CITY NATIONAL ROCHDALE
AN RBC/CITY NATIONAL COMPANY

May 2025

Economic Outlook and Investment Strategy

Investment Strategy Committee Highlights

Economic Outlook

- **Growth Outlook Revised Lower:** Our expectation is that U.S. gross domestic product (GDP) will stay positive but fall by as much as -1.0% to -1.5% and that corporate profit growth will decline by -4.0% to -6.0%, reflecting the broad economic drag from tariffs on China, Canada and Mexico and the 10% tariffs on all other trading partners. Service consumption remains strong, which powers over 70% of the U.S. economy, while early indications show goods spending slowed in the first quarter.
- **Tariffs Inject Structural Uncertainty:** The scope and bluntness of recent trade policy introduce a new source of persistent risk, with unclear resolution timelines and the potential for both market dislocation and geopolitical friction. Tariff policy is upending the economic outlook with respect to inflation and growth.
- **Sentiment Is Stabilizing but Remains Weak:** Consumer and business confidence dropped significantly but may have set lows, as recent data shows improvement — spending has slowed despite real income growth, and capital investment expectations have softened across industries.
- **Equity Positioning Requires Discipline:** While valuations are more attractive following recent declines, sharp two-way market moves are likely. We remain constructive but deliberate on equity exposure, focused on risk-aware rebalancing.
- **Fixed Income Offers Clarity and Resilience:** With yields still elevated and credit markets orderly, fixed income remains a reliable ballast in portfolios. We continue to emphasize its role in navigating uncertain policy and economic conditions.

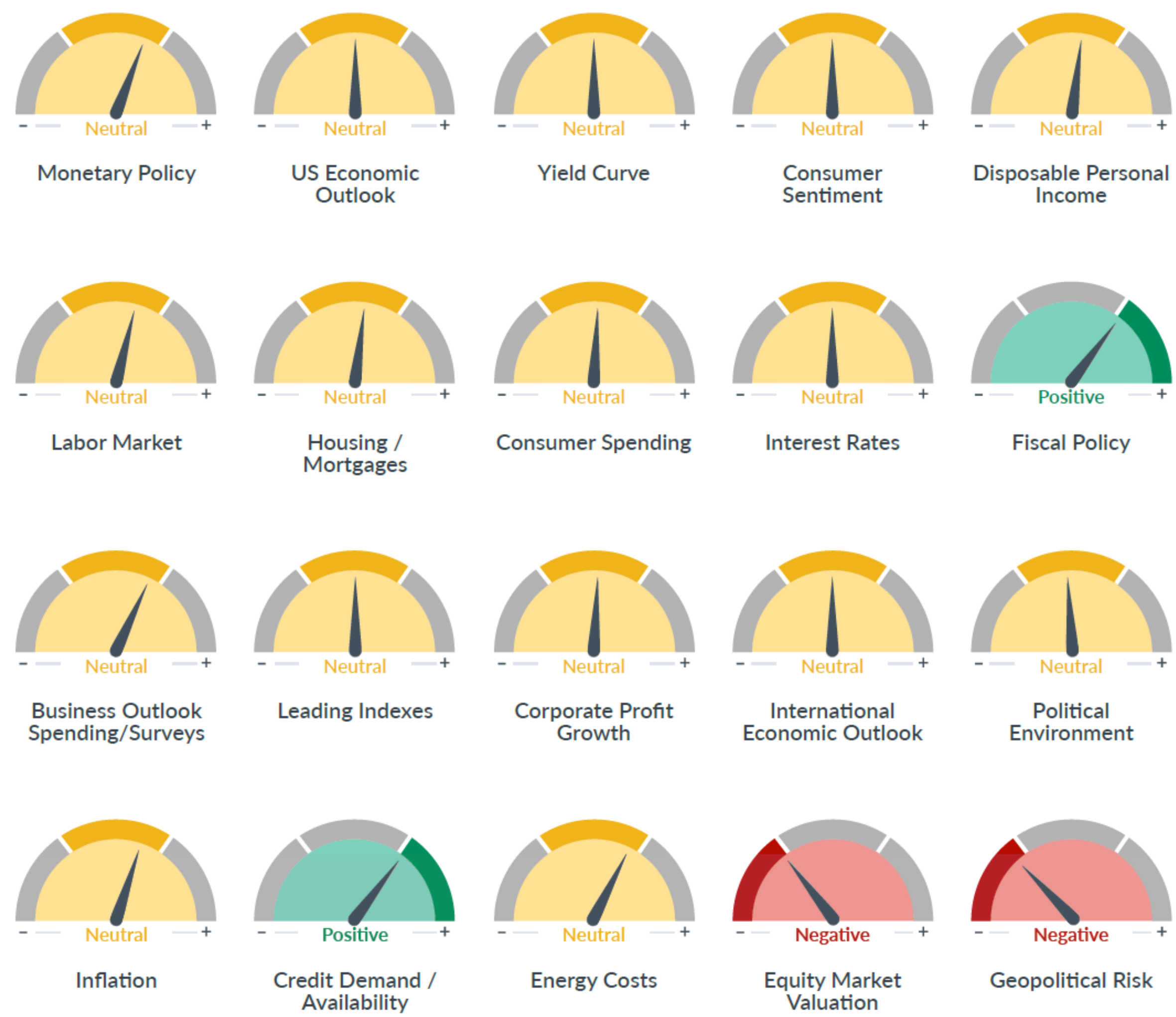
Sources: Bloomberg, CNR Research, as of May 2025.
Information is subject to change and is not a guarantee of future results.

CNR Speedometers® – May 2025

Economic and Financial Indicators That Are Forward-Looking Six to Nine Months

- The global outlook for growth has changed significantly due to tariffs.
- The Federal Reserve will remain on hold, unless price impacts are clear or unemployment jumps.
- Consumer financials remain strong, but sentiment is weak, which may impact spending.
- Despite the concern on tariffs, fiscal stimulus through deregulation and tax policy is still on the horizon.
- U.S. stock valuations are lower but have not corrected to attractive levels.
- The 124% Chinese tariff rate may fuel negative global foreign policy effects, but negotiations are ongoing.

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 2025. Information is subject to change and is not a guarantee of future results.

Economic Forecasts

- April changes adjusted for the impact of Tariff policy.

- GDP growth is expected to remain positive, but it may be weighed down by policy decisions.
- Corporate profits may swing within a wide range, but Q1 results are positive.
- Inflation pressures are likely to stay elevated based on the administration's policy.
- The Fed may cut rates 1-2 times later this year, which is supportive of growth.
- Structural pressure will likely keep 10-year Treasury yields over 4%.

City National Rochdale Forecasts		2024	Current 2025e	Tariff Drag
Real Annual GDP Growth		2.5%	2.0% to 2.5%	-1.0% to -1.5%
Corporate Profit Growth		9.6%	10.0% to 14.0%	-4.0% to -6.0%
Headline CPI Year End		2.9%	2.50% to 2.75%	+0.5% to +1.0%
Interest Rates	Federal Funds Rate	4.25% to 4.50%	3.75% to 4.25%	No Change
Interest Rates	Treasury Note, 10-Yr.	4.57%	4.0% to 4.5%	No Change

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.
e: estimate.
The consumer price index (CPI) measures the monthly change in prices paid by U.S. consumers.
Sources: Bloomberg, FactSet, proprietary opinions based on CNR Research, as of May 2025. Information is subject to change and is not a guarantee of future results.

Shifting Global Dynamics and Domestic Impact

- The foundational elements of global relationships are colliding, culminating in the Trump administration's policy priorities, which broadly span tariffs, deregulation and tax incentives.
- The creditworthiness of the federal government, political uncertainty, the development of critical technology and the increased potential for nonfinancial shocks combined with the post-pandemic economy will influence global capital and dictate forward market returns.

Labor

The labor market remains strong, but questions remain about the forward outlook due to DOGE and tariff policy.

Inflation

Inflation is likely to rise by midyear due to higher producer costs, but tariffs will not transfer to consumers on a one-to-one basis.

