



# RBC Emerging Markets Value Equity

## Quarterly Commentary

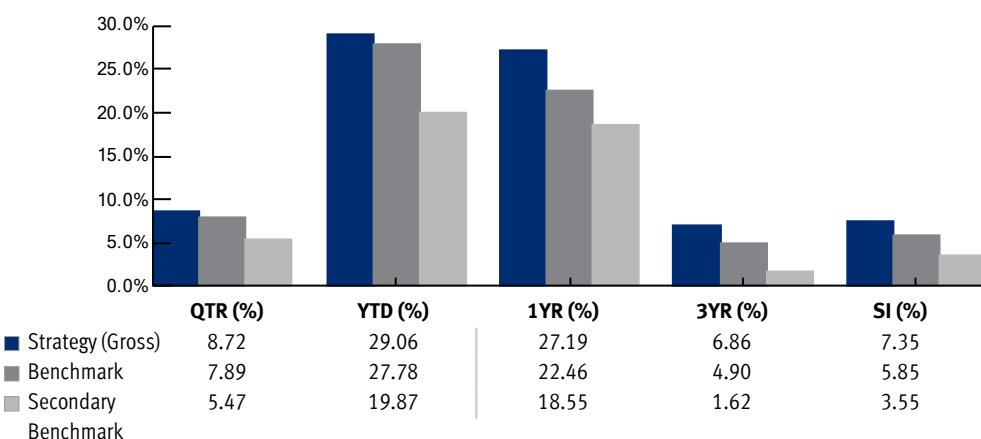
Emerging Markets continued their outperformance in the third quarter of 2017 versus Developed Markets. This was aided by robust earnings and the continued weakness of the U.S. dollar. Commodities had notable gains over the period with crude oil, gas and metals rising significantly, however towards the end of the quarter metals lost some of their gains.

Brazil, Russia and Chile were the best performing countries, while Indonesia and Qatar were among the worst. Brazilian equities were helped by privatisation plans to tackle rising government deficits and the dismissal of corruption charges against the President.

The RBC Emerging Markets Value Strategy outperformed its benchmark.

At the sector level, stock selection in Financials was the largest contributor to returns, followed by the Materials sector. Stock selection in the Industrials and Real Estate sectors detracted from relative returns. At the country level, stock selection in Taiwan, Brazil and South Korea contributed positively to relative returns, while stock selection in China detracted.

## Investment Performance



Past performance is not indicative of future results.

Benchmark = MSCI EM Net Index, Secondary Benchmark = MSCI EM Value Net Index

Source: RBC Global Asset Management, Bloomberg, FactSet, Rimes

Returns include the reinvestment of all income. All returns for periods greater than one year are shown on an annualised basis.

Inception of the performance record is 1.7.13. 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
P/B Ratio (Trailing 12 mos)	1.5	1.7
Dividend Yield	3.3%	2.6%
Earnings Yield	7.9%	6.3%
FCF Yield (ex Financials)	5.9%	4.1%
P/E Ratio (Forward 12 mos)	9.8	12.5
Weighted Average Market Cap	\$78.0bn	\$90.9bn
12-Month Turnover	48.8%	-
Active Share	77.9%	-
<b>Market Cap Distribution</b>		
> \$20 billion (Large)	51.4%	54.0%
\$10-\$20 billion (Medium/Large)	8.6%	21.5%
\$3-\$10 billion (Medium)	18.9%	20.5%
\$1.5-\$3 billion (Medium/Small)	14.9%	3.7%
<\$1.5 billion (Small)	6.2%	0.3%

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

Company Name	Country	Strategy (%)
Samsung Electronics	Korea	5.0
Alibaba Group Holding	China/HK	4.5
China Construction Bank	China/HK	3.8
Taiwan Semiconductor	Taiwan	3.5
Manufacturing		
Industrial & Commercial Bank of China	China/HK	2.6
Baidu	China/HK	2.5
Sberbank of Russia	Russia	2.3
Hynix Semiconductor	Korea	2.1
LG Chem	Korea	1.7
Hon Hai Precision Industry	Taiwan	1.7

