

RBC Global Technology Fund



Commentary as at June 30, 2024

The Fund's two main investing areas, the Information Technology and Communication Services sectors, both outperformed the broader stock market during the first half of 2024. Advances in artificial intelligence ("AI") continued to drive exceptional returns for the "Magnificent 7" - the world's largest companies in terms of market capitalization including Nvidia, Microsoft and Apple.

Computer-hardware and semiconductor companies also performed well as they benefited from high levels of demand due to the build-out of AI data centres. Anticipation that interest rates would be coming down also helped fuel some of the gains, as fast-growing companies tend to be particularly sensitive to changes in rates. Nvidia, which briefly became the largest single largest company in terms of market value during the period, weighed on the Fund's relative returns due to the Fund's underweight exposure.

Contributing to relative returns during the period was stock selection in the Information Technology sector, particularly with regard to semiconductor-related companies, but returns were offset by underweight exposure to the sector as a whole. Semiconductor-related businesses benefited from strong demand for AI chips and early signs of a recovery in demand from industrial customers. Software stocks performed less well as companies shifted technology spending to AI at the expense of software.

Visa and Mastercard also hurt performance as technology stocks tied somewhat to finance could not keep up with sectors more directly linked to technology. Pure Storage was a notable contributor to relative returns given rising demand for storage of both AI and non-AI workloads.

While macroeconomic risks could have a near-term influence on performance, valuations for the average technology company remain reasonable in the view of the portfolio manager. Geopolitical risks are an important factor to monitor given the global nature of technology supply chains. Longer-term trends supporting technology, including digitization and AI, remain on track.

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