November 2018

Economic Outlook and Investment Strategy

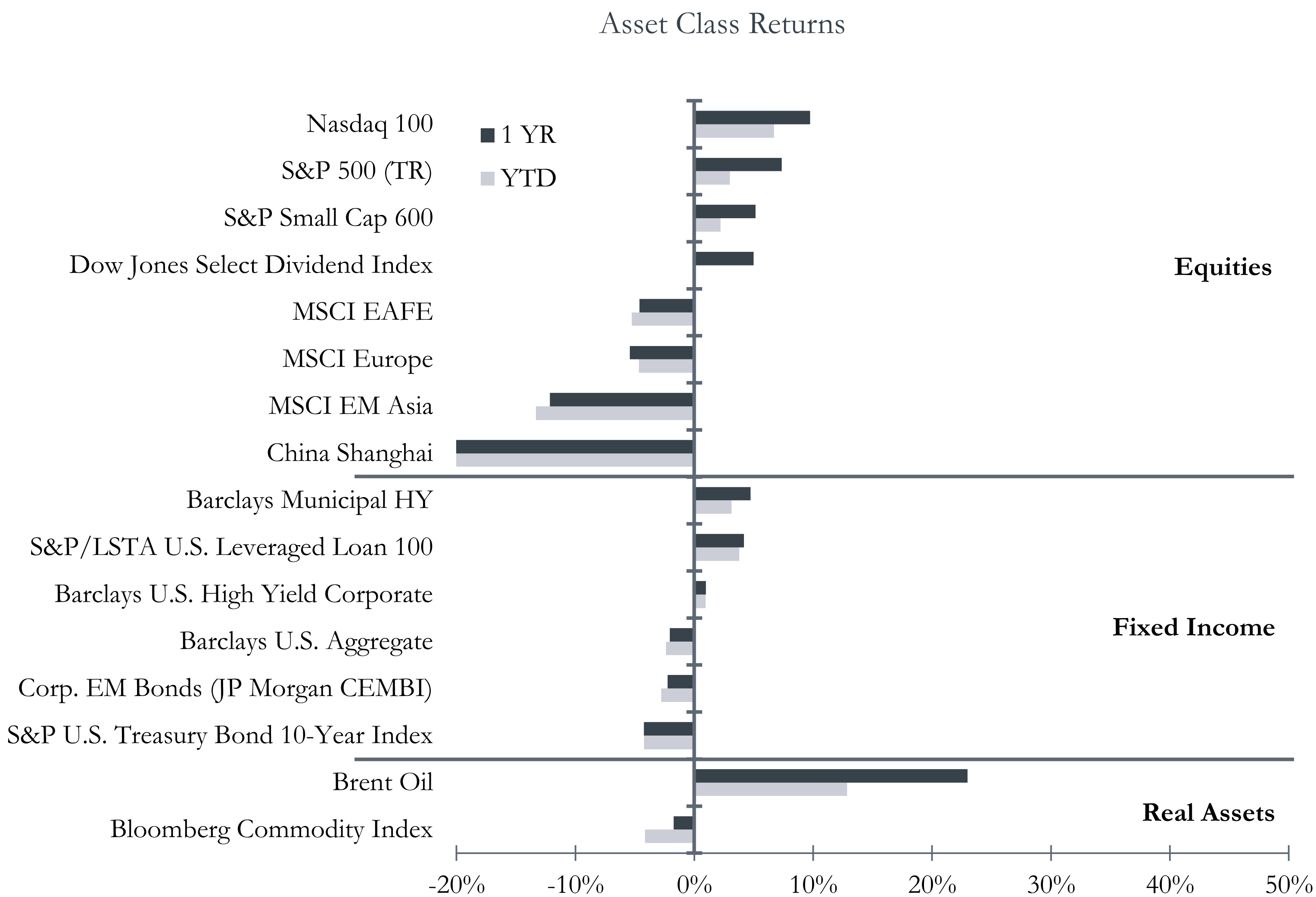
Navigating the Global Crosscurrents

The investment landscape, while still positive, is likely to grow more challenging as investors adjust to more typical late-stage expansion conditions.

Positives	Cautionary Signs/Areas to Watch
▪ Global economic expansion	▪ Fairly but fully valued asset classes (Equity & Fixed Income)
▪ Strong corporate profit growth	▪ Trade policy missteps
▪ Fiscal stimulus (tax cuts, increased spending)	▪ Higher volatility
▪ Healthy consumer and business fundamentals	▪ Acceleration in wages and other business costs
▪ Rising confidence	▪ Fed tightening
▪ Favorable financial conditions	▪ Geopolitical shocks
▪ Moderate inflation	▪ Higher federal debt levels
▪ Few signs of imbalances – massive debt growth, overinvestment, capacity constraints	▪ Aging business cycle

Asset Class Performance

Market volatility returned in October amid concerns over peaking profits, slowing global growth, ongoing trade tensions, rising interest rates and a fading boost from fiscal stimulus.



Source: FactSet. As of October 31, 2018. Total returns include dividends reinvested.

Economic Outlook: Global Growth

The global economy continues to show signs of sustainable, but moderating growth.

- Positive U.S. economic fundamentals include jobs, confidence, corporate profits, and stable inflation.
- Consumers, businesses, and the government all contribute to driving domestic growth.
- Fiscal policy giving a boost to GDP.
- We expect one more Fed rate hike this year, for a total of four in 2018.
- Global outlook has moderated and become more divergent.

City National Rochdale Forecasts		2017	2018e	2019e
GDP Growth		2.30%	2.75%-3.15%	2.25%-2.75%
Corporate Profit Growth		11.30%	18%-20%	5%-7%
Interest Rates	Fed Funds Rate	1.50%	2.375%	2.875%
	Treasury Note, 10-Yr.	2.40%	2.75%-3.25%	2.90%-3.40%

Sources: BEA, Standard & Poor's, Bloomberg. As of November 2018.

Economic and Financial Indicators

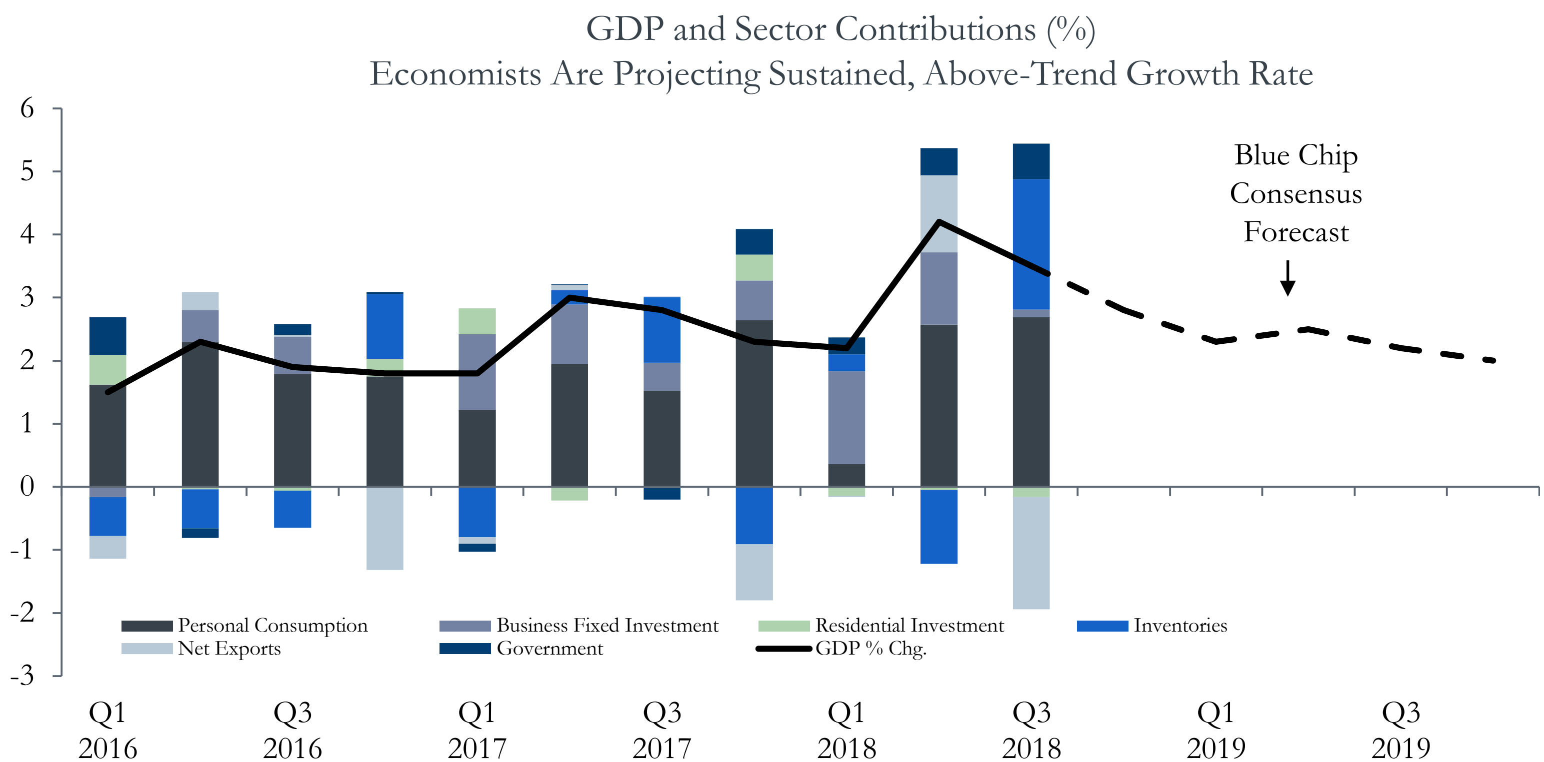
Indicators Are Forward-Looking Three to Six Months

City National Rochdale indicators show widespread strength and continue to signal moderating but still healthy U.S. economic growth ahead.

Source: City National Rochdale. As of November 2018.

Economic Outlook Remains Solid

Fiscal stimulus has helped lift economic momentum over the past couple of quarters and looks poised to remain healthy as the boost from tax cuts fades.



GDP Growth					
Year	**Q1**	**Q2**	**Q3**	**Q4**	**Annual**
2016	1.5%	2.3%	1.9%	1.8%	1.6%
2017	1.8%	3.0%	2.8%	2.3%	2.2%
2018	2.2%	4.2%	3.3%e	2.8%e	2.9%e
2019	2.3%e	2.5%e	2.2%e	2.0%e	2.6%e

Source: Bureau of Economic Analysis. Blue Chip Economic Forecasts. As of November 2018.

Economic Fundamentals Are Solid

City National Rochdale U.S. Economic Monitor

The U.S. economy has strong fundamentals, with low unemployment, modest inflation, and little evidence of mounting excesses or imbalances.

Indicator	Status	Level
Leading Indicators	Leading indexes continue to signal a modest, sustainable economic expansion ahead.	7.0
Labor Market	Solid, steady job growth continues, and labor market indicators point to continued strength ahead. Signs of wage growth are building.	8.0
Consumer Spending	Improving consumer fundamentals, including continued job growth, solid real income gains, and elevated confidence, provide support for household spending. Tax cuts should boost disposable income.	7.0
Global Economic Growth	The global expansion has become less balanced and may have peaked in some major economies. Downside risks to global growth have risen in the past six months and the potential for upside surprises has receded.	5.5
Monetary Policy	Monetary conditions remain accommodative but are no longer viewed as stimulative. Still, the Fed is expected to move cautiously and incrementally in the transition toward normalization of policy.	5.5
Fiscal Policy	Trump's economic proposals for fiscal stimulus through reduced taxes and higher deficit spending seem designed largely around bringing forward economic growth and should provide a modest boost to GDP in 2018.	7.0
Consumer Sentiment	Confidence across a number of measures is back to pre-recession levels on significantly improved and rising expectations, centered largely on enactment of the new administration's pro-growth policy agenda.	7.5
Credit Availability/Demand	Borrowing terms and increased availability remain largely favorable. With household debt trending lower relative to incomes and debt servicing costs at a record low, higher borrowing costs won't be a major drag.	7.0
Geopolitical Risks/Contagion	Trade policy missteps, European political and financial system stability, and other unforeseen circumstances have the potential to disrupt markets and shake confidence.	3.5
Business Investment	Equipment investment continues to recover alongside a sharp improvement in survey-based measures of Capex intentions.	6.5
Service Sector	Business survey measures remain near a 10-year high and point to the sector continuing to expand at a moderate rate, stabilizing and supporting overall GDP growth.	7.5
Manufacturing Sector	The depreciation in the dollar this year, together with the strength of demand in the rest of the world, means the outlook for the manufacturing sector remains bright.	6.5
Housing	A solid labor market, high affordability, and still-low mortgage rates support demand and residential construction; however, gains are likely to be moderate and face headwinds from rising rates and deduction caps from recent tax reform.	7.0
Inflation	Inflation is showing early but not pressing signs of firming. While a tightening job market may increase wage and price pressures somewhat further in the coming year, the structural forces that have kept inflation subdued remain in place.	6.5
Energy	Excess supply remains, despite improvements in global economic demand, and should keep overall price increases in check.	7.5
Total Score		**6.7**

Positive 6.0 to 10	Improving outlook, confluence of positive indicators, recession probability low	**Neutral** 4.0 to 5.9	Steady but sluggish growth, mixed economic signals	**Negative** 0 to 3.9	Weak economic growth, decelerating trends, recession a distinct possibility

