MACRO INSIGHTS

Q2 2019

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MARKET OUTLOOK 2019

- Expect V-shaped equity market recovery to continue
- Multiples should expand following 2018 contraction
- Valuations remain attractive
- Economic and corporate fundamentals remain solid
- GDP readings, and y/y changes, can be lead by equities
- Equities typically accelerate in bull markets’ final third

THE "V" CONTINUES

2018's market decline featured classic correction characteristics. Drops were steep at times, driven more by fear than fundamentals. Through the end of March, the MSCI World has returned +16.9% and the S&P +20.6% – this sharp upward move demonstrating the rapid recovery of a V-shaped rebound.

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 - Dec 2018	3.1	-18.0%		?	?	?	?
Average	3.6	**-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 - Dec 2018	3.1	-19.8%		?	?	?	?
Average	5.7	**-19.0%**	6.2	**28.4%**	**36.1%**	**34.4%**	**38.9%**

Source: FactSet as of March 2019. MSCI World and S&P 500 Price Index, daily, February 1933 to March 2019.

THE "V" CONTINUES

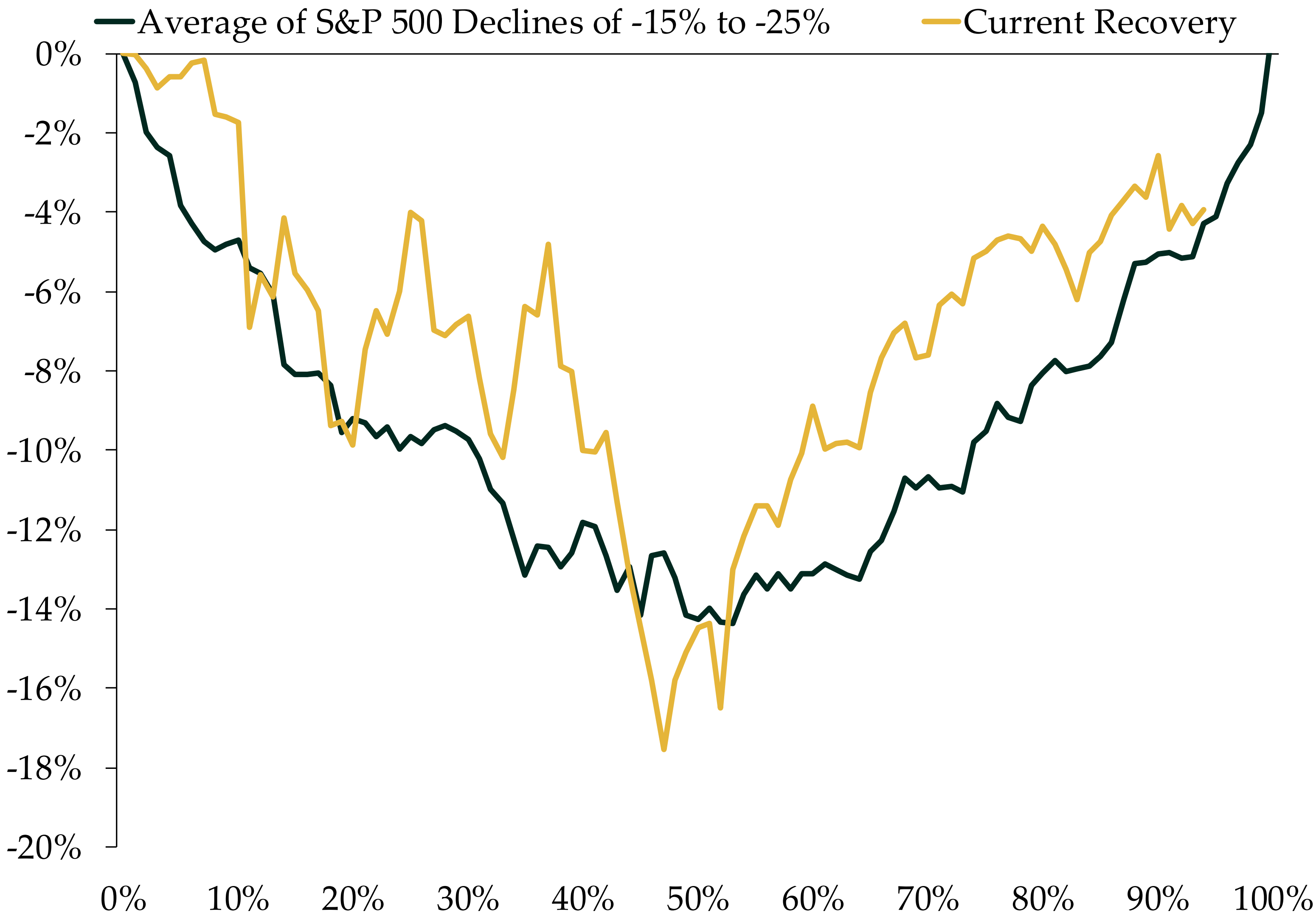
The 2018 decline in Emerging Markets was fairly typical in length and magnitude compared to other large drops. Through the end of March, EM is up 13.2% from October's trough – the sharp upward move demonstrating the rapid recovery of a V-shaped rebound.

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	**6.6**	**-27.3%**	**30.1%**	**42.8%**	**46.9%**

Source: FactSet as of March 2019. MSCI Emerging Markets Price Index, daily, December 1987 to March 2019.

RECOVERY IS IN-LINE WITH PRIOR DOWNTURNS

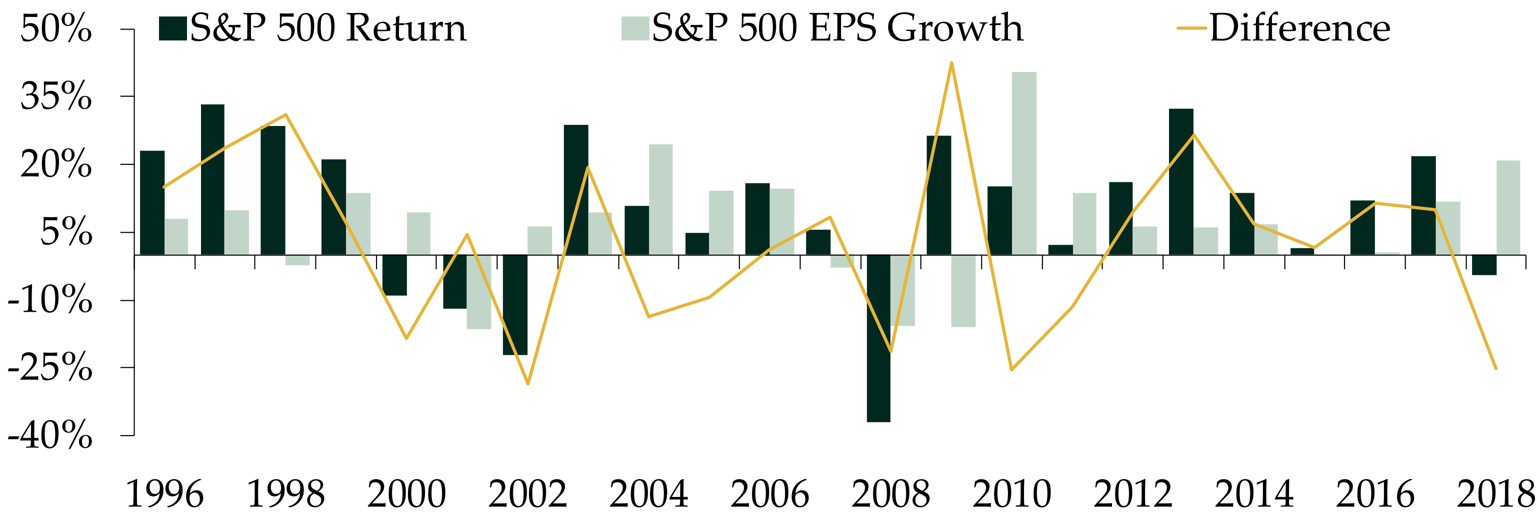
The recovery from 2018's correction appears to be following a similar pattern to prior downturns of similar magnitude, forming the characteristic "V" pattern.



Source: FactSet and Fisher Investments Research as of March 2019, S&P 500 Price Index, daily.

MULTIPLE EXPANSION FOLLOWS CONTRACTION

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

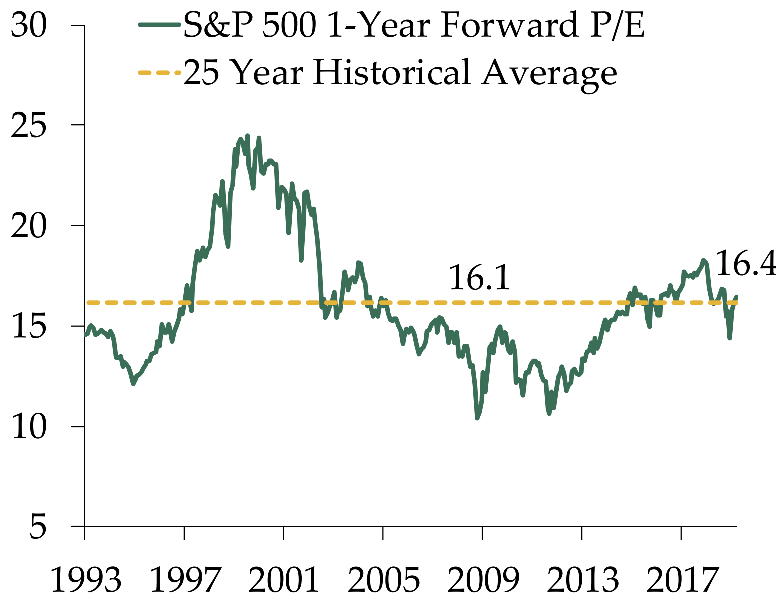


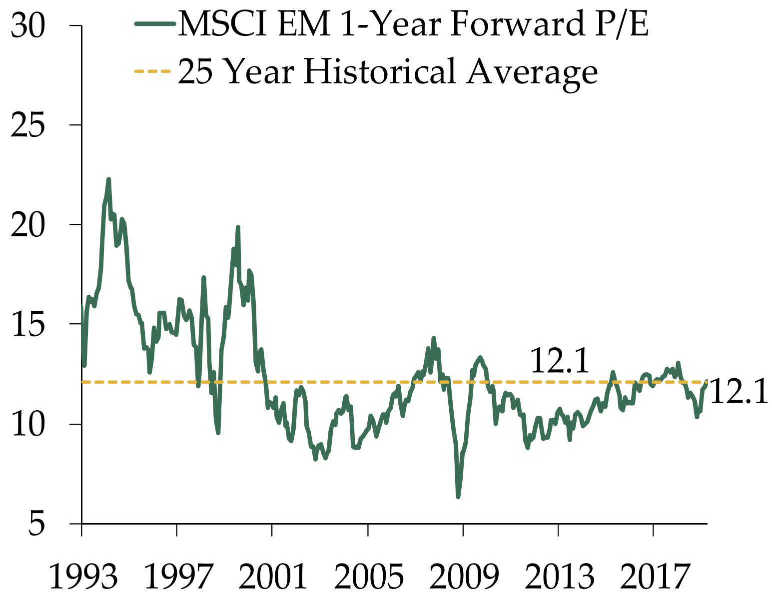
Year	S&P 500 Return	S&P 500 EPS Growth	Difference	Following Year Return
2000	-9.1%	9.5%	-18.6%	-11.9%
2002	-22.1%	6.3%	-28.4%	28.7%
2004	10.9%	24.6%	-13.7%	4.9%
2005	4.9%	14.2%	-9.3%	15.8%
2008	-37.0%	-15.7%	-21.3%	26.5%
2010	15.1%	40.5%	-25.4%	2.1%
2011	2.1%	13.6%	-11.5%	16.0%
2018	-4.4%	20.8%	-25.2%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

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

VALUATIONS REMAIN ATTRACTIVE

Fearful investor sentiment caused equity valuations to plunge in 2018. Equities have recovered to begin 2019 as these fears fade, but multiples remain in-line with or below their historical averages.

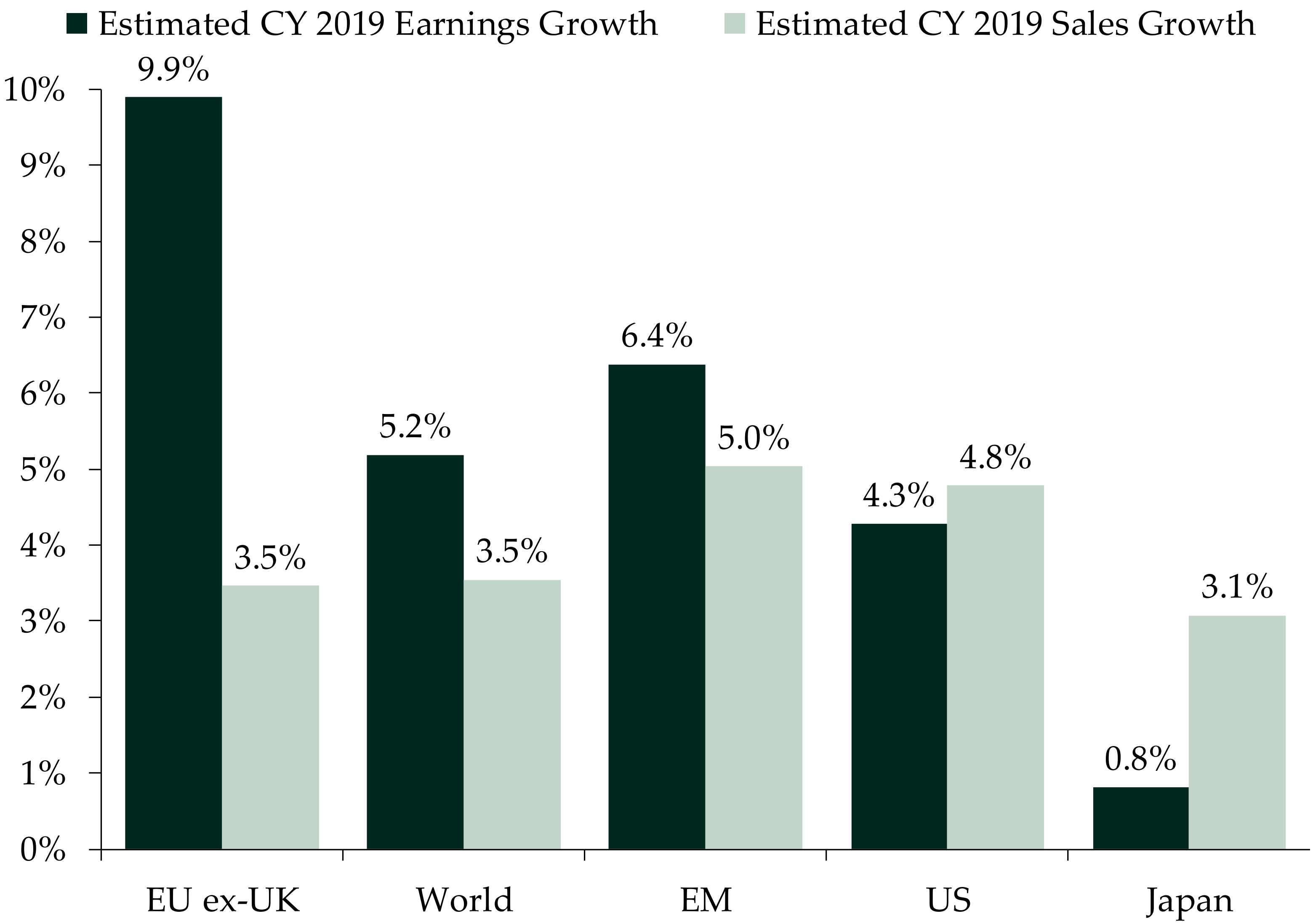




Source: FactSet, Inc. as of March 2019.

CORPORATE EARNINGS REMAIN HEALTHY

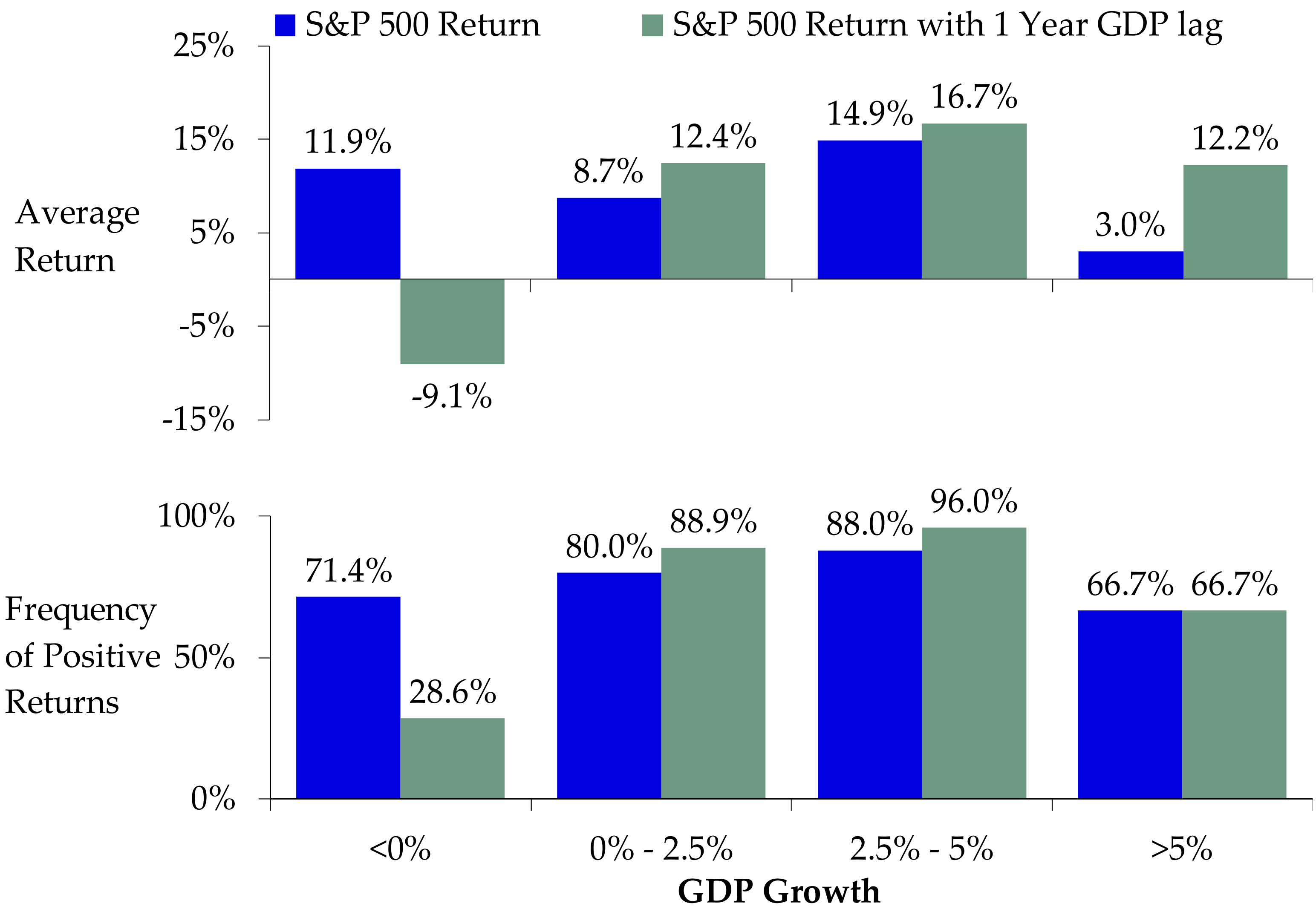
Global corporate earnings have slowed but remain healthy, with particular strength in Europe.



Source: FactSet Market Aggregates as of March 2019. Estimated CY 2019 EPS & Sales Growth for MSCI Europe ex-UK, MSCI World, MSCI Emerging Markets, S&P 500 and MSCI Japan in USD.

