

MACRO INSIGHTS

Q3 2019

FISHER INVESTMENTS[™]

INSTITUTIONAL GROUP

FISHER INVESTMENTS EUROPE[™]

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TABLE OF CONTENTS

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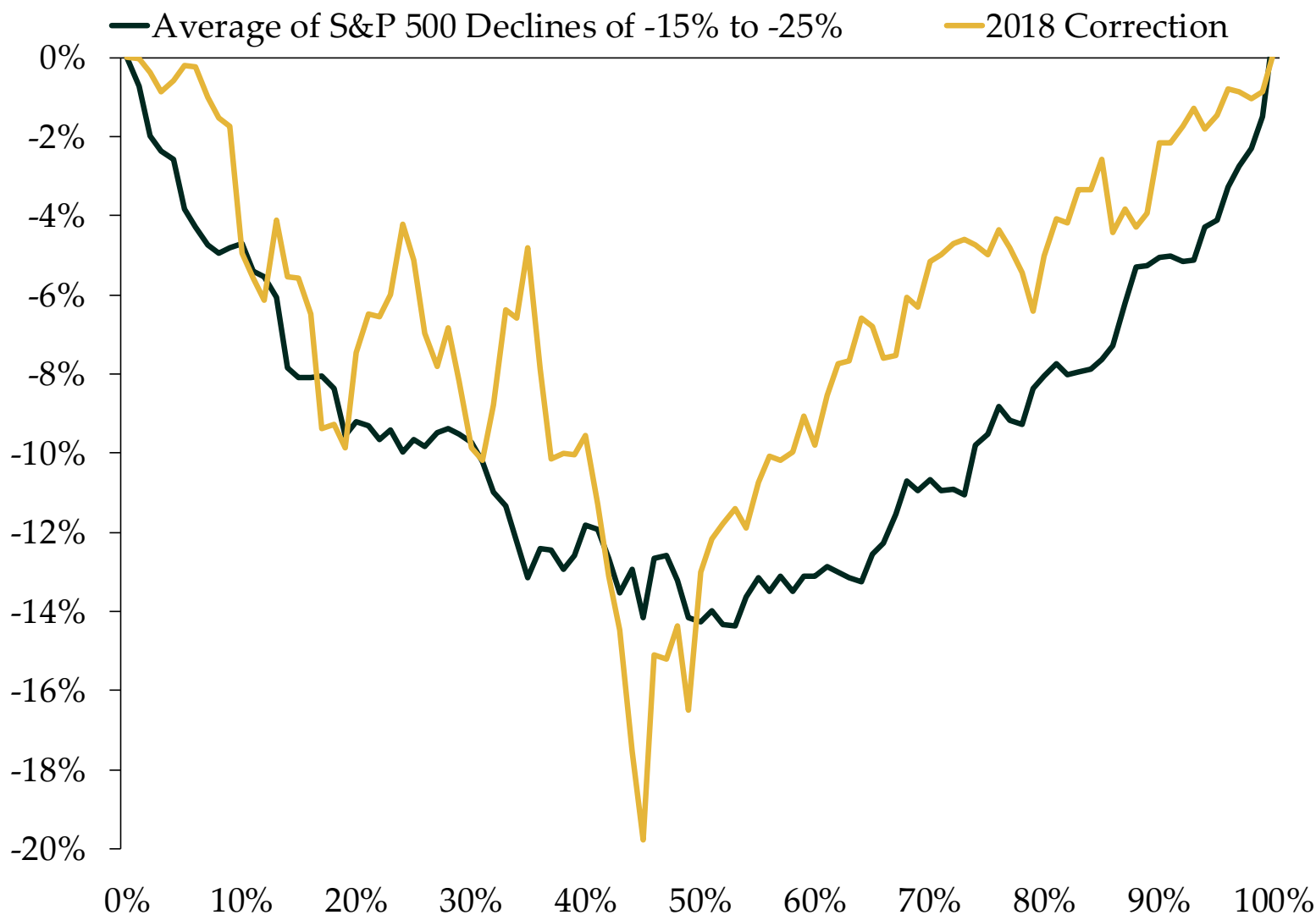
• Market Outlook	1
• Developed Markets	9
• Emerging Markets	17
• Sector Views	26
• Current Market Topics	35

MARKET OUTLOOK 2019

- The bull market should continue but slow in 2nd half 2019
- The Q4 2018 correction and recovery played out in a near perfect V
- Equity valuations should expand in 2019 after contracting in 2018
- Post-correction new highs are typically followed by continued gains
- Equities accelerate in bull markets' final third
- Equity outflows set the stage for upside surprise

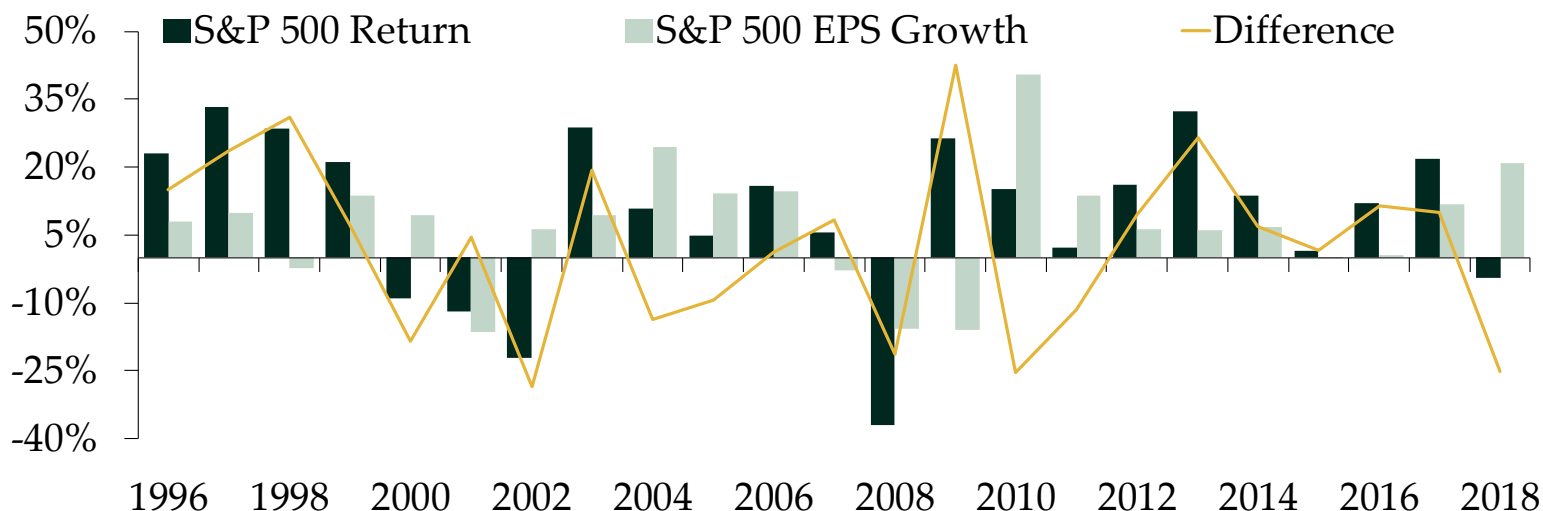
2018 CORRECTION: A NEAR-PERFECT “V”

The late 2018 correction and subsequent recovery followed the characteristic V-shaped pattern seen in prior downturns.



MULTIPLE EXPANSION FOLLOWS CONTRACTION

The difference between earnings growth and stock market performance in 2018 was one of the biggest since 2002. The only years of up earnings but down markets since 1995 were 2000, 2002, and 2018. Every year in recent history except 2000 that has featured earnings outpacing equity market returns has been positive the following year.

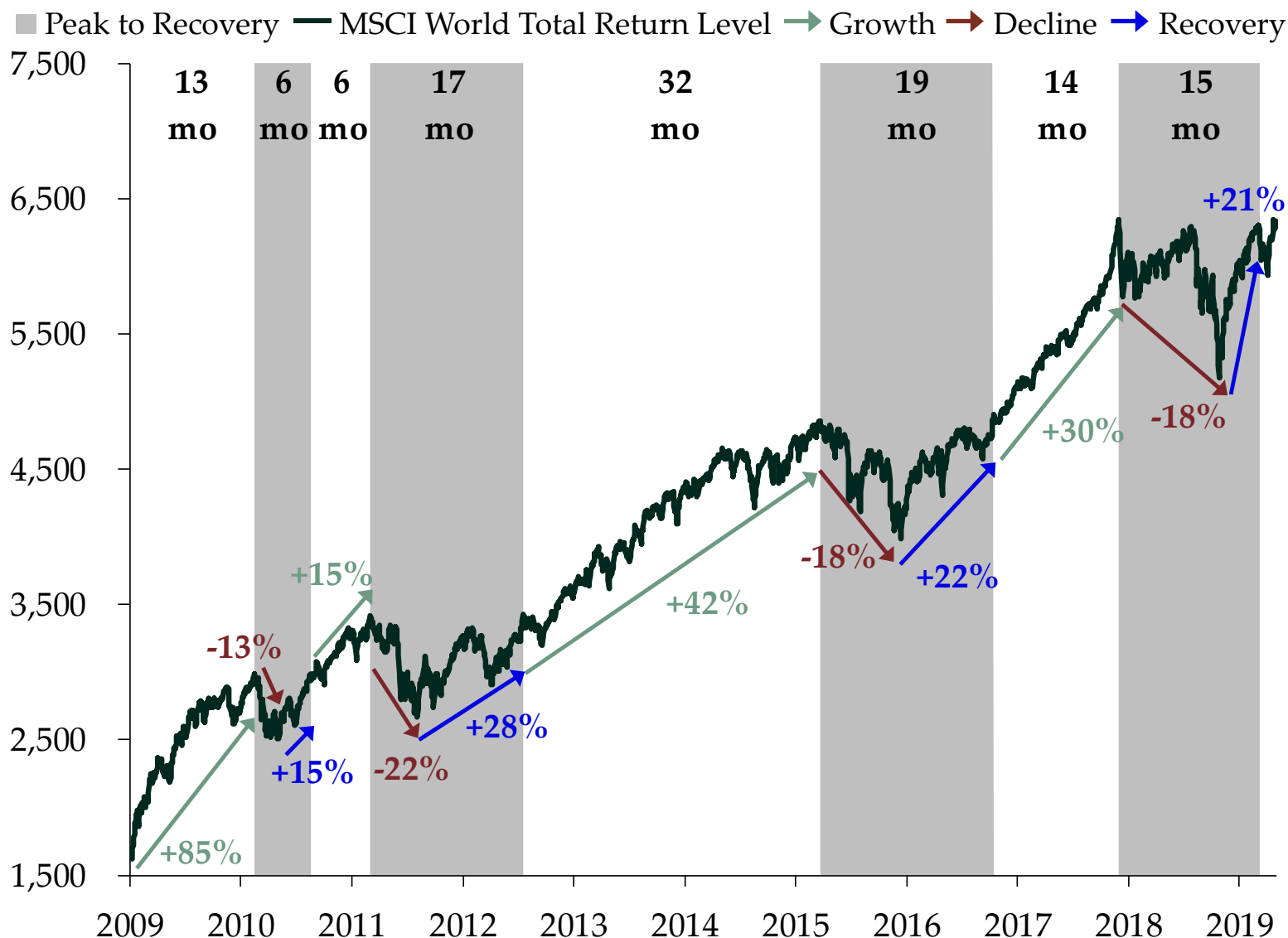


Year	S&P 500 Return	S&P 500 EPS Growth	Difference	Following Year Return
2000	-9.1%	9.5%	-18.6%	-11.9%
2002	-22.1%	6.3%	-28.4%	28.7%
2004	10.9%	24.6%	-13.7%	4.9%
2005	4.9%	14.2%	-9.3%	15.8%
2008	-37.0%	-15.7%	-21.3%	26.5%
2010	15.1%	40.5%	-25.4%	2.1%
2011	2.1%	13.6%	-11.5%	16.0%
2018	-4.4%	20.8%	-25.2%	?

Source: FactSet as of December 2018. Based on annual data points.

STRONG GAINS FOLLOW NEW HIGHS

Like all bulls, the past decade has seen numerous corrections. After equities recover from a correction and hit new highs, strong returns tend to follow.



NEW HIGHS LEAD TO CONTINUING BULL

Corrections are a common and healthy feature of bull markets, even during great years. The market recovering to new highs indicates the current bull market should continue.

S&P 500 Corrections				
Peak - Trough	New High (Recovery)	Forward Returns After New High		
		+12 M	+18 M	+24 M
May 1928 - Jun 1928	28/08/1928	56.0%	19.5%	10.7%
Jun 1932 - Jul 1932	22/07/1932	96.8%	124.9%	98.1%
Sep 1932 - Feb 1933	26/05/1933	8.0%	7.5%	14.9%
Jun 1933 - Jun 1933	27/06/1933	-6.5%	-12.7%	-0.3%
Jul 1933 - Mar 1935	22/10/1935	44.5%	48.9%	5.3%
Apr 1936 - Apr 1936	14/07/1936	9.5%	-19.3%	-15.3%
Jul 1943 - Nov 1943	13/06/1944	24.4%	46.5%	62.2%
Feb 1946 - Feb 1946	09/04/1946	-18.0%	-13.4%	-10.7%
Jun 1950 - Jul 1950	22/09/1950	29.1%	36.2%	44.0%
Jan 1953 - Sep 1953	11/03/1954	40.6%	75.7%	90.5%
Sep 1955 - Oct 1955	14/11/1955	3.0%	6.5%	-8.2%
Aug 1959 - Oct 1960	27/01/1961	14.6%	-2.2%	14.6%
Aug 1962 - Oct 1962	14/11/1962	25.2%	40.9%	50.6%
Sep 1967 - Mar 1968	30/04/1968	9.6%	4.2%	-10.8%
Apr 1971 - Nov 1971	04/02/1972	12.1%	6.0%	-5.6%
Nov 1974 - Dec 1974	27/01/1975	37.1%	45.8%	46.2%
Jul 1975 - Sep 1975	12/01/1976	11.4%	9.5%	1.3%
Sep 1976 - Mar 1978	15/08/1979	22.4%	26.6%	35.3%
Oct 1979 - Nov 1979	21/01/1980	23.2%	23.3%	14.3%
Feb 1980 - Mar 1980	14/07/1980	13.3%	3.7%	2.2%
Oct 1983 - Jul 1984	21/01/1985	22.3%	42.9%	64.8%
Oct 1989 - Jan 1990	29/05/1990	9.9%	9.5%	23.0%
Oct 1997 - Oct 1997	05/12/1997	21.4%	37.9%	49.8%
Jul 1998 - Aug 1998	23/11/1998	19.7%	17.8%	14.0%
Jul 1999 - Oct 1999	16/11/1999	-2.2%	-7.9%	-17.8%
Nov 2002 - Mar 2003	12/05/2003	18.2%	28.7%	27.1%
Apr 2010 - Jul 2010	4/11/2010	4.7%	15.7%	20.8%
Apr 2011 - Oct 2011	24/02/2012	13.5%	25.9%	41.3%
Apr 2012 - Jun 2012	06/09/2012	18.2%	35.4%	46.3%
May 2015 - Feb 2016	11/07/2016	15.9%	33.5%	35.1%
Sep 2018 - Dec 2018	23/04/2019	?	?	?
Average Return:		19.9%	23.9%	24.8%
Freq. of Positive Performance:		90.0%	83.3%	76.7%

Source: Global Financial Data and FactSet, as of April 2019. S&P 500 Total Return Index, May 1928 to July 2018.

OUTFLOWS: A NET POSITIVE FOR EQUITIES

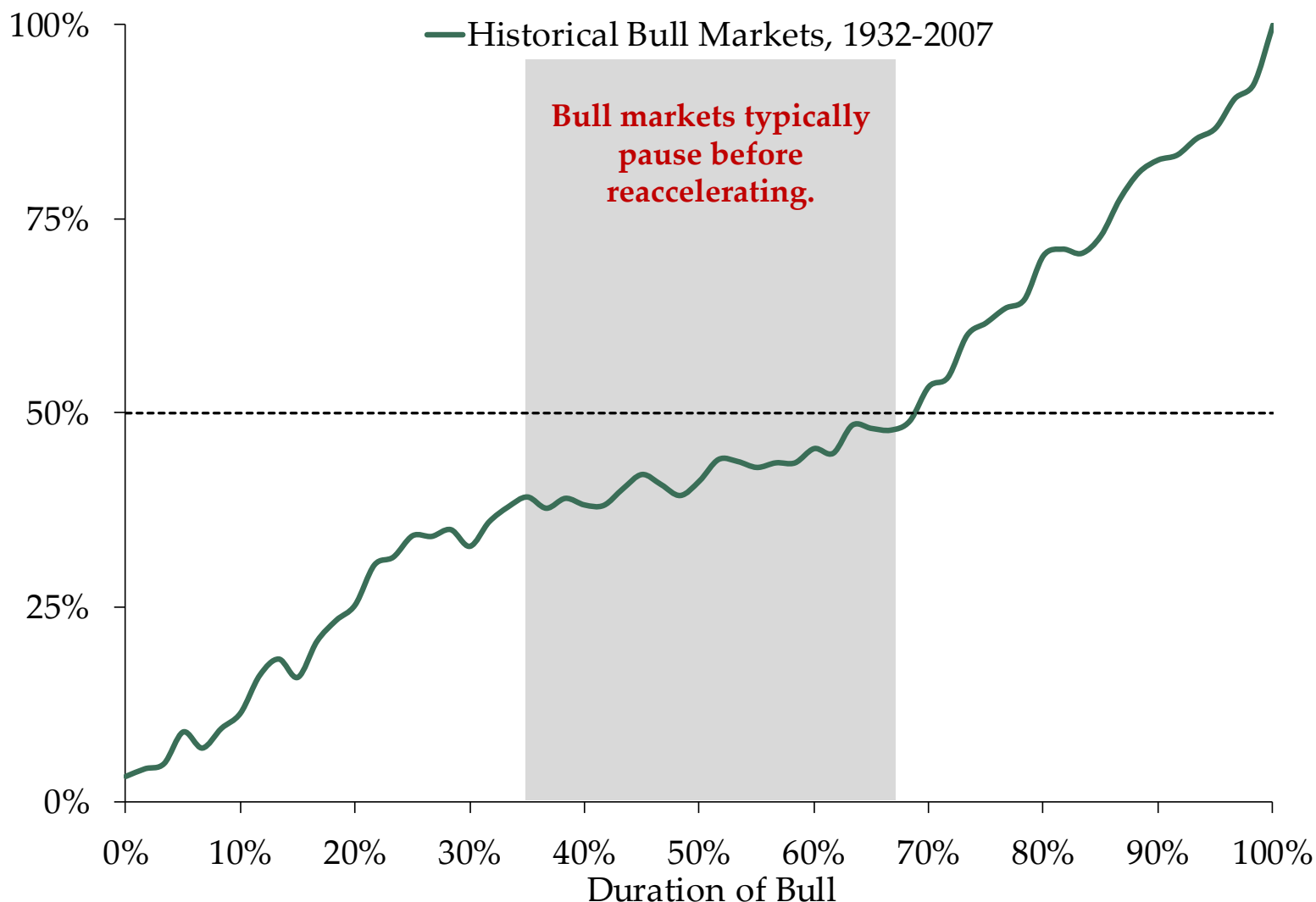
Outflows from equity mutual funds and ETFs reflect dour sentiment, setting the stage for future upside surprise. As a result, periods of equity outflows are usually followed by strong equity returns.

Two Consecutive Quarters of Net Equity Outflows	Forward Equity Return		
	+3M	+6M	+12M
Q3 2008 — Q4 2008	-9.9%	5.2%	26.5%
Q4 2008 — Q1 2009	16.7%	34.2%	47.1%
Q2 2010 — Q3 2010	8.4%	12.4%	-4.5%
Q2 2011 — Q3 2011	7.9%	20.2%	21.9%
Q3 2011 — Q4 2011	11.3%	6.8%	16.4%
Q2 2012 — Q3 2012	3.1%	13.3%	23.0%
Q3 2012 — Q4 2012	9.9%	12.1%	29.6%
Q1 2016 — Q2 2016	4.9%	10.0%	19.5%
Q2 2016 — Q3 2016	4.9%	10.8%	18.5%
Q2 2018 — Q3 2018	-13.0%	-1.9%	--
Q3 2018 — Q4 2018	12.8%	17.1%	--
Q4 2018 — Q1 2019	3.8%	--	--
% Freq Positive	83.3%	90.9%	88.9%
Average Return	+5.1%	+12.7%	+22.0%

Source: FactSet as of June 2019. Monthly ICI Equity Mutual Fund Net New Cash Flows, ICI Equity Exchange Traded Fund Net New Cash Flows, and MSCI World Index total returns, monthly, September 2000 to June 2019.

