

MACRO INSIGHTS

Q2 2020

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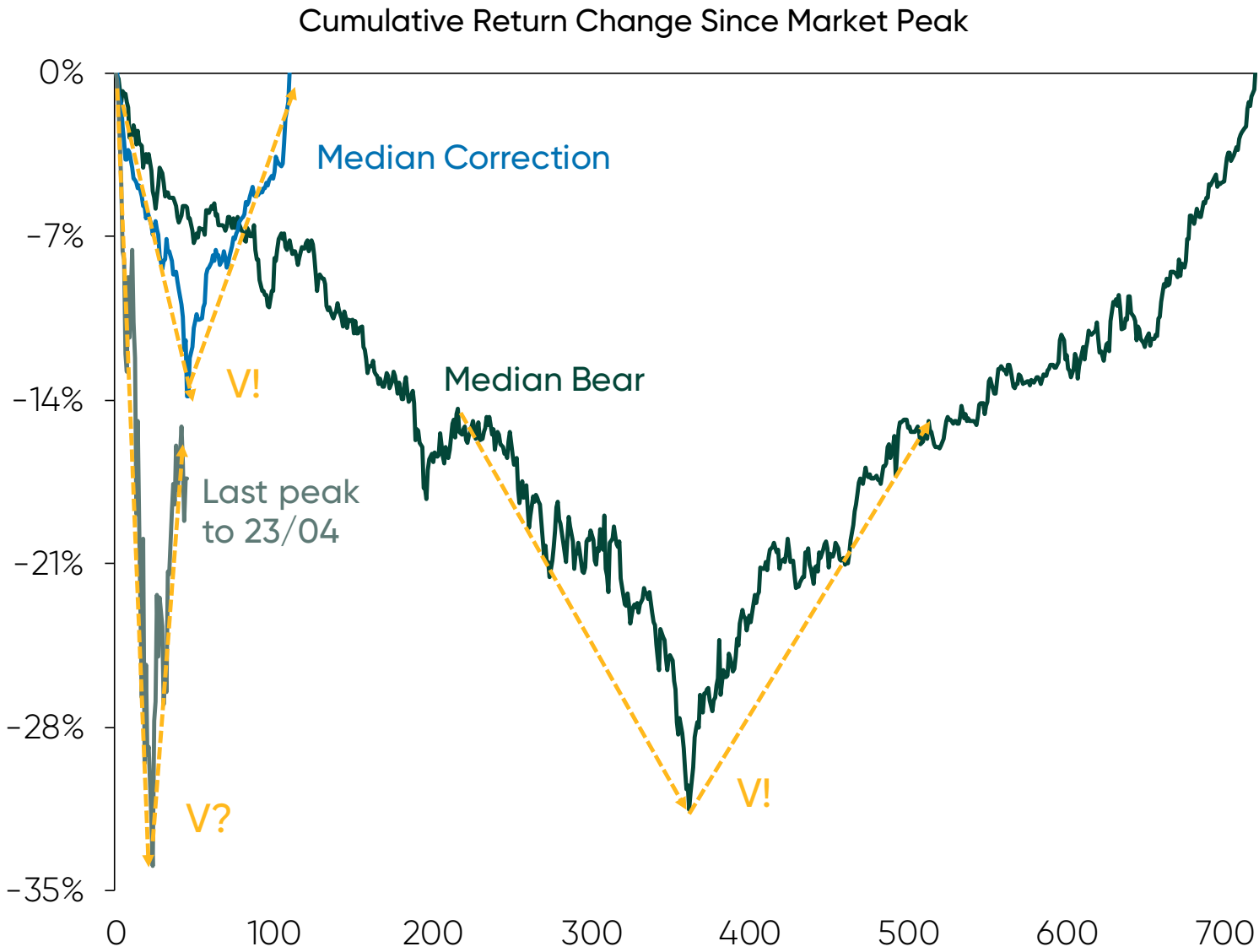
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MARKET OUTLOOK

- The historic speed of this downturn reflects the economic impact and uncertainty arising from the unprecedented institutional response
- The duration of the economic impact matters more than the size – the shorter the contraction, the more robust the recovery
- Equities should rise well before COVID-19 is gone, restrictions are removed, or the economy recovers
- Sharp drawdowns are often followed by swift recoveries creating a “V” pattern
- Our assessment of the market’s future path will determine if we maintain our preference for large, high-quality, growth companies or shift to smaller cyclical firms

PART BEAR, PART CORRECTION

This downturn has the magnitude of a bear market, but the speed and volatility of a correction. So far, the bounce hasn't featured a significant style leadership, which is more consistent with a large correction.

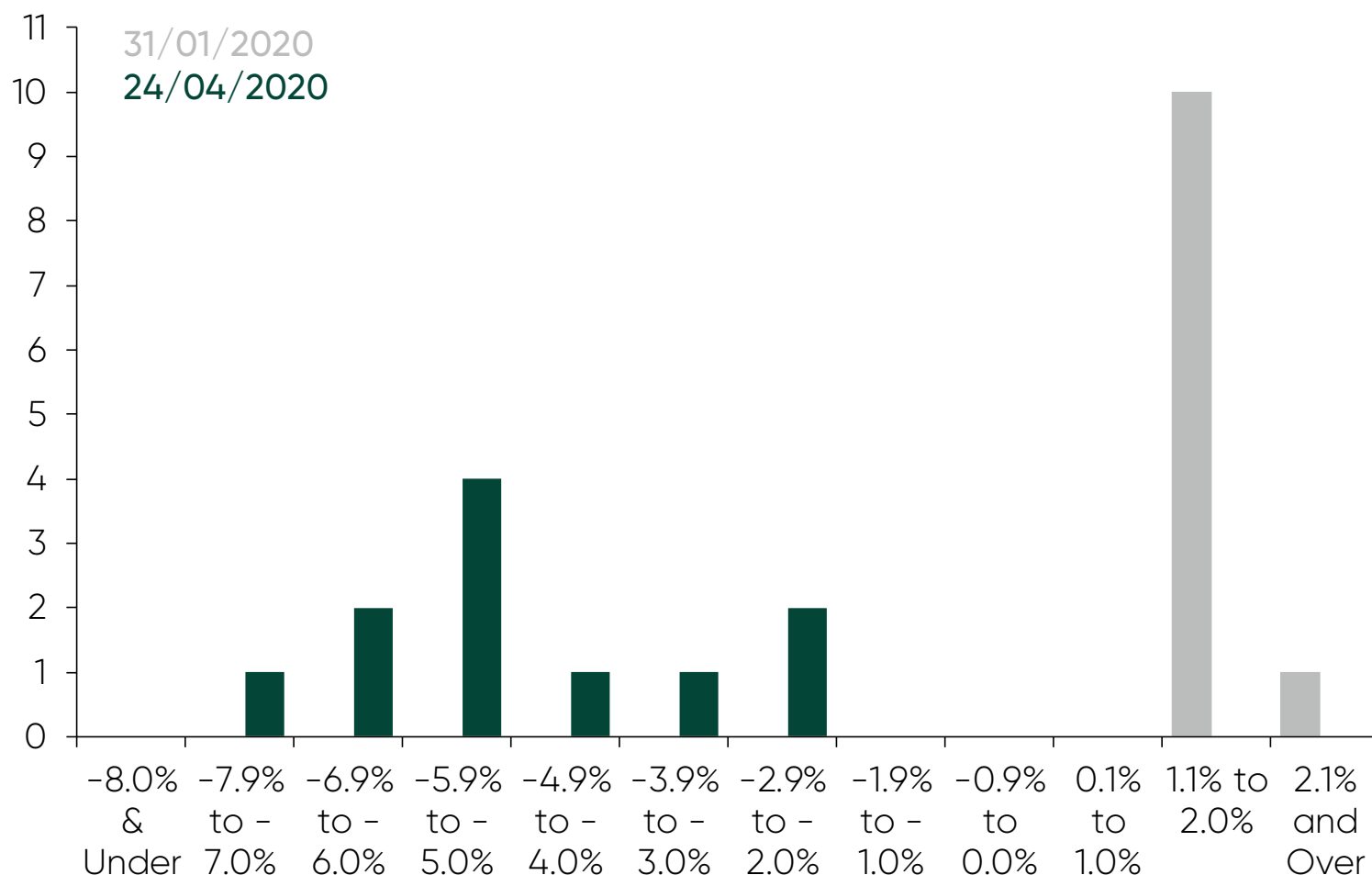


Source: FactSet, as of 24/04/2020. Median S&P 500 Price Index correction and bear market returns, daily, 10/03/1937 – 23/04/2020.

ECONOMIC UNCERTAINTY ADDING TO VOLATILITY

Economic forecasts before the COVID-19 crisis were tightly grouped. Now, they are scattered, reflecting massive economic uncertainty, which is undoubtedly contributing to market volatility.

U.S 2020 GDP Forecasts



Source: Fisher Investments Research, Credit Suisse, Goldman Sachs, JP Morgan, Citigroup, Bank of America, Barclays, Deutsche Bank, UBS, Morgan Stanley and Wells Fargo as of 30/04/2020. US real GDP 2020 forecasts on 31/01/2020 and 24/04/2020.

BEAR MARKETS & RECOVERIES

No matter how long or strong a bear market, the subsequent bull is nearly always longer and stronger. The first 3 & 12 months of a new bull often contain a big early bounce.

S&P 500 Bull & Bear Markets

Bear Peak	Trough	Bull Peak	Bear Duration (months)	Bear Cuml. Return	Bull Duration (months)	Bull Cuml. Return	First 3 Months Bull Return	First 12 Months Bull Return
06/09/1929	01/06/1932	10/03/1937	33	-86.0%	57	324.0%	92.3%	120.9%
10/03/1937	28/04/1942	29/05/1946	61	-60.0%	49	158.0%	13.5%	53.7%
29/05/1946	13/06/1949	02/08/1956	36	-30.0%	85	267.0%	16.2%	42.0%
02/08/1956	22/10/1957	12/12/1961	15	-22.0%	50	86.0%	5.7%	31.0%
12/12/1961	26/02/1962	09/02/1966	6	-28.0%	43	80.0%	7.3%	32.7%
09/02/1966	07/10/1966	29/11/1968	8	-22.0%	26	48.0%	12.3%	32.9%
29/11/1968	26/05/1970	11/01/1973	18	-36.0%	32	74.0%	17.2%	43.7%
11/01/1973	03/10/1974	28/11/1980	21	-48.0%	74	126.0%	13.5%	38.0%
28/11/1980	12/08/1982	25/08/1987	20	-27.0%	60	229.0%	36.2%	58.3%
25/08/1987	04/12/1987	16/07/1990	3	-34.0%	31	65.0%	19.4%	21.4%
16/07/1990	11/10/1990	24/03/2000	3	-20.0%	113	417.0%	6.7%	29.1%
24/03/2000	09/10/2002	09/10/2007	30	-49.0%	60	101.0%	19.4%	33.7%
09/10/2007	09/03/2009	19/02/2020*	17	-57.0%	131	401.0%	39.3%	68.6%
19/02/2020	23/03/2020*	?	1	-33.9%	?	?	?	?
Average			21	-39.9%	62	182.8%	23.0%	46.6%

Sources: Global Financial Data, FactSet, as of 23/03/2020. S&P 500 Price Index Level from 06/09/1929-23/03/2020.

*19/02/2020 Indicates most recent all-time high close, 23/03/2020 indicates most recent low. Average excludes current bear. Returns are presented exclusive of dividends. For "duration," a month equals 30.5 days.

GLOBAL EQUITY SCENARIOS

The swift equity market downturn has been large enough to be deemed a bear market. In our view, the downturn has some characteristics of a bear market (e.g. magnitude, likely recession) and some characteristics of a very large correction (e.g. speed and panic of the downturn). Recoveries from corrections and bear markets can behave very differently. Following bear markets, smaller, value-oriented, cyclical companies often lead early in the new bull. Size and style leadership changes following corrections are less consistent. Looking forward, we think there are three primary paths the market may take, which will dictate the proper portfolio positioning.

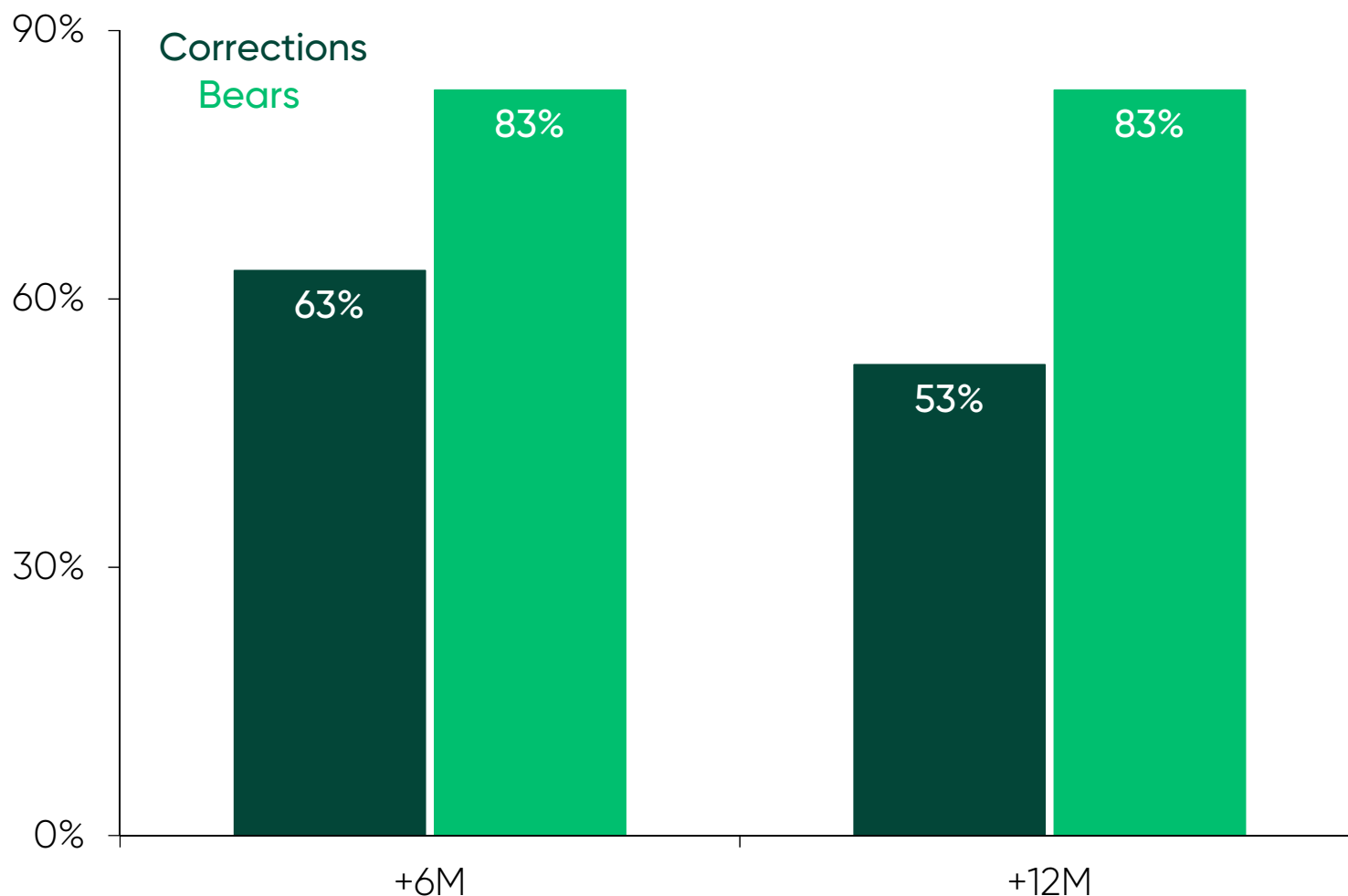
Scenario	Sector Views
Scenario 1 - If widespread shutdowns end relatively quickly: <ul style="list-style-type: none"> • Activity resumes quickly • Most or all negativity already reflected in prices • Large but short-term economic contraction followed by a strong rebound • Market acts like an outsized correction, major portfolio moves unlikely needed 	<ul style="list-style-type: none"> • Current sector views and positioning remain relatively unchanged • Growth oriented sectors and high quality categories regain leadership in the near term
Scenario 2 - If shutdowns and closures continue into summer: <ul style="list-style-type: none"> • Longer recession likely, further volatility and possible downside in the short-term but priced in quickly • Change portfolios to position for a traditional new bull market recovery • 12 to 18 months in the future = prices higher 	<ul style="list-style-type: none"> • Sector views may change in the months ahead as we get closer to the start of a new bull market cycle • Possibly target exposure to smaller, value-oriented sectors, cyclicals and categories likely to bounce the most off the bottom
Scenario 3 - If shutdowns and closures continue indefinitely: <ul style="list-style-type: none"> • A deep global recession • Potentially take defensive action • New bull market timing unknown 	<ul style="list-style-type: none"> • Defensive sectors lead global markets longer than in the first two scenarios • Possibly take defensive action including shifts to existing sector weights before repositioning for the start of a new bull market cycle

As of 30/04/2020.

SMALL VALUE VS. BIG GROWTH

Small cap value equities frequently outperform after bears, but their outperformance is less consistent after corrections. Whether this downturn acts like a big correction or traditional bear will likely dictate the optimal way to capitalise on the recovery.

Frequency of Small Cap Value Outperformance



Source: FactSet, Dartmouth College, as of 17/03/2020. Frequency of outperformance in small cap value (SCV) equities versus big cap growth (BCG) equities during bear markets and corrections. SCV represented by Fama French Small Value Index (23/11/1971 – 27/05/1993) and Russell 2000 Value Index (28/05/1993 – 24/12/2019); BCG represented by Fama French Large Growth Index (23/11/1971 – 27/05/1993) and Russell 1000 Growth Index (28/05/1993 – 24/12/2019).

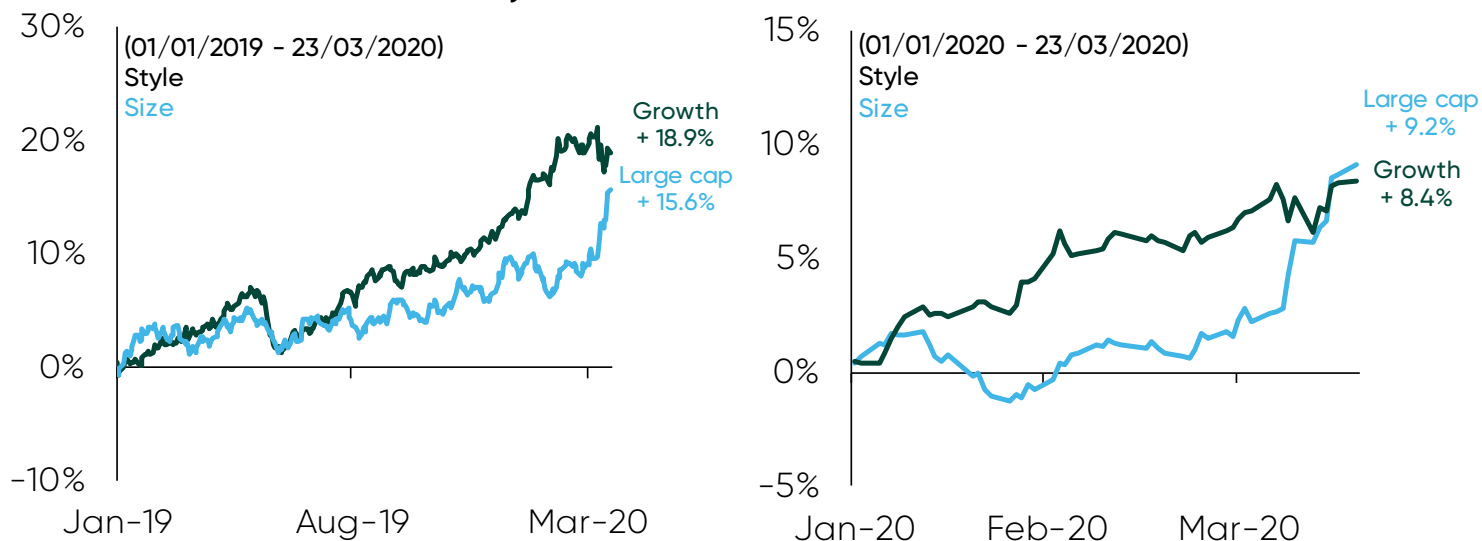
LARGE CAP & GROWTH HAVE LED THE WAY

Large growth companies led into the downturn, as they usually do late in bull markets. Their outperformance accelerated in the downturn to the surprise of many.

