

March 2024

Economic Outlook and Investment Strategy

Investment Strategy Committee Highlights

Economic Outlook

- Probability of soft landing/slow growth has increased to 60%.
- Inflation still elevated but continues its downward glide path. Wages and service inflation are declining more slowly.
- Expecting Fed to lower rates two to three times, beginning around mid-year.
- Consumer spending expected to slow, but wealth effects, labor market strength and real income gains remain.
- Defaults by consumers and corporations expected to increase from historic lows, but should be manageable.
- Investment spending should improve as businesses gain confidence around the outlook.
- U.S. economic outlook is more resilient than European and Asian economies.
- Elections in U.S. likely to be contentious; shouldn't impact domestic economic activity.
- Geopolitical risks unlikely to meaningfully impact U.S. economic activity, but remain watchful.

Investment Strategy

- Expecting modest returns across asset classes in 2024; remain focused on high quality stocks and bonds.
- Staying focused on U.S. equities; we have been raising equity exposure as risks to the economic outlook diminish.
- History suggests dividend stock performance should rebound.
- For clients seeking additional capital appreciation, mid-small cap equities appear increasingly attractive.
- Continue to avoid international equities for now given less resilient outlook and geopolitical concerns.
- Potential rates cuts are a bullish sign for investors and signal that now is the time to take advantage of interest rates.
- Investment grade corporate and municipals may offer attractive yields, with less risk vs. high-yield markets.
- Maintaining focus on quality and looking to extend duration opportunistically across strategies.
- There are still excellent opportunities for short-term cash/liquidity management, in our view.
- Alternatives* can provide better risk-adjusted returns diversification and private market exposure for those clients that can allocate to illiquid investments.

*Alternative investments are speculative, may entail substantial risks and may not be suitable for all investors.

Diversification does not ensure a gain or protect against a loss.

Sources: Bloomberg, CNR Research, as of March 2024. Information is subject to change and is not a guarantee of future results.

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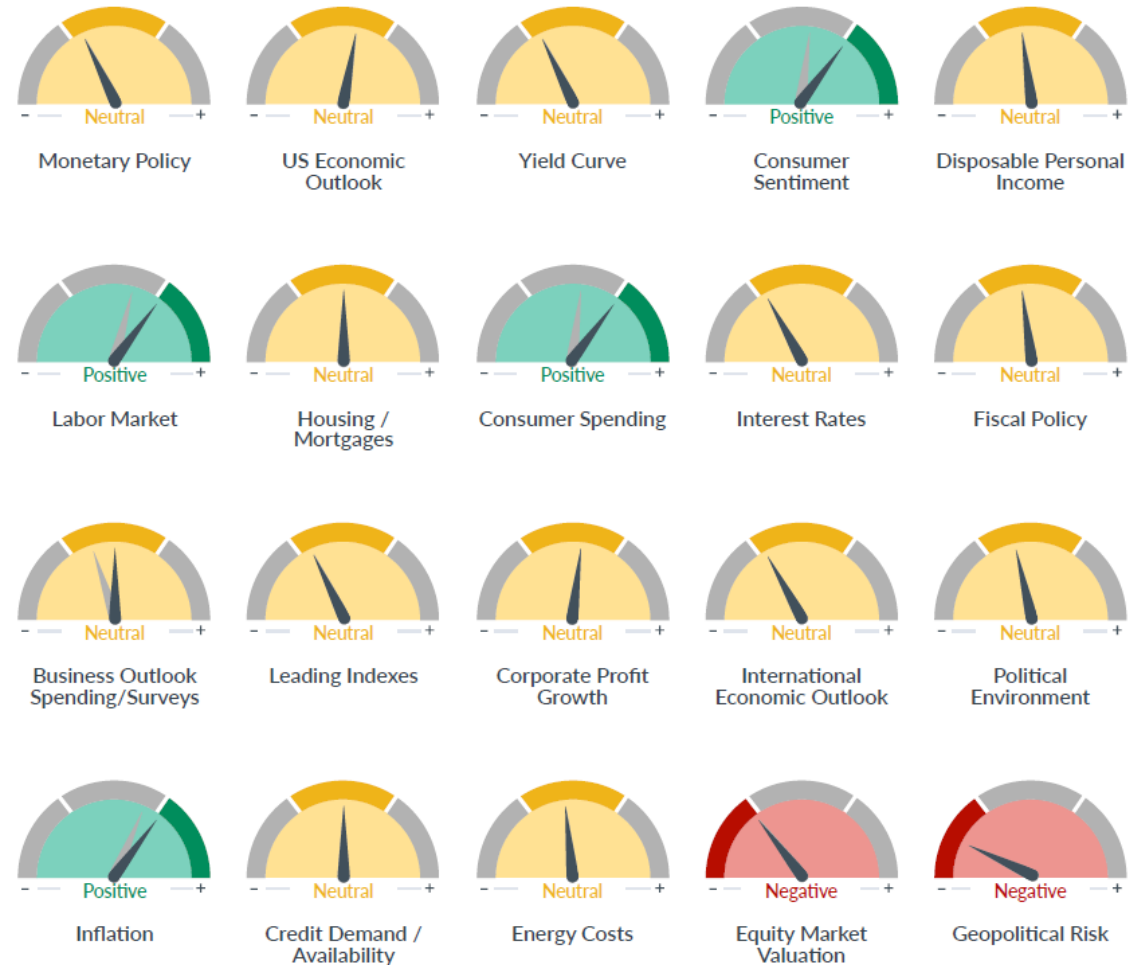


CNR Speedometers® – March 2024

Economic & Financial Indicators That are Forward-Looking Six to Nine Months

Impact on Economy and Financial Markets

- Indicators improving, confidence in soft landing increasing.
- Fed rate hiking cycle over, policy headwinds expected to moderate.
- Consumer remains resilient, job and wage growth supporting spending and improved sentiment.
- Downward glide path on inflation intact, despite expected bumps along the way.
- Geopolitical events remain key risk to outlook.



Impact on investment: ■ Positive ■ Neutral ■ Negative

Timeframe: ■ Current ■ Change from last month

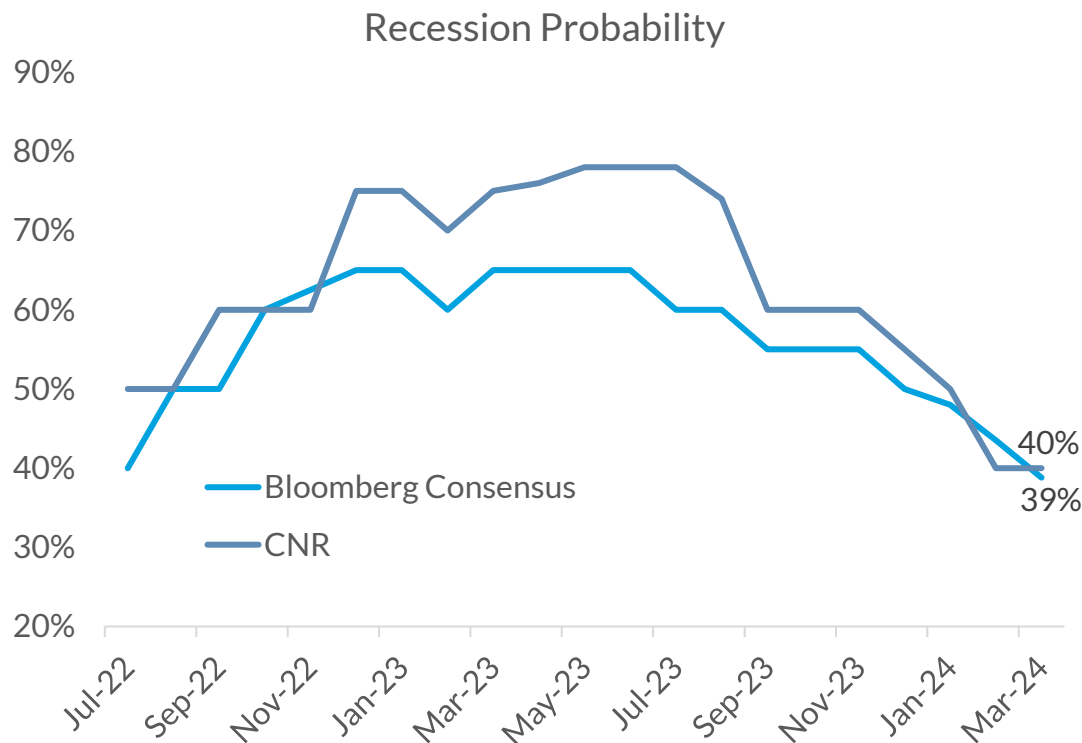
Source: Proprietary opinions based on CNR Research, as of March 2024. Information is subject to change and is not a guarantee of future results.



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Risks to Economic Outlook Diminishing

- Inflation progress and coming Fed pivot have increased odds a soft landing will be achieved.
- Near term economic slowdown still anticipated due to lagged impact of Fed tightening.
- Consumer slowdown is expected to be offset by strong household balance sheets and real income gains.
- Labor shortages and resilient demand should limit increases in unemployment.