BULL MARKETS GO OUT WITH A BANG

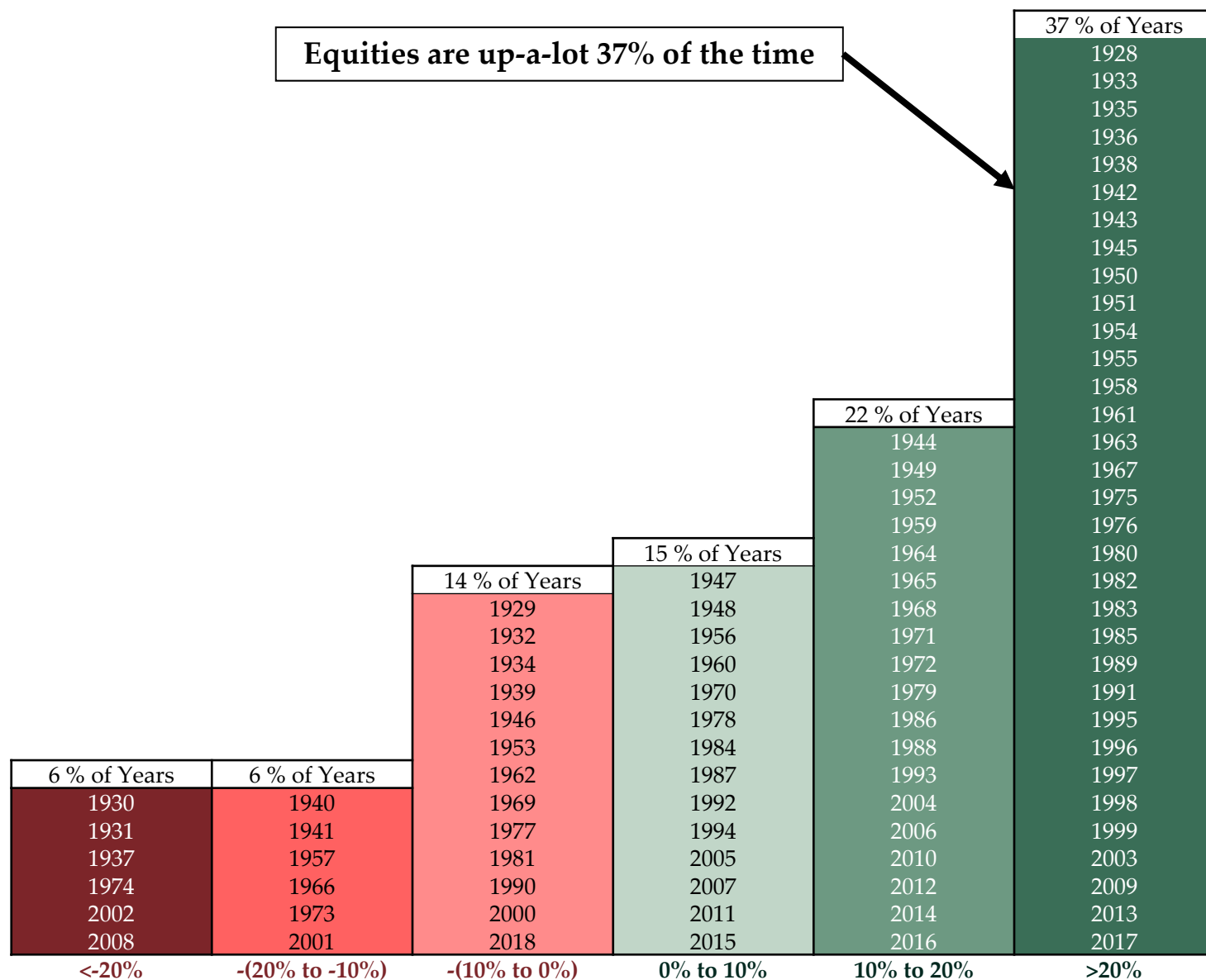
Bull markets typically have steep gains early, flatten out in the middle, and reaccelerate upward in the final third. We believe we are in the latter third of the current bull market.



Source: FactSet and Global Financial Data. "Historical Bull Markets" includes bulls from June 1932 - October 2007. Bull markets before 1990 rounded to nearest month to match GFD's S&P 500 Total Return extended data.

AVERAGE RETURNS AREN'T NORMAL

The first half of 2019 was very strong for equities. Gains may slow in the second half, but should remain positive. Big up years for equities are much more common than many investors appreciate.



Source: Global Financial Data and FactSet, as of May 2019. S&P 500 Total Return from December 1925 to December 2018. Numbers may not sum to 100 due to rounding.

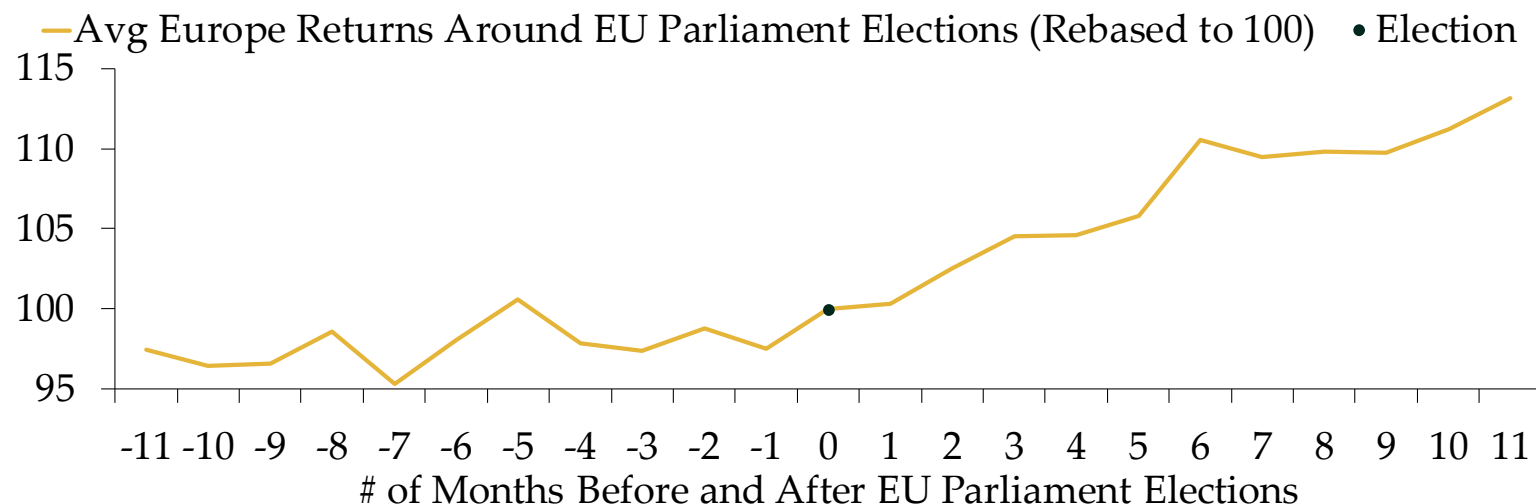
KEY DEVELOPED MARKETS THEMES

Our highest conviction views on developed market regions

- Non-US equities ripe for outperformance
- Tail-risk political events like, Brexit, populism, and trade wars have dragged sentiment to unreasonable levels
- Strength in the dominant services sector more than offsets weak manufacturing data
- Chinese credit stimulus should provide support to global manufacturing demand, supporting a recovery in new orders

EU BENEFITS FROM FALLING UNCERTAINTY

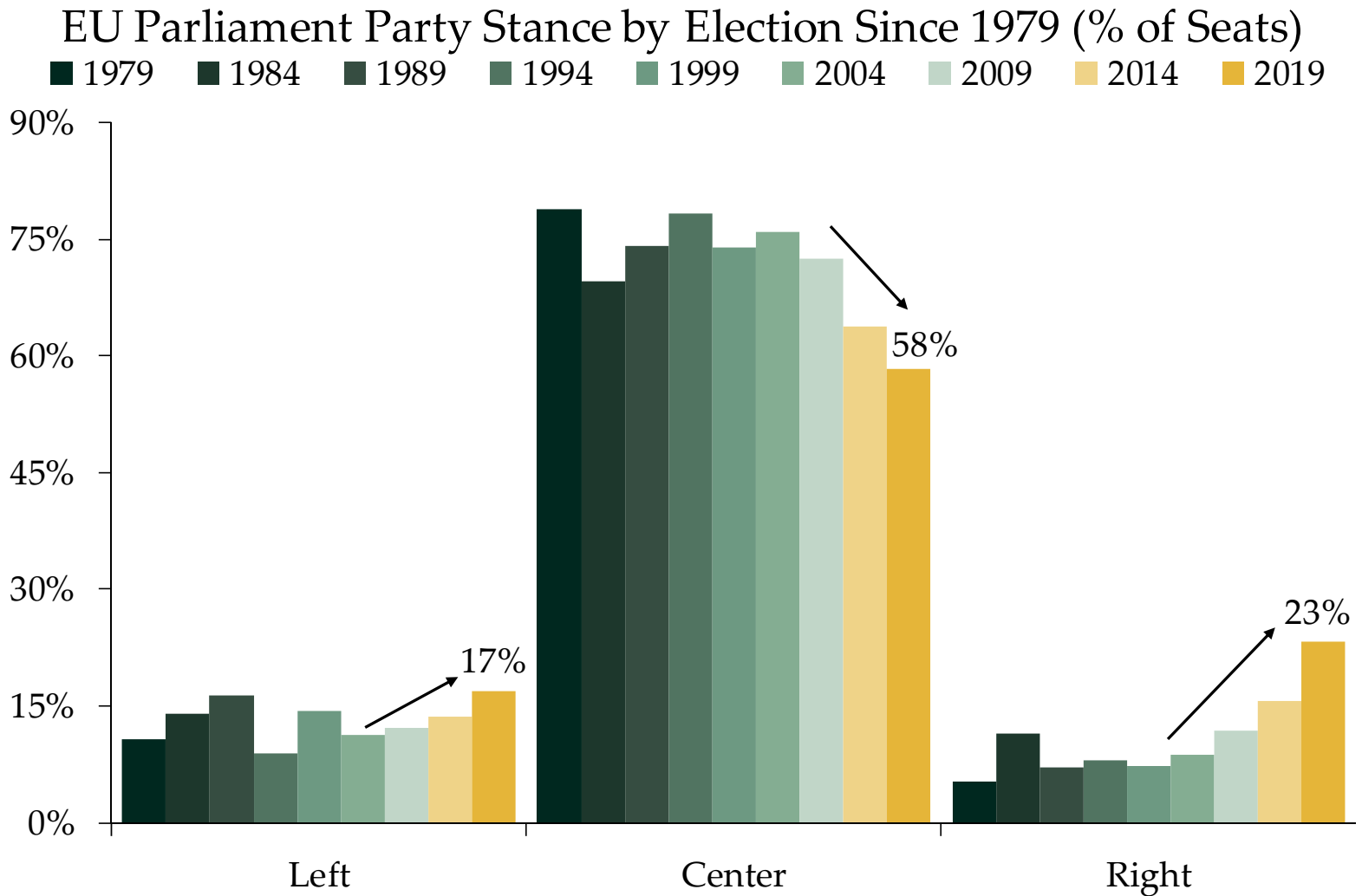
The recent conclusion of EU parliamentary elections should see uncertainty fade within Europe. EU markets typically perform well in the 6-12 months after these elections—in similar fashion to US markets post-presidential elections.



EU Parliament Election Dates	6 Months Pre-Election	6 Months Post-Election	12 Months Post-Election
10 June 1979	-0.9%	5.8%	6.2%
14 June 1984	-1.4%	-3.8%	20.5%
15 June 1989	4.2%	24.6%	32.3%
9 June 1994	-0.1%	3.1%	16.6%
13 June 1999	-5.2%	22.3%	22.2%
13 June 2004	1.2%	17.8%	14.3%
7 June 2009	13.9%	22.1%	-0.6%
22 May 2014	6.3%	-7.6%	-7.0%
27 May 2019	1.4%	??	??
Average	2.2%	10.5%	13.1%
Median	1.2%	11.8%	15.5%
Frequency Positive	56%	75%	75%

LEFT & RIGHT GAINING IN EU

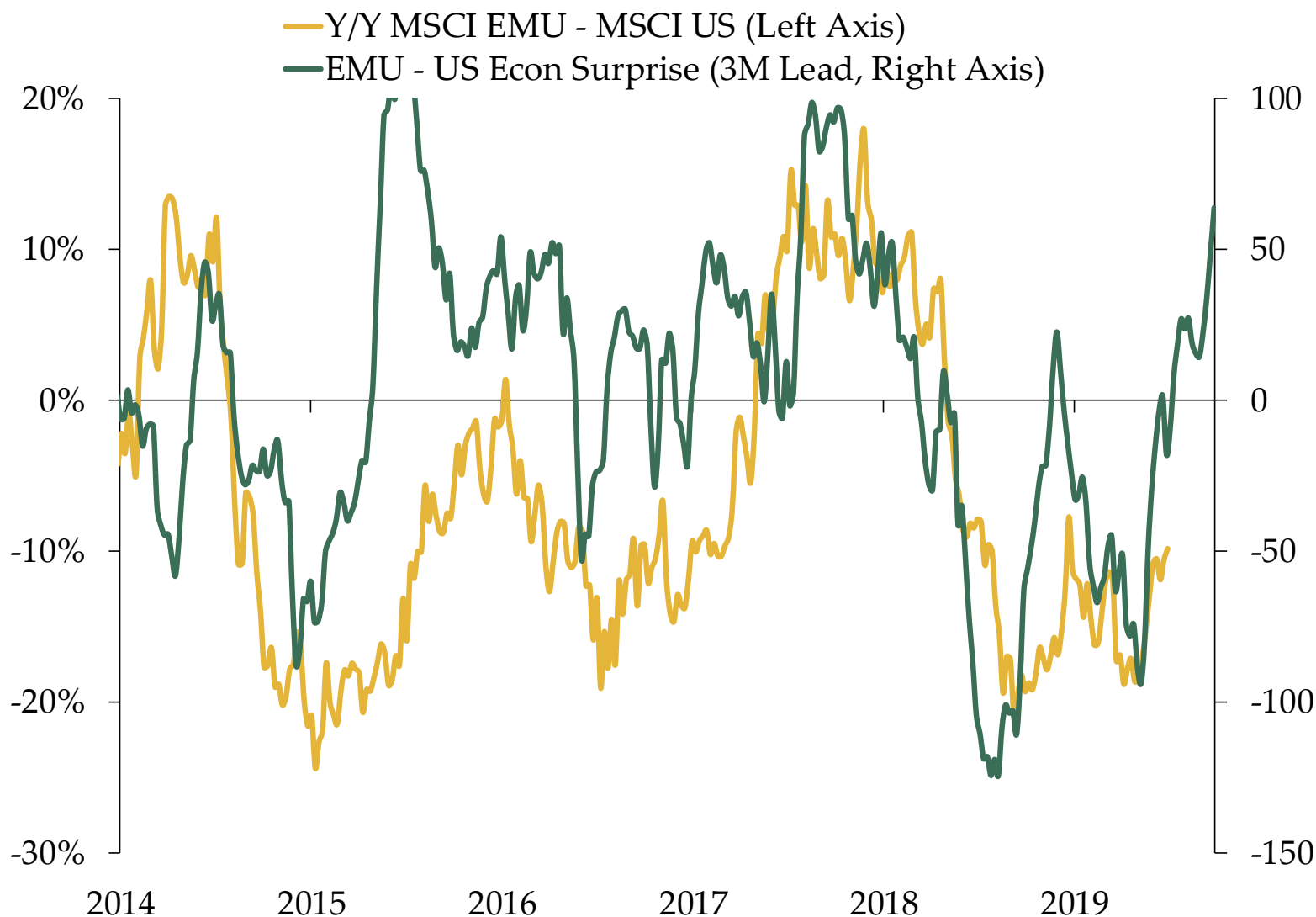
Europe's political ideological bell curve is flattening, increasing gridlock, which lowers political risk and benefits equities.



Source: Fisher Investments Research, EU Parliament, pollsofpolls.com as of 10 April 2019.

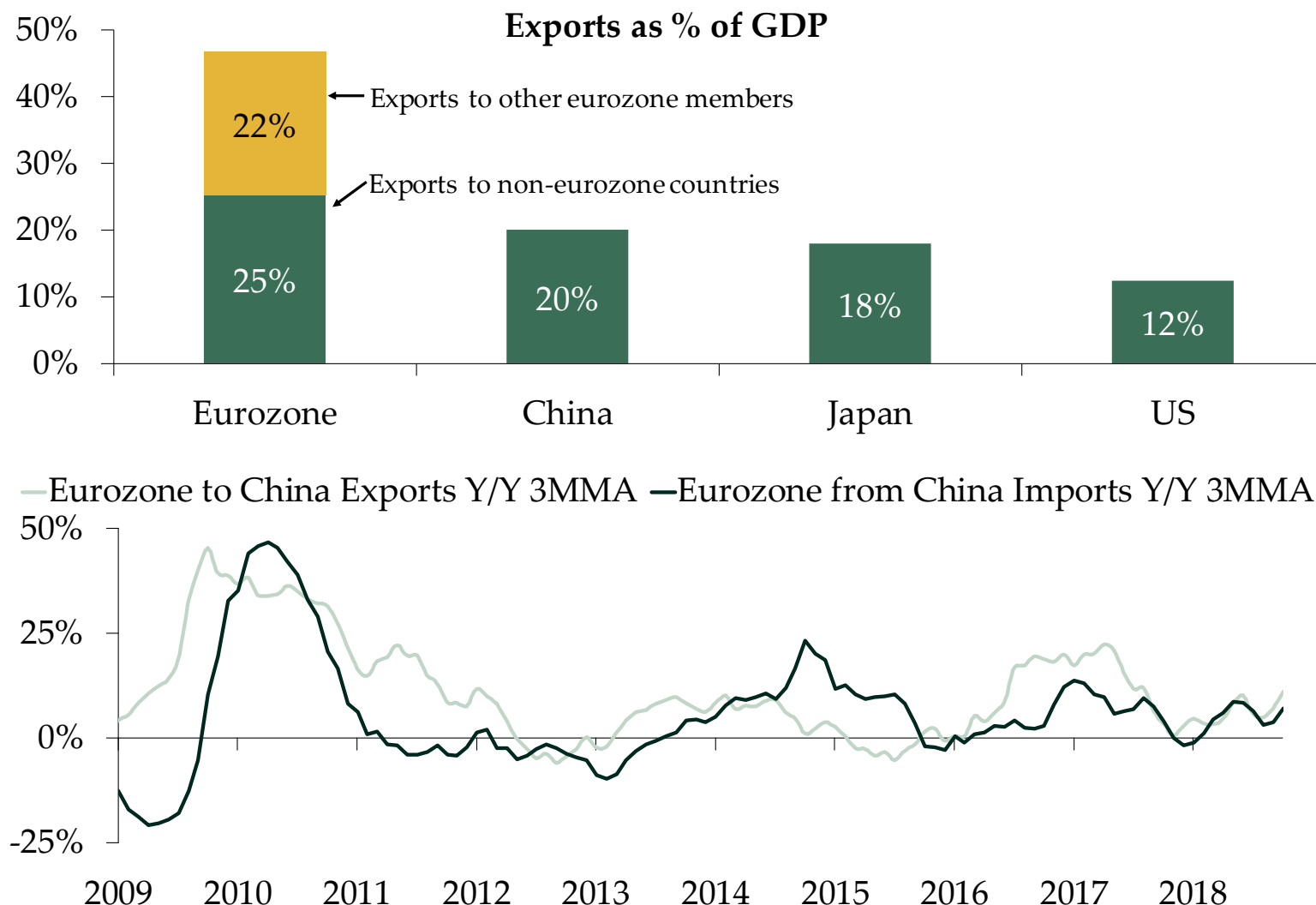
EUROPEAN SENTIMENT OVERLY DOUR

European Monetary Union (EMU) economic data has surprised to the upside recently, and at a larger magnitude than data from the US. The spread in economic surprise tends to lead equities by 3 months, pointing to European outperformance relative to the US in the back half of 2019.



CHINA-EU TRADE BOTTOMING

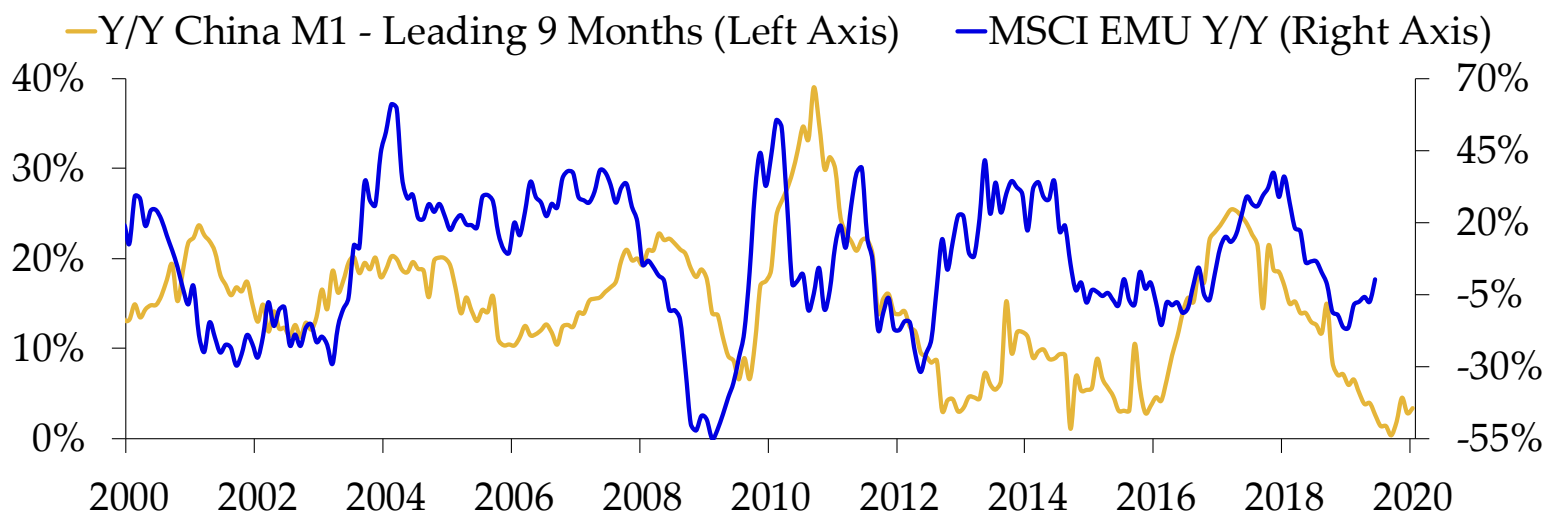
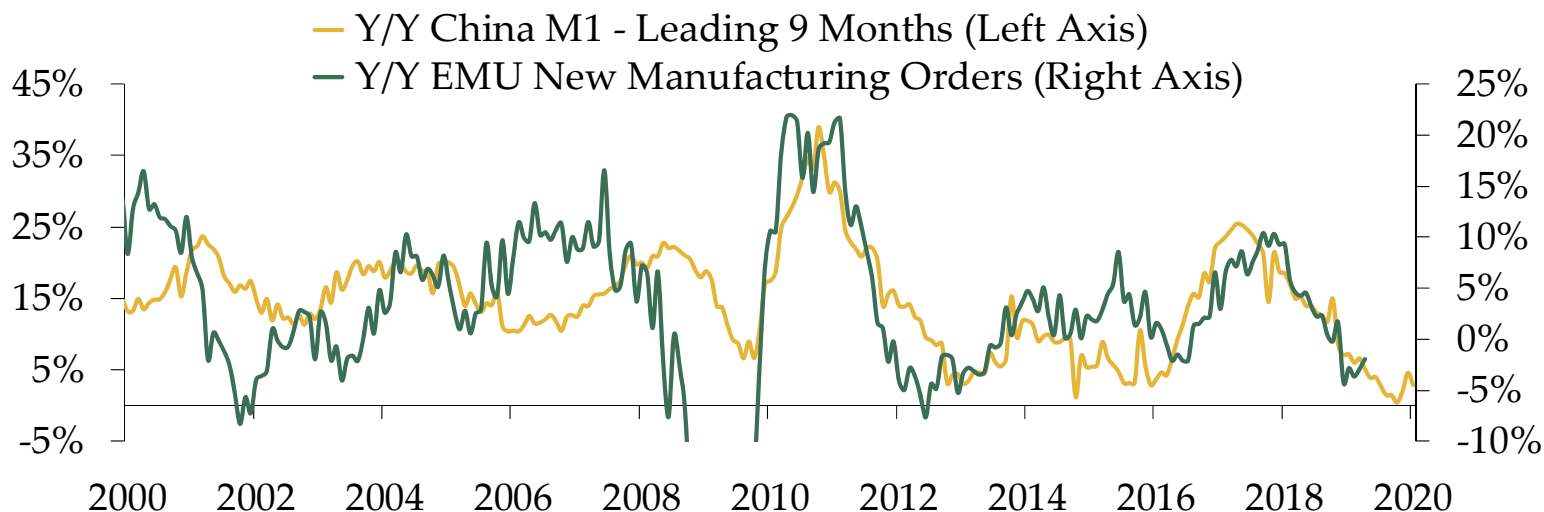
Disappointing EU GDP and other economic data has been the result of a weak external environment, as the EU relies heavily on exports. Slowing trade with China has played a large role, but appears to be accelerating similar to prior instances in this economic cycle.



