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May 2018

Economic Outlook and the Impact on Equity Markets

Featuring:

Matthew Peron
Senior Managing Director, Chief Investment Officer

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Matthew Peron

Senior Managing Director, Chief Investment Officer

Mr. Peron joined City National Rochdale in 2018. As Chief Investment Officer, he is responsible for developing the firm's investment philosophy, overseeing the firm's asset allocation and investment strategies, and managing all the equity and fixed-income teams. He focuses on strengthening City National Rochdale's capabilities with the goal of helping clients achieve their investment goals and helps shape the firm's investment philosophy, processes, and policies in order to drive future growth.

Prior to joining the firm, Mr. Peron served as an Executive Vice President and Managing Director of Global Equity at Northern Trust in Chicago and a member of the asset allocation committee. Prior to that role, he was the director of equity research and was lead manager on several fundamental and quantitative strategies.

Mr. Peron earned an MBA from the University of Chicago and a BS in electrical engineering from Swarthmore College. Additionally, he sits on the board of the Illinois Hunger Coalition, and is active in non-profits that focus on developing skills and entrepreneurship in underprivileged communities.

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What is City National Rochdale's outlook for the economy?

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Navigating the Global Crosscurrents

Positives	Cautionary Signs/Areas to Watch
▪ Globally synchronized economic expansion ▪ Strong corporate profit growth ▪ Fiscal stimulus (tax cuts, increased spending) ▪ Healthy consumer and business fundamentals ▪ Rising confidence ▪ Favorable financial conditions ▪ Moderate inflation and wage growth ▪ Few signs of imbalances – massive debt growth, overinvestment, capacity constraints	▪ Fairly but fully valued asset classes (Equity & Fixed Income) ▪ Maturing business cycle ▪ Higher volatility ▪ Acceleration in inflation and wages ▪ Stronger than expected Fed tightening ▪ Trade policy missteps ▪ Geopolitical shocks ▪ Higher federal debt levels

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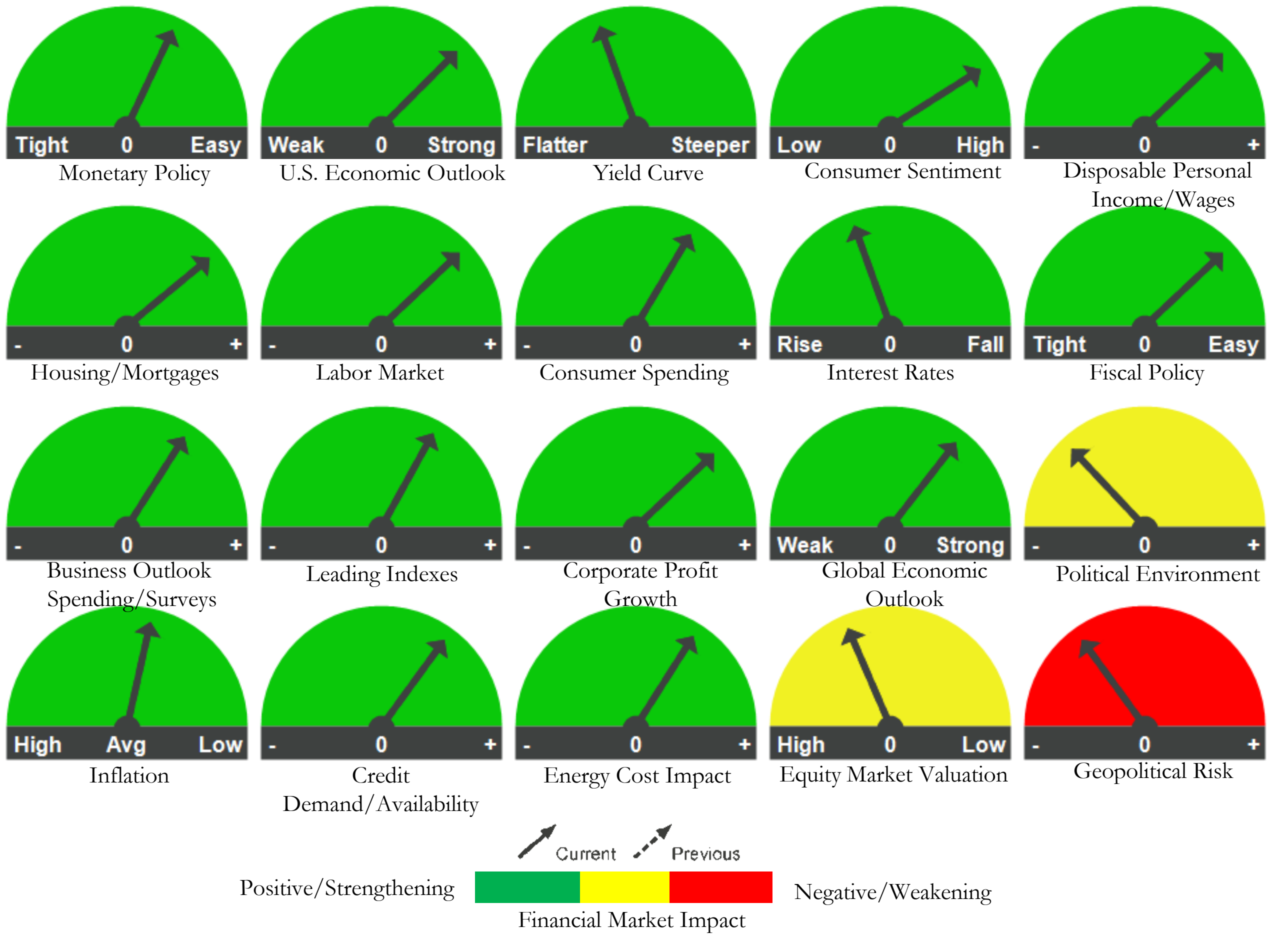
Economic and Financial Indicators

Indicators Are Forward-Looking Three to Six Months



Speedometer color indicates the magnitude of the impact on economic financial markets. The arrow signifies the directional change in the indicator. Two arrows indicate a change from the previous month. One arrow indicates that no change occurred.

Source: City National Rochdale. As of April 2018.

