

RBC O'Shaughnessy U.S. Growth Fund II



Commentary as at December 31, 2023

Stocks performed well in most major markets in 2023, led by U.S. large-capitalization technology stocks benefiting from optimism about recent advances in artificial intelligence. Stocks were bolstered overall by strong U.S. economic growth, while weaker expansions in Europe, Asia, and Canada were generally aligned with equity performances in those markets.

Optimism that two years of interest-rate hikes were coming to an end offset a host of negative news over the course of 2023, including a short-lived U.S. banking crisis in March; mid-year concerns that a recession would unfold; and the outbreak in October of war in the Middle East. Most of the equity gains in 2023 came in November and December, once investors were comfortable that the drop in inflation was sustainable.

The Fund's allocation to companies that rank high in the areas of value and momentum had a positive impact on overall performance. Stock selection in companies ranking high in financial strength, earnings growth and earnings quality also contributed to returns. The Fund's exposure to stocks that were less volatile than the benchmark limited performance.

From a sector perspective, an underweight allocation to Health Care and overweight allocation to Industrials aided performance, while overweight positions in Energy and Materials were negatives. Stock selection in the Information Technology and Consumer Staples sectors aided performance, while limiting returns in Health Care, Financials, and Energy. Overweight positions in Jabil and Qualys aided performance, while underweight exposure to Trex and MicroStrategy held back returns.

It is the policy of the fund to maintain currency hedges at all times in order to neutralize exchange-rate movements between the U.S. dollar and the Canadian dollar. This policy had a negative effect on returns during the period.

During the period, the Fund decreased allocations to the Health Care, Real Estate Materials, and Energy sectors and increased allocations to Industrials, Financials, Consumer Discretionary, and Information Technology.

The portfolio manager has no recent developments to report.

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