FISHER INVESTMENTS EUROPE™

EQUITY OUTLOOK Q4 2021

EQUITY MARKETS OUTLOOK

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GLOBAL OUTLOOK

- There is likely more bull market ahead as a strong economy and rising sentiment support equities
- However, economic growth and inflation are not likely to be as robust as many expect
- Extraordinary fiscal and monetary policies won’t stimulate as much as hoped
- After a temporary bounce, post-COVID economic growth and inflation are likely to resemble pre-COVID conditions
- Higher-quality, growth equities are better positioned for the period ahead though there are opportunities in value
- Investor sentiment is high but not broadly euphoric

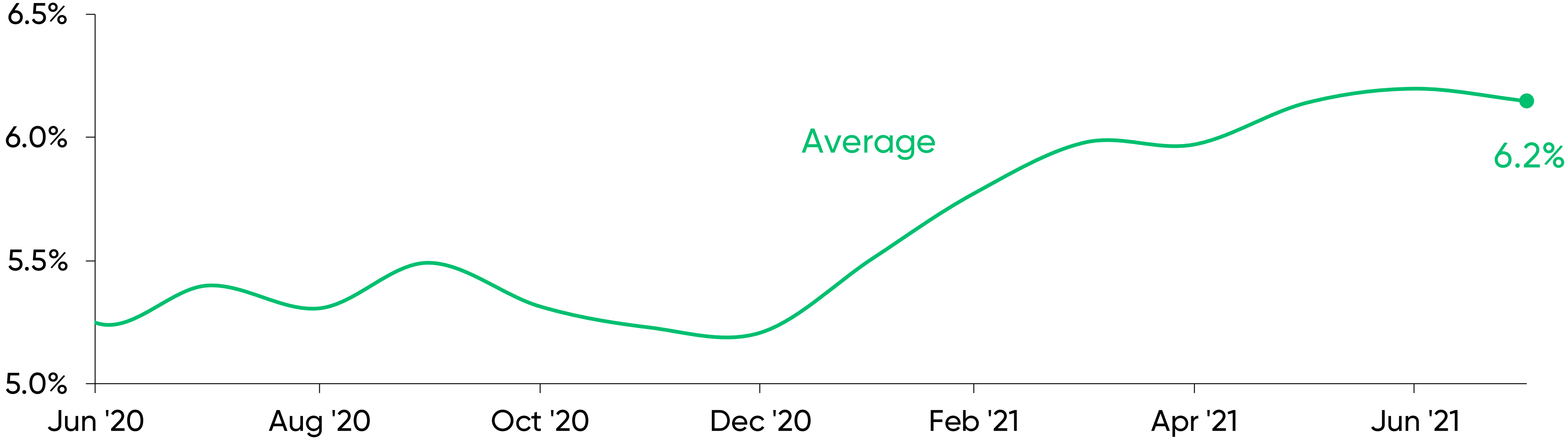
ECONOMIC

Economic expectations have risen substantially recently as investors eye economies reopening amid massive monetary and fiscal stimulus measures. While the economic picture looks bright, it may not be as strong as many hope.

Global GDP 2021 Forecast

Firms	6/30	7/31	8/31	9/30	10/31	11/30	12/31	1/31	2/28	3/31	4/30	5/31	6/30	7/31
Credit Suisse	4.4%	4.5%	4.5%	4.5%	4.0%	4.0%	4.1%	5.1%	5.1%	5.5%	5.5%	5.7%	6.1%	6.1%
Goldman Sachs	6.5%	6.5%	6.7%	7.0%	6.3%	6.0%	6.0%	6.5%	6.6%	6.8%	6.6%	6.6%	6.6%	6.5%
JP Morgan	5.1%	5.1%	5.1%	5.3%	5.1%	4.9%	4.7%	4.7%	6.5%	6.5%	6.5%	6.4%	6.4%	6.2%
Citigroup	5.5%	5.6%	5.9%	5.4%	5.1%	5.1%	5.0%	5.0%	5.2%	5.5%	5.5%	5.8%	6.0%	5.9%
Bank of America	5.8%	6.0%	5.6%	5.6%	5.6%	5.6%	5.4%	5.5%	5.5%	5.8%	5.8%	6.0%	6.1%	5.9%
Barclays	5.2%	5.3%	5.2%	4.9%	4.8%	4.8%	5.6%	5.8%	6.0%	6.4%	6.5%	6.4%	6.3%	6.2%
UBS	5.5%	5.4%	5.4%	5.8%	5.6%	5.6%	6.1%	6.2%	6.4%	6.5%	6.4%	6.5%	6.6%	6.6%
Morgan Stanley	6.1%	6.1%	5.9%	6.6%	6.3%	6.3%	6.4%	6.4%	6.5%	6.6%	6.6%	6.5%	6.5%	6.5%
IMF	5.4%	5.4%	5.4%	5.4%	5.2%	5.2%	5.2%	5.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Wells Fargo	3.0%	4.4%	4.4%	6.0%	6.2%	5.6%	5.2%	5.7%	6.0%	6.0%	6.1%	6.3%	6.3%	6.3%
Average	**5.3%**	**5.4%**	**5.4%**	**5.6%**	**5.4%**	**5.3%**	**5.4%**	**5.6%**	**5.9%**	**6.2%**	**6.2%**	**6.2%**	**6.3%**	**6.2%**

Global GDP 2021 Forecasts: Revised/ Affirmed

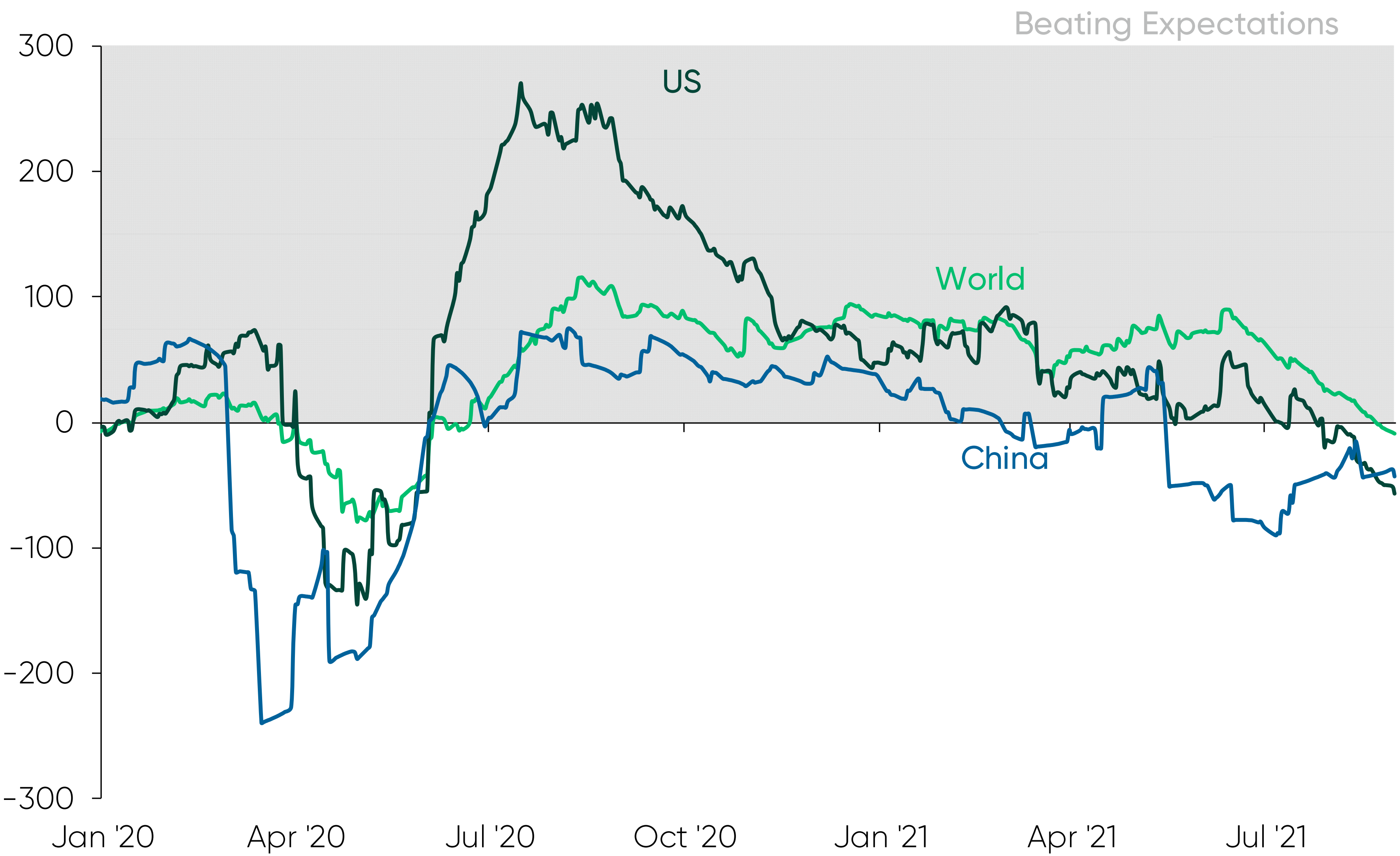


Source: Fisher Investments Research, Credit Suisse, Goldman Sachs, JP Morgan, Citigroup, Bank of America, Barclays, UBS, Morgan Stanley, IMF and Wells Fargo. Global real GDP 2021 forecasts from 30/06/2020 to 31/07/2021.

ECONOMIC

Economic surprise indexes track whether economic data is beating or missing expectations. They surged last year as expectations overshot to the downside but have fallen recently as data has fallen short of lofty forecasts.

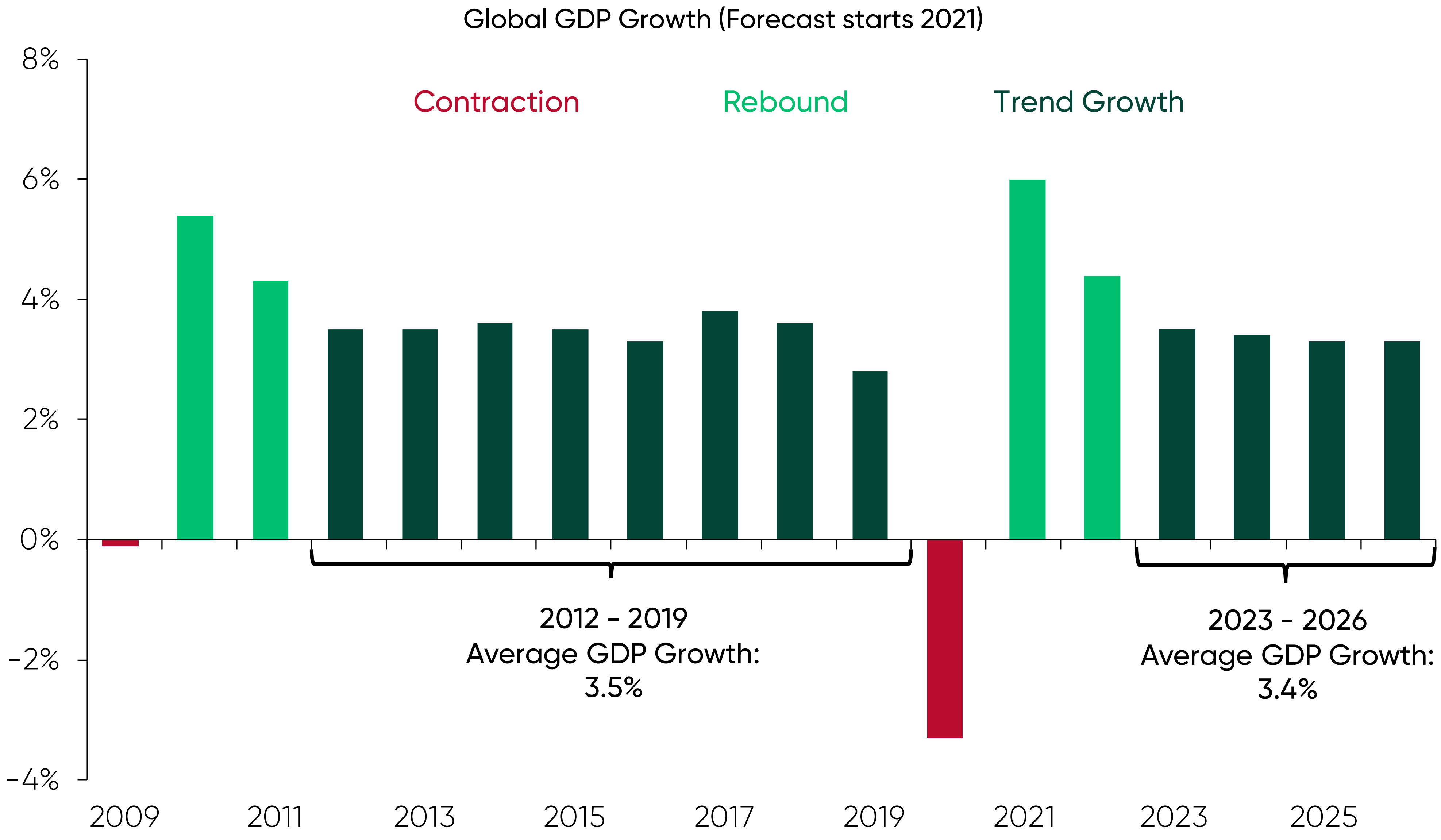
GDP Weighted Economic Surprise Index



Source: FactSet. US, China and Global (GDP-weighted) Citi Economic Surprise Indexes, daily, 01/01/2020 – 31/08/2021.

ECONOMIC

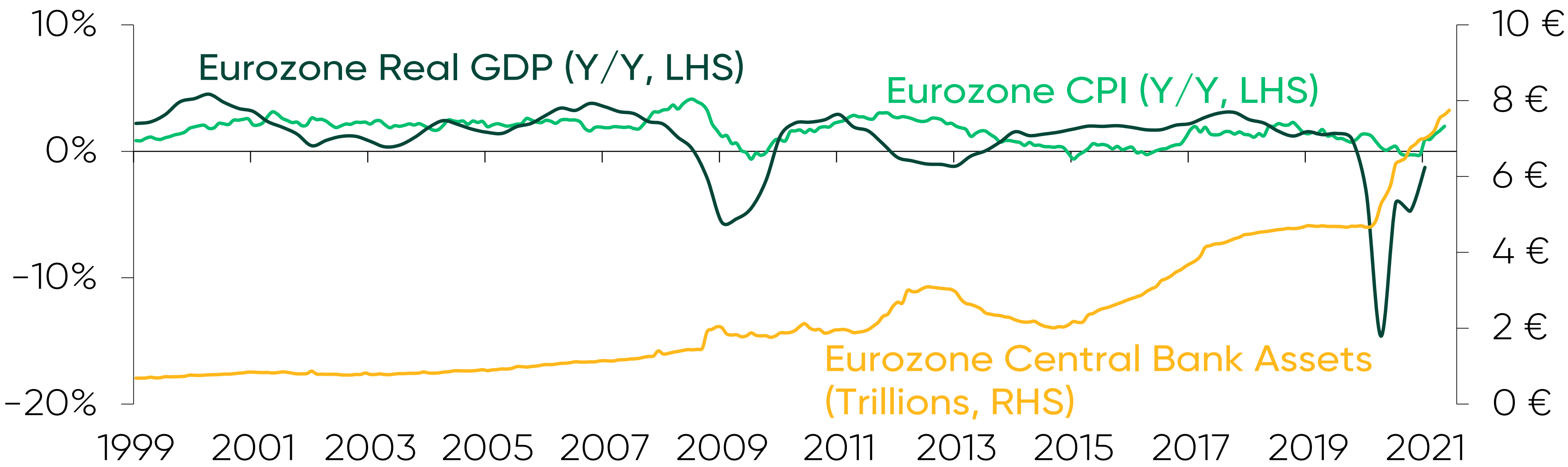
Economies often rebound strongly after economic contractions then settle into a trend growth rate. Global GDP growth after 2022 is likely to resemble most of the last economic expansion—a period when growth equities mostly led.

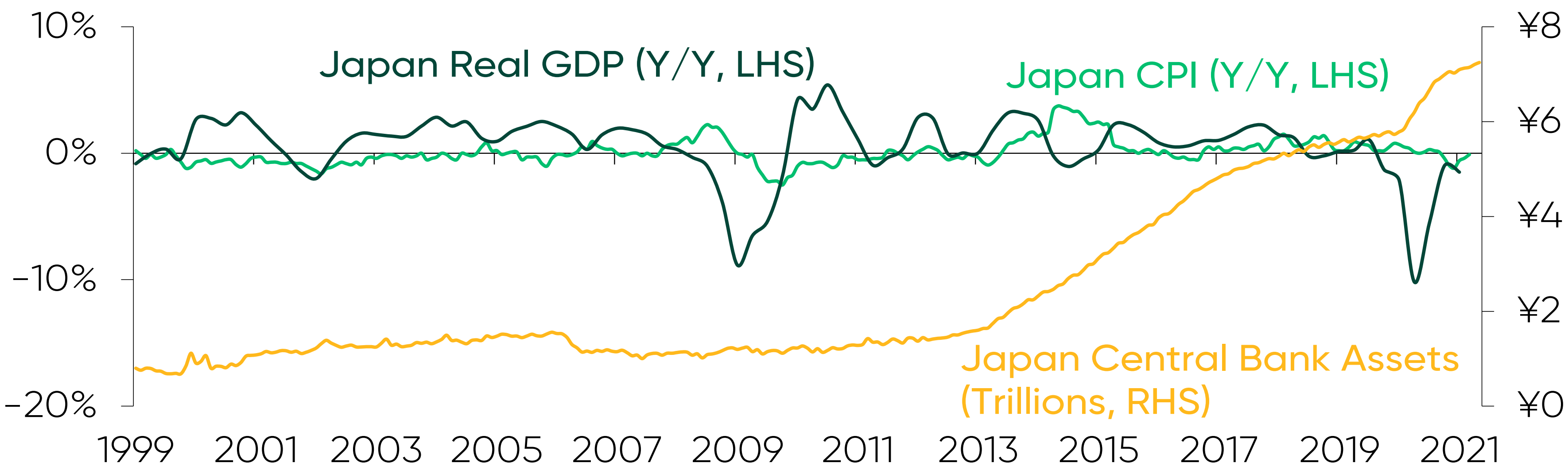


Source: International Monetary Fund, April 2021 World Economic Outlook. Real actual and forecasted global GDP growth, annually, 2009 – 2026. Forecasted data starts in 2021.

ECONOMIC

Many expect low interest rates and QE to drive higher GDP growth and inflation. However, the ECB and BOJ have engaged in these policies for many years without any discernible economic or inflationary pick-up.



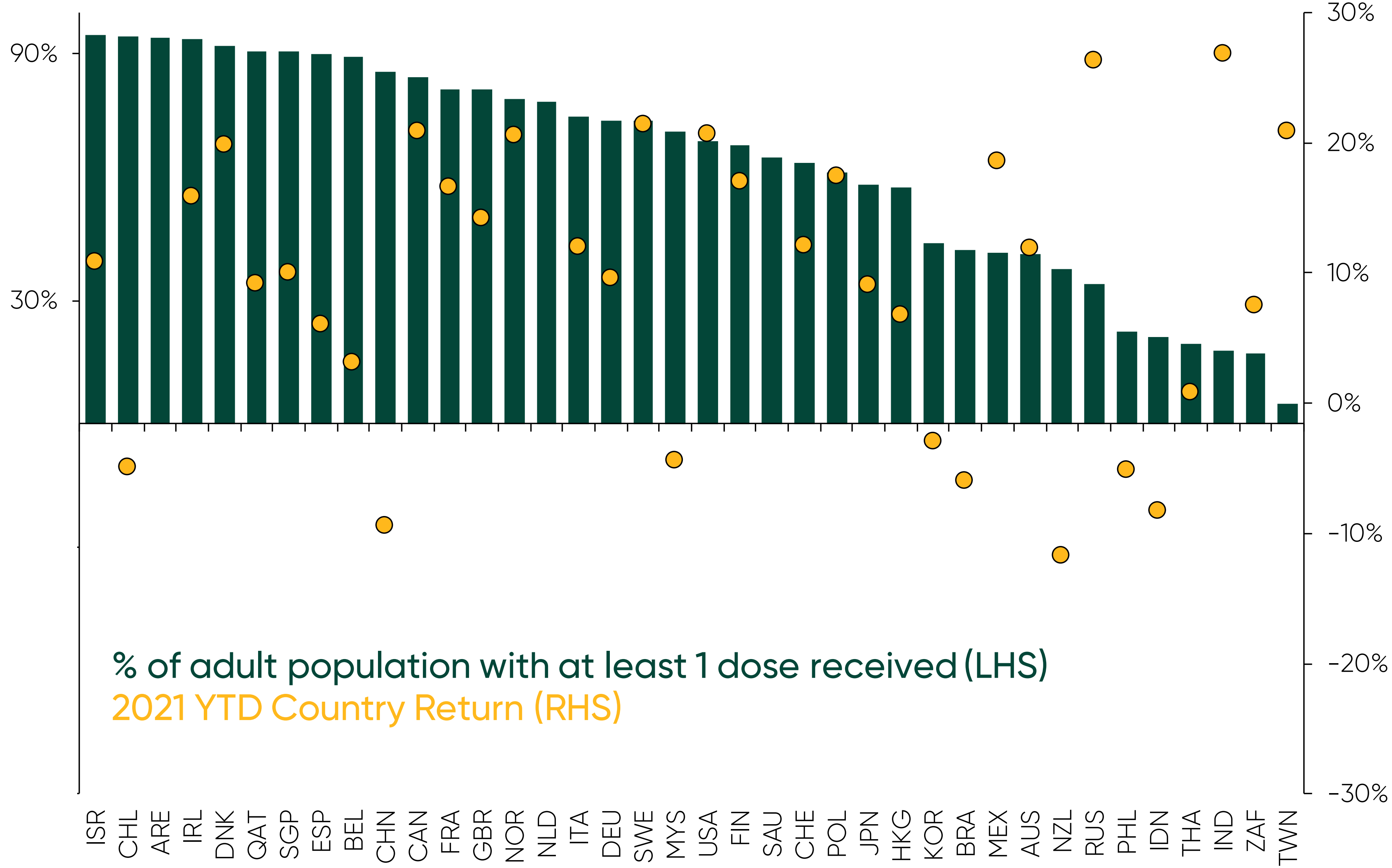


Source: Data retrieved from FRED, Federal Reserve Bank of St. Louis, as of 31/08/2021. Top chart shows year-over-year change in Eurozone real GDP to 01/01/2021, year-over-year change in CPI to 01/05/2021 and total central bank assets to 6/1/2021. Bottom chart shows year-over-year change in Japan real GDP to 01/01/2021, year-over-year change in CPI to 4/1/2021 and total central bank assets to 05/01/2021.

ECONOMIC

Some countries have been more successful distributing vaccines than others, but vaccine roll outs have not impacted relative country returns much.

Vaccine Doses Administered vs. Country Index Returns, MSCI ACWI

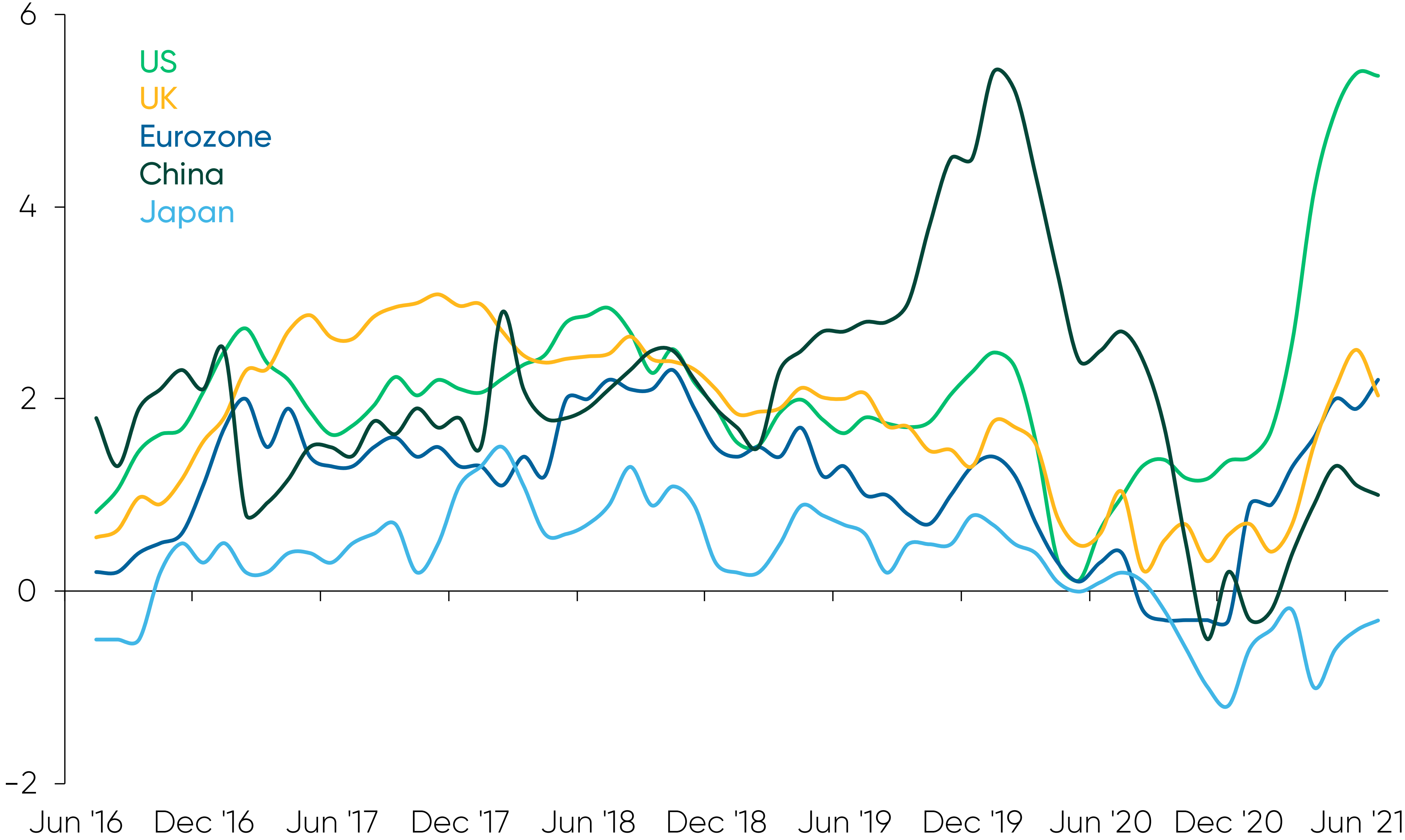


Source: FactSet, Fisher Investments Research, Johns Hopkins & Our World in Data as of 08/09/2021. Shows the % of the adult population in MSCI All Country World Index that have received a minimum of one vaccine jab. Returns shown for relevant country index, 01/01/2021 – 08/09/2021.

ECONOMIC

Inflation is global. US inflation has spiked much more than non-US inflation. Eventually, tame inflation outside the US should help moderate US price increases.

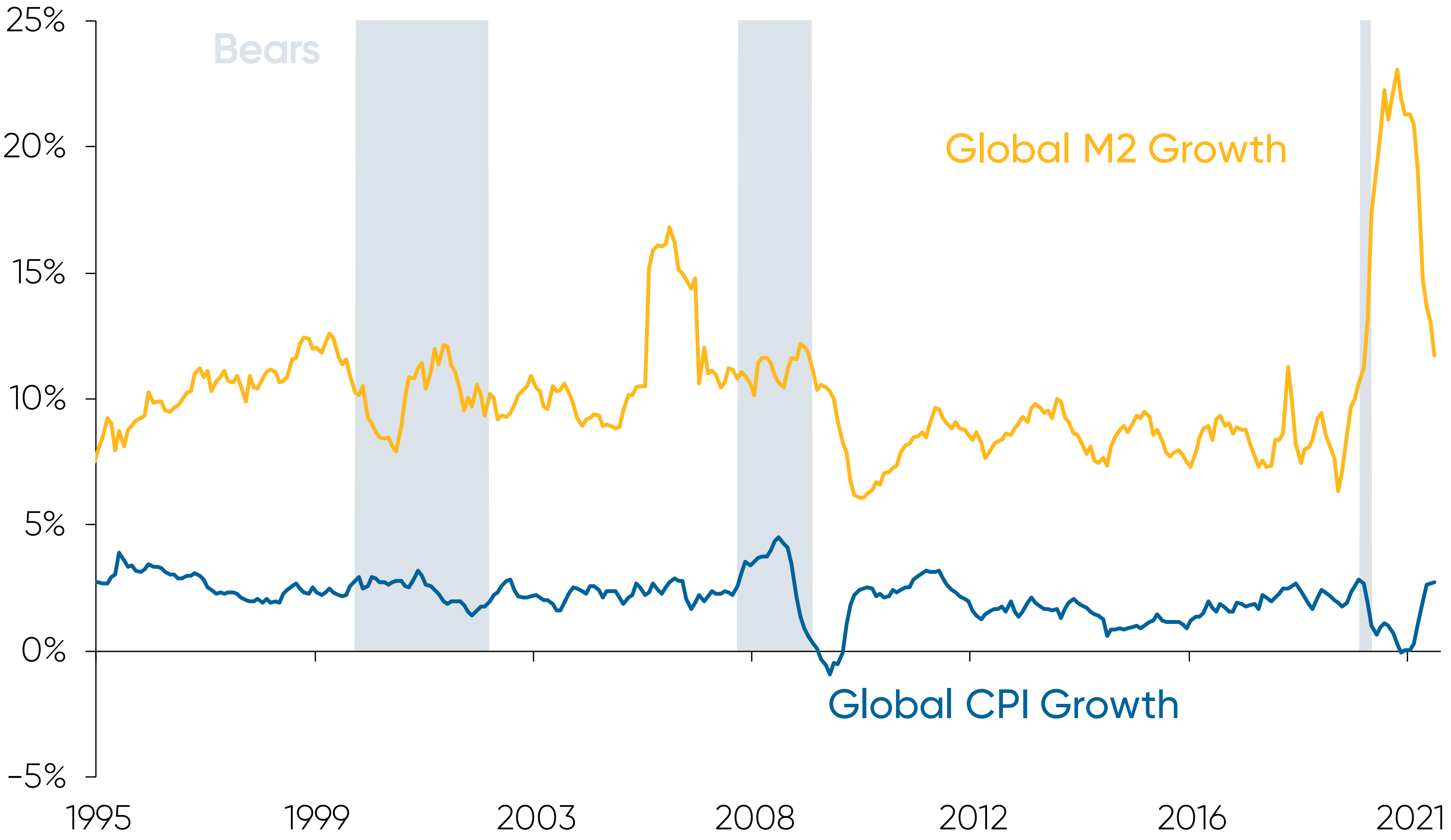
Country/Region Consumer Price Index, Year-Over-Year % Change



Source: FactSet, as of 30/07/2021. Y/Y percent change in Consumer Price Index for US, eurozone, UK, Japan and China, monthly, 31/07/2015 – 31/07/2021.

ECONOMIC

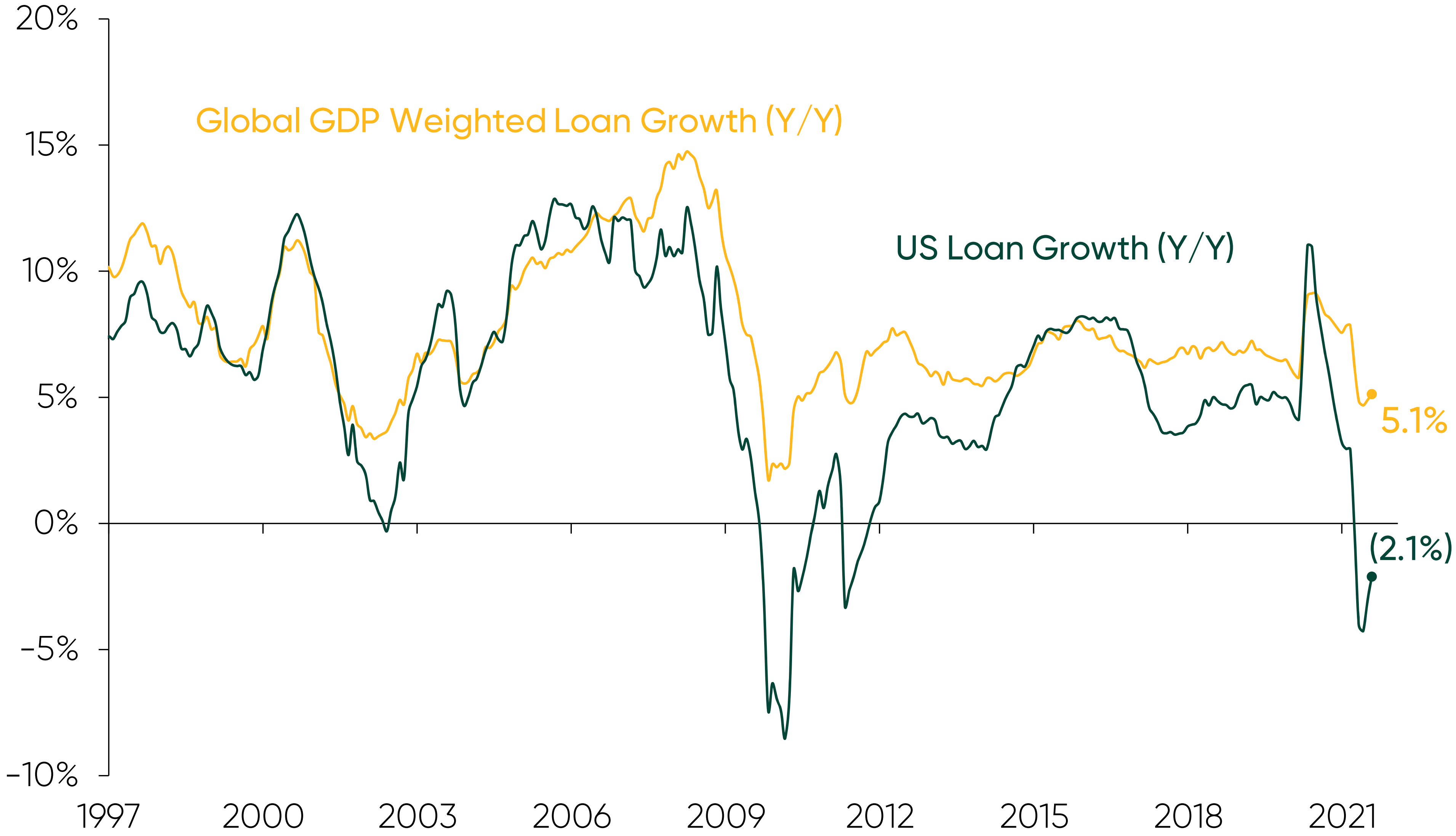
Central Bank policies have caused massive money supply growth, which has led to a recent uptick in global inflation. In our view, recent inflation data reflects temporary supply constraints and a base effect skew from pandemic lows that is unlikely to persist going forward.



Source: FactSet, Fisher Investments Research. Global M2 growth shown as the GDP-weighted year-over-year change in M2 level for the top 30 countries by GDP. Global CPI growth shown as the GDP-weighted year-over-year change in CPI level for the top 30 countries by GDP. Based on monthly data from 01/01/1995 – 31/07/2021, latest available data.

ECONOMIC

Loan growth got a boost from stimulus measures providing aid to struggling companies in mid-2020. But loan growth has subsequently decelerated – a headwind to higher economic growth and inflation.

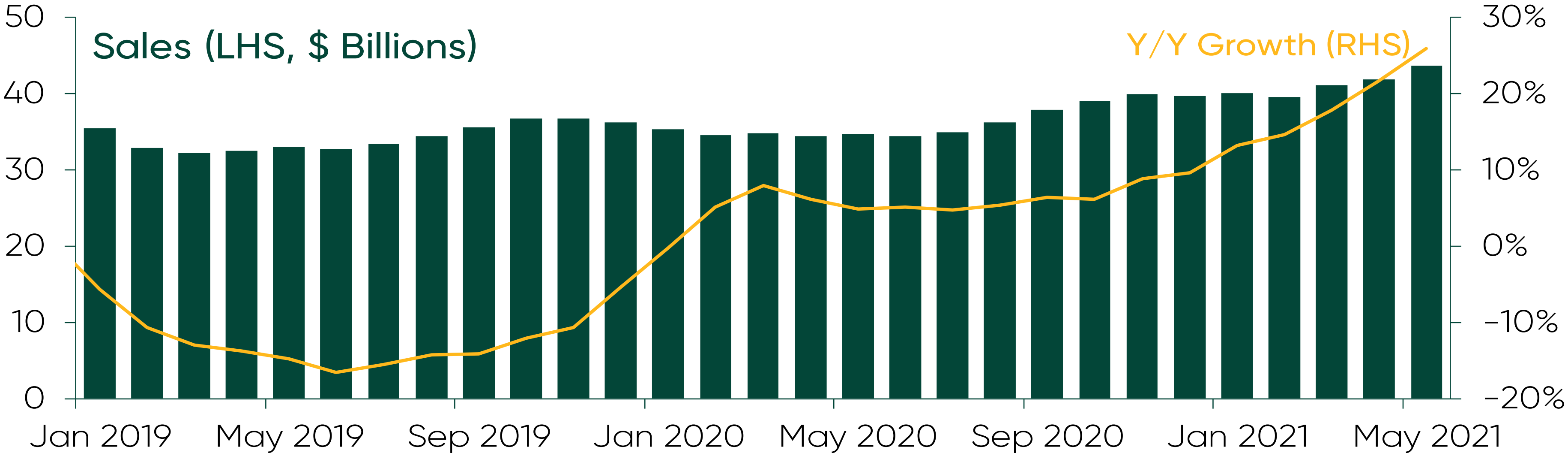


Source: FactSet. US & Global loan growth, year-over-year change, monthly, 01/01/1997 – 31/07/2021, latest available data. Global loan growth weighted by GDP. Global based on top countries by GDP.

ECONOMIC

Despite ongoing shortages, chip sales continue to accelerate and grew +18% y/y in March 2021. Long-term secular growth drivers remain strong, with chip content rising in a variety of applications.

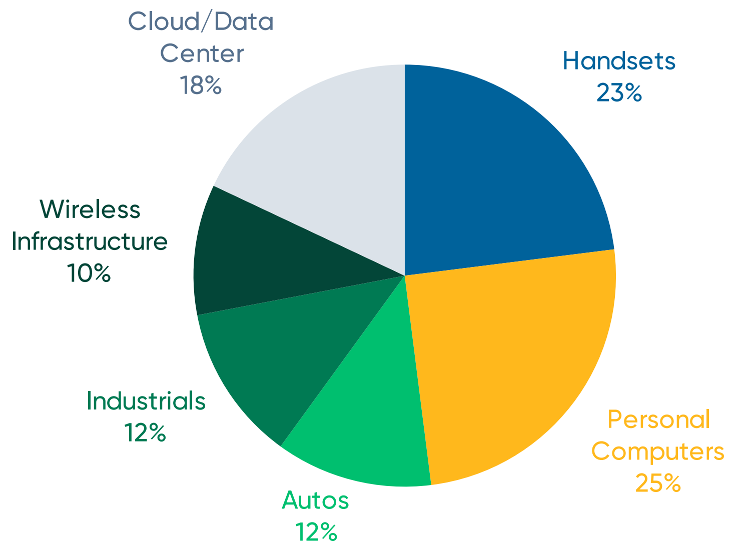
Global Semiconductor Sales



Semiconductor Content Rising

Semi Content per Unit	2015	2020	2025F
High End Smartphone	$ 100	$ 170	$ 275
Auto (Global Average)	$ 310	$ 560	$ 690
Datacenter Server (CPU + Accelerator)	$ 1,620	$ 2,810	$ 5,600
Smarthome (Global Average)	$ 2	$ 4	$ 9

Semiconductor Demand by End Market



Top chart source: FactSet & Semiconductor Industry Association, as of May 2021. Bottom left chart source: Applied Materials Presentation, as of April 2021. Bottom right chart source: Department of Defense – 2018 Defense Strategy of the US.