MSCI World – Style & Size Cumulative Relative Returns



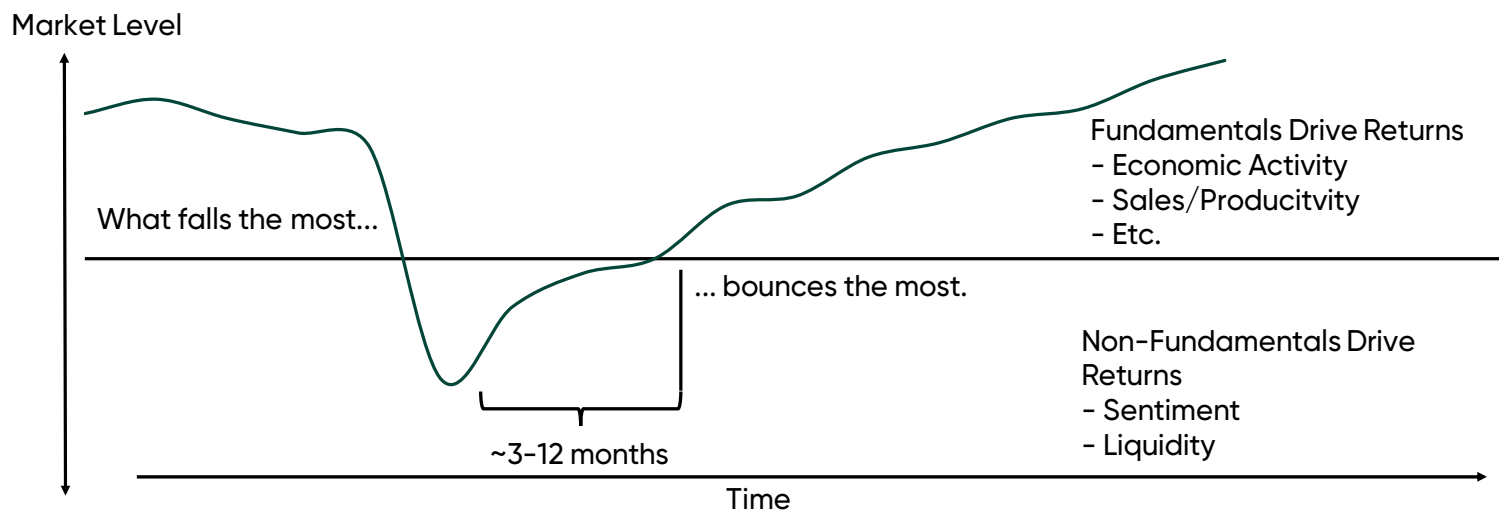
MSCI EM – Style & Size Cumulative Relative Returns



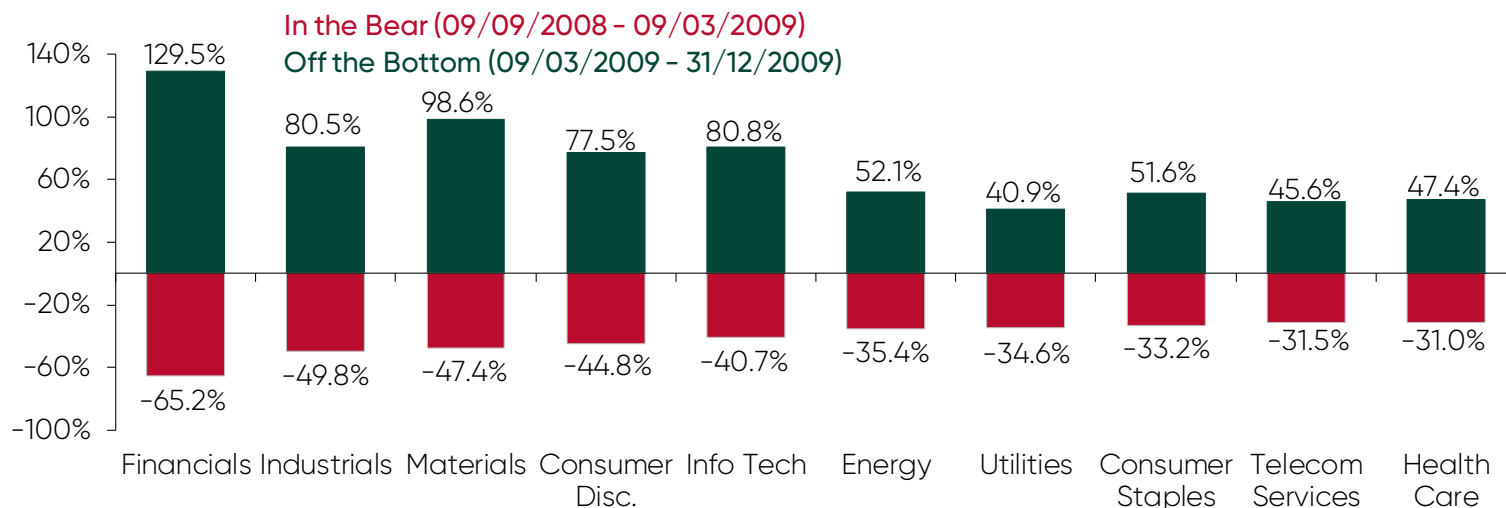
Source: FactSet as of 23/03/2020. Shows relative cumulative net daily performance based in USD for the following indices: MSCI World: MSCI World Large Cap vs. MSCI World Small Cap & MSCI World Growth vs. MSCI World Value. MSCI EM: MSCI EM Large Cap vs. MSCI EM Small Cap & MSCI EM Growth vs. MSCI EM Value.

MARKET RECOVERIES FOLLOWING TRADITIONAL BEARS

Sectors which experience the largest declines in the late stages of a traditional bear on average tend to bounce back the most in the early stages of the bull market.



MSCI World Sector Returns – Global Financial Crisis

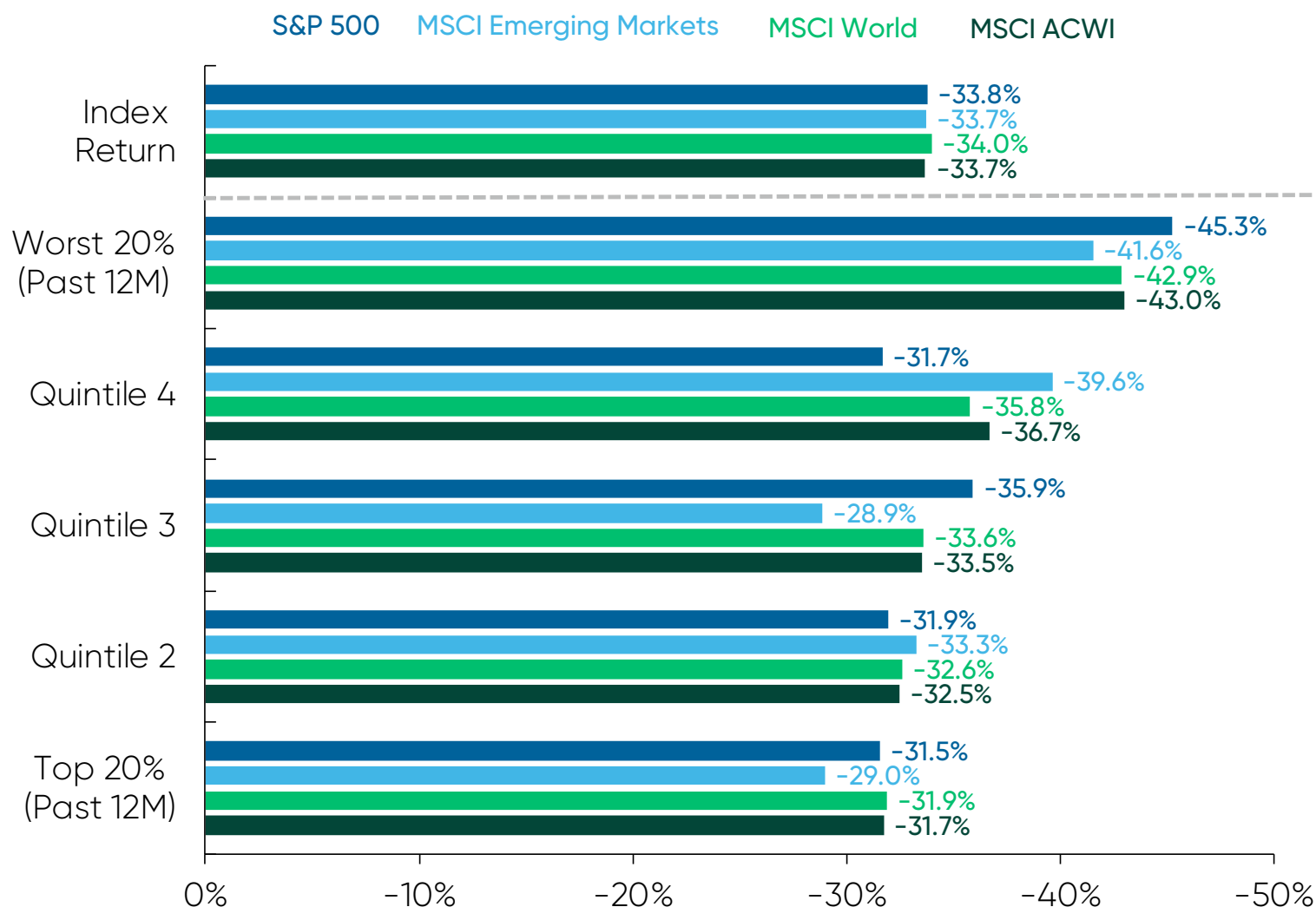


Top chart source: Fisher Investments research. Note: This is a hypothetical example intended to illustrate a point and does not reflect actual returns. It is not drawn to scale and should not be interpreted as a forecast. Bottom chart sources: FactSet, as of 08/10/2015. S&P 500 Sector Indexes from 09/09/2008 - 31/12/2009. Returns are shown exclusive of dividends.

NO MAJOR SHIFT IN MARKET LEADERS

For nearly all of the major indices below, the equities that performed best in the 12 months leading up to the last high also fared best during the downturn. Similarly, the worst performers in the prior period did worst in the downturn.

Cumulative performance since previous index peak to 23/03/2020



Source: FactSet as of 23/04/2020. Quintiles are based on index total return over the 12 months to their last all-time high and show subsequent performance from that peak to 23/03/2020. World Peak: 12/02/2020. S&P 500 Peak: 19/02/2020. EAFE Peak: 17/01/2020. EM Peak: 17/01/2020. ACWI Peak: 12/02/2020.

CURRENT MARKET TOPICS

Current Market Topics – Virus Research

- How is the virus progressing and what is the impact on equities?
- How are businesses, governments, and central banks responding to COVID-19's impact?
- Which equity market internals might signal a reversal?
- Does non-equity capital market data signal an abundance of stress in financial markets?
- What insight does higher frequency economic data provide on how the economy is progressing?
- What economic expectations are already reflected in equities?

PRIMARY RESEARCH CATEGORIES

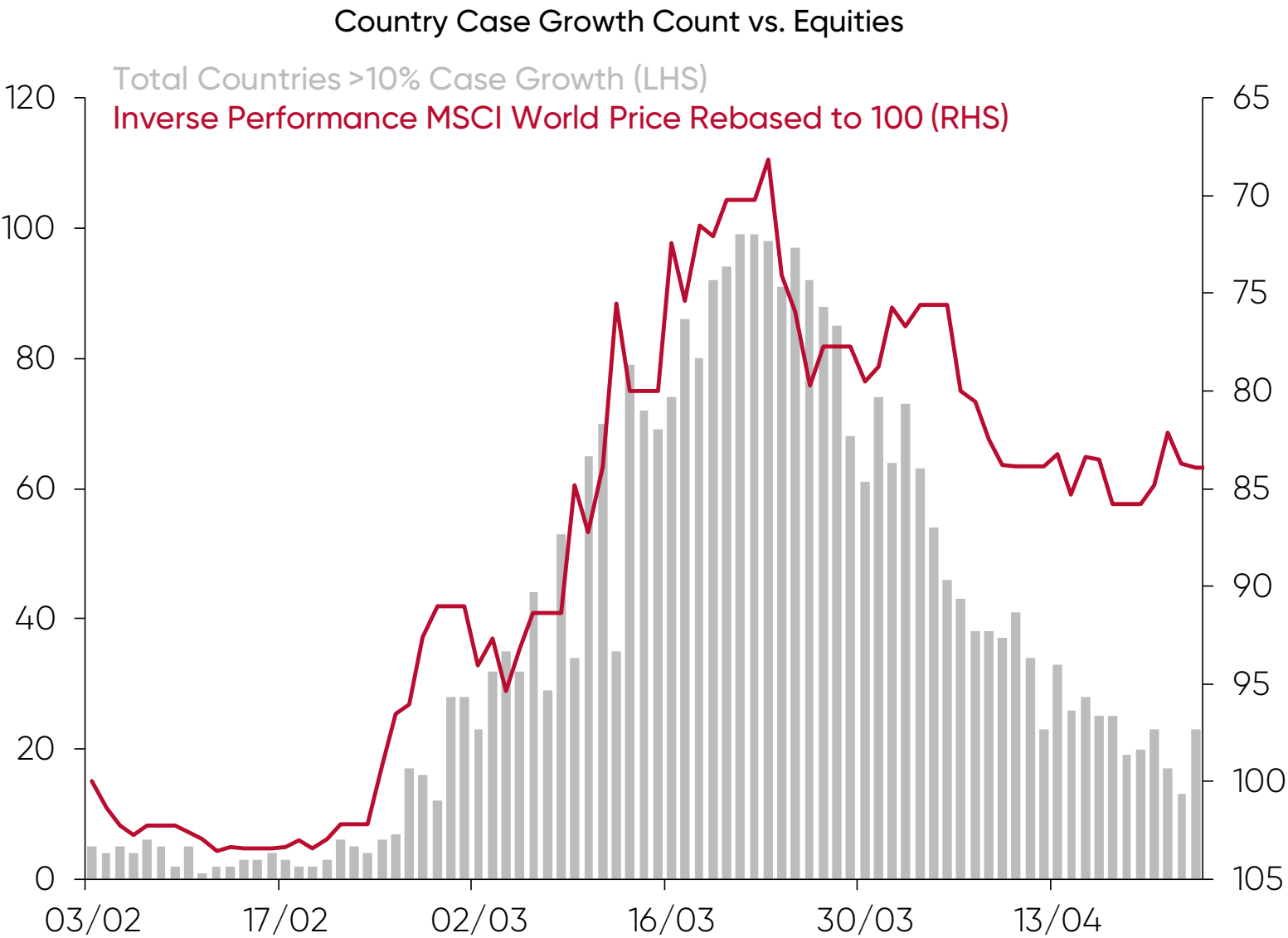
The environment resulting from COVID-19 is unprecedented in many ways. Not necessarily with the virus itself—unfortunately there are numerous examples of highly-contagious viruses exacting terrible human tolls. But the restrictions, swift economic impact, and speed of the market decline lack historical precedents. While historical analysis remains useful in this period, we have reorganised some of our research efforts into the categories below to assess development in this unique period.

Research Category	Key Data Examples
Virus Progression	<ul style="list-style-type: none">• New cases, active cases, % positive tests• Regional hospital capacity
Institutional Responses	<ul style="list-style-type: none">• Changes to virus containment policies• Fiscal and monetary policy measures
Equity Market Internals	<ul style="list-style-type: none">• COVID-19 winners vs. losers• Bear market trough indicators
Non-Equity Capital Markets	<ul style="list-style-type: none">• HY & IG spreads, commercial paper, LIBOR-OIS, CDs
Higher Frequency Economic Data	<ul style="list-style-type: none">• Traffic, consumer spending, restaurant reservations, hotel occupancy, air travel
Sentiment	<ul style="list-style-type: none">• Timing of corporate and economic forecasts• Consensus economic, EPS, market expectations

Source: Fisher investments research as of 24/04/2020.

EQUITIES TRACKING COVID-19

Global equities have tracked COVID-19, falling as intensity increased and rebounding as it decreased. More recently, the measures have diverged. Institutional restrictions followed the virus as it worsened but removal has lagged improvement.

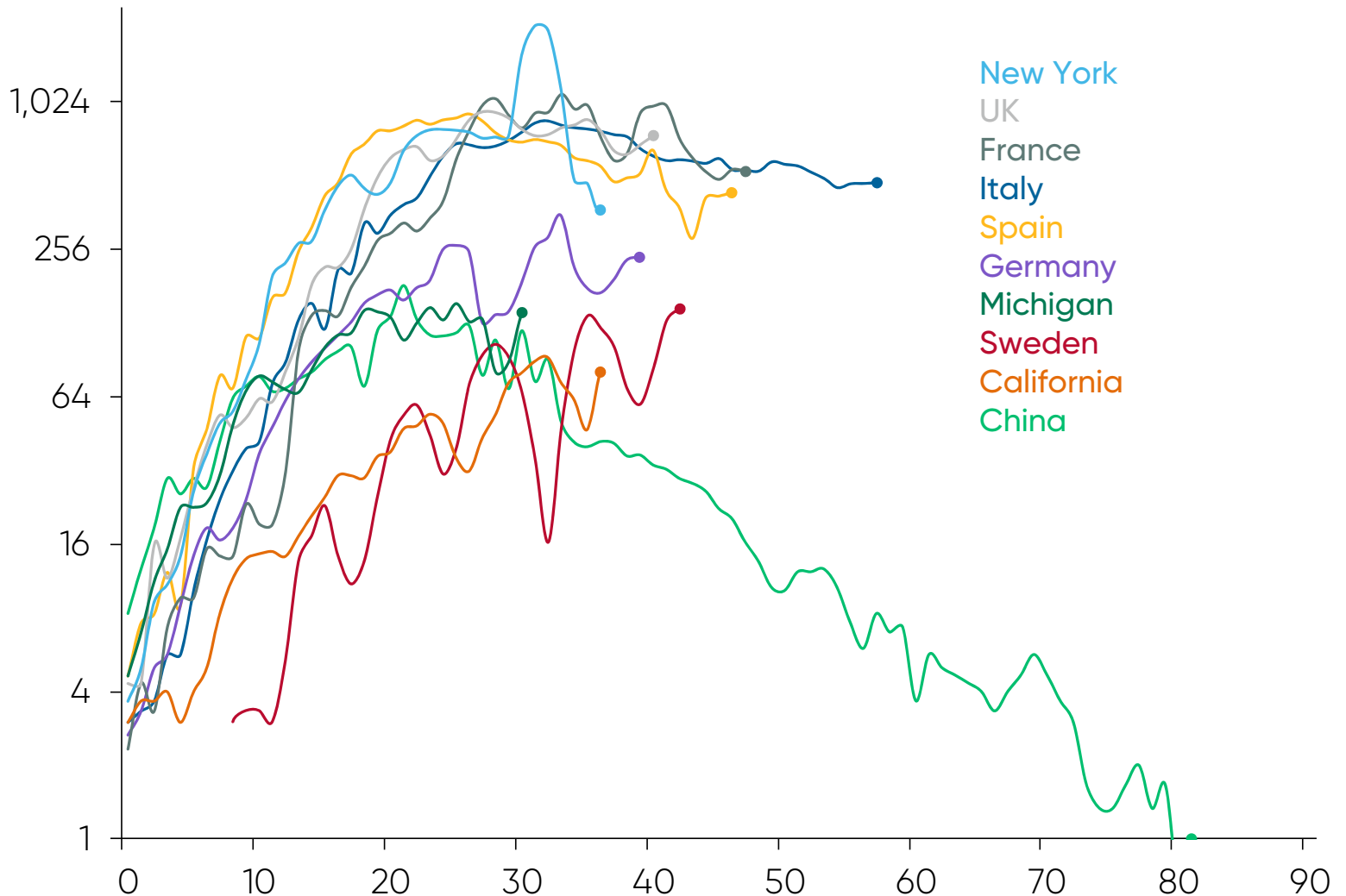


Source: FactSet, Johns Hopkins, Fisher Research as of 24/04/2020. Shows MSCI World returns from 03/02/2020 – 23/04/2020 against number of countries experiencing a growth of daily COVID-19 cases greater than 10%.

VIRUS PROGRESSION

Most major regions of the Northern Hemisphere seem to have passed their peaks on new cases and deaths from COVID-19. This includes prior hot spots such as Wuhan, Italy, and New York.

3 Day Moving Average of new deaths by region

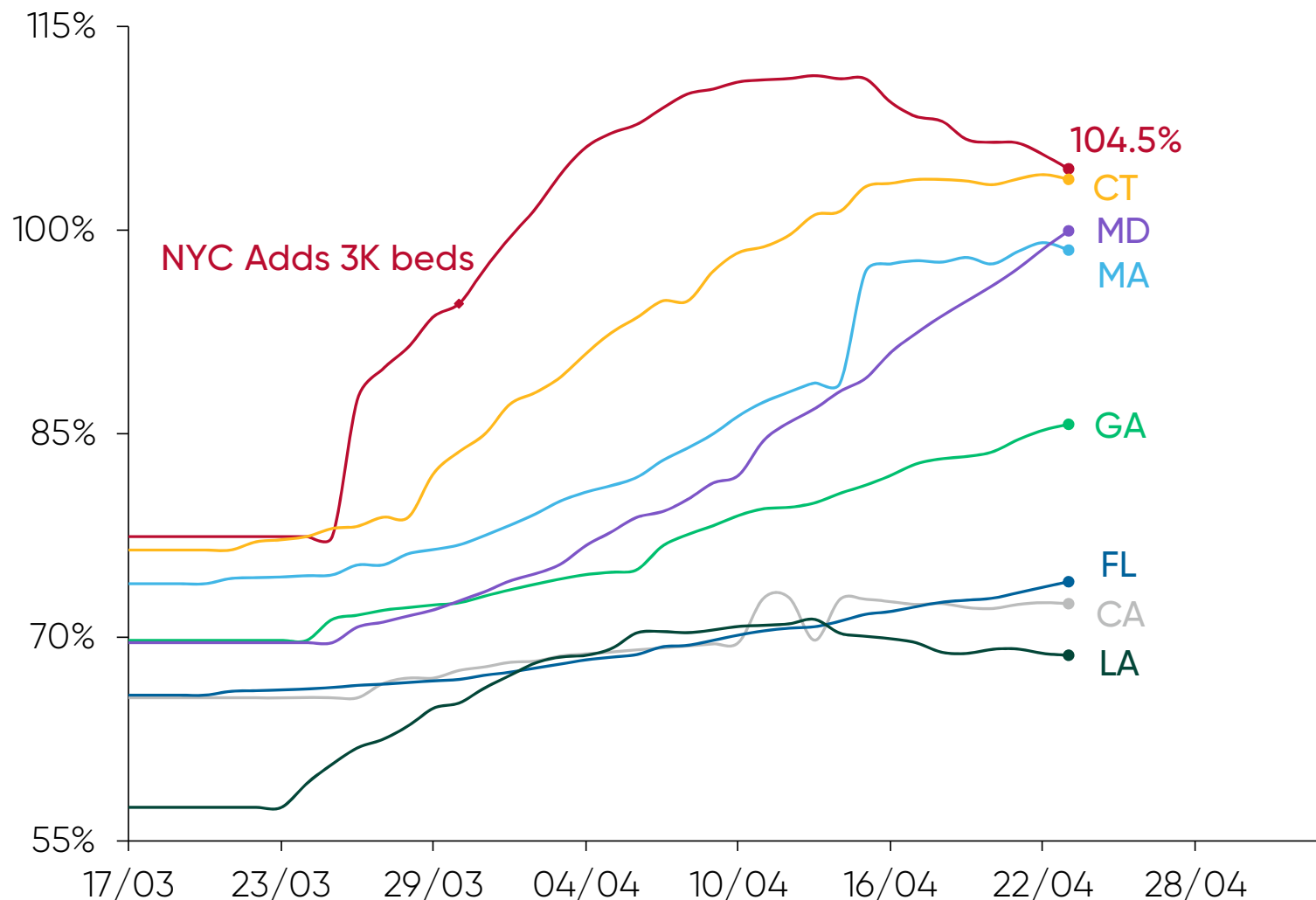


Source: CDC, HCHS, & John Hopkins. Data as of 24/04/2020. Shows daily deaths due to COVID-19 per region, as a 3-day moving average from 29/02/2020 – 23/04/2020.

HOSPITALS TAXED IN HOT SPOTS, LESS SO ELSEWHERE

The main goal of flattening the curve is to prevent overwhelming hospital systems. Hot spots like Italy and New York have seen high hospitalisation levels. But the end of flu season, delayed non-essential procedures, and COVID-19 mitigation have left hospitals elsewhere with plenty of capacity.

