City National Rochdale®
INVESTMENT MANAGEMENT

On the Radar

FAQs ON THE MARKETS AND ECONOMY JANUARY 25, 2018

1. What is City National Rochdale's outlook for 2018?

The global economy continues to experience a synchronized period of growth, rising corporate profits, moderate inflation, and low interest rates that is expected to last into 2019.

As a result, we believe the stage remains set for further worthwhile gains in equities and select opportunities in the credit segment of fixed income (see chart).

In the U.S., the expansion is set to soon become the second longest in post-war history, and despite its advanced age, at this point only a limited number of our proprietary recession indicators are flashing yellow.

In fact, we expect recently passed tax cuts to provide a modest boost to GDP growth over the next several quarters and a meaningful increase in corporate earnings, which should help extend the long-run bull market for at least another year.

However, we do appear to be in the later stages of the market cycle and investors should recalibrate expectations for lower returns over the next few years.

The final stages of a market cycle can be rewarding, but last year's impressive market gains are unlikely to be repeated and investors should lower expectations for overall portfolio returns in 2018.

Forecasted Expected Returns (%), 12-Month Horizon

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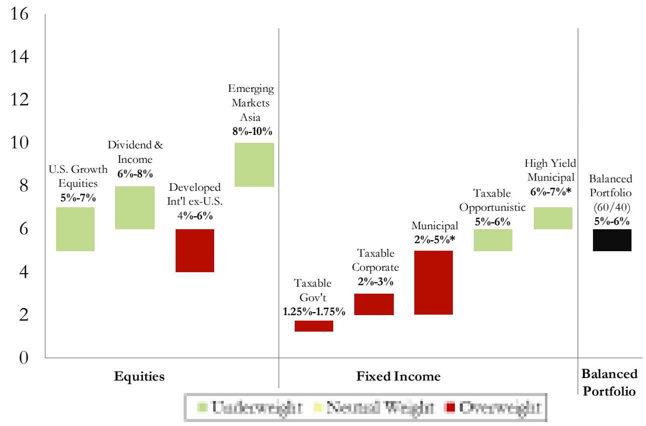

Source: City National Rochdale, January 2018

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 policy actions do you expect from the Fed this year?

We expect the Fed to raise the federal funds rate three times to the median level of 2.125%.

The Fed expects "gradual increases" in the funds rate and they project three rate hikes in 2018, two in 2019, and two more in 2020. They see the terminal rate at 2.875%.

These projections, along with the roll-off of some of their assets from quantitative easing, are the continued steps the Fed is taking toward interest rate normalization.

The appointment of Jerome "Jay" Powell as Fed chair should result in a smooth transition for monetary policy. That said, there are some personnel changes on the FOMC that may lead to greater policy uncertainty.

Federal Funds Rate with FOMC Projections

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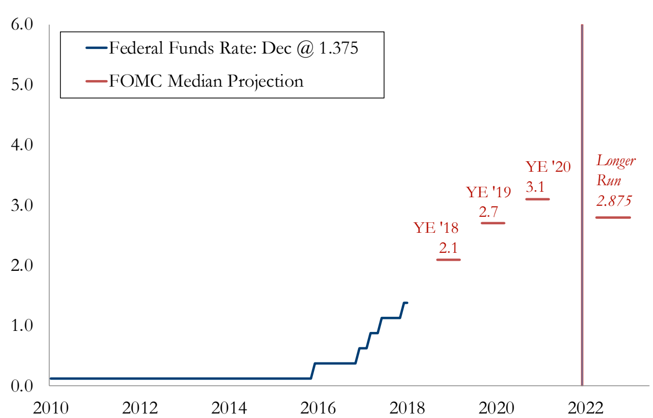

Source: Federal Reserve Bank, as of December 2017

3. What is the 2018 outlook for U.S. equities?

We believe conditions remain in place for the U.S. secular bull market to continue through 2018, though with more modest returns in the 5-7% range.

