

Santa Barbara – September 12, 2017

Market and Economic Update

Presented by:

Paul Single

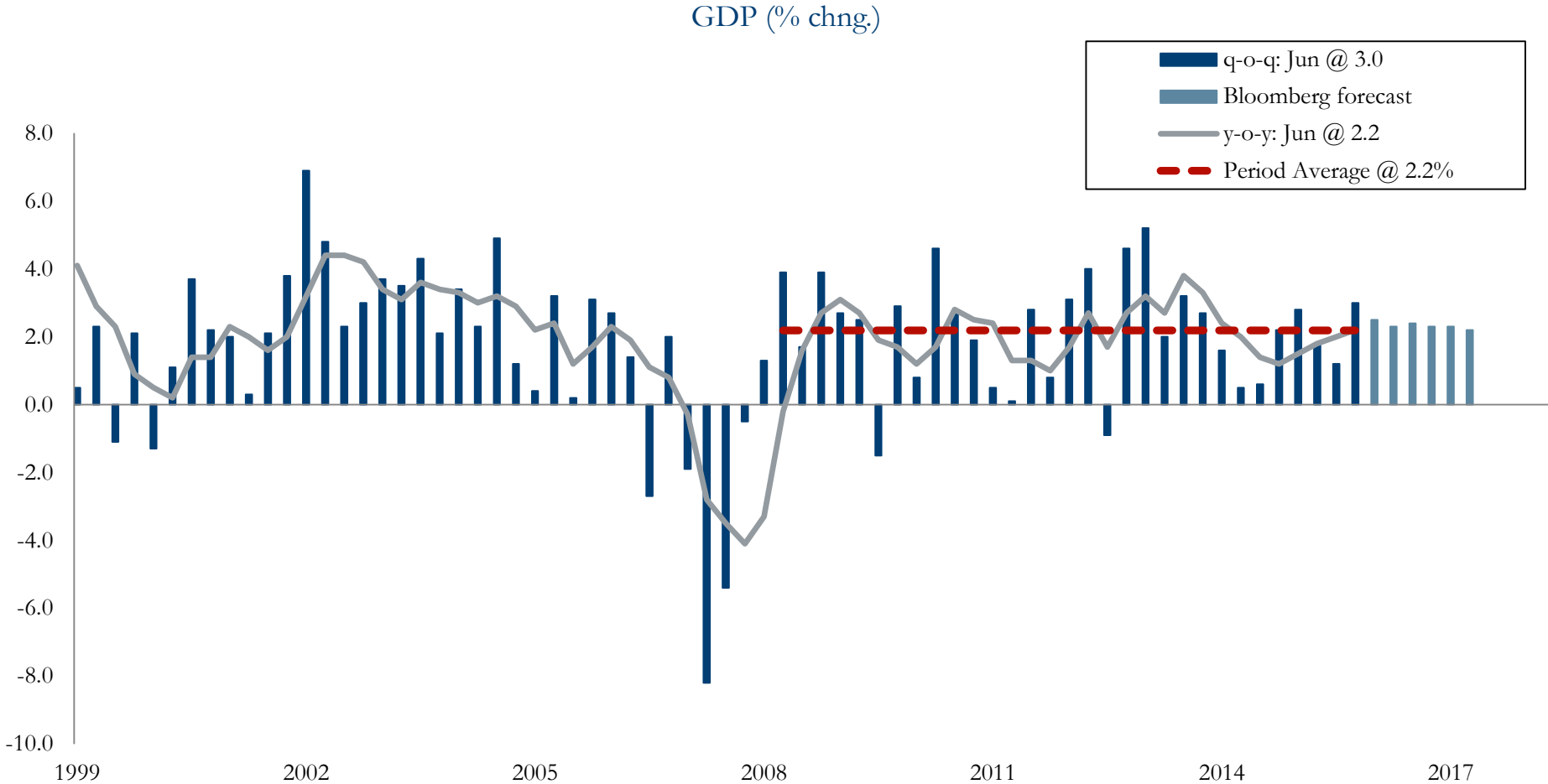
Managing Director, Senior Portfolio Manager

City National Bank provides investment management services in conjunction with City National Rochdale, its wholly-owned subsidiary.
Attached herein are communications prepared by City National Rochdale that reflect City National Bank's investment products and services.

NON-DEPOSIT INVESTMENT PRODUCTS: ■ ARE NOT FDIC INSURED ■ ARE NOT BANK GUARANTEED ■ MAY LOSE VALUE

The Economy – GDP

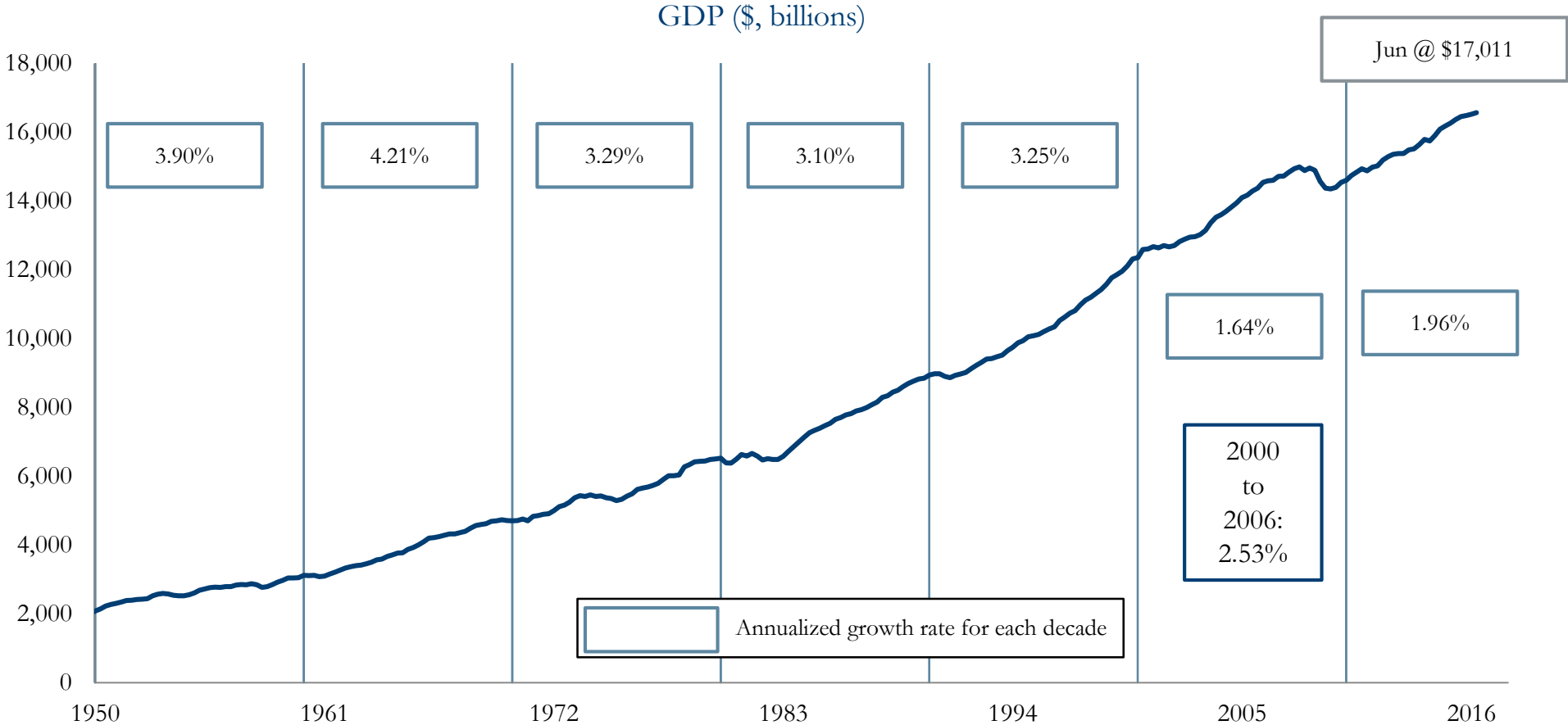
Post recession growth rate slightly above 2.0%