Top chart source: FactSet, BEA, Japanese Cabinet Office, Oxford Economics and European Commission as of April 2019. Country exports as a percentage of GDP. All data uses 2018 annual numbers except Poland (2016 data). Bottom chart source: FactSet and Eurostat as of March 2019.

EUROPE POISED TO BENEFIT FROM CHINESE STIMULUS

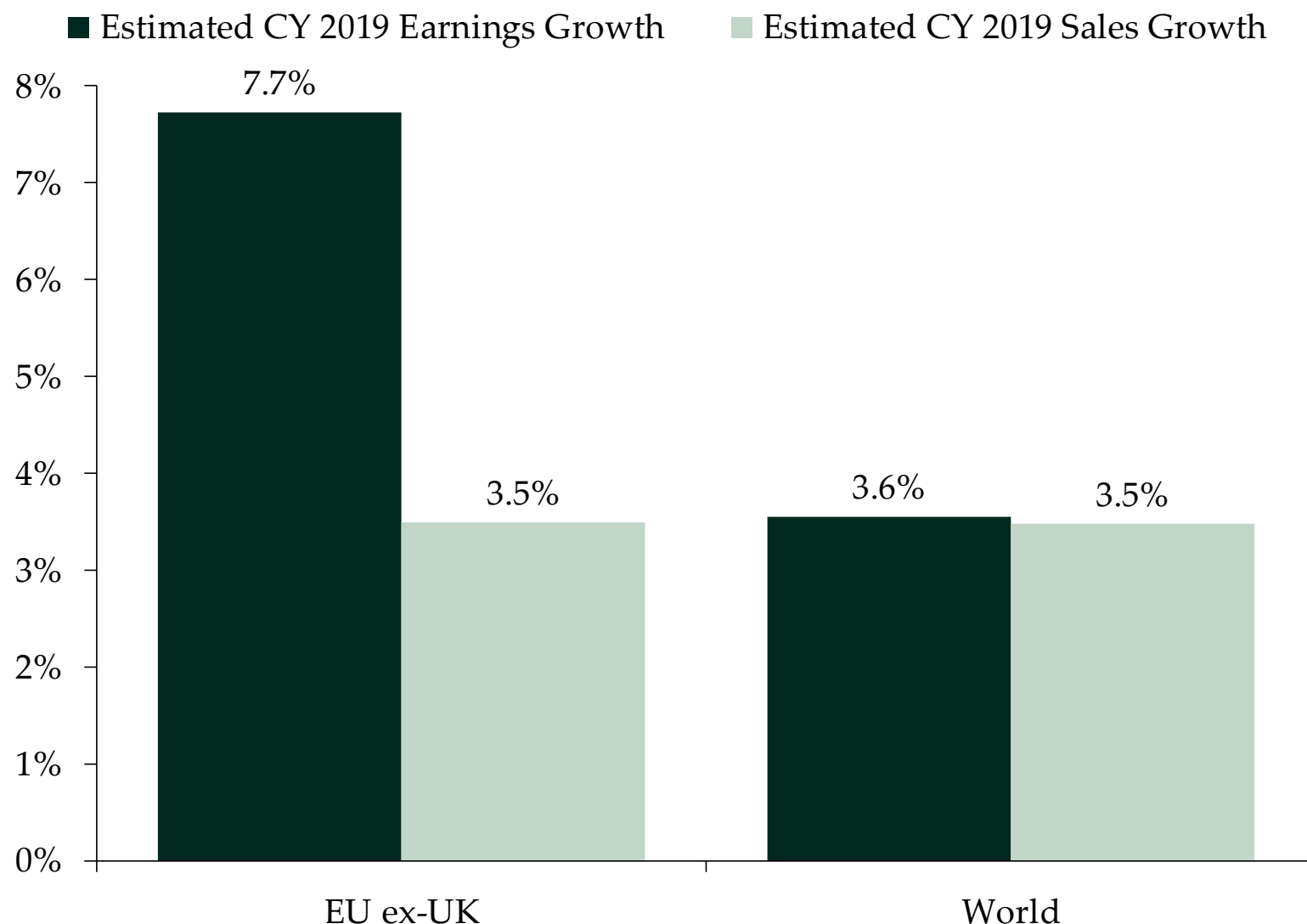
Europe has a strong economic relationship with China, so Chinese money supply growth impacts the European economy. Recent Chinese stimulus measures should benefit the European economy with a 6-9 month lag.



Top chart source: FactSet, People's Bank of China and Markit as of June 2019. Bottom chart source: FactSet, People's Bank of China and China Customs as of June 2019.

CORPORATE EARNINGS HEALTHY IN EUROPE

European corporate earnings growth is expected to grow at twice the rate of the developed world. The implied margin expansion should be a tailwind for equities.



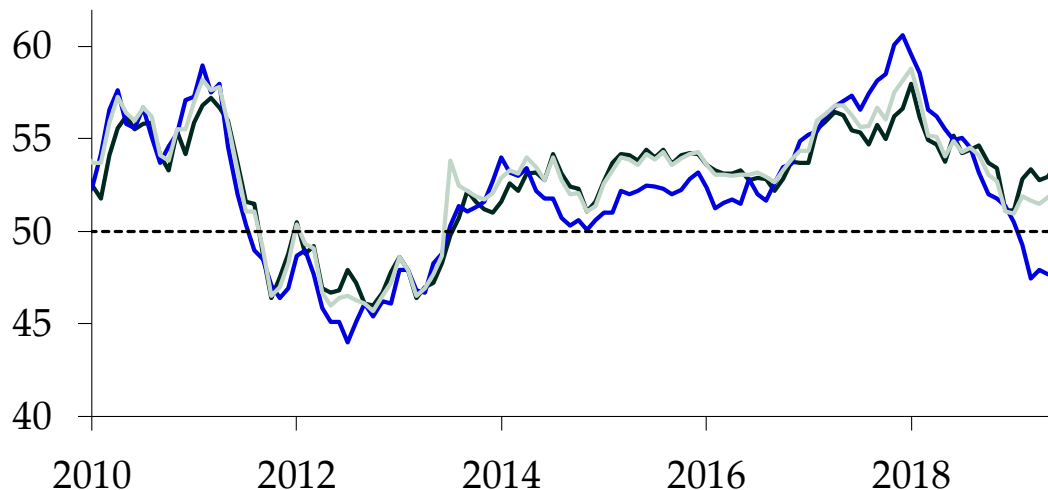
Source: FactSet Market Aggregates as of 9 July 2019. Estimated CY 2019 EPS & Sales Growth for MSCI Europe ex-UK and MSCI World in USD.

SERVICES DWARF MANUFACTURING

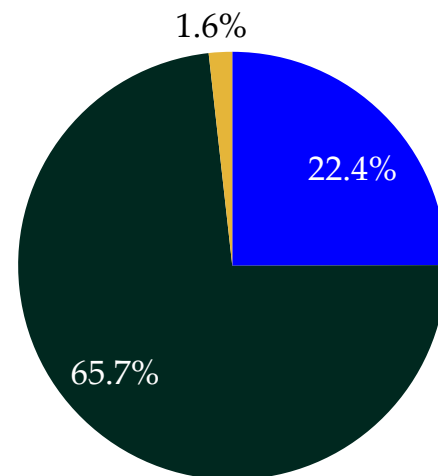
Weak manufacturing Purchasing Managers Indexes (PMIs) globally tend to receive more attention, but services dominate most major developed economies. Despite manufacturing weakness, service PMI's continue to indicate expansion, supporting future economic growth.

■ Composite PMI ■ Services PMI ■ Manufacturing PMI ■ Agriculture, Fishing & Forestry PMI

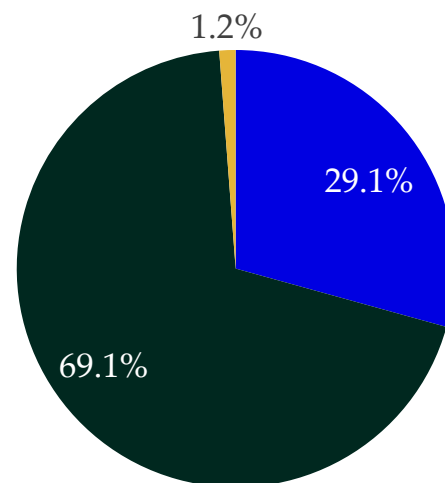
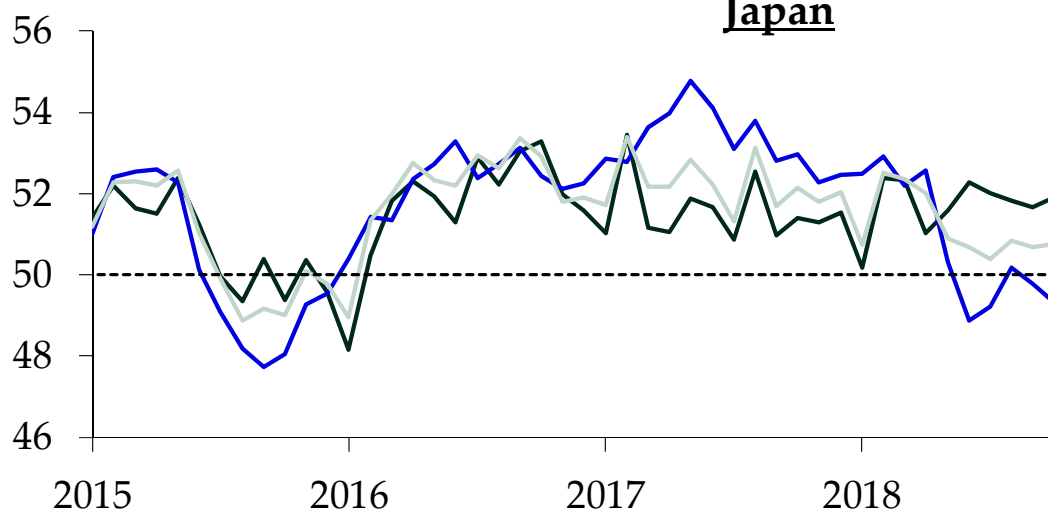
EMU



Component as % of GDP



Japan



Pie charts source: World Bank, as of May 2019. Value added (as a % of GDP) in agricultural, service (including non-market services) and industrial (including construction) sectors in Euro Area and Japan 2017. Line charts source: FactSet and Bloomberg as of June 2019.

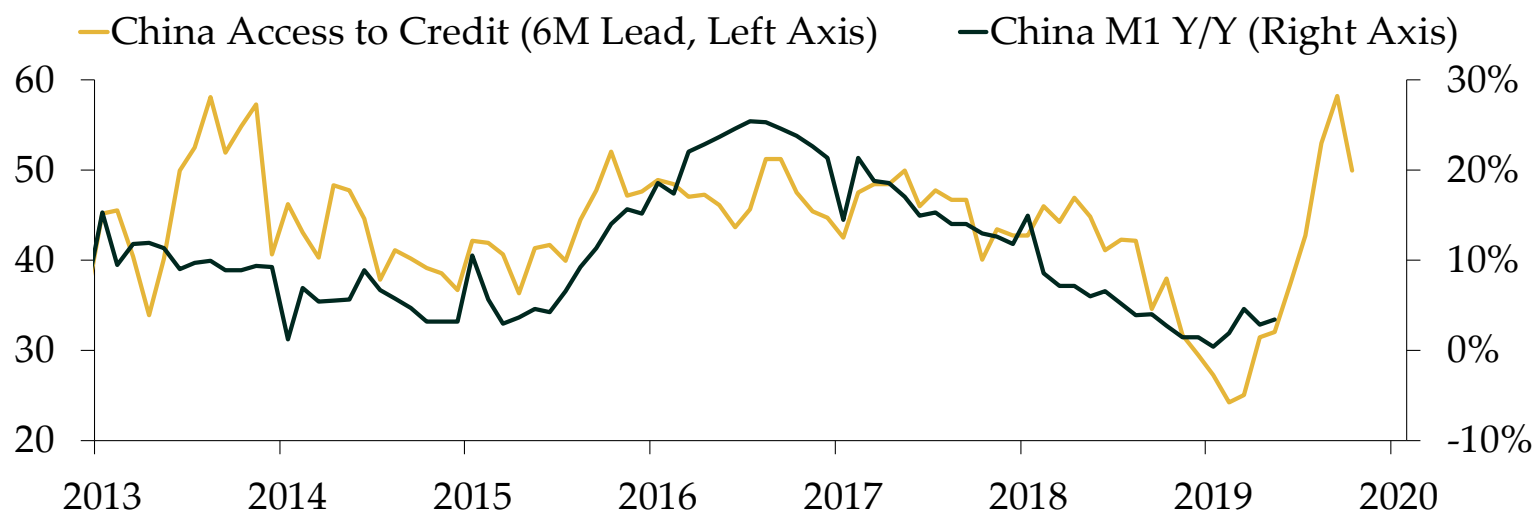
KEY EMERGING MARKETS THEMES

Our highest conviction views on Emerging Markets

- Chinese stimulus should stabilise growth
- Rising sentiment in China should drive outperformance
- Tame inflation and loosening monetary policy provide boost for Brazilian banks
- Elections likely usher in more gridlock
- EM valuations recovering from 2018 lows

STIMULUS FOLLOWS SLOWING M1 IN CHINA

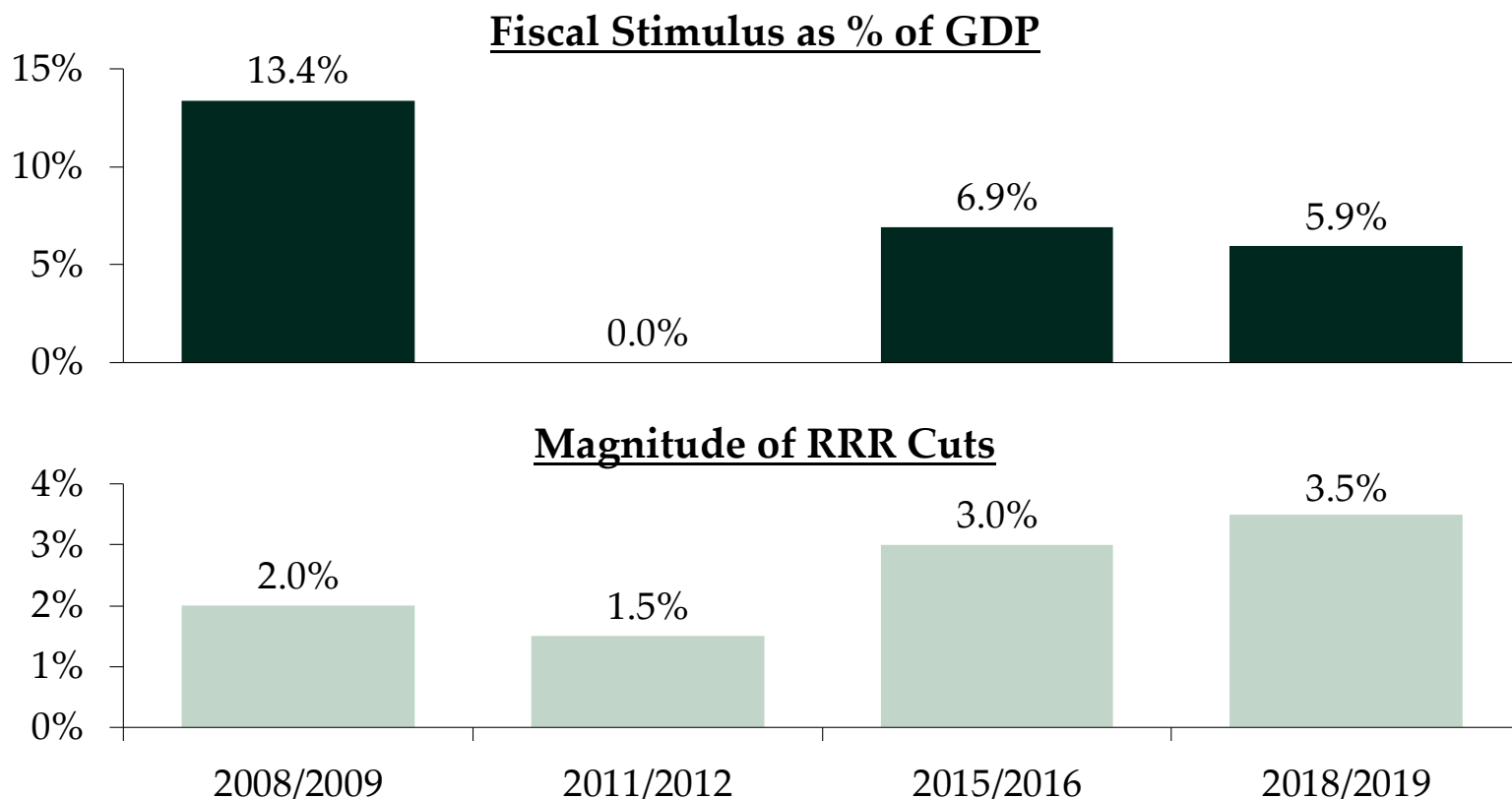
Chinese M1 is comprised primarily of corporate bank deposits and is among the best barometers of economic activity. Prior periods of slow growth have been met with significant stimulus measures to reverse deceleration. Moreover, credit availability data suggests a coming rebound in China's money supply.



Top chart source: FactSet and People's Bank of China as of May 2019. Bottom chart source: FactSet, People's Bank of China, Bloomberg and Cheung Kong Graduate School of Business as of May 2019.

CURRENT & PREVIOUS STIMULUS ARE COMPARABLE

Recent Chinese stimulus has been on par with prior stimulus, which has effectively stabilised the economy.

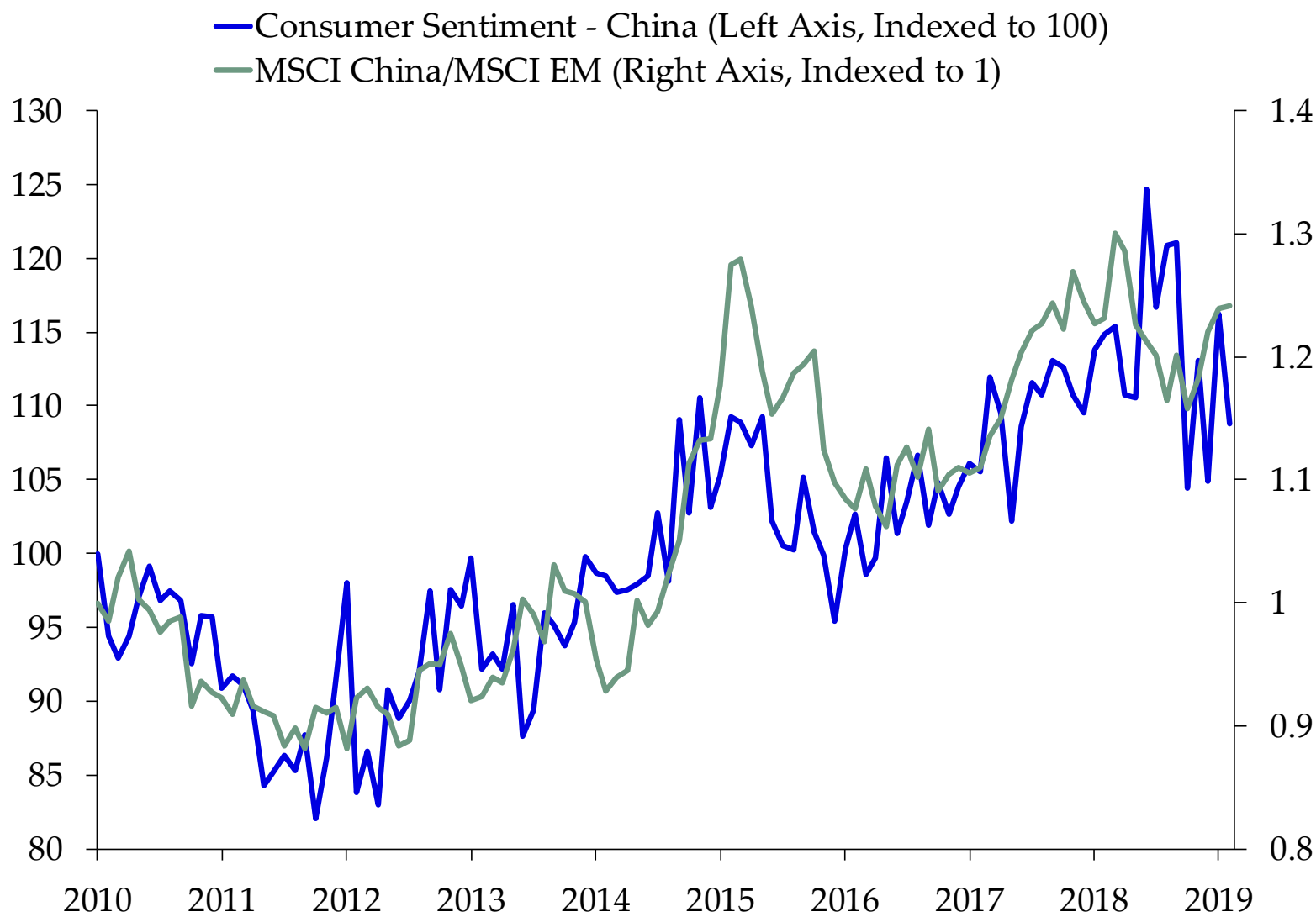


Fiscal Stimulus	Date	% of GDP	Other Important Policies	Date	% of GDP
Vocational Training Programme	30/04/19	0.1%	Additional Reserve Ratio Requirement (RRR) Cuts to Small Banks	05/03/19	--
VAT Cuts	05/03/19	0.6%	>30% Y/Y Target Bank Loans to Small-and-Medium Enterprises (SME)	26/02/19	3.0%
Personal Income Tax Cuts	01/01/19	1.0%	Increased Perpetual Bond Issuance and Central Bank Bond Swaps	20/02/19	--
Small Business Tax Cuts	01/01/19	0.2%	Shadow Banking crackdown will slow, allowing more natural development	28/01/19	--
Local Government Bonds - Infrastructure	2018/2019	3.0%			

Source: FactSet, World Bank, People's Bank of China and Fisher Investments Research as of May 2019.
Fiscal stimulus defined as infrastructure spending and tax cuts.

