City National Rochdale®
AN RBC/CITY NATIONAL COMPANY

AUGUST 27, 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.

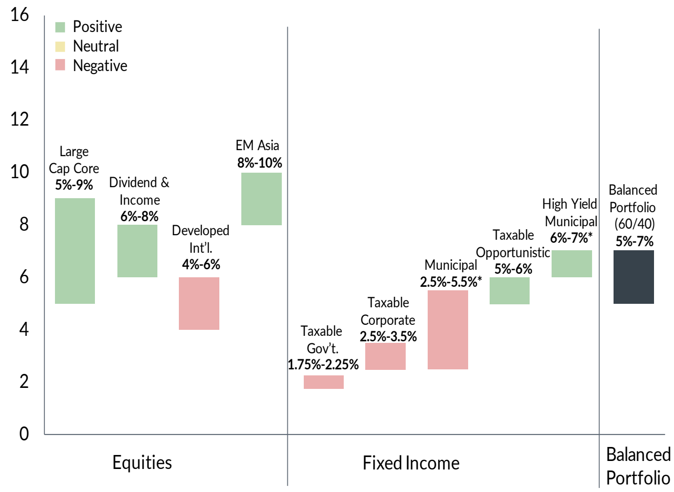
Still, we believe investors should prepare for more moderate returns in the months ahead and perhaps greater volatility. Patience and discipline will be more important than ever.

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 August 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.**

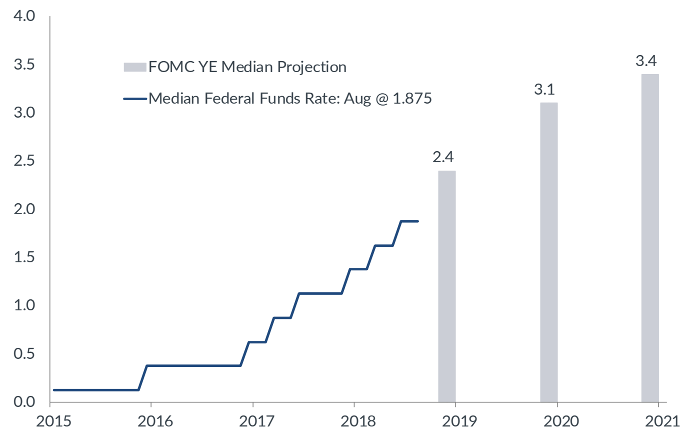
Will Emerging Market disorder affect the Fed's plan to raise interest rates?

We expect the turmoil in Turkey and Venezuela to probably have very little spillover into the United States' economy and/or markets.

Although the Fed's statutory objectives are domestically oriented with low and stable domestic unemployment and inflation, there have been times in the past when they have had to adjust monetary policy when global events affected the U.S. economy or markets. For example, in 1998, when Russia defaulted on its domestic debt, that helped foster the near collapse and eventual bailout of hedge fund Long Term Capital Management (LTCM), which helped trigger an almost 20% decline in the S&P 500. The Fed, thinking that market turmoil may cause economic pain, quickly lowered the federal funds rate by 75 basis points.

As it stands now, these two countries' economic uncertainty appears to be isolated. There does not seem to be any systemic risk, as in past contagions.

Federal Funds Rate & FOMC Projections (%)



Source: Federal Reserve Bank. As of August 2018.

With the longest bull market in history, how much longer does it have to run?

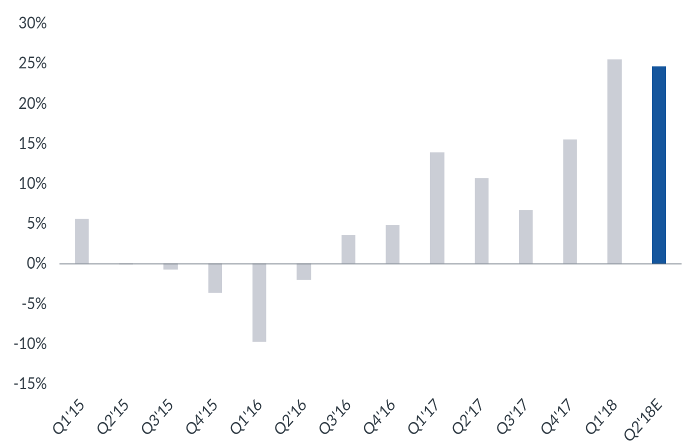
No one can predict precisely when a bull market will end, but investors eyeing each turning page of the calendar for an expiration date are making a mistake.

Bull markets tend to end with euphoria and a sense that nothing can go wrong. That's the opposite of the sentiment today. We have long argued that stocks ultimately follow earnings, and recently earnings growth has been strong. The S&P has just had two consecutive quarters of nearly 25% year-over-year earnings growth.

