City National Rochdale®

AN RBC/CITY NATIONAL COMPANY

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On the Radar

FAQS ON THE MARKETS AND ECONOMY

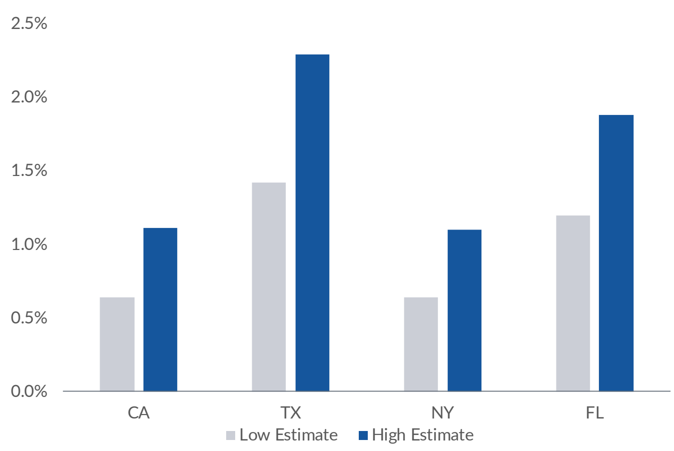
Will this year's holiday season be a sales tax boon for state and local budget coffers?

The recent Wayfair Supreme Court decision allows states to enact expanded tax laws to include online sales from sellers without an in-state physical presence. More than thirty states currently operate some form of an economic provision vis-à-vis laws or regulations, etc., allowing them to capture online sales activity from merchants.

According to the Federal Reserve Bank of St. Louis, e-commerce as a share of U.S. retail sales is over 9% today, up appreciably from nearly twenty years ago when it was less than 1%. Adobe Analytics reported the 2018 Cyber Monday online sales reached a record $7.9 billion, a 19.3% increase YoY. Moreover, Black Friday pulled in a record $6.2 billion in online sales.

The Government Accountability Office reported states could net between $8 and $13 billion in incremental sales tax collections. However, states with the greatest potential absolute revenue upticks, such as California ($1B to $1.7B), are not likely to experience a material improvement in their credit trajectory as these amounts represent relatively small percentage gains versus their total budgets. Nevertheless, with time, the shifts in economic bases and consumer preferences, coupled with state (and local, if applicable) sales tax collection could positively impact the quality of select issuers.

Online Sales Tax Upside Varies



Source: Government Accountability Office; Annual U.S. Census Report. As of November 2017.

KEY QUESTIONS

What did Fed Chairman Powell say at his speech to the Economic Club of New York?

Is the recent decline in stocks the beginning of the end for the bull market?

What's the latest on Brexit?

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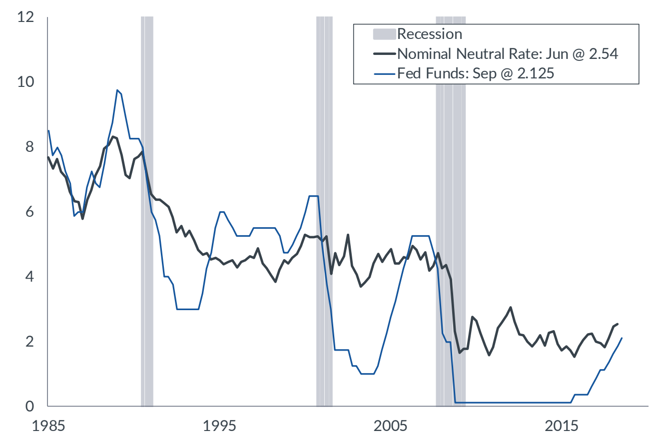
He says the federal funds rate is "just below" the broad estimates of the neutral rate. The neutral rate is the interest rate that neither stimulates nor constricts economic activity. When interest rates are neutral, the economy is on a sustainable path. It has been below the neutral rate since 2008.

