



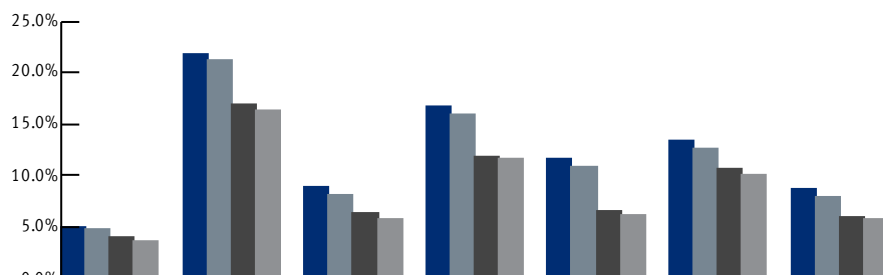
# RBC Global Focus Equity

## Quarterly Commentary

Global equity markets continued 2019 with another positive quarter. MSCI ACWI (Net) Index returned 3.6%, reflecting the relative weakness of emerging markets. This quarterly total return belies a fair degree of inter-month volatility. Markets react en masse to any small changes in rhetoric or policy suggestions. The sharp sell-off in May was indicative of a change of sentiment towards any resolution of the US-China trade war combined with a belief that the US Federal Reserve may begin interest rate cuts. This hurt equities across the board whilst bonds rallied strongly. June's strong performance indicated an abrupt reversal of this negative view on the trade outlook and many equity markets touched all-time highs by quarter end.

In local currency terms all countries and regions, bar China, delivered positive total returns. Australia (7.3%) was the strongest market with a general election victory for the business-friendly Liberal party that bolstered domestic equities. Canada (4.9%) and the US (4.1%) both outperformed the broader market whilst the UK (0.9%) lagged. Aside from energy (-1.1%), impacted by volatile and ultimately weaker oil and gas prices, all sectors posted positive total returns in Q2. Outperforming the broader market index was financials (5.8%), information technology (5.2%), industrials (4.5%), consumer discretionary (4.4%) and materials (3.7%). Utilities (2.6%) and health care (1.3%) lagged. Performance was helped by stock selection in financials, consumer staples, and utilities. Performance was hurt by stock selection in industrials, communication services, and energy.

## Investment Performance



	QTR (%)	YTD (%)	1YR (%)	3YR (%)	5YR (%)	10YR (%)	SI (%)
Composite (Gross)	4.94	21.70	8.95	16.72	11.69	13.30	8.69
Composite (Net)	4.76	21.28	8.19	15.91	10.91	12.51	7.94
Benchmark	4.00	16.98	6.33	11.77	6.60	10.72	5.90
Secondary Benchmark	3.61	16.23	5.74	11.62	6.16	10.15	5.73

Past performance is not indicative of future results.

Source: RBC Global Asset Management, Rimes

Inception of the performance record is 9.1.06.

Returns are presented in gross and net of fees and include the reinvestment of all income. All returns for periods greater than one year are shown on an annualized basis. Performance and composite information presented is supplemental to the "GIPS® Compliant Presentation" which contains additional information regarding calculation of performance data. The secondary benchmark is used for comparison purposes as a comparison for the US market.

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

	Strategy	Benchmark	Secondary Benchmark
Sales Growth (5YR)	4.5%	5.9%	6.3%
Net Profit Margin	12.3%	8.5%	8.6%
Asset Turnover	76.8%	63.6%	62.7%
Total Debt to Equity	0.8	1.3	1.2
Return on Equity	18.8%	11.7%	11.5%
Return on Assets	3.8%	2.0%	2.0%
Forward Price to Earnings	20.6	15.8	15.4
FCF Yield (ex Fin)	3.5%	4.3%	4.3%
Weighted Avg Mkt Cap	\$160bn	\$164bn	\$156bn
Active Share	91.2%	-	-
Portfolio Turnover	25.4%	-	-

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

Company Name	Country	Strategy (%)
Danaher	United States	4.9
Roche Holding	Switzerland	4.8
UNITEDHEALTH GROUP INC	United States	4.6
Fortive	United States	4.4
Unilever	Netherlands	4.1
TJX	United States	4.0
Microsoft	United States	3.9
Deutsche Post	Germany	3.9
EOG Resources	United States	3.7
American Water Works Co	United States	3.4

## Strategy Overview

- \$4,778 Million Assets Under Management
- Inception: September 2006
- Benchmark (BM): MSCI World Net Index, Secondary BM: MSCI ACWI Net Index
- Vehicles: Separate Account, SICAV, US '40 Act, US 3C7, Canadian Mutual Fund

