MACRO INSIGHTS

Q1 2019

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MARKET OUTLOOK 2019

- Expect the bull market to resume
- Late 2018 selling pressure should abate early in 2019
- Big corrections typically feature strong, V-shaped recoveries
- Economic and corporate fundamentals remain solid
- Inflation & trade-war fears are overblown
- Gridlock tempers political volatility
- Equities typically accelerate in bull markets' final third

ANTICIPATE THE "V"

2018's market decline featured classic correction characteristics. Drops were steep at times, driven more by fear than fundamentals. Historically, similar declines have been followed by sharp upside reversals.

MSCI World Declines of -15% to -25%							
Peak to Trough			**Recovery**	**Forward Returns After Trough**			
Period	**Duration (M)**	**Return**	**Duration (M)**	**6mo**	**12mo**	**18mo**	**24mo**
Feb 1980 - Mar 1980	1.4	-16.0%	3.0	27.6%	31.4%	12.6%	9.0%
Aug 1987 - Oct 1987	2.0	-23.7%	14.3	21.4%	24.7%	35.1%	40.4%
Jul 1998 - Oct 1998	2.5	-20.5%	2.8	32.6%	35.8%	55.4%	43.8%
Apr 2010 - Jul 2010	2.5	-16.6%	4.1	23.5%	29.7%	14.1%	19.3%
May 2011 - Oct 2011	5.1	-22.8%	15.6	20.2%	23.7%	32.4%	44.0%
May 2015 - Feb 2016	8.7	-18.9%	12.0	18.2%	23.5%	31.9%	39.6%
Sep 2018 - ?		-18.0%*		?	?	?	?
Average	3.7	**-19.5%**	8.6	**23.9%**	**28.1%**	**30.2%**	**32.7%**

S&P 500 Declines of -15% to -25%							
Peak to Trough			**Recovery**	**Forward Returns After Trough**			
Period	**Duration (M)**	**Return**	**Duration (M)**	**6mo**	**12mo**	**18mo**	**24mo**
Mar 1933 - Mar 1933	0.5	-15.6%	0.6	66.2%	81.5%	50.9%	44.4%
Aug 1956 - Oct 1957	14.6	-21.6%	11.2	9.8%	31.0%	48.1%	43.7%
Feb 1966 - Oct 1966	7.9	-22.2%	6.9	22.1%	32.9%	27.4%	41.7%
Sep 1976 - Mar 1978	17.4	-19.4%	17.3	21.3%	12.6%	23.0%	25.0%
Feb 1980 - Mar 1980	1.4	-17.1%	3.6	28.6%	37.1%	14.8%	14.0%
Jul 1990 - Oct 1990	2.9	-19.9%	4.1	27.8%	29.1%	36.8%	36.3%
Jul 1998 - Aug 1998	1.5	-19.3%	2.8	28.2%	37.9%	44.3%	58.5%
Apr 2010 - Jul 2010	2.3	-16.0%	4.1	23.0%	31.0%	23.0%	33.5%
Apr 2011 - Oct 2011	5.2	-19.4%	4.7	28.6%	32.0%	41.3%	52.7%
Sep 2018 - ?		-19.8%*		?	?	?	?
Average	6.0	**-19.0%**	6.2	**28.4%**	**36.1%**	**34.4%**	**38.9%**

**Performance through December 24, 2018*

Source: FactSet as of December 2018. MSCI World and S&P 500 Price Index, daily, February 1933 to December 2018.

ANTICIPATE THE "V"

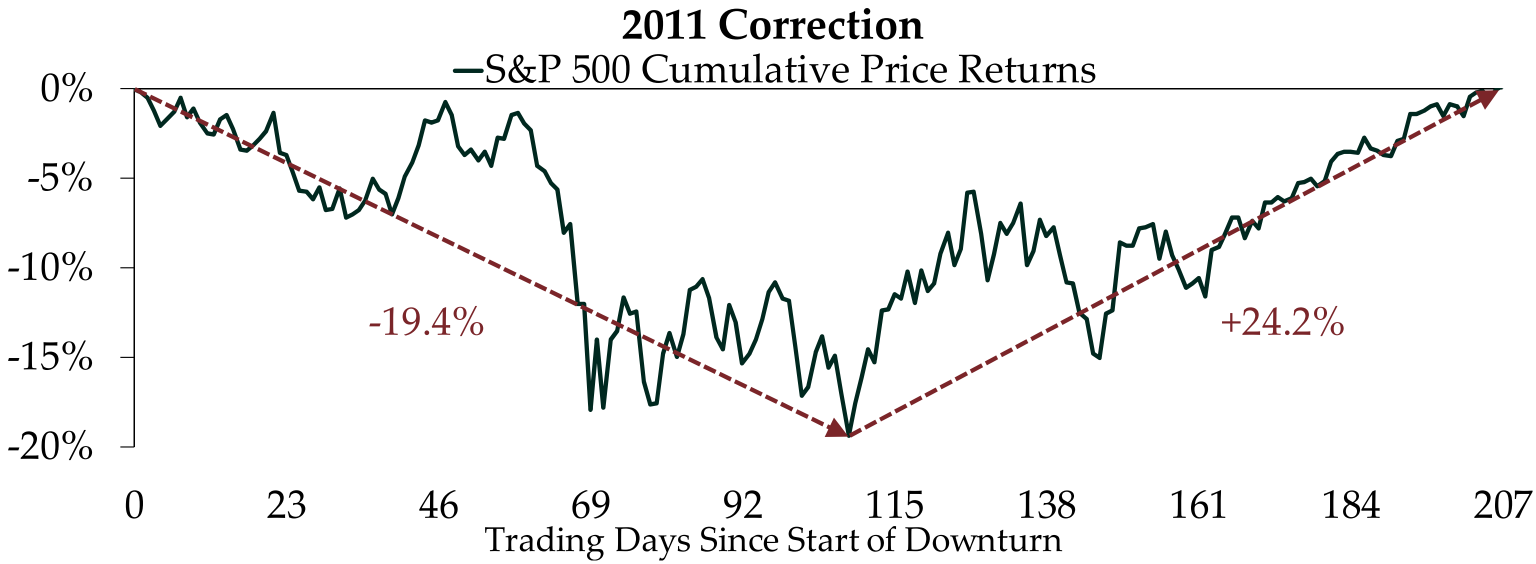
Emerging Market equities tend to rebound sharply from big drawdowns. The 2018 EM decline was fairly typical in length and magnitude compared to other large drops, and should feature a similarly robust rebound.

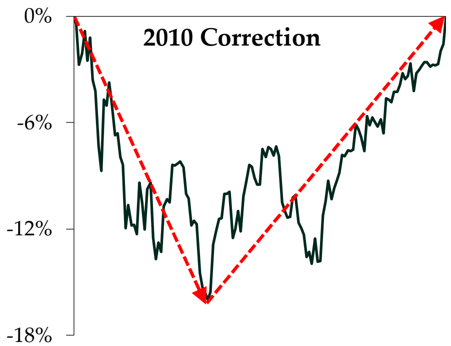
Returns Following EM Downturns Greater than -15%					
Peak to Trough			Forward Returns After Trough		
Period	**Duration (M)**	**Return**	**6mo**	**12mo**	**18mo**
Jun 1989 - Jul 1989	1.0	-17.0%	39.5%	51.0%	16.2%
Feb 1990 - Apr 1990	1.3	-18.1%	2.1%	23.7%	31.0%
Aug 1990 - Jan 1991	5.5	-31.9%	42.4%	74.8%	83.9%
Apr 1992 - Aug 1992	4.1	-18.8%	12.1%	36.1%	89.9%
Feb 1994 - May 1994	2.9	-19.5%	24.1%	2.9%	-3.8%
Sep 1994 - Mar 1995	5.7	-32.6%	19.4%	18.9%	20.2%
Jul 1995 - Sep 1998	37.9	-52.3%	34.6%	73.7%	119.6%
Feb 2000 - Sep 2001	19.3	-53.7%	42.5%	11.8%	14.9%
Apr 2002 - Mar 2003	10.9	-25.9%	41.0%	74.2%	70.7%
Apr 2004 - May 2004	1.1	-20.4%	28.3%	35.3%	65.4%
May 2006 - Jun 2006	1.2	-24.5%	31.7%	52.6%	86.7%
Jul 2007 - Aug 2007	0.8	-17.7%	20.6%	1.6%	-45.6%
Oct 2007 - Oct 2008	11.9	-66.1%	39.4%	108.4%	124.6%
Nov 2008 - Nov 2008	0.5	-23.0%	62.8%	107.9%	90.0%
Jan 2009 - Mar 2009	1.8	-21.8%	74.9%	102.0%	109.5%
Apr 2010 - May 2010	1.3	-18.3%	26.4%	30.7%	2.6%
Mar 2012 - Jun 2012	3.1	-18.3%	14.1%	13.8%	12.8%
Jan 2013 - Jun 2013	5.7	-18.4%	12.7%	18.7%	7.7%
Sep 2014 - Dec 2014	3.4	-17.3%	6.1%	-13.1%	-12.1%
Feb 2015 - Jan 2016	10.8	-30.7%	26.5%	31.0%	54.0%
Jan 2018 - Oct 2018	9.1	-26.6%	?	?	?
Average	**7.2**	**-27.3%**	**30.1%**	**42.8%**	**46.9%**

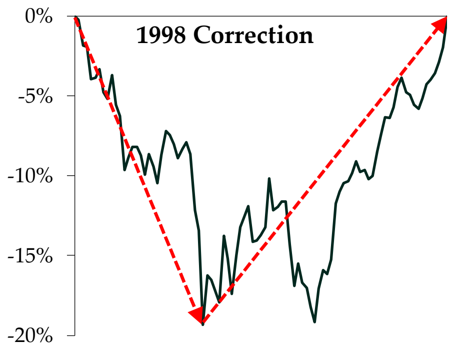
Source: FactSet as of December 2018. MSCI Emerging Markets Price Index, daily, December 1987 to December 2018.

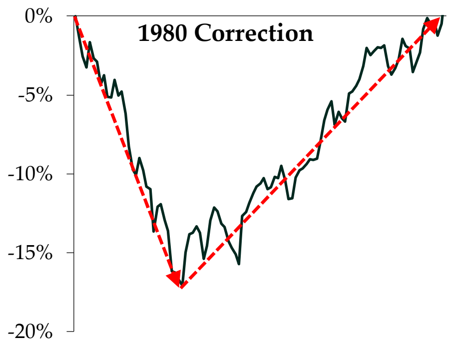
CORRECTIONS TEND TO BE V-SHAPED

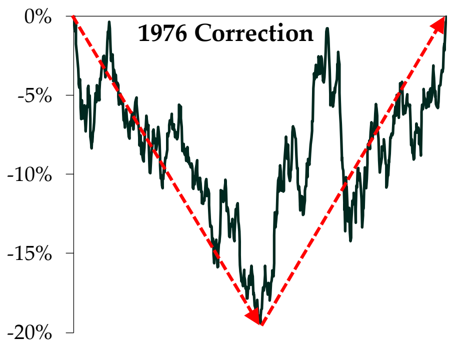
Prior large corrections exhibited the common characteristic of a sharp, steep drop followed by a relatively swift recovery to pre-correction levels.

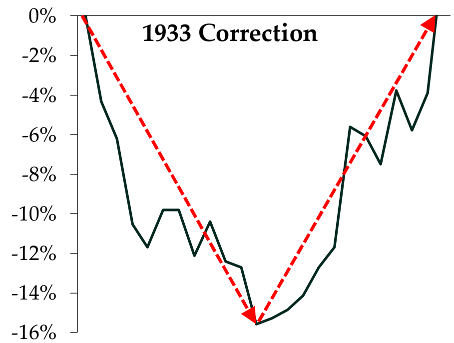








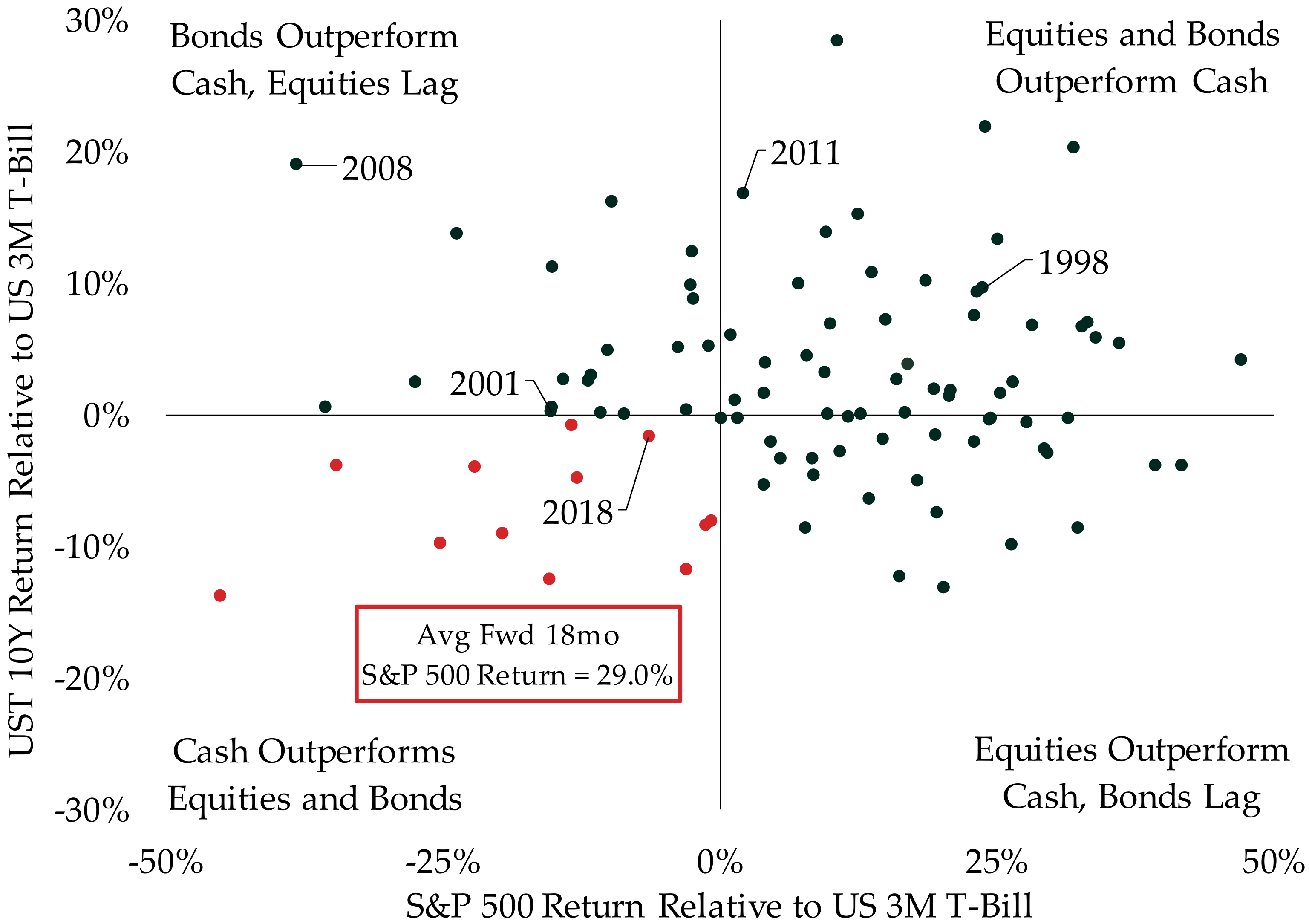




Source: FactSet as of December 2018, S&P 500 Price Index, daily.

2018: INVESTOR SENTIMENT UNCOMMONLY NEGATIVE

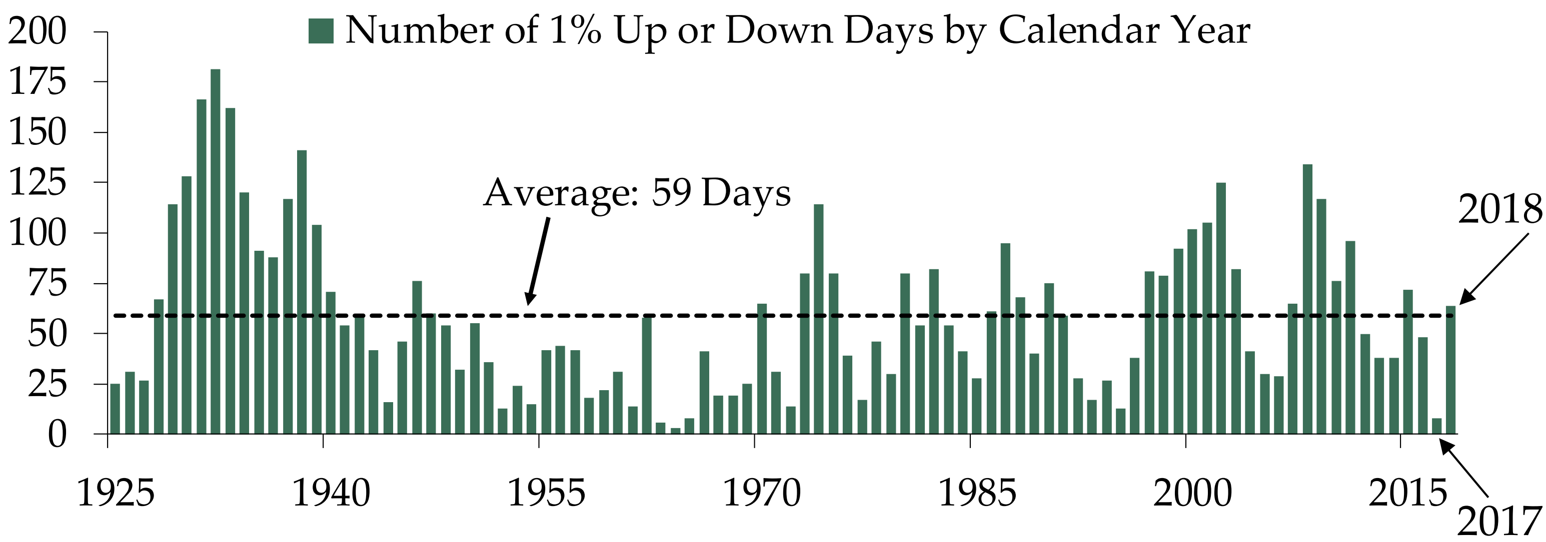
Cash outperformed equities and bonds in 2018, a rare occurrence.

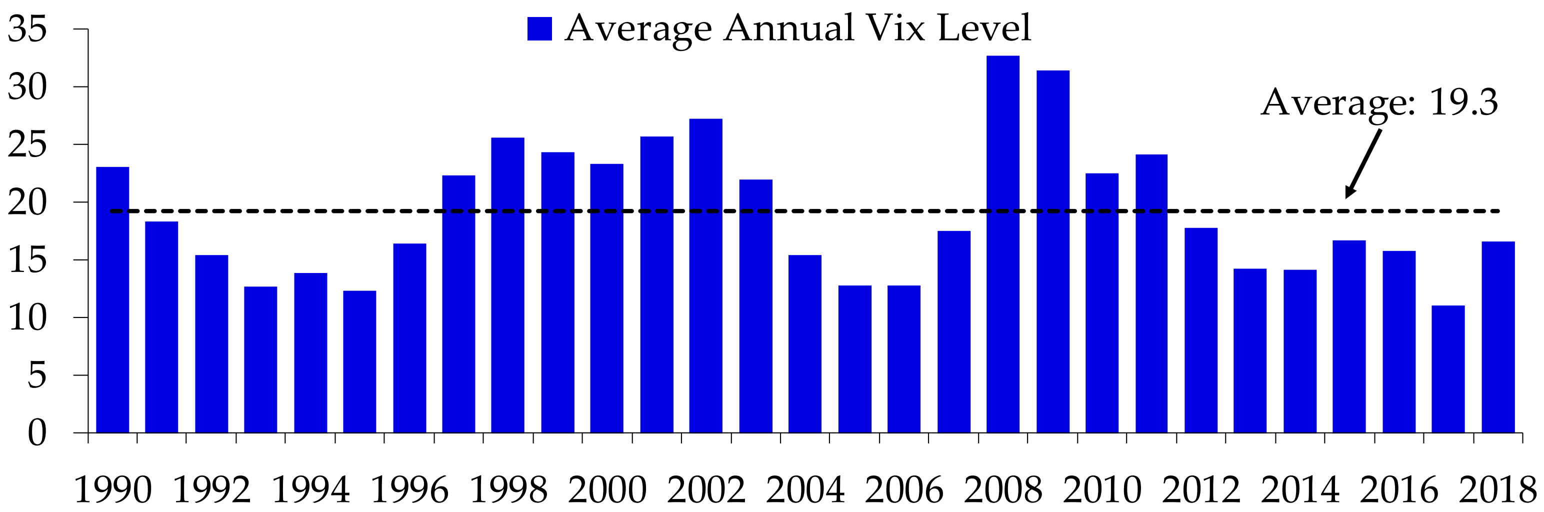


Source: Global Financial Data as of December 2018. S&P 500 Price Index, US 10-Year Treasury Bond and US 3 Month T-bill, monthly. Plotted points are calendar year returns for S&P 500 and US 10-Year Treasury Bond net of calendar year return for US 3 Month T-Bill.

VOLATILITY RETURNED TO AVERAGE IN 2018

2018 felt volatile relative to recent history, but was fairly average.

