



*February 2023*

# Market Update

# CNR Forecast Update

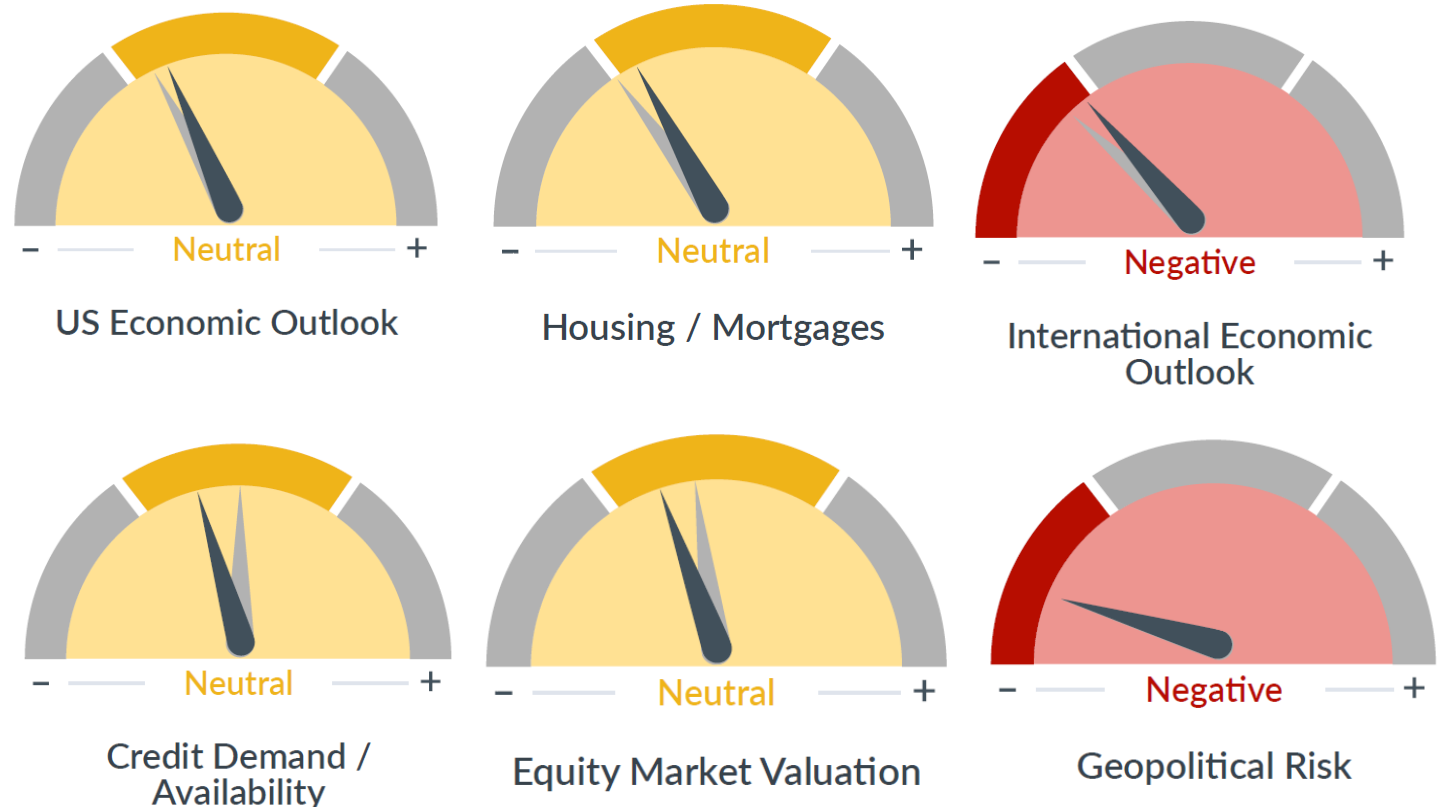


# CNR Speedometers® – March 2023

## 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 and commodity prices and more hawkish Fed policy.
- Watching geopolitical events with a heightened degree of concern.
- Indicators supportive of Mild Recession/Slow Growth Outlook.

### Impact on Economy and Financial Markets



Impact on investment: ■ Positive ■ Neutral ■ Negative

Timeframe: ■ Current ■ Change from Last month

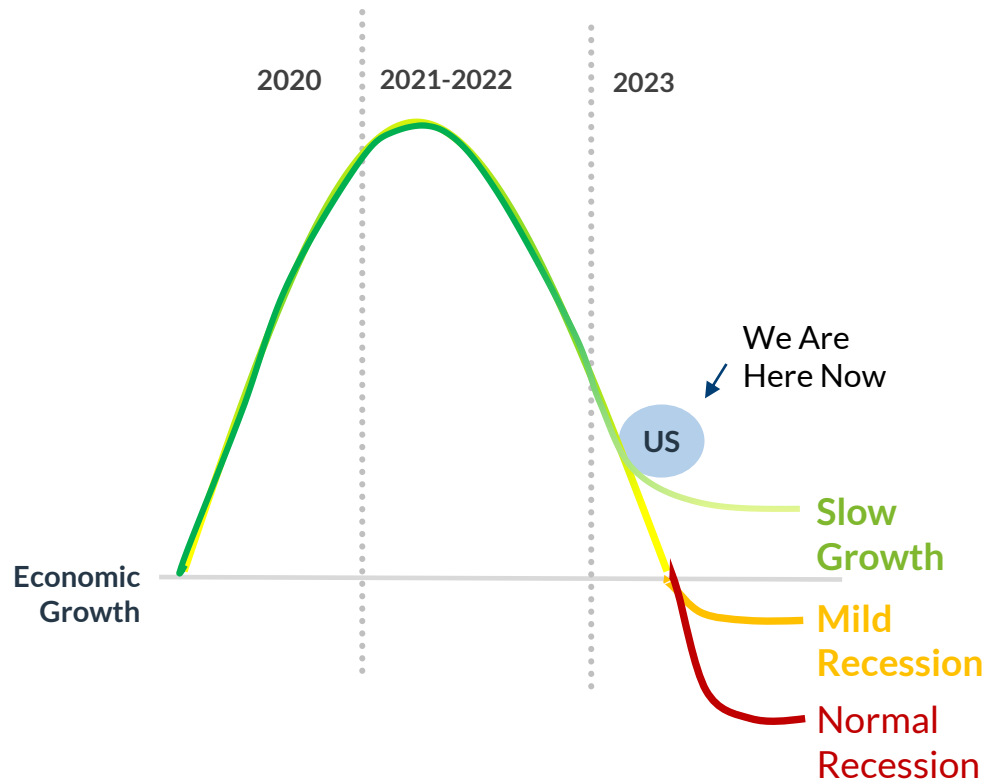
Source: Proprietary opinions based on CNR Research, as of February 2023. Information is subject to change and is not a guarantee of future results.

CITY NATIONAL ROCHDALE, LLC NON-DEPOSIT INVESTMENT PRODUCTS ARE: • NOT FDIC INSURED • NOT BANK GUARANTEED • MAY LOSE VALUE



# 2023 Outlook

- US recession odds modestly lowered to 70% on stronger than expected economic data, 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.
- CNR 2023 GDP and EPS estimates are modestly below market consensus.



Outlook	Probability	GDP Growth	Earnings Growth
Slow Growth	30%	0% to 2%	0% to 12%
Mild Recession	65%	0% to -1%	-10% to 0%
Normal Recession	5%	-1% to -2%	-10% to -20%
Weighted Average		0%	-2.5%

Sources: Bloomberg, CNR Research, as of February 2023.  
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# 2023: Economic Momentum to Slow, Recession Risk High

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

City National Rochdale Forecasts		2022	2023e
Interest Rates	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%	2.6% to 3.0%
	Core CPI Year End	5.7%	3.1% to 3.5%
	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): Gross domestic product 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.

Consumer Price Index (CPI): The Consumer Price Index measures the monthly change in prices paid by US consumers.

Sources: Bloomberg, Proprietary opinions based on CNR research, as of February 2023.

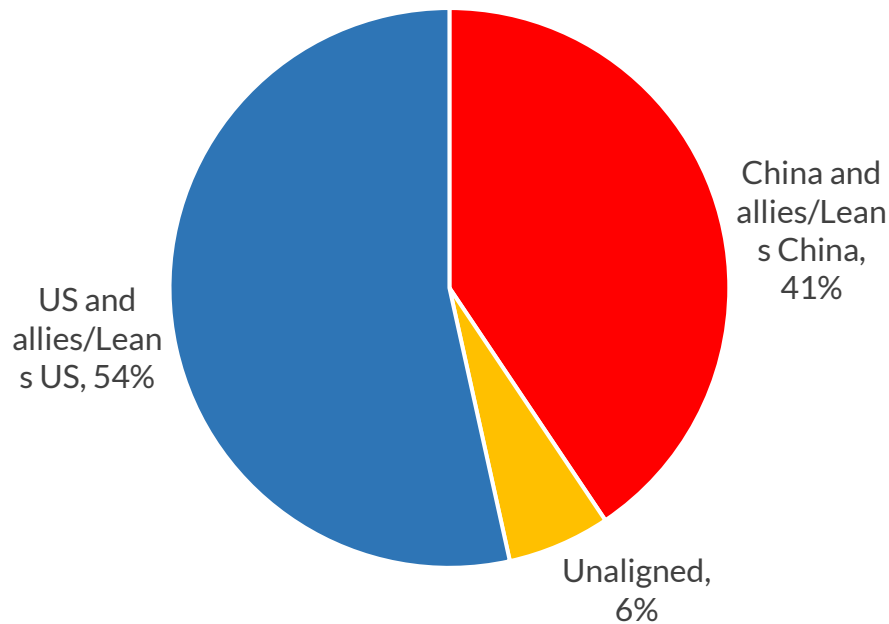
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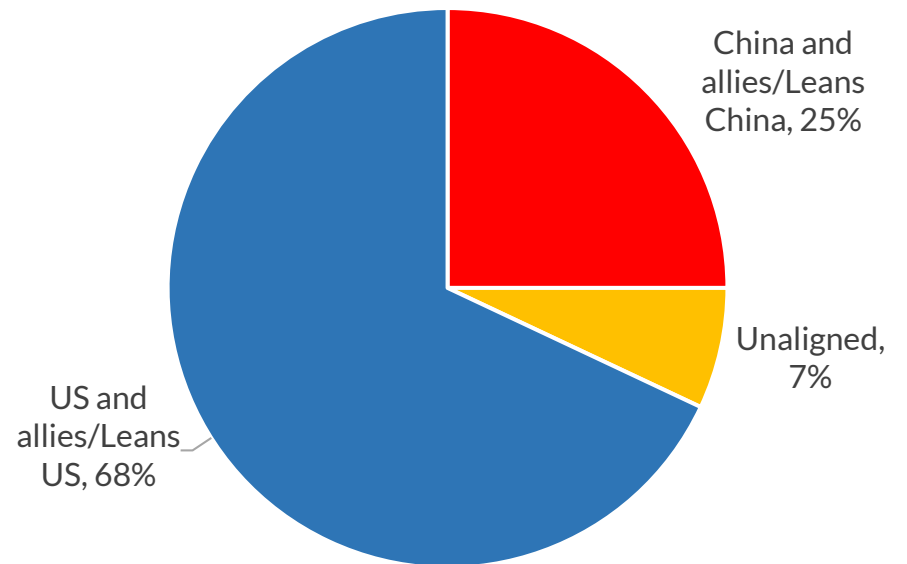
# Global Realignment – Back to a Bipolar World

- Global economy is fracturing along US and China-aligned blocs.
- Realignment expected to take years to play out, and could fundamentally change the global economy and markets.
- Geopolitical considerations could influence investment decisions and inflation.

Percent of Global Countries



Percent of Global GDP



Sources: Capital Economics as of February 2023. Information is subject to change and is not a guarantee of future results.



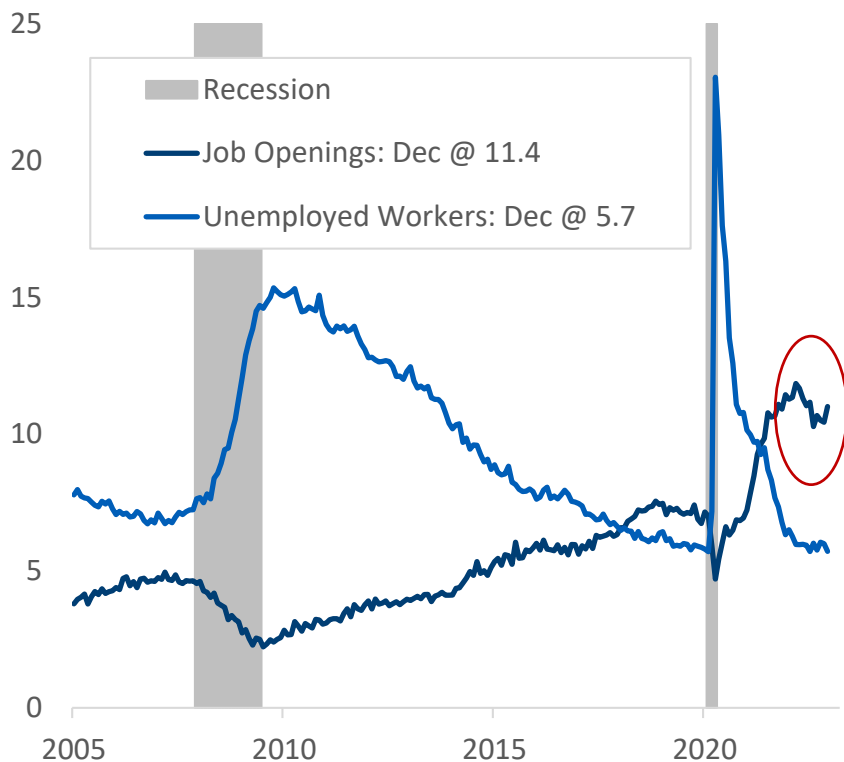
# What Is Driving Labor Market Strength?