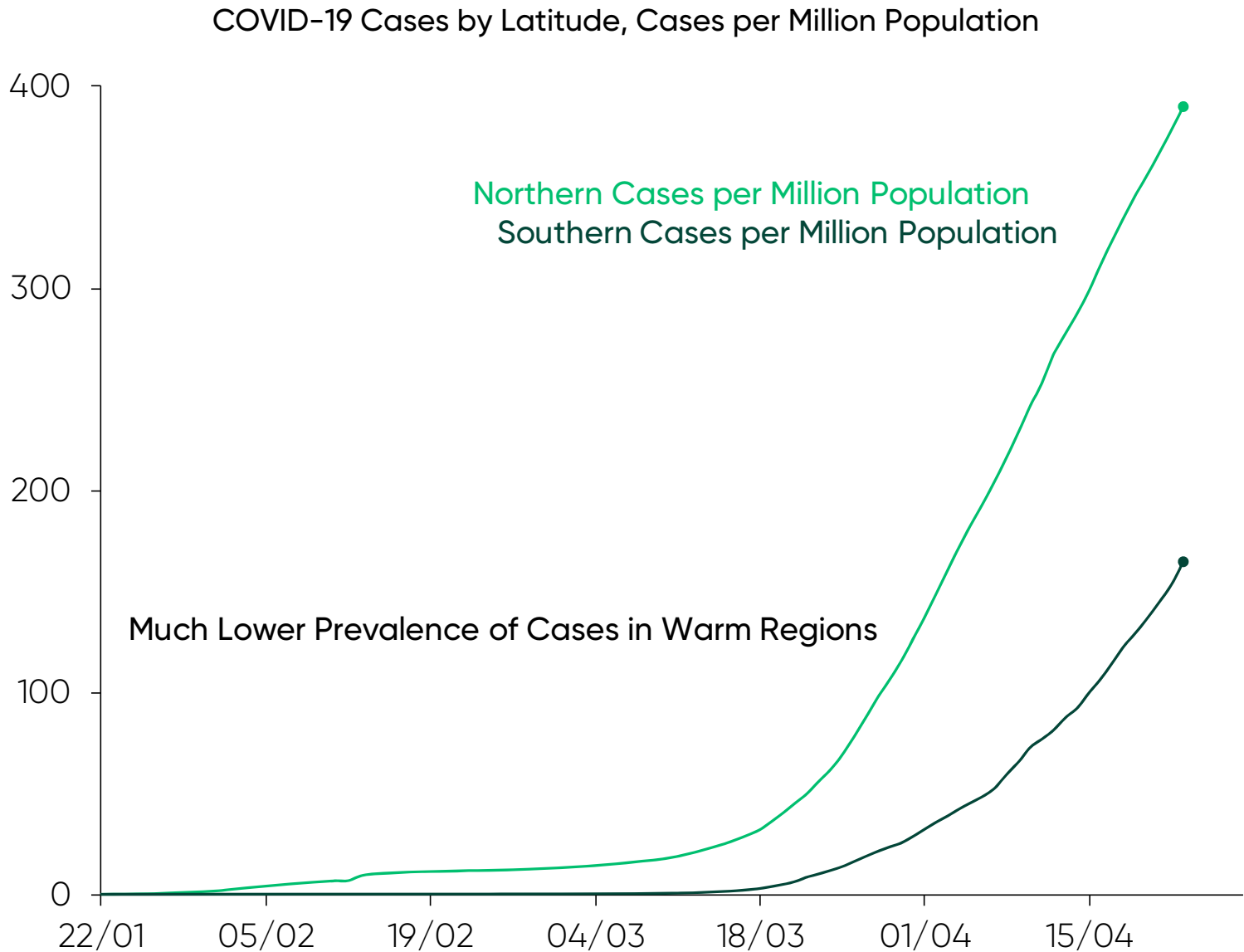
US Hospital Bed Capacity



Source: CDC, HCHS, & John Hopkins. Data as of 24/04/2020. Shown daily from 17/03/2020 to 23/04/2020.

COVID-19 IN THE NORTH & SOUTH

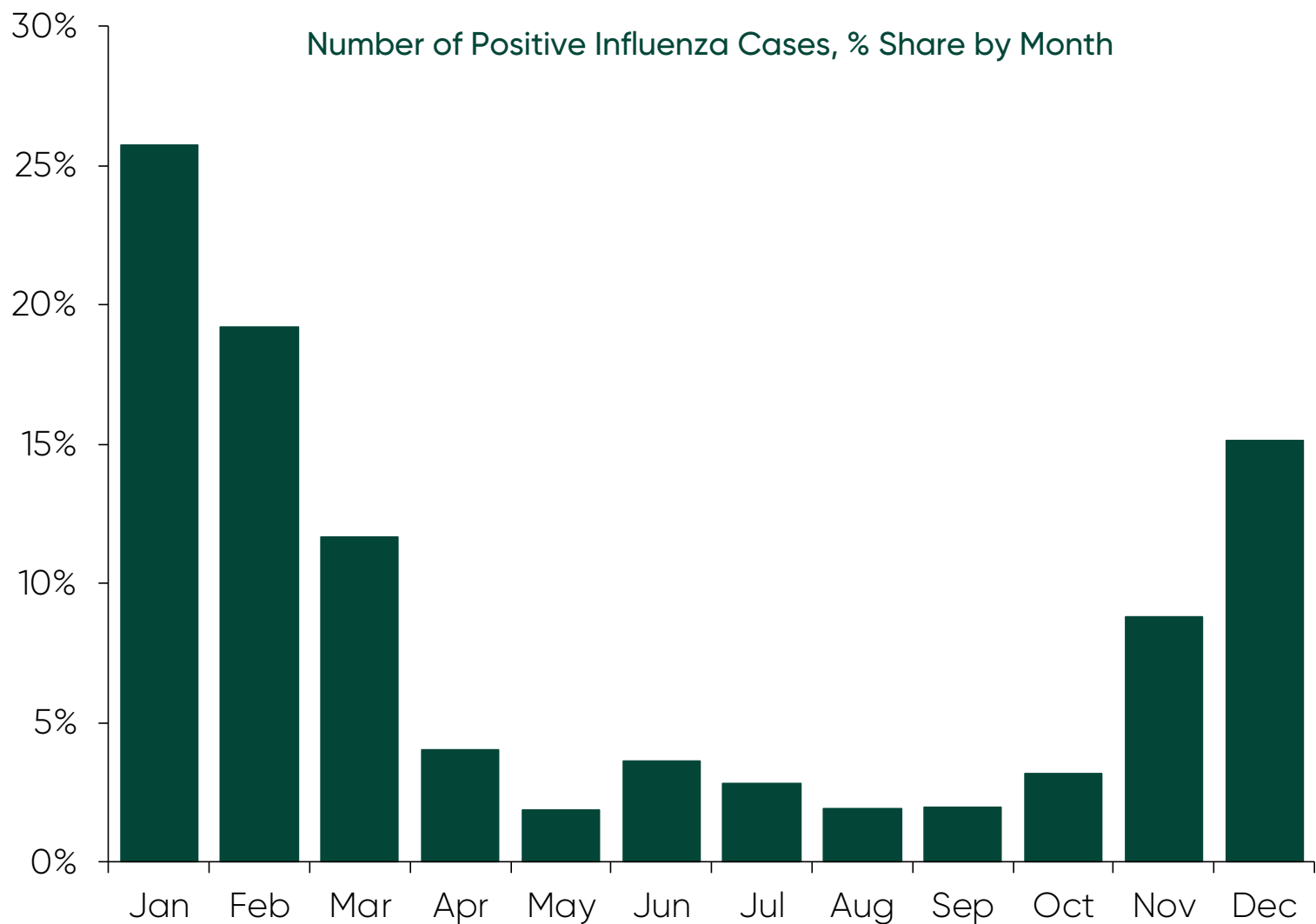
COVID-19 spread first in the Northern Hemisphere in the midst of flu season. It is unclear if the virus will spread as quickly in the Southern Hemisphere.



Source: CDC, HCHS, & John Hopkins. Data as of 24/04/2020. Shows total confirmed cases of COVID-19 in the southern and northern hemispheres, daily, per million of population to 23/04/2020.

THE END OF FLU SEASON IS APPROACHING

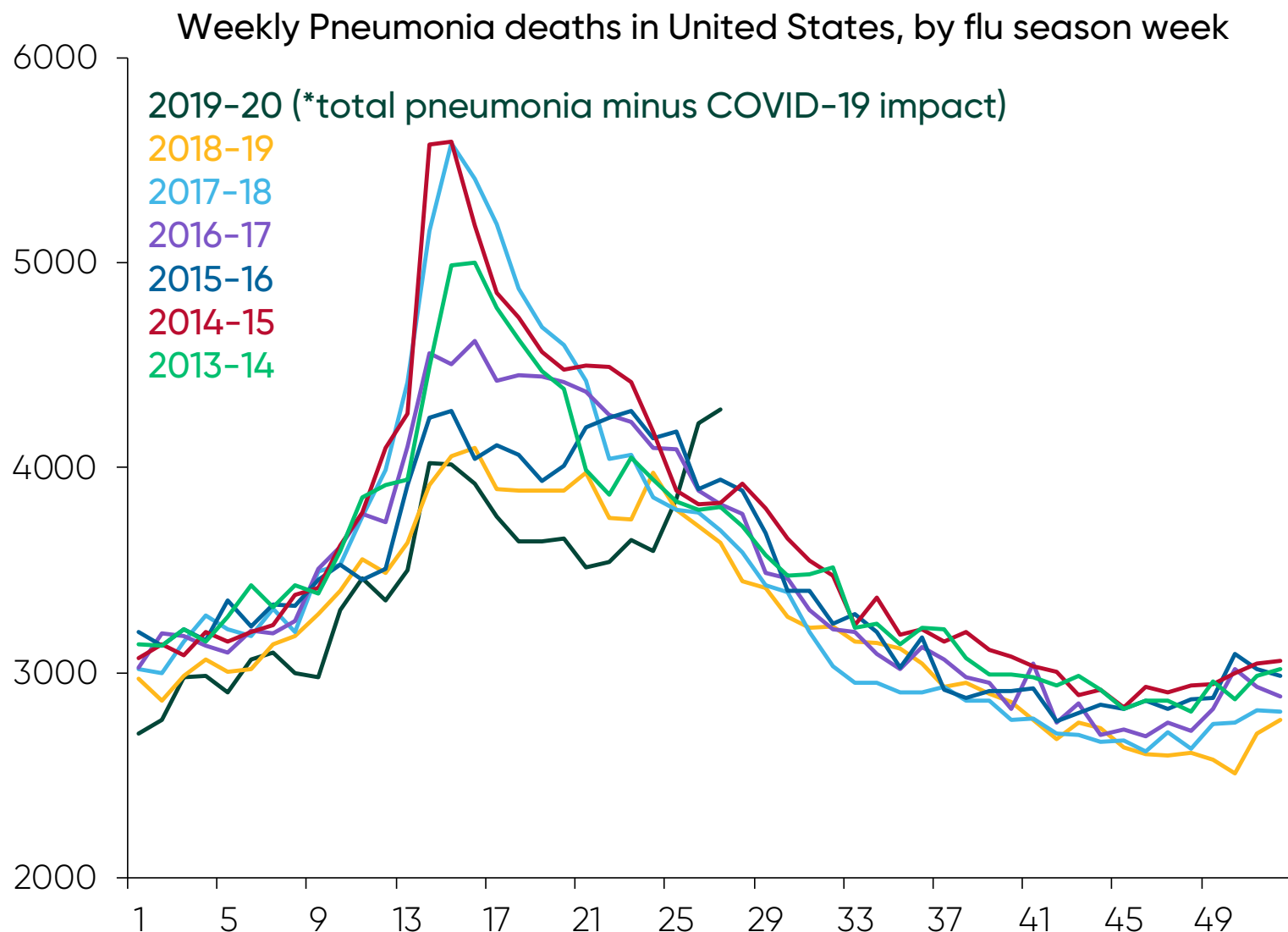
Flu season in the Northern Hemisphere most often peaks between December and February—decreasing as warmer weather approaches. Should COVID-19 follow a similar pattern, the higher temperatures could provide a dampening effect on the spread or at least free up hospital capacity.



Source: Center for Disease Control, as of 29/04/2020. Total number of influenza positive specimens reported in the US, weekly, 01/10/1997 – 15/04/2020. Shows % of positive specimens reported per month.

FLU RELATED DEATHS DOWN ON COVID-19 CONTAINMENT

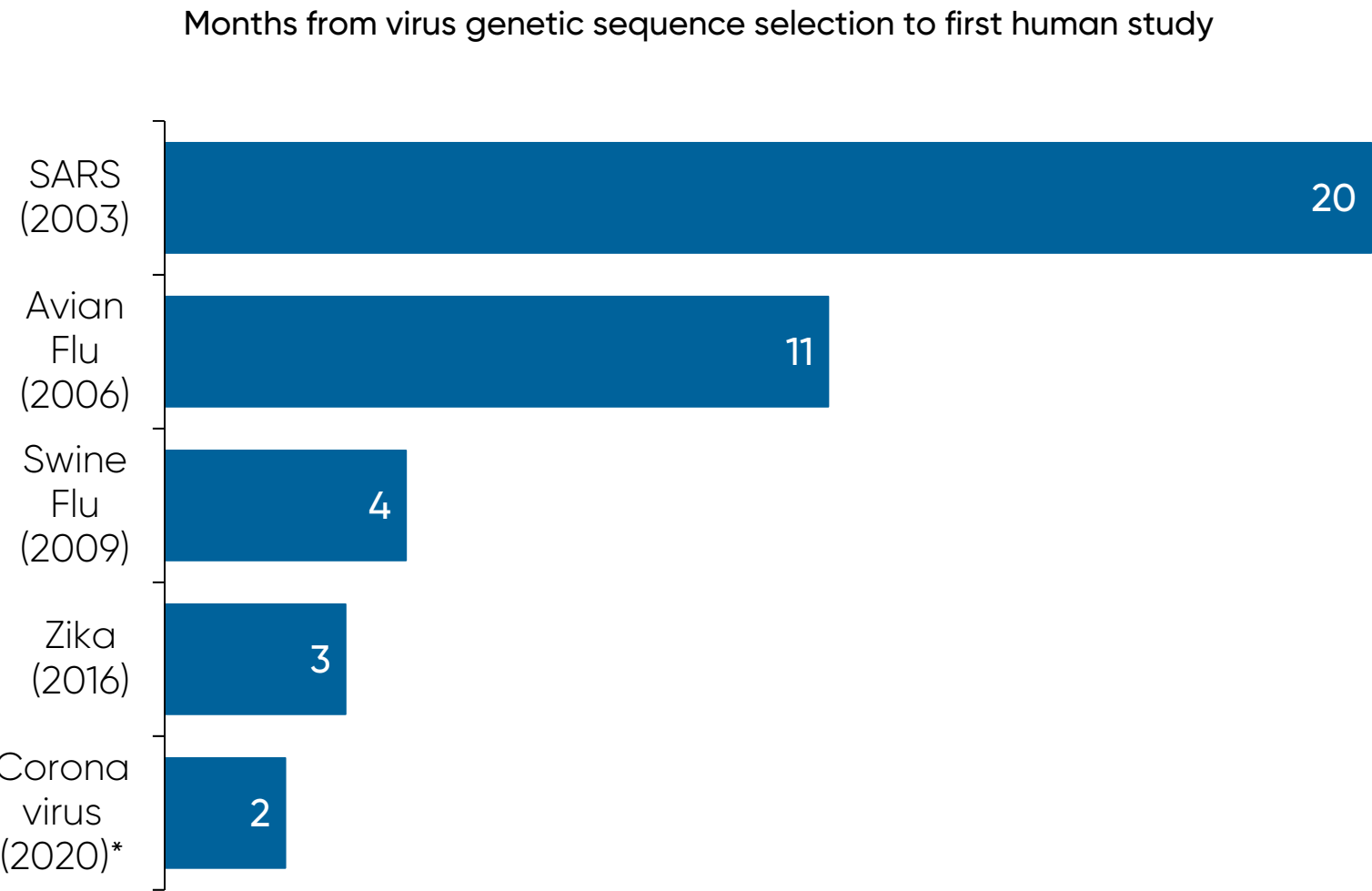
Before COVID-19 cases increased, flu deaths were running well below normal – likely the result of COVID-19 containment efforts.



Source: Center for Disease Control, as of 29/04/2020. Seasons 2013 to 2018-19 show number of deaths in the US each year due to pneumonia, weekly, 2013 – 2019. *Season 2019-20 shows total pneumonia deaths minus deaths where both COVID-19 & pneumonia are shown as comorbid factors. Data charted from calendar week 40 (represented as CDC flu season week 1 on chart) to calendar week 39 of season end (represented as CDC flu season week 52 on chart). 2019-2020 season shown to calendar week 14 of 2020 (week ending 05/04/2020) due to meaningful revisions of recent weekly data.

MEDICAL TECHNOLOGY ADVANCING RAPIDLY

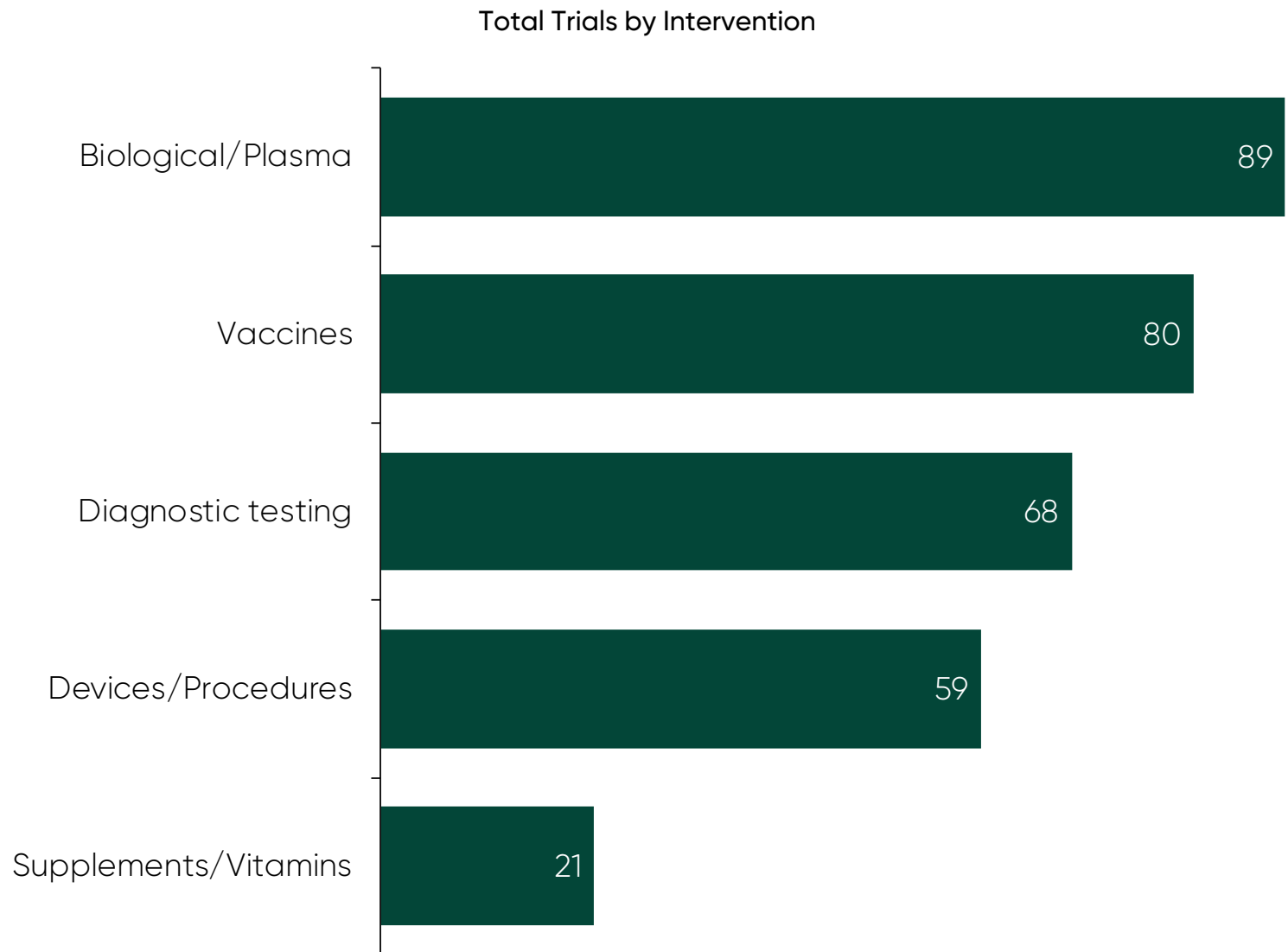
While COVID-19 vaccines are unlikely to be available in the very near term, gene sequencing and other medical advancements have cut development time massively.



Source: Wall Street Journal, The Journal of the American Medical Association (JAMA) and National Institute of Allergy and Infectious Diseases as of 25/02/2020 Development timeliness for first four DNA plasmid vaccines. *Timeline for coronavirus vaccine is projected.

COUNT OF GLOBAL CLINICAL & PRE-CLINICAL TRIALS

A wide range of interventions are being researched and developed globally. It is highly likely some of these treatments and vaccines are approved in a timeframe equities will likely begin to discount before long.

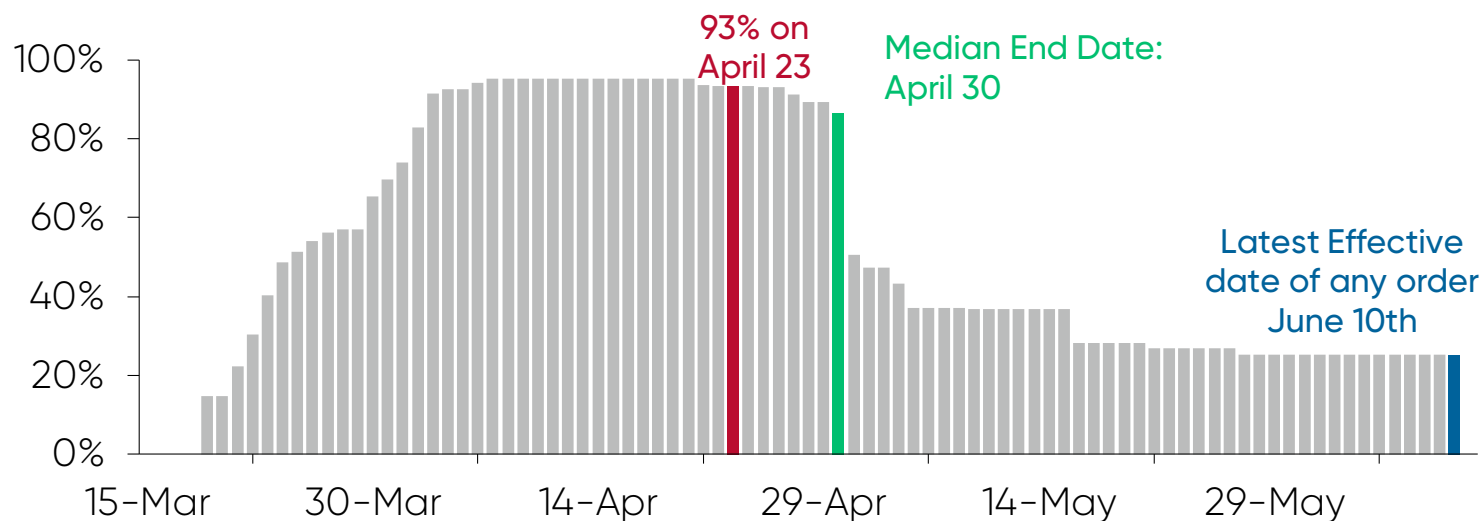


Source: Fisher Investments Research, WHO and Clinicaltrials.gov. As of 14/04/2020.

