

# RBC Vision Fossil Fuel Free Global Equity Fund



## Commentary as at June 30, 2022

Global equity markets were weak during the first half of 2022, as Russia's invasion of Ukraine in February created shortages of fuel and grain, exacerbating worldwide inflationary pressures. Moreover, the pandemic continued to disrupt supply chains, leading to higher prices for a range of manufactured goods, and the economic re-opening produced very low unemployment, making it harder for service companies to recruit and retain staff.

Amid rising inflation, central bankers put through a number of interest-rate increases and warned investors to expect more. The global rise in interest rates had a negative effect on capital markets as higher rates push down bond prices and often lead to slower growth in the economy and corporate profits, which is generally bad for equities.

Inflationary pressures were most negative for growth stocks, which have a high proportion of their value coming from long-term factors and which often have significant intangible assets. Conversely, investors favoured stocks of companies with real assets (commodities, real estate) and those that produce shorter-term cash flows. Energy stocks were particularly strong, helped by higher fuel prices.

The Fund benefited from positions in T-Mobile US, AIA Group and UnitedHealth. Performance was limited by holdings in SVB Financial, Nvidia and Microsoft.

The war in Ukraine has changed the geopolitical calculus affecting a wide range of industries. For some, the changes will be a threat, but they will create opportunities for others. The sub-advisor responded to this new macroeconomic reality over the six-month period by reducing exposure to businesses that rely on discretionary spending and favouring those with simpler supply chains and which are less exposed to geopolitical threats. Going forward, the sub-advisor believes that attention to these considerations will position the portfolio to cope with the current geopolitical and economic situation.

Sustainalytics conducted one review covering the Fund's holdings in the first half of 2022. Eligibility was determined in relation to the Environmental, Social and Governance ("ESG") criteria developed by RBC GAM in consultation with Sustainalytics. In the opinion of Sustainalytics, all holdings in the Fund were eligible in the latest review, based on the above criteria. During the first half of the year, no companies were removed from the Fund for failing to meet the ESG criteria.

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