CITY NATIONAL ROCHDALE®
AN RBC/CITY NATIONAL COMPANY

April 2023

Market Update

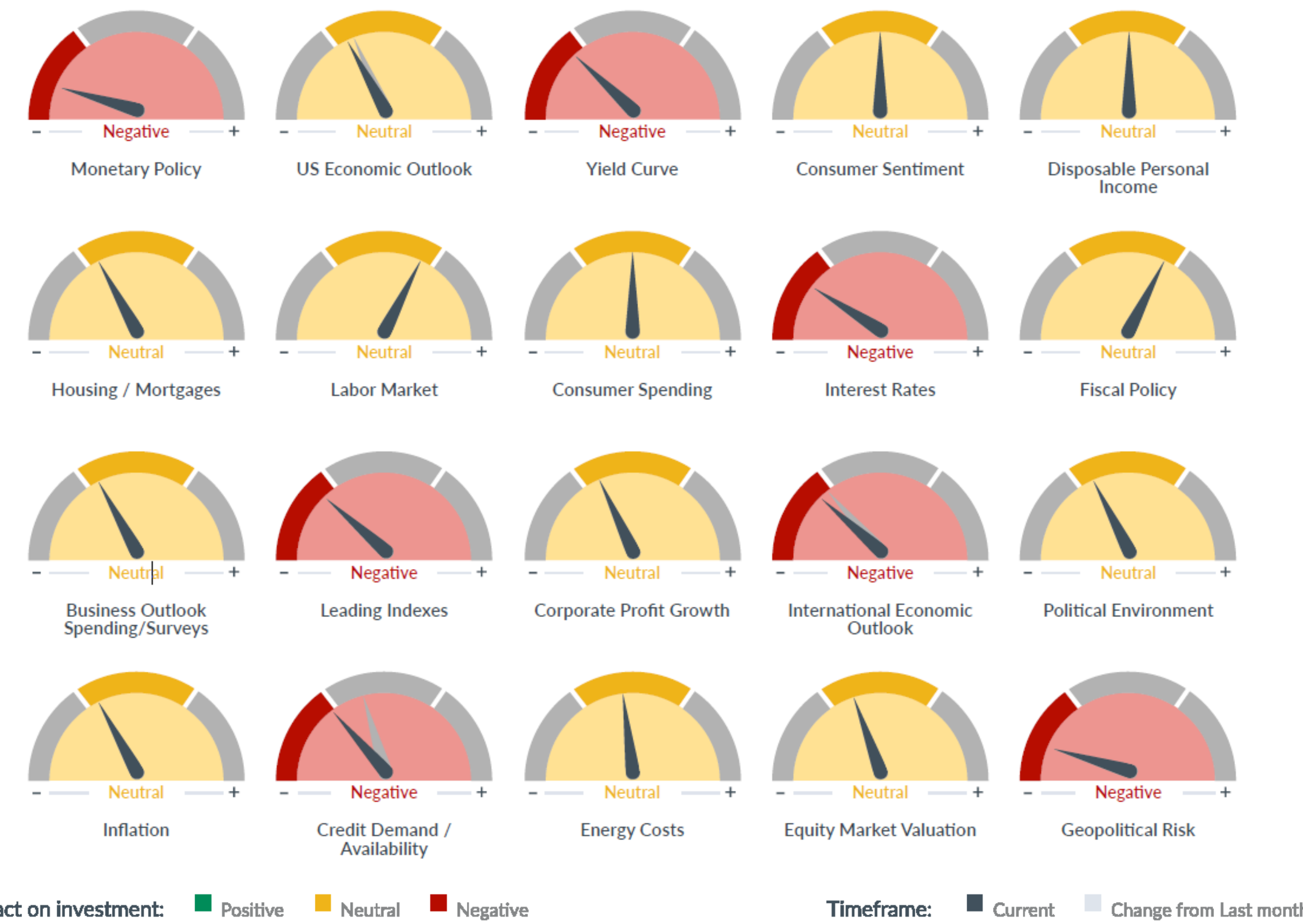
CNR Forecast Update

CNR Speedometers® – April 2023

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

- Indicators have slowed as risk to the outlook increases.
- Recent slowing driven by higher inflation, higher interest rates and reduced credit availability.
- Consumers remain healthy, but resilience being tested.
- Indicators supportive of mild recession/slow growth outlook.

Impact on Economy and Financial Markets



Source: Proprietary opinions based on CNR Research, as of April 2023. Information is subject to change and is not a guarantee of future results.

2023 Outlook
Economic Momentum to Slow, Recession Risk High

- Household and business fundamentals are solid but slowing.
- Inflation pressures remain elevated, but moderating.
- Fed policy remains tight to slow economy and wages.
- We have below-consensus expectations for GDP and earnings growth.
- We have above consensus estimates for interest rates.

City National Rochdale Forecasts		2022	2023e
Real Annual GDP Growth		2.1%	-1.0% to 1.0%
Corporate Profit Growth		4.0% to 6.0%e	-6.5% to 1.5%
Headline CPI Year End		6.5%	2.8% to 3.2%
Core CPI Year End		5.7%	3.2% to 3.6%
Interest Rates	Fed Funds Rate	4.25% to 4.50%	5.0% to 5.25%
	Treasury Note, 10-Yr.	3.88%	4.0% 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 US consumers.
E: estimate.
Sources: Bloomberg, Proprietary opinions based on CNR Research, as of April 2023.
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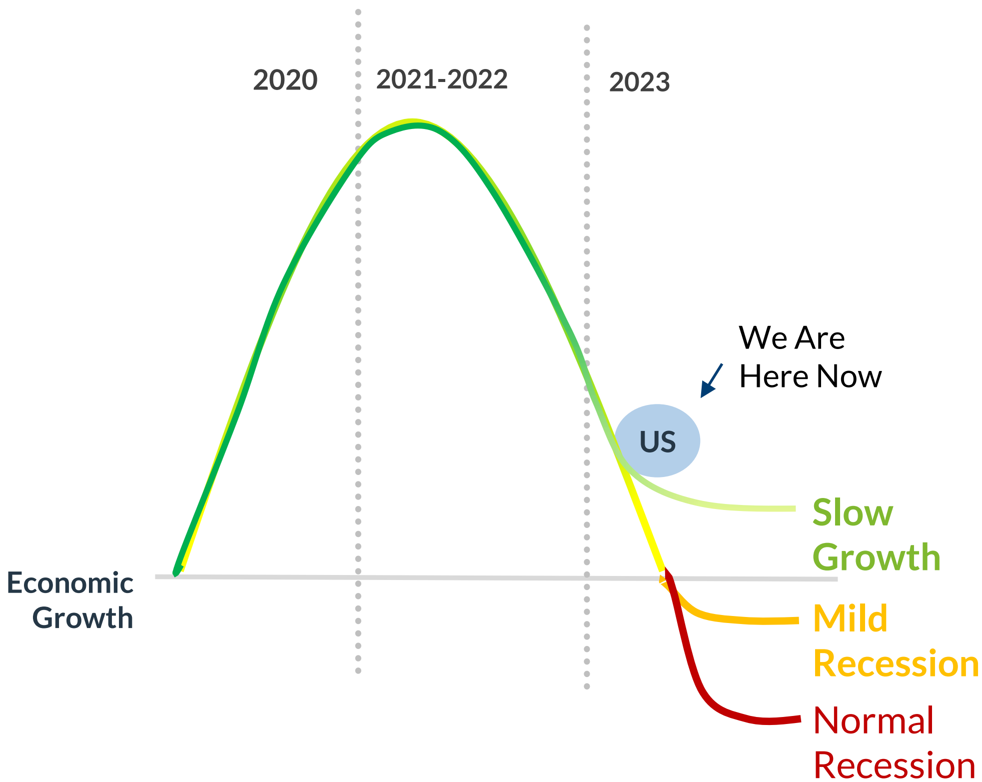
2023 US Outlook

- Recession odds above consensus 76%, due to Fed tightening and constraints on consumer/business lending.
- Mild downturn still expected.
- Labor shortages should limit increases in unemployment, lowering risk of more normal recession.
- Consumer retrenchment is expected to be modest, supported by strong household balance sheets and real income.



Outlook	Probability	GDP Growth	Earnings Growth
Slow Growth	24%	0% to 2%	0% to 12%
Mild Recession	64%	0% to -1%	-10% to 0%
Normal Recession	12%	-1% to -2%	-10% to -20%
Weighted Average		**-0.25%**	**-3.50%**

Sources: Bloomberg, CNR Research, as of April 2023.
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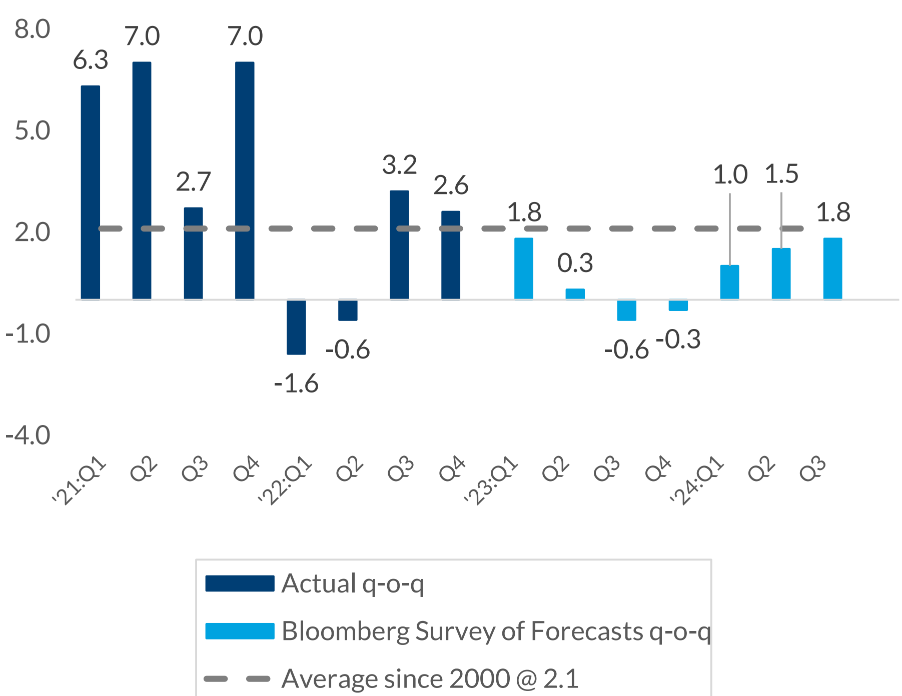
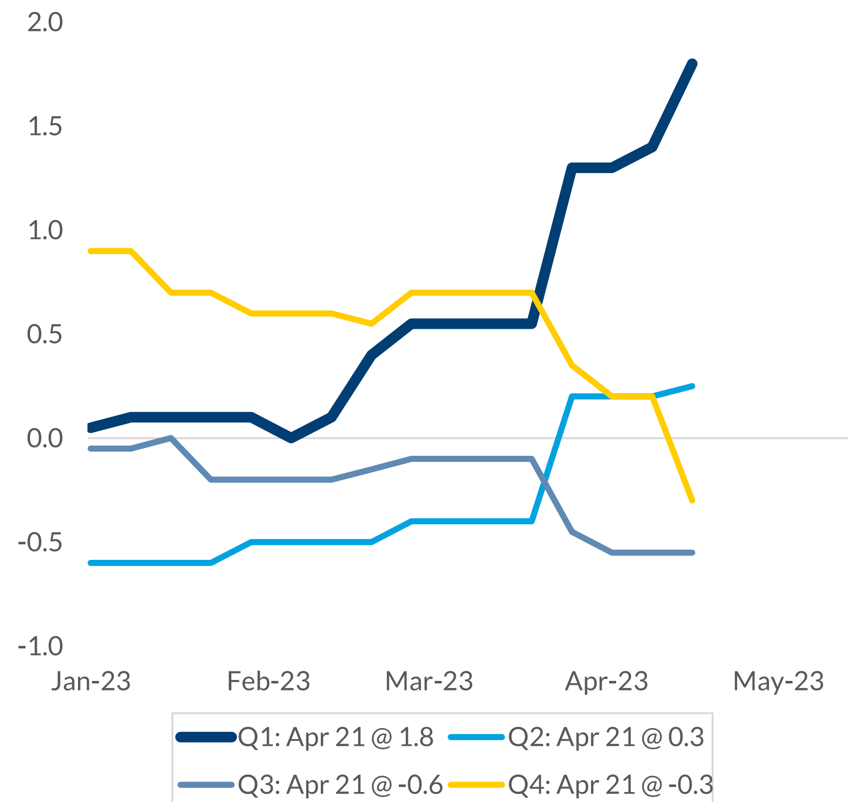
GDP Growth Slowing

- The economy is on a natural path of slowing from the end of hyper-stimulus, pandemic-related policies.
- At the same time, aggressive policy tightening has pushed rates into restrictive territory.
- Along with increasing restrictions on credit, this may be enough to cause a recession, albeit very mild.

