



## RBC Vision Canadian Equity Fund

### Commentary as at December 31, 2023

Canadian equities rose in 2023 but underperformed most major markets given Canada's concentrated exposure to stocks in the Financials and Energy sectors and a relatively low number of high-flying technology companies. Most of the index gains came in the latter half of 2023 as investors grew more optimistic that two years of uncomfortably high inflation had been brought under control.

In this environment, speculation arose that the Bank of Canada (the "BOC") would begin to roll back interest rates in a bid to rejuvenate an economy weakened by soaring mortgage rates and high consumer-debt levels. Inflation, however, remained at 3.1% near year-end, above the 2% target, and the BOC's benchmark interest rate stood at 5%. Weaker growth, both domestic and global, led Canada's banks to increase their reserves for loan losses and kept energy prices in check.

The sectors that had the most positive impact on the Fund's returns were Information Technology, Communication Services and Utilities, while exposure to Financials, Consumer Staples and Materials had a negative impact.

At the sector level, the Fund had overweight exposure to Financials, Industrials and Real Estate and underweight exposure to Consumer Staples, Materials and Communication Services.

While a recession was avoided in 2023, the economy may slow over the next year, in the view of the portfolio manager, limiting equity gains in the near term. The portfolio manager believes, however, that economic growth and earnings should rebound at some point in 2024 as long as declines in interest rates and inflation are sustained.

During 2023, one issuer was deemed ineligible by Sustainalytics and subsequently removed from the Fund for failing to meet the Fund's ESG exclusion criteria. In this instance, SilverCrest Metals, Inc. was divested from the Fund because the issuer had poor ESG performance relative to its industry peers under the Fund's Relative Scoring criteria. Specifically, the issuer's overall level of unmanaged ESG risk, as measured by Sustainalytics' ESG Risk Rating, was considered 'severe', and ranked in the bottom quartile compared with its industry peers, as defined by Sustainalytics. No other material investment decision was made based on the ESG exclusion criteria during 2023. In the opinion of Sustainalytics and RBC GAM, all other holdings in the Fund were eligible at the time of review.

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