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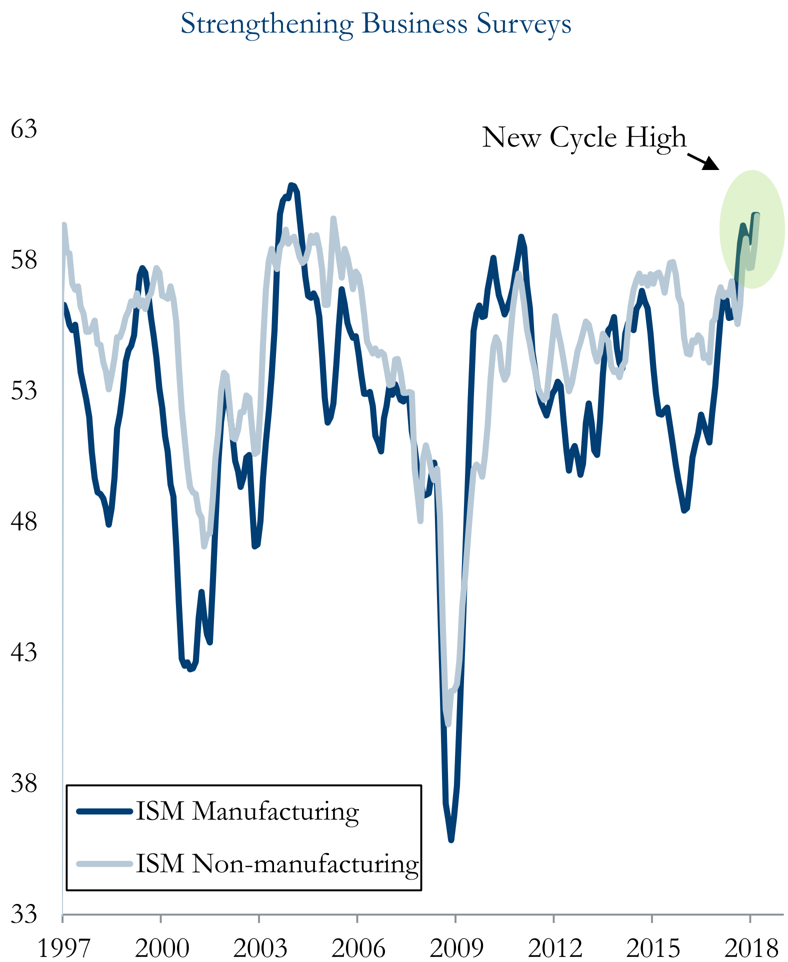
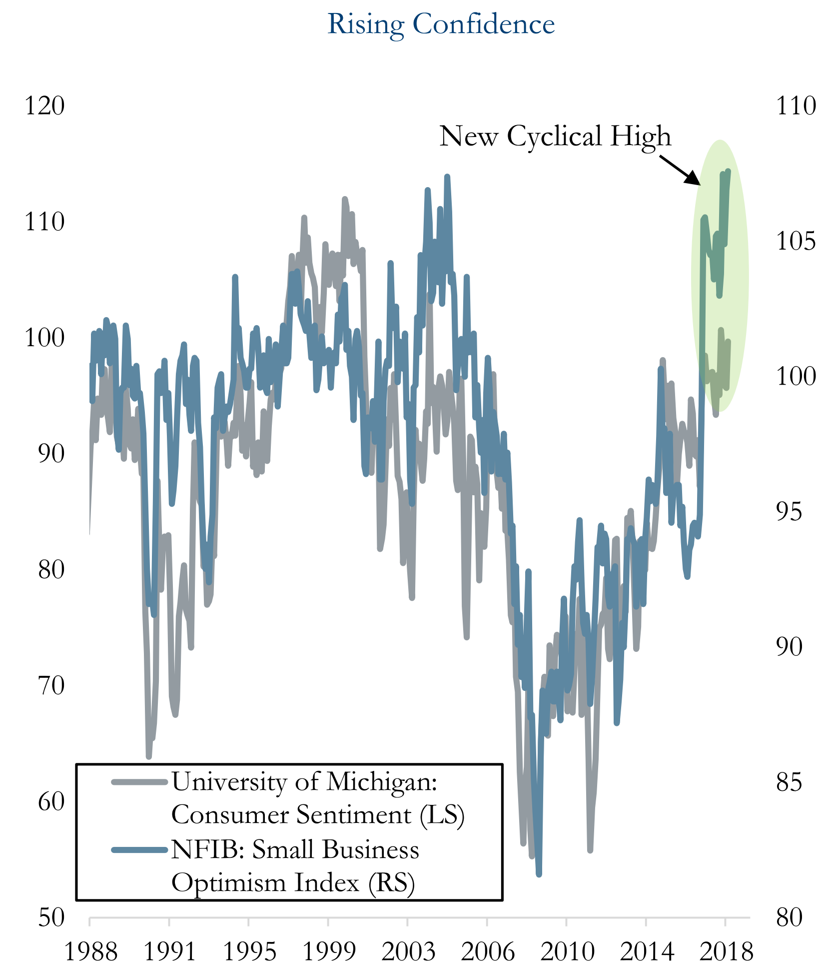
Measures of Economic Strength at Cyclical Highs





Source left: Institute for Supply Management, as of March 2018 / Right: Federal Reserve Bank of St. Louis, as of March 2018

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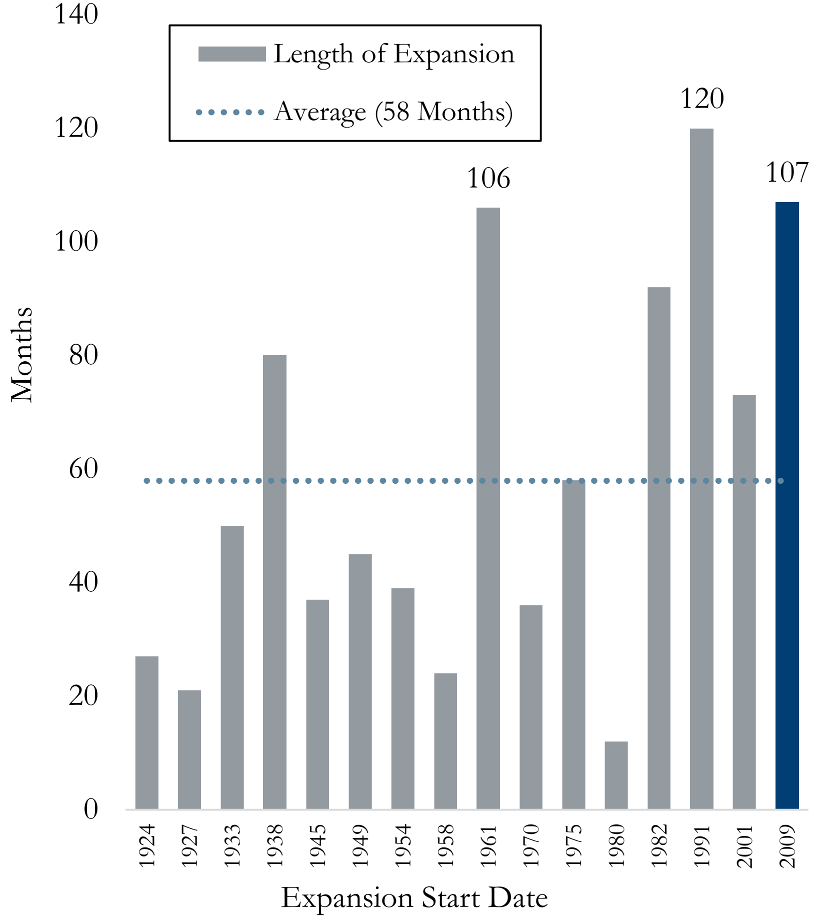
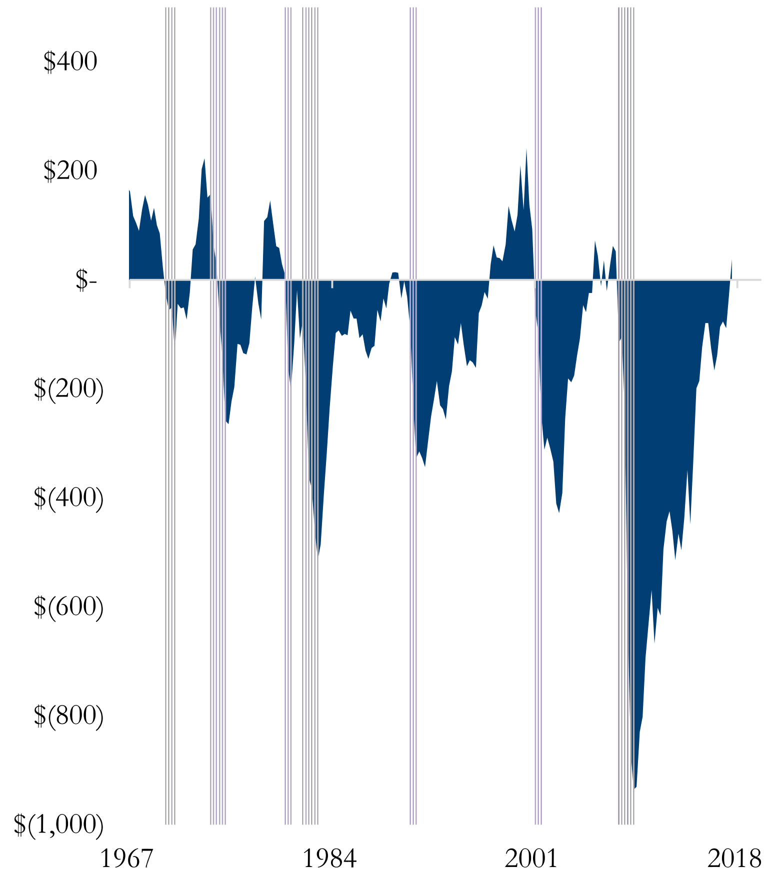
Long, Extended Business Cycle

