RBC Rochdale

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ECONOMIC & INVESTMENT MANAGEMENT PERSPECTIVES

3QUARTERLY UPDATE



MARKET UPDATE

The Economy Keeps Moving. Can Markets Keep Up?



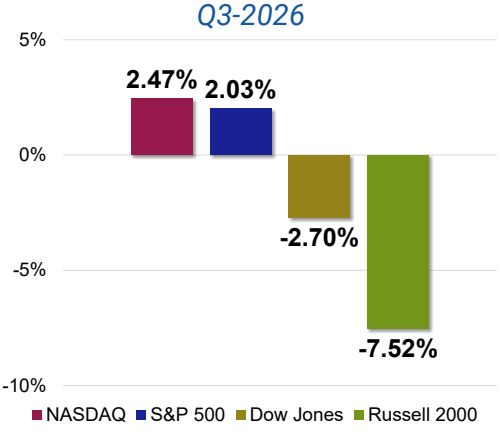
Charles Luke, CFA
CHIEF INVESTMENT OFFICER

If the third quarter had a personality, it was confident on the surface and nervous underneath. Looking at market performance, the S&P 500 rose 2.3%, the Nasdaq rose 2.6%, the Dow lost 2.3% and the Russell 2000 (small cap) fell 7.2%. Energy stocks benefited from elevated oil prices and technology names continued to attract capital. Smaller companies and businesses sensitive to borrowing costs struggled. The indexes suggested progress, but the experience depended enormously on what an investor owned.

That was the quarter's central lesson. Economic activity and market returns can move in different directions, especially when interest rates rise sharply.

The market advanced, but not together

Market Perforance:
Q3-2026



Sources: Bloomberg as of 9/30/2026. Past performance is not a guarantee of future results.

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Manufacturing orders and business investment have improved, and consumers continue to spend, despite negative confidence surveys. Investors, meanwhile, have become more selective about the prices they pay for future profits.

The gap between mood and momentum is understandable. Families experience the economy at the grocery store, gas pump and mortgage lender, not the GDP report. Consumers with less financial flexibility face pressures, yet spending overall has remained more resilient than headlines imply. How people feel and what they actually do are telling different stories.

Corporate earnings help explain the other side. Investment in computing, power and industrial infrastructure continues, and AI's economic benefits extend beyond technology companies. Estimates for third-quarter earnings rose as reporting season approached, reversing the traditional pattern of downward revisions. We expect corporate profit growth of 25% to 30% in 2026, moderating to a still-healthy and above-average 12% to 17% in 2027. Our real GDP outlook remains at 2% to 2.5% for both years.

Strong profits do not give stocks a free pass. Large technology companies are investing extraordinary amounts of capital, constraining near-term free cash flow and increasing the demand for financing. Those investments may eventually lift productivity, but that productivity must earn a strong return given the high-level investment. Higher rates make that test tougher. We expect earnings growth, rather than investors paying higher valuation multiples, to drive market returns from here.

The test for Q4 is whether profits can keep outrunning the rising cost of capital

The cost of capital was the quarter's biggest surprise. The 10-year U.S. Treasury yield climbed from 4.47% at the end of June to 5.28% at the end of September, up 82 basis points (bps). Yields rose across developed markets, suggesting this was not a U.S.-only phenomenon. The combination of stronger growth and competition for capital are having an impact on interest rates. Foreign buyers also now have less incentive to purchase currency hedged Treasuries, as their local rates in their domestic currencies have increased, eliminating the U.S. Treasury yield advantage.

Today, higher starting yields offer bond investors more income and a greater cushion than during much of the past two decades. Borrowers, on the other hand, will have had a harder time. Mortgage rates above 7% are likely to challenge new home buyers, while existing homeowners are reluctant to give up their cheap mortgages. Credit remains available, but more expensive financing can delay corporate projects and lower their profitability. Our October Speedometers reflected this pressure, moving Housing and Mortgages to red and Credit Demand and Availability from green to yellow.

Inflation complicates the picture. Wage growth has not accelerated in a way that points to a lasting wage and price spiral. Average hourly earnings rose just 0.1% in September and 3% from a year earlier. Yet, energy and transportation remain expensive, and the latest (September) CPI report was uncomfortably firm. Headline inflation reached 3.7% and core CPI rose to 2.6%. Consumers feel the price level, not the statistical distinction between high prices and a slower pace of increases.

