



# RBC U.S. Small-Cap Core Equity Fund

## Investment Objective

To provide long-term capital growth. The Fund invests primarily in equity securities of U.S. small-cap companies in order to provide broad exposure to economic growth opportunities in the equity markets.

## Fund Details

| Series | Load Structure | Currency | Fund Code |
|--------|----------------|----------|-----------|
| A      | No Load        | CAD      | RBF493    |
| A      | No Load        | USD      | RBF543    |
| Adv    | Deferred Sales | CAD      | RBF893    |
| Adv    | Front End      | CAD      | RBF793    |
| Adv    | Low Load       | CAD      | RBF093    |
| Adv    | Front End      | USD      | RBF6543   |
| Adv    | Low Load       | USD      | RBF4543   |

|                         |                          |
|-------------------------|--------------------------|
| Inception Date          | January 2012             |
| Total Fund Assets \$Mil | 225.1                    |
| Series A NAV \$         | 21.73                    |
| Series A MER %          | 2.05                     |
| Benchmark               | Russell 2000 Index (C\$) |

|                            |          |
|----------------------------|----------|
| Income Distribution        | Annually |
| Capital Gains Distribution | Annually |

|                          |      |
|--------------------------|------|
| Sales Status             | Open |
| Min. Investment \$       | 500  |
| Subsequent Investment \$ | 25   |

|               |                         |
|---------------|-------------------------|
| Fund Category | US Small/Mid Cap Equity |
|---------------|-------------------------|

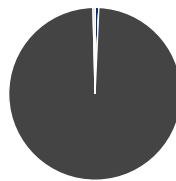
|                    |                                  |
|--------------------|----------------------------------|
| Management Company | RBC Global Asset Management Inc. |
| Web Site           | www.rbcgam.com                   |

## Notes

Performance Analysis is in CAD and for CAD series A fund (RBF493).

## Portfolio Analysis as of September 30, 2018

### Asset Mix

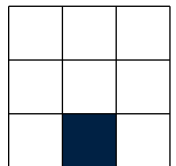


|                      | % Assets |
|----------------------|----------|
| Cash                 | 0.7      |
| Fixed Income         | 0.0      |
| Canadian Equity      | 0.0      |
| US Equity            | 98.9     |
| International Equity | 0.4      |
| Other                | 0.0      |

### Top 25 Holdings

|                                  | % Assets  |
|----------------------------------|-----------|
| Patrick Industries Inc           | 4.5       |
| Columbus McKinnon Corp           | 4.3       |
| Compass Diversified Holdings     | 4.2       |
| Greenbrier Companies Inc         | 3.3       |
| Emergent BioSolutions Inc        | 3.2       |
| Grand Canyon Education Inc       | 3.2       |
| ACCO Brands Corp                 | 2.7       |
| Globus Medical Inc Class A       | 2.4       |
| Gray Television Inc              | 2.3       |
| Nexstar Media Group Inc Class A  | 2.2       |
| Chemical Financial Corp          | 2.2       |
| MKS Instruments Inc              | 2.1       |
| Astronics Corp                   | 2.1       |
| InterDigital Inc                 | 2.1       |
| Malibu Boats Inc Class A         | 2.0       |
| Ducommun Inc                     | 1.8       |
| Pacific Premier Bancorp Inc      | 1.8       |
| West Pharmaceutical Services Inc | 1.8       |
| Wintrust Financial Corp          | 1.8       |
| Zagg Inc                         | 1.8       |
| AMERISAFE Inc                    | 1.8       |
| United Community Banks Inc       | 1.8       |
| EnerSys                          | 1.7       |
| Stoneridge Inc                   | 1.7       |
| LCI Industries Inc               | 1.7       |
| Total % of Top 25 Holdings       | 60.5      |
| Total Number of Stock Holdings   | 77        |
| Total Number of Bond Holdings    | 0         |
| Total Number of Other Holdings   | 1         |
| <b>Total Number of Holdings</b>  | <b>78</b> |

