



ECONOMIC & INVESTMENT MANAGEMENT PERSPECTIVES

# QUARTERLY UPDATE



## MARKET UPDATE

# Navigating Shocks and Finding Opportunity Ahead



Charles Luke, CFA  
CHIEF INVESTMENT OFFICER

The first quarter of 2026 began with a familiar foundation: resilient growth, solid earnings and moderating inflation. That backdrop shifted abruptly in late February as conflict in Iran disrupted global energy flows with an effective closure of the Strait of Hormuz—a critical choke point for Persian Gulf exports. In a matter of weeks, markets moved from focusing on policy and growth to absorbing a geopolitical shock with the potential for serious economic consequences.

A ceasefire is now in place and while early signs point toward progress, the situation remains fluid. Energy flows through the Strait are starting to increase, but volume remains significantly below full capacity. The path forward is unlikely to be linear.

What matters is directionally clear: energy supply is slowly improving, risk premiums are declining and markets are beginning to stabilize around a more constructive base case.

### *The Transmission Channel Was Always Energy*

From the outset, the key question was not the conflict itself, but how it would transmit into the global economy. That transmission channel was energy.

Oil prices surged, gasoline followed and the impact was quickly felt in consumer sentiment and near-term inflation expectations. Those pressures will likely appear in the data over the coming months, but the magnitude of the shock

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has been more contained than in prior cycles. The United States, now a net exporter of energy, is less sensitive to oil price spikes than it was in earlier decades.

History reinforces this point. Even during periods of sustained disruption in the Persian Gulf, energy flows have proven remarkably resilient. The Strait of Hormuz has never been closed for a prolonged period, largely because the global system cannot function without it. We see no clear reason why anything is different this time. Extended closure of the Strait will erode the leverage of Iran and the U.S. and will not be tolerated by countries dependent upon Middle East oil (ref. *VIX Intraday Peak Comparison Across Major Market Events* chart).

### What Markets Told Us

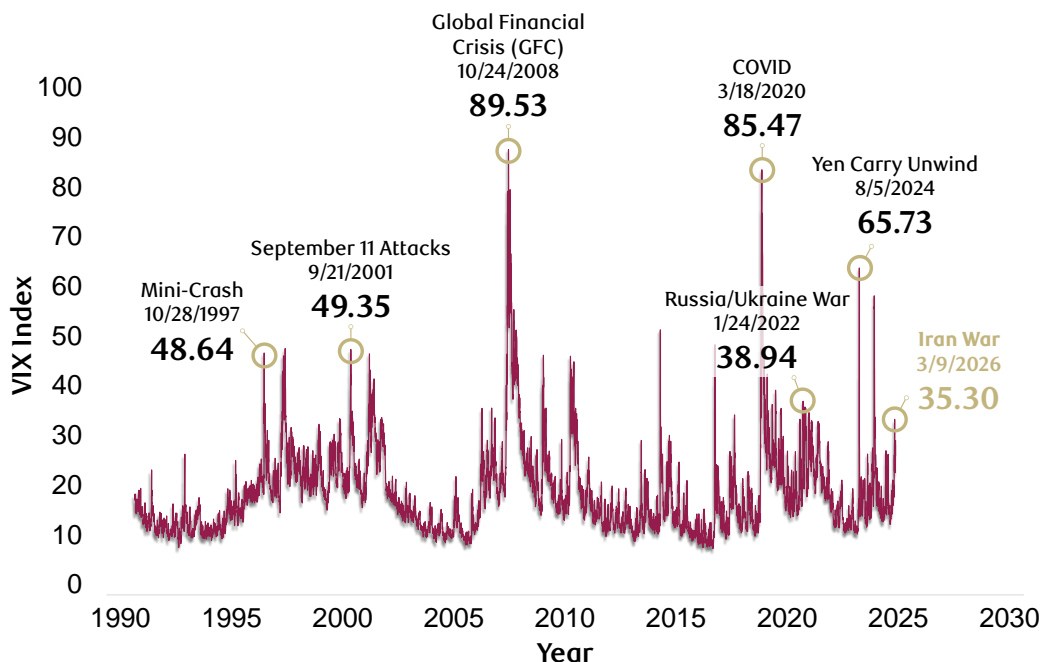
One of the most important takeaways from the quarter is how markets behaved under stress. Volatility rose, but it did not reach levels typically associated with systemic dislocation. Credit markets, in particular, showed notable resilience, with spreads rising only modestly before dropping to their pre-war levels.

Balanced portfolios performed as intended. Fixed income provided stability as equities declined, reinforcing the role of diversification in periods of uncertainty. Despite the shock, a traditional 60/40 portfolio remains broadly stable year-to-date.

Perhaps more telling was what did not happen. Gold failed to sustain its rally and capital continued to flow into U.S. assets during peak uncertainty. The U.S. remains the deepest and most liquid market globally and that positioning continues to matter in moments of stress.