Tariffs

Tariffs will continue to dominate headlines, but ongoing negotiations have improved sentiment.

The Fed

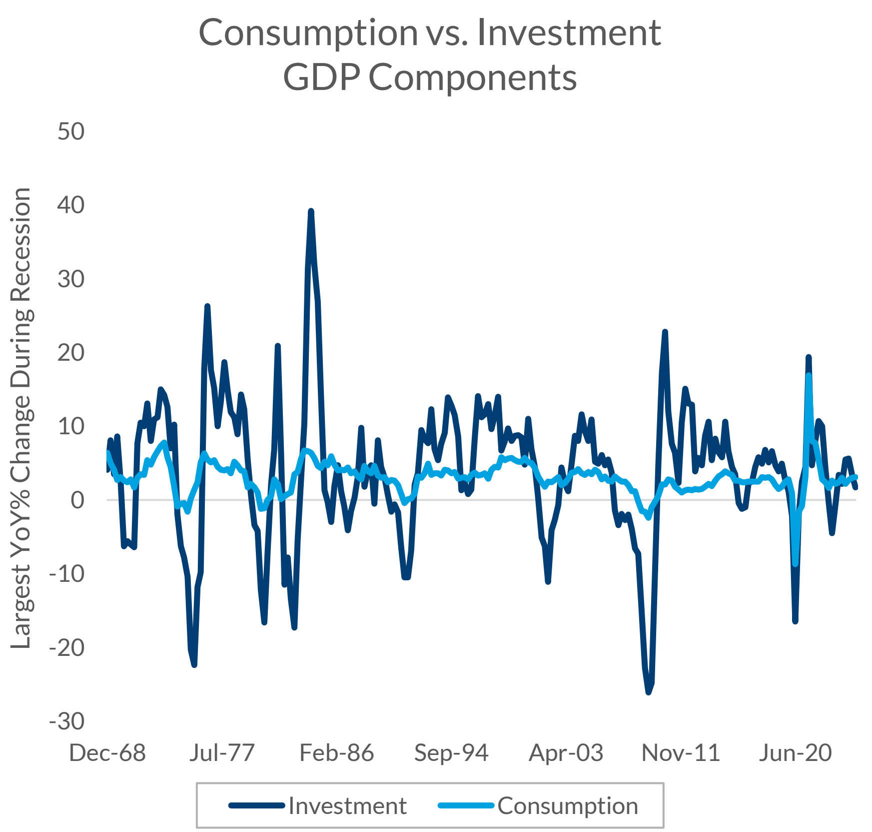
The path of inflation is unclear, and unemployment remains steady, putting pressure on the Fed to stay on hold.

Source: CNR Research, as of May 2025.

Recession Swing Factor Is Investment

- Consumption is a leading indicator of a recessionary environment but is steady during slowdowns.
- "Swing factor" in anticipating a recession is typically slower investment sparked by consumption concern.

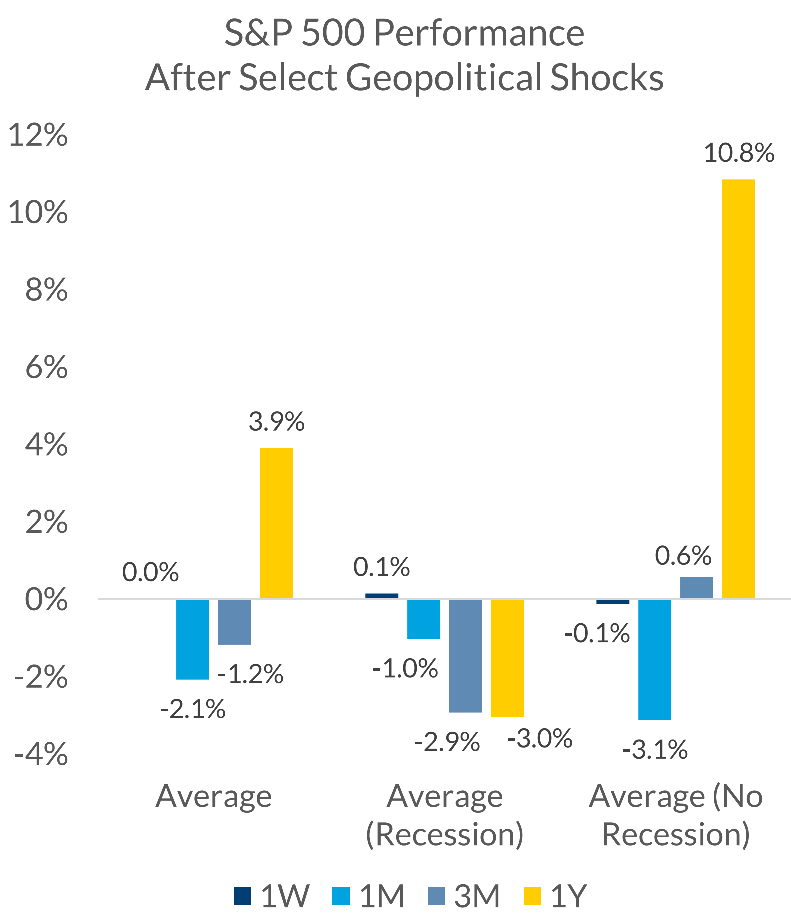
Recession Period		GDP Components		
Start	End	Personal Consumption	Priv. Domestic Investment	Difference
Dec-69	Nov-70	1.70%	-6.4%	-8.10%
Nov-73	Mar-75	-1.60%	-22.4%	-20.80%
Jan-80	Jul-80	-1.20%	-16.6%	-15.40%
Jul-81	Nov-82	0.10%	-17.3%	-17.40%
Jul-90	Mar-91	-0.40%	-10.5%	-10.10%
Mar-01	Nov-01	1.80%	-11.2%	-13.01%
Dec-07	Jun-09	-2.40%	-26.1%	-23.70%
Feb-20	Apr-20	-8.70%	-16.5%	-7.80%
Averages		-1.34%	-15.88%	-14.54%



Data current as of April 18, 2025.
Represents lowest YoY% decline in personal consumption and private domestic investment over the time periods indicated.
Sources: Bloomberg, CNR Research
Information is subject to change and is not a guarantee of future results.

Market Returns After Geopolitical Pressure

- Markets eventually adjust to the new set of economic circumstances as new information becomes available.
- Drawdowns in the market have been swift, but recovery typically ensues over 12 months.