U.S. Expansion Now Second Longest in History



Output Gap Has Only Just Now Closed



Source left: NBER / Right: CBO, BEA

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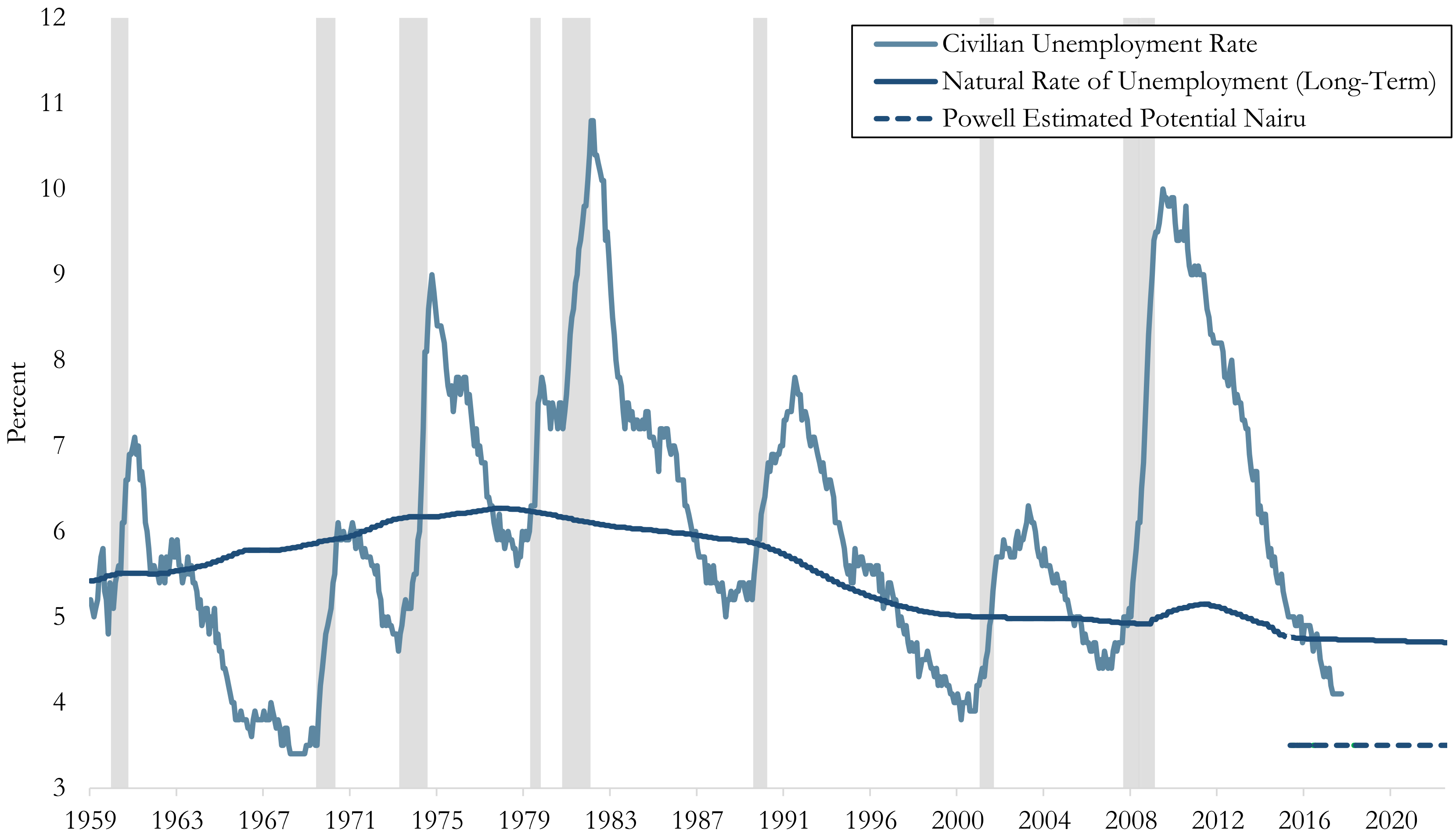
Unemployment Rate Likely to Fall Further



Source: Bureau of Labor Statistics, Federal Reserve Bank

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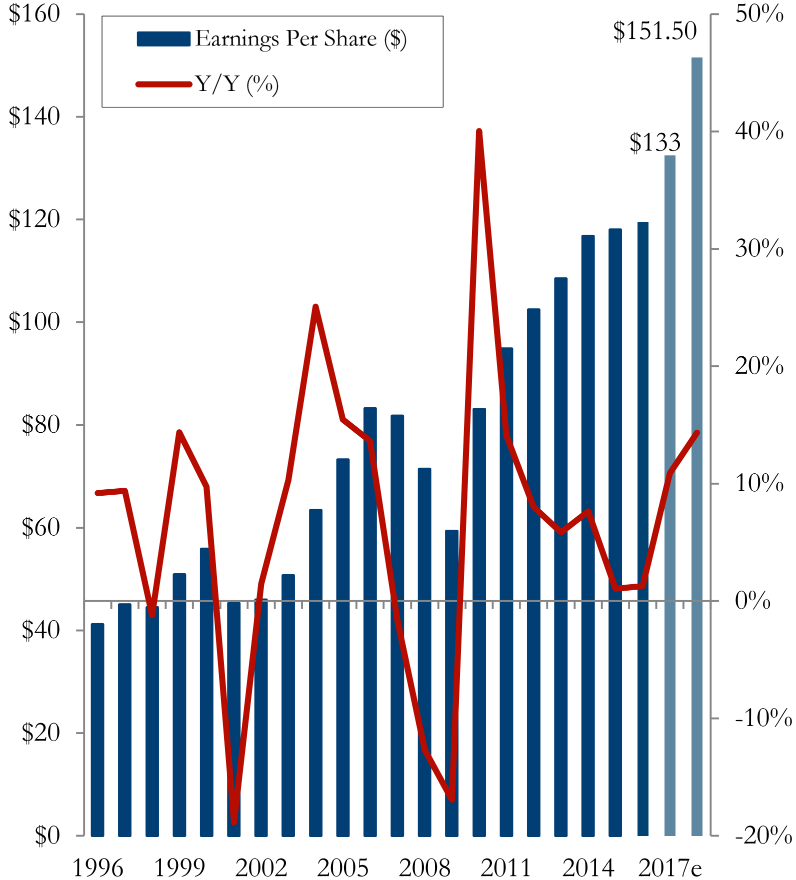
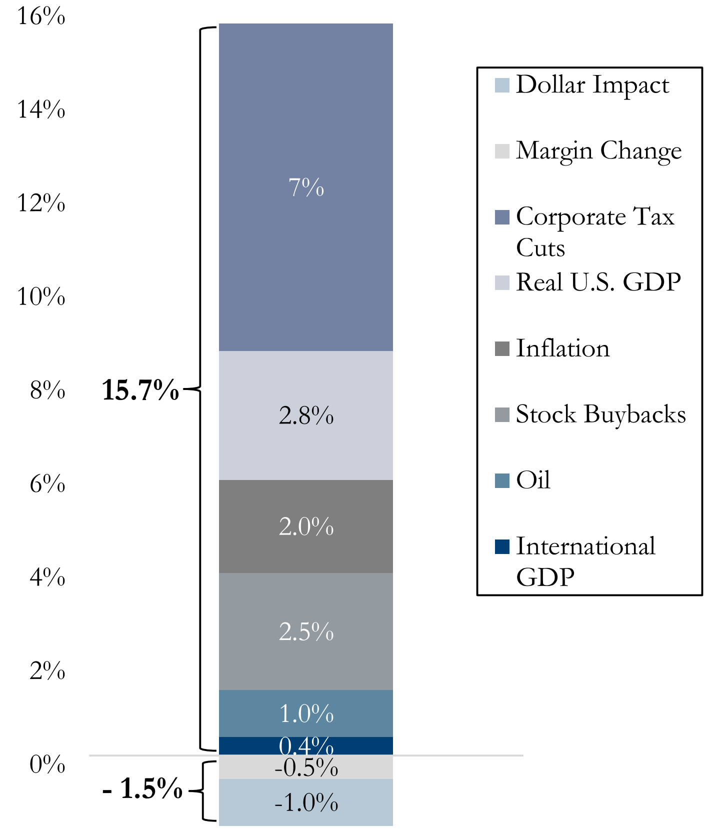
Outlook for Corporate Profits is Strong

