



RBC Funds (Lux) – European Equity Focus Fund – Fourth Quarter 2017 Commentary

In the Fourth quarter of 2017, the Fund returned 2.1%* outperforming its benchmark, the MSCI Europe Net Index (EUR), which returned 0.6%.

Stock selection was the main contributor to the outperformance over the quarter and on a relative basis, Consumer Discretionary and Healthcare were the best-performing sectors. PaddyPower Betfair was the biggest contributor to relative returns despite the gaming sector facing challenges such as tax regulation in Australia. U.K.-based investment management services provider Hargreaves Lansdown, and Danish companies Novo Nordisk and Novozymes also performed well. Swedbank was the biggest detractor from returns amid negative news about the Swedish economy. Another Swedish company, Assa Abloy, also detracted. Unilever, CaixaBank and Auto Trader Group were also negative for performance.

European equities continued the strong performance in the last quarter of 2017. The expectation of tighter monetary policy persisted with the euro up 1.6% against the U.S. dollar. This was supported by the underlying economic environment as Germany remained robust and improvements were seen in France and “peripheral” countries such as Spain, Italy and Portugal.

The encouraging macro data and latest set of solid corporate results suggested a strong recovery in Europe. Moving into the New Year there are several factors which could lead to market volatility. These include the European Central Bank’s decision on its stimulus plan within the single currency region, the on-going UK-EU Brexit negotiations, and the political developments in southern Europe in the months ahead, including the Italian general election.

We are always cognisant of the wider macro environment both for its challenges and opportunities. Nevertheless, 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 structures.

* Net of fees and expenses for the O share class

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