City National Rochdale
AN RBC/CITY NATIONAL COMPANY

March 2023

Market Update

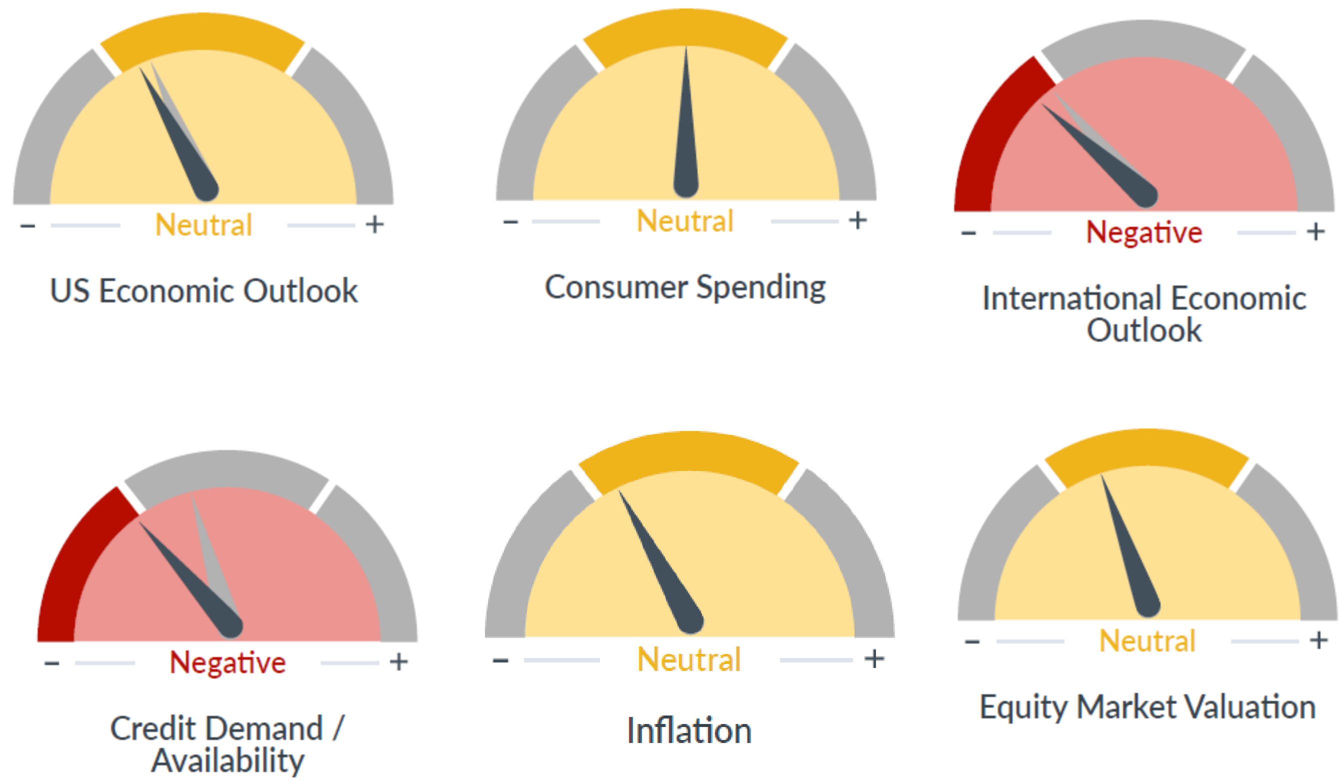
CNR Forecast Update

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 availability of money.
- Consumers remain healthy, but resilience being tested.
- Indicators supportive of Mild Recession/Slow Growth Outlook.

Impact on Economy and Financial Markets

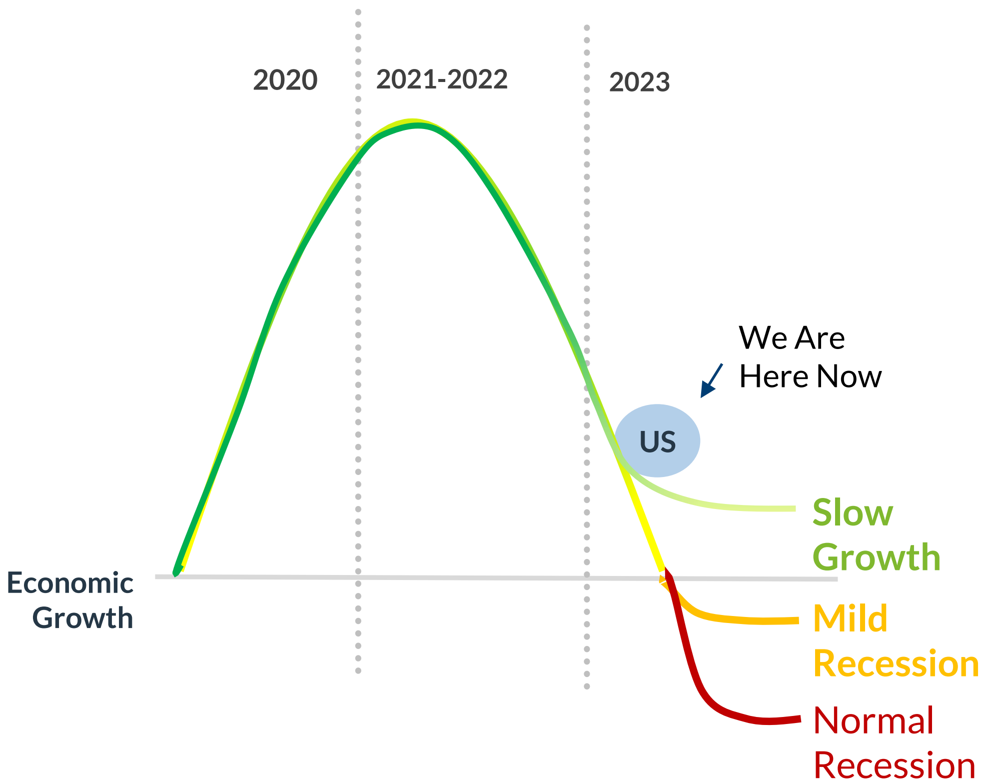


Impact on investment: Positive Neutral Negative **Timeframe:** Current Change from Last month

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

2023 US Outlook

- Recession odds raised to above consensus 75%, 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	25%	0% to 2%	0% to 12%
Mild Recession	65%	0% to -1%	-10% to 0%
Normal Recession	10%	-1% to -2%	-10% to -20%
Weighted Average		-0.25%	-3.25%

Sources: Bloomberg, CNR Research, as of March 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.

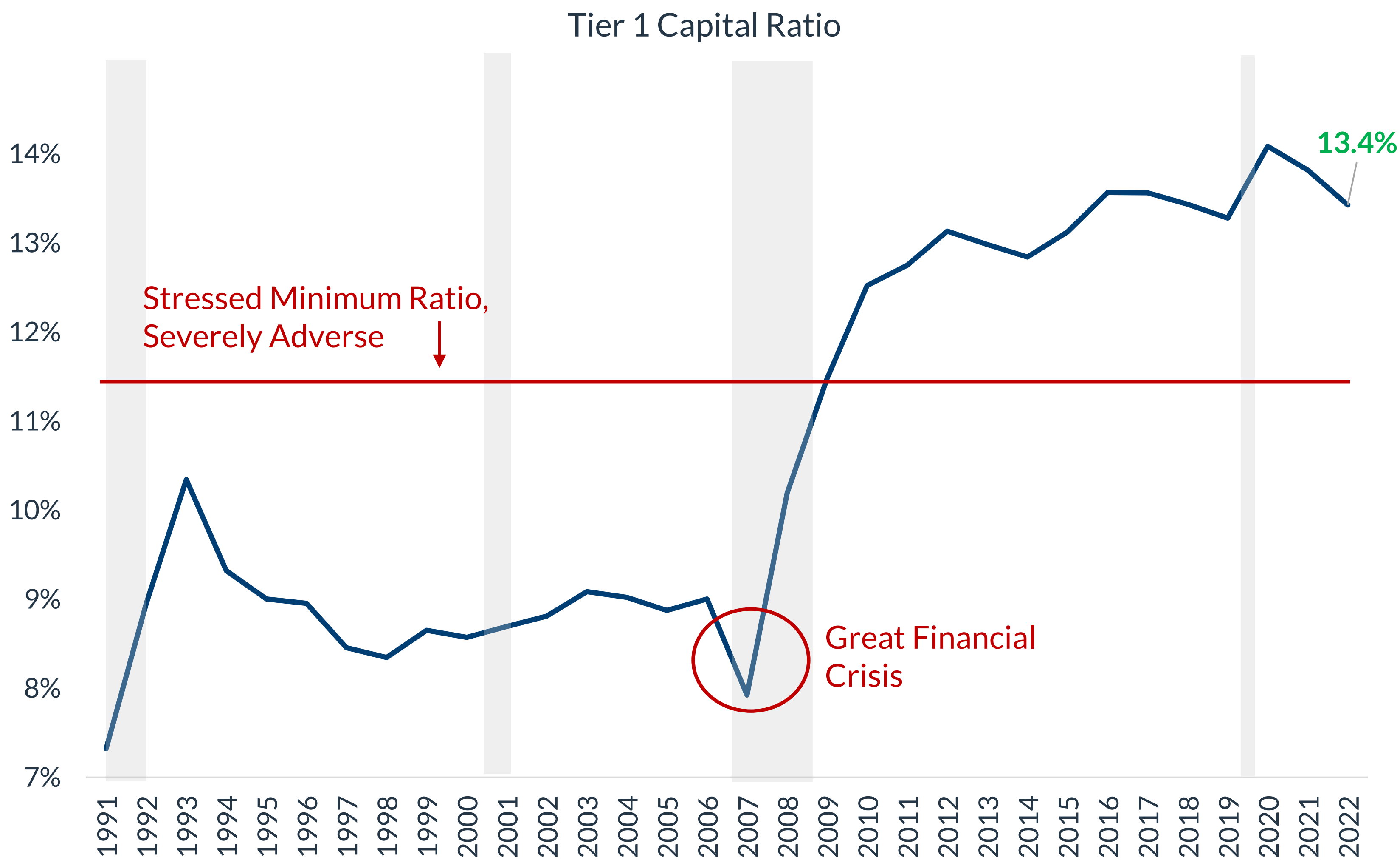
City National Rochdale Forecasts		2022	2023e
Real Annual GDP Growth		2.1%	-1.0% to 1.0%
Corporate Profit Growth		4.0% to 6.0%e	-6.5% to 1.5%
Headline CPI Year End		6.5%	2.8% to 3.2%
Core CPI Year End		5.7%	3.2% to 3.6%
Interest Rates	Fed Funds Rate	4.25% to 4.50%	5.0% to 5.25%
	Treasury Note, 10-Yr.	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.
Sources: Bloomberg, Proprietary opinions based on CNR Research, as of March 2023.
Information is subject to change and is not a guarantee of future results.

Is the US Banking System Resilient?

The Overall US Banking System Appears Healthy

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



Source: Bloomberg.

