

# Asset Allocation Program

*Disclosure Statement December 16, 2021*

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*This asset allocation program brochure provides information about the qualification and business practices of City National Securities, Inc. If you have any questions about the contents of this brochure, please contact us at (800) 280-1464. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about the City National Securities, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## MATERIAL CHANGES-

- On December 15, 2021, City National Rochdale reinstated Garrett D'Alessandro as chief executive officer. City National Rochdale took this action upon receiving confirmation that the staff of the U.S. Securities and Exchange Commission ("SEC") concluded its investigation of Mr. D'Alessandro and does not intend to recommend an enforcement action against Mr. D'Alessandro. City National Rochdale continues to cooperate in the SEC's ongoing investigation of the firm for alleged violations of the Investment Advisers Act of 1940 arising out of a self-disclosed issue.

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## INTRODUCTION

City National Securities, Inc. ("CNS") is a subsidiary of City National Bank ("CNB"). CNS and CNB are wholly-owned subsidiaries of RBC USA Holdco Corporation ("Holdco"), which is a wholly owned subsidiary of Royal Bank of Canada. RBC Global Asset Management US is also a wholly owned subsidiary of Holdco and is the investment advisor to the RBC Funds.

City National Securities, Inc. ("CNS") offers the City National Securities Asset Allocation Program (the "Program") designed to help individuals organize and manage their wealth in pursuit of their specific financial goals. The Program is sponsored by CNS a registered investment advisor and broker/dealer since 2009 and as of December 31, 2019, has over \$1.3 billion of discretionary funds under management. CNS is a wholly owned subsidiary of City National Bank ("CNB").

The Program provides clients with access to professional wealth management services. Specific features of the Program include goal assessment and risk profiling, asset allocation strategies, money management, performance reporting and ongoing monitoring with a dedicated financial advisor ("Financial Advisor").

CNS has retained City National Rochdale, LLC ("Sub-Advisor"), an SEC Registered Investment Advisor and wholly owned subsidiary of CNB, to provide investment advisory and portfolio management services in a sub-advisor capacity for the Program's clients. In addition, CNS will establish a custodial account on behalf of each Program client at National Financial Services LLC ("NFS"). Neither CNS nor any of CNS' advisory personnel act as portfolio managers of Program Accounts.

## SERVICES, FEES AND COMPENSATION

### Wealth Advisory Services

A core component of the Program is an evaluation of each client's current financial position, financial goals, investment timeframes and risk profile, which information the Financial Advisors will obtain through discussion with and records gathered from each client. The information collected from Program clients provides the foundation for the recommendation of an investment strategy for each Program client's account ("Account"). The recommendation is developed by understanding a client's risk tolerance and time horizon and applying asset allocation techniques, combined with the Sub-Advisor's assumptions regarding the future performance of various asset classes, future inflation rates and other relevant data.

CNS may use the information provided by the client to develop and provide to the client a financial evaluation. This evaluation will be incidental to the advisory services and will not be a separate fee based service.

Once the client's investment strategy has been determined, the Financial Advisor establishes the client's overall asset allocation recommendation. The optimal allocation seeks to achieve the maximum return for a given level of risk.

Based on information provided by each client during the analysis process and the overall investment strategy for the Account, CNS will recommend a specific asset allocation strategy and various investment options to a client. Investment options offered within

the Program may include proprietary or, mutual funds, and/or exchange traded funds.

The investment strategy to which the client agrees will be documented in an investment policy statement ("IPS") or Investment Strategy Report. The purpose of the IPS or Investment Strategy Report is to foster a clear understanding of a client's overall investment objectives, policies, and guidelines. The IPS or Investment Strategy Report will remain in effect until modified by the client as conditions warrant. **The investment strategy is not a CNB product, not guaranteed by the FDIC, and investing in strategies containing securities involves a risk of loss that should be accounted for in the account IPS or Investment Strategy Report.**

As part of its investment management responsibilities under the Program, the Sub-Advisor develops and maintains the asset allocation strategies that form the basis for its investment advice. Asset allocation strategies offered under the Program reflect a continuum of risk characteristics ranging from conservative to aggressive growth. Each asset allocation strategy will be fulfilled with mutual funds and exchange traded funds. The mutual funds in which client accounts may be invested include the City National Rochdale or RBC Funds ("Affiliated Mutual Funds") from which CNS, the Sub-Advisor, and their affiliates receive compensation (see the discussion below under "Participation or Interest in Client Transactions").

The Sub-Advisor periodically reviews the asset allocation strategies, including the portfolio securities, in which client Accounts are invested in connection with the Program. Generally, the Sub-Advisor has the authority to manage the Accounts in a manner consistent with a client's overall investment strategy including the discretion to make changes to the allocation weightings and the portfolio holdings within the strategies without the prior approval of clients.

### Custody Services

CNS will establish a custodial account at NFS for each of the Program clients. As custodian, NFS shall hold the Accounts' assets in safekeeping, settle all trades, and provide statements to clients, among other custodial services. CNS will advise each client when the client's custodial account has been opened. If a client opens a Program Account in the name of an Individual Retirement Account ("IRA") or qualified retirement plan ("Plan"), the trust or custody account at NFS in the name of the IRA or Plan will be deemed to be the custodial account for purposes of this Disclosure Statement.

### Investment Restrictions

A client may impose reasonable restrictions on the management of his or her Account, including that particular mutual funds or family of funds should not be purchased, *but the client may not require that particular funds be purchased*. Any client-imposed restriction must be described in reasonable detail and documented in the client's IPS or Investment Strategy Report.

CNS and the Sub-Advisor will consider the client's investment objectives in determining if a restriction is reasonable, but will not accept restrictions that are inconsistent with the Program or the client's overall investment strategy. Other factors that bear on whether a particular restriction is reasonable are the difficulty in complying with the restriction, the specificity of the restriction, and the number of other restrictions imposed by the client. If any restriction is deemed unreasonable, the client will be notified. If a

reasonable alternative is not agreed upon, the client will be removed from the Program or, if the client's Account has not been established, the client will not be accepted into the Program.

When deciding whether to impose reasonable restrictions on an Account, clients should be aware that performance of restricted Accounts may differ from Accounts without restrictions, possibly producing lower overall results. Clients are encouraged to contact and consult with their Financial Advisors if they are considering imposing any investment restrictions.

## **Fees**

Under the Program, each client pays an asset-based fee in accordance with the fee schedules shown below calculated on the market value of the assets in the account determined as of the close of business on the last business day of the calendar quarter. In computing the asset value of an Account, a security listed on a national securities exchange will be valued, as of the valuation date, at the closing price on the principal exchange on which it is traded. Any other security in an Account will be valued in a manner determined by the Sub-Advisor or its agents in good faith to reflect fair market value. The Sub-Advisor may rely on valuations furnished by Program vendors and/or their independent pricing services.