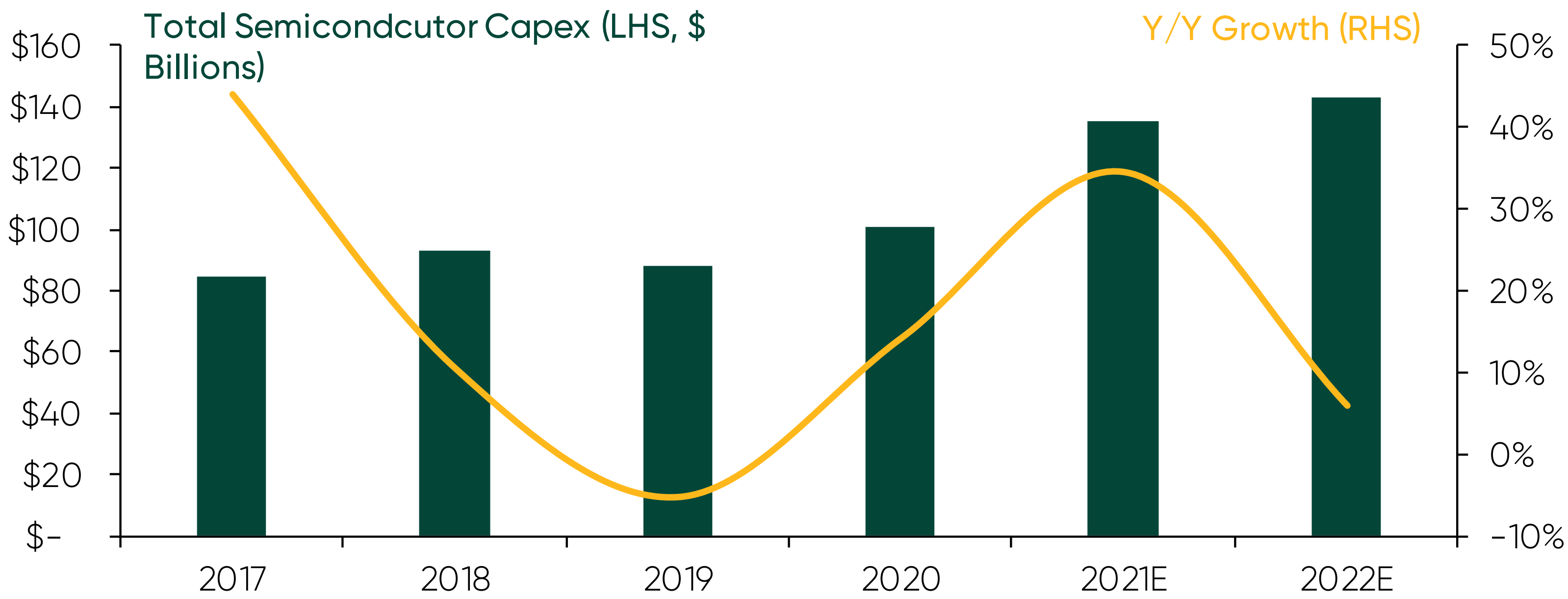
ECONOMIC

Semiconductor shortages highlight strong chip demand, and capacity additions should ease shortages moving forward. However, rising capex spending also increases eventual down-cycle risks.

Major Semiconductor Companies Capex Announcements

Company	Recent Announcements
Taiwan Semiconductor Manufacturing	Investing $100B over the next 3 years, primarily on leading edge technology
Samsung	Reportedly investing $17B in a new fab in the US
Intel	Announced IDM 2.0 strategy and is investing $20B in two new fabs
GlobalFoundries	Increasing 2021 capex to $1.4B (~+100% y/y) to add manufacturing capacity
SMIC	2021 capex of $4.3B, with 50% going towards mature node capacity expansion
United Microelectronics	Raised 2021 capex to $2.3B (from $1.7B) mainly to increase 28nm production capacity
Tower Semiconductor	Investing $150M in capacity expansions
Vanguard Semiconductor	Raised 2021 capex guidance by ~70%, primarily for 2022 capacity expansions

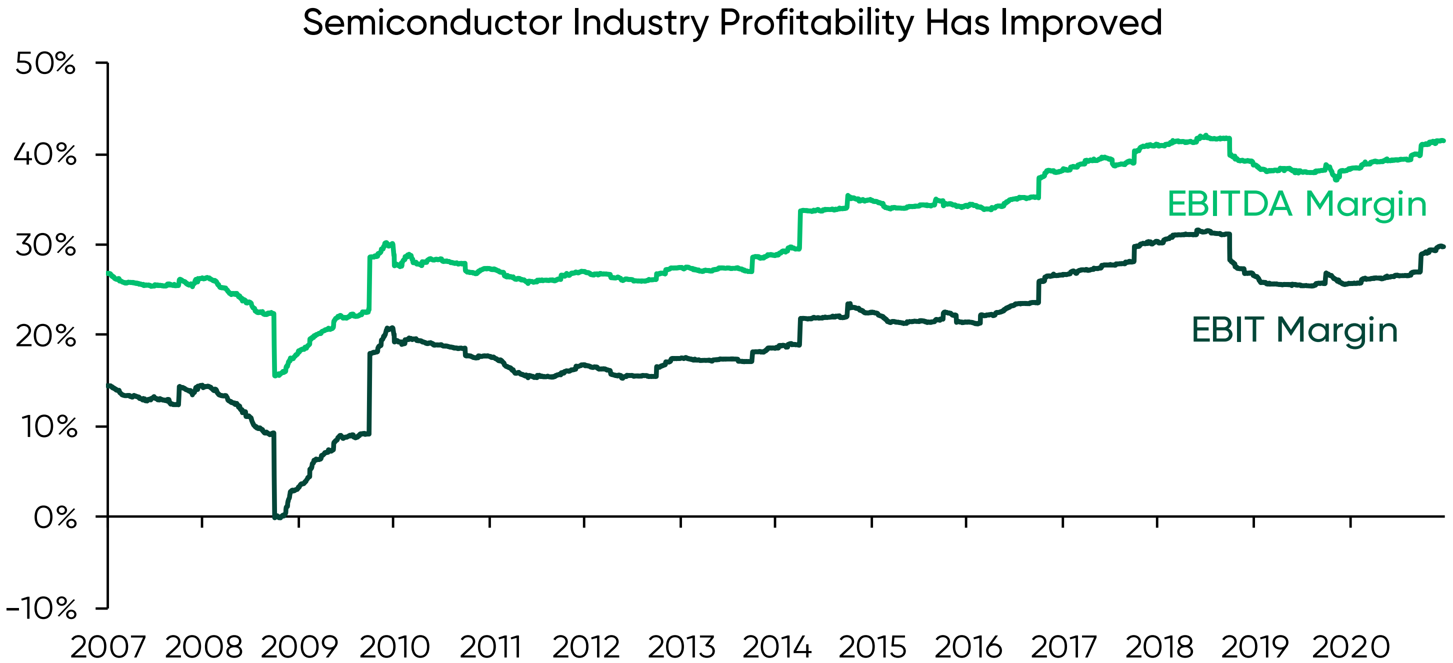
Historical Semiconductor Capital Spending

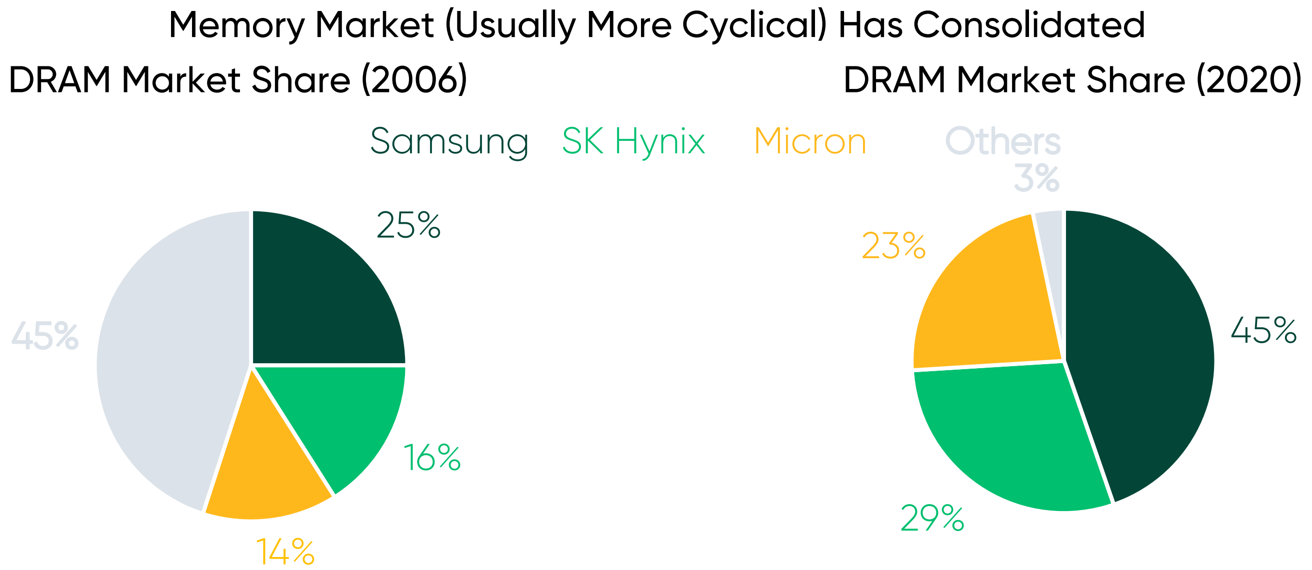


Top Chart Source: Fisher Investments Research & Respective Company Filing as of May 2021. Bottom Chart Source: Gartner, J.P. Morgan, Company Filings, as of May 2021.

ECONOMIC

The semiconductor industry remains cyclical, however, the cyclicality has diminished as new applications (Data Center, AI) have emerged and industries consolidated – leading to improved profitability.



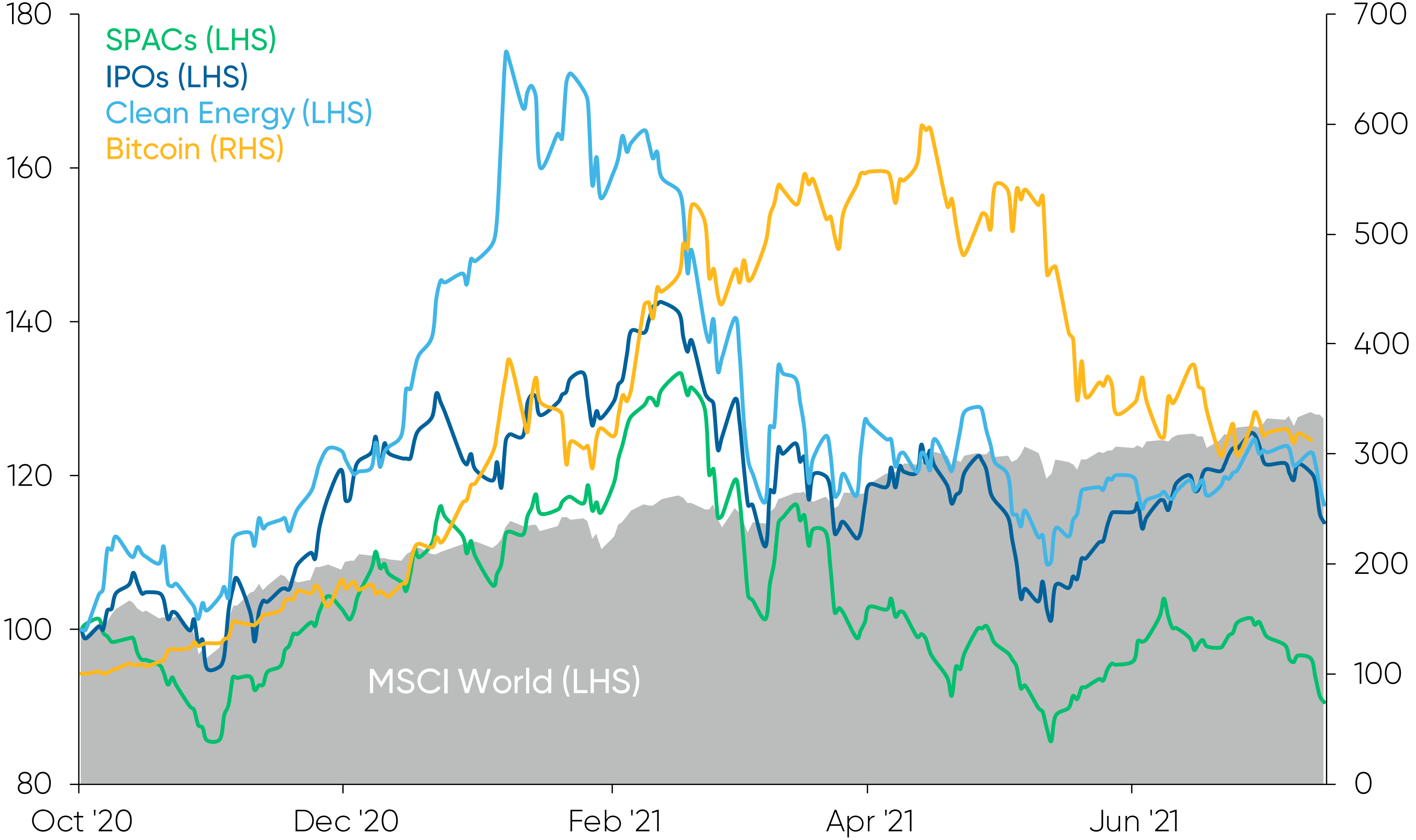


Top Chart Source: Fisher Investments Research, FactSet, based on MSCI ACWI Semiconductor, as of May 2021. Bottom Chart Source: UBS, Gartner, Company Data, as of May 2021.

SENTIMENT

Some of the highest-flying categories have fallen significantly from their peaks, yet broad indexes remain near all-time highs. This may suggest pockets of euphoria were category-specific and contained, not broad based.

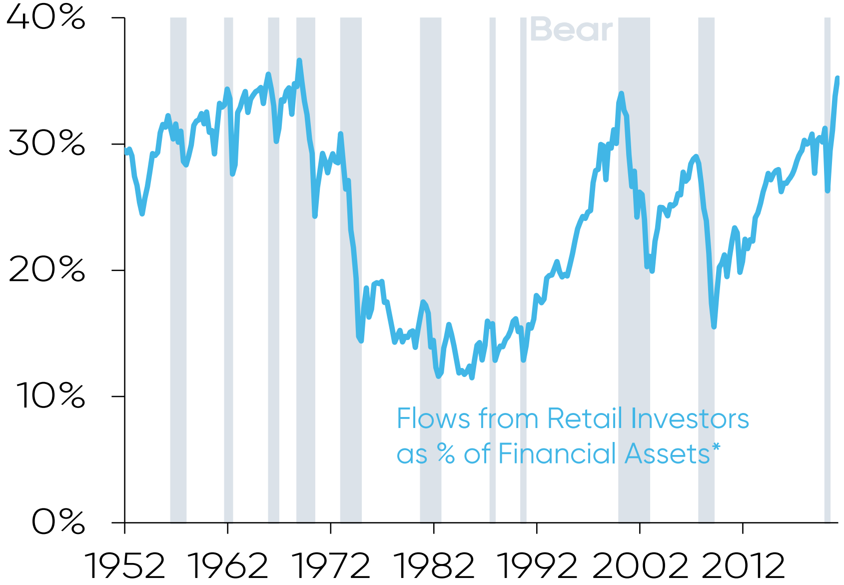
MSCI World, Category ETF's and Bitcoin Price Indexed to 100

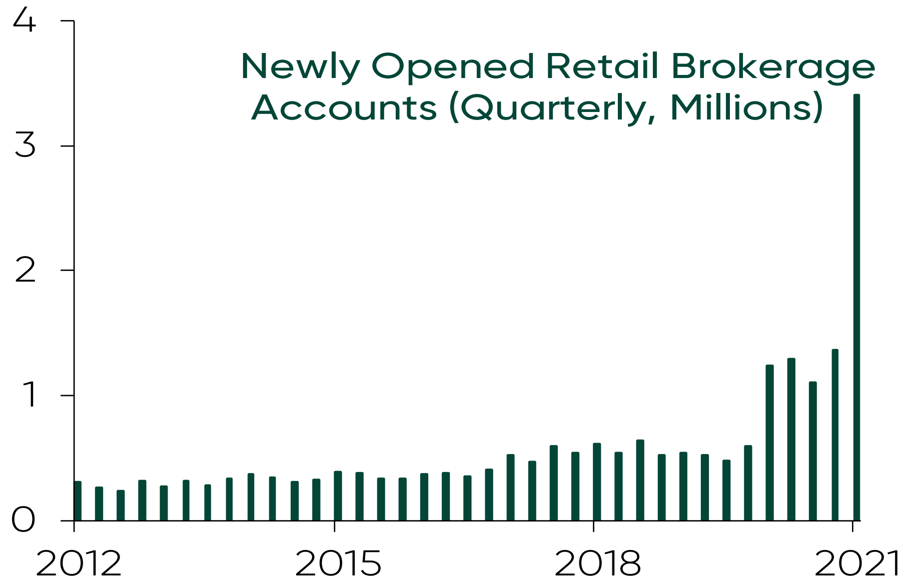


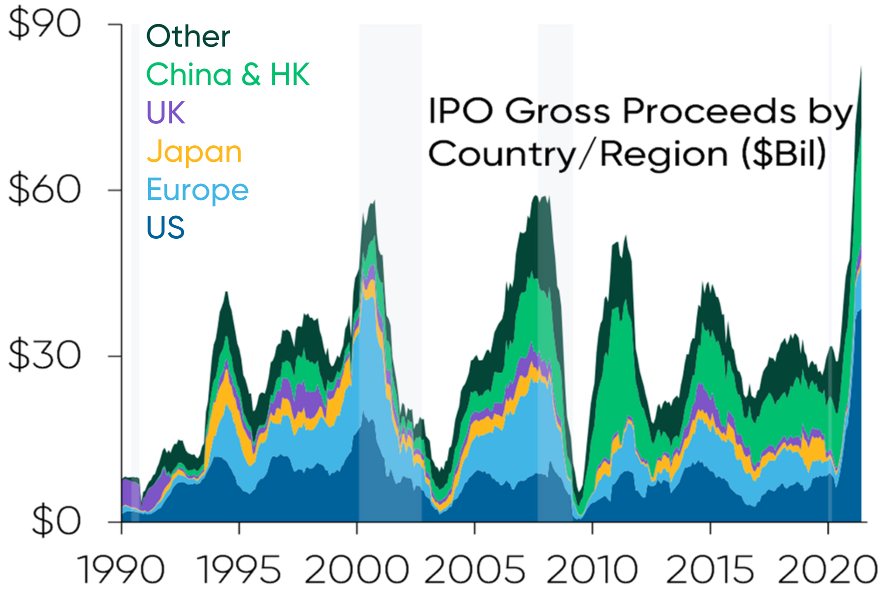
Source: FactSet, CoinMarketCap. MSCI World Price Index, Defiance Next Gen SPAC ETF close price (SPAK, USD), Renaissance IPO ETF close price (IPO, USD), iShares Global Clean Energy close price (ICLN, USD) and Bitcoin price in USD, indexed to 100 on 01/10/2020, daily, 01/10/2020 – 30/07/2021.

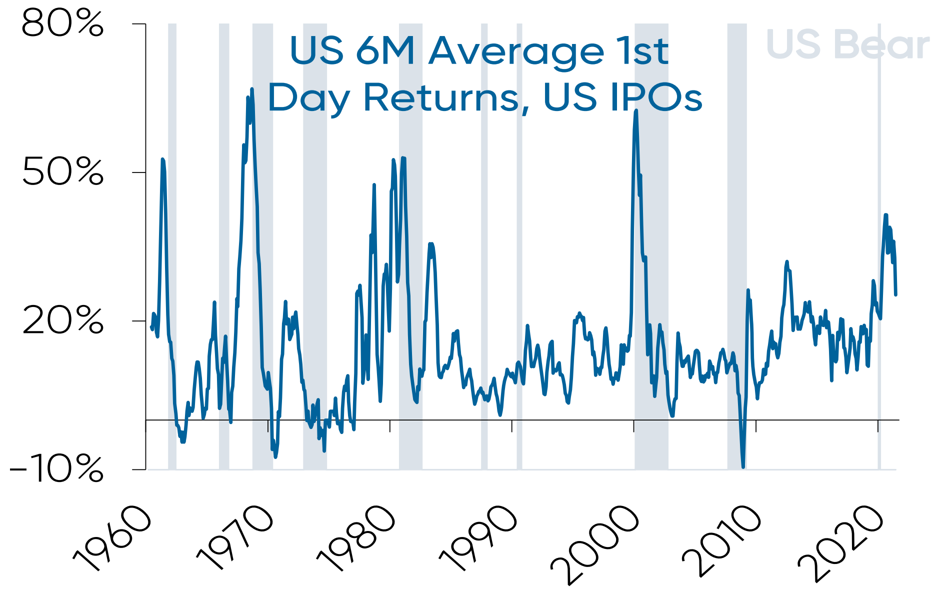
SENTIMENT

Despite the fact a new bull market technically began in March 2020, numerous sentiment and market indicators are consistent with a late-cycle environment.







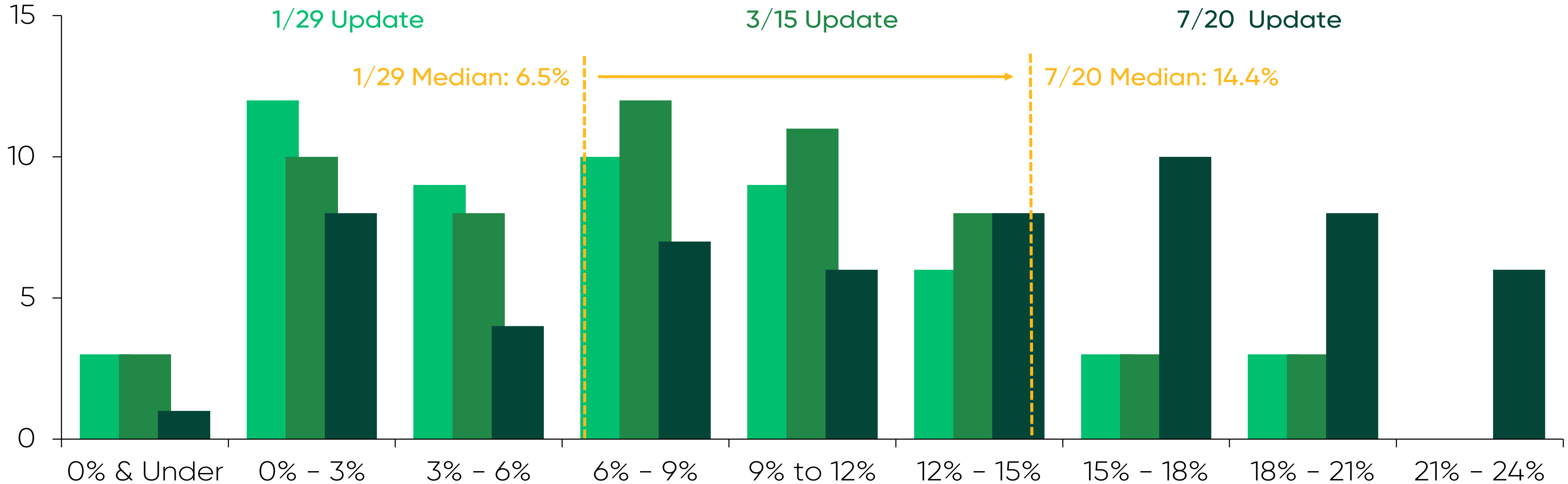


*Source: FactSet, Federal Reserve, Refinitiv, Datastream as of 31/08/2021. Flow of funds, households and non-profit organisations, *allocation to equities and equity mutual funds as a percentage of assets, quarterly, 31/12/1951 – 31/03/2021. Net new retail brokerage accounts opened, not including accounts gained via acquisition, Schwab, TD Ameritrade and Interactive Brokers, reported quarterly, 01/01/2016 – 31/03/2021. TDA count discontinued in Q3 2020 due to Schwab's acquisition. IPO proceeds by region, trailing 12-month (TTM), inflation-adjusted, shown in 1971 dollars, monthly, 01/01/1979 – 30/06/2021; US IPOs average 1st day return, 6-month average, monthly, 31/12/1960 – 30/06/2021.*

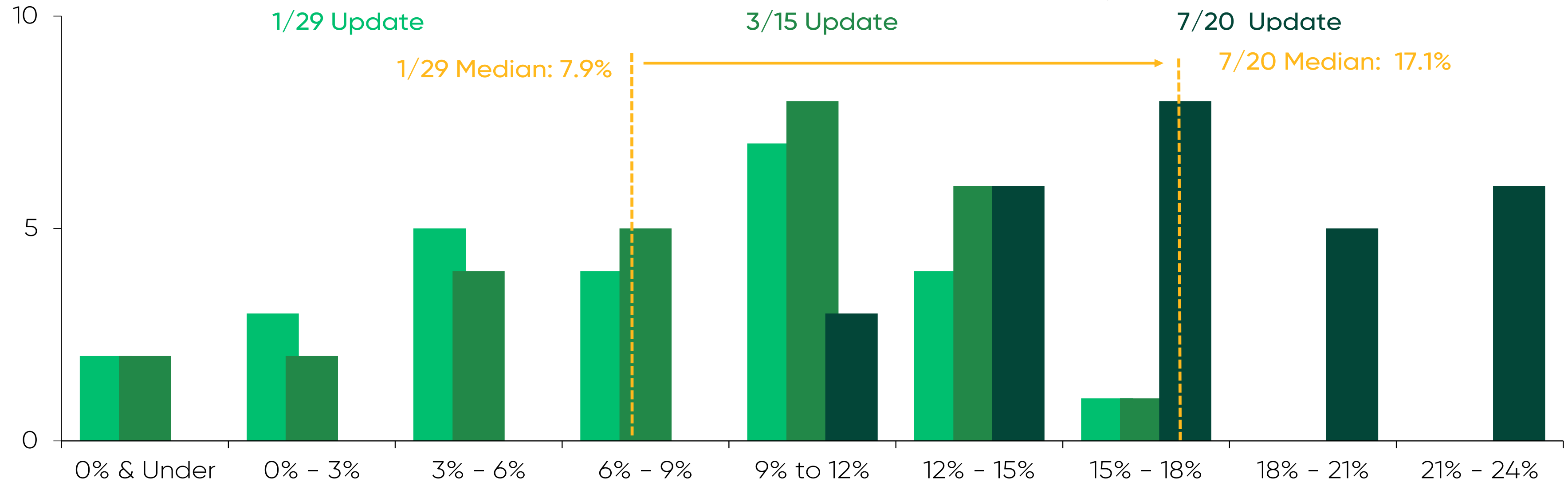
SENTIMENT

Markets rarely do what most expect. Understanding consensus views can be an effective aid in determining potential positive and negative surprises. Starting 2021, professional investors were cautiously optimistic. As equities have moved up, many have ratcheted their forecasts higher but only to current market levels.

S&P 500 2021 Forecasts: Count of Total Observations by Growth Rate



S&P 500 2021 Forecasts: Count of Revised Observations by Growth Rate



Source: Fisher Investments Research, as of 14/07/2021. Top chart shows all S&P 500 Price Index level guru forecasts for 31/12/2021 in January 2021 (55), March (58) and July 2021 (58). Bottom chart shows only revised 31/12/2021 price level observations in January 2021 (25), March (28) and July 2021 (28).

SENTIMENT

As 2021 began, investment managers responding to the BofA survey overwhelmingly believed inflation would run hot and value equities would beat growth. At midyear, that sentiment seems more mixed.

% of Respondents
"Value Equities Will Outperform Growth"

% of Respondents
"Expecting higher global CPI"

COUNTRY DRIVER ANALYSIS

OVERWEIGHT UNITED STATES

US stocks should benefit from a higher concentration of high gross profit margin mega-cap firms, particularly in the Technology sector. Additionally, the first year of a new Democratic president has historically been strong for US stocks, and narrow Democratic majorities help ensure major regulatory disruption is unlikely.

ECONOMIC DRIVERS

+ **Mega-Cap Exposure:** The US has a high concentration of the world's mega-cap stocks. These globally-competitive firms typically grow earnings more consistently than smaller peers.
+ **Tech Strength:** The global Technology sector is heavily concentrated in the United States, and we expect the ongoing shift toward mobile and cloud computing to continue supporting the Technology sector. Our portfolio positioning in the US has sizeable Technology exposure.
+ **Housing Market:** Following the recent mortgage rate decline, mortgage applications have increased. While some pockets of credit have tightened during the pandemic, loans remain available for borrowers with good credit. Additionally, US mortgage debt servicing ratios are at multi-decade lows.
+ **Pace of Economic Growth:** Value stocks outperformed in the first half of 2021. However, we believe the rapid pace of economic growth associated with re-opening is likely to decelerate on a forward-looking basis – a tailwind to the less economically-sensitive mega-cap growth stocks concentrated in the US.

± **Tame Inflation:** Some inflation is presently apparent due to tight manufacturing supply chains and shortages associated with re-opening, but we believe those bottlenecks are likely a temporary phenomenon that should clear in the coming months, particularly if the rapid pace of growth begins to decelerate, as it frequently does following a post-recession bounce.

POLITICAL DRIVERS

+ **Intra-Party Gridlock:** Following Democratic victories in the Georgia Senate runoffs and the passage of the American Rescue Plan, market participants now expect a wave of legislative change. However, this is the narrowest Democratic majority in modern history. We believe major legislative changes are unlikely with only 50 Democratic Senate seats, particularly given the presence of several moderate Democratic senators.
+ **New Democratic President:** Historically, markets perform below average in the election year of new Democratic presidents, but then perform above average in the subsequent inaugural year. Market participants' fears about potential legislative changes are likely factored into election year returns, but those fears are rarely realised in full, which may explain why markets usually surprise to the upside the following year.

± **Corporate Taxes:** President Biden is proposing a variety of tax hikes, including moving the corporate tax rate from 21% to 28%. In our opinion, the narrow Democratic majority probably makes such an outcome unlikely. Even if taxes rise, US tax policy has not historically been a dominant driver of US equity returns.

SENTIMENT DRIVERS

+ **Market Preference for Cyclicals:** In the aftermath of the vaccine announcement and Georgia Senate runoffs, market participant broadly prefer cyclical stocks, which are more concentrated outside the US. In our opinion, this circumstance is similar to the 2017 post-election surge in cyclical stocks, which eventually faded as the brief bounce out of the 2016 mid-cycle slowdown subsided.

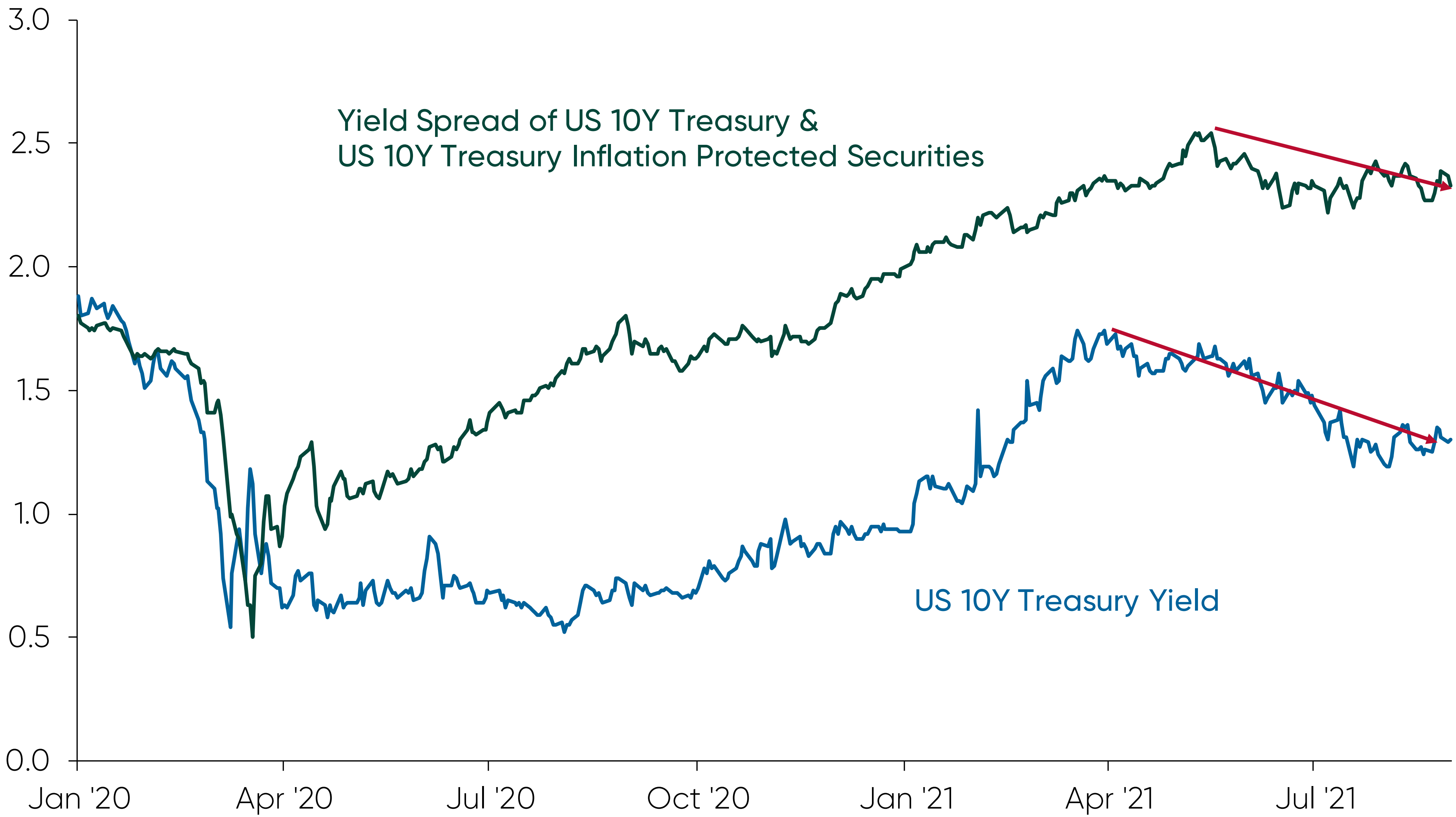
- **IPO Activity Rising:** US IPO activity has been picking up, but it remains below levels observed in prior historical IPO crazes.

As of September 2021. We have provided our general comments to you based on information we believe to be reliable. There can be no assurances that we will continue to hold this view; we may change our view at any time based on new information, analysis, or reconsideration.

ECONOMIC

Inflation expectations and long-term bond yields rose steadily from their March 2020 lows but have pulled back recently.

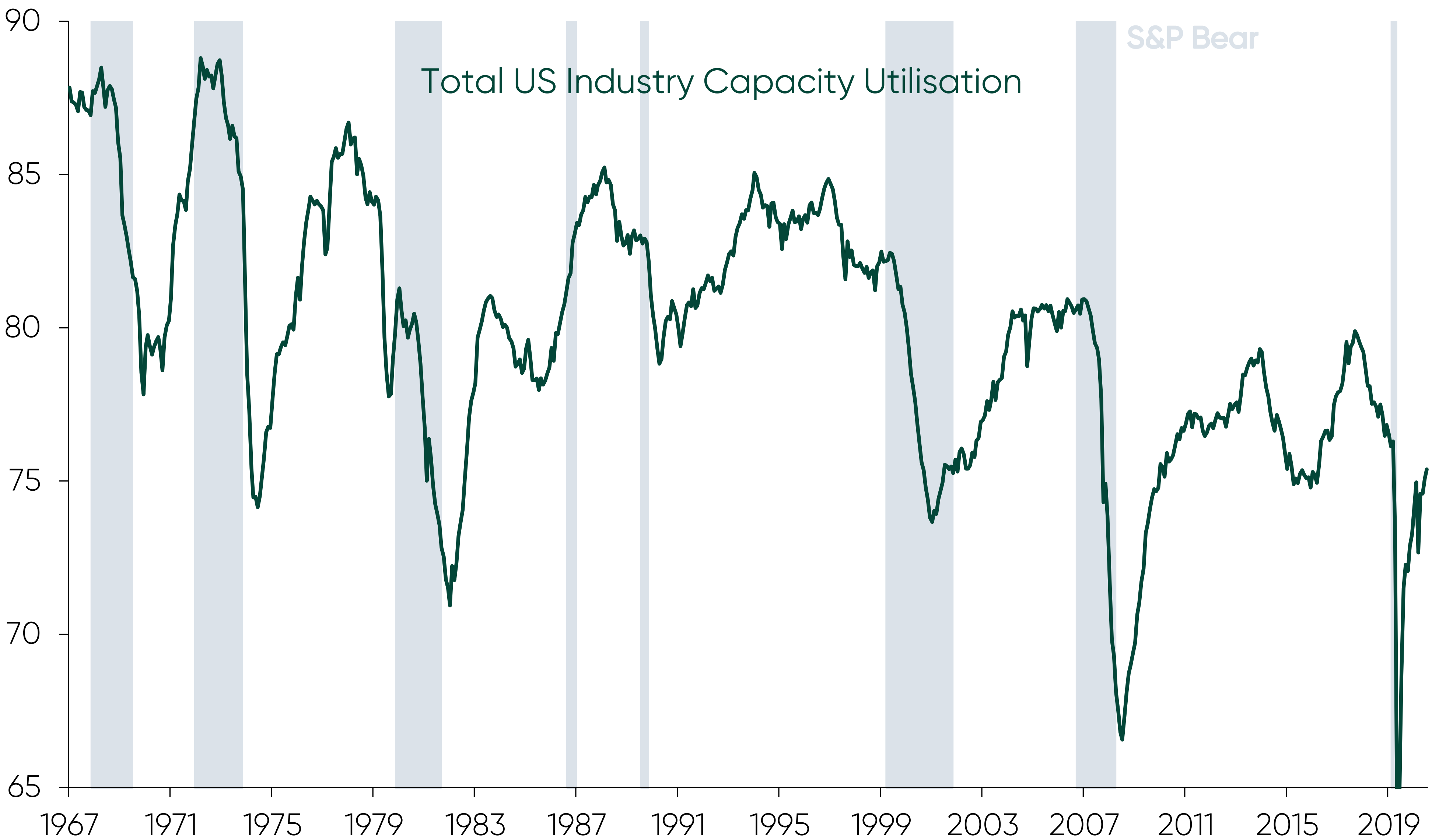
US 10-Year Treasury Yield & US 10-Year Breakeven Inflation Rate



Source: FactSet, US Treasury 10-Year Yield and spread with 10-Year TIPS, daily, 01/01/2020 – 31/08/2021.

ECONOMIC

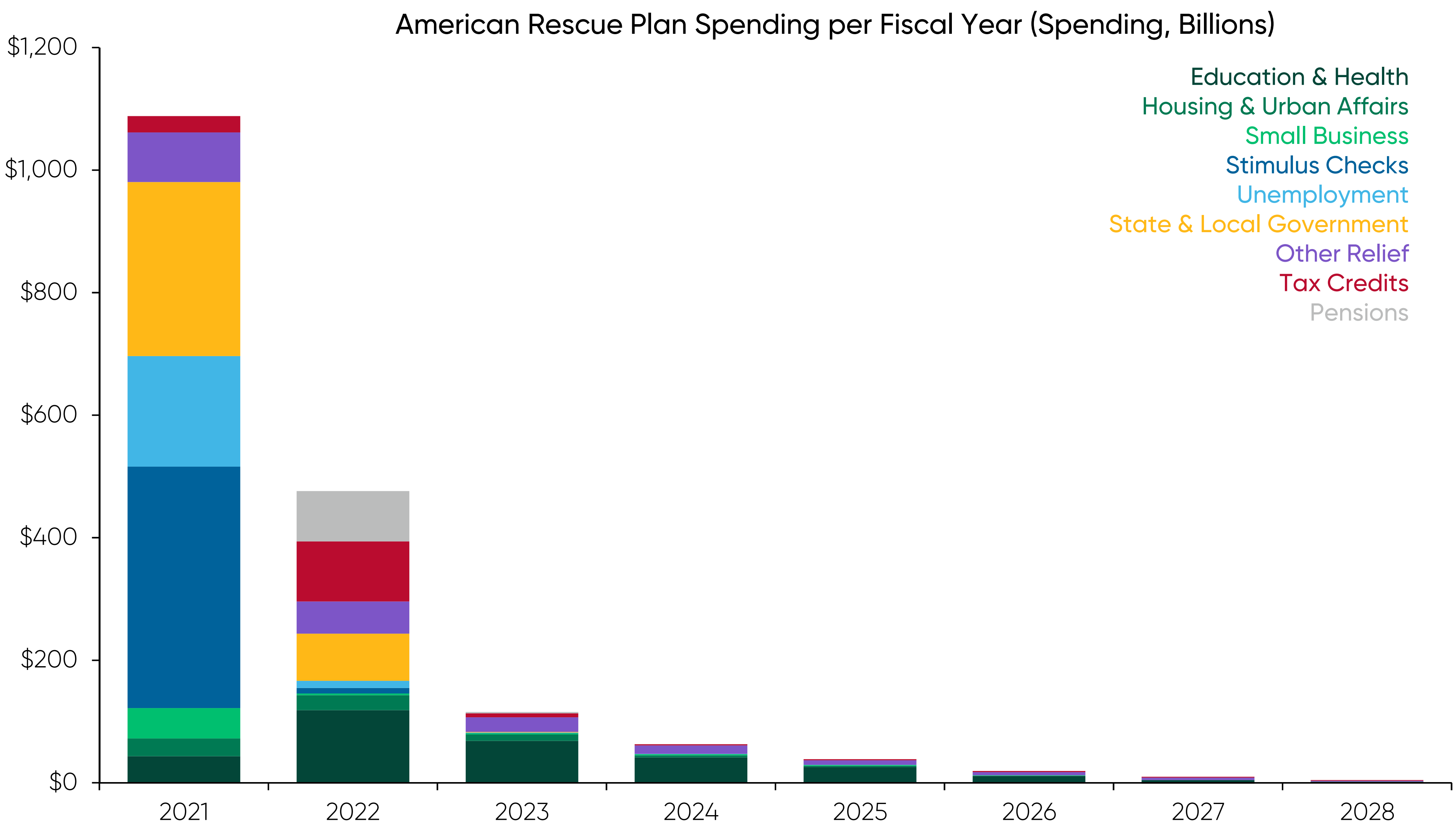
Capitalism and innovation can be powerful disinflationary forces so long as an economy has sufficient capacity to produce. Capacity has come online slower than usual due to supply-chain bottlenecks and COVID-related issues, but there is plenty of capacity to eventually meet growing demand.



