

# MACRO INSIGHTS

## Q3 2018

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INSTITUTIONAL GROUP

FISHER INVESTMENTS EUROPE<sup>™</sup>

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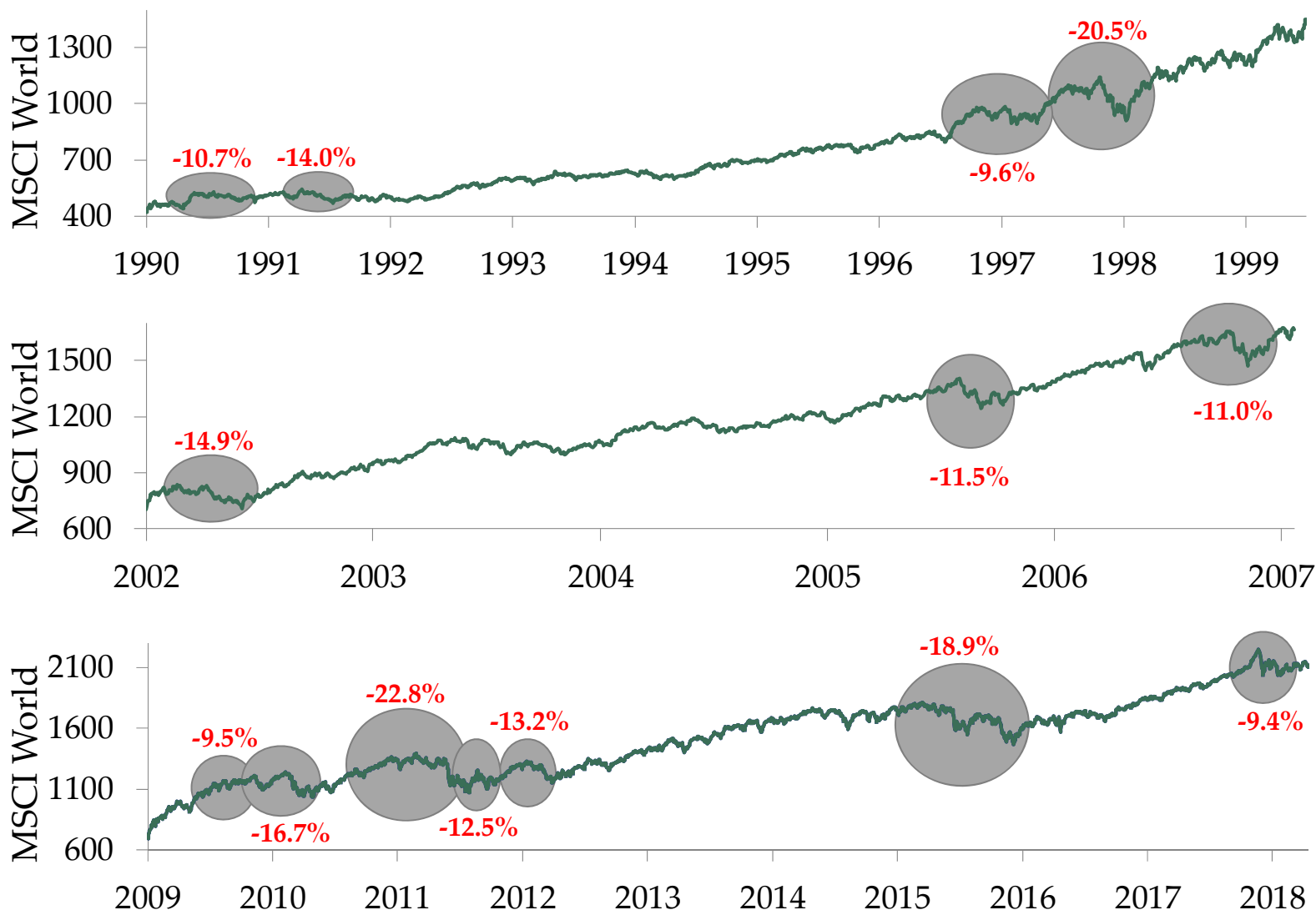
# MARKET OUTLOOK 2018

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- Expect the bull market to continue
- Q1 pullback consistent with a typical correction
- Volatility is normal—2017 was an outlier
- Inflation and trade-war fears are overblown
- Equities usually accelerate in bull markets' final third
- The global economy is in full expansion mode
- Corporate earnings growth remains very strong
- Gridlock limits political action
- Many major EM markets are benefitting from reforms
- Investor confidence continues to grow

# CORRECTIONS DURING BULLS ARE COMMON

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

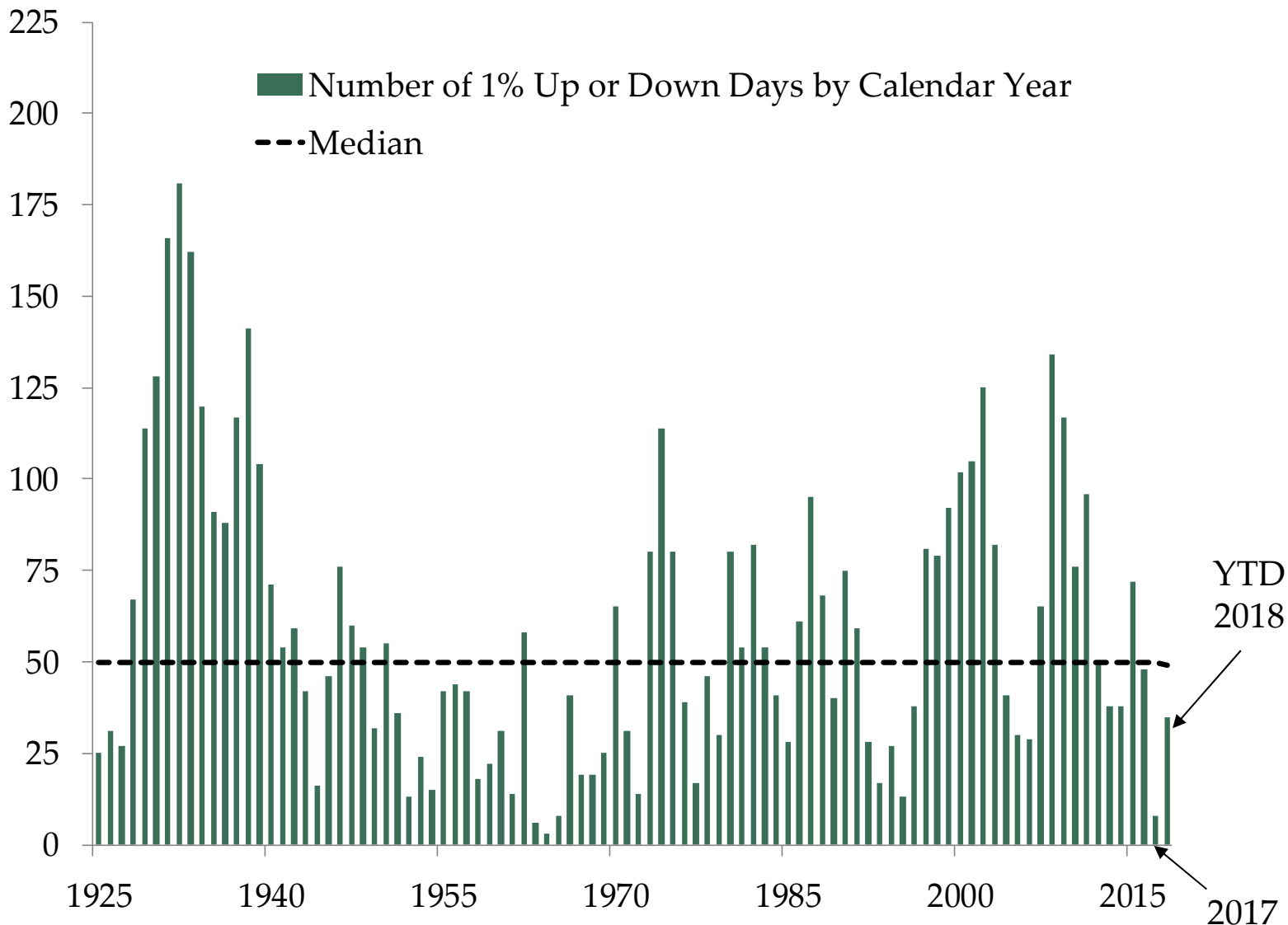


Source: FactSet as of June 2018, based on the MSCI World index price level.

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# VOLATILITY DOESN'T PREDICT RETURNS

Higher volatility than 2017 is normal and is not predictive of equity returns.

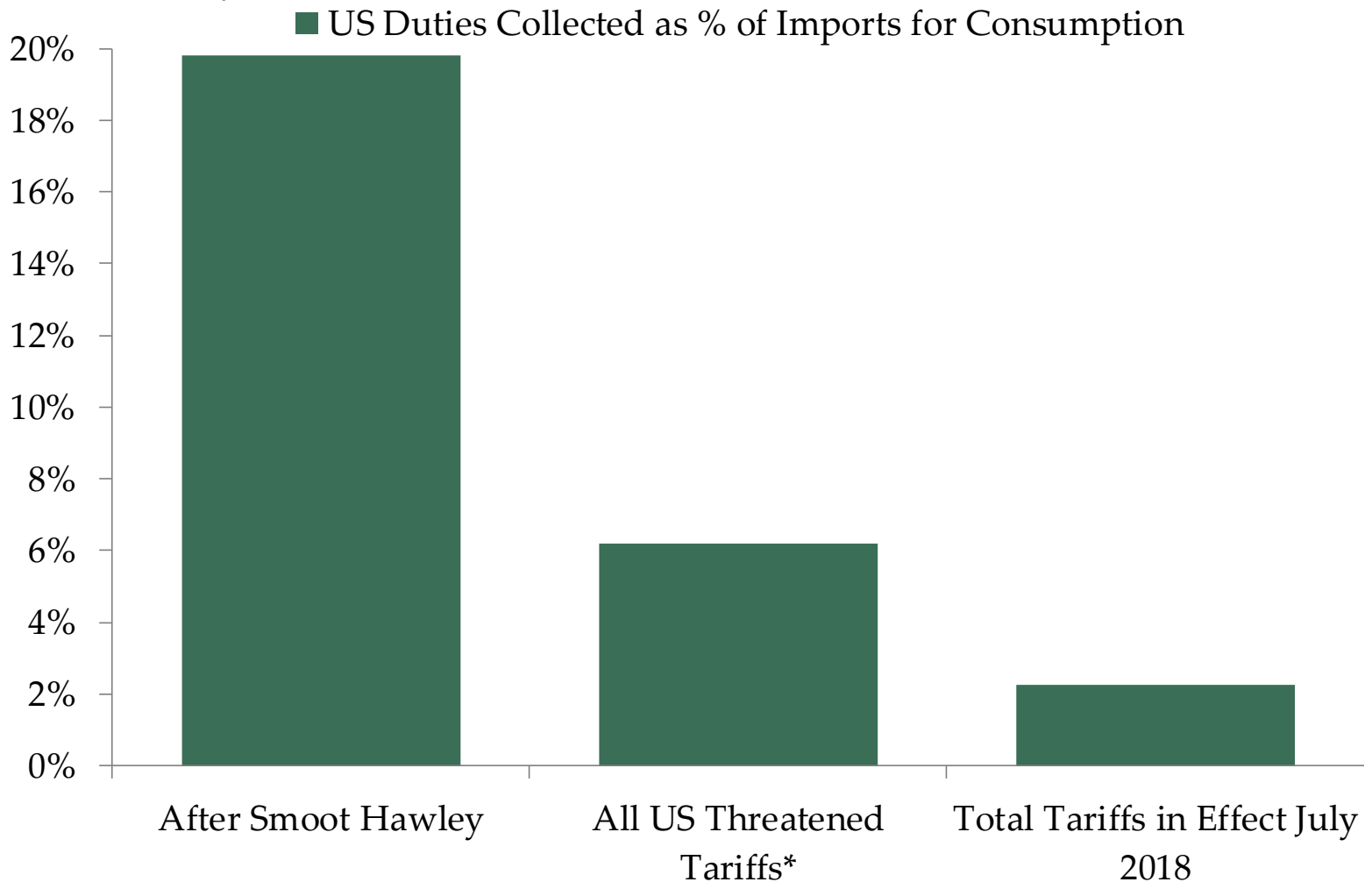


Source: Global Financial Data, S&P 500 price returns as of June 2018.

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# RELATIVE TO HISTORY, NEW TARIFFS LACK SCALE

The \$50 billion in tariffs on Chinese goods which went into effect in July 2018 are small in scale – amounting to just 2.2% of US imports for consumption relative to 19.8% with the Smoot-Hawley tariffs in 1930. Even if the most extreme tariffs are put into effect, they are still only 6.2% of US imports for consumption, less than one-third the size of tariffs under Smoot-Hawley.



\*Assumes additional 20% tariff on all auto imports and 10% tariff on additional \$500 billion in Chinese goods

Sources: US International Trade Commission and Fisher Investments Research, as of June 2018.

# STEEL TARIFFS ARE NOTHING NEW

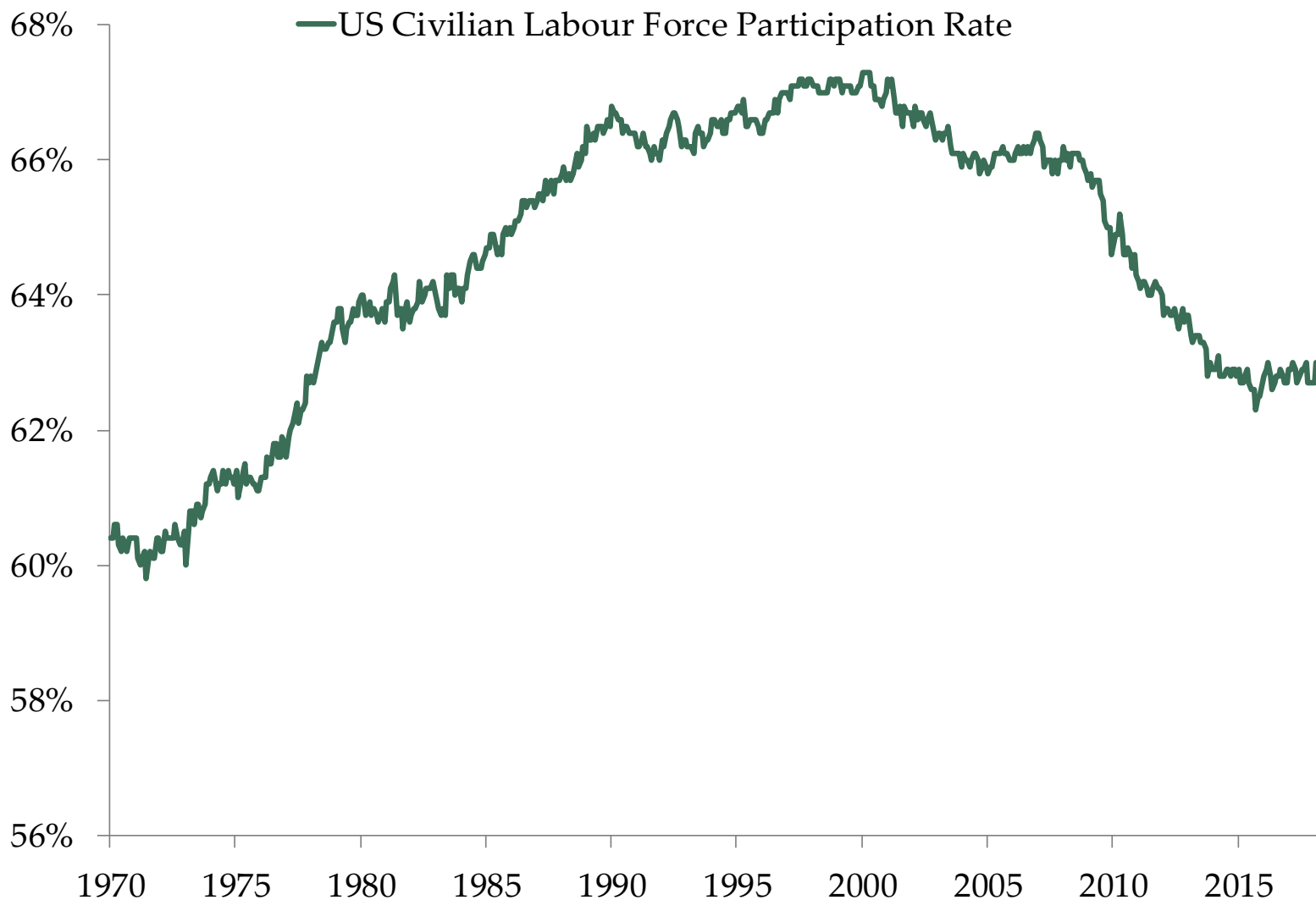
The US has routinely engaged in some form of protection for the steel industry. President Trump's tariffs are not much of a break from the norm, even if the justification might differ.

