

RBC European Equity Focus

Quarterly Commentary

The RBC European Equity Focus strategy returned 2.0% over the quarter outperforming its benchmark by 140bps.

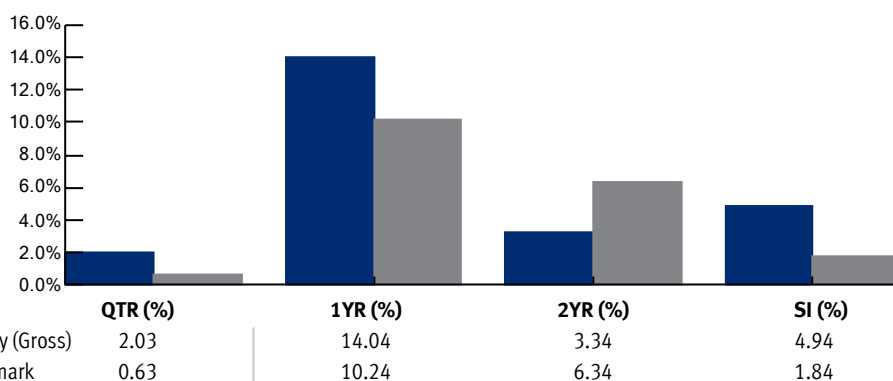
Stock selection was the main source of outperformance, with currency effects also playing a part.

At the stock selection level, our holdings in the Consumer Discretionary sector were the biggest contributors. The largest detractor in the third quarter, Paddy Power Betfair, was the best performer this quarter. Hargreaves Lansdown (Financials) and Novo Nordisk (Healthcare) also contributed to the outperformance. In contrast, Swedbank (Financials) was the largest detractor over the period.

European equities continued to deliver positive returns in the fourth quarter of 2017 with signs of robust and broad based economic recovery.

We are, as always, cognisant of the wider macro environment both for its challenges and opportunities. Our focus remains on the discipline of long term investing in companies with strong competitive positions, low capital intensity, sustainable and/or improving profitability and the right management strategy and governance.

Investment Performance



Past performance is not indicative of future results.

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 1.5.15. Performance is presented as supplemental to the "GIPS® Compliant Presentation" which contains additional information regarding calculation of performance data.

Portfolio Characteristics¹

	Strategy	Benchmark
Dividend Growth (5 years)	11.9%	7.2%
Price/Book	3.1	1.9
Sales Growth	12.7%	8.9%
PE (Trailing 12 mos)	22.6	20.9
PE (Forward 12 mos)	18.0	14.9
Dividend Yield	2.7%	3.6%
Net Profit Margin	16.8%	11.9%
ROE	15.8%	9.9%
ROA	1.5%	1.1%
EPS Growth	10.9%	10.4%
Market Cap Distribution		
> €10 billion	85.2%	89.3%
€2 - €10 billion	14.8%	10.7%
< €2 billion	0.0%	0.0%

Top Ten Holdings¹

Company Name	Country	Strategy (%)
Novo Nordisk	Denmark	4.8
Royal Dutch Shell	United Kingdom	4.8
LVMH	France	4.6
Unilever	United Kingdom	4.3
Sampo	Finland	4.0
Schroders	United Kingdom	3.9
Paddy Power	Ireland	3.9
London Stock Exchange	United Kingdom	3.7
Novozymes	Denmark	3.5
Henkel	Germany	3.3

Strategy Overview

- \$6 million Assets Under Management
- Inception: May 2015
- Benchmark: MSCI Europe
- Vehicles: Segregated Account, SICAV (ISIN: LU1217268827)

Investment Philosophy & Style

- Fundamental approach enshrined in three principles:
 - Scepticism stimulates investigation
 - Continuous re-examination and calibration
 - Empirical methodology because conviction requires rigour
- Emphasis on strong and consistent operational performance
- Focus on companies with low capital intensity
- Fundamentals must be sustainable and/or improving

Investment Process

- Daily screening for current holdings and watch list
- In-depth company-level research
- Investment thesis established in fundamental check-list

