



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

In the second quarter of 2017, the Fund returned 1.8%\* outperforming its benchmark, the MSCI Europe Net Index (EUR), which returned 0.7%.

Stock selection was the main contributor to the outperformance in the second quarter. On a sector basis, our holdings in Industrials and Healthcare were the biggest positives. Ryanair was the biggest contributor, with a strong set of results reported during the quarter. Healthcare name Novo Nordisk was also positive for performance. Stock selection in the Telecoms and Information Technology sectors were the biggest detractors. Asset allocation was flat over the period. An underweight position in Energy was the biggest contributor as the sector continued to lag. An overweight in Materials detracted as commodity prices were weak during the quarter.

European equities continued to deliver positive returns, although the positive performance in April and May was offset by a dip in June. Some commentators view June's market movement as the start of a second wave of a value rally, while others have interpreted it as a sympathy move with bond markets. Political volatility appears to be receding although the UK's Brexit negotiations remain unresolved. In currency terms the US dollar continued to weaken against a number of major currencies, with both the euro and sterling appreciating. Towards the end of the quarter both the ECB and the Bank of England both hinted at policy tightening.

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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