RBC Rochdale

JULY
2026

ECONOMIC & INVESTMENT MANAGEMENT PERSPECTIVES

Q2 QUARTERLY UPDATE

MARKET UPDATE

Markets Look Through Volatility

Charles Luke, CFA
CHIEF INVESTMENT OFFICER

Global markets started Q2 strong before shifting gears in the latter half of the quarter. The U.S. stood out, bolstered by solid corporate earnings and a surge in capital spending—particularly on AI infrastructure.

This strength contrasted with countries more dependent on energy imports, which faced headwinds. International markets bounced back from a sluggish Q1, with regions riding the AI wave outperforming others. The silver lining? Market volatility has reset valuations without shaking the fundamentals underneath—a reassuring backdrop for investors.

Three Big Catalysts

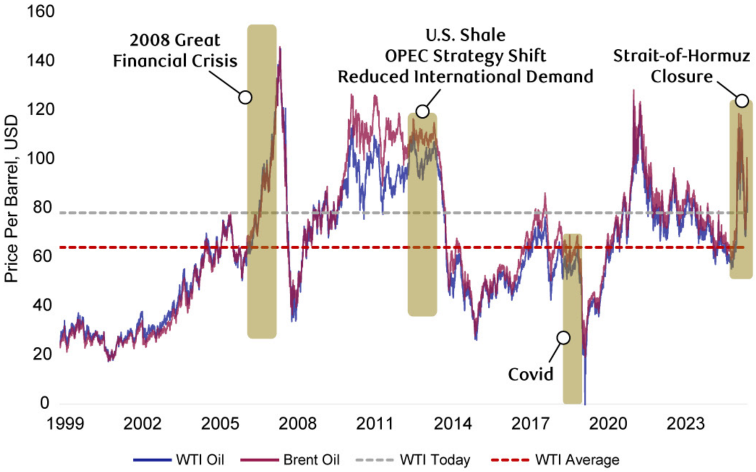
This quarter hinged on three major forces: 1.) The accelerating AI arms race, 2.) Geopolitical tensions from the Strait of Hormuz and energy volatility and 3.) New Federal Reserve leadership under Kevin Warsh.

The AI Investment Boom

Hyperscalers are spending north of $2 billion daily on AI capex, and the pace shows no signs of slowing. We're moving beyond hype; real use cases are emerging and reshaping how companies operate and support their workforces. The critical question—whether AI will actually move the needle on profits—is starting to get answered as these massive investments continue. It's an unprecedented moment, and we're still in the early innings.

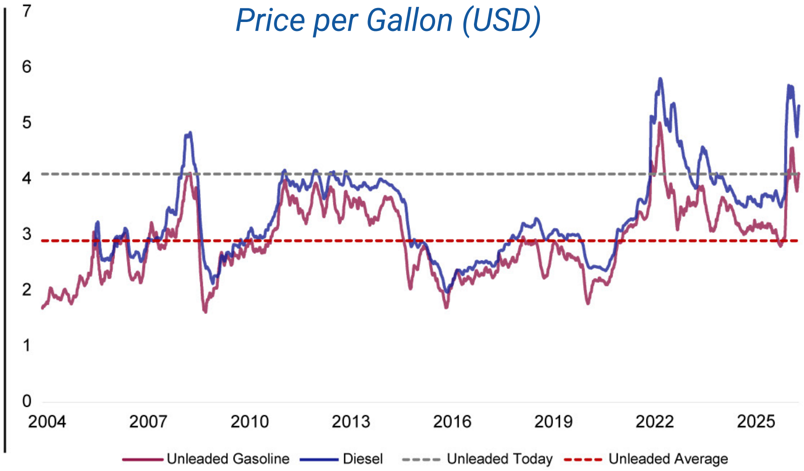
IN THIS ISSUE:

Oil Prices



AAA National Daily Averages,

Price per Gallon (USD)



Sources: Bloomberg, RBC Rochdale as of 7/27/2026. Information is subject to change and is not a guarantee of future results.

Energy Volatility Matters

Energy prices and supply remain key market movers. Disruptions flowing from the Strait of Hormuz could trigger sharp market swings *(illustrated in Oil Prices chart)*. That said, the U.S. has a structural advantage many countries lack: It produces approximately 13.8 million barrels of crude oil daily and imports only about 3 million (down from about 10 million in 2010) *(illustrated in AAA National Daily Averages chart)*. As a net exporter, this places the U.S. in a unique position to support its industrial activity with lower reliance on foreign energy.

Fed Leadership and Policy

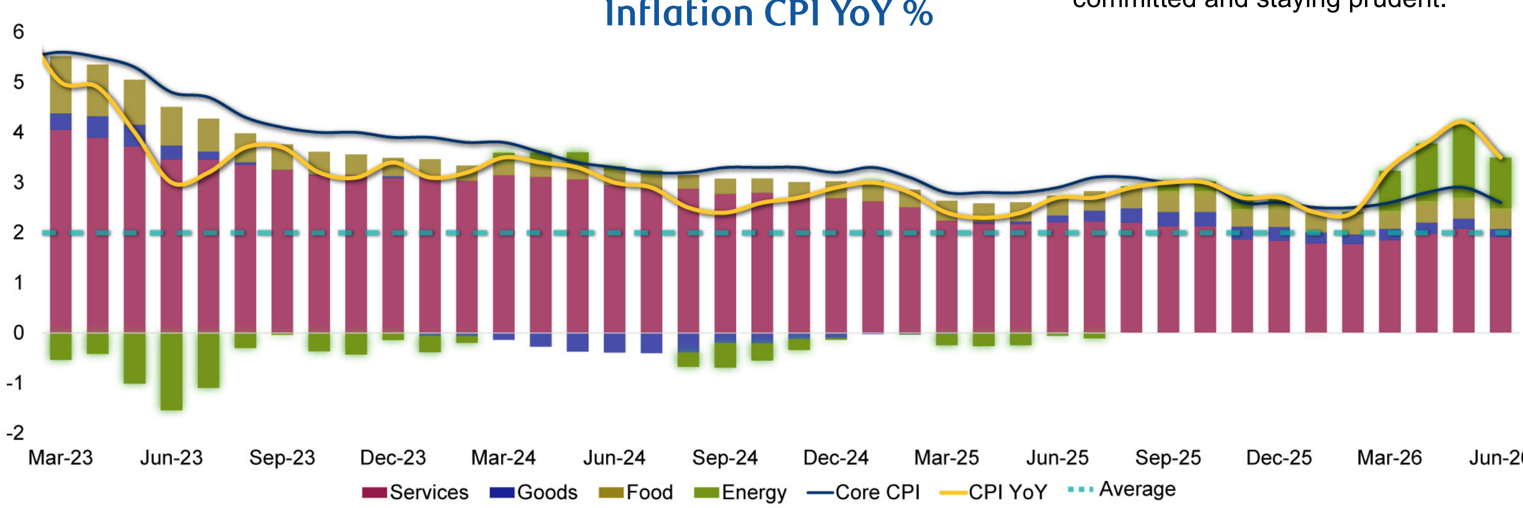
The new Fed chair must navigate tricky terrain: Balancing the dual mandate of price stability , approximately 2% inflation *(illustrated in Inflation CPI YoY%chart)* while deciding whether to look through energy and AI hardware price swings. Warsh's early move—establishing task forces with former Fed officials and academics—signals a thoughtful approach to maintaining institutional independence. It's a solid start.