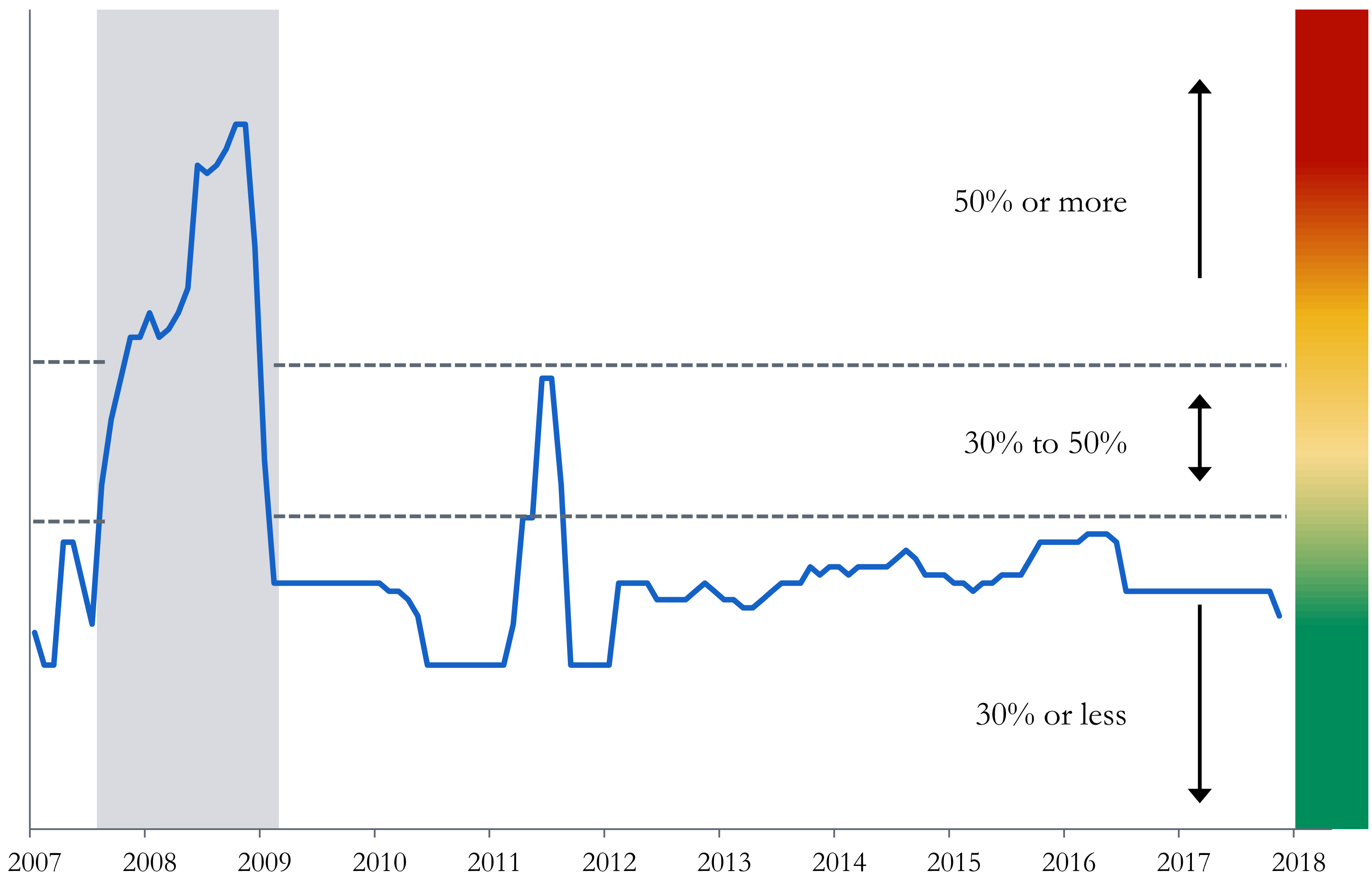
Source: City National Rochdale. As of November 2018.

U.S. Recession Risk Low

City National Rochdale Recession Probability Monitor

Our analysis indicates that near-term recession risk for the U.S. economy is as low as it has been for several years.

Probability of Recession in the Next 12 Months

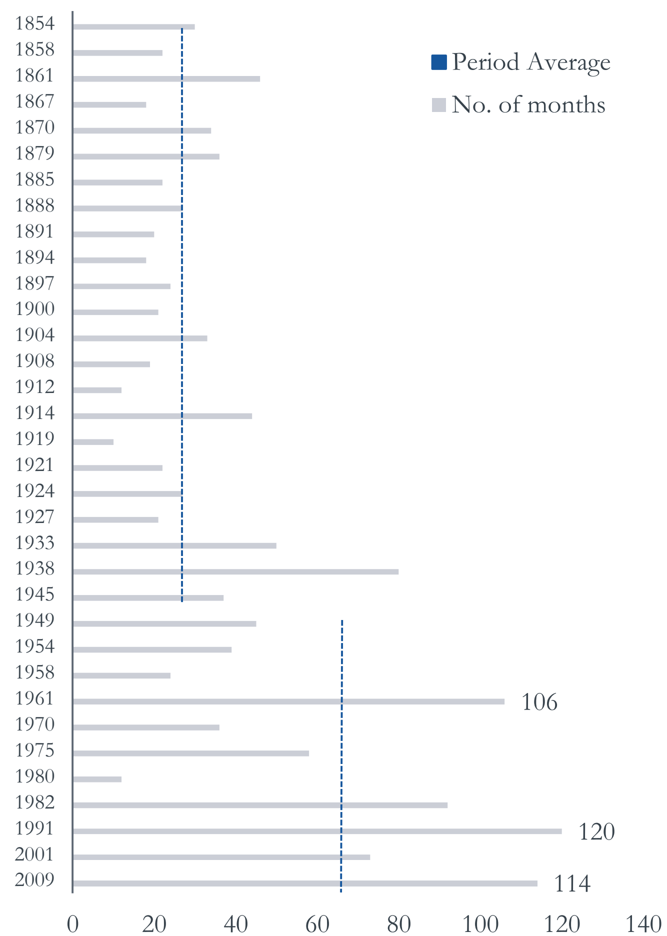


Source: City National Rochdale. As of November 2018. Gray column represents recessionary period.

Historic Expansion Remains Strong

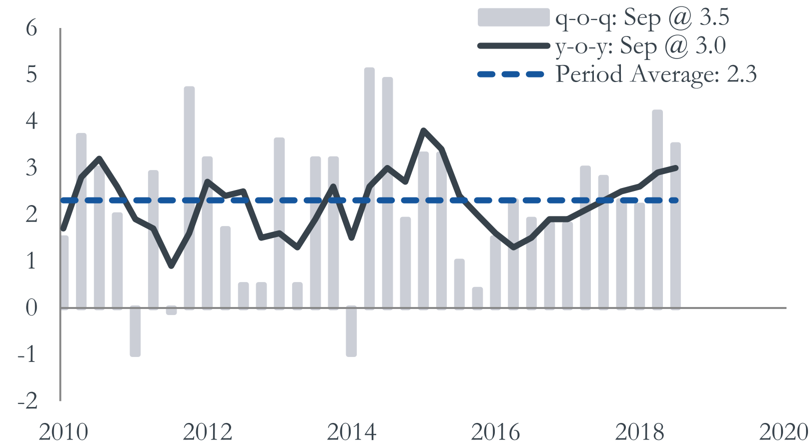
The current expansion is now the second-longest in post-WWII history and, despite its advanced age, still appears to have room to run.

Second-Longest Expansion in History (number of months)



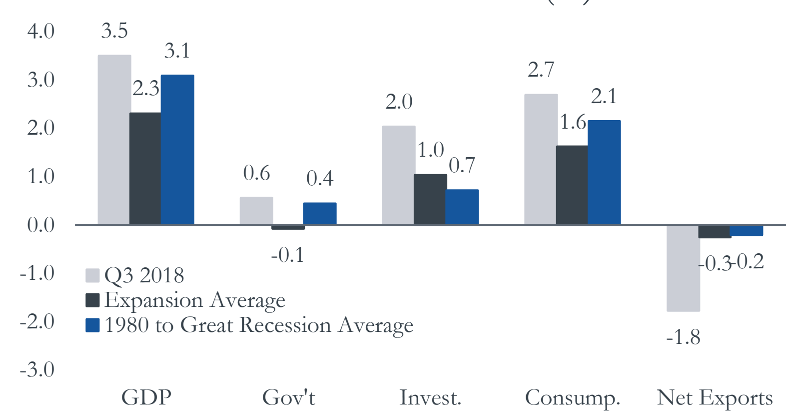
Source: Bureau of Economic Analysis. As of September 2018.

GDP (% chg. q-o-q, y-o-y)



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

Contribution to GDP (%)



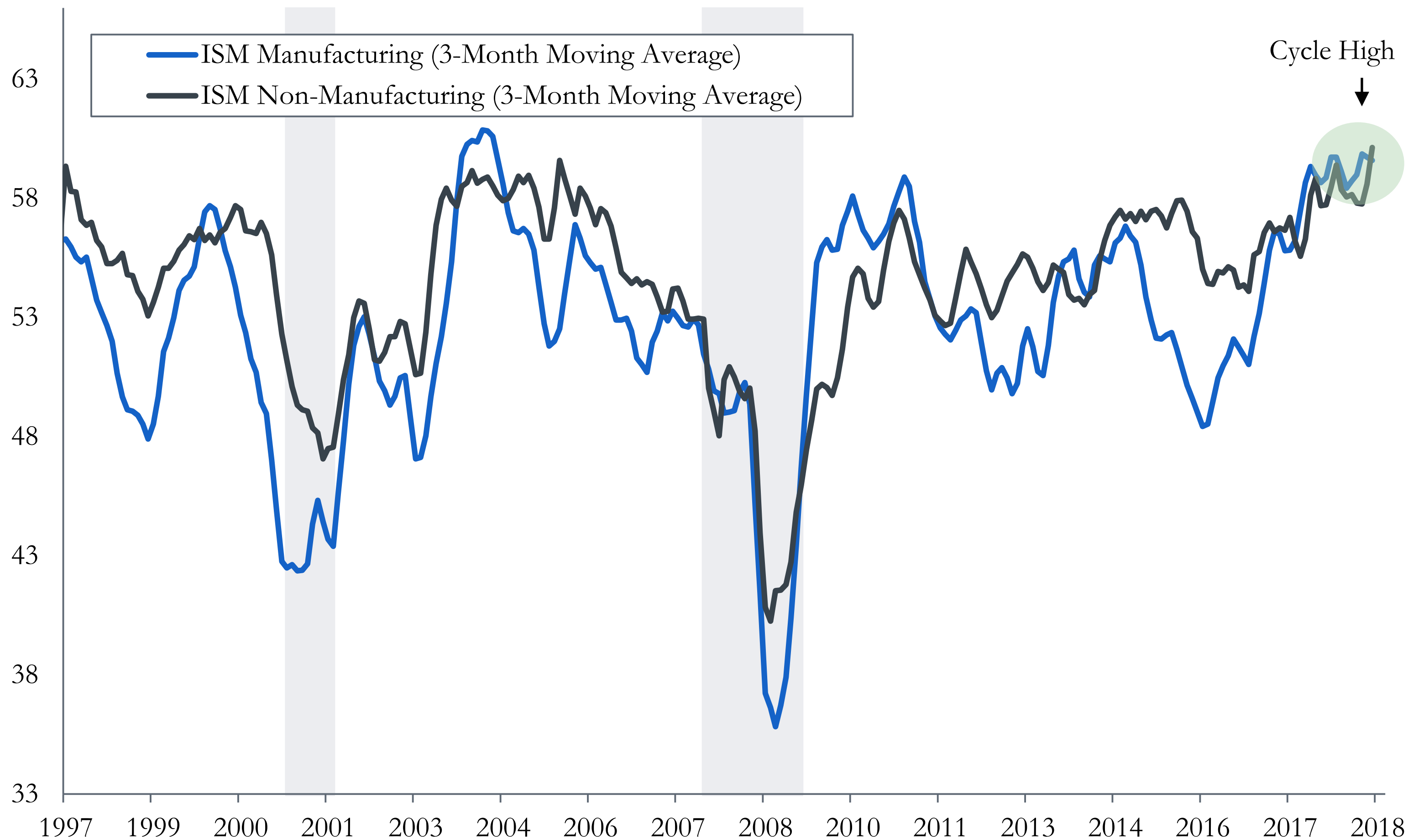
Source: Bureau of Economic Analysis. As of September 2018.

Business Surveys Are at Cyclical Highs

The survey evidence continues to underline the widespread strength of the U.S. economy.

Business Surveys Indicate Widespread Economic Strength

Institute for Supply Management (ISM) Business Surveys



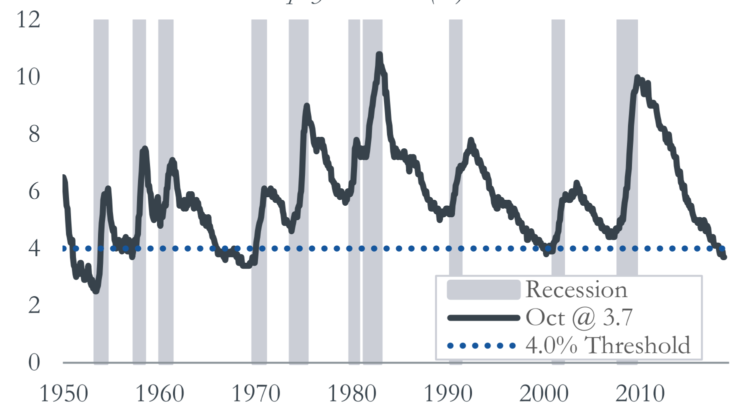
Source: Institute for Supply Management. As of October 2018.

Labor Remains Very Strong

Labor market growth is strong and picking up speed.

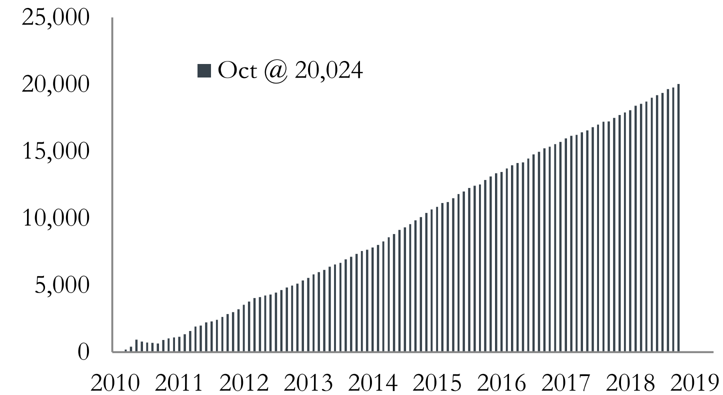
Lowest Unemployment Levels since the Late 1960s

Unemployment Rate (%)



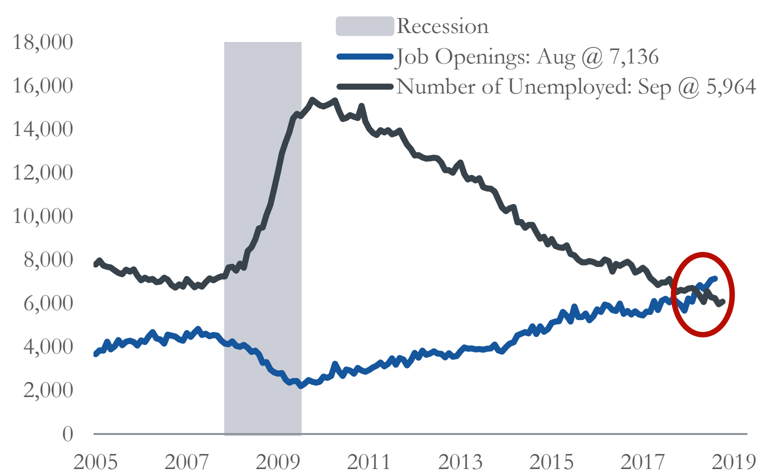
Source: Bureau of Labor Statistics. As of October 2018.