Record highs in the stock market reflect improving global and domestic economic prospects, as well as the recent reduction in the U.S. corporate tax rate.

Corporate earnings will likely see a significant boost in 2018 due to the tax cuts, and we estimate that average earnings per share for the S&P 500 could rise 10-14% overall.

This should help support moderately higher stock prices and could encourage higher dividends, though some of the benefits to earnings growth are already priced into equity markets.

While valuations look full, they do not appear too expensive to prohibit further price gains. In fact, research shows that factors such as the state of the business cycle, business sentiment, and corporate earnings are more important in regard to near-term return expectations.

At 14 months and counting, we are in the longest period in S&P 500 history without a 3%+ correction. We expect a pullback in the quarters ahead, but we feel this would be a healthy development in the context of the ongoing bull market.

Tax Cuts Could Affect Our EPS Outlook

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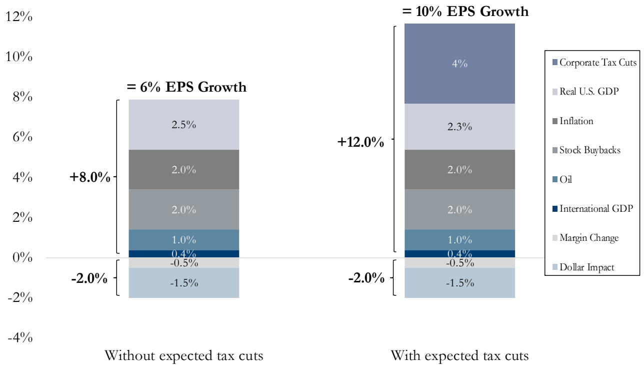

Source: City National Rochdale, as of December 1, 2017

4. What is the 2018 outlook for dividend and income equities?

We continue to maintain our modest overweight to dividend and income equities, given solid dividend growth expectations. However, while valuations are full, overall expected returns should be lower than average.

Our strategy has been to blend high dividend growing firms with higher dividend paying companies. We are invested in companies that we feel can continue their solid operating results into 2018 and that can benefit from the new tax bill, thus driving dividend growth.

While prospects for upward movement in interest rates continues to be a concern for income-related investors, past research has found that dividend stocks can do well in a higher rate environment provided that the economy is growing and that companies can grow their earnings along with the improved economy.

Going forward, we feel that modest return expectations in the 6-8% range, as driven by yield (actual) and growth in yield (projected), are realistic.

Focus on Dividend and Earnings Growth

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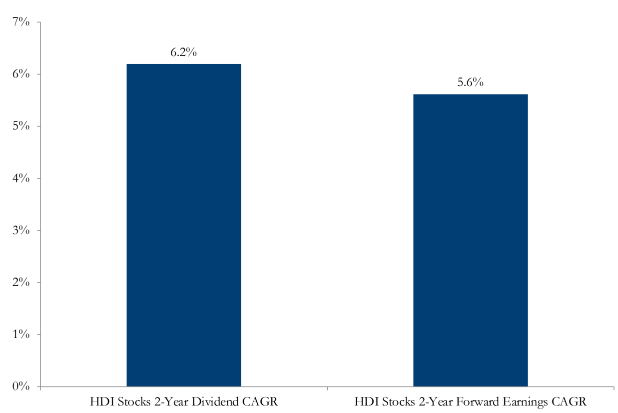

Source: FactSet (based on published analyst estimates), based on City National Rochdale HDI strategy universe of stocks, as of 12/31/2017

The projected growth rate in earnings is the aggregate average of all the published sellside analysts as reported through FactSet.

5. Is City National Rochdale's outlook for Emerging Asia equites still positive?

We believe 2018 will be another strong year for the region, though our expectations are for modest returns and greater volatility.

The rally has been driven by the upturn in international trade, underpinned by a synchronized recovery in global growth and U.S. dollar depreciation, which is supporting improvement in corporate profits, positive earnings, and greater regional inflows.