Outlook Scenarios	Prior	Current
Soft Landing/ Slow Growth	50%	60% 
Mild Recession	50%	40% 

Sources: CNR Research, Bloomberg, Blue Chip Economic Indicators, as of March 2024.
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2024 Outlook

- GDP growth expected to moderate, but recession likely to be avoided.
- Corporate profits expected to show solid rebound.
- Downward glide path inflation intact, favor lower end of forecast.
- Expecting 2-3 cuts in Fed Funds rate, beginning around mid-year.
- Expecting US Treasury yields to be more stable.

City National Rochdale Forecasts		2022	2023e	2024e
Real Annual GDP Growth		2.1%	2.5%	1.0% to 2.0%
Corporate Profit Growth		5.1%	-1.0% to 1.0%	6.0% to 12.0%
Headline CPI Year End		6.5%	3.3%	2.50% to 3.25%
Core CPI Year End		5.7%	3.9%	2.50% to 3.00%
Interest Rates	Federal Funds Rate	4.25% to 4.50%	5.25% to 5.50%	4.50% to 5.00%
	Treasury Note, 10-Yr.	3.88%	3.88%	4.00% to 4.50%

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 Consumer Price Index (CPI) measures the monthly change in prices paid by U.S. consumers.

e: estimate.

Sources: Bloomberg, proprietary opinions based on CNR Research, as of March 2024.

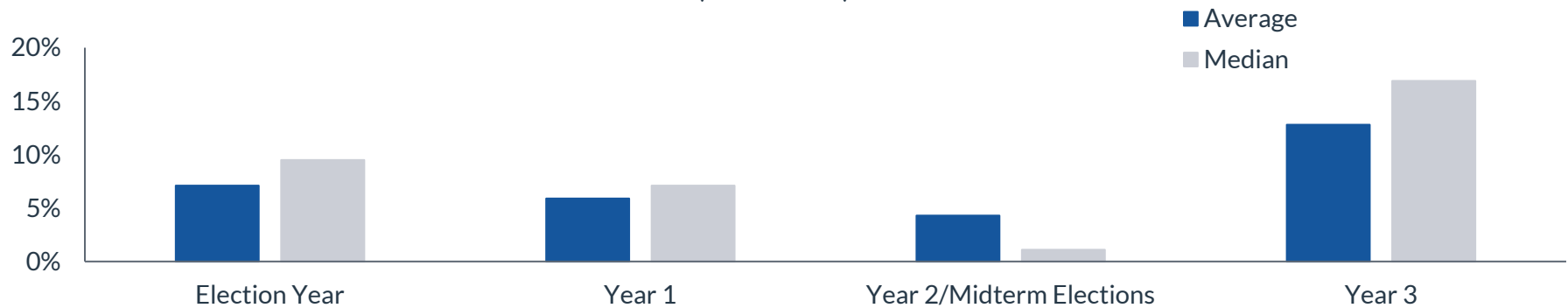
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Presidential Election Years Are Typically Good Ones

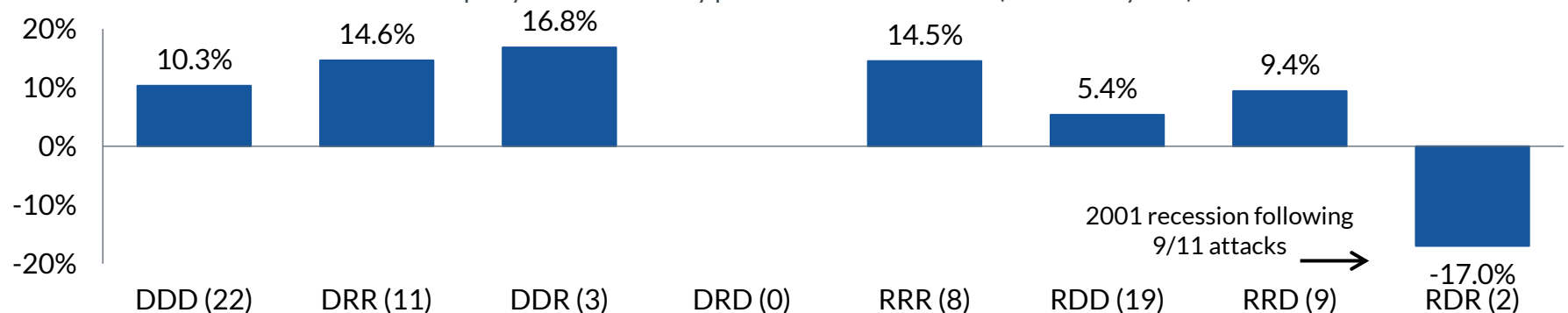
- Over the long run, equities have historically performed well regardless of political party control of government.
- Factors like corporate profits, interest rates and the direction of Fed policy tend to be much more important.

S&P 500 Performance Over U.S. Election Cycles
(Since 1928)



Annual S&P 500 Returns by Political Party Control (1945-2022)

Political party control listed by president/Senate/House (number of years)



Source: Factset, as of January 2024.

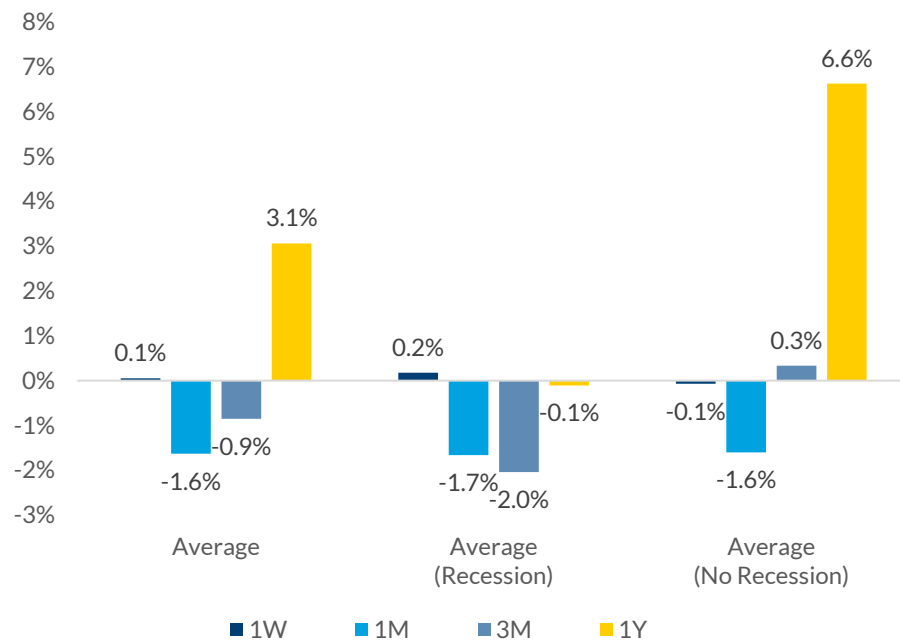
Past performance is no guarantee of future results.



Heightened Geopolitical Risk

Markets Tend to Be Resilient When Fundamentals Are Strong

S&P 500 Performance After Select Geopolitical Shocks



The stock market's longer-term reaction ultimately is more impacted by the strength of underlying economic fundamentals.

Select Geopolitical Shocks	First Trading Date	S&P 500 Performance			
		1W	1M	3M	1Y
Yom Kippur War/Oil Embargo	10/8/1973	-0.2%	-3.7%	-10.2%	-38.7%
Iran Hostage Crisis	11/5/1979	1.7%	5.8%	13.9%	33.7%
Financial Panic of '87	10/2/1987	-5.2%	-23.0%	-24.0%	-14.0%
Iraq Invades Kuwait	8/2/1990	-3.1%	-7.9%	-11.8%	14.0%
First Gulf War	1/17/1991	2.1%	12.9%	19.4%	31.8%
WTC Bombing	2/26/1993	0.7%	1.2%	2.3%	8.1%
Russian Financial Crisis	8/17/1998	0.4%	-3.4%	5.2%	25.7%
9/11	9/17/2001	-3.4%	3.8%	9.6%	-14.6%
War in Afghanistan	10/8/2001	2.6%	5.1%	10.0%	-23.7%
Second Gulf War	3/20/2003	-0.8%	2.2%	14.1%	28.9%
Orange Revolution/Ukraine	11/22/2004	0.2%	2.9%	2.5%	9.1%
Russo-Georgian War	8/8/2008	0.2%	-4.0%	-27.7%	-19.9%
Lehman Brothers Collapse	9/15/2008	1.2%	-23.7%	-26.7%	-9.4%
Russian Invasion of Crimea	2/27/2014	1.3%	0.3%	4.1%	15.8%
North Korea Missile Crisis	7/28/2017	0.2%	-1.0%	4.9%	16.2%
U.S.-China Trade War	1/22/2018	0.7%	-4.5%	-5.3%	-5.2%
Russian Invasion of Ukraine	2/24/2022	1.8%	6.1%	-5.0%	-5.9%
Israel/Hamas War	10/7/2023	0.5%	1.4%	9.4%	-

During or six months prior to recession

Source: FactSet, as of February 2024.

