RBC Global Asset Management

RBC Funds (Lux) – Conservative Portfolio

Quarterly update

SEPTEMBER 30, 2017

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) September 30, 2017

Financial Services	16.1
Technology	16.2
Consumer Cyclical	14.1
Healthcare	10.9
Consumer Defensive	11.2
Industrials	11.1
Basic Materials	6.1
Energy	4.8
Communication Services	4.3
Real Estate	2.7
Utilities	2.5

Profile holdings (% of net assets)

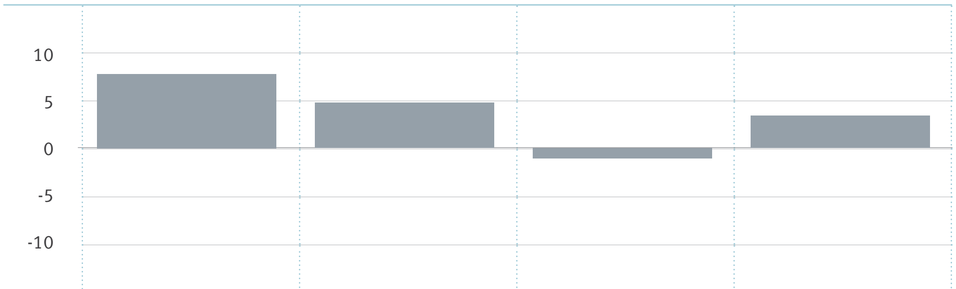
iShares Core S&P 500 Index Fund	15.7
Schroder ISF US Dollar Bond Fund	13.2
RBC Funds (Lux) US Investment Grade Corporate Bond Fund	13.2
RBC Funds (Lux) Global Bond Fund	10.4
iShares Barclays 1-3 Year Treasury Bond Index Fund	9.9
PIMCO GIS Total Return Bond Institutional Fund	9.9
Threadneedle European Select Fund	7.3
RBC Funds (Lux) US Mid Cap Value Equity Fund	5.2
BlueBay Global High Yield Bond Fund	4.7
Investec UK Alpha Strategy Fund	4.1
RBC Funds (LUX) - Asia ex-Japan Equity Fund	3.9
Aberdeen Global Japanese Equity Fund	1.5
Cash and Equivalents	1.0
Grand Total	**100.0**

Performance analysis† (%) (total return*)

September 30, 2017

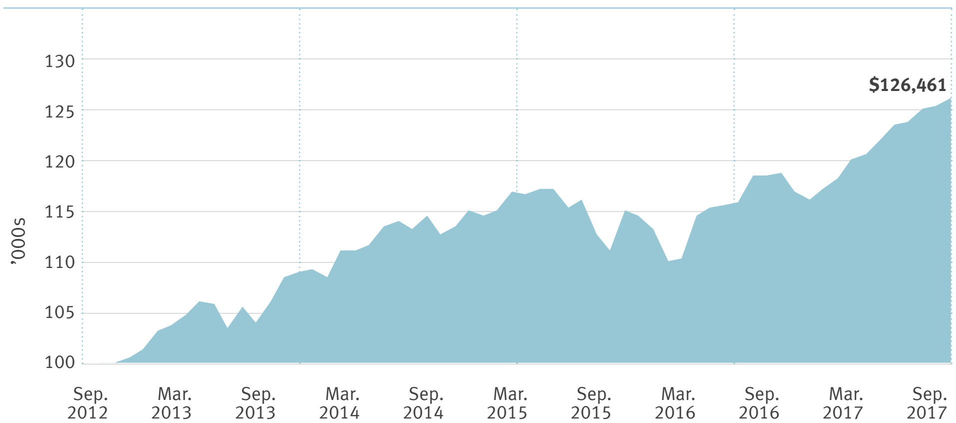
1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	Since inception**
0.7	1.9	4.7	6.4	3.9	4.9

Calendar returns† (%) (total return)



2013	2014	2015	2016
7.9	4.8	-1.1	3.5

Growth of $100,000



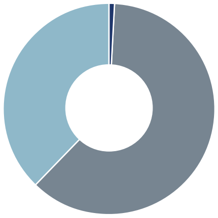
Best/worst periods

	1 Mth	Ended	3 Mth	Ended	6 Mth	Ended	1 Yr	Ended	3 Yr	Ended
Best return	4.0%	Mar-16	5.0%	May-16	7.7%	Jul-16	10.5%	Jun-14	4.8%	Oct-15
Worst return	-3.1%	Aug-15	-4.3%	Jan-16	-5.3%	Jan-16	-5.7%	Feb-16	2.1%	Feb-16
Average return	0.4%		1.2%		2.3%		4.1%		3.2%	
Total periods	60		58		55		49		25	
Positive periods	71.7%		74.1%		85.5%		81.6%		100.0%	

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

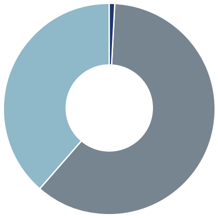
Quarterly asset mix change

Q3 2017
(September 30, 2017)



1.0%	Cash
61.4%	Fixed Income
37.6%	Equity

Q2 2017
(June 30, 2017)



1.0%	Cash
60.5%	Fixed Income
38.5%	Equity

Commentary

Economy

The global economy continues to glide forward on the wings of stimulative financial conditions, soaring confidence and the lessening friction of secular stagnation. The current pace may not be sustainable due to a number of factors, including adverse demographics and an altered, less dynamic economic structure. Despite those constraints, we have moderately upgraded our growth forecasts for both this year and next in response to recent economic strength, as well as the persistence of several factors underpinning that trend.

Equities

Stocks continue to be supported by a global synchronized expansion and renewed corporate profit growth around the world and while equities are not as cheap as they were when the cycle began, they remain somewhat attractive according to our models. Earnings rather than valuations may now be the force required to propel the market higher. Fortunately, corporate profits have been recovering nicely following their two-year slump and stocks can still deliver decent gains if earnings come through as analysts expect.

Fixed Income

In the third quarter, U.S. 10-year bond yields drifted to the middle of the range in which they have been stuck for the past six years, while inflation continued to be lacklustre. Overall, we expect yields to rise from current levels over the next 12 months. This is consistent with gradual policy tightening from the Fed and other global central banks and a continued global economic expansion. The need for significant adjustment in the near term, however, is not evident and the path to higher levels could span many years.

Portfolio results

Performance of the Conservative Portfolio was positive in the third quarter as the global acceleration in economic growth that began in the middle of 2016 has largely been sustained. The U.S. stock market posted modest gains over the three-month period as did European and Asian equivalents. Fixed income also contributed positively to portfolio returns although were slightly diminished by U.S. short term treasuries.

While corporate fundamentals remain strong and supportive, we have taken steps to scale back our risk-taking by reducing our allocation to equities. This is motivated by the ongoing maturation of the business cycle and by equity valuations that are becoming less compelling. As a result, we have reduced our equity position, allocating the proceeds to fixed income.

SEPTEMBER 30, 2017

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