City National Rochdale®

AN RBC/CITY NATIONAL COMPANY

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On the Radar

FAQS ON THE MARKETS AND ECONOMY

How concerned should investors be about coronavirus?

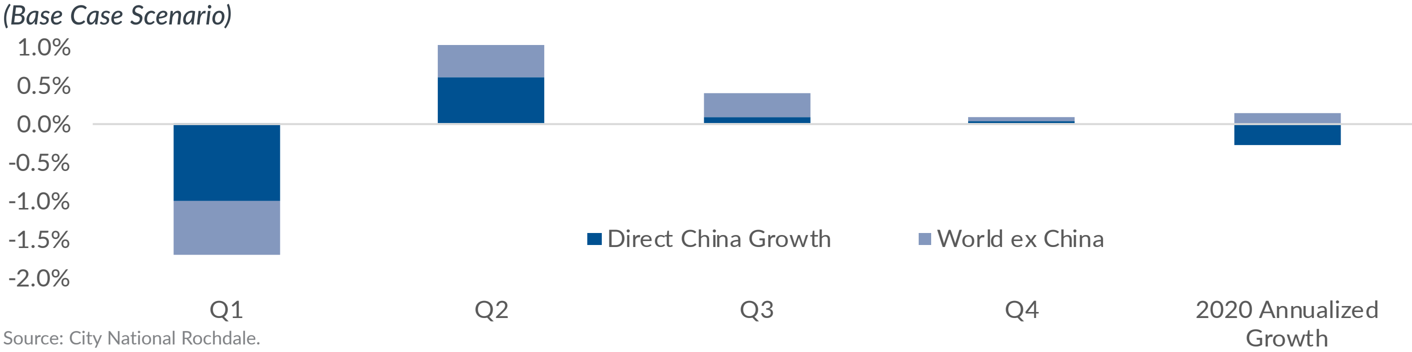
U.S. equity markets have largely taken the coronavirus outbreak in stride, with the S&P 500 continuing to set record highs. We think investors for the most part have been correct in focusing on the longer term outlook, though we don't expect the current pace of gains to be sustained.

Given the circumstances, market volatility has been unusually low, and we wouldn't be surprised to see a normal 5-10% correction at some point, especially if downward earnings revisions materialize as the virus's impact on global sales and supply chains are quantified.

Nevertheless, the expected hit to U.S. growth appears relatively minor and short-lived with most estimates shaving perhaps a total of 0.1-0.2% off GDP over the next two quarters. The U.S. is among the worlds' best equipped nations in terms of preparation and ability to respond to an epidemic, while its mostly domestic driven economy is insulated somewhat from global headwinds.

Globally, the impact will be more significant, particularly in China, which is suffering the brunt of the virus's fallout. China now makes up about 16% of global GDP, compared to just 4% when the 2003 SARS outbreak occurred, and is much more integrated into the world economy.

Estimated Impact of coronavirus on 2020 Global Growth
(Base Case Scenario)



Source: City National Rochdale.

Still, it is important to recognize that most of the disruption in economic activity won't be a permanent loss, but rather postponed until business operations and consumer activity normalize once the outbreak is contained. After SARS was brought under control, for example, Chinese consumer demand quickly rebounded and the economy recovered strongly as a result.

The good news is that the coronavirus outbreak has arrived at a time when the global economy has shown early signs of rebounding growth, with improvement in the international inventory cycle, diminished Brexit and trade war risks, and a strong tailwind from last year's synchronized monetary stimulus.

While highly contagious, coronavirus's mortality rate is thankfully relatively low in comparison to other recent outbreaks. As the prognosis for the virus changes and eventually improves, we expect global markets will too, supported by continuing positive fundamentals of sustainable economic growth, rising corporate earnings and low interest rates.

In the meanwhile, we will continue to follow our late cycle playbook of building resilient portfolios of quality, durable assets. By keeping our focus on dividend paying U.S. stocks, select credit areas, and alternatives, we've positioned our portfolios to help withstand heightened uncertainty and minimize risk, yet also participate in ongoing gains.

KEY QUESTIONS

What did Fed chairman Jay Powell talk about to Congress?

For years, Puerto Rico's debt was in the news; what is the current news?

