

MACRO INSIGHTS

Q2 2018

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INSTITUTIONAL GROUP

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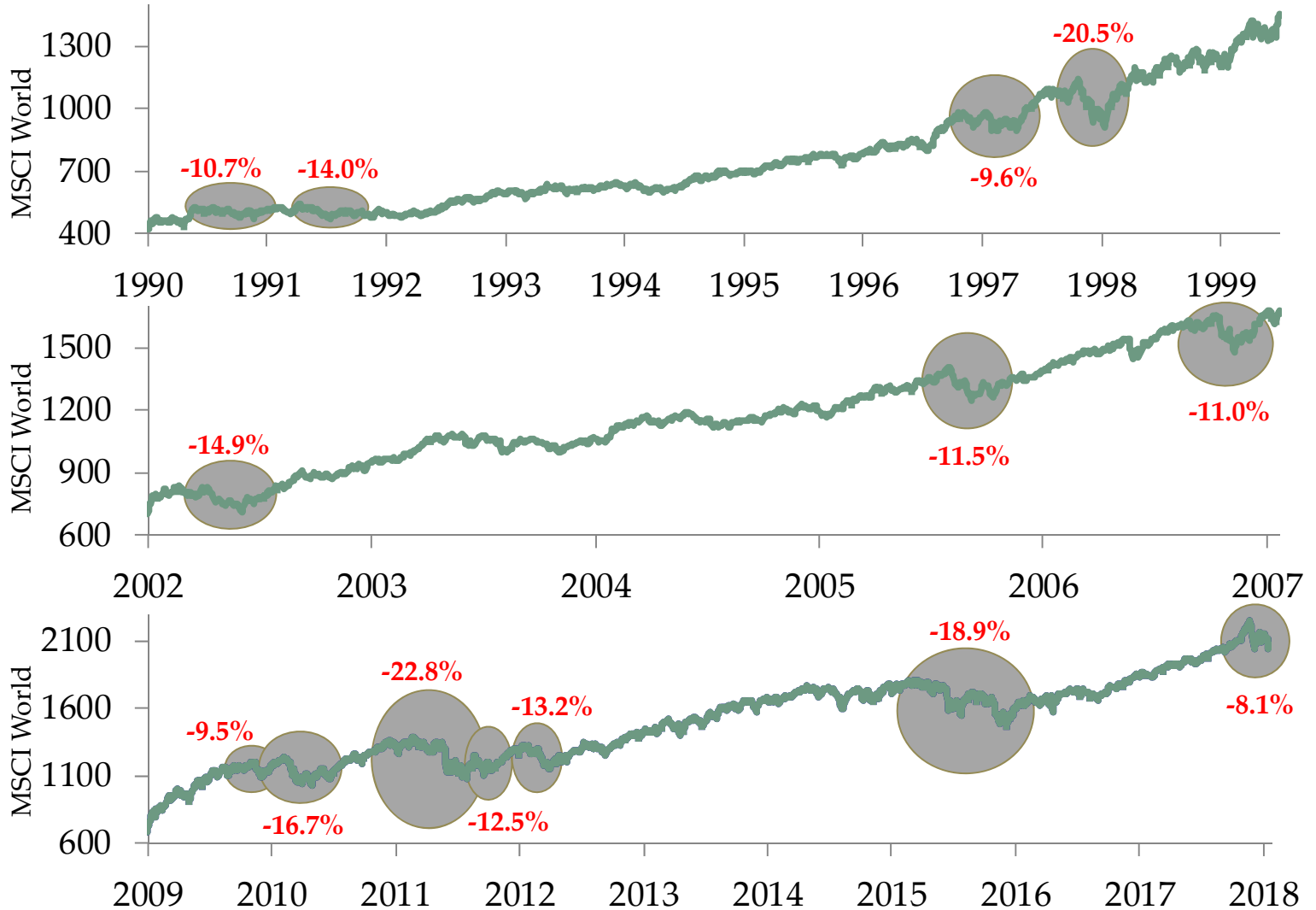
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MARKET OUTLOOK 2018

- We expect the bull market to continue
- Q1 pullback consistent with a typical correction
- Volatility is normal—2017 was an outlier
- Inflation and trade-war fears are overblown
- In our view, equities usually accelerate in bulls' final third
- Equity market forecasts remain subdued
- The global economy is in full expansion mode
- Corporate earnings growth remains very strong
- Gridlock continues to reduce political risk
- Many major EM markets are benefitting from reforms
- Investor confidence continues to grow

CORRECTIONS DURING BULLS ARE COMMON

Corrections are short, steep and unexpected — often vanishing as quickly as they appear. They are a common — and healthy — feature of bull markets, even during great years. In our view, Q1's selloff exhibited the classic characteristics of a correction.

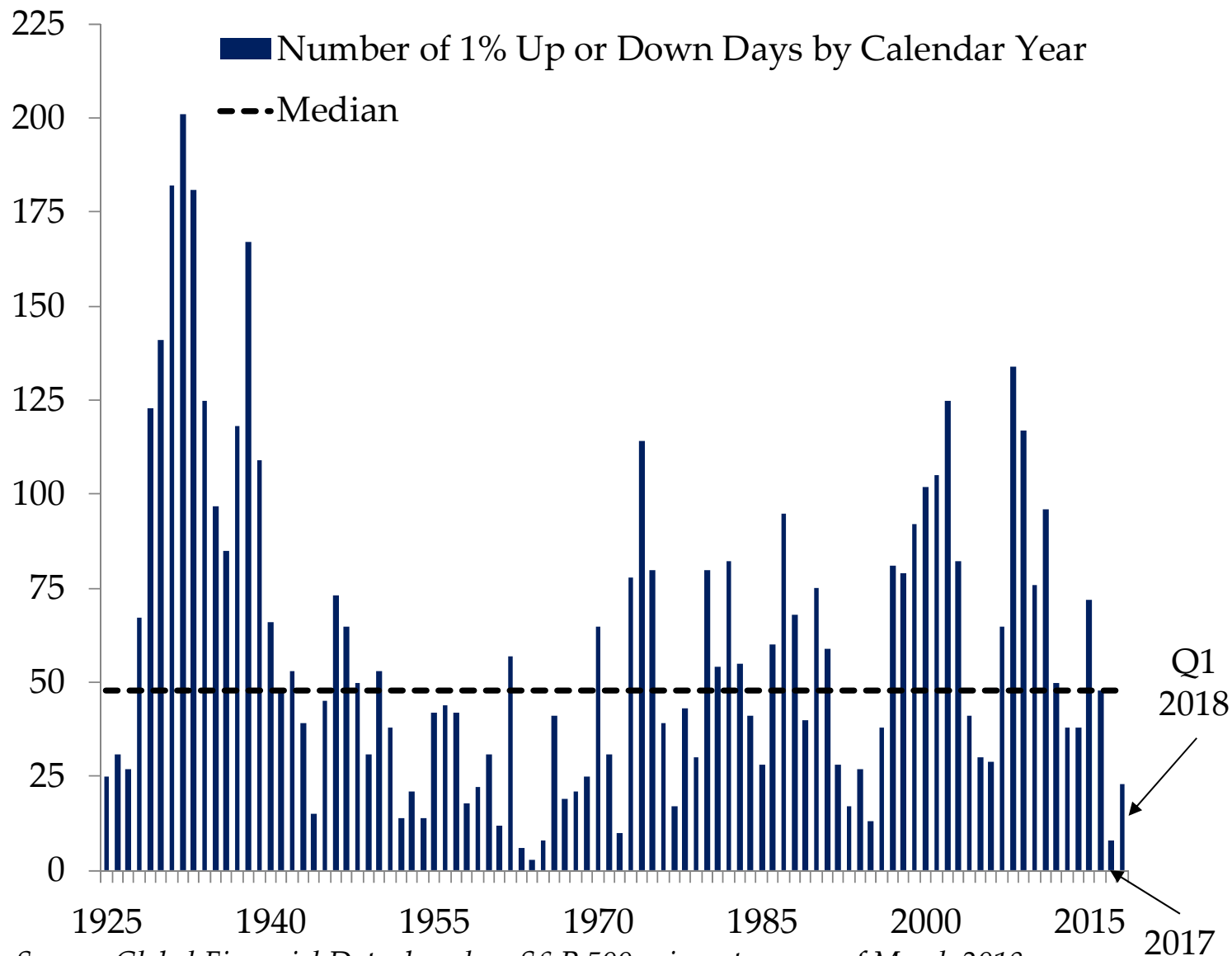


Source: FactSet as of March 2018, based on MSCI World index price level.

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VOLATILITY DOESN'T PREDICT RETURNS

Higher volatility than 2017 is normal and isn't predictive of equity returns.

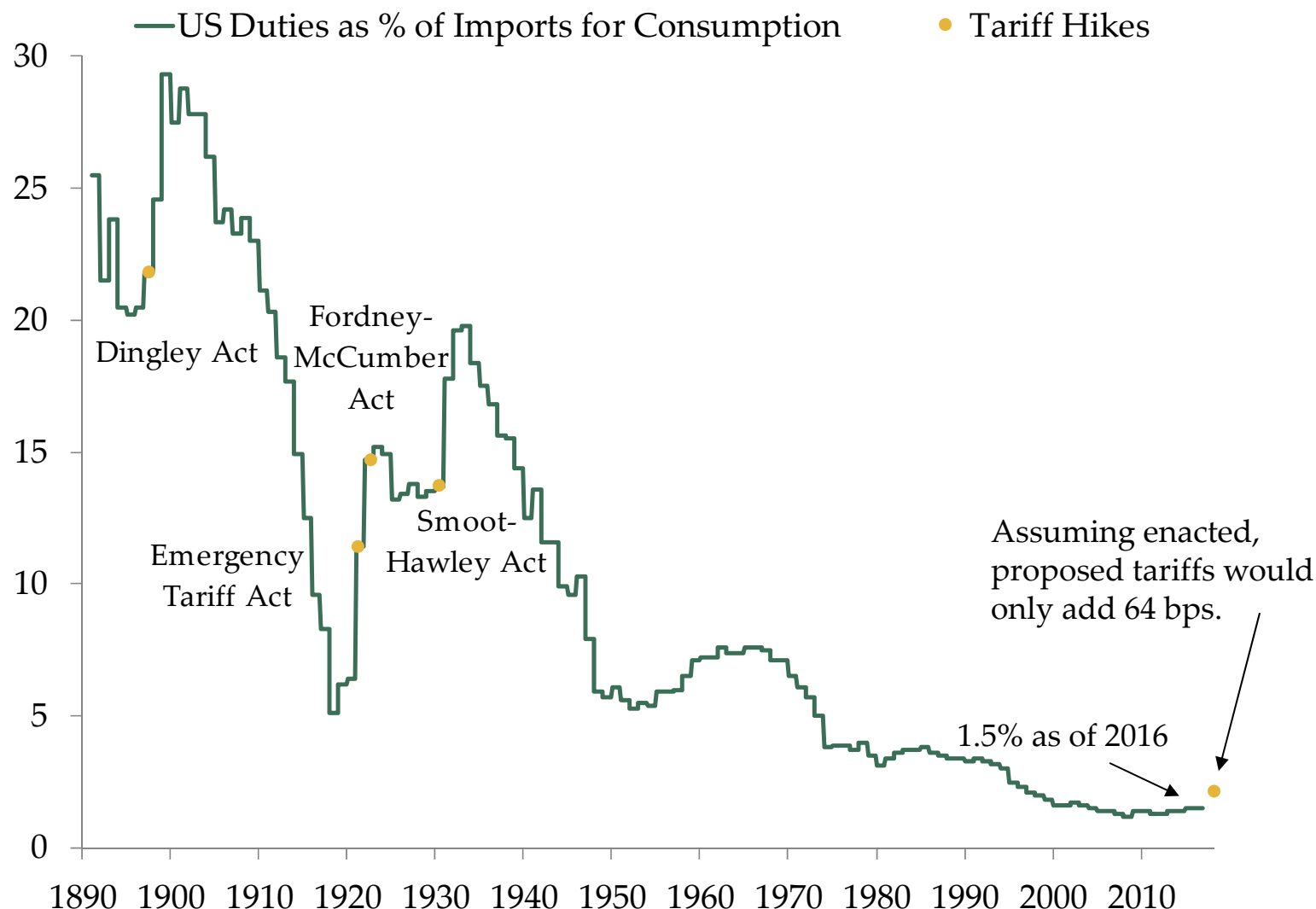


Source: Global Financial Data, based on S&P 500 price returns as of March 2018.

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RELATIVE TO HISTORY, NEW TARIFFS LACK SCALE

With new tariffs, duties as a percentage of total US imports for consumption could rise from 1.5% to 2.1%—much smaller than most major historical tariff hikes.



Source: US International Trade Commission, as of December 2016. Proposed US tariffs on steel, aluminum, and Chinese imports are as of March 2018.

STEEL TARIFFS ARE NOTHING NEW

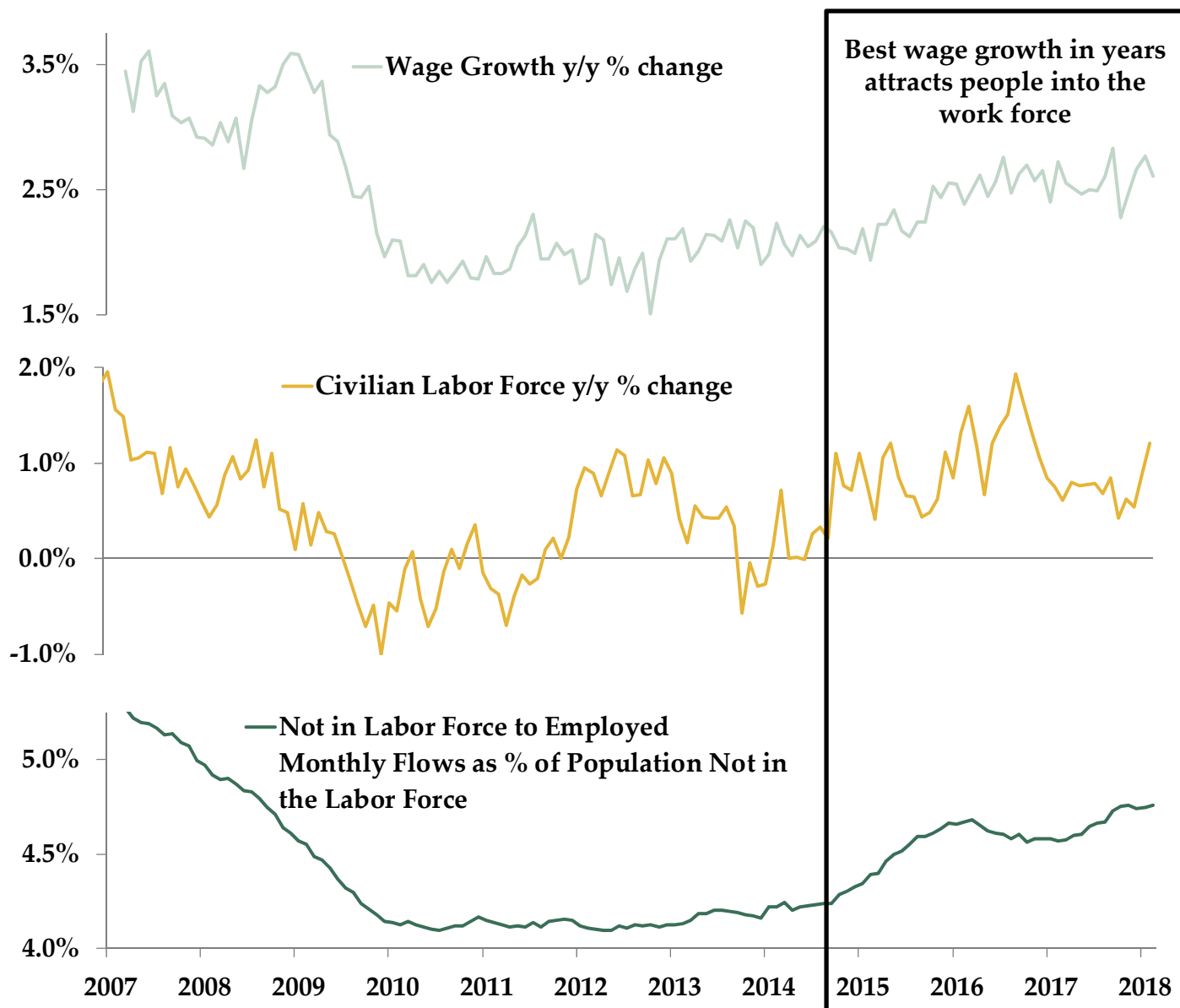
The US has routinely engaged in some form of protection for the steel industry. President Trump's tariffs are not much of a break from the norm, even if the justification might differ.

| Date Imposed | President | Steel Tariff Policy | Justification |
|----------------|---------------|--|---------------|
| March 2018 | Trump | 25% on steel and 10% on aluminum | Security |
| March 2016 | Obama | 266% duty on certain types from 7 countries* | Anti-dumping |
| March 2002 | G. W. Bush | 8% to 30% based on type | Anti-dumping |
| January 1993 | Clinton | 0.3% to 109% based on type | Anti-dumping |
| July 1989 | G. H. W. Bush | Quotas | Anti-dumping |
| September 1984 | Reagan | 17.5% to 30.5% based on type; 18.4% non-US limit | Anti-dumping |
| December 1977 | Carter | Minimum prices required* | Anti-dumping |
| June 1976 | Ford | Quotas | Anti-dumping |
| August 1971 | Nixon | Quotas; 10% on all imports | Anti-dumping |
| January 1969 | Johnson | Quotas | Anti-dumping |

*Source: National Bureau of Economic Research. Steel tariff policies from January 1969 to March 2017. Proposed steel tariffs by President Trump as of March 2018. *President Obama and Carter implemented additional steel tariffs in 2014 and 1980 respectively.*

LABOR DYNAMICS KEEP LID ON INFLATION

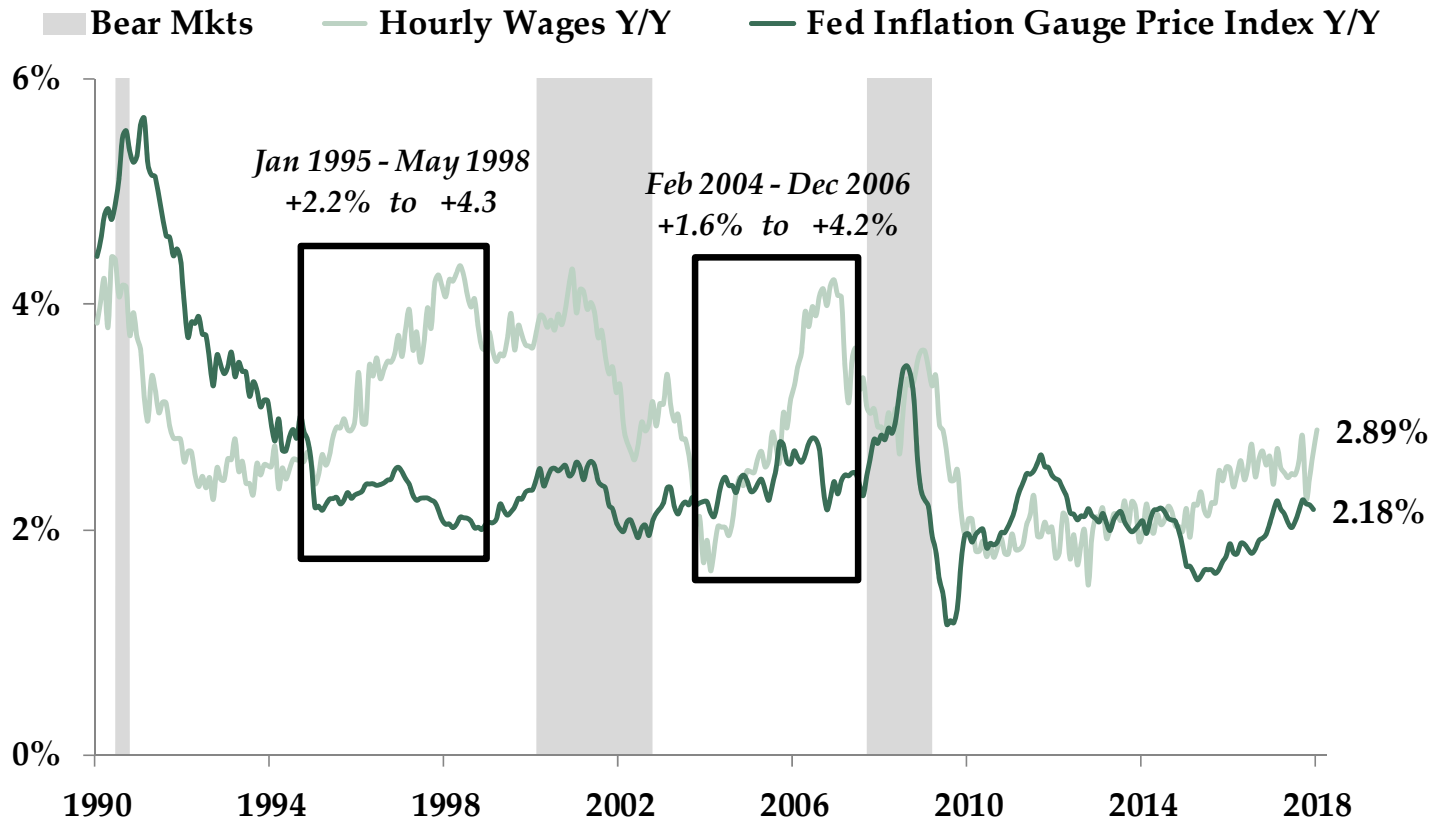
Labor dynamics likely keep inflation at bay. Though wages have grown, they are kept in check as people who were formerly on the sidelines join the work force.