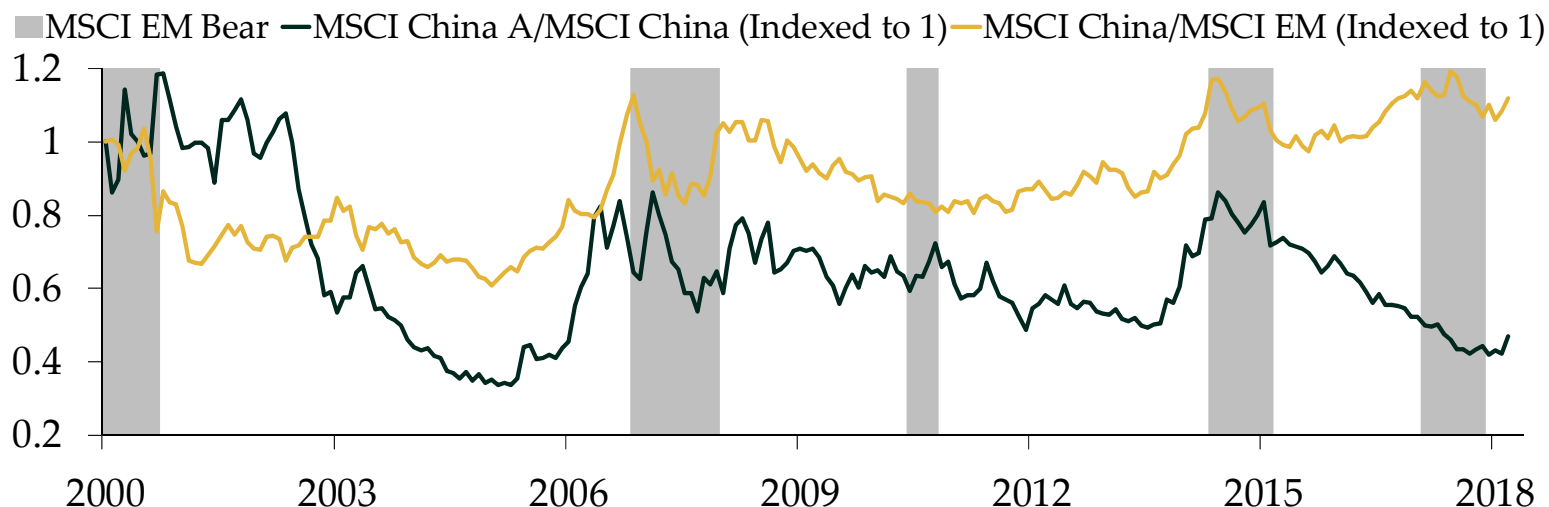
CONSUMERS INCREASINGLY RELEVANT IN CHINA

As China shifts from an infrastructure and industrial driven economy to a more consumption driven economy, consumer spending and sentiment become more important drivers for Chinese relative returns.



A-SHARES ARE MORE EXPENSIVE AND HIGHER BETA

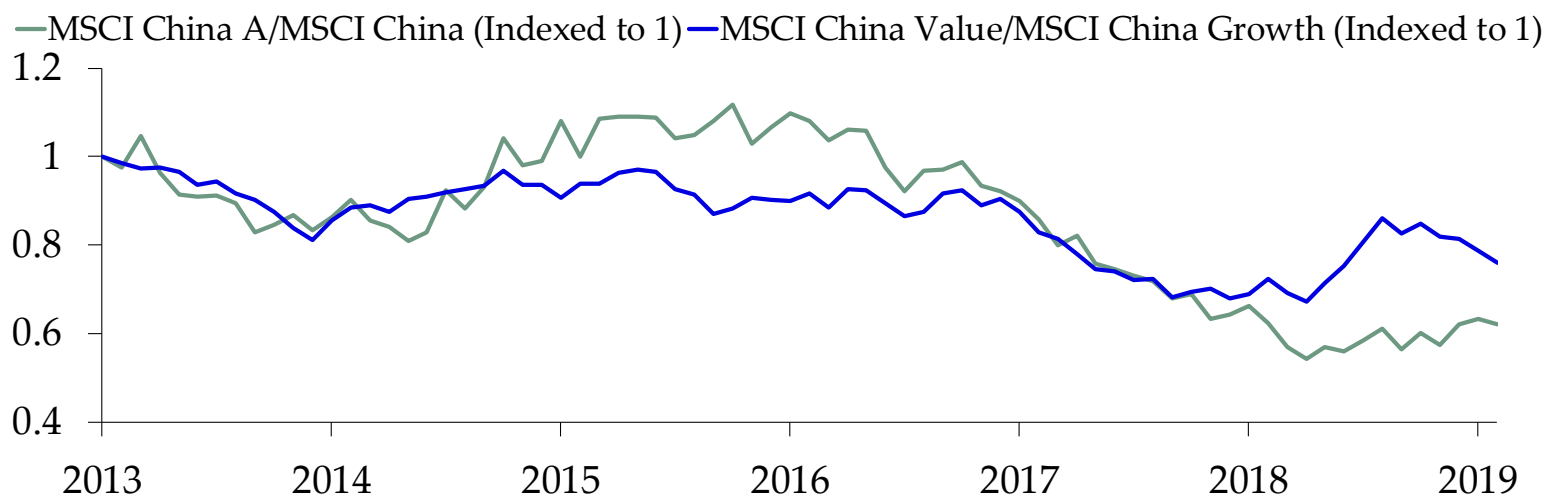
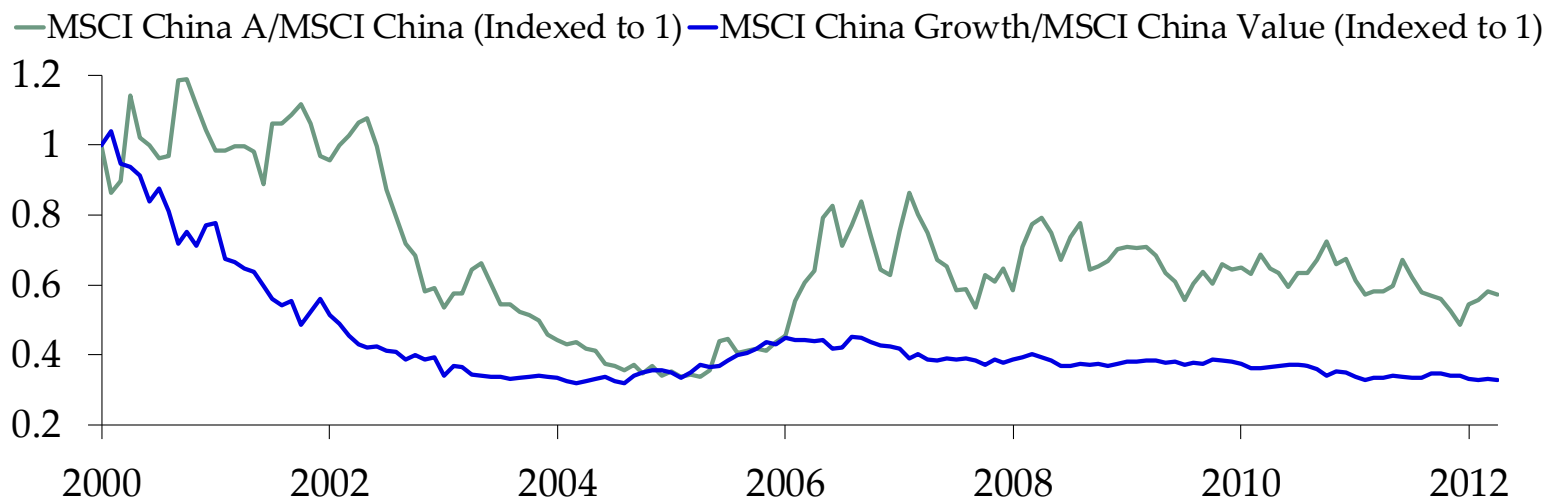
Chinese A-shares tend to be a high beta play on China, outperforming non-mainland listed shares when China beats EM. Dual-listed shares trade at a significant valuation premium in A-share markets.



Top chart source: Thompson Reuters DataStream; as of April 2019. Bottom chart source: FactSet as of June 2019.

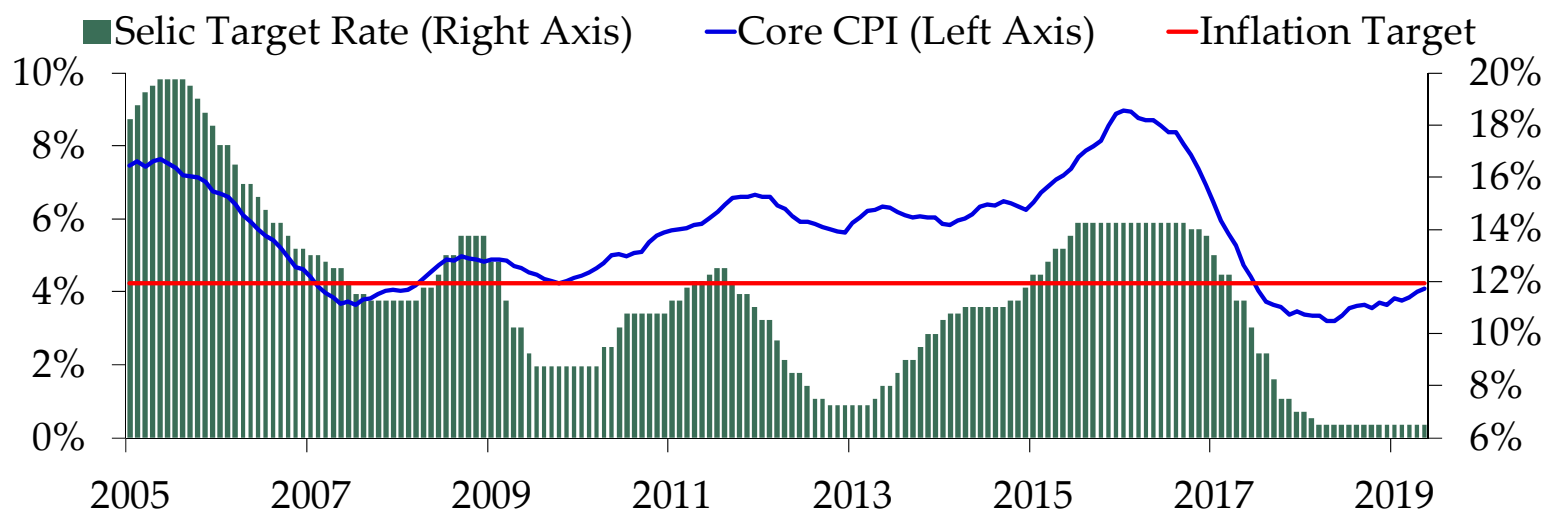
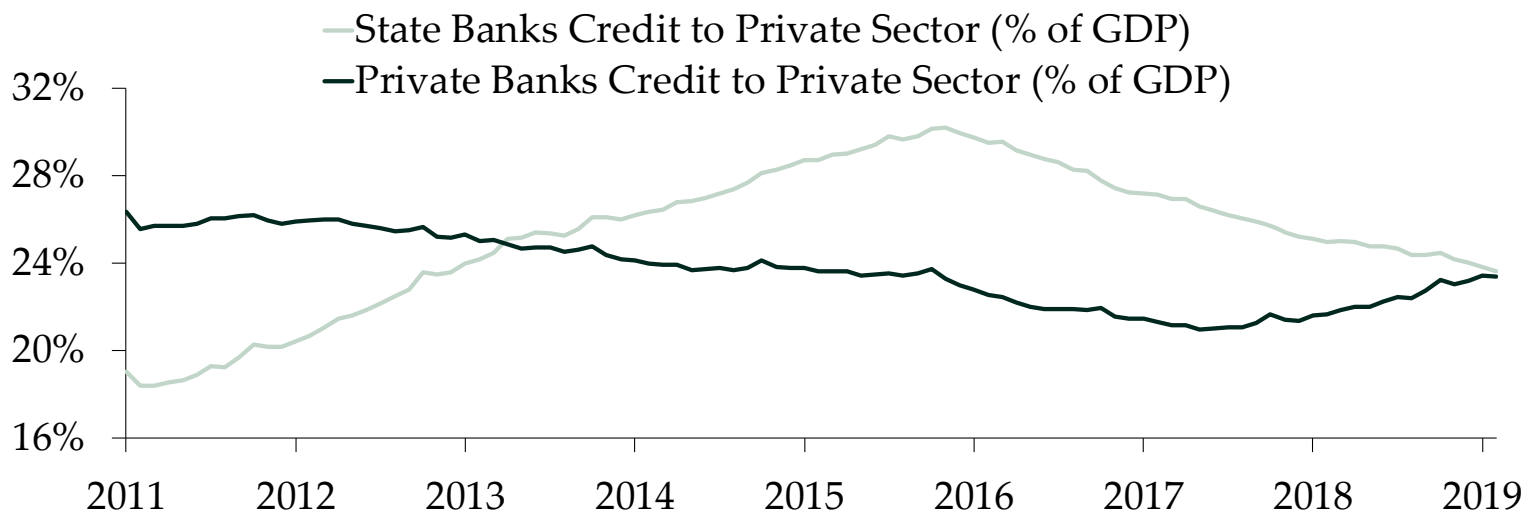
CHINA A-SHARE STYLE EVOLUTION

Chinese A-shares used to be more value oriented but have tracked growth equities more recently.



LOW RATES AND INFLATION BUOY BRAZIL

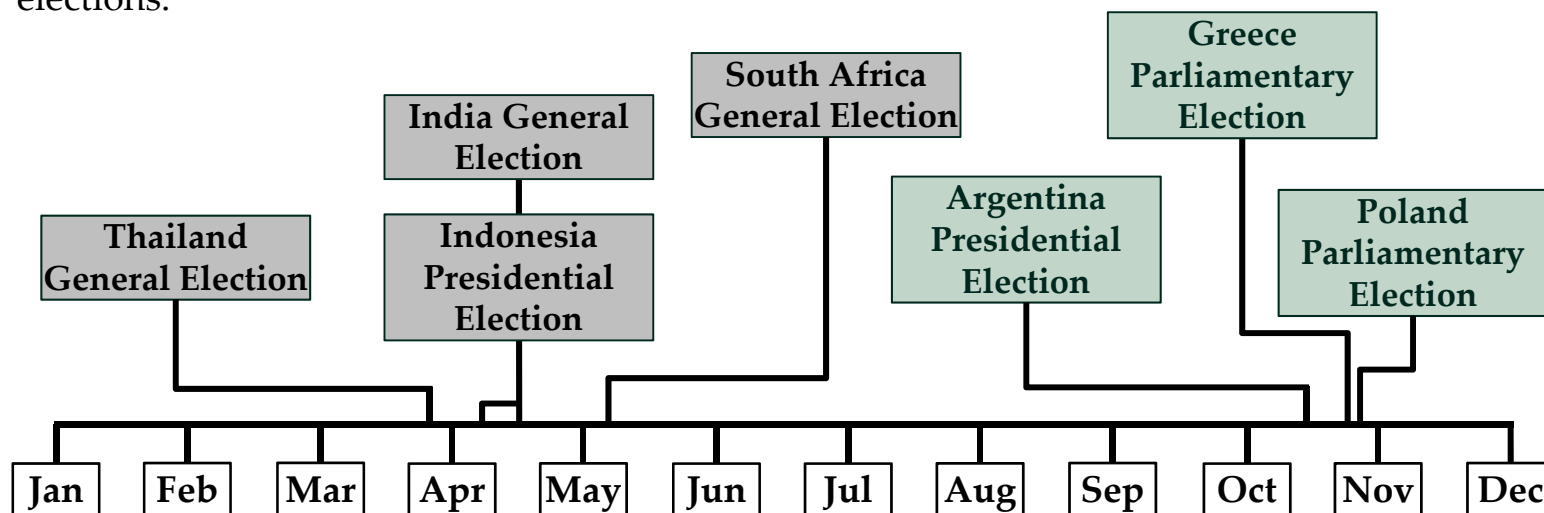
As the Brazilian economy recovers, credit is increasingly provided by private institutions which increases private credit availability. Moreover, significantly lower inflation rates have allowed the central bank to cut rates, leading to more favourable lending conditions.



Top chart source: Banco Central do Brasil, as of April 2019. Bottom chart source: FactSet and Banco Central do Brasil, as of May 2019.

COMPLETED EM ELECTIONS MAINTAIN STATUS-QUO

Seven Emerging Market countries go to the polls this year for Presidential and Parliamentary elections. Broadly, markets will benefit as uncertainty abates following these elections.



Elections from the front half of the year largely resulted in incumbents retaining their place.

Thailand

- Following a delay for by-elections, the Palang Parcharath-led coalition won the right to form a government
- Upon convening, Prayut Chan-o-cha was elected Prime Minister
- Gridlock is likely to persist as no party has majority control in House

India

- National Democratic Alliance (NDA) coalition registered decisive victory, securing Narendra Modi a second term
- NDA won majority of seats in lower house but remains minority in upper house
- Modi's second term agenda remains unclear

Indonesia

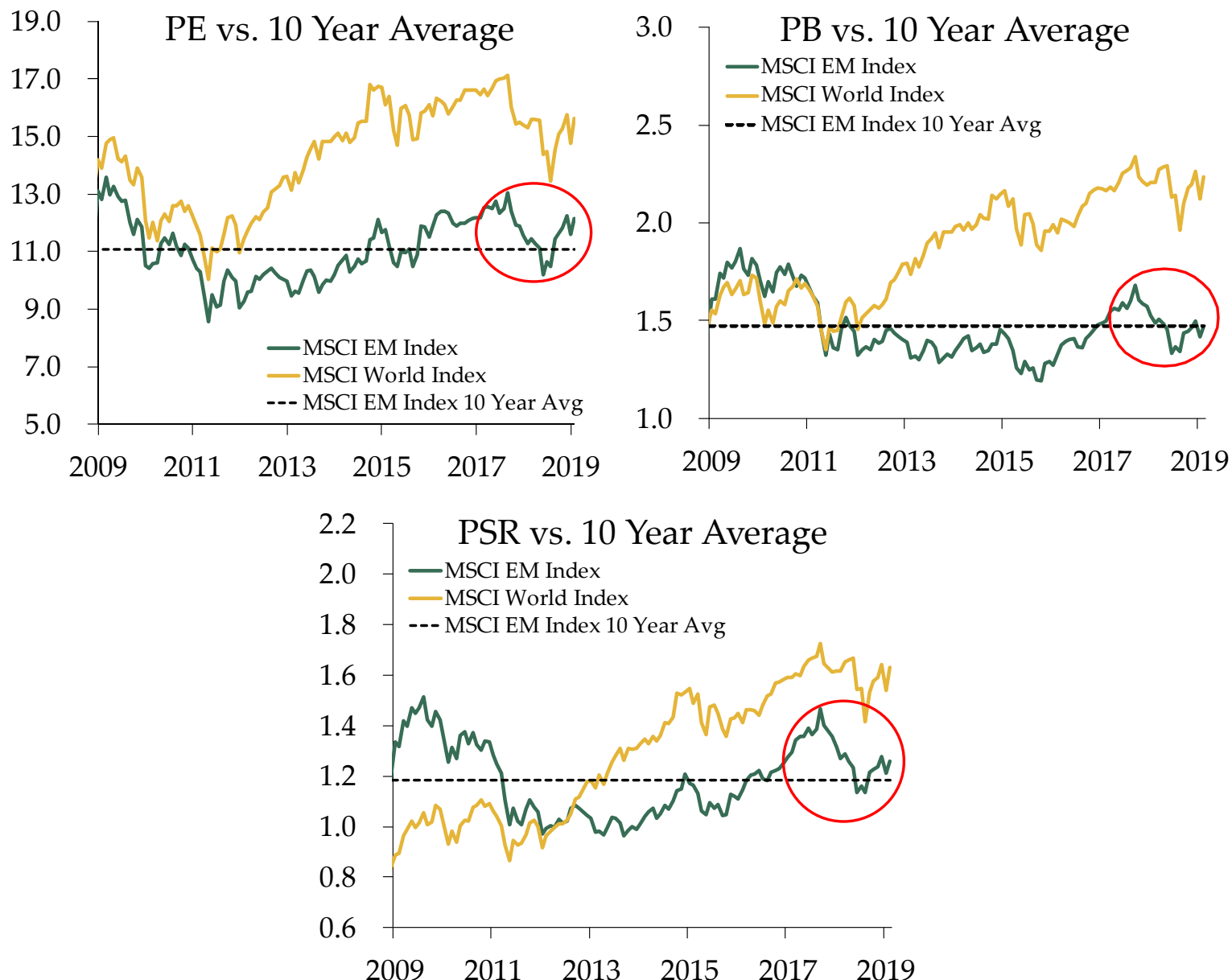
- Joko Widodo (Jokowi) won reelection to a second 5-year term
- Jokowi's Indonesian Democratic Party of Struggle (PDI-P) also won the most seats in the legislature
- Likely the most market-friendly outcome, but labour reform may face headwinds

South Africa

- The African National Congress (ANC) retained its majority in the National Assembly, albeit at the lowest level since 1994
- Cyril Ramaphosa was reelected to a 5-year term as President
- Proposed land reform and forced investment in coal mines and power plants pose significant risk

EM VALUATIONS ARE HISTORICALLY ATTRACTIVE

Emerging Market valuations have recovered from the extreme lows of 2018, but still remain at a large discount to the developed world. As global growth continues, negative sentiment should abate, pushing EM valuations higher.