Earnings S&P 500



CNR 2018 S&P 500 Earnings Growth Estimate



= 14% EPS Growth

Source left: Thomson Financial Baseline, S&P 500, Factset. As of March 31, 2018 / Right: City National Rochdale, April 2018

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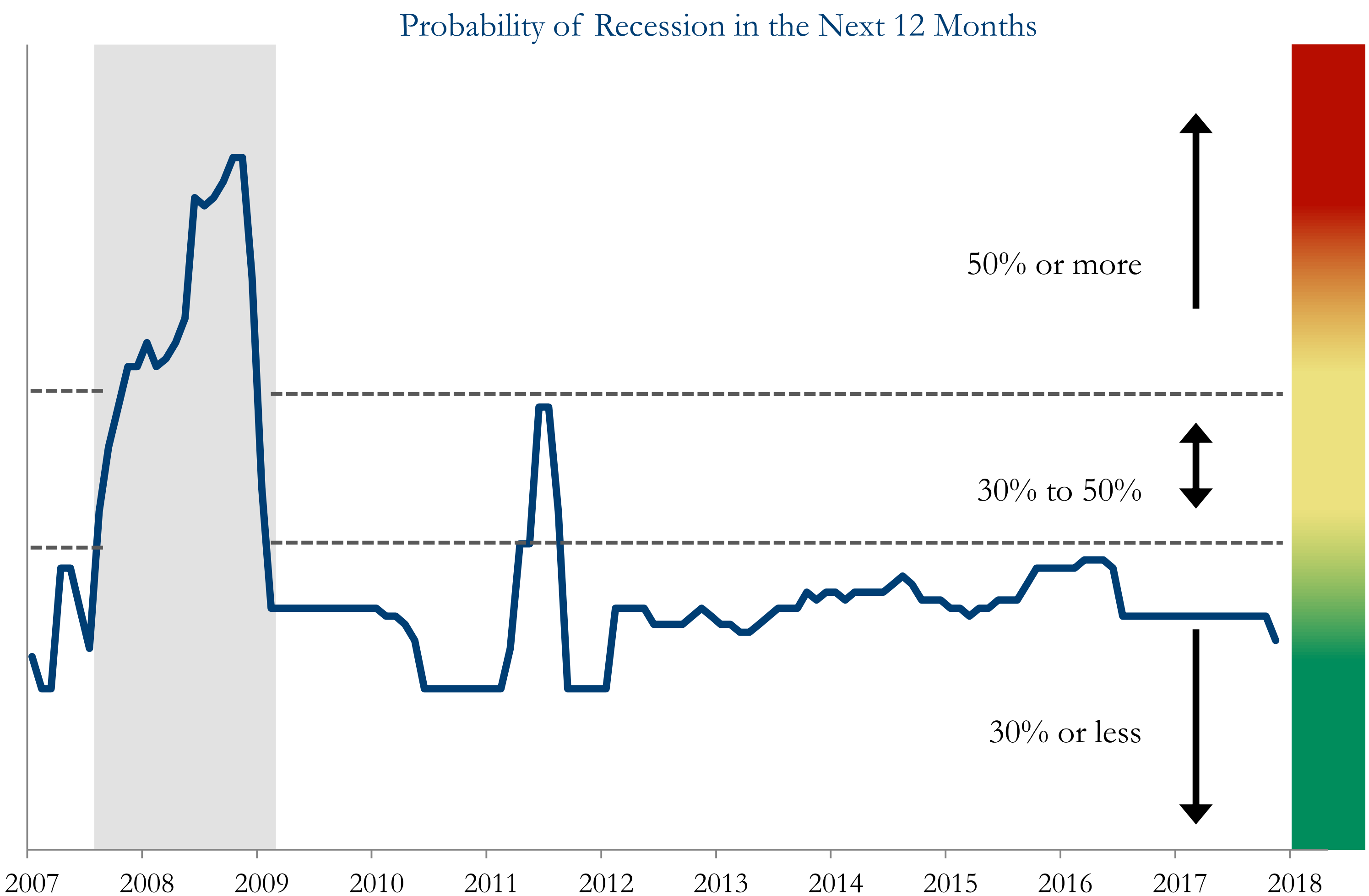
U.S. Recession Risk Low

City National Rochdale Recession Probability Monitor



Sources: City National Rochdale. As of April 2018. Gray column represents recessionary period.

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Economic Outlook: Global Synchronized Growth

- Positive U.S. economic fundamentals include jobs, housing, confidence, corporate profits, and stable inflation
- Consumers, businesses, and the government all contribute to driving domestic growth
- Fiscal policy may potentially give a modest boost to GDP
- We expect a total of four Fed rate hikes in 2018
- Global economies are experiencing a synchronized upturn in growth

City National Rochdale Forecasts		2016	2017	2018e
GDP Growth		1.60%	2.30%	2.75%-3.15%
Corporate Profit Growth		1.30%	11.30%	13.00%-15.00%
Interest Rates	Fed Funds Rate	0.50%	1.50%	2.375%
	Treasury Note, 10-Yr.	2.45%	2.40%	2.75%-3.25%

Sources: BEA, Standard & Poor's, Bloomberg. As of April 2018.

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What risks are City National Rochdale focusing on?

