

## RBC European Dividend Fund



### Commentary as at December 31, 2021

European equity markets climbed in 2021 as the global economy continued its recovery from the effects of the COVID-19 pandemic. Stocks rose steadily during the first six months of the year given an easing of pandemic-related social restrictions the pursuit by central banks of policies aimed at supporting economic growth. However, equities fell toward the end of 2021 after the emergence of a new coronavirus variant and amid concern about rising interest rates in response to inflationary pressures.

Inflation in the eurozone hit 4.9% in November, the highest level since the euro currency was created two decades ago. The increase, driven partly by rising energy prices, put pressure on the European Central Bank to rein in monetary stimulus. The Bank of England, meanwhile, raised interest rates in December, the first time in three years that the U.K. central bank had carried out a rate hike.

The stock markets of Austria, the Netherlands and Norway were Europe's best-performing stocks markets in 2021, and Portugal was the worst, with Spain and Belgium also performing poorly. At the sector level, Information Technology and Energy were the strongest performers, whilst Real Estate and Utilities were the worst-performing. The Fund's underweight position in the Energy sector held back portfolio returns, while performance benefited from Financials-sector exposure that was in line with the benchmark. Among individual stocks, ASM International, a Dutch producer of gear used to manufacture semiconductors, was the biggest contributor to the Fund's performance, and ING Groep a Dutch bank, ranked second. Ubisoft Entertainment, a French gaming-software company, held back returns the most.

The emergence of the Omicron coronavirus variant serves as a reminder to investors that the pandemic remains a powerful influence on both the economy and financial markets. The degree to which governments will feel forced to reintroduce social restrictions is likely to dictate which stocks perform well in the months ahead and which underperform. Another looming issue is how central banks will attempt to control inflation, especially as much of the current inflation seems driven as much by a lack of supply as by excessive demand, the latter of which is the kind of inflation that rate hikes tend to address. Central banks will have to be careful about the pace at which they make adjustments to the winding-up of asset purchases and undertake interest-rate hikes – their two main policy tools for slowing inflation.

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, BlueBay Funds, PH&N Funds and RBC Corporate Class Funds are offered by RBC Global Asset Management Inc. 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.