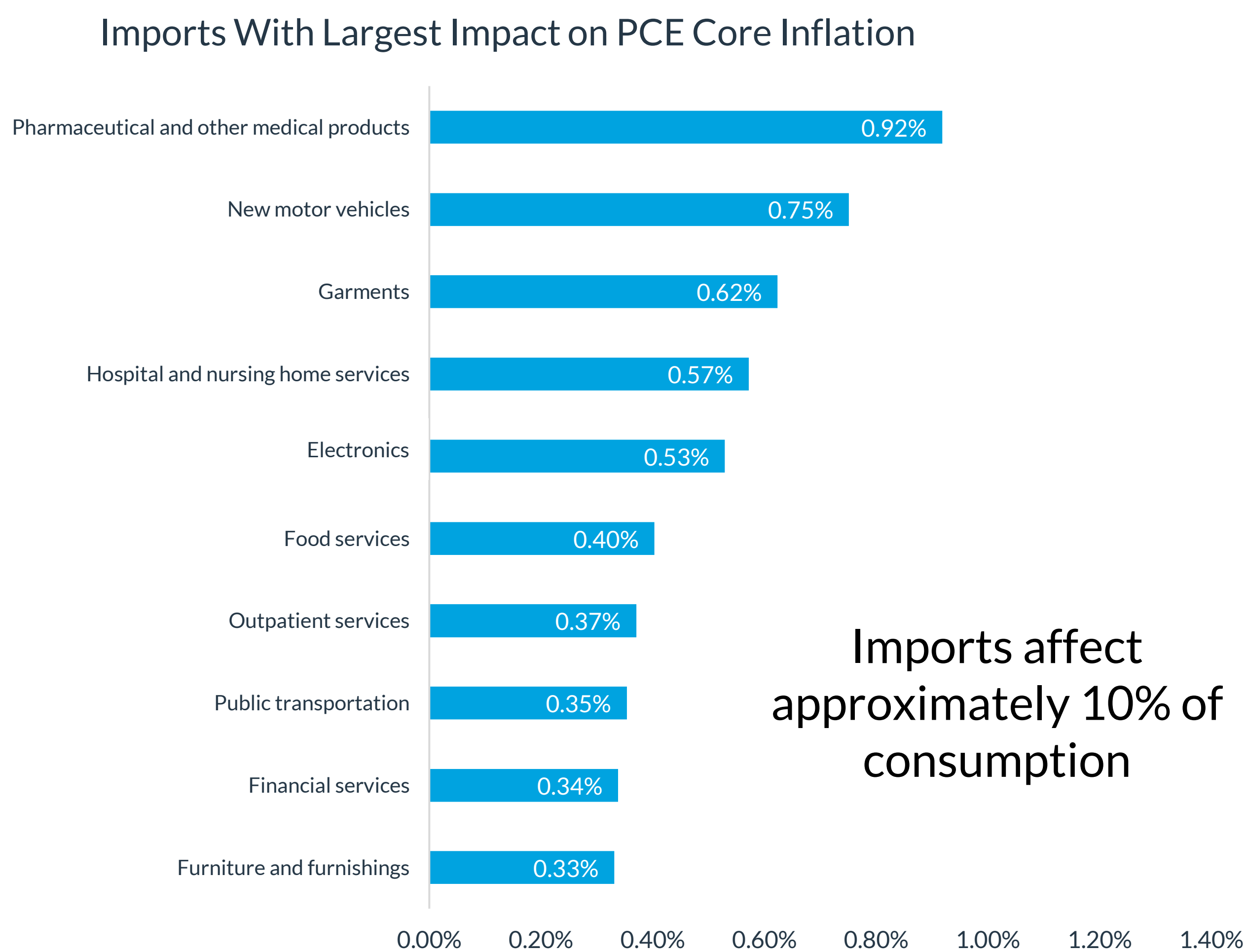


Select Geopolitical Shocks	First Trading Date	S&P 500 Performance 1W	1M	3M	1Y
Yom Kippur War/Oil Embargo	10/8/1973	-0.2%	-2.6%	-12.0%	-38.7%
Iran Hostage Crisis	11/5/1979	1.7%	5.8%	14.1%	36.1%
Financial Panic of '87	10/2/1987	-5.2%	-21.8%	-24.0%	-14.0%
Iraq Invades Kuwait	8/2/1990	-3.1%	-7.9%	-10.4%	14.0%
First Gulf War	1/17/1991	2.1%	12.9%	20.0%	31.8%
WTC Bombing	2/26/1993	0.7%	1.2%	3.0%	8.1%
Russian Financial Crisis	8/17/1998	0.4%	-5.8%	5.6%	25.7%
9/11	9/17/2001	-3.4%	3.8%	9.6%	-14.6%
War in Afghanistan	10/8/2001	2.6%	5.4%	9.6%	-23.7%
Second Gulf War	3/20/2003	-0.8%	2.2%	14.2%	28.9%
Orange Revolution/Ukraine	11/22/2004	0.2%	2.9%	1.0%	9.1%
Russo-Georgian War	8/8/2008	0.2%	-2.0%	-27.7%	-19.9%
Lehman Brothers Collapse	9/15/2008	1.2%	-23.7%	-26.7%	-9.4%
Russian Invasion of Crimea	2/27/2014	1.3%	-0.1%	3.6%	15.8%
North Korea Missile Crisis	7/28/2017	0.2%	-0.9%	4.9%	16.2%
U.S.-China Trade War	1/22/2018	2.20%	-2.6%	-3.7%	-3.1%

During or six months prior to recession

Data current as of April 16, 2025.
Source: Bloomberg, CNR Research.
Information is subject to change and is not a guarantee of future results.

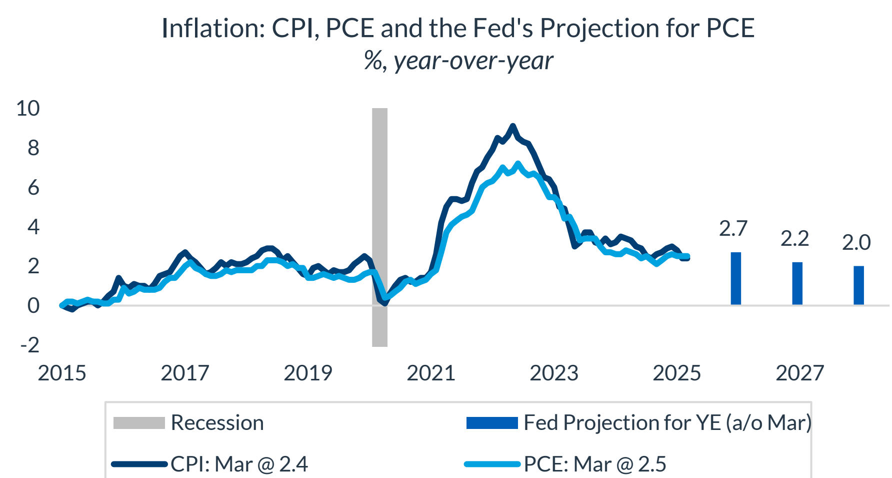
The Impact of Imports on US Inflation

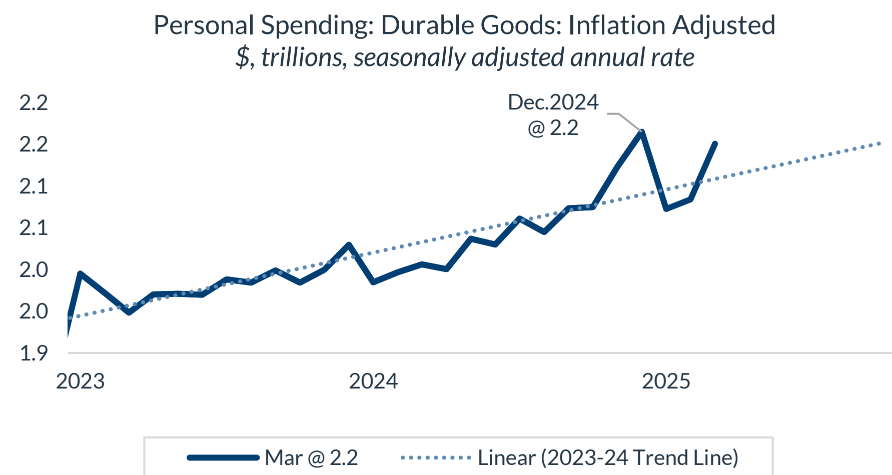


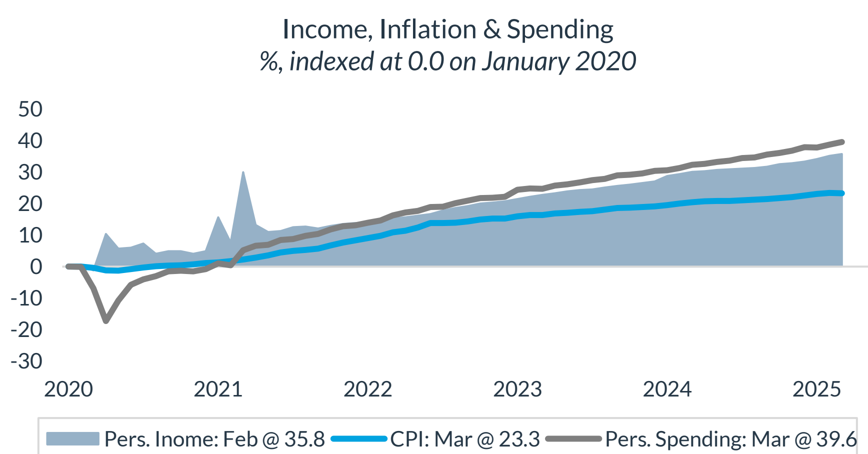
Data current as of May 2025.
Direct imports are pass-through products in the final stage of delivery; indirect imports are intermediary products.
Sources: CNR Research, Federal Reserve Bank of Boston.
Information is subject to change and is not a guarantee of future results.