## Risk Characteristics

3 Years Through 30.9.17

	Alpha (%)	Beta	Standard Deviation (%)	R-Squared (%)	Upside Capture (%)	Downside Capture (%)	Sharpe Ratio
Strategy (Gross)	2.0	1.0	15.1	97.0	103.2	94.6	0.4
Benchmark	-	-	15.5	-	-	-	0.3

## Strategy Overview

- \$662 million Assets Under Management
- Inception: July 2013
- Benchmarks: MSCI EM Net Index, MSCI EM Value Net Index
- Vehicles: Segregated Account, SICAV (ISIN: LU1217269478), Canadian Mutual Fund

## Investment Philosophy & Style

- Value stocks with good fundamentals will rerate
- Dividend paying companies possess desirable quality characteristics
- Emphasis on value with factor adjustment
- Free cash flow generation, balance sheet strength, and minority shareholder-friendly management are key

## Investment Process

- Proprietary screens find undervalued stocks
- In-depth company-level research drives final security selection
- Corporate Governance checklist manages potential risks process

## Portfolio Construction

- Diversified portfolio of 70 - 100 companies
- Position size determined by our proprietary model provides target upside
- 60 - 80% contribution from stock selection

## Investment Team

**Philippe Langham**, Head of RBC Emerging Markets Equity, Senior Portfolio Manager  
Investment Experience: 25 years

**Laurence Bensafi, CFA**, Deputy Head of RBC Emerging Markets Equity  
Investment Experience: 17 years

**Guido Giammattei**, Head of Research, Portfolio Manager  
Investment Experience: 19 years

**Veronique Erb**, Portfolio Manager  
Investment Experience: 17 years

**Zeena Dahdaleh, CFA**, Portfolio Manager  
Investment Experience: 10 years

**Richard Farrell, CFA**, Portfolio Manager  
Investment Experience: 10 years

**Christoffer Enemaerke, CFA**, Associate Portfolio Manager  
Investment Experience: 7 years

## About RBC Global Asset Management

- Over \$322 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: A1 (Bloomberg, 30.09.2017). Ranked 5th largest bank in North America and 10th globally based on market capitalization (Bloomberg, 30.09.2017).

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

<sup>1</sup>Supplemental information complements the RBC Emerging Markets Value 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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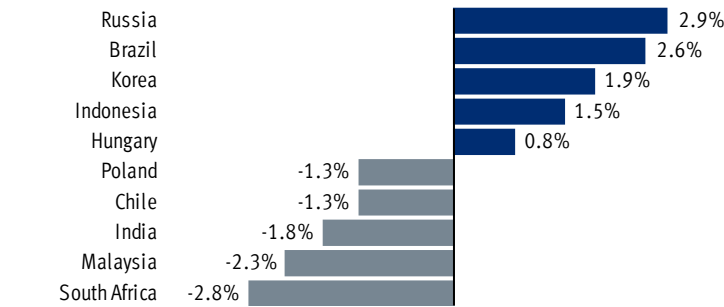
## Top Ten Benchmark Countries<sup>1</sup>

Country	Strategy (%)
China/HK	28.9
Korea	16.8
Taiwan	11.6
Brazil	10.2
India	6.6
Russia	6.3
Indonesia	3.8
Mexico	3.6
South Africa	3.6
Thailand	2.2

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

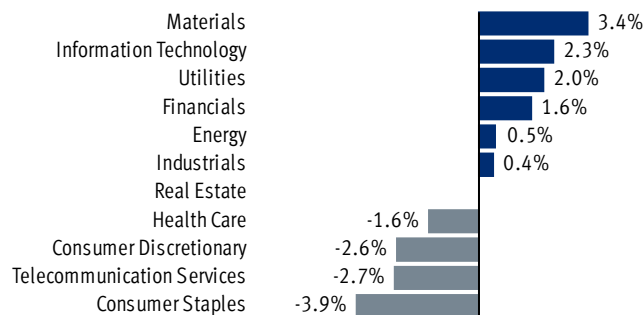
	Strategy (%)
Information Technology	29.9
Financials	25.0
Materials	10.6
Consumer Discretionary	7.7
Energy	7.3
Industrials	5.8
Utilities	4.6
Real Estate	2.9
Consumer Staples	2.5
Telecommunication	2.4
Health Care	0.7
Cash	0.6