Fed Chair Powell's Post FOMC News Conference Wednesday, March 23

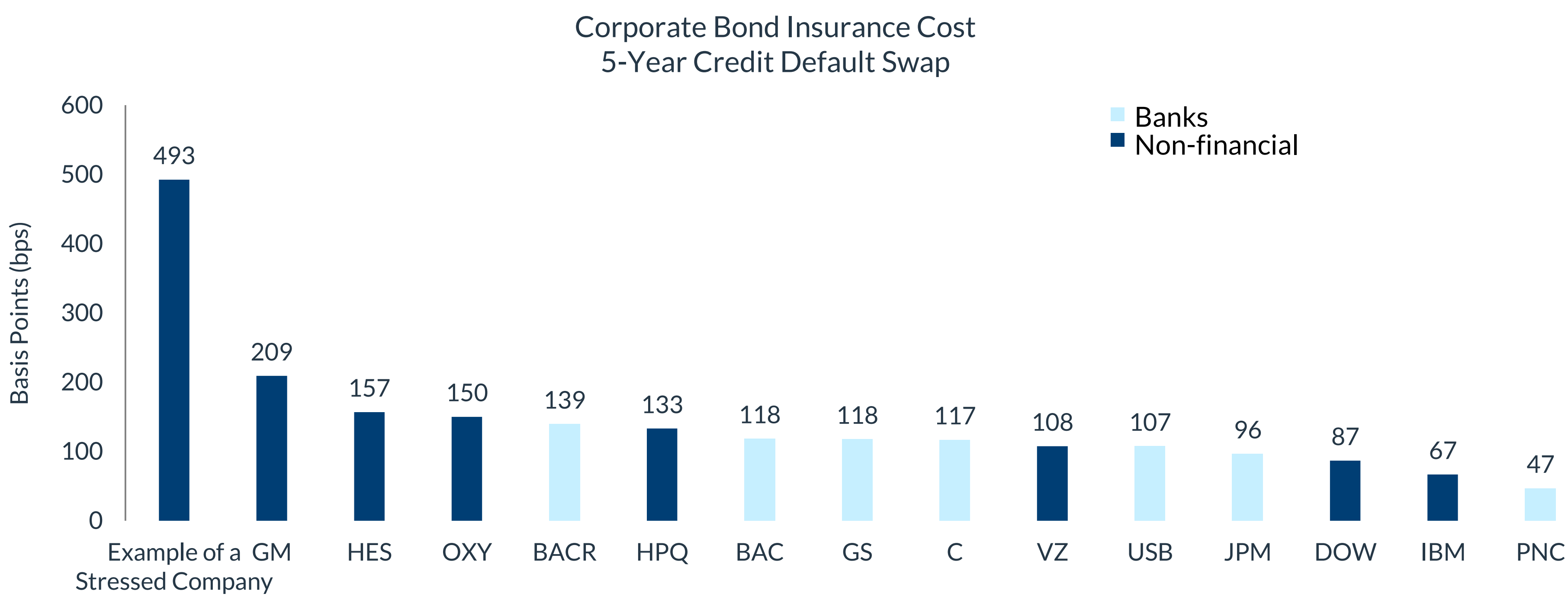
"Our banking system is sound and resilient, with strong capital and liquidity."

"We will continue to closely monitor conditions in the banking system, and are prepared to use all of our tools as needed to keep it safe and sound."

Source: Wall Street Journal.

Measures of Bondholder Nervousness

- The cost to insure financial sector bonds has risen remains relatively in line with other sectors.
- Indicates for now investors do not believe the banking sector is at significant risk.



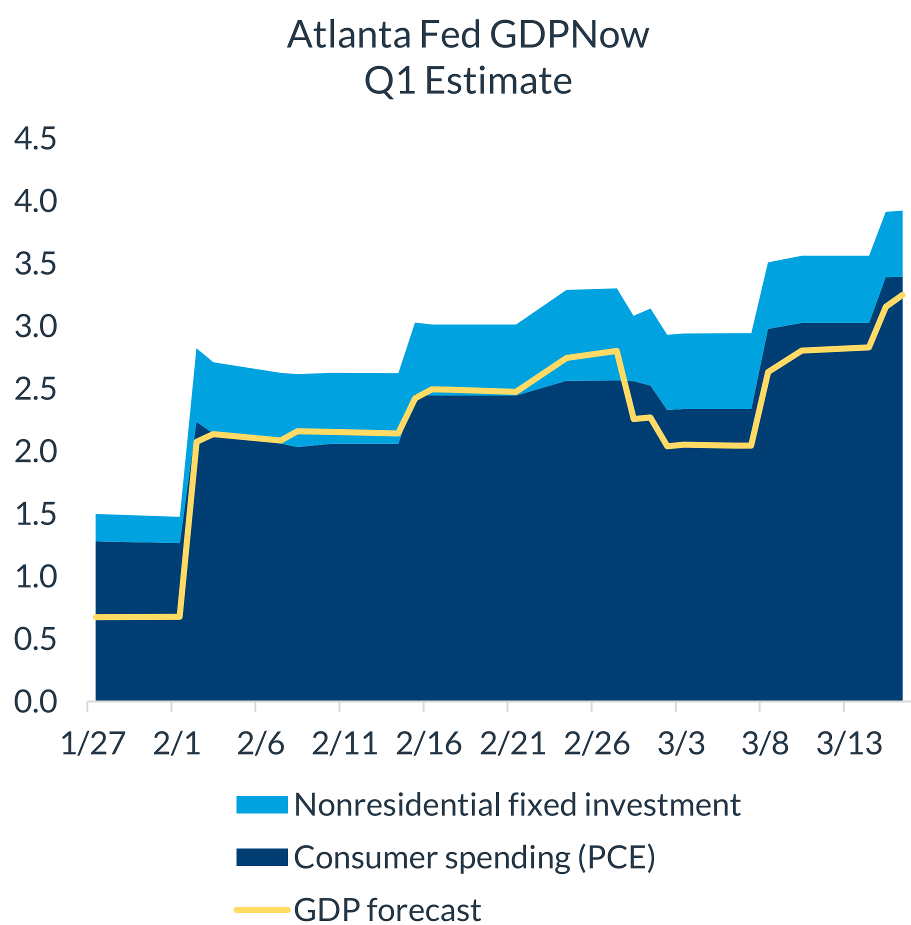
Tickers: GM: General Motors. HES: Hess Corp. OXY: Occidental Petroleum Corporation. BACR: Barclays Bank PLC. HPQ: HP Inc. BAC: Bank of America Corp. GS: Goldman Sachs Group Inc. C: Citigroup Inc. VZ: Verizon Communications Inc. USB: US Bancorp. JPM: JPMorgan Chase & Co. DOW: Dow Jones Industrial Average Index. IBM: International Business Machines Corp. PNC: PNC Financial Services Group Inc.

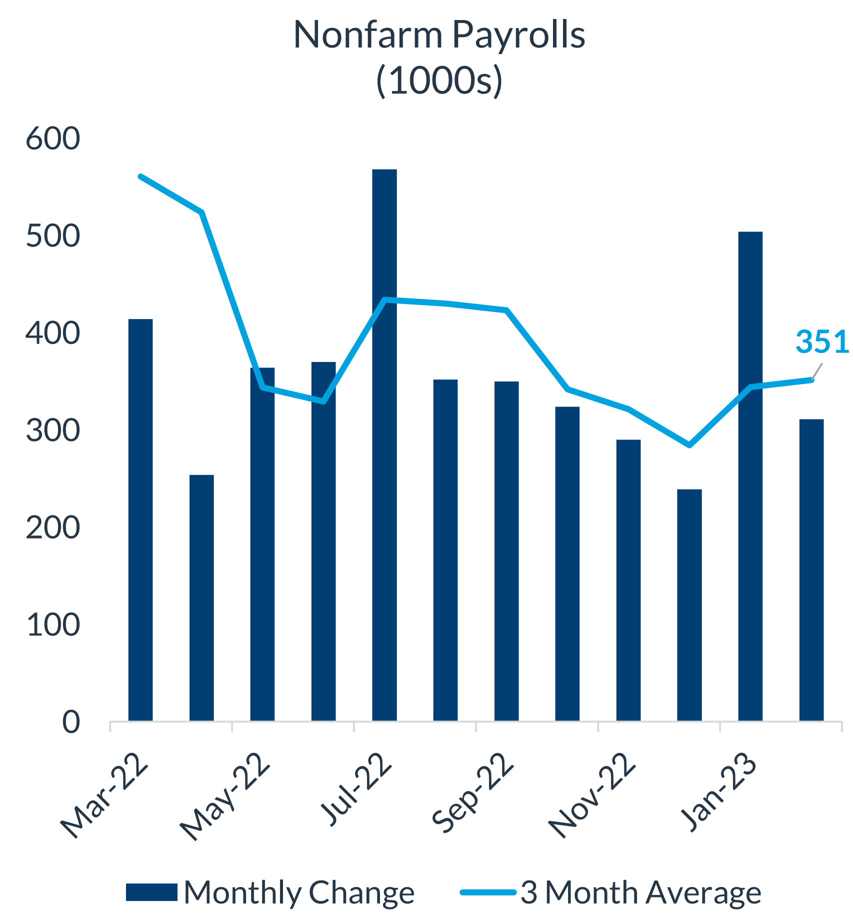
Sources: Bloomberg, CNR Research, as of March 2023.
Information is subject to change and is not a guarantee of future results.

What Impact do Recent Developments have on the US Economy?

Economic Activity Remains Strong, Too Strong

- Consumers so far have shown resilience to higher interest rates.
- Hiring remains strong, in part due to ongoing labor shortages.
- Strong private sector demand is keeping inflation elevated and the Fed tightening, for now.

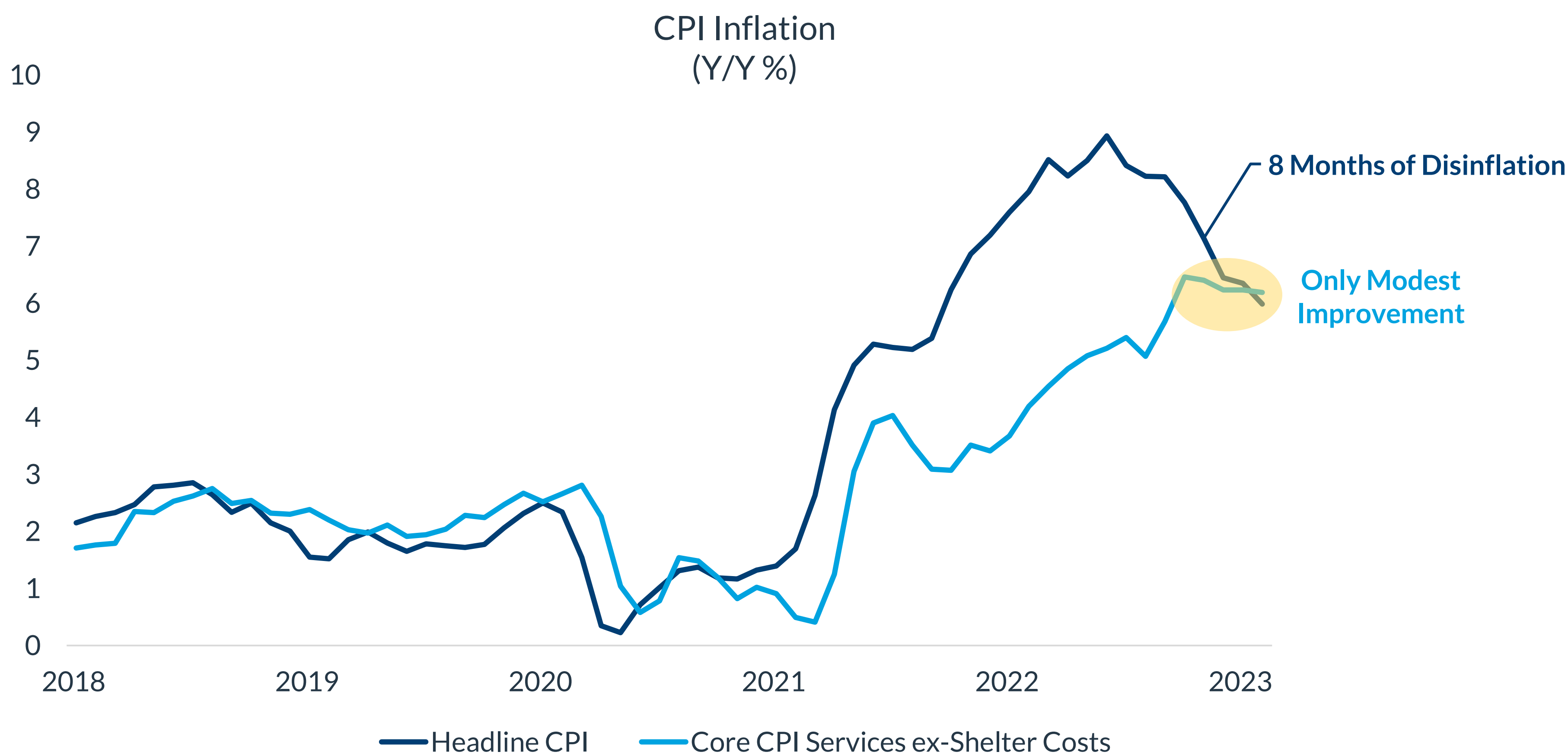




Sources: Atlanta Fed, St. Louis Fed.
Information is subject to change and is not a guarantee of future results.

