CITY NATIONAL ROCHDALE
AN RBC/CITY NATIONAL COMPANY

ECONOMIC & INVESTMENT MANAGEMENT PERSPECTIVES

1 QUARTERLY UPDATE

APRIL 2025

IN THIS ISSUE:

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A SHIFT BENEATH OUR FEET: REFLECTIONS ON A FRACTURED GLOBAL ECONOMY

"In times of realignment, staying focused on fundamentals, valuation, and thoughtful risk management is not just prudent—it's essential. The world has changed. But the principles of long-term investing remain a steady guide."

The week beginning Monday, April 4, 2025, will be remembered not only for its dramatic price swings but for what it revealed about the evolving nature of the global economy. Following the Trump administration's "Liberation Day" announcement—a sweeping tariff policy signaling a break from the era of globalization—markets responded with the most acute volatility in a decade.

What began with sharp equity losses quickly gave way to an astonishing rally. The S&P 500, Nasdaq and Dow all recorded double-digit swings within hours. Treasury yields lurched higher in a rare and disorienting sell-off, defying the usual script of flight-to-safety behavior. The sheer magnitude of these moves reminded many of past market crises, but the underlying cause this time was different. This wasn't a collapse rooted in financial leverage or institutional fragility. It was a deliberate policy pivot, engineered and announced with unmistakable clarity.

This distinction matters deeply. The system isn't broken, but it is being reoriented. And as investors, we must pause and consider what this new direction means—not just for this quarter or this year, but for the framework through which we interpret economic signals and allocate capital.

VOLATILITY OF A DIFFERENT KIND

The events of early April are not without precedent, but they belong to a rare category of market behavior: one in which extreme policy shifts unmoor expectations and reset pricing mechanisms. The constant shifts in equity prices in both directions were unsettling, not because they signaled panic but because they exposed how fragile the underlying assumptions had become.

This was not the type of capitulation seen in past liquidity crises. Trading volumes were elevated but not disorderly. Credit spreads widened modestly, but the credit system itself showed resilience. There were no signs of structural breakdown. Instead, the volatility seemed to reflect the struggle to price an economic system operating under fundamentally altered rules.

It is tempting to look for analogs in history to find comfort in precedent. But in this case, comparisons to 2008 or 2020 fall short. What we are experiencing now is not a crisis of confidence in markets or banks. It is a test of how flexible global economic relationships really are—and how quickly companies, consumers and policymakers can adapt to new rules.

THE TARIFF FRAMEWORK AND ITS LIMITS

The announced tariffs represent one of the most significant breaks from the global economic order in decades. Their scale and suddenness caught most by surprise. While some form of protectionist shift had been expected, the breadth of the measures—and the aggressive posture that accompanied them—suggest a deeper reevaluation of America's economic strategy. Even though the full scale of planned reciprocal tariffs was dialed back, the remaining tariffs on China, which have been increased to 145%, and the reciprocal tariff floor of 10% will leave its imprint on the global economy.

The rationale behind this pivot rests on the desire to re-anchor manufacturing, reduce foreign dependency and recalibrate trade balances, but it's clear that the main target of the administration is China. But regardless of the goal, the methods carry considerable cost. Tariffs, after all, are not absorbed in the abstract. They impose real friction on supply chains, raise input costs and, ultimately, burden consumers and businesses alike.

At City National Rochdale, we've revisited our assumptions accordingly. Using data from recent research, we estimate that each 10% tariff on Chinese goods alone reduces U.S. gross domestic product (GDP) by approximately 0.1%. Tariffs on Canada and Mexico add a further 0.2%-0.3% drag. When you incorporate a floor of 10% on the remaining trade partners, the cumulative impact could easily reach well above 1% of GDP.

This has prompted us to revise our 2025 growth forecast down from 2%-2.5% to a more cautious 0.75%-1.25%. We've similarly lowered our corporate earnings expectations and raised our inflation forecast. These changes reflect an acknowledgment that the policy landscape has changed and, with it, the path forward for growth.

In the near term, there is no indication that tariffs will move meaningfully lower. While there are growing calls for moderation, the political calculus does not currently support a full retreat. This heightens the importance of evaluating not just the direct effects of trade policy but also the broader psychological consequences on consumer behavior, corporate investment and capital flows.

MARKETS IN THE FOG: NAVIGATING WITHOUT A MAP

The challenge for investors now is not just analytical—it is philosophical. Traditional models and indicators are designed for a world of relative predictability. They assume that supply chains are stable, policy is incremental and shocks are transitory. That framework no longer holds.

What replaces it is less clear. While markets have already repriced significantly, this may not be the end of volatility. The same policy surprise that caused the sell-off could, in theory, trigger a powerful rally if reversed. But waiting on such a reversal and counting on its consistency may prove futile. Market participants must grapple with the uncomfortable truth that neither direction—up nor down—offers much visibility.

