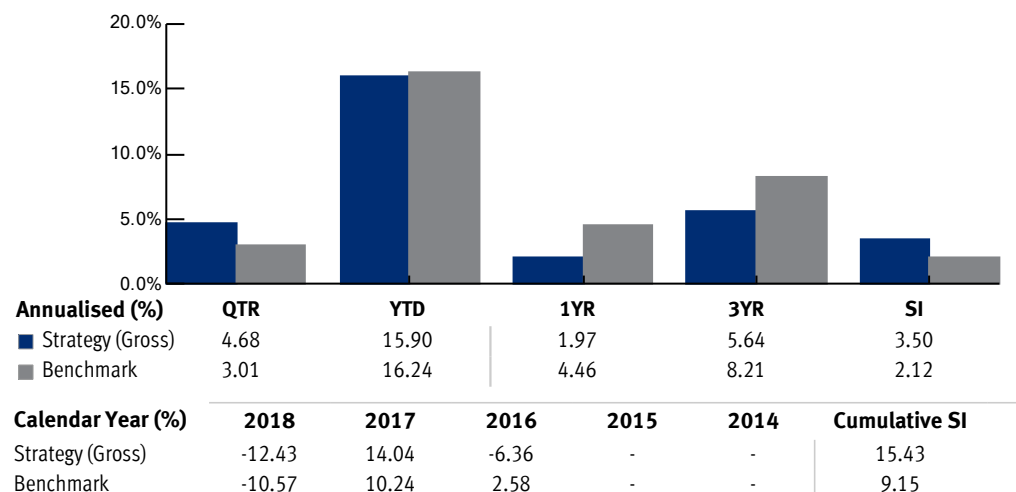


# RBC European Equity Focus

## Quarterly Commentary

The RBC European Equity Focus strategy returned 4.7% over the quarter, versus a return of 3.0% for its benchmark, the MSCI Europe Index. European stocks continued their strong performance, but at a slightly slower rate. The biggest contributor to returns was our holding in French luxury conglomerate LVMH which performed well as concerns over Chinese demand eased and the company announced a new collaboration brand, 'Fenty'. Holdings in UK financial London Stock Exchange (LSE) and Swiss chemical company Sika also contributed. LSE's Q1 results met expectations, with clearing and FTSE Russell subscriptions particularly strong, and Sika announced good results with sales up 5.8% and guidance confirmed. The biggest detractor in Q2 was our holding Irish airline Ryanair which suffered from the ongoing effects of a fare war with other low-cost carriers and higher fuel costs. Positions in CHR Hansen and Novo Nordisk also detracted. CHR was forced to cut estimates after a slowdown in demand for its products, and Novo Nordisk fell early in the quarter on the back of market weakness, but recovered somewhat after posting good quarterly results.

## Investment Performance



Past performance is not indicative of future results and is calculated in EUR. Returns may increase or decrease as a result of currency fluctuations.

Source: RBC Global Asset Management, Rimes. Returns include the reinvestment of all income. Net calendar returns can be viewed in the GIPS appendix. Inception of the performance record is 01.05.2015. Performance is presented as supplemental to the "GIPS® Compliant Presentation" which contains additional information regarding calculation of performance data.

## Portfolio Characteristics<sup>1</sup>

	Strategy	Benchmark
Dividend Growth (5YR)	10.3%	4.0%
Price to Book	3.1	1.7
Sales Growth (5YR)	5.7%	2.6%
Trailing Price to Earnings	18.1	17.1
Forward Price to Earnings	17.0	13.6
Forward Dividend Yield	3.0%	3.9%
Net Profit Margin	12.8%	7.1%
Return on Equity	17.0%	9.8%
Return on Assets	1.4%	1.3%
Forward EPS Growth	11.6%	7.8%
<b>Market Cap Distribution</b>		
< €2 billion	0.0%	0.0%
€2 - €10 billion	15.6%	11.9%
> €10 billion	84.4%	88.1%

## Top Ten Holdings<sup>1</sup>

Company Name	Country	Strategy (%)
Unilever	United Kingdom	5.6
London Stock Exchange	United Kingdom	5.0
Novo Nordisk A/S	Denmark	4.9
RELX	United Kingdom	4.4
LVMH	France	4.2
Roche Holding	Switzerland	4.1
Diageo	United Kingdom	3.7
Sampo Oyj	Finland	3.6
Royal Dutch Shell	United Kingdom	3.4
Heineken	Netherlands	3.4