GDP: Actual and Forecast
% change, q-o-q, seasonally adjusted annualized rate



GDP Forecast
% change, q-o-q, seasonally adjusted annual rate

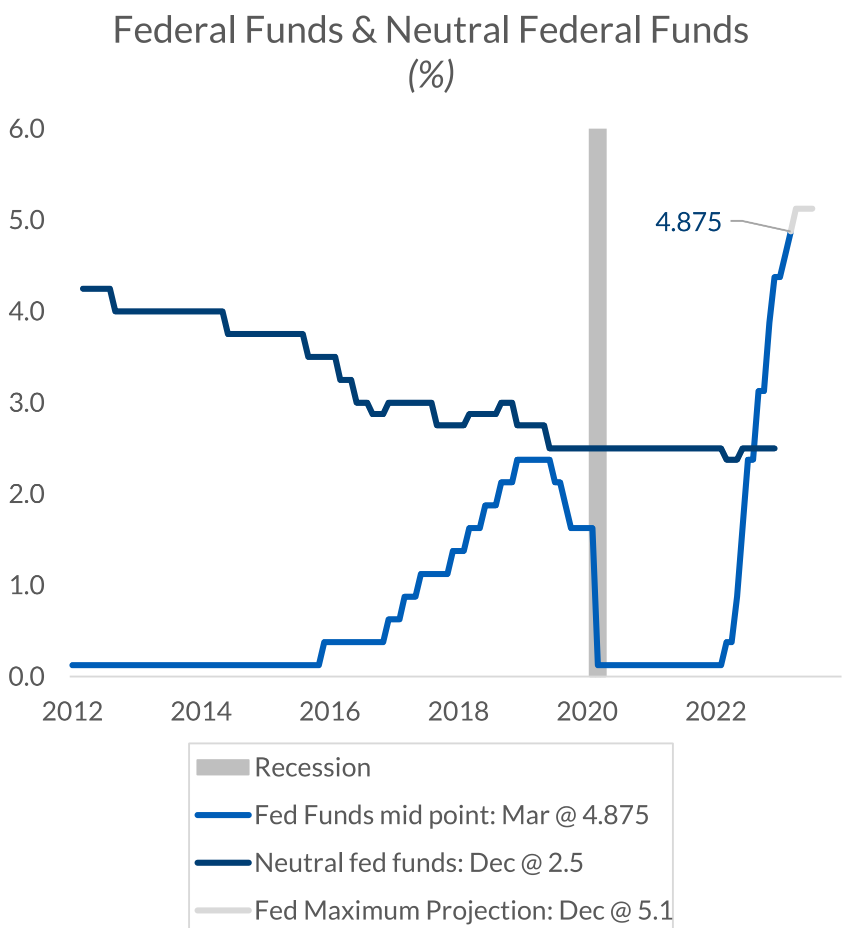


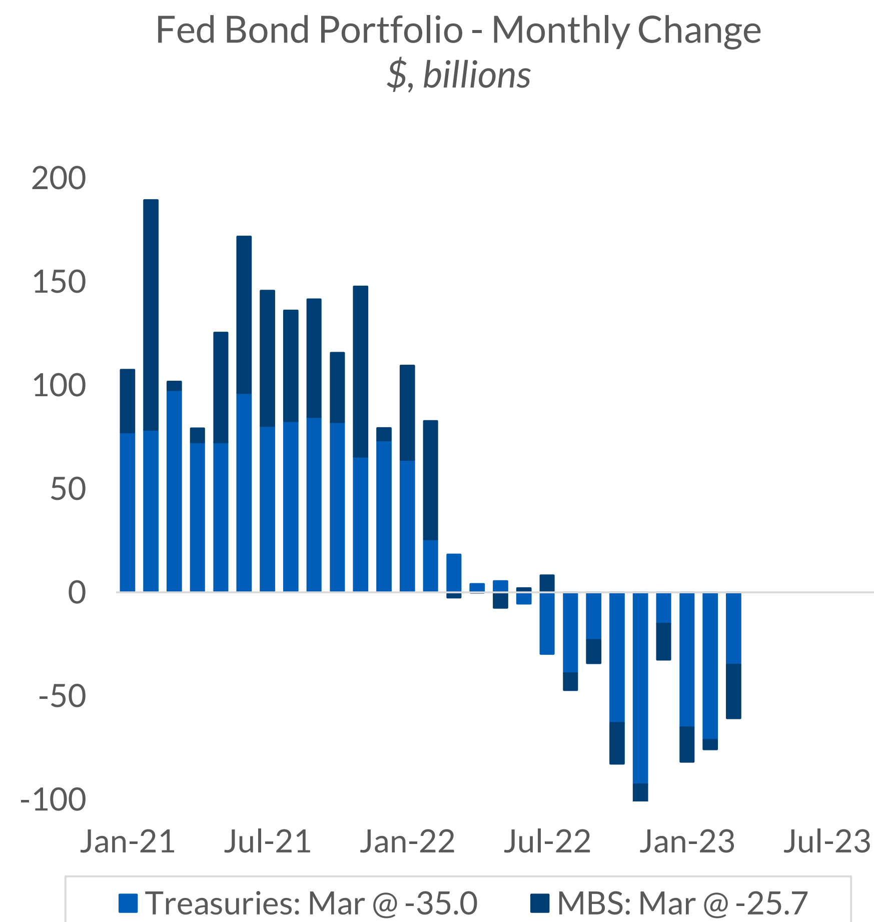
Data current as of April 25, 2023
Source: Bureau of Economic Analysis, Bloomberg survey
Information is subject to change and is not a guarantee of future results.

Is The Fed's Tightening Campaign Coming to an End?

The Fed is Expected to Remain in Tightening Mode

- The Fed is nearing the peak in the federal funds rate.
- But they will still be tightening monetary policy by way of quantitative tightening (QT).
- Their current pace is an annualized rate of nearly $900 billion, which is a significant decline in reserves.

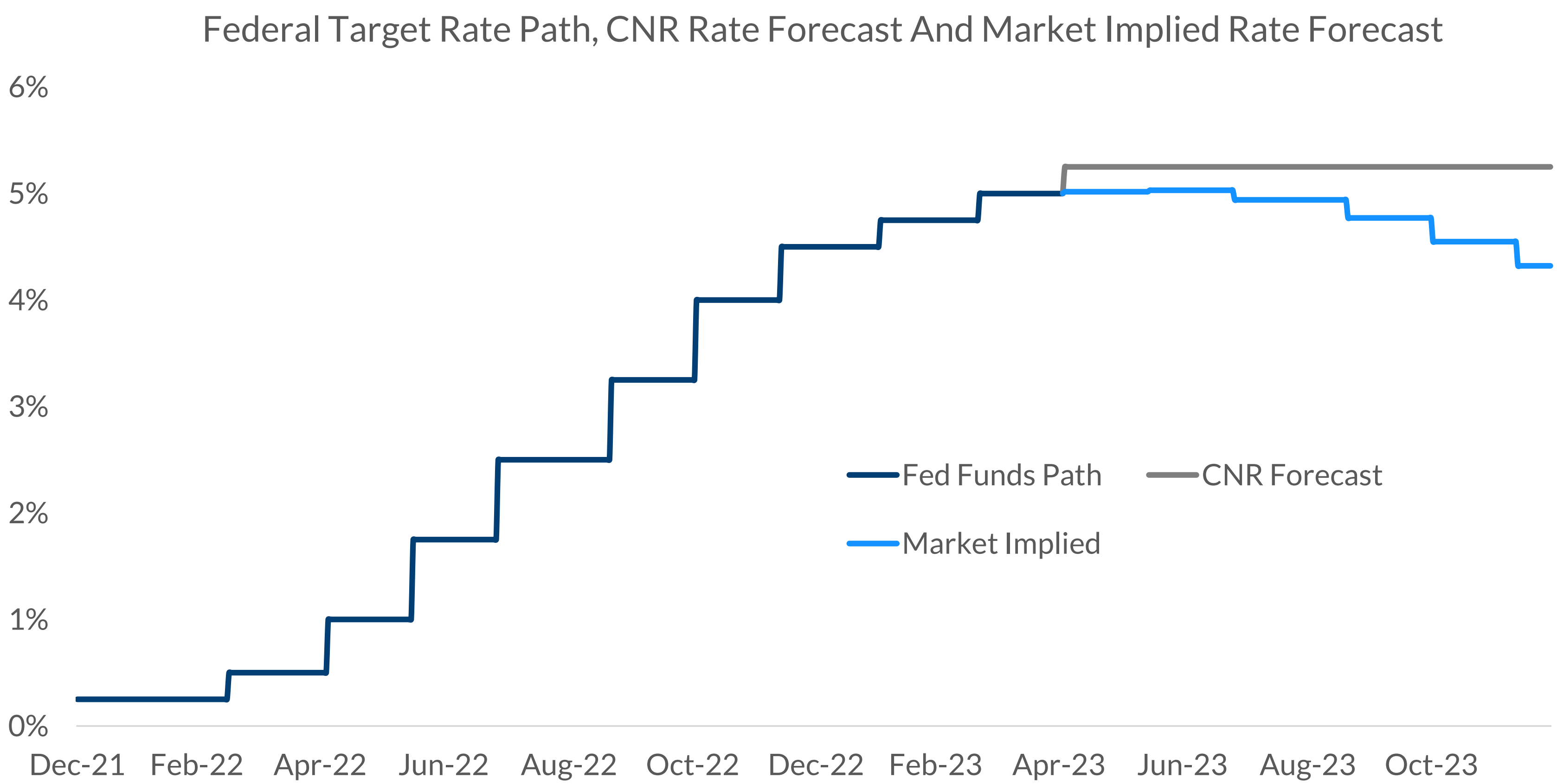




Data current as of April 25, 2023
Source: Federal Reserve
Information is subject to change and is not a guarantee of future results.

Will Fed Keep Rates High for Longer?

- The Federal Reserve has been clear that it does not see rate cuts in 2023.
- The market is betting otherwise, pricing in rate cuts later this year.
- If short term rates stay higher for longer, further market volatility ahead is likely.



Sources: Bloomberg, CNR Research, as of April 2023.
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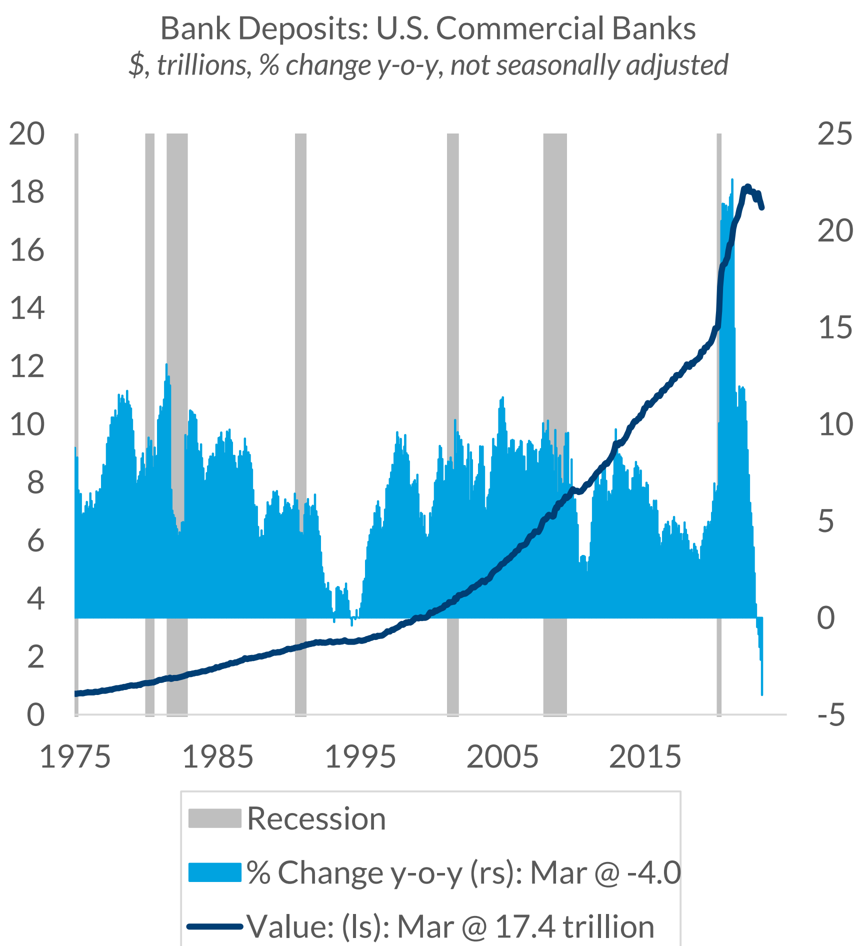
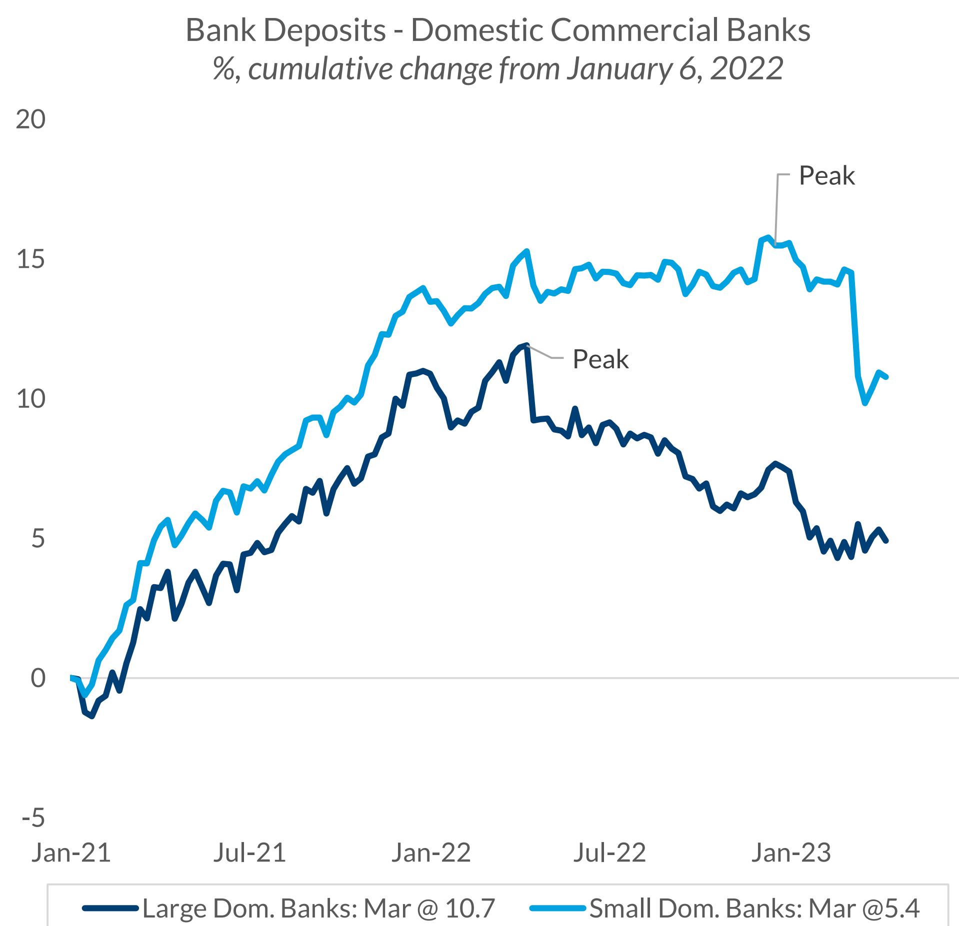
Are Changes in the Banking System Going to Impact the Economy?

Declining Deposits Putting Stress on Banks

- Banks are now dealing with a decline in deposits, which will reduce the amount available for lending.
- Larger banks, which generally have larger institutional accounts have had to deal with this problem for over a year.