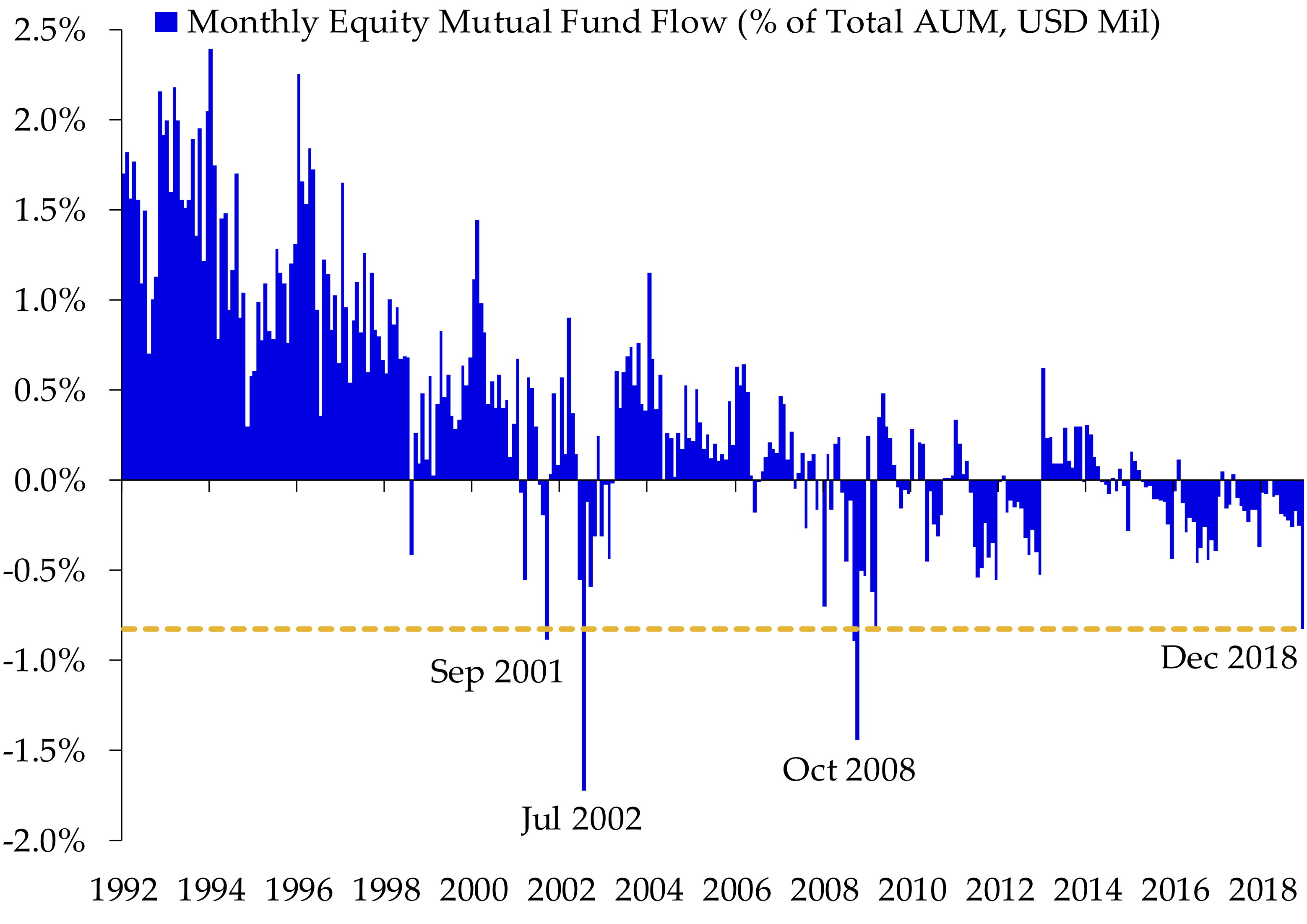




Top chart source: Global Financial Data and FactSet, S&P 500 price returns as of December 2018. Bottom chart source: Chicago Board Options Exchange and Federal Reserve Bank of St. Louis as of December 2018.

DECEMBER VOLATILITY FUELED BY LIQUIDATIONS

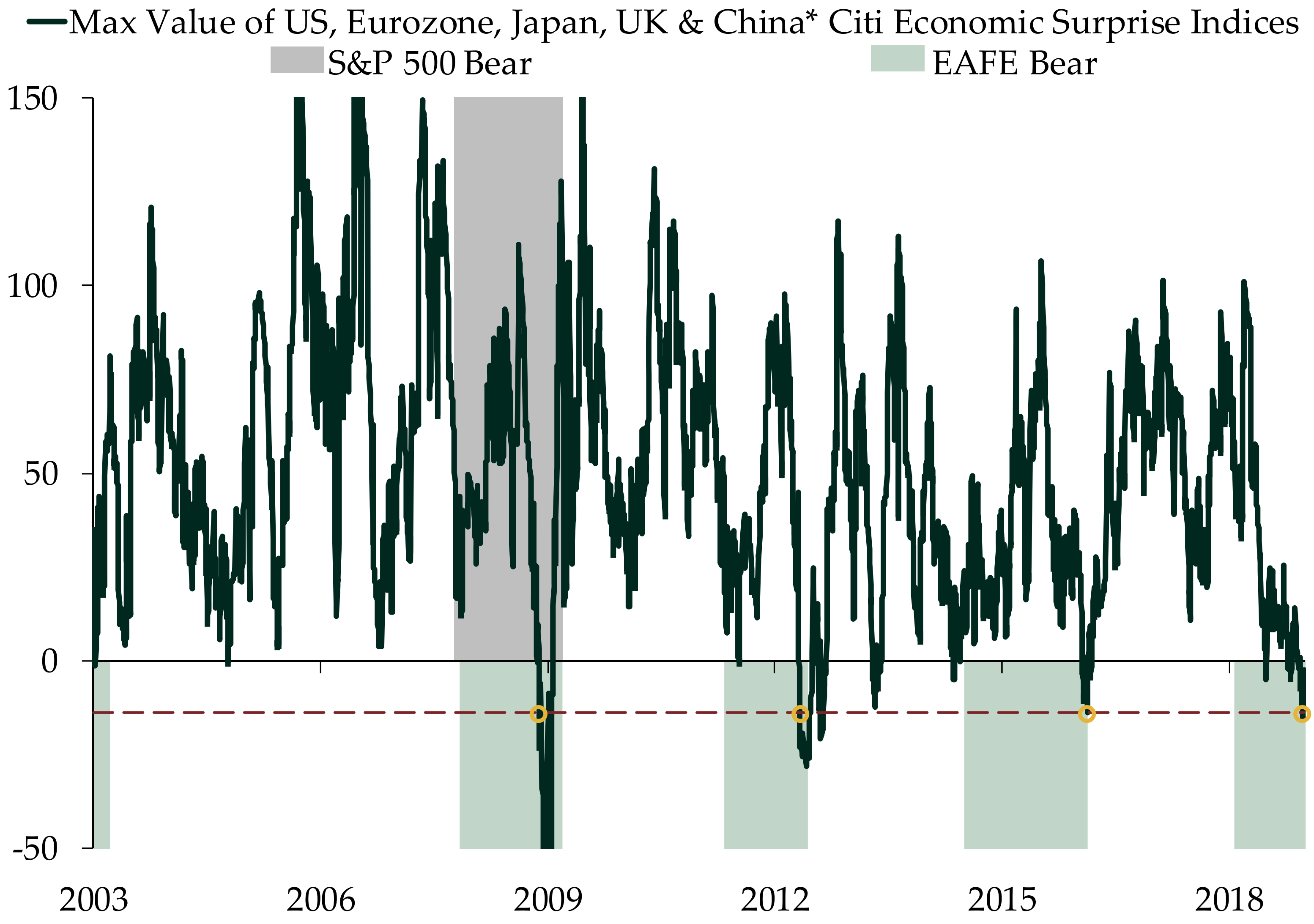
Mutual fund liquidations spiked in December 2018 amid low market liquidity, contributing to the steep end-of-year selloff.



Source: FactSet and Thomson Reuters Datastream as of December 2018.

NEGATIVE SURPRISES MAY INDICATE TROUGH

Economic data from the world's 5 biggest economies disappointed in late 2018, driving economic surprise indexes to levels that have historically marked the bottom of equity downturns.

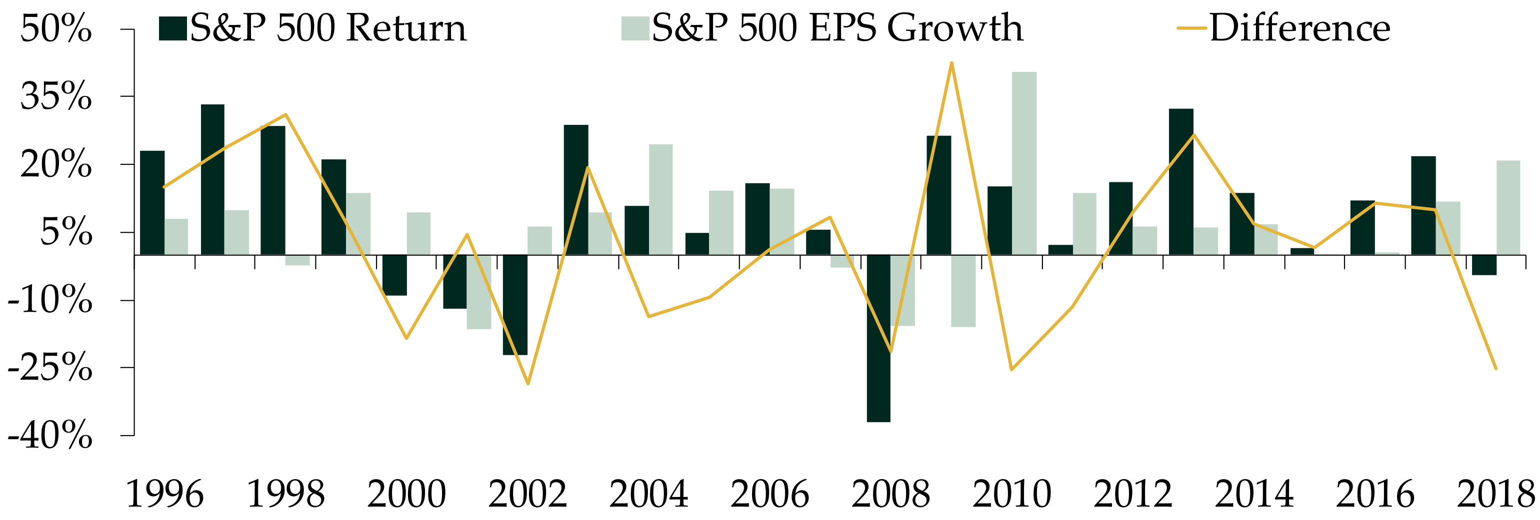


*Chinese data begins January 2014

Source: FactSet and Citibank as of December 2018.

MULTIPLE EXPANSION FOLLOWS CONTRACTION

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

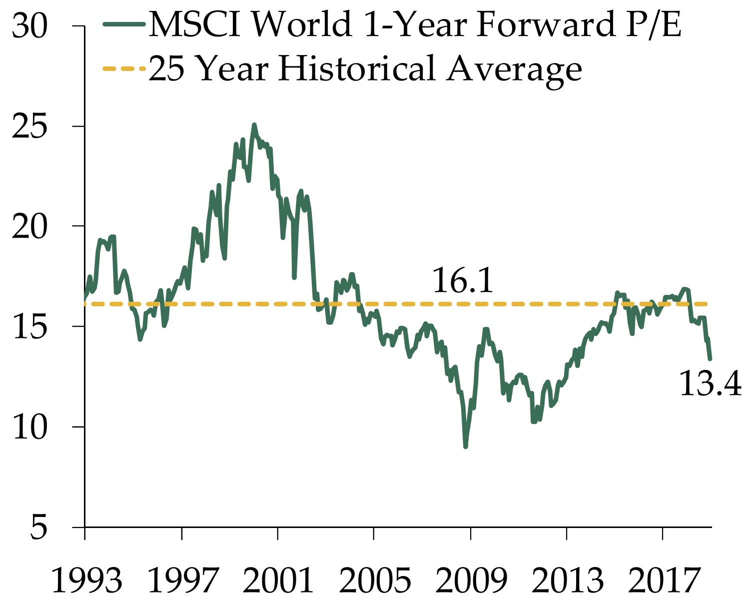


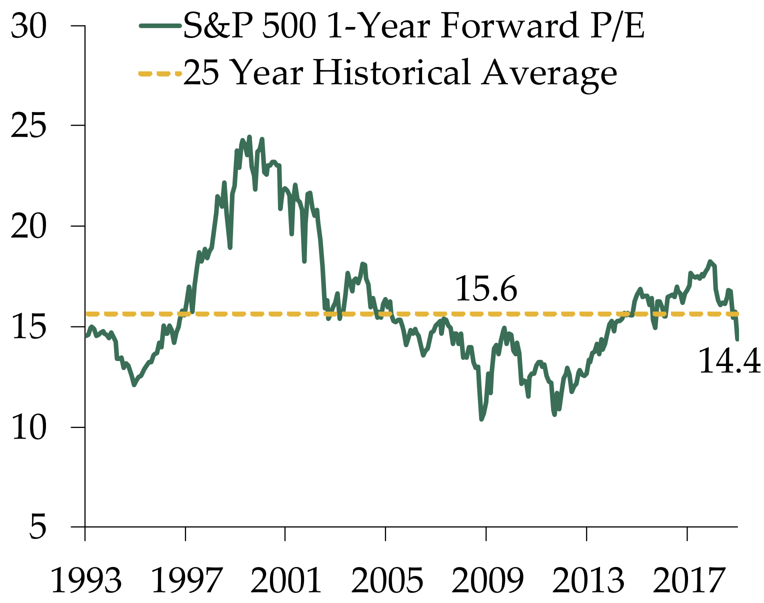
Year	S&P 500 Return	S&P 500 EPS Growth	Difference	Following Year Return
2000	-9.1%	9.5%	-18.6%	-11.9%
2002	-22.1%	6.3%	-28.4%	28.7%
2004	10.9%	24.6%	-13.7%	4.9%
2005	4.9%	14.2%	-9.3%	15.8%
2008	-37.0%	-15.7%	-21.3%	26.5%
2010	15.1%	40.5%	-25.4%	2.1%
2011	2.1%	13.6%	-11.5%	16.0%
2018	-4.4%	20.8%	-25.2%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

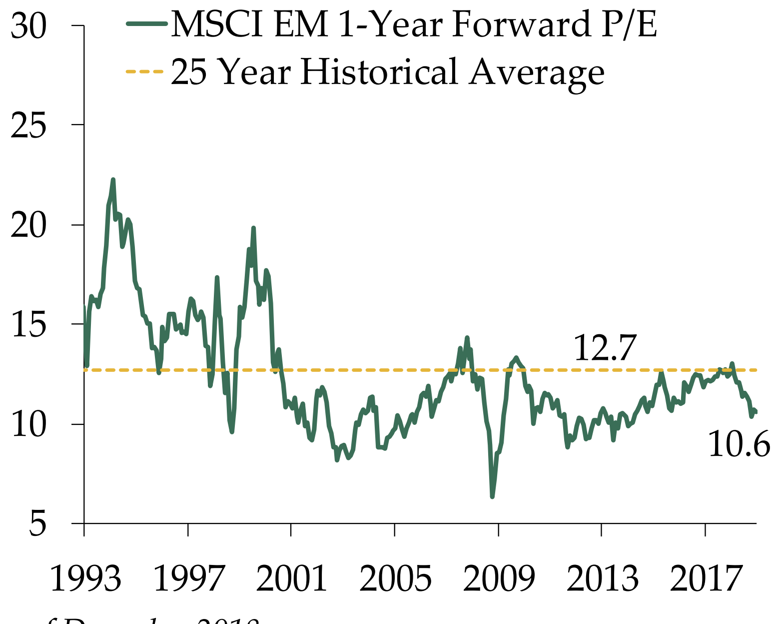
Source: FactSet as of December 2018.

PLUNGING VALUATIONS REFLECT EXCESSIVE FEAR

Fearful investor sentiment caused equity valuations to plunge in 2018. Fading fears should allow for multiple expansion ahead which, in combination with rising earnings, should boost equity prices.



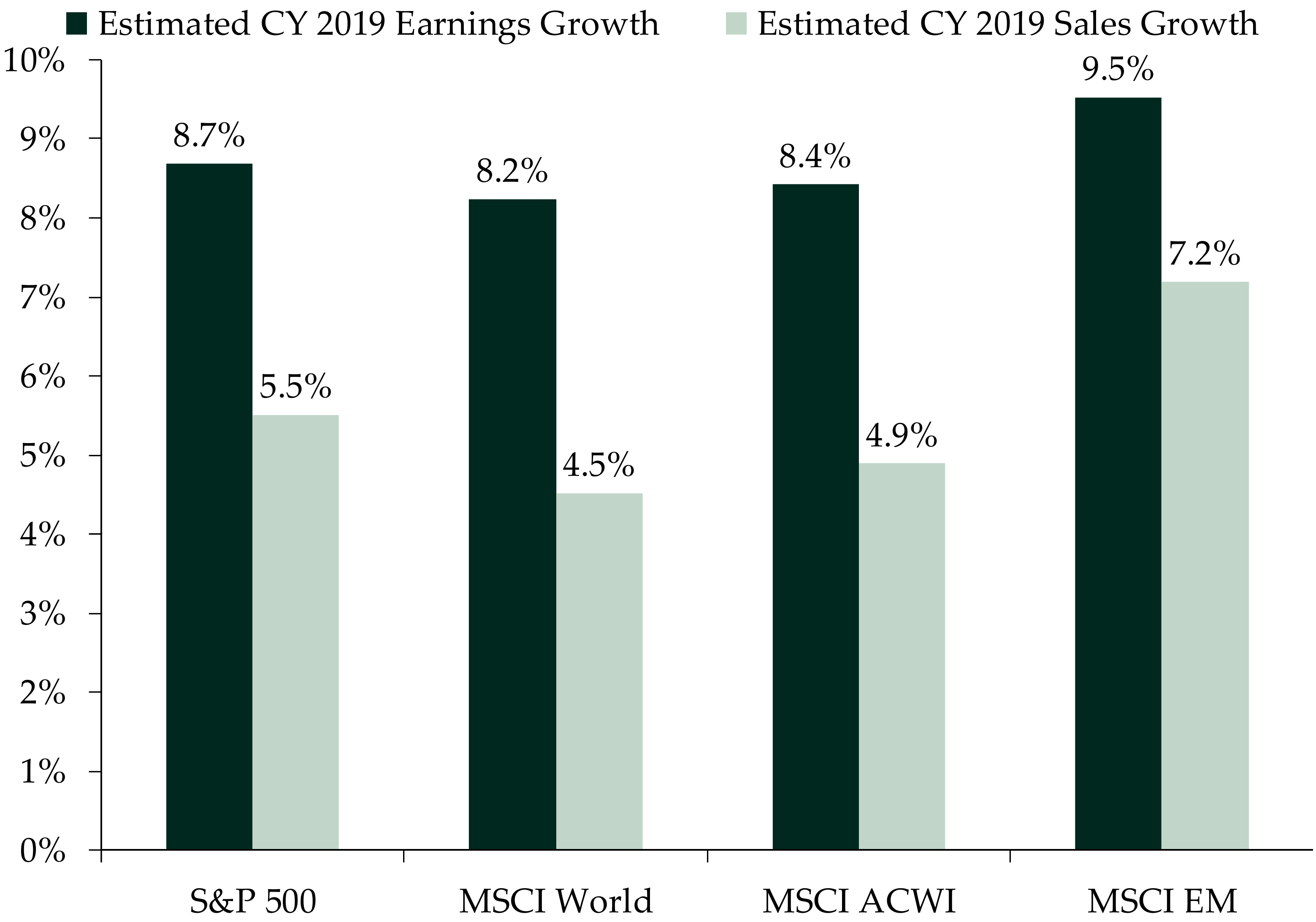




Source: FactSet, Inc. as of December 2018.

CORPORATE EARNINGS REMAIN HEALTHY

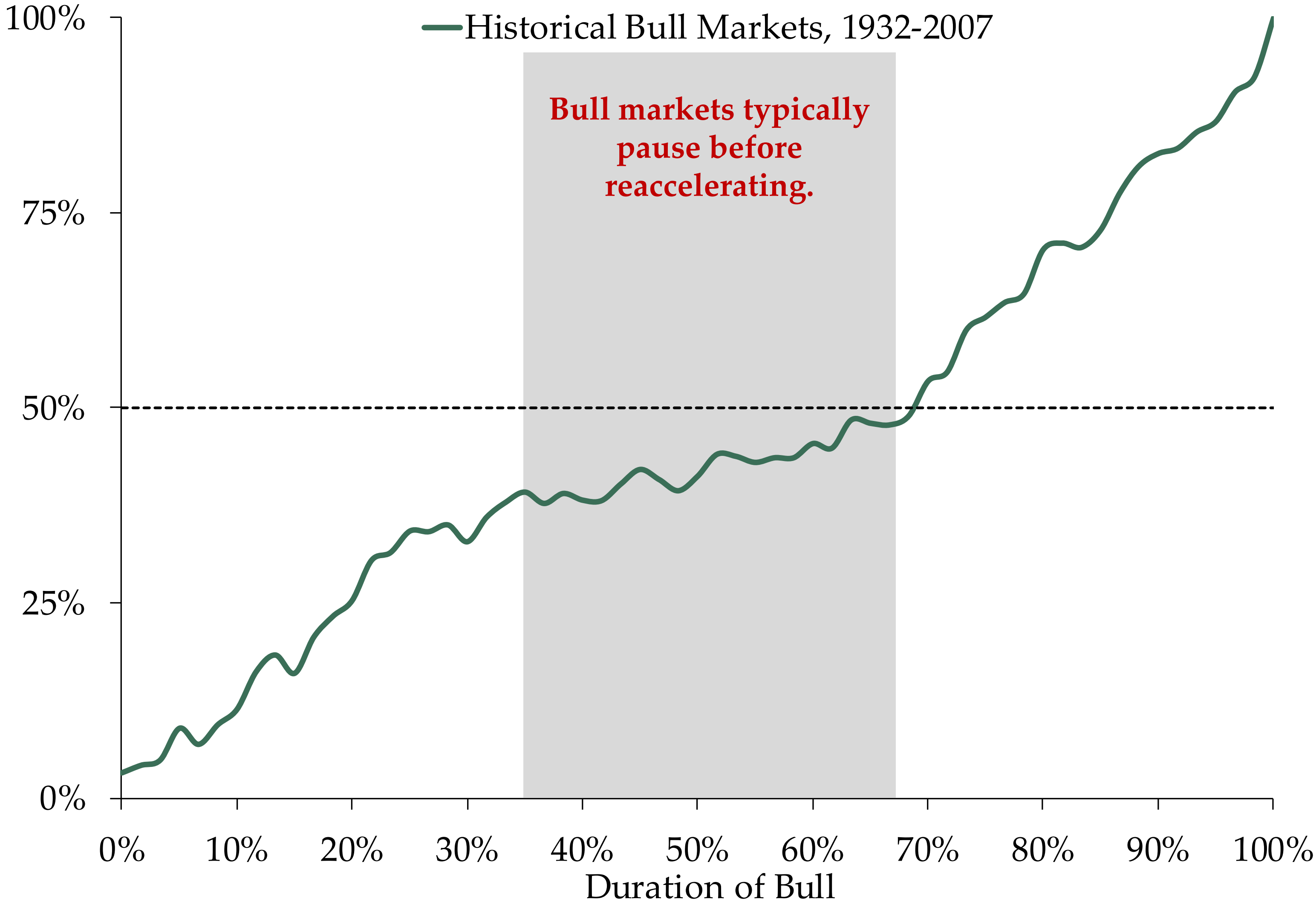
Strong global corporate sales and earnings growth should continue in 2019 even as 2018's tax-cut boost fades.



Source: FactSet Market Aggregates as of December 2018. Estimated CY 2019 EPS & Sales Growth for Various Indices in USD.

