City National Rochdale®
AN RBC/CITY NATIONAL COMPANY

AUGUST 7, 2019

On the Radar

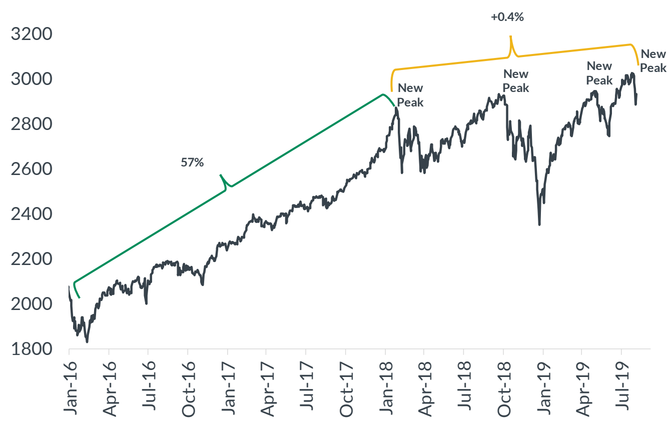
FAQS ON THE MARKETS AND ECONOMY

What caused the current sell-off in the market?

The market appears to have been caught off guard by the escalation and severity of trade tensions between the U.S. and China over the past week. The Trump administration's surprise announcement last week of a 10% tariff on $325 billion in Chinese goods was quickly met this week by China's suspension of U.S. agricultural purchases and the apparent decision by authorities to stop supporting the yuan. This in turn led to an announcement by the Treasury Department that it would designate China as a currency "manipulator".

Throughout the recent rally, we have thought investors were too confident over trade progress and did not view recent developments as a game changer on their own. While an eventual trade deal between the U.S. and China remains possible, both sides continue to be far apart on key issues, and we believe there will likely be more pain before any agreement is reached. In the meantime, further downside is still possible as investors adjust to this reality, and we are recommending a more cautious approach in the near term. Still, we do not think it's time to step away from the market. Over the past year and half, we have seen several sizeable pullbacks in stock prices related to policy uncertainty, and the driving force behind each rebound has been the same: an expanding economy, earnings growth, and low interest rates.

This Is What Late Cycle Looks Like
S&P 500



Source: FactSet as of August 2019.

This is what late-cycle investing looks like. By focusing on high-quality large cap U.S. stocks , selected credit areas, and alternative investments, we have positioned our portfolios to help withstand volatility and minimize risk, yet continue to participate in future gains.

KEY QUESTIONS

What is the impact of the sell-off on the U.S.? What about the rest of the world?

What are the risks?

Are we making any changes to our portfolios?

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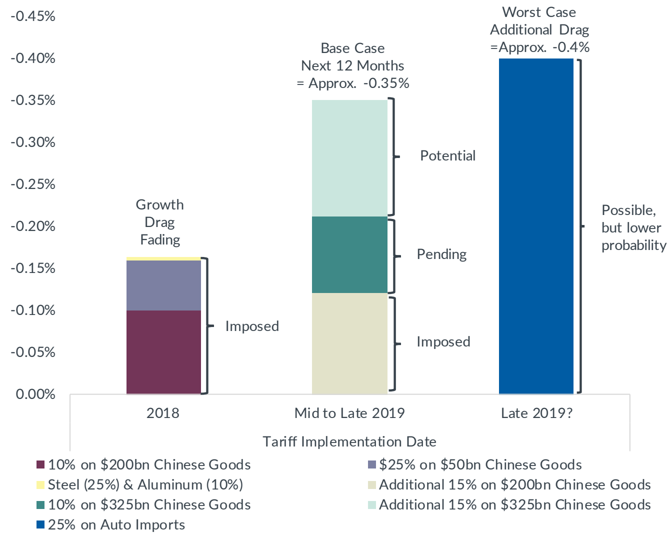
Trade tensions have been running for over a year now, and uncertainty surrounding the issue is weighing on overall global growth and corporate profits. The IMF is now forecasting the global GDP will slow in 2019 to the weakest rate in a decade — before picking up modestly in 2020. However, the projected pick-up in global growth next year is precarious, relying on progress in resolving the U.S.-China trade differences, among other policy issues.

Compared to other major economies, such as Europe with its higher exposures to international demand and trade, the U.S. economy appears to be in good shape. To a large degree, the U.S. is relatively insulated from global headwinds, getting most of its growth from domestic demand, which remains strong. Exports make up only about 12% of U.S. GDP, and trade with China specifically accounts for only 1%. As a result, we estimate that the impact from current and potential tariffs will shave only about 0.35% off U.S. growth.

