City National Rochdale®
INVESTMENT MANAGEMENT

On the Radar

FAQs ON THE MARKETS AND ECONOMY AUGUST 1, 2016

1. What expectations should investors have for portfolio returns?

Over a year ago, City National Rochdale reduced European equity exposure in client portfolios to just 5%, significantly less than the typical allocation of 10%-20% in a normal global asset allocation universe. This prescient investment decision means our clients have not been exposed to the same extent of volatility as investors who have a more normal allocation to European equities.

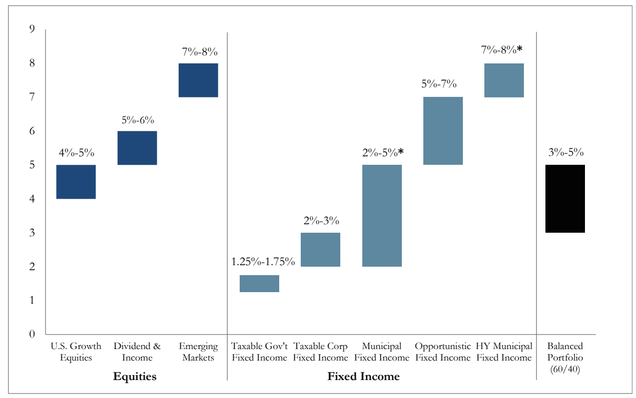
As of now, we expect to hold our modest European portfolio position. We are evaluating risks and the relative attractiveness of particular asset classes in light of recent developments.

For U.S. equities, now at record highs, we are considering whether the volatile and uncertain times ahead warrant a reduction to our modest overweight to growth stocks. Our current allocation to U.S. high dividend stocks is expected to be maintained.

Our exposure in EM Asia is focused on domestic consumption and new-economy businesses, which we do not expect will see any material impact from Brexit on companies' earnings at this point.

In fixed income, we will maintain our current positioning across government, investment grade, and high yield bonds. While yields on IG bonds are low, given potential uncertainty, fixed income assets require careful monitoring of credit quality.

Forecasted Expected Returns (%) 12-month Horizon



Source: City National Rochdale, July 2016

Forecasted expected returns represent City National Rochdale's opinion for these asset classes, are for illustrative purposes only, and do not represent client returns. The expected returns presented for these asset classes do not reflect any deductions for City National Rochdale fees or expenses. Actual client portfolio and investment returns will vary.

***Forecasted expected returns for HY Municipal and Municipal FI represents the taxable equivalent return at a 43.40% tax rate.**

2. Is City National Rochdale's outlook for equities still positive?

Yes, we believe the secular bull market for stocks remains intact.

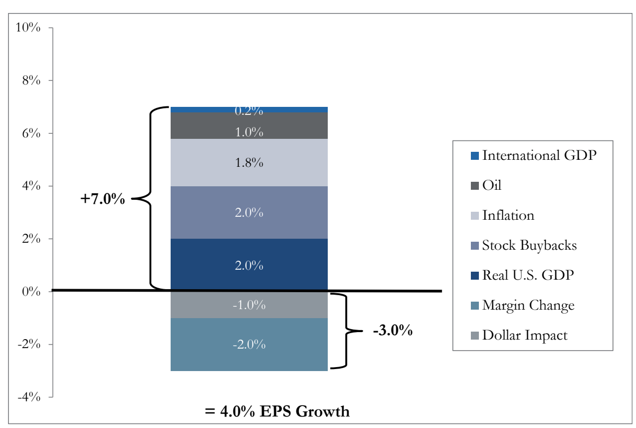
Our modest overweight to U.S. equites is based on our forecast for continued solid US economic growth which is healthier and more resilient than other developed markets such as Japan and Europe.

Though we have trimmed our growth outlook modestly to reflect the impacts from Brexit, we still see EPS growth of 3-5% through 2017.

This serves as the underpinning for our expectations of 4-5% total return for the S&P 500.

However, because volatility is likely to remain high, geopolitical risk elevated, and valuation is at near the upper end of the fair value range, we remain on "reduction watch."

