June 2025

Economic Outlook and Investment Strategy

CAS00013161

Investment Strategy Committee Highlights

Economic Outlook

- **Growth Outlook Revised Lower:** Our expectation is that U.S. gross domestic product (GDP) will stay positive but be reduced by as much as -1.0% to -1.5% to a range of 1.0% to 1.75% and that corporate profit growth will decline by -4.0% to -6.0% to a range of 7.0% to 10.0%, reflecting the broad economic drag from tariffs on China, Canada and Mexico and the 10% tariffs on all other trading partners. Service consumption remains strong, which powers over 70% of the U.S. economy, while early indications show goods spending slowed in the first quarter.
- **Sentiment Is Stabilizing but Remains Weak:** Consumer and business confidence dropped significantly but may have set lows, as recent data shows improvement — spending has slowed despite real income growth, and capital investment expectations have softened across industries.
- **Equity Positioning Requires Discipline:** While valuations have become modestly more attractive following the recent recovery from the April decline, sharp two-way market moves are possible. We remain constructive but deliberate on equity exposure, focused on risk-aware rebalancing.
- **Fixed Income Offers Clarity and Resilience:** With yields still elevated and credit markets orderly, fixed income remains a reliable ballast in portfolios. We continue to emphasize its role in navigating uncertain policy and economic conditions.

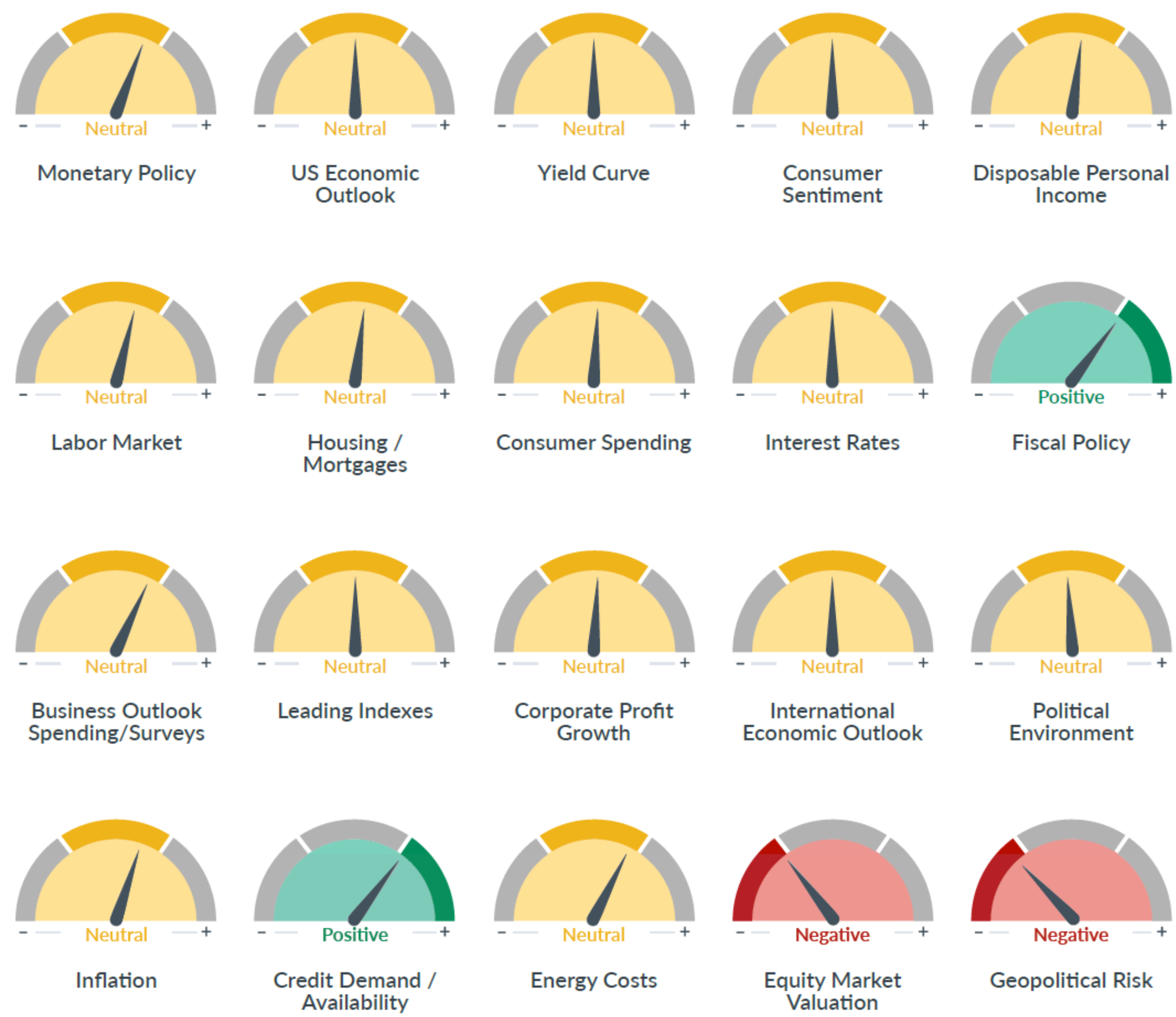
Sources: Bloomberg, CNR Research, as of June 2025.
Information is subject to change and is not a guarantee of future results.

CNR Speedometers® – June 2025

Economic and Financial Indicators That Are Forward-Looking Six to Nine Months

- The global outlook for growth has changed significantly due to tariffs.
- The Federal Reserve will remain on hold, unless price impacts are clear or unemployment rises.
- Consumer financials remain strong, but sentiment is weakening, which may impact spending.
- Despite the concern on tariffs, fiscal stimulus through deregulation and tax policy is still on the horizon.
- U.S. stock valuations are lower but have not corrected to attractive levels.
- The tariff situation remains fluid with China at 30% and Europe on the clock for 50%.

Impact on Economy and Financial Markets



Impact on investment: ■ Positive ■ Neutral ■ Negative **Timeframe:** ■ Current ■ Change from last month

Source: Proprietary opinions based on CNR Research, as of May 2025. Information is subject to change and is not a guarantee of future results.

Economic Forecasts

- June changes reflect the possibility of "peak tariff" policy and a stabilization of tariffs near 10% effective.

- GDP growth is expected to remain positive, but it may be weighed down by policy decisions.
- Corporate profits may swing within a wide range, but Q1 results are positive.
- Some inflation pressure will be present based on the administration's policy.
- The Fed may cut rates 1-2 times later this year, which may be a tailwind for stocks.
- Structural pressure will likely keep 10-year Treasury yields over 4%.

City National Rochdale Forecasts		2024	Current 2025e
Real Annual GDP Growth		2.5%	1.0% to 1.75%
Corporate Profit Growth		9.6%	7.0% to 10.0%
Headline CPI Year End		2.9%	3.25% to 3.50%
Interest Rates	Federal Funds Rate	4.25% to 4.50%	3.75% to 4.25%
	Treasury Note, 10-Yr.	4.57%	4.0% to 4.5%

Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.
e: estimate.
The consumer price index (CPI) measures the monthly change in prices paid by U.S. consumers.
Sources: Bloomberg, FactSet, proprietary opinions based on CNR Research, as of May 2025. Information is subject to change and is not a guarantee of future results.

