City National Rochdale®
AN RBC/CITY NATIONAL COMPANY

OCTOBER 23, 2019

On the Radar

FAQS ON THE MARKETS AND ECONOMY

Will a Brexit deal be reached?

After three years of agonizing debates, Brexit continues to supply plenty of twists and turns.

The failure of Prime Minister Boris Johnson to fast-track his Withdrawal Agreement Bill through Parliament has made meeting the quickly approaching October 31st deadline now unlikely. Still, for the first time in this long process, UK lawmakers have agreed on a way forward.

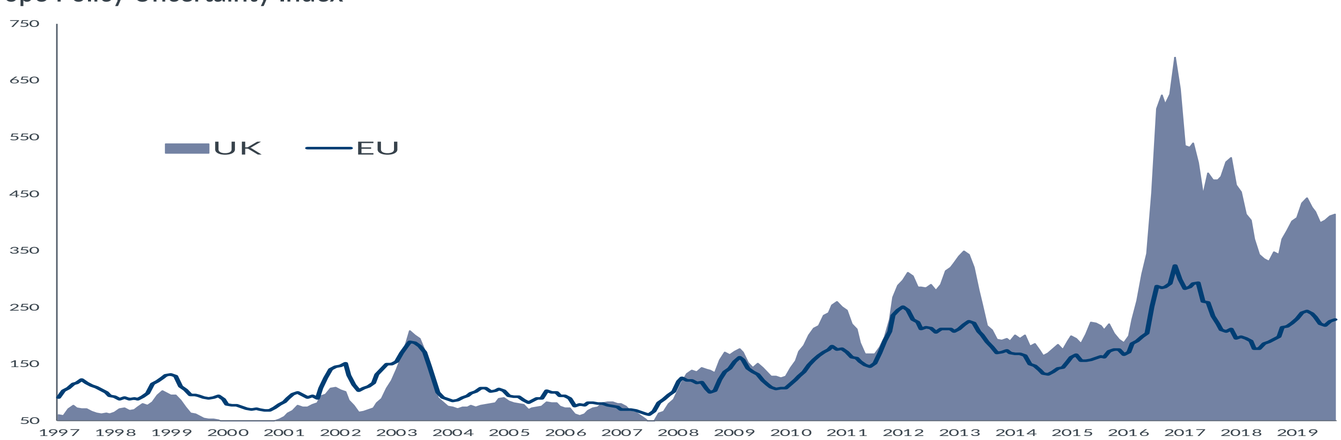
In the meanwhile, European Council President Donald Tusk has signaled he will recommend the UK is granted a "flextension" that would combine a longer period (likely to end January 2020) with an early termination option in the event that PM Johnson is able to get his deal passed sooner.

Several hurdles remain which will likely contribute to market volatility in the near term. Though expected, EU member states must still agree to another extension. An extension could also provide Parliament with time to amend the bill, jeopardizing the hard won consensus. Alternatively, Johnson could call for a general election and risk putting forth the deal - which polls well at present- to his countrymen at the ballot box.

Despite all these lingering questions, we finally appear close to the finish line and odds now are good that the UK leaves the EU with a deal. Most economists and business groups think a no-deal scenario would be disastrous and uncertainty around the issue continues to weigh on what is an already struggling European economy.

Our material underweight to European equities, based on our proprietary 4Ps framework, reflects this reality among other long term structural challenges for the region.

Europe Policy Uncertainty Index



Source: policyuncertainty.com as of September 2019.

KEY QUESTIONS

Are EM Asia Equities still attractive?

Will the Fed cut the federal funds rate at their upcoming October 30 meeting?

Was the weak retail sales report a concern?

Have lower interest rates helped the housing sector?

Are EM Asia Equities still attractive?

We believe fundamentals remain supportive and indicate that EM Asia equities could be poised to begin another cycle of outperformance.

Although trade concerns may keep markets volatile in the near term, recent developments in U.S.-China negotiations have offered encouragement that a more damaging trade war will be avoided.

