FIRST QUARTER 2022 REVIEW & OUTLOOK
EXECUTIVE SUMMARY

12 April 2022

PORTFOLIO THEMES

- We continue to favour larger, high-quality companies given our assessment that we remain in a late bull market cycle in global equities.
- We remain constructive on global equities and believe the relative strength in cyclical and defensive categories will likely reverse as we move past the market correction.
- Economic growth and inflation expectations likely continue to moderate as supply and labour constraints subside, supporting our preference for growth equities.

MARKET OUTLOOK

- **Early Year Volatility Appears to be a Classic Correction:** Geopolitical uncertainty drove a sharp, early year decline in global markets. Despite the humanitarian tragedy, the scope of the conflict seems unlikely to derail the global economy or global equity markets.
- **Increased Investor Pessimism:** Depressed sentiment, driven primarily by Russia's invasion of Ukraine and concerns on inflation, has significantly lowered investor expectations increasing the likelihood that markets realise a better-than-expected outcome.
- **Global Markets Typically Reward US Political Gridlock:** The incumbent party routinely loses power during the midterm year, reducing political uncertainty and the likelihood of extreme legislation. Increased gridlock likely acts as a tailwind for global markets in the back half of the year.

After hitting a 4 January high, global markets fell into this bull market's first correction as investors feared rising interest rates, inflation and Vladimir Putin's vile Ukrainian invasion. At its 8 March low, the MSCI ACWI Index was down -13.4% before rallying to put full-quarter returns at -5.4%[i]. Despite the volatility, we still believe 2022 should be good for equities, with Tech and growth leading.

This turbulent start to the year unnerved many, especially with the tragic Ukraine invasion. Yet this appears to be a classic correction. Like typical corrections, this decline was a steep drop off a market high with big scare stories that headlines quickly extrapolated into worst-case scenarios. Excluding 2020's lockdown-driven (and correction-like) downturn, bear markets usually start much more gradually, with investors much more complacent—even dismissive. The central cause typically expands unnoticed, getting scant attention until far later in the downturn. By contrast, corrections strike and recover quickly, although neither happen in straight lines. Equities usually move on to material up moves afterwards.

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i Source: FactSet, as of 01/04/2022. MSCI ACWI Index returns with net dividends, 04/01/2022 – 08/03/2022 and 31/12/2021 – 31/03/2022.

When 2022 began, we forecast a nicely positive but back-end-loaded year, with early volatility. We still believe this is most likely, hard as it may be to fathom after this difficult quarter. All those suffering from the war have our deepest sympathies. Yet neither Russia's invasion nor sanctions' fallout changes our market outlook. While the human toll will last for years—with the damage to so many irreparable—for equities, this too shall pass. There is a very long history of regional wars and corrections. Corrections often end with a V-shaped bottom, and perhaps we are on the right side of that now. Or, perhaps this will have a W-shaped bottom, delaying the rebound briefly with another brief down spurt ahead.

While we didn't forecast the invasion, we wouldn't expect to. Nor have we ever tried predicting corrections or other short-term swings. Yet we did think the first half would likely be volatile—the correction fits with this, similar to other midterm-year corrections. The war simply adds to this uncertainty in the near term. The economic response, particularly sanctions, extends some of the dislocations weighing on sentiment and triggering inflation. Yet these issues aren't insurmountable for equities. The MSCI ACWI and S&P 500 are both nicely positive since 24 February, the day Russian forces invaded Ukraine.

Always remember: Equities don't need perfection. Objectively negative realities aren't always negative for equities, especially if they don't go as badly as feared. Due to high oil and gas prices stemming from the war, inflation likely peaks higher and stays elevated longer than we initially expected. Objectively, this is bad, creating hardship and forcing people into tough choices. Yet the economy has already proven strong enough to absorb the hit. Many businesses' gross operating profit margins remain fat, particularly large growth equities.