Source: Bureau of Economic Analysis, June 2017

The Economy – GDP

The rate of economic growth has been falling in each decade since the 1960's

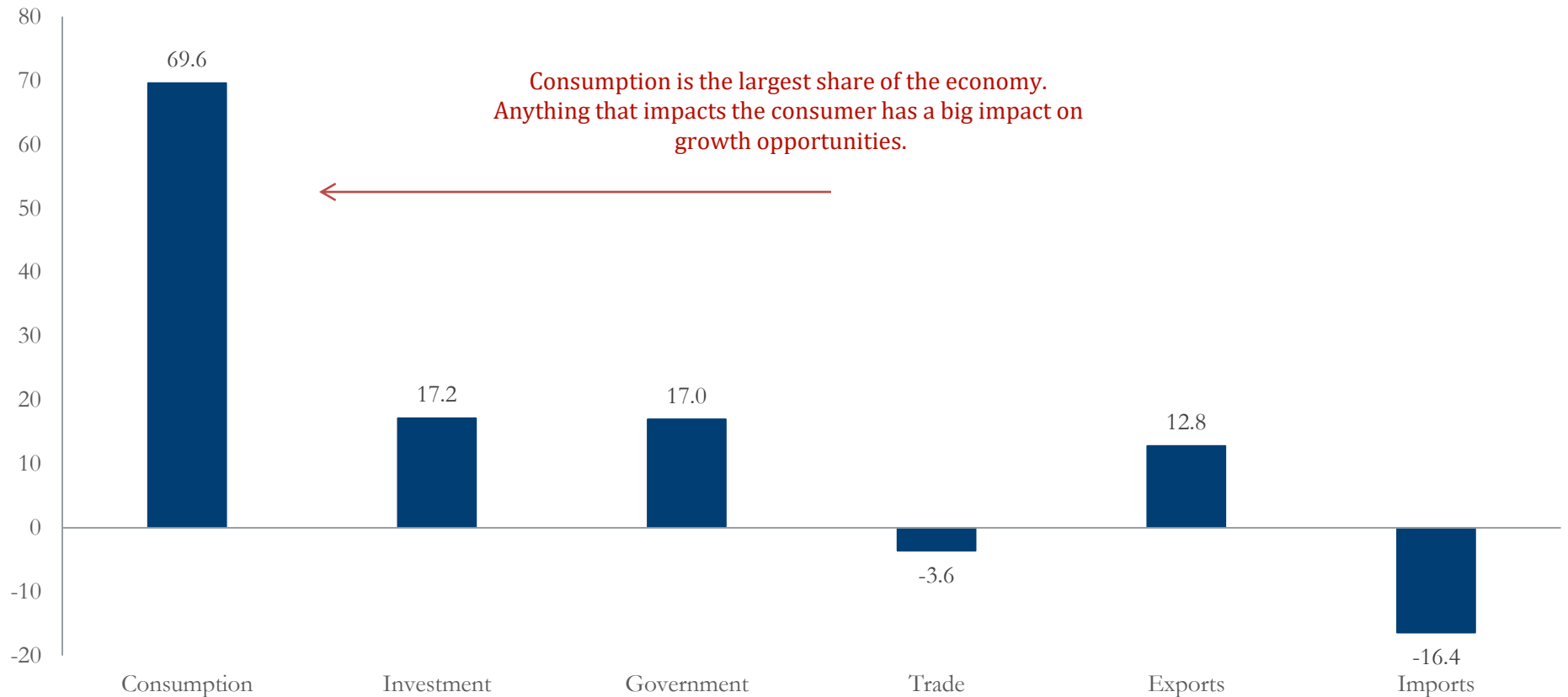


Source: Bureau of Economic Analysis, June 2017

The Economy – GDP

Consumption is the driving force behind the U.S. economy

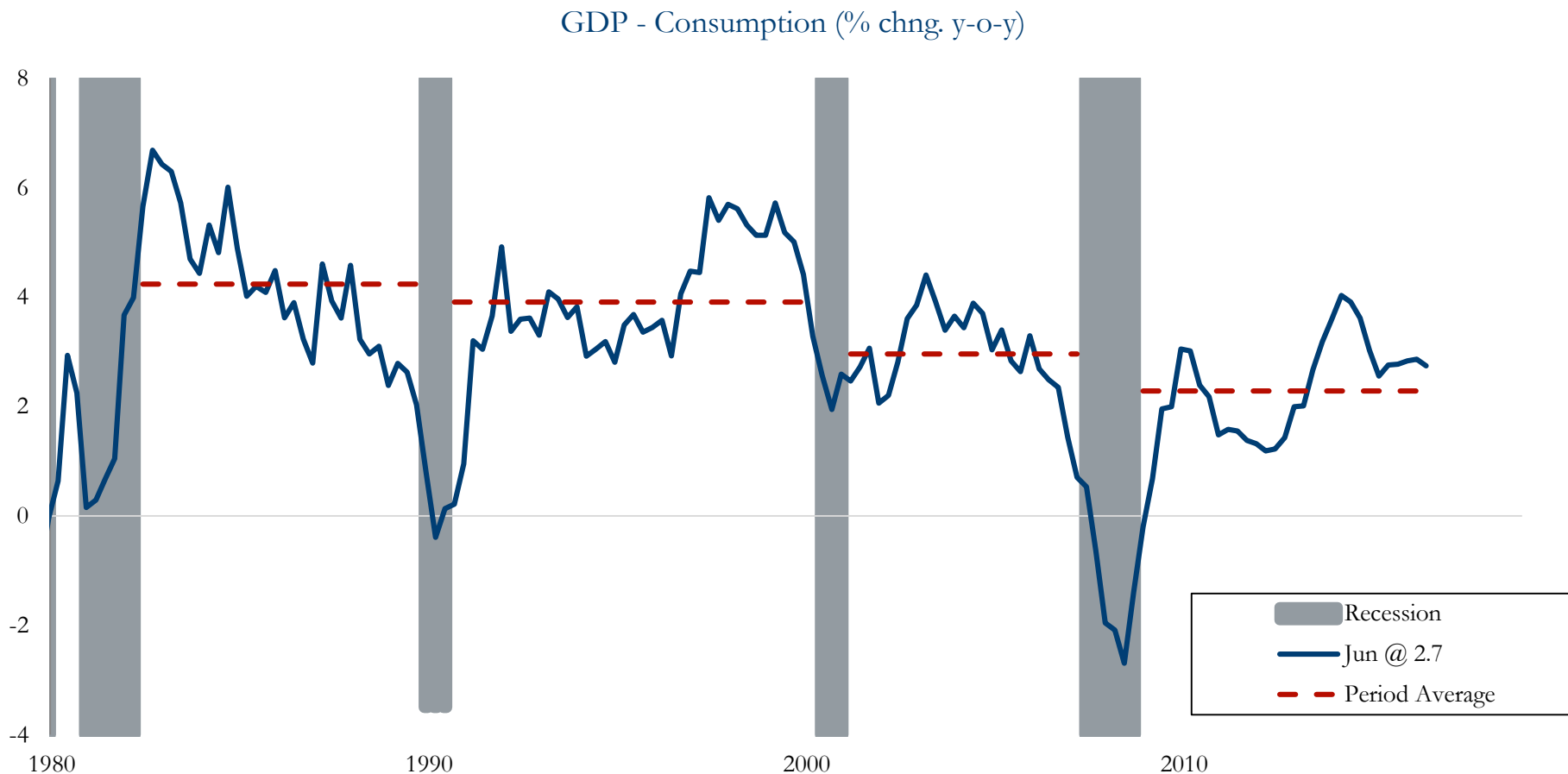
Components of GDP



Source: Bureau of Economic Analysis, December 2016

Consumption

The growth rate of consumption has been falling in the past few business cycles

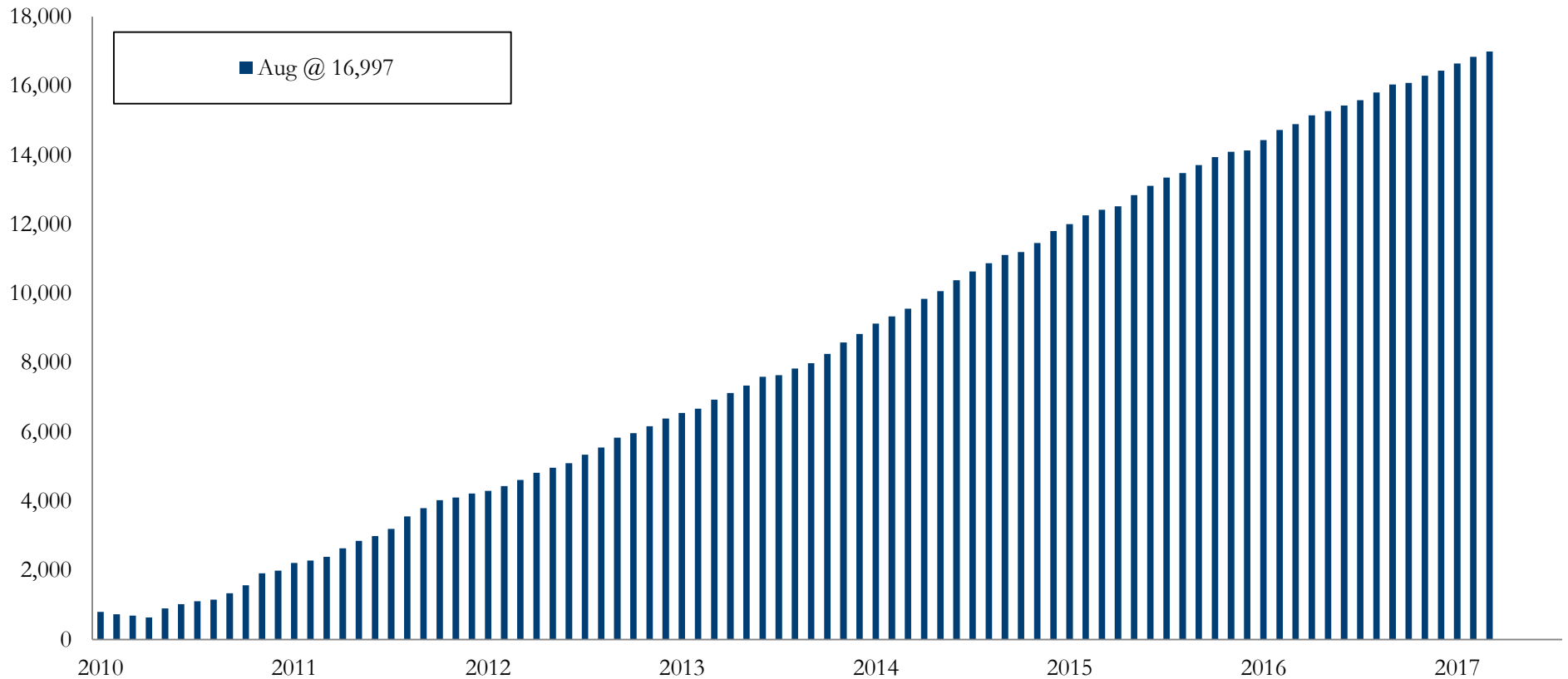


Source: Federal Reserve, June 2017

Labor