Data current as of April 25, 2023
Source: Federal Reserve Bank of New York
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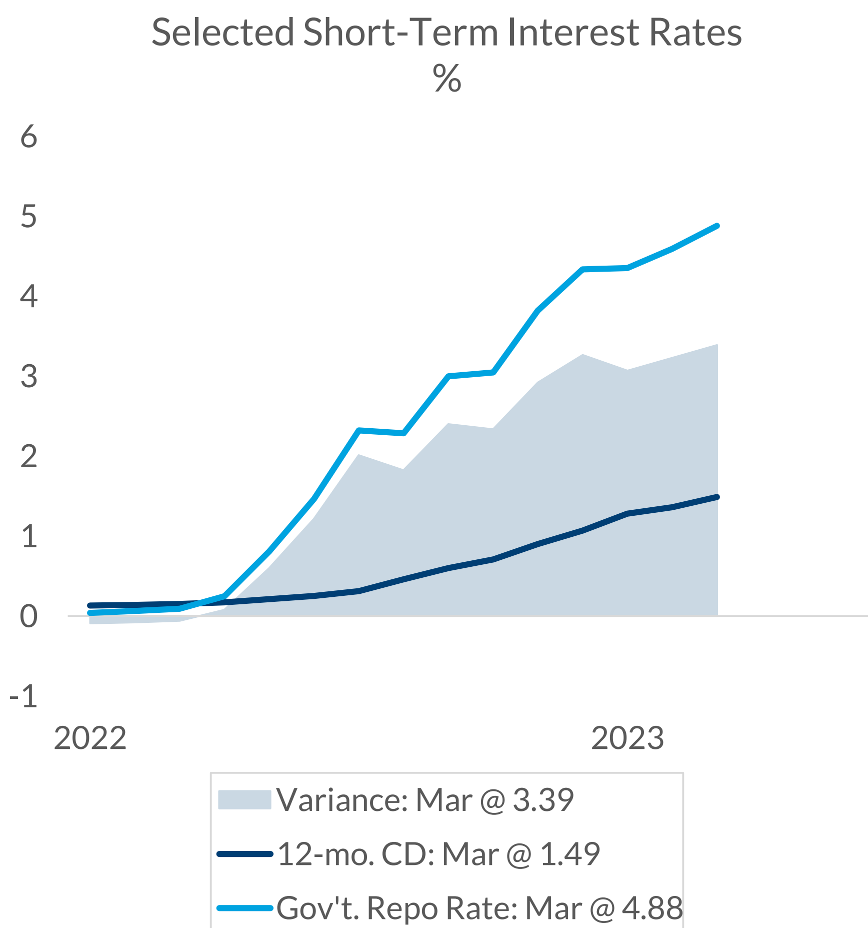
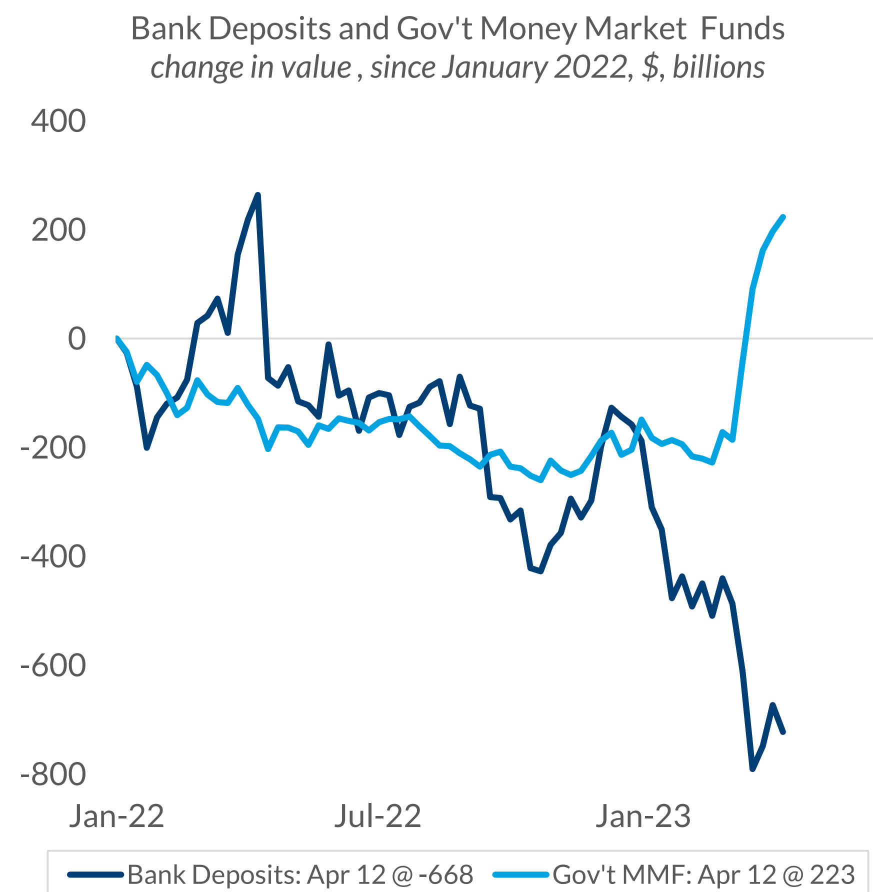
Banks Finding it Difficult to Compete With Higher Rates

- Banks are competing with government money market funds that offer substantially higher yields.
- It is causing some depositors to move their money.

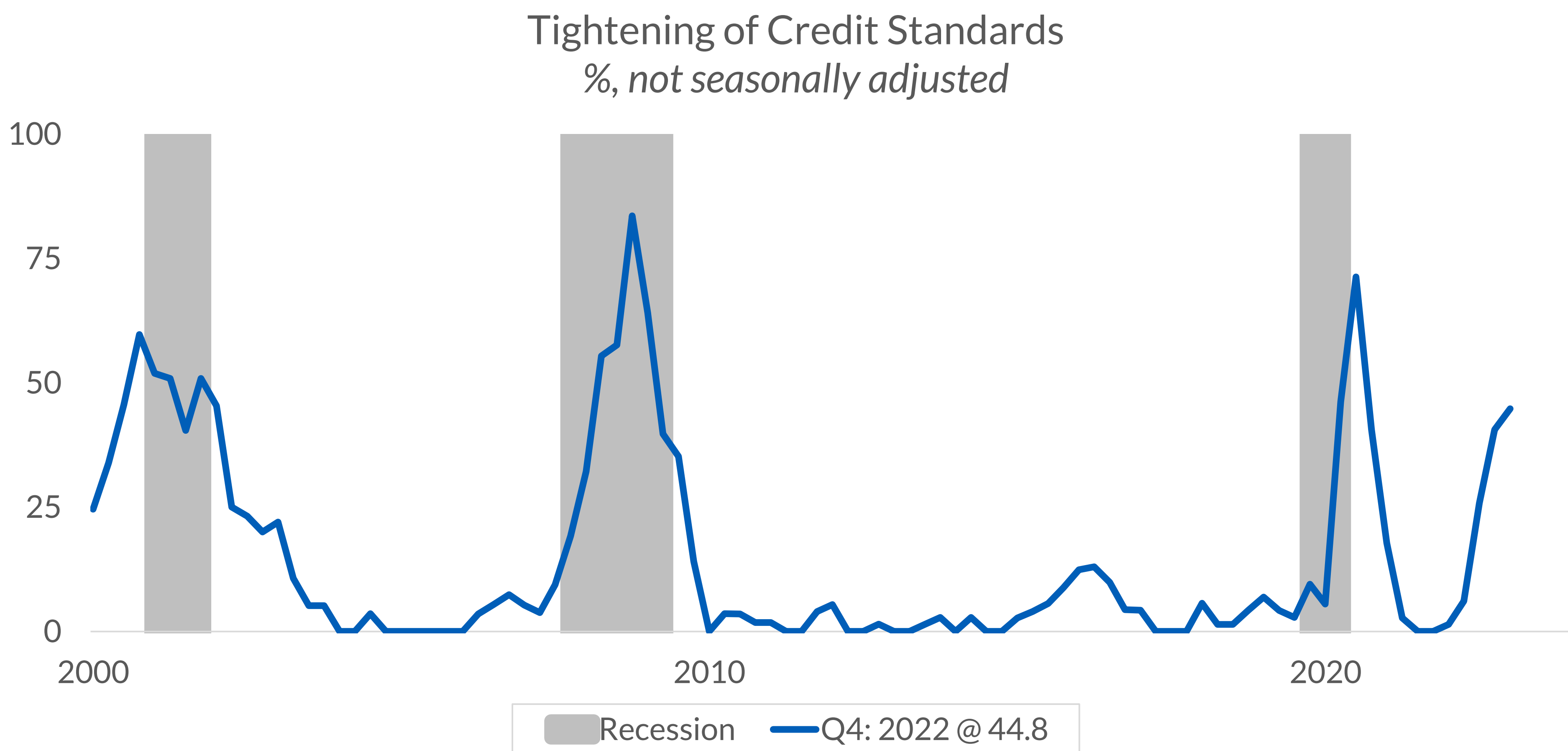




Data Current as of April 25, 2023
Source; FDIC, Bloomberg Composite Rate.
Information is subject to change and is not a guarantee of future results.

Credit Conditions Have Already Tightened Significantly

- Almost half the banks are tightening their credit standards.
- Tightening has reached levels associated with past recessions.
- With less credit availability, economic growth will slow.



Data Current as of April 25, 2023
Source; Federal Reserve
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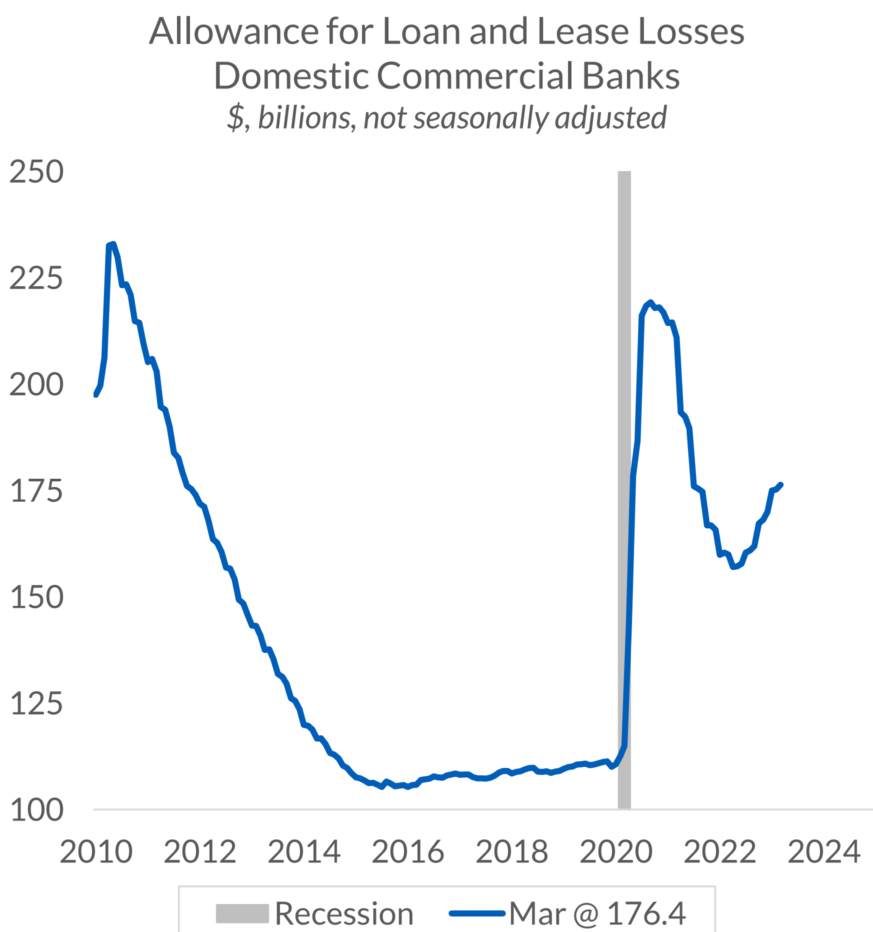
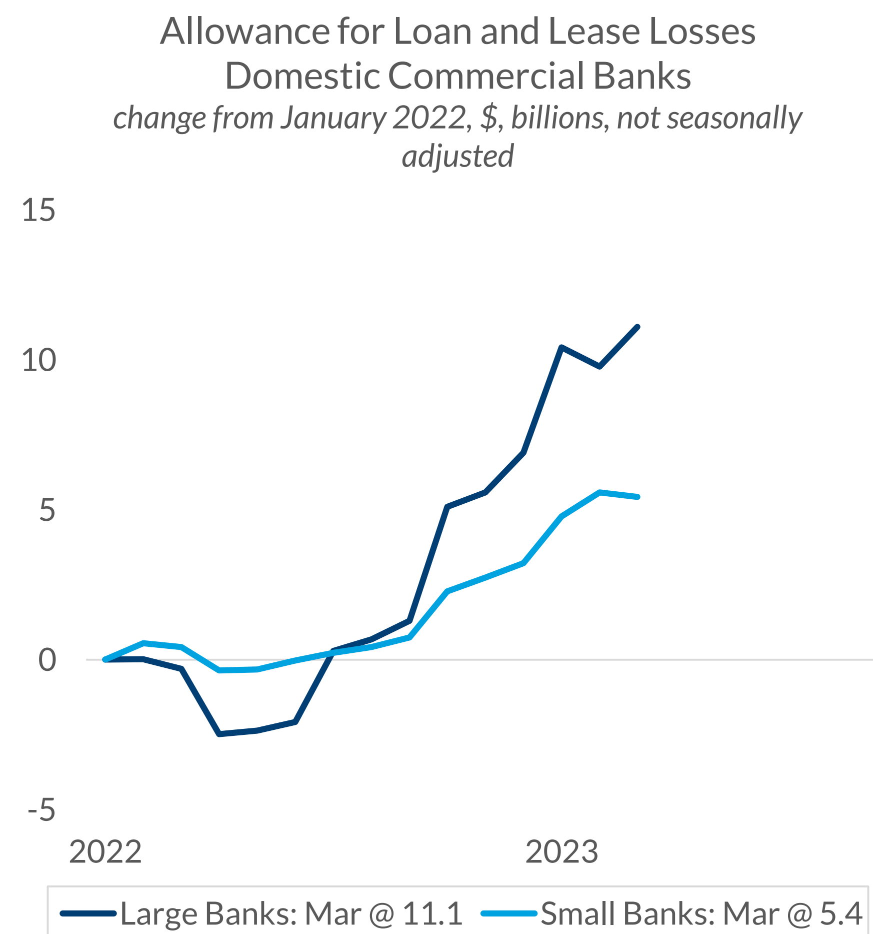
Bank Stress Likely to Further Tighten Credit Conditions

- Banks are increasing allowances for losses on loans and leases.
- Credit availability will slow as banks use more conservative balance sheet management to shore up liquidity.



