Market Update Summary

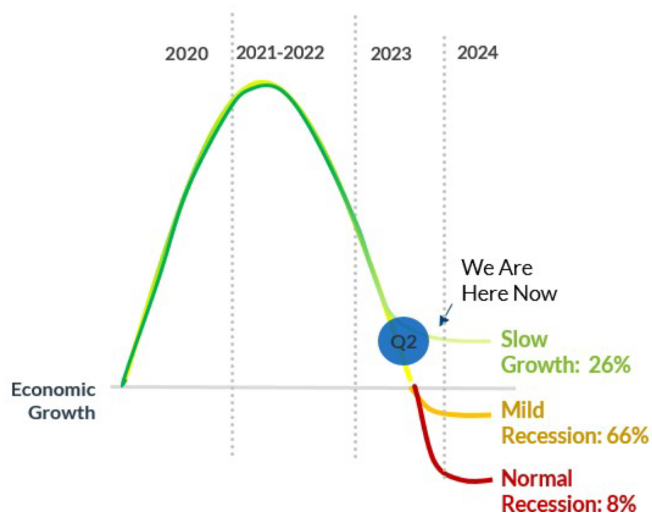
Mild Recession Pushed Back

A mild recession, anticipated due to Fed tightening and constraints on consumer and business lending, is still likely in late 2023 or early 2024, according to the August 2023 Market Update presented by the leadership team of City National Rochdale.

The U.S. economy has shown resilience thus far, and CNR has raised growth forecasts for the second half of 2023. But giving mounting headwinds, it is unlikely that a downturn in economic activity will be averted, just merely delayed. However, the expectation is that labor shortages are likely to limit increases in unemployment and that a consumer retrenchment is likely to be modest, supported by strong household balance sheets and income.

Mild US Recession Likely Delayed, Not Averted

- Mild downturn still expected due to Fed tightening and constraints on consumer/business lending.
- 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.



Near Term GDP Growth Estimates					
Outlook	2023				2024
	Q1	Q2	Q3e	Q4e	Q1e
Previous	2.0%	2.4%	-1.0%	-1.0%	NA
Current	2.0%	2.4%	0% to 1.0%	-1.0% to 0%	-1.5% to -0.5%

Sources: Bloomberg, CNR Research, as of July 2023.

Information is subject to change and is not a guarantee of future results.

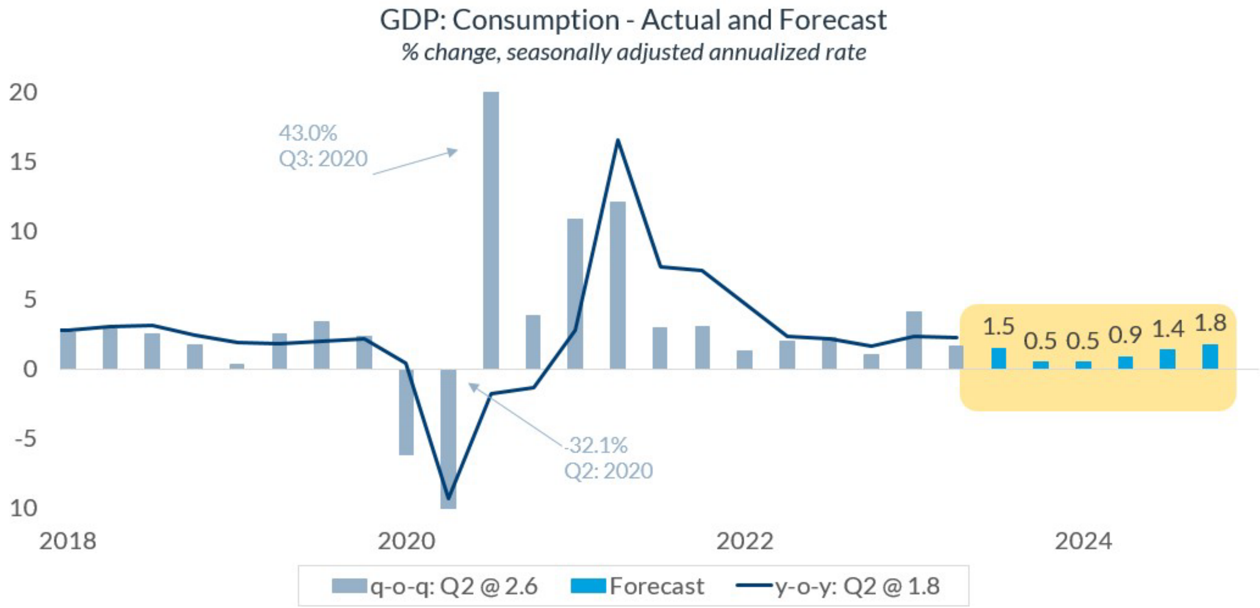
The pace of growth since the pandemic recession (from the fourth quarter of 2020 forward) has been more robust than the five-year average prior to the pandemic, with consumers as the driving force, according to Paul Single, Managing Director, Senior Economist and Senior Portfolio Manager for City National Rochdale.

