



ECONOMIC & INVESTMENT MANAGEMENT PERSPECTIVES

QUARTERLY UPDATE



MARKET UPDATE

Broadening the Opportunity Set in a Resilient Expansion



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The lesson from 2025 was not that risks disappeared, but that the global economy proved more adaptable/resilient than expected. Growth persisted despite policy uncertainty, geopolitical tension, and lingering inflation concerns. Markets absorbed shocks without cascading failures, and earnings — not excess optimism — did most of the work. That resiliency matters less retrospectively than as a starting point: It defines the runway into 2026.

As the new year begins, the dominant feature of the investment landscape is not fragility, but transition. The cycle is moving from stabilization toward a more distributed expansion, where returns are less concentrated, leadership is

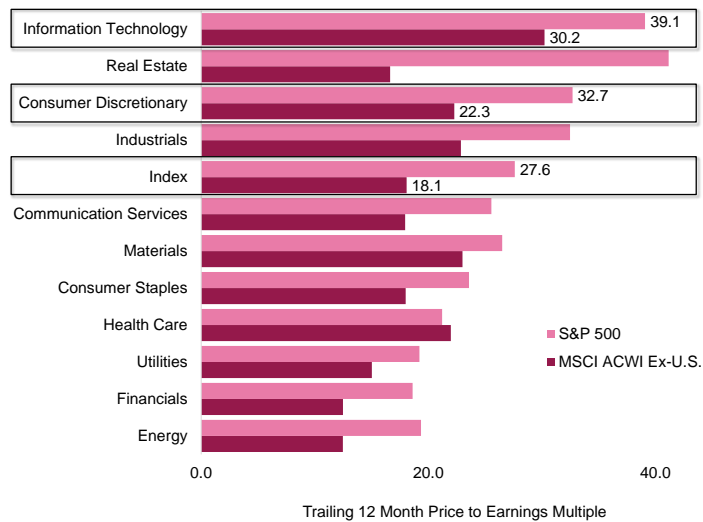
broadening and diversification regains its ability to add value rather than simply manage risk. Against that backdrop, we see three primary opportunities shaping portfolio outcomes in 2026 — and three risks that warrant respect but not retreat.

The first opportunity lies in geographic broadening beyond the United States. U.S. assets remain foundational, but they no longer stand alone as the most compelling source of forward returns. Valuations outside the U.S. are meaningfully lower, sector composition is less top-heavy, and earnings sensitivity to global growth is higher. Developed international markets are positioned to benefit from a steady global expansion, easing financial conditions, and selective fiscal support. Importantly, these markets offer exposure

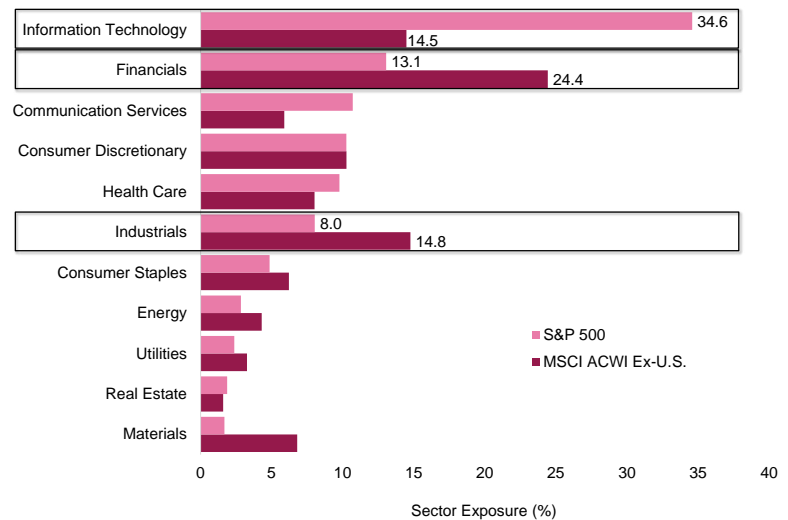
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Sector-Level Price-to-Earnings Ratios “Valuation Gap”



U.S. vs. Global Sector Weights “Sector Skew”



Sources: S&P 500, MSCI ACWI Ex-U.S. as of 1/23/2026. Past performance is not a guarantee of future results.

to industries — industrials, financials, materials, energy — that tend to perform well when growth is stable and/or accelerating, and when inflation risk is receding rather than intensifying.

Currency dynamics reinforce this case. The U.S. dollar no longer provides the same structural tailwind as it did earlier in the cycle. Large deficits, rising debt issuance, and narrowing growth differentials introduce asymmetry into the dollar outlook, even without a sustained decline. In that environment, non-U.S. assets require less heroism to outperform. A stable or modestly weaker dollar meaningfully improves the return profile of international equities and credit, making geographic diversification potentially a source of return enhancement rather than insurance for U.S.-based investors.

