



# Celebrating three years of RBC China Equity

The RBC Asian Equity Team

## Three key pillars behind three years of strong outperformance

The RBC China Equity Strategy (the “Strategy”) reached its three-year milestone in November 2021. The Strategy’s track record demonstrates the strength and consistency of the RBC Asian Equity team’s (the “team”) investment philosophy and process.

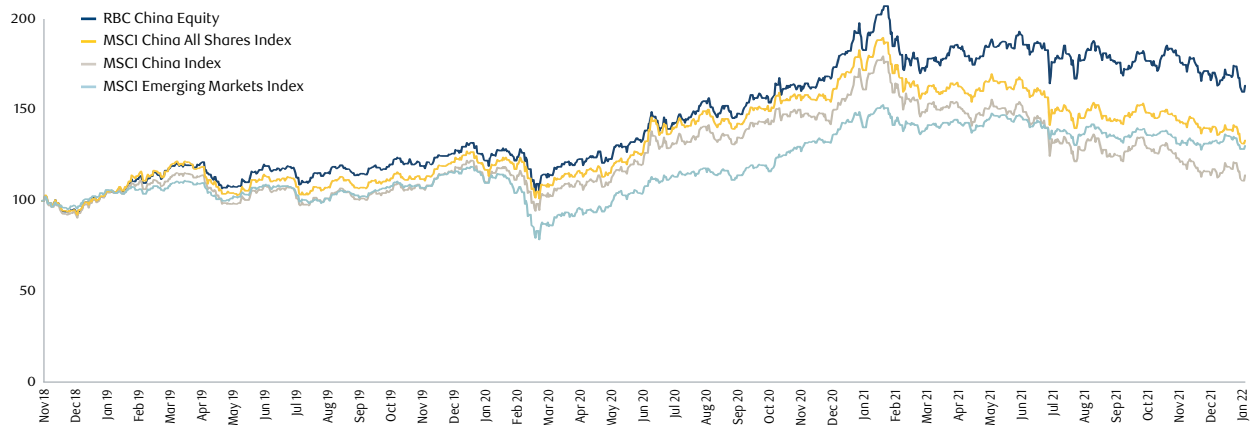
### One: capturing growth from China through active investing

China is still one of the faster growing economies globally and remains the largest contributor to world economic growth<sup>1</sup>. The team takes a long-term, fundamental approach to understanding structural developments in China, supported with regional industry experts who help find high quality companies that benefit from these megatrends.

The Strategy has delivered an annualised net of fee return of 20.39% over the three-year period which represents an outperformance relative to its primary benchmark, the MSCI China Index, which delivered 6.68%<sup>2</sup>. Over the period, the MSCI China All Shares Index grew by an annualized return of 12.68% while the MSCI Emerging Markets Index grew by 9.27%. China was a consistent outperformer within broader emerging markets and it remains the key driver of corporate earnings growth in the region.

Related content: [China key growth themes](#)

Exhibit 1: Performance relative to MSCI China, MSCI China All Shares and MSCI Emerging Markets



Source: RBC Global Asset Management, MSCI. Data as at Jan 31, 2022. Past performance is not indicative of future results. Returns do not reflect the deduction of advisory fees and will be reduced by advisory fees and other expenses. The information presented is supplemental to the “GIPS Composite Report” appendix which contains additional disclosures and important information regarding calculation of performance data. The MSCI Indices shown are presented for illustrative purposes only. All performance in USD. All dates represent month end. RBC Funds (Lux) - China Equity Fund - Gross of fees used for illustration.

<sup>1</sup> World Bank, WIND. 2019.

<sup>2</sup> Data as at 30 November 2021.