Bottom Line

Markets absorbed considerable change this quarter while keeping their eyes on fundamentals—a healthy sign. With volatility likely to persist and multiple moving pieces in play, here's our view: Stick with your long-term investment plan and stay in close touch with your portfolio managers. They can help you navigate what's ahead.

Staying invested remains critical to capturing returns for the balance of the year. At the same time, be thoughtful about concentration risk. Consider diversifying into lower-correlation investments outside of tech to insulate your portfolio from technology-specific swings. It's a balance between staying committed and staying prudent.

Inflation CPI YoY %



Sources: Bloomberg, RBC Rochdale as of 4/15/2026. Information is subject to change and is not a guarantee of future results.

EQUITY

Earnings-Led Rebound Lifts Equities to Records

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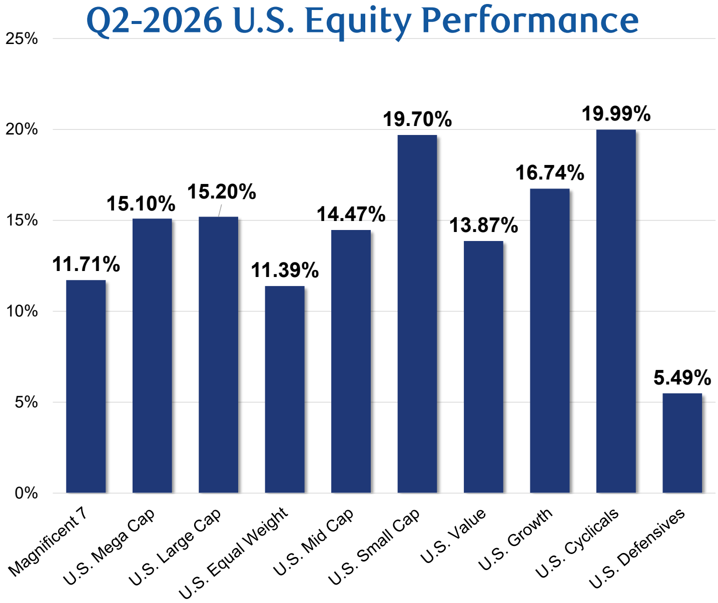
U.S. equities staged a powerful rebound in Q2 2026, with the S&P 500 gaining approximately 15% to reach new all-time highs, its strongest quarter since the 2020 post-pandemic recovery. The advance reversed Q1's decline as the U.S.-Iran conflict de-escalated, oil price returned to pre-crisis levels and corporate earnings reaccelerated *(ref. Q2-2026 U.S. Equity Performance chart)*.

The rally was earnings-driven rather than valuation-driven. S&P 500 earnings growth for the quarter is tracking near 23% year-over-year (YoY), with revenue growth of roughly 12% and continued margin expansion. Despite the sharp price gains, the forward price-to-earnings-ratio (P/E) finished near 22x, only modestly above its 10Y average, suggesting the advance rested on fundamentals rather than multiple expansion.

Market leadership evolved meaningfully as the quarter progressed. Technology and AI-related themes, led by semiconductors, drove the internal move off the spring lows. By quarter-end, however, participation has broadened significantly. Equal-weight, small-cap, and value benchmarks all reached new record highs alongside the cap-weighted index. This broadening is a constructive signal for the durability of the advance.

Q2-2026 U.S. Equity Performance



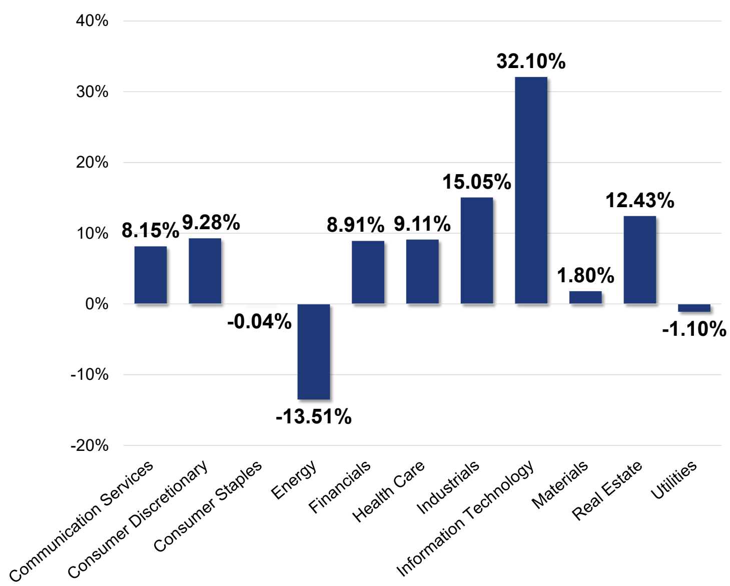
Sources: Bloomberg Magnificent 7 Index, S&P 100 Index, S&P 500 Index, S&P 500 Equity Weight Index, S&P 400 Index, S&P 600 Index, Russell 1000 Value Index, Russell 1000 Growth Index, Goldman Sachs Cyclicals Basket, Goldman Sachs Defensives Basket as of 6/30/2026. Past performance is not a guarantee of future results.

