JULY 16, 2018

On the Radar

FAQS ON THE MARKETS AND ECONOMY

Is City National Rochdale's investment outlook still positive?

Based on our outlook for solid economic growth and improving corporate earnings, we remain bullish on equities in general and continue to see attractive prospects in the opportunistic fixed income class. Bear markets outside recessions are rare.

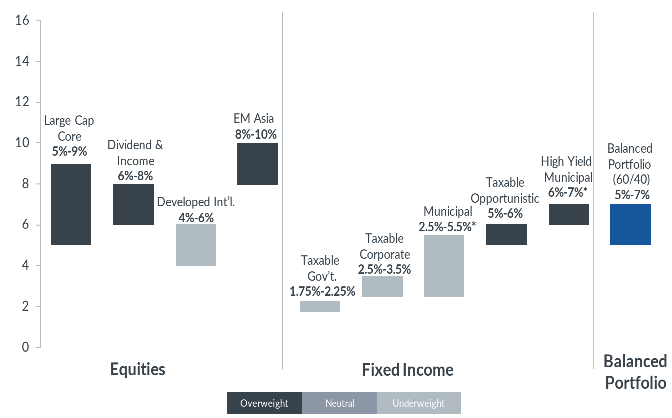
Still, we believe investors should prepare for more moderate returns in the months ahead and perhaps greater volatility. Patience and discipline will be more important than ever.

The investment landscape is growing more challenging as investors adjust to more typical late-stage expansion conditions of higher inflation, rising interest rates and less accommodative monetary policy. Meanwhile, rising trade tensions and other geopolitical risks mean markets will likely continue to be subject to periodic swings in sentiment and potential pullbacks.

This does not mean there are not more worthwhile gains ahead for investors, but it does highlight the value of active management and the need for investors to become more selective.

We actively manage portfolios to be aware of where we are in the cycle, to take advantage of opportunities as they arise and to be on alert if conditions deteriorate.

One-Year Forecasted Returns (%)



Source: City National Rochdale. As of July 2018. Forecast 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.**

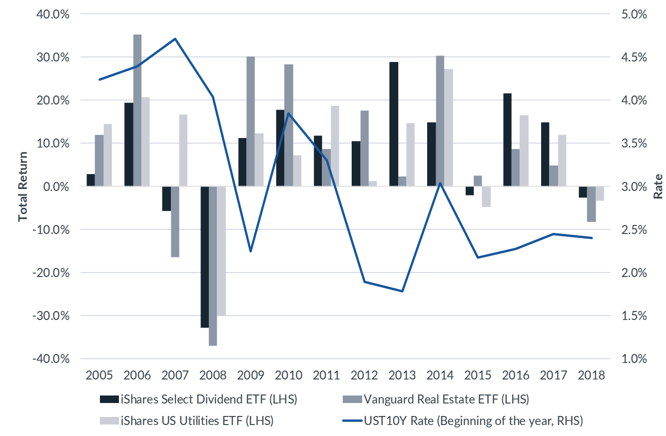
Are Dividend and Income equities still attractive?

Yes, we believe the strategy remains attractive as it moves past the earlier weakness resulting from outsized expectations and reactions to higher rates. While we continue to monitor the path and prospects for rates, over the long term, there is significant data demonstrating that there is not a strong correlation between high dividend stock returns and the direction of interest rates.

Rather, interest rates are just one of many factors impacting long-term performance, and dividend stocks can do well over the course of a rising rate environment, provided that the economy improves and earnings are growing. Meanwhile, our focus remains on identifying undervalued, high-quality companies with solid prospects for dividend growth under most conceivable economic environments. We are pleased to have seen the average dividend in the portfolio increase +9% in the last 12 months and +7.7% halfway through 2018.

Going forward, we continue to feel that our modest return expectation of 6-8% over the next 12 months, driven by dividend yield and yield growth, is realistic.

Total Returns vs. UST10Y Rates (Through 3/29/2018)



Source: Factset. As of March 2018.

How concerned should investors be about rising trade tensions?

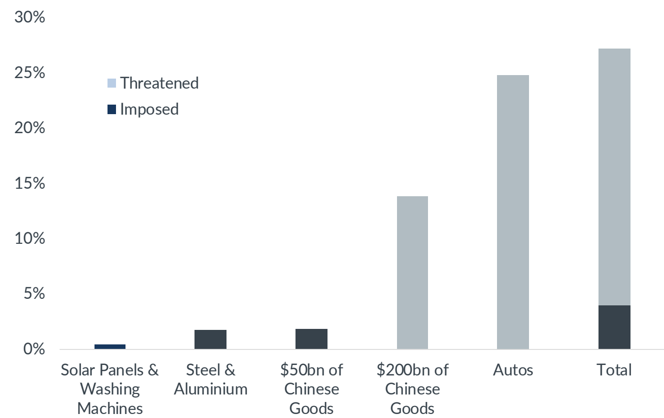
Going only by what has actually been implemented, rather than merely threatened, we believe that the fallout for economic growth and corporate profits will be relatively manageable. Should tensions continue to escalate and further actions be put into place, the impact will become increasingly significant.