This is compounded by the current position of the Federal Reserve. With inflation still trending above target and employment data showing resilience, the Fed is unlikely to step in. While rate cuts are being priced into the market, we view this as premature. The central bank's dual mandate does not extend to insulating investors from trade shocks. And until inflation moderates or labor weakens materially, policy support is unlikely.

Meanwhile, tariff negotiations are muddied by a fundamental lack of trust. The global trade system is built on relationships, and those relationships are now under stress. Even if certain countries were willing to make concessions, the tone and tactics of recent policy shifts have made it politically difficult for counterparts to engage. This creates a high-stakes environment in which missteps could escalate tensions further and in which positioning too aggressively in either direction exposes portfolios to outsized risk.

A SIX-MONTH HORIZON: EXPECTATION MEETS ADJUSTMENT

Looking ahead, the path will be shaped by how businesses and consumers adjust to the new cost structures introduced by tariffs—and whether policymakers show any signs of moderation.

At City National Rochdale, we've incorporated this into our Speedometer indicators, which assess the underlying health of economic and market conditions:

- **Monetary Policy** is no longer a tailwind, reflecting our view that the Fed is on hold—watching inflation carefully but not poised to cut.
- **U.S. Economic Outlook** is now more cautious, with growth expectations lowered and downside risks tied directly to trade drag.
- **Consumer Sentiment and Spending** have weakened. Survey data shows rising anxiety around inflation and policy direction. Real spending has softened, despite income gains, suggesting a psychological retrenchment.
- **Labor Markets** remain relatively firm but are beginning to reflect the ripple effects of uncertainty, particularly in sectors tied to federal spending and exports.
- **Corporate Profits** are under pressure. Margins are being squeezed by higher costs, and early guidance from companies suggests a more subdued earnings season ahead.

In sum, the next six months are likely to be defined by uncertainty and recalibration. Investors should not expect immediate clarity. But that does not mean opportunity is absent.

THE LONG VIEW: VALUATION, REPUTATION AND THE REALIGNMENT AHEAD

Moments like this challenge our assumptions. They demand not just analytical rigor but reflection.

We are living through a period in which the pillars of the global economy are being reexamined. The shift away from trade liberalization toward economic insulation is not just a U.S. story. It has implications across continents and sectors. Corporations must now adapt to an environment in which the rules are changing faster than business cycles can adjust.

One underappreciated consequence is reputational. The U.S. has long benefited from a perception of reliability—economic decisions grounded in rules, not rhetoric. That reputation is now under scrutiny. Foreign investors and trading partners are watching closely, and their response will shape not only capital flows but long-term trust.

At the same time, dislocation breeds opportunity. When prices fall sharply in response to external shocks rather than systemic collapse, markets often overcorrect. Today's environment, while uncomfortable, has created more attractive valuations across a range of asset classes. The key is discernment. Not all assets are cheap for good reason. But for those with a long-term horizon, the repricing we are witnessing is welcome.

We urge caution but not paralysis. This is not the time to abandon discipline. It is the time to apply it with greater clarity. Risk must be measured. Positioning must be intentional. But we are not standing at the edge of a cliff. We are navigating through unfamiliar terrain.

Markets will adapt, as they always do. The global economy will recalibrate. And thoughtful investors—those who understand that opportunity is often disguised as discomfort—will be rewarded not for predicting the path but for preparing for its many turns.

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Q1 2025 EQUITY MARKET THEMES AND RECAP

KEY POINTS:

- **Stagflationary Pressures:** The combination of slowing economic growth (Q1 GDP forecast at just 0.3%) alongside persistent inflation (Core PCE at 2.9%) created a challenging environment for equities.
- **Trade Policy Disruption:** The Trump administration's implementation of sweeping tariffs, including 25% on Canada and Mexico and 20% on China, triggered market volatility and supply chain disruptions.
- **Sector Rotation:** A significant revaluation of AI-related stocks, defensive positioning in consumer sectors and healthcare policy shifts led to pronounced performance divergence across equity sectors.

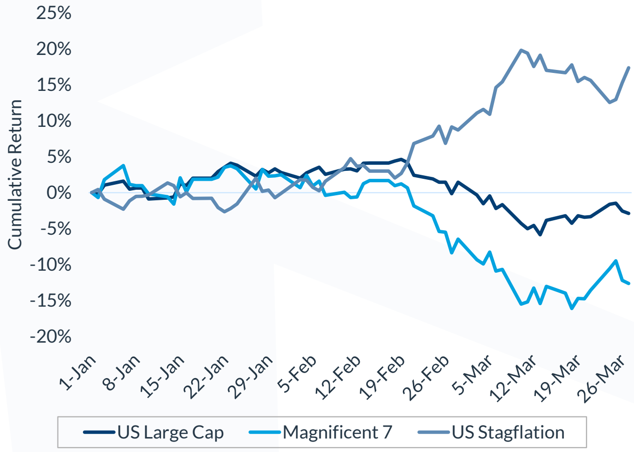
The first quarter of 2025 presented significant challenges for equity markets, with several key themes driving market performance. Following the strong returns seen in 2024, Q1 2025 marked a notable shift in investor sentiment and market dynamics. The S&P 500 declined 4.3% during the quarter, its first quarterly decline since Q3 2023, as markets grappled with complex economic and policy developments.