Additionally, inflation-adjusted spending remains firm. Business surveys globally show strong activity, with higher input costs hitting sentiment more than output. This is true even in Europe, which is the most vulnerable major region to the war and sanctions' economic dislocations. If the war's fallout were to drive a global recession, Europe would show it first. But data suggest Europe is faring better economically than most assumed. If Europe doesn't contract, the chances of Ukraine driving a global recession are low. Slower growth is almost certain but that doesn't stop equities. We have long expected growth to slow after the initial COVID reopening surge.

Emerging Markets (EM) were down slightly more than developed in Q1 falling -7.0%.[ii] Yet with careful analysis, EM's volatility is a tale of divergence between China and the rest of the emerging world. Seventeen of the MSCI EM Index's now 24 constituent countries have had positive year-to-date returns, many of them in the high double digits. Chinese equities meanwhile fell -14.2% over the quarter.[iii] Yet there is some encouraging news, as the MSCI China was down -24.9% month-to-date in mid-March, before a 22.5% rally in the month's second half.[iv] The early decline stemmed first from a sentiment reaction to US officials putting a few small, US-listed Chinese firms on delisting watch—sparking fears that bigger companies would follow—and the COVID outbreak and lockdown in Shenzhen. Yet in the early morning US time on 16 March, Chinese officials announced several measures aimed at calming markets. Additionally, Chinese officials signaled a forthcoming end to Tech regulatory uncertainty, a heightened focus on backstopping troubled property developers, and continued accommodative fiscal and monetary policy. While we don't think any of these issues had much fundamental power moving forward, they have weighed heavy on sentiment and therefore returns, making China's announcement a beneficial confidence boost.

ii Ibid. MSCI EM returns in USD with net dividends, 31/12/2021 – 31/03/2022.

iii Ibid. MSCI China returns in USD with net dividends, 31/12/2021 – 31/03/2022.

iv Ibid. MSCI China returns in USD with net dividends, 28/02/2022 – 15/03/2022 and 15/03/2022 – 31/03/2022.

Many forecasters now fear the eurozone will enter recession this year as the war's fallout sends energy and food prices higher and hurts consumer confidence. It is possible eurozone GDP contracts, though the latest business surveys suggest eurozone businesses continue to expand despite the geopolitical related uncertainty. Additionally, we don't think the energy supply issues are as dire as projected. Sanctions haven't prevented Russia from selling oil to India and China, which has freed up other producers to sell to Europe. Moreover, big global producers (e.g., the US) are set to raise output this year, adding to global supply. Like other commodities, oil supply and demand are likely to be in better balance than many appreciate.

Long-term interest rates' rise is the other big fear—frequently cited as negative, especially for growth equities. Yet reality suggests otherwise. One, growth equities have a long history of rallying alongside higher long rates, as the full Review will detail. Two, higher long rates steepened the yield curve—a positive economic signal.[v] If a recession were nigh, we would expect an inverted yield curve, with 3-month rates exceeding 10-year. As we will detail, while many fret inversions at other less-important segments of the yield curve, like the commonly touted 2-year to 10-year spread, the most meaningful spread is wider today than at 2022's outset. Amazingly, this remains largely unnoticed.

How long war-intensified disruptions will last is unknowable. Eventually, though, they should fade alongside rising US political clarity from the midterms. The US elections will likely create traditional interparty gridlock—bringing benefits that have a long reality of positively surprising almost everyone as they induce political calmness. This usually generates a late-year rally, and maybe this correction accelerates the rally's arrival. Regardless, whether it comes immediately or later this year, we think patient investors will be rewarded. Of course, we are monitoring risks to this outlook, and could change course if we saw a huge enough negative shock to have us believe a bear market was underway. But, for now, we see nothing with the size and surprise for that.

v Source: FactSet, as of 04/04/2022. Statement based on comparison of 10-year Treasury and 3-month Treasury constant maturity yields.