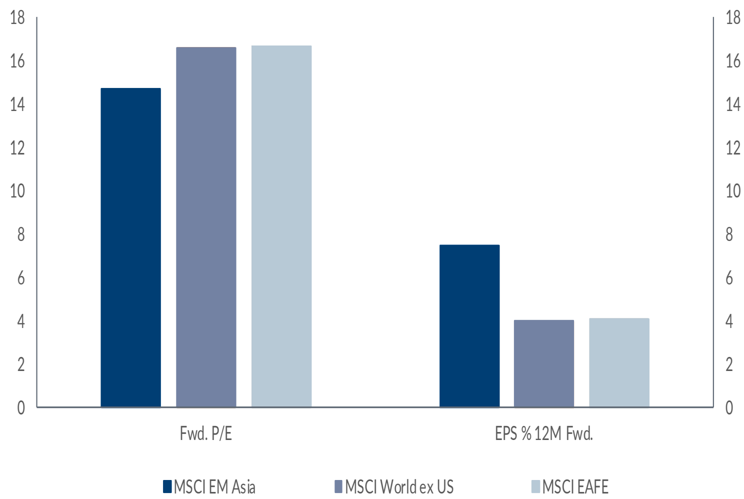
At the same time, policy across the region has turned more supportive this year through fiscal and monetary stimulus. The Fed's recent dovish turn is also a positive, helping take pressure off EM central bankers, strengthening Asian currencies and reducing costs on emerging market companies with dollar-denominated debt.

For investors, EM Asia boasts a superior earnings growth profile, particularly compared to other non-U.S. developed markets. Valuations also look more attractive relative to other geographies.

Longer term, our proprietary 4Ps framework analysis continues to indicate that the investment opportunity is compelling. The region's strong growth outlook remains resilient, supported by rising income growth, robust demographic and urbanization trends, and high investment rates.

Our focus is on sectors and companies in Emerging Asian economies that should benefit from these domestic structural drivers of demand rather than those exposed to trade headwinds.

EM Asia Boasts More Attractive Valuations and Better Earnings Growth Prospects



Source: Bloomberg as of October 2019.

To learn more about EM Asia Equities, watch our [Emerging Markets Equities: Go East For Growth] webinar replay.

Will the Fed cut the federal funds rate at their upcoming October 30 meeting?

That is a tough question. The way in which the federal funds futures market is trading, it implies at least one more cut this year (see chart). The Fed only has two meetings left this year: the October meeting and one other in early December.

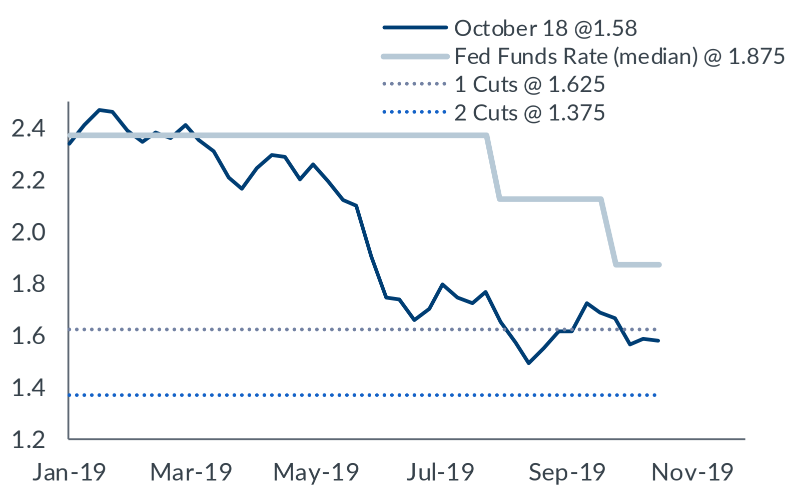
That view is different from what the Fed thinks. Based on their projections for this year, released last month, the Fed has no plans to change the federal funds rate this year or even next year. In 2021, they plan to boost it by 25 bps.

