CITY NATIONAL ROCHDALE
AN RBC/CITY NATIONAL COMPANY

Quarterly Update

ECONOMIC & INVESTMENT MANAGEMENT PERSPECTIVES

April 2021

IN THIS ISSUE

Fiscal Policy Stimulus + Monetary Policy Stimulus = Multiyear Expansion

During the pandemic, the federal government and Federal Reserve combined to create multiple programs to mitigate some of the costs associated with the closure of businesses and a significant increase in unemployment. We favored these programs when they were announced, and the evidence supports their primary objectives and goals being achieved. The U.S. economy, despite having severe negative shocks to major sectors of employment and business, avoided a prolonged and deep recession. The cost of all these programs was not — and, we concur, should not have been — a factor, given the time-sensitive aspects of supporting the economy, businesses and households.

The Biden administration has announced two major fiscal programs, the American Jobs Plan (AJP) and the American Families Plan (AFP). The AJP amounts to around $2.3 trillion, while the AFP amounts to about $1 trillion, both spread over 10 years. There is also a proposal to extend some tax credits from the American Rescue Plan passed earlier this year, amounting to around $1 trillion over 10 years.

Each plan has many components, ranging from high-necessity and high-multiplier benefits to the economy and society to those that are less necessary.

American Jobs Plan ($2.3 trillion)

Program	10 Year Cost
Transportation infrastructure (roads, bridges, public transit) and vehicle electrification	$620b
Domestic manufacturing expansion/workforce development	$400b
Care for the elderly and the disabled	$400b
Housing infrastructure	$300b
Expanded broadband access and electric grid modernization	$200b
Research and development with a focus on clean energy	$180b
Other	$200b
Total	$2.3t

Source: City National Rochdale.

The entire proposed AJP for $2.3 trillion includes many much needed and beneficial programs to enhance our economy. We believe Congress will pass most of the infrastructure plan components, environmental and clean energy components, and healthcare and jobs components above. It is also likely that some of the tax credit extensions from previous bills will be approved.

In total, the plans propose over $4 trillion in new spending programs over the next decade. We think it is probable that about $3 trillion will be approved.

To pay for this, several categories of taxes on corporations, as well as several categories of taxes on higher-income individuals, are likely to be increased. We think a total of at least $2 trillion in tax increases are likely as the offset to pay for the increased fiscal spending.

The U.S. economy is going to experience a strong economic recovery this year as the COVID-19 crisis abates. Jobs, wages and corporate profits will increase both this year and next. We believe the government programs mentioned could add to the natural growth of the economy by 0.5% to 1% per year over the next decade.

Garrett R. D'Alessandro, CFA, CPWA®, CAIA, AIF®
Chief Executive Officer

Economy Poised for Strongest Growth in Nearly 40 Years

Tom Galvin
Chief Investment Officer

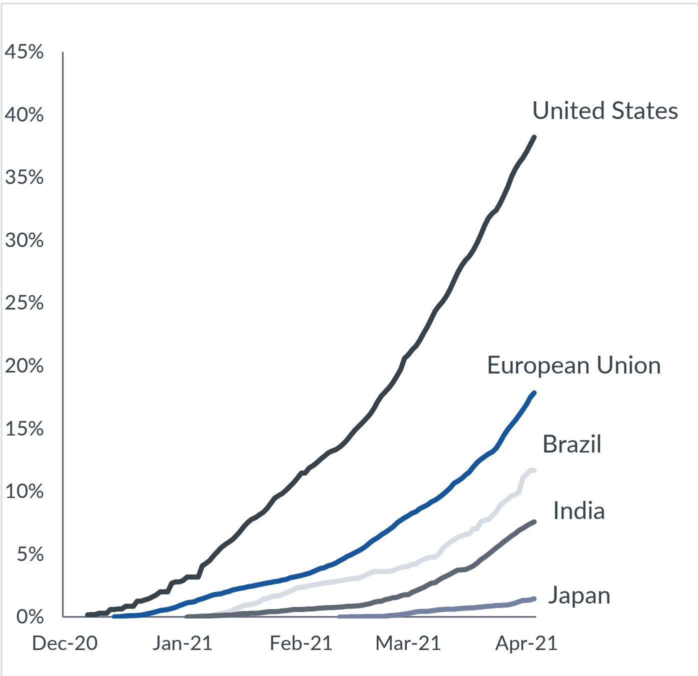
This past March marked the one-year anniversary of the moment when a novel, little-understood virus brought daily life to a standstill and triggered the deepest economic contraction since the Second World War. Yet, barely 12 months later, the U.S. economy is poised to record its strongest period of growth in nearly four decades. It may be too early to declare victory against COVID-19, but significant progress in that battle has been made and for the first time in a long time a return to more normal life doesn't look too far off.

