January 2021

Economic Outlook and Investment Strategy
Vaccination Process is Improving

- Approximately 8 million Americans have received their first dose of a COVID-19 vaccine
- Rate of vaccination has risen significantly as inefficiencies are being fixed

Hospitalizations Continue to Flatten

- Hospitalizations increasing at a slower rate, expected to decline in coming weeks
- Impact of new virus strains difficult to assess at this point

Hospitalization and fatality data source from the COVID Tracking Project and supplemented by estimated hospitalization data from IHME where no hospitalization data was officially reported.
Hospitalizations Declining in 45% of States

- Hospitalizations decreasing in 22 states
- Rate of increase in heavily impacted states is slowing

One-Week Change in Hospitalizations
(Population-Adjusted)
Short-term Economic Progress Stalled by Virus Surge

- Virus resurgence, cold weather have led to a decrease in mobility and economic engagement
- Economic impact has been modest relative to spring surge, so far

Dallas Fed Mobility and Engagement Index
Stimulus Supports the Economy Through the Virus Surge

- Federal Reserve continues highly accommodative monetary policy
- Congress has approved continued fiscal stimulus
CNR Progress Playbook

Investment Committee considering:

- Our confidence in the economic outlook has increased due to vaccine breakthroughs.
- In spring, expecting increased confidence to drive economic activity and rebuild inventories.
- Unemployment will decline throughout 2021, leading to positive income and spending trends.
- Narrow Democrat congressional control creates the potential for larger stimulus, without large tax increases.
- We have been increasing our exposure to growth investments, expecting a return to normalcy.
- Earnings for the S&P 500 look set to be at a record level in 2021; expect continued growth into 2022.
- Stock valuations high in many segments, but reasonable in high-dividend, select high-quality core equities.
- Potential volatility from COVID-19 increases could be used as investment opportunity.
- Equity returns in 2021 could be above average, but expect moderate longer-term returns.
- Returns in investment grade fixed income could be challenged when interest rates rise.

Source: CNR Research.
Despite Short-term Risks, Long-term Outlook Is Positive

<table>
<thead>
<tr>
<th>Temporary Negatives December-March</th>
<th>Long-term Fundamentals Post-April</th>
</tr>
</thead>
<tbody>
<tr>
<td>COVID-19 winter surge</td>
<td>Vaccines</td>
</tr>
<tr>
<td>Increasing COVID-19 restrictions</td>
<td>Vaccines</td>
</tr>
<tr>
<td>Delayed fiscal stimulus</td>
<td>Job creation and pent-up demand</td>
</tr>
</tbody>
</table>

Source: CNR Research.
Economic and Financial Indicators

Indicators Are Forward-Looking Six to Nine Months

Indicators are signaling a more entrenched and durable recovery from the COVID-19 crisis developing in the second half of 2021 as vaccine availability becomes widespread.

Source: City National Rochdale. As of January 2021.
Next Few Months Challenging, but More Durable Recovery Ahead

- Highly effective vaccines becoming widely available by spring are expected to allow a sharper recovery to take hold.
- Resurgence in infections is the leading near-term downside risk, but a return to widespread lockdowns is unlikely.
- Recovery in demand is expected to be constrained until virus fears fade and social distancing rules are reduced.
- Full normalcy not expected until the second half of 2021.
- Policy responses have been massive and well targeted, but need to continue until crisis passes.

Potential Range of GDP Growth

<table>
<thead>
<tr>
<th>Quarter</th>
<th>GDP Growth</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2</td>
<td>-31%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3</td>
<td>+33%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4</td>
<td>+4%</td>
<td>+3%</td>
<td></td>
</tr>
<tr>
<td>Q1</td>
<td>+2%</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>