A second opportunity centers on income reasserting itself as a core driver of returns. Fixed income enters 2026 in a far healthier position than in recent years. Yields remain attractive, carry does more of the work, and duration once again provides ballast rather than volatility. While dispersion across credit markets is widening, fundamentals are broadly intact, and default risk remains contained in isolated pockets. For diversified portfolios, income is no longer a

placeholder —but potentially it is a contributor. This dynamic reduces reliance on equity multiple expansion and allows portfolios to compound returns with greater balance.

“Despite a steady drumbeat of geopolitical headlines and policy friction, financial markets have remained remarkably composed.”

A third opportunity reflects broader participation across equity markets themselves. Earnings growth remains supportive, but leadership is evolving. The market’s advance has been propelled by a concentrated group of technology leaders, meaning future returns will be determined less by sentiment and more by the ability of those companies to deliver on increasingly high earnings expectations. As expectations normalize, the opportunity set widens toward companies and sectors with reasonable valuations, solid balance sheets, and exposure to real economic activity rather than narrative momentum. This favors diversification within equities as much as across regions.

Balanced against these opportunities are three risks that shape how

portfolios should be constructed in 2026.

A key risk for 2026 lies in policy and geopolitical volatility that is no longer theoretical but already unfolding. Tensions involving Venezuela, Iran and the recent focus on Greenland along with the ongoing conflict between Russia and Ukraine continue to shape the global backdrop, while domestic policy uncertainty remains elevated amid shifting priorities and political constraints. These developments matter—not because they are new, but because they reinforce the reality that the policy environment will remain fluid and, at times, unpredictable.

What has been notable, however, is how markets have responded. Despite a steady drumbeat of geopolitical headlines and policy friction, financial markets have remained remarkably composed. Volatility has been contained, credit markets have stayed orderly, and risk assets have continued to reflect underlying economic fundamentals rather than headline-driven fear.

That does not imply immunity. Policy missteps or geopolitical escalation can still disrupt confidence, particularly if they intersect with crowded positioning or fragile liquidity. Energy markets,

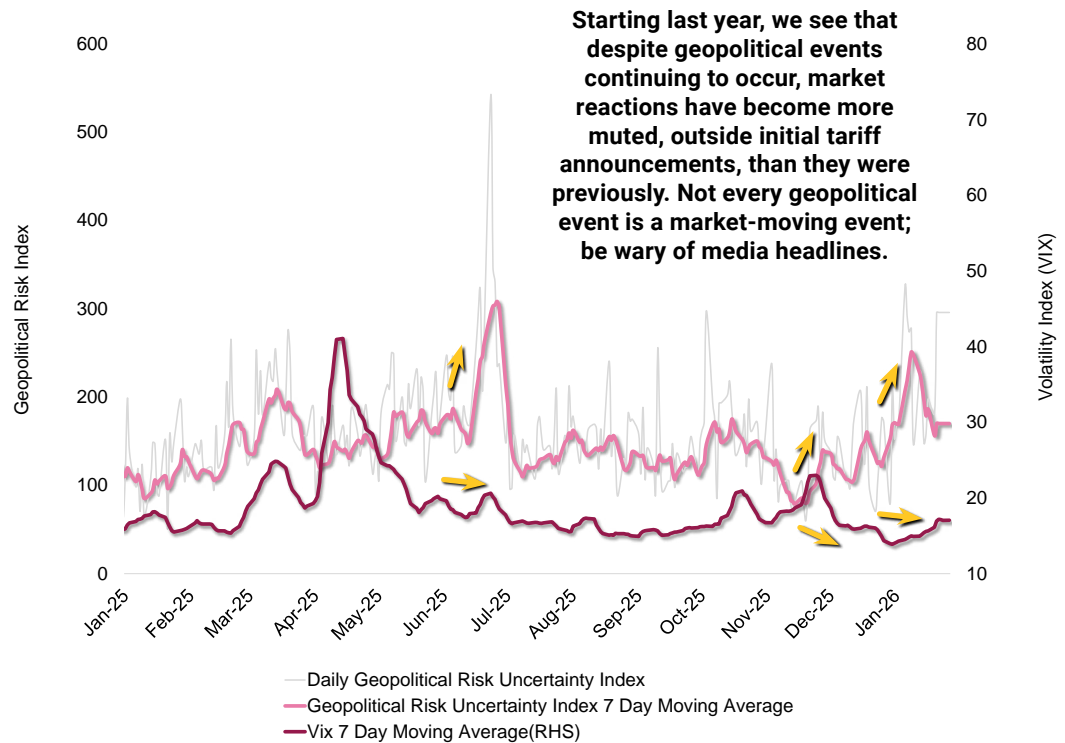
global supply chains, and capital flows remain sensitive to sudden shifts in geopolitical dynamics. Yet the experience of the past year has reinforced an important distinction: not every geopolitical shock translates into economic damage, and not every policy dispute alters the trajectory of growth.