Source: US Department of Labor as of February 2018.

EVEN THEN, HIGHER WAGES ≠ HIGHER INFLATION

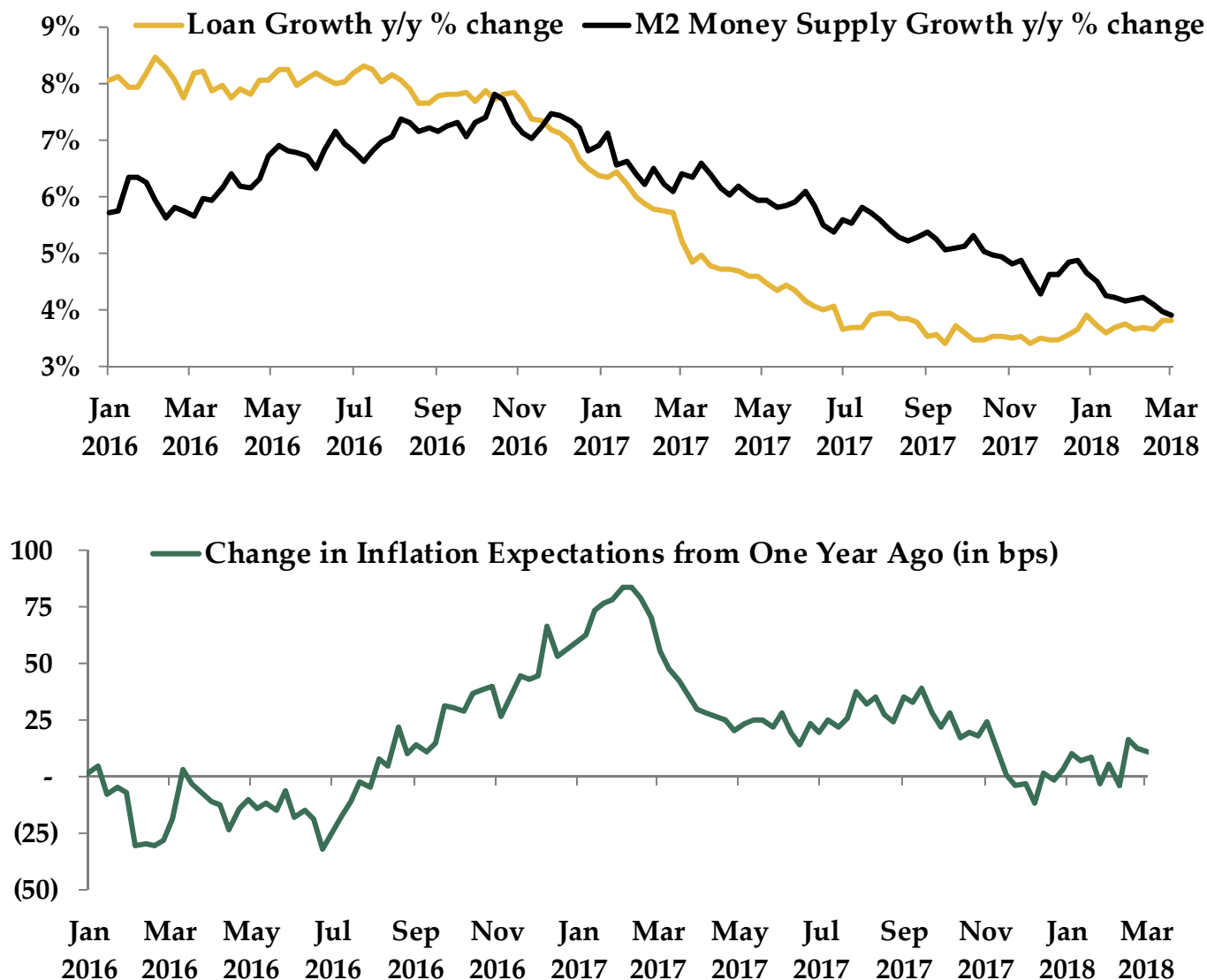
Inflation was actually absent the previous two times we saw meaningful wage growth.



Source: Department of Labor, Federal Reserve Bank of New York as of January 2018. Inflation Gauge Price index is the preferred monitor of inflation by the Fed.

DECELERATING LENDING COOLS INFLATION

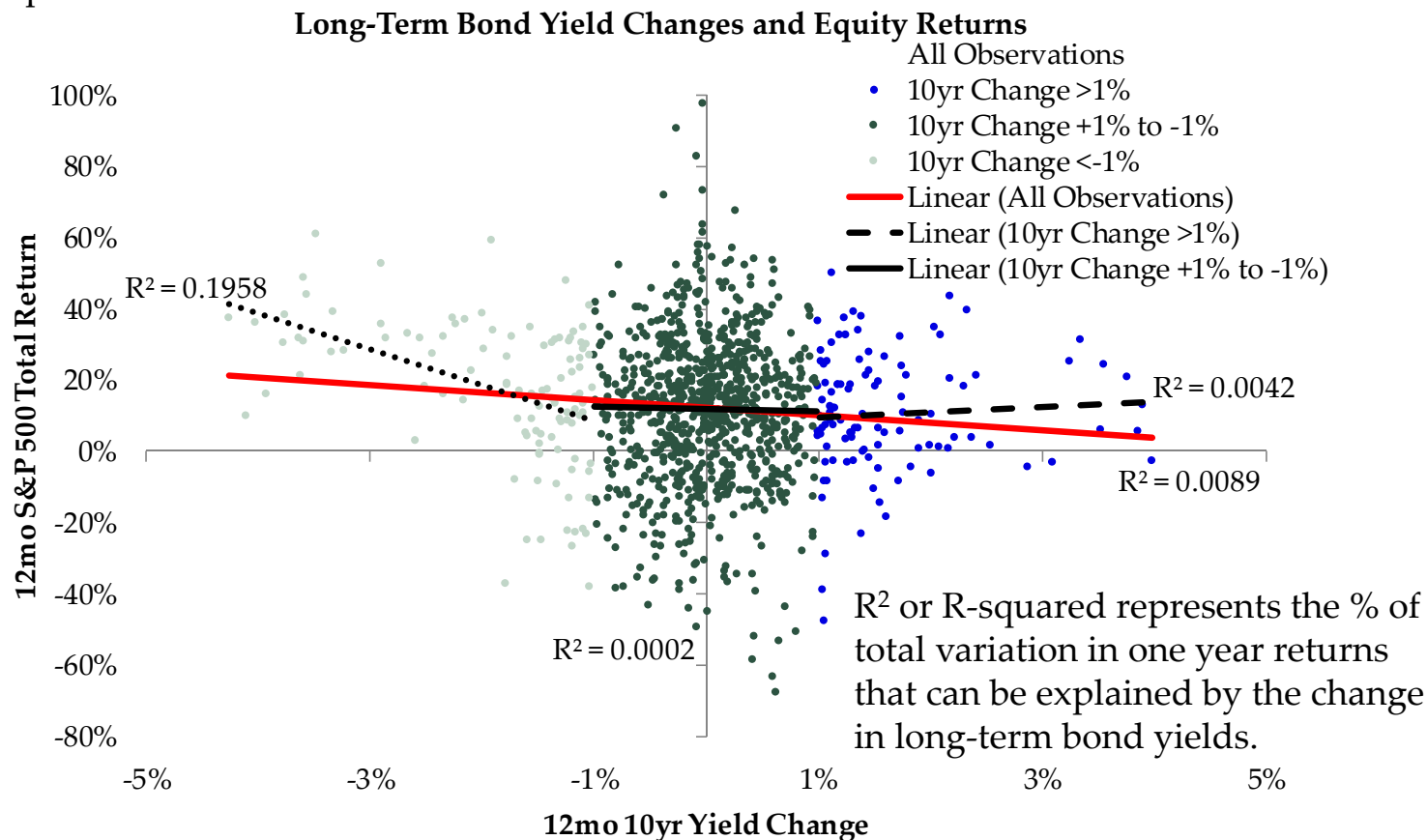
Further, decelerating loan and money supply growth in the US likely prevent inflation from accelerating materially. As such, inflation expectations have cooled down.



Source: Federal Reserve and FactSet as of February 2018. Inflation expectations are based on the yield spread between the 5 year US Treasury and 5 year Treasury Inflation Protected Security (TIPS).

Δ IN BOND YIELDS \neq Δ IN EQUITY PRICES

Changes in long-term bond yields—even large increases—historically have little effect on stock prices.



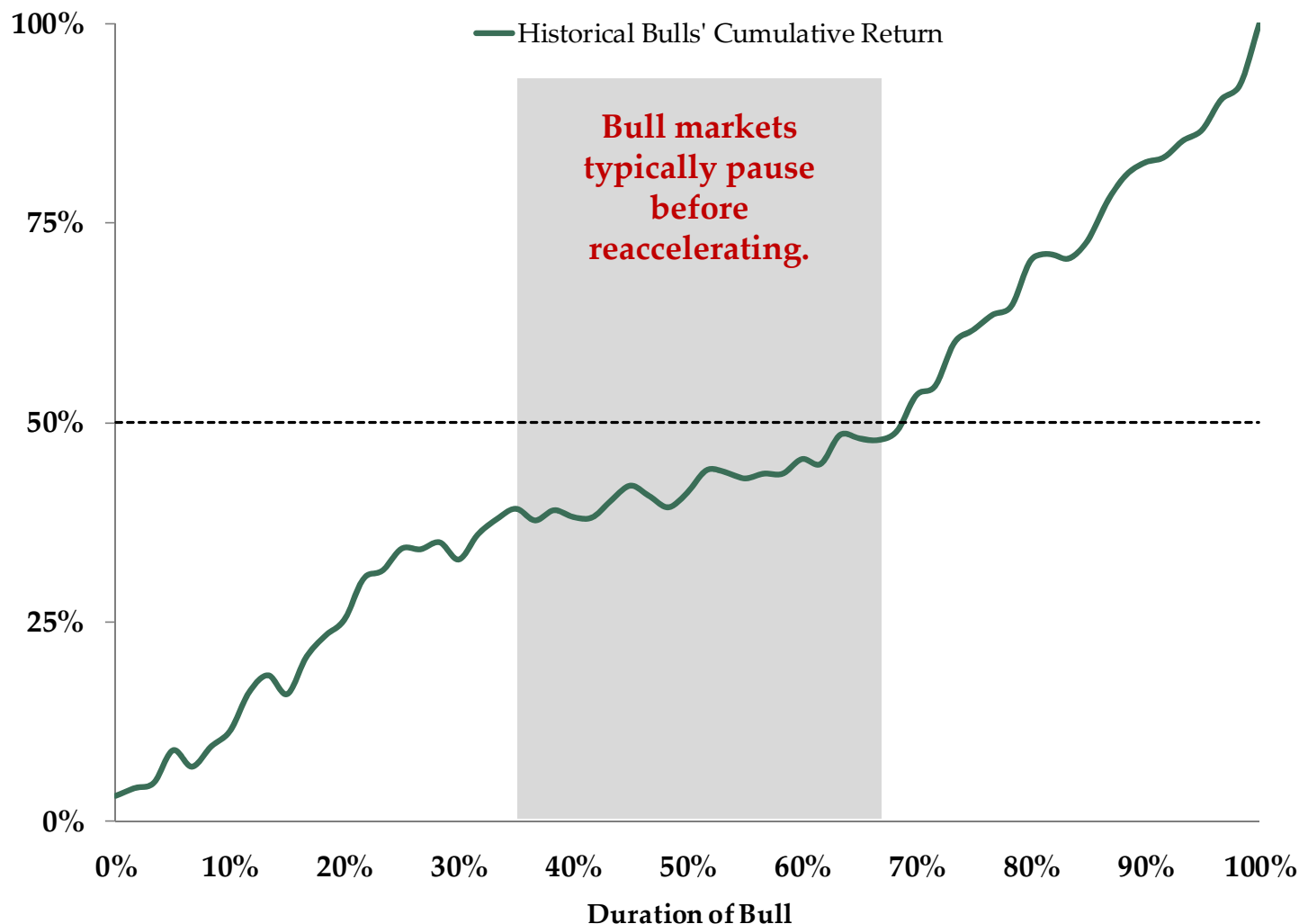
| 12mo 10yr Yield Change | Avg. S&P 500 Return | Positive S&P Frequency | Yield Change to S&P Return R^2 |
|------------------------|---------------------|------------------------|-------------------------------------|
| >1% | 10.6% | 77.6% | 0.01 |
| 1% to -1% | 11.8% | 73.5% | 0.00 |
| <-1% | 16.8% | 81.3% | 0.20 |
| All Observations | 12.2% | 74.7% | 0.01 |

Source: Global Financial Data from January 1925 to January 2018.

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MUCH OF RETURN OCCURS IN LAST THIRD OF A BULL

Bull markets typically have steep gains early, flatten out in the middle, and reaccelerate upward in the final third.



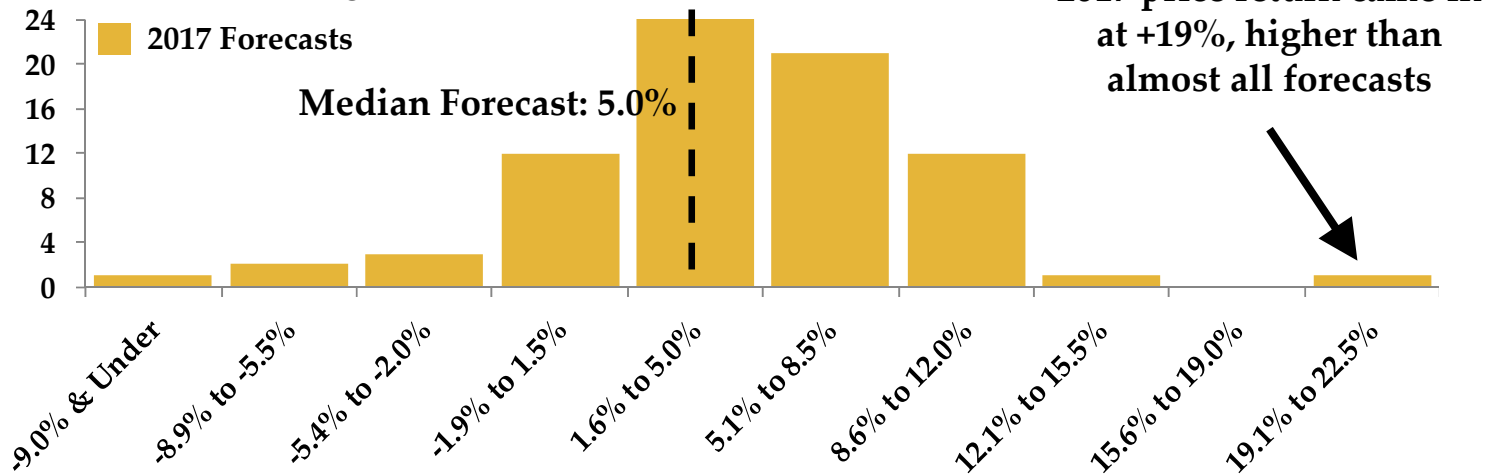
Source: Factset, Inc., Global Financial Data, bulls from June 1932 - October 2007.

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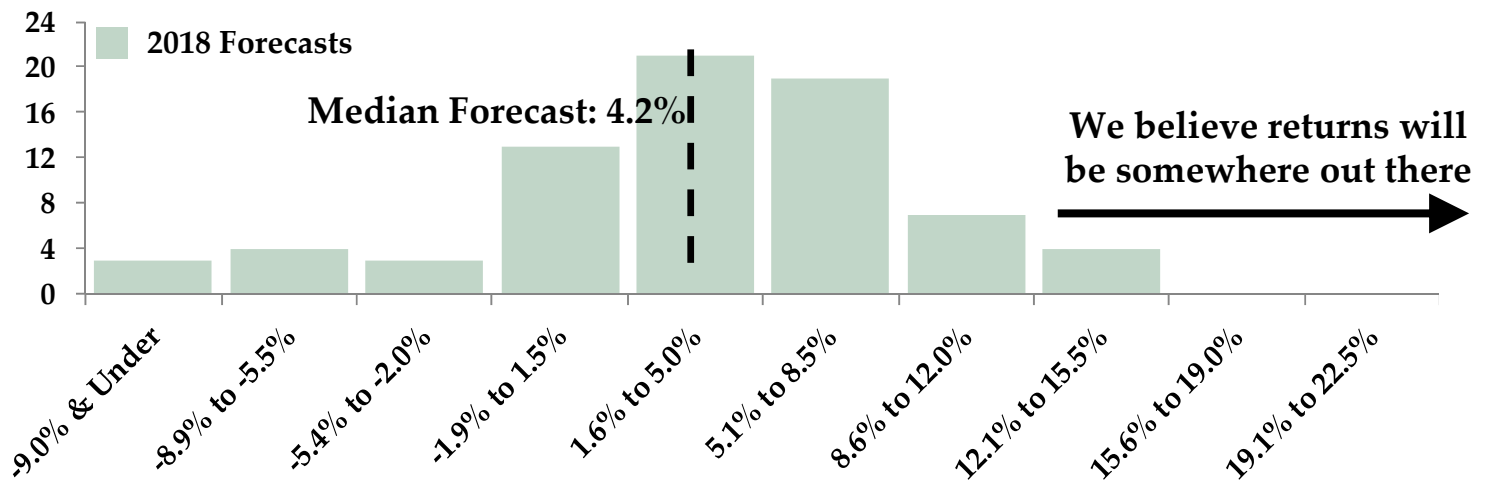
FORECASTS REMAIN SUBDUED

Professional forecasters continue to exhibit caution in their forecasts for the S&P 500.

2017 came in much higher than consensus...



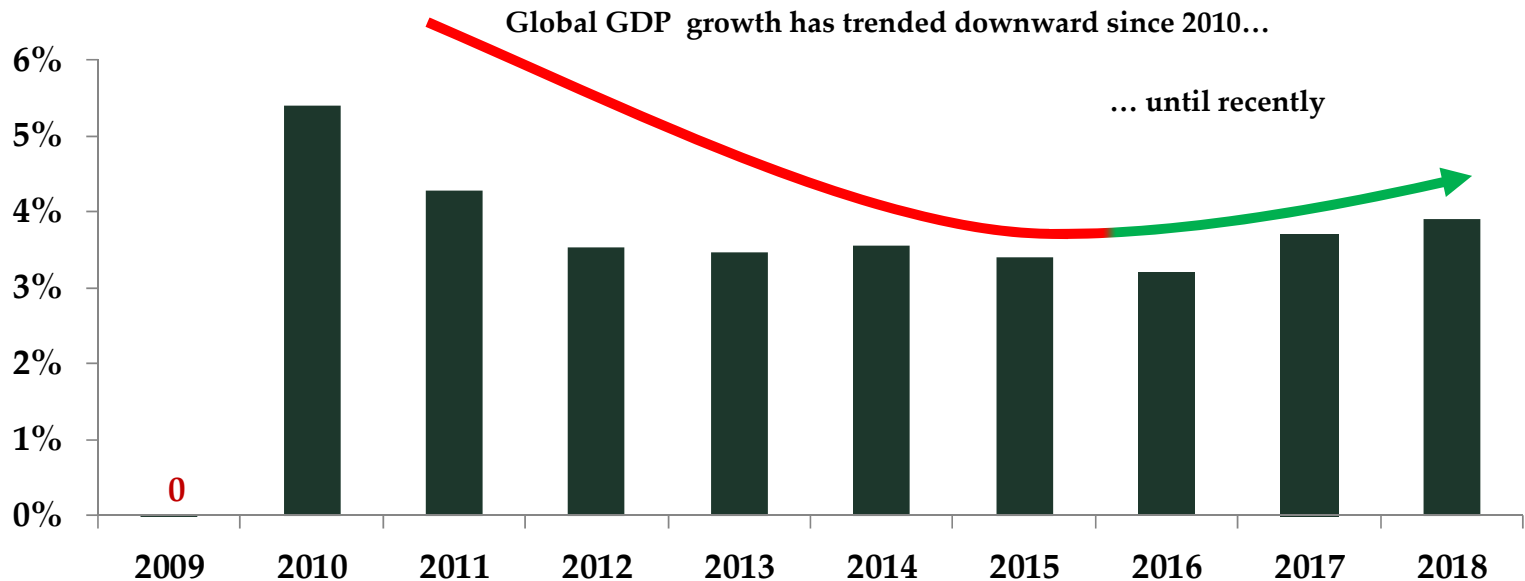
...2018 forecasts are similarly cautious.