Percent Change From Preceding Period, Seasonally Adjusted at Annual Rates

City National Rochdale Forecasts

<table>
<thead>
<tr>
<th>Forecast Type</th>
<th>2019</th>
<th>2020e</th>
<th>2021e</th>
<th>2022e</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth</td>
<td>2.3%</td>
<td>(3.6%) - (3.7%)</td>
<td>3.5%-5.5%</td>
<td>2.5%-4.5%</td>
</tr>
<tr>
<td>Corporate Profit Growth</td>
<td>1%</td>
<td>(15%) - (20%)</td>
<td>20%-30%</td>
<td>10%-20%</td>
</tr>
<tr>
<td>Fed Funds Rate</td>
<td>1.625%</td>
<td>0%-0.25%</td>
<td>0%-0.25%</td>
<td>0%-0.25%</td>
</tr>
<tr>
<td>Treasury Note, 10-Yr.</td>
<td>1.90%</td>
<td>0.92%</td>
<td>0.80%-1.30%</td>
<td>0.90%-1.40%</td>
</tr>
</tbody>
</table>

Source: Bureau of Economic Analysis, Standard & Poor’s, Bloomberg. As of January 2021.
Not a “Blue Wave,” More Like a “Blue Ripple”

- Don’t expect major policy shifts, despite unified Democrat control of government
- Narrow Democrat congressional majorities will limit the scope of legislative agenda
- Risk of higher taxes has increased modestly but they are unlikely in the near term
- Still market friendly; creates the potential for larger fiscal stimulus, without large tax increases
- Markets and corporate earnings have done well under Democrat political control
- Sectors/industries could be impacted differently, highlighting the need for active management

<table>
<thead>
<tr>
<th></th>
<th>Democrat*</th>
<th>Republican</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senate</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>House of Representatives</td>
<td>222</td>
<td>212</td>
</tr>
</tbody>
</table>

*Includes registered independents expected to caucus with Democrats. Source: Cook Political Report.
COVID-19 Wreaks Havoc on the Economy; the Rebound Has Begun

![Graph showing the contribution to GDP (%)]

- Consumption: 25.3%
- Investment: 11.6%
- Government: 0.8%
- Net Trade: 0.6%

### GDP $, billions

- 2015: 16,500
- 2016: 17,000
- 2017: 17,500
- 2018: 18,000
- 2019: 18,500
- 2020: 19,000
- 2021: 19,500

- **Recession**
  - Sep @ 18,584
  - 66% of economic output has been recovered

*Source: Bureau of Economic Analysis as of September 2020.*
The Recovery in Labor Continues, but at a Slower Pace

Nonfarm Payrolls
millions, seasonally adjusted

56% of job losses have been recovered

The Consumer Has Plenty of Cash to Keep Spending Strong in 2021

Household Savings, Earnings, Spending
Change from 2019 to 2020 (Mar-Nov), $, billion

- Savings: 1,560
- Earnings: 1,026
- Spending: -535

Personal Income
Change from 2019 to 2020 (Mar-Nov), $, billion

- Wages: -43
- Unemployment Insurance: 499
- Stimulus Check: 276
- Proprietor’s Income: 29
- All other Income: 265

Personal Spending
Change from 2019 to 2020 (Mar-Nov), $, billions

- Durable Goods: 60
- Non-Durable Goods: 39
- Services: -575
- Interest Payments: -59

Source: Bureau of Economic Analysis as of November 2020.
Financial Conditions Strongly Support Future Growth

Goldman Sachs Financial Conditions Index

The lower the number, the more accommodative financial conditions are.

<table>
<thead>
<tr>
<th></th>
<th>Dec-20</th>
<th>Dec-19</th>
<th>Feb-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Funds Rate (%)</td>
<td>0.125</td>
<td>1.625</td>
<td>0.125%</td>
</tr>
<tr>
<td>10-yr. Treasury (%)</td>
<td>0.96</td>
<td>1.44</td>
<td>2.67%</td>
</tr>
<tr>
<td>BBB Credit Spread (%)</td>
<td>1.21</td>
<td>1.20</td>
<td>6.43</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>3,756</td>
<td>3,231</td>
<td>735</td>
</tr>
<tr>
<td>U.S. Dollar</td>
<td>89.9</td>
<td>96.4</td>
<td>88</td>
</tr>
</tbody>
</table>

Source: Goldman Sachs, Bloomberg, Bloomberg Indices as of December 2020.
Housing Starts a Rebound, With Strong Fundamentals

New & Existing Home Sales
units, millions, seasonally adjusted annual rate

<table>
<thead>
<tr>
<th>Year</th>
<th>New: Nov @ 0.8</th>
<th>Existing: Nov @ 7.5</th>
<th>Recession</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Bureau of Economic Analysis, National Association of Realtors as of December 2020.