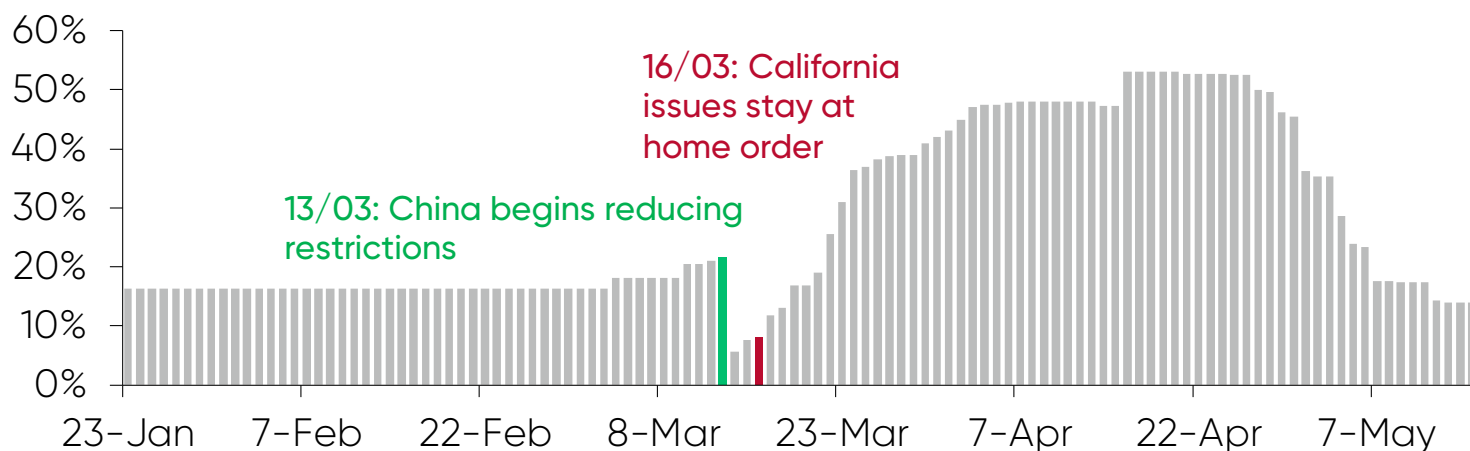
GLOBAL GDP LOCKDOWN

The speed by which restrictions can be eased and economic activity resumes will likely be more important than the magnitude of the contraction.

% of US-GDP tied to States with "Stay at Home" Orders:



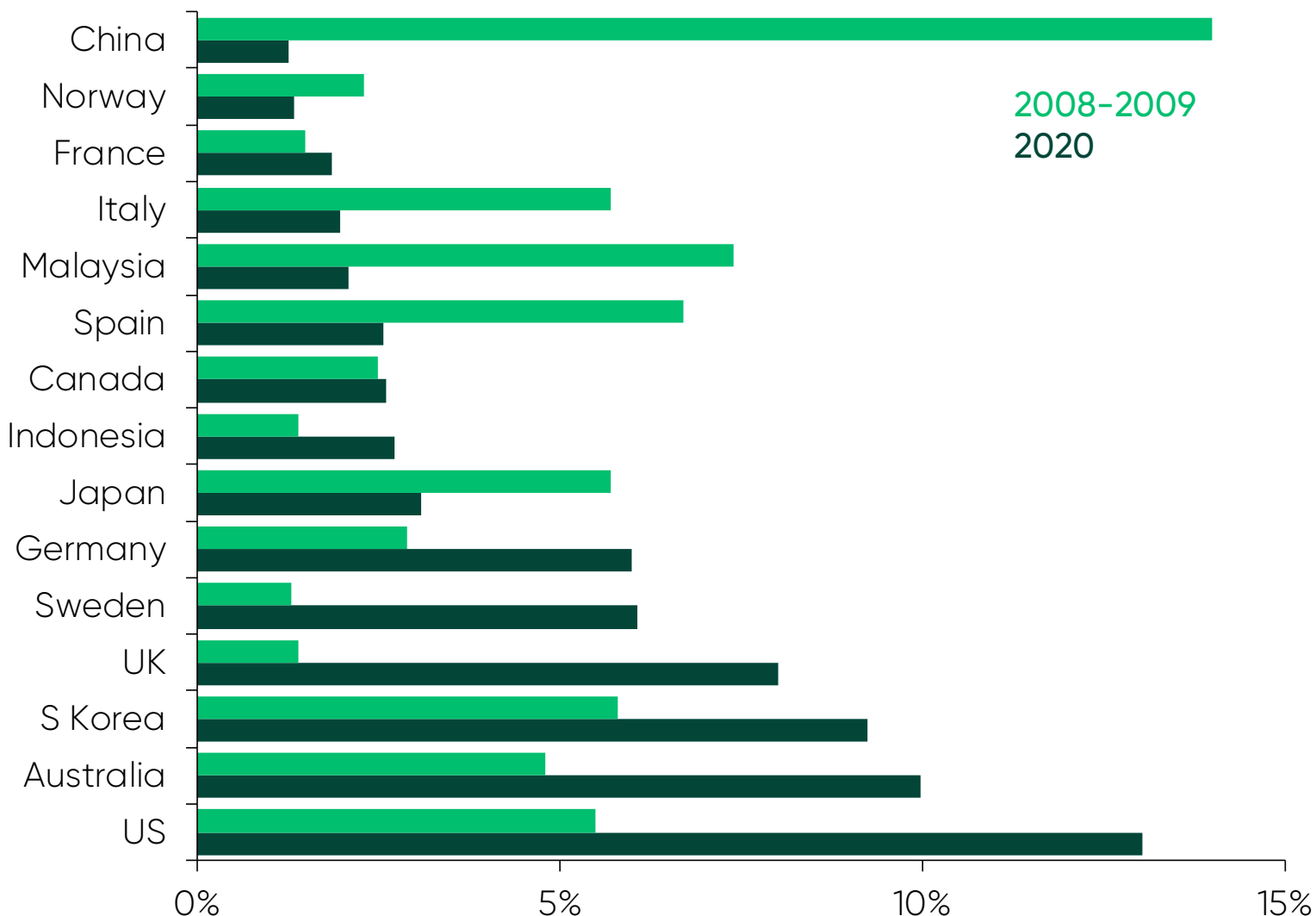
% of Global GDP with Meaningful Restrictions in Place



Source: IMF & John Hopkins as of 30/04/2020.

FISCAL STIMULUS IN PERSPECTIVE

Governments have taken significant efforts to cushion the economic impact of COVID-19. Comparing the total fiscal stimulus response from major economies against measures undertaken during the global financial crisis provides perspective.



Source: Fisher Investments Research, IMF & OECD, as of 27/04/2020.

OVERVIEW OF MONETARY & FISCAL SUPPORT

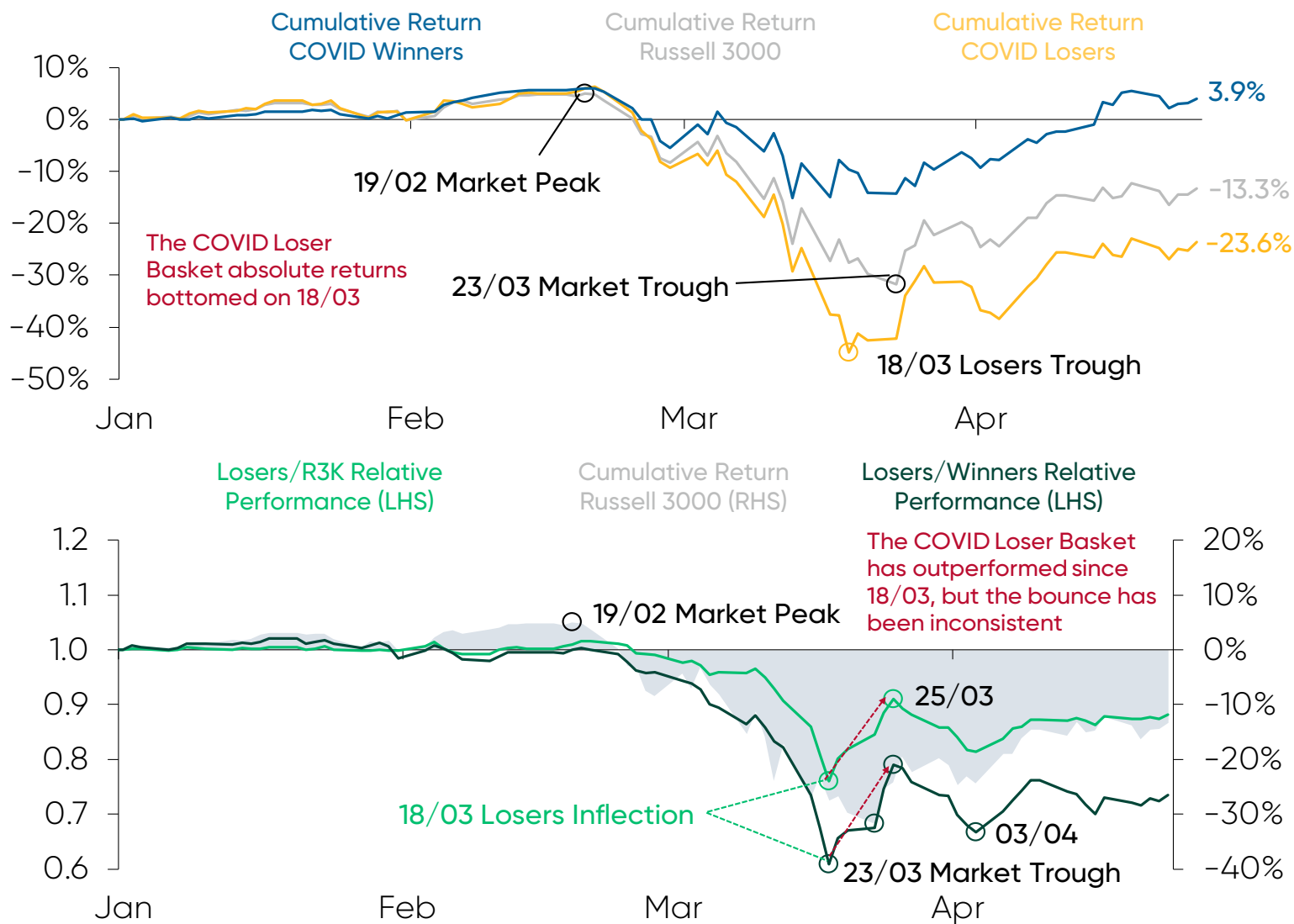
Monetary and fiscal measures implemented in response to the economic impacts of COVID-19 are not stimulus. They are mostly designed to keep businesses and individuals afloat, and keep capital markets functioning until the global economy can normalise.

Country	Fiscal Stimulus		Monetary Policy			
	Local Cur. Value (Bil)	% Domestic GDP	Rates 2/3	Rates Now*	RRR Cuts	QE Increase
US	\$2,796	13.0%	1.75	0.25	-10%	\$700
Canada	CAD 60	2.6%	1.75	0.25	--	CAD 5
Europe	€ 355	--	-0.50	-0.50	--	€ 870
Germany	€ 206	6.0%	European Central Bank action			
France	€ 45	1.9%				
Italy	€ 35	2.0%				
Spain	€ 32	2.6%				
UK	£175	8.0%	0.75	0.10	--	£200
Norway	49 kr	1.3%	1.50	0.25	--	--
Sweden	303 kr	6.1%	0.00	0.00	--	300 kr
Switzerland	CHF 20	2.8%	-0.75	-0.75	--	--
Japan	¥17,236	3.1%	-0.10	-0.10	--	¥20,290
Australia	AUD 198	10.0%	0.75	0.25	--	--
S Korea	₩176,800	9.2%	1.25	0.75	--	--
Hong Kong	HK\$287	9.8%	2.75	1.19	50%	--
Singapore	SGD 60	11.9%	1.47	0.06	--	--
China	CNY 1,213	1.3%	4.15	3.85	-1%	CNY 200
Brazil	R\$440	6.1%	4.50	3.75	-14%	--
India	₹ 1,700	0.8%	5.15	4.40	--	₹ 400
Mexico	--	--	7.25	6.00	--	--
Indonesia	Rp438,320	2.7%	5.00	4.50	2%	--
Russia	2,350 ₺	2.2%	6.25	6.00	--	--
S Africa	R300	5.9%	6.25	4.25	--	--
Malaysia	RM32	2.1%	2.75	2.50	-1%	--
Thailand	฿1,517	9.0%	1.25	0.75	--	--
Philippines	₱251	1.3%	4.00	3.25	--	--
Turkey	100 ₺	2.3%	11.25	9.75	--	--
Taiwan	NT\$1,050	5.8%	1.38	1.13	--	--
Global Sum	4,436 USD	5.1%				\$2,123

Source: Fisher Investments Research, IMF & OECD; as of 30/04/2020. All data in billions. *Rates as of 21/04/2020. Exchange rates from local currencies to USD as of 24/03/2020. Percent of Domestic GDP against 2019 annual GDP.

EQUITY MARKET INTERNALS

The relative performance of different types of equities may provide signals about shifting investor sentiment. For example, comparing the performance of perceived COVID-19 “losers” (travel, restaurants retail, etc.) to “winners” (staples, shipping, stay-home entertainment, etc.) may signal shifts in investor confidence.

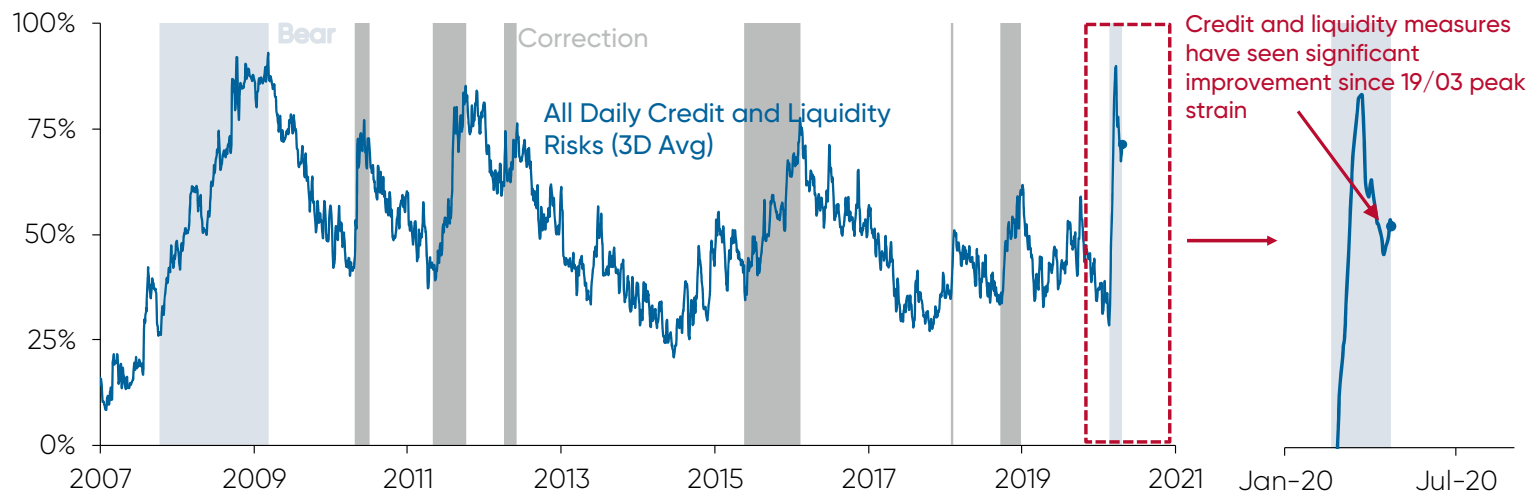


Source: FactSet, Fisher Investments Research. Data as of 24/04/2020.

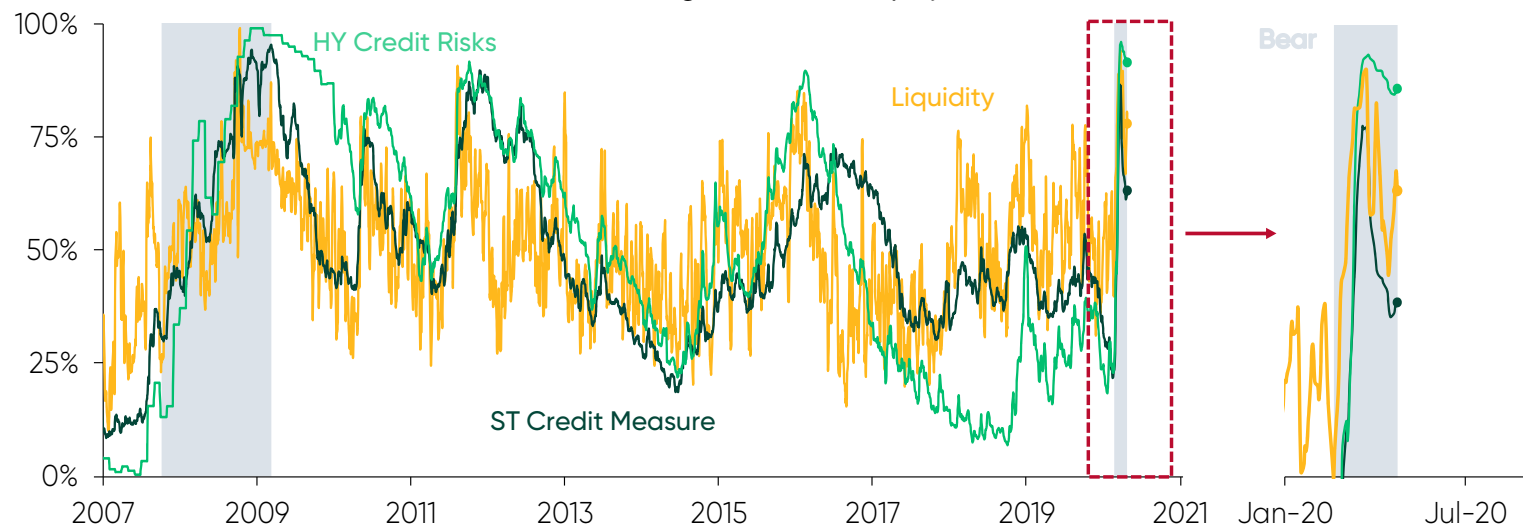
NON-EQUITY CAPITAL MARKETS

After an initial spike in credit and liquidity risks, indicators have fallen but remain elevated. The Federal Reserve backstops have helped ease concerns in the immediate term.

Aggregate Single Factor Non-Equity Market Indicator Since 07



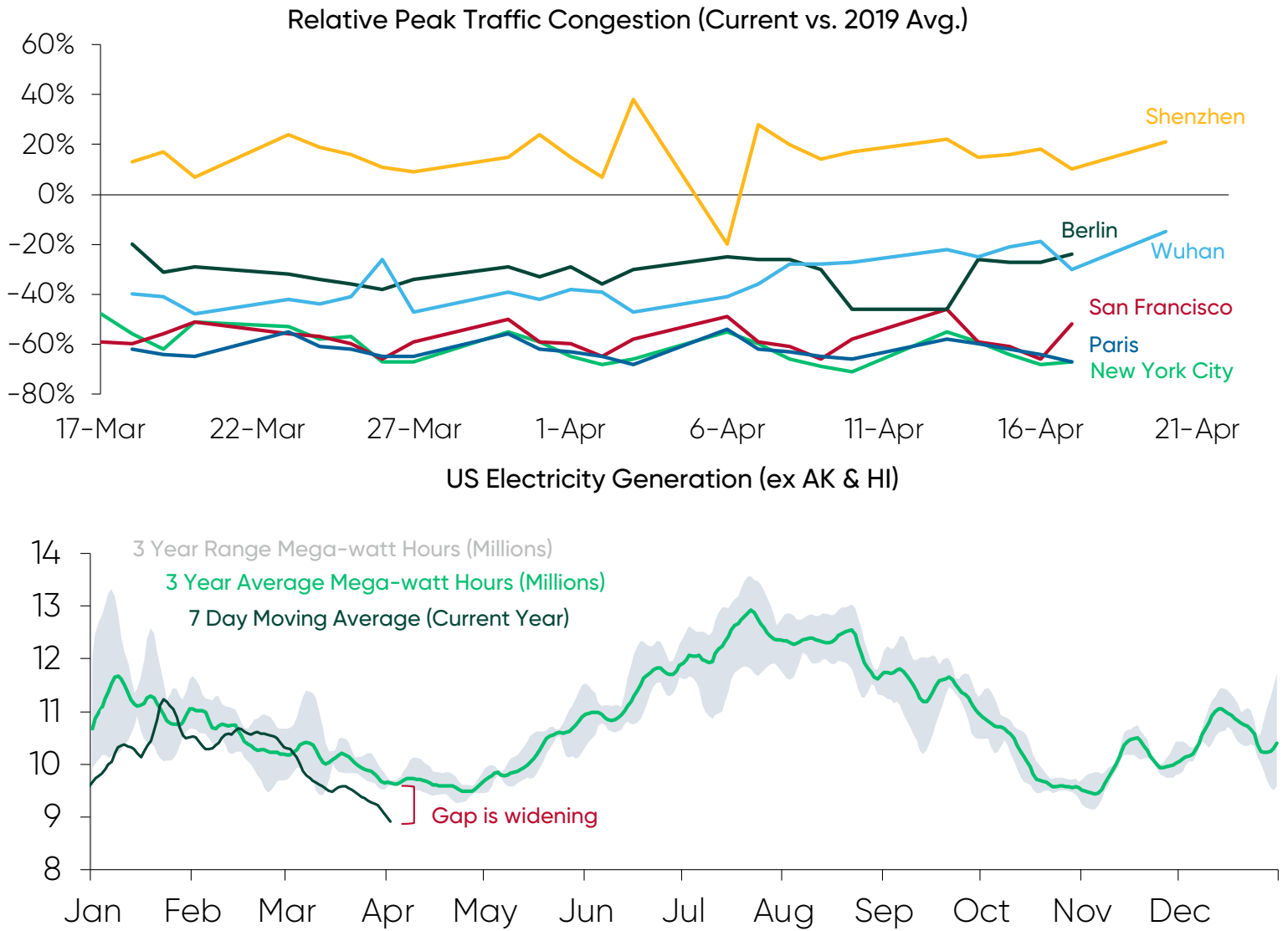
3-Sub Factor Categories of Non-Equity Market Indicators



Top chart source: Fisher Investments Research, Bloomberg, as of 23/04/2020. All Daily Credit and Liquidity Risks is based on the mean of a series of indicators including short term credit risk, bank contagion risk, non-bank credit risk, as well as daily liquidity measures, shown as a 3-day moving average. Bottom chart source: Fisher Investments Research, Bloomberg as of 23/04/2020. Liquidity is based on the mean of main daily liquidity measures. Short term credit risk based on the mean of short term credit risk & bank contagion risk indicators, while high yield credit risk is based on the mean of non-bank credit risk indicators. All data shown as a 3-day moving average.

