

RBC Vision Fossil Fuel Free Global Equity Fund



Commentary as at December 31, 2025

The optimism related to deregulation and economic revival that greeted President Trump's election at the end of 2024 gave way to policy uncertainty in early 2025, with Europe obliged to shoulder more of the responsibility for its own security and widespread U.S. import tariffs changing the structure of international trade. The possibility that tariffs could lead to excessive inflation and push interest rates back up caused equity markets to temporarily sell off at the beginning of the second quarter. However, the U.S. administration responded to the increased volatility by deferring many of the measures.

The effect of the U.S. policy shifts prompted many European governments to boost fiscal spending, in part to pay for the rearmament deemed necessary after Trump asked Europe to accept more of the defence-spending burden and as Russia's war in Ukraine dragged on. The changes particularly benefited stocks of defence firms and banks, which would benefit from more profitable lending opportunities.

In the U.S., equity markets were driven by an expansion in the use of artificial intelligence ("AI") and continued technological advances that led to increased investment in data centres, semiconductors and energy farms. As a result, the Information Technology sector performed strongly, and the market's overall performance was increasingly dominated by a comparatively small group of highly valued companies. This investment backdrop created a challenging environment for stock selection, as the absence of just one of the high-flying stocks in a portfolio could have a disproportionate impact on relative returns. Relative returns lagged in the Information Technology and Financials sectors, only partially offset by stronger results in Materials and Communication Services.

The Fund benefited from positions in Safran, AppLovin and Mitsubishi Electric. Performance was limited by holdings in UnitedHealth Group, Recruit Holdings and Accenture.

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.

Earnings expectations suggest another year of progress for global equity markets, although valuations are somewhat stretched. There remain enticing opportunities to buy and own attractively valued companies with strong balance sheets and earnings potential, especially in industries that tend to get overlooked given the attention lavished on AI technology businesses. The sub-advisor continues to believe that investors' long-term interests are best served through a portfolio focused on well-run companies that are judged best able to thrive over the long term.

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