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

*Source: National Bureau of Economic Research, FactSet. Steel tariff policies and S&P 500 forward 1 year price return, January 1969 – March 2017. Proposed steel tariffs by President Trump as of March 2018. \*Presidents Obama and Carter implemented additional steel tariffs in 2014 and 1980 respectively.*

# STILL SLACK IN THE LABOUR MARKET

Sliding labour force participation has stabilised as a strong economy draws workers back into the labour force. This is a source of underappreciated labour slack, keeping wage growth in check.

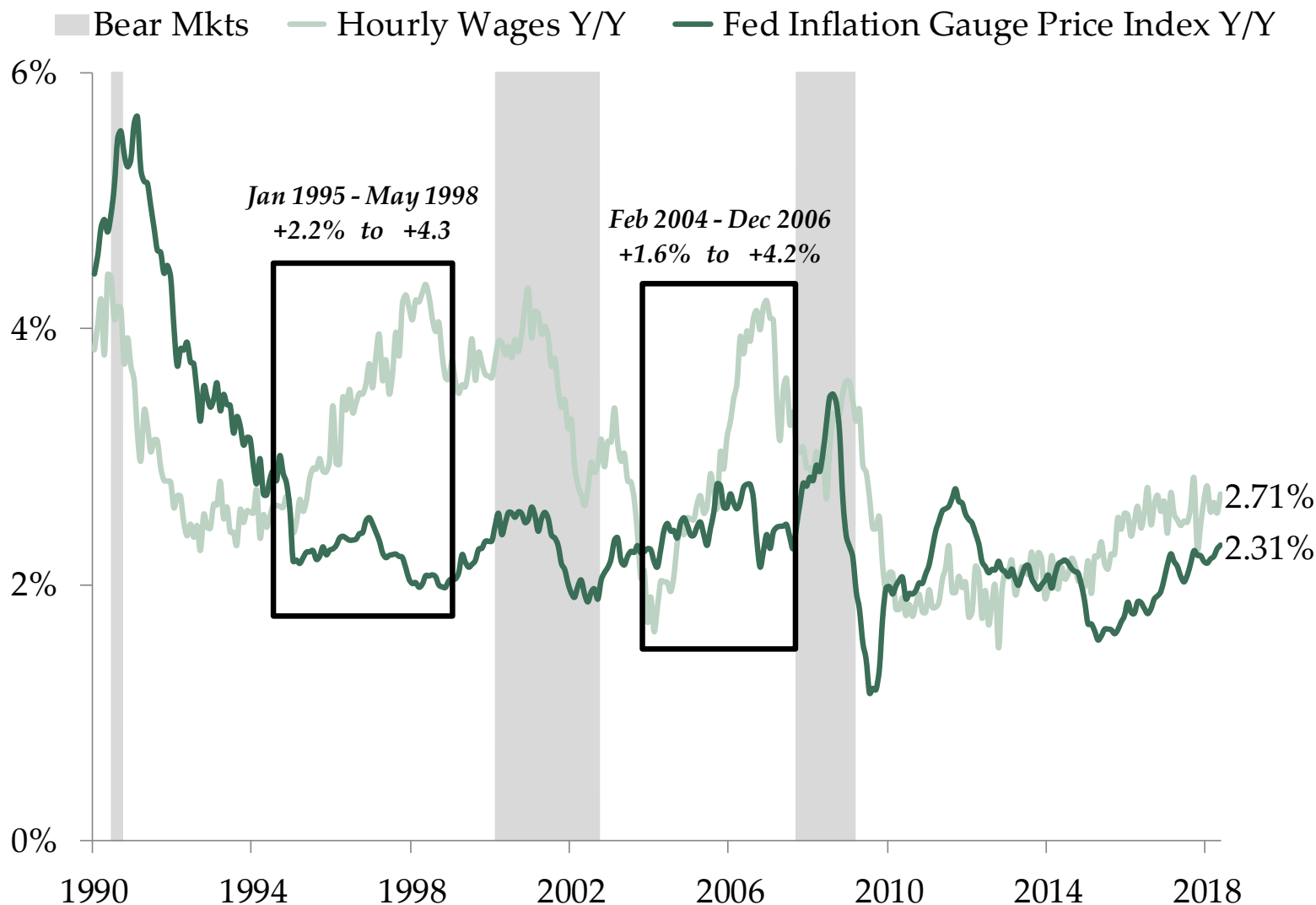


Source: US Department of Labour and FactSet as of June 2018.



# HIGHER WAGES ≠ HIGHER INFLATION

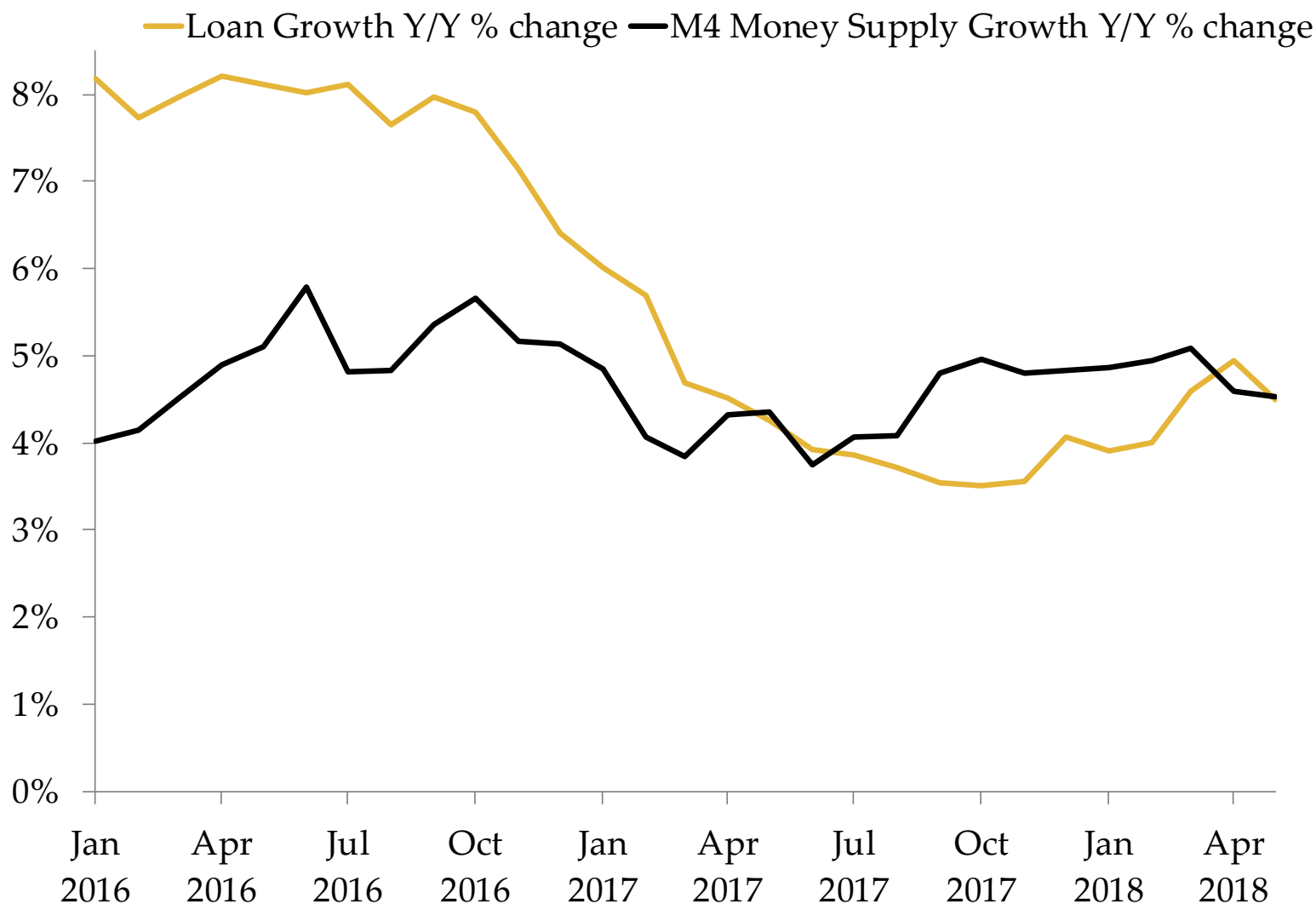
Inflation was actually absent the previous two times we saw meaningful wage growth.



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

# SLOW LENDING COOLS INFLATION

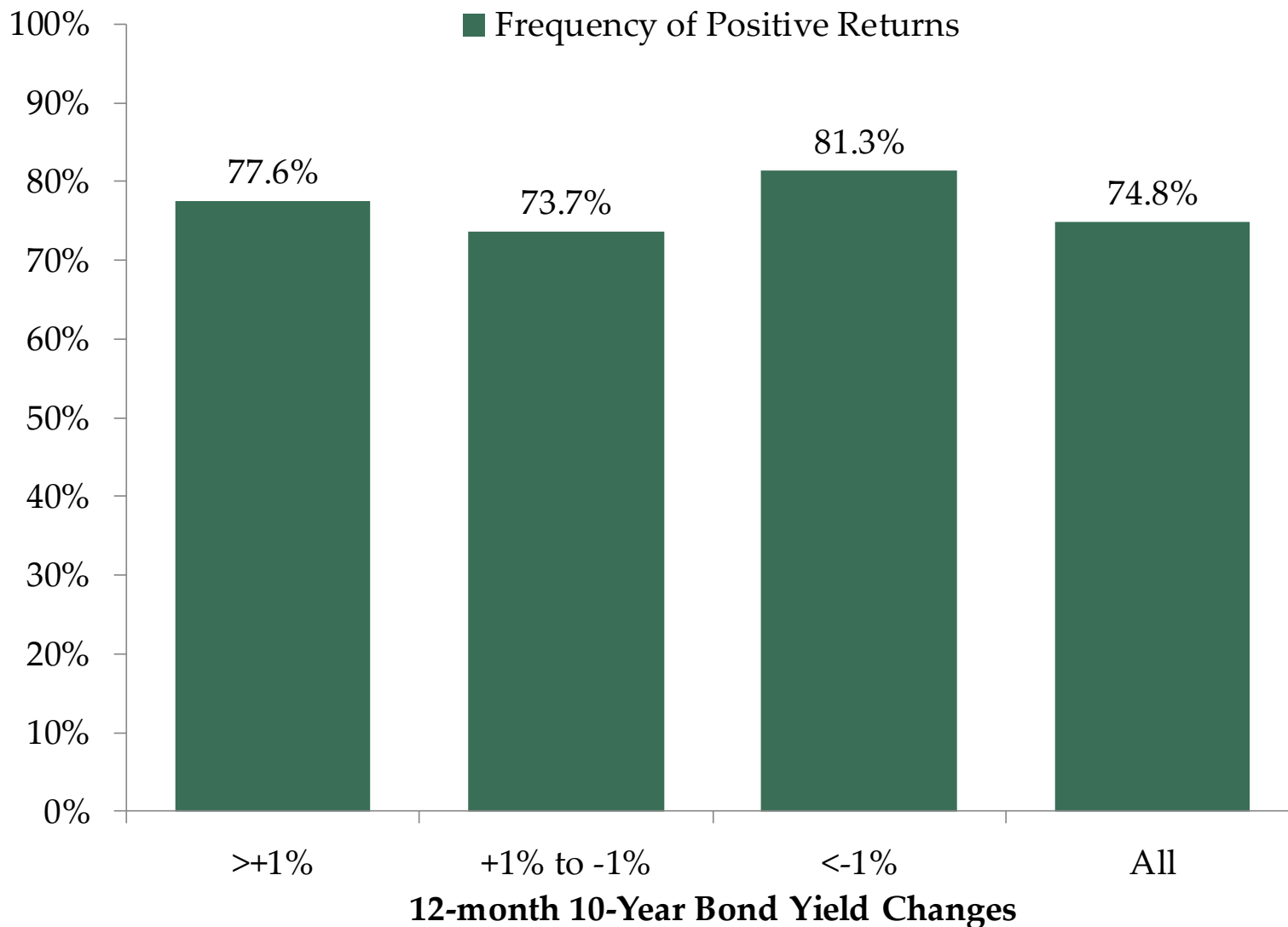
Further, decelerating loan and stable money supply growth in the US likely prevent inflation from accelerating materially.



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

# $\Delta$ IN BOND YIELDS $\neq$ $\Delta$ IN EQUITY PRICES

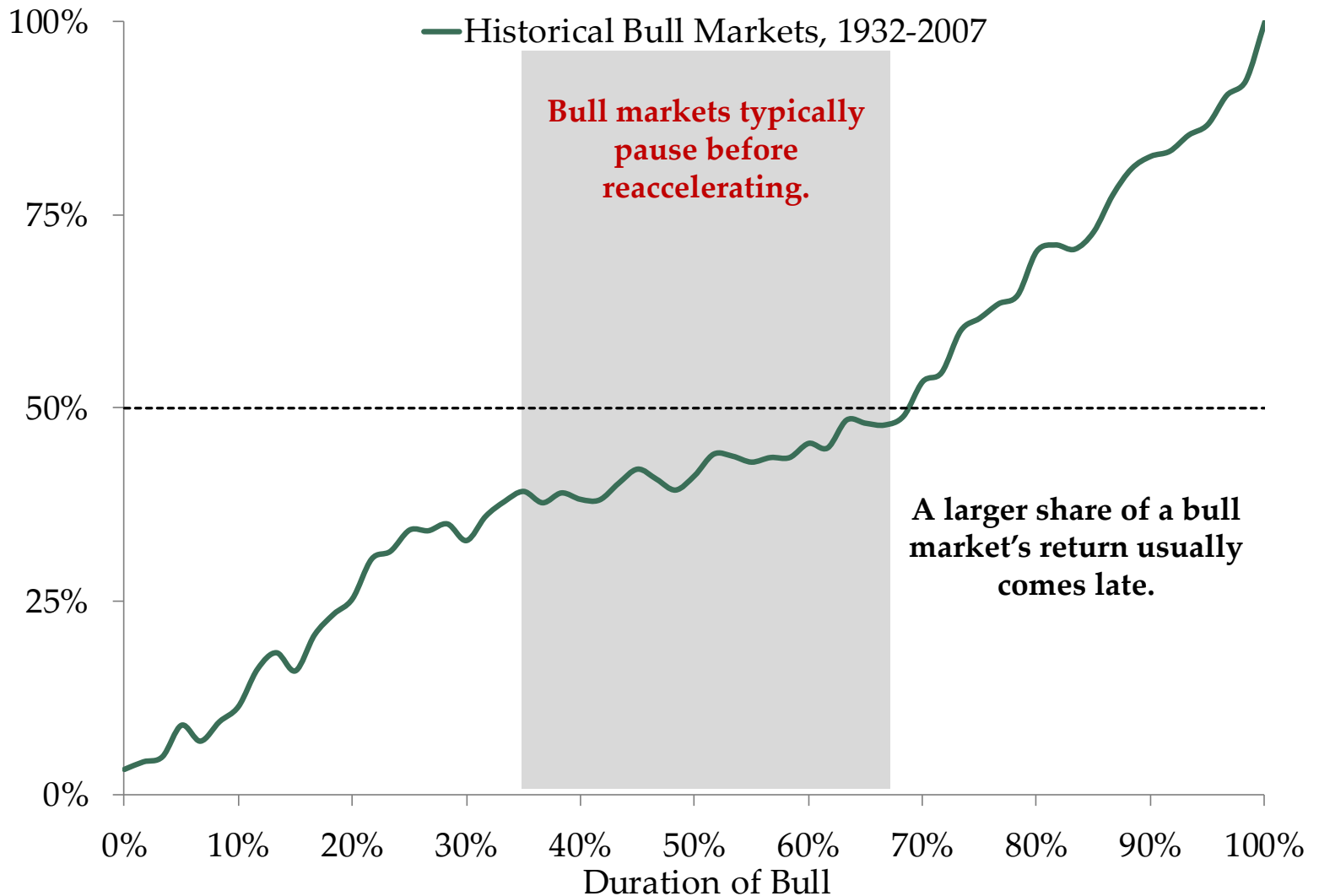
Changes in long-term bond yields—even large increases—historically have little effect on equity prices.