Underlying Inflation Pressures Remain Sticky

- Overall inflation continues to moderate, but not fast enough for the Fed.
- Slowdown driven by goods prices, with supply chain disruptions easing and energy prices falling.
- Service sector pressures, particularly in labor intensive industries, are proving more sticky.



Source: St. Louis Fed, as of March 2023. Information is subject to change and is not a guarantee of future results.

The Fed's Dilemma

- Fed has prioritized price stability over financial stability.
- Policymakers' decision to raise rates in March, indicates banking failures appear manageable.
- Fed understands continued rate hikes may impact financial stability through a negative feedback loop.

- Core service and wage inflation remain sticky
- Need to anchor long term inflation expectations
- Fed credibility at stake

Requires Tighter Financial Conditions

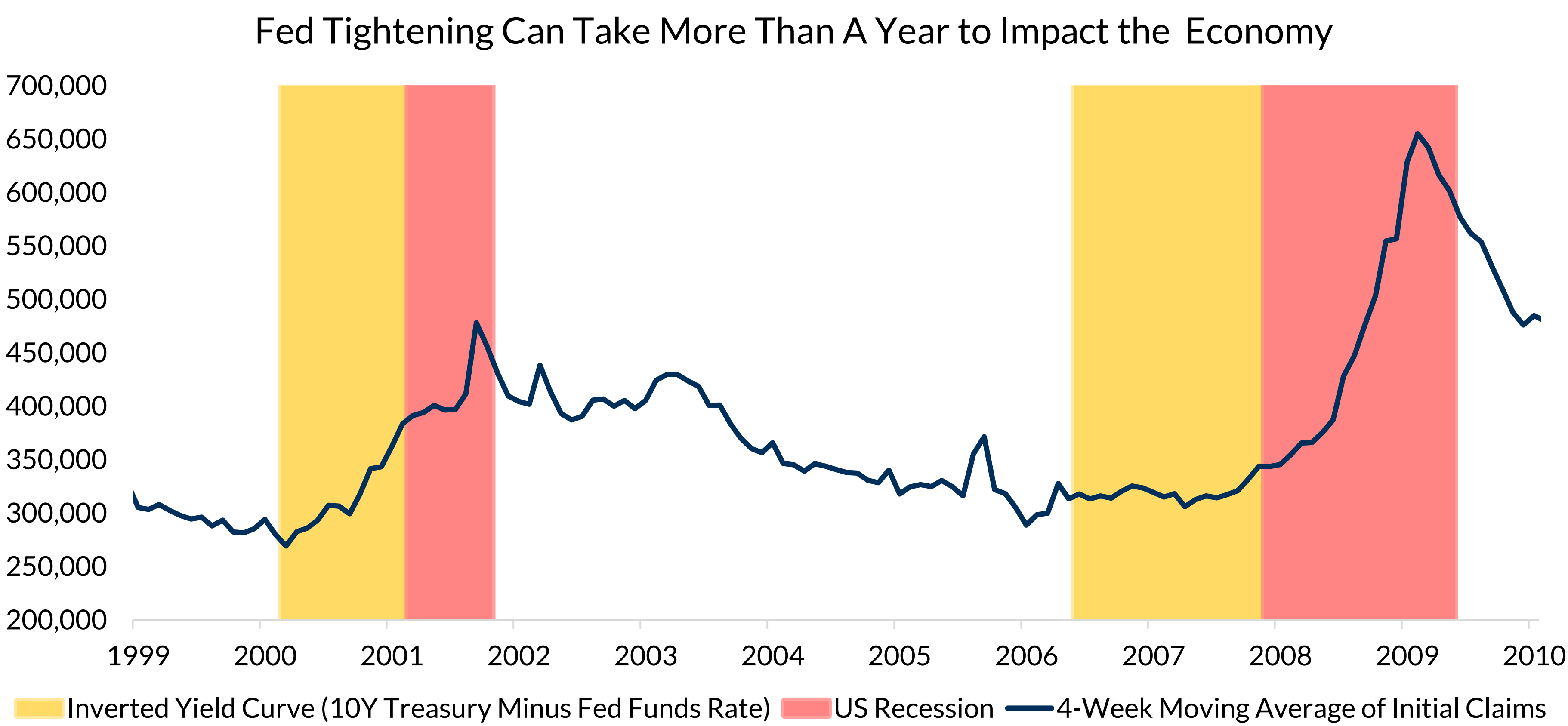
- Ensure financial institutions remain strong
- Provide ample liquidity to market
- Preserve faith in system

Requires Looser Financial Conditions

Source: CNR Research, as of March 2023.

Monetary Policy Often Works With Long Lags

- The Fed has been raising rates for a year, but the full impact of cumulative tightening hasn't yet impacted economy.
- Unique circumstances and pandemic distortions have likely delayed the sensitivity to rate increases.

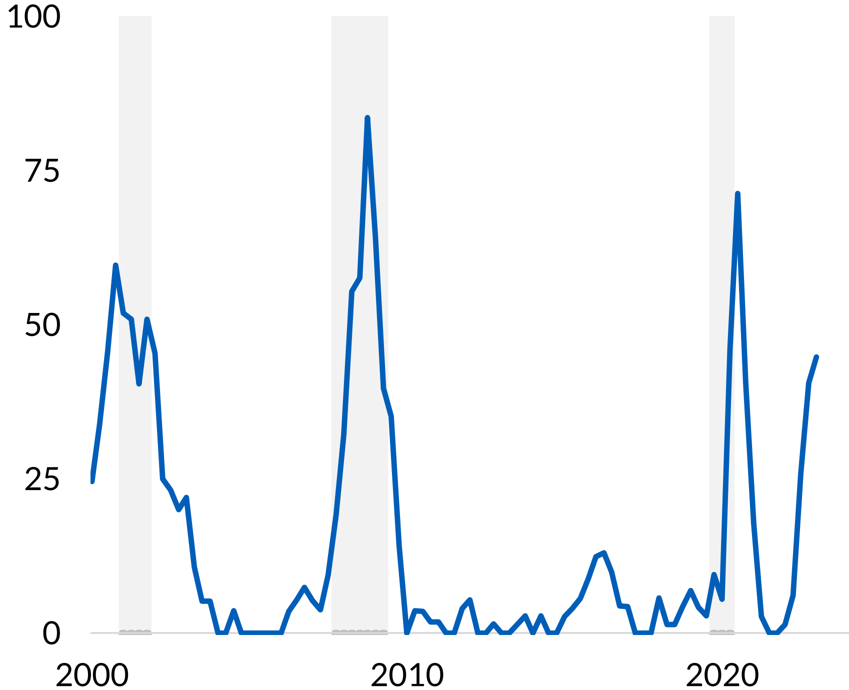


Source: St. Louis Fed, as of March 2023.

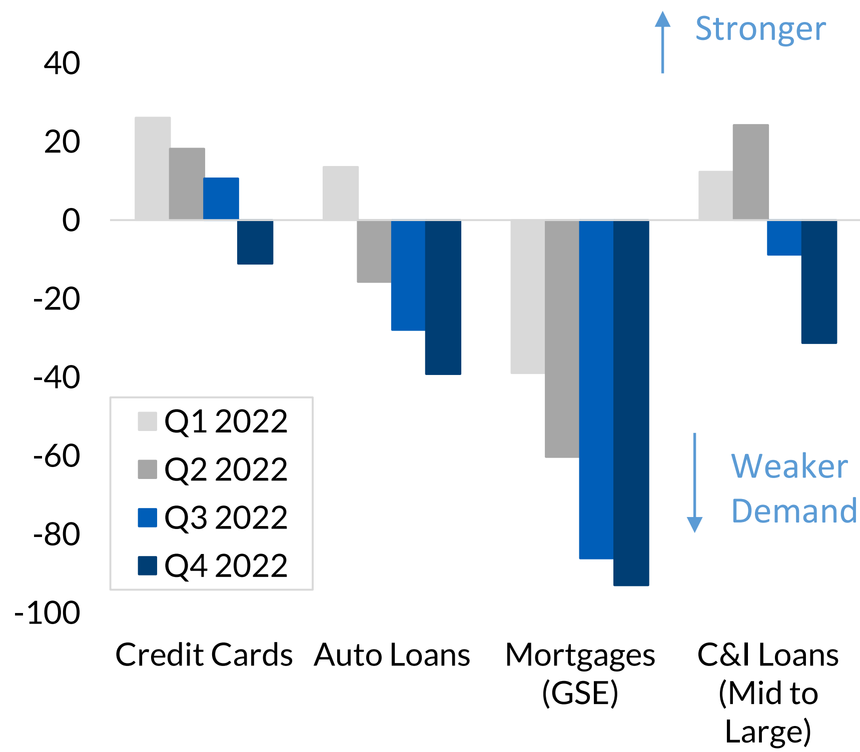
Credit Conditions Have Been Weakening

- Percentage of banks reporting tightening lending standards is at recessionary levels.
- Demand for consumer and business loans has slowed significantly over the past year.