But this is a fast changing world. Since the last Fed meeting in mid-September, the outlook for global growth has fallen, due mainly to the slowdown in global trade. Domestically, the pace of weakening in the manufacturing sector has increased and the pace of growth in the service sector, although positive, continues to weaken.

Statements from Fed policy makers in the past few weeks are all over the board. Some want to ease again while others want to wait to see the impact from the two cuts the Fed has recently made.

We believe the Fed will cut rates one or two more times this year.

Yield of December 2019 Federal Funds Contract (%)



Source: Chicago Board of Trade as of October 18, 2019.

Was the weak retail sales report a concern?

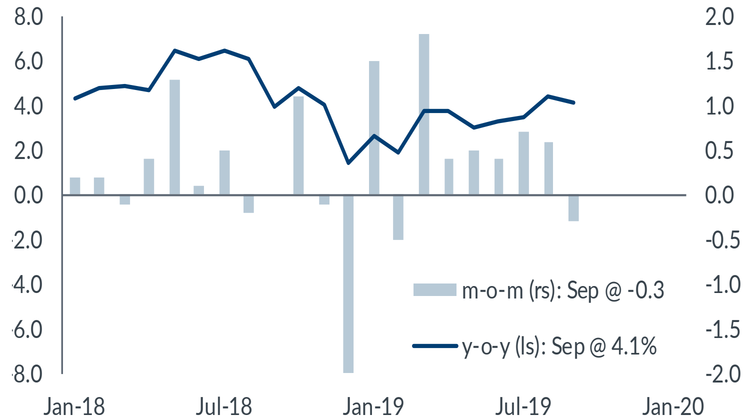
Retail sales for September was disappointing, dropping 0.3% when the market was expecting a 0.3% increase. This marked the first decrease in seven months (see chart).

We think it is premature to believe this decline is pointing toward a significant weakening in consumer demand.

For six months, spending held up remarkably well despite the significant pessimism generated by conflict in Washington, trade tensions and the global economic slowdown. We do not know why spending pulled back in September. It could be due to consumers' reducing their spending because of the overwhelming bad news, or it could simply be a pullback in the very strong spending pace that may have been elevated as consumers were trying to beat post-tariff imposed higher prices. It will take a month or two of additional data to find out.

Spending is based heavily on consumers having money and/or access to money. With a low unemployment rate, wage gains above inflation and ample access to credit, spending should continue to grow.

Retail Sales (%)



Source: U.S. Census Bureau as of September 2019.

Have lower interest rates helped the housing sector?

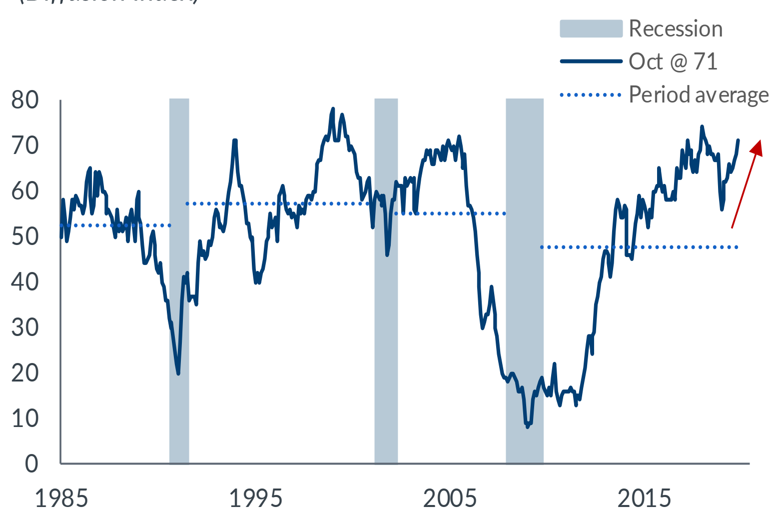
Mortgage rates have fallen significantly since hitting a recent peak last November. The rate on 30-year fixed-rate mortgage stands at 3.75%, down 107 bps from that peak.

