RBC Global Asset Management

RBC Premium $U.S. Money Market Fund

Commentary as at June 30, 2025

The U.S. Federal Reserve (the "Fed") kept its benchmark interest rate steady during the period, and U.S. rates therefore remained high relative to other developed markets during the period. The Fed funds rate ended the period in the Fed's target range of 4.25% and 4.50%, the same as it had been since the Fed last cut rates in December 2024.

The economy has weakened since the start of April, when U.S. President Donald Trump initiated a trade war by implementing high tariffs on key trading partners in what he said was an attempt to bring manufacturing jobs back to the U.S. Concern that the tariffs would reignite inflation prompted the Fed to balance the risks of a weaker economy, which generally leads to rate cuts, and firmer inflation, which generally does not. Accordingly, the portfolio manager focused on locking in higher yields where available but without investing too much of the Fund's assets in securities maturing at long end of the money market between nine months and one year.

The Fund's holdings consisted mainly of higher-yielding asset-backed commercial paper, which offers a wider range of maturities. The availability of higher-yielding short-term corporate securities continues to be limited. Regulatory liquidity was satisfied through the holding of positions in overnight term deposits and U.S.-dollar-denominated provincial and federal government paper.

The Fed will spend the rest of 2025 navigating between the need to stimulate the economy while at the same time preventing faster inflation. The portfolio manager expects trade-policy uncertainty to continue to weaken the economy and eventually lead to Fed cuts. In this environment, the portfolio manager will look for opportunities to lock in higher rates.

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