Job gains have long outpaced the job losses of the Great Recession

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

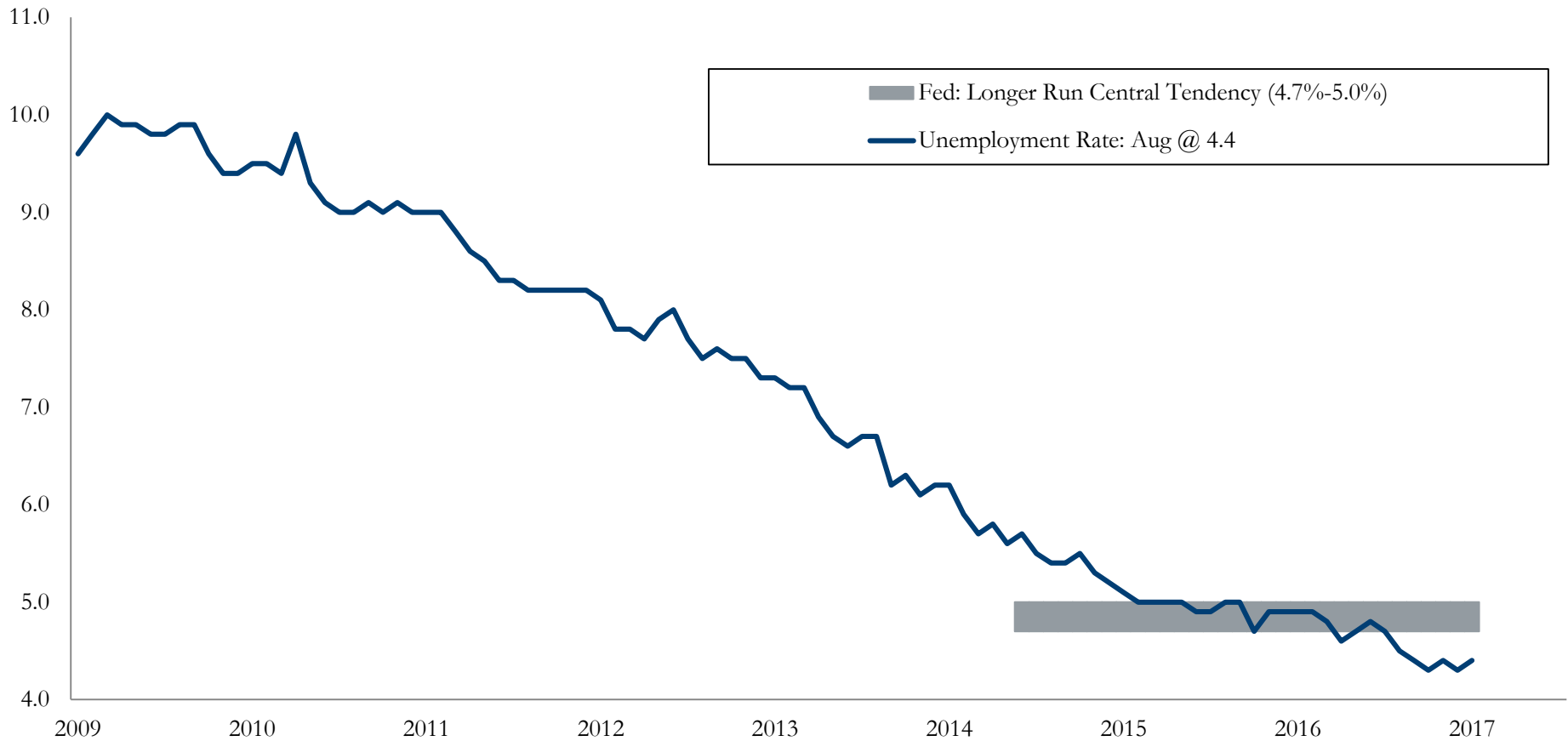


Source: Bureau of Labor Statistics, August 2017

Labor

The unemployment rate is below full employment

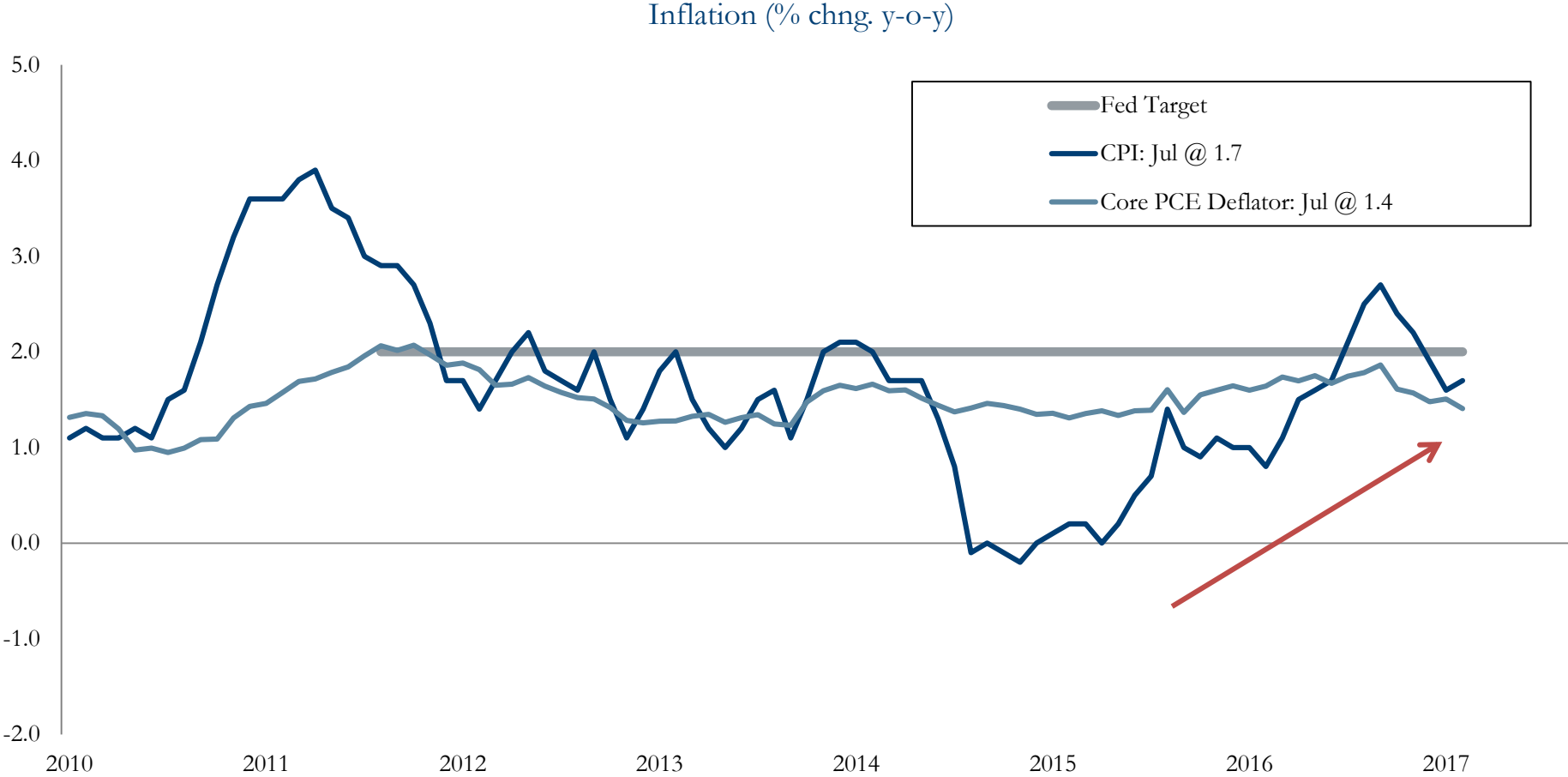
Unemployment Rate (%)



Source: Bureau of Labor Statistics, August 2017

Inflation

Inflationary pressures are now moving upward

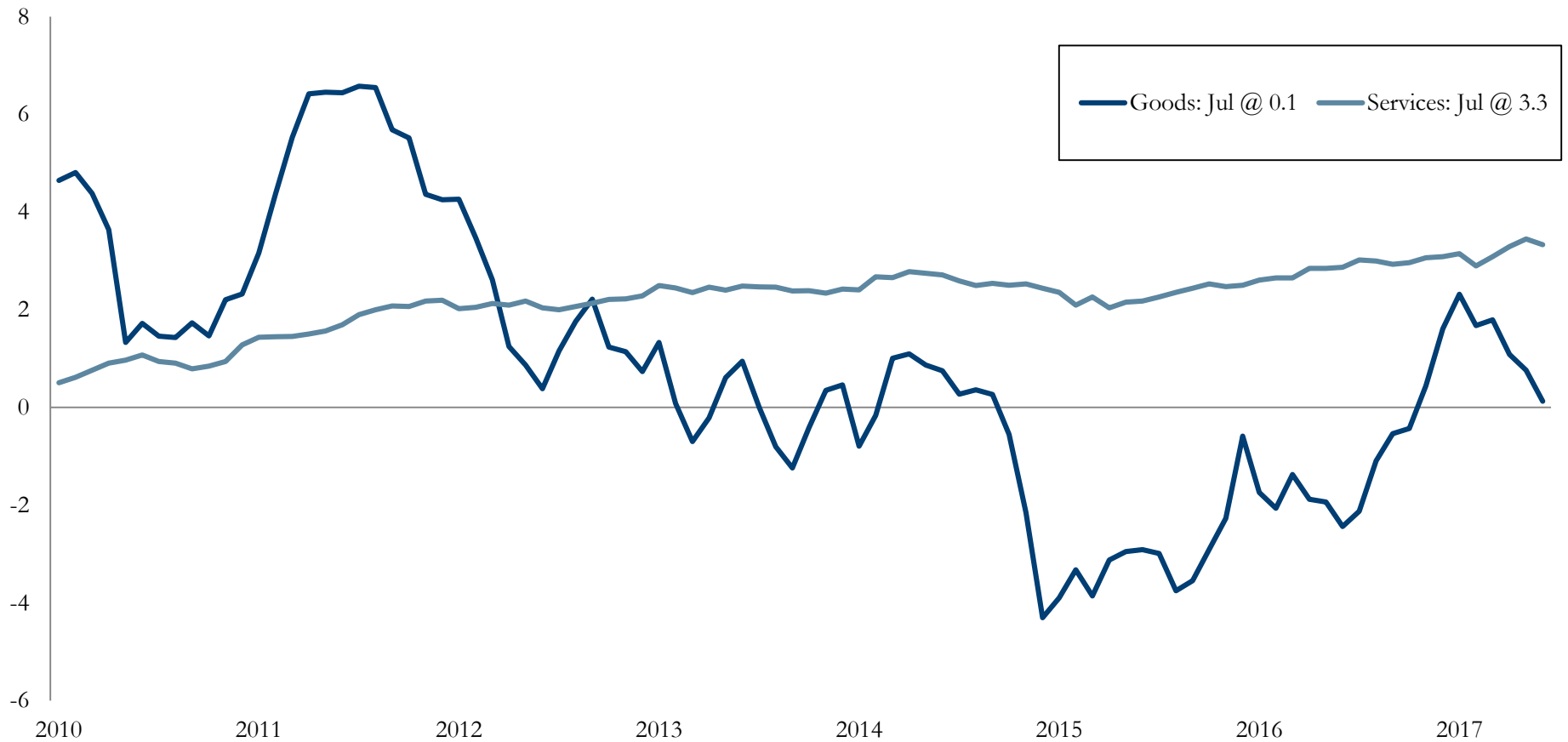


Source: Bureau of Labor Statistics. Bureau of Economic Analysis, July 2017

Inflation

The upward movement is being driven by the cost of goods

Components of CPI (% chng., y-o-y)