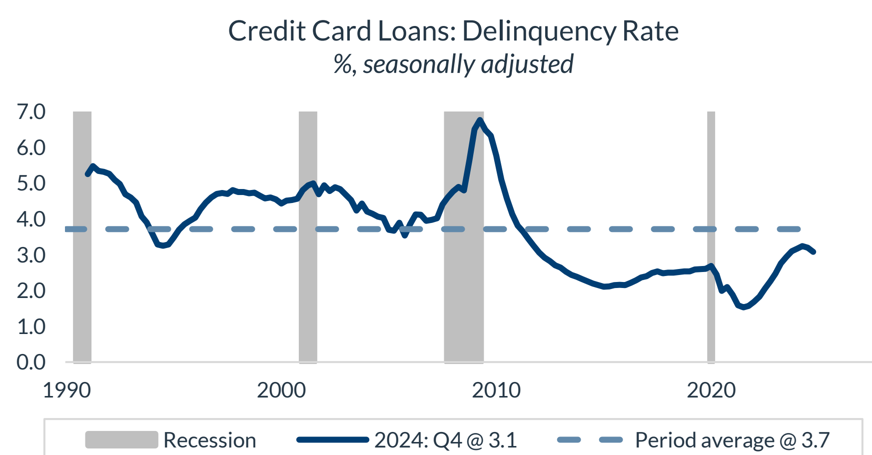
Consumer Fundamentals Remain Strong

- Although the prices of some items have skyrocketed, the trend is on track with the Fed's plan.
- The news is full of federal government layoffs, but so far, that number is small relative to those who are already looking for work.
- Household balance sheets are strong and income robust, supporting a solid pace of spending.







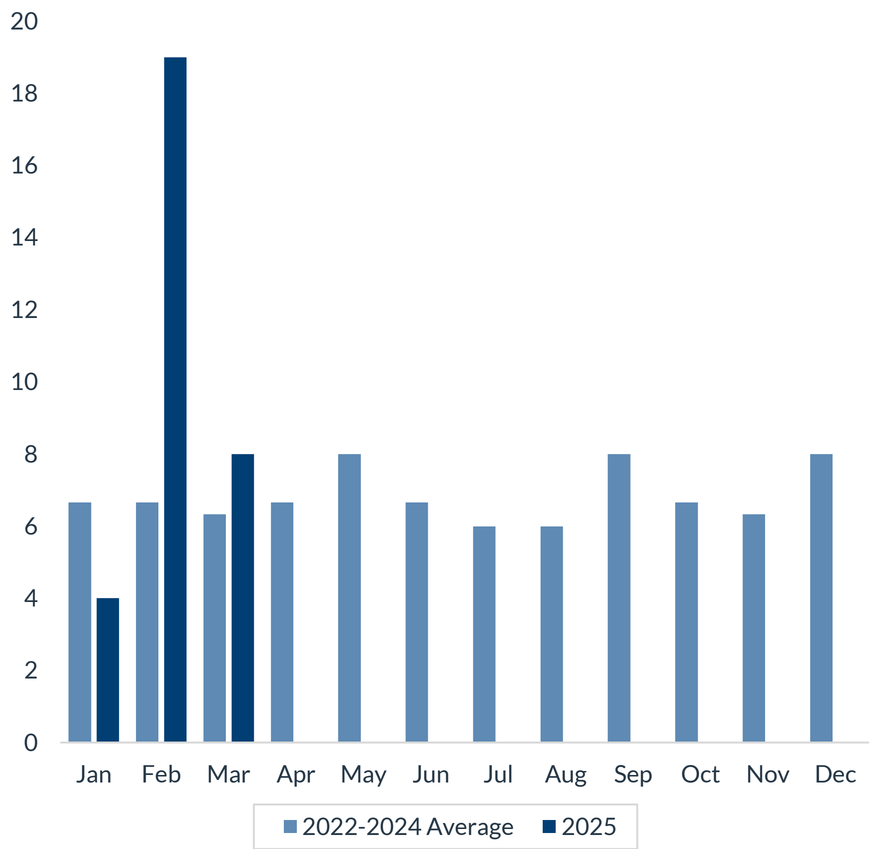


Sources: Chart 1: Bureau of Economic Analysis, Bureau of Labor Statistics, as of March 2025. Chart 2: Bureau of Labor Statistics, as of March 2025. Chart 3: Bureau Economic Analysis, Bureau of Labor Statistics, as of March 2025. Chart 4: Federal Reserve Bank of New York, Consumer Credit Panel/Equifax, as of Q4 2024. Information is subject to change and is not a guarantee of future results.

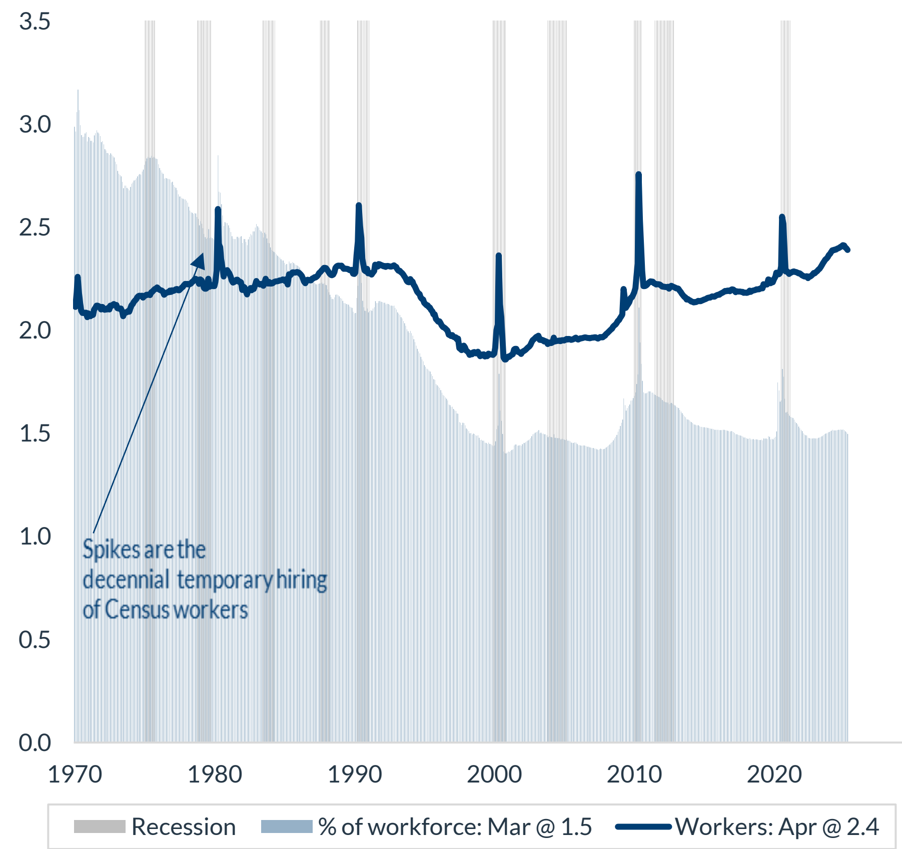
Government Job Cuts Will Sting but by How Much?

- News articles referencing layoffs surged in February as DOGE began its review of government agencies.
- Despite concerns over government jobs, federal employment was only 12% of post-pandemic job growth.