Nonfarm Payrolls - Change from Cycle Low of February 2010 ('000)



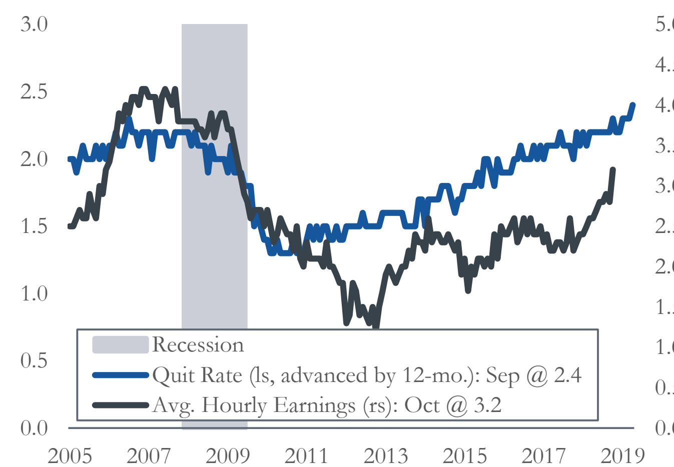
Source: Bureau of Labor Statistics. As of October 2018.

More Employed than the Number of Job Openings



Source: Bureau of Labor Statistics. As of September 2018.

As Workers Quit for New Jobs, Wages Increase



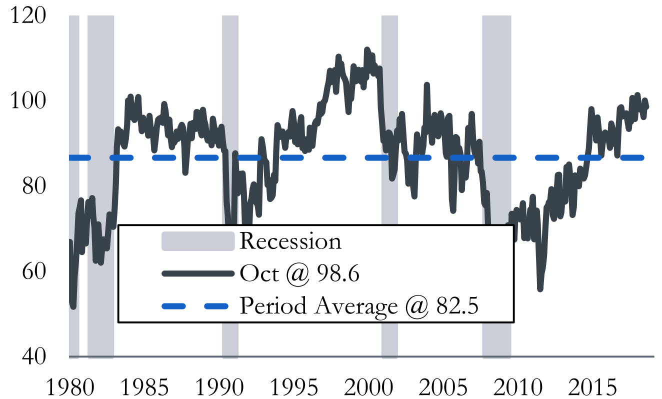
Source: Bureau of Labor Statistics. As of October 2018.

Healthy Consumer Fundamentals

Household financial conditions are strong and supportive of further spending.

Confidence on an Upward Trend

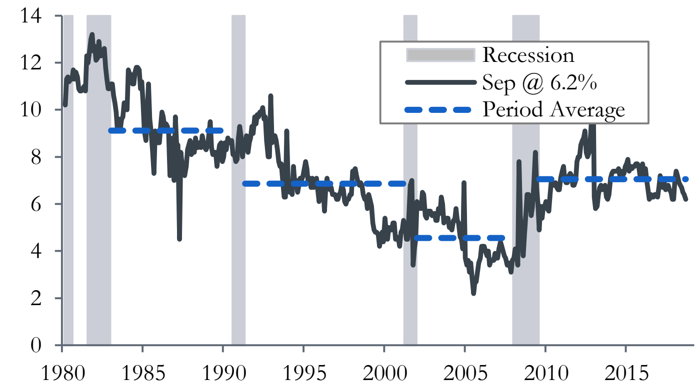
University of Michigan Consumer Sentiment Index



Source: Federal Reserve Bank. As of October 2018.

Savings Rate Is Solid Despite Late-Cycle Stage

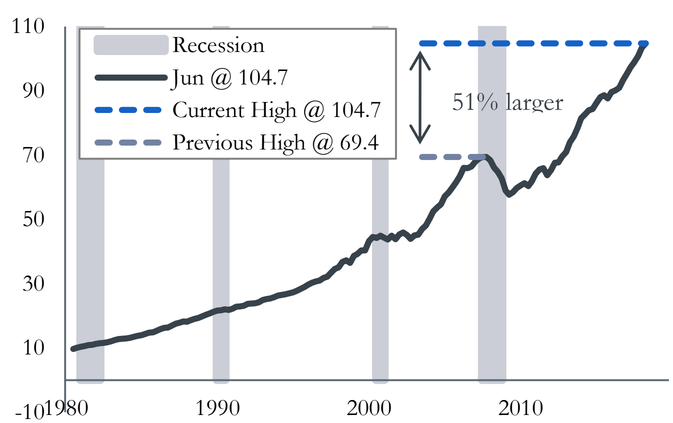
Savings Rate (%)



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

Households Have Record Wealth

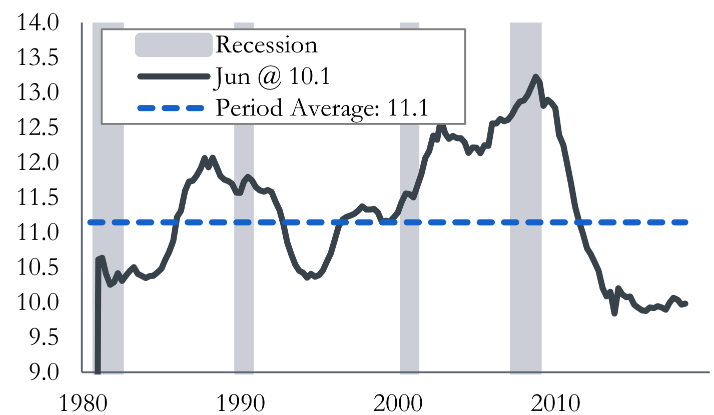
Household Net Worth ($, trillions)



Source: Federal Reserve Bank. As of June 2018.

Household Leverage at Very Low Levels

Debt Service Ratio (%)



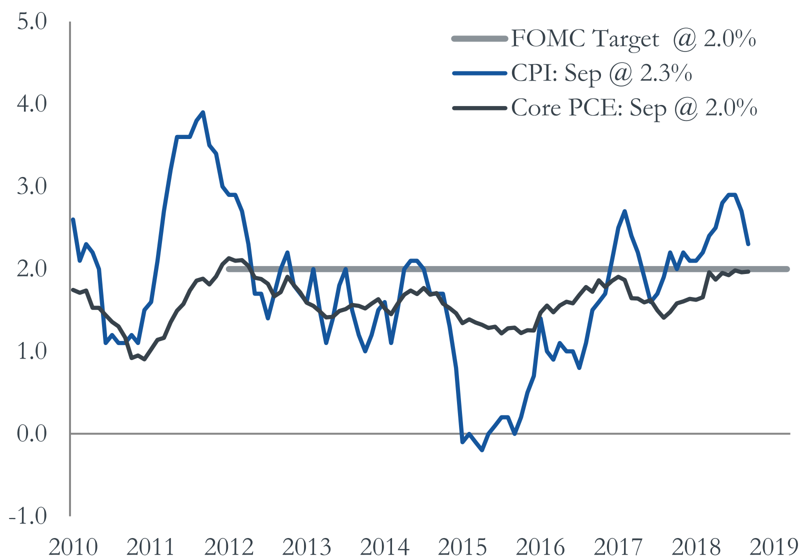
Sources: Federal Reserve Bank, Bureau of Economic Analysis. As of June 2018.

Inflationary Pressures Firming but Remain Modest

We believe inflation and interest rate rises will be manageable through 2018.

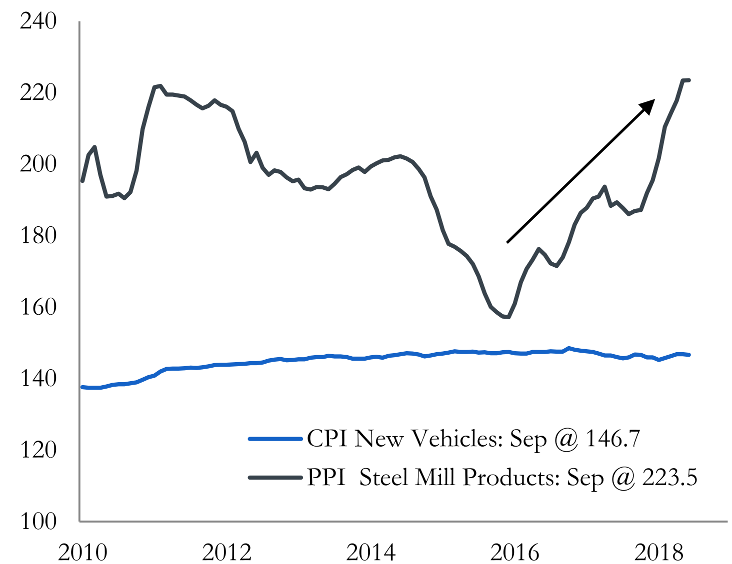
Popular Inflation Measurements Are at or Above Target

CPI & Core PCE Deflator (% chg, y-o-y)



The Recent Jump in Steel Prices May Affect Vehicle Prices

CPI New Vehicles v. PPI Steel Mill Products (Index price)



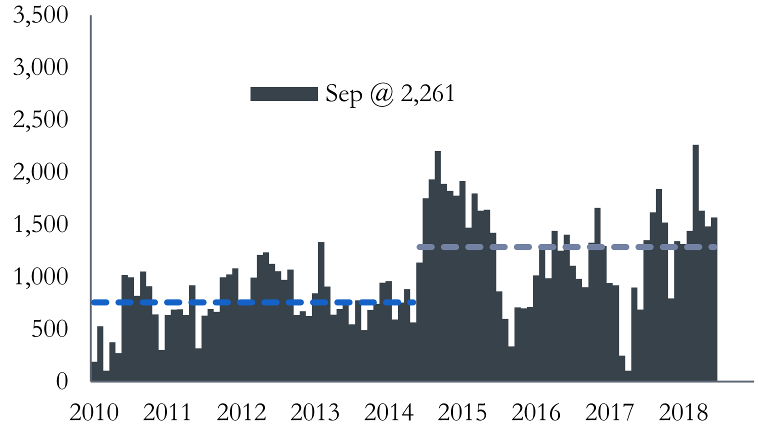
Secular (Pushing Inflation Down)	Cyclical (Pushing Inflation Up)
▪ Demographics/Global labor supply ▪ Less consumer debt ▪ Moderate inflation expectations ▪ Technology ▪ Globalization	▪ Tightening labor markets ▪ Fiscal/Tax stimulus ▪ Steady housing recovery ▪ Less excess capacity (GDP output gap)

Sources: Federal Reserve Bank, Bureau of Labor Statistics, Bureau of Economic Analysis. As of September 2018.

Housing Marching On at Slow Pace

Despite strong tailwinds (top charts), housing has been lackluster, due in part to some headwinds (bottom charts).

Household Formations

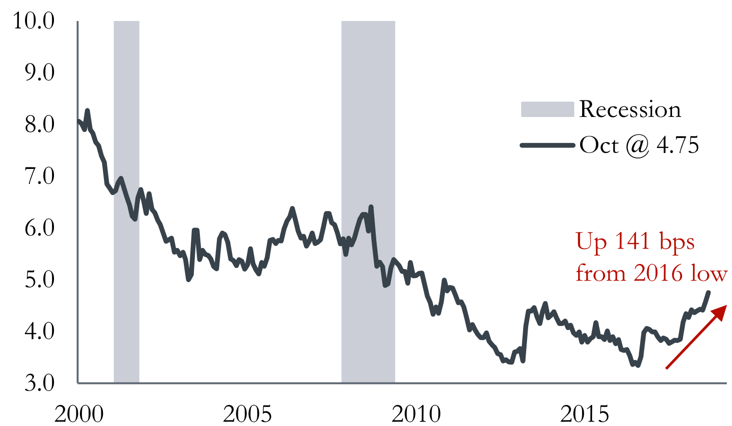


Source: Bloomberg Intelligence. As of September 2018.

NAHB Home Builders Survey

Source: National Association of Home Builders. As of October 2018.

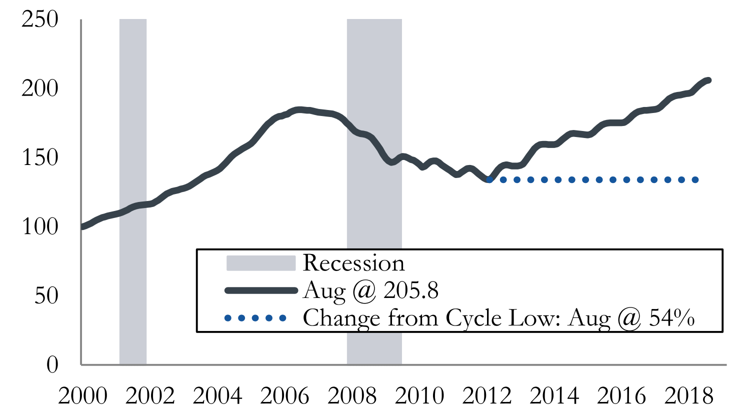
30-Yr Fixed Mortgage Rate (%)



Source: Bankrate.com. As of October 2018.