The fee for each quarter is paid in advance and will be calculated at one-fourth (1/4) of the rates set forth in the fee schedule.

For the purpose of calculating the advisory fee, the first quarter will commence on the first calendar quarter after the effective date of this agreement.

The Client's initial fee payment will be due at the end of the calendar quarter wherein the account was opened. The fee charged will be a prorated for the period from the account opening date through the last day of the quarter. Thereafter, fees will be charged in advance of and cover each subsequent calendar quarter in its entirety.

In the event either party terminates this agreement prior to the end of the billing period, a pro-rata refund of the fee will be made by CNS to the client.

Clients authorize NFS as custodian to deduct the asset-based fees from their custody Account. CNS compensates the Sub-Advisor for investment advisory services it provides to clients in connection with the Program in the amount of 30% of the fees paid by clients.

The client should consider that, depending upon a number of factors, including the level of the Program fee charged and the amount of activity in the client's Account, the Program may cost the client more or less than purchasing the Program services separately through a brokerage account. However, the client may not obtain investment advisory services from CNS other than through the Program or the separate "CNS Investment Advisory Program". The Program fees may be more or less, than fees charged by sponsors of similar programs.

Clients may be able to purchase individual securities and shares of the mutual funds outside of the Program directly without purchasing the services of the Program or paying the Program fees (but subject to any applicable sales charges). The specific shares of mutual funds offered through the Program may not be available to the general public; however, other shares of the same mutual funds may be available with different fee structures. In the case of those mutual funds that are offered generally to the public, the prevailing sales charge or other fees (as described in the mutual fund's prospectus) may be more or less than the expenses of classes of shares utilized

in the Program.

Program fees are negotiable in certain circumstances and may differ from client to client based upon a number of factors, including the amount of the assets, the client-related services to be provided to the Account, the overall relationship with CNS and its affiliates and other relevant criteria. Fees also may differ as a result of the application of prior fee schedules depending upon a Client's Program inception date. Accounts that begin or terminate within a month are billed on a pro rata basis.

## **Financial Advisors' Compensation**

Financial Advisors will receive salary and incentives based in part on the fees charged to clients in the Program. Such payments may be made for the duration of a client's participation in the Program. The compensation paid to a Financial Advisor relating to a client's participation in the Program may be more than the Financial Advisor would receive if the client paid separately for brokerage and other services from CNS. As a result, Financial Advisors may have a financial incentive to recommend an advisory fee program over other non-advisory services offered by CNS. A Program client may also have other accounts with CNS in which advisory fees are not charged. The payment of commissions in these accounts is negotiated on an entirely separate basis from the payment of fees in the Program. For retirement plans subject to ERISA, CNS acts as an ERISA 3(38) investment manager and for IRAs, CNS acts as an investment fiduciary.

## **ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

The Program is available to individuals, trusts, estates, charitable and not-for-profit organizations, and corporations with a minimum of approximately \$50,000 to invest, although CNS may waive this minimum at its sole discretion. The Program is also available to individual retirement accounts and qualified retirement plans (pension and profit sharing plans) established under the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

## **PORTFOLIO MANAGER SELECTION AND EVALUATION**

In engaging the Sub-Advisor to provide investment advisory services to Program clients, CNS has reviewed the background and experience of the Sub-Advisor's investment professionals as well as the investment process used by the Sub-Advisor. On at least an annual basis, CNS shall conduct a review of the Sub-Advisor for the purpose of evaluating the Sub-Advisor's performance and compliance with the terms of its appointment as advisor. The review shall include consideration of the Sub-Advisor's investment performance relative to appropriate benchmarks and its adherence to Account guidelines, investment style, and quality of securities. CNS may consider replacing or recommend replacing the Sub-Advisor with another manager when appropriate. Potential conflicts of interest caused by this arrangement are discussed under "Participation or Interest in Client Transactions" below.

## **CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

As discussed above under "Advisory Services" information obtained from a client regarding the client's current financial position, financial goals, investment timeframes, and risk profile, which information the Financial Advisors will obtain through discussion

with and records gathered from each client, will be shared with the Sub-Advisor and will become the foundation for the recommendation of an investment strategy for each Program Account.

## CLIENT CONTACTS AND COMMUNICATIONS

Financial Advisors will be the primary point of contact for Program clients. Every Financial Advisor will be a Registered Representative of CNS. Financial Advisors will be responsible for meeting with clients to discuss their financial goals and objectives.

Financial Advisors will contact clients at least annually to determine whether there have been any material changes in a client's financial situation, including risk tolerances, investment objectives and time horizons, and whether the client wishes to impose any reasonable restrictions on the management of the Account or reasonably modify existing restrictions, and to revalidate the client's investment strategy. The Financial Advisor, in consultation with the client, will determine if any information provided by the client dictates a change in the client's investment strategy. CNS and the Sub-Advisor will periodically review client Program Accounts.

In the course of normal business, CNS, the Sub-Advisor, and NFS will have access to confidential client information, including but not limited to information provided by the client, copies of clients' monthly statements and on-line access to client account information. CNS, the Sub-Advisor, and NFS have adopted codes of ethics and/or implemented procedures to ensure the integrity of client information and the uses to which such information may be put. In addition, CNS, CNB, the Sub-Advisor, and NFS have adopted privacy policies, which will be provided to clients at the time Program Accounts are established.

## Reports and Documents

NFS, as custodian, will provide Program clients with account statements at least quarterly, reflecting all activity occurring during the period covered by the statement and a list of all securities held in the Account at the end of the period. Quarterly performance measurement reports provided by City National Rochdale recap investment performance for the period. Performance of Program Accounts will be calculated on a trade date basis, using a time-weighted formula that includes principal market value changes, daily weighted cash flows, as well as income accrued and received. Performance information assumes reinvestment of all dividends and capital gains, unless an Account has been set up otherwise.

Under the Terms & Conditions of the Program, you agree to waive your right to receive any security related documents, except as specifically set forth in the Terms & Conditions.

CNS will promptly forward to you all class action elections that are received from issuers of securities, which constitute all or any portion of the assets. CNR will not have any authority to agree, on your behalf or CNS to participate, nor render advice, in any class action lawsuit with respect to which you may otherwise be entitled to participate through an investment held in your account.

