RBC Rochdale

Economic Outlook and Investment Strategy

May 2026

RBC

Investment Strategy Committee Highlights

Economic Outlook

Iran / Energy: Talks are progressing towards a resolution as oil prices are off their highs. Once a deal is reached focus shifts from *closure* to *gradual reopening* then to *full repair and reopening*. The timeline to normalcy may be longer than expected, prolonging stress on energy importers. Oil related prices are higher, but this is likely not a permanent structural increase. We recommend no changes to positioning.

Growth Outlook: Economic growth grew at 2.0% in Q1 which is inline with the long-term trend. While consumer spending makes up 70% of GDP, fixed investments, mainly technology related AI spend, drove growth in Q1 rising 6.2%. Ongoing AI adoption and strong corporate earnings continue to support spending, as previous growth drivers such as low energy prices, low rates, fiscal spending, and others are now less impactful.

Consumer Impact: Household spending remains a key driver of U.S. growth and consumer spending remains stable in the face of rising gasoline prices. Personal income is more vulnerable to higher energy prices given the recent slowdown in (still above average) wage momentum. This paints a more cautious view of forward-looking spending power, with households having less room to absorb additional price shocks.

Inflation: Near-term inflation expectations are higher due to the Strait of Hormuz's closure. Core inflation slightly rose as signs of secondary impacts are emerging. Producers early in the supply chain are facing higher prices. The Federal Reserve is likely to take a wait-and-see approach to better assess the impacts, which may be offset by slower growth, complicating Fed policy. Inflation will be more painful in economies dependent on imported energy.

Labor Market: Job creation continues cooling maintaining the "no-hire, no-fire" environment. Unemployment remains stable and initial jobless claims fell to their lowest since 1969. Together, the breakeven rate of new jobs needed to stabilize unemployment has come down reflecting labor health despite slower job creation.

Fiscal Policy: U.S. fiscal stimulus has been stronger in 2026, bolstering consumer and corporate spending. However, impacts may fade as positive tailwinds of OBBB and increased tax receipts are offset but higher energy prices. Estimates of international spending have risen, a potential global growth tailwind.

Monetary Policy: Two cuts later this year remain our base case as inflation grapples with potential growth. Kevin Warsh is set to become the new Chair on May 15. Jerome Powell will stay on as a Governor until the investigation is "over with transparency and finality" and the recent legal challenges facing the Fed are addressed.

Equities: U.S. equities are strongly off recent lows, while U.S. inflows increased on perception of market stability and liquidity. Earnings estimates remain historically strong and profitability continues to grown improving valuations. Other measures of valuation still point to expensive markets despite the pullback and recovery.

Fixed Income: Real yields remain elevated versus the past decade. Inflation concerns have driven rates higher and spreads wider as expectations of a Fed easing cycle has become elongated. Credit conditions remain favorable, supported by strong balance sheets, and demand for income persists.

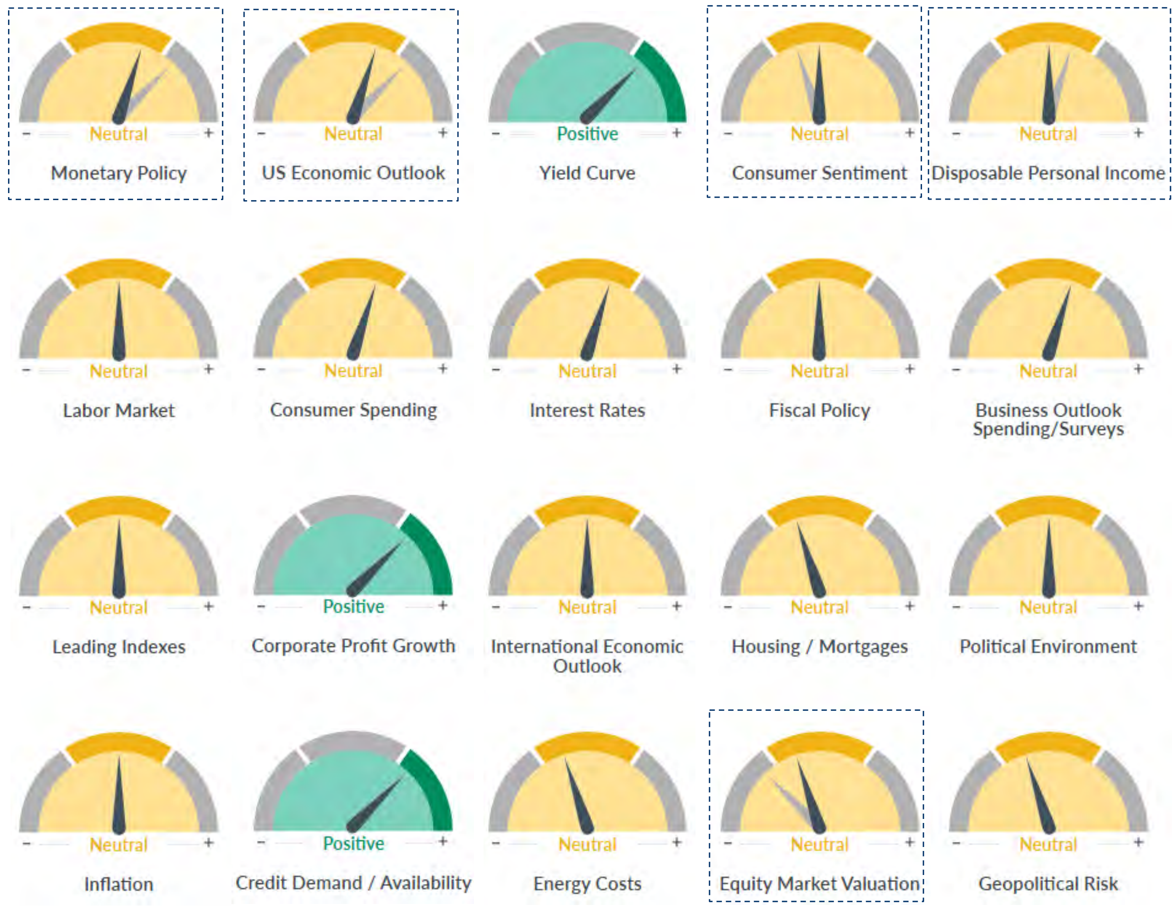
Bottom Line: The global economy is responding in a regional manner. Regions more dependent on energy imports are likely to face inflation and growth concerns. When a permanent resolution is reached, we expect the impacts to be uneven globally. Looking ahead, asset class and geographic diversification remain essential.

Rochdale Speedometers℠ – May 2026

Economic and Financial Indicators That Are Forward-Looking Six to Nine Months

- U.S. growth may slow as consumer spending is reallocated to elevated gasoline prices. Government spending and corporate earnings are key stabilizers.
- The non-U.S. growth impact is more acute due to higher reliance on middle east energy imports. This may raise inflation, and stunt growth for a longer period. But the paradigm shift to higher defense and infrastructure spending remains intact.
- The Fed will likely remain on hold, and we maintain our view that cuts are possible due to the drag on growth, against a back-drop of stable employment and productivity gains.
- Earnings remain strong as 2026 S&P 500 estimates have grown to 18.5%.
- Global valuations have reset, paving the way for earnings to drive prices higher over 2026.

Impact on Economy and Financial Markets



Impact on investment: ■ Positive ■ Neutral ■ Negative | **Time frame:** ■ Current ■ Change from last month

Source: Proprietary opinions based on Rochdale Research, as of April 30, 2026. Information is subject to change and is not a guarantee of future results.

Non-deposit investment products: ◆ are not FDIC insured ◆ are not bank guaranteed ◆ may lose value

Economic Forecast

- Near-term GDP growth has decelerated and may slow over Q2 due to the energy price shock.
- Strong consumer spending continues but sentiment remains weak. Consumers looked past the first month of increased gasoline prices and spending increased over March.
- Corporate profits and margins continue to be revised higher for each quarter and for the full year.
- Rate cuts are likely on hold for the near term but still possible later in the year if modest employment gains occur and energy inflation is temporary.
- Rates have moved in response to the war in Iran, with investors demanding a higher term premium across all maturities.