Shifting Global Dynamics and Domestic Impact

- The foundational elements of global relationships are colliding, culminating in the Trump administration's policy priorities, which broadly span tariffs, deregulation and tax incentives.
- The creditworthiness of the federal government, the elevated political uncertainty, the development of critical technology and the increased potential for nonfinancial shocks combined with the post-pandemic economy will influence global capital and dictate forward market returns.

Labor

The labor market remains strong, but questions remain about the forward outlook due to DOGE and tariff policy.

Inflation

Inflation is likely to rise by midyear due to higher producer costs, but tariffs will not transfer to consumers on a one-to-one basis.

Tariffs

Tariffs will continue to dominate headlines, but ongoing negotiations have improved sentiment.

The Fed

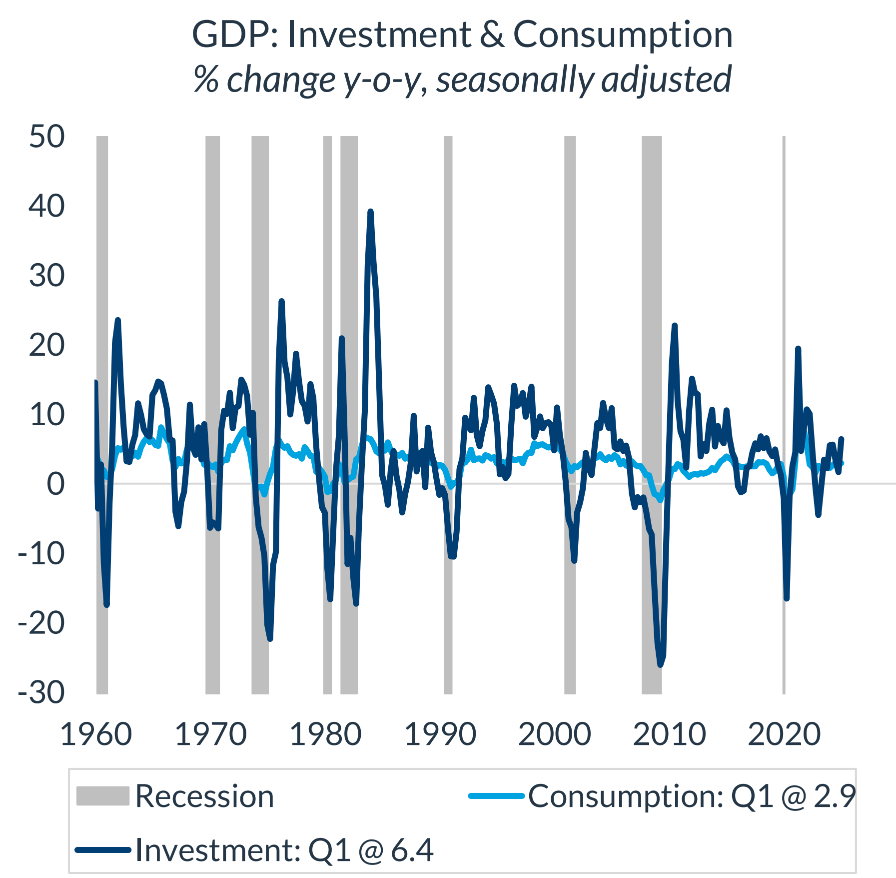
The path of long-term inflation is unclear, and unemployment remains steady, putting pressure on the Fed to stay on hold.

Source: CNR Research, as of June 2025.

Recession Swing Factor Is Investment

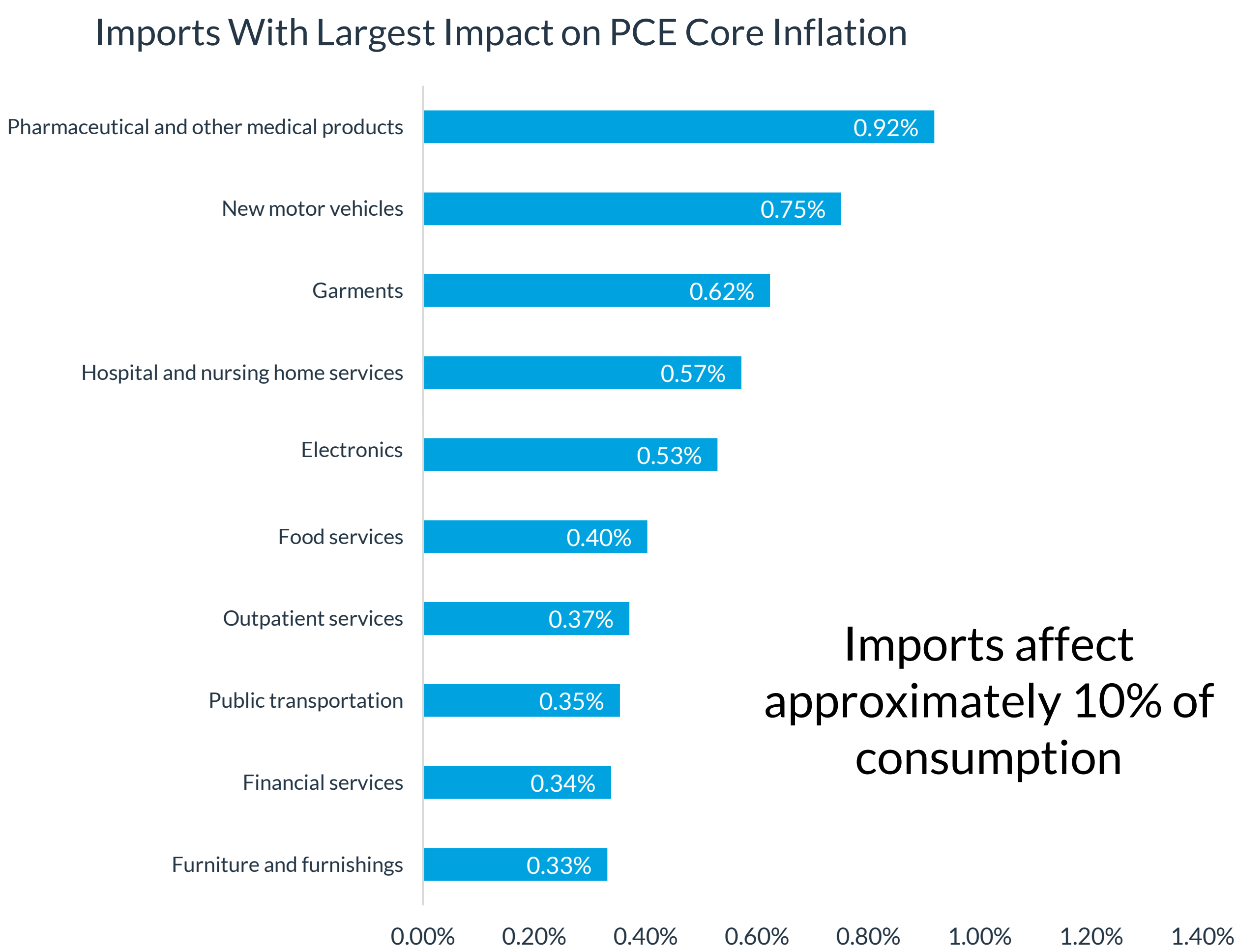
- Consumption is a leading indicator of a recessionary environment but is steady during slowdowns.
- "Swing factor" in anticipating a recession is typically slower investment sparked by consumption concern.

