# RBC Global Precious Metals Fund

## Commentary as at December 31, 2022

Prices of precious metals were mixed during 2022, as the negative impact of interest rates at their highest level in four decades offset the positive effect of investors' search for traditional safe-haven assets after Russia's invasion of Ukraine early in the year.

Precious metals and related equities rallied to start 2022, as the Russia-Ukraine war and concern that the NATO might get drawn into the conflict increased safe-haven demand. The price of gold climbed 13% to a high of US$2,050 an ounce in the aftermath of the invasion and precious-metal equities gained 30%. However, the rally stalled in April after the U.S. Federal Reserve (the "Fed") initiated a series of aggressive interest-rate hikes to rein in the fastest inflation since the early 1980s caused in part by disruptions to global supply chains. The Fed's raising of its benchmark interest rate by a total of 4.25 percentage points in just nine months significantly pressured gold, which becomes less attractive when rates rise because it offers no income.

For all of 2022, gold prices were essentially flat, while silver and platinum rallied nearly 3% and 11% respectively, and palladium lost 6%.

Development-stage gold companies in the Fund were hurt by rising capital costs for projects and an environment in which rising rates and weak equity markets made it more difficult to obtain financing. For producers, high inflation meant narrower profit margins. Stocks held in the Fund that had a negative impact on relative performance included Marathon Gold, which approved construction of its Valentine Lake Gold project in Newfoundland. Overweight companies that added to relative performance included Reunion Gold, which made a new discovery at its Oko West project in Guyana, and Yamana Gold, which agreed to be acquired by Pan American Silver and sell its Canadian assets to Agnico-Eagle Mines.

The portfolio manager remains optimistic about the outlook for precious metal equities given indications that inflation has begun to ebb and the economy to slow – conditions that could prompt the Fed to pivot to a reduction in interest rates. The portfolio manager continues to invest primarily in higher-quality companies with superior assets, disciplined management and a focus on shareholder returns and free cash flow. The Fund also holds small mining companies with attractive deposits, some of which could become takeover targets as larger companies seek to bolster reserves. The greatest risks to the outlook include an aggressive anti-inflation stance by the Fed, resulting in further U.S.-dollar strength and rising inflation-adjusted yields.