Source: Global Financial Data as of June 2018.

# MUCH OF RETURN OCCURS IN LAST THIRD OF A BULL

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



Source: FactSet, Inc., Global Financial Data, Inc.; "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. Investment in securities involves the risk of loss. Past performance is no guarantee of future returns. Other methods may produce different results, and the results for individual portfolios and for different periods may vary depending on market conditions and the composition of the portfolio.

# BROAD-BASED GLOBAL GROWTH

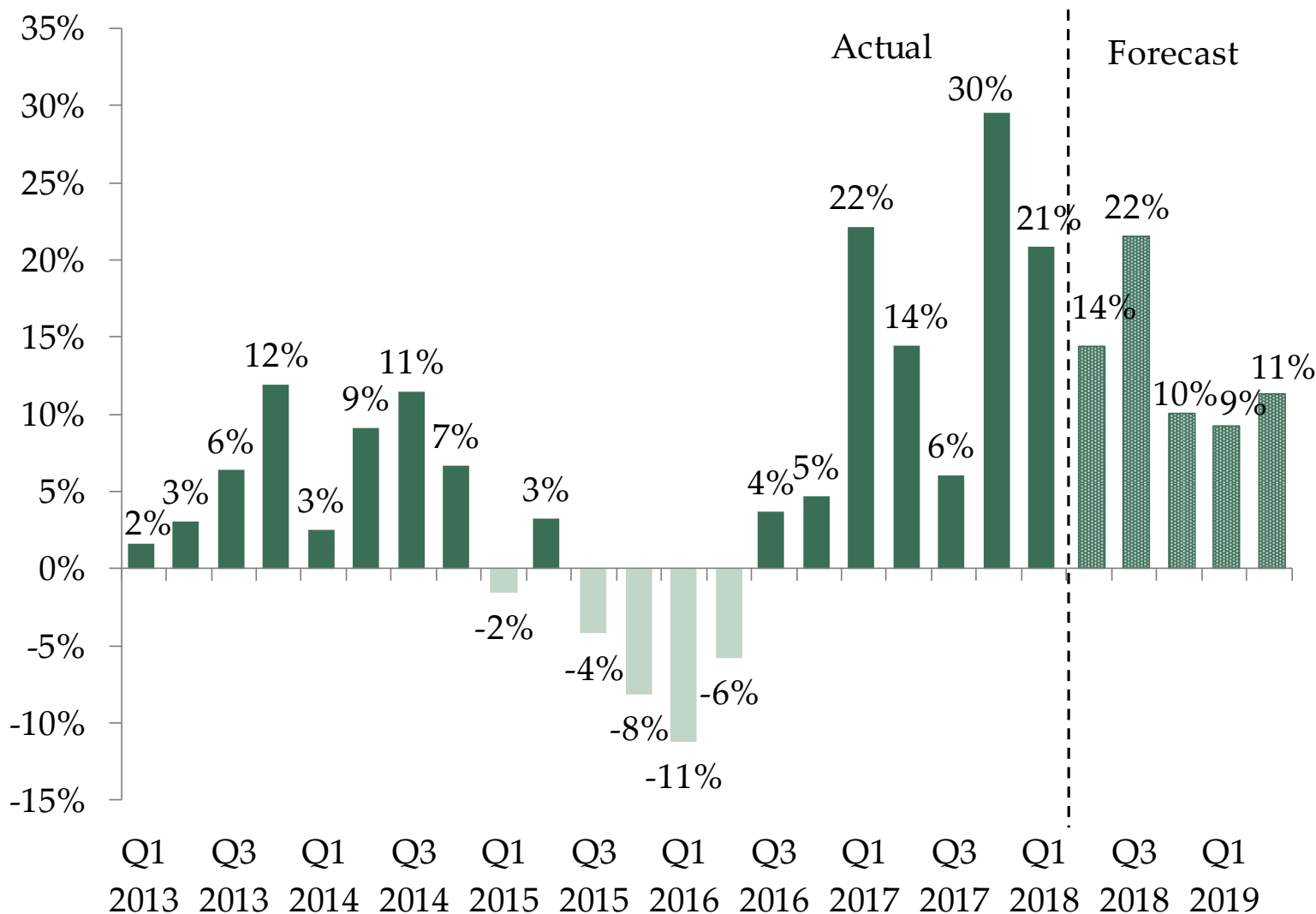
This economic expansion is notable in its persistence and breadth, with nearly all MSCI World and MSCI EM constituent countries reporting positive economic growth.



Source: FactSet, based on number of constituent MSCI World and MSCI EM countries seeing positive y/y GDP growth as of March 2018.

# GLOBAL EARNINGS ARE GROWING

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



Source: FactSet, Inc., Earnings Scorecard: Y/Y MSCI World Blended Earnings Growth. Earnings from Q1 2018-Q1 2019 are based on net income weighted estimated earnings growth as of March 2017.

# US MIDTERMS LIKELY RESULT IN GRIDLOCK

Republicans have a structural advantage in the Senate, while Democrats have a better chance of taking the House. As such, gridlock is the most likely outcome for 2018 midterms.

Senator	Party	State	Percent of Vote for Trump in 2016	Percent of Vote for Clinton in 2016	
Barrasso, John	R	WY	70%	22%	States Trump Won in 2016
Manchin, Joe, III	D	WV	69%	26%	
Heitkamp, Heidi	D	ND	64%	28%	
Corker, Bob*	R	TN	61%	35%	
Fischer, Deb	R	NE	60%	34%	
Wicker, Roger F.	R	MS	58%	40%	
Tester, Jon	D	MT	57%	35%	
Donnelly, Joe	D	IN	57%	38%	
McCaskill, Claire	D	MO	57%	38%	
Cruz, Ted	R	TX	53%	43%	
Brown, Sherrod	D	OH	52%	44%	
Flake, Jeff*	R	AZ	50%	45%	
Nelson, Bill	D	FL	49%	48%	
Casey, Robert P., Jr.	D	PA	49%	48%	
Baldwin, Tammy	D	WI	48%	47%	
Stabenow, Debbie	D	MI	48%	47%	
Hatch, Orrin G.*	R	UT	46%	28%	
Heller, Dean	R	NV	46%	48%	States Clinton Won in 2016
Klobuchar, Amy	D	MN	45%	47%	
Kaine, Tim	D	VA	45%	50%	
King, Angus S., Jr.	I	ME	45%	48%	
Menendez, Robert	D	NJ	42%	55%	
Carper, Thomas R.	D	DE	42%	53%	
Murphy, Christopher	D	CT	42%	54%	
Whitehouse, Sheldon	D	RI	40%	55%	
Heinrich, Martin	D	NM	40%	48%	
Cantwell, Maria	D	WA	38%	56%	
Gillibrand, Kirsten E.	D	NY	37%	59%	
Cardin, Benjamin L.	D	MD	35%	61%	
Warren, Elizabeth	D	MA	34%	61%	
Feinstein, Dianne	D	CA	33%	61%	
Sanders, Bernard	I	VT	33%	61%	
Hirono, Mazie K.	D	HI	30%	62%	

Prediction markets expect a Republican Senate and Democratic House.

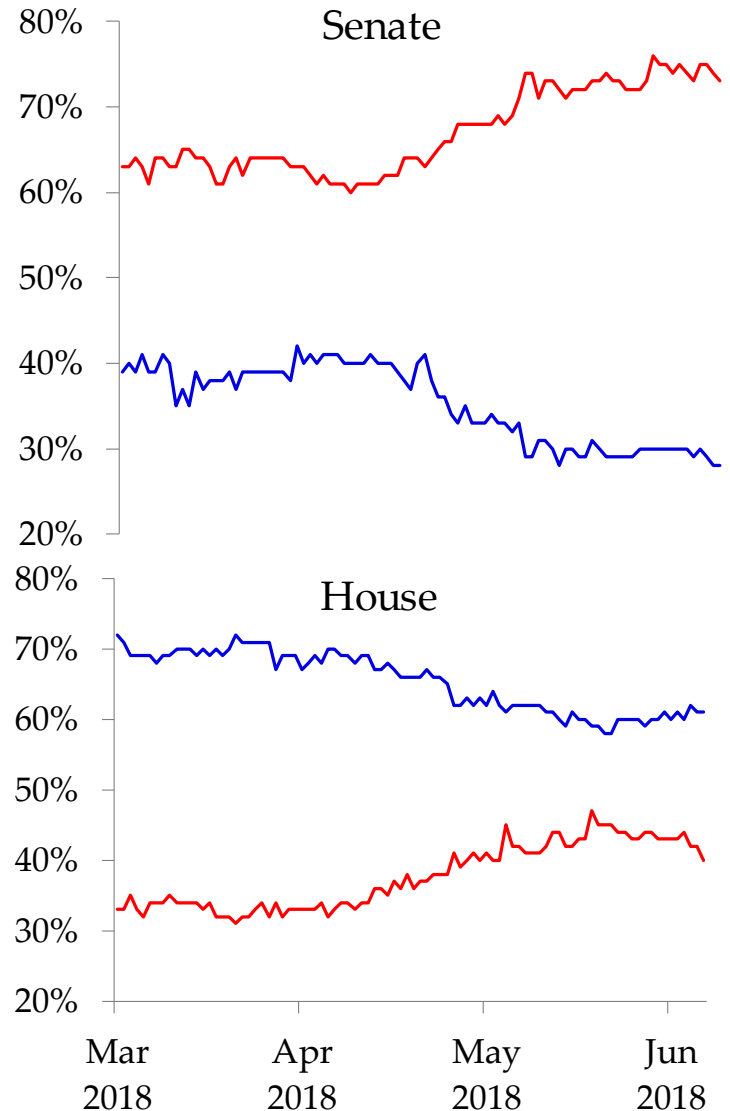


Table source: Fisher Investments Research, US Senate; Senators up for re-election in 2018 & 2020 as of December 2017. Senator Sanders & King caucus as Democrats. \*Bob Corker, Jeff Flake and Orrin Hatch will not seek re-election. Right Charts source: PredictIt as of June 2018.

# THE 87% MIRACLE

Historically, equities have done well in the quarter of and subsequent to midterm elections as political uncertainty dissipates.

Midterm & Subsequent Years by Quarter								
Midterm Year	Midterm Q1	Midterm Q2	Midterm Q3	Midterm Q4	Subsequent Q1	Subsequent Q2	Subsequent Q3	Subsequent Q4
1926	-9.1%	8.9%	10.1%	2.0%	4.6%	7.3%	16.1%	5.2%
1930	18.4%	-17.8%	-8.2%	-16.4%	10.2%	-9.9%	-33.6%	-14.8%
1934	7.4%	-8.0%	-6.2%	5.4%	-9.9%	22.1%	14.4%	17.0%
1938	-17.8%	38.5%	7.3%	9.0%	-16.0%	0.0%	21.4%	-2.9%
1942	-5.9%	5.8%	8.5%	12.1%	20.1%	8.0%	-0.9%	-2.1%
1946	5.1%	2.9%	-18.0%	3.5%	0.3%	1.5%	0.5%	2.7%
1950	4.9%	4.0%	11.9%	6.9%	6.7%	-0.3%	12.8%	3.8%
1954	10.1%	9.8%	11.9%	12.6%	2.8%	13.3%	7.5%	5.1%
1958	6.4%	8.5%	11.6%	11.2%	1.2%	6.3%	-2.0%	6.1%
1962	-2.1%	-20.6%	3.7%	13.1%	6.4%	5.0%	4.2%	5.4%
1966	-2.7%	-4.3%	-8.8%	5.9%	13.2%	1.3%	7.5%	0.5%
1970	-1.8%	-18.0%	17.1%	10.3%	9.7%	0.2%	-0.6%	4.6%
1974	-2.8%	-7.6%	-25.2%	9.3%	23.0%	15.4%	-10.9%	8.6%
1978	-4.9%	8.5%	8.7%	-5.0%	7.1%	2.6%	7.6%	0.1%
1982	-7.3%	-0.6%	11.5%	18.3%	10.0%	11.1%	-0.2%	0.4%
1986	14.1%	5.9%	-7.0%	5.6%	21.3%	5.0%	6.6%	-22.5%
1990	-3.0%	6.3%	-13.7%	9.0%	14.5%	-0.2%	5.3%	8.4%
1994	-3.8%	0.4%	4.9%	0.0%	9.7%	9.5%	7.9%	6.0%
1998	13.9%	3.3%	-9.9%	21.3%	5.0%	7.0%	-6.2%	14.9%
2002	0.3%	-13.4%	-17.3%	8.4%	-3.1%	15.4%	2.6%	12.2%
2006	4.2%	-1.4%	5.7%	6.7%	0.6%	6.3%	2.0%	-3.3%
2010	5.4%	-11.4%	11.3%	10.8%	5.9%	0.1%	-13.9%	11.8%
2014	1.8%	5.2%	1.1%	4.9%	1.0%	0.3%	-6.4%	7.0%
2018	-0.8%	3.4%						
Average Positive	7.7%	8.3%	9.0%	9.3%	8.7%	6.9%	8.3%	6.7%
Average Negative	-5.2%	-10.3%	-12.7%	-7.1%	-9.7%	-3.5%	-8.3%	-9.1%
% Positive	50.0%	56.5%	60.9%	87.0%	87.0%	87.0%	60.9%	78.3%

Source: Global Financial Data from January 1926 to June 2018, based on S&P 500 total return.

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# KEY DEVELOPED MARKETS POSITIONING

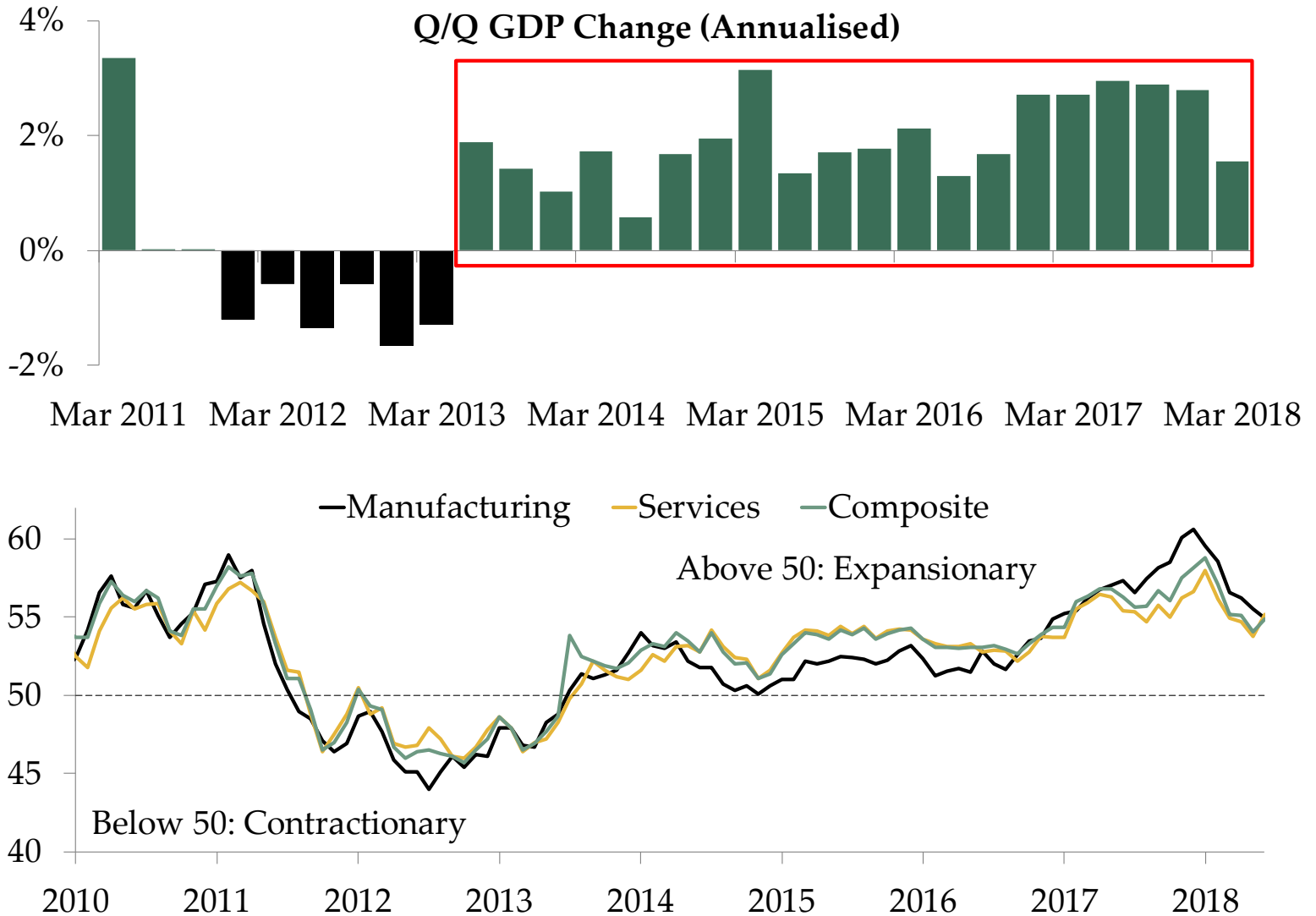
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*Our highest conviction views on developed market regions*