June brought a clear rotation in leadership toward Industrials, Financials, and Health Care, while Technology and Communication Services lagged on near-term profit taking. Industrials returned over 20% year-to-date (YTD), similar to Technology. Energy gave back its Q1 leadership as oil retreated toward pre-crisis levels, underperforming for a second straight month.

Style performance favored growth over the full quarter, extending its position as the dominant leadership factor on the strength of technology earnings momentum. Yet the late-quarter broadening into value and smaller-capitalization stocks marked a healthy shift beneath the surface, with cyclicals generally outpacing defensives *(ref. Q2-2026 U.S. Sector Performance chart)*.

The backdrop for equities turned less accommodative. Newly confirmed Fed Chair, Kevin Warsh, established a more hawkish tone, refocusing policy on the 2% inflation mandate. Market shifted from pricing rate cuts toward higher-for-longer-expectations, a dynamic worth watching, as sustained rate pressure could challenge valuations even as earnings remain strong.

Q2-2026 U.S. Sector Performance



Sources: S&P 1500 Communication Services Index, S&P 1500 Consumer Discretionary Index, S&P 1500 Consumer Staples Index, S&P 1500 Energy Index, S&P 1500 Financials Index, S&P 1500 Health Care Index, S&P 1500 Industrials Index, S&P 1500 Information Technology Index, S&P 1500 Materials Index, S&P 1500 Real Estate Index, S&P 1500 Utilities Index as of 6/30/2026. Past performance is not a guarantee of future results.

INVESTMENT-GRADE FIXED INCOME

Bonds Rebound with Resilience Through the First Half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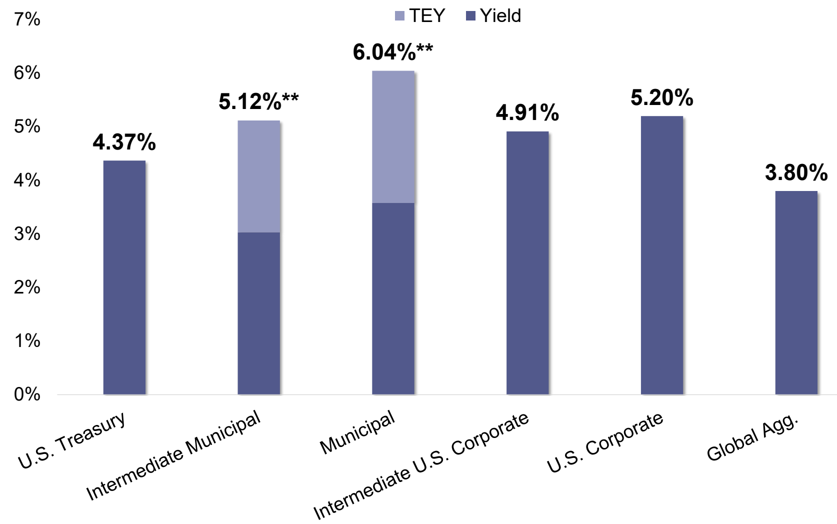
Michael Korzenko, CFA
DIRECTOR, SENIOR ANALYST, MUNICIPAL CREDIT RESEARCH

Investment-grade (IG) fixed income delivered a solid rebound during the second quarter, closing out the first half of the year in positive territory. Market conditions improved notably as volatility eased from March's highs, supported by more stable macroeconomic fundamentals and de-escalating Middle East tensions that helped normalize energy flows and temper inflation pressures.

Coupon carry proved to be a significant driver of quarterly returns across all major segments, with U.S. Treasuries gaining 0.32%, IG corporates up 1.4% and municipal bonds surging 2.5%, marking their strongest quarter since 2020 *(ref. Total Returns chart)*. This municipal bond strength was fueled by a late-quarter rally as yields compressed. The outperformance has continued to attract substantial investor demand. The Bloomberg Municipal Bond Index saw yields decline over 20 basis points (bps) during the quarter, even as Treasury yields moved higher.

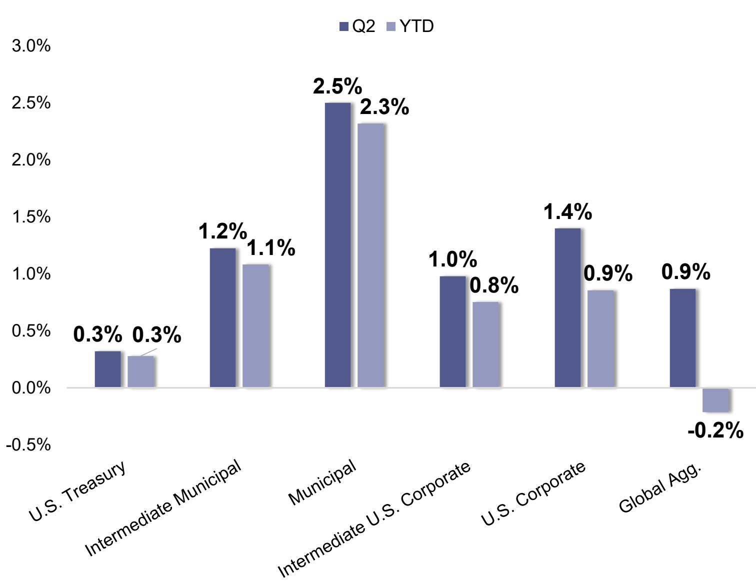
Fixed Income Index Yields



Sources listed below.

While this tightening has priced in much of the valuation benefit, tax-equivalent adjusted yields remain compelling at roughly 6%, meaningfully above taxable alternatives like corporates at 5.2% and Treasuries at 4.5% *(ref. Index Yields chart)*. This yield advantage is particularly attractive for higher-bracket investors seeking after-tax returns.