The biggest development over the past three months has come on the vaccine front, where efforts have exceeded all expectations and the U.S. continues to outpace the world. At a current pace of close to 3 million shots a day, herd immunity is potentially within reach by early summer. Already, 42% of the adult population in the U.S. has received at least one vaccine dose, allowing an increasing number of states to lift almost all restrictions on activity and mobility trends to recover to early-pandemic levels.

The other great success story of this crisis has been the actions of government officials in backstopping markets and providing a fiscal lifeline to businesses and households through direct payments, forgivable loans and many other measures. Although the hardships brought about by the pandemic are still very real and ongoing, it is encouraging to see how limited the signs of long-term economic damage have been, and we expect that this recovery will be faster and more durable as a result.

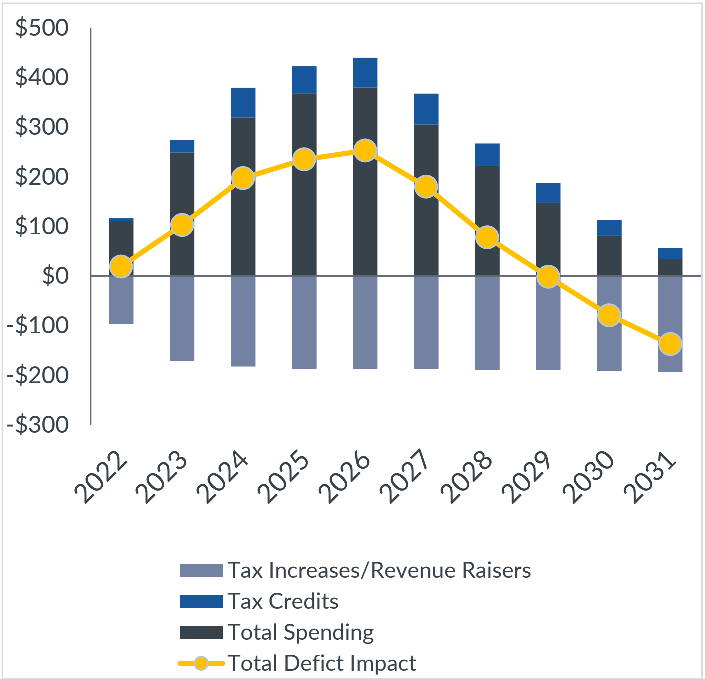
So far, Washington has passed $5 trillion in fiscal stimulus packages to fight the pandemic and mitigate its economic impact, including last month's $1.9 trillion American Rescue Plan. Massive stimulus has not only helped avert the cascade of business failures that would normally accompany such a severe economic downturn but has also allowed consumers to accumulate plenty of savings, leaving aggregate household balance sheets, believe it or not, in a stronger position than they were pre-pandemic.

% of Population With At Least One Dose



Source: Our World in Data.

American Jobs Plan Budget Cost
($ billions)