EQUITY RETURNS LEAD ECONOMIC GROWTH

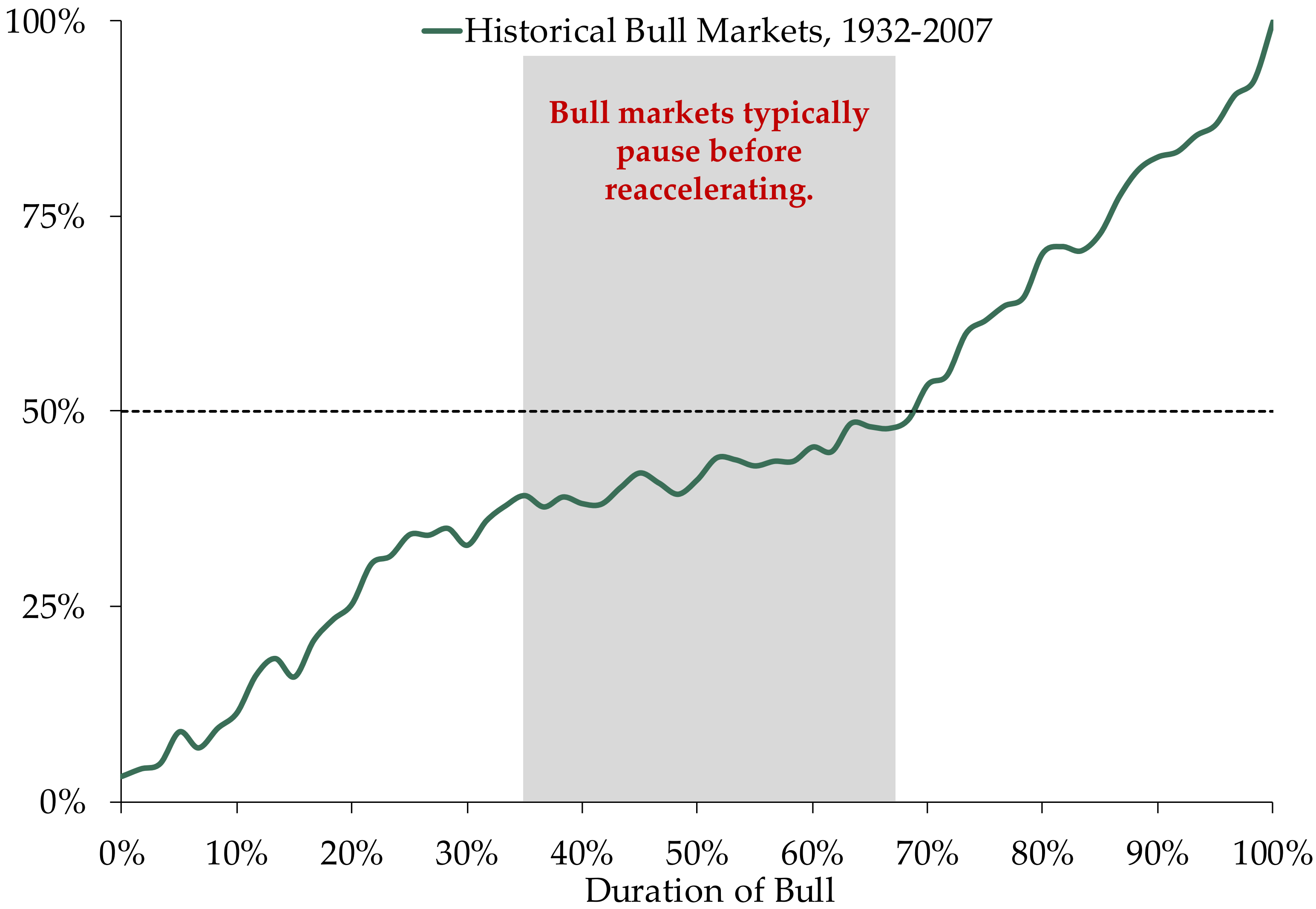
In any year at a given level of GDP growth, equity returns are positive on average. However, when GDP growth is lagged by a year, average equity returns are negative ahead of GDP contraction and nicely positive no matter the magnitude of growth.



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

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

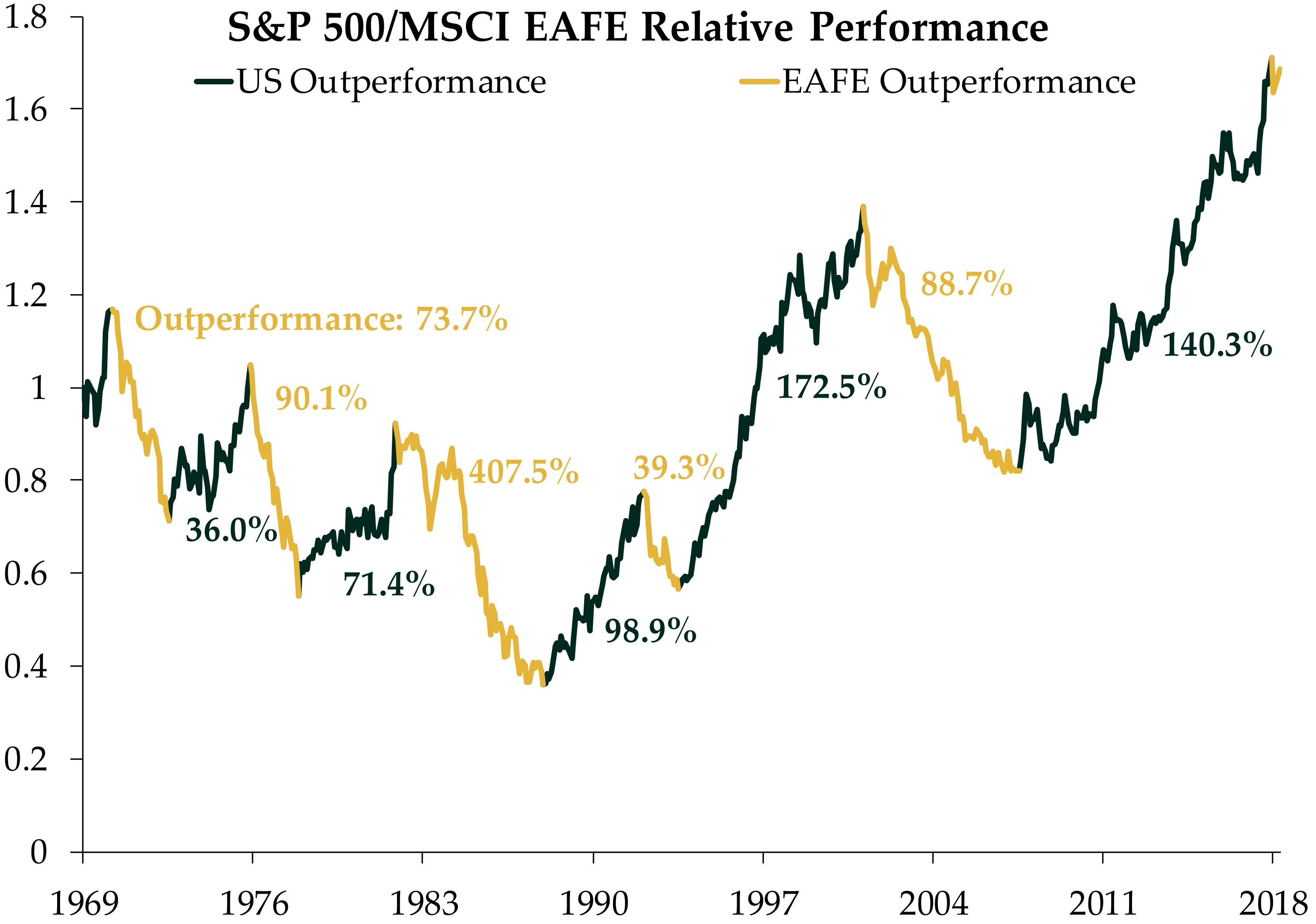
- Non-US equities ripe for outperformance

- Fears about politics, trade and Brexit have distracted investors from solid fundamentals

- Trade is poised to benefit from Chinese stimulus programs spurring demand for European goods

RELATIVE PERFORMANCE REVERSALS

US relative performance is at an all-time high, and relative performance reversals have historically been substantial.



Source: FactSet, as of March 2019. S&P 500 relative to MSCI EAFE performance, indexed to 1 December 1969.

PRESIDENTIAL TERM ANOMALY

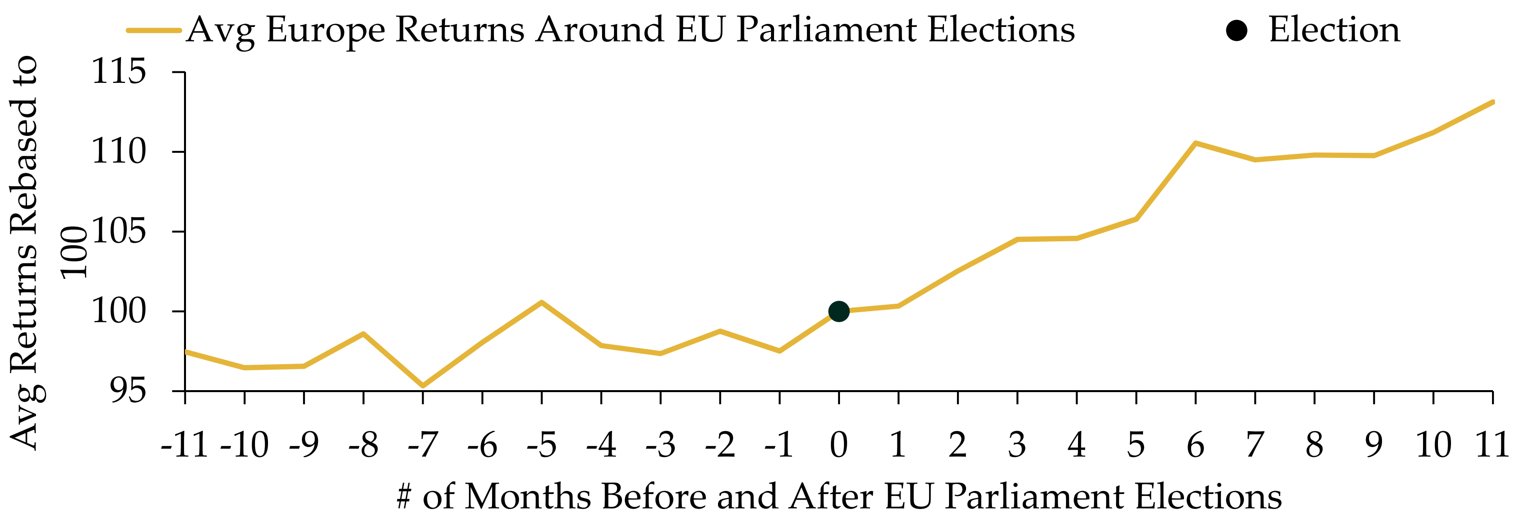
Falling political uncertainty resulting from post-midterm gridlock has contributed to positive equity returns in 91% of the third years of Presidents' terms.

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.

EU PARLIAMENT ELECTION EFFECT

European stocks have tended to rally following EU Parliament elections, which are scheduled for May 27, 2019.

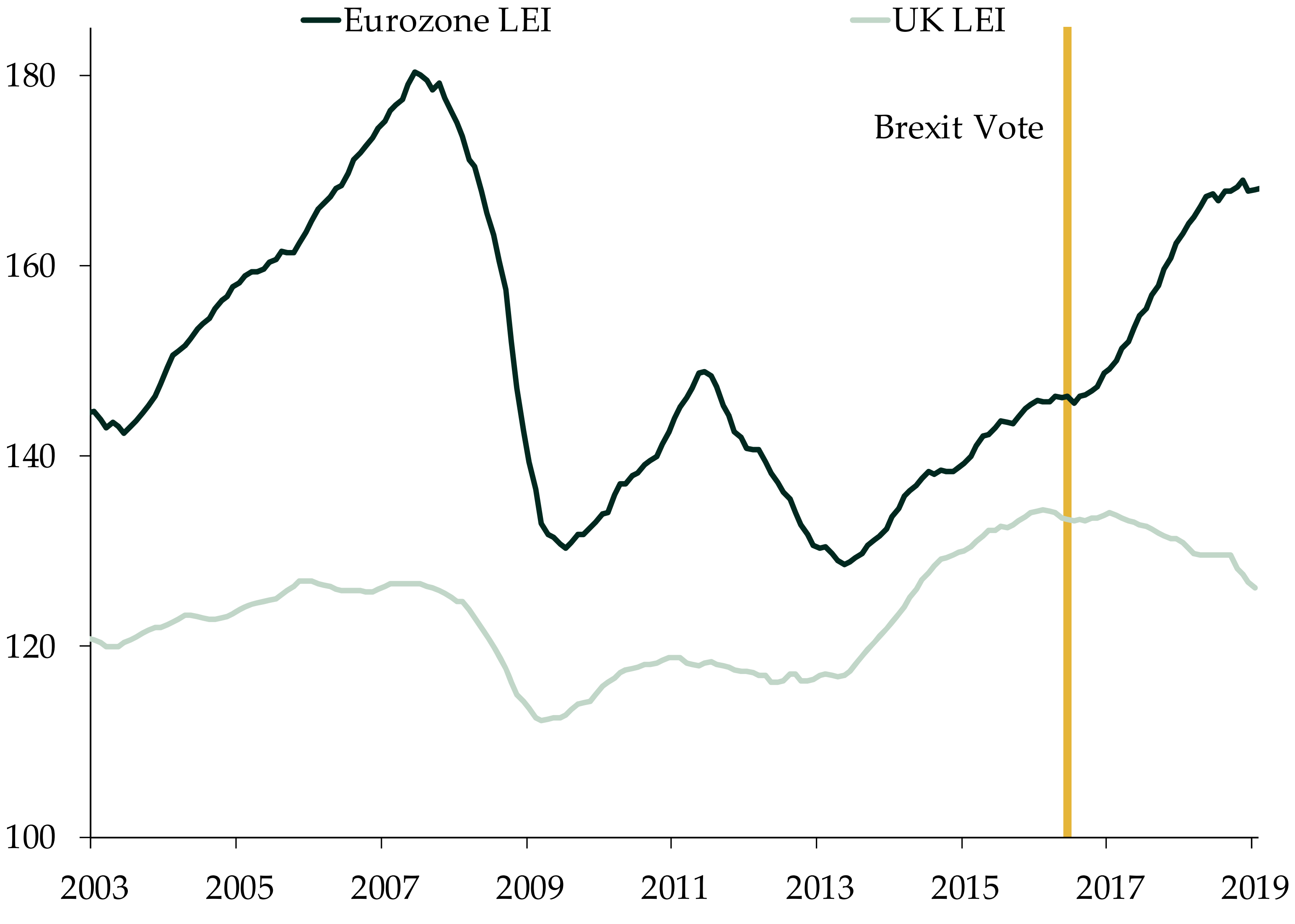


EU Parliament Election Dates	6 Months Pre-Election	6 Months Post-Election	12 Months Post-Election
June 10, 1979	-0.9%	5.8%	6.2%
June 14, 1984	-1.4%	-3.8%	20.5%
June 15, 1989	4.2%	24.6%	32.3%
June 9, 1994	-0.1%	3.1%	16.6%
June 13, 1999	-5.2%	22.3%	22.2%
June 13, 2004	1.2%	17.8%	14.3%
June 7, 2009	13.9%	22.1%	-0.6%
May 22, 2014	6.3%	-7.6%	-7.0%
May 27, 2019	??	??	??
Average	**2.3%**	**10.5%**	**13.1%**
Median	**0.6%**	**11.8%**	**15.5%**
Frequency Positive	**50%**	**75%**	**75%**

Source: FactSet, Inc. As of February 2019.

LITTLE EUROZONE BREXIT WORRY

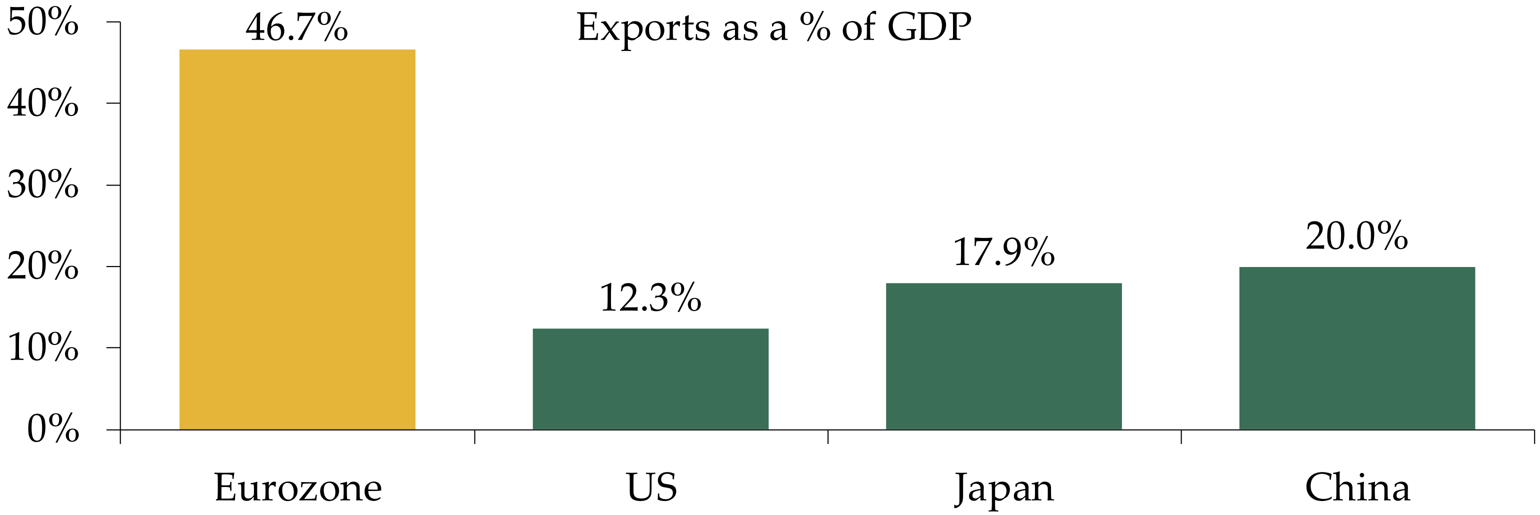
UK leading economic indicators have fallen after the Brexit vote while the readings in the Eurozone have accelerated.

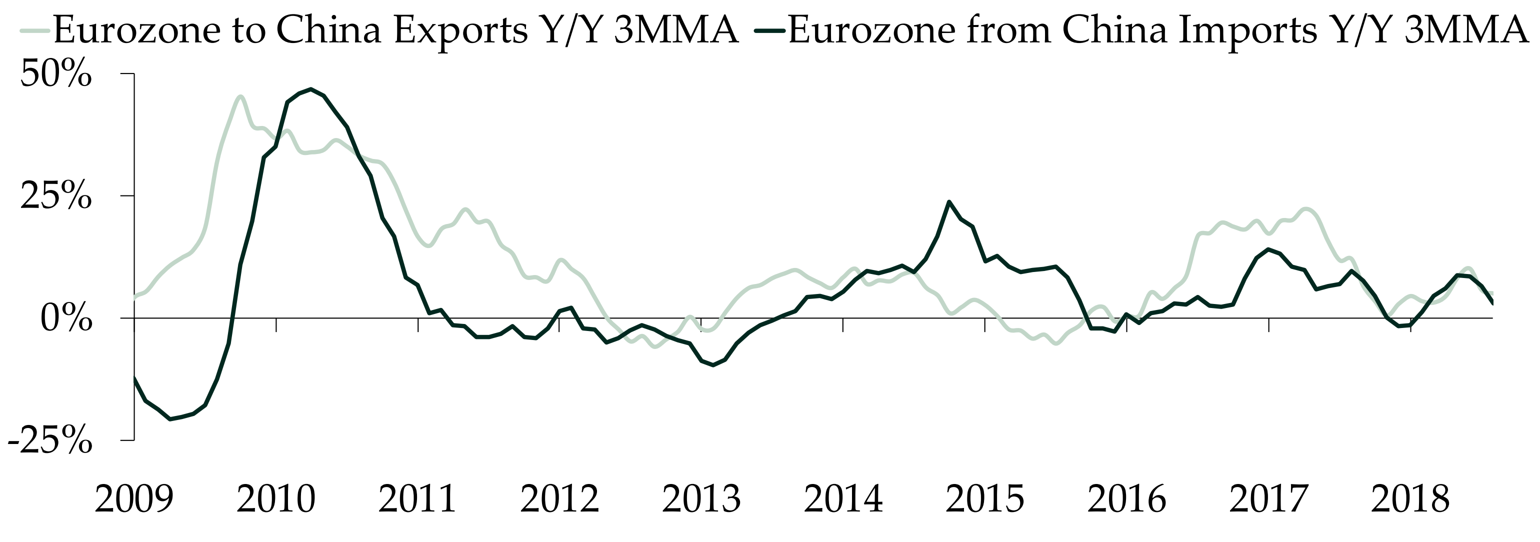


Source: The Conference Board, as of January 2019. Eurozone and UK Leading Economic Index (LEI), January 1993 – January 2019. Copyright The Conference Board, Inc. Content reproduced with permission.