Fixed Income Index Total Returns



Despite year-over-year (YoY) municipal supply growth on track for potentially record volumes in 2026, steady mutual fund inflows (about $50 billion year-to-date (YTD) and strong seasonal reinvestments have effectively absorbed new issuance, providing a favorable backdrop for performance. Similarly, IG corporate technical indicators remain robust, with YTD issuance exceeding $1.5 trillion, a 28% increase YoY. Corporations have actively tapped markets to finance AI-driven capital expenditures, infrastructure initiatives and refinancing activities. Despite elevated supply, investor demand for IG corporates has remained robust, with many new issues attracting oversubscribed order books. This strength reflects both resilient corporate fundamentals and attractive starting yields that provide meaningful cushion against rate volatility.

Looking ahead, geopolitical risks and Middle East uncertainty warrant close monitoring. While credit fundamentals remain sound across both corporate and municipal sectors, upward pressure on Treasury yields could weaken spreads and influence curve positioning decisions. However, the steep municipal curve continued to reward investors for extending duration. With the risk of volatility likely to remain at least in the near term, both tactical positioning and security selection during market dislocations should help capture meaningful value given today's attractive absolute yields across IG fixed income asset classes.

*** Taxable Equivalent Yield (TEY) Assumes 37% Federal Tax and 3.8% Medicare surcharge.*
Sources: Bloomberg US Treasury Total Return Unhedged USD Index, Bloomberg Intermediate Muni Index, Bloomberg Municipal Bond Index Total Return Index Value Unhedged USD, Intermediate Corporate Bloomberg US Corporate Total Return Value Unhedged USD, Bloomberg Global Aggregate Total Return as of 6/30/2026. Past performance is not a guarantee of future results.

HIGH-YIELD FIXED INCOME

High-Yield Rebounds as Income Leads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High-yield municipal bonds (HYM) have emerged as a standout performer, delivering gains above 4% year-to-date, driven by stable demand, secondary market liquidity and steady credit conditions. For tax-efficient investors, high-yield municipal bonds offer particularly attractive income opportunities heading into the second half. The resilience of municipal fundamentals and consistent investor appetite have positioned HYM as a compelling alternative within the broader high-yield landscape *(ref. High-Yield Corporate Spread chart)*.

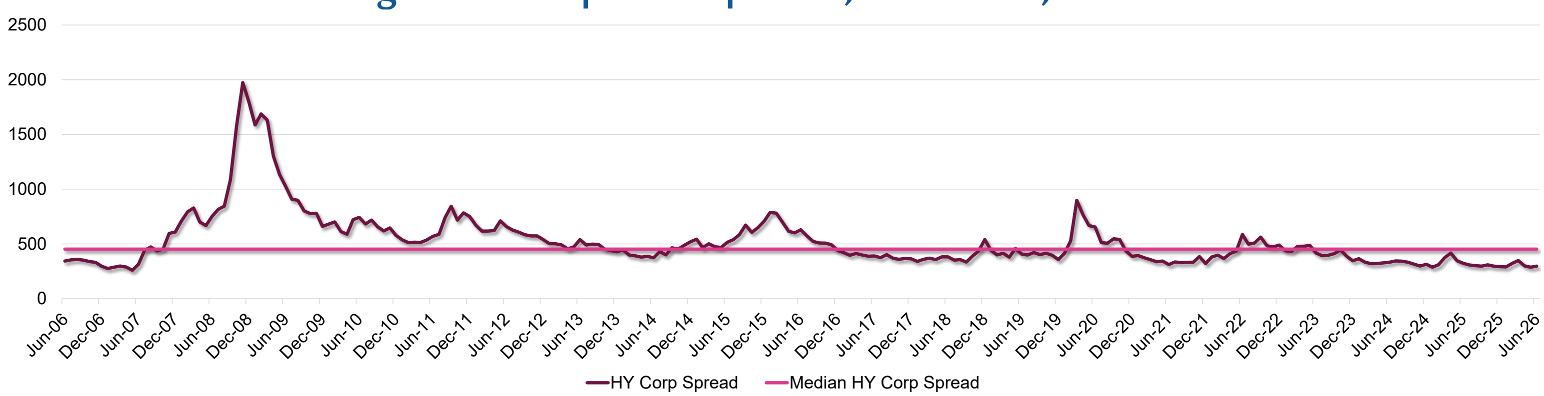
Meanwhile, the taxable high-yield markets also experienced a sharp rebound, recovering faster than expected from March's volatility. Spreads on the Intercontinental Exchange Bank of America (ICE BofA) U.S. High-Yield Index tightened from 346 basis points (bps) in late March to 275 bps by quarter-end, among the narrowest levels of this cycle. Despite upward pressure from U.S. Treasury yields, strong coupon income and spread compression drove modest positive returns of approximately 2.4% year-to-date for the major benchmarks.

Supportive macro conditions drove the recovery. Easing geopolitical tensions in the Middle East, stabilizing energy flows and fading inflationary pressures restored investor confidence across the market. Technical conditions improved sharply, with March outflows reversing to inflows and primary market issuance surging to record levels as companies refinanced ahead of an uncertain rate trajectory. The Fed's tilt toward further tightening reinforces income as the primary return driver going forward, rather than spread performance.

Sector dispersion persists and warrants caution. Technology credits continuing repricing amid AI-driven business model reassessments, while energy issuers benefit from elevated commodity prices. This bifurcation, though more orderly than earlier in the year, reflects market adjustments. Spreads are trading well below their 400 bps long-term average, yet the Moody's trailing default rate approaches 4.5%. While tight spreads and rising defaults can temporarily coexist, it signals the need for disciplined credit selection, prioritizing quality and liquidity over yield-chasing in stressed segments.

Looking ahead, we believe income have the potential to anchor portfolio returns. Current yields support mid-single-digit annual returns, particularly for high-yield municipals. Investors should remain vigilant and favor defensive positioning amid elevated default risks and compressed valuations across the market.

High-Yield Corporate Spread: June 2006 - June 2026



Source: Bloomberg High-Yield Corporate OAS Index as of 6/30/2026. Past performance is not a guarantee of future results.

ALT ALLOCATIONS

A Constructive Reset Across Private Markets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Alternative investments entered the second quarter under pressure and exited it in better shape. Across private credit, private equity and real assets, the pattern was consistent: Less activity, more discipline and a healthier balance between risk and reward.