Portfolio Construction

- Concentrated portfolio of 30 - 35 companies
- Conviction driven position sizing
- Positions driven by levels of active exposure and risk considerations

Investment Team

David Lambert, Lead PM European Equity Focus Strategy, Senior Portfolio Manager
Industry Experience: 18 years

Dominic Wallington, Head of RBC European Equity
Industry Experience: 27 years

James Jamieson, CFA, Lead PM European Income Strategy, Portfolio Manager
Industry Experience: 9 years

About RBC Global Asset Management

- Over \$335 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, 31.12.2017). Ranked 5th largest bank in North America and 10th globally based on market capitalisation (Bloomberg, 31.12.2017).

Past performance is not indicative of future results.

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

¹Supplemental information complements the RBC European Equity Focus 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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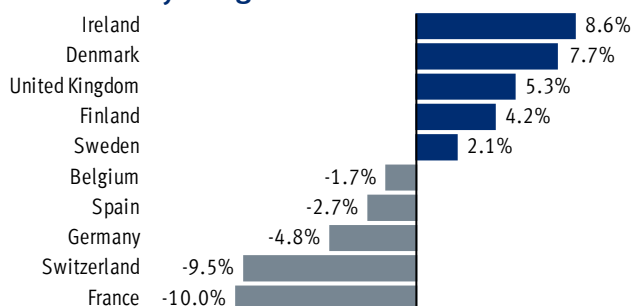
Region Allocation¹

	Strategy (%)	Benchmark (%)
Rest of Europe	43.8	62.6
UK	33.1	27.7
Nordics	22.6	9.6
Cash	0.5	0.0

Sector Allocation¹

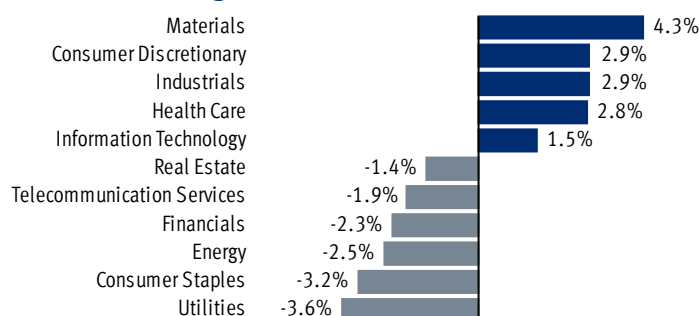
	Strategy (%)
Financials	18.7
Industrials	16.1
Health Care	15.0
Consumer Discretionary	13.5
Materials	12.6
Consumer Staples	10.4
Information Technology	6.5
Energy	4.8
Telecommunication Services	1.9
Cash	0.5

Relative Country Weights¹



Top and bottom 5 relative country weights.

Relative Sector Weights¹



GIPS® Compliant Presentation, as at December 31, 2017

RBC GAM European Equity - Concentrated

Inception Date: May 1, 2015

Benchmark: MSCI Europe Total Return Net Index (EUR)

Currency: EUR

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)
2015/05 - 2015/12	6.51	6.05	-7.15	n/a	n/a	1	-	4.9	254,869.4
2016	-6.36	-6.97	2.58	n/a	n/a	1	-	4.0	275,056.8
2017	14.04	13.30	10.24	n/a	n/a	1	-	6.3	276,605.6

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\$331 billion) in assets under management as at December 31, 2017. 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. 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 European Equity - Concentrated composite provides long-term total returns principally through capital appreciation. Portfolios invest primarily in equity securities of established European companies. Portfolios follow a concentrated approach of 25 - 50 positions.

Benchmark: The benchmark is the MSCI Europe net of taxes index, Reported in EUR.

Gross of Fees: Gross of fees performance is presented gross of all fees, but after all trading expenses.

Net of Fees: Net of fee performance is calculated using the maximum stated annual fee of 0.65% 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 Euros, 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: 0.65% for the first US\$50m, 0.60% on the next US\$50m, and 0.55% 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 May 1, 2015.

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