



# RBC O'Shaughnessy U.S. Growth Fund II

## Investment Objective

To provide long-term capital growth by investing primarily in equity securities of U.S. companies based on Strategy Indexing®, a rigorous and disciplined approach to stock selection based on characteristics associated with above-average returns over long periods of time.

## Fund Details

| Series | Load Structure | Currency | Fund Code |
|--------|----------------|----------|-----------|
| A      | No Load        | CAD      | RBF306    |
| Adv    | Front End      | CAD      | RBF782    |
| Adv    | Low Load       | CAD      | RBF204    |

|                         |                                  |
|-------------------------|----------------------------------|
| Inception Date          | January 2008                     |
| Total Fund Assets \$Mil | 37.3                             |
| Series A NAV \$         | 11.08                            |
| Series A MER %          | 2.20                             |
| Benchmark               | Russell 2500 Growth Index (US\$) |

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

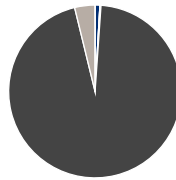
|                          |      |
|--------------------------|------|
| Sales Status             | Open |
| Min. Investment \$       | 500  |
| Subsequent Investment \$ | 25   |

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

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

## Portfolio Analysis as of September 30, 2017

### Asset Mix



|                      | % Assets |
|----------------------|----------|
| Cash                 | 0.9      |
| Fixed Income         | 0.0      |
| Canadian Equity      | 0.2      |
| US Equity            | 95.0     |
| International Equity | 3.8      |
| Other                | 0.0      |

### Top 25 Holdings

|                                      | % Assets   |
|--------------------------------------|------------|
| Blucora Inc                          | 1.8        |
| Sanderson Farms Inc                  | 1.5        |
| Cadence Design Systems Inc           | 1.5        |
| Advanced Energy Industries Inc       | 1.4        |
| Novanta Inc                          | 1.3        |
| Phibro Animal Health Corp Class A    | 1.3        |
| Chase Corp                           | 1.3        |
| New York Times Co Class A            | 1.3        |
| Kemet Corp                           | 1.3        |
| Graco Inc                            | 1.2        |
| Varian Medical Systems Inc           | 1.2        |
| The Cooper Companies Inc             | 1.1        |
| Chemed Corp                          | 1.1        |
| Cabot Microelectronics Corp          | 1.1        |
| Toro Co                              | 1.1        |
| Liberty Ventures Group A             | 1.1        |
| PRA Health Sciences Inc              | 1.1        |
| Thor Industries Inc                  | 1.0        |
| Masimo Corp                          | 1.0        |
| The Brink's Co                       | 1.0        |
| VeriSign Inc                         | 1.0        |
| TeleTech Holdings Inc                | 0.9        |
| Transportadora de Gas del Sur SA ADR | 0.9        |
| Darden Restaurants Inc               | 0.9        |
| IDEXX Laboratories Inc               | 0.9        |
| Total % of Top 25 Holdings           | 29.5       |
| Total Number of Stock Holdings       | 187        |
| Total Number of Bond Holdings        | 0          |
| Total Number of Other Holdings       | 1          |
| <b>Total Number of Holdings</b>      | <b>188</b> |

### Equity Style



Value Blend Growth

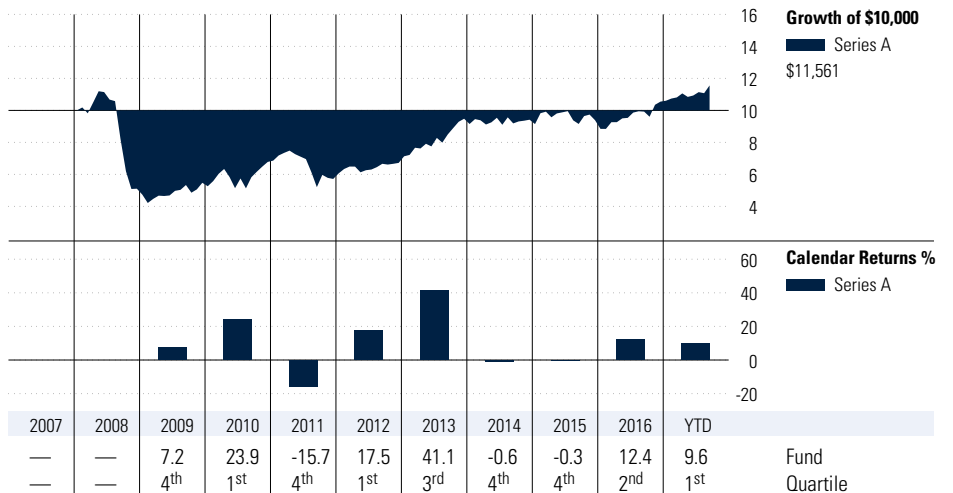
### Equity Statistics

|                   |      |
|-------------------|------|
| P/B Ratio         | 3.2  |
| P/E Ratio         | 21.8 |
| Avg. Mkt Cap. \$B | 3.1  |

### Global Equity Sectors

|                            | % Equity |
|----------------------------|----------|
| Information Technology     | 27.8     |
| Industrials                | 17.5     |
| Consumer Discretionary     | 17.4     |
| Health Care                | 14.0     |
| Financials                 | 12.4     |
| Materials                  | 4.7      |
| Consumer Staples           | 2.4      |
| Energy                     | 1.9      |
| Real Estate                | 1.4      |
| Telecommunication Services | 0.5      |
| Unclassified               | 0.0      |
| Utilities                  | 0.0      |