How strong is the labor market?

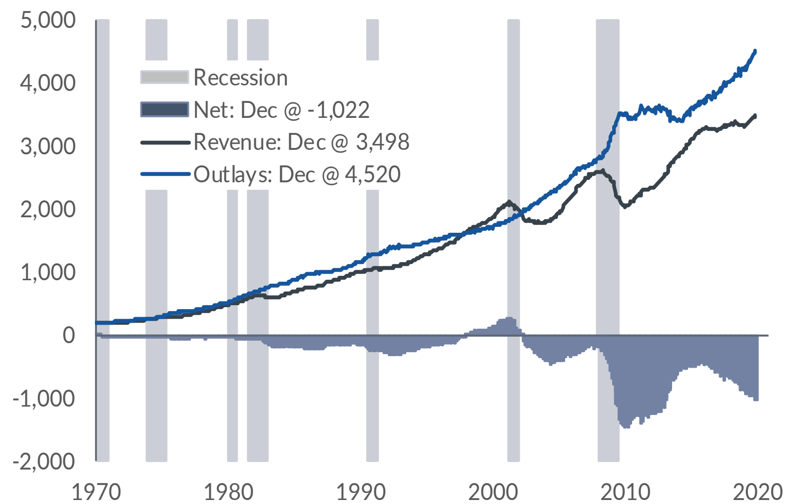
What did Fed chairman Jay Powell talk about to Congress?

With the U.S. economy in its 11th year of this expansion, the Fed believes the economy is in a good place and performing well. The economy is benefiting from strong job growth and solid consumer spending, and Powell sees no reason why this expansion cannot continue.

He did cite the potential threat of the coronavirus in China. It will have an impact on its economy and some of the neighboring countries and trading partners. There are risks that it could spill over to the rest of the global economy. But for the United States, it is too early to know if it will cause the Fed to reassess its outlook.

Powell encouraged Congress to put the federal budget on a sustainable path. By doing so, it would help ensure that policy makers would have the resources available to use fiscal policy to help stabilize the economy during an economic downturn. The annual federal budget deficit stands at $1 trillion (chart) and is expected to stay at this level for the next several years.

Federal Debt is Growing
Federal Revenues and Outlays 12 mo. r.a. ($, billion)



Source: United States Treasury as of December 2019.

For years, Puerto Rico's debt was in the news; what is the current news?

The Commonwealth's financial oversight board and a subset of GO and guaranteed debt creditors reached a tentative agreement to reduce roughly $18 billion of claims to approximately $3.5B of cash and $10B of new securities. The new securities will be split between restructured GOs and junior sales tax bonds.

The agreement will also resolve the legal dispute between certain creditors and the Commonwealth over the validity of particular bond issues called into question during the ongoing restructuring. These bonds will receive a comparable recovery to pre-2012 obligations. According to the Plan Support Agreement, GO and Commonwealth guaranteed debt, depending on the vintage year, will obtain recoveries of between approximately 65% and 75%.

For holders of $16B in debt associated with the island's retirement system, clawbacks, and other obligations, an estimated recovery of just 3% demonstrates a significant cram down could occur at the expense of securing better payouts for Puerto Rico's GO and guaranteed debt investors.

The agreement is likely to face hurdles in gaining support among a broader basket of creditors, the island's political establishment, and importantly court-approval. Total creditor claims of $35B would be more than halved under the current agreement.

Puerto Rico Commonwealth
General Obligation Bond, 8.00% Maturing on July 1, 2035, Price

Source: Bloomberg as of February 7, 2020.

How strong is the labor market?