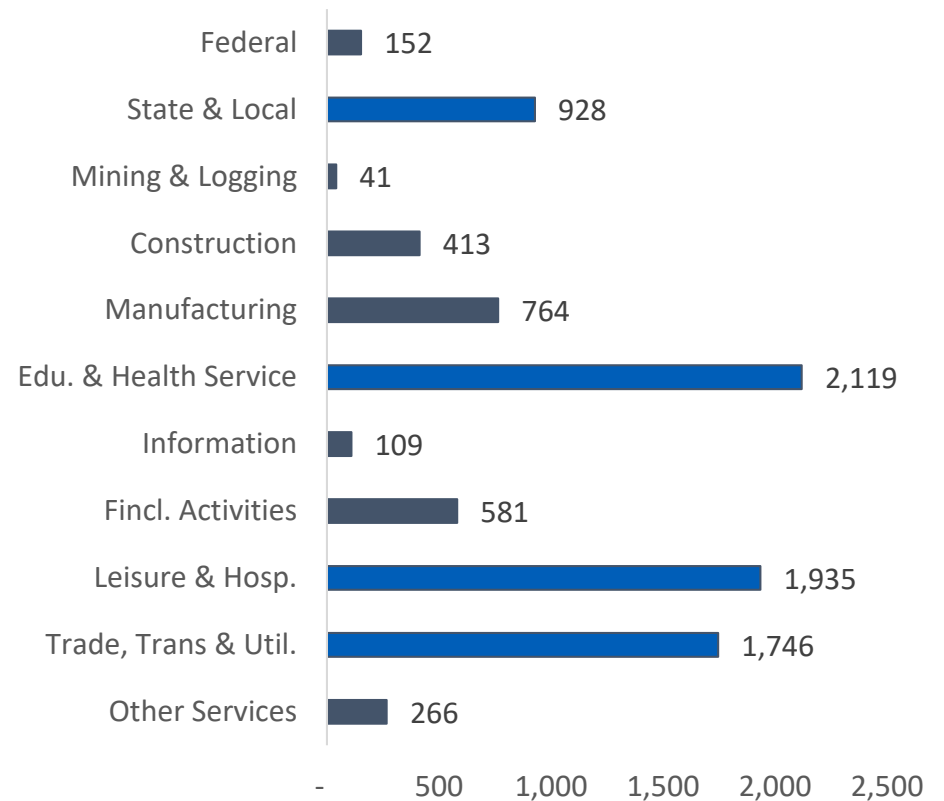
# Labor – Job Openings

- The economy is more robust, and the pace of growth is faster than the in period before the pandemic.
- The demand for workers is near record levels and is broad-based.

Job Openings and Unemployed Workers  
millions, seasonally adjusted



Job Openings  
'000, seasonally adjusted



Source: Bureau of Labor Statistics  
 Information is subject to change and is not a guarantee of future results.

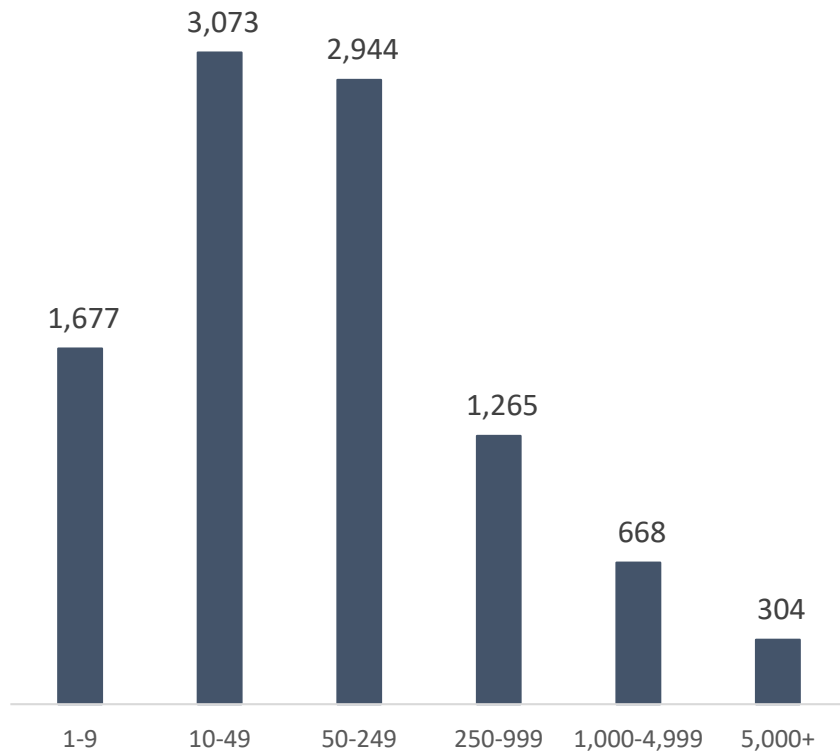




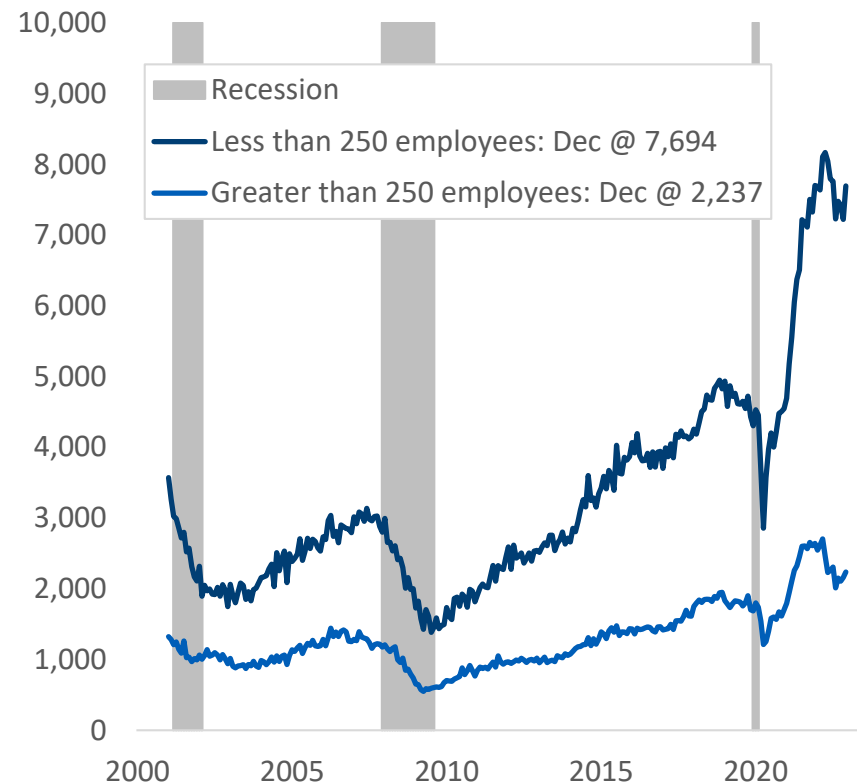
# Labor – Job Openings

- The strong demand for workers is from smaller companies (under 250 employees).
- This trend has increased significantly since the end of the pandemic.

Job Opening by Company Size  
'000, seasonally adjusted



Job Openings by Company Size  
'000, seasonally adjusted



Source: bureau of Labor Statistics  
Information is subject to change and is not a guarantee of future results.



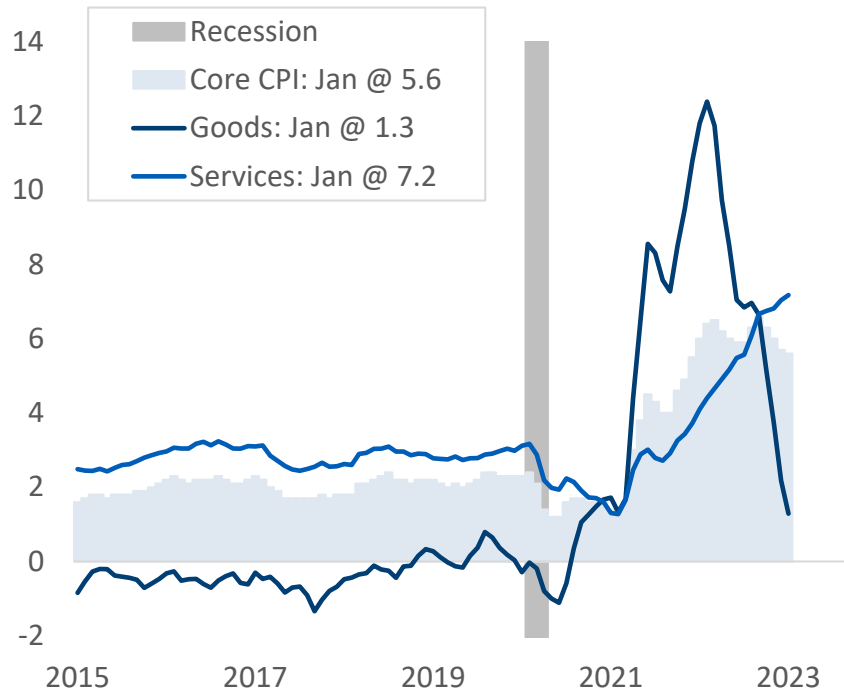
# Will the Fed Stay Higher for Longer?



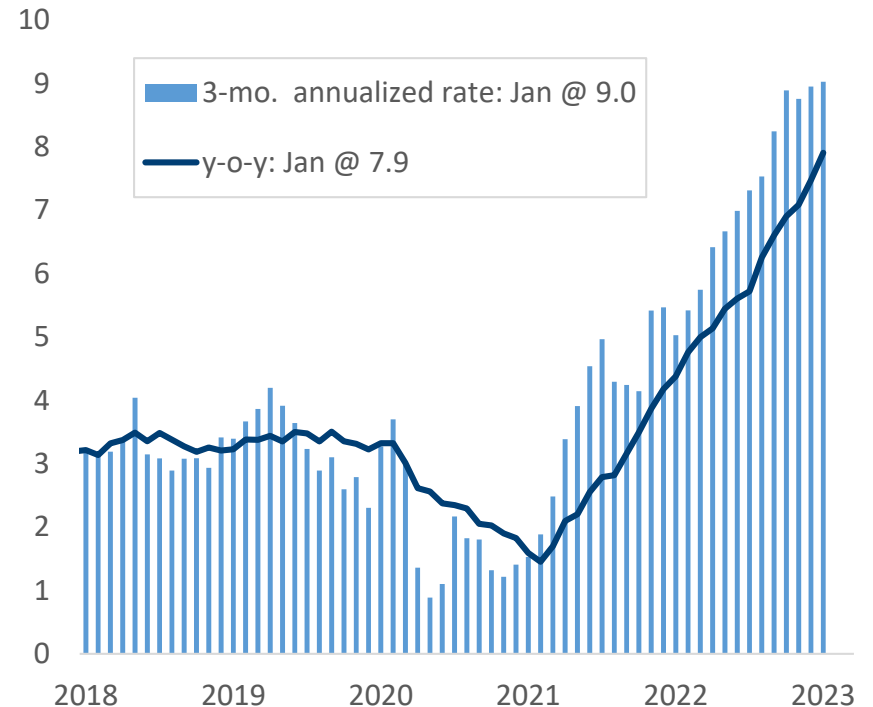
# Inflation – The Disinflationary Trend Is Waning

- Although goods prices are moderating, service prices are stickier than previously thought.
- Service prices remain high due to shelter costs and labor-intensive services.

**Core CPI: Goods and Services**  
*% change, year-over-year, seasonally adjusted*



**CPI - Shelter**  
*% change, seasonally adjusted*



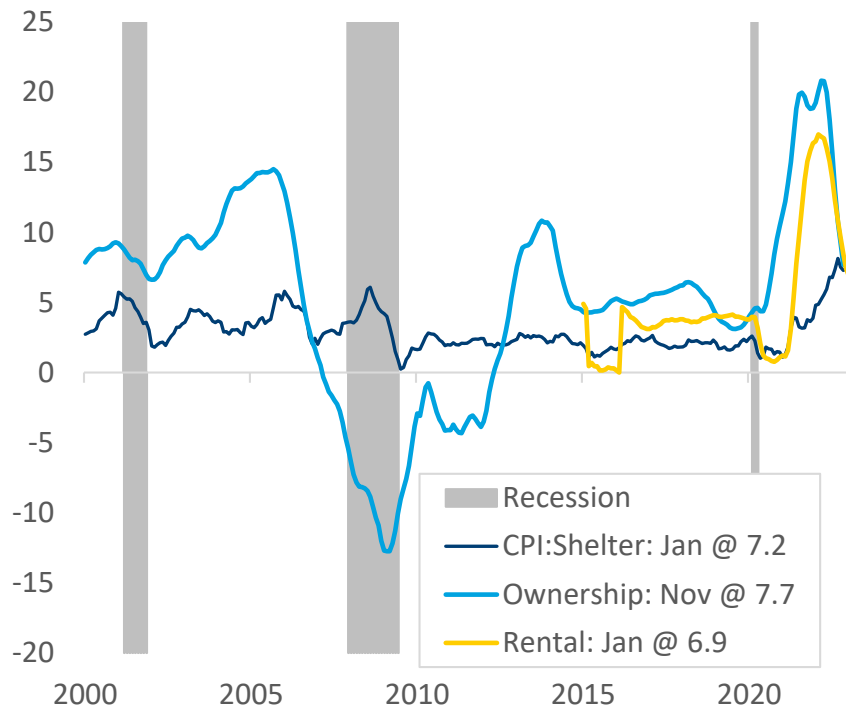
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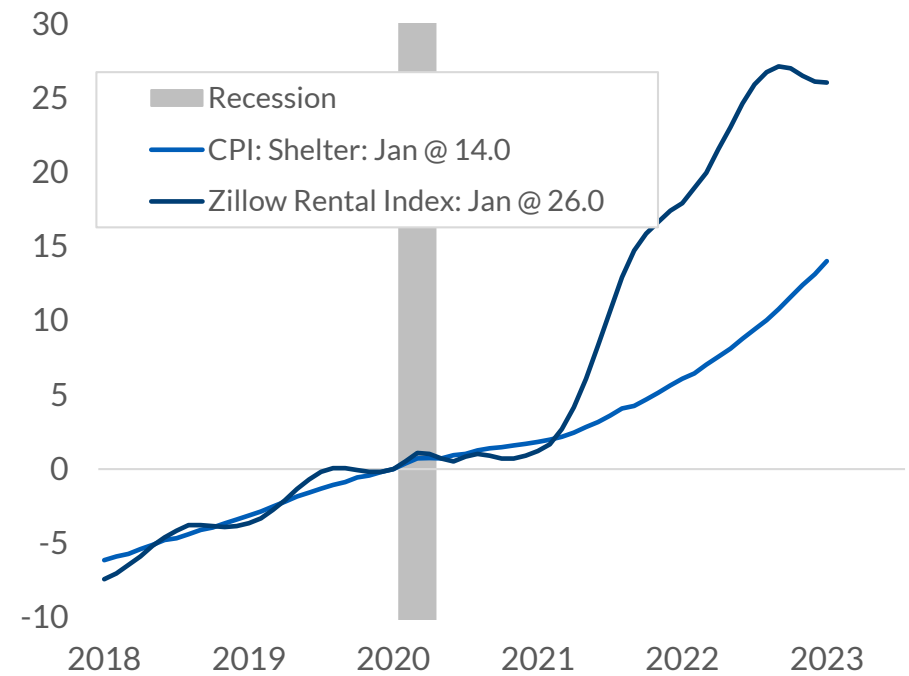
# Inflation

- Shelter costs are derived from rental costs.
- In calculating CPI-Shelter costs, there are built in stabilizers that reduce monthly volatility.