*“One of the most important takeaways from the quarter is how markets behaved under stress.”*

## Volatility Index (VIX) Intraday Peak Comparison Across Major Market Events



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

### The Opportunity Set Has Improved

The disruption has, in several ways, improved the forward-looking investment backdrop.

Equity valuations have reset lower, driven primarily by multiple compression rather than a deterioration in fundamentals. At the same time, earnings expectations have held firm. This combination—lower prices and stable or improving earnings—creates a more attractive entry point than we had at the start of the year.

International markets, which experienced deeper drawdowns due to higher energy dependency, have responded quickly to signs of stabilization. The case for geographic diversification remains intact, supported by valuation differentials and improving earnings trends outside the U.S (ref. *Market Returns* chart, page 3).

### The Risks That Remain

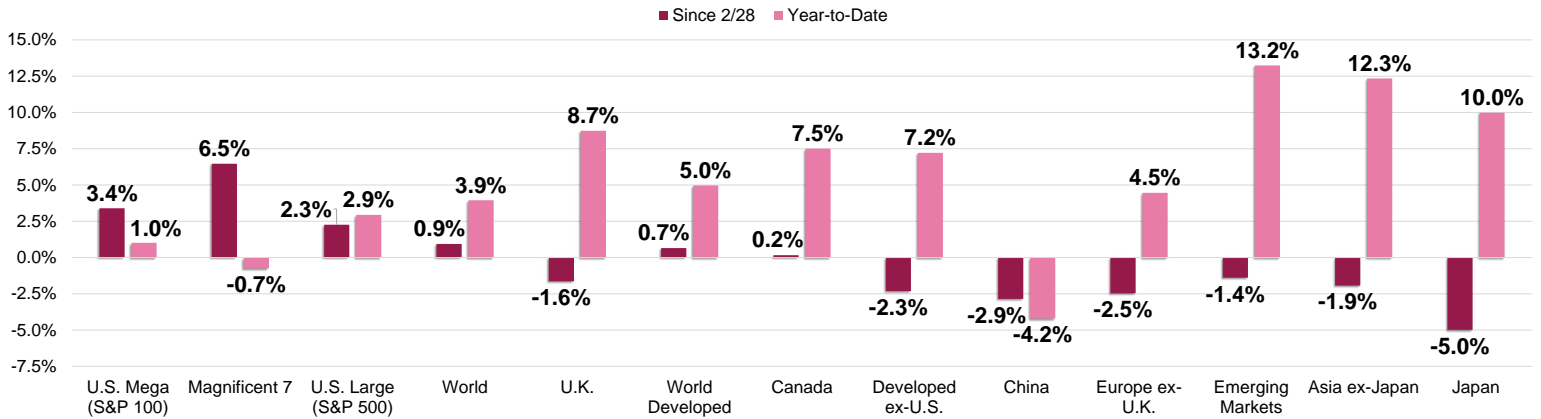
While the near-term trajectory has improved, several risks warrant attention.

Energy prices are unlikely to normalize immediately. Even with increased flows, a residual risk premium remains, which may keep inflation elevated in the short term. Central banks will need to distinguish between temporary price pressures and persistent inflation dynamics.

Private credit has also shown signs of stress in isolated areas. While structural protections remain intact, increased dispersion across managers and strategies is likely.

Finally, equity market concentration remains a factor. A narrow group of large-cap technology companies continue to drive a disproportionate share of index performance. While valuations have improved, broader participation across sectors and regions remains an important theme.

## Market Returns Since 2/28 vs. Year-to-date



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

### Staying Grounded

The key lesson from this quarter is not that geopolitical risk can be ignored. It is that the global system has built-in stabilizers —energy networks, capital flows and institutional frameworks— that limit the duration and depth of disruption.

We enter the second quarter with lower valuations, resilient earnings expectations and a gradually improving geopolitical backdrop. The environment remains complex, but the foundation is intact.

For investors, the message is consistent: stay diversified, stay disciplined and remain engaged.

EQUITY

# Rotation Dominates as Markets Post Quarterly Decline



**Joseph Handelman, CFA**  
 HEAD OF EQUITY  
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 DIRECTOR, SENIOR  
 EQUITY ANALYST



**David Shapiro**  
 DIRECTOR, SENIOR PORTFOLIO  
 MANAGER, EQUITY INCOME

**U**.S. equities declined in Q1 2026, with the S&P 500 posting a -4.33% total return, yet the headline performance masked powerful ratios beneath the surface (ref. Q1-2026 U.S. Equity Performance chart). The equal-weight S&P 500 gained 0.67%, outperforming the cap-weighted index by over 5%, while small-caps advanced sharply, signaling a meaningful shift in market leadership after years of mega-cap technology dominance.

