Global Asset Management

RBC Funds (Lux) – Growth Portfolio
Quarterly update

JUNE 30, 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) June 30, 2018

Financial Services	20.3
Technology	17.8
Consumer Discretionary	12.4
Industrials	11.1
Health Care	10.4
Consumer Staples	9.7
Materials	6.5
Energy	5.6
Telecommunication Services	3.0
Real Estate	1.9
Utilities	1.3

Profile holdings (% of net assets)

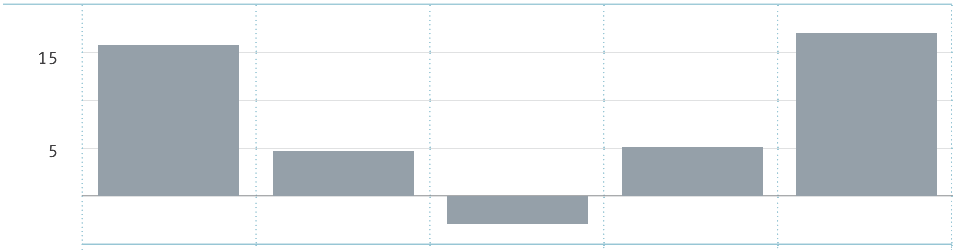
iShares Core S&P 500 Index Fund	19.3
Robeco U.S. Large-Cap Equity Fund	13.6
RBC Funds (Lux) - U.S. Investment Grade Corporate Bond Fund	11.6
Threadneedle European Select Fund	10.3
RBC Funds (Lux) - Emerging Markets Equity Fund	7.9
RBC Funds (Lux) - Asia ex-Japan Equity Fund	7.9
Investec UK Alpha Strategy Fund	5.4
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
iShares MSCI Japan (Acc)	2.7
SPDR S&P500 ETF	1.6
Cash and Equivalents	1.0
Grand Total	**100.0**

Performance analysis† (%) (total return*)

June 30, 2018

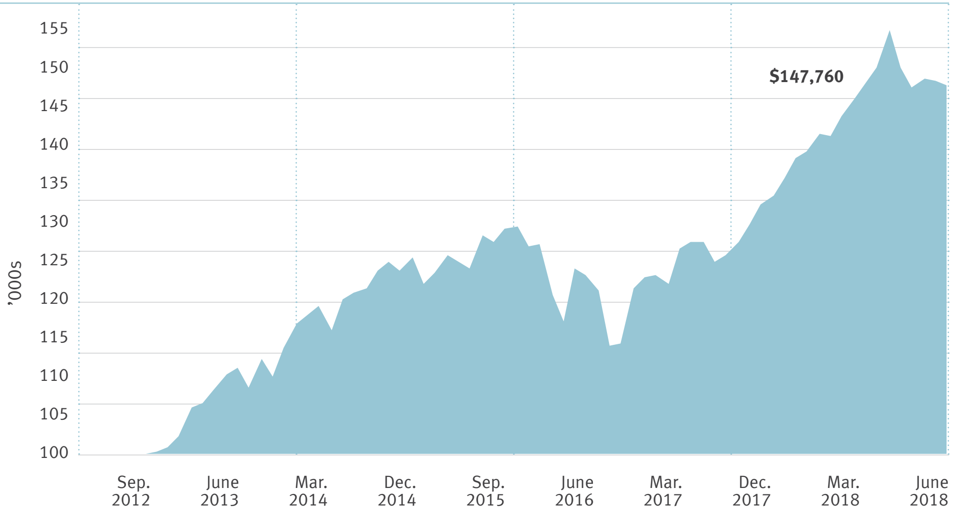
1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	Since inception**
-0.5	0.2	-1.6	6.2	5.2	6.4	7.2

Calendar returns† (%) (total return)



2013	2014	2015	2016	2017
16.4	4.9	-3.0	5.3	17.7

Growth of $100,000



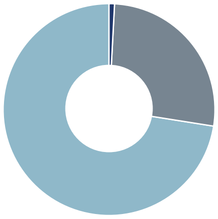
Best/worst periods

	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	5.9%	May-18
Average return	0.6%		1.8%		3.7%		7.3%		4.5%		7.1%	
Total periods	69		67		64		58		34		10	
Positive periods	69.6%		74.6%		84.4%		81.0%		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

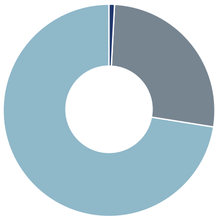
Quarterly asset mix change

Q2 2018
(June 30, 2018)



1.0%	Cash
26.7%	Fixed Income
72.3%	Equity

Q1 2018
(March 31, 2018)



1.0%	Cash
26.7%	Fixed Income
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Commentary

Economy

Economies are advancing in all regions and, while growth slowed a bit in the first half of the year, the rate of global growth remains fairly good by post-crisis standards. The global economy is being propelled by a variety of tailwinds; the most prominent is fiscal stimulus which, while mostly a U.S. story, could extend to other developed regions such as the U.K., Japan and Germany over the next few years. Our above-consensus view on developed-market growth is supported by elevated levels of optimism among businesses and consumers, diminishing drag from the financial crisis and a boost from many years of ultra-low interest rates.

Fixed Income

The current yield on the U.S. 10-year Treasury is close to our fair value estimate, but that level increases over time with any increase in real interest rates. The financial crisis and unorthodox central-bank policy reduced real interest rates to levels that were unsustainably low and investors are now starting to demand a higher real return on their savings as memories of the crisis fade. The U.S. Federal Reserve (Fed) raised the fed funds rate in June and our forecasts envisage the Fed continuing to gradually tighten policy through rate hikes. While forecasts don't look for meaningfully higher bond yields over the next year, sovereign bonds are likely to generate low single-digit returns over the longer term.

Equity markets

Global equities have fluctuated significantly in the past quarter and edged slightly higher as rapid corporate profit growth was offset by contracting price-to-earnings ratios. Expanding valuations have been a significant source of gains for stocks during this long bull market, but sustained earnings growth will be critical to drive stocks higher from here. Analysts expect the positive trend in earnings to persist this year and next. We acknowledge, however, that any deterioration in the outlook for earnings would leave markets vulnerable to correction given currently demanding valuations.

Portfolio results

Global bond yields paused in the past quarter after having risen steadily since mid-2016 on the back of an improving economy and firming inflation. We believe Europe's earnings base remains depressed relative to other major markets, and we see medium-term upside potential. The U.S. economy continues to move nicely, even if the first part of 2018 has not quite lived up to the performance of 2017. Growth is tentatively reviving into the middle of the year. The big boost from U.S. tax cuts remains a key support, financial conditions have not yet begun to hurt, and we see evidence of a higher potential U.S. growth rate. Emerging market equities were negative for the quarter, mainly due to a broader risk-off environment amid concerns over the impact of rising U.S. Treasury yields and a stronger U.S. dollar on countries with large external financing balances.

Balancing the risks and opportunities in the short and long term, we feel it is still appropriate to maintain a bias toward risk assets. We remain underweight fixed income, but less so than at previous points in the cycle since bonds should serve as ballast if equity markets experience turbulence or the economy downshifts.

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