Home Prices: CPI: Shelter, Ownership, Rental  
% change, y-o-y



Housing Costs  
%, indexed at "0" on January 2020



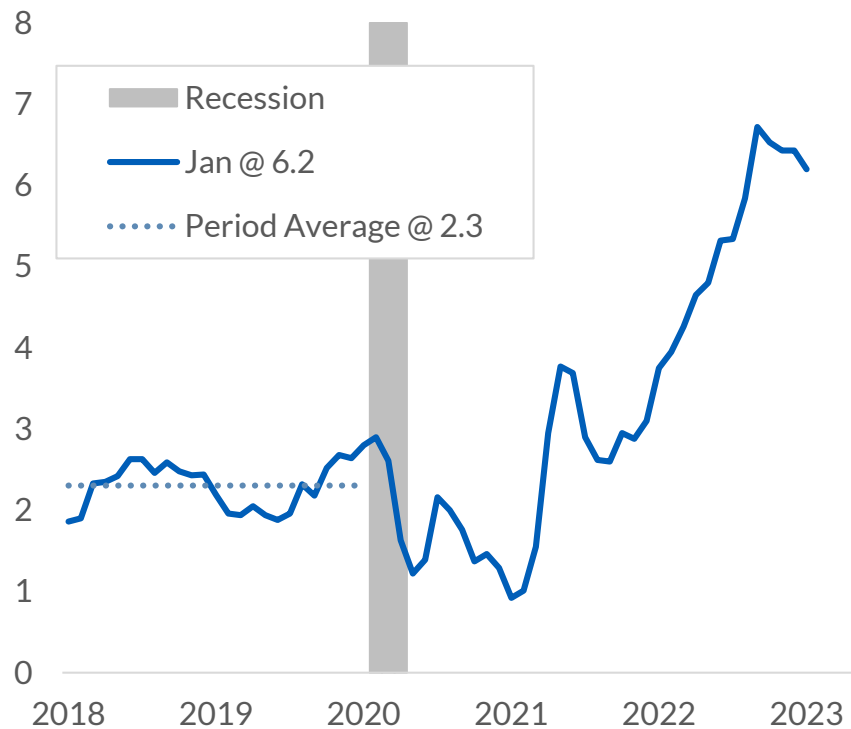
Source: Bureau of Labor Statistics, S&P CoreLogic Case-Shiller, Zillow, Inc.  
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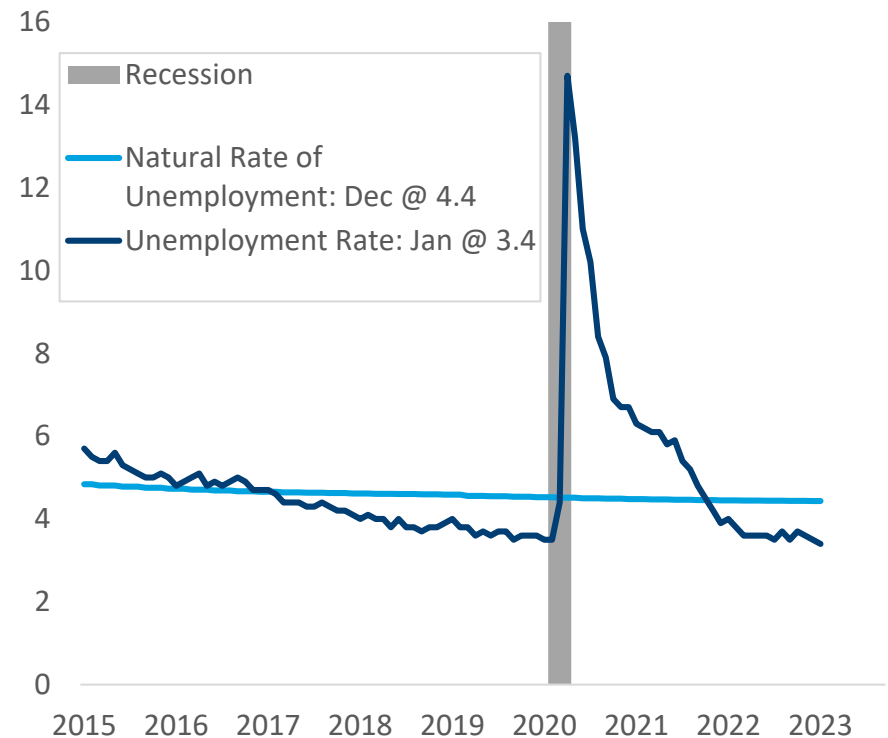
# Inflation – Super Core

- There is no formal definition, but it is generally viewed as service cost without shelter costs.
- It is more sensitive to labor costs than supply chains and other external factors.
- It is far more “sticker” than headline inflation.

CPI: Core Services, Less Shelter  
%, not seasonally adjusted



Unemployment Rate: Actual and Neutral (%)

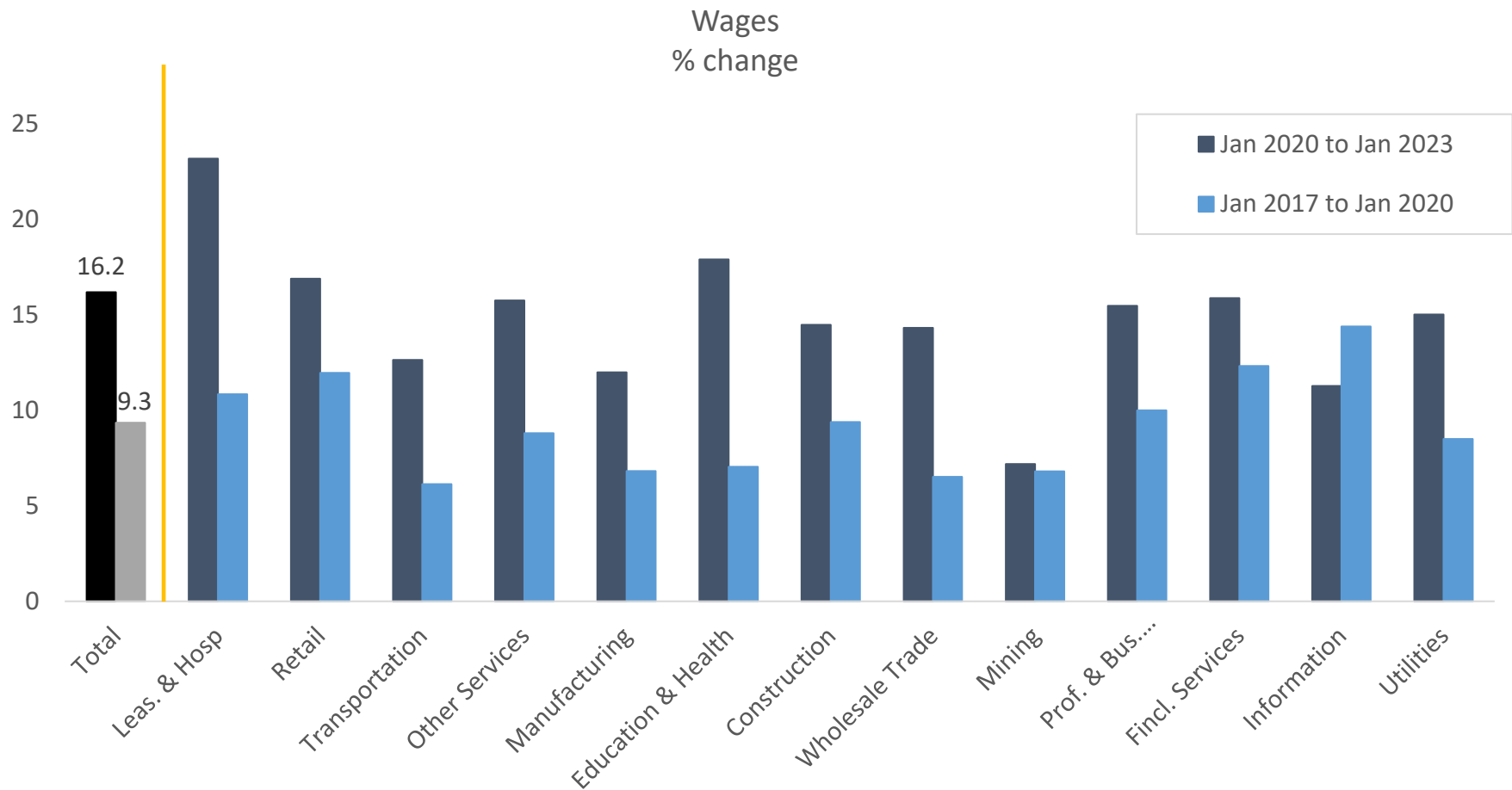


Bureau of Labor Statistics, Congressional Budget Office  
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# Inflation

- Wage pressures are generally sticky; they don't tend to go down once they have moved up.
- Wage pressures are greater now than before the pandemic.



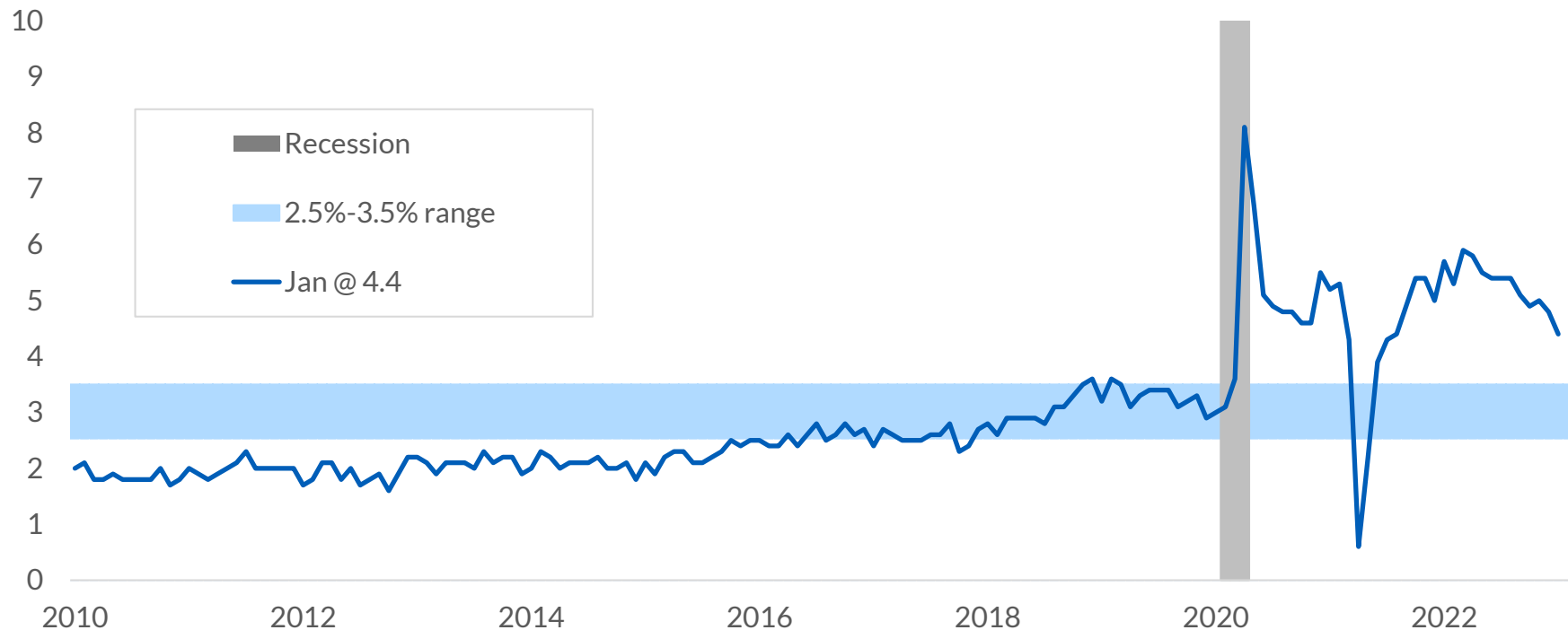
Source: Bureau of Labor Statistics  
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# Inflation

- Powell has mentioned this metric for following labor costs.
- He believes that for inflation to return to the target rate, the yearly change in average hourly earnings needs to be in the 2.5% to 3.5% range.