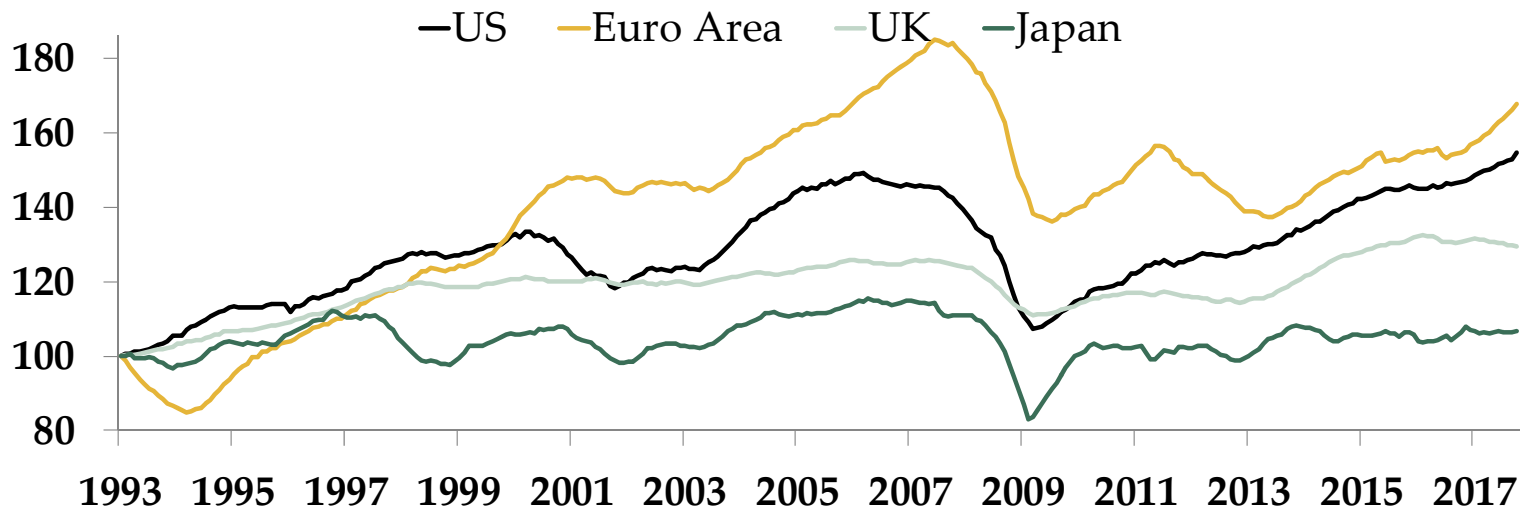
Source: Fisher Investments Research. S&P 500 price return forecasts are made by equity strategists from a variety of firms within the investment industry. Calendar year 2017 forecasts are as of January 2017 with 91 observations. Calendar year 2018 forecasts are as of December 2017 with 74 observations. Investment in securities involves the risk of loss. Past performance is no guarantee of future returns. Other methods may produce different results, and the results for individual portfolios and for different periods may vary depending on market conditions and the composition of the portfolio.

THE GLOBAL ECONOMY IS EXPANDING

Global GDP is set to accelerate in the coming year.



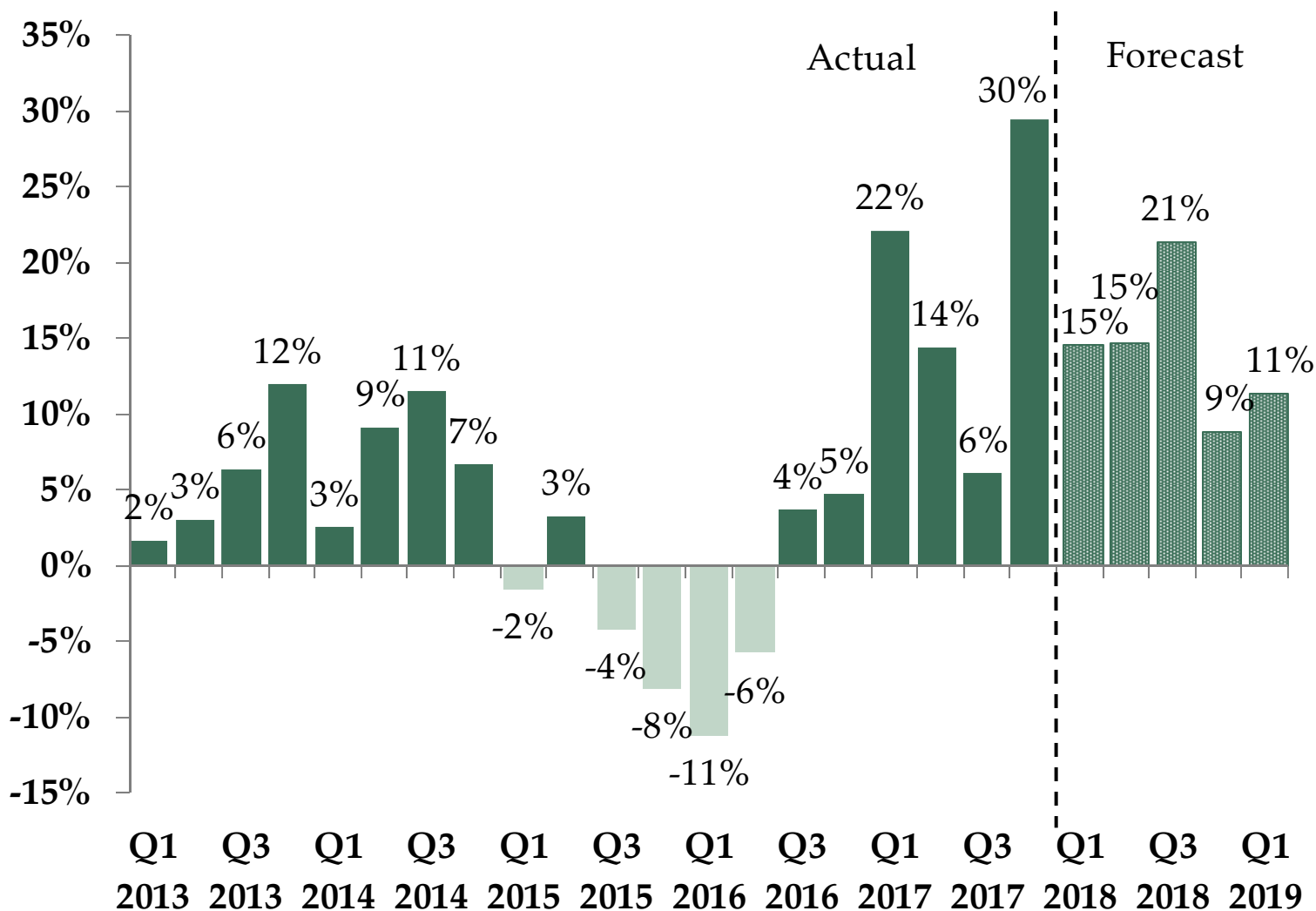
Recession is unlikely when major Leading Economic Indicators (LEI) are rising.



Top chart source: IMF; annual global real GDP growth from 2009 to 2016 and IMF projections for 2017 and 2018. Bottom chart source: Copyright The Conference Board, Inc. Content reproduced with permission. Indexed to 100 in January 1993 and as of December 2017.

GLOBAL EARNINGS ARE GROWING

Earnings were previously weak mostly due to energy, and growth will likely continue well into 2019.

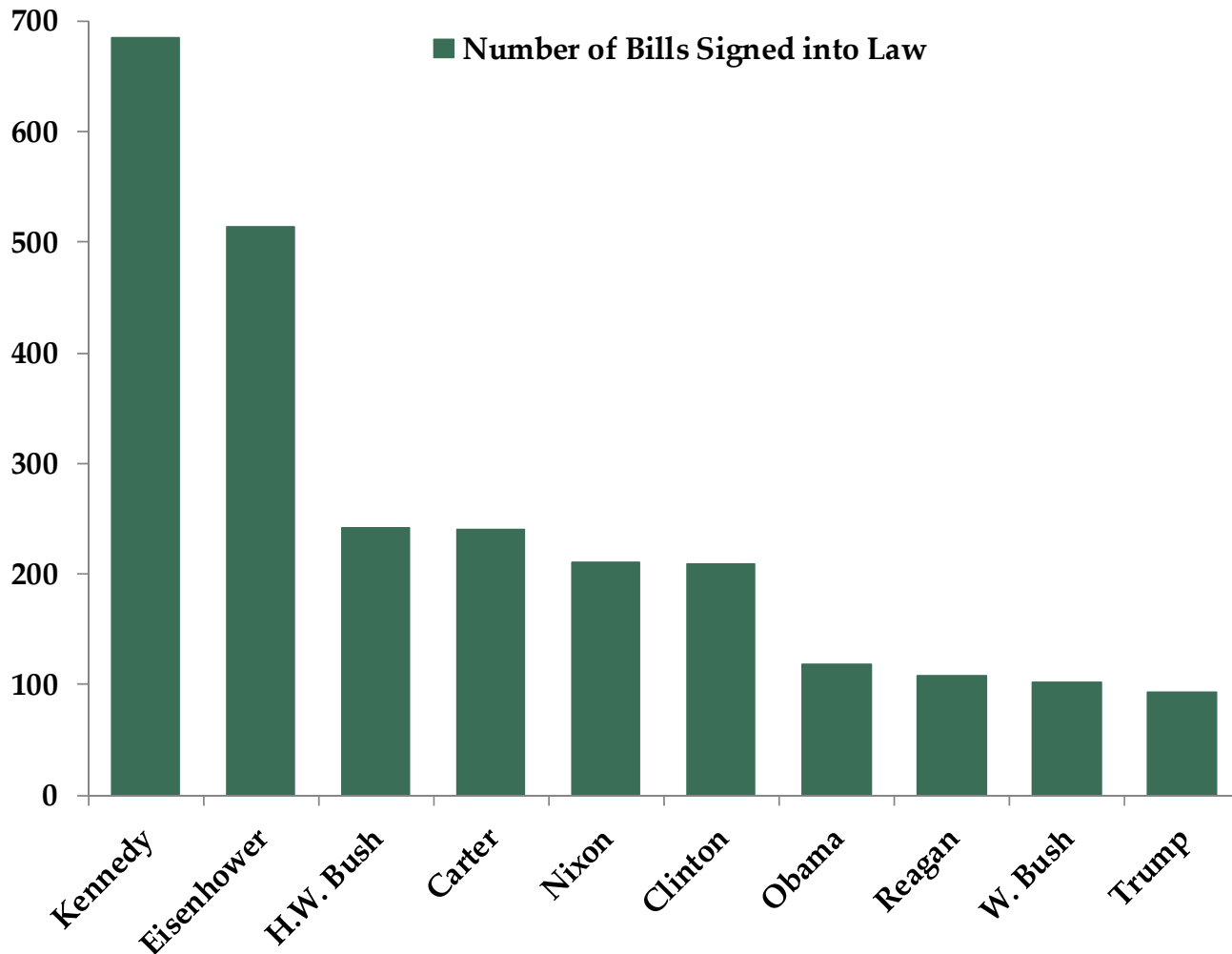


Source: Factset, Inc., Earnings Scorecard: Y/Y MSCI World Blended Earnings Growth.

Earnings from Q1 2018-Q1 2019 are based on net income weighted estimated earnings growth as of March 2017.

DESPITE TAX REFORM, GRIDLOCK PREVAILS

Outside of tax reform, President Trump has signed the fewest number of bills in his inaugural year relative to inaugural years of other modern presidents.



Source: Govetrack.us; number of bills signed into law by a president in their inaugural year.

GAUGING SENATORIAL GRIDLOCK

Republicans have a structural advantage in 2018, but gridlock likely persists.

| 2018 | | | |
|------------------------|-------|-------|-----------------------------------|
| Senator | Party | State | Percent of Vote for Trump in 2016 |
| Barrasso, John | R | WY | 70% |
| Manchin, Joe | D | WV | 69% |
| Heitkamp, Heidi | D | ND | 64% |
| Corker, Bob* | R | TN | 61% |
| Fischer, Deb | R | NE | 60% |
| Wicker, Roger F. | R | MS | 58% |
| Tester, Jon | D | MT | 57% |
| Donnelly, Joe | D | IN | 57% |
| McCaskill, Claire | D | MO | 57% |
| Cruz, Ted | R | TX | 53% |
| Brown, Sherrod | D | OH | 52% |
| Flake, Jeff* | R | AZ | 50% |
| Nelson, Bill | D | FL | 49% |
| Casey, Robert P., Jr. | D | PA | 49% |
| Baldwin, Tammy | D | WI | 48% |
| Stabenow, Debbie | D | MI | 48% |
| Hatch, Orrin G.* | R | UT | 46% |
| Heller, Dean | R | NV | 46% |
| Klobuchar, Amy | D | MN | 45% |
| Smith, Tina** | D | MN | 45% |
| Kaine, Tim | D | VA | 45% |
| King, Angus S., Jr. | I | ME | 45% |
| Menendez, Robert | D | NJ | 42% |
| Carper, Thomas R. | D | DE | 42% |
| Murphy, Christopher | D | CT | 42% |
| Whitehouse, Sheldon | D | RI | 40% |
| Heinrich, Martin | D | NM | 40% |
| Cantwell, Maria | D | WA | 38% |
| Gillibrand, Kristen E. | D | NY | 37% |
| Cardin, Benjamin L. | D | MD | 35% |
| Warren, Elizabeth | D | MA | 34% |
| Feinstein, Dianne | D | CA | 33% |
| Sanders, Bernard | I | VT | 33% |
| Hirono, Mazie K. | D | HI | 30% |

| 2020 | | | |
|-----------------------|-------|-------|-----------------------------------|
| Senator | Party | State | Percent of Vote for Trump in 2016 |
| Enzi, Mike | R | WY | 70% |
| Capito, Shelley Moore | R | WV | 69% |
| Inhofe, Jim | R | OK | 65% |
| Jones, Doug | D | AL | 63% |
| McConnell, Mitch | R | KY | 63% |
| Rounds, Mike | R | SD | 62% |
| Alexander, Lamar | R | TN | 61% |
| Cotton, Tom | R | AR | 60% |
| Sasse, Ben | R | NE | 60% |
| Risch, Jim | R | ID | 59% |
| Cochran, Thad | R | MS | 58% |
| Cassidy, Bill | R | LA | 58% |
| Daines, Steve | R | MT | 57% |
| Roberts, Pat | R | KS | 57% |
| Graham, Lindsey | R | SC | 56% |
| Sullivan, Dan | R | AK | 53% |
| Cornyn, John | R | TX | 53% |
| Ernst, Joni | R | IA | 52% |
| Perdue, David | R | GA | 51% |
| Tillis, Thom | R | NC | 51% |
| Peters, Gary | D | MI | 48% |
| Shaheen, Jeanne | D | NH | 47% |
| Smith, Tina** | D | MN | 45% |
| Warner, Mark | D | VA | 45% |
| Collins, Susan | R | ME | 45% |
| Gardner, Cory | R | CO | 45% |
| Booker, Cory | D | NJ | 42% |
| Coons, Chris | D | DE | 42% |
| Merkley, Jeff | D | OR | 41% |
| Reed, Jack | D | RI | 40% |
| Udall, Tom | D | NM | 40% |
| Durbin, Dick | D | IL | 39% |
| Markey, Ed | D | MA | 34% |

Source: Fisher Investments Research, US Senate; Senators up for re-election in 2018 & 2020 as of December 2017. Senator Sanders & King caucus as Democrats. *Bob Corker, Jeff Flake and Orrin Hatch will not seek re-election. **Tina Smith assumed office following Al Franken's resignation.

KEY DEVELOPED MARKETS POSITIONING

Our highest conviction views on developed market regions

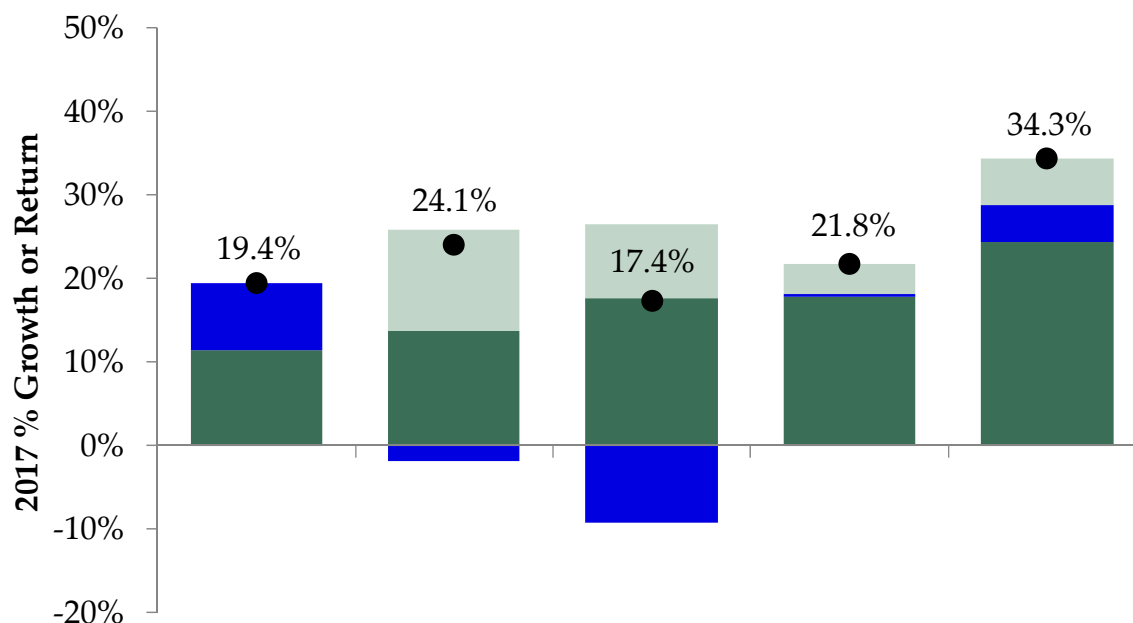
- Overweight Europe
- Underweight United States
- Underweight Japan

GLOBAL-EX US RETURNS FUELED BY EARNINGS

Non-US equity markets were driven by earnings growth & currencies rather than multiples expansion—inferring sentiment has room to improve.

2017 Regional Price Return Drivers in USD

■ Fwd EPS Growth ■ Fwd P/E Expansion ■ Currency Return ● Index Return (USD)



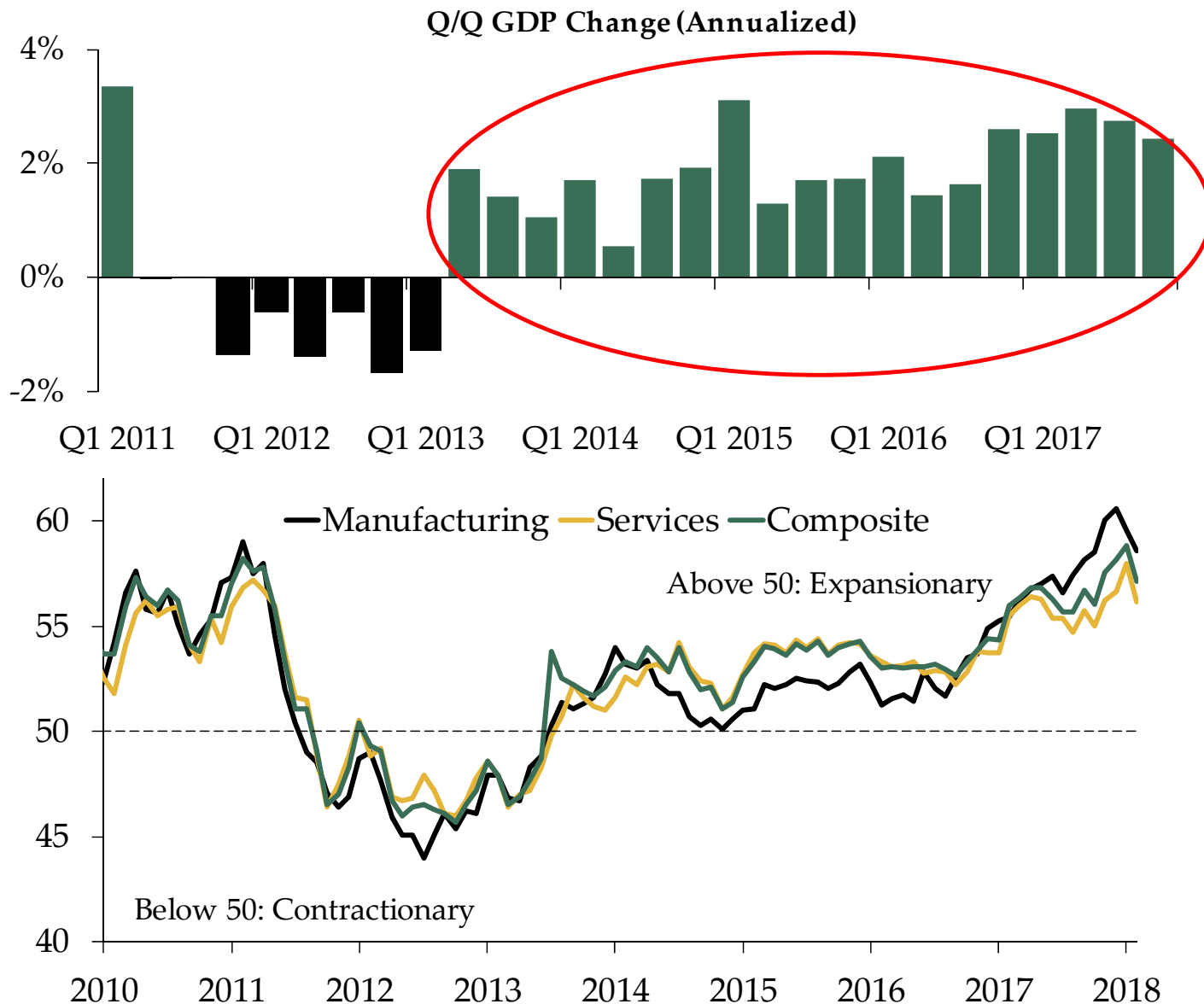
| | US | EU ex-UK | UK | Japan | EM |
|---|-------|----------|-------|-------|-------|
| Region | US | EU ex UK | UK | Japan | EM |
| Fwd EPS Growth | 10.9% | 13.1% | 18.9% | 17.3% | 22.8% |
| Fwd P/E Expansion | 7.7% | -1.8% | -9.8% | 0.3% | 4.1% |
| Currency Return vs USD | 0.0% | 11.6% | 9.5% | 3.5% | 5.2% |
| Price Return (USD) | 19.4% | 24.1% | 17.4% | 21.8% | 34.3% |
| Price Return (USD) 5 Year Cumulative | 87.5% | 33.5% | 6.1% | 55.3% | 9.8% |

Source: FactSet as of December 2017.

