

RBC India Equity Fund



Commentary as at June 30, 2025

Indian stocks posted small gains over the first six months of 2025, with a sharp sell-off in April followed by a strong rebound in May and June. This market sequence was similar to those in most financial markets and due largely to geopolitics and U.S. President Trump efforts to impose high tariffs on trade partners. The rebound in stocks occurred after Trump partially backed down on the trade war. During the period, the Reserve Bank of India (the "RBI") took steps aimed at lowering interest rates, resulting in a pickup in consumption.

The best-performing sectors during the period were Communication Services, Materials and Financials, while Information Technology and Consumer Discretionary lagged.

Stocks that outperformed included Bharat Electronics, a defence contractor that received strong orders from the Indian government. Trent, a clothing retailer controlled by Tata Group, India's largest conglomerate, underperformed given weakening revenue growth.

The portfolio manager expects India to benefit over the long term as companies shift manufacturing away from China due to rising labour costs and trade tensions. In the near term, Indian economic indicators suggest slight weakness due to less robust corporate capital expenditures, falling income growth and concerns about the ability of households to service debt. With inflation staying below the RBI's 4% target for two consecutive months, economists forecast that India's central bank could reduce interest rates by another 0.25 percentage point to 5.25% by the end of 2025. The portfolio manager's view is that a combination of fiscal spending, monetary easing and continued economic reforms should be sufficient to maintain the economic expansion into 2026.

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