City National Rochdale®

AN RBC/CITY NATIONAL COMPANY

MARCH 29, 2021

On the Radar

FAQS ON THE MARKETS AND ECONOMY

Did the harsh winter weather in February impact the economy?

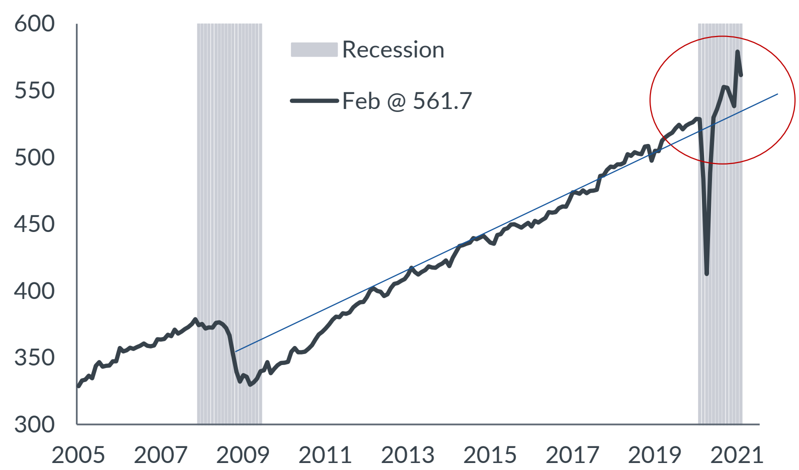
Yes, without question, economic output slowed due to the severe weather that fell upon much of the heartland and the South.

Consumer spending probably took the biggest hit. Retail sales fell 3.0% in February after leaping 7.6% in January. It was widespread, with declines in 11 of the 13 major categories. Despite the decline, the retail sales trend continues to be positive and above the longer-term trend (chart).

February's economic reports showed weakness. But, these reports are viewed as old news, and since the setbacks were a result of the weather, they are viewed as temporary. CNR continues to expect a broad economic rebound that will accelerate this spring due to improving information on the pandemic, stronger job gains, businesses increasing capacity, and government stimulus ($420 billion, which should bring a big lift to disposable income), which is on the heels of a large jump in January. The most significant increases in spending are expected to be seen in the leisure and hospitality sector.

Retail Sales

monthly value, seasonally adjusted, $, billions



Source: Bureau of Labor Statistics as of February 2021.

KEY QUESTIONS

What did the Fed decide at their recent policymaking committee meeting?

What is the impact of the American Rescue Plan on municipal bond credit quality?

What is the outlook for EM Asia equities?

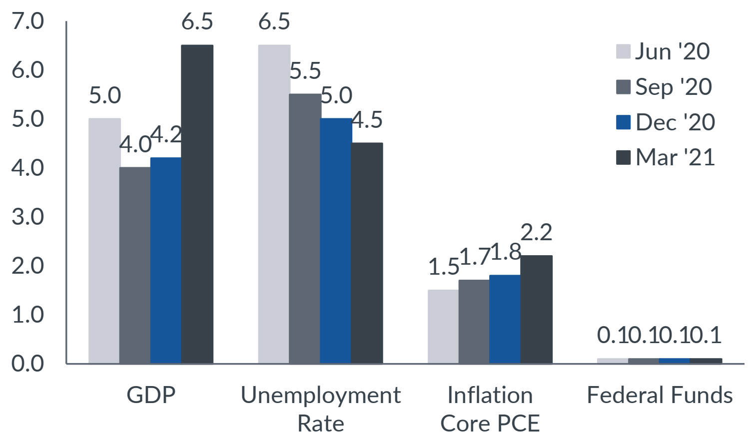
What did the Fed decide at their recent policymaking committee meeting?

The Fed made significant upward revisions to their view of the economy. Their new assessment, updated since mid-December, incorporates better news on the virus and two federal government spending programs that total about $2.8 trillion.

In 2021, the Fed expects GDP to grow 6.5%, the strongest yearly pace in almost 40 years. The unemployment rate is expected to fall this year to 4.5% from the current level of 6.2%, and inflation is expected to increase slightly. The Fed will continue to keep its easy-money policies in place, with no plans to raise interest rates or alter their asset purchases.

As the Fed has received better news on the economy throughout the past year, which is responding to the monetary policy, fiscal policy, COVID treatment, and vaccine information, the Fed has been upgrading its view on the economy (chart).