## METHODS OF ANALYSIS AND INVESTMENT STRATEGIES AND RISK OF LOSS

### Methods of Analysis and Investment Strategies

The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. These methods entail an evaluation of investment opportunities using fundamental, technical, quantitative and qualitative analyses to determine the intrinsic value of securities and other types of instruments. ***These methods, strategies and investments involve risk of loss to clients and clients must be prepared to bear the loss of their entire contribution/investment.***

***Investment Products are not bank deposits or obligations of or guaranteed by City National Bank or any subsidiary or affiliate and are not insured by the FDIC, they involve risk, including the possible loss of principal.***

Our Sub-Advisor, City National Rochdale employs the following investment strategies. These strategies may be constructed as a separately managed account or using proprietary or non-proprietary pooled investment vehicles.

***Galaxy.*** The Adviser uses a proprietary modeling system to design asset allocation models specific to each client's risk return requirements. Asset allocation decisions are unique to each client. At the beginning of each client relationship, the Adviser assesses the objectives of each client based (broadly) on their assets, liabilities and income goals. In this process, the Adviser utilizes a Monte Carlo analysis which is a modeling technique used to approximate the probability of certain outcomes by running multiple trial runs, called simulations, using random variables on several different allocation profiles. The projected return on investment for the portfolio is based on a combination of broad historic index returns, risks and correlations and current outlook. While this methodology is not perfect, a Monte Carlo simulation allows the Adviser to view probabilities of success with thousands of simulations. Under long timeframes, the Adviser believes this tool is a good source in helping select an individual clients' allocation. Past performance is no guarantee of future results.

***Equity.*** The Adviser's equity strategy focuses on a broad range of equity investment strategies, including Core US Equities, High Dividend and Income and Emerging Markets. Client accounts can be structured to achieve the desired blend of exposure to geographies, either domestic or international and investment style, growth or income.

***U.S. Large Cap Core Equities-*** Pursues capital appreciation strategies by taking long positions in quality companies with above average growth potential in highly ranked industries and secular themes with long-term capital appreciation potential.

***U.S. Large Cap Select Core Equities -*** A concentration of U.S. large cap core equities that seeks to provide aggressive capital appreciation, with current income as a secondary objective, through investments in the equity securities of companies with large and medium capitalizations.

***High Dividend and Income.*** The Adviser pursues high dividend and income strategies by taking long positions in companies with high dividend growth potential. The strategy focuses on higher-than-average dividend paying stocks from companies with stable, recession-resistant cash flows and strong dividend histories.



*Emerging Markets.* City National Rochdale pursues investment strategies by taking long positions in quality companies located in emerging Asian markets. The Advisor seeks to invest in quality companies with a focus on locally listed large, medium, and small cap companies that are broadly inaccessible to U.S. investors. On-the-ground research is conducted to provide direct insight and domain expertise.

*Municipal High Income.* — Pursues an investment strategy that seeks to provide a high level of current income that is not subject to federal income tax. Seeks investments in medium- and lower-quality bonds, which are bonds that are rated BBB+ or lower by Standard & Poor's Ratings Services ("Standard & Poor's"), are comparably rated by another nationally recognized statistical rating organization ("NRSRO") or, if unrated, are determined by City National Rochdale to be of comparable quality. Typical investments include non-investment grade debt securities (commonly called "junk" bonds), which are rated BB+ or lower by Standard & Poor's, comparably rated by another NRSRO or, if unrated, determined by City National Rochdale to be of comparable quality.

*Tax-Free Intermediate Fixed Income* - Seeks to provide a high level of current income and capital preservation through investment in tax-exempt municipal fixed income securities.

*Tax-Free Intermediate-Long* - Seeks to capture potential inefficiencies in the intermediate part of the municipal bond yield curve (typically the 5-20 year portion of the municipal bond yield curve).

*Taxable Intermediate Fixed Income* — Seeks to provide a high level of current income and capital appreciation through investment in corporate bonds and notes, as well as debt securities issued by the federal government and its agencies.

*Tax-Free Short Intermediate Fixed Income* — Seeks to provide a return comprising a combination of both price and income attributes. Through a wide spectrum of investments in municipal bonds and notes, whose earnings are federally and/or state tax exempt.

*Taxable Short Intermediate Fixed Income* — Seeks to provide a return comprising a combination of both price and income attributes. This strategy covers a wide maturity spectrum, through investments in corporate bonds and notes, as well as debt securities issued by the federal government and its agencies.

*Opportunistic Fixed Income.* City National Rochdale pursues investment strategies by investing in fixed income securities of any credit rating. The Adviser may seek to invest client assets across a spectrum of income yielding securities and primarily focuses on investments in high yield bonds (commonly known as "junk" bonds) issued by corporate and municipal issuers, in fixed and floating rate loans made to U.S. and foreign borrowers, and in domestic and foreign corporate bonds including asset backed securities and bank loans. The Adviser also invests in life insurance policies. The Adviser's foreign investments include investments in companies that are operating principally in emerging market or frontier market countries.

### **Proprietary Quantitative Research**

In addition to fundamental analysis performed on individual securities, City National Rochdale has created and utilizes several proprietary, quantitatively oriented research systems in order to make its investment determinations. These tools use screening techniques

based on financial and economic data to help determine which industries/securities are the most attractive for purchase/retention and/or sale at any given point in time. These techniques are used in conjunction with the fundamental research performed by City National Rochdale.

### **Fund Selection and Monitoring**

City National Rochdale recommends suitable investment options, including third party and affiliated mutual funds and closed-end funds, which can help to meet the long-term investment objectives and needs of each client. City National Rochdale closely monitors the performance of each fund it recommends to its clients, including the performance of any sub-adviser.

### **Sources of Information**

To help develop its strategies and recommendations, City National Rochdale uses proprietary, quantitatively oriented research systems. These systems contain pertinent financial information on individual securities as well as broad domestic and international macroeconomic data. In addition, City National Rochdale uses commercially available services, financial publications and information services dealing with investment research, securities law, and taxation. City National Rochdale may also use private placement memoranda and other private placement due diligence materials. Such information may be obtained in print or via electronic media. Company prepared materials (particularly prospectuses) and research releases prepared by others are also utilized.

Despite City National Rochdale's best efforts and sources of information, these do not guarantee that performance returns will be positive. All investing involves risk and may result in a loss that clients should be prepared to bear.

### **Material Risks (Including Significant or Unusual Risks) Relating to Investment Strategies**

The following is a brief description of the investment risks of the investment strategies employed by City National Rochdale in the management of the City National Rochdale Funds, the Other Registered Funds and the Diversified Opportunity Fund. For a more detailed explanation of these risks, please refer to the prospectuses and summary prospectuses for the Funds, as applicable, available at [www.citynationalrochdalefunds.com](http://www.citynationalrochdalefunds.com).

