RAYMOND JAMES | INVESTMENT MANAGEMENT

RJ Eagle Vertical Income ETF

QUARTERLY COMMENTARY

FOURTH QUARTER 2025

Market Overview

Investment-grade corporate bonds, as measured by the Bloomberg U.S. Corporate Bond Index, rose 0.84% during the fourth quarter, bringing the 2025 total return to 7.77%. Coupon income primarily drove performance for the quarter, which more than offset negative price returns for the quarter. The average corporate credit spread widened 4 basis points (bps) during the quarter to 0.78% from 0.74% at the end of September. The modest widening was driven more by technicals than fundamentals. The expectations for heavy upcoming corporate bond issuance and light year-end risk aversion weighed modestly on spreads. Even so, corporate bond spreads remain near historically tight levels, reflecting sustained confidence in credit fundamentals.

The equity market ended 2025 on a positive note. The S&P 500 Index returned 2.7% in the fourth quarter and finished the year up 17.9%. This is just shy of a third consecutive 20%+ annual gain. This outcome seemed unlikely early in the year amid the emergence of new competitive artificial intelligence (AI) models from China and heightened uncertainty following the new U.S. tariff regime. Ultimately, strong AI-related investment, the resumption of U.S. Federal Reserve (Fed) interest rate cuts, and a more pragmatic tone from the Trump administration on trade negotiations allowed equities to push to new highs.

Fund Review

From the launch of the RJ Eagle Vertical Income Fund in early October through the end of the fourth quarter of 2025, the only changes we made to the portfolio were to increase our allocation to a couple of dividend-paying equities from available cash. These moves reflect our near-term view that longer-term interest rates are unlikely to move much. While valuations remain on the expensive side for both corporate bonds and equities, we believe there's more opportunity to find attractive individual stocks on the equity side heading into the positive backdrop we see for risk assets in the early part of 2026.

Within the corporate bond portfolio, we maintained our overweight to the belly of the yield curve while diversifying selectively in the short and long ends. Overall credit quality remains firmly investment-grade, with a focus on issuers offering resilient fundamentals. Financials continued to represent the largest allocation within the preferred sleeve. We remain

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Characteristics

Assets (millions): $8.72

Number of holdings: 79

Top 10 Holdings

Apple Inc 3.75% 11/13/2047

Comcast Corp 5.35% 5/15/2053

Dollar General Corp 5% 11/1/2032

Honeywell International Inc 4.5% 1/15/2034

Union Pacific Corp 3.25% 2/05/2050

Diageo Capital PLC 5.875% 9/30/2036

Equifax Inc 5.1% 12/15/2027

CMS Energy Corp. 4.75% 6/1/2050

Brown & Brown Inc 5.25% 6/23/2032

PNC Financial Services Group Inc 6.25% 6/15/2174

Fund Review (continued)

disciplined on quality, targeting issuers with strong balance sheets and prudent capital policies. Utilities remain a constructive overweight in the preferred sleeve, as we believe they offer attractive risk-adjusted yields and diversification benefits. Their stable cash flows align well with the structural characteristics of preferred securities. Dividend-paying equities become increasingly attractive as interest rates remain near 4% to 5%, toward the bottom end of their years-long range. We expect the macroeconomic backdrop could shift to improving economic growth and bring a brief respite from inflation. Our increased equity exposure here seeks to be opportunistic, focusing on companies with durable cash flows and strong dividend histories. While constructive on income potential, we acknowledge the elevated valuations and lingering structural economic, headline, and geopolitical risks.

Top securities

The Fund's top-performing securities were stocks KeyCorp; Truist Financial; Cisco Systems; United Parcel Service; and Philip Morris International.

Bottom securities

The Fund's bottom-performing securities were Comcast 5.35% 05/15/2053 (bond); Public Storage 4% Perpetual (preferred security); Evergy (stock); Microsoft 3.04% 03/17/2062 (bond); and Oracle 6.25% 11/09/2032 (bond).

Outlook

We expect economic growth to accelerate in 2026, supported by easing base effects, persistent upper-income cohort strength, and policy stimulus measures implemented in 2025. The policy stimulus will be realized throughout 2026 but is weighted toward the beginning of the year. Structural headwinds remain, including labor market normalization (e.g., the dynamic of a lower amount of job growth needed due to demographics and new policies), fiscal concerns, and tariff uncertainty. However, the overall backdrop entering 2026 appears to be constructive, providing a favorable environment for risk assets. In short, we continue to believe the economy appears positioned for a Goldilocks start.