CHINA-EU TRADE BOTTOMING

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

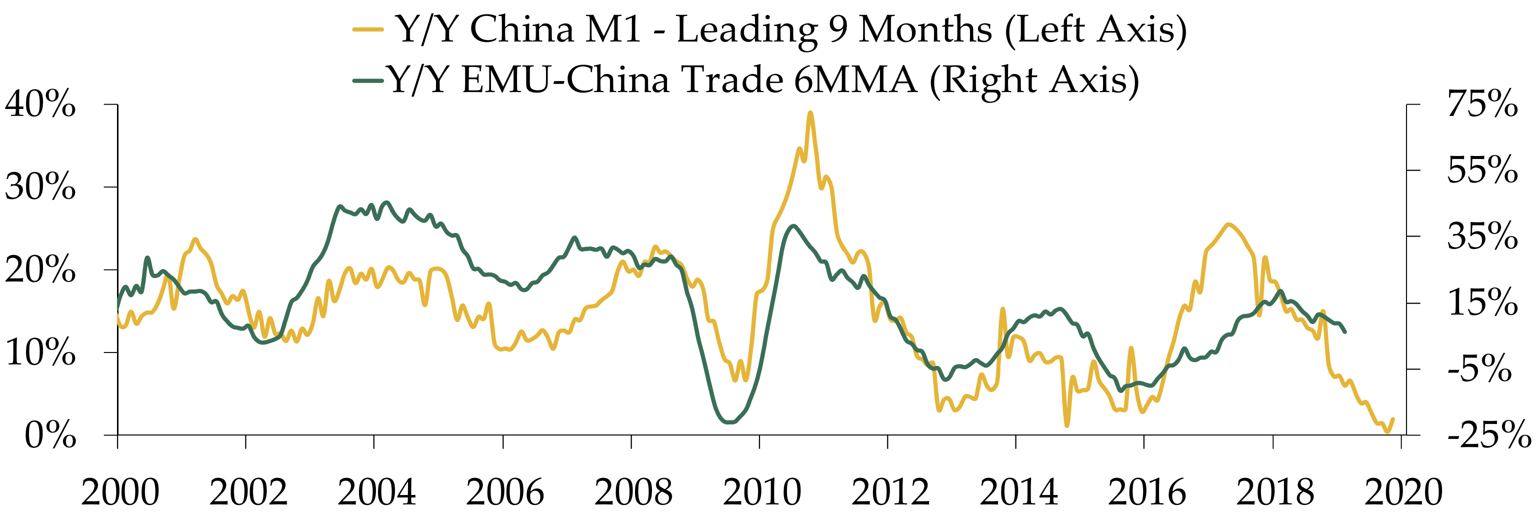


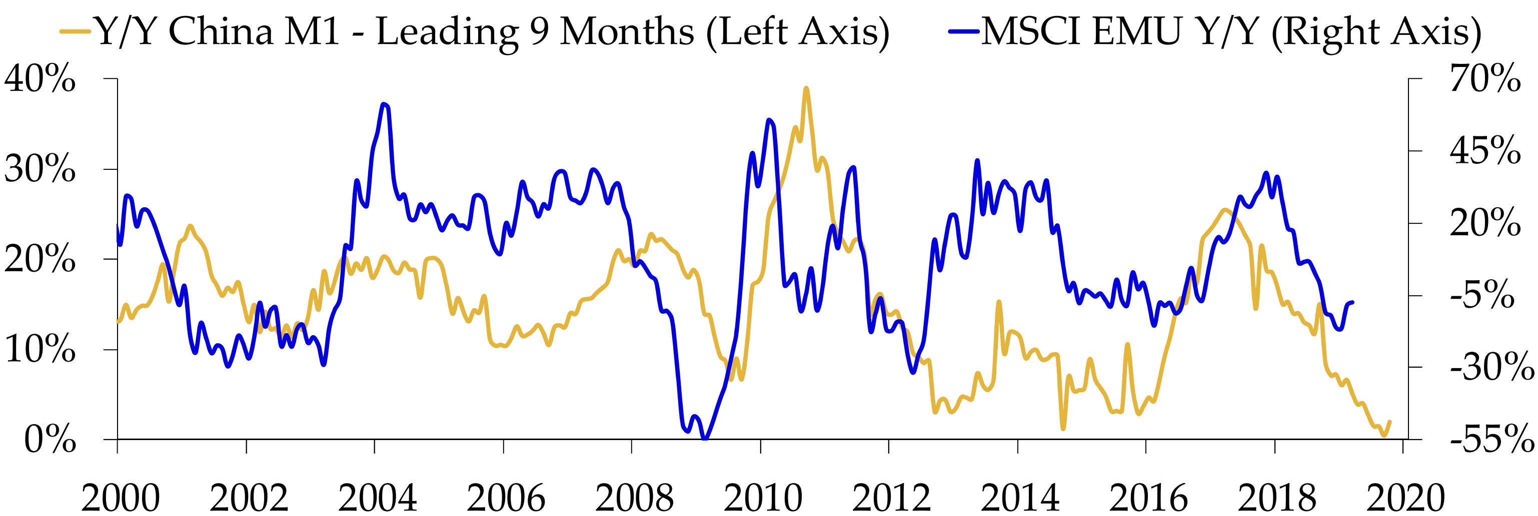


Top chart source: FactSet, BEA, Japanese Cabinet Office, Oxford Economics and European Commission as of December 2018. Based on annual data points. Nominal GDP, current prices, expressed in domestic currency of each country shown. Bottom chart source: FactSet and Eurostat as of January 2019.

EUROPE POISED TO BENEFIT FROM CHINESE STIMULUS

European trade with China, and performance of the eurozone, closely follows M1 levels in China. On the back of recent monetary stimulus, both look poised to rebound.

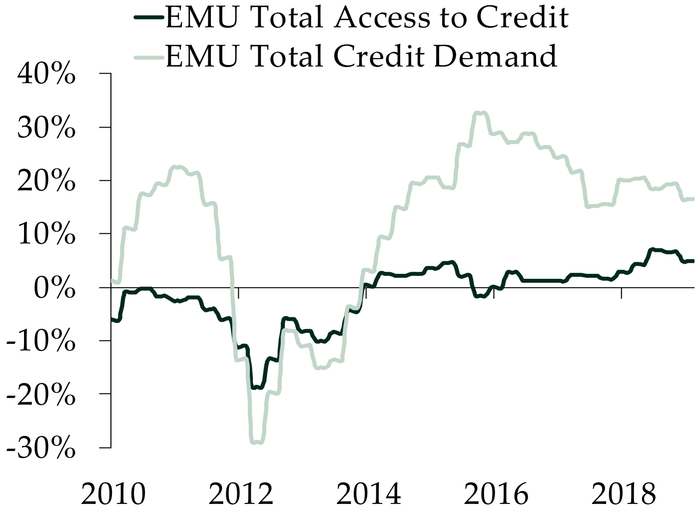


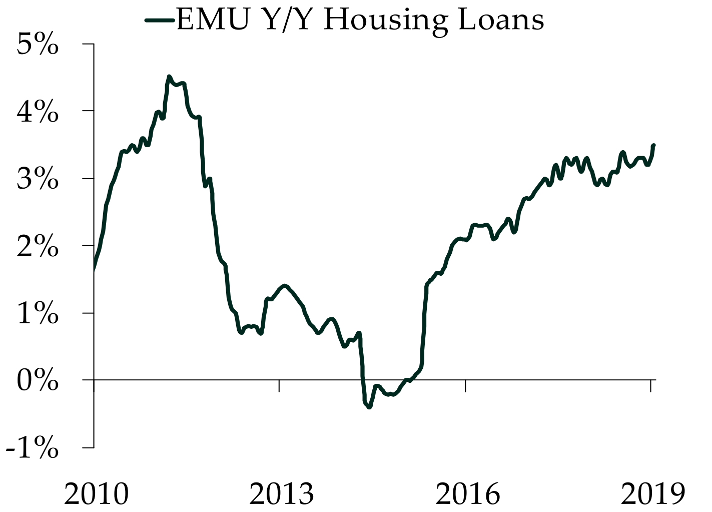


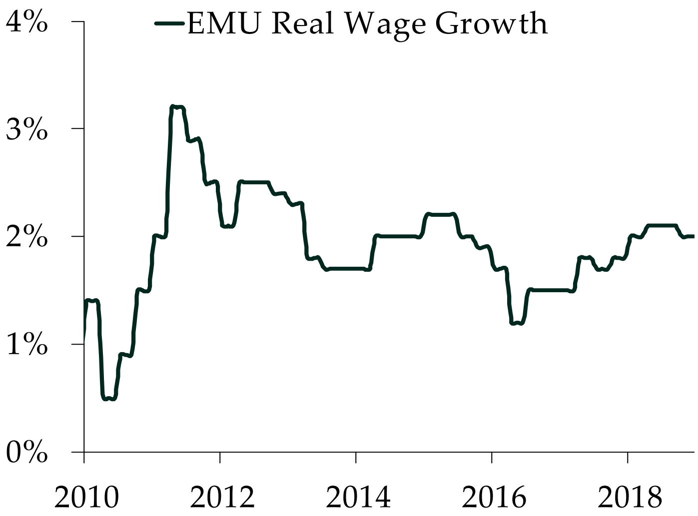
Top chart source: FactSet and People's Bank of China as of February 2019. Bottom chart source: FactSet, People's Bank of China and China Customs. China M1 as of February 2019, MSCI EMU as of March 2019.

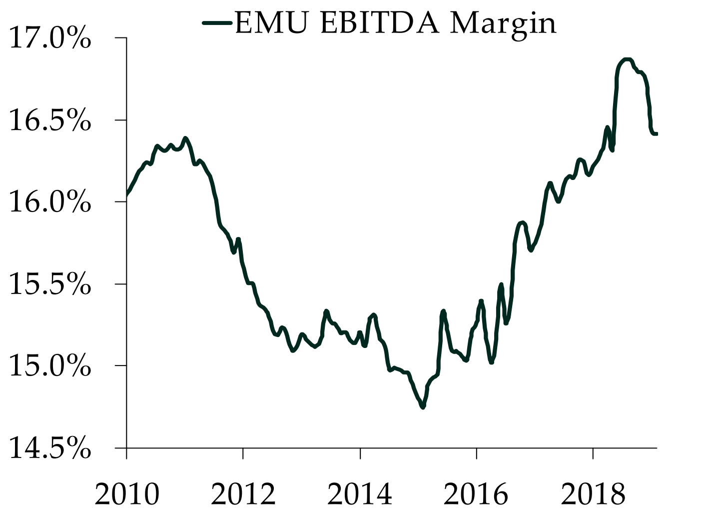
UNDERAPPRECIATED EUROPEAN FUNDAMENTALS

Despite economic deceleration in 2018, European fundamentals are stronger than many recognize. Lending and access to credit remain strong while wage gains and corporate margin expansion accelerated in 2018.









Top left chart source: FactSet and ECB as of February 2019. Loan Weighted ECB Loan Officer Survey, Expected Loan Demand & Supply, Quarterly. Top right chart source: FactSet and OECD as of January 2019. OECD housing prices US & EMU, Quarterly. Bottom left chart source: FactSet and ECB as of December 2018. ECB Y/Y real wage growth, Quarterly. Bottom right chart source: FactSet as of February 2019. MSCI EMU EBITDA Margin, Monthly.

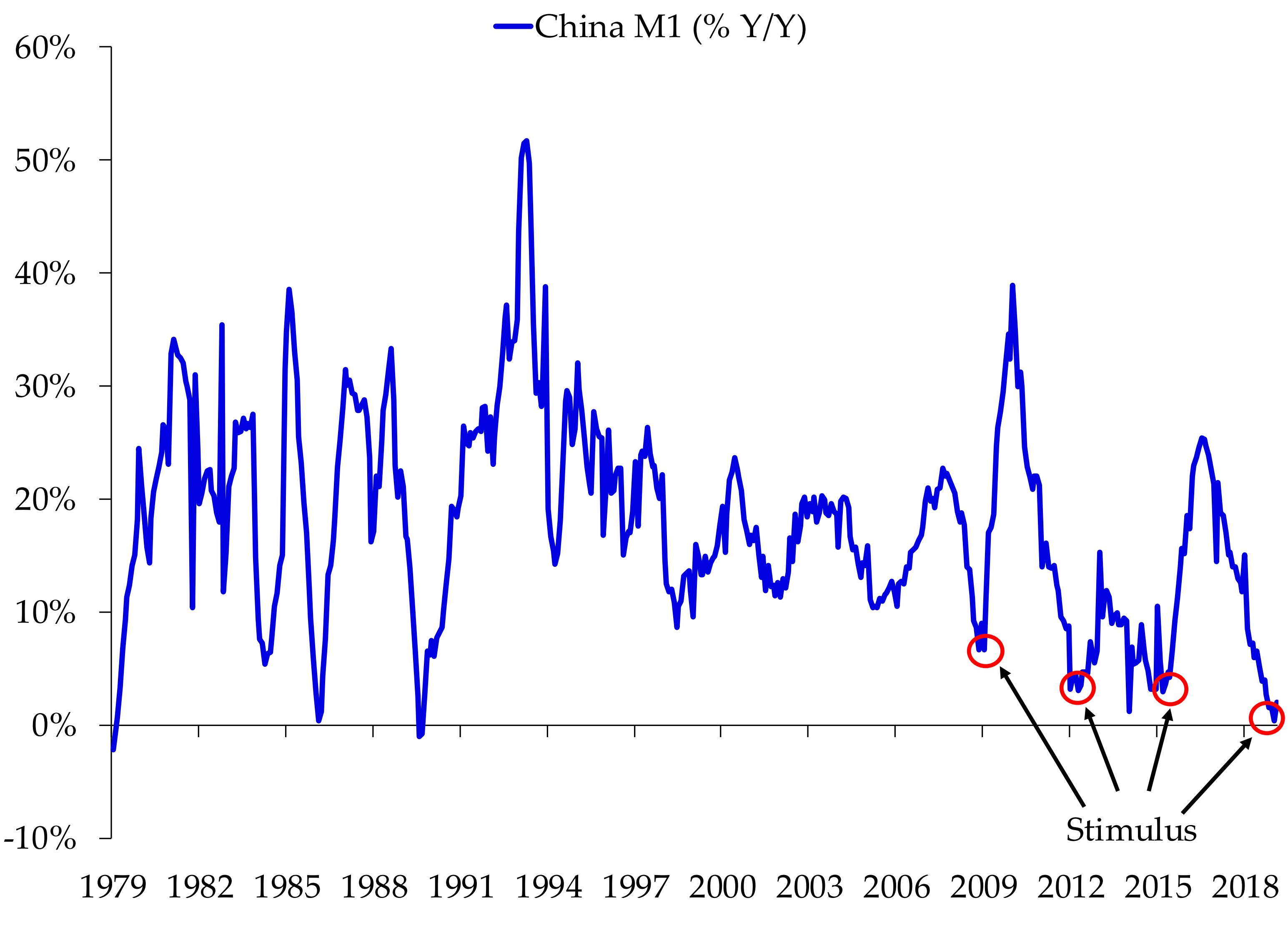
KEY EMERGING MARKETS THEMES

Our highest conviction views on Emerging Markets

- Chinese stimulus should stabilize growth
- Modi's 'Honeymoon' is fading in India
- Tame inflation and loosening monetary policy provide boost for Brazilian banks
- Elections likely usher in more gridlock
- EM valuations recovering from 2018 lows

AN INDICATOR OF CHINESE STIMULUS

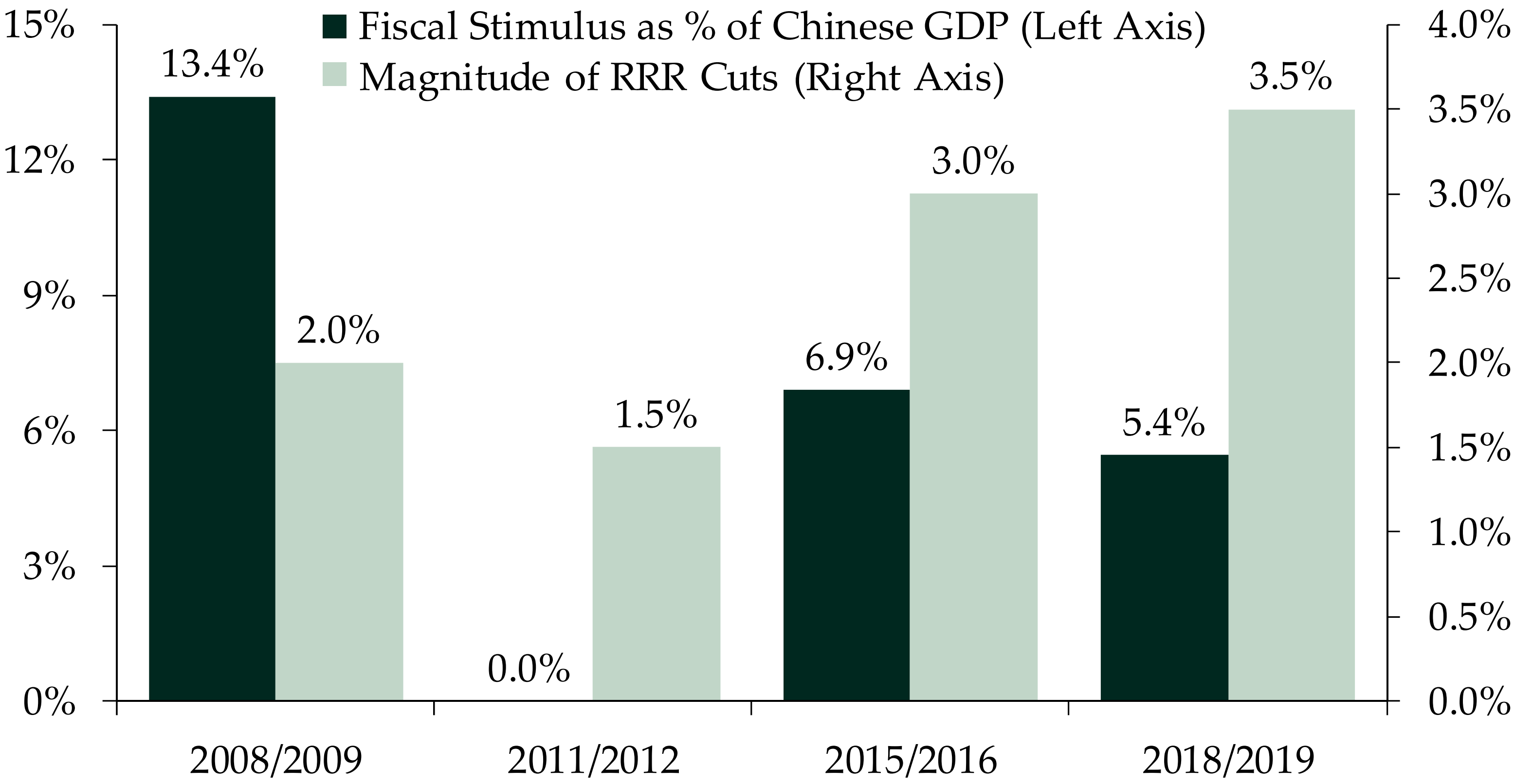
China's money supply growth has decelerated significantly recently, weighing on overall economic growth. Similar to prior periods of deceleration, monetary and fiscal stimulus have been implemented.



Source: FactSet and People's Bank of China as of February 2019.

SCALING CHINESE STIMULUS

When combined with recent monetary stimulus and other policy initiatives, the $200B local government bond issuance announced in 2018 and early 2019's tax cuts rivals or exceeds amounts implemented in past downturns.