However, consumer spending is expected to slow during the fourth quarter of 2023 and the first quarter of 2024 due to the increasing burdens of higher financing costs, reduced savings and uncertainty about the economy, Single said.

Delinquency rates are also picking up slightly on auto loans and credit cards. Though they are still below the long-term average and have yet to become a macroeconomic issue, rising financial stress will likely further test consumer resilience in the months ahead.

Consumer

- The pace of consumption is expected to moderate in the coming quarters before increasing back to long-term trend growth.
- This is due to the higher credit costs, severe reduction in excess savings, and concerns about future economic growth.



Data current as of August 28, 2023

Source: Bureau of Economic Analysis, Bloomberg Composite of Economic Forecasts

Information is subject to change and is not a guarantee of future results.

Consumers today are more price conscious and more cautious in general, particularly because they have lower levels of cash, student loan repayments are beginning again and they need to pay down credit card debt accrued over this summer of spending on travel and entertainment, according to Tom Galvin, CNR's chief investment officer.

CNR's Core Equity Portfolio investments include stocks that they believe have strong management teams, the right blend of defensive and offensive strategies to manage during a recession and recovery cycle, and that are poised to meet changing consumer demand, Galvin said. Some of those companies include Amazon, McDonald's, Pepsi, and Walmart.

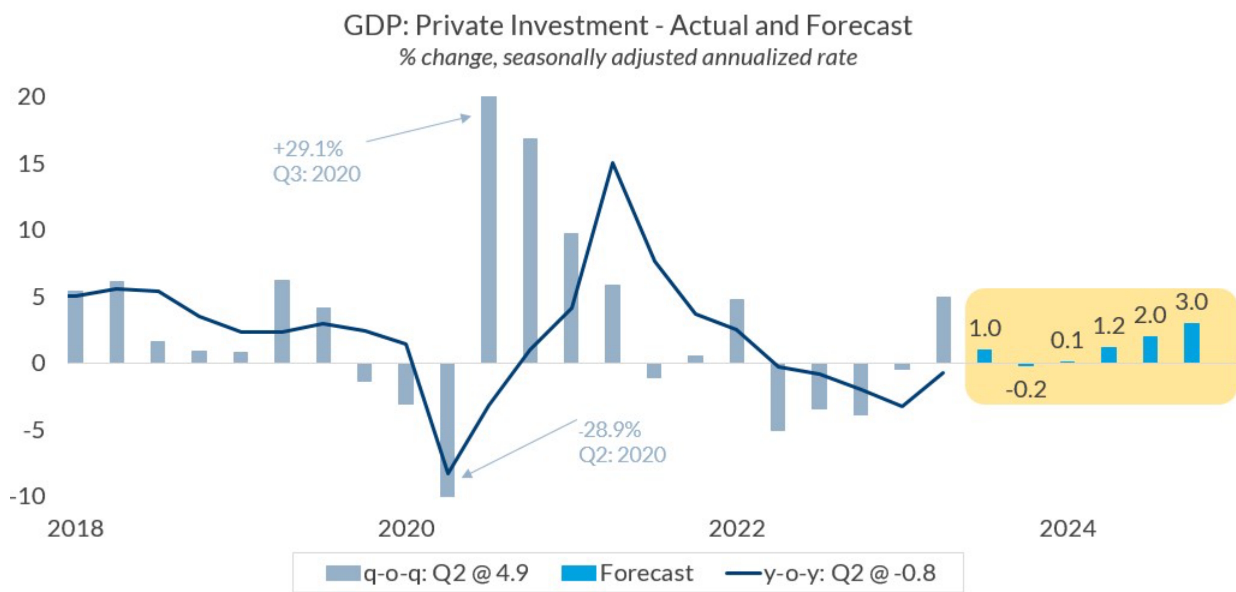
In CNR's Equity Income Portfolio, a similar strategy is employed to pick stocks such as General Mills, Coca-Cola, Wendy's and Procter & Gamble, Galvin said.