The second is valuation risk embedded in crowded trades, particularly where price action has accelerated faster than fundamentals. This is most visible in parts of the precious metals complex. Gold, silver, and copper have benefited from legitimate structural tailwinds — central bank demand, supply constraints, energy transition, and long-term fiscal concerns. However, recent parabolic moves suggest a meaningful amount of future good news has already been discounted. While the long-term case for select commodities remains intact, the near-term risk-reward has possibly become asymmetric. Markets driven by momentum rather than incremental fundamentals are vulnerable to sharp corrections, even if the broader thesis ultimately holds.

The third risk is complacency around concentration, particularly within U.S. equity markets. Strong past performance can obscure how narrow leadership has been and how sensitive returns are to a small number of outcomes. This is not a forecast of decline, but a recognition that concentration increases fragility. Portfolios overly dependent on a single region, sector, or factor face downside risk if expectations shift.

Taken together, the outlook for 2026 is constructive, but more demanding. The economy is moving forward with relatively

Geopolitical Risk & Market Volatility: 2025



Sources: Bloomberg as of 1/25/2025.

Past performance is not a guarantee of future results.

little holding it back, yet markets are no longer rewarding simplicity or excess conviction. Returns are increasingly earned through balance — across regions, asset classes, and drivers of return.

In this environment, diversification is not a concession to uncertainty; it is a strategy for participation. Broadening beyond the U.S., leaning into income, and maintaining discipline around valuation position portfolios to compound through a year defined less by disruption and more by evolution.

EQUITY

Three Consecutive Years of Double-Digit Returns



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STRATEGY MANAGEMENT



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DIRECTOR, SENIOR PORTFOLIO
MANAGER, EQUITY INCOME

U.S. equities delivered their third consecutive year of double-digit gains in 2025, with the S&P 500 returning 17.9% to close near all-time highs at 6,845. The year's performance was marked by extreme volatility, including a sharp April selloff triggered by tariff announcements and a prolonged government shutdown that disrupted economic data collection through much of Q4.

The Federal Reserve implemented three rate cuts during Q4 totaling 75 basis points, bringing the federal funds rate to 3.50 - 3.75% by year-end. Markets responded positively to the easing cycle despite persistent inflation concerns and a more cautious tone from policymakers regarding the pace of future cuts (*ref. 2025 U.S. Equity Sector Returns chart*).

Sector leadership remained concentrated in technology and growth-oriented areas. Information Technology delivered 23.1% returns for the year, driven by robust AI infrastructure spending and strong earnings from semiconductor and software companies. Communication Services mirrored Technology closely gaining 32.1% with Google shares up over 65% for the year. Industrials contributed 16.8% as defense spending and infrastructure investments provided tailwinds. Financials returned 12.5%, benefiting from strong earnings

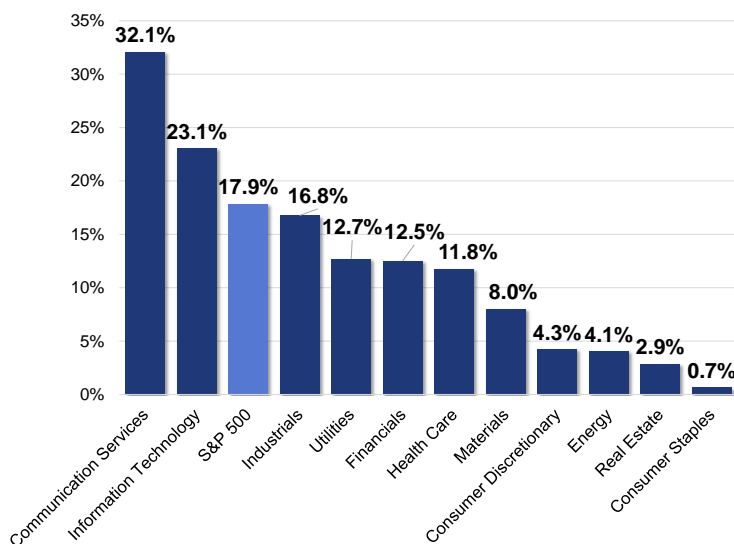
growth and reviving M&A activity. Energy lagged significantly with 4.1% returns despite outperforming crude oil price declines.

