RBC Funds (Lux) – Conservative Portfolio

Quarterly update

MARCH 31, 2019

Objective

To provide investors with the potential for moderate capital growth by investing primarily in a portfolio of Target Funds with an emphasis on fixed income securities.

Investment Manager – RBC Global Asset Management Inc.

Sector mix (% equities) December 31, 2018

Financial Services	21.3
Technology	18.0
Consumer Discretionary	14.6
Health Care	12.7
Industrials	8.9
Consumer Staples	6.6
Energy	5.9
Materials	3.9
Telecommunication Services	3.0
Real Estate	3.0
Utilities	2.1

Profile holdings (% of net assets)

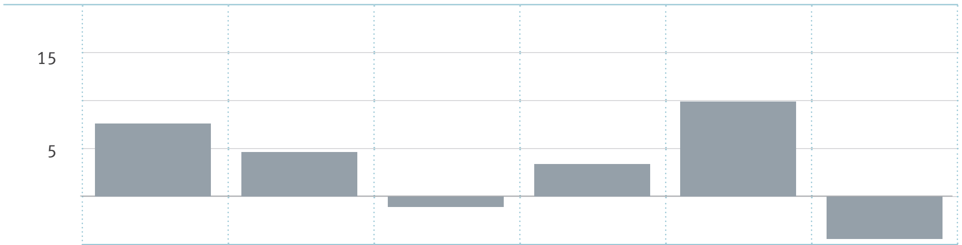
JP Morgan America Equity Fund	15.4
RBC Funds (Lux) - U.S. Investment Grade Corporate Bond Fund	13.2
Schroder ISF USD Bond Fund	13.2
RBC Funds (Lux) - European Equity Focus Fund	10.5
RBC Funds (Lux) - Global Bond Fund	10.4
PIMCO GIS Total Return Bond Institutional Fund	9.9
iShares Barclays 1-3 Year Treasury Bond Index Fund	9.9
RBC Funds (Lux) - Asia ex-Japan Equity Fund	4.9
BlueBay Global High Yield Bond Fund	4.7
iShares Core S&P 500 Index Fund	2.6
Wellington U.S. Research Equity Fund	2.6
RBC Funds (Lux) - Japan Ishin Fund	1.6
Cash and Equivalents	1.0
Grand Total	**100.0**

Performance analysis† (%) (total return*)

December 31, 2018

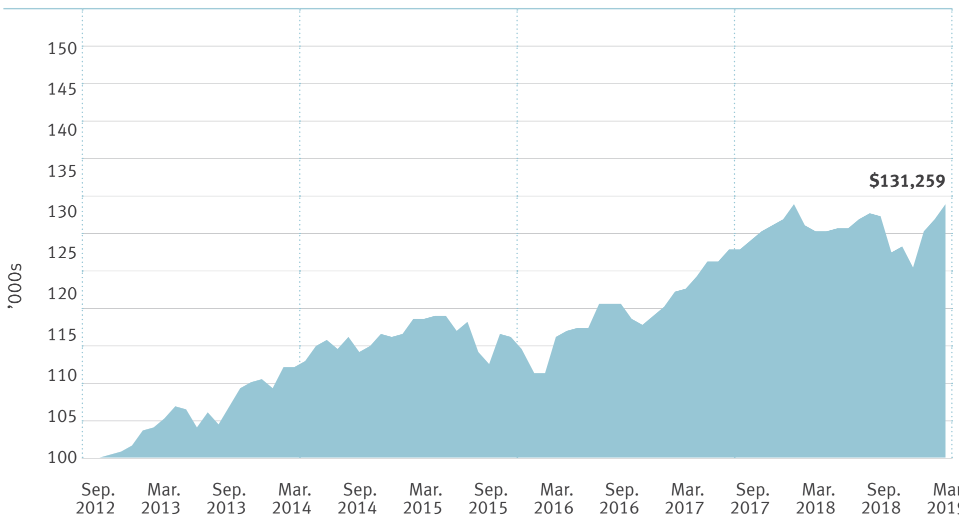
1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	Since inception**
1.4	6.3	1.2	2.9	4.6	3.4	4.4

Calendar returns† (%) (total return)



2013	2014	2015	2016	2017	2018
7.9	4.8	-1.1	3.5	10.3	-4.6

Growth of $100,000



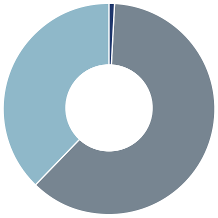
Best/worst periods

	1 Mth	Ended	3 Mth	Ended	6 Mth	Ended	1 Yr	Ended	3 Yr	Ended	5 Yr	Ended
Best return	4.0%	Mar-16	6.3%	Mar-19	7.7%	Jul-16	10.6%	Jan-18	5.4%	Feb-19	5.0%	Nov-17
Worst return	-3.4%	Oct-18	-4.8%	Dec-18	-5.3%	Jan-16	-5.7%	Feb-16	2.1%	Feb-16	2.5%	Dec-18
Average return	0.4%		1.0%		1.9%		4.0%		3.5%		4.0%	
Total periods	78		76		73		67		43		19	
Positive periods	70.5%		71.1%		78.1%		80.6%		100.0%		100.0%	

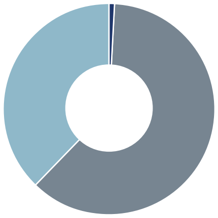
*Returns more than one year are annualized. Since inception performance is calculated from the Class O (acc) USD inception date. Net of fees.
**September 5, 2012
†Class O (acc) USD

Quarterly asset mix change

Q1 2019
(March 31, 2019)



Q4 2018
(December 31, 2018)



Commentary

Economy

After strong growth in 2017 and 2018, economic momentum has waned and we expect this trend to continue this year and next. The deceleration was largely incorporated into our forecasts from last quarter, but the hit to confidence from financial-market volatility, and the extended U.S. government shutdown, which was not part of our base-case a quarter ago, had negative economic impacts. Dovish central banks reduce the risk of recession in the near term, but could encourage increased risk-taking which raises the chance of recession later on.

Fixed Income

Global sovereign bonds rallied in the past quarter, reflecting the downshift in economic growth expectations, slightly lower inflation and, perhaps most importantly, the fact that central banks are no longer set to raise rates. Yields on 10-year government bonds are now below our estimates of equilibrium in all major regions, particularly in markets outside of North America. While our models continue to suggest that interest rates are unsustainably low and that the long-term direction for yields is likely higher, we recognize that slowing economic growth and tame inflation could limit upside pressure in the near term.

Equity markets

Last year's equity-market correction moved stocks to especially attractive valuations, boosting total return potential and setting up the preconditions for the subsequent rally. The powerful rebound in stocks since the start of 2019 began from a point of reduced valuations and was fueled by the recent pivot by central banks and the fact that U.S. and China were making progress toward a trade deal. Although stocks have had a good run so far this year, our models suggest that the rally can persist as long as earnings meet analysts' expectations.

Portfolio results

The Conservative portfolio was up for the quarter. Fixed income performance was positive as yields on government bonds declined in all major regions in response to the fact that central banks will likely keep interest rates on hold for the foreseeable future. Global equities extended their gains in early 2019, supported by accommodative central banks, Chinese stimulus and a calming in international trade tensions. U.S. equities led the charge, with the S&P 500 Index up significantly from its December low.

Total returns for sovereign bonds are likely to be low or even slightly negative for an extended period, and equities offer superior upside potential even after the strong rally since the start of 2019. Our models suggest stocks can deliver further gains as long as earnings continue growing as analysts expect.

MARCH 31, 2019

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Global Asset Management