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

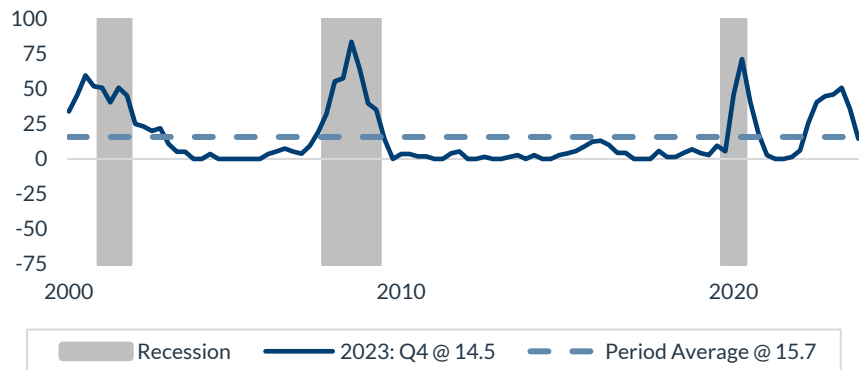
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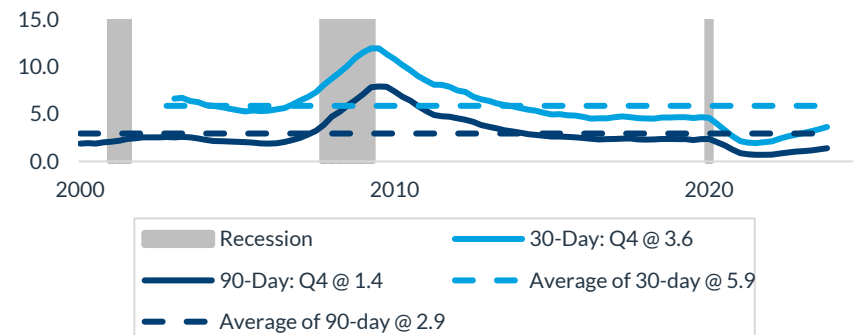
Slower Growth Expected as Consumer Spending Moderates

- Greater confidence in the outlook is leading banks to accommodating more lending, despite high interest rates.
- Credit delinquencies have increased, but primarily in the subprime sector and are not currently a major concern.
- The personal saving rate is low, often viewed as confidence in job security and the economy's strength.
- We believe the strong pace of spending is not sustainable and will moderate in the coming quarters.

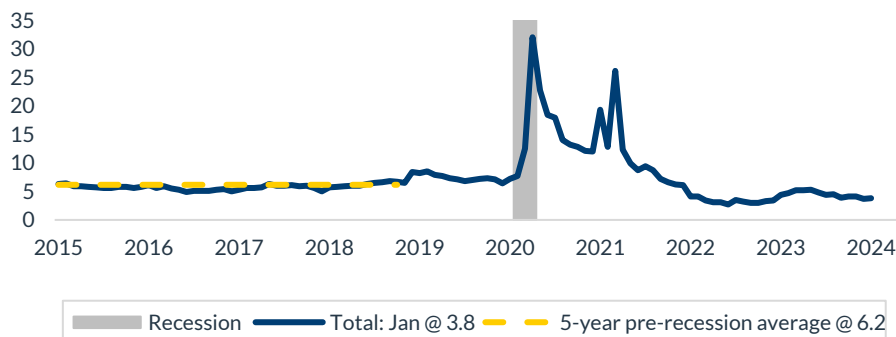
1. Tightening of Credit Standards for C&I Loans
%, not seasonally adjusted



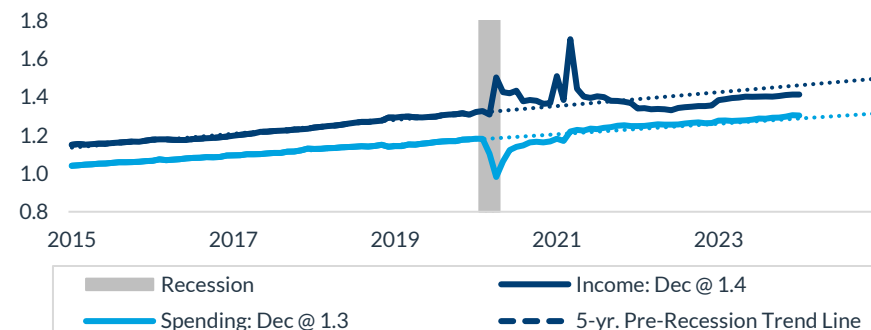
2. Delinquency Rates for All Consumer Loans
%, seasonally adjusted



3. Personal Savings
%, seasonally adjusted



4. Monthly Income and Spending: Inflation Adjusted
\$, trillions, seasonally adjusted, with 5-year pre-recession linear trend



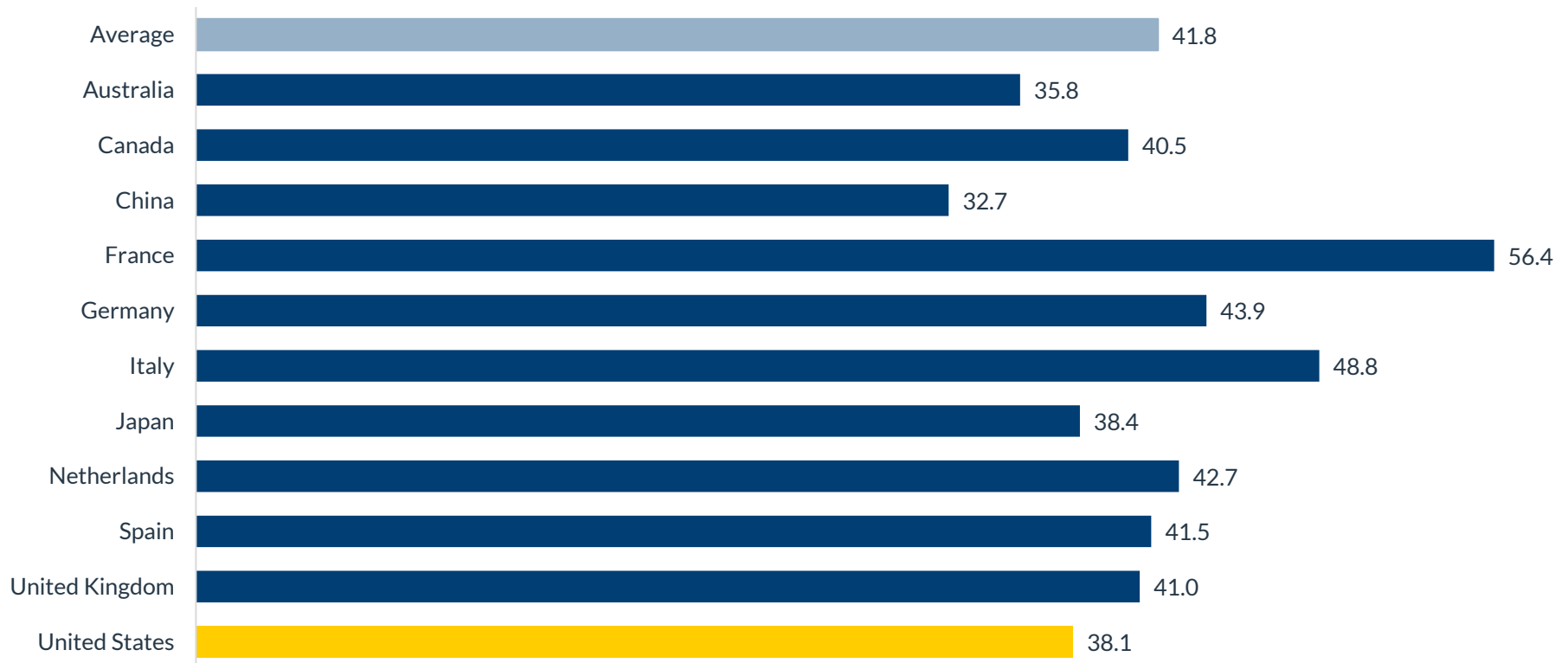
Sources: Chart 1: The Federal Reserve, as of Q4 2023. Bureau of Economic Analysis, as of Q3 2023. Chart 2: Federal Reserve Bank of New York Credit Panel/Equifax, as of Q4 2023. Chart 3: Bureau of Economic Analysis, as of January 2024. Chart 4: Bureau of Economic Analysis, as of January 2024.
Information is subject to change and is not a guarantee of future results.



The Federal Debt Is Large but Manageable for Now

- While large, the deficit for the next 10 years appears to be in line with the past 10 years.
- Last year's deficit grew due to lower tax receipts, increased Social Security spending and higher treasury debt yields.
- The run-up in borrowing costs and the deficit have renewed concerns about Congress's long-term fiscal plan.
- The rise in federal debt is consistent with many other developed countries.

Government Spending as a Percent of GDP



CBO stands for Congressional Budget Office. It is a federal agency within the legislative branch of the United States government that provides budget and economic information to Congress.

