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Post Election Market Update

Economic Outlook and Investment Strategy

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Major Developments This Week

- Pfizer/BioNTech vaccine candidate achieves 90%+ efficacy in initial analysis of phase 3 trial
- COVID cases, hospitalizations near prior peaks in the U.S. and Europe
- Europe: large-scale restrictions, U.S. more targeted restrictions so far
- Jobs market continues to improve at a more moderate pace
- Income and savings fall after benefits expire, but still at high levels – more stimulus likely needed
- Election clarity improves with likely split government (Biden Presidency/Split Congress)

Vaccines Becoming A Reality

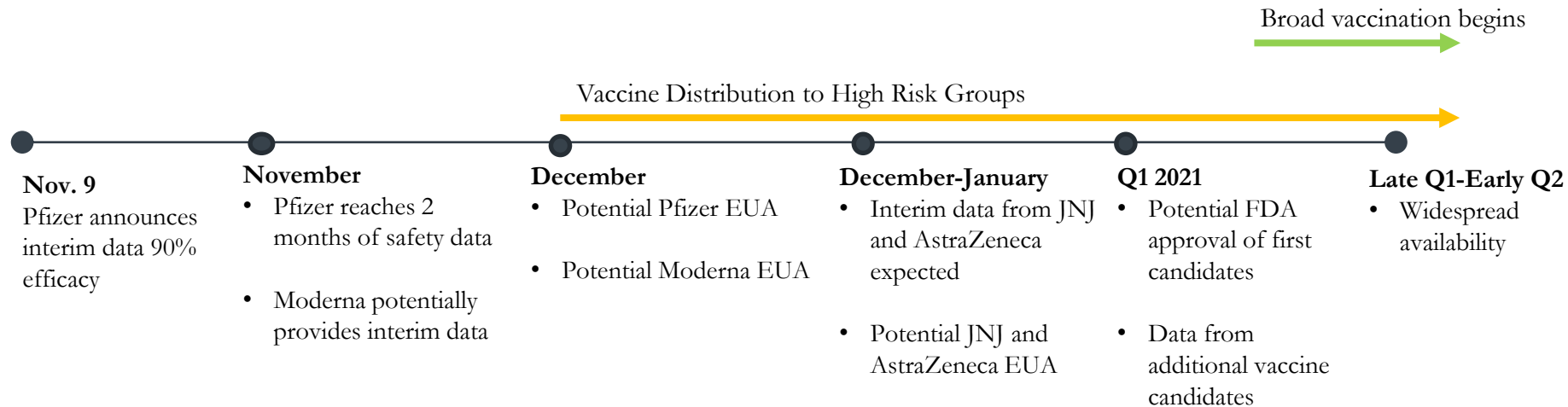
- Pfizer/BioNTech vaccine candidate: 90% efficacy in interim analysis of phase 3 trial
- First of several candidates that we could see deliver data in the coming weeks/months

Producer	Vaccine Approach	Potential Emergency Use Authorization	2020 Doses Available (est.)	2021 Doses Available (est.)
Pfizer/BioNTech	mRNA	December	50 million	1 billion
Moderna	mRNA	December - January	20 million	1 billion
Johnson & Johnson	Viral Vector	Early 2021	N/A	1 billion
AstraZeneca/Oxford	Viral Vector	Early 2021	N/A	2 billion
Novavax	Protein Subunit	Early 2021	N/A	1 billion

Source: CNR Research.

Vaccine Breakthrough – Now What?

- Several steps remain before any vaccine is widely available
- Emergency use for high-risk groups as early as December
- Widespread availability not likely until late Q1-early Q2 2021

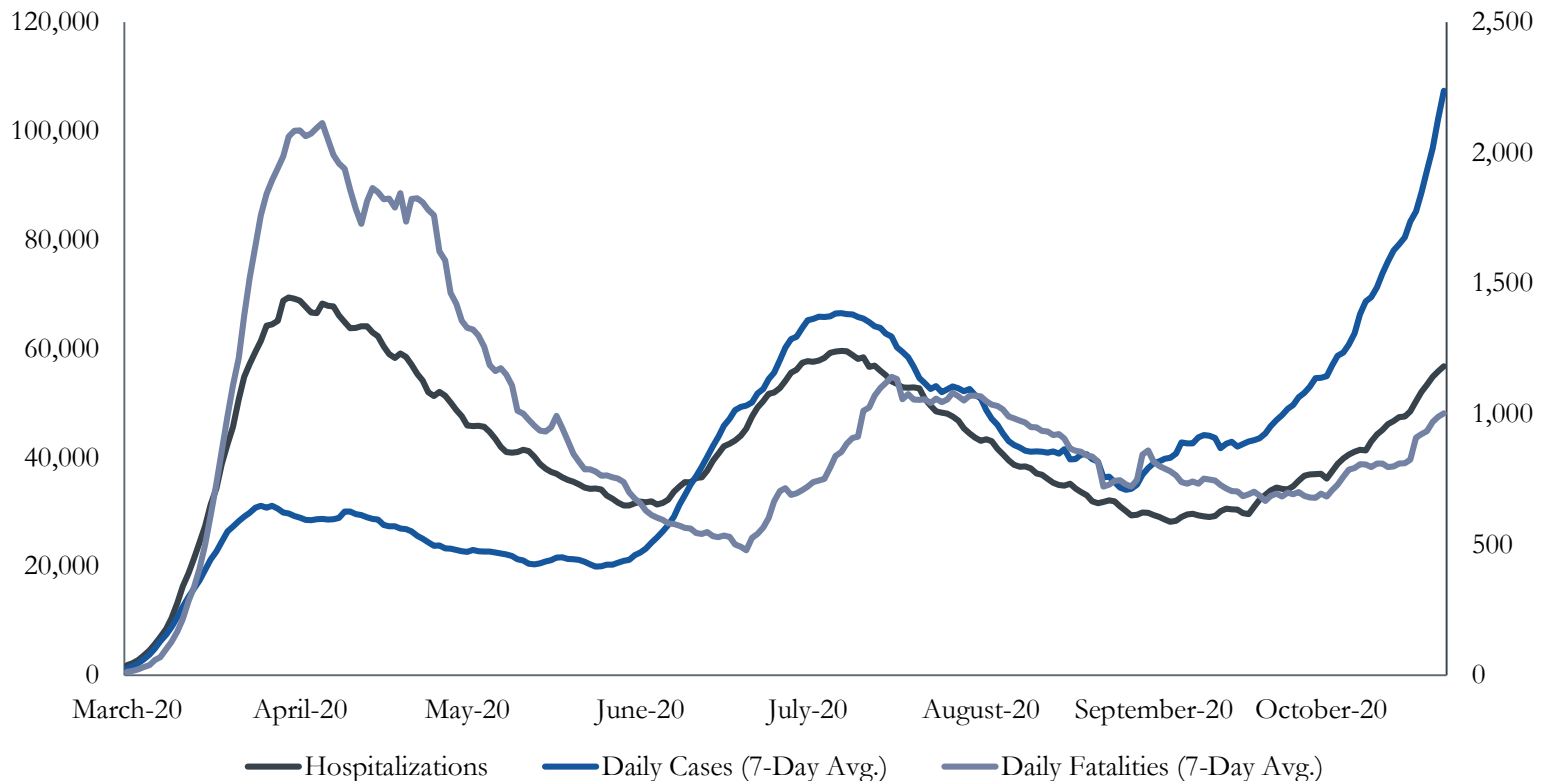


Source: CNR Research.

