Global Asset Management



# RBC Funds (Lux) – Global Resources Fund – First Quarter 2019 Commentary

In the first quarter of 2019, the Fund returned 13.0%* marginally underperforming its benchmark, 65% MSCI World Energy Sector/35% MSCI World Materials Sector Index (USD), which returned 13.6%.

Energy commodities started 2019 with strength, rebounding from the lows of Q4. The strength in crude oil prices was precipitated by OPEC's decision to reduce production, positive expectations from Chinese/U.S. trade talks, and optimism over Chinese stimulus. Quarter-over-quarter, spot West Texas Intermediate (WTI) oil prices increased 32%, bouncing off last quarter's low of USD45.40 per barrel.

Natural Gas had a spike early in the quarter as lower inventories and cold weather helped the price of the commodity. The spike, however, was followed by warmer weather and improved production that caused the commodity to end the quarter down 9.5%. On the stock side, performance was negatively impacted by exposure to U.S. Integrated Producers. Overweight positions in Conoco Phillips, Royal Dutch Shell and Total detracted from relative performance. This was partially offset by overweight positions in Hess Corp and Parex Resources.

Materials started 2019 with strength as Iron Ore (up 20.6%), Zinc (up 18.5%), Copper (up 9%), Lumber (up 8.3%) and Gold (up 7.7%) helped the Materials portion of the Fund. Supply tightness in Iron Ore, along with optimism over U.S./Chinese trade discussions, seasonality and Chinese stimulus helped Base Metals and Bulk Commodities strengthen over the period. Gold prices were flattish over the same period, as U.S. dollar strength acted as a headwind. Overweight positions in Gold producer K92 Mining, Copper producer First Quantum and Iron Ore producers Rio Tinto and BHP added to relative performance. Partially offsetting this positive performance were overweights in Zinc producer Titan Mining, Precious Metals producers B2Gold and Endeavour Mining, and Lumber producer West Fraser Timber.

President Trump's waiver on Iranian oil exports is set to expire in June. The waiver, which was issued in late 2018, led to an OPEC decision to cut daily production by 1.2 million barrels to better balance the supply/demand dynamics. There is a strong possibility that President Trump will not issue a waiver which will put the oil market into a deficit, which should continue to bode well for the commodity and stocks.

* Net of fees and expenses for the O share class

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