Our base case expectation for modest profit growth of 2-4% has also incorporated worst case assumptions of further escalation in tensions with China, and our portfolios have stayed away from export-sensitive sectors of the economy, as well as global regions like Europe that are more exposed to trade disruptions and global weakness.

Estimated 12-Month Change to U.S. GDP (Impact Front-Loaded, Peaking Over Two Quarters)



Source: City National Rochdale as of August 2019.

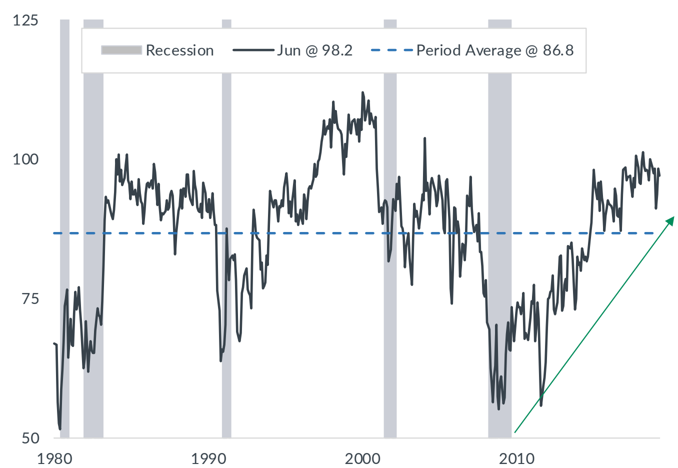
What are the risks?

We are in a period of high political uncertainty both at home and abroad. From continuing trade tensions to Brexit to the path of future Fed rate hikes, the list of risks is not short and remains the biggest threat to the global economic outlook.

At the moment, the U.S. economy remains strong enough to withstand some global headwinds. Manufacturing has weakened over the course of the year, and business sentiment has waned somewhat, yet the broader economy has been mostly resilient so far to rising trade uncertainties. Importantly, the labor market remains healthy, and consumers are confident and spending (see chart).

Still, U.S. growth is slowing, and the business cycle is aging, leaving a smaller margin for error on the policy front. The Trump administration's threats to broaden its disputes with other trade partners on key sectors like autos is our primary risk and one we are closely monitoring, as it could threaten the job growth and confidence that has underpinned the long running expansion.

Confidence on an Upward Trend
University of Michigan Consumer Sentiment Index



Source: City National Rochdale. As of July 2019. Gray column represents recessionary period.

Are we making any changes to our portfolios?

No, there is no change to the Late-Cycle Playbook. We don't think the bull market is finished just yet, but investors should brace themselves for lower market returns, more volatility and bigger tail risks.

City National Rochdale's Late-Cycle Playbook involves taking deliberate and measured steps to improve the quality, yield and sources of diversification in portfolios we manage.

We continue to focus on higher-quality and dividend-paying domestic companies, and we have recently lowered exposure to MidSmall Cap equities, which tend to perform best at the beginning of economic expansions and are more vulnerable in a market downturn. At the same time, we are underweight cyclical and export-oriented sectors most affected by trade and global headwinds, with notable underweights in commodities, machinery, tech hardware and semiconductors.

In our fixed income portfolios, we think opportunistic income still offers attractive opportunities, but have nudged quality higher across our various strategies in response to late-cycle indicators and prefer asset classes with seniority in the capital structure at current market valuations. Given recent concerns, we have also reduced exposure to local currency in favor of USD bonds.

More changes are likely to come as we follow our Late-Cycle Playbook and respond to the maturing nature of the cycle.

City National Rochdale Late-Cycle Playbook In Action

Asset Class	Recent Changes
U.S. Equities	• Increased exposure to lower P/E, higher quality, franchise stocks • Reduced exposure to cyclical and export oriented sectors most affected by trade/global headwinds • Reduced MSC
Dividend & Income Equities	• Increased our aggregate dividend growth level, while maintaining a focus on valuation, aggregate yield level, and safety of the dividend
International Equities	• Reduced DM exposure • Favor domestically focused EM Asia equities
Core Fixed Income	• Increased credit quality in recognition of late-cycle indicators • Favor municipals for tax haven and lower volatility
Opportunistic Fixed Income	• Favor short-duration EM debt and bank loans • Lowering local currency exposure in favor of USD bonds • Reducing U.S. & EM Fixed Rate HY exposure
Alternative Investments	• Recommending non-correlated diversification options in less-liquid areas of the market, which can provide high yields, strong fundamental quality and price stability, as well as boosting long-term performance (CLOs, reinsurance, capital leasing investments, etc.)

Source: City National Rochdale as of July 2019.

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.

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.

Diversification does not ensure a profit or protect against a loss in a declining market.

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 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.

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