## Strategy Overview

- €18 million Assets Under Management
- Inception: May 2015
- Benchmark: MSCI Europe
- Vehicles: Segregated Account, SICAV

## Investment Philosophy & Style

- Fundamental approach enshrined in three principles:
  - Scepticism stimulates investigation
  - Continuous re-examination and calibration
  - Empirical methodology because conviction requires rigour
- Emphasis on strong and consistent operational performance
- Focus on companies with low capital intensity
- Fundamentals must be sustainable and/or improving

## Investment Process

- Daily screening for current holdings and watch list
- In-depth company-level research
- Investment thesis established in fundamental check-list

## Portfolio Construction

- Concentrated portfolio of 30 - 35 companies
- Conviction driven position sizing
- Positions driven by levels of active exposure and risk considerations

## Investment Team\*

**David Lambert, CFA**, Lead PM European Equity Focus Strategy, Senior Portfolio Manager  
Industry Experience: 19 years

**Dominic Wallington**, Head of RBC European Equity  
Industry Experience: 29 years

**James Jamieson, CFA**, Lead PM European Income Strategy, Portfolio Manager  
Industry Experience: 11 years

\*Industry experience is updated annually.

## About RBC Global Asset Management

- Over \$345 billion Assets Under Management
- Offices in North America, Europe and Asia
- Over 340 investment professionals globally
- Part of Royal Bank of Canada (RBC), one of the highest rated and largest banks in the world\*

\*Ratings: S&P: AA-, Moody's: Aa2. Ranked 5th largest bank in North America and 10th globally based on market capitalisation (Bloomberg).

Past performance is not indicative of future results. Source: RBC Global Asset Management, Bloomberg, FactSet, Rimes

<sup>1</sup>Supplemental information complements the RBC European Equity Focus Composite presentation as provided in the "GIPS® Compliant Presentation". The information presented is derived from the representative account of the strategy. The representative account is the account in the composite that most closely reflects the current portfolio management style for the strategy.

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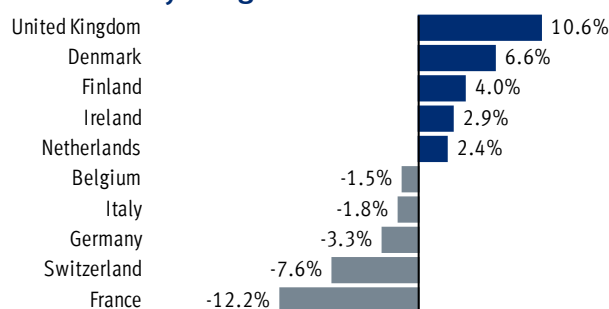
## Region Allocation<sup>1</sup>

	Strategy (%)	Benchmark (%)
Rest of Europe	41.3	63.9
UK	37.1	26.6
Nordics	20.0	9.6
Cash	1.6	0.0

## Sector Allocation<sup>1</sup>

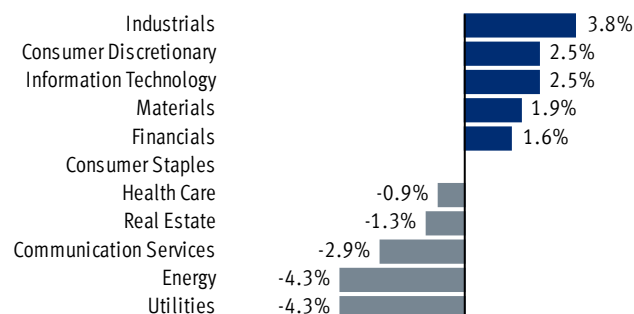
	Strategy (%)
Financials	19.5
Industrials	17.3
Consumer Staples	14.5
Health Care	12.1
Consumer Discretionary	12.0
Materials	9.4
Information Technology	8.4
Energy	3.4
Communication Services	1.7
Cash	1.6

## Relative Country Weights<sup>1</sup>



Top and bottom 5 relative country weights.