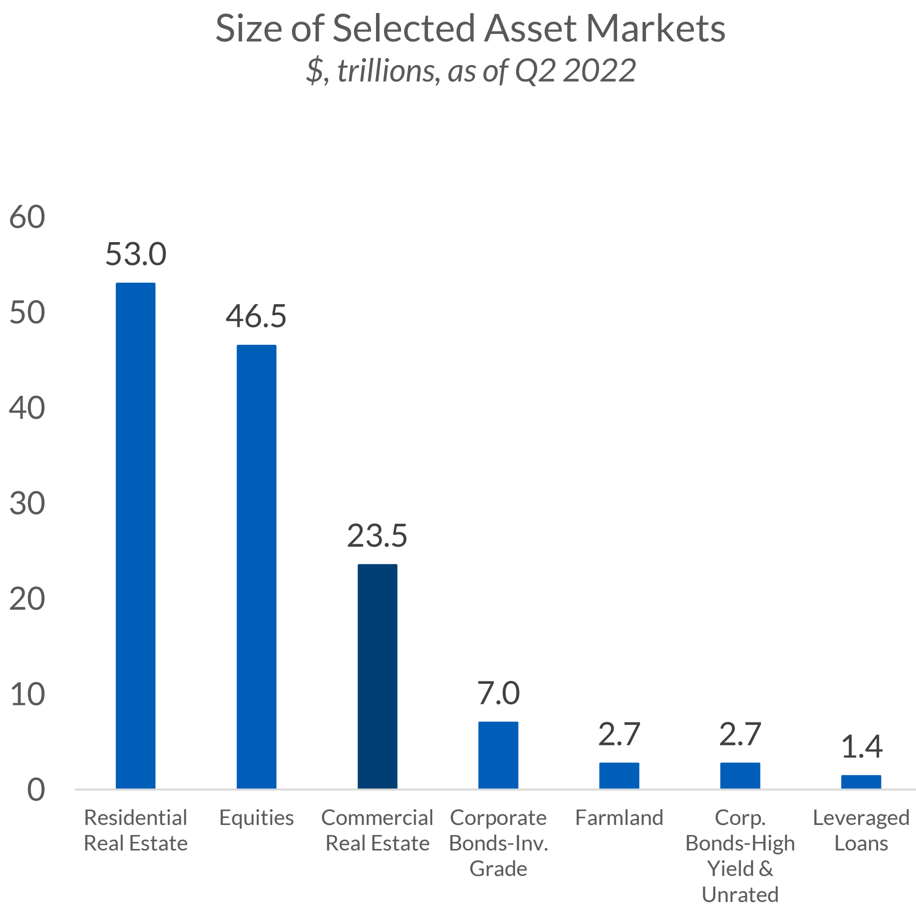


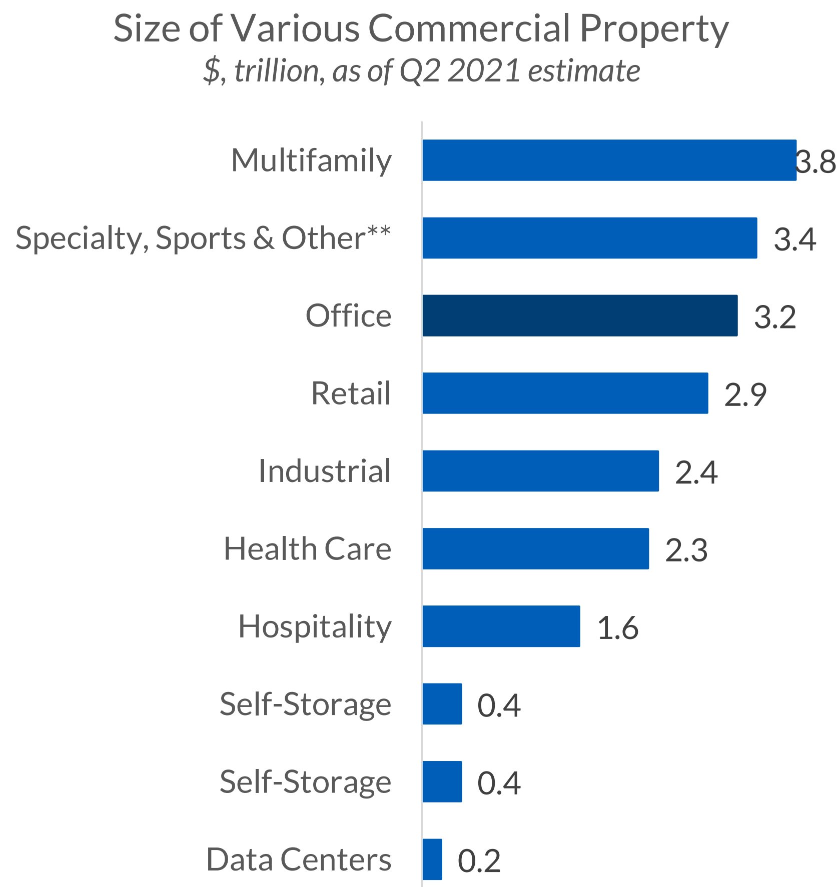
Data Current as of April 25, 2023
Source; Federal Reserve, Nareit, CoStar
Information is subject to change and is not a guarantee of future results.

Is Commercial Real Estate a Concern?

Commercial Real Estate is a Concern

- Commercial real estate represents a not insignificant portion of overall asset markets.
- The credit quality of underlying collateral on many commercial real estate loans is a growing concern for banks
- Especially for smaller, regional banks.





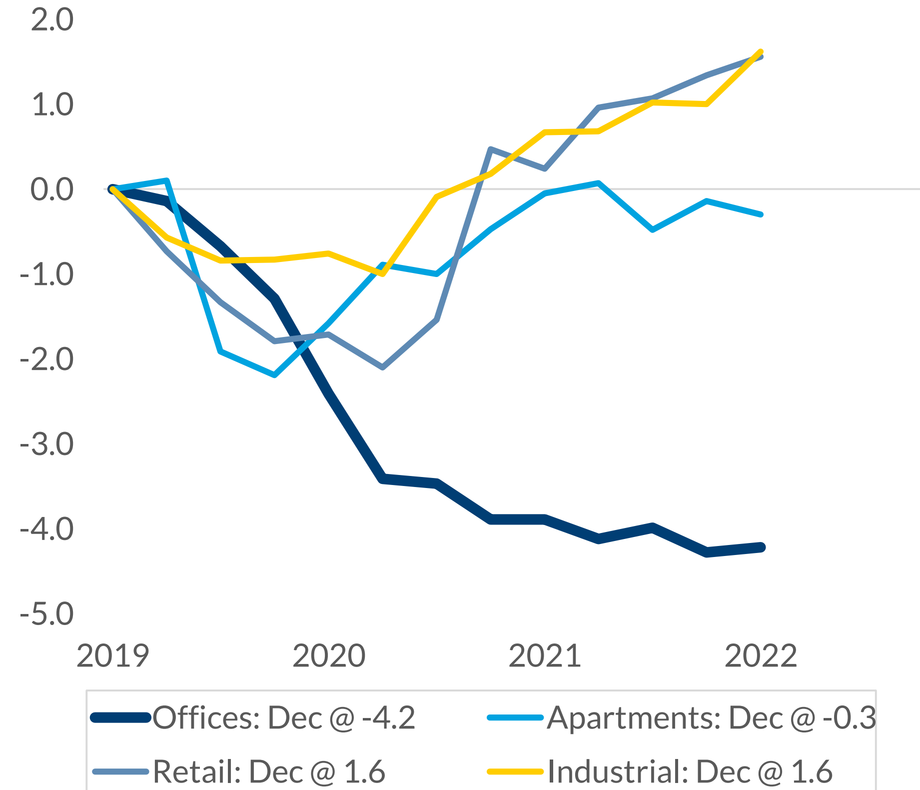
Data Current as of April 25, 2023
Source: Federal Reserve
Information is subject to change and is not a guarantee of future results.

Office Real Estate is the Biggest Area of Risk

- The pandemic has fundamentally changed work habits, with online and work from home trends continuing.
- Unlike other industries, office occupancy rates remain far below pre-pandemic levels.

Occupancy Rate: Office REIT
%, not seasonally adjusted

Occupancy Rate: Change from December 2019
percent change



Data Current as of April 25, 2023
Source: Federal Reserve, Nareit
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Has the Demise of the Dollar Dominance Begun?

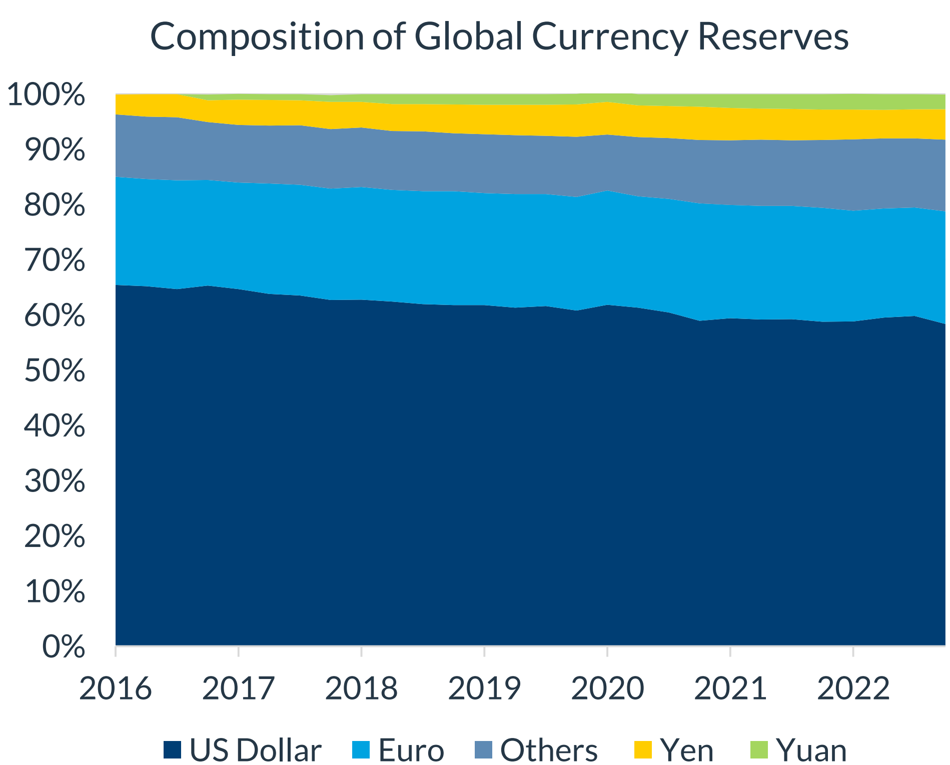
Dollar Remains Most Viable Reserve Currency

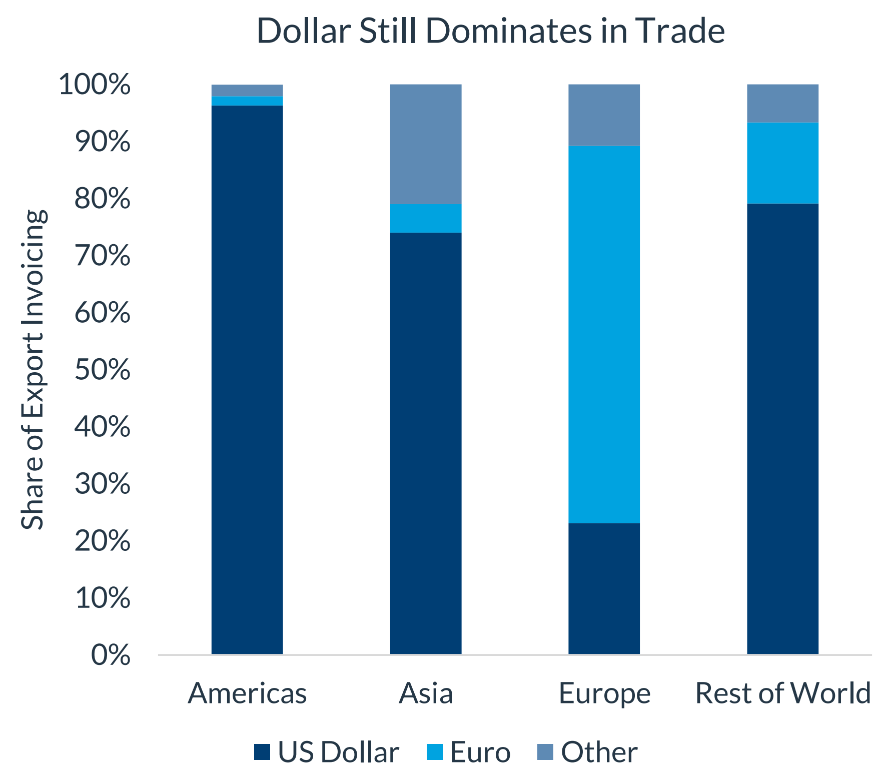
- US Dollar remains uniquely positioned as a reserve currency, with deep, liquid & regulated financial markets.
- Confidence in political stability, rule of law, and economic and monetary policy are critical conditions.
- Europe's bond markets are more fragmented, China has strict capital controls.

Reserve Currency Criteria	US Dollar	Euro	Yuan
Stability of the political system of the issuing country	✓	✓	✓
Size and prospects of the economy	✓	✓	✓
Global integration of its markets and economy	✓	✓	✓
Transparent and open system	✓	✓	
Credible legal system	✓	✓	
Quality of its sovereign debt	✓		
Size, depth and liquidity of financial markets	✓		

Changes in Reserve Currency Status Move Slowly

- Since the 1960s, the dollar's dominance as a global currency has declined.
- However, its status has remained relatively stable over the past 20 years since the introduction of the Euro.
- Recently, China has been trying to bolster the yuan; Brazil and Argentina are exploring creation of a common currency.
- Meaningful change to the dollar's status though is unlikely to happen in our investment horizon.