Tightening of Credit Standards
%, not seasonally adjusted



Banks Reporting Strong/Weaker Demand
%, not seasonally adjusted

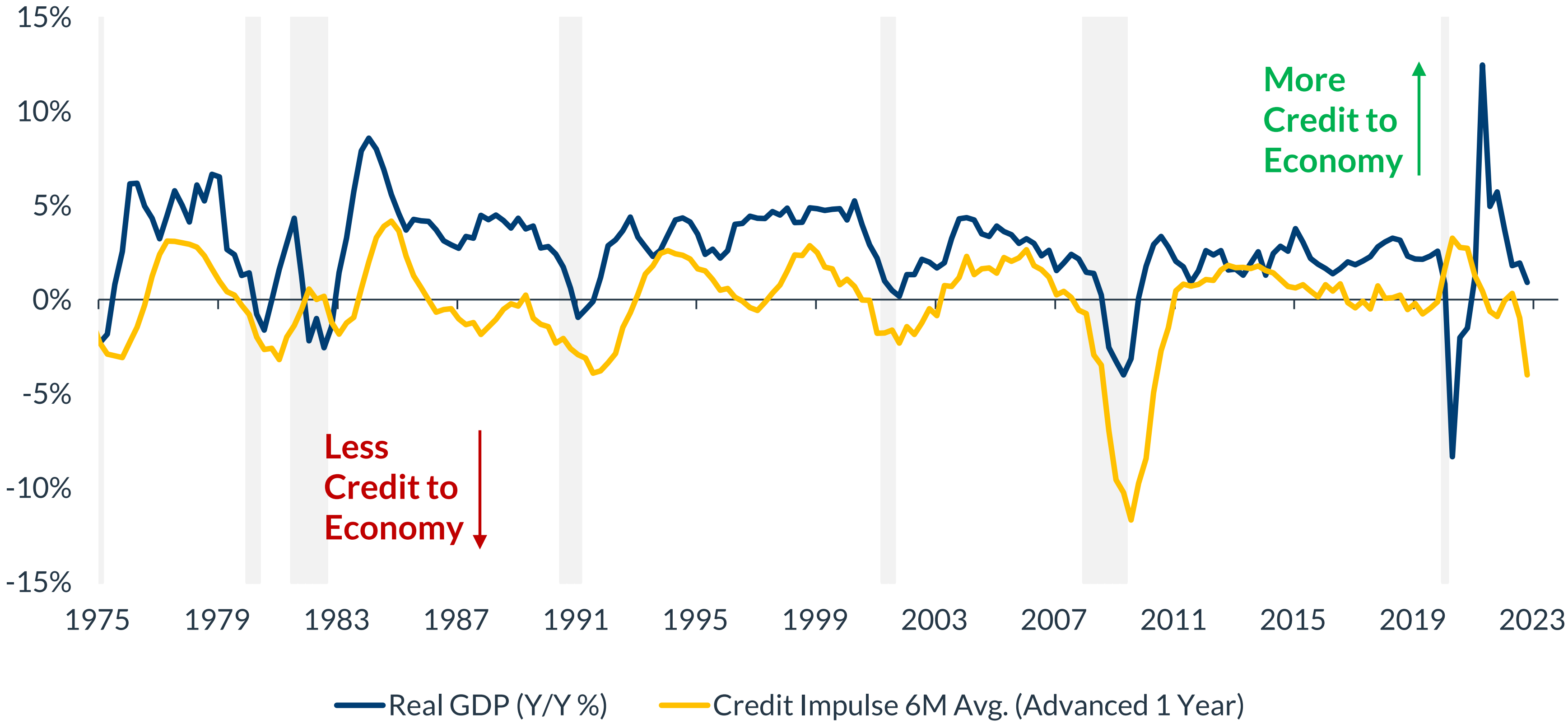


Source: St. Louis Fed, as of January 2023.
Information is subject to change and is not a guarantee of future results.

US Economy Runs on Credit

- Economic growth is positively correlated with rates of credit extension.
- Households rely on credit to support spending; business to facilitate investment and hiring.
- Without credit expanding, economic activity will likely weaken over the next few quarters.

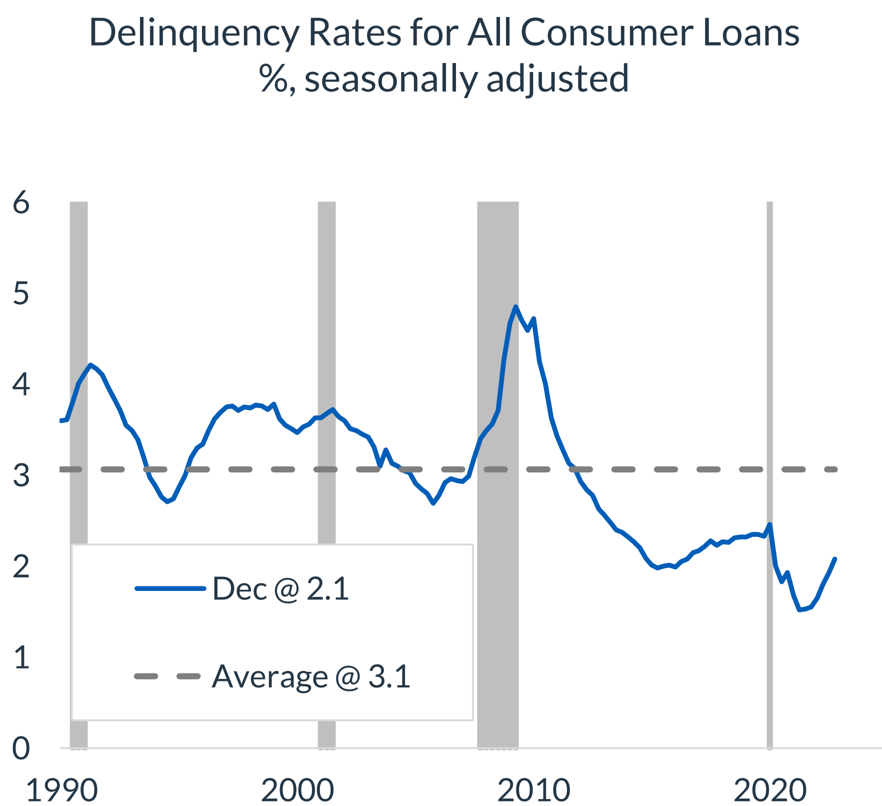
GDP Growth vs Change in Flow of Bank Credit to Private Sector

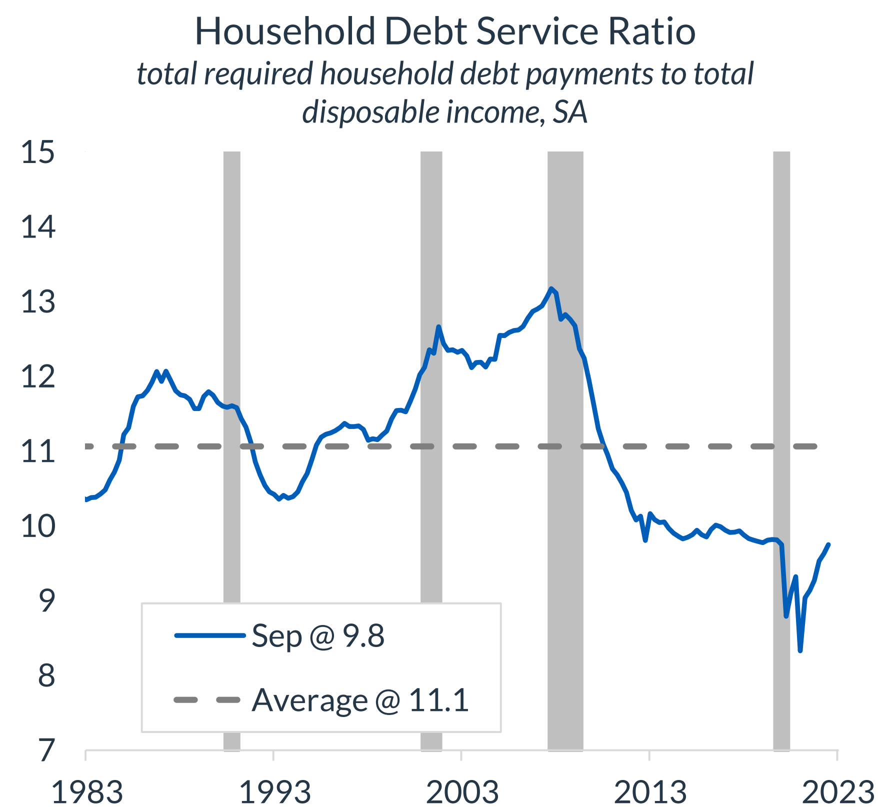


Source: St. Louis Fed, as of March 2023.
Information is subject to change and is not a guarantee of future results.

Consumer Strength Makes the Case for Mild Recession

- Delinquency rates have begun to tick up, but remain historically low.
- Households' debt service burden also remains historically low.
- Strong consumer balance sheets should mitigate against spending pullback seen in more normal recessions.





Source: Federal Reserve, Bureau of Economic Research.
Information is subject to change and is not a guarantee of future results.

What Is CNR's Current Portfolio Positioning?

CNR Strategies - Financial Sector Exposure

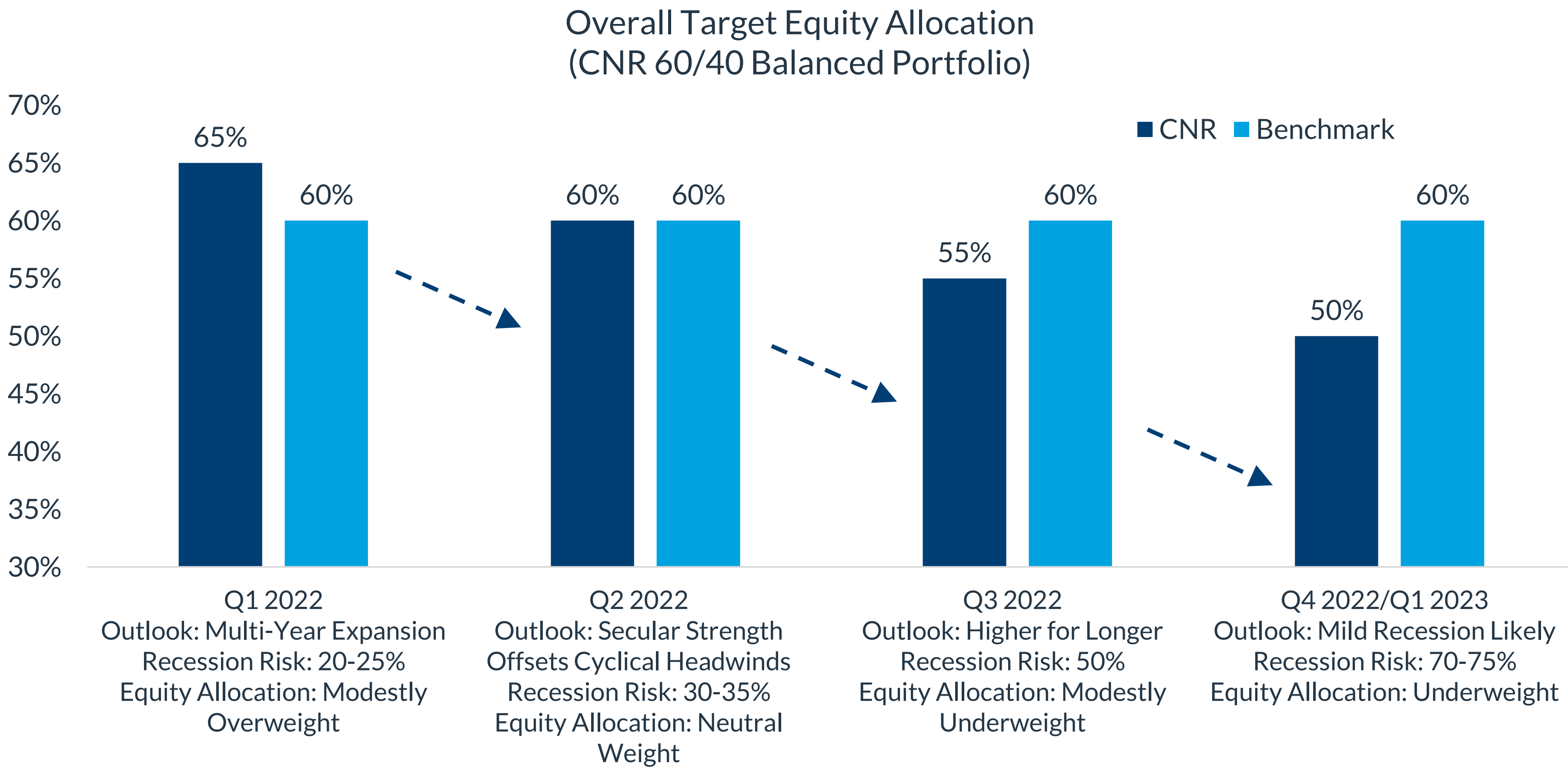
- Portfolios are constructed to be well diversified across sector and industry.
- Focus on holding high quality US stocks and bonds.

Strategy	Exposure
Core US Equity	• No regional banks
Equity Income	• Bank holdings are high quality, with solid financial ratios • Holdings have well-balanced sources of deposits and lending books.
Taxable Fixed Income	• Modest exposures to high quality, money center banks • Holdings have well-balanced sources of deposits and lending books.
Tax-exempt Fixed Income	• Exposure to high capitalized money center banks • No regional banks

Source: CNR Research, as of March 2023.
Information is subject to change.