			2026	
RBC Rochdale Forecasts		2025	Rochdale (est.)	Consensus (est.)
Real Annual GDP Growth		2.10%	2.00% - 2.50%	2.17
Corporate Profit Growth		12.25%	14.00% - 16.00%	20.83
Headline CPI Year End		2.70%	2.75% - 3.25%	3.23%
Interest Rates	Federal Funds Rate	3.80%	3.00% - 3.50%	3.47%
	Treasury Note, 10-Yr.	4.06%	3.85% - 4.35%	4.18%

*Corporate profit growth (full year 2026) is a blended estimate of actual earnings from companies that have reported and the Bloomberg consensus estimate for those that have not reported, producing a combined blended estimate. Sources: Bloomberg, proprietary opinions based on Rochdale Research, as of April 30, 2026. Information is subject to change and is not a guarantee of future results.

What Are We Watching?

Energy Prices

- Energy prices are the transmission channel to market impact.
- Long-term inflation, GDP growth, fiscal spending & consumer impacts.

Interest Rates

- The curve has experienced a significant shift due to the conflict in Iran and subsequent spike in near-term inflation expectations.
- Despite the shift in near-term inflation expectations, longer-term expectations remain anchored.

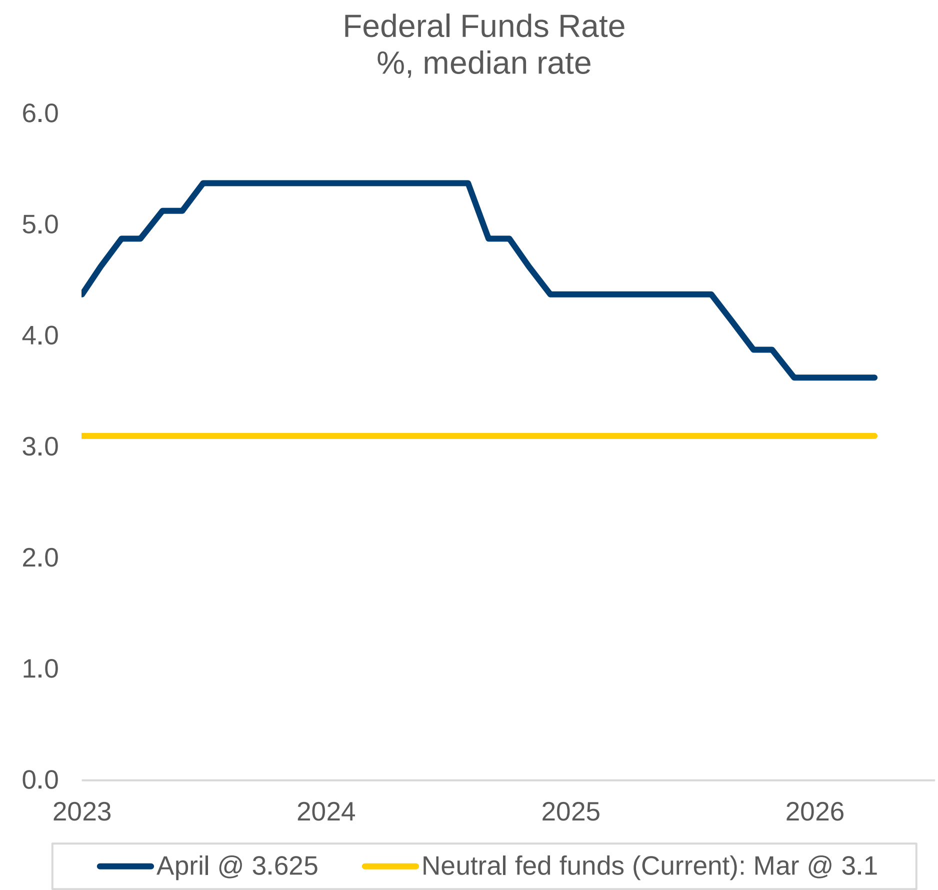
Conflict Duration

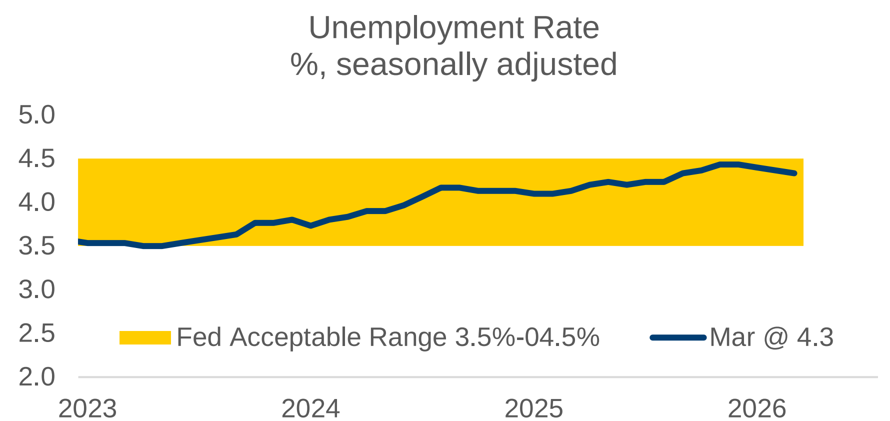
- Duration of Strait of Hormuz closure
- Length of U.S. Navy blockade
- Duration of actual negotiations
- Length of facility repair time
- Duration of military engagement
- Remaining supply of energy

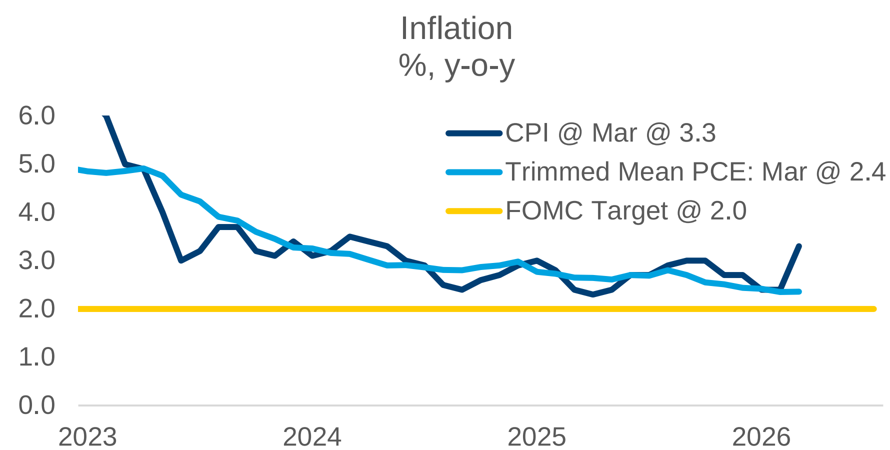
Source: RBC Rochdale. As of April 30, 2026. Information is subject to change and is not a guarantee of future results.

Economy Remains Robust, Despite Uncertainty

- The Fed has a dual mandate of low and stable unemployment and inflation.
  - Labor growth has stalled: Should they ease monetary policy to stimulate growth?
  - Inflation remains above the target level: Should they keep policy tight to lower inflationary pressures?
- The Fed has been reducing interest rates as insurance to prevent further deterioration in labor demand.