Source: FactSet as of June 2019. Based on monthly forward valuations.

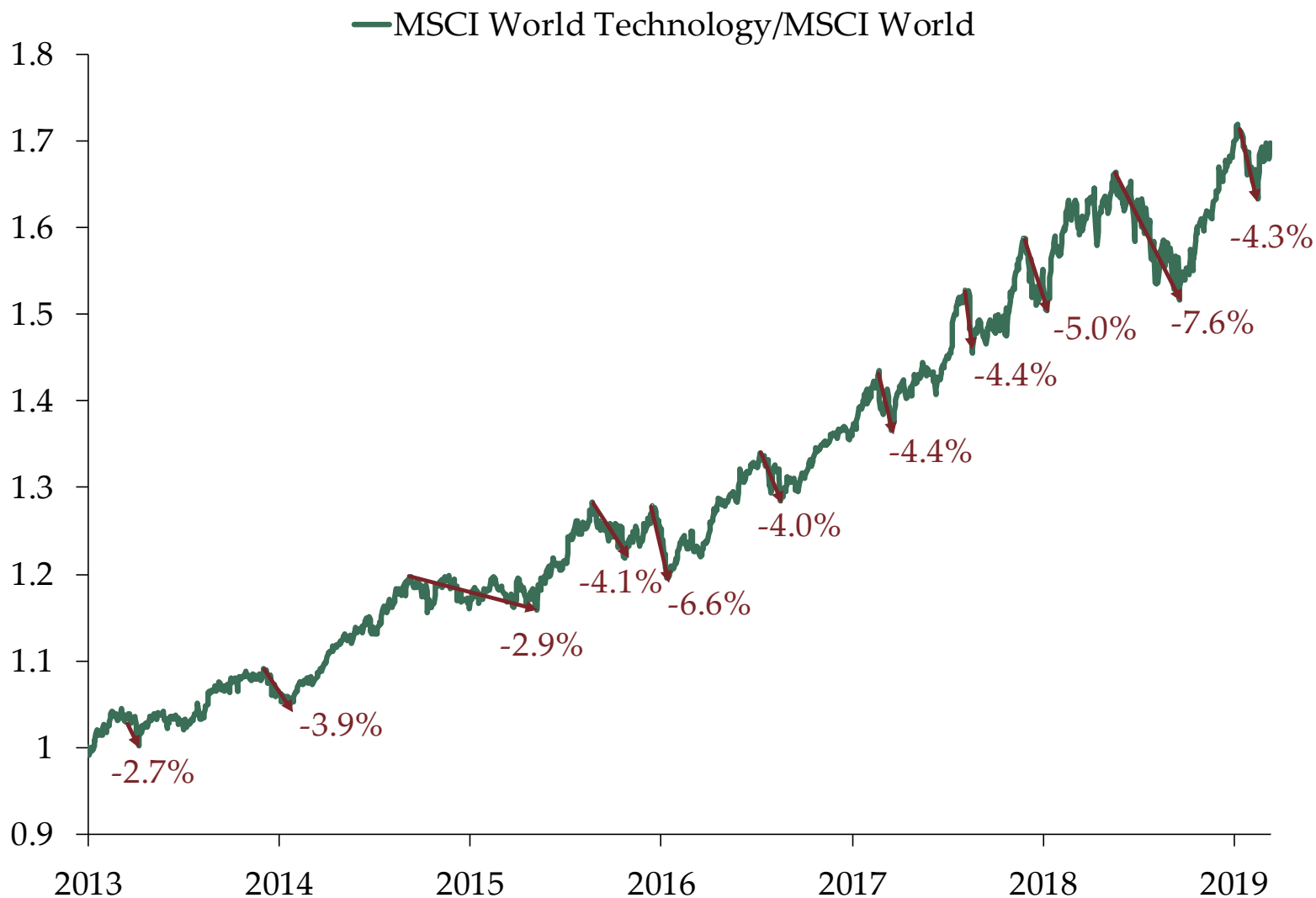
KEY SECTOR POSITIONING

Our highest conviction views on sectors

- Technology outperformance continues, with volatility
- Health Care supported by strong pipelines and drug approvals
- Negative sentiment indicates Eurozone banks are well positioned to outperform
- The global oil market is in balance
- Rising bond yields would be a headwind to defensive sectors

TECH'S ROCKY ROAD

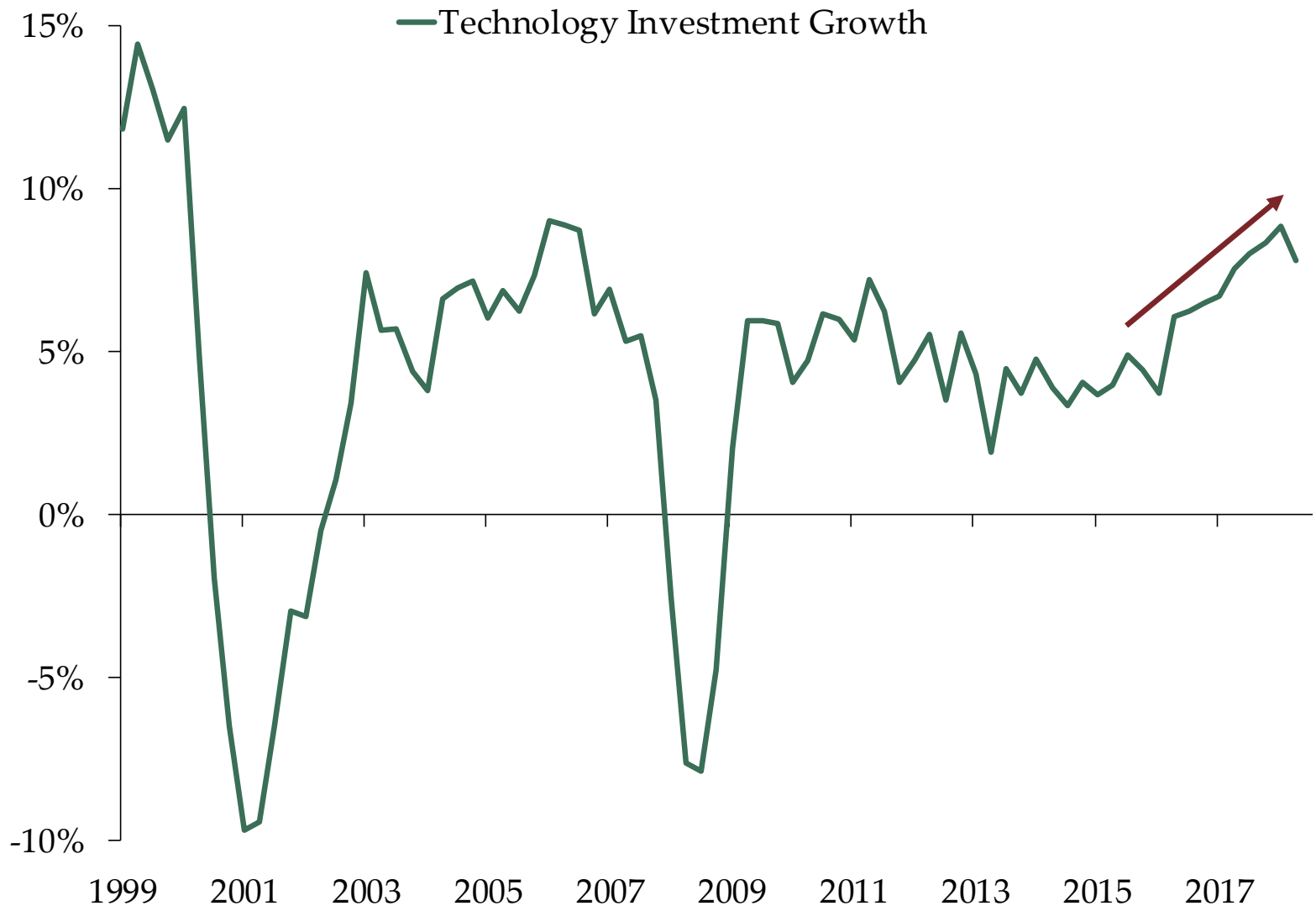
Over the past six years, Technology has outperformed despite brief periods of underperformance.



Source: FactSet, Inc. as of June 2019. MSCI World Information Technology and MSCI World Total Return Indexes, daily, indexed to 1 on April 18, 2013.

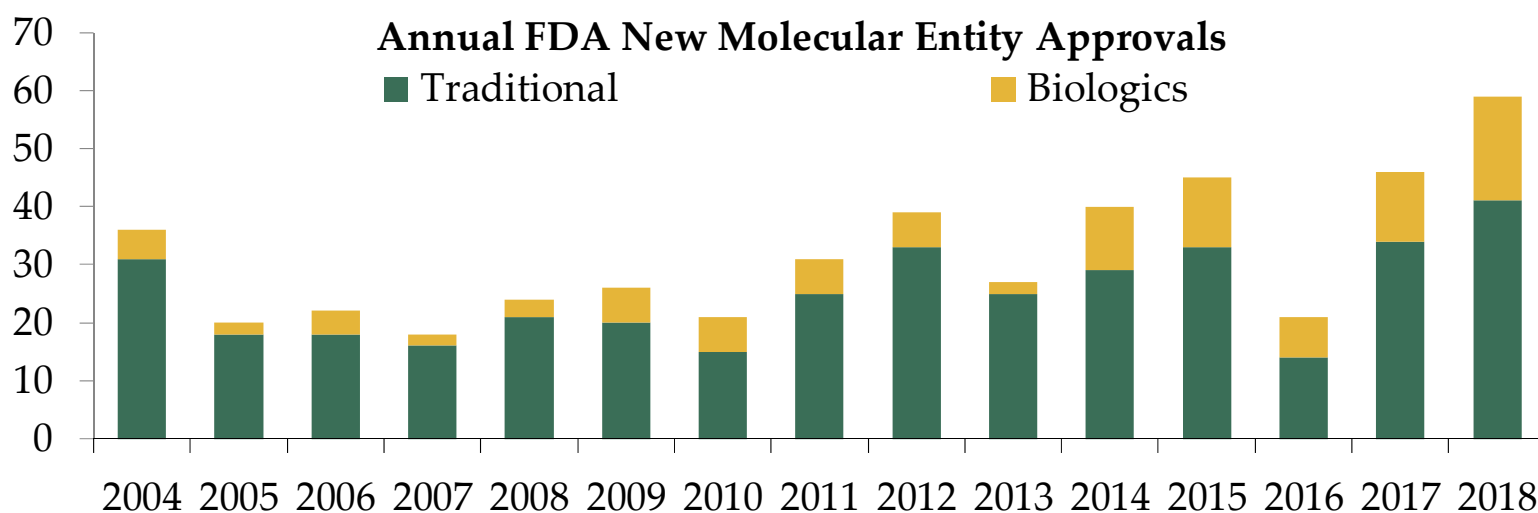
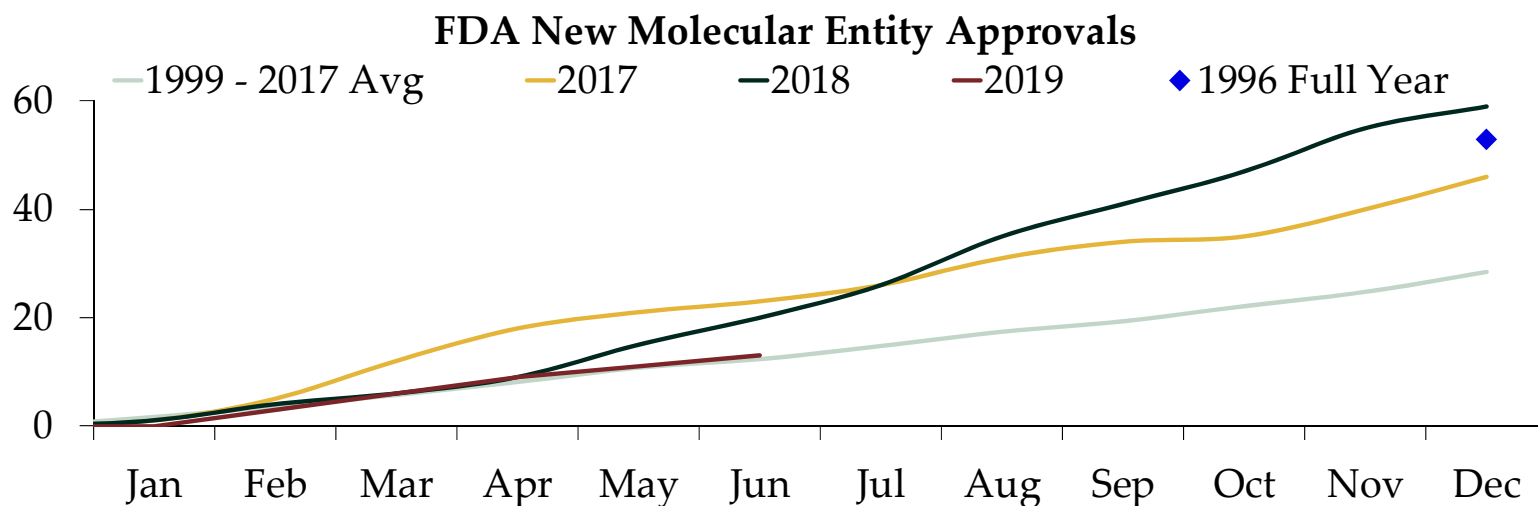
CAPEX SPENDING DRIVES TECH

Technology spending has accelerated with overall business spending, supporting the Information technology sector.



ACCELERATED DRUG APPROVALS SUPPORT HEALTH CARE

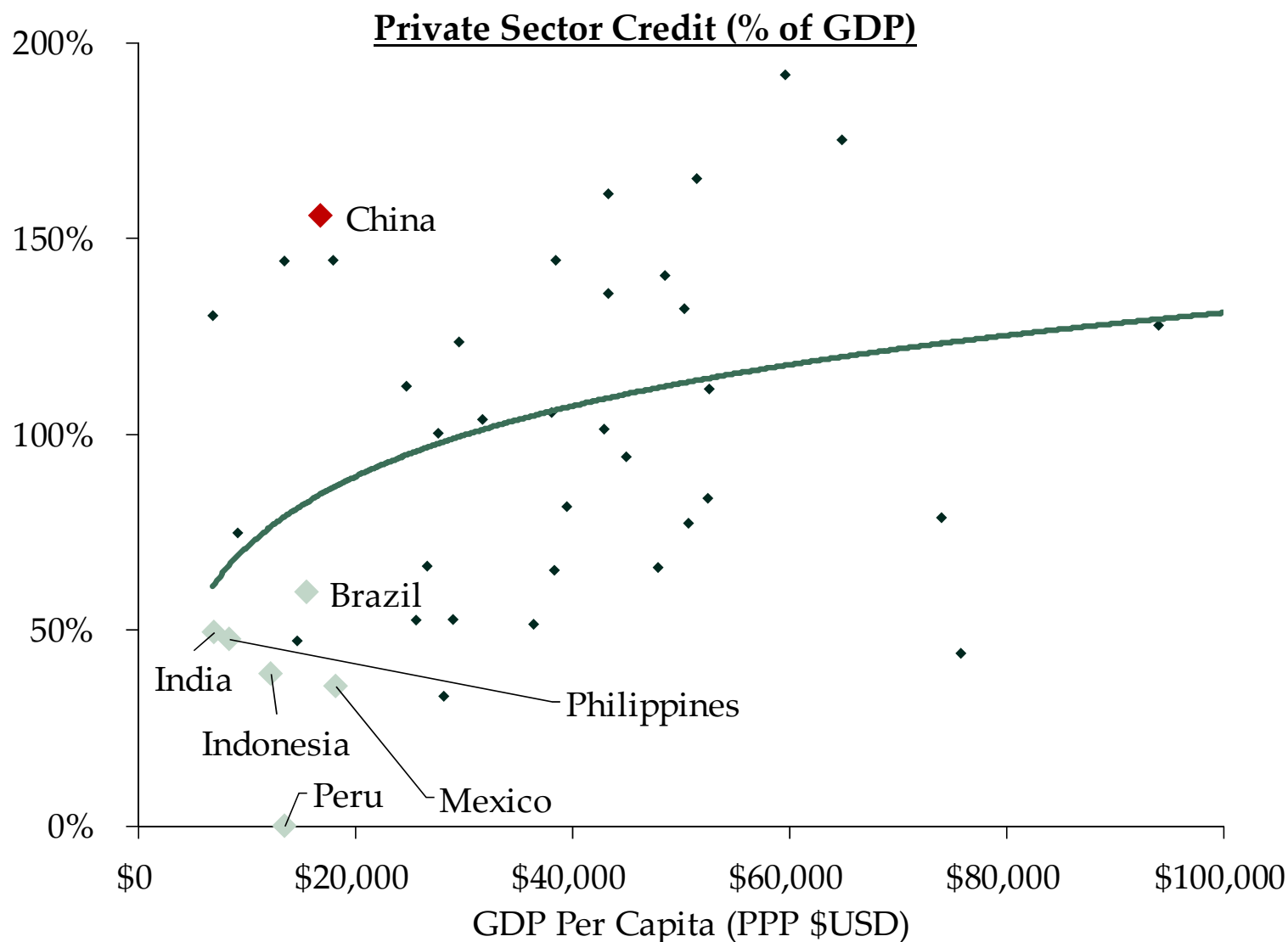
FDA new drug approvals have slowed slightly from last year's record pace, but strong drug pipelines and a concerted effort by regulators to get new drugs to market quickly provide a positive backdrop for drug makers.



Source: US Food and Drug Administration novel drug approvals of new molecular entities (NMEs) as of June 2019. NMEs provide new therapies for patients.

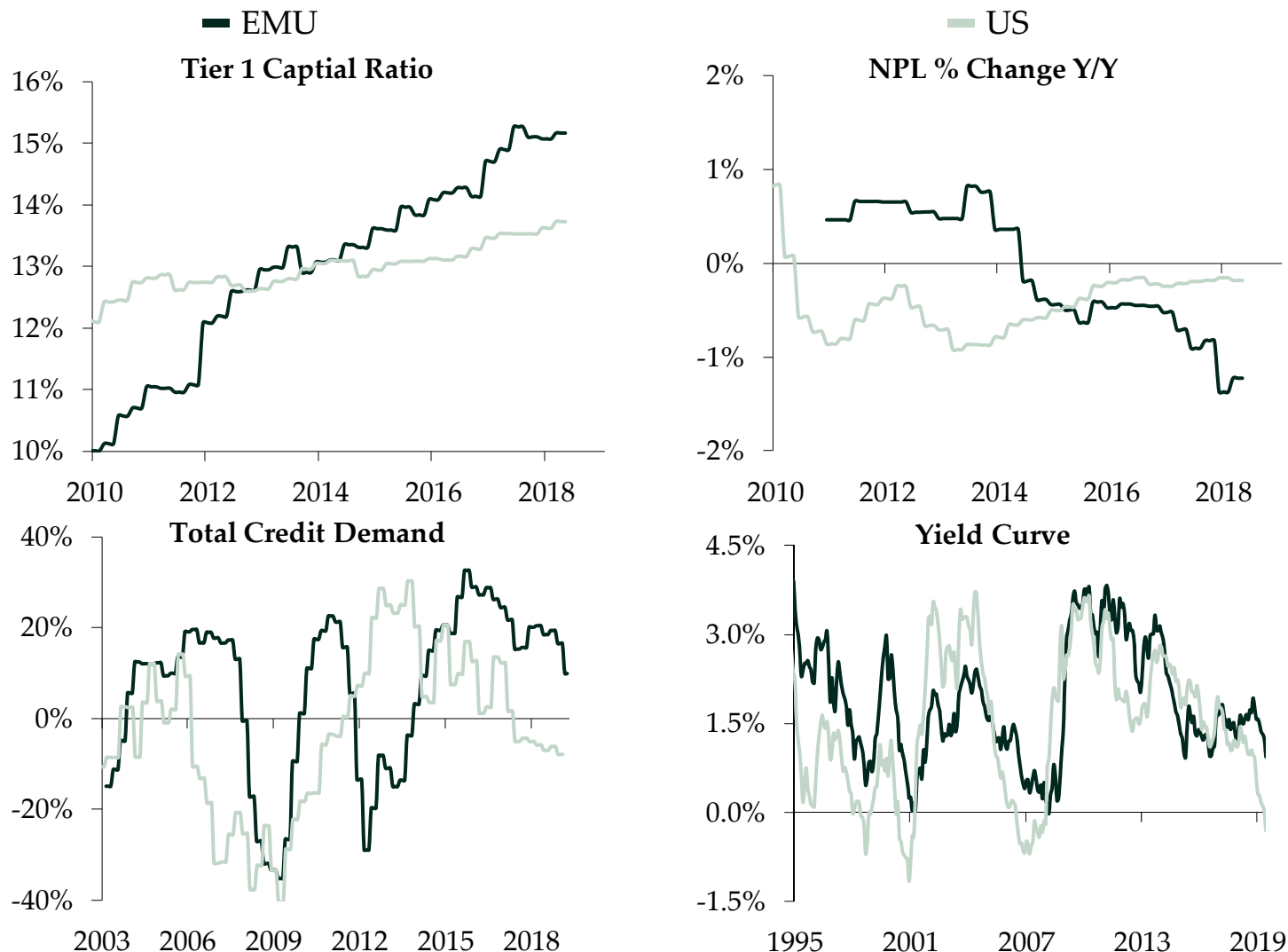
UNDERPENETRATED MARKETS BOOST EM FINANCIALS

Underpenetrated banking systems tend to outperform during economic expansions as previously underserved consumers and businesses gain access to credit for the first time. These new entrants' first loans tend to be highly profitable with low default rates.