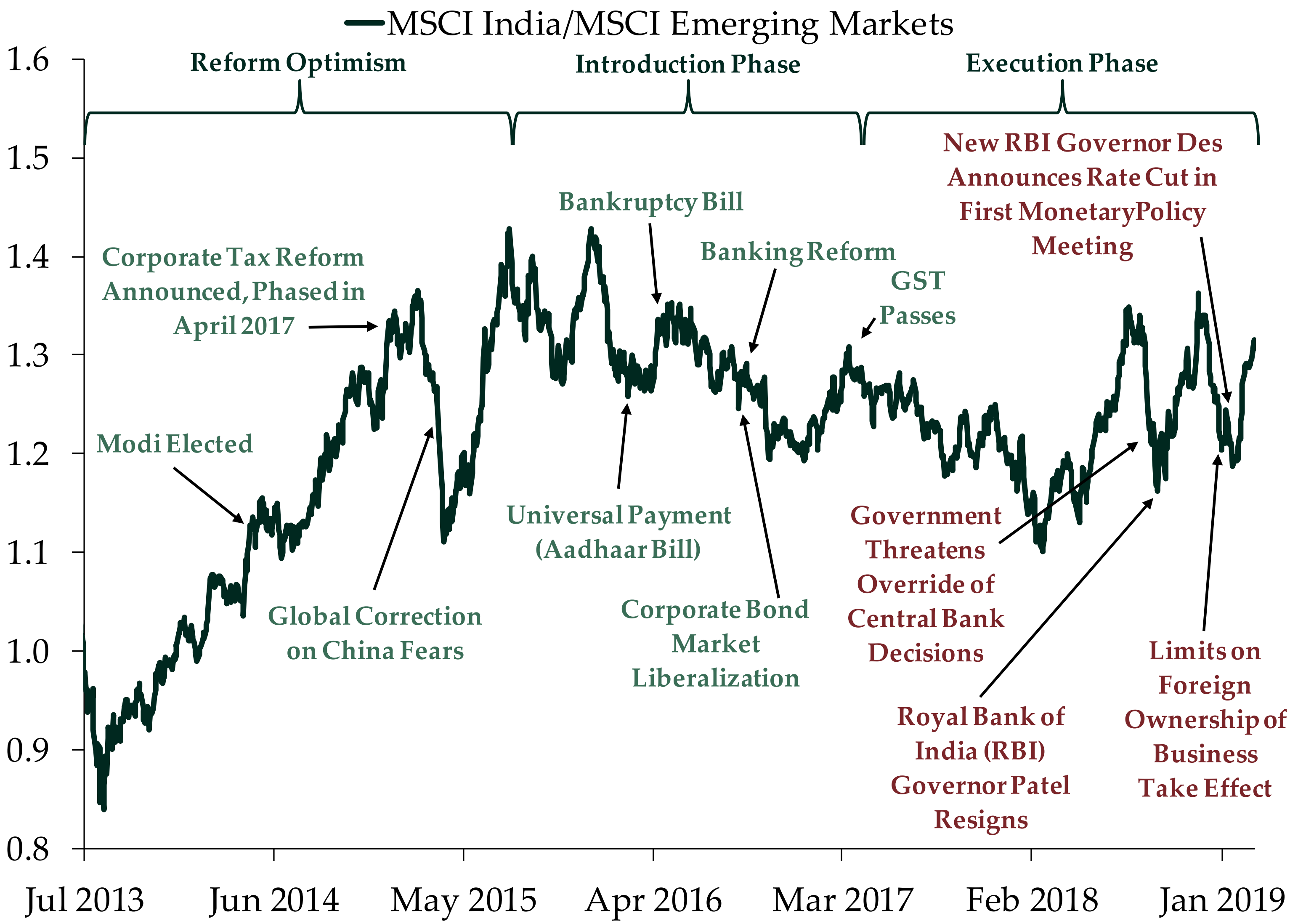


Fiscal Stimulus	Date	% of GDP	Other Important Policy	Date	% of GDP
VAT Cuts	3/5/19	0.6%	Additional Reserve Ratio Requirement (RRR) Cuts to Small Banks	3/5/19	--
Personal Income Tax Cuts	1/1/19	1.0%	>30% Y/Y Target Bank Loans to Small-and-Medium Enterprises (SME)	2/26/19	3.0%
Small Business Tax Cuts	1/1/19	0.2%	Increased Perpetual Bond Issuance and Central Bank Bond Swaps	2/20/19	--
Local Government Bonds - Infrastructure	2018/2019	3.0%	Shadow Banking crackdown will slow, allowing more natural development	1/28/19	--

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

INDIA'S POLITICAL "HONEYMOON" IS FADING

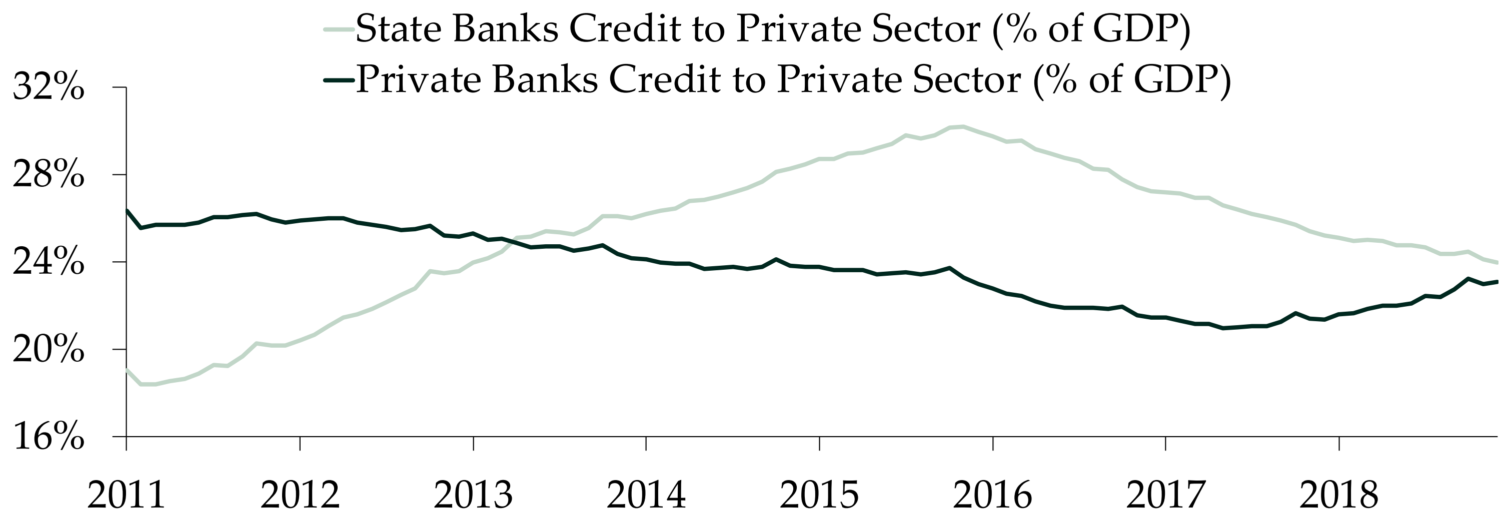
Optimism regarding Prime Minister Modi's reform agenda has boosted Indian equities over the last few years. However, recent policy proposals seem to favor politics over economic improvement.

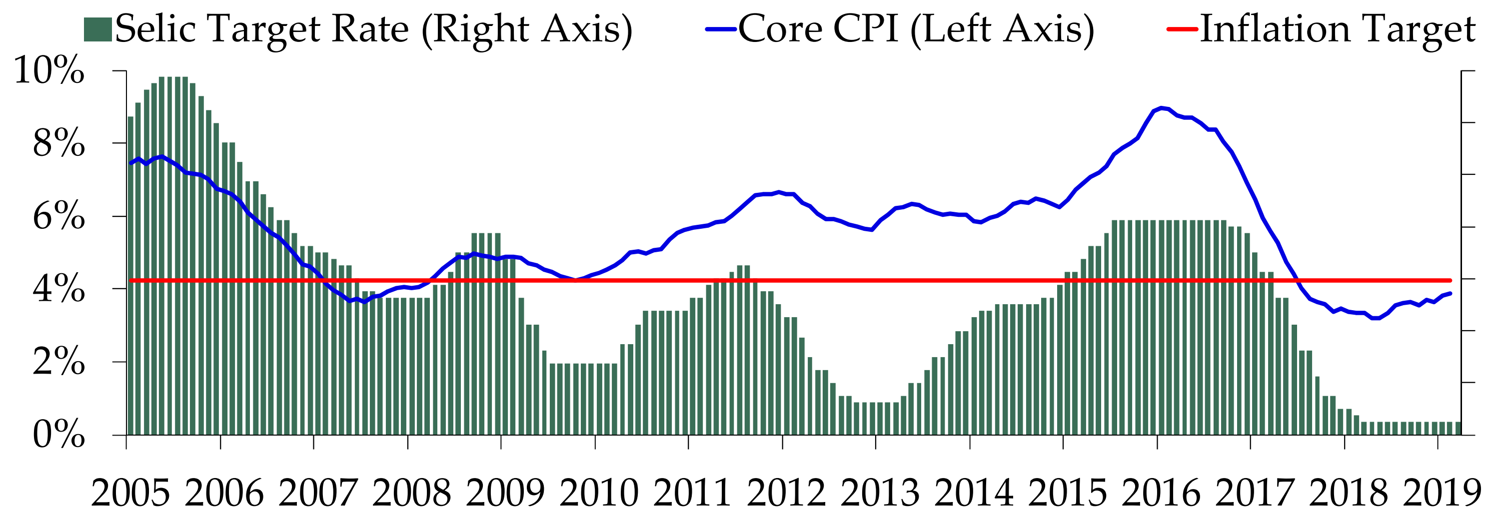


Source: FactSet, Inc. and Fisher Investments Research as of March 2019. Shows MSCI Emerging Markets and MSCI India total returns.

LOW RATES AND INFLATION BUOY BRAZIL

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

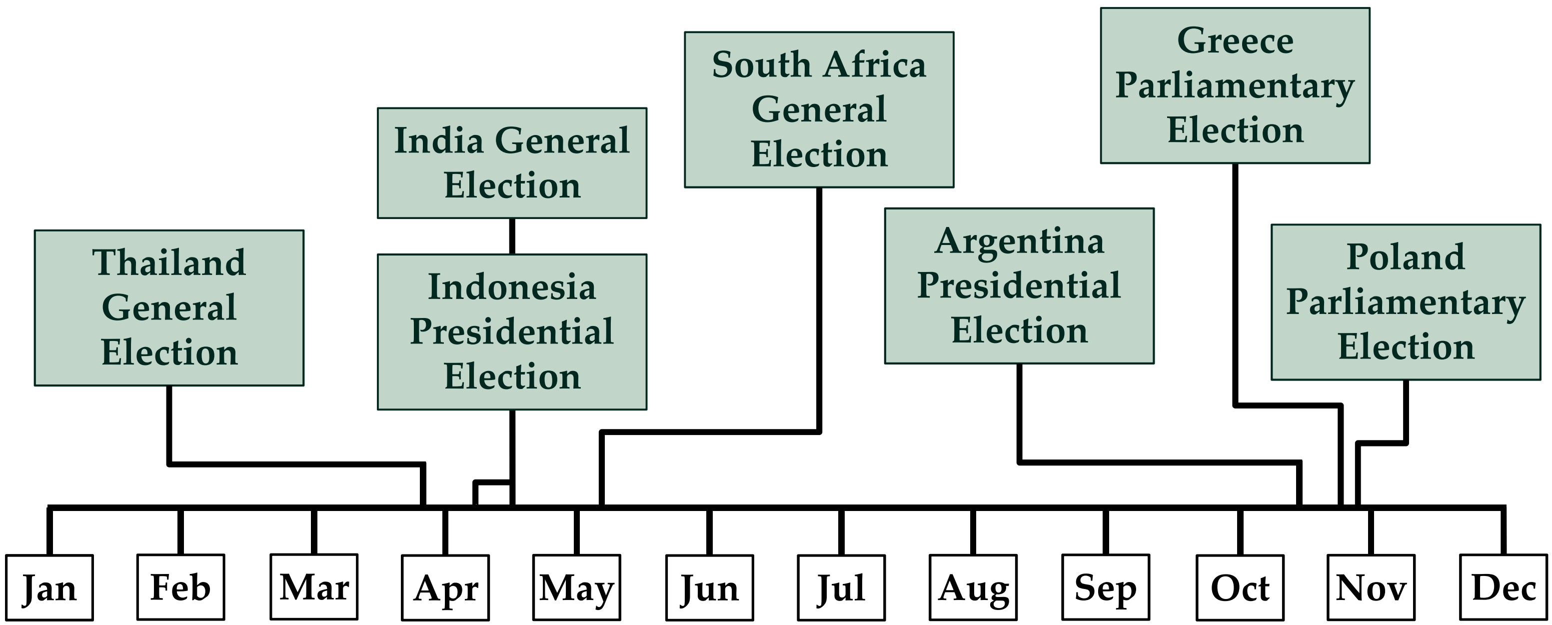




Top chart source: Banco Central do Brasil, as of February 2019. Bottom chart source: FactSet and Banco Central do Brasil, as of February 2019.

A BUSY YEAR FOR EM ELECTIONS

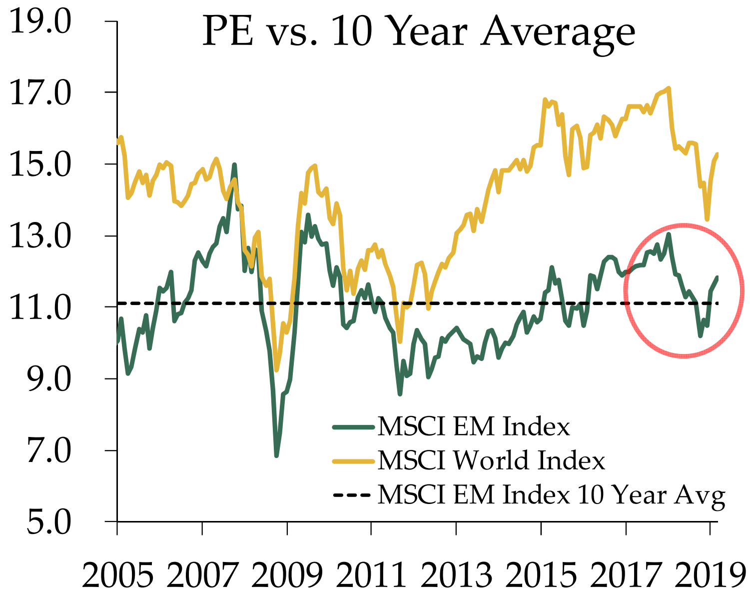
Seven Emerging Market countries go the polls this year for Presidential and Parliamentary elections. Broadly, markets will benefit as uncertainty abates following these elections. India will be in focus following surprising losses for the BJP in last year's regional elections and recent economic policy announcements.

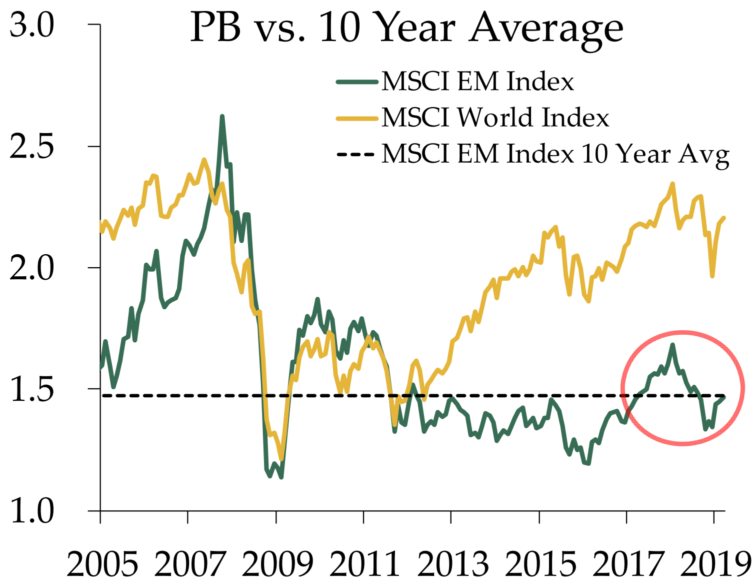


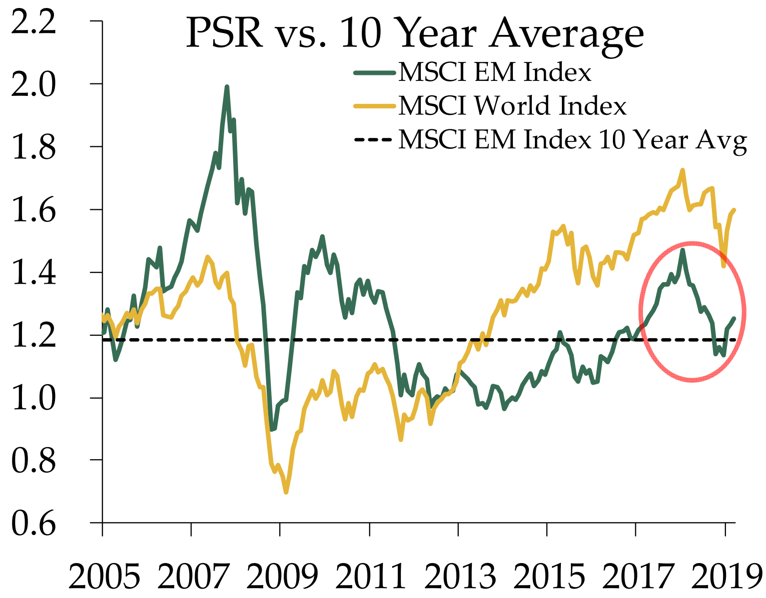
Source: Fisher Investments Research as of February 2019.

EM VALUATIONS ARE HISTORICALLY ATTRACTIVE

Trade, monetary policy, and other fears drove Emerging Market valuations to relative lows, and discounts to developed markets in 2018. This extreme negative sentiment should improve as global growth continues, pushing EM valuations higher.



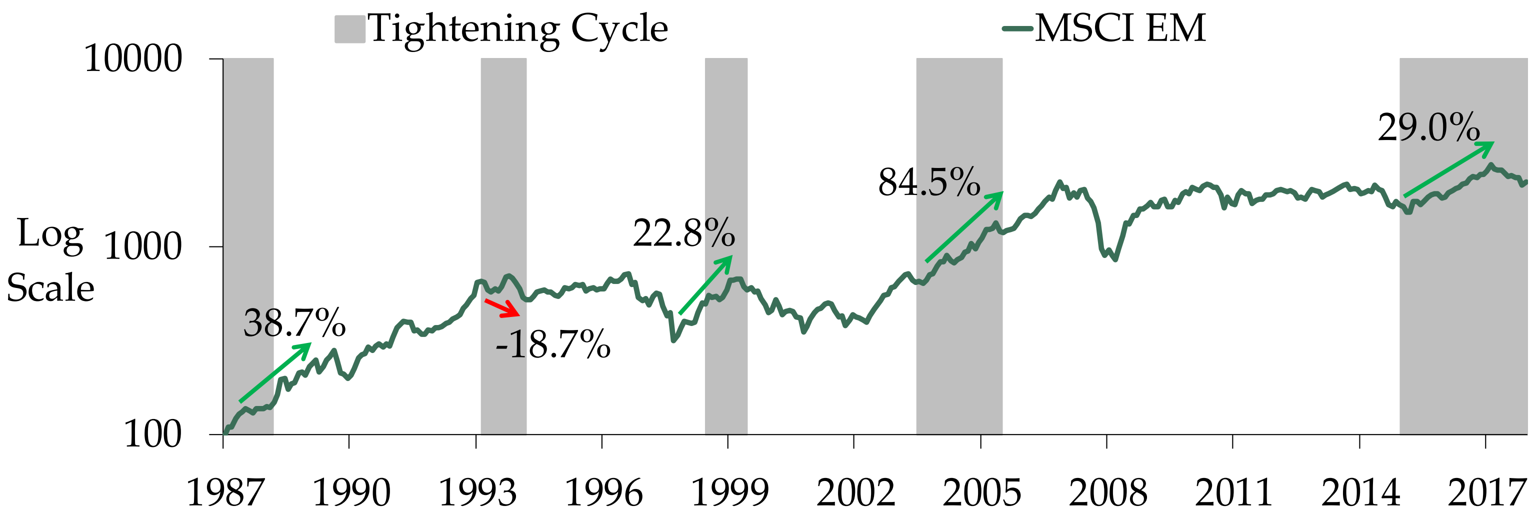




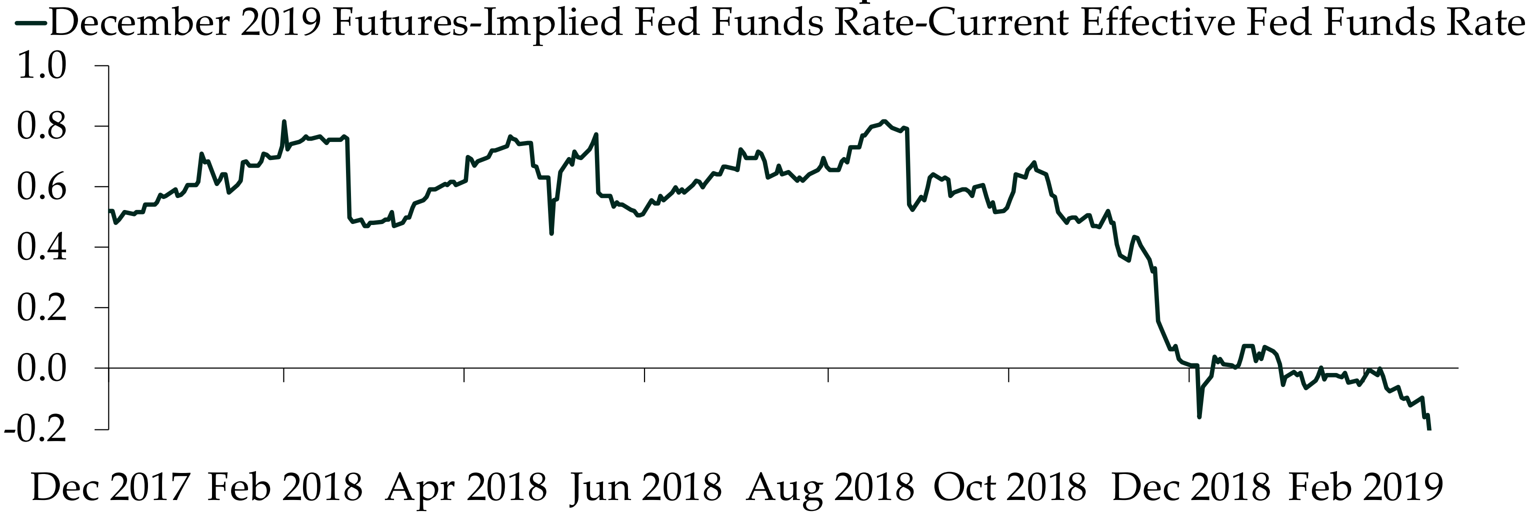
Source: FactSet as of March 2019. Based on monthly forward valuations.

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 declined near the end of 2018 and have remained subdued.