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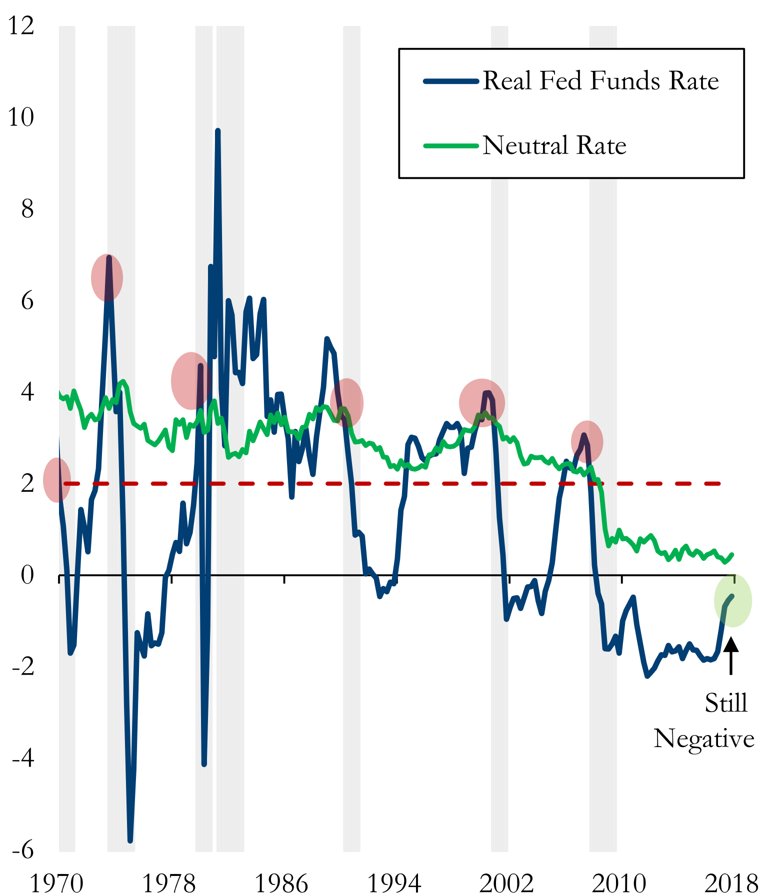
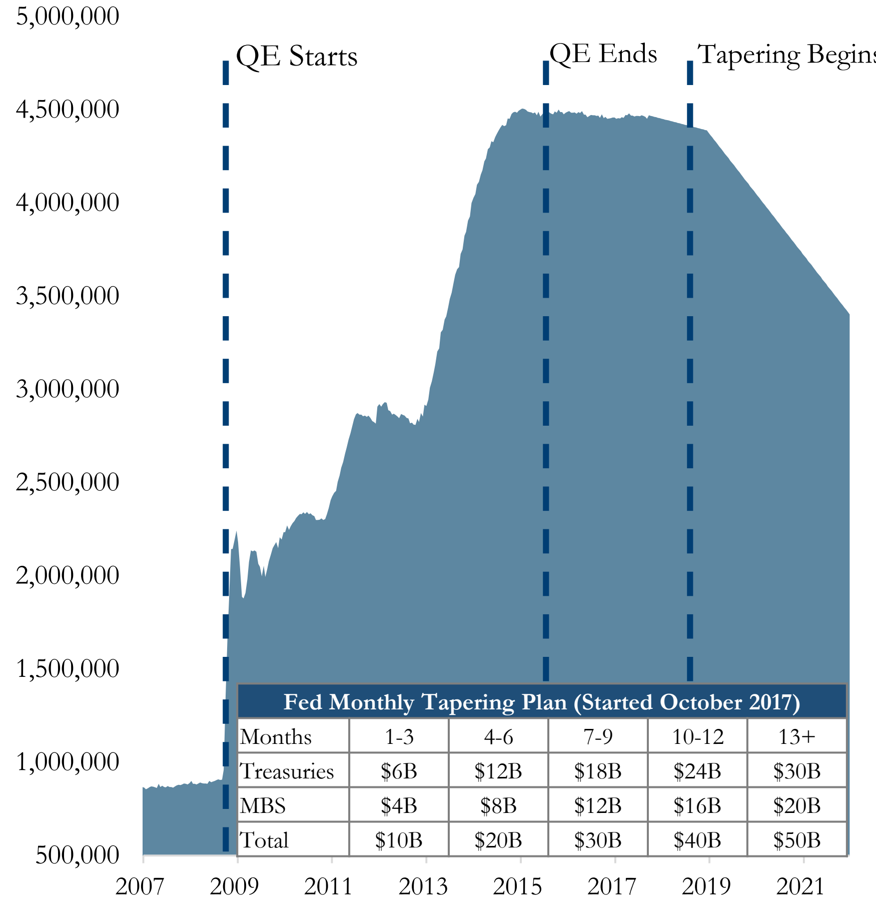
Fed Policy Accommodative, But No Longer Stimulative

Real Fed Funds Rate %



Fed Balance Sheet ($ millions)



Fed Monthly Tapering Plan (Started October 2017)

Months	1-3	4-6	7-9	10-12	13+
Treasuries	$6B	$12B	$18B	$24B	$30B
MBS	$4B	$8B	$12B	$16B	$20B
Total	$10B	$20B	$30B	$40B	$50B

Source left: Bureau of Labor Statistics, Federal Reserve Bank of St. Louis. February 2018.

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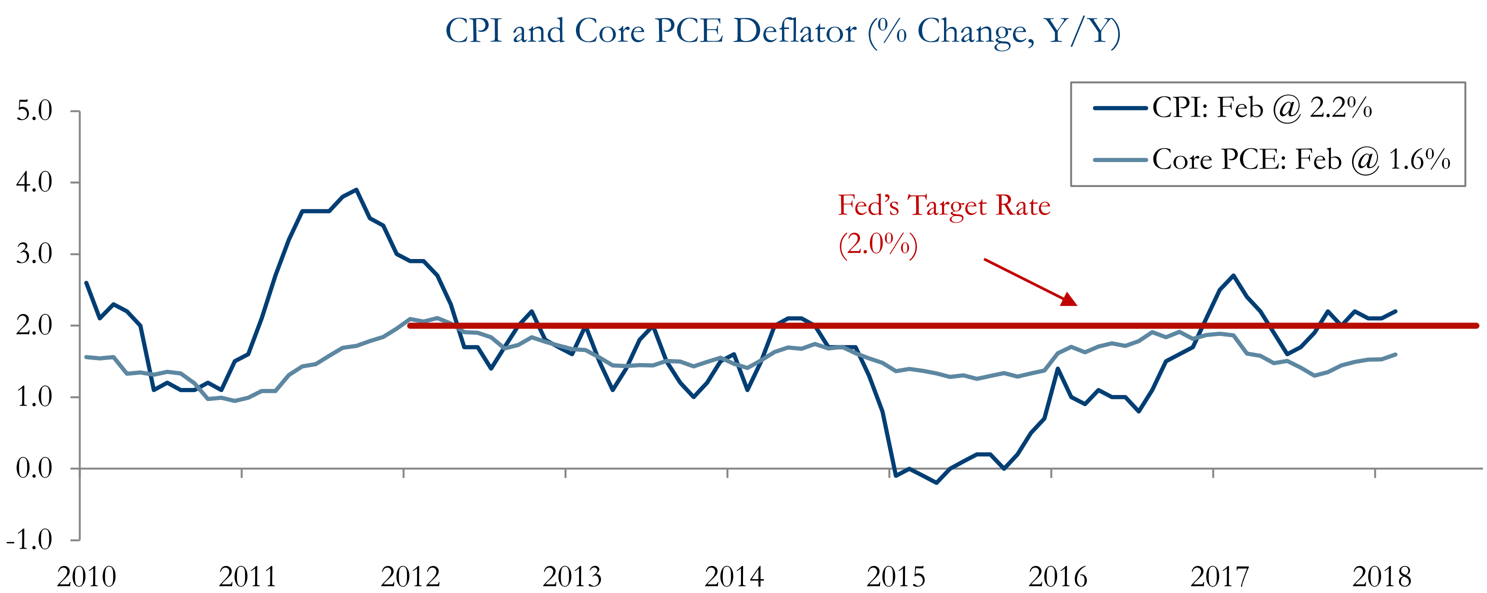
Inflation Pressure Expected to Remain Low



Secular (Pushing Inflation Down)	Cyclical (Pushing Inflation up)
▪ Demographics/Global labor supply ▪ Less consumer debt ▪ Moderate inflation expectations ▪ Technology ▪ Globalization	▪ Tightening labor markets ▪ Fiscal/Tax stimulus ▪ Steady housing recovery ▪ Less excess capacity (GDP output gap)

Source: BlackRock Investment Institute, US Bureau of Economic Analysis, Congressional Budget Office, National Bureau of Economic Research, September 2017.
Core Consumer Price Index (CPI) is equal to CPI minus energy and food prices and is used to measure core inflation.