Average Hourly Earnings  
% change y-o-y, seasonally adjusted

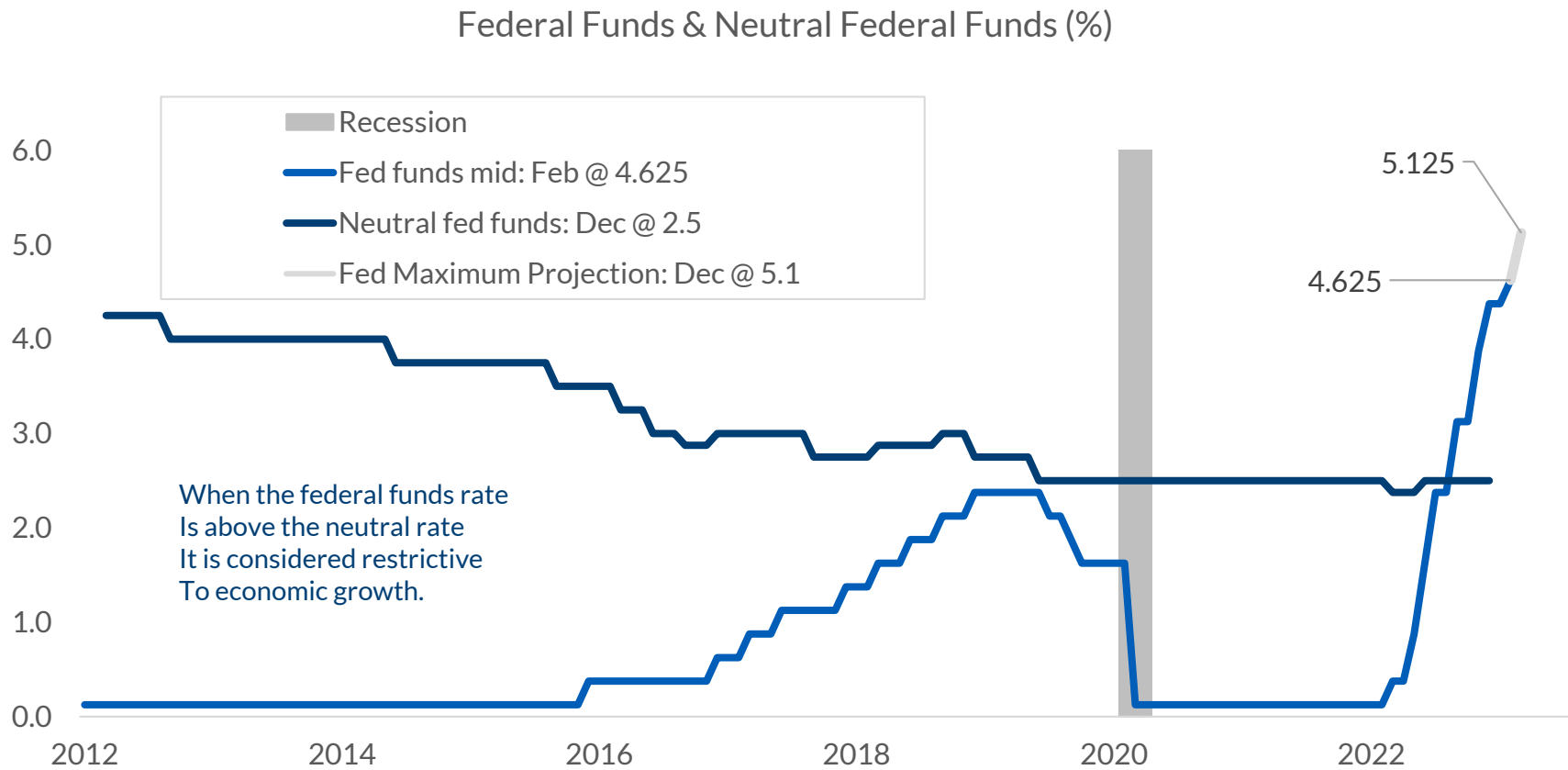


Source: Bureau of Labor Statistics  
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# The Fed

- The Fed has increased the federal funds rate well into the restrictive territory.



Source: Federal Reserve.  
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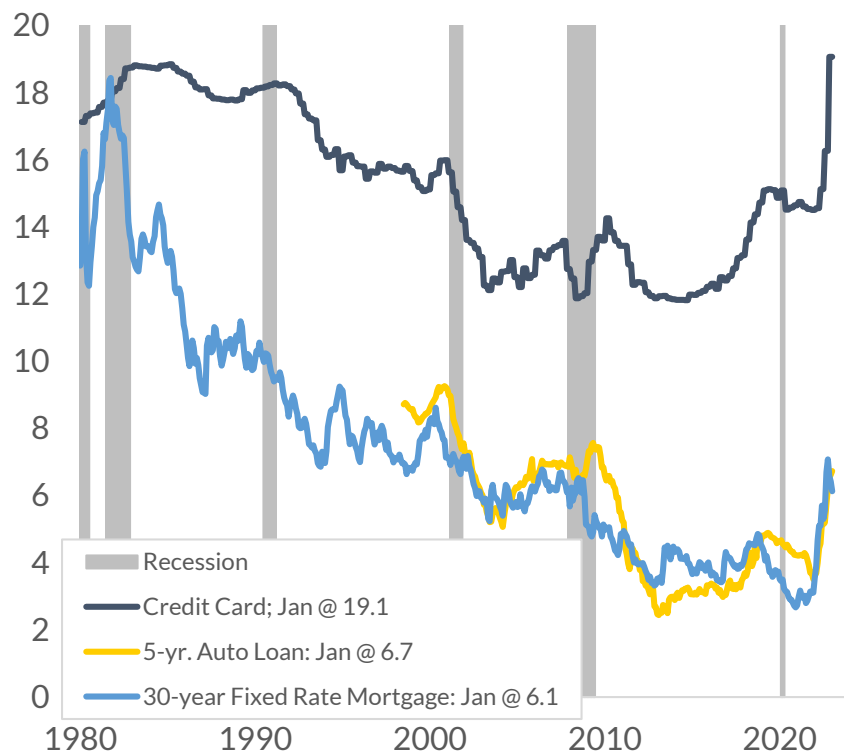




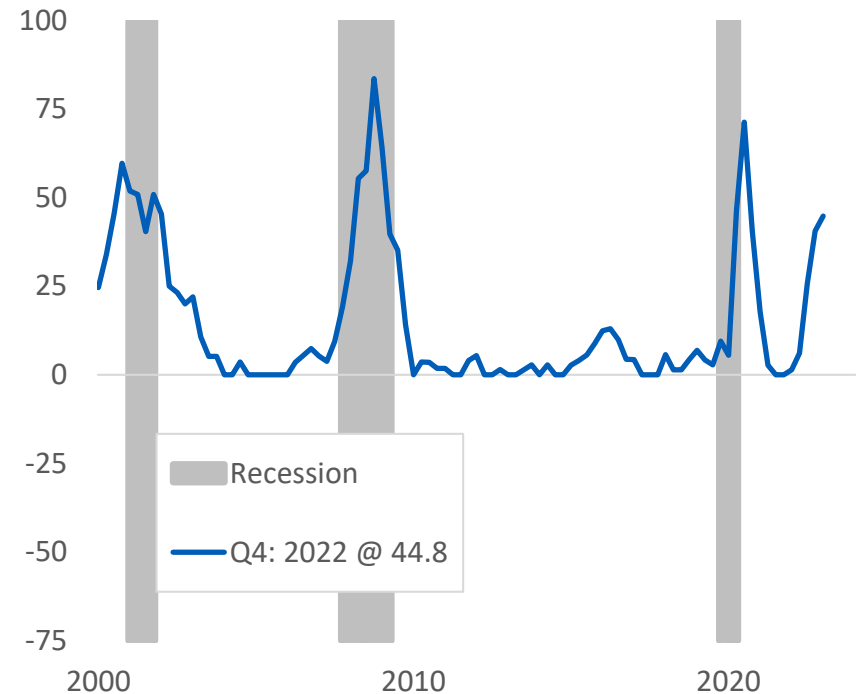
# The Fed

- The surge in interest rates and tighter credit standards will slow consumer spending in the coming months.
- Most banks plan to continue tightening credit standards this year.

Interest Rate on Popular Loans (%)



Tightening of Credit Standards  
%, not seasonally adjusted

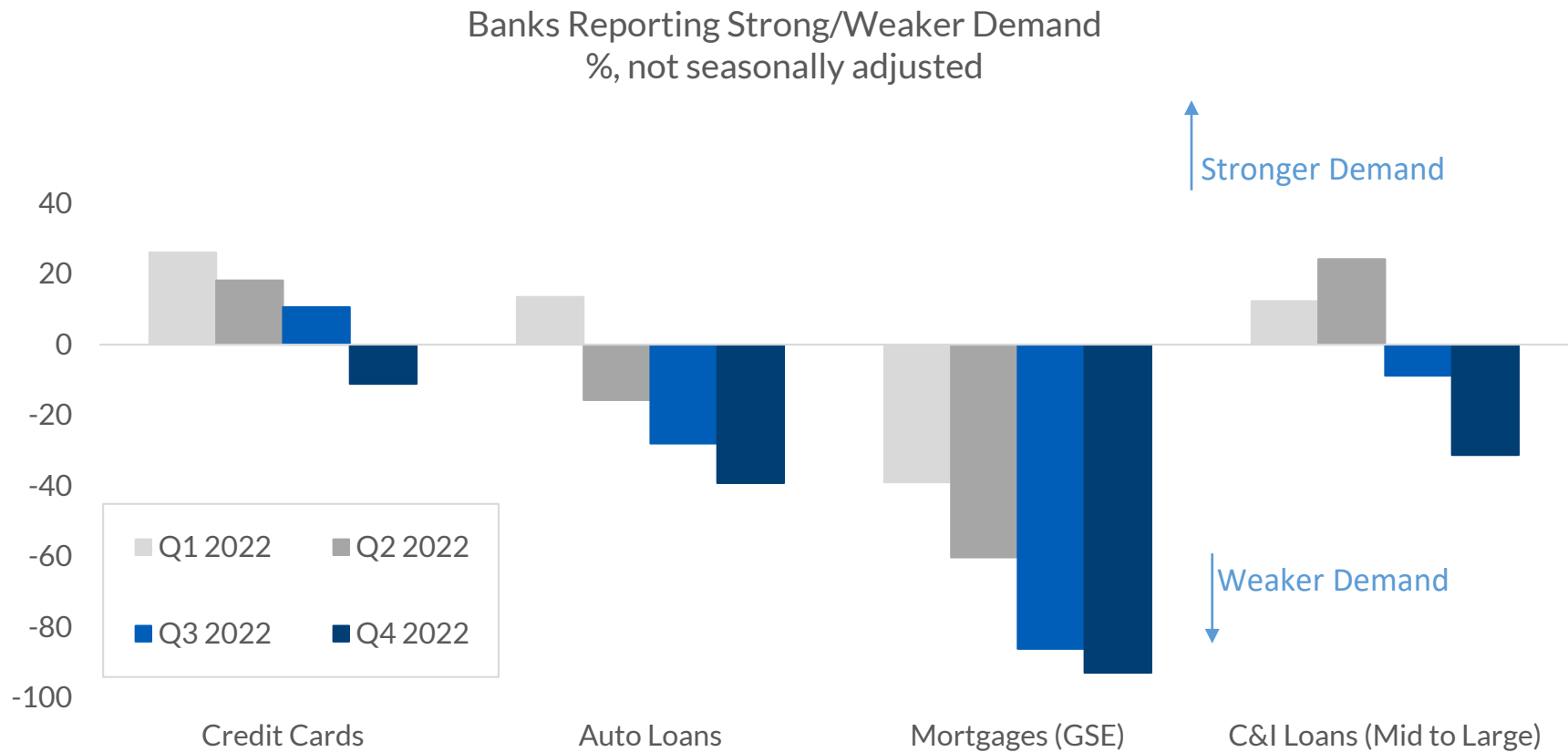


Source: Federal Reserve (Senior Loan Officer Opinion Survey) , Bankrate.com, FreddieMac  
 Note: Tightening of Credit Standards is defined as adding Tightening Somewhat and Tightening Considerably  
 Information is subject to change and is not a guarantee of future results.



# The Fed

- The demand for consumer and business loans has weakened under the burden of higher interest rates and tighter credit requirements.



Source: Federal Reserve  
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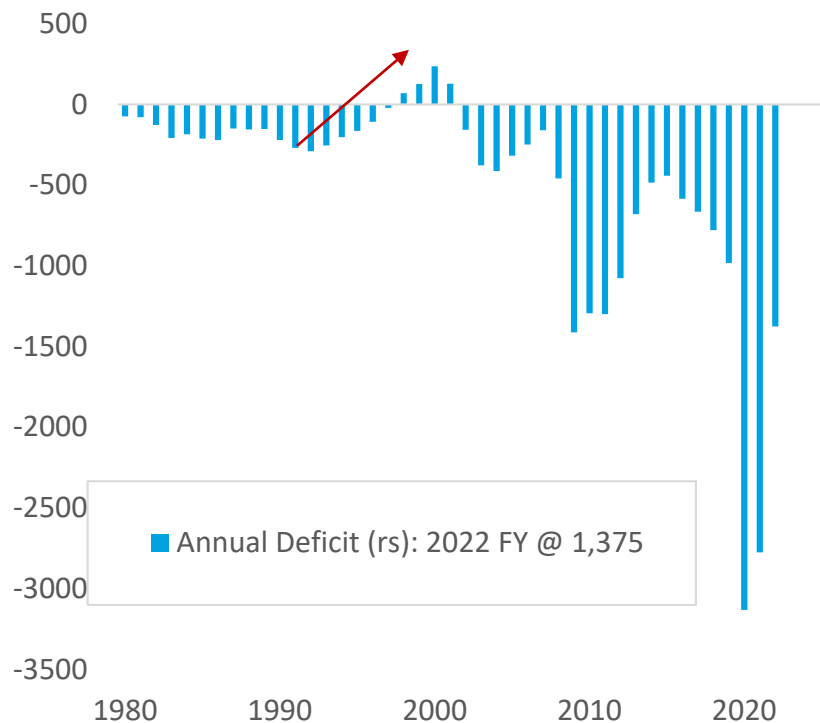
# How Concerned Should we be About the Latest Debt Ceiling Standoff?