The City National Rochdale **Government Money Market Fund** is a money market fund that seeks to preserve principal and maintain a high degree of liquidity while providing current income. Also, the Government Money Fund seeks to maintain a \$1.00 per share net asset value ("NAV"). The Government Money Fund invests at least 99.5% of its total assets in cash, U.S. Treasury securities and other government securities guaranteed or issued by an agency or instrumentality of the U.S. Government, and/or repurchase agreements that are fully collateralized by cash or government securities. In addition, the Fund invests at least 80% of its net assets (plus any borrowings for investment purposes) in U.S. Government securities and/or repurchase agreements that are fully collateralized by government securities. In particular, the Fund invests in U.S. Treasury obligations, obligations issued or guaranteed as to principal and interest by agencies or instrumentalities of the U.S. Government and repurchase agreements involving these obligations. Obligations issued or guaranteed by the U.S. Government or its agencies or

instrumentalities in which the Government Money Fund invests consist principally of securities issued or guaranteed by Fannie Mae (formerly known as the Federal National Mortgage Association), the Federal Home Loan Bank (“FHLB”), Freddie Mac (formerly known as the Federal Home Loan Mortgage Corporation) and the Government National Mortgage Association (“Ginnie Mae”). The securities held by the Fund must, in the opinion of City National Rochdale, the Fund’s investment adviser, present minimal credit risk. The Fund invests in compliance with the requirements of Rule 2a-7 under the Investment Company Act relating to the credit quality, maturity, liquidity and diversification of investments for money market funds.

An investment in the Government Money Market Fund may expose an investor to the following risks, which are described in greater detail in the prospectus and summary prospectus:

1. **Credit Quality** – Some issuers or other obligors may be unable to make the required payments on securities held by the Fund. Debt securities also go up or down in value based on the perceived creditworthiness of issuers or other obligors rated by one or more nationally recognized statistical rating organizations.
2. **Government-Sponsored Entities** – Such investments may not be guaranteed or insured by the U.S. Government and may only be supported by the credit of the issuing agency.
3. **Redemptions** – The Fund may experience heavy redemptions, particularly during periods of declining or illiquid markets that could cause the Fund to liquidate its assets at inopportune times or at a loss or depressed value and that could affect the Fund’s ability to maintain a stable \$1.00 share price.
4. **The Effect of Interest Rates** – When interest rates are very low, the Fund’s expenses could absorb all or a significant portion of the Fund’s income, and if the Fund’s expenses exceed the Fund’s income, the Fund may be unable to maintain its \$1.00 share price without a subsidy by City National Rochdale or its affiliates.
5. **Repurchase Agreements** - Repurchase agreements are agreements under which securities are acquired from a securities dealer or bank subject to resale at an agreed upon price which includes principal and interest. Under all repurchase agreements entered into by the Fund, the Fund’s custodian or its agent must take possession of the underlying collateral. However, if the seller defaults, the Fund could realize a loss on the sale of the underlying security to the extent the proceeds of the sale are less than the resale price.
6. **No Guarantees** – You could lose money by investing in the Government Money Market Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not a deposit of City National Bank or Royal Bank of Canada and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. City National Rochdale and its affiliates have no

legal obligation to provide financial support to the Fund, and you should not expect that City National Rochdale or its affiliates will provide financial support to the Fund at any time.

Investments in the City National Rochdale Government Bond Fund, City National Rochdale Corporate Bond Fund, City National Rochdale California Tax Exempt Bond Fund, City National Rochdale Municipal High Income Fund, City National Rochdale Intermediate Fixed Income Fund, City National Rochdale Fixed Income Opportunities Fund, and City National Rochdale Short Term Emerging Markets Debt Fund (collectively, the “**Bond Funds**”) may expose an investor to the following risks, which are described in greater detail in the Bond Funds’ prospectus and summary prospectuses:

- **Interest Rate** – Rising interest rates can cause a decline in price in the value of held securities. In general, longer-dated securities are subject to greater price changes for a given change in interest rates. As the Federal Reserve “tapers” or reduces quantitative easing, and when the Federal Reserve raises the federal funds rate, interest rates across the U.S. financial system may rise. These policy changes may expose long dated and related markets to heightened volatility and may reduce liquidity for certain fixed income investments, which could cause the value of a client’s fixed income investments to decline.
- **Government-Sponsored Entities** – Such investments may not be guaranteed or insured by the U.S. Government and may only be supported by the credit of the issuing agency.
- **State and Municipal Investment Risks**—Events affecting states and municipalities may adversely affect the strategy’s investments and its 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 assigned to state and municipal issuers of debt instruments. 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 and taxable gains are also possible.
- **Issuers** – The Funds may be adversely affected if the issuers of the securities that the Fund holds do not make their principal or interest payments on time.
- **Prepayments on Pass-Through Securities** – Generally, prepayments of the principal of the loans underlying pass-through securities increase during a period of falling interest rates and decrease during a period of rising interest rates. In periods of declining interest rates, as a result of prepayments the Fund may be required to reinvest its assets in securities with lower interest rates. In period of rising interest rates, slowing prepayments may lengthen the maturity of pass-through securities in the Fund and increase its price sensitivity.

- **Rating Agencies** – Debt securities also go up or down in value based on the perceived creditworthiness of issuers or other obligors rated by one or more nationally recognized statistical rating organizations. If a rating agency revises downward or withdraws its rating of a security in which the Fund invests, that security may become less liquid or may lose value. Rating agencies are subject to an inherent conflict of interest because they are often compensated by the issuers of the securities they rate.
- **Foreign Securities** – Foreign investments tend to be more volatile than domestic securities, and are subject to risks that are not typically associated with domestic securities.
- **High Yield (“Junk” Bonds)** – High yield bonds involve greater risks of default, downgrade, or price declines and are more volatile than investment grade securities. 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.
- **Emerging Markets Risk** - The risk of foreign investments often increases in countries with emerging markets. For example, these countries may have more unstable governments than developed countries, and their economies may be based on only a few industries. Because their securities markets may be very small and less liquid than developed countries, share prices may be volatile and difficult to determine. Emerging markets can have greater custodial and operational risks, and less developed legal and accounting systems than developed markets.
- **Frontier Market Risk** - Frontier market countries are a sub-set of emerging market countries the capital markets of which are less developed, generally less liquid and have lower market capitalization than those of the more developed, “traditional” emerging markets but which still demonstrate a relative market openness to and accessibility for foreign investors. Frontier market countries generally have smaller economies and even less developed capital markets with relatively newer and less tested regulatory and legal systems than traditional emerging markets, and, as a result, the risks discussed above with respect to emerging markets are magnified in frontier market countries. Securities issued by borrowers in frontier market countries are often subject to extreme price volatility and illiquidity and effects stemming from government ownership or control of parts of private sector and of certain companies; trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which frontier market countries trade; and relatively new and unsettled securities laws.
- **Bank Loans** – The Adviser may invest in U.S. and non-U.S. bank loans. Bank loans are not traded on an exchange and purchasers and sellers of bank loans generally rely on market makers, typically the administrative agent under a

bank loan, to effect private sales transactions. As a result, bank loans may have relatively less liquidity than other types of fixed income assets, and the Fund may be more likely to incur losses on the sale of bank loans than on other, more liquid, investments.