STAGFLATIONARY CONCERNS

The quarter was characterized by mounting fears of stagflation — a challenging economic scenario in which slowing growth coexists with persistent inflation. Economic growth slowed dramatically, with Q1 GDP growth forecasts falling to just 0.3%, compared to 2.3% in Q4 2024, marking the weakest growth since 2022. This deceleration came as Core PCE inflation remained stubbornly above the Federal Reserve's 2% target, hovering around 2.9% during the quarter. The combination created a dilemma for the Federal Reserve, limiting its ability to stimulate growth amid ongoing price pressures.

Consumer sentiment plummeted to its lowest level since 2021, with the University of Michigan survey showing two-thirds of consumers expecting rising unemployment in the year ahead. This decline in confidence, coupled with elevated inflation expectations, further reinforced stagflationary concerns. The risk of stagflation put particular pressure on cyclical stocks that had previously led market advances, as investors questioned the sustainability of corporate earnings growth.

CHART 1: US EQUITY MARKETS ANTICIPATE GROWING STAGFLATION



Source: Bloomberg, as of March 27, 2025. Past performance is no guarantee of future results.

US Large Cap is the S&P 500 Index. Magnificent 7 isThe Bloomberg Magnificent Seven Total Return Index. Indexes are unmanaged and do not reflect a deduction for fees or expenses. Investors cannot invest directly in an index. Information is subject to change and is not a guarantee of future results.

TARIFF POLICY AND TRADE TENSIONS

President Donald Trump's aggressive trade policies became a significant market disruptor during the quarter. The administration implemented 25% tariffs on goods from Canada and Mexico, while tariffs on Chinese imports increased to 20%, effective March 4. These moves, justified on national security and border control grounds, represented the most substantial trade policy shift since Trump's first term.

The tariff announcements triggered a 10% peak-to-trough S&P 500 correction, with particularly severe impacts on multinational corporations dependent on global supply chains. Companies across sectors reported significant challenges in their earnings calls, with mentions of "tariffs" in quarterly reports increasing 190% quarter-over-quarter. Markets remained on edge throughout the quarter as the April 2 deadline for additional "reciprocal tariff" announcements loomed, creating uncertainty that weighed on equities.

The trade tensions extended beyond North America and China, with threats of tariffs against the European Union further complicating the global trade landscape. Sectors with significant international exposure, including technology, industrials and consumer discretionary, experienced the greatest volatility in response to tariff developments.

AI SECTOR REVALUATION

The artificial intelligence sector, which had been a powerful market driver in 2024, faced a significant revaluation in Q1. Chinese AI company DeepSeek released a remarkably cost-efficient AI model that required significantly fewer computational resources than those of U.S. competitors. This development called into question the massive infrastructure investments made by U.S. tech companies and sparked concerns about the sustainability of their spending.

The technology leaders that had dominated market returns in 2024 experienced a notable pullback, with the Bloomberg Magnificent Seven Total Return Index falling 16% year-to-date by the end of March. Nvidia, the chipmaker at the center of the AI boom, saw particular volatility as investors questioned whether future AI models would require the same level of computational intensity that had driven demand for its advanced chips.

Concerns about escalating costs and uncertain returns led investors to reassess the lofty valuations that had been assigned to AI-related companies. While the long-term potential of AI remained undisputed, the quarter saw a more nuanced view emerge regarding the timeline and capital requirements for realizing that potential, leading to a significant rotation away from the sector that had previously led the market.

HEALTHCARE POLICY SHIFTS

The new Trump administration's healthcare policy initiatives had measurable impacts on the sector during Q1. The administration moved quickly to implement changes to ACA Marketplace enrollment processes, price transparency requirements and reform of pharmacy benefit managers. These regulatory shifts created both opportunities and challenges within the healthcare sector.

Proposals to direct more Medicare beneficiaries toward Medicare Advantage plans benefited insurers but raised concerns about long-term implications for traditional Medicare. The sector also faced uncertainty regarding the administration's approach to the Inflation Reduction Act's drug pricing provisions, particularly the negotiation program set to expand in February with the second set of up to 15 drugs subject to Medicare price negotiations.