Sector performance revealed extraordinary dispersion exceed 47% between leaders and laggards (ref. Q1-2026 U.S. Sector Performance chart). Energy dominated with a 37.37% return following the U.S.-Iran military conflict that began February 28, as West Texas Intermediate (WTI) oil prices surged from approximately \$67 to above \$113 per barrel. Materials gained 8.85% on broad commodity strength, Utilities rose 7.27% and Consumer Staples advanced 6.98%. Industrials contributed 4.42% and Real Estate added 4.80%.

Technology and growth-oriented sectors posted significant losses. Information Technology declined 8.74%, pressured by AI-driven software displacement concerns and rotation away from high-valuation growth stocks. Communication Services fell 7.04%, Consumer Discretionary dropped 8.93% and Financials declined 9.37%, the quarter's worst-performing

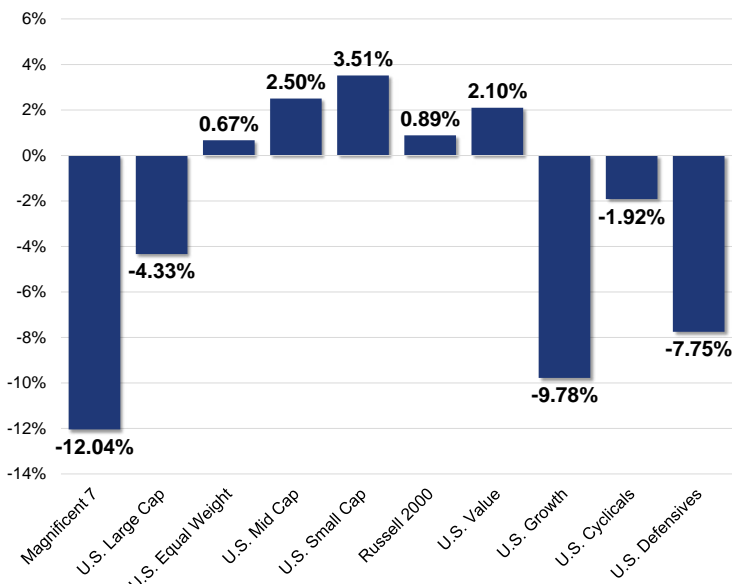
sector, and private credit fears continued to perpetuate. Health Care fell 5.20%, contributing to defensive sector weakness.

The Magnificent Seven collectively lost 12.04%, underperforming the S&P 500 7.71% despite compromising roughly 1/3 of the index market capitalization. This marked a dramatic reversal from the concentration-driven leadership of 2023-2025.

Style factor rotation was among the most pronounced in recent years. Russell 1000 Value Index gained 2.10% while Russell 1000 Growth Index fell 9.78%, an 11.88% value-over-growth spread. Small caps substantially outperformed large caps, with the S&P 600 small-cap index advancing 3.51% and the S&P 400 mid-cap gaining 2.50%, while the Russell 2000 rose 0.89%

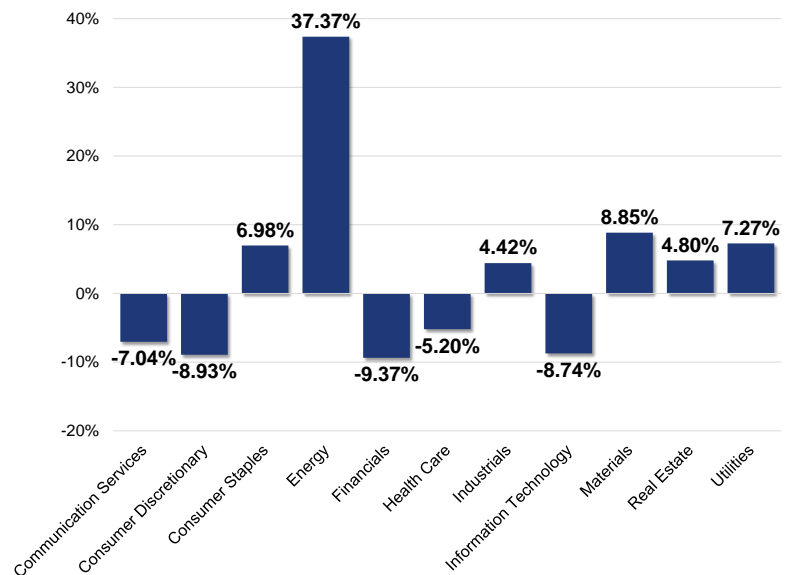
Notably, Cyclical outperformed Defensives despite overall market decline, falling just 1.92% compared to Defensives' 7.75% drop. This counterintuitive performance reflected Health Care's weakness offsetting strength in Consumer Staples and Utilities. The stagflation environment favored commodity-exposed sectors, with a stagflation long-short portfolio gaining 5.18% as energy and materials leadership offset growth stock weakness.

**Q1-2026 U.S. Equity Performance**



Sources: Bloomberg, RBC Rochdale as of 3/31/2026.  
 Past performance is not a guarantee of future results.