Recession Period		GDP Components		
Start	End	Personal Consumption	Priv. Domestic Investment	Difference
Dec-69	Nov-70	1.70%	-6.4%	-8.10%
Nov-73	Mar-75	-1.60%	-22.4%	-20.80%
Jan-80	Jul-80	-1.20%	-16.6%	-15.40%
Jul-81	Nov-82	0.10%	-17.3%	-17.40%
Jul-90	Mar-91	-0.40%	-10.5%	-10.10%
Mar-01	Nov-01	1.80%	-11.2%	-13.01%
Dec-07	Jun-09	-2.40%	-26.1%	-23.70%
Feb-20	Apr-20	-8.70%	-16.5%	-7.80%
Averages		-1.34%	-15.88%	-14.54%



Data current as of May 2025.
Represents lowest YoY% decline in personal consumption and private domestic investment over the time periods indicated.
Sources: Bloomberg, CNR Research, Bureau of Labor Statistics, as of Q1 2025.
Information is subject to change and is not a guarantee of future results.

The Impact of Imports on US Inflation

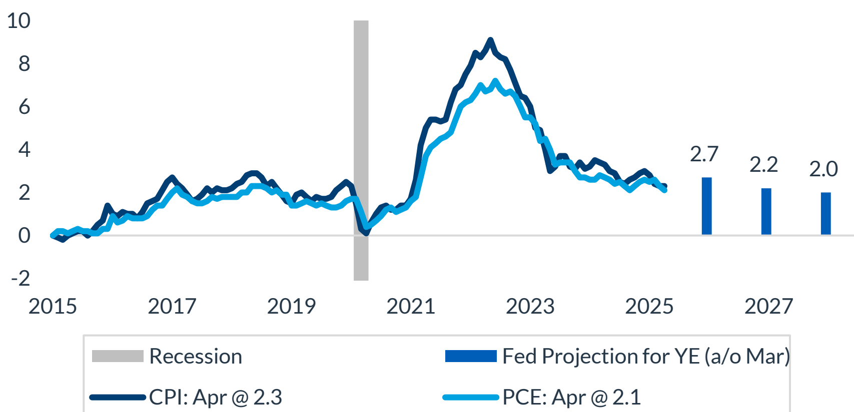


Data current as of May 2025.
Direct imports are pass-through products in the final stage of delivery; indirect imports are intermediary products.
Sources: CNR Research, Federal Reserve Bank of Boston.
Information is subject to change and is not a guarantee of future results.

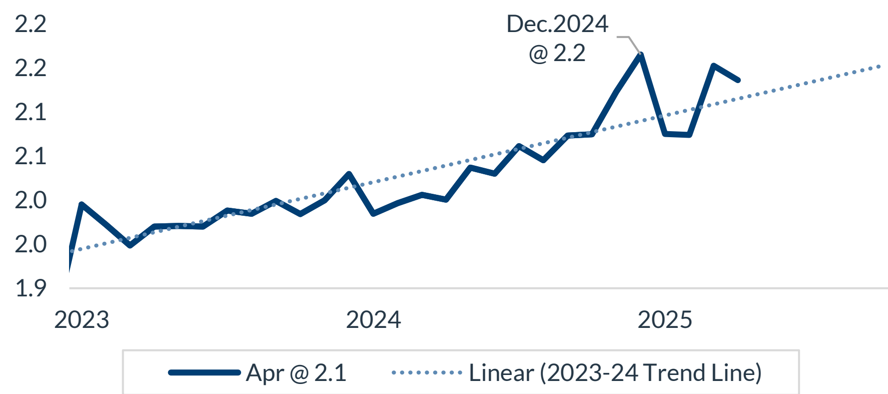
Consumer Fundamentals Remain Strong

- Inflationary pressures are below the Fed's expectations, driven mainly through lower gasoline prices.
- Spending on durable goods, like vehicles and appliances, has been volatile due to tariff fears.
- Income is growing faster than inflation, spending even quicker, while credit card delinquencies have declined.

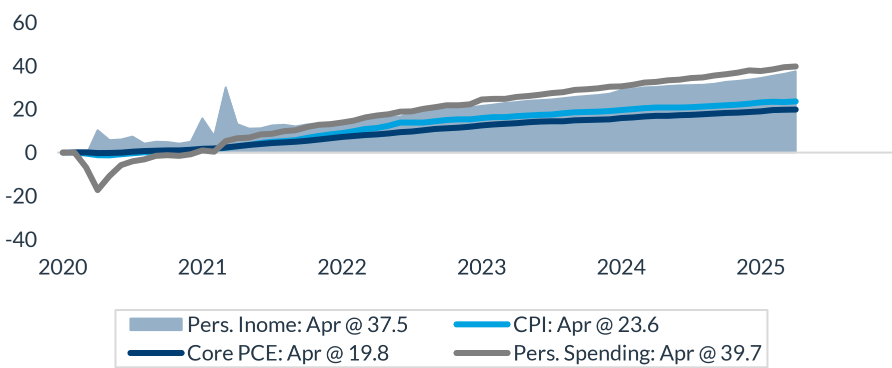
Inflation: CPI, PCE, and the Fed's Projection for PCE
%, year-over-year



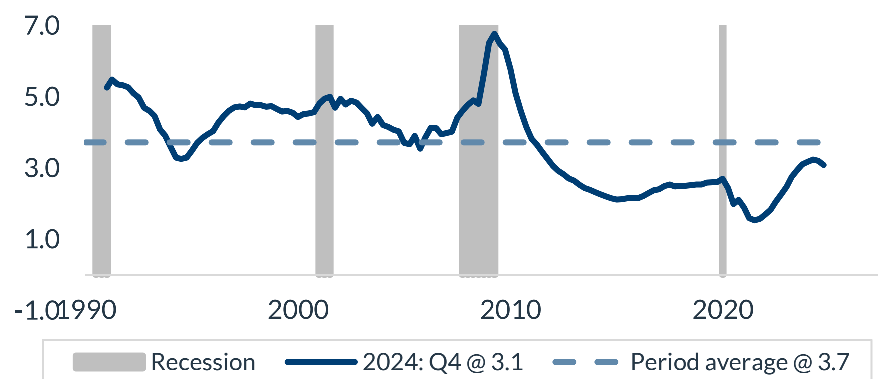
Personal Spending: Durable Goods: Inflation Adjusted
$, trillions, seasonally adjusted annual rate