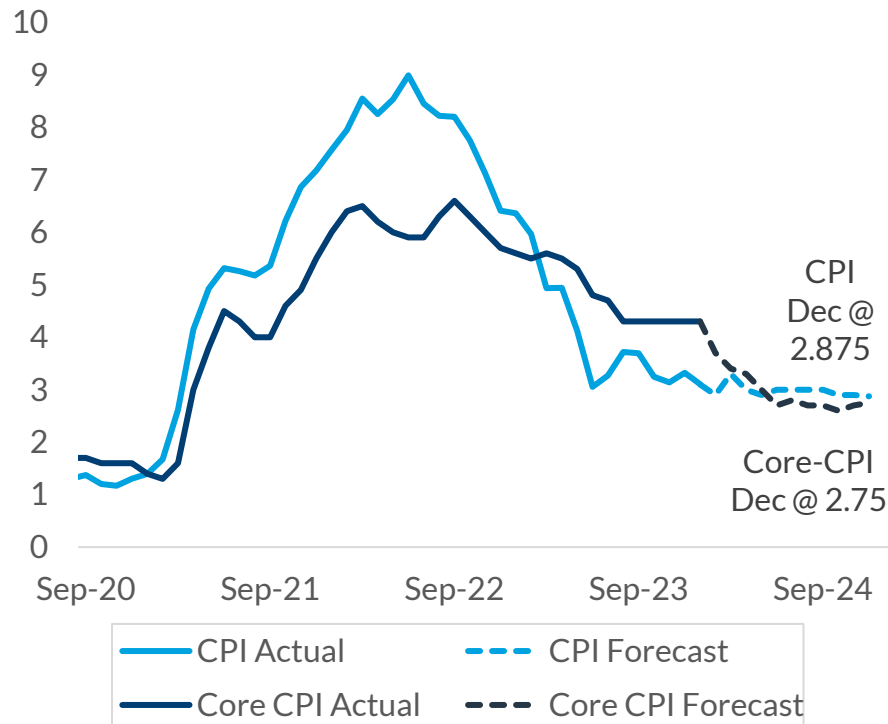
Sources: Bureau of Economic Analysis as of Q4 2023; International Monetary Fund, as of 2022.



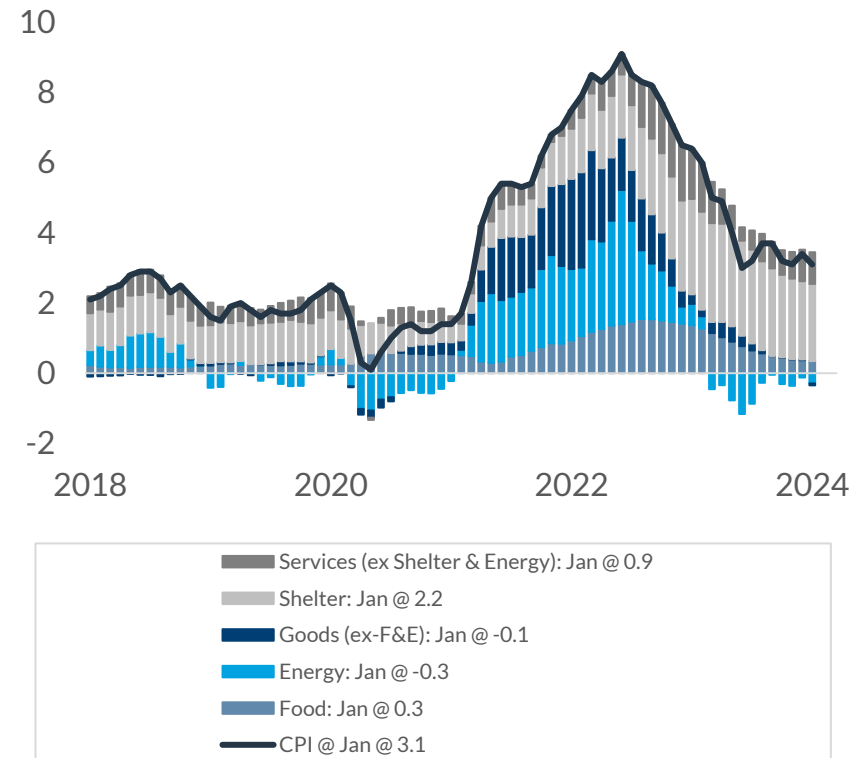
Inflation Expected to Continue to Slowly Moderate

- Inflationary pressures have retreated from 2022's multi-decade high.
- The "last mile" is always the hardest, which is what the economy is experiencing currently.
- Goods prices have returned to pre-pandemic levels, near zero percent change.
- Disinflation of housing and super-core inflation has stalled, preventing headline inflation from falling further.

Consumer Price Index - with CNR Forecast
% change y-o-y, seasonally adjusted



CPI: Contribution
% change y-o-y, seasonally adjusted



Data current as of February 28, 2024.

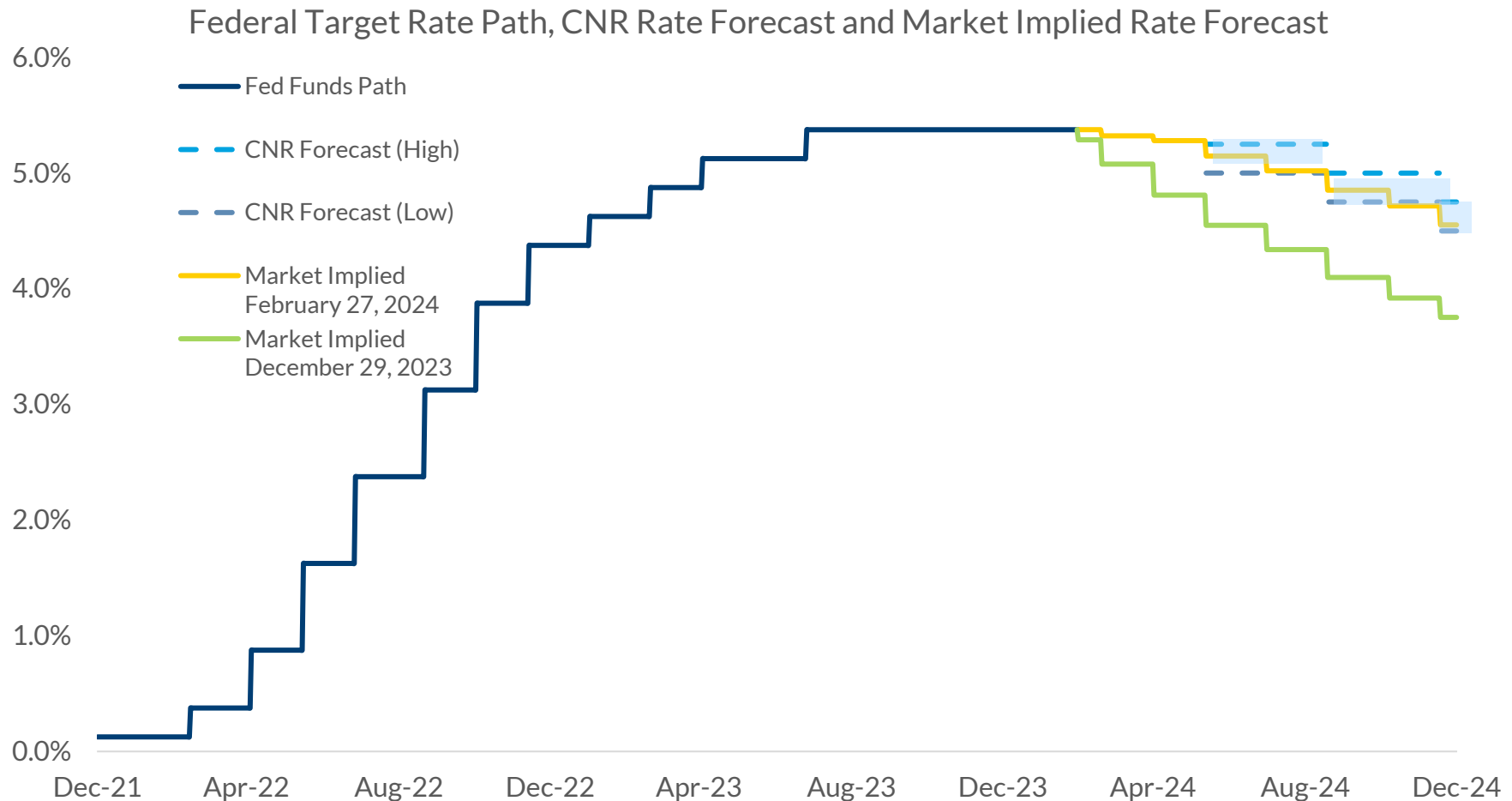
Source: Bureau of Economic Analysis, CNR Research.

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The Federal Reserve Will Keep Policy Rates High

- The stickiness of inflation and wages will continue to keep policy rates high.
- This year, the Fed expects to lower the federal funds rate by 75 basis points to 4.625%.