National Average Home Prices Continue to Rise

CoreLogic Case Shiller National Home Price Index

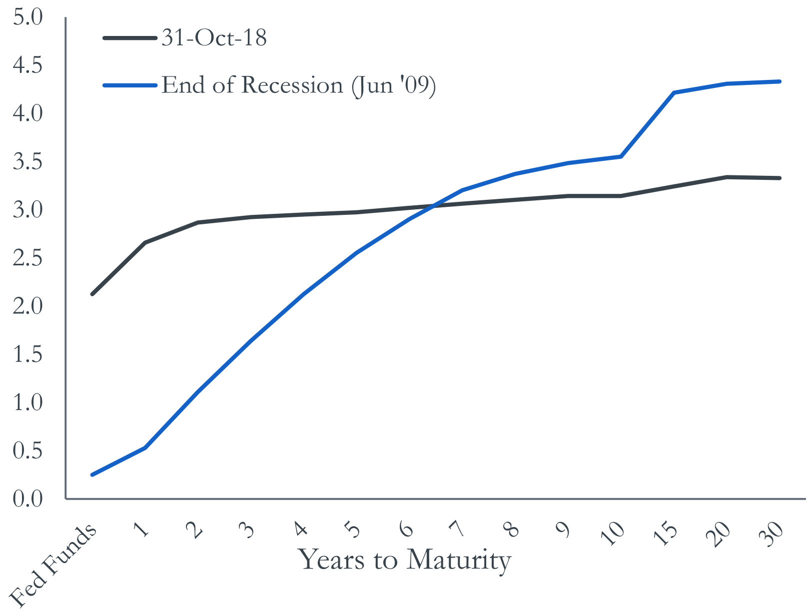


Sources: S&P, CoreLogic, Case-Shiller. As of August 2018.

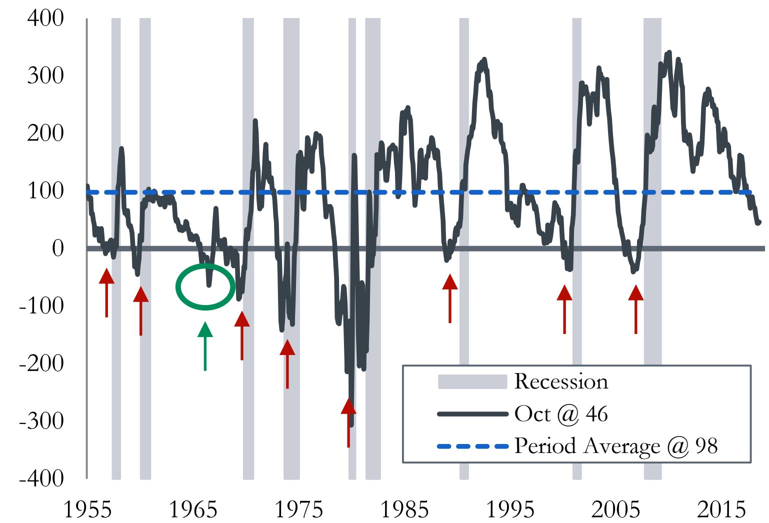
Interest Rates Are Expected to Move Up Moderately

We believe the economy is strong enough to handle modest interest rate increases throughout the yield curve.

The Yield Curve Has Flattened Since Recession's End



An Inverted Yield Curve Tends to Precede a Recession (10-Year Yield Minus 1-Year Yield, bps)



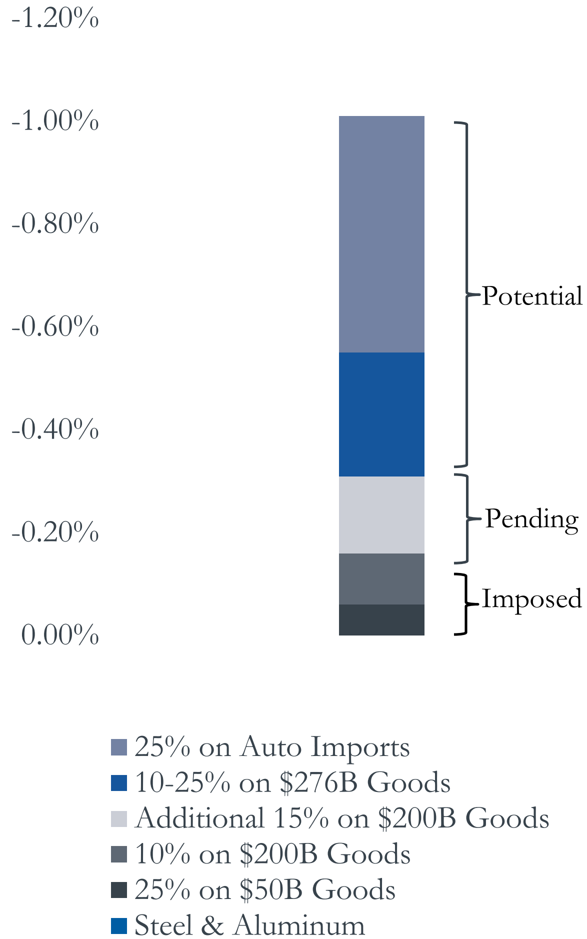
Reasons Rates May Rise	Reasons Rates May Remain Low
▪ Fed tightening pushes up short-term interest rates	▪ Inflation remains low
▪ Increased U.S. Treasury issuance	▪ Continued easy monetary conditions
▪ Higher inflation expectations	▪ Relative attractiveness of U.S. debt
▪ Higher global growth	▪ Fed continues to move very gradually
▪ Quantitative Tightening	

Source: Bloomberg. As of October 2018.

Tariff Impact on U.S. GDP Expected to Be Relatively Small

With the U.S. economy on solid footing, it should be able to withstand some drag from recent protectionist trade actions, but further escalation could incrementally weaken growth.

Estimated Impact of Tariffs on U.S. GDP

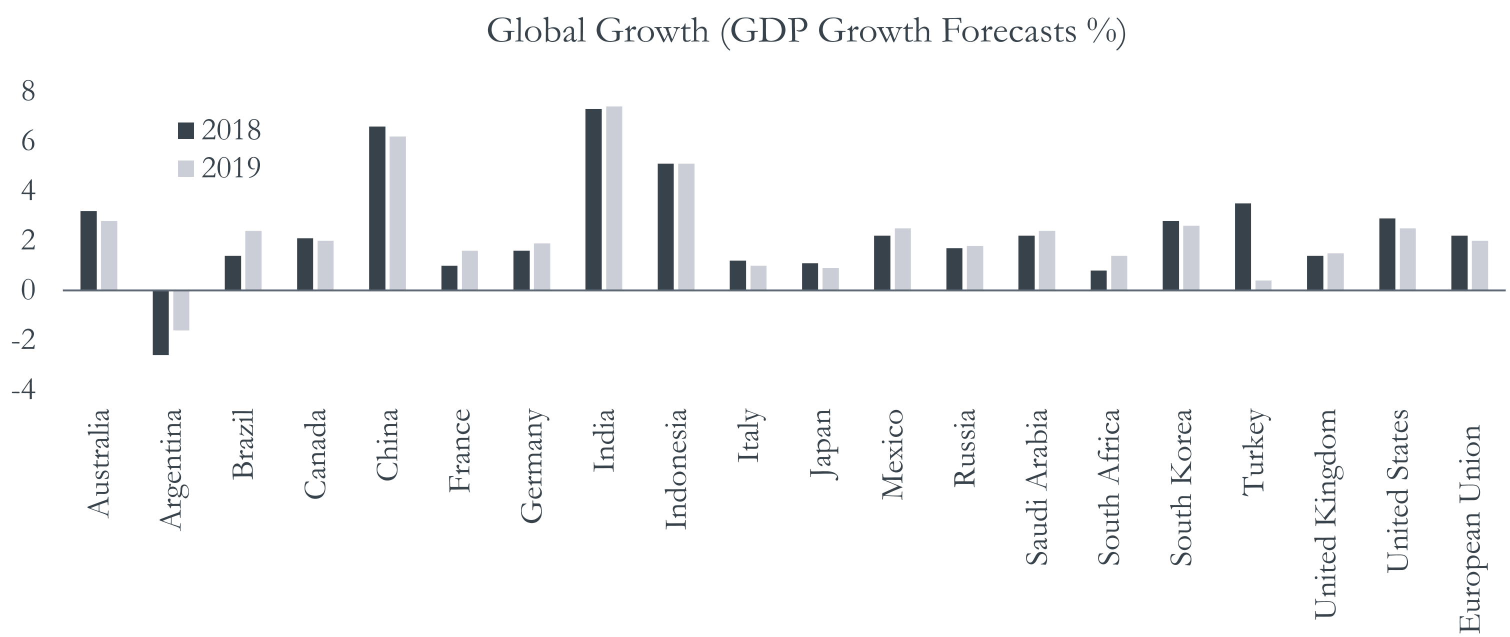


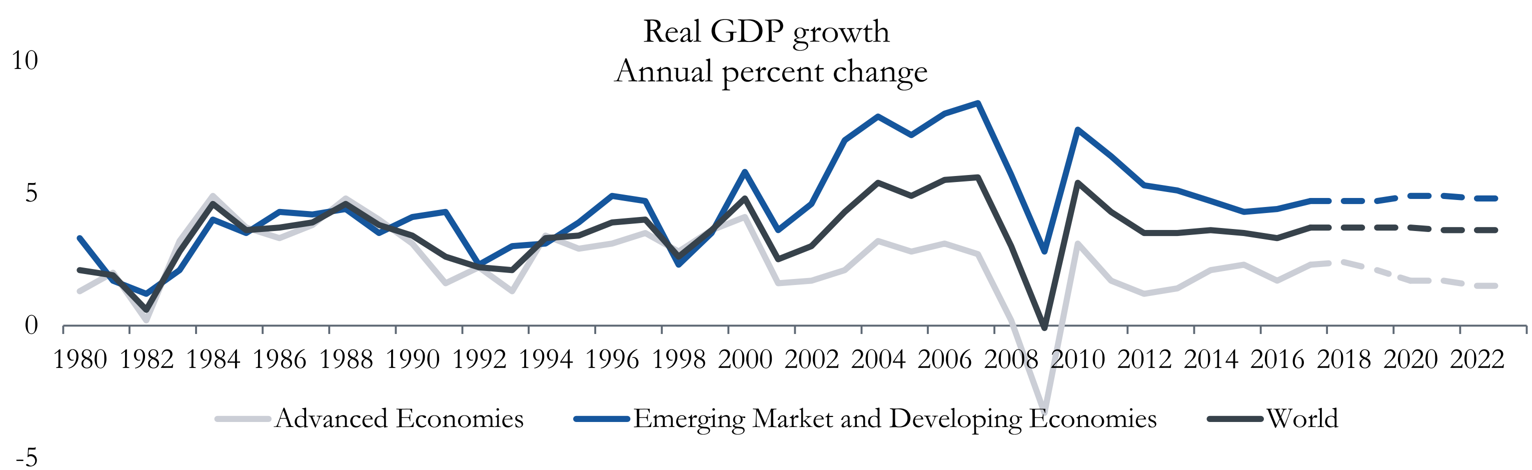
Tariff	$ Value (B)	% U.S. GDP	Status
Steel & Aluminum	$0.76	0.00%	Imposed
25% on $50B Goods	$12.5	-0.06%	Imposed
10% on $200B Goods	$20	-0.10%	Imposed
Additional 15% on $200B Goods	$30	-0.15%	Pending
10-25% on $276B Goods	$47	-0.24%	Potential
25% on Auto Imports	$90	-0.46%	Potential

Source: WTO. As of 2017. Source: U.S. Trade Department, Bureau of Economic Analysis, CBO. As of September 2018.

Global GDP Growth Forecast

The near-term outlook for the world economy remains fairly bright, despite the recent escalation in trade tensions and emerging market concerns.

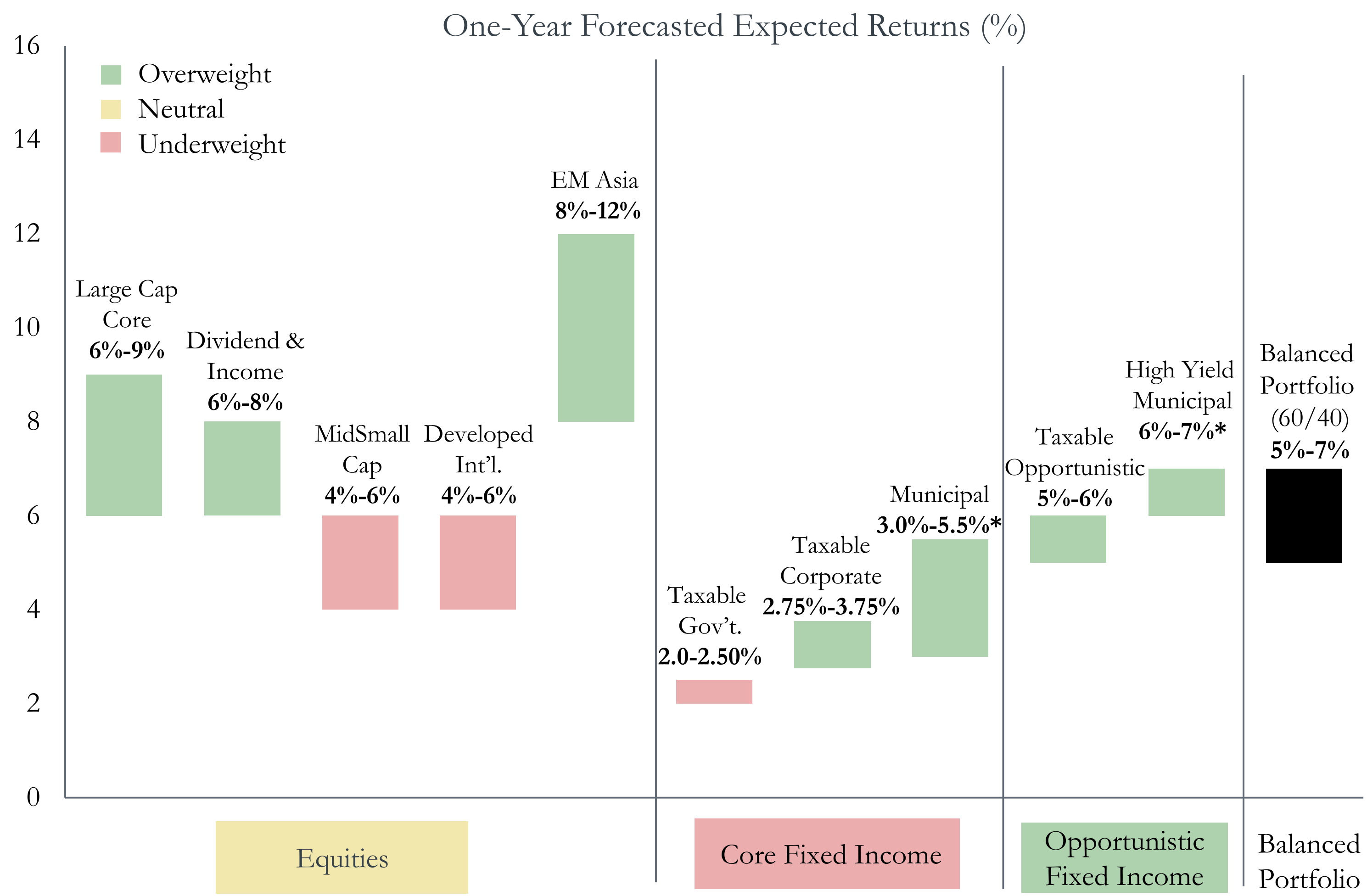




Source: The International Monetary Fund. As of November 2018.

