



RBC Funds (Lux) – Emerging Markets Small Cap Equity Fund – Second Quarter 2017 Commentary

In the second quarter of 2017, the Fund returned 3.1%* outperforming its benchmark, the MSCI Emerging Markets Total Return Net Index (USD), which returned 2.6%.

The second quarter of 2017 saw a continuation of the Emerging Markets' strong performance. Emerging Markets equities sustained their upward trajectory at a steady pace due to the continued weakness of the US dollar and strong investor inflows.

At the country level, strong stock selection in Indonesia and Hong Kong was the key contributor to overall returns while stock selection in Brazil detracted.

At the sector level, Utilities was a key contributor to returns. Additionally, the Fund also benefitted from strong stock selection in the Consumer Discretionary sector. Stock selection in the Information Technology sector detracted slightly from relative returns.

We believe that Emerging Markets will continue to outperform in 2017. Emerging Markets currencies should continue to perform well, driven by attractive valuations, high real interest rates and strong current accounts. We still believe there is a strong case for avoiding the most expensive parts of the market which have become crowded and where valuations have become increasingly stretched in recent years.

* Net of fees and expenses for the O share class

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