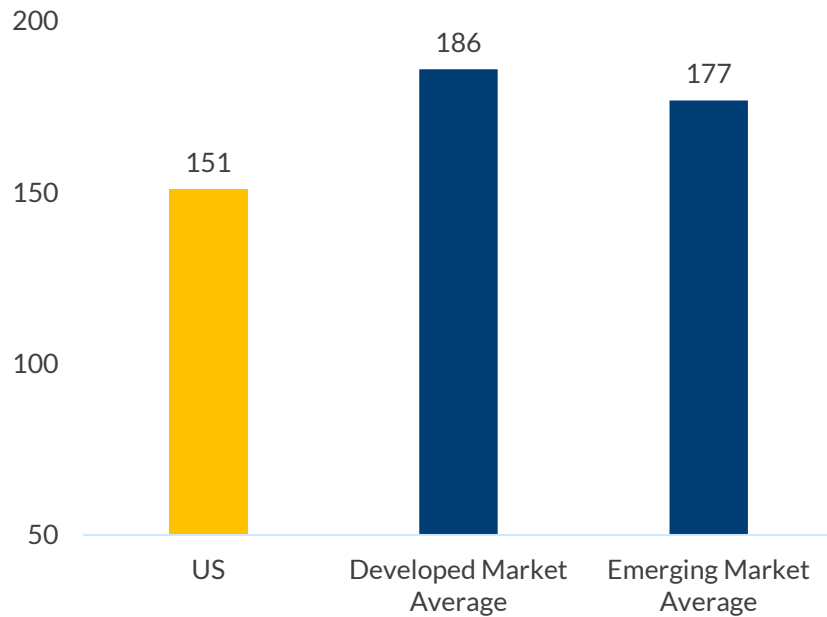
Sources: Bloomberg, CNR Research, as of February 27, 2024.
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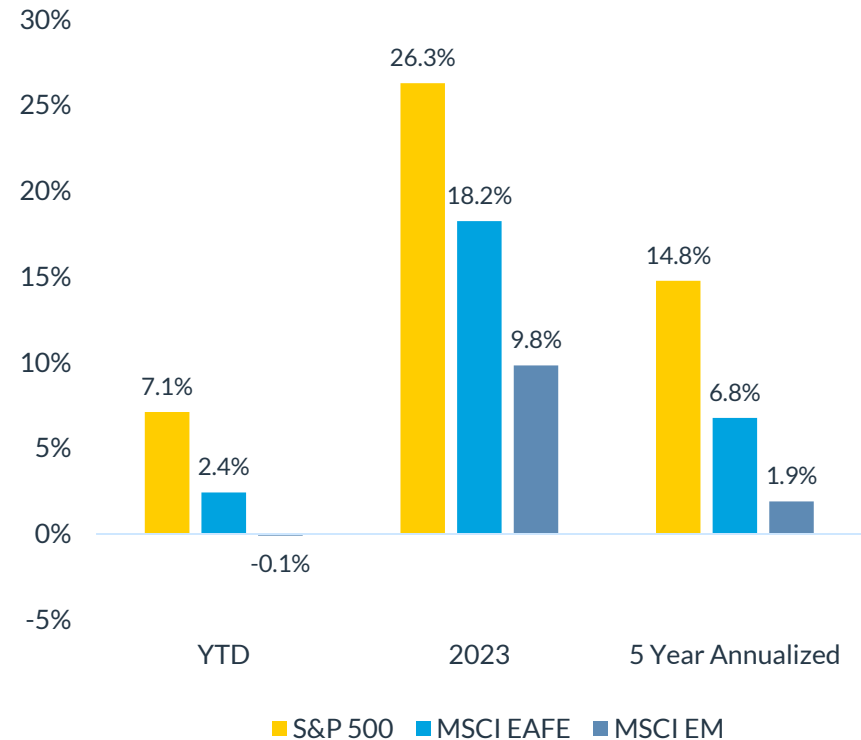
Continue to Favor U.S. Equities

- Outlook for U.S. economic and earnings growth remains more resilient than its global peers.
- U.S. outperformance continues to be significant.

CNR Proprietary 4Ps Framework
Global Equity Markets Summary Score Analysis
(Lower = Better)



Index Performance
As of 2/29/24



CNR 4Ps: Policy, Profitability, Population and Potential.

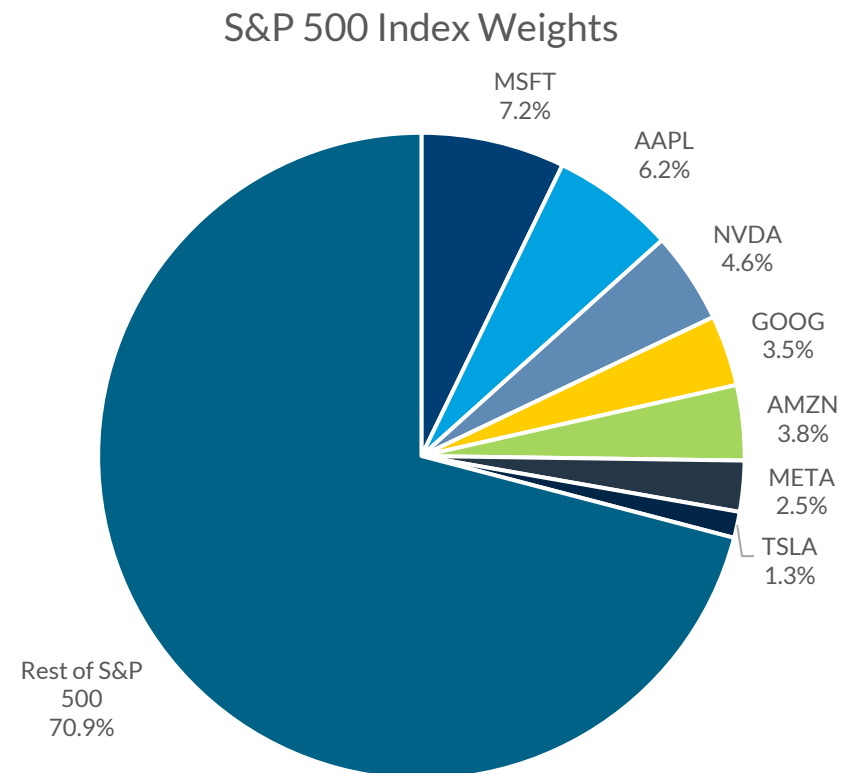
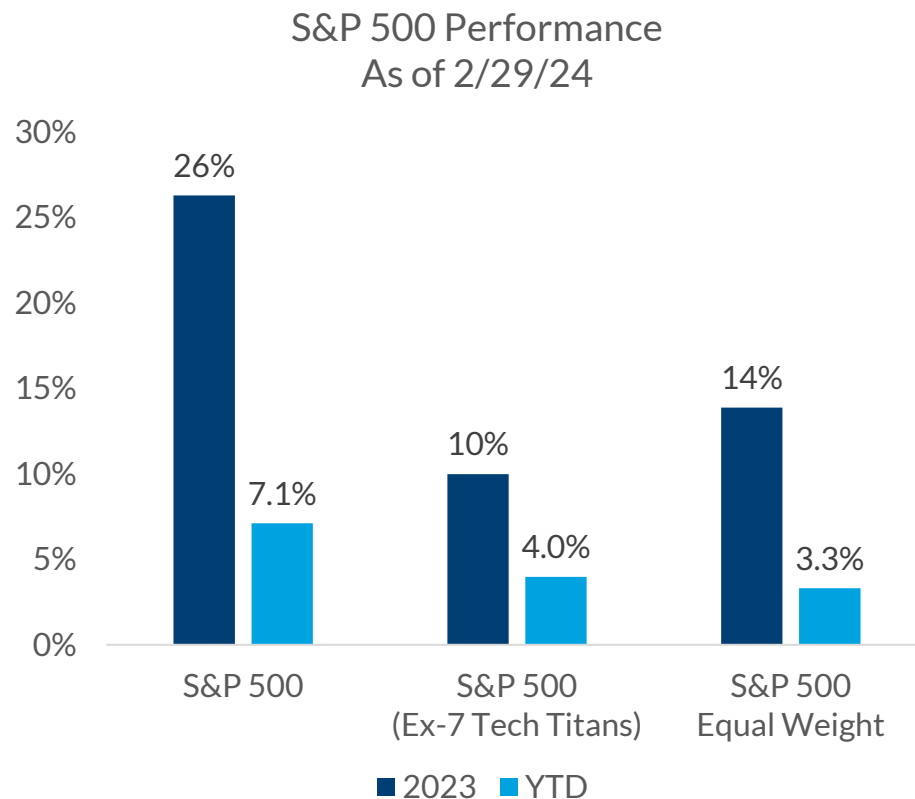
Source: FactSet, as of February 2024.

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Market Returns Have Been Top Heavy and Narrow

- Returns in the S&P 500 over the past two years have been driven by a handful of megacap stocks, mostly tech.
- The index has grown very top heavy, with seven tech companies accounting for 29% of total market value.



Source: FactSet, as of February 2024.