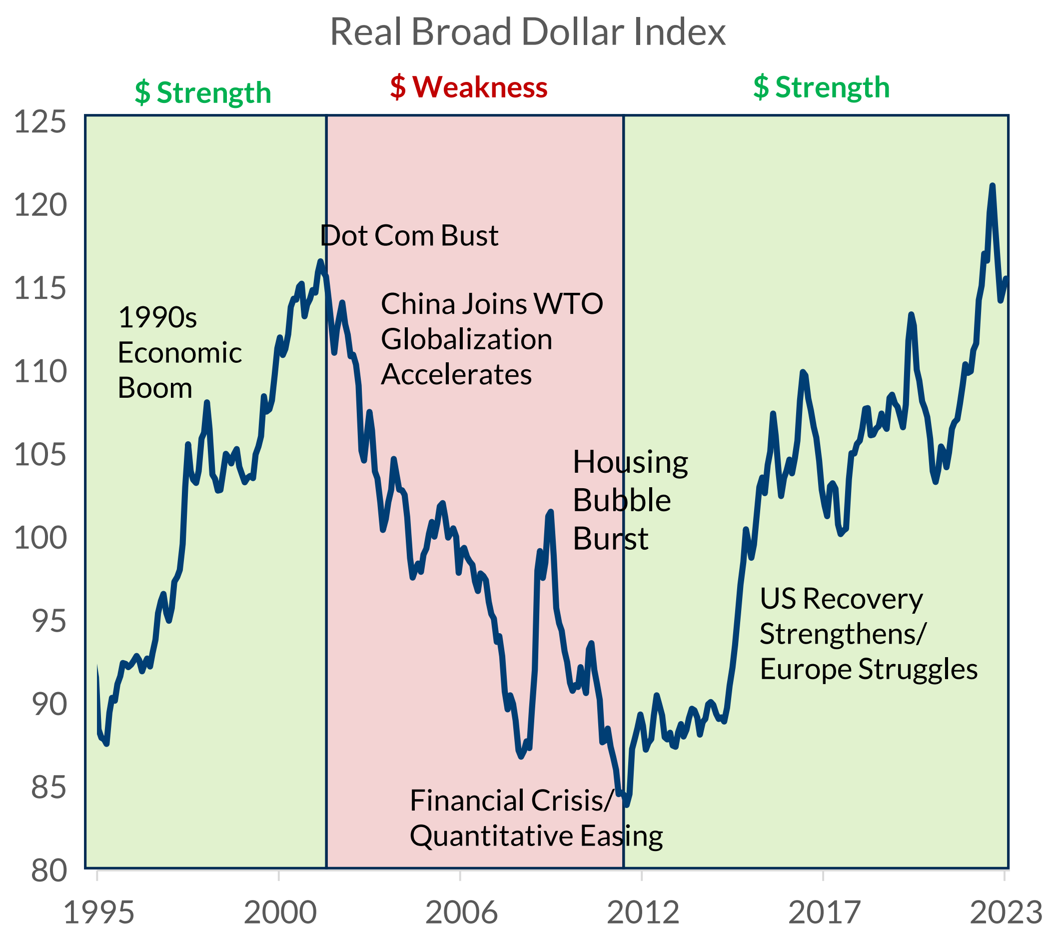


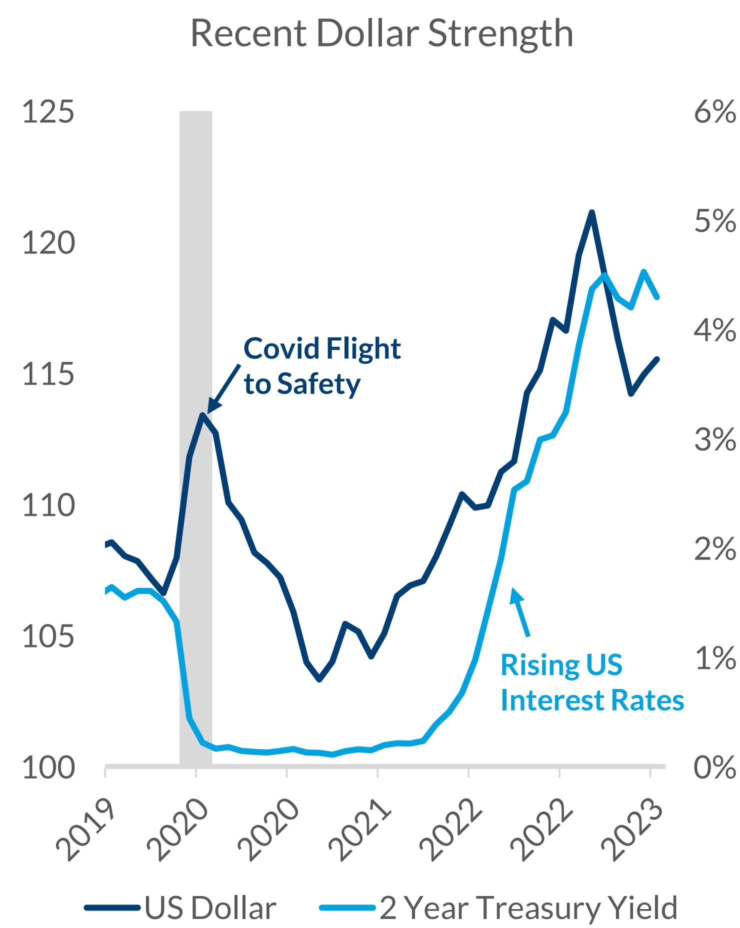


Source: IMF, as of December 31, 2022.

Key Factors that Impact Changes in the Dollar

- Movements are primarily driven by relative economic activity and monetary policy.
- Trade flows, speculators and geopolitical uncertainties also contribute to changes.
- Recent strength driven by higher US interest rates, strong capital inflows and safe haven status in times of turmoil.



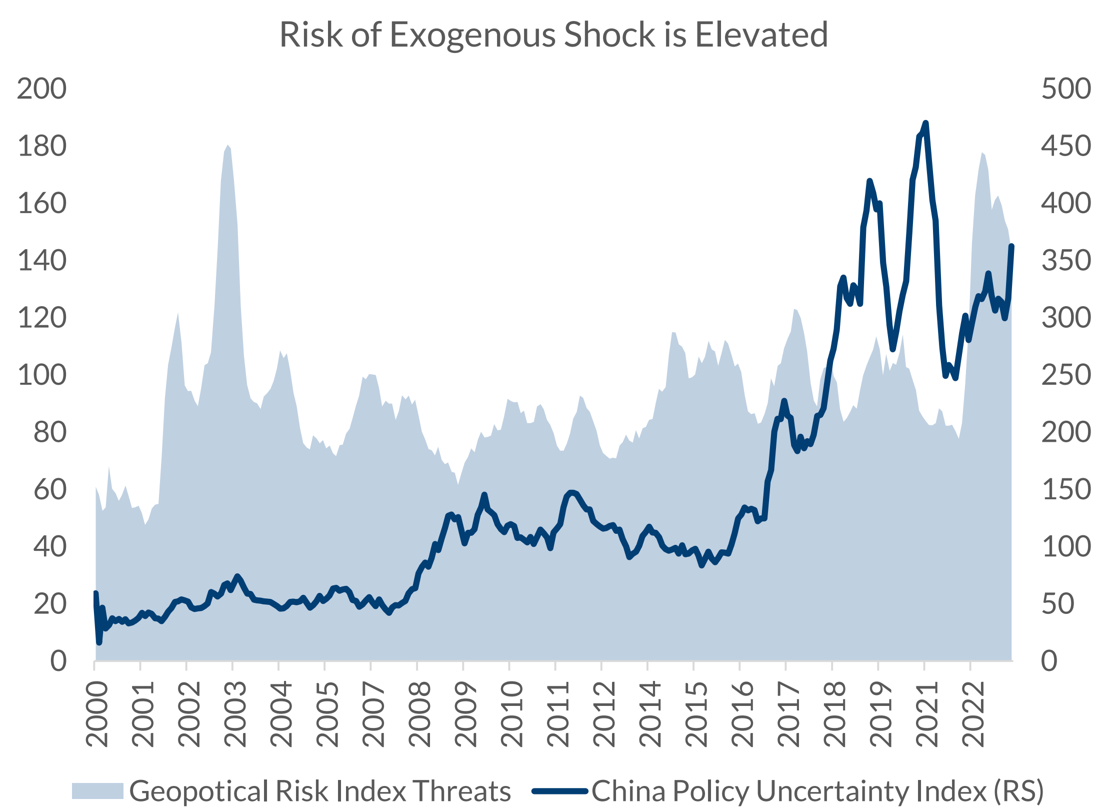


Source: St. Louis Fed, as of April 2022.

What Areas of Concern Do You Have?

Geopolitical Risks Continue to be a Major Concern

- US-China tensions remain at highest level in decades.
- Russia/Ukraine conflict grinds on, risk of escalation remain.
- Remain watchful of another exogenous shock.



Sources: FactSet, CNR Research, as of March 2023.
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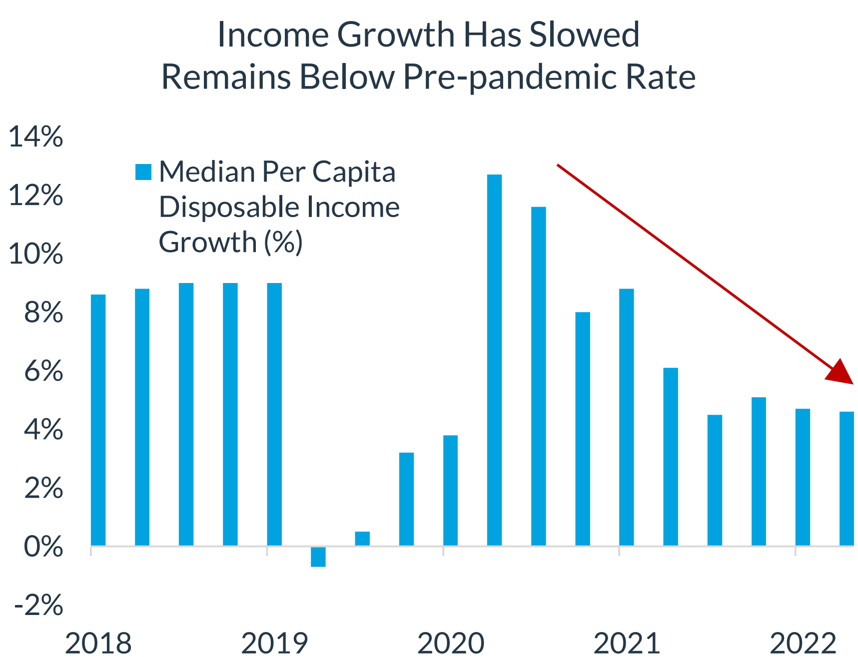
China – Maintaining CNR Underweight

Positives	Negatives
• Rebound in economic activity	• Trade tensions, support for Russia
• Housing markets stabilizing	• Corporations seeking alternative suppliers
• Pent up demand for domestic consumption and services	• Common prosperity prioritized over corporate profits
• Less disruption of global supply chains	• Credit impulse slowing
• Export volumes increasing	• Exporter to world

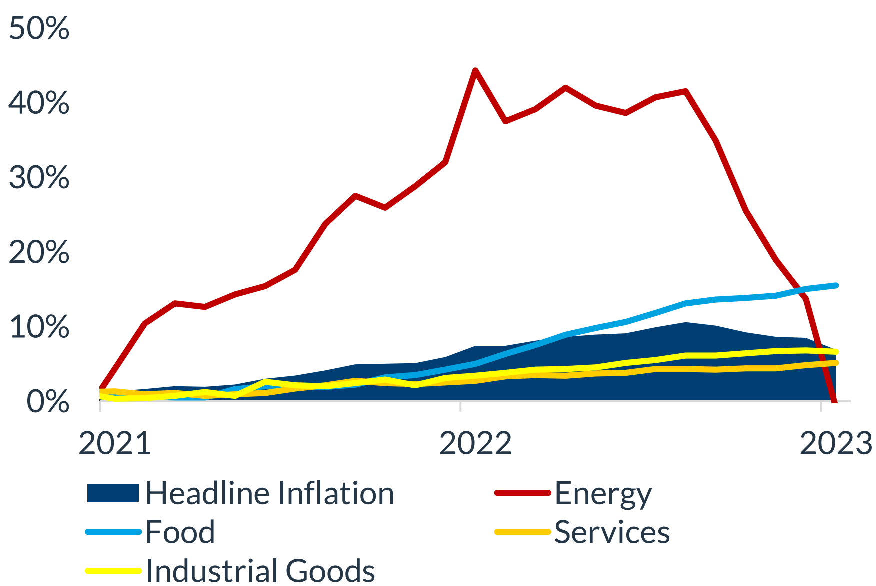


Sources: Bloomberg, economicpolicyuncertainty.com, as of February 2023.

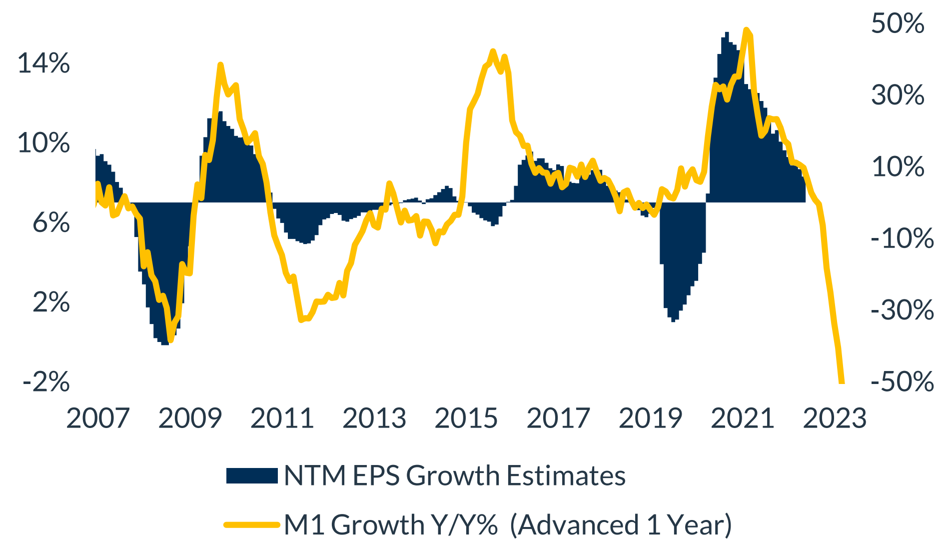
Europe – Maintaining CNR Underweight

Positives	Negatives
• China reopening benefits exporters	• ECB behind the curve vs inflation
• Putin hasn't significantly escalated	• Lending standards tightening; corporate defaults rising
• Mild winter, energy prices have declined	• Downside risk to earnings
• Recent GDP growth/earnings not as bad as feared	• Long run structural challenges; weak global competiveness

Euro Inflation Has Outlived Energy Price Decline
(Y/Y % Change)