BULL MARKETS GO OUT WITH A BANG

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



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

KEY DEVELOPED MARKETS THEMES

Our highest conviction views on developed market regions

- Gridlock lowers political risk and benefits equities more than most investors perceive
- Fears about politics, trade, QE ending, Brexit, and the Italian budget have distracted investors from solid fundamentals
- Looking ahead, renewed confidence and healthy economic, corporate revenue, and earnings growth should drive equities higher

PRESIDENTIAL TERM ANOMALY

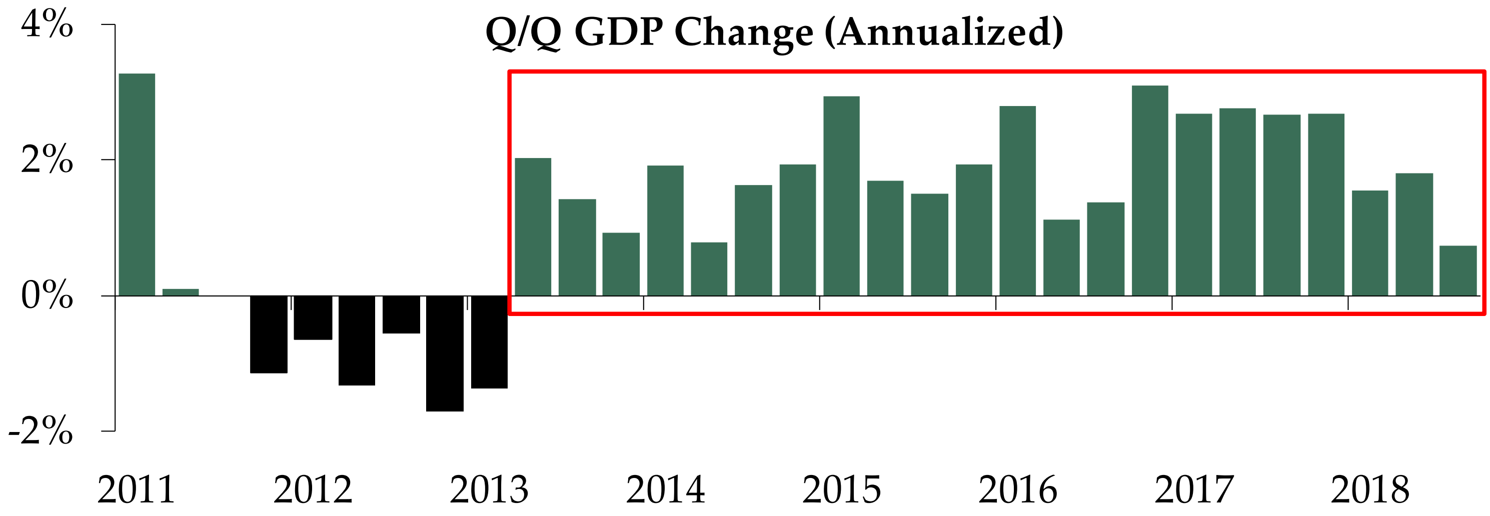
Falling political uncertainty resulting from post-midterm gridlock has contributed to positive equity returns in 91% of the third years of Presidents' terms.

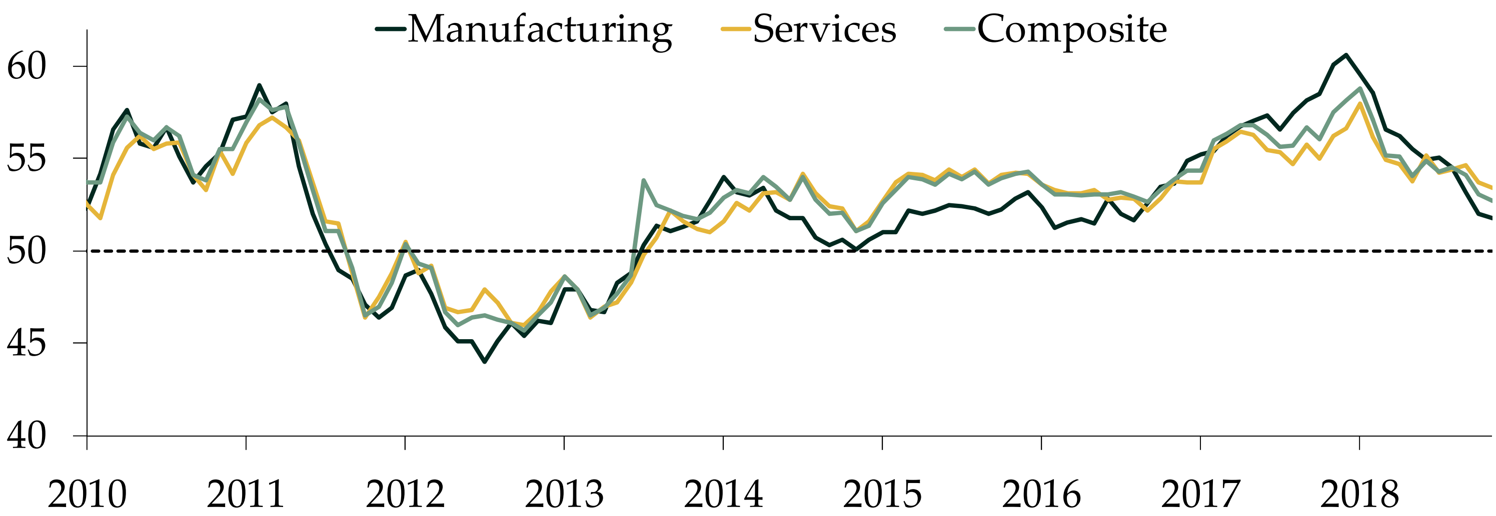
Winner	Inaugural Year		Second Year		Third Year		Fourth Year	
Coolidge	1925	29.5%	1926	11.1%	1927	37.1%	1928	43.3%
Hoover	1929	-8.9%	1930	-25.3%	1931	-43.9%	1932	-8.9%
Roosevelt – 1st	1933	52.9%	1934	-2.3%	1935	47.2%	1936	32.8%
Roosevelt – 2nd	1937	-35.3%	1938	33.2%	1939	-0.9%	1940	-10.1%
Roosevelt – 3rd	1941	-11.8%	1942	21.1%	1943	25.8%	1944	19.7%
Roosevelt/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%
Eisenhower – 1st	1953	-1.1%	1954	52.4%	1955	31.4%	1956	6.6%
Eisenhower – 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		2020	
Percent Positive		**58.3%**		**62.5%**		**91.3%**		**82.6%**
All (Average)		**10.5%**		**8.6%**		**17.8%**		**11.1%**

Source: Global Financial Data as of December 2018, based on S&P 500 total return using quarterly data points.

YEARS OF EUROPEAN ECONOMIC STABILITY

Despite recent UK weakness, Europe has experienced twenty two consecutive quarters of positive growth, and purchasing managers indexes (PMI) are in expansionary territory across the board.

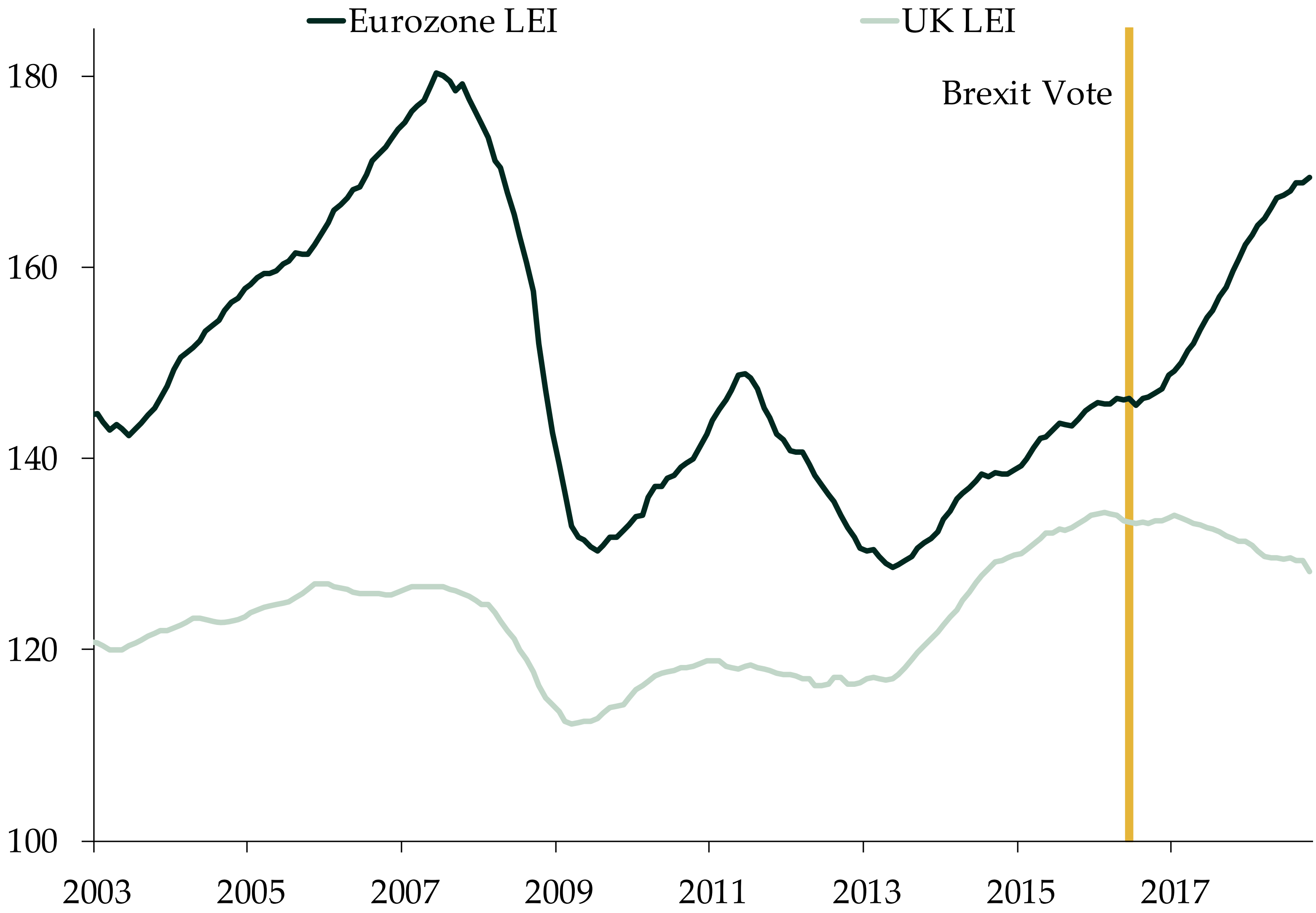




Top chart source: FactSet, Inc.; eurozone quarterly annualized real GDP from January 2011 to September 2018. Based on quarterly data points. Bottom Chart source: FactSet Inc.; eurozone Purchasing Managers Indexes from January 2010 to November 2018.

LITTLE EUROZONE BREXIT WORRY

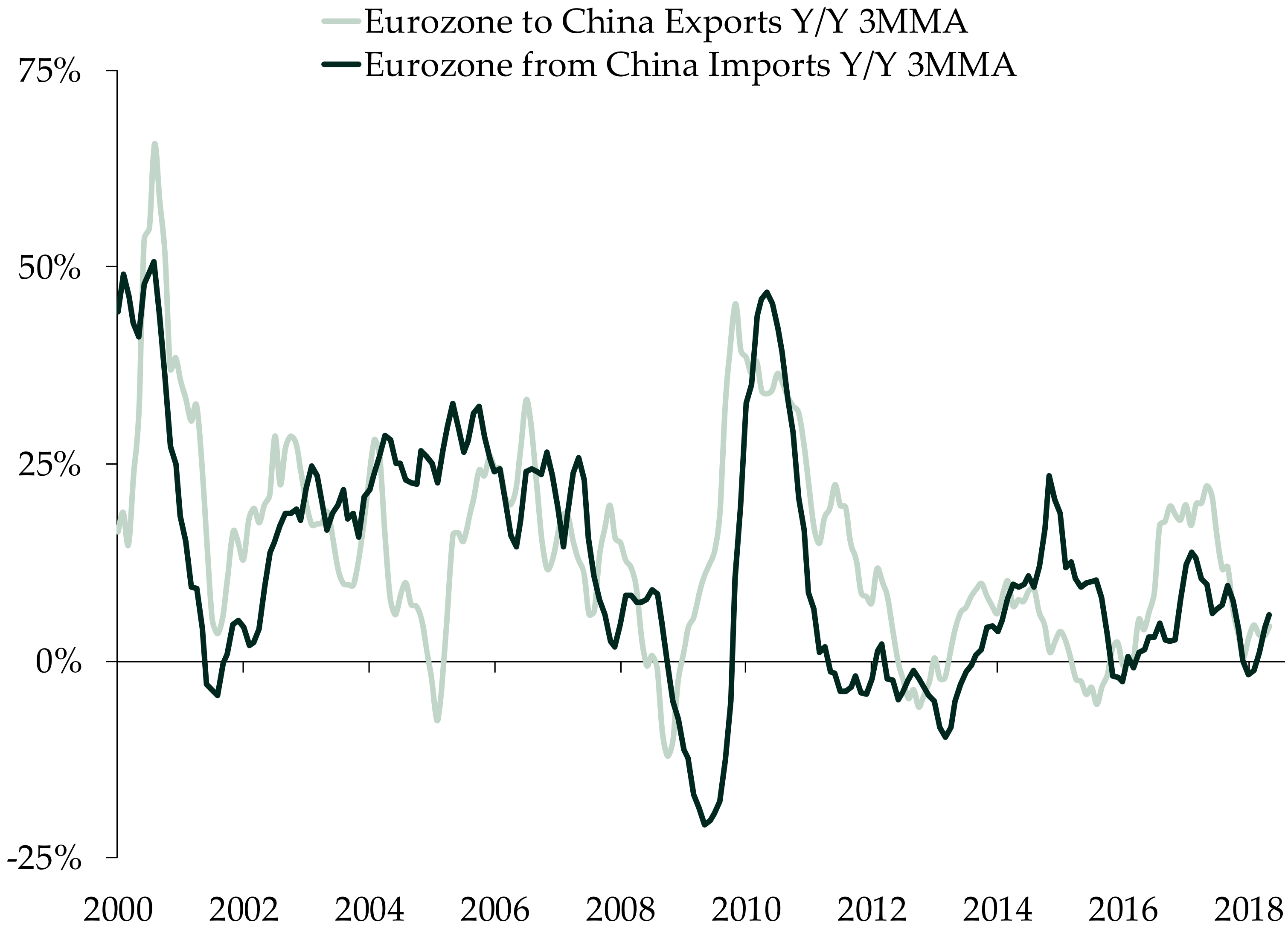
UK leading economic indicators have fallen after the Brexit vote while the readings in the Eurozone have accelerated.



Source: The Conference Board, as of November 2018. Eurozone and UK Leading Economic Index (LEI), January 1993 – October 2018. Copyright The Conference Board, Inc. Content reproduced with permission.

EU-CHINA TRADE BOTTOMING

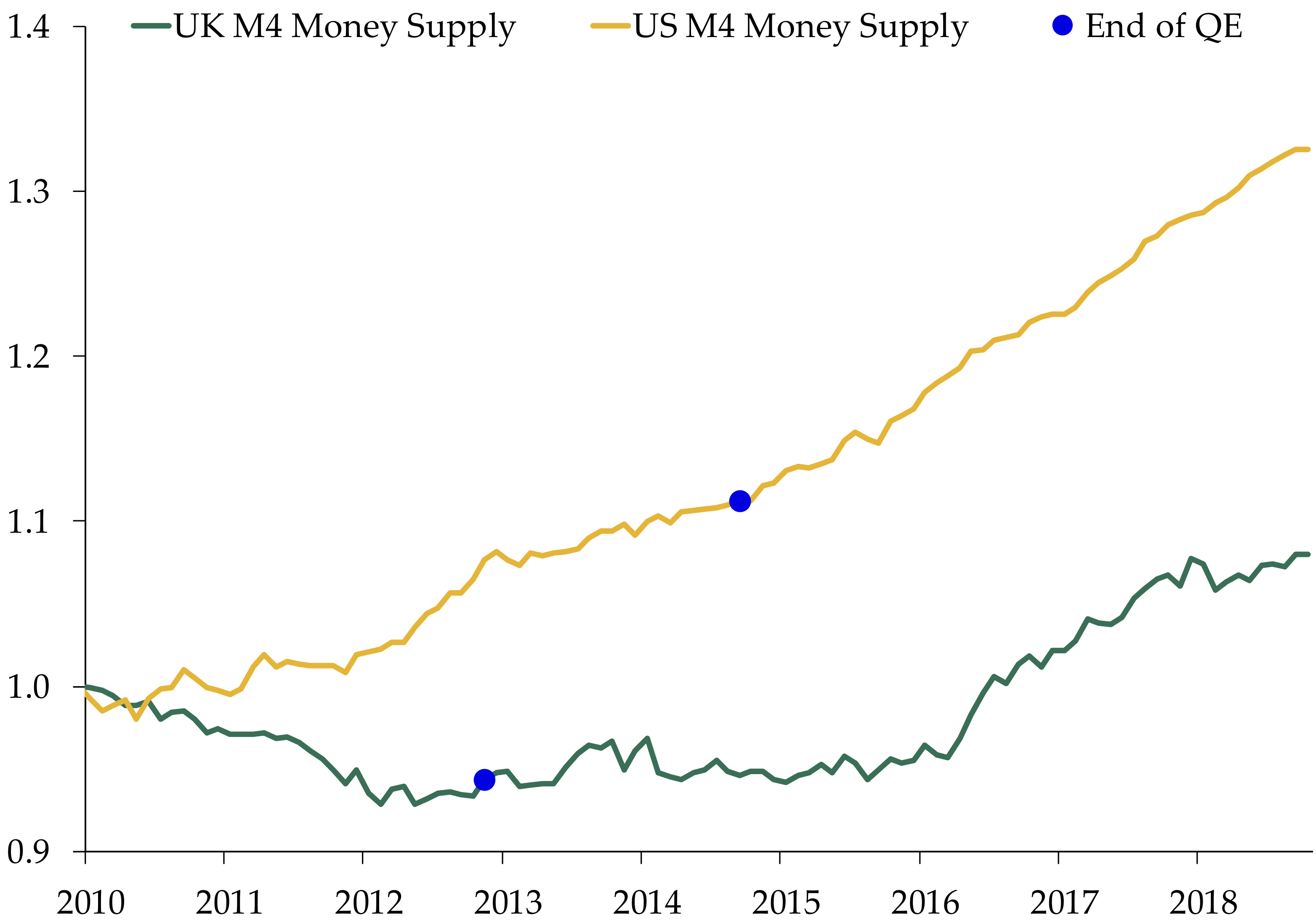
Weak European Union GDP and other economic data has been the result of a weak external environment. Slowing trade with China has played a large role, but trade has slowed similarly several times in this economic cycle only to reaccelerate higher.



Source: FactSet and Eurostat as of December 2018.

ECB ENDING QE

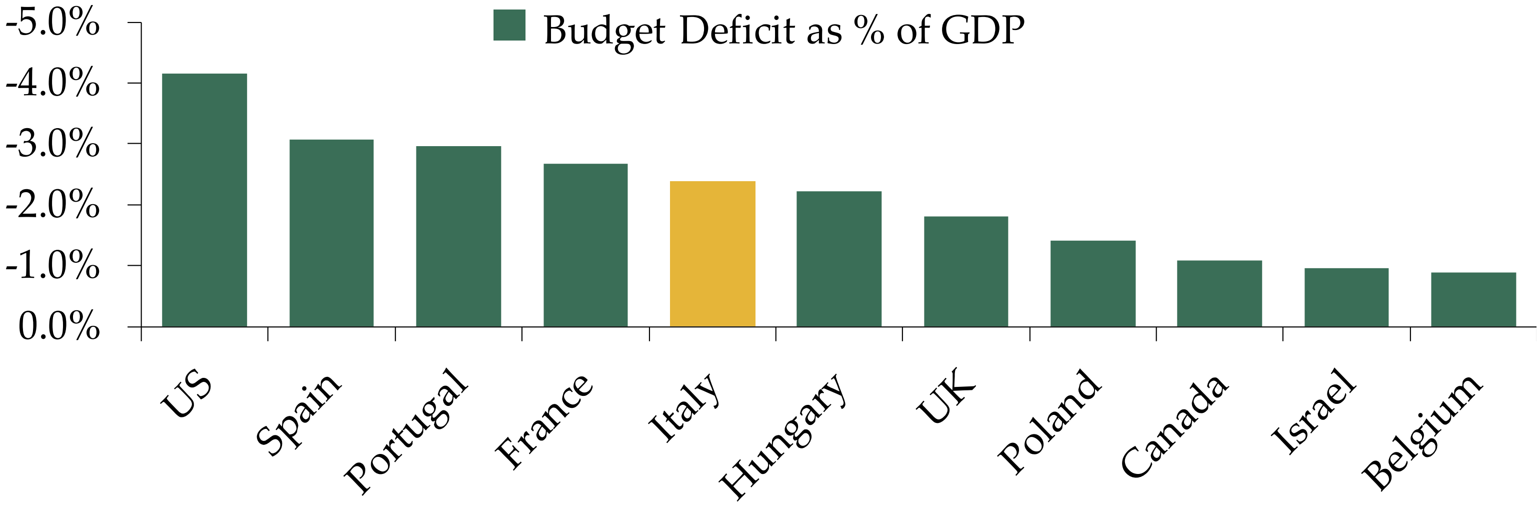
Many fear ending quantitative easing (QE) removes economic stimulus, but both the UK and US saw money supply growth accelerate post-QE.

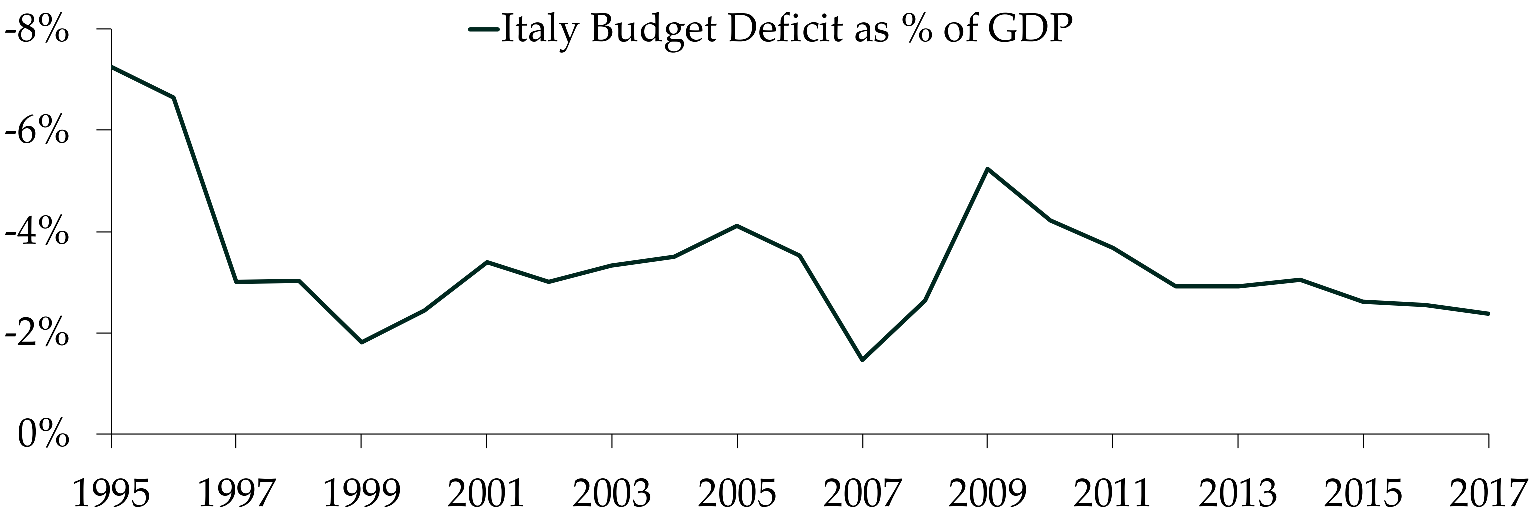


Source: FactSet, Bank of England and Center for Financial Stability as of November 2018. Based on monthly data, indexed to 1 January 2010.