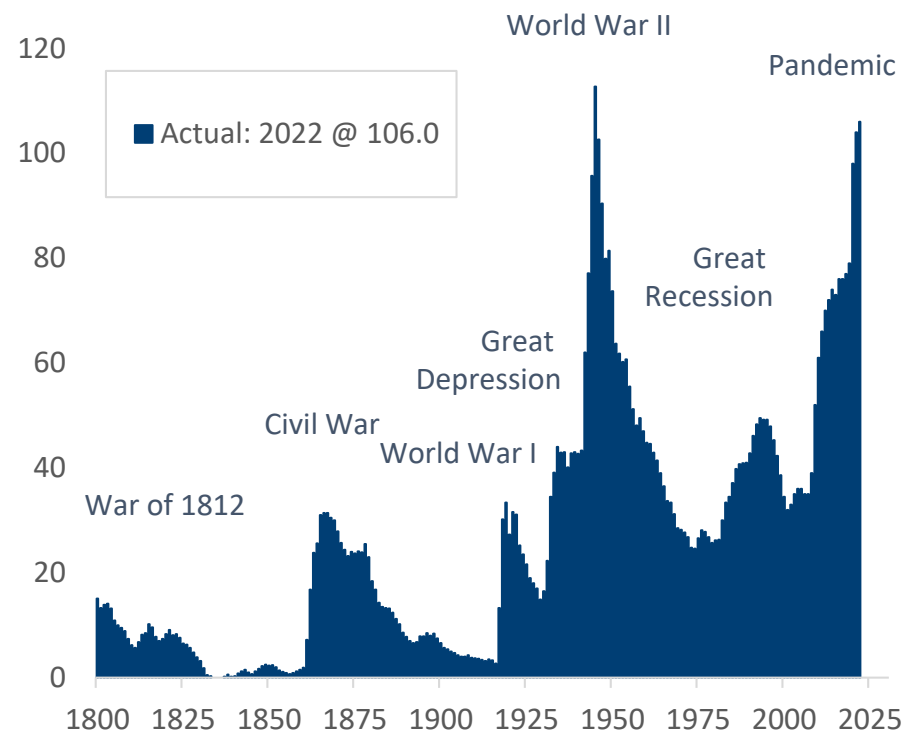
# Federal Deficit & Debt

- Rarely does the federal government balance the annual budget; they tend to run a deficit.
- The long-term string of deficits has the total debt growing in absolute and relative (GDP) terms.

Federal Deficit  
millions of dollars



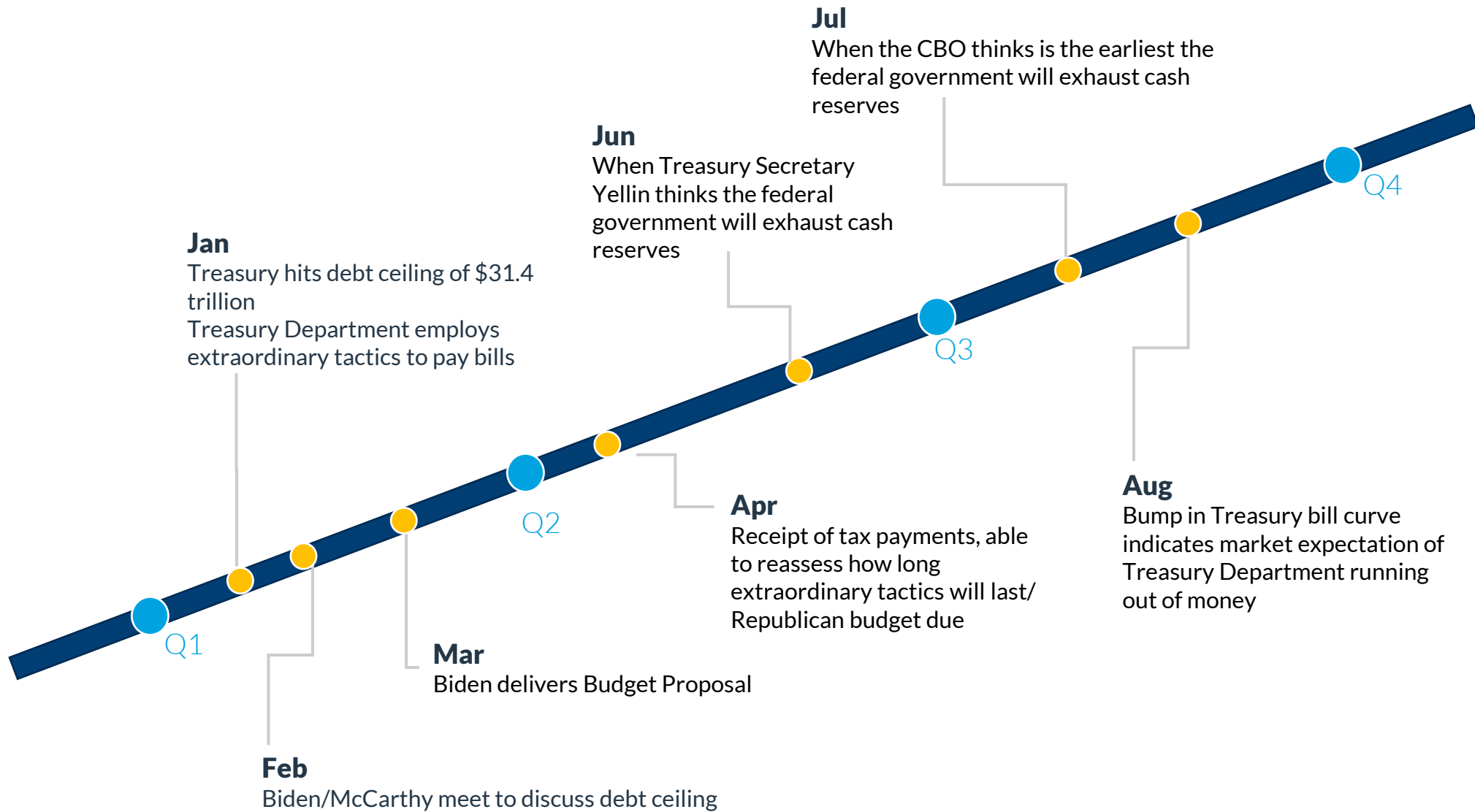
Federal Debt  
percent of GDP



Source: U.S. Treasury, Congressional Budget Office  
Information is subject to change and is not a guarantee of future results.



# 2023 Debt Ceiling Timeline



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



# Is International Equity Outperformance Sustainable?

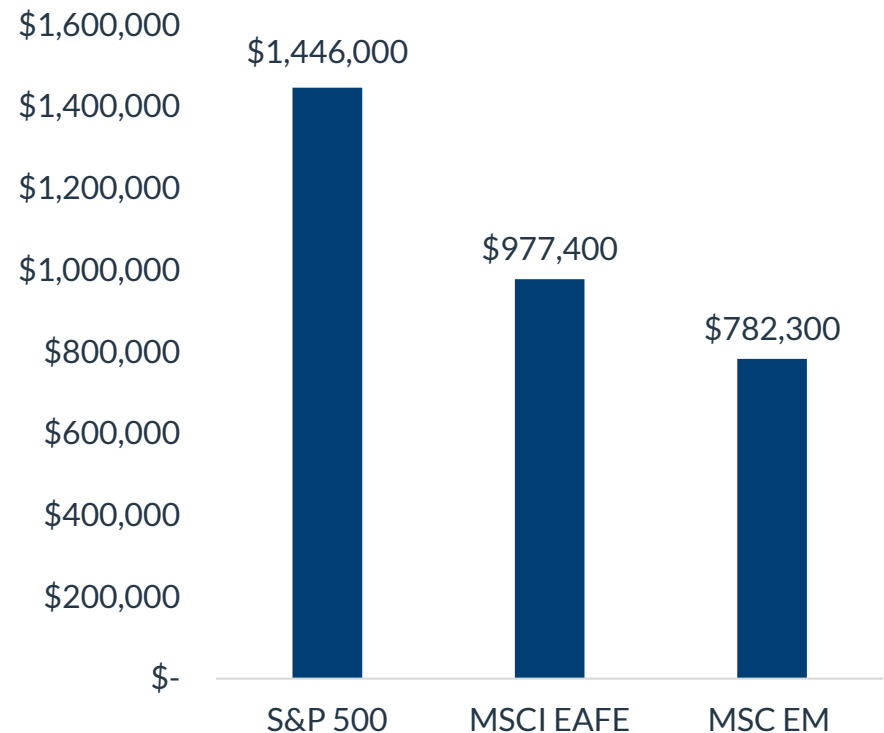


# What Was Driving Outperformance

- International stocks were overdue for a bounce after underperforming through the first 9 months of 2022.
- International stocks have meaningfully lagged US stocks over the past 5 years.
- International outperformance is not expected to be sustainable over the long term.

Performance Drivers	
Optimism on China reopening	✓
European economy not as bad as feared	✓
Belief Fed was cutting rates	✓
Perception valuations were cheap	✓
Short covering and inflows	✓

Value of \$1 Million Dollar Invested Over 5 Years (As of 2/23/22)



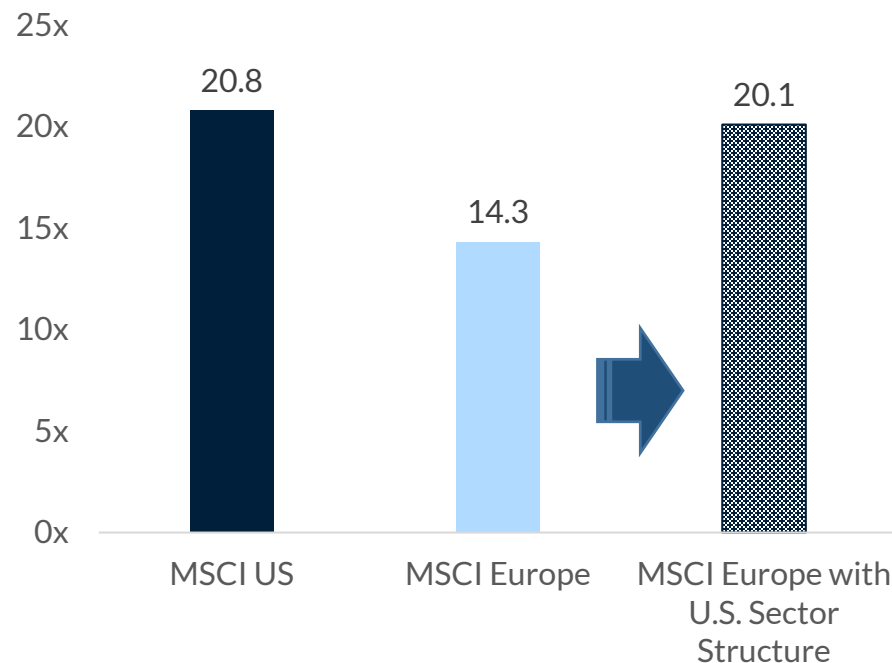
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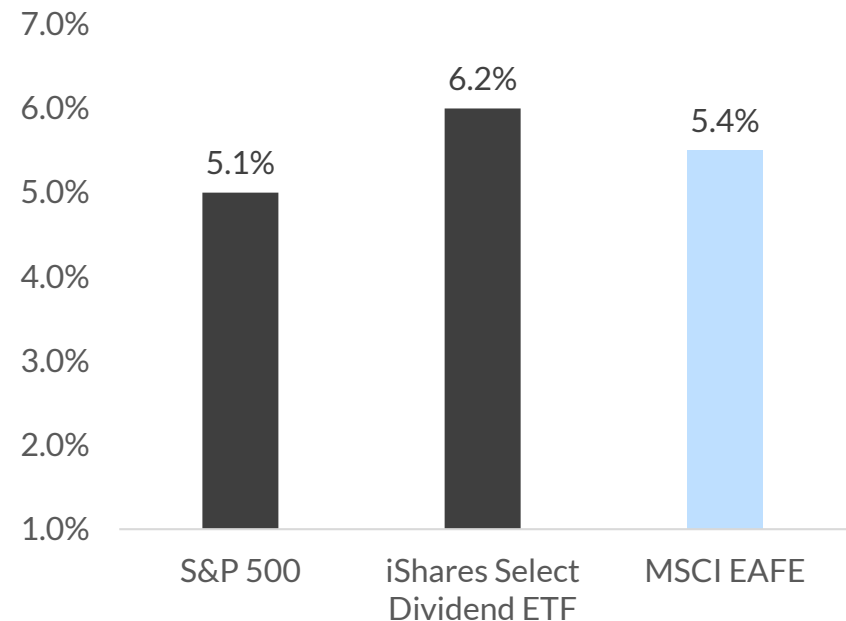
# No Euro Discount, Valuations Are Misleading

- On the surface, European stocks might appear cheap relative to the US.
- When adjusted for sector and industry composition, Euro valuation advantage disappears.
- US has more exposure to secular growth industries such as technology and health care.

