Global Asset Management

RBC Funds (Lux) – Growth Portfolio
Quarterly update

MARCH 31, 2018

Objective

To provide investors with the potential for long-term capital growth by investing primarily in a portfolio of Target Funds with an emphasis on equity securities.

Investment Manager – RBC Global Asset Management Inc.

Sector mix (% equities)

Sector mix (% equities)	March 31, 2018
Financial Services	21.5
Technology	18.2
Consumer Discretionary	13.0
Industrials	11.4
Health Care	9.9
Consumer Staples	9.1
Materials	6.3
Energy	4.5
Telecommunication Services	3.2
Real Estate	1.6
Utilities	1.2

Profile holdings (% of net assets)

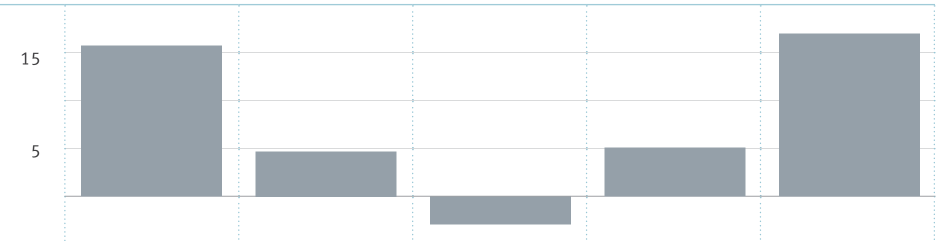
iShares Core S&P 500 Index Fund	19.0
Robeco U.S. Large-Cap Equity Fund	13.3
Threadneedle European Select Fund	12.1
RBC Funds (Lux) - U.S. Investment Grade Corporate Bond Fund	11.6
RBC Funds (Lux) - Emerging Markets Equity Fund	8.0
RBC Funds (Lux) - Asia ex-Japan Equity Fund	6.3
Investec UK Alpha Strategy Fund	6.3
RBC Funds (Lux) - Global Bond Fund	5.3
iShares Barclays 1-3 Year Treasury Bond Index Fund	5.3
BlueBay Global High Yield Bond Fund	4.5
RBC Funds (Lux) - U.S. Small Cap Equity Fund	3.6
Aberdeen Global Japanese Equity Fund	2.2
SPDR S&P500 ETF	1.5
Cash and Equivalents	1.0
Grand Total	**100.0**

Performance analysis† (%) (total return*)

March 31, 2018

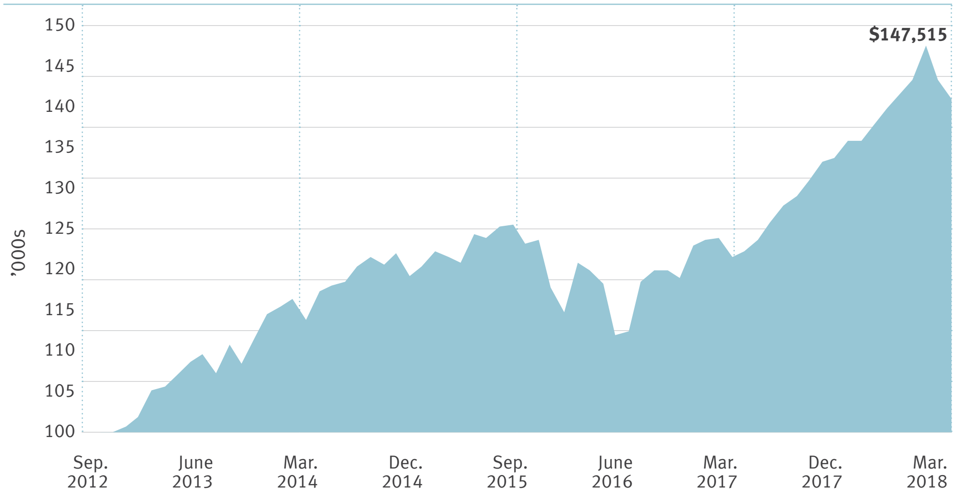
1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	Since inception**
-1.7	-1.7	2.6	10.4	4.9	6.4	7.5