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1. FISHER INVESTMENTS EUROPE

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2. COMMUNICATIONS

Fisher Investments Europe can be contacted by mail at Level 18, One Canada Square, Canary Wharf, London, E14 5AX; by telephone on +44 0800 144 4731; or by email to FIEOperations@fisherinvestments.co.uk. All communications with Fisher Investments Europe will be in English only. Fisher Investments Europe's web address is https://institutional.fisherinvestments.com/en-gb.

3. SERVICES

These Terms of Business explain the services offered to professional clients and will apply from when Fisher Investments Europe begins to advise you. Fisher Investments Europe offers restricted advice only (meaning it does not offer independent advice based on an analysis of the whole of the market), as more fully explained in Clause 4 below. As part of its services, Fisher Investments Europe seeks to:

a) Reasonably determine your client categorisation;

b) Understand your financial circumstances and investment aims to determine whether the full discretionary investment service described in Clause 4 and the proposed investment mandate and accompanying benchmark(s) (or an Undertaking for Collective Investment in Transferable Securities ("UCITS") with a similar mandate and benchmark for which Fisher Investments Europe's parent company serves as investment manager) are suitable for you;

c) Explain features of the investment strategy;

d) Describe investment performance as it relates to the investment strategy;

e) Provide a full explanation of costs;

f) Assist in the completion of documentation;

g) Where specifically agreed, review your position periodically and suggest adjustments where appropriate.

Fisher Investments Europe will not provide ongoing services unless you enter into an agreement for discretionary investment management services or invest in a UCITS as described in Clause 4.

4. DISCRETIONARY INVESTMENT MANAGEMENT SERVICE AND INVESTMENTS

To help you achieve your financial goals, Fisher Investments Europe may offer its discretionary investment management services. In such case, Fisher Investments Europe will delegate the portfolio management function, as well as certain ancillary services, to its parent company, Fisher Asset Management, LLC, trading as Fisher Investments, which has its headquarters in the USA and is regulated by the US Securities and Exchange Commission. In certain limited circumstances where appropriate, Fisher Investments Europe may recommend that you establish a discretionary investment management relationship directly with Fisher Investments. In such case, Fisher Investments Europe acts as an introducing firm. A separate investment management agreement will govern any discretionary investment management relationship whether with Fisher Investments Europe or with Fisher Investments. Subject to applicable regulations, for qualified investors Fisher Investments Europe may recommend an investment in UCITS regulated by the Central Bank of Ireland and for which Fisher Investments serves as investment manager.

5. CLIENT CATEGORISATION

Fisher Investments Europe deals with both retail clients and professional clients. All clients and potential clients who deal with Fisher Investments Europe's institutional relationship managers ("RMs") will be treated as professional clients, either through qualification as a professional client or, in the case of local municipal authorities, through opting up to be treated as a professional client. Accordingly, you are categorised as a professional client. You have the right to request re-categorisation as a retail client which offers a higher degree of regulatory protection, but Fisher Investments Europe does not normally agree to requests of this kind.

6. FINANCIAL SERVICES COMPENSATION SCHEME ("FSCS")

Whilst the activities of Fisher Investments Europe are covered by the FSCS, compensation under the FSCS in the event Fisher Investments is unable to meet its liabilities because of its financial circumstances is only available to eligible claimants. Because you have been categorised as a professional client, you are unlikely to be eligible. In addition, the protections of the UK regulatory regime, including the FSCS, do not apply in relation to the services of Fisher Investments or any non-UK service providers or to the extent your assets are invested in non-UK funds or ETFs. In the event you are eligible and do have a valid claim, the FSCS may be able to compensate you for the full amount of your claim up to £50,000 per person per firm. You can contact Fisher Investments Europe or the FSCS (www.fscs.org.uk) in order to obtain more information regarding the conditions governing compensation and the formalities which must be completed to obtain compensation.

