MACRO INSIGHTS

Q4 2019

Fisher Investments™
Institutional Group

Fisher Investments Europe™

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MARKET OUTLOOK

- The bull market should continue with volatility into 2020

- Long, flat periods followed by gains has been a hallmark of this bull

- Stable growth with low inflation benefit equities

- Equity valuations should continue expanding in 2019 after contracting in 2018

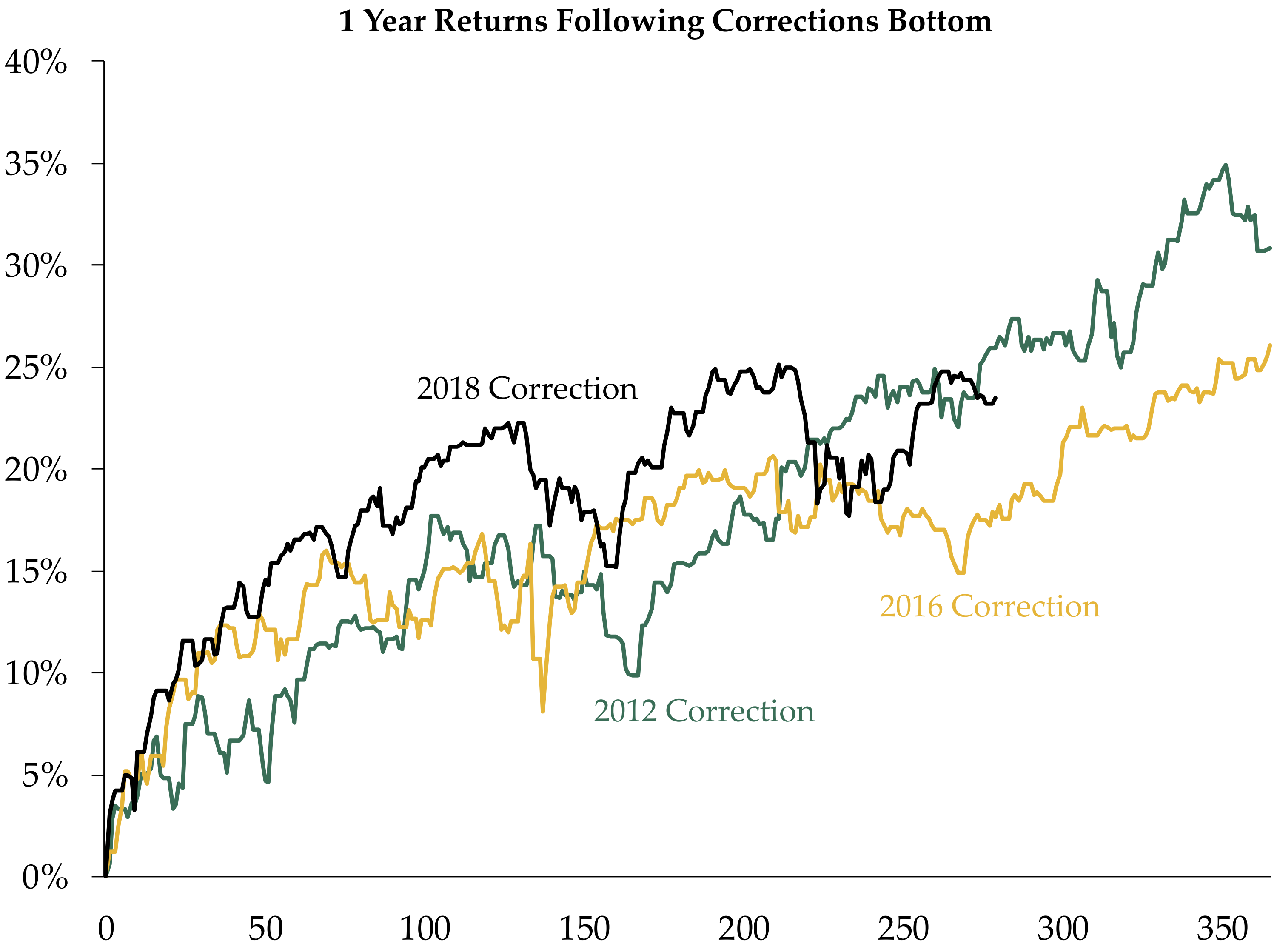
- Macroeconomic and geopolitical concerns garner far more attention than healthy corporate results

- Equity outflows reflect excessive caution, setting the stage for upside surprise

As of 30/09/2019.

A TYPICAL CORRECTION RECOVERY

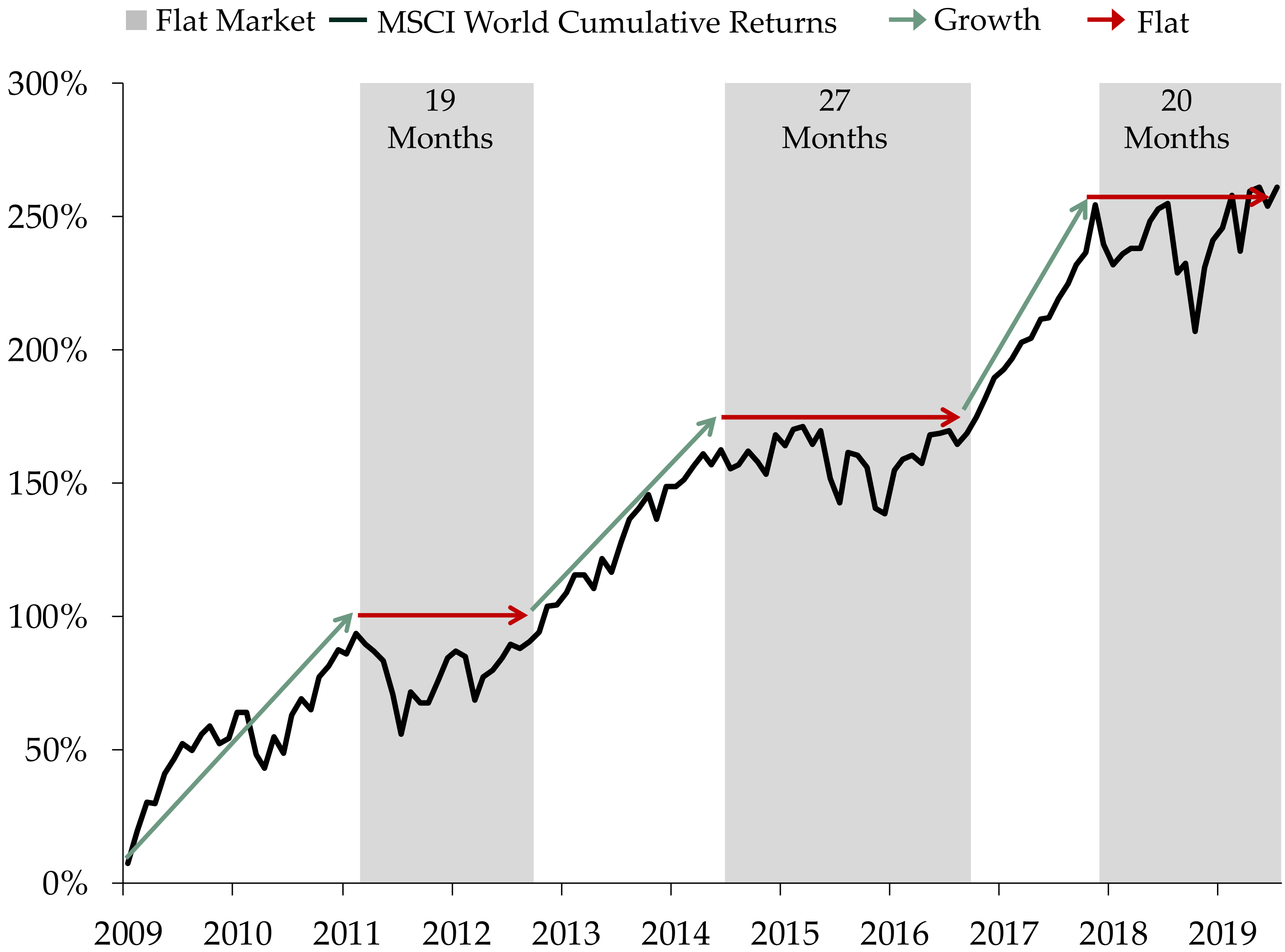
The recovery from the late 2018 downturn looks like a typical strong-but-volatile correction recovery, similar to correction recoveries in 2012 and 2016.



Source: FactSet. MSCI World Total Return Index, daily, 04/06/2012 – 04/06/2013, 11/02/2016 – 11/02/2017, and 25/12/2018 – 30/09/2019. Returns show the subsequent 365 calendar days from correction bottom.

A STRONG BULL WITH FITS AND STARTS

Overall this bull has been a strong bull market, but investors have had to wait through long, flat periods to enjoy subsequent gains. This recent flat period looks likely to follow that pattern.



Source: FactSet, as of September 2019. MSCI World Total Return Index, cumulative, monthly, February 2009 to September 2019.

NEW HIGHS LEAD TO CONTINUING BULL

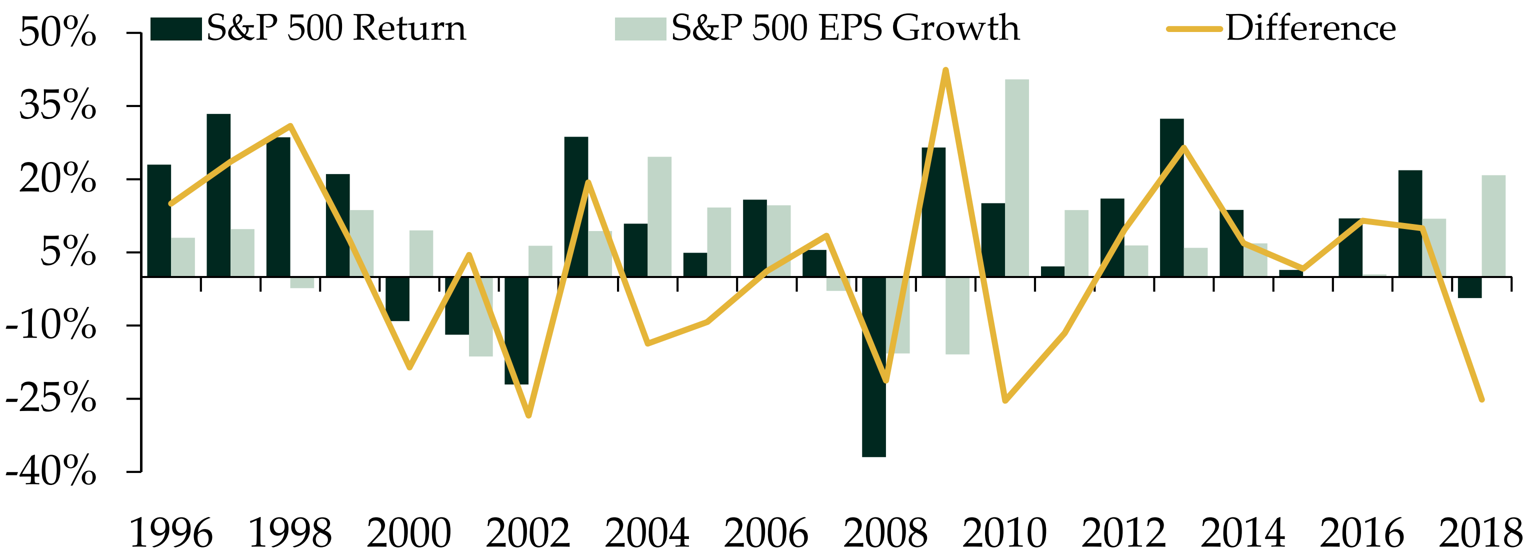
Corrections are common and healthy features of bull markets. Corrections can give investors confidence the market has digested their fears, enabling the bull market to continue.

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.

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.



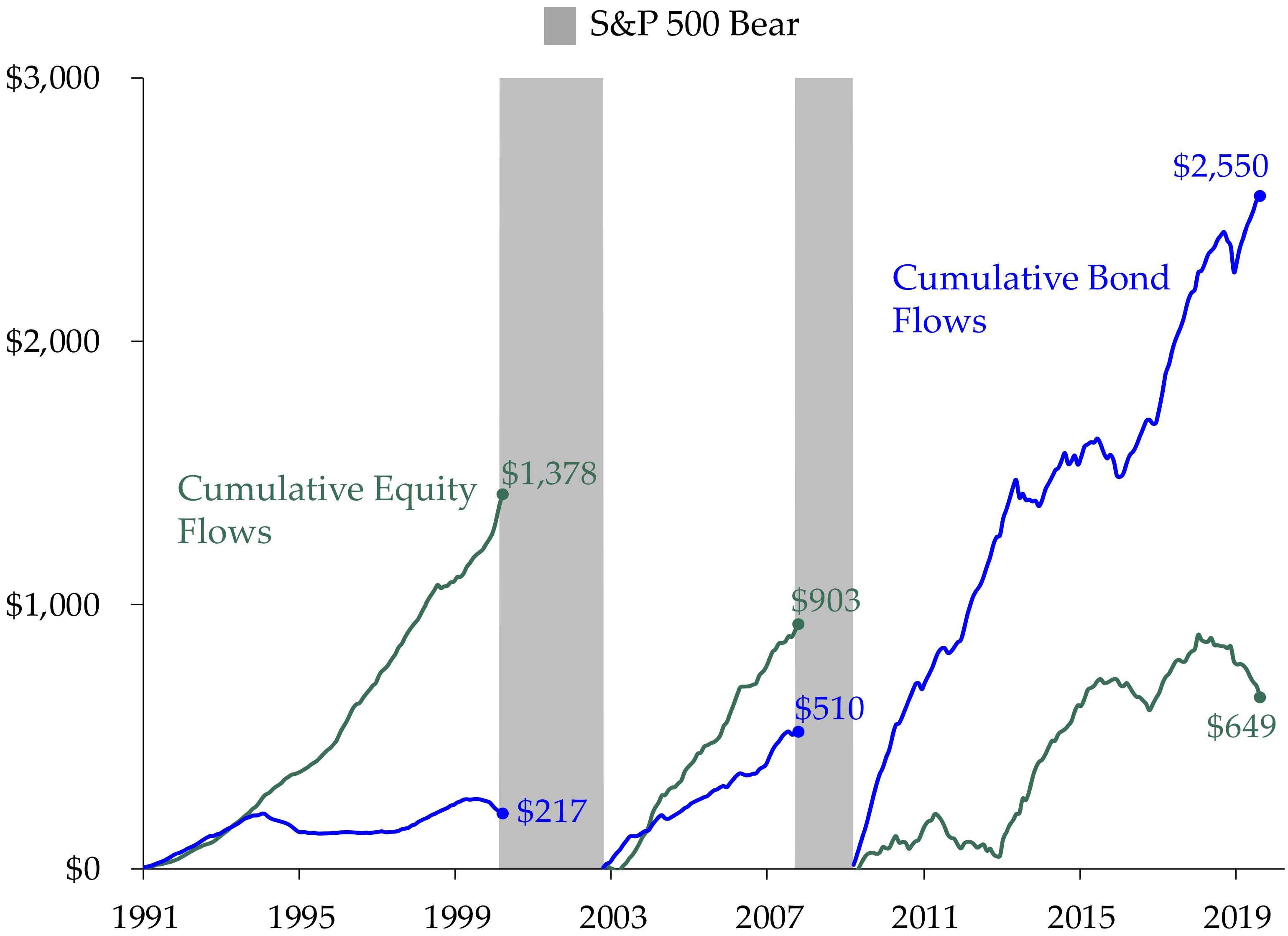
Year	S&P 500 Return	S&P 500 EPS Growth	Difference	Following Year Return
2000	-9.1%	9.5%	-18.6%	-11.9%
2002	-22.1%	6.3%	-28.4%	28.7%
2004	10.9%	24.6%	-13.7%	4.9%
2005	4.9%	14.2%	-9.3%	15.8%
2008	-37.0%	-15.7%	-21.3%	26.5%
2010	15.1%	40.5%	-25.4%	2.1%
2011	2.1%	13.6%	-11.5%	16.0%
2018	-4.4%	20.8%	-25.2%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

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

AN UNLOVED BULL MARKET

Relative to equities in prior cycles and bonds in this cycle, equity investment flows have been weak during this bull market. Negative sentiment has been persistent and suggests we are a long way from a euphoric peak.

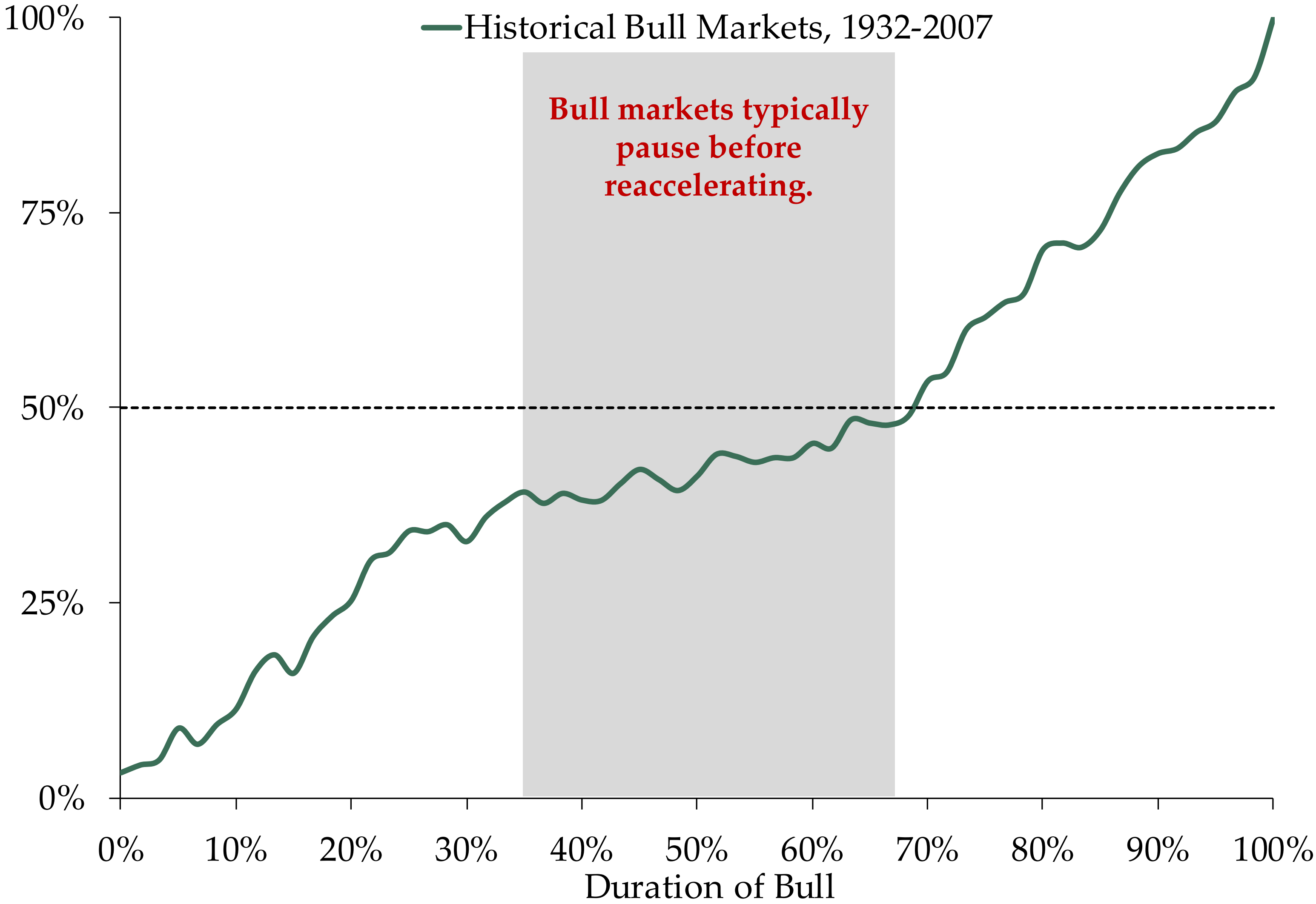
Cumulative Mutual Fund & ETF Flows by Bull Market Cycle: Bonds vs. Equities



Source: ICI Mutual & ETF Flow Monthly Data, 01/01/1991 – 31/08/2019. Flows represent ~30% of investable assets. Flows shown on a cumulative basis for respective bull market cycles.

