



Impact investing annual report

2022



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Ron Homer
Chief Strategist,
Impact Investing

[Ron Homer - an impact investing pioneer](#)

Letter from our Chief Strategist of Impact Investing

25 years of impact investing

The Access Capital Community Investment strategy made its first investment in June of 1998, making June 2023 the official 25-year anniversary of the strategy's commitment to impact investing. Since inception, the strategy has consistently focused on supporting low-to-moderate income (LMI) communities and individuals across a variety of social and economic themes: building wealth through homeownership, providing affordable rental housing, increasing access to education and healthcare, and making investments supporting small business and economic development.

The rationale for the founding of what was originally called Access Capital Strategies, LLC, began in 1995 when I participated in formulating major revisions to the Community Reinvestment Act (CRA). The CRA, enacted in 1977, required "financial institutions to help meet the credit needs of the communities in which they do business, including low- and moderate-income neighborhoods"¹. The goal of the CRA was to provide a counterweight to discriminatory credit practices such as redlining that were common in the banking system at the time. Several revisions had been made to the CRA regulations since its inception, but the 1995 regulatory changes – including the adoption of "Lending, Service and Investment" tests – prompted me to consider how I could create an investment strategy that would focus on community development by forming a secondary market for pooled CRA loans.

The vision for the strategy extended beyond simply being able to meet regulatory requirements. We sought to launch a strategy that would use the same government programs and access to the capital markets that helped build "Main Street" America to address some of the systemic inequities that continue to exist. As a result, the Access Capital Community Investment strategy launched in 1998 with the goal of expanding access to capital to people and communities previously underserved – in other words, an impact investing strategy.

As we reflect on the past 25 years and the evolution of impact investing, we would like to share a few observations of how the space has changed.

- **Market-driven returns are key.** Twenty-five years ago, most people thought of impact investing as a concessionary endeavor. While that belief persists in some circles, more and more investors are looking for market-based solutions to social and environmental problems, and there is growing acknowledgment that in order to have sustainable impact, investments need to be market-driven.
- **Fintech solutions are helping.** Some of the barriers around access to homeownership decades ago were not necessarily due to a lack of opportunity to make loans, but were due to the unprofitability of these loans resulting from their high transaction costs. The advent of fintech solutions has dramatically reduced transaction costs, making lending more accessible, and provided more opportunities to structure securities to meet impact investors' goals for returns and positive impact.

¹[Federal Reserve Board - Community Reinvestment Act \(CRA\)](#)

- **Greater emphasis on climate change.** Over the past two decades we have seen an increase in the types of technology developed, products available, and amount of legislation supporting the fight against climate change. These factors have contributed to a significant increase in the number of opportunities for investors who are looking for climate change solutions.
- **Deep-rooted barriers.** Progress toward greater economic equity has certainly improved by some measures – for example, the gender pay gap is much smaller than it has been historically. Yet by other measures, such as homeownership, the gap between white and Black ownership is actually larger than it was forty years ago. And while not the sole contributor to wealth inequality, this disparity in homeownership is a significant factor.
- **Increased awareness...but also deep politicization.** Investors seem to have greater awareness of social and environmental concerns, and many have sought to invest in ways that address these persistent issues. On the other hand, there is pushback to doing so by some factions looking to politicize investment strategies that seek more than a financial return.

By and large, the changes we have seen since 1998 in the impact investing space have been positive. The recognition that the capital markets can be part of the solution to some of these longstanding systemic issues gives us hope that we can continue to increase the flow of capital into LMI and other underserved communities that need it most. Impact investors are making a significant contribution to these efforts.

However, for more benefits to come from impact and community investing, two major events must occur. First, mission-related financial institutions that are interested in providing services to specific communities need to be aggressive in obtaining access to tools that can be utilized for this, including risk share, 7(a) loans (the SBA's most common loan program), and access to the Fed discount window. Second, fintech needs to be applied to improve financial literacy and access to much-needed loans. Today more than ever before, fintech and more specifically social media, may be used to teach would-be borrowers how to obtain small business loans, mortgages, and even higher education loans. Low-cost, high-reach technologies are key to improving access to needed funds and growing communities at the local level.