The Federal Reserve cannot produce oil or reopen shipping lanes by raising rates. It can slow demand and prevent temporary price shocks from becoming entrenched. Following their 25 basis point increase in September, the target range now stands at 3.75% to 4.00%. Officials had signaled patience with their last expected hike of 2026, but the September CPI report shifted expectations toward another hike in October. Despite elevated CPI and a higher Producer Price Index reading, Fed officials maintained their patient messaging, tempering market expectations for a late-October move. Market sentiment has aligned with our base case of one additional hike in December. We forecast year-end Fed Funds at 3.75% to 4.25% and the 10-year Treasury at 4.75% to 5.25%. Both forecasts carry more uncertainty than usual.

Improved energy flows through the Strait of Hormuz would make the Fed's job easier, dampening the effect of volatile energy prices on inflation.



Sources: Bloomberg, RBC Rochdale as of 9/30/2026. Information is subject to change and is not a guarantee of future results.

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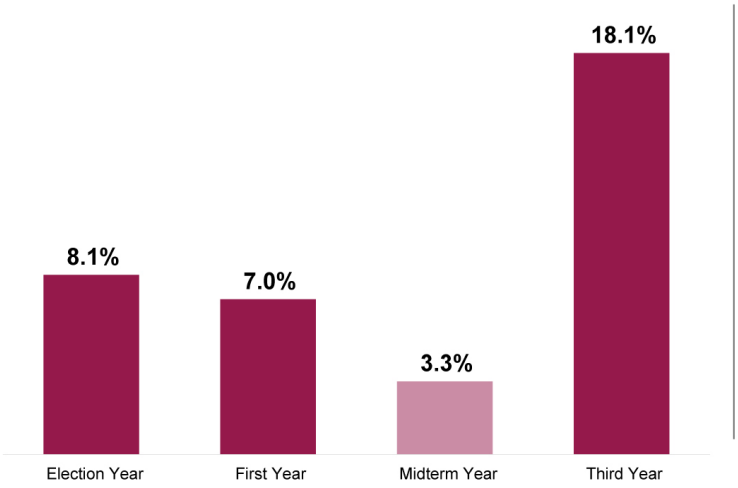
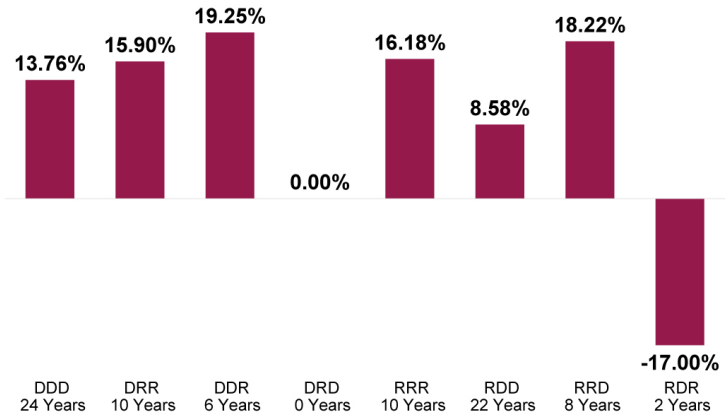
S&P 500 Historical Average Annual Return by year of Presidency



S&P 500 Annual Returns by Political Party Control

Political party control listed by President/Senate/House (number of years)



Sources: Bloomberg, RBC Rochdale as of 9/30/2026. Past performance and is not a guarantee of future results.

Shipments have significantly improved, but security remains fragile and a recent increase in attacks has elevated oil and refined fuel costs. If hostilities continue for a prolonged period, the progress made could reverse. Alternatively, and a pending tailwind to gasoline prices and markets, oil prices could ease when negotiations resume, which would relieve households and give the Fed room to be patient. We see this as a genuine upside possibility, not an outcome investors should take for granted.

Elections can change the policy backdrop, but company fundamentals, their profits and the Fed still shape the market's direction.

The November 3 midterm elections arrive with two things on voters' minds: the cost of living and data centers. Polls and prediction markets favor Democrats taking the House; Senate control remains less certain, although the odds have also tilted toward Democrats. Polls are snapshots, not outcomes, and are sample collections that sometimes can be misleading. It is highly unlikely we will make portfolio changes based on election outcomes.