BULL MARKETS TYPICALLY ACCELERATE IN LAST THIRD

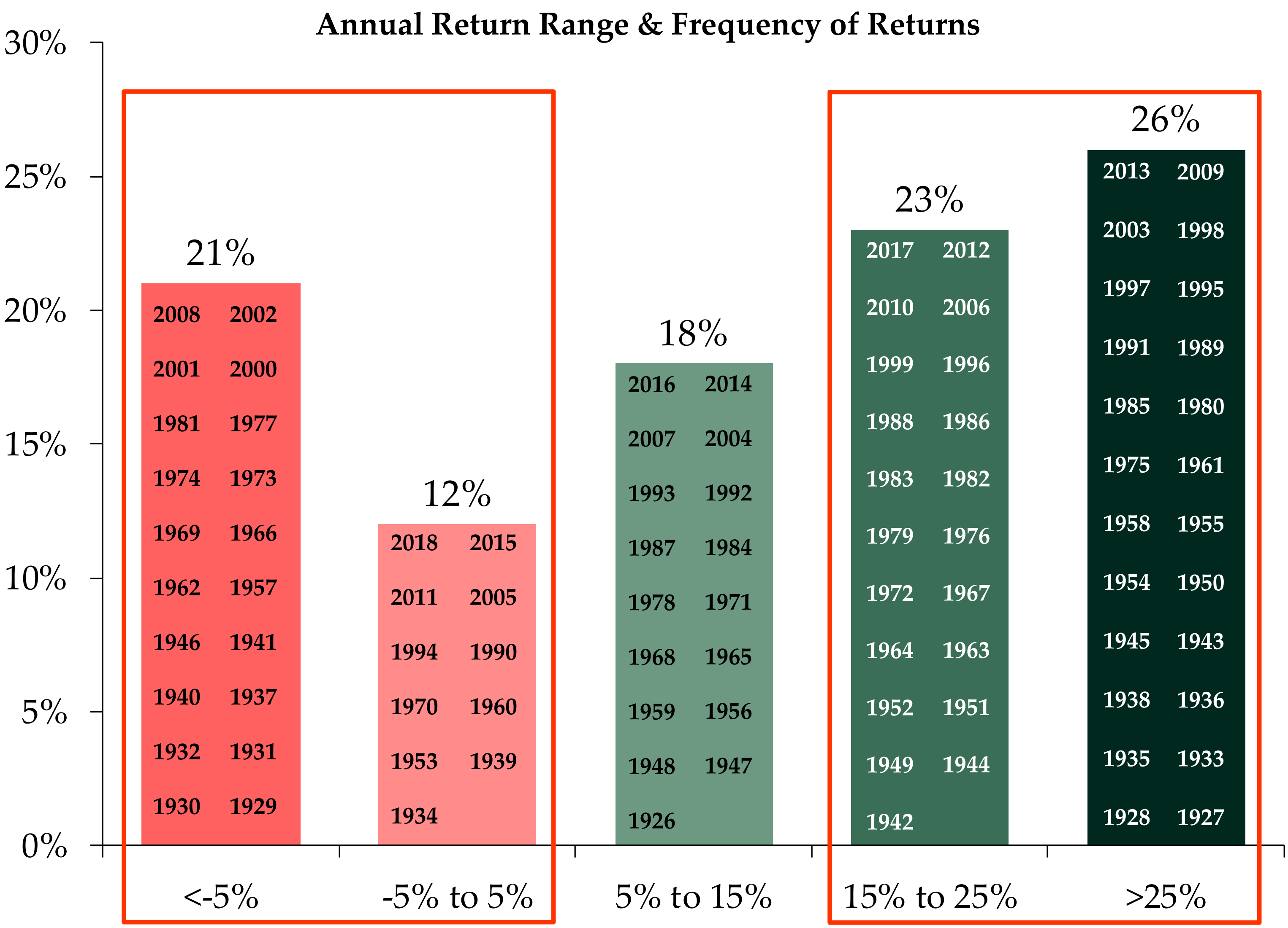
Bull markets typically have steep gains early, flatten out in the middle, and reaccelerate upward in the final third. We believe we are in the latter third of the current bull market.



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

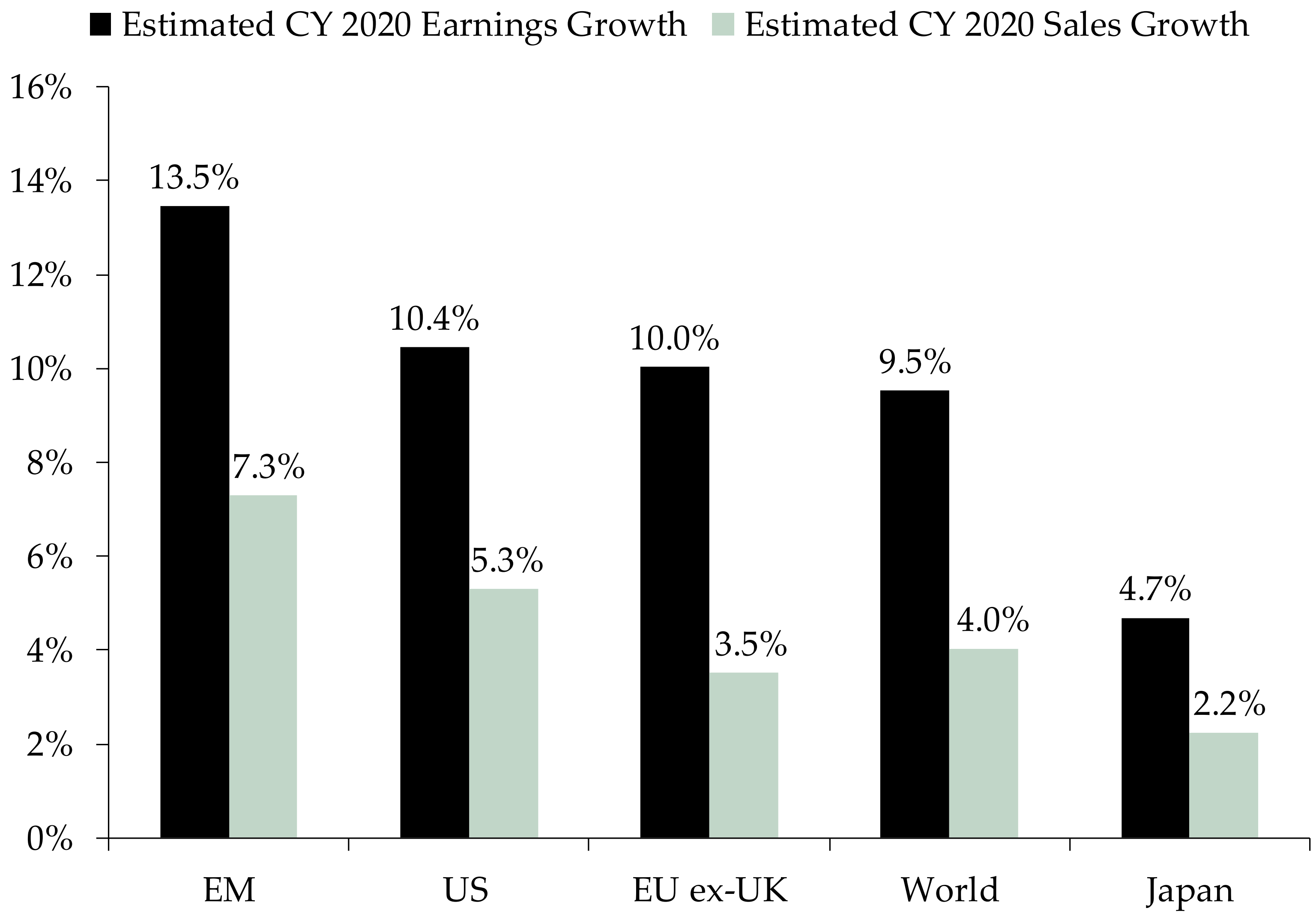
Strong equity returns in 2019 leave some wondering how much farther the bull market has to run. But big yearly gains are more common than many appreciate and don't portend reversals. The S&P 500 has been up 15% or more nearly 50% of calendar years since 1925.



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

CORPORATE RESULTS REMAIN HEALTHY

Consensus estimates are for strong corporate revenue and earnings growth in 2020. Yet strong corporate results receive far less attention than macroeconomic and geopolitical fears, setting the stage for upside surprise.



Source: FactSet As of 30/09/2019. Estimated Calendar Year Earnings and Sales Growth for MSCI EM, S&P 500, MSCI Europe ex-UK, MSCI World & MSCI Japan benchmarks.

KEY DEVELOPED MARKETS THEMES

Our highest conviction views on developed market regions

- European equities should benefit from political gridlock, better-than-appreciated economic results, and excessive investor pessimism

- Fears about Brexit, populism, trade wars, and manufacturing weakness have left sentiment excessively dour

- Chinese stimulus has been meaningful and should stabilise the economy if trade tensions persist

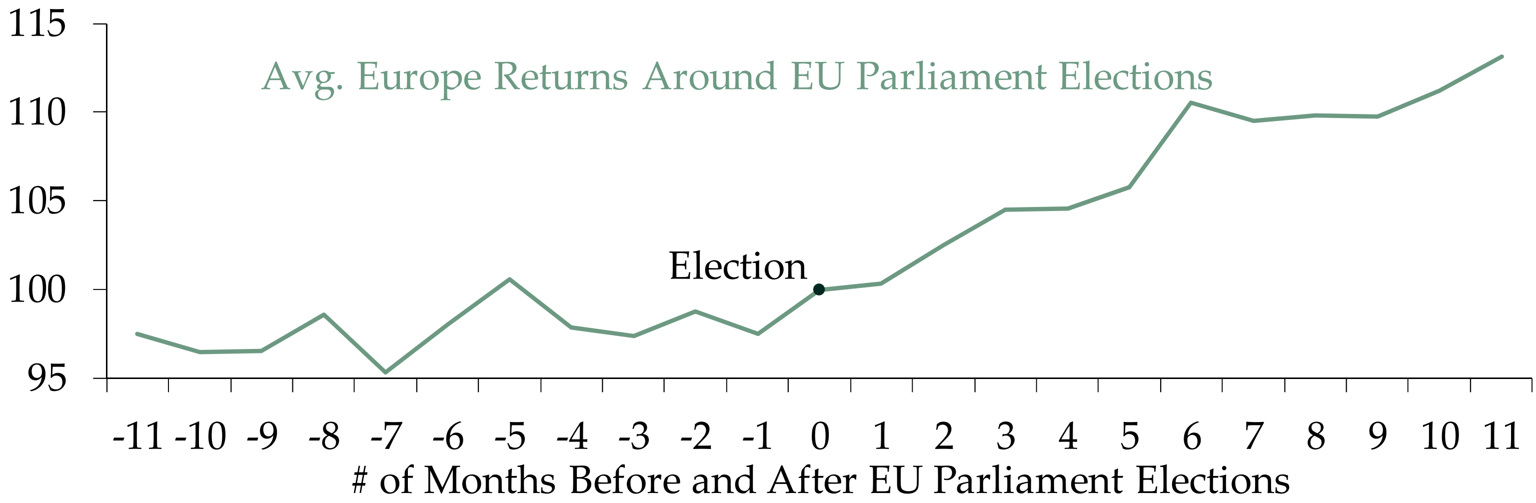
- Strength in the dominant services sector more than offsets manufacturing weakness

- Larger, high-margin growth equities should continue to outperform through the late stages of the market cycle

As of 30/09/2019.

EU BENEFITS FROM FALLING UNCERTAINTY

EU parliamentary elections concluded earlier this year, and gridlock prevailed. European equities usually benefit from the falling political uncertainty which follows these elections.



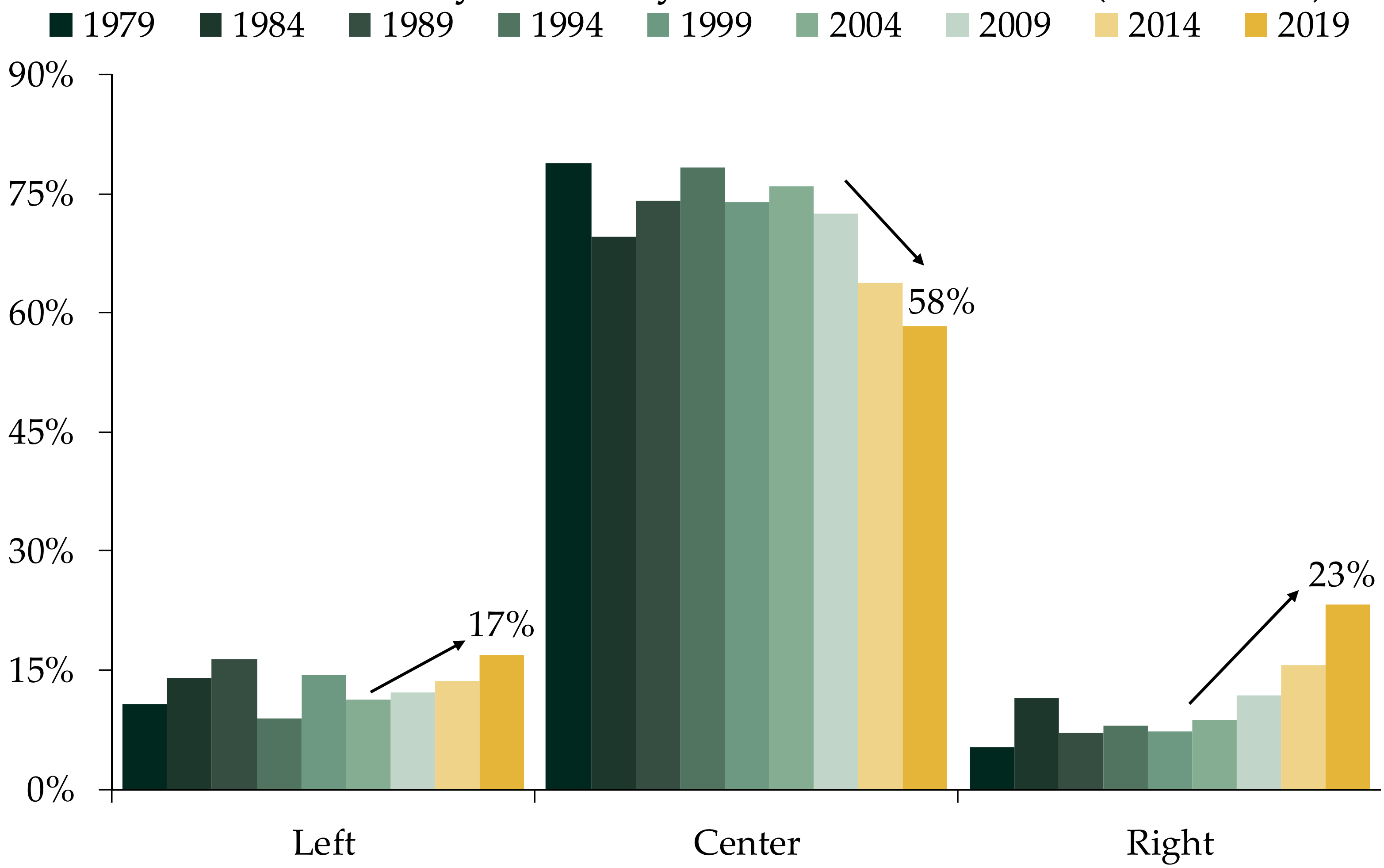
EU Parliament Election Dates	6 Months Pre-Election	6 Months Post-Election	12 Months Post-Election
10 June 1979	-0.9%	5.8%	6.2%
14 June 1984	-1.4%	-3.8%	20.5%
15 June 1989	4.2%	24.6%	32.3%
9 June 1994	-0.1%	3.1%	16.6%
13 June 1999	-5.2%	22.3%	22.2%
13 June 2004	1.2%	17.8%	14.3%
7 June 2009	13.9%	22.1%	-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%**

Source: FactSet, as of May 2019. Performance is shown for the MSCI Europe-ex UK index, based in USD. Top chart is rebased to 100 at election dates.

CHANGING EU POLITICAL LANDSCAPE

Centrist parties have historically dominated European politics, but power has been gradually shifted from the center to both the left and right ends of the political spectrum. As a result, forming governments requires greater coalition building, which hampers decision making and increases gridlock.

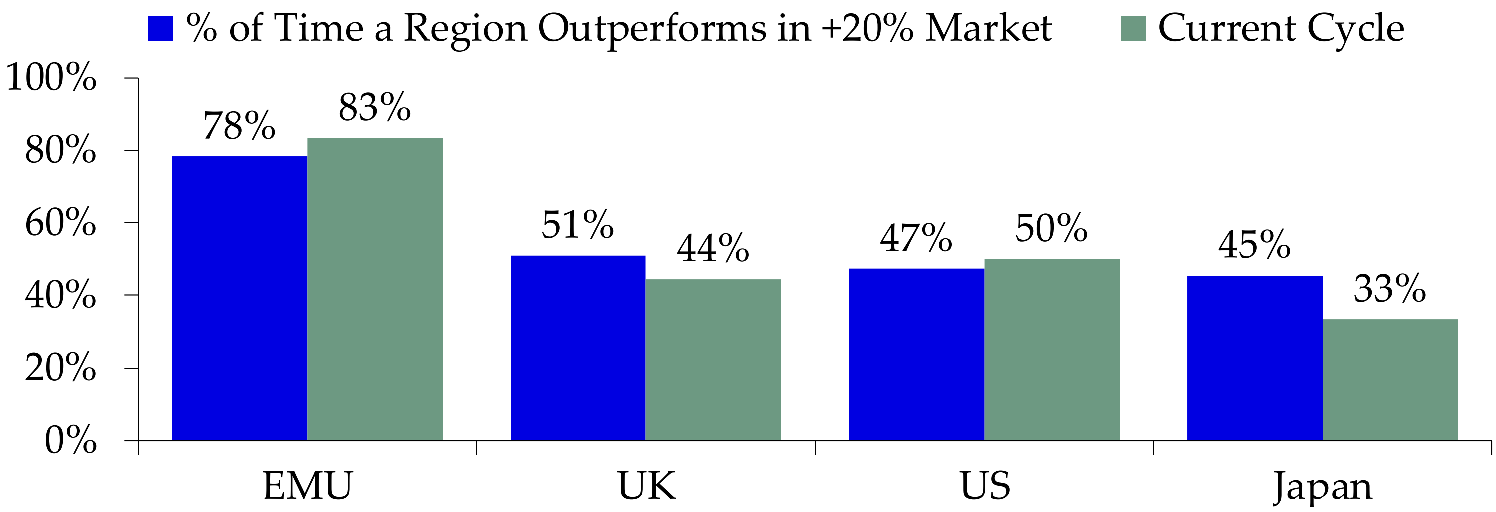
EU Parliament Party Stance by Election Since 1979 (% of Seats)

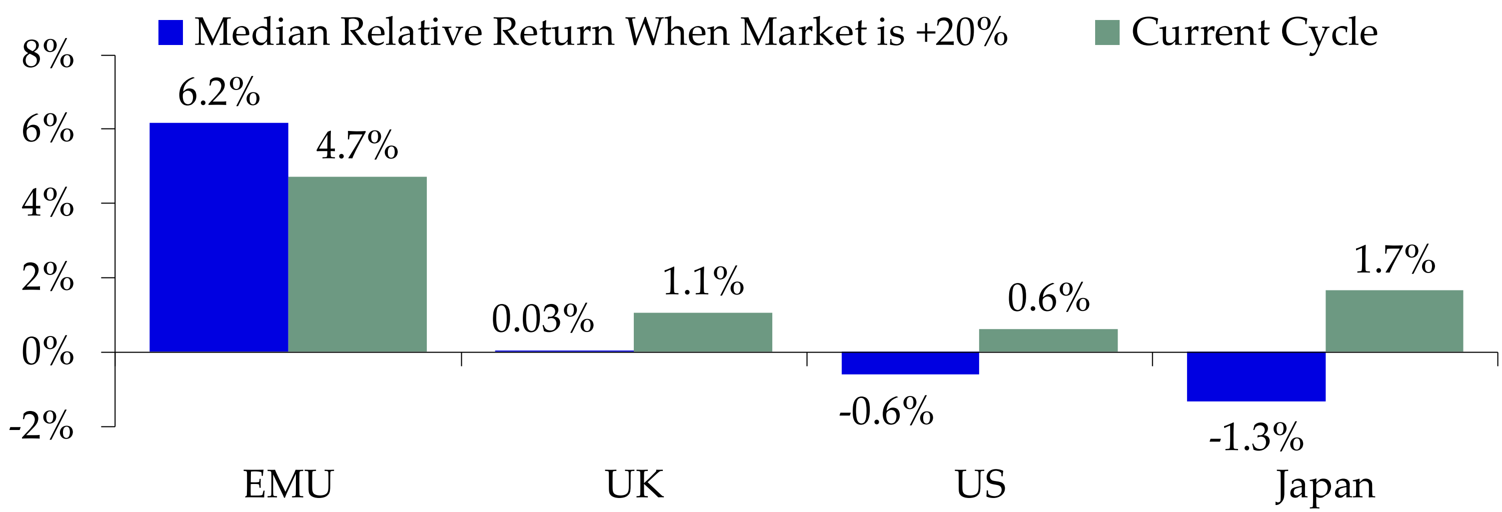


Source: Fisher Investments Research, EU Parliament, pollsofpolls.com as of 10 April 2019.

EMU EQUITIES EXCEL IN STRONG MARKETS

EMU equities consistently outperform when the broader market is very strong.

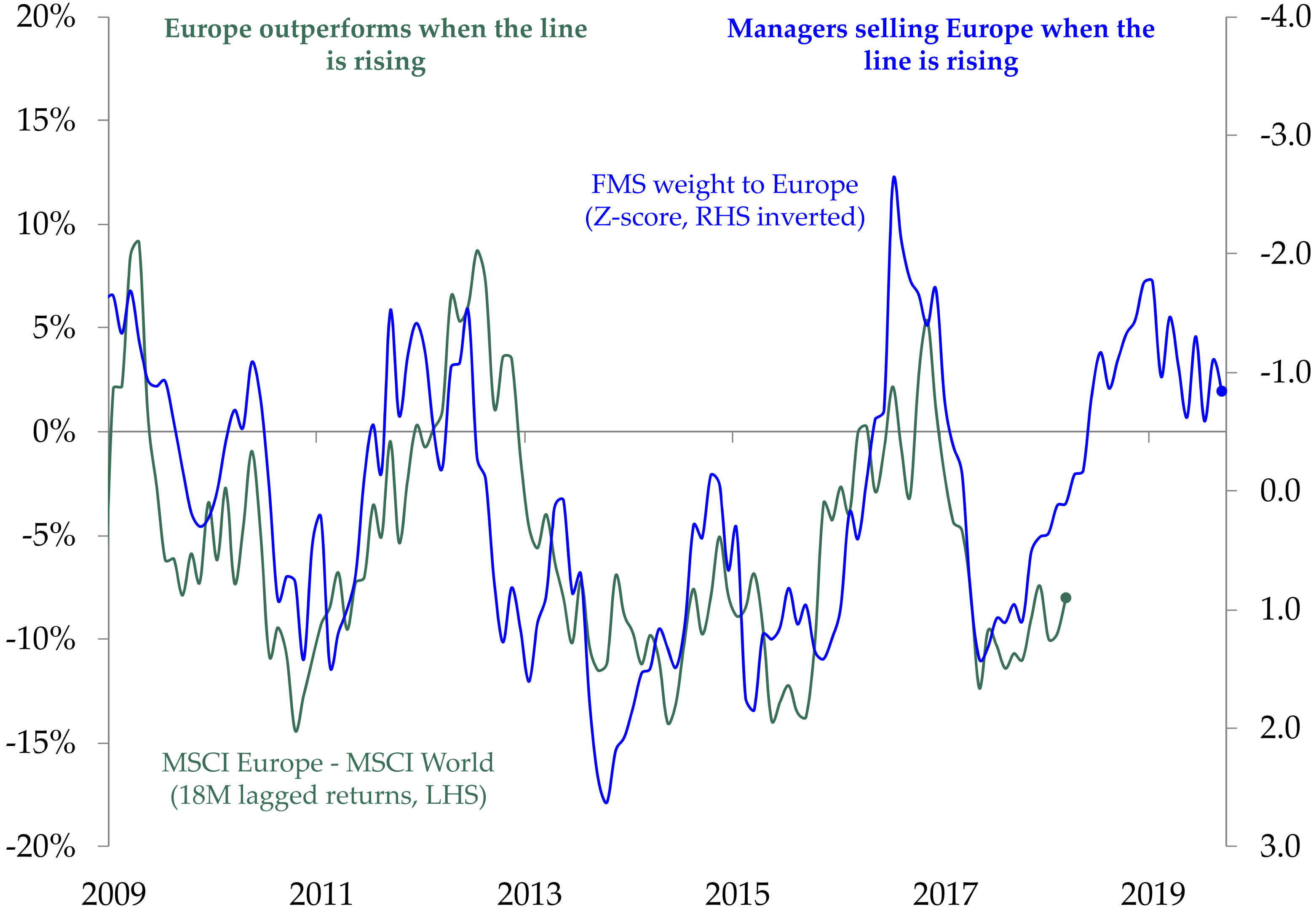




Source: Factset, as of August 2019. Based on monthly data (31/12/1995 to 30/08/2019). Shows frequency and magnitude of regional outperformance vs MSCI World when MSCI World Y/Y change is +20% or greater.