CNR Portfolios Positioned Defensively

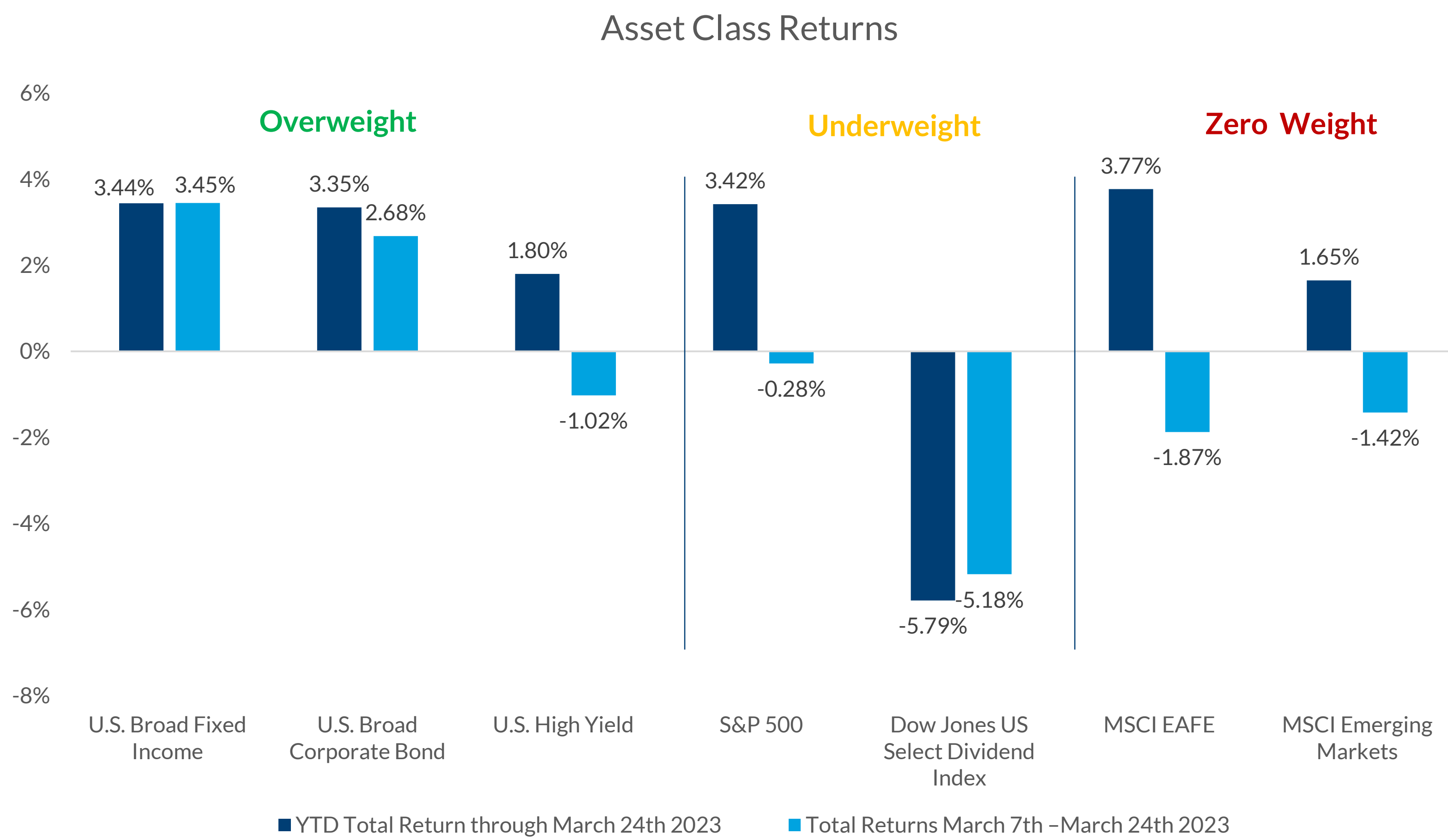
- In Q2 2022, we began proactively lowering equity exposure as risks to the outlook increased.
- Reduced riskiest equity asset classes, exposure to cyclical industries and increased investment grade fixed income.
- Portfolios are now underweight overall equity exposure, with a lower risk profile.



Source: CNR Research. Benchmark is S&P 500.

Market Returns – Pre and Post Bank Stress Headlines

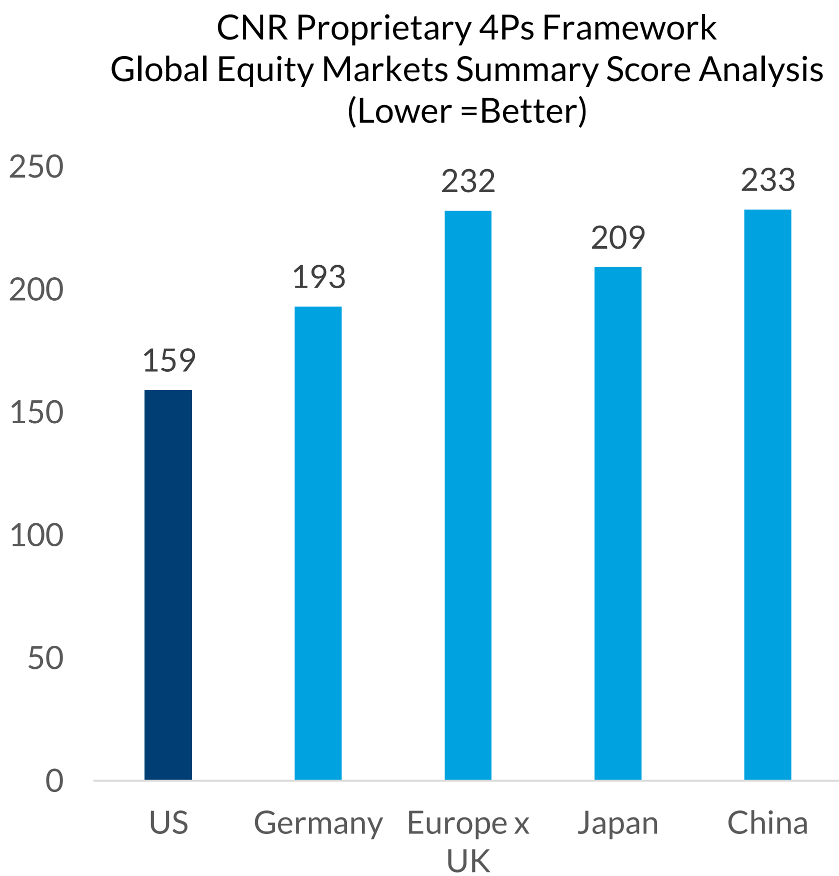
- CNR portfolios are underweight equities and overweight investment grade fixed income.
- Defensively positioned in anticipation of higher uncertainty, elevated recession risk, and potential shocks.
- Focused on holding high-quality US stocks and bonds.



Source: Bloomberg.

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.



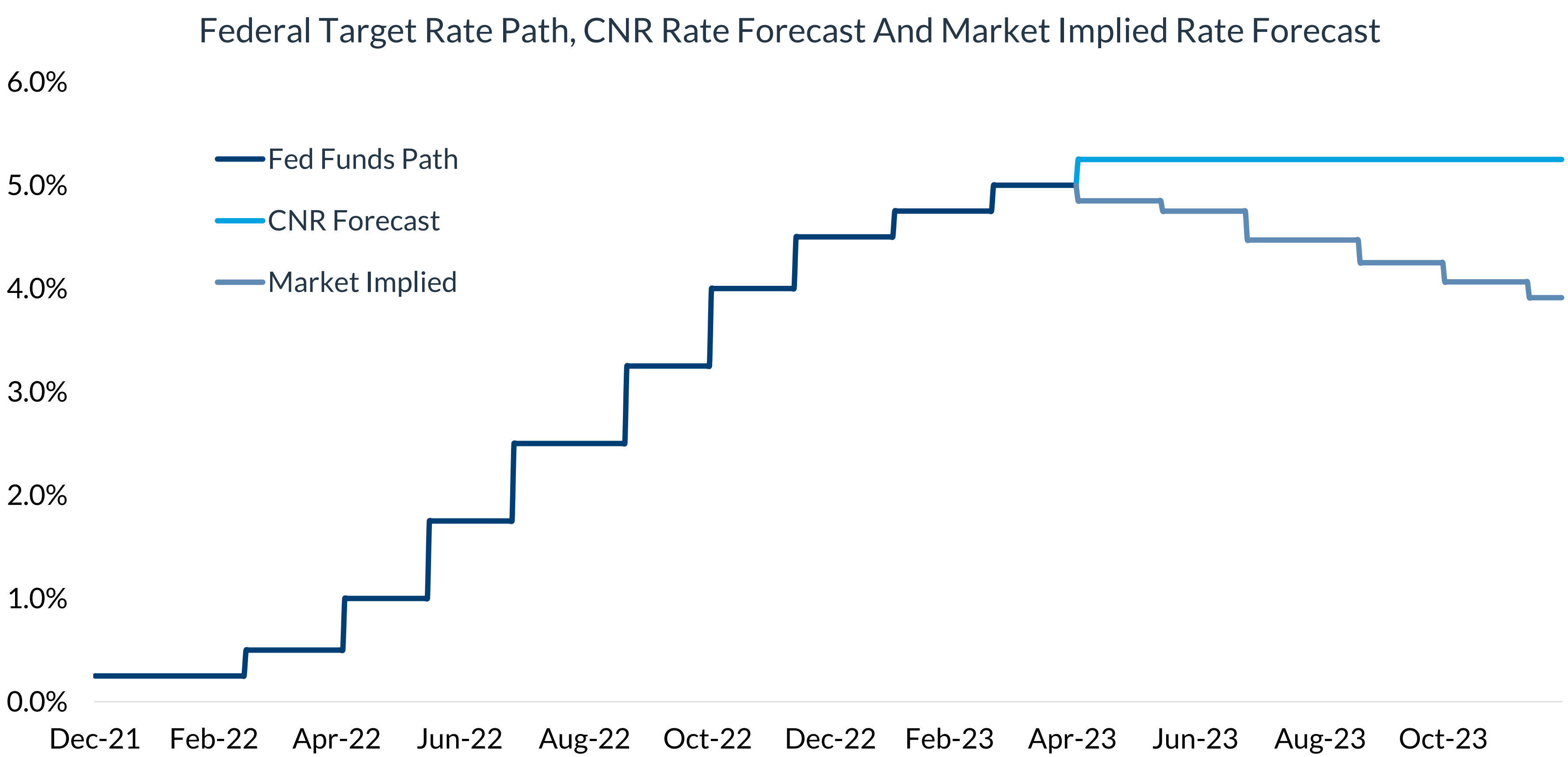
Country/ Region	What 's Needed to Change Our Outlook?
China	• Reversal of state control measures • Relaxation of tensions with West • Easing of property market bubble
Euro Area	• Clean end to Ukraine War/Peace dividend • Higher nominal GDP potential • Competitive market reforms

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

What Will the Federal Reserve Do Next?

The Federal Reserve Will Keep Rates High

- The Federal Reserve has been clear that it does not see rate cuts in 2023.
- The market has rapidly adjusted expectations, which we believe will forecast four 25bps cuts by December 2023.
- If short term rates stay higher for longer, further market volatility ahead is likely.



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

Federal Reserve Balance Sheet

- With the Fed Funds rate close to its peak, attention will turn to the Fed's balance sheet.
- Balance sheet reduction reduces bank reserves and removes liquidity from the economy.

How much has the Fed reduced its balance sheet?