ITALIAN BUDGET DEFICIT UNEXCEPTIONAL

Recent concerns about Italy's budget miss the fact Italy's budget deficit is below that of European peers, and has been falling since 2009.





Top chart source: OECD, general government deficit (indicator) as of November 2018. Shows top 10 OECD countries with largest 2017 budget deficits as percentage of GDP. Bottom chart source: OECD, general government deficit (indicator) as of November 2018. Shows Italy's budget deficit from December 1995 to December 2017, based on annual data.

KEY EMERGING MARKETS THEMES

Our highest conviction views on Emerging Markets

- Emerging Markets should rebound strongly from a dismal 2018

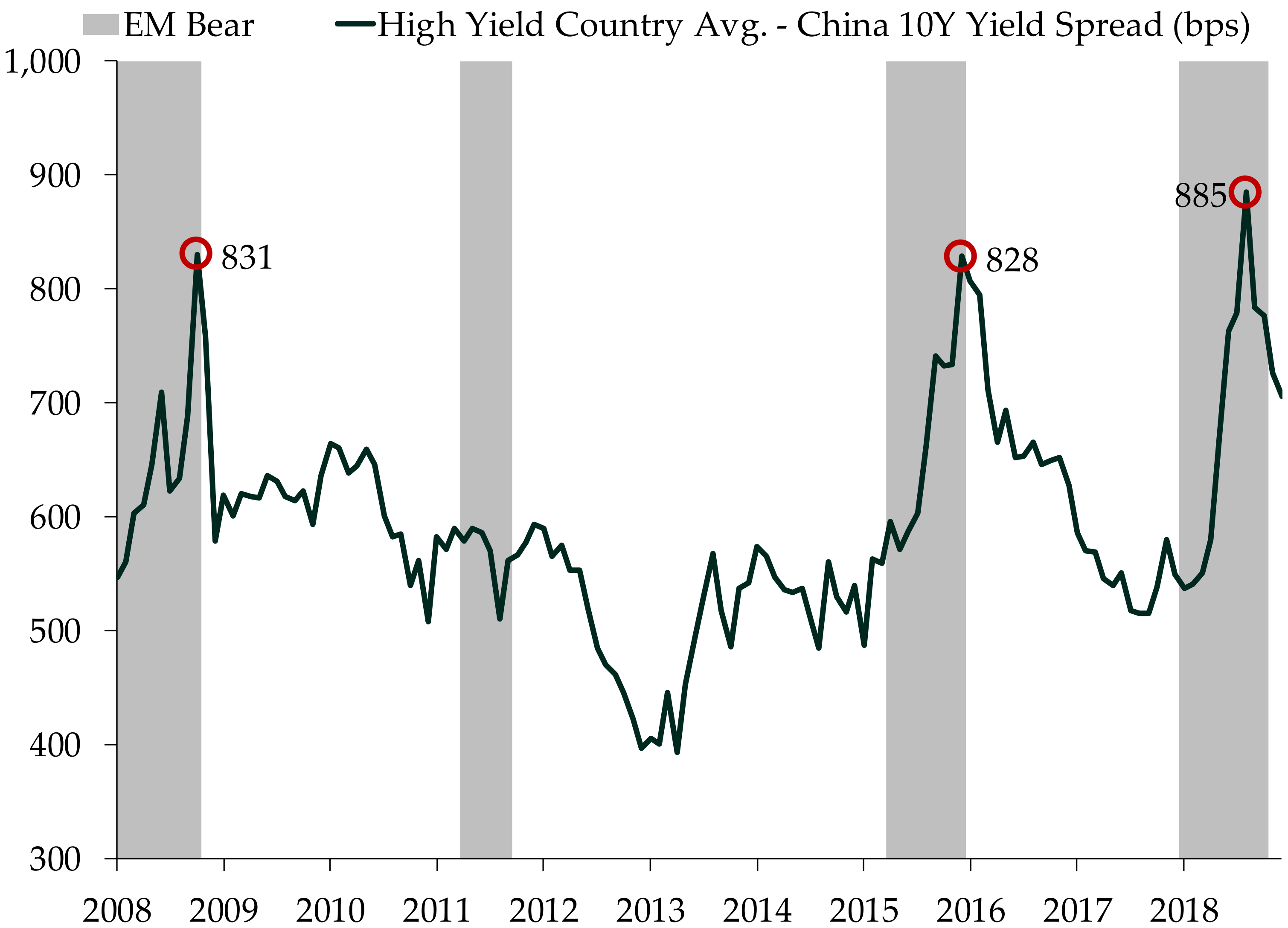
- Overly negative sentiment has pushed EM valuations to extreme lows

- China's economy is slowing but more stable than most appreciate

- Country and sector leadership should become more consistent as the bull market resumes

EM BOND SPREAD TROUGH INDICATOR

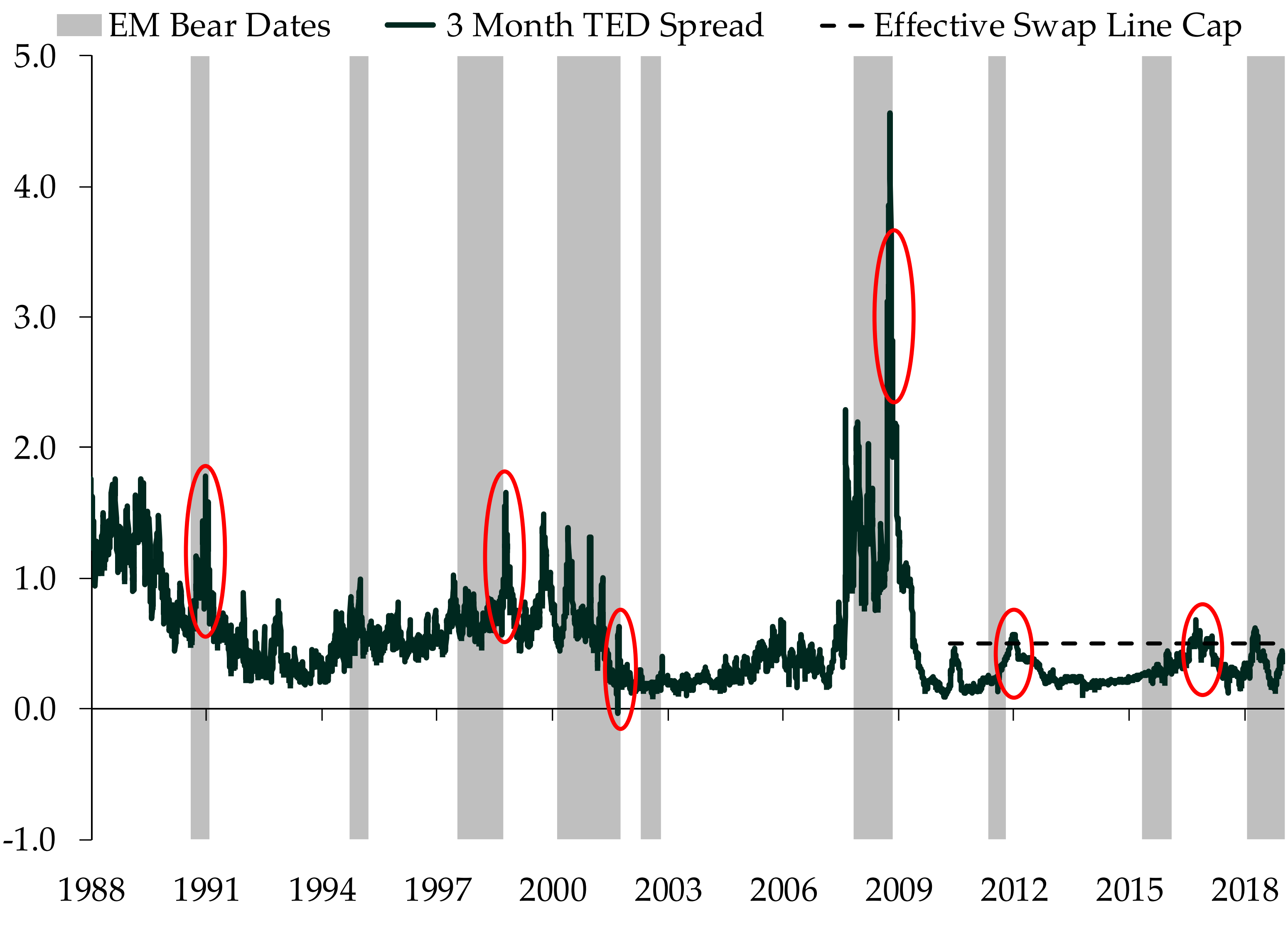
Historically, peaks in 10-Year government bond spreads between high yield EM countries (Turkey, Brazil, South Africa, India) and China have signaled the end of bear markets.



Source: Global Financial Data as of December 2018. EM country 10-Year government bond yields, average of high yield countries calculated using simple average. High yield countries defined as Turkey, Brazil, South Africa, India. Turkey data begins January 2010. Brazil data not available January and February 2010, smoothing was used between closest available data points.

EM TED SPREAD TROUGH INDICATOR

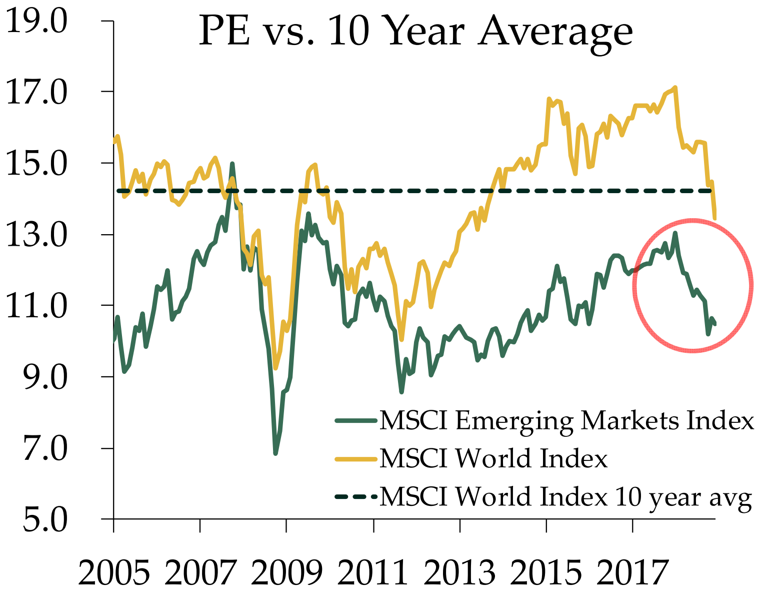
TED spread spikes (3M LIBOR-3M US T-Bill) are not as severe this cycle thanks to central bank swaps, but spikes often mark short-term squeezes that coincide with the end of EM downturns.

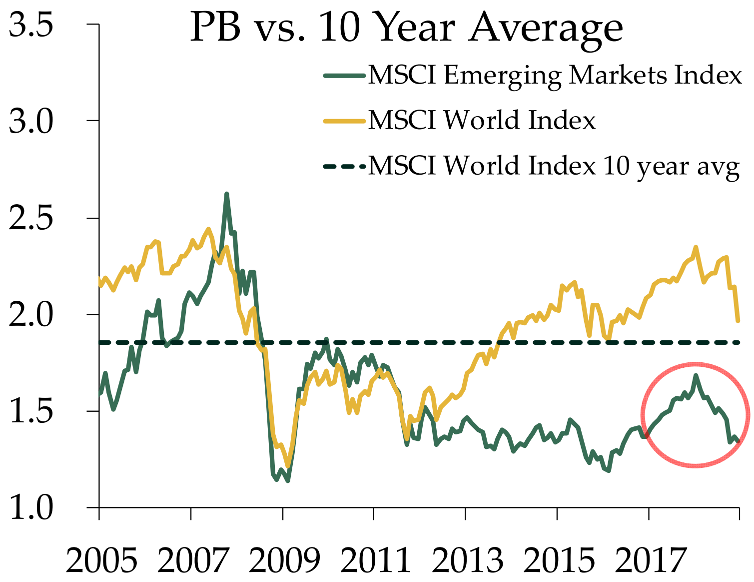


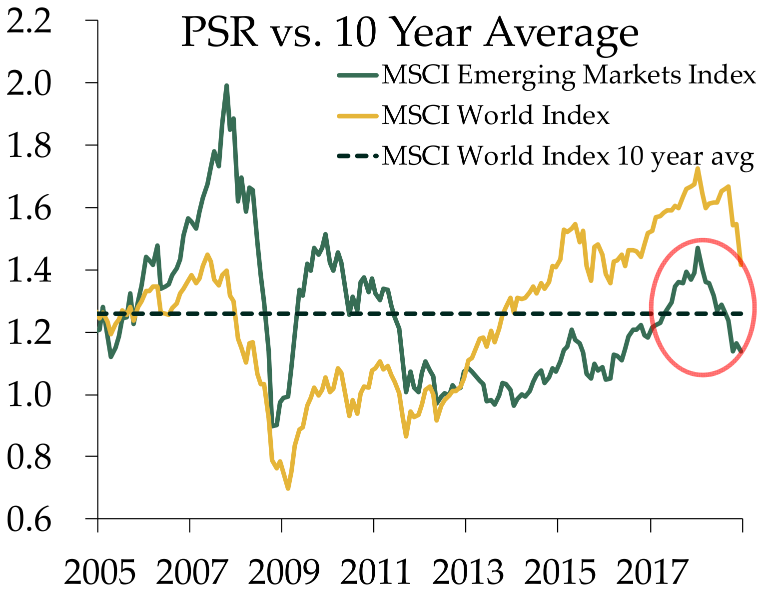
Source: FactSet and Fisher Investments Research as of December 2018.

EM VALUATIONS ARE HISTORICALLY ATTRACTIVE

Trade, monetary policy, and other fears have driven Emerging Market valuations to historic lows and discounts to developed markets. This extreme negative sentiment should improve as global growth continues, pushing EM valuations higher.



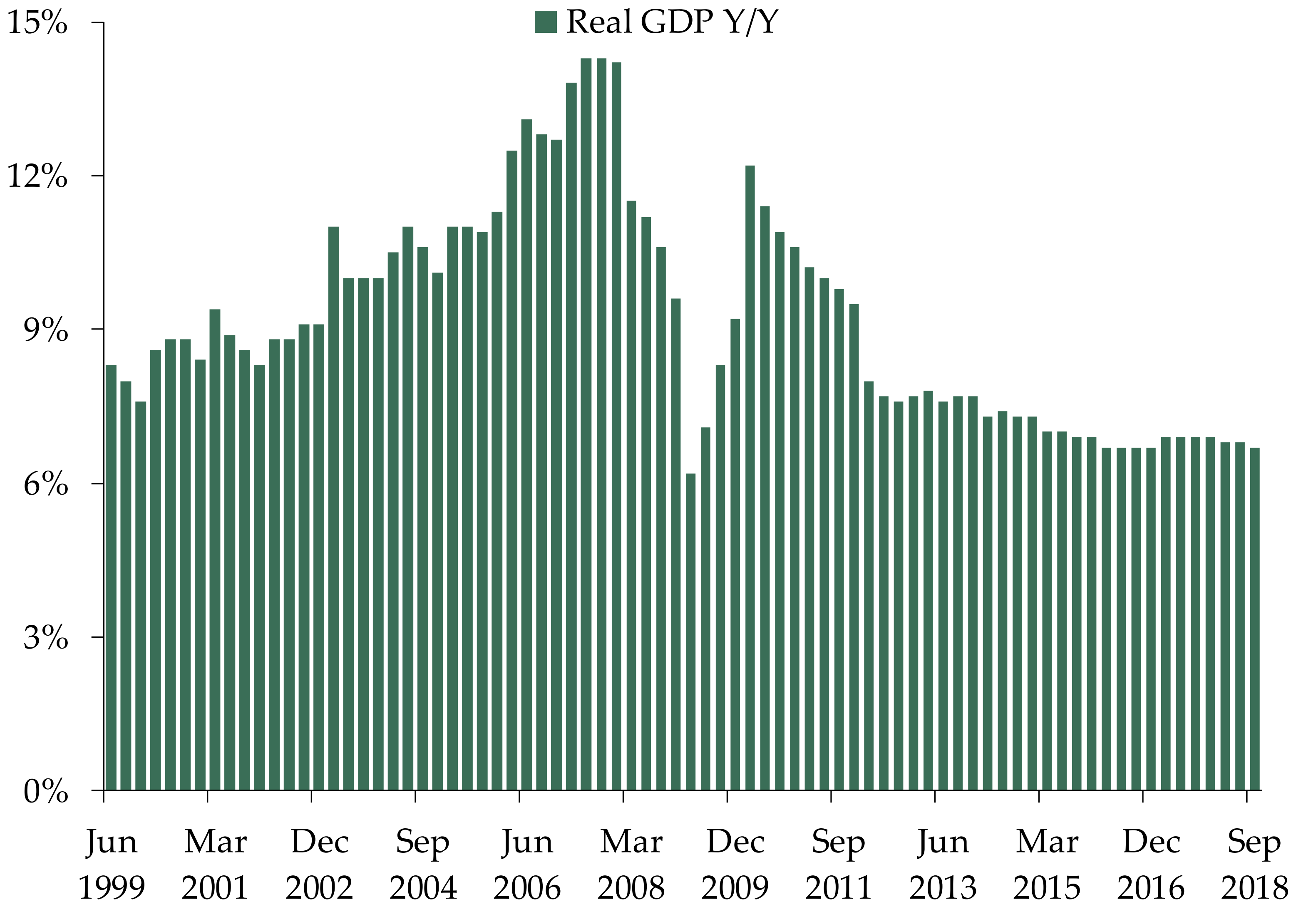




Source: FactSet as of December 2018. Based on monthly forward valuations.

CHINESE HARD LANDING NOT LIKELY

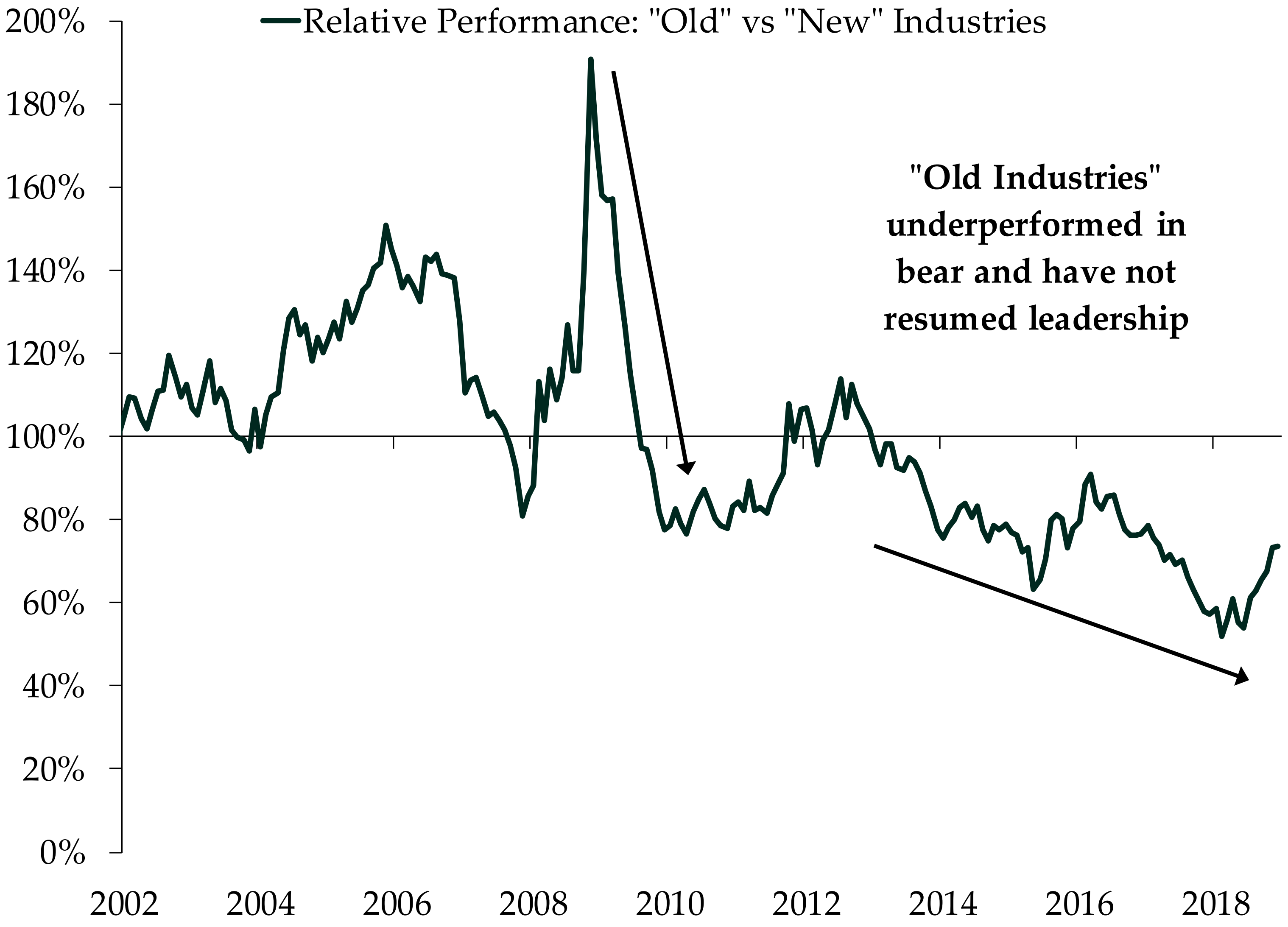
GDP data show that while China's economy is slowing, it has been doing so in an orderly fashion for several years.



Source: FactSet, Inc.; y/y change in real Chinese GDP from March 1997 to September 2018. Based on quarterly data points.

CHINA: THE OLD VS THE NEW

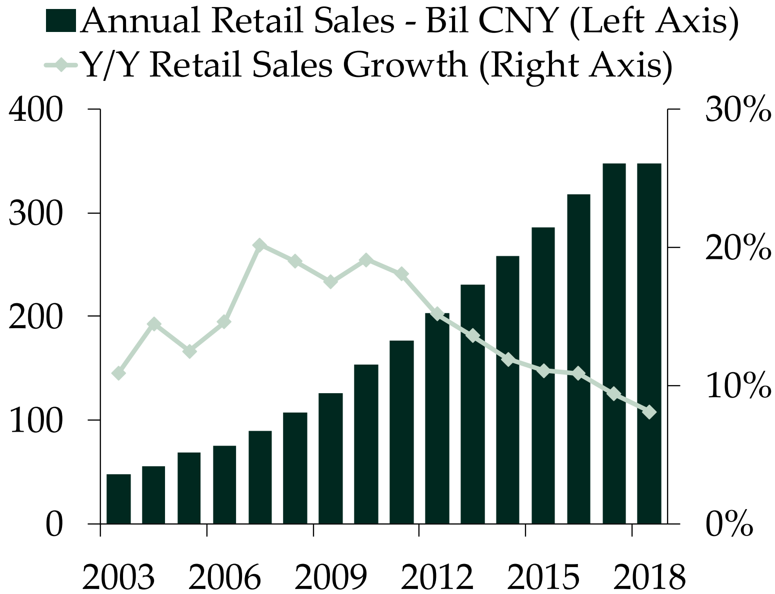
Old industries see higher state involvement and likely underperform new industry peers in consumption-oriented sectors.