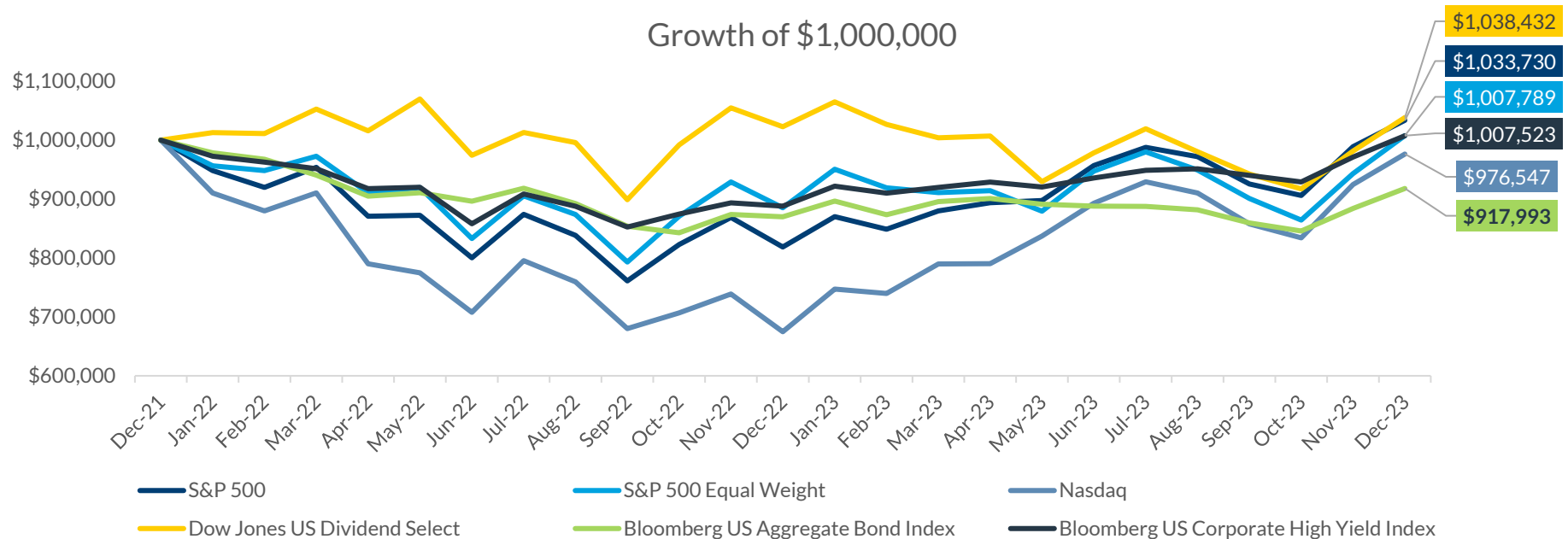
The "7 Tech Titans" are Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia and Tesla.

Past performance is no guarantee of future results.



Reflecting on Two Volatile Years

- Significant market declines in 2022 were reversed in 2023, producing modest two-year returns across asset classes.
- We expect modest returns in 2024, with less dramatic swings in financial market prices.



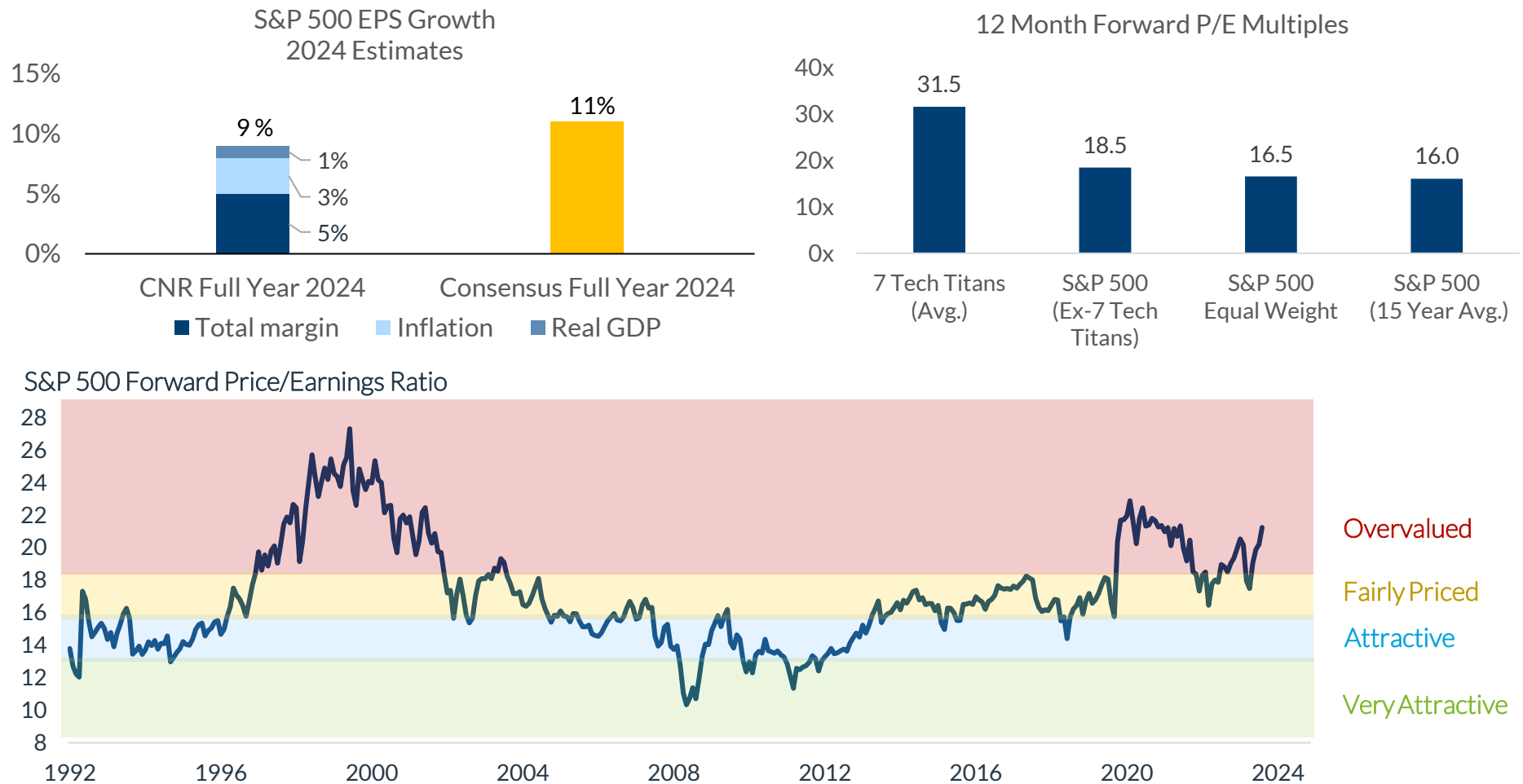
Period	S&P 500	S&P 500 Equal Weight	Nasdaq	Dow Jones US Dividend Select	Bloomberg US Aggregate Bond Index	Bloomberg US Corporate High Yield Index
2022	-18.1%	-11.5%	-32.5%	2.3%	-13.0%	-11.2%
2023	26.3%	13.8%	44.7%	1.5%	5.5%	13.4%
2022-2023	3.4%	0.8%	-2.3%	3.8%	-8.2%	0.8%

Source: FactSet, as of December 2023.
Past performance is no guarantee of future results.



Equity Risk/Reward Conditions Appear Modestly Positive

- Focusing on fundamentals is key.
- Stronger confidence in a solid 2024 earnings recovery, but maintaining below consensus expectations.
- Equity valuations appear more reasonable for broader market.



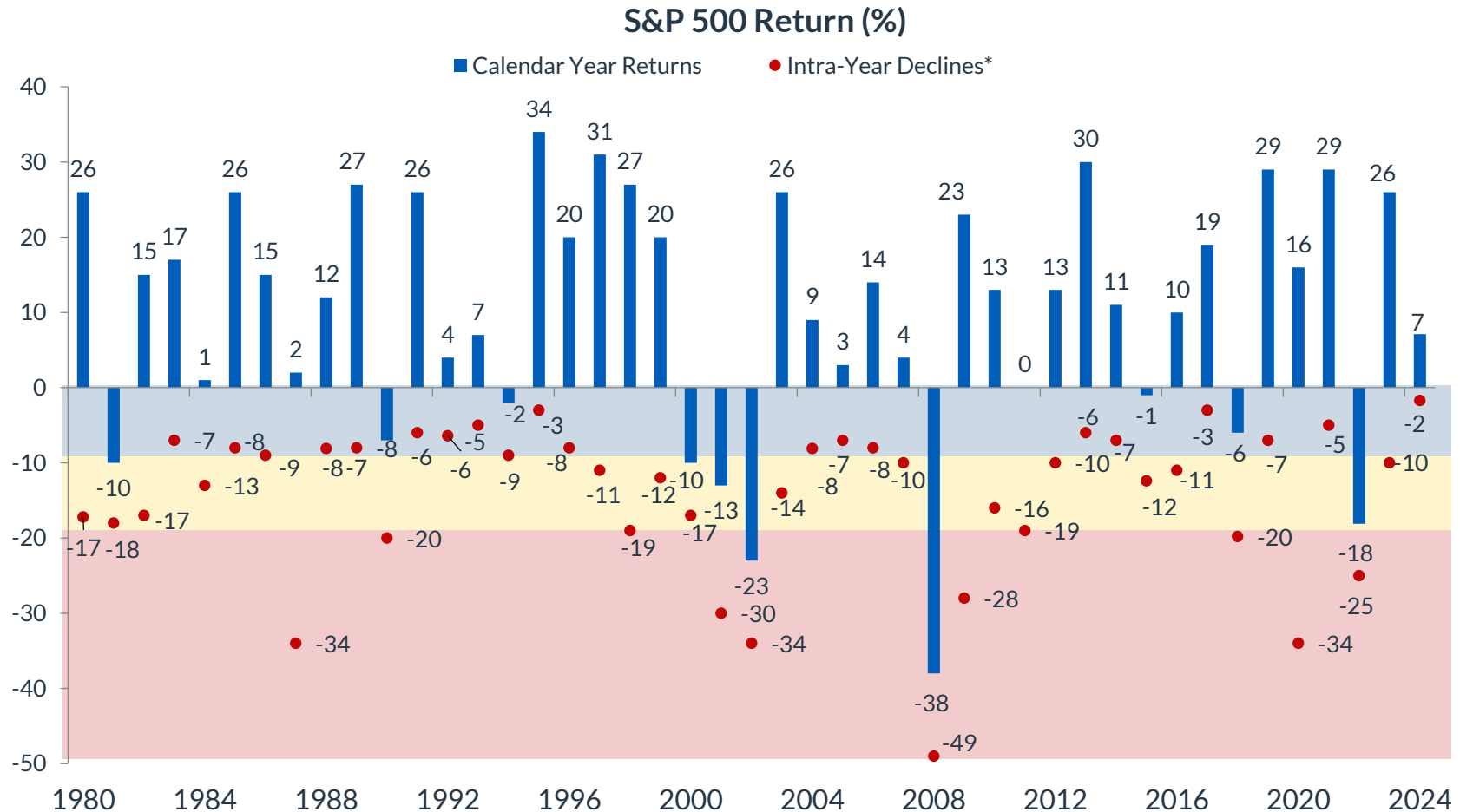
Sources: FactSet, CNR Research, as of February 29, 2024.