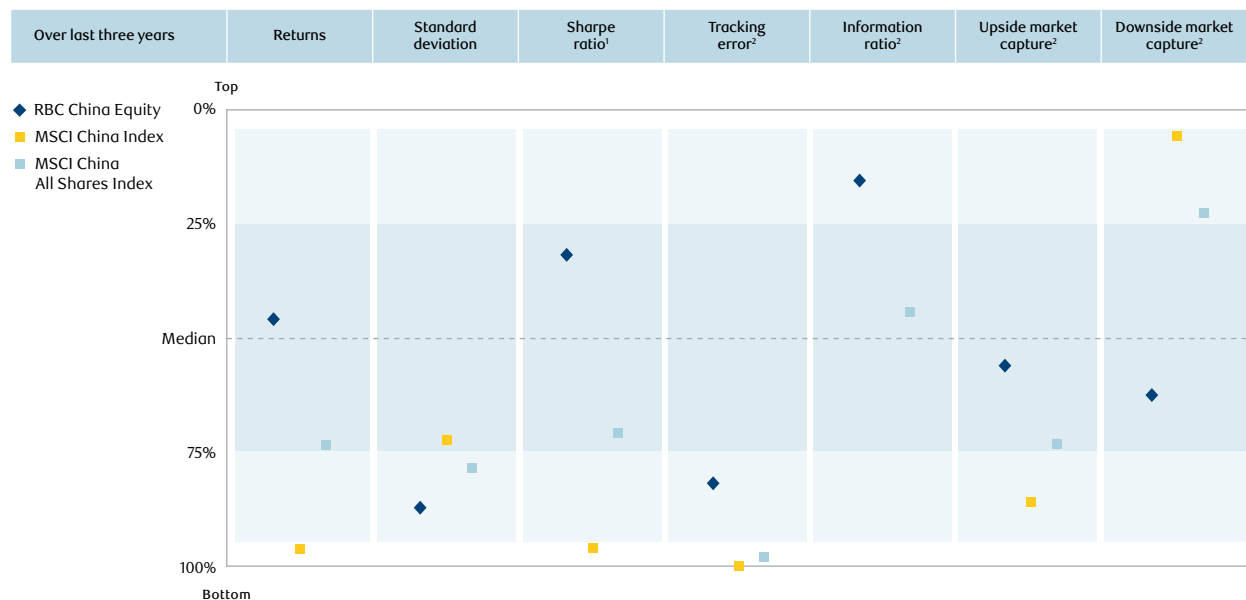
## Two: high conviction ideas and focus on risk management

As a region, China is less correlated with other global equity indices. Over a five year period vs the MSCI World Index the S&P 500 Index has a 96% correlation, MSCI Emerging Market Index 83% and MSCI China Index 68%<sup>3</sup>. This supports investors' search for diversification and, with our active approach, we are able to provide investors with an additional layer of alpha generation opportunities in the Strategy's high conviction portfolio.

Using a bottom-up stock selection process, the team is driven by its ownership mind set, not only analysing financial factors but also integrating environmental, social and governance (ESG) factors. This high conviction portfolio benefits from rigorous company analysis, enabling the team to carefully select long-term winning businesses in China, regardless of where they are listed. Portfolio construction is done systematically based on the team's understanding of the stock specific risks, while minimising the unintended risks to the portfolio and targeting long-term superior risk adjusted returns.

Related content: [Diversification benefits of owning China Equities](#)

### Exhibit 2: Trailing risk statistics versus peer group



Source: RBC Global Asset Management, MSCI, eVestment. Past performance is not indicative of future results and is calculated in USD. Returns may increase or decrease as a result of currency fluctuations. Last 3 years through to 31.12.2021. Created on 24.02.2022 from a universe of 131. <sup>1</sup>FTSE 3-Month T-Bill; <sup>2</sup>MSCI China-ND. Returns are presented gross of management fees and include the reinvestment of all income. Net calendar returns can be viewed in the GIPS Appendix. Inception of the GIPS performance record is 01.12.2018. Performance is presented as supplemental to the "GIPS® Composite Report" which contains additional information regarding calculation of performance data.



<sup>3</sup> Bloomberg, RBC Global Asset Management. Data as at 22 June 2021.

