



## RBC Funds (Lux) – Global Resources Fund – First Quarter 2018 Commentary

In the first quarter of 2018, the Fund returned -3.7%\* outperforming its benchmark, 65% MSCI World Energy Sector/35% MSCI World Materials Sector Index (USD), which returned -5.1%.

The Energy sector outperformed the benchmark over the quarter, but both delivered a negative return. The oil price rose, however to trade at over USD60/barrel and looks to be strengthening to a multi-year high on the back of geopolitical unrest in the Middle East and trade war rhetoric that resulted in a weaker U.S. dollar. Natural gas prices were below USD 2.85 per million British thermal units and continue to fall.

The Materials sector performed in line with the benchmark but again both delivered negative returns. Trade war concerns, which could potentially slow global growth, and increased steel and copper inventories contributed to this weak performance. Electric vehicle-themed commodity, lithium, strengthened during the quarter to 18% but lithium equities sold off.

The Fund's relative performance versus the benchmark was positively impacted by underweight positions in Exxon Mobil and pipeline company Enbridge, and an overweight position in chemicals producer Eastman Chemical Co. The main detractors during the quarter were overweights in electric vehicle-themed companies producing lithium and graphite, namely Neo Lithium Corp. and Albermarle Corp.

The Fund manager believes that OPEC will continue to take steps to manage supply so that global inventories gradually return to normalised levels in the second half of 2018, even with incremental growth from U.S. onshore basins. Assuming global inventories continue to decline, the portfolio manager sees the potential for gains in oil prices and Energy equity prices during 2018. The Fund manager's approach remains to invest in companies with high-quality assets, strong management and the ability to finance growth projects.

\* Net of fees and expenses for the O share class

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