Market breadth improved meaningfully in Q4. The Russell 2000 reached an all-time closing high of 2,590.61 on December 11, signaling rotation toward small caps after years of mega-cap dominance. Small caps delivered 12.8% annual returns while trading at significant valuation discounts to large caps, near multi-decade lows on a relative basis.

The growth swapped positions with value in the latter half of the year. The Russell 1000 Growth, which underperformed its value counterpart in H1, returning 18.6% versus Value's 15.9% for the full year. This performance gap favored companies with strong earnings momentum and technology exposure. Corporate earnings growth remains robust, with Q3 2025 15.2% year-over-year growth and an 82.2% beat rate (*ref. 2025 U.S. Equity Style Returns chart*).

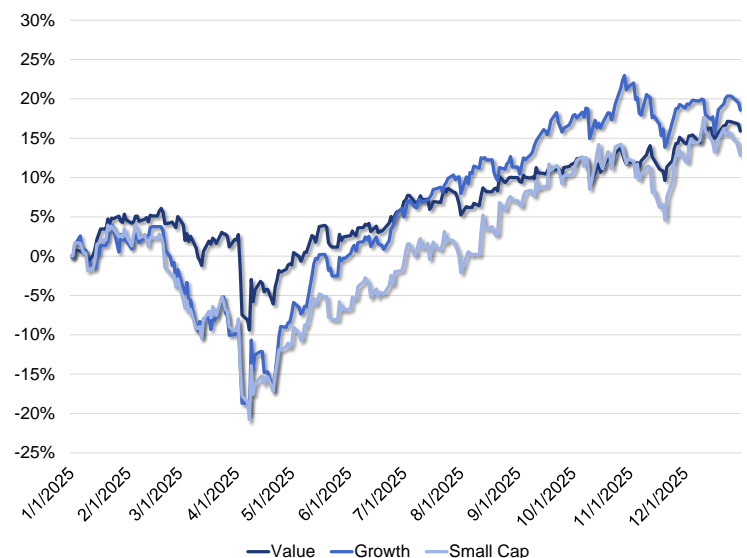
The U.S. economy validated the soft-landing thesis, with GDP growth registering 4.3% in Q3 while inflation cooled to 2.7% by November. We expect continued gains in 2026, with S&P 500 year-end targets around 7,700 - 7,800, implying approximately 11 - 12% upside from year-end levels.

2025 U.S. Equity Sector Returns



Sources: Bloomberg, RBC Rochdale as of 12/31/2025. Past performance is not a guarantee of future results.

2025 U.S. Equity Style Returns



Sources: Bloomberg, RBC Rochdale as of 12/31/2025. Past performance is not a guarantee of future results.

INVESTMENT-GRADE FIXED INCOME

Bonds Cap Off a Solid Year



Michael Taila, CPWA®
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FIXED INCOME



Michael Korzenko, CFA
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Investment-grade (IG) fixed income concluded 2025 with strong performance, extending gains from September through year-end (Q4). This resilience was underpinned by two 25 basis point (bps) Federal Reserve rate cuts in October and December (three total for 2025), driven by labor market concerns.

The 10-year U.S. Treasury bond traded within a narrow 20 bps range throughout the quarter, while the yield curve steepened by 25 bps yield curve steepened by 25 bps between 2-year and 30-year maturities. For the full year, IG corporates delivered returns of 7.8%, outpacing U.S. Treasuries 6.3% and IG municipals 4.25%, per Bloomberg indices.

Market dynamics were bolstered by robust investor demand, while stable issuer fundamentals helped contain credit spreads despite periodic volatility. Attractive yields remain a focal point for income investors,

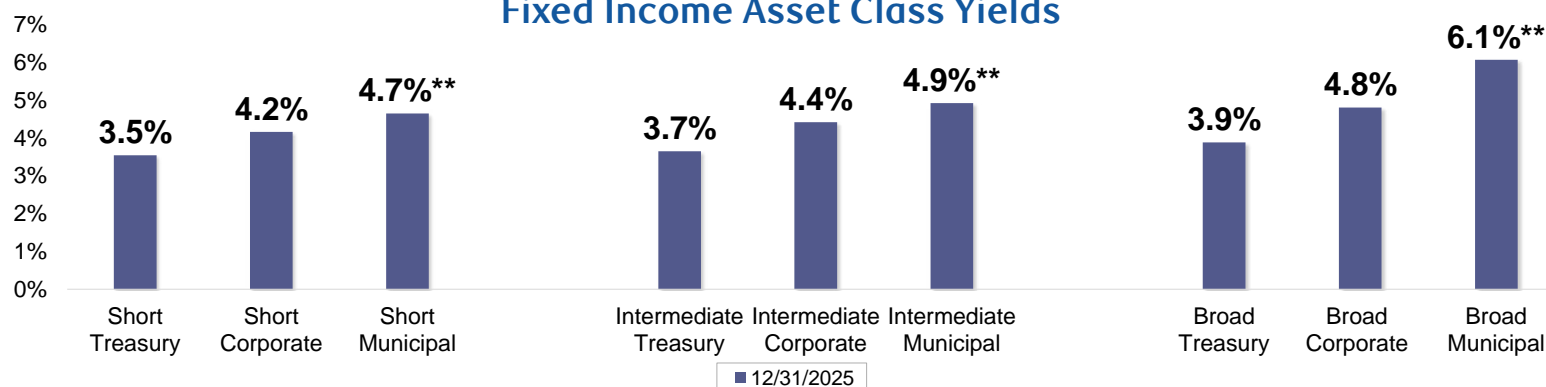
offering compelling opportunities for positive inflation-adjusted cash flow. Optimism around elevated starting yields also extends to forward return potential and resilience against rate-driven price declines.