**Q1-2026 U.S. Sector Performance**



Sources: Bloomberg, RBC Rochdale as of 3/31/2026.  
 Past performance is not a guarantee of future results.

INVESTMENT-GRADE FIXED INCOME

# Volatility Overshadows Early Gains



**Michael Taila, CPWA<sup>®</sup>**  
MANAGING DIRECTOR OF  
FIXED INCOME



**Michael Korzenko, CFA**  
DIRECTOR, SENIOR ANALYST,  
MUNICIPAL CREDIT RESEARCH

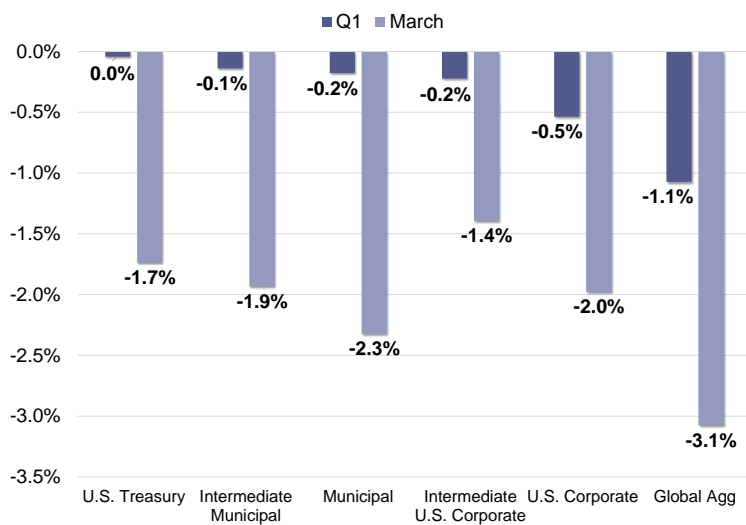
The first quarter of 2026 witnessed a dramatic shift in fixed-income markets, as initial gains in January and February were erased by a steep decline in March. This reversal stemmed largely from escalating geopolitical tensions in the Middle East, which fueled inflation concerns given a sharp rise in oil prices, alongside worries about slowing economic growth. The heightened uncertainty prompted a significant repricing of yields, with municipal bonds (-0.18%), investment-grade corporates (-0.54%) and U.S. Treasuries (-0.04%) all delivering negative total returns for the quarter (ref. *Total Returns chart*).

March's volatility stemmed from overlapping risks: private credit stress, AI-driven labor concerns and geopolitical tensions. Treasury yields surged 30–45 basis points, with the two-year yield breaching 4% as markets abandoned rate-cut expectations. Despite this, credit spreads proved resilient. Investment-grade corporates saw only modest widening, and high-yield spreads quickly retraced to pre-conflict levels, signaling no fundamental credit deterioration —just a normalization of risk pricing amid higher rates and growth uncertainty. Overall, corporate balance sheets remain healthy and higher yields create strategic entry points.

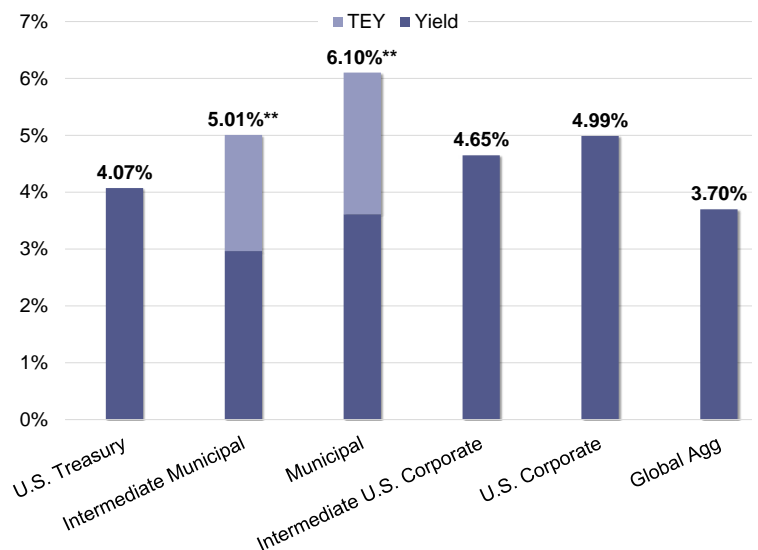
Notably, municipal yields surged by 40–60 basis points, surpassing Treasury movements and highlighting heightened sensitivity to inflation and broader market unease. Consequently, municipals now offer improved valuations after March's repricing. Taxable-equivalent yields appear attractive for high-quality issuers, particularly in the intermediate sector (5–10 years), where the sell-off reset prices. Credit quality remains solid, but issuer dispersion is rising, necessitating disciplined security selection (ref. *Yields chart*).