Moderate Late-Cycle Portfolio Returns Expected

At this stage of the business cycle, we expect real returns to be moderate, with higher volatility.



Source: City National Rochdale. As of November 2018. 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.

Battle Royale Factors Impacting Equities

We see enough support from rising profits and reasonable valuations to stay invested in stocks and note that interest rates and inflation are still moderate by historical standards.

Impact	S&P 500 EPS	PE Multiples
Positive	GDP growth Tax cuts Deregulation Inventory rebuild	Stronger economy Increased confidence Inflows into equities Low level of interest rates
Negative	Trade wars Unexpected pickup in delinquencies Wages increasing Volatility of dollar	Trade wars Midterm elections Deficit/inflation impact on interest rates Geopolitical and exogenous shocks

Based on S&P 500 value. As of November 2018.

Near-Term Bear Market Risk Is Low

None of the conditions that traditionally trigger bear markets – soaring commodity prices, aggressive Fed tightening, extreme valuations, or recession – are present.

Bear Markets	Market Peak	Return	Duration (Months)	Macro Environment			
				Recession	Commodity Spike	Aggressive Fed	Extreme Valuations
Crash of 1929 – Excessive leverage, irrational exuberance	September 1929	-86%	32	X			X
1937 Fed Tightening – Premature policy tightening	March 1937	-60%	61	X		X	
Post-WWII Crash – Postwar demobilization, recession fears	May 1946	-30%	36	X			X
Flash Crash of 1962 – Flash crash, Cuban Missile Crisis	December 1961	-28%	6				X
Tech Crash of 1970 – Economic overheating, civil unrest	November 1968	-36%	17	X	X	X	
Stagflation – OPEC oil embargo	January 1973	-48%	20	X	X		
Volcker Tightening – Whip Inflation Now	November 1980	-27%	20	X	X	X	
1987 Crash – Program trading, overheating markets	August 1987	-34%	3				X
Tech Bubble – Extreme valuations, dot-com boom/bust	March 2000	-49%	30	X			X
Global Financial Crisis – Leverage/housing, Lehman collapse	October 2007	-57%	17	X	X	X	
Current Cycle	-	-	-				
Average		-46%	24	80%	40%	40%	50%

Bear markets outside recessions are rare

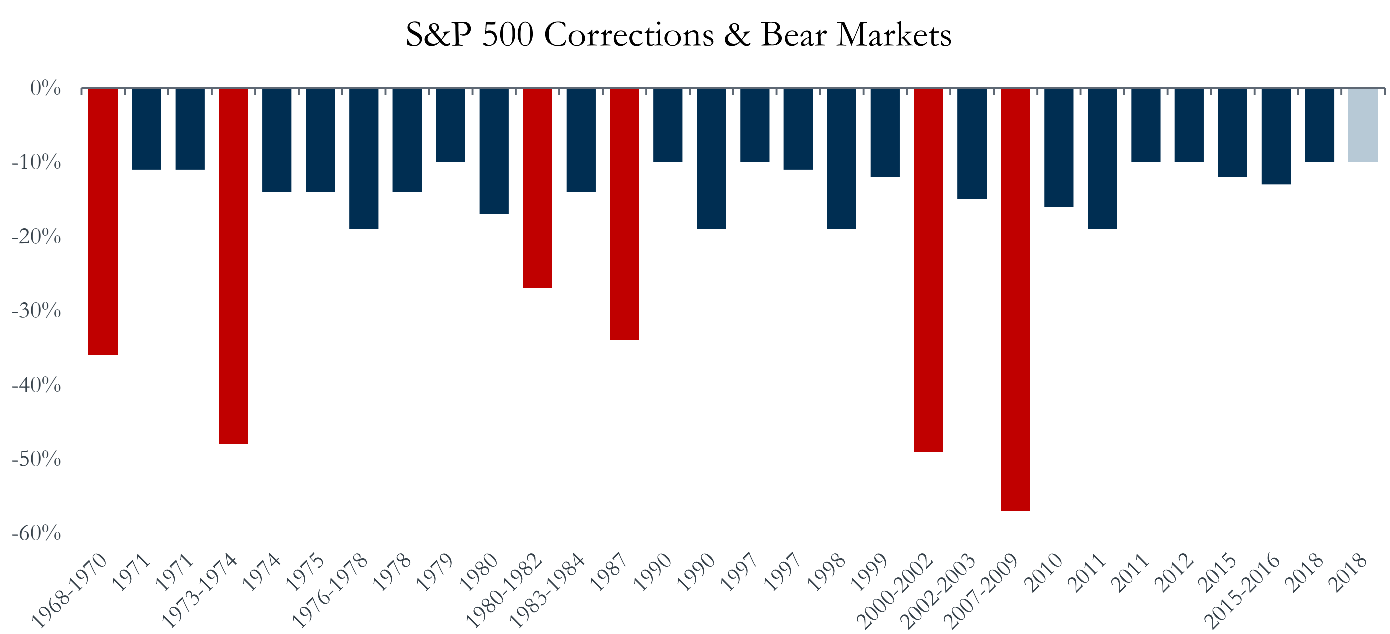
Sources: JP Morgan, FactSet. As of December 2017.

Corrections Are Common, Bear Markets Are Not

The vast majority of corrections are relatively short-lived and don't turn into bear markets.

1968-2018	S&P 500 % Decline	Duration in Days
Correction Average	16%	134
Correction Median	14%	70
Bear Market Average	42%	542
Bear Market Median	42%	570
% Corrections that turn into bear markets		21%

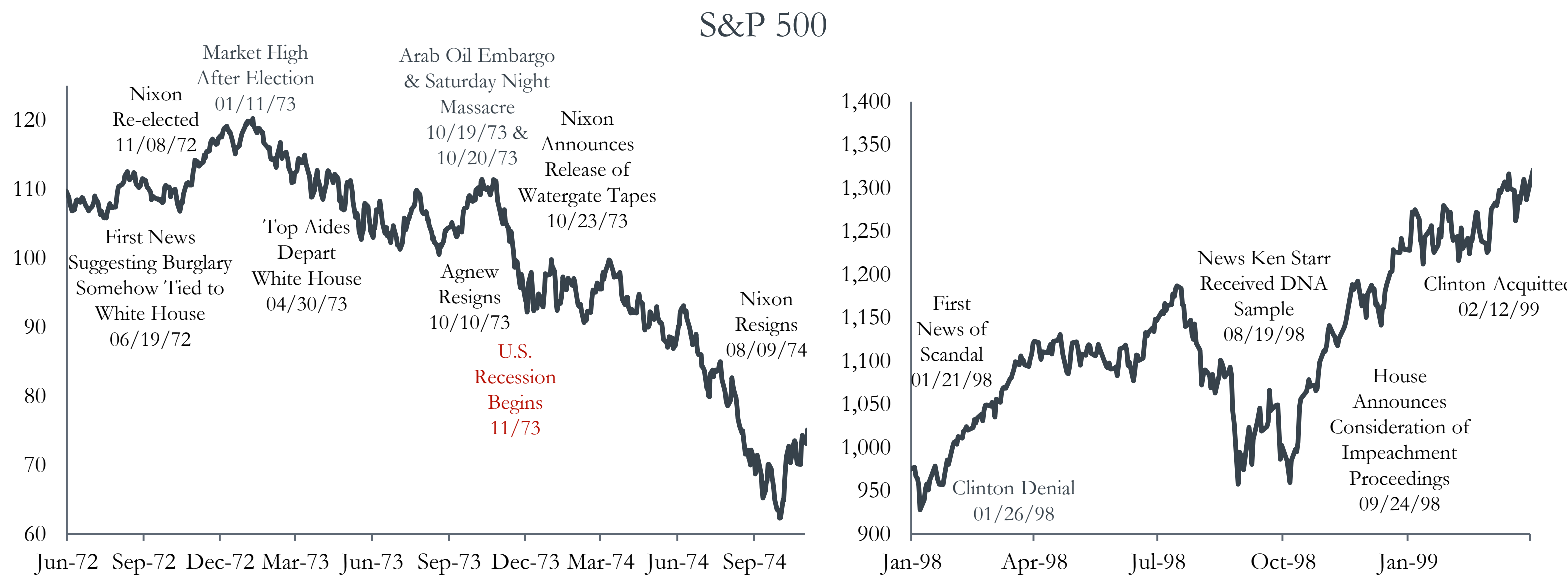
Correction equals a decline in S&P 500 of -10 to -20% from peak. Bear market equals a decline of more than 20%. **Duration equals how long it took for that correction to find a bottom.**



Sources: FactSet. As of October 2018.

Stocks and Presidential Scandals

History suggests that despite any associated uncertainty, the impact on financial markets in general and the stock market in particular is likely to be more influenced by economic conditions.



Nixon Watergate	Clinton Impeachment	Today
U.S. recession: Nov 1973 – Mar 1975	Strong GDP growth	Improving GDP growth
Stagflation	Low/falling unemployment	Low/falling unemployment
1973 oil crisis: prices +4x	Low inflation	Modest inflationary pressures
Falling confidence	Rising confidence	Rising confidence
Rising rates/Fast Fed tightening cycle	Slow Fed tightening cycle	Slow Fed tightening cycle
Fastest regulatory since New Deal	Rising productivity	Deregulation
Falling corporate profits	Strong corporate profit growth	Strong corporate profit growth
Wage and price controls	Capital gains tax cut	Business and personal tax cuts
Slowing global growth	Increasing globalization	Modest global growth

Source: S&P 500. As of November 2018.

Moderate Economic Expansion Still Supports Equities

Equity Market Scorecard

We believe U.S. equities remain attractive versus investment-grade bonds and should be favored in most client portfolios.

Indicator	Status	Current Score
Global Economic Outlook	Global outlook has moderated and become more divergent growth.	**6.2**
Corporate Profitability	Earnings growth expected to slow in 2019, particularly as corporate tax cuts roll off, but to its still healthy, normal organic rate of about 5-7%.	**7.1**
Monetary Conditions	Fed is expected to move cautiously in the transition toward normalization of monetary policy.	**6.6**
Valuation	Recent sell-off has left valuations near or below long-run averages.	**7.0**
Technical Indicators	Long-term positive upward trend remains in place, but recent loss of momentum and sentiment reversal indicate some near-term caution.	**7.0**
Systemic Financial Sector Risk	Global monetary conditions remain highly accommodative, but a turn toward less expansionary policy by major central banks runs the risk of mistakes that could agitate markets. Heightened geopolitical risk raises the possibility of volatility in months ahead.	**6.4**
Total Score		**6.6**

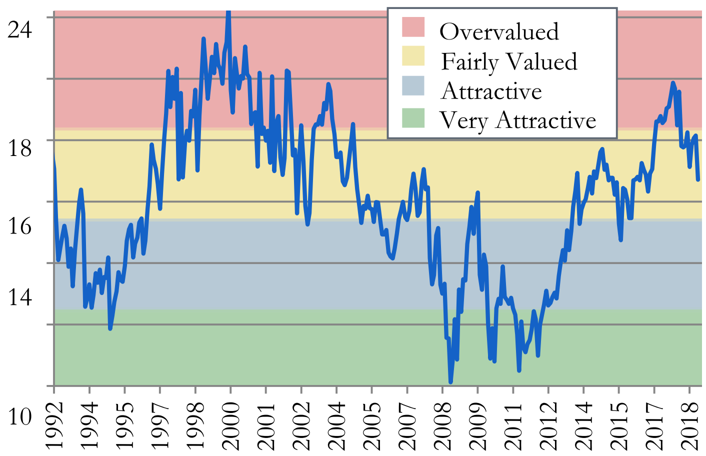
Positive 6.0 to 10	Overweight	**Neutral** 4.0 to 5.9	Neutral Weight	**Negative** 0 to 3.9	Underweight

Source: City National Rochdale Proprietary Multi-Factor Stock Market Model. As of November 2018.

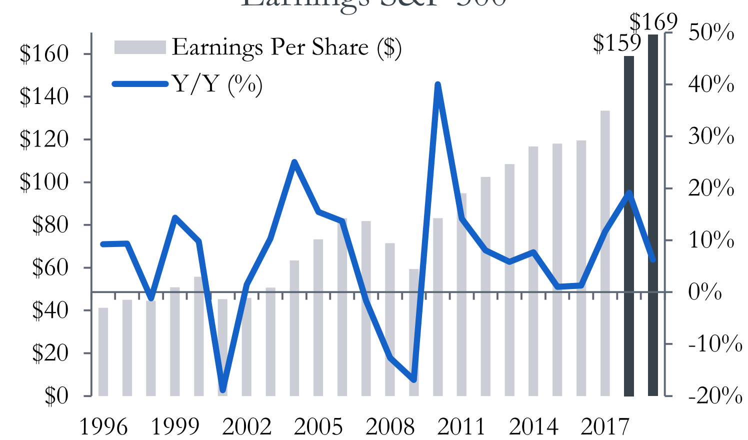
Improving Earnings, Full but Fair Valuations

Full but fair valuations and rising corporate profit growth support equity outlook.

S&P 500 12-Month Forward P/E



Earnings S&P 500



Sources: Thomson Financial Baseline, S&P 500, FactSet. As of October 31, 2018.

