RBC Global Asset Management

RBC Life Science & Technology Fund

Commentary as at June 30, 2021

The U.S. stock market continued its momentum into the first half of 2021, extending last year's gains, as the U.S. vaccine rollout slowed the spread of COVID-19 and prompted many states to remove mask and social-distancing guidelines. The resulting improvement in personal mobility accelerated the economic recovery and corporate earnings. The equity-market rally was broad, as all 11 sectors in the S&P 500 Index registered gains during the first half of the year, with cyclical sectors including Energy and Financials leading the way.

Relative performance was aided by overweight exposure to the Communication Services sector. In addition, stock selection in the Information Technology sector, specifically among technology equipment and hardware stocks, bolstered returns. An overweight allocation to Fortinet, a provider of cybersecurity tools, was a positive for the portfolio, as was an overweight position in Nvidia, which experienced strong demand for its graphics chips.

The Fund's returns were held back by a lack of exposure to Microsoft, a technology stock that performed well. In the Health Care sector, an overweight position in MindBeacon Holdings held back returns.

The stock rebound over the past 12 months has been one of the strongest equity-market rebounds on record, and it seems prudent to consider the possibility that returns will not be as attractive in the near term.

Historically high savings and increased mobility should continue to drive economic activity and demand for labour, lifting consumer confidence and redoubling economic activity and job creation. This positive feedback loop should last well into next year, in the view of the portfolio manager. The portfolio manager also believes that equity valuations are likely to remain high until macroeconomic risks start to creep back. Examples of these risks include the spread of COVID-19 variants, a significant rise in interest rates and increased regulations and taxes.