We are encouraged by the cease-fire negotiations but remain cautious on the war's long-term conclusion. While geopolitical risk has created noise, we do not see indications of systemic stress and the credit market behavior reinforces this view. Looking ahead, we anticipate the 10-year U.S. Treasury yield to range between 3.75% and 4.25%, with the Federal likely to remain on hold until the second half of 2026. However, the Fed remains data-dependent and patient and we continue to see a plausible path toward lower rates later in the year. Despite higher yields, credit markets have demonstrated stability, creating opportunities across fixed income —especially in the municipal bond market. We continue to expect income generation to likely underpin 2026 return expectations, with curve positioning critical as rates seek stability.

## Fixed Income Broad Index Total Returns



## Fixed Income Broad Index Yields



\*\* 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 3/31/2026. Past performance is not a guarantee of future results.

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HIGH-YIELD FIXED INCOME

# Volatility Returns to High-Yield Corporate Markets



**Tom Ehrlein**  
DIRECTOR, INVESTMENT  
SOLUTIONS & RESEARCH



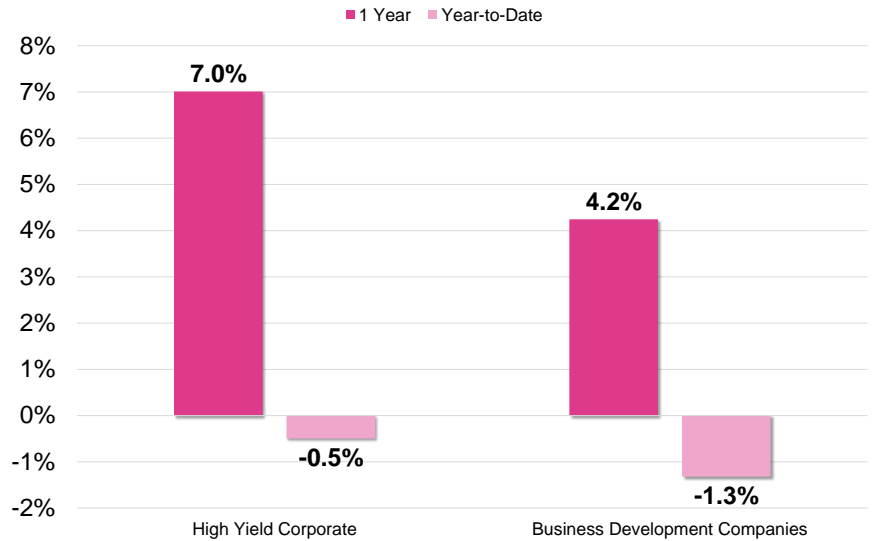
**Alex Nelson, CFA**  
PORTFOLIO MANAGER

**H**igh-yield strategies faced a turbulent start to the year, as a sharp sell-off in March erased modest gains in both January and February. The Technology sector was pressured by AI-driven disruptions to traditional software businesses, while escalating tensions in Iran fueled oil-related inflation fears and dampened expectations for a 2026 Fed rate cut. These dynamics have weighed on expectations for growth and the broader economic outlook.

The Bloomberg U.S. High-Yield Index returned -0.5%, reflecting the widest spreads since May 2025 (tariff “Liberation Day”) and higher yields due to inflation concerns and fading rate-cut hopes. However, strong starting yields —including a 6.53% yield-to-worst on the U.S. Corporate High-Yield Index —partially offset price declines, aligning with our view that income will anchor returns in 2026.

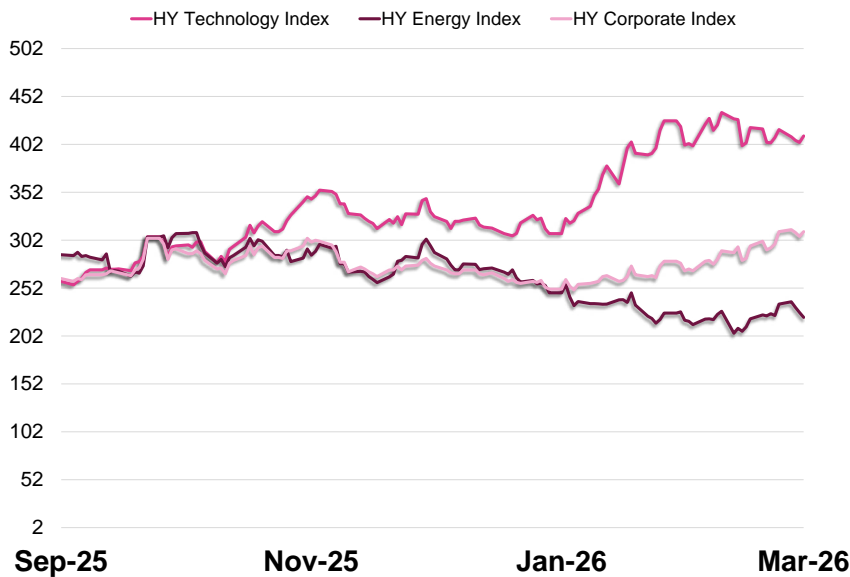
As volatility surged, investors became net sellers of high-yield corporate bonds in March and funds experienced net outflows of over \$5 billion. The Technology sector bore the brunt, as AI-related

## High-Yield vs. BDC Returns



Sources: Bloomberg US Corporate High-Yield Index, Bloomberg BDC Aggregate Eligible Index as of 3/31/2026. Past performance is not a guarantee of future results.