The Fed calculates the neutral rate with a complicated model (chart). This is somewhat of a reversal from a statement he made back in early October when, in an unscripted moment, he stated that the funds rate was a "long way" from the neutral rate. This was viewed as a very hawkish statement and gave the impression that the Fed was preset on a hiking path to a level higher than neutral. This new statement, which is more market friendly, is consistent with one made recently by Vice Chair Clarida.

The Fed is still expected to raise the federal funds rate by 25 bps to the median level of 2.375 at their upcoming December 19th meeting.

Nominal Neutral Rate & Federal Funds Rate (%)



Source: Federal Reserve Bank of San Francisco, The Federal Reserve Bank, Bureau of Economic Analysis. As of September 2018.

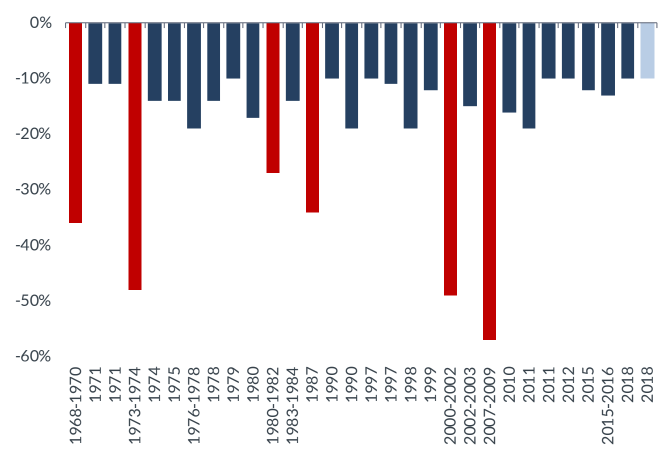
Is the recent decline in stocks the beginning of the end for the bull market?

We continue to view the current pullback as a correction which can help ultimately extend the long-running bull market. While the U.S. and global economic activity is expected to moderate in 2019, growth is still projected to be above potential and recession risk remains low. Likewise, recent negative earnings sentiment is not about the direction of growth, but on the magnitude. We agree that earnings growth will slow next year, particularly as corporate tax cuts roll off, to a more normal rate of about 5-7%.

A further escalation of trade tensions with China appears likely, but on their own, their effects on the U.S. economy and corporate profits should be manageable. Far more concerning is the interest rate backdrop. However, rates continue to be low by historical standards and Fed Chair Powell's recent speech has provided markets with some reassurance that central bankers are focused on the risk of overtightening policy and ending the cycle prematurely.

Over time, we expect investors will eventually reconnect to the broader positive fundamentals. In the meantime, our client portfolios are constructed with this volatility in mind and should withstand the correction relatively well due to our high-quality equity allocation and overweight to U.S. Large Cap stocks versus Midsmall Cap and International.

S&P 500 Corrections & Bear Markets



Source: FactSet. As of November 2018.

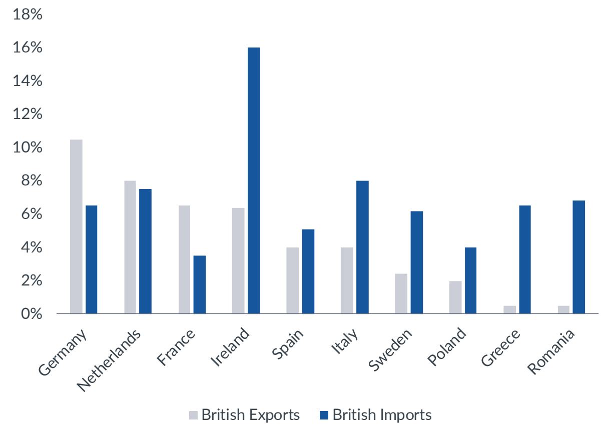
What's the latest on Brexit?

After months of negotiations, UK and EU officials have finally agreed on the draft text of a Brexit agreement. The draft agreement means that there will be no hard border between N. Ireland and Ireland (the most contentious issue) and there won't be a splitting of the UK customs area even if the UK and EU have not agreed to a 'future relationship' by the end of the transition period in 2021.