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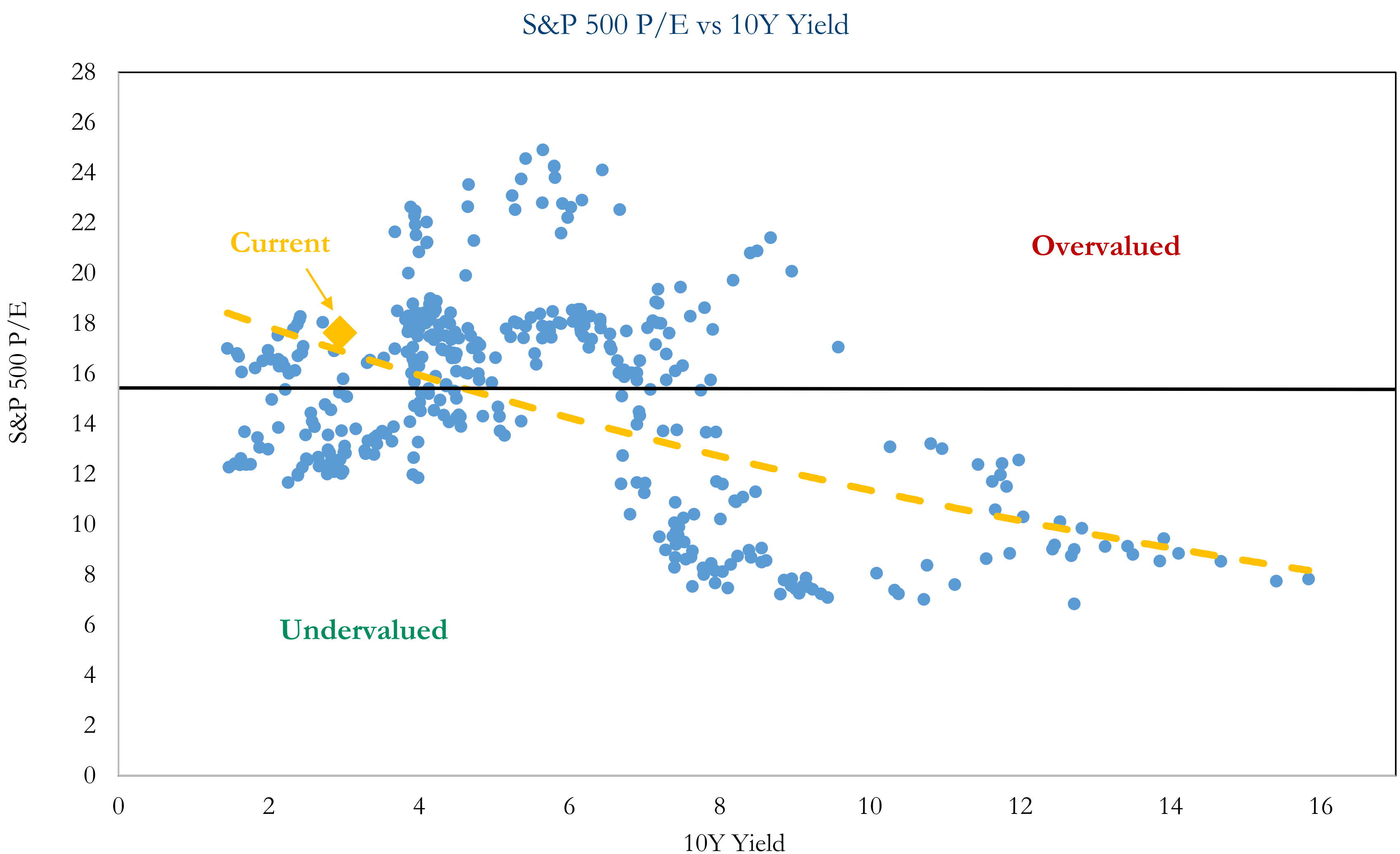
Valuations Not Cheap, But Not Expensive Either



Source: S&P 500

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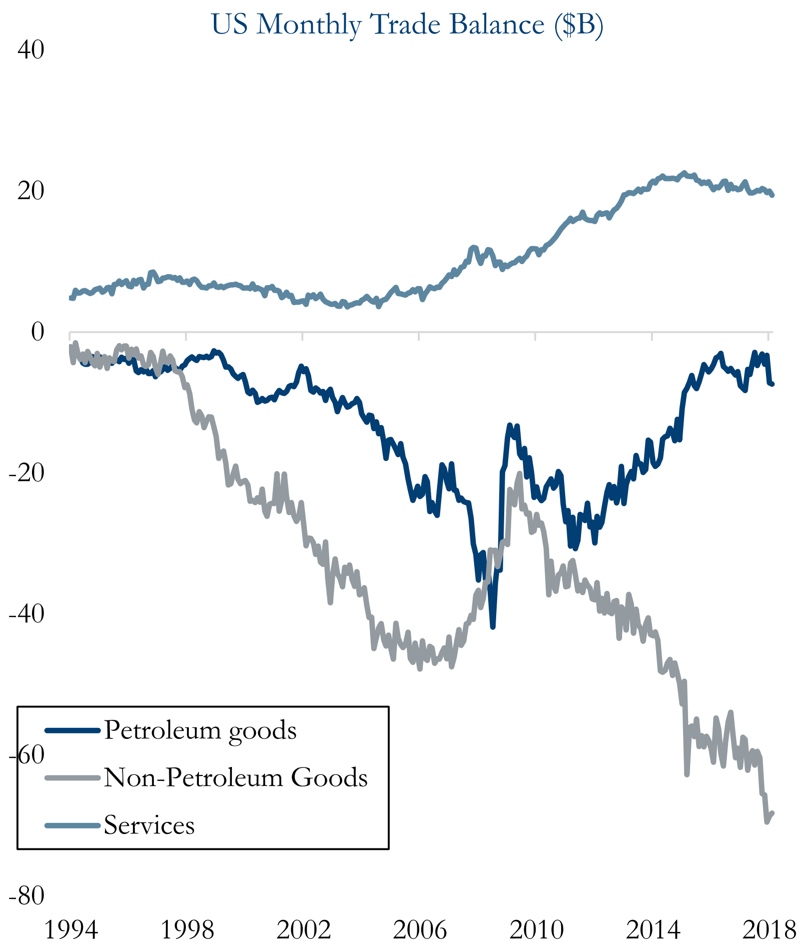
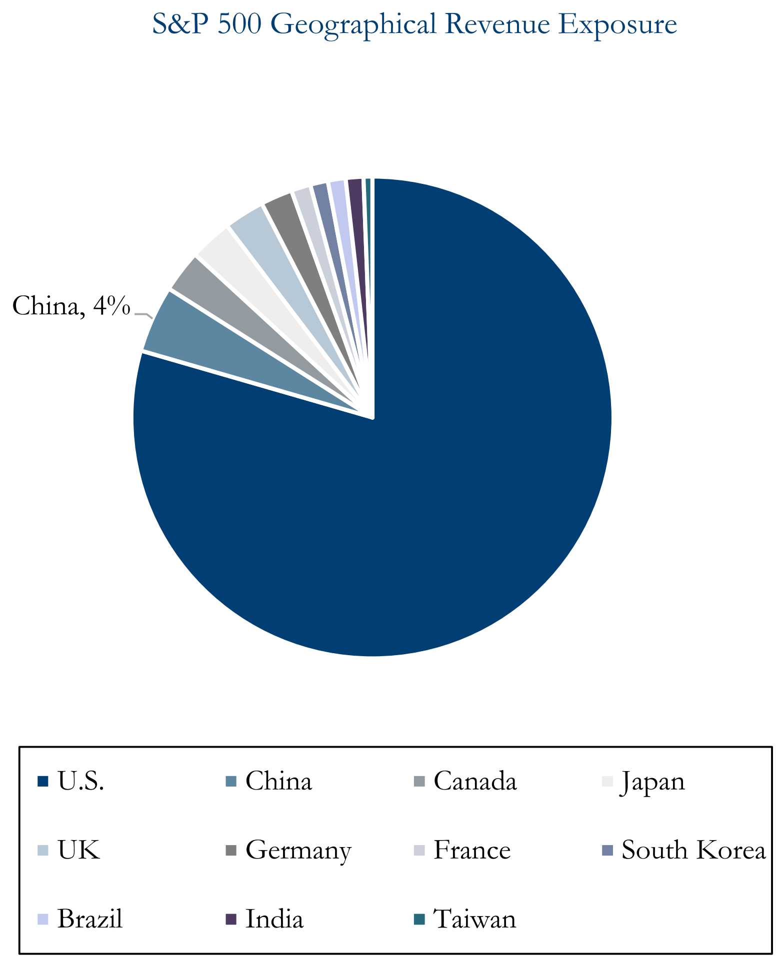
Trade Tensions Rising, but Contained for Now