HIGHER FREQUENCY ECONOMIC DATA

In the midst of rapid changes and high volatility, traditional economic releases may prove too lagged to be useful. Examining high-frequency economic data in a period like this is more likely to yield investable insights. Even so, equities likely move higher before improvement is readily apparent in economic data.



Source: TomTom and Energy Information Administration. Data as of 20/04/2020.

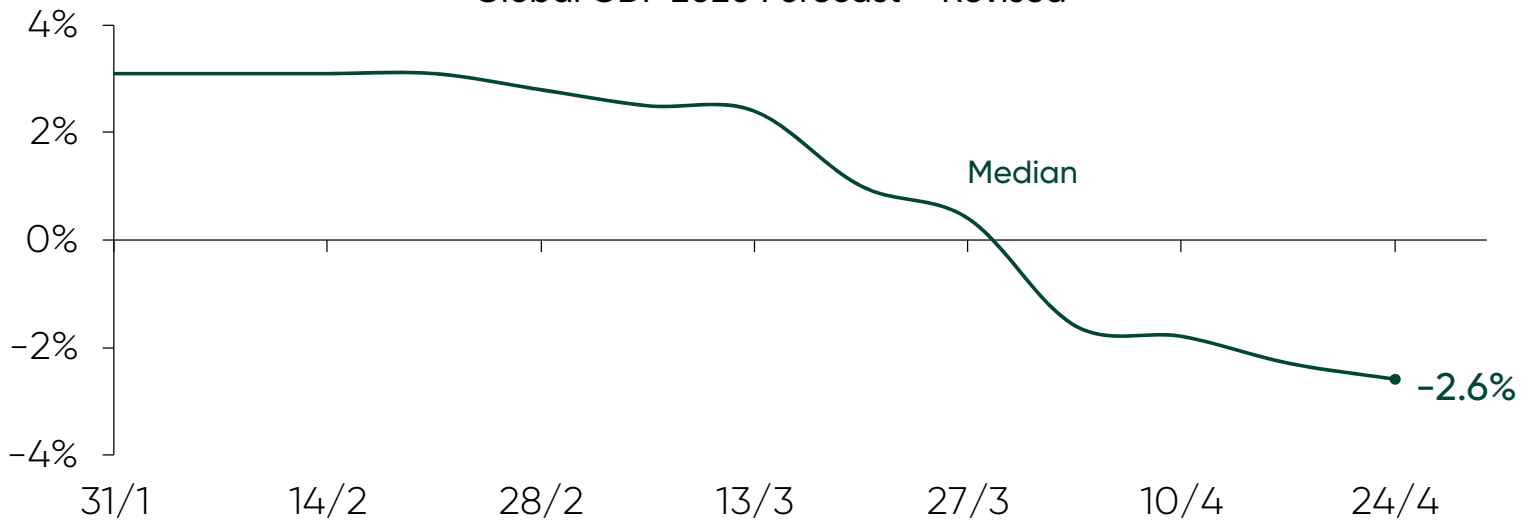
DETERIORATING SENTIMENT

Economic expectations went from steady to steady decline. Eventually, sentiment likely overshoots to the downside, but it is not clear we are there yet.

Global GDP 2020 Forecast – Revised Weekly

Firms	31/01	07/02	14/02	21/02	28/02	06/03	13/03	20/03	27/03	03/04	10/04	17/04	24/04
Credit Suisse	2.6%	2.7%	2.7%	2.7%	2.2%	2.2%	2.2%	1.0%	1.0%	-1.5%	-1.5%	-1.5%	-1.5%
Goldman Sachs	3.4%	3.4%	3.4%	3.4%	3.1%	2.0%	2.0%	1.3%	-1.2%	-1.8%	-1.8%	-2.5%	-2.7%
JP Morgan	2.4%	2.4%	2.3%	2.3%	2.2%	2.1%	1.5%	-1.1%	-2.4%	-2.8%	-3.6%	-5.0%	-4.8%
Citigroup	2.7%	2.7%	2.7%	2.7%	2.5%	2.5%	2.5%	1.3%	1.3%	-1.6%	-1.6%	-2.3%	-3.1%
Bank of America	3.1%	3.1%	3.1%	3.1%	2.8%	2.8%	2.2%	0.3%	0.3%	-2.7%	-2.7%	-2.8%	-2.9%
Barclays	3.3%	3.2%	3.2%	3.1%	3.0%	2.7%	1.8%	0.4%	0.4%	-0.3%	-1.6%	-2.3%	-2.6%
Deutsche Bank	3.3%	3.3%	3.3%	3.3%	3.1%	3.1%	3.1%	2.4%	2.4%	-1.7%	-1.8%	-2.3%	-2.3%
UBS	3.1%	3.1%	3.1%	3.1%	2.8%	2.8%	2.8%	1.0%	-0.6%	-1.5%	-1.6%	-1.7%	-1.7%
Morgan Stanley	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	0.9%	0.3%	-1.9%	-2.0%	-2.0%	-2.2%
IMF	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	-3.0%	-3.0%	-3.0%
OECD	2.9%	2.9%	2.9%	2.9%	2.4%	2.4%	2.4%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
I.H.S	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	0.9%	0.7%	0.7%	0.7%	0.7%	0.7%
Wells Fargo	3.0%	3.0%	2.9%	2.9%	2.9%	1.9%	1.2%	1.0%	-2.6%	-2.6%	-2.7%	-2.7%	-2.7%
Max	3.4%	3.4%	3.4%	3.4%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	1.5%	1.5%	1.5%
Average	3.0%	3.0%	3.0%	3.0%	2.8%	2.6%	2.4%	1.1%	0.3%	-1.0%	-1.7%	-2.0%	-2.1%
Median	3.1%	3.1%	3.1%	3.1%	2.8%	2.5%	2.4%	1.0%	0.4%	-1.6%	-1.8%	-2.3%	-2.6%

Global GDP 2020 Forecast – Revised



Sources: Credit Suisse, Goldman Sachs, JP Morgan, Citigroup, Bank of America, Barclays, Deutsche Bank, UBS, Morgan Stanley, IMF, OECD, I.H.S and Wells Fargo. Data as of 24/04/2020.

CONSENSUS EXPECTS A SHARP DOWNTURN & RECOVERY

Though most firms expect a sharp bounce back in the second half of the year, slow restriction removal or reinstatement could lead to potential disappointment and another leg down for equities.

U.S Quarterly GDP Forecasts (% change since previous period, as of 17/04/2020)

Firms	Q1	Q2	Q3	Q4
Credit Suisse	-3.8%	-21.1%	14.7%	4.7%
Goldman Sachs	-7.0%	-34.0%	19.0%	12.0%
JP Morgan	-10.0%	-40.0%	23.0%	13.0%
Citigroup	-2.2%	-27.7%	23.0%	9.4%
Bank of America	-7.0%	-30.0%	-1.0%	30.0%
Barclays	-2.5%	-45.0%	35.0%	10.0%
Deutsche Bank	-0.5%	-9.5%	4.5%	3.0%
UBS	-5.1%	-25.5%	3.1%	5.7%
Morgan Stanley	-3.4%	-37.9%	20.7%	15.9%
Wells Fargo	-1.2%	-22.3%	7.2%	4.8%
Average:	-4.3%	-29.3%	14.9%	10.9%
Median:	-3.6%	-28.9%	16.9%	9.7%

Sources: Credit Suisse, Goldman Sachs, JP Morgan, Citigroup, Bank of America, Barclays, Deutsche Bank, UBS, Morgan Stanley and Wells Fargo. Data as of 17/04/2020.

KEY DEVELOPED MARKETS THEMES

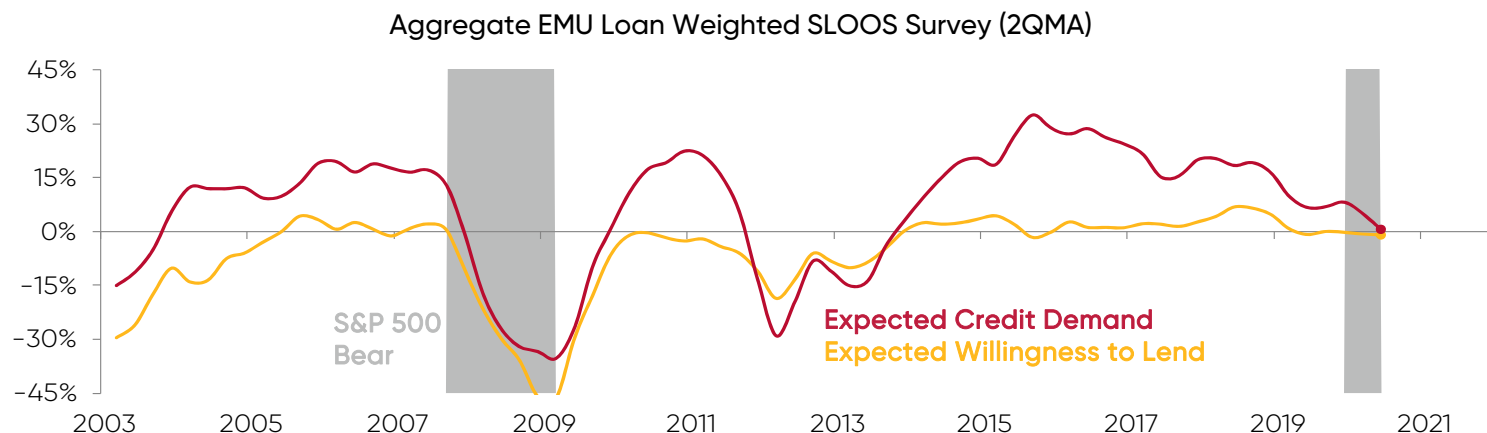
Our current views on Developed Markets

- EMU SLOOS reading remarkably neutral given recent instability
- Money supply growth is soaring, but inflation expectations remain anchored
- Central bank liquidity backstops have been massive and effective
- The economic impact of COVID-19 lockdown hugely exceeds the virus spread in some states
- Small businesses face an uncertain future
- Low rates are driving mortgage demand

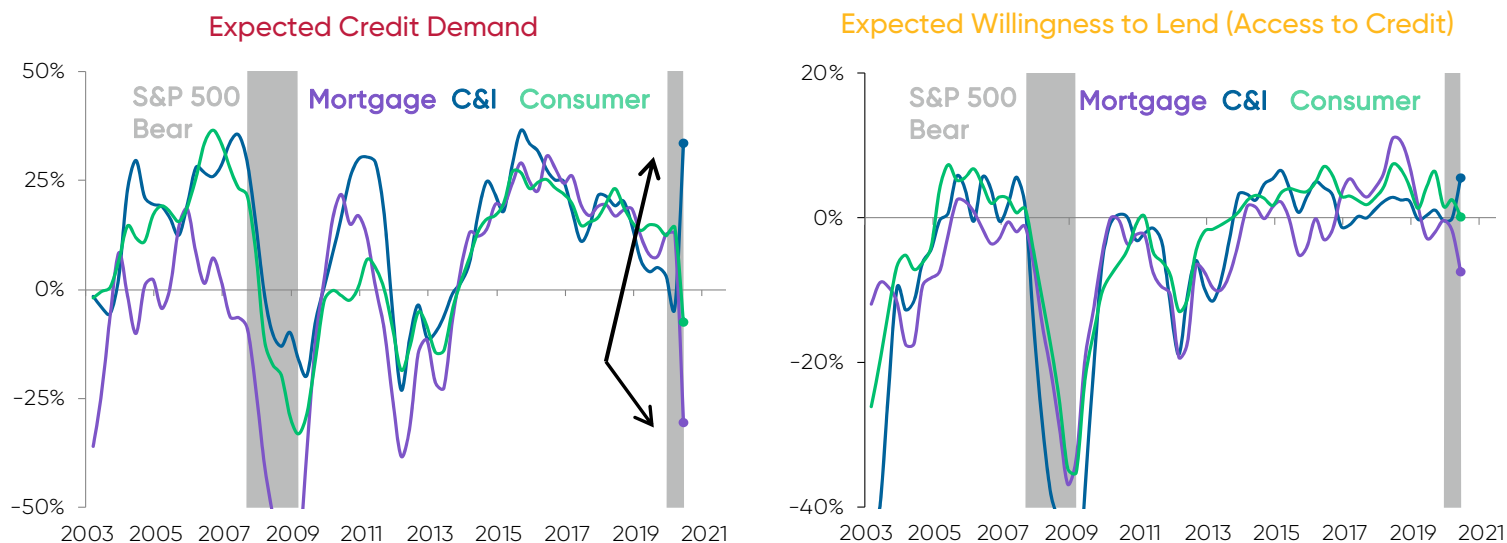
As of 30/04/2020.

Q2 EMU LOAN SURVEY – CREDIT SHOULD KEEP FLOWING

The survey aggregate reading was neutral, but with huge divergence in the end market.



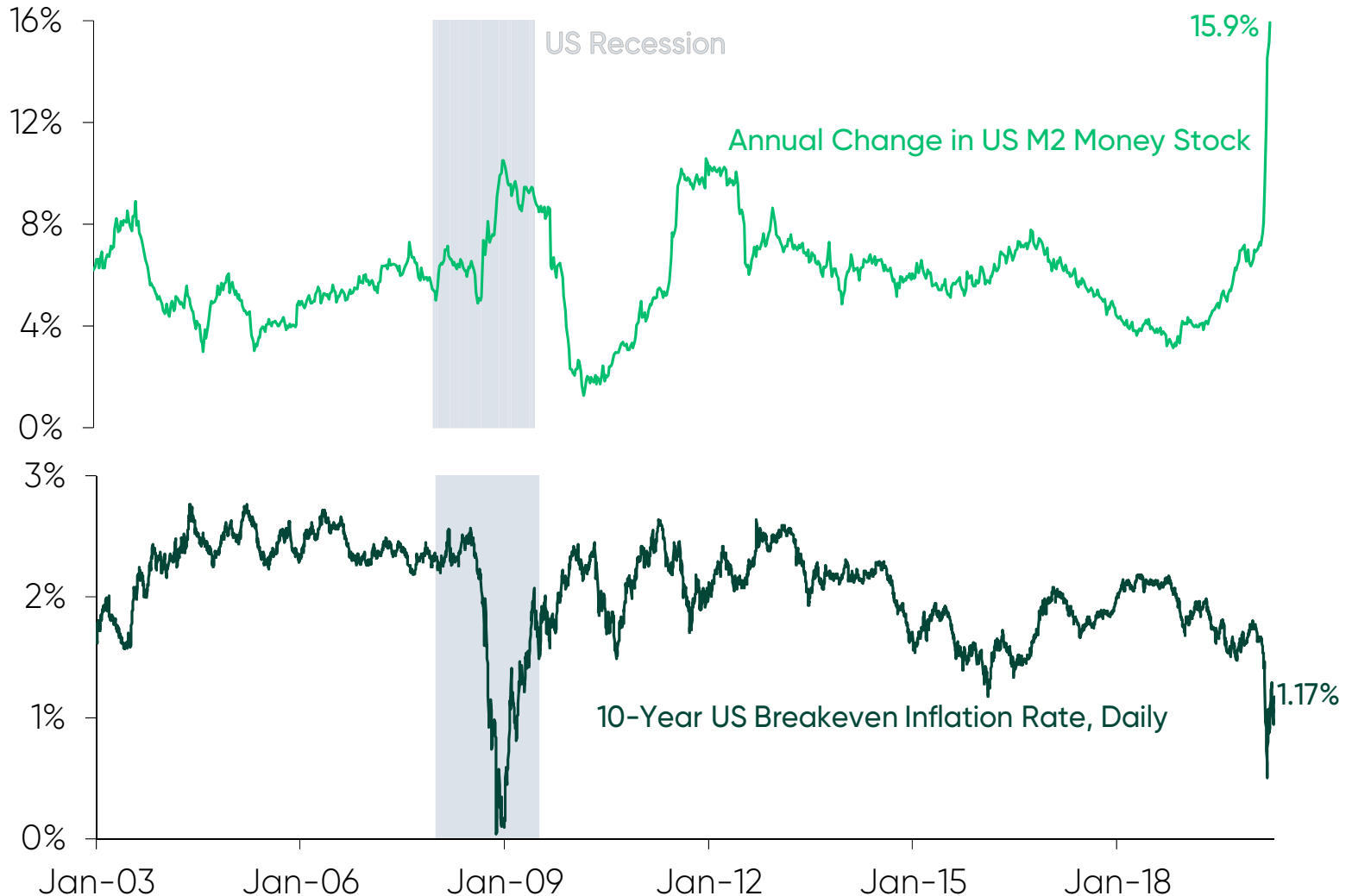
Corporate access to and demand for credit is surging, driven by government backstops to corporate loans. Meanwhile, mortgage access to and demand for credit is falling quickly, given the lack of backstop and increased uncertainty.



Source: ECB as of 30/04/2020. Top chart shows aggregate EMU loan weighted Senior Loan Officer Survey (SLOOS) expected demand and willingness to lend. Bottom chart shows the series' in the top chart broken out by weighted categories, with mortgage and C&I being dominant. Data shown for 31/03/2003 – 30/06/2020.

MONEY SUPPLY GROWTH NOT INFLATIONARY

Monetary policy measures, credit facility drawdowns, and cash hoarding have caused money supply measures to spike, but the velocity is low as those funds are not being pushed into the broader economy. As a result, inflation expectation remain subdued.

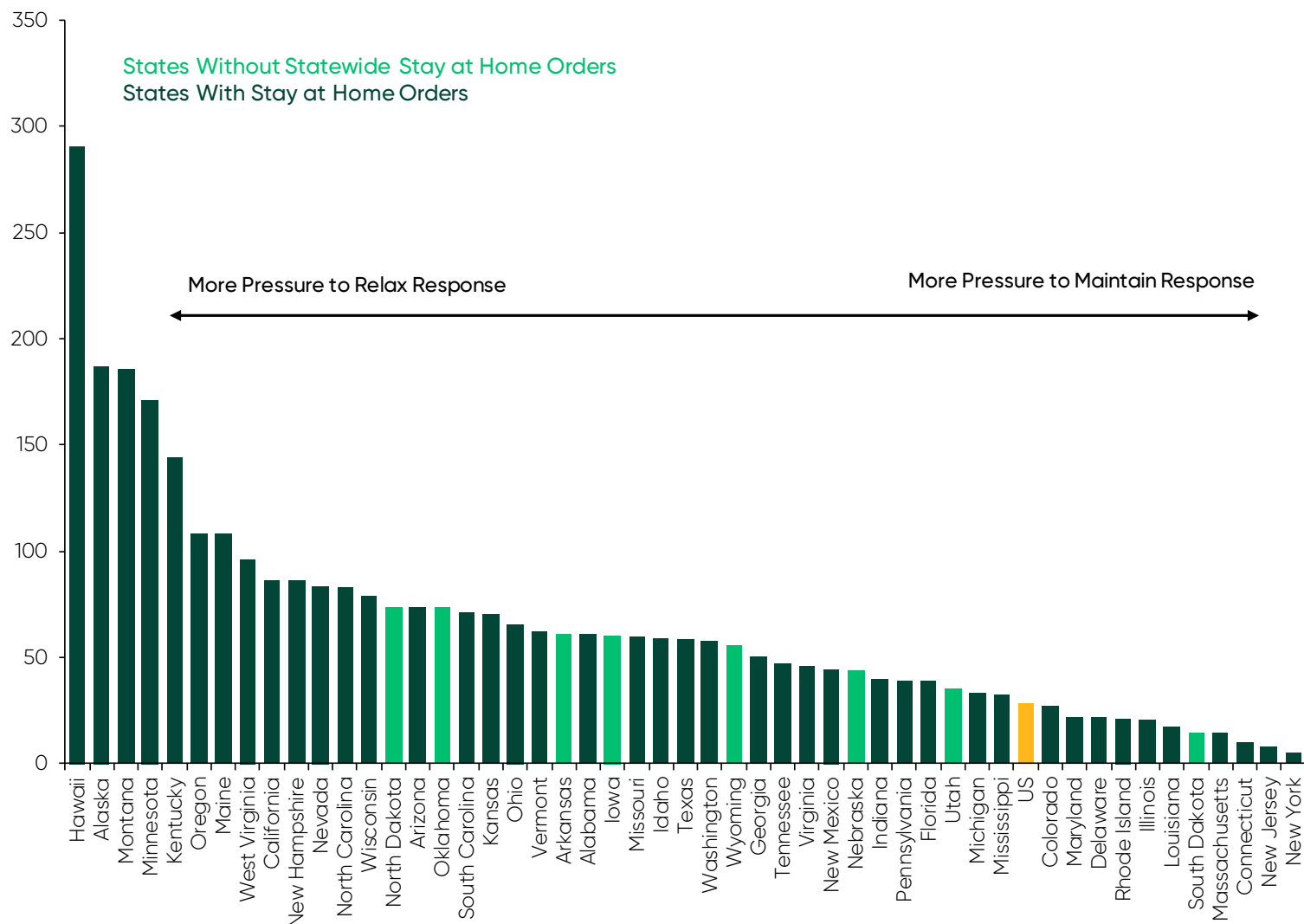


Top chart source: Board of Governors of the Federal Reserve System (US), M2 Money Stock [M2], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/M2>, 27 April 2020. Bottom chart source: Federal Reserve Bank of St. Louis, 10-Year Breakeven Inflation Rate [T10YIE], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/T10YIE>, 27 April 2020. The breakeven inflation rate represents a measure of expected inflation, the latest value implies what market participants expect inflation to be in the next 10 years, on average.