Job Layoffs: Federal Workers
'000, seasonally adjusted



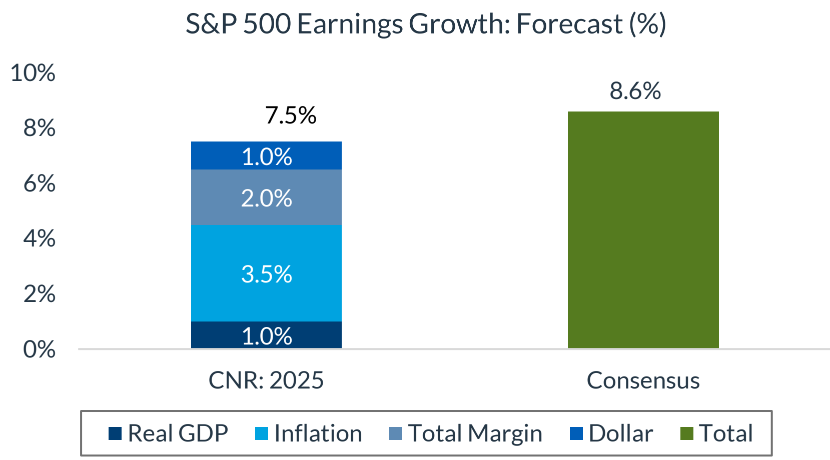
NFP: Federal Workforce (ex. Postal Workers)
millions of workers, percent of total workforce

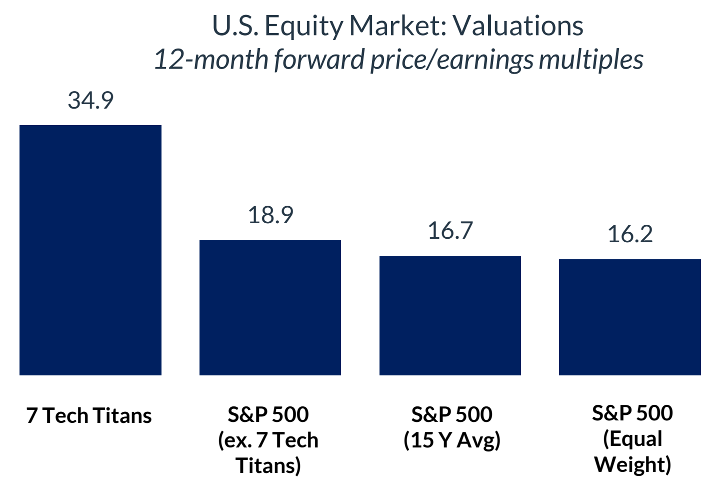


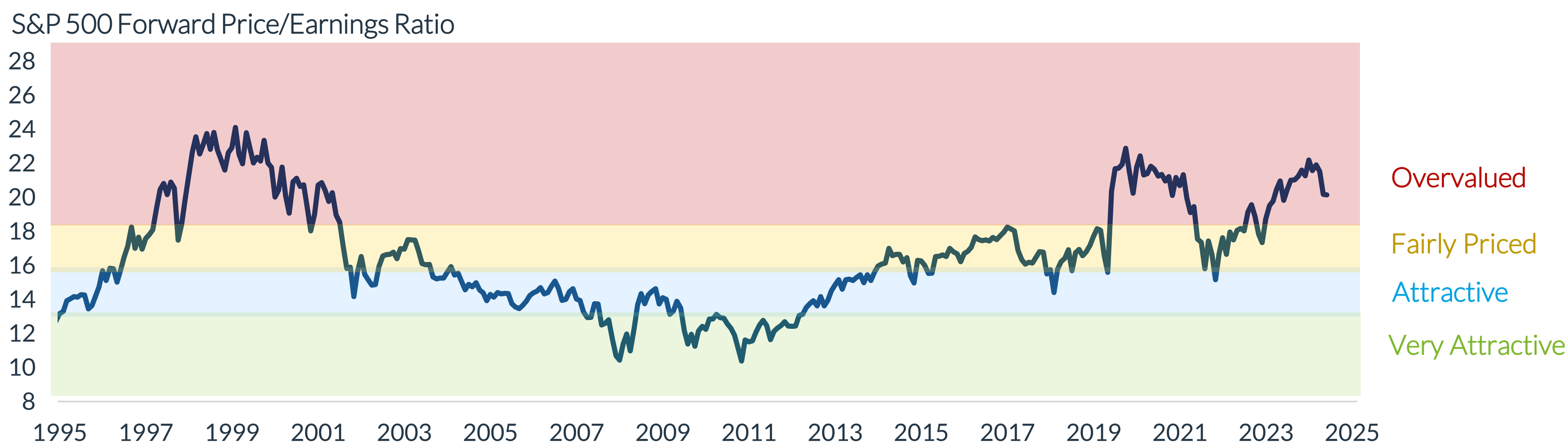
Sources: Bureau of Labor Statistics, as of April 2025.
DOGE: Department of Government Efficiency. NFP: Nonfarm payroll measures the number of workers in the U.S. economy, excluding farm employees, self-employed individuals, volunteers, private household workers, and sole proprietors.
Information is subject to change and is not a guarantee of future results.

Equity Risk/Reward Conditions Appear Modestly Positive

- Focusing on fundamentals is key.
- Improving non-tech earnings are expected to support corporate profit growth, but the 2025 expectations bar is high.
- Equity valuations appear more reasonable for the broader market.



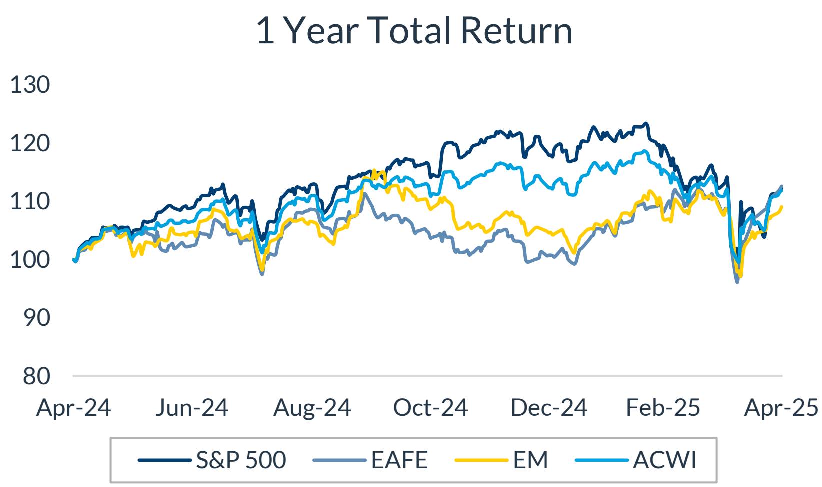


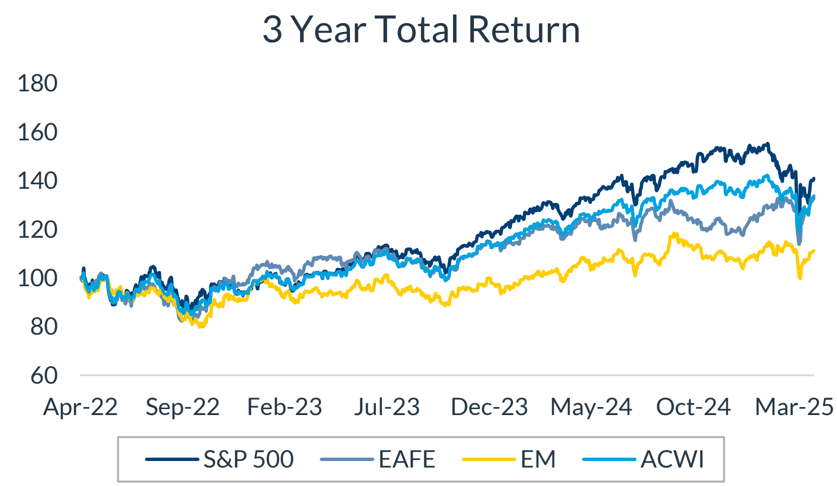


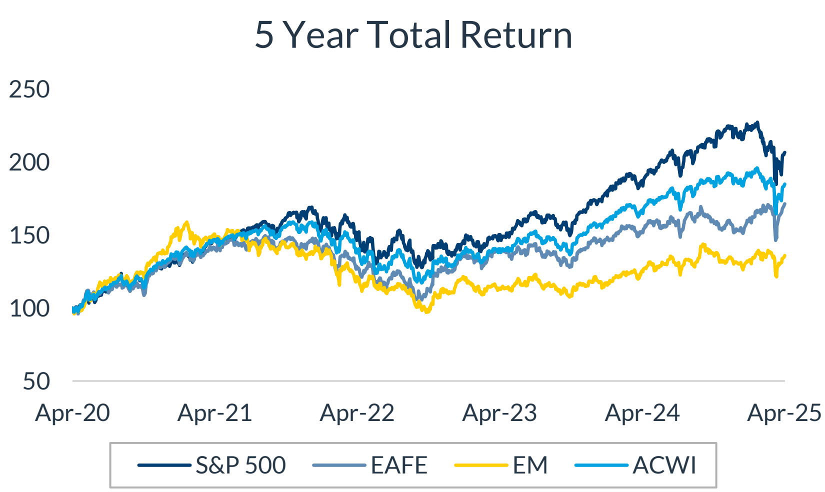
Sources: FactSet, CNR Research, as of April 2025.
Indices are unmanaged, and one cannot invest directly in an index. Information is subject to change and is not a guarantee of future results.