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EUROPE'S ECONOMY IS GROWING

The region has experienced nineteen consecutive quarters of positive growth. And purchasing managers indexes (PMI) are in expansionary territory across the board.



Top chart: Source: FactSet, Inc.; eurozone quarterly annualized real GDP from January 2011 to December 2017. Based on quarterly data points. Bottom chart: Source: Bloomberg, FactSet Inc.; eurozone Purchasing Managers Indexes from January 2010 to February 2018.

KEY ECONOMIC DRIVERS ARE ACCELERATING

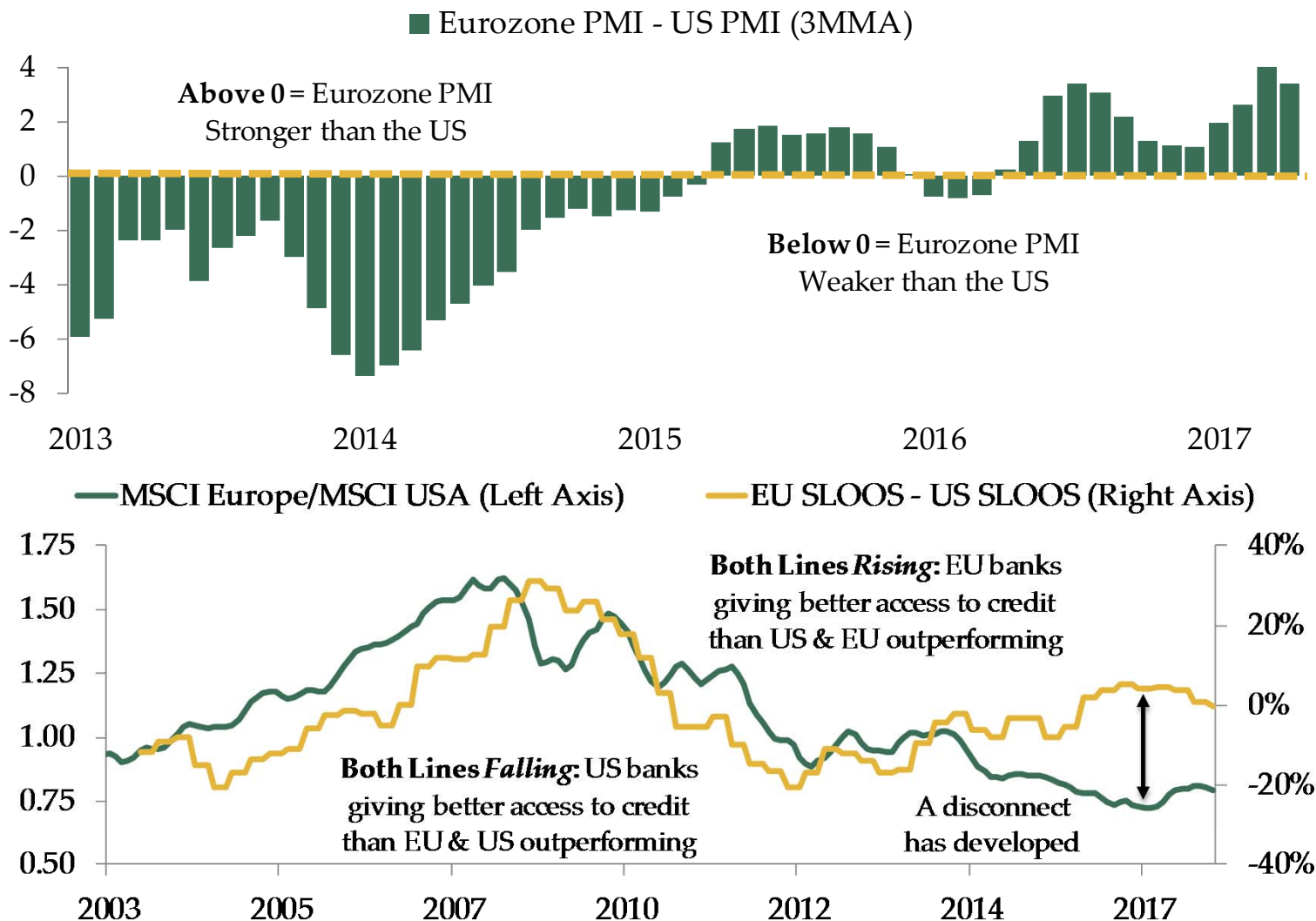
After a late start to recovery, Europe sees growth across several key drivers.



Source: FactSet as of December 2017. Lending includes households and non-financial corporations.

SEVERAL INDICATORS OUTPACE THE US

Increasing spreads between the US and Europe in Purchasing Manager Indexes (PMI) and willingness to lend.

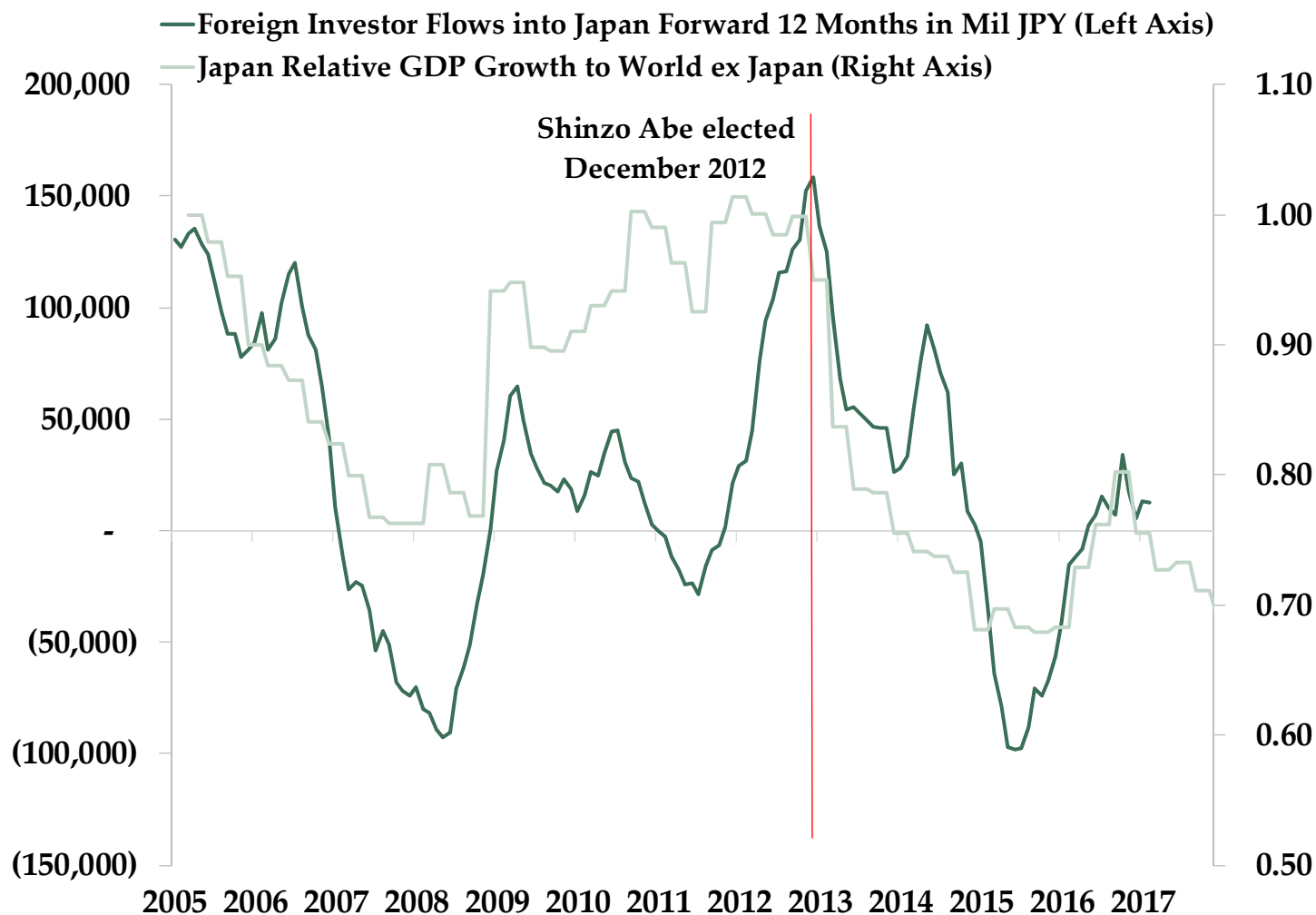


Source: FactSet, PMI as of February 2018, Senior Loan Officer Survey (SLOOS) as of December 2017.

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SENTIMENT SHIFTS ON ABENOMICS

After years of overly optimistic expectations on Abenomics, investors may have finally capitulated as Japan's growth underperformed the world.



Source: Foreign investor flows from Japan Ministry of Finance as of February 2018. GDP from FactSet Economics as of December 2017, indexed to 1 in March 2005.

KEY EMERGING MARKETS POSITIONING

Our highest conviction views on emerging market regions

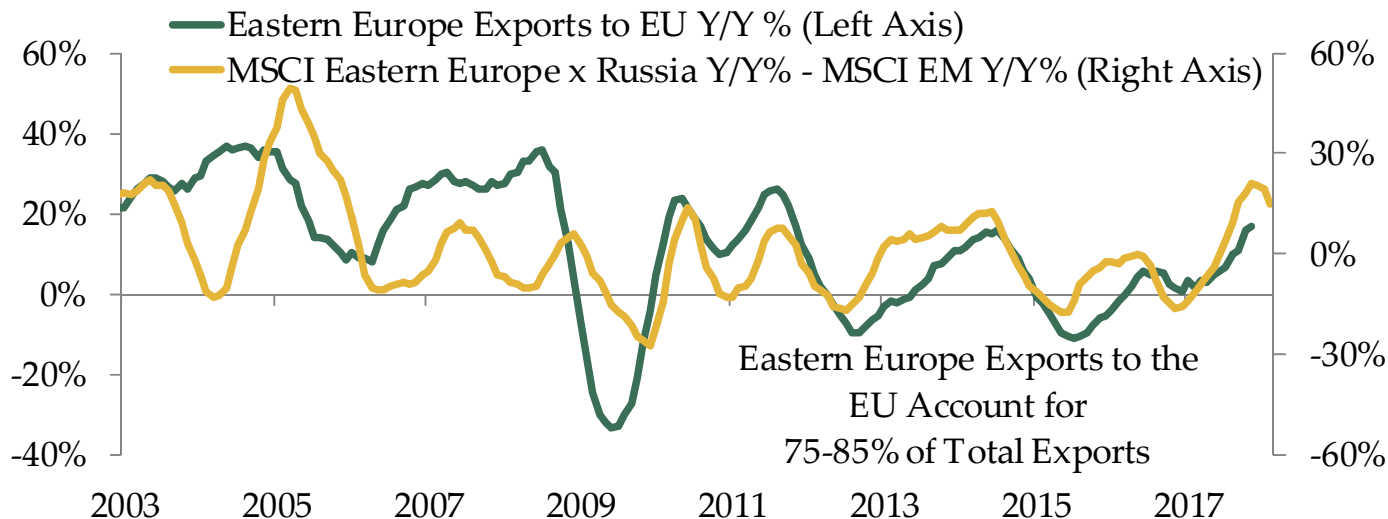
- Overweight EM countries with strong economic linkages to global growth
- Overweight reform-oriented countries
- Overweight services-oriented Chinese sectors
- Underweight commodity dependent EM countries

EM EASTERN EUROPE'S BENEFITS OF PROXIMITY

EM Europe outperformance is highly correlated to developed Europe leadership.



Performance in eastern Europe is heavily linked to developed Europe's demand growth.

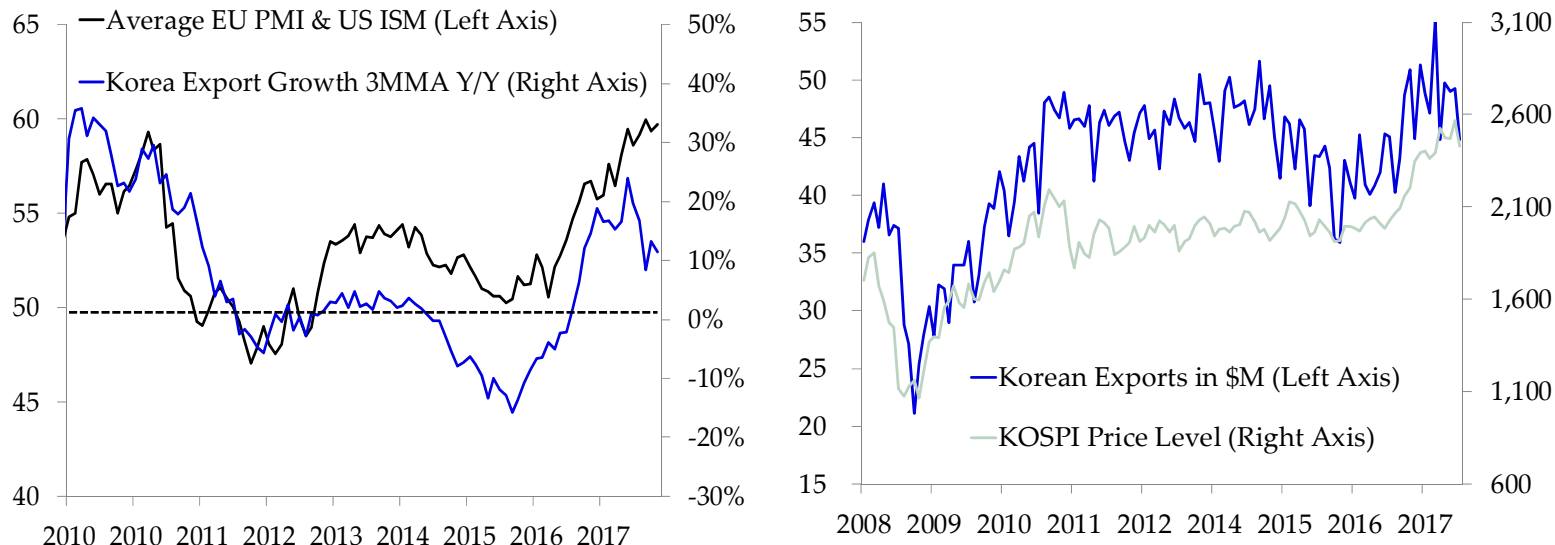


Source: FactSet as of November 2017.

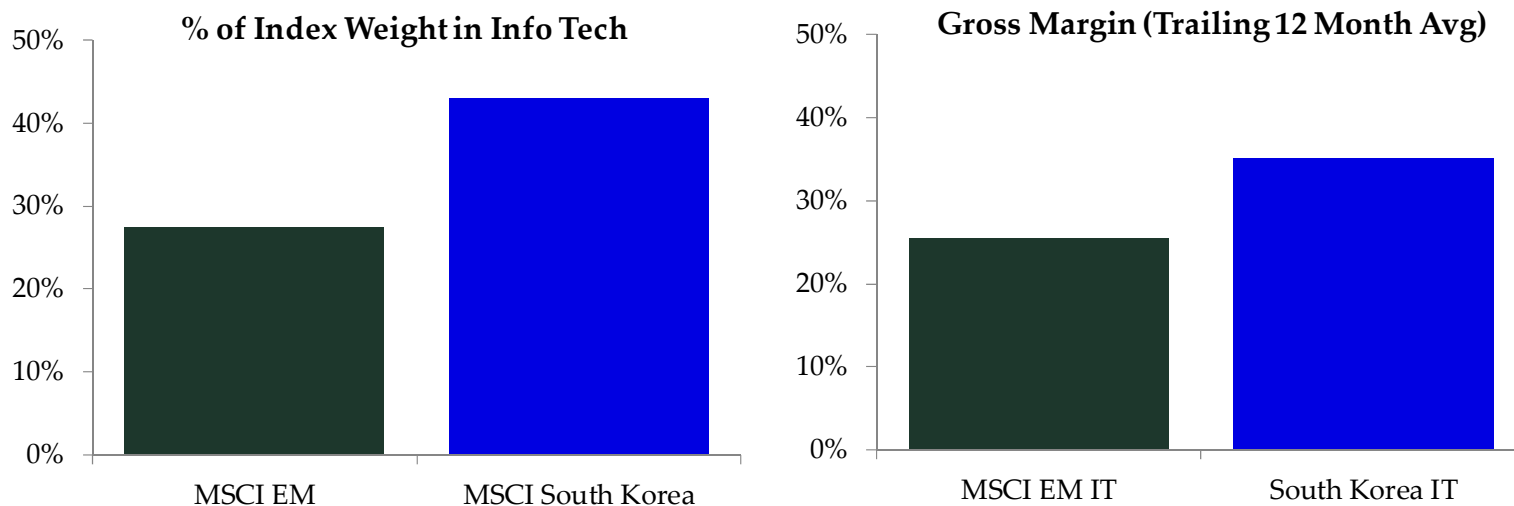
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SOUTH KOREA TECH BENEFITS FROM TRADE

Global expansion drives demand for Korea's exports—supporting Korean equities.



Korean equities are dominated by high margin Info Tech relative to EM peers.

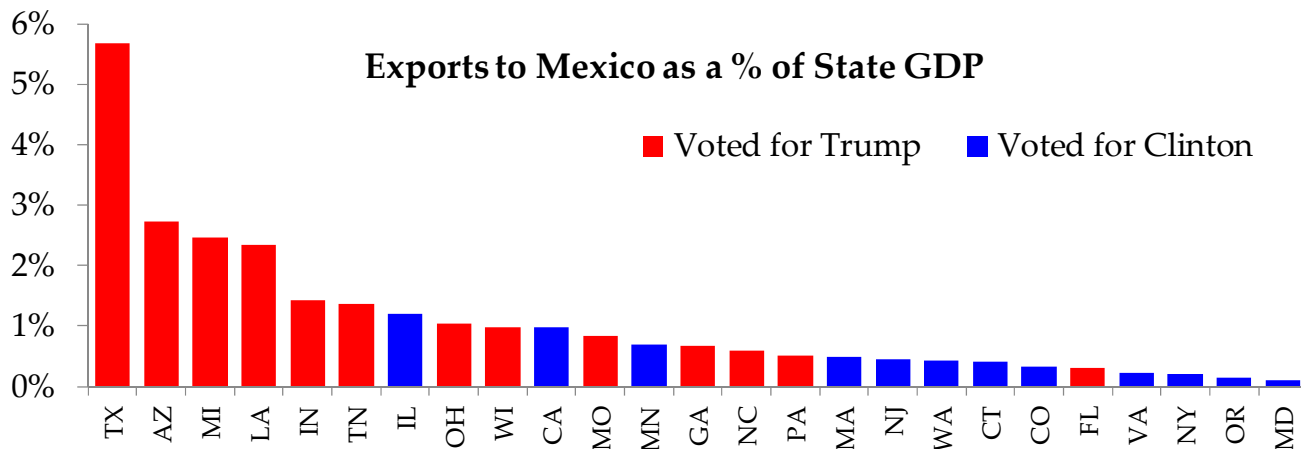


Source: FactSet as of February 2017.

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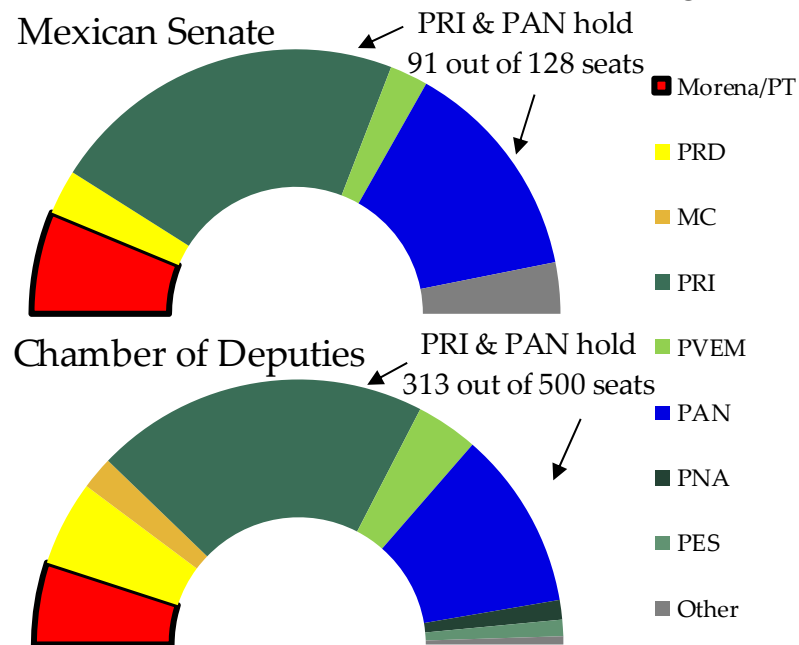
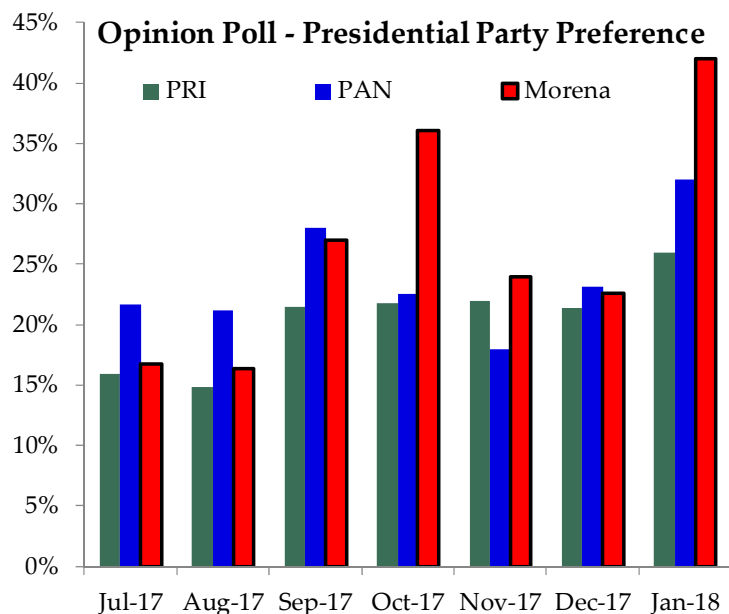
POLITICS DAMPEN SENTIMENT ON MEXICO

Mexico underperformed during the US election amid Trump's anti-NAFTA rhetoric. But intraparty pushback from Republican border states likely prevent material threats to trade.