## Investment Philosophy & Style

- Businesses with strong competitive dynamics generate considerable economic value over the long-term - poor businesses destroy it
- Owning over-priced stocks puts capital at risk
- Differentiated source of alpha with very low correlation to style-driven managers and peer group

## Investment Process

- Competitive Dynamics Assessment: Identify competitive businesses with growth opportunities
- Conviction-based strategy aims to deliver predictable and consistent risk-adjusted returns
- Embedded risk management process dedicated to monitoring and managing risk
- Integrated ESG factors to identify long-term risks to financial sustainability

## Portfolio Construction

- High conviction portfolio: 30-40 issues
- Majority of returns from stock selection
- Maximum in a single security: 7.5%
- Sector exposure: +/- 10% versus index
- Country exposure: +/- 10% versus index (except US +/- 15%)

## Investment Team

**Habib Subjally**, Head of RBC Global Equity Industry Experience: 24 years

### Seven Sector Focused Specialists Three Risk and Portfolio Construction Specialists

The investment team of eleven experts has over 180 years of collective investment experience and is based in the RBC GAM-UK London office.

## 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 (Bloomberg, 6.30.19). Ranked 5th largest bank in North America and 10th globally based on market capitalization (Bloomberg, 6.30.19).

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

	Strategy (%)
Americas	57.0
Europe/Middle East	27.7
Emerging Markets	7.3
Asia Pacific	7.0
Cash	1.0

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

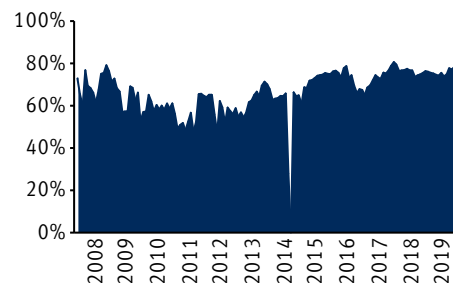
	Strategy (%)
Financials	19.4
Health Care	15.6
Consumer Discretionary	14.3
Industrials	12.9
Consumer Staples	12.4
Information Technology	10.9
Energy	5.1
Utilities	3.4
Communication Services	3.0
Materials	2.0
Cash	1.0

## Risk Characteristics

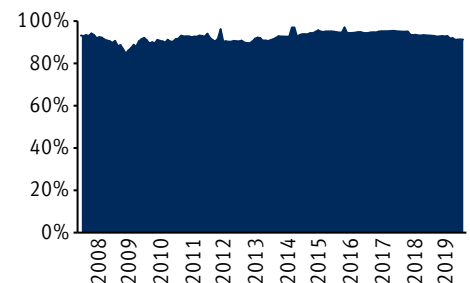
5 Years

	Alpha (%)	Beta	Standard Deviation (%)	R-Squared (%)	Upside Capture (%)	Downside Capture (%)	Sharpe Ratio
Strategy (Gross)	4.9	1.0	12.5	93.0	136.3	96.2	0.9
Benchmark	-	-	11.6	-	-	-	0.5

## Total Risk from Stock Specific Sources<sup>1</sup>

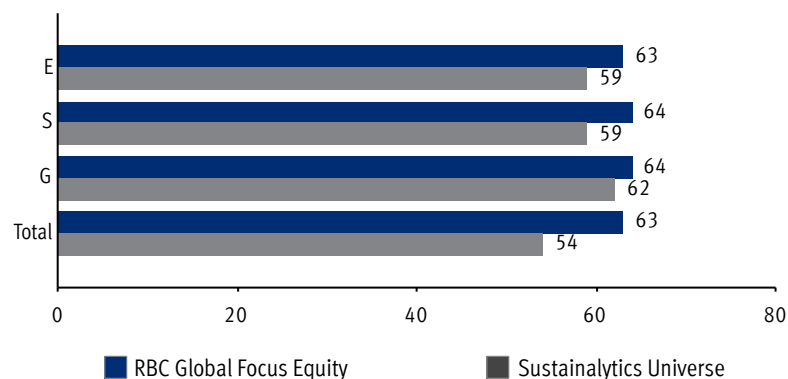


## Active Share<sup>1</sup>



Source: RBC, MSCI, Northfield, UBS PAS, Citigram, Axiona.

## Environmental, Social & Governance Credentials<sup>1</sup>



Sustainalytics scores these companies on a scale out of 100. The un-weighted average score of holdings in the RBC Global Focus Equity strategy compared to the Sustainalytics coverage universe.

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Past performance is not indicative of future results.

Source: RBC Global Asset Management, Rimes

<sup>1</sup>Supplemental information complements the "GIPS® Compliant Presentation" as provided. The information presented are those of the representative account in the strategy. There is no guarantee that every account will be identical to the information presented here.