- Overweight Europe
- Underweight United States
- Underweight Japan

# EUROPE'S ECONOMY IS GROWING

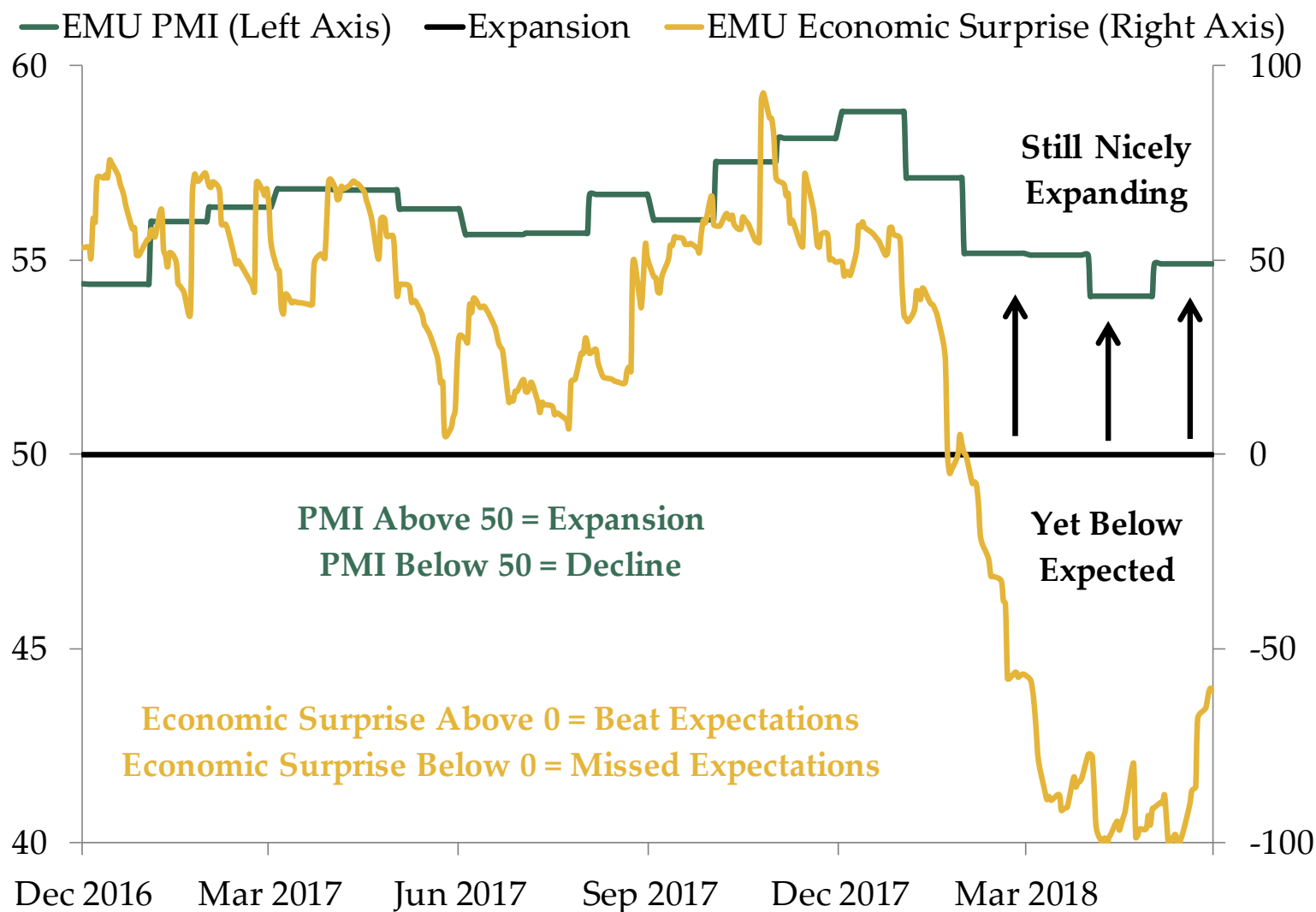
The region has experienced twenty consecutive quarters of positive growth. And purchasing managers indexes (PMI) are in expansionary territory across the board.



Top Chart source: FactSet, Inc.; eurozone quarterly annualised real GDP from January 2011 to March 2018. Based on quarterly data points. Bottom Chart source: Bloomberg, FactSet Inc.; eurozone Purchasing Managers Indexes from January 2010 to June 2018.

# ECONOMIC DATA HAS DISAPPOINTED

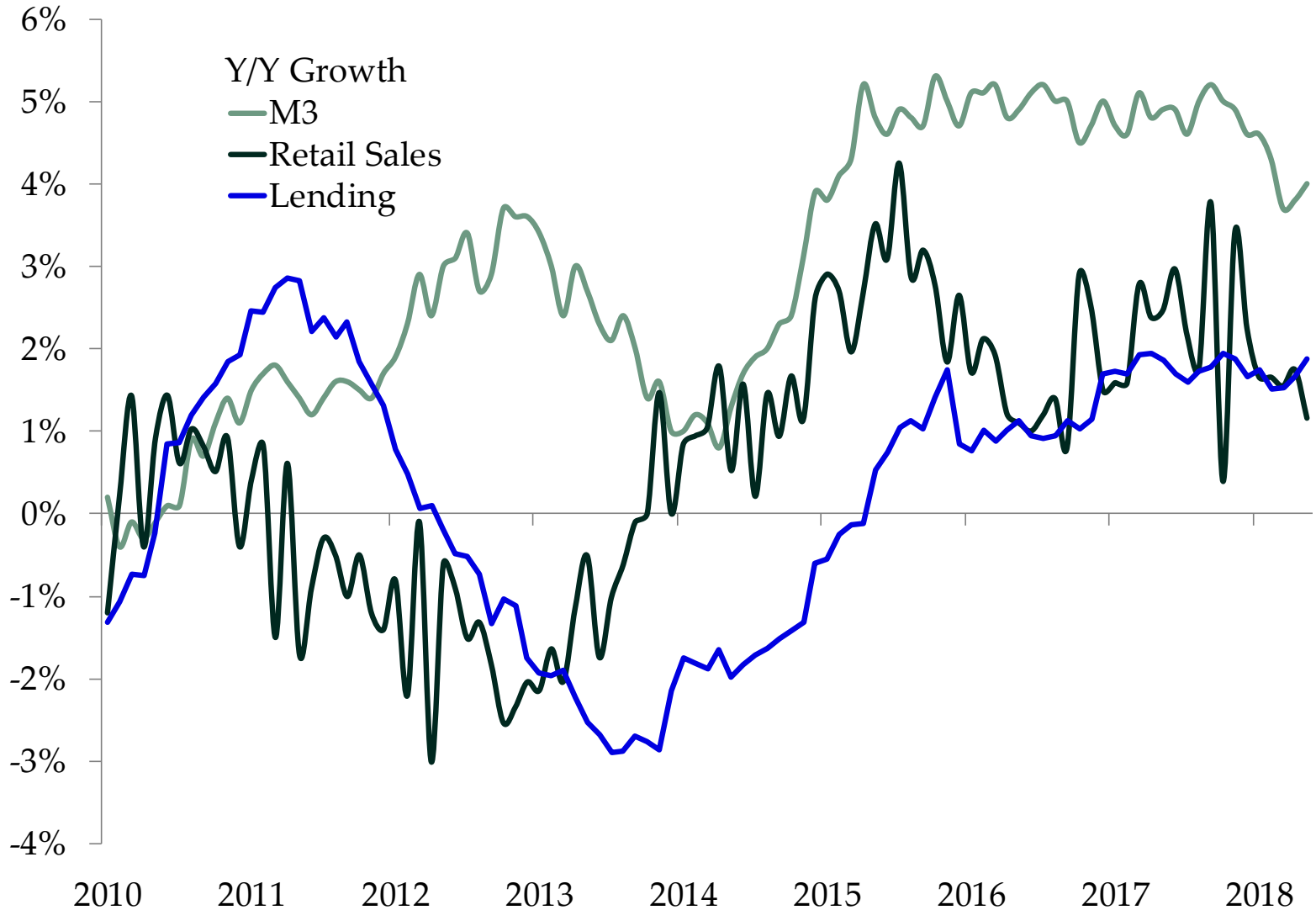
Despite Q2 economic data missing expectations, EMU PMIs remain well in expansion territory. Early Q3 data is already showing a rapid reversal.



Sources: Citigroup Economic Surprise Index, Markit and FactSet as of June 2018.

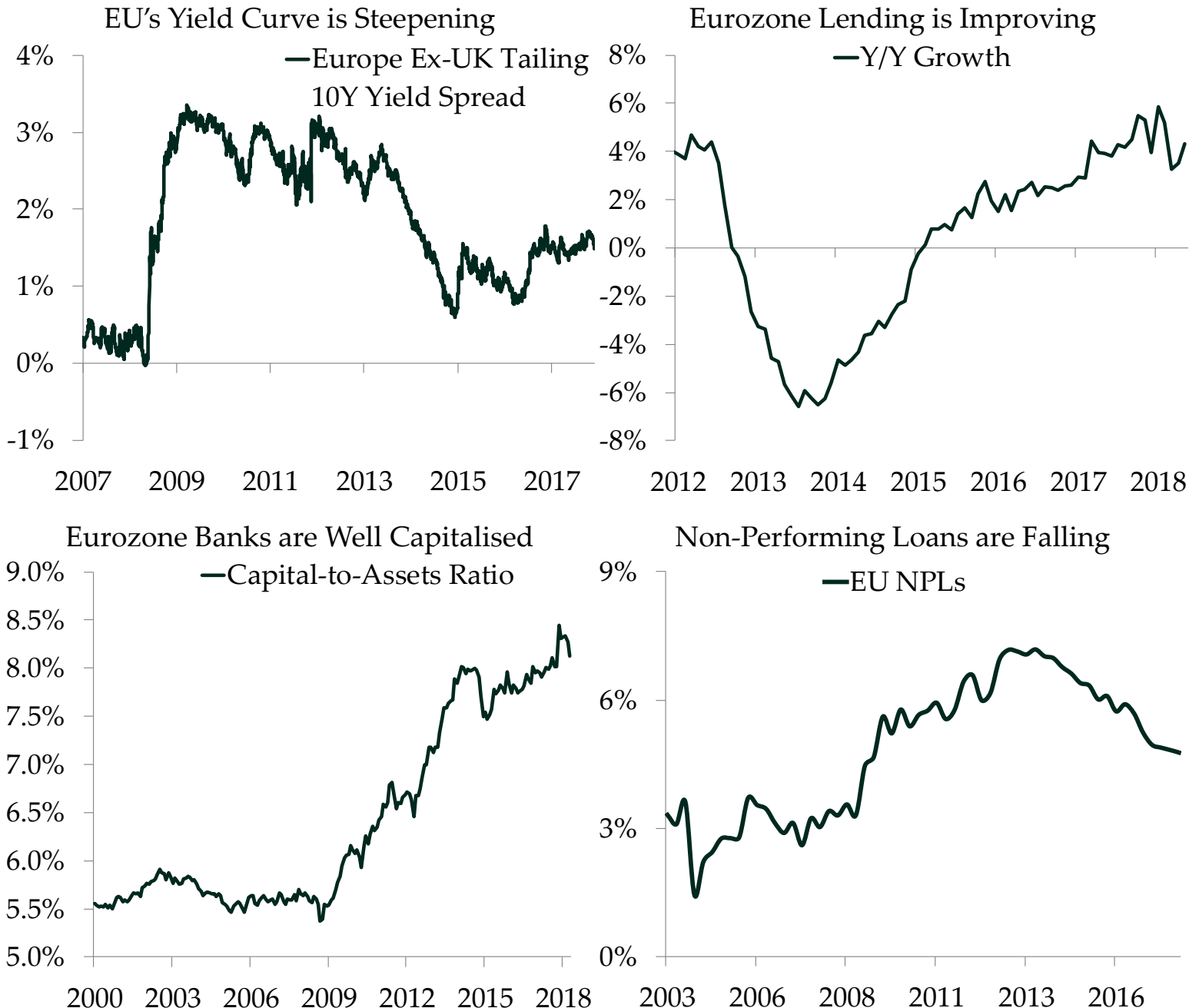
# KEY ECONOMIC DRIVERS ARE ACCELERATING

After a late start to its recovery, Europe is seeing growth across several key drivers.



Source: FactSet as of May 2018. Lending includes households and non-financial corporations.