Recently, investors fear leftist party Morena polling ahead in the presidential election...

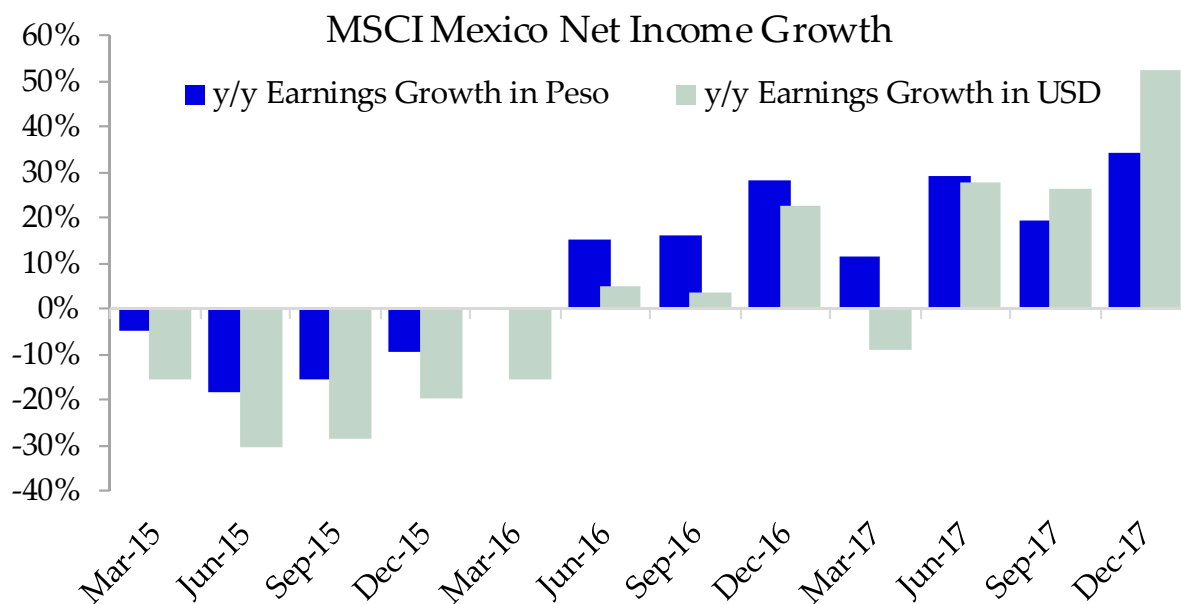
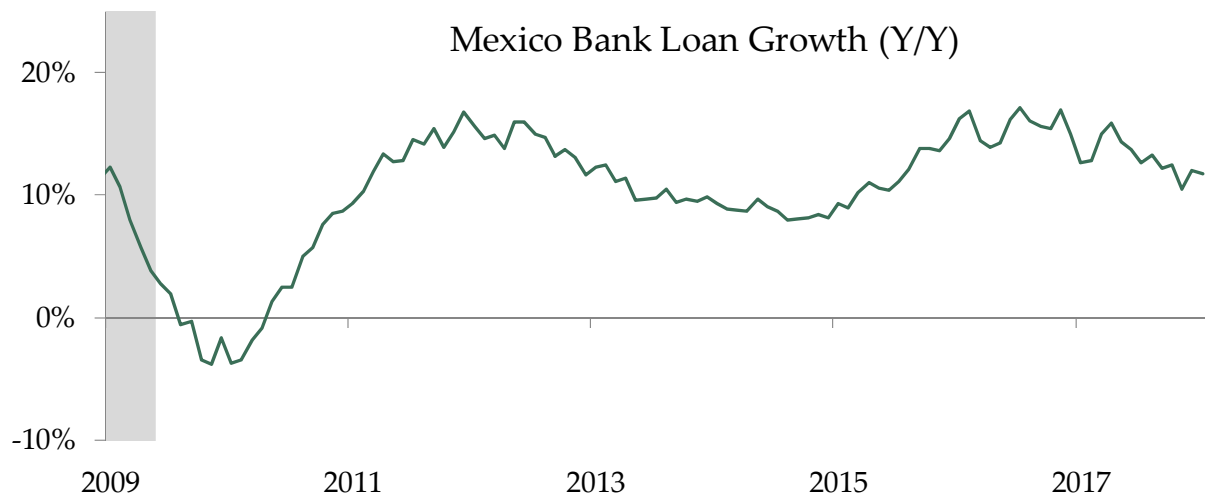
But radical change is unlikely given establishment parties' (PRI & PAN) entrenchment in congress.



Top chart: US Census Bureau as of December 2017. Bottom left: eleconomista as of January 2018. Bottom right: Mexican Senate and Chamber of Deputies as of February 2018. Morena sits in Deputies while its partner PT sits in Senate.

HIDING MEXICO'S STRONG FUNDAMENTALS

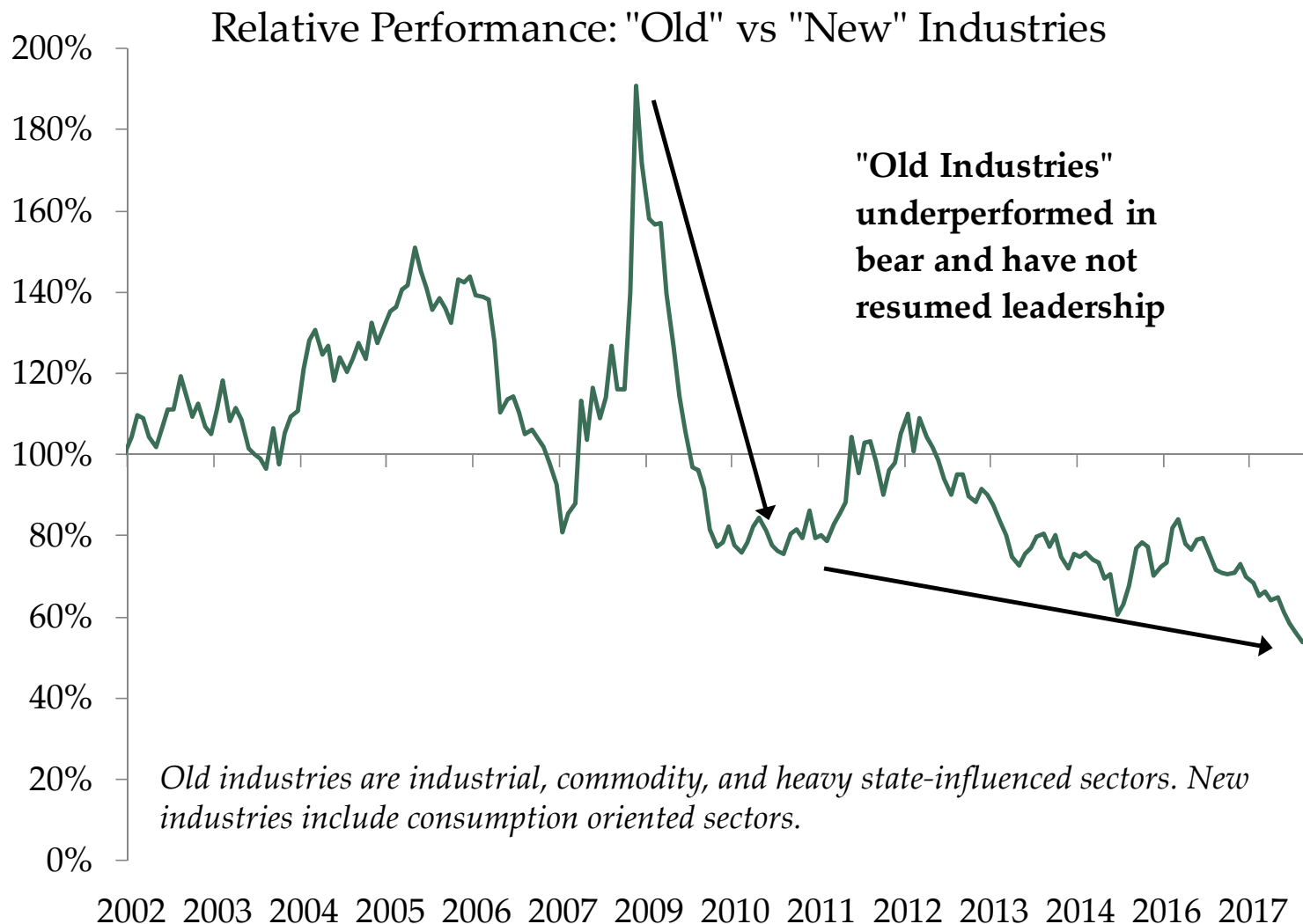
Reformed banking regulation has supported strong loan growth in a country that is underbanked. Meanwhile, Mexican companies are seeing resurgent earnings growth.



Top chart source: Bank of Mexico as of January 2018. Bottom chart source: FactSet as of December 2017.

CHINA: THE OLD VS THE NEW

Old industries see higher state involvement and likely underperform new industry peers in consumption oriented sectors.

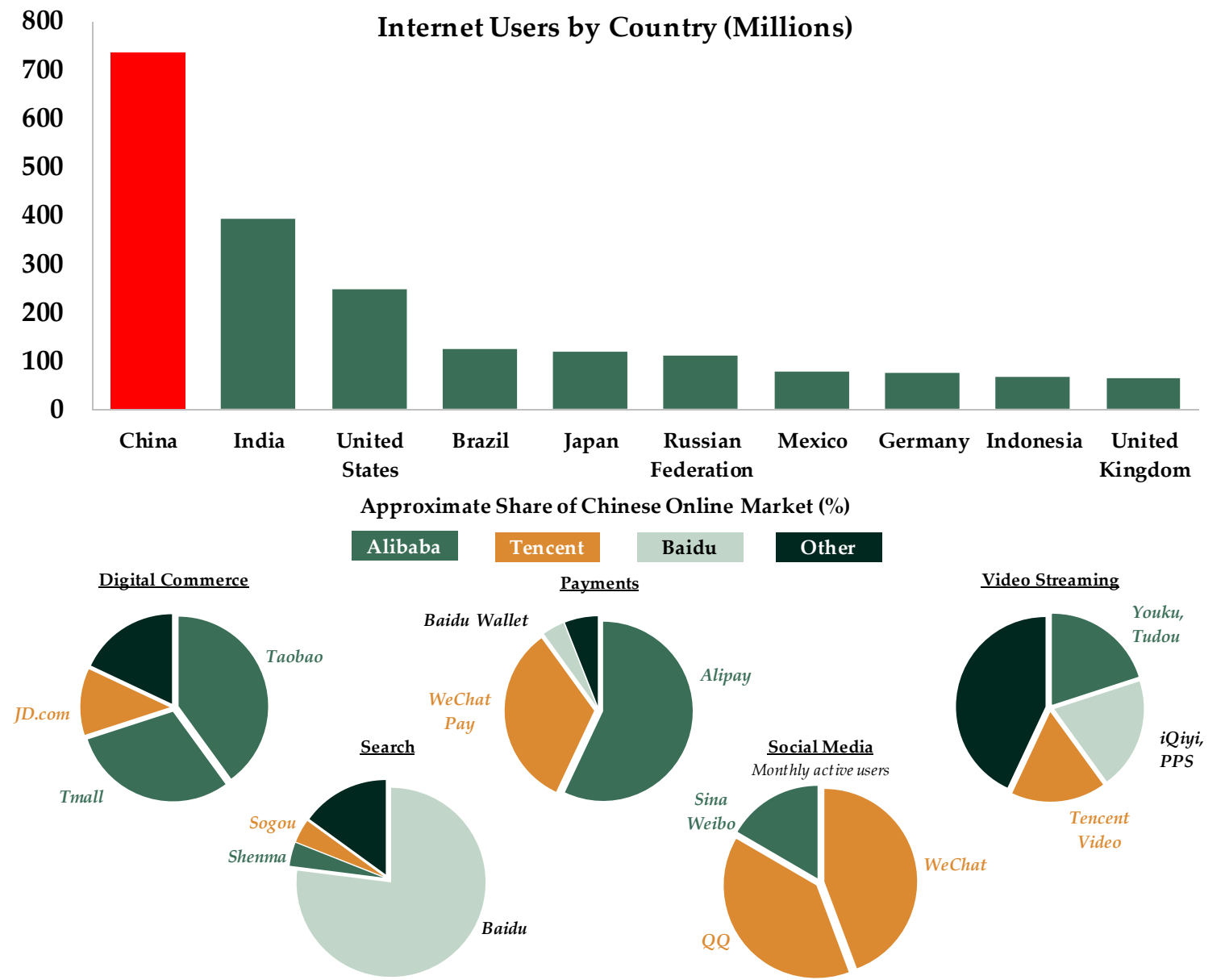


Source: FactSet as of November 2017.

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CHINESE INFO TECH'S FAVORABLE POSITION

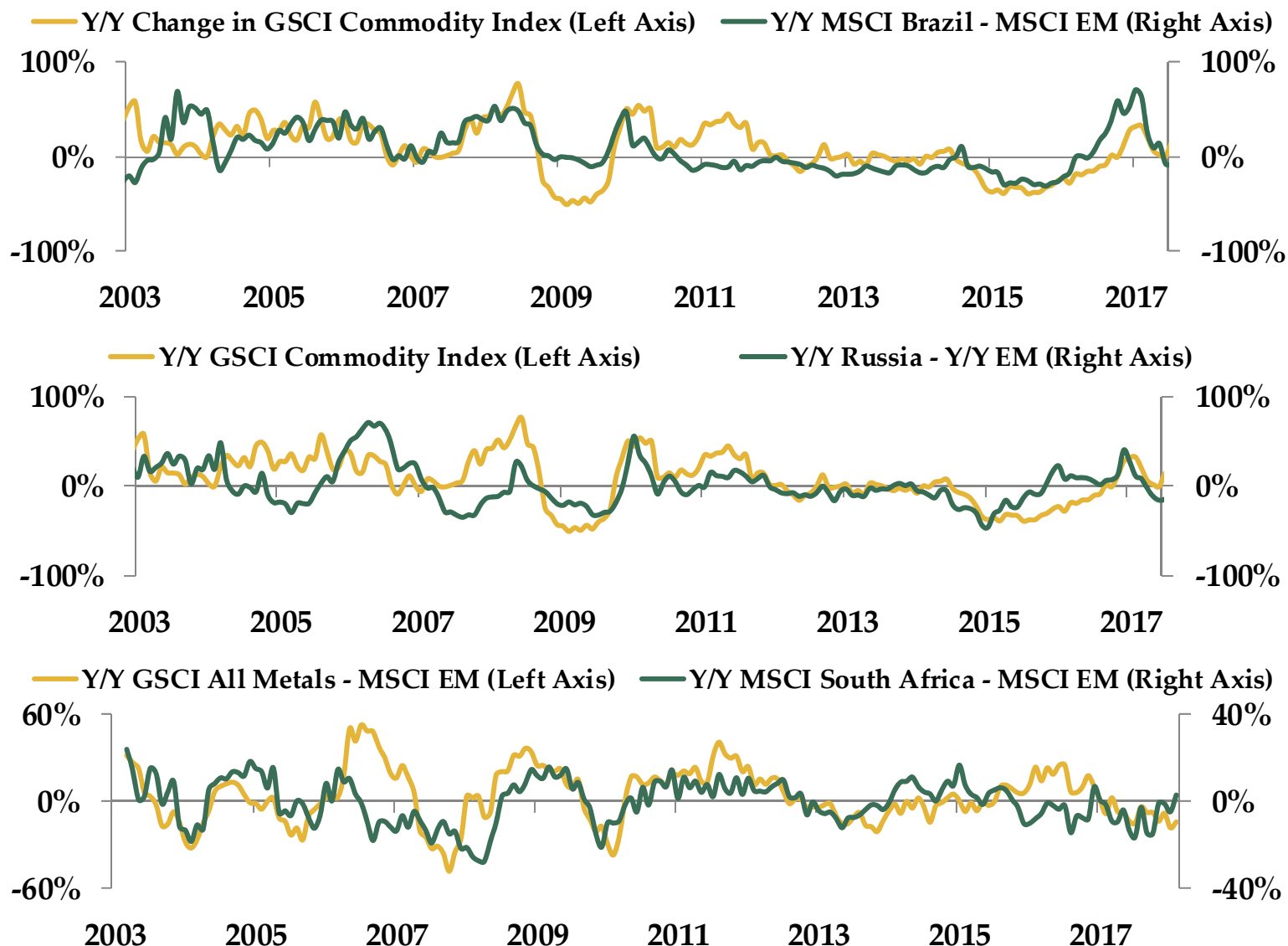
Chinese Info Tech firms are well-positioned to capitalize on China’s 733 million internet users, representing 23% of the globe’s internet users.



Source: top chart World Bank as of December 2016, bottom charts are from the Economist “Digital domination” as of 2016. Color shading indicates subsidiary ownership.

RESOURCE DEPENDENT EM DRIVEN BY COMMODITIES

Commodity prices are a key driver of relative returns for Russia, Brazil and South Africa.



Source: FactSet as of February 2018.

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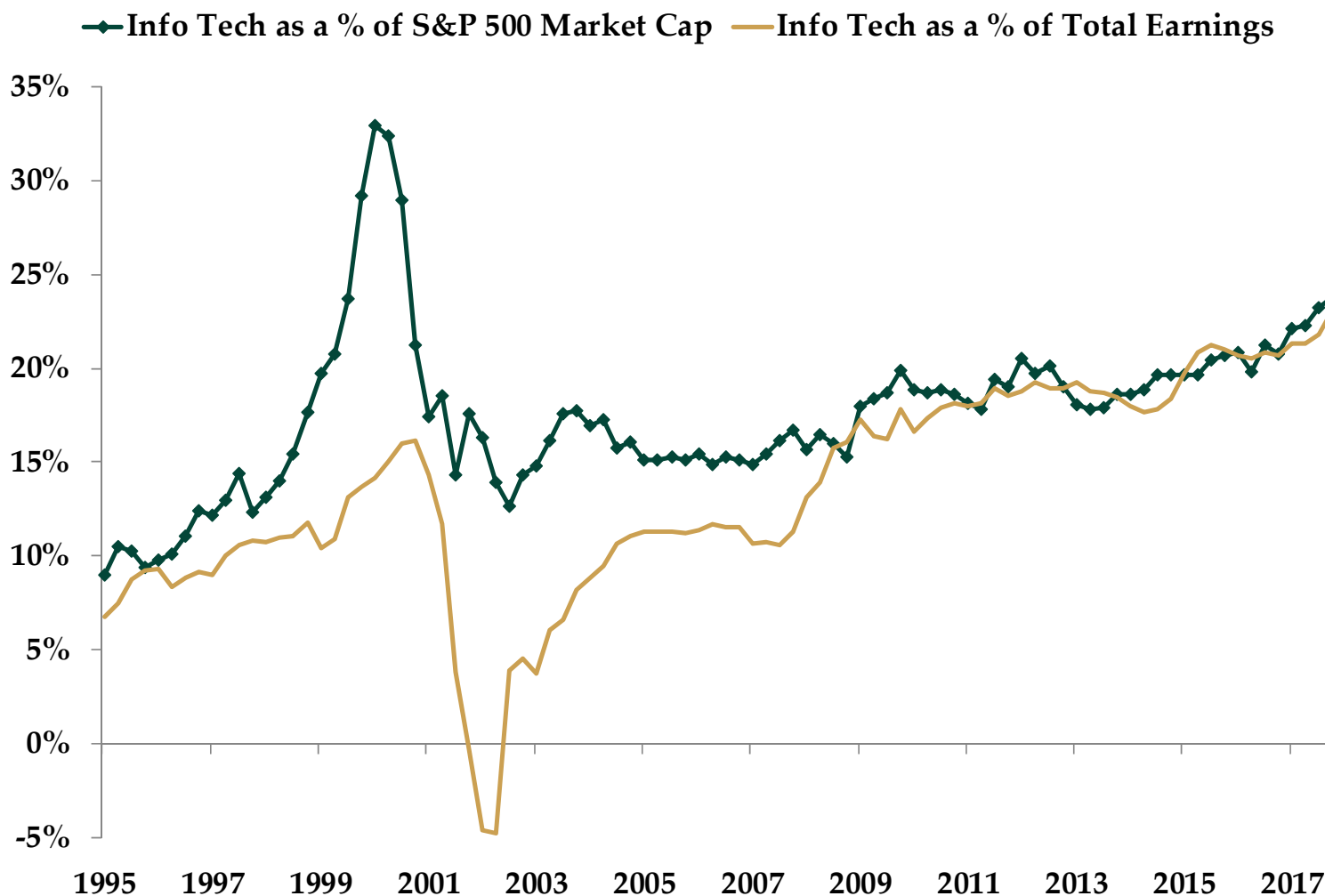
KEY SECTOR POSITIONING

Our highest conviction views on sectors

- Overweight Information Technology
- Overweight Health Care
- Underweight Energy

NO LOOMING DOT COM REPEAT

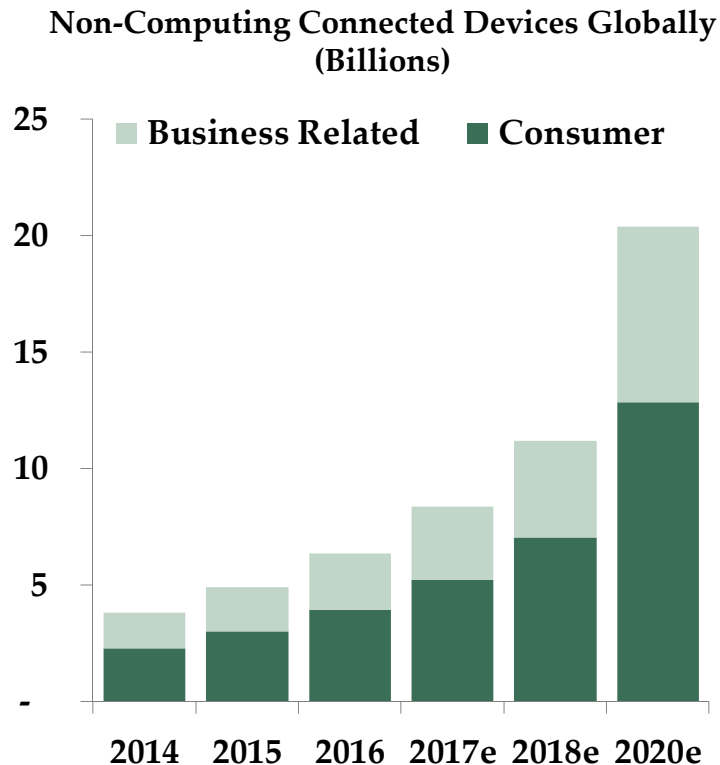
Unlike the Dot Com era, Info Tech has been supported by strong earnings.