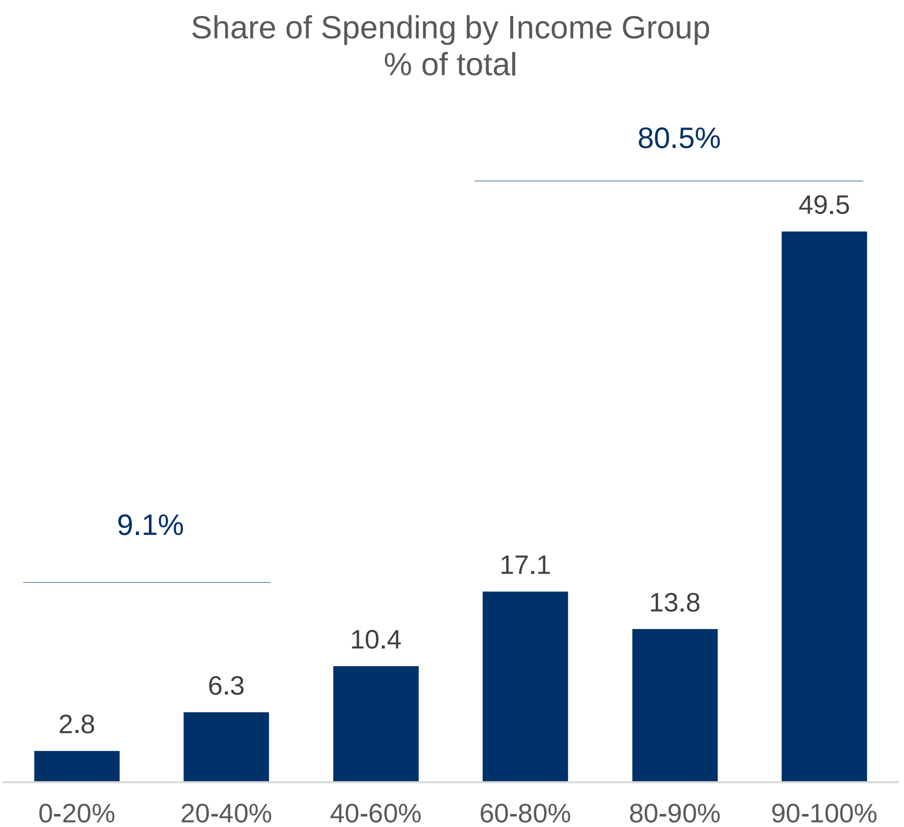


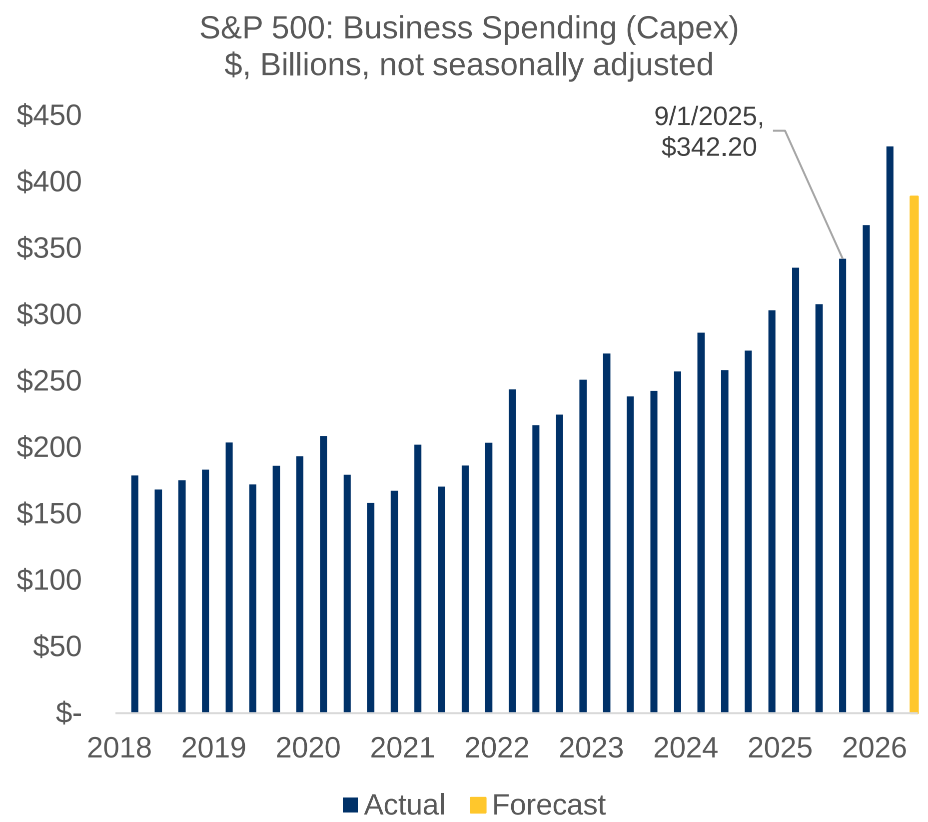


Sources: Chart 1: Federal Reserve, as of April 2026. Chart 2: Bureau of Labor Statistics, as of April 2026. Chart 3: Bureau of Labor Statistics and Federal Reserve Bank of Dallas as of April 2026. Information is subject to change and is not a guarantee of future results.

Economy Driven by Consumer Spending and Business Expansion

- Growth in consumer spending has remained strong due to wealth gains. This is especially true with those at the higher end of the income spectrum.
- Corporations are ramping up spending, preparing for a stronger economy.

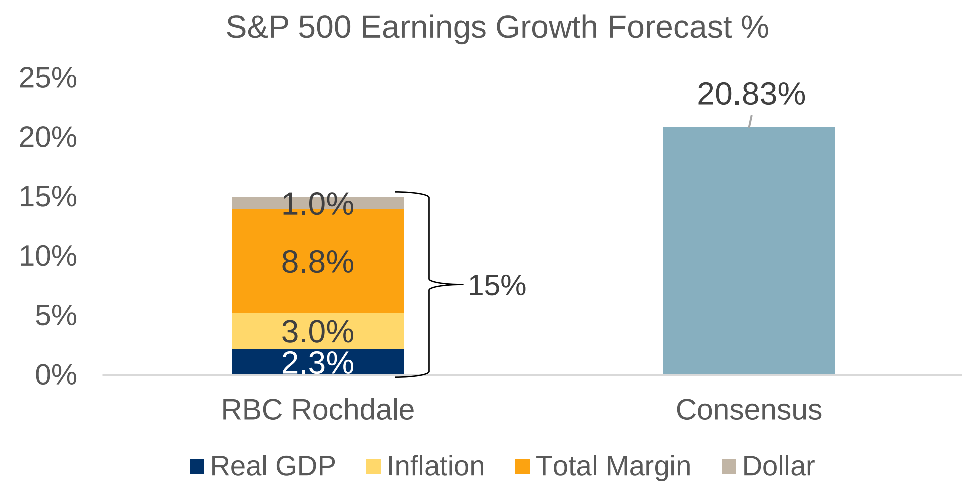


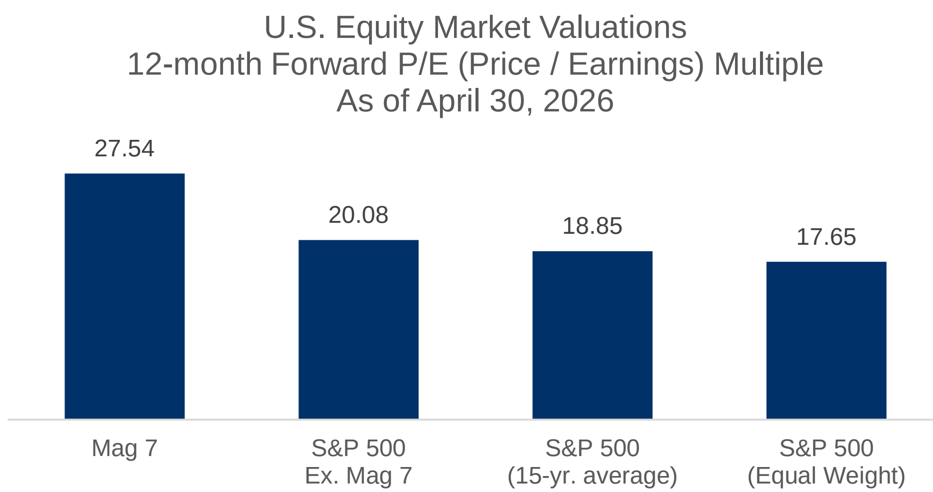


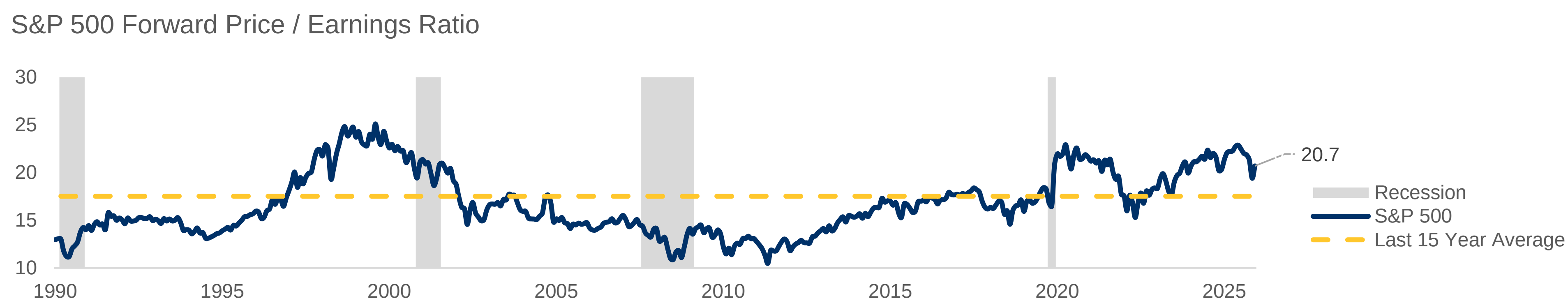
Sources: Chart 1: Federal Reserve Board, Bureau of Economic Analysis, U.S. Census, Moody's Analytics, as of December 2024. Chart 2: Bloomberg, as of March 31, 2026. Forecast is the Bloomberg consensus estimate for business spending in Q2 2026. Information is subject to change and is not a guarantee of future results.

