



RBC Emerging Markets Small Cap Equity

Quarterly Commentary

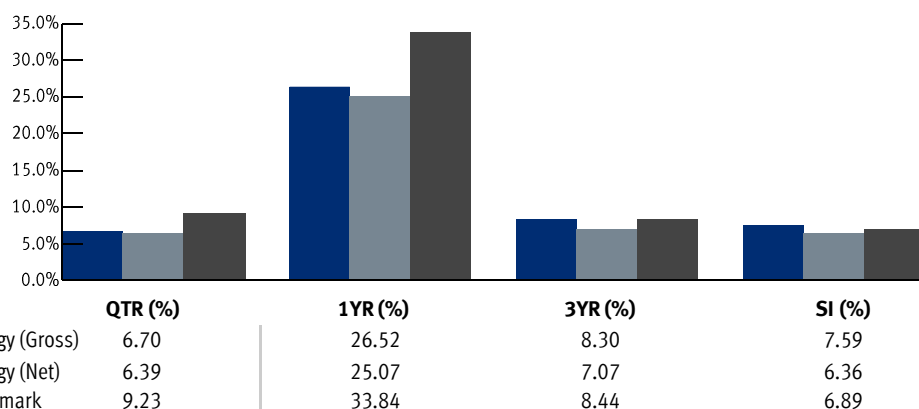
Emerging market equities continued to outperform developed markets equities in the fourth quarter. Strength in emerging market currencies relative to the US dollar coupled with rising 2018 EPS growth expectations helped emerging market. Commodities had notable gains over the period, with crude oil and metals rising significantly.

The fourth quarter saw multiple election victories for pro-reform candidates in emerging markets, and it is very positive that China's reform agenda was reiterated at the Communist party congress in October.

Emerging market small caps have underperformed the broader emerging market index over the last year driven by higher index weightings in the more domestic and defensive health care, consumer staples and consumer discretionary sectors, and the relatively low weighting of the index to IT. In addition, the Emerging Market Small Cap index has lower exposure to one of the strongest performing markets, China.

Our underweight in health care detracted from returns. At the country level, stock selection, combined with our underweight in South Korea, were the key detractors from returns.

Investment Performance



Past performance is not indicative of future results.

Source: RBC Global Asset Management, Bloomberg, FactSet, Rimes

Inception of the performance record is 7.1.13.

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.

Portfolio Characteristics¹

	Strategy	Benchmark
EBITDA Margin (ex Financials)	15.6%	11.7%
ROE (Trailing 12 mos)	11.5%	6.7%
Weighted Avg Market Cap	\$2.2bn	\$1.5bn
12-Month Turnover	23.2%	-
Active Share	96.9%	-
Market Cap Distribution		
< \$1 billion	22.4%	37.5%
\$1 - \$2 billion	34.2%	38.1%
\$2 - \$3 billion	17.6%	16.6%
\$3 - \$4 billion	15.6%	4.8%
> \$4 billion	10.2%	2.9%

Top Ten Holdings¹

Company Name	Country	Strategy (%)
Cyient	India	4.5
Godrej Industries	India	3.1
Bajaj Holdings & Investment	India	2.9
TI Financial	India	2.7
Delta Electronics	Thailand	2.7
Marico	India	2.7
Wistron NeWeb	Taiwan	2.6
AEON Thana Sinsap	Thailand	2.6
Inversiones Aguas	Chile	2.6
Metropolitanas		
Sundaram Finance	India	2.5

Strategy Overview

- \$418 Million Assets Under Management
- Inception: July 2013
- Benchmark: MSCI EM Small Cap Net Index
- Vehicles: Segregated Account, SICAV (ISIN: LU1217269809), US '40 Act, Canadian Mutual Fund

Investment Philosophy & Style

- Focus on sustainably high cash flow return on investment (CFROI)* companies
- Distinctive blend of top down thematic and fundamental company research with a built in ESG process
- High conviction, quality-biased, long-term portfolio

Investment Process

- Distinctive and thorough top-down thematic research: 20-40% contribution
- In-depth company-level research drives security selection: 60-80% contribution
- ESG analysis embedded in investment process

Portfolio Construction

- High conviction portfolio: 50-60 issues
- Majority of returns from stock selection
- Maximum in a single security: 5%
- Tracking error: 3-8%
- Low portfolio turnover: 30-50%

Investment Team

Philippe Langham, Head of RBC Emerging Markets Equity, Senior Portfolio Manager
Industry Experience: 25 years

Laurence Bensafi, CFA, Deputy Head of RBC Emerging Markets Equity
Industry Experience: 17 years

Guido Giammattei, Head of Research, Portfolio Manager
Industry Experience: 19 years

Veronique Erb, Portfolio Manager
Industry Experience: 17 years

Zeena Dahdaleh, CFA, Portfolio Manager
Industry Experience: 10 years

Richard Farrell, CFA, Portfolio Manager
Industry Experience: 10 years

Christoffer Enemaerke, CFA, Portfolio Manager
Industry Experience: 7 years

Ashna Yarashi, Associate Portfolio Manager
Industry Experience: 5 years

About RBC Global Asset Management

- Over \$330 billion Assets Under Management
- Offices in North America, Europe and Asia
- Over 300 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: A1 (Bloomberg, 12.31.17). Ranked 5th largest bank in North America and 10th globally based on market capitalization (Bloomberg, 12.31.17).

