



RBC Funds (Lux) – Global Equity Focus Fund – First Quarter 2018 Commentary

In the first quarter of 2018, the Fund returned 1.1%* outperforming its benchmark, the MSCI World Total Return Index (USD), which returned -1.3%.

U.S. cosmetics producer Estée Lauder was the biggest contributor to relative returns this quarter. The stock has had a very strong run with demand from China, e-commerce and travel retail driving sales growth. Nidec, the Japanese manufacturer of precision motors, also performed well. It reported strong results alongside an intention to bring capex forward to satisfy increasing demand in four business segments: automobile electrification, robots, energy-saving home appliances and drone motors. U.S. provider of personal and small business accounting solutions Intuit advanced on healthy customer rates and new product development. U.S. online retailer and cloud computing provider Amazon returned almost 24% over the quarter after strong growth and results and the announcement of new business initiatives such as Healthcare distribution. Taiwan-domiciled semiconductor manufacturer TSMC also rose after a strong set of quarterly results drove performance.

Irish gaming company Paddy Power Betfair was the biggest detractor from relative returns in the first quarter. Stock performance was weaker after changes to senior management and a poor response from some investors to the company's increased investment plans, which will hit shorter-term revenues. South African media conglomerate Naspers fell after selling a 2% stake in Chinese IT giant Tencent. There was disappointment in some quarters that the USD10bn proceeds were not going to be returned to investors but would be redeployed in some of Naspers' other businesses. Swiss pharmaceutical Roche suffered as there are concerns that profitability will be hit by a number of compounds coming off patent. German logistics operator Deutsche Post was weaker after its strong run, and U.S. manufacturer of floorings Mohawk fell on the back of reduced guidance and increased capital spending. We believe the latter will be positive for Mohawk over the longer term.

The first quarter of 2018 started strongly but fragmented in February with markets selling off in concert, driven by volatility trade unwinds and valuation concerns. March was also negative with concerns around the re-emergence of protectionism, especially between the U.S. and China. There was also a reappraisal of valuations in the burgeoning technology sector in light of some firms' cavalier attitudes towards customer data. The U.S. dollar was generally weak, despite the stimulatory potential of president Trump's tax cuts, a strong economy and rising interest rates.

As always the RBC Global Equity team remains committed to the discovery of companies that we deem to be future success stories. We are constantly searching for compelling long-term opportunities at the right valuations whilst avoiding those businesses that are overvalued or optically cheap but fundamentally flawed.

* Net of fees and expenses for the O share class

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