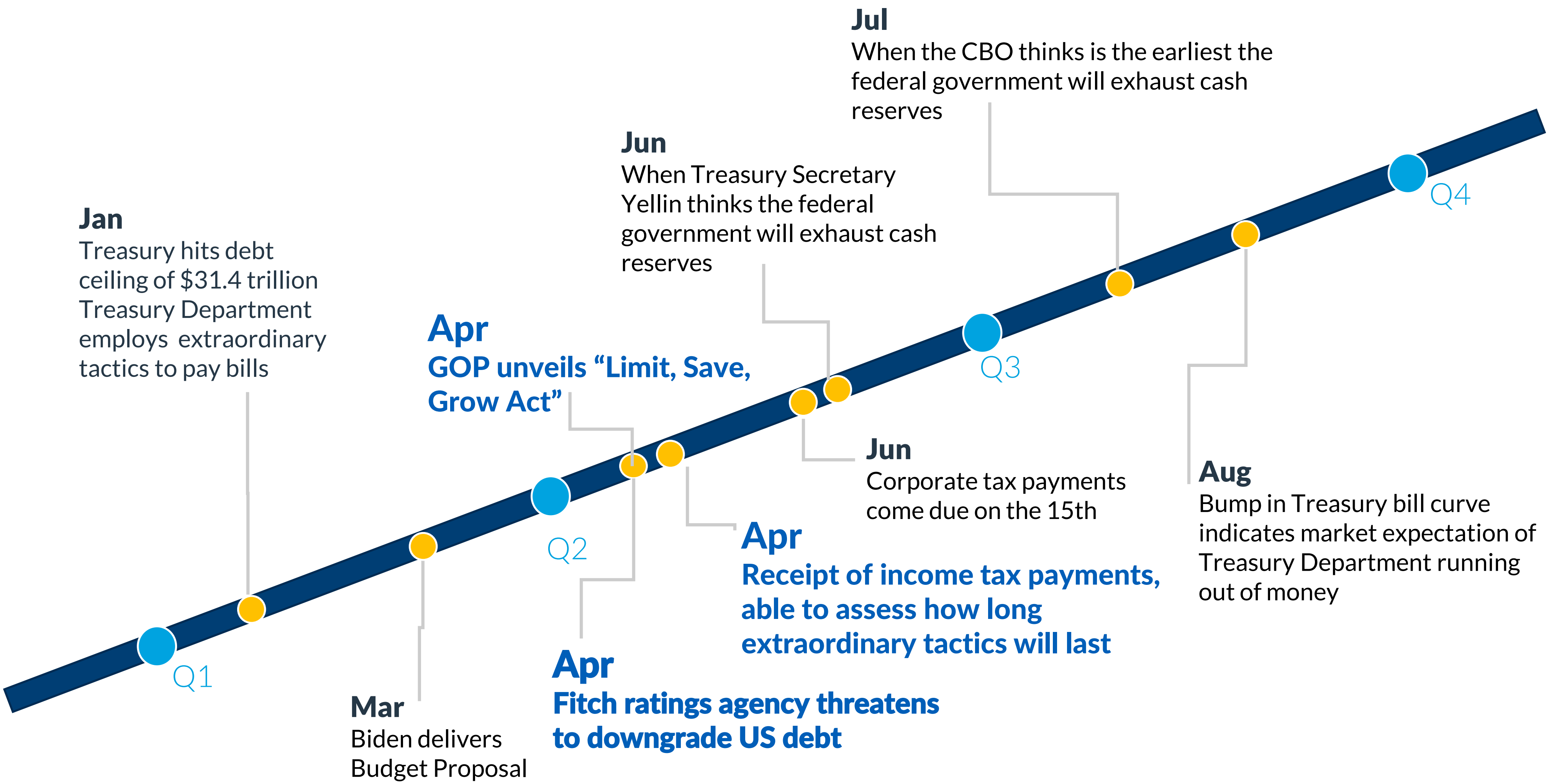


Monetary Tightening Could Weigh on Euro Earnings



Sources: Bloomberg, as of February 2023. Information is subject to change and is not a guarantee of future results.
US Inflation: Headline Consumer Price Index, Euro Area Inflation: Harmonised Index of Consumer Prices.

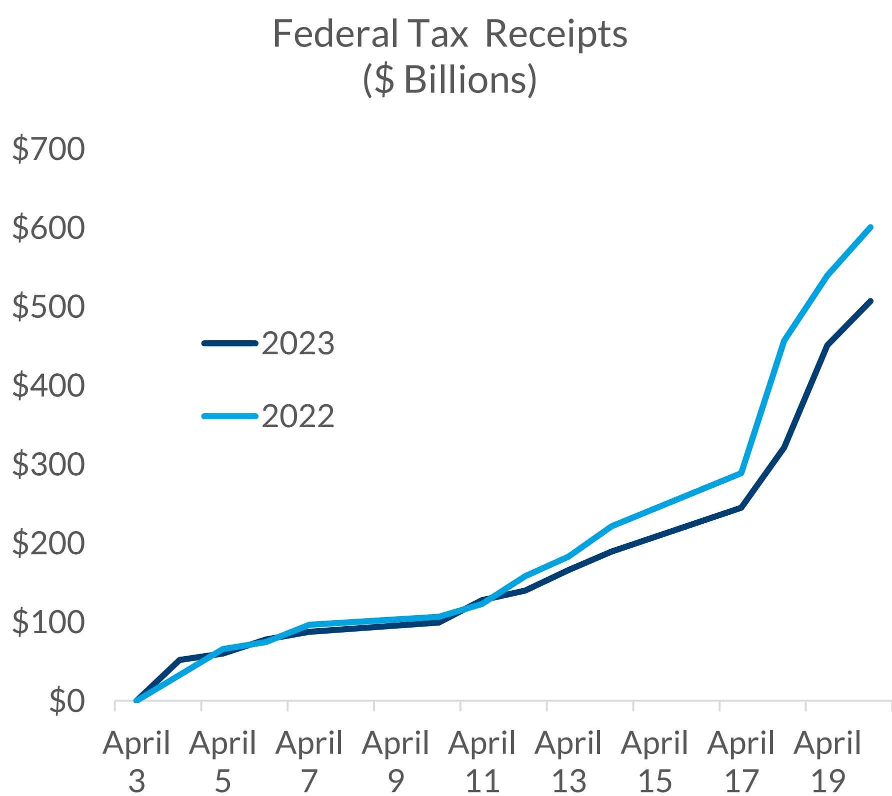
2023 Debt Ceiling Timeline Expectations

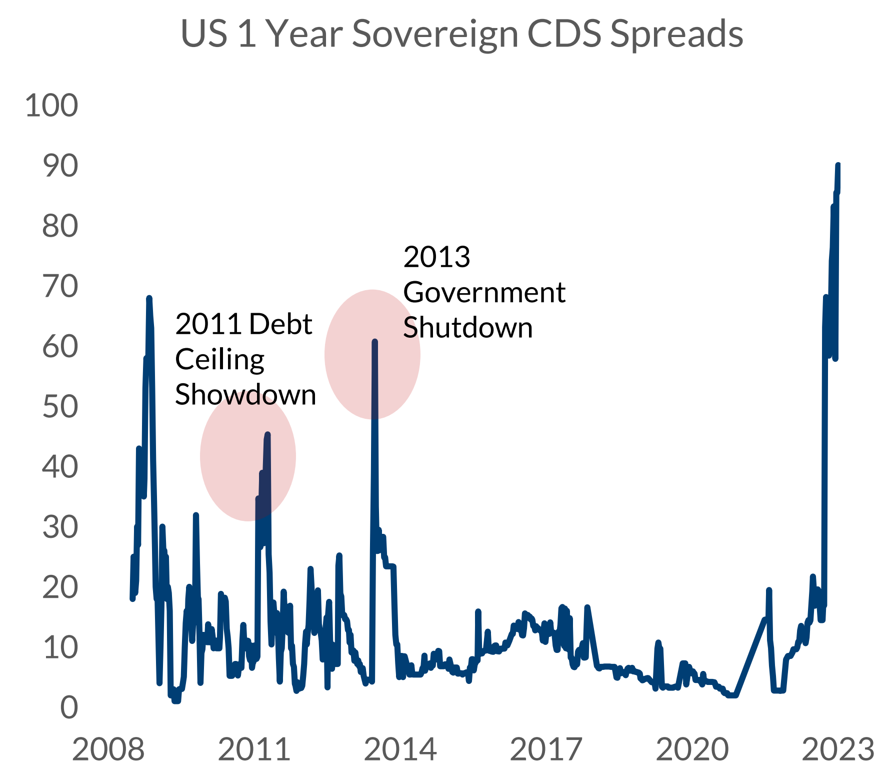


Source: CNR Research.
Information is subject to change and is not a guarantee of future results.

Debt Ceiling Deadline Might be Sooner Than Expected

- For now, US tax receipts are running significantly behind 2022's pace, raising risk of earlier than expected X-date.
- While equity markets have so far shrugged off concerns, the cost of insuring U.S. debt against default has surged.





Sources: FactSet, CNR Research, as of March 2023.
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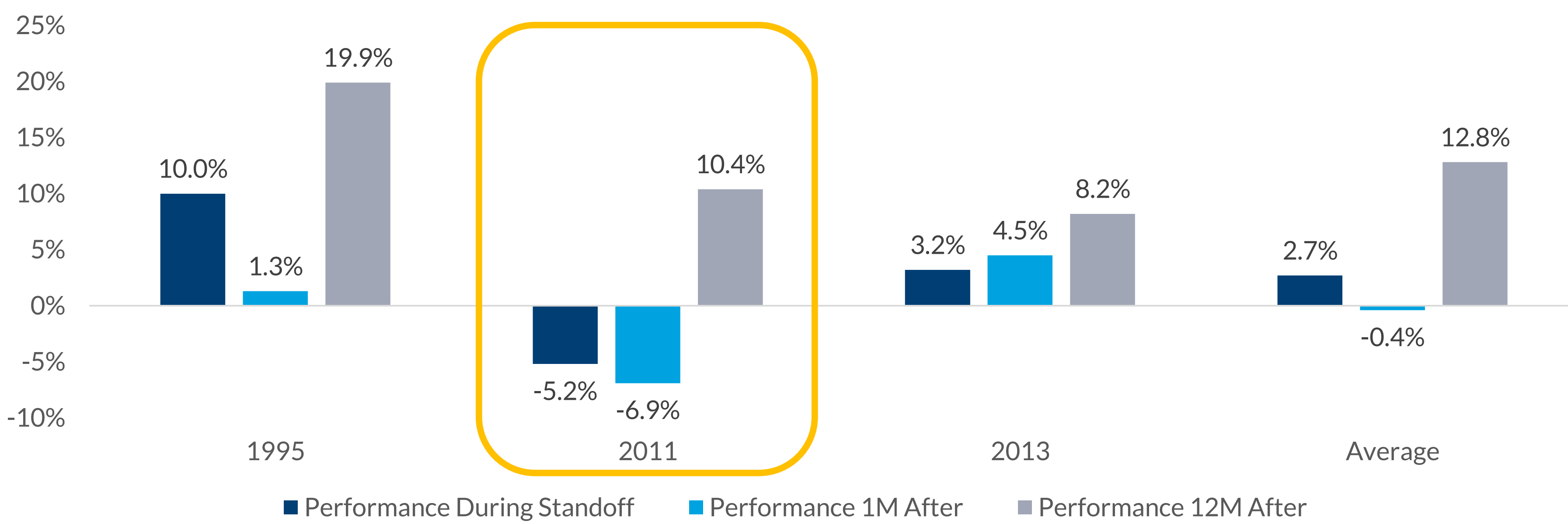
US Debt Ceiling – Another Source of Potential Volatility

Debt Ceiling Standoff	Date	Performance During Standoff	Max Drawdown	Performance 1M After	Performance 12M After	Details
1995	Oct 1995 - Mar 1996	10.0%	-1%	1.3%	19.9%	Two periods of government shutdowns (5 and 21 days)
2011	**May 2011 - Aug 2011**	**-5.2%**	**-17%**	**-6.9%**	**10.4%**	**S&P downgrades US credit rating from AAA to AA+**
2013	May 2013 - Oct 2013	3.2%	-5%	4.5%	8.2%	Government shutdown for 16 days

S&P 500 Performance & US Debt Ceiling Standoffs

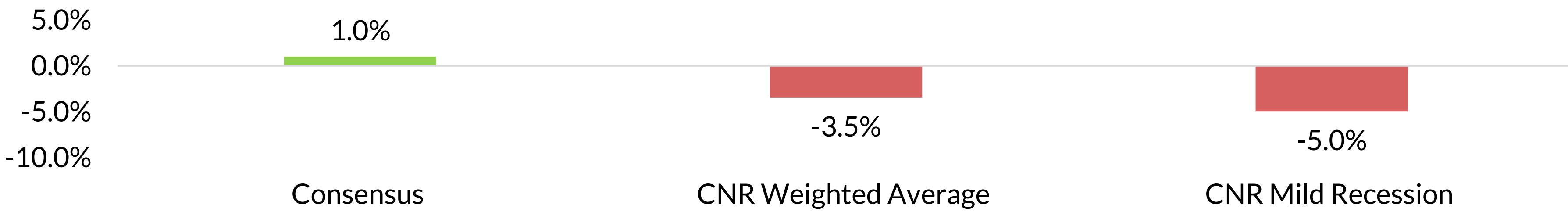


Source: FactSet. Indices are unmanaged, and one cannot invest directly in an index. Index returns do not reflect a deduction for fees or expenses. Past performance is not a guarantee of future results.

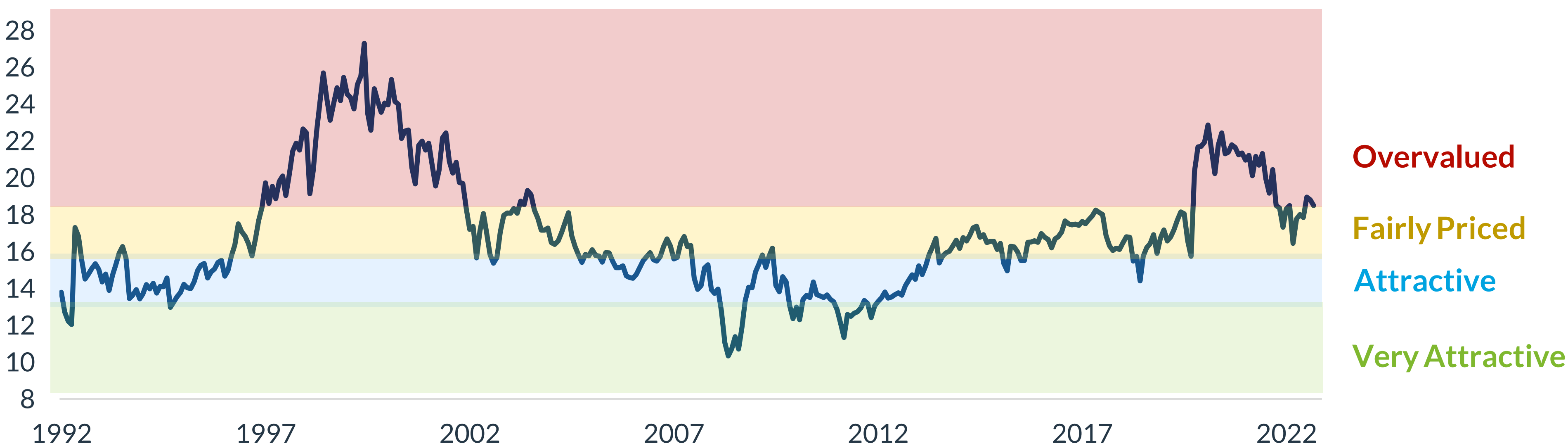
Markets Still Don't Reflect Risks Ahead

- Focusing on fundamentals is key.
- Earnings estimates have come down significantly, but markets are still pricing in a soft landing scenario.
- The market gains since October lows have been driven entirely by multiple expansions.

