RBC $U.S. Investment Grade Corporate Bond Fund

Commentary as at June 30, 2024

U.S. fixed income recorded modest declines during the first half of 2024, with bond yields moving somewhat higher during the period. Short-term debt outperformed as higher-than-desired inflation kept the U.S. Federal Reserve (the “Fed”) from lowering interest rates from the highest levels in more than two decades. The Fed’s reluctance to cut its policy rate contrasted with what investors had been expecting at the beginning of the year, when as many as three rate decreases were expected in the first half. Inflation remained elevated due to the resilient U.S. economy, which resulted in a robust jobs market and generated strong consumer spending. By the end of the period, these indicators had started to show signs of slowing.

The Fund’ relative performance benefited from security selection, particularly in the Utilities, Financials and Information Technology sectors. The Fund was also aided by an overweight allocation to lower-quality, BBB rated, issuers, which outperformed higher-quality issuers. Security selection among A rated and BBB rated issues was a boost to relative performance as well.

Inflation shows signs of cooling and financial-market indicators suggest that the Fed will lower rates no more than two times over the second half of 2024.

The sub-advisor does not anticipate any significant changes to the Fund’s positioning for 2024. The Fund continues to favour large companies with a domestic focus and that operate in industries that are less sensitive to changes in the rate of economic growth. The Fund is overweight in areas where regulations are favorable to bondholders, including technology and electricity. The largest current underweight is to the Consumer Staples sector.