Valuations Have Come Down but Remain Elevated

- Focusing on fundamentals is key.
- Conflict in Iran and responses to recent AI and software developments have lowered market multiples.
- Non-tech sectors of the market appear reasonable, but valuations remain above long-term averages.
- Improving non-tech earnings are expected to support broadening corporate profit growth.







Sources: Bloomberg, RBC Rochdale Research, as of April 31, 2026. Top left chart Consensus is the Bloomberg consensus estimate. Indexes are unmanaged, and one cannot invest directly in an index. Information is subject to change and is not a guarantee of future results.

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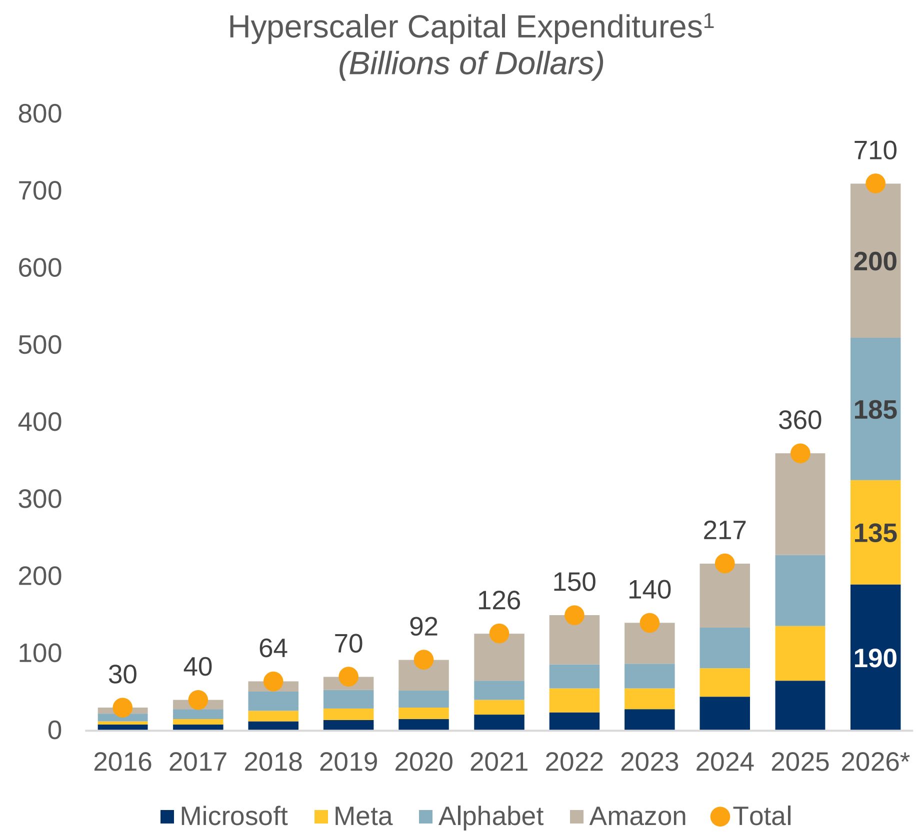
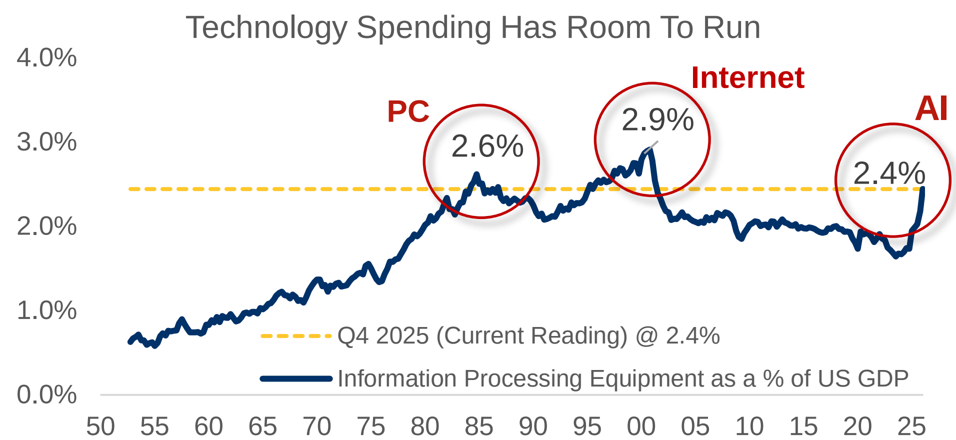
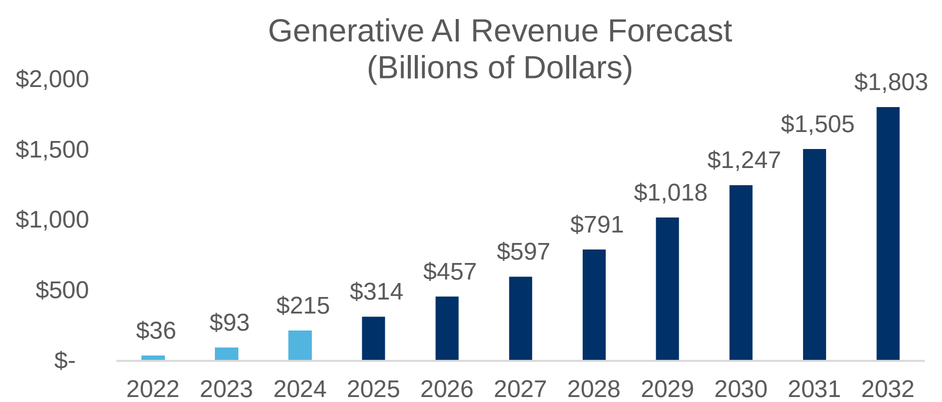
Artificial Intelligence:
More Intelligence, More Spending

- The cycle continues and is still in early innings: 2026 estimates are for $700Bn+ for the four hyperscalers[1].
- Roughly only 19% of businesses in the U.S. have adopted AI, leaving a long runway for further adoption and growth.
- Software, different from hyperscalers[1], has underperformed on a valuation reassessment over AI's potential impact.



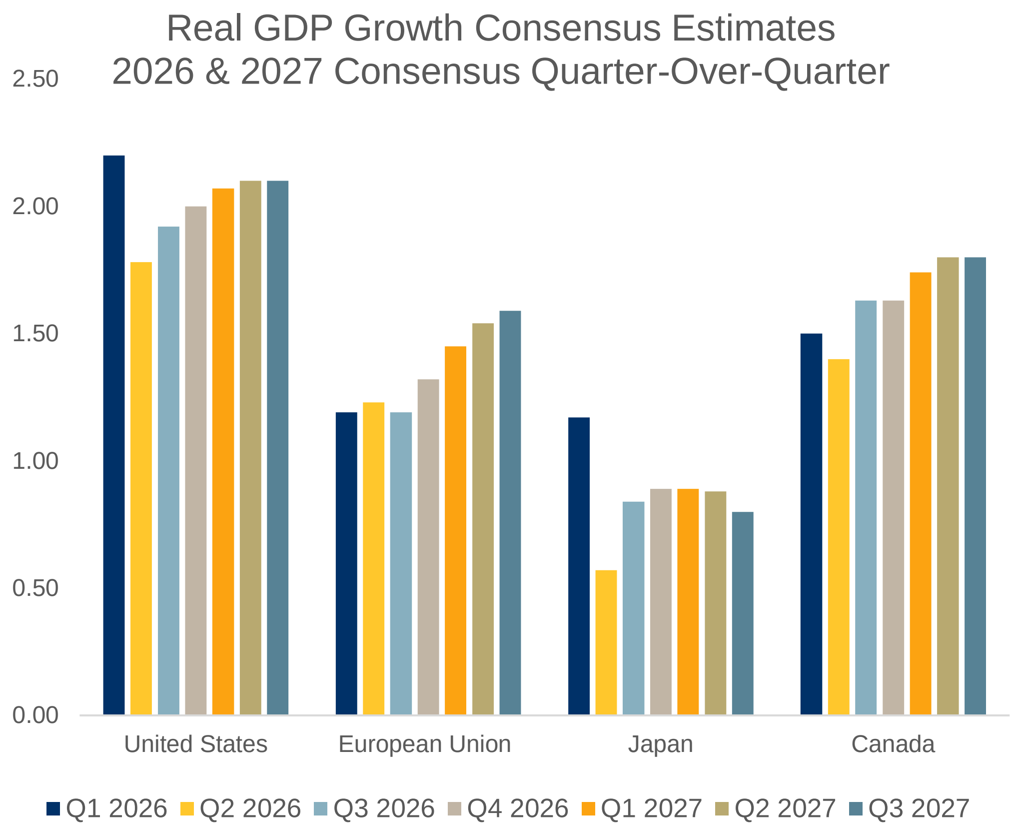




Sources: Management commentary from company earnings calls from first quarter 2026, Bloomberg, Bloomberg Economics, Bureau of Labor Statistics, U.S. Census Bureau, Rochdale Research, as of April 30, 2026. Generative AI revenue forecast is the Bloomberg Intelligence forecast based on data from IDC, eMarketer, Statista. [1]Hyperscaler companies includes Amazon, Google, Meta and Microsoft. *2026 Hyperscaler capital expenditure is the midpoint guidance from company management.. Information is subject to change and is not a guarantee of future results.