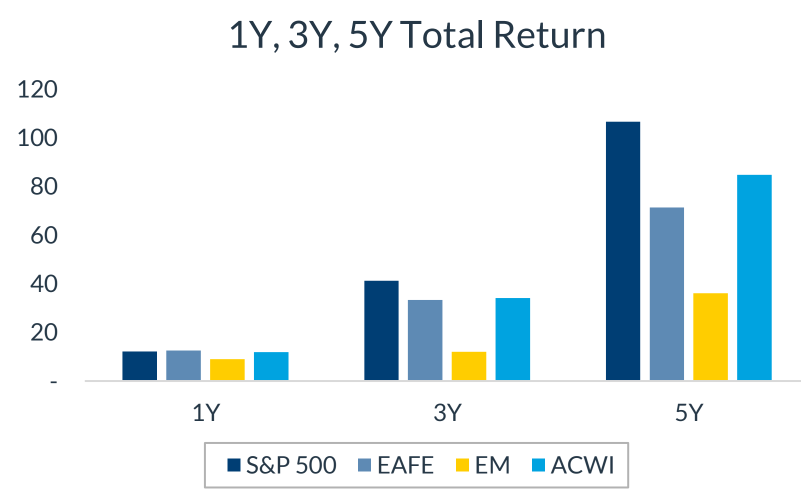
Global Markets Have Underperformed US

- The US market has surpassed the return of global non-US developed and emerging markets over time.
- The outperformance of non-US markets this year have been heavily dependent on the direction of the US dollar.







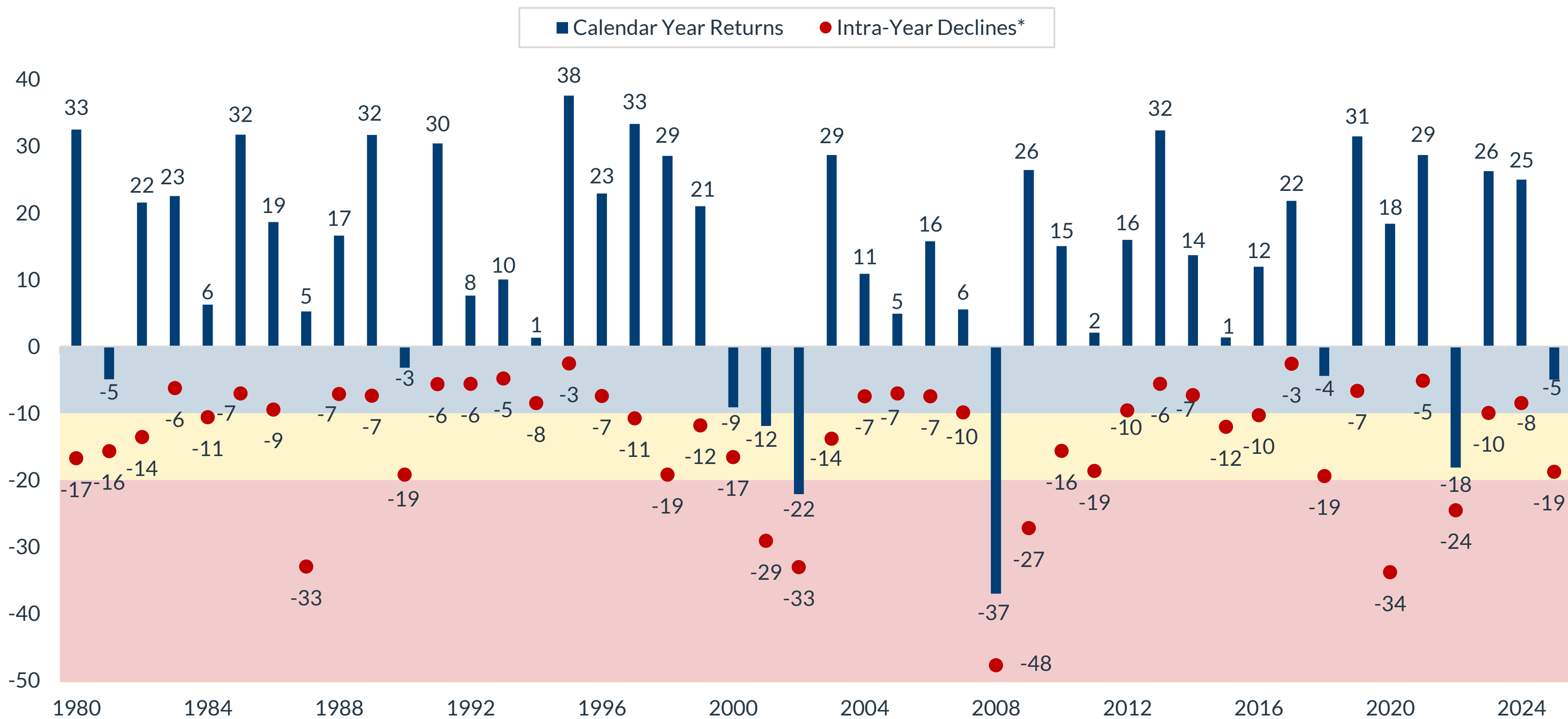


Source: Factset, Bloomberg, as of April 30, 2025. Past performance is not a guarantee of future results.

Short-Term Volatility Is Normal

- Corrections are a normal part of market movements.

S&P 500 Return (%)