Trailing P/E Ratios in Europe and in the U.S.  
(Raw Data and Sector-Adjusted)



Free Cash Flow Yield



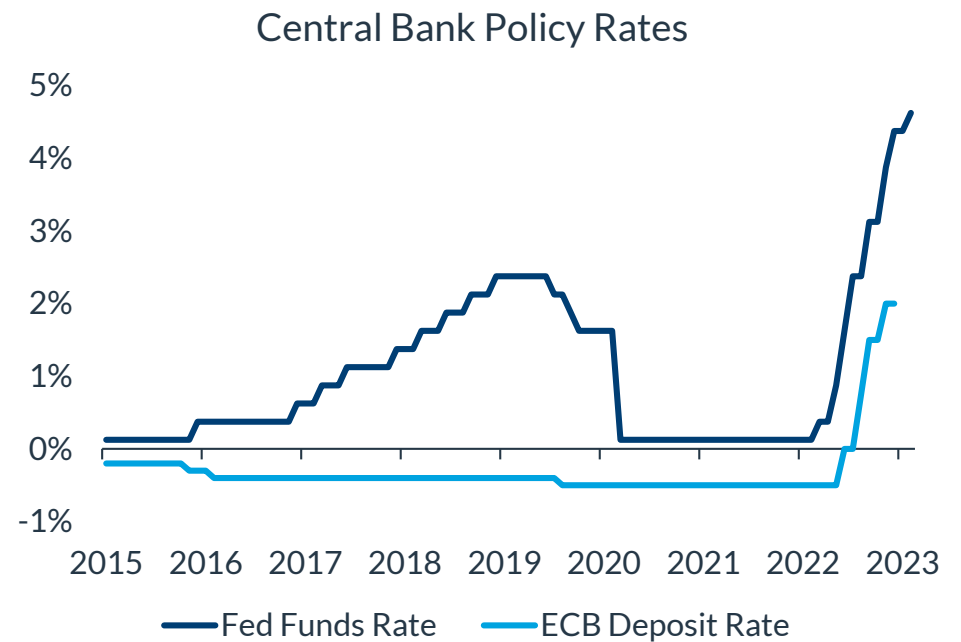
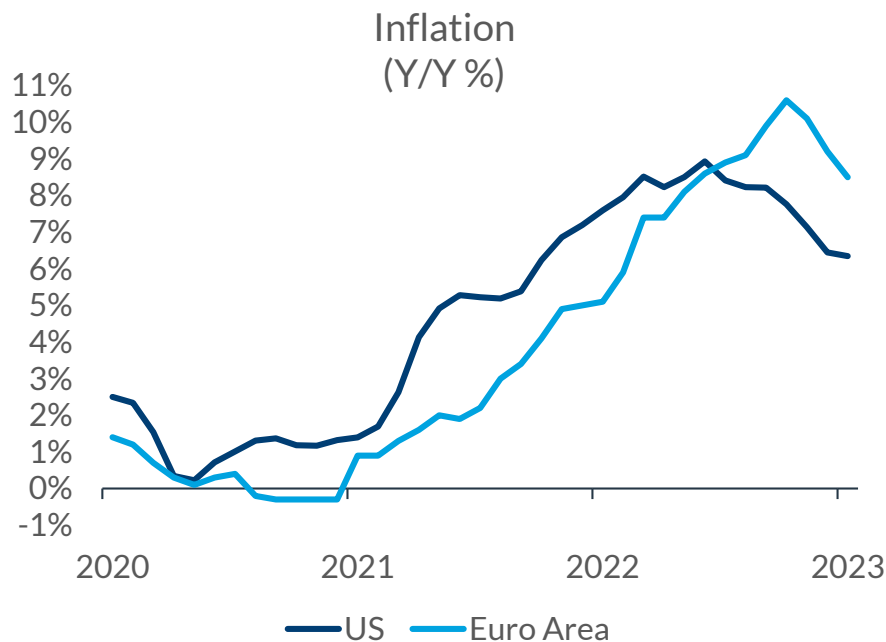
Sources: FactSet, Ned Davis Research,, as of February 2023. Information is subject to change and is not a guarantee of future results.





# Europe – Maintaining CNR Underweight

Positives	Negatives
<ul style="list-style-type: none"> <li>• China reopening benefits exporters</li> </ul>	<ul style="list-style-type: none"> <li>• ECB behind the curve vs inflation</li> </ul>
<ul style="list-style-type: none"> <li>• Putin didn't significantly escalate, energy prices declined</li> </ul>	<ul style="list-style-type: none"> <li>• Long run structural challenges</li> </ul>
<ul style="list-style-type: none"> <li>• Strong tourist season, mild winter</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of global competitiveness</li> </ul>
<ul style="list-style-type: none"> <li>• Economic growth and earnings not as bad as feared</li> </ul>	<ul style="list-style-type: none"> <li>• China recovery may not be sustainable</li> </ul>



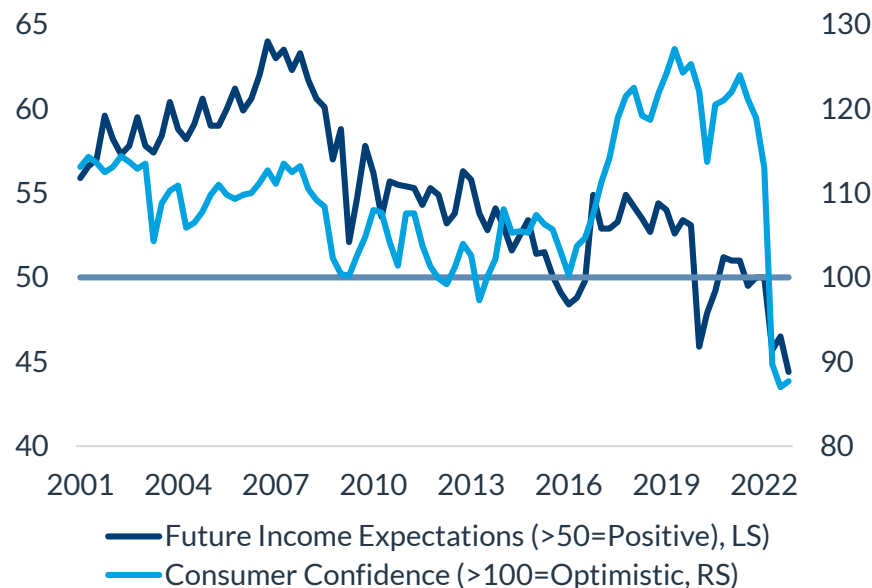
Sources: Bloomberg, as of February 2023. Information is subject to change and is not a guarantee of future results. US Inflation : Headline Consumer Price Index, Euro Area Inflation: Harmonised Index of Consumer Prices.



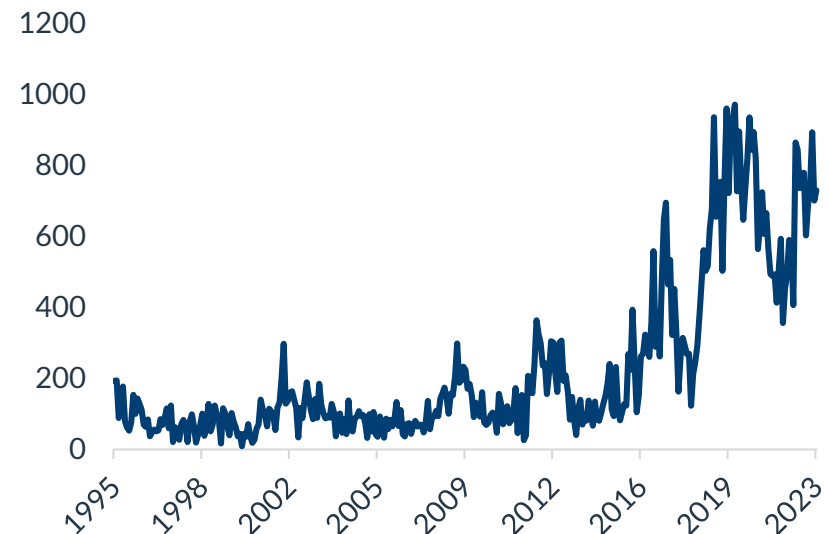
# China – Maintaining CNR Underweight

Positives	Negatives
<ul style="list-style-type: none"> <li>• COVID and reopening pivot</li> </ul>	<ul style="list-style-type: none"> <li>• Trade tensions, support for Russia</li> </ul>
<ul style="list-style-type: none"> <li>• Provide backstop to property developers; Home prices stabilizing</li> </ul>	<ul style="list-style-type: none"> <li>• Corporations seeking alternative suppliers</li> </ul>
<ul style="list-style-type: none"> <li>• Pent up demand for consumption and services</li> </ul>	<ul style="list-style-type: none"> <li>• Share holders rights subservient to common prosperity</li> </ul>
<ul style="list-style-type: none"> <li>• Less disruption of global supply chains</li> </ul>	<ul style="list-style-type: none"> <li>• Consumer attitudes towards housing</li> </ul>
<ul style="list-style-type: none"> <li>• Exporter to world</li> </ul>	<ul style="list-style-type: none"> <li>• Exporter to world</li> </ul>

China Consumer Confidence



China Economic Policy Uncertainty Index



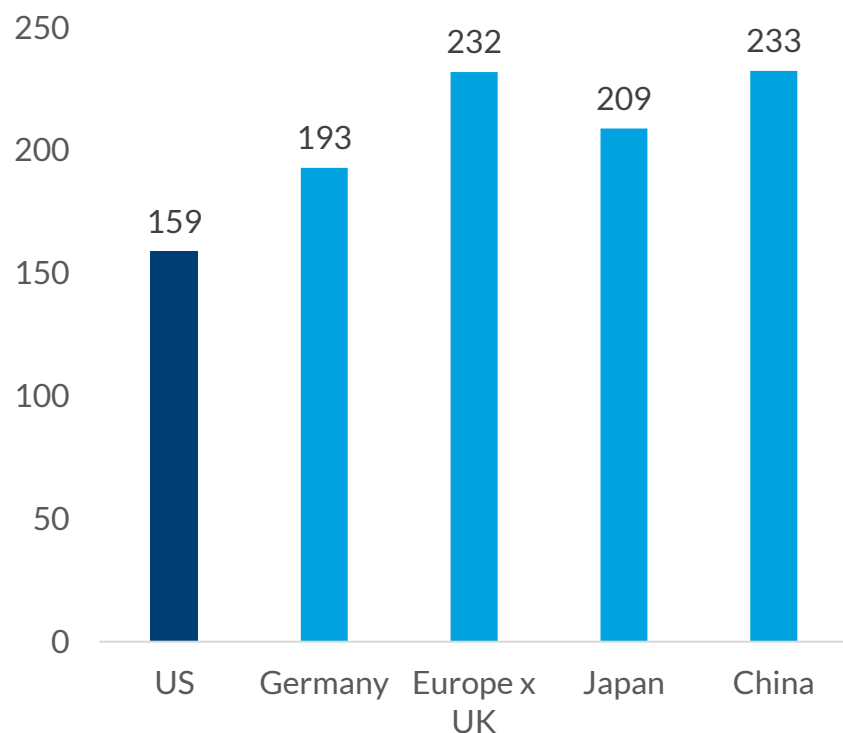
Sources: Bloomberg, economicpolicyuncertainty.com, as of February 2023.  
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# US Remains Best Region Given Macro Uncertainty

- US outlook remains most resilient for investors.
- US continues to be best positioned for long term growth among major economies.
- CNR proprietary 4Ps ranking is supportive of continued overweight to US equities.

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



Country/Region	What 's Needed to Change Our Outlook?
China	<ul style="list-style-type: none"> <li>• Reversal of state control measures</li> <li>• Relaxation of tensions with West</li> <li>• Easing of property market bubble</li> </ul>
Euro Area	<ul style="list-style-type: none"> <li>• Clean end to Ukraine War/Peace dividend</li> <li>• Higher nominal GDP potential</li> <li>• Competitive market reforms</li> </ul>

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



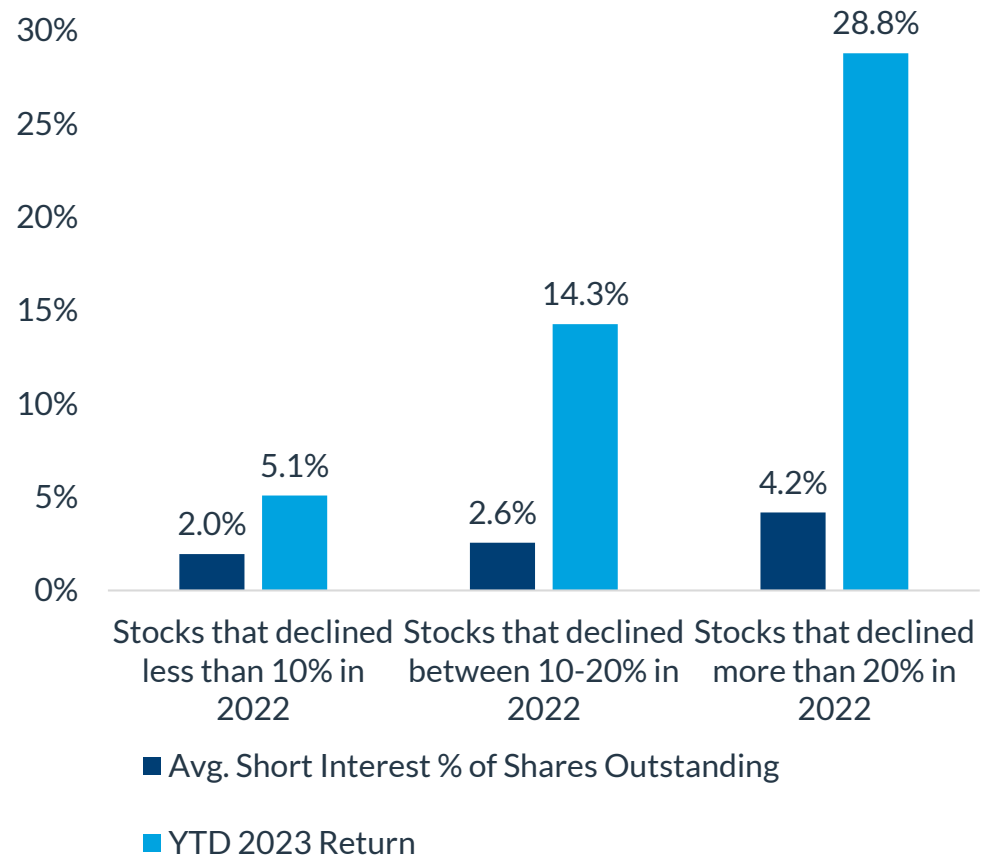
# Is the Bear Market Over?