Monthly Mortgage Payment (3.02%)
$, based upon a $100,000 30-year fixed rate mortgage

- Dec 2020 (2.87%) @ 415
- Average @ 532


Inventory of Homes for Sale (months)

<table>
<thead>
<tr>
<th>Year</th>
<th>New Homes: Nov @ 4.1</th>
<th>Existing Homes: Nov @ 2.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


NAHB Home Builder Survey
(Diffusion Index)

<table>
<thead>
<tr>
<th>Year</th>
<th>Dec @ 86</th>
<th>&quot;50&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Strong Policy Response Drives Recovery

- Monetary and fiscal policy actions have been effective
- Bridge for companies to get through the shutdowns and rehire workers

U.S. Federal Reserve and European Central Bank Balance Sheet Assets

Source: Bloomberg.
Inflation Expected to Reflect Growth, Not a Near-term Concern

- Stimulus, reopening have reduced concerns about disinflation
- Despite accommodative monetary policy, high fiscal spending, inflation expectations are in line with target of 2%

5-Year Inflation Expectations

Source: Bloomberg. Data reflects St. Louis Fed 5-Year Forward Inflation Expectation Rate.
**Interest Rates and Inflation Set to Remain Low**

On balance, we think disinflationary forces will prevail in coming years.

<table>
<thead>
<tr>
<th>Downward Pressure Forces</th>
<th>Upward Pressure Forces</th>
</tr>
</thead>
<tbody>
<tr>
<td>Globalization</td>
<td>Smaller labor force/higher wage pressure</td>
</tr>
<tr>
<td>Technology</td>
<td>Fewer “producers”/more “consumers”</td>
</tr>
<tr>
<td>Slower economic growth</td>
<td>Less productivity</td>
</tr>
<tr>
<td>Reduced investment</td>
<td>Higher debt</td>
</tr>
<tr>
<td>Longevity/increased retirement age and higher savings</td>
<td>Protectionism</td>
</tr>
<tr>
<td>Growing inequality/wealthy save more</td>
<td>Greater healthcare/entitlement spending</td>
</tr>
</tbody>
</table>

Source: City National Rochdale.
Implication of New Fed Policy: Lower Rates for Years

- More discretion, less preemption
- New bias to keeping rates on hold well after economic and inflation growth sets in
- Supportive of risk assets — equities and high-yield fixed income

Federal Funds Rate & FOMC Projections (%)

Source: Federal Reserve Bank as of November 2020.
Global Recovery Underway

- Indicators are signaling that the world economy is moving past the worst of the COVID-19 contraction
- Recoveries across economies will likely be slow going and uneven
We expect real returns to be moderate, with higher volatility over the next few quarters.

Asset Class Performance

Asset Class Returns

Equities
- S&P 500 (TR)
- S&P Small Cap 600
- China Shanghai
- Dow Jones Select Dividend Index
- Nasdaq-100
- MSCI Europe
- MSCI EAFE
- MSCI EM Asia
- S&P U.S. Treasury Bond 10-Year Index
- S&P/LSTA U.S. Leveraged Loan 100
- Bloomberg Barclays Municipal HY
- Bloomberg Barclays U.S. High Yield Corporate
- Bloomberg Barclays U.S. Aggregate
- Corp. EM Bonds (J.P. Morgan CEMBI)
- Gold
- Brent Oil
- Bloomberg Commodity Index

Fixed Income
- Bloomberg Barclays U.S. Aggregate

Real Assets

Source: FactSet. As of December 31, 2020. Total returns include dividends reinvested.
## Sector Performance