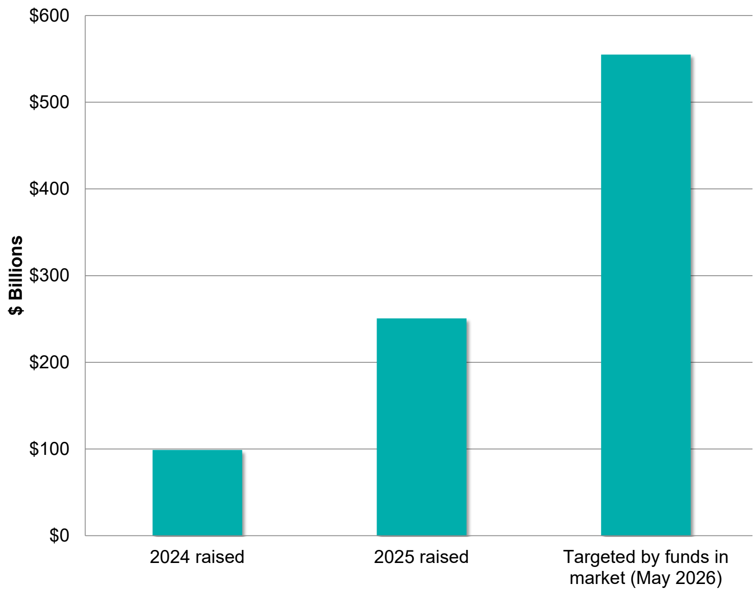
Private credit stabilized after March volatility. Redemption requests in semi-liquid vehicles topped $20 billion in the first quarter, the first real test of these structures at scale. The safeguards largely worked as designed, and managers seem to be aligned on how to work through redemption cycles, balancing outflows with inflows, maturities and financing solutions. Pricing has also reset in lenders' favor, with spreads on new middle-market loans roughly 25 to 50 bps wider than late last year. Software remains the pressure point as AI disruption increasingly looks structural rather than cyclical, and underwriting standards have tightened in response.

Private equity was quieter. U.S. deal value fell 38% from the prior quarter to $177 billion as sponsors stepped back from large, financing-dependent transactions and exit activity slowed as well. IPOs were the brightest spot, doubling from the first quarter, while continuation vehicles and secondaries carried more of the burden of returning capital. Fundraising rose 9% in the first half versus a year ago, but commitments are concentrating among managers who can show realized returns. For new capital, lower entry multiples and motivated business sellers have historically been a solid environment.

Real assets stood out. Private infrastructure fundraising reached a record $251 billion in 2025, up more than 150% from the prior year, and nearly 700 funds were in the market this spring seeking $555 billion more *(ref. Private Infrastructure Fundraising chart)*. The AI buildout is the engine: Capital spending by the largest data center operators is on pace to approach $750 billion this year, nearly double 2025 levels, with power availability now the binding constraint *(ref. Data Center Capital Expenditure chart)*.

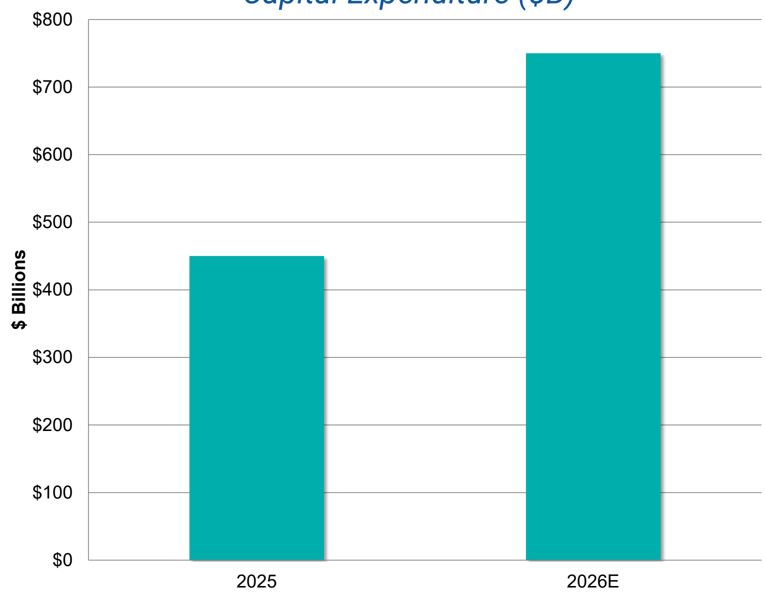
RBC Rochdale's approach to alternatives is unchanged. We favor selectivity, demand fair compensation for illiquidity and let discipline, not momentum, set the pace.

Private Infrastructure Fundraising ($B)



Note: 695 infrastructure funds were in the fundraising phase as of May 2026, targeting an aggregate $555B. Sources: S&P Global Market Intelligence; Preqin, PitchBook, all data as of 5/15/2026.
Past performance is not a guarantee of future results.

Data Center Operator
Capital Expenditure ($B)



Source: Bloomberg NEF, data as of 6/30/2026. 2026 figure is an estimate. Past performance is not a guarantee of future results.

THE FED

There is a New Sheriff in Town

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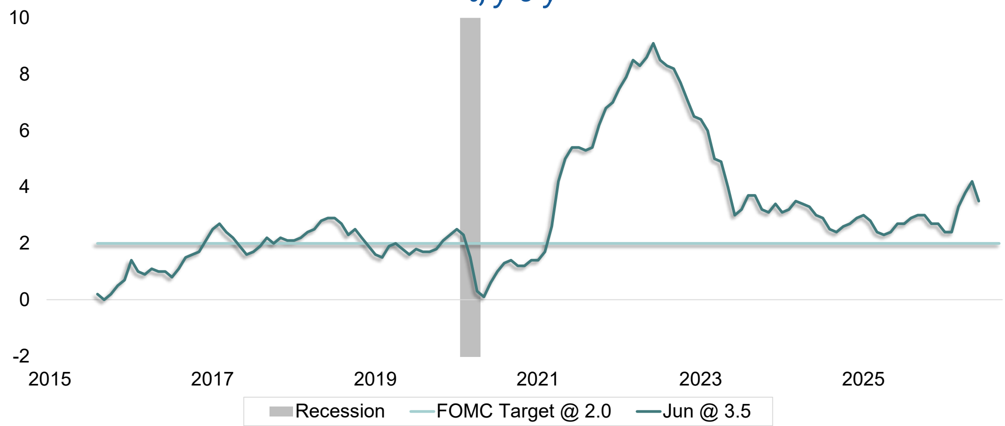
MANAGING DIRECTOR,
SENIOR ECONOMIST,
SENIOR PORTFOLIO MANAGER

Kevin Warsh became the 17th Chair of the Federal Reserve back in May. He has been eager for this job for some time and he hit the ground running.

