



Quarterly Commentary

Emerging market equities had a challenging quarter in the face of an unexpected and rapid oil price decline. Russia turned in the worst performance, whilst Chinese equities were boosted by a surprise interest rate cut. Energy and Materials continued to be the laggards, while Financials and IT were the only two sectors to post positive returns.

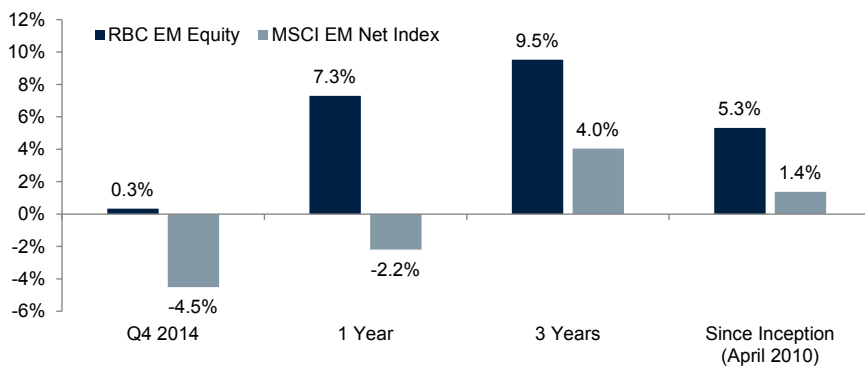
The strategy outperformed the benchmark by 4.8%. An underweight position in Energy and Materials, alongside stock selection within Industrials, contributed the most to performance.

Our decision to underweight Chinese Financials detracted. Given state involvement in many of these names and a lack of transparency on non-performing loans our positioning remains, we believe, valid from a long-term strategic perspective.

We believe our focus on company fundamentals within the framework of long-term investing will help to navigate the complexities of emerging markets. As the divergence across countries, industries and companies looks set to last, our thematic research will be an important ally to diligent stock research as we aim to continue delivering attractive risk-adjusted returns.

Investment Performance

Trailing performance as of 31 December 2014



Risk Characteristics

3 Years through 31 December 2014

	Return	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
RBC EM Equity	9.5%	13.6%	0.7	4.1%	1.3
MSCI EM Net Index	4.0%	15.2%	0.3	-	-

Portfolio Characteristics

	RBC EM Equity	MSCI EM Net Index
CFROI	14.8%	10.7%
EBITDA Margin	31.6%	27.1%
FCF Yield	2.8%	3.3%
ROE (Trailing 12 mos)	16.5%	11.8%
Weighted Avg Market Cap	\$38.7bn	\$48.0bn
Number of Holdings	62	834
Market Cap Distribution		
> \$20 billion	37.0%	47.5%
\$10 - \$20 billion	26.2%	19.3%
\$3 - \$10 billion	28.1%	27.3%
\$1.5 - \$3 billion	6.6%	5.4%
< \$1.5 billion	2.1%	0.6%

Top Ten Holdings

Company Name	Country	Weight
HDFC	India	4.4%
Taiwan Semiconductors	Taiwan	4.1%
Samsung Electronic	Korea	3.5%
Naspers	South Africa	2.9%
Cheung Kong Holdings	China/HK	2.7%
Credicorp	Peru	2.4%
Banco Bradesco	Brazil	2.4%
Lupin	India	2.3%
China Mobile	China/HK	2.3%
Axiata Group	Malaysia	2.2%

EMERGING MARKETS EQUITY

31 December 2014

Strategy Overview

- \$1.7 billion Assets Under Management
- Inception: April 2010
- Benchmark: MSCI EM Net Index
- Vehicles: Segregated Account, SICAV (ISIN: LU0894190932), US MF, Canadian MF
- Portfolio Manager: Phil Langham

Investment Philosophy & Style

- High cash flow return on investment produces superior long-term returns
- Quality and growth at a reasonable price
- Fundamental research-focused approach drives decision making, ESG focus

Investment Process

- Distinctive top-down thematic research (20-40% of expected contribution)
- In-depth and rigorous company-level research drives security selection (60-80% expected contribution)
- ESG analysis embedded in investment process

Portfolio Construction

- High conviction portfolio of 40-80 holdings
- Majority of returns sought from stock selection
- Maximum in a single security: 5%
- Sector exposure +/- 10% vs benchmark
- Country exposure +/- 10% limit on active allocation at the country level
- Low portfolio turnover: 30 - 50%

About RBC Global Asset Management

- Over \$300 billion Assets Under Management
- Offices in North America, Europe and Asia
- Over 300 investment professionals globally
- Part of Royal Bank of Canada, one of the highest rated, largest and safest banks in the world*

For more information, please contact:

Paul Williams, Head of EMEA Business Development
 Email: paul.t.williams@rbc.com
 Tel: +44 (0) 20 7429 8269

Anne-Sophie Girault, EMEA Business Development
 Email: anne-sophie.girault@rbc.com
 Tel: +44 (0) 20 7429 8188

Oliver Cooper, EMEA Business Development
 Email: oliver.cooper@rbc.com
 Tel: +44 (0) 20 7429 8126

Kelly Walsh, Head of Consultant Relations
 Email: kelly.walsh@rbc.com
 Tel: +44 (0) 20 7429 8263

Disclosures

This document is being provided by RBC Global Asset Management (UK) Limited, part of RBC Global Asset Management. This document may not be reproduced in whole or part, and may not be delivered to any person without the consent of RBC Global Asset Management. This document is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any investment strategy and should not be construed as tax or legal advice. Not all products, services or investments described herein are available in all jurisdictions and some are available on a limited basis only, due to local regulatory and legal requirements.

Past performance is not indicative of future results. The information contained in this report has been compiled by RBC Global Asset Management and/or its affiliates from sources believed to be reliable, but no representation or warranty, express or implied is made to its accuracy, completeness or correctness. With all investments there is a risk of loss of all or a portion of the amount invested.

This document contains the current opinions of RBC Global Asset Management and is not intended to be, and should not be interpreted as, a recommendation of any particular security, strategy or investment product. Unless otherwise indicated, all information and opinions herein are as of the date of this document. All information and opinions herein are subject to change without notice.

RBC Global Asset Management is the name used for certain investment advisory subsidiaries of the Royal Bank of Canada. RBC Global Asset Management is the asset management division of Royal Bank of Canada and includes RBC Global Asset Management (U.S.) Inc., RBC Global Asset Management Inc., RBC Global Asset Management (UK) Limited, RBC Alternative Asset Management Inc. and BlueBay Asset Management LLP, which are separate, but affiliated, corporate entities.

RBC Global Asset Management (UK) Limited is authorised and regulated by the Financial Conduct Authority.

©/™ Trademark(s) of Royal Bank of Canada.

*Ratings: S&P: AA-, Moody's: Aa3 (Bloomberg, 30.09.2014)

Ranked 5th largest bank in North America and 12th globally based on market capitalization (Bloomberg, 30.09.2014)

Ranked 2nd safest bank in North America and 16th globally (Global Finance, September 2014)

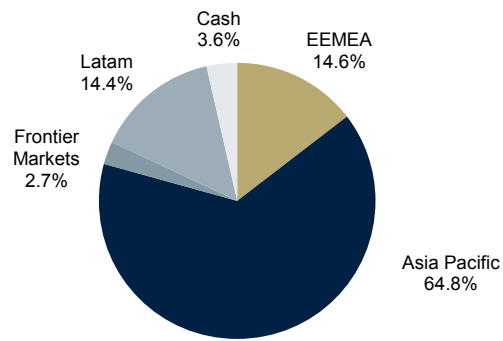
All information as at 31.12.2014 and in US dollars

GUK/15/007/MAY15/A

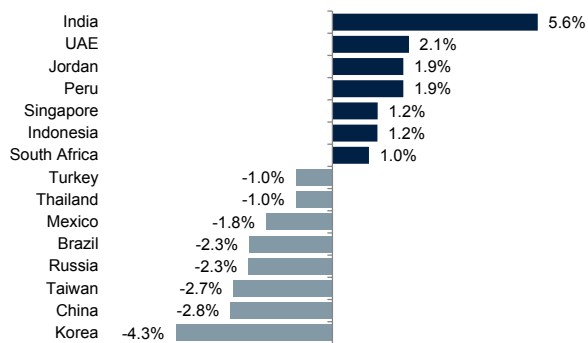


RBC Global Asset Management

Regional Allocation

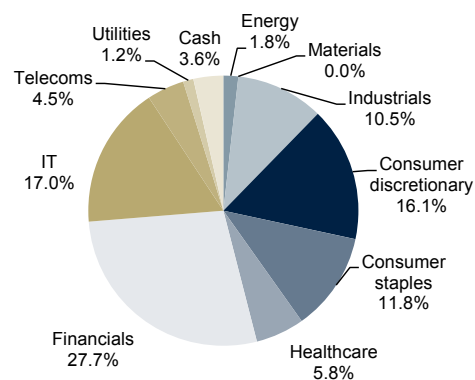


Country Weights



Country weights also include: Chile, Philippines, Nigeria and Malaysia at less than 1%. Qatar, Colombia, Poland, Greece, Egypt, Czech Republic and Hungary all at less than -1%.
 Benchmark: MSCI EM Net Index. Source MSCI and RBC

Sector Allocation



Sector Weights