# EUROPEAN FINANCIALS' STRONG POSITION



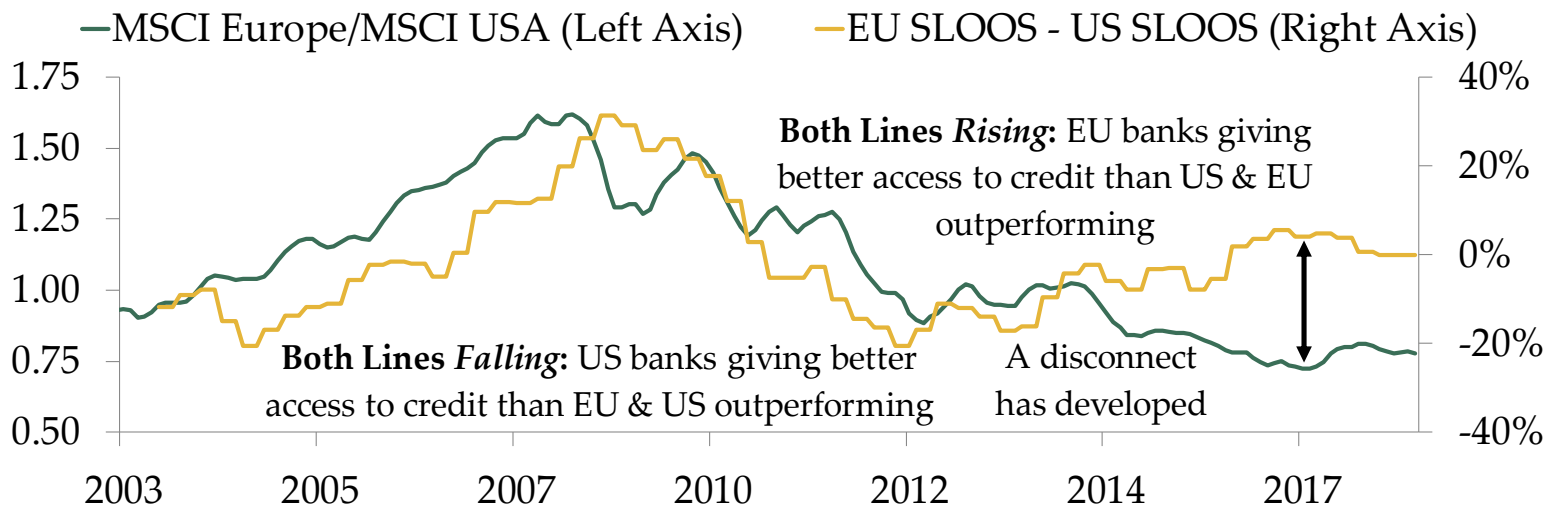
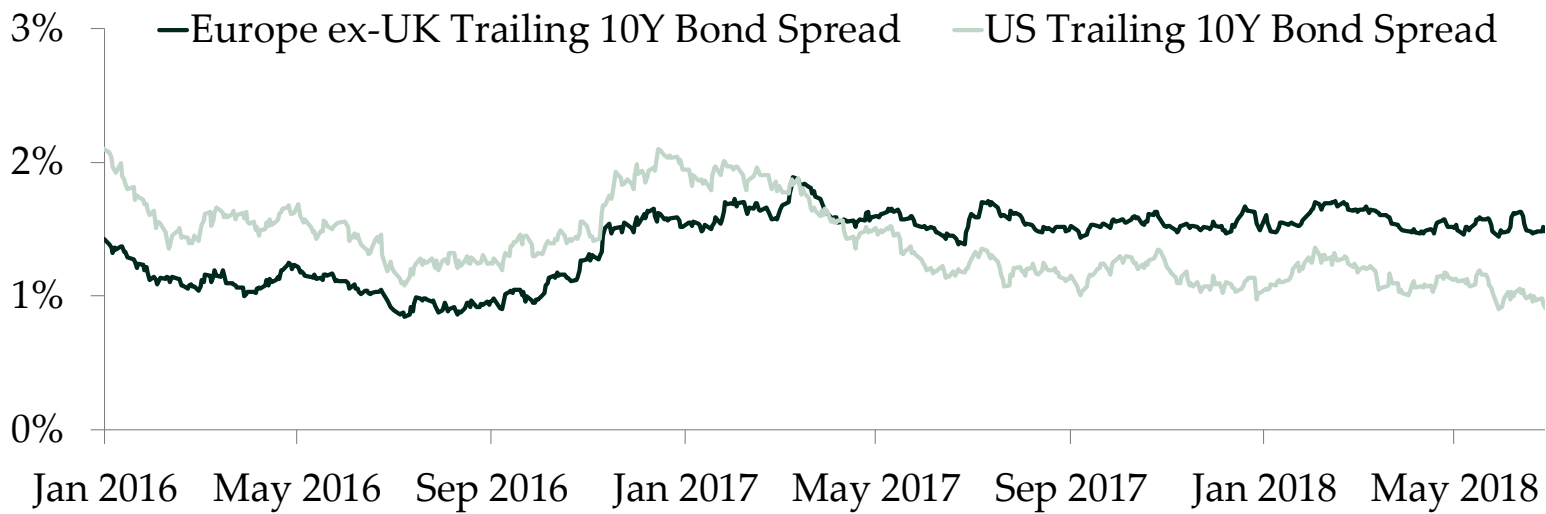
Top Left Chart source: FactSet as of March 2018. Top Right Chart source: FactSet as of May 2018.

Bottom Left Chart source: FactSet & European Central Bank as of May 2018. Bottom Right Chart

source: Bloomberg as of March 2018.

# LENDING INDICATORS OUTPACE THE US

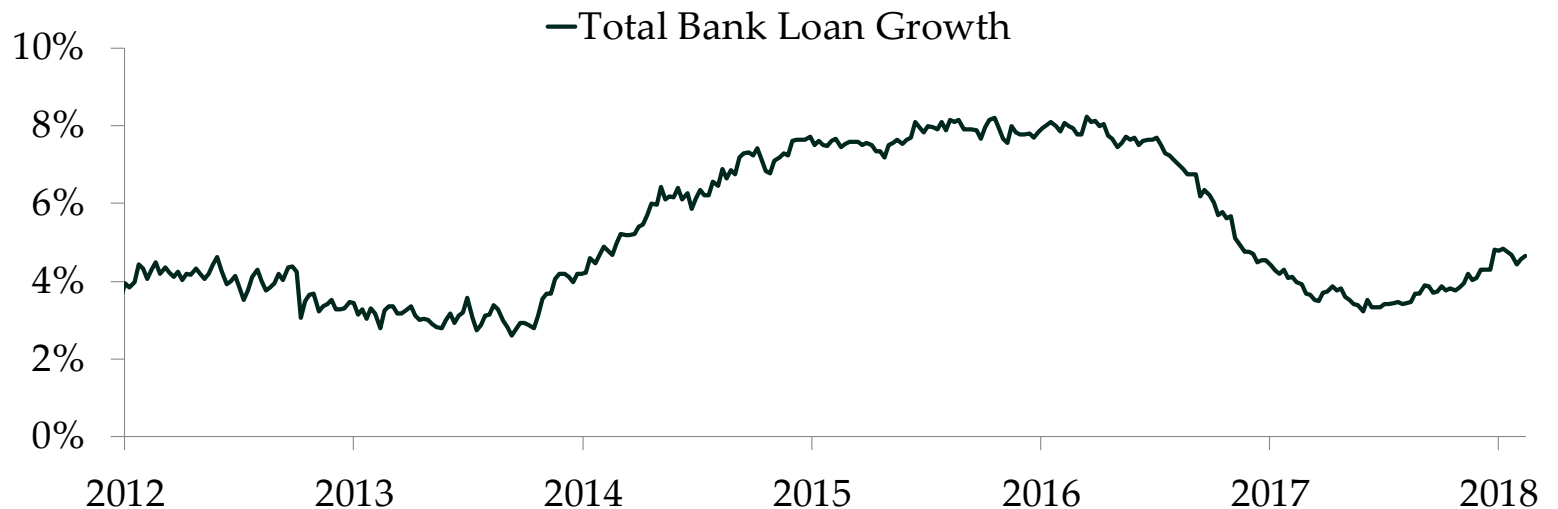
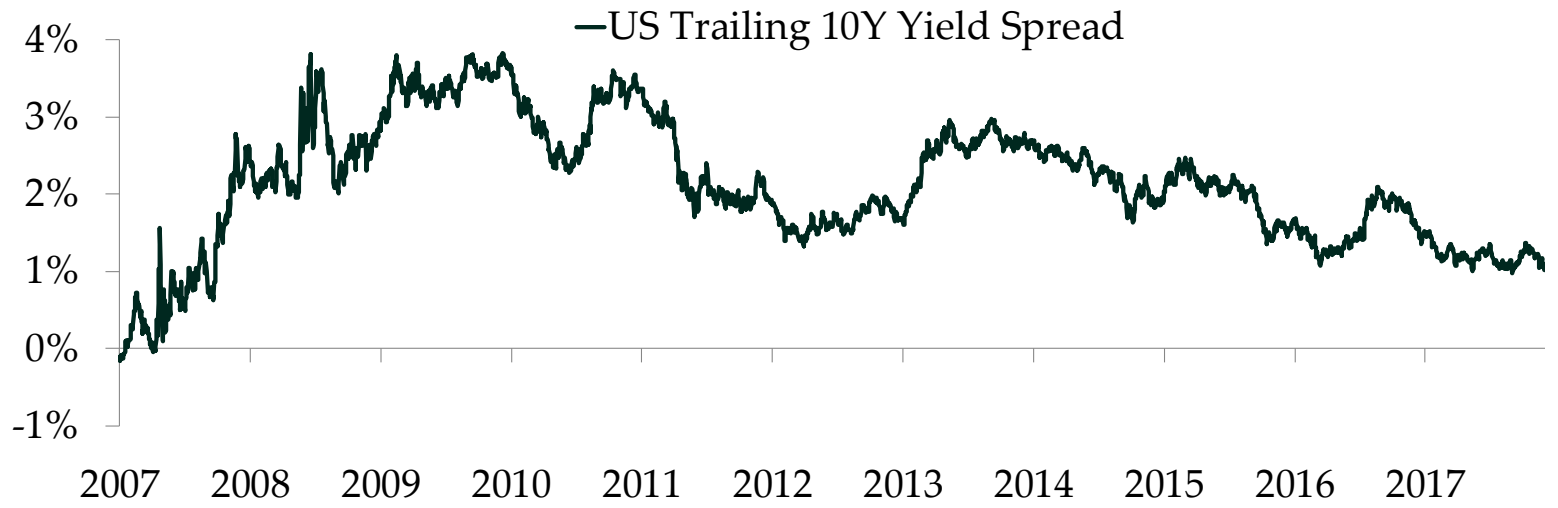
Europe is outpacing the US in several key indicators such as the yield curve spread and banks' willingness to lend.



Top Chart source: FactSet as of June 2018. Shows 10Year minus 3 Month Government bond spreads. Bottom Chart source: US Federal Reserve and ECB Senior Loan Officer Survey (SLOOS) of willingness to lend as of May 2018. Investment in securities involves the risk of loss. Past performance is no guarantee of future returns. Other methods may produce different results, and the results for individual portfolios and for different periods may vary depending on market conditions and the composition of the portfolio.

# COOLING US LENDING ENVIRONMENT

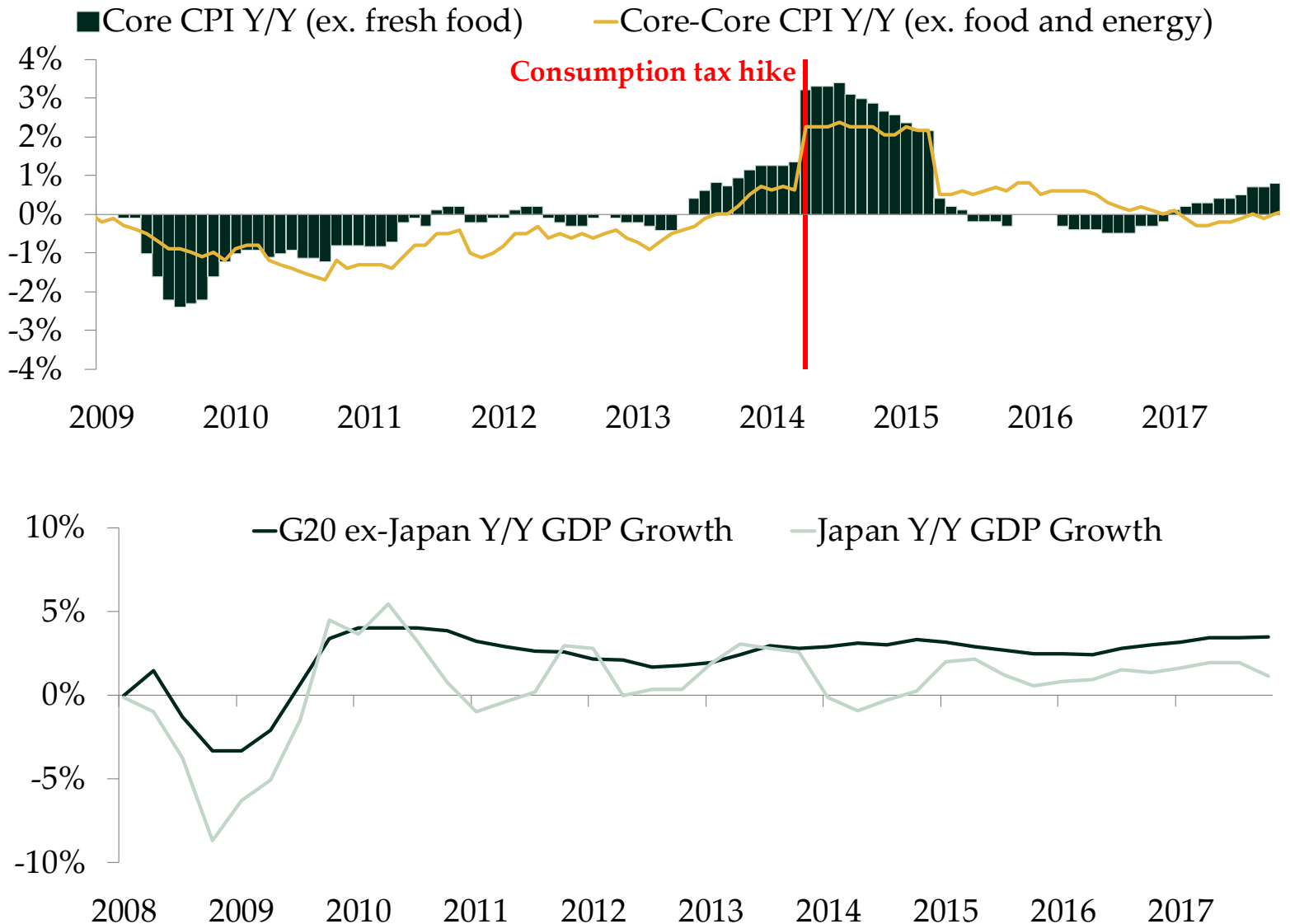
Though still positive, both the yield curve spread and total loan growth have decelerated in the US.



Top Chart source: FactSet, as of March 2018. Shows 10Year minus 3 Month Government bond spreads.  
Bottom Chart source: FactSet, as of May 2018. Shows Loans and Leases in Bank Credit.

# JAPAN'S ANEMIC GROWTH

Inflation remains well-below the BoJ's 2% target, while Japan has consistently underperformed G20 peers in economic growth.



Top Chart source: FactSet as of March 2018, GDP weighted Y/Y GDP growth. Bottom Chart source: Japan's Ministry of Internal Affairs as of May 2018.



# KEY EMERGING MARKETS POSITIONING

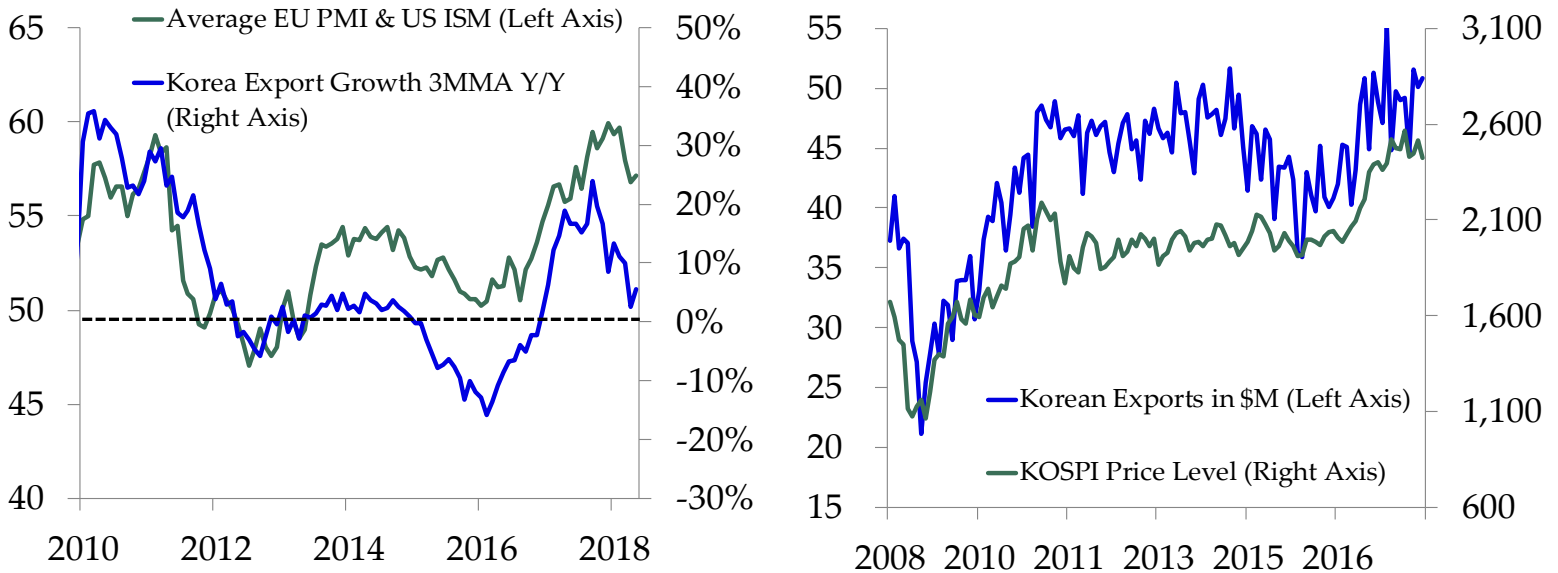
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*Our highest conviction views on emerging market regions*