We are proud of our legacy in the space and we are confident that with our long-standing experience in this field, we can guide the next generation of impact investors. We look forward to seeing improvements to systemic issues such as homeownership, racial wealth inequality, and gender pay equity that can be made through impact and community investing.



2022 in review: Impact themes

Markets in 2022 were driven largely by rising inflation and the subsequent aggressive actions of the Federal Reserve (the Fed). Rapid and substantial rate hikes created significant headwinds for fixed income investors over the course of the year, resulting in drastically negative returns not seen in the bond market for decades. Despite the uncertainty and volatility, impact investors continued to show support for strategies that seek both competitive financial returns and positive social or environmental impacts. Several themes persisted as high priorities for impact investors this year:

Diversity, Equity & Inclusion (DEI): Increasing the flow of capital to BIPOC communities

Many investors are motivated to address the systemic racial injustice and inequity experienced by Black, Indigenous and People of Color (BIPOC) individuals and communities. The racial wealth gap has persisted, disadvantaging BIPOC families, individuals and communities of economic power and prospects. Homeownership tends to account for a large proportion of American families' wealth, but Black and Latinx families are significantly less likely to be homeowners. For example, only 44% of Black Americans owned homes in early 2020 while 73.7% of white Americans did, a gap of nearly 30 percentage points². One significant trend that we have seen over the past several years is that large corporations are seeking to align a portion of their balance sheet assets with internal DEI goals. In doing so, corporations are able to support local communities where their employees, customers and suppliers live, focusing on specific groups like LMI individuals or underserved BIPOC populations. Confronting the economic disparities that BIPOC Americans face today will require comprehensive efforts that extend beyond philanthropy. Impact investing can be a part of the solution by leveraging the capital markets and deploying investment dollars to support upward economic mobility for underserved families.

Climate change and its disproportionate impact on underserved populations

Unsurprisingly, climate change has continued to wreak havoc on communities worldwide. In 2022 alone there were 66,255 fires in the United States, burning a total of 7.5 million acres of land.³ Wildfires are responsible for

More on the causes of wealth inequity



[Ron Homer speaks to CityWire](#)

disruptions to transportation, communications, power and gas services, and water supply. They can also lead to deterioration of air quality and animal and human health as well as loss of property, resources, and perhaps most critically, loss of life.⁴ And while humankind broadly is impacted, our most vulnerable populations bear the brunt of these losses.

Paradise, California is the story of how climate risks can trap LMI communities in a cycle of economic instability – and underscores why investors may seek to invest in solutions that directly help these communities.

In 2018, California's deadliest and most destructive wildfire (donned the Camp Fire) ravaged Paradise, burning down 90 percent of its structures and displacing up to 50,000 residents. Because of California's affordable housing shortage, many of these residents were already economically disadvantaged – like any number of other LMI individuals around the country, they could afford housing in Paradise in large part because of the very climate risks threatening to take that housing away. What's more, these conditions meant Paradise's LMI residents couldn't afford to self-insure, and even if they

²White people own 86% of wealth and make up 60% of the population - USAFacts

³Annual 2022 Wildfires Report | National Centers for Environmental Information (NCEI) (noaa.gov)

⁴Wildfires (who.int)

could, rising housing costs in the area meant they often couldn't purchase a house with the insurance money they received.