What counts more than party labels is whether the election changes the rules for businesses. A divided government may limit major legislation and complicate budget negotiations, but it also lowers uncertainty. Democratic control of Congress could bring greater scrutiny of taxes, regulation and infrastructure development. However, the focus should be on whether eventual developments alter earnings and investment plans, rather than which side celebrates on election night.

Global events also deserve attention. Fiscal tensions in France have widened the yield gap between French and German government bonds. So far, this has not become a broad European credit crisis, but contagion could pressure global borrowing costs. Despite higher yields, international equities remain a useful complement to U.S. portfolios that have become heavily concentrated in technology businesses.

Our positioning remains constructive. We continue to favor equities over fixed income, preferring U.S. large-cap stocks as the core of portfolios. We see an opportunity in emerging markets outside of China with an overweight to Latin America to broaden diversification without relying on the technology concentration in South Korea and Taiwan. Within fixed income, we favor income generation with discipline around credit risk, liquidity and duration. Higher yields today create an attractive entry point for investors, but higher rates could impact the credit quality of more risky borrowers.

What could upset our view? Persistent energy disruption could force the Fed to move further than expected. Higher financing costs could slow investment or expose weakness among heavily indebted borrowers. Conversely, an easing in oil prices and bond yields could help housing, improve sentiment and broaden stock market participation without any dramatic acceleration in growth.

Stay invested and stay diversified

For investors, the discipline is to separate volatility driven by uncertainty from deteriorating company fundamentals. The economy does not require positive media headlines to expand, and not every asset class will advance at the same rate or together. A diversified portfolio with intentional tactical overweights and tax-sensitive active management remains the best path forward.

Q3 demonstrated that the economy can remain strong, even as markets become more demanding. Q4 will test that resilience against somewhat tighter financial conditions, persistent inflation worries and a heavily debated election.

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EQUITY

Earnings Carry a Narrow Market Higher



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U.S. equities posted a modest gain in Q3 2026, with the S&P 500 up 2.3%. The index result hid a much weaker market underneath. Roughly 314 of the 500 stocks in the index fell during the quarter. A small group of mega-cap technology companies did most of the lifting.

The quarter had two clear phases. July and August were strong. Oil fell as gulf shipping resumed, second-quarter earnings came in well ahead of forecasts, and the S&P 500 set a new record in August. September changed the tone. A strike on Saudi energy infrastructure pushed oil back near $100, and the Federal Reserve raised rates for the first time since 2023.

Rising long-term interest rates were the main force behind the quarter's losers. Small caps fell 7.9%. Companies that borrow heavily, lend money or depend on low discount rates were marked down. Large technology companies held up well. They fund their AI spending from their own cash flows, which shields them from higher borrowing costs.

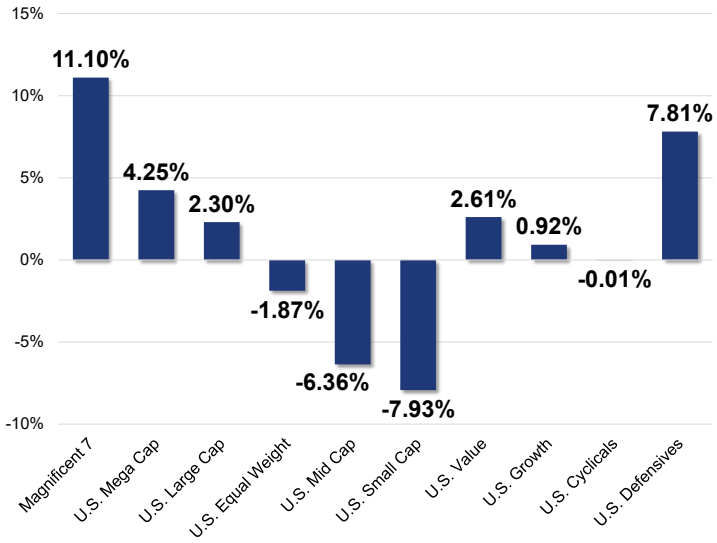
Sector results were split. Only four of eleven sectors finished higher: Energy, Information Technology, Health Care, and Communication Services. Energy led on the rebound in oil. Health Care gained 5.9%. Industrials lagged, and Financials fell sharply in September.