This presentation should not be construed as a recommendation to buy or sell any financial instruments. The information contained herein should not be relied upon as the sole investment-making decision.

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

## RBC GAM Global Equity - Concentrated (USD)

Inception Date: September 1, 2006

Benchmark: MSCI World Total Return Net Index

Secondary Benchmark: MSCI ACWI Net Index (USD)

Currency: USD

Annual Returns	Composite Gross Return (%)	Composite Net Return (%)	Benchmark Return (%)	Benchmark 2 Return (%)	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)	Benchmark 2 3-Yr St Dev (%)	Number of Portfolios	Internal Dispersion (%)	Composite Assets (millions)	Firm Assets (millions)
2009	28.83	27.93	29.99	34.63	21.66	21.40	22.34	2	0.09	109.4	228,136.6
2010	9.46	8.69	11.76	12.67	23.91	23.72	24.49	2	0.11	101.5	252,397.6
2011	-3.00	-3.68	-5.54	-7.35	20.47	20.15	20.59	3	0.07	613.7	244,857.4
2012	15.27	14.46	15.83	16.13	17.98	16.74	17.13	3	0.31	609.3	279,416.3
2013	29.68	28.78	26.68	22.80	14.15	13.54	13.94	2	0.12	111.5	296,003.0
2014	7.03	6.28	4.94	4.16	10.28	10.23	10.50	3	-	1,004.6	302,064.4
2015	4.79	4.06	-0.87	-2.36	10.34	10.80	10.79	4	0.31	1,401.2	276,979.3
2016	4.06	3.34	7.51	7.86	10.92	10.92	11.06	4	0.22	1,801.6	289,538.6
2017	35.37	34.42	22.40	23.97	10.59	10.23	10.36	4	0.38	2,806.1	331,885.2
2018	-6.06	-6.72	-8.71	-9.41	12.19	10.38	10.48	5	0.13	3,618.9	305,983.2
YTD 2019	21.70	21.28	16.98	16.23	12.72	11.16	11.16	5	0.15	4,778.2	345,911.9

**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, 2017. 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 Global Equity - Concentrated (USD) composite has been examined for the periods September 1, 2006 - December 31, 2017. The verification and performance examination reports are available upon request.

**Composite Description:** The Global Equity - Concentrated (USD) Composite is defined as consisting of those mandates that have exposure primarily in stocks of all the developed markets in the world, with high alpha concentration. Funds may also invest between 20 - 30% of their assets in Emerging Markets.

**Benchmark:** The primary benchmark for the composite is the MSCI World (net of withholding taxes) - a free-float weighted equity index. The index is designed to measure the equity market performance of developed markets across the world. The MSCI All Country World Index (net of withholding taxes) - a free-float weighted equity index is also used as a secondary benchmark.

**Gross of Fees:** Performance total returns have been calculated before management fees & expenses and after all trading commissions. Returns are calculated net of non-reclaimable taxes on dividends, interest, and capital gains. Reclaimable withholding taxes have been accrued.

**Net of Fees:** Net of fee performance is calculated using the maximum stated annual fee of 0.70% 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 U.S. Dollars, and include the reinvestment of all income. Performance shown for the Global Equity- Concentrated Composite is based on information generated by RBC Global Asset Management's internal performance systems starting February 1, 2014, which may differ from the performance shown in official books and records of certain investment funds which form a part of the composite. Official books and records for certain investment funds which form a part of the composite include the impact of a fair value for market timing that is applied to certain securities as of the close of trading for the fund. For the purposes of calculating the Global Equity - Concentrated Composite, we prepare a separate performance stream for such funds that eliminates the impact of this fair value adjustment. This second performance stream is used to calculate performance of the composite in an effort to better align the methodology for calculating composite performance with the methodology applied to calculate the benchmark. 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 use of hedging or leverage has not been used in the management of any funds within the composite.

**Cash Flow Policy:** For all periods from January 1, 2010 - January 31, 2014, the composite has had in place a significant cash flow policy whereby a portfolio will be removed from the composite if the cash flow is 10% or more of a portfolio's [or fund's] value. The firm has determined that an external cash flow of 10% or more may temporarily prevent the firm from implementing the intended investment strategy; thereby the fund is no longer representative of the composite strategy.

**Fee Schedule:** The management fee schedule is as follows: 0.70% 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:** There is currently no minimum account size for inclusion in this composite.

**Creation Date:** This composite was created on February 1, 2014, with a data inception of September 1, 2006.

**Composite History:** Performance for the periods September 1, 2006 - January 31, 2014 was achieved while under employment at First State Investments. Past performance has been linked to the on-going performance of the RBC GAM Global Equity Concentrated Composite starting January 1, 2014. While at First State the composite was called the FSI High Alpha Concentrated Composite.

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