Growth

- Third-quarter real gross domestic product (GDP) was released late and surprised to the upside at 2.3% year over year (or 4.3% quarter over quarter annualized). This is compared to 2.1% year over year (or 3.8% quarter over quarter annualized) in the prior quarter. However, real GDP continues to be marred by noise in inventories and net exports, which are historically volatile components, especially amid shifting tariff policy and pull-forward/give-back dynamics.
- Core GDP (Final Sales to Domestic Purchasers) continued to decelerate, reflecting modest moderation in underlying domestic demand from the consumer and business investment.
- Overall, the "meat and potatoes" of the economy remains resilient but shows signs of slowing, a trend we expect to continue as fourth-quarter data is released.
- Growth is expected to accelerate in early 2026, supported by easing base effects, positive wealth effects for upper-income households, fiscal stimulus via tax cuts, and normalization following the U.S. government shutdown in late 2025.

Inflation

- Consumer Price Index (CPI) inflation eased in the November report (released Dec. 18) to 2.7% year over year, well below consensus estimates. That was the first deceleration in CPI since April 2025. Meanwhile, Core CPI, excluding food and energy, hit a four-year low, but there is ample reason to take this number with "the entire salt shaker."
- The government shutdown created gaps in price collection, requiring statistical agencies to rely on imputed estimates and assumptions, particularly in large components such as Owners' Equivalent Rent.
- Broader price data collection resumed following the end of the government shutdown in mid-November, a period characterized by heavy promotional activity ahead of the holiday season. This also likely skewed some components of CPI.
- There was no CPI report for October. The Bureau of Labor Statistics takes measures to account for sales events in its seasonal adjustment. That can be difficult in the best of times, much less following the first-ever skipped U.S. CPI release.
- We believe November inflation data should be viewed more from a directional basis rather than as definitive levels. Our modeling prior to the release did suggest a slight easing in November.
- We expect this disinflation trend to continue through February 2026.

Outlook (continued)

Federal Reserve

- During the December Federal Open Market Committee meeting, Fed officials lowered the federal funds rate by 25 bps to a target range of 3.50% to 3.75%.
- The dot plot showed modest downward adjustments in the median policy path, but dispersion and a pickup in dissenting votes underscored ongoing uncertainty over the timing and magnitude of future cuts.
- Fed chair succession is on the horizon in May. Former Fed Governor Kevin Warsh and National Economic Council Director Kevin Hassett are among the front-runners, raising questions around Fed independence and future policy nuance.
- Our expectations for a Goldilocks macroeconomic environment in the first quarter of 2026 reflect a mixed bag for Fed officials as easing inflation is generally offset by improving economic activity.
- We continue to expect a mixed easing cycle with the highest probability for a potential 25-bp cut either before or during the March meeting, followed by a pause as officials assess inflation dynamics, which we expect to trough in February before reaccelerating.

Interest rates

- In the near term, we expect the yield on the benchmark 10-year U.S. Treasury note to remain in the 4.00% to 4.25% area, which would be toward the lower end of its years-long range of about 4% to 5%.
- Rate volatility remains muted, as illustrated by the Merrill Lynch Option Volatility Estimate (MOVE) Index, with the Fed now engaged in "shadow" quantitative easing (QE) and with the U.S. Treasury holding to its dovish financing policy of limiting the supply of longer-dated notes and bonds by funding the government by issuing short-term bills.
- This rate environment in the near term aligns with the outlook's framework of steady growth and easing inflation, reinforcing a return profile in which income, rather than duration, dominates.
- Yet as we move closer to mid-year, we would expect an upward bias on longer-term interest rates.

Credit

- We expect that a Goldilocks macroeconomic environment would broadly support risk assets, including corporate credit. That said, we see limited room for material spread compression based on current spread levels.
- Corporate bond spreads are expected to remain range-bound in the near term, with investment-grade spreads expected to remain within the 70- to 90-bp range. This is absent a meaningful shift in the macroeconomic backdrop or an exogenous market shock.
- Credit selection is increasingly important. Spreads are near historically tight levels as issuer-specific risks carry potentially asymmetric downside despite broadly healthy corporate balance sheets and earnings expectations.
- Expectations for elevated 2026 corporate bond issuance could place modest upward pressure on spreads as investors digest new supply and associated new issue concessions, even in the absence of fundamental deterioration.
- For 2026, we anticipate that income will be the primary contributor to total return.