U.S. Data Trending In The Wrong Direction

- Growth is driven by many factors, and party control of government has a limited impact
- Policy decisions are often limited by economic circumstances

U.S. New Cases, Hospitalizations, and New Fatalities

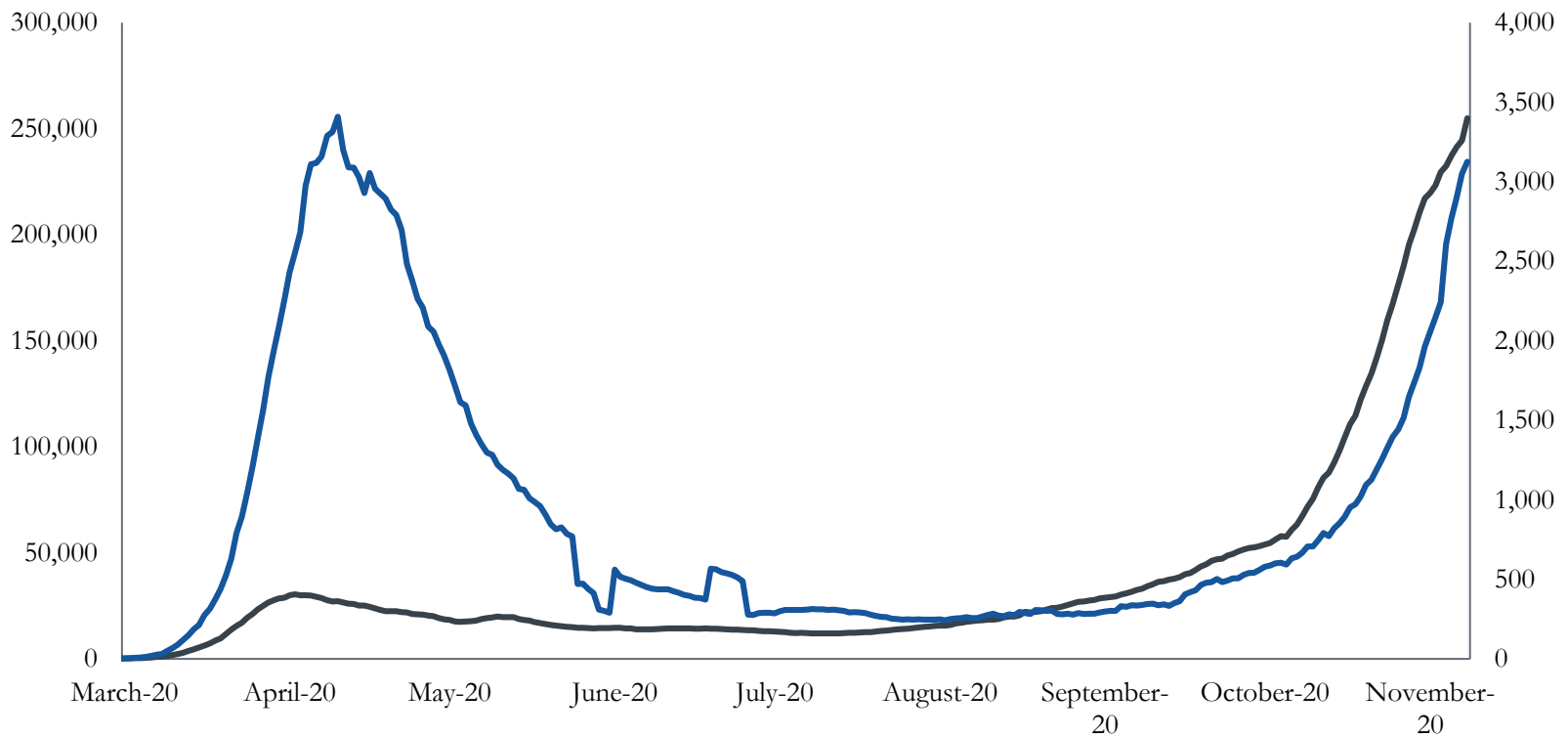


Hospitalization and fatality data source from the COVID Tracking Project and supplemented by estimated hospitalization data from IHME where no hospitalization data was officially reported.

Europe: Fatalities Approach Previous Peak

- Widespread surges across the continent continue
- Several countries have announced widespread restrictions

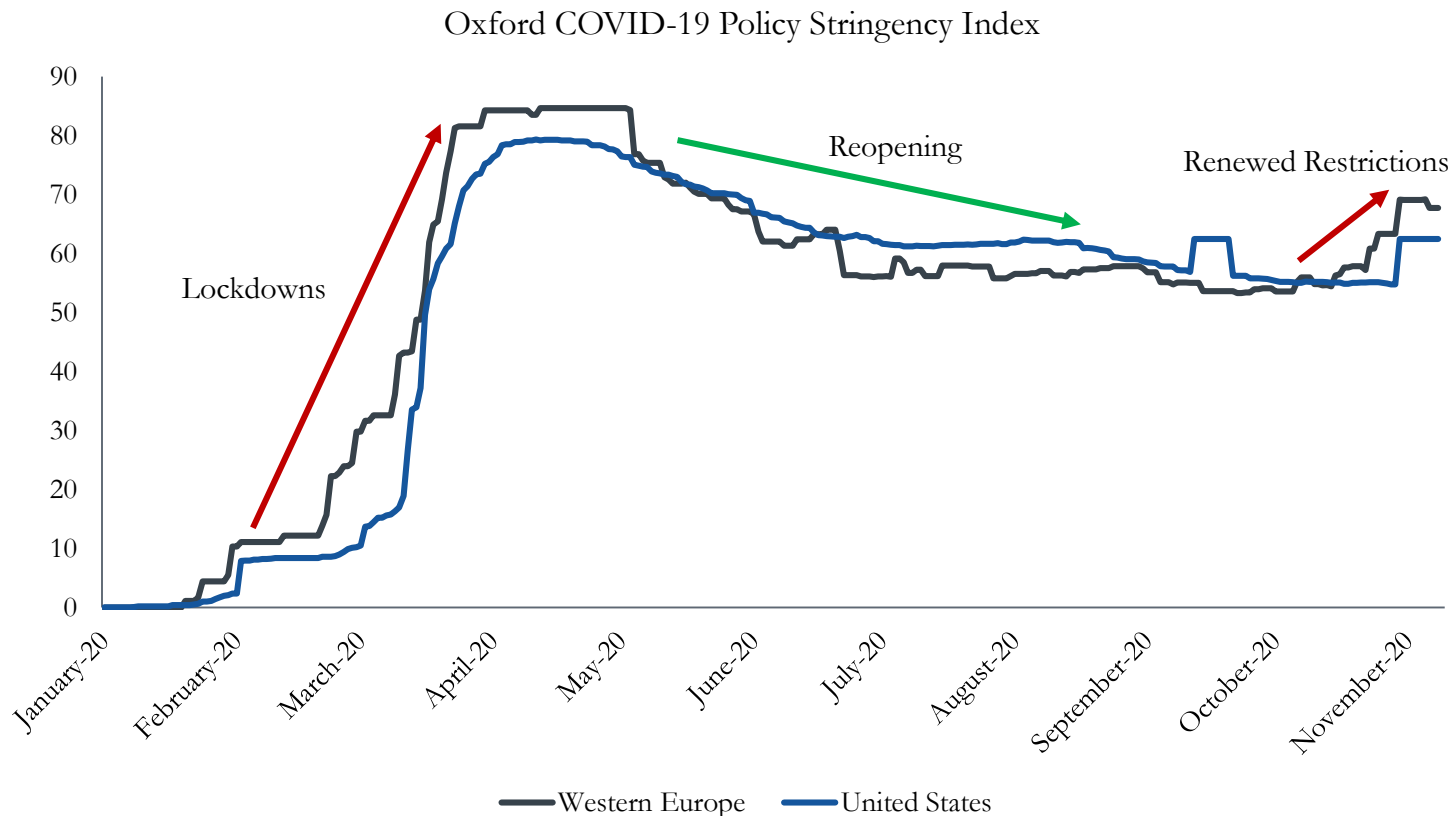
Europe: COVID-19 Cases and Fatalities



Source: European Centre for Disease Prevention and Control.