US Fed Rate Hike Expectations



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

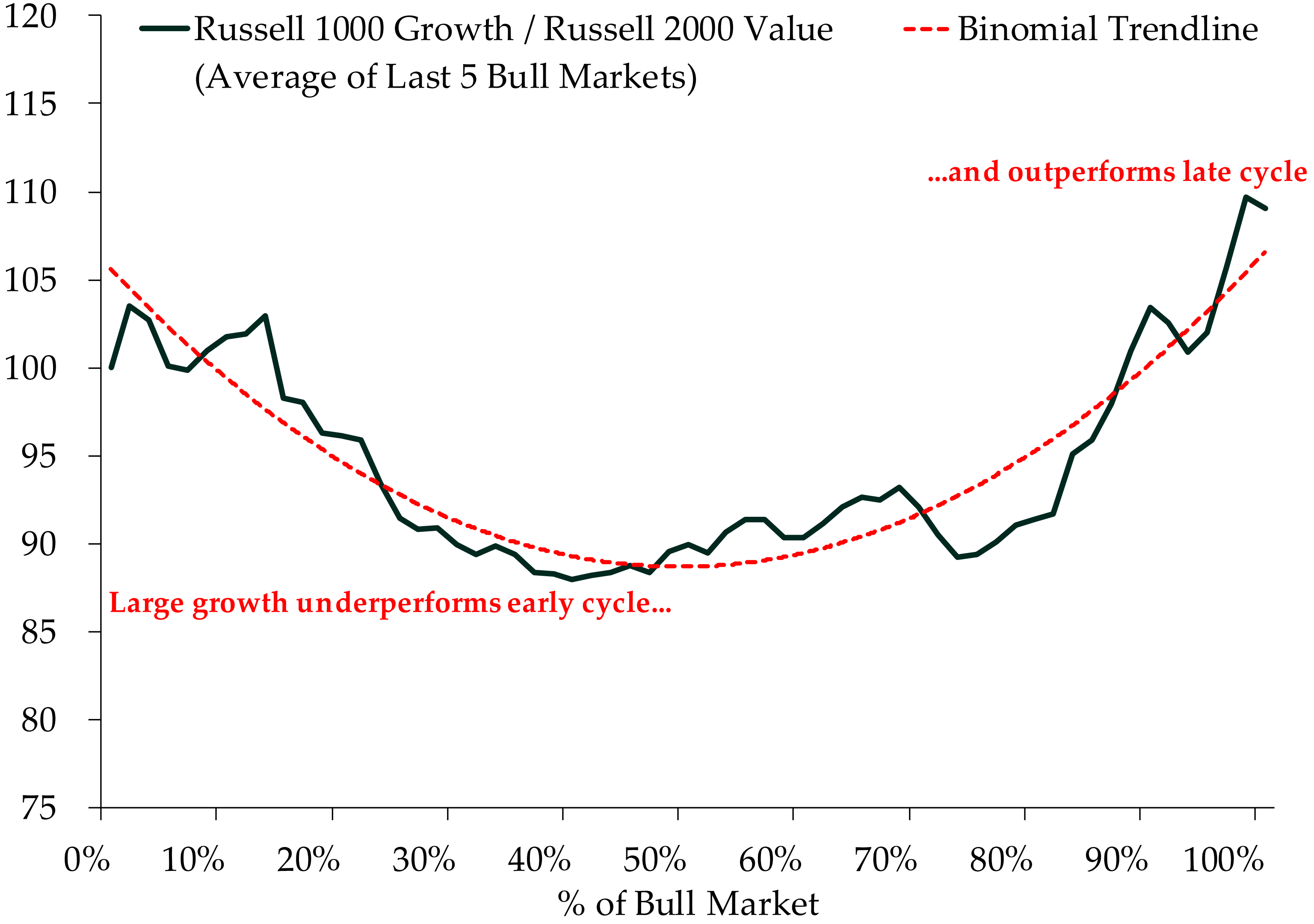
KEY SECTOR POSITIONING

Our highest conviction views on sectors

- As equities recover from the late-2018 correction, growth should resume leadership
- Technology outperformance has resumed after 2018′s decline
- Health Care supported by strong pipelines and innovation
- The outlook for resource sectors is improving

LARGE GROWTH VS SMALL VALUE IN BULL MARKETS

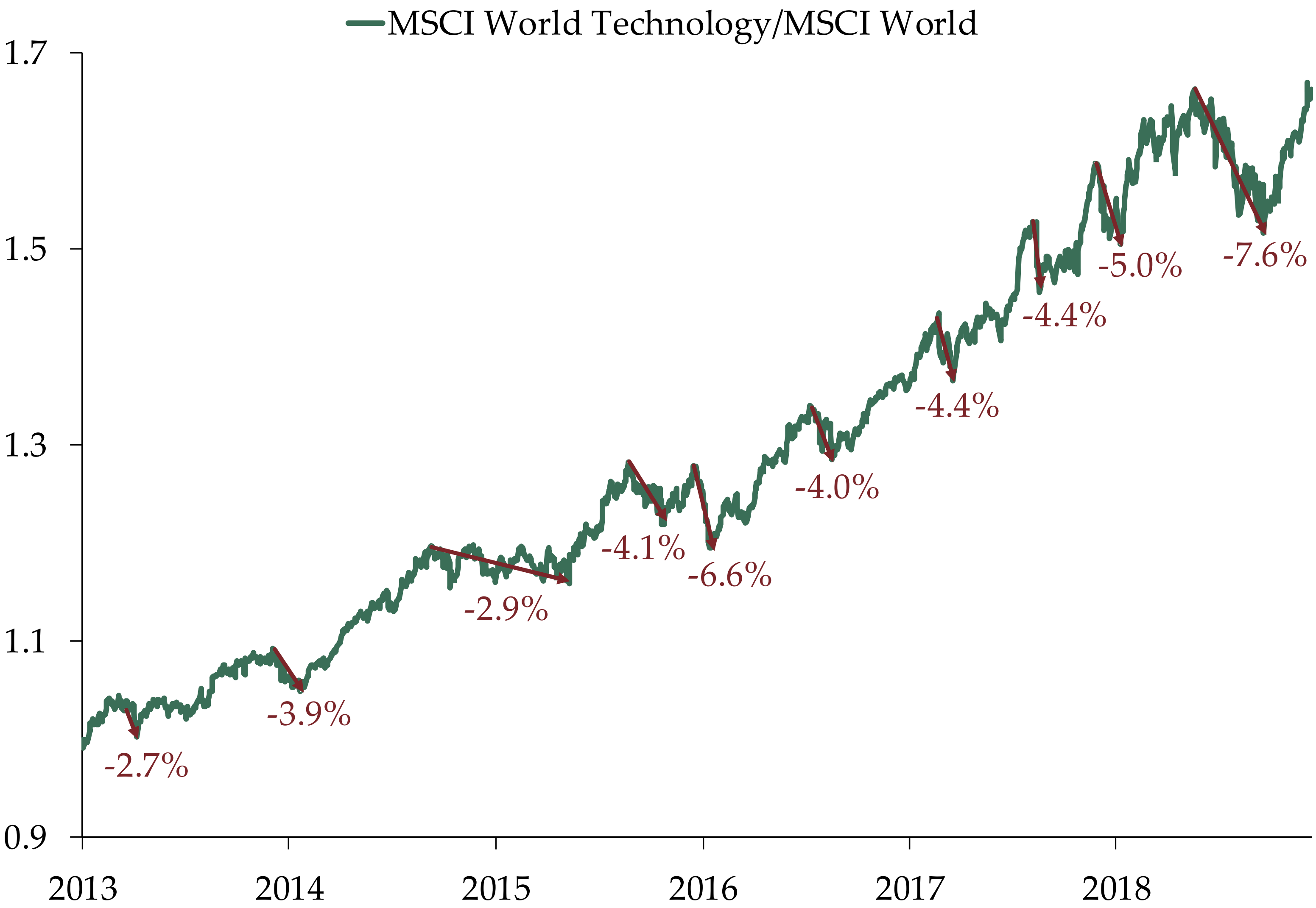
As the market cycle matures, market breadth narrows and investor preferences shift from Small Value toward Large Growth, leading to Large Growth outperformance in the later stages of a bull market.



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.

TECH'S ROCKY ROAD

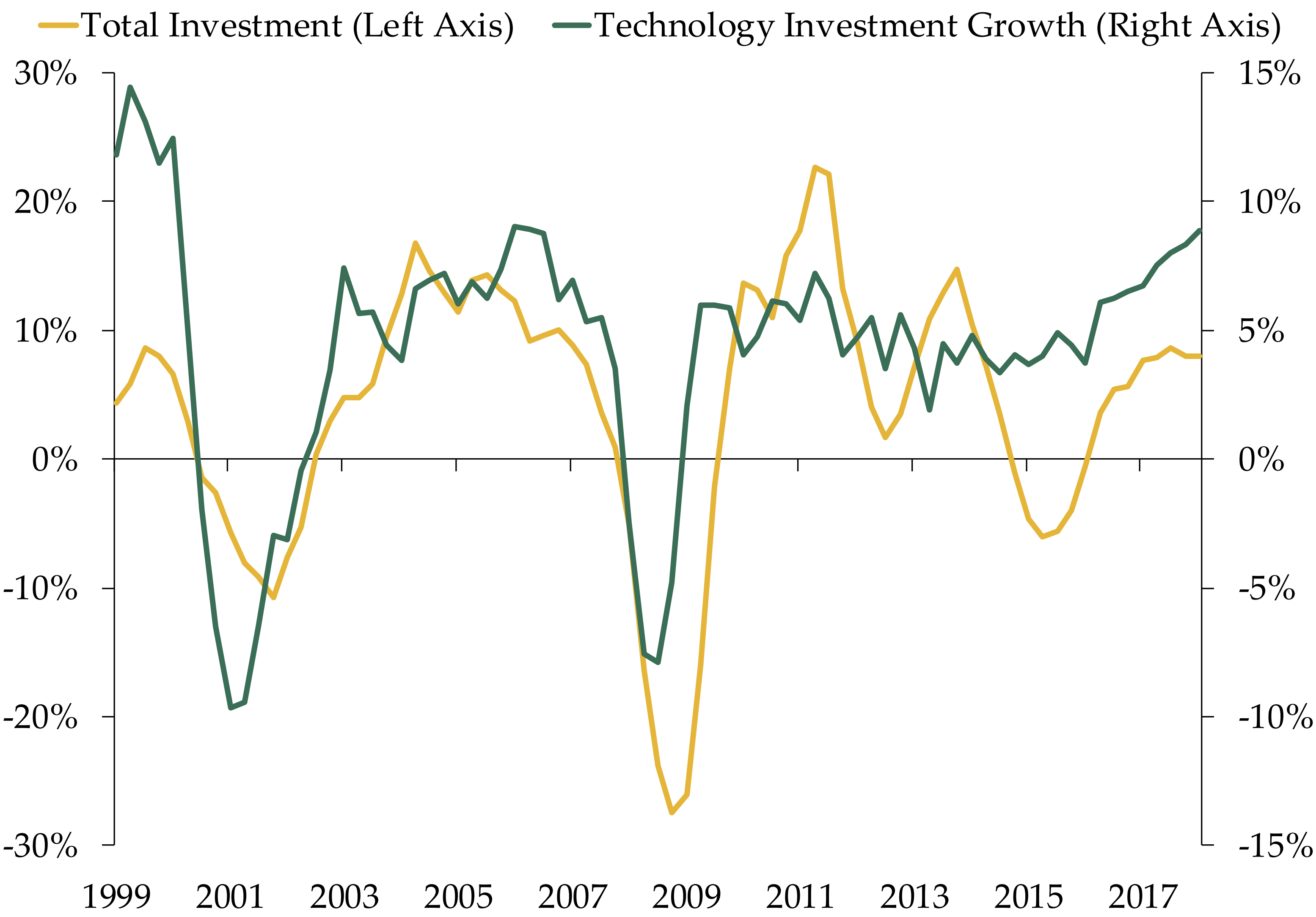
Over the past six years, Technology has outperformed despite brief periods of underperformance.



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

CAPEX SPENDING DRIVES TECH

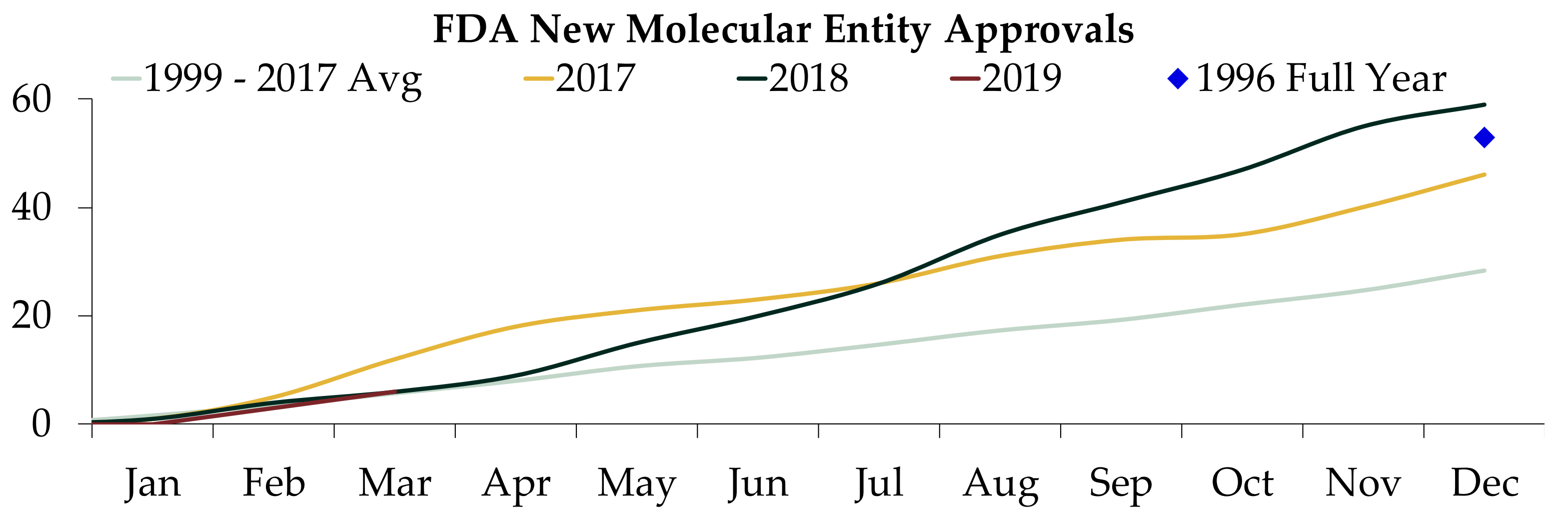
Technology Capex has been consistently strong this cycle and recently accelerated, helping drive strong fundamentals for the Information Technology sector.

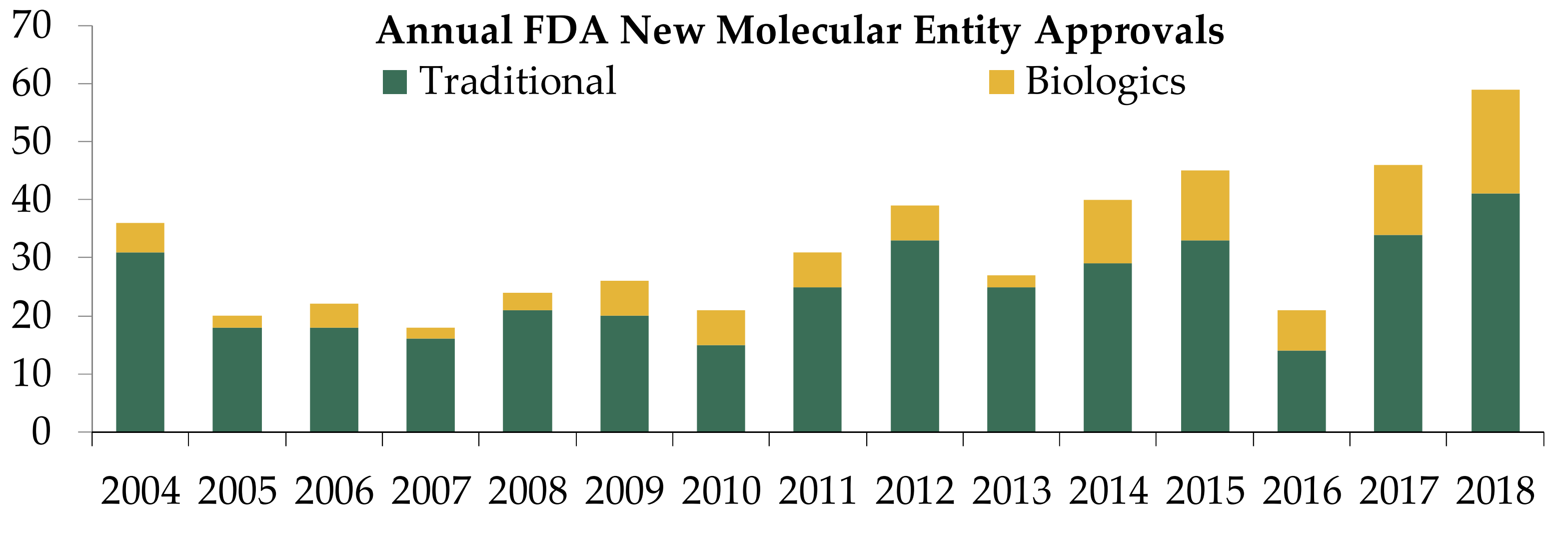


Source: FactSet & BEA as of December 2018. Based on quarterly data points.

INNOVATION, SWIFT APPROVALS SUPPORT HC

New FDA drug approvals hit an all-time high in 2018 and the time to market is shortening, allowing pharmaceutical firms to benefit by collecting revenues more quickly and through longer periods of exclusivity. Specialty drugs, cell-based therapies and gene therapies are expected to be key drivers of drug innovation in the next few years.

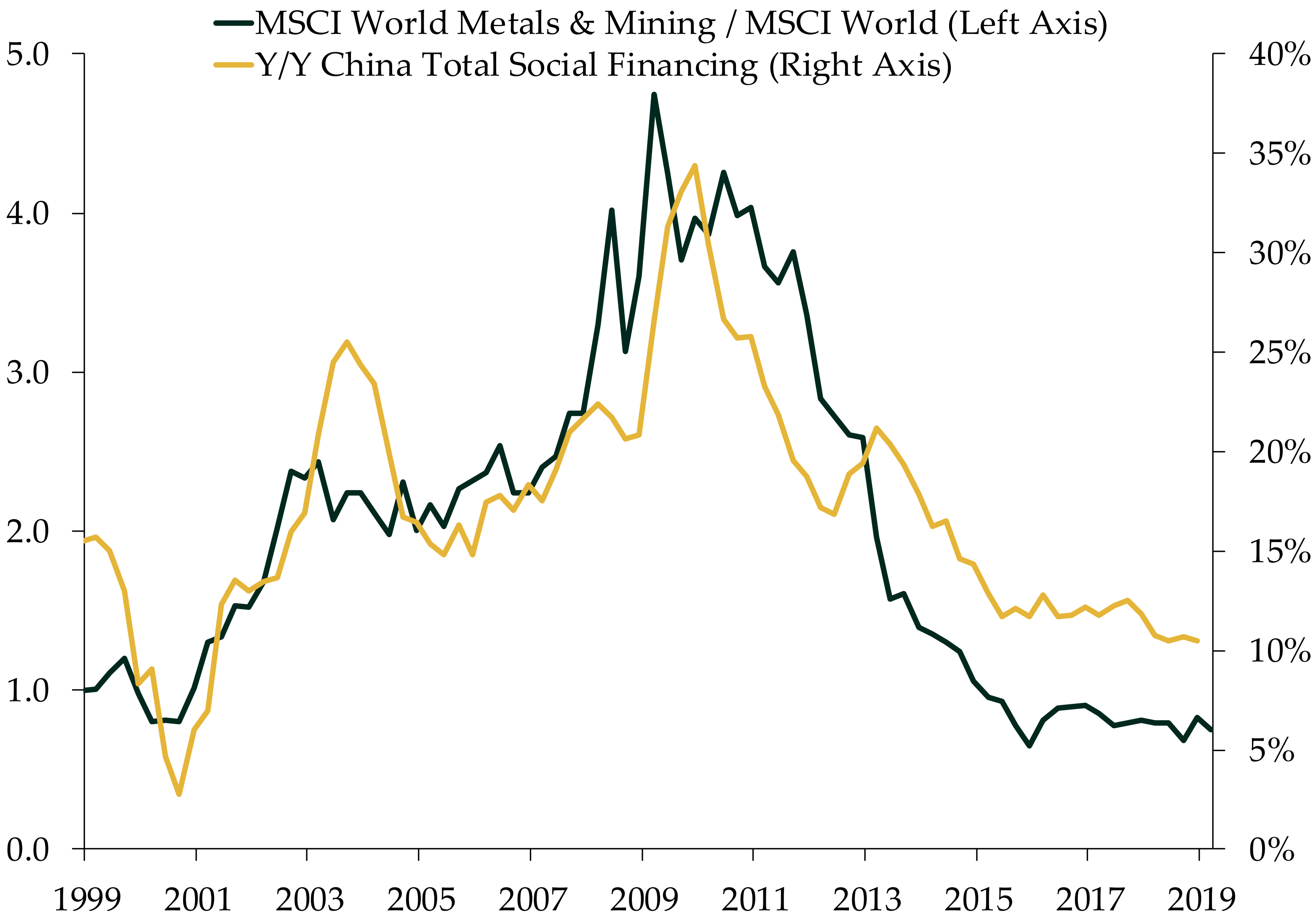




Source: US Food and Drug Administration novel drug approvals of new molecular entities (NMEs) as of March 2019. NMEs provide new therapies for patients.