## Option Adjusted Spread



Sources: Bloomberg High-Yield Technology Index, Bloomberg High-Yield Energy Index, Bloomberg High-Yield Corporate OAS Index as of 3/31/2026. Past performance is not a guarantee of future results.

headlines pushed sector spreads to +430 basis points (last seen in April 2025). Importantly, while Technology constitutes 20–30% of total private credit exposure, its weight in the broader U.S. High-Yield Index is just ~5%. This suggests recent spread widening reflects a repricing of software business models rather than spillover from private credit (*ref. High-Yield vs. BDC Returns chart*).

In contrast, the Energy sector benefited from Iran-driven oil price surges (up 50%), narrowing spreads to +200 basis points amid short-term profit optimism. Despite Technology’s struggles, high-yield spreads peaked at a manageable +335 basis points on March 30, well below recent highs and underscoring the market’s resilience. Investors are still finding value in high-yield corporates, as solid yields are underpinned by moderate debt levels and manageable interest costs. Buying activity has been robust to start the second quarter (*ref. Options Adjusted Spread chart*).

Looking ahead, we expect volatility to persist until geopolitical tensions ease and inflation impulses work their way through the economy. We reaffirm our view that income will drive returns, with mid-single-digit gains projected based on current yields.

PRIVATE CREDIT

# Private Credit Steps into the Spotlight



**Tom Ehrlein**  
DIRECTOR, INVESTMENT  
SOLUTIONS & RESEARCH



**Alex Nelson, CFA**  
PORTFOLIO MANAGER

Private credit remained a key part of corporate financing in Q1 2026, but recent volatility, especially in semi-liquid “interval” funds, has reminded investors that liquidity matters. Concerns around potential losses led some investors to request redemptions, but these funds are designed to limit forced selling, typically through pro-rata redemption caps.

We see this as a moment for many investors. “What am I really signing up for?” is a question worth revisiting, particularly in an asset class where returns are closely tied to the underlying borrower, structure and terms of the loan.

At its core, private credit offers higher income in exchange for taking three key risks:

- **Liquidity:** Loans are not easily traded, so capital is typically locked up.
- **Leverage:** Borrowers are often leveraged, which can amplify both gains and losses.
- **Below investment grade exposure:** Many loans carry a higher chance of default than traditional bonds.

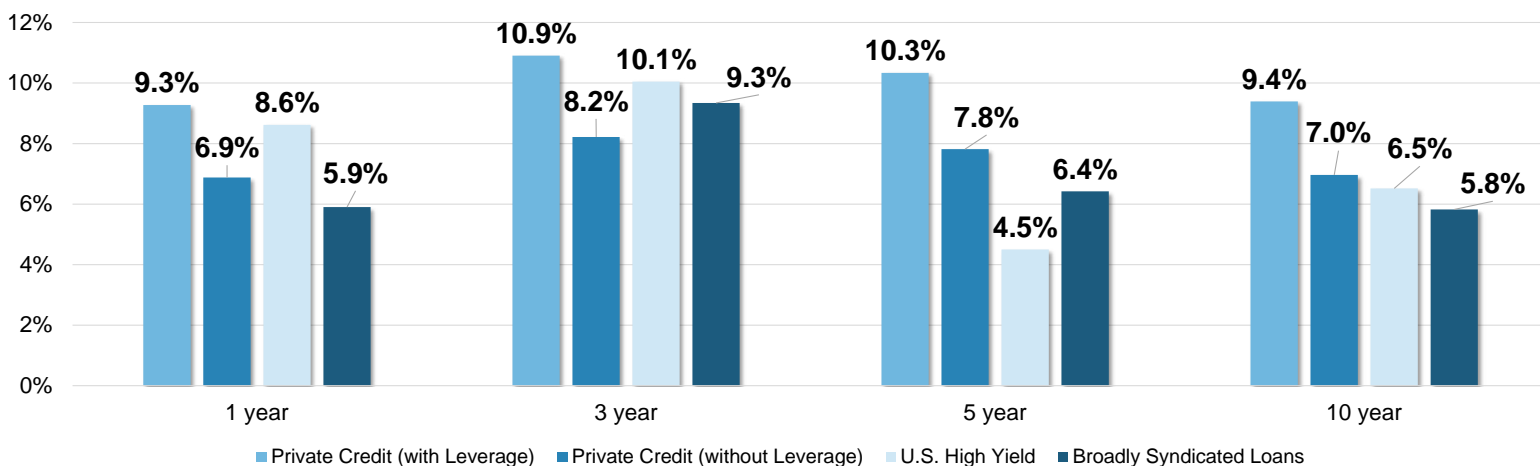
Importantly, many of these loans sit higher in the capital structure, meaning lenders are typically paid before equity holders and provide a degree of downside protection.