Source left: Census Bureau, as of February 28, 2018 / Right: Factset

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Near-Term Bear Market Risk Is Low

Bear Markets	Market Peak	Return	Duration (Months)	Macro Environment			
				Recession	Commodity Spike	Aggressive Fed	Extreme Valuations
Crash of 1929 – Excessive leverage, irrational exuberance	September 1929	-86%	32	X			X
1937 Fed Tightening – Premature policy tightening	March 1937	-60%	61	X		X	
Post-WWII Crash – Postwar demobilization, recession fears	May 1946	-30%	36	X			X
Flash Crash of 1962 – Flash crash, Cuban Missile Crisis	December 1961	-28%	6				X
Tech Crash of 1970 – Economic overheating, civil unrest	November 1968	-36%	17	X	X	X	
Stagflation – OPEC oil embargo	January 1973	-48%	20	X	X		
Volcker Tightening – Whip Inflation Now	November 1980	-27%	20	X	X	X	
1987 Crash – Program trading, overheating markets	August 1987	-34%	3				X
Tech Bubble – Extreme valuations, dot-com boom/bust	March 2000	-49%	30	X			X
Global Financial Crisis – Leverage/housing, Lehman collapse	October 2007	-57%	17	X	X	X	
Current Cycle	-	-	-				
Average		-46%	24	80%	40%	40%	50%

Bear markets outside recessions are rare

Source: Factset

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How is the market environment changing?

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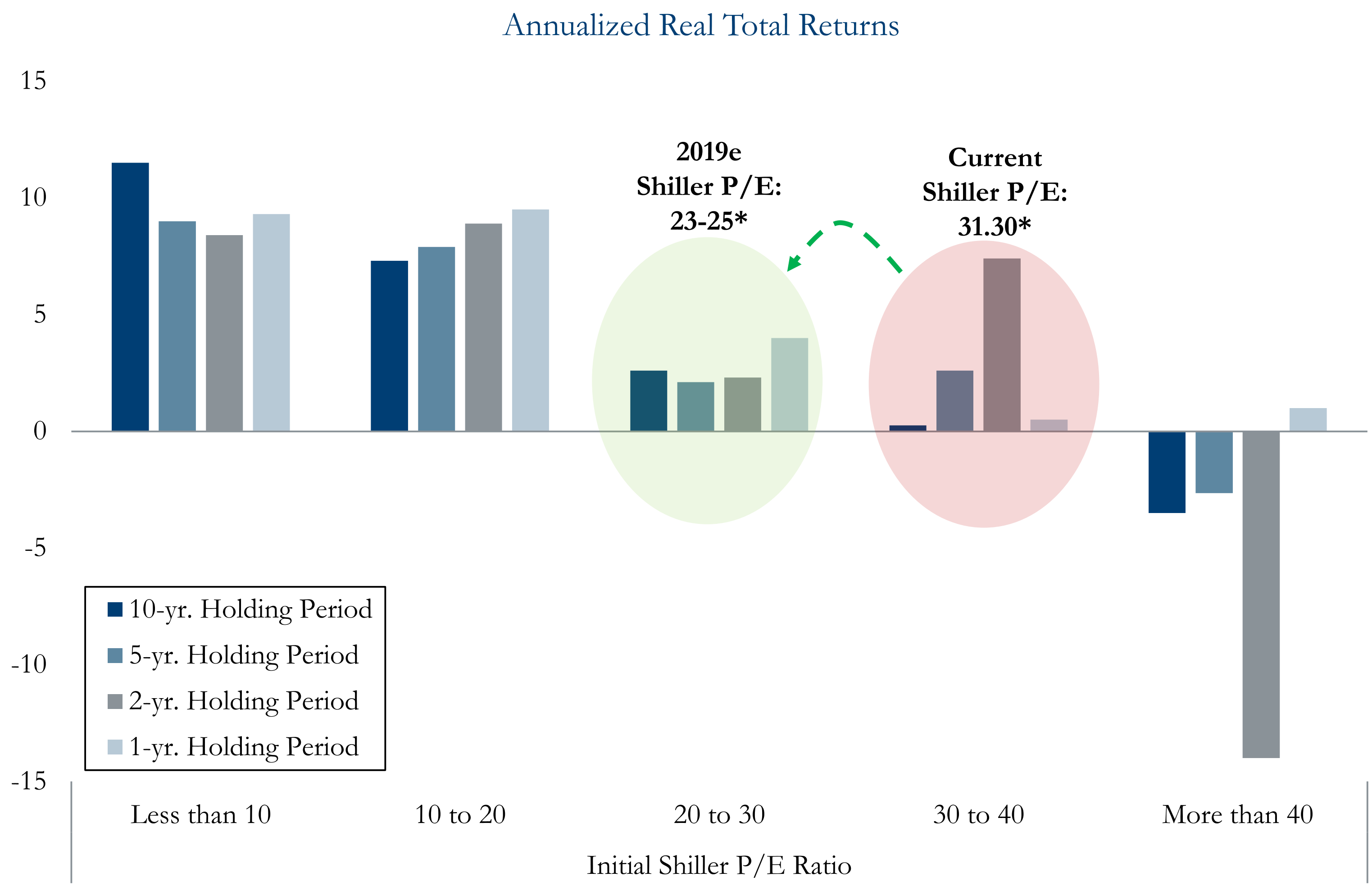
Stay Invested, but Prepare for More Moderate Returns



*Current Shiller R/E as of April 2018.
Source: BCA Research. As of December 2017. Based on S&P 500 data since 1881.

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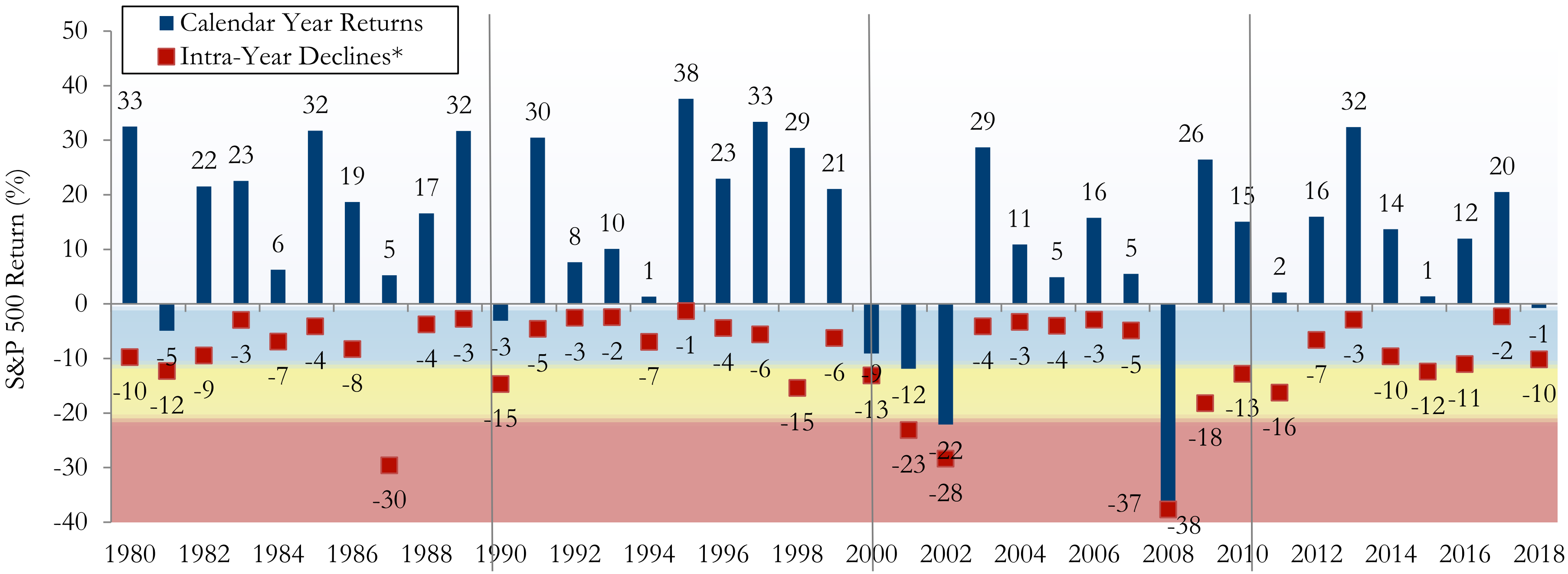
Expect Higher, More Normal Volatility

S&P 500 Return (%)



Downside Intra-Year Declines	% Occurrence (38 Years)	Average Downside	Average Calendar Year Return
0 to -10	66.7%	-5.1%	19.1%
-11 to -19	23.0%	-14.0%	7.6%
-20 to -40	10.3%	-29.7%	-16.4%

Source: Factset. As of April 2018.
*Intra-year declines are the largest declines within the calendar year.