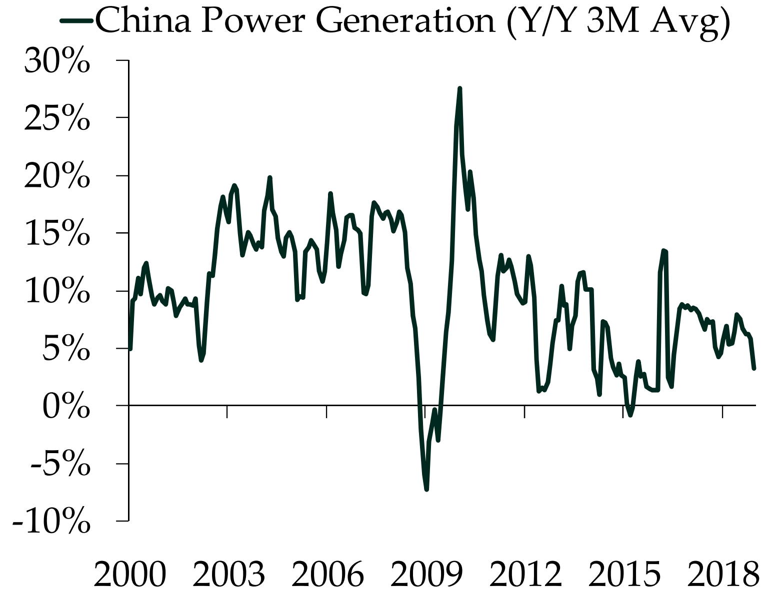


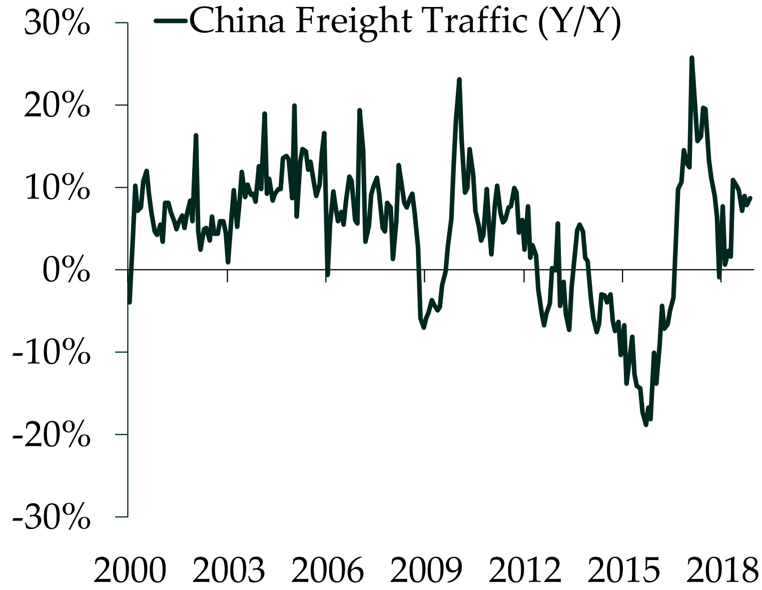
Source: FactSet as of December 2018. Old industries are industrial, commodity, and heavy state-influenced sectors. New industries include consumption-oriented sectors.

CHINESE ECONOMY STRONGER THAN BELIEVED

China's economy is slowing but not crashing. Internal readings on power generation, freight transport, exports, and retail sales are all growing at decent clips.



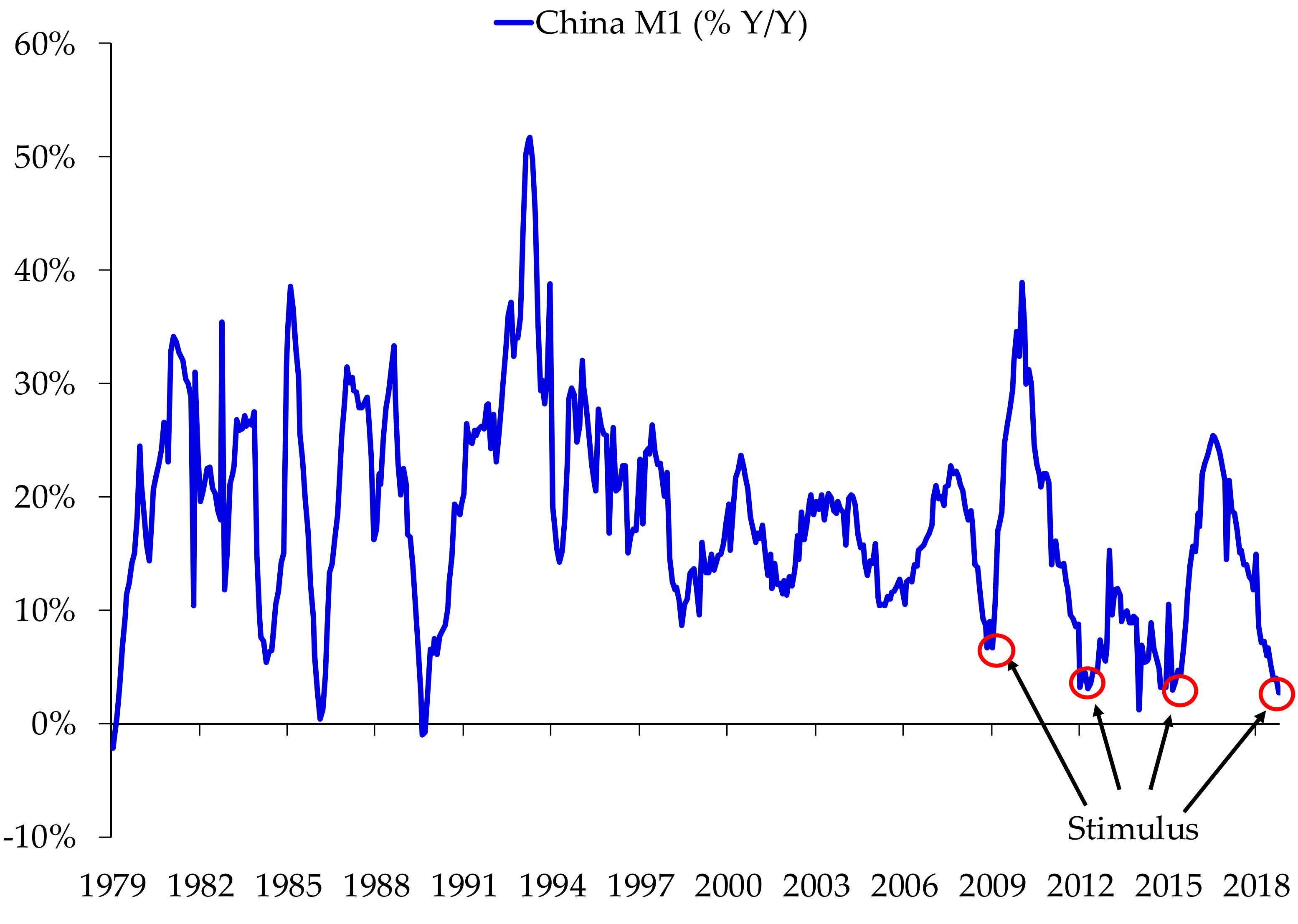




Top left, bottom charts source: FactSet as of November 2018. Top right chart source: National Bureau of Statistics of China, Retail Sales of November 2018. Based on monthly data points.

CHINA SET TO STIMULATE

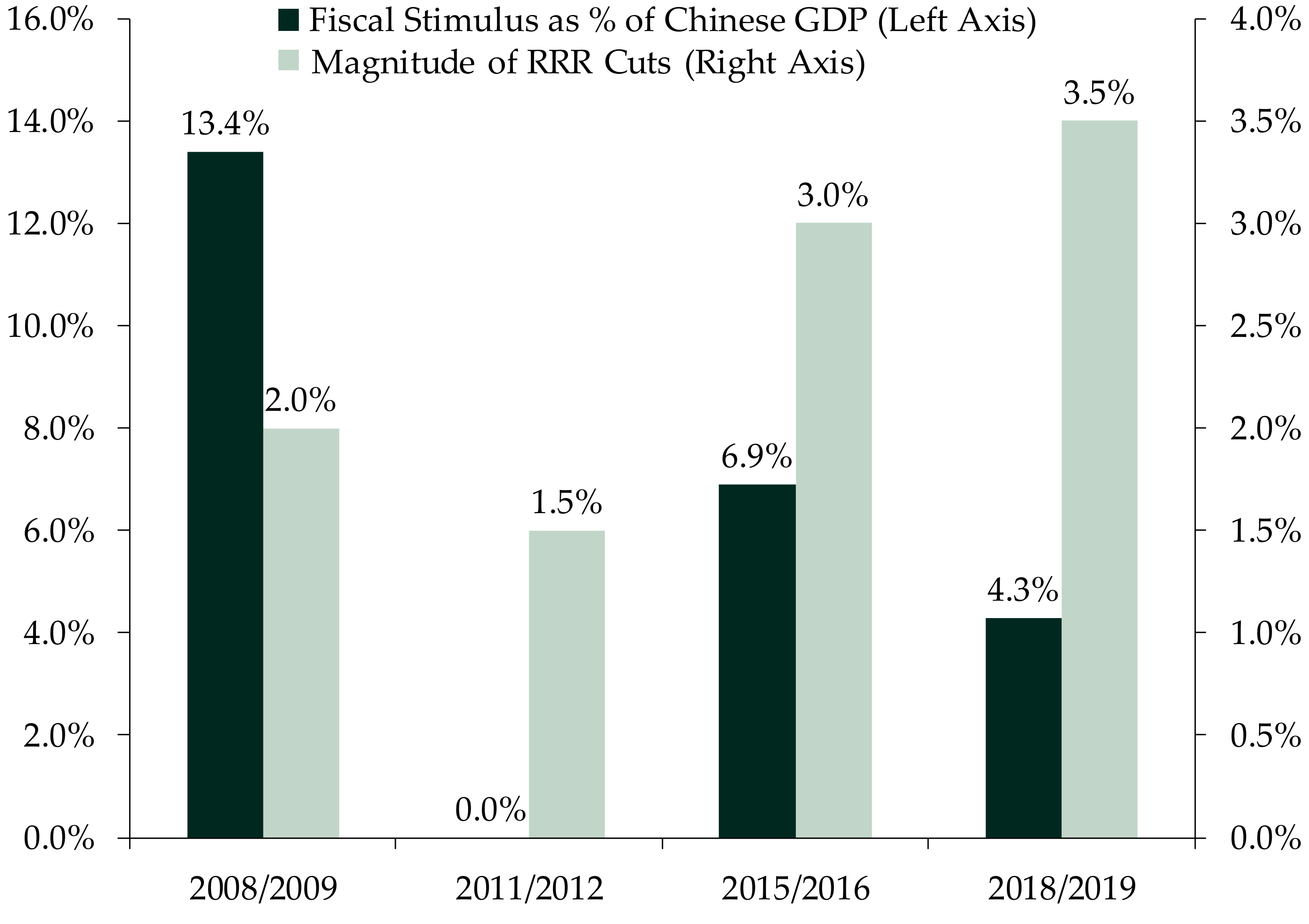
China's money supply growth has decelerated significantly recently, weighing on overall economic growth. Historically, similar periods of deceleration have sparked monetary and fiscal stimulus in China.



Source: Thomson Reuters as of October 2018.

SCALING CHINESE STIMULUS

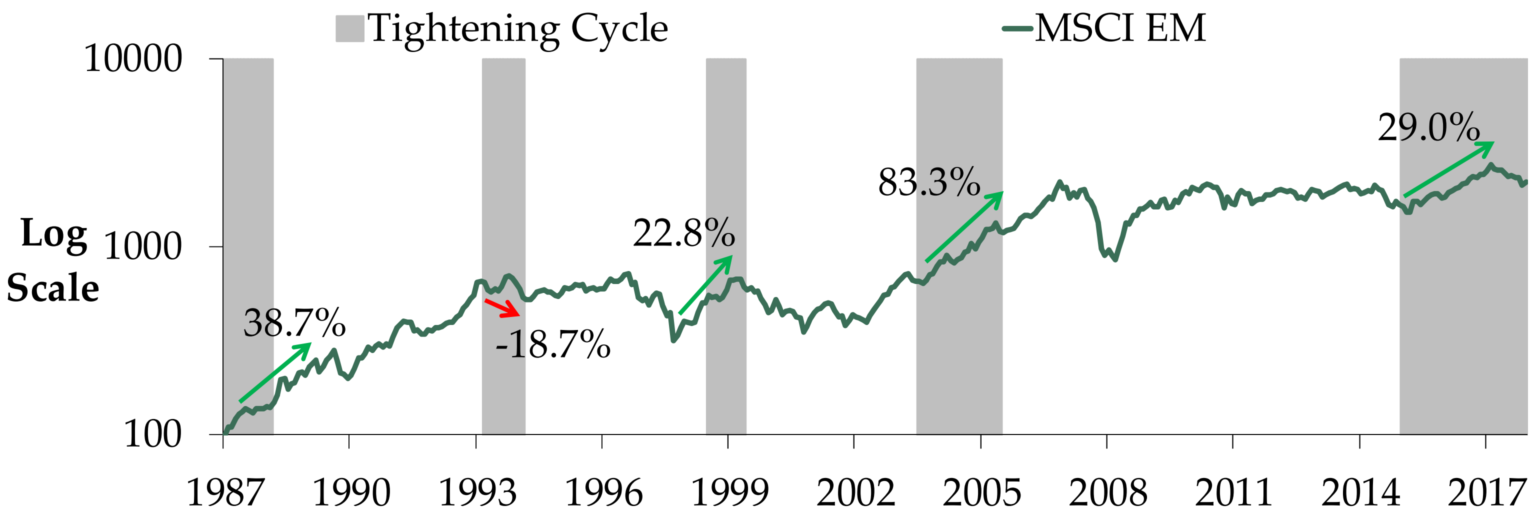
The $200B in local government bond issuance is the first bit of data that provides scale to additional stimulus announced at the Economic Work Conference. Combined with recent monetary stimulus, total stimulus for 2018/2019 rivals or exceeds amounts implemented in past downturns.



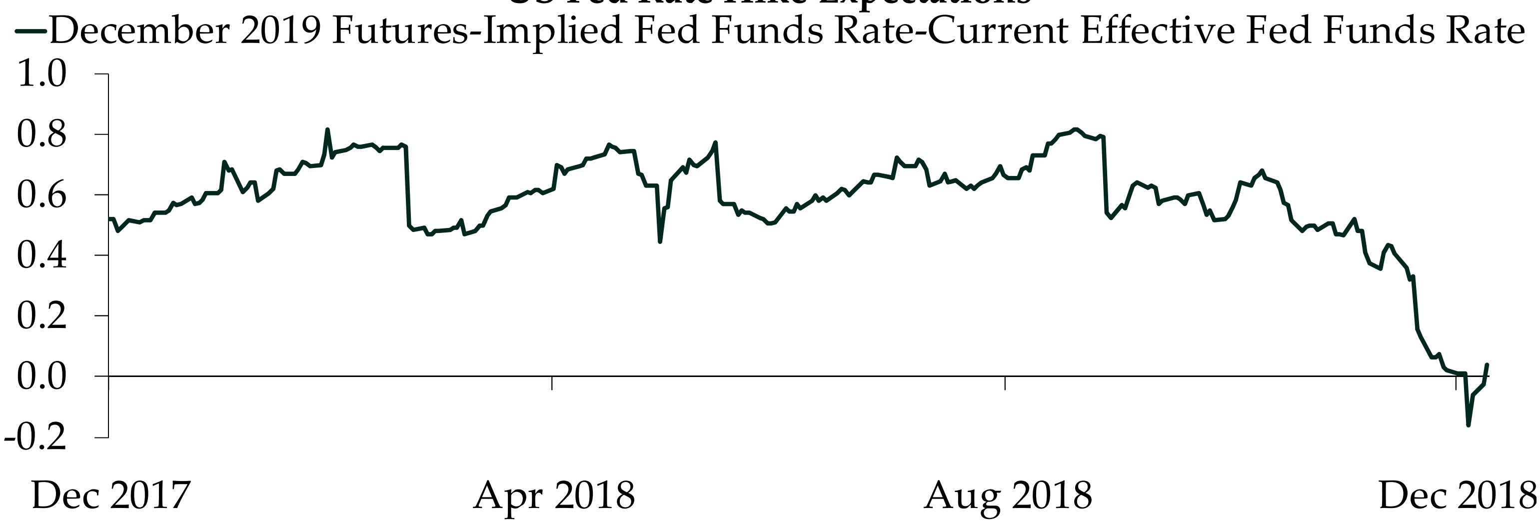
Source: FactSet, World Bank and Fisher Investments Research as of December 2018. Fiscal stimulus defined as infrastructure spending and tax cuts.

NO EM FED-WIND

Many investors fear US Fed tightening will sink Emerging Markets; however, the Fed typically tightens into economic strength—a tailwind for EM equities. Additionally, expectations for Fed rate hikes have declined recently.



US Fed Rate Hike Expectations



Source: FactSet, as of December 2018. MSCI EM cumulative return during fed-funds rate tightening based on monthly data. 2018.Bottom chart source: FactSet, Implied Fed Policy Rate Changes Derived from the Futures Markets as of January 11, 2019. Chicago Board of Trade December 2019 Contract Fed Funds Future Expectations – Current Federal Funds Rate; December 2017 to January 8 2019.

INCONSISTENT 2018 EM LEADERSHIP

EM country and sector leadership varied dramatically from month to month with few sustained trends, posing a challenge for active managers.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
China 12.5%	Thailand 2.6%	South Korea 0.8%	India 6.5%	China 1.8%	Mexico 7.3%	Brazil 9.2%	India 4.4%	Russia 7.3%	Brazil 9.6%	China 7.2%	South Africa 3.1%
Brazil 11.6%	Russia 1.0%	Brazil 0.4%	Mexico 5.2%	Taiwan 1.1%	South Africa 3.6%	Thailand 8.3%	Indonesia 3.0%	Brazil 3.7%	Indonesia -1.1%	Indonesia 5.6%	Indonesia 1.4%
Russia 10.4%	Brazil 0.6%	Taiwan 0.4%	South Africa 4.1%	Russia 0.3%	Russia 1.1%	India 6.6%	Malaysia 1.8%	Thailand 1.9%	Russia -4.1%	India 4.0%	Malaysia 0.4%
Taiwan 5.4%	Indonesia -0.4%	Malaysia 0.3%	South Korea 3.1%	Indonesia -0.9%	India 0.5%	Taiwan 6.0%	Taiwan 1.5%	South Korea 0.1%	Thailand -4.9%	Brazil 2.3%	India 0.0%
Thailand 4.3%	South Africa -0.8%	Russia -1.8%	Thailand 1.4%	India -2.5%	Taiwan 0.3%	Malaysia 5.4%	South Korea 1.4%	Taiwan -0.3%	India -5.1%	South Africa 2.2%	Mexico 0.0%
Malaysia 3.8%	Malaysia -0.9%	Mexico -2.5%	Malaysia 1.1%	Thailand -3.6%	Malaysia -1.3%	Russia 3.9%	South Africa 0.7%	Indonesia -0.4%	Malaysia -5.3%	South Korea 1.7%	Russia -0.4%
South Korea 3.4%	Taiwan -2.9%	Thailand -2.8%	Brazil 0.8%	South Korea -4.4%	South Korea -3.5%	Indonesia 3.4%	Thailand 0.6%	Mexico -0.6%	South Africa -7.0%	Russia 0.4%	Taiwan -1.6%
India 3.1%	India -4.4%	China -3.1%	China 0.0%	South Africa -5.4%	Indonesia -4.4%	Mexico 3.2%	Russia -0.7%	Malaysia -0.9%	Mexico -10.5%	Malaysia -1.0%	Brazil -1.7%
Mexico 2.4%	South Korea -5.0%	India -3.5%	Russia 0.0%	Malaysia -6.8%	China -5.1%	South Africa 0.4%	Mexico -0.7%	China -1.6%	Taiwan -10.6%	Thailand -1.1%	South Korea -2.0%
Indonesia 1.6%	Mexico -5.7%	South Africa -6.0%	Taiwan -2.4%	Mexico -8.0%	Brazil -5.3%	South Korea -1.2%	Brazil -2.7%	South Africa -5.3%	China -11.3%	Taiwan -1.2%	Thailand -3.8%
South Africa -1.4%	China -6.4%	Indonesia -6.9%	Indonesia -3.5%	Brazil -10.7%	Thailand -7.1%	China -2.4%	China -3.8%	India -7.1%	South Korea -12.0%	Mexico -4.3%	China -6.0%

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Financials 10.8%	Health Care -0.8%	Real Estate 1.9%	Materials 5.1%	Health Care 2.7%	Discretionary 0.5%	Energy 6.6%	Health Care 4.9%	Energy 6.3%	Utilities -0.6%	Real Estate 8.7%	Utilities 0.8%
Energy 10.5%	Energy -1.1%	Utilities 1.1%	Energy 4.5%	Info Tech 1.7%	Staples -0.2%	Materials 5.0%	Energy 3.3%	Industrials 1.7%	Financials -3.1%	Industrials 4.8%	Staples 0.2%
Info Tech 7.7%	Utilities -1.7%	Health Care 0.1%	Industrials 3.6%	Energy -1.0%	Comm Services -0.6%	Utilities 5.0%	Materials 1.1%	Comm Services 0.6%	Comm Services -3.4%	Info Tech 4.2%	Materials -0.3%
Health Care 7.7%	Materials -1.8%	Staples -0.4%	Staples 3.3%	Utilities -2.1%	Materials -0.9%	Financials 4.6%	Real Estate 0.8%	Materials -0.1%	Energy -4.5%	Financials 3.7%	Industrials -0.4%
Real Estate 6.4%	Staples -2.2%	Info Tech -1.0%	Utilities 2.7%	Materials -2.3%	Health Care -1.0%	Industrials 3.3%	Comm Services 0.0%	Financials -0.2%	Real Estate -6.1%	Utilities 3.7%	Real Estate -0.6%
Industrials 5.9%	Discretionary -3.3%	Energy -1.8%	Comm Services 2.5%	Staples -2.3%	Energy -2.0%	Comm Services 1.9%	Industrials -0.7%	Staples -0.9%	Staples -7.5%	Health Care 3.4%	Comm Services -1.1%
Materials 4.6%	Financials -4.1%	Comm Services -2.0%	Real Estate 1.8%	Discretionary -3.4%	Info Tech -2.8%	Staples 0.7%	Staples -1.0%	Utilities -1.3%	Industrials -8.0%	Staples 2.9%	Financials -1.4%
Utilities 2.6%	Industrials -4.7%	Industrials -2.2%	Discretionary 1.7%	Industrials -4.5%	Financials -3.5%	Info Tech 0.1%	Discretionary -1.3%	Info Tech -3.1%	Materials -9.2%	Discretionary 2.8%	Info Tech -4.0%
Discretionary 2.1%	Comm Services -4.8%	Financials -2.5%	Financials 0.9%	Real Estate -4.9%	Utilities -3.9%	Real Estate -0.7%	Info Tech -1.3%	Health Care -4.4%	Discretionary -10.2%	Comm Services 1.7%	Energy -4.3%
Comm Services 1.7%	Info Tech -5.0%	Materials -3.0%	Info Tech -1.1%	Financials -5.3%	Real Estate -5.5%	Discretionary -3.5%	Financials -1.4%	Discretionary -4.5%	Health Care -12.3%	Materials -1.1%	Discretionary -6.8%
Staples 0.2%	Real Estate -10.0%	Discretionary -6.0%	Health Care -2.8%	Comm Services -6.7%	Industrials -5.9%	Health Care -6.3%	Utilities -4.1%	Real Estate -5.6%	Info Tech -12.6%	Energy -1.3%	Health Care -7.9%

Source: FactSet as of December 2018. Shows calendar year return. Countries shown have greater than 2% weighting in MSCI Emerging Markets index.