Slow but Positive EPS Growth Over the Next 12 Months



City National Rochdale estimates, July 2016

3. What has caused the recent drop in interest rates?

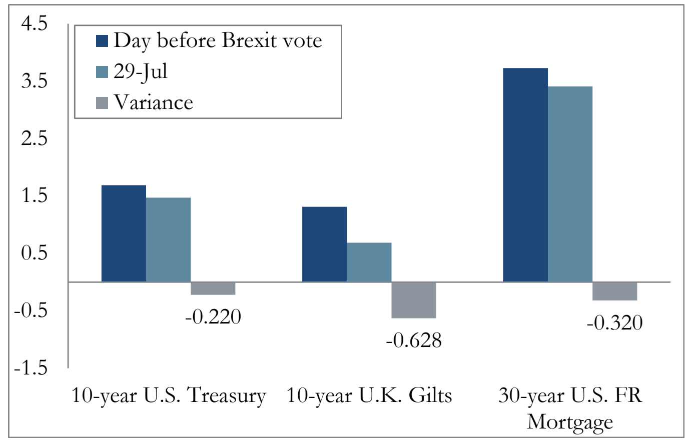
The Brexit vote was a paradigm shift which reduced the outlook for global economic growth.

This increases the probability of more quantitative easing by various central banks, which will put upward price pressure on government and high grade bonds.

It also reduced global inflation expectations.

Because of the flight to safety, it has strengthened the dollar and increased prices of U.S. bonds.

Changes in Various Interest Rates



Source: Bloomberg, Bankrate.com

4. Why has the Chinese yuan fallen in value?

While the world was paying attention to Brexit, the Chinese have stealthily devalued their currency versus the dollar.

Since the Brexit vote, it has fallen 1.2% against the U.S. dollar.

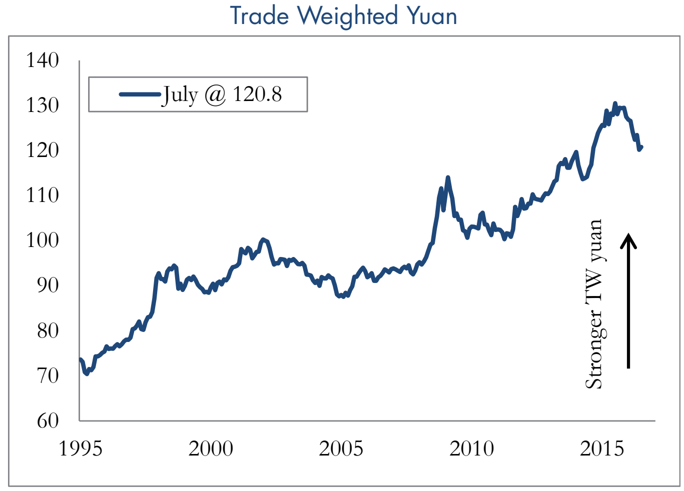
The yuan is pegged to a basket of 13 currencies, the dollar holding the largest allocation (more than 25%).

The strength of the dollar in recent years had pushed up the value of yuan, relative to its major trading partners, making their exports less competitive.

For the past year, they have been reducing the value of the yuan relative to their trading partners. By reducing the value their currency, the Chinese have made their exports cheaper.

With the upcoming election and the anti-free trade rhetoric, expect a lot more attention toward the currency.

Trade Weighted Yuan



Source: Westpac Strategy Group

5. Is the recent slowdown in GDP growth a cause for concern?

The 1.2% gain in headline second quarter GDP, combined with the downward revisions to prior quarters, is disappointing but we believe there are good reasons for optimism in the second half of the year.

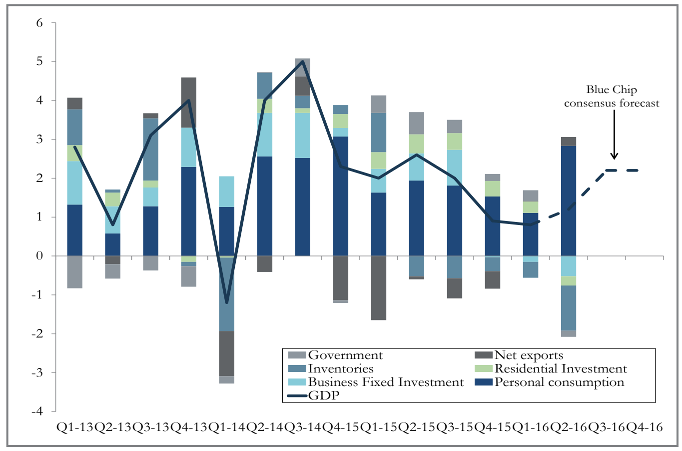
Real final sales (GDP minus net exports and inventory investment – it is a measurement of underlying demand) rose at a much more solid 2.4% rate, twice the pace of the second quarter, and a sign the underlying domestic demand remains healthy.