EMU BANKS' STRONG POSITIONING

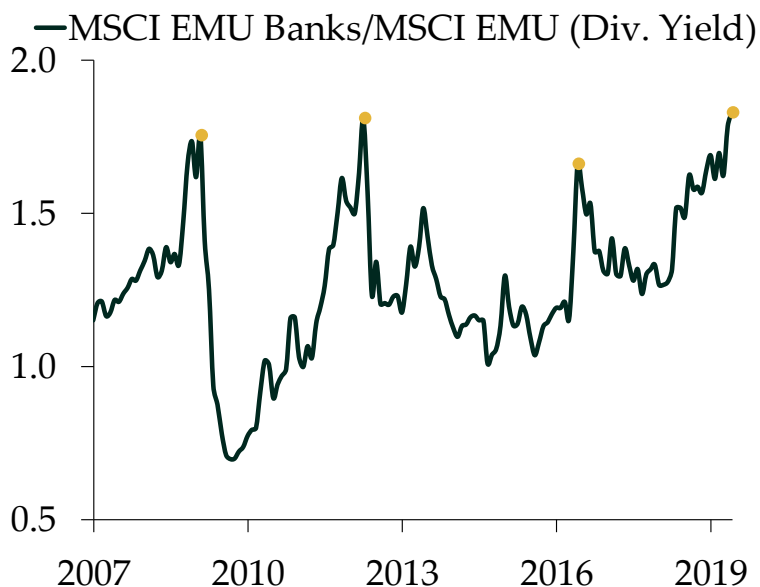
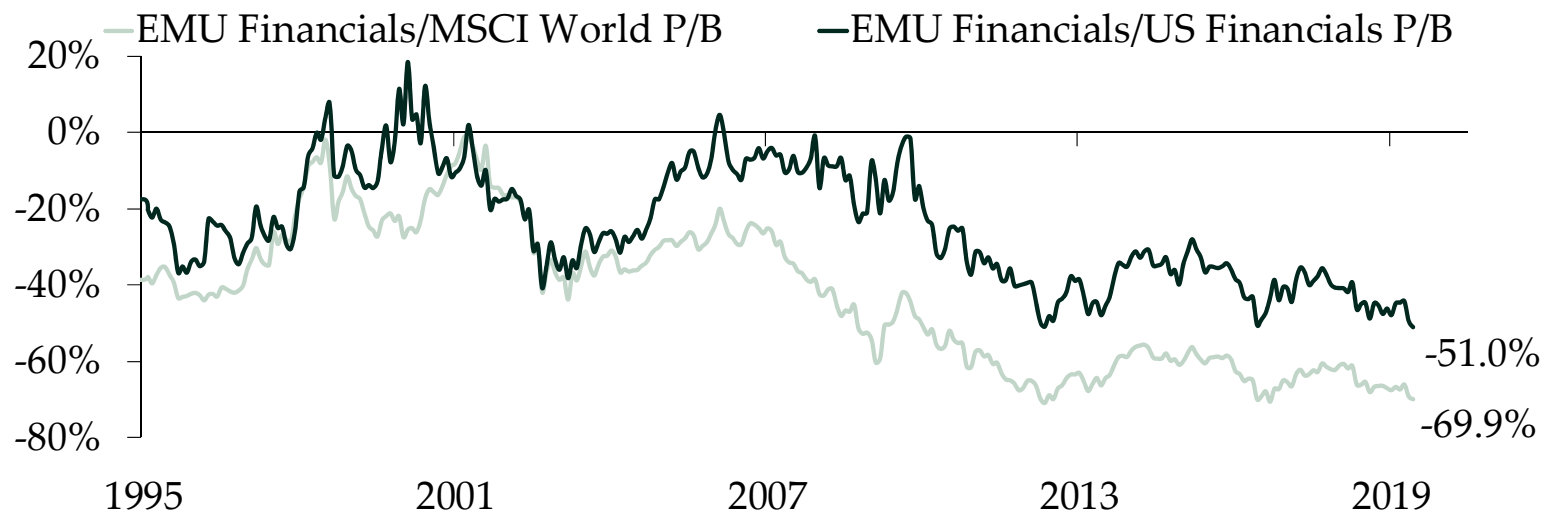
EMU bank balance sheets are strong and continue to improve more rapidly than US banks. Access to and demand for credit, and the yield curve, in the EMU are the most attractive in the developed world. All factors indicate strong lending and bank margins moving forward.



Top charts source: FactSet and IMF as of May 2019. Quarterly Tier 1 Capital Ratio to Risk Weighted Assets, as of September 2018. Non-performing loans to total gross loans, quarterly as of September 2018. Bottom left chart source: Federal Reserve and European Central Bank monthly Senior Loan Officer Opinion Survey as of May 2019. Bottom right chart source: FactSet and OECD as of May 2019. 10Y Government bond yield minus overnight interbank rate, daily.

EXTREME NEGATIVE SENTIMENT TOWARD EMU BANKS

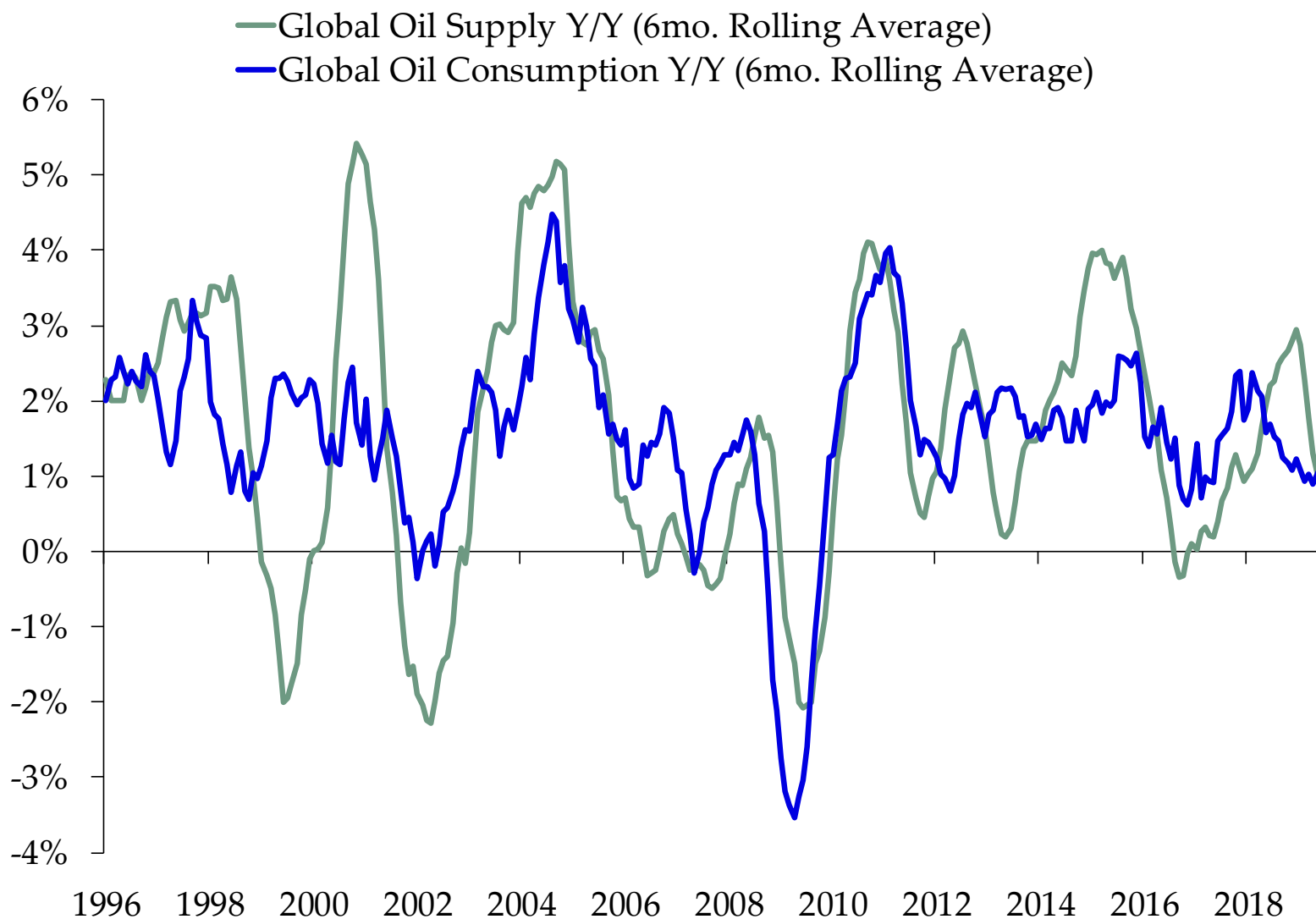
EMU Financials are trading at a large discount to the World and US on a Price/Book basis, which we believe is unjustified based on fundamentals. Additionally, relative to the EMU, Banks' dividend yield is at an extreme high which should be an indicator of outperformance over the coming 12 months.



12M Forward Returns After Extreme Dividend Yield Reading				
Date	EAFE	EMU	World	EMU Banks
02/01/2009	24.9%	22.3%	23.5%	46.0%
04/05/2012	17.9%	21.8%	17.2%	32.8%
01/07/2016	16.2%	24.0%	15.4%	65.0%
30/06/2019	--	--	--	--
Average	19.7%	22.7%	18.7%	47.9%

OIL MARKETS IN BALANCE

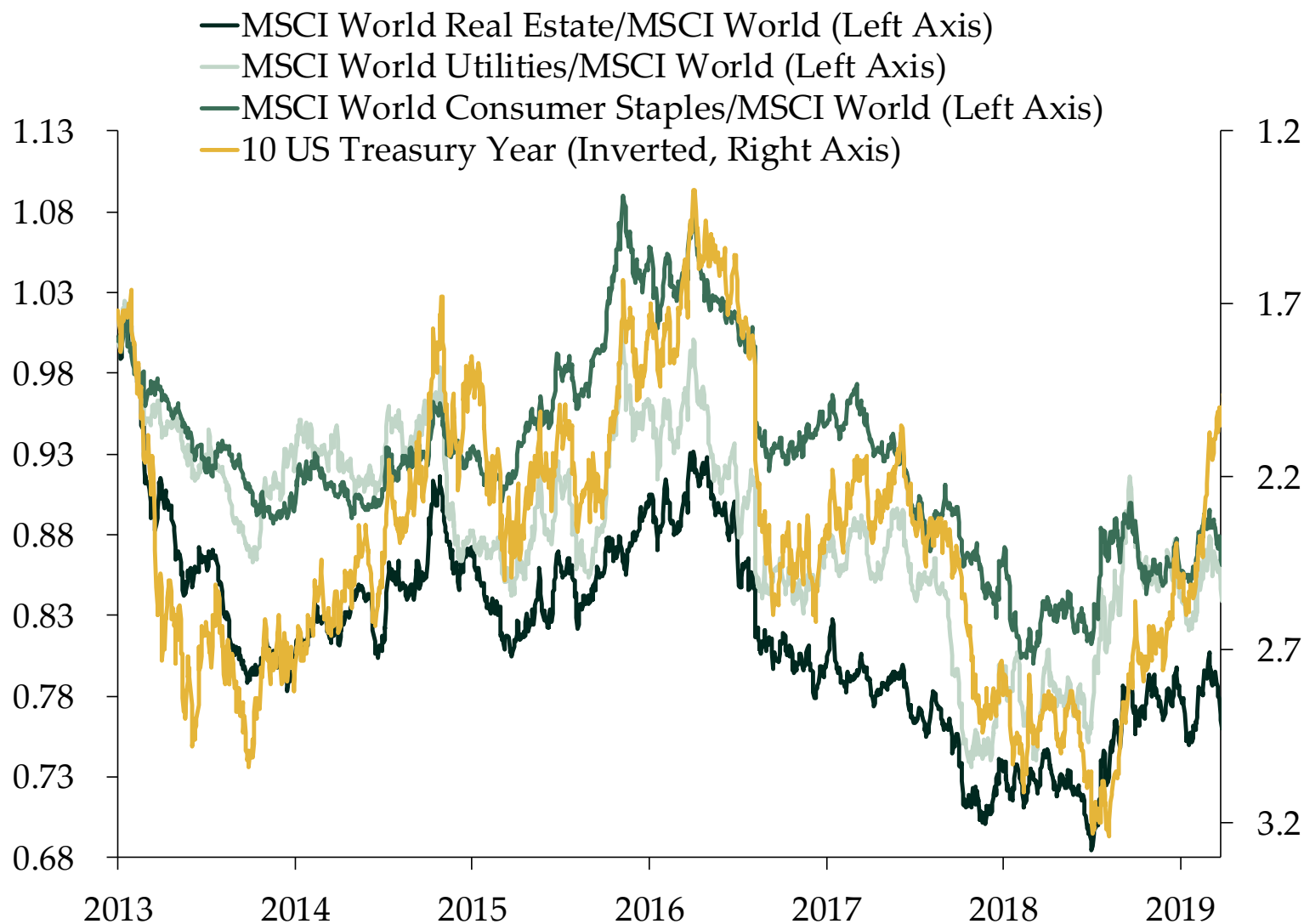
While energy demand remains robust and the sector often outperforms late-cycle, the global oil market is well-supplied. With supply and demand growth balanced, potentially long-lasting upward or downward pressure on prices is limited.



Source: FactSet, EIA as of June 2019.

DEFENSIVE SECTORS AND BOND YIELDS

Defensive, higher-yielding sectors tend to be influenced by bond-yield changes. Falling yields have provided support so far this year, but rising yields could eventually be a headwind.



Source: FactSet as of June 2019. MSCI World Real Estate/World, MSCI World Utilities/MSCI World and MSCI World Consumer Staples/MSCI World Indexed to 1 March 2003.

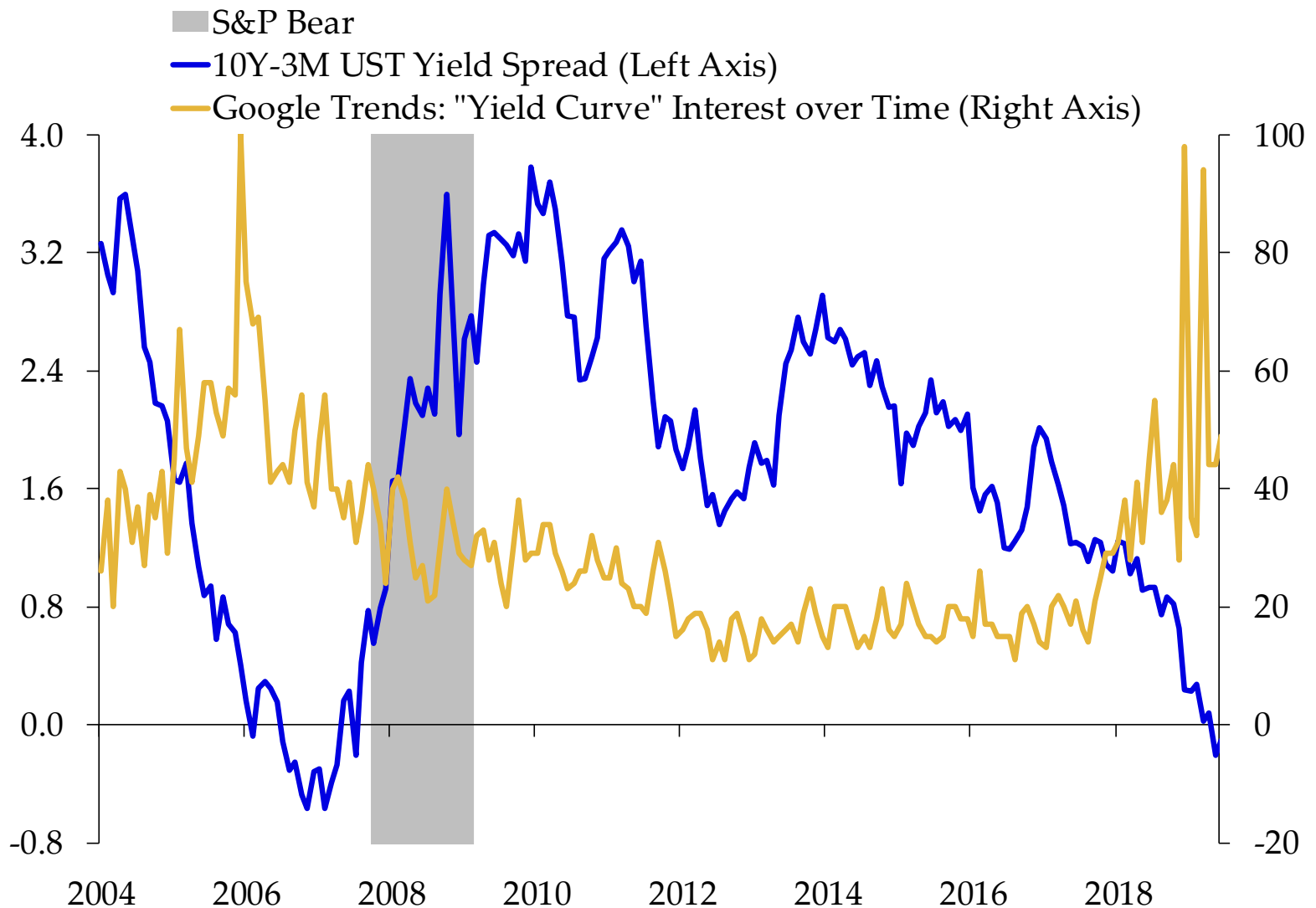
CURRENT MARKET TOPICS

Our views on contemporary investor topics in the market

- Is the US yield curve inversion signaling a near-term recession?
- Is this bull market dying of old age?
- Will an earnings recession bring on a bear market?
- Can equities rise as economic growth slows?
- Will tariffs induce a global recession?
- Can the US housing market recover?
- Are we close to a debt- or deficit-induced downturn?
- Are companies eschewing Capex and R&D in favour of buybacks?

YIELD CURVE INTEREST PEAKS BEFORE MARKET

Yield-curve interest tends to peak right as the yield curve inverts, but wanes well before recession.

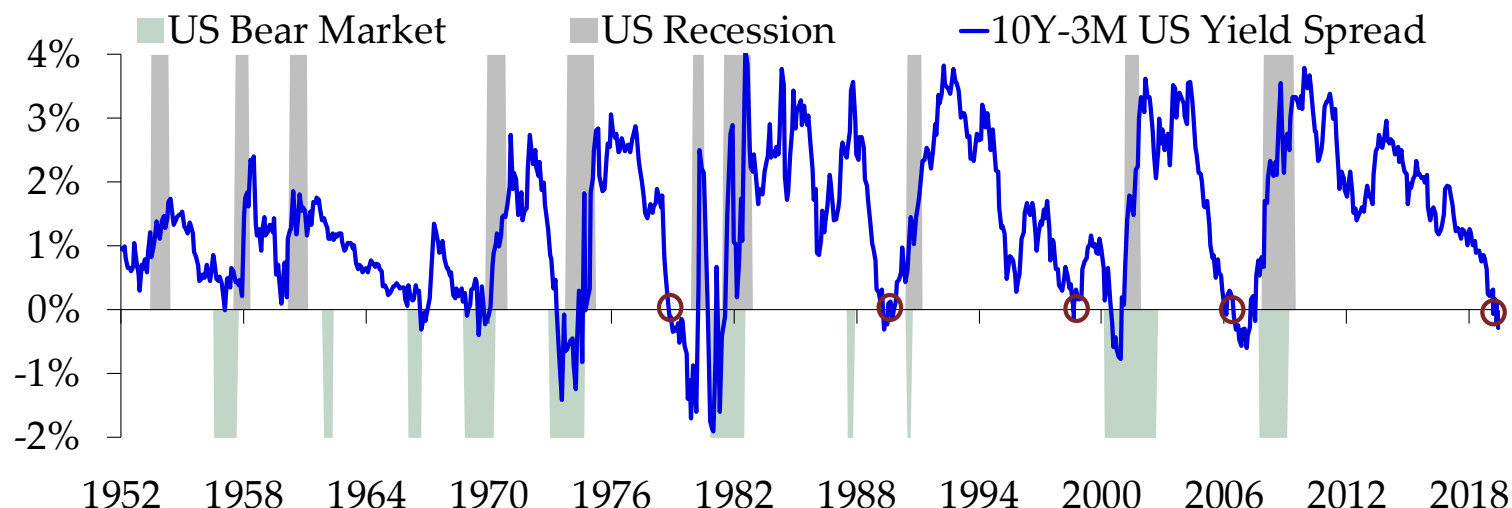


Source: Google Trends as of May 2019. Searches for the term "Yield Curve" worldwide, for the period covering June 2004 to May 2019. Each data point is divided by the total searches of the geography and time range it represents, to compare relative popularity. The resulting numbers is then scaled on a range of 0 to 100 based on a topics proportion to all searches.

THE YIELD CURVE IS A POOR TIMING TOOL

There have been four modern occurrences when US yield curve inversion was not immediately followed by a recession or bear market.

