

## RBC O'Shaughnessy International 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.

The Fund's overweight position in companies scoring high in value and momentum aided returns, while exposure to measures of shareholder yield and quality was mixed. Companies with strong earnings growth aided returns, while exposure to stocks that were less volatile than the benchmark limited performance.

From a sector perspective, underweight positions in Consumer Staples and Health Care aided performance, while an underweight allocation to Information Technology and overweight exposure to Real Estate were negative for performance. From a country perspective, overweight exposure to Spain aided returns, while an allocation to Norway and a lack of exposure to Japan were negatives. Stock selection in Spain and Germany aided performance, offset by weak stock selection in Japan and the UK. Overweight positions in Industria de Diseno Textil and Heidelberg Materials contributed to performance. Holdings that limited returns included Astellas Phatma, Equinor Asa, and Pilbara Minerals.

During the period, the Fund decreased allocations to the Communication Services, Consumer Staples, Energy, and Industrials sectors and increased allocations to Consumer Discretionary and Utilities.

The portfolio manager has no recent developments to report.

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