RBC Global Asset Management

RBC O'Shaughnessy Canadian Equity Fund

Commentary as at December 31, 2023

Stocks performed well in most major markets in 2023, led by U.S. large-capitalization technology stocks benefiting from optimism about recent advances in artificial intelligence. Stocks were bolstered overall by strong U.S. economic growth, while weaker expansions in Europe, Asia, and Canada were generally aligned with equity performances in those markets.

Optimism that two years of interest-rate hikes were coming to an end offset a host of negative news over the course of 2023, including a short-lived U.S. banking crisis in March; mid-year concerns that a recession would unfold; and the outbreak in October of war in the Middle East. Most of the equity gains in 2023 came in November and December, once investors were comfortable that the drop in inflation was sustainable.

Measures of shareholder yield and value contributed to the Fund's returns, while momentum was a negative. Performance was mixed in terms of financial strength, earnings growth, and earnings quality. The Fund's bias against large-capitalization companies in the benchmark limited performance.

From a sector perspective, an overweight in Information Technology was the largest contributor, and an underweight allocation to Materials also aided returns. Overweight positions in the Consumer Discretionary and Consumer Staples sectors held back returns. Stock selection in the Communication Services, Consumer Discretionary and Materials sectors aided performance, while holding back returns in Information Technology and Health Care. The Fund's lack of exposure to First Quantum Materials bolstered gains, as did holdings in Microsoft and Nvidia. A lack of relative exposure to Shopify held back returns the most among investment decisions involving individual stocks.

It is the policy of the Fund to maintain currency hedges at all times in order to neutralize exchange-rate movements between the U.S. dollar and the Canadian dollar. This policy had a negative effect on returns during the period.

During the period, the Fund decreased allocations to the Materials and Utilities sectors and increased allocations to Information Technology, Energy, Consumer Staples, and Industrials sectors.

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