City National Rochdale®
AN RBC/CITY NATIONAL COMPANY

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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.

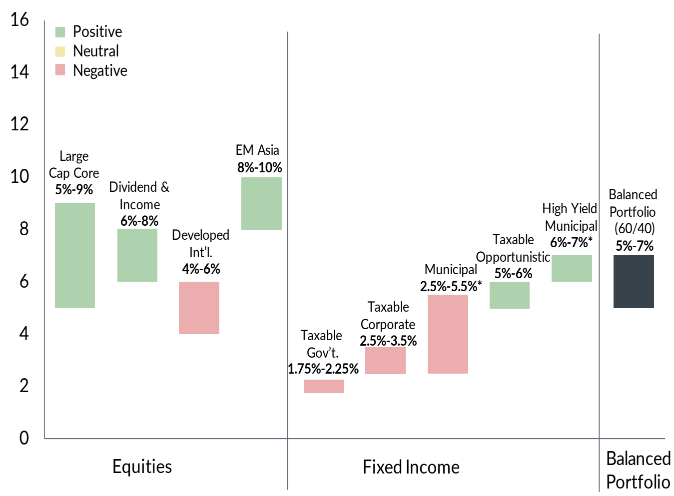
The investment landscape is growing more challenging as investors adjust to more typical late-stage expansion conditions of higher inflation, rising interest rates and less accommodative monetary policy.

Meanwhile, concerns over global growth, rising trade tensions, and other geopolitical risks, mean markets will likely continue to be subject to periodic swings in sentiment and potential pullbacks.

None of this means 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.**

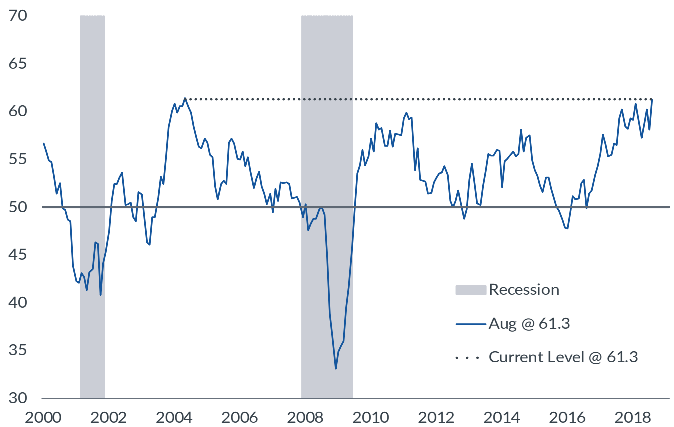
With all the trade tensions, how is the U.S. manufacturing sector holding up?

Domestic manufacturing is doing really well despite the uncertain trade environment. The most prominent manufacturing index, the ISM Manufacturing Purchasing Managers Index, hit the highest level in 14 years (chart).

Manufacturing employment has been on a strong upswing, with 159,000 being added to the payrolls so far this year. That compares favorably to the 112,000 for the same period of time last year and -13,000 for the same period in 2016.

With strong domestic demand (consumption was up a hefty 3.8% in Q2), households are buying many of these products here. But international demand has been waning. A sub-index for exports has been falling for a few months, which might be due to the stronger U.S. dollar.

ISM Manufacturing Diffusion Index



Source: Institute for Supply Management. As of August 2018.

Does the municipal yield curve provide investor opportunity versus Treasuries?