- **Financial Services Firms** – The Adviser may invest in obligations of financial services firms, including those of banks. Changes in economic conditions and government regulations can significantly affect these issuers.
- **Life Insurance Policies** - The Adviser may invest in beneficial interests in individual life insurance policies (“Policies”). The Policy owner transfers his or her Policy at a discount to its face value (the amount that is payable upon the death of the insured) in return for an immediate cash settlement. The ultimate purchaser of the Policy (in this case, the City National Rochdale Fixed Income Opportunities Fund) is responsible for premiums payable on the Policy and is entitled to receive the full face value from the insurance company upon the death of the insured. If the Fund is unable to make premium payments on a Policy, the Policy will lapse and the Fund will lose its ownership interest in the Policy. There is currently no established secondary market for Policies, and the Policies are not considered liquid investments. If the Fund must sell Policies to meet redemption requests or other cash needs, the Fund may be forced to sell at a loss. The longer the insured lives, the lower the Fund’s rate of return on the related Policy will be. The underwriter’s estimate of the insured’s life expectancy may be incorrect. An insurance company may be unable or refuse to pay benefits on a Policy. In addition, the heirs of an insured may challenge the life insurance settlement. Although the Fund intends to only purchase Policies for which the applicable contestability period has expired, it is possible that a Policy will be subject to contest by the insurance company. A Policy is a liability of the issuing life insurance company, and if the life insurance company goes out of business, sufficient funds may not be available to pay that liability.

The City National Rochdale Dividend & Income Fund and City National Rochdale U.S. Core Equity Fund (collectively, the “**Equity Funds**”) seek to provide capital appreciation with current income as a secondary consideration in a manner consistent with the quality standards described in the prospectus. The Equity Funds provide investment options ranging from equity securities of large U.S. corporations, U.S. dollar denominated American Depositary Receipts of large foreign corporations, and emerging markets equity.

Investments in the City National Rochdale Equity Funds may expose an investor to the following risks, which are described in greater detail in the Equity Funds’ prospectus and summary prospectuses:

1. **Foreign Investments (American Depositary Receipts)** – Foreign investments tend to be more volatile than domestic securities, and are subject to risks that are not typically associated with their domestic counterparts. Certain Funds invest in U.S. dollar denominated American Depositary Receipts of foreign companies (“ADRs”) which are sponsored by the foreign issuers. ADRs are subject to the risks of changes in currency or exchange rates (which affect the value of the issuer even though ADRs are



denominated in U.S. dollars) and the risks of investing in foreign securities.

## **2. Medium Capitalization (Mid-Cap) Companies –**

Investments in mid-cap companies may involve greater risks than investments in larger, more established companies, such as limited product lines, markets and financial or managerial resources. In addition, the securities of mid-cap companies may have greater price volatility and less liquidity than the securities of larger capitalized companies.

## **3. Large Capitalization (Large-Cap) Companies –**

Investments in large-cap companies may grow more slowly than the overall market. Large-cap stocks tend to go through cycles of doing better—or worse—than other segments of the stock market or the stock market in general.

## **4. Small Capitalization (Small-Cap) Companies –**

Investments in small-cap companies may involve greater risks than investments in larger, more established companies, such as limited product lines, markets and financial or managerial resources. The securities of smaller capitalized companies may have greater price volatility and less liquidity than the securities of larger capitalized companies. The Funds may hold a significant percentage of a company's outstanding shares and may have to sell them at a discount from quoted prices.

**5. Focus** – Consistent with its diversification requirements, a Fund may hold a relatively small number of securities. Losses incurred in such securities could have a material adverse effect on the Fund's overall financial condition and cause it to underperform its relevant benchmarks.

**6. Emerging Markets Risk** - The risk of foreign investments often increases in countries with emerging markets. For example, these countries may have more unstable governments than developed countries, and their economies may be based on only a few industries. Because their securities markets may be very small and less liquid than developed countries, share prices may be volatile and difficult to determine. In addition, foreign investors are subject to special restrictions in many such countries. Emerging markets can have greater custodial and operational risks, and less developed legal and accounting systems than developed markets.

## **Other Material Risks**

*Issuer-Specific Changes.* Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

*Relative Value Risk.* In the event that the perceived mis-pricings underlying the Adviser's relative value trading positions were to fail to converge toward, or were to diverge further from, relationships expected by the Adviser, client accounts may incur a loss.

*Liquidity.* City National Rochdale may invest client portfolios in securities that have limited liquidity features, may not trade in the secondary markets, or be restricted from sale. Such investments may be difficult to sell should a client have immediate liquidity needs. There can be no assurances that City National Rochdale would be able to sell (or redeem) illiquid assets held in a client's portfolio to realize full value in the event clients have a liquidity need. Certain illiquid investments may be impaired and result in losses in client portfolios.

## **Risks Associated with Types of Securities that are Primarily Recommended**

*Equity Securities.* The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity Securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and growth stocks can react differently from value stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

*Emerging Markets.* Many of the risks with respect to foreign investments are more pronounced for investments in developing or emerging market countries, such as many of the countries of Asia, Latin America, Eastern Europe, Africa, and the Middle East. Emerging markets can have greater custodial and operational risks; less developed legal, regulatory, and accounting systems; and greater political, social, and economic instability than developed markets.

*Municipal Bonds.* Municipal bonds rely on revenues including taxes and revenues from public and private projects to pay interest and principal on municipal debt. The payment of principal and interest on these obligations may be adversely affected by a variety of factors at the state or local level, including poor statewide or local economic results, changing political sentiments, legislation, policy changes or voter-based initiatives, erosion of the tax base or revenues of the state or one or more local governments, natural disasters, or other economic or credit problems. High yield bonds involve greater risks of default, downgrade, or price declines and are more volatile than investment grade securities.

