



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

In the second quarter of 2017, the Fund returned 5.1%* underperforming its benchmark, the MSCI Emerging Markets Total Return Net Index (USD), which returned 6.3%.

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, stock selection in China was the key detractor from relative returns. This underperformance in China was offset, however, by strong stock selection in Taiwan and India.

At the sector level, strong stock selection in the Information Technology sector, notably our holding in SK Hynix, was a positive contributor to 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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