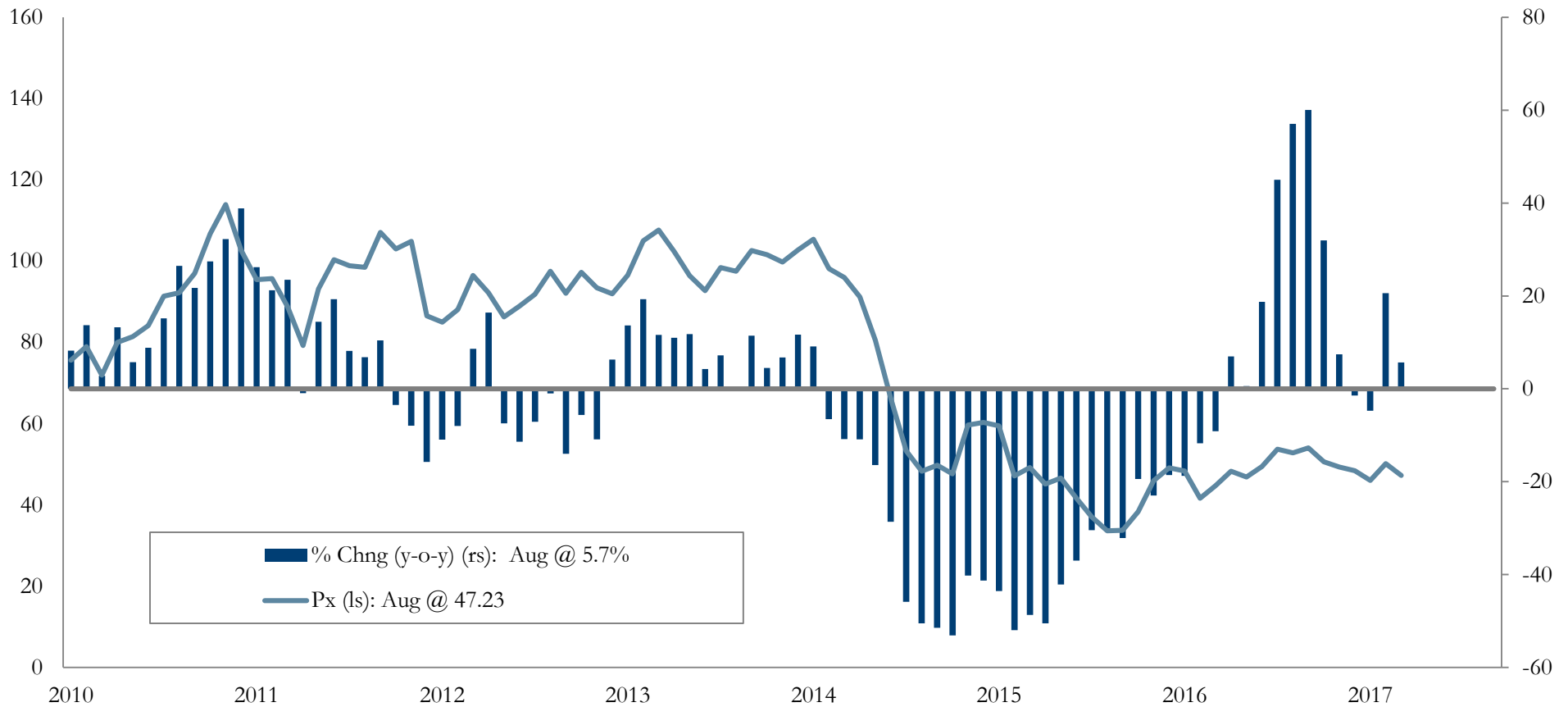


Source: Bureau of Labor Statistics, July 2017

Oil

OPEC's reduction in supply has not put upward pressure on prices

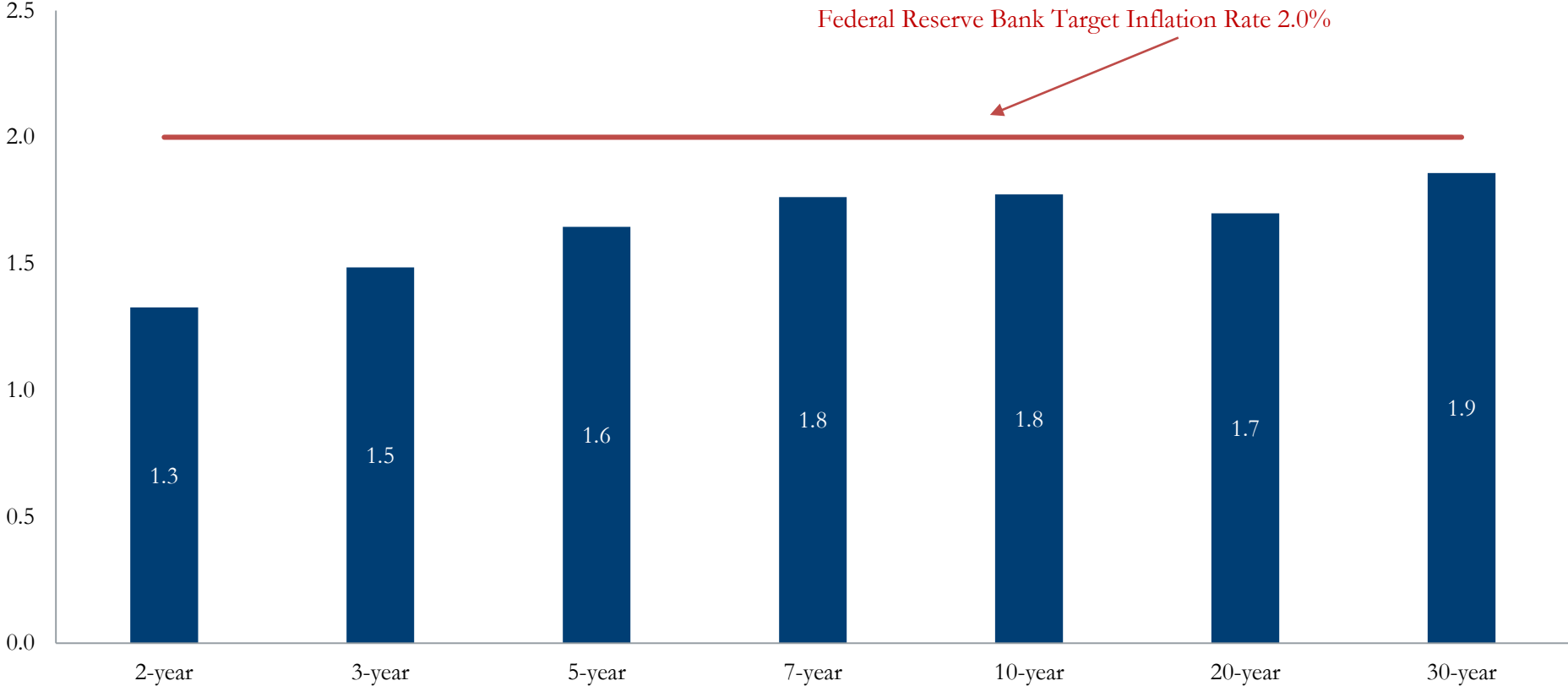
Oil



Source: Bloomberg, August 2017

Inflation

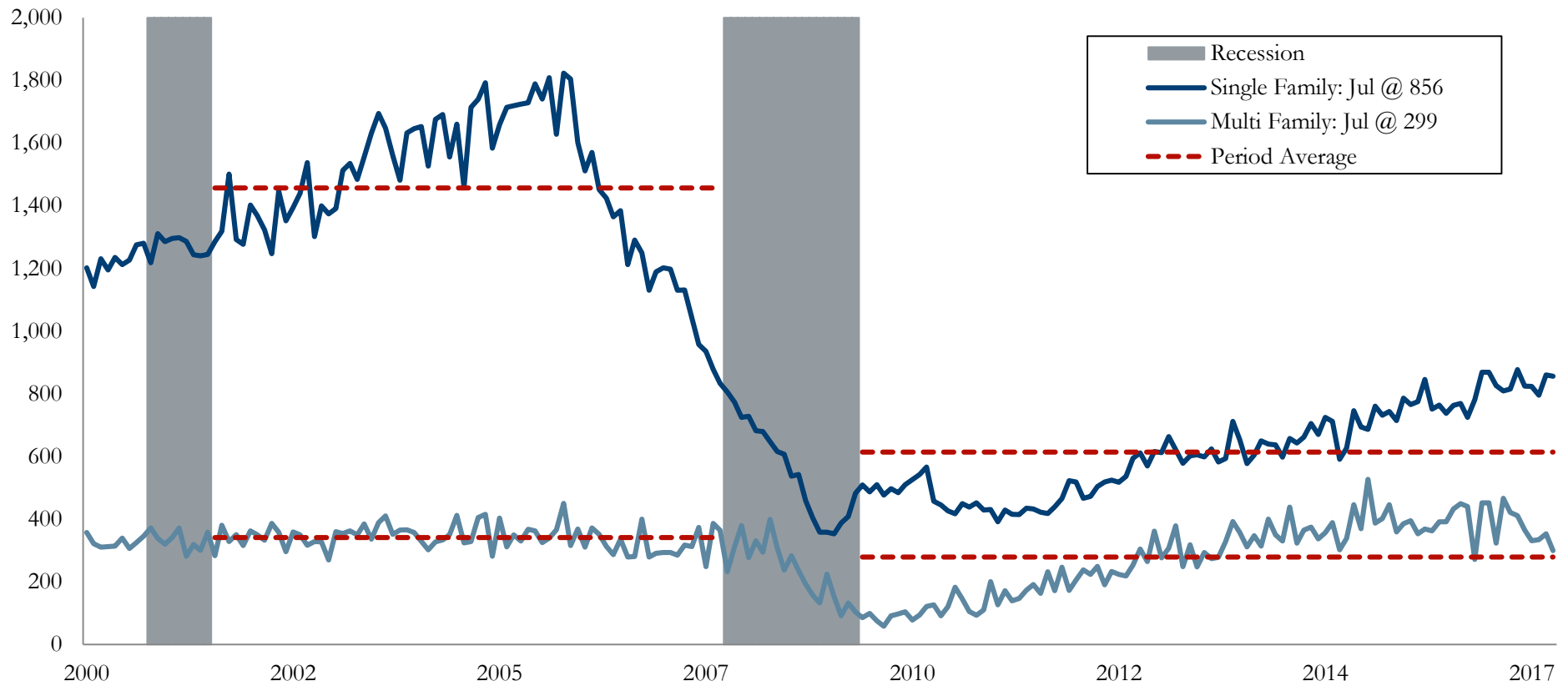
U.S. Treasury TIPS Inflation Breakevens (%)