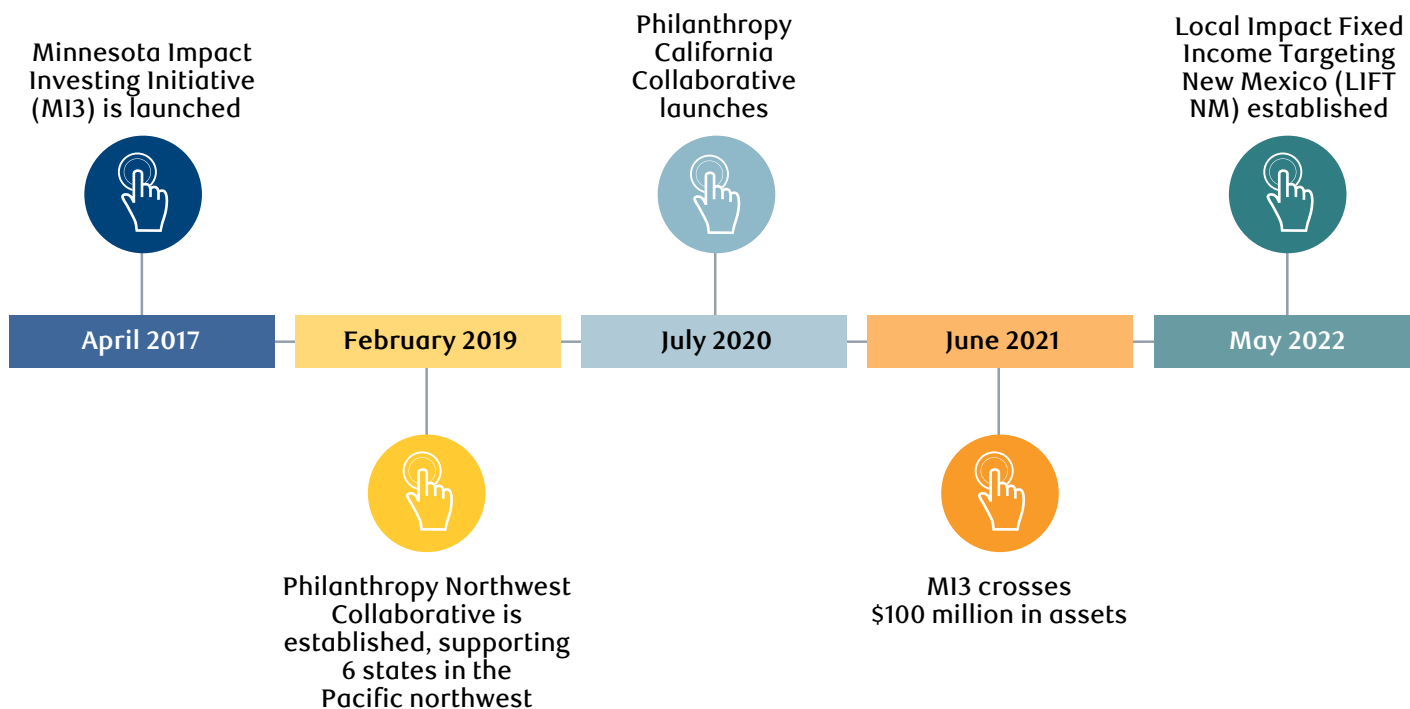
As a result, large numbers of displaced residents faced housing instability. On the eve of the initial pandemic lockdown, for instance, 23% of unsheltered people in all of Butte County (home to Paradise and neighboring areas) were homeless because of the Camp Fire.

The impact of climate change on LMI communities is substantial and will not be solved by any single approach. It will take concerted efforts from government, philanthropy, individuals, and the private sector. Investors can also be part of the solution. Fixed income investment strategies exist that can directly address climate change's impact on communities like Paradise – rather than support the companies who, more often than not, are part of the problem. New, climate-focused investment solutions are out there and growing in number, and most will directly address climate risk and the LMI individuals who are most vulnerable to those risks. For us to maximize our full impact investing potential, investors need to sift through all the noise and ensure their dollars go towards the most meaningful solutions. [Read more on this topic.](#)

Community investing/geographic targeting

Investors continue to show interest in geographically targeting their impact investing dollars, a strategy often referred to as [Community Investing](#). Despite record levels of volatility in the marketplace in 2022, interest in strategies with the capacity to do this type of investing persisted. RBC GAM believes that we can help build stronger communities and build portfolios of high-quality securities that meet investors' needs while increasing the flow of capital to designated communities. Groups of likeminded investors who share a common goal around specific communities (for example community foundations and public entities serving a specific geography) have continued to band together creating [Regional Impact Investment Collaborations](#). This coordinated approach provides an opportunity for investors to create additional scale by pooling assets and targeting them in the areas they care most about. These collaborations have continued to thrive at RBC GAM.