## Performance Analysis as of September 30, 2017



| 1 Mth           | 3 Mth           | 6 Mth           | 1 Yr            | 3 Yr            | 5 Yr            | 10 Yr | Since Incep. | Trailing Return %        |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------|--------------|--------------------------|
| 4.4             | 5.8             | 6.9             | 16.5            | 8.0             | 11.7            | —     | 1.2          | Fund                     |
| 2 <sup>nd</sup> | 1 <sup>st</sup> | 1 <sup>st</sup> | 1 <sup>st</sup> | 3 <sup>rd</sup> | 4 <sup>th</sup> | —     | —            | Quartile                 |
| 270             | 266             | 259             | 253             | 154             | 104             | 51    | —            | No. of Funds in Category |



# RBC O'Shaughnessy U.S. Growth Fund II

## Management Overview

### Manager Bios

#### James P. O'Shaughnessy

#### O'Shaughnessy Asset Management

Jim O'Shaughnessy is the Chairman and CEO of O'Shaughnessy Asset Management (OSAM). Also serving as the Chief Investment Officer of the firm, Jim is ultimately responsible for OSAM's investment strategies. He directs the Senior Portfolio Manager, Director of Research, and the Portfolio Management Team and helps to set the agenda for the team. He is also responsible for the development of OSAM's existing strategies and directs the team on idea generation and specific initiatives to improve the models and develop new factors and products.

### Performance Analysis Cont'd as of September 30, 2017

| Distributions (\$)/Unit | YTD* | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|-------------------------|------|------|------|------|------|------|------|------|------|------|------|
| Total Distributions     | —    | —    | 0.09 | —    | —    | —    | —    | —    | —    | —    | —    |
| Interest                | —    | —    | —    | —    | —    | —    | —    | —    | —    | —    | —    |
| Dividends               | —    | —    | —    | —    | —    | —    | —    | —    | —    | —    | —    |
| Capital Gains           | —    | —    | 0.09 | —    | —    | —    | —    | —    | —    | —    | —    |
| Return Of Capital       | —    | —    | —    | —    | —    | —    | —    | —    | —    | —    | —    |

| Best/Worst Periods % | Ended   | 1 Yr  | Ended  | 3 Yr  | Ended  | 5 Yr | Ended | 10 Yr |
|----------------------|---------|-------|--------|-------|--------|------|-------|-------|
| Best                 | 12-2013 | 41.1  | 9-2014 | 20.9  | 2-2014 | 17.5 | —     | —     |
| Worst                | 2-2009  | -58.6 | 8-2011 | -16.6 | 6-2013 | -7.0 | —     | —     |
| Average              |         | 5.8   |        | 8.0   |        | 9.2  |       | —     |
| No. of Periods       |         | 105   |        | 81    |        | 57   |       | —     |
| Pct. Positive        |         | 66.7  |        | 87.7  |        | 86.0 |       | —     |

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

### Quarterly Commentary as at September 30, 2017

During Q3, an overweight exposure to Momentum was the largest contributor to returns. An underweight allocation to the Size factor aided performance. Overweight allocations to the Value and Yield factors were the largest detractors from returns. The strategy screens out the most poorly ranked names through Earnings Quality, Financial Strength, and Earnings Growth. The performance of these quality themes detracted in aggregate from returns for Q3.

Many of companies leading the market so far in 2017 have had characteristics that we actively avoid. Expensive Momentum names like Biotechnology have outperformed the market by large margins. Names with strong balance sheets (Financial Strength) and least aggressive accounting (Earnings Quality) have also underperformed. These conditions continued to create headwinds in Q3 but, unlike the first half of the year, they were offset by the strong performance of momentum.

Overall allocation effects detracted from returns while security selection effects contributed to returns for Q3. Underweight allocations to Health Care and Real Estate contributed to returns while

underweight allocations to Industrials and Telecommunication Services detracted. Security selection within Information Technology, Industrials, Consumer Staples, and Consumer Discretionary contributed to performance while security selection within Health Care and Financials detracted.

It is the policy of the Fund to maintain currency hedges at all times in order to neutralize exchange-rate movements between the U.S. dollar and the Canadian dollar. This policy had a positive effect on returns during the period.

Above all else, we believe that long-term success comes from building a Fund around proven stock selection factors—measured using key selection criteria like quality, valuation, and momentum. Based on these key themes, the strategy is very well positioned versus its benchmark and relative to the overall market. The Fund's companies have higher momentum, lower debt ratios, and trade at deep discounts across a number of valuation factors. They are also less dilutive and returning capital to shareholders by buying back shares.



## RBC O'Shaughnessy U.S. Growth Fund II

### 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.

This document has been compiled by RBC Global Asset Management Inc. (RBC GAM) from sources believed to be reliable, but no representations or warranty, express or implied, are made by RBC GAM, its affiliates or any other person as to its accuracy,

completeness or correctness. All opinions and estimates constitute RBC GAM's judgment as of the date of this document, are subject to change without notice and are provided in good faith but without legal responsibility. The Top Ten/25 Holdings may change due to ongoing portfolio transactions within the fund. The Prospectus and other information about the underlying investment funds are available at [www.sedar.com](http://www.sedar.com).

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, 2017, expressed on an annualized basis.

MER (%) for RBC Corporate Class Funds is based on actual expenses for the full-year period, April 1, 2016 to March 31, 2017, expressed on an annualized basis.

Adjusted MER is provided for funds with management fee changes effective June 30, 2016. The Adjusted MER represents what the reported MER would have been had management fee changes been in effect throughout 2016.

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, 2017.

® / ™ Trademark(s) of Royal Bank of Canada. Used under licence. © RBC Global Asset Management Inc. 2017