METALS BENEFIT FROM CHINESE STIMULUS

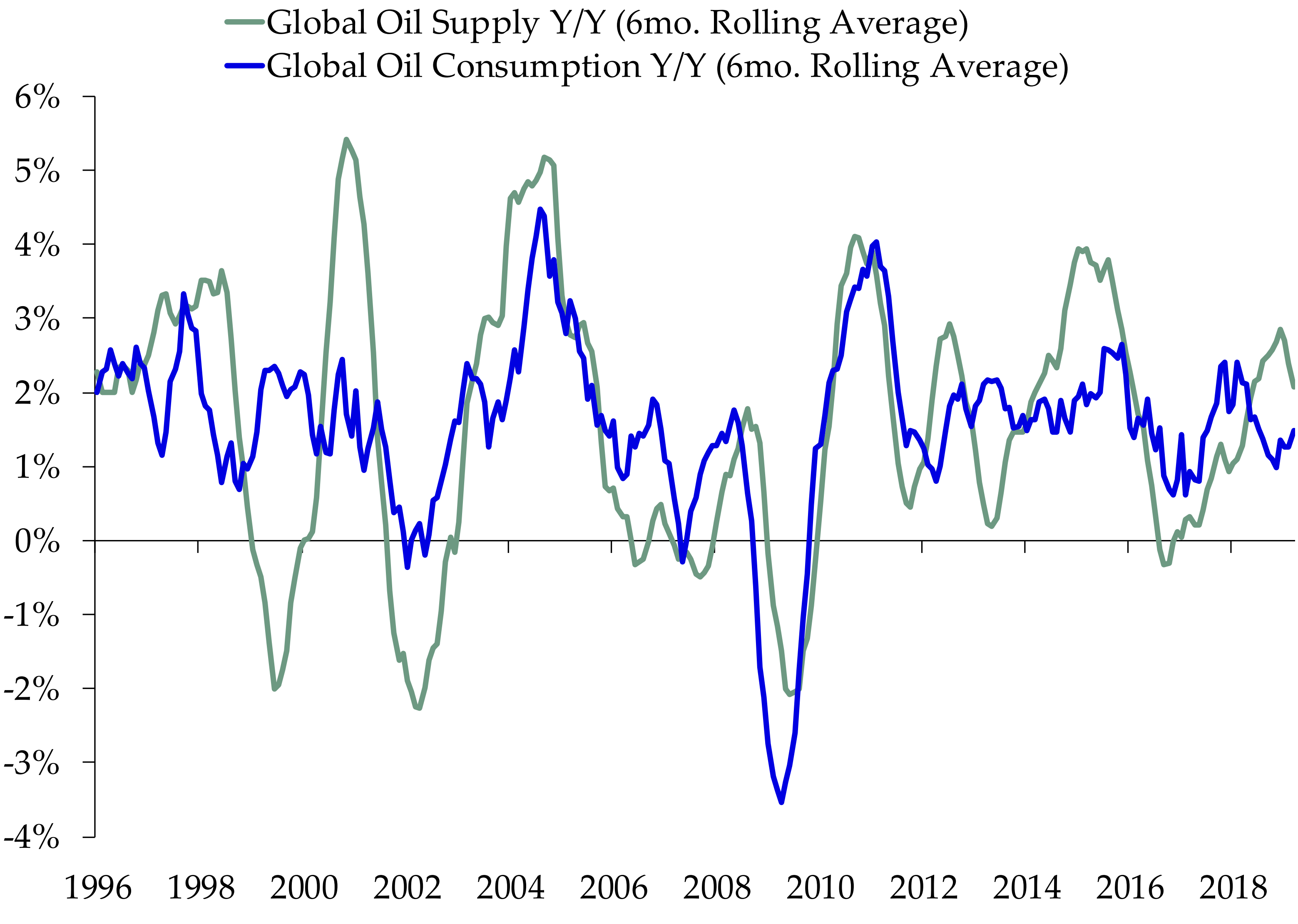
China is the largest marginal buyer of many industrial metals. As stimulus boosts or weighs on economic activity, the relative performance of Metals & Mining firms often follows. The new stimulus measures enacted in response to the recent deceleration in social financing should boost Metals firms.



Source: FactSet, Inc., as of March 2019 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.

OIL MARKETS ROUGHLY BALANCED

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



Source: FactSet, EIA as of March 2019.

CURRENT MARKET TOPICS

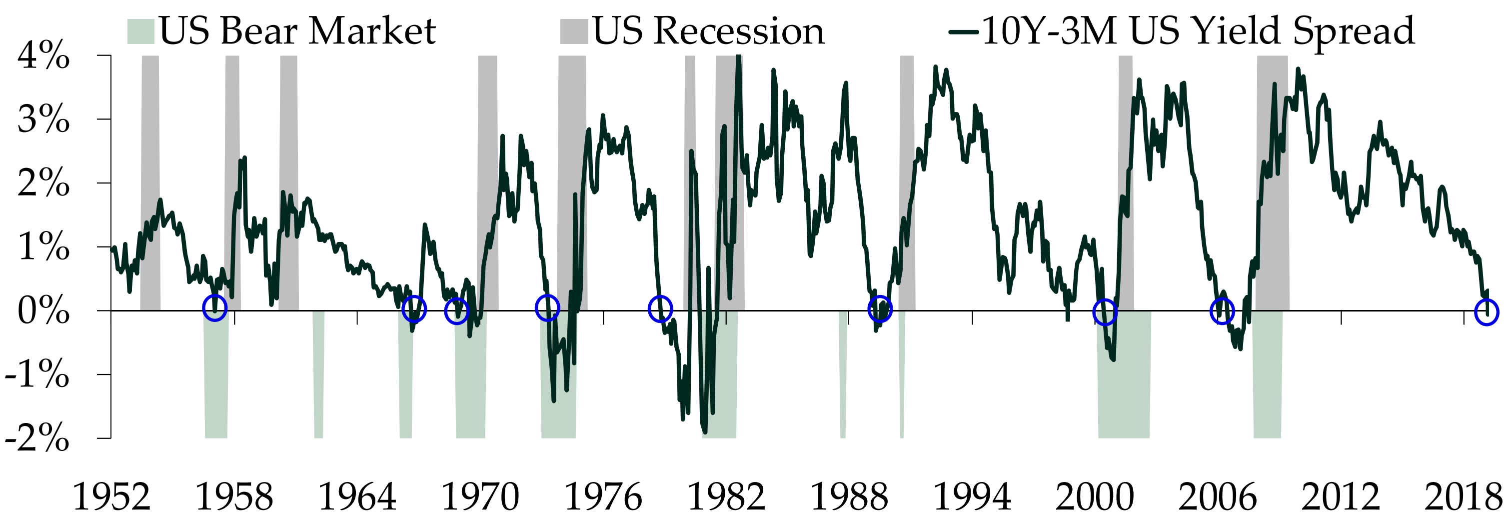
Our views on contemporary investor topics in the market

- Will the yield curve inversion bring a recession?
- Does the housing market indicate economic weakness?
- Is the US fiscal situation problematic for equities?
- 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?
- How do we monitor market sentiment?

THE YIELD CURVE IS A POOR TIMING TOOL

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

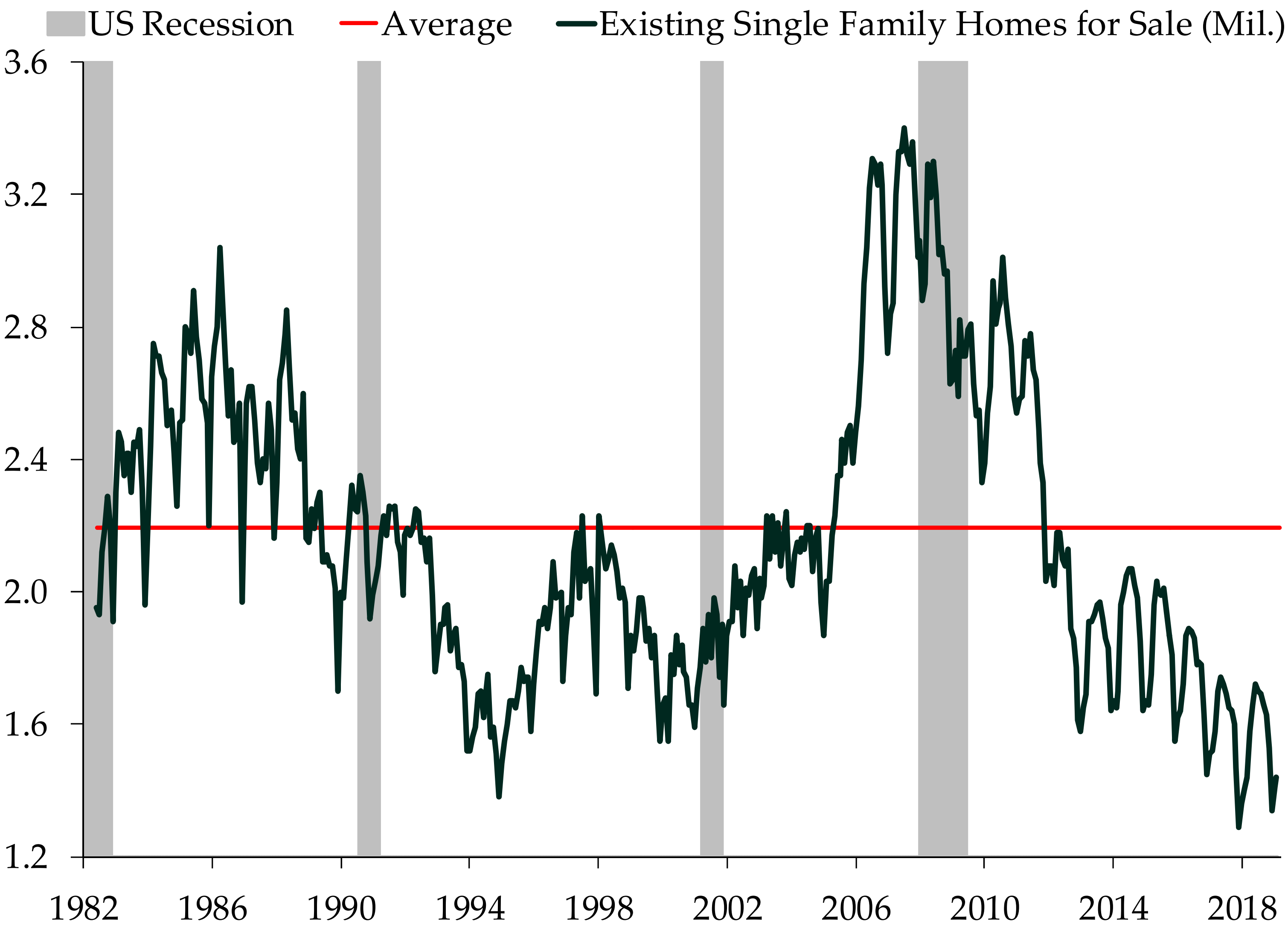
	Inversion Cause		Returns Before Inversion		Returns Following Inversion			
Inversion Date	Rising short rates?	Falling long rates?	-6M	-3M	+6M	+12M	To Mkt Peak	# Months Before Bear
11/01/1978	X		-0.8%	-3.8%	5.0%	5.9%	45.1%	25
03/27/1989	X		8.3%	5.0%	18.8%	17.5%	27.0%	16
09/10/1998		X	-7.9%	-11.9%	31.3%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



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

INVENTORY OF EXISTING HOMES IS TIGHT

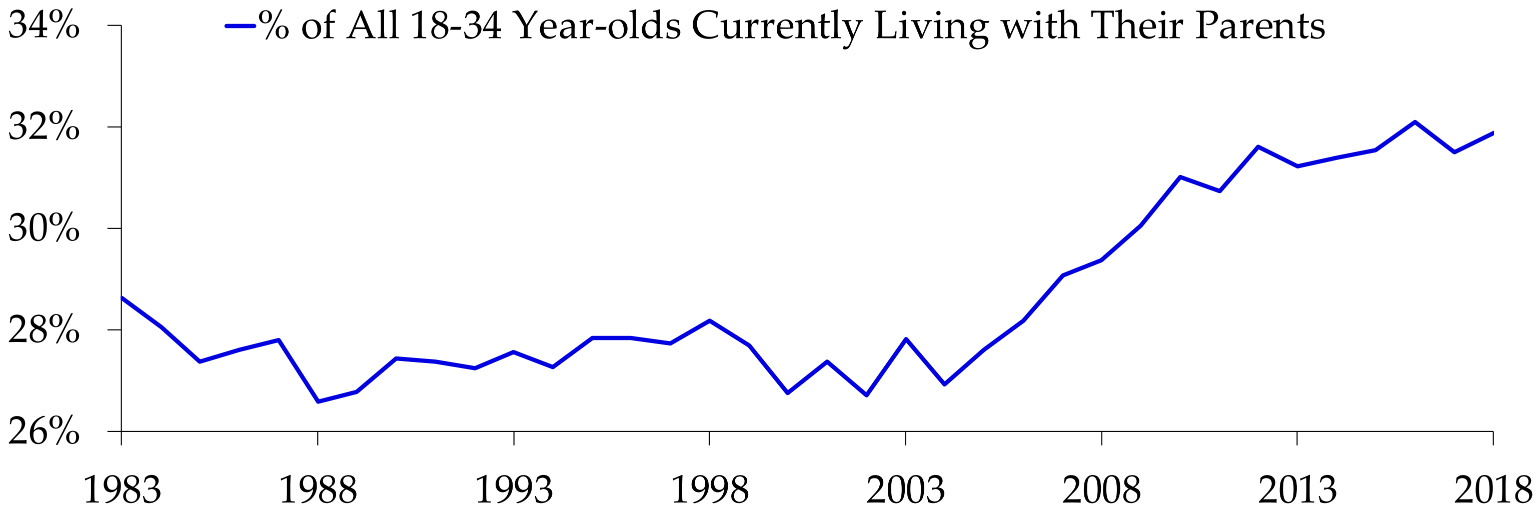
After hitting a low in early 2018, housing supply has recovered slightly but is still well below the historical average leaving room for rapid expansion of newly built homes.

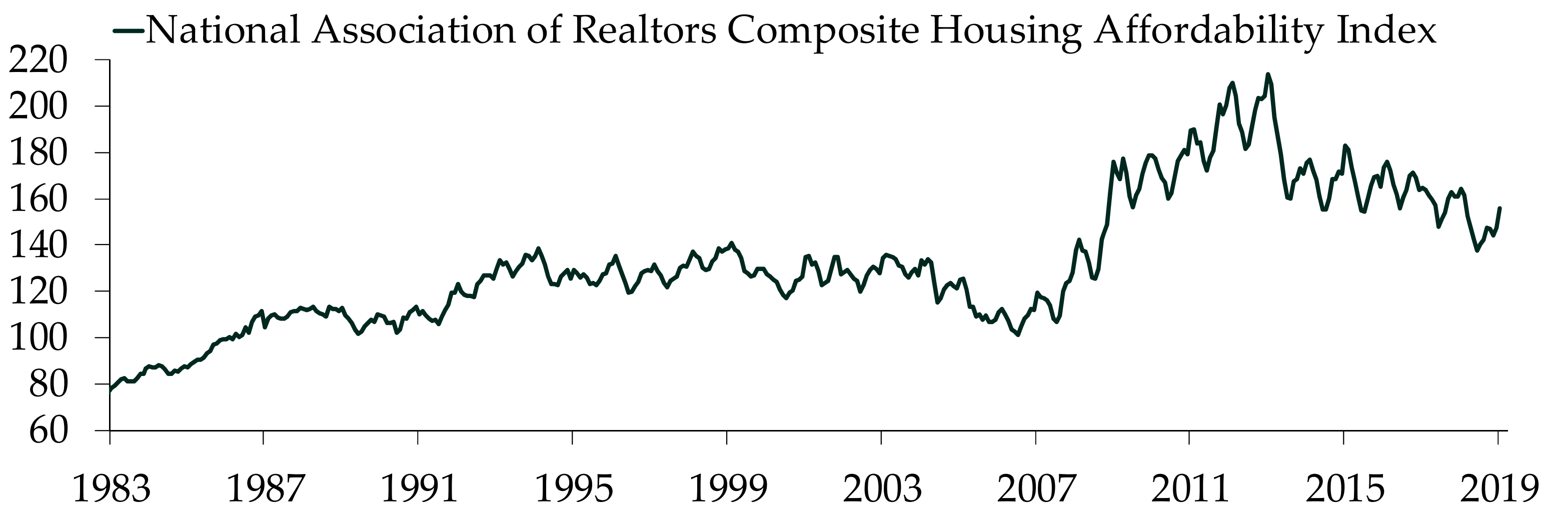


Source: FactSet and US National Association of Realtors as of February 2019. Based on monthly data points.

US HOUSING MARKET POISED FOR REBOUND

The number of potential homebuyers has grown and housing affordability has moderated over the past decade, despite higher mortgage rates. This puts young adults in a prime position to support sales of newly built homes.

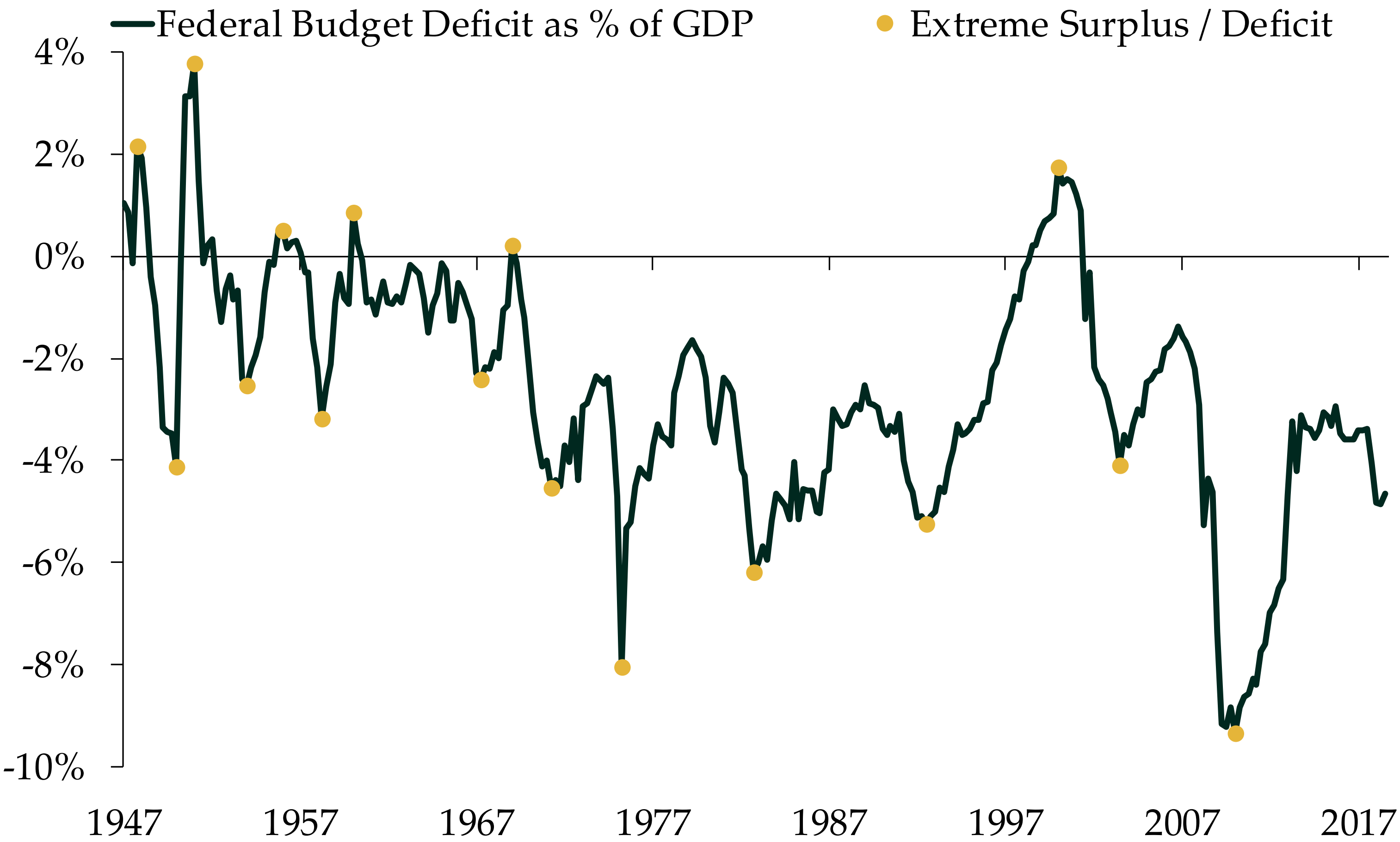




Top chart source: Source: US Census Bureau; yearly survey of living arrangements of 18-34 year-olds & from December 1982 through December 2018. Based on annual data points. Bottom chart source: FactSet and US National Association of Realtors as of January 2019. Based on monthly data points.

BUDGET DEFICITS PROVIDE BOOST TO EQUITIES

US equities have historically performed well in the years following large federal budget deficits.