*Fixed-Income and Debt Securities.* Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities subject a client's portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in lower-rated debt securities will subject the investments to the risk that the securities may fluctuate more in price and be less liquid than higher rated securities because issuers of such lower-rated

debt securities are not as strong financially, are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

*Life Insurance Policies* - An individual owning an individual life insurance policy ("Policy") may transfer his or her Policy at a discount to its face value (the amount that is payable upon the death of the insured) in return for an immediate cash settlement. The ultimate purchaser of the Policy (in this case, the City National Rochdale Fixed Income Opportunities Fund) is responsible for premiums payable on the Policy and is entitled to receive the full face value from the insurance company upon the death of the insured. If the Fund is unable to make premium payments on a Policy, the Policy will lapse and the Fund will lose its ownership interest in the Policy. There is currently no established secondary market for Policies, and the Policies are not considered liquid investments. If the Fund must sell Policies to meet redemption requests or other cash needs, the Fund may be forced to sell at a loss. The longer the insured lives, the lower the Fund's rate of return on the related Policy will be. The underwriter's estimate of the insured's life expectancy may be incorrect. An insurance company may be unable or refuse to pay benefits on a Policy. In addition, the heirs of an insured may challenge the life insurance settlement. Although the Fund intends to only purchase Policies for which the applicable contestability period has expired, it is possible that a Policy will be subject to contest by the insurance company. A Policy is a liability of the issuing life insurance company, and if the life insurance company goes out of business, sufficient funds may not be available to pay that liability.

*Exchange Trade Funds ("ETF")*. An ETF is a registered investment company that seeks to track the performance of a particular market index. Investing in an ETF generally offers instant exposure to an index or a broad range of markets, sectors, geographic regions or industries. When investing in ETFs, shareholders bear their proportionate share of the ETF's expenses. An investment in an ETF exposes a client to the risks of the underlying securities in which the ETF invests. Also, although ETFs seek to provide investment results that correspond generally to the price and yield performance of a particular market index, the price movement of an ETF may not track the underlying index.

*Market and Management Risk*. Markets may experience volatility and go down in value, possibly sharply and unpredictably. All decisions by CNS require judgment and are based on imperfect information. Additionally, the investment techniques, risk analysis and investment strategies used by CNS in making investment decisions may not produce the desired results.

#### **Principal Investment Strategy of the Asset Allocation Services**

The investment strategy for the asset allocation client is determined based on the needs of the client. City National Rochdale in conjunction with the City National Securities Advisor will determine an appropriate risk-return model based on the current assets, cash flow needs, time horizon and other variables. This model is then presented to the client for approval or modification.

#### **Principal Risks**

The client's performance depends on the portfolio managers' skill in determining appropriate investments. As a result, the client may underperform the equity or fixed income markets, benchmark indices or similar funds.

**Sub-Adviser Allocation** - The client's performance is affected by City National Rochdale's recommendations concerning how much of the portfolio to allocate to each asset category and/or fund.

**Cybersecurity Risk** - In addition to the risks described above that primarily relate to the value of investments, there are various operational, systems, information security and related risks involved in investing, including but not limited to "cybersecurity" risk. Cybersecurity attacks include electronic and non-electronic attacks that include but are not limited to gaining unauthorized access to digital systems to obtain client and financial information, compromising the integrity of systems and client data (e.g., misappropriation of assets or sensitive information), or causing operational disruption through taking systems off-line (e.g., denial of service attacks). As the use of technology has become more prevalent, City National Rochdale and the client accounts City National Rochdale manages have become potentially more susceptible to operational risks through cybersecurity attacks. These attacks in turn could cause City National Rochdale and its client accounts (including the Funds) City National Rochdale manages to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Similar adverse consequences could result from cybersecurity incidents affecting issuers of securities in which we invest, counterparties with which we engage in transactions, third-party service providers (e.g., a client account's custodian), governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers and other financial institutions and other parties. While cybersecurity risk management systems and business continuity plans have been developed and are designed to reduce the risks associated with these attacks, there are inherent limitations in any cybersecurity risk management system or business continuity plan, including the possibility that certain risks have not been identified. Accordingly, there is no guarantee that such efforts will succeed, especially since City National Rochdale does not directly control the cybersecurity systems of issuers or third-party service providers.

## DISCIPLINARY INFORMATION

In 2009, CNS consented to Financial Industry Regulatory Authority (“FINRA”) AWC that it violated NASD Rules 2110, 2210, 2211, 3010 and MSRB Rules G-17, G-21 and Gg-27 in that CNS’ communications with the public, including customers and prospective customers, in its marketing and sale of auction rate securities (ARS) was not fair and balanced, did not provide a sound basis for evaluating the facts in regards to the purchase of ARS and did not disclose the potential for illiquidity with an ARS in the event of an unsuccessful auction. Also, FINRA found that CNS failed to provide adequate training to its registered representatives regarding the features and characteristics of ARS and the differences between ARS and other investments.

FINRA investigated a former employee of an affiliated registered investment advisor, Convergent Wealth Advisors (“CWA”), which is located in Potomac, MD. The investigation concerned an allegation that there was a failure to supervise the outside business activity of the CEO.

CNS was not aware of the activities in question, but did consent to an AWC, without admitting or denying the findings, with the imposition of a censure and a \$250,000 fine. As of September 2016, due to the sale of CWA to another RIA, and are no longer affiliated with and they no longer have any employees registered with CNS.

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

CNS is an investment advisor and broker-dealer registered with the Securities & Exchange Commission and a member of FINRA.

The primary business of CNS is providing brokerage services to its clients. As a broker-dealer and member of FINRA, CNS is a member of the State of California’s Underwriters Pool and, in that capacity, offers new issue municipal securities to its clients; in addition CNS provides advice on a variety of fixed income securities, approved mutual funds, affiliated private funds, preferred stocks, brokered CDs and 529 plans. CNS also provides equity execution services. CNS currently has more than 170 registered representatives providing brokerage services to individuals, investment companies, pension and profit sharing plans, trusts, estates and charitable organizations, and businesses. CNS and its principal executive officers spend approximately 70% of their time on broker-dealer matters.

CNS is a wholly owned subsidiary of CNB. CNS has retained the Sub-Advisor to provide advisory services to program clients. NFS will provide the custody, clearance, and settlement services provided under the Program. All securities will be held for the Accounts in the name of NFS or its nominees for the benefit of the clients. NFS will maintain records, on a client-by-client basis, reflecting securities beneficially owned by Program clients. NFS receives fees for such services. Among the assets in which the Sub-Advisor may invest the accounts in are the Affiliated Mutual Funds. The Sub-Advisor is a wholly owned subsidiary of CNB, and is the advisor to certain portfolios of the Affiliated Mutual Funds. The Sub-Advisor may pay CNS compensation relating to the accounts’ investments in the Affiliated Mutual Funds, including the shareholder servicing fee. Investment Management fees may be wholly or partially rebated to the account on a quarterly basis in accordance with the Account’s fee schedule. Additionally, 12b-1 fees (if applicable) will be rebated to the Account on a quarterly basis. CNS will provide advance notification

of any changes to the Affiliated Mutual Funds management fee rebate schedule

Use of the Affiliated Mutual Funds may result in higher or lower fees than would be paid if the Accounts were invested in other vehicles. Additionally, a restriction can be imposed on the investment of the Account in the Affiliated Mutual Funds subject to the investment strategy provisions in the investment advisory program Terms and Conditions.