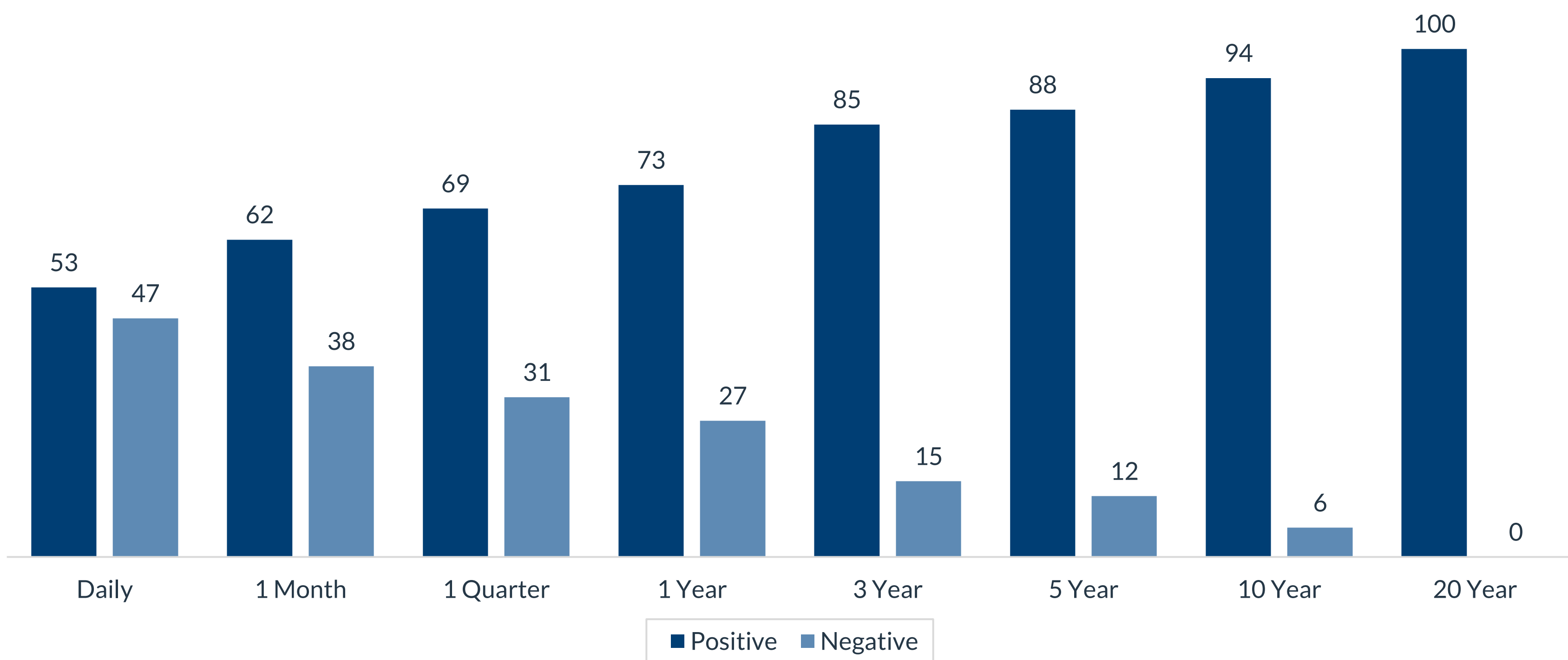


Sources: Bloomberg, CNR Research, as of April 30, 2025.
*Intra-year declines are the largest declines within the calendar year.
Indices are unmanaged, and one cannot invest directly in an index. Index returns do not reflect a deduction for fees or expenses.
Past performance is no guarantee of future results.

Volatility ≠ Risk of Loss Given Appropriate Time Horizon

- While stocks are volatile in the shorter term, the risk of loss has been low over long time horizons.
- Focusing on goals rather than short term volatility can increase the probability of success.

Probability of Positive and Negative Stock Performance
%, across various time horizons



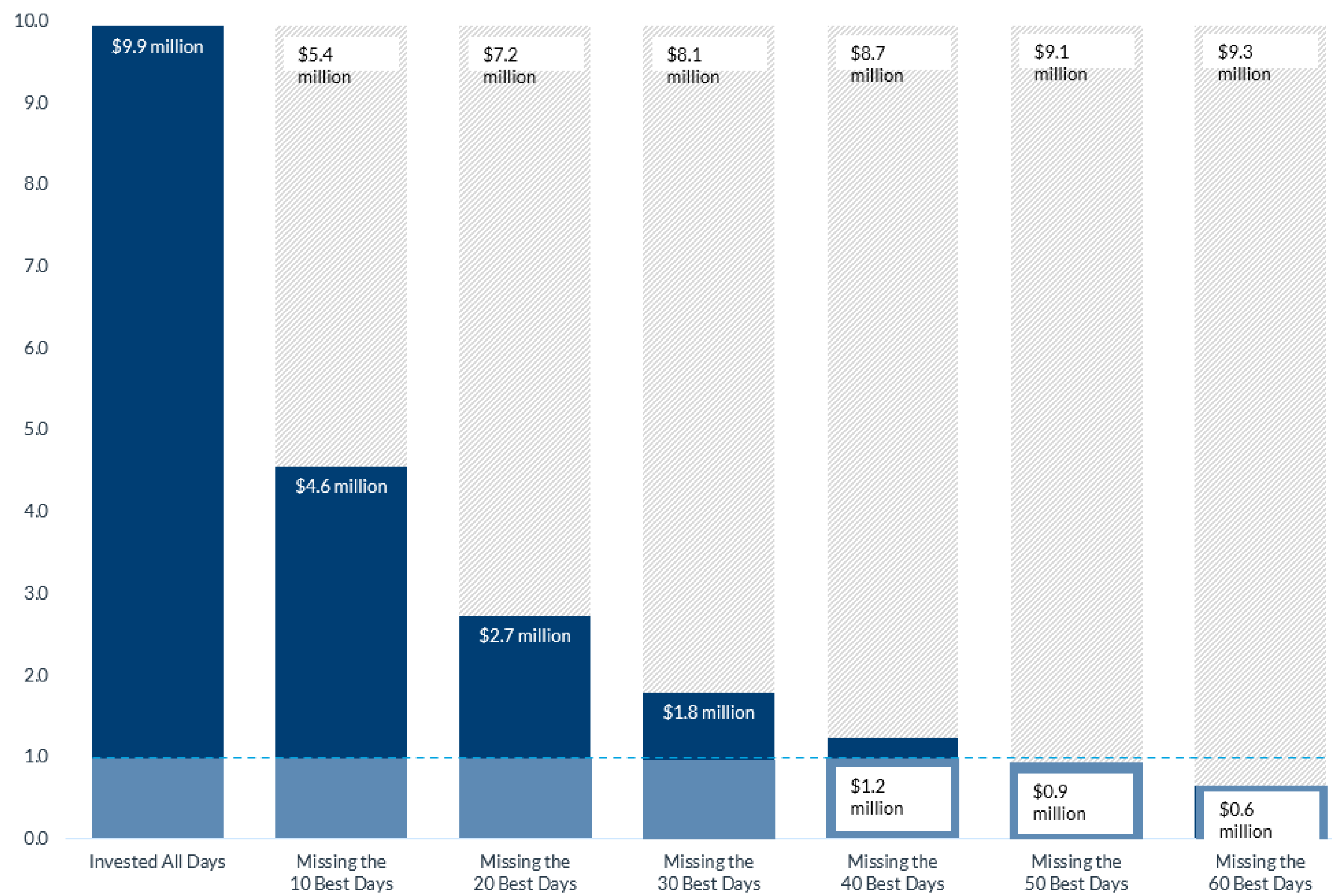
Sources: FactSet, CNR Research. Data reflects S&P 500 performance January 1928-December 2024.
Daily returns were calculated for the periods shown above, with the number of positive and negative days counted. The number of positive and negative days, respectively, was then divided by the total number of days to calculate the percentages.
Past performance is no guarantee of future results.

Frequent Changes to Avoid Risk Can Hurt Returns

- The impact of missing large, single-day advances in the market can be devastating for long-term returns.
- Over the past 20 years, the top 10 largest days have all come during recessionary periods.

Date	Return
Oct. 13, 2008	+11.6%
Oct. 28, 2008	+10.8%
Mar. 24, 2020	+9.4%
Mar. 13, 2020	+9.3%
Mar. 23, 2009	+7.1%
Apr. 6, 2020	+7.0%
Nov. 13, 2008	+6.9%
Nov. 24, 2008	+6.5%
Mar. 10, 2009	+6.4%
Nov. 21, 2008	+6.3%