Paradigm Shift Underway in Global Markets

- Foreign governments are increasing spending, raising borrowing capacity, and emphasizing defense and infrastructure.
- The capacity for even further fiscal and monetary stimulus is greater globally due to lower rates and smaller debt loads.
- Declining U.S. interest rates and a softer dollar have historically driven strong performance in international markets.
- Energy driven inflation disruptions to growth are not likely to derail the fundamental and structural drivers of the long-term outlook, they may delay but are not likely to derail the drivers.



Top 5 Reasons for a Long-Term U.S. - Global Paradigm Shift
Rebalancing of Global Capital Flows U.S. share in global markets at 1970s peak
Moderate Valuations and Mean Reversion International valuation discounts remain attractive
Structural Policy Tailwinds Outside the U.S. Fiscal & monetary flexibility is greater in non-U.S. markets
Sectoral and Structural Advantages Abroad U.S. market remains dominated by mega-cap technology and infrastructure companies
Weaker Dollar and the Rise of Multipolar Trade Blocs Structural trade deficits, declining real yield advantage, deliberate central bank diversification

Sources: Bloomberg, International Monetary Fund (IMF), Eurostat, U.S. Treasury, RBC Rochdale Research, as of April 30, 2026.
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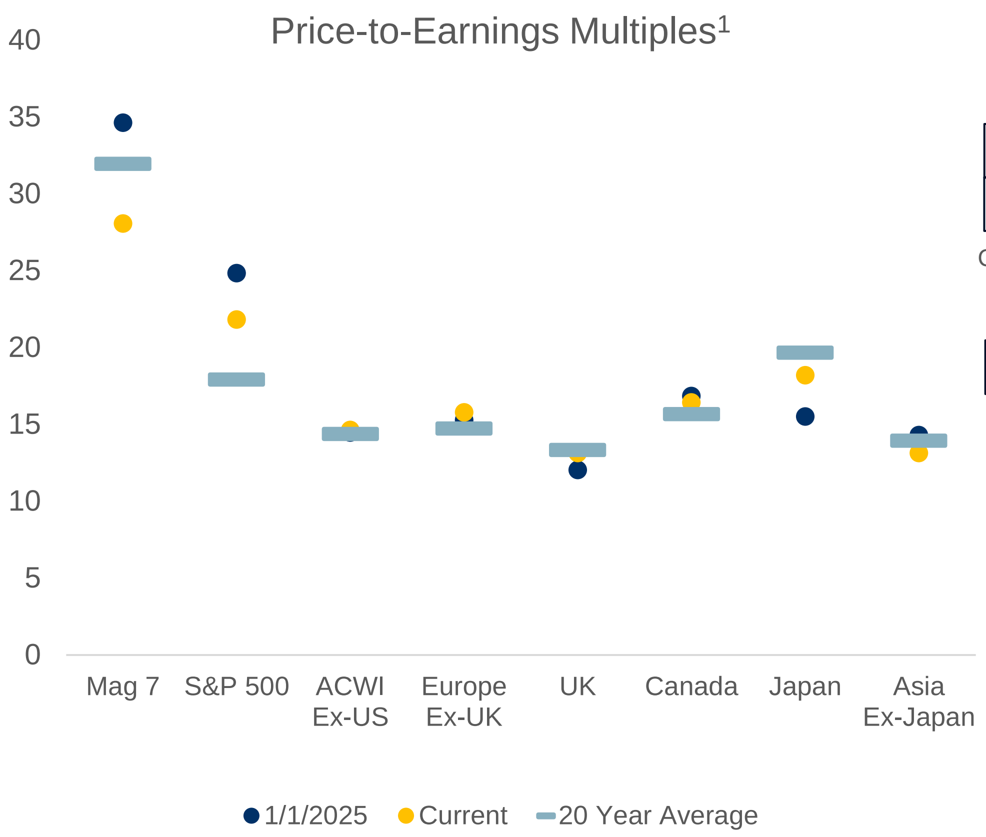
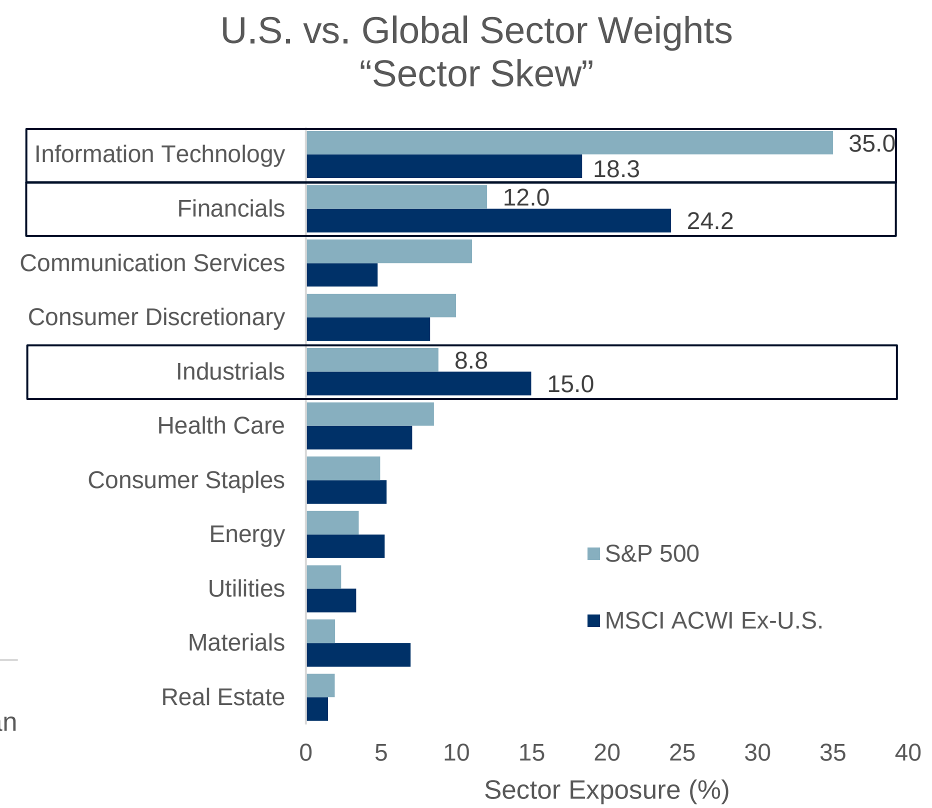
International Markets

- Global market valuations are near long term averages, despite outperformance this year versus the U.S. recently.
- U.S. markets are dominated by higher-multiple sectors, as international markets lean toward lower multiple sectors.