Renewed Restrictions A Hurdle

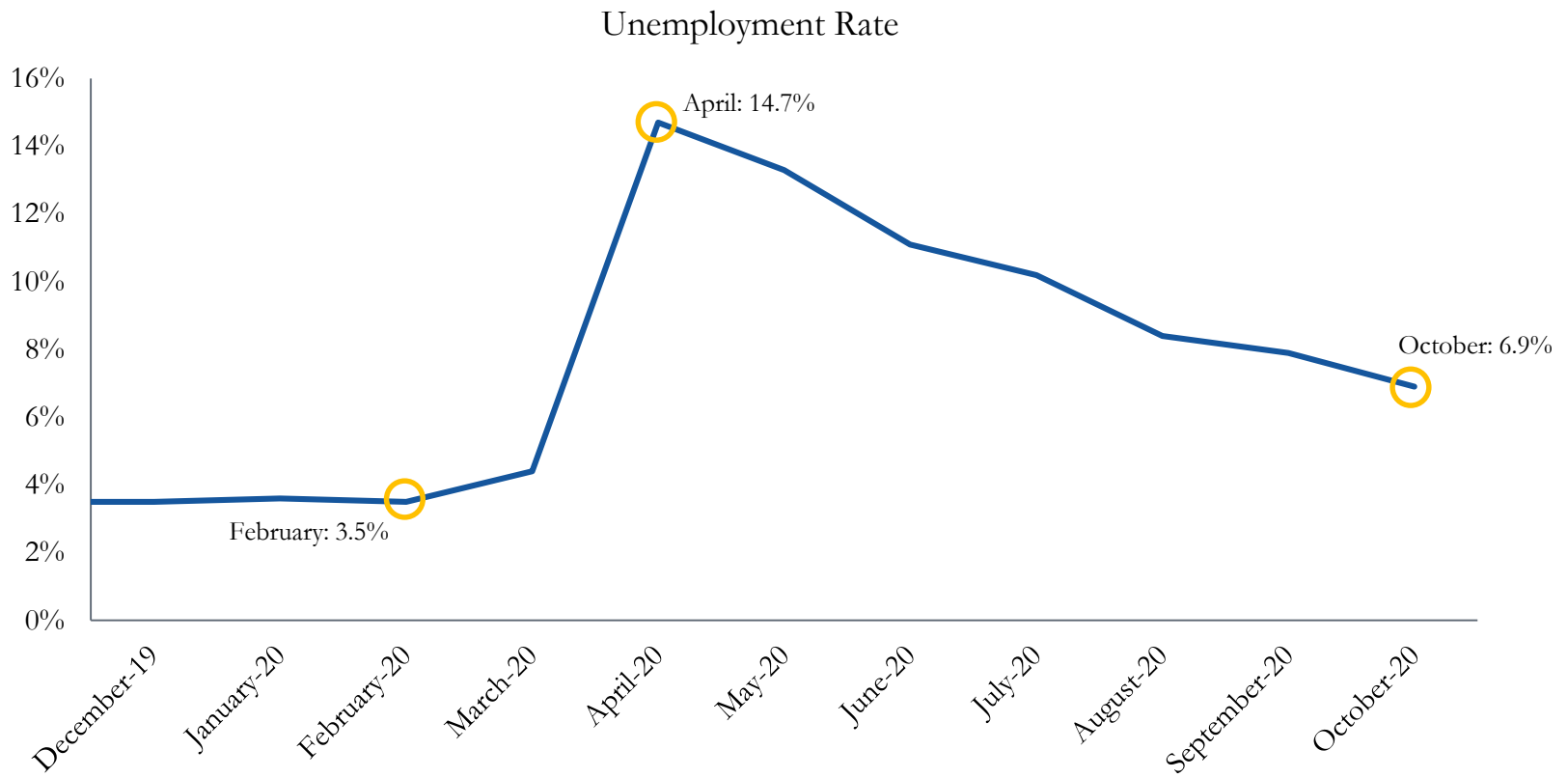
- Europe has announced significant restrictions in multiple geographies
- Certain areas of the U.S. implementing new local restrictions



Source: University of Oxford. Western Europe reflects an average of France, Italy, Germany, Spain, and the United Kingdom.

Jobs Market Recovery Continues

- More than 600,000 new jobs in October
- Continued recovery 3 months after enhanced unemployment benefits expired

