

April 7, 2020

## CNR Update

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### THE CITY NATIONAL ROCHDALE GOVERNMENT MONEY MARKET FUND AND CURRENT MARKET CONDITIONS

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Volatile market moves in recent weeks – triggered by fears of the coronavirus outbreak and its economic toll – have caused disruptions to all sectors including money market securities and money market funds. We have created this Q&A to address these issues as they pertain specifically to the City National Rochdale Government Money Market Fund.

#### Investment Objective

The Fund seeks to preserve principal and maintain a high degree of liquidity while providing current income while maintaining a \$1.00 per share net asset value.

#### Investment Strategy

The Fund purchases liquid, high quality, short-term U.S. Government securities. The Fund follows strict Investment Company Act rules about the credit quality, maturity and diversification of its investments. The Fund invests at least 99.5% of its assets in the following money market instruments: U.S. Treasury Obligations; obligations issued or guaranteed as to principal and interest by the agencies or instruments of the U.S. Government; and repurchase agreements collateralized by these obligations.

Our overall strategy is to maintain a high degree of liquidity balanced by a longer-term portfolio diversified among agency securities, Treasury securities, and floating-rate notes. Current and future holdings are subject to risk.

#### **Q. Has the City National Rochdale Government Money Market Fund lost value or become riskier?**

A. No. The fund is not a Prime fund which means that it does not own corporate debt such as Commercial Paper which has been less liquid than usual during this time of market volatility. The fund primarily owns US Government Agency obligations that have not suffered the same liquidity or risk concerns as other money market asset types.

#### **Q. Are the markets for repurchase agreements operating as usual?**

A. Money market mutual funds invest in the most liquid securities available including repurchase agreements and the markets for them are operating as usual.

**Q. What does it mean if a money market mutual fund with a stable \$1.00 net asset value (NAV) displays a “market value” that is slightly below or above \$1.00?**

A. Money market mutual funds with stable \$1.00 NAVs disclose not only their \$1.00 NAV, but their market value, as well. For as long as the market value is very slightly above or below \$1.00, a stable NAV money market fund continues to transact at a \$1.00 price per share (or NAV.)

**Q. Does City National Rochdale have a policy in place should net yields on money market mutual funds - gross yields minus fund expenses - fall below zero?**

A. Yes. We are closely monitoring the yields on our fund as rates for money market instruments approach zero. We are currently waiving certain fund fees to prevent that from happening. Any such waiver would be voluntary and could be discontinued at any time. There is no assurance that a fund will be able to avoid a negative yield.

**Q. The Federal Reserve recently made several announcements. What can you tell us about the actions by the Federal Reserve?**

A. The Federal Reserve has announced several actions to alleviate stress in the financial markets and to support the broader economy. The actions by the Fed include:

- Lowering the target range for the Federal Funds rate to 0.00% to 0.25% from 1.00% to 1.25%
- Committed to buying an unlimited amount of U.S. Treasury and US Agency mortgage backed securities as needed to support normal market functioning.
- Six new emergency programs — Three of which are supportive specifically to Prime and Tax-Exempt MMFs.

These actions by the Federal Reserve are in addition to its previously announced actions to provide liquidity to the short-term money markets. The Federal Reserve has made available \$1 trillion in additional liquidity via its repurchase agreement open market operations with an additional commitment of \$1.0 trillion per week.

**Q. What are the latest Fed actions intended to do?**

A. These new facilities are intended to support the flow of credit to consumers and businesses, and to improve overall market liquidity in the credit markets. These facilities provide for purchasing up to \$300 billion of securities, supported by a \$30 billion capital injection by the Treasury Department.

**Q. What is the likelihood of negative interest rates in the U.S.?**

A. No one can predict with certainty the ultimate direction of interest rates. However, at this time, we believe that it is unlikely the Federal Reserve will adopt a negative interest rate policy. Several Federal Reserve Governors have publicly stated their opposition to negative interest rates because such rates are deemed as ineffective in stimulating the economy. Even without a negative interest rate policy, yields on some U.S. Treasury securities are currently negative and have been so in past interest rate cycles without effecting the benefits provided by government money market funds.

### Important Disclosures

To determine if this Fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Fund's summary and full prospectuses, which may be obtained by calling (888) 889-0799, or by visiting our website at [citynationalrochdalefunds.com](http://citynationalrochdalefunds.com). Read the prospectus carefully before investing.

Investing involves risk including loss of principal.

City National Rochdale, LLC, a subsidiary of City National Bank, is the investment manager of the Fund.

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