# What Was Driving Recently Rally in US Equities

Performance Drivers	
Optimism on Global GDP Improving	✓
Expectations Fed Would Cut Risks	✓
Short Covering in Market Futures	✓
Revival in Tech Stocks on AI Hype	✓
Short Covering in Low Quality Stocks	✓

Short Covering Has Boosted Returns in 2023

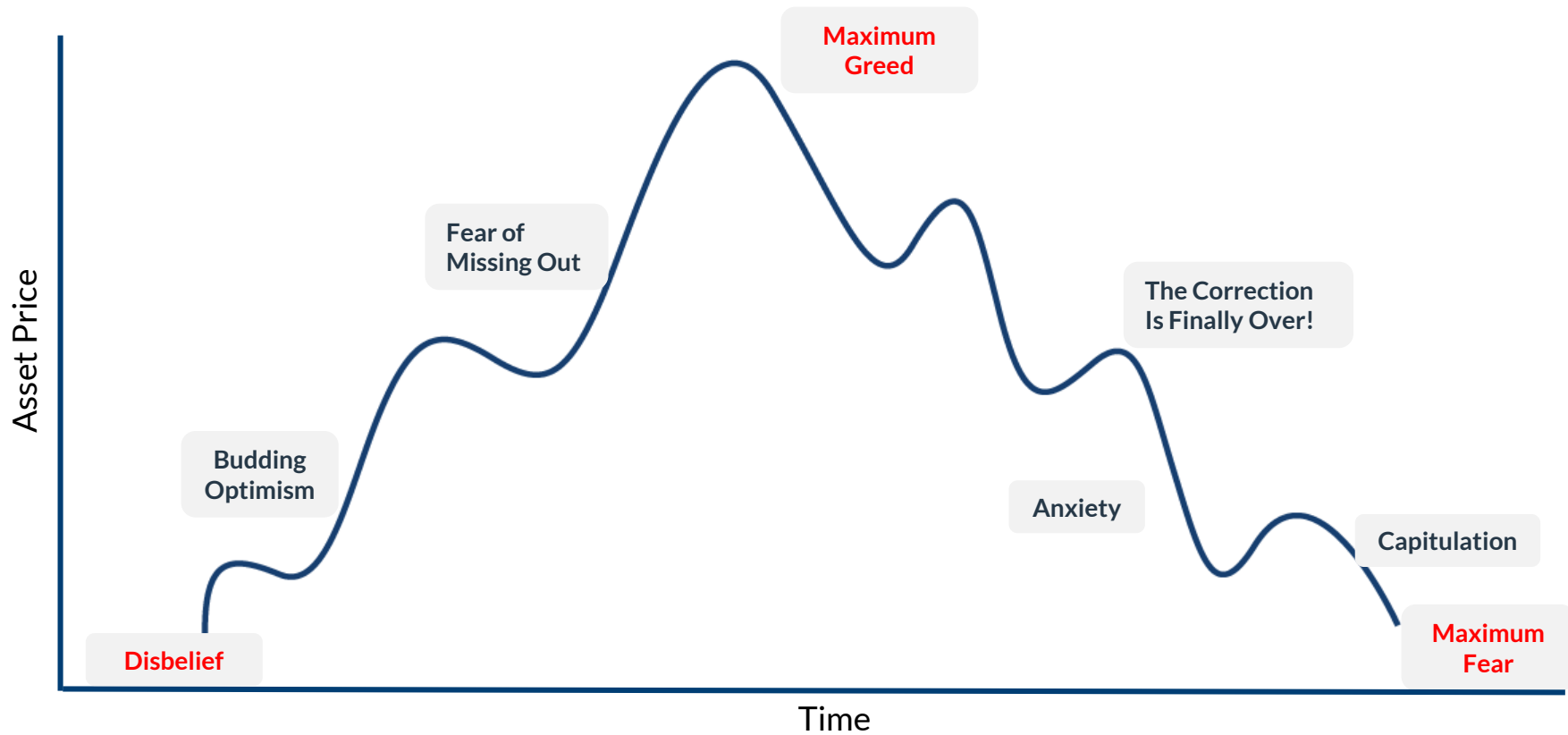


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# Pendulum of Fear and Greed

- Emotion can drive swings in investor sentiment.
- Bear market rallies are common.
- Fundamentals are key to sustainable recovery in stock prices.



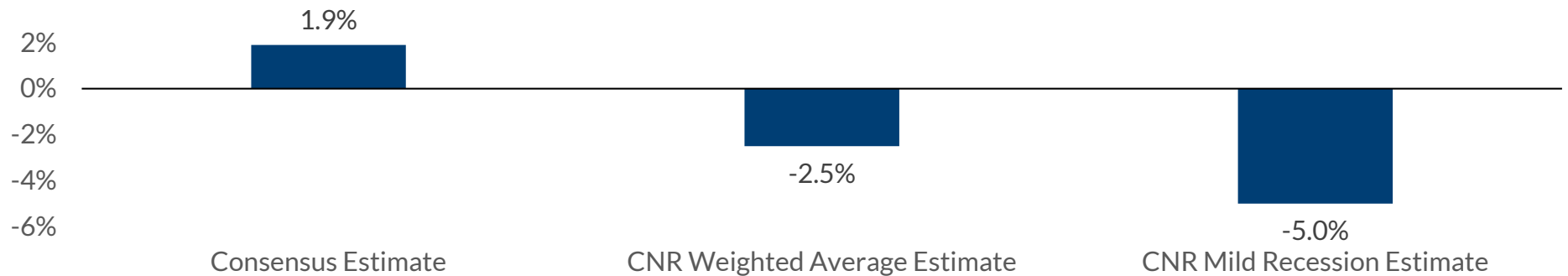
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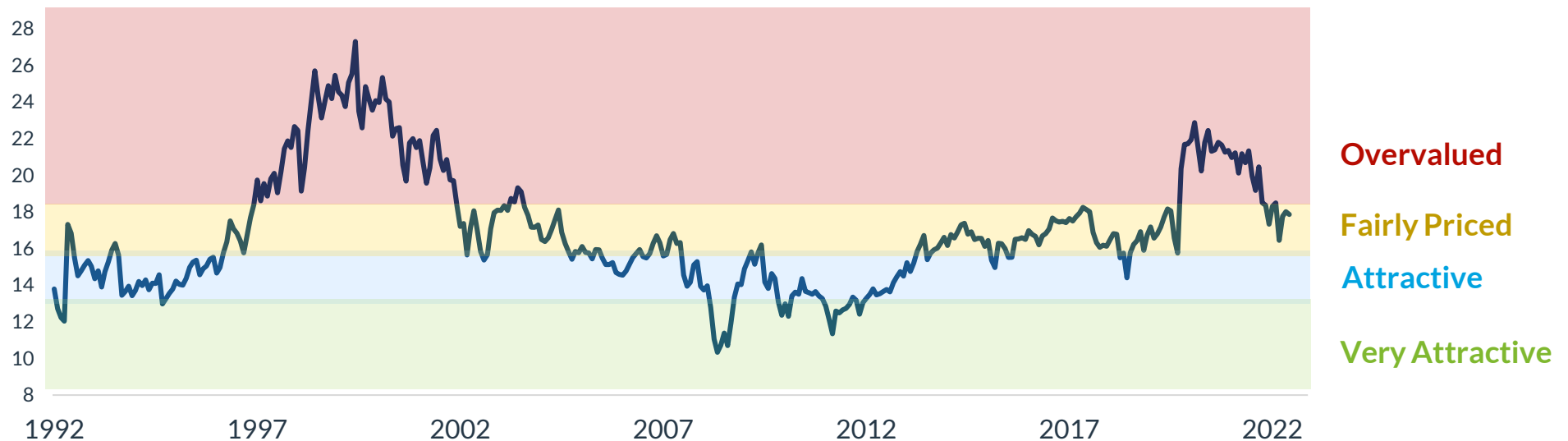
# Markets Appear To Have Gotten Ahead of Themselves

- Earnings estimates have come down significantly, but market still pricing in soft landing scenario.
- Valuations have adjusted meaningfully, but are still not attractive.

## 2023 S&P 500 Earnings Growth Forecasts



## S&P 500 Forward Price/Earnings Ratio



Sources: FactSet, CNR Research, as of February 2023

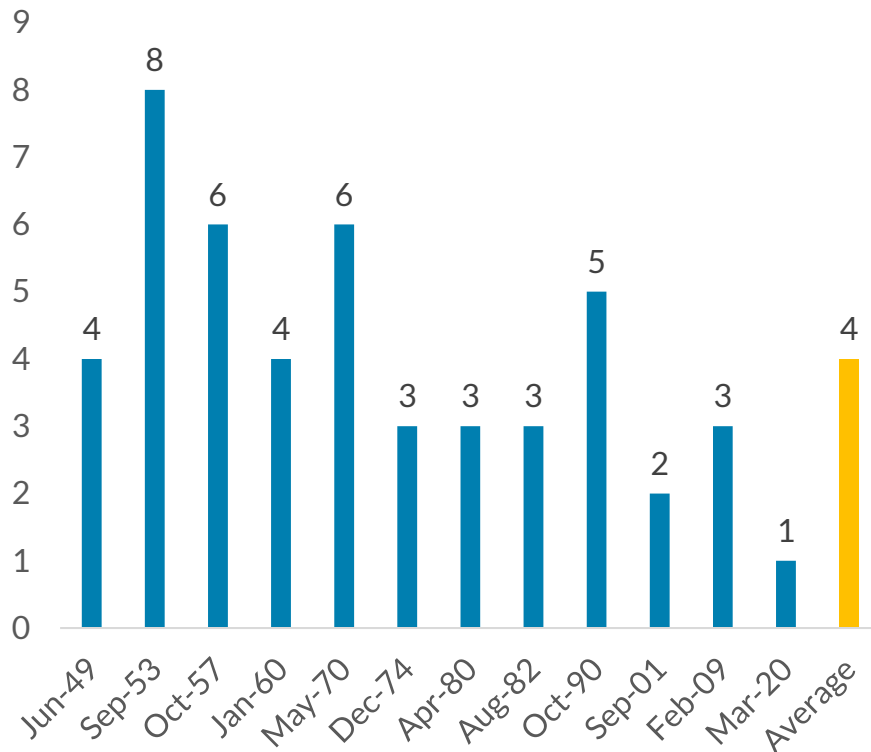
Indices are unmanaged, and one cannot invest directly in an index. Information is subject to change and is not a guarantee of future results.



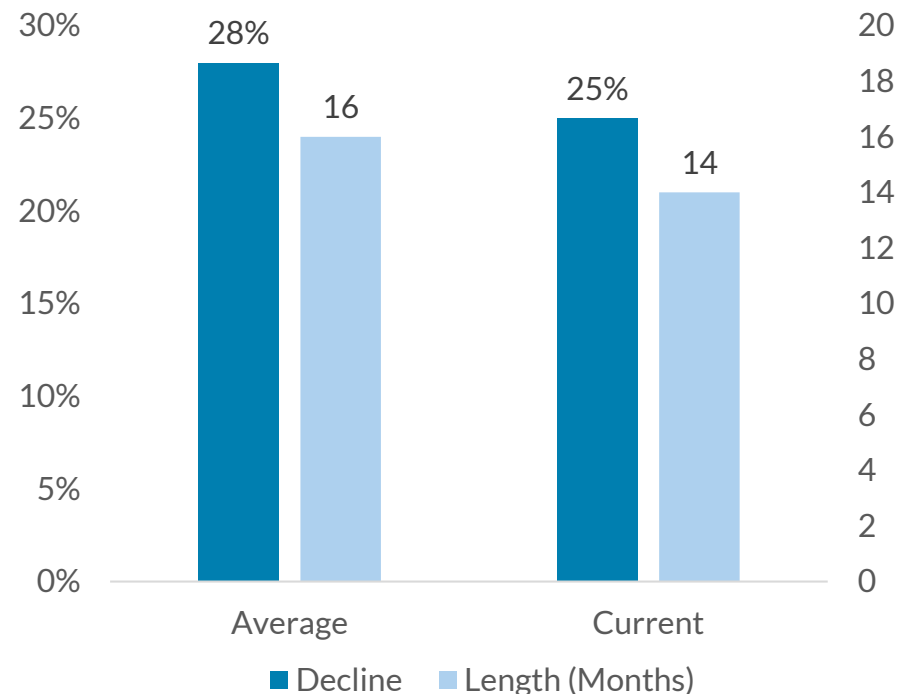
# Bear Markets Historically End After Recession Begins

- History suggests we are coming close to the end of the cyclical bear market.
- Recessionary bear markets have never ended before a recession begins.
- Further downside likely if mild recession occurs.