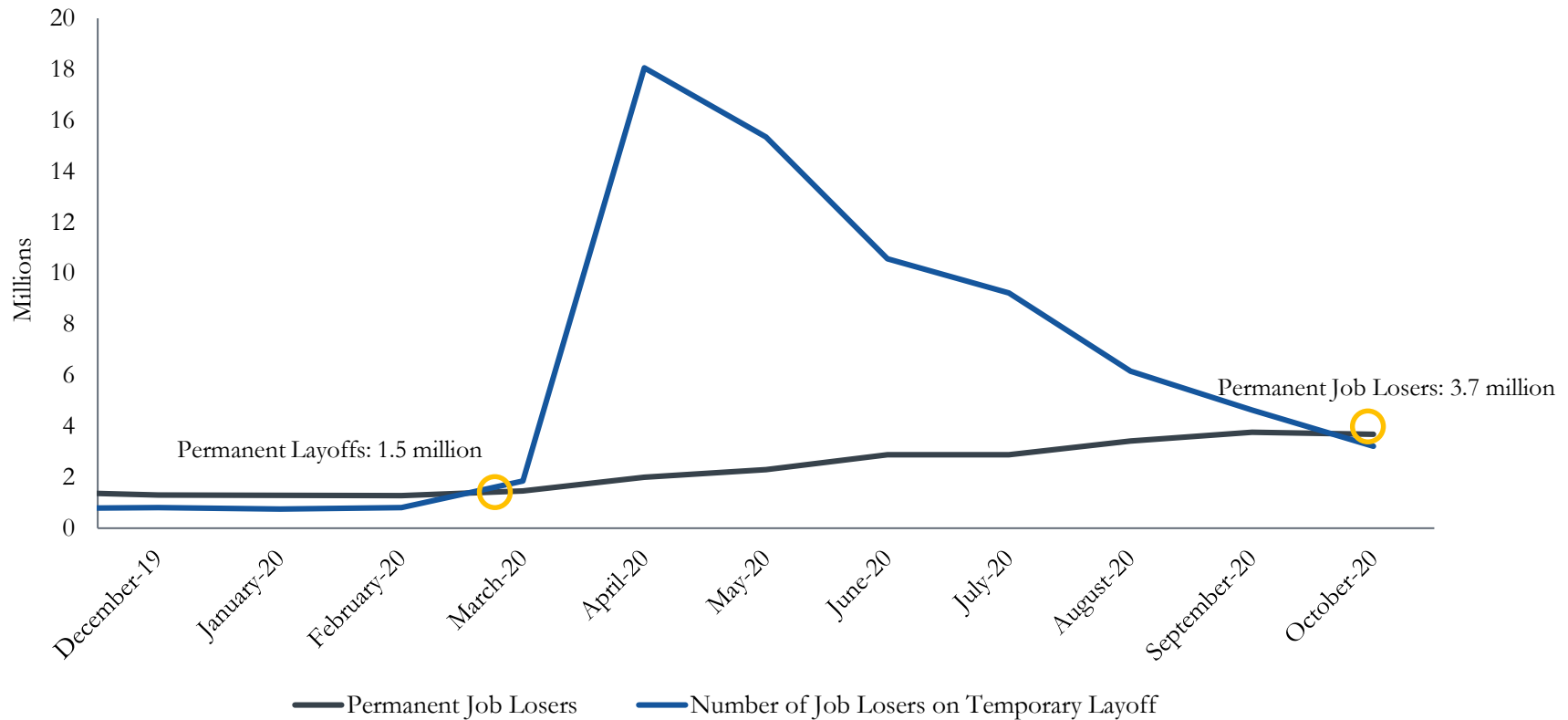


Source: Bloomberg.

Jobs Market Also Faces Headwinds

- Permanent layoffs continue to increase
- Indicates potential for slower improvement going forward

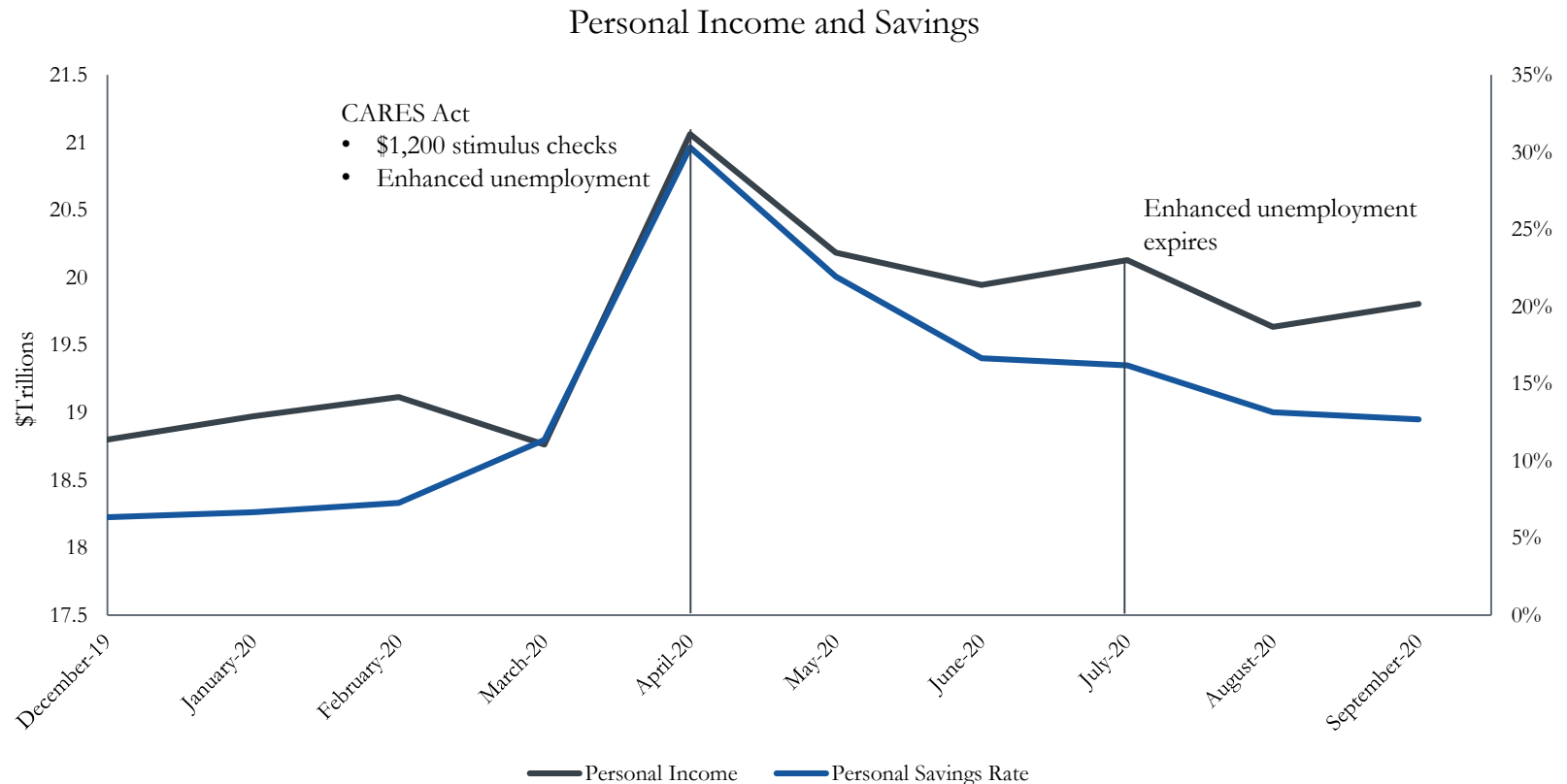
Permanent Job Losers vs. Temporary Layoffs



Source: Bloomberg.

Income And Savings: Jobs vs. Stimulus

- Personal income has held up as unemployment benefits expire – improving jobs market
- Unemployment continues to be high, savings rates expected to fall
- More stimulus likely needed



Source: Bloomberg.

Potential Policy Impact: Biden Presidency/Split Congress

Policy	Economic Impact
Personal Taxes	●
Corporate Taxes	●
Fiscal Spending/ Infrastructure	●
Regulations	●
Trade Policy	●
Energy	●
Healthcare	●
The Fed	●
Total Economic Impact	●

Source: CNR Research.