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Technology</td>
<td>-11.93%</td>
<td>14.95%</td>
<td>28.69%</td>
<td>43.89%</td>
<td>27.61%</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>-19.29%</td>
<td>7.23%</td>
<td>23.38%</td>
<td>33.30%</td>
<td>12.72%</td>
</tr>
<tr>
<td>Communication Services</td>
<td>-16.95%</td>
<td>-0.31%</td>
<td>8.60%</td>
<td>23.61%</td>
<td>10.77%</td>
</tr>
<tr>
<td>Materials</td>
<td>-26.14%</td>
<td>-8.04%</td>
<td>5.47%</td>
<td>20.73%</td>
<td>2.63%</td>
</tr>
<tr>
<td>Health Care</td>
<td>-12.67%</td>
<td>-0.81%</td>
<td>5.01%</td>
<td>13.45%</td>
<td>13.46%</td>
</tr>
<tr>
<td>Industrials</td>
<td>-27.05%</td>
<td>-14.64%</td>
<td>-3.99%</td>
<td>11.06%</td>
<td>8.40%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>-12.74%</td>
<td>-5.66%</td>
<td>4.13%</td>
<td>10.75%</td>
<td>6.51%</td>
</tr>
<tr>
<td>Utilities</td>
<td>-13.50%</td>
<td>-12.61%</td>
<td>-5.68%</td>
<td>0.48%</td>
<td>2.76%</td>
</tr>
<tr>
<td>Financials</td>
<td>-31.92%</td>
<td>-23.62%</td>
<td>-20.22%</td>
<td>-1.69%</td>
<td>10.44%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>-19.21%</td>
<td>-9.96%</td>
<td>-6.78%</td>
<td>-2.17%</td>
<td>2.40%</td>
</tr>
<tr>
<td>Energy</td>
<td>-50.45%</td>
<td>-35.34%</td>
<td>-48.09%</td>
<td>-33.68%</td>
<td>2.30%</td>
</tr>
</tbody>
</table>

### Growth vs Value

<table>
<thead>
<tr>
<th>Growth vs Value</th>
<th>YTD 3/31/20</th>
<th>YTD 6/30/20</th>
<th>YTD 9/30/20</th>
<th>YTD 12/31/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500 Pure Growth</td>
<td>-20.7%</td>
<td>2.8%</td>
<td>12.5%</td>
<td>29.7%</td>
</tr>
<tr>
<td>S&amp;P 500 Pure Value</td>
<td>-41.8%</td>
<td>-29.8%</td>
<td>-27.5%</td>
<td>-8.7%</td>
</tr>
</tbody>
</table>

Financial Conditions Have Dramatically Recovered

- Monetary and fiscal policy impact is clearly positive
- Back to near pre-crisis levels

St. Louis Fed Financial Stress Index

Source: Bloomberg.
Active Management
Shift focus from capital preservation to capital appreciation

ECONOMIC & MARKET OUTLOOK

More Certainty
Confidence in Economic and Profit Forecasts

Less Certainty

Lockdowns:
Primary focus: capital preservation

Fiscal and monetary stimulus:
Moderate focus on capital preservation

Partial economic recovery, second wave of virus:
Opportunistically targeting capital appreciation

Multiple effective vaccines:
Primary focus on capital appreciation

For illustrative purposes.
Source: Bureau of Economic Analysis as of September 2020.
Active Management: What have we done?

- Raised exposure in both equities and opportunistic fixed income
- Equity focus on undervalued quality franchise, earnings and dividend growth

### Returning to Normalcy Playbook

<table>
<thead>
<tr>
<th>Theme</th>
<th>Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consumer</strong></td>
<td>Venturing back into the world – brick and mortar retail</td>
</tr>
<tr>
<td></td>
<td>Investing in the home</td>
</tr>
<tr>
<td></td>
<td>Return to normal spending patterns</td>
</tr>
<tr>
<td><strong>Digital Revolution</strong></td>
<td>Semiconductor content for auto and industrial</td>
</tr>
<tr>
<td><strong>Financial Services</strong></td>
<td>Unique consumer focused, strong regions in U.S.</td>
</tr>
<tr>
<td><strong>Increased Economic Cyclicality</strong></td>
<td>Improving industrial production</td>
</tr>
</tbody>
</table>
Active Management
In a low-return world, emphasis on income