Months of Recession Before Bear Market End



Post War Cyclical Bear Markets



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





# What Are The Next Steps For Portfolios?



# Upcoming Events & Key Signals We Are Watching For

Indicator	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Bottoming in ISM PMI Index		■								
Headline CPI falls below Wage Growth			■							
Fed Funds Rate Peaks/ Fed Pauses			■							
Economic Activity Bottoms			■							
Upward Earnings Revisions Begin								■		
Debt Ceiling Resolution					■					

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# Potential Next Steps for Portfolios

Asset Allocation Positioning	Stocks	Bonds
Current	Modest Underweight	Modest Overweight
Base Case	Neutral Weight	Neutral Weight
Best Case	Modest to Strong Overweight	Modest to Strong Underweight
Worst Case	Strong Underweight	Strong Overweight

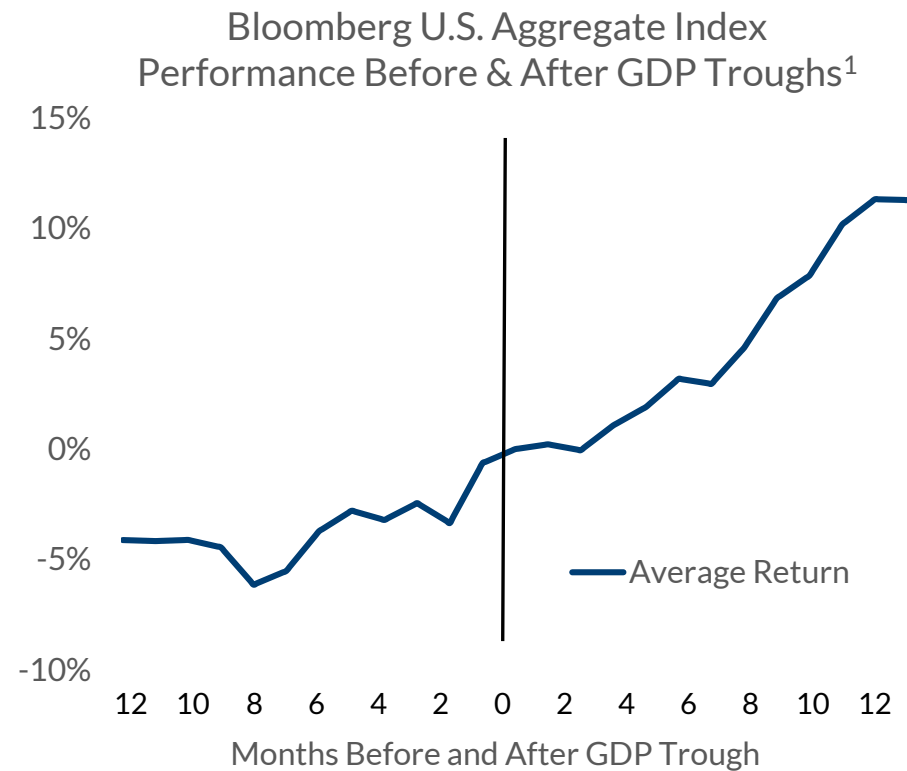
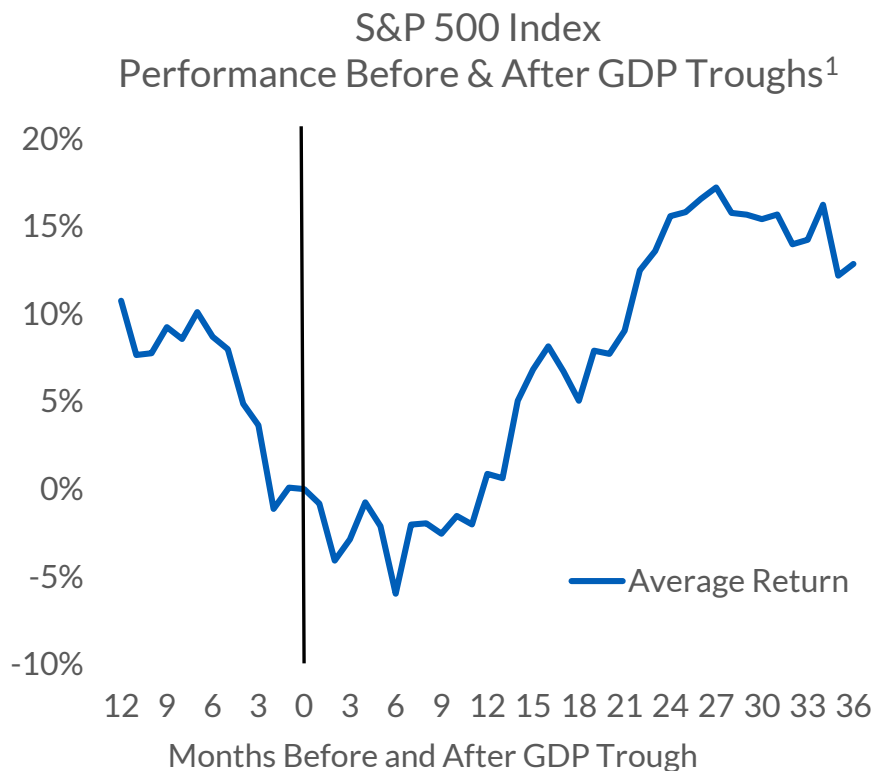
Asset Allocation Positioning
<b>Base Case</b>
<ul style="list-style-type: none"> <li>• Signs of in bottoming economic activity/beginning of new growth cycle</li> <li>• Add cyclical US equity exposure</li> <li>• Reduce investment grade (IG) fixed income allocations</li> </ul>
<b>Best Case</b>
<ul style="list-style-type: none"> <li>• Higher confidence of multi-year expansion/geopolitical risk easing</li> <li>• Overweight US equity exposure, underweight IG fixed income allocations</li> <li>• International equity contingent on geopolitical considerations</li> </ul>
<b>Worst Case</b>
<ul style="list-style-type: none"> <li>• High risk of structural bear market/deeper recession, exogenous shock</li> <li>• Meaningfully lower overall equity exposure</li> <li>• Meaningfully increase allocations to IG fixed income</li> </ul>

Source: CNR Research., February 2023. Information is subject to change and is not a guarantee of future results.



# More Positive Year Expected for Financial Markets

- Expecting moderate returns of 5-7% for portfolios balanced with stocks and bonds.
- Fixed income expected to lead the way with lower volatility.
- Sustainable stock returns should fall into place in second half of 2023.



Sources: Bloomberg, CNR Research, as of February, 2023. Information is subject to change and is not a guarantee of future results.  
<sup>1</sup> Covers performance periods with GDP troughs in 1970, 1973, 1981, 1990, 2001 and 2008



# Wrap -Up



# Investment Strategy Committee Considerations

## 2023 Economic Outlook

- Higher for longer thesis intact
- Modestly lowered recession risk to 70%, mild downturn base case
- Modestly raised GDP forecast, maintain earnings growth forecast
- Modestly increased inflation and 10 year forecasts
- Market adjusted to CNR view of no Fed cuts in 2023
- **Leading indexes, inverted yield curve, tightening lending standards and declining manufacturing supports recession view**
- Downward glidepath for inflation intact, but likely choppy
- Encouraging signals of wage moderation
- Job gains, wages, savings and net worth support consumer
- Healthy banking system and strong corporate balance sheets moderate downside risks
- Watchful on private equity
- US economy more resilient than Europe/Asia
- Geopolitical risk remains elevated
- **Realignment and fracturing of global alliances is real**

## 2023 Investment Strategy

- Macro uncertainty remains high
- **Portfolios defensively positioned – inflation, Fed tightening, recession risk, geopolitical tensions**
- **We expect that balanced portfolios should provide 5-7% returns**
- **History suggests cyclical bear market in later phases, equities never outperform ; bear markets end after recession begins**
- Underweight equities, focus 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 February 2023. Information is subject to change and is not a guarantee of future results.



# Intelligently Personalize Your Portfolio to Achieve Goals

- Orienting your portfolio around your goals so that when market volatility hits, you are confident that you don't need to make rash short term decisions, and also having an advisor who can help you stay disciplined



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



# 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 MSCI World is a market cap weighted stock market index of 1,655 companies throughout the world. It is maintained by MSCI, formerly Morgan Stanley Capital International, and is used as a common benchmark for 'world' or 'global' stock funds intended to represent a broad cross-section of global markets.

The Michigan Consumer Sentiment Index (MCSI) is a monthly survey of U.S. consumer confidence levels conducted by the University of Michigan. It is based on telephone surveys that gather information on consumer expectations regarding the overall economy.

The University of Michigan Consumer Sentiment Index is a consumer confidence index published monthly by the University of Michigan. The index is normalized to have a value of 100 in the first quarter of 1966.

The Barclays Aggregate Bond Index is composed of U.S. government, mortgage-backed, asset-backed, and corporate fixed income securities with maturities of one year or more.

The Barclays High Yield Municipal Index covers the high yield portion of the U.S.-dollar-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.

The Bloomberg Barclays U.S. Corporate Bond Index is an unmanaged market-value-weighted index of investment-grade corporate fixed-rate debt issues with maturities of one year or more.

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.

The Bloomberg Barclays US Aggregate Bond Index is the most widely followed U.S. bond market index. It measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

The U.S. Treasury 10-year Note is a debt obligation issued by the United States government that matures in 10 years. A 10-year Treasury Note pays interest at a fixed rate once every six months and pays the face value to the holder at maturity.

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.

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.

"U.S. High Yield Corporate" is represented using the U.S. High Yield Index.

"Intermediate Long Municipal" is represented by: 10% Bloomberg 5 Year Municipal Bond Index, 15% Bloomberg 7 Year Municipal Bond Index, 35% Bloomberg 10 Year Municipal Bond Index, 30% Bloomberg 15 Year Municipal Bond Index, 10% Bloomberg 20 Year Municipal Bond Index.

Leveraged Loans – S&P LSTA Leveraged Loan Index, 6m T-Bills – ICE BofA 6-Month Treasury Bill Index, U.S. High Yield Corporate: 1-3 Years – ICE BofA U.S. High Yield 1-3 Year Index, Intermediate Municipal – Bloomberg 1-15 Yr Municipal Index, U.S. High Yield Corporate – Bloomberg U.S. High Yield Corporate Index, Intermediate IG Corporate – Bloomberg Intermediate Corporate Index, High Yield Municipal – Bloomberg 60% Tax-Exempt HY/40% LB Municipal Index





# Index Definitions

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada. As of June 2007, the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

The Michigan Consumer Sentiment Index (MCSI) is a monthly survey of U.S. consumer confidence levels conducted by the University of Michigan. It is based on telephone surveys that gather information on consumer expectations regarding the overall economy.

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.

The Bloomberg Barclays Emerging Markets USD Aggregate Index tracks total returns for external-currency-denominated debt instruments of the emerging markets. Countries covered are Argentina, Brazil, Bulgaria, Ecuador, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia and Venezuela.

The Bloomberg Barclays U.S. Agency Bond Index is a rules-based, market-value-weighted index engineered to measure investment-grade agency securities publicly issued by U.S. government agencies. Mortgage-backed securities are excluded.

S&P Leveraged Loan Indexes (S&P LL indexes) are capitalization-weighted syndicated loan indexes based upon market weightings, spreads and interest payments. The S&P/LSTA Leveraged Loan 100 Index (LL100) dates back to 2002 and is a daily tradable index for the U.S. market that seeks to mirror the market-weighted performance of the largest institutional leveraged loans, as determined by criteria. Its ticker on Bloomberg is SPBDLLB.

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.



# Index Definitions

The Dow Jones Select Dividend Index seeks to represent the top 100 U.S. stocks by dividend yield. The index is derived from the Dow Jones U.S. Index and generally consists of 100 dividend-paying stocks that have five-year non-negative Dividend Growth, five-year Dividend Payout Ratio of 60% or less, and three-month average daily trading volume of at least 200,000 shares.

The Bloomberg Commodity Total Return Index, formerly known as Dow Jones-UBS Commodity Index Total Return (DJUBSTR), is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM. This combines the returns of the BCOM with the returns on cash collateral invested in 13-week (three-month) U.S. Treasury Bills.

The Corporate Emerging Market Bond Index (CEMBI) is J.P. Morgan's index of U.S.-dollar-denominated debt issued by emerging market corporations.

The Standard & Poor's Small Cap 600 Index (S&P 600) measures the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

Nasdaq 100 Index is an index composed of the 100 largest, most actively traded U.S. companies listed on the Nasdaq stock exchange.

The Shanghai Stock Exchange (SSE) composite is a market composite made up of all the A shares and B shares that trade on the Shanghai Stock Exchange.

Brent Crude is a major trading classification of sweet light crude oil that serves as a major benchmark price for purchases of oil worldwide. This grade is described as light because of its relatively low density, and sweet because of its sulfur content.

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.

The S&P/Case-Shiller Home Price Indexes are a group of indexes that track changes in home prices throughout the United States. The indexes are based on a constant level of data on properties that have undergone at least two arm's length transactions.

The ISM Manufacturing Index is based on surveys of more than 300 manufacturing firms by the Institute for Supply Management (ISM). The ISM Manufacturing Index monitors employment, production, inventories, new orders and supplier deliveries. A composite diffusion index monitors conditions in national manufacturing and is based on the data from these surveys.

The ISM Non-Manufacturing Index is an index based on surveys of more than 400 non-manufacturing firms' purchasing and supply executives, within 60 sectors across the nation, by the Institute of Supply Management (ISM). The ISM Non-Manufacturing Index tracks economic data, like the ISM Non-Manufacturing Business Activity Index. A composite diffusion index is created based on the data from these surveys, that monitors economic conditions of the nation.

The Palmer Square CLO Senior Debt Index (ticker: CLOSE) and Palmer Square CLO Debt Index (ticker: CLODI) seek to reflect the investable universe for U.S. dollar denominated collateralized loan obligations ("CLOs").

The Intercontinental Exchange (ICE) is an American company that owns and operates financial and commodity marketplaces and exchanges.

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



# Index Definitions

**Yield to Worst** – 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.

Investments in emerging markets bonds may be substantially more volatile, and substantially less liquid, than the bonds of governments, government agencies, and government-owned corporations located in more developed foreign markets. Emerging markets bonds can have greater custodial and operational risks, and less developed legal and accounting systems than developed markets.

**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 may include interest rate, call, credit, market, inflation, government policy, liquidity or junk bond. 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.

**Gross Domestic Product (GDP):** Gross domestic product 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.

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



# Important Information

No representation is being made that employing the 4P framework will or is likely to achieve portfolio performance similar to that shown.

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.

The information presented does not involve the rendering of personalized investment, financial, legal or tax advice. This presentation is not an offer to buy or sell, or a solicitation of any offer to buy or sell, any of the securities mentioned herein.

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There are inherent risks with fixed income investing. These risks may include 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.

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.

Investing in international markets carries risks such as currency fluctuation, regulatory risks, and economic and political instability. Emerging markets involve heightened risks related to the same factors, as well as increased volatility, lower trading volume and less liquidity. Emerging markets can have greater custodial and operational risks and less developed legal and accounting systems than developed markets.

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.

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.

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.

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



# Important Information

Investments in commodities can be very volatile, and direct investment in these markets can be very risky, especially for inexperienced investors.

Returns include the reinvestment of interest and dividends.

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.

Alternative investments are speculative, entail substantial risks, offer limited or no liquidity and are not suitable for all investors. These investments have limited transparency to the funds' investments and may involve leverage, which magnifies both losses and gains, including the risk of loss of the entire investment. Alternative investments have varying and lengthy lockup provisions.

This information is not intended as a recommendation to invest in a particular asset class, strategy or product.

The information presented is for illustrative purposes only and based on various assumptions which may not be realized. No representation or warranty is made as to the reasonableness of the assumptions made or that all assumptions used have been stated or fully considered.

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Past performance is not necessarily an indication of future results.

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