Global Asset Management

September 30, 2017

Global Focus Equity

Strategy Update

Composite Inception Date is 9/1/2006	QTR	YTD	1 YR	3 YR	5 YR	10 YR
Global Focus Equity (Gross)	7.79%	25.48%	23.22%	12.32%	14.48%	6.24%
Global Focus Equity (Net)	7.61%	24.82%	22.36%	11.54%	13.68%	5.50%
MSCI World (Net)	4.84%	16.01%	18.17%	7.69%	10.99%	4.22%
MSCI All Country World Index (Net)	5.18%	17.25%	18.65%	7.43%	10.20%	3.88%

Market Recap

Global equities continued their resolutely positive 2017 through Q3 as volatility remained low, political risk receded and policy remained supportive. In concert with the generally benign economic background and nascent global growth, many company results impressed, supporting developed market equity prices.

The MSCI World Net Index returned 4.8% in Q3 bringing year-to-date returns to 16%. The MSCI ACWI Net Index posted a 5.2% return reflective of the strength of its emerging market component. The ACWI has returned 17.3% thus far in 2017.

All major markets posted strong returns in their respective local currencies. The US led the way with a 4.5% return, given impetus by strong macro and company fundamentals and the announcement of tax reform plans late-quarter. Japan returned 4.3% in local currency terms, a weak yen and Abe's strength being supportive for equities. Canada posted a healthy 4.1% return in local currency terms as economic data remained strong and the Bank of Canada tightened rates. Europe ex-UK posted a 3.2% return, evidence of the global nature of the recovery. Unsurprisingly, the UK was the laggard at 1.8% as Brexit uncertainty weighed although it was still a positive performer in aggregate.

Despite a late quarter rally on the back of Fed intentions to reduce its balance sheet and tighten rates, the US dollar continued to weaken. Against the US dollar the Canadian dollar appreciated by 3.9% and the euro by 3.4%. This brings year-to-date returns versus the US dollar to 7.8% and 12.3% respectively. Sterling appreciated over the summer months as inflation came in more strongly than expected and the Bank of England hinted at a November tightening. The yen was marginally negative, depreciating by -0.1% over the quarter.

Within the MSCI ACWI Index, last quarter's worst performing sector, energy, was the top performer in Q3, returning 9.4% as oil prices rebounded 21% from their year's low in June. Unexpectedly strong Chinese demand and the referendum on Kurdish independence, which disrupted supply through Iran and Turkey, drove the price rise. Materials was the second strongest sector with a 9.1% return, followed by the technology sector (+8.9%). Consumer staples at -0.2% on the quarter was the worst performer with share prices suffering in the face of rising bond yields, which reduce the present value of the stable, long-dated cash flows that make these companies attractive.

Strategy Overview

The portfolio held 33 names at quarter end. Stock selection in health care, industrials, and consumer staples contributed to returns. Detractors included stock selection in consumer discretionary and technology.

Strengths

- **Kite Pharma (+1.19%):** *US pharmaceutical;* Subject of a takeover from Gilead Sciences at a 29% premium in an all-cash offer.
- **CF Industries (+0.50%):** *US manufacturer of nitrogen-based fertilizer*; Rallied as prices for urea (key component in its product) have risen 60% since end June 2017.
- **Nidec (+0.50%):** *Japanese manufacturer of precision motors*; Released strong Q1 numbers and is poised to benefit from continued electrification of cars.
- **Deutsche Post (+0.46%):** German postal service and international courier; Good Q2 results driven by growth of its express delivery business in Europe.
- **Estee Lauder (+0.29%):** *US cosmetics firm;* Benefited from strong sales growth and FY18 guidance.

Weaknesses

- **Intercontinental Hotels (-0.29%):** *UK-listed global hotel franchise operator;* Slightly weak H1 17 results.
- **MarketAxess (-0.26%):** *US financial trading platform;* Summer trading volumes missed expectations
- **Paddy Power Betfair (-0.23%):** *Irish-listed gaming company;* Experiencing issues integrating the technology of its recent acquisition Betfair.
- **Roche (-0.16%):** *Swiss pharmaceutical company;* High-risk eye drug failed a late-stage trial but otherwise no news.
- **Blackstone (-0.12%):** *US alternative asset manager;* No company-specific news. Stock lagged the broader market.