However, the plan still needs to survive vetting in Parliament. Opposition has already been fierce, and even the survival of Prime Minister May's government is now in doubt. Key dates to keep an eye on are the November 25 EU summit to formally agree to the deal and the December 10 UK Parliament vote should the EU approve the Withdrawal Agreement as expected.

Overall, this is an important, but fragile first step, and it remains very difficult to predict how the withdrawal process will eventually unfold. This political uncertainty, along with relatively muted earnings growth and weak economic momentum, supports our continuing underweight to European equities.

Trade Between the EU and UK (% of national total)



Source: IMF Direction of Trade Statistics. As of November 2018.

Is City National Rochdale's investment outlook still positive?

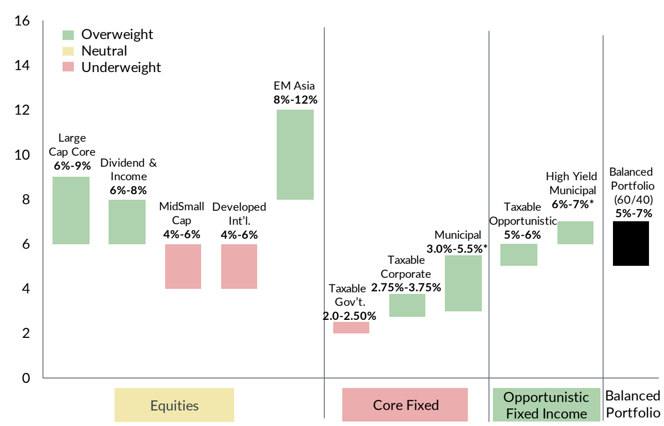
Based on our outlook for solid economic growth and improving corporate earnings, we remain bullish on equities in general and continue to see attractive prospects in the opportunistic fixed income class. Bear markets outside recessions are rare.

Still, we believe investors should prepare for more moderate returns in the months ahead and perhaps greater volatility. Patience and discipline will be more important than ever. The investment landscape is growing more challenging as investors adjust to more typical late-stage expansion conditions of higher inflation, rising interest rates, and less accommodative monetary policy.

Meanwhile, concerns over global growth, rising trade tensions, midterm elections, and other geopolitical risks mean markets will likely continue to be subject to periodic swings in sentiment and potential pullbacks.

None of this means there are not more worthwhile gains ahead for investors, but it does highlight the value of active management and the need for investors to become more selective. We actively manage portfolios to be aware of where we are in the cycle, to take advantage of opportunities as they arise, and to be on alert if conditions deteriorate.

One-Year Forecasted Returns (%)



Source: City National Rochdale. As of November 2018. Forecasted expected returns represent City National Rochdale's opinion for these asset classes, are for illustrative purposes only, and do not represent client returns. The expected returns presented for these asset classes do not reflect any deductions for City National Rochdale fees or expenses. Actual client portfolio and investment returns will vary.

***Forecasted expected returns for HY Municipal and Municipal FI represent the taxable equivalent return at a 43.40% tax rate.**

Important Disclosures

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.

Certain statements contained herein may constitute projections, forecasts, and other forward-looking statements, which do not reflect actual results and are based primarily upon a hypothetical set of assumptions applied to certain historical financial information. Certain information has been provided by third-party sources, and although believed to be reliable, it has not been independently verified, and its accuracy or completeness cannot be guaranteed.

Any opinions, projections, forecasts, and forward-looking statements presented herein are valid as of the date of this document and are subject to change.

There are inherent risks with equity investing. These include, but are not limited to, stock market, manager, or investment style risks. 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.

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

Investments in below-investment-grade debt securities, which are usually called “high-yield” or “junk” bonds, are typically in weaker financial health, and 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.

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.

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

Returns include the reinvestment of interest and dividends.

Investing involves risk, including the loss of principal.

As with any investment strategy, there is no guarantee that investment objectives will be met, and investors may lose money.

Past performance is no guarantee of future performance.

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.