Sector Implications: Biden Presidency/Split Congress

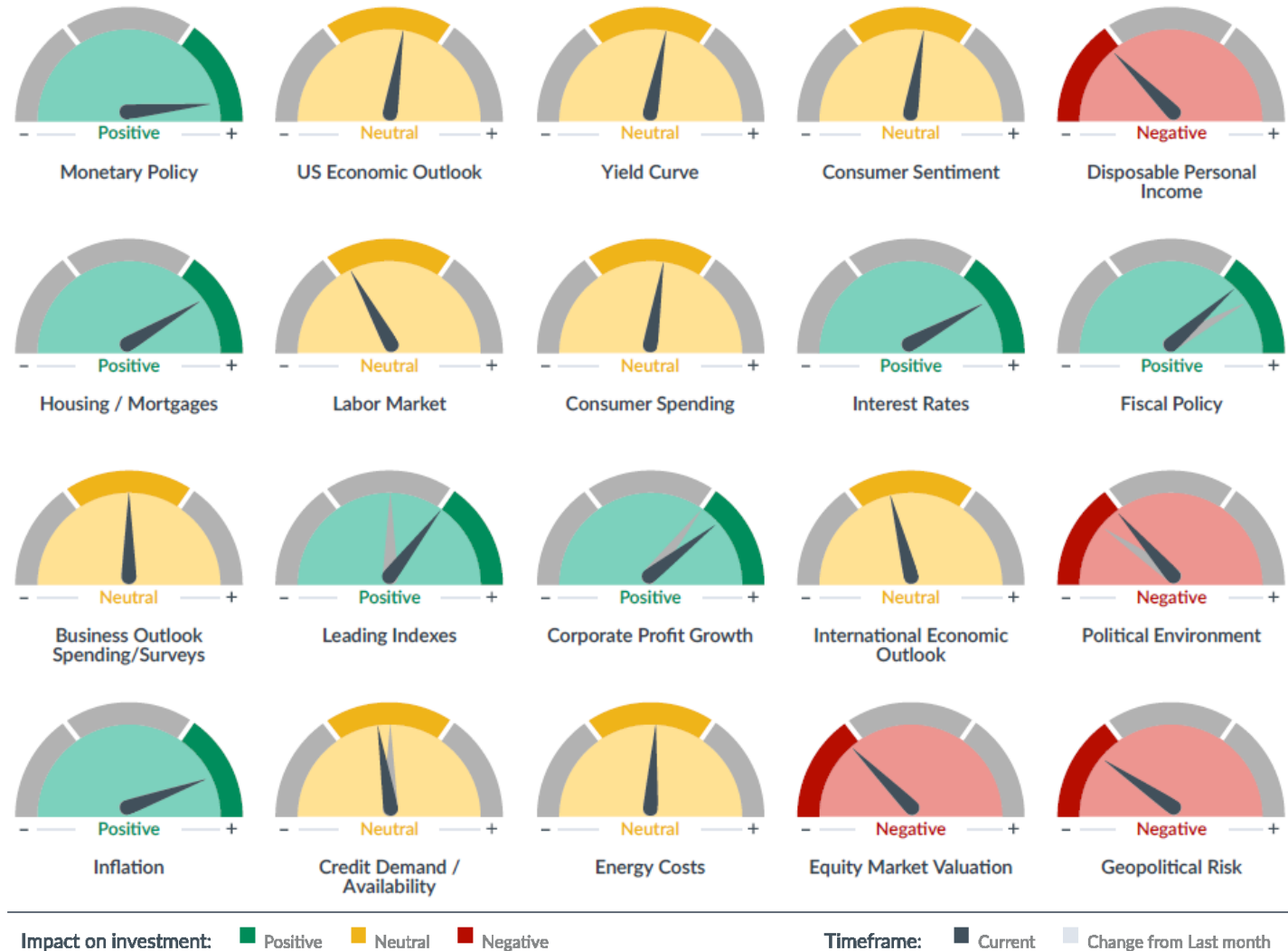
Sector	Key Issues	Policy Impact
Technology	Lower risk from tax and regulatory changes.	
Healthcare	Stable fundamental backdrop.	
Consumer Discretionary	Modest fiscal stimulus and low interest rates supportive.	
Financials	Likely increased regulation, low interest rates hurt.	
Industrials	Modest infrastructure investment likely, clean energy.	
Utilities	Low rate environment, limited new adverse regulation.	
Energy	Likely increase in regulations on shale energy.	
Real Estate	Stable economic and tax environment.	

Source: CNR Research.

Economic and Financial Indicators

Indicators Are Forward-Looking Three to Six Months

Indicators are signaling an entrenched and sustainable recovery from the COVID-19 crisis is underway.



Source: City National Rochdale. As of November 2020.

Recovery Underway, but Full Recovery Will Take Time

- Phased reopening driven by states. Expect sizable initial GDP gains in 2H 2020 before growth moderates.
- Recovery in demand expected to be constrained until virus fears fade and social distancing rules are reduced.
- Full normalcy not expected until 2021. Better therapeutic treatments and/or vaccine creation will be essential.
- Resurgence in infections is the leading downside risk, but a return to widespread lockdowns is unlikely.
- Policy responses from Washington/Fed have been massive and well targeted, but more are needed.

	GDP Q1	GDP Q2	GDP Q3	GDP Q4	2020 Full Year	2021 Full Year
Potential Range of GDP Growth	-5%	-31%	+30%	+6%	-3.8%	5.5%
			+20%	+2%	-5.0%	3.5%

Percent Change From Preceding Period, Seasonally Adjusted at Annual Rates

City National Rochdale Forecasts		2018	2019	2020e	2021e
GDP Growth		2.9%	2.3%	(3.8%) - (5.0%)	3.5%-5.5%
Corporate Profit Growth		22%	1%	(20%) - (30%)	20%-40%
Interest Rates	Fed Funds Rate	2.375%	1.625%	0%	0%
	Treasury Note, 10-Yr.	2.69%	1.50%-2.00%	0.70%-1.20%	0.80%-1.30%

Sources: Bureau of Economic Analysis, Standard & Poor's, Bloomberg. As of October 2020.

Interest Rates and Inflation Set to Remain Low

On balance, we think disinflationary forces will prevail in coming years.

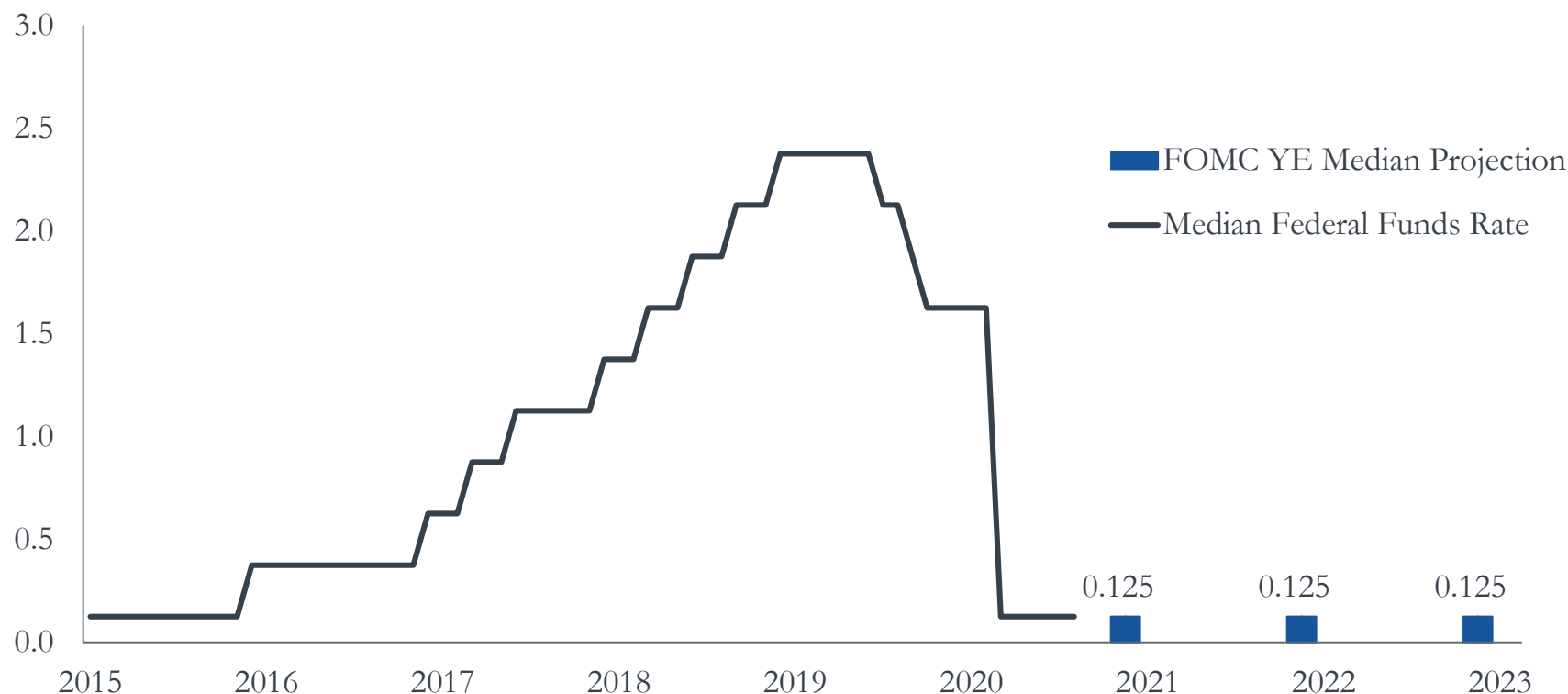
Downward Pressure Forces		Upward Pressure Forces	
	Globalization	Smaller labor force/higher wage pressure	
	Technology	Fewer “producers”/more “consumers”	
	Slower economic growth	Less productivity	
	Reduced investment	Higher debt	
	Longevity/increased retirement age and higher savings	Protectionism	
	Growing inequality/wealthy save more	Greater healthcare/entitlement spending	

Source: City National Rochdale.