S&P 500 Valuation Measures

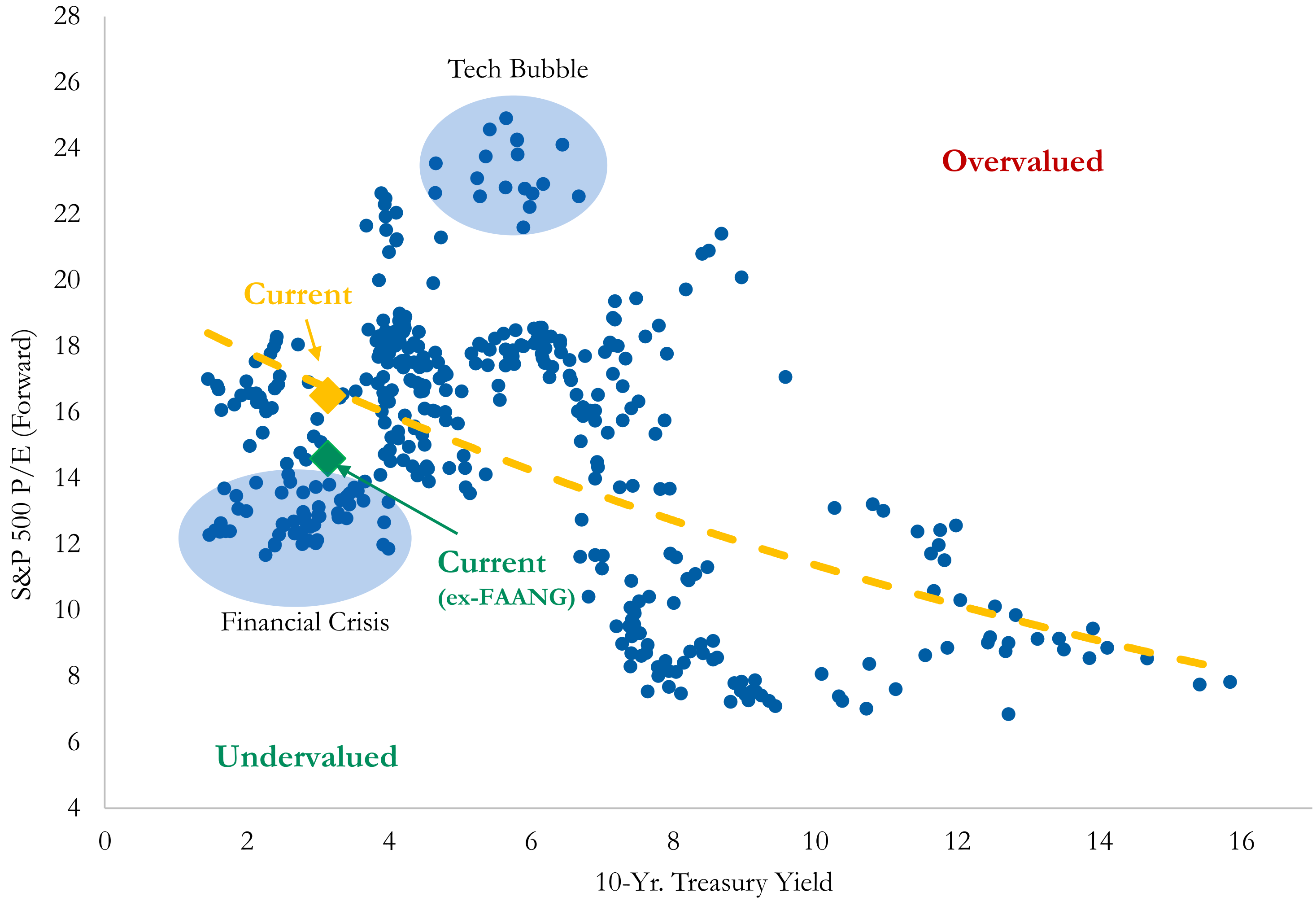
Valuation Measure	Description	Latest	20-Year Maximum	20-Year Average*	Standard Deviation Over-/Undervalued
P/E	Forward P/E	16.5x	24.12x	16.05x	0.14
CAPE	Shiller's P/E	31.8	44.20	27.07	0.71
Div. Yield	Dividend Yield	1.91%	3.78%	1.79%	-0.27
P/B	Price to Book	3.27	5.16	2.92	0.43
P/CF	Price to Cash Flow	13.56	17.05	10.34	1.28
EY Spread	EY Minus Baa Yield	0.99	4.56	0.20	-0.39

Sources (bottom table): FactSet, S&P 500, Robert Shiller. As of October 31, 2018.
Price to earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months. Shiller's P/E (CAPE) uses trailing 10 years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-month consensus dividend divided by most recent price. Price to book ratio is the price divided by book value per share. Price to cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Standard deviation over-/undervalued is calculated using the average and standard deviation over 25 years for each measure.
*Price to cash flow is a 20-year average due to cash flow data availability.

Valuations Full, but Not Expensive

In the context of today's lower interest rate environment, equity valuations do not appear excessive.

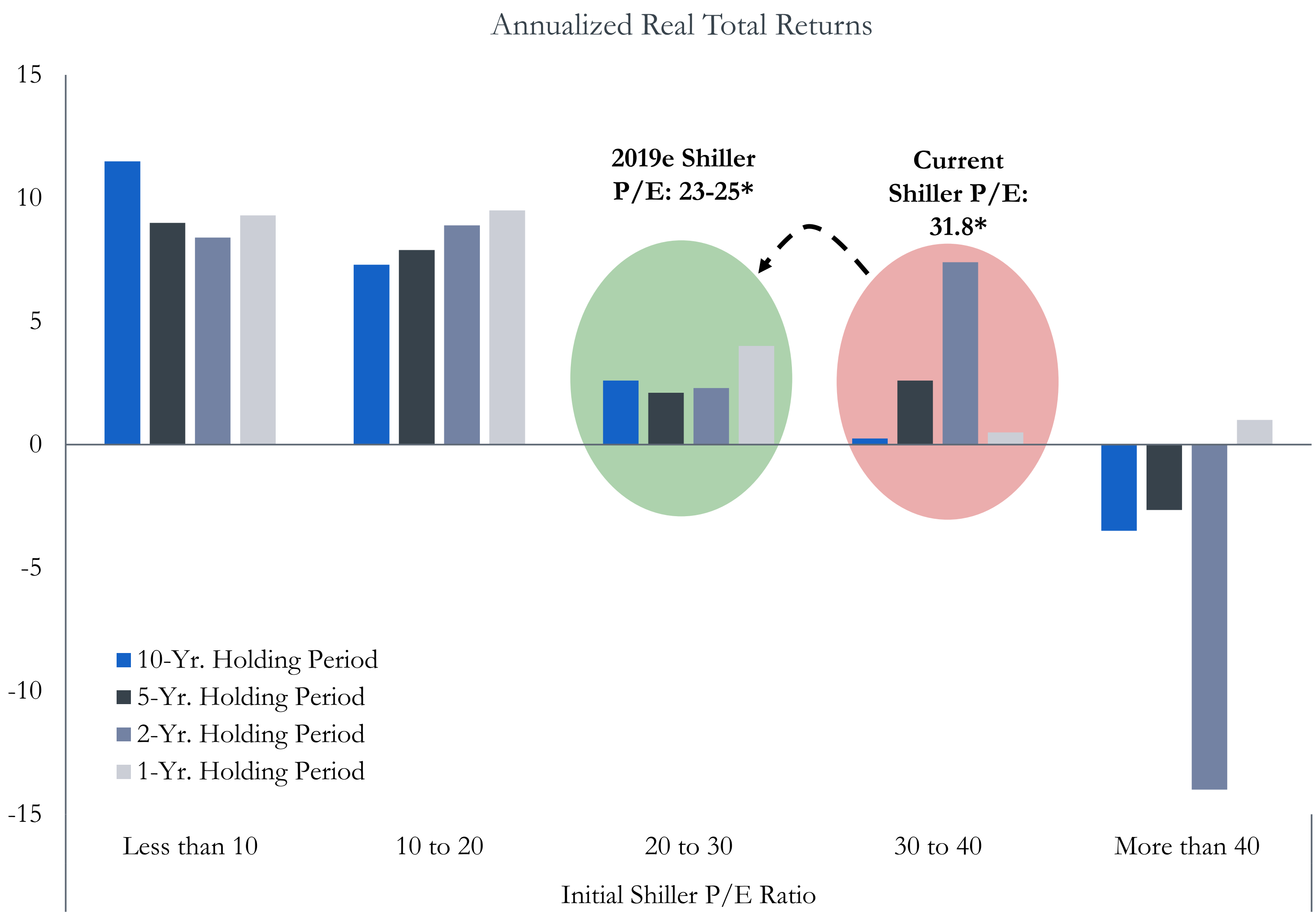
S&P 500 P/E vs. 10-Yr. Yield (1953-2018)



Source: FactSet monthly data. As of November 2018.

Stay Invested, but Prepare for More Moderate Returns

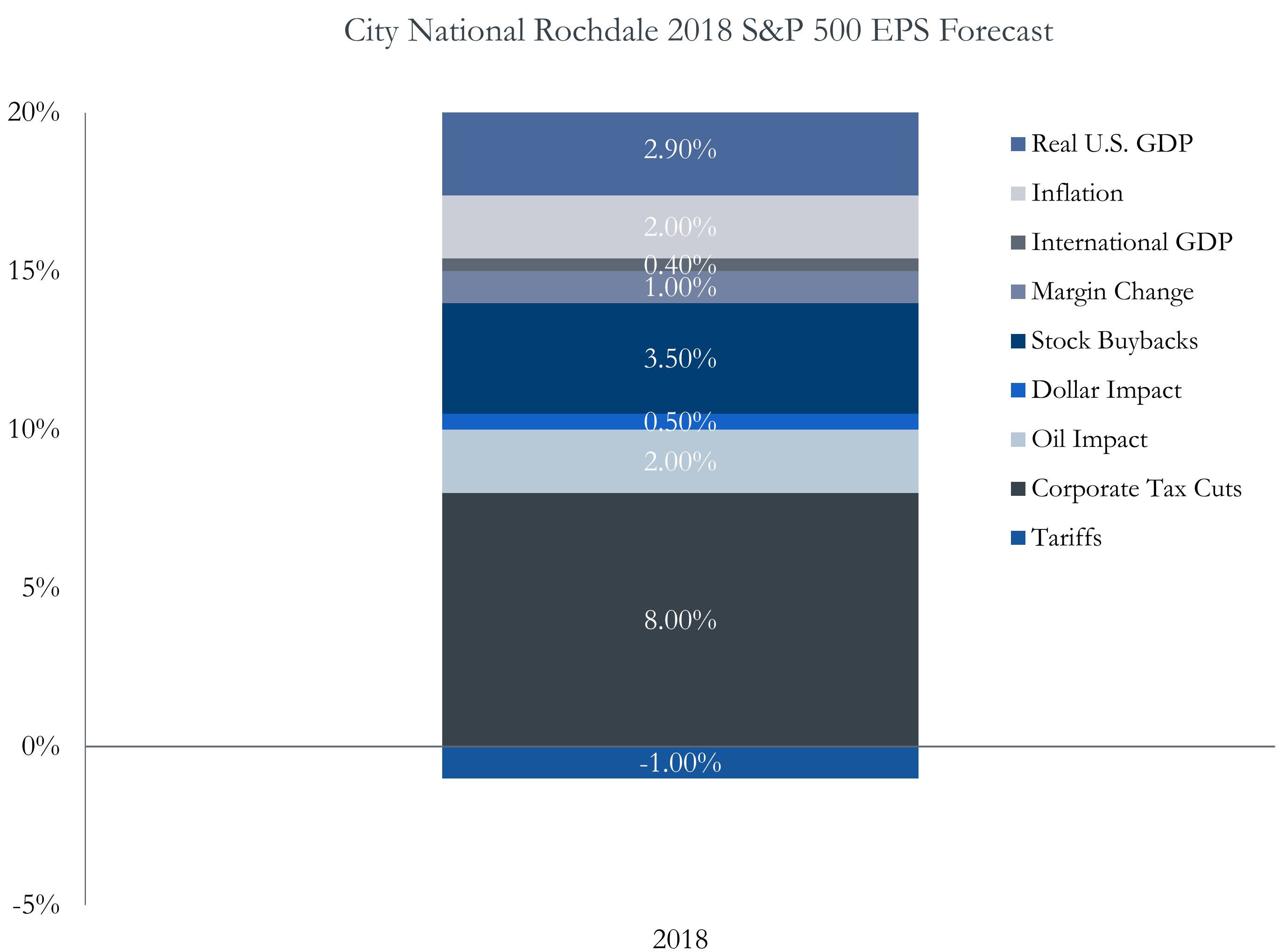
History shows that at current levels of valuation, overall average annual returns will likely be lower over the next several years.



*Current Shiller R/E as of November 2018.
Source: BCA Research. As of December 2017. Based on S&P 500 data since 1881.

Tax Cuts Bolster Our EPS Outlook

The earnings story is not just about tax cuts, as the economic foundation is supporting rising demand, allowing companies to grow profits beyond just cost-cutting measures.



Source: City National Rochdale estimates. As of October 2018.

Tax Cuts Could Provide Fuel for Higher Equity Prices

Recently passed corporate tax cuts are expected to boost 2018 earnings and should provide support for moderately higher equity prices.