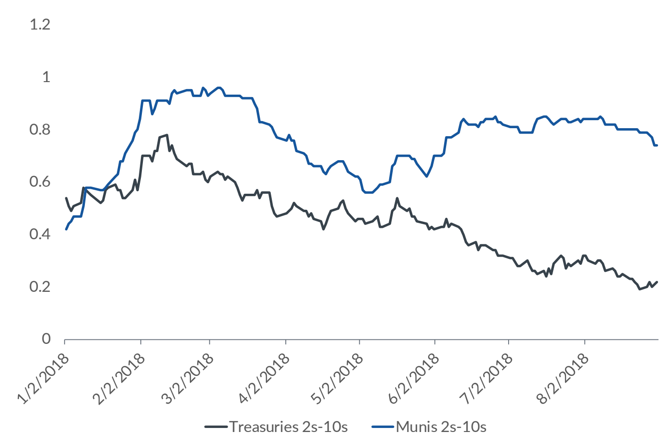
The tax-exempt yield curve juxtaposed with comparable U.S. Treasuries reveals incremental value is achievable by moving further along the municipal maturity spectrum.

Investors could pick up approximately 75 bps of yield spread between two-year and 10-year tenors, while the Treasury market will reward you with just 25 bps. Therefore, the value of the tax benefit increases with time, as 10-year, and even 15-year municipal bonds for that matter, currently present attractive valuations. The steepness of the municipal curve relative to Treasuries is the widest the market has seen since before the financial crisis.

Historical market patterns suggest the municipal curve steepens during a Fed tightening cycle and then flattens once the angst over higher benchmark rates subsides. The retail nature of the municipal market results in demand for short-term bonds as fear over rising rates transcending the curve take hold. However, this simplistic view of the curve fails to consider the lag of Fed policy in affecting the longer-term rate structure.

The City National Rochdale fixed income team continues to balance interest rate risk (duration) and relative value opportunities within its strategies. Focused attention on portfolio optimization given all relevant market factors will be the primary catalyst for investment decisions.

Municipal and Treasury Slope Comparison



Source: Municipal Market Data. As of August 2018.

Did the market gain any insight from Fed Chair Powell's speech in Jackson Hole?

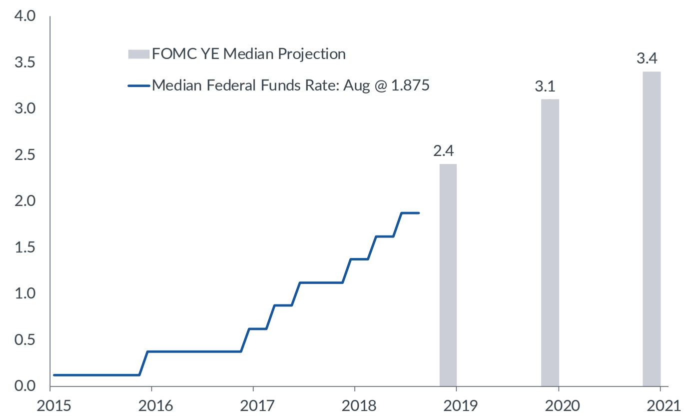
At the annual Kansas City Fed's Economic Policy Symposium in Jackson Hole, where many central bankers meet to discuss key long-term policy issues, Powell gave a speech.

He reiterated the view that the "gradual process" of rate increases "remains appropriate" as the domestic economy continues to strengthen and the labor markets tighten. The Fed has two more rate increases planned for this year, three hikes in 2019 and one hike in 2020 (chart).

He noted that most people who want a job can find one. Combine that with strong household and business confidence, rising incomes, and fiscal stimulus and there is good reason to expect that strong performance will continue.

The recent tax cut has stimulated the economy. It has created a great deal of wealth for households as the S&P 500 is now in its record longest bull market rally.

Federal Funds Rate & FOMC Projections (%)



Source: Federal Reserve Bank. As of August 2018.

