



Q2 2017 Quarterly Report Performance

As of June 30, 2017	Three Months	Year to Date	One Year	Three Year	Since Inception*
RBC QUBE Market Neutral U.S. Equity Fund	-0.16%	-1.33%	-0.05%	-3.32%	-1.78%
Citigroup 3-Month T-Bill Index	0.18%	0.30%	0.46%	0.20%	0.17%

*Performance of Lead Series I since inception, net of fees, in USD. Inception date is August 2013.

Fund Overview

The objective of the fund is to provide consistent absolute returns that are substantially independent of the performance of the U.S. equity market.

Our process is designed to assemble a portfolio of long positions in companies with a more attractive combination of these characteristics than securities we sell short, while targeting a broad U.S. equity market exposure of zero.

Underlying our approach is the belief that portfolios with a better mix of the characteristics that drive stock returns over time, characteristics such as better valuations, profitability, and growth, will deliver superior returns relative to the market as a whole. Based on this belief, we employ an investment process that scores companies based on these desirable characteristics what we refer to as *alpha factors*.

We also employ risk factors to ensure adequate diversification by sector and market capitalization, manage position sizing, and maintain market neutral positioning.

Market Update

The S&P 500 Index returned 3.09% (in U.S. dollar terms), lagging broader developed and emerging market equities.

The market was led in the latest quarter by areas that could be characterized as either growth-oriented or defensive, with strong performances from the Health Care, Utilities, and Information Technology sectors powering gains, while negative returns in the Energy and Telecommunication Services sectors were a drag.

Fund Performance

The fund posted a slightly negative return in the quarter underperforming in 6 out of 11 GICS sectors. Most of the losses came from the short positions in the portfolio, especially in the Industrials and Health Care sectors.

From a factor perspective, positive contribution from majority of the factor was largely negated by negative return to Value.

This has been an interesting period of time in the stock market as Value investing, one of the oldest and most proven approaches to investing, has generally not worked for an unusually long period of time. After a brief burst of outperformance in the second half of 2016, stocks that are cheaper than their peers have been modestly underperforming their more expensive counterparts so far in 2017.

The most obvious illustration of this is the extraordinary performance of stocks such as Amazon or Facebook, which for all of their investment merits are not cheap based on our measures.

Our emphasis on Value in the portfolio, therefore, detracted modestly from returns this quarter. Fortunately this was offset by other factors during the past quarter, notably Analyst, Growth, and Technical.

Sector selection also contributed positively this quarter, while risk and other factors, which over the long term are expected to have a minimal impact, were marginal detractors this quarter.

Current Positioning

Over the course of the quarter, the fund closed a number of short positions including **Snyders-Lance** and **Sothorn Co.** as both companies showed improving analyst and growth scores. The fund also added a new short position in **Autodesk** on poor valuation and growth scores.

On the long side of the portfolio, the fund added to its long position in **Domino's Pizza** as the company became increasingly attractive from a valuation perspective. The fund also exited a number of long holdings such as **Bunge** (deteriorating scores across factors), **Accenture** (decreasing valuation and analyst scores) and **ERP Properties** (poor quality and technical scores).

RBC QUBE Market Neutral U.S. Equity Fund

The following tables show sector positioning as well as top long and short holdings as of June 30, 2017.

GIC Sector	Net (%)	Long (%)	Short (%)
Consumer Discretionary	6.95	19.12	-12.17
Information Technology	5.06	17.13	-12.07
Industrials	1.50	15.80	-14.29
Utilities	0.21	3.58	-3.37
Financials	0.19	18.57	-18.38
Telecommunication Services	-0.18	0.00	-0.18
Health Care	-0.43	10.44	-10.87
Energy	-0.82	3.57	-4.39
Real Estate	-1.08	7.78	-8.85
Materials	-4.06	1.87	-5.93
Consumer Staples	-4.36	3.41	-7.77

Top 5 Holdings: Long	Weight (%)	Driving Factor	Factor Score ¹
Lear Corporation	3.11	Analyst	1.2
WellCare Group	3.06	Quality	1.9
Boeing	3.01	Growth	3.0
Domino's Pizza	2.97	Growth	3.0
VMware	2.94	Analyst	2.3

Top 5 Holdings: Short	Weight (%)	Driving Factor	Factor Score ¹
Wabtec	-3.14	Quality	-2.4
Moody's	-3.11	Growth	-2.6
Markel	-3.10	Growth	-1.5
Johnson Controls	-3.08	Quality	-3.0
Ball Corporation	-3.06	Quality	-3.0

The Factor Score shows the amount by which the driving factor is higher or lower than the average of its sector peers, measured in units of standard deviation.

# of Long Holdings	# of Short Holdings	Total Positions
104	101	205

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