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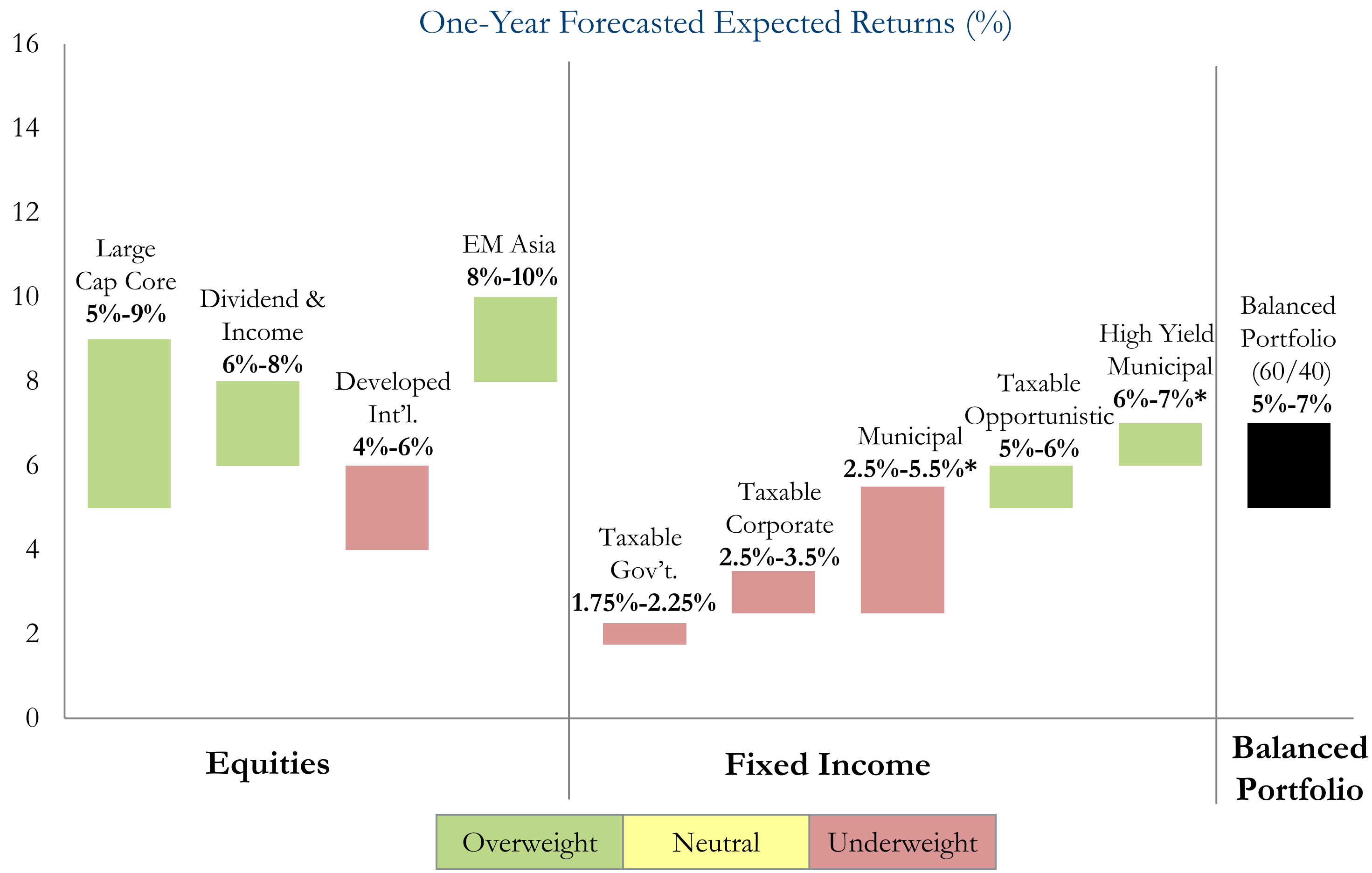
Moderate Late-Cycle Portfolio Returns Expected



Source: City National Rochdale. As of April 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.

Index Definitions

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

The Standard and 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.

The MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The Index is available for a number of regions, market segments/sizes and covers approximately 85% free float-adjusted market capitalization in each of the 21 countries. Net returns in USD.

The MSCI Emerging Markets Net Total Return Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. Net total return indexes reinvest dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

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

The Bloomberg Barclays U.S. Corporate HY Index is an unmanaged, U.S.-dollar-denominated, nonconvertible, non-investment-grade debt index. The index consists of domestic and corporate bonds rated Ba and below with a minimum outstanding amount of $150 million.

The S&P Global Developed Sovereign Bond Index is a comprehensive, market-value-weighted index designed to track performance of local currency-denominated securities publicly issued by developed countries for their domestic markets.

The Bloomberg Barclays EM HY USD Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate U.S. dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers.

The FTSE EPRA/NAREIT Developed Index is a composite of the existing EPRA Europe Index, EPRA/NAREIT North America Index, and EPRA/NAREIT Asia Index. The index contains publicly quoted real estate companies that meet the EPRA Rules in 25 countries throughout Europe, North America, and Asia.

The Credit Suisse Commodity Benchmark (CSCB) is a monthly rebalancing, long-only diversified commodity benchmark composed of notional futures contracts on physical commodities.

The HFRI Fund Weighted Composite Index includes over 2200 constituent funds. Includes both domestic and offshore funds. The Monthly Indices ("HFRI") are a series of benchmarks designed to reflect hedge fund industry performance by constructing equally weighted composites of constituent funds, as reported by the hedge fund managers listed within HFR Database. The HFRI range in breadth from the industry-level view of the HFRI Fund Weighted Composite Index, which encompasses over 2000 funds, to the increasingly specific-level of the sub-strategy classifications.

The Cambridge Associates U.S. Private Equity Index is an end-to-end calculation based on data compiled from 1,199 U.S. private equity funds (buyout, growth equity, private equity energy and mezzanine funds), including fully liquidated partnerships, formed between 1986-2014.

Returns include the reinvestment of interest and dividends.

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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 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.

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.

Concentrating assets in the real estate sector or REITs may disproportionately subject a portfolio to the risks of that industry, including the loss of value because of adverse developments affecting the real estate industry and real property values. Investments in REITs may be subject to increased price volatility and liquidity risk; concentration risk is high.

Investments in below-investment-grade debt securities, which are usually called “high yield” or “junk bonds,” are typically in weaker financial health. 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.

Yield to Worst – The lower of the yield to maturity or the yield to call. It is essentially the lowest potential rate of return for a bond, excluding delinquency or default.

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. Emerging markets bonds can have greater custodial and operational risks, and less developed legal and accounting systems than developed markets.

Investments in commodities can be very volatile, and direct investment in these markets can be very risky, especially for inexperienced investors.

Returns include the reinvestment of interest and dividends.

All investing is subject to risk, including the possible loss of the money you invest. As with any investment strategy, there is no guarantee that investment objectives will be met, and investors may lose money. Diversification may not protect against market risk or loss. Past performance is no guarantee of future performance.

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