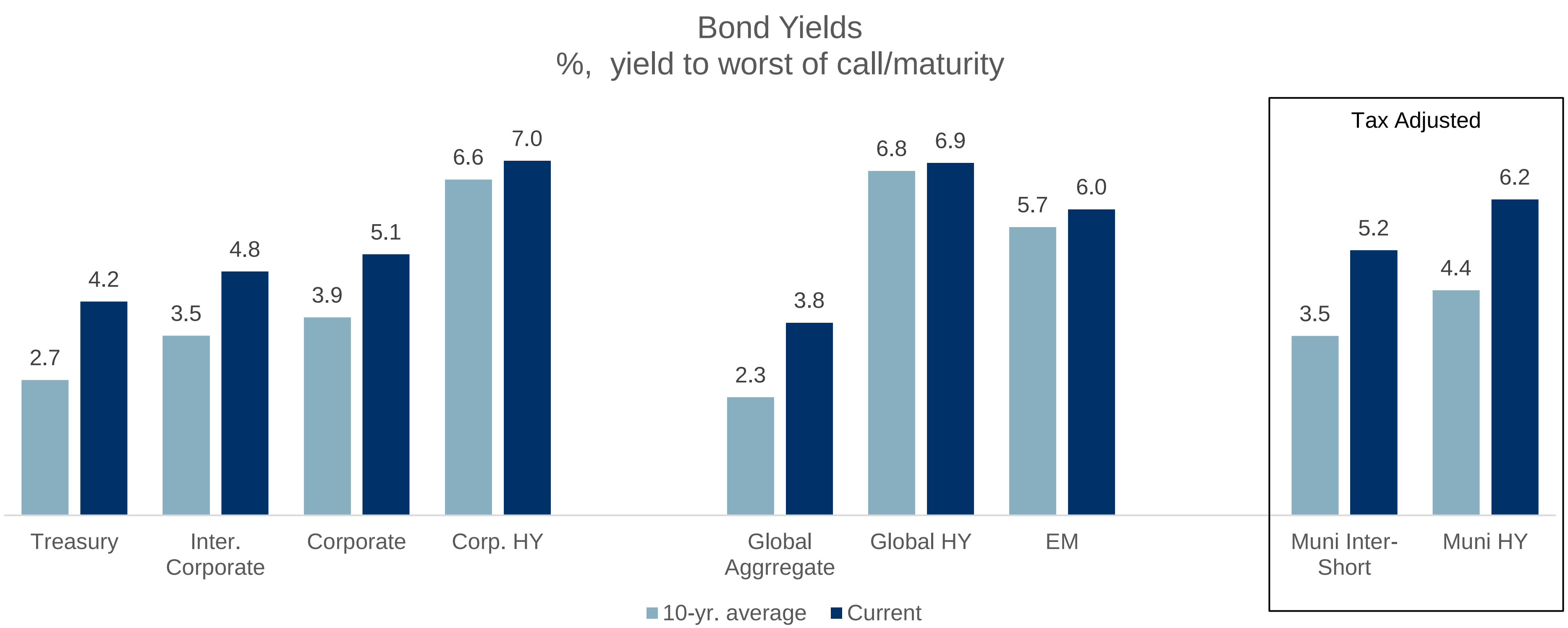




Source: Bloomberg as of April 30, 2026. [1]Price-to-Earnings multiples shown in U.S. dollar terms. For left chart "Price-to-Earnings," all countries are their respective MSCI Indices (in USD) excluding the Mag 7, which is the Bloomberg Mag7 Index, and the S&P 500, which is the S&P 500. "Sector Skew" is the different weights of each sector within the S&P 500 and the MSCI ACWI Ex-U.S. indices relative to one another. Information is subject to change and is not a guarantee of future results.

Bond Yields Are Above Inflation

- Bond yields are generally higher than the long-term average and inflation.
- They provide income with relative price stability.
- Concerns about credit risk are relatively low, indicating a positive view of the economy among bond investors.



Source: Bloomberg, as of April 2026.
Taxable Equivalent Yield assumes 37% federal tax and 3.8% Medicare surcharge.
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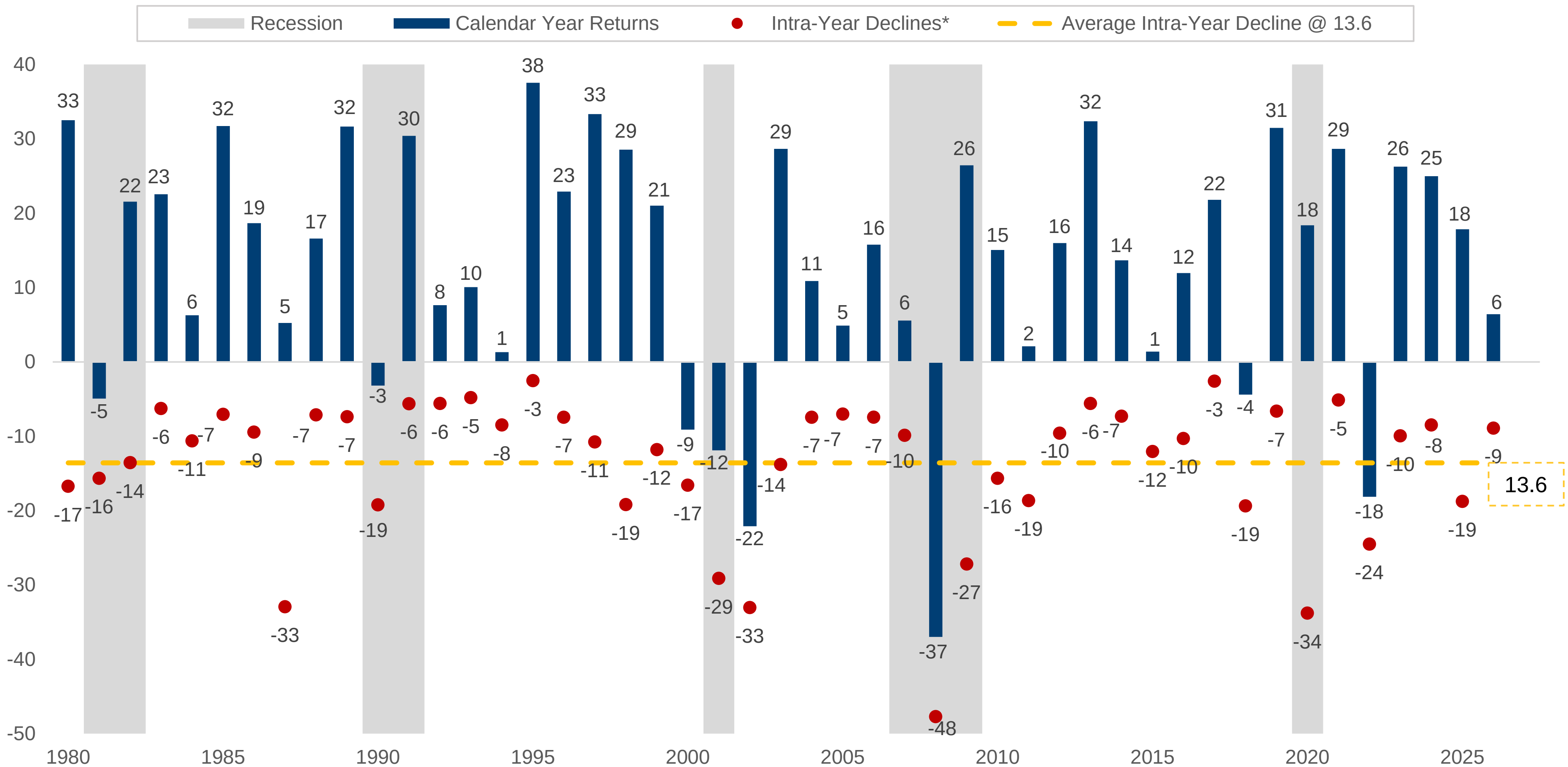
Short-Term Volatility Is Normal