7. RISKS

Investments in securities present numerous risks, including various market, currency, currency fluctuation, economic, political, instability, business, differences in financial reporting, liquidity risk, interest rate risk, credit risk, and other risks, and can be very volatile. Investing in securities can result in a loss, including a loss of principal. Using leverage to purchase and maintain larger security positions will increase exposure to market volatility and risk of loss and is not recommended. Investments in securities are only suitable for clients who are capable of undertaking and bearing a risk of loss. Specific risks associated with particular types of securities that may be held in your account are explained further in the IMA. Past performance is not a guarantee nor a reliable indicator of future investment returns. Fisher Investments Europe cannot guarantee and makes no representation or warranty as to future investment returns or performance. There is no guarantee for avoidance of loss, which is impossible with investments in securities, and you have not received any such guarantee or similar warranty from Fisher Investments Europe or any representatives thereof.

8. DATA PROTECTION

To advise you on financial matters, Fisher Investments Europe may collect personal and sensitive information subject to applicable data protection laws. By providing such information to Fisher Investments Europe, you consent to Fisher Investments Europe processing your data, both manually and electronically, including transferring data outside the European Economic Area, including to its parent, Fisher Investments, in the United States, for the purposes of providing services and enabling Fisher Investments to provide services, maintaining records, analysing your financial situation, providing information to regulatory bodies and service providers assisting Fisher Investments Europe and/or Fisher Investments in providing services, or otherwise permitted by law. Upon request, you are entitled to obtain access to and to rectify the data relating to you.

9. CUSTODY AND EXECUTION

Neither Fisher Investments Europe nor Fisher Investments is authorised to hold client money. Neither Fisher Investments Europe nor Fisher Investments will accept cheques made out to it in respect of investments, nor will they handle cash. All client assets are held at external custodians where each client has a direct account in their own name. If you appoint Fisher Investments Europe as your discretionary asset manager, execution of transactions will be arranged through such custodians and brokers and at such prices and commissions that Fisher Investments determines in good faith to be in your best interests. Further information regarding selection of brokers is set out in the investment management agreement with Fisher Investments Europe (the "IMA").

If you appoint Fisher Investments Europe as your discretionary asset manager, Fisher Investments Europe or Fisher Investments, pursuant to an outsourcing agreement with Fisher Investments Europe, will arrange for the execution of transactions through those custodians and brokers and at such prices and commissions that it determines in good faith will be in your best interests. Further information regarding the selection of brokers is governed by the IMA. Fisher Investments Europe does not structure or charge its fees in such a way as to discriminate unfairly between execution venues.

The brokers and dealers to which your transactions may be allocated will use various execution venues, including without limitation:

a) Regulated Markets in the USA or elsewhere (usually those exchanges where companies have their primary listing and other exchanges on which their securities are admitted to trading);

b) Multi-Lateral Trading Facilities ("MTF") and Organised Trading Facilities ("OTF") in the USA or elsewhere (i.e. a multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments—in the system and in accordance with non-discretionary rules—in a way that results in a contract);

c) Systematic Internalisers (which are investment firms dealing as principal and providing liquidity on a systematic basis);

d) Other liquidity providers that have similar functions to any of the above;

e) Counterparties that may access the above venues on behalf of Fisher Investments Europe or Fisher Investments (or their clients) or trade on their own account.

You must be notified and approve of any off-venue trades prior to execution unless previously agreed to by you directly with the custodian. As a result of brokers/dealers using the execution venues mentioned above, your transactions may be executed on an execution venue that is neither a regulated market in the European Union nor an MTF in the European Union and therefore you will be required to expressly consent to the execution policy of Fisher Investments Europe by signing the IMA.

Fisher Investments Europe's top five trading venues are listed on its website.

Generally, financial instruments will not be affected if a custodian suspends payments or goes bankrupt. This is due to the fact that you will normally be able to take possession of your financial instruments based on the custodian's registration of your rights. Generally, it is only if the custodian fails to handle your financial instruments or register your rights correctly where you may not be able to take possession of the financial instruments.

