

# RBC Global Technology Fund



## Commentary as at December 31, 2023

The Fund's two main investment segments, the Information Technology and Communications Services sectors, significantly outperformed the broad stock market in 2023, as a small number of companies linked to advances in artificial intelligence ("AI") significantly supported returns. Technology companies were also aided by optimism that slowing inflation would enable major central banks to begin lowering benchmark interest rates after the most significant increases in decades. Technology companies tend to benefit from lower interest rates since their valuations are sensitive to changes in rates.

An overweight position in the Communication Services sector and underweight allocation to Information Technology, benefited relative performance. In the Information Technology sector, Visa, Mastercard and several other payment processors held in the Fund had a negative impact on performance. In March, payment processors were removed from the Fund's benchmark and stocks in the industry subsequently underperformed significantly. Their retention in the Fund, therefore, was negative for returns. An underweight allocation to semiconductors also had a negative impact on the Fund's performance.

The Fund's outperformed its benchmark because of stock selection. In the Information Technology sector, exposure to the software companies Adobe, Salesforce, and Palo Alto Networks contributed to performance. Shopify, a Canadian holding, also aided performance.

In the Communication Services sector, an underweight position in Disney and overweight in Meta Platforms (formerly Facebook) contributed to performance. Meta benefited from cost-cutting, a recovery in ad spending, and speculation that it would be among the beneficiaries of AI.

Valuations for the Information Technology and Communications Services sectors in early 2024 are relatively high, but, in the view of the portfolio manager, the outlook remains strong. Many companies in these sectors have reduced costs significantly and as a result, more of their revenues should filter through to the bottom line. Any declines in interest rates would also tend to benefit technology valuations. The biggest risk for technology companies would be the onset of a recession.

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