

RBC Emerging Markets ex-China Dividend Fund



Commentary as at December 31, 2023

Emerging-market equities rose in 2023 to halt two years of declines, after subsiding inflation triggered interest-rate cuts and their promise of faster economic growth. The Information Technology sector drove emerging and developed markets, following the U.S., on expectations that advances in artificial intelligence (“AI”) would spur demand for computer chips and other technology needed to fuel AI.

India and Taiwan were buoyed by strong demand in the Information Technology sector. India also gained on renewed global interest from investors, as economic growth and the country’s relatively young population make it appealing relative to many other emerging markets. Companies in Mexico, Indonesia, and India were among the beneficiaries of plans by Western companies to shift some of their production away from China.

Stock selection in the Financials and Information Technology sectors were positive for performance, along with above-benchmark exposure in the Information Technology sector. At the country level, stock selection in Taiwan was a positive, and the absence of exposure to Saudi Arabia and Malaysia also benefited relative returns. Stock selection in Brazil was negative, offset by an above-benchmark weighting in the country.

The top contributors to the Fund’s relative returns were Elite Materials, X5 Retail Group, and MediaTek, Holdings that limited returns during the period were E-MART, Intelbras, and Redington.

Emerging-market returns are based largely on movements in the U.S. dollar, and the U.S. dollar’s strength over the past decade has limited the performance of emerging-market equities. There are, however, reasons to believe that this trend may reverse. Firstly, U.S. Federal Reserve (the “Fed”) may be embarking on interest-rate cuts in 2024, which tend to coincide with a weakening U.S. dollar. Moreover, further declines in emerging-market currencies should be limited by their attractive valuations, relatively high inflation-adjusted interest rates, and strong current accounts.

Aside from currency considerations are two factors that should support emerging-market performance over the medium term. First, emerging-market corporate earnings, and economic growth look set to improve from cyclically low levels, driven by improved productivity, structural reforms, and growth-friendly fiscal policies. Second, emerging-market stocks are attractively valued, particularly relative to developed markets, following the significant underperformance of recent years.

This has been provided by RBC Global Asset Management Inc. (RBC GAM) and is for informational purposes, as of the date noted only. Discussion of any securities in this report is not a recommendation to buy or sell any specific security, and is subject to change. It is not intended to provide legal, accounting, tax, investment, financial or other advice and such information should not be relied upon for providing such advice. RBC GAM takes reasonable steps to provide up-to-date, accurate and reliable information, and believes the information to be so when provided. Past performance is no guarantee of future results. Interest rates, market conditions, tax rulings and other investment factors are subject to rapid change which may materially impact analysis that is included in this document. You should consult with your advisor before taking any action based upon the information contained in this document. All opinions constitute our judgment as of the dates indicated, are subject to change without notice and are provided in good faith without legal responsibility. Information obtained from third parties is believed to be reliable but RBC GAM and its affiliates assume no responsibility for any errors or omissions or for any loss or damage suffered. RBC GAM reserves the right at any time and without notice to change, amend or cease publication of the information.

Please consult your advisor and read the prospectus or Fund Facts document before investing. There may be commissions, trailing commissions, management fees and expenses associated with mutual fund investments. Mutual funds are not guaranteed or covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. Mutual fund unit values change frequently. For money market funds, there can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Past performance may not be repeated. RBC Funds, RBC Private Pools, RBC Alternative Funds and PH&N Funds are offered by RBC Global Asset Management Inc. (RBC GAM) and distributed through authorized dealers in Canada.

This document may contain forward-looking statements about a fund or general economic factors which are not guarantees of future performance. Forward-looking statements involve inherent risk and uncertainties, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement. All opinions in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.