Meanwhile, annual sales growth, a great barometer of companies' underlying strength, may top 11% — the strongest since the third quarter of 2011. This is signaling to us that the earnings story is not just about tax cuts and that the economic foundation is supporting demand, allowing companies to grow profits beyond just cost-cutting measures.

The momentum has helped the market climb an admittedly large wall of worry to reach a new high. We expect profits to continue to rise in the quarters ahead and help extend the bull market, but the rate of earnings growth will likely slow, particularly as tax benefits fade, suggesting equity gains may be more moderate.

S&P 500 EPS Growth Rates (Y/Y)



Source: FactSet. As of August 2018.

Why are taxable alternatives becoming favored in short-dated maturities of the municipal bond market?

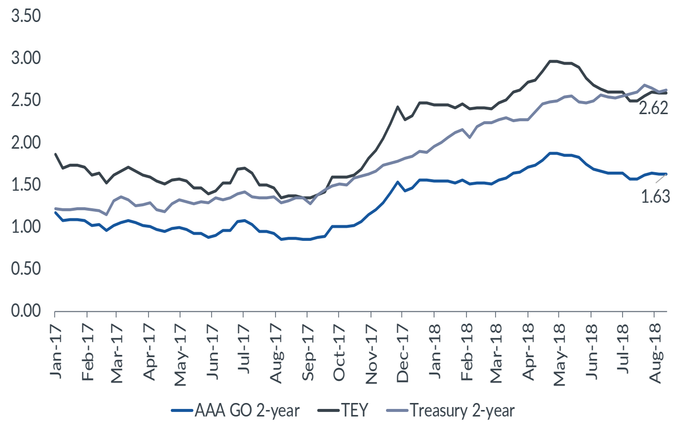
The yields of short-term municipal bonds (1-3 years) have not kept pace with the rise of comparable Treasury bills and notes. The widening gap has caused municipal valuations to become expensive on a relative basis to Treasury securities.

The retail-dominated municipal bond market psychology could be that the actions of the Fed increasing benchmark rates will lead to parallel shifts across the Treasury curve and thus municipal bond prices will decline. Therefore, excess demand for shorter-term municipal bonds has been driving yields lower in these maturities.

The municipal market has experienced positive YTD capital inflows from investors of approximately $10.7 billion. Moreover, the supply of municipal bonds has declined year-over-year with the total market issuance down roughly 16% from the previous year. Consequently, investor appetite has strengthened.

The distortion in market yields and opportunities to take advantage of relative value asset classes underscore the benefit of active management. At City National Rochdale, we analyze trends within the market and seek opportunities for our clients that best serve their portfolio objectives.

Two-year Muni v. Two-year Treasury



Source: Municipal Market Data. As of August 17, 2018.

How bad is the inflation problem in Venezuela?

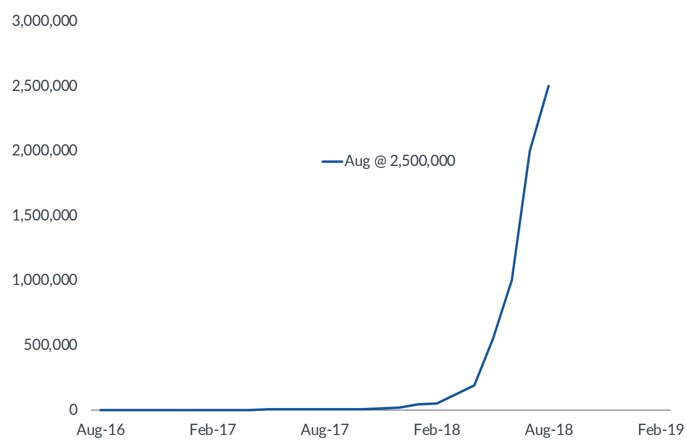
Venezuela doesn't have inflation, it has hyperinflation. The IMF forecasts inflation will hit 1,000,000% by the end of this year (that is not a typo).

That level of inflation is almost unfathomable. To help illustrate, Bloomberg has an index of the cost of a cup of coffee with milk (chart). A year ago it cost 2,800 bolivars. Today, it costs 2,500,000. Venezuela, like other countries within OPEC, derives most of its income from oil. However, Venezuela has mismanaged its oil operation and production has declined about 45% since 2015.

To offset that loss of revenue, the government turned to the central bank to print currency. It paid the bills in the short term, but the excessive supply made existing money increasingly worthless. To counter the inflation problem, the government recently devalued the currency by 95%.

Fortunately, the problems seem contained to Venezuela, and there seems to be little contagion risk.

Venezuela Bloomberg Cafe con Leche Index (Bolivar)



Source: Bloomberg. As of August 2018.

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 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.