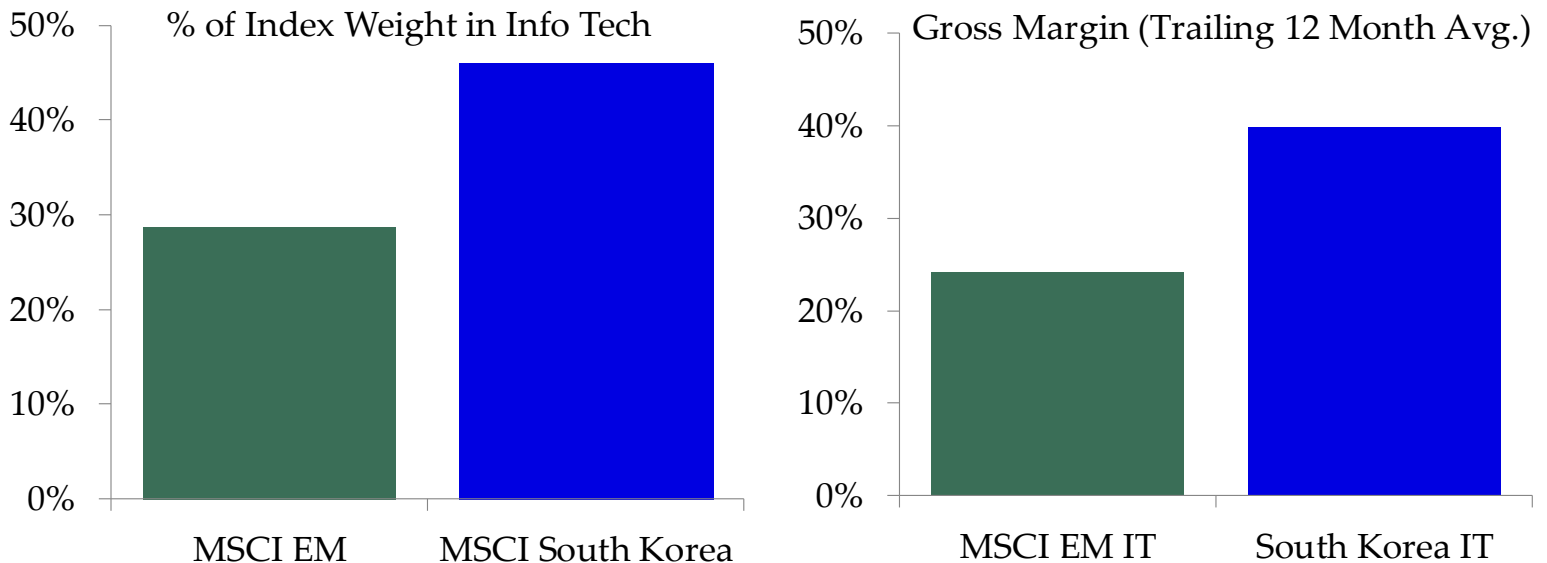
- South Korea benefits from global growth & tech leadership
- Eastern Europe benefits from Western Europe's strength
- Mexico's political and trade fears are overblown
- Overweight services-oriented Chinese sectors

# SOUTH KOREA BENEFITS FROM TRADE & TECH

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



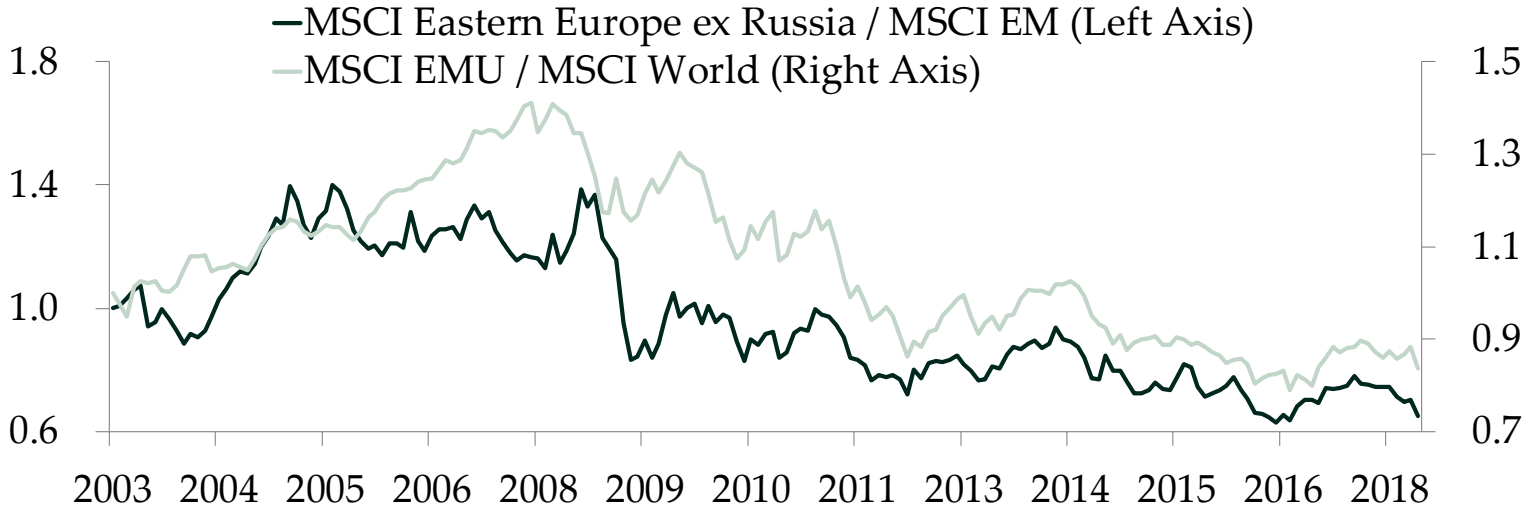
Korean equities are dominated by high margin Info Tech relative to EM peers.



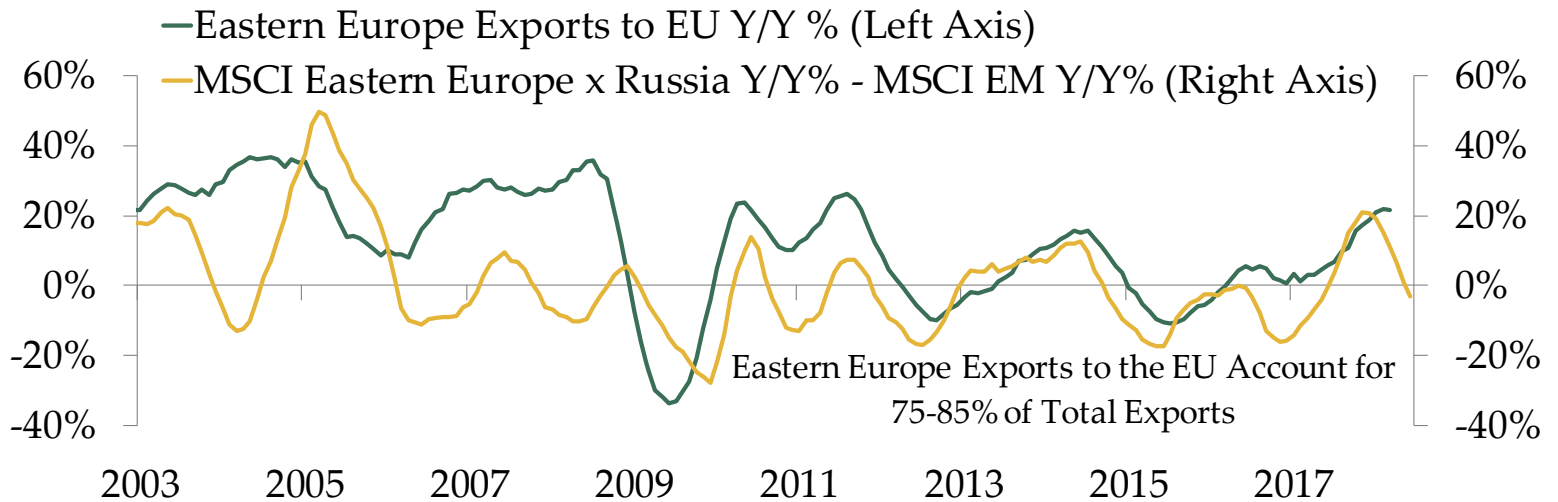
Source: FactSet as of May 2018. Investment in securities involves the risk of loss. Past performance is no guarantee of future returns. Other methods may produce different results, and the results for individual portfolios and for different periods may vary depending on market conditions and the composition of the portfolio.

# EM EASTERN EUROPE'S BENEFITS OF PROXIMITY

EM Europe outperformance is highly correlated to developed Europe leadership.



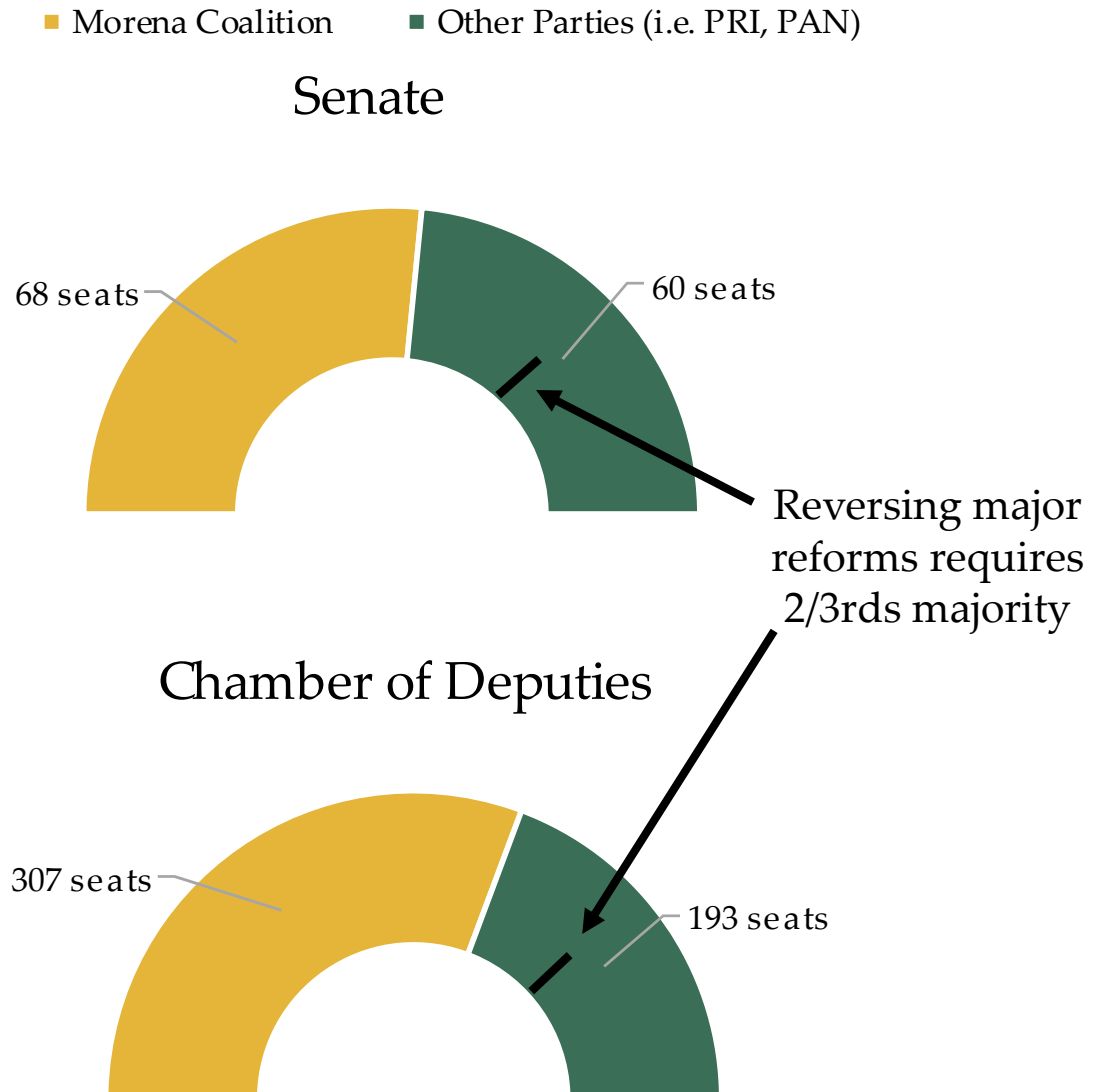
Performance in eastern Europe is heavily linked to developed Europe's demand growth.



Top Chart source: FactSet as of May 2018. Data indexed to 1 on January 2003. Bottom Chart source: FactSet and IMF Direction of Trade Statistics. Performance as of June 2018. Trade data as of March 2018. Investment in securities involves the risk of loss. Past performance is no guarantee of future returns. Other methods may produce different results, and the results for individual portfolios and for different periods may vary depending on market conditions and the composition of the portfolio.

# MORENA LACKS VOTES TO REVERSE REFORMS

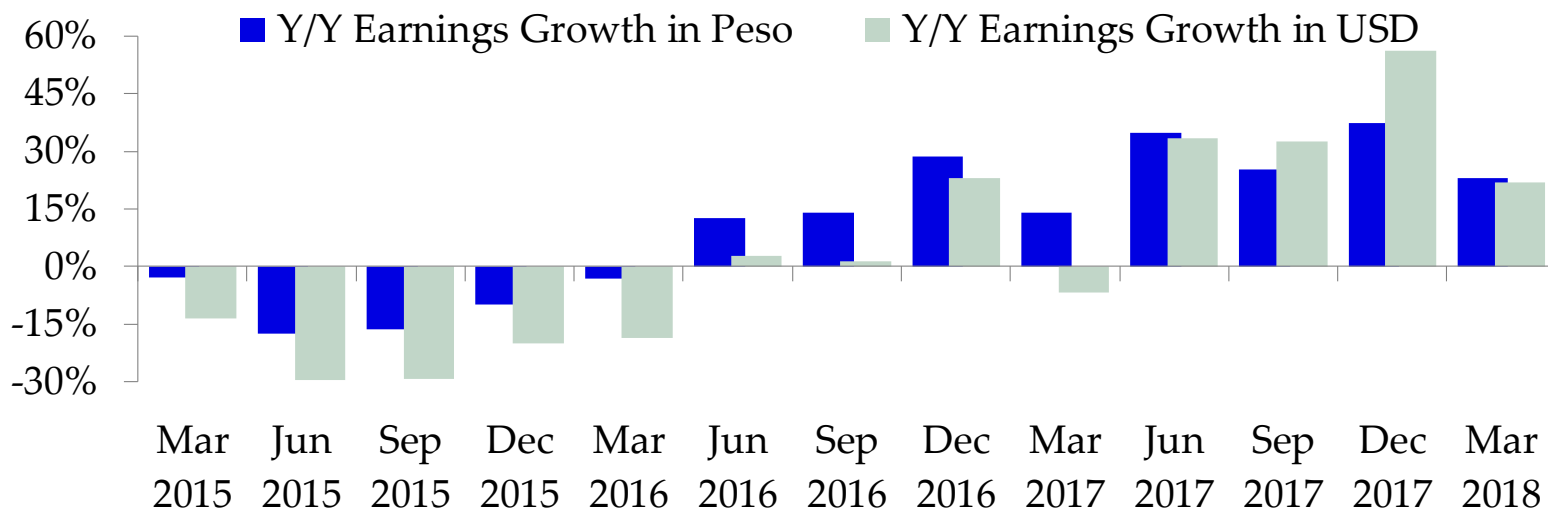
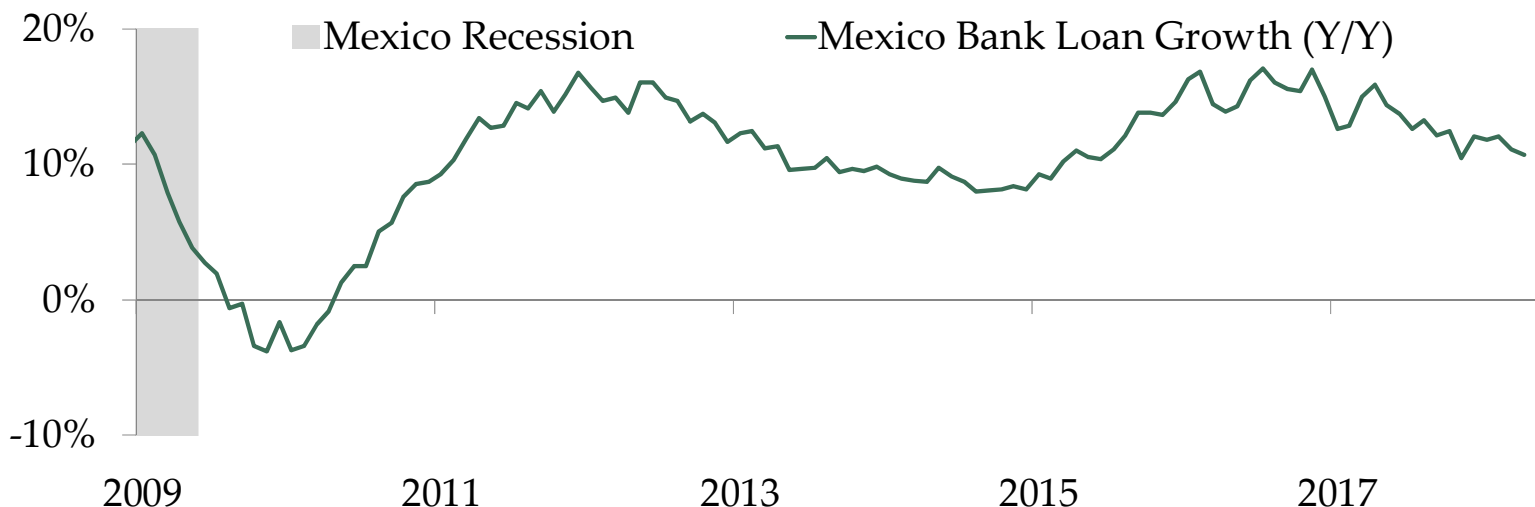
In Mexico, the leftist coalition led by Morena comfortably won the Presidency, however it likely lacks the two-thirds vote in both houses to reverse reforms enacted by the prior administration.