Source: FactSet, Conference Board US, as of 30/06/2021. Capacity utilisation rate, total industry, United States.

ECONOMIC

61% of the roughly $1.8* trillion American Rescue Plan (ARP) spending will occur in 2021** with the bulk going to stimulus checks, and state/local government relief. About 38% of ARP spending, roughly $691 billion, will go out from 2022 though 2025, with the bulk going to education & healthcare, pension relief and increased tax credits.

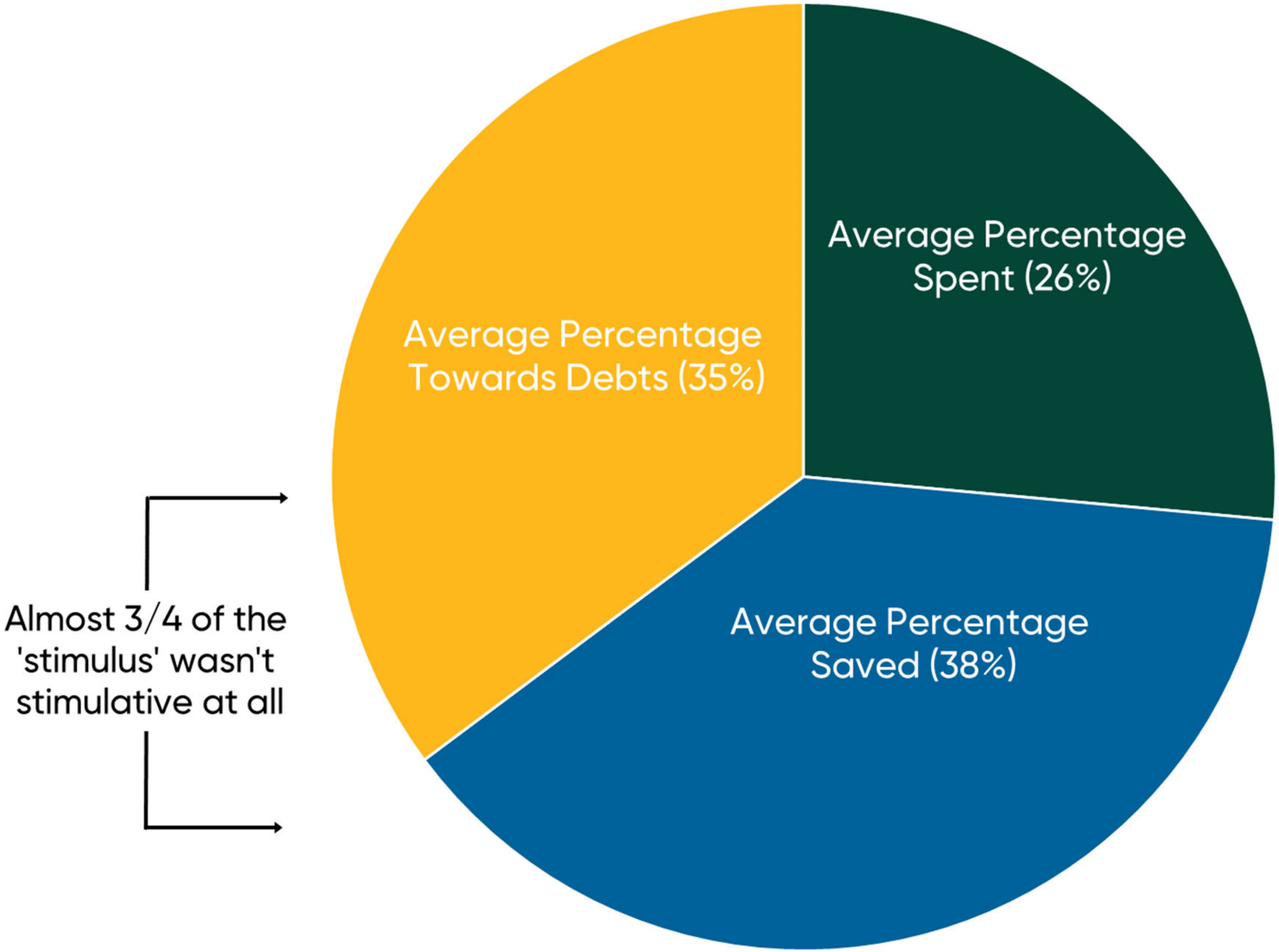


*Source: Congressional Budget Office, US House of Representatives archives. Estimated budgetary effects as passed by the senate on March 6th, 2021. Estimates are relative to CBO's February 2021 baseline. Components may not sum to totals because of rounding. "This study only looks at the actual cash outflows from the American Rescue Plan Act valued at $1.9 trillion when including estimated tax revenue losses. **Government fiscal year ends on September 30th.*

ECONOMIC

Surveys suggest the majority of US stimulus checks went to savings and paying down debt rather than spending.

How are Households Using Their Stimulus Checks?



Source: Federal Reserve Bank of New York, as of 04/07/2021. Survey of Consumer Expectations, average respondents who reported receiving a stimulus check.

ECONOMIC

Many fear potential tax increases will weigh on markets, but history suggests tax changes often don't have the impact investors expect.

Corporate Hikes

Effective Date	New Tax Rate	S&P 500 Return +12M
2/26/1926	14%	89%
1/1/1930	12%	-29%
6/6/1932	14%	98%
6/22/1936	15%	2%
5/28/1938	19%	23%
10/8/1940	24%	-5%
9/20/1941	31%	-16%
10/21/1942	40%	25%
9/23/1950	42%	20%
10/20/1951	51%	4%
1/1/1952	52%	12%
6/28/1968	53%	-2%
8/10/1993	35%	2%
Average:		11%

Personal Hikes

Effective Date	New Tax Rate	S&P 500 Return +12M
1/1/1930	25%	-29%
6/6/1932	63%	98%
1/1/1936	79%	28%
6/25/1940	81%	1%
10/21/1942	88%	25%
5/29/1944	94%	23%
9/23/1950	84%	20%
10/20/1951	91%	4%
1/1/1952	92%	12%
6/28/1968	75%	-2%
12/30/1969	77%	1%
1/1/1991	31%	26%
8/10/1993	40%	2%
1/2/2013	40%	25%
Average:		17%

Capital Gains Hikes

Effective Date	New Tax Rate	S&P 500 Return +12M
1/1/1968	27%	8%
1/1/1969	28%	-11%
1/1/1970	32%	0.1%
1/1/1971	34%	11%
1/1/1972	37%	16%
1/1/1976	40%	19%
1/1/1987	28%	2.%
1/1/1991	29%	26%
1/1/1993	29%	7%
1/1/2013	25%	30%
Average:		11%

Source: Tax Policy Center and Global Financial Data, as of 01/31/2018. Corporate, income, and capital gains tax hikes, S&P 500 Price Index, 01/01/1929 – 02/01/2014.

ECONOMIC

Historically, fiscal stimulus programs have not increased near-term growth much.

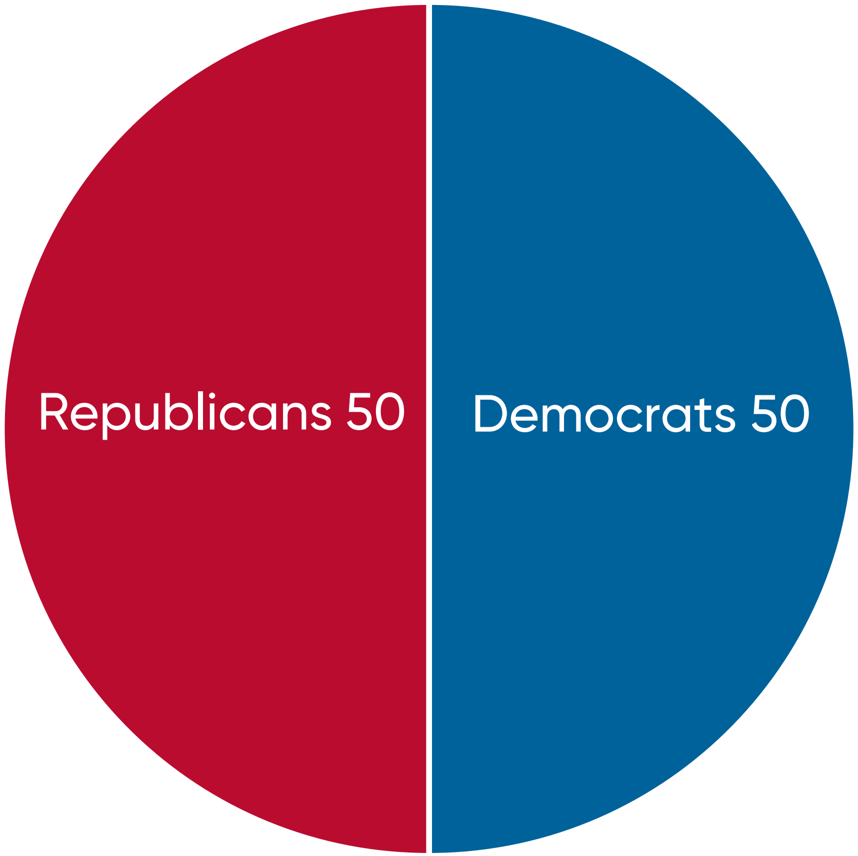
		Real GDP Growth Rate Y/Y	
Date	Fiscal Package	Base Year	+1 Year
12/8/1971	Revenue Act of 1971	4.4%	6.9%
3/29/1975	Tax Reduction Act of 1975	-2.3%	6.2%
10/4/1976	Tax Reform Act of 1976	4.3%	5.0%
5/13/1977	Economic Stimulus Appropriations Act of 1977	4.5%	6.1%
11/6/1978	Revenue Act of 1978	6.7%	1.3%
8/13/1981	Economic Recovery Tax Act of 1981	4.3%	-2.6%
6/7/2001	Economic Growth and Tax Relief Reconciliation Act of 2001	1.1%	1.3%
3/9/2002	Job Creation and Worker Assistance Act of 2002	1.3%	1.8%
5/28/2003	Jobs and Growth Tax Relief Reconciliation Act of 2003	2.0%	4.2%
2/13/2008	Economic Stimulus Act of 2008	1.1%	-3.3%
10/3/2008	Emergency Economic Stabilization Act of 2008	-2.8%	0.2%
2/17/2009	American Recovery and Reinvestment Act of 2009	-3.3%	1.7%
12/17/2010	Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010	2.6%	1.6%
2/22/2012	Middle Class Tax Relief and Job Creation Act of 2012	2.7%	1.6%
1/2/2013	American Taxpayer Relief Act of 2012	1.6%	1.4%
12/22/2017	Tax Cuts and Jobs Act of 2017	2.7%	2.5%
	Average	1.9%	2.2%
	Median	2.3%	1.7%
	Frequency Positive	81%	88%

Source: FactSet, St. Louis FRED, Fisher Investments Research, as of 31/03/2021. Real median GDP (Gross Domestic Product) y/y growth, quarterly, 1971 – 2020.

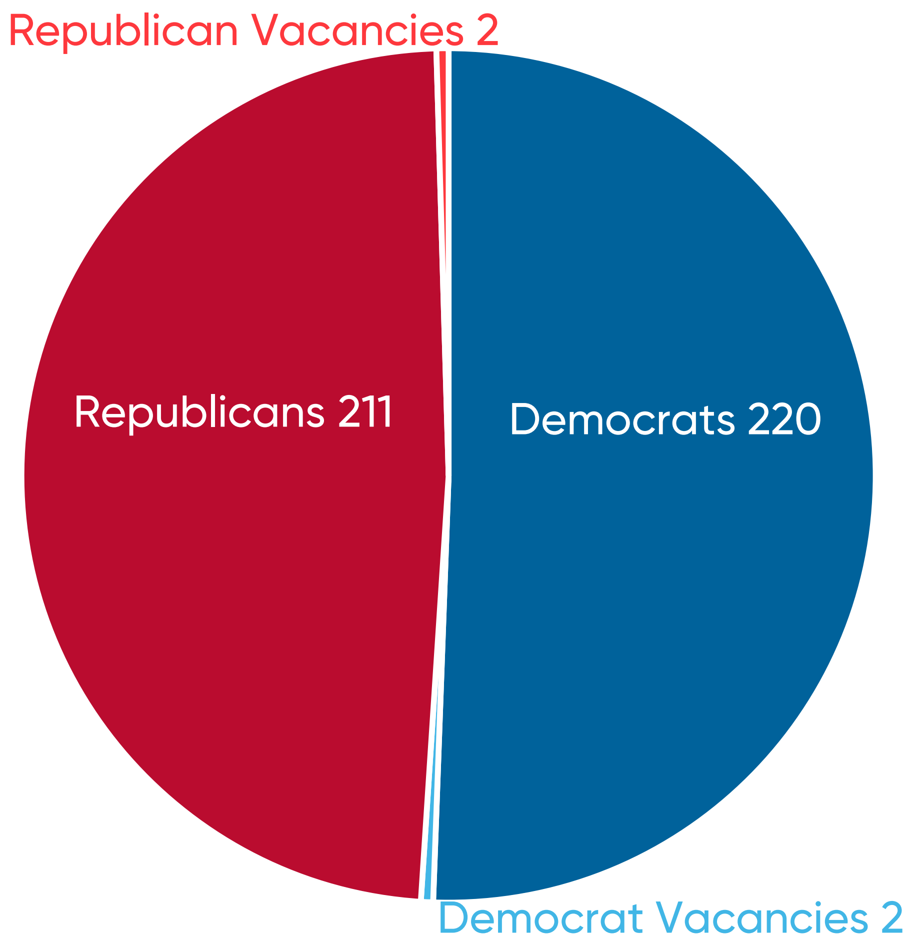
POLITICAL

Democrats control the White House, House of Representatives and Senate, but by some of the slimmest margins in history. The resulting gridlock means a low risk of controversial legislation.

Senate Margins of Control
(Seats)



House Margins of Control
(Seats)



Sources: US Senate & House of Representatives Party Divisions, as of 29/07/2021.

POLITICAL

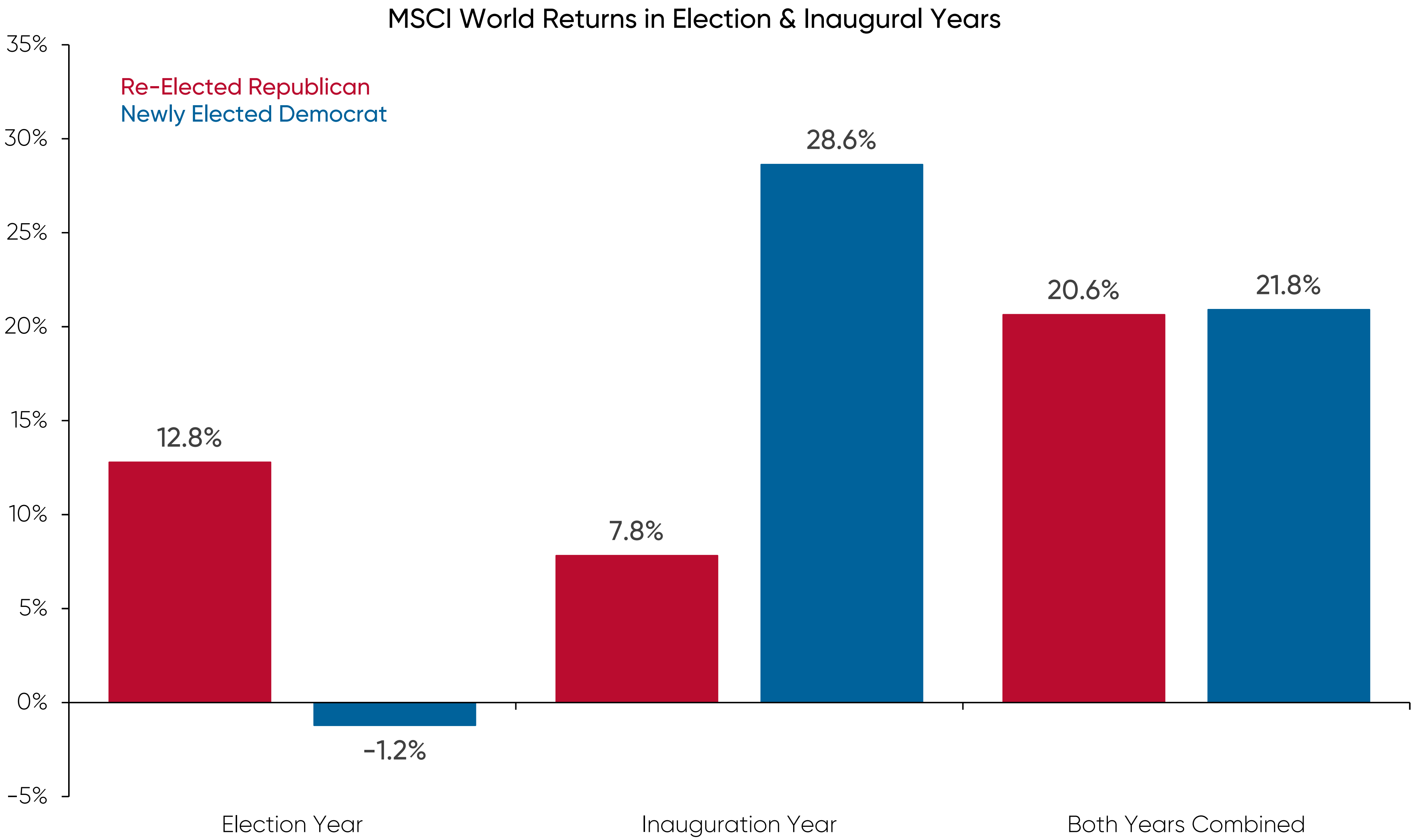
US Presidents' first years are variable but very strong when positive. Moreover, average returns under new democrats have been well above average.

President	Inaugural Year		Second Year		Third Year		Election Year	
Coolidge	1925	29.5%	1926	11.1%	1927	37.1%	1928	43.3%
Hoover	1929	-8.9%	1930	-25.3%	1931	-43.9%	1932	-8.9%
FDR -- 1st	1933	52.9%	1934	-2.3%	1935	47.2%	1936	32.8%
FDR -- 2nd	1937	-35.3%	1938	33.2%	1939	-0.9%	1940	-10.1%
FDR -- 3rd	1941	-11.8%	1942	21.1%	1943	25.8%	1944	19.7%
FDR / Truman	1945	36.5%	1946	-8.2%	1947	5.2%	1948	5.1%
Truman	1949	18.1%	1950	30.6%	1951	24.6%	1952	18.5%
Ike -- 1st	1953	-1.1%	1954	52.4%	1955	31.4%	1956	6.6%
Ike -- 2nd	1957	-10.9%	1958	43.3%	1959	11.9%	1960	0.5%
Kennedy / Johnson	1961	26.8%	1962	-8.8%	1963	22.7%	1964	16.4%
Johnson	1965	12.4%	1966	-10.1%	1967	23.9%	1968	11.0%
Nixon	1969	-8.5%	1970	4.0%	1971	14.3%	1972	18.9%
Nixon / Ford	1973	-14.8%	1974	-26.5%	1975	37.3%	1976	23.7%
Carter	1977	-7.4%	1978	6.4%	1979	18.4%	1980	32.3%
Reagan -- 1st	1981	-5.1%	1982	21.5%	1983	22.5%	1984	6.2%
Reagan -- 2nd	1985	31.6%	1986	18.6%	1987	5.2%	1988	16.6%
Bush	1989	31.7%	1990	-3.1%	1991	30.5%	1992	7.6%
Clinton -- 1st	1993	10.1%	1994	1.3%	1995	37.6%	1996	23.0%
Clinton -- 2nd	1997	33.4%	1998	28.6%	1999	21.0%	2000	-9.1%
Bush, G.W. -- 1st	2001	-11.9%	2002	-22.1%	2003	28.7%	2004	10.9%
Bush, G.W. -- 2nd	2005	4.9%	2006	15.8%	2007	5.5%	2008	-37.0%
Obama - 1st	2009	26.5%	2010	15.1%	2011	2.1%	2012	16.0%
Obama - 2nd	2013	32.4%	2014	13.7%	2015	1.4%	2016	12.0%
Trump	2017	21.8%	2018	-4.4%	2019	31.5%	2020	18.4%
Biden	2021		2022		2023		2024	
Percent Positive	58.30%		62.50%		91.70%		83.30%	
Average Positive Return	26.30%		21.10%		22.10%		17.00%	
Average Return	10.50%		8.60%		18.40%		11.40%	
New Dem Average	21.80%		2.30%		25.60%		24.10%	

Source: Global Financial Data, as of 04/01/2021. S&P 500 Total Return Index, 1925 – 2020.

POLITICAL

US Elections can have a big impact on global equities. Investors tend to celebrate Republican victories in election years, whereas equities struggle when a new Democrat is elected. But those trends usually reverse in inaugural years.



Source: Global Financial Data, as of 31/12/2020. MSCI World Total Return Index 1925 to 2020. Based on average calendar year returns. A proxy for MSCI World is used for data prior to 1970.

COUNTRY DRIVER ANALYSIS

NEUTRAL EUROPEAN MONETARY UNION

European markets are dominated by value-oriented manufacturing industries and large defensive consumer staples or pharmaceutical companies. Europe has few of the high-margin, growth-oriented companies we expect to outperform. However Europe boasts underappreciated financial health, with healthy bank balance sheets and many high-quality large-cap firms. The rollout of Covid-19 vaccines in Europe has greatly improved over the last few months after a slow start. As the vaccine rollout continues social and mobility restrictions related to Covid-19 are starting to be removed and economic growth is accelerating.

ECONOMIC DRIVERS

+ **Quality Mega Cap Balance Sheets:** Large-cap EMU companies have top quality balance sheets, large cash balances, solid net debt/EBITDA ratios and exceptionally low interest costs, advantageous traits during the last year's economic shutdowns
+ **Bank Balance Sheets Dramatically Improved:** After nearly a decade of scepticism over the health of EMU bank balance sheets, nearly every government COVID-19 relief scheme used banks – thanks to their improved balance sheets – as the conduit of getting funds into businesses deprived of cash flow.
± **China Connection:** EMU-China trade is a primary source of incremental growth and EMU relative returns. China has exceeded its pre-pandemic level of economic activity which could provide a boost to European trade. However, Chinese credit growth is now decelerating, a likely headwind to Europe.
± **High Market Beta & Economic Sensitivity:** The EMU – more sensitive to changes in global economic growth than most other developed regions – underperforms most often in down big markets, but also typically bounces back more on the upside.
– **Negative Interest Rates and Massive QE:** Negative rates and massive quantitative easing remain headwinds to bank profitability.

POLITICAL DRIVERS

+ **New Joint Debt Issuance:** NextGenerationEU, the new €750B recovery fund, is a significant part of the 7-year EU budget, with the first disbursements reaching EU member countries in the coming months. This package will be funded largely with new jointly issued EU bonds –a big breakthrough after decades of opposition to risk sharing. While this package is meant to be one-off, it establishes a precedent and increases the chances of more risk sharing in the future – a step towards fiscal and capital markets integration.
+ **Easing Capital and Regulatory Burdens on Banks:** Regulators lifted counter-cyclical capital buffers, removed newly implemented accounting rule IFRS 9 on loan loss provisions, and provided guidance to not book Covid-19 related loans as past-due at least through the end of the year—freeing up trillions € of loan capacity.
+ **TLTRO at Below Policy Rates:** ECB has authorised €1.8T in targeted longer-term refinancing operations (TLTRO) and will conduct three TLTRO operations in 2021, each with a maturity of 3 years. TLTRO is an effective arbitrage for banks to borrow at below policy rates from the ECB and provide loans the private sector with terms up to 4 years.
± **Covid-19 Vaccine Rollout:** The slow start to Europe's vaccine rollout was an embarrassment for the European Commission, and led to the Commission implementing controls on Covid-19 vaccine exports out of the EU. Europe's vaccine rollout has greatly improved since then, and social and mobility restrictions related are starting to be removed across the continent.
± **Fiscal Stimulus:** Member state governments are proposing spending plans for the loans and grants issued through NextGenerationEU. There has been some infighting over how to spend these funds, particularly in Italy, which helped bring about a technocratic government led by Mario Draghi. Overall fiscal stimulus is a much lower percentage of GDP in Europe than the US, and in Europe these funds will be spent over a 7-year time frame, likely limiting economic impact.
± **Dividend Holidays:** The ECB is allowing banks to resume paying dividends, but they will be limited to 15% of 2019-20 profits and must not exceed 20 bps of CET1 capital through at least September 2021. There is a risk of these limitations lasting longer than expected.
- **Revived Immigration Concerns:** Turkey is no longer adhering to the deal with the EU to absorb the flow of migrants from the Middle East in exchange for cash. Refugee camps have begun to disperse and are flocking around many EU/Turkey borders. This could create a repeat of ugly political battles of 2015-2016.

SENTIMENT DRIVERS

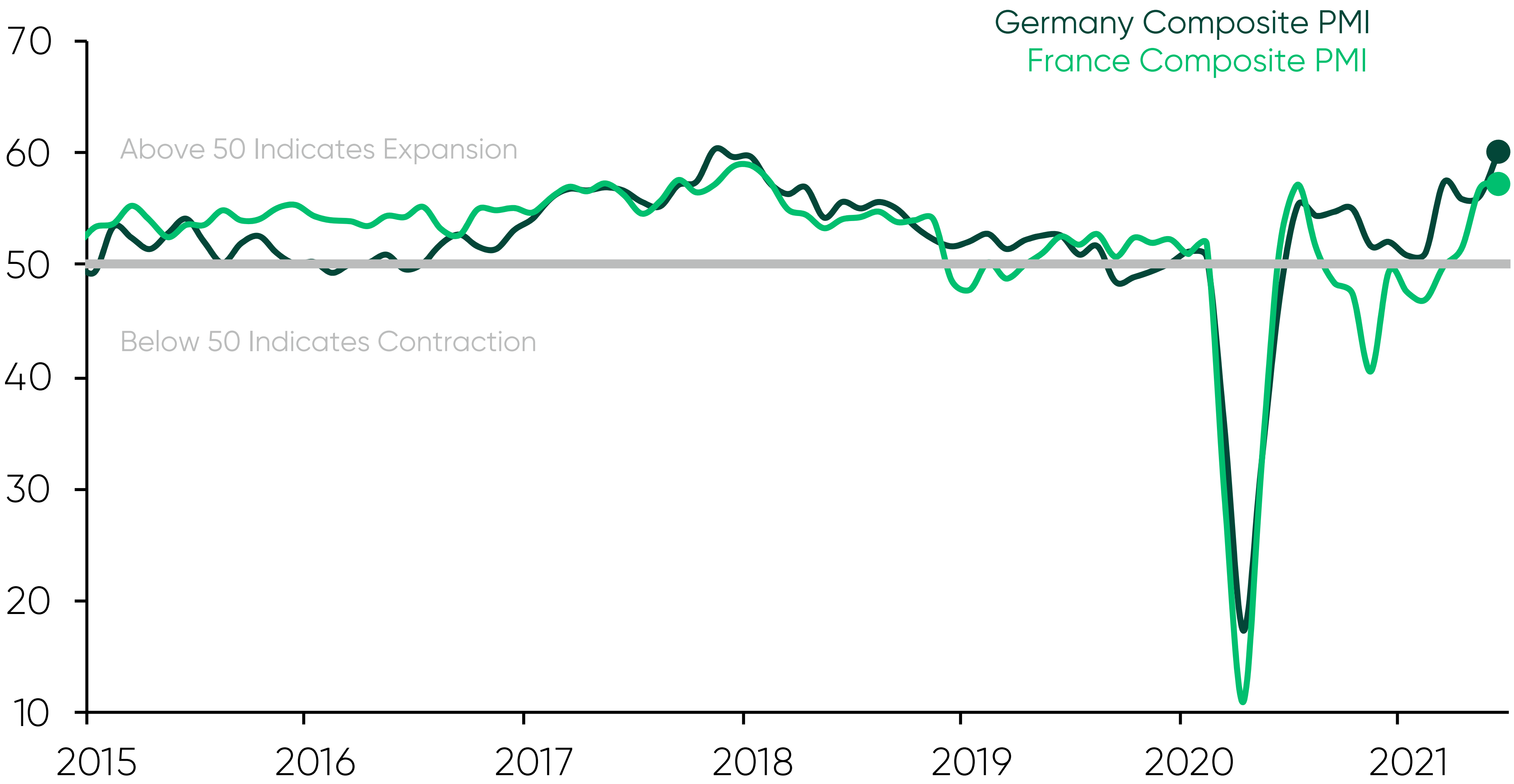
– **Limited Growth Universe & High Degree of Interest Rate Sensitivity:** Europe typically outperforms with value and when global interest rates are on the rise. We don't think either are probable outcomes moving forward.

As of September 2021. We have provided our general comments to you based on information we believe to be reliable. There can be no assurances that we will continue to hold this view; we may change our view at any time based on new information, analysis, or reconsideration.

ECONOMIC

European economic growth has improved since the recent acceleration of the vaccine rollout, with PMIs increasing significantly in Q2 of 2021.

European Economies Accelerating as Covid-19 Restrictions Lifted

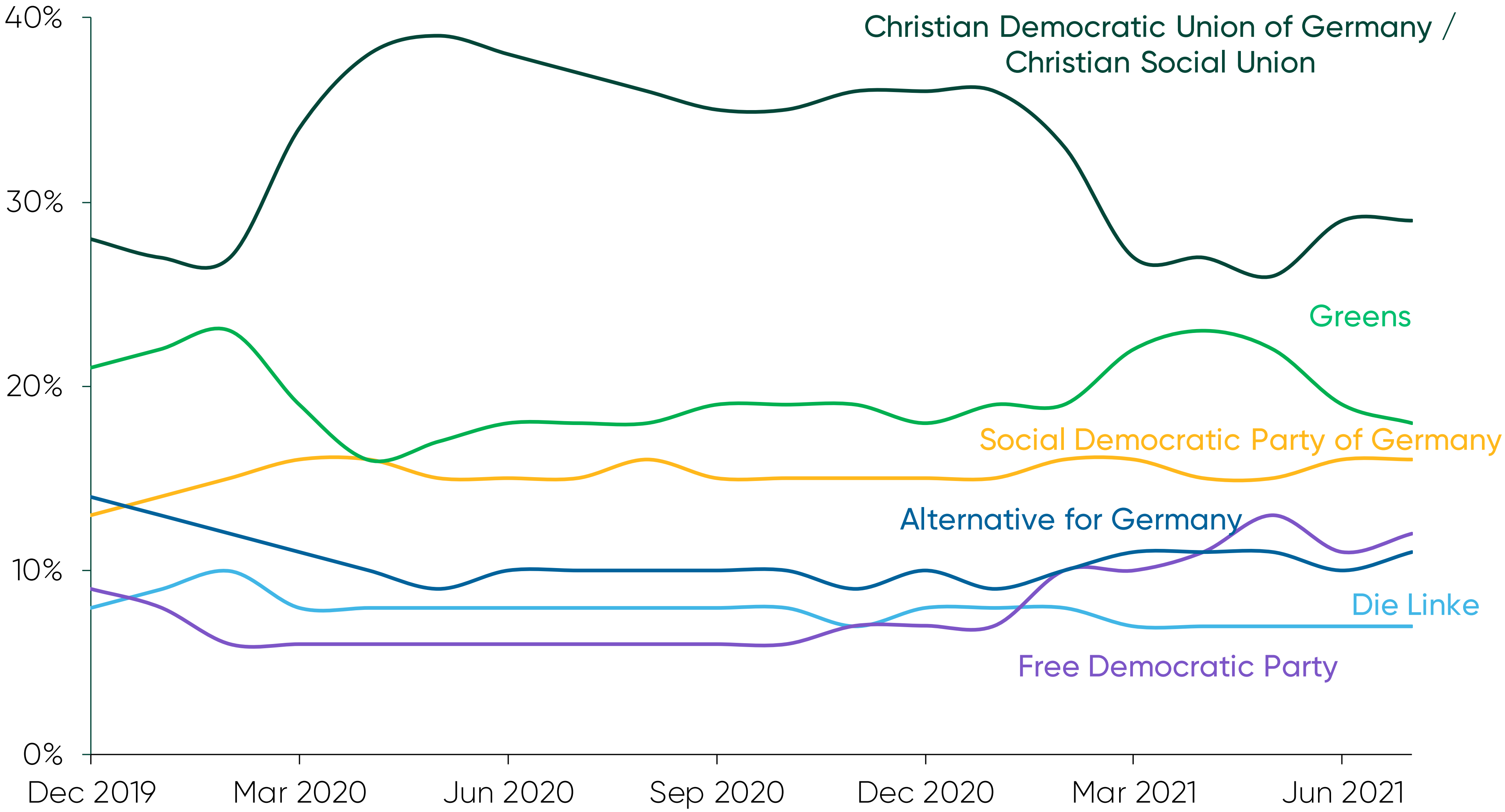


Source: Markit Economics as of 30/06/21. Country Composite Purchasing Manager Index (PMI).

POLITICAL

Germany will elect a new parliament on September 26, which will end Angela Merkel's 16 year tenure as Chancellor. As the largest economy and most populous country in the EU, the next German parliament and Chancellor are likely to have a strong influence on European politics for the next few years.

German Parliament Voting Intention



Source: Politico EU poll of polls, accessed 11/07/2021.

COUNTRY DRIVER ANALYSIS

NEUTRAL UNITED KINGDOM

The passing of a post-Brexit trade deal between the UK and EU removed uncertainty, benefitting UK stocks, though some headwinds remain, particularly tied to continued disagreements related to the implementation of the Northern Ireland protocol which could create some near term uncertainty. Additionally, the UK stock market is tilted towards value-oriented companies, a potential headwind in a growth-led bull market.

ECONOMIC DRIVERS

+ **Recovering Domestic Growth:** Economic data continues to recover in the near term from the economic disruptions associated with the containment of Covid-19 and adaptation to new trading rules with the EU.
+ **Monetary Policy:** The Bank of England maintains a low policy rate and remains prepared to act as needed, introducing a number of easing and stimulus measures in response to Covid-19 to help cushion the economic impact.

± **Commodity Exposure:** UK equity markets are heavily exposed to Energy and Materials companies, with improved outlooks as supply and demand growth roughly balanced. The gradual resumption of global economic activity has helped commodity prices recover, and should benefit the category.

- **Reduced Investment:** Foreign investment and hiring plans likely continued to be delayed, despite the announcement of a trade agreement with the EU, as some uncertainty remains tied to the Services sector (~80% of UK economy) which is not covered by the trade deal.

POLITICAL DRIVERS

± **Attractive Corporate Tax Policy:** The United Kingdom's corporate tax rate stands at 19%—among the OECD's lowest. The recent budget announcement includes plans to raise corporate taxes to 25% by 2023, though this remains well positioned among developed peers.

± **Likely Limited Domestic Policy Shifts:** While the Government announced a trade deal with the EU, its focus now shifts to implementing the new deal and securing trade deals with other countries. Continued disagreements between the UK and EU related to the Northern Ireland protocol likely limit prospects for major legislation that could increase domestic uncertainty.

- **Scottish Independence Referendum:** While Scottish parliamentary elections in May did not result in the Scottish National Party receiving an outright majority, there is a pro-independence majority when factoring in the Green Party's eight seats. As a result, continued rhetoric and attention towards a potential second independence referendum could weigh on sentiment in the near term.

SENTIMENT DRIVERS

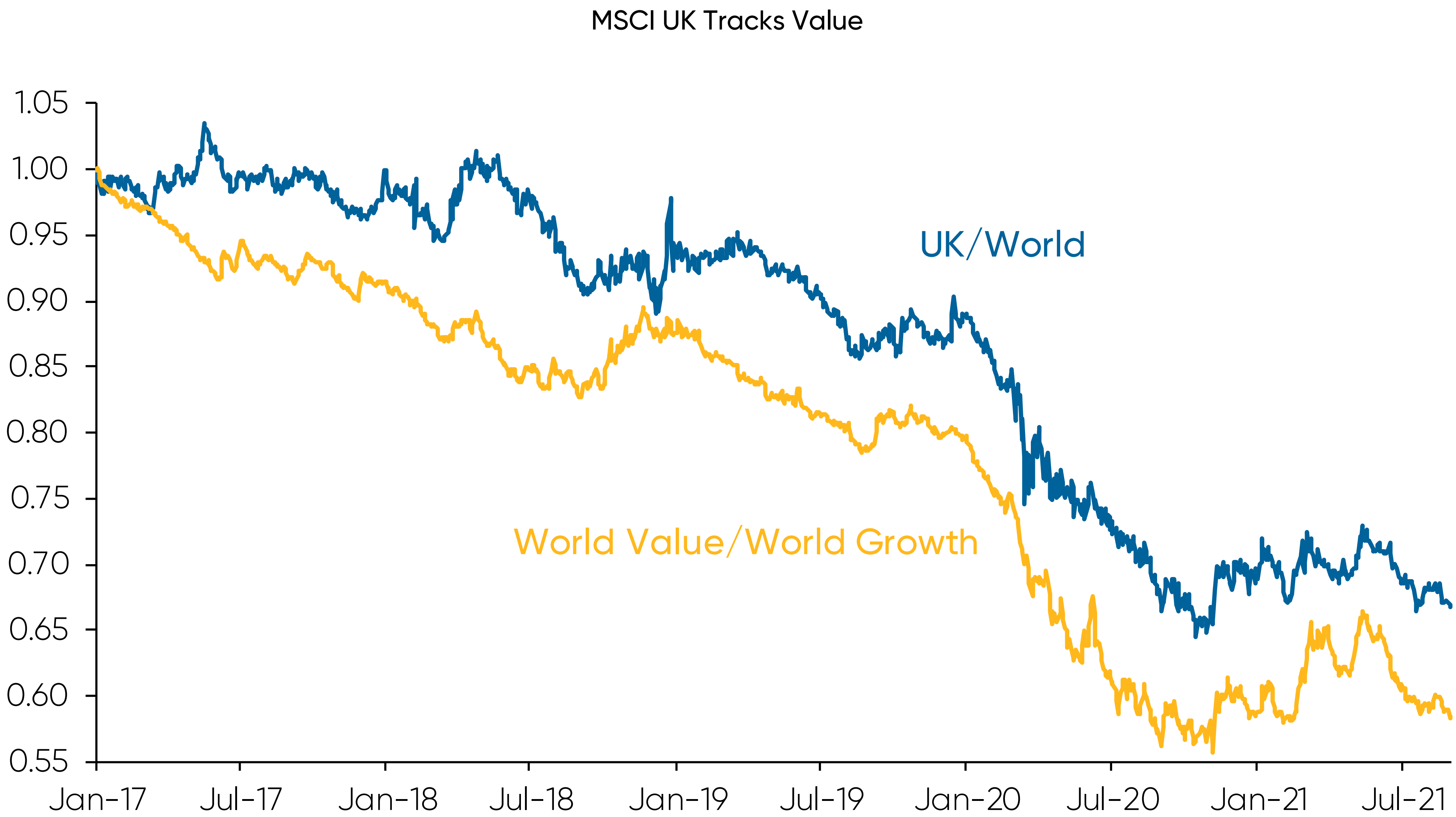
+ **Valuations:** The UK currently trades at a significant discount to World equities, indicating weak sentiment tied to Brexit related uncertainty and fears over Covid-19's potential economic impact.