Indices are unmanaged, and one cannot invest directly in an index. Information is subject to change and is not a guarantee of future results.



Short-Term Volatility Is Normal

- Corrections are a normal part of market movements.
- The breadth and depth of this pullback are likely to add more time to an ultimate recovery.



Sources: Bloomberg, CNR Research, as of February 29, 2024.

*Intra-year declines are the largest declines within the calendar year.

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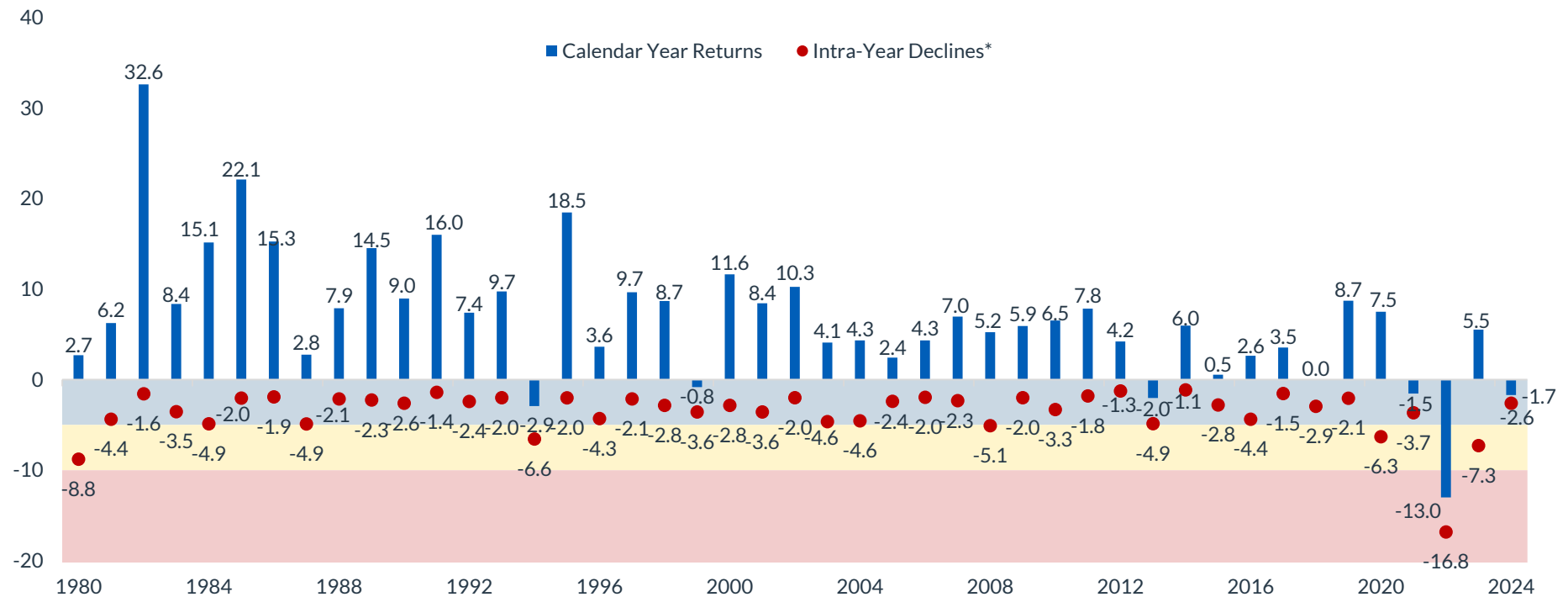
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Short-Term Bond Market Volatility Is Not Normal

- Three years of negative returns in fixed income is unprecedented; near term volatility should remain elevated.
- Recent selloff in bonds likely creating a buying opportunity in our base case looking out over next one to two years.
- Maintaining focus on quality and below average duration.

**Bloomberg U.S. Aggregate Bond Index
Return (%)**



Source: Bloomberg, as of February 29, 2024.

*Intra-year declines are the largest declines within the calendar year.

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Attractive Investment Grade Yield

The First Time in 15 Years

U.S. High Yield & U.S. High Quality Yield-to-Worst
15-Year History



Sources: Bloomberg, CNR Research, as of March 1, 2024.

Past performance is no guarantee of future results.

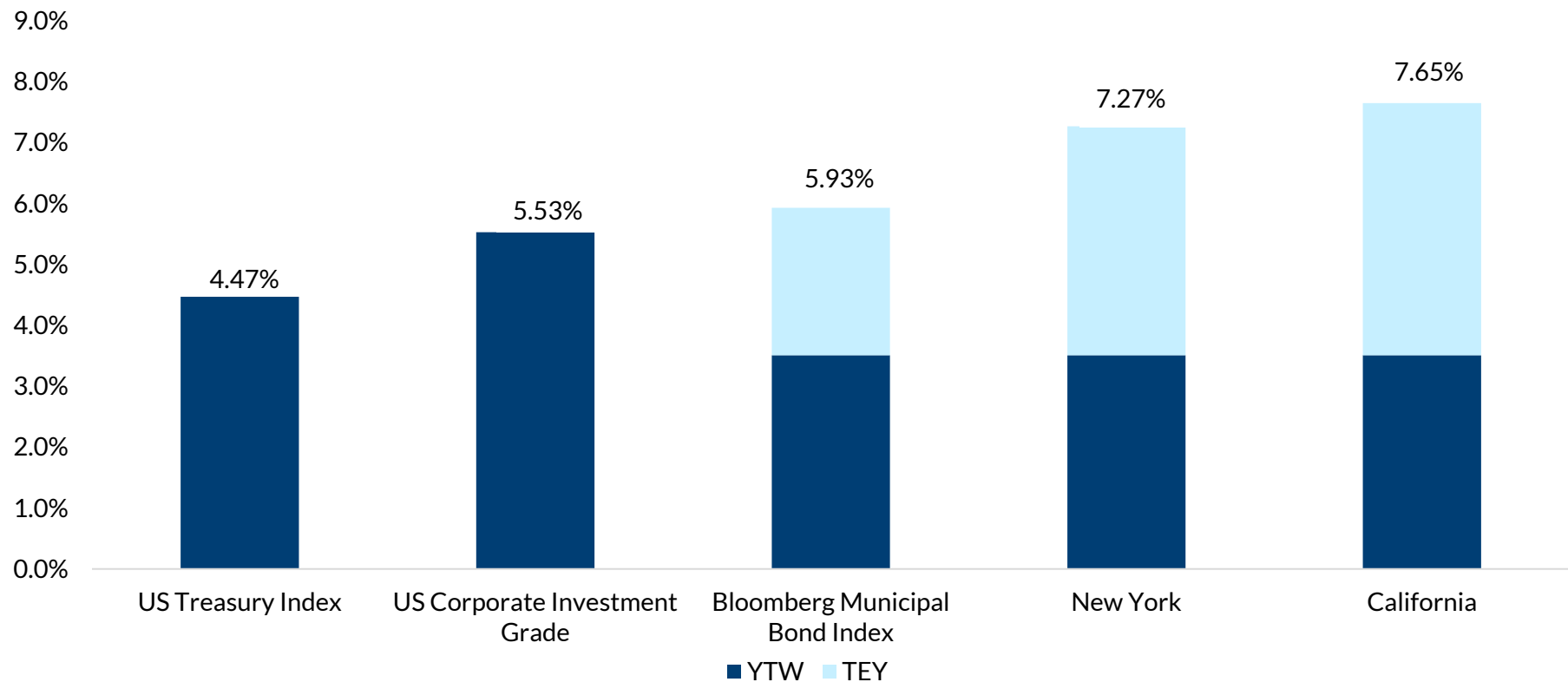
Indices used: HY: Bloomberg U.S. Corporate High Yield Total Return Index Value Unhedged USD 1-5y. IG: Bloomberg U.S. Corporate 1-5 Year Total Return Index Value Unhedged USD. Refer to the index definitions for more information.



Municipal Yields Flourish amid Rate Volatility

- Yields at their highest since 2008 opened the door for attractive income opportunities for LT investors.
- Robust levels of tax-efficient cash flows outpace other fixed income alternatives.