### Equity Style



Value Blend Growth

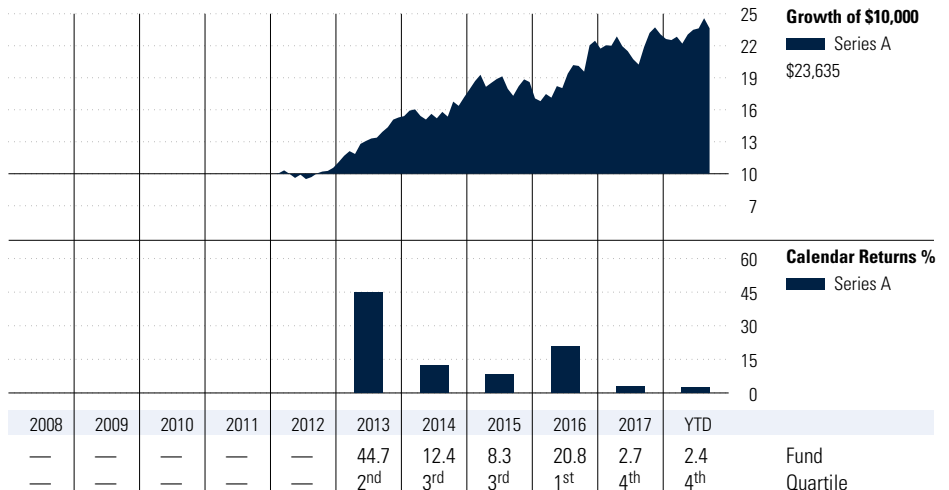
### Equity Statistics

|                   |      |
|-------------------|------|
| P/B Ratio         | 2.1  |
| P/E Ratio         | 16.3 |
| Avg. Mkt Cap. \$B | 2.2  |

### Global Equity Sectors

|                        | % Equity |
|------------------------|----------|
| Industrials            | 28.3     |
| Consumer Discretionary | 17.8     |
| Financials             | 17.6     |
| Health Care            | 9.8      |
| Information Technology | 9.1      |
| Communication Services | 6.3      |
| Materials              | 5.2      |
| Energy                 | 3.8      |
| Consumer Staples       | 1.0      |
| Utilities              | 0.8      |
| Real Estate            | 0.4      |
| Unclassified           | 0.0      |

## Performance Analysis as of September 30, 2018



|  | 1 Mth           | 3 Mth           | 6 Mth           | 1 Yr            | 3 Yr            | 5 Yr            | 10 Yr | Since Incep. | Trailing Return %        |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------|--------------|--------------------------|
|  | -3.8            | 0.6             | 3.5             | 8.0             | 11.0            | 11.2            | —     | 13.7         | Fund                     |
|  | 4 <sup>th</sup> | 3 <sup>rd</sup> | 4 <sup>th</sup> | 4 <sup>th</sup> | 3 <sup>rd</sup> | 3 <sup>rd</sup> | —     | —            | Quartile                 |
|  | 302             | 298             | 293             | 271             | 192             | 125             | 66    | —            | No. of Funds in Category |



# RBC U.S. Small-Cap Core Equity Fund

## Management Overview

### Manager Bios

**Lance F. James**

**RBC Global Asset Management (U.S.) Inc.**

Lance F. James is Managing Director and Senior Portfolio Manager. He has been in the investment industry since 1980.

### Performance Analysis Cont'd as of September 30, 2018

| Distributions (\$)/Unit | YTD* | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|-------------------------|------|------|------|------|------|------|------|------|------|------|------|
| Total Distributions     | —    | 0.50 | —    | —    | 0.27 | 0.11 | 0.35 | —    | —    | —    | —    |
| Interest                | —    | —    | —    | —    | —    | —    | —    | —    | —    | —    | —    |
| Dividends               | —    | —    | —    | —    | —    | —    | —    | —    | —    | —    | —    |
| Capital Gains           | —    | 0.50 | —    | —    | 0.27 | 0.11 | 0.35 | —    | —    | —    | —    |
| Return Of Capital       | —    | —    | —    | —    | —    | —    | —    | —    | —    | —    | —    |

