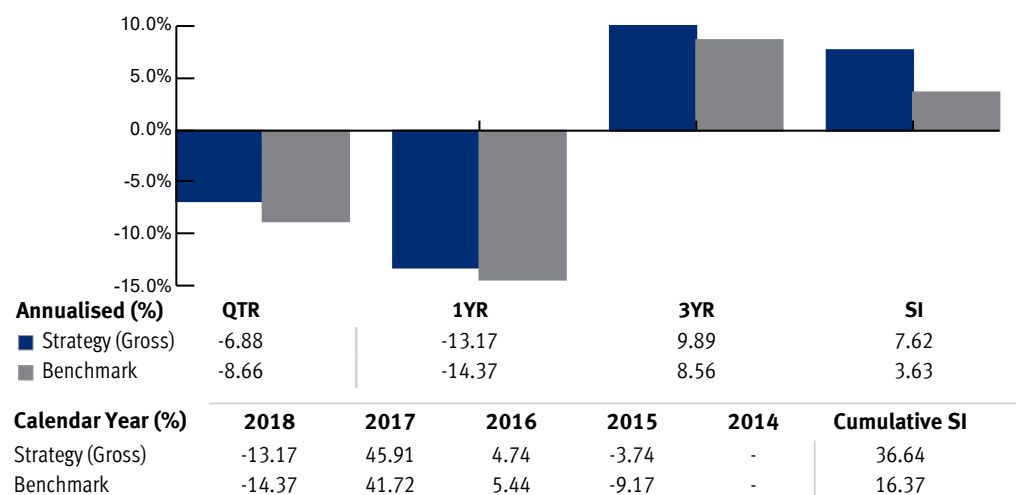


# RBC Asia ex-Japan Equity

## Quarterly Commentary

The RBC Asia ex-Japan strategy returned -4.3% over the third quarter, underperforming its benchmark, the MSCI Asia ex-Japan Index, which returned -1.6%. Stock selection was the main driver of performance. Our holding in Taiwanese semiconductor manufacturing company TSMC was the biggest contributor to returns as semiconductor demand remains strong and the company has guided for a healthy outlook for 2019. The biggest detractor over the quarter was our holding in Chinese internet company Tencent. Mobile and internet games are a significant portion of Tencent's profits. The Chinese government has increased red tape on the internet sector, delaying the approval process for new games, negatively impacting Tencent and other Chinese internet companies. Yes Bank was also a detractor to returns. Yes Bank's CEO, an important part of the bank's success, was denied a term extension by the Reserve Bank of India. In addition, Yes Bank has reported higher impaired loans and the market is concerned about slower growth in the near term.

## Investment Performance



Past performance is not indicative of future results and is calculated in USD. Returns may increase or decrease as a result of currency fluctuations.

Source: RBC Global Asset Management, Rimes. Returns include the reinvestment of all income. Net calendar returns can be viewed in the GIPS appendix. Inception of the performance record is 01.10.2014. Performance is presented as supplemental to the "GIPS® Compliant Presentation" which contains additional information regarding calculation of performance data.

## Portfolio Characteristics<sup>1</sup>

	Strategy	Benchmark
EBITDA Margin (ex Financials)	18.0%	16.0%
FCF Yield (ex Financials)	3.1%	5.0%
ROE (Trailing 12 mos)	11.1%	11.2%
Weighted Avg Market Cap	\$83.2bn	\$85.4bn
12-Month Turnover	69.1%	-
Active Share	76.1%	-
<b>Market Cap Distribution</b>		
> \$20 billion (Large)	52.8%	56.7%
\$10 - \$20 billion (Medium/Large)	18.1%	17.8%
\$3 - \$10 billion (Medium)	17.1%	21.0%
\$1.5 - \$3 billion (Medium/Small)	4.6%	4.0%
< \$1.5 billion (Small)	7.4%	0.5%

## Top Ten Holdings<sup>1</sup>

Company Name	Country	Strategy (%)
Tencent Holdings	China	8.2
Taiwan Semiconductor Manufacturing	Taiwan	6.1
Samsung Electronics	Korea	5.0
AIA Group	Hong Kong	4.3
Ping An Insurance Group	China	4.3
HDFC Bank	India	3.2
Hong Kong Exchanges & Clearing	Hong Kong	2.4
CP All	Thailand	2.2
Bank of China	China	2.2
IMAX China Holding	China	2.2