Looking ahead to 2026, further monetary easing and a steep yield curve could benefit fixed income investors, provided U.S. government supply remains constrained and demand persists. Markets will closely monitor economic indicators — such as GDP growth, consumer spending and labor trends — alongside inflation trajectories, as these factors will shape expectations for longer-dated maturities. Despite elevated risks from geopolitical events and policy uncertainty, current yield levels present an attractive entry point for strategic investors. Volatility-induced price dislocations, if they materialize, may offer tactical value opportunities.

Fixed income remains a cornerstone of diversified portfolios. RBC Rochdale

forecasts between two to three Fed cuts in 2026 vs. one anticipated by the Fed, and we expect the 10-year U.S. Treasury yield to remain within a range of 3.75% - 4.25%. Near-term yields are anticipated to hold steady. Municipals may benefit from strong reinvestment flows early in 2026 that should support demand while full-year supply is anticipated to be heavy. While municipal sector credit quality remains intact, dispersion in issuer outcomes is likely to increase, underscoring the need for disciplined security selection. Corporate profitability and balance sheets should remain healthy, though risk pricing remains relatively tight. In this environment, income generation is poised to drive 2026 returns, with curve positioning becoming increasingly critical as rates are expected to remain in check. Investors should prioritize strategies that balance yield capture with duration management, leveraging the current technical and fundamental backdrop.

Fixed Income Asset Class Yields



** Taxable Equivalent Yield (TEY) Assumes 37% Federal Tax and 3.8% Medicare surcharge.

Sources: Bloomberg US Treasury 1-5 Yr Total Return (TR) Index, Bloomberg USD Corporate Bonds 1-5 Yr TR Index, Bloomberg Municipal Bond: Muni Short 1-5 Yr TR Index, Bloomberg US Intermediate Treasury TR Index, Bloomberg Intermediate Corporate TR Index, Bloomberg Municipal Bond Inter-Short 1-10 Yr TR Index, Bloomberg US Treasury TR Unhedged Index, Bloomberg U.S. Corporate TR Value Index, Bloomberg Municipal Bond Index as of 12/31/2025. Past performance is not a guarantee of future results.

Non-deposit investment products:

■ are not FDIC insured

■ are not Bank guaranteed

■ may lose value

HIGH-YIELD FIXED INCOME

Income Still Does the Heavy Lifting



Tom Ehrlein
DIRECTOR, INVESTMENT
SOLUTIONS & RESEARCH



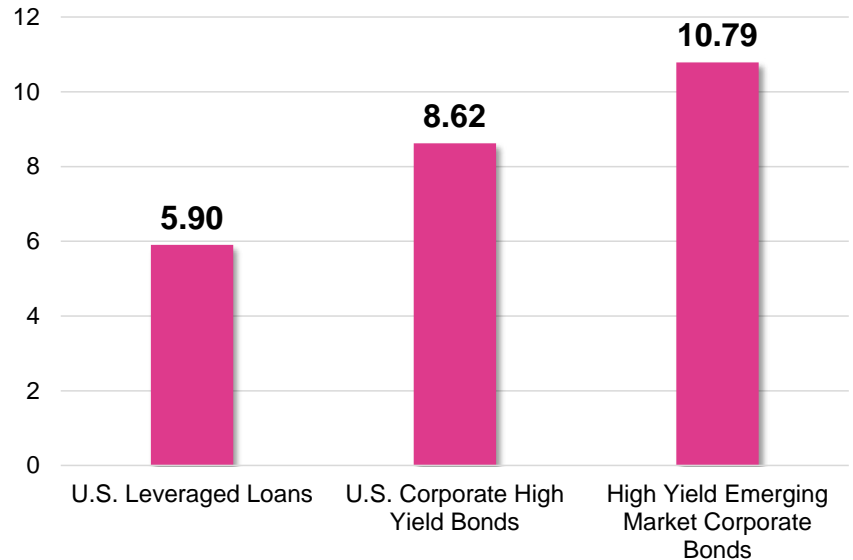
Alex Nelson, CFA
PORTFOLIO MANAGER

Oppportunistic income strategies delivered positive results in 2025, aligned with expectations set at the start of the year.

