

RBC Target 2027 Canadian Corporate Bond Index ETF Fund



Commentary as at December 31, 2025

The macroeconomic environment is characterized by inflation that in key respects remains above the Bank of Canada's (the "BOC") 2% target, as well as by a softer labour market and a slow-growing economy weakened by uncertainty over U.S. tariffs. Investors are still trying to determine how bad these trends will be for consumers and businesses. Falling interest rates, strong earnings and stable credit metrics such as low default rates and adequate interest coverage continue to support corporate bonds. On the negative side, corporate-bond valuations are historically high, and yields to maturity are now at their lowest in almost four years. The portfolio manager believes stickier inflation could limit the size and number of future interest-rate cuts by the BOC.

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