

RBC Select Choices Aggressive Growth Portfolio



Commentary as at December 31, 2025

The global economy and financial markets largely withstood the impact of new U.S. trade barriers, as the positive impact of government stimulus and artificial intelligence (“AI”) on growth underpinned returns for the year as a whole. The announcement of higher tariffs in the first half of 2025 produced a temporary plunge in stocks and corporate bonds on concern that U.S. policy would curtail global growth. However, trade deals proved less punitive than had been feared, many central banks cut interest rates, and more companies began to benefit from the cost savings offered by AI. The global expansion was also bolstered by capital expenditures related to building out the infrastructure required for AI, especially in the U.S. and China.

Following a volatile start to 2025, equity markets ultimately found their footing and rewarded investors with strong returns in most major markets. In the U.S., equities were driven by AI and continued technological advances that led to increased investment in data centres, semiconductors and energy farms. Canadian stocks outperformed most major international indexes, led by gains in shares of precious-metals companies and financial firms. Gold producers as a group more than doubled, with bullion surging to records exceeding US\$4,300 during the period, due to geopolitical crises, concern about the independence of the U.S. Federal Reserve (the “Fed”) and U.S.-dollar weakness. Many European markets also hit record highs as the rise in the euro and significantly enhanced defence spending enabled regional stocks to outperform in Canadian and U.S.-dollar terms. Emerging-market stocks recorded significant gains in 2025, beating developed markets for the first time in five years as the U.S. dollar weakened and Chinese equities rebounded from poor relative performance since the pandemic.

Economic growth should accelerate moderately in the year ahead, in the view of the portfolio manager, and may pleasantly surprise relative to consensus expectations. Tariff headwinds should fade, and important tailwinds are set to blow. Inflation may not fall by quite as much as consensus expectations for 2026 but should slowly ease after peaking in the spring.

An environment of moderate economic growth should allow inflation to subside sufficiently for continued interest-rate cuts by the Fed and foster strong corporate profit growth. Stocks are expected to continue outperforming bonds, but the portfolio manager recognizes that the potential for outsized gains has diminished following this year’s strong performance that pushed some valuations to extreme levels.

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