Calendar returns† (%) (total return)



2013	2014	2015	2016	2017
16.4	4.9	-3.0	5.3	17.7

Growth of $100,000



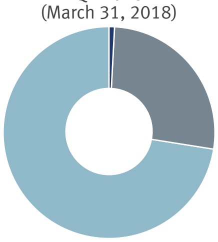
Best/worst periods

	1 Mth	Ended	3 Mth	Ended	6 Mth	Ended	1 Yr	Ended	3 Yr	Ended	5 Yr	Ended
Best return	6.3%	Mar-16	7.9%	Apr-16	11.5%	Aug-16	19.4%	Jan-18	7.7%	Jan-18	8.0%	Nov-17
Worst return	-5.9%	Jan-16	-8.2%	Jan-16	-10.5%	Jan-16	-10.9%	Feb-16	2.2%	Nov-16	6.4%	Mar-18
Average return	0.6%		2.0%		3.9%		7.2%		4.4%		7.5%	
Total periods	66		64		61		55		31		7	
Positive periods	71.2%		76.6%		85.2%		80.0%		100.0%		100.0%	

*Returns more than one year are annualized. Since inception performance is calculated from the Class O (acc) USD inception date.
**September 5, 2012
†Class O (acc) USD

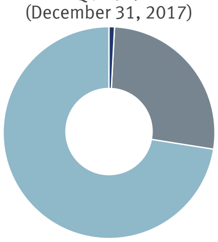
Quarterly asset mix change

Q1 2018
(March 31, 2018)



1.0% Cash
26.7% Fixed Income
72.3% Equity

Q4 2017
(December 31, 2017)



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Commentary

Economy

The economic backdrop is quite good by post-crisis standards, with many of the macroeconomic indicators we monitor at or near cycle highs. Inflation is firming, but we believe that it is simply normalizing after many years of being too low rather than shifting to problematic higher levels. Key risks to our outlook are the aging business cycle, rising interest rates and protectionism, but we should not ignore the potential tailwinds from structural reforms in Japan and fiscal stimulus in the United States. On balance, we expect the positives to outweigh the negatives and for the global economy to grow in 2018 at its fastest pace in eight years. Our forecasts for growth and inflation are slightly above consensus.

Fixed Income

Central banks are likely to continue paring back monetary accommodation in an environment of improving economic growth and rising inflation. Our models continue to suggest that the long-term direction for bond yields is higher, but the meaningful increase in yields over the past quarter has alleviated valuation risk in the near term. Bond yields are already reflecting expected inflation premiums so, barring an inflation shock, any meaningful increase in the U.S. 10-year bond yield over the coming years is likely to come from a rise in real (after-inflation) interest rates.

Equity markets

Global stock markets continue to be supported by the synchronized global expansion and better-than-expected global corporate profit growth, but the rally in 2017 has pushed equities closer to fair value. Our models suggest that rising interest rates and inflation are a mild drag on equity-market valuations. That said, price-to-earnings ratios may be even more susceptible to investor confidence, which is currently high and bolstered by the outlook for double-digit growth in corporate profits. We remain overweight stocks because we continue to expect them to outperform bonds, but our asset mix is closer to neutral than it has been in many years, given maturing business and market cycles as well as demanding valuations.

Portfolio results

Stocks corrected in February after a year of strong performance and unusually low volatility. Equity markets saw turbulence throughout the quarter as returns were pressured by weak performance in interest-rate sensitive sectors, including Real Estate, Utilities, Consumer Staples and Telecommunication Services. Protectionism continues to be an economic drag, with uncertainty surrounding ongoing trade debates (NAFTA, China and the United States and Brexit). The United States has already imposed tariffs on a variety of products and Brexit remains a key area of uncertainty in which there is potential for disruption. Like North American markets, European equities rallied in early January 2018 before falling back.

We believe our current bond allocation serves to balance against rising volatility and/or unexpected deterioration in corporate profits. That said, we think it's too early to call the end of the bull market and maintain a mild overweight in equities. We remain overweight international equities given relatively attractive valuations, but we reduced the overweight slightly this past quarter to reflect an increase in European political risks.

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