Since June, mortgage rates have been below the 4.0% threshold, a level that tends to stir interest in buyers. The lower mortgage rates, along with increased pent up demand, has excited home builders.

The index of the National Association of Home Builders just hit 71 and has been increasing since last December (see chart). It is well above the average reading of 47 for this expansion and is just below the cycle high of 74 reached in December 2017, which also happens to be the highest level reached since 1999.

Besides lower interest rates, there are other underlying fundamentals that are helping the housing market. There is a shortage of supply, declines in the unemployment rate, rising income and more household formations.

NAHB Home Builder Survey
(Diffusion Index)



Source: National Association of Home Builders as of October 2019.

What is City National Rochdale's investment outlook?

Given our continued positive assessment of the fundamental backdrop, we remain positive on U.S. equities in general and continue to see attractive prospects in the opportunistic fixed income class.

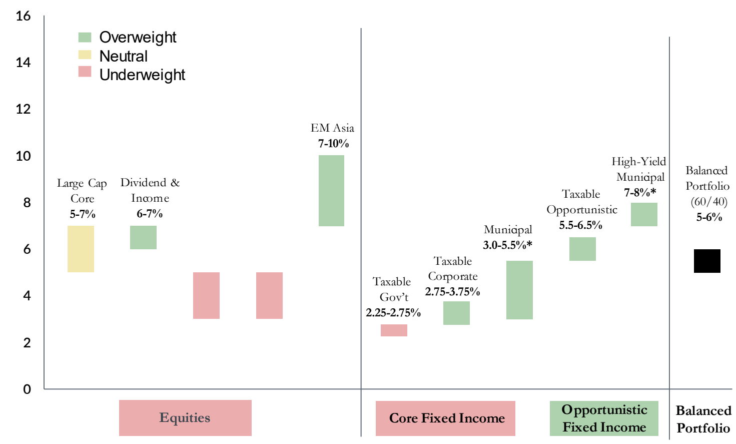
Still, downside risks have increased somewhat and the investment landscape is growing more challenging.

Late-cycle conditions of slowing growth and greater vulnerability to policy missteps will require investors to change their approach and be more selective in their portfolios.

None of this means there are not more opportunities ahead for investors, but gains are likely to be more muted. At the same time, concerns over global growth, trade tensions and the path of interest rates mean markets will likely continue to be subject to periodic swings in sentiment and potential pullbacks.

Our equity and fixed income research teams have made deliberate risk-mitigating changes to help fortify client portfolios against the type of market turbulence we have recently experienced, while leaving them well-positioned to take advantage of opportunities that present themselves.

One-Year Forecasted Returns (%)



Source: City National Rochdale as of September 2019. 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.

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.

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 4Ps analysis is a comprehensive proprietary framework used to evaluate the competitive advantage of a country or a region of the world versus other countries or regions. This framework is an important foundational element of CNR’s global equity allocation process. There are four factors which comprise the 4Ps framework: policy, population, potential for innovation and profitability. Inputs for these factors are sourced from publicly available data published by numerous global organizations. CNR utilizes a proprietary methodology to aggregate the inputs from these organizations into a ranking system which forms the basis of our comparative analysis and numerical scoring system. CNR will also consider traditional measure of economic and profit cycles as well as valuation considerations as part of the global equity allocation process.

MSCI Emerging Markets Asia Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the Asian emerging markets.

MSCI World Ex U.S. Index (world) captures large and mid-cap stocks across 22 of 23 Developed Markets, excluding the U.S.A. With 1005 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI EAFE Index is a stock index that serves as a performance benchmark for the major international equity markets as represented by 21 major MSCI indices from Europe, Australia and the Middle East.