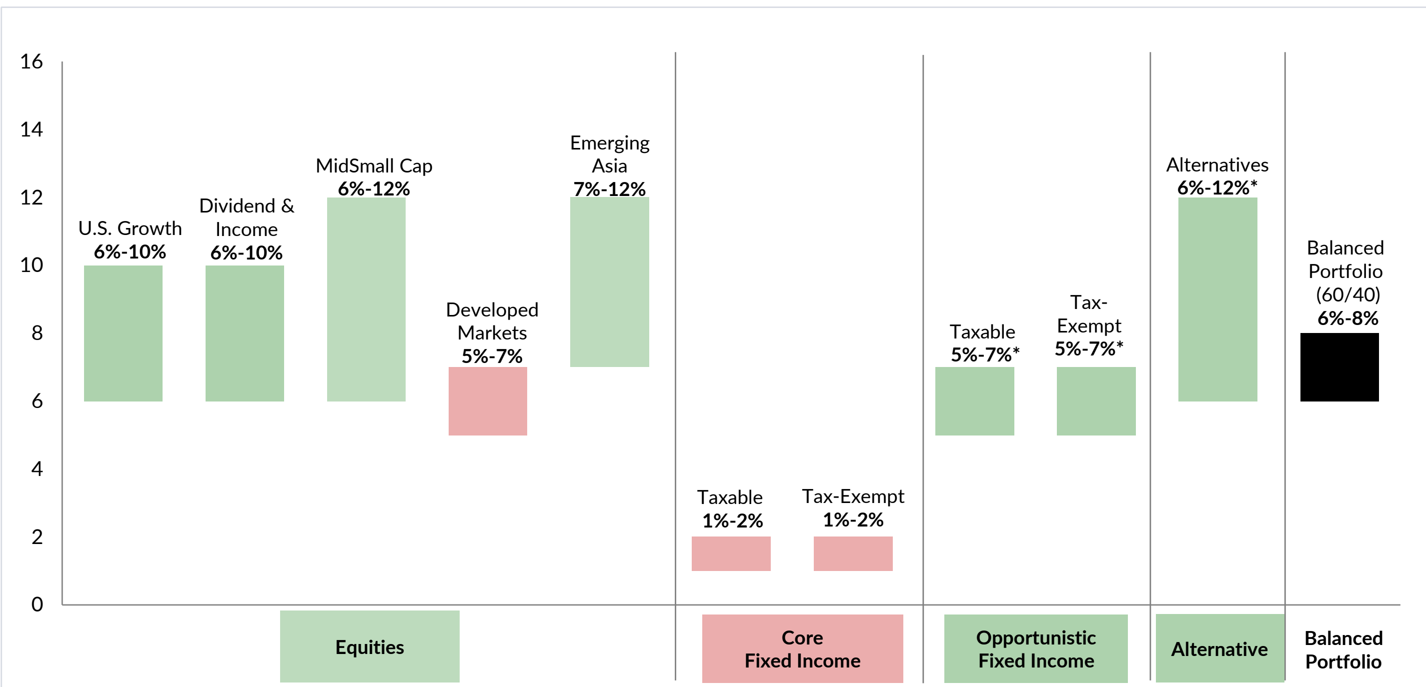
Source: City National Rochdale Research, Moody's.

Together, this should help propel future spending, investment and earnings growth as the economy continues to reopen. And more fiscal support is on the way, with two big spending bills likely to be passed later this year. If well executed, the Biden administration's American Jobs and Families Plans have the potential to modestly boost long-term economic output. Higher taxes to pay for these programs are likely, a modest negative for the economy and corporate profits in the near term as their impact will be felt more immediately and quickly priced in by the market, but the stimulus spending will be spread out over a decade, providing a persistent tailwind to growth and earnings.

With greater confidence in the outlook, our client portfolios are now positioned for a post-pandemic expansion we suspect will last for several years. A successful vaccination rollout, faster reopening schedule, and larger-than-expected stimulus all point to strengthening growth prospects for the U.S. economy relative to where things stood just three months ago. However, markets have gone through an unusually swift recovery over the past year, and we believe investors have incorporated most of the coming economic acceleration into current prices.

This means gains from here are likely to be more gradual and that the stock market could face near-term headwinds caused by the economy's better-than-expected recovery, including higher interest rates that will weigh on valuations, concerns that the Fed may tighten earlier than expected, and the potential for higher taxes. There are also some signs of froth in segments of the market as stock prices have essentially moved in a straight line higher since last February's lows. While we don't think any of these concerns will undermine long-run prospects for this still young bull market, we also know that stocks do not move up in a straight line forever and that volatility is inevitable.

Near-term Forecasted Expected Returns (%)



Source: City National Rochdale. 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 43.4% tax rate.

The Normalization of Consumer Activity — More To Come

Tom Galvin
Chief Investment Officer

During 2020, as the economy was reopening and progress was being made on developing effective vaccines, **we repositioned our US Core Equities portfolio to participate in the multiyear economic expansion we envisioned.** Foundational to this was our positive assessment of benefits from fiscal stimulus, low interest rates and improving prospects for jobs and wages. The theme that best captured this outlook was the normalizing consumer.