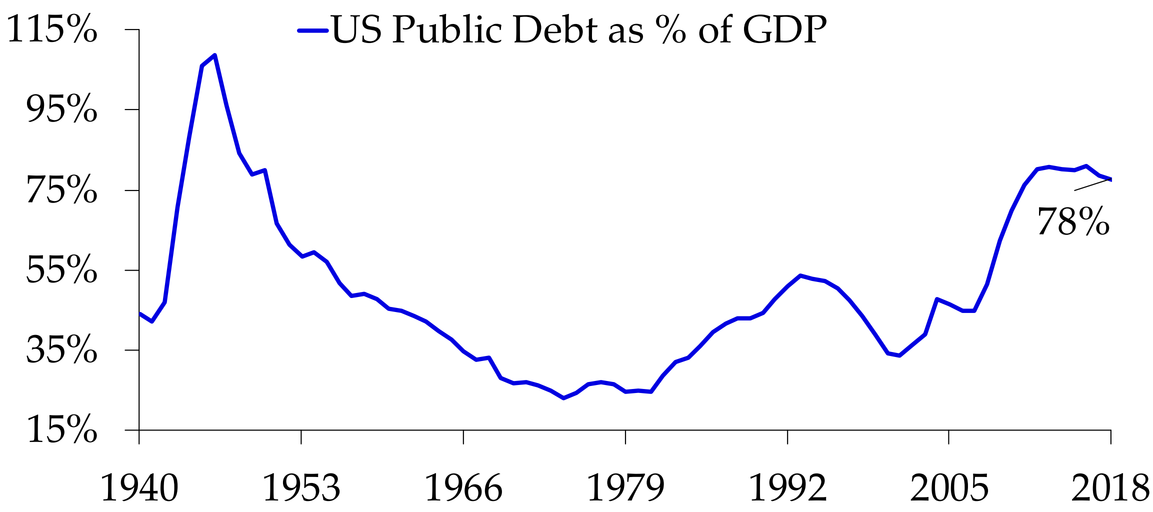
	Average Forward 1 Year Return	Average Forward 2 Year Return (Cumulative)	Average Forward 3 Year Return (Cumulative)
Extreme Deficit	+16.9%	+23.8%	+27.8%
Extreme Surplus	-2.2%	+2.6%	+9.3%

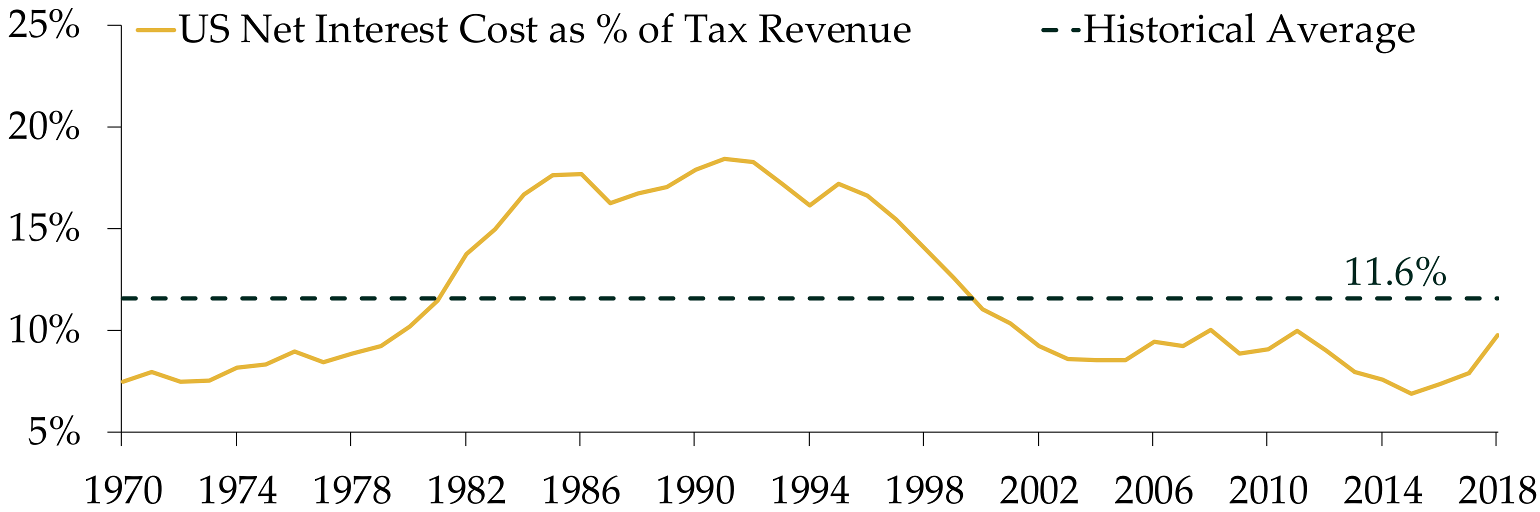
Source: FactSet and Fisher Investments Research as of February 2019. US nominal GDP and US net federal government saving, seasonally adjusted annualized rate & S&P 500 total return index, quarterly, March 1947 to September 2018. Extreme deficit is the federal budget as a % of GDP lower than all trailing and forward three year quarterly periods. Extreme surplus is the federal budget as % of GDP higher than all trailing and forward one year quarterly periods.

US DEBT IS MANAGEABLE

The United States' outstanding public debt as a percentage of GDP is relatively low compared to developed world peers, and the cost of servicing that debt is below its historical average.

2018 Public Debt as Percentage of GDP	
United Kingdom	78%
Germany	41%
France	87%
Italy	118%
Japan	156%
China	50%

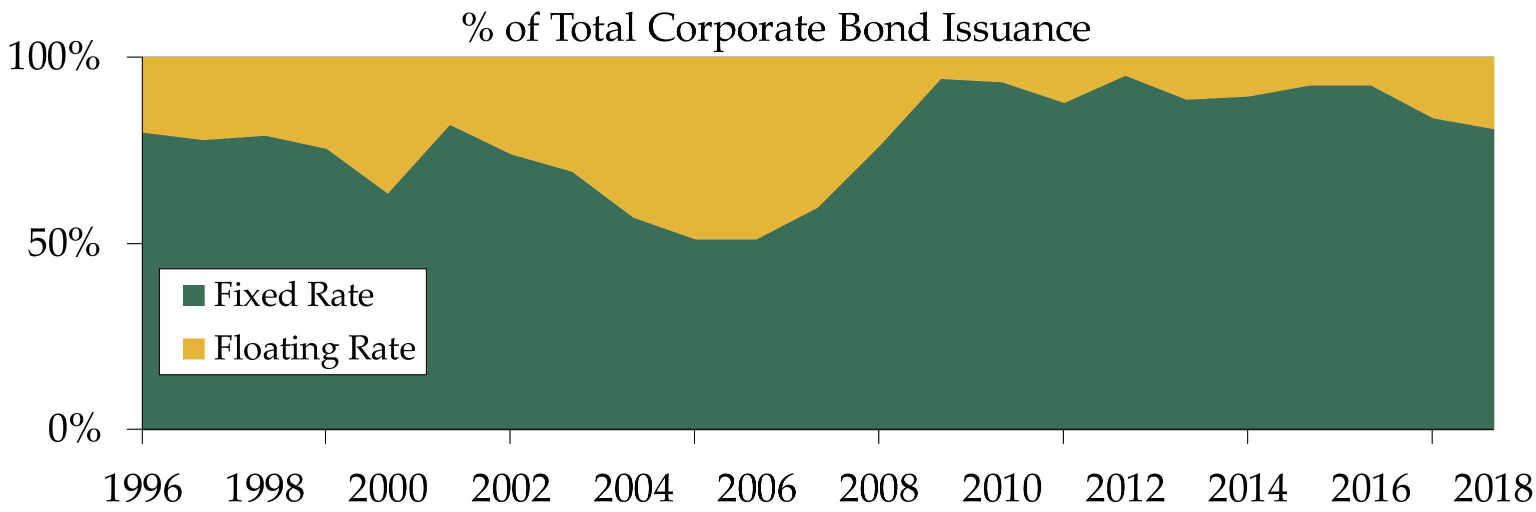


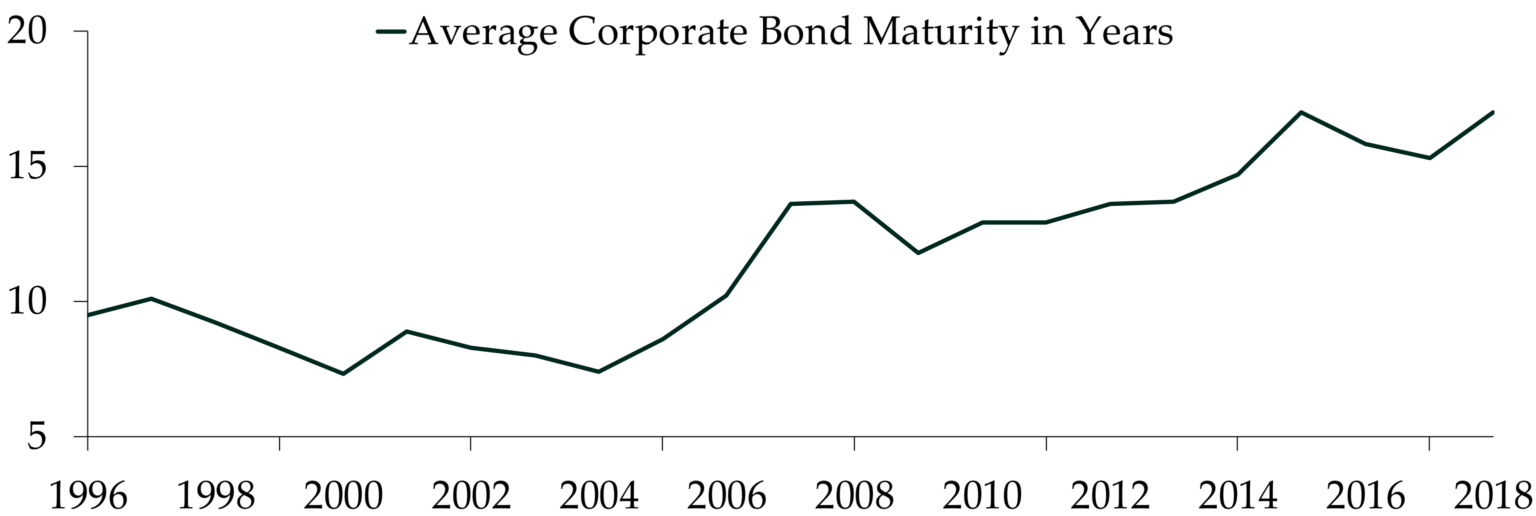


Top chart source: FactSet as of February 2019. US net general government debt figures, annual, December 1940 to December 2018. Bottom chart source: FactSet and Congressional Budget Office as of February 2019. Office net interest outlays and total revenues, annual, December 1970 to December 2018.

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.

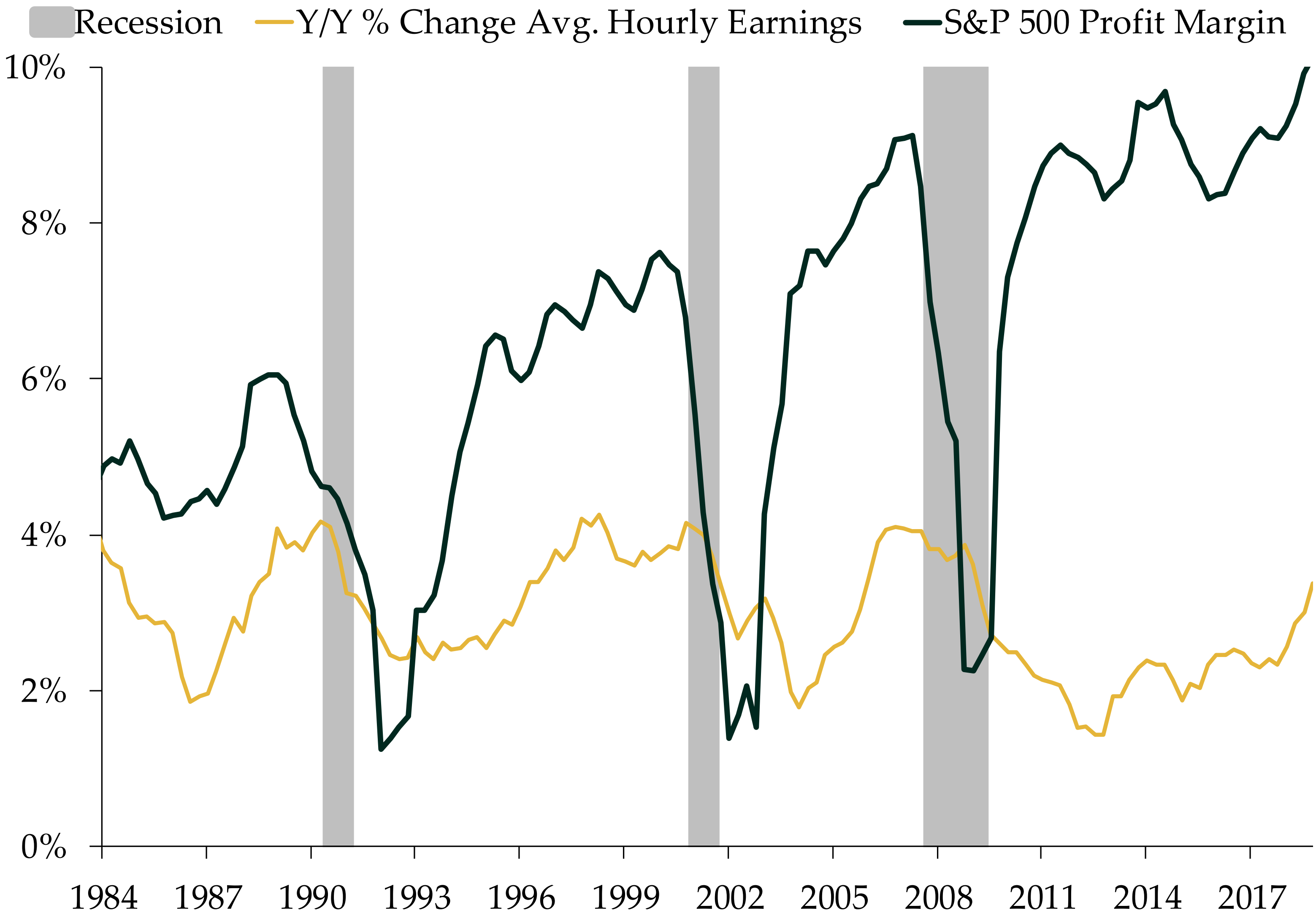




Source: Securities Industry and Financial Markets Association as of December 2018 based on annual data.

WAGES & MARGINS MOVE IN TANDEM

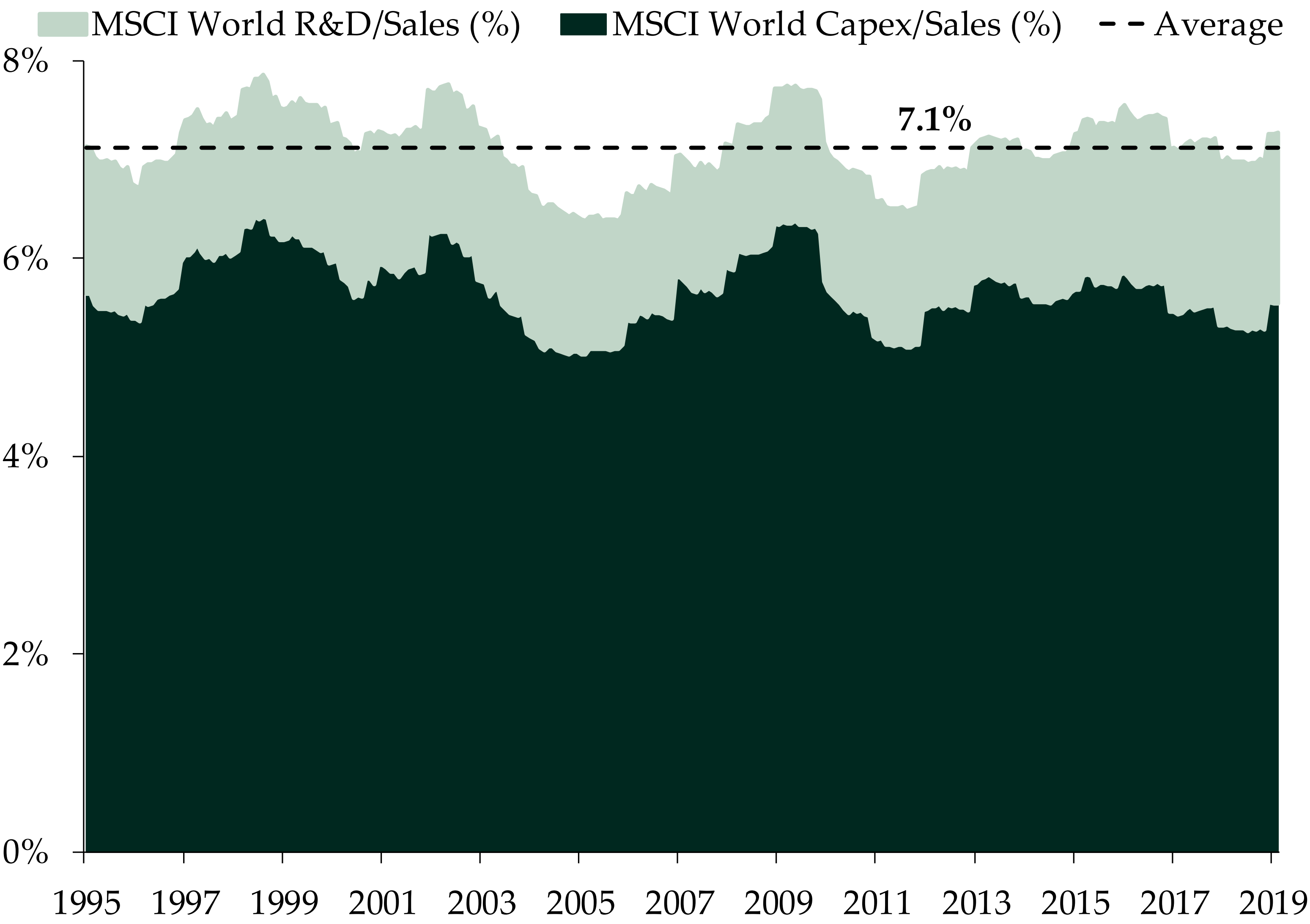
Many wrongly believe corporate margins will fall with rising wages, historically the opposite has been true.



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

CAPEX, R&D SPENDING HEALTHY AMID BUYBACKS

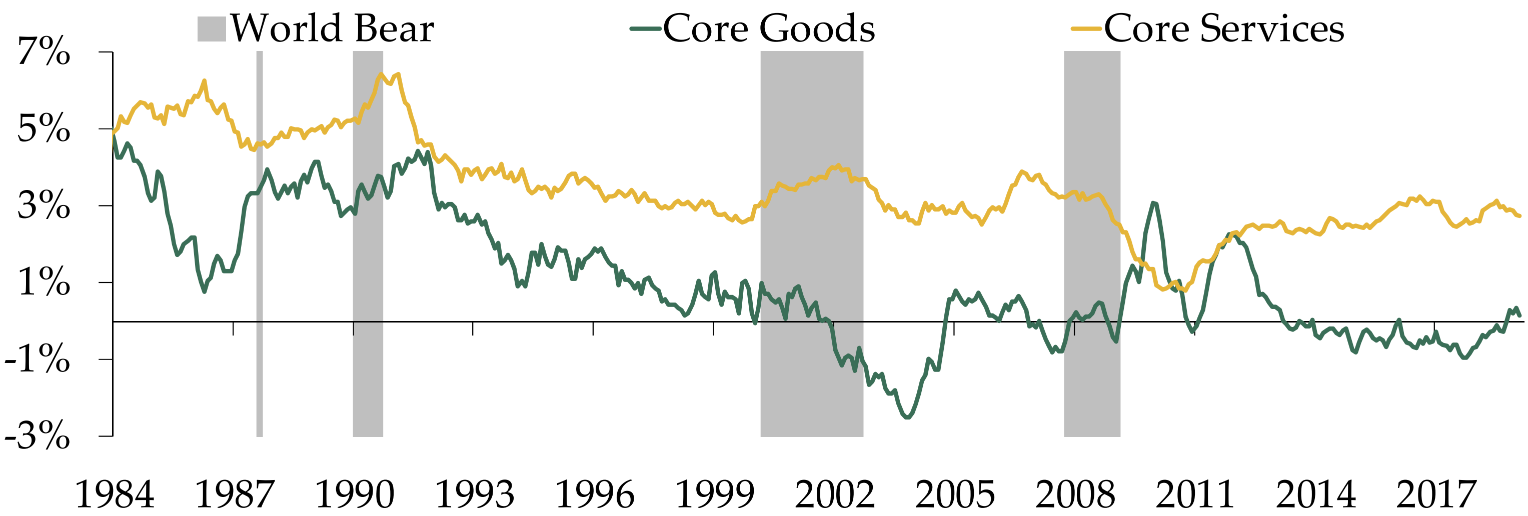
Despite elevated levels of share buybacks, developed world companies' combined spending on Capex and R&D over the past twelve months represented 7.3% of sales, exceeding the long-term average.