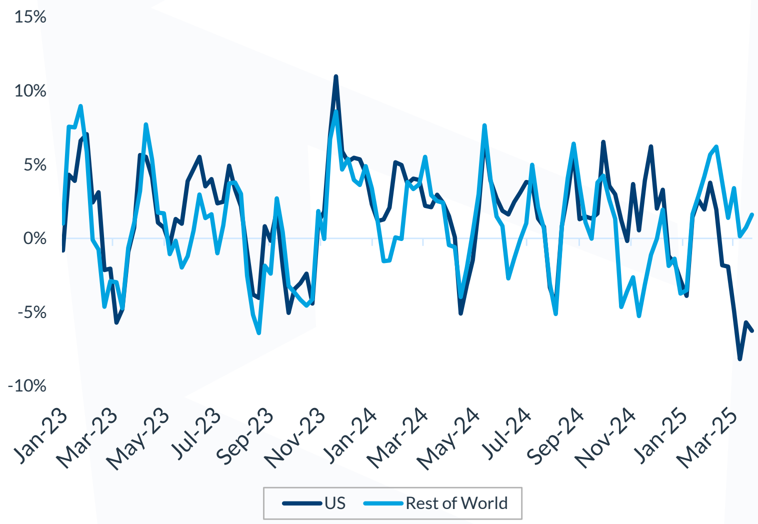
Despite these policy uncertainties, certain healthcare subsectors demonstrated resilience. Companies involved in weight-loss drug development, such as Eli Lilly and Novo Nordisk, continued to attract investor interest due to the expanding addressable market for these treatments. The healthcare sector's defensive characteristics also provided some insulation from broader market volatility.

CONSUMER WEAKNESS

A notable divergence between labor data and consumer sentiment characterized the quarter. Despite relatively stable unemployment figures around 4.1%*, consumer confidence measures declined for four consecutive months, reflecting growing economic anxiety among households. The combination of inflation pressures and tariff-related price increases raised concerns about the sustainability of consumer spending, which had previously been a pillar of economic resilience.

Retail sales data showed signs of moderation, particularly in discretionary categories, as consumers became more cautious with their spending. This weakening consumer outlook had significant implications for earnings expectations across multiple sectors and contributed to the outperformance of consumer staples relative to consumer discretionary stocks.

CHART 2: ROLLING 4-WEEK RETURNS



Source: Bloomberg, as of March 28, 2025. Past performance is no guarantee of future results.

Indexes used: US – Russell 3000 Index. Rest of World – MSCI ACWI ex USA Index

** Source: Bureau of Labor Statistics, as of 3/7/2025..*

The housing sector, which had anticipated benefits from the Federal Reserve's expected easing cycle, faced headwinds from persistent mortgage rates and affordability challenges. Home improvement retailers like Home Depot and Lowe's experienced pressure as consumers delayed large renovation projects amid economic uncertainty.

U.S. MARKET UNDERPERFORMANCE

A striking development in Q1 was the underperformance of U.S. equities relative to global peers. The S&P 500 experienced a 10% correction from February highs before staging a partial recovery late in the quarter. This correction represented the most significant drawdown since 2022 and marked a departure from the U.S. market's previous leadership.

Non-U.S. markets benefited from weaker dollar expectations and generally less exposure to tariff concerns. This global divergence represented a significant shift from the U.S.-dominated returns that had characterized much of 2024. The relative strength of international markets suggested a potential rotation in global asset allocation as investors reassessed geographic exposures.

Fixed income markets reflected the changing economic landscape, with the U.S. 10-year Treasury yield dropping 60 basis points to 4.2% during the quarter as investors sought safety amid equity market volatility. This flight to quality further emphasized the risk-off sentiment that pervaded markets for much of the quarter.

EQUITY MARKET RECAP

The overall equity market performance in Q1 reflected these complex crosscurrents. The S&P 500's 4.3% decline was accompanied by elevated volatility, with the VIX index experiencing elevated levels in March. Sector performance diverged significantly, with consumer staples, utilities and healthcare demonstrating relative resilience while technology, industrials and consumer discretionary sectors faced the strongest headwinds.

Despite the challenging quarter, market analysts maintained a non-recessionary base case for 2025, expecting potential stabilization as trade policy uncertainties diminish and companies adapt to the changing economic landscape. The quarter concluded with markets awaiting clarity on several fronts, including the Federal Reserve's response to persistent inflation amid slowing growth, details of tariff implementation and corporate earnings impacts from these macroeconomic shifts.