Inflation: CPI

%, y-o-y



Source: Bureau of Labor Statistics, data as of 6/20/2026. Past performance is not a guarantee of future results.

First and foremost, Warsh made it clear that he had “[...]No tolerance for persistently elevated inflation.” This is an important step by the new Chair to establish credibility with the financial markets by telling the world that he is willing to make hawkish changes to monetary policy to achieve the goal. That said, he has yet to frame out the strategy for delivering on the pledge. We believe that Warsh and other Fed policymakers will wait until at least September for the summer data to be released before they make a decision on possible policy changes.

Although inflation probably peaked in May *(ref. Inflation: CPI chart)*, the question is how quickly it will decline towards the target rate of 2.0%. The greatest uncertainty for the Fed regarding inflation, is the ongoing U.S.–Iran conflict. Hopefully, there will be some sort of resolution before September.

Also, Warsh announced an important initiative: A series of task forces that are aimed at examining many of the Fed’s key activities. He believes an overhaul is needed because past policies are responsible for current inflation, which has been above target for more than five years.

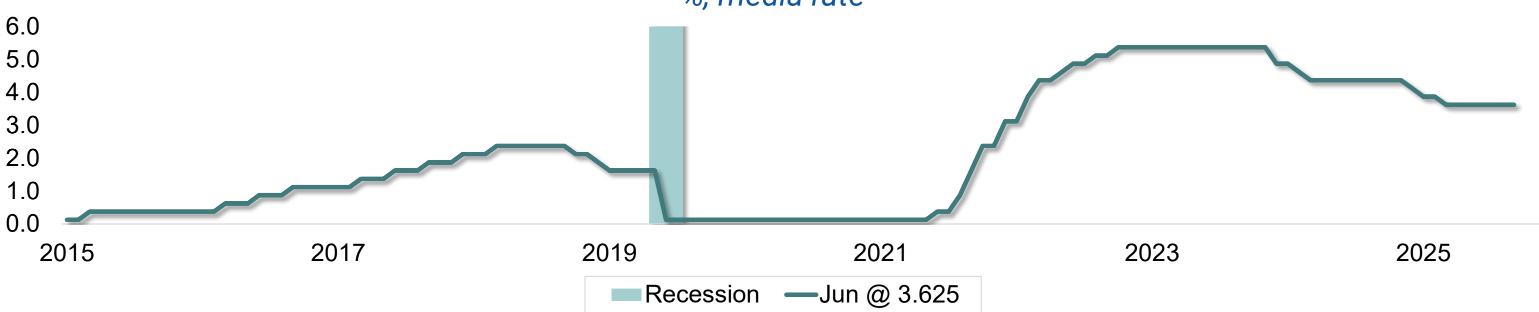
The five task forces created are communication, balance-sheet policy, data, job productivity and inflation framework. They will be led by highly credible external advisors who will work with Fed staff members. The advisors are made up of prominent academics, former central bankers and well-established business executives.

RBC Rochdale believes the Fed may not make any changes to the federal funds rate this year. Yet, we understand there is a high level of risk that the Fed will have to raise interest rates because inflation does not decline fast enough for their comfort level. But we see inflation has been high due to three key areas: Tariffs, energy and AI. The tariffs, which were put in place last year, should soon fall off the yearly inflation calculation. Energy and AI inflation will probably not be impacted by interest rates moving up 25 or 50 bps, since they are inelastic; people and companies will still buy them at the higher prices. So, changes in Fed policy would have very little impact on demand.

The median funds rate currently stands at 3.625% and has been there since last December *(ref. Federal Funds Rate chart)*.

Federal Funds Rate

%, media rate



Sources: Federal Reserve, data as of 6/20/2026. Past performance is not a guarantee of future results.

IMPORTANT INFORMATION

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All investing is subject to risk, including the possible loss of the money you invest. As with any investment strategy, there is no guarantee that investment objectives will be met and investors may lose money. Diversification may not protect against market risk or loss. Past performance is no guarantee of future performance.

There are inherent risks with equity investing. These risks include, but are not limited to, stock market, manager or investment style. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

There are inherent risks with fixed income investing. These risks may include interest rate, call, credit, market, inflation, government policy, liquidity or junkbond. When interest rates rise, bond prices fall.

Bloomberg risk is the weighted average risk of total volatilities for all portfolio holdings. Total Volatility per holding in Bloomberg is ex-ante (predicted) volatility that is based on the Bloomberg factor model.

Municipal securities: The yields and market values of municipal securities may be more affected by changes in tax rates and policies than similar income-bearing taxable securities. Certain investors' incomes may be subject to the Federal Alternative Minimum Tax (AMT) and taxable gains are also possible. Investments in the municipal securities of a particular state or territory may be subject to the risk that changes in the economic conditions of that state or territory will negatively impact performance. These events may include severe financial difficulties and continued budget deficits, economic or political policy changes, tax base erosion, state constitutional limits on tax increases and changes in the credit ratings.

Investing in international markets carries risks such as currency fluctuation, regulatory risks, economic and political instability. Emerging markets involve heightened risks related to the same factors as well as increased volatility, lower trading volume and less liquidity. Emerging markets can have greater custodial and operational risks and less developed legal and accounting systems than developed markets.

Alternative investments carry higher risks than traditional assets, including illiquidity, valuation uncertainty, leverage, manager execution risk, and concentration.

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INDEX DEFINITIONS

Bloomberg Global Aggregate Total Return Index is a flagship benchmark measuring the performance of global investment-grade fixed-income securities, including government, corporate and securitized fixed-rate bonds from both developed and emerging markets. It tracks broad-based debt across over 27 local currencies, offering a comprehensive view of the global bond market.

Bloomberg High-Yield Corporate OAS Index provides a dynamic pricing measure, subtracting the cost of embedded options (like call features) from the total yield spread to the risk-free rate. It is used to evaluate the market's perceived risk of default in the high-yield sector, which usually widens during economic distress.