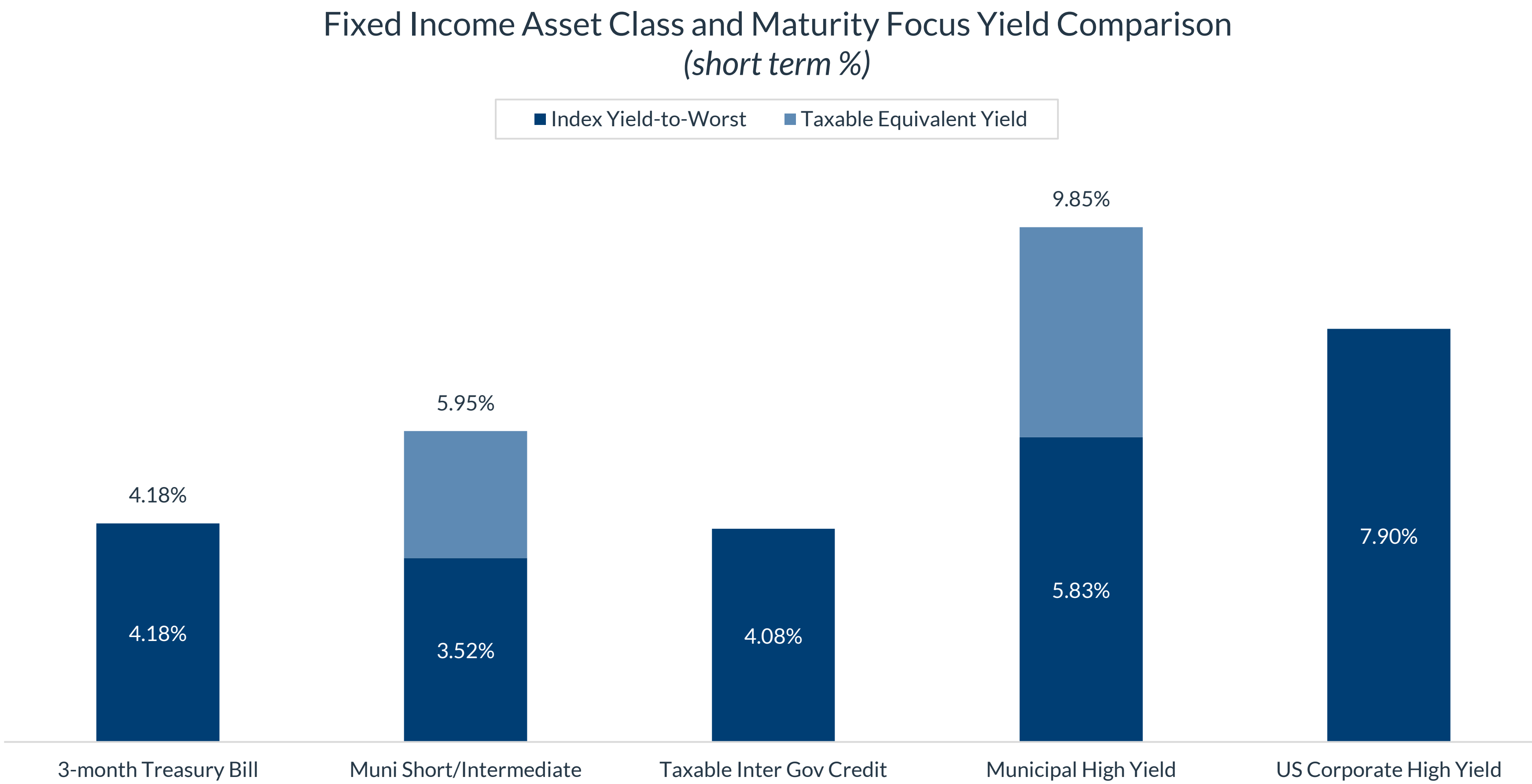
The Impact of Timing on Equity Returns
Value of $1M Invested in the S&P 500 (Jan 2003 - March 2025)



Data current as of April 3, 2025.
Sources: JP Morgan, S&P 500 index total returns from January 1, 2003 to March 25, 2025
Information is subject to change and is not a guarantee of future results.

Fixed Income Yields Remain Attractive

- Absolute yields across fixed income asset classes may provide a buffer for rate volatility while seeking to generate income.
- For municipal investors, the tax-adjusted yields available exceed most other taxable sectors.



Sources: Bloomberg US Treasury 3-month Bill, Bloomberg Municipal Bond Inter-Short 1-10-year Index, Bloomberg Intermediate US Government/Credit, Bloomberg Municipal High Yield Index and Bloomberg US Corporate High Yield Index. As of April 30, 2025. Taxable Equivalent Yield assumes 37% Federal Tax and 3.8% Medicare surcharge.
Information is subject to change and is not a guarantee of returns.
Past performance is no guarantee of future results.

Investment Strategy Committee Summary

- Equity positioning remains steady, as tariff-related headwinds led us to drop growth and earnings expectations; we continue to emphasize valuation discipline within U.S. markets.
- Our focus remains on U.S. domestic equities, where fundamentals are still comparatively stronger; international allocations remain in flux, and we are actively evaluating regional exposures as trade dynamics evolve. The single most important element of global allocation will be the direction of the U.S. dollar.
- Volatility may persist given uncertainty around policy direction; we see opportunity in dislocation, but patience and selectivity are key.
- Tariffs have introduced a new structural risk, clouding the near-term outlook; businesses and consumers are adjusting, and market pricing is likely to remain reactive to shifting trade signals.
- Fed policy remains on hold, not easing aggressively, and with inflation still elevated, we see limited scope for near-term cuts — underscoring the importance of careful rate sensitivity management.
- Municipal bonds have sold off substantially and now offer compelling tax-exempt yields, both in investment grade and high-yield segments.
- High yield corporate bond spreads have increased; we prefer a credit barbell, where absolute yields will provide high long-term return, while rotating into selective lower quality will help drive total return.
- Select alternatives may provide valuable diversification, particularly for clients who can tolerate illiquidity and are seeking exposure to private market opportunities in a more complex macro environment.

Diversification does not ensure a gain or protect against a loss.
Sources: Bloomberg, CNR Research, as of May 2025.
Information is subject to change and is not a guarantee of future results.

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 US equity performance.

The Consumer Price Index (CPI) measures the monthly change in prices paid by US consumers. The Bureau of Labor Statistics (BLS) calculates the CPI as a weighted average of prices for a basket of goods and services representative of aggregate US consumer spending.

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 Bloomberg Barclays US Corporate High Yield Index is an unmanaged, US-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 MSCI Europe Index captures large and mid cap representation across Developed Markets (DM) countries in Europe. The index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

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.

MSCI Emerging Markets (EM) Index The MSCI Emerging Markets Index captures large and mid cap representation across Emerging Markets countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI Europe Index captures large and mid cap representation across Developed Markets (DM) countries in Europe. The index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

The Bloomberg 1-3 Month US Treasury Bill Index includes all publicly issued zero-coupon US Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more of outstanding face value.

The Bloomberg Municipal Short/Intermediate Index is a measure of the US municipal tax-exempt investment grade bond market.

The Bloomberg Taxable Intermediate Government Credit Index measures investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related bond markets with a maturity greater than 1 year and less than 10 years.

The Bloomberg Municipal High Index is a measure of the US municipal tax-exempt non-investment grade bond market.

The Bloomberg 1-3 Month U.S. Treasury Bill Index includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more of outstanding face value.

High Yield Corporate Bond Yield is derived from the Bloomberg High Yield Corporate Bond Index (LF98), Yield Spread Is the U.S. Corporate High Yield Bond Yield minus the 12-Month Yield of BKLN.

The S&P 600 is an index of small-cap stocks managed by Standard & Poor's. It tracks a broad range of small-sized companies that meet specific liquidity and stability requirements.

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.

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The S&P 500 Value index measures constituents from the S&P 500 that are classified as value stocks based on three factors: the ratios of book value, earnings, and sales to price

The Russell 2000 Index is a small-cap US stock market index that makes up the smallest 2,000 stocks in the Russell Index.

The seven tech titan stocks are a group of high-performing and influential companies in the US stock market: Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla.

The S&P MidCap 400 is a benchmark index published by Standard & Poor's (S&P). The index comprises 400 companies that broadly represent companies with midrange market capitalization.

The S&P 493 is a market-weighted index that excludes the Magnificent Seven companies from the S&P 500.

Nasdaq is an online global marketplace for buying and trading securities—the world's first electronic exchange.

The S&P Equal Weight Index (EWI) is an equal-weight version of the S&P 500, which is a widely-used index that measures 500 leading companies in leading U.S. industries.

The S&P Composite 1500® combines three leading indices, the S&P 500®, the S&P MidCap 400®, and the S&P SmallCap 600®, to cover approximately 90% of U.S. market capitalization. It is designed for investors seeking to replicate the performance of the U.S. equity market or benchmark against a representative universe of tradable stocks.

The MSCI All Country World Index (ACWI) is a global stock index that encompasses nearly 3,000 companies from 23 developed countries and 25 emerging markets.

Definitions

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

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.

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.

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.

Important Information

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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.

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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.

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