| Best/Worst Periods % | Ended   | 1 Yr  | Ended  | 3 Yr  | Ended   | 5 Yr  | Ended | 10 Yr |
|----------------------|---------|-------|--------|-------|---------|-------|-------|-------|
| Best                 | 11-2013 | 46.9  | 7-2015 | 26.3  | 11-2017 | 18.2  | —     | —     |
| Worst                | 2-2016  | -10.1 | 3-2018 | 5.8   | 9-2018  | 11.2  | —     | —     |
| Average              |         | 16.5  |        | 14.5  |         | 15.5  |       | —     |
| No. of Periods       |         | 69    |        | 45    |         | 21    |       | —     |
| Pct. Positive        |         | 89.9  |        | 100.0 |         | 100.0 |       | —     |

\* Distributions are characterized into income type at year-end.

### Quarterly Commentary as at September 30, 2018

Despite the slow start to 2018, we remain very confident in the portfolio's positioning. We are starting to see signs of a shift in investor sentiment as Consumer Discretionary and Industrials were among the top 5 sectors in the index. Every measure shows that the U.S. economy is beginning to run on all cylinders, supported by deregulation and tax cuts: unemployment is at near decade lows, workforce participation is sharply rising, business and consumer confidence are at or near multi-decade highs, industrial production and capital expansion are expanding, and GDP growth is at its fastest rate in 4 years.

The Fund's underperformance was due to adverse stock selection while sector allocation decisions had a slightly positive impact on performance. Favorable stock selection in the Health Care and Consumer Discretionary sector was outweighed by adverse performance in the Information Technology and Industrials sectors. The Fund's significant underweight to the weak performing

real estate sector added to returns from a sector allocation standpoint.

The Fund's strategy focuses on neglected small-cap companies with attractive long-term fundamentals, near-term profitability improvement potential, and low relative valuations. The strategy emphasizes market leaders with proven products or services, sustainable competitive advantages, solid balance sheets, and attractive cash flows. While sector weightings are a result of bottom-up research and stock selection, the strategy remains positioned for economic recovery. Downside protection is provided by the superior return on equity and balance sheet profile of the portfolio compared to the index and the market leadership positions of most portfolio companies. The strategy continues to trade at a valuation discount to the Russell 2000 Index on several measures while providing superior projected earnings growth and return on equity.



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## Disclosure

RBC Funds, BlueBay Funds, PH&N Funds and RBC Corporate Class Funds are offered by RBC Global Asset Management Inc. and distributed through authorized dealers.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus or Fund Facts document before investing. Except as otherwise noted, the indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds are not guaranteed or covered by the Canadian Deposit Insurance Corporation or by any other government deposit insurer. For money market funds, there can be no assurances that the fund will be able to maintain its net asset value per unit at a constant amount or that the full amount of your investment in the fund will be returned to you. The value of mutual funds change frequently and past performance may not be repeated.

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MER (%) for RBC Funds, PH&N Funds and BlueBay Funds is based on actual expenses for the half-year period, January 1 to June 30, 2018, expressed on an annualized basis.

MER (%) for RBC Corporate Class Funds is based on actual expenses for the full year period, April 1, 2017 to March 31, 2018.

Series H and Series I are not available for purchase by new investors. Existing investors who hold Series H or Series I units can continue to make additional investments into the same series of the funds they hold.

Graphs are only used to illustrate the effects of the compound growth rate and do not reflect future values of any fund or returns on

investment of any fund.

The fund profile is provided for informational purposes only. Particular investments and/or trading strategies should be evaluated relative to each individual's investment objectives. The information contained in the fund profile is not, and should not be construed as, investment or tax advice. You should not act or rely on the information contained in the fund profile without seeking the advice of an appropriate professional advisor.

Quartile rankings are determined by Morningstar Research Inc., an independent research firm, based on categories maintained by the Canadian Investment Funds Standards Committee (CIFSC). Quartile rankings are comparisons of the performance of a fund to other funds in a particular category and are subject to change monthly. The quartiles divide the data into four equal segments expressed in terms of rank (1, 2, 3 or 4). This is the Morningstar quartile ranking of Series A and F units of the Fund as of September 30, 2018.

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