### Three: driving change in China through engagement

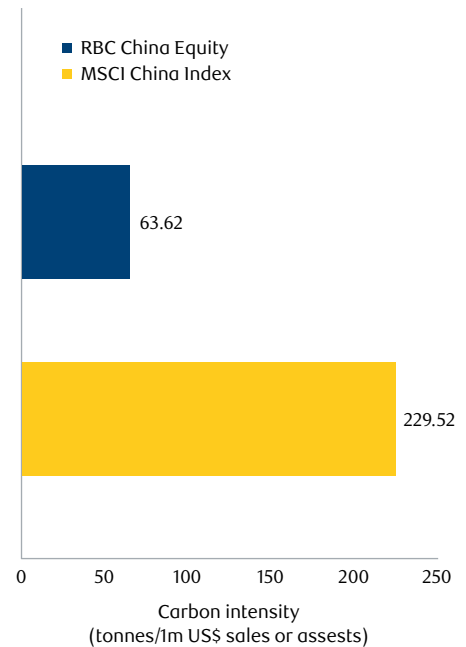
Responsible investing is an important consideration that drives this Strategy. Integrating ESG helps the team to understand the business from a long-term, broader perspective, which both formulates and challenges the team's own views and convictions. With market information on company ESG factors still being limited in China, the engagement that the team has with every business they invest in provides an additional layer of understanding around the company's future direction and risks. The Strategy delivers not only strong risk adjusted returns financially, but also ESG risk and carbon intensity well below the MSCI China Index.

Related content: [Managing accounting risk in Asia as stock pickers](#)

Related content: [Investment opportunities from China's carbon neutral strategy](#)

#### Exhibit 3: Carbon intensity

Sector	RBC		Allocation	Selection	Total
	Portfolio	Benchmark			
Consumer discretionary	21.13	32.26	2.84	-3.15	-0.31
Consumer staples	113.78	88.96	-0.03	1.49	1.46
Energy	0.00	1,384.76	-18.47	0.00	-18.47
Financials	4.81	2.45	-6.97	0.41	-6.55
Healthcare	41.56	60.20	-2.73	-1.59	-4.32
Industrials	52.53	286.72	1.72	-20.31	-18.59
Information technology	186.75	170.32	-1.30	1.53	0.23
Materials	0.00	1,868.78	-53.75	0.00	-53.75
Real estate	15.12	34.25	-0.30	-0.80	-1.10
Communication services	14.51	14.86	9.63	-0.05	9.58
Utilities	616.64	3,377.24	23.52	-97.60	-74.09
<b>Total</b>	<b>63.62</b>	<b>229.52</b>	<b>-45.85</b>	<b>-120.05</b>	<b>-165.90</b>



Source: MSCI ESG as at 31 December 2021. Carbon Intensity is calculated tonnes/\$1million USD in Sales. Sales figures used to calculate carbon intensity sourced from MSCI ESG. Emissions data year is latest on record from MSCI ESG, and in all cases came from previous three years. Includes Scope 1 + 2 emissions. Where a company does not report its own emissions, MSCI ESG provides a proprietary estimate. Weights have been normalised in cases where MSCI ESG does not publish emissions data for a given security. Where applicable, the average FX rate in the year with the latest available data was used to convert security carbon intensity to the base currency of the fund/benchmark. Benchmark: MSCI China Index.



## The future outlook for China Equity investors

With China's economy growing and financial markets liberalising, the team expects this investment universe to provide investors with unique long-term opportunities. With valuations not pricing in this long-term potential, the team believe now is a good time for investors to benefit from China Equity.

This Strategy provides investors with exposure to China's growth story, but differentiates itself through its bottom up stock selection process focused on strong businesses that can maintain or improve its return on investment over the long-term. The robust due diligence process of meeting every company the team invest in, regularly and continuously engaging with management, ensures ESG risk is carefully considered.