Implication of New Fed Policy: Lower Rates for Years

- More discretion, less preemption.
- New bias to keeping rates on hold well after economic and inflation growth sets in.
- Supportive of risk assets – equities and high yield fixed income.

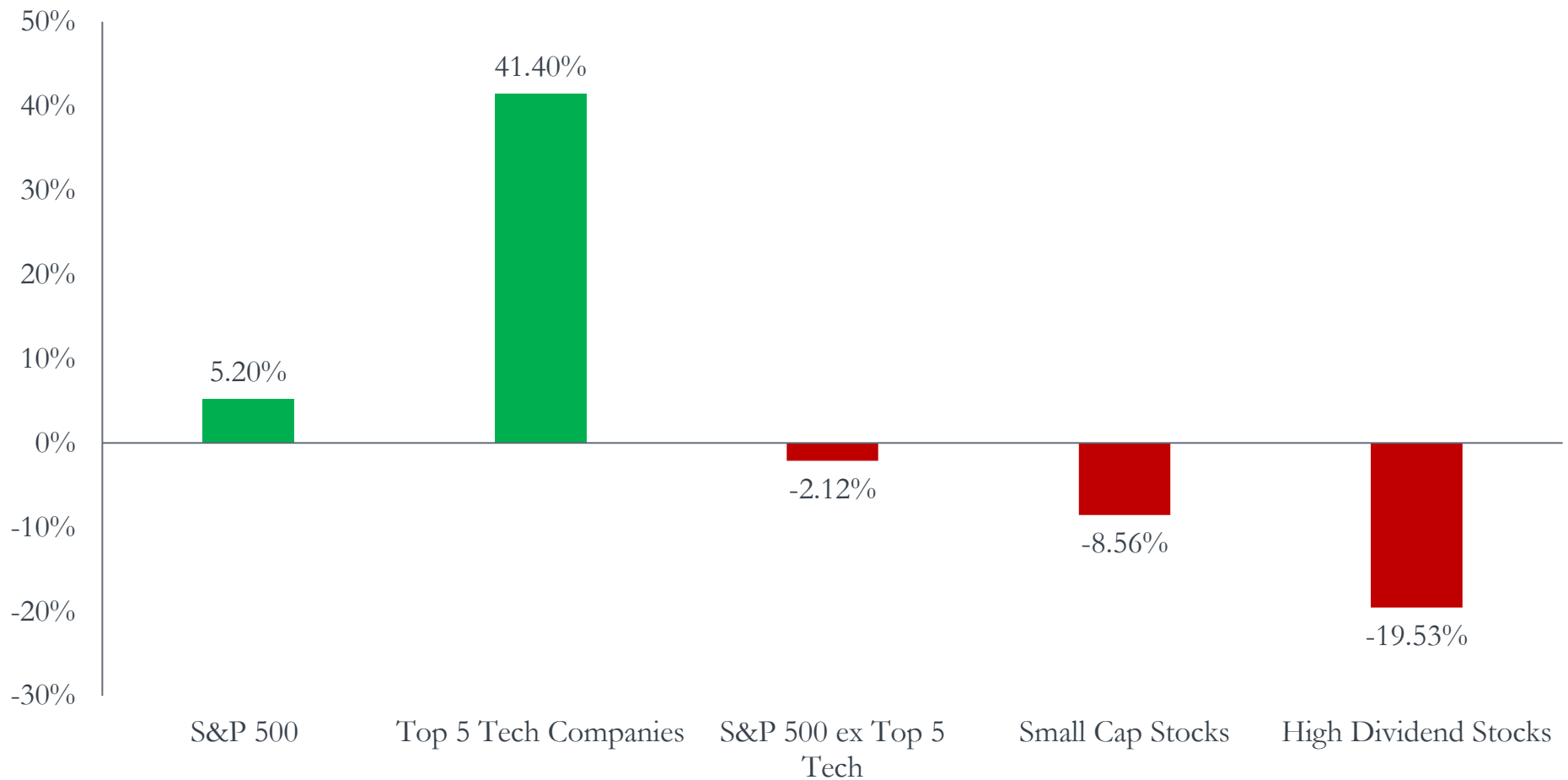
Federal Funds Rate & FOMC Projections (%)



Source: Federal Reserve Bank.

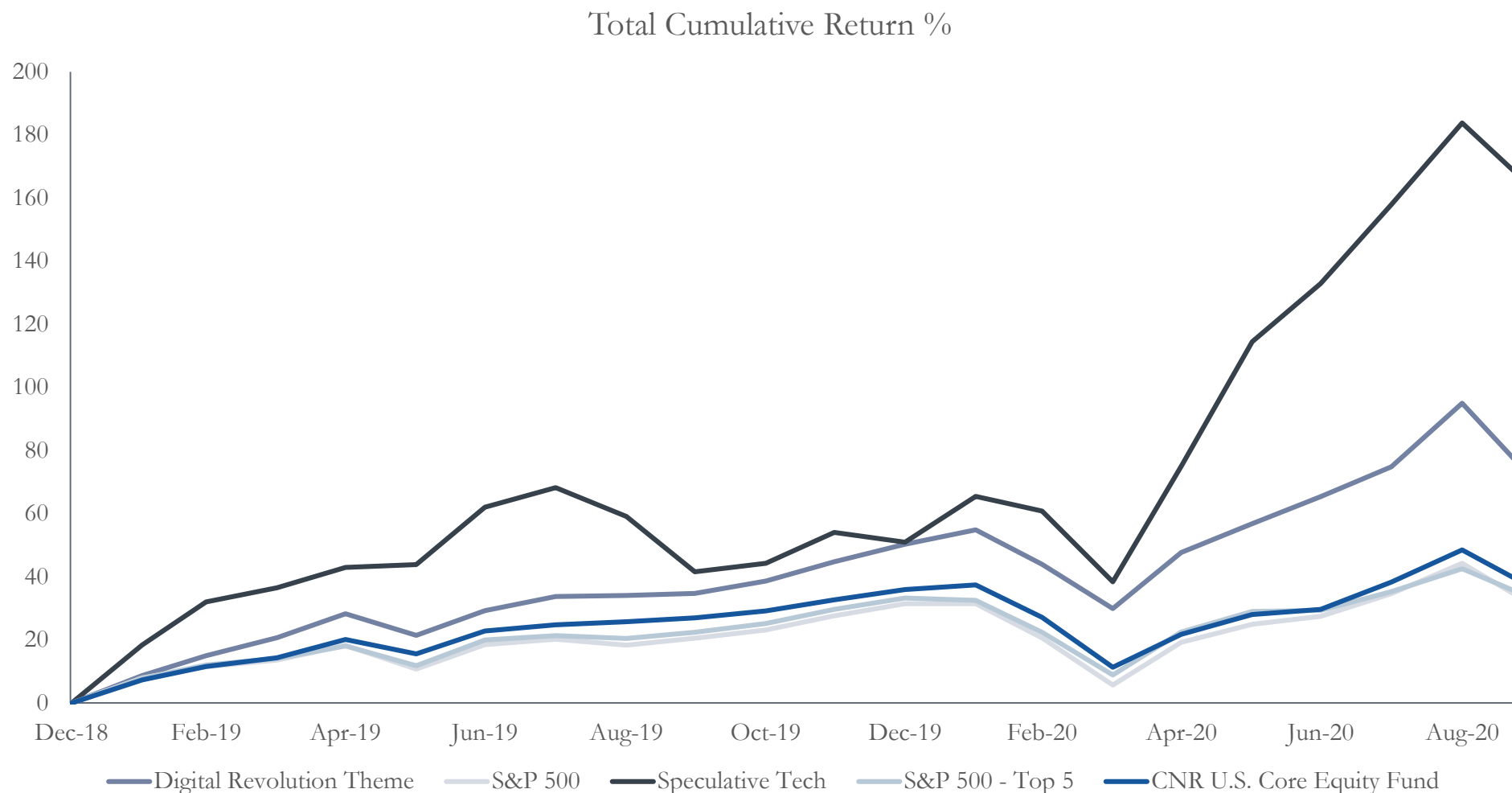
Market Held Up by Concentration of Large Tech Companies