- **Investor Preference for Growth:** Given the UK stock market is heavily weighted towards value oriented companies, a growth led bull market likely weighs on UK relative performance.

As of September 2021. We have provided our general comments to you based on information we believe to be reliable. There can be no assurances that we will continue to hold this view; we may change our view at any time based on new information, analysis, or reconsideration.

SENTIMENT

The UK closely tracks value over time which likely weighs on performance in a growth led bull market.

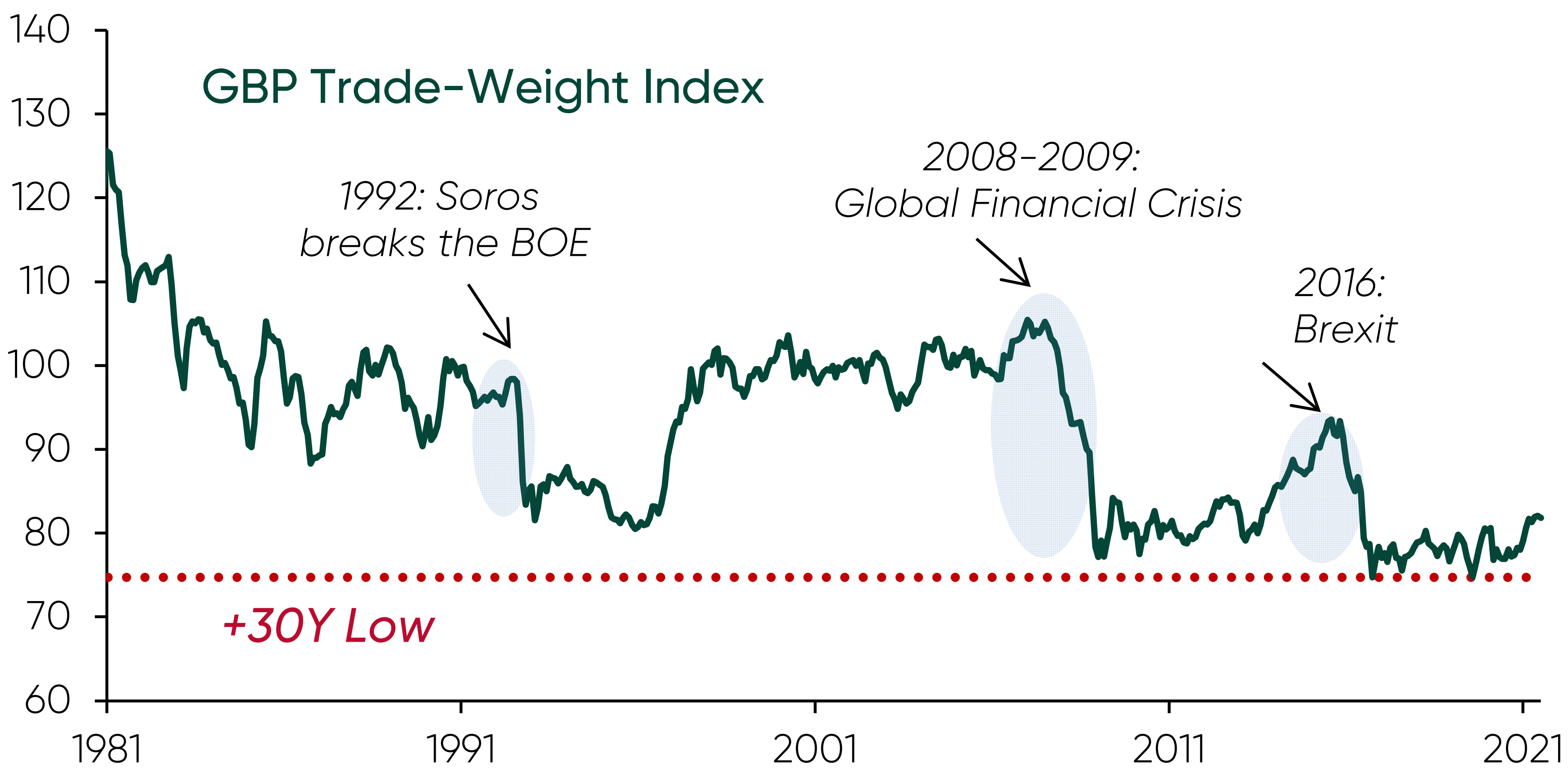


Source: Factset, Inc as of 20/07/2021. MSCI UK, World, World Value and World Growth index data from 31/12/2016 – 31/08/2021.

ECONOMIC

Following the official exit from the EU and the post-Brexit trade agreement between the UK and EU, the Pound Sterling has started to show signs of recovering after floating around 30-year lows since the Brexit referendum. The new agreement decreases uncertainty and should increase visibility for businesses, benefitting UK equities.

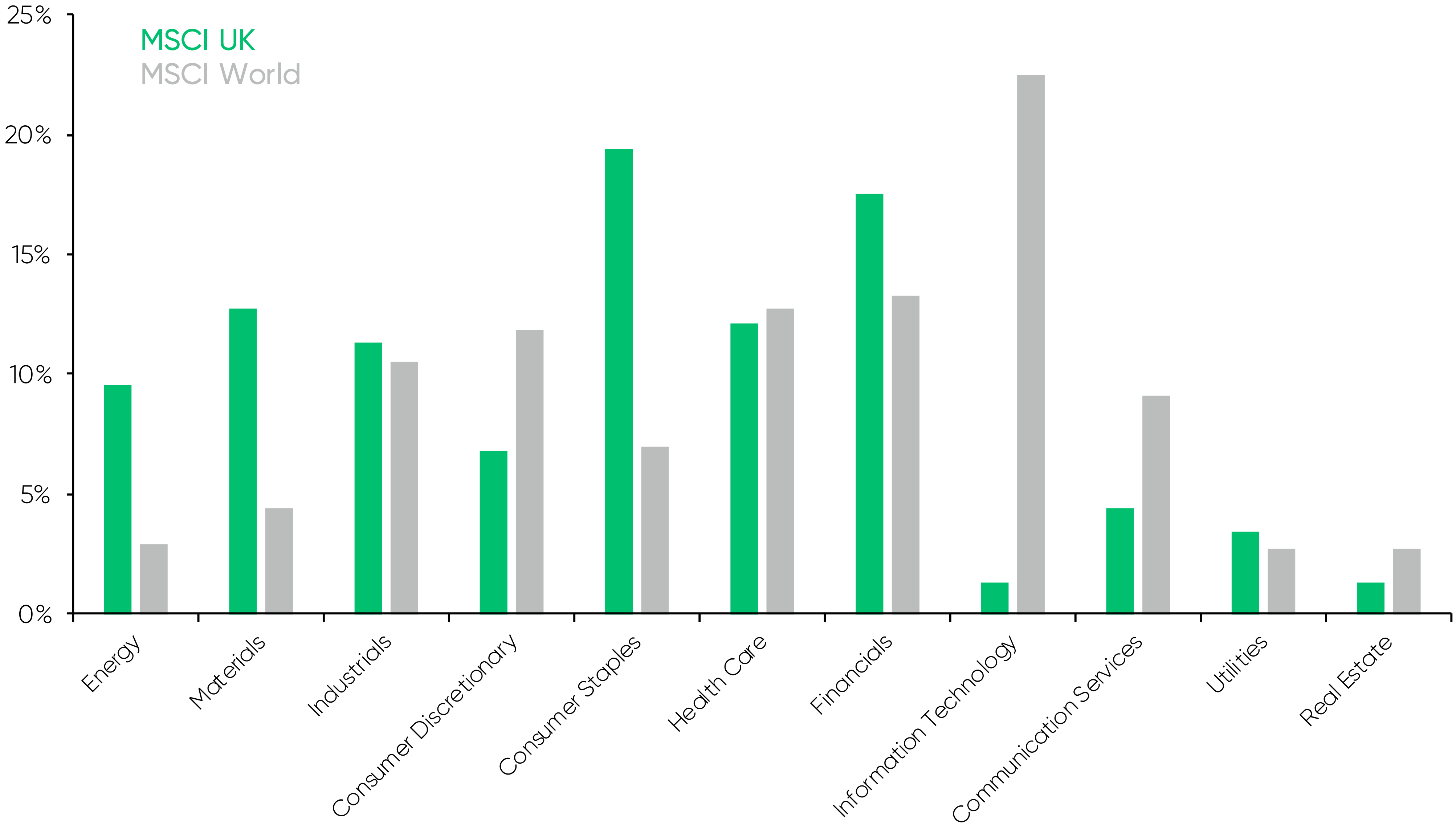
British Pound remains near lowest levels in over thirty years



Source: UK Office for National Statistics as of 31/05/2021.

ECONOMIC

Given that UK equites are heavily weighted towards value oriented sectors, a growth led bull market likely weighs on UK relative performance.



Source: FactSet, data as of 30/07/2021.

COUNTRY DRIVER ANALYSIS

UNDERWEIGHT JAPAN

Japanese equities likely underperform as the economy remains held back by an aging and shrinking population, a labour shortage, stagnant wages, and heavy exposure to less competitive conglomerates. Meaningful reform likely remains out of reach even with a shift in leadership. Prime Minister Yoshihide Suga has recently stepped down, increasing political uncertainty until a new Prime Minister is elected.

ECONOMIC DRIVERS

± **Overseas Demand:** Japanese exports and industrial production are rebounding following a slowdown in global demand from measures to contain Covid-19, recovering to near pre-pandemic levels. Japanese firms relying on foreign demand, especially in factory automation or high-tech end markets, should benefit from a bounce back in economic growth over the next 6-12 months.

± **Corporate Governance:** The Suga administration likely continues Abe's efforts to improve corporate governance and raise ROEs. Those efforts have included the creation of equity indices comprised of strong corporate governance firms—aimed to attract government and private capital. While ROE's have modestly improved, Japan still has the worst corporate governance of any developed country.

± **Currency Effects:** A strengthening yen may hurt Japanese exporters. However, Japan is reliant on imported natural resources such as oil and natural gas, and a stronger yen makes these imports less expensive. Conversely, a stronger yen is a headwind to investor returns denominated in other currencies.

± **Bank Lending:** Quantitative easing and sustained commitment to yield curve control continues depressing long-term interest rates and bank profit margins, while negative interest rates act as a tax on banks. The Bank of Japan (BoJ) has acknowledged its policies hurt banks and revised policy so a smaller amount of bank assets are subject to negative interest rates. Recently, the BoJ also moved to encourage regional bank consolidation, yet thus far is unable to offer compelling incentives. Overall the BoJ's policies remain contractionary—flattening the yield curve and decreasing banks' willingness to lend. These policies are unlikely to end any time soon as the Covid-19 pandemic led the BoJ to suggest interest rates won't increase until at least 2023.

\- **Limited Domestic Growth Drivers:** Japan faces stagnant wages, a shrinking and aging population, and a low birth rate—all likely weighing on domestic demand. In the near-term, a plodding Covid-19 public health response has also held back domestic consumption. Former Prime Minister Shinzo Abe's attempts to reinvigorate Japan's economy largely ignored these structural issues and, similarly, interim Prime Minister Yoshihide Suga has been unable to meaningfully address these issues. Japan is allowing up to 345k foreign workers to immigrate–insignificant to a labour force of over 63 million people.

POLITICAL DRIVERS

± **Political Stability:** Shinzo Abe, Japan's longest-serving prime minister, resigned prior to the end of his term concluding September 2021. His replacement, Yoshihide Suga, has largely maintained Abe's policies. This has reduced political uncertainty, but it also means concerns are likely to persist over fatigued "Abenomics" policies and a lack of structural reforms. Additionally, with Suga's recent resignation and his LDP party faced with falling approval ratings, political uncertainty has resurfaced.

± **Fiscal and Monetary Policy:** Large fiscal stimulus should somewhat dampen the fallout of the Covid-19 outbreak, but Japan's economic trajectory continues to lag developed peers despite enacting one of the most aggressive pandemic stimulus programs. Previous fiscal measures from the Abe administration and monetary policy from the BoJ have proven insufficient or counterproductive to overcome Japan's more important structural challenges.

SENTIMENT DRIVERS

\+ **Low Sentiment and Outflows:** Investor expectations largely reset after the disappointing pace and scope of "Abenomics". Equity flows suggest expectations have soured – foreigners have net sold 25 trillion yen of Japanese equities since June 2015.

\+ **Valuations:** Japanese stock market valuation discounts have widened to 20-year highs despite improving ROEs, economic improvements and shareholder-friendly decision making starting to surface.

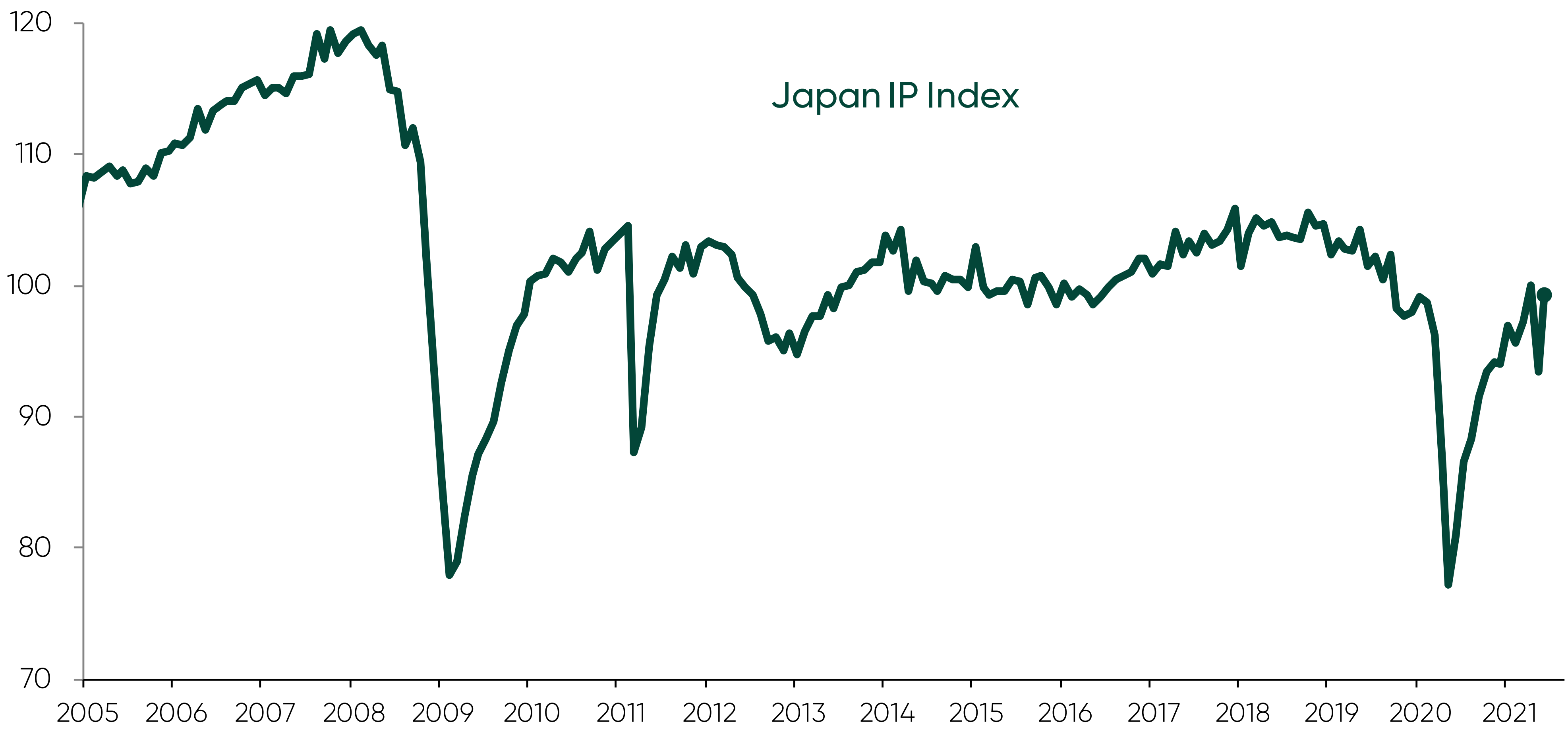
\- **Investor Preferences for Larger, Higher Quality Companies:** Japan has relatively few mega-cap companies and few high margin Technology or Biopharmaceutical companies — categories we expect to outperform.

As of September 2021. We have provided our general comments to you based on information we believe to be reliable. There can be no assurances that we will continue to hold this view; we may change our view at any time based on new information, analysis, or reconsideration.

ECONOMIC

Japan's industrial production (IP) has recovered from the lows of May 2020, reflecting rebounding global capex despite sluggish domestic demand. However, as we move past the initial reopening bounce, Japanese industrial production should revert back to the long term trend of lackluster growth seen over the past decade.

Japanese Industrial Production

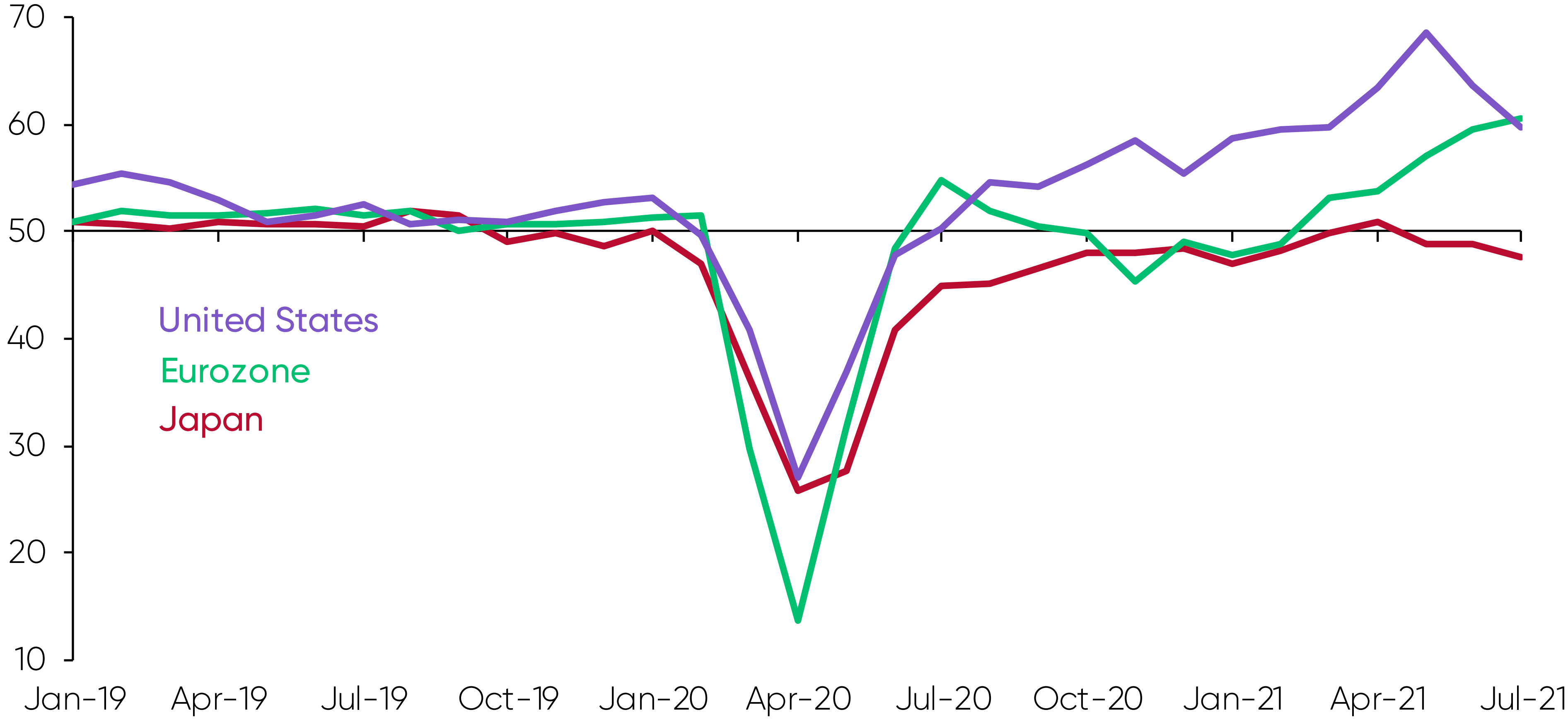


Source: METI as of 30/06/21.

ECONOMIC

Economic activity fell less in Japan during the downturn relative to the Eurozone and US, but it has had a weaker recovery. Japan's composite PMI didn't hit expansionary territory until April 2021 and promptly dipped back into contraction, highlighting the divergent recovery path of Japan vs. peers thus far.

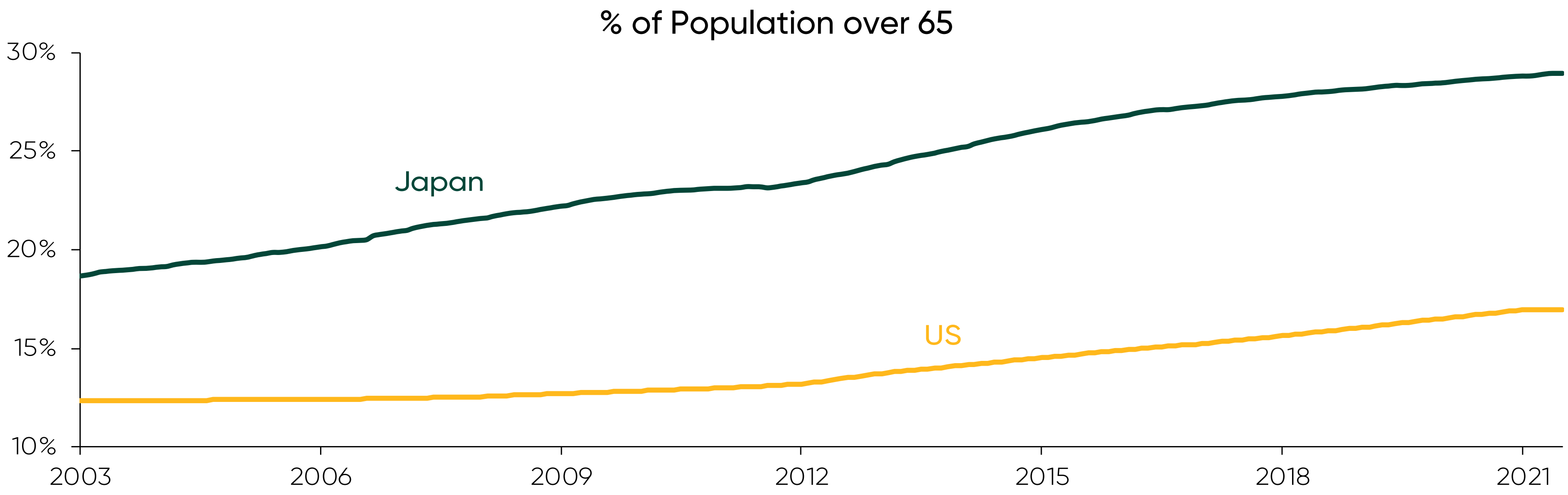
Japanese Purchasing Manager Index

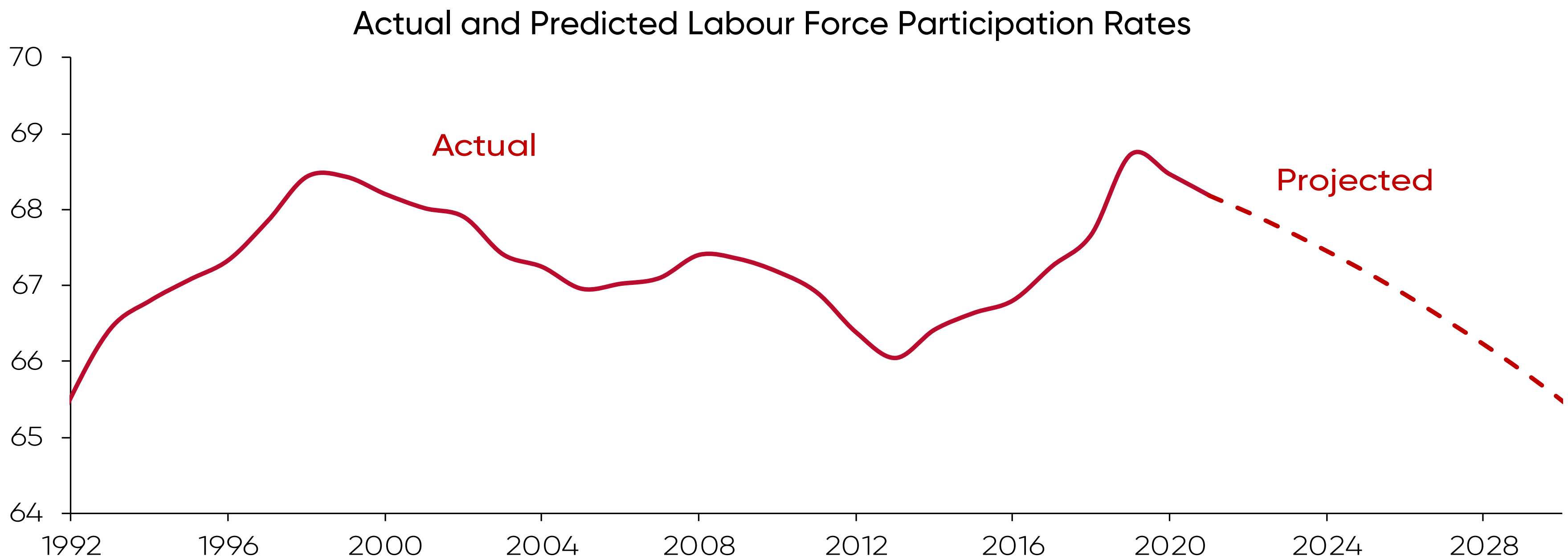


Source: Markit Economics, data from 01/01/2019 – 31/07/21, as of September 2021.

ECONOMIC

Japan faces stagnant wages, a shrinking and aging population, and a low birth rate – all likely weighing on domestic demand. Recent administrations have been unable to address these structural issues and Japan's low immigration rate is not significant enough to impact economic growth.





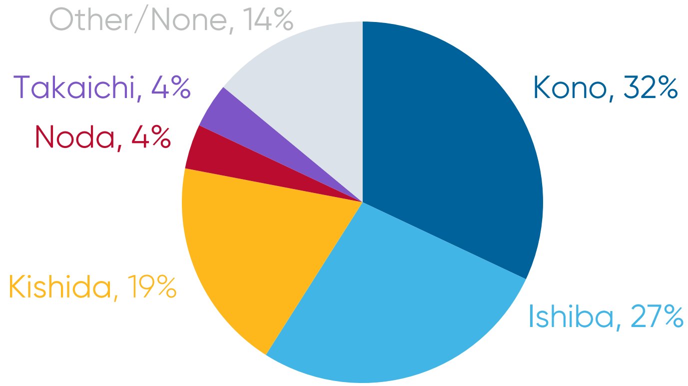
Source: Top Chart: Ministry of Internal Affairs and Communications as of 30/06/2021. Bottom Chart: International Labour Organisation. Data available through 31/12/2020. Last updated 30/06/2021.

POLITICAL

PM Suga announced he would not seek re-election, effectively resigning upon completion of his term. His approval rating had sank over the course of the year amid criticism similar to his predecessors. Currently, Taro Kono (reform minister) is the early frontrunner to succeed Suga.

Prime Minister	Start Date	Approval Rating During the 1st Year as Prime Minister												% Drop in Year 1
		Mo 1	Mo 2	Mo 3	Mo 4	Mo 5	Mo 6	Mo 7	Mo 8	Mo 9	Mo 10	Mo 11	Mo 12	
Koizumi	May-01	81%	85%	77%	72%	74%	75%	71%	77%	79%	53%	51%	45%	(36%)
Abe (1st)	Oct-06	65%	59%	48%	51%	41%	44%	44%	50%	37%	38%	29%		(36%)
Fukuda	Oct-07	58%	54%	51%	43%	41%	38%	35%	21%	26%	30%	33%	20%	(38%)
Aso	Oct-08	49%	25%	20%	18%	18%	30%	35%	29%	21%	23%	15%		(34%)
Hatoyama	Oct-09	70%	65%	56%	52%	47%	38%	32%	21%					(49%)
Kan	Jun-10	65%	48%	31%	25%	29%	21%	23%	27%	28%	25%	16%		(49%)
Noda	Sep-11	60%	53%	45%	37%	30%	31%	33%	30%	29%	27%	27%		(33%)
Abe (2nd)	Jan-13	64%	64%	66%	66%	65%	62%	57%	57%	59%	58%	60%	50%	(14%)
Suga	Sep-20	62%	55%	56%	42%	40%	38%	40%	44%	35%	37%	33%		
	Average	64%	56%	50%	45%	43%	42%	41%	40%	37%	35%	32%	28%	(36%)
	Median	64%	55%	51%	43%	41%	38%	35%	30%	29%	30%	29%	24%	(40%)
	Each PM Starts Out Popular				By Month 4 Most Have Lost a Popular Mandate									

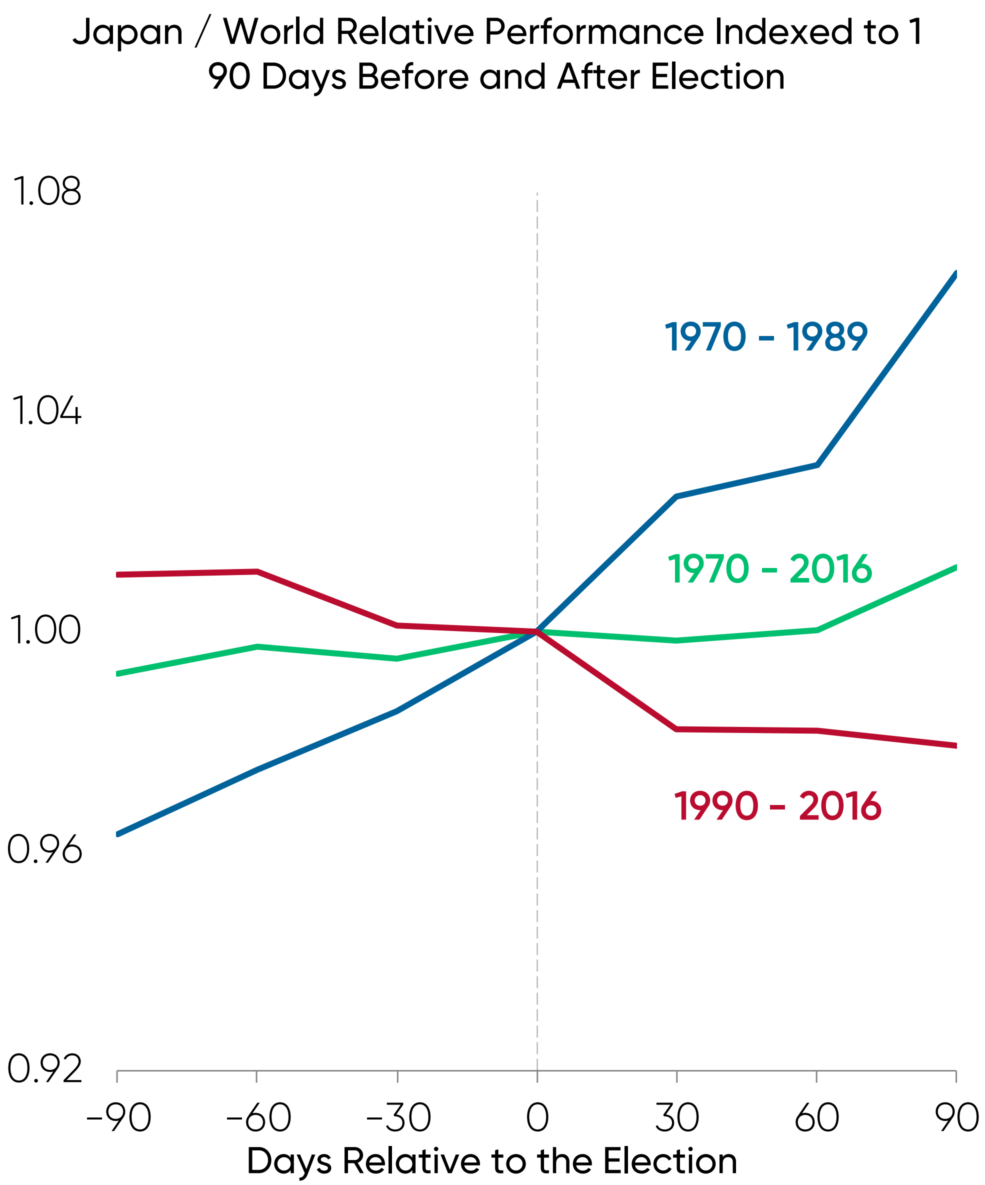
% Support for Japan's Next PM

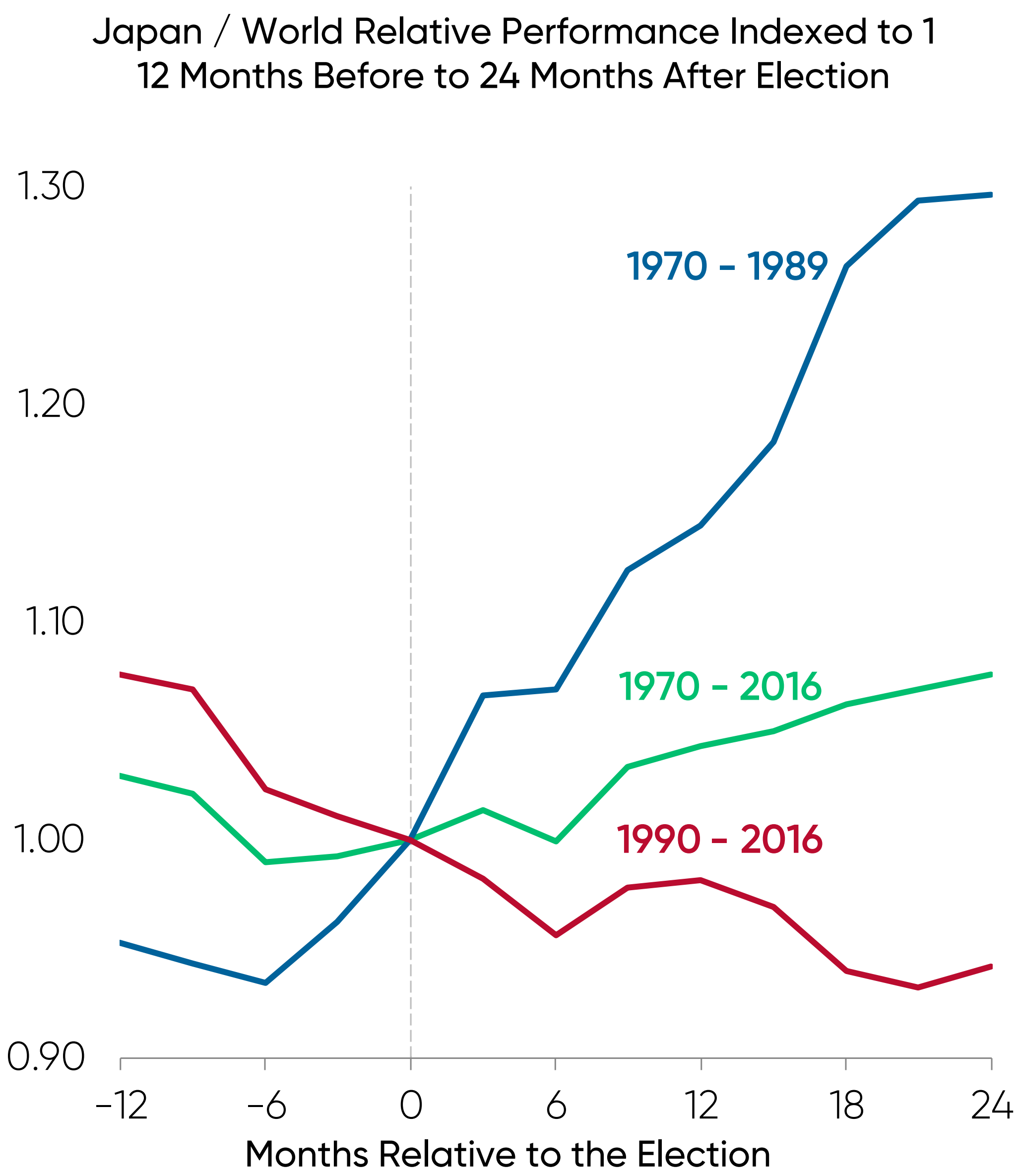


Source: Japan Broadcasting Corporation (NHK), monthly approval ratings for first year of relevant prime ministers, May 2001 – July 2021.

POLITICAL

Historically, elections generally have not had a meaningful influence on Japan's relative equity returns.





Source: FactSet, as of 31/08/20211. Shows average returns for respective days/months to election during each time period.

COUNTRY DRIVER ANALYSIS

OVERWEIGHT EMERGING MARKETS

Emerging Markets (EM) remains attractive on a selective basis. Despite a reputation as value-dominated, EM is no longer a homogeneous category, and many of the world's largest and highest quality growth firms are located in EM – desirable attributes at this stage of the bull market. The recent increase in inflation expectations and US Treasury yields has renewed fears of 2013's Taper Tantrum. We find these concerns to be overwrought, as EM is fundamentally in better economic shape, the Federal Reserve has telegraphed no rate hikes until 2023, and recent inflationary pressures are temporary, in our view.

ECONOMIC DRIVERS

+ **Consumption Growth:** Expected gains in per capita GDP have an outsised impact on aggregate consumption, and hundreds of millions of EM households are graduating into the middle class. Penetration rates for key durable goods, like automobiles, remain low. Online finance is also democratizing consumption.
+ **Infrastructure Growth:** Fast-growing populations, industrialization and urbanisation require robust spending on infrastructure projects. Emerging Markets countries are expected to spend $35 trillion over the next 20 years on infrastructure.
+ **US Dollar Liquidity Abundant:** Faced with the large dollar liquidity needs generated by the Covid-19 crisis, the US Federal Reserve has strengthened swap lines with EM central banks. Favourable dollar funding means EM financial institutions do not need to resort to a fire-sale of dollar assets.

± **Relative Economic Growth:** Covid-19 recovery varies widely across EM, and several countries are lagging with vaccine rollouts and re-opening. In the longer-term, EM economic growth should continue to outpace the developed world, boosting per capita income and spending levels, benefitting companies exposed to EM economies.

± **Well Capitalised Financials:** While China's regulators are limiting off-balance sheet lending to limit total credit growth, the country has recently offered support through tax cuts and a mandate for banks to increase lending to small and private firms. Emerging Market financial institutions remain well capitalised and positioned to expand credit growth in most markets, with little exposure to ongoing regulatory uncertainty in the developed world that continues in the wake of 2008's financial crisis.

± **Greater Concentration of Natural Resources:** Roughly 12% of the MSCI Emerging Markets index is in the Energy and Materials sectors. Metals supply growth has begun to decelerate following years of declining capital expenditures, while oil supply growth remains strong absent geopolitical disruptions. Prior to the Covid-19 pandemic and large scale government mandated shutdowns to much of global activity, commodity demand was healthy, with the economy continuing to expand, a trend we expect to resume relatively soon as governments begin to reduce lockdown measures. China's shift toward consumption and away from investment-led growth likely prevents a demand surge from driving most commodity prices significantly higher on its own.

± **Reliance on Developed Markets:** Many EM countries remain reliant on export demand from developed-world trading partners. This may be a headwind or tailwind depending on the relative economic strength of an EM country's major trading partners and their reliance on foreign direct investment.

POLITICAL DRIVERS

+ **Pro-Growth Reforms:** Many emerging market countries are enacting pro-growth oriented reform, such as lowering taxes, liberalising financial markets and opening state-run industries to private competition. These measures should help drive future economic growth through more efficient allocation of resources.

