



## RBC Funds (Lux) – Asia ex-Japan Equity Fund – First Quarter 2018 Commentary

In the first quarter of 2018, the Fund returned -0.1%\* underperforming its benchmark, the MSCI AC Asia ex-Japan Net Index (USD), which returned 0.7%.

Asian markets have declined since reaching a recent peak in late January 2018. This mirrors weak global stock markets which has been held back by fears of a global trade war. Since the start of the year, Asian investors have been concerned about a possible trade war, a potential slowdown of China's economy and the global quantitative easing unwind.

The fund underperformed given poor stock returns from holdings such as Nexteer automotive and Shenzhen Sunway communications. Nexteer is the third largest auto electronic power steering manufacturer in the world. Nexteer, which has been a long term compounder, has recently underperformed as the company missed earnings given a slowdown in sales growth. Shenzhen Sunway is a top 3 mobile antenna vendor globally. Sunway's share price has corrected recently as the market is concerned about the new Apple iPhone wireless charging design and the potential loss of the LCP antenna project.

The backdrop for Asian economies remains volatile, given a potential trade war and concerns that the economic conditions that have characterised the last few years have run their course.

\* Net of fees and expenses for the O share class

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