Many people don't talk about government and investment as a part of GDP, but both have an important role, Single said. Government spending represents 15% of GDP and investment represents 17% of GDP, so combined they are about one-third of GDP, he said. High mortgage rates have reduced the importance of the residential sector as an important contributor to GDP, except for new construction, which has been robust because of the lack of supply of homes, Single said. Now, the nonresidential sector is a larger contributor to economic growth because of reshoring of manufacturing and supplies to the U.S., and federal policies.

Growth in private investment is expected to moderate for a few quarters, then rebound through 2024, Single said. Intellectual property, which includes research and development, software and entertainment, have seen the biggest growth in nonresidential spending, which is an indication of a strong tech economy, he said.

Investment

- Growth is expected to moderate for a few quarters, then rebound.
- This component tends to be more volatile than consumption due to the timing of these large expenditures.



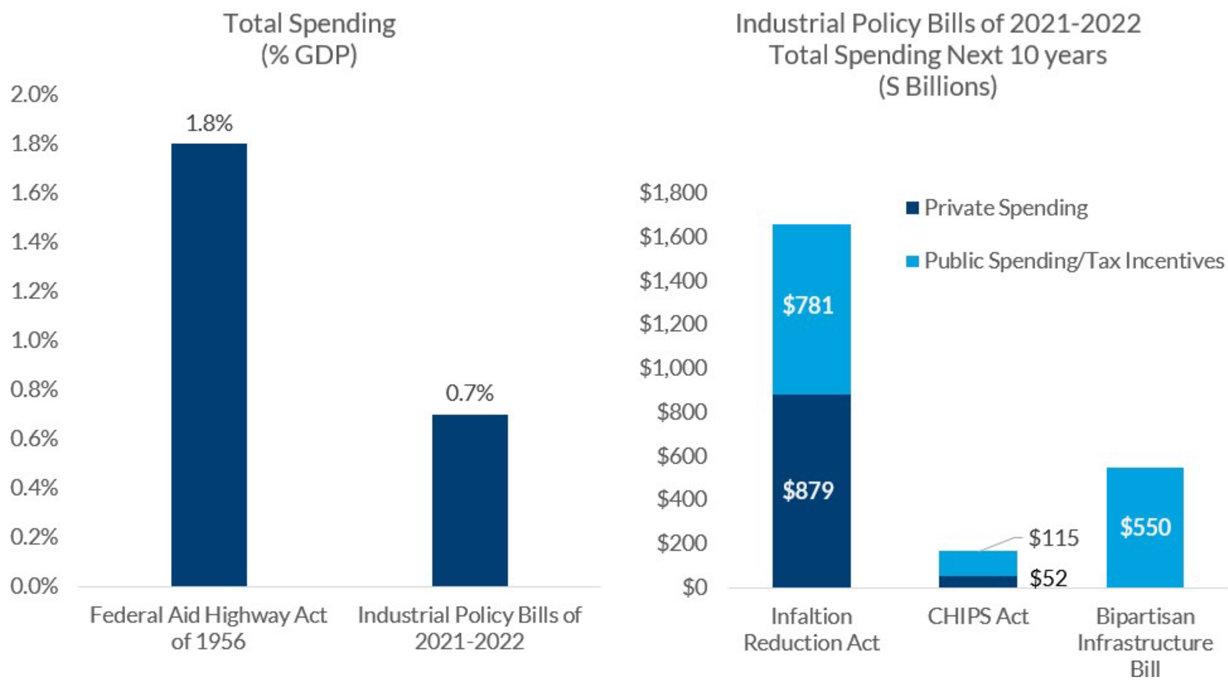
Source: Bureau of Economic Analysis, Bloomberg Composite of Economic Forecasts

Over the next decade, $879 billion in private spending and $791 billion in public spending are anticipated because of policies in the Inflation Reduction Act, which will have a widespread impact in many sectors, Single said. In addition, $115 billion in public spending and $52 billion in private spending are expected because of the CHIPS Act, and $550 billion in public spending is anticipated because of the bipartisan infrastructure bill.