Source: Bloomberg, August 2017

Housing

Housing Start ('000, annual rate)

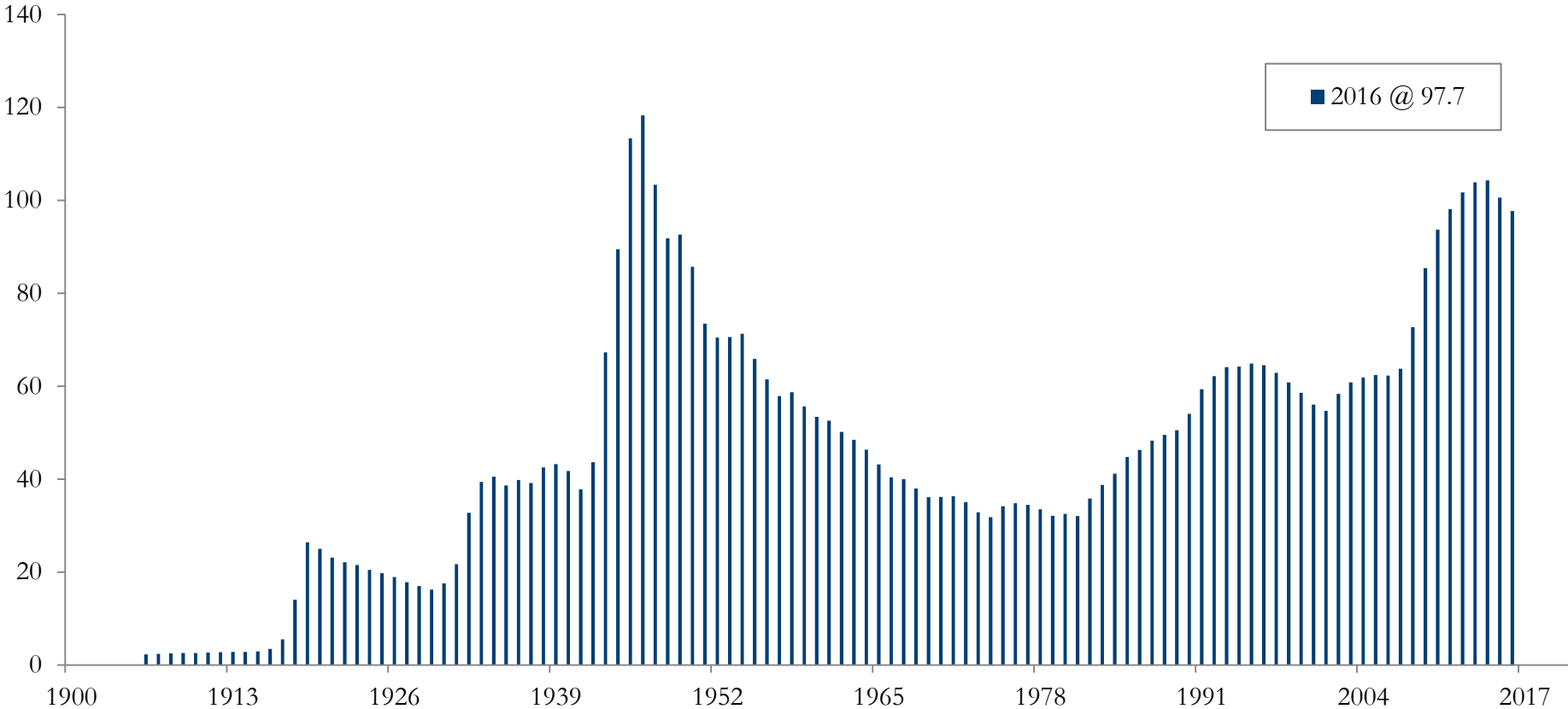


Source: Bloomberg, July 2017

Federal Deficit

The debt, compared to GDP is slightly below historical highs

Total Federal Debt to GDP (%)