Value edged out growth, even as a few growth leaders carried the headline index. The average stock did worse than the S&P 500 suggests.

Earnings remain the strongest support for stocks. Third-quarter earnings are tracking near 25% growth on revenue growth of about 12%. That would be the third straight quarter above 20%. The forward P/E ended the quarter near 21.5x, above its five-year average of 20.3x. Stocks, in our view, are not expensive relative to earnings. The pressure on valuations is coming from rates.

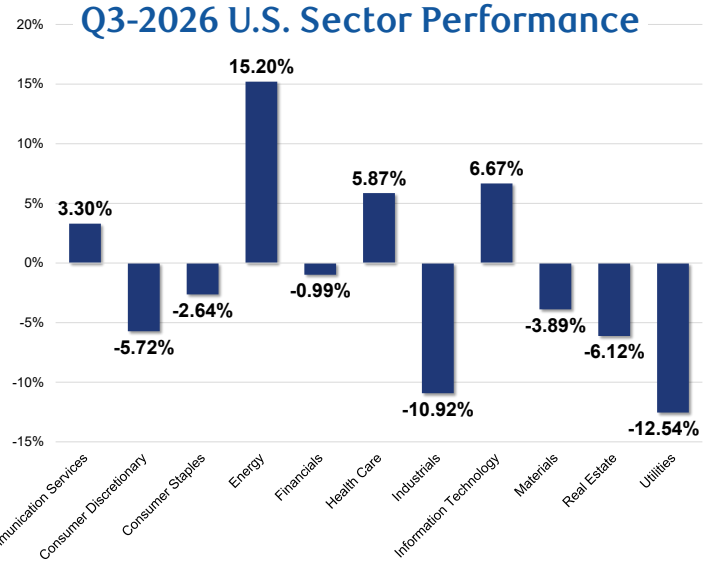
The key question for Q4 is whether the market can broaden. Further Fed tightening would keep pressure on rate-sensitive stocks. If long-term rates ease, we believe the laggards of Q3 have the most room to recover.

Q3-2026 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 9/30/2026. Past performance is not a guarantee of future results.

Q3-2026 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 9/30/2026. Past performance is not a guarantee of future results.

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INVESTMENT-GRADE FIXED INCOME

Bonds Navigate Volatility, Yield Opportunities Emerge



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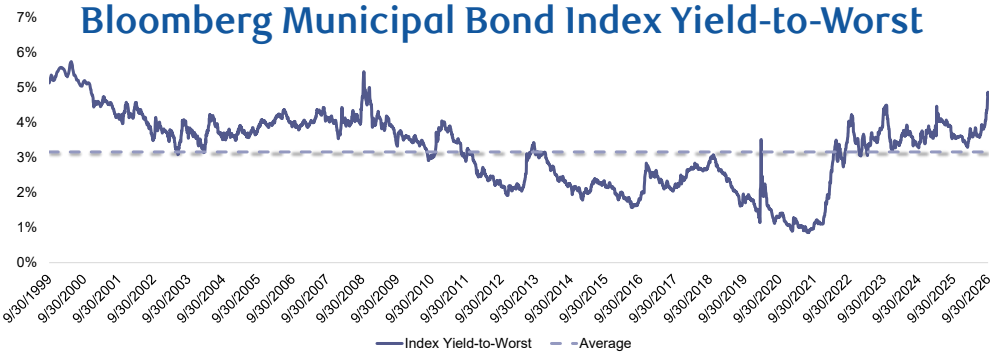
The third quarter presented a challenging yet opportunistic environment for bond investors, primarily driven by rising U.S. Treasury yields. Key indices saw notable declines: the Bloomberg U.S. Aggregate Index fell by 3.51%, while U.S. Treasuries, investment-grade corporates, and municipals dropped by 3.04%, 3.94%, and 6.35%, respectively. Municipals underperformed sharply, with a 4.36% sell-off in September marking their worst quarterly performance since 2022. These losses were fueled by resilient economic data, persistent inflation concerns, and evolving Federal Reserve policy expectations, culminating in a 25-basis-point rate hike to 3.75%-4.00% in September.