2018 S&P 500 EPS		Fwd. P/E					
CNR Estimate	Y/Y Change	17.5	18	18.5	19	19.5	20
		Expected Total Return*					
$158.00	18%	4%	7%	10%	13%	16%	19%
$159.00	19%	5%	8%	10%	13%	16%	19%
$160.00	20%	5%	8%	11%	14%	17%	20%

2018 S&P 500 EPS		Fwd. P/E					
CNR Estimate	Y/Y Change	17.5	18	18.5	19	19.5	20
		Fair Value					
$158.00	18%	2,765	2,844	2,923	3,002	3,081	3,160
$159.00	19%	2,783	2,862	2,942	3,021	3,101	3,180
$160.00	20%	2,800	2,880	2,960	3,040	3,120	3,200

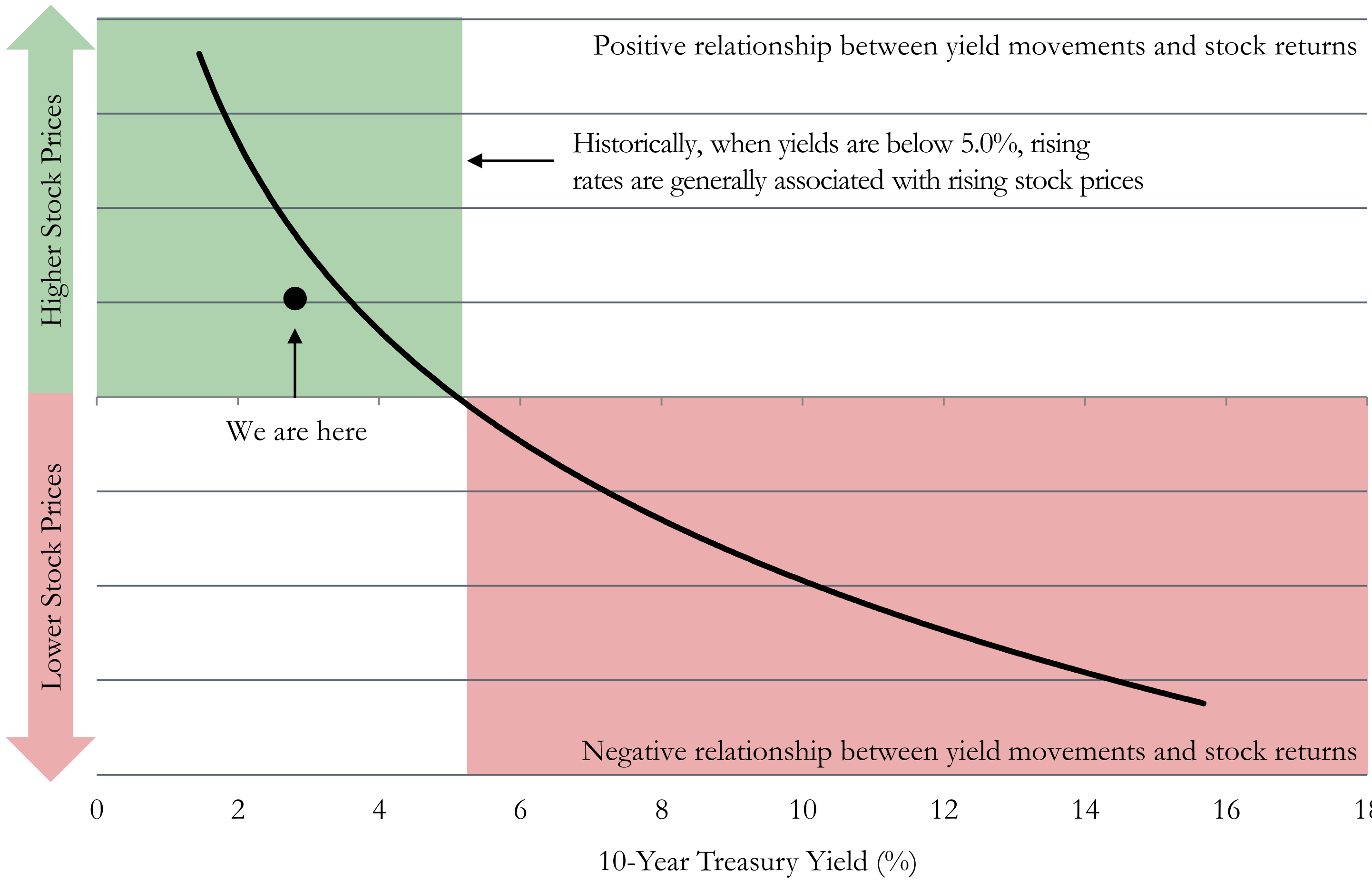
25% Downside Risk | 50% Base Case | 25% Upside Potential

*Assumes 2% dividend. Based on S&P 500 Index value. As of October 31, 2018.

Equity Investors Should Not Fear Modest Fed Rate Hikes

Historically, stocks have performed well when interest rates are rising from low levels.

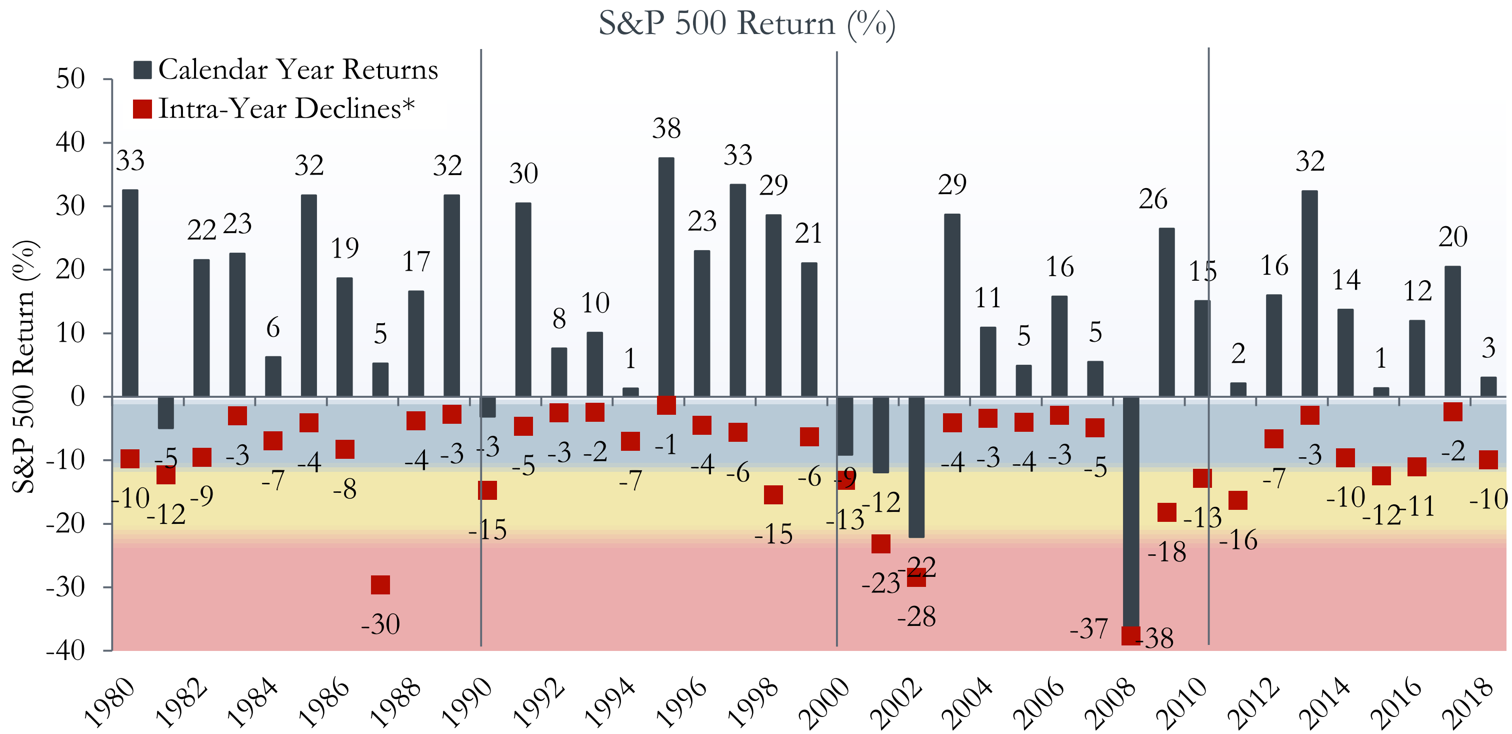
Correlations Between Weekly Stock Returns and Interest Rate Movements



Sources: S&P, U.S. Treasury, FactSet, JP Morgan Asset Management. As of November 2018. Returns are based on price index only and do not include dividends.
Correlation coefficient: The correlation coefficient will vary from -1 to +1. A -1 indicates perfect negative correlation, and +1 indicates perfect positive correlation.

Short-Term Volatility Is Normal

Corrections are a normal part of market movements, which should encourage clients to stay the course when markets get choppy.



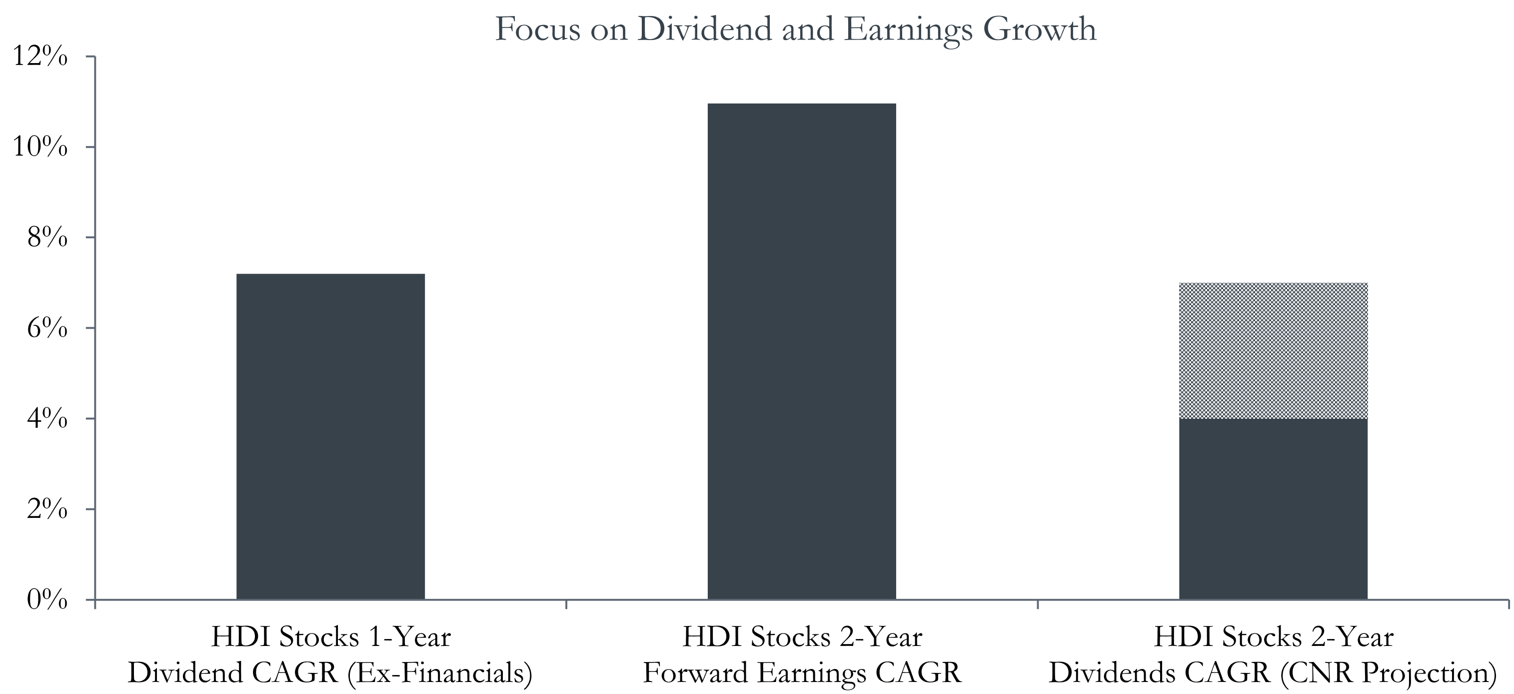
Downside Intra-Year Declines	% Occurrence (38 Years)	Average Downside	Average Calendar Year Return
0 to -10	66.7%	-5.1%	19.1%
-11 to -19	23.0%	-14.0%	7.6%
-20 to -40	10.3%	-29.7%	-16.4%

Source: FactSet. As of November 2018.
*Intra-year declines are the largest declines within the calendar year.

Focus on Dividend and Earnings Growth

Our focus remains on identifying undervalued, high-quality companies with solid prospects for dividend growth.

- Companies that make up the universe of holdings in our D&I strategy (ex-financials) grew their dividends, on average, 7.2% in the past year.
- In addition, companies we are following have a projected growth in earnings of 11.0% and in dividends of 4.0-7.0% over the next two years.



Source: FactSet (based on published analyst estimates), based on City National Rochdale HDI strategy universe of stocks, as of June 19, 2018.
The projected growth rate in earnings is the aggregate average of all the published sell side analysts as reported through FactSet.

Opportunistic Fixed Income Scorecard

Opportunistic Income Still Attractive

Our proprietary Multi-Factor Bond Market Model indicates that credit conditions are still attractive at this stage of the economic cycle.