2023 S&P 500 Earnings Growth Estimates



S&P 500 Forward Price/Earnings Ratio



Sources: FactSet, CNR Research, as of March 2023.
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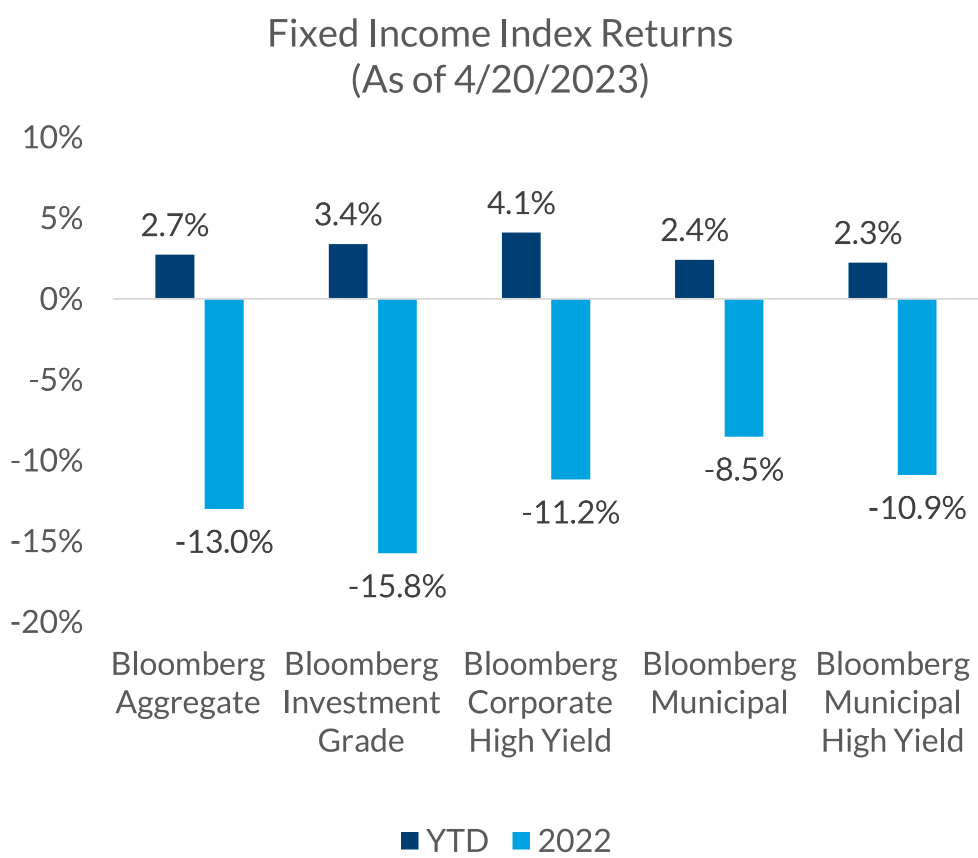
What Does this All Mean for our Investment Positioning?

Fixed Income Performance Has Been Consistent

- Fixed income markets have recovered this year after a historically disappointing 2022.
- Depending on your risk tolerance, income and tax needs, different strategies may be appropriate.

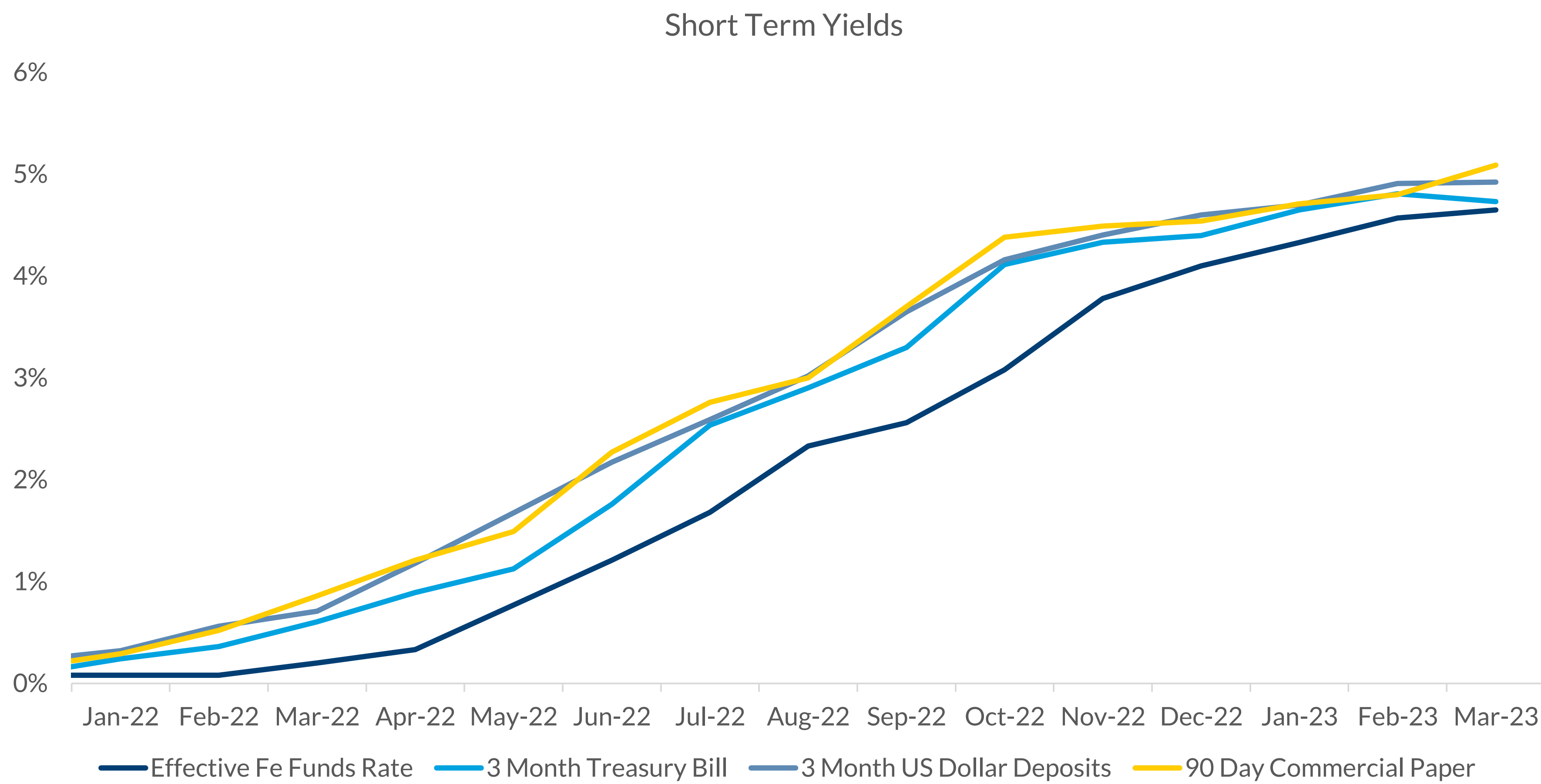


FI Asset Category	Income Needs	Index Yield	Volatility Tolerance
Corporate High Yield	High	8.55%	Higher
Municipal High Yield	Tax Sheltered	4.86% (7.88%-TE*)	Higher
Corporate Investment Grade	Lower	5.20%	Lower
Municipal Investment Grade	Tax Sheltered	3.37% (5.57%-TE*)	Lower

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. TE=Tax Equivalent Yield, assumes 39.6% federal tax rate.
Indices used: Bloomberg US Aggregate Bond Index, Bloomberg US Investment Grade Corporate Bond Index, Bloomberg US Corporate High Yield Index, Bloomberg Municipal Bond Index and Bloomberg Municipal High Yield Bond Index. See Index Definitions for more information. See index definitions for more information.
Source: FactSet.

Cash Yields Now More Attractive as Fed Raises Rates

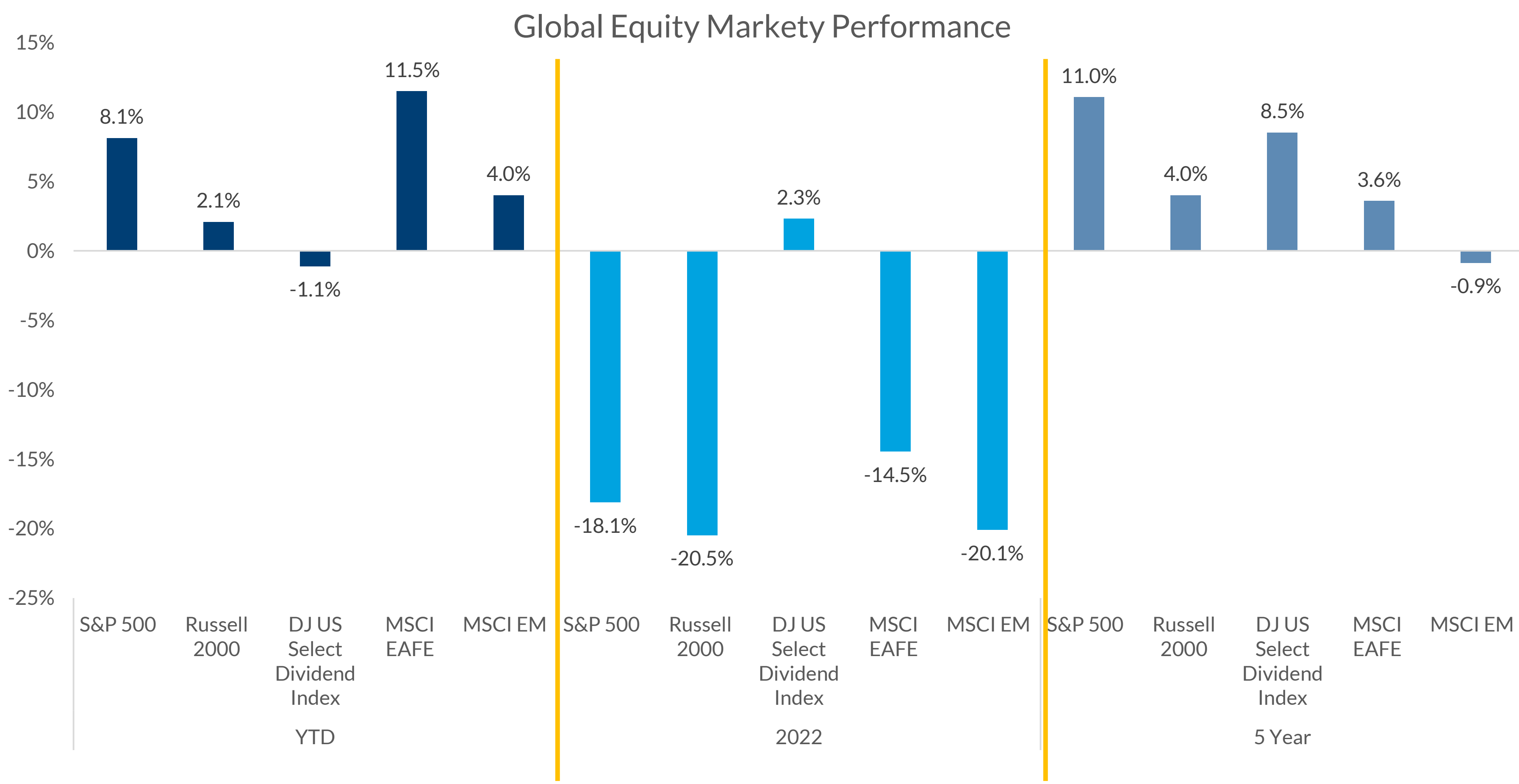
- Short term fixed income management strategies have become attractive as they may offer higher yields.
- More compelling investments due to their defensive nature, issuer diversification, credit risk profile.
- Regular stream of current income. Historically stable source of predictable return in periods of heightened volatility.



Source: Bloomberg, as of April 2023

Equity Performance Has Been Divergent

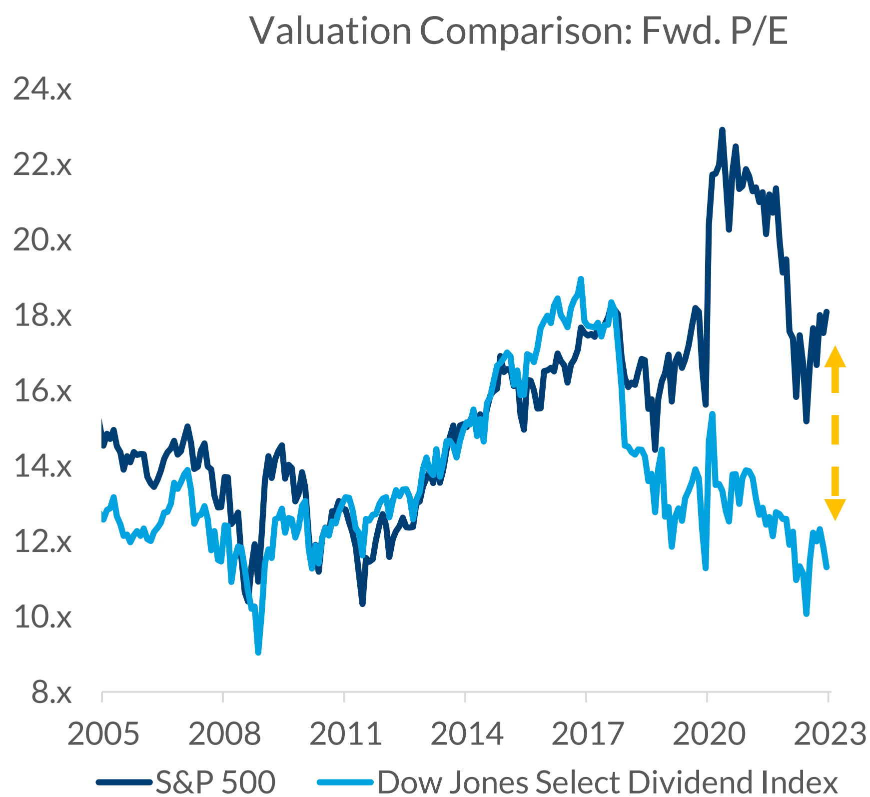
- Equity markets have generally performed well to start the year, after a tough 2022.
- However, the dispersion of returns so far has been especially wide across geographies, styles and sectors.
- We continue view long term outlook for US equities as favorable vs. other regions and countries.