JOB LOSSES TRUMP THE VIRUS IN SOME STATES

Looking at unemployment claims relative to COVID-19 reveals a large discrepancy among states. In many states, the economic impact seems far more severe than the virus, potentially increasing social pressure to open economies.

Initial Unemployment Claims vs. COVID-19 Cases

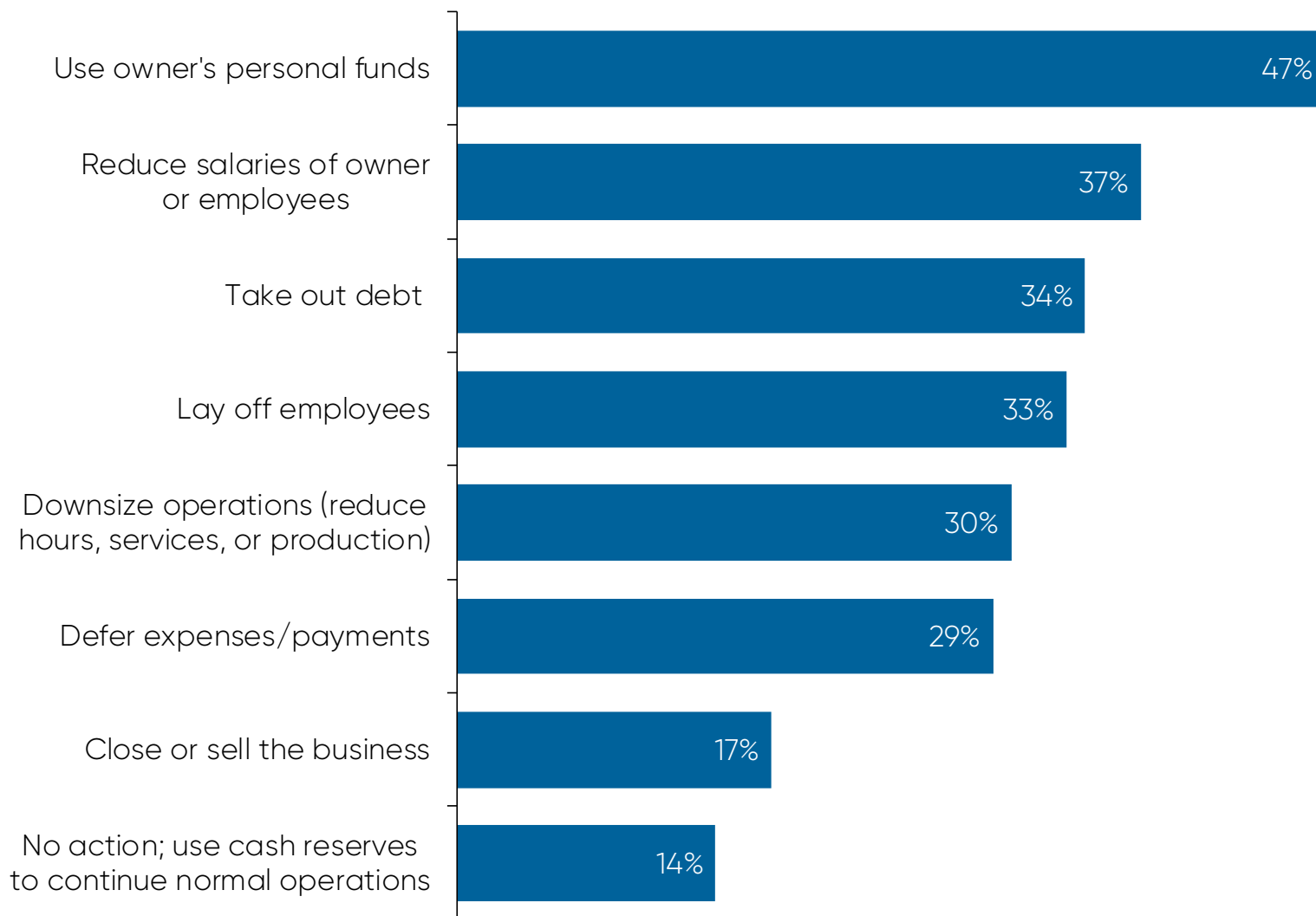


Source: John Hopkins, US Department of Labor, Fisher Investments Research as of 23/04/2020. New COVID-19 cases per state and stay-at-home orders per state as of 23/04/2020. Total unemployment claims from 14/03/2020 to 18/04/2020, shown against daily cases.

FED SMALL BUSINESS CREDIT SURVEY

Small firms will do whatever they can to stay in business. But the longer they are shut down, the more likely they will close.

Actions businesses would take in response to a 2-month revenue loss

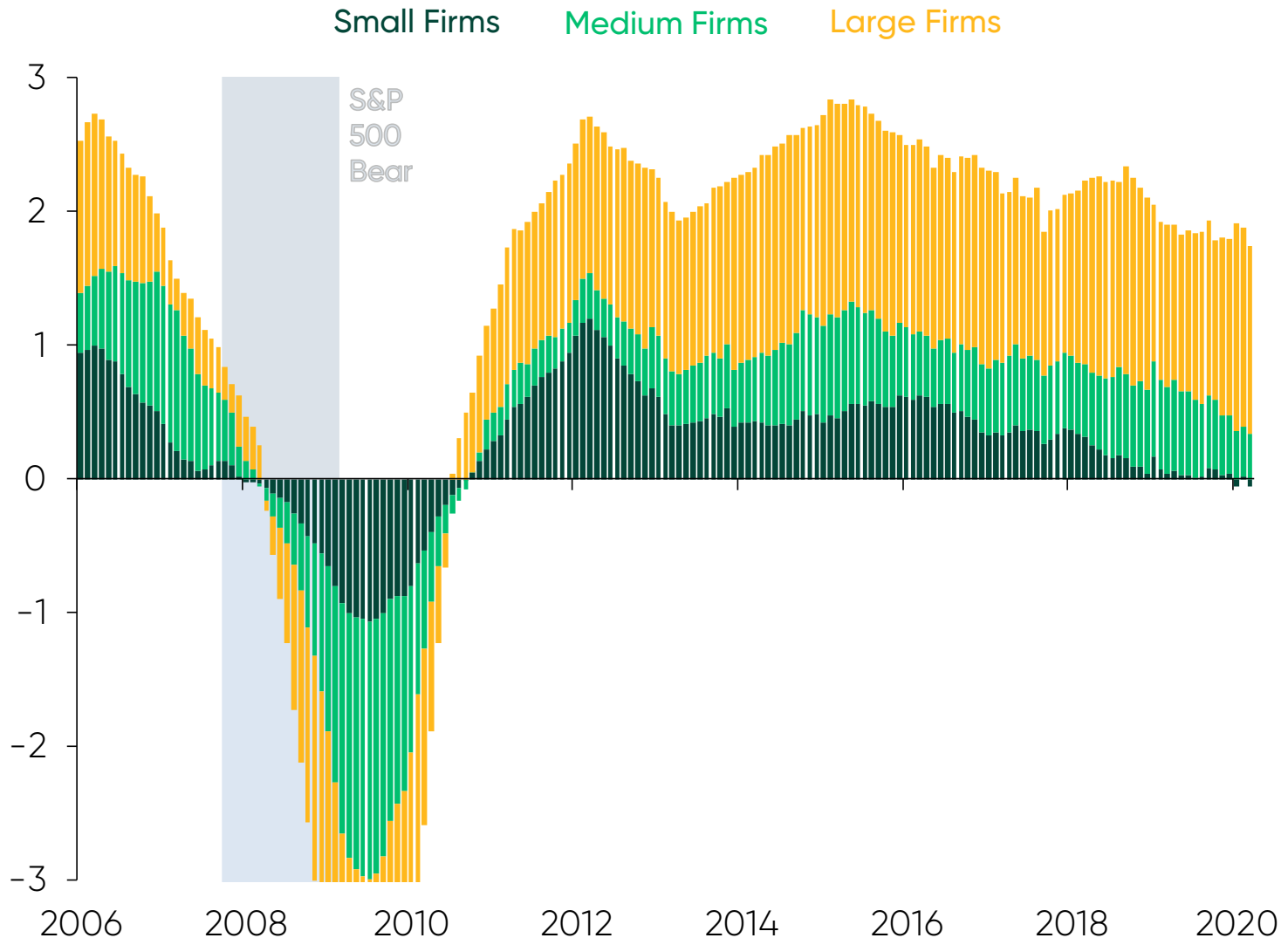


Source: February 2020 FED Small Business Credit Survey.

SMALL BUSINESS ISN'T THE BACKBONE OF US LABOUR MARKET

US unemployment claims are spiking, with layoffs likely led by small businesses. But small businesses have not been the primary source of payroll gains in recent years.

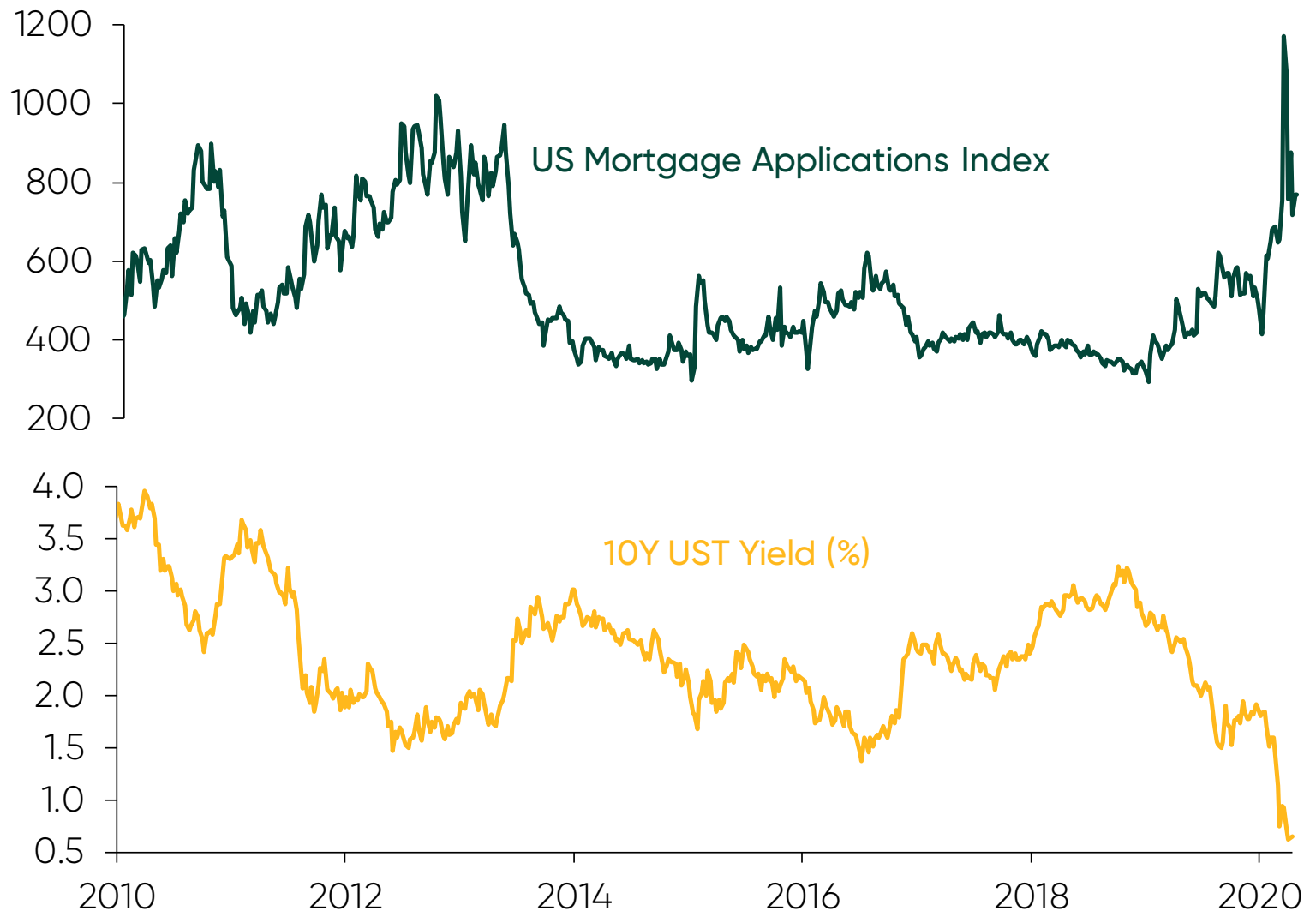
Change in ADP Non-Farm Employees by Firm Size in the US (Millions, Y/Y)



Source: FactSet, ADP Employment Report, shows year over year change in nonfarm private employees payrolls, in millions of employees. Totals for large (500+ employees), medium (50-499 employees) and small (1-49 employees) businesses. Based on monthly data to 31/03/2020.

NOT ALL BAD NEWS FROM FALLING RATES

Lower bond yields reflect a dimming economic picture, but also provide some benefits. For example, lower mortgage rates in the US provide benefits to new borrowers and those looking to refinance.



Source: FactSet, Mortgage Banker's Association (MBA) as of 17/04/2020. Mortgage applications index based on weekly data to 17/04/2020. US 10 year yield, weekly, to 17/04/2020.

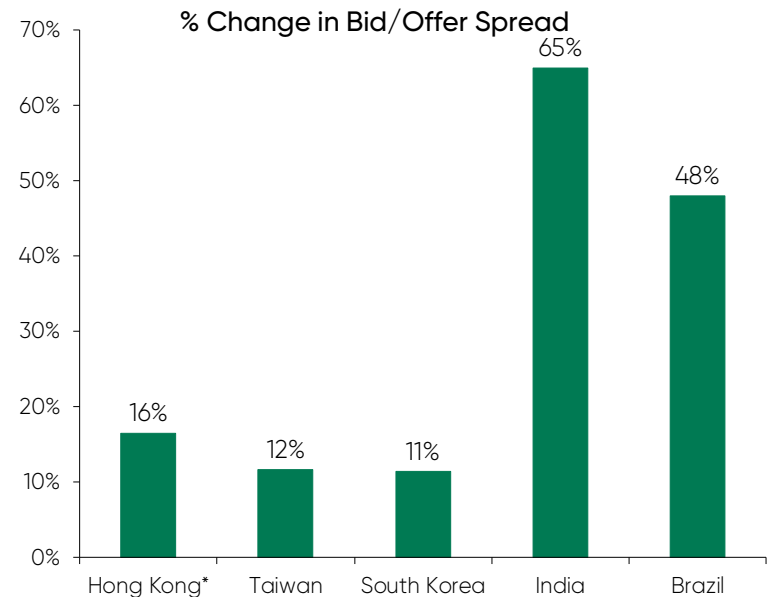
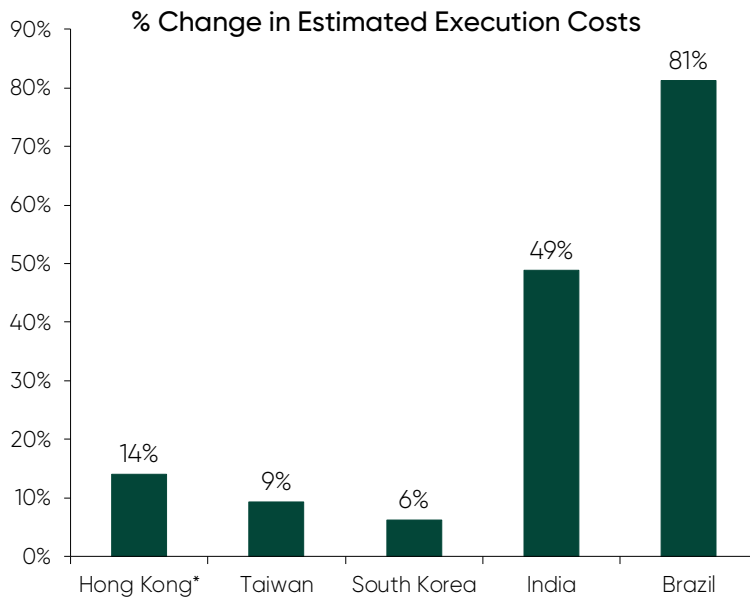
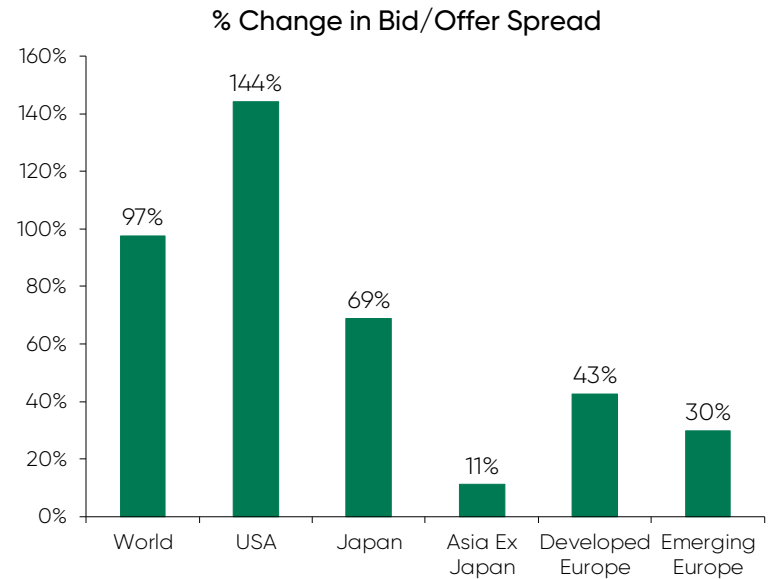
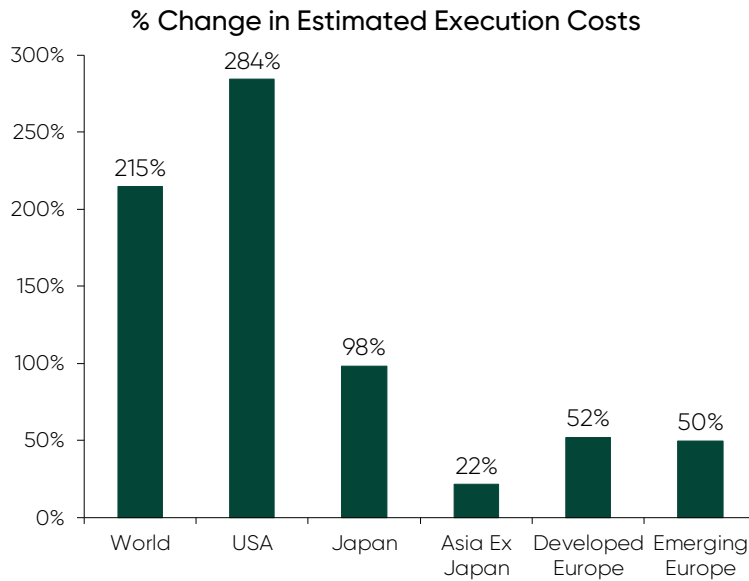
KEY EMERGING MARKETS THEMES

Our current views on Emerging Markets

- Liquidity in Emerging Markets has been impacted less than the developed world
- Worst performing EM countries during downturns have historically shown the strongest bounce backs
- USD strength is mostly a flight to safety and should abate following the COVID-19 crisis

EMERGING MARKETS LIQUIDITY IN STRESSED MARKETS

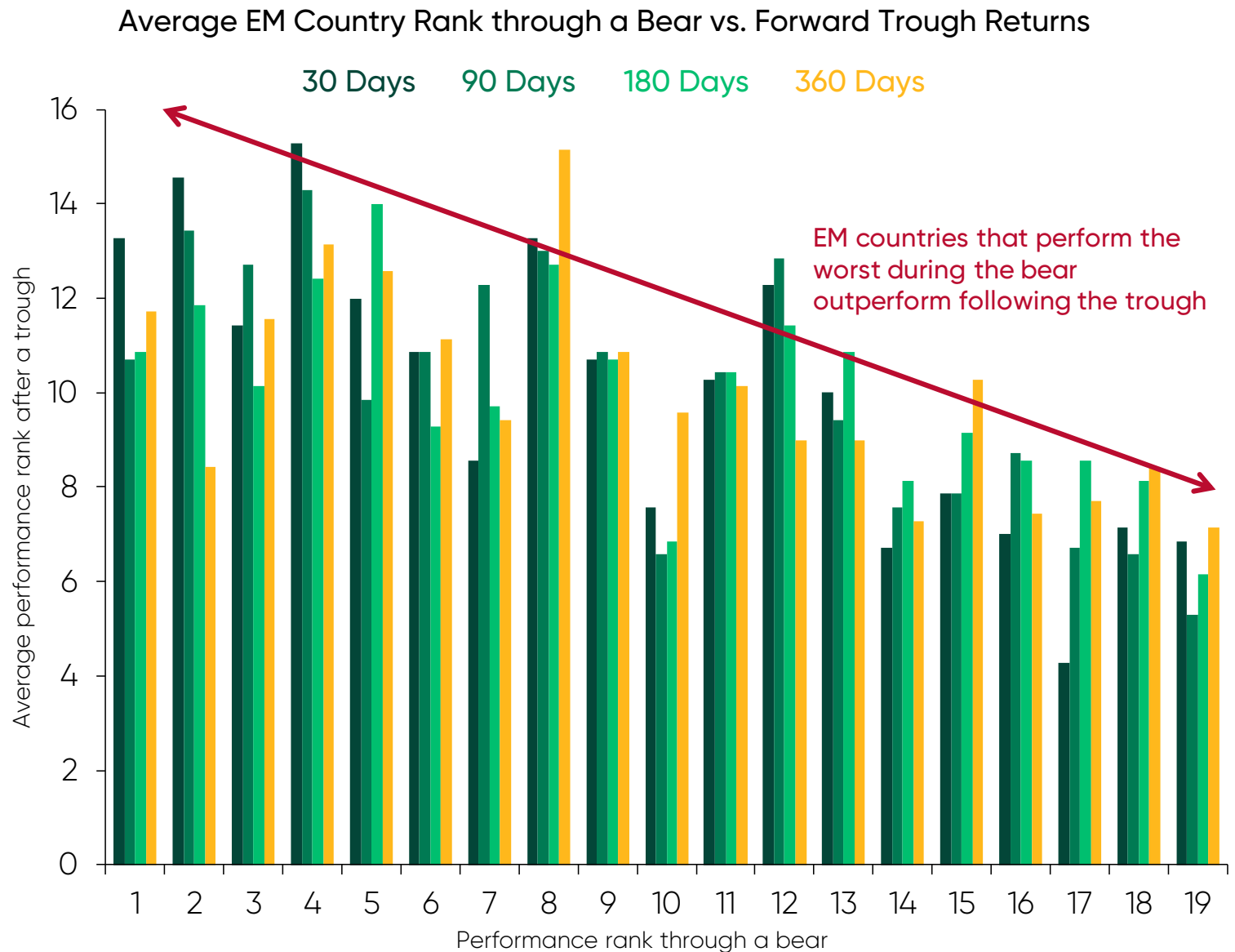
Compared to January, liquidity has decreased to a smaller degree in EM compared to developed peers. This divergence is also evident at the country level within EM.