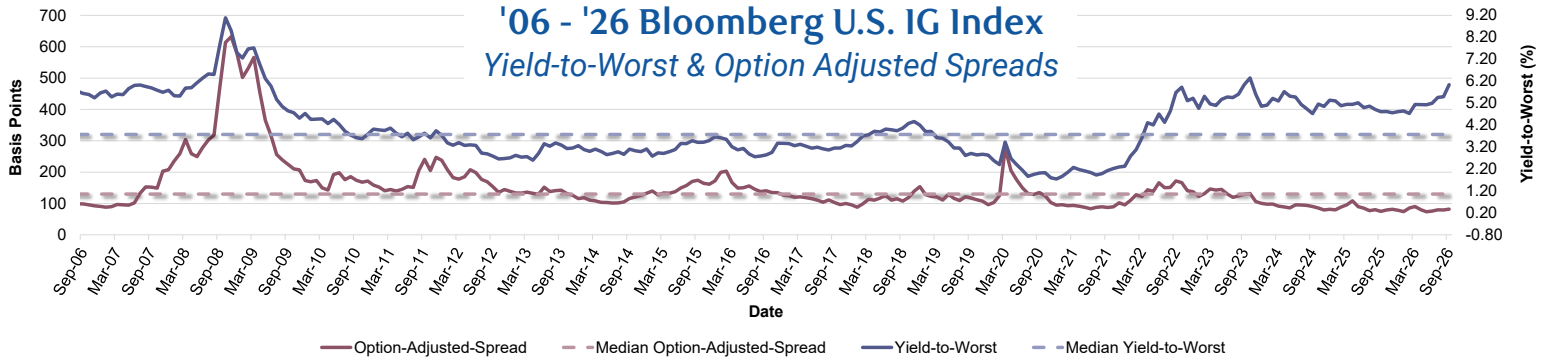
Despite market volatility, stable credit conditions and structural shifts—such as record-high issuance—created attractive entry points. Corporate fundamentals remained robust, with rating agencies maintaining stable outlooks and companies boasting healthy balance sheets. Investment-grade credit spreads widened modestly (6-7 basis points) but remained historically tight, supported by strong investor demand. Notably, U.S. investment-grade issuance surged 34% year-over-year, with hyperscaler and AI-related borrowing accounting for 20%-35% of new deals—a significant jump from 12% in 2025. While this elevated supply pressured spreads, particularly for longer-dated and hyperscaler issuers, the market absorbed the volume effectively, reflecting resilient investor confidence.



Source: Bloomberg Municipal Bond Index, data as of 9/30/2026. Information is subject to change and is not a guarantee of future results.

In the municipal sector, yields recalibrated sharply, rising approximately 120 basis points in September, with the broad index's yield-to-worst closing near 4.8%. This translated to a taxable-equivalent yield exceeding 8%, underscoring a compelling opportunity for income-focused investors. These generational highs were amplified by reduced tax-exempt bond maturities and heavy new issuance ($55 billion in September), positioning 2026 for a record supply year. Technical factors introduced volatility, prompting tax-loss harvesting strategies, though municipal valuations reached 12-month highs relative to Treasuries. As liquidity stabilizes post-September turbulence, recovery prospects strengthen, backed by largely stable credit quality across most municipal sectors.

Looking ahead, volatility is expected to persist, emphasizing the importance of diversification across maturities, industries, and security structures. Attractive absolute and relative yields, coupled with selective issuer analysis, position investors to capitalize on near-term opportunities. While technical dislocations may arise, they also present yield-enhancement potential. Prudent portfolio management that balances risk factors will be key to unlocking value in this evolving landscape.