KEY SECTOR POSITIONING

Our highest conviction views on sectors

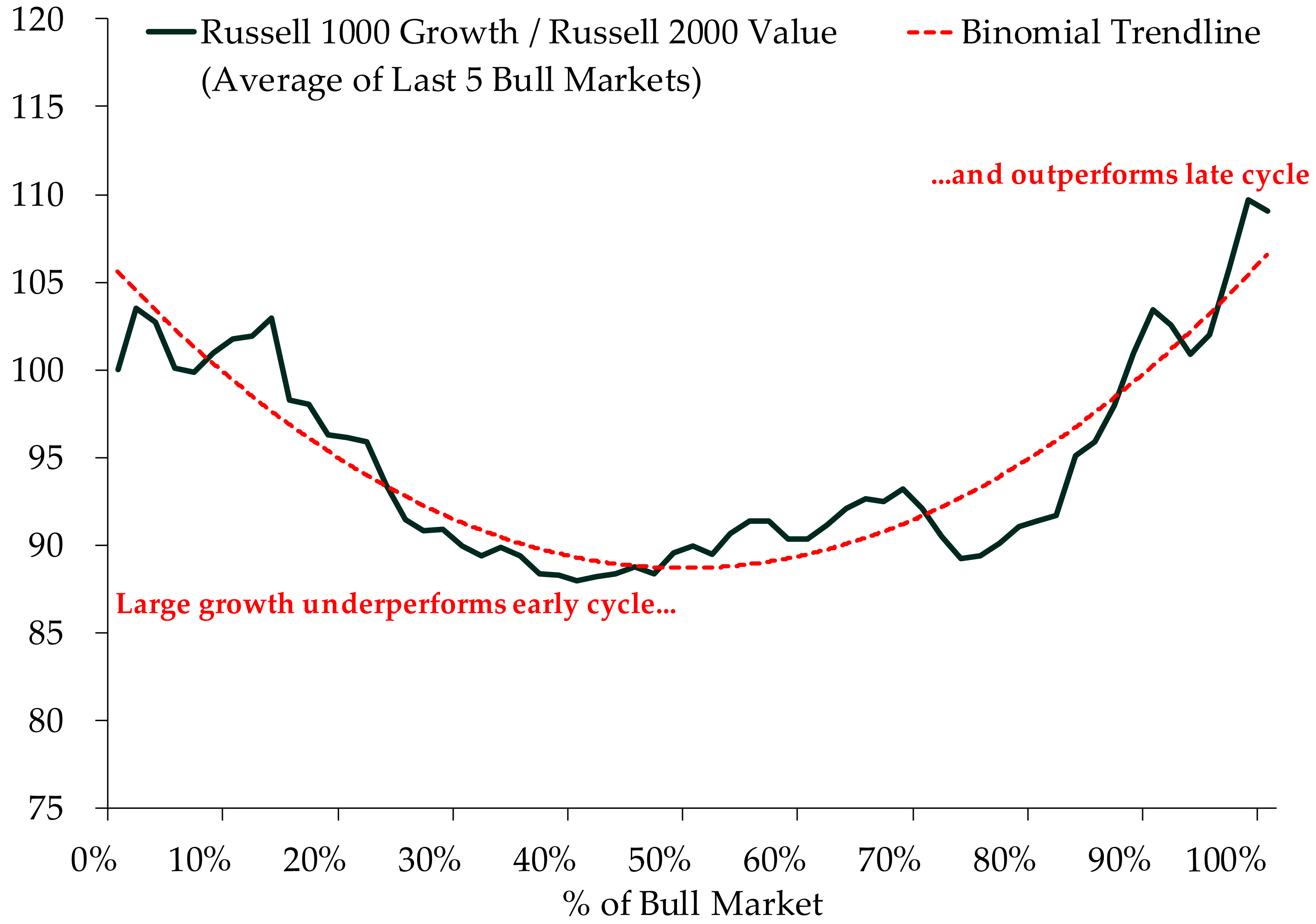
- As equities recover from the late-2018 correction, growth should resume leadership

- Technology and Health Care are supported by strong fundamentals

- The outlook for resource sectors is improving

LARGE GROWTH VS SMALL VALUE IN BULL MARKETS

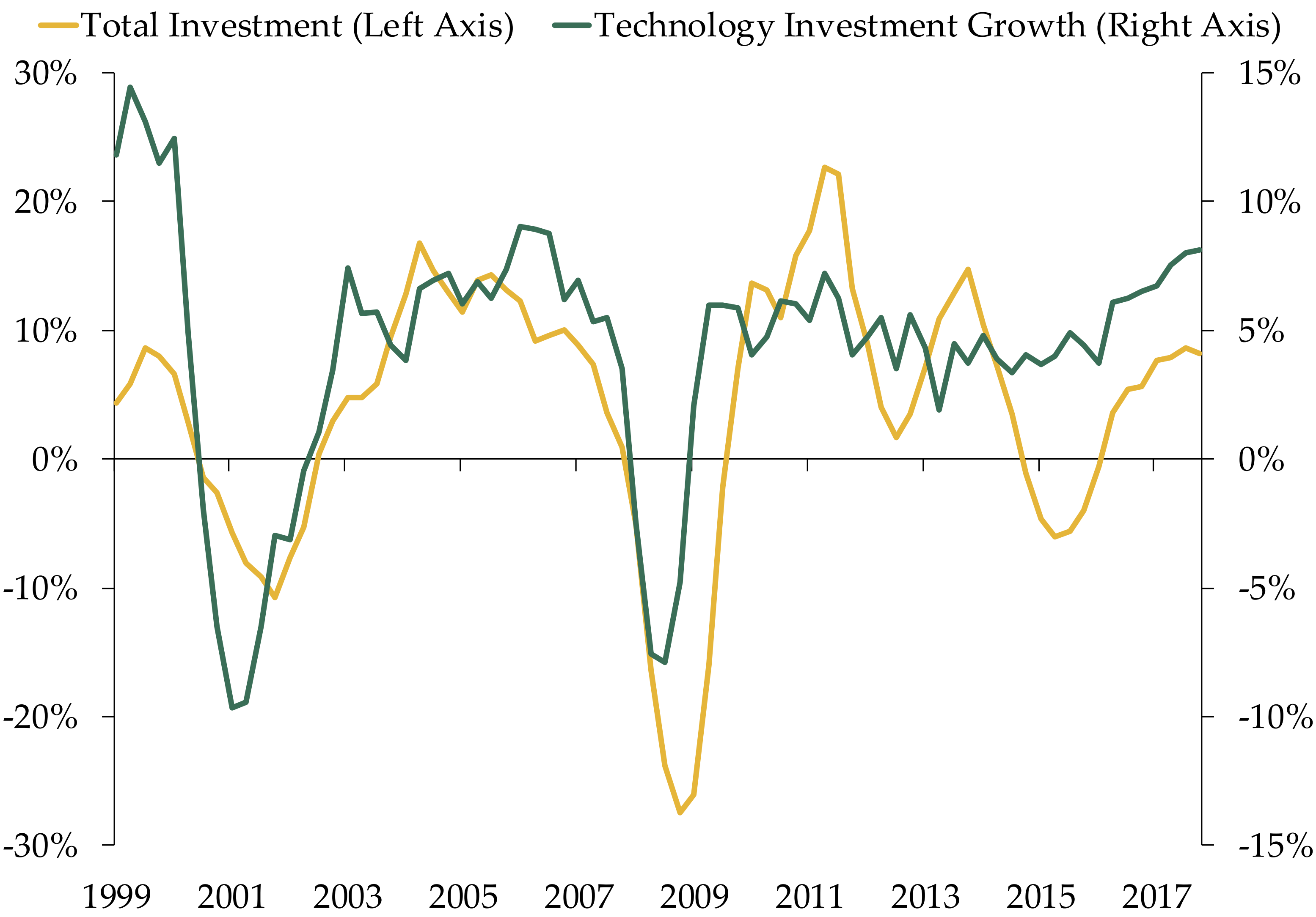
As the market cycle matures, market breadth narrows and investor preferences shift from Small Value toward Large Growth, leading to Large Growth outperformance in the later stages of a bull market.



Source: FactSet as of November 2018. Shows average trajectory of the Russell 1000 Growth over Russell 2000 Value during the last 5 completed bull markets, with the duration of each bull market normalized on a percentage scale.

CAPEX SPENDING DRIVES TECH

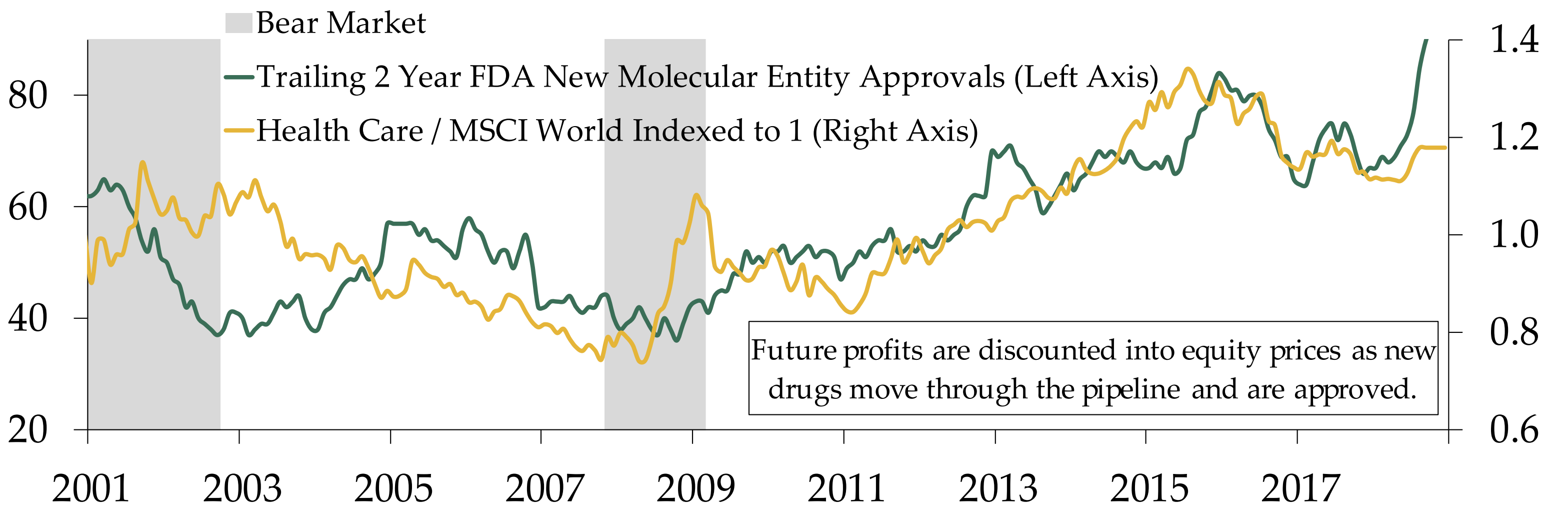
Technology Capex has been consistently strong this cycle and recently accelerated, helping drive strong fundamentals for the Information Technology sector.

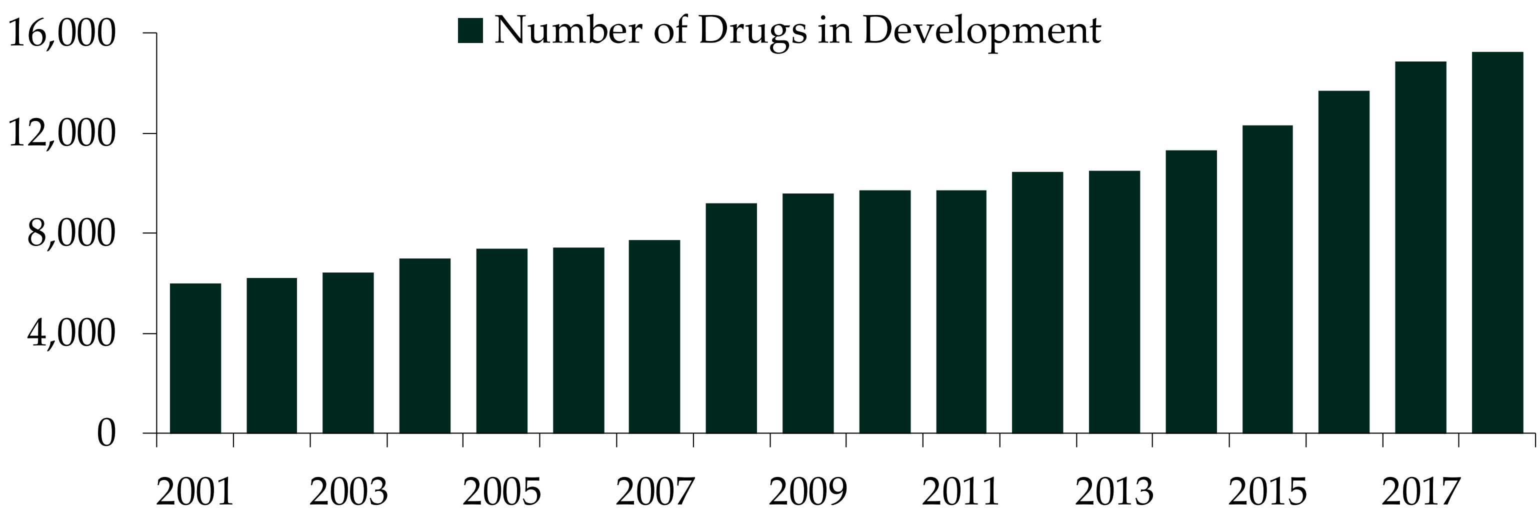


Source: FactSet & BEA as of November 2018.

HC OUTPERFORMS WHEN INNOVATION RISES

New FDA drug approvals hit an all-time high in 2018, and the time to market is shortening. Pharmaceutical firms benefit by collecting revenues more quickly and through longer periods of exclusivity. Strong drug pipelines and an accommodative regulatory environment should continue to support pharmaceutical firms into the future.

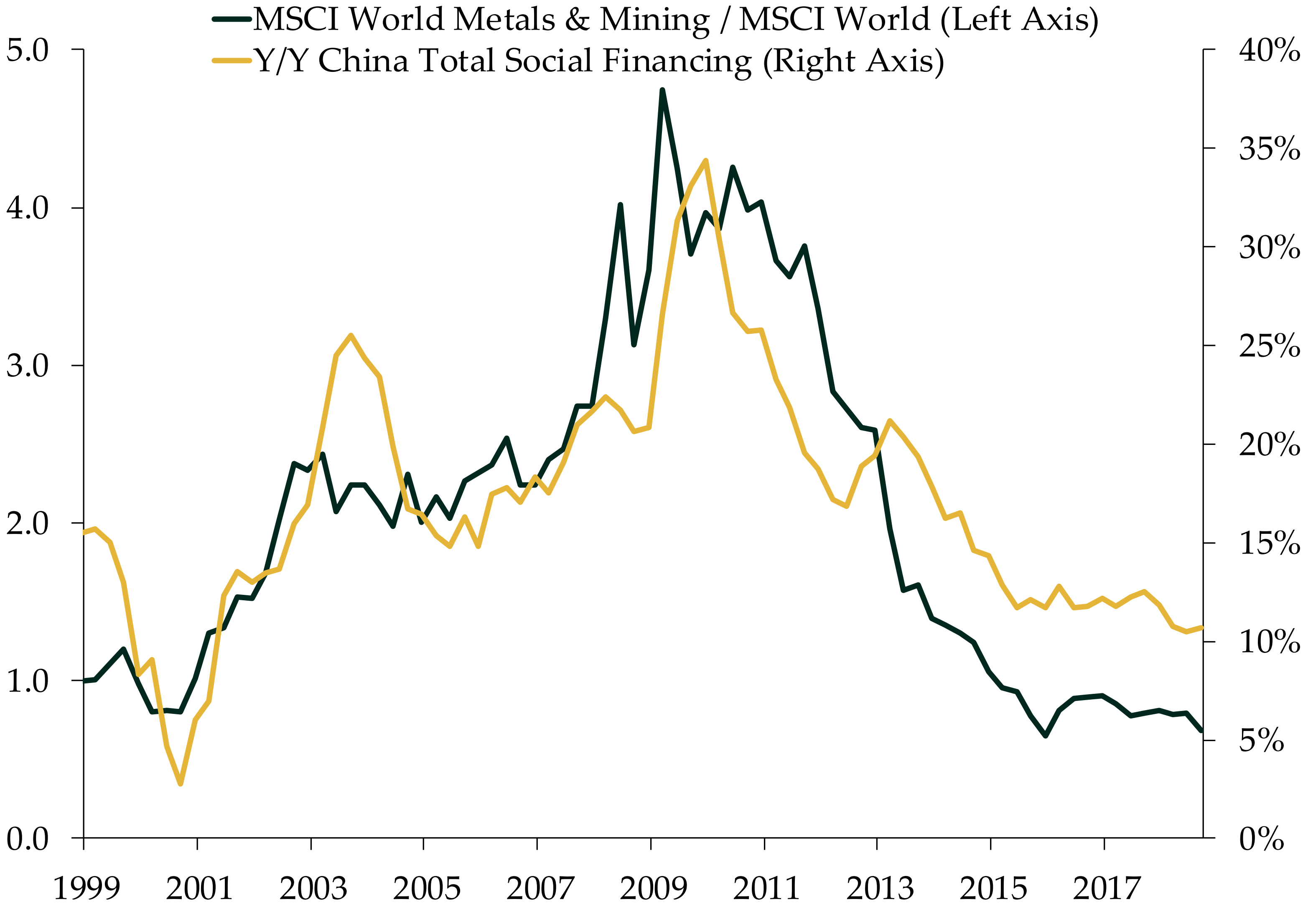




Top chart source: US Food and Drug Administration novel drug approvals of new molecular entities (NMEs) as of December 2018. NMEs provide new therapies for patients. Bottom chart source: Pharmaprojects R&D Annual Report published January 2018, total number of drugs in development.

METALS BENEFIT FROM CHINESE STIMULUS

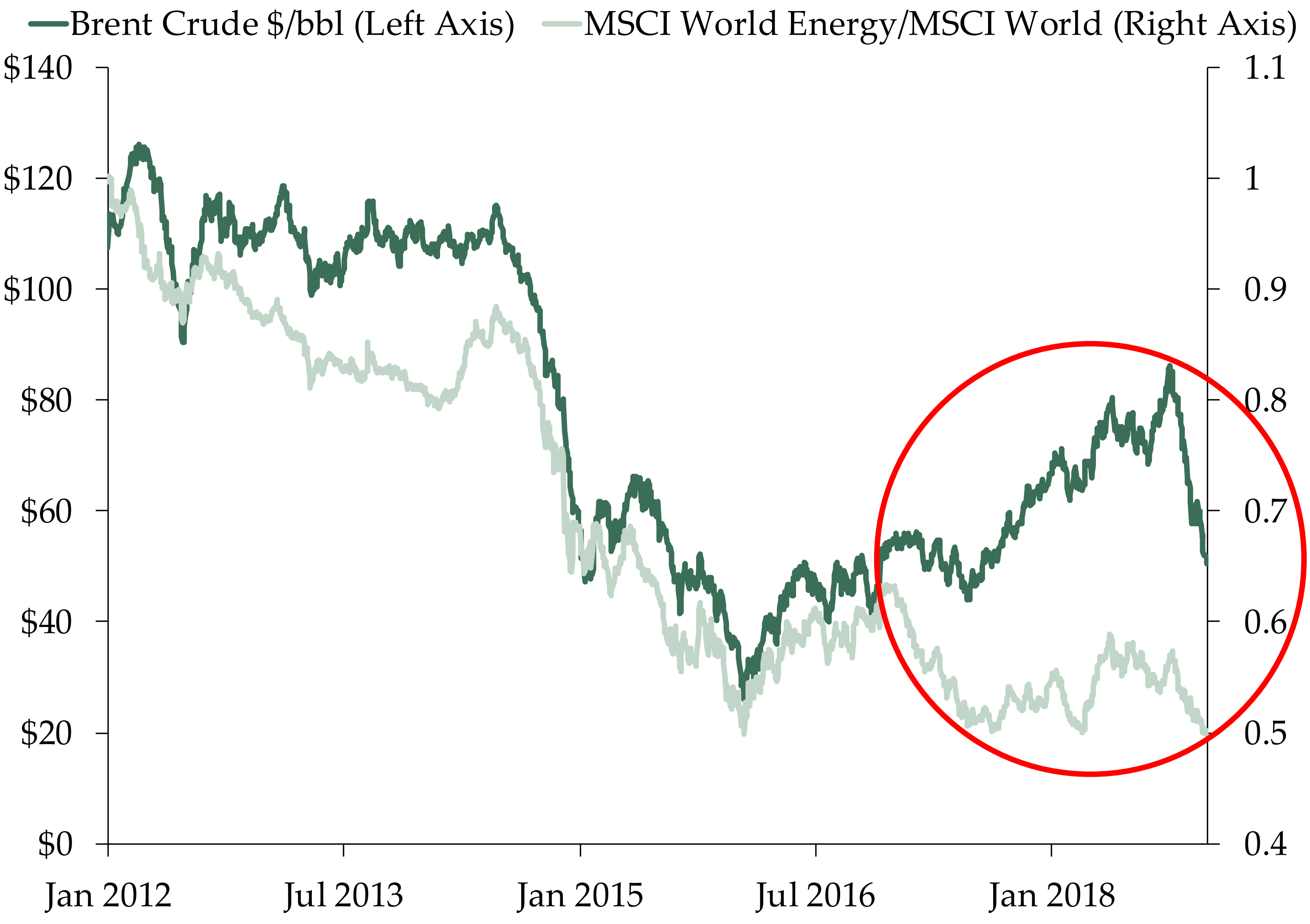
China is the largest marginal buyer of many industrial metals. As stimulus boosts or weighs on economic activity, the relative performance of Metals & Mining firms often follows. The recent deceleration in social financing suggests more stimulus ahead could boost Metals firms.