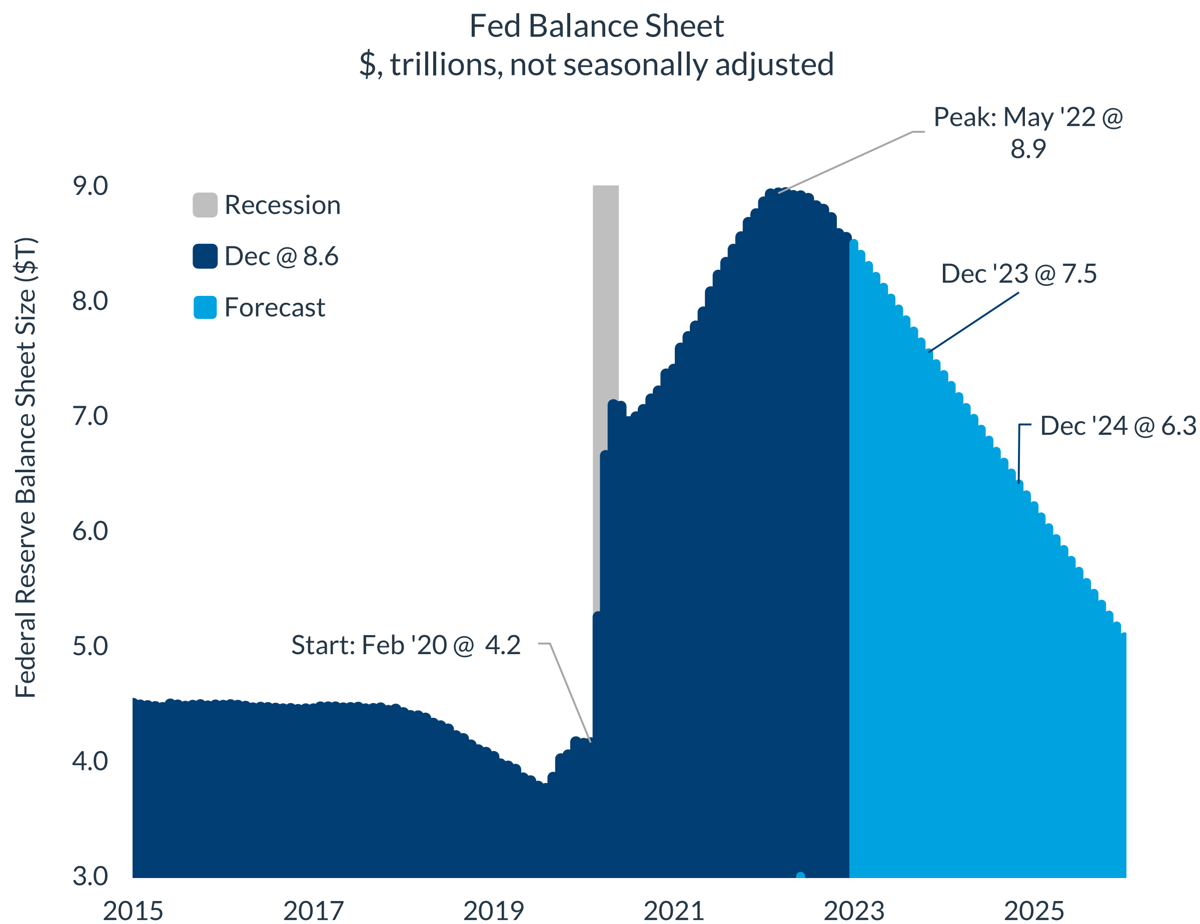
› Since reaching a peak of $8.9T, the balance sheet has been reduced by $650B.

Have bank reserves fallen?

› Bank reserves have fallen by $1.5T – more than double the Fed's reduction.

Why have reserves fallen further than the amount of balance sheet reduction?

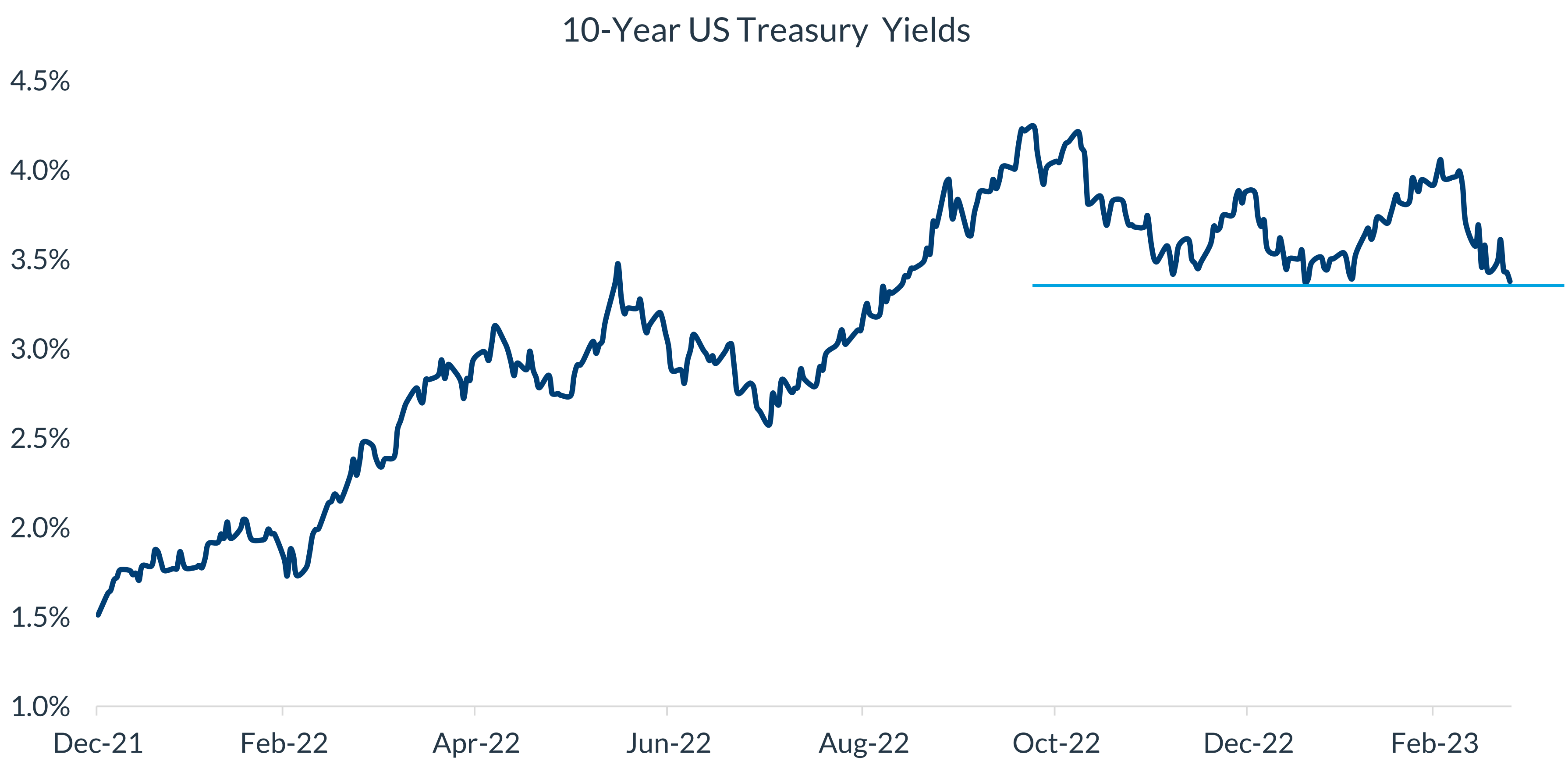
› The combined effect of balance sheet reduction, higher rates and decreased deposits has amplified the impact to reserves.



Sources: Bloomberg, CNR Research, as of January 2022. Information is subject to change and is not a guarantee of future results.

Treasury Yields Could Quickly Climb Higher

- Prior to bank stress, treasury yields were higher, given strong economic data and inflation pressures.
- Yields dropped quickly on a "flight-to-safety".
- But, if data remains strong and inflation high, we believe long-term rates may rise.



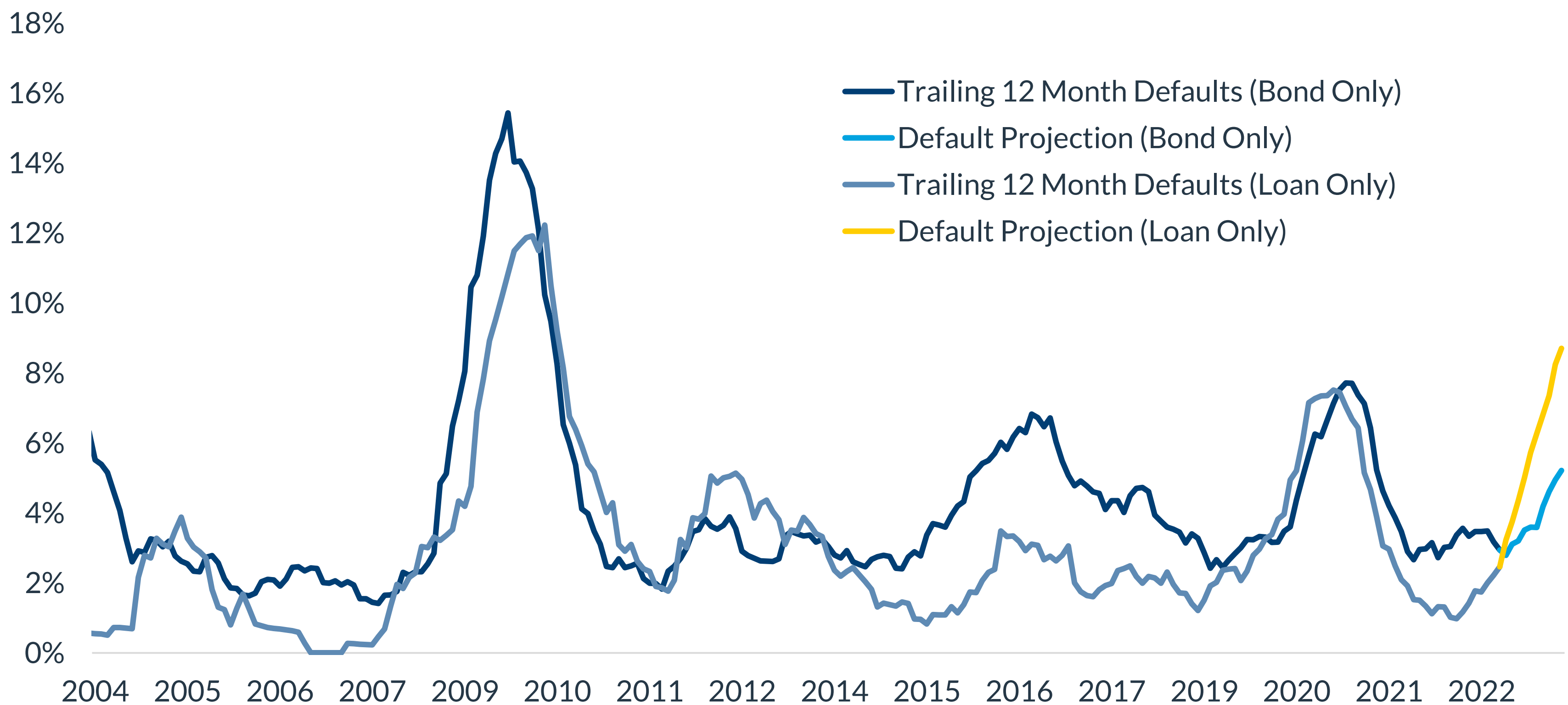
Sources: Bloomberg, CNR Research, as of March 2023.
Information is subject to change and is not a guarantee of future results.

Do High Yield Bonds Pose a Risk to Portfolios?

We Believe Default Rates Will Increase

- Higher interest rates will begin to erode credit quality, which will be more acute for private lending.
- The historical relationship between corporate bonds and leveraged loans looks poised to flip.