If you appoint Fisher Investments Europe as your discretionary asset manager, you will receive a periodic statement every calendar quarter. This statement compares the performance of your account with that of a relevant benchmark in order to facilitate the assessment of performance achieved by the account. For performance, management fee calculation and reporting purposes, exchange traded equity securities are valued based upon the price on the exchange or market on which they trade as of the close of business of such exchange or market. All equity securities that are not traded on a listed exchange are valued using a modelled estimate of the bid price, also known as a bid evaluation, provided by Fisher Investments Europe's primary pricing service. Fixed income securities are valued based on market quotations or a bid evaluation provided by Fisher Investments Europe's primary pricing service. All securities are valued daily given a price from Fisher Investments Europe's primary pricing service is provided; otherwise, all securities are valued on at least a monthly basis.

10. CONFLICTS OF INTEREST

Fisher Investments Europe has a conflicts of interest policy to identify, manage and disclose conflicts of interest Fisher Investments Europe, Fisher Investments or any of their employees or representatives may have with a client of Fisher Investments Europe, or that may exist between two clients of Fisher Investments Europe. Fisher Investments Europe's conflicts of interest policy covers gifts and favours, outside employment, client privacy, inadvertent custody, marketing and sales activities, recommendations and advice, and discretionary investment management services. RMs employed by Fisher Investments Europe are paid a variable component of their total remuneration, calculated as a percentage by reference to management fees paid to the Investment Manager during the first three years of the client relationship. Such remuneration is will not increase or impact the fees payable by you. Details on Fisher Investments Europe's conflicts of interest policy are available on request. In addition, Fisher Investments Europe provides a copy of Fisher Investments' Form ADV Parts 2A and 2B to all clients, detailing additional conflicts of interest applicable to Fisher Investments.

11. FEES

If you appoint Fisher Investments Europe as your discretionary investment manager, you will pay management fees to Fisher Investments Europe as detailed in the IMA. Fisher Investments Europe will pay a portion of such management fees to Fisher Investments as the sub-manager. If you appoint Fisher Investments directly as your discretionary investment manager, you will pay management fees directly to Fisher Investments as detailed in the investment management agreement. If you invest in a UCITS fund managed by Fisher Investments, Fisher Investments will receive its management fee indirectly through the UCITS. Fisher Investments Europe does not charge a separate fee for its introducing or distribution services. You will also incur transaction and custody fees charged by brokers and custodians. However, any such additional fees will be payable directly to brokers/custodians, and neither Fisher Investments Europe nor Fisher Investments will share in any commission or other remuneration.

12. TERMINATION

If you wish to cease using the services of Fisher Investments Europe at any time, then send notification and the arrangement will cease in accordance with the IMA. However, if a transaction is in the middle of being arranged on your behalf at that time and it is too late to unwind it, then the transaction may need to be completed first.

13. COMPLAINTS

Fisher Investments Europe seeks to provide a high standard of service to clients at all times. If you have a complaint about services, please contact Fisher Investments Europe:

by writing to:	Head of Compliance Fisher Investments Europe Limited Level 18, One Canada Square Canary Wharf, London, E14 5AX
or by calling:	+44 0800 144 4731
or by emailing:	FIEOperations@fisherinvestments.co.uk

Fisher Investments Europe will endeavour to resolve the matter, as soon as practicable and generally within 8 weeks. If you are dissatisfied with the outcome of any complaint made to Fisher Investments Europe, or you do not receive a response within such time, you may be eligible to complain directly to the UK Financial Ombudsman Service ("FOS"). Further details in respect of FOS can be found at www.financial-ombudsman.org.uk.

14. GOVERNING LAW

These Terms of Business are governed by English law.

Should you have any questions about any of the information provided above, please contact FIE by mail at Level 18, One Canada Square, Canary Wharf, London, E14 5AX or by telephone at +44 (0)207 299 6848.