Equity

- With the S&P 500 Index up 86% for the past three years, it is reasonable to question the runway for further gains. However, we see more potential tailwinds than headwinds and believe another year of positive equity returns is achievable in 2026.
- Bloomberg projects S&P 500 earnings per share (EPS) growth of 16% in 2026, up from 15% in 2025. 7 of 11 sectors are expected to deliver double-digit gains. AI investment remains robust and has the potential to broaden its impact across industries.
- Frothy equity valuations are often cited as a risk to the current bull market. At 22x forward earnings, the S&P 500 trades within one multiple of its 25-year high. However, the market sustained this multiple throughout 2025, and accelerating earnings growth may further justify it.
- The S&P 500® Equal Weight Index trades at a more modest 17.5x, suggesting the "average" stock is far less stretched and has the potential for broader market participation.

Outlook (continued)

- Dividends and dividend growth should remain well supported in 2026, driven by solid earnings visibility, strong corporate balance sheets, and a continued emphasis on disciplined capital allocation. As earnings growth broadens, we expect dividend contributions to the market's total return to become more meaningful, particularly from sectors with steady cash-flow profiles rather than pure price momentum.

Disclosures

High-yield security risk results from investments in below investment grade bonds, which have a greater risk of loss, are susceptible to rising interest rates and have greater volatility, especially when the economy is weak or expected to become weak. Quantitative strategy risk is the risk that the success of the fund's investment strategy may depend in part on the effectiveness of the subadviser's quantitative tools for screening securities. Restricted securities risk is the risk that securities not registered in the U.S. under the 1933 Act, or in non-U.S. markets pursuant to similar regulations, including "Section 4(a)(2)" securities and "Rule 144A" securities, are restricted as to their resale. Such securities may not be listed on an exchange and may have no active trading market. Small-cap company risk arises because small-cap companies involve greater risks than investing in large-capitalization companies. Small-cap companies generally have lower volume of shares traded daily, less liquid stock, a more volatile share price, a limited product or service base, narrower commercial markets and more limited access to capital, compared to larger, more established companies.

ETFs are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an ETF's shares may trade at a premium or discount to its net asset value, an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact an ETF's ability to sell its shares. Shares of any ETF are bought and sold at market price (not NAV) and are not individually redeemed from the ETF. Brokerage commissions will reduce returns.

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Sources: Bloomberg, Eagle Asset Management

Definitions

Artificial intelligence (AI) – A technology that enables computers and machines to simulate human learning, comprehension, problem solving, decision making, creativity, and autonomy.

Base effects – Comparisons between current trends, such as the rate of inflation, and the same trends from a previous period, such as a month or a year before.

Basis points (bps) are measurements used in discussions of interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%.

Consensus estimates – Forecasts of a public company's projected earnings, the results of a particular industry, sector, geography, asset class, or other category, or the expected findings of a macroeconomic report based on the combined estimates of analysts and other market observers that track the stock or data in question.

Consumer Price Index / CPI – Measures the change in prices paid by consumers for goods and services. The U.S. Bureau of Labor Statistics bases the index on prices of food, clothing, shelter, fuels, transportation, doctors' and dentists' services, drugs, and other goods and services that people buy for day-to-day living.

Core CPI, the U.S. Consumer Price Index (CPI) for All Urban Consumers: All Items Less Food & Energy – A measurement of the change in prices paid by consumers for goods and services, which excludes two categories (food and energy) where prices tend to swing up and down more dramatically and more often than other prices.

Coupon income / coupon – A payment expressed as a percentage of the face value of the bond and paid on a regular basis until the bond matures.

Credit spreads – The difference in yield between a U.S. Treasury bond and another debt security with the same maturity but different credit quality. Credit spreads reflect the risk of the debt security being compared with the Treasury bond, which is considered to be risk-free.

Credit spread compression – Takes place when a credit spread narrows. This often happens when strong demand brings down the yield on a higher-yielding bond.

Credit spread tightening / widening – The contraction (tightening) or expansion (widening) of credit spreads in response to changes in economic conditions that cause credit risk to decine (causing tightening) or increase (causing widening).

Disinflation – A temporary slowing of the pace of price inflation. Disinflation refers only to the rate of change in the rate of inflation. In this, it is distinct from inflation and deflation, which describe the direction of prices.

Dividend payers – Companies that distribute a portion of their profits to shareholders in the form of a dividend.

Dot plot – A U.S. Federal Reserve chart summarizing the Federal Open Market Committee's (FOMC) outlook for the federal funds rate. Each dot represents the interest rate forecasted by one of the 12 members of the committee.

Dovish – A term that describes the monetary policy preferences of central bankers and others who tend to support maintaining lower interest rates, often in support of stimulating job growth and the economy more generally.

Duration – A measure that incorporates a bond's yield, coupon, final maturity and call features into one number, expressed in years, that indicates how price-sensitive a bond or portfolio is to changes in interest rates. Bonds with higher durations carry more risk and have higher price volatility than bonds with lower durations.