Indicator	Status	Current Score
Economic Outlook	Domestic economy growing at a faster pace in 2018 than 2017.	**6.0**
Monetary Conditions	Monetary conditions remain accommodative, as the Fed is committed to reducing stimulus at a gradual pace.	**6.4**
Inflationary Outlook	Core inflation is at the Fed's 2.0% target level. Risk is to the upside.	**4.4**
Technical Factors	Valuations are much more attractive after a period of negative fund flows.	**6.0**
Fundamental Factors	Credit remains fundamentally attractive.	**7.1**
Total Score		6.4

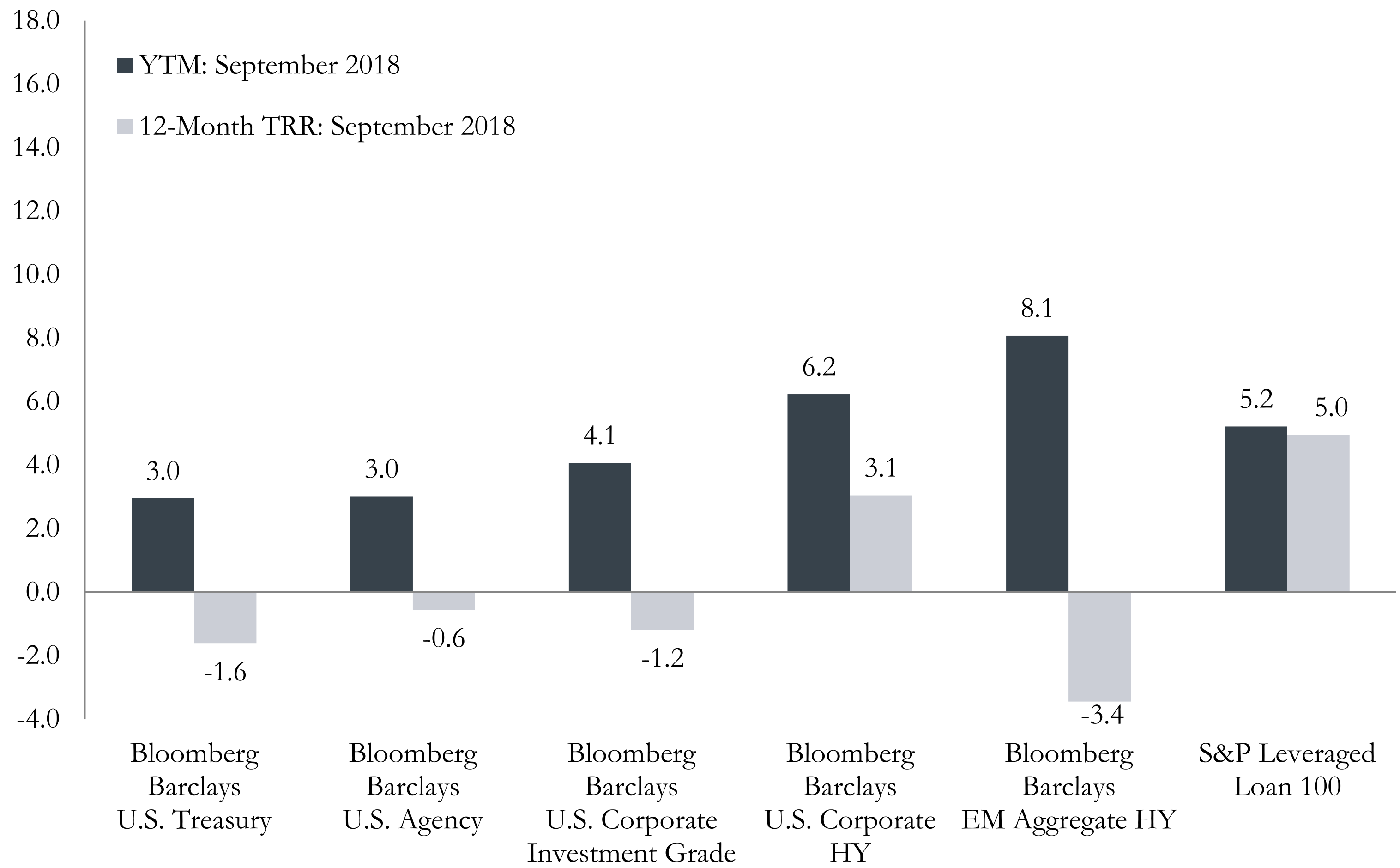
Positive 6.0 to 10	Overweight	**Neutral** 4.0 to 5.9	Neutral Weight	**Negative** 0 to 3.9	Underweight

Source: City National Rochdale Proprietary Multi-Factor Bond Market Model. As of November 2018.

High Yield Bond Performance Continues to Be Strong

We believe there may be substantial benefits in allocating away from investment grade.

Select Fixed Income Yield to Maturity (YTM) & Total Rate of Return (TRR) (%)



Source: Bank of America Merrill Lynch. As of September 2018.

*The yield to maturity (YTM) is the total return anticipated on a bond if the bond is held until the end of its lifetime.

High Yield Fixed Income Market Outlook

BANK LOANS

- Low duration and reasonable yields
- Increasing overall exposure

U.S. HIGH YIELD

- Credit spreads are off the low point, but not attractive yet
- Raising credit quality and reducing overall exposure

EM CORP HIGH YIELD

- Continues to be attractive space, but valuations are up
- EM company balance sheets are generally stable
- Increasing overall exposure

EM LOCAL SOVEREIGN

- Upgrade in credit quality
- Potential EM FX rebound off low levels
- Maintaining overall exposure

Current Expectations

	Duration (Years)	Credit Rating	Yield to Worst
Bank Loans	0.2-0.3	B/BB	5.5%-6.5%
U.S. High Yield	3.5-4.0	CCC/B/BB	6.0%-7.0%
EM Corp High Yield	1.5-5.0	NR/CCC/BB	5.0%-10.0%
EM Local Sovereign	3.0-6.0	B/A-	6.0%-8.0%

Source: City National Rochdale. As of November 2018. 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.

Our Asset Allocation Positioning

EQUITIES

- Prefer U.S. to international markets
- Europe and Japan have significant structural issues
- Emerging markets: Favor Asia

CORE FIXED INCOME

- Low return potential
- Prefer corporate credit over government bonds
- Municipals attractive for high-bracket investors

OPPORTUNISTIC INCOME

- Opportunities in structured/distressed credit, emerging market high yield

REAL ASSETS

- Modest exposure for diversification benefits
- Underweight due to low-inflation environment

Source: City National Rochdale. As of November 2018.

Portfolio Strategy for Moderate Economic Expansion

EQUITIES

- Prefer U.S. growth and high dividend
- Europe: Cyclical vs. secular cross-currents reduce attractiveness
- Emerging markets: Favor Asia

CORE FIXED INCOME

- Low return potential
- Prefer corporate credit over government bonds
- Municipals attractive for high-tax investors

OPPORTUNISTIC INCOME

- Moving up within credit ranking toward BB/B

REAL ASSETS

- Underweight due to low-inflation environment

ALTERNATIVES

- Attractive opportunity in cash flow strategies for qualified investors

Equities

- Moderate U.S. economic growth continues to support modestly higher U.S. equity levels.
- Dividend income strategies: valuations full, but solid fundamentals; better late cycle.
- European equities: select opportunities, but long-term secular headwinds and poor growth prospects.
- Long-term EM Asia outlook supported by fundamental, economic and demographic changes.

Core Fixed Income

- With the Fed reducing stimulus, interest rates are gradually increasing, making for better investment opportunities.
- We anticipate income will increase this year as the Fed raises short-term interest rates.

Opportunistic Fixed Income

- Taxable and Tax-Exempt Opportunistic allocations remain relatively attractive vs. Core Fixed Income.
- High Yield Corporate valuations are looking stretched.
- Increasing our investments in EM local currency sovereign bonds and floating rate assets.

Real Assets

- Reasonable growth and yield from select REITs.

Alternatives[1]

- We recommend alternative investments for sophisticated investors that are generally noncorrelated asset classes.

Source: City National Rochdale. As of November 2018.

[1]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 that magnifies both losses and gains, including the risk of loss of the entire investment. Alternative investments have varying and lengthy lockup provisions.

Capital Market Assumptions

Asset Class		Near-Term Return Expectation*	Long-Term Annual Return Expectation	Historical Annual Return**	Long-Term Annual Risk Expectation	Historical Annual Risk	Max Historic Drawdown***
Equities	**Domestic**						
	Large Cap Core	7.0	8.0	12.0	16.5	18.0	-50.0
	Mid/Small Cap	6.0	9.0	12.0	19.0	20.0	-58.0
	Dividend Income	7.0	7.5	11.0	14.0	15.0	-40.0
	International						
	Developed Markets	5.0	7.5	9.0	19.0	20.0	-57.0
	Emerging Markets	8.0	11.0	12.0	23.0	25.0	-60.0
	International Dividend Income	5.5	7.0	10.0	17.0	20.0	-65.0
Core Fixed Income / Cash	Government/Agency	2.2	3.0	6.0	3.1	5.0	-4.0
	Investment-Grade Corporate	3.0	3.8	7.0	4.3	6.0	-9.0
	Tax-Exempt	2.0	3.3	6.0	3.3	4.0	-2.0
	Cash and Equivalents	1.5	2.0	3.0	0.5	0.5	0.0
Opportunistic Income	Global Bonds	4.5	5.5	6.0	6.0	6.0	-10.0
	Global High Yield	6.0	8.0	12.0	12.5	13.0	-34.0
	Bank Loans	5.0	5.0	7.0	6.0	9.0	-30.0
	Mortgage-Backed Securities	4.0	5.0	7.0	5.0	5.0	-15.0
	Preferred Stock	4.5	6.0	8.0	10.0	12.0	-55.0
	High Yield – Taxable	5.5	6.5	9.0	11.0	12.0	-34.0
	High Yield – Tax-Exempt	4.0	5.0	8.0	9.0	11.0	-30.0
	Collateralized Loan Obligations	8.0	11.0	17.0	20.0	20.0	-75.0
Real Assets	U.S. Real Estate	4.0	7.5	13.0	18.0	20.0	-70.0
	International Real Estate	4.0	7.0	11.0	19.0	23.0	-70.0
	Energy	6.0	8.0	11.0	24.0	30.0	-75.0
	Diversified Commodities	2.0	6.0	7.0	18.5	25.0	-66.0
	Precious Metals	3.0	7.5	5.0	16.0	16.0	-68.0
	Inflation-Protected Fixed Income	1.0	3.0	7.0	6.5	6.0	-13.0

Sources: Morningstar Direct, Bloomberg, City National Rochdale. As of October 2018. Past performance is not a guarantee of future results. The expected returns are net of any City National Rochdale management fees; however, other fees may apply. The expected returns do not include fees for trading costs (e.g., commissions) or any fees charged by your financial advisor. Please speak to your financial advisor for a complete understanding of all fees.
Drawdown: The measure of decline from a historical peak.
*Current 5-year YTW is used to estimate near-term expectations for Core Fixed Income, Fixed Income segments of Opportunistic Income, and Inflation Protected Fixed Income. Near-term return expectation indicates a 12- to 24-month view. **Historical returns begin on January 1986. If an asset class index was not in existence during that time, a similar proxy was used.
***Max drawdown not illustrated for 1928-1932 for U.S. High Yield (-57%), Large Cap (-83%), and Small Cap (-90%).

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.

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.

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada. As of June 2007, the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

The MSCI Europe Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe. As of September 2002, the MSCI Europe Index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

The Michigan Consumer Sentiment Index (MCSI) is a monthly survey of U.S. consumer confidence levels conducted by the University of Michigan. It is based on telephone surveys that gather information on consumer expectations regarding the overall economy.

The Barclays Aggregate Bond Index is composed of U.S. government, mortgage-backed, asset-backed, and corporate fixed income securities with maturities of one year or more.

The Barclays High Yield Municipal Index covers the high yield portion of the U.S.-dollar-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.

The Bloomberg Barclays U.S. Treasury Index is an unmanaged index of prices of U.S. Treasury bonds with maturities of one to 30 years.

The Bloomberg Barclays U.S. Corporate Bond Index is an unmanaged market-value-weighted index of investment-grade corporate fixed-rate debt issues with maturities of one year or more.

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.

The Bloomberg Barclays Emerging Markets USD Aggregate Index tracks total returns for external-currency-denominated debt instruments of the emerging markets. Countries covered are Argentina, Brazil, Bulgaria, Ecuador, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia, and Venezuela.

The Bloomberg Barclays U.S. Agency Bond Index is a rules-based, market-value-weighted index engineered to measure investment-grade agency securities publicly issued by U.S. government agencies. Mortgage-backed securities are excluded.

S&P Leveraged Loan Indexes (S&P LL indexes) are capitalization-weighted syndicated loan indexes based upon market weightings, spreads, and interest payments. The S&P/LSTA Leveraged Loan 100 Index (LL100) dates back to 2002 and is a daily tradable index for the U.S. market that seeks to mirror the market-weighted performance of the largest institutional leveraged loans, as determined by criteria. Its ticker on Bloomberg is SPBDLLB.

The Dow Jones Select Dividend Index seeks to represent the top 100 U.S. stocks by dividend yield. The index is derived from the Dow Jones U.S. Index and generally consists of 100 dividend-paying stocks that have five-year non-negative Dividend Growth, five-year Dividend Payout Ratio of 60% or less, and three-month average daily trading volume of at least 200,000 shares.

The Bloomberg Commodity Total Return Index, formerly known as Dow Jones-UBS Commodity Index Total Return (DJUBSTR), is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM. This combines the returns of the BCOM with the returns on cash collateral invested in 13-week (three-month) U.S. Treasury Bills.

The Corporate Emerging Market Bond Index (CEMBI) is J.P. Morgan's index of U.S.-dollar-denominated debt issued by emerging market corporations.

The Standard & Poor's Small Cap 600 Index (S&P 600) measures the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

Nasdaq 100 Index is an index composed of the 100 largest, most actively traded U.S. companies listed on the Nasdaq stock exchange.

The U.S. Treasury 10-year Note is a debt obligation issued by the United States government that matures in 10 years. A 10-year Treasury Note pays interest at a fixed rate once every six months and pays the face value to the holder at maturity.

Index Definitions (continued)

The Shanghai Stock Exchange (SSE) composite is a market composite made up of all the A shares and B shares that trade on the Shanghai Stock Exchange.

Brent Crude is a major trading classification of sweet light crude oil that serves as a major benchmark price for purchases of oil worldwide. This grade is described as light because of its relatively low density, and sweet because of its sulfur content.

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.

The “core” PCE price index is defined as personal consumption expenditures (PCE), 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.

The S&P/Case-Shiller Home Price Indexes are a group of indexes that track changes in home prices throughout the United States. The indexes are based on a constant level of data on properties that have undergone at least two arm's length transactions.

The ISM Manufacturing Index is based on surveys of more than 300 manufacturing firms by the Institute for Supply Management (ISM). The ISM Manufacturing Index monitors employment, production, inventories, new orders and supplier deliveries. A composite diffusion index monitors conditions in national manufacturing and is based on the data from these surveys.

The ISM Non-Manufacturing Index is an index based on surveys of more than 400 non-manufacturing firms' purchasing and supply executives, within 60 sectors across the nation, by the Institute of Supply Management (ISM). The ISM Non-Manufacturing Index tracks economic data, like the ISM Non-Manufacturing Business Activity Index. A composite diffusion index is created based on the data from these surveys, that monitors economic conditions of the nation.

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

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 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.

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.

Concentrating assets in the real estate sector or REITs may disproportionately subject a portfolio to the risks of that industry, including the loss of value because of adverse developments affecting the real estate industry and real property values. Investments in REITs may be subject to increased price volatility and liquidity risk; concentration risk is high.

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.

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.

Yield to Worst – 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.

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. Emerging markets bonds can have greater custodial and operational risks, and less developed legal and accounting systems than developed markets.

Investments in commodities can be very volatile, and direct investment in these markets can be very risky, especially for inexperienced investors.

Returns include the reinvestment of interest and dividends.

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.

For More Information

New York Headquarters
400 Park Avenue
New York, NY 10022
212-702-3500

Beverly Hills Headquarters
400 North Roxbury Drive
Beverly Hills, CA 90210
310-888-6000

info@cnr.com
www.cnr.com