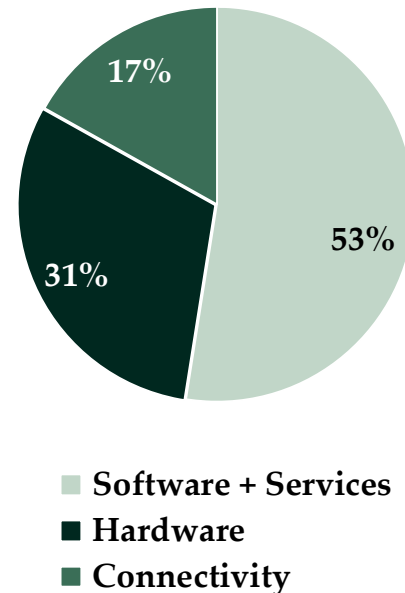
Source: FactSet as of December 2017.

MONETIZING THE INTERNET OF THINGS

A burgeoning trend toward adding communication capabilities to a large swath of previously unconnected consumer electronics and devices should drive a wave of activity.



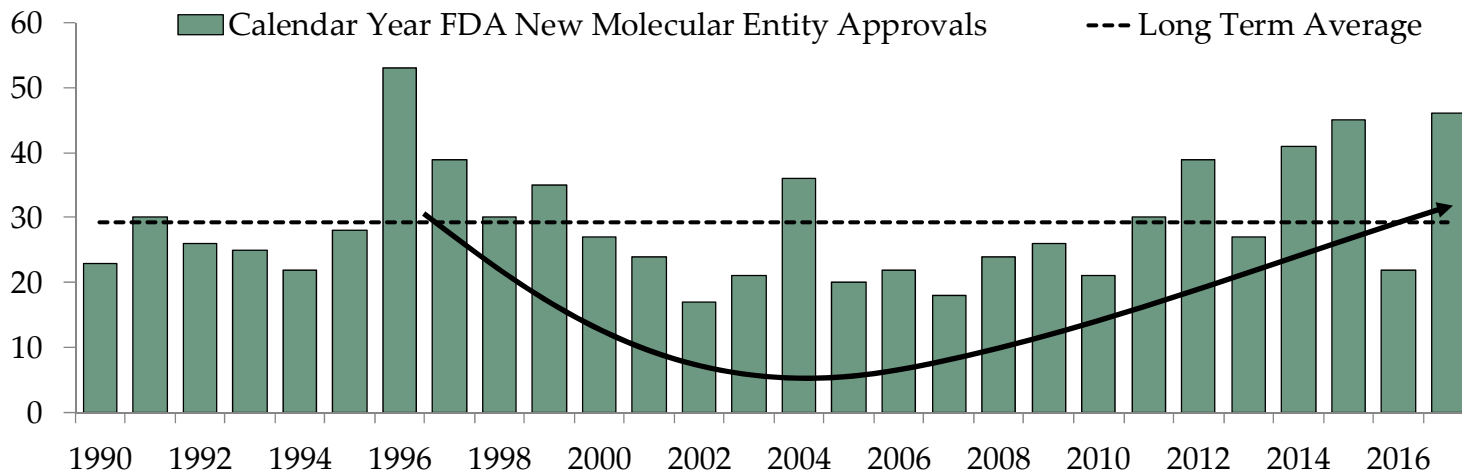
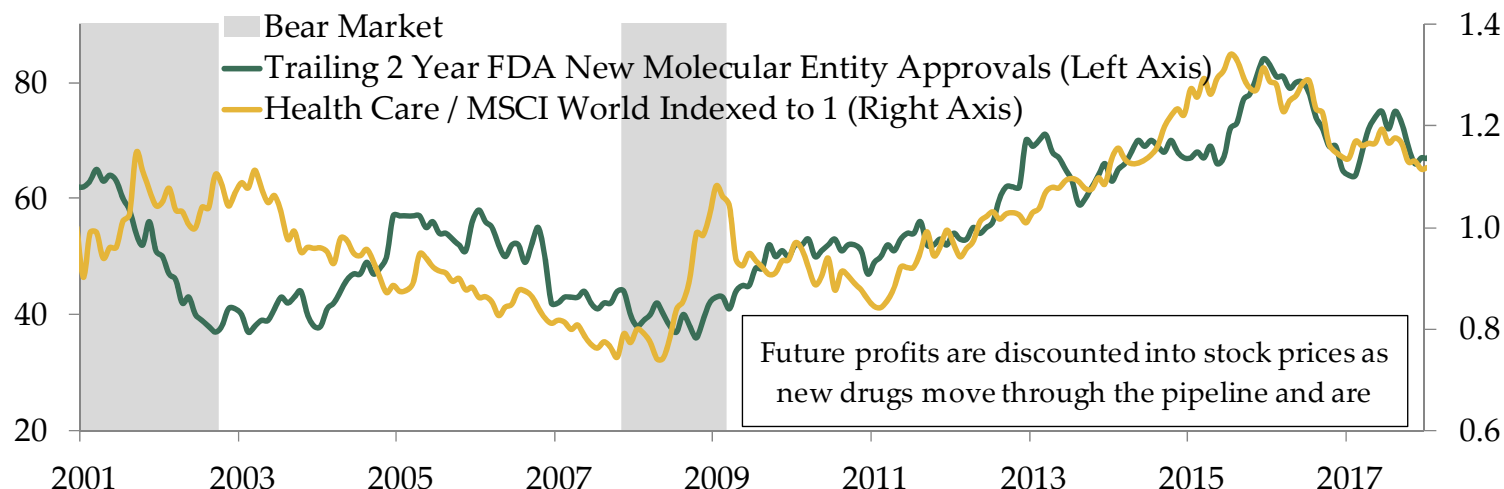
IoT Spending By Category (2016)



Left chart source: Gartner, Inc "8.4 Billion Connected "Things" Will be in Use in 2017, Up 31% from 2016." Right chart source: IDC "Internet of Things Spending Forecast to Growth 17.9% in 2016"

HC OUTPERFORMS WHEN INNOVATION RISES

New drug approvals typically provide a tailwind to the Health Care sector. 2016's election uncertainty notwithstanding, FDA approvals are accelerating—meaning new revenue streams from unique drugs.

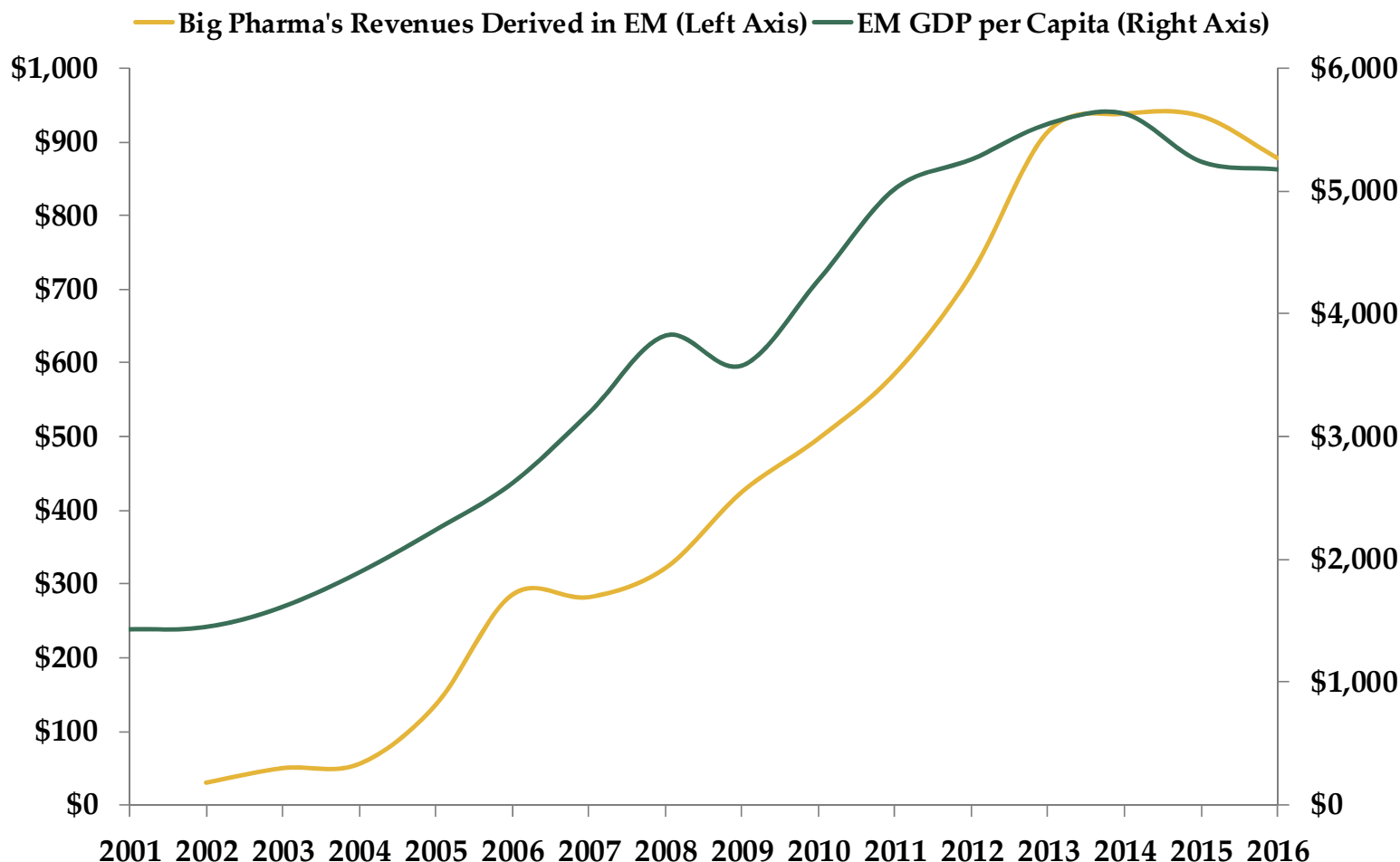


Source: US Food and Drug Admin approvals of new molecular entities (NMEs) as of March 2018.

Investment in securities involves the risk of loss. Past performance is no guarantee of future returns. Other methods may produce different results, and the results for individual portfolios and for different periods may vary depending on market conditions and the composition of the portfolio.

BIG PHARMA'S BIG EM OPPORTUNITY

EM consumers are buying more as their incomes rise. Developed world Pharma sees an increasing share of their revenues come from EM.

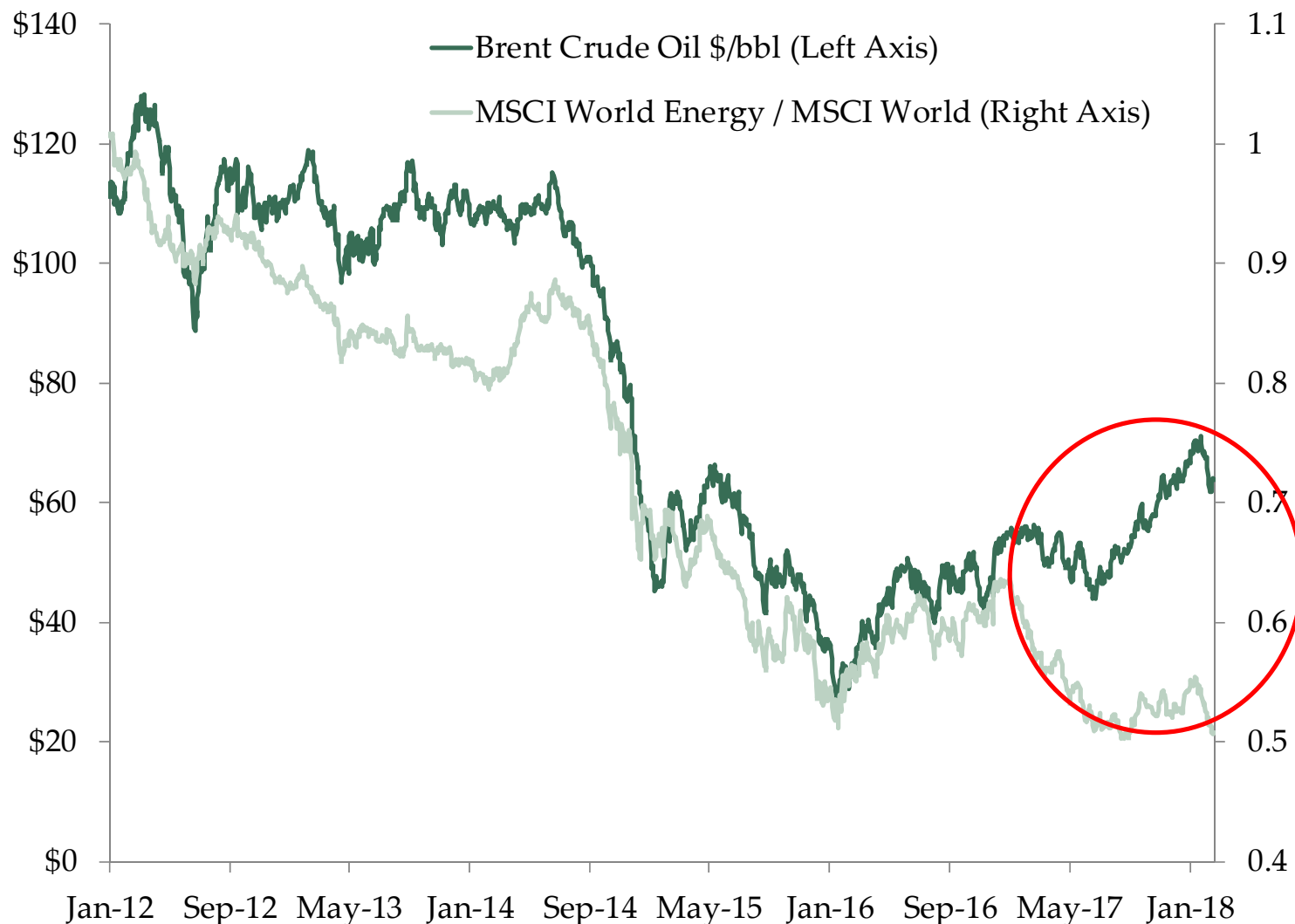


| | Revenue Growth (10-Year Annualized) | Share of Revenues 2016 | Share of Revenues 2006 |
|----|--|---------------------------|---------------------------|
| EM | 12% | 15% | 10% |
| DM | 5% | 81% | 87% |

Chart source: FactSet GeoRev and Oxford Economics as of December 2016. Big Pharma is based on MSCI World Pharmaceuticals Biotechnology & Life Sciences constituents.

RECENT OIL RALLY UNMET BY EQUITY RETURNS

Energy's relative performance typically follows oil prices but has diverged recently, suggesting potential oil headwinds are already reflected in Energy shares.

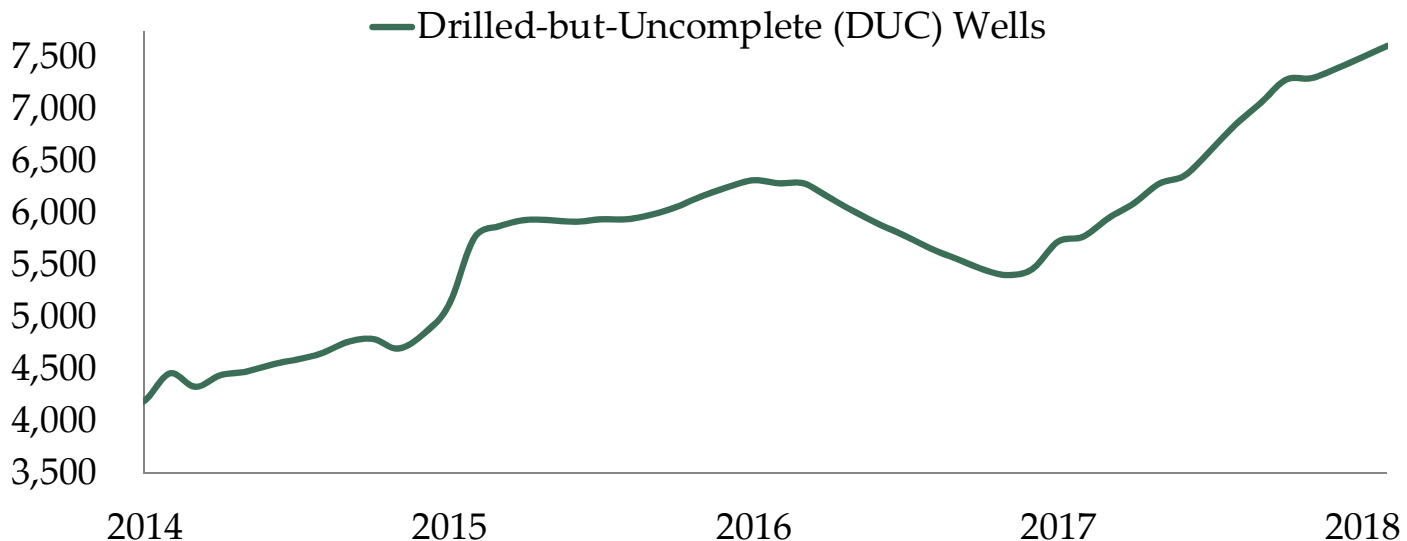
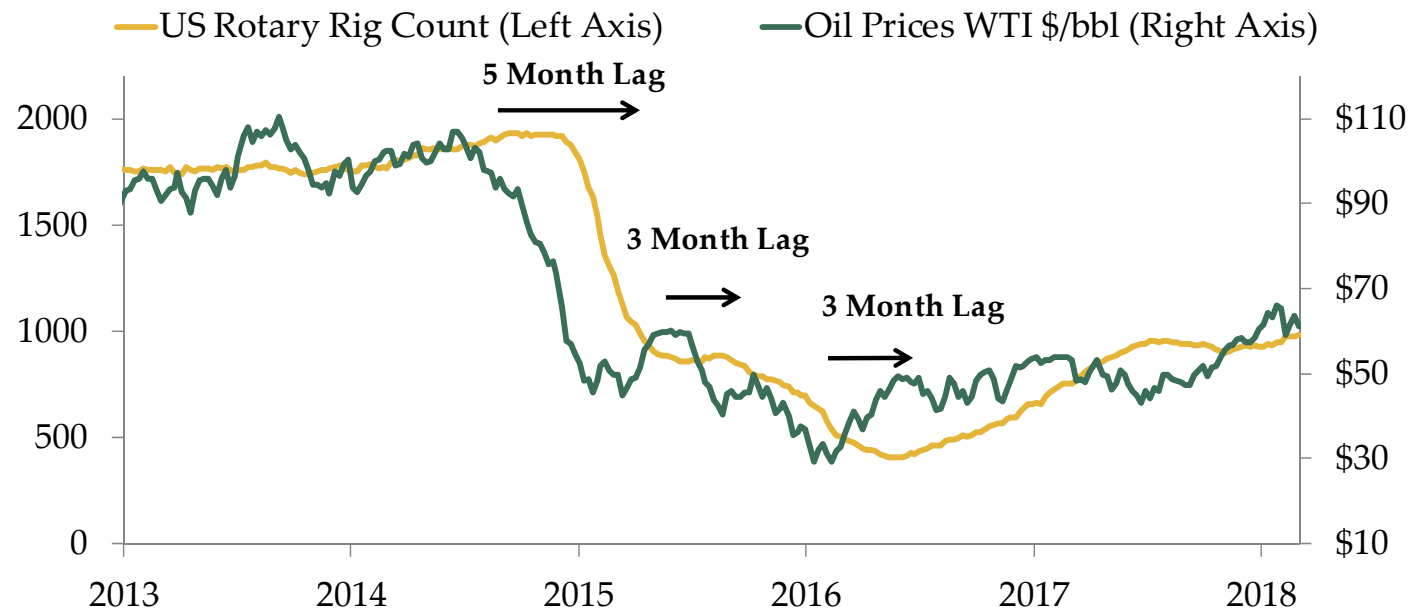


Source: FactSet as of February 2018.