Even with the past year's very strong overperformance, Emerging Asia equity valuations are still reasonable, both on a long-term historical basis and relative to other geographies.

Moreover, for those with a seven-to-10-year investment horizon, the region's growth outlook remains resilient, supported by positive fundamentals including demography, income growth, urbanization trends, and saving/investment behavioral characteristics.

Our focus remains on sectors and companies that should benefit from these long-term structural tailwinds.

Global Valuation

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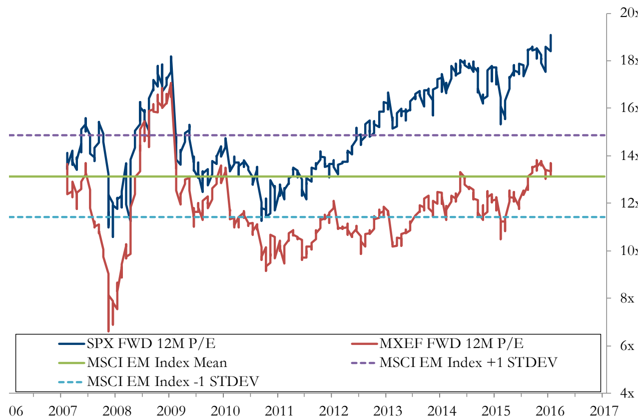

Source: Bloomberg, as of December 2017

6. What is City National Rochdale's 2018 view on the bond market?

There are three key areas that we focus on with interest rates.

First, short-term interest rates, which are controlled by monetary policy of the Fed, are expected to increase 75 bps. which will bring the Fed Funds rate to 2.125%.

Second, longer-term interest rates (10-year) are currently at 2.65% and are expected to move up gradually over the course of the year, due to a slowly increasing rate of inflation. We expect them to end the year in the range of 2.5% to 3.0%.

Third, credit spreads, which measure the yield difference between no-risk treasury securities and credit-riskier investments like a corporate bond, are relatively narrow and reflect the late stage of the credit cycle (strong corporate balance sheets and the economic expansion in its ninth year). It is also a statement of investor demand for a higher yield. City National Rochdale continues to believe that investors are modestly compensated for this risk in the near-term.

Overall, we expect credit spreads to remain somewhat range-bound and Investment Grade Taxables and Municipals to provide modest single-digit total returns in 2018.

Assuming credit spreads are relatively unchanged in 2018, CNR's tactical overweight to credit should continue to perform well in a rising rate environment.

Various Interest Rates (%)

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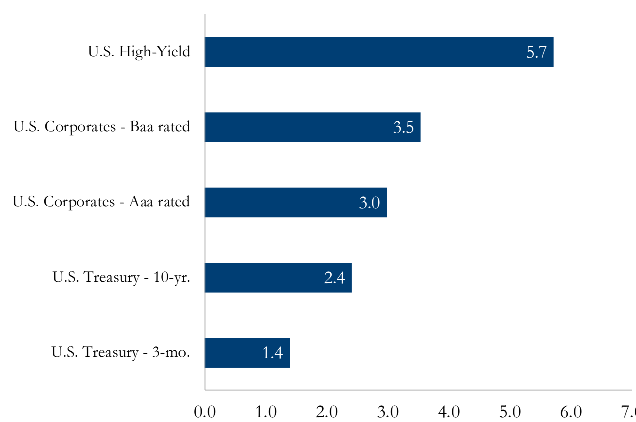

Source: Bloomberg, as of December 2017

Index Definitions

The Standard & Poor's 500 Index (S&P 500) is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance.

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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 may include, but are not limited to, interest rate, call, credit, market, inflation, government policy, liquidity, or junk bond risks. 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.

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.

Indices are unmanaged and one cannot invest directly in an index. Index returns do not reflect a deduction for fees or expenses.

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.