City National Rochdale®
INVESTMENT MANAGEMENT

On the Radar

FAQs ON THE MARKETS AND ECONOMY FEBRUARY 27, 2017

1. What are City National Rochdale's expectations for economic and investment outcomes in 2017?

Given the potential pro-growth policies, including tax cuts and stimulus spending, we see corporate profit growth likely improving over the next two years, supported by a longer economic expansion. Inflation from faster wage increases may cause interest rates to rise moderately. Depending on the specifics of tax cuts and spending increases, they may cause higher deficits.

Equity investors should benefit, while fixed income investors will likely experience downward bond value pressure as interest rates rise.

Surveys of consumer and business optimism have reached multi-year high levels. Historically, when business executives and consumers feel better, spending increases. As the legislative process is uncertain, it would not be surprising to see some downward equity price volatility.

We continue to overweight U.S. growth and dividend equities and underweight bonds.

Forecasted Expected Returns (%) 12-month Horizon

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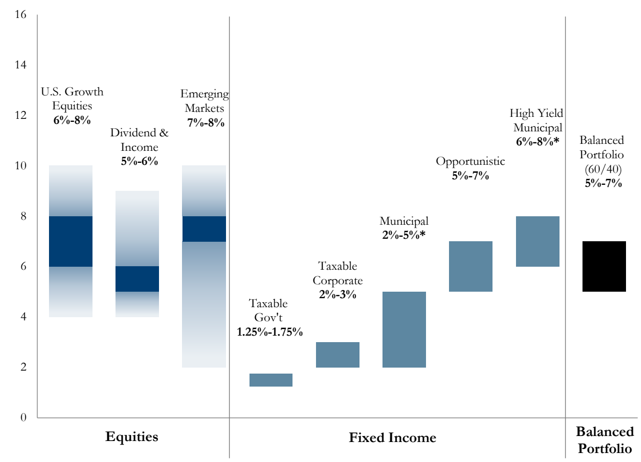

The range of outcomes upward and downward reflect what could go right and what could go wrong during the new Trump administration

Source: City National Rochdale, February 2017
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 represent the taxable equivalent return at a 43.40% tax rate.**

2. What is the outlook for the global economy?

Prospects for global growth in 2017 have modestly improved.

The IMF forecasts global GDP will pick up slightly to 3.4% from the 3.1% registered in 2016. This would be the first time growth has been at or above the 20-year average since 2011. Business surveys confirm activity has picked up a bit in advanced economies, while some key emerging economies are coming out of recession with stabilization in commodity prices.

We believe the biggest risks to stronger global growth in 2017 are the threat of trade wars or continued calls for protectionism, and European political upheavals. With global trade an important driver of global GDP, changes among just a few countries can have a noticeable impact on global growth and corporate profits.

Markit Global Manufacturing PMIs

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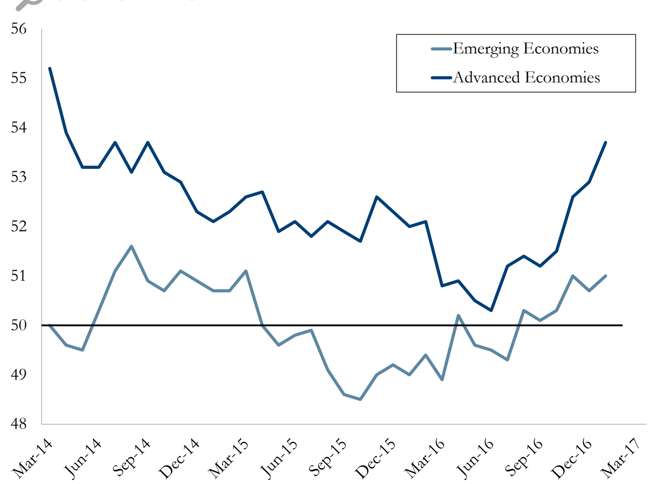

Source: Markit, as of January 31, 2017

3. What is the outlook for interest rates?

Chairwoman Yellen reiterated the Fed's plan to raise the funds rate three times this year, from the current median level of 0.625%. She was not specific as to when the rate increase will happen.

We expect at least two increases with a third hike possible. We believe the Fed rate will be between 1% and 1.5% by year end.