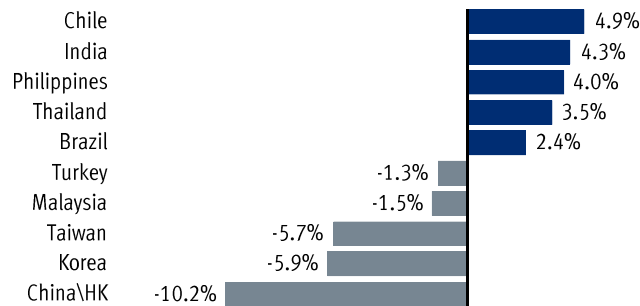
Top Ten Benchmark Countries¹

Country	Strategy (%)
India	19.4
Taiwan	11.6
Korea	10.7
China\HK	9.4
Brazil	7.8
Thailand	7.2
Chile	6.2
South Africa	6.0
Philippines	4.9
Mexico	2.9

Sector Allocation¹

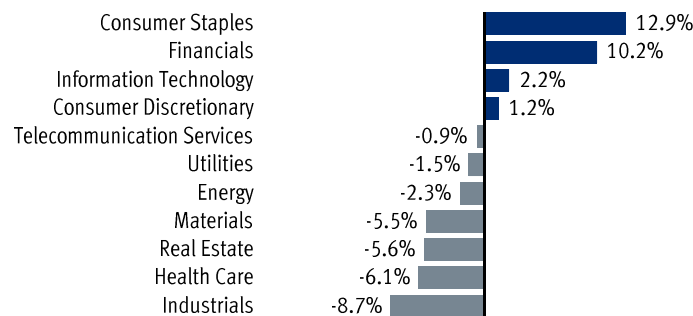
	Strategy (%)
Consumer Staples	19.7
Financials	19.1
Information Technology	18.7
Consumer Discretionary	17.8
Materials	6.6
Industrials	5.7
Real Estate	3.2
Health Care	2.8
Utilities	2.6
Cash	4.0

Relative Weights for Benchmark Countries¹



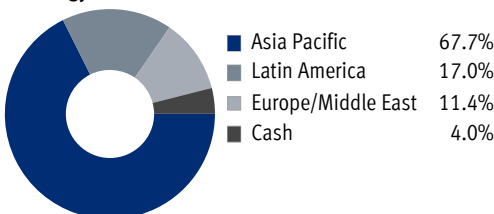
Top and bottom 5 relative weights for benchmark countries. Hong Kong is included as part of the overall China allocation although Hong Kong is not an official MSCI EM index constituent.

Relative Sector Weights¹

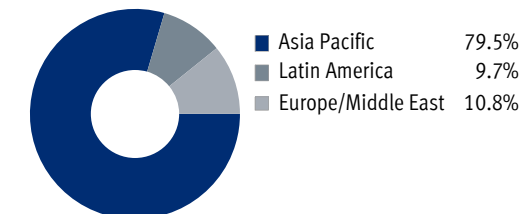


Regional Breakdown¹

Strategy



Benchmark



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Past performance is not indicative of future results.

Source: RBC Global Asset Management, Bloomberg, FactSet, Rimes

¹Supplemental information complements the "GIPS[®]

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GIPS® Compliant Presentation, as of December 31, 2017

RBC GAM Emerging Markets Equity - Small Cap (USD)

Inception Date: July 1, 2013

Benchmark: MSCI Emerging Markets Small-Cap Total Return Net Index

Currency: USD

Annual Returns	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)
2013/07 - 2013/12	1.65	1.06	4.79	n/a	n/a	1	-	59.6	296,003.0
2014	7.63	6.40	1.01	n/a	n/a	2	1.15	178.4	302,064.4
2015	-5.77	-6.85	-6.85	n/a	n/a	3	0.87	242.6	276,979.3
2016	6.56	5.35	2.28	11.44	14.33	3	0.24	302.7	289,538.6
2017	26.52	25.07	33.84	10.84	14.36	3	0.39	418.3	331,885.2

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\$331 billion) in assets under management as at December 31, 2017. 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, 2016. 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 Emerging Markets Equity - Small Cap (USD) composite has been examined for the periods July 1, 2013 - December 31, 2016. The verification and performance examination reports are available upon request.

Composite Description: The Emerging Market Equity - Small Cap (USD) Composite includes all portfolios that invest in emerging markets equities of small-cap companies managed by RBC GAM directly.

Benchmark: The benchmark is the MSCI Emerging Market Small-Cap (net of taxes) index. The Index is designed to measure the equity market performance of emerging markets with a focus on small market capitalization companies. Index returns are provided for comparison purposes to represent the investment environment existing during the time periods shown. An index is fully invested, includes the reinvestment of dividends and capital gains, but does not include any transaction costs, management fees, or other costs. Holdings of each separately managed account in a composite will differ from the index. An investor may not invest directly in an index.

Gross of Fees: Gross of fees performance is presented gross of all fees, but after all trading expenses. Returns are presented net of withholding taxes on dividends, interest income and capital gains where applicable.

Net of Fees: Net of fee performance is calculated using the maximum stated annual fee of 1.15% 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 Emerging Markets Equity Small Cap Composite is based on information generated by RBC Global Asset Management's internal performance systems, 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 Emerging Markets Equity Small Cap 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 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: For U.S. clients: 1.15% for the first US\$50mm, 1.05% on the next US\$50mm, and 1.00% 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: This composite was created on July 1, 2013 and has an inception date of July 1, 2013.

Composite History: Starting Q1 2015, Composite returns prior to 2014 have been updated to capture a calculation methodology change to be gross of all fees, but after all trading expenses; previously returns were before management fees, but after administrative fees and all trading expenses.

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