As anticipated, returns were primarily driven by income rather than price appreciation. The Bloomberg U.S. High Yield Index returned 8.6%, bolstered by attractive starting yields, including a 7.5% yield-to-worst on the U.S. Corporate High Yield Index at the beginning of the year. This strong foundation reflected the prevailing view that income would dominate returns amid a shifting rate environment (*ref. 2025 Return chart*).

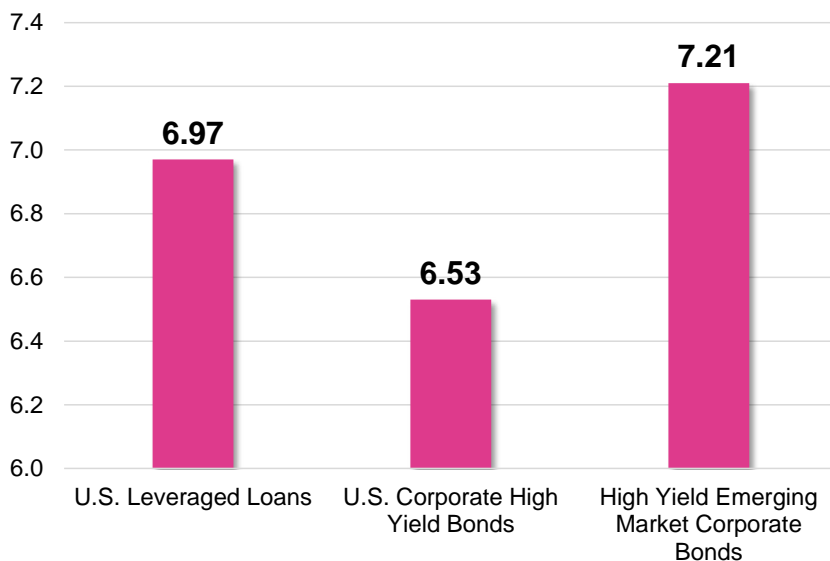
The path to these returns was marked by volatility, notably in April, when tariff-related news caused spreads to widen and prices to dip temporarily. High-yield spreads peaked at ~450 basis points before narrowing significantly as market conditions stabilized. Steady income from these assets helped offset price fluctuations, while floating-rate investments, such as bank loans and Collateralized Loan Obligations (CLOs), generated returns of 5.5% - 9% despite three 25-bps Fed rate cuts between

2025 Return



Source: Morningstar Direct as of 12/31/2025.
Past performance is not a guarantee of future results.

Yield to Maturity



Source: Bloomberg as of 12/31/2025.
Past performance is not a guarantee of future results.

September and December. Lower rates reduced income but were offset by higher starting coupons and ongoing interest payments. Importantly, rate cuts also lowered corporate debt service costs, potentially mitigating defaults, and distressed exchanges.

Emerging market corporate bonds stood out, with the ICE BofA Emerging Markets Corporate Plus Index returning 10.8%, supported by improved fundamentals, lower debt levels and a favorable global economic backdrop. Private credit performed in line with expectations, though return projections have moderated slightly amid increased scrutiny and competition for deals.

Looking ahead, we expect income to remain the main driver of returns across opportunistic income strategies. Using the current yields in various markets, we expect to see returns of various underlying asset classes range from 5.5% - 9.0% for 2026. (*ref. Yield to Maturity chart*).

