RBC Global Asset Management

PH&N $U.S. Money Market Fund

Commentary as at December 31, 2022

Over the course of 2022, the U.S. Federal Reserve (the “Fed”) increased its benchmark interest rate by 4.25% to a range of 4.25% to 4.50% to slow persistently elevated inflation. Short-term U.S. interest rates increased as a result and now reflect an expectation for continued increases in the benchmark rate over the first half of 2023. Interest rates are consistent with guidance provided by the Fed, which remains committed to bringing inflation down to its 2% target.

The Fund’s approach continued to be directed toward preserving capital, and the portfolio manager therefore favoured high-quality issuers with strong credit ratings. This approach contributed to the Fund’s performance during the period.

The portfolio manager allocated all of the Fund’s assets to money-market instruments paying higher yields than U.S. Treasury bills, including U.S. dollar-denominated corporate notes, bank-sponsored asset-backed commercial paper, bankers’ acceptances and provincial treasury bills.

The portfolio manager sees attractive investment opportunities in the U.S. money market as yields have increased meaningfully. The portfolio manager believes the Fund is well positioned to offer decent returns even as uncertainty on the ultimate impact of rate increases on inflation and economic growth remains.

Barring a significant shift in the trajectory of inflation, short-term rates should continue to rise over the first half of 2023. In the view of the portfolio manager, corporate securities continue to provide the potential for attractive returns relative to lower-yielding government securities.