Source: Instituto Nacional Electoral as of July 2nd, 2018. Based on 92% of votes counted.

# DISTRACTING FROM STRONG FUNDAMENTALS

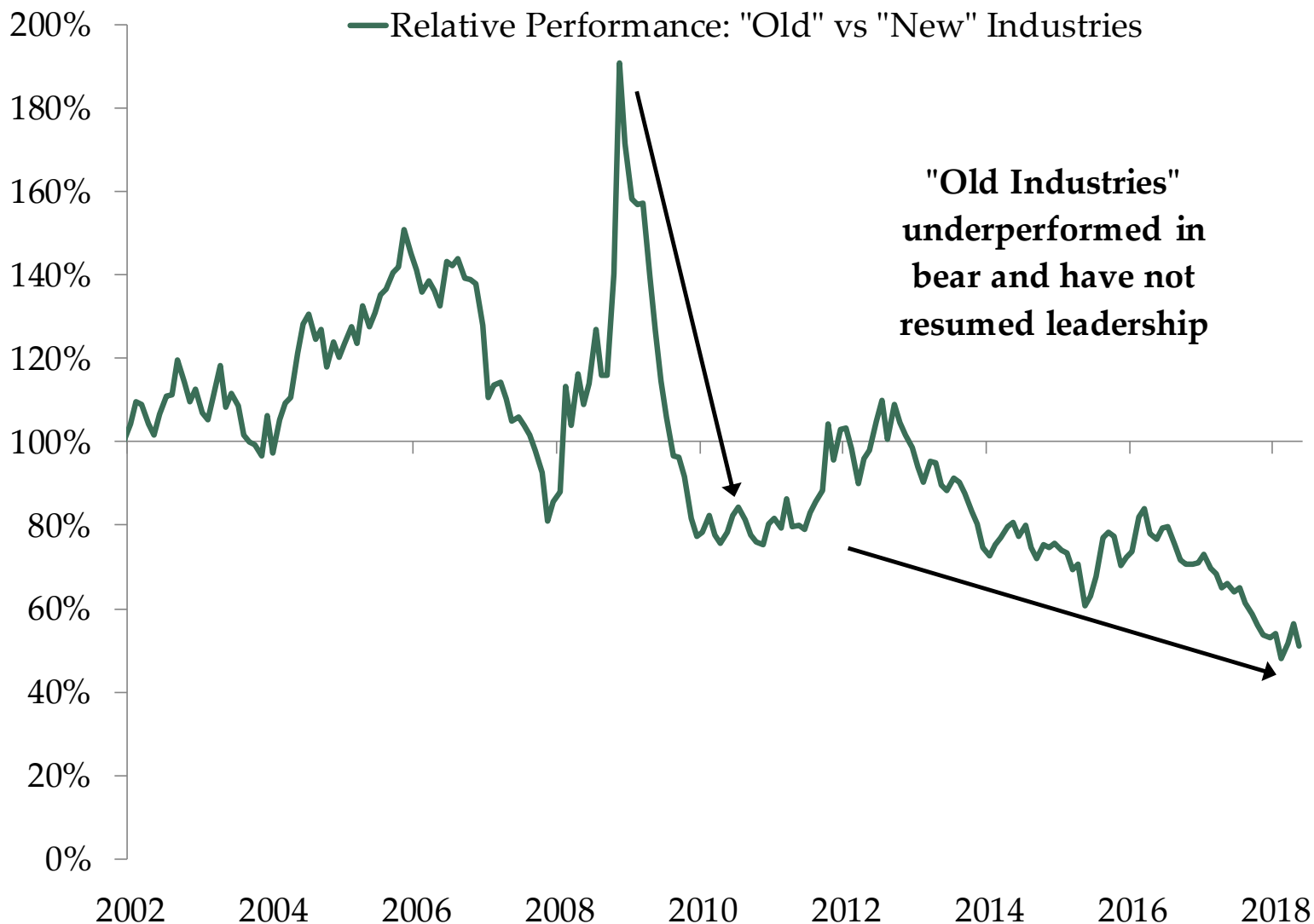
Reformed banking regulation has supported strong loan growth in a country that is underbanked. Meanwhile, Mexican companies are seeing resurgent earnings growth.



Top Chart source: Bank of Mexico as of May 2018. Bottom Chart source: FactSet as of March 2018.

# CHINA: THE OLD VS THE NEW

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

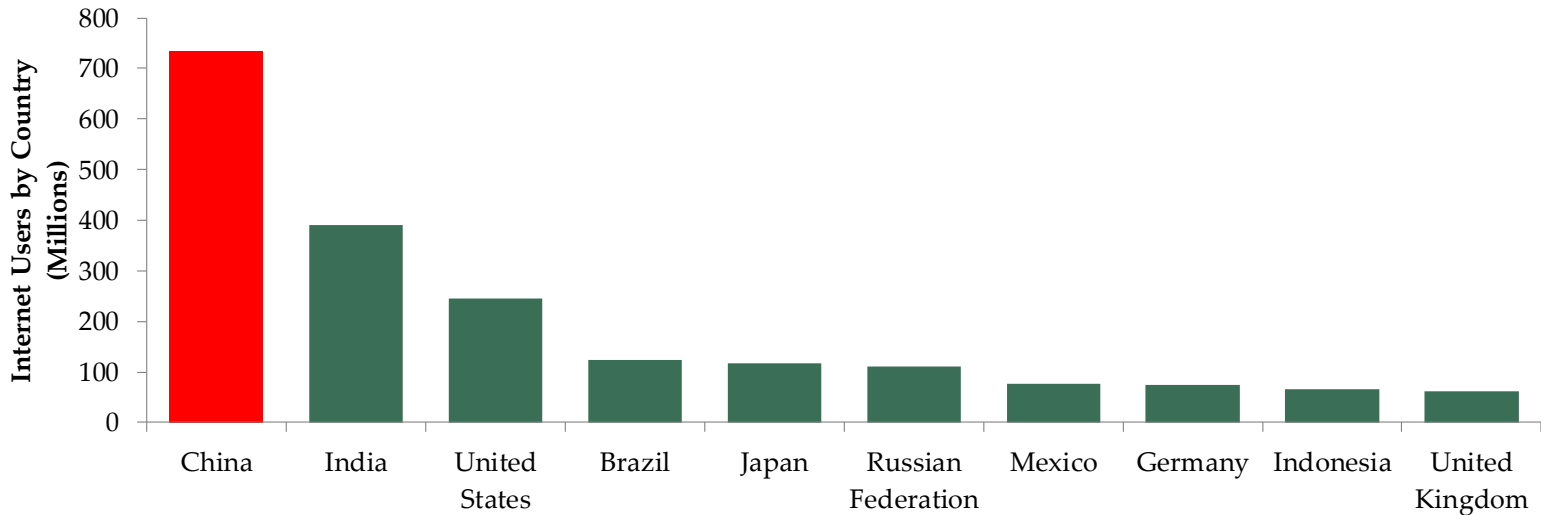


Source: FactSet as of May 2018. Old industries are industrial, commodity, and heavy state-influenced sectors. New industries include consumption-oriented sectors.

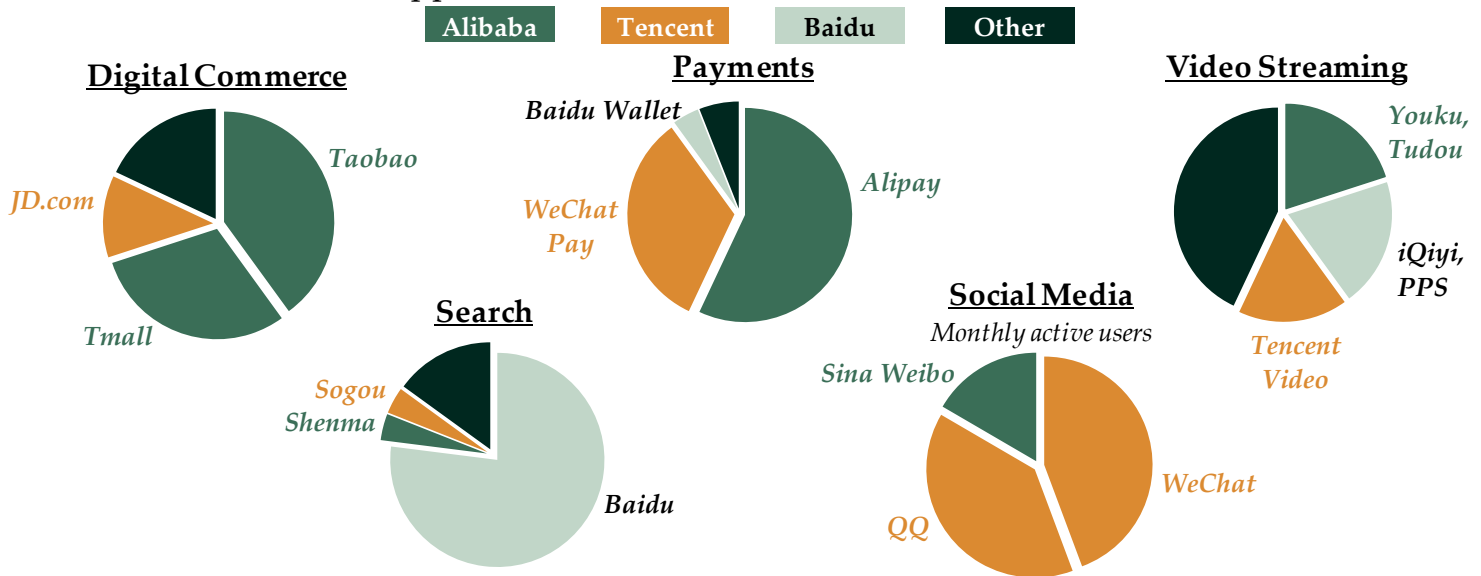
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# CHINESE INFO TECH'S FAVORABLE POSITION

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



## Approximate Share of Chinese Online Market



Top Chart Source: World Bank as of December 2016. Bottom Charts source: The Economist "Digital domination" as of 2016. Color shading indicates subsidiary ownership.

# KEY SECTOR POSITIONING

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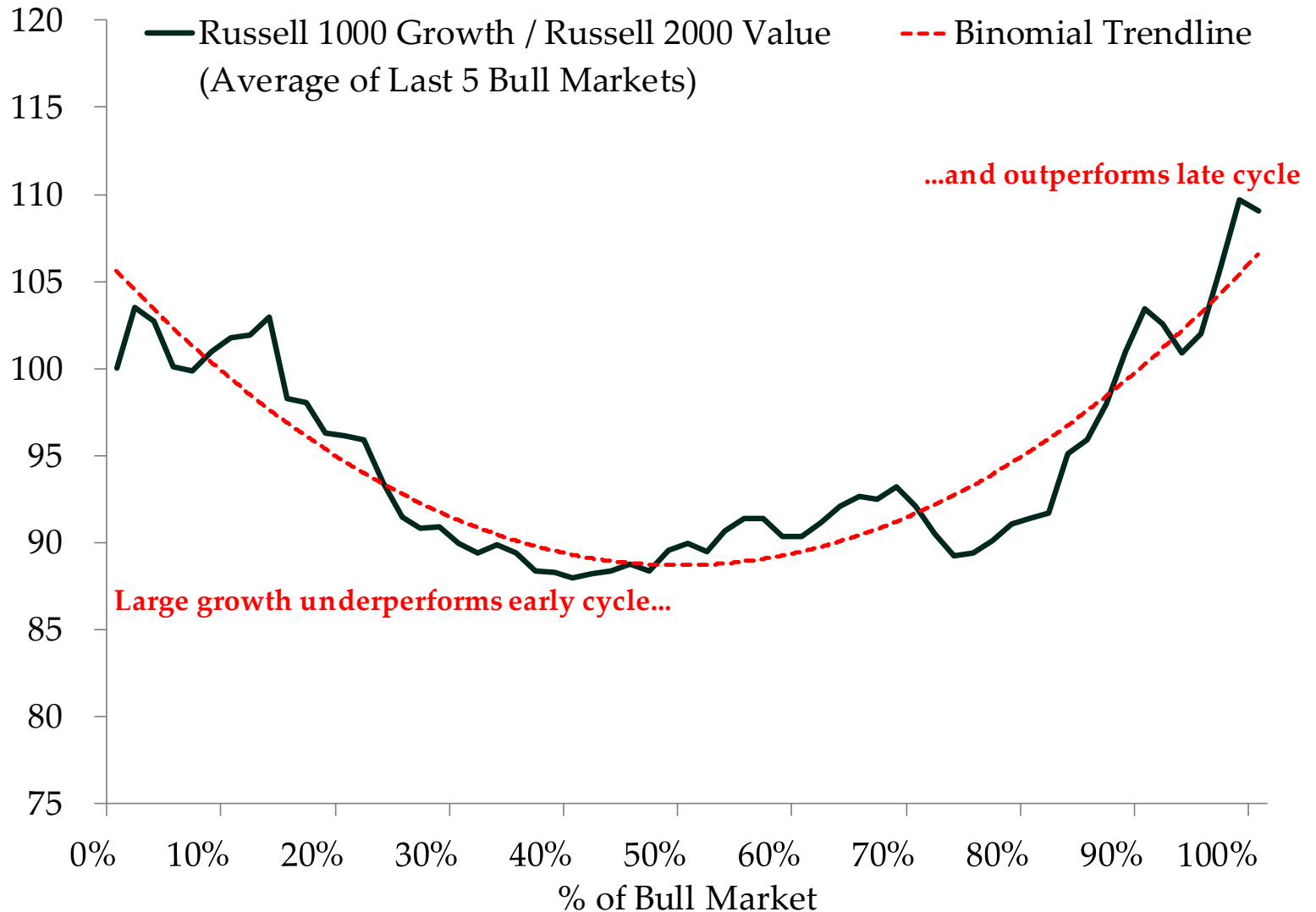
*Our highest conviction views on sectors*

- Overweight Information Technology
- Overweight Health Care
- Underweight Defensive-Oriented Sectors