THE FED

Smooth Sailing, for Now

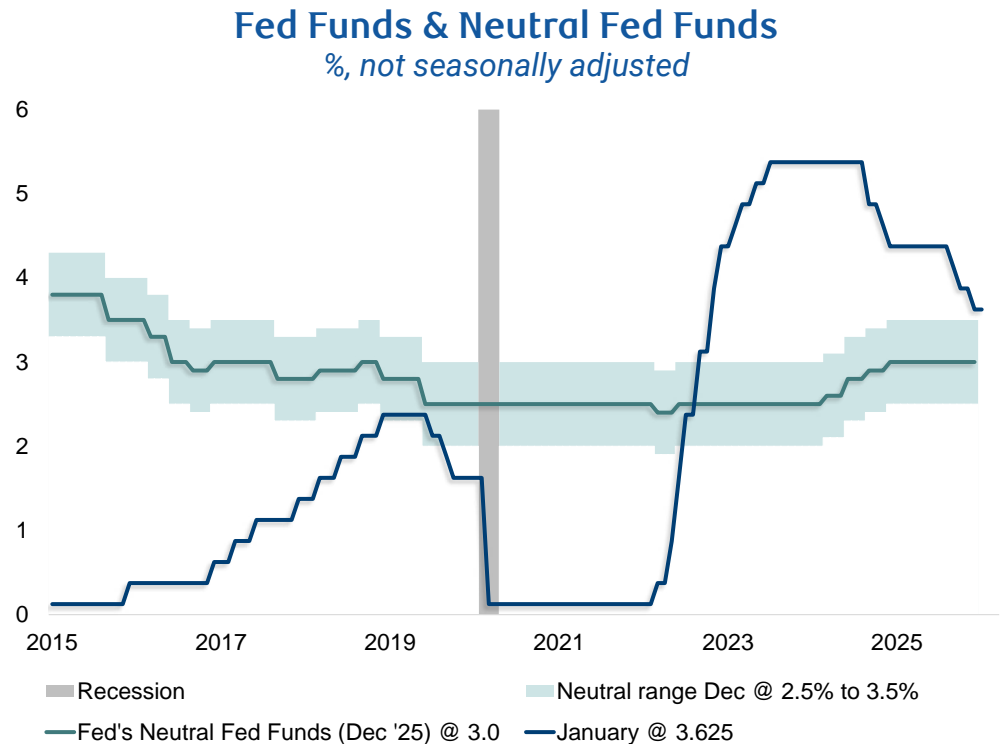


Paul Single
MANAGING DIRECTOR,
SENIOR ECONOMIST,
SENIOR PORTFOLIO MANAGER

The Fed is in a comfortable position regarding monetary policy. The economy is growing at a solid pace (Q3 GDP was 4.3%), the unemployment rate is at 4.4% and inflation is running at just 2.7%. This healthy economic position is in part due to policymakers lowering the federal funds rate over the past year and a half, from a restrictive stance to a more neutral one.

The neutral rate will neither stimulate nor slow down the economy. Some economists refer to it as the “Goldilocks Rate.” It is the rate of interest that is “just right.” It is not observable; it is a theoretical rate that is estimated by an economic model. Since it is theoretical, the rate is not set in stone, so economists tend to think the neutral rate is in a range of +/- 50 bps around the calculated rate. The federal funds rate is very close to the range of the neutral rate (ref. *Fed Funds & Neutral Fed Funds* chart).

This position allows the Fed to spend time monitoring labor demand more



Source: Federal Reserve as of January 2026.

Past performance is not a guarantee of future results.

closely. Although the unemployment rate is low by historical standards, and the number of workers being laid off is also low, demand for hiring new workers has cooled this year. In the past six months, an average of only 15,000 workers were hired each month. That is

well below 2025 average monthly gains of 168,000.

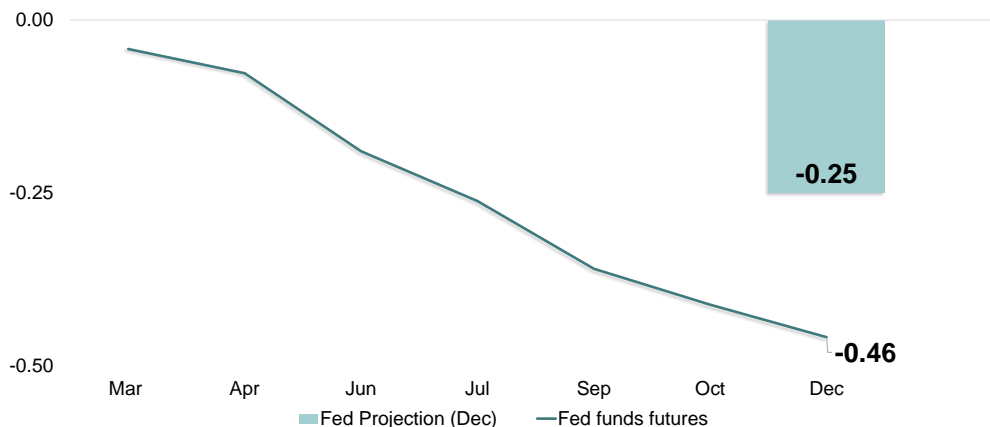
The slower pace of job gains is attributed to heightened economic uncertainty stemming from trade policy, a shortage of available workers due to immigration policy, and uncertainty about whether artificial intelligence will improve productivity.

The Fed expects to cut the funds rate by 25 bps this year. We expect them to cut by 50 - 75 bps, which is close to the market expectations (ref. *Fed Funds Futures* chart). Our view is a bit more dovish due to a change in leadership at the Fed that will take place in May, which we believe will want interest rates lower, and productivity gains are on an upward trend, which should help keep downward pressure on inflation.