- Low interest rates and high stock valuations → lower returns in the future
- Investors should consider how to adjust their investment tolerances to achieve their goals

Total Yield

<table>
<thead>
<tr>
<th>Portfolio Type</th>
<th>Total Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conservative CNR AM</td>
<td>2.2%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>1.1%</td>
</tr>
<tr>
<td>Conservative Benchmark</td>
<td>1.2%</td>
</tr>
<tr>
<td>Moderate CNR AM</td>
<td>3.0%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>1.4%</td>
</tr>
<tr>
<td>Moderate CNR AM</td>
<td>3.0%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>1.6%</td>
</tr>
<tr>
<td>Moderate Growth CNR AM</td>
<td>2.9%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>2.3%</td>
</tr>
<tr>
<td>Growth CNR AM</td>
<td>1.7%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>1.6%</td>
</tr>
<tr>
<td>Maximum Growth CNR AM</td>
<td>1.8%</td>
</tr>
</tbody>
</table>
Markets Have Performed Well Under Democrat Control

Stock Performance Under Different Congressional Control
(S&P 500 Annual Returns 1950-2019)

- Democrat President: 13.2%
- Republican President: 18.3%
- Divided: 15.9%
- Republican: 9.4%
- Democrat: 8.7%
- Divided: 17.9%

Source: S&P 500.
Focused Regional Allocations Can Enhance Returns

- U.S. better positioned than Europe for short-term recovery and long-term economic growth
- Emerging markets in Asia present a more positive growth outlook than other emerging markets

Regional Equity Market Performance: 5 Years as of 12/31/2020

Stocks Appear Fully Valued

S&P 500 Forward Price/Earnings Ratio

Source: FactSet, CNR Research as of January 2021.
Equities Still Look Attractive vs. Bonds

Source: Bloomberg, FactSet.
Strong EPS Rebound Expected in 2021

S&P 500 Earnings Growth Forecast: 2020 and 2021

2020 Base Case = -16%  
2021 Base Case = 25%

Source: CNR Research.
Near Term Equity Outlook

*Market Appears Fully Valued; Expect More Modest Gains*

<table>
<thead>
<tr>
<th>2021 S&amp;P 500 EPS</th>
<th>CNR Estimate</th>
<th>Y/Y Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18.5</td>
<td>19</td>
</tr>
<tr>
<td>$163</td>
<td>20%</td>
<td>-18%</td>
</tr>
<tr>
<td>$170</td>
<td>25%</td>
<td>-14%</td>
</tr>
<tr>
<td>$177</td>
<td>30%</td>
<td>-11%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2021 S&amp;P 500 EPS</th>
<th>CNR Estimate</th>
<th>Y/Y Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18.5</td>
<td>19</td>
</tr>
</tbody>
</table>

Market Pushed up by Concentration of Large Tech Companies

2020 Performance

- S&P 500: 18.40%
- Top 5 Tech Companies: 55.69%
- S&P 500 ex Top 5 Tech: 10.85%
- Small Cap Stocks: 19.60%
- High Dividend Stocks: -5.67%

Focus on High-quality Companies, Reasonable Valuations

- Speculative emerging technology stocks are unprofitable but highly valued
- Preference for established, profitable companies expected to benefit from key trends
Slight Rise in Yields, But Interest Rates Expected to Remain Low

- Slightly higher inflation expectations have contributed to Treasury yields above 1%
- Rapid near-term increase in interest rates unlikely
Investing in a Low Interest Rate Environment

- Low interest rates and high stock valuations → lower returns in the future
- Investors should consider how to adjust their investment tolerances to achieve their goals

<table>
<thead>
<tr>
<th></th>
<th>1975-2019</th>
<th>2009-2019</th>
<th>Long-Term Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Stocks</td>
<td>12%</td>
<td>14%</td>
<td>7%</td>
</tr>
<tr>
<td>Investment Grade Bonds</td>
<td>8%</td>
<td>6%</td>
<td>2%</td>
</tr>
<tr>
<td>60/40 Portfolio</td>
<td>10%</td>
<td>10%</td>
<td>5%</td>
</tr>
</tbody>
</table>


Long-term forecasts reflect City National Rochdale’s capital market assumptions, derived by CNR to reflect forecast returns across asset classes for use as inputs into CNR’s portfolio construction process. These model expected returns do not show actual performance and are for illustrative purposes only. They do not reflect actual trading, liquidity constraints, fees, expenses, taxes and other factors that could impact the future returns. Past performance is not a guarantee of future results.

