



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

In the second quarter of 2017, the Fund returned 1.0%* outperforming its benchmark, the Russell 2000 Value Index (USD), which returned 0.7%.

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 positive with selection in the Energy, Information Technology and Real Estate sectors contributing the most to returns and outweighing adverse stock selection in the Industrials and Financials sectors. Overall sector allocation was also modestly positive with the Fund's significant overweight in Industrials the major contributor.

The U.S. Small Cap Value Equity Fund focuses on neglected small-cap companies with attractive long-term fundamentals, near-term profitability improvement potential, and low relative valuations. The Fund emphasizes market leaders with proven products or services, sustainable competitive advantages, solid balance sheets, and attractive cash flows. While sector weightings are a result of bottom-up research and stock selection, the Fund remains positioned for economic recovery with overweight positions in the economically sensitive Industrials, Materials, and Consumer Discretionary sectors.

* Net of fees and expenses for the O share class

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