



RBC Emerging Markets Foreign Exchange Fund

Commentary as at December 31, 2023

Emerging-market currencies, were kept afloat by higher nominal and inflation-adjusted interest rates, strengthened in 2023 against their developed-market peers. Currencies in Latin America performed particularly well as central banks in the region were the most aggressive in hiking rates in 2022 and early 2023. As a result, the Fund benefited significantly from positions in Latin American currencies.

The U.S. dollar weakened significantly in late 2023 as bond and equity markets rallied. The portfolio manager took advantage of the U.S.-dollar declines to reduce holdings of riskier emerging-market currencies. Even so, the portfolio retained a riskier profile than it did at the end of the first half of 2023 given the weak longer-term outlook for the U.S. dollar.

The portfolio held underweight allocations to Asian currencies that are typically more stable. Disappointing economic data in China following the loosening of COVID controls and concerns about defaults in the country's Real Estate sector caused China's currency, the renminbi, to weaken. Efforts by the central bank to put a floor under the renminbi were successful, but there was no effort to actively push it higher. Other Asian currencies remained weak by association.

The portfolio manager added exposure to bonds denominated in local currencies in 2023. These securities, which did not add significantly to the riskiness of the Fund, should benefit as emerging-market central banks extend interest-rate reductions over the course of 2024. The Fund held positions in currencies in Eastern Europe and Africa, which like those in Latin America, usually outperform when the U.S. dollar declines. However, the impact of these holdings was much less significant.

The portfolio manager believes that emerging-market currencies offer less scope for appreciation over the next six to 12 months after 2023's attractive gains. That said, slowing U.S. economic growth and the country's rising budget deficits suggest that U.S. dollar will fall over the next year. Moreover, forecasts of Chinese and European economic growth also seem overly pessimistic, raising the likelihood that the U.S. dollar will experience broad weakness in 2024.

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.