FOMC – Summary of Economic Projections – 2021



Source: Federal Reserve as of March 2021.

What is the outlook for EM Asia equities?

We believe both the near-term and long-term outlook for EM Asia equities continue to be attractive.

After a strong start to the year, EM Asia stocks, much like their U.S. counterparts, have stumbled recently over concerns over rising interest rates and elevated valuations.

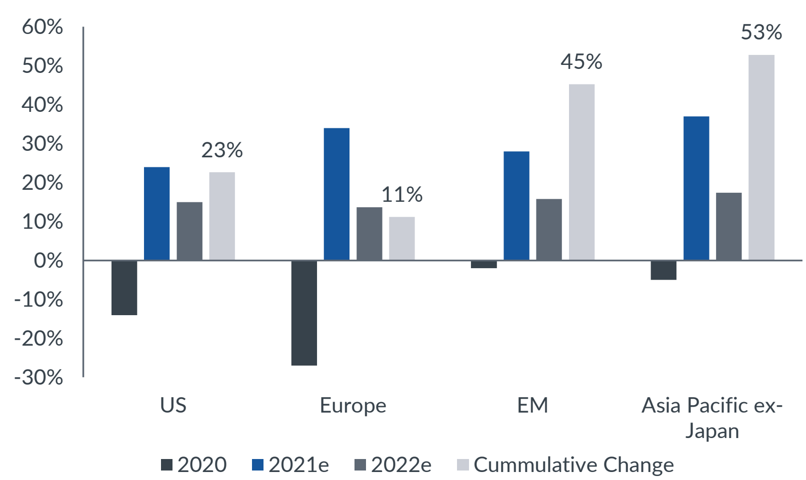
However, fundamentals in the region remain strong and we view the recent pullback in stock prices as a buying opportunity rather than a concern over broader challenges to the outlook.

In the near term, many Asian countries have effectively contained the virus and are further ahead in the economic restart. Growth in the region will likely outpace developed economies due to the pickup in global industrial and tech cycle fueling Asia exports, and a strong domestic demand recovery.

Earnings growth has also been resilient. EM Asia earnings are expected to outperform their DM peers with shallower declines in 2020 and strong recoveries in 2021 and 2022. The result is cumulative earnings growth of 53% over this period.

For long-term investors, our proprietary 4PS Framework analysis continues to indicate the investment opportunity is compelling.

EPS (Y/Y % Change)



Source: Thomson Reuters DataStream.

The region's growth outlook remains resilient, supported by robust demographic and urbanization trends that should fuel domestic consumption growth, and high investment rates in technology and digitalization.

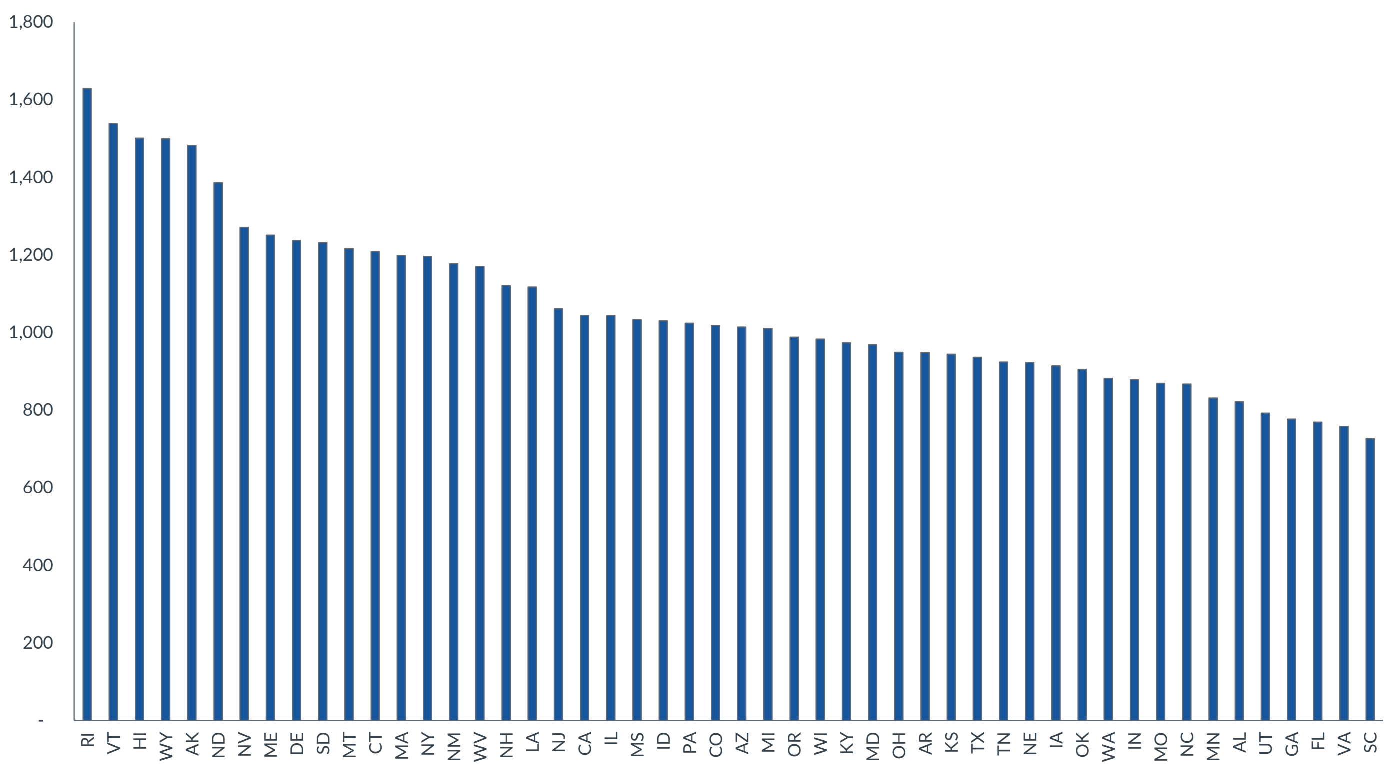
What is the impact of the American Rescue Plan on municipal bond credit quality?