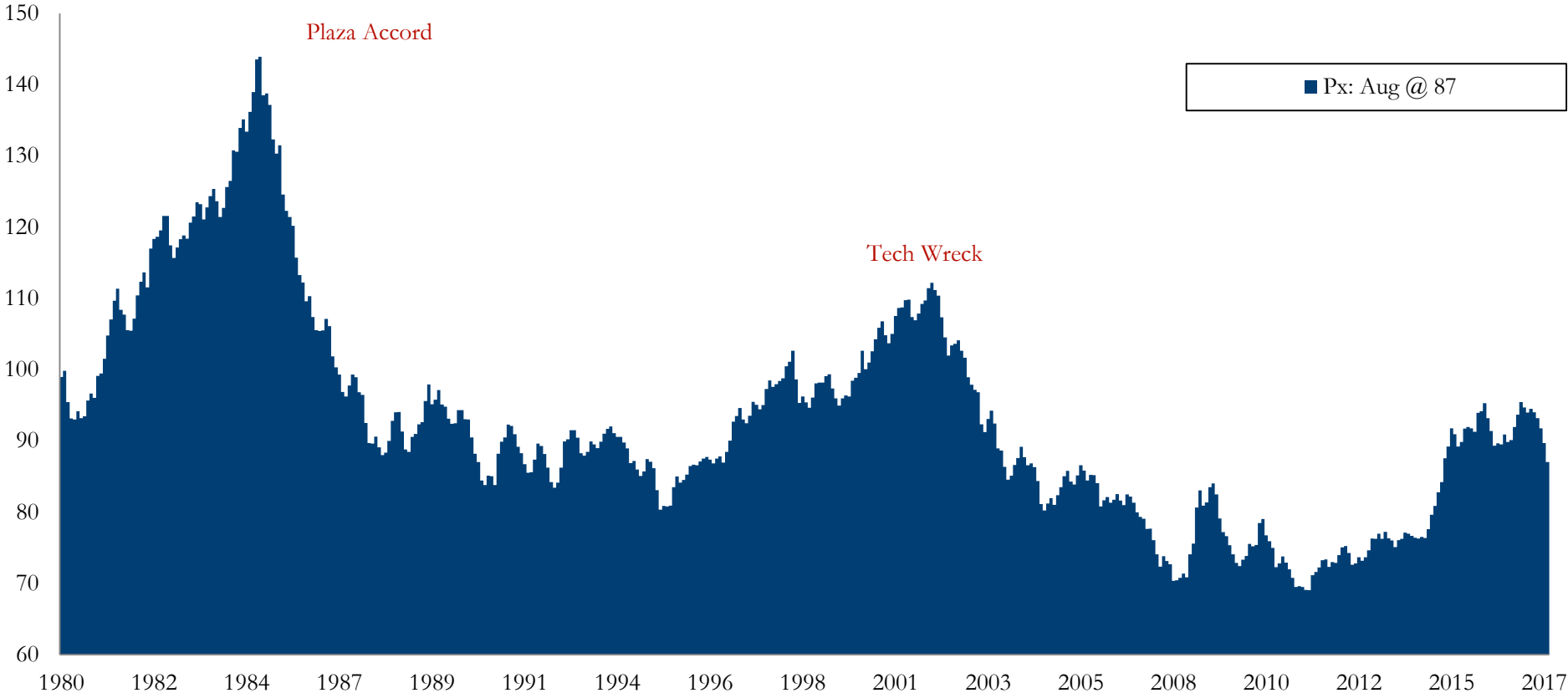


Source: Bloomberg, 2016

The Dollar

The dollar strength has hurt the manufacturing sector

U.S. Trade Weighted Dollar

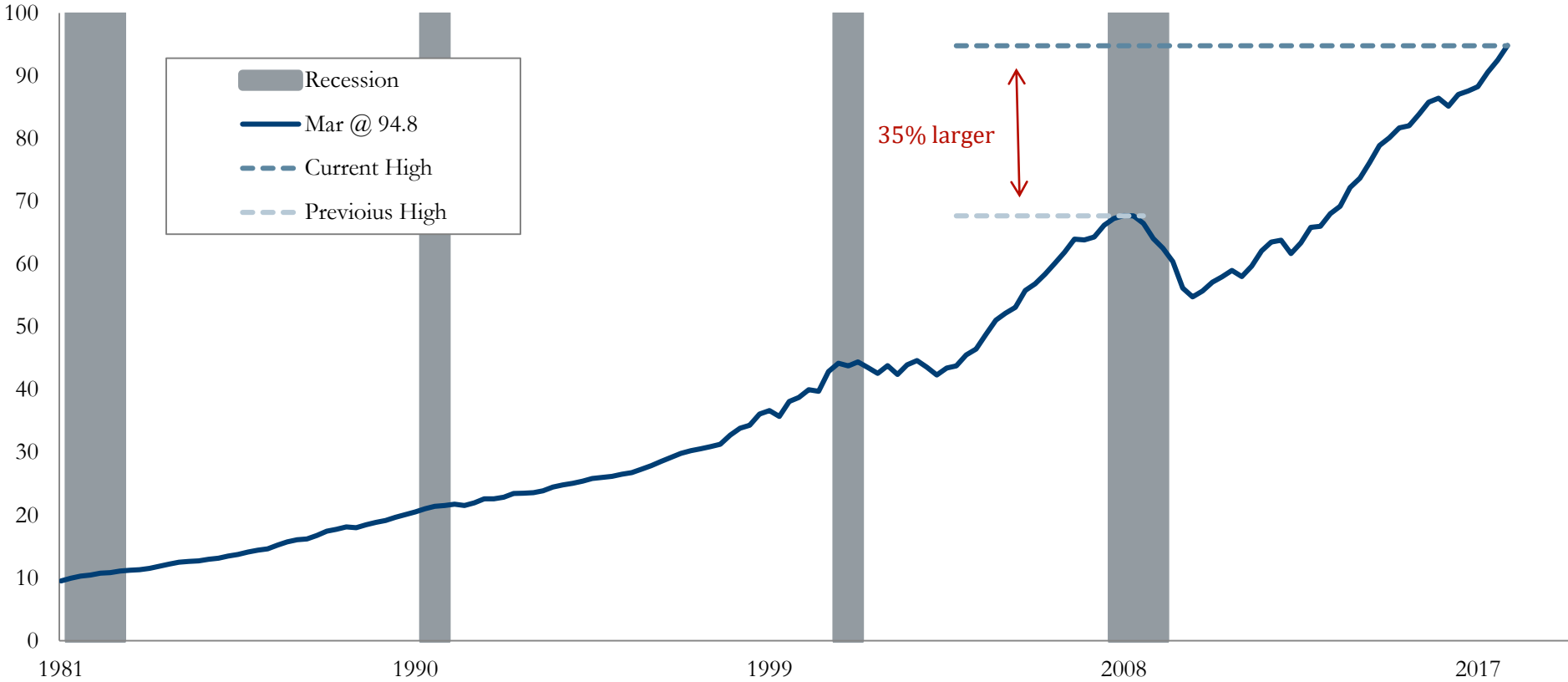


Source: Federal Reserve, August 2017

Household Wealth

Now above the average rate of the past expansions

Household Net Worth

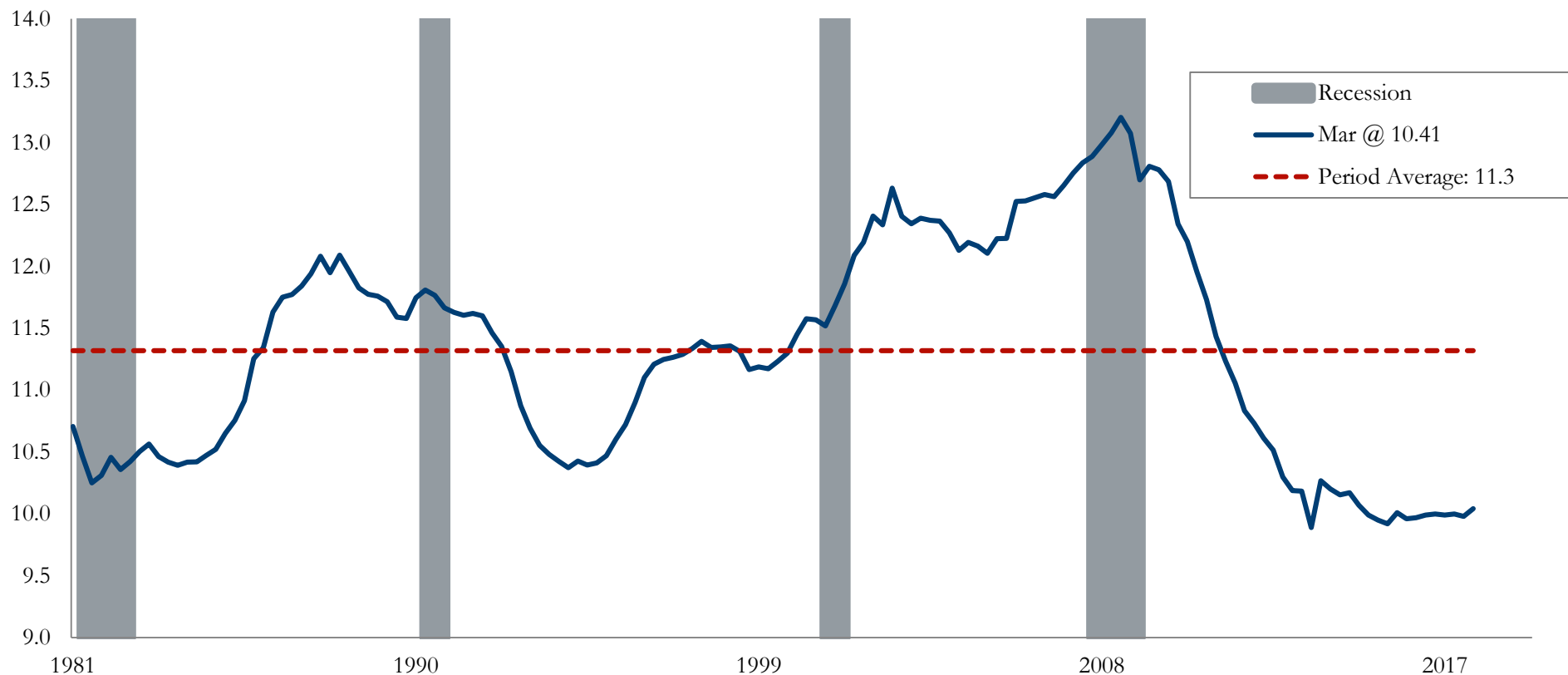


Source: Federal Reserve, March 2017

Household Wealth

Leverage has fallen to very low levels

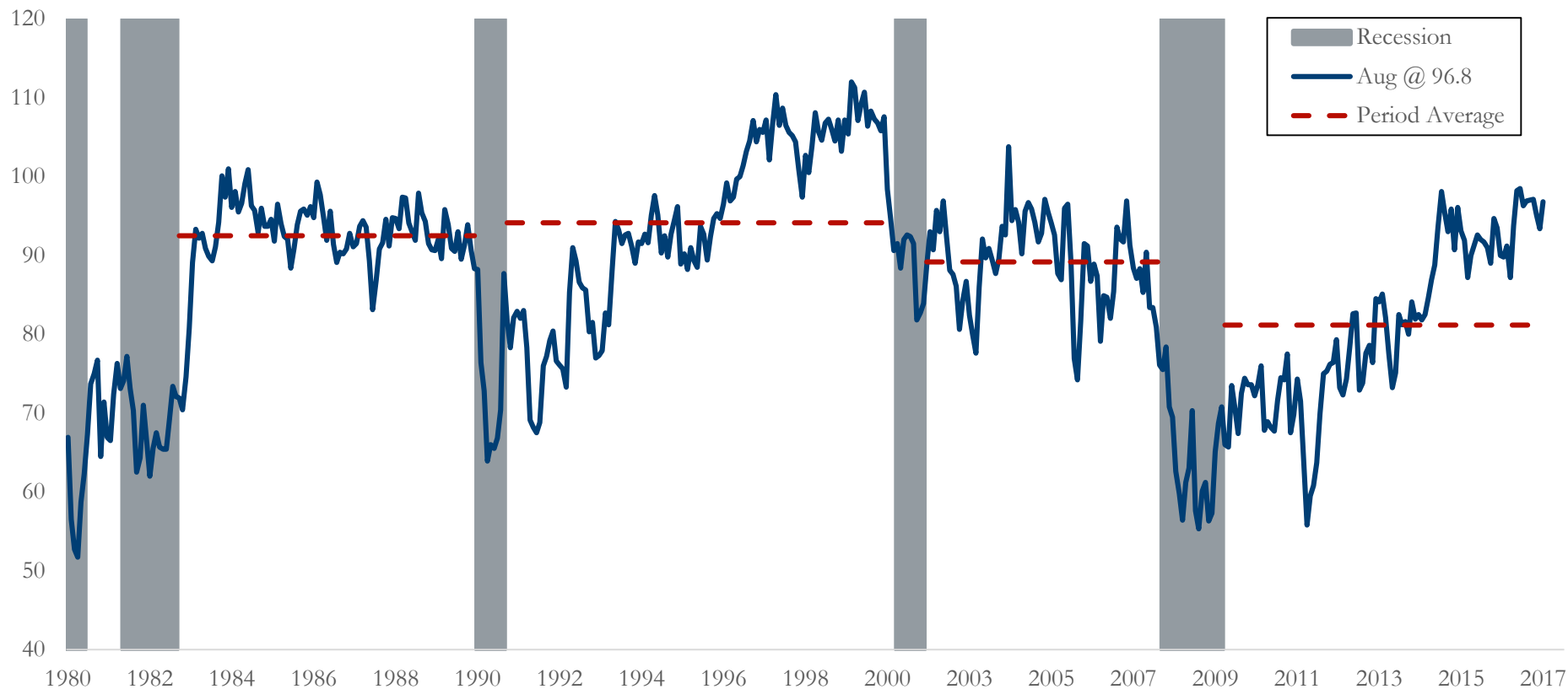
Debt to Disposable Income (%)



Source: Federal Reserve, March 2017

Confidence

University of Michigan Sentiment



Source: Federal Reserve, July 2017

Federal Tax Policy

The U.S. needs to simplify the tax code

“Go to Part IV of Schedule I to figure line 52 if the estate or trust has qualified dividends or has a gain on lines 18a and 19 of column (2) of Schedule D (Form 1041) (as refigured for the AMT, if necessary).