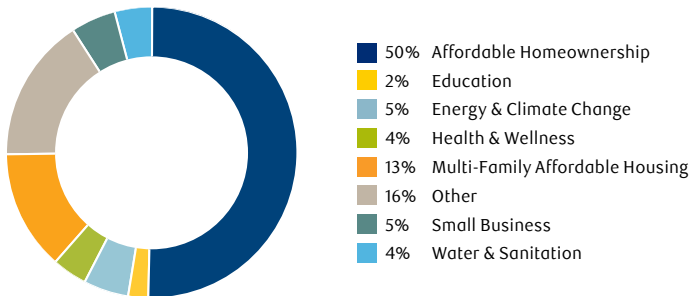
Success with regional collaborations



Impact results

By the numbers

Investments by theme across our impact strategies:



Housing and small business profiles across our impact strategies:

Investing in underserved communities and people

Building wealth through homeownership

100% Low-to-moderate income (LMI) borrowers
100% Fair lending standards
54% Home ownership lending in BIPOC communities

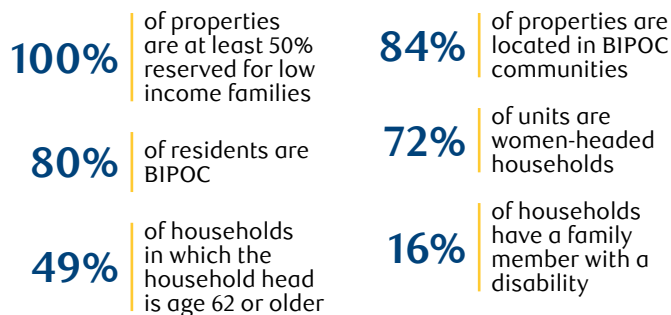
Small business and job creation⁵

90% Serving BIPOC neighborhoods
92% Serving LMI neighborhoods
77% BIPOC-owned
36% Women-owned

Affordable rental housing⁶

72% Women head-of-household
84% Located in BIPOC communities
\$21.5k Average annual resident income
\$507 Average monthly rent

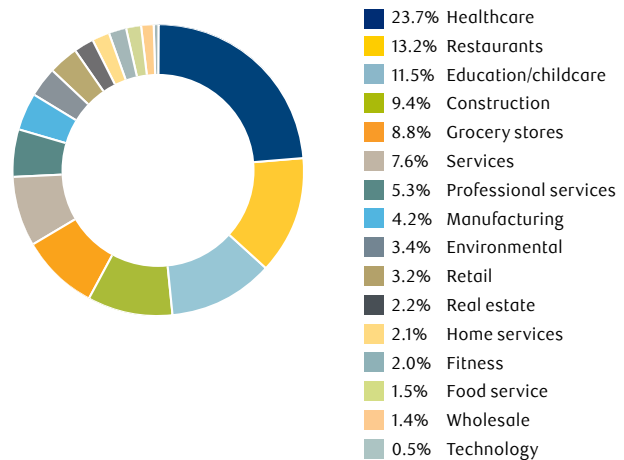
Affordable housing investments supporting key stakeholders



Holdings across impact portfolios at the end of 2022 included:

470 | small businesses providing jobs and valuable services

Breakdown of SBA loan investments by service:



Within the RBC Access Capital Community Investment strategy - breakdown of the impact made across sectors:

1,121 | home purchases made possible in 2022

1,964 | affordable rental units financed in 2022

58 | Small Business Association loans purchased in 2022

Impact made since inception of the RBC Access Capital Community Investment strategy

Low- to moderate-income home buyers	21,264
Affordable rental units	99,758
Nursing home facility beds	6,071
Rural housing	27
Rural enterprise	101
SBA loans	882
Community economic development projects	139
Community-based not-for-profit organizations	17

As of 12.31.22. Source: RBC Global Asset Management, Bloomberg, Federal Reserve (https://www.federalreserve.gov/boarddocs/supmanual/cch/fair_lend_over.pdf), Small Business Administration, U.S. Department of Housing and Urban Development.

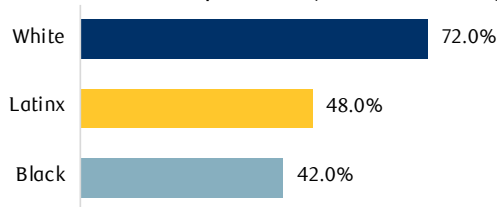
⁵Profile of all small business holdings in the RBC Impact investing strategies where data is reported.

⁶Figures represent the weighted average of all neighborhood residents across census tracts in which the RBC impact investing strategies' affordable housing investments are located. Note: Subsidized housing resident data is only available for assisted housing subsidies under the following HUD programs: public housing, tenant-based, and privately owned, project-based.