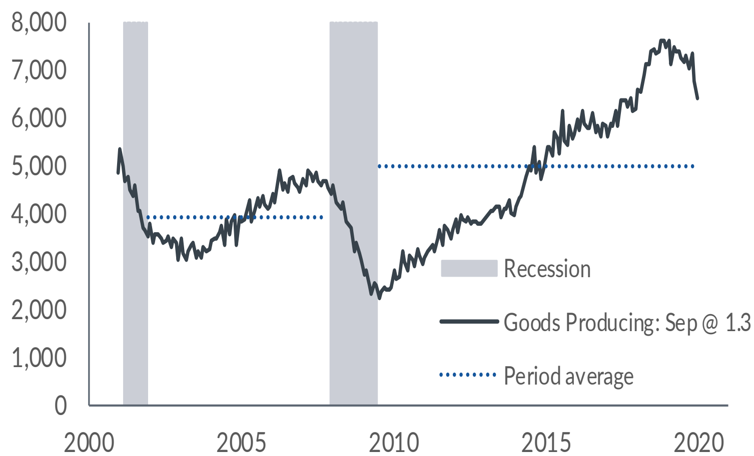
Ever since hitting a cycle low in February 2010, there have been 22.5 million people added to the list of nonfarm payrolls. For almost ten years, the gain in payrolls has been positive each month, and it has averaged 141,000 gain per month. For the last year, growth has been a tad stronger, averaging 171,000.

The unemployment rate, at 3.6%, is near the 50-year low of 3.5%. There have been three times in the past year that the unemployment rate matched the 50-year low.

There are some early signs that job growth may be stabilizing. The number of job openings reached a record peak in November 2018 and has been slowly falling ever since. It is important to remember that it remains at historically very high levels (chart). It is not clear as to the reason for the decline in job openings. Some of it might be related to fear in the past year from the trade war, and some of it might be businesses adjusting to the reality that they cannot find qualified workers and are retraining current employees.

It will take several more months of data to figure out the reasons for the decline; in the meantime, job growth is expected to continue at its current pace.

Job Openings ('000)



Source: Bureau of Labor Statistics as of December 2019.

What is City National Rochdale's investment outlook?

Given our continued favorable assessment of the fundamental backdrop, we remain positive on U.S. equities in general and continue to see attractive prospects in the opportunistic fixed income class.

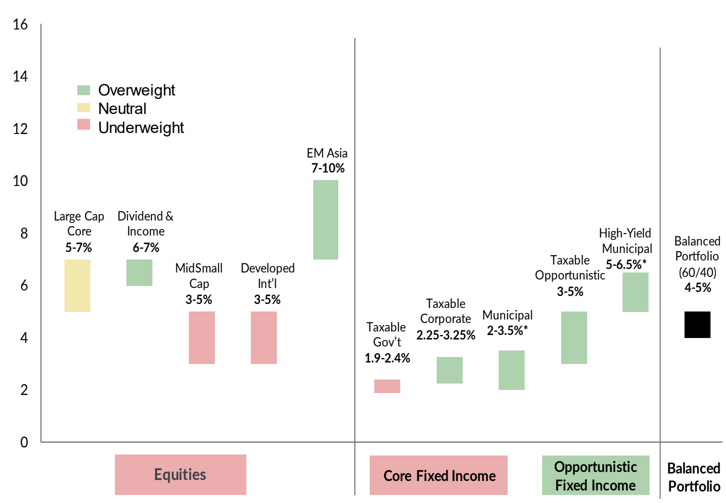
Still, we expect more modest and volatile gains across financial markets in 2020, with yield rather than price appreciation becoming an increasingly important part of total return.

Late-cycle conditions of slower growth and greater vulnerability to policy missteps will require that investors be more selective in their portfolios.

Our late-cycle playbook has served us well through the many highs and lows over the past two years, and we continue to believe the best course of action as the economic cycle matures is building a resilient portfolio of high-quality, durable assets.

By keeping our focus on high-quality U.S. stocks, select credit areas and alternatives, we have positioned our portfolios to help withstand late-cycle volatility and minimize risk, yet continue to participate in ongoing gains.

One-Year Estimated Asset Class Returns (%)



Source: City National Rochdale. As of February 2020. Forecasted estimated 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 estimated returns for HY Municipal and Municipal FI represent the taxable equivalent return at a 43.4% tax rate.

See additional important disclosure at the end of this presentation.

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.

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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).

The estimated results have many inherent limitations and no representation is made that any investor will or is likely to achieve returns similar to those shown. Changes in the assumptions used may have a material impact on the derived performance presented. Certain information has been provided by third-party sources and, although believed to be reasonably reliable, it has not been independently verified and its accuracy or completeness cannot be guaranteed.

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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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.