## Strategy Overview

- \$12 million Assets Under Management
- Inception: October 2014
- Benchmark: MSCI AC Asia Ex-Japan Total Return Index (Net)
- Vehicles: SICAV

## Investment Philosophy & Style

- Businesses with high and/or improving return on capital
- We look to buy stocks that we perceive to be at a significant discount to long term fair value
- A disciplined and unconstrained view of the benchmark

## Investment Process

- Systematic filtering to eliminate high risk investment ideas and narrow research universe
- Repeatable, disciplined idea generation using proprietary quantitative modelling
- In-depth, on-the-ground research
- Substantive ESG analysis

## Portfolio Construction

- High conviction portfolio with sizeable active positions
- No single stock 'underweights'; sizeable off-benchmark positions
- Disciplined risk management monitoring factor exposures

## Investment Team\*

**Mayur Nallamala**, Head of RBC Asian Equity, Portfolio Manager  
Industry Experience: 20 years

\*Industry experience is updated annually.

## About RBC Global Asset Management

- Over \$309 billion Assets Under Management
- Offices in North America, Europe and Asia
- Over 300 investment professionals globally
- Part of Royal Bank of Canada, one of the highest rated, largest and safest banks in the world\*

\*Ratings: S&P: AA-, Moody's: Aa2 (Bloomberg, 31.12.2018). Ranked 5th largest bank in North America and 9th globally based on market capitalisation (Bloomberg, 31.12.2018).

Past performance is not indicative of future results. Source: RBC Global Asset Management, Russell, FactSet

<sup>1</sup>Supplemental information complements the RBC Asia ex-Japan Equity Composite presentation as provided in the "GIPS® Compliant Presentation". The information presented is derived from the representative account of the strategy. The representative account is the account in the composite that most closely reflects the current portfolio management style for the strategy.

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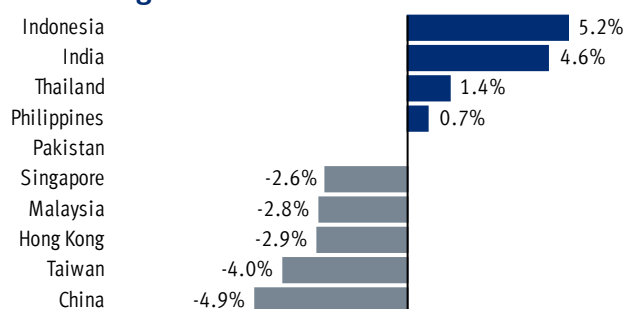
## Top Ten Benchmark Countries<sup>1</sup>

Country	Strategy (%)
China	30.0
India	15.4
Korea	15.3
Taiwan	9.1
Hong Kong	8.8
Indonesia	7.8
Thailand	4.1
Philippines	2.0
Singapore	1.5
Malaysia	0.0

## Sector Allocation<sup>1</sup>

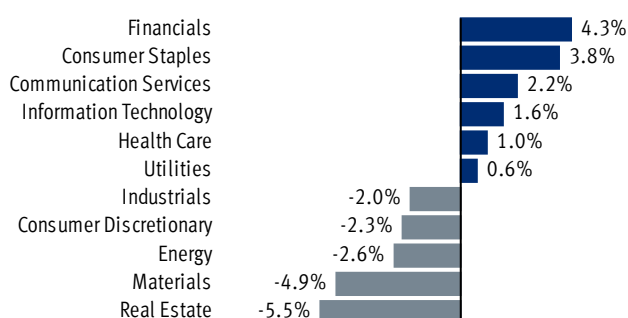
	Strategy (%)
Financials	28.5
Information Technology	18.1
Communication Services	15.1
Consumer Discretionary	9.8
Consumer Staples	9.0
Industrials	5.0
Utilities	4.1
Health Care	4.0
Energy	2.1
Real Estate	0.8
Cash	3.7

## Relative Weights for Benchmark Countries<sup>1</sup>



Top and bottom 5 relative country weights.