Municipal Tax-Equivalent Yield (TEY) Prominent in High-Tax States



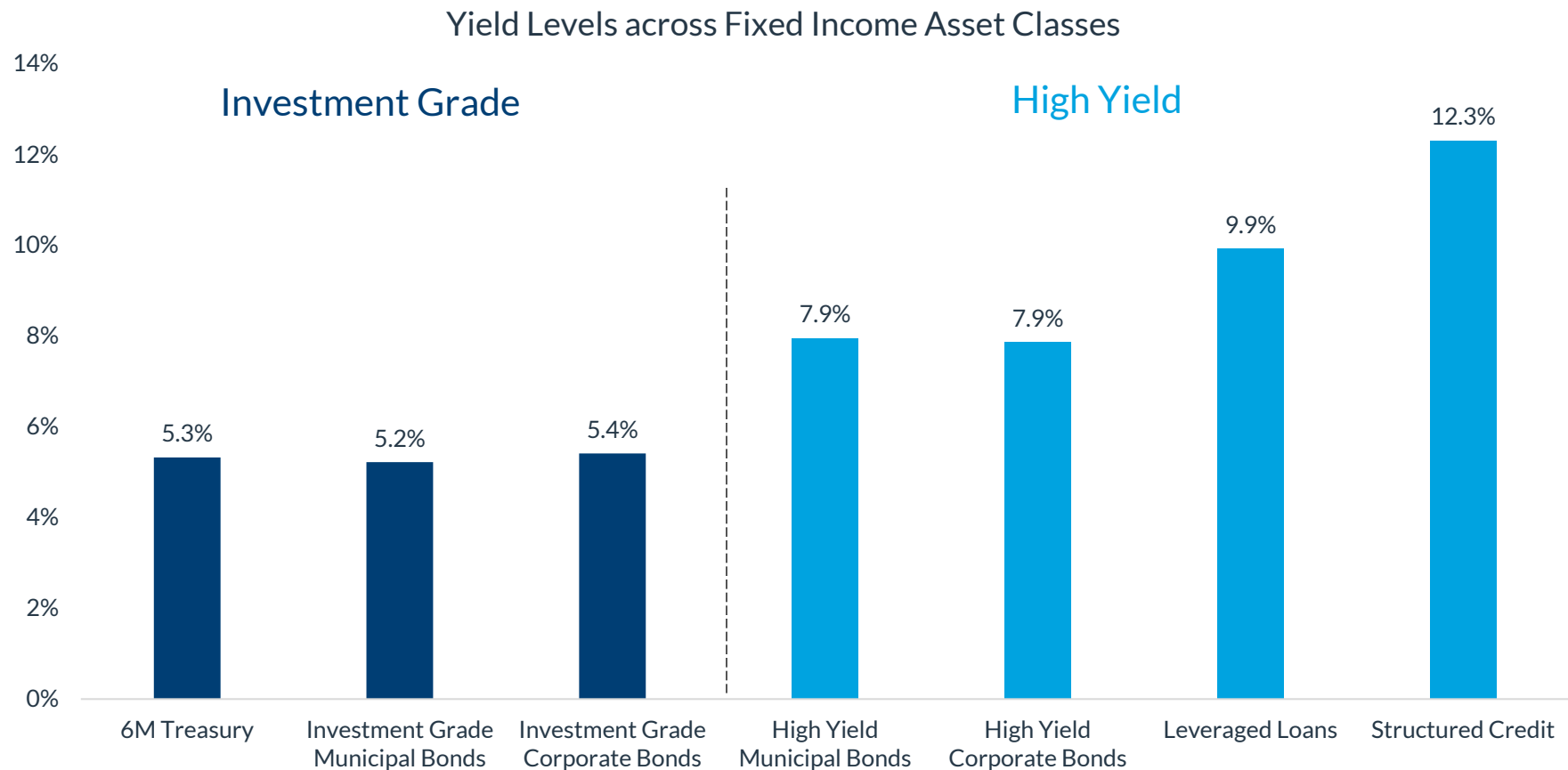
Sources: Bloomberg U.S. Treasury Index, Bloomberg U.S. Corporate Investment Grade Index, Bloomberg Municipal Bond Index as of November 5, 2023.

Taxable equivalent yields assume the following taxes: Bloomberg Municipal Bond Index: 37% federal and 3.8% Medicare surcharge; California, 37% federal, 13.3% state and 3.8% Medicare surcharge; New York, 37% federal, 10.9% state and 3.8% Medicare surcharge.



Yields Are Substantially Higher

- Higher yields have opened the door to a more diversified fixed income allocation.



Municipal bond index yields are tax-adjusted at 37% federal and 3.8% Medicare surcharge rates.

Sources: Bloomberg, CNR Research, as of February 2024. Information is not representative of any CNR product or service.

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Index information: 6M Treasury: Bloomberg U.S. 6M Treasury Bill Index. Investment Grade Municipal Bonds: Bloomberg U.S. 1-15 Yr. Municipal Bond Index. Investment Grade Corporate Bonds: Bloomberg U.S. Intermediate Corporate Bond Index. High Yield Municipal Bonds: Bloomberg 60% Tax-Exempt HY/40% LB Municipal Bond Index. High Yield Corporate Bonds: Bloomberg U.S. High Yield Corporate Bond Index. Leveraged Loans: Morningstar LSTA US Leveraged Loan Index. Structured Credit: Palmer Square CLO BB Index.



2024 Key Asset Class Expectations

- Expect U.S. equities to outperform non-U.S. equities
- Forecasting positive but moderate returns for S&P 500
- History suggests a modest rebound in Dow Jones U.S. Dividend Select Index vs. S&P 500
- Fixed income returns expected to be mostly positive
- Investment grade corporate and municipals offer attractive yields with lower volatility
- High yield corporates and municipals, while volatile, have the potential to offer attractive yield
- Alternatives* may provide diversifying benefits and attractive opportunities

Source: CNR Research, as of February 2024. Information is subject to change and is not a guarantee of future results.

*Alternative investments are speculative, may entail substantial risks and may not be suitable for all investors.

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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 U.S. equity performance.

The Bloomberg Barclays U.S. Corporate High Yield 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.

Bloomberg US 1-15 Yr. Municipal Bond Index consists of a broad selection of investment grade general obligation and revenue bonds of maturities ranging from one year to 17 years.

Bloomberg Tax-Exempt HY is market value-weighted and designed to measure the performance of U.S. dollar-denominated high-yield municipal bonds issued by U.S. states, the District of Columbia, U.S. territories and local governments or agencies.

Morningstar LSTA US Leveraged Loan Index is designed to measure the performance of the 100 largest facilities in the US leveraged loan market.

Palmer Square CLO BB Index is a rules-based observable pricing and total return index for CLO debt sold in the United States, rated A, BBB or BB (or equivalent rating), i.e., mezzanine CLO debt.



Index Definitions

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.

The MSCI EM Asia Index is a stock market index that tracks the performance of large and mid cap companies in eight emerging Asian countries. The index is a subset of the MSCI Emerging Markets Index, which covers 25 countries with fast-growing economies

Bloomberg US 6M Treasury Bill Index: The 6 Month Treasury Bill Rate is the yield received for investing in a US government issued treasury bill that has a maturity of 6 months.

The Bloomberg Barclays US Intermediate Corporate Bond Index is a measure of the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers that have between 1 and up to, but not including, 10 years to maturity. The maturity range of the bonds included in the index is between 1 to 9.9999 years.

Bloomberg Tax-Exempt HY is market value-weighted and designed to measure the performance of U.S. dollar-denominated high-yield municipal bonds issued by U.S. states, the District of Columbia, U.S. territories and local governments or agencies.

The Bloomberg US Municipal Bond Index measures the performance of investment grade, US dollar-denominated, long-term tax-exempt bonds.

The Bloomberg Barclays US Corporate High Yield Bond Index is a measure of the USD-denominated, high yield, fixed-rate corporate bond market.

The Bloomberg US Aggregate Bond Index measures the performance of investment grade, US dollar-denominated, fixed-rate taxable bonds.

Bloomberg US 1-15 Yr. Municipal Bond Index consists of a broad selection of investment grade general obligation and revenue bonds of maturities ranging from one year to 17 years.



Definitions

6M T-Bills: The 6 Month Treasury Bill Rate is the yield received for investing in a US government issued treasury bill that has a maturity of 6 months.

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

A consumer price index (CPI) measures changes in the price level of a market basket of consumer goods and services purchased by households. The CPI is a statistical estimate constructed using the prices of a sample of representative items whose prices are collected periodically.

A collateralized loan obligation (CLO) is a single security backed by a pool of debt.

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.

Liquidity Management: The liquidity index calculates the days required to convert a company's trade receivables and inventory into cash.

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.

Municipal bonds (or “munis”) are a fixture among income-investing portfolios. Investors who want higher returns can invest in high yield municipal bonds.

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.

Yield to Worst (YTW) is 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.

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.

The **4P analysis** is a proprietary framework for global equity allocation. Country rankings are derived from a subjective metrics system that combines the economic data for such countries with other factors including fiscal policies, demographics, innovative growth and corporate growth. These rankings are subjective and may be derived from data that contain inherent limitations. **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.



Important Information

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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.

Investors in asset-backed securities, including mortgage-backed securities, collateralized loan obligations (CLOs), and other structured finance investments, generally receive payments that are part interest and part return of principal. These payments may vary based on the rate at which the underlying borrowers pay off their loans. Some asset-backed securities, including mortgage-backed securities, may have structures that make their reaction to interest rates and other factors difficult to predict, causing their prices to be volatile. These instruments are particularly subject to interest rate, credit and liquidity and valuation risks.





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