FUND MANAGERS NEGATIVE ON EMU

The BofA Fund Manager Survey (FMS) shows a substantially reduced position to the EMU. This has historically been a reliable contrarian indicator; when managers become uniformly negative on the EMU, the region typically outperforms over the next 12-18 months.



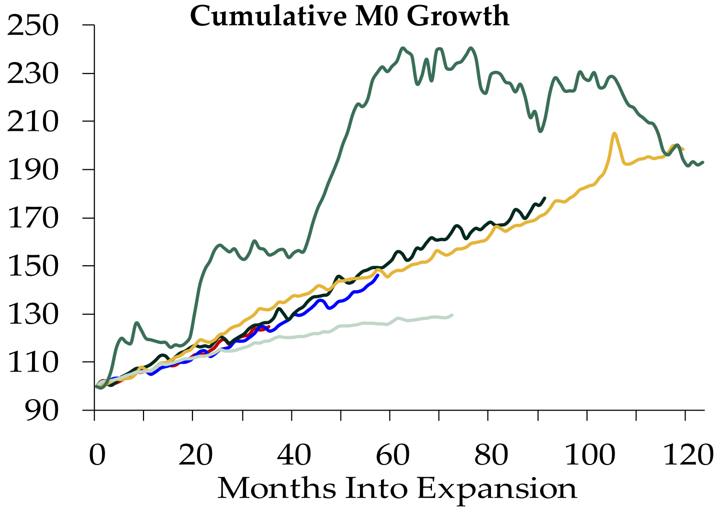
Source: Monthly BofA Fund Manager Survey. Survey and performance data through 14/09/2019. Shows net EMU fund manager weight as a 3 year inverted z-score. MSCI EMU – World lagged 18 months, based on year-over-year change.

QUANTITATIVE DIS-EASING

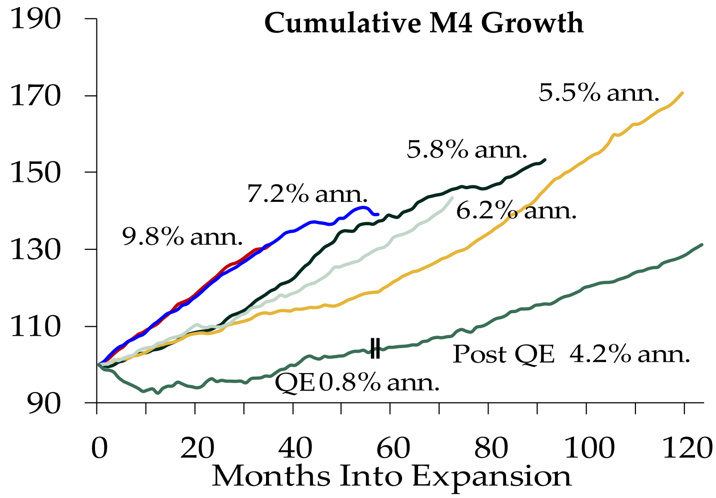
Quantitative easing (QE) has increased base money and bank reserves, but it has contributed to depressed loan and broader money supply growth.

1970-1973 1975-1979 1982-1990 1991-2001 2001-2007 2009-Present

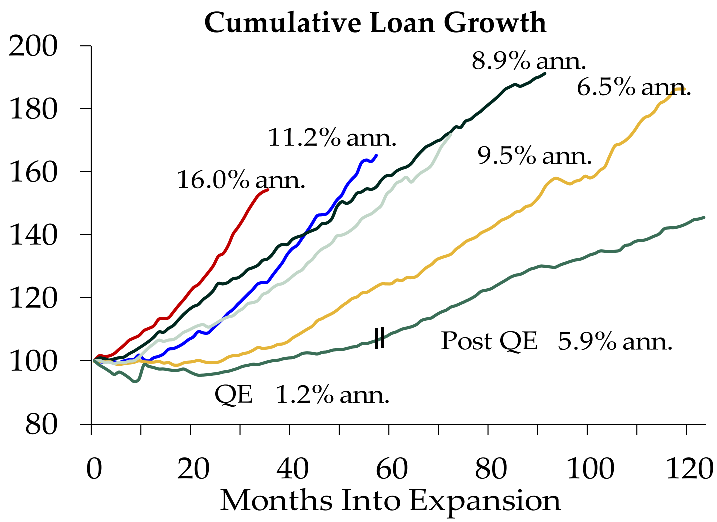
QE's unprecedented expansion of the monetary base



Failed to translate to broader money supply



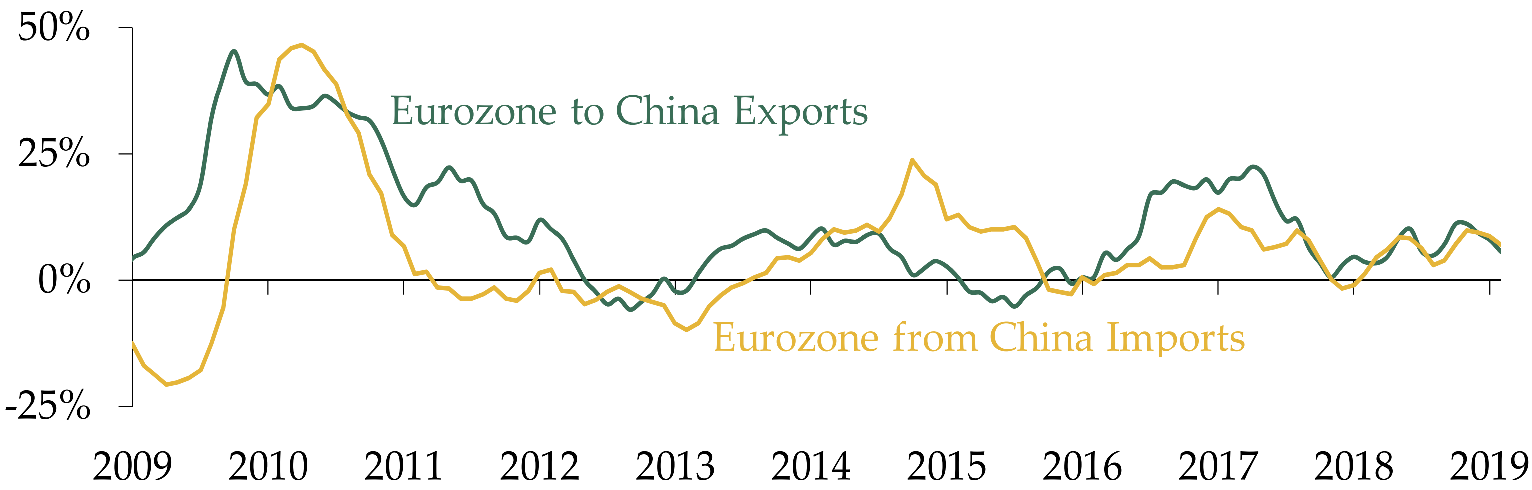
Or lending – which accelerated after Fed tapering



Source: Federal Reserve and Centre for Financial Stability as of September 2019.

CHINA-EU TRADE BOTTOMING

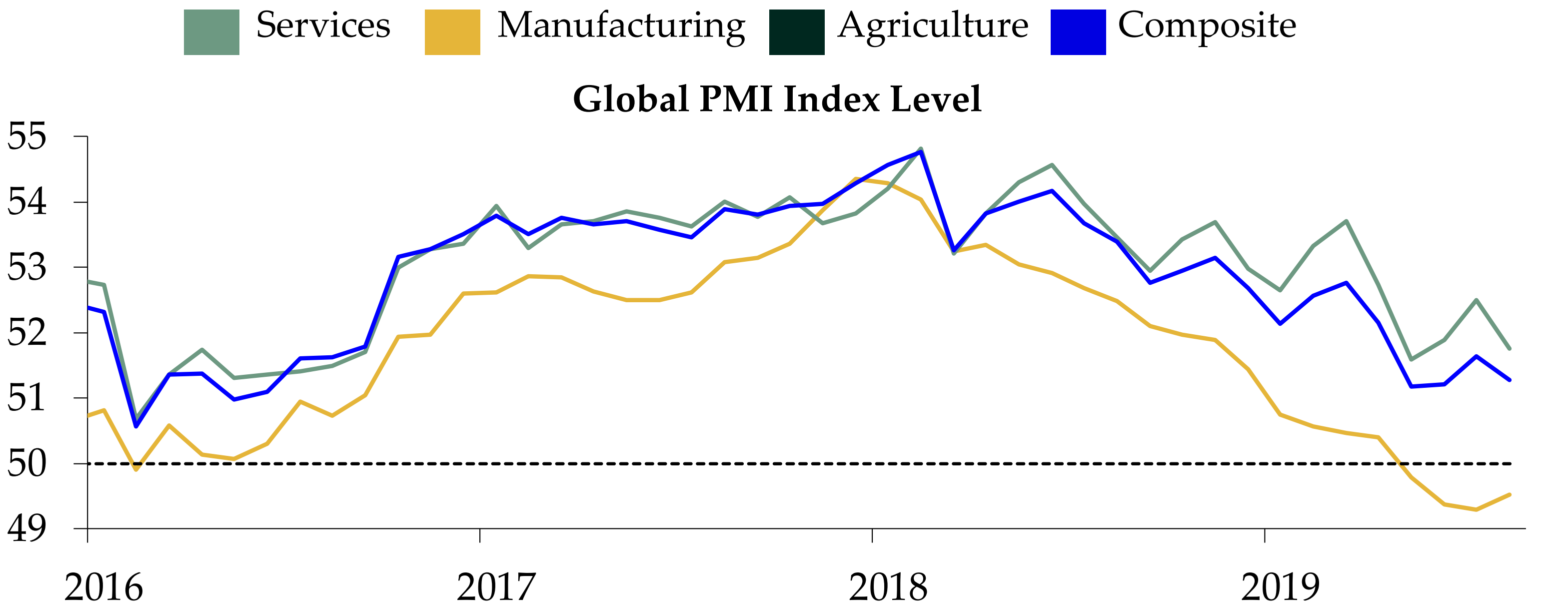
Disappointing EU GDP and other economic data has been the result of a weak external environment, as the EU relies heavily on exports. Slowing trade with China has played a large role, but appears to be reaccelerating since late 2018, similar to prior instances in this economic cycle.

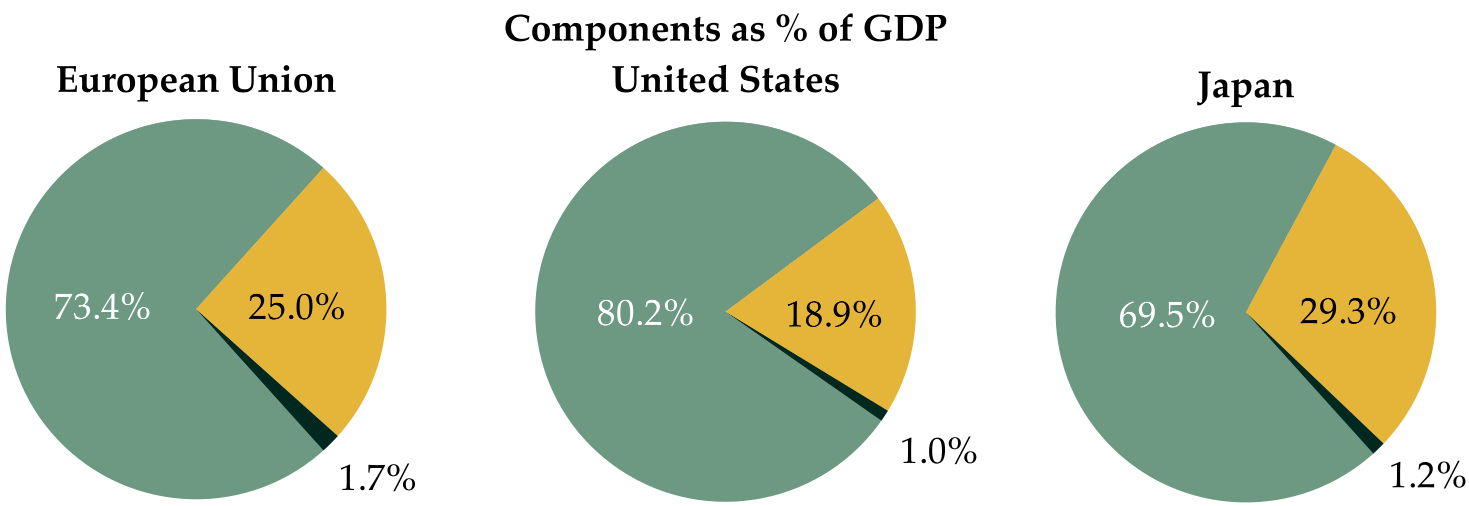


Top chart source: FactSet, BEA, Japanese Cabinet Office, Oxford Economics and European Commission as of August 2019. Country exports as a percentage of GDP. All data uses 2018 annual numbers except Poland (2016 data). Bottom chart source: FactSet and Eurostat as of July 2019 – the latest available data. Both series shown as year-over-year 3 month moving averages.

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.





Source: OECD, FactSet, as of August 2019. Value added as a % of GDP in agricultural, services (including non-market) and industrial (including construction) sectors in the US, European Union and Japan, 2017; JP Morgan Global services, manufacturing, and composite PMIs, 01/01/2016 – 30/08/2019.

KEY EMERGING MARKETS THEMES

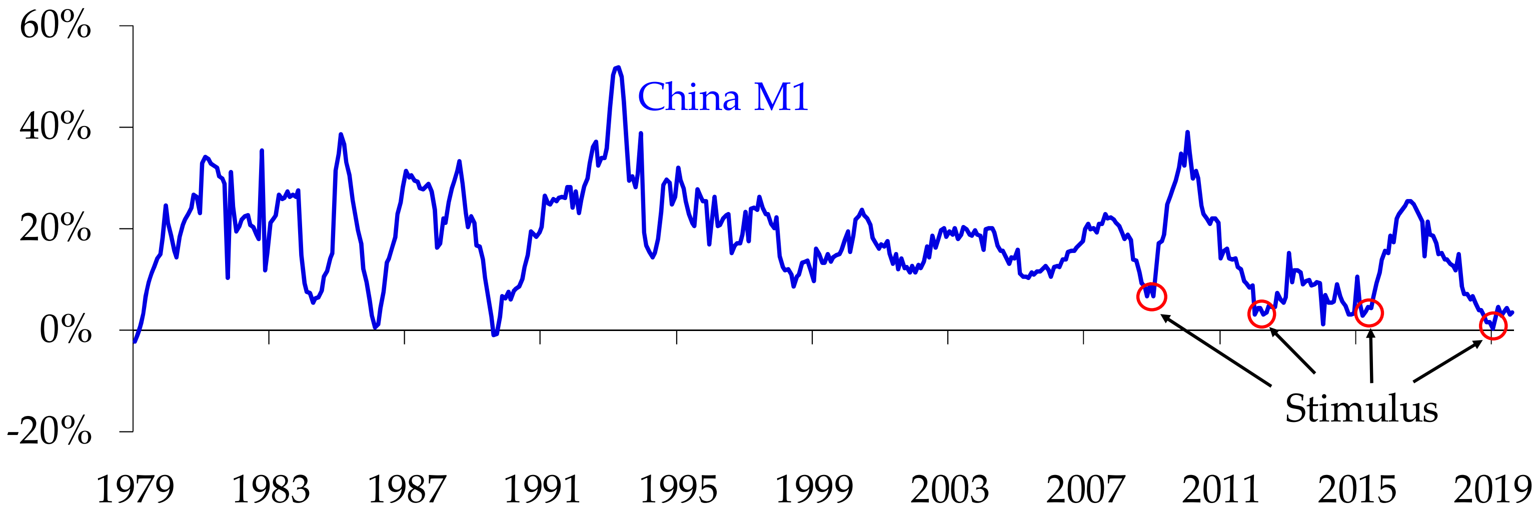
Our highest conviction views on Emerging Markets

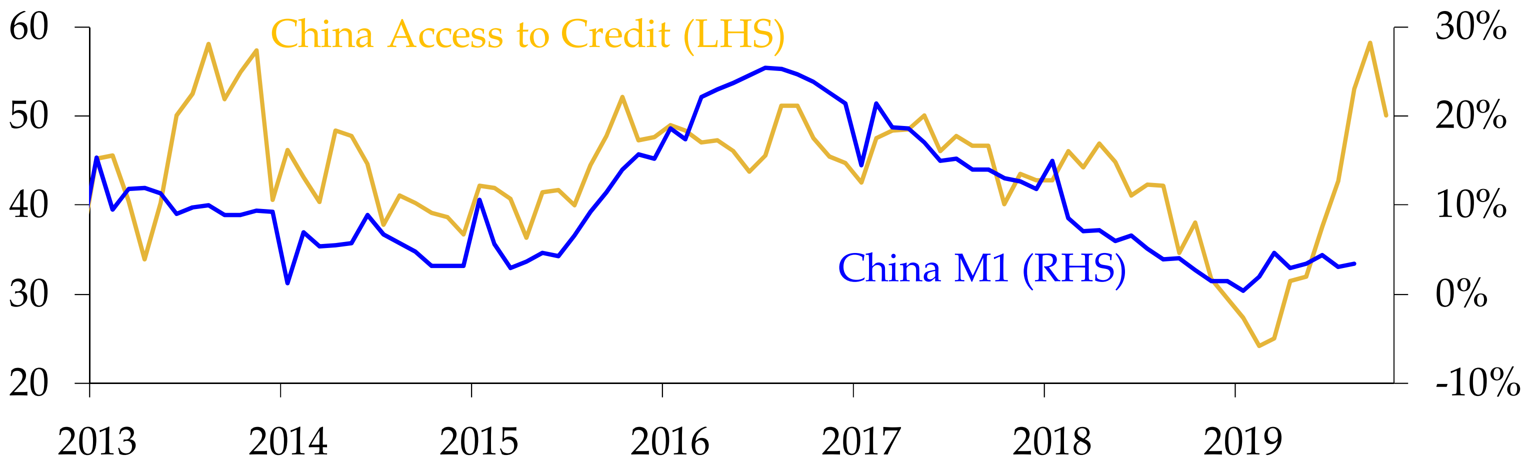
- China's economy is slowing, not imploding
- Chinese stimulus should stabilise growth, benefitting all of EM
- Tame inflation, loose monetary policy, and reform optimism provide a boost for Brazil
- Low valuations reflect excessive pessimism
- More stable, lower inflation and accommodative monetary policies should be a structural headwind to EM

As of 30/09/2019.

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.

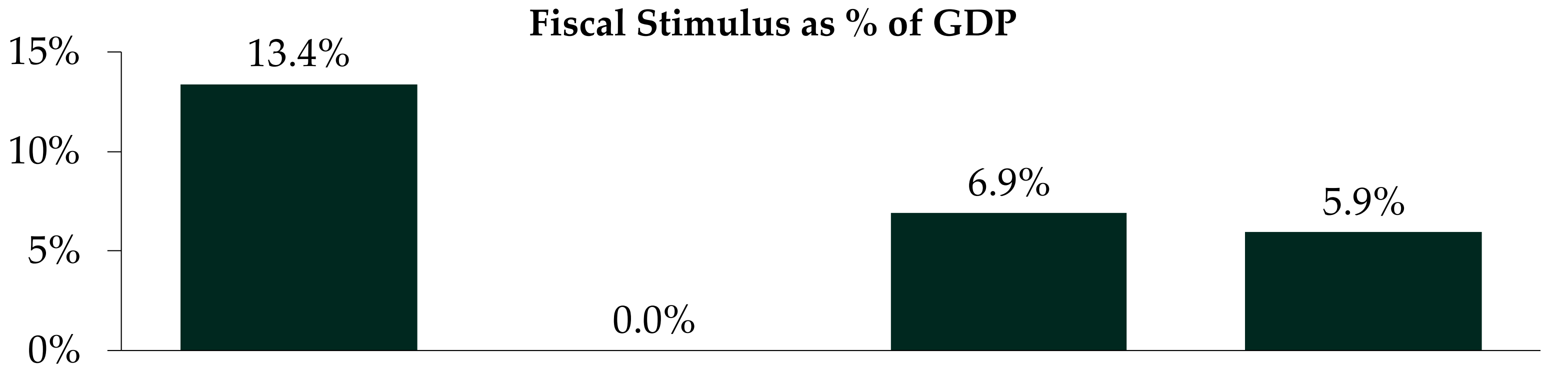


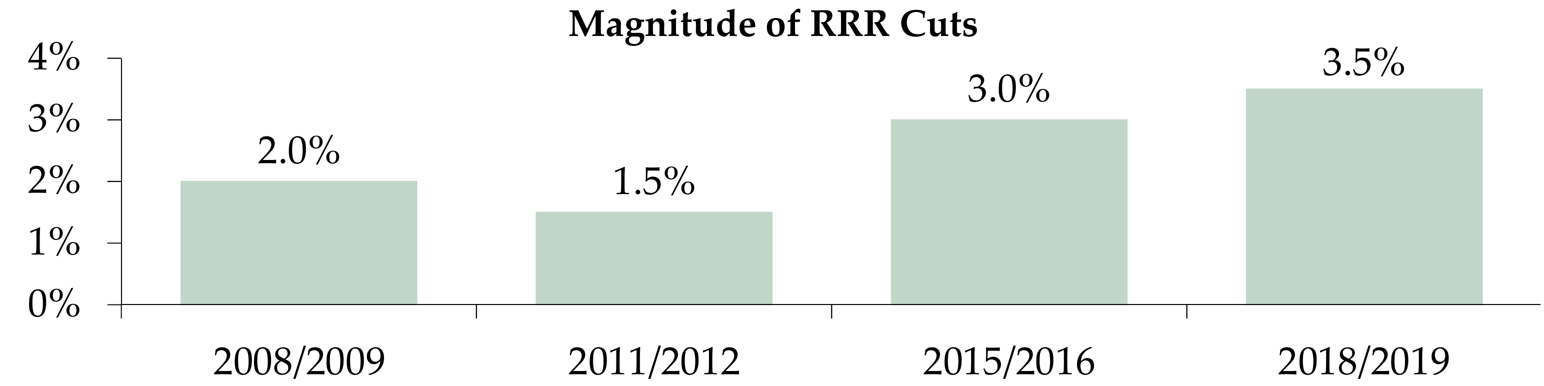


Top chart source: FactSet and People's Bank of China as of August 2019. Bottom chart source: FactSet, People's Bank of China, Bloomberg and Cheung Kong Graduate School of Business as of August 2019. China access to credit as of May 2019, shown with a 6 month lead. Both charts show M1 increase on a year-over-year basis.

