



RBC Target 2030 Education Fund

Commentary as at June 30, 2025

Trade negotiations dominated the direction of financial markets during the first six months of 2025 as early optimism that the Trump administration would focus on deregulating the economy gave way to concern that he would instead implement across-the-board tariffs on U.S. trade partners. The U.S. Federal Reserve left its benchmark interest rate unchanged in a range between 4.25% and 4.50% as concern that the tariff war would spark inflation outweighed worries that the economy was slowing.

Government fixed income delivered overall gains in the first half of 2025, as coupon income from bonds issued in the U.S. and China and rising bond prices in emerging markets offset the negative impact of rising interest rates and falling bond prices in Europe and Japan. Canadian bonds delivered minimal returns through the first six months of 2025, as concerns regarding higher-than-expected inflation from U.S. tariffs led investors to demand higher yields on most fixed-income securities. Riskier emerging-market bonds delivered strong gains, outperforming investment-grade issuers such as China, Malaysia and Indonesia.

U.S. stocks retreated from all-time highs established early in the year after Trump announced his tariffs but then rebounded to finish the period near their highs. The Information Technology sector continued to support U.S. equities, while the Consumer Discretionary sector lagged. One of the most notable emerging-market developments in 2025 was the release of an artificial-intelligence ("AI") model introduced by China's DeepSeek. The release of this AI service, which might be competitive with U.S. AI leaders such as ChatGPT, boosted investor impressions of Chinese technology companies and emerging-market technology stocks in general.

Tariffs will exert a substantial drag on economic growth over the second half of 2025, but probably not to the extent of causing a global recession. The portfolio manager looks for mid-single-digit returns from sovereign bonds over the year ahead, with only modest valuation risk. Stocks offer slightly better return potential, particularly outside of U.S. large caps. In the equity portion of the Fund, the portfolio manager has tilted away from expensive U.S. large-cap stocks in favour of non-U.S. stocks, particularly in Europe, where valuations are more appealing.

On or about November 21, 2025, RBC Target 2025 Education Fund will have reached its maturity date and RBC GAM will terminate it accordingly. All outstanding units of RBC Target 2025 Education Fund will be cancelled on the maturity date and unitholders will receive units of the RBC Canadian Money Market Fund in exchange.

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