“Construction for manufacturing facilities has already increased by more than 80% over the past year," Single said. “We expect private investment to continue to be strong."

Funding for Industrial Policy Has Ramped Up Significantly

- Recent passed federal legislation amounts to the largest industrial policy project in over 60 years.
- The bills included almost $2.4 trillion in funding.



Source: JP Morgan Research, August 2023

These strategic insights into public and private investments inform CNR's Core Equity Portfolio strategy, which focuses on the impact of the digital revolution and AI, clean climate solutions, the CHIPS Act impact and the repatriation of manufacturing, Galvin said. CNR looks for companies with strong management teams that are well positioned for spending initiatives and have good growth prospects.

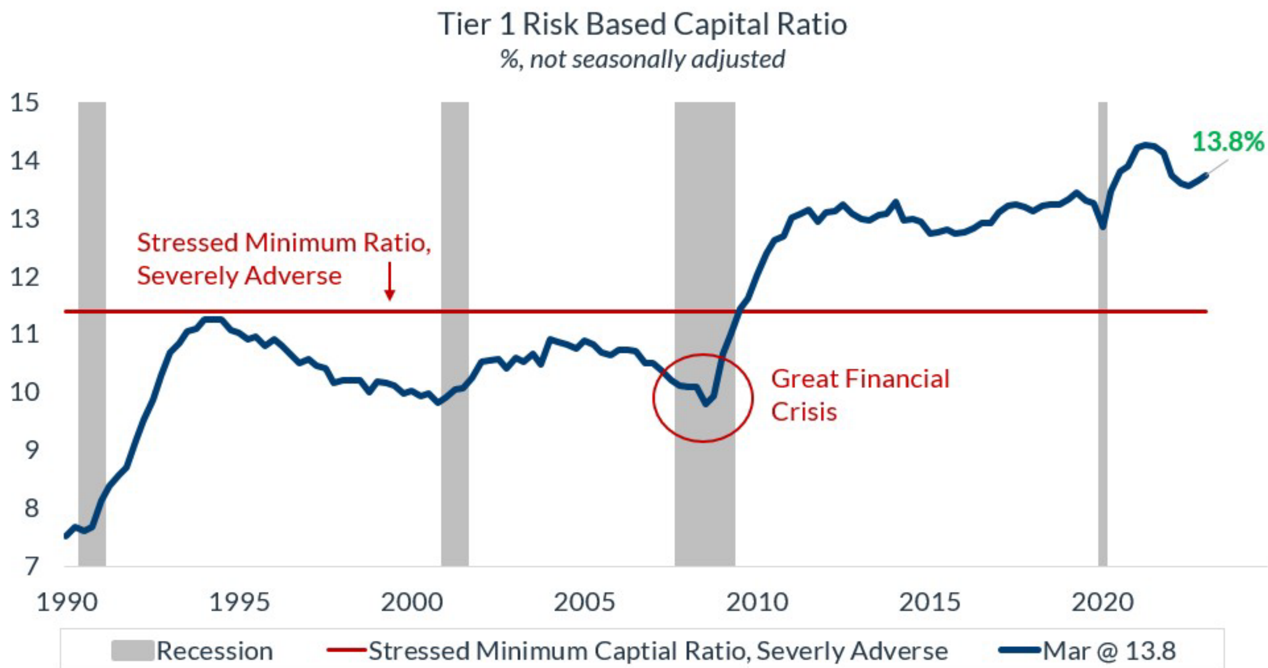
For example, they're overweight on software companies such as Microsoft, Adobe and Salesforce, Galvin said. Microsoft has a competitive advantage during the coming “clash of the big titans" because of their big investment in open AI and their scale, he said. Other companies anticipated to benefit from reshoring, demand for clean air, and infrastructure spending include ASML, Trane and Quanta Services, Galvin said.