Earnings per share (EPS) – A company's profit divided by the outstanding shares of its common stock. EPS serves as an indicator of a company's profitability.

Exogenous shocks – Unexpected events that take place outside an industry, sector, or even an economy and that have sudden, negative impacts on countries, their populations, their economies, and their capital markets.

Federal funds rate — The target interest rate set by the Federal Open Market Committee of the U.S. Federal Reserve. The target is the Fed's suggested rate for commercial banks to borrow and lend their excess reserves to each other overnight.

Federal Open Market Committee (FOMC) – Consists of 12 members: the seven members of the Board of Governors of the Federal Reserve System; the president of the Federal Reserve Bank of New York; and four of the remaining 11 Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight meetings per year to review economic and financial conditions, determine the appropriate stance of monetary policy, and assess the risks to its long-run goals of price stability and sustainable economic growth.

Fiscal policy – The tax collection and spending a government uses to influence its country's economy.

Fiscal stimulus – Tax collection or government spending aimed at boosting growth in a country's economy.

Gross domestic product (GDP) – The total value of goods and services provided in an economy during a specified period, often one quarter or one year. Often referred to as nominal or headline GDP. Real GDP is nominal GDP adjusted for inflation. Core GDP – also known as final sales to private domestic purchasers – reflects the growth of personal consumption and fixed investment. It excludes measures of government spending, net exports, and inventories.

Headwind is a term used to describe events or market forces that hinder the prospects for performance in an individual investment or group of investments.

Investment-grade refers to fixed-income securities rated BBB or better by Standard & Poor's or Baa or better by Moody's.

Macroeconomic refers to the branch of economics that focuses on seeking to understand the interactions between the markets, businesses, governments, and consumers that make up an entire economy.

Merrill Lynch Option Volatility Estimate (MOVE) Index – A measure of U.S. interest rate volatility that tracks the movement in U.S. Treasury yield volatility implied by current prices of one-month over-the-counter options on 2-year, 5-year, 10-year and 30-year Treasuries.

Owners' equivalent of rent of primary residences / OER – A component of the Consumer Price Index that helps measure changes in the cost of shelter in the United States.

Overweight describes a portfolio position in an industry sector or some other category that is greater than the corresponding weight level in a benchmark portfolio.

Preferred securities – Fixed income instruments that typically sit above common equity but below traditional senior and subordinated debt in a company's capital structure.

Price-to-earnings (P/E) – A ratio that measures a company's current share price relative to its earnings per share. The ratio is used to help assess a company's value and is sometimes referred to as the price multiple or earnings multiple. Forward P/E uses forecasted earnings for the P/E calculation.

Quantitative easing (QE) – A form of unconventional monetary policy in which a central bank purchases longer-term securities from the open market to increase the money supply and encourage lending and investment. Buying these securities adds new money to the economy, and also serves to lower interest rates by bidding up fixed-income securities. It also expands the central bank's balance sheet.

Range-bound – When a security or area of the market vacillates between the low and high ends of a narrow range.

Risk assets – Investments such as equities, commodities, high-yield bonds, real estate, and currencies, where the value may rise or fall due to fluctuating interest rates, changes in credit quality, default risks, supply and demand disruption, and other factors.

Tailwind – An event or market force that exerts a positive influence on an investment's performance.

Technicals – Indicators of historic market data, including price and volume statistics, to which analysts apply a wide variety of mathematical formulas in their study of larger market patterns.

Total return – When measuring performance, is the actual rate of return of an investment or a pool of investments over a given period. Total return includes interest, capital gains, dividends, and distributions realized over the specified period.

Visibility – The degree to which market observers and participants can reliably estimate the direction and extent of future performance or other trends in securities, sectors, asset classes, markets, or economies.

Yield curve – A line that plots yields (interest rates) of bonds having equal credit quality but differing maturity dates. The short end of the yield curve refers to groups of bonds with the shortest maturity dates. The belly of the curve refers to bonds that mature generally in 2 to 10 years. The long end of the curve refers to bonds with maturities of 10 years or more.

Indices

S&P 500 Index – Measures changes in stock market conditions based on the average performance of 500 widely held common stocks. It is a market-weighted index calculated on a total return basis with dividend reinvested. The S&P 500 represents approximately 80% of the investable U.S. equity market.

S&P 500® Equal Weight Index – The equal-weight version of the S&P 500. It includes the same constituents as the capitalization-weighted S&P 500, but each company in the S&P 500 Equal Weight Index is allocated a fixed weight, or 0.2% of the index total at each quarterly rebalance.

Bloomberg U.S. Corporate Index – Measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility, and financial issuers. The index includes securities with remaining maturity of at least one year.

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