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BUT NIMBLE SHALE PRODUCERS CAP OIL PRICES

Oil prices—and Energy sector earnings—likely remain range-bound as a result of efficient shale oil producers.



Top Chart source: FactSet and Baker Hughes as of February 2018. Bottom Chart source: EIA; Drilling productivity report; DUC wells by region, from January 2014 to February 2018. Based on monthly data points.

CURRENT MARKET TOPICS

Our views on contemporary investor topics in the market

- When is the next bear market?
- What do US tax changes mean for equities?
- Can corporations handle higher interest rates?
- Are equity valuations too high?
- How much longer and higher can this bull go?
- Does Fed balance sheet unwinding pop the asset bubble?

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 | | ✓ | | | | | | | | | | | | | Unlikely |
| Liquidity Freeze | ✓ | | ✓ | | | | ✓ | | | | | ✓ | | ✓ | Unlikely |
| Monetary Policy | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | Slightly tight |
| Fiscal Policy | | | ✓ | ✓ | | | | ✓ | | | | | | | No major changes |
| Regulation | | | | ✓ | | ✓ | ✓ | ✓ | | | ✓ | ✓ | | ✓ | No major changes |
| Equity Oversupply | | | | ✓ | | ✓ | | ✓ | | ✓ | | | ✓ | | Not present |
| Euphoria | ✓ | ✓ | ✓ | ✓ | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | Not present |

CORPORATE TAX CHANGES DON'T MOVE EQUITIES MUCH

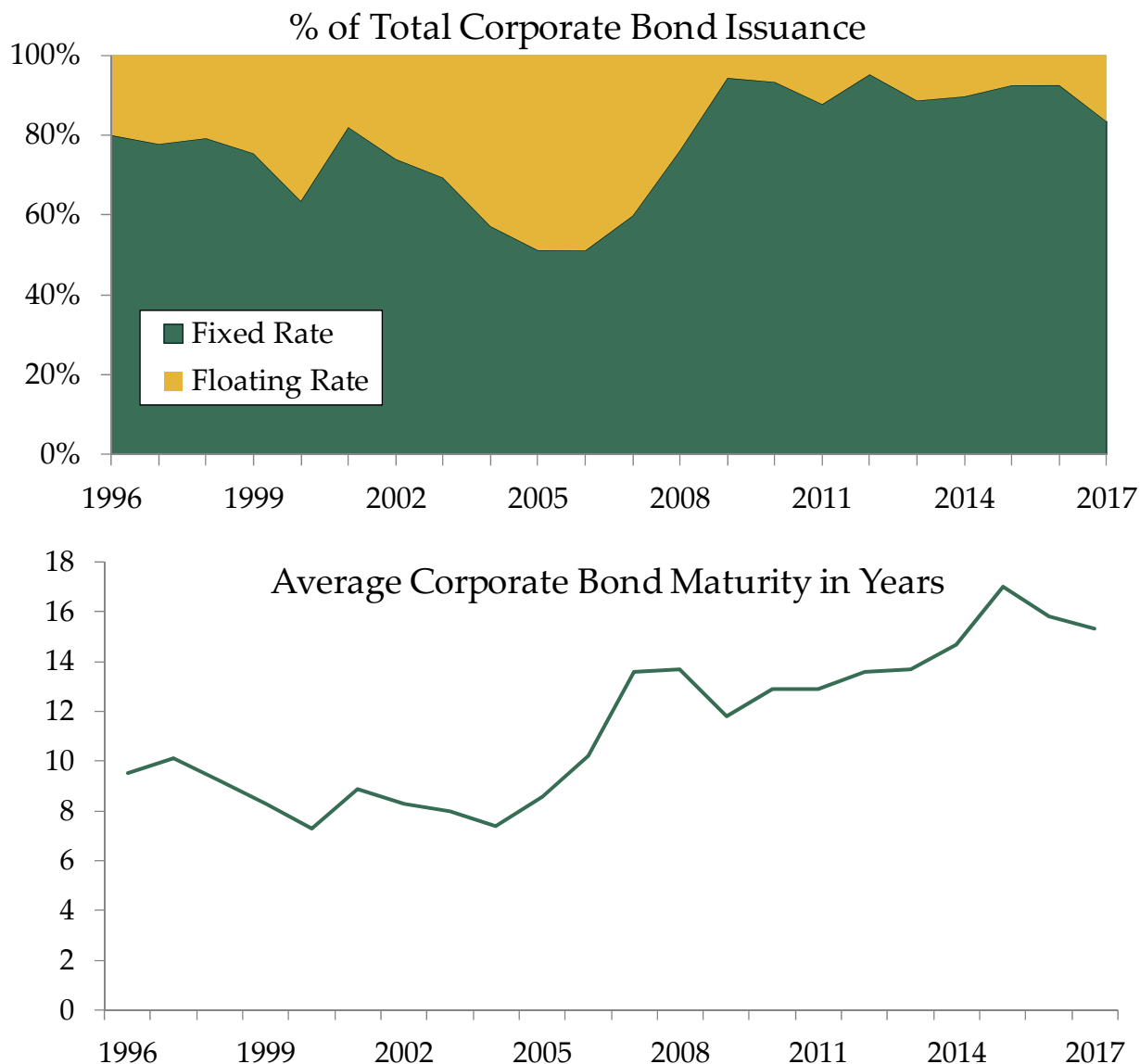
| <u>Effective Date</u> | <u>New Tax Rate</u> | <u>Hike/Cut</u> | <u>Prior 12 mo S&P 500</u> | <u>Next 12 mo S&P 500</u> |
|-----------------------|---------------------|-----------------|--------------------------------|-------------------------------|
| May 1928 | 12.0% | Cut | 32.9% | 24.2% |
| Dec. 1929 | 11.0% | Cut | -3.9% | -29.9% |
| Jan. 1946 | 38.0% | Cut | 30.7% | -11.9% |
| Feb. 1964 | 50.0% | Cut | 18.9% | 12.3% |
| Jan. 1965 | 48.0% | Cut | 13.0% | 9.1% |
| Jan. 1970 | 49.2% | Cut | -11.4% | -0.1% |
| Jan. 1971 | 48.0% | Cut | -0.1% | 10.8% |
| Jan. 1979 | 46.0% | Cut | 1.1% | 12.3% |
| Jan. 1987 | 40.0% | Cut | 14.6% | 2.0% |
| Jan. 1988 | 34.0% | Cut | 2.0% | 12.4% |
| Average | | | 9.8% | 4.1% |
| <u>Effective Date</u> | <u>New Tax Rate</u> | <u>Hike/Cut</u> | <u>Prior 12 mo S&P 500</u> | <u>Next 12 mo S&P 500</u> |
| Feb. 1926 | 13.5% | Hike | 19.5% | 8.6% |
| Jan. 1930 | 12.0% | Hike | -11.9% | -28.5% |
| Jun. 1932 | 13.8% | Hike | -62.2% | 98.0% |
| Jun. 1936 | 15.0% | Hike | 45.2% | 2.1% |
| May 1938 | 19.0% | Hike | -42.9% | 23.8% |
| Oct. 1940 | 24.0% | Hike | -17.7% | -5.3% |
| Sep. 1941 | 31.0% | Hike | -2.8% | -15.8% |
| Oct. 1942 | 40.0% | Hike | -3.5% | 25.2% |
| Sep. 1950 | 42.0% | Hike | 24.9% | 20.4% |
| Oct. 1951 | 50.8% | Hike | 16.8% | 3.5% |
| Jan. 1952 | 52.0% | Hike | 16.3% | 11.8% |
| Jun. 1968 | 52.8% | Hike | 9.1% | -2.3% |
| Aug. 1993 | 35.0% | Hike | 7.2% | 2.4% |
| Average | | | -0.2% | 11.1% |

Source: Tax Policy Center, Global Financial Data; Tax & S&P 500 Price Returns from 1925 to 1994.

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CORPORATES ARE WELL INSULATED

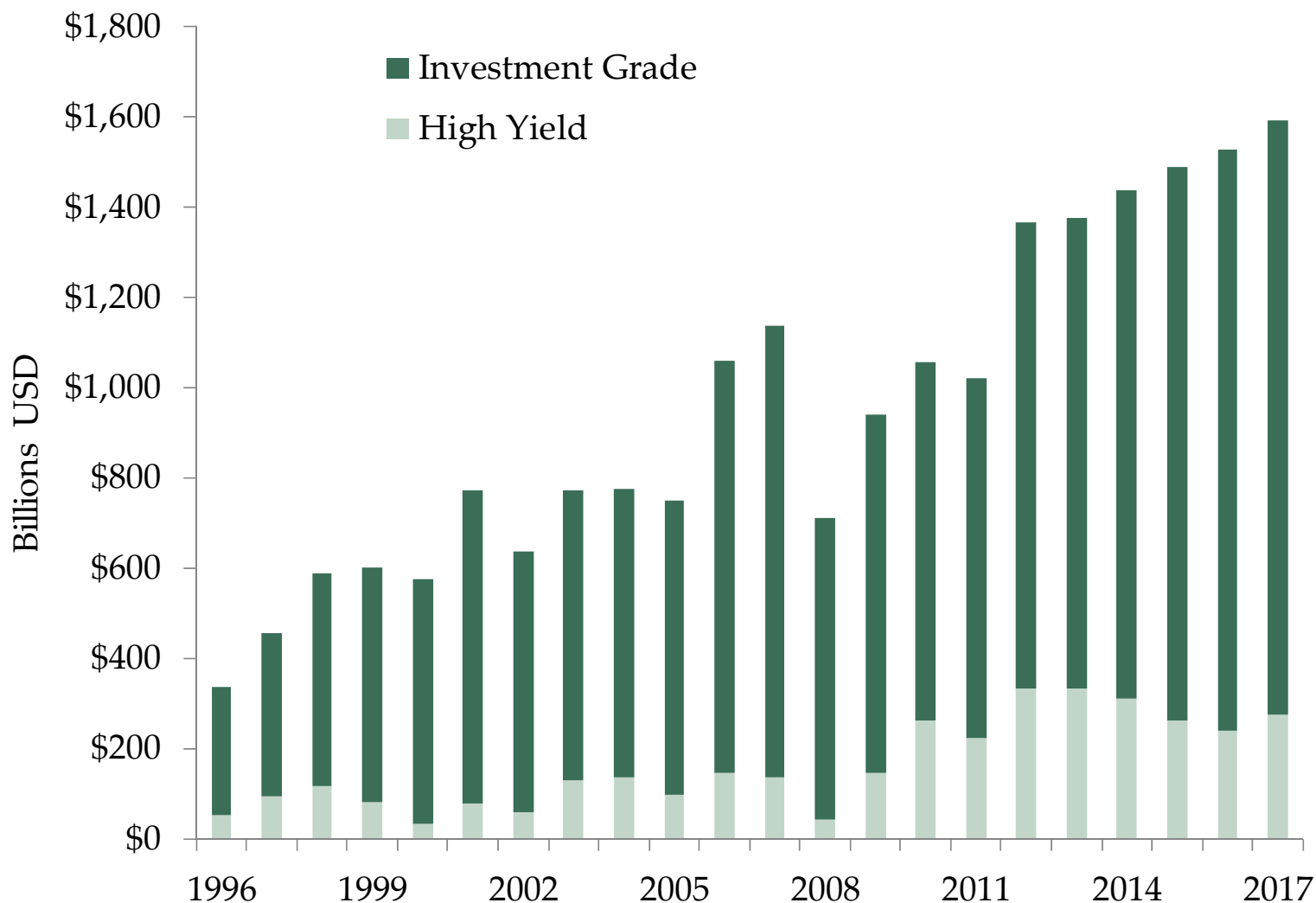
Even if yields were to spike, US companies are insulated because most corporate bonds are issued with a fixed rate. Further, bond maturity is much longer than any time before, meaning higher interest rates would take years to materially increase interest expense.



Source: Securities Industry and Financial Markets Association as of December 2017.

INVESTMENT GRADE ISSUANCE DOMINATES

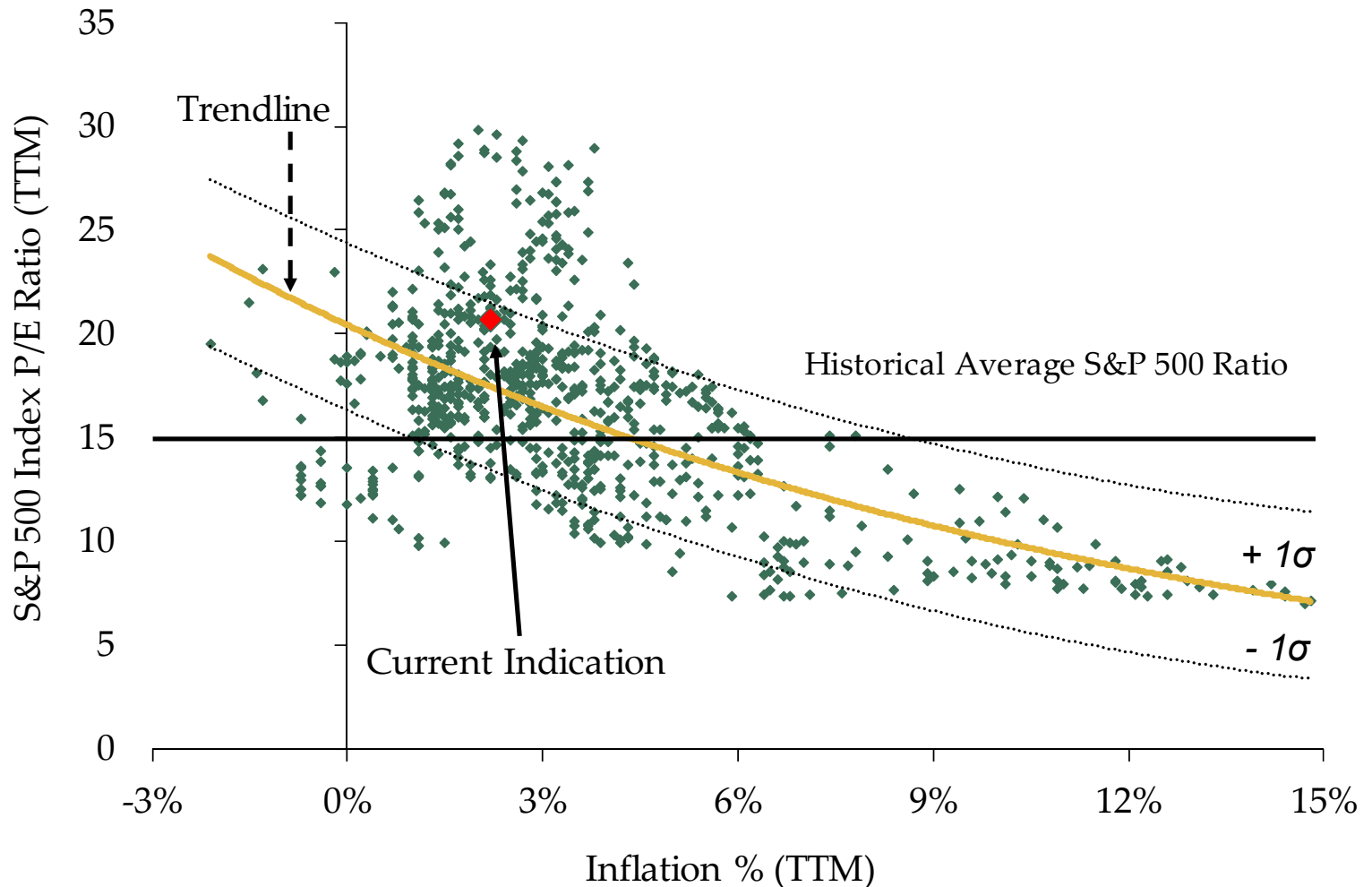
Corporate bond issuance is at an all-time high, but the vast majority is investment grade while high-yield issuance has been trending lower since 2013.



Source: Securities Industry and Financial Markets Association as of December 2017.

LOW INFLATION, FINE EQUITY VALUATIONS

Given current inflation, valuations are well within historical norm.

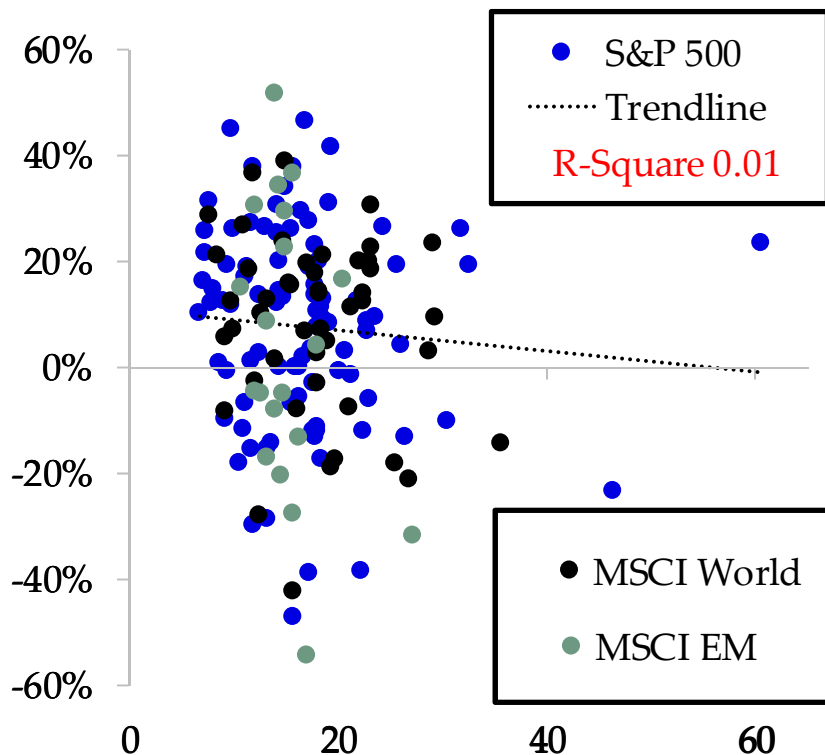


Source: Bloomberg from 1954 through February 2018. Based on monthly data points.

VALUATIONS' WEAK PREDICTIVE POWER

Equities' PE has little predictive power for returns over the next 12 months. A high PE is just as likely to be followed by robust returns as meager.

Relationship between PE Ratio at the Beginning of a Year and Returns over the Subsequent Year



S&P 500 One Year Price Returns Following the Ten Highest PE Ratios

| Year | PE Ratio at Beginning of Year | Calendar Year Price Return |
|---------|-------------------------------|----------------------------|
| 2009 | 60.7 | 23% |
| 2002 | 46.5 | -23% |
| 1999 | 32.6 | 20% |
| 2003 | 31.9 | 26% |
| 2000 | 30.5 | -10% |
| 2001 | 26.4 | -13% |
| 1992 | 26.1 | 4% |
| 2017 | 25.7 | 19% |
| 1998 | 24.4 | 27% |
| 2016 | 23.6 | 10% |
| Average | 32.8 | 8.3% |
| Median | 28.5 | 14.5% |

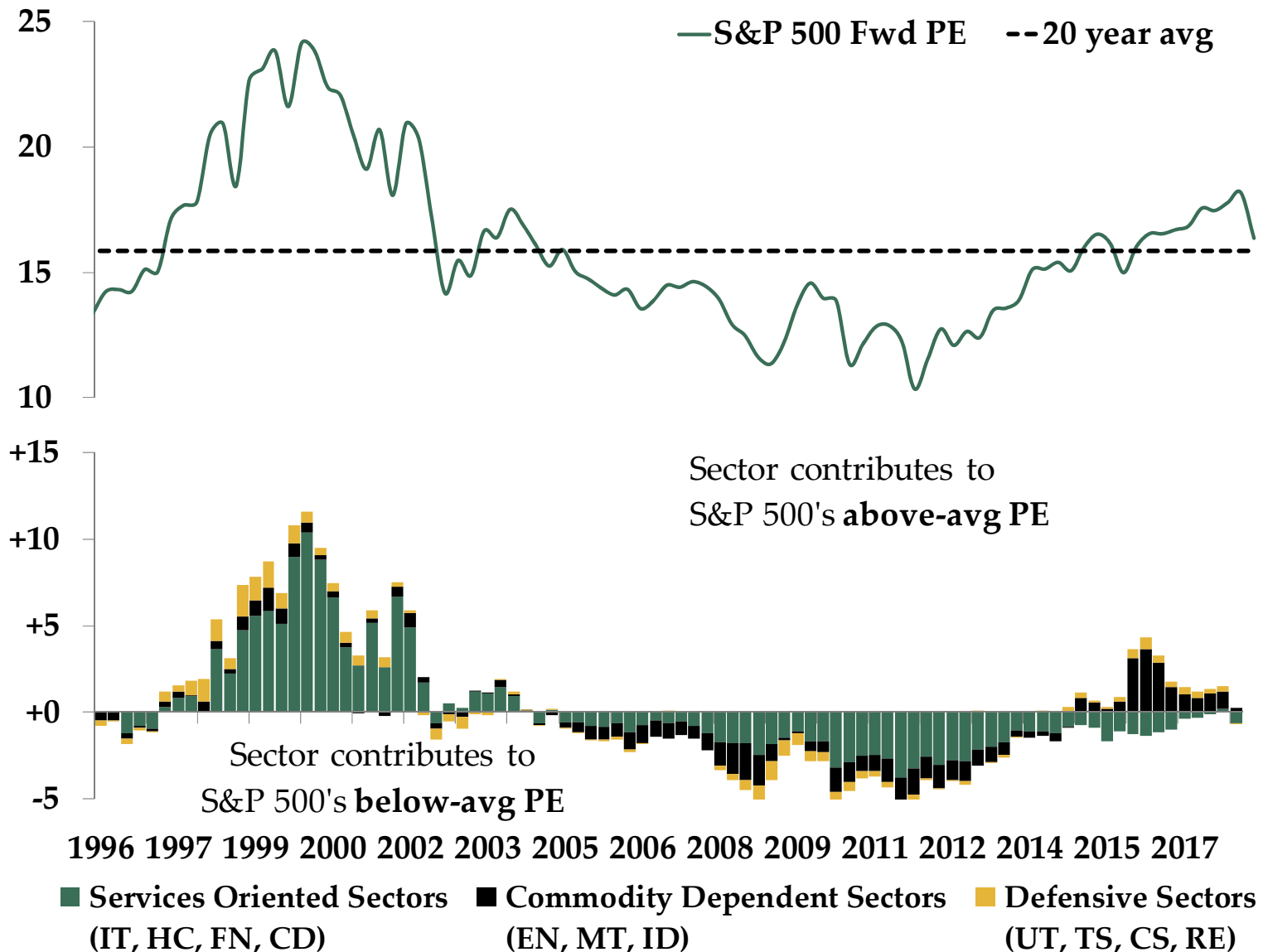
R^2 or R-squared represents the % of total variation in one year returns that can be explained by P/E ratios at the start of the year.

