



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

In the Fourth quarter of 2017, the Fund returned 7.2%\* outperforming its benchmark, the MSCI World Total Return Index (USD), which returned 5.5%.

South African media conglomerate Naspers was the biggest contributor to returns over the period. The company benefited from strong underlying performance from its Tencent stake whilst senior management's declaration that they aim to get more value from across the company's entire portfolio was also supportive. U.S. cosmetics producer Estee Lauder was also positive for returns and has posted some very healthy numbers in 2017 with the business performing especially well in Asia. U.S. financial SVB performed strongly against a domestic backdrop of economic optimism, interest rate rises and tax reform. U.K.-listed hotel franchise operator InterContinental Hotels and PaddyPower Betfair also contributed.

The biggest detractor from returns over the quarter was U.S. bank First Republic which has seen costs and competition rise, having a detrimental effect on 2017 earnings. Global brewer AB InBev has seen a slight fall in U.S. beer volumes and also suffered supply disruptions in its largest market, the U.S., after the summer's storms. Anglo-Dutch consumer stock Unilever fell in October after Q3 sales missed estimates and the company's spreads division was sold. Other notable detractors were Swiss pharmaceutical Roche and U.S. alternative asset manager Blackstone.

The fourth quarter of 2017 was a repetition of the rest of the year, with strong total returns across most markets and industry sectors. All the major economies performed strongly with growth and inflation returning. The Trump regime in the U.S. appears to have settled and the first pieces of meaningful legislation have emerged. Despite signs of discontent, the political unrest predicted at the end of 2016 has failed to materialise. Technical factors are also in the frame and, with so much of the market now held passively, there is little price discovery and concomitant volatility in equity prices. A weak U.S. dollar has also helped.

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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