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INVESTMENT GRADE BONDS SEARCH FOR FIRMER FOOTING

KEY POINTS:

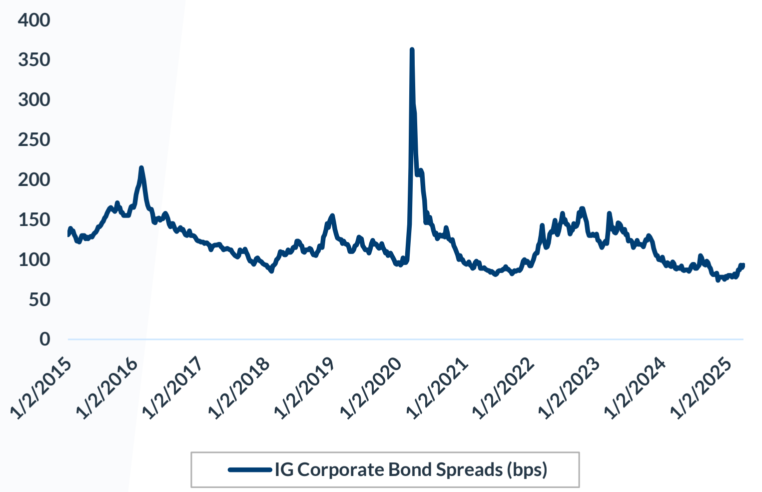
- Despite volatility, stay the course on yield and income opportunities.
- Picking value during market dislocation can benefit long-term investors.
- Credit is resilient, but uncertain economic winds warrant caution in bond selection.

Investment-grade (IG) fixed-income returns were mixed to end the first quarter. While all pockets of the financial market confronted elevated volatility, uneven performance developed toward the final weeks of the first quarter.

The U.S. Treasury Index delivered solid performance, rewarding investors with a 2.92% total return versus a loss of 22 basis points (bps) for IG municipal bonds and 2.31% for IG corporate bonds, per Bloomberg indexes. Front and center was the uncertainty over U.S. trade policy, particularly the impact of tariffs, as well as escalating geopolitical and economic risks. These events pushed inflation expectations up and growth down and pulled consumption forward as businesses and consumers dashed to get ahead of implementation. The results were lower rates and wider credit spreads. The bellwether 10-year U.S. Treasury bond declined a cumulative 37 bps during the first quarter, reflecting more periods of risk-off investor sentiment. While the Federal Reserve left its overnight lending rate unchanged at its March meeting, it faces potentially difficult policy choices ahead with a tug-of-war between mitigating rising prices and staving off disruptions to employment. That being said, easing rates may not cure imbalances, but time perhaps will.

A key observation during the first quarter was the change in valuations and risk pricing across IG bonds. Credit spreads on the Bloomberg U.S. Corporate Investment Grade Index widened between +14 bps and +94 bps, hitting its highest level since August 2024. While close monitoring of corporate fundamentals is warranted as economic headwinds swirl,

CHART 1: INVESTMENT GRADE CORPORATE BOND SPREADS

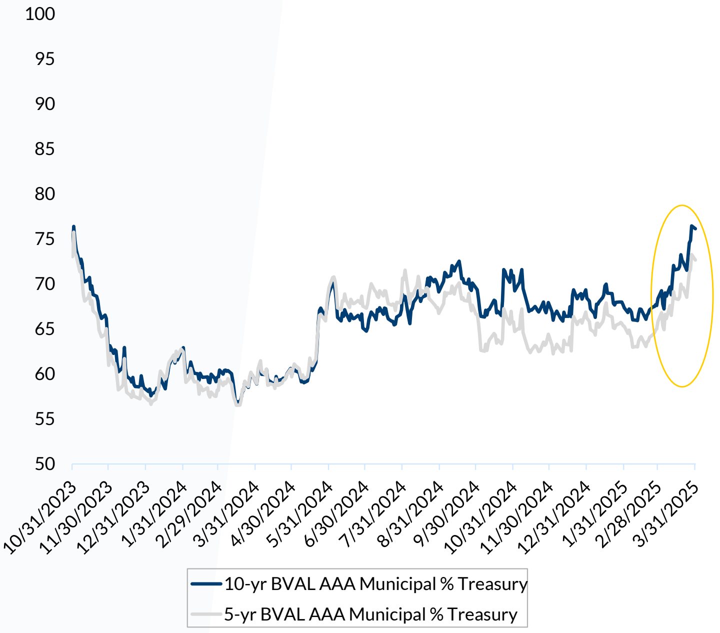


Source: Bloomberg, as of March 31, 2025. Past performance is no guarantee of future results.

IG corporate borrowers should continue benefiting from mostly healthy balance sheets, stable leverage and favorable cash flow generation. The magnitude and duration of policy shifts associated with trade and economic factors could further weigh on credit spreads and pricing. In municipals, the ratio of the 10-year AAA benchmark municipal bond versus a comparable Treasury bond is a key valuation metric. This metric increased meaningfully in the final weeks of the first quarter, as Treasury rates held steady and municipal yields rose (i.e., municipals underperformed), making municipal bonds more attractive at levels not seen in at least two years. Valuations coupled with mostly durable credit conditions, albeit normalizing for issuers given policy shifts, offer compelling value for market investors and could continue as volatility increases in the near term.