The interest rate increases are important, but we believe the impact to real economic activity in 2017 will not cause GDP to slow. The impact in 2018 will be more important to assess later this year.

Implied Probability of a 25 bp rate hike (%)

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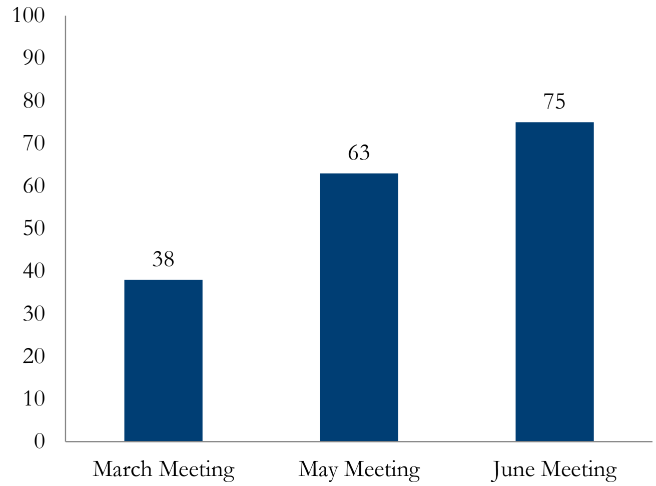

Source: Chicago Board of Trade, Bloomberg as of February 24, 2017

4. What is the 2017 outlook for U.S. equities?

We believe the U.S. secular bull market will continue through 2017, with approximately 6% to 8% total returns.

The new administration's tax cut plan and other fiscal proposals are designed to drive more cash flow in business and consumer pockets, which could enhance economic activity if spent and invested. We believe stronger economic activity is positive for stocks over bonds.

We have assumed a modest reduction in the corporate tax rate and raised our base case 2017 EPS forecast from $130 to $134 to reflect this, with early indicators for 2018 of potentially more than $140.

Delays in policy implementation may cause market volatility in the near term, however we are focusing not only on potential benefits to 2017 earnings growth, but 2018 as well.

Although valuations appear full, against an improved outlook, equity prices may also benefit from further modest multiple expansion.

EPS Building Blocks: 9% Potential Growth

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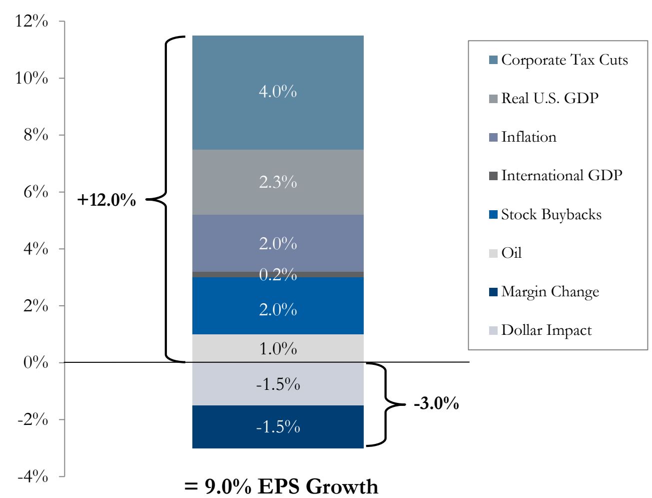

Source: City National Rochdale projections, February 2017

5. Is the U.S. manufacturing slump finally over?

With the drag from the 2014 –2015 surge in the dollar fading, as well as the gradual rebound in energy prices, the manufacturing sector is reviving.

A string of positive regional and global PMIs have provided corroboration that actual output and new orders are following the uptick.

Manufacturing should continue to slowly recover this year as global economic demand modestly improves and headwinds continue to ease. However, the effect from escalating international trade uncertainty remains unclear and represents a potential downside risk.