Income, Inflation & Spending
%, indexed at 0.0 on January 2020



Credit Card Loans: Delinquency Rate
%, seasonally adjusted

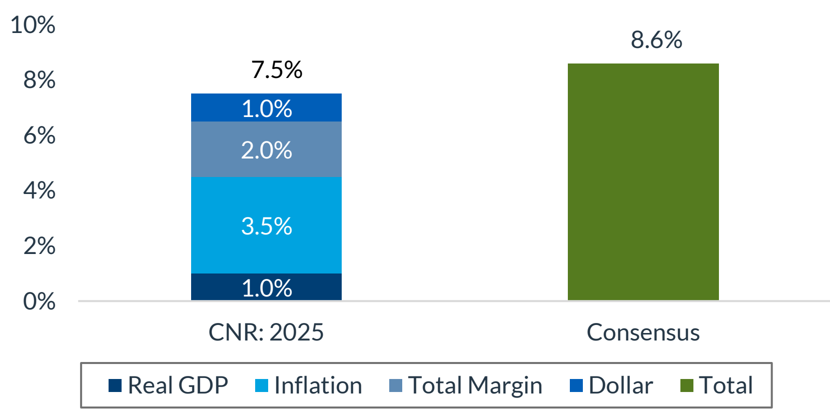


Sources: Chart 1: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve Bank, as of April 2025. Chart 2: Bureau of Labor Statistics, as of April 2025. Chart 3: Bureau Economic Analysis, Bureau of Labor Statistics, as of April 2025. Chart 4: Bureau of Economic Analysis, as of Q1 2025. Information is subject to change and is not a guarantee of future results.

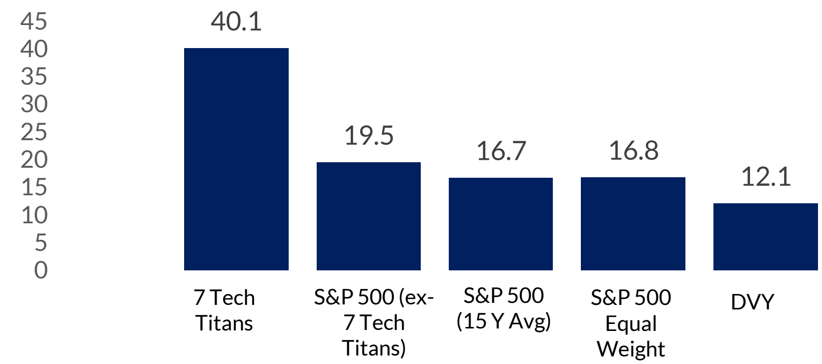
Equity Risk/Reward Conditions Appear Modestly Positive

- Focusing on fundamentals is key.
- Improving non-tech earnings are expected to support corporate profit growth, but the 2025 expectations bar is high.
- Equity valuations appear more reasonable for the broader market.

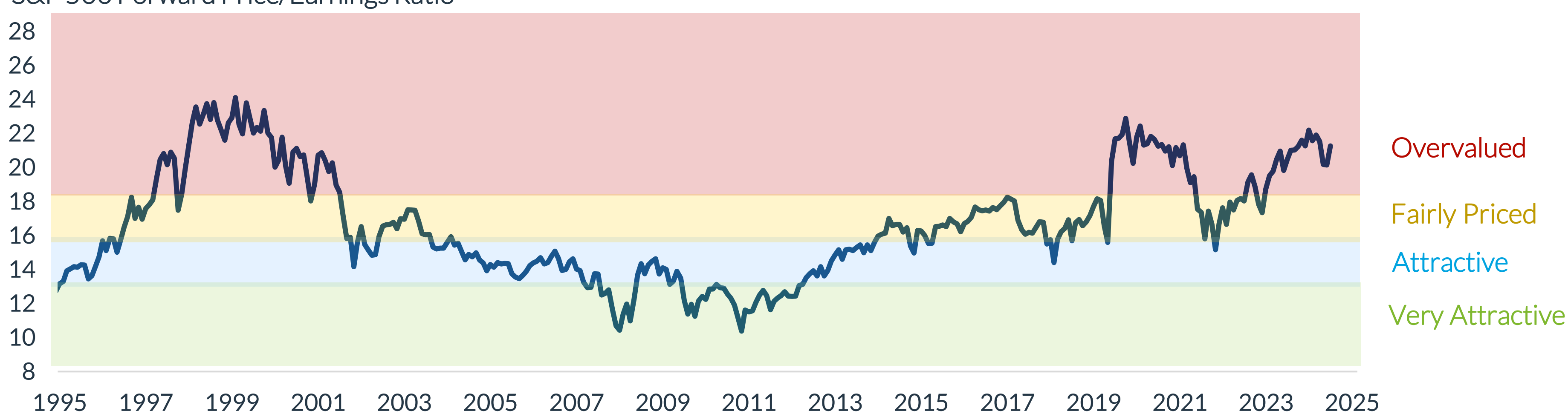
S&P 500 Earnings Growth: Forecast (%)