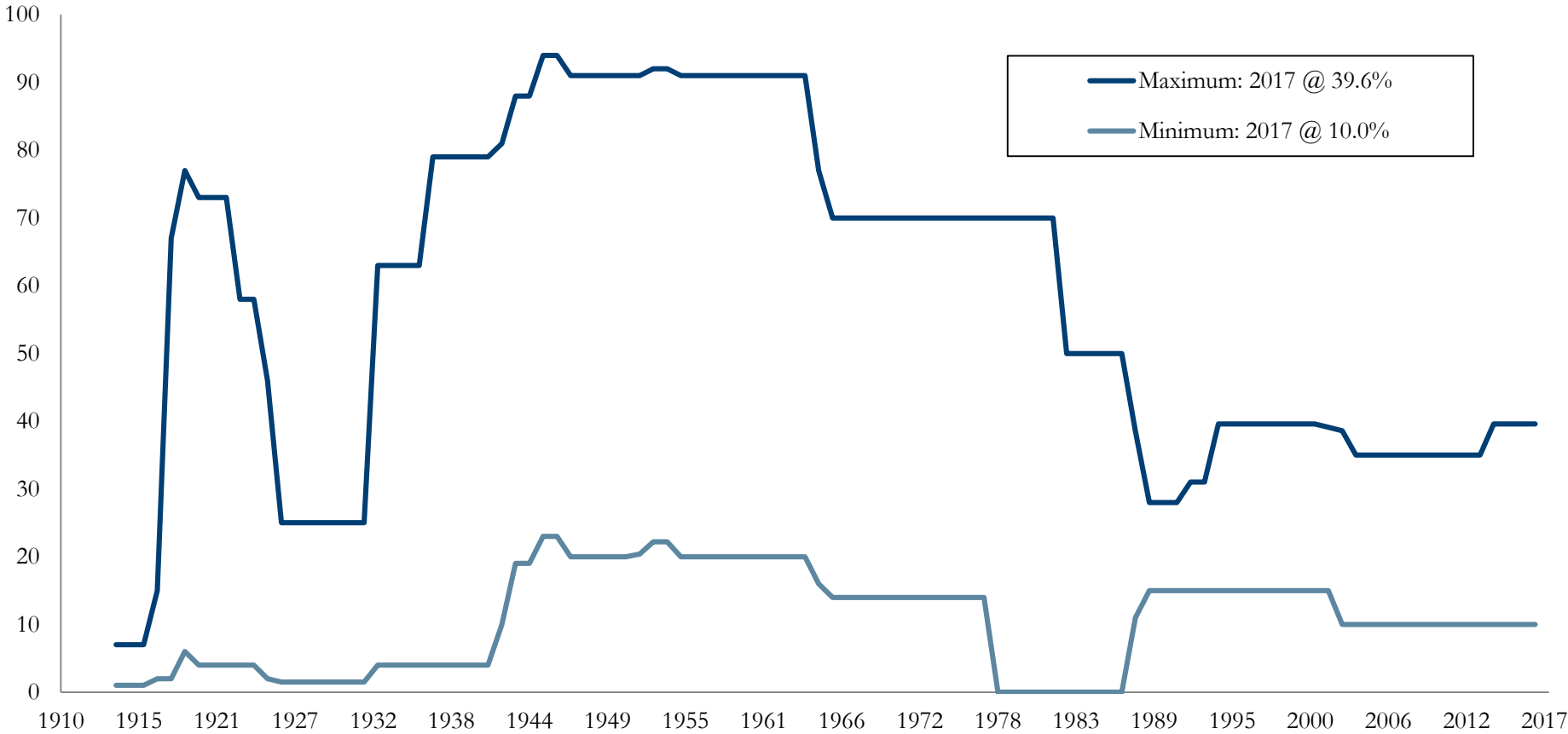
Otherwise, if line 51 is—

- \$186,300 or less, multiply line 51 by 26% (0.26).
- Over \$186,300, multiply line 51 by 28% (0.28) and subtract \$3,726 from the result”

Source: IRS - Schedule I, Form 1041, Part III, # 52

Federal Maximum Tax Rate

U.S. Federal Individual U.S. Tax Rates (%)

