

RBC U.S. Mid-Cap Value Equity Fund



Commentary as at June 30, 2024

U.S. equity indexes extended their robust gains into 2024 driven by the small number of large-cap stocks that have accounted for most of the returns in recent years. Optimism about advances in artificial intelligence (“AI”) led to exceptional returns for Nvidia, Microsoft, Meta Platforms, Google and a handful of other technology companies that investors believe will benefit most from AI. Excluding those stocks, U.S. equity indexes were relatively subdued.

Stocks were also bolstered by resilient economic growth, which offset the U.S. Federal Reserve’s (the “Fed”) decision to delay interest-rate cuts after inflation continued to exceed the central bank’s 2% target.

The Fund’s relative exposure to Vertiv Holdings, Tenet Healthcare and Dick’s Sporting Goods had the most positive impact on the Fund’s returns, while relative exposure to Lithia Motors, Global Payments and Dollar Tree was negative for performance.

The sectors that had the most positive impact on the Fund’s returns were Industrials, Health Care and Information Technology, while exposure to Real Estate, Energy and Consumer Staples had a negative impact.

The Fund had overweight positions in iShares Russell Mid-Cap Value ETF, KKR & Co and Regency Centers and underweight positions in Fidelity National Information Services, Prudential Financial and Coinbase Global.

At the sector level, the Fund had overweight exposure to Health Care, Information Technology and Energy and underweight exposure to Materials, Industrials and Utilities.

The portfolio manager expects inflation to continue falling toward the Fed’s target, as areas such as housing and auto insurance start to moderate after several years of significant increases. The portfolio manager believes that the economy will avoid recession, and that performance will be less concentrated in the large-cap names that have been dominating performance.

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