Valuations -12 Month Forward P/E Multiples



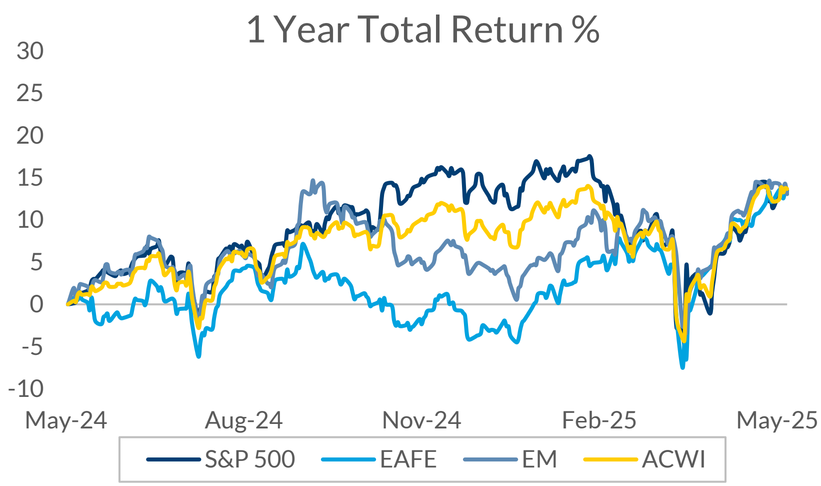
S&P 500 Forward Price/Earnings Ratio

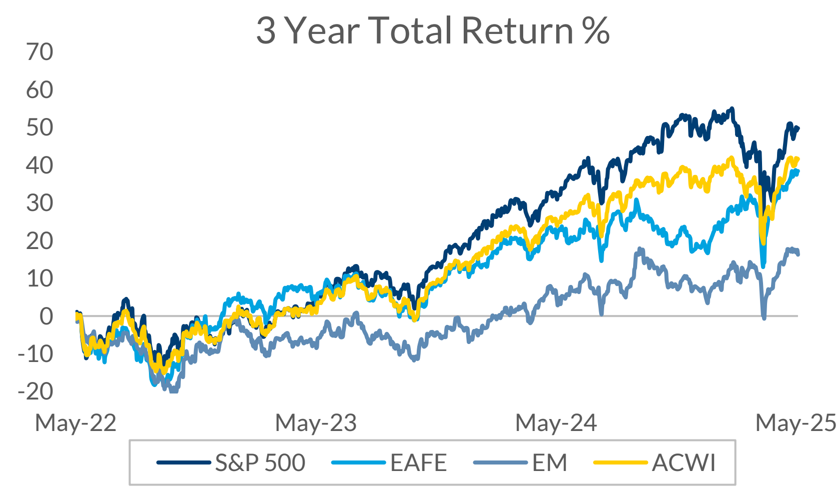


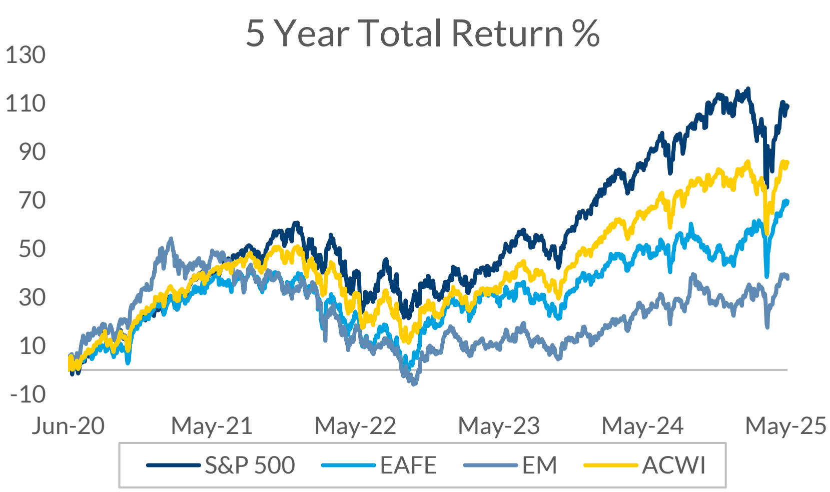
Sources: FactSet, CNR Research, as of May 2025.
Indices are unmanaged, and one cannot invest directly in an index. Information is subject to change and is not a guarantee of future results.

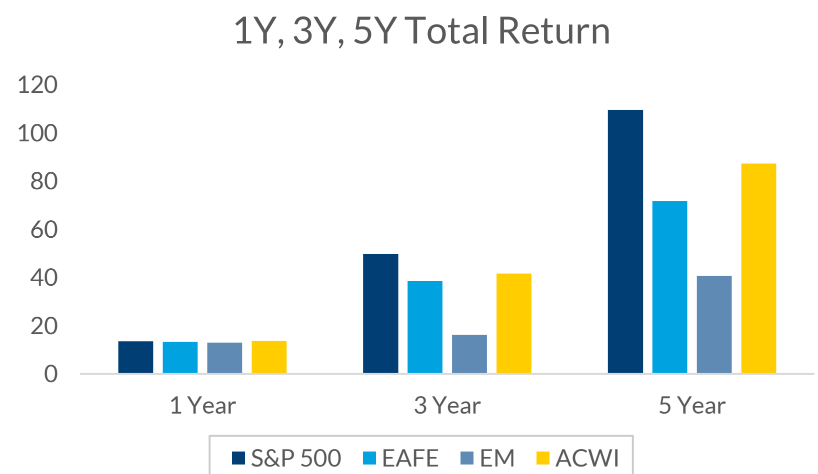
Global Markets Have Underperformed US

- The US market has surpassed the return of global non-US developed and emerging markets over time.
- The outperformance of non-US markets this year has been heavily dependent on the direction of the US dollar.







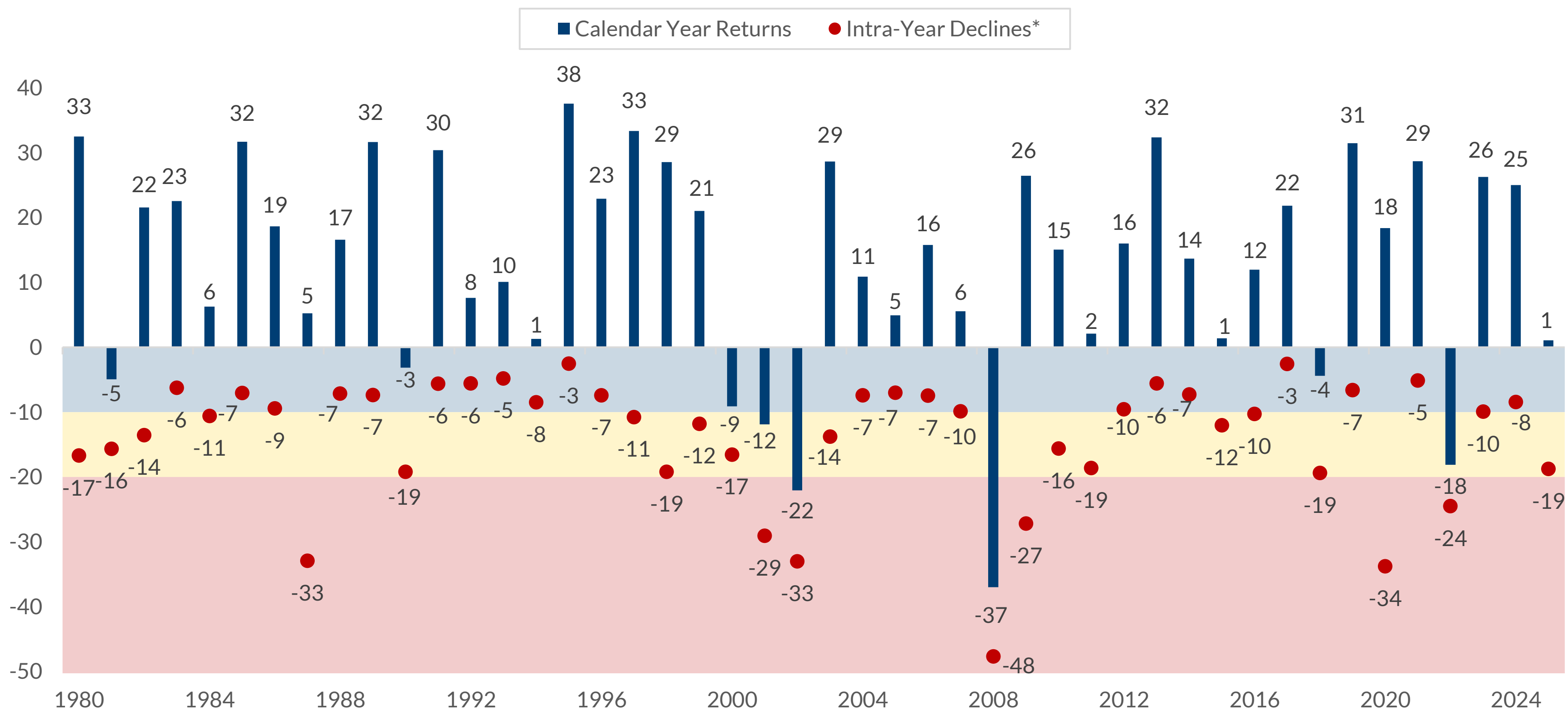


Source: Bloomberg, as of May 31, 2025. Past performance is not a guarantee of future results. Indexes used: The Standard & Poor's 500 Index (S&P 500) , MSCI EAFE Index, MSCI Emerging Markets (EM) Index , The MSCI All Country World Index (ACWI).