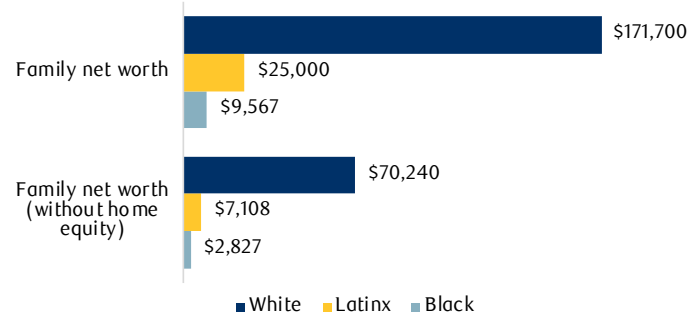
Impact of investments in the RBC Impact Bond strategy as compared to the National lending statistics:

National homeownership profile

National homeownership rates by race/ethnicity⁷

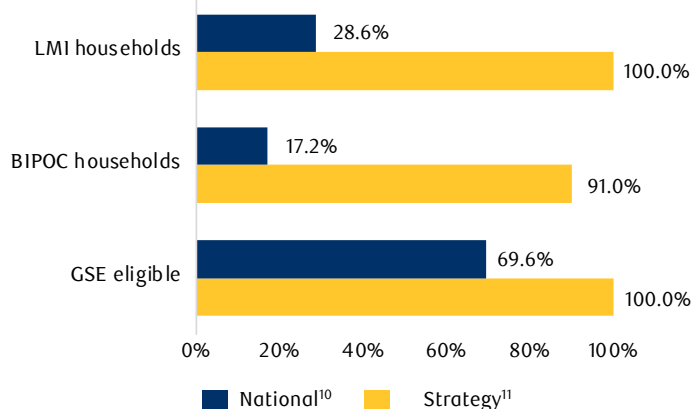


These gaps have contributed to significant disparities in family wealth along racial lines⁸



Homeownership profile comparison

National vs. Impact Bond strategy⁹



As of 12.31.22

⁷Urban Institute, "Closing the Gaps, Building Black Wealth through Homeownership", November 2020. Urban Institute calculations from Survey of Consumer Finances 1983-2016.

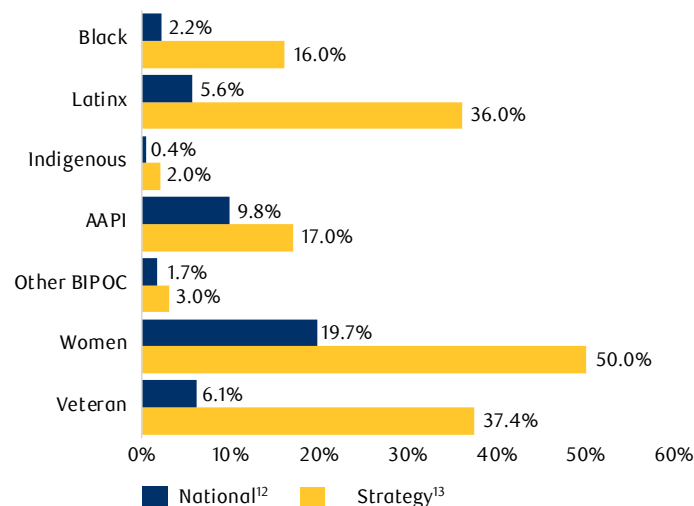
⁸Source: Federal Reserve, Survey of Consumer Finances, 1989-2019.

⁹LMI – Low-to-Moderate Income; AAPI – Asian Americans and Pacific Islanders; GSE – Government-Sponsored Enterprise

¹⁰Consumer Financial Protection Bureau, "Data Point: 2019 Mortgage Market Activity Trends Report", June 2020.

¹¹RBC Global Asset Management and U.S. Census Bureau data. Note: Race data for the strategy uses census tract demographics as a proxy for household demographics (i.e., if a home is located in a tract where more than 50% of the population is BIPOC, it is categorized as a BIPOC household for reporting purposes).