ISM Manufacturing Index

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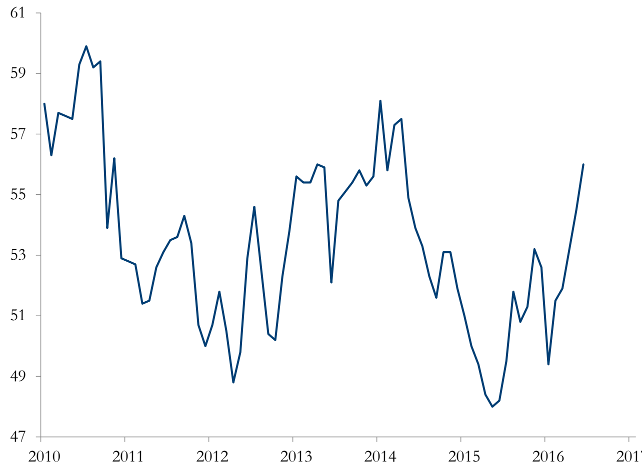

Source: ISM, as of January 31, 2017

6. Should I do anything to protect my portfolio from modestly rising interest rates?

We believe one way to protect a portfolio from rising rates, and actually benefit, is to invest in floating rate securities.

One type of floating rate security that we believe is compelling right now are senior bank loans. These offer attractive yields (currently in the range of 5-6%) with little interest rate risk. The coupons on these securities reset quarterly based on 3 month LIBOR, providing an attractive return profile in periods of rising interest rates.

City National Rochdale has allocated to senior secured loans (SSL) for many years. Our opportunistic fixed income strategy has exposure to SSL and other high yield bonds, not only in the U.S. but in European and emerging markets.

Performance during Rising Rates

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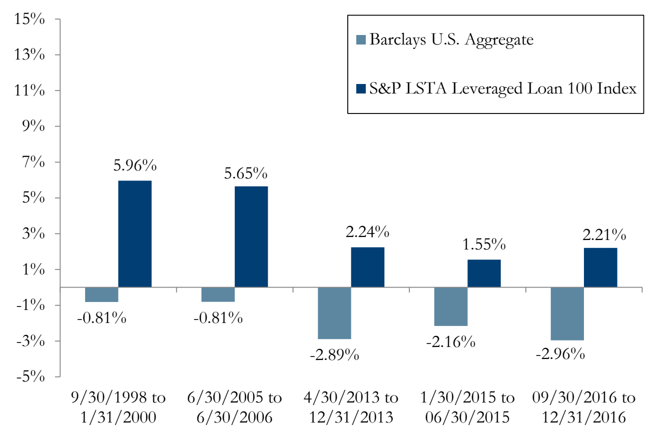

Source: Barclays U.S. Aggregate, S&P LSTA Leveraged Loan 100 Index
As of December 31, 2016
Return figures do include the reinvestment of interest and/or dividends

Important Disclosures

The information presented does not involve the rendering of personalized investment, financial, legal, or tax advice. This presentation is not an offer to buy or sell, or a solicitation of any offer to buy or sell any of the securities mentioned herein.

Certain statements contained herein may constitute projections, forecasts, and other forward-looking statements, which do not reflect actual results and are based primarily upon a hypothetical set of assumptions applied to certain historical financial information. Certain information has been provided by third-party sources, and although believed to be reliable, it has not been independently verified, and its accuracy or completeness cannot be guaranteed.

Any opinions, projections, forecasts, and forward-looking statements presented herein are valid as of the date of this document and are subject to change.

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. This risk is heightened with investments in longer duration fixed-income securities and during periods when prevailing interest rates are low or negative.

Investments in below-investment-grade debt securities which are usually called "high-yield" or "junk bonds," are typically in weaker financial health and such securities can be harder to value and sell and their prices can be more volatile than more highly rated securities. While these securities generally have higher rates of interest, they also involve greater risk of default than do securities of a higher-quality rating.

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.

Floating rate loan securities generally trade in the secondary market and may have irregular trading activity, wide bid/ask spreads and extended trade settlement periods. The value of collateral, if any, securing a floating rate loan can decline, may be insufficient to meet the issuer's obligations in the event of non-payment of scheduled interest or principal or may be difficult to readily liquidate.

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.

Index Definitions

The Barclays Aggregate Bond Index is comprised of U.S. government, mortgage-backed, asset-backed, and corporate fixed income securities with maturities of one year or more.

The S&P/LSTA U.S. Leveraged Loan 100 Index is designed to reflect the performance of the largest facilities in the leveraged loan market.

The ISM Manufacturing Index monitors employment, production, inventories, new orders and supplier deliveries. A composite diffusion index monitors conditions in national manufacturing and is based on the data from these surveys.