Short-Term Volatility Is Normal

- Corrections are a normal part of market movements.

S&P 500 Return (%)

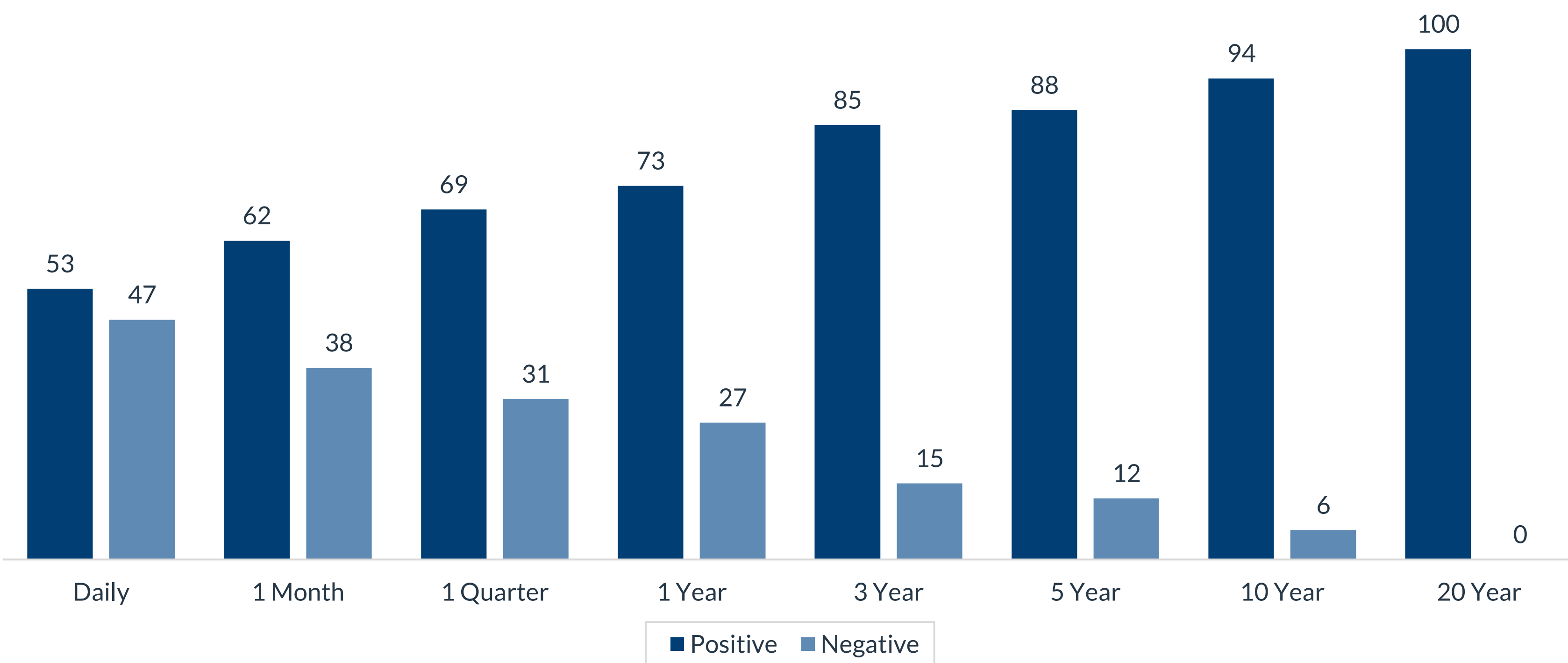


Sources: Bloomberg, CNR Research, as of May 31, 2025.
*Intra-year declines are the largest declines within the calendar year.
Indices are unmanaged, and one cannot invest directly in an index. Index returns do not reflect a deduction for fees or expenses.
Past performance is no guarantee of future results.

Volatility ≠ Risk of Loss Given Appropriate Time Horizon

- While stocks are volatile in the shorter term, the risk of loss has been low over long time horizons.
- Focusing on goals rather than short-term volatility can increase the probability of success.

Probability of Positive and Negative Stock Performance
%, across various time horizons



Sources: FactSet, CNR Research. Data reflects S&P 500 performance January 1928-December 2024.
Daily returns were calculated for the periods shown above, with the number of positive and negative days counted. The number of positive and negative days, respectively, was then divided by the total number of days to calculate the percentages.
Past performance is no guarantee of future results.