A similar approach informs investing decisions in CNR's Equity Income Portfolio, which includes high-quality companies with strong management teams and durable franchises with strong cash flow that will also benefit from these spending initiatives, Galvin said. Some of those companies include IBM, NextEra Energy Partners, Lockheed Martin and Emerson.

Despite issues earlier this year, CNR continues to believe the overall U.S. banking system remains healthy. The Silicon Valley Bank collapse scared many people who worried that the banking sector might be weak overall, but that wasn’t the case. “Everyone breathed a sigh of relief that the problems of a few banks didn't spread to others," Single said. The bigger economic impact from the banking sector, Single said, is tightened credit and the reduction in lending in every category, which supports CNR's mild recession outlook.

Banking

- The US banking system in general is well capitalized.
- Banks are in a significantly stronger position today than before the great financial crisis.

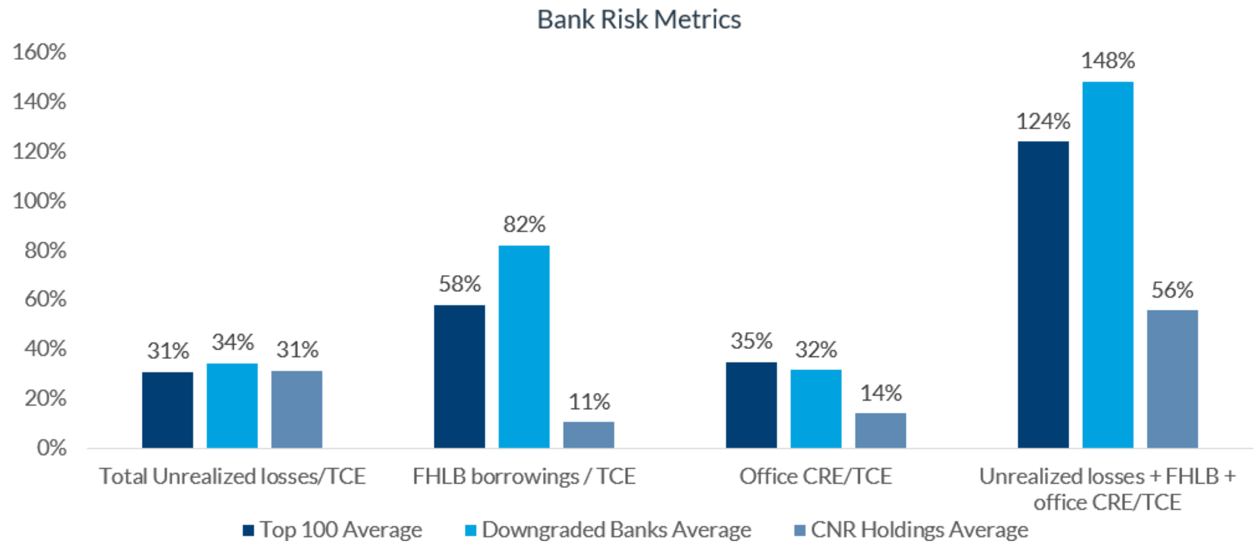


Source: Federal Reserve, Q1 2023

Still, CNR has been proactive to lower their exposure to banks in the belief that the sector may underperform, Galvin said. Holdings in its portfolios are higher quality banks with solid financial ratios and balanced sources of deposits and lending books. CNR has also limited its exposure to office REITs and other potentially risky commercial real estate, Galvin said.

CNR Equity Strategies - Financial Sector Exposure

- Portfolios constructed to be well diversified across, loan book lower exposure to commercial real estate.
- Bank holdings are higher quality, with solid financial ratios.
- Holdings have well-balanced sources of deposits and lending books.



Source: CNR Research, JP Morgan Research, Moody's, CNBC August 2023.

Tangible common equity (TCE) is a measure of a company's physical capital, which is used to evaluate a financial institution's ability to deal with potential losses.