One theme that fixed-income investors have continually embraced is income. At quarter-end, the yield to worst of IG municipal bonds and IG corporate bonds, per Bloomberg, was 3.85% and 5.15%, respectively. Attractive yields may provide good cash flow and act as a buffer to rate volatility. Moreover, higher yields benefit forward-return potential. As we progress through the next few months, staying engaged in the markets when dislocation surfaces can add value to long-term investors, but adhering to sound active management and security selection will be crucial to navigating economic uncertainty.

CHART 2: 5-YR AND 10-YR MUNICIPAL-TO-TREASURY RATIOS %



Source: Bloomberg, as of March 31, 2025. Past performance is no guarantee of future results.

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PORTFOLIO MANAGER

HIGH YIELD: INCOME INTACT, VOLATILITY IN FOCUS

KEY POINTS:

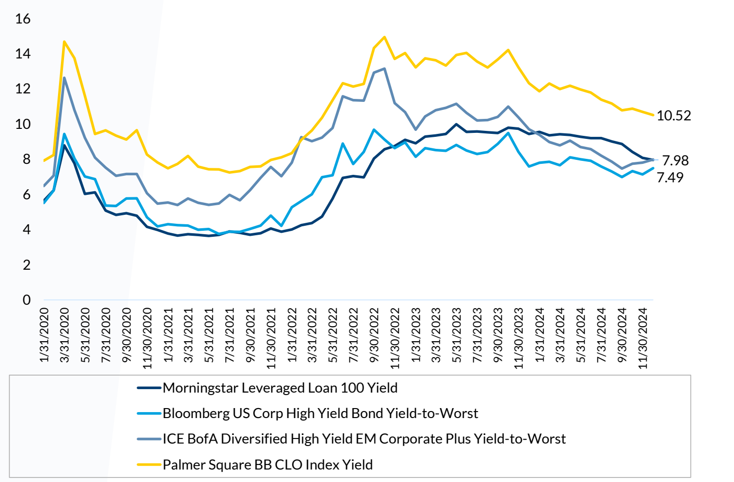
- Absolute yields remain compelling despite more significant price fluctuations.
- Broad positive credit fundamentals continue underpinning issuer quality.
- Diversification remains paramount to help insulate portfolios against spread risk.

Fixed income markets endured increased volatility throughout the first quarter (Q1), but despite a weakening in performance in March, high yield segments delivered overall positive total returns (see charts below).

While economic uncertainties, particularly related to trade policy and the imposition of tariffs, had an uneven impact across asset classes, yields remained attractive and helped lure investor capital into both high yield bonds and bank loans (mainly in January and February). High yield municipals experienced similar demand as consistent net inflows throughout Q1 coupled with a muted supply of new issues bolstered performance.

The ability to capture attractive income has reinforced the case for risk products and remains underpinned by durable credit fundamentals. Across markets, issuer quality is mostly stable while default levels remain manageable and below their long-term averages. The upgrade-to-downgrade ratio, which indicates the margin of improvement vs. deterioration, continues to be positive. However, risk pricing vis-à-vis credit spreads became more volatile during Q1, but diversification may mitigate event risk and be additive to portfolio performance.

CHART 1: OPPORTUNISTIC INCOME YIELDS REMAIN ATTRACTIVE



Source: Bloomberg, as of March 2025. Past performance is no guarantee of future results.

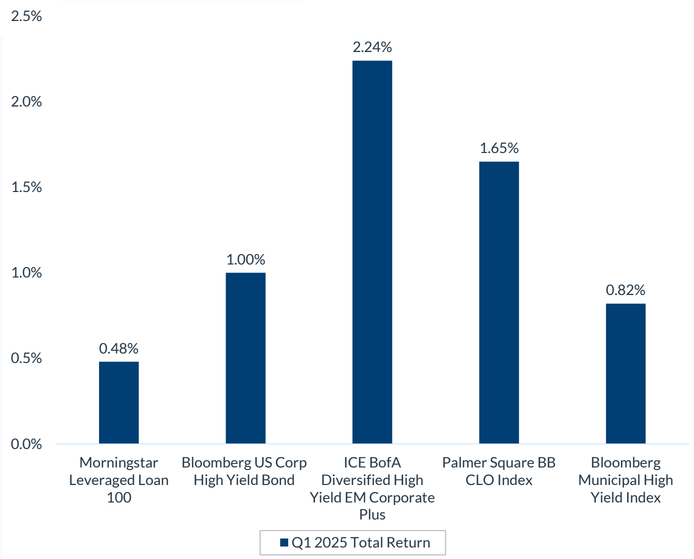
For example, emerging market corporate high yield bonds[1] was an outperformer versus other high yield asset classes (chart 2). Monitoring spreads will become increasingly important as market conditions change. During Q1, the Bloomberg U.S. Corporate High Yield Index option-adjusted spread (OAS) increased by about 60 bps despite hitting intra-quarter lows of about 255 bps in January and February. Conversely, high yield municipal bond[2] spreads remain more stable because of their slower reaction to market and economic trends. Nevertheless, we continue to monitor the market and may view periods of dislocation as opportunities to adjust positioning.