Bloomberg High-Yield Energy Index is a subset of the Bloomberg US Corporate High-Yield Bond Index, tracking USD-denominated, fixed-rate, taxable corporate bonds rated below investment grade (Ba1/BB+/BB+ or below) specifically from issuers in the energy sector.

Bloomberg High-Yield Technology Index is a specialized subset of the broader Bloomberg High-Yield Bond Index, tracking fixed-rate, USD-denominated, non-investment grade (junk) corporate bonds issued specifically by technology companies.

Bloomberg Intermediate Municipal Bond Index is a rules-based, market-value-weighted index tracking the performance of USD-denominated, investment-grade, tax-exempt bonds with intermediate maturities.

Bloomberg Magnificent 7 Index is an equal-dollar weighted equity benchmark tracking Nvidia, Tesla, Meta, Amazon, Alphabet, Apple, and Microsoft.

Bloomberg Municipal Bond Index Total Return Index Value Unhedged USD (Ticker: LMBITR:IND) is a flagship benchmark measuring the performance of the long-term, USD-denominated, tax-exempt U.S. municipal bond market. It tracks investment-grade general obligation and revenue bonds, unhedged for currency risk.

Bloomberg U.S. Intermediate Corporate Bond Index is a market-value-weighted index that tracks investment-grade, fixed-rate, taxable USD-denominated corporate bonds with maturities between 1 and 9.999 years.

Bloomberg U.S. Treasury Total Return Unhedged USD Index (Ticker: LUATTRUU:IND) is a widely used benchmark tracking the performance of USD-denominated, fixed-rate, nominal US Treasury debt, excluding bills. It measures total returns—price changes plus reinvested income—for U.S. government obligations with at least one year to maturity, often used as a core investment performance metric.

Bloomberg US BDC Aggregate Eligible Index (Ticker: BDCUSAGG) is a specialized sub-index of the Bloomberg US Aggregate Index, launched in October 2025 (with data backfilled to January 2022) to track the performance of investment-grade, USD-denominated, fixed-rate taxable bonds issued by Business Development Companies (BDCs).

Broadly Syndicated Loans (BSLs) in the Morningstar/LSTA U.S. Leveraged Loan Index are large-scale, senior secured corporate loans made to below-investment-grade companies.

Goldman Sachs Cyclicals Basket (such as the Goldman Sachs S&P 500 Cyclicals Basket, ticker often referenced as GSXUCYCL or GSPUCYDE) is a proprietary, curated group of equities highly sensitive to economic growth trends. It tracks companies whose earnings expand or contract heavily with macroeconomic business cycles.

Goldman Sachs S&P 500 Defensives Basket is a curated portfolio of large-cap U.S. equities designed to withstand economic slowdowns, market volatility, and recessions. It groups together major S&P 500 companies that feature steady earnings, inelastic demand, and resilient balance sheets less tied to economic cycles.

Private Credit (Cliffwater CDLI Indices): The Cliffwater Direct Lending Index (CDLI) is an asset-weighted, quarterly index measuring the unlevered, gross-of-fees performance of U.S. middle-market corporate loans held by Business Development Companies (BDCs).

INDEX DEFINITIONS CONT...

Russell 1000 Growth Index measures large-cap U.S. companies with higher-than-average growth orientation, featuring top holdings like NVIDIA, Apple, and Alphabet. It tracks roughly 368 holdings with a price-to-earnings ratio of 36.16 and a dividend yield of 0.50%.

Russell 1000 Value Index tracks large- and mid-cap U.S. value stocks featuring lower price-to-book ratios and lower forecasted growth. It is fully reconstituted by FTSE Russell every June and trades at a 12-month forward price-to-earnings ratio of roughly 18.

Russell 2000® Index is a market capitalization-weighted index measuring the performance of the small-cap segment of the U.S. equity universe and includes the smallest 2,000 companies in the Russell 3000® Index.

S&P 100 Index is a stock market index of 100 major, ultra-large-cap U.S. blue-chip companies. Maintained by S&P Dow Jones Indices, it is a subset of the broader S&P 500 and represents industry leaders across multiple sectors weighted by float-adjusted market capitalization.

S&P 400 (officially the S&P MidCap 400) is a stock market index that tracks 400 mid-sized U.S. companies, serves as a market benchmark, and measures mid-cap stock performance. Managed by S&P Dow Jones Indices, it helps investors gauge the health of mid-sized businesses.

S&P 500 Equal Weight Index (EWI) is the equal-weight version of the standard S&P 500. It contains the exact same 500 stocks, but instead of weighting companies by market size, it gives every company a fixed weight of 0.2% at each quarterly rebalance.

S&P 500 Index, or Standard & Poor's 500 Index, is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S. It is not an exact list of the top 500 U.S. companies by market cap because there are other criteria that the index includes.

S&P 600 (or S&P SmallCap 600) is a stock market index that tracks small-capitalization U.S. companies, emphasizing profitability and liquidity requirements. Launched on October 28, 1994, it covers roughly 600 to 603 small-cap components selected by S&P Dow Jones Indices.

S&P Composite 1500 Communication Services Index tracks the performance of communication services companies across large-cap, mid-cap, and small-cap U.S. markets. It is a float-adjusted, market-capitalization-weighted index that captures large, medium, and small companies grouped together under the Global Industry Classification Standard (GICS).

S&P Composite 1500 Consumer Discretionary Index tracks large, mid, and small cap U.S. companies in the consumer discretionary sector. It covers non-essential goods like cars, retail, and entertainment. It combines the S&P 500, MidCap 400, and SmallCap 600 sector pieces to measure total market trends.

S&P Composite 1500 Consumer Staples Index tracks U.S. large-, mid-, and small-cap companies in essential goods industries, such as food, beverages, household items, and personal care. It acts as a broad benchmark for defensive, non-cyclical market performance across the entire S&P Composite 1500 universe.

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S&P Composite 1500 Financials Index tracks all companies in the S&P Composite 1500 that belong to the Global Industry Classification Standard (GICS) Financials sector. It combines large-cap, mid-cap, and small-cap U.S. stocks involved in banking, finance, insurance, and investment services.