We believed that 2021 would likely be a hybrid year of slowly but methodically venturing back into the world while continuing to practice COVID-19 protocols and receive vaccines. With Americans returning to work, shopping again in stores and malls and taking vacations, we expected this normalization of consumer activities to lead to great investment opportunities. As we considered which companies to invest in, **we have remained focused on high-quality companies with durable franchises selling at reasonable valuations that we could own for many years, while avoiding lesser-quality companies with questionable staying power.**

The companies we've identified as benefiting from a normalizing consumer encompass a wide range of industries. For example, as consumers ventured back into the world, we felt they were likely to grab a cup of coffee from their favorite Starbucks (SBUX). **As consumers take to the highways during the summer and avoid public transportation, auto demand will likely rise**, benefiting stocks that make direct loans for purchases of vehicles and companies such as NXP Semiconductors (NXPI), which supplies critical semiconductor chips that are enabling the digital revolution in cars. Hospital companies such as HCA Healthcare (HCA) should see increased demand for elective surgeries that were postponed during the COVID-19 lockdowns. We have also looked to increase our exposure to unique brick and mortar retailers and select companies that will gain from increased travel.

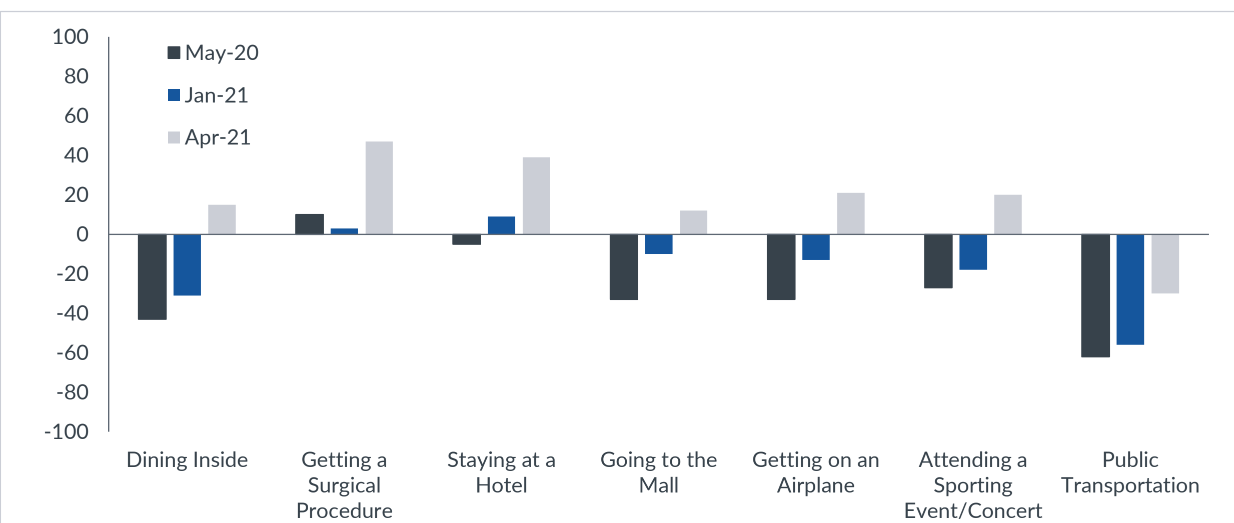
Consumer stocks to benefit from multiyear expansion

Core portfolios hold wide range of companies

Quality, strong management, durable franchises are key

These stocks and others we own should also see additional support from consumer benefits created by the anticipated American Jobs and Families Plans in the form of extra wage gains and job creation. While corporate taxes are likely to increase to fund these stimulus packages, we believe high-quality companies, led by strong management teams, with durable franchises, will be able to achieve superior returns and outperform the broader markets in coming years.

Increasing Individual Comfort in a Range of Activities
-100=Very Unomfortable 100=Very Comfortable



Source: Evercore ISI.

Sharp Rise in Rates Sets Us Up for Better Returns Going Forward

Gregory S. Kaplan, CFA
Director of Fixed Income, Managing Director

Broad market interest rates moved higher during the first quarter, reflecting increasing optimism for U.S. and global economies as well as higher inflation expectations. These moves can be attributed to significant progress toward ending the pandemic, coupled with the massive $1.9 trillion dollar stimulus bill. The 10-year Treasury yield increased 83 basis points (see chart) to 1.74%, leading to negative returns across rate-sensitive fixed income asset classes. The Bloomberg Barclays Aggregate index, for example, returned -3.37% for the quarter. Interestingly, municipals bucked this trend due to heavy demand for tax sheltered issues — the broad Bloomberg Barclays Municipal Bond index fell only -0.35%. **Overall, the combination of low credit quality and low rate sensitivity was the clear winner, supporting CNR's overweight to the opportunistic income sectors** (see chart).

The Federal Open Market Committee (FOMC) meeting on March 17 provided timely and transparent updates that confirmed the Fed's optimism about growth and continued belief that inflation concerns are overblown. Chairman Jerome Powell reiterated that the Fed is "…still not even thinking about removing accommodation" and pushed back on the growing chorus of traders betting the Fed will taper bond purchases by year-end and raise short-term interest rates as early as

U.S. government yields moved sharply higher over the quarter

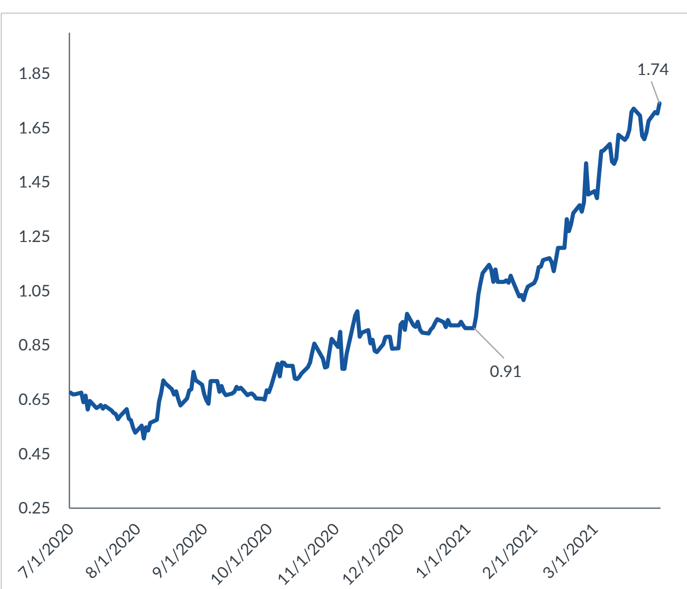
Inflation expectations are overdone, in our view

Continue to overweight lower credit quality issuers that will benefit from reflation

mid-2022. **The CNR Fixed Income team continues to believe that the policy shift in 2020 from a pre-emptive approach to reactionary policy strongly indicates that the Fed won't lift rates until 2023 or later.**

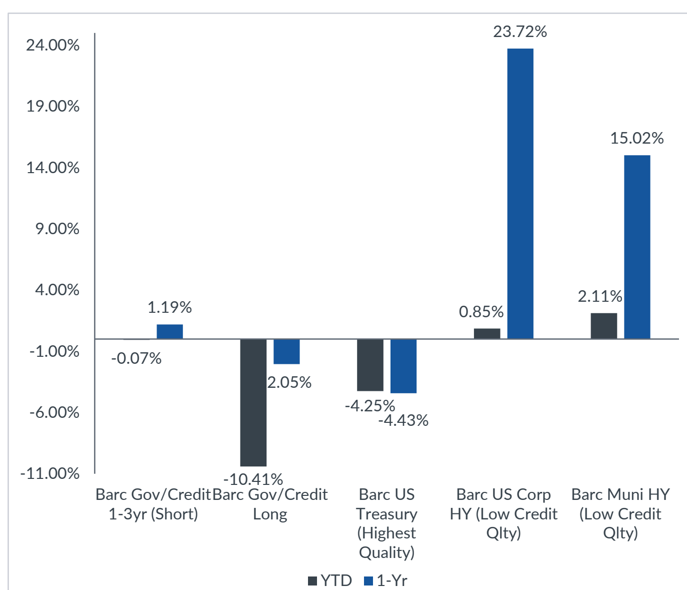
Investment-grade fixed income becomes more attractive with higher rates, but we feel that the short-term path of least resistance is for rates to move higher before moderating by year-end. Inflation expectations, a key component in interest rates, are too high in our view, and a moderating factor as to further rate increases. Thus we expect fixed income returns to recover in the coming quarters and encourage investors to take advantage of higher yields while maintaining an investment horizon of a full interest rate cycle (typically about five years). **In terms of broader portfolio strategy, we still see room for quality spreads to tighten further and we continue overweighting lower credit quality issues in both our investment-grade and high-yield allocations.**

10-yr UST



Source: Bloomberg as of April 14, 2021.

Bloomberg Barclays Index Returns



Source: Bloomberg Barclays Indices as of March 31, 2021.

Opportunistic Credit Bolstered by Rising Interest Rates

Charles Luke, CFA
Managing Director, Senior Portfolio Manager

> Opportunistic credit has low interest rate exposure relative to core fixed income
>
> Global high-yield interest rate sensitivity is at its 10-year average and is stable over history
>
> High-yield credit has a history of performing exceptionally well in the early stages of economic recovery, when growth expectations begin to rise

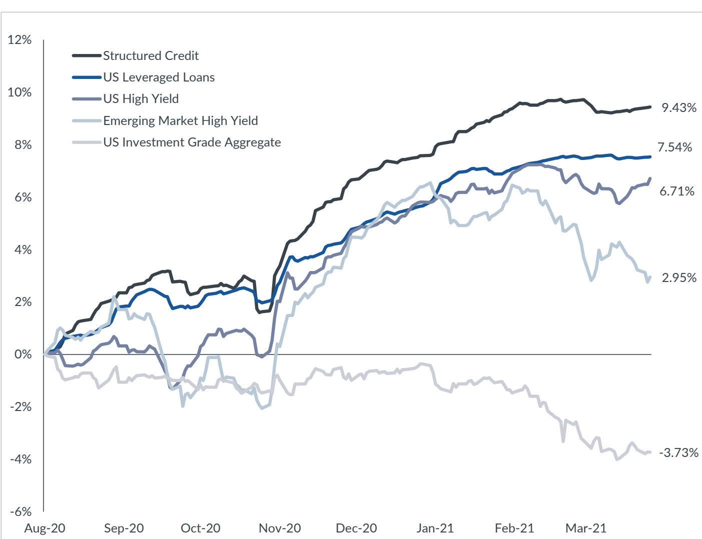
As global growth appears poised to surge, the brisk upward trajectory of interest rates has reinforced the strong position of opportunistic credit. The 10-year Treasury rate peaked at 1.74% at the end of the first quarter, an increase of 1.20% from the 0.54% low in August 2020. U.S. Treasury debt performed poorly, falling 5.98%, while U.S. investment-grade debt declined 3.7%. **Despite the turbulence in core fixed income, global high-yield credit performance has been stellar.** U.S. structured credit surged 9.43%, followed by leveraged loans, high-yield and emerging market credit, rising 7.54%, 6.71% and 2.95%, respectively. Why the divergence?

Opportunistic credit has low interest rate exposure relative to core fixed income. **The long-term trend of falling borrowing costs has enabled high-quality issuers to refinance debt at lower rates over longer periods,** which increases interest rate sensitivity. High-quality bond issues rose 57% to $2 trillion during 2020, the highest amount since 2010, contributing significantly to the 25% overall rise in interest rate sensitivity over a 10-year period.

In contrast, global high-yield interest rate sensitivity is at its 10-year average and is stable over history. Also, global leveraged loans and structured credit, a $2.3 trillion market, utilize floating rate structures that insulate investors from rising rates. Higher rates can actually benefit investors in these asset classes. As borrowing benchmarks move higher, payouts increase and investors receive a higher level of cash flow regardless of purchase price.

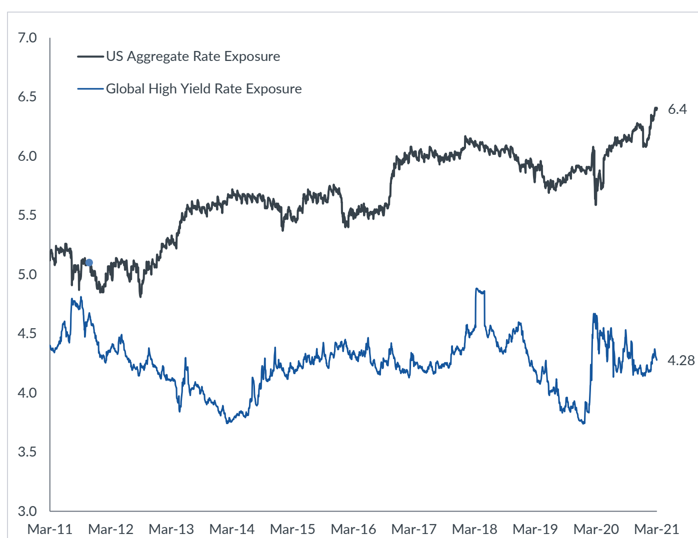
Global credit is far more sensitive to the quality of corporate balance sheets and earnings potential, which explains the heavy volatility when solvency is threatened and earnings decline over recessionary periods. However, in the early stages of economic recovery, when growth expectations begin to rise, high yield credit has a history of performing exceptionally well. With yields that are more than four times higher than core fixed income, **we continue to believe in the opportunistic credit market as part of every asset allocation framework.** The market is poised to produce steady income and add growth as the economy moves from recession to a multiyear expansion.

Opportunistic Credit Returns Since 8/6/2020



Source: Bloomberg as of March 31, 2021.

U.S. Investment Grade Interest Rate Sensitivity vs. Global High Yield
Interest Rate Exposure



Source: Bloomberg as of March 31, 2021.

Dividend Stocks: Solid 2021 Start Likely To Continue

David J. Abella, CFA
Managing Director, Senior Portfolio Manager

Focus on income from companies with opportunities for dividend growth

Continue to look for new opportunities if growth accelerates

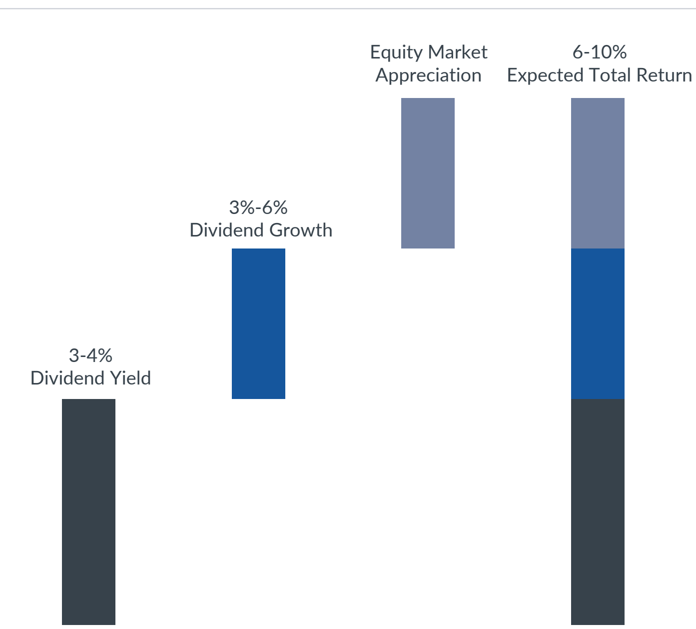
Solid yields and compounded growth can drive longer-run returns, with help from potential equity appreciation

As we look back at the first quarter of 2021, we notice a strong start to the market, including value and dividend names. The questions become: Can this pace continue and what is our outlook for the remainder of 2021? First, **we feel optimistic that our expected total return outlook for the next rolling 12-month period can remain in the 6%-10% range.** Given the results of our companies after the first quarter earnings calls, we have moved our expected dividend growth up to a range of 3%-6% from 2%-5%. In addition, given the potential strength in the economy later in 2021, coupled with a broadening base of sector recovery, we may look to further increase our dividend growth factor (see chart). After last year's first quarter, our concern was that companies might reduce or eliminate their dividends, so shifting to a growth expectation is a dramatic and positive pivot.

Given a first-quarter uptick in longer rates coupled with some worry about further increases, how does the valuation of key income sectors look relative to Treasuries? In the second chart, we see that the spread is still attractive when looked at over the past 10 years. The spread had peaked after the first quarter of 2020, with historical lows in the 10-year Treasury and distressed equity prices. **Overall, rates remain historically low, especially given the potential strength in the recovery.** So we are encouraged by the solid rate spread coupled with an increased expectation of dividend growth and economic recovery.

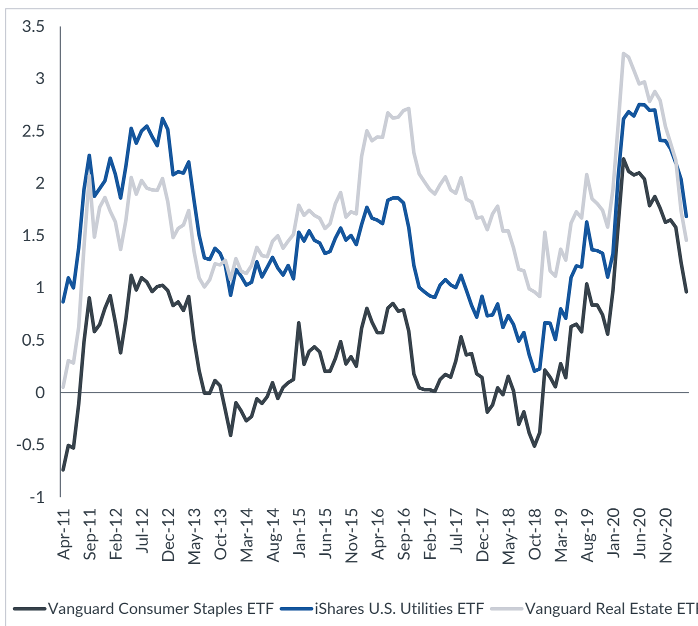
We continue to focus on companies with attractive and stable dividends, with an increased emphasis on growth. Our view is that **attractive yields of dividend stocks can drive our expected return and we seek to benefit from companies that can prosper in an improving economic recovery.**

Breakdown of Total Return Components



Source: City National Rochdale Research.

10Y Treasury Yield Spreads



Source: FactSet as of March 31, 2021.

Index Definitions

The Treasury index is an index based on recent auctions of U.S. Treasury bills and is commonly used as a benchmark when determining interest rates, such as mortgage rates.

The Bloomberg Barclays US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury.

The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

The Palmer Square CLO Debt Index ("CLO Debt Index") is a rules-based observable pricing and total return index for collateralized loan obligation ("CLO") debt for sale in the United States, original rated A, BBB, or BB or equivalent.

The S&P/LSTA U.S. Leveraged Loan 100 Index is designed to reflect the performance of the largest facilities in the leveraged loan market.

The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market.

The Bloomberg Barclays Global High Yield Index is a multi-currency flagship measure of the global high yield debt market.

Bloomberg Barclays 1-3 Year Government/Credit Index (LGC3truu) is an unmanaged index considered representative of short-term U.S. corporate and government bonds with maturities of 1-3 years.

The Bloomberg Barclays US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury.

Bloomberg Barclays U.S. Corporate High Yield Index (barhiyd) is an unmanaged index that is comprised of issues that meet the following criteria: at least $150 million par value outstanding, maximum credit rating of Ba1 (including defaulted issues), and at least 1 year to maturity.

Bloomberg Barclays High Yield Municipal Bond Index (barhiym) is an unmanaged index considered representative of non-investment-grade bonds.

Vanguard Consumer Staples ETF seeks to track the performance of a benchmark index that measures the investment return of consumer staples stocks.

The iShares U.S. Utilities ETF seeks to track the investment results of an index composed of U.S. equities in the utilities sector.

Vanguard Real Estate ETF seeks to track the investment performance of the MSCI US Investable Market Real Estate 25/50 Index.

Important Information

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

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.

Concentrating assets in a particular industry, sector of the economy, or markets may increase volatility because the investment will be more susceptible to the impact of market, economic, regulatory, and other factors affecting that industry or sector compared with a more broadly diversified asset allocation.

Private investments often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, and may involve complex tax structures and delays in distributing important tax information.

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

There are inherent risks with equity investing. These risks include, but are not limited to, stock market, manager, or investment style. 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 risks may include interest rate, call, credit, market, inflation, government policy, liquidity, or junk bond. 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. 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 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.

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 does not ensure a profit or protect against a loss in a declining market. Past performance is no guarantee of future performance.

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

CNR is free from any political affiliation and does not support any political party or group over another.