

RBC Canadian Small & Mid-Cap Resources Fund



Commentary as at June 30, 2025

The price of Brent crude, the global benchmark for crude oil, declined 9% during the first six months of 2025 to US\$68 per barrel as OPEC increased supply after several years of reductions. OPEC, a cartel that includes many of the largest oil suppliers, and aligned producers had in recent years restricted production to prevent a glut from developing amid production growth in non-OPEC countries such as Brazil, Guyana and Canada.

The Fund's energy positions contributed to relative performance, driven by holdings in oil and gas producers Veren, ARC Resources and Advantage Energy. Veren was acquired by Whitecap Resources at a premium, while ARC Resources and Advantage Energy benefited from strong natural-gas prices. The impact of these holdings was partially offset by a lack of exposure to Terravest Industries, a manufacturer of steel and fiberglass tanks for storing and transporting oil and gas products.

The Fund's positioning in the Materials sector held back relative performance. Lumber prices declined in response to the threat of U.S. tariffs but recovered some of the decline over May and June. Similarly, U.S. tariffs weighed on the share prices of Canadian steel producers. Copper stocks were volatile as the price of copper fluctuated, given the expected impact of tariffs and tightening supply. The Fund's performance benefited from limited exposure to steel producer Algoma Steel, which was offset by exposure to chemical producers Methanex and Canadian lumber producer West Fraser Timber.

The effect of trade policy, Chinese economic stimulus and monetary policy remain uncertain. Commodities such as lumber and potash are trading closer to their cost of production and could benefit if interest rates decline, or demand improves. Copper and uranium miners continue to benefit from consolidation.

OPEC's decision to return curtailed the supply of crude oil could continue to weigh on oil prices. As crude-oil prices have declined, oil and gas producers with strong balance sheets and long-life reserves remain better positioned than those that direct capital toward production growth. The portfolio manager continues to favour energy producers that are committed to building a track record of transparency regarding environmental, social and governance standards.

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