## Relative Sector Weights<sup>1</sup>



## Risk Characteristics

3 Years

	Alpha (%)	Beta	Standard Deviation (%)	R-Squared (%)	Upside Capture (%)	Downside Capture (%)	Sharpe Ratio
Strategy (Gross)	1.7	1.0	14.7	89.6	104.0	97.3	0.6
Benchmark	-	-	14.6	-	-	-	0.5

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# GIPS® Compliant Presentation, as at December 31, 2018

## RBC GAM Asian Equity - Excluding Japan

Inception Date: October 1, 2014

Benchmark: MSCI AC Asia ex-Japan Total Return Net Index (USD)

Currency: USD

### Annual Returns

Year End	Composite Gross Return (%)	Composite Net Return (%)	Benchmark Return (%)	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)	Number of Portfolios	Internal Dispersion (%)	Composite Assets (millions)	Firm Assets (millions)
2014/10 - 2014/12	6.97	6.72	0.12	n/a	n/a	1	-	6.0	302,064.4
2015	-3.74	-4.65	-9.17	n/a	n/a	1	-	7.8	276,979.3
2016	4.74	3.75	5.44	n/a	n/a	1	-	10.2	289,538.6
2017	45.91	44.53	41.72	14.07	14.83	1	-	13.0	331,885.2
2018	-13.17	-13.99	-14.37	14.70	14.60	1	-	12.5	305,983.2

**Description of the Firm:** For the purposes of Global Investment Performance Standards (GIPS®), RBC Global Asset Management is the asset management division of Royal Bank of Canada (RBC), operating under the following brands: RBC Global Asset Management (RBC GAM) in Canada, the U.S. (institutional), the U.K. and Hong Kong; Phillips, Hager & North Investment Management (institutional); and BlueBay Asset Management (institutional). With offices around the world, RBC GAM offers a full range of global investment solutions in cash management and fixed income, equity, balanced, alternative and specialty investment strategies through mutual funds, hedge funds, pooled funds and separately managed accounts. The RBC GAM group of companies has more than C\$417 billion (US\$305 billion) in assets under management as at December 31, 2018. RBC purchased Phillips, Hager & North Investment Management, including the assets of BonaVista Asset Management, on May 1, 2008, and BlueBay Asset Management on December 17, 2010. A complete list and description of the firm's composites and performance results is available upon request.

**Compliance Statement:** RBC GAM claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. RBC GAM has been independently verified for the periods January 1, 2002 through December 31, 2017. The verification report(s) is/are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite presentation.

**Composite Description:** The Asian Equity - Excluding Japan composite provides long-term total returns principally through capital appreciation. The Fund invests primarily in equity securities of companies domiciled within Asian markets excluding Japan.

**Benchmark:** The benchmark is the MSCI AC Asia ex Japan net index. The Index is designed to measure the equity market performance of the Asia region excluding Japan. Index returns are provided for comparison purposes to represent the investment environment existing during the time periods shown. An index is fully invested, includes the reinvestment of dividends and capital gains, but does not include any transaction costs, management fees, or other costs. Holdings of each separately managed account in a composite will differ from the index. An investor may not invest directly in an index.

**Gross of Fees:** Gross of fees performance returns are presented before management fees and administrative fees, but after all trading expenses. Returns are presented net of withholding taxes on dividends, interest income and capital gains where applicable.

**Net of Fees:** Net of fee performance is calculated using the maximum stated annual fee of 0.95% calculated and applied monthly.

**Performance Calculations:** Results are based on all fully discretionary accounts meeting the composite definition, including those accounts no longer with the firm. Returns are shown in U.S. Dollars, and include the reinvestment of all income. Additional information regarding policies for valuing portfolios, calculating performance, and preparing presentations is available upon request. Past performance is not indicative of future results.

**Composite Dispersion:** The composite dispersion of annual returns is indicated by the performance of individual accounts representing the equal weighted standard deviation of returns. Dispersion of returns is calculated for portfolios included in the composite for the full year.

**3-Year Standard Deviation:** Periods with less than 3 years of data will show "n/a".

**Derivatives, Leverage and Short Positions:** The portfolios may use derivatives for hedging purposes, and may also use derivatives such as options, futures, forwards and swaps for non-hedging purposes as a substitute for direct investment, as long as the portfolio's use of derivatives is consistent with its investment objectives. Currency hedging is used primarily as a risk management tool to limit the volatility of portfolio returns and may be used tactically to enhance returns. Currency hedge ratios can range between 0-100%, depending on asset class and mandate. No leverage has been used in any of the portfolios contained in the composite.

**Fee Schedule:** The management fee schedule is as follows: For U.S. clients: 0.95% for the first US\$50mm, 0.85% on the next US \$50mm, and 0.80% for all assets over US\$100m. Advisory fees are described on this page and on Form ADV Part 2A. RBC GAM reserves the right to negotiate all advisory fees.

**Minimum Account Size:** Currently there is no minimum account size in order to be included in this composite.

**Creation Date:** This composite was created on October 1, 2014.

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