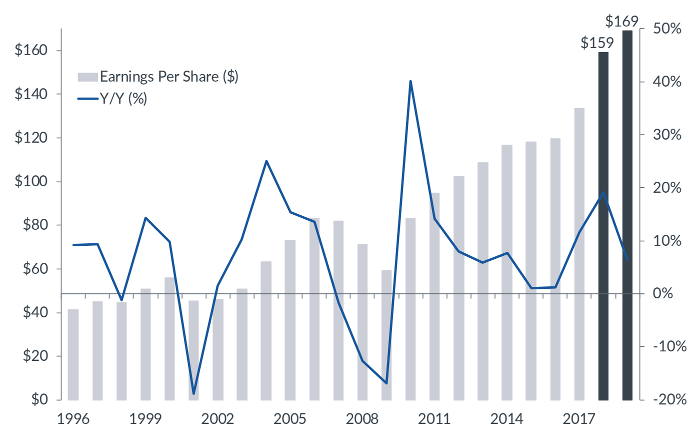
Is the U.S. equity outlook still positive?

Strong fundamentals have helped U.S. stocks climb a wall of worry to record highs. At the same time, interest rates, though rising, remain historically low, keeping stocks attractive versus other investment options like bonds. Concerns over global growth, trade, and geopolitics are likely to weigh on sentiment in the future and raise volatility, but we believe there are still worthwhile, if more modest, gains ahead.

We have long argued that stocks eventually follow earnings, and lately earnings growth has been particularly robust. The S&P has just had two consecutive quarters of nearly 25% earnings growth, while sales growth, an even better barometer of companies' underlying strength, posted the strongest rate since the third quarter of 2011. This is signaling that the earnings story is not just about tax cuts and that the economic foundation is supporting rising demand, allowing companies to grow profits beyond just cost-cutting measures.

We expect earnings growth to moderate over the next year, particularly as benefits from tax cuts fade. However, the economic expansion still appears to have a good amount of runway left, which should continue to support healthy corporate profitability and extend this bull market further.

Earnings S&P 500



Source: FactSet. As of September 2018

Will EM troubles derail global expansion?

There are good reasons to believe a full-blown global debt crisis is relatively unlikely to erupt and that the crisis in Turkey and a few other countries will not spread.

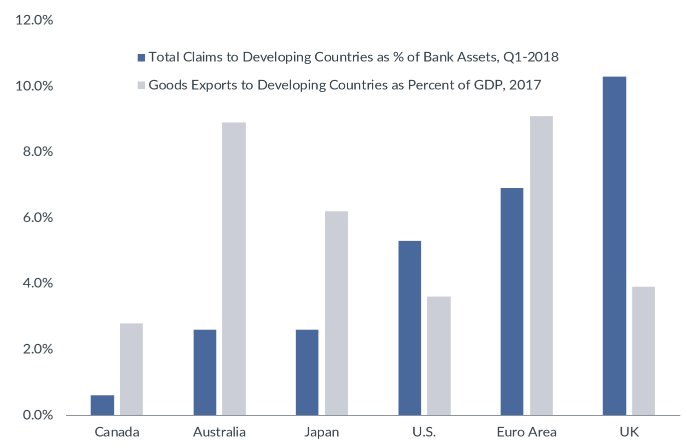
As of now, the IMF, if necessary, has sufficient resources to handle a first wave of crises. Argentina already is negotiating a $50 billion rescue package. Moreover, emerging markets have evolved quite a bit over the past two decades, and the current crop of trouble cases is the exception rather than the norm.

On the whole, emerging economies are much better managed these days, and key improvements, such as higher foreign currency reserves, flexible exchange rates and lower inflation, have made them more insulated from the risk of contagion.

In the event that financial crises spread further through EM economies, as they did in 1997-1998, exposure of advanced economies, particularly the U.S., appears limited. Exports to developing countries make up a relatively small share of GDP in major economies, while exposure of the banking systems as a share of financial assets is also relatively small.

While there's always a possibility that risk aversion becomes more deep-seated and impacts other markets, the structure of the global financial system today, which includes stress tests for banks and more floating exchange rates to absorb some of the financial pressure, should be able to contain the damage from this episode until it gets resolved.

EM Exposure



Source: FactSet. As of August 2018.

Important Disclosures

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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.