CURRENT & PREVIOUS STIMULUS ARE COMPARABLE

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



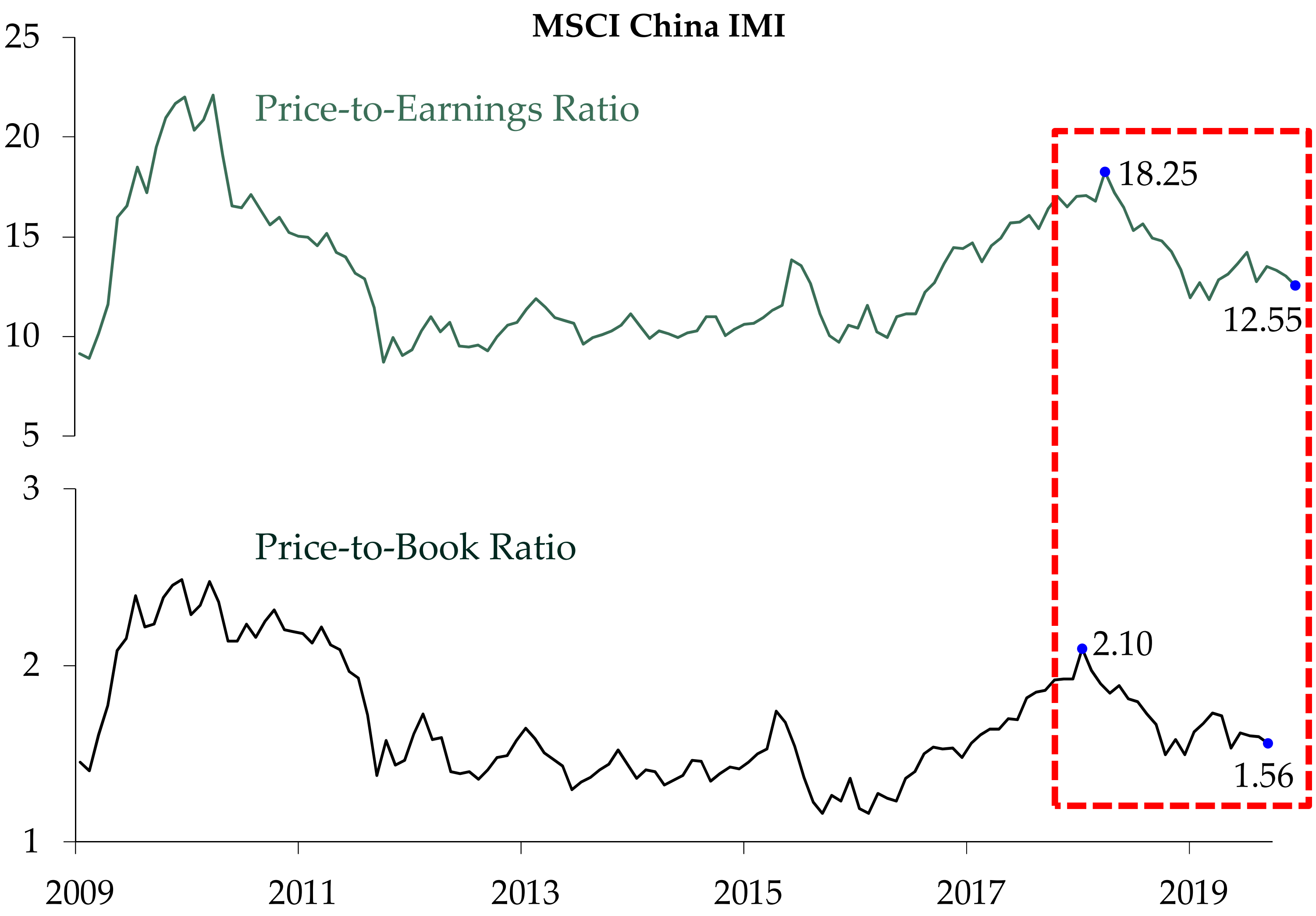


Fiscal Stimulus	Date	% of GDP	Other Important Policies	Date	% of GDP
Vocational Training Programme	30/04/19	0.1%	Additional Reserve Ratio Requirement (RRR) Cuts to Small Banks	05/03/19	--
VAT Cuts	05/03/19	0.6%	>30% Y/Y Target Bank Loans to Small-and-Medium Enterprises (SME)	26/02/19	3.0%
Personal Income 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 August 2019. Fiscal stimulus defined as infrastructure spending and tax cuts.

FALSE FEARS IN CHINA DEFLATE VALUATIONS

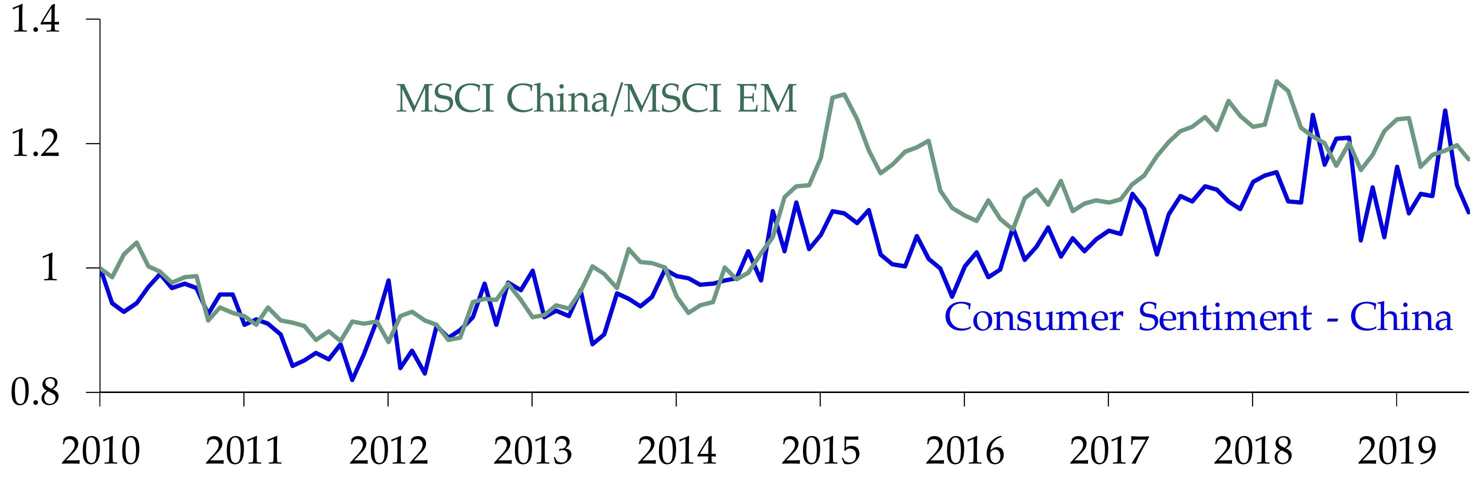
Sentiment surrounding China has soured since early 2018, with trade war fears depressing valuations. We believe trade war fears are overblown, negative sentiment boosts the probability of upside surprise.

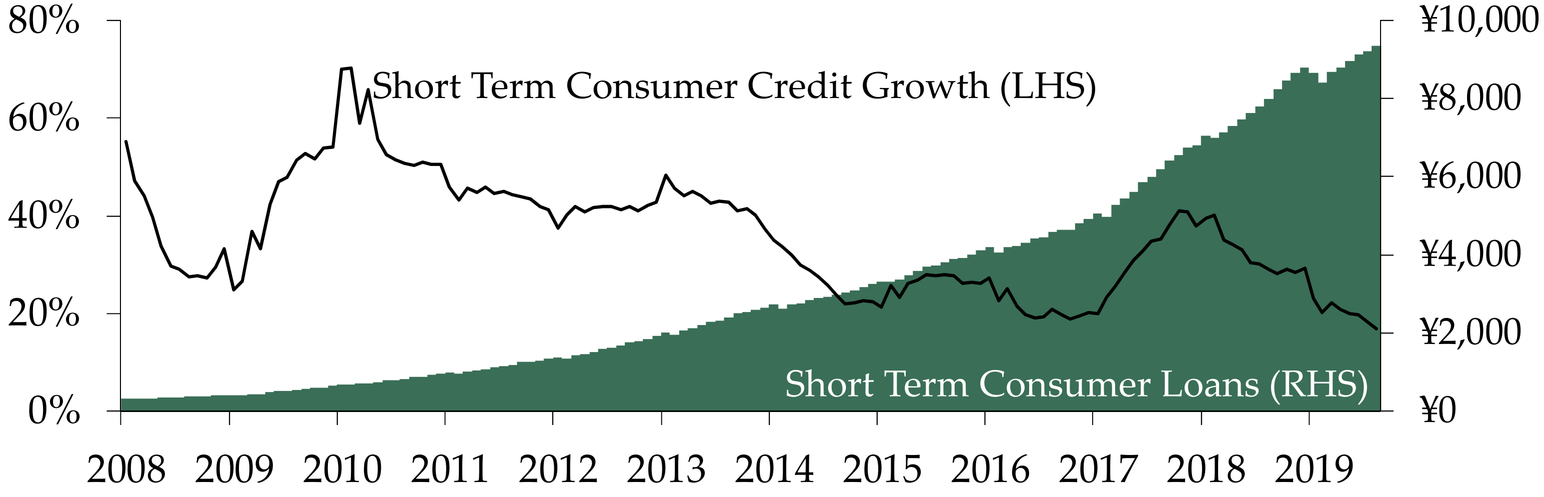


Source: FactSet as of September 2019. Shows current price-to-earnings & price-to-book ratio for the MSCI China IMI.

CONSUMERS INCREASINGLY RELEVANT IN CHINA

Consumer spending and sentiment have become more important as China shifts to a more consumption driven economy. Part of this consumption boom has been driven by a steady flow of short term lending, increasing at a healthy ~20% Y/Y despite a recent slow down.





Top chart source: FactSet & Thompson Reuters DataStream as of September 2019. Both data series indexed to 1. Bottom chart source: Bloomberg as of 30/08/2019. Consumer credit growth shown as year-over-year percentage increase, while consumer loans shown as billions of Yuan.

MIXED BUSINESS RESPONSE TO TARIFFS

Firms are taking different approaches to US-China trade tensions. Some are moving supply chains away from China, some are localising there, and others are taking a wait-and-see approach.

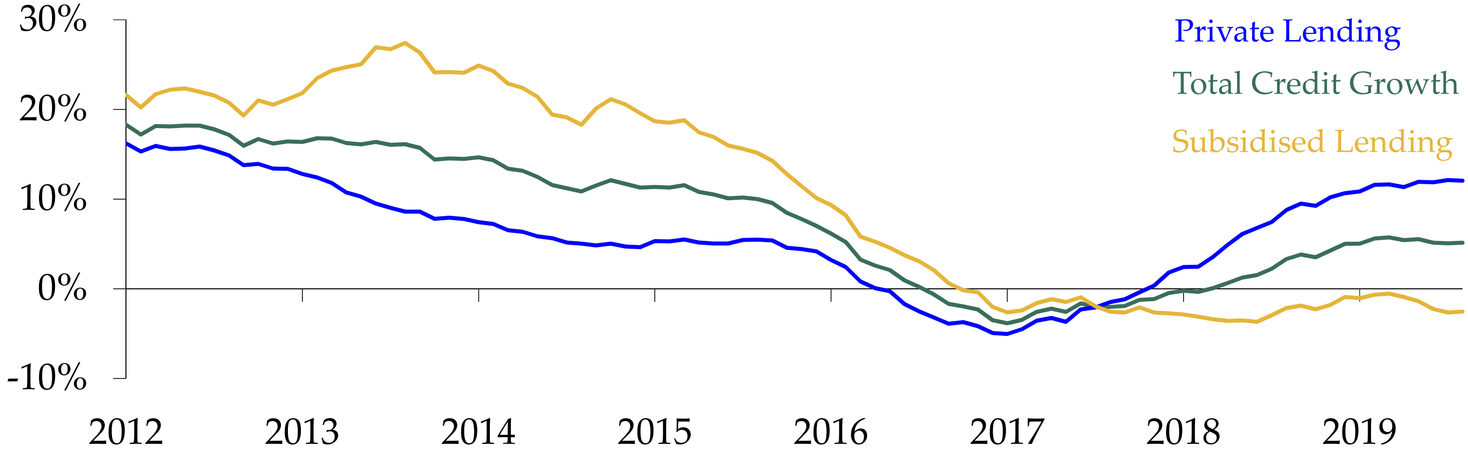
**How Multinationals Are Managing The Trade War:
Second Joint Survey on the Impact of Tariffs**

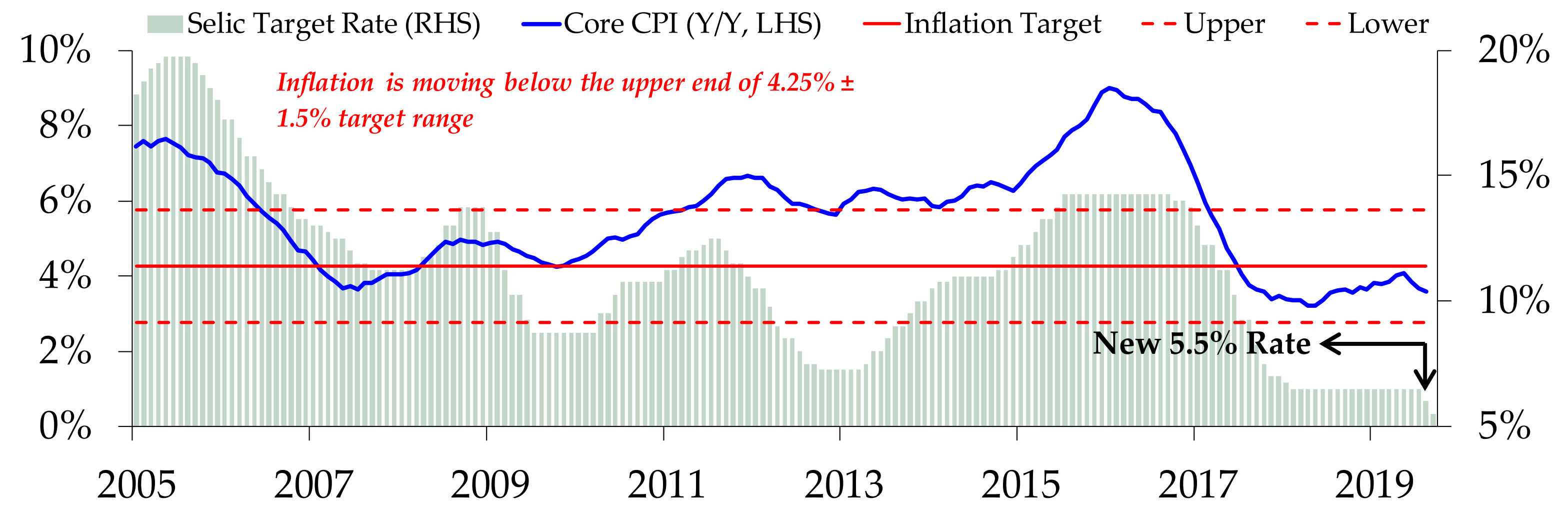
Option	% of Respondents*
Further localisation in China	35.3%
Delaying or canceling investment decisions	33.2%
Adjusting supply chains away from the US	25.2%
Adjusting supply chains away from China	22.7%
Considering relocating some or all manufacturing out of China	19.7%
No impact	14.3%
Considering relocating some or all manufacturing out of the US	9.7%
Increasing investment	2.9%
Considering exiting the China market	2.5%

*Source: AmCham Shanghai, AmCham China, as of 11/06/2019. "How Multinationals Are Managing The Trade War: Second Joint Survey on the Impact of Tariffs", 16/05/2019 – 20/05/2019, survey published 22/05/2019. *Out of 239 AmCham member companies represented by 61.6% manufacturing-related, 25.5% services, 3.8% retail & distribution and 9.6% from other industries.*

LOW RATES AND INFLATION BUOY BRAZIL

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

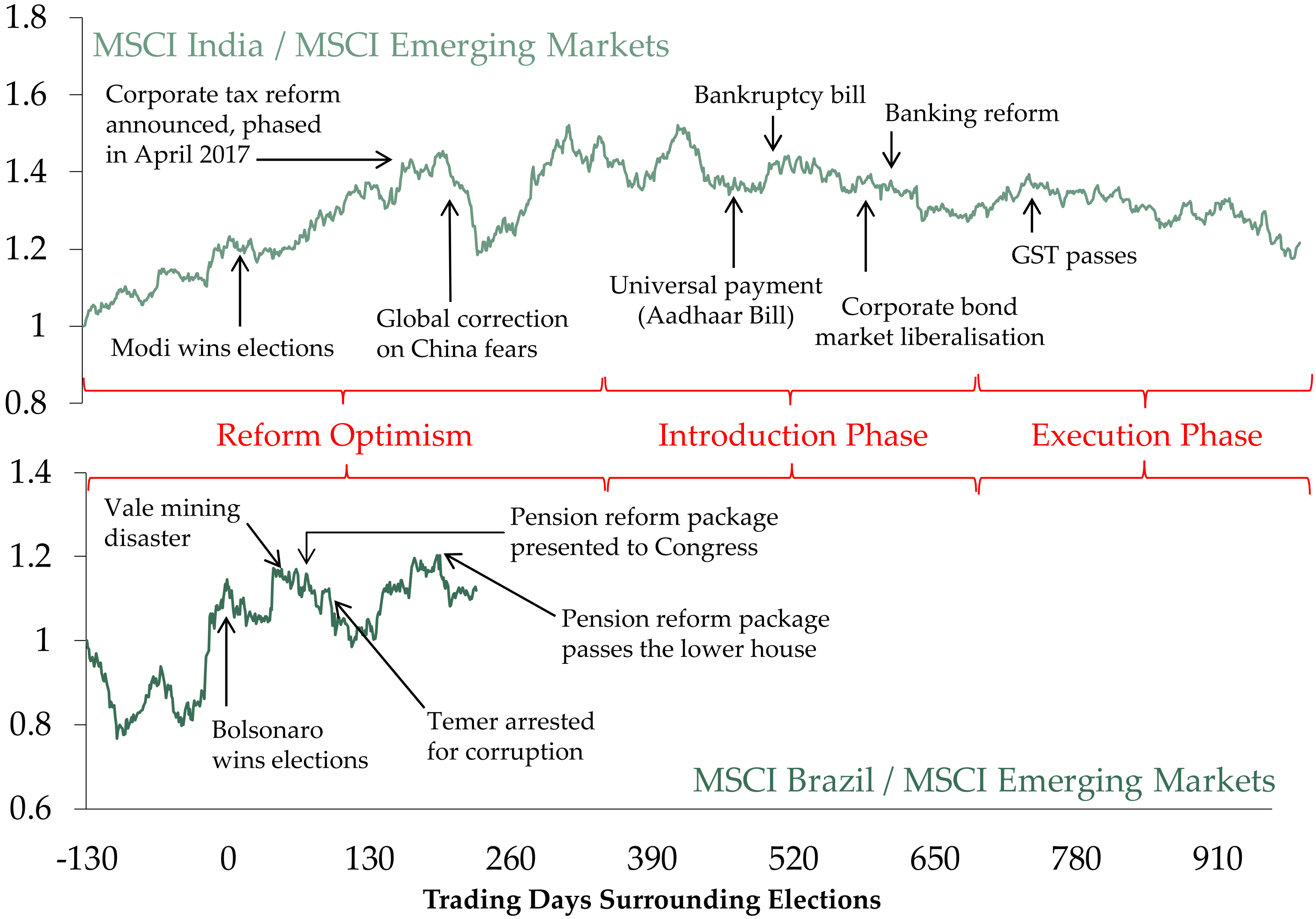




Top chart source: Central Bank of Brazil, year-over-year credit growth as of August 2019. Bottom chart source: FactSet and Central Bank of Brazil, as of August 2019.

