RBC Global Dividend Growth Fund

Commentary as at December 31, 2021

Global equities delivered solid returns to investors in 2021, with world economic growth rebounding after widespread COVID-19 vaccinations allowed economies around the world to reopen. Toward the end of the year, returns were limited by the emergence of a highly contagious coronavirus variant and the fastest inflation in decades driven by severe supply-chain disruptions and shortages of raw materials and workers, particularly in the U.S.

The year could be separated into four phases: it began with anticipation that COVID vaccinations would create a pathway back to a post-pandemic “normal.” This phase led to a “junk rally,” with hope returning to struggling business models and was a headwind for portfolio performance due to an underexposure to such businesses. Stocks exposed to an economic recovery, including energy equities, did especially well during this phase. A period ensued during which there was a renewed focus on company results, allowing portfolio performance to recover with good gains from stock selection.

As the year progressed, it became clear that supply-chain disruptions in the face of elevated demand were leading to price increases for many goods, sparking debate over whether inflation would be contained or spread more widely and rise to levels that would require interest-rate hikes. As the year drew to a close, the emergence of the new coronavirus variant, Omicron, added another source of uncertainty for investors, as they considered the likely size and duration of possible disruption.

The Fund’s returns benefited from positions in Blackstone, Nvidia and Microsoft. Stocks that held back the portfolio performance included Orsted, Neste and MarketAxess.

The arrival of the new coronavirus variant has, for now, complicated the economic recovery and progress on what investors had assumed would be a decent amount of monetary tightening. Should the Omicron variant prove less harmful, it could mark an important step toward the virus becoming endemic and less economically threatening.

However, should Omicron prove difficult to manage, we would likely see the reappearance of restrictive government policies that would have a negative impact on corporate profitability.

Whichever scenario emerges, the sub-advisor continues to believe that investors’ interests will be best served by owning strong and sustainable businesses. Such businesses are likely to benefit from competitive advantages that enable them to maintain profit margins and capture the opportunities arising from the changing business environment.