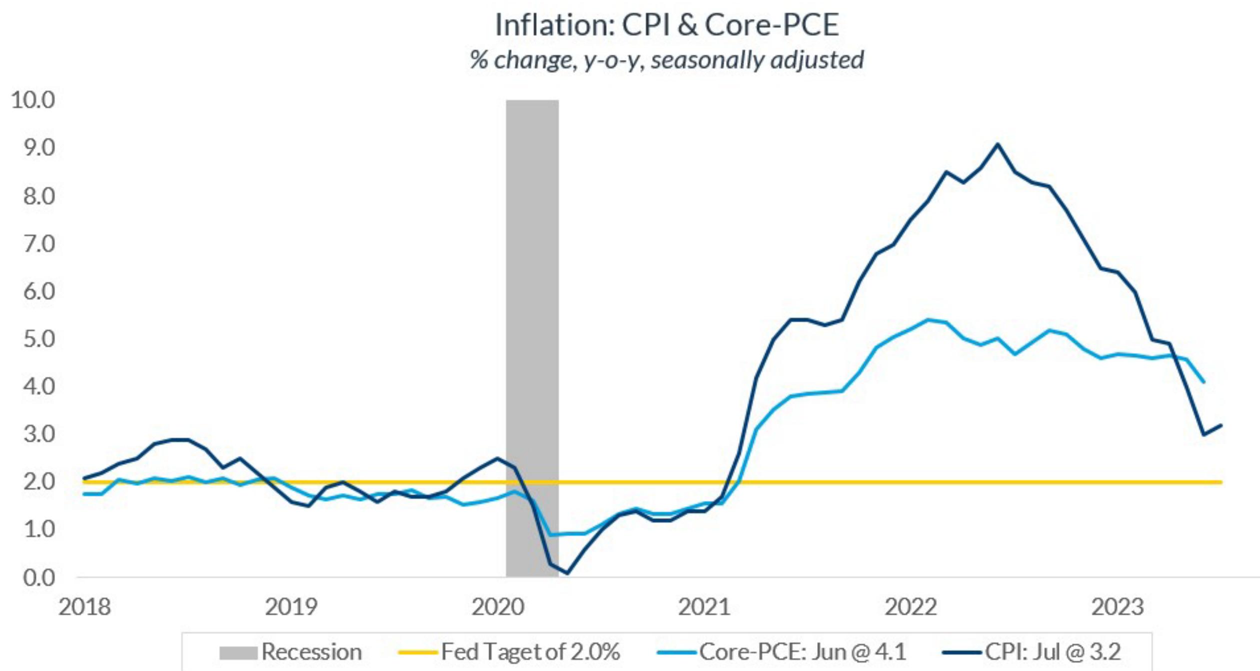
Commercial real estate (CRE) is property used exclusively for business-related purposes or to provide a workspace rather than a living space, which would instead constitute residential real estate.

The Federal Home Loan Bank System (FHLB) is a consortium of 11 regional banks across the U.S. that provide a reliable stream of cash to other banks and lenders to finance housing, infrastructure, economic development, and other individual and community needs.

We are likely at or near the end of the Fed's hiking cycle, but CNR continues to believe officials will keep interest rates higher for longer than the market expects. While the drop in overall CPI inflation has been positive news, it is still too high for the Fed, Single said. Officials are focused primarily on CORE-PCE inflation, which doesn't include food and energy because they tend to be more volatile than other costs and can't be controlled by the Fed, Single said.

Inflation

- Inflation has moderated, but it is still too high for the Fed.
- The Fed remains committed to bringing inflation to the target rate of 2.0%.
- They remain concerned with the stickiness of housing and other service inflation.