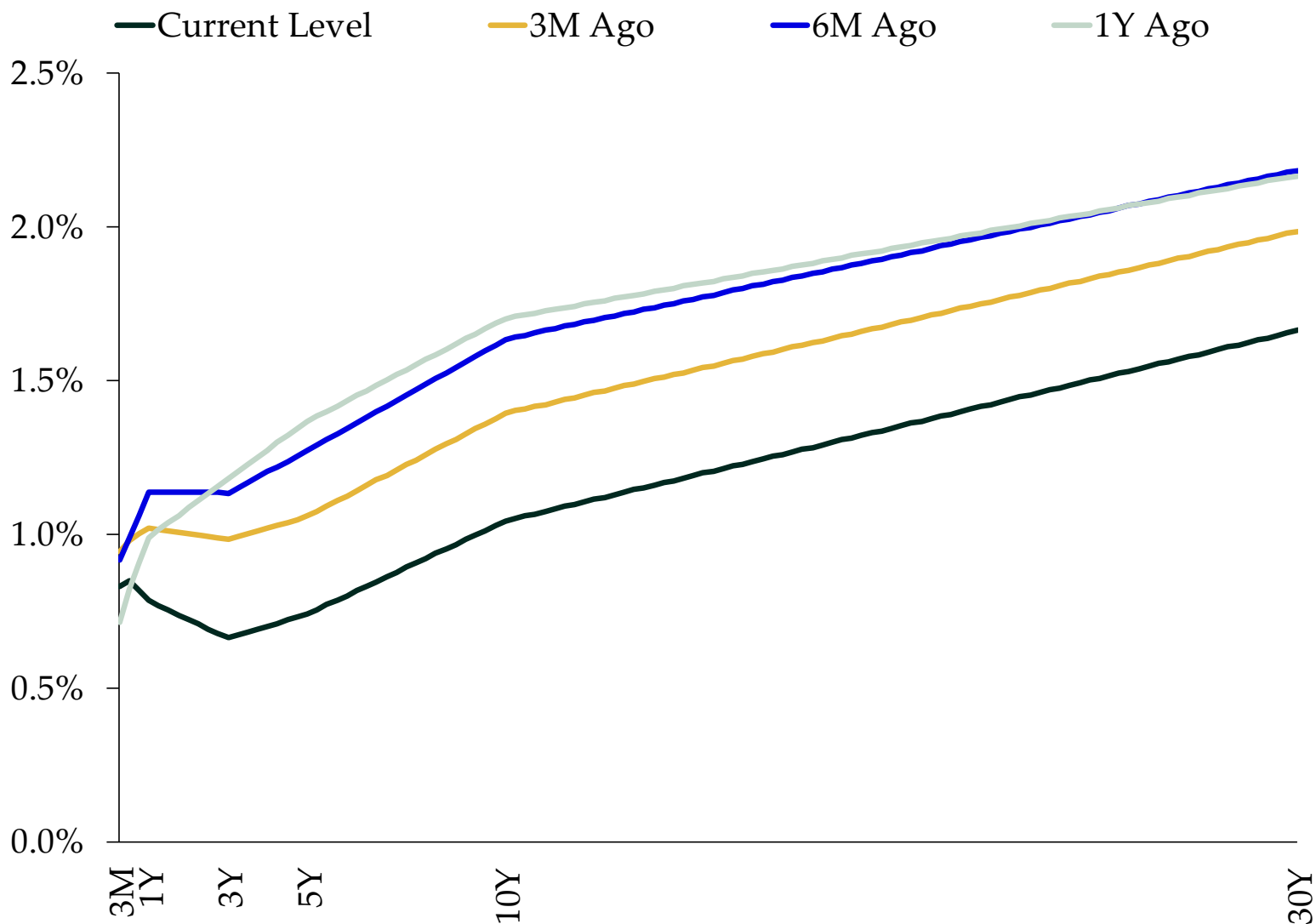
Inversion Date	Inversion Cause		Returns Before Inversion		Returns Following Inversion			# Months Before Bear
	Rising short rates?	Falling long rates?	-6M	-3M	+6M	+12M	To Mkt Peak	
01/11/1978	X		-0.8%	-3.8%	5.0%	5.9%	45.1%	25
27/03/1989	X		8.3%	5.0%	18.8%	17.5%	27.0%	16
10/09/1998		X	-7.9%	-11.9%	31.3%	37.9%	55.8%	19
17/01/2006	X		4.5%	7.8%	-3.8%	11.5%	22.0%	21
Average			1.0%	-0.7%	12.8%	18.2%	37.5%	20



Top chart source: Global Financial Data, US Federal Reserve, and FactSet, Inc. as of June 2019. S&P price index 10-year US Treasury yield and 3-month US Treasury Bill yield, Daily April 1978 to December 2008. Bottom chart source: Global Financial Data and FactSet, Inc. as of June 2019. US recessions, US 10-year bond and 3-month Treasury yield spread, monthly, January 1952 to February 2019, daily June 2019.

GLOBAL YIELD CURVE REMAINS POSITIVE

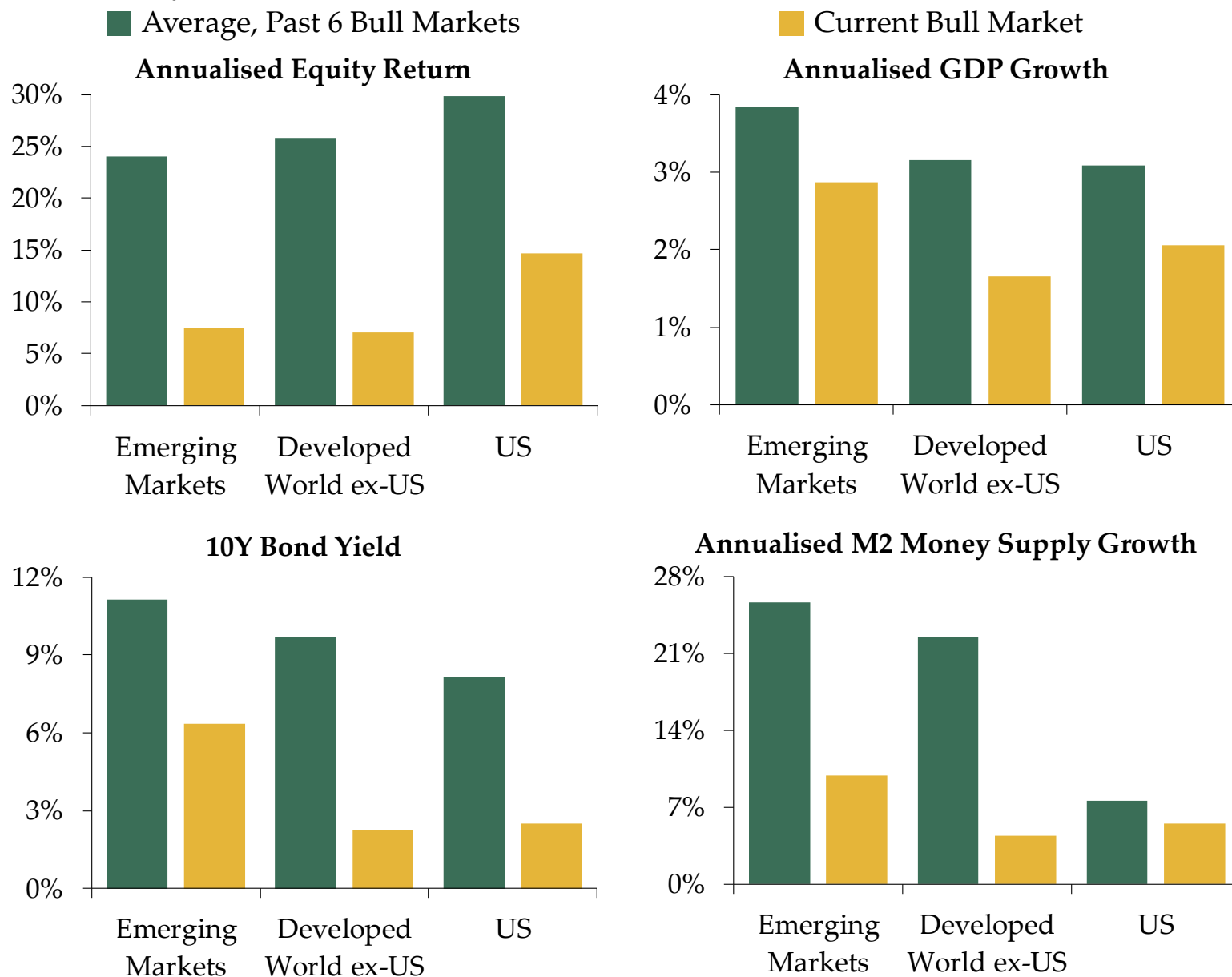
Capital is accessible all throughout the world, making the global yield curve more relevant than any single country. Despite US yield curve inversion, the global yield curve remains positively sloped.



Source: FactSet, as of June 2019. Global ex. EM real GDP-weighted (as of calendar year 2017) yield curves, June 2019.

CURRENT BULL HAS BEEN LONG, BUT SUBDUED

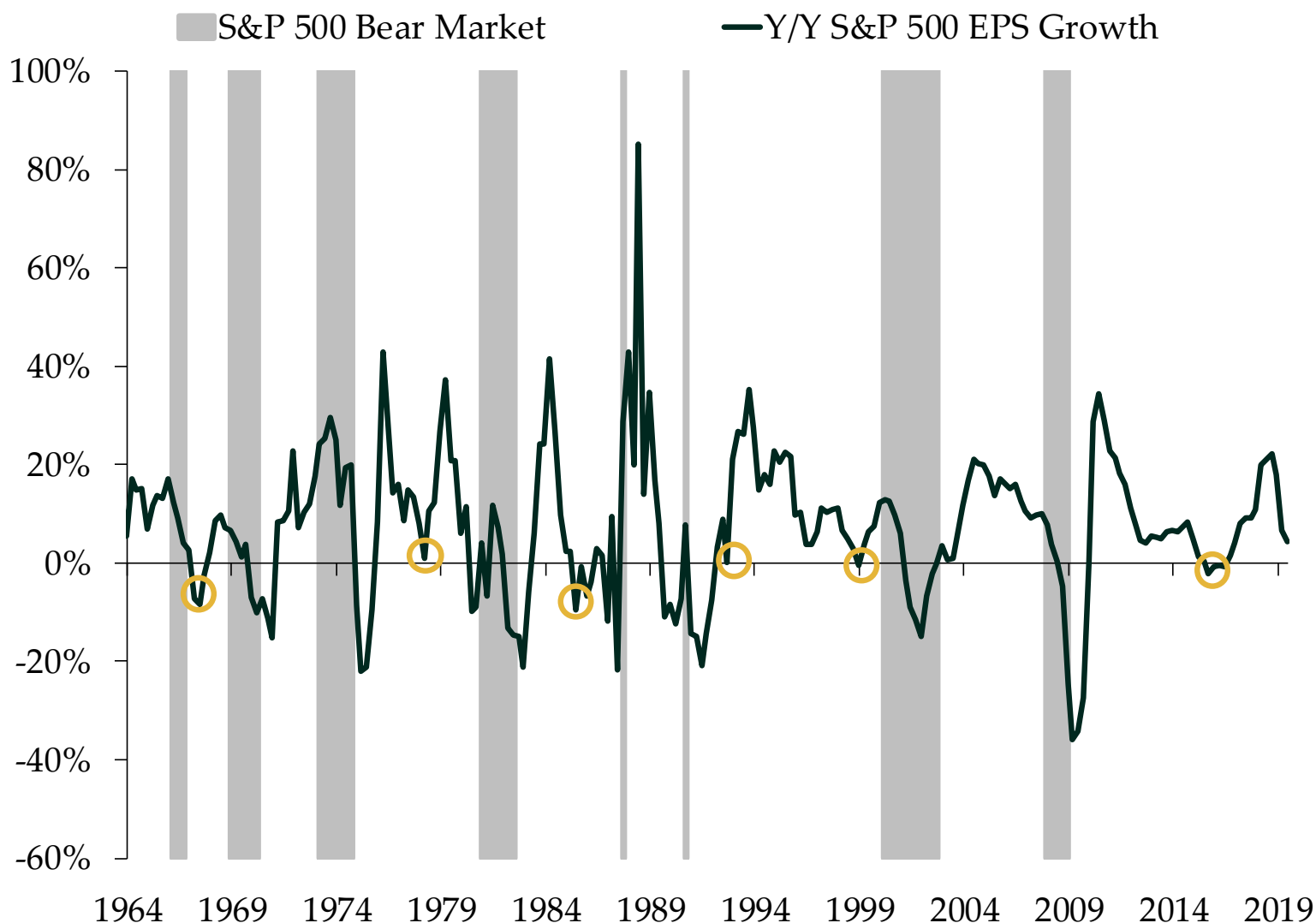
The current bull market has been long, but significantly more subdued than prior bulls based on a number of economic and market measures, potentially increasing this cycle's sustainability.



Source: FactSet and World Bank, as of June 2019. Categorisation based on MSCI indices.

EARNINGS GROWTH IS NOT PREDICTIVE

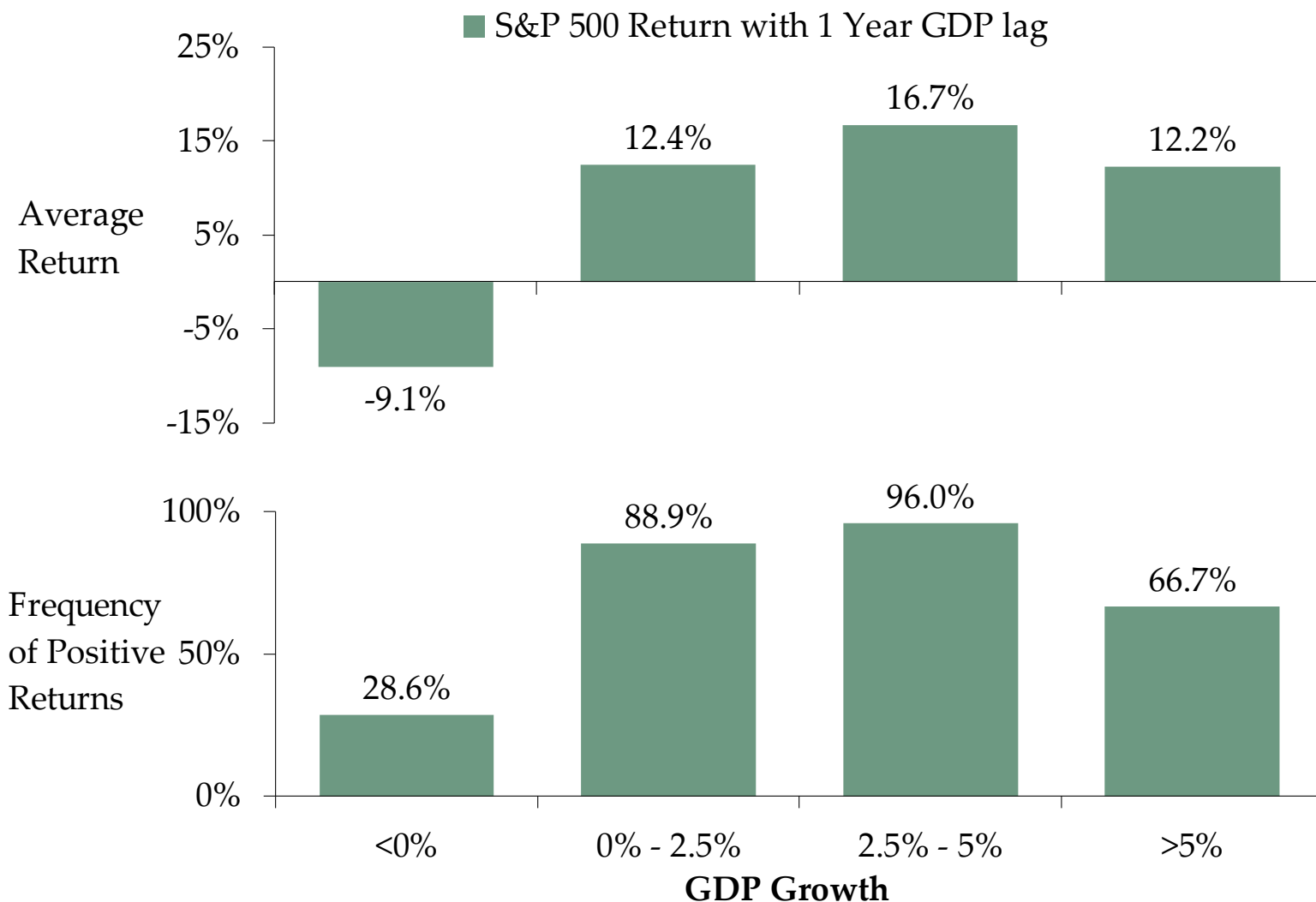
Earnings growth is not predictive for the market cycle. Contractions regularly occur during bull markets, and are not always an indicator of an impending bear.



Source: FactSet as of June 2019. Bear markets and earnings per share, year-over-year growth, quarterly, December 1964 – June 2019.

EQUITY RETURNS LEAD ECONOMIC GROWTH

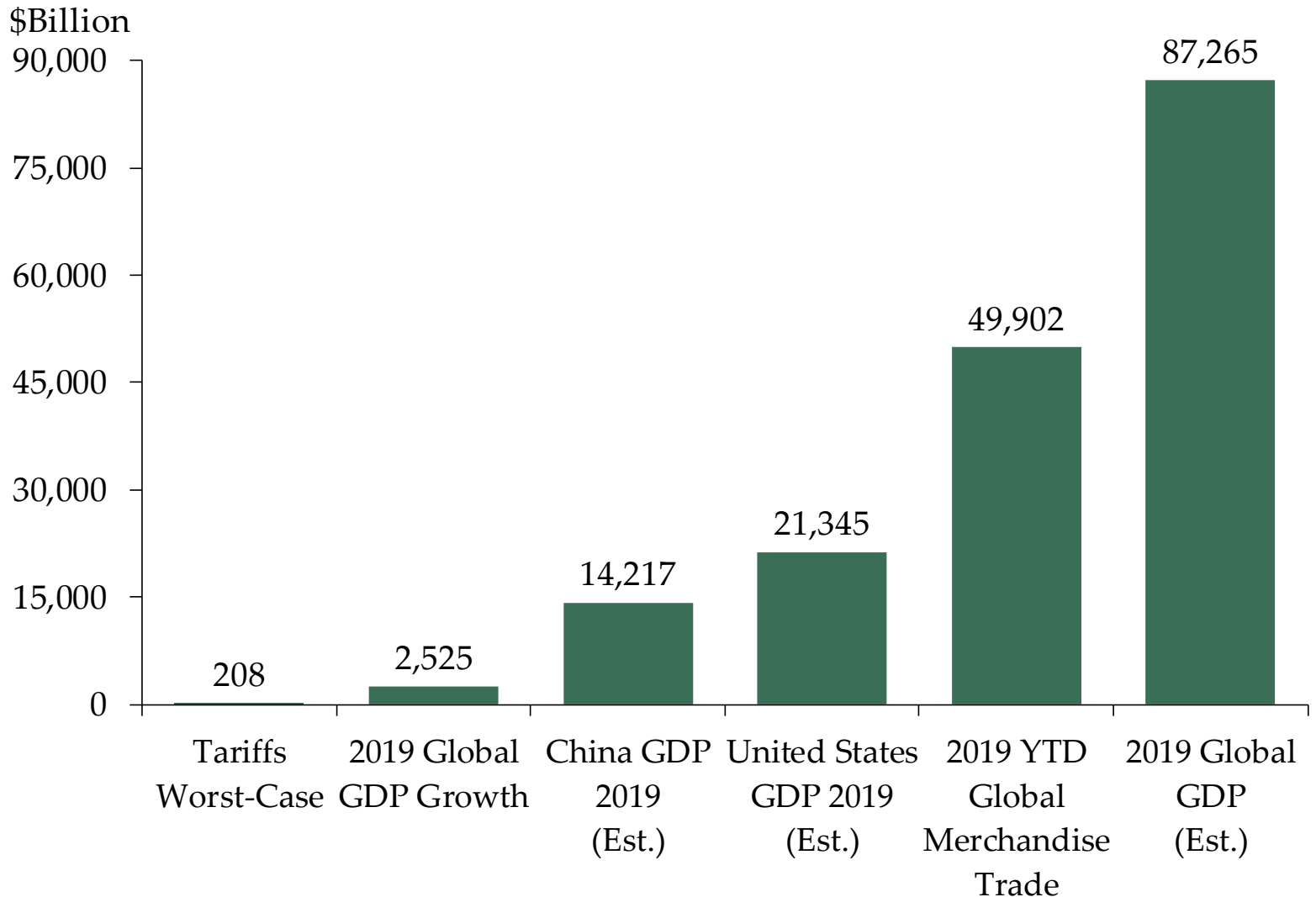
Equities abhor recession and often fall ahead of economic contractions. But equities can thrive in any level of economic growth. If economic growth slows, equity returns needn't suffer.



Top chart source: FactSet, IMF and Global Financial Data as of February 2019. Yearly GDP Growth, Real % Change - United States and S&P 500 Total Return (net), annualised December 1970 to December 2016. Bottom chart source: Source: FactSet, IMF and Global Financial Data as of February 2019. Yearly GDP Growth, Real % Change - United States and S&P 500 Total Return (gross), annualised, December 1970 to December 2016.

TARIFFS LACK SCALE TO DERAIL EXPANSION

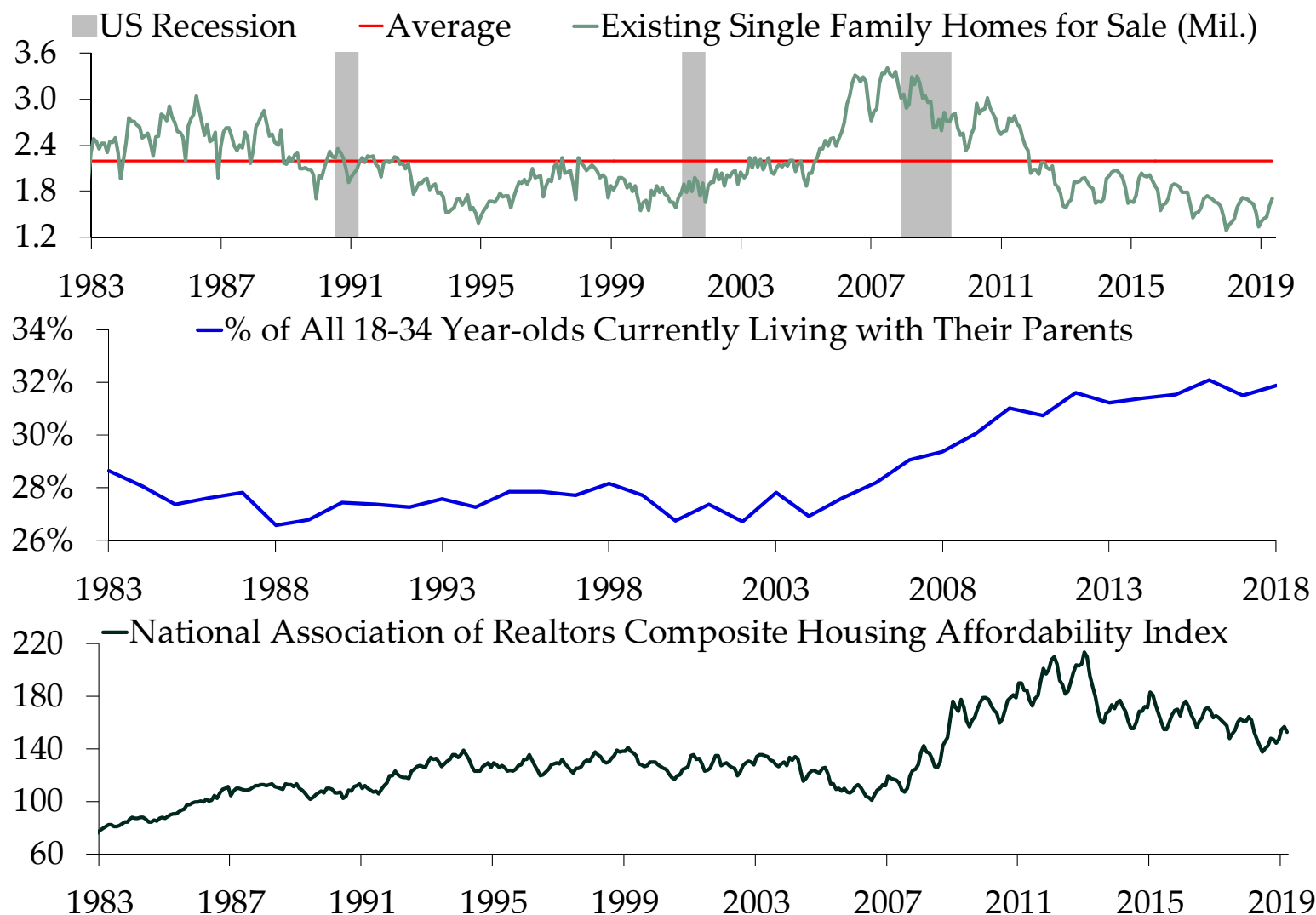
Trade worries are warranted, but unless trade tariffs escalate massively, they simply lack the scale to derail the global economy.