The big story was the 4.2% surge in consumer spending. Although that rate of growth is unsustainable, a tightening labor market and higher savings should underpin spending for the rest of 2016.

The main drag on second quarter growth was an unusual outright drop in inventory investment, but this will likely promote stronger production in the latter half of 2016.

GDP growth should also benefit from an improving housing market, reduced drag in mining-related investment, and the fading of the 2014/2015 dollar surge on exports.

Contributions to GDP Growth



Source: Bureau of Economic Analysis

6. What was the good news from the GDP report?

Despite the disappointing headline GDP report, the consumer was vigorously spending.

Consumption is the main engine of the economy, comprising of about two-thirds of GDP.

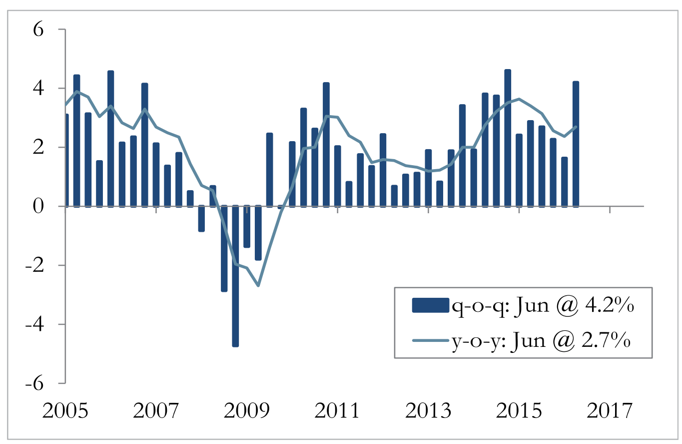
It was buoyed by continued job growth, an increase in income growth, and still low gasoline prices.

Consumption was up 4.2%, the highest level since 2014, and above the recovery average of 2.3%.

It was led by an 8.4% jump in durable goods.

Spending on non-durable rose 6.0% and services increased 3.0%.

GDP: Consumption (% chg. q-o-q, y-o-y)



Source: Bureau of Economic Analysis

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There are inherent risks with equity investing. These risks include, but are not limited to, stock market, manager, or investment style. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

Investing in international markets carries risks such as currency fluctuation, regulatory risks, and economic and political instability. Emerging markets involve heightened risks related to the same factors as well as increased volatility, lower trading volume, and less liquidity. Emerging markets can have greater custodial and operational risks, and less developed legal and accounting systems, than developed markets.

There are inherent risks with fixed income investing. These risks may include interest rate, call, credit, market, inflation, government policy, liquidity, or junk bond. When interest rates rise, bond prices fall.

High yield bonds offer a higher yield and carry a greater risk of loss of principal and interest and an increased risk of default or downgrade than investment grade securities.

The yields and market values of municipal securities may be more affected by changes in tax rates and policies than similar income-bearing taxable securities. Certain investors' incomes may be subject to the Federal Alternative Minimum Tax (AMT), and taxable gains are also possible.

Investments in the municipal securities of a particular state or territory may be subject to the risk that changes in the economic conditions of that state or territory will negatively impact performance. These events may include severe financial difficulties and continued budget deficits, economic or political policy changes, tax base erosion, state constitutional limits on tax increases, and changes in the credit ratings.

Investments in emerging markets bonds may be substantially more volatile, and substantially less liquid, than the bonds of governments, government agencies, and government-owned corporations located in more developed foreign markets.

Returns include the reinvestment of interest and dividends.

Investing involves risk, including the loss of principal.

As with any investment strategy, there is no guarantee that investment objectives will be met and investors may lose money.

Past performance is no guarantee of future performance.