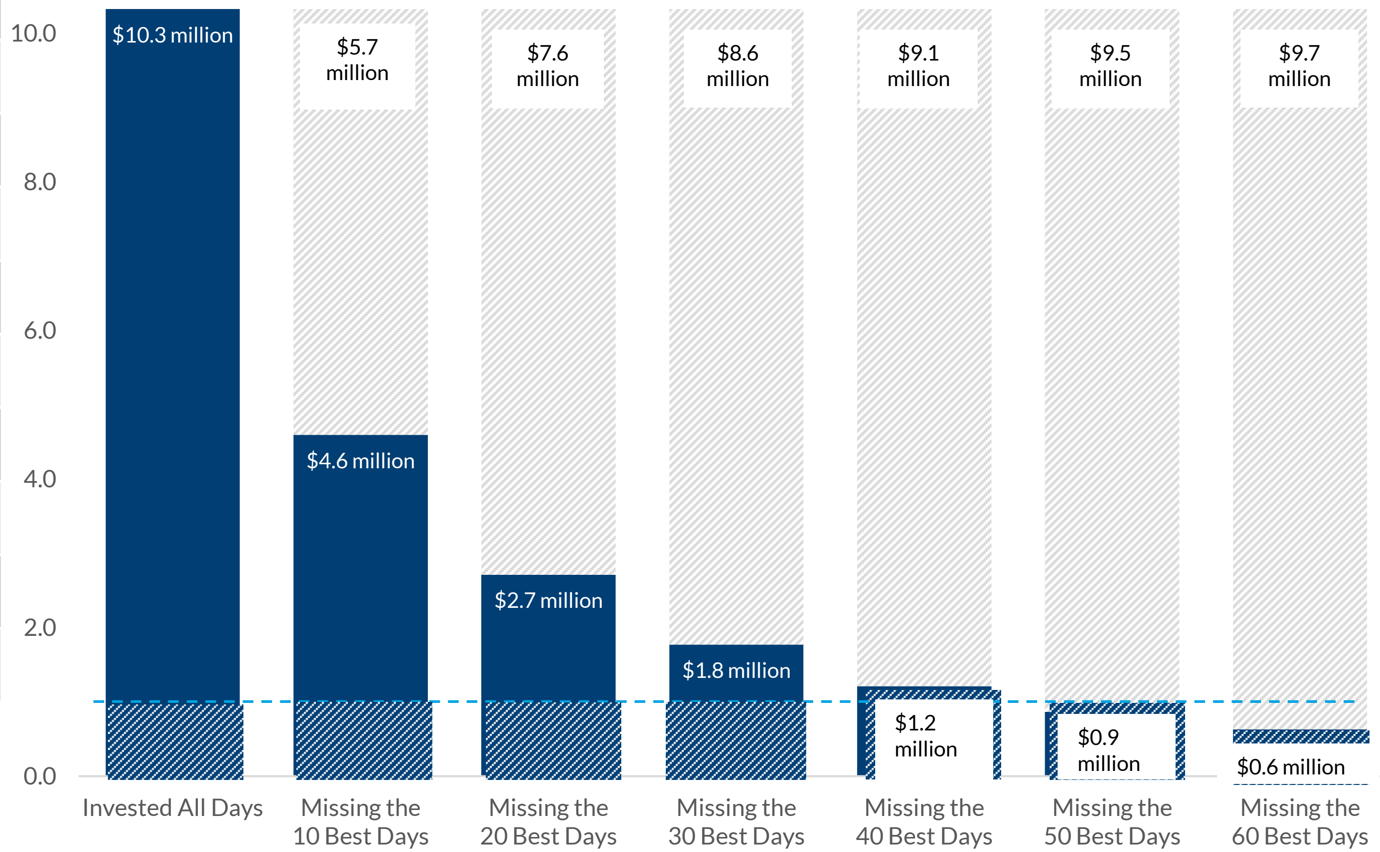
Frequent Changes to Avoid Risk Can Hurt Returns

- The impact of missing large, single-day advances in the market can be devastating for long-term returns.
- Over the past 20 years, the top 10 largest days have all come during recessionary periods.

Date	Return
October 13, 2008	+11.6%
October 28, 2008	+10.8%
April 9, 2025	+9.5%
March 24, 2020	+9.4%
March 13, 2020	+9.3%
March 23, 2009	+7.1%
April 6, 2020	+7.0%
November 13, 2008	+6.9%
November 24, 2008	+6.5%
March 10, 2009	+6.4%

The Impact of Timing on Equity Returns

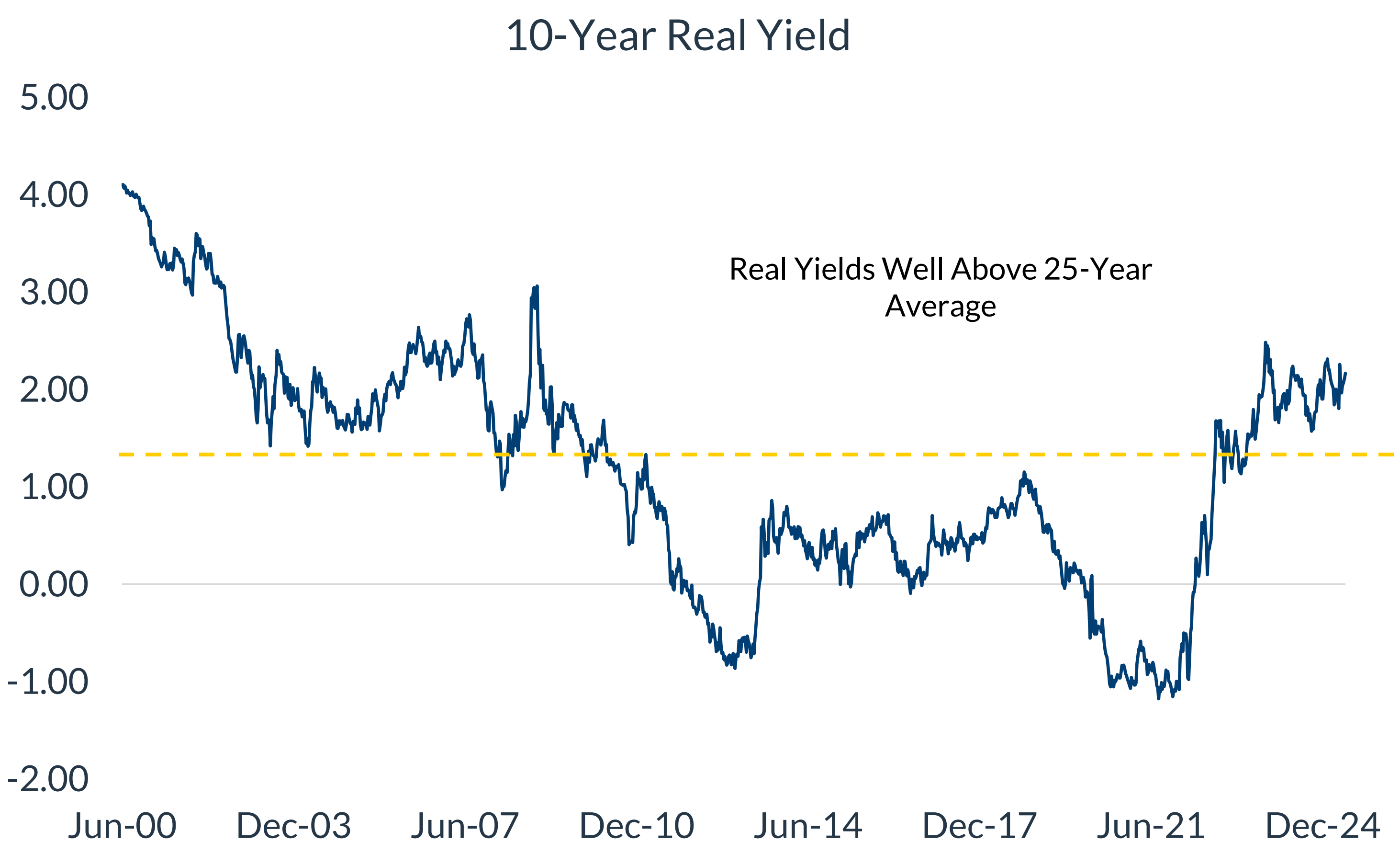
Value of $1M Invested in the S&P 500 (Jan 2003 - May 2025)



Data current as of May 31, 2025.
Sources: JP Morgan, S&P 500 index total returns from January 1, 2003 to May 31, 2025
Information is subject to change and is not a guarantee of future results.