Entrepreneurship profile comparison



Strategy investments in small business¹⁴

92% serve BIPOC neighborhoods

83% serve LMI neighborhoods

63% are focused on healthcare, childcare, and manufacturing

As of 12.31.22

¹²Source: Frequently Asked Questions About Small Business, 2021, Small Business Administration.

¹³RBC Global Asset Management, U.S. Census Bureau.

¹⁴Source: Low-to-moderate income data: Federal Financial Institutions Examination Council (FFIEC), 2019 Community Reinvestment Act Data Fact Sheet; RBC GAM & U.S. Census Bureau. Profile of all small business holdings in the strategy where data is reported.

[Contact us](#) for more data across all our themes – affordable home ownership, education, climate change solutions, health and wellness, multi-family affordable housing, supporting small business, and clean water and sanitation.

Impact investment examples

At RBC GAM, we are committed to providing investors with transparency around the specific investments we make on their behalf. Below are a few examples of 2022 investments in our strategies across a variety of themes and geographies.

Adult day care – Kansas City, MO



- Provides compassionate and individualized care of adults with disabilities
- Transportation is provided to and from the center as well as to appointments, pharmacy, and shopping
- Services include nursing care, music therapy, fitness, and support groups
- Goal is to see participants thrive while avoiding unnecessary ER trips and delaying or avoiding being institutionalized
- 100% funded by Missouri Medicaid
- Black-owned and located in 80% BIPOC low-income tract

This small business is focused on providing adult daycare services in Kansas City, MO. Adult day care centers and programs provide a safe and secure setting for adults who may need supervision during the day due to physical or cognitive limitations. In addition to supporting a new business and job creation in this community, this center provides many other benefits, including providing social activity and companionship for participants, as well as giving primary caregivers a much-needed break from constant caregiving responsibilities. Services such as these help strengthen not just the families who utilize the services but are beneficial to communities as a whole.

Preservation of Affordable Housing (POAH) – Boston, MA



- National non-profit organization founded in 2001 that focuses on affordable housing preservation and development
- Mission is to preserve, create, and sustain affordable, healthy homes that support economic security, racial equity, and access to opportunity
- Developer, owner, and operator of properties in 11 states and DC
- Geographical portfolio is one of the most diverse among other rated US social housing providers (SHP)

Preservation of Affordable Housing (POAH) is a non-profit developer, owner, and operator of nearly 13,000 affordable homes across the country. Their stated mission is to preserve, create, and sustain affordable, healthy homes to meet skyrocketing demand, with an emphasis on preservation. Within the United States, the number of units of affordable housing is not nearly enough to meet demand. While there is much discussion around the building of new affordable housing units, it is also important to preserve and renovate existing public structures to better meet the needs of the community. POAH has a special talent for this work, and has recently committed to renovating an old church, a former convent, and a defunct bank, enabling them to maintain revered historic neighborhood buildings and increase the affordable housing supply simultaneously.

National Community Renaissance – Rancho Cucamonga, CA



- Non-profit corporation that provides high quality affordable housing and social services to enhance communities and break the cycle of generational poverty
- Currently have 77 developments
 - 7,082 units housing 30,000 residents
 - 70% are for families and 30% are for seniors
 - 73% of residents are BIPOC
- Works closely with the Hope through Housing Foundation, which provides services to residents and communities for education, healthcare, financial training, and ageing issues
- Proceeds will be used to refinance debt on specific properties, to buy out limited partners in some properties, and to develop new projects

National Community Renaissance is a non-profit affordable housing developer that is focused on building and creating communities as opposed to individual units. Their goal is to create a neighborhood that supports their residents with not only safe and affordable housing, but also with much-needed services including schooling, elder care, and financial literacy training. Their foundation, Hope through Housing, implements the programs that residents need to thrive and builds communities one family at time. The effect of these communities is increased neighborhood stability and a chance for residents to break the generational poverty cycle and fulfill their potential.