S&P Composite 1500 Health Care Index tracks the performance of healthcare companies within the broader S&P Composite 1500, which covers large-cap, mid-cap, and small-cap US equities. It serves as a benchmark for the healthcare sector, utilizing a float-adjusted market capitalization weighting scheme.

INDEX DEFINITIONS CONT...

S&P Composite 1500 Industrials Index measures the performance of large-, mid-, and small-cap U.S. companies within the industrials sector. It tracks all stocks from the S&P Composite 1500 that belong to the Industrials Sector based on the Global Industry Classification Standard (GICS).

S&P Composite 1500 Information Technology Index tracks all U.S. companies in the S&P Composite 1500 that belong to the Global Industry Classification Standard (GICS) information technology sector. It covers large-, mid-, and small-cap stocks, using a float-adjusted market capitalization weighting system.

S&P Composite 1500 Materials Index tracks the performance of materials companies within the broad S&P Composite 1500. It includes large-cap, mid-cap, and small-cap U.S. equities classified under the GICS materials sector, covering chemicals, construction materials, metals, mining, and paper products.

S&P Composite 1500 Real Estate Sector Index tracks the performance of U.S. real estate companies across large, mid, and small-cap tiers. It includes all companies in the S&P Composite 1500 classified under the Global Industry Classification Standard (GICS) real estate sector, such as equity REITs.

S&P Composite 1500 Utilities Index tracks the performance of utility companies within the broader S&P Composite 1500. It includes large-cap, mid-cap, and small-cap U.S. equities classified under the Global Industry Classification Standard (GICS) Utilities sector, such as electric, gas, and water companies.

S&P MidCap 400 Index (or S&P 400) is a benchmark index tracking 400 mid-sized U.S. companies, acting as a barometer for the mid-cap market segment.

S&P SmallCap 600® (S&P 600) is a stock market index maintained by S&P Dow Jones Indices that measures the performance of 600 small-capitalization U.S. companies.

U.S. Cyclicals, the Goldman Sachs S&P 500 Cyclicals Basket is a curated group of companies within the S&P 500 index that are highly sensitive to the economic cycle. These companies are selected because their revenues and profits tend to grow significantly during economic expansions and shrink during recessions.

U.S. Defensives: the Goldman Sachs S&P 500 Defensives Basket is a curated group of sectors that provide consistent earnings and dividends regardless of the economic cycle, used to protect portfolios during downturns.

U.S. Equal Weight Index typically refers to the S&P 500 Equal Weight Index (EWI), which contains the exact same constituents as the traditional S&P 500 but weights each company equally at 0.2% during each quarterly rebalance, rather than by market capitalization.

U.S. Growth: The Russell 1000 Growth Index (^RLG) measures the performance of large-capitalization U.S. growth stocks, representing about 60% technology, 17% consumer discretionary and significant holdings in health care.

U.S. Large-Cap Index is a financial benchmark that tracks the performance of the largest publicly traded companies in the United States, typically those with a market capitalization of $10 billion or more. These indexes serve as core portfolio holdings to measure the broader U.S. stock market.

U.S. Mega-Cap Index is a financial benchmark designed to track the performance of the largest publicly traded companies in the United States. It typically targets companies with market capitalizations generally exceeding $200 billion, representing the top 70% of the investable U.S. equity market.

U.S. Value: The Russell 1000 Value Index measures the performance of U.S. large-cap equity securities with lower price-to-book ratios and lower expected growth rates, subset from the Russell 1000 Index.

TERM DEFINITIONS

"Higher-for-longer" is a monetary policy and economic term indicating that central banks intend to keep interest rates elevated for an extended period. Rather than quickly cutting rates once inflation cools, policymakers maintain higher rates to ensure economic stability and prevent inflation from rebounding.

"The Magnificent 7" in finance refers to a group of seven dominant, high-performing American technology companies: Alphabet (Google's parent company), Amazon, Apple, Meta Platforms (Facebook and Instagram), Microsoft, Nvidia, and Tesla.

A basis point (BPS) is used to indicate changes in the int erest rates of a financial instrument. Basis points are typically expressed with the abbreviations “bp,” “bps,” or “bips.”

A large-cap stock is the stock of a company with a large market capitalization, generally considered to be over $10 billion.

An IPO (Initial Public Offering) is the process where a private company first sells shares of its stock to the public. Commonly known as "going public," it allows businesses to raise capital for expansion, pay off debt, or allow early investors to cash out.

A small-cap stock is the stock of a company with a relatively small market capitalization, generally defined as being between $300 million and $2 billion.

bifurcation refers to the splitting of a single financial or market path into two distinct, diverging categories or outcomes.

ICE BofA (or formerly ICE BofAML), is a leading family of financial market indices that track the performance of bonds, fixed-income securities, and other global assets. These indices are maintained by ICE Data Indices, a subsidiary of the Intercontinental Exchange (ICE).

Moody's (Moody's Corporation) is a global financial services company that assesses the risk of borrowing and lending money. It operates in two main divisions: Moody's Ratings, which grades the creditworthiness of companies and governments (from Aaa down to C), and Moody's Analytics, which provides economic data, risk management software, and financial research.

RBC Rochdale Proprietary Quality Ranking formula: 40% Dupont Quality (return on equity adjusted b y debt levels), 15% Earnings Stability (volatility of earnings), 15% Revenue Stability (volatility of revenue), 15% Cash Earnings Quality (cash flow vs. net income of company) 15% Balance Sheet Quality (fundamental strength of balance sheet).
*Source: RBC Rochdale proprietary ranking system utilizing MSCI and FactSet data.
**Rank is a percentile ranking approach whereby 100 is the highest possible score and 1 is the lowest. The RBC Rochdale Core compares the weighted average holdings of the str ategy to the companies in the S&P 500 on a sector basis. As of September 30, 2022. RBC Rochdale proprietary ranking system utilizing MSCI and FactSet data.

The price-to-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its earnings per share (EPS).

The strait, The Strait of Hormuz, is a narrow, vital chokepoint between Iran and Oman connecting the Persian Gulf with the Gulf of Oman.

YoY, or year-over-year, is a metric that compares a company's or economic indicator's performance in a specific period (like a quarter or a full year) to the same period in the previous year.