In the near-term, we expected bouts of volatility to persist, and any temporary disruptions can lead to attractive entry points to put cash to work and reshape portfolio allocations. With relatively strong balance sheets, lower default rates and a still accommodative central bank, maintaining exposure to a diverse set of asset classes should benefit portfolios. Macro uncertainty could impact total return potential, but we continue to see value in higher absolute yields available within opportunistic income and private credit. Further, we expect new issue sales to remain soft in high yield municipal bonds, and while sector quality is mostly neutral, some areas of stress, like project finance, require more thorough due diligence.

1 EM Corp: The emerging markets bond index (EMBI) is a benchmark index for measuring the total return performance of international government and corporate bonds issued by emerging market countries that meet specific liquidity and structural requirements.

2 Bloomberg Municipal High Yield Bond Index: The Bloomberg Municipal High Yield Bond Index measures the performance of non-investment grade, US dollar-denominated, and non-rated, tax-exempt bonds.

CHART 2: ASSET CLASS PERFORMANCE



Source: Bloomberg, as of March 2025. Past performance is no guarantee of future results.

THE FED: BETWEEN A ROCK AND A HARD PLACE

PAUL SINGLE
MANAGING DIRECTOR,
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KEY POINTS:

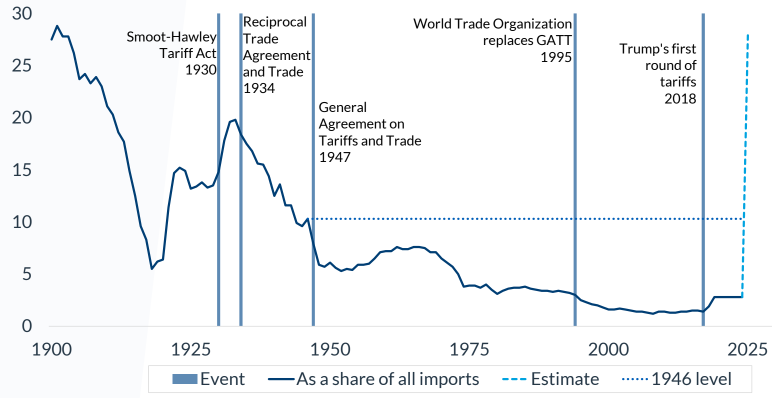
- The new tariff policy increases the risk of higher prices and slower economic growth.
- Fortunately, the economy is very strong with a low unemployment rate and strong household and corporate balance sheets.
- There is a risk of some stagflation, but not to the degree that the U.S. experienced in the 1970s.

The new plans for tariff policy threaten to raise prices further and slow economic growth. This will make it very challenging for the Fed; if they use monetary policy to combat one aspect, it may make the other worse.

This is the stagflation paradox, which is characterized by high inflation and a high unemployment rate. Until the 1970s, economists generally thought it would be impossible for stagflation to exist. It was broadly believed that if inflation got too high, a central bank would raise interest rates, slowing demand, and prices would fall. If the unemployment rate got too high, it would reduce interest rates, demand would pick up, and the unemployment rate would decline. But the 1970s oil crisis changed that. An outside force kept the oil price high no matter what was going on regarding the change in demand. Tariffs can have the same impact on the economy.

The Fed has warned that it is unclear what the correct policy action is at this time. One pending issue is where the tariff rates settle. Countries may be able to negotiate their reciprocal rate downward. The current estimate of the average tariff rate is around 28%, a big jump from the sub-3.0% it was at (Chart 1).

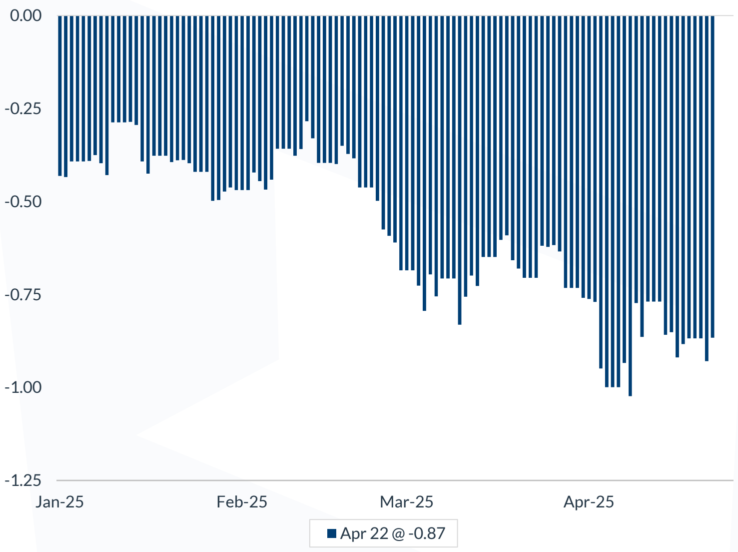
CHART 1: U.S. TARIFF (%)



Source: U.S. Department of Commerce, Estimate from The Budget Lab at Yale, as of April 15, 2025. Past performance is no guarantee of future results.