Renewable energy in Mexico



- Financed through the US International Development Finance Corporation (DFC) Tres Mesas will develop, construct, own, and operate two (62.7 megawatts and 858 megawatts) wind farms in Tamaulipas, Mexico
- The farms will have 45 turbines that generate 3.3 megawatts each for a total of 150 megawatts
- The project includes the construction and operation of the farms, construction of a transmission line, internal access roads, substation, offices, maintenance buildings, warehouses and parking lots

The Tres Mesas Project is a wind energy park composed of 45 wind turbines that generate 148.5 MW. Its first stage was officially inaugurated in May 2017, and it is funded by the US DFC. This energy park will increase installed capacity of renewable energy resources, reducing demand for traditional fossil fuel-based energy production. Renewable energy projects, particularly wind-based, are important to the country of Mexico as wind energy serves as the country's main tool for reaching its Nationally Determined Contributions (NDCs) under the Paris Agreement. Furthermore, these projects not only mitigate the effect of climate change but also contribute to the local economy by employing residents to work at the wind park.

What's next – 2023 and beyond

Increased scrutiny of ESG and impact strategies by both regulatory bodies and the public at large continued throughout 2022. The scrutiny has been warranted in many cases, with regulators finding that several advisors were guilty of misstating or omitting information about ESG investment considerations for certain strategies. Tackling the problem of greenwashing and the like should be a high priority in our opinion and we welcome improved clarity around standards and disclosures.

On the flip side, however, there has been deep politicization of responsible investing strategies with many factions attacking the merits of any and all strategies, regardless of facts. This has created a fair amount of polarization in the investment community and unfortunately, we expect that to continue throughout 2023. Stronger regulations around investment strategy naming conventions as well as clearly defined expectations for ESG and Impact reporting should help alleviate some of this, but it

will take time for those rules to be implemented and adopted, and for the implications of these changes to be felt by end investors.

Lastly, while the Fed's efforts to curb inflation in 2022 were painful for many investors, 2023 should bring with it a more attractive environment for fixed income investors with higher current interest rates creating opportunity for more lucrative returns. That said, with volatility and uncertainty elevated (not to mention a potential recession on the horizon) caution and careful investment selection is of key importance. We believe security selection will be paramount as potentially weakening fundamentals will warrant caution. Investors who can adequately implement that careful approach while also meaningfully addressing social and environmental concerns should be well positioned as we move forward. We are grateful for the opportunity to serve our clients in meeting their impact investing goals over the past 25 years and we look forward to continuing to do so in the years to come.

In the news



[New Mexico taps fixed-income strategy for small business lending](#)

[Minnesota Impact Investing Initiative \(MI3\) celebrates five years](#)

[Cadence to invest \\$50 million to support racial equity](#)

Commitments



[Our commitments | RBC Global Asset Management - Institutional \(rbcgam.com\)](#)

Related resources



[2021 Annual Impact Investing Report](#)



[5 Year Responsible Investing Retrospective](#)



[What's ahead for Responsible Investment in 2023?](#)



[2022 Responsible Investing Survey](#)



[RBC Global Asset Management Climate Report 2022](#)



[BlueBay ESG Outlook for 2023](#)

Impact investing team biographies



Brian Svendahl, CFA
Senior Portfolio Manager, U.S. Fixed Income

Brian is a senior portfolio manager within the BlueBay Fixed Income team. He has been the lead portfolio manager for RBC GAM's impact investing strategies since 2006 along with many government and mortgage strategies. Brian joined RBC GAM in 2005 and has co-led the Minneapolis-based fixed income group since 2012. He had previously held several risk management, research, and trading positions with a large American multinational financial services company and first started in the investment industry in 1992. Brian earned an MBA, a BBA in Finance, and a Bachelor of Science in Economics from the University of Minnesota. He is also a CFA® charterholder and a Financial Risk Manager.



Mindy Frye
Institutional Portfolio Manager

Mindy is an institutional portfolio manager within our fixed income group's client service team. She serves as the day-to-day point of contact for our institutional impact investing clients while working closely with the fixed income investment team to pursue each client's impact goals. She also serves as a product specialist for our impact investing strategies and supports the efforts of our Chief Strategist of Impact Investing. Before joining RBC GAM in 2017, Mindy was a senior manager at a global, U.S.-based asset management firm where she led a team responsible for performance and asset reporting; she also worked as senior investment analyst at a private investment firm and as a manager of client service for a registered investment advisory. Mindy started in the financial industry in 2002. Mindy holds an MBA from the University of Minnesota's Carlson School of Management and a Bachelor of Arts in Economics from Macalester College. She also holds FINRA Series 7 and 63 licenses.