The expected returns are net of any City National Rochdale management fees; however, other fees may apply.
Higher Return Asset Classes Preferable to Investment Grade Bonds

Where suitable, higher-return asset classes can help to achieve investment goals

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>2009-2019</th>
<th>Long-Term Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Dividend Stocks</td>
<td>13%</td>
<td>7%</td>
</tr>
<tr>
<td>Emerging Markets Stocks</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>High Yield Bonds</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>Alternatives</td>
<td>10%-15%</td>
<td>8%-12%</td>
</tr>
</tbody>
</table>

Source: CNR Research, Bloomberg. High Dividend Stocks: Dow Jones U.S. Select Dividend Index. Emerging Markets Stocks: MSCI Emerging Markets Index. High Yield Bonds: Bloomberg Barclays US Corporate High Yield Index. Alternatives historical and projected returns reflect estimated performance across a range of alternative investment strategies and are intended for illustrative purposes only. Past performance is not a guarantee of future results. The expected returns are net of any City National Rochdale management fees; however, other fees may apply. The expected returns do not include fees for trading costs (e.g., commissions) or any fees charged by your financial advisor. Please speak to your financial advisor for a complete understanding of all fees.
Targeting Consistent Income and Strong Total Return

- Potential to benefit from a high current dividend yield, strong dividend growth, and price appreciation – now with increased confidence in the result
- Qualified income and long-term strong total returns – could end up higher back half of 2021
High Dividend Stocks: Yields at Attractive Levels

High Dividend Stocks Dividend Yield vs. 10-Year Treasury

Source: CNR Research.
High Dividend Stocks Relatively Attractive

- Growth stocks have seen a dramatic increase in valuations
- High dividend stocks are priced attractively relative to history
- **Vaccine believed to hold value/dividend stocks with some return to normalcy**

Valuations: High Dividend Stocks vs. Growth Stocks

High Dividend Stocks Have Performed Well Out of Recessions – Increased Confidence for Repeat With Vaccine

<table>
<thead>
<tr>
<th>Performance: Year After Peak Unemployment</th>
<th>High Dividend Stocks</th>
<th>S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 1992 – June 1993</td>
<td>20%</td>
<td>14%</td>
</tr>
<tr>
<td>June 2003 – June 2004</td>
<td>25%</td>
<td>19%</td>
</tr>
<tr>
<td>October 2009 – October 2010</td>
<td>24%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Source: Bloomberg. High Dividend Stocks: Dow Jones U.S. Select Dividend Index.
Monetary Stimulus Drives Yields Lower

- Investment grade bond yields ended the year near 1% – not enough to cover expected inflation
- Non-investment grade yields also fell, but still appear to be relatively attractive

**Yields vs. Pre-Crisis**

- Investment Grade Corporate Bonds: 2.4% vs. 1.1%
- U.S. High Yield Bonds: 5.2% vs. 4.2%
- U.S. Senior Secured Loans: 5.6% vs. 4.0%
- CLO Debt: 5.8% vs. 4.6%
- Emerging Markets High Yield Bonds: 6.6% vs. 5.6%

High Yield Bonds Attractive Relative to Investment Grade

While interest rates have fallen to record lows, high yield bond spreads remain elevated.

