RBC U.S. Equity Currency Neutral Fund

Commentary as at June 30, 2025

Trade negotiations dominated the direction of financial markets during the first six months of 2025. Early optimism that the Trump administration would focus on deregulating the economy gave way to concern that he would instead implement across-the-board tariffs on U.S. trade partners. U.S. stocks retreated from all-time highs established early in the year after Trump announced the tariffs. The outlook subsequently improved as the U.S. administration reached trade agreements that ensured a worst-case scenario would not unfold. As a result, U.S. stocks returned to new all-time highs. Geopolitical turmoil in the Middle East sent oil prices surging on fears of a wider conflict and instability in the region, but oil prices came back down after tensions eased.

The Information Technology sector supported U.S. equities, while the Consumer Discretionary sector lagged. The U.S. Federal Reserve left its benchmark interest rate unchanged in a range between 4.25% and 4.50% as concern that the tariff war would spark inflation outweighed worries that the economy was slowing.

The Fund’s relative exposure to Tesla, Apple and Philip Morris International had the most positive impact on the Fund's returns, while exposure to UnitedHealth Group, ONEOK and Bristol-Myers Squibb was negative for performance.

The sectors that had the most positive impact on the Fund's returns were Consumer Discretionary, Financials and Consumer Staples while exposure to Industrials, Information Technology and Energy had a negative impact.

The Fund had overweight positions in AbbVie, Simon Property Group and SPDR S&P 500 ETF Trust and underweight positions in Apple Inc., Tesla and Nvidia.

At the sector level, the Fund had overweight exposure to Health Care, Financials and Utilities and underweight exposure to Consumer Discretionary, Materials and Information Technology.

The consensus 2025 forecast for S&P 500 Index earnings growth is roughly 8% but is more likely to be 4% if tariffs persist. Profit-growth estimates for 2026 exceed 10%, which also seems optimistic to the portfolio manager. The portfolio manager believes that continued stock gains will require a relatively benign resolution to the trade war and increased productivity stemming from the application of artificial intelligence.