± **Free Trade:** Globalization and the expansion of free-trade agreements continue to allow EM countries to better capitalise on comparative advantages and specialization of labour. The UK's exit from the EU, recent tariffs enacted between major countries, and additional tariffs between China and US may create uncertainty for global trade in the near-term. However, Brexit is unlikely to adversely impact global trade long-term and Trump's anti-trade rhetoric is likely not to continue with the new administration. Additionally, free trade continues to advance elsewhere with the Japan-EU Economic Partnership Agreement (JEEPA), Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) including eleven nations, and African Continental Free Trade Area (AFCFTA) including forty-four nations all signed since November 2017.

± **Legislative Uncertainty:** Many governments lack well-established institutions with a track record of consistent policymaking. As such, political risk is more volatile, subject to sudden shifts in the regulatory or legislative landscape for particular industries.

SENTIMENT DRIVERS

+ **Sentiment Remains Overly Pessimistic:** The MSCI Emerging Markets Index trades at a discount relative to the MSCI World slightly below its three- and five-year average, suggesting investors' remain cautious.

± **Diverse Universe:** Investors think of EM as a homogenous category, but country and sector drivers create distinct opportunities.

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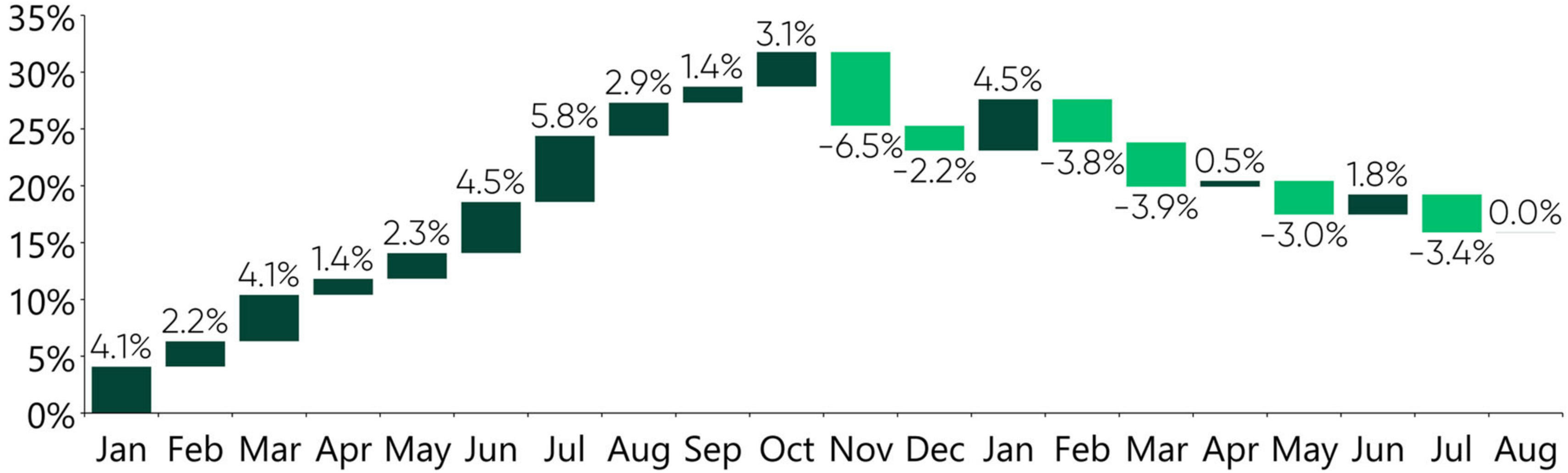
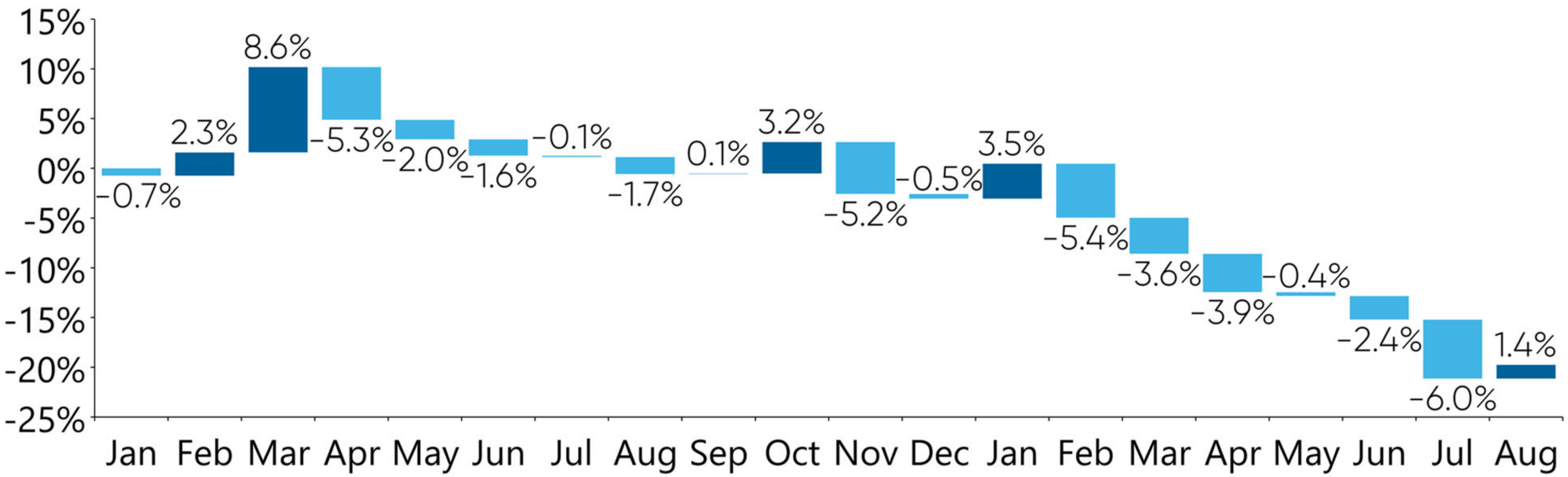
ECONOMIC

Growth led value through most of 2020, but leadership has been choppy since, with value leading in the majority of months in 2021. Small equities led through late 2020 and early 2021.

MSCI EM Growth vs. Value Monthly Spread



MSCI EM Large vs. Small Monthly Spread

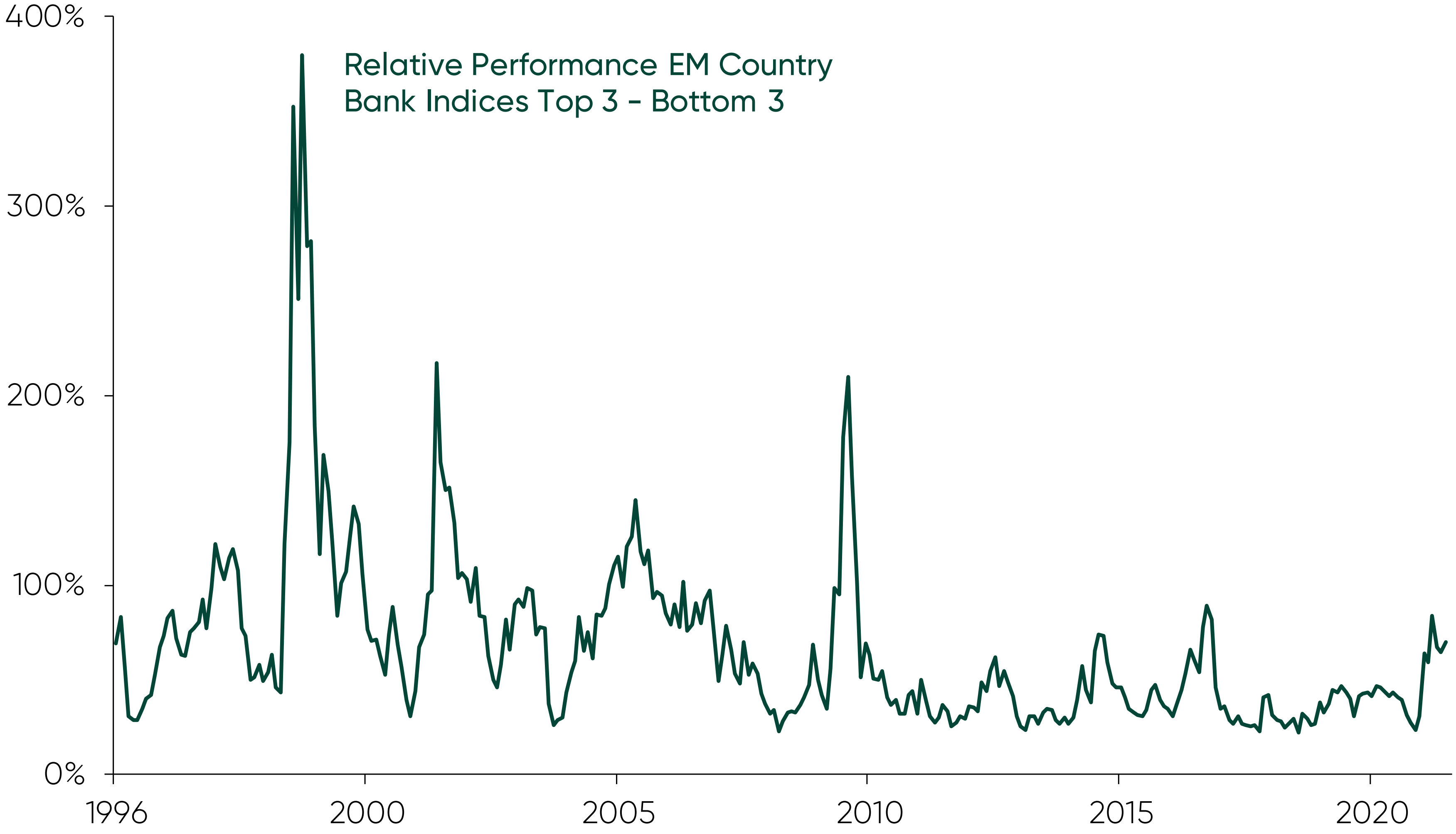


Source: Fa) –
31/08/2021. Bottom chart shows monthly relative performance spread between MSCI EM Large Cap vs. MSCI EM Small Cap index. All based on monthly data from 01/01/2020 – 31/08/2021.

ECONOMIC

Country spreads amongst Emerging Market banks fell during 2020, indicating less focus on country fundamentals and more on growth & value attributes. The spread has widened during the first half of 2021 as we continue to move past COVID-19.

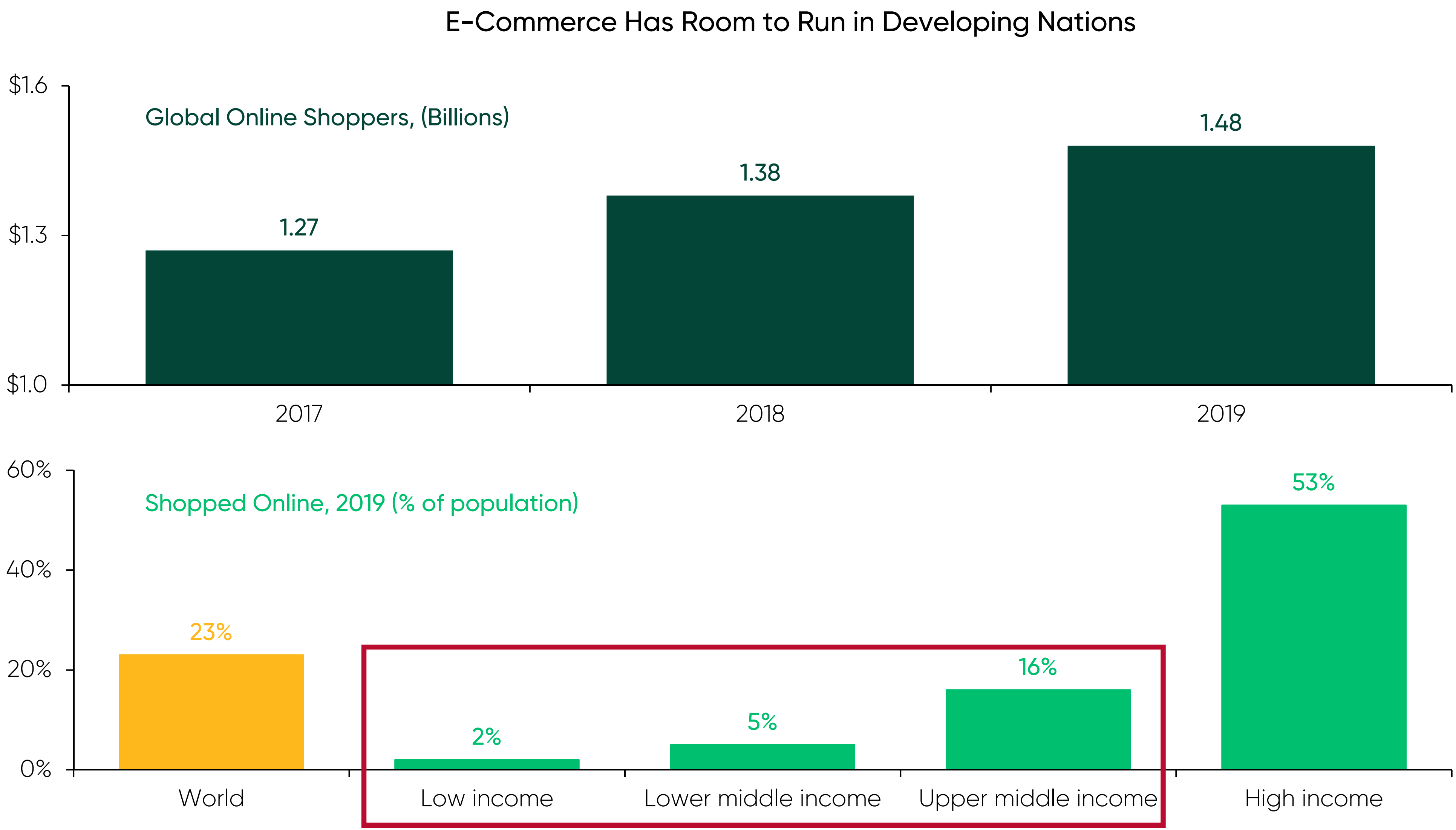
Emerging Markets Bank Spreads



Source: FactSet, data from 31/01/1996 – 31/08/2021. Shows the difference between the best performing and worst performing select MSCI country bank indices.

ECONOMIC

Global adoption of online shopping has been incrementally growing, though a stark divergence exists between high income and developing countries. As an emerging markets middle class develops, e-commerce should have ample room to grow.



Source: United Nations, Conference on Trade and Development (UNCTAD). UNCTAD B2C e-commerce index 2020. Shows global online shoppers, 2017-2019 and penetration by income group.

COUNTRY DRIVER ANALYSIS

UNDERWEIGHT CHINA

Economic activity recovered quickly from its Covid-19 nadir, with most segments of the economy now above pre-pandemic levels or better. We expect growth to settle near its pre-Covid trend, and while monetary and fiscal stimulus will remain supportive, the government's priority has shifted to financial stability. As a result, credit growth is likely to continue slowing, with heightened regulatory scrutiny over non-bank financial activity. Trends in place prior to the virus outbreak likely continue, in our view. We continue to favour the consumer and service portions of the market relative to the state-owned heavy industry and financial sectors. Mandated lending in response to the virus, particularly to small businesses, is likely to result in deteriorating balance sheet quality for Chinese banks. Reform progress also provides the potential for positive surprise, although the reality has been slow and uneven to date.

ECONOMIC DRIVERS

+ **Positive Online Consumption Trends:** Since 2012, the government has produced more than 20 measures to encourage cross-border e-commerce, easing customs procedures and formalizing payment systems. Moreover, mobile payments are surging, as new entrants democratise finance. As a result, online retail sales remain robust despite Covid-19 headwinds. Current positioning is focused on beneficiaries of these trends in the Consumer Discretionary and Communications Services.

± **Economy to Settle Back to Pre-Covid Trend:** Covid-19 badly hit the economy in 2020, but activity rebounded quickly, led by trade and investment. Most segments of the economy are now at pre-pandemic levels or better. Monthly activity is showing signs of normalizing in the first half, and we expect growth to moderate to the pre-Covid trend. This means solid, if unspectacular growth, and Chinese officials are prioritizing stability, suggesting quality over quantity – a positive in the long run.

± **Fiscal and Monetary Policy Remain Supportive:** The likelihood of additional stimulus remains low given the pace of recovery, and the government has started to tighten policy in select areas, such as property markets. However, a move toward tightening is unlikely. Official statements from the annual Central Economics Work Conference in December and National People's Congress in March affirmed macro policy "should be continuous, stable and sustainable, maintain the necessary support for the economic recovery and avoid a policy U-turn."

\- **Non-Performing Loans (NPLs) Rising:** Bad loans and defaults have risen steadily in recent years, with official NPL ratios likely understating the problem, increasing the risk of another surprise government bank takeover like Baoshang Bank. In response to Covid-19, credit growth accelerated for the first time in years, though the government has been vocal about slowing the pace of future growth. The mandated lending campaign likely puts further pressure on banks' asset quality.

\- **Recent Defaults Unnerved Bond Markets:** The circumstances surrounding a default by local SOE Yongcheng Coal & Electricity last year called into question assumptions of government guarantees and credit risk, while recent concerns of a default by bad-debt manager Huarong Asset Management led to widening corporate spreads. The government's tolerance for defaults is increasing; however, it is likely to heavily manage any developments for stability purposes.

POLITICAL DRIVERS

± **Financial System Liberalisation:** With geopolitical tensions rising, Beijing desires the development of robust domestic capital markets. The government recently relaxed the IPO process for its secondary exchanges, expanded its mutual fund advisory pilot, and announced a number of measures to ease trading and settlement. However, change is happening slowly, and increased foreign competition likely brings additional headwinds to local financial institutions, one reason portfolios remain underweight to the Financials sector.

\- **Regulatory tightening:** President Xi's administration is increasingly taking a stricter approach to regulation. Market regulators have admonished the country's top internet firms and introduced policy to rein in "monopolistic behaviour". The government also unexpectedly canceled the IPO of fintech firm Ant – which issued about one tenth of China's non-mortgage consumer loans in 2020 – and proposed a broad swath of measures on the industry that increase oversight and capital requirements. In the property sector, the government's so-called "three red lines policy" forces developers to conform to specific financial ratios, and the policy was expanded in January.

\- **Heightened Geopolitical Tensions:** While an agreed "Phase One" deal reduced the risk of tariff escalations with the US, tensions have escalated in other areas. The spectrum of disputes varies widely, ranging from repression of Uighur minorities to the legal status of Hong Kong and US concerns around technology and intellectual property. The US tightened restrictions on Huawei, requiring all companies utilizing US software or equipment to obtain export licenses. While much of recent news is likely political posturing, relations with the US are at their worst in decades, weighing on sentiment.

SENTIMENT DRIVERS

\- **IPO Market Booming:** The launch of the ChiNext and StarMarket boards is driving a surge in listings. Moreover, the US passed a bill requiring foreign companies to submit their financial audits to US regulators within three years to retain their listings on US exchanges. China presently bars mainland firms from complying with this requirement, which will likely push some companies to return to Hong Kong and local listings.

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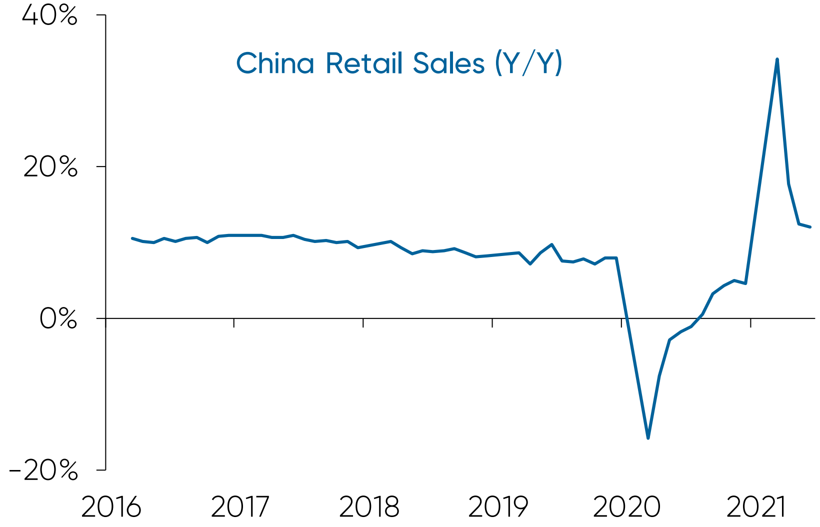
ECONOMIC

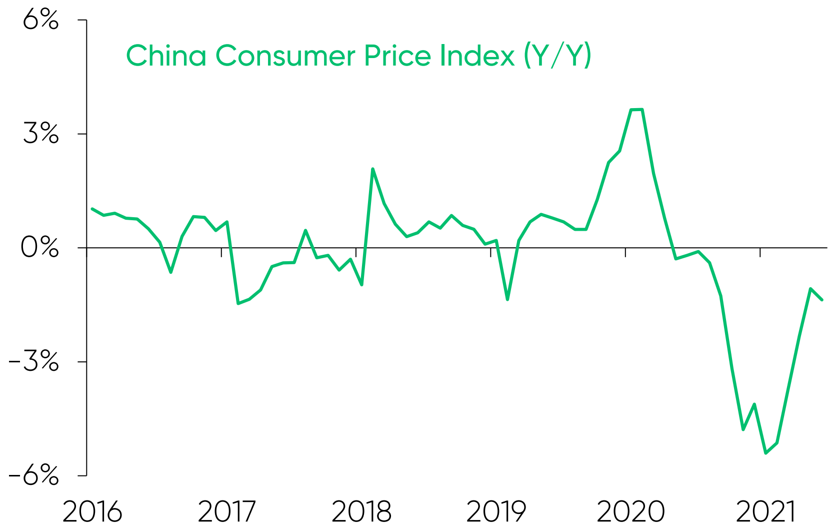
Using the Invesco Chinese Technology ETF (CQQQ) as a proxy for Chinese growth companies, recent weakness in Chinese Internet and Tech categories is consistent with previous short term periods of underperformance in terms of duration and magnitude.

Source: FactSet. Shows relative performance of the Invesco Chinese Technology ETF (CQQQ) and MSCI Emerging Market, indexed to 1 on 31/12/2009. Daily returns from 31/12/2009 – 31/08/2021.

ECONOMIC

Following a strong rebound, signs of moderation and a return to trend are showing in Chinese economic data.



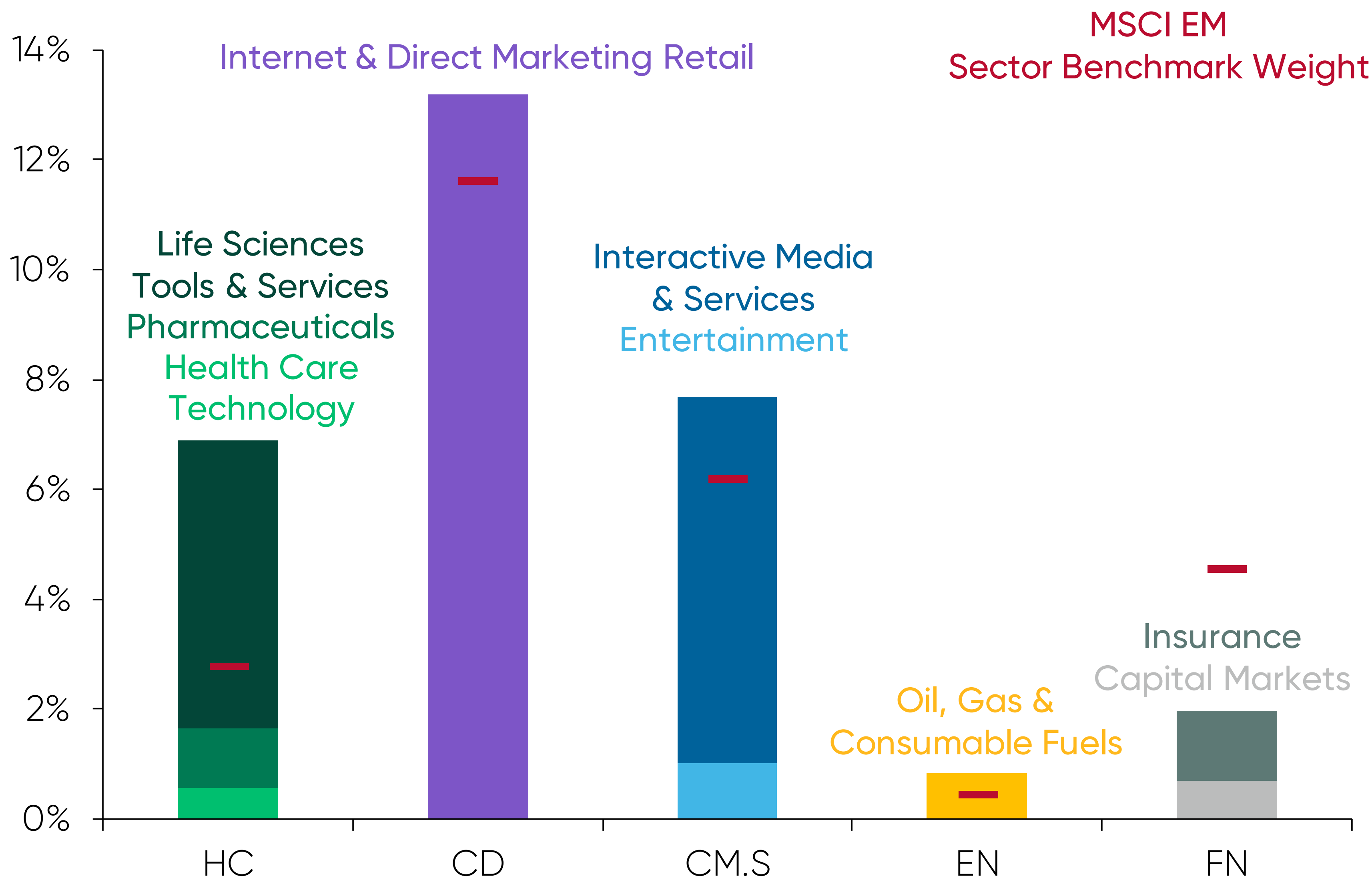


Source: National Bureau of Statistics China (NBS), Citi, FactSet. Top left chart shows industrial production index year-over-year change, top right shows retail sales of consumer goods year-over-year change, bottom left shows Citi Economic Surprise Index for China, bottom right shows China consumer price index year-over-year change. All based monthly data from 31/01/2015 – 30/06/2021.

ECONOMIC

We continue to favour the consumer and service portions of the market relative to the state-owned heavy industry and financials sectors.

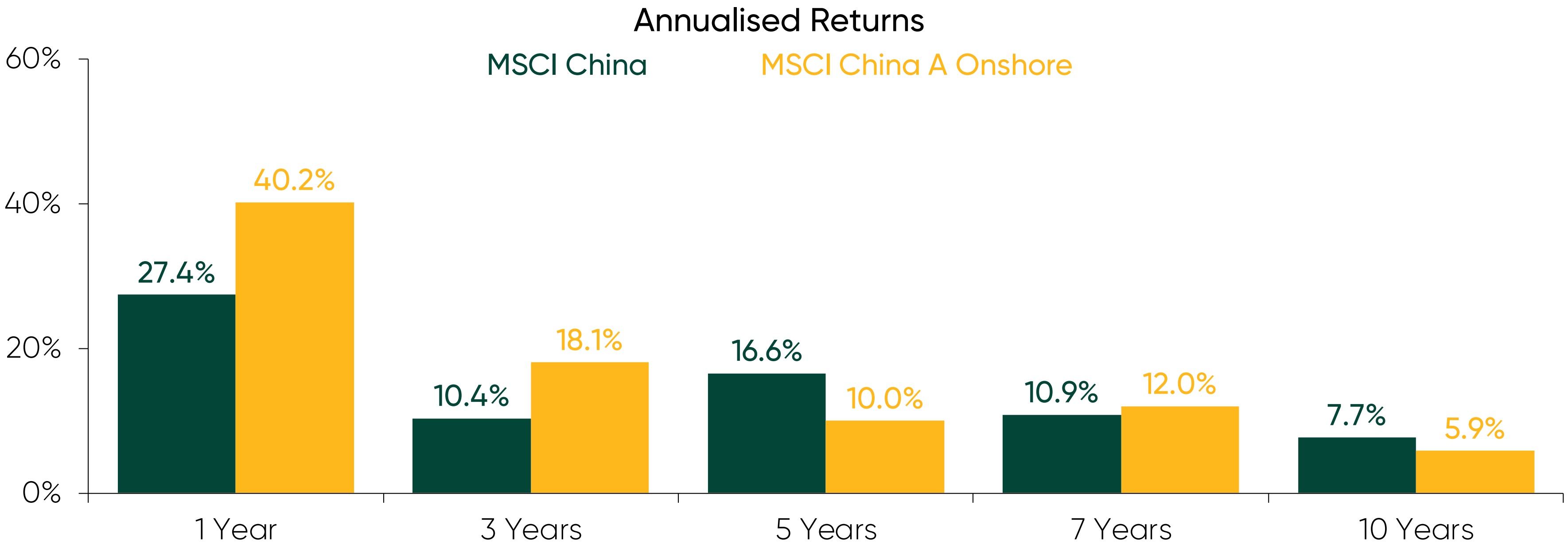
Fisher Emerging Markets Chinese Sector Exposure

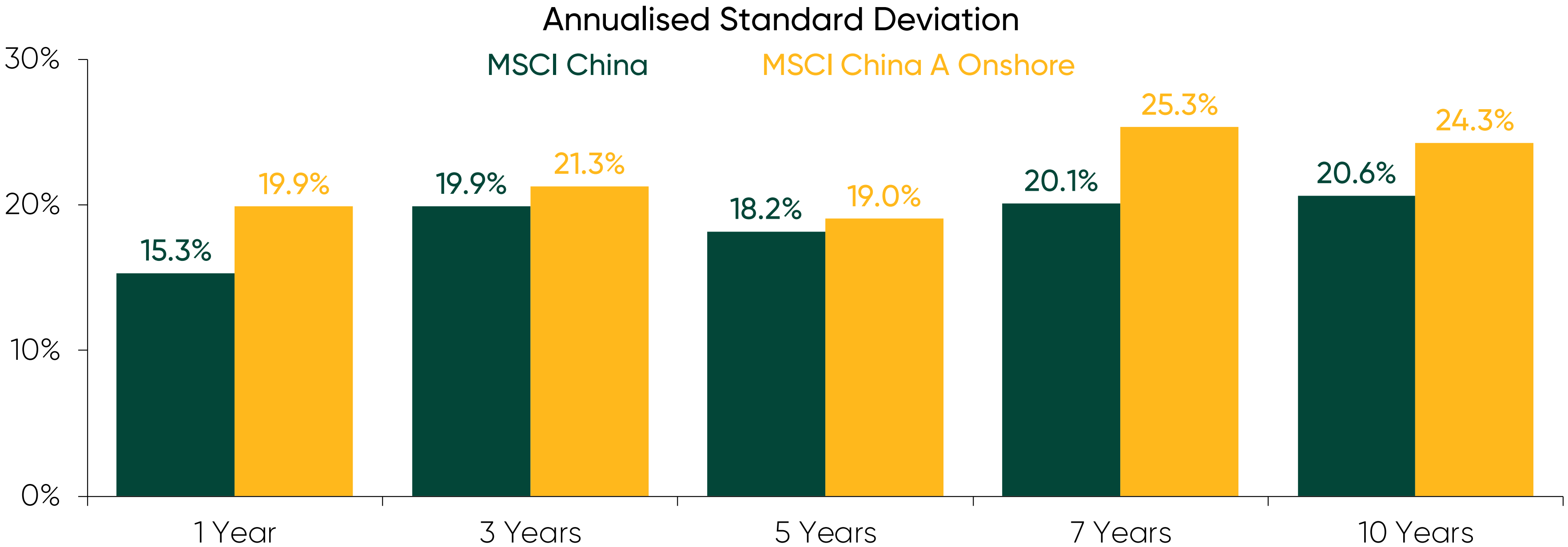


Source: Eagle Investment Systems, as of 31/07/2021. Shows total absolute weight to China within the Fisher Emerging Markets portfolio broken down by sector and industry. Sectors arranged in order of relative weight to the MSCI EM benchmark. Based on representative portfolio data, unless otherwise noted, and shown as supplemental to the composite. Sources: Eagle Investment Systems LLC and FactSet.

ECONOMIC

China A-shares boomed in 2020, outperforming the MSCI China but with higher volatility. Longer-term, the A-share risk/reward profile has been mixed.

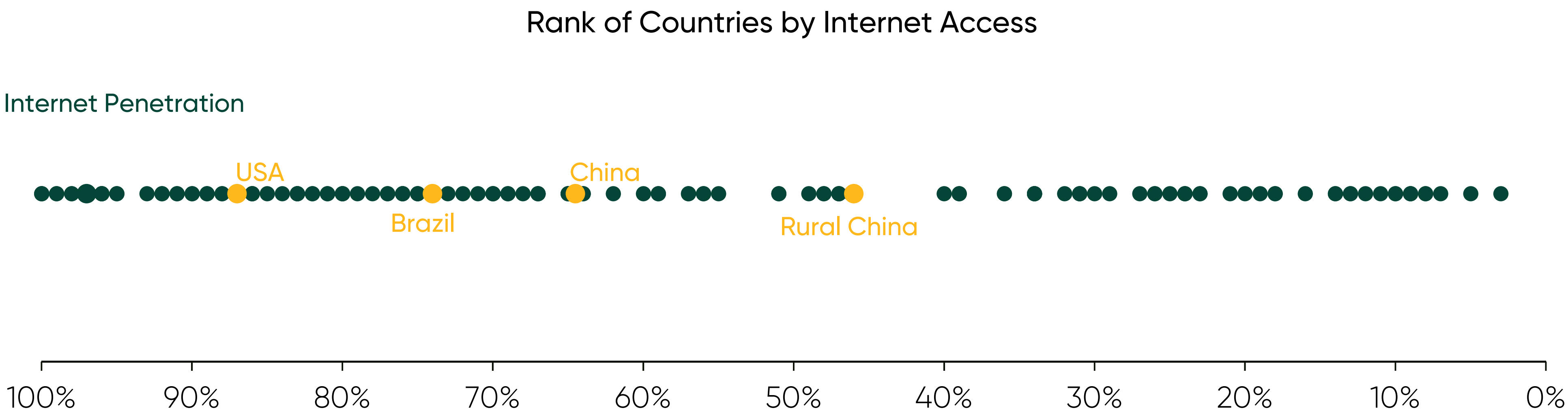


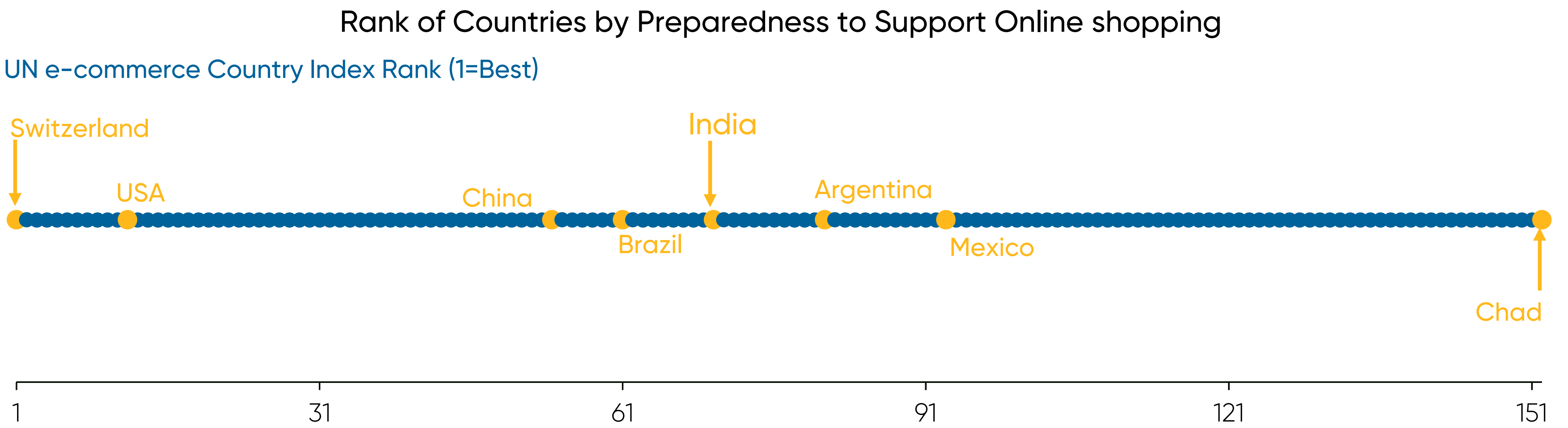


Source: eVestment as of 30/06/2021. Shows annualised performance & standard deviation for the MSCI China and MSCI China A Onshore indices for the time periods shown.

ECONOMIC

China still has relatively low internet and e-commerce penetration, leaving significant room for growth.





Source: United Nations, Conference on Trade and Development (UNCTAD). UNCTAD B2C e-commerce index 2020.

POLITICAL

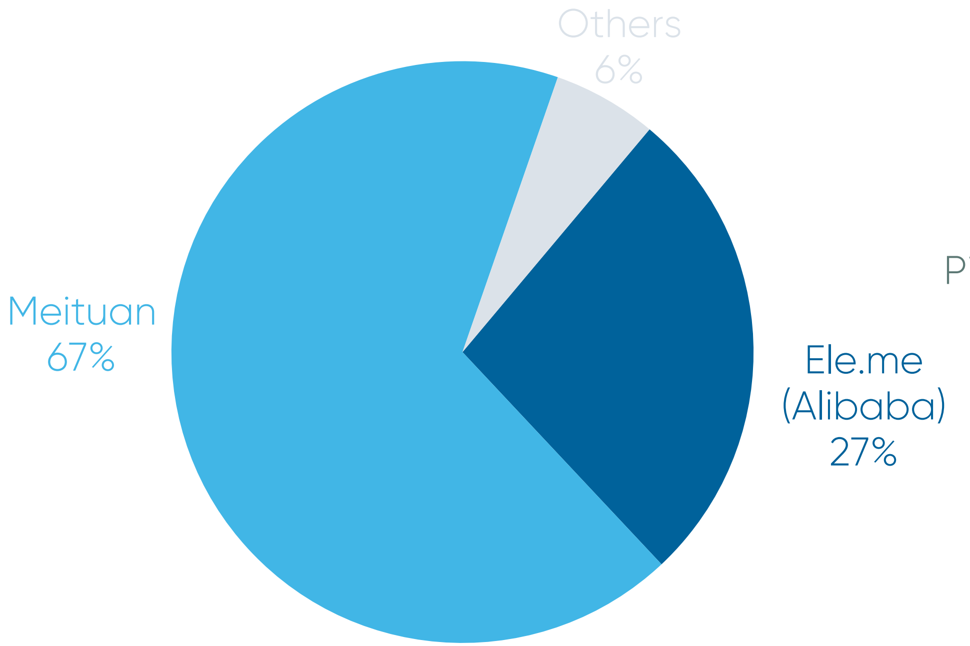
Announced regulations in China have typically led to short-term uncertainty but have not necessarily translated to long term underperformance of affected equities against the MSCI World.

Chinese Tech-Like Not Materially Impacted by Announced Regulations in the Long Term

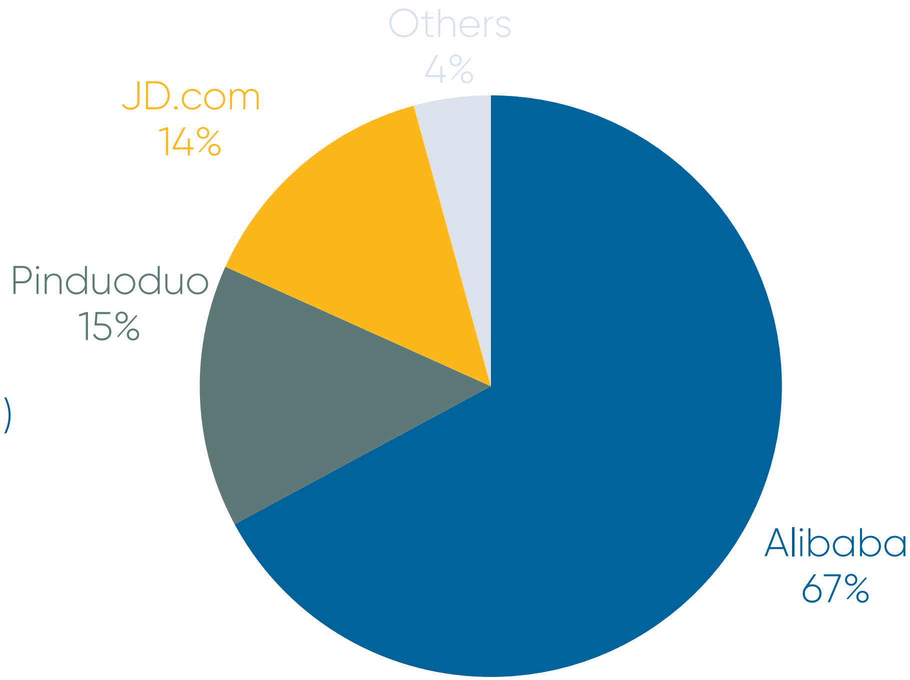
Source: FactSet. Shows relative performance of Tencent and Baidu relative to the MSCI World, 6 months prior and 2 years after regulatory announcement. Indexed to 100 on date of regulation.