Source: FactSet and Global Financial Data as of December 2017. PE ratios are trailing 12 month. S&P 500 is from 1927, MSCI World 1970, MSCI EM 1995.

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EVEN THEN, VALUATIONS VARY BY SECTOR

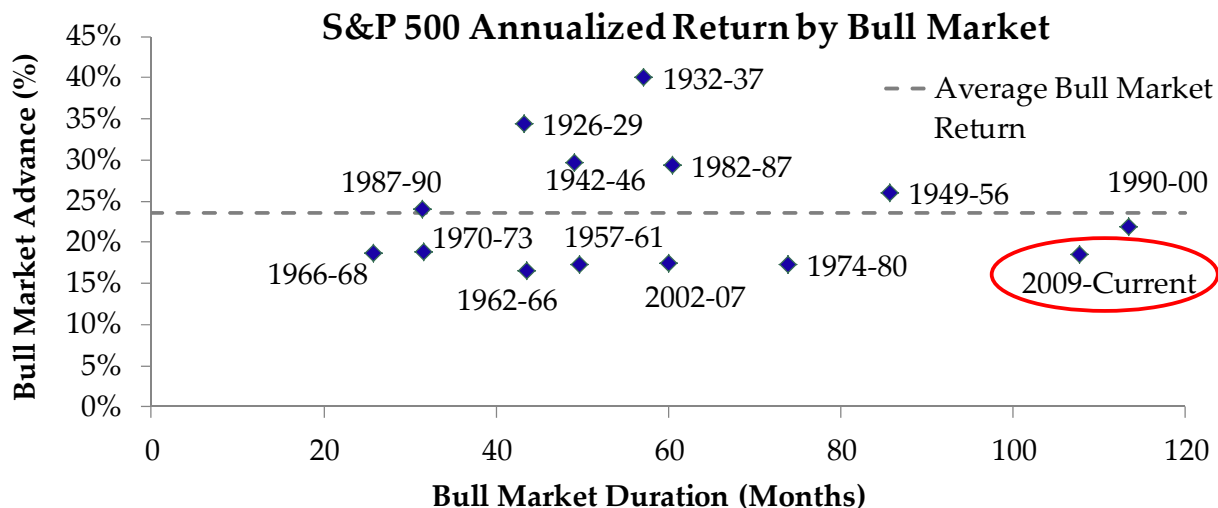
The Energy sector's earnings blow out still cascades to headline valuations—masking how reasonable other sectors remain.



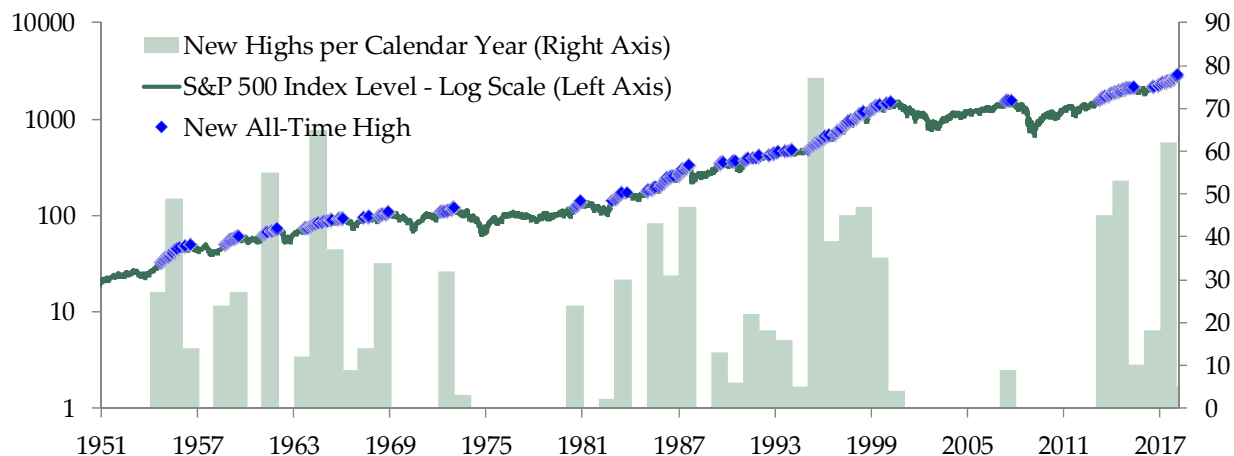
Source: FactSet as of March 2018. Based on forward Price-to-Earnings.

CURRENT BULL WITHIN HISTORICAL NORMS

This bull market has been above average in length but below average in annual returns.



Meanwhile, the number of recent market all-time highs has been typical and doesn't indicate there won't be more ahead.



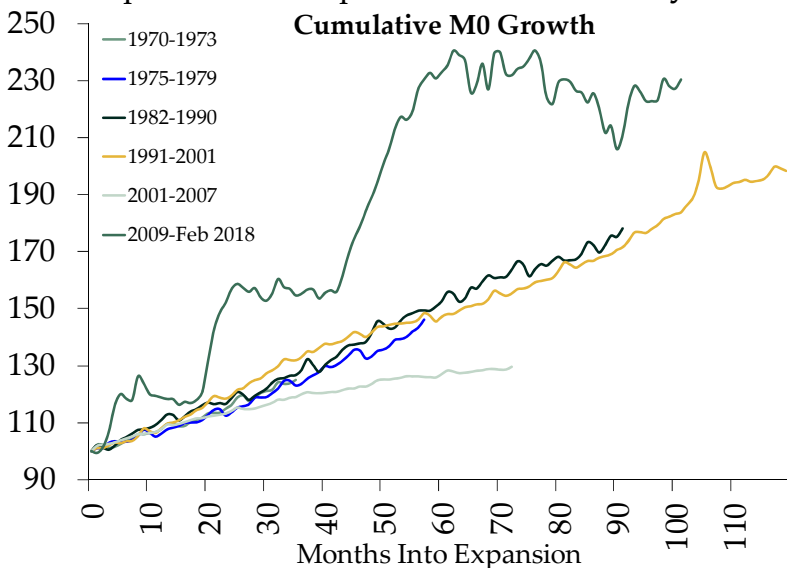
Source: Global Financial Data and FactSet as of February 2018.

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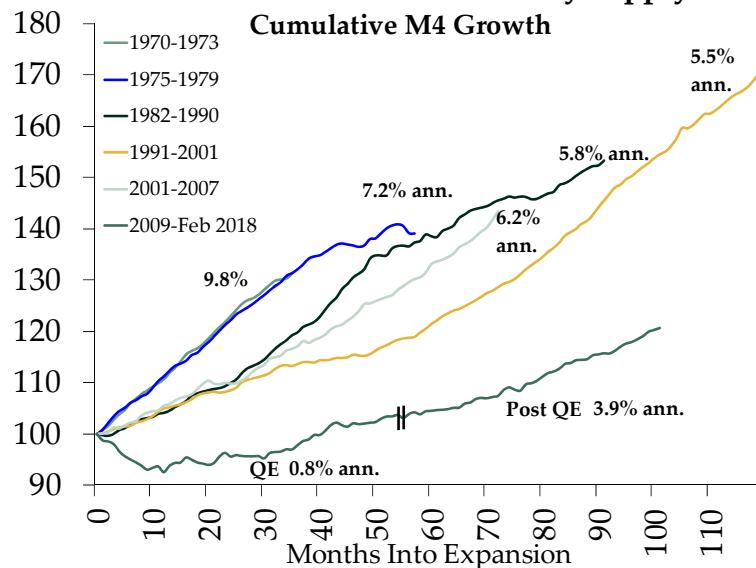
FALSE PERCEPTIONS ON QUANTITATIVE EASING

Some fear a maturing Fed balance sheet will contract money supply and stifle lending. But QE actually detracted from economic growth.

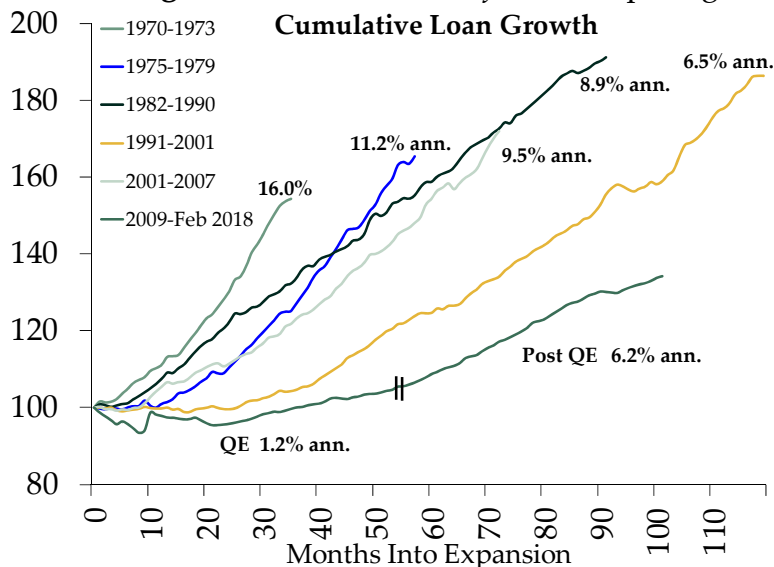
QE's unprecedented expansion of the **monetary base**...



Did not translate to broader **money supply**...



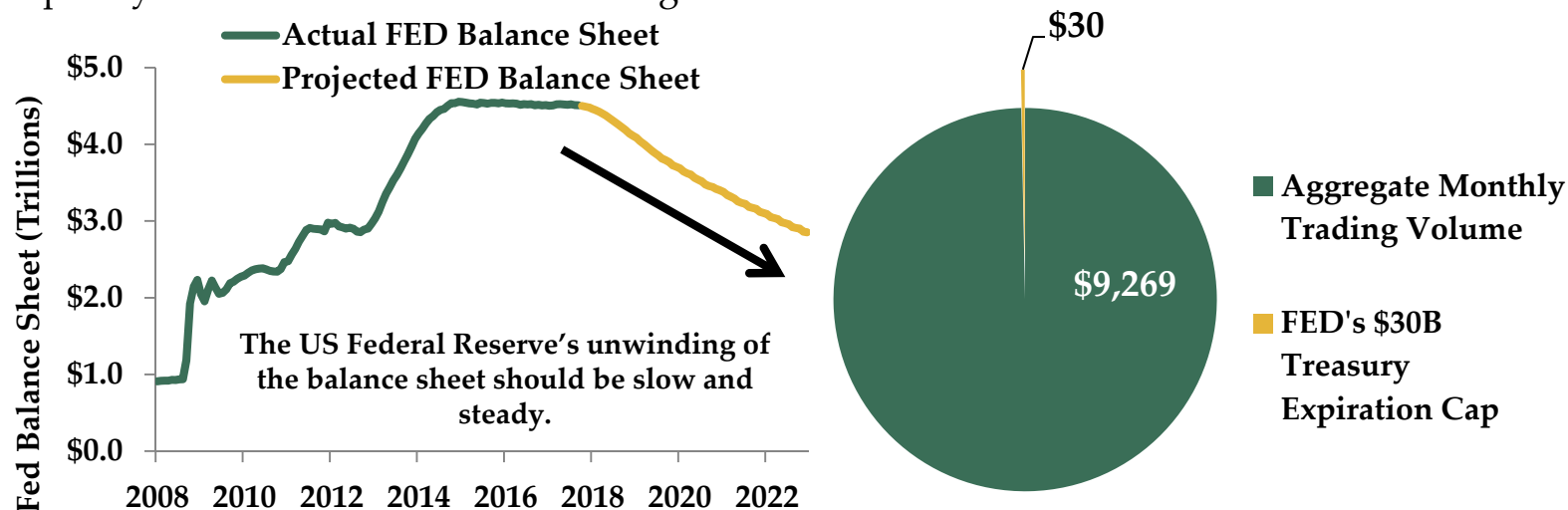
Or **lending**—which accelerated *after* Fed tapering



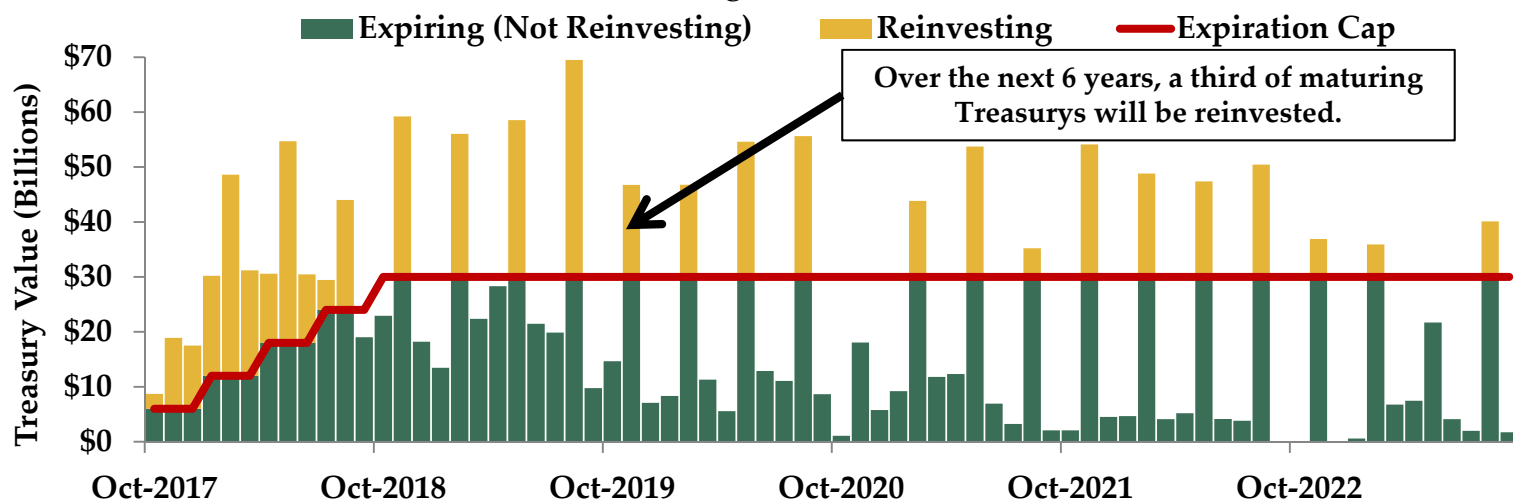
Source: Federal Reserve and Center for Financial Stability as of February 2018.

FED WILL UNWIND ASSETS GRADUALLY

Assets will roll off the Fed's balance sheet at a slow pace. Further, the US Treasury market's liquidity dwarfs the amount of maturing UST the Fed won't reinvest.



The amount of Treasuries rolling off the Fed's balance sheet will be capped at \$ 30 billion per month, but far fewer Treasuries are maturing most months.



Top Left Chart Source: Federal Reserve, actuals as of October 2017, projected from November 2017 to December 2022. Top Right Chart Source: The Securities Industry and Financial Markets Associations; US Treasury avg daily trading volume from September 2007 to August 2017. Bottom Chart Source: US Federal Reserve; maturing treasury's and expiration cap from October 2017 to August 2023.

STRATEGY OFFERINGS AND BENEFITS

| Global Research Platform | | |
|---|---|---|
| Global | US | Global Ex-US |
| \$5.6 Billion | \$10.2 Billion | \$27.9 Billion |
| <div>Global Equity <i>MSCI World Index</i></div> <div>Global Equity Focused <i>MSCI World Index</i></div> <div>All World Equity <i>MSCI ACWI Index</i></div> <div>Global High Dividend Yield <i>MSCI World High Dividend Yield Index</i></div> <div>Global Small Cap <i>MSCI World Small Cap Index</i></div> <div>Global Long/Short <i>MSCI World (50%) 3-Month T-Bill (50%)</i></div> <div>Global Quant <i>MSCI ACWI Index</i></div> | <div>US Small Cap Core <i>Russell 2000 Index</i></div> <div>US Small Cap Opportunities <i>Russell Micro Cap Value Index</i></div> <div>US Small Cap Value <i>Russell 2000 Value Index</i></div> <div>US Small and Mid Cap Value <i>Russell 2500 Value Index</i></div> <div>US Small and Mid Cap Core <i>Russell 2500 Index</i></div> <div>US Mid Cap Value <i>Russell Mid Cap Value Index</i></div> <div>US Equity <i>S&P 500 Index</i></div> <div>US Small Cap Quant <i>Russell 2000 Index</i></div> | <div>All Non-US Equity <i>MSCI ACWI ex-US Index</i></div> <div>All Non-US Equity Growth <i>MSCI ACWI ex-US Growth Index</i></div> <div>All Non-US Equity Small Cap <i>MSCI ACWI ex-US Small Cap</i></div> <div>Non-US Equity <i>MSCI EAFE Index</i></div> <div>Non-US Equity Small Cap <i>MSCI World ex-US Small Cap</i></div> <div>Emerging Markets Equity <i>MSCI Emerging Markets Index</i></div> <div>Emerging Markets Small Cap ESG <i>MSCI Emerging Markets Small Cap Index</i></div> <div>Frontier Markets Equity <i>MSCI Frontier Markets Index</i></div> |

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: 24 years

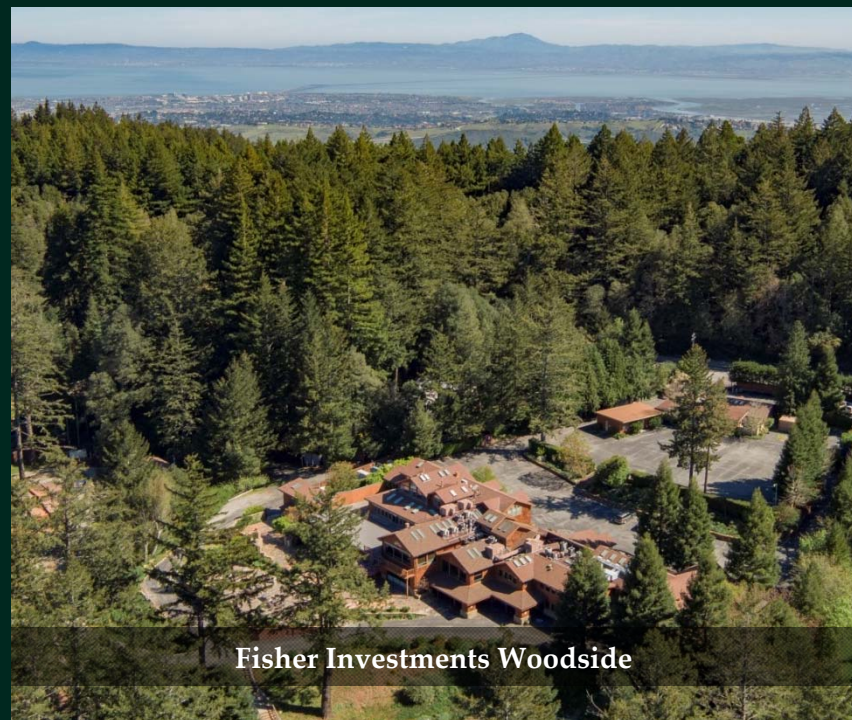
AUM figures depict assets managed by Fisher Investments and its subsidiaries as of month end March 2018.

“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.



Fisher Investments Camas



Fisher Investments Woodside



Fisher Investments Europe



Fisher Investments DIFC



Fisher Investments
Australasia



Fisher Investments Japan