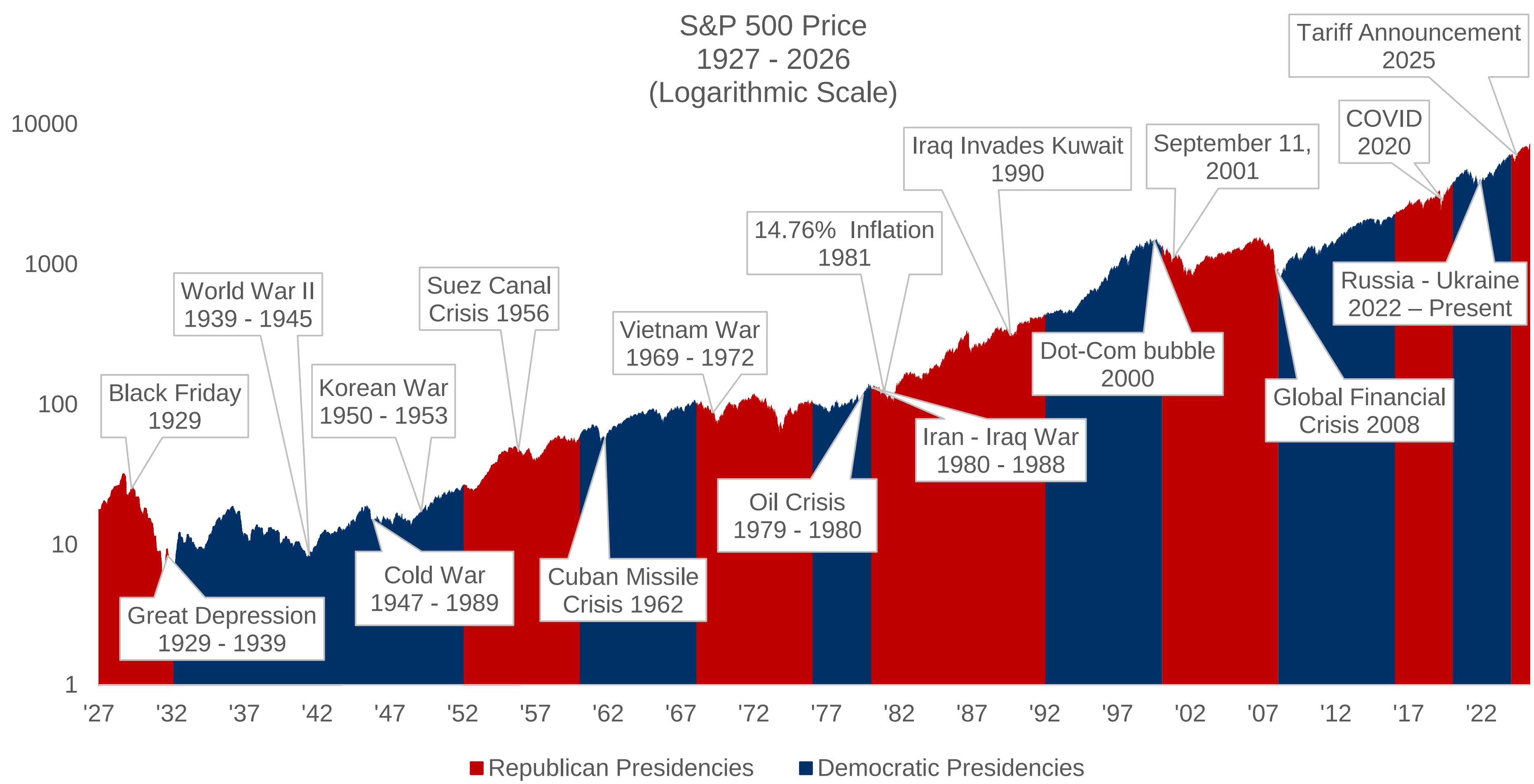
Corrections are a normal part of market movements. Since 1980, the S&P 500 has ended the year above its intra-year low. Volatility should always be expected.



Sources: Bloomberg, RBC Rochdale Research, as of May 5, 2026.
*Intra-year declines are the largest declines within the calendar year.
Indexes are unmanaged, and one cannot invest directly in an index. Index returns do not reflect a deduction for fees or expenses.
Past performance is no guarantee of future results.

Global Events Taken in Stride

Markets typically experience elevated volatility immediately following geopolitical events, but long-term impacts are typically muted, with markets taking them in stride over the long term.



Sources: Bloomberg and RBC Rochdale, as of April 30, 2026. Past performance is no guarantee of future results.

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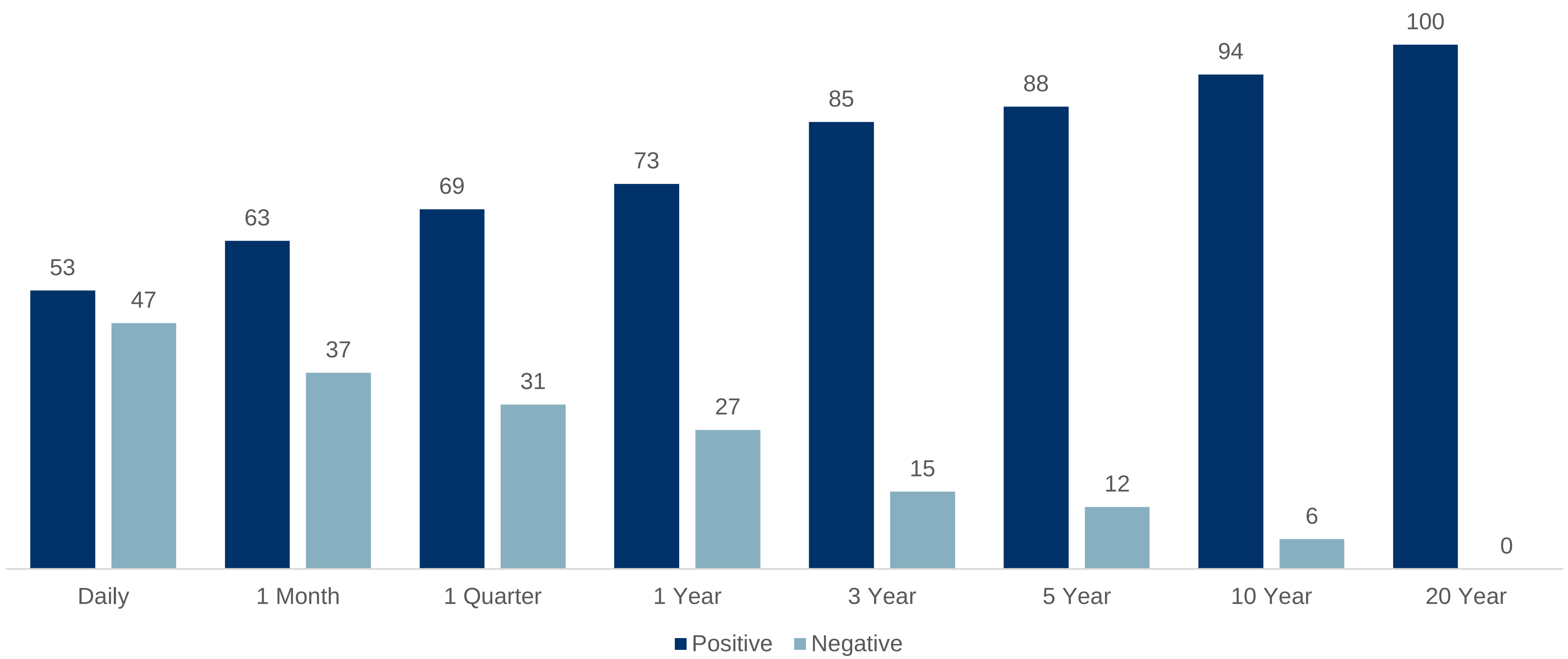
Volatility ≠ Risk of Loss Given Appropriate Time Horizon

- While stocks' prices are volatile in the shorter term, the risk of loss has been low over long time horizons.
- Focusing on the longer-term rather than short-term volatility can increase the probability of success.

History of Positive and Negative Stock Performance
%, across various time horizons



Sources: FactSet, RBC Rochdale Research. Data reflects S&P 500 performance January 1928-December 2025.
Daily returns were calculated for the periods shown above, with the number of positive and negative days counted. The number of positive and negative days, respectively, was then divided by the total number of days to calculate the percentages.
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Asset Class Performance Over Time