POLITICAL

Historically both US and Chinese companies had exclusive agreements to purchase or use good and services from one another. Concentrated market share in both Chinese food delivery & e-commerce industries likely means removing the exclusivity agreements won't have a material impact because the option set for suppliers is already limited. In addition, Alibaba's management noted that exclusivity agreements are limited to a small number of TMall flagship stores and adjusting these arrangements will be immaterial to financial results. Increased regulation in the US, such as the DOJ's recent lawsuit against Google entering agreements that made Google the preset default search engine on billions of devices and prohibiting pre-installing competing search engines, would likely have a much larger material impact.



China's Food Delivery Market Share



China's Internet Retail & E-Commerce Market Share

Right Chart Source: FactSet, as of Jul 2021. Left Chart Source: CBNData, Trustdata, Statista, as of Apr 2020.

COUNTRY DRIVER ANALYSIS

UNDERWEIGHT INDIA

India's economic fundamentals are rebounding tied to base effects, but were deteriorating prior to COVID and sustained acceleration is unlikely. Additional pro-market reform from Prime Minister Modi's administration likely proves more challenging moving forward. Moreover, claw backs to some of the key pieces of reform implemented in his first term are concerning.

ECONOMIC DRIVERS

+ **Rising Credit Penetration:** Efforts to boost "financial inclusion" led to over 1 billion people added to the digital grid through its biometric identification program. When combined with the Unified Payment Interface, a government standardised payment platform allowing money transfers by text messages, banking penetration should significantly increase moving forward. Digital payments are estimated to rise by 20% CAGR through 2023, according to KPMG.
+ **Commodity Prices Remain Supportive of Positive Balance of Payments Trends**: With oil imports accounting for roughly 9% of GDP, trade deficit concerns eased as commodity prices softened in recent years. Oil prices have recovered off recent lows, but spare capacity likely keeps a lid on prices.
– **Economic Growth Slowing Prior to COVID:** India's economic fundamentals were deteriorating prior to the outbreak of COVID-19 in the country, which was one of the worst in the world. The country's growth slowed to a six-year low of below 5% y/y in Q4 19, and during COVID-19, India had one of the largest economic contractions globally, with GDP falling -24%. Base effects will boost growth in 2021, but underlying trends are less positive.
– **Banking Fears Continue to Weigh on Sentiment**: Bad debts at a significant number of state-run banks and non-financial banks have depressed lending. While the government announced a $32 billion (~1.4% of GDP) recapitalisation program in October 2017, non-financial banks began picking up the lending slack, representing around 20% of new loans in the past three years. This development came under scrutiny after the default of non-banking financial firm IFLS in Q3 18. While not large enough to drive a solvency crisis, loan growth slowed amid asset quality concerns, with Yes Bank notably requiring RBI intervention in March 2020.

POLITICAL DRIVERS

± **Covid-19 Response:** India has the third most Covid-19 cases globally, and new cases did not reach a peak until September, taking longer than in most other places. Meanwhile, many migrant workers left cities, potentially posing headwinds to a fast economic recovery. However, stimulus measures could provide a boost to recovery. The government's response during COVID was modest in comparison to global peers, and monetary and liquidity measures of approximately 3.5% of GDP to counteract the impact of Covid-19; however, these stimulus measures are designed to keep the economy from slowing too fast, not accelerate growth. More recently, a larger than expected deficit spending target of 6.8% of GDP for 2021 helps bring India's response closer to the rest of the world and is supportive of a "V" recovery, but hurts India's fiscal credibility. Additionally, a second wave of COVID-19 delayed India's economic recovery.

- **Reform Expectations:** While Modi handily won reelection in 2019, most of the large items on his agenda (i.e., tax cuts, liberalisation of bond market, comprehensive bankruptcy code) have been accomplished, suggesting positive surprise power is more limited, and claw backs are a risk. Additionally, Modi's policy focus has shifted towards Hindu nationalism, which could pull political capital away from further market-friendly reform. Upcoming state elections in 2022 also reduce the likelihood of controversial or politically painful, but needed, reform. Despite these headwinds, recent incremental reforms in manufacturing, agriculture and labour could begin a renewed period of reforms efforts.
- **Haphazard Approach to Foreign Investment:** While the government has allowed additional foreign direct investment in some industries, disjointed treatment of foreign companies and fund managers creates uncertainty. The country introduced tax incentives to encourage manufacturing investment in September 2019 but then restricted Chinese investment and banned many Chinese mobile applications, perhaps with the goal of encouraging national champions to emerge such as Reliance Industries. These actions follow a capital gains tax introduced for the first time, exchanges no longer providing data to foreign exchanges for creation of derivative products and disbanding the foreign board – where foreign investors traded with each other to ensure they weren't surpassing the foreign investor maximum.

SENTIMENT DRIVERS

- **Valuations Quickly Recovered:** India's historical premium to EM bounced back in the EM recovery after dropping near 10-year lows in March as currency concerns have eased. However, less positive economic growth expectations and a weakening political appetite for structural market reform make a premium difficult to justify.

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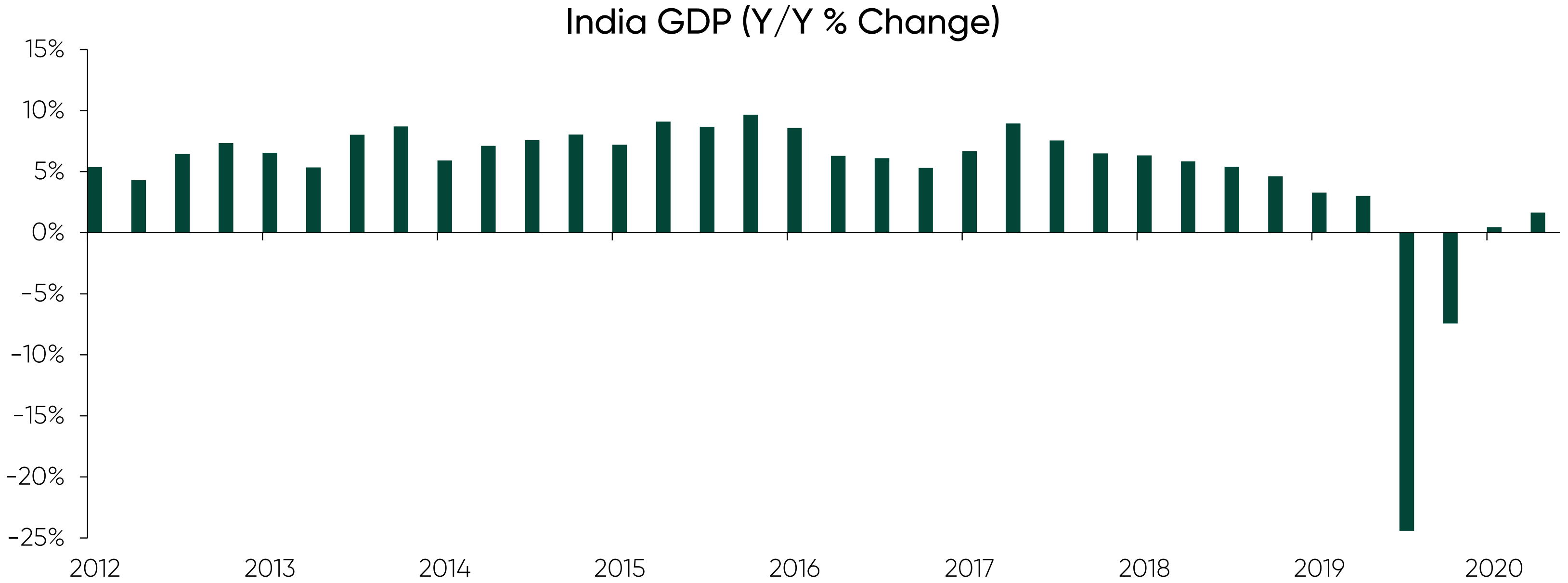
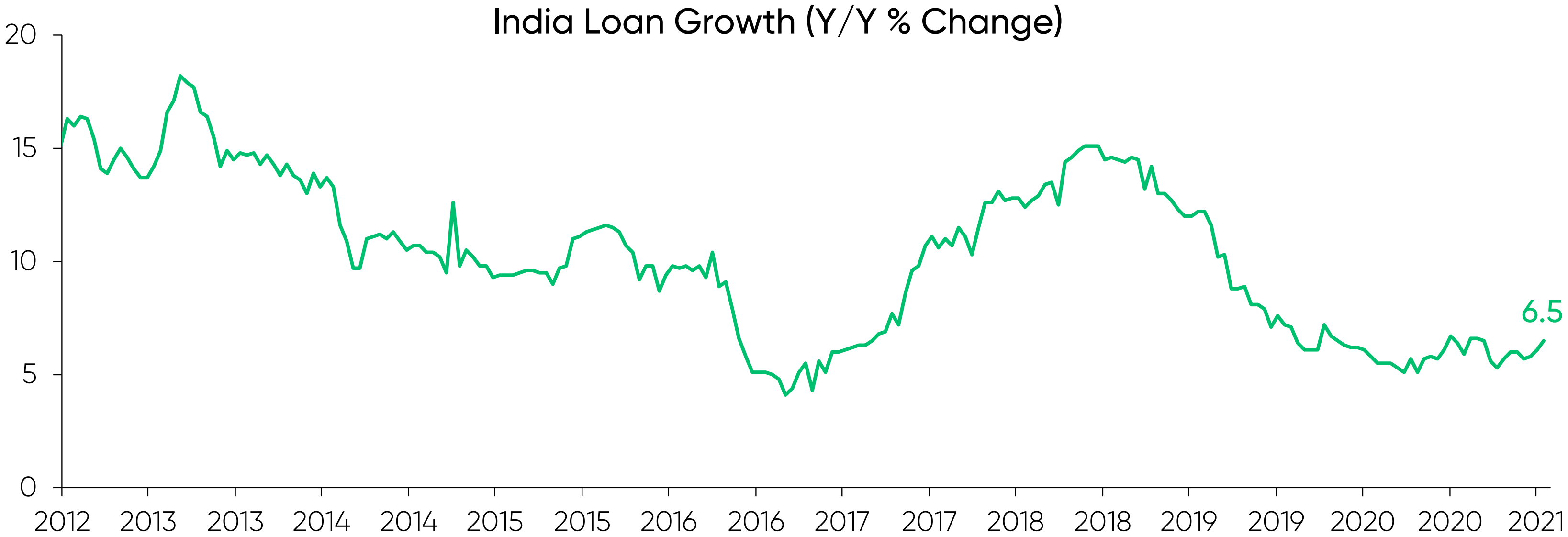
ECONOMIC

Expect a short-lived economic bounce off the COVID-lows, but long-term growth to return to pre-COVID trend. With GDP and loan growth slowing before COVID amid asset quality concerns for banks, India's economic growth post-bounce is unlikely to be positively differentiated vs. emerging markets peers.

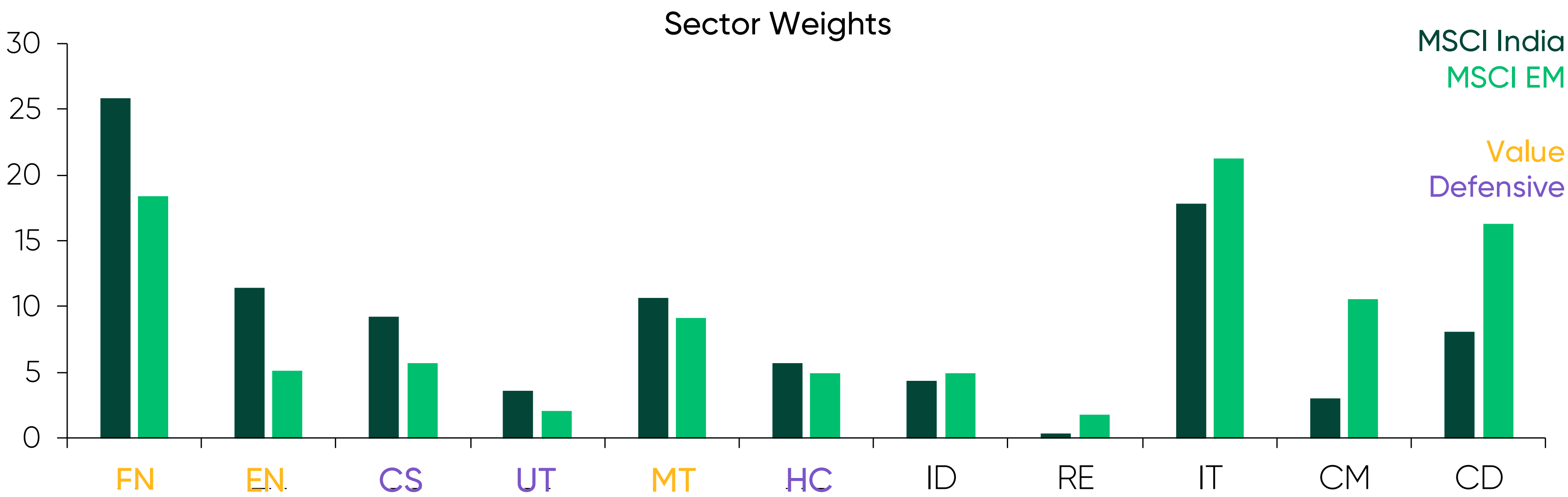


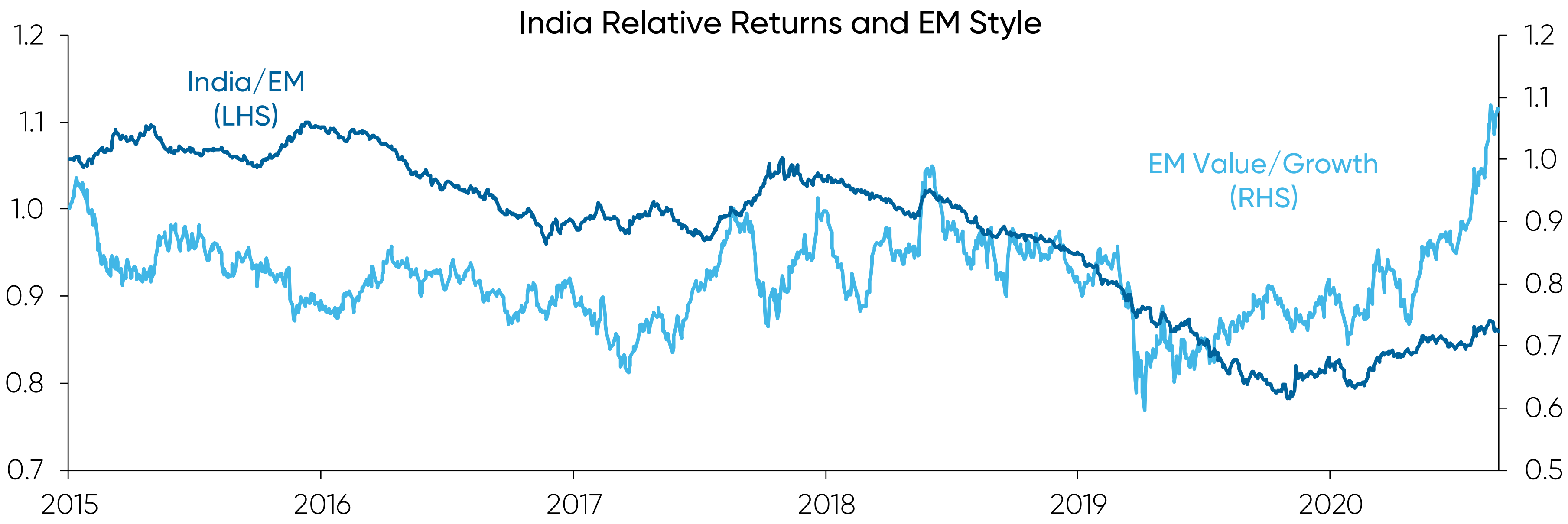


Top source: Ministry of Statistics and Programme Implementation (MOSPI) and FactSet, as of 31/03/2021. Bottom source: Reserve Bank of India (RBI) and FactSet, as of 31/07/2021.

ECONOMIC

India tends to have a value and defensive tilt. Since the November 2020 vaccine announcements, India has traded like value.

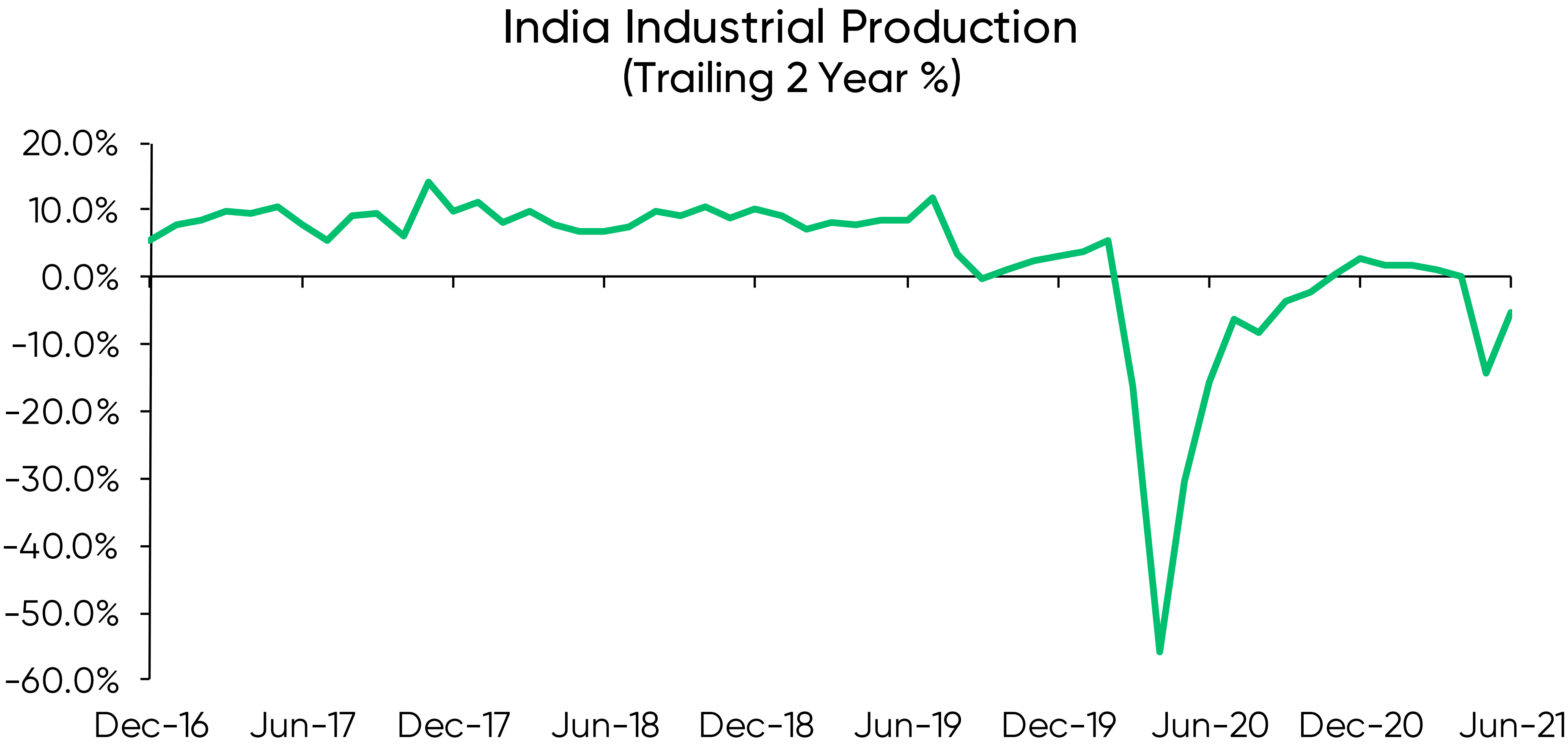




Top source: MSCI Index Weights from FactSet, as of 31/07/2021. Financials (FN), Energy (EN), Consumer Staples (CS), Utilities (UT), Materials (MT), Health Care (HC), Industrials (ID), Real Estate (RE), Information Technology (IT), Communication Services (CM), Consumer Discretionary (CD). Bottom source: MSCI Index Returns from FactSet, as of 31/08/2021.

ECONOMIC

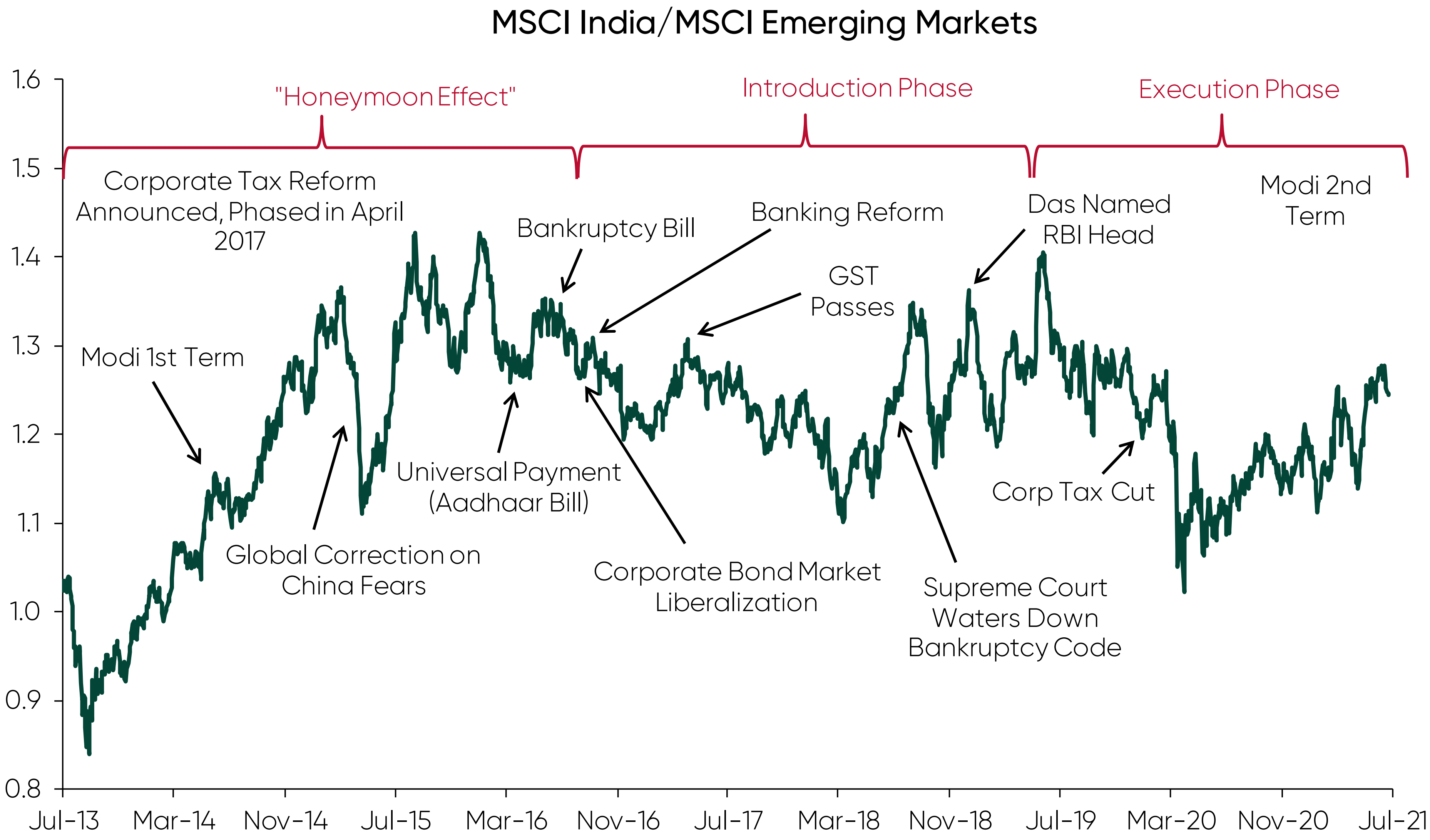
June industrial production growth showed broad based recovery from the April-May spike in COVID-19 cases, however there were fewer government restrictions put in place during the second spike which likely means less of a bounce during the recovery.



Source: MOSPI, Factset, data from 30/12/2016 – 30/06/21, shows industrial production growth over 2 years.

POLITICAL

While Prime Minister Modi handily won reelection in 2019, most of the large items on his agenda (i.e., tax cuts, liberalisation of bond market, comprehensive bankruptcy code) have been accomplished, suggesting positive surprise power is more limited, and claw backs are a risk. Additionally, Modi's policy focus has shifted towards Hindu nationalism, which could pull political capital away from further market-friendly reform. Despite these headwinds, recent incremental reforms in manufacturing, agriculture and labour could begin a renewed period of reforms efforts.



Source: FactSet, Fisher Investments Research. Data available through 31/07/2021. As of September 2021.

COUNTRY DRIVER ANALYSIS
OVERWEIGHT SOUTH KOREA

As the world economy recovers from the Covid-19 outbreak, renewed growth in developed-market demand should support export-oriented countries like South Korea. The country's market structure is favourably weighted towards higher margin sectors expected to outperform. Political stability following a string of scandals should also provide a boost to sentiment, though President Moon's policy agenda is geared more toward welfare spending than reform.

ECONOMIC DRIVERS

+ **Favourable Sector Composition:** South Korea's Technology sector is over 45% of the MSCI Korea and accounts for a quarter of the Information Technology sector in the MSCI Emerging Markets Index. Moreover, the sector consists of higher margin companies compared to other Emerging Market countries, a characteristic desirable at this stage of the cycle. The country's Health Care sector is also the second largest in emerging markets.
+ **Exports Recovering Quickly from Trade Fears and Covid-19:** South Korea's export growth continues to exceed expectations and recover quickly following the shock from the Covid-19 outbreak. We remain optimistic of recovery in global demand as the virus is increasingly contained, which should provide a boost to trade. Rising exports historically coincide with higher domestic equity prices.
- **Consumer Debt Levels:** Household debt remains high, and the government is sensitive to fears of another crisis like the credit card bubble following the Asian Financial Crisis. The Progressive President Moon's government has introduced more than two dozen measures to cool the property markets in the past three years. In December, it banned mortgages on properties worth more than KRW1.5 billion (~$1.3 million), lowered the maximum loan-to-value ratio on properties more than KRW900 million from 40% to 20%, and recent announced plans to increase property taxes on owners of expensive homes or multiple properties.

POLITICAL DRIVERS

+ **Significant Investment in Semiconductor Industry:** The government announced it would invest $450 billion in the semiconductor industry over the next decade. The plan will include tax breaks, lower interest rates, eased regulation and improved infrastructure. While the exact timing is still being discussed, the amount is significantly more than proposals to support the chip industry in the US ($50 billion) and EU (€30 billion). The plan isn't likely to create overcapacity concerns, in our view, given the long timeline and structural increase in demand for semiconductors across various key industries with increasingly complex applications across the automotive, industrial and technology industries.

± **Moon's Redistributionist Policies Lack Surprise Power:** President Moon Jae-in's Democratic Party of Korea, along with an affiliated bloc, have 180 seats in the legislature – a crucial threshold, as 60% of the vote is required before bills can be put for vote during a plenary session. Much of the first half of Moon's term was focused on welfare spending over reform. But Korea's spending in response to the COVID-19 outbreak was significantly less welfare related than other countries in the world.

- **Chaebol Still Receive Special Treatment:** Revenues of the family-controlled chaebol conglomerates account for nearly 60% of South Korea's GDP, suggesting their influence may be too powerful. This sentiment was seemingly validated by the surprising announcement that Samsung heir Lee Jae-yong's prison sentence was suspended and reduced, letting him walk free. A retrial earlier this year sentenced him to a meagre two and a half years of prison for bribery.
- **Geopolitical Risks Weigh on Sentiment:** Tensions with North Korea remain an ongoing concern. Most recently, North Korea blew up a joint liaison office in Kaesong just north of the demilitarised zone used for talks between the two Koreas, the latest sign that ties between the two longtime adversaries remains strained. Moreover, Kim Jong-un's long absences from public view have spurred speculation about whether he was seriously ill and what might happen to its nuclear program if he became incapacitated.
- **Corporate and Income Tax Hikes:** To finance President Moon's welfare pledge, the government previously raised corporate taxes to 25% from 22% for large-capitalisation companies and higher rates for wealthy individuals (making more than $275,000 per year).

SENTIMENT DRIVERS

+ **Wide Valuation Discount:** Korean equities have faced a number of headwinds in the past few years: corporate restructuring in sectors employing nearly 15% of its workforce, scandals at several chaebol, a massive recall of the Samsung Note 7, elevated geopolitical uncertainties with China, the US and North Korea, and the impeachment of its president. This discount has narrowed on enthusiasm for its technology shares but sentiment remains depressed.

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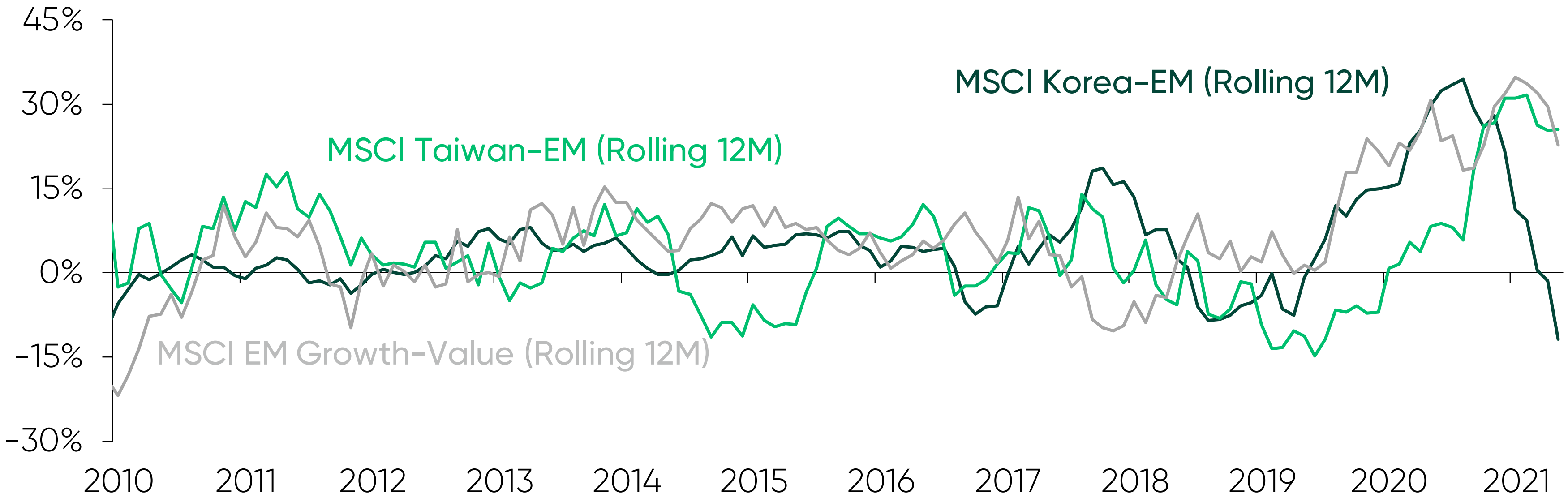
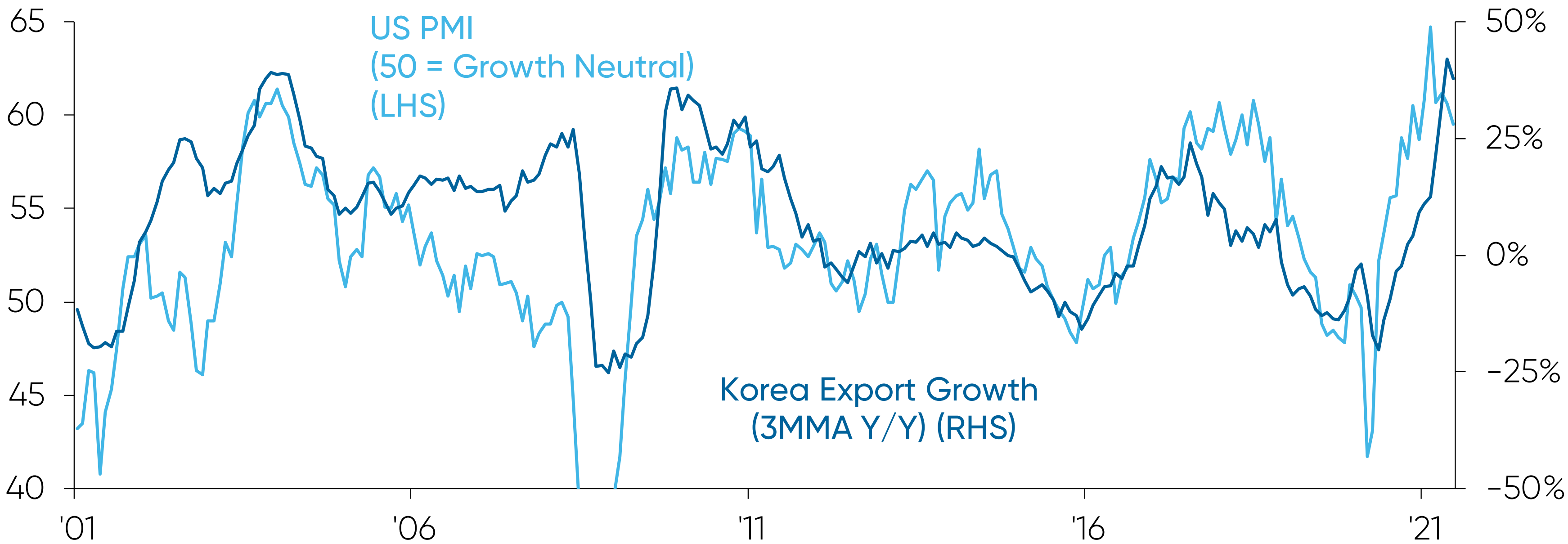
ECONOMIC

South Korea and Taiwan tend to outperform when growth leads value. Further, as the world economy recovers from the COVID-19 outbreak, renewed growth in developed market demand should support Korea's export-oriented countries.

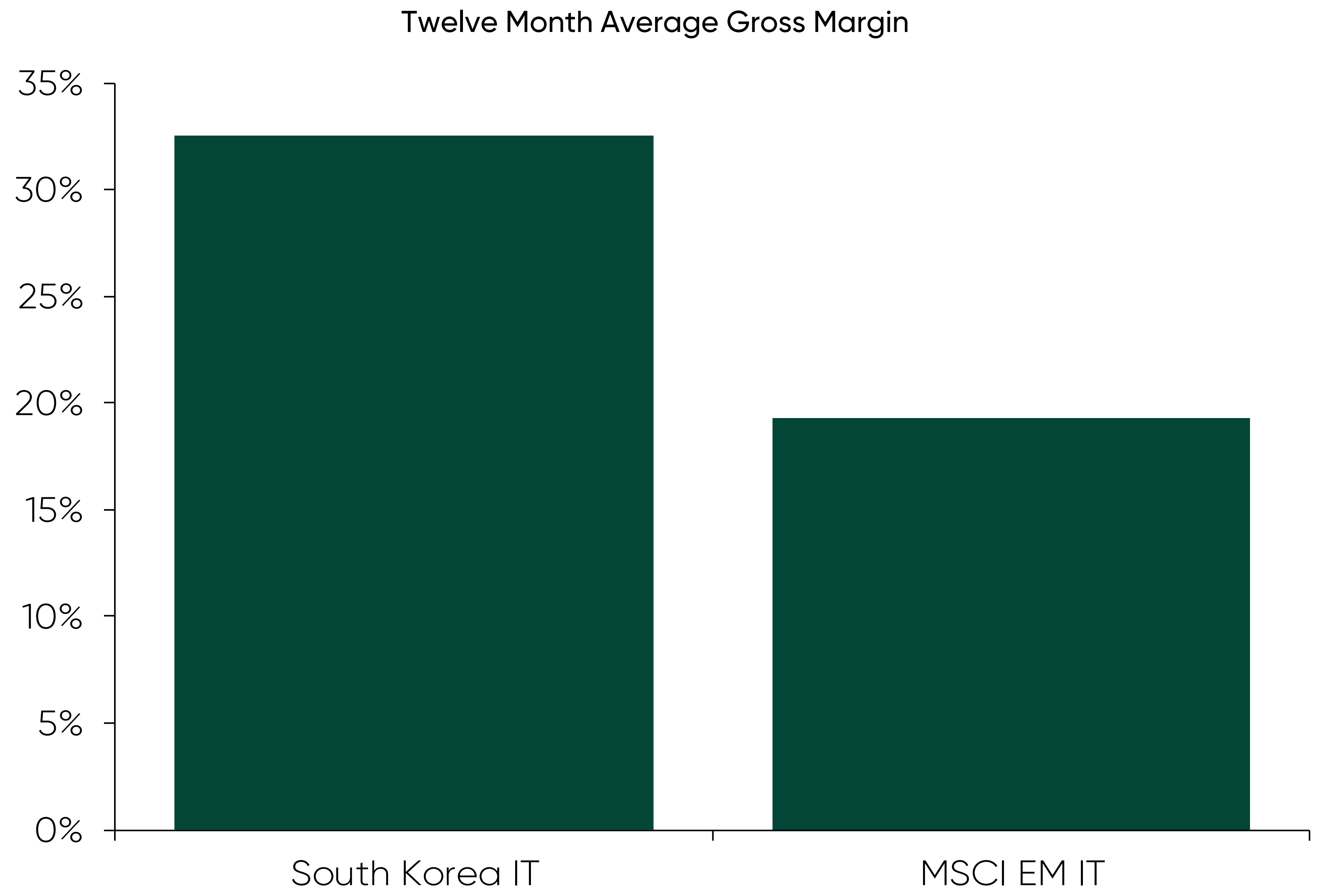




Source FactSet. Top chart shows performance for MSCI Korea, Emerging Markets (EM), EM Growth, EM Value and MSCI Taiwan, year-over-year change of rolling 12-month returns, monthly, 31/01/2009 – 30/07/2021. Bottom left chart shows US ISM Manufacturing PMI, monthly, against the year-over-year change in Korean exports, 30/06/2001 – 30/07/2021.

ECONOMIC

Korean Equities are dominated by high margin Information Technology firms relative to Emerging Markets peers. While we are still monitoring government containment measures, we continue to see high margin Information Technology as desirable characteristics for now.