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HIGH-YIELD FIXED INCOME

Higher Income Levels, Continued Caution



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PORTFOLIO MANAGER



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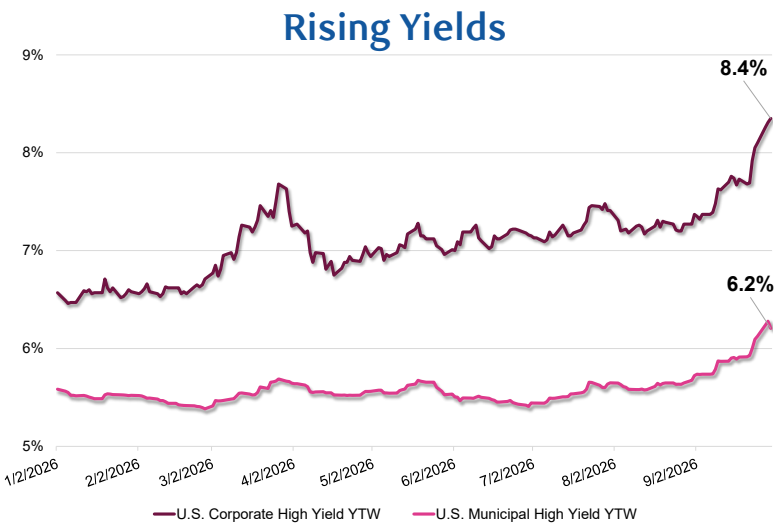
DIRECTOR, SENIOR ANALYST, MUNICIPAL CREDIT RESEARCH

High-yield bonds faced a challenging third quarter as rising interest rates and widening credit spreads offset the benefits of higher coupon income. While improved yields have enhanced income opportunities heading into year-end, these conditions underscore the need for disciplined credit selection and prudent interest rate positioning.



Source: Broad Municipal Bond Index, data as of 9/30/2026. Information is subject to change and is not a guarantee of future results.

Taxable high-yield bonds declined by 1.82% during the quarter, leaving year-to-date returns nearly flat at +0.01%. The Bloomberg U.S. Corporate High Yield Index saw its option-adjusted spread widen from 270 basis points (bps) at the end of June to 311 bps by September, while its yield-to-worst rose from 7.16% to 8.35%. Despite these higher yields, credit spreads remain relatively tight by historical standards, reflecting ongoing investor demand for income.

The broader economic environment grew less supportive for fixed income during the quarter. Persistent inflation and resilient economic activity prompted the Federal Reserve to raise its policy rate by 25 bps in September. Concurrently, higher U.S. Treasury yields pressured bond prices and increased borrowing costs, emphasizing the dual importance of managing interest rate sensitivity and evaluating issuers' refinancing capabilities. Credit quality emerged as a critical performance driver, with CCC-rated bonds experiencing significantly greater spread widening than BB- and B-rated securities. This divergence highlights the heightened vulnerability of weaker borrowers in a higher-cost financing environment. In response, we maintain a preference for issuers with durable cash flows, manageable leverage, and robust liquidity profiles.

High-yield municipal bonds also reversed earlier gains, with the Bloomberg High Yield Municipal Bond Index declining 5.55% in Q3, bringing its year-to-date return to -1.68%. This pullback was driven by rising tax-exempt yields and heavy new issuance, which pressured valuations. Following this adjustment, high-yield municipals now present a more compelling income opportunity for tax-sensitive investors, though risks related to duration, liquidity and issuer-specific credit fundamentals warrant careful monitoring.

Looking ahead, coupon income remains central to our return expectations. Higher starting yields can provide a stronger buffer against market volatility, but further increases in interest rates or credit spreads could erode this advantage. Our strategy remains selective, seeking to prioritize issuers with strong financial resilience, sound credit fundamentals and what we believe is adequate compensation for both credit and interest rate risks. By balancing these factors, we aim to navigate the current environment while capitalizing on income opportunities.