Regular reporting from private credit managers gives us a ground-level view of how credit markets are performing. We can see how much income is being generated and where stress might be building. For long-term investors, these signals help answer a key question: Is the additional yield still compensating for the added risk?

M&A activity also plays a role. Private credit has become the financing of choice for many mid-sized buyouts and corporate deals. When deal activity is strong, private lenders can remain selective and disciplined. If activity slows or deal pipelines dry up, competition for fewer loans can pressure pricing and terms.

The fundamentals of private credit have not changed, but this environment demands more rigor in evaluating them. For investors, selectivity and discipline remain key.

## Historical Total Returns – Private and Public Credit



Sources: Private Credit (Cliffwater CDLI Indices), U.S. High-Yield (Bloomberg U.S. Corporate High-Yield Index), Broadly Syndicated Loans (Morningstar LSTA U.S. Leveraged Loan Index), all data as of 12/31/2025. Past performance is not a guarantee of future results. Index returns are shown for illustrative purposes only and not investable.

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THE FED

# The Fed is on Hold, for Now



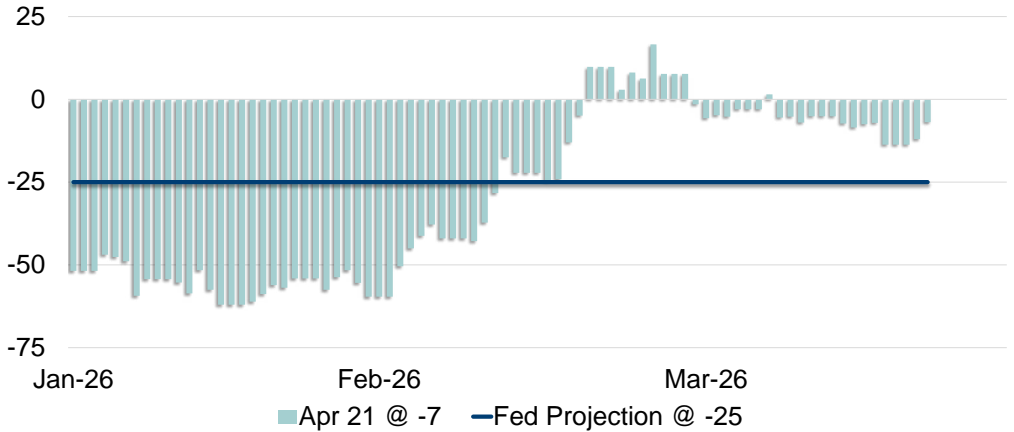
**Paul Single**  
MANAGING DIRECTOR,  
SENIOR ECONOMIST,  
SENIOR PORTFOLIO MANAGER

The Federal Reserve has plans to cut the federal funds rate by 25 basis points by year-end. Over the next few months, we expect it to sit on the sidelines and observe how the economy responds to the war in the Middle East.

For the Fed, the war complicates its monetary policy plans. Before the war started, the Fed was still working to achieve its dual mandate of maximum employment and stable prices. Although the unemployment rate is relatively low at 4.3%, payroll gains so far this year have been well below those of the past few years, raising concerns about labor demand, which would prompt easing monetary policy. However, inflation, which has been above the Fed's 2.0% target for more than five years, had been converging toward that target but has since reversed due to the war-induced energy shock. This has led several policymakers to want to keep interest rates at the current level to avoid stimulating the economy, which could put upward pressure on inflation. This has caused the market perception of the year-end federal funds rate to be volatile (ref. *Federal Funds Futures chart*).

The primary driver of the recent jump in inflation has been energy costs, (ref. *CPI*:

**Federal Funds Futures:**  
*Implied Rate % Change from Current Level*  
FOR DEC. 2026 FUTURE CONTRAST



Sources: Federal Reserve, Bloomberg as of 4/13/2026. Past performance is not a guarantee of future results.