2020 Performance Through September 28



Source: FactSet, CNR Research. Top 5 Tech Companies: Alphabet, Amazon, Apple, Facebook, Microsoft. High Dividend Stocks: Dow Jones U.S. Select Dividend Index. Small Cap Stocks: Russell 2000 Index. Data as of September 16, 2020.

Speculative Emerging Tech Stocks Due for a Correction



Source: CNR Research, FactSet.

Interest Rates Near 0% After 40 Years of Declines

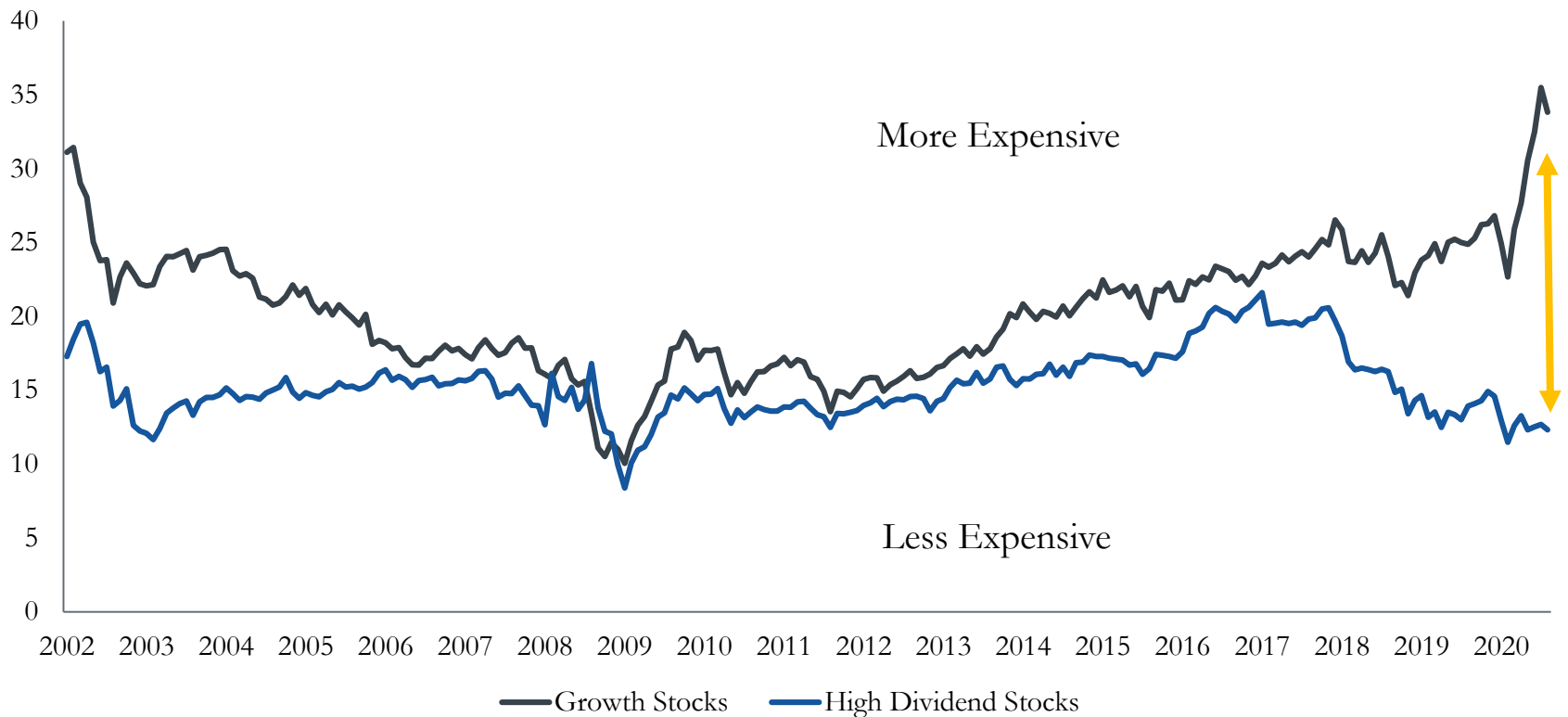


Source: Bloomberg as of August 2020.

High Dividend Stocks Relatively Attractive

- Growth stocks have seen a dramatic increase in valuations
- High dividend stocks are priced attractively relative to history