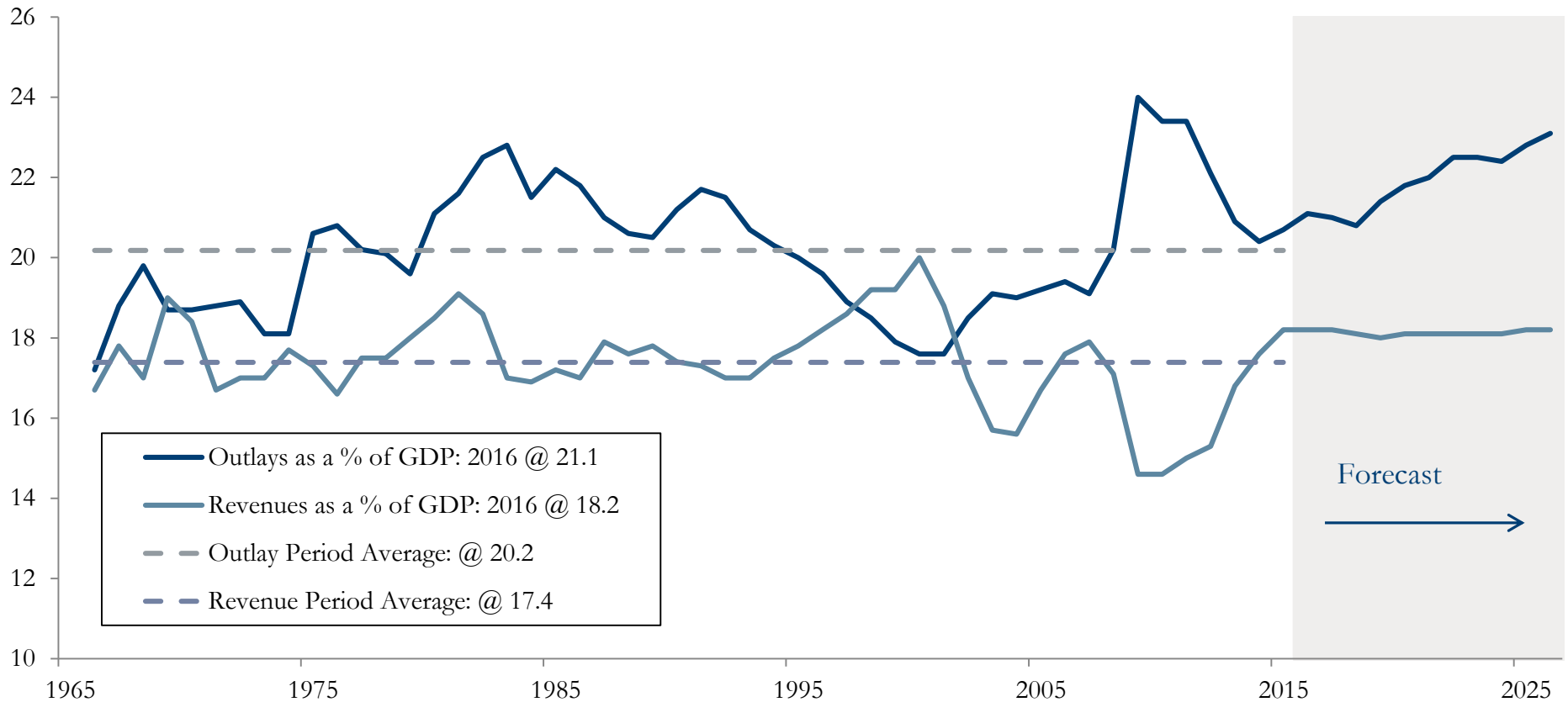


Source: Congressional Budget Office, 2017

Federal Debt

The forecast for the debt is to increase

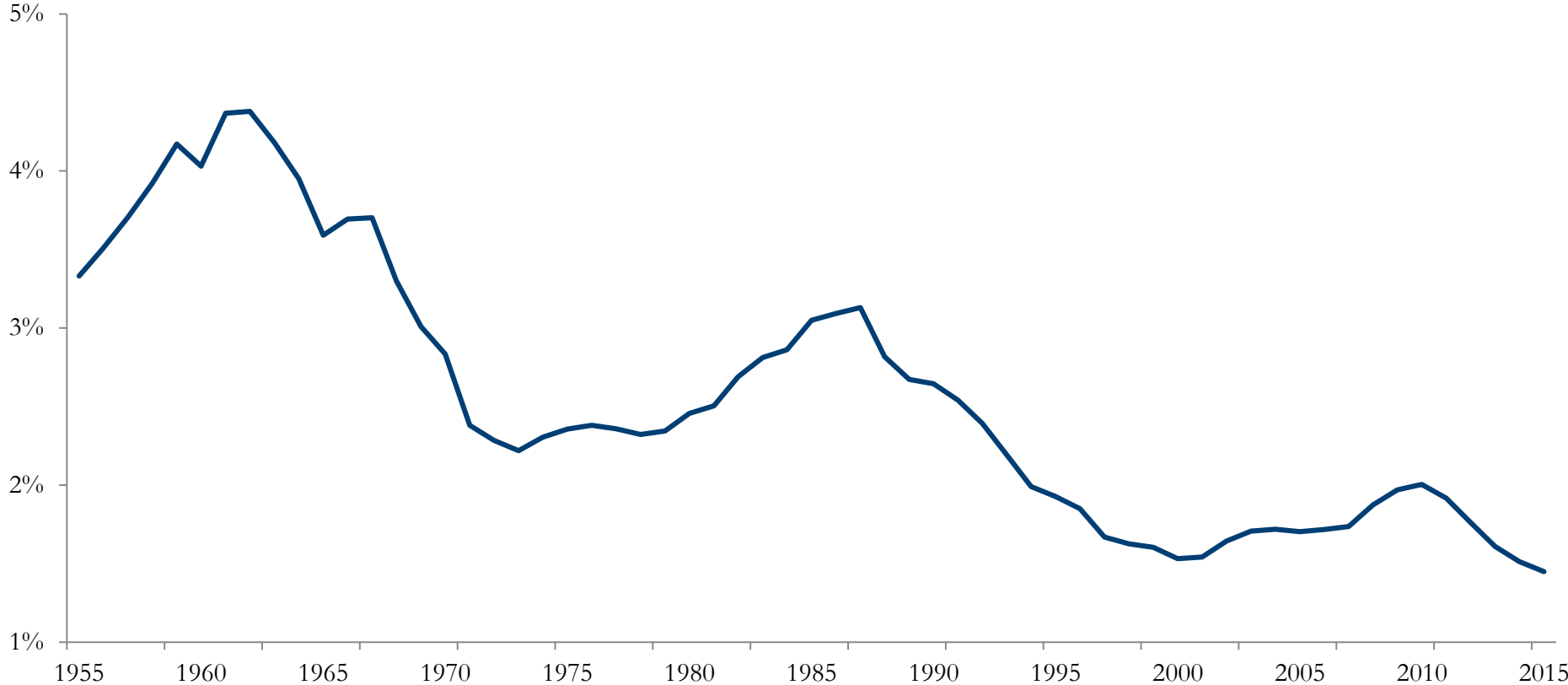
U.S. Budget Gap



Source: Congressional Budget Office, 2016

Fiscal Stimulus Could Provide Boost to Growth

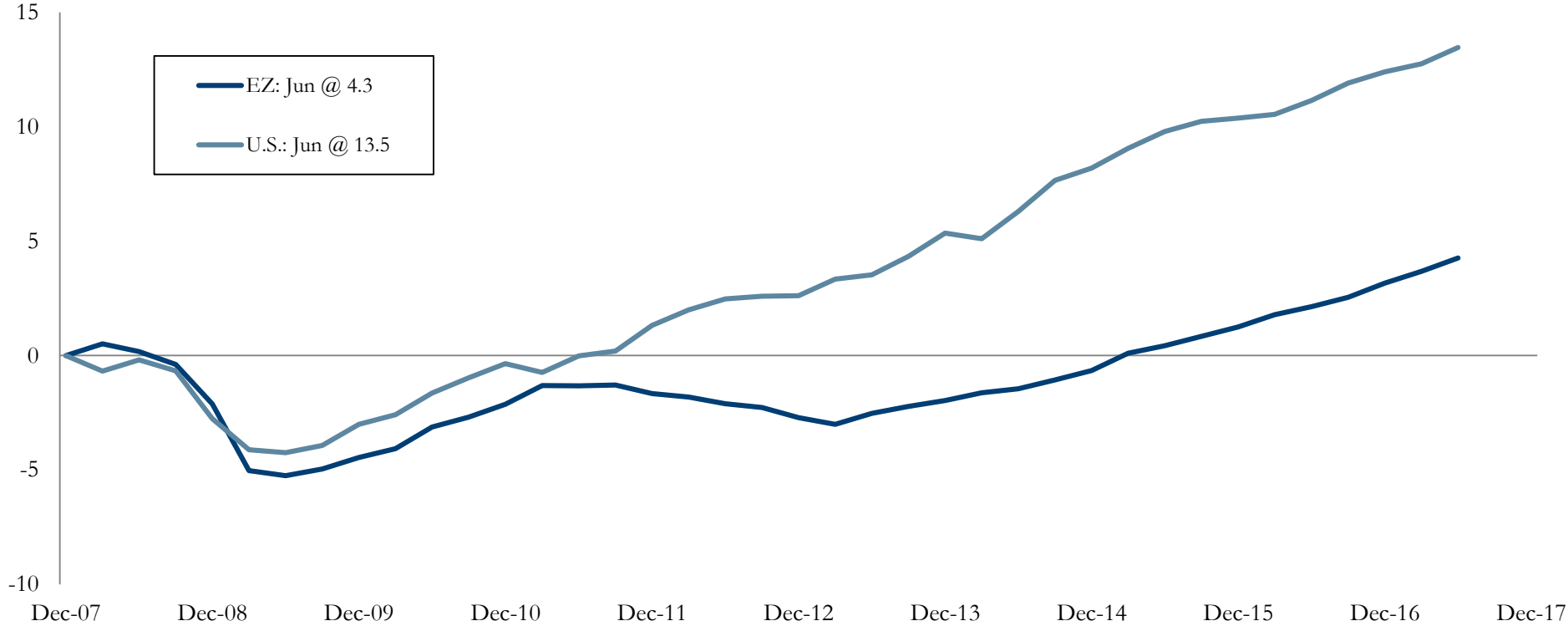
Total Federal Gross Investment (% GDP)



Source: U.S. Bureau of Economic Analysis (BEA), November 2016

Europe

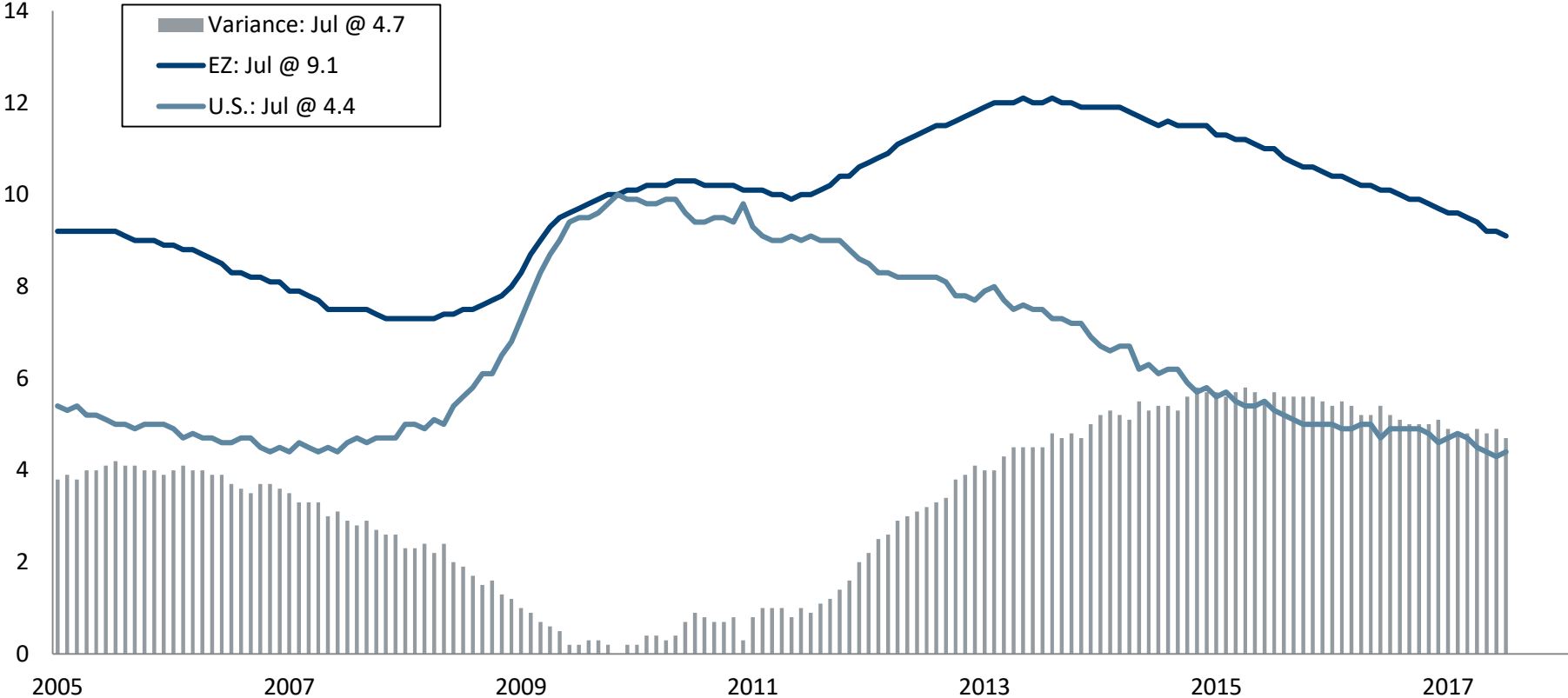
GDP (Indexed Dec 2007)



Source: Federal Reserve, June 2017

Europe

Unemployment Rates (%)



Source: Federal Reserve, July 2017

Economic Outlook: Global Synchronized Growth

Global economy is showing signs of renewed momentum.

- Positive U.S. economic fundamentals include: jobs, housing, confidence, corporate profits, and stable inflation.
- Domestic growth drivers: consumer, business, and government are all contributing.
- Fiscal policy likely to modestly boost GDP impact in 2018.
- Expecting one more Fed rate hike in 2017, and two or three in 2018.
- Global synchronized growth: U.S., Europe, and Asia economies continue to show improvement.

		2016	City National Rochdale Forecasts	
			2017e	2018e*
GDP Growth		1.6%	2.0%-2.5%	2.25%-2.75%
Corporate Profit Growth		1.3%	4.0%-6.0%	6.0%-8.0%
Interest Rates	Fed Funds Rate	0.50%-0.75%	1.125%-1.375%	1.625%-2.125%
	Treasury Note, 10-Yr.	2.45%	2.25%-2.75%	2.50%-3.00%

Sources: BEA, Standard & Poor's, Bloomberg. As of July 2017.

*Assumes potential increase of 0.5% to GDP and \$4 boost to corporate profits from fiscal policy in second half of 2018.

Index Definitions

The Housing Affordability Index measures whether or not a typical family earns enough income to qualify for a mortgage loan on a typical home at the national and regional levels based on the most recent price and income data.

The Trade Weighted U.S. Dollar Index is a measure of the value of the United States dollar relative to other world currencies.

The Small Business Optimism Index is compiled from a survey that is conducted each month by the National Federation of Independent Business (NFIB) of its members. The index is a composite of 10 seasonally adjusted components based on the following questions: plans to increase employment, plans to make capital outlays, plans to increase inventories, expect economy to improve, expect real sales higher, current inventory, current job openings, expected credit conditions, now a good time to expand, and earnings trend.

The S&P/Case-Shiller 20-City Composite Home Price Index seeks to measure the value of residential real estate in 20 major U.S. metropolitan areas: Atlanta, Boston, Charlotte, Chicago, Cleveland, Dallas, Denver, Detroit, Las Vegas, Los Angeles, Miami, Minneapolis, New York, Phoenix, Portland, San Diego, San Francisco, Seattle, Tampa and Washington, D.C.

Core PCE Price Index is 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 trends.

The Bloomberg Silicon Valley High Tech Index (BBG SV High Tech Index) is a capitalization-weighted index of high tech companies located or doing significant business in the Silicon Valley Area. The index is designed to measure the performance of Silicon Valley stocks.

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.

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

As with any investment strategy, there is no guarantee that investment objectives will be met and investors may lose money.

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, 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.

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.

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

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