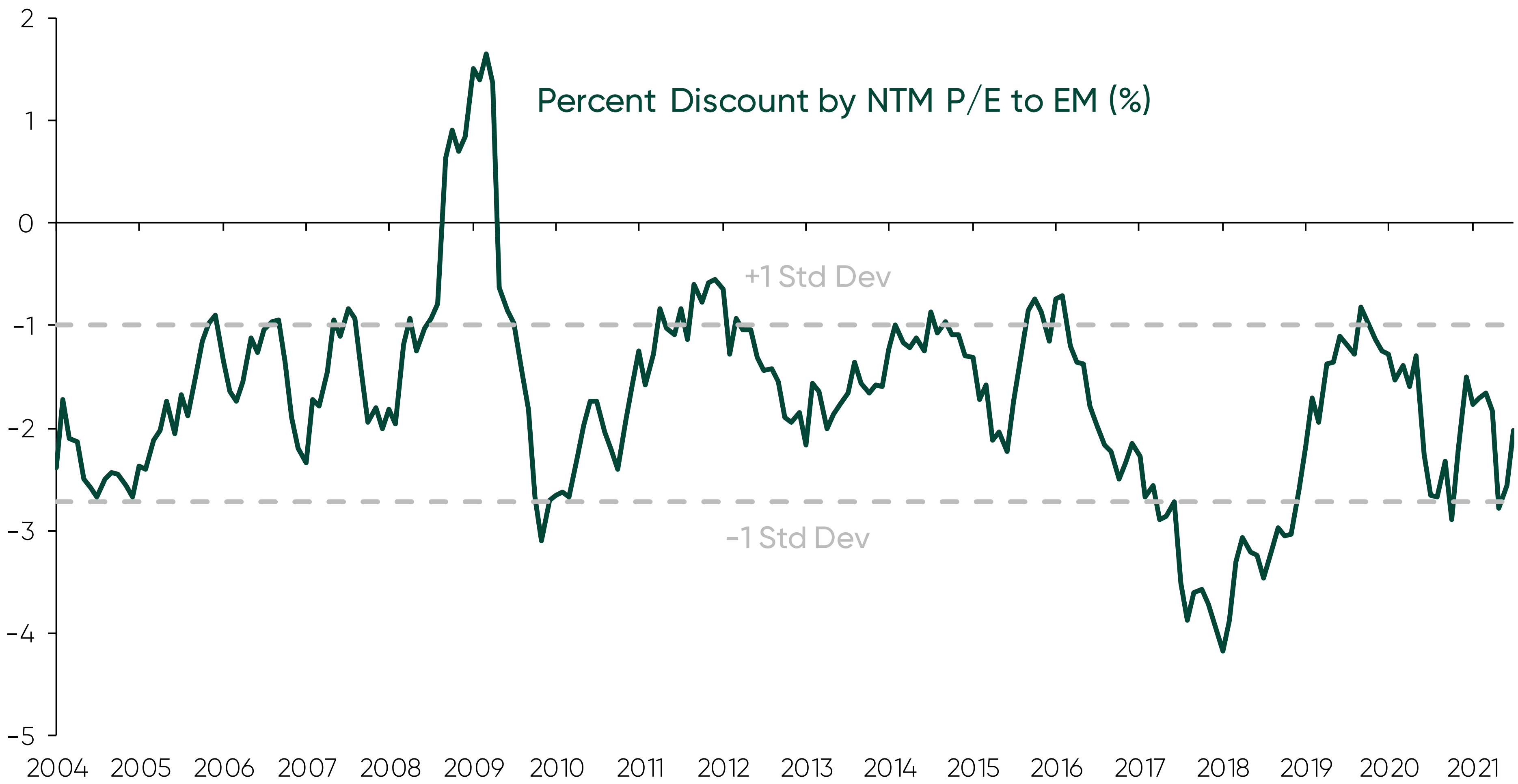


Source: FactSet based on a trailing 12-month period as of 30/07/2021.

SENTIMENT

Korean equities have faced a number of headwinds in the past few years: corporate restructuring in sectors employing nearly 15% of its workforce, scandals at several chaebols, a massive recall of the Samsung Note 7, elevated geopolitical uncertainties with China, the US and North Korea, and the impeachment of its president. This discount has narrowed on enthusiasm for its technology shares but sentiment remains depressed.

Valuation Discount Has Narrowed Significantly But Not At Extreme



Source: Factset Inc., data from 30/01/2004 - 30/07/2021.

COUNTRY DRIVER ANALYSIS

UNDERWEIGHT EASTERN EUROPE (POLAND, CZECH REPUBLIC, HUNGARY)

A limited universe of high-quality growth companies make Eastern Europe less attractive than other regions. On the positive side, many Eastern Europe countries have strong and resilient domestic economies and deep integration with developed Europe manufacturing supply chains. The rollout of Covid-19 vaccines in Europe has greatly improved over the last few months after a slow start, and as Covid-19 restrictions are lifted economic growth should continue accelerating. Eastern Europe should likely benefit from a faster vaccine rollout than most other Emerging Markets in 2021.

ECONOMIC DRIVERS

- \+ **Bank Balance Sheet Quality:** Eastern European banks have never been in better shape to weather financial stresses, with record capital levels as well as some of the best asset quality in generations. While both have deteriorated during the pandemic, it's unlikely to amount to a financial crisis like 2008-09.
- \+ **Employment within the EU:** Eastern Europe has increasingly become the preferred trade partner of Germany and France—taking share from southern Europe.
- ± **Covid-19 Impacts:** With its heavy reliance on global trade, Covid-19 disruptions have weighed on the region's exports and overall economy. However Eastern Europe is likely benefit from a faster rollout of an effective Covid-19 vaccine than other Emerging Markets in 2021.
- \- **Record Low Interest Rates:** The negative interest rate policy of the ECB has spilled over to record low rates in Eastern Europe, weighing on bank profitability.
- \- **Small Cap & Value Bias:** Eastern Europe mainly consists of value-oriented and small cap companies, areas we believe are less favourable in the current market environment. There are very few high-quality, growth or Tech-like companies compared to regions like Emerging Asia.
- \- **Underdeveloped Capital Markets:** Eastern Europe has fragmented and under-developed capital markets, even when compared to the rest of Emerging Markets. This often leads to illiquid trading that can become distorted during times of market stress.

POLITICAL DRIVERS

- \+ **New Joint Debt Issuance:** Eastern Europe will receive funding from NextGenerationEU, the new €750B recovery fund. The first disbursements should reach EU member countries in the coming months. This package will be funded largely with new jointly issued EU bonds – a big breakthrough after decades of opposition to risk sharing. While this relief package is meant to be one-off, it establishes a precedent and increases the chances of more risk sharing in the future – a step towards fiscal integration.
- \+ **A Part of the European Union but not Eurozone:** Being a part of the free trade and free movement union has led to reduced cost of doing business and encouraged trade. Not being a part of the euro common currency has allowed for Eastern European exports to remain competitive and encouraged international investment.
- ± **Covid-19 Vaccine Rollout:** The slow start to Europe's vaccine rollout was an embarrassment for the European Commission, and led to the Commission implementing controls on Covid-19 vaccine exports out of the EU. Europe's vaccine rollout has greatly improved since then, and social and mobility restrictions related are starting to be removed across the continent. Eastern Europe will likely benefit from a faster vaccine rollout than most other Emerging Markets, thanks to the EU's joint vaccine procurement program.
- ± **Fiscal Stimulus:** Member state governments are proposing spending plans for the loans and grants issued through NextGenerationEU. Overall fiscal stimulus is a much lower percentage of GDP in Europe than the US, and in Europe these funds will be spent over a 7-year time frame, likely limiting economic impact.
- \- **Pressure from the European Commission on the Rule of Law:** EU leadership continues to threaten sanctions and other measures against Poland and Hungary due to their governments eroding liberal democratic values. Poland and Hungary, along with other Eastern European countries, have pushed towards 'illiberal democracy' over the last decade which features opposing views on the value of immigration, LGBTQ rights, free movement, freedom of the press, and independence of the judiciary.
- \- **A Willingness to Intervene in Financial Markets:** Both Hungarian and Polish governments have intervened during this cycle to force private banks to absorb foreign currency losses on Swiss Franc denominated mortgage loans in the name of consumer protection, at the expense of private bank capital.

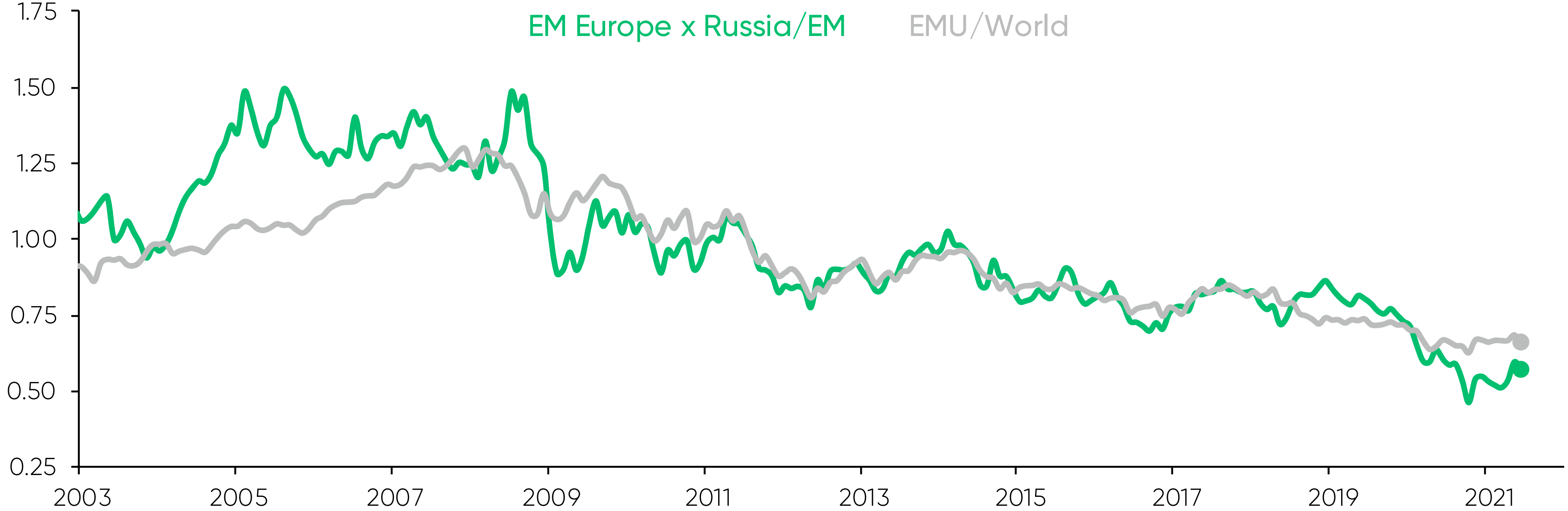
SENTIMENT DRIVERS

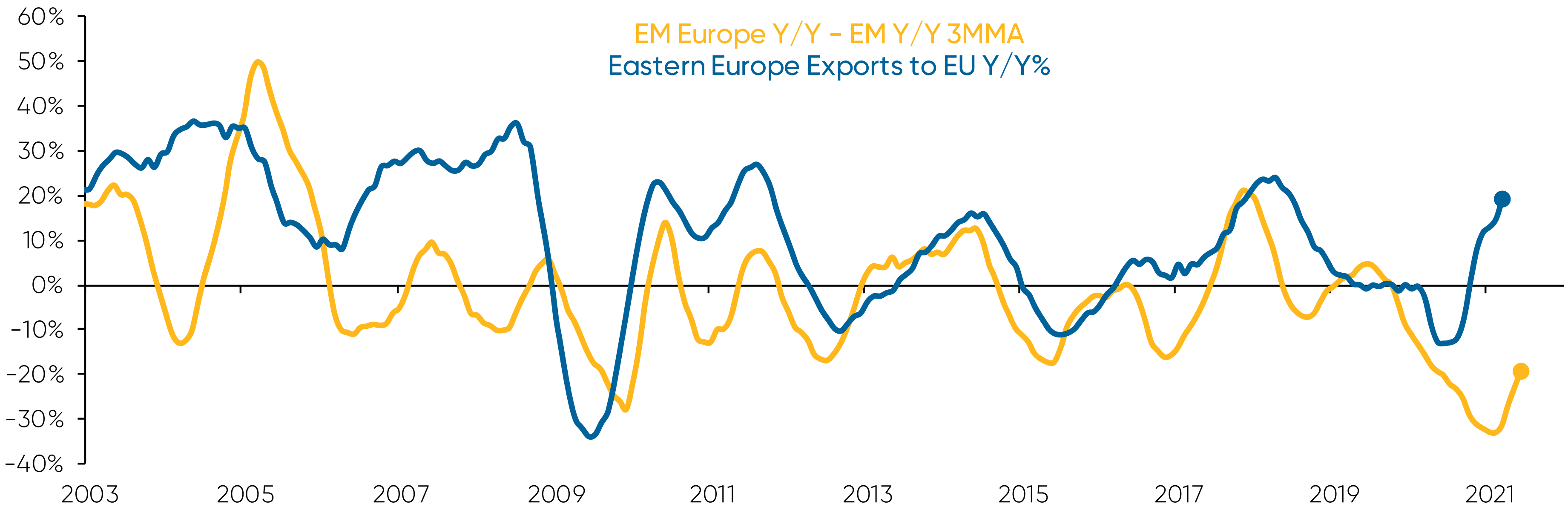
- \+ **Relative Valuations:** Eastern Europe's Price to Book ratio is at a significant discount relative to ACWI and modestly below EM.
- \- **Covid-19 Fears Impacting Free Flow of People & Goods:** During the pandemic cross border movement of people and commerce ground to a halt. Eastern Europe has been a major economic benefactor of this the past 15 years, and uncertainty persists as to when borders will fully reopen.

As of September 2021. We have provided our general comments to you based on information we believe to be reliable. There can be no assurances that we will continue to hold this view; we may change our view at any time based on new information, analysis, or reconsideration.

ECONOMIC

Eastern European performance is strongly linked with developed European countries as their economies rely on exports to them. Eastern Europe should benefit from an accelerated vaccine rollout in their developed neighbors, however we don't expect it to lead in the near term.





Top Chart sources: FactSet as of 30/06/21. Bottom chart sources: Monthly FactSet (MSCI Eastern Europe ex Russia Y/Y – MSCI EM Y/Y). IMF Sum of Poland, Hungary and Czech Rep Exports to the EU Y/Y USD. Data as of 30/06/21.

COUNTRY DRIVER ANALYSIS

UNDERWEIGHT SOUTH AFRICA

We expect South Africa to underperform as domestic economic growth and insufficient infrastructure is exacerbated by a challenging fiscal trajectory, making already politically problematic infrastructure improvements and market friendly reforms difficult. Additionally, the country's benchmark composition outside of Naspers consists mainly of value-oriented banks, gold and precious metals firms unlikely to benefit from the growth-led environment expected ahead.

ECONOMIC DRIVERS

± **Monetary Policy Easing:** The central bank cut rates to 3.5% last year as a response to recession and Covid-19. Inflation has recently been benign, which may give the central bank room to continue to ease policy. However, the government's use of QE in response to Covid-19 could prove negative and flatten the yield curve, reducing incentive for banks to lend.

± **Relative Performance Highly Correlated to Precious Metals:** As a major precious metals exporter, South Africa has significant exposure to gold and platinum group metals prices. Rising precious metals prices provided a tailwind in the bounce off the market bottom in March 2020, but have been choppy and volatile YTD. We expect precious metals to underperform in the period ahead, likely weighing on South Africa's overall performance.

\- **Vulnerable to External Shocks:** Unlike the other perceived EM "Fragile Five" countries, South Africa is more at risk to external shocks given the size of its budget deficit, minimal foreign currency reserves and economic reliance upon precious metal exports.

\- **Power Shortages:** South African state-owned utility Eskom (produces 95% of the nation's power), continues struggling to produce and distribute electricity. Until power is delivered reliably, ongoing investment remains questionable—particularly in energy-intensive sectors like Metals & Mining and heavy manufacturing.

\- **Struggling Economy:** South Africa has reported six of the last twelve quarters of GDP growth in negative territory. Consensus expectations are for low single digit GDP growth in 2021 and 2022, however.

POLITICAL DRIVERS

\+ **Highly Functional & Efficient Capital Markets:** South Africa also has a very developed-world-like capital markets system with an emphasis on common law. In many cases it is easier to conduct capital markets activity in South Africa than it is in Latin America, much of Asia, and many developed European countries.

± **ANC Infighting and Land Reform:** Since Cyril Ramaphosa took over for Jacob Zuma, ousted for corruption charges, the ruling ANC party faced intraparty gridlock from factions supporting each leader, preventing needed reforms. Ramaphosa released a draft of a controversial land reform bill allowing the government to take ownership of land meeting certain criteria without providing compensation, eroding property rights and likely having a significantly negative effect on investment. Passage in the near term appears unlikely as Ramaphosa is still reliant on ANC party members loyal to Zuma that may not support sweeping reforms. Other land reforms, such as a program to lease unused state agricultural land to disadvantaged farmers, likely provide a modest positive impact.

\- **Elevated Deficit Leading to Fiscal Consolidation.** The budget deficit has perpetually been above target despite pledges to pare it. While the most recent budget anticipates deficit reduction over the coming years, it is reliant on a multi-year public employee wage freeze that may prove politically difficult. Additionally, South Africa received a $3.4b loan from the IMF in July 2020. While the loan did not have explicit conditions attached, the government made assurances about lowering the country's debt to GDP ratio.

\- **Lack of Political Checks and Balances:** With the African National Congress (ANC) currently holding 62% of Parliament, the risk of extreme legislation is high and the risk of challenge to the ongoing implementation legislation is low, including Black Economic Empowerment (BEE), seizing property without compensation and greater state control of strategic sectors.

\- **Coronavirus Response:** South Africa remains significantly behind EM peers in vaccine distribution, which has been hampered by insufficient dose procurement and the AstraZeneca vaccine's lack of efficacy against the South African Covid variant.

SENTIMENT DRIVERS

\+ **Valuations:** Forward P/E is below EM peers and below its historical premium, implying investors may be discounting headwinds.

± **South Africa Acts Defensive within EM:** South Africa typically underperforms when EM absolute returns are rising, and also typically outperforms when EM absolute returns are weak.

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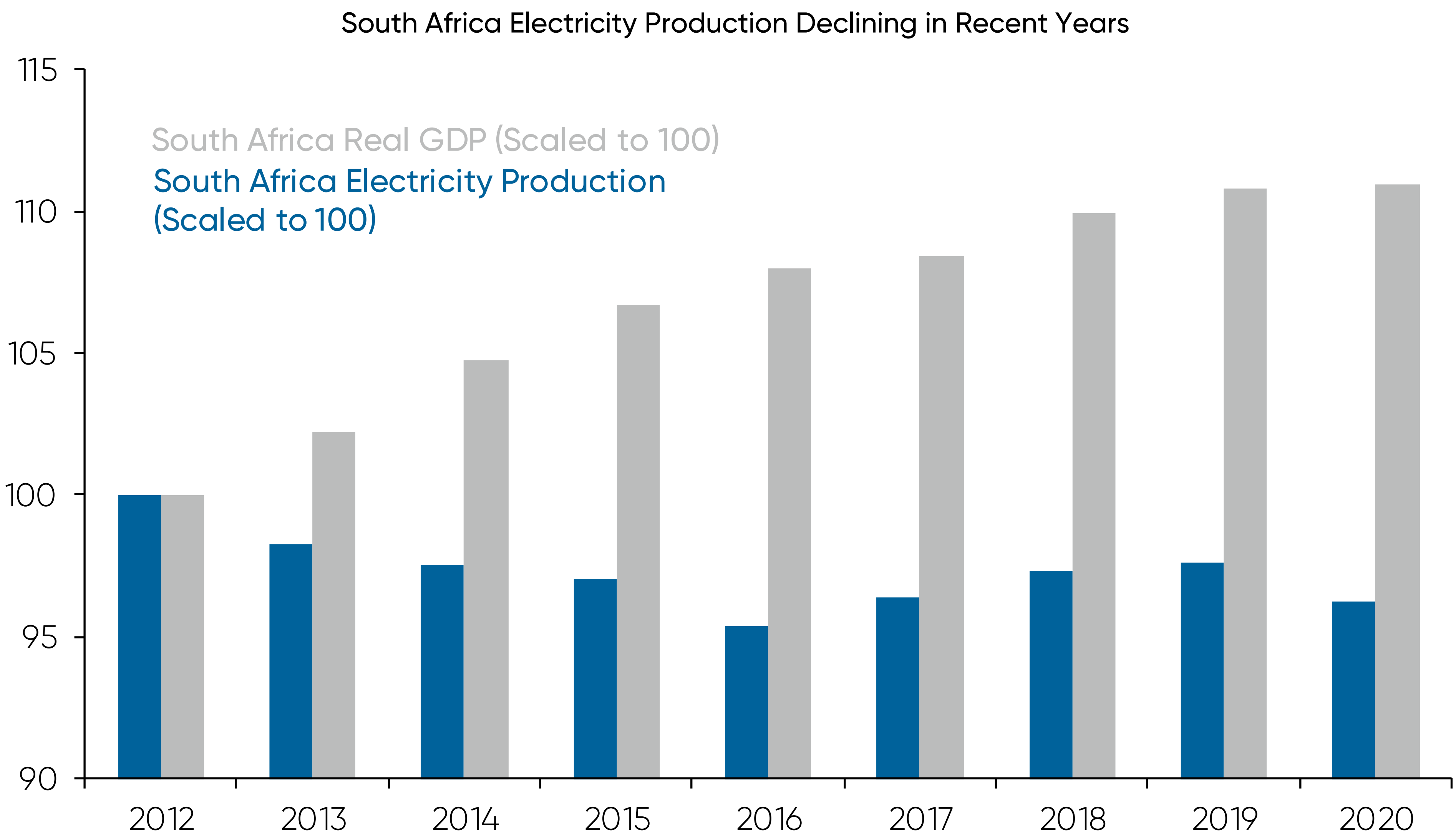
ECONOMIC

South African state-owned utility Eskom (produces 95% of the nation's power), continues struggling to produce and distribute electricity. Until power is delivered reliably, ongoing investment remains questionable—particularly in energy-intensive sectors like Metals & Mining and heavy manufacturing.

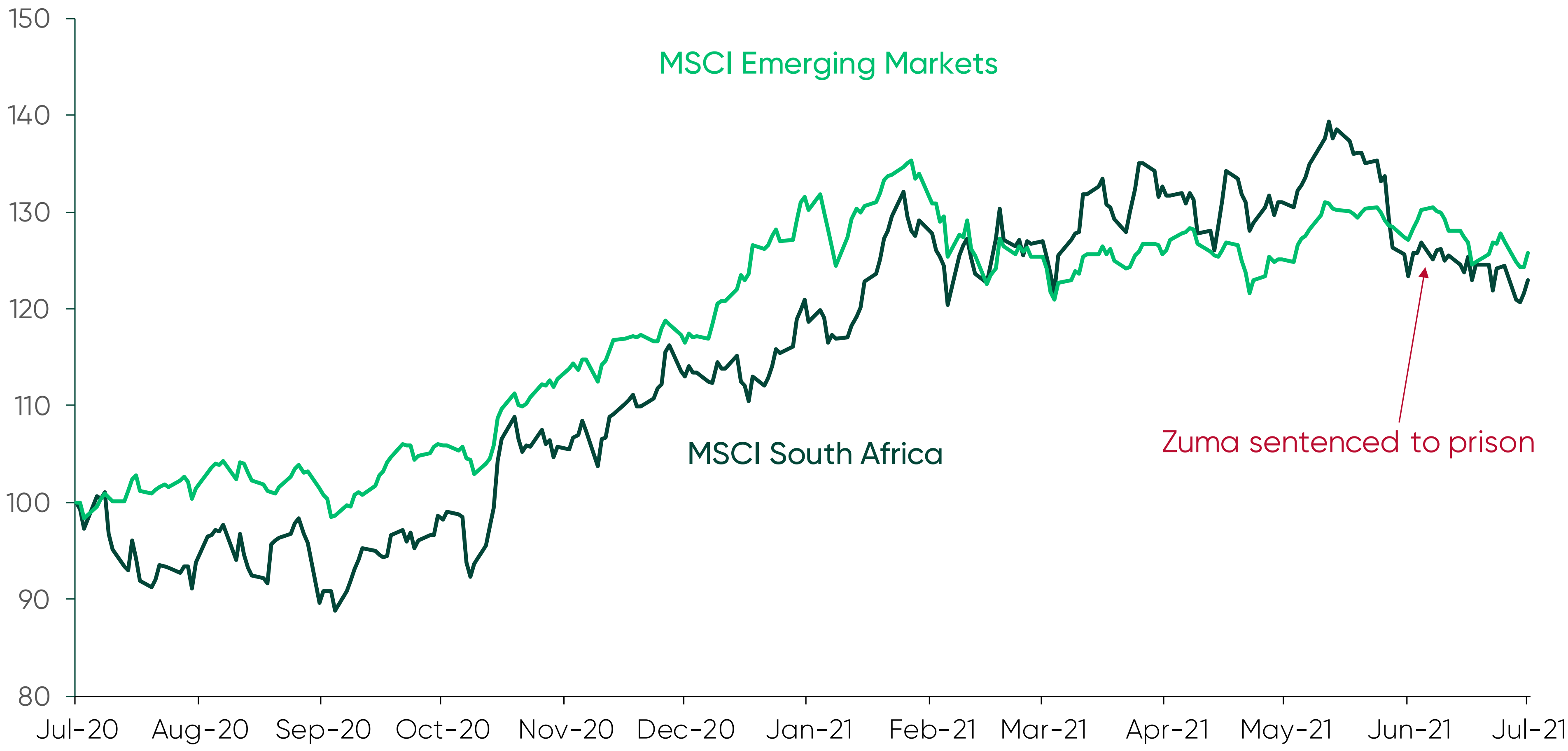


Sources: Factset, data from 31/12/2012 - 31/12/2020. Last updated 01/07/2021.

POLITICAL

The arrest of former South African President Jacob Zuma and ensuing riots have occupied global headlines, but had little impact on South African equities. The unrest has had limited market impact due to low expectations for political stability in the country, as South Africa has a long history of political turmoil. Equities have traded in-line with Emerging Markets over the past month, reflecting this reality.

South African Equity Performance In-line with EM, Despite Riots



Source: Factset, MSCI South Africa and MSCI EM Total Return 22/07/20-21/07/21.

COUNTRY DRIVER ANALYSIS

NEUTRAL RUSSIA

With substantial dependence on natural resource revenues and low budget breakeven prices, Russia likely benefits as oil demand stabilises following COVID-19 shutdowns. Russia also continues to diversify its stock market away from commodities and bolster its tech sector. Still, Russia's weak private property rights, and President Vladimir Putin's willingness to geopolitically isolate Russia, deter foreign investment and weaken sentiment.

ECONOMIC DRIVERS

- \+ **Increasing Tech Sector Opportunities:** The tech sector weight on Moscow Exchange doubled in 2020 and Russia's IT sector continues to grow and reflect new economy companies, which likely outperform in a growth-led market.
- \+ **Private Sector Deleveraging:** International sanctions forced many companies to reduce their reliance on debt, leading to unintended – if positive – deleveraging and reduced solvency risk across Russia.
- ± **Market Overweight to Natural Resources:** With a majority weight to Energy and Materials, the performance of the MSCI Russia is largely determined by commodities—specifically, MSCI Russia is highly correlated to the global Energy sector. We are neutral on Energy, recognizing well-supplied oil markets, but also the potential for a swift recovery in commodity-sensitive markets as demand expectations improve and economies emerge from COVID-19 shutdowns.
- ± **Potential Return of Rising Dividend Yields:** Prior to COVID-19, Russian companies paid substantially higher dividends than in the past, in large part due to pressure from the Ministry of Finance to increase payout ratios at SOEs. With strong payouts, the dividend yield differential vs. EM peers had expanded. If these dividend policies resume following stabilizing oil prices, Russia becomes more attractive to yield-seeking investors.
- ± **Tightening Monetary Policy:** In March 2021, the Central Bank of Russia raised rates for the first time since 2018 by .25bps; and then again hiked by 50bps in June 2020, reflecting stronger than expected economic growth and inflation expectations; but also potentially to offset the impact of further US sanctions.
- \- **Economic Nationalism & Backtracking on Reform:** The government has a history of appropriating firms (e.g., Yukos, 2003 and Bashneft, 2016), effectively revoking licenses (e.g., Royal Dutch Shell, 2006) or changing tax royalties (e.g., Mechel, 2008)—a drag on sentiment and large deterrent to foreign direct investment. The Central Bank of Russia has also seized several private banks, stemming a potentially larger banking crisis but also increasing the government's role in the sector.

POLITICAL DRIVERS

- \+ **Free Floated Ruble & Inflation Targeting:** In the past several years, the central bank has abandoned its currency intervention goals and focused exclusively on inflation targeting; allowing the ruble to float freely and helping the central bank regain control of inflation quickly.
- ± **Oil Drives Government Budget:** With roughly 50% of total government revenues tied directly to the Energy sector, a $10 move in Brent oil prices is estimated to adjust government revenues by 1.5% of GDP. Based on its tax dependence, marginal tax rates on oil production amount to roughly 90%.
- ± **Uncertain Fiscal Balance:** Given the dependence upon oil, lower prices push the government into deficit spending. Though Russia enjoyed a surplus over the past several years and the renewed strength in crude oil has helped bolster finances – oil volatility will continue to contribute to an uncertain fiscal balance.
- \- **Western Capital Markets Sanctions:** Following Russia's annexation of Crimea in the Ukraine, Russia's private sector—particularly its banks and energy companies—are effectively blocked from raising debt or issuing new equity offerings in every major developed market, pressuring the cost of capital. The E.U. recently refused a summit with Russia following a buildup of Russian troops on the Ukrainian boarder. Tensions have also recently escalated following the poisoning of Russian opposition leader Aleksei Navalny, Russia's implicated involvement in a massive hack of U.S. government agencies and companies, and charge of interference in U.S. elections.
- \- **Putin's Grip on Power:** Putin can remain president through 2036, which would make him Russia's longest-serving leader. Combined with his willingness to confront western powers, his reign is likely to continue deterring long-term capital investment.

SENTIMENT DRIVERS

- ± **Relative Valuations are Neutral:** While still trading at a discount to EM peers, Russia's trades at a premium to its long-term averages.
- \- **Putin's Record:** Putin's history of meddling with private enterprise exacerbates fears of government intervention in the private sector, likely keeping investors away. Putin's nationalistic streak has reached post-Cold War highs with the Crimea annexation and recent unrest in Belarus increases geopolitical uncertainty.

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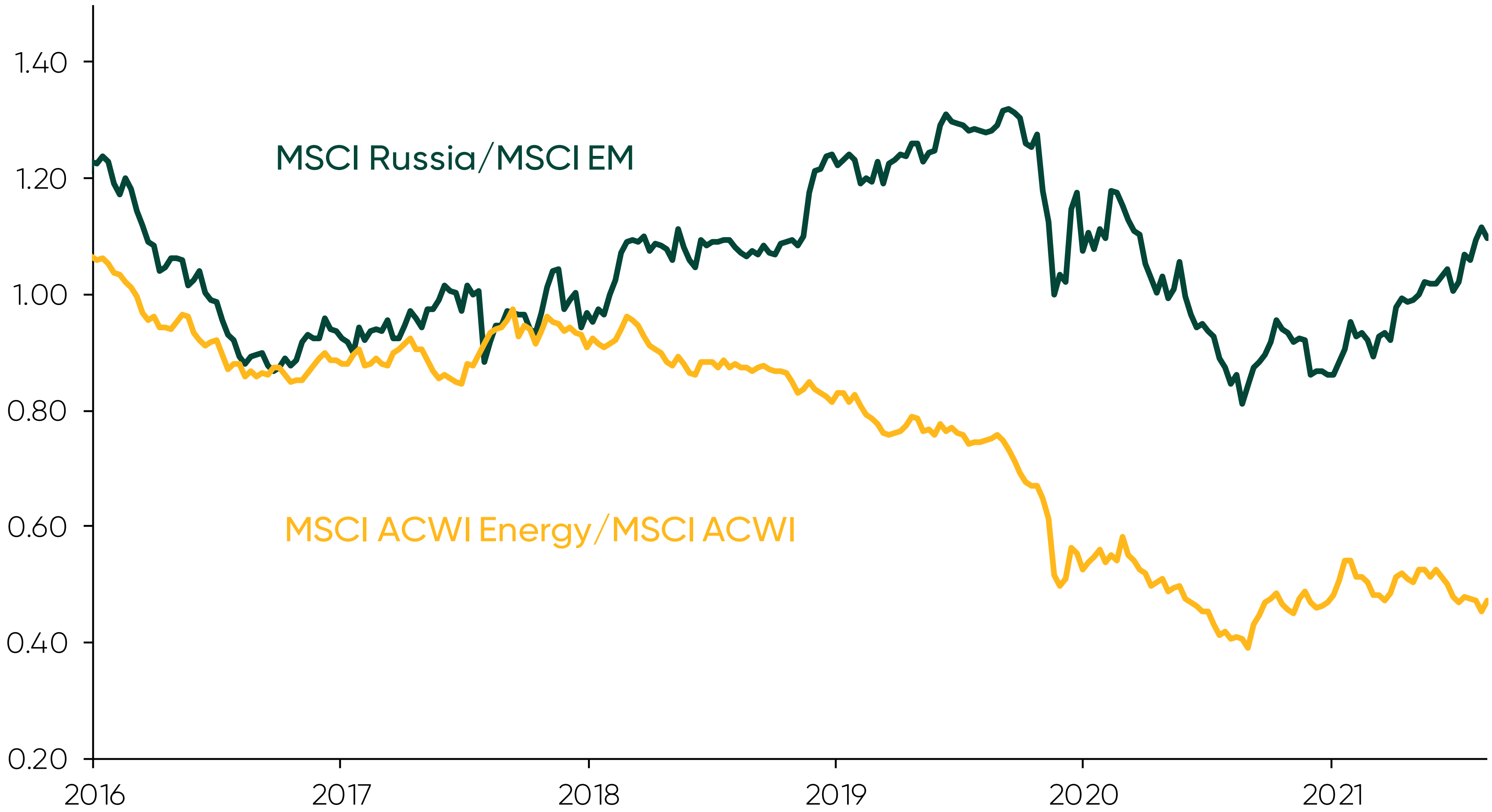
ECONOMIC

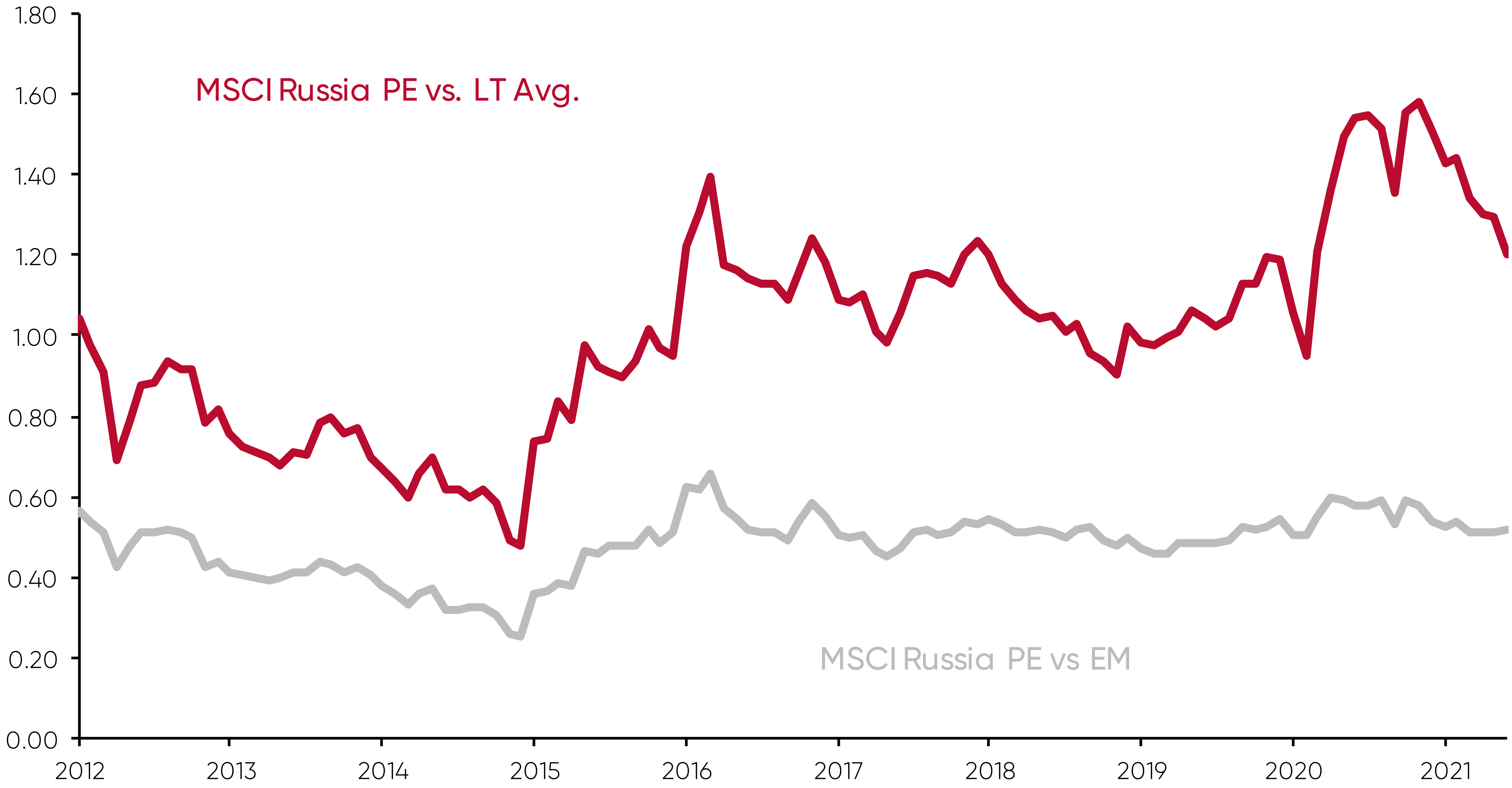
The performance of MSCI Russia is largely determined by the global Energy sector and Russian oil exports. After a short hiatus, the index has resumed its correlation to Energy. We are neutral on Energy and this warrants our neutral weighting to Russia.



Source: FactSet, data from 09/09/2016 - 27/08/2021.

SENTIMENT

With oil prices recovering form COVID lows, Russia now trades at a premium to its long term average, although it is still relatively cheap when compared to EM peers.



Sources: FactSet, data as of 30/07/2021.

COUNTRY DRIVER ANALYSIS

OVERWEIGHT BRAZIL

The Covid-19 outbreak disproportionately affected the commodity-sensitive country throughout 2020. However, domestic growth and credit availability are improving, and economic data have been surprising to the upside relative to overly dour expectations. More recently, political turmoil has exacerbated fiscal concerns, and the recent rise in Covid-19 cases could slow economic recovery. However, recent austerity measures and better than expected tax collection are helping soothe investor fears of a fiscal cliff. An additional positive catalyst could also come from Congress, if it can successfully resume reform efforts to overhaul the country's tax system and improve the fiscal balance by keeping the budget contained within its spending ceiling.

ECONOMIC DRIVERS

+ **Economic Recovery Gaining Momentum:** Prior to the Covid-19 outbreak, Brazil was emerging from one of its worst recessions in history. While 2019 GDP growth was only modestly positive, recovery in business activity, investment and consumption was gaining momentum and held up much better in 2020 than other LatAm countries. The country should also continue growing in 1H21 as the global economy continues recovering and supporting commodity prices, although a slower than expected vaccine rollout could slow the domestic recovery.

+ **Rapid E-commerce Growth:** Covid-19 led lockdowns and social distancing measures are increasing consumer adoption of online shopping, with e-commerce sales revenue growing by over 50% in the first half of 2020. Latin America E-commerce names like Magazine Luiza and MercadoLibre have performed very well this year and have contributed to portfolio outperformance.

± **Vigilant Monetary Policy:** The Banco Central do Brasil recently hiked rates to 4.25%, reversing an historic easing cycle that loosened monetary policy significantly during the Covid-19 outbreak to help offset a potential recession. The BCB hiked rates in response to increasing inflation levels and a worsening fiscal environment. While some view the move as a headwind to the economic recovery, the vigilance of the central bank should improve investor confidence and sentiment towards the country's longer-term recovery.

± **Commodity Sensitivity:** Commodities account for 80% of Brazil's exports. Positively, commodities demand and EM Materials companies rebounded in 2019 and off the March 2020 lows. However, lower shipments of manufactured goods weighed on exports, which could continue to decline if Covid-19 causes lengthy disruptions.

\- **Fiscal Deficit Remains Elevated:** Despite efforts to contain discretionary spending, the government continues to struggle reining in fiscal spending, and public debt dynamics remain a source of concern, as net public debt reached 63% of GDP in 2020. Congress also passed a "war budget" to contain Covid-19 relief measures from carrying over into 2021 and beyond, but direct payments and other social spending programs have continued into 2021, although the most extreme budget concerns seem to be abating as the new stimulus bill also contained austerity measures.

POLITICAL DRIVERS

± **Political Reform Hopes:** President Jair Bolsonaro and Minister of the Economy, Paulo Guedes, have a lofty reform agenda to make Brazil more business-friendly and open up opportunities for outside investors. Proposals include pension reform, an overhaul and simplification of the tax system, privatisation of state-owned companies and reducing the budget deficit. Those goals have been largely delayed or watered down as Congress focused on containing the impact of Covid-19, but the reform agenda has since resumed, with containing the 2021 budget within the spending ceiling and tax reform as the primary focuses.