Opportunities and Risks in the Municipal Markets

**Investment Grade Muni**

*What we like:*
- High-quality state governments
- Essential service revenue bonds
- Cities supported by CARES Act

*What we don’t like:*
- States with severely underfunded pensions
- Higher education reliant on foreign students
- Bonds backed by user fees (e.g., dorms, parking facilities, stadiums, toll roads)

**High Yield Muni**

*What we like:*
- Regional hospital systems deemed “essential”
- Tobacco settlement bonds
- Certain community development districts

*What we don’t like:*
- Certain senior living facilities
- Small private higher education
- Alternative energy

Source: CNR Research.
High Tax-Free Income in a Low-yield World

- Central Bank rate repression creates tailwinds for higher-yielding alternatives
- While U.S. Treasury yields hit all-time lows, HY taxable-equivalent municipal yields are above average

HY Muni Yields Remain Favorable vs. High Quality Bonds

## Income Alternatives

Focus is on differentiated strategies that provide uniquely high income and diversification

<table>
<thead>
<tr>
<th>What we look for</th>
<th>What we avoid</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Unique, differentiated and uncorrelated</td>
<td>✗ Can be easily replicated</td>
</tr>
<tr>
<td>✓ Tax efficiencies</td>
<td>✗ Unrewarded illiquidity</td>
</tr>
<tr>
<td>✓ Income generation</td>
<td>✗ Unjustified fees</td>
</tr>
<tr>
<td>✓ Capital preservation</td>
<td>✗ Limited downside protection</td>
</tr>
</tbody>
</table>

Source: CNR Research.
Examples of Attractive Alternative Investments
Where suitable, CNR seeks out unique strategies that can help clients achieve goals

<table>
<thead>
<tr>
<th></th>
<th>Potential Income</th>
<th>Diversification Benefits</th>
<th>Tax Efficiency</th>
<th>Liquidity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rail Car Leasing</td>
<td>7%-10%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CLO Equity</td>
<td>8%-12%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reinsurance</td>
<td>5%-7%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthcare Royalties</td>
<td>10%-15%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: CNR Research.

Alternative investment potential income reflects estimated performance across a sample of alternative investment strategies. The expected returns are net of any City National Rochdale management fees; however, other fees may apply. The expected returns do not include fees for trading costs (e.g., commissions) or any fees charged by your financial advisor. Please speak to your financial advisor for a complete understanding of all fees.
Economy Recovery Underway, but Headwinds Remain
City National Rochdale U.S. Economic Monitor

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Status</th>
<th>Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leading Indicators</td>
<td>Leading indexes suggesting the U.S. economic recovery has broadened and become more entrenched.</td>
<td>6.5</td>
</tr>
<tr>
<td>Labor Market</td>
<td>As state economies reopen, we expect the unemployment rate to drop back faster than it would in a normal recovery, since many workers will be recalled from temporary layoffs, but a full recovery of job losses may take several years.</td>
<td>5.5</td>
</tr>
<tr>
<td>Consumer Spending</td>
<td>Spending has rebounded quickly as economies reopen due to pent-up demand and higher savings, but it could take a long time to return to its previous trend due to lingering uncertainty and social distancing restrictions.</td>
<td>6.0</td>
</tr>
<tr>
<td>Global Economic Growth</td>
<td>The world economy has clawed back about 60% of output lost in the first half of the year, but recoveries in most parts of the world have already slowed. Prospects now vary according to success in controlling the virus and policy response.</td>
<td>5.5</td>
</tr>
<tr>
<td>Monetary Policy</td>
<td>Swift and decisive action by the Fed has been unprecedented in scale, helping to improve liquidity and stabilize markets.</td>
<td>9.0</td>
</tr>
<tr>
<td>Fiscal Policy</td>
<td>Policy response has been massive and well targeted, but more is needed and many benefits are set to expire by year end. Political differences have reduced odds of agreement on further relief until next year after a new government is sworn in.</td>
<td>7.0</td>
</tr>
<tr>
<td>Consumer Sentiment</td>
<td>Although still depressed, confidence has begun to improve, particularly forward-looking expectation measures. Full recovery in confidence is unlikely until health and safety concerns around COVID-19 can be fully addressed.</td>
<td>6.0</td>
</tr>
<tr>
<td>Credit Availability/Demand</td>
<td>Latest Fed data reported some tightening of lending standards amid economic uncertainty and rising defaults. Demand remains subdued outside autos and housing, but should improve as economic activity begins to normalize.</td>
<td>5.0</td>
</tr>
<tr>
<td>Geopolitical Risks/Contagion</td>
<td>Coronavirus pandemic is adding to a long list of worries, including trade policy missteps, European political/financial system stability, energy production disputes and other unforeseen circumstances that have the potential to disrupt markets and shake confidence.</td>
<td>3.5</td>
</tr>
<tr>
<td>Business Investment</td>
<td>Capex spending remains weak in face of uncertain economic backdrop, lower demand, business closures and declining capacity utilization. Improvement expected as economic activity begins to normalize and demand strengthens.</td>
<td>5.0</td>
</tr>
<tr>
<td>Service Sector</td>
<td>Social distancing measures and recent infection resurgence will likely continue to weight on activity in near term, but outlook brightening on prospects of widespread vaccines allowing return to more normal economic activity.</td>
<td>6.0</td>
</tr>
<tr>
<td>Manufacturing Sector</td>
<td>Production remains below pre-pandemic levels, but output has further scope for improvement as producers catch up with the resurgence in goods demand.</td>
<td>6.5</td>
</tr>
<tr>
<td>Housing</td>
<td>Sector has been one of the bright spots recently, supported by strong fundamentals, including low mortgage rates. Activity should improve as lockdowns ease and rising household financial uncertainty begins to abate, but lenders are battling economic uncertainty by raising standards and even eliminating certain loan types.</td>
<td>7.5</td>
</tr>
<tr>
<td>Inflation</td>
<td>Core inflation is likely to remain muted for the next several years, although we think the risk of a slide into a widespread deflation remains low.</td>
<td>7.5</td>
</tr>
<tr>
<td>Energy</td>
<td>Damage in energy sector from the collapse in oil prices starting to increasingly offset positive tailwind to households.</td>
<td>5.5</td>
</tr>
</tbody>
</table>