Source: Instinet. Based on daily average spread and estimated execution costs during January 2020 compared to the 2nd week of March 2020. Cost refers to the estimated cost of executing 5% of 20 day ADV at VWAP. *Hong Kong is used as a proxy for Chinese H shares traded on the Hong Kong Exchange.

STRONGER AVERAGE BOUNCE FROM WORST PERFORMERS

EM countries that perform the worst during bear markets typically outperform following the trough.



Source: FactSet as of 18/03/2020. Shows MSCI EM country performance ranks through bears, and corresponding average performance rank following bear troughs. Performance based on MSCI price indices from 09/07/1997 to 24/10/2019. Analysis reflects 19 EM countries which make up 96% of the index, as of 30/04/2020.

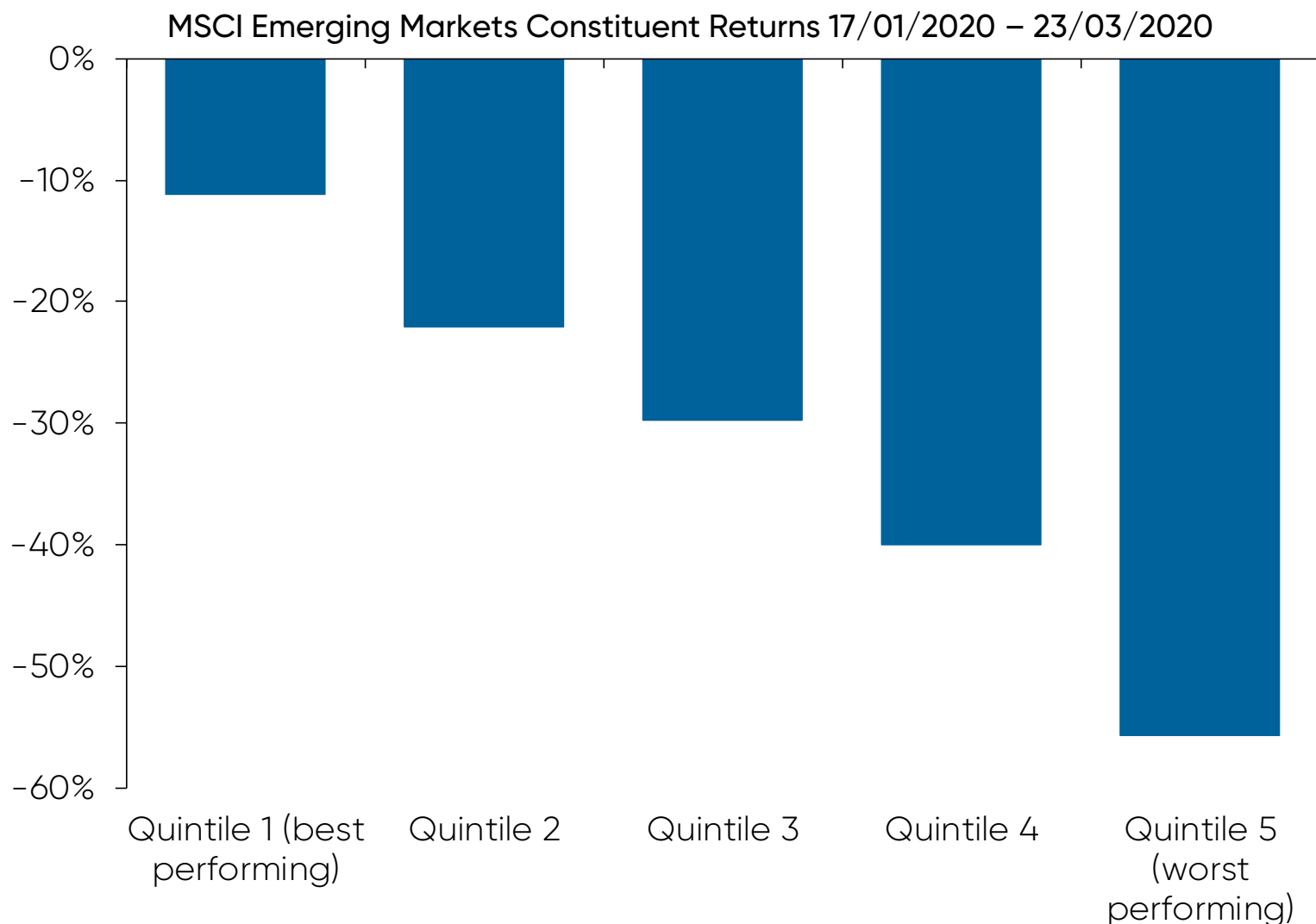
EM BOUNCE EFFECT NOW

In this COVID-19 induced downturn, the worst quintile of EM equities has fallen nearly five times as much as the first quintile.

Major categories in:

1st Quintile: Chinese Internet and Banks; Korean Health Care; Select defensives sectors

5th Quintile: Brazil, Russia, Indonesia, Energy



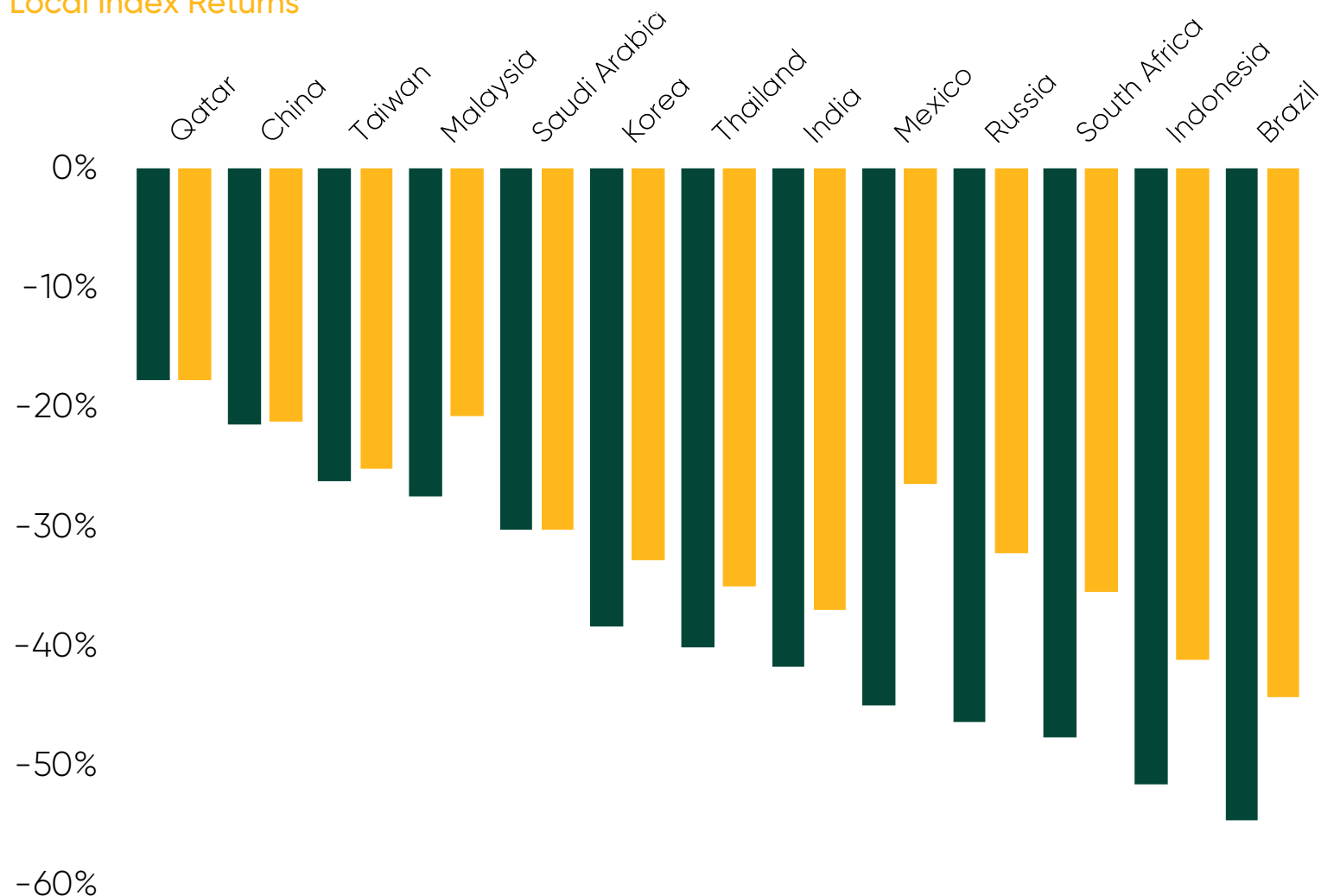
Source: FactSet. Performance and quintiles are based on MSCI Emerging Markets returns from 17/01/2020 to last low (23/03/2020).

USD VS. LOCAL EMERGING MARKETS RETURNS

Investor flight to safety has strengthened USD verses EM currencies, but the panic strengthening USD should subside as the market recovers.

USD Index Returns

Local Index Returns



Source: Factset, shows relevant MSCI country index USD & local index returns. Performance from 17/01/2020 to last low (23/03/2020). Shows relevant MSCI country index USD & local index returns.

KEY SECTOR POSITIONING

Our current views on sectors

- Stress to financial system abating, but banks challenged by low interest rates, flat yield curves, and rising non-performing loans
- Drug innovations and approvals have seen a record first quarter in the US
- Pharmaceutical equities are benefitting from strong pipelines and drug approvals
- Oil & Gas is already a lean industry, with the impact to capex and employment likely less severe than in the previous oil price war
- A lower oil price is a net benefit to most ACWI constituents

As of 30/04/2020.

GLOBAL EMERGENCY LIQUIDITY MEASURES HAVE BEEN ROBUST

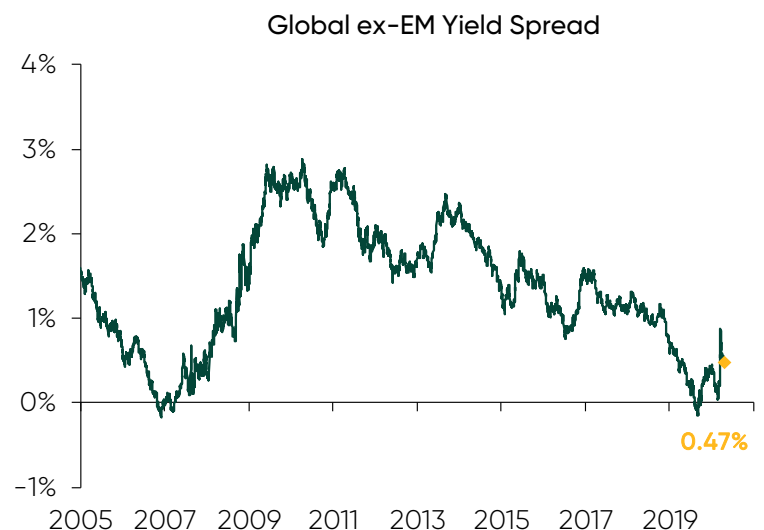
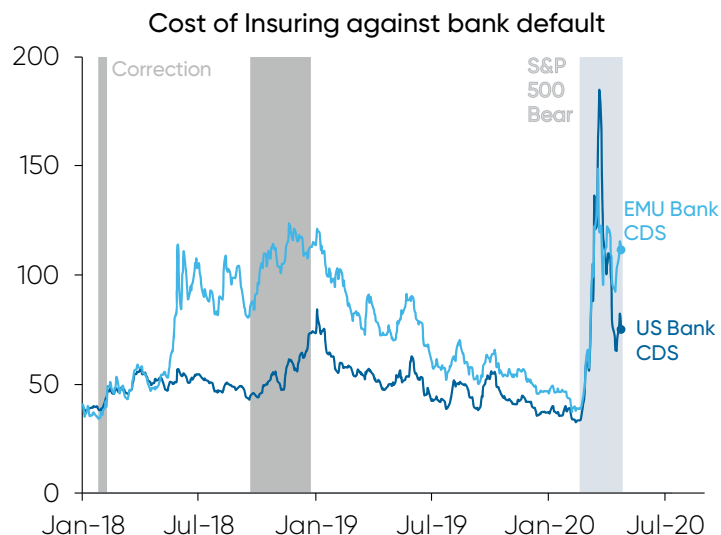
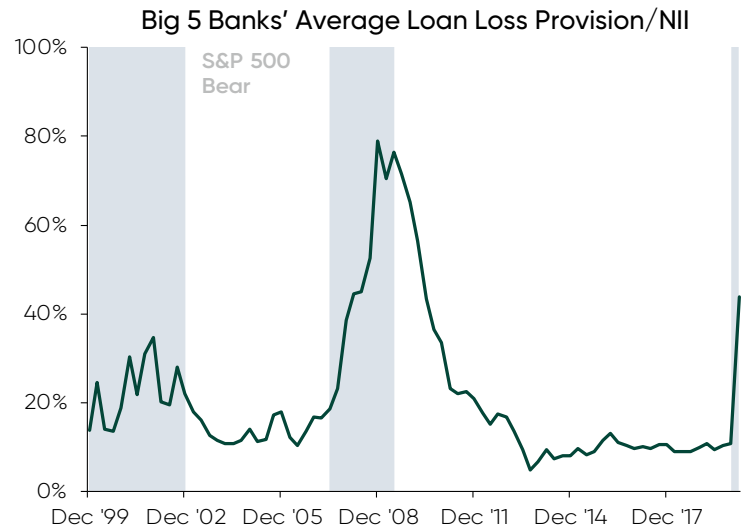
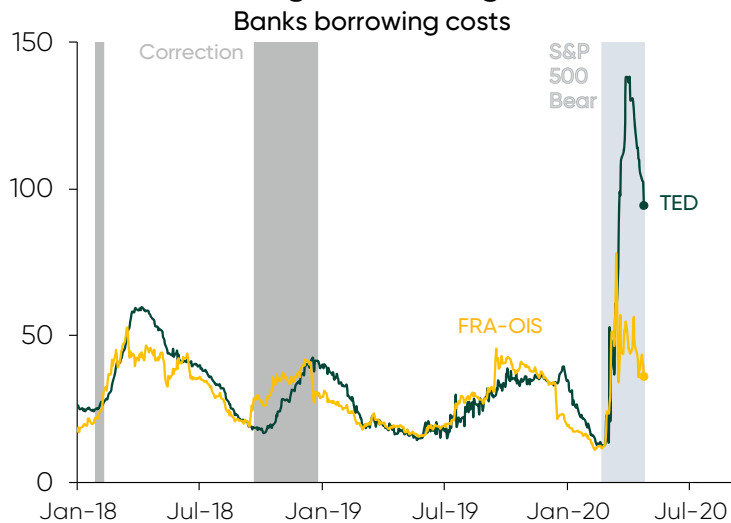
This crisis did not begin in financial markets, but strains inevitably developed. Policy makers have responded with unprecedented liquidity measures and by easing capital and accounting rules, freeing up substantial capacity for new loans.

Country	Emergency Liquidity Measures					Easing Standards	
	Repo Avail	Repo Drawn	Direct CB Loans	USD Swaps	LTRO*	Loan Guarantees	New Loan Capacity
US	\$1,500	\$158	\$122	(\$432)	--	\$2,100	\$4,000
Canada	--	CAD 142	CAD 10	\$0	--	--	--
Europe	--	--	--	\$142	€ 277	€ 1,140	€ 3,000
Germany						€ 400	--
France						€ 300	--
Italy						€ 340	--
Spain						€ 100	--
UK	--	£80	£7	\$27	£28	£330	£1,500
Norway	--	--	--	\$2	--	100 kr	--
Sweden	--	--	--	\$0	--	200 kr	--
Switzerland	--	--	--	\$11	--	CHF 20	--
Japan	--	--	--	\$215	--	¥23,000	¥12,200
Australia	--	AUD 9	--	\$1	--	AUD 40	--
South Korea	₩2,500	--	--	\$16	₩5,500	--	--
Hong Kong	--	--	--		--	--	--
Singapore	--	--	--	\$6	--	--	--
China	--	CNY 3,000	--		--	--	--
Brazil	R\$50	--	--	\$0	--	R\$291	R\$650
India	--	--	--		₹ 1,500	--	--
Mexico	--	--	--		--	--	--
Indonesia	Rp100,000	--	--		--	--	--
Russia	--	--	--		--	--	--
South Africa	--	--	--		--	R200	--
Malaysia	--	--	--		--	--	--
Thailand	--	--	--		--	--	--
Philippines	₱300	--	--		--	--	--
Turkey	--	--	--		--	500 ₺	--
Taiwan	--	--	--		--	--	--
Global Sum	\$1,524	\$779	\$138	\$432	\$357	\$4,145	\$9,730

Source: Fisher Investments Research, IMF & OECD; as of 30/04/2020. All data in billions. *LTRO = long term refinancing operations. Exchange rates from local currencies to USD as of 24/03/2020.

BANKS HEALTHY BUT CHALLENGED

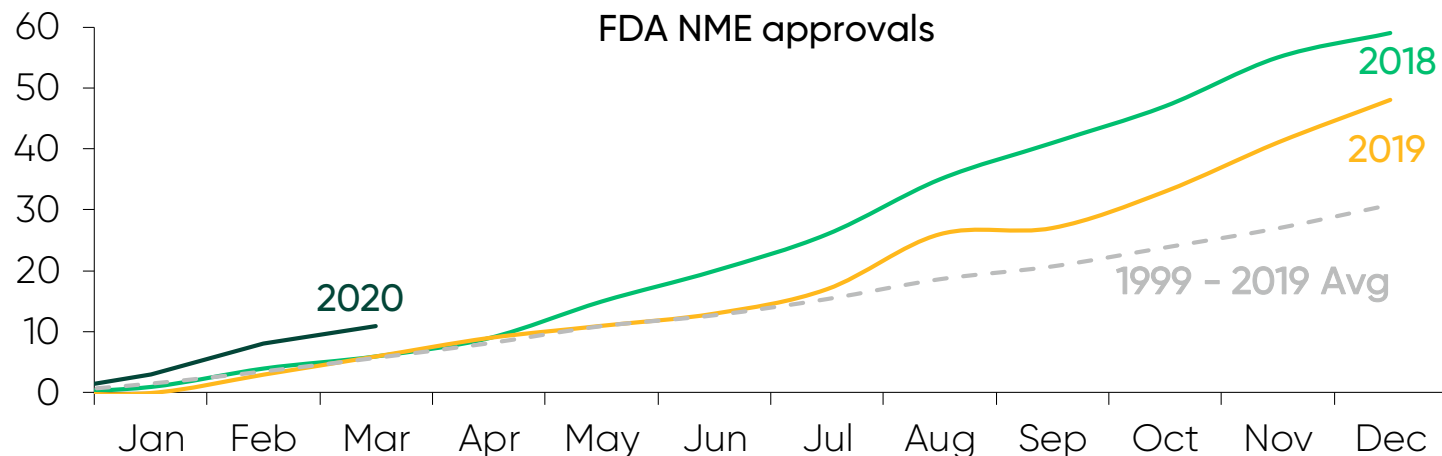
Measures of bank credit risk spiked early in this crisis but are improving. Still, banks remain fundamentally challenged as non-performing loans inevitably soar and the interest-rate environment weighs on margins.



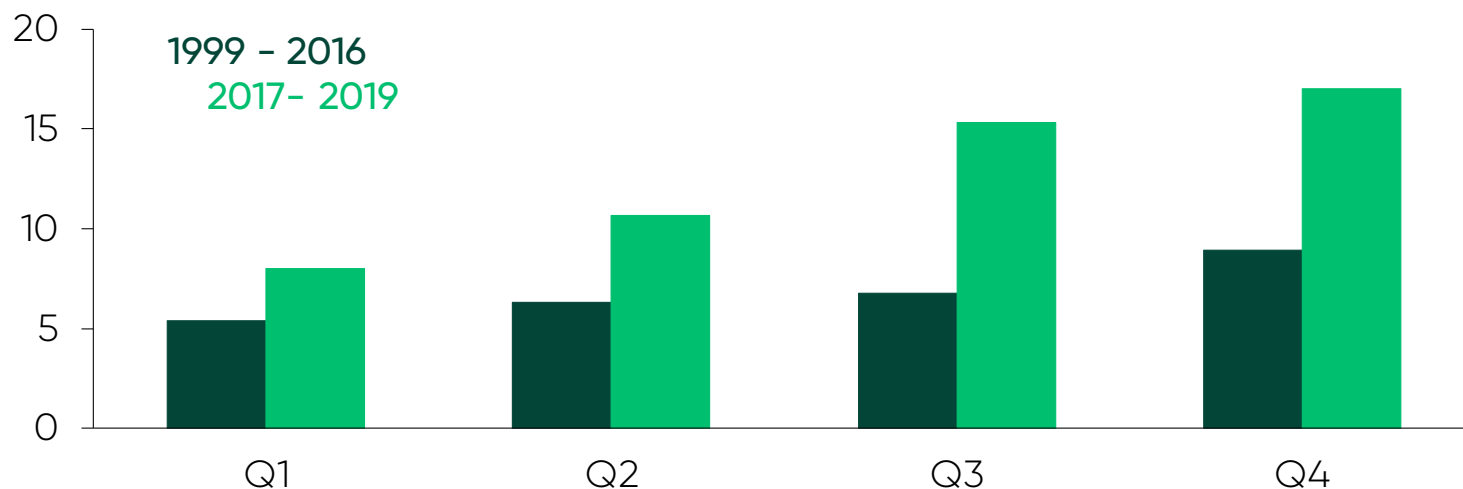
Source: Factset. Top left chart shows long-term TED spread & FRA-OIS spread (BPS Spread over risk-free rate) (01/01/2018-23/04/2020). Bottom left chart shows long-Term Senior Bank CDS spreads (US & EMU) (BPS spread cost of hedge) (01/01/2018-23/04/2020). Bottom right: Global Financial Data. Shows MSCI World Countries 10 Year - 3 Month Yields weighted by quarterly real-GDP (01/01/2005 - 24/04/2020, GDP as of 30/06/2019). Top Right: Bank of America Corp., JP Morgan Chase & Co., Wells Fargo & Co., Citigroup Inc. and U.S. Bancorp, Quarterly Loan Loss Provisions and Net Interest Income. (31/12/1999-31/03/2020 as of 28/04/2020.)

