CITY NATIONAL ROCHDALE®
AN RBC/CITY NATIONAL COMPANY

May 2024

Economic Outlook and Investment Strategy

Investment Strategy Committee Highlights

Economic Outlook

- Increased confidence in the outlook has raised CNR's probability of a soft landing/slow growth to 70%.
- Inflation still elevated but continues its downward glide path. Wages and service inflation are declining more slowly.
- Expecting the Fed to be patient on policy easing, with zero to two rate cuts a possibility sometime in the second half of 2024.
- Consumer spending expected to slow but wealth effects, labor market strength and real income gains remain.
- Defaults by consumers and corporations expected to increase from historic lows but should be manageable.
- Investment spending should improve as businesses gain confidence around the outlook.
- U.S. economic outlook is more resilient than European and Asian economies.
- Elections in U.S. likely to be contentious; shouldn't impact domestic economic activity.
- Geopolitical risks unlikely to meaningfully impact U.S. economic activity, but we remain watchful.

Investment Strategy

- Expecting modest returns across asset classes in 2024; remain focused on high quality stocks and bonds.
- Staying focused on U.S. equities; we have been raising equity exposure as risks to the economic outlook diminish.
- History suggests dividend stock performance should rebound.
- For clients seeking additional capital appreciation, mid-small cap equities appear increasingly attractive.
- Continue to avoid international equities for now given less resilient outlook and geopolitical concerns.
- Potential rates cuts are a bullish sign for investors and signal that now may be the time to take advantage of interest rates.
- Investment grade corporate and municipals may offer attractive yields, with less risk vs. high-yield markets.
- Maintaining focus on quality and positioning with benchmark duration.
- There are still excellent opportunities for short-term cash/liquidity management.
- Alternatives* may provide better risk adjusted returns diversification and private market exposure for those clients that can allocate to illiquid investments.

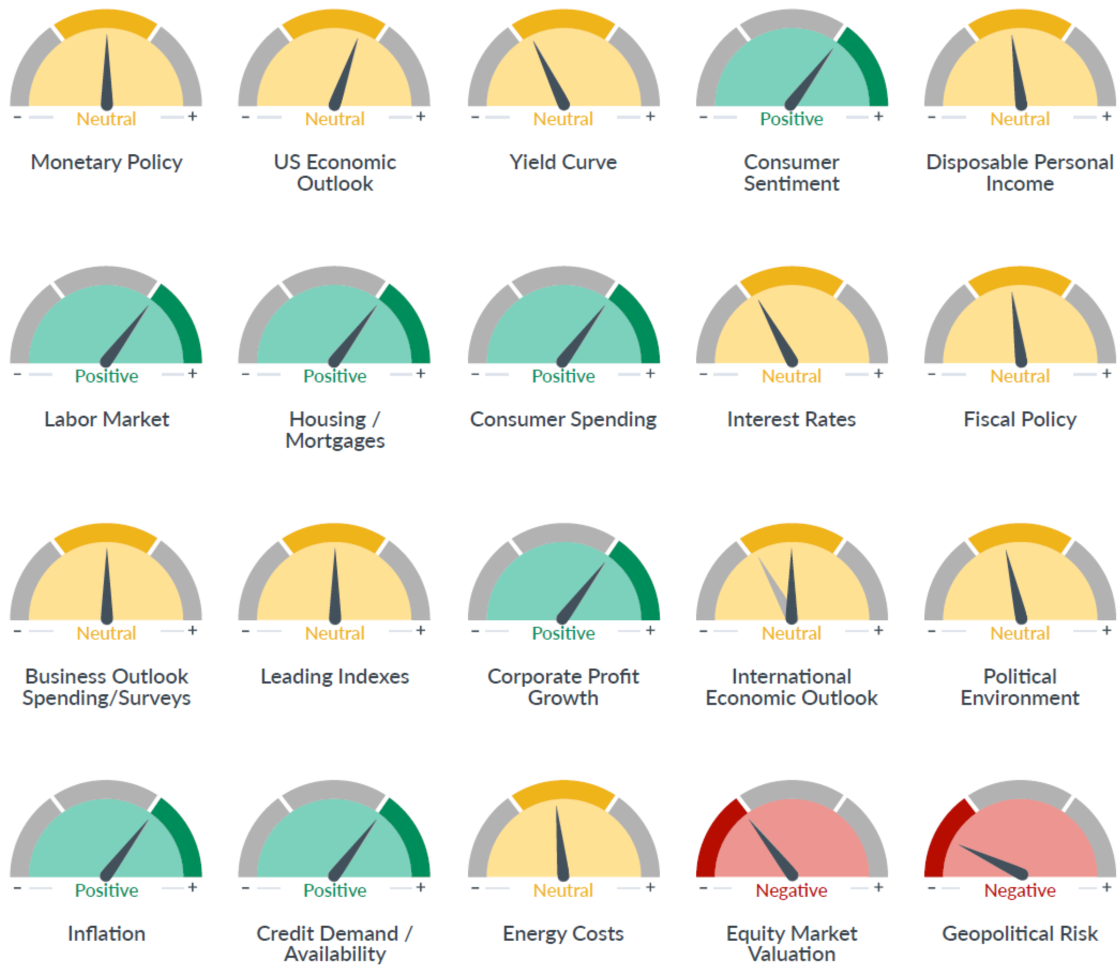
*Alternative investments are speculative, may entail substantial risks and may not be suitable for all investors.
Diversification does not ensure a gain or protect against a loss.
Sources: Bloomberg, CNR Research, as of May 2024. Information is subject to change and is not a guarantee of future results.

CNR Speedometers® –May 2024

Economic & Financial Indicators That are Forward-Looking Six to Nine Months

- Global economic outlook improving, US growth prospects remain more positive.
- Fed rate hiking cycle most likely over, policy headwinds expected to moderate.
- Consumer remains resilient, job and wage growth supporting spending.
- Expecting improvements in corporate profits, inflation, credit conditions and housing.
- Geopolitical events remain key risk to outlook.

Impact on Economy and Financial Markets



Impact on investment: Positive Neutral Negative **Timeframe:** Current Change from last month

Source: Proprietary opinions based on CNR Research, as of May 2024. Information is subject to change and is not a guarantee of future results.

Economic Forecasts

- GDP growth to moderate but economy should remain resilient and avoid recession.
- Corporate profits expected to show improving growth.
- Downward inflation glide path intact, but progress slower.
- Now expecting 0-2 Fed rate cuts in 2024.
- Sticky inflation and more patient Fed likely to put 4% floor on 10- year Treasuries.

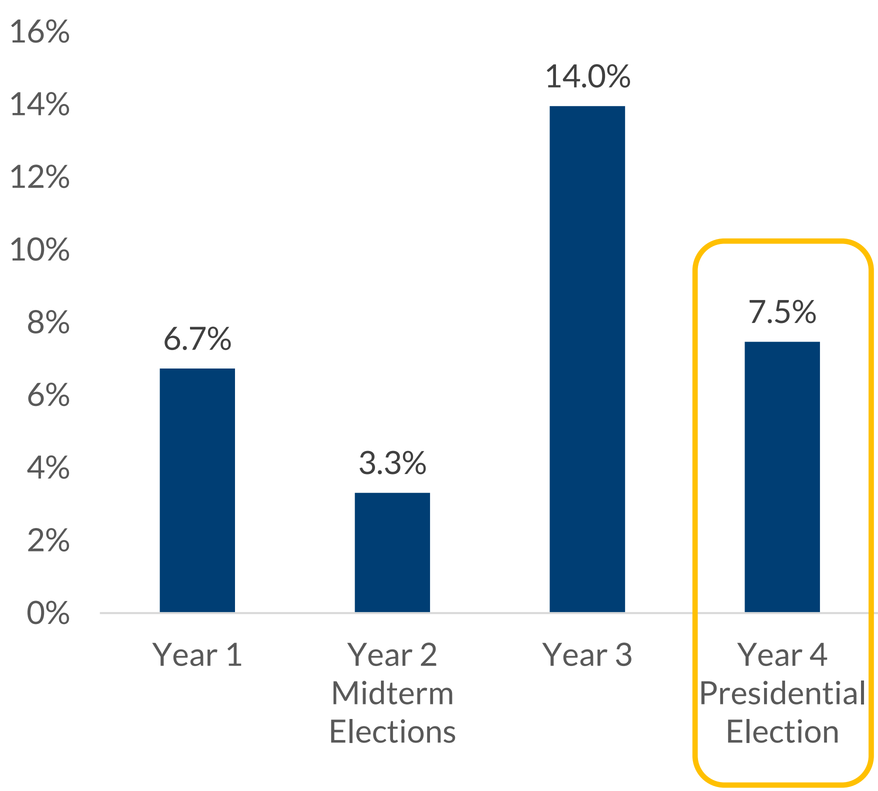
City National Rochdale Forecasts		2023	2024e	2025e
Real Annual GDP Growth		2.5%	1.75% to 2.25%	1.5% to 2.25%
Corporate Profit Growth		1%	9.0% to 12.0%	8.0% to 12.0%
Headline CPI Year End		3.3%	2.75% to 3.50%	2.50% to 2.75%
Core CPI Year End		3.9%	2.50% to 3.00%	2.25% to 2.75%
Interest Rates	Federal Funds Rate	5.25% to 5.50%	4.75% to 5.50%	3.75% to 4.25%
	Treasury Note, 10-Yr.	3.88%	4.10% to 4.60%	4.00% to 4.50%

Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.
The Consumer Price Index (CPI) measures the monthly change in prices paid by U.S. consumers.
e: estimate.
Sources: Bloomberg, proprietary opinions based on CNR Research, as of May 2024.
Information is subject to change and is not a guarantee of future results.

Presidential Election Years Are Typically Good Ones

- Only five presidential election years since 1928 have seen negative returns.
- Over the long run, equities have historically performed well regardless of political party control of government.
- Factors like corporate profits, interest rates, and the direction of Fed policy tend to be more important.

S&P 500 Performance
Over US Presidential Election Cycles
(1928-2023)



S&P 500 Performance
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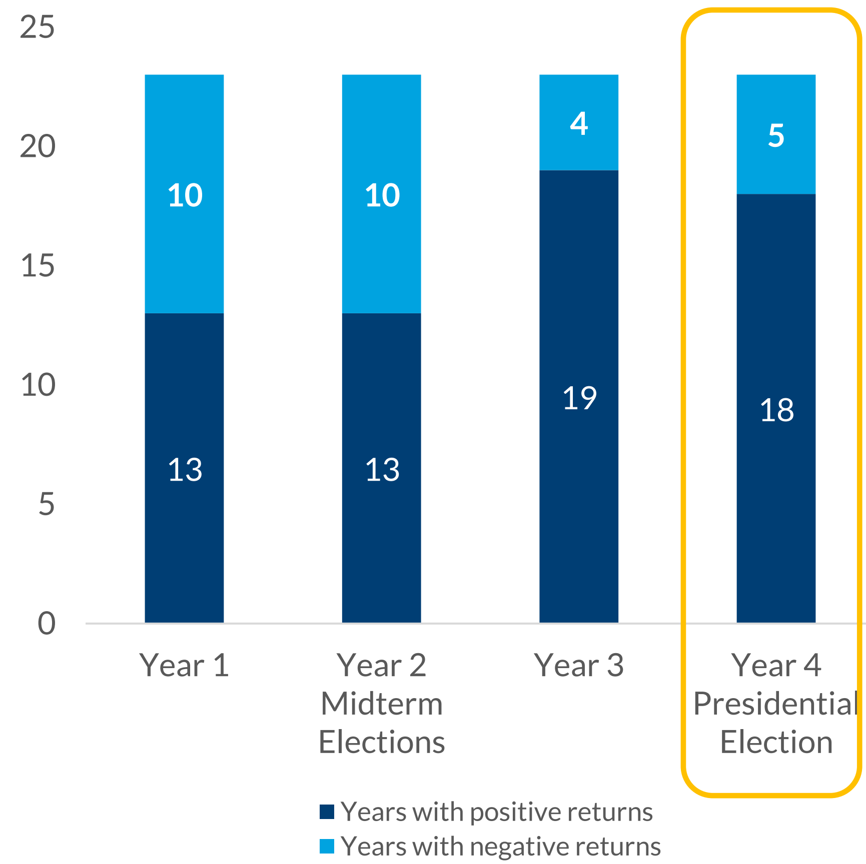


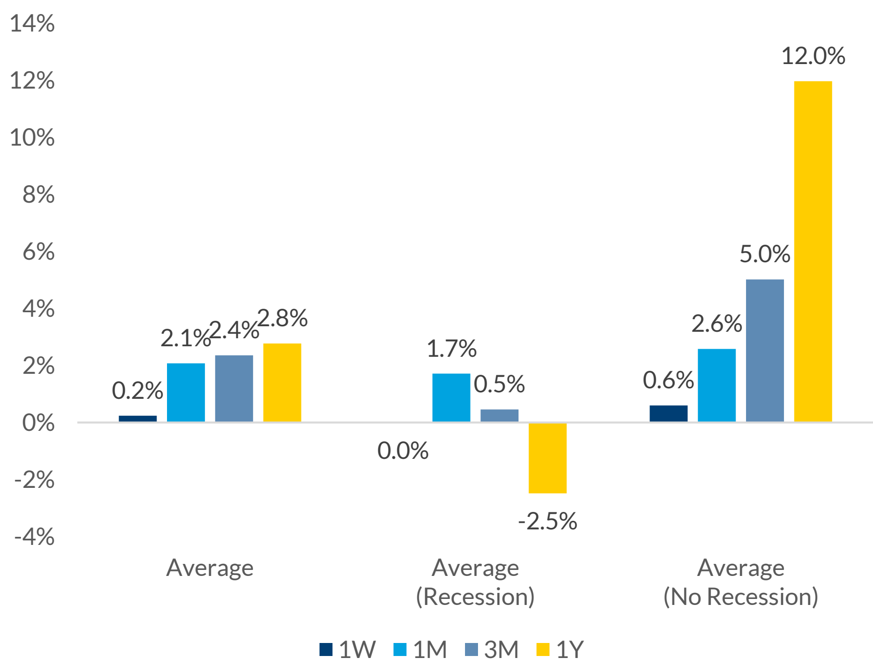
Source: Factset, as of January 2024.
Past performance is no guarantee of future results.

Heighted Geopolitical Risk

Markets Have Shown Resilience Outside Of Recessionary Environments

S&P 500 Performance

After Select Geopolitical Shocks



The stock market's longer-term reaction ultimately is more impacted by the strength of underlying economic fundamentals.

Select Geopolitical Shocks	First Trading Date	S&P 500 Performance 1W	1M	3M	1Y
Yom Kippur War/Oil Embargo	10/8/1973	-0.2%	-3.7%	-10.2%	-38.7%
Iran Hostage Crisis	11/5/1979	1.7%	5.8%	13.9%	33.7%
Iraq Invades Kuwait	8/2/1990	-3.1%	-7.9%	-11.8%	14.0%
First Gulf War	1/17/1991	2.1%	12.9%	19.4%	31.8%
9/11	9/17/2001	-3.4%	3.8%	9.6%	-14.6%
War in Afghanistan	10/8/2001	2.6%	5.1%	10.0%	-23.7%
Second Gulf War	3/20/2003	-0.8%	2.2%	14.1%	28.9%
Orange Revolution/Ukraine	11/22/2004	0.2%	2.9%	2.5%	9.1%
Russo-Georgian War	8/8/2008	0.2%	-4.0%	-27.7%	-19.9%
Russian Invasion of Crimea	2/27/2014	1.3%	0.3%	4.1%	15.8%
Russian Invasion of Ukraine	2/24/2022	1.8%	6.1%	-5.0%	-5.9%
Israel/Hamas War	10/7/2023	0.5%	1.4%	9.4%	-

During or six months prior to recession

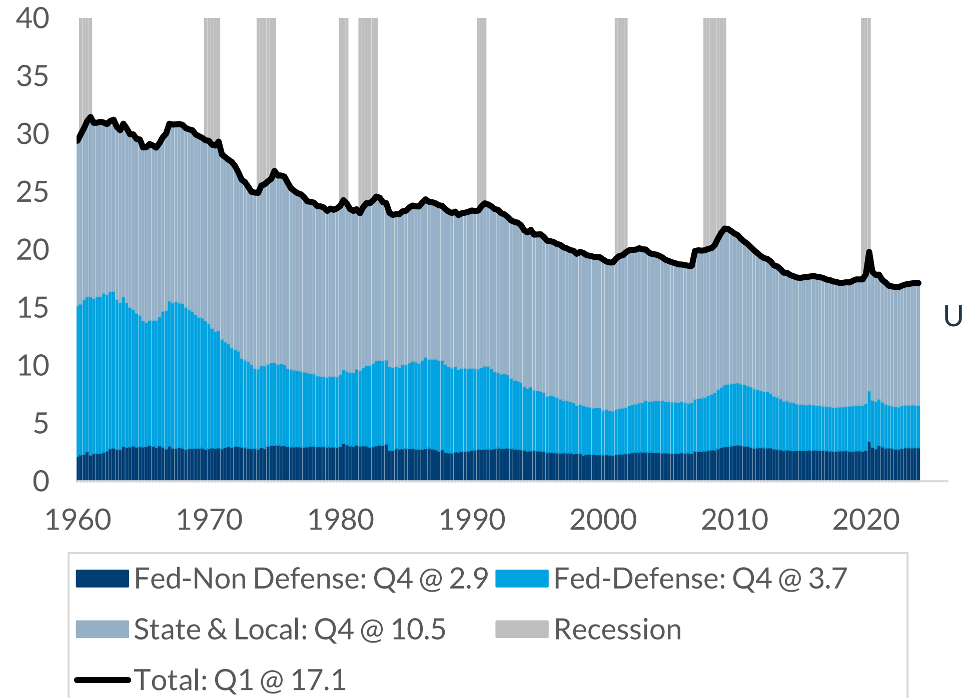
Source: FactSet, as of February 2024.
Indices are unmanaged, and one cannot invest directly in an index. Index returns do not reflect a deduction for fees or expenses.
Past performance is no guarantee of future results.

The Federal Debt Is Large but Manageable for Now

- While large, the deficit for the next 10 years appears to be in line with the past 10 years.
- Last year's deficit grew due to lower tax receipts, increased Social Security spending and higher treasury debt yields.
- The run-up in borrowing costs and the deficit has renewed concerns about Congress's long-term fiscal plan.
- The rise in federal debt is consistent with many other developed countries.

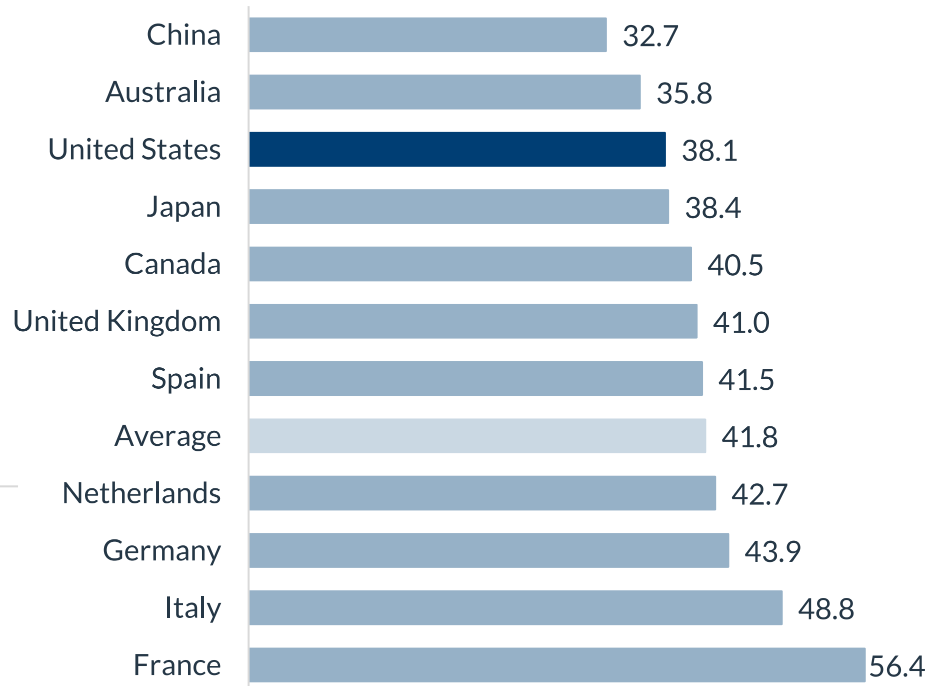
GDP: Government as a Percent of Total

%, seasonally adjusted data



Government Spending

% of GDP



CBO stands for Congressional Budget Office. It is a federal agency within the legislative branch of the United States government that provides budget and economic information to Congress.

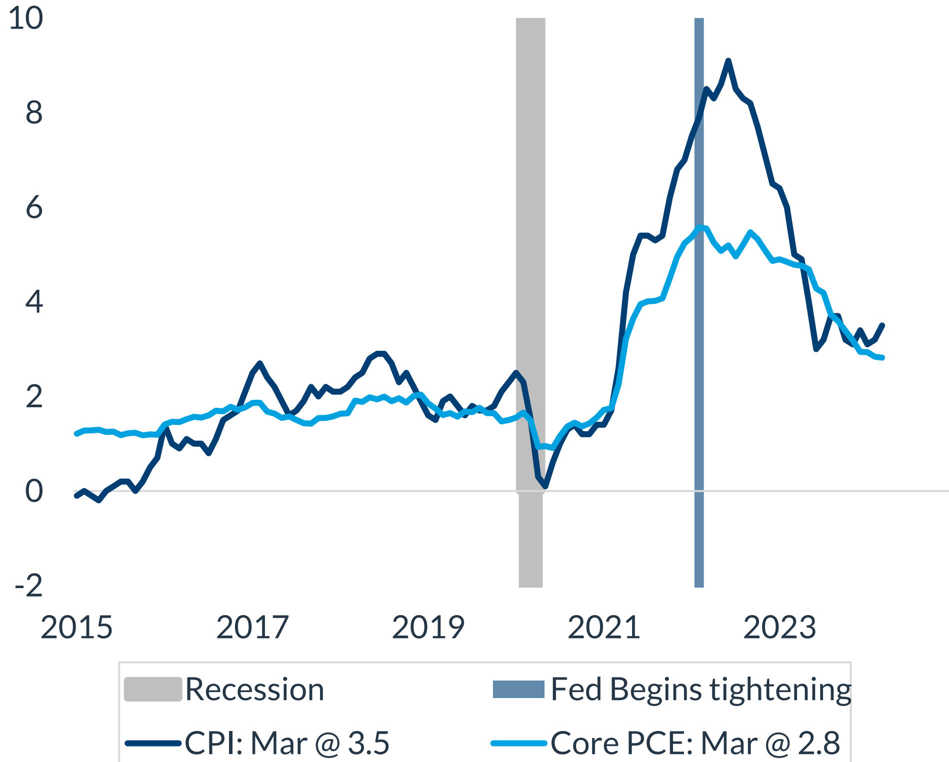
Sources: Bureau of Economic Analysis as of Q4 2023; International Monetary Fund, as of Q2 2022.

Information is subject to change and is not a guarantee of future results.

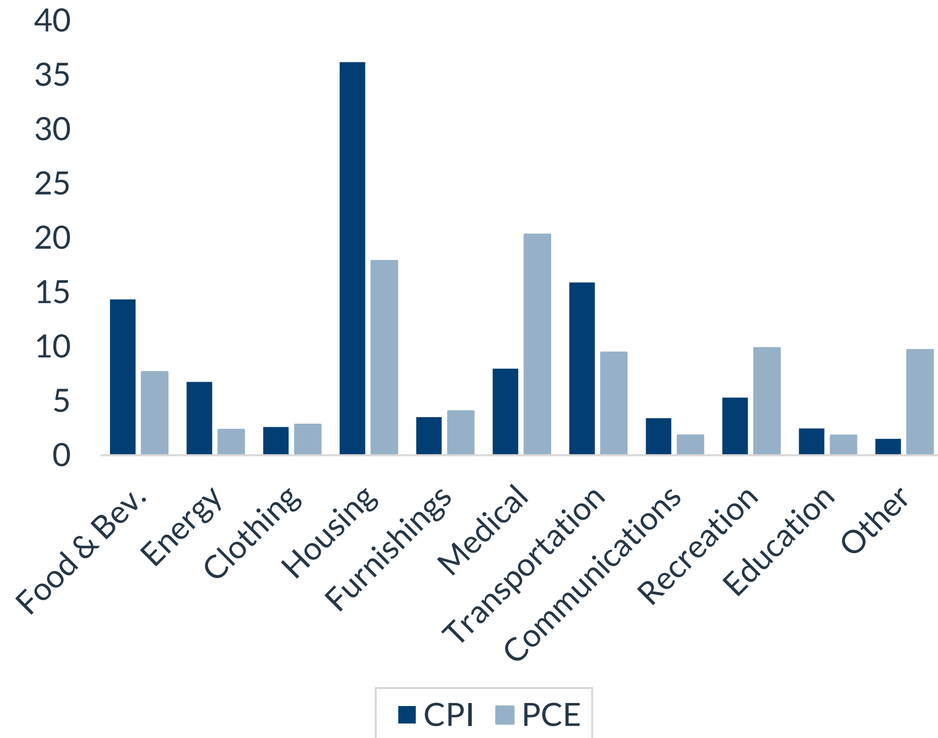
Inflation Expected to Continue to Slowly Moderate

- Although the CPI report is the best-known inflation measurement, the PCE price index is the one the Fed follows.
- The weightings reflect exactly how consumers spend their money based on the income and personal consumption reports.
- Inflation has been improving but is still too far away from the Fed's goal of 2.0 % to allow the Fed to lower interest rates.

Inflation: CPI & Core PCE
% change, y-o-y, seasonally adjusted



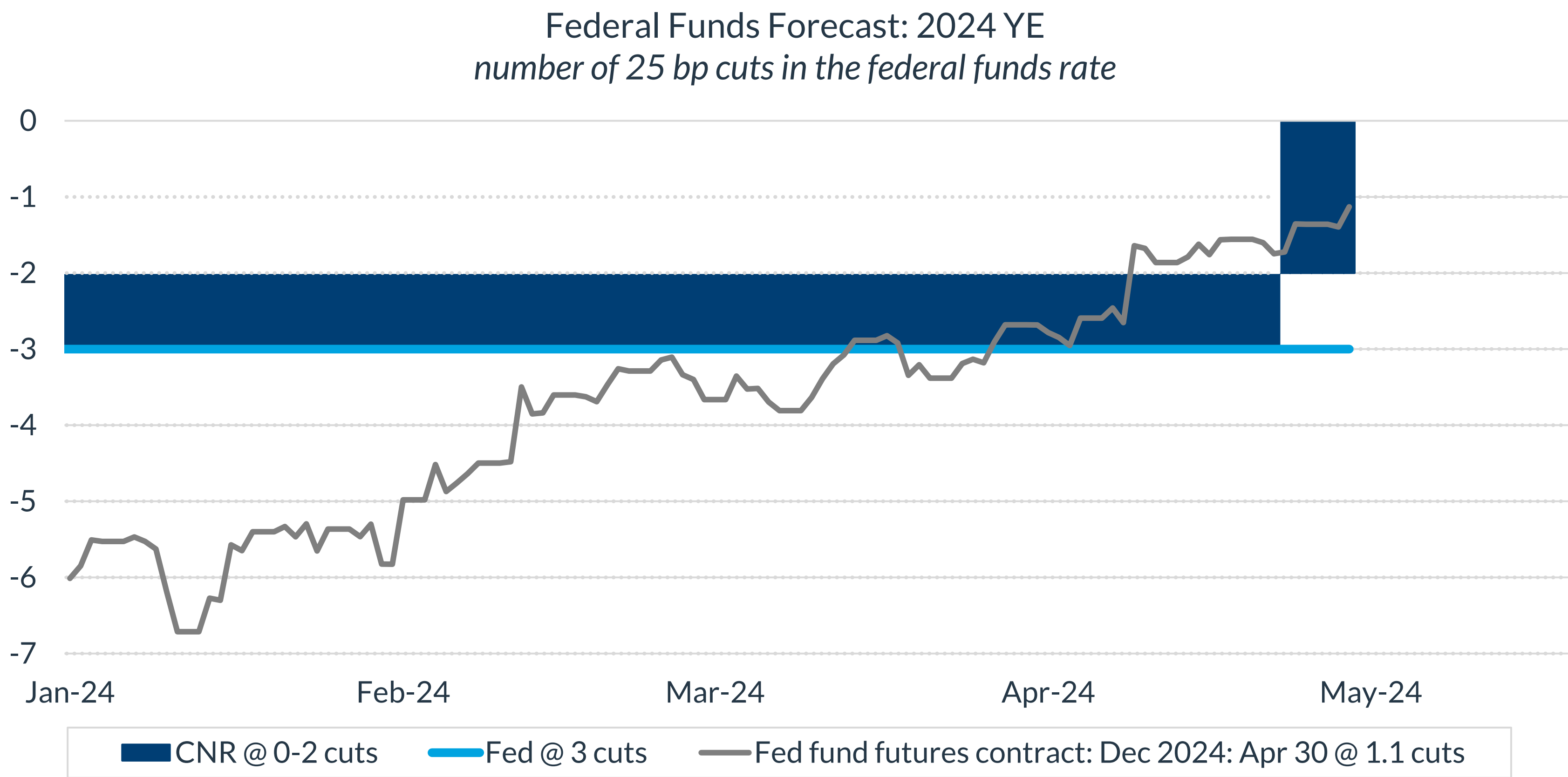
Inflation: CPI & PCE Sector Weightings
%, not seasonally adjusted



Data current as of March 2024.
Sources: Bureau of Economic Analysis.
Information is subject to change and is not a guarantee of future results.

The Federal Reserve Will Keep Policy Rates High

- The market has significantly repriced rate cut expectations since the start of 2024 , from almost 7 cuts to now about 1.
- CNR has consistently had more modest rate cut expectations.
- Given sticky inflation and strong economic growth, we expect the Fed will likely be patient before easing policy.

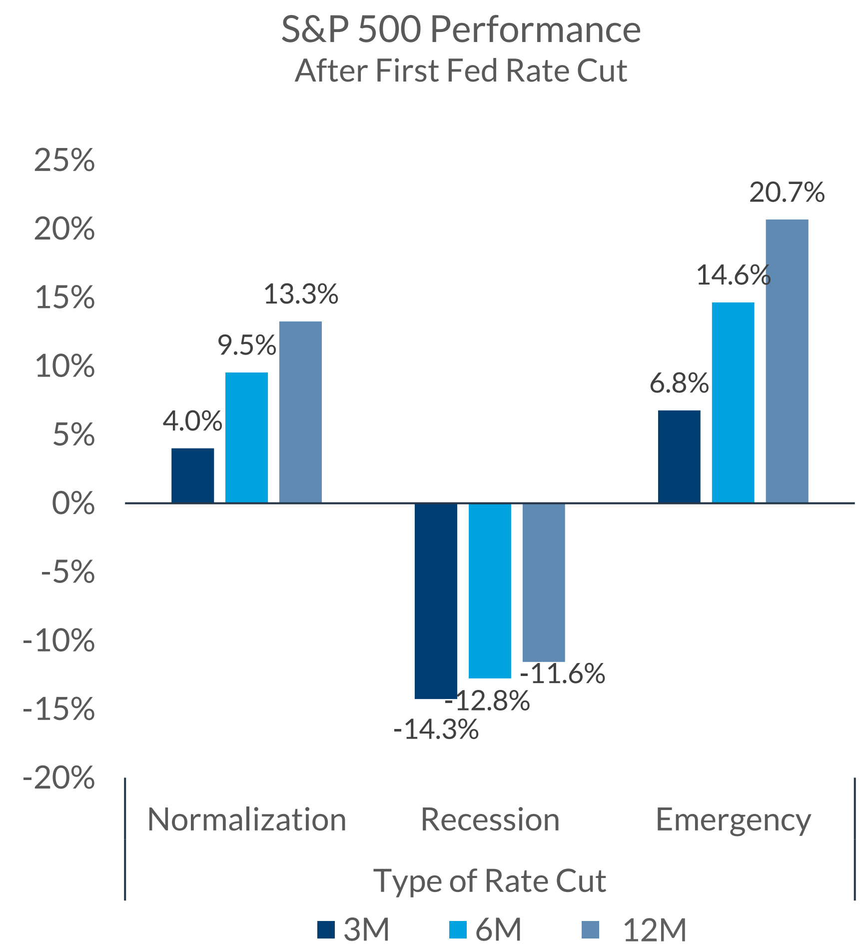


Sources: Federal Reserve Bank, Bloomberg's WIRP page, CNR Research, as of April 30, 2024.
Information is subject to change and is not a guarantee of future results.

The Stock Market and Fed Rate Cuts

- Stock market performance has historically been influenced by why the Fed is cutting rates.
- When the Fed is cutting to normalize rates rather than for recessionary concerns, stocks tend to do well.

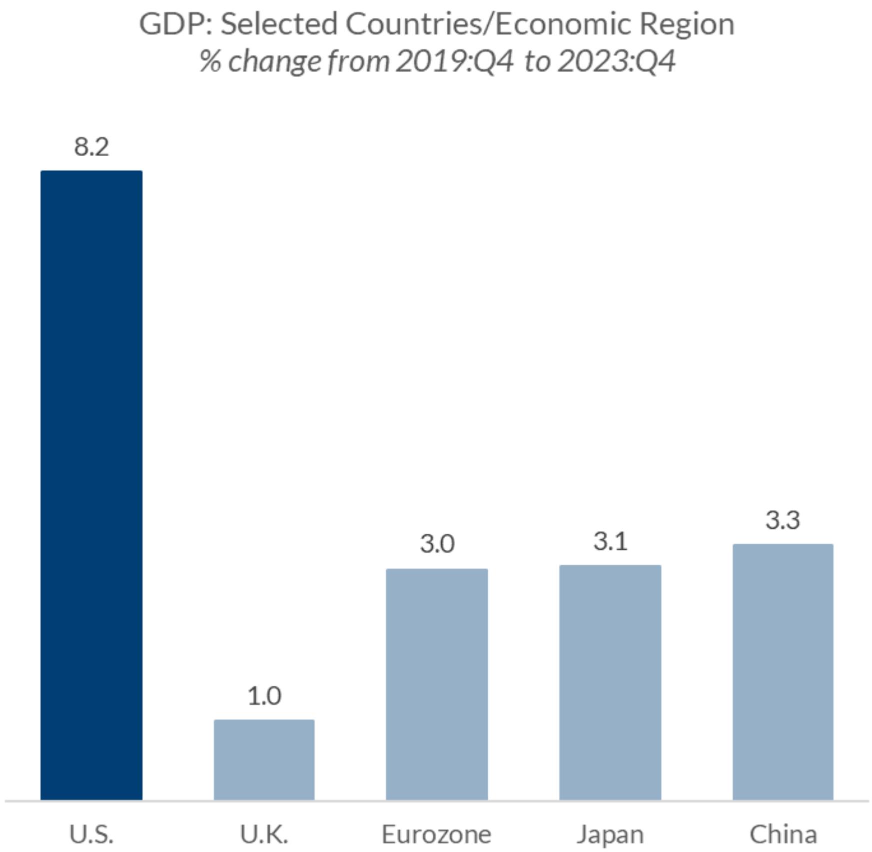
Date of First Cut	Type of Fed Rate Cut	S&P 500 Return		
		3M	6M	12M
9/27/1984	Normalization	-0.7%	7.5%	8.6%
10/22/1987	Emergency	-0.7%	4.8%	13.9%
6/5/1989	Normalization	9.8%	8.9%	14.1%
7/13/1990	Recession	-19.8%	-14.2%	3.5%
7/6/1995	Normalization	5.0%	11.5%	21.4%
9/29/1998	Emergency	18.4%	22.6%	20.9%
1/3/2001	Recession	-18.1%	-9.5%	-14.3%
9/18/2007	Recession	-4.9%	-14.6%	-23.9%
7/31/2019	Normalization	1.9%	10.2%	8.9%
3/3/2020	Emergency	2.6%	16.5%	27.2%
	Average	**-0.7%**	**4.4%**	**8.0%**

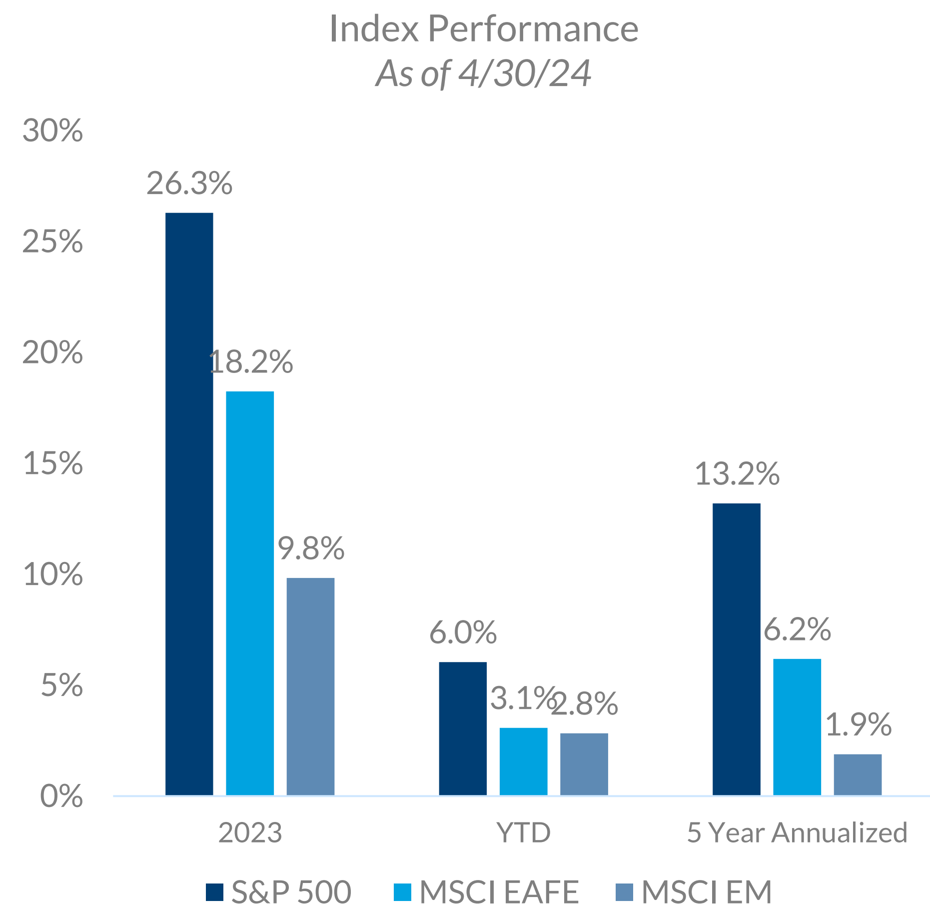


Emergency Cuts = Black Monday (1987), Russian Ruble/LTCM Crisis (1998), COVID (2020)
Source: FactSet, St. Louis Fed. Information is subject to change and is not a guarantee of future results.

Continue to Favor U.S. Equities

- Stability and growth help explain the U.S. economy's post-pandemic outperformance relative to global markets.
- U.S. continues to grade best on factors that drive long term economic growth and financial market returns.

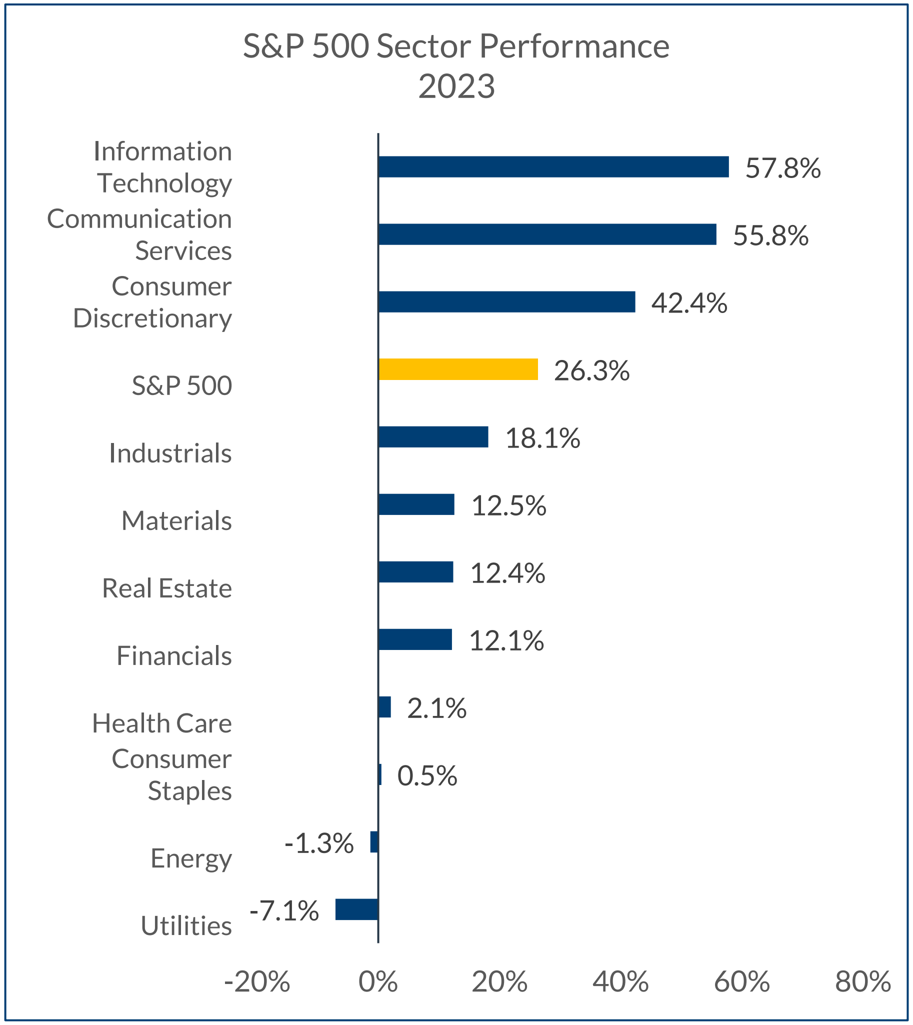


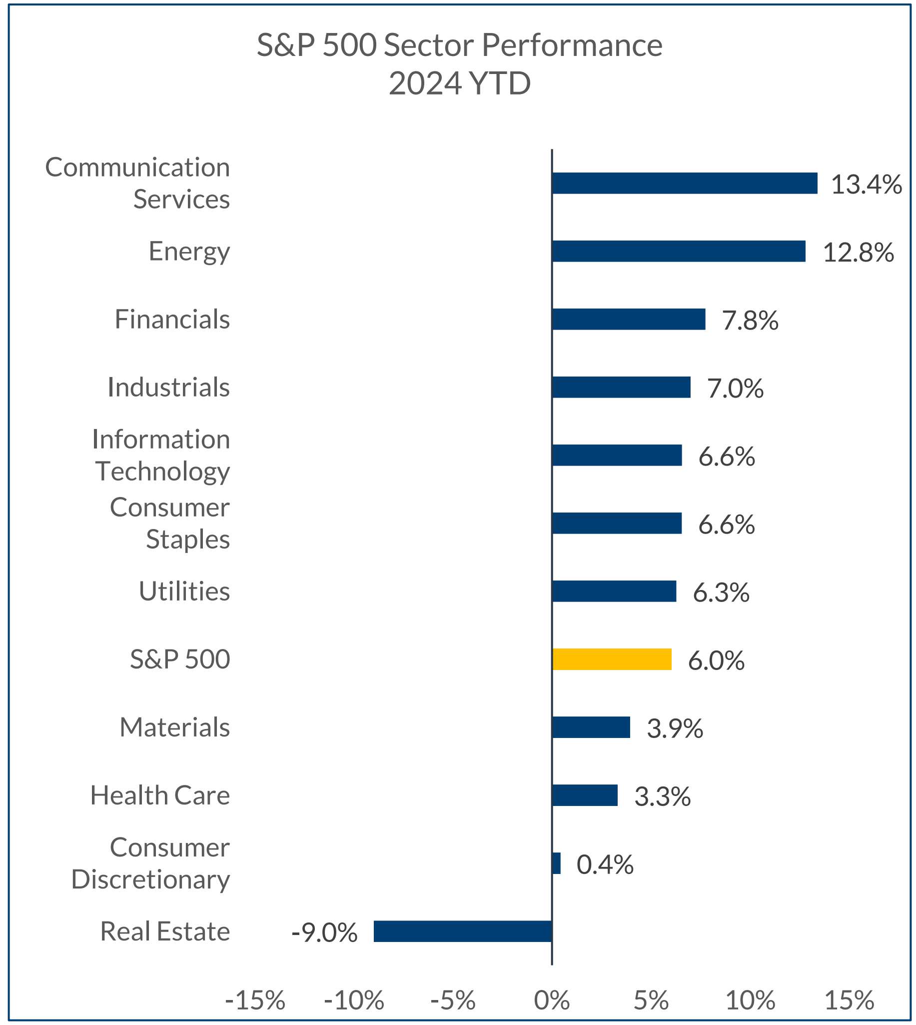


Sources: Bureau of Economic Research, UK Office for National Statistics, Eurostat, Economic and Social Research Institute Japan, National Bureau of Statistics of China, as of March 25, 2024; Bloomberg, FactSet, CNR Research, as of April 2024.
Information is subject to change and is not a guarantee of future results.

Market Participation Has Broadened in 2024

- Performance of the S&P 500 in 2023 was driven largely by a few growth sectors, particularly tech related.
- More sectors have contributed to the market's advance this year as confidence in the outlook has improved.

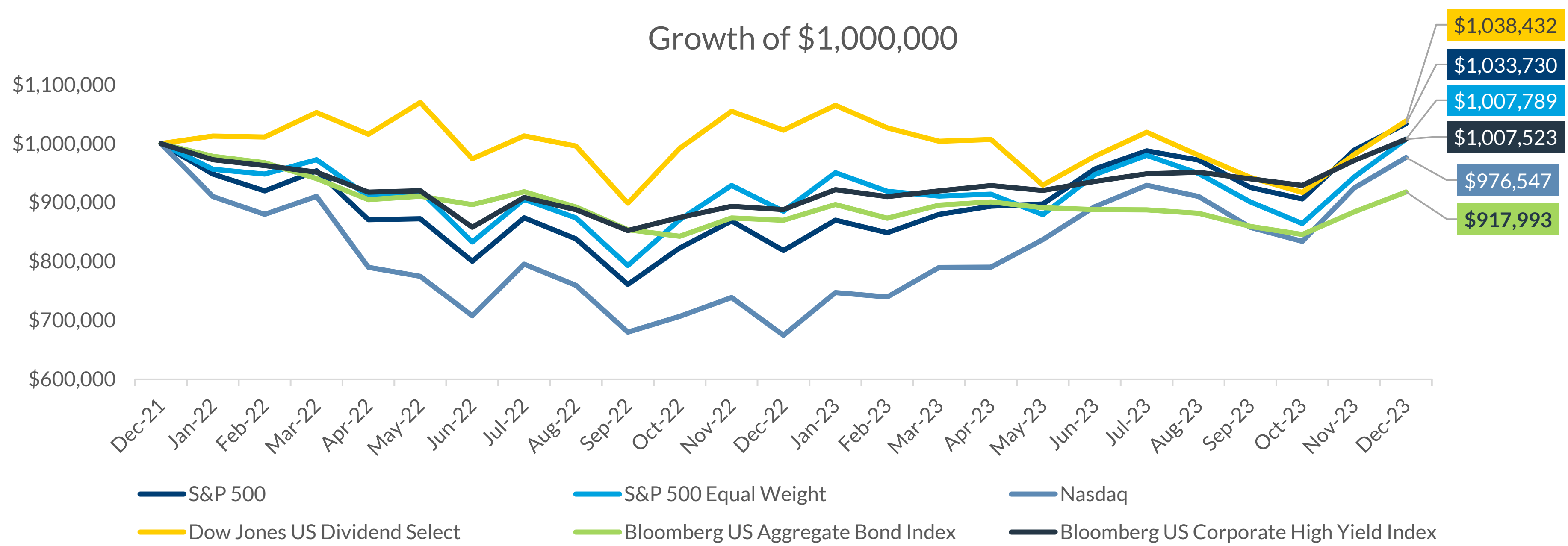




Source: FactSet, as of April 30, 2024.
Past performance is no guarantee of future results.

Reflecting on Two Volatile Years

- Significant market declines in 2022 were reversed in 2023, producing modest two-year returns across asset classes.
- We expect modest returns in 2024, with less dramatic swings in financial market prices.



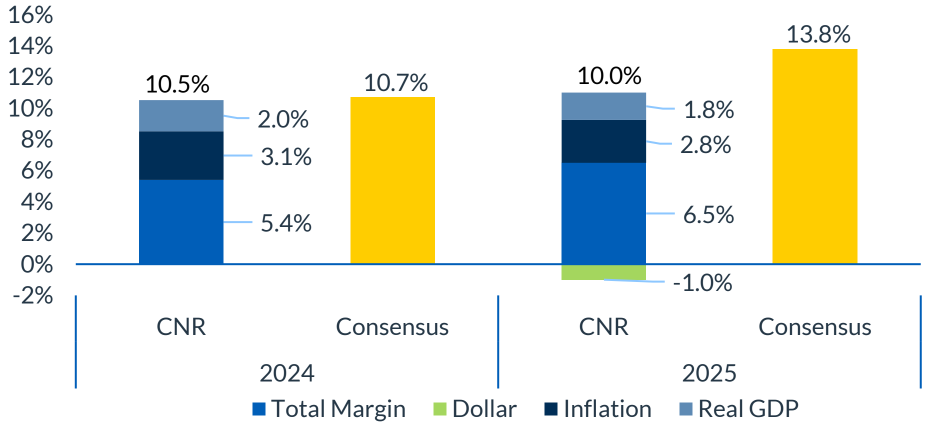
Period	S&P 500	S&P 500 Equal Weight	Nasdaq	Dow Jones US Dividend Select	Bloomberg US Aggregate Bond Index	Bloomberg US Corporate High Yield Index
2022	-18.1%	-11.5%	-32.5%	2.3%	-13.0%	-11.2%
2023	26.3%	13.8%	44.7%	1.5%	5.5%	13.4%
2022-2023	3.4%	0.8%	-2.3%	3.8%	-8.2%	0.8%

Source: FactSet, as of December 2023.
Past performance is no guarantee of future results.

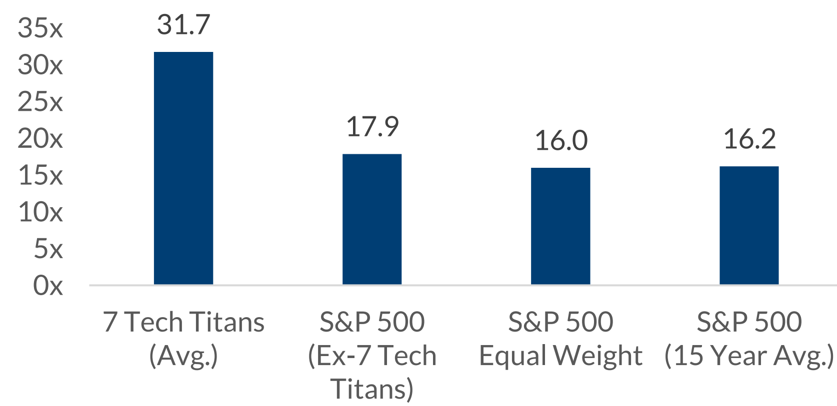
Equity Risk/Reward Conditions Appear Modestly Positive

- Focusing on fundamentals is key.
- Stronger confidence in a solid 2024 earnings recovery, but maintaining below consensus expectations.
- Equity valuations appear more reasonable for broader market.

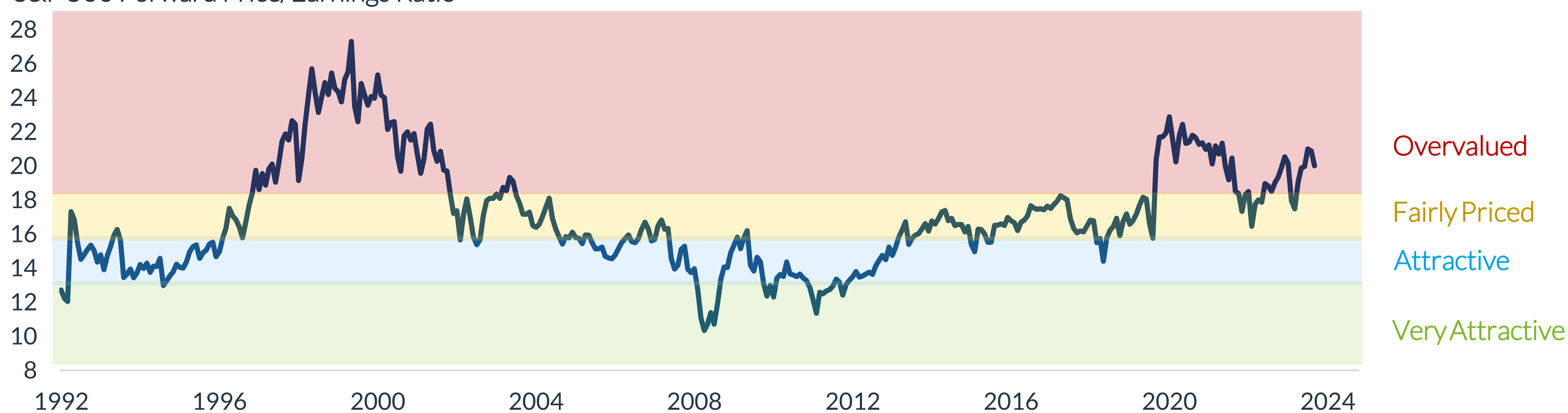
S&P 500 Earnings Growth Forecasts



12 Month Forward P/E Multiples



S&P 500 Forward Price/Earnings Ratio

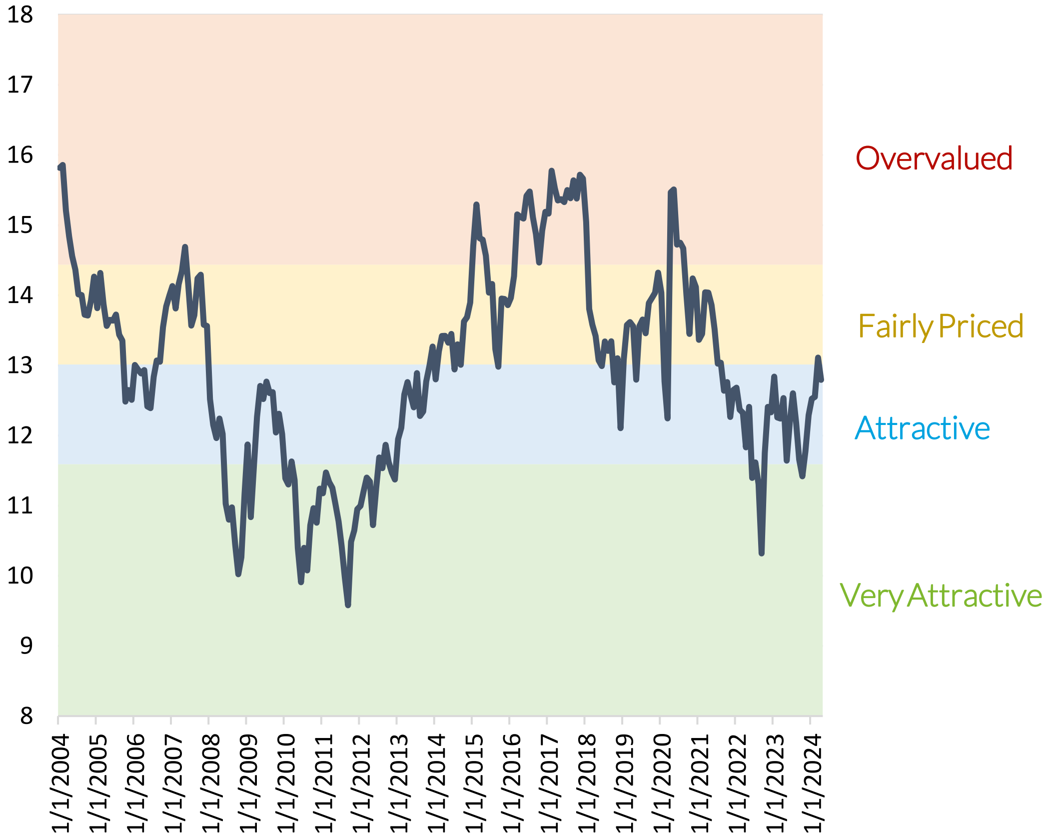


Sources: FactSet, CNR Research, as of April 30, 2024.
Indices are unmanaged, and one cannot invest directly in an index. Information is subject to change and is not a guarantee of future results.

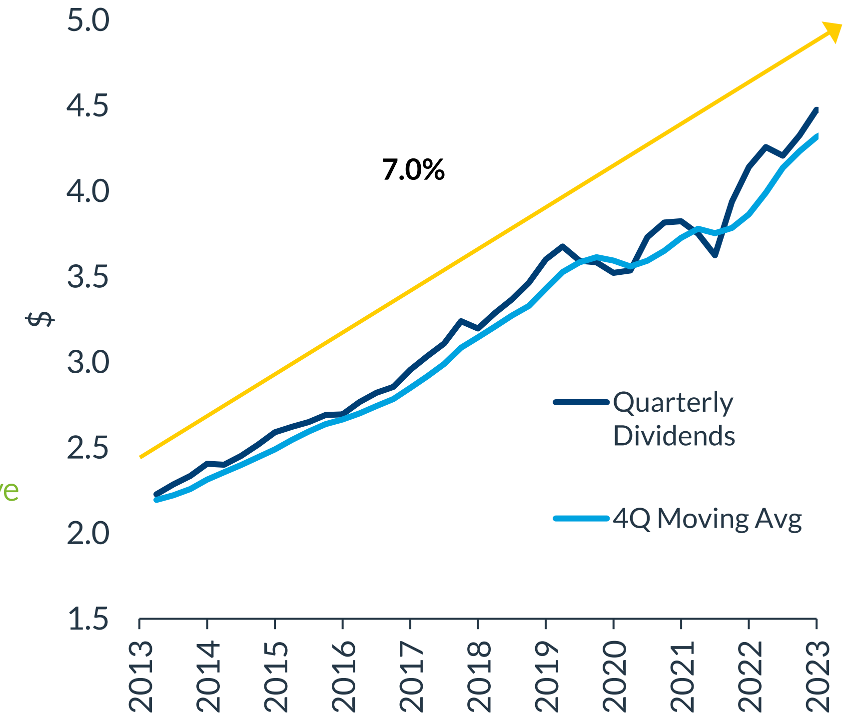
Equity Income – Attractive Valuation

- Dividend stock valuation remains at an attractive level.
- Dividend growth has been consistent over time.

DJ US Select Dividend Index Forward Price to Earnings Ratio



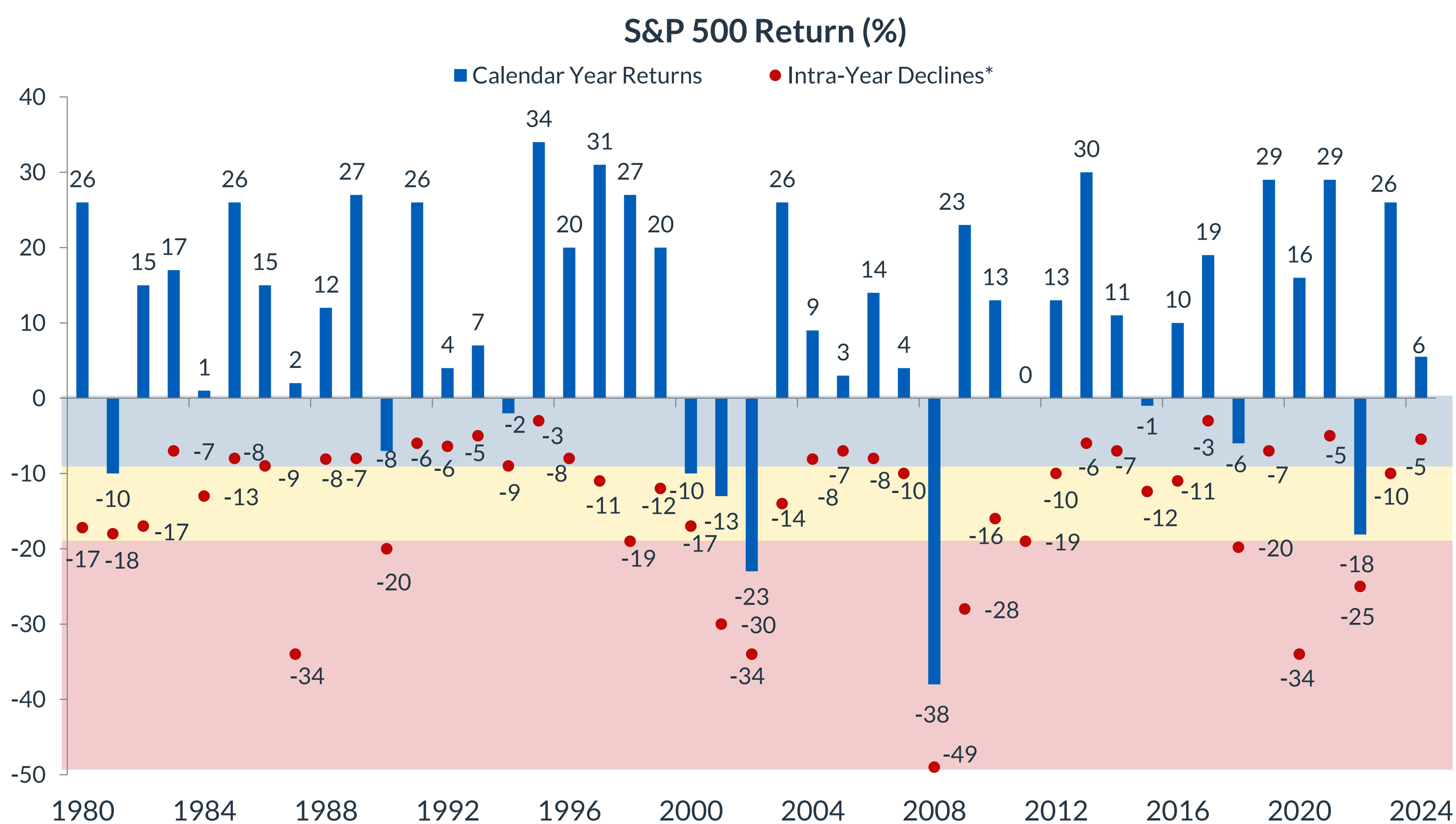
DJ US Select Dividend Index Dividends - Last 10 Years - Quarterly



Sources: FactSet, as of April 30, 2024; FactSet, CNR Research, as of March 2024.
Past performance is no guarantee of future results. Not representative of the performance of any CNR product or service. Information is subject to change and is not a guarantee of future results.

Short-Term Volatility Is Normal

- Corrections are a normal part of market movements.
- The breadth and depth of this pullback are likely to add more time to an ultimate recovery.



Sources: Bloomberg, CNR Research, as of April 30, 2024.
*Intra-year declines are the largest declines within the calendar year.
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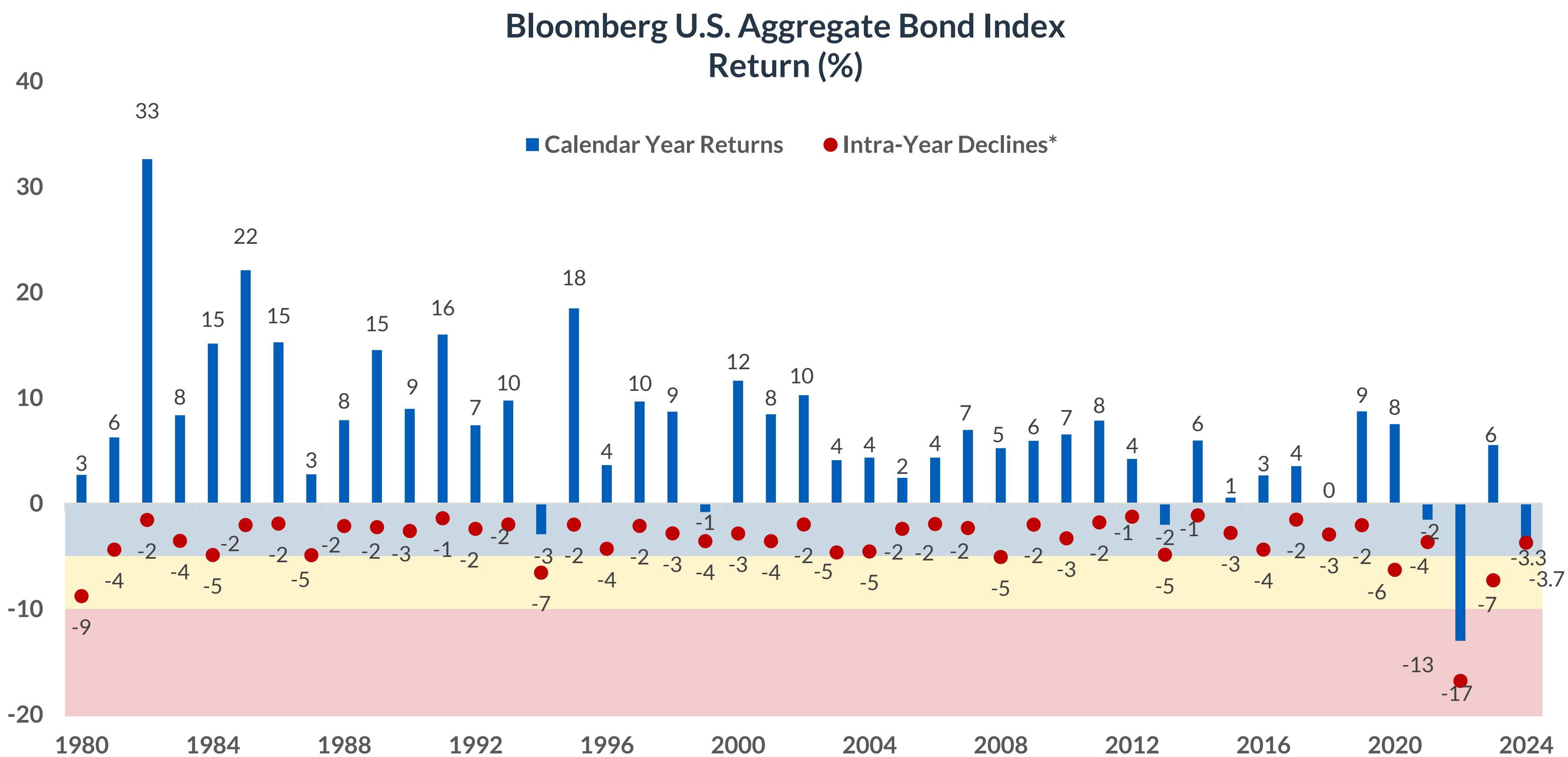
Short-Term Bond Market Volatility Is Not Normal

- Three years of negative returns in fixed income is unprecedented; near term volatility should remain elevated.
- Recent selloff in bonds likely creating a buying opportunity in our base case looking out over next one to two years.
- Maintaining focus on quality and below average duration.



Source: Bloomberg, as of April 30, 2024.
*Intra-year declines are the largest declines within the calendar year.
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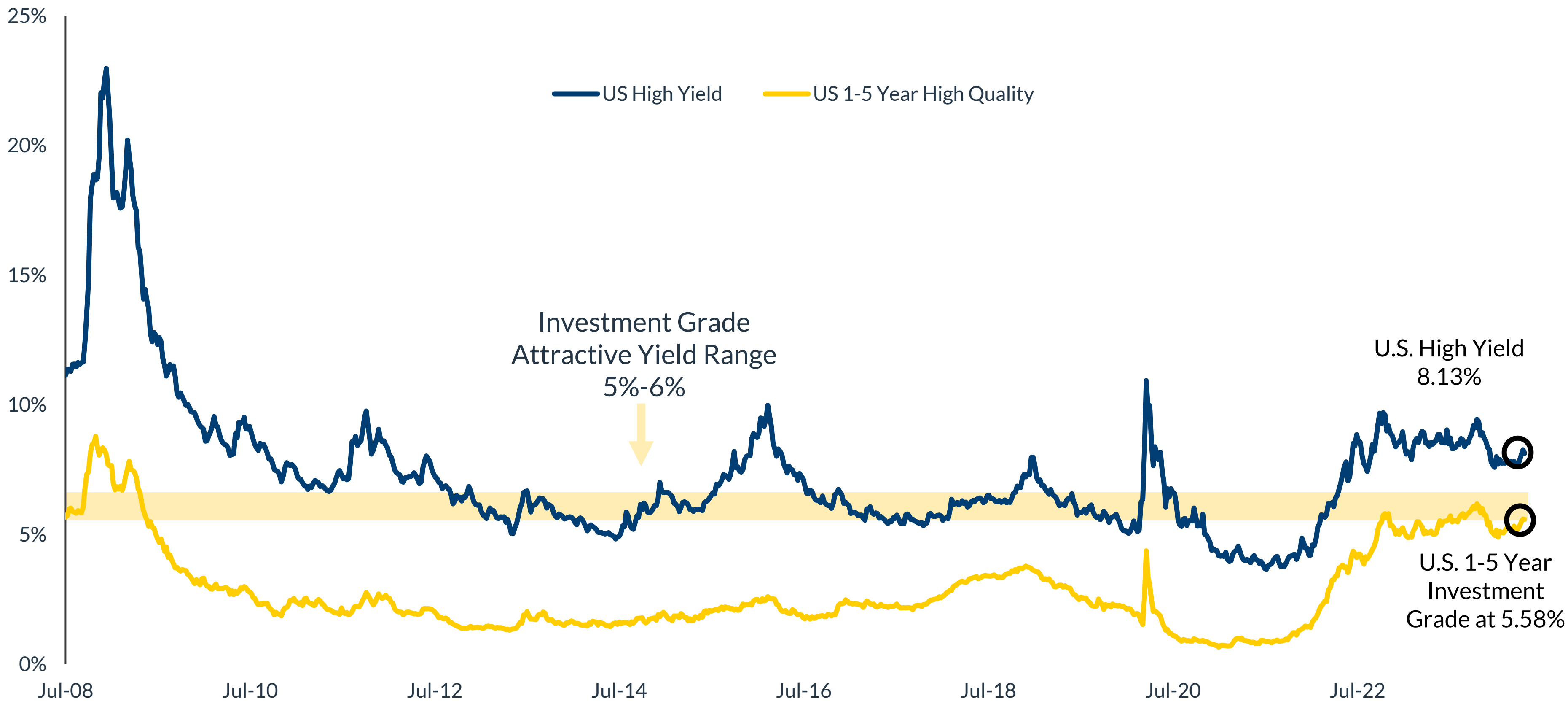
Attractive Investment Grade Yield

The First Time in 15 Years

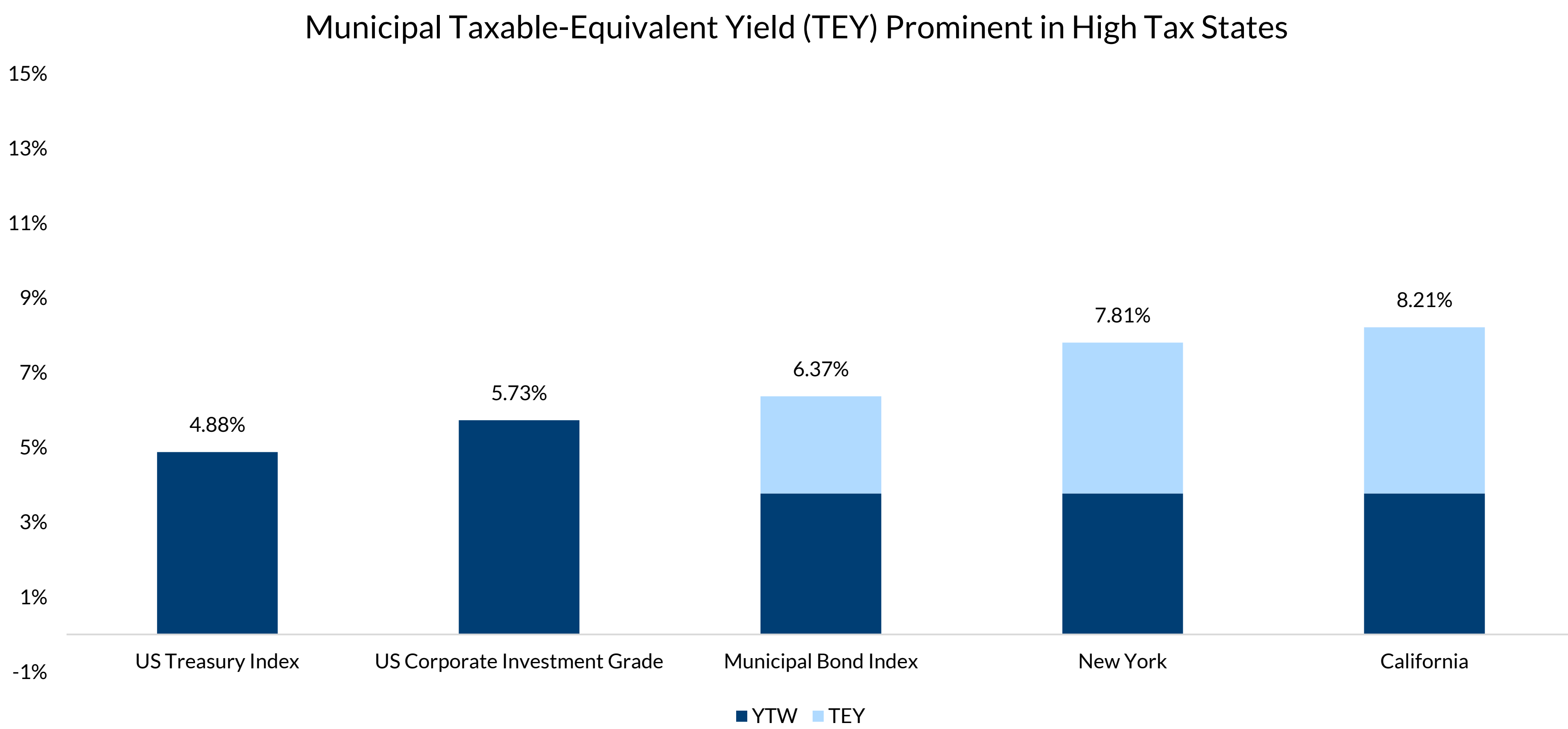
U.S. High Yield & U.S. High Quality Yield-to-Worst
15-Year History



Sources: Bloomberg, CNR Research, as of April 26, 2024.
Past performance is no guarantee of future results.
Indices used: HY: Bloomberg U.S. Corporate High Yield Total Return Index Value Unhedged USD 1-5y. IG: Bloomberg U.S. Corporate 1-5 Year Total Return Index Value Unhedged USD. Refer to the index definitions for more information.

Municipal Yields Shake Off Volatility, Offer Value

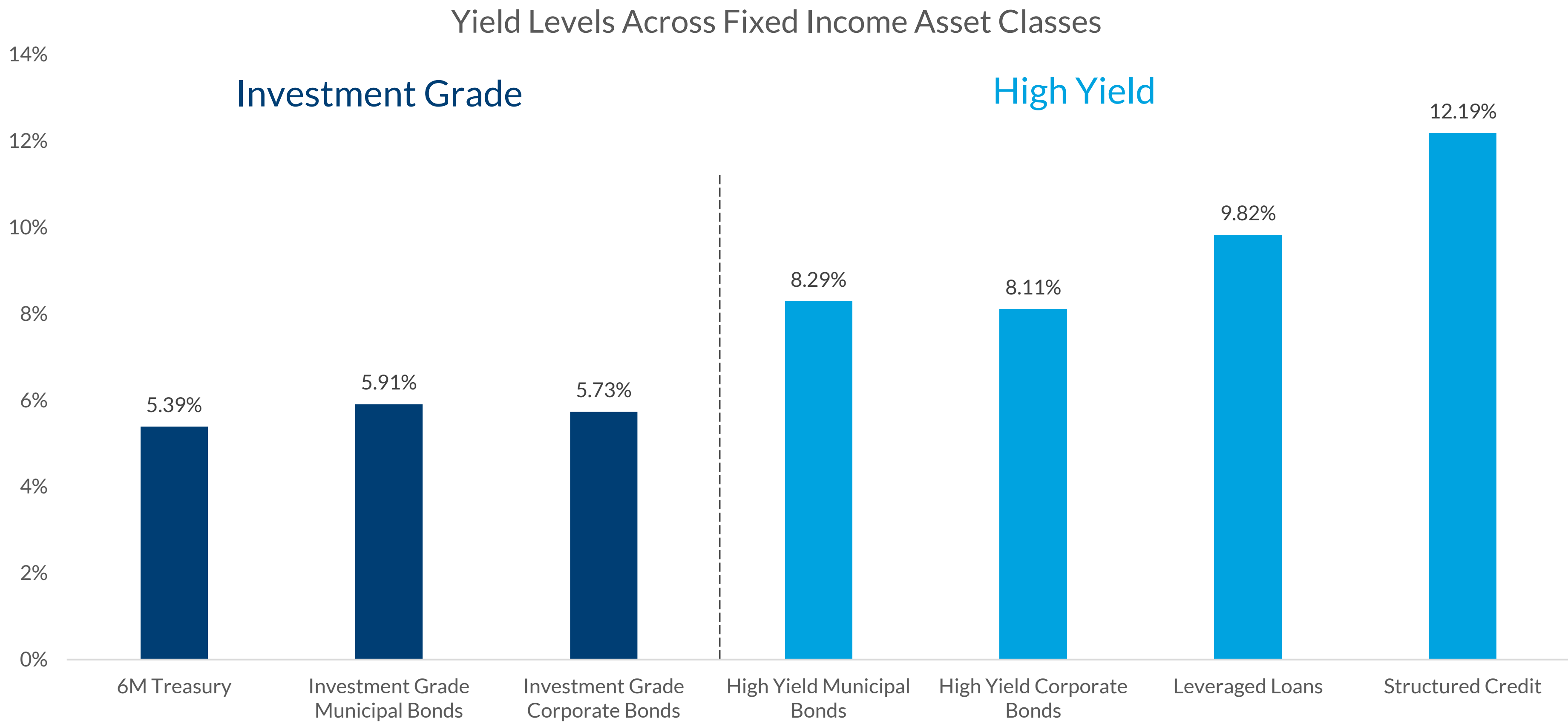
- Despite declining from their generational highs, municipal yields remain at levels last seen in over a decade.
- Adjusted for federal income tax (and state, if applicable), municipals outyield alternatives while providing attractive cash flow.



Source: Bloomberg US Treasury Index, Bloomberg US Corporate Investment Grade Index, Bloomberg Municipal Bond Index as of 4/30/2024.
Taxable equivalent yields assume the following taxes: Bloomberg Municipal Bond Index: 37% federal and 3.8% Medicare surcharge, California, 37% federal, 13.3% state and 3.8% Medicare surcharge, NY, 37% federal, 10.9% state and 3.8% Medicare surcharge; CA calculation excludes the 1.1% payroll tax for disability insurance effective 2024.
Information is subject to change and is not a guarantee of future results.

Yields Are Substantially Higher

- Higher yields have opened the door to a more diversified fixed income allocation.



Municipal bond index yields are tax-adjusted at 37% federal and 3.8% Medicare surcharge rates.
Sources: Bloomberg, CNR Research, as of April 2024. Information is not representative of any CNR product or service.
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Index information: 6M Treasury: Bloomberg U.S. 6M Treasury Bill Index. Investment Grade Municipal Bonds: Bloomberg U.S. 1-15 Yr. Municipal Bond Index. Investment Grade Corporate Bonds: Bloomberg U.S. Intermediate Corporate Bond Index. High Yield Municipal Bonds: Bloomberg 60% Tax-Exempt HY/40% LB Municipal Bond Index. High Yield Corporate Bonds: Bloomberg U.S. High Yield Corporate Bond Index. Leveraged Loans: Morningstar LSTA US Leveraged Loan Index. Structured Credit: Palmer Square CLO BB Index.

2024 Key Asset Class Expectations

- Expect U.S. equities to outperform non-U.S. equities.
- Forecasting positive but moderate returns for S&P 500.
- History suggests a modest rebound in Dow Jones U.S. Dividend Select Index vs. S&P 500.
- Fixed income returns expected to be mostly positive.
- Investment grade corporate and municipals offer attractive yields with lower volatility.
- High yield corporates and municipals, while volatile, have the potential to offer attractive yield.
- Alternatives* may provide diversifying benefits and attractive opportunities.

Source: CNR Research, as of March 2024. Information is subject to change and is not a guarantee of future results.
*Alternative investments are speculative, may entail substantial risks and may not be suitable for all investors.

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 Bloomberg Barclays U.S. Corporate High Yield Index is an unmanaged, U.S.-dollar-denominated, nonconvertible, non-investment-grade debt index. The index consists of domestic and corporate bonds rated Ba and below with a minimum outstanding amount of $150 million.

Bloomberg US 1-15 Yr. Municipal Bond Index consists of a broad selection of investment grade general obligation and revenue bonds of maturities ranging from one year to 17 years.

Bloomberg Tax-Exempt HY is market value-weighted and designed to measure the performance of U.S. dollar-denominated high-yield municipal bonds issued by U.S. states, the District of Columbia, U.S. territories and local governments or agencies.

Morningstar LSTA US Leveraged Loan Index is designed to measure the performance of the 100 largest facilities in the US leveraged loan market.

Palmer Square CLO BB Index is a rules-based observable pricing and total return index for CLO debt sold in the United States, rated A, BBB or BB (or equivalent rating), i.e., mezzanine CLO debt.

Index Definitions

MSCI EAFE Index. The MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization weighted index that is designed to measure developed equity market results, excluding the US and Canada.

The MSCI EM Asia Index is a stock market index that tracks the performance of large and mid cap companies in eight emerging Asian countries. The index is a subset of the MSCI Emerging Markets Index, which covers 25 countries with fast-growing economies

Bloomberg US 6M Treasury Bill Index: The 6 Month Treasury Bill Rate is the yield received for investing in a US government issued treasury bill that has a maturity of 6 months.

The Bloomberg Barclays US Intermediate Corporate Bond Index is a measure of the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers that have between 1 and up to, but not including, 10 years to maturity. The maturity range of the bonds included in the index is between 1 to 9.9999 years.

Bloomberg Tax-Exempt HY is market value-weighted and designed to measure the performance of U.S. dollar-denominated high-yield municipal bonds issued by U.S. states, the District of Columbia, U.S. territories and local governments or agencies.

The Bloomberg US Municipal Bond Index measures the performance of investment grade, US dollar-denominated, long-term tax-exempt bonds.

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

The Bloomberg US Aggregate Bond Index measures the performance of investment grade, US dollar-denominated, fixed-rate taxable bonds.

Bloomberg US 1-15 Yr. Municipal Bond Index consists of a broad selection of investment grade general obligation and revenue bonds of maturities ranging from one year to 17 years.

Definitions

6M T-Bills: The 6 Month Treasury Bill Rate is the yield received for investing in a US government issued treasury bill that has a maturity of 6 months.

Employment Index: U.S. jobs with the exception of farmwork; unincorporated self-employment; and employment by private households, the military, and intelligence agencies.

A consumer price index (CPI) measures changes in the price level of a market basket of consumer goods and services purchased by households. The CPI is a statistical estimate constructed using the prices of a sample of representative items whose prices are collected periodically.

A collateralized loan obligation (CLO) is a single security backed by a pool of debt.

A leveraged loan is a type of loan that is extended to companies or individuals that already have considerable amounts of debt or poor credit history.

Muni Bond: A municipal bond is a debt security issued by a state, municipality or county to finance its capital expenditures, including the construction of highways, bridges or schools. These bonds can be thought of as loans that investors make to local governments.

Liquidity Management: The liquidity index calculates the days required to convert a company's trade receivables and inventory into cash.

Investment Grade Municipal Bonds: Investment-grade municipal bonds are debt securities, issued by state and local governments carrying the lowest credit risk that a bond issuer may default. Investment Grade Municipal Bonds: Bloomberg Municipal Bond Inter-Short 1-10 Year Total Return Index.

Investment Grade Corporate Bonds: Investment grade corporate bonds are low-risk bonds. Because they are bonds, they are not tied to equity. Instead, they are like debt notes issued by a corporation. Investment Grade Corporate Bonds: Bloomberg Intermediate Corporate Bond Index.

The "core" Personal Consumption Expenditures (PCE) price index is defined as prices excluding food and energy prices. The core PCE price index measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices to reveal underlying inflation.

Municipal bonds (or "munis") are a fixture among income-investing portfolios. Investors who want higher returns can invest in high yield municipal bonds.

Gross Domestic Product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

Yield to Worst (YTW) is the lower of the yield to maturity or the yield to call. It is essentially the lowest potential rate of return for a bond, excluding delinquency or default.

CNR Speedometers® are indicators that reflect forecasts of a 6 to 9 month time horizon. The colors of each indicator, as well as the direction of the arrows represent our positive/negative/neutral view for each indicator. Thus, arrows directed towards the (+) sign represents a positive view which in turn makes it green. Arrows directed towards the (-) sign represents a negative view which in turn makes it red. Arrows that land in the middle of the indicator, in line with the (0), represents a neutral view which in turn makes it yellow. All of these indicators combined affect City National Rochdale's overall outlook of the economy.

The 4P analysis is a proprietary framework for global equity allocation. Country rankings are derived from a subjective metrics system that combines the economic data for such countries with other factors including fiscal policies, demographics, innovative growth and corporate growth. These rankings are subjective and may be derived from data that contain inherent limitations. MSCI Emerging Markets Asia Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the Asian emerging markets.

Important Information

The views expressed represent the opinions of City National Rochdale, LLC (CNR) which are subject to change and are not intended as a forecast or guarantee of future results. Stated information is provided for informational purposes only, and should not be perceived as personalized investment, financial, legal or tax advice or a recommendation for any security. It is derived from proprietary and non-proprietary sources which have not been independently verified for accuracy or completeness. While CNR believes the information to be accurate and reliable, we do not claim or have responsibility for its completeness, accuracy, or reliability. Statements of future expectations, estimates, projections, and other forward-looking statements are based on available information and management's view as of the time of these statements. Accordingly, such statements are inherently speculative as they are based-on assumptions which may involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such statements.

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 may not protect against market risk or loss. 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.

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

Bonds are subject to interest rate risks and will decline in value as interest rates rise.

HY: Investing in securities that are not investment grade offers a higher yield but also carries a greater degree of risk of default or downgrade and are more volatile than investment grade securities, due to the speculative nature of their investments.

Equity investing strategies & products. 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.

Fixed Income investing strategies & products. There are inherent risks with fixed income investing. These risks 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.

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

Municipal securities. 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.

Alternative Investments such as derivatives, hedge funds, private equity funds, and funds of funds can result in higher return potential but also higher loss potential. Changes in economic conditions or other circumstances may adversely affect investments. Alternative investments are speculative and involve a high degree of risk.

Investors in asset-backed securities, including mortgage-backed securities, collateralized loan obligations (CLOs), and other structured finance investments, generally receive payments that are part interest and part return of principal. These payments may vary based on the rate at which the underlying borrowers pay off their loans. Some asset-backed securities, including mortgage-backed securities, may have structures that make their reaction to interest rates and other factors difficult to predict, causing their prices to be volatile. These instruments are particularly subject to interest rate, credit and liquidity and valuation risks.

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