

RBC Vision Fossil Fuel Free Emerging Markets Equity Fund



Commentary as at December 31, 2025

Emerging-market stocks recorded significant gains in 2025, outperforming developed markets for the first time in five years as the U.S. dollar weakened and Chinese equities rebounded from their mostly poor relative performance since the pandemic. Investors in emerging markets were also able, for the time being, to sidestep some of the negative impact of U.S. President Donald Trump's punitive tariffs as emerging markets, especially China, had success expanding trade relationships outside developed markets. Emerging markets' increasing exposure to the technology sectors bolstered performance, as they have been responsible for most of the stock market's significant gains in recent years, and currency strength was a big contributor to returns as the U.S. dollar declined.

Strong stock selection was the primary driver of relative performance, with returns aided by choices in the Financials and Information Technology sectors. An overweight allocation to the Consumer Staples sector hurt relative performance, while the absence of exposure to Energy provided the largest positive contribution. At the country level, a complete lack of exposure to Saudi Arabia benefited relative returns, as did stock selection in South Korea.

The positions that contributed the most to relative returns over the period were SK Hynix, Antofagasta, Delta Electronics, Shinhan Financial Group and Samsung Fire & Marine Insurance. The positions that hurt returns the most were Tata Consultancy Services, SM Investments, Dr. Reddy's Laboratories, HDFC Bank and Voltronic Power Technology.

The challenges faced by emerging-market equities appear to be receding somewhat. China's performance has improved and is supporting overall emerging-market returns, and the sub-advisor believes emerging-market strength is poised to continue amid economic reforms and a recovery in domestic consumption.

U.S.-dollar weakness is another element that tends to favour emerging-market stocks, and the U.S. dollar's decline this year versus emerging-market currencies may signal the start of a longer-term trend.

Emerging-market equities are benefiting from broad shifts in portfolio exposure in terms of sector and stock selection. Technology and consumer stocks make up a greater share of emerging markets, enabling investors to diversify beyond traditional avenues such as natural resources. Moreover, emerging-market valuations remain attractive based on measures such as book value.

Sustainalytics conducted reviews covering the Fund's holdings in 2025. In the opinion of Sustainalytics and RBC GAM, all holdings in the Fund were eligible at the time of review based on the Fund's ESG exclusion criteria. During 2025, no holdings were removed from the Fund for failing to meet the ESG exclusion criteria.

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