

RBC \$U.S. Short-Term Corporate Bond Fund



Commentary as at June 30, 2024

U.S. bonds posted slight declines overall during the first half of 2024, as yields trended higher during the period, pushing down bond prices. However, shorter-term U.S. government securities and bonds perceived to have federal backing (agency bonds) outperformed corporate securities. Worries that inflation would persist prompted the U.S. Federal Reserve (the “Fed”) to put off lowering its benchmark interest rate during the period, in contrast to expectations at the beginning of the year that there would be several reductions.

The Fund’s relative performance was helped by security selection, particularly in the areas of banking and energy. Especially strong security selection among A rated issuers contributed significantly to relative returns, as did an overweight allocation to lower-quality BBB rated issuers.

The Fund continues to favour large companies with a domestic focus and that operate in industries less sensitive to changes in the rate of economic growth, as well as companies with stable to improving credit profiles and that are in the process of reducing debt. The Fund remains overweight in areas where regulations are favourable to bondholders, including banking and telecommunications.

Futures markets indicate no more than two Fed cuts for the balance of 2024. The fed funds rate continues to sit at the highest levels since 2000. While the U.S. economy remains resilient, some weakness in labour markets and consumption are conducive to rate cuts in the coming months.

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