Eric Hathaway, CFA
Senior Portfolio Manager, U.S. Fixed Income

Eric Hathaway is a member of the mortgage and government research team in our US fixed income group. He oversees the asset-backed securities effort at RBC GAM-US as well as supporting our mortgage-backed mandates. He also plays a key role in managing our impact investing strategies. He joined RBC GAM-US in 2006 and served as an analyst researching all areas of the rates market before being promoted to Portfolio Manager. Prior to joining RBC, Eric held various positions at Piper Jaffray in treasury and risk management. He has worked in the investment industry since 2001. Eric holds an MBA from the University of Minnesota and a Bachelor of Arts in Business Administration from the University of South Dakota. He is also a CFA® charterholder.



Valinie A. Dayaljee
Assistant Portfolio Manager

Valinie is a trader on the BlueBay Fixed Income team focusing primarily on municipal bonds but also other government and money market instruments. Before joining her current team, Valinie was an investment policy and data analyst in the firm's Investment Policy group. Prior to joining RBC GAM in 2015, she had worked on the funding desk of a Minneapolis-based bank holding company as an operations funding associate. Valinie started her career in the investment industry in 2014. Valinie holds a Bachelor of Science in Finance and Accounting from Concordia University.



Ao Vang
Client Service Analyst

Ao Vang is a client service analyst within our fixed income group's client service team. She works with our institutional impact investing clients while collaborating closely with the fixed income investment team to pursue each client's impact goals. She joined our impact investing team in 2021. She originally worked at RBC GAM from 2015 to 2020 as a relationship manager supporting our efforts to grow our public entities business. She has also worked as a relationship manager and in fund valuation for other investment firms. She joined the financial industry in 2011. Ao holds an MS from Kaplan University and a BS from Iowa State University.



Ronald A. Homer
Chief Strategist, US Impact Investing

Ron is Chief Strategist, U.S. Impact Investing. His background and extensive experience in community investing enables him to identify a broad range of solutions for clients. He is often sought to consult with leading government officials on a variety of community impact issues. Before joining the organization, he was co-founder and chief executive officer of an investment adviser specializing in community investments that was acquired by RBC GAM in 2008. Previously, Ron enjoyed an extensive banking career including thirteen years as president and chief executive officer of a large bank in Boston. He joined the financial services industry in 1969. Ron holds an MBA from the University of Rochester and a Bachelor of Arts from the University of Notre Dame.



Raye C. Kanzenbach, CFA
Senior Portfolio Manager, U.S. Fixed Income

Raye is a senior portfolio manager within the BlueBay Fixed Income team. In this role, he is responsible for researching municipal bond securities. He is also a portfolio manager for several tax-exempt and community investing mandates. Raye has worked in fixed income research and portfolio management since joining the firm in 1983. Previously, he had worked at a Minnesota-based regional bank holding company, where he managed municipal bond and money market funds in addition to supervising municipal and credit research. Earlier, he worked as an investment officer at an insurance company. Raye started his career in the investment industry in 1973. Raye earned an MBA in Finance from the University of Michigan and a Bachelor of Arts in Economics from Lawrence University. He is also a CFA® charterholder.



Teri Savage
Senior Trader, U.S. Fixed Income

Teri is a senior trader within the BlueBay Fixed Income team responsible for trades in mortgage-backed securities (MBS) and asset-backed securities (ABS). Before joining RBC GAM in 2021, Teri had worked with a global investment manager in New York, where she had focused on managing and trading securitized products for multi-sector portfolios. She started her career in the investment industry in 1998. Teri earned a BBA (Finance, Investment, and Banking & Marketing) from the University of Wisconsin.



Karen Ly
Analyst, U.S. Fixed Income

Karen is an analyst within the BlueBay Fixed Income team, serving a dual role of both data analyst and money market trader. She provides insight into markets, portfolios, and impact investment using data science to analyze and interpret large data sets. She started her career in the investment industry with RBC GAM in 2017. Karen earned a Credential of Readiness from Harvard Business School and a Bachelor of Arts in Biology, Society, and Environment from the University of Minnesota Twin Cities.

The US Fixed Income Team is additionally supported by the global Corporate Governance and Responsible Investing team.

RBC Global Asset Management

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