REFORM OPTIMISM IS POSITIVE FOR BRAZIL

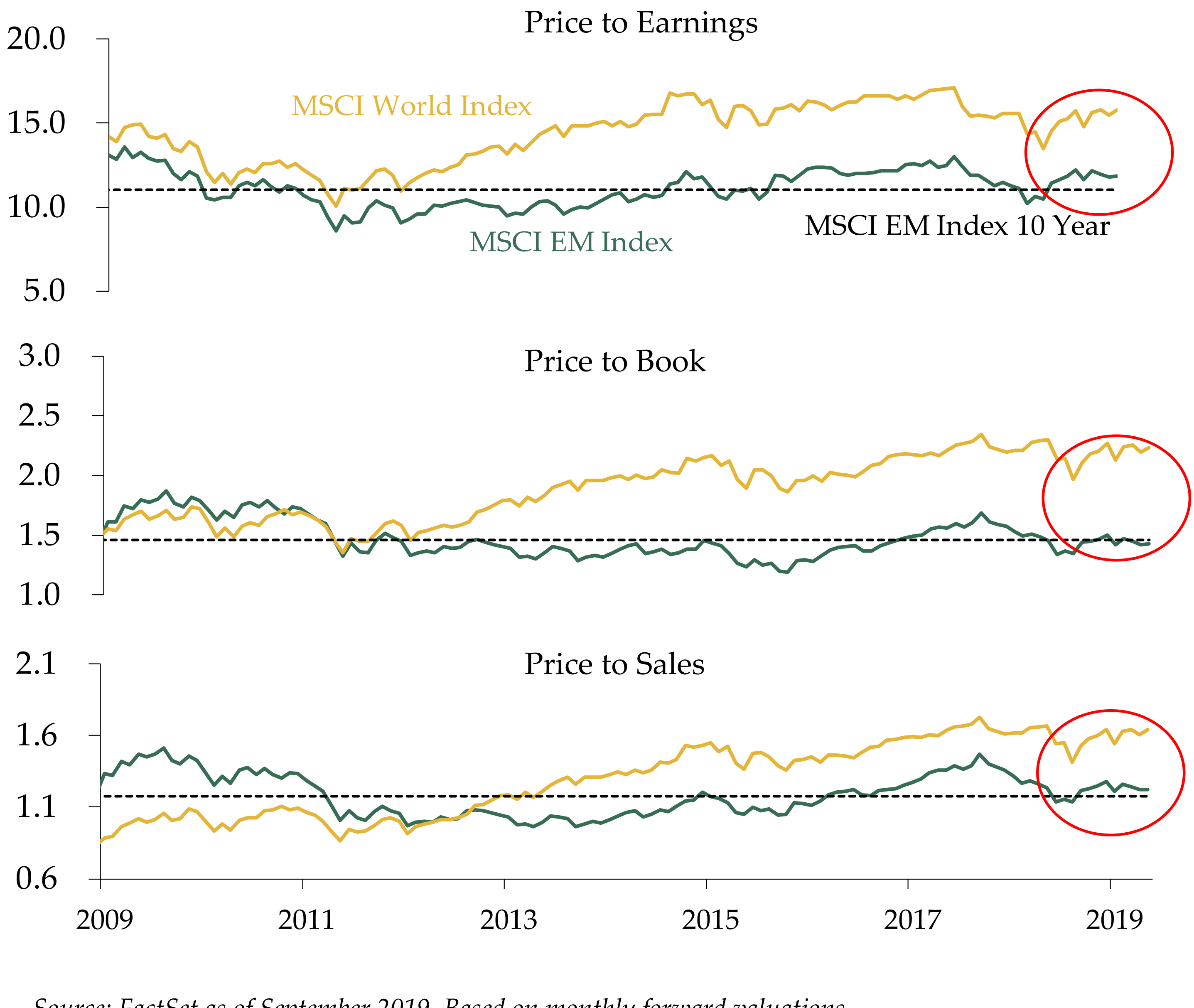
Pro-growth economic reforms can be a key driver of Emerging Market country performance. But the expectation of reform is often more powerful in the short term than the reform itself. Reforms are inevitably harder to enact and have a more delayed economic impact than investors hope. Optimism about Brazilian reforms is growing and should lead to strong performance, but eventually Brazil will likely face introduction and execution challenges.



Source: FactSet & Fisher Investments Research as of September 2019. Shows MSCI India/EM & MSCI Brazil/EM using daily data from 26/11/2013 – 28/03/2018 and 27/04/2018 – 30/09/2019, respectively.

EM VALUATIONS ARE HISTORICALLY ATTRACTIVE

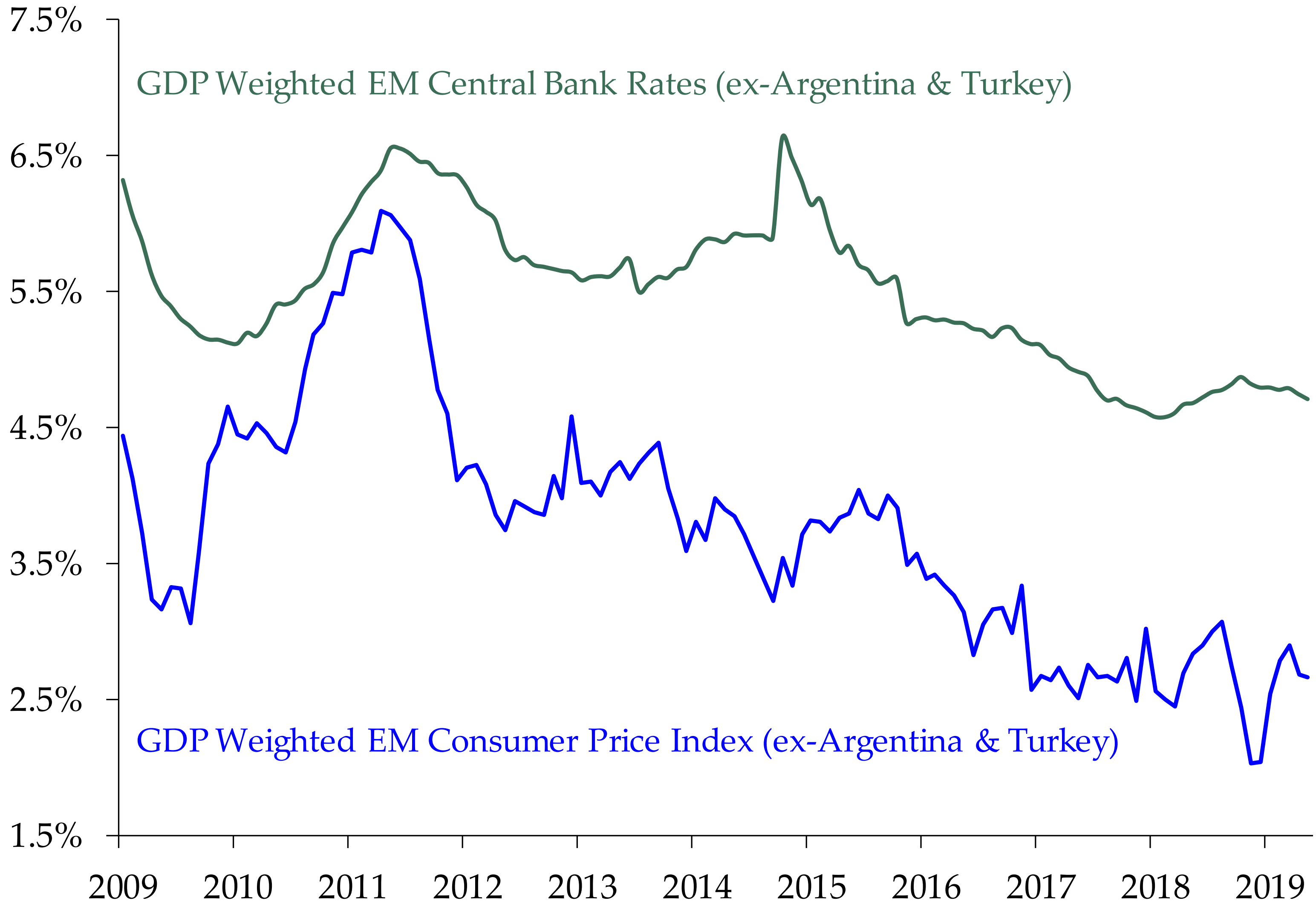
Emerging Market valuations have recovered from the extreme lows of 2018, but still remain at a large discount to the developed world. As global growth continues, negative sentiment should abate, pushing EM valuations higher.



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

LONG-TERM DISINFLATIONARY TREND

Historically, many Emerging Markets have struggled with high inflation and resulting high policy rates. Excluding recent outliers (Argentina & Turkey), global disinflationary trends and improved monetary policies should benefit many EM countries going forward.



Source: Bank for International Settlement, World Bank & Global Financial Data as of July 2019 – the latest available data. EM monthly central bank policy rates and consumer price index weighted against annual GDP data, excluding Argentina & Turkey.

KEY SECTOR POSITIONING

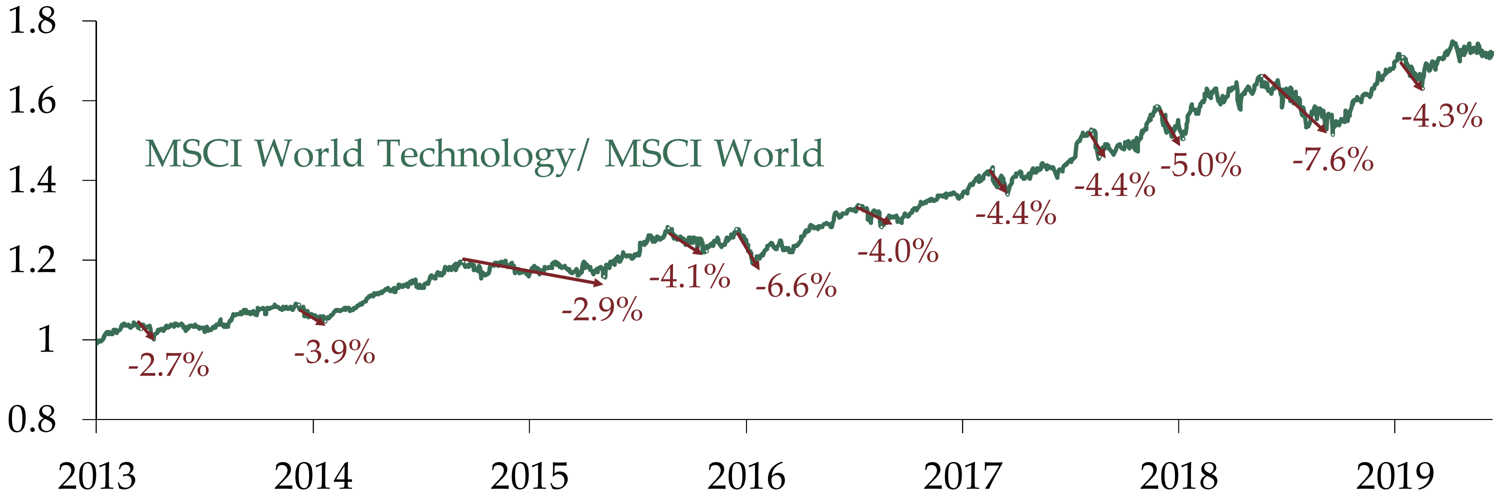
Our highest conviction views on sectors

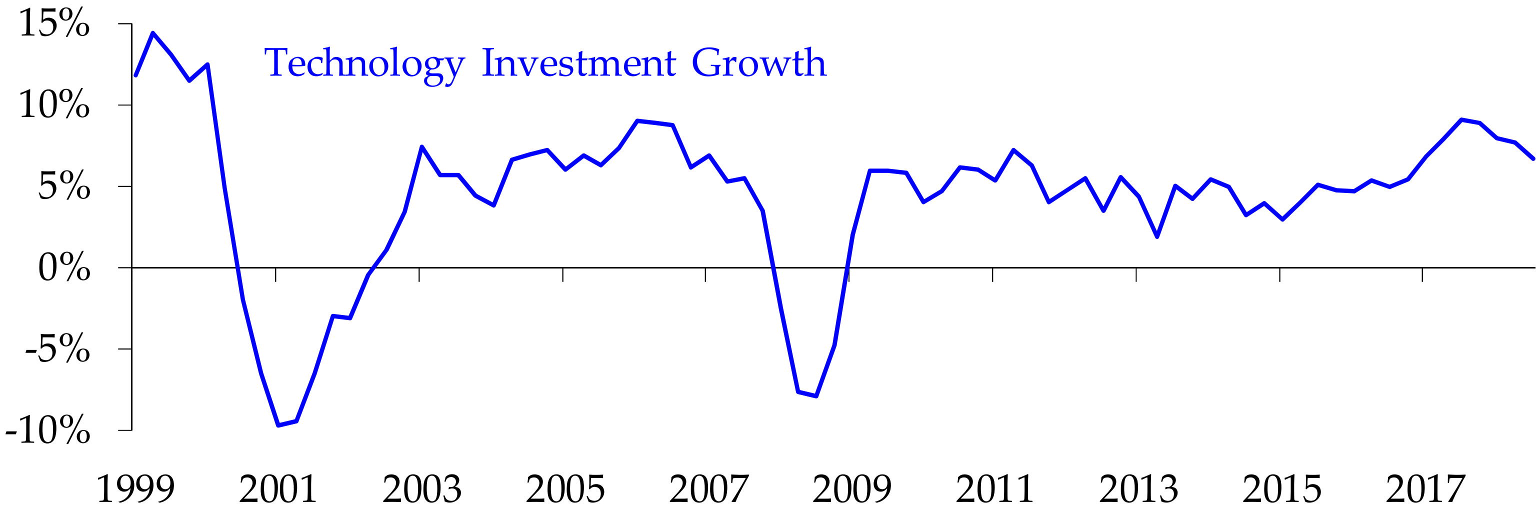
- Technology outperformance continues, with volatility
- Health Care supported by strong pipelines and drug approvals
- Negative sentiment indicates Eurozone banks are well positioned to outperform
- The global oil market is in balance
- Rising bond yields would be a headwind to defensive sectors

As of 30/09/2019.

TECH'S ROCKY ROAD

Over the past six years, Technology has outperformed despite brief periods of underperformance. Technology spending has accelerated alongside overall business spending, supporting the Information technology sector.

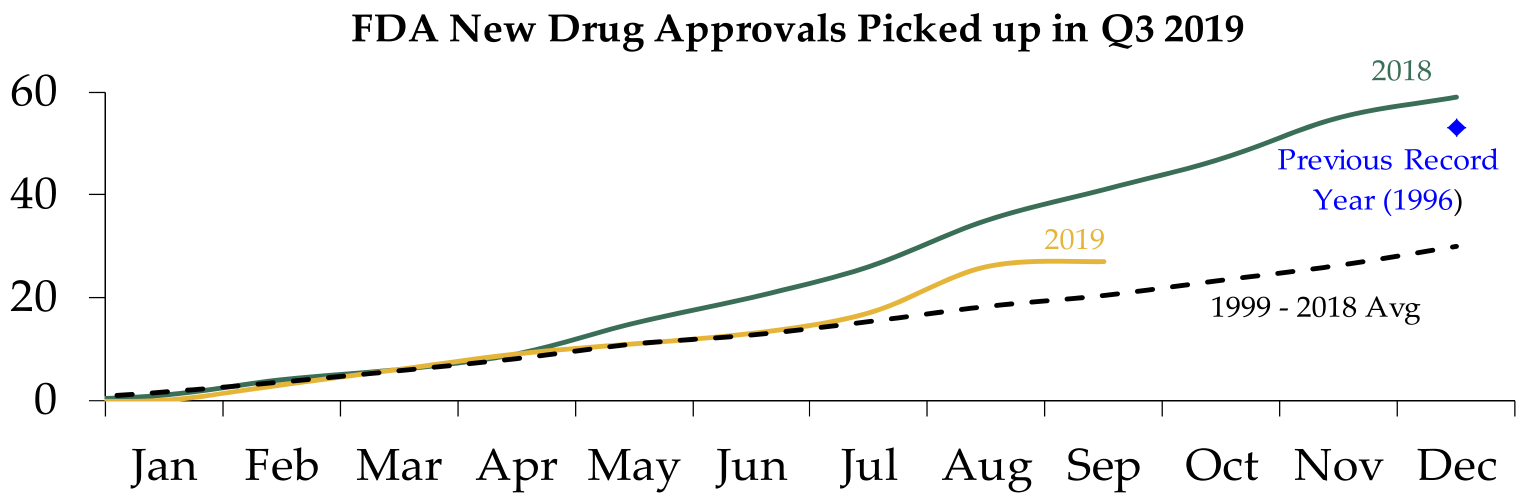


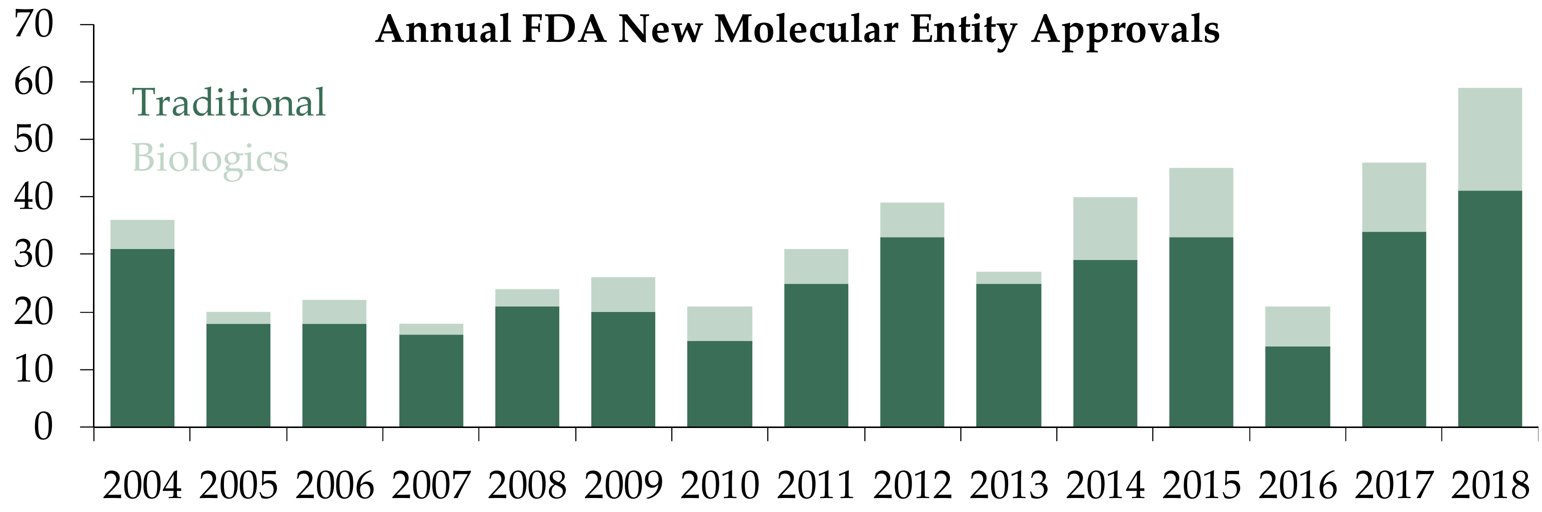


Top chart source: FactSet, Inc. as of September 2019. MSCI World Information Technology and MSCI World Total Return Indexes, daily, indexed to 1 on 18 April 2013. Bottom chart source: FactSet & BEA as of August 2019 – based on quarterly data points.

ACCELERATED DRUG APPROVALS SUPPORT HEALTH CARE

With FDA new drug approvals picking up in Q3, 2019 is shaping to be an above average year for drug approvals, but off the record-setting pace of 2018. Strong drug pipelines and a concerted effort by regulators to get new drugs to market quickly provide a positive backdrop for drug makers.



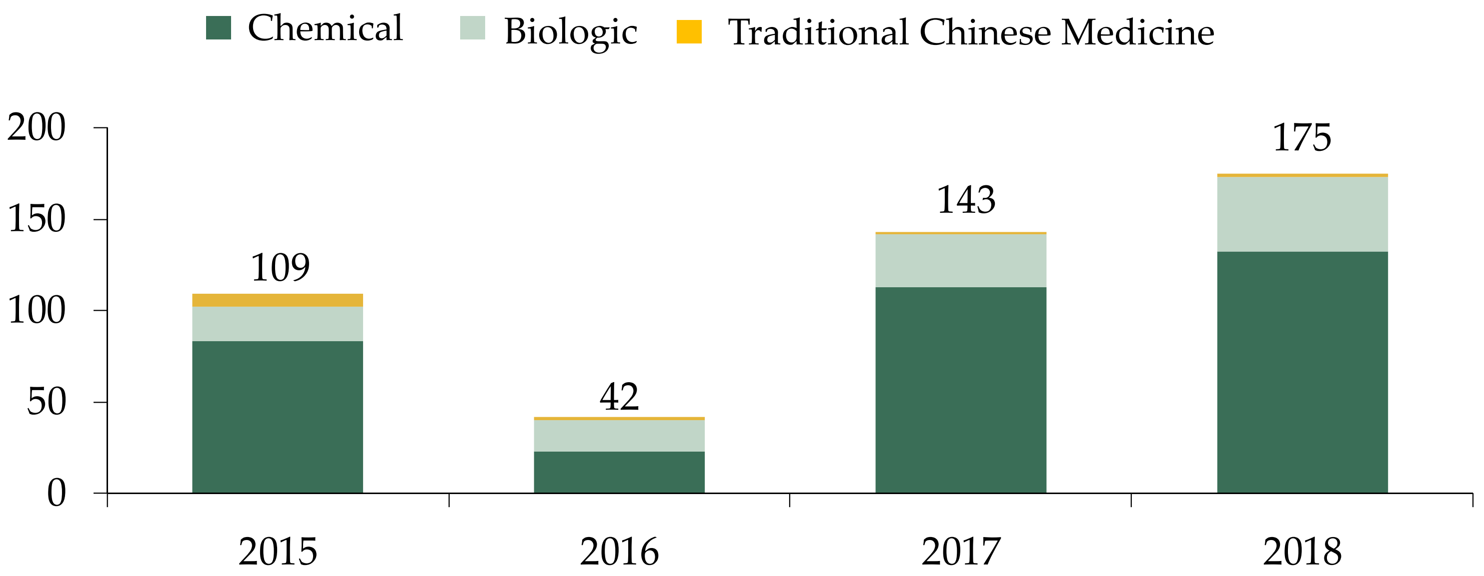


Source: US Food and Drug Administration novel drug approvals of new molecular entities (NMEs) as of September 2019. NMEs provide new therapies for patients.