Outlook

Repeating last quarter's sentiments, market valuations in aggregate seem expensive. Certainly it is a scenario that is concerning many market participants with commentators lining up to predict the source and timing of the next crisis. Indeed, we would have some sympathy with caution at the general level of equity valuations and the low level of volatility. That said, we believe that in the long run share prices follow fundamentals and a carefully selected portfolio of companies with solid long-term prospects should prevail.

Risks, however, are manifold, especially in the political arena and through the potential for central banks to start withdrawing their monetary largesse of the last decade. The rapid growth of index-replicating strategies gives further reason for concern as investors are driven by base line technicals rather than considered opinion based on thorough research.

Things to be mindful of include the following: Will the US make a policy mistake? Despite some moderating of its views on inflation the Federal Reserve would appear to be driven by an outmoded belief in the Phillips Curve. The US now has a highly deregulated labor market with the gig economy and historically low levels of union membership meaning that the economy can function with lower employment without causing inflation. Will, therefore, rate rises stall the economy?

Conversely has the Trump administration finally found its feet? The recent White House "purges" may be symptomatic of a government getting more serious rather than a measure of chaos. The pragmatism shown in the debt ceiling negotiations and recently-announced tax reform may well indicate this. Clearly this would have growth and reflationary implications for the US economy and the US dollar.

In Europe will the core once again act in its best interests at the expense of the periphery? Data is emerging more strongly, though it is far from uniform. Any retrenchment from QE may well illustrate the core/periphery divergence leading to bond crises and the fomenting of populism.

Against this uncertain backdrop we remain committed to the discovery of businesses that we believe will continue to compound shareholder returns over the long term. They will achieve this via their strong competitive dynamics; namely a winning business model, operating in growing markets and with a strong management team that operates with a long-term stewardship mind-set in a responsible manner. Adhering to this framework permits us the opportunity to identify the strongest companies trading at the most attractive long term valuations.

Past performance is not indicative of future results.

Returns include the reinvestment of all income. All returns for periods greater than one year are shown on an annualized basis.

For institutional investor use only. Performance and composite information on this page is supplemental to the "GIPS® Compliant Presentation" which contains additional information regarding calculation of performance data. The securities named in the Strengths and Weaknesses sections are those that contributed and detracted most to the composite's performance during the quarter. To obtain calculation methodology or a list of every holding's contribution to the overall account's performance during the period, request online at http://us.rbcgam.com/contact-us/form/default.fs. Views and opinions of RBC GAM-US are subject to change without notice based on market and other developments.

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GIPS® Compliant Presentation as of September 30, 2017

Year	Composite Return Gross of Fees	Composite Return Net of Fees	Benchmark Return	# of Portfolios	Composite Dispersion	Composite 3-Year Standard Deviation	Benchmark 3-Year Standard Deviation	Composite Assets	Total Firm Assets
2007	18.73%	17.90%	9.04%	1	N/A[1]	N/A[1]	N/A[1]	79.9	207, 926.9
2008	-40.29	-40.70	-40.71	2	N/A[1]	N/A[1]	N/A[1]	83.3	164,090.1
2009	28.83	27.93	29.99	2	0.09%	21.66%	21.40%	109.4	228,136.6
2010	9.46	8.69	11.76	2	0.11	23.91	23.72	101.5	252,397.6
2011	-3.00	-3.68	-5.54	3	0.07	20.47	20.15	613.7	244,857.4
2012	15.27	14.46	15.83	3	0.31	17.98	16.74	609.3	279,416.3
2013	29.68	28.78	26.68	2	0.12	14.15	13.54	111.5	296,003.0
2014	7.03	6.28	4.94	3	N/A[2]	10.28	10.23	1,004.6	302,064.4
2015	4.79	4.06	-0.87	4	0.31	10.34	10.80	1,401.2	276,979.3
2016	4.06	3.34	7.51	4	0.22	10.92	10.92	1,801.6	289,538.6
YTD 2017	25.48	24.82	16.01	4	0.34	10.47	10.29	2,405.6	319,111.8

[1]N/A – Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

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$388 billion (US$289 billion) in assets under management as at December 31, 2016. 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 Global Equity - Concentrated (USD) composite has been examined for the periods September 1, 2006 - December 31, 2016. 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.