Conflicting Signals From the Bond Market

- Some shifts in the bond market suggest rates have not moved as high as they should.
- However, real yields indicate a potential opportunity that aligns with historical rate levels.



Data current as of May 22, 2025.
Sources: Bloomberg, CNR Research.
Information is subject to change and is not a guarantee of future results.

Investment Strategy Committee Summary

- Equity positioning remains steady, as tariff-related headwinds led us to drop growth and earnings expectations; we continue to emphasize valuation discipline within U.S. markets.

- Our focus remains on U.S. domestic equities, where fundamentals are still comparatively stronger; international allocations remain in flux, and we are actively evaluating regional exposures as trade dynamics evolve. The single most important element of global allocation will be the direction of the U.S. dollar.

- Volatility may persist given uncertainty around policy direction; we see opportunities in markets, but patience and selectivity are key.

- Fed policy remains on hold, not easing aggressively, and with inflation still elevated, we see limited scope for near-term cuts.

- Municipal bonds have sold off substantially and now offer compelling tax-exempt yields, both in investment grade and high-yield segments.

- High yield corporate bond spreads have retreated from recent highs; we prefer a credit barbell, where absolute yields will have the potential to provide high long-term return, while rotating into selective lower quality which may help drive total return.

- Select alternatives* may provide valuable diversification, particularly for clients who can tolerate illiquidity and are seeking exposure to private market opportunities in a more complex macro environment.

*Alternative investments are speculative, may entail substantial risks and may not be suitable for all investors.
Diversification does not ensure a gain or protect a loss.
Sources: Bloomberg, CNR Research, as of June 2025.
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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 US equity performance.

The Consumer Price Index (CPI) measures the monthly change in prices paid by US consumers. The Bureau of Labor Statistics (BLS) calculates the CPI as a weighted average of prices for a basket of goods and services representative of aggregate US consumer spending.

Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

The Bloomberg Barclays US Corporate High Yield Index is an unmanaged, US-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 MSCI Europe Index captures large and mid cap representation across Developed Markets (DM) countries in Europe. The index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

The MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization weighted index that is designed to measure developed equity market results, excluding the US and Canada.

MSCI Emerging Markets (EM) Index The MSCI Emerging Markets Index captures large and mid cap representation across Emerging Markets countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI Europe Index captures large and mid cap representation across Developed Markets (DM) countries in Europe. The index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

The Bloomberg 1-3 Month US Treasury Bill Index includes all publicly issued zero-coupon US Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more of outstanding face value.

The Bloomberg Municipal Short/Intermediate Index is a measure of the US municipal tax-exempt investment grade bond market.

The Bloomberg Taxable Intermediate Government Credit Index measures investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related bond markets with a maturity greater than 1 year and less than 10 years.

The Bloomberg Municipal High Index is a measure of the US municipal tax-exempt non-investment grade bond market.

The Bloomberg 1-3 Month U.S. Treasury Bill Index includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more of outstanding face value.

High Yield Corporate Bond Yield is derived from the Bloomberg High Yield Corporate Bond Index (LF98), Yield Spread Is the U.S. Corporate High Yield Bond Yield minus the 12-Month Yield of BKLN.

MSCI EAFE Index. The MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization weighted index that is designed to measure developed equity market results, excluding the US and Canada.

Index Definitions

MSCI Emerging Markets (EM) Index The MSCI Emerging Markets Index captures large and mid cap representation across Emerging Markets countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.The MSCI Europe Index captures large and mid cap representation across Developed Markets (DM) countries in Europe. The index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

The seven tech titan stocks are a group of high-performing and influential companies in the US stock market: Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla.

Nasdaq is an online global marketplace for buying and trading securities—the world's first electronic exchange.

The S&P Equal Weight Index (EWI) is an equal-weight version of the S&P 500, which is a widely-used index that measures 500 leading companies in leading U.S. industries.

The MSCI All Country World Index (ACWI) is a global stock index that encompasses nearly 3,000 companies from 23 developed countries and 25 emerging markets.

Definitions

Employment Index: US jobs with the exception of farmwork; unincorporated self-employment; and employment by private households, the military, and intelligence agencies.

A leveraged loan is a type of loan that is extended to companies or individuals that already have considerable amounts of debt or poor credit history.

Muni Bond: A municipal bond is a debt security issued by a state, municipality or county to finance its capital expenditures, including the construction of highways, bridges or schools. These bonds can be thought of as loans that investors make to local governments.

Investment Grade Municipal Bonds: Investment-grade municipal bonds are debt securities, issued by state and local governments carrying the lowest credit risk that a bond issuer may default. Investment Grade Municipal Bonds: Bloomberg Municipal Bond Inter-Short 1-10 Year Total Return Index.

Investment Grade Corporate Bonds: Investment grade corporate bonds are low-risk bonds. Because they are bonds, they are not tied to equity. Instead, they are like debt notes issued by a corporation. Investment Grade Corporate Bonds: Bloomberg Intermediate Corporate Bond Index.

The “core” Personal Consumption Expenditures (PCE) price index is defined as prices excluding food and energy prices. The core PCE price index measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices to reveal underlying inflation.

CNR Speedometers® are indicators that reflect forecasts of a 6 to 9 month time horizon. The colors of each indicator, as well as the direction of the arrows represent our positive/negative/neutral view for each indicator. Thus, arrows directed towards the (+) sign represents a positive view which in turn makes it green. Arrows directed towards the (-) sign represents a negative view which in turn makes it red. Arrows that land in the middle of the indicator, in line with the (0), represents a neutral view which in turn makes it yellow. All of these indicators combined affect City National Rochdale’s overall outlook of the economy.

Important Information

The views expressed represent the opinions of City National Rochdale, LLC (CNR) which are subject to change and are not intended as a forecast or guarantee of future results. Stated information is provided for informational purposes only, and should not be perceived as personalized investment, financial, legal or tax advice or a recommendation for any security. It is derived from proprietary and non-proprietary sources which have not been independently verified for accuracy or completeness. While CNR believes the information to be accurate and reliable, we do not claim or have responsibility for its completeness, accuracy, or reliability. Statements of future expectations, estimates, projections, and other forward-looking statements are based on available information and management's view as of the time of these statements. Accordingly, such statements are inherently speculative as they are based-on assumptions which may involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such statements.

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.

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

CNR is free from any political affiliation and does not support any political party or group over another.

Bonds are subject to interest rate risks and will decline in value as interest rates rise.

HY: Investing in securities that are not investment grade offers a higher yield but also carries a greater degree of risk of default or downgrade and are more volatile than investment grade securities, due to the speculative nature of their investments.

Equity investing strategies & products. 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.

Fixed Income investing strategies & products. There are inherent risks with fixed income investing. These risks 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.

High yield securities. 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.

Municipal securities. 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.

Alternative Investments such as derivatives, hedge funds, private equity funds, and funds of funds can result in higher return potential but also higher loss potential. Changes in economic conditions or other circumstances may adversely affect investments. Alternative investments are speculative and involve a high degree of risk.

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