

## RBC Asian Equity Fund



### Commentary as at December 31, 2022

Asian equities registered declines in 2022, primarily because of weakness in the Chinese, Taiwanese and South Korean markets, which together account for about half of the Fund's benchmark. China's adherence to harsh COVID-19 restrictions until November was responsible for weak economic growth and made Chinese stocks among the weakest performers during the year. Taiwanese and South Korean markets were hurt by falling prices for memory chips and semiconductors amid weak global demand. Indonesia, benefiting from higher commodity prices, and India, with a strong domestic economy, were notable outperformers within Asia.

Japanese equities were among the world's best-performing stocks in 2022, excluding the impact of a falling currency, given solid domestic consumption and the relaxation of restrictions on tourists entering the country. Also aiding Japan's economy was relatively low inflation, which allowed the country's central bank, the Bank of Japan (the "BOJ"), to keep interest rates lower than those in the U.S. and Europe.

Both of the Fund's holdings had a negative impact on the portfolio's returns, with the RBC Asia Pacific ex-Japan Equity Fund underperforming the RBC Japanese Equity Fund.

The portfolio manager expects China's gradual reopening to be completed only in mid-2023. As a result, the Chinese economy will be weak in the first half of 2023 given an expected spike in deaths and COVID-19 cases, followed by a consumption-driven rebound in the second half of the year. The portfolio manager expects that Australia's economic growth will slow to 1.8% in 2023, below both the 4% rate expected for 2022 and the 2.75% trend. The downshift is due to higher interest rates, which will hold back construction, and a drop in commodity prices, which account for a significant portion of the country's economy. India's GDP growth will moderate from 8% in 2022 to 6.5% in 2023, but this rate still makes India the fastest-growing large economy. Continued expansion in consumption and government expenditures is expected to support growth.

Japan's economy enters 2023 against a solid economic backdrop, with forecast GDP growth of 1.7% contrasting with GDP declines predicted for the U.S. and Europe. The BOJ surprised investors in December by widening the target range for the 10-year Japanese government bond yield, leading to a sharp rise in 10-year yields.

This has been provided by RBC Global Asset Management Inc. (RBC GAM) and is for informational purposes, as of the date noted only. Discussion of any securities in this report is not a recommendation to buy or sell any specific security, and is subject to change. It is not intended to provide legal, accounting, tax, investment, financial or other advice and such information should not be relied upon for providing such advice. RBC GAM takes reasonable steps to provide up-to-date, accurate and reliable information, and believes the information to be so when provided. Past performance is no guarantee of future results. Interest rates, market conditions, tax rulings and other investment factors are subject to rapid change which may materially impact analysis that is included in this document. You should consult with your advisor before taking any action based upon the information contained in this document. All opinions constitute our judgment as of the dates indicated, are subject to change without notice and are provided in good faith without legal responsibility. Information obtained from third parties is believed to be reliable but RBC GAM and its affiliates assume no responsibility for any errors or omissions or for any loss or damage suffered. RBC GAM reserves the right at any time and without notice to change, amend or cease publication of the information.

Please consult your advisor and read the prospectus or Fund Facts document before investing. There may be commissions, trailing commissions, management fees and expenses associated with mutual fund investments. Mutual funds are not guaranteed or covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. Mutual fund unit values change frequently. For money market funds, there can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Past performance may not be repeated. RBC Funds, RBC Private Pools, RBC Alternative Funds and PH&N Funds are offered by RBC Global Asset Management Inc. (RBC GAM) and distributed through authorized dealers in Canada.

This document may contain forward-looking statements about a fund or general economic factors which are not guarantees of future performance. Forward-looking statements involve inherent risk and uncertainties, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement. All opinions in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.