CHART 2: FEDERAL FUNDS FUTURES: DECEMBER 2025 CHANGE FROM CURRENT RATE

IMPLIED, BASED ON FEDERAL FUNDS FUTURES MARKET



Source: Bloomberg's WIRP page, as of April 22, 2025. Past performance is no guarantee of future results.

Fortunately for the Fed, the inflation rate is not significantly above its projected trend line toward 2.0%, and the economy is robust, with a low unemployment rate and strong balance sheets for households and corporations. This buys the Fed time to study the economic impact of the tariffs. There are several unanswered questions: Will the administration negotiate different tariff rates on some reciprocal tariffs? How will the tariffs impact consumer spending and business investment? Most importantly, will the tariffs lead to a trade war or just higher prices and a slower economy?

As for the financial markets, they now believe the Fed will need to cut the overnight federal funds rate by almost 100 basis points, a sharp change from two months ago when it was less than 25 bps (Chart 2).

INDEX DEFINITIONS

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

Bloomberg Municipal Bond Index: The Bloomberg US Municipal Bond Index measures the performance of investment grade, US dollar-denominated, long-term tax-exempt bonds.

Bloomberg Municipal High Yield Bond Index: The Bloomberg Municipal High Yield Bond Index measures the performance of non-investment grade, US dollar-denominated, and non-rated, tax-exempt bonds.

Bloomberg Investment Grade Index: The Bloomberg US Investment Grade Corporate Bond Index measures the performance of investment grade, corporate, fixed-rate bonds with maturities of one year or more.

The Bloomberg Magnificent 7 Total Return Index: Bloomberg Magnificent 7 Total Return Index is an equal-dollar weighted equity benchmark consisting of a fixed basket of 7 widely-traded companies classified in the United States and representing the Communications, Consumer Discretionary and Technology sectors as defined by Bloomberg Industry Classification System (BICS).

Nasdaq is a global electronic marketplace for buying and selling securities. Its name was originally an acronym for the National Association of Securities Dealers Automated Quotations.

The Dow Jones Industrial Average (DJIA) tracks thirty of America's biggest and most established companies, acting like a quick temperature check of the U.S. economy.

The MSCI USA Large Cap Index is designed to measure the performance of the large cap segments of the US market. The index covers approximately 70% of the free float-adjusted market capitalization in the US.

The Bloomberg Investment Grade Corporate Bond Spreads refer to the spreads between investment grade, fixed-rate, taxable corporate bonds.

BVAL Municipal AAA Benchmark is a municipal bond benchmark. It provides a 5% coupon benchmark yield curve for high-quality US municipal bonds with an average rating of "AAA" from Moody's and S&P

The 10-year BVAL AAA municipal treasury index compares the yield on a AAA rated municipal bond to that of a Treasury before factoring in the effect of taxes.

The Morningstar LSTA US Leveraged Loan 100 Index is designed to measure the performance of the 100 largest facilities in the US leveraged loan market.

The ICE BofA Diversified High Yield US Emerging Markets Corporate Plus Index tracks the performance of US dollar denominated below investment grade emerging markets non-sovereign debt publicly issued in the major domestic and eurobond markets.

The Palmer Square CLO Senior Debt Index is a rules-based observable pricing and total return index for CLO debt for sale in the United States, rated at the time of issuance as AAA or AA (or an equivalent rating).

The Russell 3000 is a broad equity index composed of the 3,000 largest U.S. listed stocks, representing more than 95% of the investable American stock market.

The MSCI ACWI ex USA Index captures large and mid cap representation across Developed Markets (DM) countries (excluding the US) and Emerging Markets (EM) countries. The index covers approximately 85% of the global equity opportunity set outside the US.

DEFINITIONS

The “core” Personal Consumption Expenditures (PCE) price index is defined as prices excluding food and energy prices. The core PCE price index measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices to reveal underlying inflation.

A leveraged loan is a type of loan that is extended to companies or individuals that already have considerable amounts of debt or poor credit history.

Yield to worse (YTW) is the lowest potential yield that an issuer can pay on a bond without defaulting.

The Magnificent 7 refers to a group of major tech companies with stock growth that far outpaced the high-performing S&P 500 in recent years. Coined in 2023, the group consists of Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla.