City National Rochdale®
AN RBC/CITY NATIONAL COMPANY

MARCH 6, 2019

On the Radar

FAQS ON THE MARKETS AND ECONOMY

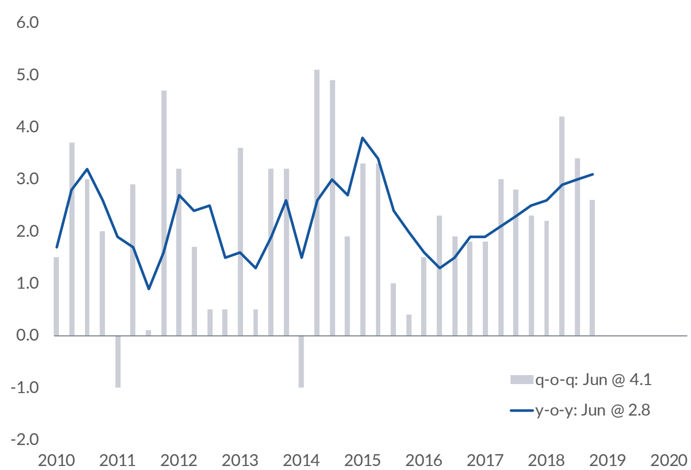
After a month's delay in the release, how good was the Q4 GDP release?

GDP grew 2.6% in Q4, which was a surprise to the upside (Atlanta Fed had forecast 1.8% growth), but the growth trend is slowing (Q2 was the recent peak at 4.2% and Q3 was 3.4%). The Q4 rate is still stronger than the post-recession average of 2.3%. But it is clear that the "sugar rush" from the 2017 tax cut legislation is wearing off.

Growth came from solid consumer and business spending. The partial federal government closure, which began in Q4, subtracted an estimated 1/10 of 1 percent from growth.

This, of course, is old history for market analysts. The Q1 forecasts are coming in at a weaker pace due to the effects from the partial government shutdown, which extended into Q1, and lower oil prices ,which will probably depress mining investment. But there have been strong employment gains, a rally in the stock market, and improved confidence, which should all help growth.

Gross Domestic Product (%)



Source: Bureau of Economic Analysis. As of December 2018.

KEY QUESTIONS

With the social unrest in Venezuela, what is happening to its economy?

What did Chairman Powell say at his semi-annual presentation to Congress?

Will the bull market continue in 2019?

With the social unrest in Venezuela, what is happening to its economy?

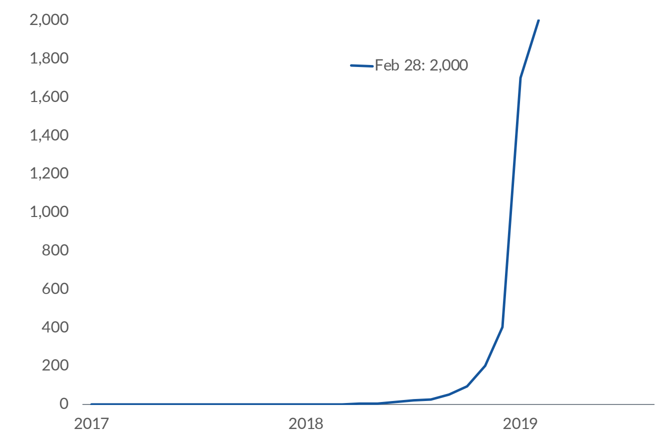
In the past several years, Venezuela has experienced a sad transition. In the 1970s, Venezuela was one of Latin America's wealthiest nations and was the model for social mobility, free press, and an open political system. It also enjoyed significant foreign investment.

Now, it is one of Latin America's most impoverished nations. Decades of underinvestment and corruption have left the majority of the population very poor and millions of citizens fleeing in the past few years.

Most of Venezuela's official government economic data releases were suspended several years ago. It is believed that the government didn't want to publish such horrific performance.

To give an idea of how bad the inflation problem is, Bloomberg Intelligence has created an index to calculate the price of a cup of coffee in Venezuela. A year ago, it cost ½ of a bolivar; today it costs 2,000. To put that price change in the perspective of an American, a $4 latte a year ago would cost $16,000 today.

Venezuela Bloomberg Cafe con Leche



Source: Bloomberg Intelligence. As of February 2019.

What did Chairman Powell say at his semi-annual presentation to Congress?

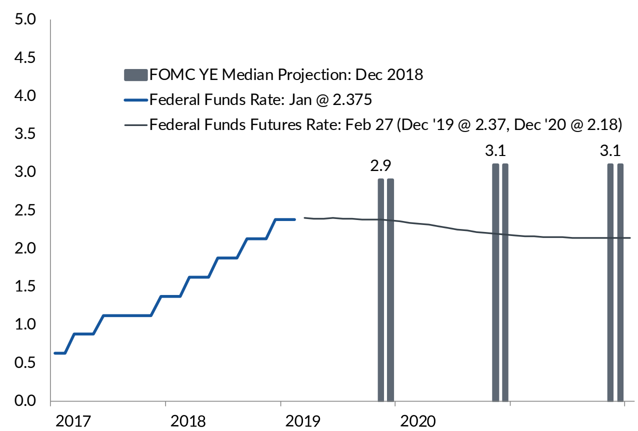
Powell says the Fed will take a "patient approach" as it weighs future interest rate hikes, which echoes many statements we have heard from other senior Fed policymakers since the recent FOMC meeting on January 30.

The landscape at the Fed is shifting a bit as the Powell culture is establishing itself. The "Yellenites," who were strong believers in the Phillips curve (lower unemployment leads to higher inflation), don't seem to be the core decision makers.

The leading decision makers (Powell, Vice Chairman Richard Clarida, and NY Bank president John Williams) are less fearful of inflation despite the unemployment rate being below what is considered full employment.

Based upon how the federal funds futures market is trading, they do not expect the Fed to increase interest rates this year. The Fed, on the other hand, expects to raise the federal funds rate twice this year.

Federal Funds Rate: FOMC Projections and Futures (%)



Source: Federal Reserve Bank, Chicago Board of Trade. As of February 2019.

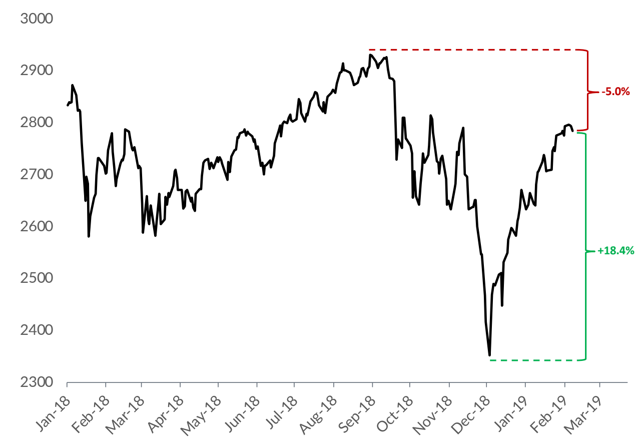
Will the bull market continue in 2019?

The early-year rebound has been encouraging, but also somewhat surprising in its speed and strength. At the same time, valuations are now less compelling than in late 2018. As a result, we remain hesitant to signal the "all clear" and continue to believe the correction process may last several months.

2019's gains have been the product of an appropriate rebound in sentiment from December's overly pessimistic outlook for an approaching recession and excessive concern over future rate hikes. A dovish turn by the Fed, slower but healthy economic data, and better-than-feared corporate earnings results have all provided a more reasonable balance between the present risks and opportunities. News on the trade front has also been encouraging, with expectations of a near-term deal between China and the U.S. growing. However much of this is now likely priced into the market.

In the months ahead, we expect more upward swings in asset prices when fundamentals improve, as has been the case recently, and downward swings when uncertainty dominates sentiment, as was the case in December. Although the pace of recent market gains is not likely to continue, and another pullback remains possible, we expect that over time equity prices will continue to grind higher, in line with modest corporate profit growth.