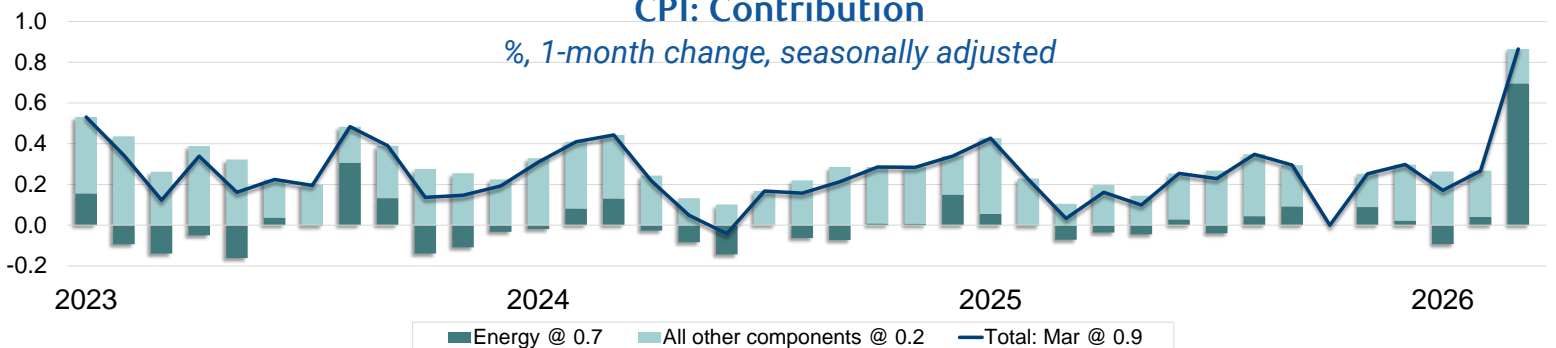
*Contribution chart*) and price movements in gasoline significantly impact consumers. It is one of the few items consumers watch closely, in part because they see the price posted at every gas station. Complicating this further is that gasoline is considered inelastic, meaning demand for it doesn't change much even if the price rises significantly. People need gasoline to get to work, school and kids' activities. The higher cost will lead some households to cut back on spending on other goods. But for those at the higher end of the income spectrum, they tend to have a larger buffer of liquid assets that can absorb the higher cost, and many are seeing bigger tax refunds due to the federal budget, which skews larger tax rebates to the higher end of the

income spectrum and this cohort tends to have a much lower marginal propensity to consume.

We believe the Fed will keep interest rates unchanged for the next few months. Although higher energy costs are a concerning headwind, the tailwinds of a low unemployment rate, wealth creation in financial assets, stimulus from the federal budget, rapid productivity gains, bank deregulation and rising corporate capital expenditures should continue to propel the economy forward. Once the economy passes the energy spike and the Fed is convinced that non-energy-related inflation is resuming its downward trend, it will resume lowering interest rates.

## CPI: Contribution

*% , 1-month change, seasonally adjusted*



Sources: Bureau of Labor Statistics as of 3/31/2026. Past performance is not a guarantee of future results.

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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.

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## INDEX DEFINITIONS

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.

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.

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).

Russell 2000<sup>®</sup> 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<sup>®</sup> Index.

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.

The 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.

The 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.

The 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.

The 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.

The Bloomberg Magnificent 7 Total Return Index (ticker: BM7T:IND) is an equal-dollar weighted equity benchmark that tracks a fixed basket of seven dominant, widely traded U.S. tech-focused stocks. These companies are AAPL, AMZN, GOOGL, META, MSFT, NVDA and TSLA.

The 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.

The 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.

The 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.

The 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).

## INDEX DEFINITIONS CONT...

The Bloomberg US Corporate High-Yield Bond Index measures the USD-denominated, fixed-rate, non-investment grade corporate bond market. It includes issues rated Ba1/BB+ or lower by Moody's, S&P, or Fitch, focusing on riskier debt.

The S&P 1500 GICS Level 1 Sector Indices are a set of 11 benchmark indices tracking the top-level sectors of the U.S. economy, composed of companies from the S&P 500, S&P MidCap 400 and S&P SmallCap 600 indices.

The 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.

The S&P SmallCap 600<sup>®</sup> (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. Cyclical: the Goldman Sachs S&P 500 Cyclical 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. Defensive: the Goldman Sachs S&P 500 Defensive 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. Equity Weight: The S&P 500 Equal Weight Index (EWI) is an equity index comprising the 500 companies of the standard S&P 500, but it assigns an equal, fixed weight of 0.2% to each company, rather than weighting them 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. 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

A basis point (BPS) is used to indicate changes in the interest 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.

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.

A valuation gap is the difference between what a business owner thinks their company is worth (their desired selling price) and what a potential buyer is actually willing to pay (the market's perceived value).

Bureau of Labor Statistics (BLS) is a federal agency that collects and disseminates important information about labor, wages, prices and productivity.

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.

Mergers and acquisitions (M&A) represent the consolidation of companies or assets through financial transactions, such as buying, selling, or merging entities to drive growth, increase market share, or diversify.

RBC Rochdale Proprietary Quality Ranking formula: 40% Dupont Quality (return on equity adjusted by 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 strategy 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.

West Texas Intermediate (WTI) is a high-quality, light, sweet crude oil grade used as the primary benchmark for oil pricing in the United States.

Yield to Worst (YTW) is the lower of the yield to maturity or the yield to call. It is essentially the lowest potential rate of return for a bond, excluding delinquency or default.

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.