## CONFLICTS OF INTEREST FOR PURCHASES OF AFFILIATED FUNDS

CNS retains affiliate City National Rochdale (“CNR”) as a Sub-Advisor for its advisory programs. As a Sub-Advisor, CNR has discretion to purchase CNR Funds and other affiliated funds on behalf of clients, which may result in servicing and fund-level fees in addition to the investment management fees CNR receives as an investment manager. CNR has a financial incentive to purchase affiliated funds over other unaffiliated funds which may be less expensive and more economical to the client’s overall portfolio. The receipt of these fees present an inherent conflict of interest, which may affect CNR’s ability to provide clients with unbiased, objective investment advice concerning the selection of funds and share classes.

Clients should be aware that multi-layering of fees may occur when CNR purchases City National Rochdale Funds or other affiliated funds on behalf of clients. The total cost to hold these funds may be higher than other unaffiliated funds, which are equally appropriate for a client’s account. Higher fees will impact the investment performance of the client’s account overall.

CNR may automatically sweep cash balances into an affiliated money market fund, the City National Rochdale Government money market fund (CNR Govt. MMF). CNR and CNS receive compensation on CNR client assets invested in the CNR Govt. MMF. Interest rates received on Sweep Funds may be lower than the interest rates available if clients make deposits directly with a bank or other depository institution outside of the Program or invests other money market funds or cash equivalents.

City National Rochdale at times will recommend or buy for clients Affiliated Funds, even when similar unaffiliated funds charge lower fees. City National Rochdale’s and its affiliates’ receipt of these fees is a conflict of interest because it also has an interest in helping its affiliates earn more fees. While CNS seeks to give clients unbiased, objective investment advice about the selection of funds and share classes for its clients, it also has an interest in earning more fees for itself and its affiliates by recommending or buying for clients Affiliated Funds. CNS seeks to mitigate this conflict by crediting some fees to clients, with a few exceptions, as we discuss above in “Mutual Fund and Interval Fund Fees and Compensation.” through disclosure in this brochure. Because we and/or our affiliates keep at least some of these fees, we continue to have a conflict of interest in recommend or buying Affiliated Funds for your account.

## Affiliated Fund Fees

As part of ongoing investment management by Sub-Advisor CNR, the following City National Rochdale Funds and Royal Bank of Canada Funds (collectively, the “Affiliated Funds”) may be utilized for client accounts, unless the client requests otherwise. CNS

believes that the Affiliated Funds are appropriate investments because they offer a wide variety of investment strategies and objectives and provide professional investment management, diversification, daily liquidity, and convenience.

Assets held in CNS Asset Allocation Program accounts may qualify to receive a rebate of all or a portion of the fees charged by Affiliated Funds, outlined as follows. If applicable, fees will be rebated on a monthly basis.

City National Rochdale Funds	CNR Fund Investment Management Fees	Fund Investment Management Fee Rebate %	Servicing Fees	12b-1 Fees
Government Money Market – Servicing Class	0.26%	100%	0.25%	N/A
Corporate Bond – Servicing Class	0.40%	100%	0.25%	N/A
California Tax Exempt Bond – Servicing Class	0.27%	100%	0.25%	N/A
Government Bond – Servicing Class	0.43%	100%	0.25%	N/A
Municipal High Income Fund – Servicing Class	0.50%	50%	0.25%	N/A
U.S. Core Equity – Servicing Class	0.40%	100%	0.25%	N/A
Dividend and Income – N Class	0.50%	100%	0.25%	0.25%
Intermediate Fixed Income – N Class	0.40%	100%	0.25%	0.25%
Fixed Income Opportunities – N Class	0.50%	100%	0.25%	0.25%
Select Strategies Fund	0.50%*	0%	0.25%	N/A
Short Term Emerging Markets Debt	0.50%*	0%	0.25%	N/A
Strategic Credit Fund	1.50%*	0%	0.25%	N/A
RBC Funds	RBC Fund Investment Management Fees	Fund Investment Management Fee Rebate %	Servicing Fees	12b-1 Fees

Small Cap Value – Institutional Class	0.80%	50%	0.15%	N/A
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\*The Investment Management fee rebate percentage reflected in the table above is applied against the net fee (net of fees paid to third party sub-advisors) paid by the fund to City National Rochdale or RBC Global Asset Management.

City National Rochdale or RBC Global Asset Management rebates all or a portion of the fund level management fees for the Affiliated Funds with the exception of the Select Strategies Fund, the Short-Term Emerging Markets Debt Fund and the Strategic Credit Fund as reflected in the chart above. The fund level management fees are in addition to City National Rochdale's management fees charged for investment management services. ERISA and other tax-deferred retirement accounts will be rebated the entire fund management fee, as well as the 12b-1 Fees, if applicable. 12b-1 Fee rebates are generally not available to taxable accounts. **Shareholder servicing fees are not rebated.**

Investment Management fees are rebated to the account on a quarterly basis in arrears. Additionally, 12b-1 Fees, if applicable, will be rebated to the account on a quarterly basis for ERISA and other tax deferred retirement accounts.

Periodically, CNR intends to add funds to the City National Rochdale Funds offering or introduce additional RBC Funds. Before we invest your account's assets in one of these additional funds, we will notify you that we intend to add the fund and send you the fund's prospectus or summary prospectus. City National Rochdale's affiliated broker-dealer, CNR Securities, LLC, may also receive miscellaneous fees for transactions effected in the City National Rochdale Funds and RBC Funds.

Shareholder servicing fees compensate CNS for responding to shareholder inquiries, processing shareholder purchases and redemptions, shareholder account maintenance, transmitting proxies/annual reports and other correspondence from the Funds to shareholders, and for providing office space, equipment, facilities and personnel to provide the aforementioned services.

## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

### Code of Ethics

CNS has adopted a written Code of Ethics (the "Code") that establishes various procedures with respect to investment transactions in which CNS' related persons have a beneficial interest that are designed to reduce the potential for conflicts of interest. CNS' employees, officers, and directors are dual employees of the Bank, and are subject to CNB's Code of Ethics.

In order to monitor compliance with its personal trading policy, CNS has adopted a quarterly securities transaction policy for all of its Access Persons. For purposes of the policy, an Access Person's "personal account" generally includes any account (a) in the name of the Access Person, his/her spouse, his/her minor children or other dependents residing in the same household, b) for which the Access Person is a trustee or executor, or c) which the Access Person controls and in which the Access Person or a member of his/her

household has a direct or indirect beneficial interest.