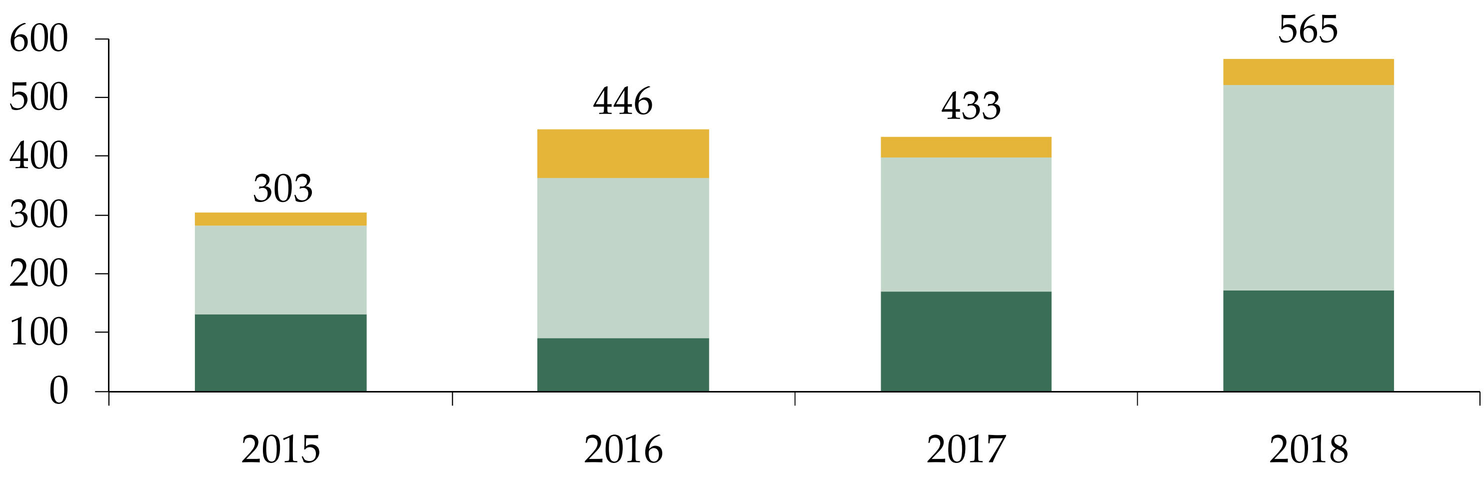
CHINESE DRUG APPROVALS SURGING

The Chinese drug approval process is surging, with record approvals of innovative and foreign drugs—a huge new opportunity for drug makers.

Chinese Innovative Drug Approvals



Chinese Approvals for Innovative Drug Trials

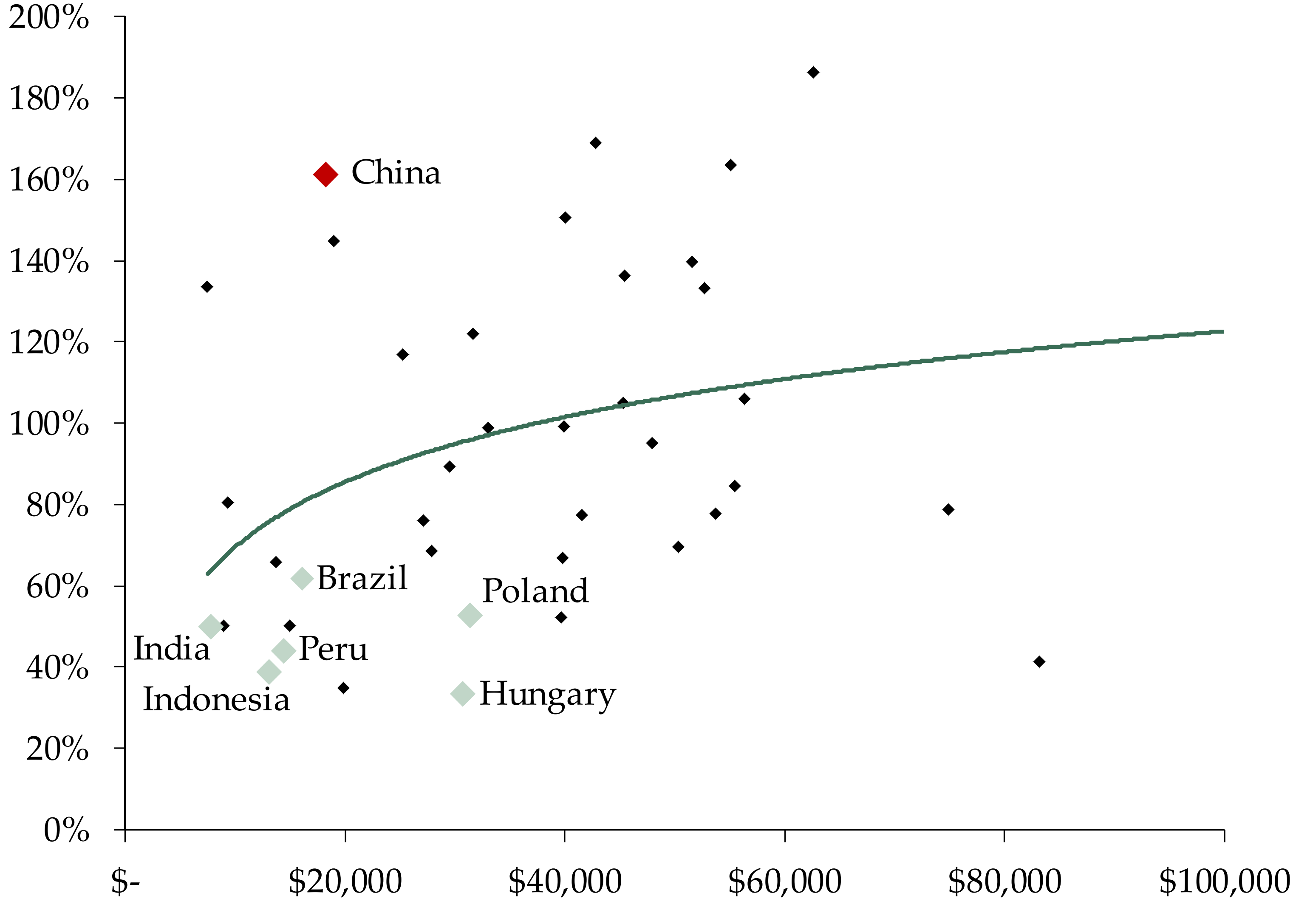


Source: China Centre of Drug Evaluation, as of 31/12/2018.

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.

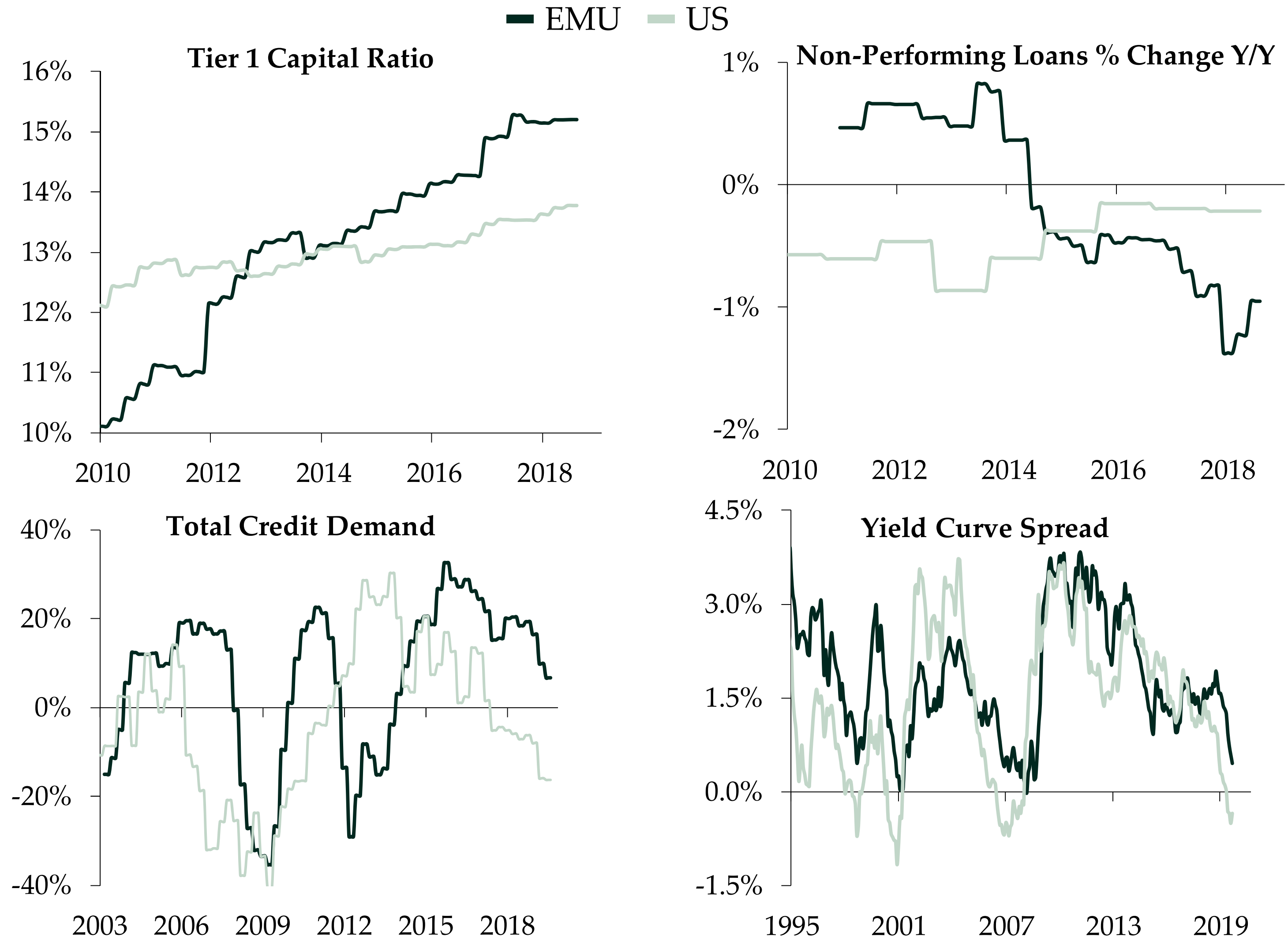
Private Sector Credit (% of GDP)



Source: World Bank Development Indicators as of September 2019. Based on annual data points. 3 outliers were excluded from the data set (Hong Kong, Luxembourg & Singapore).

EMU BANKS' STRONG POSITIONING

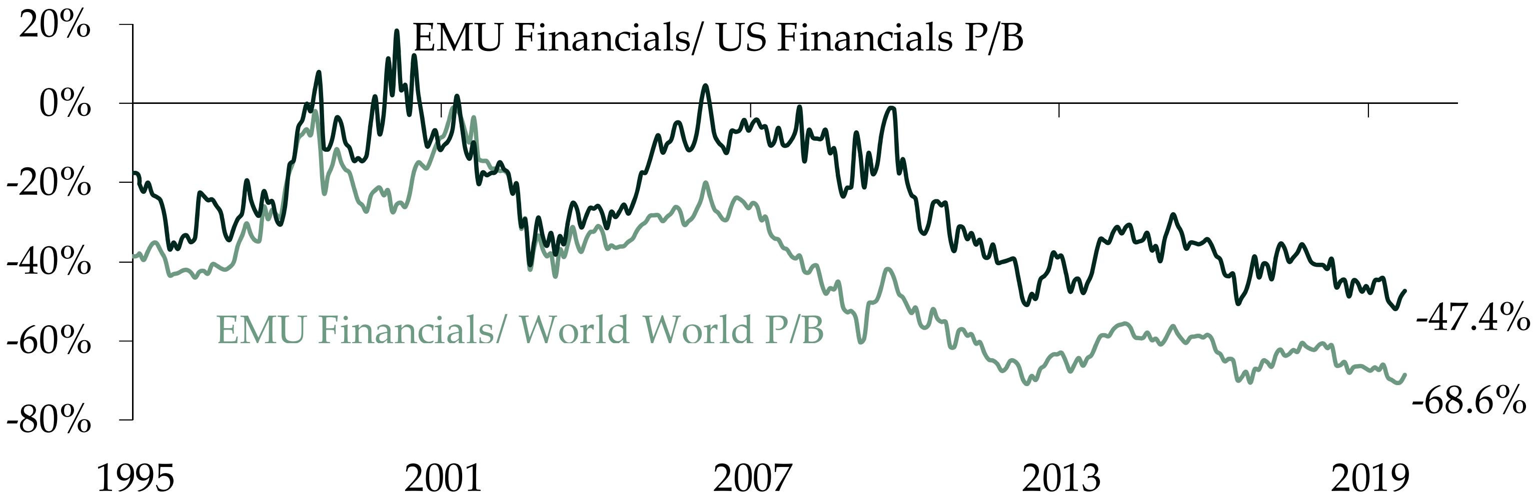
EMU bank balance sheets are strong and continue to improve more rapidly than US banks. Access to and demand for credit, and the yield curve, in the EMU are the most attractive in the developed world. All factors indicate strong lending and bank margins moving forward.

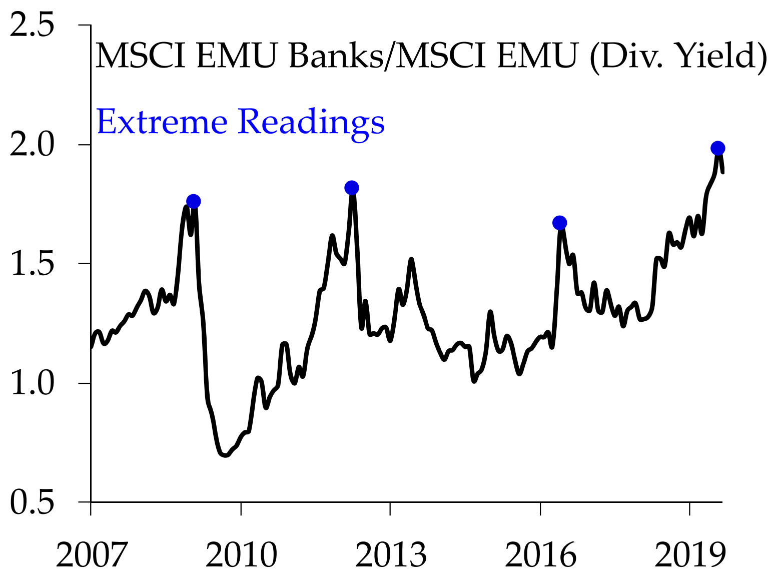


Top charts source: FactSet and IMF as of September 2019. Quarterly Tier 1 Capital Ratio to Risk Weighted Assets, as of December 2018. Non-performing loans to total gross loans, quarterly as of December 2018. Bottom left chart source: Federal Reserve and European Central Bank monthly Senior Loan Officer Opinion Survey as of August 2019. Bottom right chart source: FactSet and OECD as of September 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.





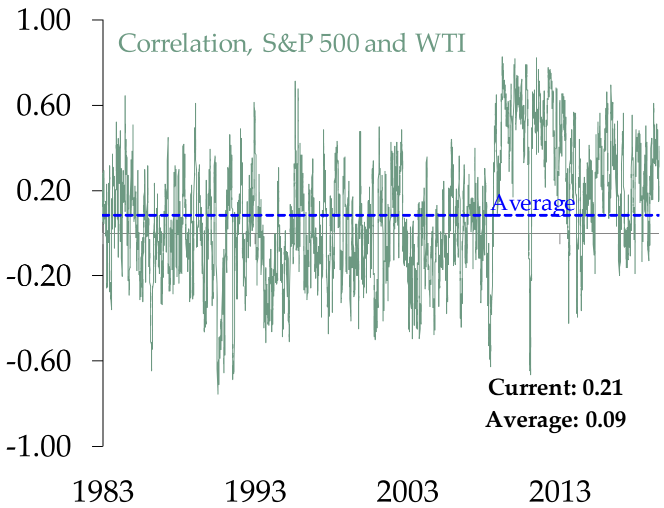
12M Forward Returns After Extreme Dividend Yield Reading				
Date	**EAFE**	**EMU**	**World**	**EMU Banks**
02/01/2009	24.9%	22.3%	23.5%	46.0%
04/05/2012	17.9%	21.8%	17.2%	32.8%
01/07/2016	16.2%	24.0%	15.4%	65.0%
30/08/2019	--	--	--	--
Average	**19.7%**	**22.7%**	**18.7%**	**47.9%**

Source: FactSet as of September 2019. Based on monthly data for MSCI EMU, S&P500, MSCI World and MSCI EAFE benchmarks.

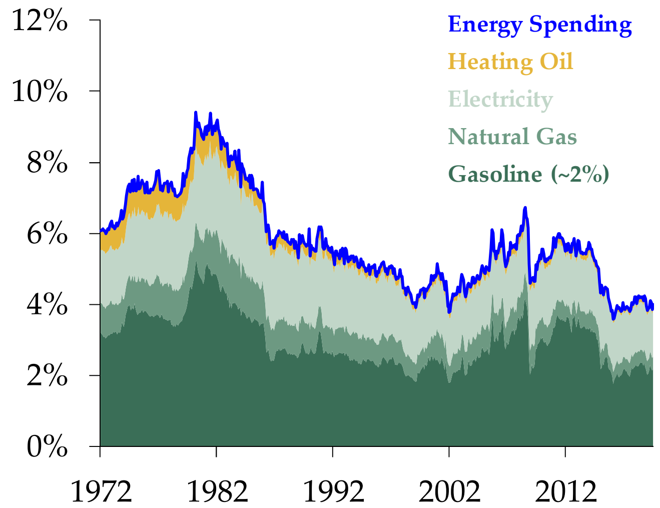
US WELL INSULATED FROM OIL SHOCKS

Not only is increasing domestic production making the US more oil independent, but the US economy is less oil sensitive than ever. Oil markets are largely in balance, the relationship between equities and oil is weak, and oil represents a small part of overall consumption.

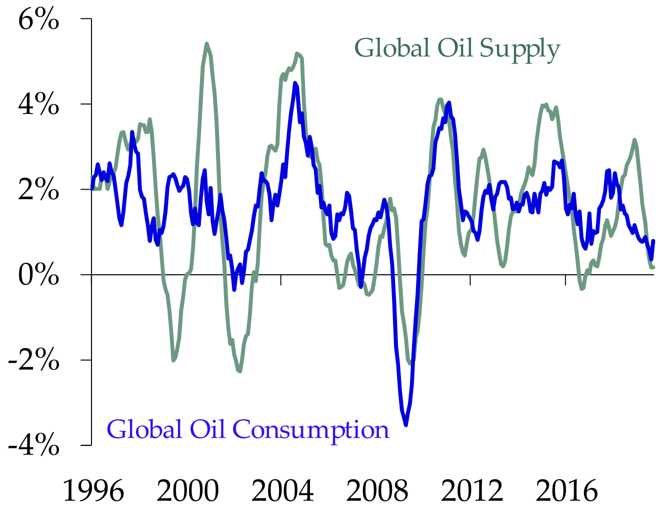
Trailing 30 Days Correlation



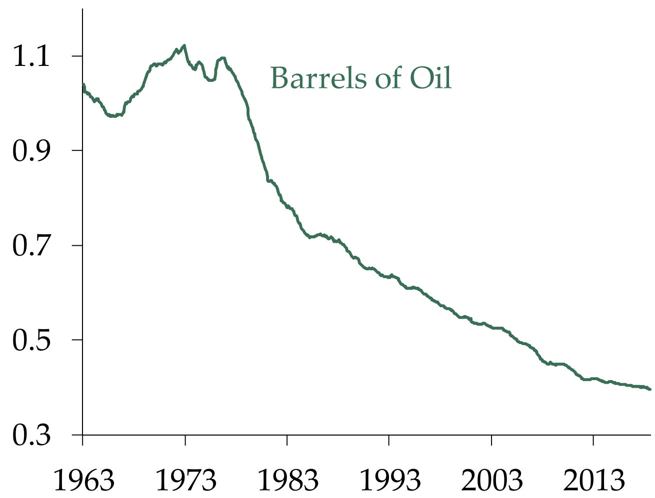
% of US Personal Consumption Expenditure



Global Oil Supply & Consumption



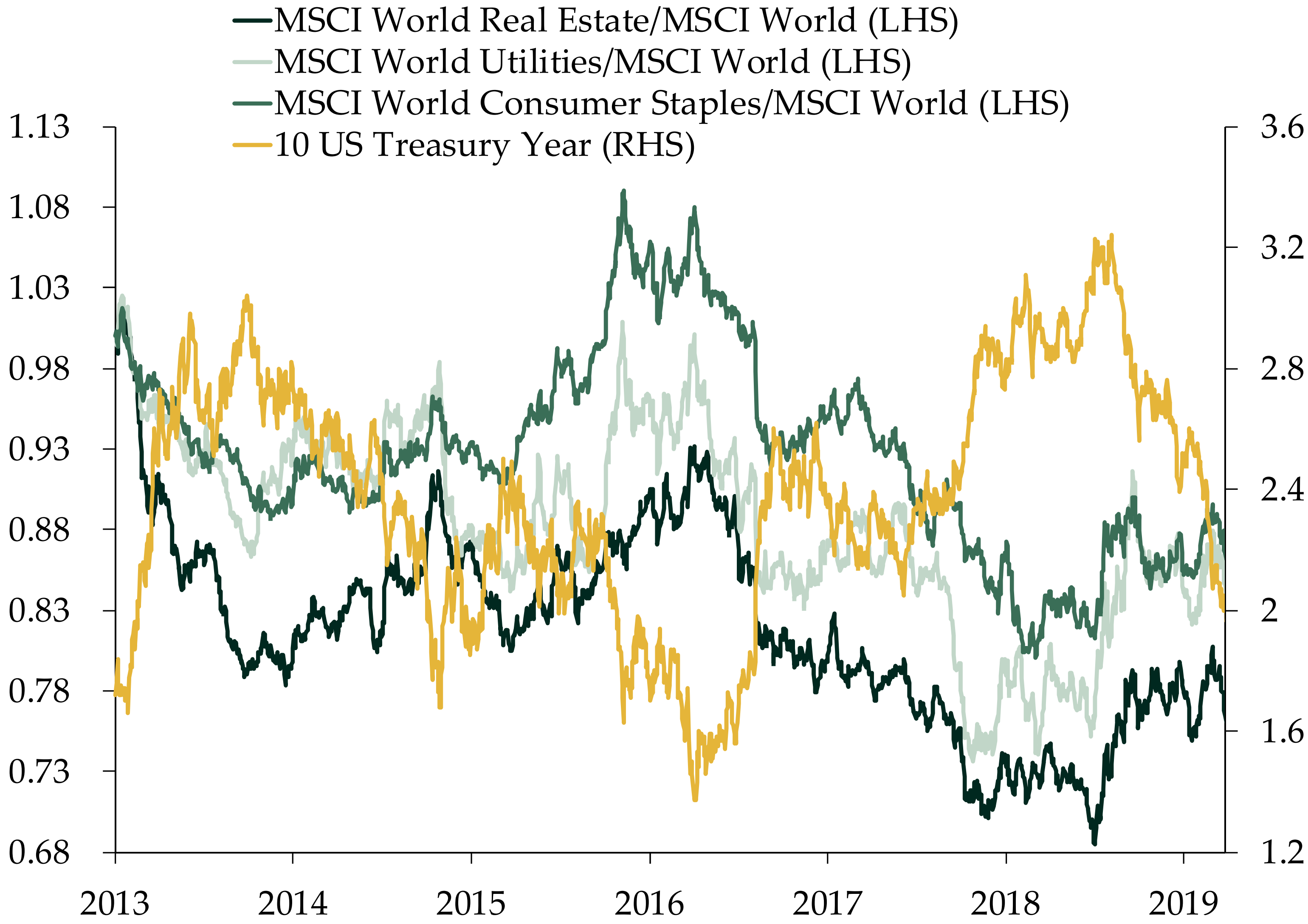
Barrels Needed per $1,000 of GDP



Source: FactSet & World Bank. Top left: rolling 30 day correlation of S&P500 and WTI price change, daily, 31/12/1982–13/09/2019. Top right: personal consumption expenditures from 31/01/1972 – 31/07/2019. Bottom left: EIA, shown as 6M moving average as of 30/09/2019. Bottom right: 12M moving average of US crude oil and petroleum products against 4-quarter moving average real GDP from 31/12/1996 – 31/08/2019.