Source: FactSet, Inc. and Thomson Reuters, as of September 2018 using quarterly data points. MSCI World performance indexed to 1 March 1999. China y/y loan growth used prior to March 2003, y/y total social financing from March 2003 to present.

ENERGY SHARES STABLE DESPITE OIL PRICE VOLATILITY

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



Source: FactSet, EIA as of December 2018.

CURRENT MARKET TOPICS

Our views on contemporary investor topics in the market

- Is the yield curve signaling recession?

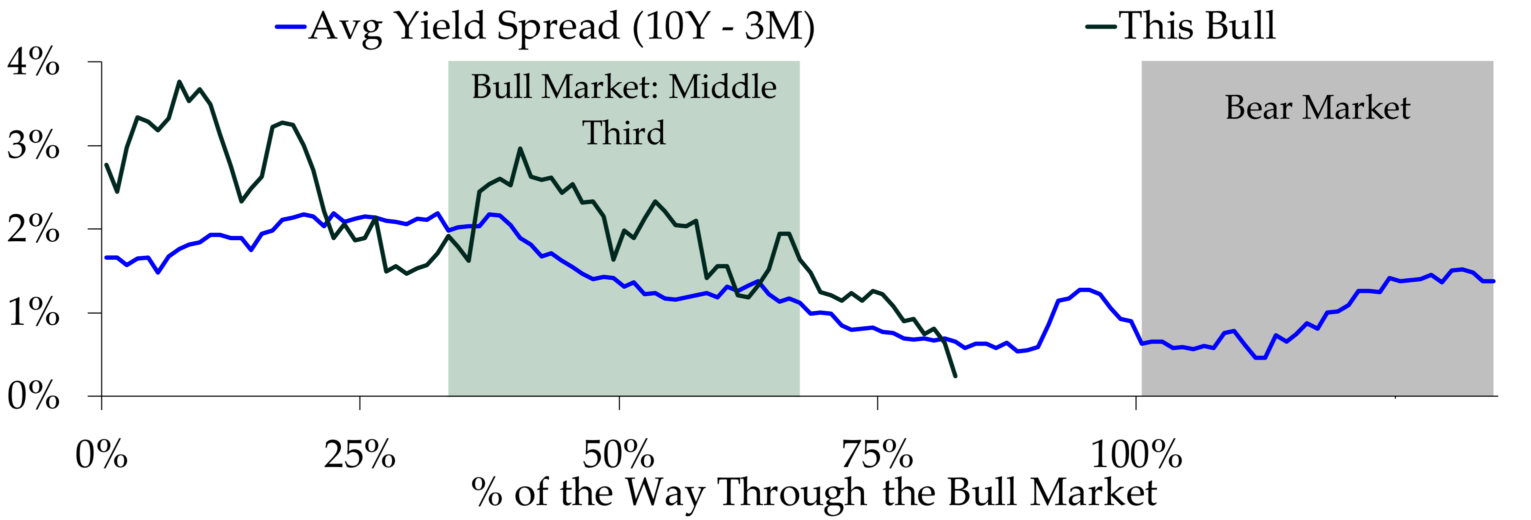
- Will higher interest rates sink corporate balance sheets or earnings?

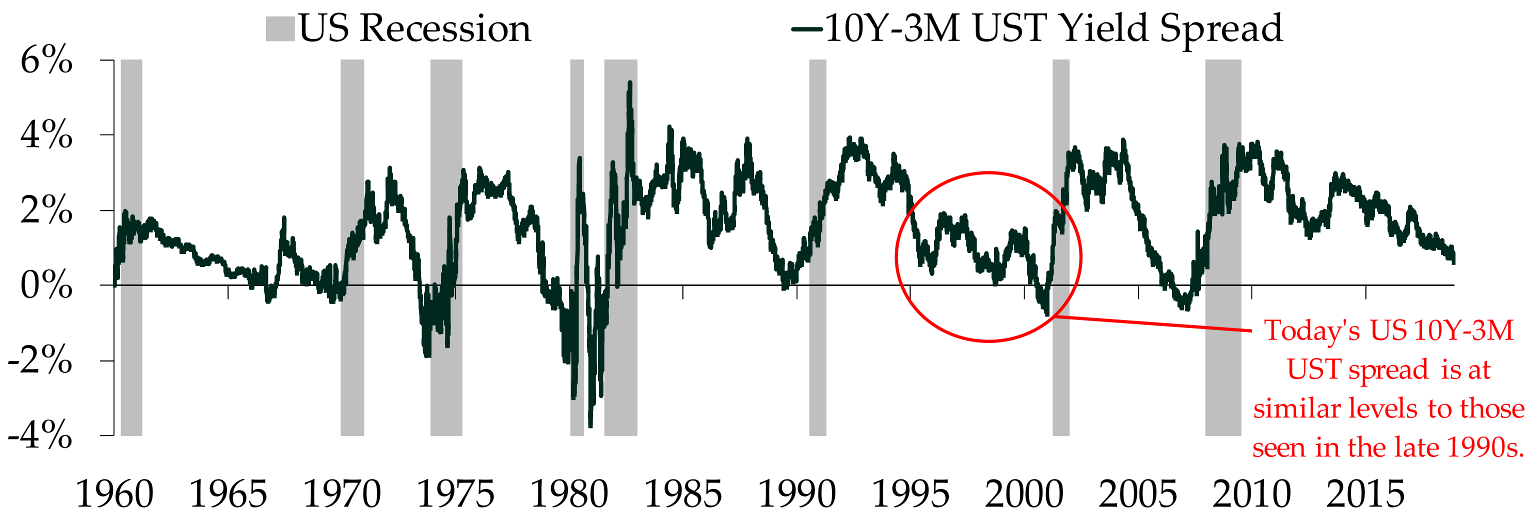
- Are companies ignoring Capex in favor of share buybacks?

- Is a trade war likely to cause a global recession?

US YIELD CURVE NOT INDICATING RECESSION

Today's US 10-year minus 3-month yield spread is normal for a bull market's final third, and at a similar level compared to most of the late 1990s. Moreover, inversion often precedes bull market peaks by a long period.

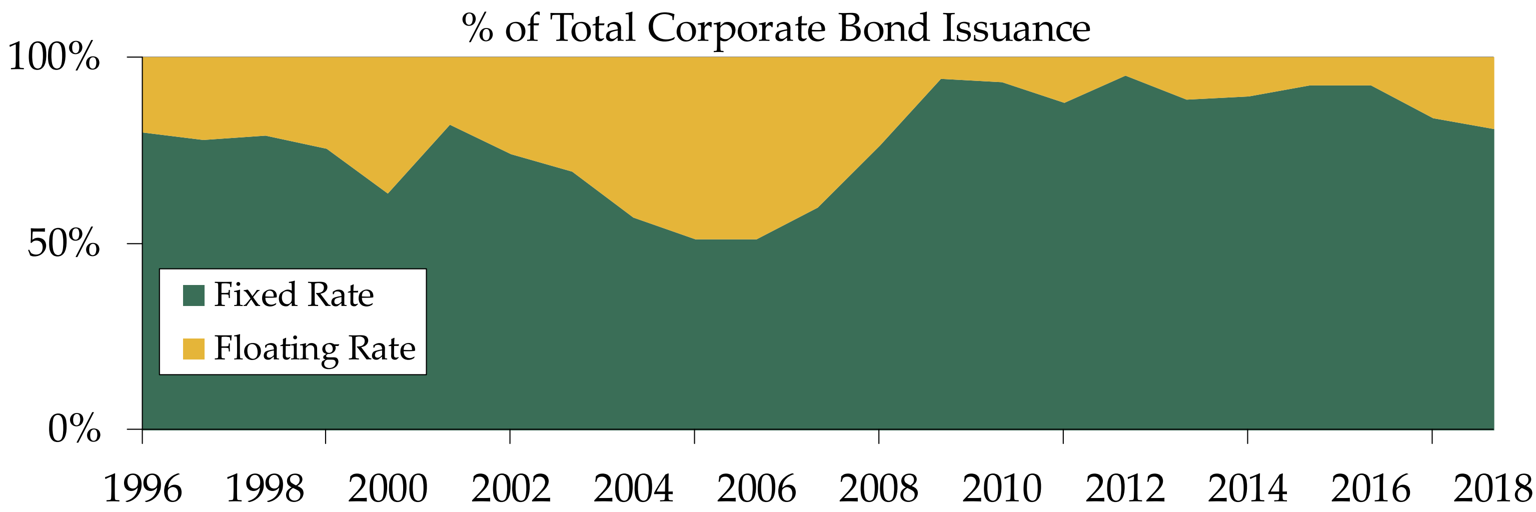


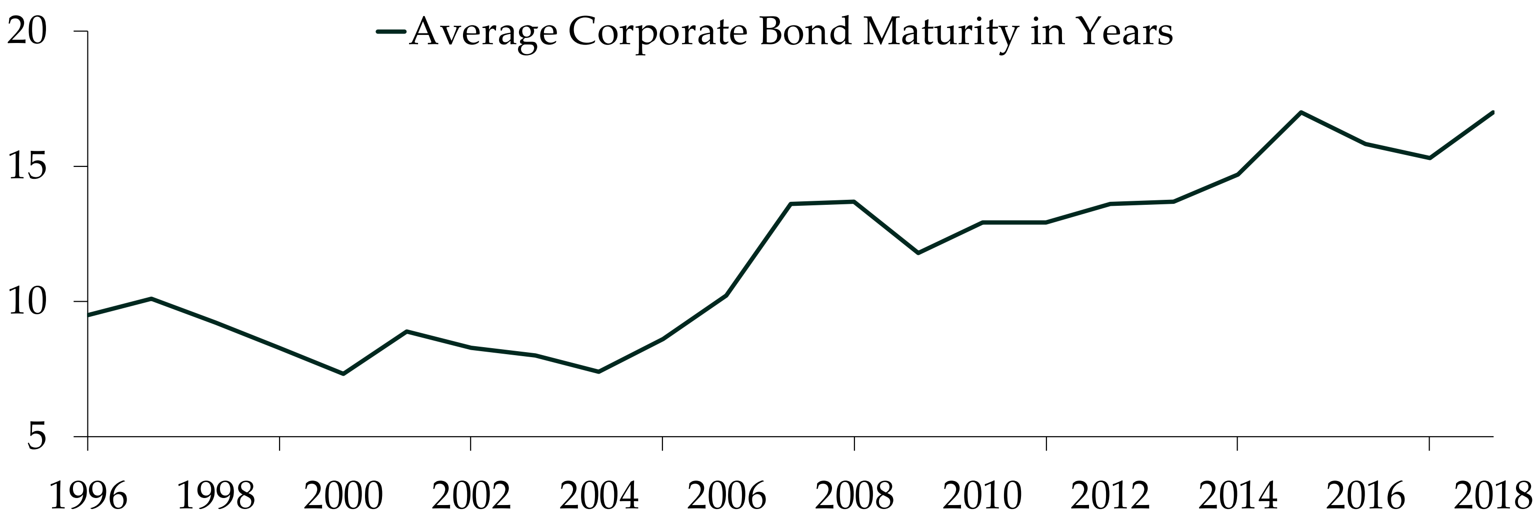


Top chart source: Global Financial Data and FactSet as of December 2018. Yield curve spread (10 year - 3 month), July 1956 – November 2018. Based on Fisher Investments' estimate of the current bull market cycle's timeline. Bottom chat source: FactSet as of November 2018. Based on daily data.

CORPORATES ARE WELL INSULATED

US companies are well insulated from rising bond yields because most corporate bonds are issued with a fixed rate. Bond maturities have been extended dramatically, locking in low rates for years on average.

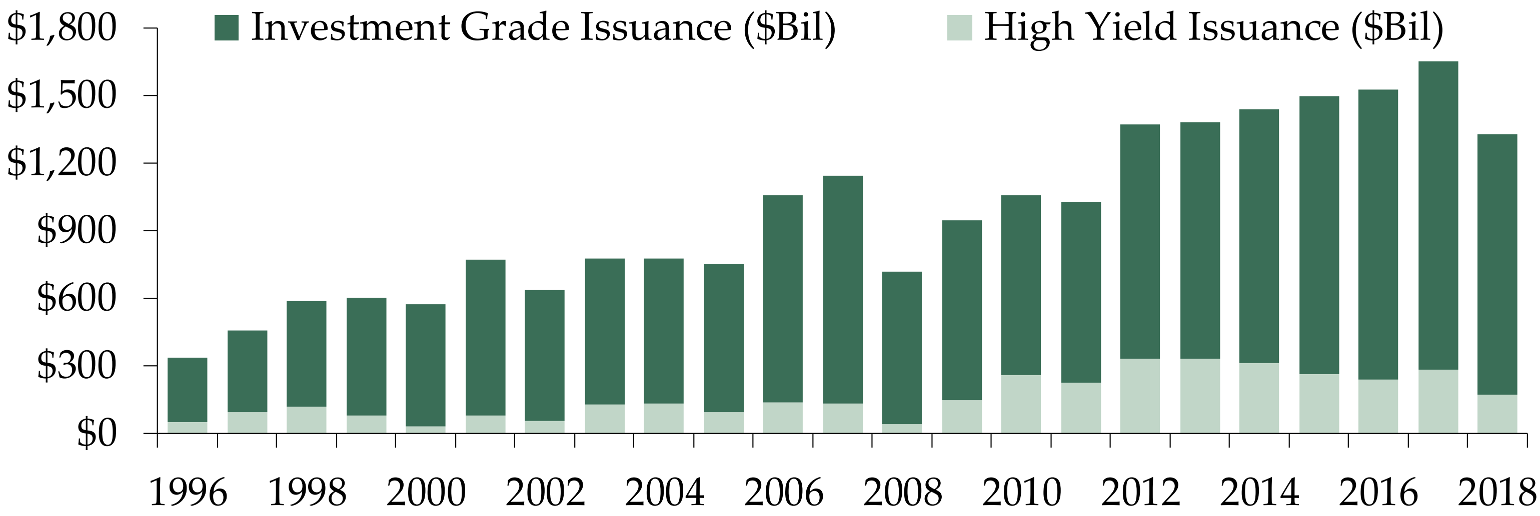


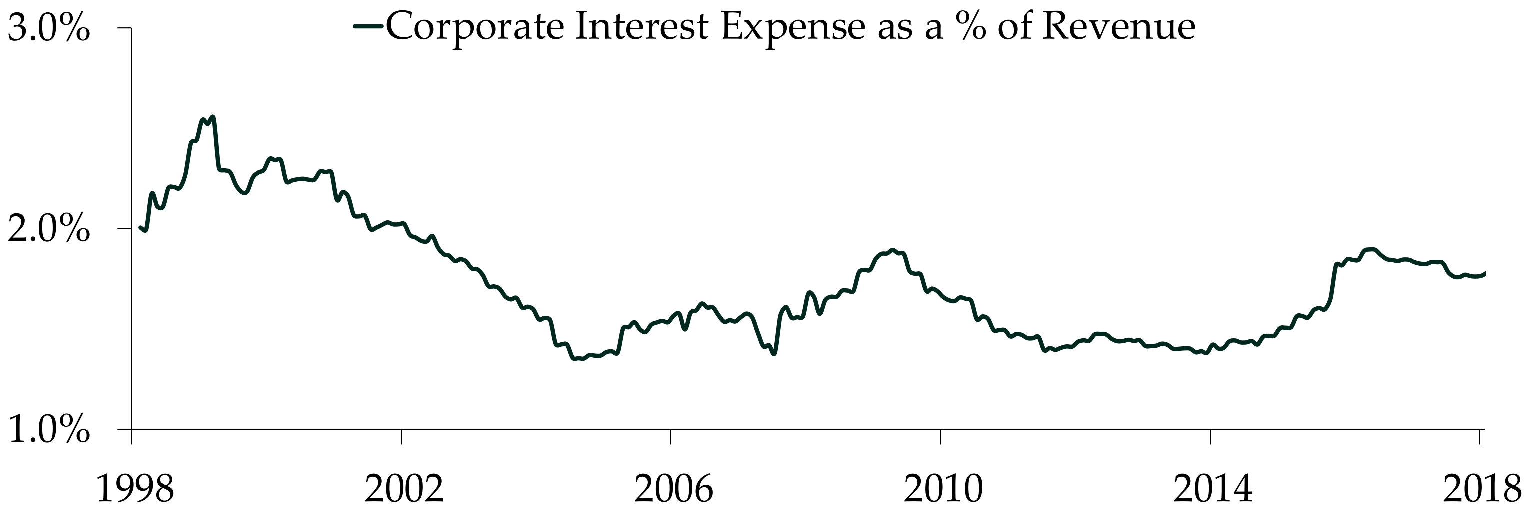


Source: Securities Industry and Financial Markets Association as of December 2018 based on annual data.

INVESTMENT GRADE ISSUANCE DOMINATES

Corporate bond issuance is near all-time highs, but the vast majority is investment grade. Corporations are also spending less revenue servicing debt as rates remain low.

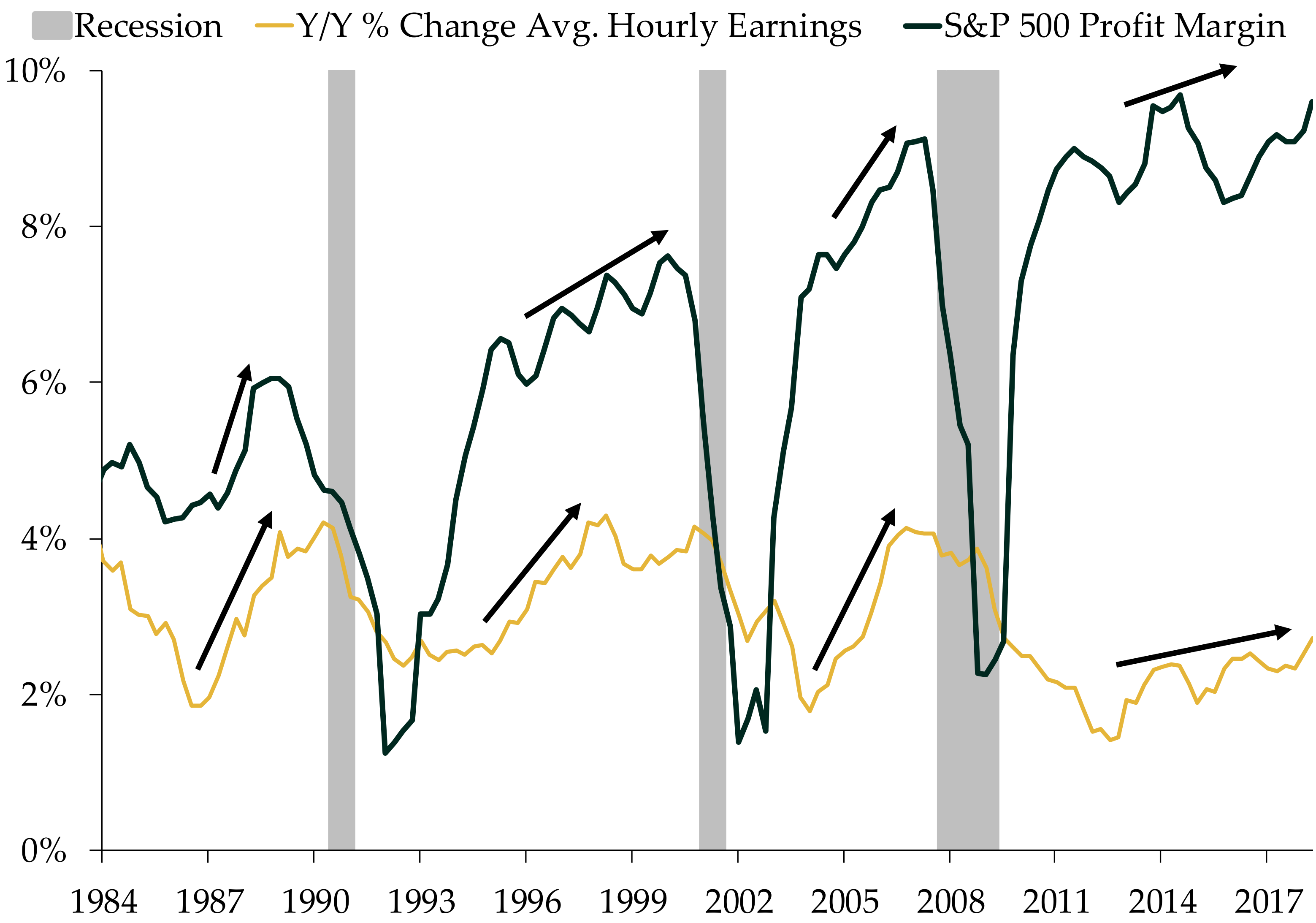




Top chart source: Securities Industry and Financial Markets Association as of December 2018 based on annual data. Bottom chart source: FactSet, as of December 2018. Shows MSCI USA Interest Expense – MSCI USA Financials Interest Expense / MSCI USA Total Sales – MSCI USA Financials Sales, trailing 10 years, monthly.

WAGES & MARGINS MOVE IN TANDEM

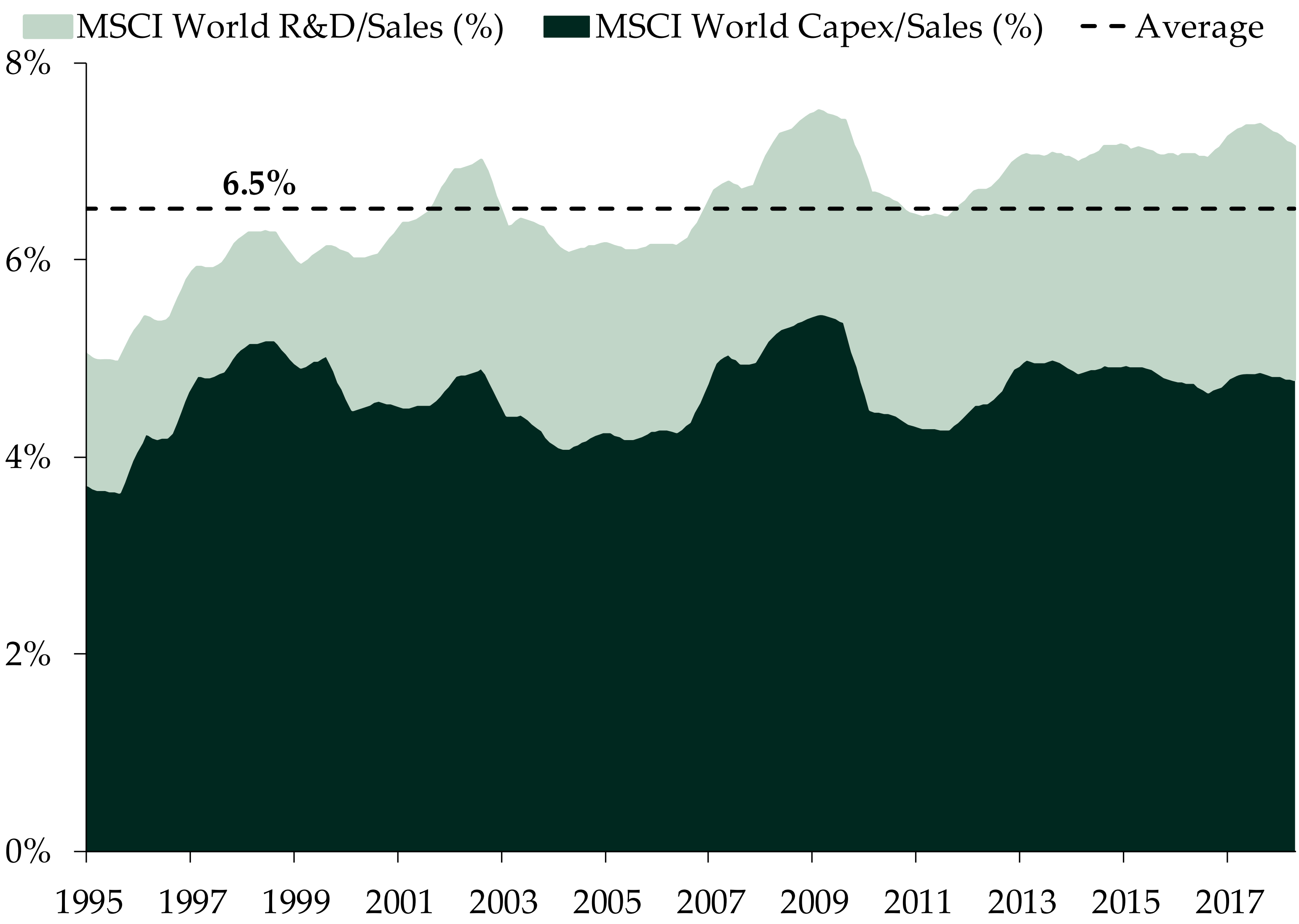
Many wrongly believe corporate margins will fall with rising wages, historically the opposite has been true.