The CNS Code generally sets the standard of business that CNS requires of all colleagues associated with the Program, requires these colleagues to comply with applicable federal securities laws, and sets forth provisions regarding personal securities transactions by Access Persons. Additionally, the Code sets forth CNS policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary duties that CNS and each of its colleagues whose responsibilities include the Program has to its clients. The Code is circulated least annually to all colleagues whose responsibilities include the Program, and each of these colleagues at least annually must certify in writing that he or she has received and followed the Code and any amendments thereto. CNS shall provide a copy of its Code to any client or potential client upon request.

#### **Participation or Interest in Client Transactions**

CNS is a registered broker dealer and its principal business is acting as an introducing broker for its clients. CNS has established policies and procedures for CNS employees and related persons in order to ensure that it meets its fiduciary responsibilities and to prevent improper conduct wherever potential conflicts of interest may exist with respect to a client.

CNS offers the Affiliated Mutual Funds to its brokerage clients and may use the Affiliated Mutual Funds for its advisory clients. City National Rochdale, a wholly owned subsidiary of CNB and registered investment advisor acts as the investment advisor to the City National Rochdale Mutual Funds and RBC Global Asset Management (US) a wholly owned subsidiary of CNB's parent company is the investment advisor to the RBC Funds. The Affiliated Mutual Funds also pay shareholder servicing fees to the CNS to compensate for services including legal, marketing and accounting support. City National Rochdale may allocate a portion of these fees (based on asset balances in both advisory and brokerage accounts) to CNS. Any 12b-1 fees received from the Affiliated Mutual Funds are rebated to the account quarterly.

The Sub-Advisor may invest its other client accounts in portfolios that are similar to the Program strategies and that invest in the same securities in which Accounts are invested under the Program. As a result, the Sub-Advisor may place trades for its other client accounts before Program client accounts. In this circumstance, the prior trading of the Sub-Advisor may cause trades ultimately placed by the Sub-Advisor for the Program clients to be subject to price movements, particularly with large orders or where securities are thinly traded, that may result in the Program clients receiving prices that are less favorable than the prices obtained by the Sub-Advisor for its other client accounts. Because CNS does not control the Sub-Advisor's execution of transactions for its other client accounts, CNS cannot control the market impact of such transactions.

#### **Brokerage Practices**

The Sub-Advisor has arrangements with certain brokers through which Program trades may be executed, under which a portion of the amount of commissions paid is used to purchase research or brokerage services. The research received includes advice regarding the value or advisability of investing in or selling securities, providing analyses or reports concerning issuers, industries, securities, economic trends, and portfolio strategy. The brokerage services include effecting securities transactions and performing incidental functions such as clearance, settlement, and custody.

#### **REVIEW OF ACCOUNTS**

The Sub-Advisor conducts an initial and annual investment review of all Program accounts. These reviews are written, however, they are not provided to customers.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

CNS does not compensate for referrals.

#### **FINANCIAL INFORMATION**

Registered investment advisors are required to provide you with certain financial information or disclosures about CNS financial condition. CNS has no financial commitment that impairs its ability to meet contractual commitments to clients.



FEE SCHEDULES

Following are the standard fees for the Program:

INVESTMENT MANAGEMENT

Annual Fees on Market Value:  
Assets under Management:

1.25% on the first:	\$1,000,000
1.00% on assets over:	\$1,000,000

Account Minimums:

Minimum Annual Fee:	\$500
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Transaction Fees:

Equities and Exchange Traded Funds:	\$3.50
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Disbursements:

Check	\$5.00
Wire	\$15.00

Diversified Fixed & Conservative Growth & Income

Annual Fees on Market Value:  
Assets under Management:

0.80% on the first:	\$1,000,000
0.65% on assets over:	\$1,000,000

Account Minimums:

Minimum Annual Fee:	\$500
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Transaction Fees:

Equities and Exchange Traded Funds:	\$3.50
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Disbursements:

Check	\$5.00
Wire	\$15.00

IRAs:

Additional Fees:

Annual Maintenance	\$35.00
Termination Fee	\$125.00

Mutual Funds Expenses:

Clients invested in mutual funds through this Program will bear a proportionate share of the fees and expenses of any mutual fund in which their assets are invested. The mutual fund fees and expenses are in addition to the Program fees. These fees and expenses may include investment advisory, administrative, distribution, transfer agent, custodial, legal, audit, and other customary fees and expenses charged by mutual funds. The client is encouraged to read the prospectuses of the mutual funds in which the Account assets are invested for an explanation of these fees and expenses.

If a client transfers a previously purchased investment into a CNS account, such as a mutual fund, annuity or alternative investment, or liquidates the previously purchased investment and transfers the proceeds into a CNS account, clients may incur a fee (sometimes called a “surrender charge,” “contingent deferred sales charge” or

“CDSC”) upon the sale or redemption in accordance with the investment product’s prospectus. In many cases, the CDSC is only charged if a client does not hold the security for a minimum period of time. If a client transfers a previously purchased mutual fund into an account that is subject to a CDSC, then the client will pay that charge when the mutual fund is sold, unless the client instructs otherwise at the time of account opening.

CNS and its affiliates may have a variety of banking, financial, or service relationships with mutual funds in which Accounts are invested. These relationships include acting as investment advisor or shareholder servicing agent. CNS may receive compensation from such funds in addition to the Program fee. Program Accounts will not be invested in mutual funds, which pay CNS, the Sub-Advisor, or their affiliates a front end, back end, or contingent sales charge. Account level investment management fees received by City National Securities may be charged at a lower rate or the fund level advisory fees received by City National Rochdale may be partially or wholly rebated to the account on a quarterly basis in accordance with the Account’s fee schedule. Additionally, 12b-1 fees (if applicable) will be rebated to the Account on a quarterly basis.

Other Fees

CNS’s investment management fees are exclusive of brokerage commissions, transaction fees, and other related costs that clients will pay. Clients will incur other charges imposed by brokers, and other third parties such as fees charged by managers, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees for securities transactions.

Mutual funds, other pooled funds and exchange-traded funds (“ETFs”) also charge management fees, which are disclosed in a fund’s prospectus or subscription documents. Such charges, fees and commissions are exclusive of and in addition to CNS’s fee. The subadvisor, CNR shall receive a fee for managing their Funds and CNR may receive some portion of the commissions, fees, and costs mentioned above. In many cases, the client could invest in the same mutual fund or ETF without paying a fee to CNS, however, the client would then not receive advice, review and monitoring services from the sub-advisor City National Rochdale.

City National Rochdale receives investment management fees from the Funds out of which City National Rochdale pays sub-advisers who provide day-to-day investment management services to those Funds utilizing a third-party sub-adviser. The fees that City National Rochdale receives are disclosed in each Fund’s prospectus or offering documents.