## Relative Sector Weights<sup>1</sup>



## Risk Characteristics

3 Years

	Alpha (%)	Beta	Standard Deviation (%)	R-Squared (%)	Upside Capture (%)	Downside Capture (%)	Sharpe Ratio
Strategy (Gross)	-2.0	0.9	10.7	80.3	89.2	106.1	0.6
Benchmark	-	-	10.4	-	-	-	0.8

# GIPS® Compliant Presentation, as at June 30, 2019

## RBC GAM European Equity - Concentrated

Inception Date: May 1, 2015

Benchmark: MSCI Europe Total Return Net Index (EUR)

Currency: EUR

### Annual Returns

Year End	Composite Gross Return (%)	Composite Net Return (%)	Benchmark Return (%)	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)	Number of Portfolios	Internal Dispersion (%)	Composite Assets (millions)	Firm Assets (millions)
2015/05 - 2015/12	6.51	6.05	-7.15	n/a	n/a	1	-	4.9	254,869.4
2016	-6.36	-6.97	2.58	n/a	n/a	1	-	4.0	275,056.8
2017	14.04	13.30	10.24	n/a	n/a	1	-	6.3	276,605.6
2018	-12.43	-12.99	-10.57	10.30	9.91	1	-	7.0	267,059.3
YTD 2019	15.90	15.52	16.24	10.75	10.37	1	-	17.8	304,205.3

**Description of the Firm:** For the purposes of Global Investment Performance Standards (GIPS®), RBC Global Asset Management is the asset management division of Royal Bank of Canada (RBC), operating under the following brands: RBC Global Asset Management (RBC GAM) in Canada, the U.S. (institutional), the U.K. and Hong Kong; Phillips, Hager & North Investment Management (institutional); and BlueBay Asset Management (institutional). With offices around the world, RBC GAM offers a full range of global investment solutions in cash management and fixed income, equity, balanced, alternative and specialty investment strategies through mutual funds, hedge funds, pooled funds and separately managed accounts. The RBC GAM group of companies has more than C\$417 billion (US\$305 billion) in assets under management as at December 31, 2018. RBC purchased Phillips, Hager & North Investment Management, including the assets of BonaVista Asset Management, on May 1, 2008, and BlueBay Asset Management on December 17, 2010. A complete list and description of the firm's composites and performance results is available upon request.

**Compliance Statement:** RBC GAM claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. RBC GAM has been independently verified for the periods January 1, 2002 through December 31, 2018. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The European Equity - Concentrated composite has been examined for the periods May 1, 2015 - December 31, 2018. The verification and performance examination reports are available upon request.

**Composite Description:** The European Equity - Concentrated composite provides long-term total returns principally through capital appreciation. Portfolios invest primarily in equity securities of established European companies. Portfolios follow a concentrated approach of 25 - 50 positions.

**Benchmark:** The benchmark is the MSCI Europe net of taxes index, Reported in EUR.

**Gross of Fees:** Gross of fees performance is presented gross of all fees, but after all trading expenses.

**Net of Fees:** Net of fee performance is calculated using the maximum stated annual fee of 0.65% calculated and applied monthly.

**Performance Calculations:** Results are based on all fully discretionary accounts meeting the composite definition, including those accounts no longer with the firm. Returns are shown in Euros, and include the reinvestment of all income. Additional information regarding policies for valuing portfolios, calculating performance, and preparing presentations is available upon request. Past performance is not indicative of future results.

**Composite Dispersion:** The composite dispersion of annual returns is indicated by the performance of individual accounts representing the equal weighted standard deviation of returns. Dispersion of returns is calculated for portfolios included in the composite for the full year.

**3-Year Standard Deviation:** Periods with less than 3 years of data will show "n/a".

**Derivatives, Leverage and Short Positions:** The portfolios may use derivatives for hedging purposes, and may also use derivatives such as options, futures, forwards and swaps for non-hedging purposes as a substitute for direct investment, as long as the portfolio's use of derivatives is consistent with its investment objectives. Currency hedging is used primarily as a risk management tool to limit the volatility of portfolio returns and may be used tactically to enhance returns. Currency hedge ratios can range between 0-100%, depending on asset class and mandate. No leverage has been used in any of the portfolios contained in the composite.

**Fee Schedule:** The management fee schedule is as follows: 0.65% for the first US\$50m, 0.60% on the next US\$50m, and 0.55% for all assets over US\$100m. Advisory fees are described on this page and on Form ADV Part 2A. RBC GAM reserves the right to negotiate all advisory fees.

**Minimum Account Size:** Currently there is no minimum account size in order to be included in this composite.

**Creation Date:** his composite was created on May 1, 2015.

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