± **Bolsonaro Support at Risk:** Bolsonaro left his political party over prolonged friction regarding his far-right social agenda and created the "Alliance for Brazil" party in November. 2020 has brought about several high profile resignations within the health and economy ministries and Bolsonaro lost ground in the recent November municipal elections amid a resurgence in more mainstream parties. However, he has been able to garner more support in Congress as his austerity-focused policies have been weakening in favour of more stimulus to support the country's recovery, especially following former President Lula's recent annulment of criminal charges, potentially enabling him to run against Bolsonaro in 2022.

\- **History of Corruption:** Despite running on an anti-corruption platform, President Bolsonaro and his family are embroiled in corruption allegations similar to the accusations of bribery, electoral fraud and influence peddling that have plagued Brazilian governments since the transition away from a military dictatorship in 1985. Political tension and uncertainly have likely dampened investor sentiment, and leaders in Congress have indicated they will continue pursuing impeachment after the Covid-19 pandemic is more contained.

\- **President Moving Left:** Right-leaning Brazilian Presidents have a history of softening their business-friendly and austerity-focused stance and moving right in order to increase popularity ahead of reelection. Bolsonaro is no exception, worrying investors that he will continue to delay reform efforts or encourage the breech of the spending ceiling in favor of more fiscal stimulus.

SENTIMENT DRIVERS

+ **Outperformance After Bears:** Equities in Brazil have a long history of bouncing out of EM bear markets as recession tends to drive reform efforts and better fiscal management in the subsequent recovery. Current sentiment is overly dour tied to geopolitical risk, the country's dual deficit and budget issues, and Brazil's status as a Covid-19 hotspot. As the vaccine rollout picks up steam, these fears are abating and providing a tailwind to stocks.

+ **Low Valuations:** Forward P/E's first fell in early 2018 tied to the truckers strike and uncertain political environment, and again in response to Covid-19 restrictions. While valuations have moved off multi-year lows, they remain muted—in line with MSCI EM valuations and modestly beating the country's own three-year valuation averages.

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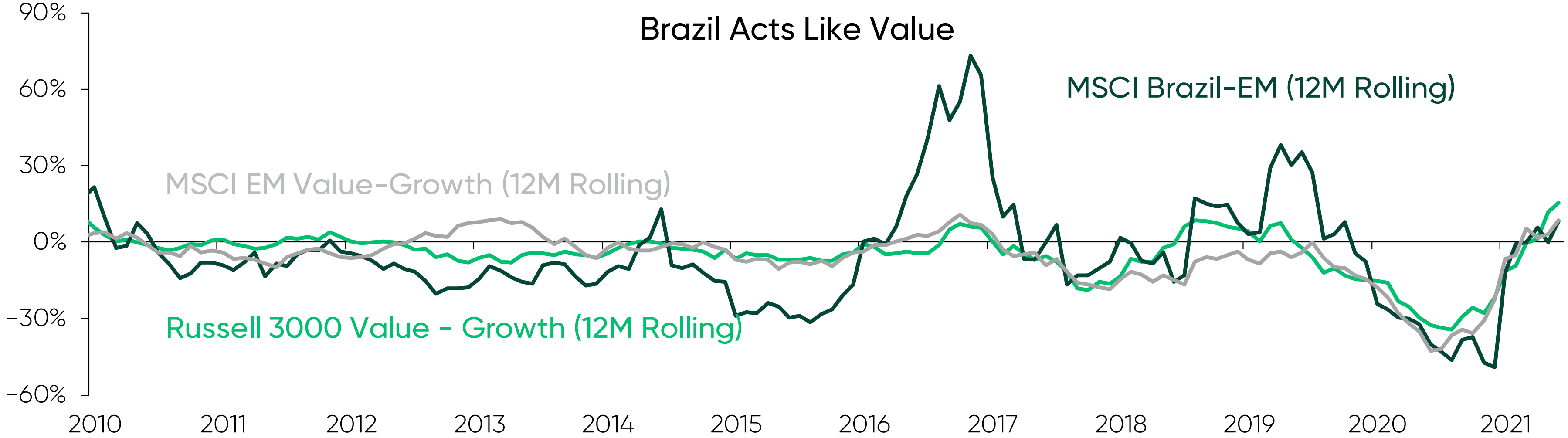
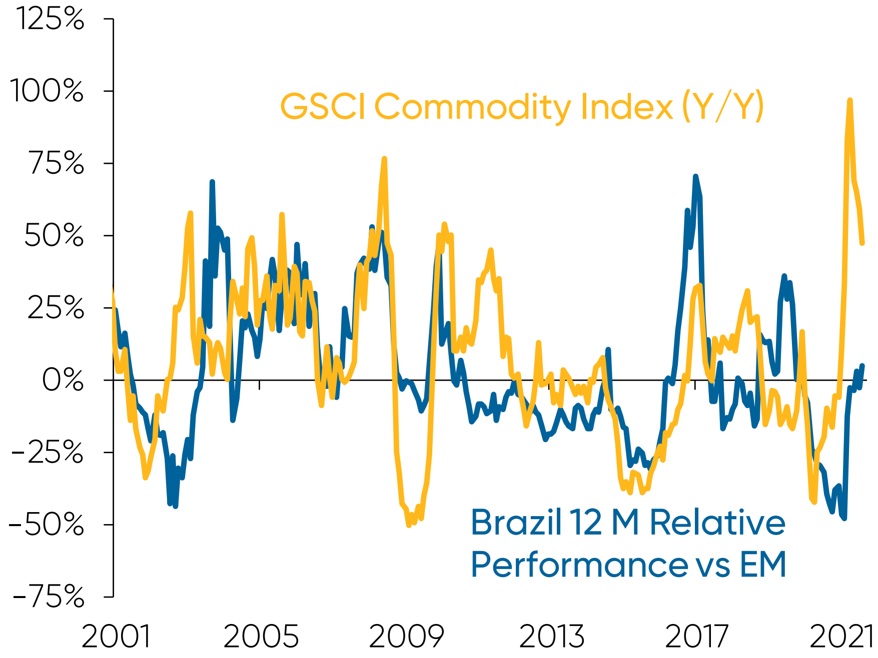
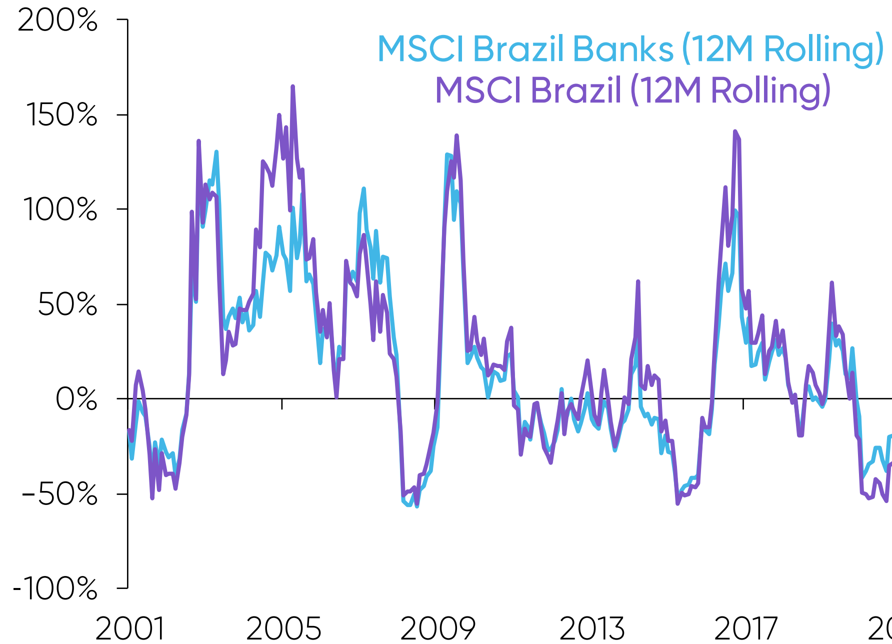
ECONOMIC

Brazil typically outperforms the MSCI Emerging Markets index when value leads growth, tied in part to Commodities and Financials being important weights in the country benchmark. Brazil positioning reflects our optimism for E-commerce, and select value exposure acts as a counterstrategy to our overall growth tilt.





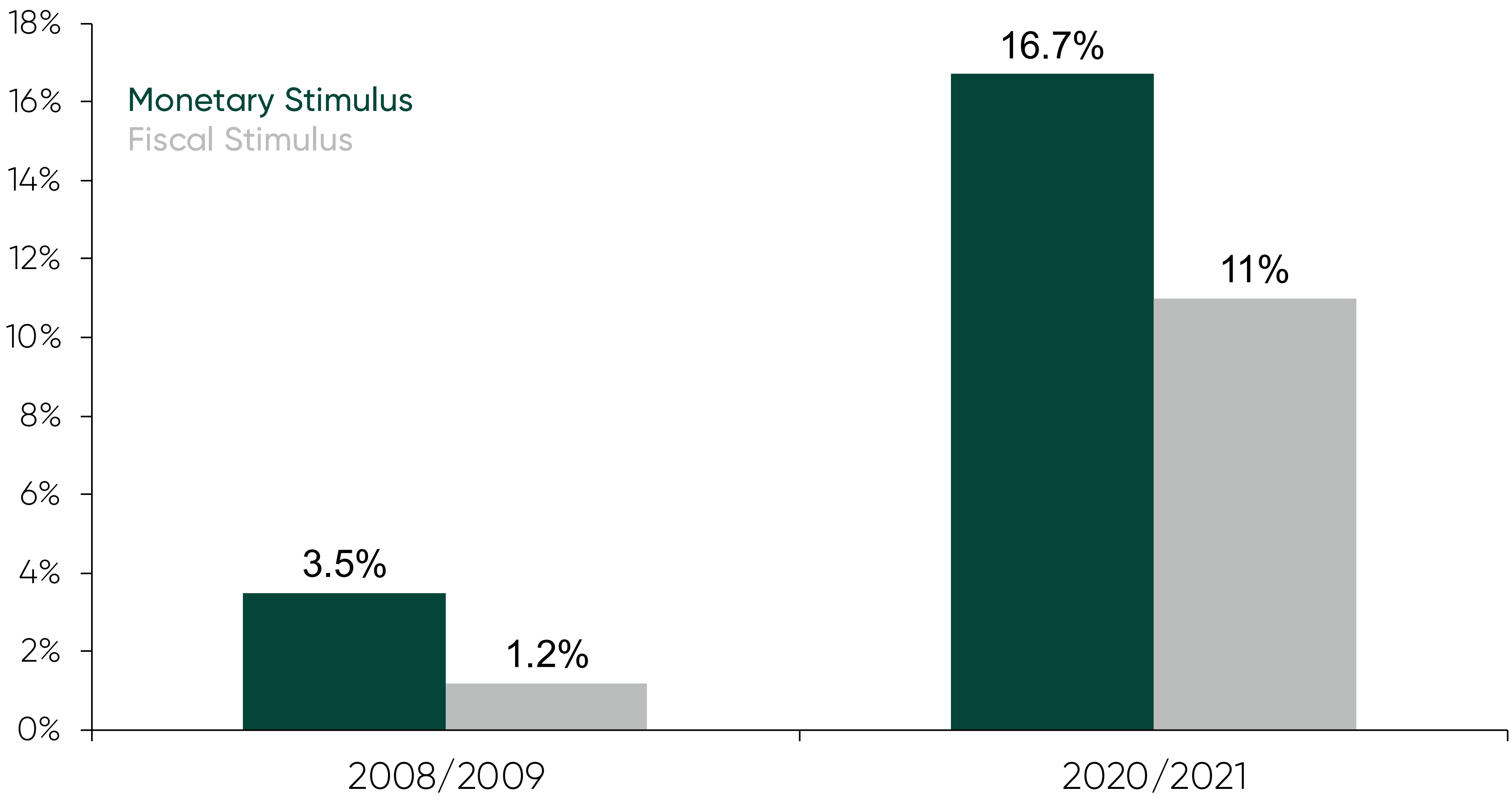


Source: FactSet. Top chart shows performance for MSCI Brazil, Emerging Markets (EM), EM Value, EM Growth, Russell 3000 Growth and Russell 3000 Value, year-over-year change of rolling 12-month total returns, monthly, 31/01/2009 – 31/08/2021. Bottom left chart shows year-over-year performance of the GSCI Commodity Index, MSCI Brazil and MSCI EM, monthly, 31/01/1997 – 31/08/2021. Bottom right chart shows rolling 12-month performance of MSCI Brazil and MSCI Brazil Banks, monthly, 31/01/2001 – 31/08/2021.

ECONOMIC

Prior to the COVID-19 outbreak, Brazil was emerging from one of its worst recessions in history. While 2019 GDP growth was only modestly positive, recovery in business activity, investment and consumption was gaining momentum. Consensus expectations for GDP are proving overly dour and are being revised upward. Equities in Brazil have a long history of bouncing out of EM bear markets as recession tends to drive reform efforts and better fiscal management in the subsequent recovery.

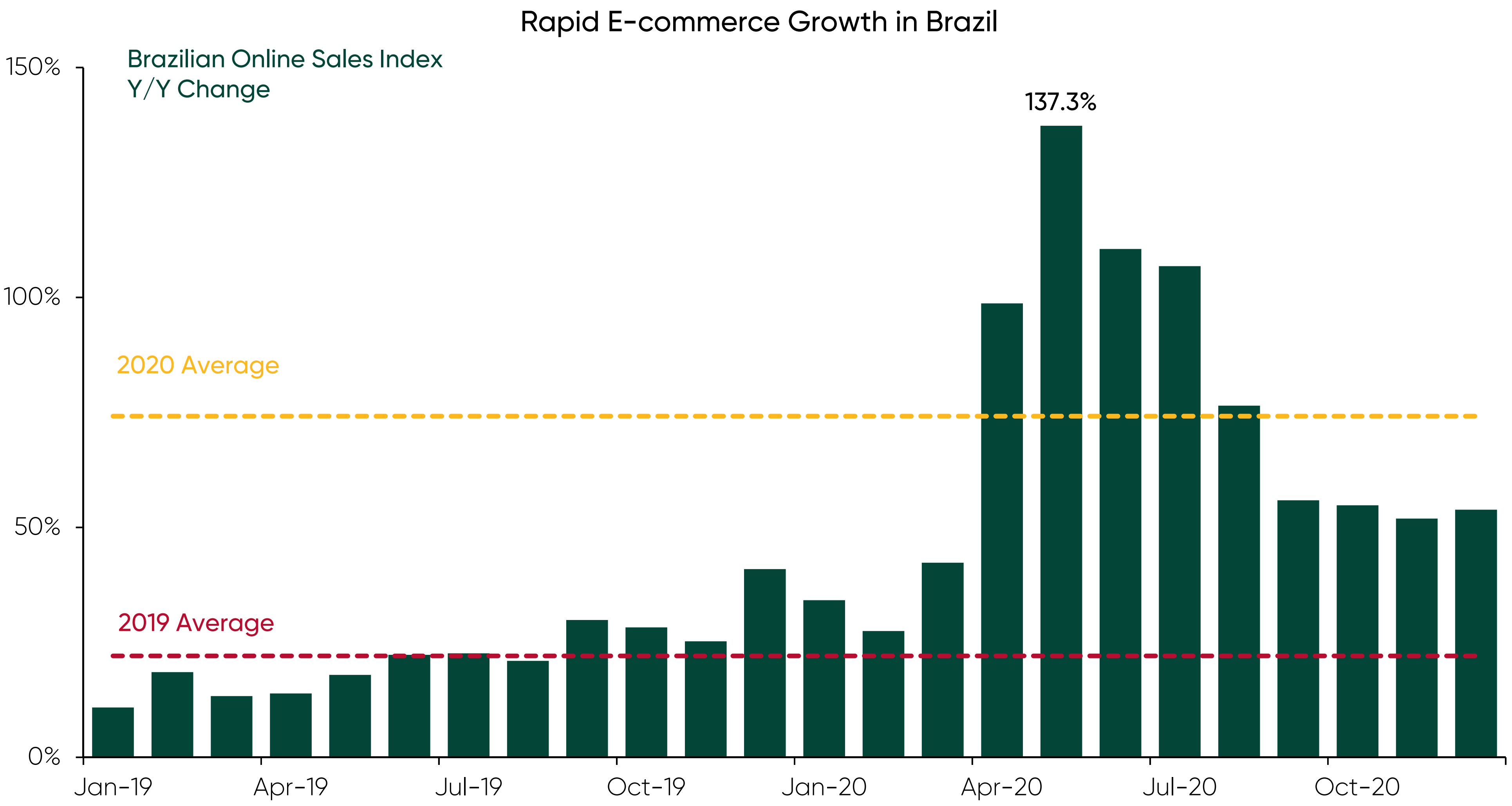
Brazil Fiscal and Monetary Response During Economic Crises as % of GDP



Source: Goldman Sachs Research, International Monetary Fund, International Labour Organisation, as of 02/07/2021.

ECONOMIC

COVID-19 led lockdowns and social distancing measures are increasing consumer adoption of online shopping, with quantity of online sales rapidly growing in the first half of 2020. Latin American E-commerce names should benefit and contribute to portfolio outperformance.



Source: MCC-ENET, accessed 24/02/2021. "Indice de Vendas Online e Variacoes – Brasil." Shows value of index (2017=100) against the value of the same month of the previous year. Online sales based on quantity of products sold over given period as opposed to total value.

COUNTRY DRIVER ANALYSIS

NEUTRAL MEXICO

The Mexican economy should benefit from strong linkages with the US economy and a recovery from pandemic fears. However, the Mexican stock market possesses few of the large growth stocks we currently favour.

ECONOMIC DRIVERS

- \+ **US Proximity:** Mexico's proximity to the US economy, which we expect to continue recovering from the early 2020 recession, is a key advantage relative to competing low-cost suppliers.
- \+ **Competitive Labour:** Mexican labor costs (e.g., manufacturing wages) have been fairly stagnant over the past decade, while labor costs for competing exporters such as China and Brazil have risen sharply—increasing Mexico's attractiveness for foreign investment.
- \+ **Oil & Gas:** While Mexico's oil industry took a hit from the 2020 price declines associated with the pandemic, activity is likely to recover as the pandemic passes. Mexico's oil and gas drilling rig count had been steadily rising prior to the pandemic, implying the benefits of the prior administration's energy reforms may start becoming apparent in the coming years.
- ± **Inflation & Monetary Policy:** Mexican inflation has remained stubbornly high, driving a surprise rate hike in June. However, on a forward-looking basis, we expect the resolution of shortages associated with the re-opening of the global economy to place downward pressure on inflation.
- \- **Unfavourable Market Composition:** Mexico's market is concentrated in smaller cap stocks in industries with more limited growth opportunities, such as Consumer Staples and Industrials. It also lacks many of the large growth categories we prefer, such as Technology.

POLITICAL DRIVERS

- \+ **US-China Conflict:** The US-China conflict is likely to promote marginal investment growth in Mexico as some US corporations seek to diversify supply chains away from China.
- \+ **Midterm Election:** The 2021 Mexican midterm election resulted in a reduced Congressional majority for the ruling government, reducing the risk of disruptive legislation.
- ± **USMCA Trade Deal:** The USMCA trade deal went into effect on July 1, 2020. USMCA has some negative elements for Mexico, such as more stringent labor regulations, but its completion reduces previous uncertainty, helping promote future capital investment in Mexico.
- \- **AMLO Administration:** Leftist President Andres Manuel Lopez Obrador (AMLO) has generally created an environment of uncertainty through various project cancellations, referendums and centralisation of power away from local and private groups.

SENTIMENT DRIVERS

- \+ **Pandemic Fears:** Mexico significantly underperformed during the Covid-19 drawdown due to the government's slow and tepid response. Concerns around state oil firm (PEMEX) during the oil price collapse also hurt sentiment. However, on a forward-looking basis, weak sentiment leaves opportunities for positive surprise as global pandemic fears fade.

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ECONOMIC

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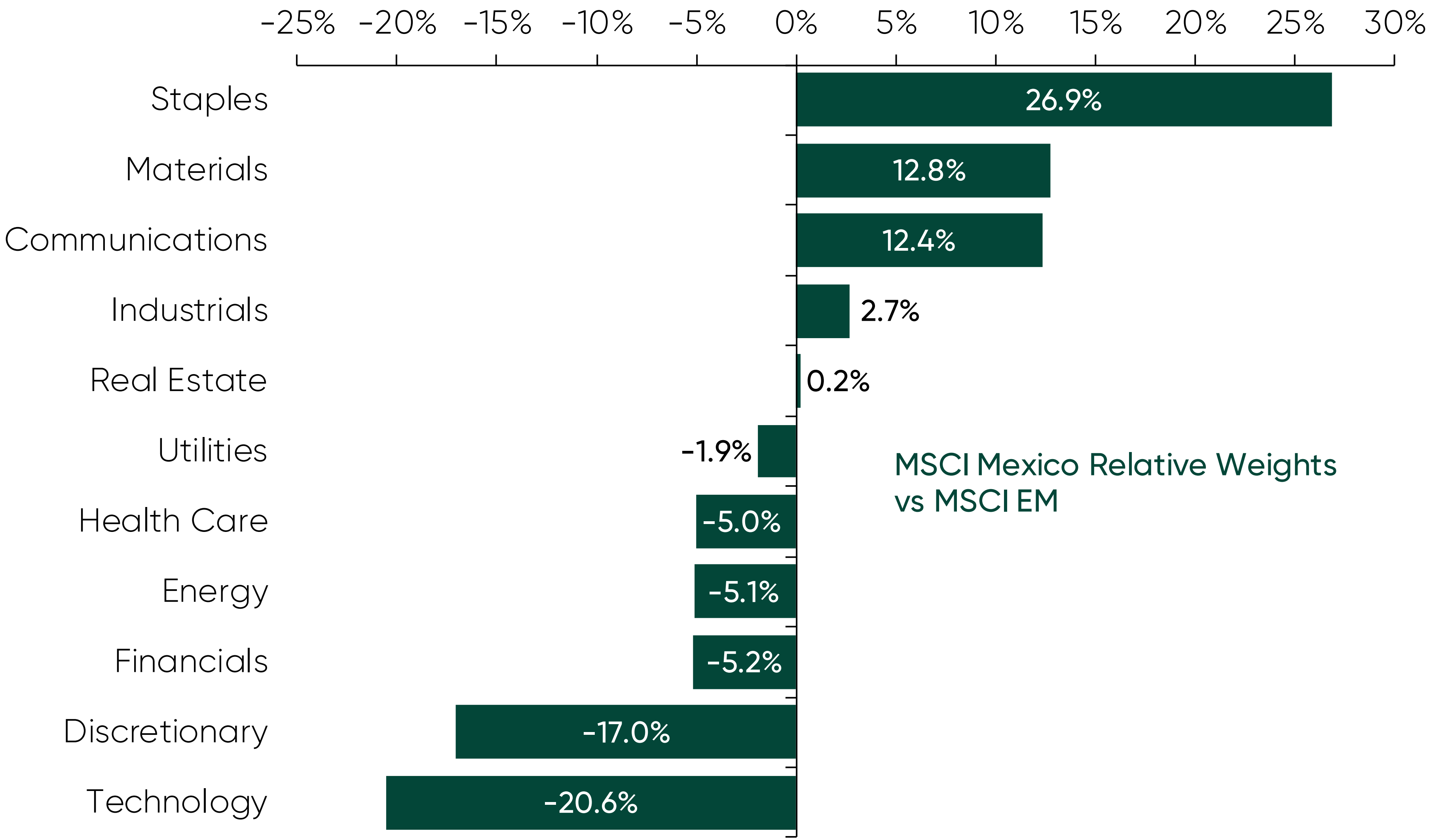
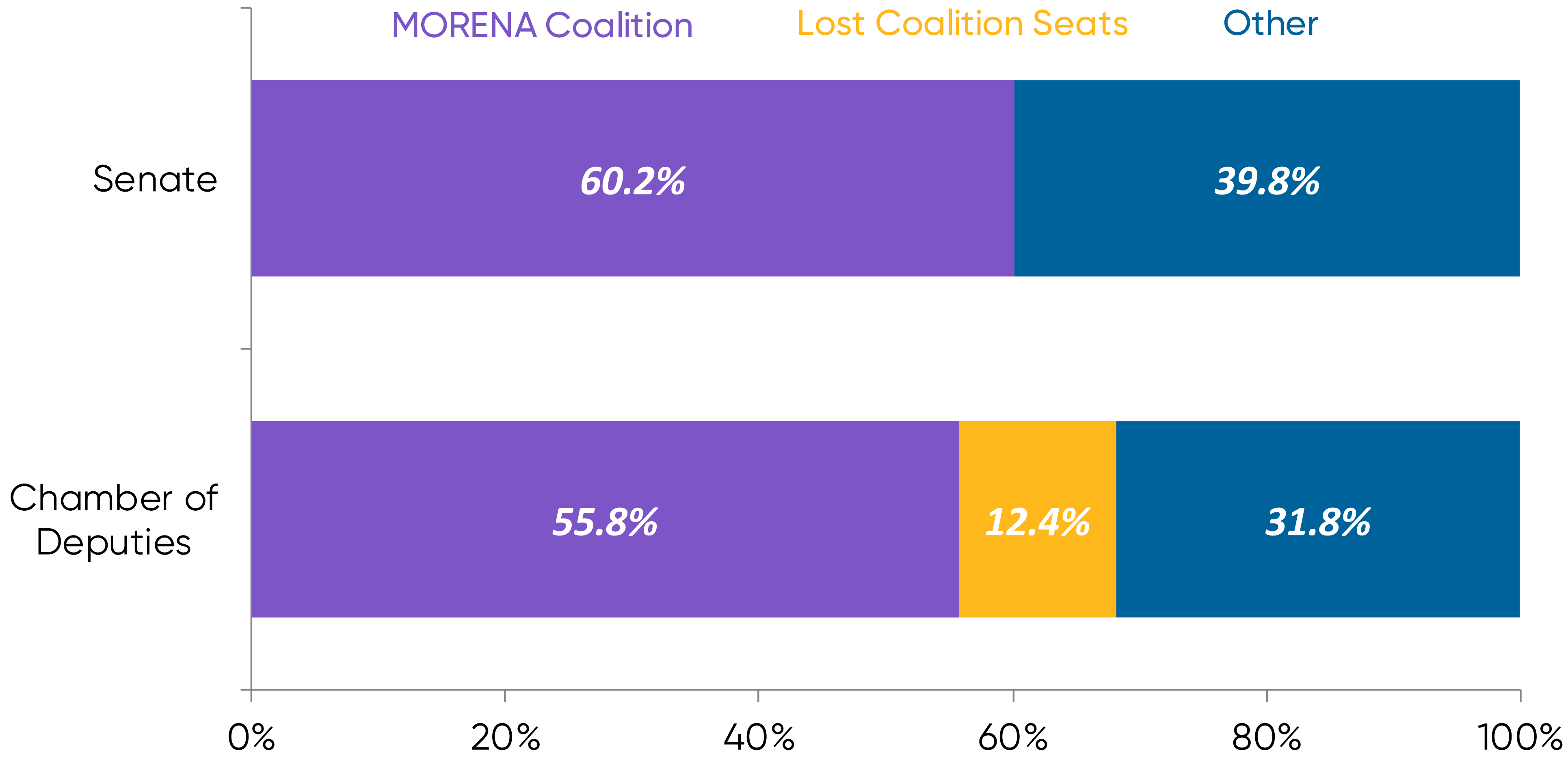
MSCI Mexico Relative Weights vs. MSCI Emerging Markets



Source: FactSet Data Systems, Inc., as of 30/06/2021.

POLITICAL

The 2021 Mexican midterm election resulted in a reduced Congressional majority for the ruling government, the MORENA Coalition led by President Andrés Manuel López Obrador, reducing the risk of disruptive legislation.



Source: INE, as of 30/06/2021.

DISCLOSURES

FIRM

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Fisher Investments (FI) is an investment adviser registered with the Securities and Exchange Commission. As of 30 June 2021, FI managed $187 billion, including assets sub-managed for its wholly-owned subsidiaries. FI and its subsidiaries maintain four principal business units - Fisher Investments Institutional Group (FIIG), Fisher Investments Private Client Group (FIPCG), Fisher Investments International (PCGI), and Fisher Investments 401(k) Solutions Group (401(k) Solutions). These groups serve a global client base of diverse investors including corporations, public and multi-employer pension funds, foundations and endowments, insurance companies, healthcare organisations, governments and high-net-worth individuals. FI's Investment Policy Committee (IPC) is responsible for investment decisions for all investment strategies.

For purpose of defining "years with Fisher Investments," FI was established as a sole proprietorship in 1979, incorporated in 1986, registered with the US SEC in 1987, replacing the prior registration of the sole proprietorship, and succeeded its investment adviser registration to a limited liability in 2005. "Years with Fisher Investments" is calculated using the date on which FI was established as a sole proprietorship through 31 March 2021.

FI is wholly owned by Fisher Investments, Inc. Since Inception, Fisher Investments, Inc. has been 100% Fisher-family and employee owned, currently Fisher Investments Inc. beneficially owns 100% of Fisher Investments (FI), as listed in Schedule A to FI's Form ADV Part 1. Ken and Sherrilyn Fisher, as co-trustees of their family trust, beneficially own more than 75% of Fisher Investments, Inc., as noted in Schedule B to FI's Form ADV Part 1.

Investing in securities involves a risk of loss. Past performance is never a guarantee of future returns. Investing in foreign stock markets involves additional risks, such as the risk of currency fluctuations. Nothing herein is intended to be a recommendation or a forecast of market conditions. Rather it is intended to illustrate a point. Current and future markets may differ significantly from those illustrated herein. Not all past forecasts were, nor future forecasts may be, as accurate as those predicted herein.

This content constitutes the general views of Fisher Investments and should not be regarded as personal investment advice. No assurances are made we will continue to hold these views, which may change at any time based on new information, analysis or reconsideration. In addition, no assurances are made regarding the accuracy of any forecast made herein.

TERMS OF BUSINESS

Fisher Investments Europe Limited (FIE) is authorised and regulated by the Financial Conduct Authority. Registered in England, Company No. 3850593.

1. Fisher Investments Europe

Fisher Investments Europe Limited trades under the name Fisher Investments Europe **("Fisher Investments Europe"),** is registered in England (Company No. 3850593) and is authorised and regulated by the UK Financial Conduct Authority **("FCA")** (FCA No. 191609). Fisher Investments Europe's permitted business is agreeing to carry on a regulated activity, managing investments, advising on investments, making arrangements with a view to transactions in investments, arranging deals in investments, dealing in investments as agent, advising on pension transfers and pension opt-outs, and insurance mediation. You can check this on the FCA's register by visiting the FCA's website www.fca.gov.uk/register/home.do or by contacting the FCA on +44 0845 606 1234. The FCA's address is 12 Endeavour Square, London, England, E20 1JN.

2. Communications

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

3. Services

These Terms of Business explain the services offered to professional clients and will apply from when Fisher Investments Europe begins to advise you. Fisher Investments Europe offers restricted advice only (meaning it does not offer independent advice based on an analysis of the whole of the market and does not recommend investment management services of companies other than Fisher Investments Europe or its affiliates). As part of its services, Fisher Investments Europe seeks to:

a) Reasonably determine your client categorisation;

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

c) Explain features of the investment strategy;

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

e) Provide a full explanation of costs;

f) Assist in the completion of documentation;

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

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

4. Discretionary Investment Management Service and Investments

To help you achieve your financial goals, Fisher Investments Europe may offer its discretionary investment management services. In such case, Fisher Investments Europe will outsource the portfolio management function and trading functions to its affiliates. In particular, the portfolio management function will be outsourced to Fisher Investment Europe's parent company, Fisher Asset Management, LLC, trading as Fisher Investments **("Fisher Investments"),** which is based in the USA and is regulated by the US Securities and Exchange Commission (SEC). In addition, trading functions may be carried out by Fisher Investments Europe, its affiliate, Fisher Investments Luxembourg, Sàrl **("FIL"),** which is based in Luxembourg and is regulated by the Commission de Surveillance du Secteur Financier (CSSF), Fisher Investments, or other affiliates (each, a **"Trading Delegate").** Fisher Investments Europe may also outsource certain ancillary services to Fisher Investments, Fisher investments Ireland, or other affiliates.

Subject to applicable regulations, for qualified investors Fisher Investments Europe may recommend an investment in UCITS regulated by the Central Bank of Ireland and for which Fisher Investments serves as investment manager.

5. Client Categorisation

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

6. Financial Services Compensation Scheme ("FSCS")

Whilst the activities of Fisher Investments Europe are covered by the FSCS, compensation under the FSCS in the event Fisher Investments is unable to meet its liabilities because of its financial circumstances is only available to eligible claimants. Because you have been categorised as a professional client, you are unlikely to be eligible. In addition, the protections of the UK regulatory regime, including the FSCS, do not apply in relation to the services of Fisher Investments or any non-UK service providers or to the extent your assets are invested in non-UK funds or ETFs. In the event you are eligible and do have a valid claim, the FSCS may be able to compensate you for the full amount of your claim up to £85,000 per person per firm. You can contact Fisher Investments Europe or the FSCS (www.fscs.org.uk) in order to obtain more information regarding the conditions governing compensation and the formalities which must be completed to obtain compensation.

7. Risks

Investments in securities present numerous risks, including various market and currency fluctuation, political, economic and political instability, differences in financial reporting, liquidity risk, interest rate risk, credit risk, and other risks, and can be very volatile.

Investing in securities can result in a loss, including a loss of principal. Using leverage to purchase and maintain larger security positions will increase exposure to market volatility and risk of loss and is not recommended. Investments in securities are only suitable for clients who are capable of undertaking and bearing a risk of loss. Specific risks associated with particular types of securities that may be held in your account are explained further below.

Past performance is not a guarantee nor a reliable indicator of future investment returns. Fisher Investments Europe cannot guarantee and makes no representation or warranty as to future investment returns or performance. There is no guarantee for avoidance of loss, which is impossible with investments in securities, and you have not received any such guarantee or similar warranty from Fisher Investments Europe or any representatives thereof.

Depending on your investment strategy, Fisher Investments Europe may invest in the following types of securities, which carry the following risks:

Investments in smaller companies may involve greater risks than investments in larger, more mature companies. Investing in derivatives could lose more than the principal amount invested in those instruments. Various investment techniques used by Fisher Investments Europe may increase these risks if market conditions are not accurately predicted.

Equity securities prices may fluctuate in response to many factors, including general market conditions, specific sector and country issues, and company specific information or investor sentiment. Individual equity securities may lose essentially all their value in the event of bankruptcy or other insolvencies of the underlying issuer.

Fixed income securities are subject to various risks, including price fluctuation due to changes in the interest rate environment, market liquidity, changes in credit quality of the issuer, prepayment or call features of the securities, and other factors, including issuer default. While some fixed income securities are backed by the full faith and credit of a sovereign government, this does not prevent price fluctuations nor fully eliminate the risk of default. If fixed income securities are not held to maturity, they may realise losses.

Using borrowed funds to purchase and maintain larger security positions will increase exposure to market volatility. In a declining market, investment losses may be substantially increased, occur more rapidly, or become realised. Fisher Investments Europe does not typically employ margin leverage (gearing) on the overall strategy, but may employ some leverage directly or indirectly as a defensive technique (e.g. margin borrowing of securities to sell short for hedging purposes), or indirectly on a limited basis through individual derivative securities, as described more fully below.

If Fisher Investments forecasts a prolonged and substantial market downturn, Fisher Investments Europe may adopt defensive posturing for your account by investing substantially in fixed income securities, money market instruments, structured or exchange traded notes, put options or other derivatives on securities or indexes or ETFs, selling short securities or ETFs, and other hedging techniques. There can be no guarantee that Fisher Investments will accurately forecast any prolonged and substantial downturn in the market, that Fisher Investments Europe will adopt a defensive strategy, or that the use of defensive techniques would avoid losses.

Derivatives typically derive their value from the performance of an underlying asset, interest rates or index. The price movements of derivatives may be more volatile than those of other securities and result in increased investment risk. Many of these investments may not enjoy as much liquidity as other securities.

Short sales may be used to fully or partially hedge other investments or to seek returns unrelated to other investments. "Short sales" means the borrowing of a security for a period of time and selling the borrowed security on the market; the seller is then required to buy the security on the market at a later time before it is due to be returned. Short sales result in gains or losses depending on whether the price of the security increases versus the price at the time of the short sale (which results in a loss) or decreases versus the price at the time of the short sale (which results in a gain). The loss from a short sale is theoretically unlimited depending on how much the security sold short increases in value.

Structured notes and ETNs are debt instruments whose return is derived from the performance of a reference index or other underlying securities or investments. The performance of a note is determined primarily by the performance of the underlying investments; therefore, despite technically being a corporate debt instrument, notes can be designed to provide returns similar to other asset classes. These notes may include leverage, which increases risk and volatility. These notes are issued by third-party financial institutions, at the request of Fisher Investments, and thus bear the credit risk of those entities. Whilst a feature of such notes is a maturity date, they may be sold in the market or redeemed with the issuer before maturity. Given the limited number of market makers involved in quoting a given note, price dislocation versus fair value may occur should limit orders not be utilised when sold in the open market. Alternatively, such notes may be redeemed daily back to the issuer, minus a redemption fee specific to each issuer (generally close to 0.10%), implicitly charged in the execution price.

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8. Data Protection

To offer and provide the services described in Clause 3, Fisher Investments Europe may collect and process personal data that is subject to data protection laws, in accordance with its Privacy & Cookie Policy. You acknowledge the Privacy & Cookie Policy, which can be found here: https://www.fisherinvestments.com/en-gb/privacy.

9. Custody and Execution

None of the Fisher Investments group companies (the "Fisher Group"), including Fisher Investments Europe, are authorised to hold client money. No Fisher Group company will accept cheques made payable to any of the Fisher Group companies in respect of investments, nor will they handle cash. All client assets are held at external custodian banks where each client has a direct account in their own name.

If you appoint Fisher Investments Europe as your discretionary asset manager, Fisher Investments Europe will arrange (including through its Trading Delegates) for the execution of transactions through selected custodian banks and brokers and at such prices and commissions that it determines in good faith will be in your best interests. Further information regarding selection of brokers is governed by your investment management agreement ("IMA") with Fisher Investments Europe. Fisher Investments Europe does not structure or charge its fees in such a way as to discriminate unfairly between execution venues.

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

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

b) Multi-Lateral Trading Facilities ("MTF") and Organised Trading Facilities ("OTF") in the USA or elsewhere (i.e. a multilateral system, operated by an investment firm or a market operator, which brings

together multiple third-party buying and selling interests in financial instruments—in the system and in accordance with non-discretionary rules—in a way that results in a contract);

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

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

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

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

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

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

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

10. Conflicts of Interest

Fisher Investments Europe has a conflicts of interest policy to identify, manage and disclose conflicts of interest Fisher Investments Europe, its affiliates or any of their employees or representatives may have with a client of Fisher Investments Europe, or that may exist between two clients of Fisher Investments Europe. Fisher Investments Europe's conflicts of interest policy covers gifts and favours, outside employment, client privacy, inadvertent custody, marketing and sales activities, recommendations and advice, and discretionary investment management services. Institutional Directors of Fisher Investments Europe are paid a variable component of their total remuneration, calculated as a percentage by reference to management fees paid to Fisher Investments Europe during the first three to ten years of a client relationship. Such remuneration will not increase or impact the fees payable by you. Fisher Investments Europe and Fisher Investments have a financial incentive for Fisher Investments Europe to manage client assets. Details on Fisher Investments Europe's conflicts of interest policy are available on request.

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11. Fees

If you enter into an IMA with Fisher Investments Europe, you will pay management fees to Fisher Investments Europe as detailed in the IMA. Fisher Investments Europe will pay a portion of such management fees to Fisher Investments as the sub-manager. If you invest in a UCITS fund managed by Fisher Investments, Fisher Investments will receive its management fee indirectly through the UCITS. Fisher Investments Europe does not charge a separate fee for its introducing or distribution services. You will also incur transaction and custody fees charged by brokers and custodians. However, any such additional fees will be payable directly to those brokers/custodians, and no Fisher Group company will receive any commission or other remuneration from those brokers/custodians.

12. Termination

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

13. Complaints

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

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

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

14. Governing Law

These Terms of Business are governed by, and will be construed in accordance with, the laws of the England.

FISHER INVESTMENTS EUROPE ™