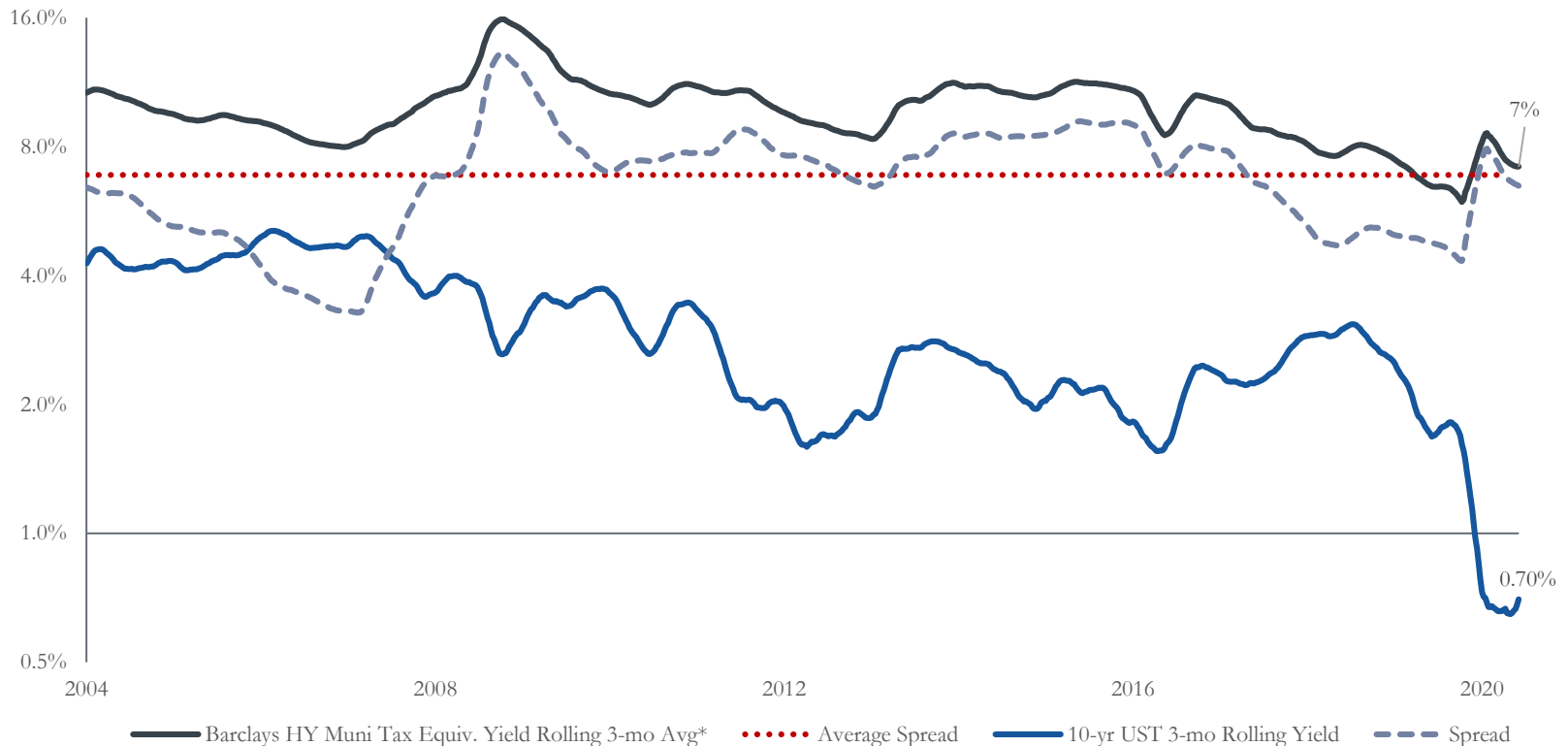
Valuations: High Dividend Stocks vs. Growth Stocks



Source: Bloomberg. High Dividend Stocks: Dow Jones US High Dividend Yield Index. Growth Stocks: S&P 500 Growth Index.

High Yield Municipals Remain Favorable

HY Muni Yields Remain Favorable versus High Quality Bonds



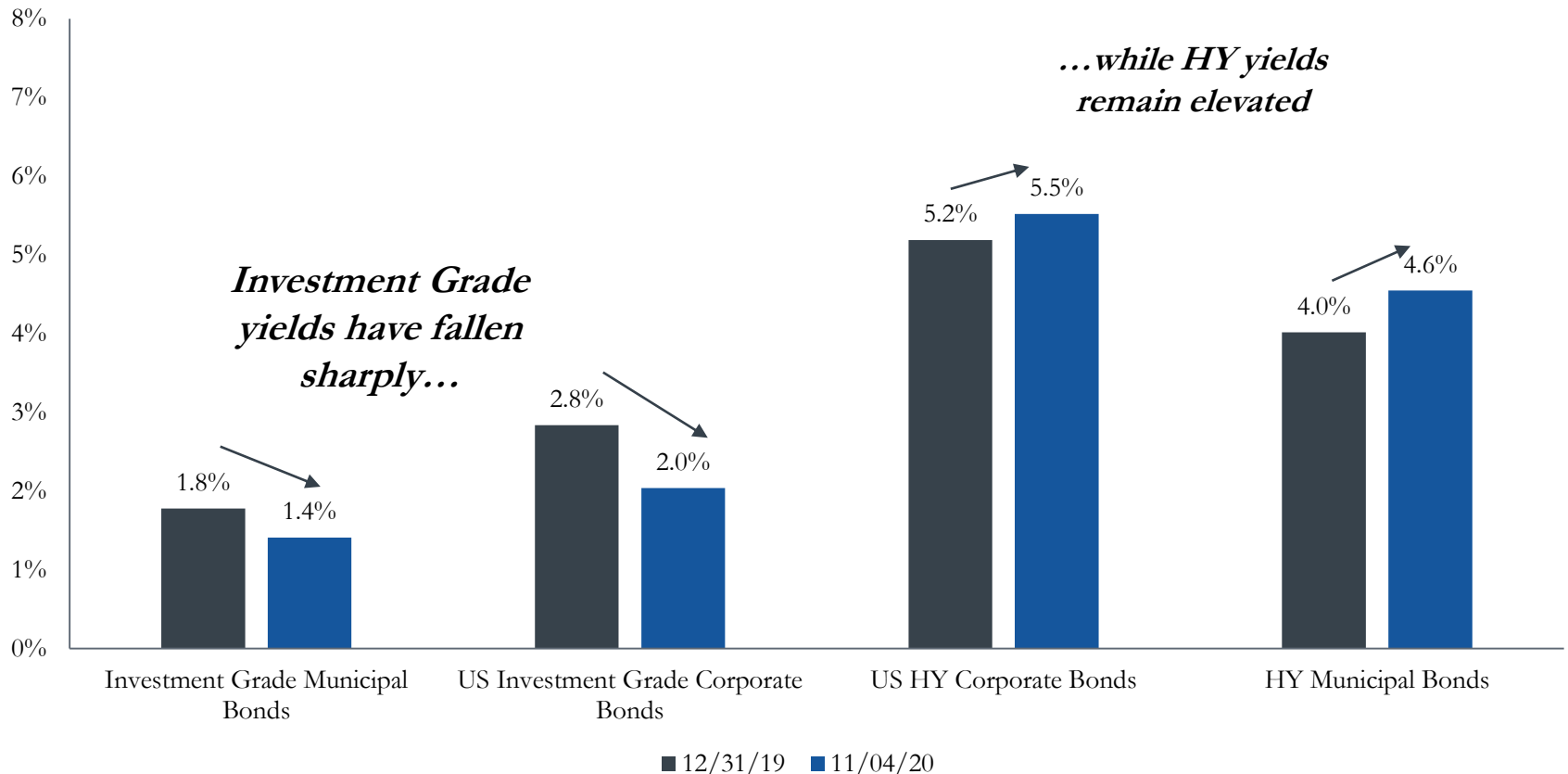
*Assumes a Federal Tax rate of 37%

Source: Bloomberg, CNR Research.

Non-investment Grade Yields Are Favorable

- Investment grade corporate bond yields have reverted to below pre-crisis levels
- Opportunities persist for added income and return in non-investment grade bonds

Yield on Major Credit Categories



Source: Bloomberg, CNR Research.

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 MSCI World is a market cap weighted stock market index of 1,655[1] stocks from companies throughout the world. The components can be found here.[2] It is maintained by MSCI, formerly Morgan Stanley Capital International, and is used as a common benchmark for 'world' or 'global' stock funds intended to represent a broad cross-section of global markets.

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.

Index Definitions (continued)

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.

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.

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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.

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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.

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Estimated returns are based on multiple sources of historical market index data input into proprietary quantitative models specific to each asset class (e.g., equity, fixed income, etc.), then adjusted for fundamental inputs such as yield, earnings growth, risk premiums, valuation, historical reversion, and market implied expectations. Finally, we further adjust the estimated returns with our economic forecasts on market conditions and long-term expectations (which include economic growth, inflation, interest rates, among other important inputs).

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