



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

In the Fourth quarter of 2017, the Fund returned 2.8%* underperforming its benchmark, the Russell Midcap Value Index (USD), which returned 5.5%.

The major story of the fourth quarter 2017 was the passage of the Tax Reform Bill – the largest overhaul of the U.S. tax system in more than 30 years, and the Republican Party's first major legislative win under President Trump. The ~\$1.5T plan, which goes into effect in 2018, will cut the corporate tax rate from 35% to 21%. While the late quarter passage of the bill ultimately limited its impact on market returns in the 4th quarter, the anticipation and subsequent passage of this bill along with continued strong economic data helped infuse the markets with optimism heading into year-end.

The Fund underperformed due to adverse stock selection. Stock selection within the Healthcare, Financials and Consumer Discretionary sectors were the largest detractors from performance and more than outweighed favourable stock selection within Information Technology and Consumer Staples. From a sector allocation standpoint, the significant underweight to Real Estate added to performance but was offset by a modest overweight to the poorly performing Telecommunication Services sector.

The Fund seeks to be invested in companies with attractive business fundamentals whose stocks are trading at a discount. Overall positioning of the Fund is done primarily on a bottom-up basis with relative valuation gaps influencing portfolio construction within defined limits.

The Fund 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.

* Net of fees and expenses for the O share class

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