



RBC Funds (Lux) – U.S. Mid Cap Value Equity Fund – Second Quarter 2017 Commentary

In the second quarter of 2017, the Fund returned -0.7%* underperforming its benchmark, the Russell Midcap Value Index (USD), which returned 1.4%.

Equity markets continued their upturn in the second quarter of 2017. Markets remained resilient on the back of moderately accelerating economic growth and broadly positive economic indicators, although it remains to be seen how long this upward trend can persist. First quarter GDP growth was adjusted upward and the labour and job markets both remained strong, allowing consumer confidence to stay at a decade-long high. Despite these positives, oil prices fell significantly during the quarter as the US reported a significant over-supply. Markets also continued to contend with a challenging geo-political landscape, including ongoing investigations into several of the Trump Administration's activities. On the whole, however, markets remained resilient.

Stock selection was the main detractor from returns as favourable stock selection in the Energy and Materials sectors was more than offset by weak stock selection in Financials, Industrials and Consumer Discretionary. Sector allocation also detracted as the portfolio was overweight the negatively performing Energy sector.

The U.S. Mid Cap Value Equity Fund seeks to be invested in companies with attractive business fundamentals whose stocks are trading at a discount. The Portfolio continues to be based on the premise that a diversified portfolio of companies with attractive return characteristics, opportunity for improvement, and low absolute and relative stock valuation metrics provide an attractive investment option and seek to avoid and at times exploit excesses that arise in both bear and bull markets. To this end, recent market volatility has created attractive entry points for a number of new and existing holdings with portfolio positioning continuing to reflect holdings with superior return on equity and expected earnings growth while also trading at a discount on most valuation metrics.

* Net of fees and expenses for the O share class

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