Sources: Federal Reserve, Bloomberg as of 1/28/2026. Past performance is not a guarantee of future results.

Federal Funds Futures: Change from Current Level (3.625%)

%, implied rate for Fed funds futures



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.

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INDEX DEFINITIONS

Bloomberg Intermediate Corporate Total Return Index measures the performance of U.S. dollar-denominated, investment-grade, fixed-rate, taxable corporate bonds with 1 to 9.999 years to maturity.

Bloomberg Municipal Bond: Muni Short (1-5) Total Return Index is an unmanaged, market-value-weighted index tracking the performance of investment-grade, fixed-rate, tax-exempt U.S. municipal bonds with maturities between 1 and 5 years.

Bloomberg Municipal Bond Index is a rules-based, market-value-weighted benchmark for the long-term, tax-exempt U.S. municipal bond market. It measures the performance of investment-grade, fixed-rate bonds issued by state and local governments, including general obligation, revenue, insured and pre-refunded bonds with maturities of one year or more.

Bloomberg Municipal Bond Inter-Short 1-10Y Total Return (TR) Index is a market value-weighted benchmark tracking the performance of USD-denominated, investment-grade tax-exempt bonds with maturities ranging from 1 to 10 years. It covers short-to-intermediate municipal bonds, including general obligation, revenue, insured and pre-refunded bonds, representing a subset of the broader Municipal Bond Index.

Bloomberg U.S. Corporate Total Return Value Index measures the performance of the USD-denominated, investment-grade, fixed-rate, taxable corporate bond market.

Bloomberg U.S. Intermediate Treasury TR Index measures the performance of U.S. dollar-denominated, fixed-rate, nominal U.S. Treasury securities with remaining maturities between 1 and 10 years.

Bloomberg U.S. Treasury 1-5 Yr Total Return Index measures the performance of U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury with remaining maturities between 1 and 5 years.

Bloomberg U.S. Treasury Total Return Unhedged Index measures the performance of U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury.

Bloomberg USD Corporate Bonds 1-5 years Total Return Index measures the performance of investment-grade, fixed-rate, taxable USD-denominated corporate bonds with maturities between 1 and 5 years.

ICE BofA Emerging Markets Corporate Plus Index tracks the performance of USD and Euro-denominated non-sovereign debt (corporate and quasi-government) issued in major domestic and Eurobond markets.

Morningstar Direct is a comprehensive, cloud-based investment analysis platform and flagship software designed for institutional investors, wealth managers, and analysts. It centralizes Morningstar's global data, proprietary research, ratings, and portfolio management tools, allowing users to perform in-depth analysis, screen investments, and create custom reports.

MSCI ACWI ex USA (All Country World Index excluding the United States) is a benchmark stock market index that tracks the performance of large and mid-cap stocks in developed and emerging markets worldwide, excluding U.S. companies, offering broad international diversification for investors looking beyond the U.S. market.

Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes Russell 1000 companies with lower price-to-book ratios, lower expected and historical growth rates.

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 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.

INDEX DEFINITIONS CONT...

The Daily Geopolitical Risk (GPR) Index is a Federal Reserve Board measure quantifying tension-related risks by counting newspaper articles (1985 – present) covering war, terrorism, and international disputes. It tracks both the threat and realization of adverse events, serving as a gauge for economic uncertainty, often spiking during major conflicts like 9/11 or the Ukraine invasion.

The VIX 7-Day Moving Average (7DMA) is a technical analysis indicator that calculates the average closing value of the Cboe Volatility Index (VIX) over the past seven trading days.

U.S. Corporate High Yield Index measures the performance of U.S. dollar-denominated, non-investment grade (junk), fixed-rate, taxable corporate bonds. These indices track below-investment-grade debt, typically rated Ba1/BB+/BB+ or lower by major agencies (Moody's, S&P, Fitch).

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 Collateralized Loan Obligation (CLO) is a structured financial security backed by a diversified pool of low-rated, senior secured leveraged loans to businesses.

A consensus estimate is a forecast of a public company's projected earnings based on the combined estimates of all equity analysts that cover the stock.

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.

Mega-cap is a designation for the largest companies in the investment universe as measured by market capitalization. While the exact thresholds change with market conditions, mega cap generally refers to companies with a market capitalization above \$200 billion.

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.

Sector weights and sector skew are concepts used to analyze portfolio concentration, risk, and potential returns relative to a benchmark (like the S&P 500). They describe how capital is allocated across different industries (e.g., Technology, Healthcare) and how those allocations deviate from a neutral, balanced, or index-weighted position.

The Federal Open Market Committee (FOMC) is the monetary policymaking body of the Federal Reserve System.

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).

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.