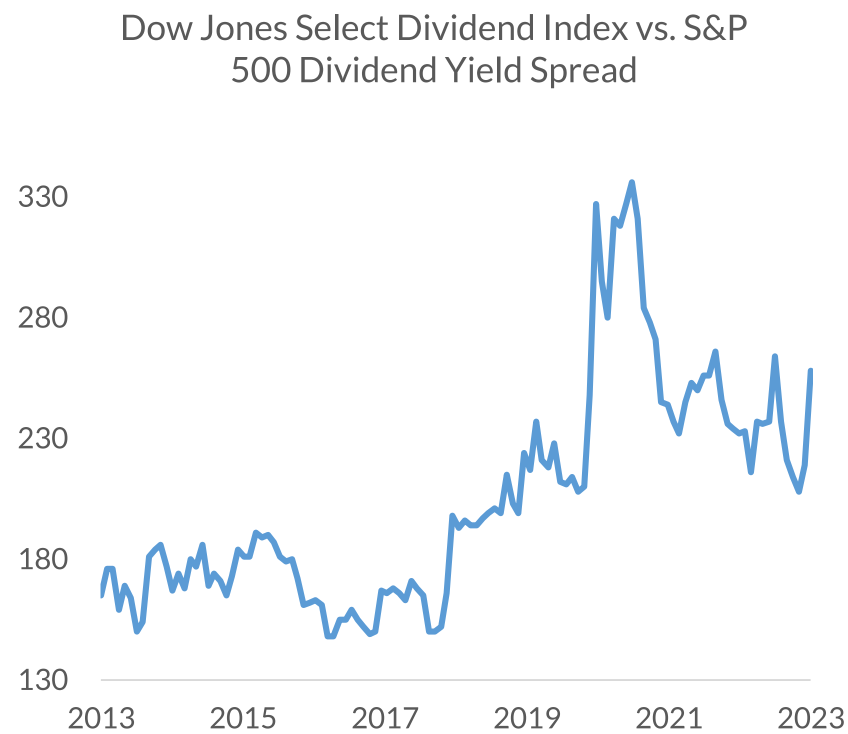


Source: FactSet, as of April 2023.
See index definitions for more information.

Equity Income Looking Attractive Again

- After the reversal this year, dividend stock valuation and dividend spread are increasingly attractive.
- Income and defensive orientation should provide greater downside protection in an economic slowdown.
- Portfolio focus on quality, earnings and revenue stability, accrues to dividend and income stability.





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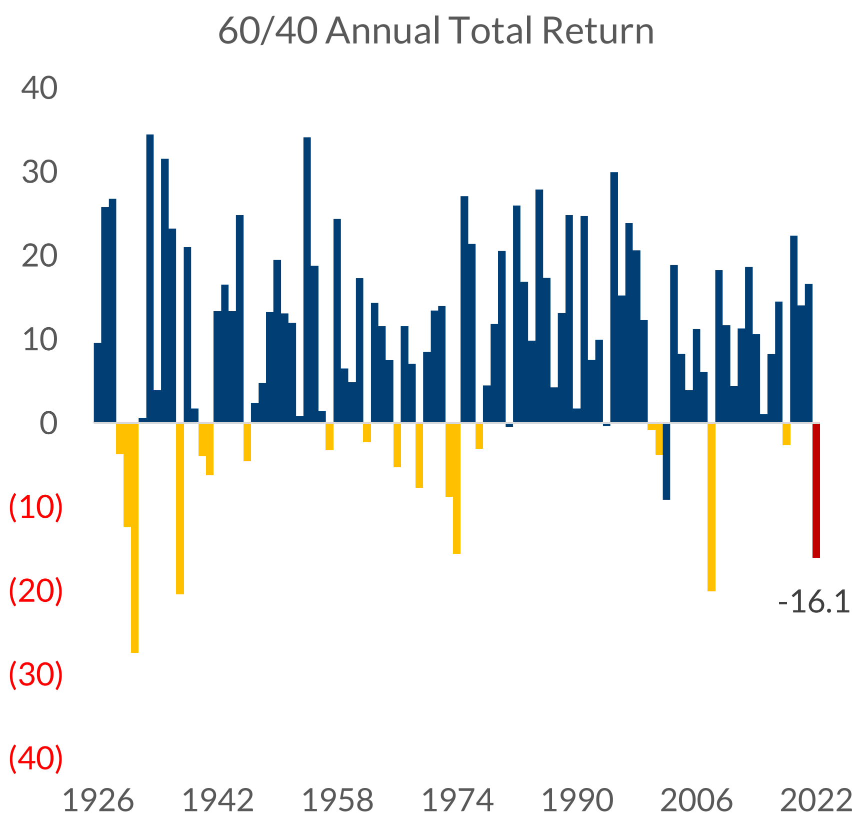
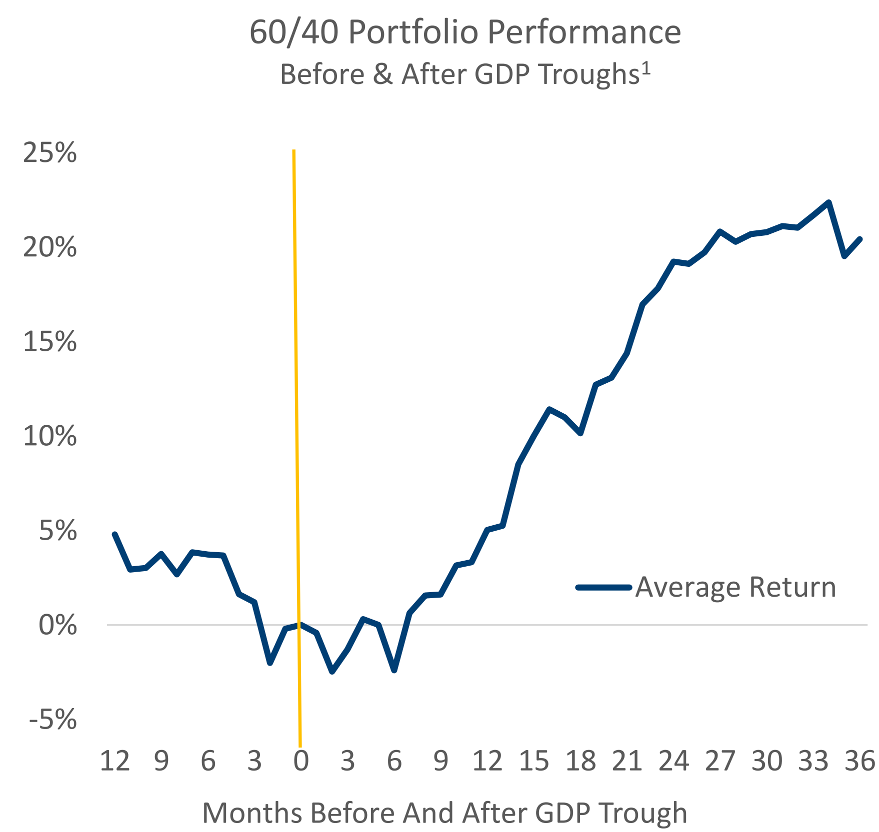
Source: FactSet, as of April 2023.

Anticipated Rebound in 60/40 is Unfolding

- After one of the most difficult years in history, both stocks and bonds are off to positive starts in 2023.
- With higher yields and a likely peak soon n the Fed's hiking cycle, return prospects for bond remain attractive.
- Stocks though may struggle in coming months as recessionary pressures build.





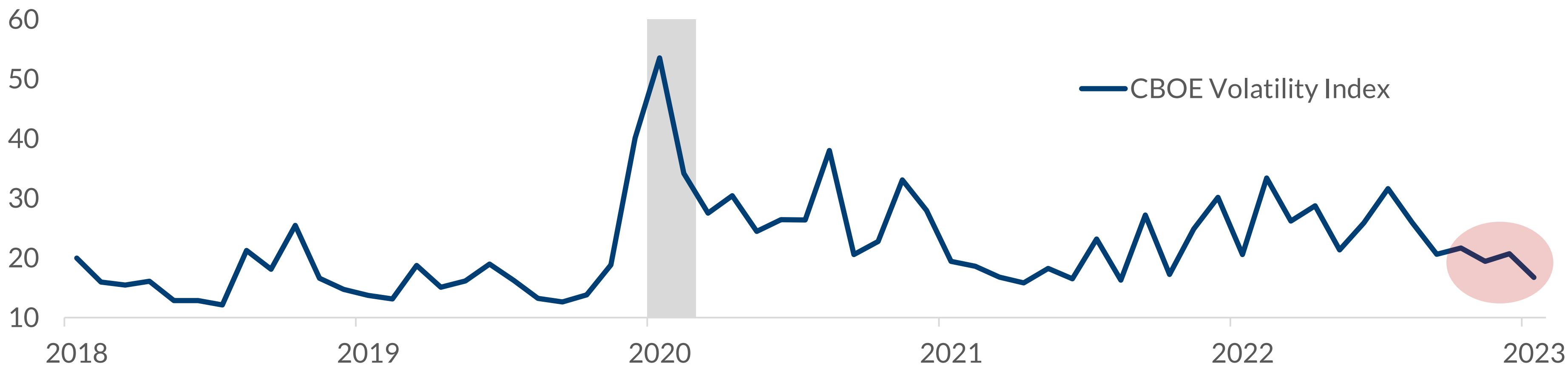
Source: Ibbotson Associates Index Data via Morningstar Direct. FactSet *60/40 split between Equities and Fixed Income. Equities index: S&P 500. Fixed Income index: Bloomberg US Aggregate Bond Index. Hypothetical value of assets held in untaxed portfolios invested in US stocks and bonds.
[1]Stocks and bond investments are represented by total returns of the S&P 500 and 50% IA SBBI US LT Government/50% IA SBBI US LT Corporate 1/1926-1/1976, Bloomberg US Aggregate 1/1976-present. Past performance is no guarantee of future results. Information is not representative of any CNR product or service. Indices are unmanaged, and one cannot invest directly in an index. Index returns do not reflect a deduction for fees or expenses.

Macro Uncertainties Support Defensive Positioning

- Remain overweight fixed income, modestly underweight equities.
- Focused on holding US quality bonds and stocks.

Reasons to be Wary	Reasons to be Optimistic
• Geopolitical risks remain high	• Recession likely to be mild
• Downward earnings revisions likely to continue	• Consumer resilient, corporate balance sheets solid
• Fed likely to stay higher for longer	• Bear market close to historical average length
• Bank stress /Normal recession risk increasing	• Valuations have repriced
• Debt ceiling standoff	• Rate cycle peak likely close
• Valuations still not cheap	
• Rally breadth has been narrow	

Market Complacency: Equity Volatility At Lowest Level Since 2021



Source: FactSet, as of April 2023.

Appendix

Investment Strategy Committee Considerations

2023 Economic Outlook

- Higher for longer thesis intact
- Overall recession risk at an above consensus 76%, mild downturn base case
- Remain of the view that the overall US banking system is on solid footing, watchful of impact on lending
- Maintaining below consensus GDP and earnings growth forecast
- Modestly increased inflation expectations but choppy, downward glidepath remains intact
- Continue to expect Fed policy to remain tight through 2023 vs. market expecting rate cuts by year end
- Leading indexes, inverted yield curve, tightening lending standards and declining manufacturing supports recession view
- Job gains, wages, savings and net worth support consumer
- Watchful on private markets
- US economy more resilient than Europe/Asia
- Geopolitical risk remains elevated

2023 Investment Strategy

- Macro uncertainty remains high
- Portfolios defensively positioned – inflation, Fed tightening, recession risk, geopolitical tensions
- History suggests cyclical bear market in later phases; recessionary bear markets never end before recession begins
- Modestly underweight equities overall, focused on high-quality US stocks, avoid Europe and Asia
- Forecasting moderate equity returns in 2023, above average volatility
- Equity income attractive in a uncertain environment
- Fixed income returns expected to be moderately positive
- Investment grade corporate and municipals offer attractive yields with lower volatility
- High yield corporates and municipals, while volatile, offer reasonable reward for risk
- Excellent opportunities for liquidity management
- Alternatives may provide diversifying benefits and attractive opportunities

Sources: Bloomberg, CNR Research, as of April 2023. Information is subject to change and is not a guarantee of future results.

Q&A

Important Information

Figures shown are past results and are not an indication of future results.

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.

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Returns include the reinvestment of interest and dividends.

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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 US consumers.

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.

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Index Definitions

S&P 500 Index. The Standard & Poor's 500 Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent US equity performance.

Russell 2000® Index. The Russell 2000® Index is a market capitalization-weighted index measuring the performance of the small-cap segment of the US equity universe and includes the smallest 2,000 companies in the Russell 3000® Index.

DJ US Select Dividend Index®. The Dow Jones US Select Dividend Index® measures the performance of the top 100 US stocks by dividend yield.

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.

MSCI EM Index. The MSCI Emerging Markets Index is a free float-adjusted market capitalization weighted index that is designed to measure equity market results in the global emerging markets, consisting of more than 20 emerging market country indexes.

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

Bloomberg US Investment Grade Corporate Bond Index. The Bloomberg US Investment Grade Corporate Bond Index measures the performance of investment grade, corporate, fixed-rate bonds with maturities of one year or more.

Bloomberg US Corporate High Yield Index. The Bloomberg US Corporate High Yield Index measures the performance of non-investment grade, US dollar-denominated, fixed-rate, taxable corporate bonds.

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

Bloomberg Municipal High Yield Bond Index. The Bloomberg Municipal High Yield Bond Index measures the performance of non-investment grade, US dollar-denominated, and non-rated, tax-exempt bonds.

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City National Rochdale
AN RBC/CITY NATIONAL COMPANY

New York Headquarters
400 Park Avenue
New York, NY 10022
212-702-3500

Beverly Hills Headquarters
400 North Roxbury Drive
Beverly Hills, CA 90210
310-888-6000

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