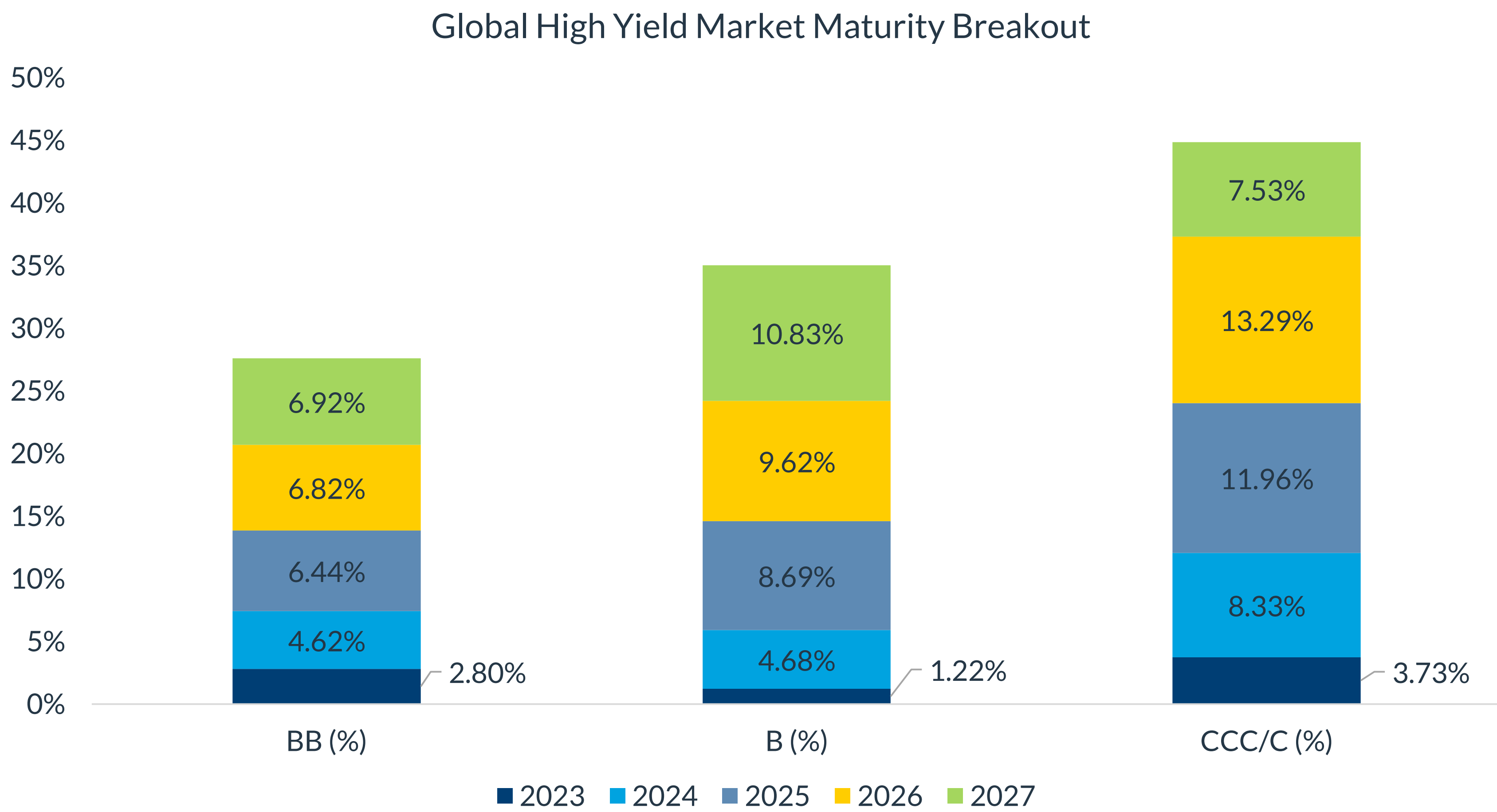
Leveraged Loan and Corporate Default Rates
Historical and Projected, Trailing 12 Months, Issuer-Weighted (%)



Sources: Moodys, CNR Research, as of February 28, 2023. Information is subject to change and is not a guarantee of future results.

The Global High Yield Maturity Wall

- Despite the stress brought on by higher interest rates, high yield issuers have time before debt matures.
- Lower quality debt is more vulnerable as borrowing maturities are shorter.
- However, more than 96% matures are beyond 2023.

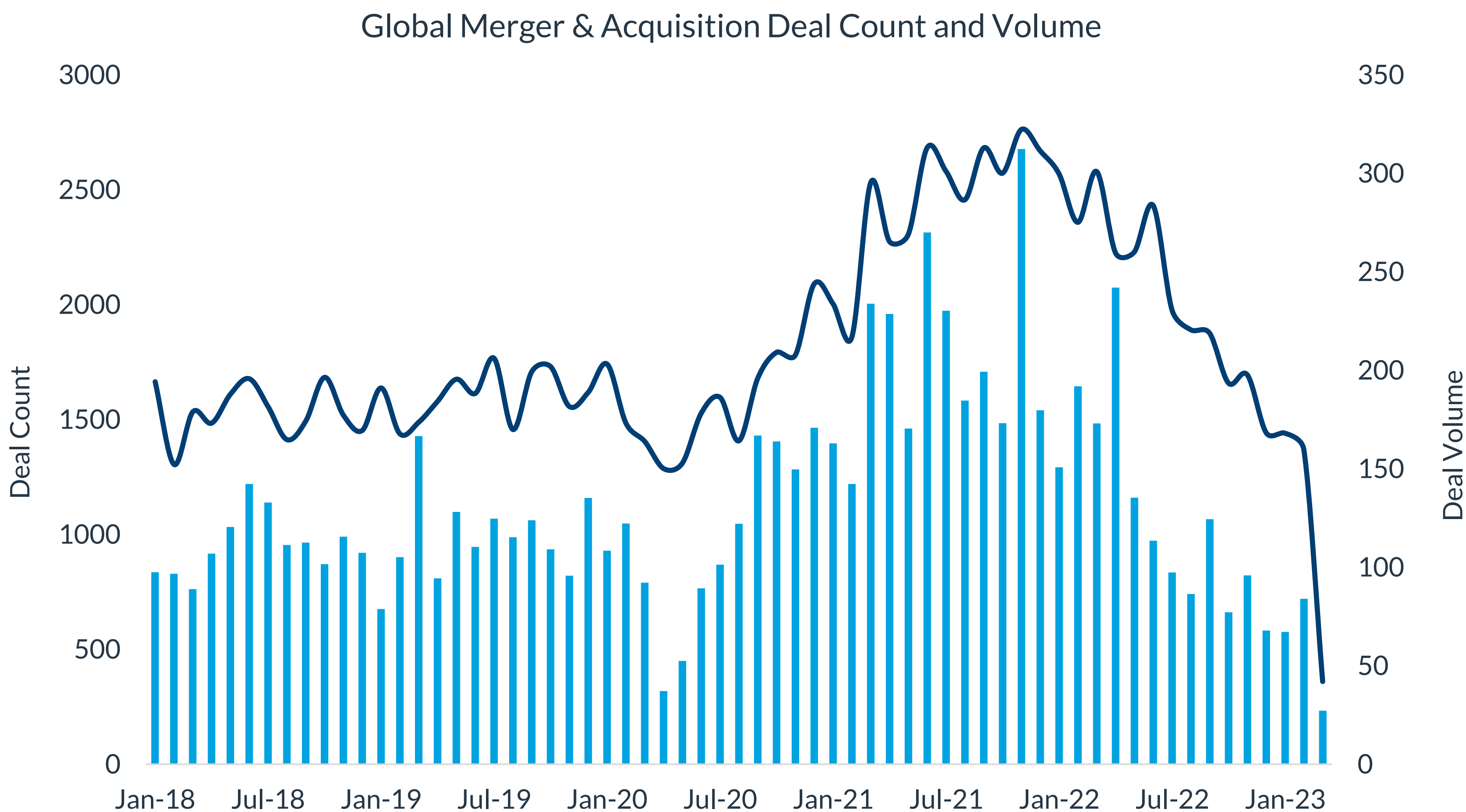


Sources: S&P Global Ratings Research, CNR Research, as of January 1, 2023. Information is subject to change and is not a guarantee of future results.

Should Investors be Concerned About Private Markets?

Global Merger and Acquisition Volume Has Slowed

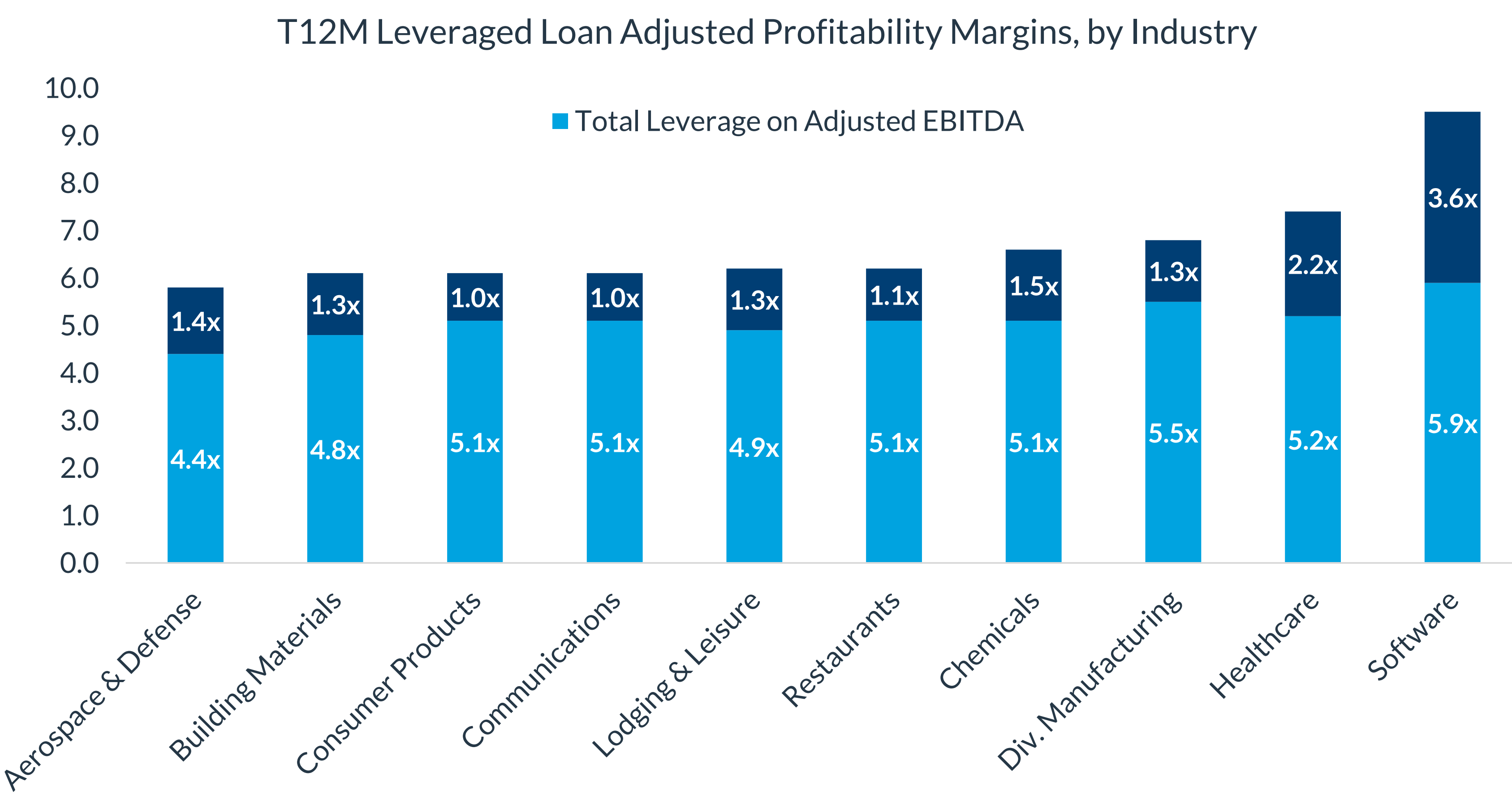
- M&A deal count and volume has declined from its peak in Q4 2021.
- Despite dry powder across the industry, a lack of deal flow will render it useless, especially as private equity funds and companies resist valuation write-downs.