Unfortunately, the current situation is both complex and fluid, making it difficult to confidently predict an eventual resolution. Moreover, the history of trade actions like we are now experiencing is rife with unintended consequences.

Our asset allocation and investment strategies are positioned to take this uncertainty into account. We are overweight U.S. equity markets and underweight international equity markets, which we believe will be more affected by rising trade disruptions. Likewise, our domestic equity strategy has little exposure to the sectors most likely to be impacted, such as autos and semiconductors.

It's from this relatively strong position that we're watching the markets, looking for signs that conditions may deteriorate but also keeping an eye out for opportunities. For example, we recently added some short-term EM credit as spreads widened out to levels we felt incorporated a worst-case outcome.

Percentage of U.S. Imports Covered by New Trump Administration Tariffs



Source: U.S. Trade Department. As of June 2018.

With unemployment at its lowest point in decades, why are we not seeing better wage growth?

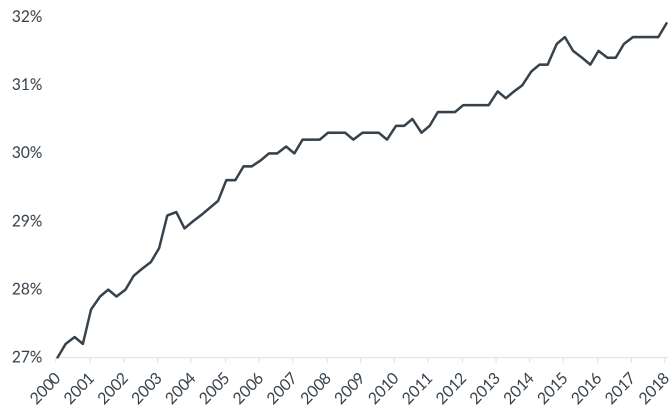
There appear to be several factors behind the disconnect between job gains and wage growth this expansion. One reason, there's likely more labor market "slack" than the unemployment rate is telling. Under a broader definition of unemployment — including anyone in their prime working years not actively looking for work — recent wage growth has been much more in line with historical norms.

Another issue is that the most closely watched measure of wage growth — average hourly earnings — excludes benefits. Many employers have been reluctant to commit to higher wages, which are notoriously difficult to cut, and instead have used higher benefits to attract workers.

Perhaps the biggest reason though is that productivity, the main long-term driver of wages, has been subdued this expansion, while technology, outsourcing and globalization have made it easier for businesses to find cheaper alternatives to increasing employee pay. Despite all this, measures of wage growth are slowing improving, and surveys show an elevated share of firms are now planning to raise compensation in the months ahead.

It's unlikely we will soon see a return to more historical wage growth, but we believe the dwindling availability of workers will continue to gradually put more upward pressure on wages.

Employee Benefits (Percentage of Total Compensation)



Source: Bureau of Labor Statistics. As of January 2018.

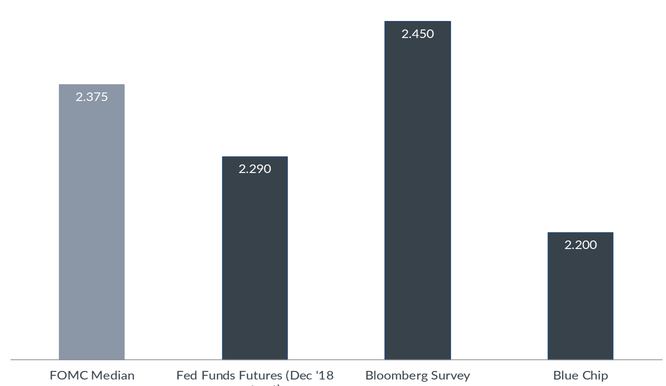
What information came out from the recently released FOMC minutes?

The Fed has reaffirmed its commitment to gradually raise the federal funds rate. The Fed's median projection is for two more hikes this year, ending the year at 2.375%. Other forecasters have just a small variance from that level in their projections for the year-end federal funds rate (chart).

This outlook is being supported by the strength of the economy and the fiscal stimulus.

The Fed did mention rising concerns, particularly around trade tensions and emerging market weakness. However, these concerns are currently outweighed by the strong domestic economy and inflation being near its target of 2.0%.

Forecasting Qtr.-4 2018 Federal Funds Rate (%)



Source: Federal Reserve Bank, Chicago Board of Trade, Bloomberg, Blue Chip. As of July 13, 2018.

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There are inherent risks with equity investing. These include, but are not limited to, stock market, manager, or investment style risks. 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 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.

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.