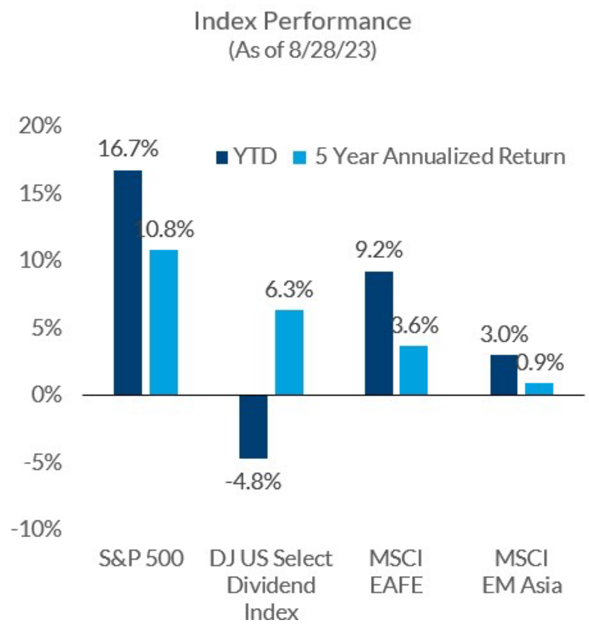


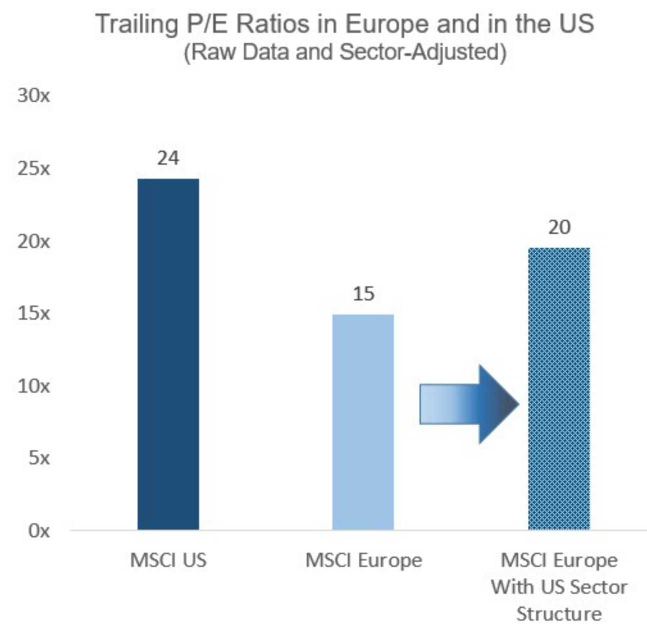
Source: Bureau of Labor Statistics, Bureau of Economic Analysis

Due to the relatively more resilient outlook for the U.S. economy, CNR continues to prefer investments in the U.S. rather than overseas, Galvin said. The U.S. has more exposure to secular growth industries such as technology and healthcare than Europe. In addition, Galvin said that the enthusiasm for China reopening and a European recovery have declined.

Continue to Favor US Equities

- US outperformance continues to be significant.
- US has more exposure to secular growth industries such as technology and health care.
- When adjusted for sector and industry composition, the Euro valuation advantage is much smaller.