The $1.9 trillion American Rescue Plan (ARP) is the latest fiscal package approved by Congress designed to ameliorate the economic drag caused by the pandemic. To date, more than $5 trillion in COVID-19 relief has supported the continuation of consumer spending (e.g., stimulus payments) and income replacement (e.g., payroll protection and enhanced federal unemployment benefits). Over the past 12 months, municipal credit quality has exhibited resiliency as revenue performance has exceeded initial forecasts. Many state and local governments (SLGs) relied on expenditure cuts and reserves to manage the pandemic's implications. Favorably, ARP includes significant dollars for SLGs and grants/resources for other essential municipal sectors, like education, transportation, and health care.

Direct aid of roughly $195 billion to SLG is a significant boost in available "flexible" funds serving as a bridge or deficit reducer until a more substantial economic recovery emerges. For some SLGs, it will represent a windfall akin to a "cyclical surplus." Notably, how policymakers decide to appropriate funds will become a critical credit consideration – for example, investing in one-time projects, like infrastructure or adding to reserves, versus recurring items like employee salary increases. Local governments, particularly, need to balance their ARP allotments against the potential budget strain of future changes in real estate valuations. Nevertheless, ARP lessens the operational risk of SLGs at least over the near to medium term and provides a healthy buffer to maintaining fiscal stability.

K-12 ARP funding of roughly $125B should bolster liquidity and provide CapEx and learning loss resources, while healthier state governments likely diminish the prospects for cuts to education aid, a core operating revenue source for school districts. Similarly, higher education funding of about $40 billion helps a stressed sector deal with enrollment challenges and associated tuition and auxiliary revenue losses. In transportation, mass transit enterprises and municipal airports were allocated about $30 billion and $8 billion, respectively. These enterprises suffered sharp utilization losses, but encouraging economic trends and progress toward vaccinations have gradually improved their fundamentals. ARP funds should provide ample flexibility to sustain balanced operations until more substantive improvement in demand is achieved. In health care, subsidies for health insurance purchased through the exchanges (HIEs) and COBRA coverage should improve payor mixes at hospital operators and reduce bad debt and uncompensated care on the balance sheet.

Estimated ARP State and Local Government Aid Per Capita



Source: US Congress and US Census.

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.

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.

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.

This material is available to advisory and sub-advised clients of City National Rochdale, LLC, a Registered Investment Advisor and a wholly-owned subsidiary of City National Bank.

Index Definitions

S&P 500 Index (S&P500) is a stock market index that tracks the 500 most widely held stocks on the New York Stock Exchange or NASDAQ. It seeks to represent the entire stock market by reflecting the risk and return of all large-cap companies.