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
BEST	Small Cap Stocks 21.28%	Emerging Market Stocks 37.81%	Treasury Bills 1.86%	US Stocks 31.48%	US Convertibles 46.22%	REITs 41.30%	Treasury Bills 1.50%	US Stocks 26.26%	US Stocks 25.00%	Emerging Market Stocks 34.33%	Emerging Market Stocks 14.61%
	High Yield 17.13%	Foreign Stocks 24.99%	US Gov't Bonds 0.88%	REITs 28.66%	Small Cap Stocks 19.93%	US Stocks 28.68%	High Yield -11.19%	Foreign Stocks 18.75%	Small Cap Stocks 11.52%	Foreign Stocks 32.68%	US Convertibles 14.57%
	US Stocks 11.95%	US Stocks 21.82%	US Convertibles 0.15%	Small Cap Stocks 25.49%	Emerging Market Stocks 18.81%	Small Cap Stocks 14.78%	US Gov't Bonds -12.32%	Small Cap Stocks 16.88%	US Convertibles 11.14%	US Convertibles 17.98%	Small Cap Stocks 13.32%
	Emerging Market Stocks 11.77%	Small Cap Stocks 14.63%	US Aggregate Bonds 0.01%	Foreign Stocks 23.33%	US Stocks 18.39%	Foreign Stocks 13.33%	US Aggregate Bonds -13.01%	High Yield 13.45%	High Yield 8.19%	US Stocks 17.86%	REITs 13.15%
	US Convertibles 10.43%	US Convertibles 13.70%	Global Aggregate -1.20%	US Convertibles 23.15%	Global Aggregate 9.20%	US Convertibles 6.34%	Foreign Stocks -13.70%	US Convertibles 12.87%	Emerging Market Stocks 8.01%	Small Cap Stocks 12.79%	Foreign Stocks 6.67%
	REITs 8.63%	REITs 8.67%	High Yield -2.08%	Emerging Market Stocks 18.85%	Foreign Stocks 8.22%	High Yield 5.28%	Global Aggregate -16.25%	REITs 11.36%	Treasury Bills 5.45%	High Yield 8.62%	US Stocks 5.69%
	Foreign Stocks 3.43%	High Yield 7.50%	REITs -4.04%	High Yield 14.32%	US Gov't Bonds 7.94%	Treasury Bills 0.05%	US Stocks -18.12%	Emerging Market Stocks 10.23%	Foreign Stocks 5.37%	Global Aggregate 8.17%	Treasury Bills 1.24%
	US Aggregate Bonds 2.65%	Global Aggregate 7.39%	US Stocks -4.39%	US Aggregate Bonds 8.72%	US Aggregate Bonds 7.51%	US Aggregate Bonds -1.54%	US Convertibles -18.71%	Global Aggregate 5.72%	REITs 4.92%	US Aggregate Bonds 7.30%	High Yield 1.19%
	Global Aggregate 2.09%	US Aggregate Bonds 3.54%	Small Cap Stocks -11.03%	Global Aggregate 6.84%	High Yield 7.11%	US Gov't Bonds -2.28%	Emerging Market Stocks -19.79%	US Aggregate Bonds 5.53%	US Aggregate Bonds 1.25%	US Gov't Bonds 6.31%	Global Aggregate 0.16%
	US Gov't Bonds 1.05%	US Gov't Bonds 2.30%	Foreign Stocks -13.52%	US Gov't Bonds 6.83%	Treasury Bills 0.58%	Emerging Market Stocks -2.30%	Small Cap Stocks -20.46%	Treasury Bills 5.26%	US Gov't Bonds 0.62%	Treasury Bills 4.40%	US Aggregate Bonds 0.07%
WORST	Treasury Bills 0.27%	Treasury Bills 0.84%	Emerging Market Stocks -14.24%	Treasury Bills 2.25%	REITs -5.12%	Global Aggregate -4.71%	REITs -24.95%	US Gov't Bonds 4.09%	Global Aggregate -1.69%	REITs 2.27%	US Gov't Bonds -0.11%

Sources: Bloomberg, RBC Rochdale Research, as of April 30, 2026. For index descriptions, please see page 23. Information is subject to change and is not a guarantee of future results. Past performance is no guarantee of future results.

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Definitions

The Standard & Poor's 500 Index (S&P 500) is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity and industry group representation to represent U.S. equity performance.

The Consumer Price Index (CPI) measures the monthly change in prices paid by U.S. consumers. The Bureau of Labor Statistics (BLS) calculates the CPI as a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending.

Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

The Bloomberg Barclays U.S. Corporate High Yield Index is an unmanaged, US-dollar-denominated, nonconvertible, non-investment-grade debt index. The index consists of domestic and corporate bonds rated Ba and below with a minimum outstanding amount of $150 million.

The MSCI All Country World Index (ACWI) is a global stock index that encompasses nearly 3,000 companies from 23 developed countries and 25 emerging markets.

The MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization weighted index that is designed to measure developed equity market results, excluding the U.S. and Canada.

The MSCI Emerging Markets (EM) Index captures large-and-mid-cap representation across emerging markets countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI Europe Index captures large-and-mid-cap representation across developed markets (DM) countries in Europe. The index covers approximately 85% of the free float-adjusted market capitalization across the European developed markets equity universe.

The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight or 0.2% of the index total at each quarterly rebalance.

The Bloomberg 1-3 Month U.S. Treasury Bill Index includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more of outstanding face value.

The Bloomberg Municipal Short/Intermediate Index is a measure of the U.S. municipal tax-exempt investment-grade bond market.

The Bloomberg Taxable Intermediate Government Credit Index measures investment-grade, U.S. dollar-denominated, fixed-rate, taxable corporate and government-related bond markets with a maturity greater than 1 year and less than 10 years.

Definitions

The Bloomberg Municipal High Index is a measure of the U.S. municipal tax-exempt non-investment grade bond market.

The Bloomberg Municipal Bond Inter-Short 1-10 Year Total Return Index Value Unhedged USD.

Bloomberg Municipal Bond: High Yield (non-Investment Grade) Total Return Index Unhedged USD

The Bloomberg Intermediate U.S. Government/Credit Bond Index is a broad-based flagship benchmark that measures the non-securitized component of the U.S. Aggregate Index with less than 10 years to maturity. The index includes investment grade, U.S. dollar-denominated, fixed-rate treasuries, government-related and corporate securities.

High Yield Corporate Bond Yield is derived from the Bloomberg High Yield Corporate Bond Index (LF98), Yield Spread is the U.S. Corporate High Yield Bond Yield minus the 12-Month Yield of BKLN.

The seven tech titan stocks are a group of high-performing and influential companies in the U.S. stock market: Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla.

Employment Index: U.S. jobs with the exception of farmwork; unincorporated self-employment; and employment by private households, the military and intelligence agencies.

Muni Bond: A municipal bond is a debt security issued by a state, municipality or county to finance its capital expenditures, including the construction of highways, bridges or schools. These bonds can be thought of as loans that investors make to local governments.

Investment-Grade Municipal Bonds: Investment-grade municipal bonds are debt securities, issued by state and local governments, carrying the lowest credit risk that a bond issuer may default. Investment-Grade Municipal Bonds: Bloomberg Municipal Bond Inter-Short 1-10 Year Total Return Index.

Investment-Grade Corporate Bonds: Investment grade corporate bonds are low-risk bonds. Because they are bonds, they are not tied to equity. Instead, they are like debt notes issued by a corporation. Investment-Grade Corporate Bonds: Bloomberg Intermediate Corporate Bond Index.

Rochdale Speedometers℠ are indicators that reflect forecasts of a six-to-nine-month time horizon. The colors of each indicator, as well as the direction of the arrows, represent our positive/negative/neutral view for each indicator. Thus, arrows directed toward the (+) sign represent a positive view, which in turn makes it green. Arrows directed toward the (-) sign represents a negative view, which in turn makes it red. Arrows that land in the middle of the indicator, in line with the (0), represent a neutral view, which in turn makes it yellow. All of these indicators combined affect RBC Rochdale’s overall outlook of the economy.

Index Definitions used in "Asset Class Performance Over Time" (pg. 16)

The S&P 500 Index is generally considered representative of the U.S. stock market.

The ICE BofA All U.S. Convertibles Index (VXA0) comprises approximately 700 issues of only convertible bonds and preferreds of all qualities.

The Russell 2000 index is an index measuring the performance of approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks.

The MSCI World ex U.S.A. Index captures large-and-mid-cap representation across 22 of 23 developed markets (DM) countries—excluding the United States. DM countries include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK. With 1,011 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that represents large- and mid-cap companies in emerging market countries. It includes market indexes of Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand and Turkey.

Bloomberg U.S. Government Index is an unmanaged index considered representative of fixed-income obligations issued by the U.S. Treasury, government agencies and quasi-federal corporations.

The Bloomberg U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed rate and hybrid ARM pass-throughs), ABS and CMBS sectors.

The Bloomberg U.S. Corporate High Yield Bond Index measures the USD-denominated, high-yield, fixed-rate corporate bond market.

The Bloomberg Global Aggregate Bond Index is a flagship measure of global investment-grade debt from 24 local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

The FTSE Nareit All Equity REITs Index is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50% of total assets in qualifying real estate assets other than mortgages secured by real property.

The FTSE 3 Month U.S. T Bill + 4% Index is intended to track the daily performance of 3-month U.S. Treasury bills, plus an annual equivalent rate of 4.00%. The index is designed to operate as a benchmark for a series of funds.

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RBC Rochdale

For More Information:

New York Headquarters
400 Park Avenue
New York, NY 10022

Beverly Hills Headquarters
400 North Roxbury Drive
Beverly Hills, CA 90210

citynationalrochdale@cnr.com

RBC