**Total Score**

Improving outlook, confluence of positive indicators, recession probability low

Neutral

Steady but sluggish growth, mixed economic signals

Negative

Weak economic growth, decelerating trends, recession a distinct possibility

COVID resurgence likely to weigh on near-term growth, but outlook brightening on prospects of widely available vaccines allowing a return to more normal economic activity.

Source: City National Rochdale. As of January 2021
Recovery Underway, but Full Recovery Will Take Time

Probability of Recession in the Next 12 Months

Source: City National Rochdale. As of January 2022.
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.

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.

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 MSCI Europe Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe. As of September 2002, the MSCI Europe Index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

The MSCI World is a market capital weighted stock market index of 1,655[1] stocks from companies throughout the world. The components can be found here.[2] 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 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. Treasury Index is an unmanaged index of prices of U.S. Treasury bonds with maturities of one to 30 years.

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 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.
Index Definitions (continued)

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 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.

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.

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.

The “core” PCE price index is defined as personal consumption expenditures (PCE), 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.

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

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.
Important Disclosures (continued)

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.

Please see the Offering Memorandum for more complete information regarding the Fund’s investment objectives, risks, fees and other expenses.

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.

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Estimated returns are based on multiple sources of historical market index data input into proprietary quantitative models specific to each asset class (e.g., equity, fixed income, etc.), then adjusted for fundamental inputs such as yield, earnings growth, risk premiums, valuation, historical reversion, and market implied expectations. Finally, we further adjust the estimated returns with our economic forecasts on market conditions and long-term expectations (which include economic growth, inflation, interest rates, among other important inputs).

Performance does not represent the results of actual trading, but was achieved by means of retroactive application of a model designed with the benefit of hindsight. Results may not reflect the impact that material economic and market factors might have on the adviser’s decision-making if adviser were actually managing client assets.

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Important Disclosures (continued)

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References to indexes and benchmarks in hypothetical illustrations of aggregate returns do not reflect the performance of any actual investment. Investors cannot invest in an index and such returns do not reflect the deduction of the advisor's fees or other trading expenses. There can be no assurance that current investments will be profitable. Actual realized returns will depend on, among other factors, the value of assets and market conditions at the time of disposition, any related transaction costs, and the timing of the purchase. Indexes and benchmarks may not directly correlate or only partially relate to portfolios as they have different underlying investments and may use different strategies or have different objectives than our strategies or funds.

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