DRUG INNOVATION AND R&D REMAIN STRONG

Despite COVID-19 disruptions, the FDA approved an above average numbers of drugs in Q1 2020. 2019 finished higher than the 20 year average, and just short of 2018, a record setting year for drug approvals.



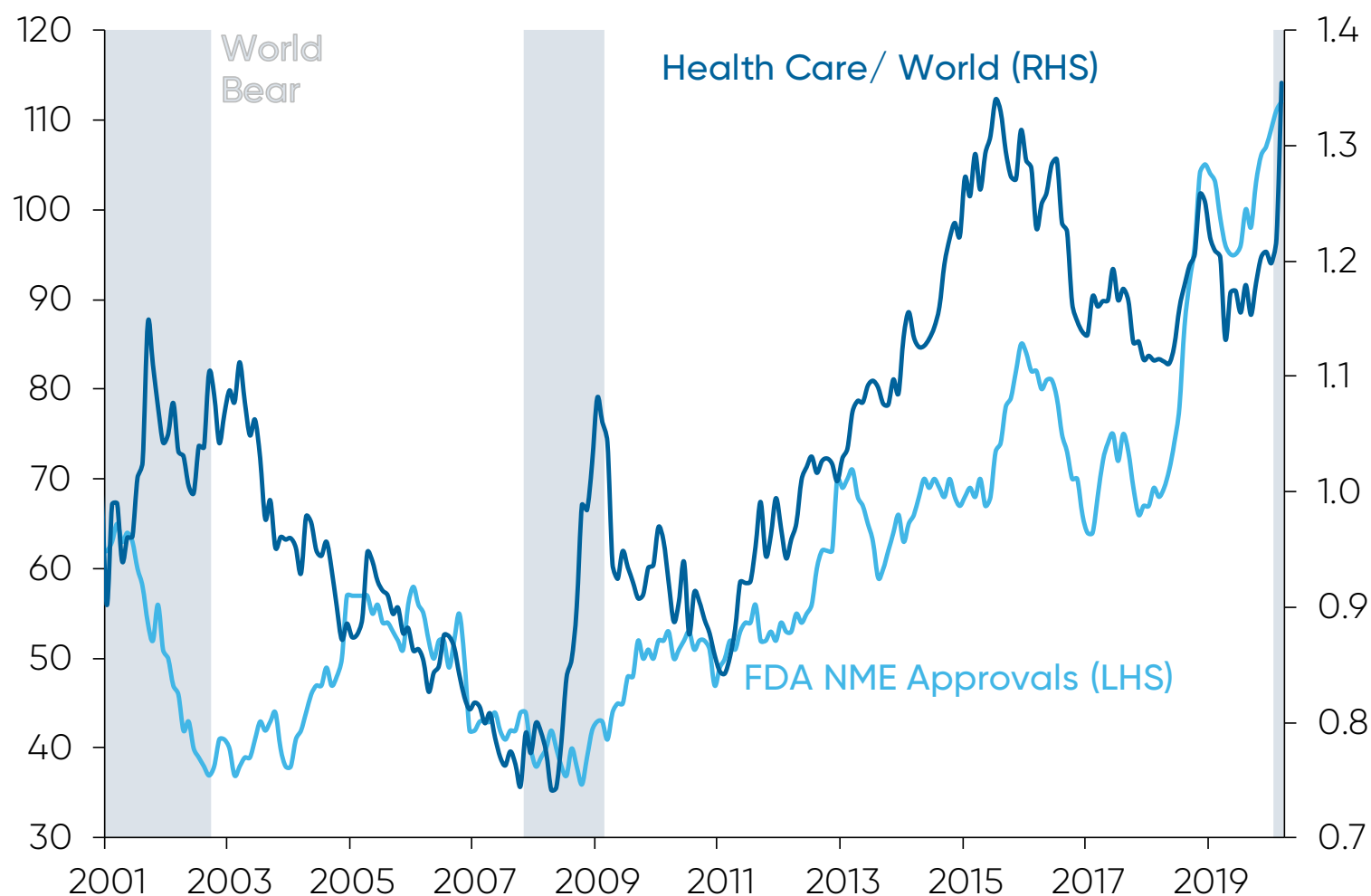
The FDA approved 11 new drugs in the first quarter – typically the weakest period for drug approvals.



Top & bottom chart source: US Food & Drug Administration (FDA) & FactSet. As of 31/03/2020. FDA New Molecular Entities (NME) approvals as of 31/03/2020, average approvals as of 31/12/2019.

HEALTH CARE OUTPERFORMS WITH APPROVALS

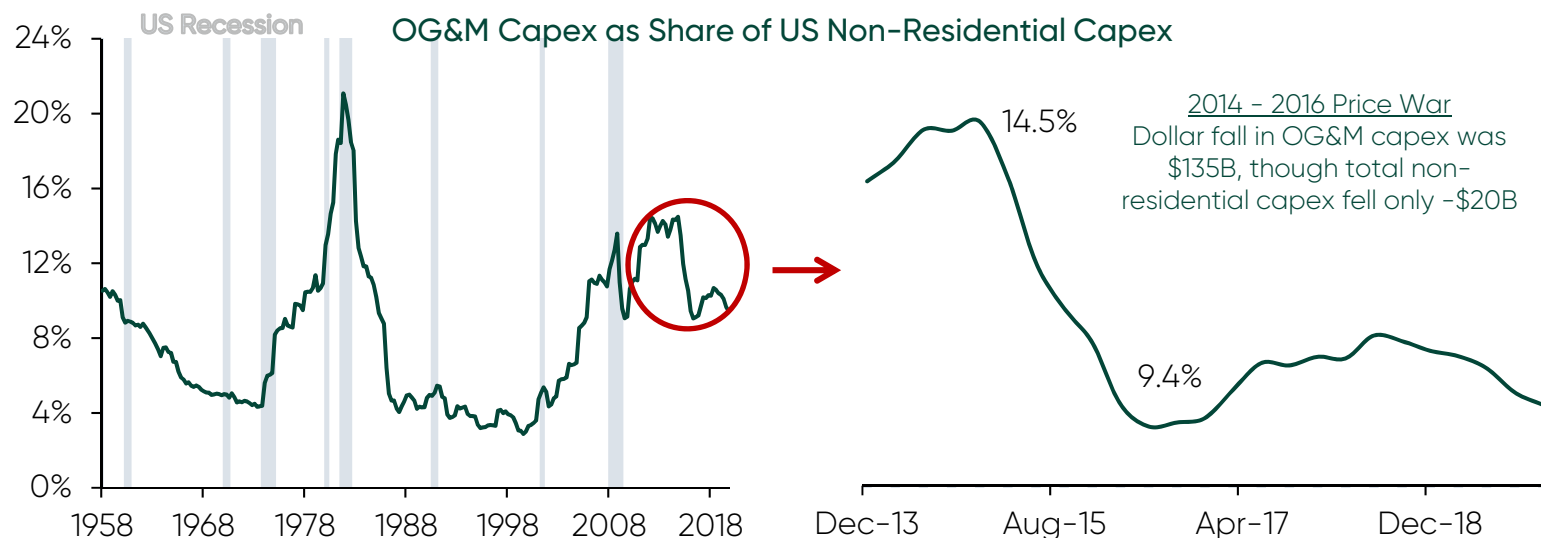
Health Care has outperformed MSCI World peers during the recent downturn tied to its defensive characteristics and robust drug approvals, amongst other factors. Strong fundamentals are, however, partially offset by rising political uncertainty in advance of the 2020 US presidential election.



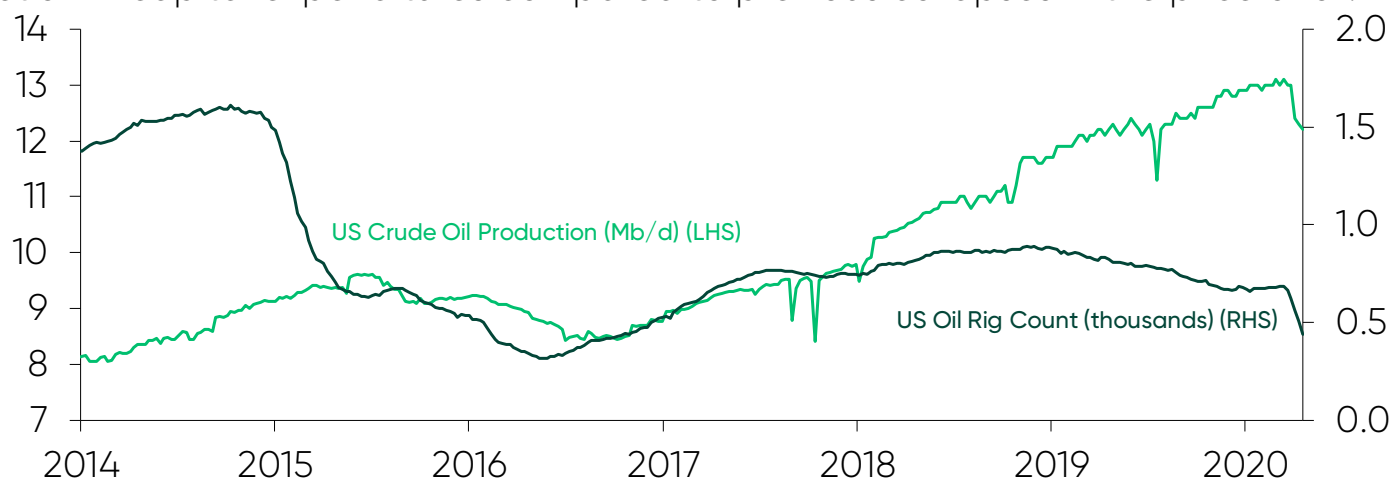
Source: US Food & Drug Administration (FDA) & FactSet as of 31/03/2020. Shows trailing 2-year New Molecular Entities (NME) approvals against the relative performance of MSCI World Health Care against the MSCI World index, total returns indexed to 1 on 31/12/2000.

ENERGY ALREADY A LEAN SECTOR

As a share of non-residential capital expenditures (capex), oil, gas, and mining (OG&M) is already near current cycle lows, though it likely falls further if oil prices stay depressed. The first iteration of the price war from late 2014 to early 2016 saw oil, gas, and mining capex fall from 14 to 9% of non-residential capex.



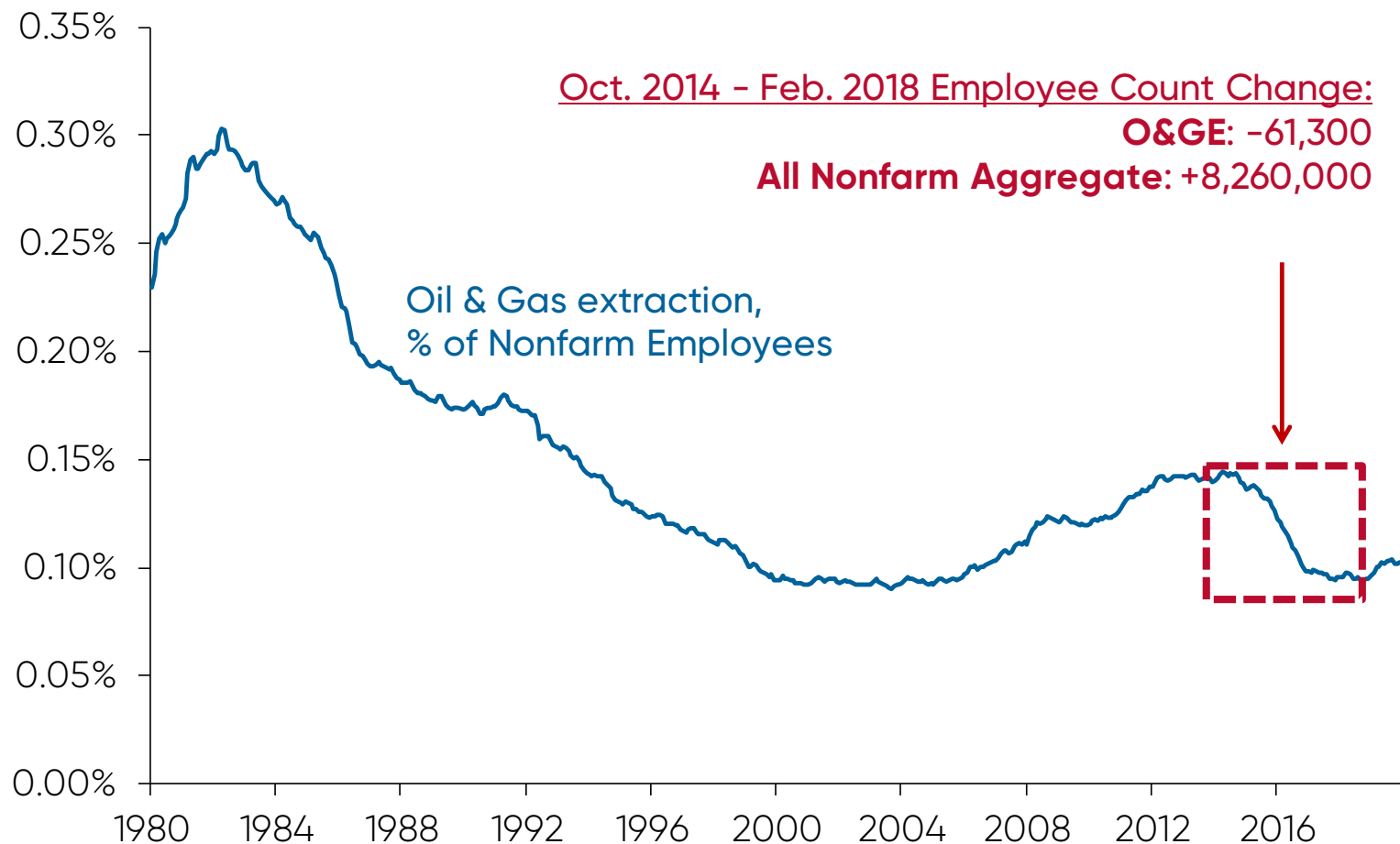
Lean operating conditions in the United States may result in a meaningfully smaller reduction in capital expenditures compared to previous collapses in the price of oil.



Top chart source: FactSet, shows Mining Exploration, Shafts & Wells Structures + Mining & Oilfield Equipment & Software private fixed investments as a share of US non-residential private fixed investment, based on quarterly data points from 31/03/1958 to 31/12/2019. Bottom chart source: FactSet, Baker Hughes, US oil production (excluding Alaska & Hawaii), thousands of barrels per day and number of rotary rig count in the US from 01/01/1988 - 17/04/2020.

ENERGY WORKFORCE SIMILARLY LEAN

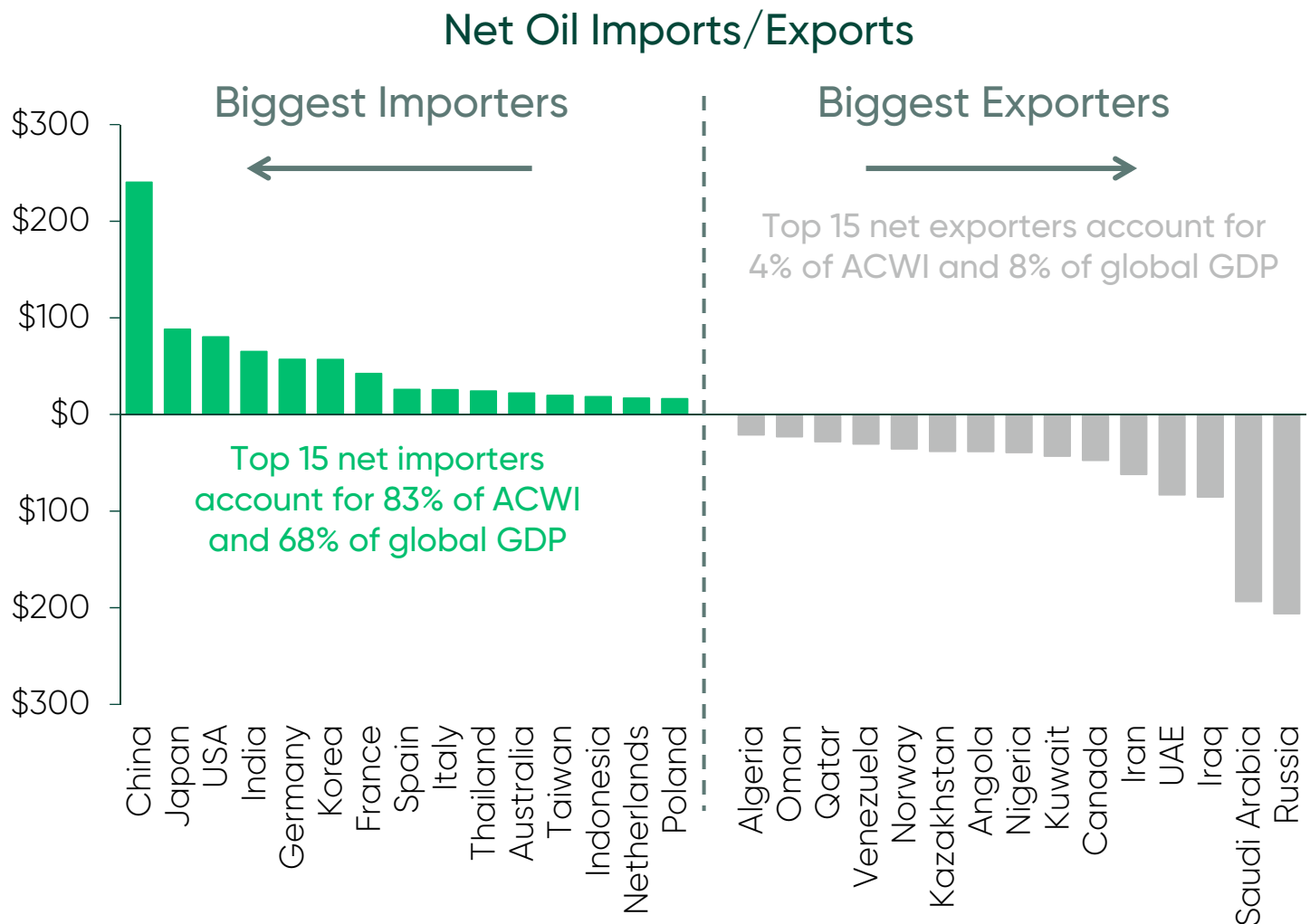
Employee count in oil & gas extraction (O&GE) as a share of the total nonfarm payroll is similarly near cycle lows. The 2014-16 price war saw 14,000 jobs lost in the space, hitting a low point of ~61,000 in February 2018. In that span, ~8.3m jobs were created across all nonfarm employees.



Source: US Department of Labor as of 31/03/2020. Shows all oil & gas employees as a % of total nonfarm payroll employees.

LARGEST OIL NET IMPORTERS AND NET EXPORTERS

Oil price volatility impacts countries differently. Oil-revenue-dependent exporters are more likely to struggle with plummeting prices, while importers may benefit. Overall, the world is heavily skewed toward importers. The top 15 importers account for 83% of the MSCI ACWI and 68% of global GDP, while top exporters account for 4% and 8%, respectively. Within EM, 87% of MSCI EM weight are net oil importers. A 25% reduction in the price of crude saves importers ~\$199 billion annually.



Source: United Nations Conference on Trade and Development, FactSet, World Bank, as of 30/04/2020. Annual data for 2018. Countries share of MSCI ACWI as of 31/12/2018.

STRATEGY OFFERINGS AND BENEFITS

INVESTMENT POLICY COMMITTEE

SECURITIES
RESEARCH TEAM

CAPITAL MARKETS
RESEARCH TEAM

CAPITAL MARKETS
INNOVATION TEAM



US EQUITY

\$5.9 BILLION

US Equity▲▲▲
S&P 500

Small and Mid Cap Core▲
Russell 2500

Small and Mid Cap Value▲
Russell 2500 Value

Small Cap Core▲▲
Russell 2000

Small Cap Value▲
Russell 2000 Value

Small Cap Opportunities
Russell Micro Cap Value

GLOBAL EQUITY

\$7.6 BILLION

All World Equity
MSCI ACWI

Global Equity▲▲
MSCI World

Global Equity Focused▲▲
MSCI World

Global High Dividend Yield▲
MSCI World High Dividend Yield

Global Long/Short
MSCI World (50%), 3-Month T-Bill (50%)

Global Small Cap▲
MSCI World Small Cap

GLOBAL EX-US EQUITY

\$4.4 BILLION

All Non-US Equity▲
MSCI ACWI ex-US

All Non-US Equity Growth
MSCI ACWI ex-US Growth

All Non-US Equity Focused
MSCI ACWI ex-US

Non-US Equity▲
MSCI EAFE

All Non-US Equity Small Cap▲
MSCI ACWI ex-US Small Cap

Non-US Equity Small Cap
MSCI World ex-US Small Cap

EM/FM EQUITY

\$11.7 BILLION

Emerging Markets All Cap▲▲
MSCI Emerging Markets IMI

Emerging Markets Equity▲▲
MSCI Emerging Markets

Emerging Markets Small Cap▲▲
MSCI Emerging Markets Small Cap

Emerging and Frontier Markets
Equity
MSCI Emerging + Frontier Markets

Frontier Markets Equity▲
MSCI Frontier Markets

All strategies available as SRI, ESG, or Impact

SRI ▲ ESG ▲ and Impact ▲ denotes existing strategies with assets under management

Complete Investment Process

- Top-down approach accounts for three critical decisions helping to maximise 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 2020. "Years" is calculated using the date on which Fisher Investments was established as a sole proprietorship: 1979.

Back cover photographs: Four offices of FI are located in Washington, California, and Texas, USA. The London, UK office is the headquarters of Fisher Investments Europe, Limited, FI's wholly owned subsidiary in England. The Dubai International Financial Centre office is a branch office of FI. Fisher Investments Australasia Pty Ltd (FIA) is FI's wholly-owned subsidiary based in Sydney, Australia. Fisher Investments Japan (FIJ) is FI's wholly-owned subsidiary based in Tokyo, Japan. Fisher Investments Ireland Limited (FIIL) is FI's wholly-owned subsidiary located in Dublin, Ireland.

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Fisher Investments
Camas



Fisher Investments San
Mateo



Fisher Investments
Woodside



Fisher Investments
Plano



Fisher Investments
Europe



Fisher Investments
DIFC



Fisher Investments
Australasia



Fisher Investments
Japan



Fisher Investments
Ireland