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 become a headwind.



Source: FactSet as of September 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

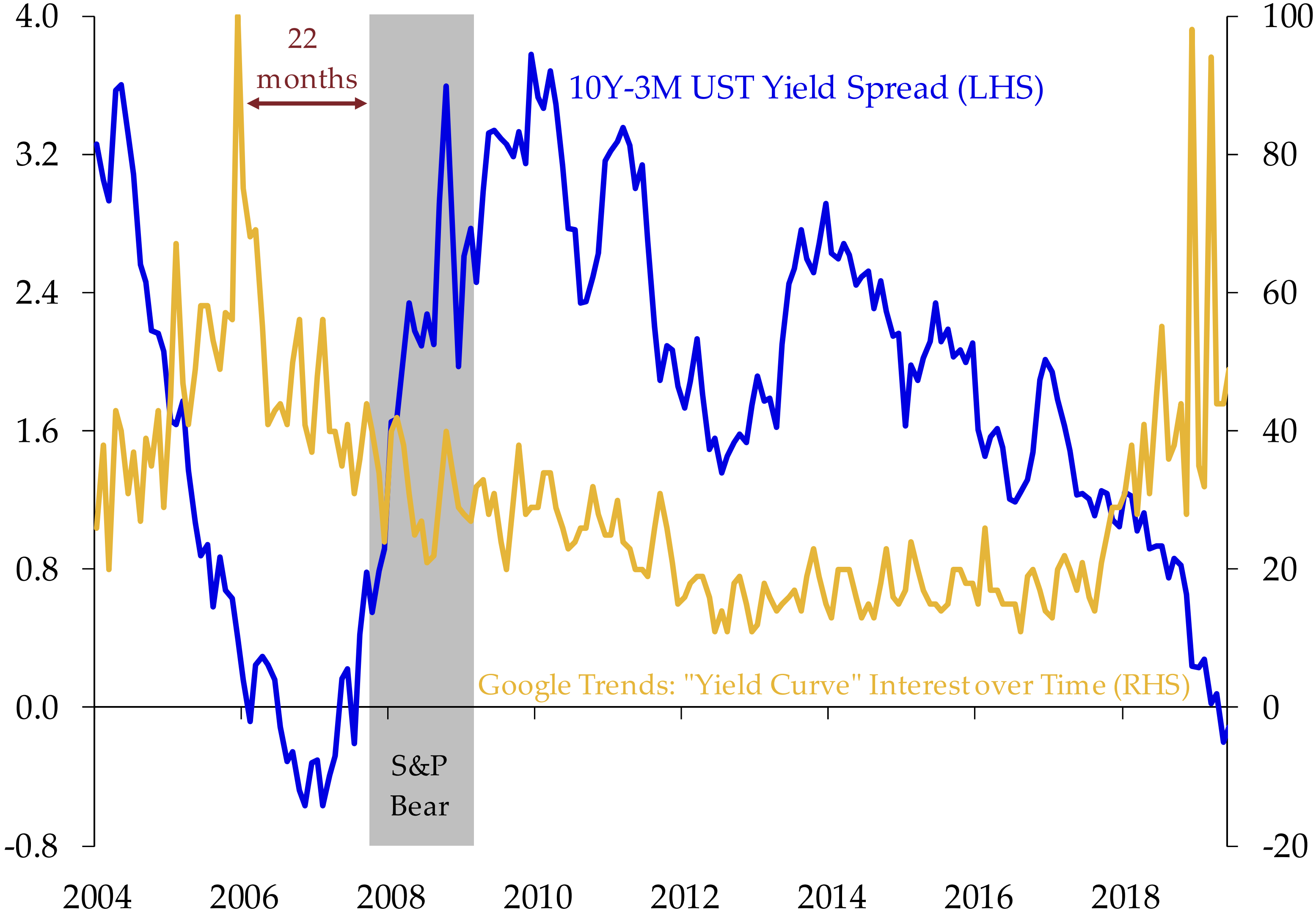
Our views on contemporary investor topics in the market

- Is the US yield curve inversion signaling a near-term recession?
- Is global GDP experiencing a recession or mid-cycle slowdown?
- What is the current reading on credit measures?
- Can equities rise as economic growth slows?
- Will tariffs induce a global recession?

As of 30/09/2019.

YIELD CURVE INTEREST PEAKS BEFORE MARKET

Equities discount known information. Spiking interest in the yield curve just as it inverts saps its surprise power. If the yield curve becomes problematic—which isn't a sure thing—it is likely not until investor interest has faded.

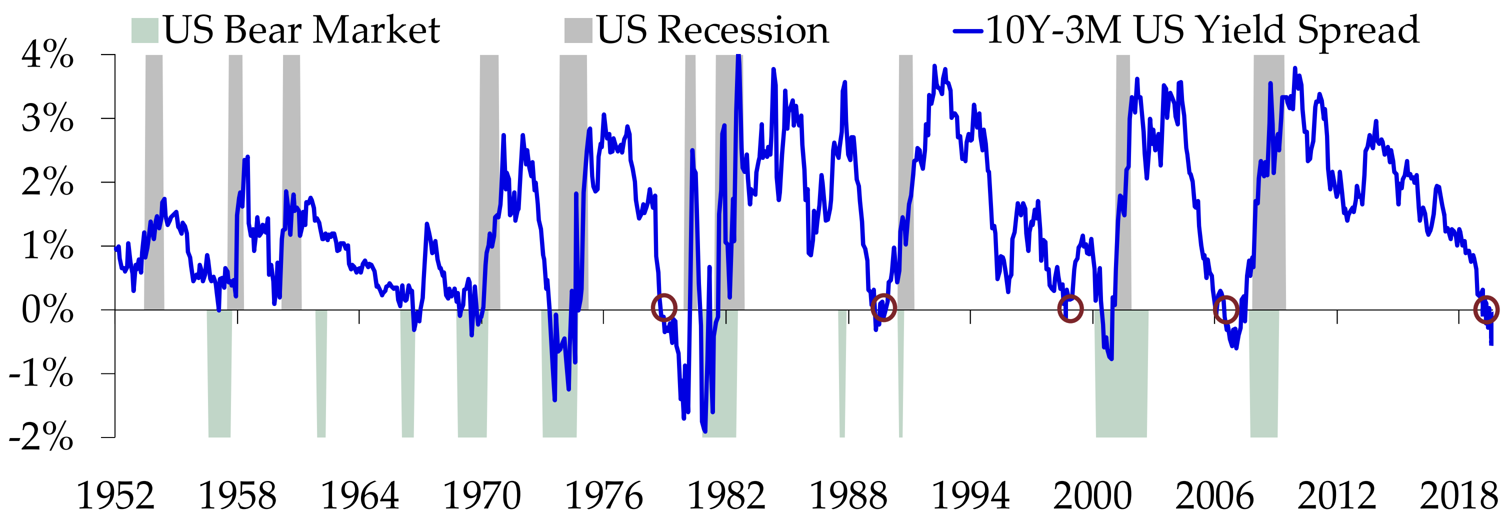


Source: Google Trends as of May 2019. Searches for the term "Yield Curve" worldwide, for the period covering June 2004 to May 2019. Each data point is divided by the total searches of the geography and time range it represents, to compare relative popularity. The resulting numbers is then scaled on a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

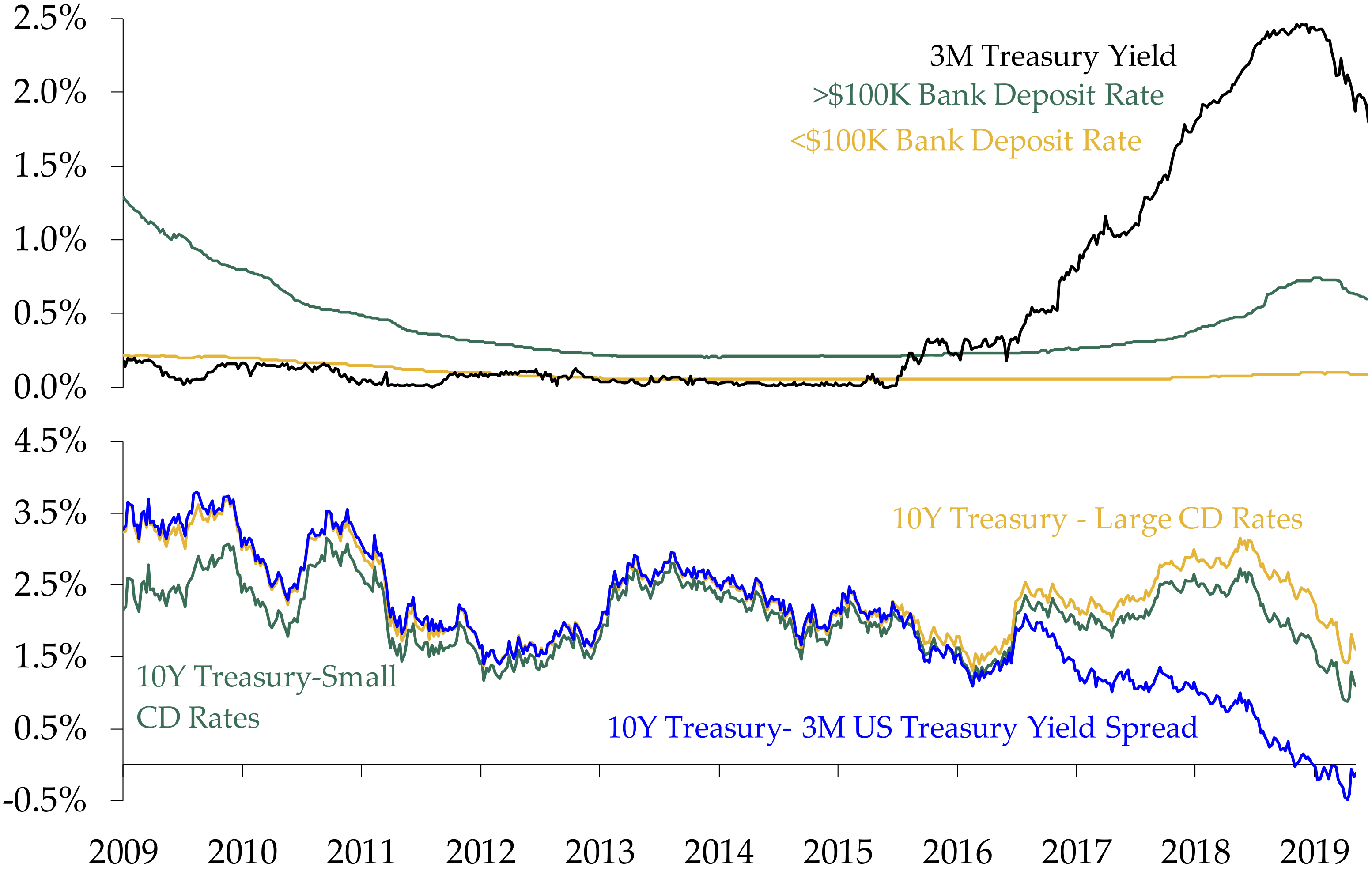
	Inversion Cause		Returns Before Inversion		Returns Following Inversion			
Inversion Date	**Rising short rates?**	**Falling long rates?**	**-6M**	**-3M**	**+6M**	**+12M**	**To Mkt Peak**	**# Months Before Bear**
01/11/1978	X		-0.8%	-3.8%	5.0%	5.9%	45.1%	25
27/03/1989	X		8.3%	5.0%	18.8%	17.5%	27.0%	16
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 September 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 September 2019. US recessions, US 10-year bond and 3-month Treasury yield spread, monthly, January 1952 to February 2019, daily to September 2019.

BANK DEPOSIT COSTS REMAIN LOW

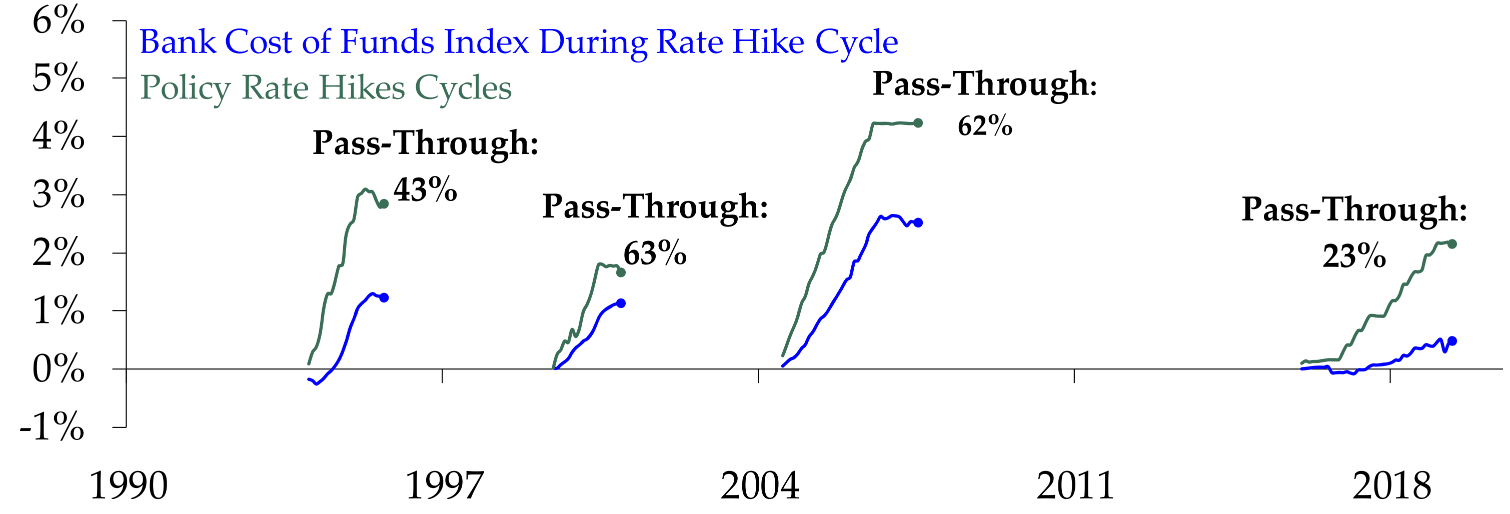
Bank deposit rates typically track the short end of the yield curve. But the flood of excess reserves resulting from quantitative easing (QE) and increased banks' excess reserves, reduced deposit competition, and kept deposit costs low despite rising short-term interest rates. The spread between bank deposit costs and long-term interest rates is far wider than the yield curve implies.

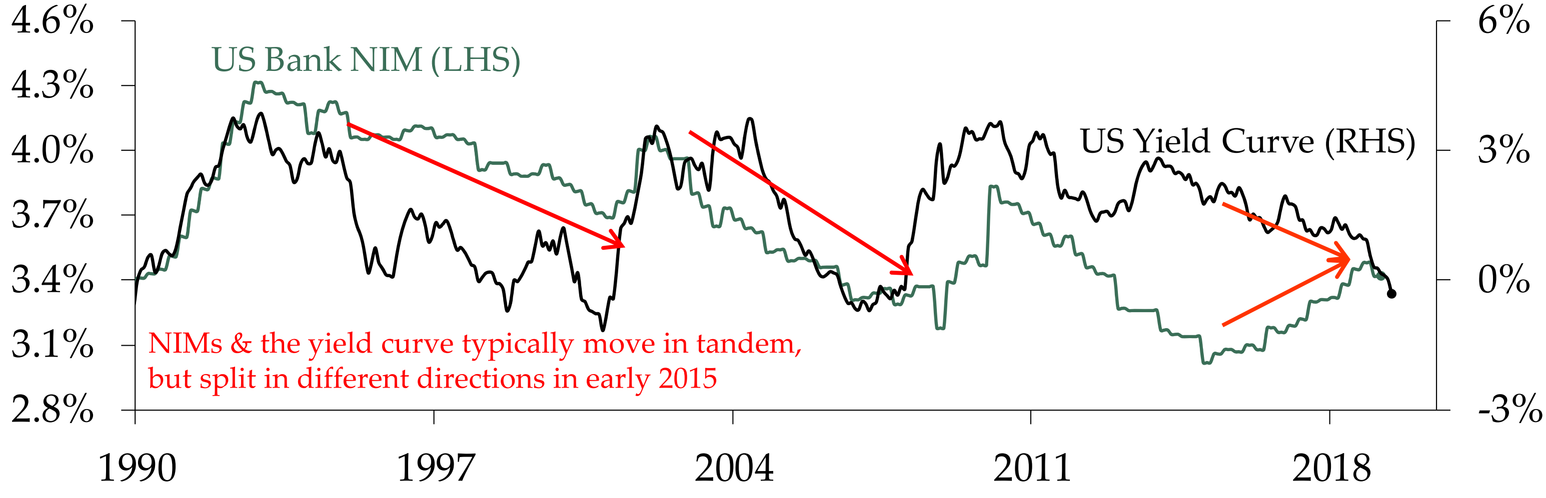


Top chart source: Federal Reserve, as of September 2019. National rate on >$100K (large) 12-month CD and <$100K (small) savings account, and 3-month US Treasury yield, weekly, 18/05/2009 – 27/09/2019. Bottom chart source: Federal Reserve, as of 27/09/2019. National rate on >$100K 12M CD – 3M US Treasury yield, <$100K savings account – 3M US Treasury yield, and 10Y-3M US Treasury yield spread, weekly, 18/05/2009 – 27/09/2019.

FED FUNDS AND DEPOSIT RATE DIVERGENCE

An abundance of excess reserves reduces deposit competition among banks and their incentive to pass higher short-term interest rates on to depositors. As a result, banks net interest margins (NIMs) don't track the yield curve spread as they have historically.



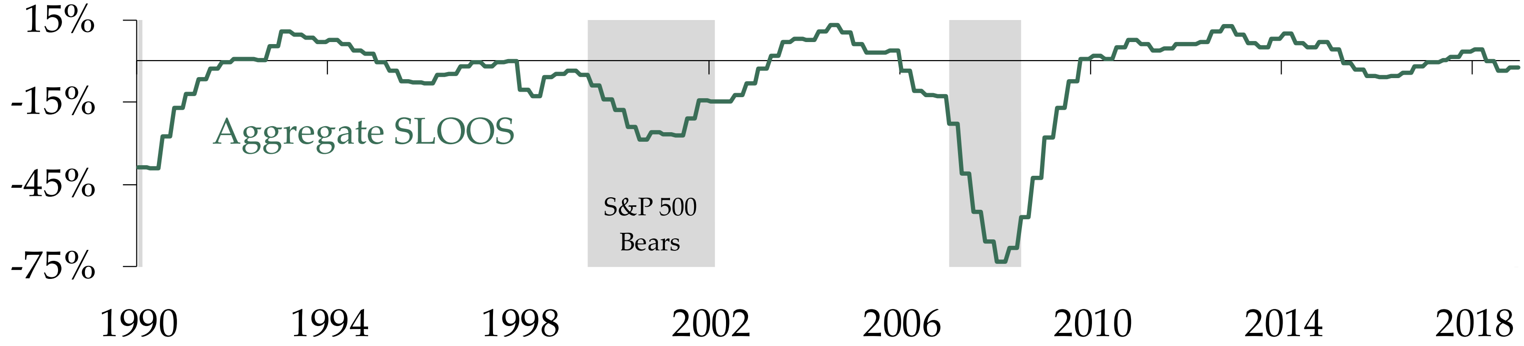


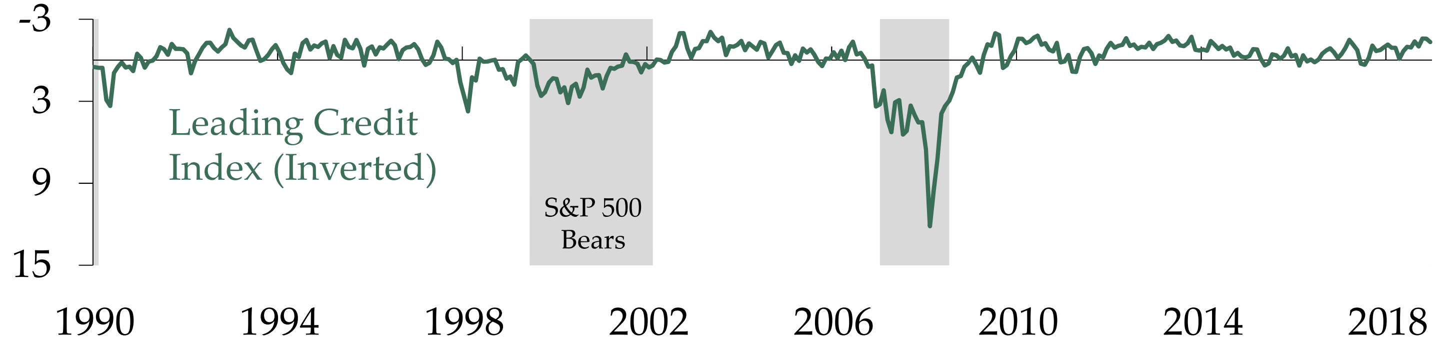
Top chart source: Federal Reserve & San Francisco Federal Reserve, monthly, 31/12/1990 – 30/09/2019. Shows policy rate & bank cost of funds index rate of change during hike cycles. Bottom chart source: Federal Reserve. 10Y-3M US Treasury yield spread, monthly, 31/12/1990 – 30/09/2019. Bank Net Interest Margin, FDIC, Quarterly.