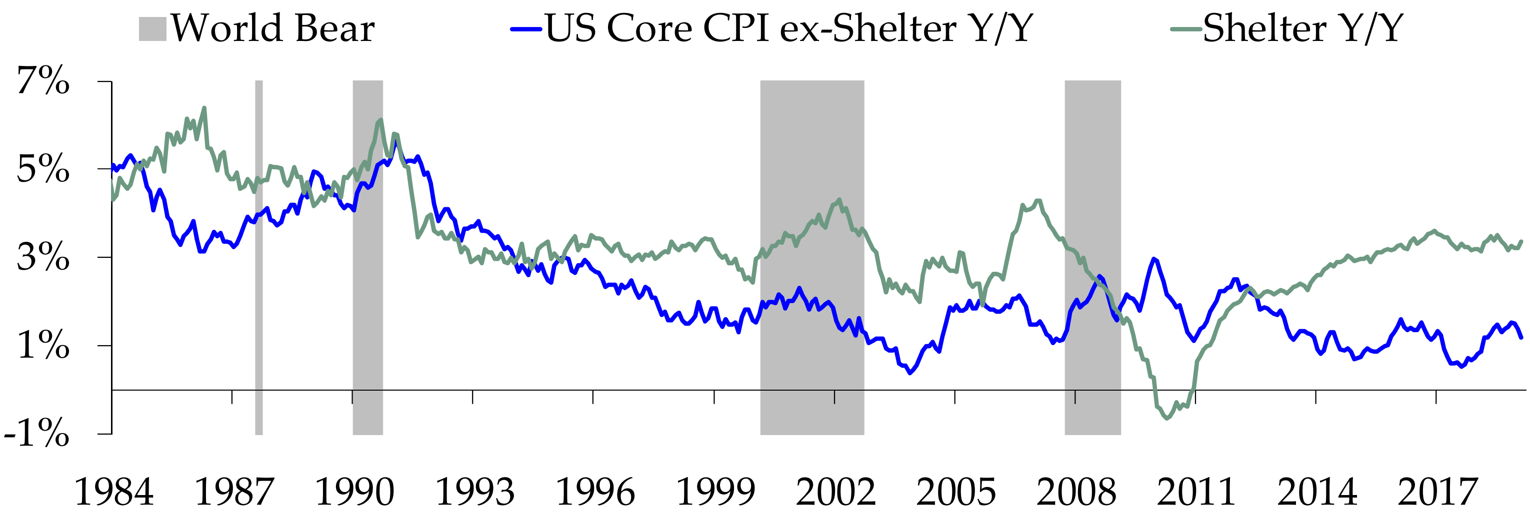


Source: Worldscope and ClariFI; annual data from January 1995 to February 2019. Based on MSCI World constituents.

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.

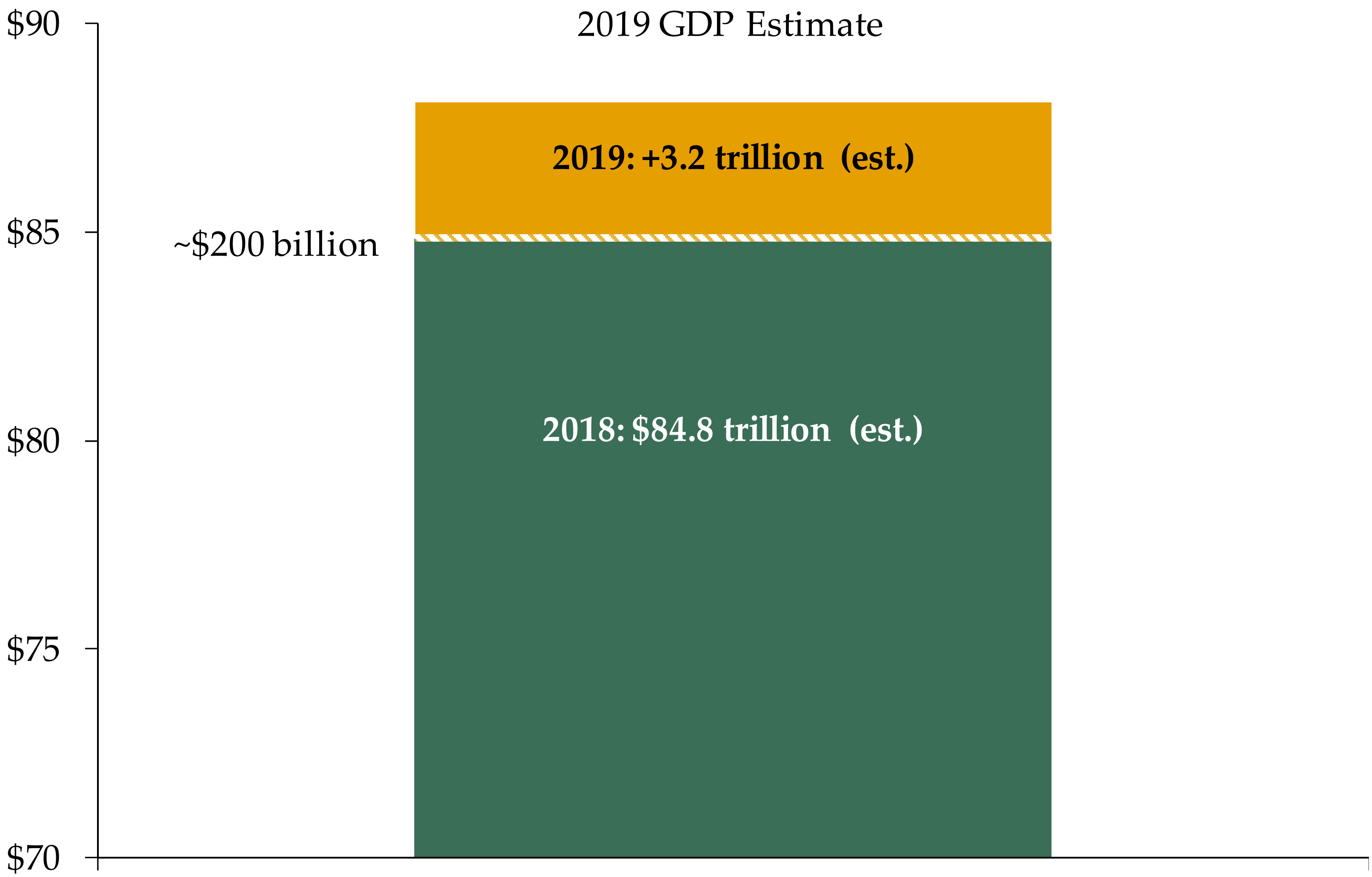




Source: US Department of Labor, FactSet as of February 2019.

RELATIVE TO GLOBAL GDP, NEW TARIFFS LACK SCALE

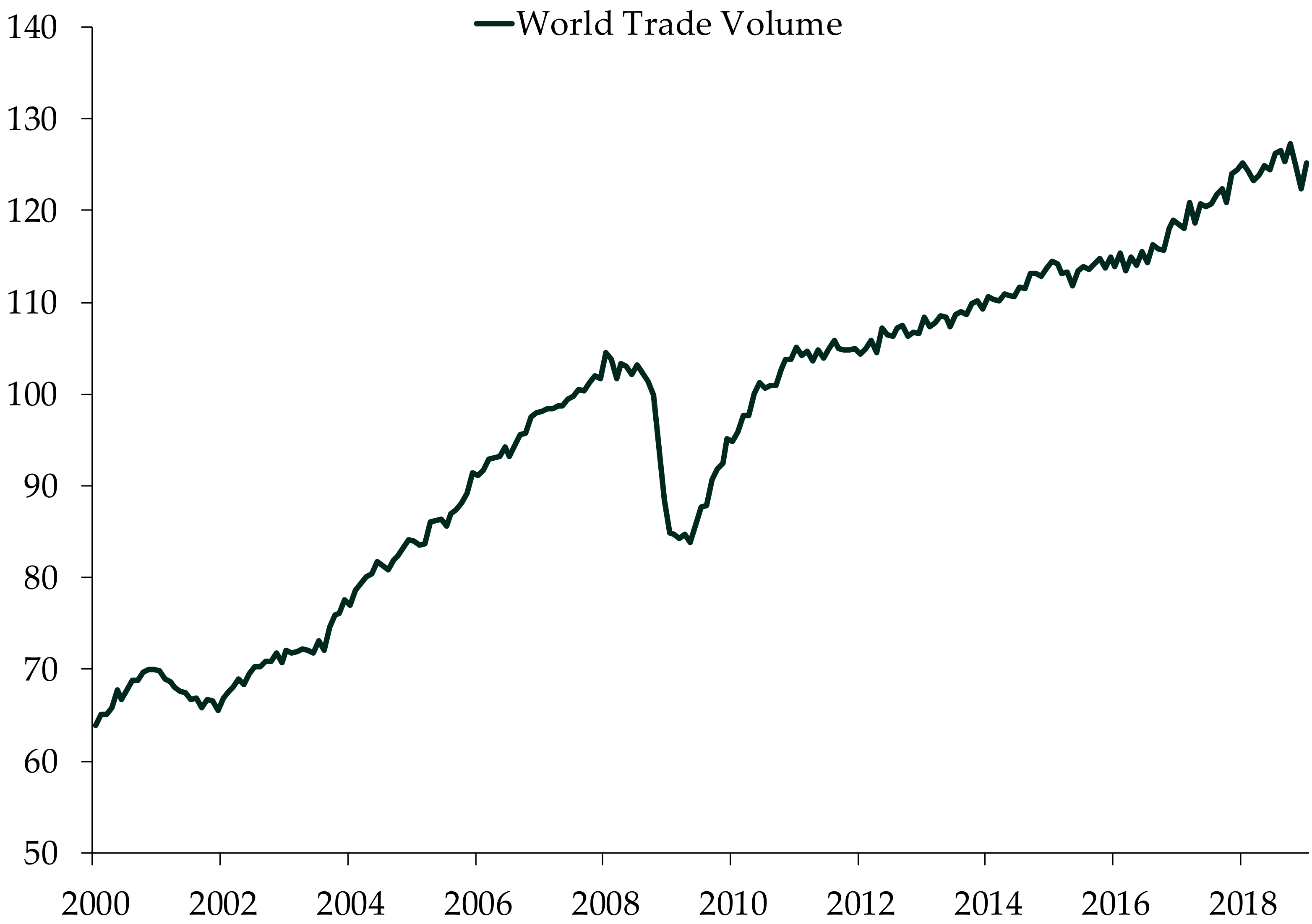
Global economic output is expected to exceed $84 trillion in 2018 and to add over $3 trillion in 2019. Tariffs and their knock-on effects would need to knock about that much off global GDP to cause a global recession. A rough worst case scenario of $200 billion in tariffs is not nearly large enough.



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

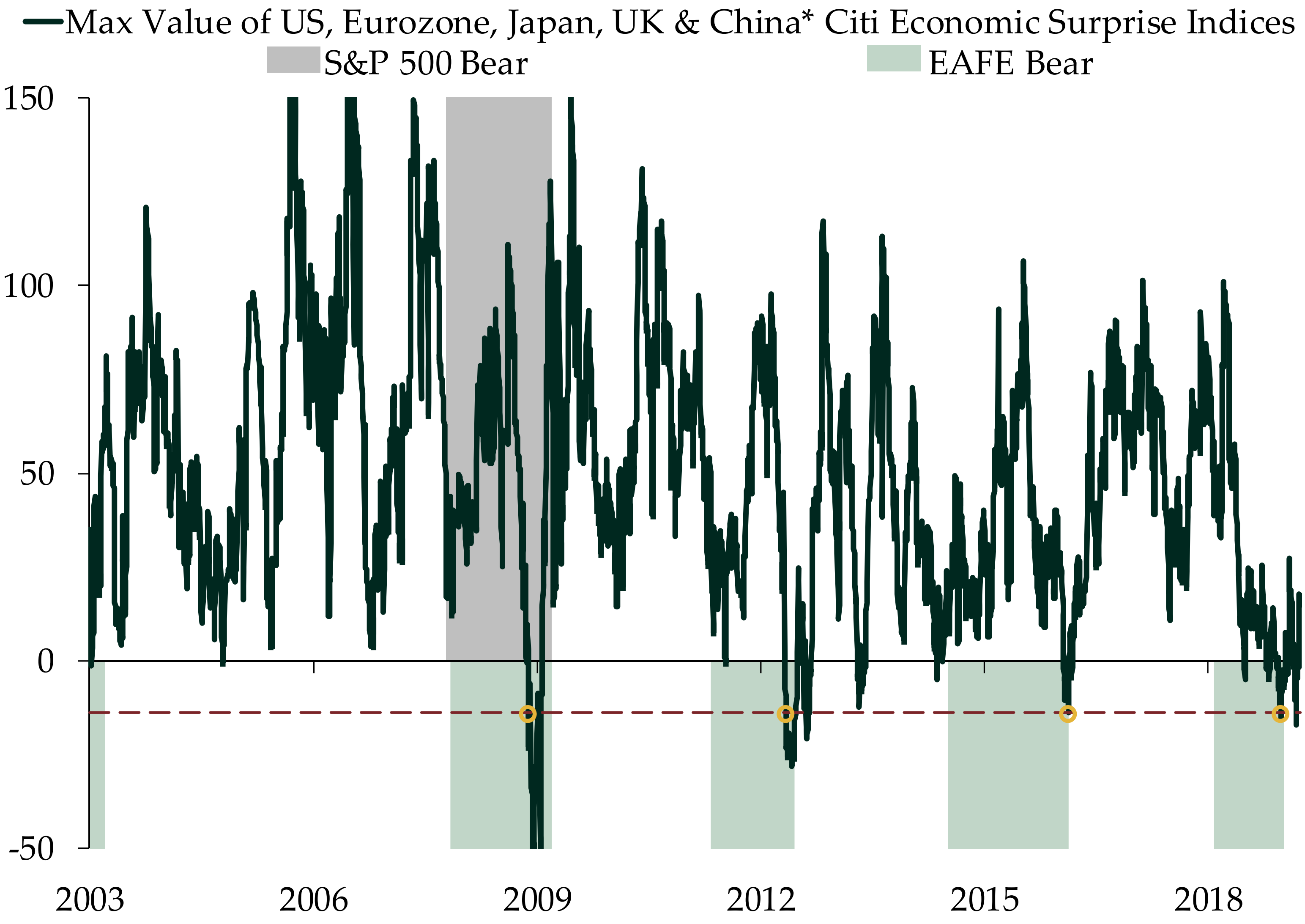
Despite the ongoing trade squabble between China and the US, global trade volume remains strong.



Source: CBP Netherlands Bureau for Economic Policy Analysis, as of January 2019. Merchandise world trade volumes, seasonally adjusted, monthly, December 1999 to January 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.

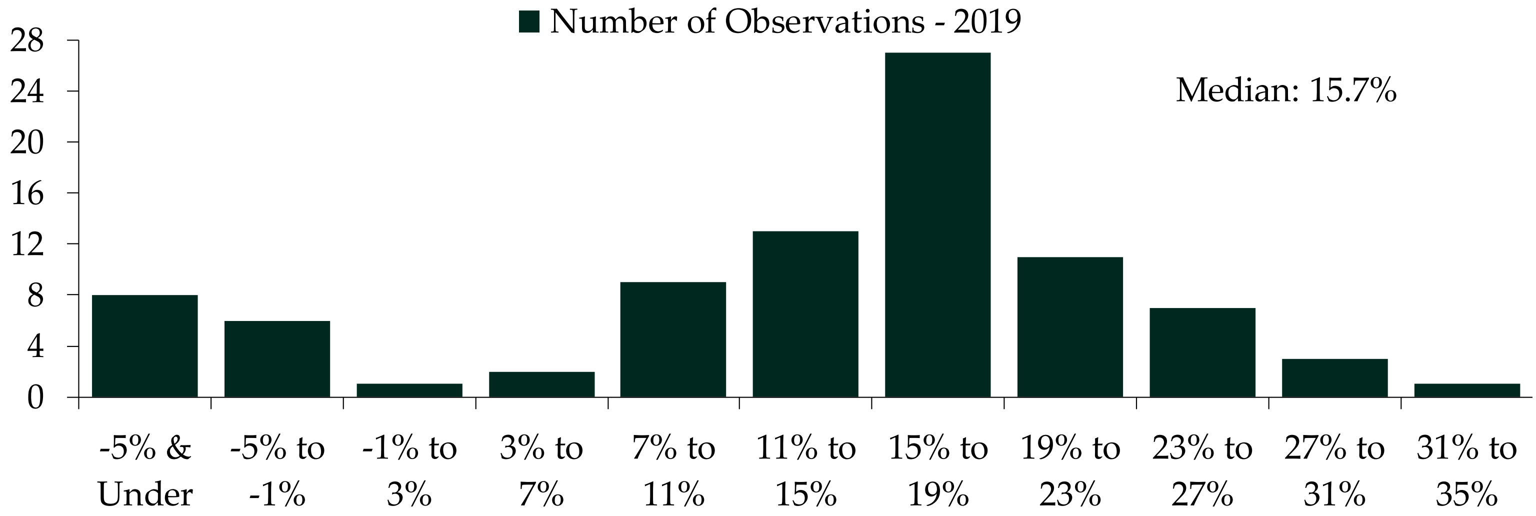


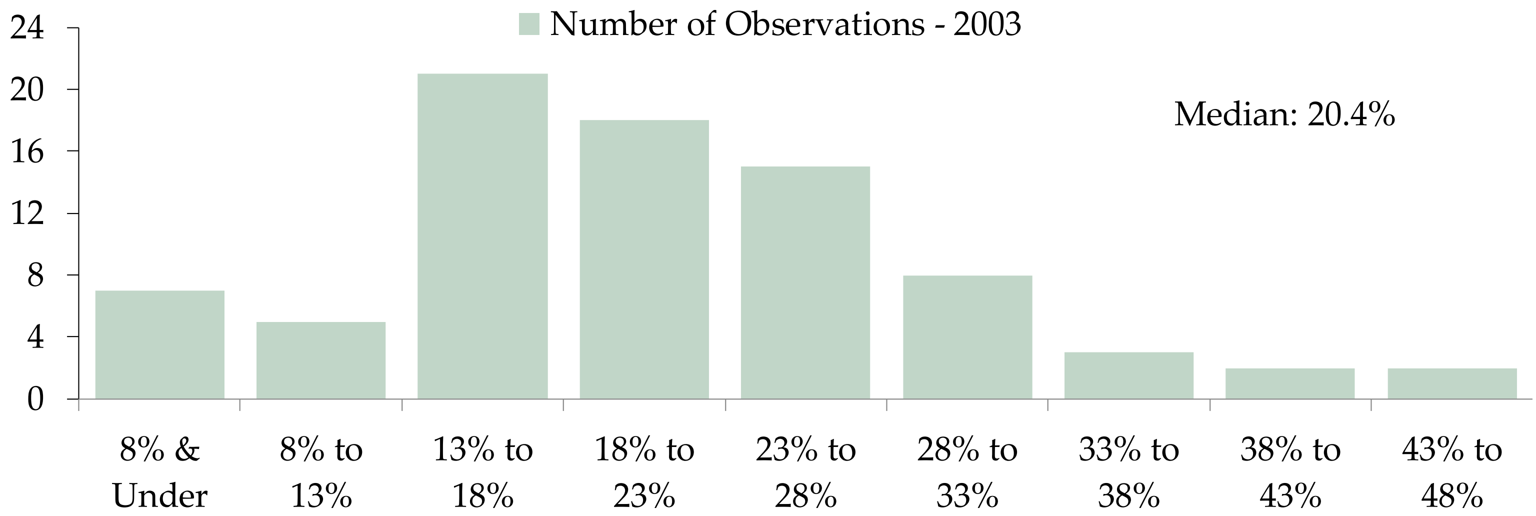
*Chinese data begins January 2014

Source: FactSet and Citibank as of March 2019.

SENTIMENT MORE SUBDUED THAN IT APPEARS

Despite being the highest since 2003, the median S&P 500 forecast of a 15.7% gain in 2019 is not as optimistic as it might look. Since professional forecasters provided their estimates prior to 2018's late selloff, a 15.7% gain in 2019 would still leave the market below 2018's highs – an indication that sentiment is not at euphoric levels.





Source: FactSet and Fisher Investments Research as of February 2019. S&P 500 price index level and professional forecasts.

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**
$7.4 Billion	**$9.6 Billion**	**$24.6 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: 25 years

AUM figures depict assets managed by Fisher Investments and its subsidiaries as of month end March 2019. "Years" is calculated using the date on which Fisher Investments was established as a sole proprietorship: 1979.
Back cover photographs: The offices of FI are located in Washington and California, USA. The London, UK office is the headquarters of Fisher Investments Europe, FI's wholly-owned subsidiary in England. The Dubai International Financial Centre office is a branch office of FI. Fisher Investments Australasia Pty Ltd is FI's wholly-owned subsidiary based in Sydney, Australia. Fisher Investments Japan is FI's wholly-owned subsidiary based in Tokyo, Japan.

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