Source: International Monetary Fund (IMF) and CBP Netherlands Bureau for Economic Policy Analysis as of May 2019. GDP forecast (USD, current prices), 2019 estimate based on the IMF's April 2019 World Economic Outlook global nominal GDP growth and calculated growth projection of 3.0%. Worst-case tariff impact from the Office of US Trade Representative and US Census Bureau, May 2019. 2019 YTD Global Merchandise Trade as of April 2019, merchandise world trade volumes, seasonally adjusted and prices, monthly.

US HOUSING MARKET POISED FOR REBOUND

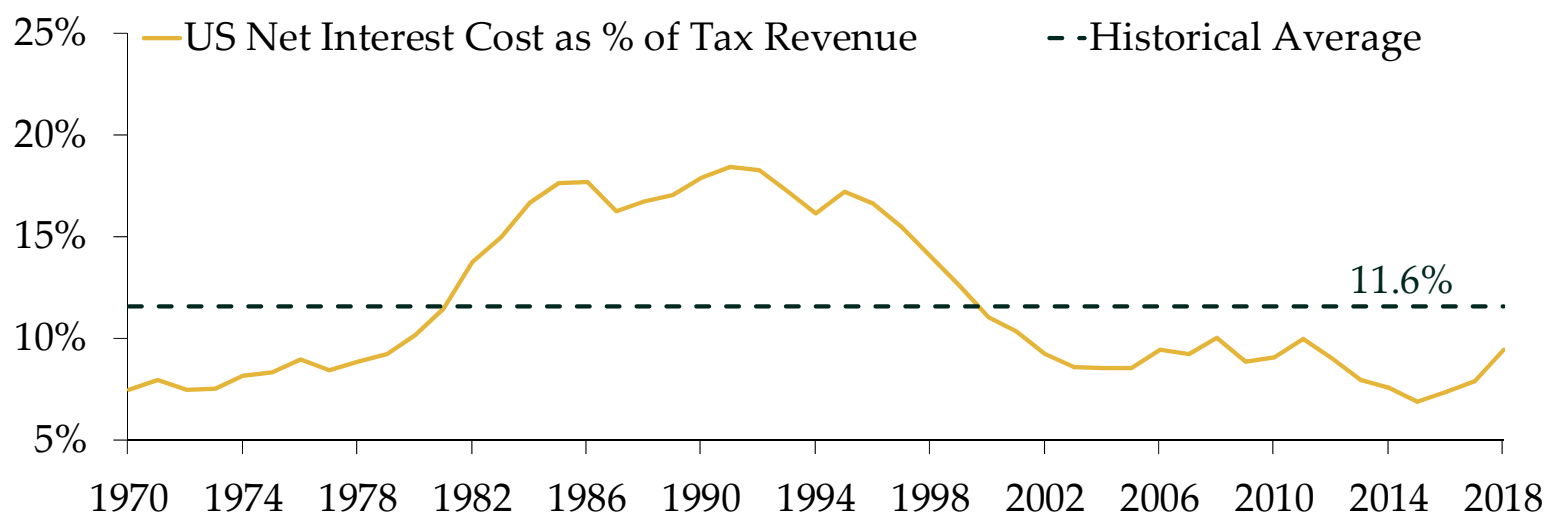
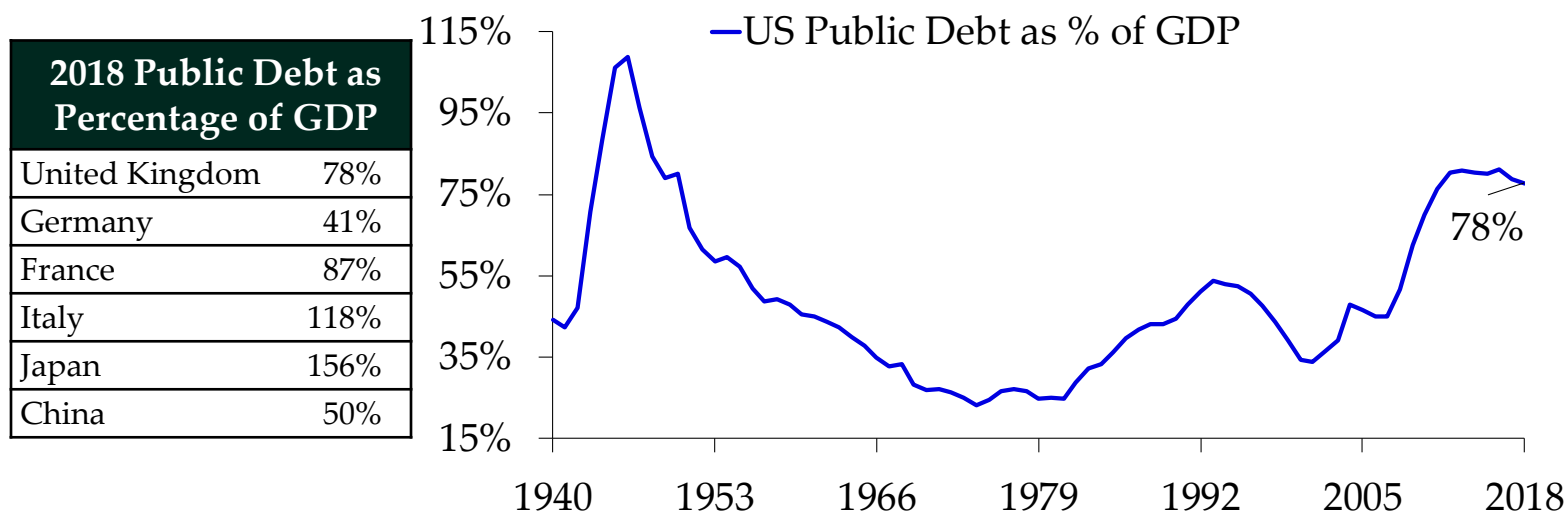
Housing supply remains historically tight reflecting homebuilder discipline and supporting pricing as demand increases. The number of potential homebuyers has grown and housing affordability has moderated over the past decade, despite higher mortgage rates. This puts young adults in a prime position to support sales of newly built homes.



Top chart source: FactSet and US National Association of Realtors as of May 2019, monthly. Middle chart source: Source: US Census Bureau; yearly survey of living arrangements of 18-34 year-olds & from December 1982 through December 2018, annual. Bottom chart source: FactSet and US National Association of Realtors as of March 2019, monthly.

US DEBT IS MANAGEABLE

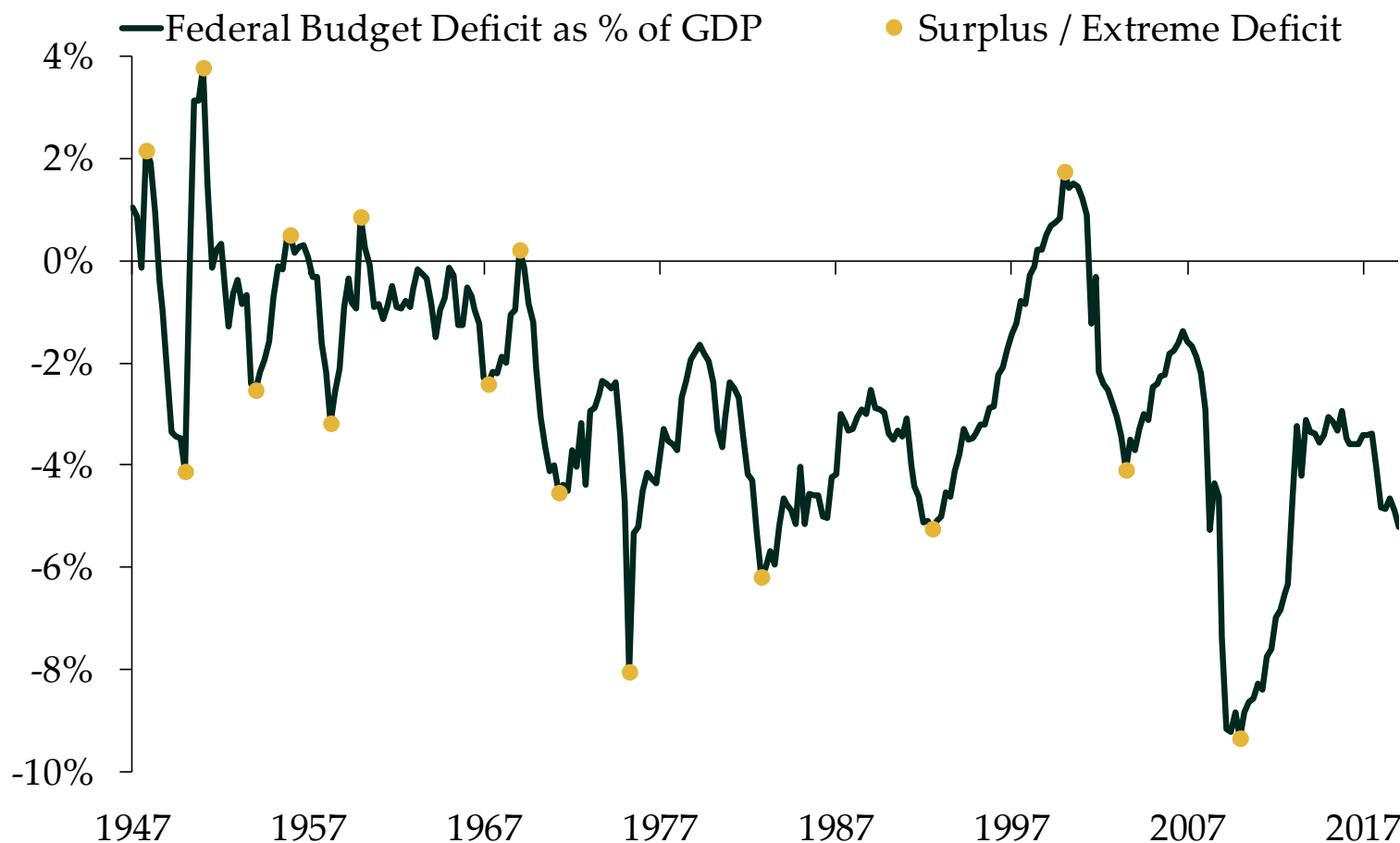
The US government owns a significant amount of its own debt. Public debt as a percent of GDP has risen but is far from extreme. And low interest rates have kept the interest cost of government debt below the historical average.



Top chart source: FactSet as of May 2019. US net general government debt figures, annual, December 1940 to December 2018. Bottom chart source: FactSet and Congressional Budget Office as of May 2019. Office net interest outlays and total revenues, annual, December 1970 to December 2018.

DEFICITS DON'T DROWN EQUITIES

US equities have historically performed well in the years following budget deficit peaks.

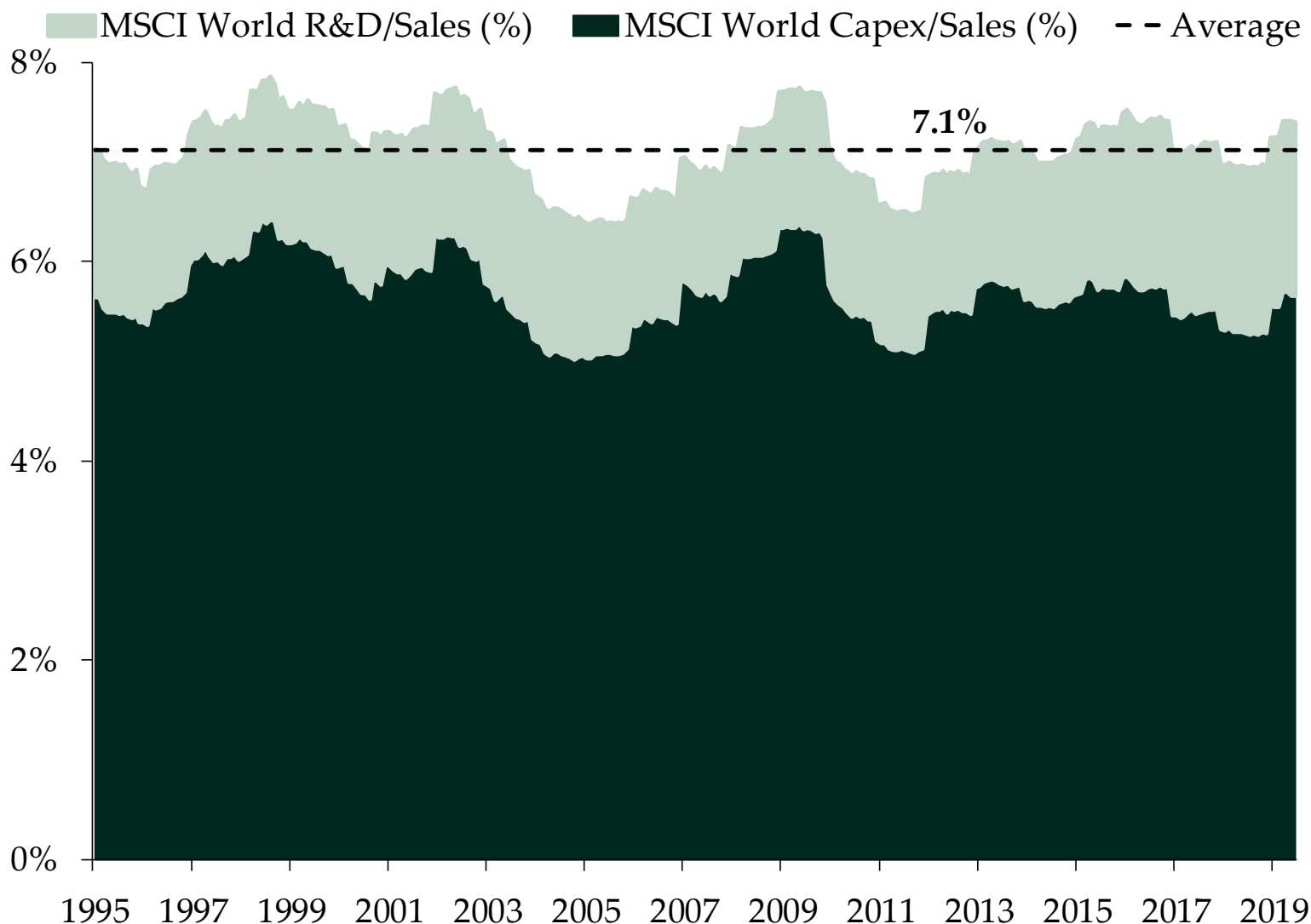


	Average Forward 1 Year Return	Average Forward 2 Year Return (Cumulative)	Average Forward 3 Year Return (Cumulative)
Extreme Deficit	+16.9%	+23.8%	+27.8%
Extreme Surplus	-2.2%	+2.6%	+9.3%

Source: FactSet and Fisher Investments Research as of May 2019. US nominal GDP and US net federal government saving, seasonally adjusted annualised rate & S&P 500 total return index, quarterly, March 1947 to March 2019. Extreme deficit is the federal budget as a % of GDP lower than all trailing and forward three year quarterly periods. Extreme surplus is the federal budget as % of GDP higher than all trailing and forward one year quarterly periods.

CAPEX, R&D SPENDING HEALTHY AMID BUYBACKS

Despite elevated levels of share buybacks, developed world companies' combined spending on Capex and R&D over the past twelve months represented 7.4% of sales, exceeding the long-term average.



Source: Worldscope and ClariFI; annual data from January 1995 to June 2019. Based on MSCI World constituents.

HOW WE MONITOR FOR A BEAR MARKET

Cause	Description	Examples
The Wall	A bull market climbs the “Wall of Worry” then runs out of steam amid widespread investor euphoria	1990s Dot Com Bubble
The Wallop	A negative surprise with the power to knock several trillion dollars off global GDP hits an ongoing bull market	2007 Financial Crisis

Indicator	'29	'32	'37	'46	'56	'61	'66	'68	'73	'80	'87	'90	'00	'07	Present today?
Recession	✓	✓	✓	✓	✓			✓	✓	✓		✓	✓	✓	Unlikely
Large War			✓		✓					✓		✓			Unlikely
Trade War		✓													Yes, but small
Liquidity Freeze	✓		✓				✓					✓		✓	Unlikely
Monetary Policy	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓	✓	✓	Slightly tight
Fiscal Policy			✓	✓				✓							Not tight
Regulation				✓		✓	✓	✓			✓	✓		✓	No major changes
Equity Oversupply				✓		✓		✓		✓			✓		Not present
Euphoria	✓	✓	✓	✓		✓		✓	✓	✓	✓	✓	✓		Not present

Source: Fisher Investments Research as of June 2019.

STRATEGY OFFERINGS AND BENEFITS

Global Research Platform		
Global	US	Global Ex-US
\$8.2 Billion	\$10.0 Billion	\$23.5 Billion
All World Equity <i>MSCI ACWI Index</i>	US Equity <i>S&P 500 Index</i>	All Non-US Equity <i>MSCI ACWI ex-US Index</i>
Global Equity <i>MSCI World Index</i>	US Mid Cap Value <i>Russell Mid Cap Value Index</i>	All Non-US Equity Growth <i>MSCI ACWI ex-US Growth Index</i>
Global Equity Focused <i>MSCI World Index</i>	US Small and Mid Cap Core <i>Russell 2500 Index</i>	Non-US Equity <i>MSCI EAFE Index</i>
Global Small Cap <i>MSCI World Small Cap Index</i>	US Small and Mid Cap Value <i>Russell 2500 Value Index</i>	Emerging Markets Equity <i>MSCI Emerging Markets Index</i>
Global High Dividend Yield <i>MSCI World High Dividend Yield Index</i>	US Small Cap Core <i>Russell 2000 Index</i>	Frontier Markets Equity <i>MSCI Frontier Markets Index</i>
Global Quant <i>MSCI ACWI Index</i>	US Small Cap Value <i>Russell 2000 Value Index</i>	All Non-US Equity Small Cap <i>MSCI ACWI ex-US Small Cap</i>
Global Long/Short <i>MSCI World (50%) 3-Month T-Bill (50%)</i>	US Small Cap Opportunities <i>Russell Micro Cap Value Index</i>	Non-US Equity Small Cap <i>MSCI World ex-US Small Cap</i>
	US Small Cap Quant <i>Russell 2000 Index</i>	Emerging Markets Small Cap ESG <i>MSCI Emerging Markets Small Cap Index</i>

Complete Investment Process

- ♦ Top-down approach accounts for three critical decisions helping to maximise probability of excess return

Complementary Portfolio

- ♦ Diversification via process and style

Experienced

- ♦ Investment Policy Committee members’ average experience at FI: 25 years

AUM figures depict assets managed by Fisher Investments and its subsidiaries as of month end June 2019. “Years” is calculated using the date on which Fisher Investments was established as a sole proprietorship: 1979.

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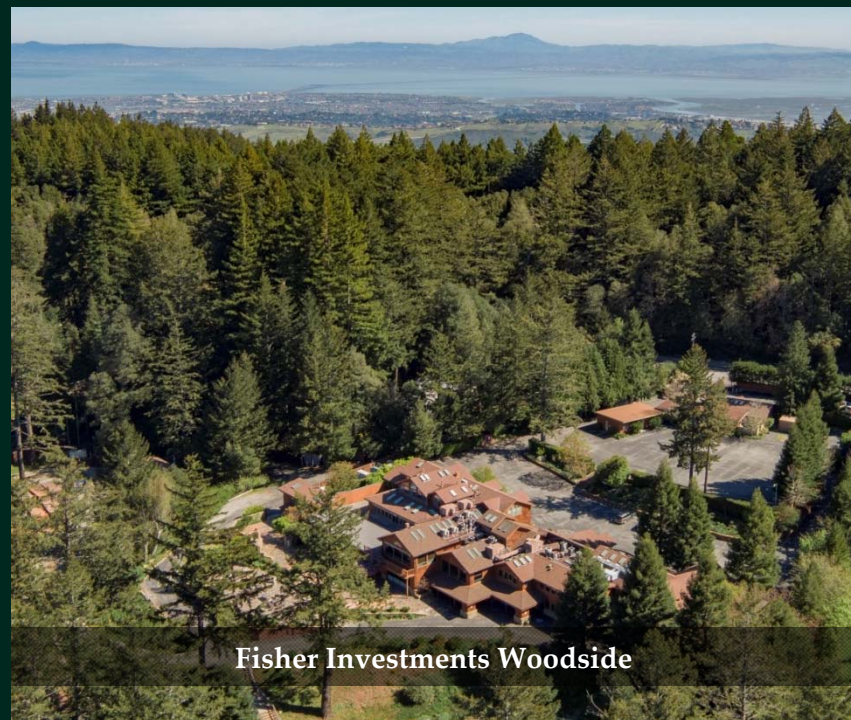
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