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

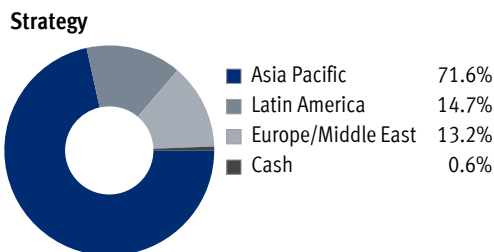


Top and bottom 5 relative weights for benchmark countries.

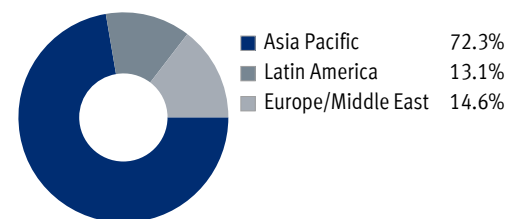
## Relative Sector Weights<sup>1</sup>



## Regional Breakdown<sup>1</sup>



## Benchmark



# GIPS® Compliant Presentation, as at September 30, 2017

## RBC GAM Emerging Markets Equity - Value (USD)

Inception Date: July 1, 2013

Benchmark: MSCI Emerging Markets Total Return Net Index

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)
2013/07 - 2013/12	6.68	6.17	7.70	n/a	n/a	1	-	93.4	296,003.0
2014	1.35	0.39	-2.19	n/a	n/a	1	-	252.2	302,064.4
2015	-17.23	-18.01	-14.92	n/a	n/a	2	-	334.2	276,979.3
2016	17.05	15.95	11.19	15.80	16.07	2	0.20	411.5	289,538.6
YTD 2017	29.06	28.15	27.78	15.13	15.51	2	0.01	662.2	319,111.8

**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\$388 billion (US\$289 billion) in assets under management as at December 31, 2016. 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, 2016. 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. The Emerging Markets Equity - Value (USD) composite has been examined for the periods July 1, 2013 - December 31, 2016. The verification and performance examination reports are available upon request.

**Composite Description:** The Emerging Markets Equity - Value (USD) Composite includes all portfolios that invest in emerging market equities that provide regular dividend income through securities with above average dividend yield by RBC GAM directly. Prior to June 2014 the composite was presented as the Emerging Market Equity Dividend composite.

**Benchmark:** The benchmark is the MSCI Emerging Market net index. The Index is designed to measure the equity market performance of emerging markets. 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. The MSCI Emerging Markets Value (net of withholding taxes) - a free-float weighted equity index is also used as a secondary benchmark.

**Gross of Fees:** Gross of fees performance is presented gross of all 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. Performance shown for the Emerging Markets Equity Dividend Composite is based on information generated by RBC Global Asset Management's internal performance systems, which may differ from the performance shown in official books and records of certain investment funds which form a part of the composite. Official books and records for certain investment funds which form a part of the composite include the impact of a fair value for market timing that is applied to certain securities as of the close of trading for the fund. For the purposes of calculating the Emerging Markets Equity Dividend Composite, we prepare a separate performance stream for such funds that eliminates the impact of this fair value adjustment. This second performance stream is used to calculate performance of the composite in an effort to better align the methodology for calculating composite performance with the methodology applied to calculate the benchmark. 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\$50m, 0.85% on the next US \$50m, 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 July 1, 2013 and has an inception date of July 1, 2013.

**Composite History:** Starting Q1 2015, Composite returns prior to 2014 have been updated to capture a calculation methodology change to be gross of all fees, but after all trading expenses; previously returns were before management fees, but after administrative fees and all trading expenses.

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