S&P 500



Sources: FactSet. As of February 2019.

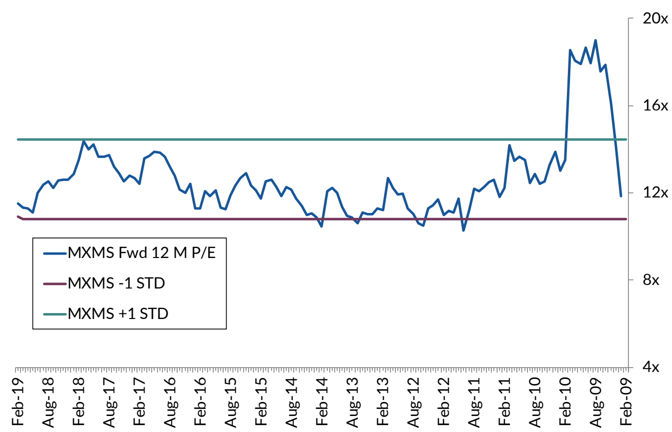
What is the outlook for EM Asia equities?

In the near term, EM Asia equities are likely to continue to face headwinds from slowing global growth, tighter financial conditions, and concerns over trade. Nevertheless, our outlook for 2019 remains cautiously optimistic. Policy across the region is likely to turn more supportive this year through fiscal and monetary stimulus, and recent developments in U.S.-China trade negotiations have offered encouragement that a more damaging trade war will be avoided.

Meanwhile, even after this year's rally, Emerging Asia equity valuations are still attractive, both on a historical basis and relative to other geographies. Longer term, the investment opportunity continues to be compelling. The region's strong growth outlook remains resilient, supported by rising income growth, robust demographic and urbanization trends, and high investment rates.

Our focus is on sectors and companies in Emerging Asian economies that should benefit from these structural tailwinds. However, because persistent policy uncertainties may hurt market sentiment in the months ahead, we are waiting for a more favorable entry point before recommending increasing exposure.

MSCI Emerging Markets Asia Index Forward 12M P/E



Source: Bloomberg. As of February 2019.

What is City National Rochdale's investment outlook for 2019?

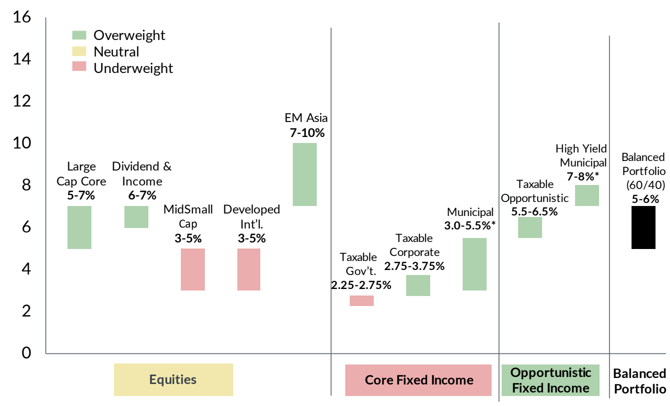
Given our positive assessment of the fundamental backdrop, we remain bullish on equities in general for 2019 and continue to see attractive prospects in the opportunistic fixed income class. Still, we believe investors should prepare for more moderate returns and continued volatility in the year ahead.

The investment landscape has grown more challenging as investors adjust to more typical late-stage expansion conditions of higher inflation, rising interest rates, and less accommodative monetary policy.

Meanwhile, concerns over global growth, trade tensions, and other geopolitical risks mean markets will likely continue to be subject to periodic swings in sentiment and potential pullbacks. None of this means there are not more worthwhile gains ahead for investors, but it does highlight the value of active management and the need for investors to become more selective.

Our equity and fixed income research teams have made deliberate risk-mitigating changes to help fortify client portfolios against the type of turbulence we have recently experienced, while leaving them well positioned to take advantage of opportunities should they present themselves.

One-Year Forecasted Returns (%)



Source: City National Rochdale. As of March 2019. Forecast 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 43.40% tax rate.

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.

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

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.

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.