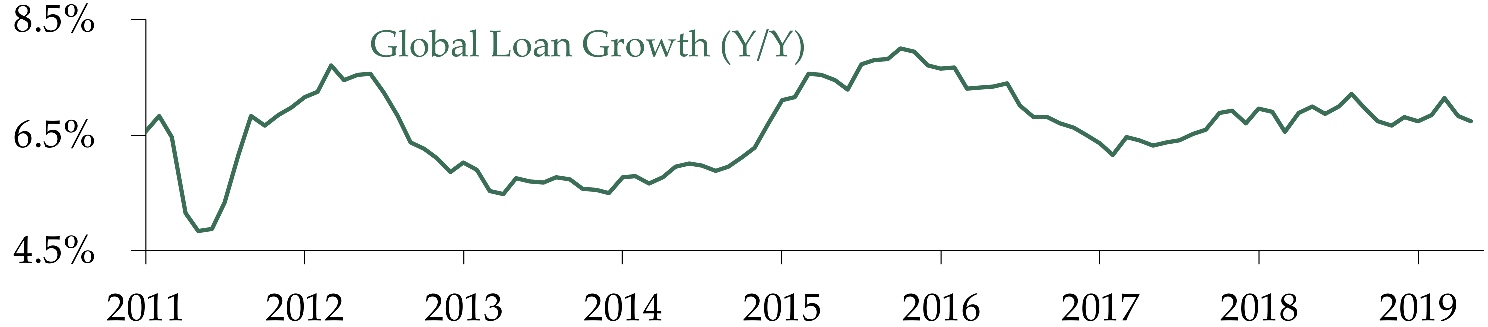
CREDIT MEASURES ARE NOT SOUNDING ALARMS

Measures of credit availability other than the yield curve – like bank lending standards, the leading credit index, and global loan growth – suggest lending conditions remain healthy.

US – Q/Q Change of Lending Standards vs. S&P Bears



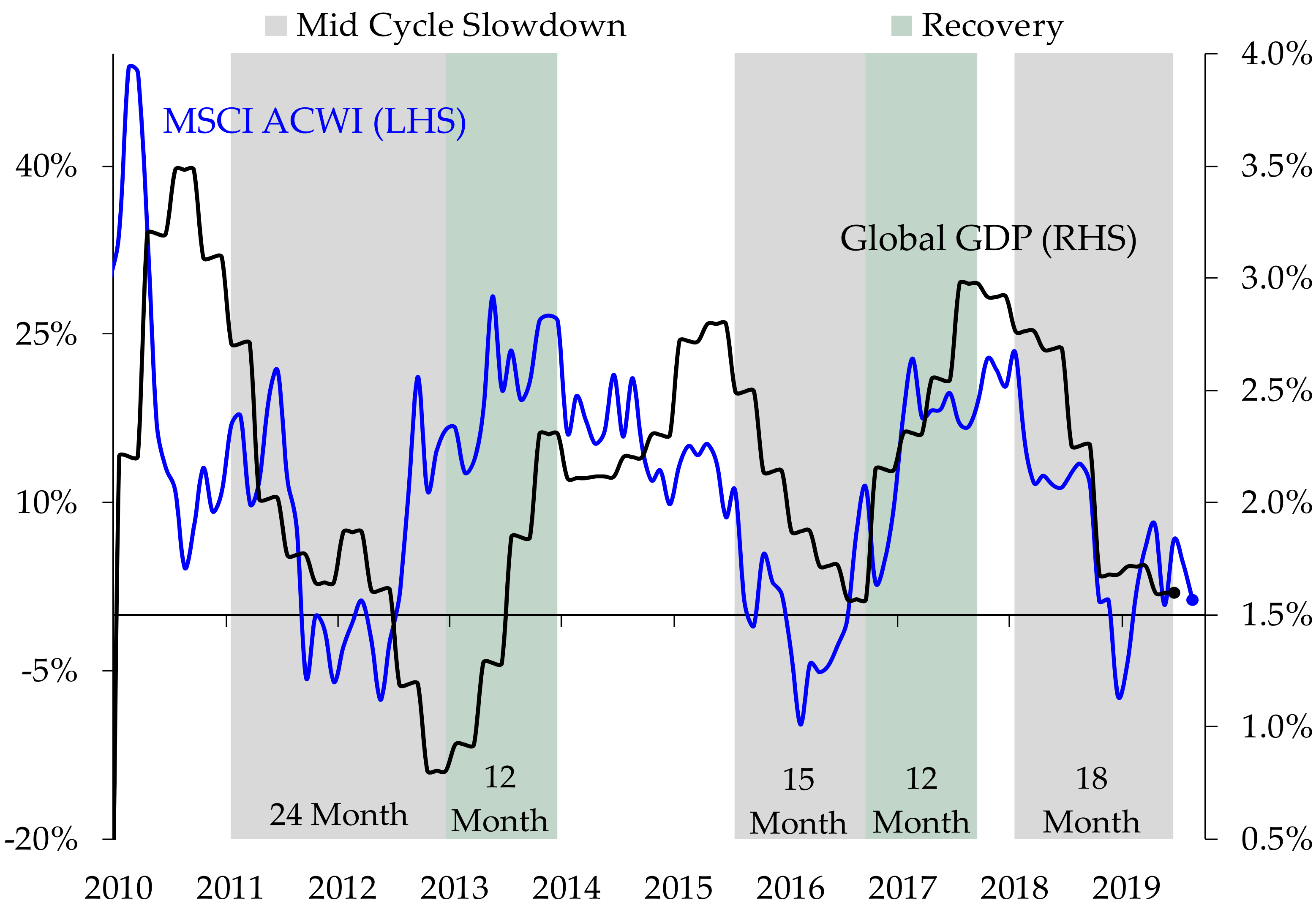




Source: FactSet, as of 19/08/2019. GDP-weighted Aggregate Senior Loan Officer Opinion Survey (SLOOS), 30/09/1990 – 31/08/2019, Leading Credit Index, 30/09/1990 – 31/08/2019 and y/y global loan growth, 01/01/2011 – 31/05/2019 – the latest available data.

MEASURING THE MID-CYCLE SLOW DOWN

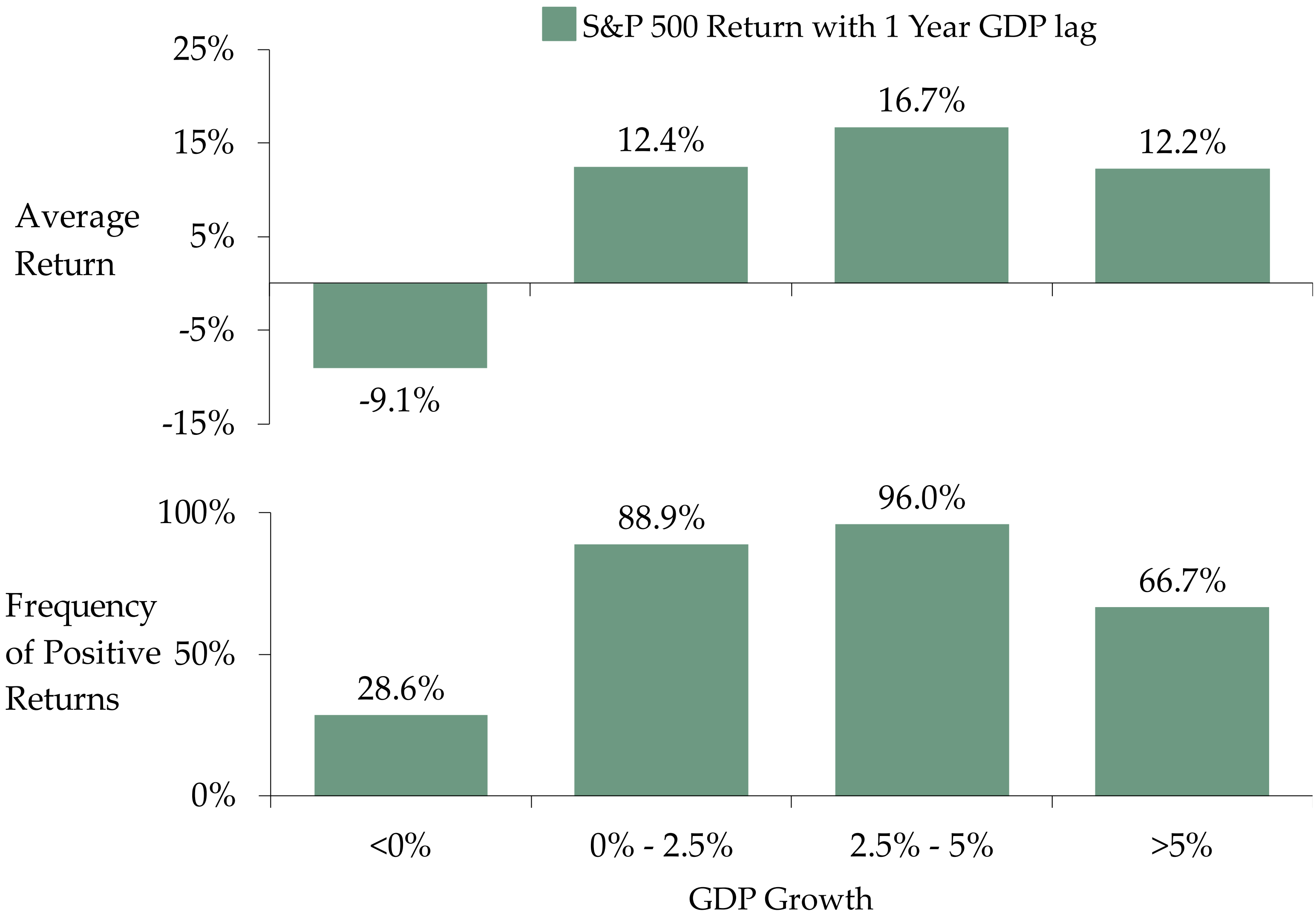
The current economic slowdown is the 3rd of the current cycle, and is following a similar trajectory to previous rounds. Subsequent market and GDP bounces have been strong following previous slowdowns, with the market having led GDP growth by roughly 6 months.



Source: FactSet and OECD as of August 2019. Global GDP as of June 2019 – the latest available data. Shows GDP growth rate and MSCI ACWI total return level change on a year-over-year basis.

EQUITY RETURNS LEAD ECONOMIC GROWTH

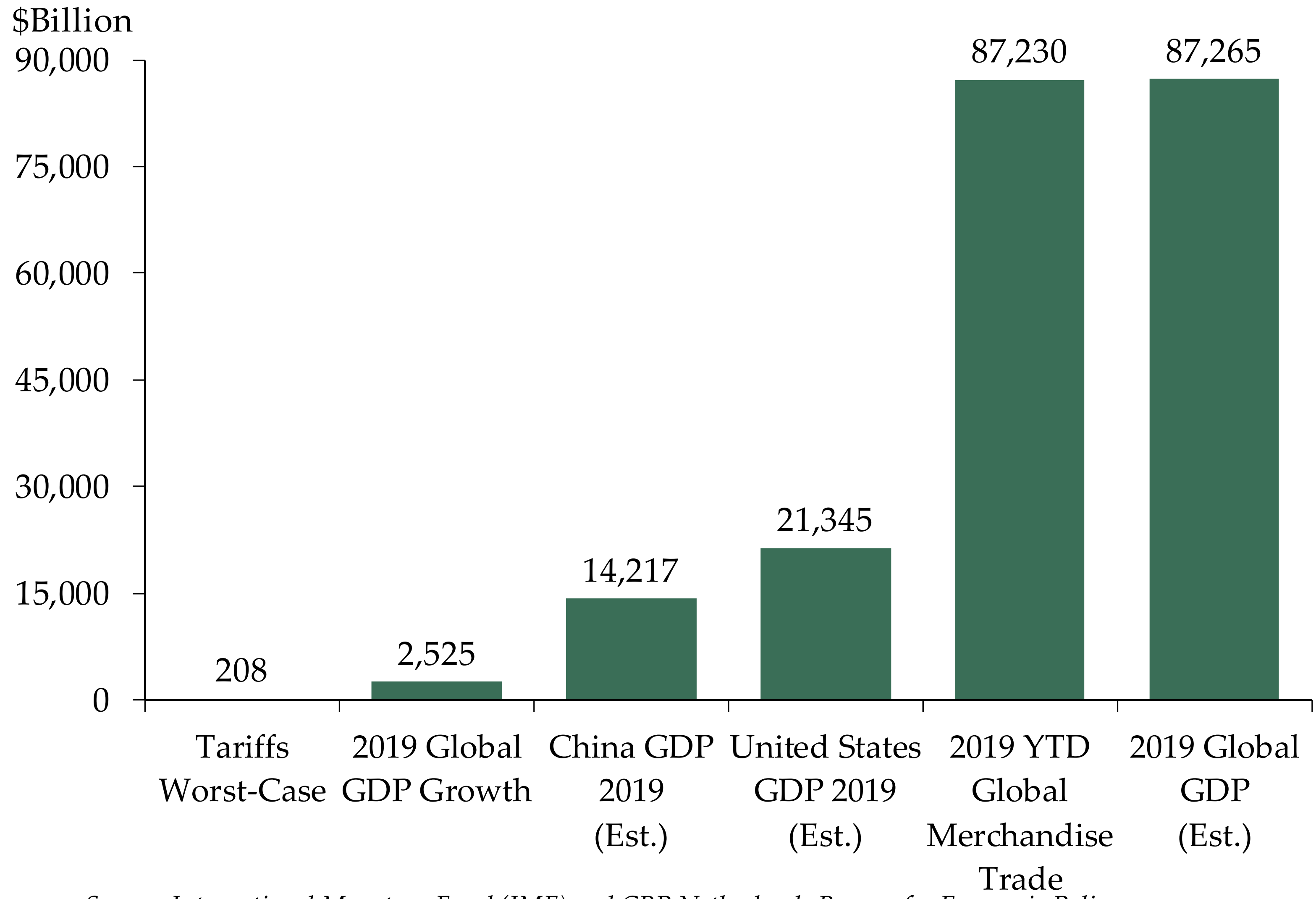
We believe equity markets abhor recessions and often fall ahead of economic contractions. But equities can thrive in any level of economic growth. If economic growth slows, equity returns needn't suffer, in our view.



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), annualized 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), annualized, December 1970 to December 2016.

TARIFFS LACK SCALE TO DERAIL EXPANSION

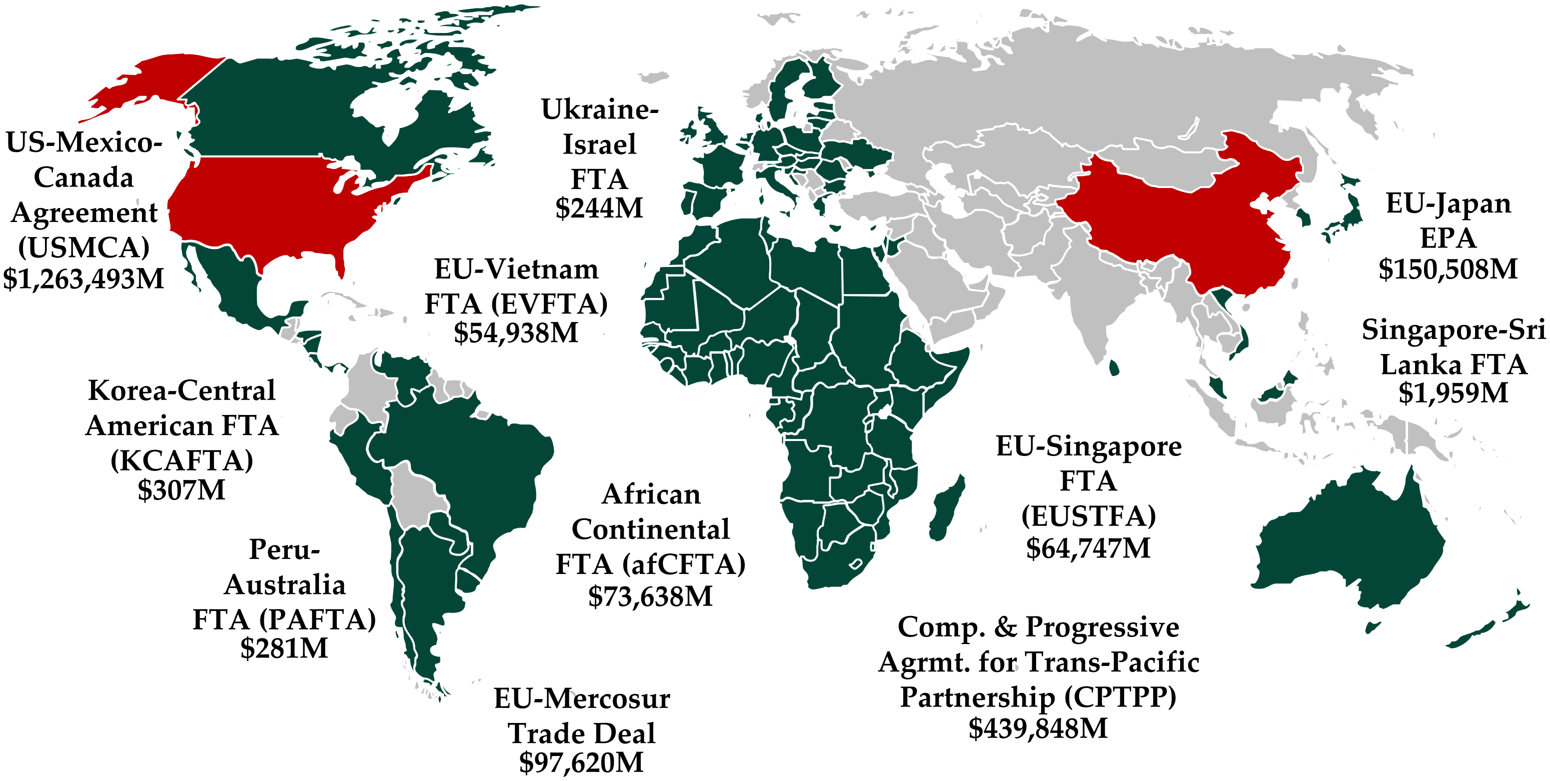
Trade worries are warranted, but unless trade tariffs escalate massively, they simply lack the scale to derail the global economy.



Source: International Monetary Fund (IMF) and CBP Netherlands Bureau for Economic Policy Analysis as of September 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 July 2019, merchandise world trade volumes, seasonally adjusted and prices, monthly.

NEW TRADE DEALS LARGELY OVERLOOKED

While most focus on US/China trade relations, few notice the large number and relative size of recent free trade deals elsewhere.



Value of goods traded between regions with free trade agreements:

$244M	
$281M	$73,638M
$307M	$97,620M
$1,959M	$150,508M
$54,938M	$439,848M
$64,747M	$1,263,493M

$2,147,587M

Value of goods traded between the US & China:

$659,845M

Source: FactSet, World Bank, European Commission, as of 29/07/2019. Bilateral goods trade and global ratified or signed free trade agreements, 2018 (2017 data used when 2018 data was not available).

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	’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. We provide a sample list above, this is not a comprehensive list of indicators monitored.

STRATEGY OFFERINGS AND BENEFITS

Global Research Platform

Global	US	Global Ex-US
$8.2 Billion	**$9.8 Billion**	**$22.3 Billion**
All World Equity *MSCI ACWI Index*	**US Equity** *S&P 500 Index*	**All Non-US Equity** *MSCI ACWI ex-US Index*
Global Equity *MSCI World Index*	**US Mid Cap Value** *Russell Mid Cap Value Index*	**All Non-US Equity Growth** *MSCI ACWI ex-US Growth Index*
Global Equity Focused *MSCI World Index*	**US Small and Mid Cap Core** *Russell 2500 Index*	**Non-US Equity** *MSCI EAFE Index*
Global Small Cap *MSCI World Small Cap Index*	**US Small and Mid Cap Value** *Russell 2500 Value Index*	**Emerging Markets Equity** *MSCI Emerging Markets Index*
Global High Dividend Yield *MSCI World High Dividend Yield Index*	**US Small Cap Core** *Russell 2000 Index*	**Frontier Markets Equity** *MSCI Frontier Markets Index*
Global Quant *MSCI ACWI Index*	**US Small Cap Value** *Russell 2000 Value Index*	**All Non-US Equity Small Cap** *MSCI ACWI ex-US Small Cap*
Global Long/Short *MSCI World (50%) 3-Month T-Bill (50%)*	**US Small Cap Opportunities** *Russell Micro Cap Value Index*	**Non-US Equity Small Cap** *MSCI World ex-US Small Cap*
	US Small Cap Quant *Russell 2000 Index*	**Emerging Markets Small Cap ESG** *MSCI Emerging Markets Small Cap Index*

Complete Investment Process

- Top-down approach accounts for three critical decisions helping to maximize 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 September 2019. "Years" is calculated using the date on which Fisher Investments was established as a sole proprietorship: 1979. Back cover photographs: The offices of FI are located in Washington and California, USA. The London, UK office is the headquarters of Fisher Investments Europe, FI's wholly-owned subsidiary in England. The Dubai International Financial Centre office is a branch office of FI. Fisher Investments Australasia Pty Ltd is FI's wholly-owned subsidiary based in Sydney, Australia. Fisher Investments Japan is FI's wholly-owned subsidiary based in Tokyo, Japan.

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Fisher Investments Camas


Fisher Investments Woodside


Fisher Investments Europe


Fisher Investments DIFC


Fisher Investments Australasia


Fisher Investments Japan