Source: FactSet, US Department of Labor and Thomson Quantitative Analytics as of November 2018. Shows average hourly earnings of production and nonsupervisory employees from December 1983 to June 2018 (quarterly, year over year percent change) and S&P 500 Profit Margins & NBER Recessions, monthly, September 1989 to June 2018.

CAPEX, R&D SPENDING HEALTHY AMID BUYBACKS

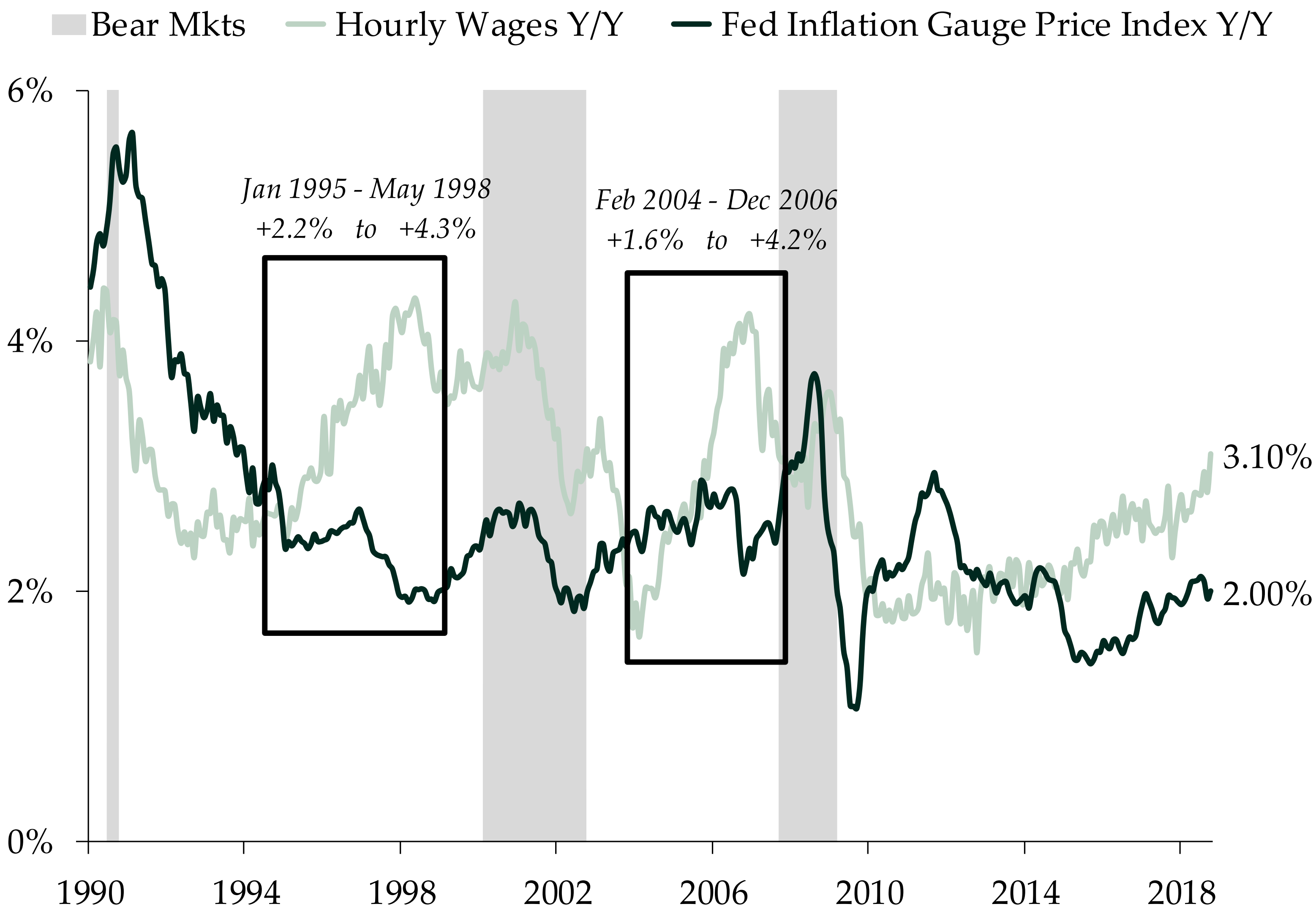
Despite elevated levels of share buybacks, developed world companies' combined spending on Capex and R&D over the past twelve months represented 7.3% of sales, exceeding the long-term average.



Source: Worldscope and ClariFI; annual data from January 1995 to October 2018. Based on MSCI World constituents.

HIGHER WAGES ≠ HIGHER INFLATION

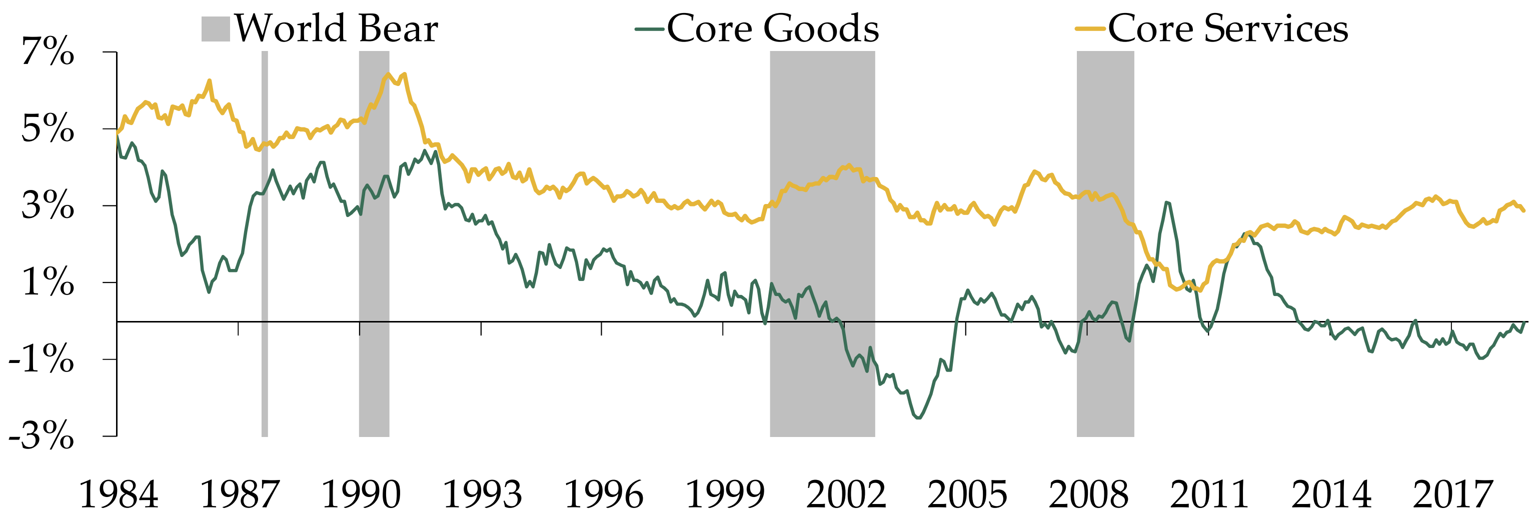
Inflation was absent the last two times we saw meaningful wage growth. Typically, rising wages do not cause overall inflation.

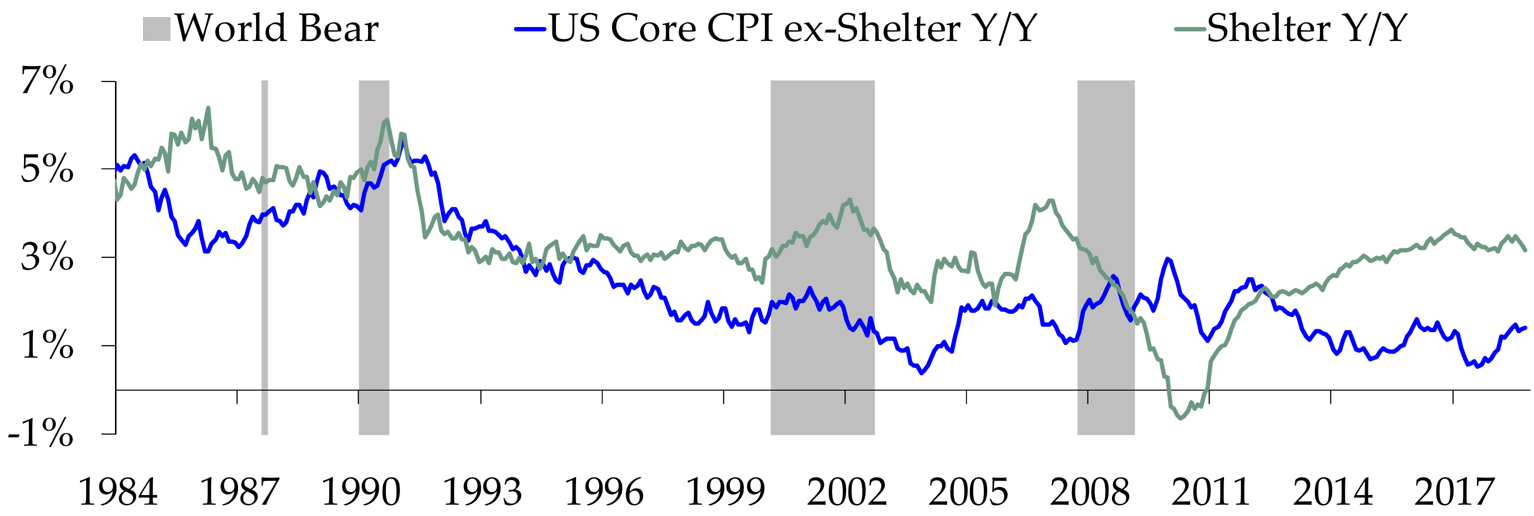


Source: Department of Labor, Federal Reserve Bank of New York as of October 2018. Core CPI from January 1990-December 2014, Fed's Underlying Inflation Gauge Price Index from January 1995-October 2018. Inflation Gauge Price index is one of the Fed's preferred real-time inflation monitors.

CPI DRIVEN BY SERVICES, ESPECIALLY SHELTER

Looking under the hood of CPI data shows inflation has been driven more by services than goods prices, which have deflated. Within services, shelter has largely been pulling prices higher. The Fed is not likely to implement aggressive monetary policy to materially slow housing.

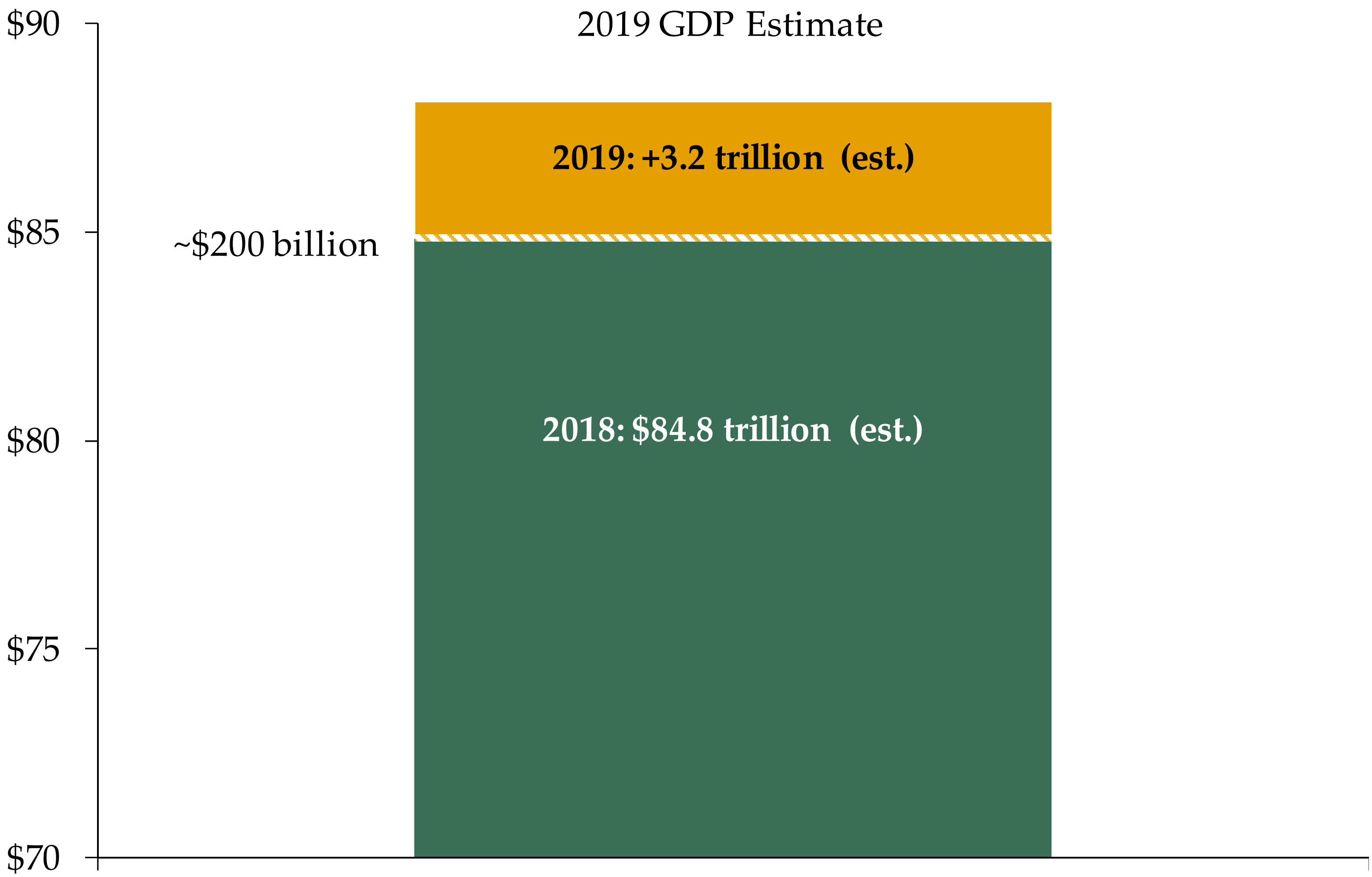




Source: US Department of Labor, FactSet as of October 2018.

RELATIVE TO GLOBAL GDP, NEW TARIFFS LACK SCALE

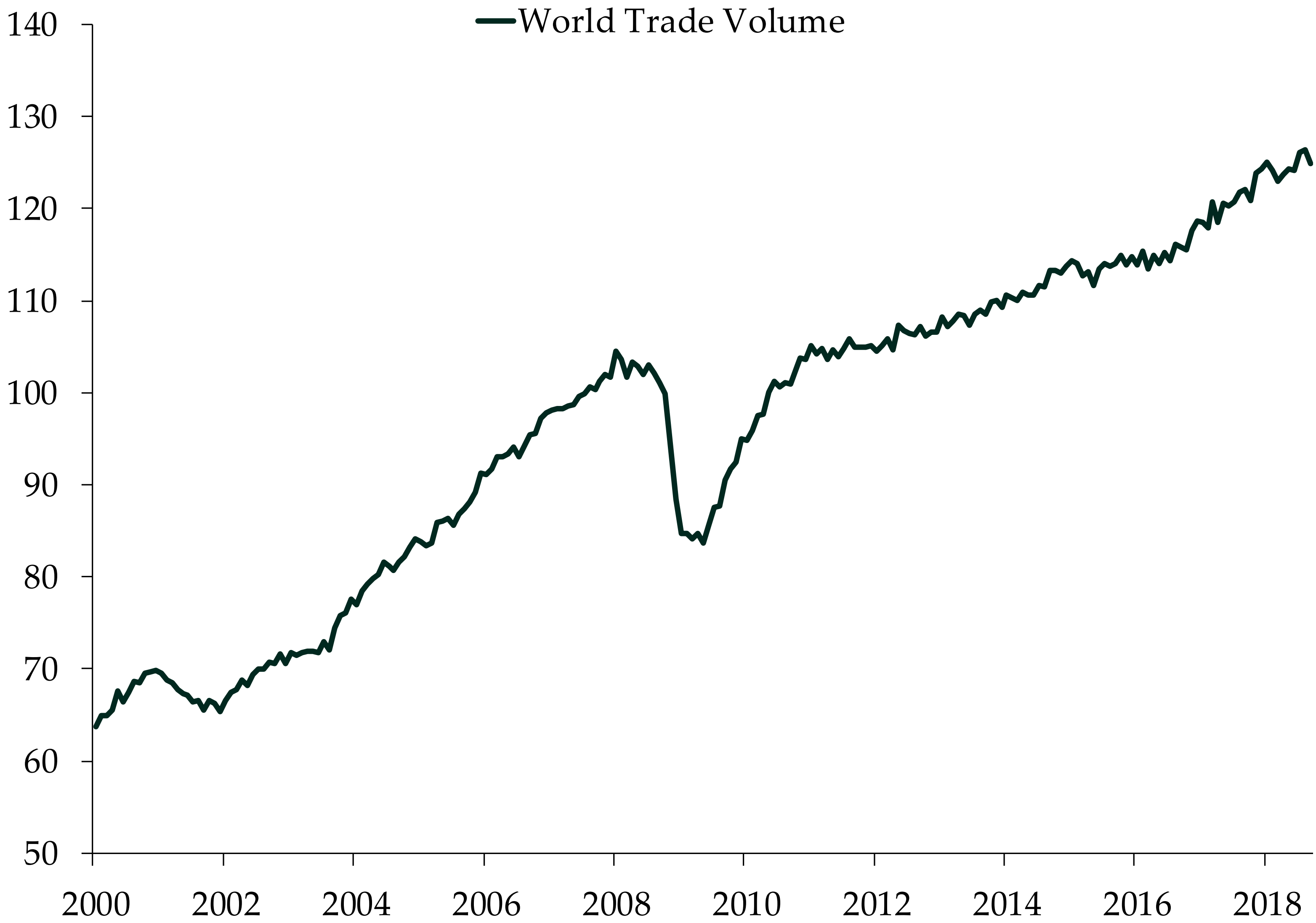
Global economic output is expected to exceed $84 trillion in 2018 and to add over $3 trillion in 2019. Tariffs and their knock-on effects would need to knock about that much off global GDP to cause a global recession. A rough worst case scenario of $200 billion in tariffs is not nearly large enough.



Source: International Monetary Fund (IMF), as of January 14,2019. GDP forecast (USD, current prices), December 2006 to September 2018. 2019 estimate based on the IMF's October 2018 World Economic Outlook global nominal GDP growth and calculated growth projection of 6.0%.Worst-case tariff impact from the Office of US Trade Representative and US Census Bureau, November 2018.

TARIFFS NOT DERAILING GLOBAL TRADE

Despite the ongoing trade squabble between China and the US, global trade volume remains strong.



Source: CBP Netherlands Bureau for Economic Policy Analysis, as of September 2018. Merchandise world trade volumes, seasonally adjusted, monthly, December 1999 to September 2018. Indexed to 100 December 1999.

HOW WE MONITOR FOR A BEAR MARKET

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

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

Source: Fisher Investments Research as of December 2018.

STRATEGY OFFERINGS AND BENEFITS

Global Research Platform		
Global	**US**	**Global Ex-US**
$6.1 Billion	**$8.9 Billion**	**$22.5 Billion**
Global Equity *MSCI World Index*	**US Small Cap Core** *Russell 2000 Index*	**All Non-US Equity** *MSCI ACWI ex-US Index*
Global Equity Focused *MSCI World Index*	**US Small Cap Opportunities** *Russell Micro Cap Value Index*	**All Non-US Equity Growth** *MSCI ACWI ex-US Growth Index*
All World Equity *MSCI ACWI Index*	**US Small Cap Value** *Russell 2000 Value Index*	**All Non-US Equity Small Cap** *MSCI ACWI ex-US Small Cap*
Global High Dividend Yield *MSCI World High Dividend Yield Index*	**US Small and Mid Cap Value** *Russell 2500 Value Index*	**Non-US Equity** *MSCI EAFE Index*
Global Small Cap *MSCI World Small Cap Index*	**US Small and Mid Cap Core** *Russell 2500 Index*	**Non-US Equity Small Cap** *MSCI World ex-US Small Cap*
Global Long/Short *MSCI World (50%) 3-Month T-Bill (50%)*	**US Mid Cap Value** *Russell Mid Cap Value Index*	**Emerging Markets Equity** *MSCI Emerging Markets Index*
Global Quant *MSCI ACWI Index*	**US Equity** *S&P 500 Index*	**Emerging Markets Small Cap ESG** *MSCI Emerging Markets Small Cap Index*
	US Small Cap Quant *Russell 2000 Index*	**Frontier Markets Equity** *MSCI Frontier Markets Index*

Complete Investment Process

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

Complementary Portfolio

- Diversification via process and style

Experienced

- Investment Policy Committee members' average experience at FI: 24 years

AUM figures depict assets managed by Fisher Investments and its subsidiaries as of month end December 2018. "Years" is calculated using the date on which Fisher Investments was established as a sole proprietorship: 1979. Back cover photographs: The offices of FI are located in Washington and California, USA. The London, UK office is the headquarters of Fisher Investments Europe, FI's wholly-owned subsidiary in England. The Dubai International Financial Centre office is a branch office of FI. Fisher Investments Australasia Pty Ltd is FI's wholly-owned subsidiary based in Sydney, Australia. Fisher Investments Japan is FI's wholly-owned subsidiary based in Tokyo, Japan.

DISCLOSURES

Fisher Investments
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