

RBC U.S. Small-Cap Value Equity Fund



Commentary as at December 31, 2024

U.S. equity markets posted solid overall gains in 2024. Small-cap stocks underperformed large-cap stocks as a limited number of mega-cap technology stocks propelled large-cap indexes. In the third quarter of 2024, the U.S. Federal Reserve (the “Fed”) delivered its first interest-rate cut since the pandemic. By the end of the year, the Fed’s benchmark rate had been lowered by a full percentage point, easing mortgage and other borrowing costs for consumers. In December, comments by Fed Chair Jerome Powell lowered investors’ expectations regarding the number of interest-rate reductions in 2025. Fed rate cuts have generally been good for small-cap stock performance relative to large-cap stocks.

The Fund’s underperformance versus its benchmark was due to stock selection in the Materials, Consumer Staples and Energy sectors, partially offset by the positive impact of stock selection in Consumer Discretionary, Information Technology and Financials.

The individual stocks that had the largest negative impact on relative returns were Par Pacific, Atkore and MGP Ingredients, while Super Micro Computer, Barrett Business Services and Globus Medical had a negative effect.

Any softness in economic activity may prove to be relatively minor and short-lived, and the sub-advisor remains positive on the longer-term outlook for U.S. small-cap stocks. In all economic sectors, the sub-advisor continues to emphasize strong balance sheets and cash flow, improving profit margins, and leading market positions.

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.