Sources: Bloomberg, CNR Research, as of March 24, 2023. Information is subject to change and is not a guarantee of future results.

Leverage May Be Underestimated in Private Equity Deals

- Deal leverage is calculated on a pro-forma basis, resulting in "best case" leverage ratios.
- Combined with covenant-lite issuance and higher interest rates, loans are vulnerable to defaults.



Source: Bloomberg, CNR Research, as of March 2023.

Private Debt and Leveraged Lending by The Numbers

- The market for high yield leveraged loans and private lending may be at risk.
- We are reviewing our exposures and likely to make reductions going forward.

$1.4 Trillion	Size of the Private Credit Markets, growth of 10x since 2008.
$1.7 Trillion	Size of the Broadly Syndicated Leveraged Lending Market.
88%	The percentage of Leveraged Lending deals with weak creditor protections.
1.5x	The potential underestimation of leverage in the Leveraged Lending Market.
60%	The percentage of B3 rated issuers that may become cash flow negative at current interest rates.

Source: Bloomberg, Marathon Asset Management, Moody's, CNR Research, as of March 2023.

When Will It Be Time to Increase Equity Exposure Again?

Upcoming Event Expectations & Key Signals We Are Watching For

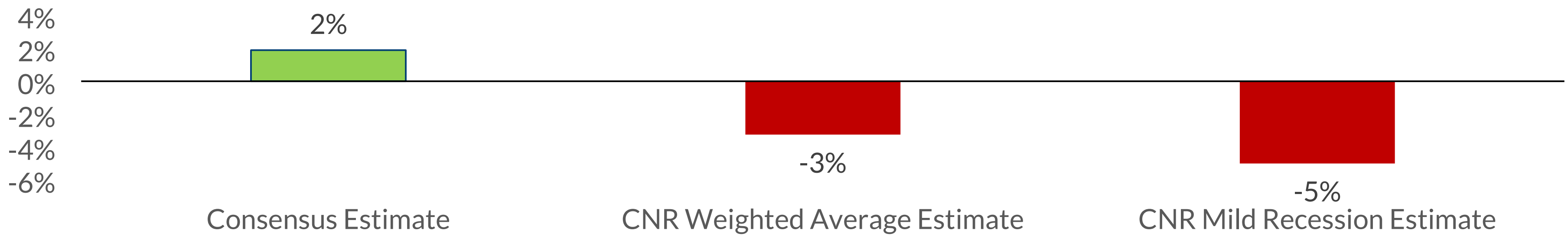
Indicator	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Economic Activity Bottoming									
Upward Earnings Revisions Begin									
High Yield Spreads Peak									

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

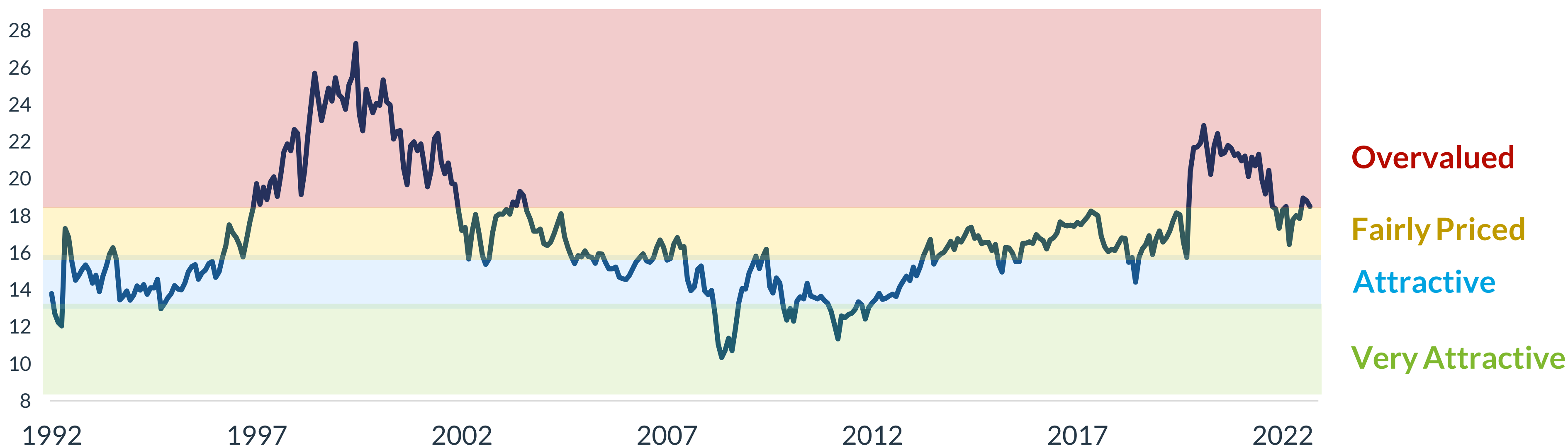
Markets Still Don't Reflect Risks Ahead

- 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 expansion.

2023 S&P 500 Earnings Growth Forecasts



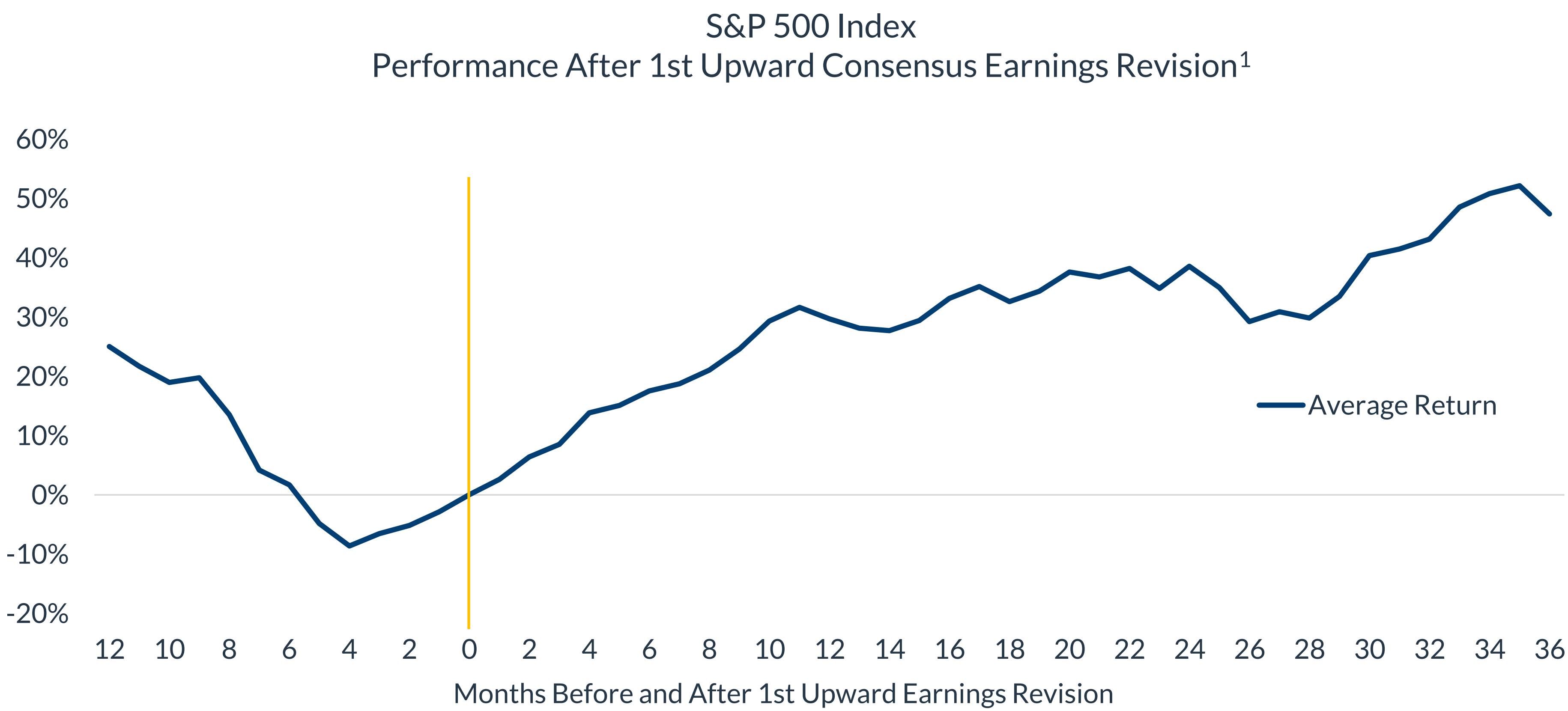
S&P 500 Forward Price/Earnings Ratio



Sources: FactSet, CNR Research, as of March 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.

Equity Market Bottoms and Earnings

- Markets are forward looking and tend to bottom before earnings estimates do.
- Current downward EPS revisions likely still have a ways to go.
- However, at some point investors will begin pricing in expectations for a recovery in earnings growth.



Sources: Bloomberg, CNR Research, as of February, 2023. Information is subject to change and is not a guarantee of future results.
[1] Covers performance periods with GDP troughs in 1990, 2001 and 2008

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
Base Case
• Signs of in bottoming economic activity/beginning of new growth cycle • Add cyclical US equity exposure • Reduce investment grade (IG) fixed income allocations
Best Case
• Higher confidence of multi-year expansion/geopolitical risk easing • Overweight US equity exposure, underweight IG fixed income allocations • International equity contingent on geopolitical considerations
Worst Case
• High risk of structural bear market/deeper recession, exogenous shock • Meaningfully lower overall equity exposure • Meaningfully increase allocations to IG fixed income

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

Conclusion

Investment Strategy Committee Considerations

2023 Economic Outlook

- Higher for longer thesis intact
- **Modestly increased recession risk to 75%, 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
- 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
- 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 March 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 necessarily 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.

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 more developed 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.

Alternative investments. 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.

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.

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

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

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

Important Information

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.

This document may contain forward-looking statements relating to the objectives, opportunities and future performance of the US and global markets generally. Forward-looking statements may be identified by the use of such words as: “expect,” “estimated,” “potential” and other similar terms. Examples of forward-looking statements include, but are not limited to, estimates with respect to financial condition, results of operations, and success or lack of success of any particular investment strategy. All are subject to various factors, including, but not limited to, general and local economic conditions, changing levels of competition within certain industries and markets, changes in interest rates, changes in legislation or regulation, and other economic, competitive, governmental, regulatory and technological factors affecting a portfolio’s operations that could cause actual results to differ materially from projected results. Such statements are forward-looking in nature and involve a number of known and unknown risks, uncertainties and other factors, and accordingly, actual results may differ materially from those reflected or contemplated in such forward-looking statements. In addition, certain information upon which assumptions have been made has been provided by third-party sources and, although believed to be reliable, the information has not been independently verified and its accuracy or completeness cannot be guaranteed. Prospective investors are cautioned not to place undue reliance on any forward-looking statements or examples. None of City National Rochdale nor any of its affiliates or principals nor any other individual or entity assumes any obligation to update any forward-looking statements as a result of new information, subsequent events or any other circumstances. All statements made herein speak only as of the date that they were made.

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.

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.

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.

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

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.

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

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