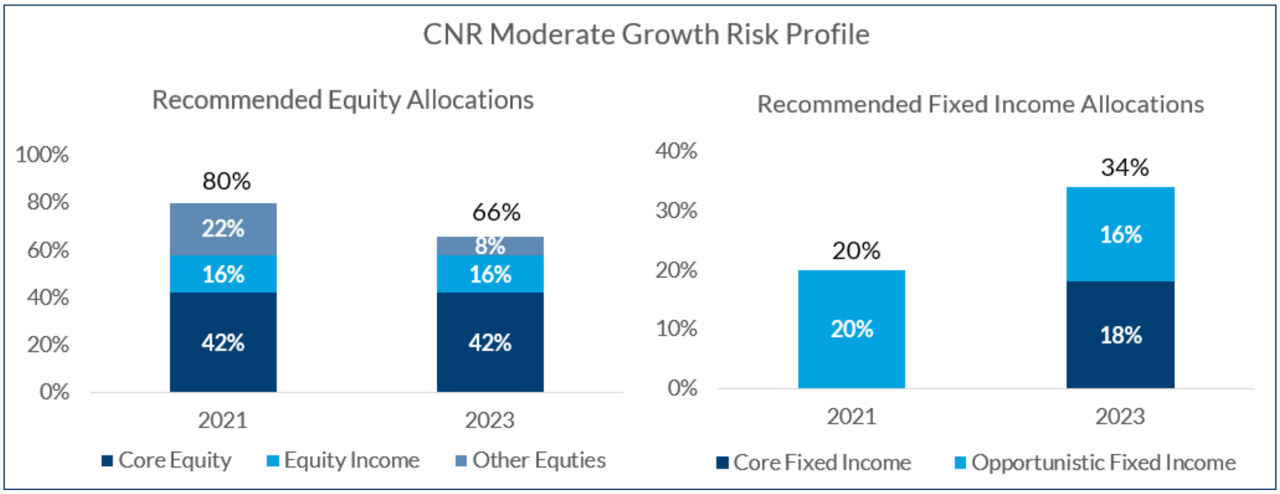


Source: FactSet, Ned Davis Research, August 2023

Given their elevated U.S. recession risk and heightened uncertainty around the outlook, CNR continues for now to maintain an overall modest defensive positioning in portfolios with a focus on holding high-quality stocks and bonds. Investment-grade taxable and municipal bonds, particularly in the current environment, offer potential for attractive returns with less risk. “We're active managers both at the asset class level and at the individual strategy and stock and bond level," Galvin said. “So that, combined with our belief that asset protection is as important as growth, is what drives our decisions."

Maintaining Modestly Defensive Positioning

- We remain modestly underweight equities and modestly overweight fixed income.
- While approaching the end of the Fed's rate hiking cycle is positive for stocks, competition from bonds is real.
- Mild recession outlook, negative EPS revision trends and high valuations support our modest equity underweight.
- We remain focused on quality stocks. US remains the region of choice.
- We remain optimistic on bond returns and see numerous opportunities.
- Remain overweight higher quality bonds and underweight duration.



Source: CNR Research, as of August 2023.

Past performance is no guarantee of future results.

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

Review Your Porfolio with Your Wealth Planners Today

City National encourages you to review your investment portfolio with your advisor. Contact our financial professionals today to get help with your wealth planning needs.

Important Information
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.
Investing in international markets.There are inherent risks with international investing. These risks include, but are not limited to, 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. In addition, emerging markets can have greater custodial and operational risks and less developed legal and accounting systems than developed markets. 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 moredeveloped foreign markets.
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.
Real estate sector or REITs.Concentrating assets in the real estate sector or REITs may disproportionately subject a portfolio to the risks of that industry, including the loss of value because of adverse developments affecting the real estate industry and real property values. Investments in REITs may be subject to increased price volatility and liquidity risk; concentration risk is high.
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.
All investment strategies have the potential for profit or loss; changes in investment strategies, contributions or withdrawals may materially alter the performance and results of a portfolio. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will be suitable or profitable for a client's investment portfolio. Returns include the reinvestment of interest and dividends.
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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.

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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Quality Ranking: City National Rochdale Proprietary Quality Ranking is the weighted average sum of securities held in the strategy versus the S&P 500 at the sector level using the below formula.

City National Rochdale Proprietary Quality Ranking formula: 40% Dupont Quality (return on equity adjusted by debt levels), 15% Earnings Stability (volatility of earnings), 15% Revenue Stability (volatility of revenue), 15% Cash Earnings Quality (cash flow vs. net income of company) 15% Balance Sheet Quality (fundamental strength of balance sheet). *Source: City National Rochdale proprietary ranking system utilizing MSCI and FactSet data. **Rank is a percentile ranking approach whereby 100 is the highest possible score and 1 is the lowest. The City National Rochdale Core compares the weighted average holdings of the strategy to the companies in the S&P 500 on a sector basis. As of September 30, 2022. City National Rochdale proprietary ranking system utilizing MSCI and FactSet data.

4P analysis: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.

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.

Bloomberg US Corporate 1-5 years Total Return Index Value Unhedged USD:

Citi Economic Surprise Index:The Citigroup Economic Surprise Indices are objective and quantitative measures of economic news. They are defined as weighted historical standard deviations of data surprises (actual releases vs Bloomberg survey median).

Bloomberg US Corporate High Yield Total Return Index Value Unhedged USD 1-5y.

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.

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

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

Bloomberg High Yield. The Bloomberg Barclays U.S. Corporate High Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds.

Bloomberg Investment Grade Municipal Index. Bloomberg Municipal Index The Bloomberg Municipal Index measures the performance of the Bloomberg U.S. Municipal bond market,

which covers the USD- denominated Long-Term tax-exempt bond market with four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.
Indexes are unmanaged and do not reflect a deduction for fees or expenses. Investors cannot invest directly in an index.

Definitions
Commercial and Industrial (C&I) Loan: A commercial and industrial (C&I) loan is a loan made to a business or corporation.