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THE FED

Getting Ready to Hike Again



Paul Single
MANAGING DIRECTOR,
SENIOR ECONOMIST,
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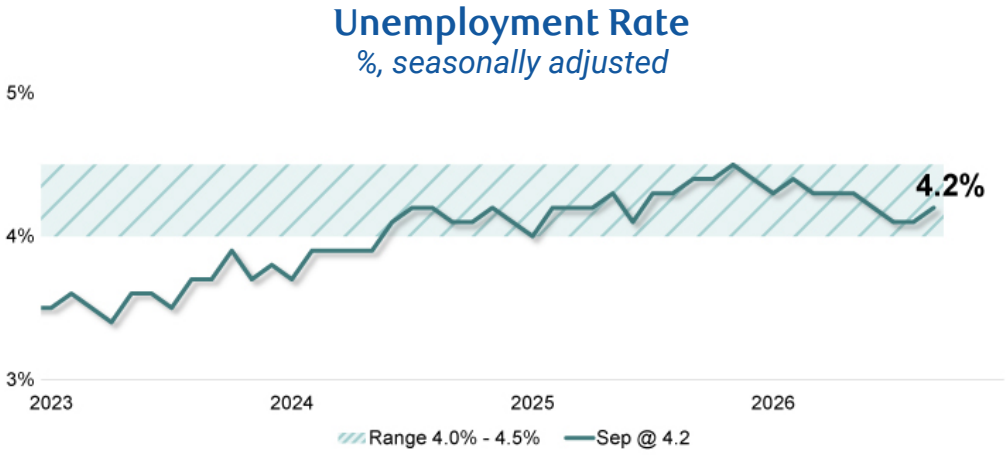
The Federal Reserve is mandated to keep the unemployment and inflation rates low and stable. The unemployment rate is 4.2% and has averaged 4.3% over the past twelve months. That puts it squarely within the 4.0% to 4.5% range, which most economists view as full employment. With that news, the Fed does not need to worry about the labor portion of its mandate.

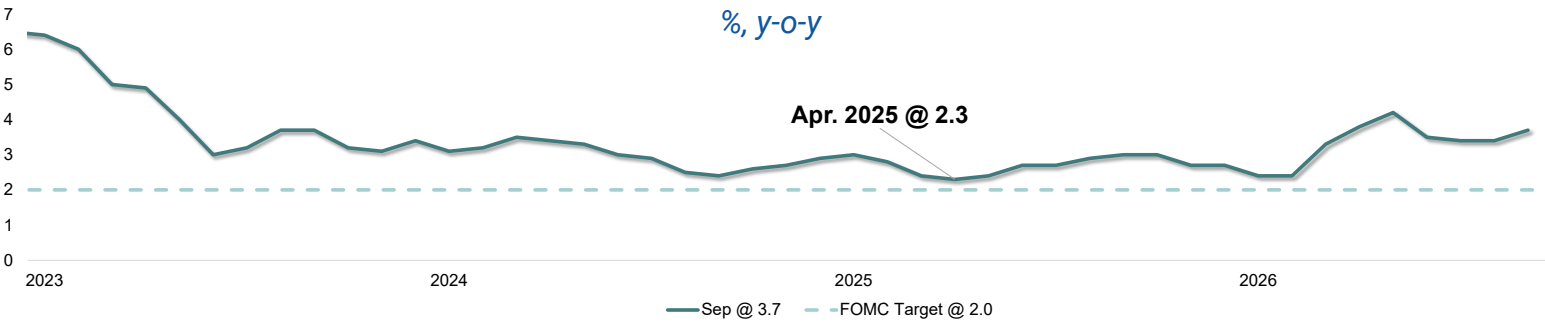


Source: Bureau of Labor Statistics, data as of October 2026. Information is subject to change and is not a guarantee of future results.

But inflation is a problem for the Fed. It has been above the Fed's 2.0% target for more than five years. Furthermore, it has been trending upward since April of last year, when tariffs were added to many imported goods. Add to that the Middle East conflict, which has put upward pressure on energy prices, and the consumer price index, which is currently at 3.7%, nearly double the Fed's target.

Under this scenario, the Fed has become singularly focused on bringing inflation down to the 2.0% target and is determined to adjust monetary policy to achieve that goal. Over the course of this year, the Fed has shifted to a more hawkish stance. In March, the Fed expected the 2026 year-end federal funds rate to be 3.4%. In June, it moved up to 3.8%, and, at the recent September meeting, it was elevated to 4.1%, implying that the Fed will raise the federal funds rate by another 25 bps this year.

The Fed has two meetings remaining this year and is widely expected to hike rates at one of them. Despite the recent firming of inflation, which may warrant an immediate interest rate hike at the October 28 meeting, we believe the Fed will pass on moving rates. That meeting is just six days before the midterm elections, and, with that proximity, a move would be viewed as political by some. Furthermore, by waiting, it gives the Fed more time to review the impact of the 100-basis point increase in longer-term interest rates that has occurred this year. That leaves the December 9 meeting for the Fed to hike the federal funds rate.



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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).

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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.

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.

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.

Non-deposit investment products: ■ are not FDIC insured ■ are not Bank guaranteed ■ may lose value

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.

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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.

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