Author

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Siguo is a Portfolio Manager on the RBC Asian Equity team at RBC GAM. She is the lead manager for the team's China Strategy and is also the team's healthcare specialist. Prior to joining the organization in 2017, Siguo was at a multinational investment bank as a sell-side equity analyst, focused on Hong Kong China consumer stocks and investment strategy research. Siguo began her career in the investment industry in 2012.

Siguo holds an MSc in Finance from HEC Paris and a Bachelor's degree in Mathematics & Applied Mathematics from Beijing University of Aeronautics and Astronautics.

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Mayur is a Senior Portfolio Manager and the Head of the RBC Asian Equity team at RBC GAM. Prior to joining the firm in 2013, Mayur was a Portfolio Manager at a global asset management firm, responsible for Asia Pacific ex-Japan mandates, managing assets on behalf of sovereign wealth, institutional and retail clients around the world. Mayur began his career in the investment industry in 1998. He spent his early career in major brokerage firms in London and Hong Kong, working in derivatives and equity research.

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**Global Asset  
Management**

# GIPS® Composite Report, as at December 31, 2021

## RBC GAM China Equity (USD)

Inception Date: December 1, 2018

Benchmark: MSCI China-ND Total Return Net Index

Secondary benchmark: MSCI China-ND with 100% China A Shares Inclusion

Currency: USD

### Annual returns

Year end	Composite gross return (%)	Composite net return (%)	Benchmark return (%)	Benchmark 2 return (%)	Composite 3 yr std dev (%)	Benchmark 3 yr std dev (%)	Benchmark 2 3 yr std dev (%)	Number of portfolios	Internal dispersion (%)	Composite assets (millions)	Firm assets (millions)
2021	-0.74	-1.53	-21.72	-13.34	16.62	19.96	18.96	2	0.44	562.7	481,049.3
2020	36.72	35.64	29.49	33.95	n/a	n/a	n/a	2	-	528.1	424,813.8
2019	31.70	30.65	23.46	27.69	n/a	n/a	n/a	1	-	4.1	361,400.0
2018	-4.47	-4.54	-6.05	-5.07	n/a	n/a	n/a	1	-	3.1	305,983.2

The GIPS® Composite Report is incomplete without the full disclosures. n/a = not applicable, std dev = standard deviation

**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; PH&N 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\$608 billion (US\$481 billion) in assets under management as of December 31, 2021. 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. RBC GAM's lists of composite descriptions, limited distribution pooled fund descriptions and broad distribution pooled funds are 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, 2020. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS® standards must establish policies and procedures for complying with all the applicable requirements of the GIPS® standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS® standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

**Composite Description:** The China Equity Composite is composed of portfolios which aim to provide exposure to a higher quality of Chinese companies offering superior growth. Securities will be primarily listed onshore China, but can also be in the Hong Kong, the U.S. and potentially elsewhere through ADR's and GDR's. Portfolios have the ability to invest in no less than 30 securities, up to a max of 45.

**Benchmark:** The primary benchmark is the MSCI China and the secondary benchmark is the MSCI China with 100% China A Shares Inclusion.

**Gross of Fees:** Gross-of-fee returns are presented prior to the deduction of management fees, but after the deduction of brokerage commissions and applicable non-resident withholding taxes paid.

**Net of Fees:** Net of fee performance is calculated using the maximum stated annual fee of 0.80% 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 USD, and include the reinvestment of all income. Additional information regarding policies for valuing investments, calculating performance, and creating GIPS® Reports 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. Calculations are based on gross portfolio returns if gross composite returns are presented. If only net composite returns are presented, then net portfolio returns are used in the composite dispersion calculation.

**3-Year Standard Deviation:** Periods with less than 3 years of data will show "n/a". Calculations are based on gross composite returns, if gross composite returns are presented. If only net composite returns are presented, then net composite returns are used in the calculation.

**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. 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: 0.80% flat fee will apply to all assets. 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:** No minimum account size.

**Creation Date:** October 1, 2021

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