# LARGE GROWTH VS SMALL VALUE IN BULL MARKETS

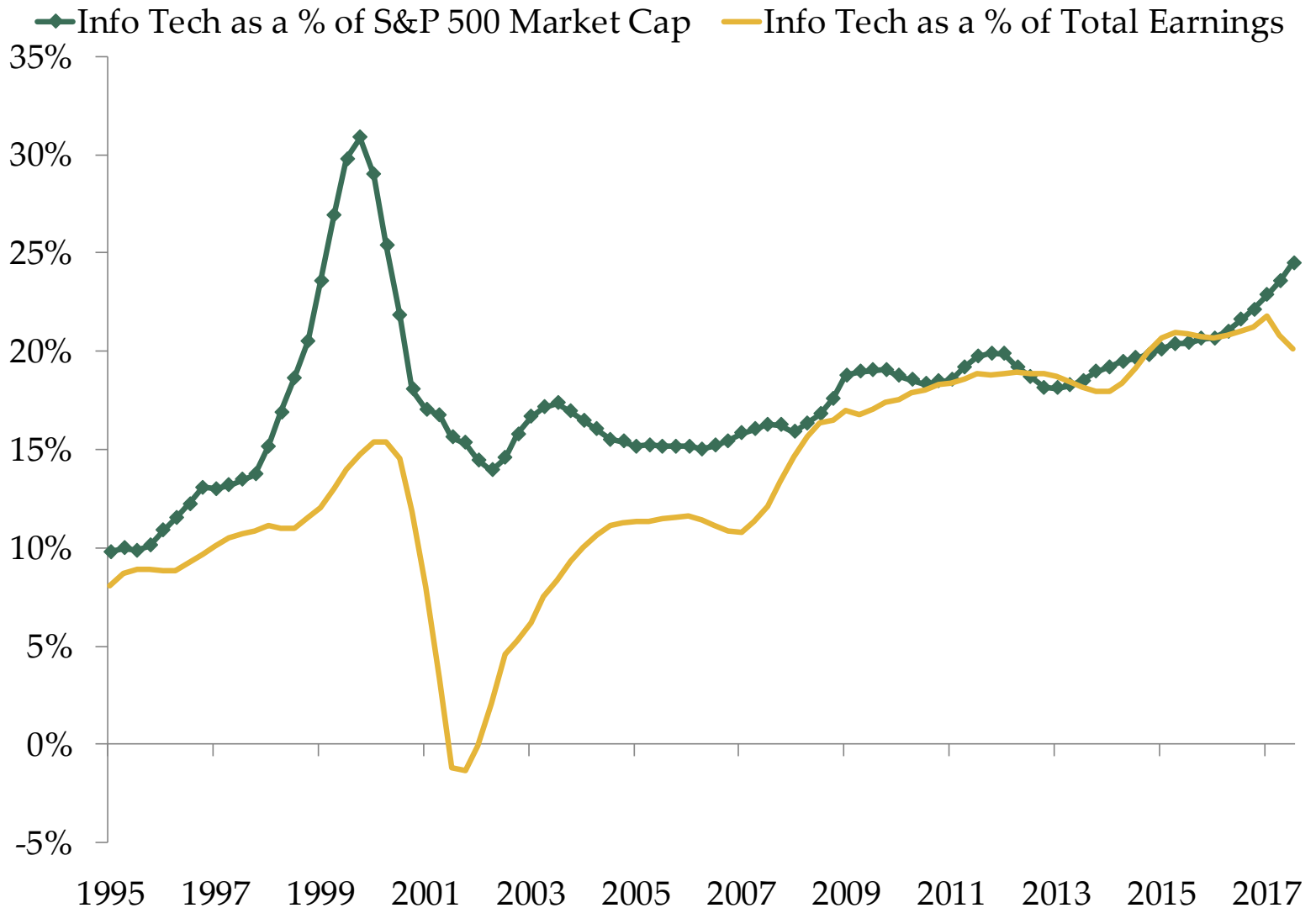
As the market cycle matures, market breadth narrows and investor preferences shift from Small Value toward Large Growth, leading to Large Growth outperformance in the later stages of a bull market.



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

# NO LOOMING DOT COM REPEAT

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

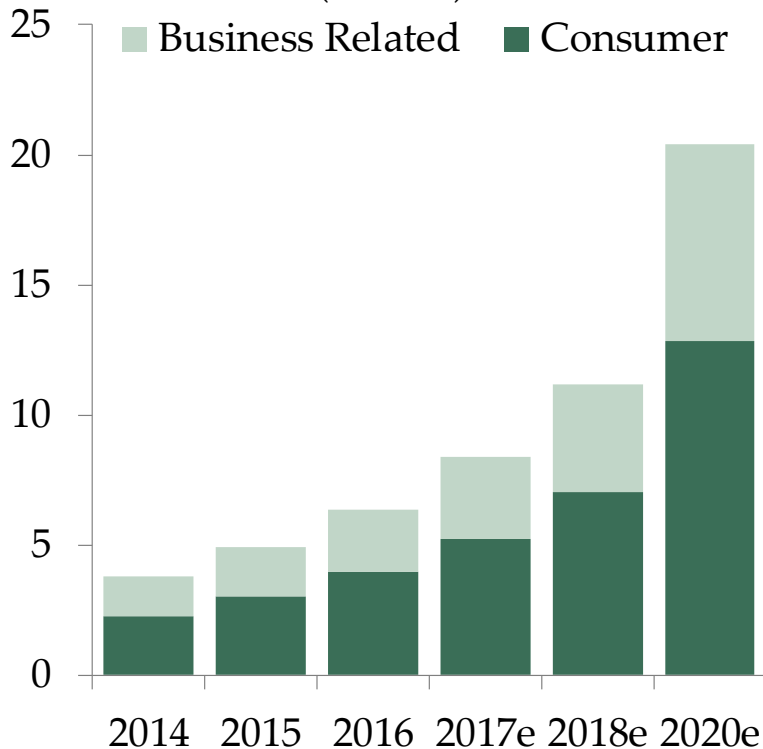


Source: FactSet as of June 2018. Shows four quarter moving average beginning December 2017.

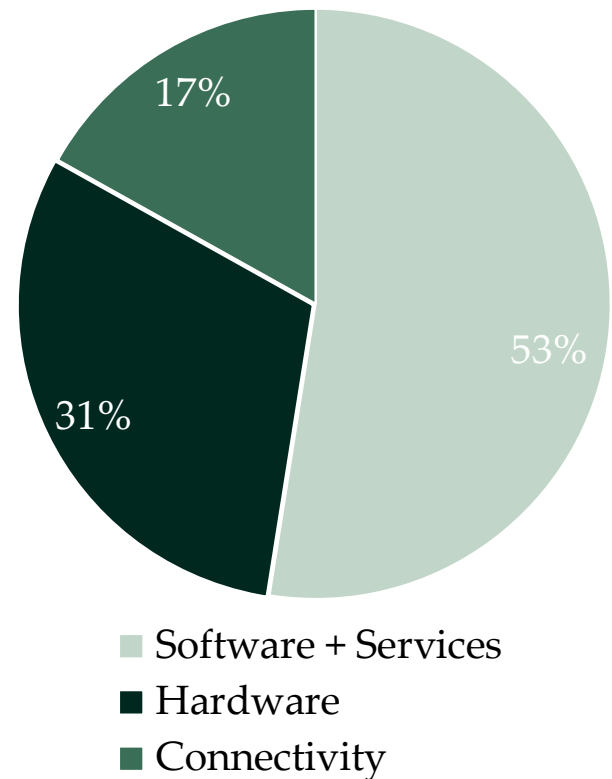
# MONETIZING THE INTERNET OF THINGS

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

Non-Computing Connected Devices Globally  
(Billions)



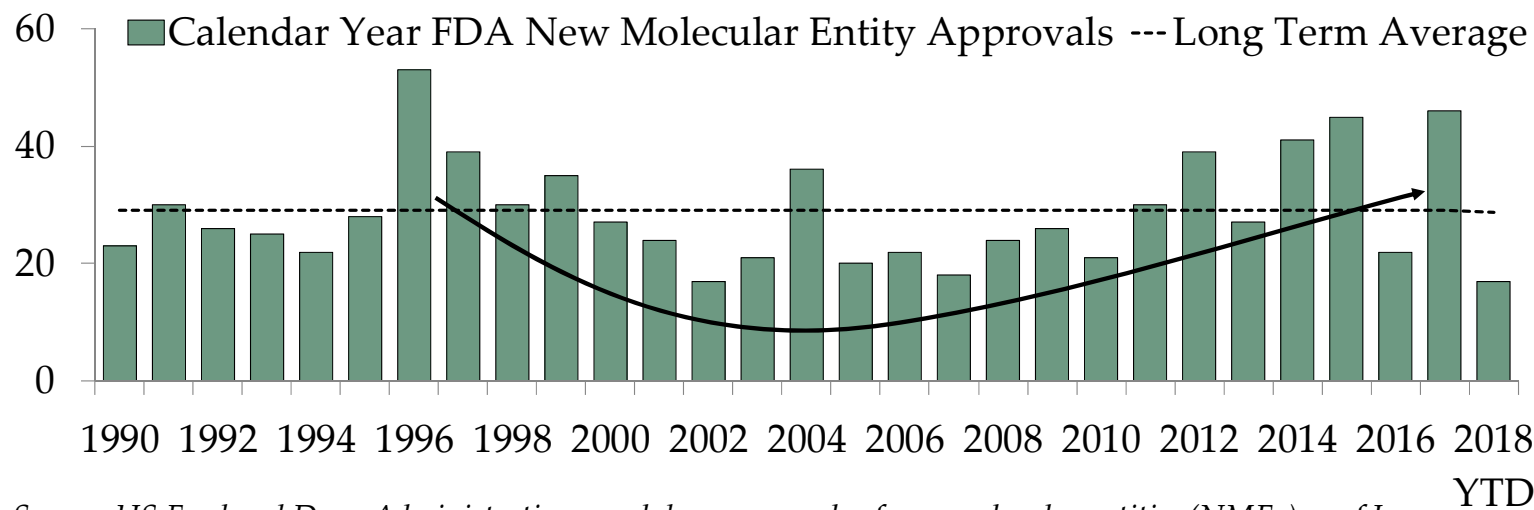
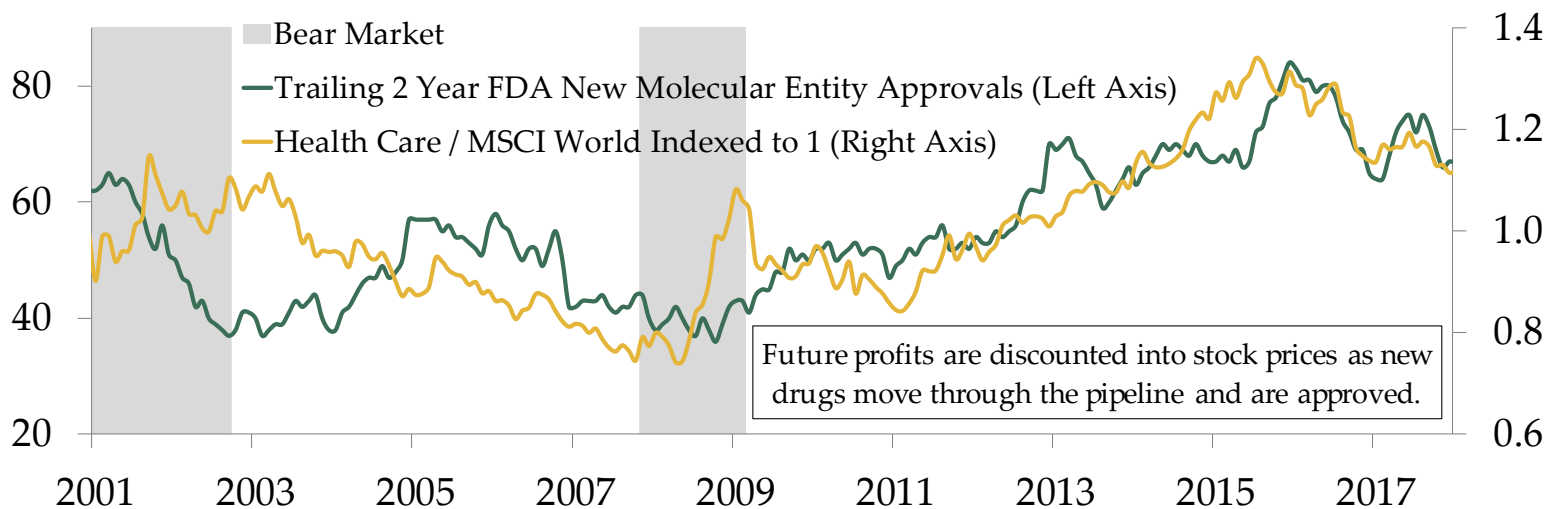
IoT Spending By Category (2016)



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

# HC OUTPERFORMS WHEN INNOVATION RISES

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

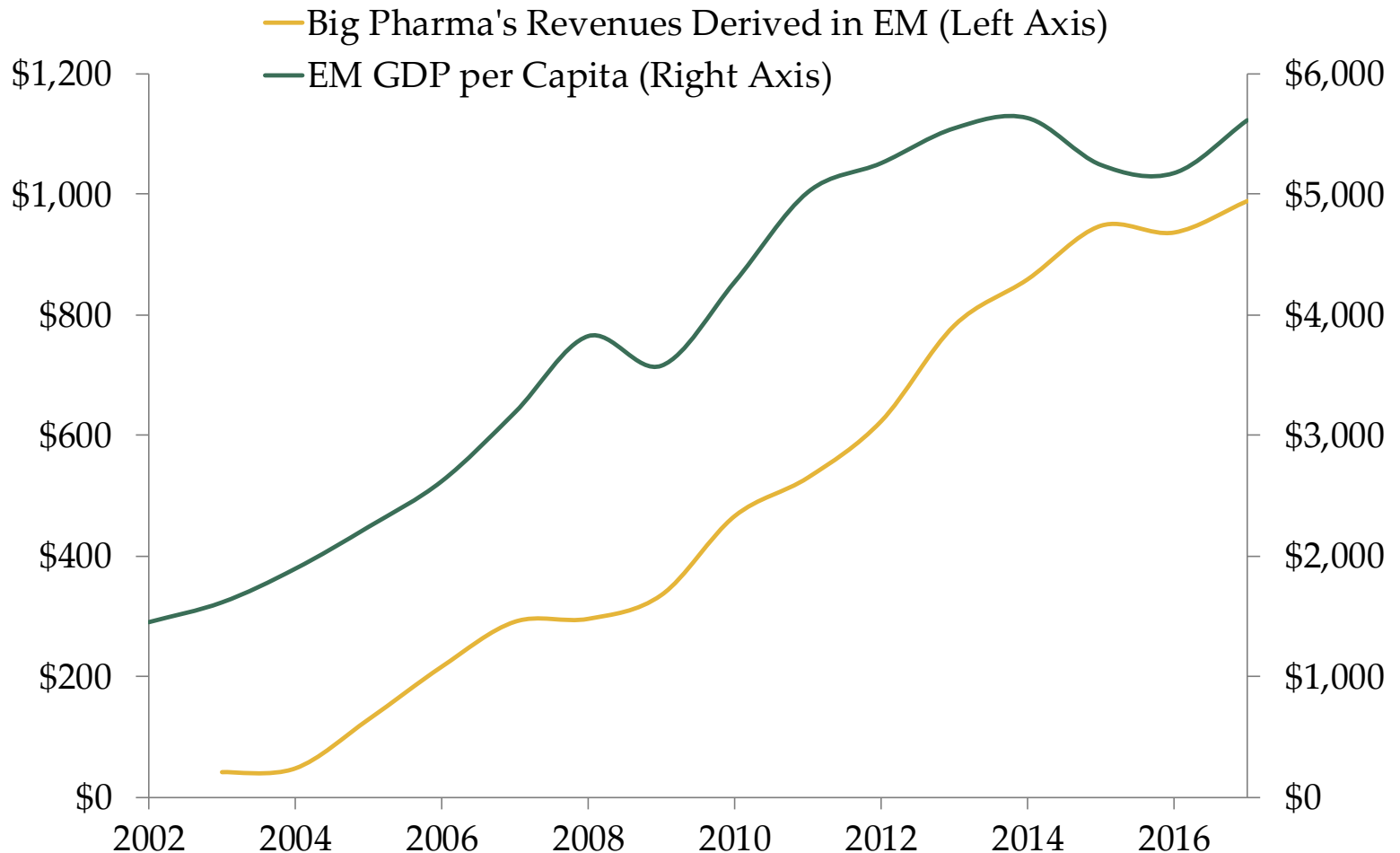


Source: US Food and Drug Administration novel drug approvals of new molecular entities (NMEs) as of June 2018. NMEs provide new therapies for patients.

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

# BIG PHARMA'S BIG EM OPPORTUNITY

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

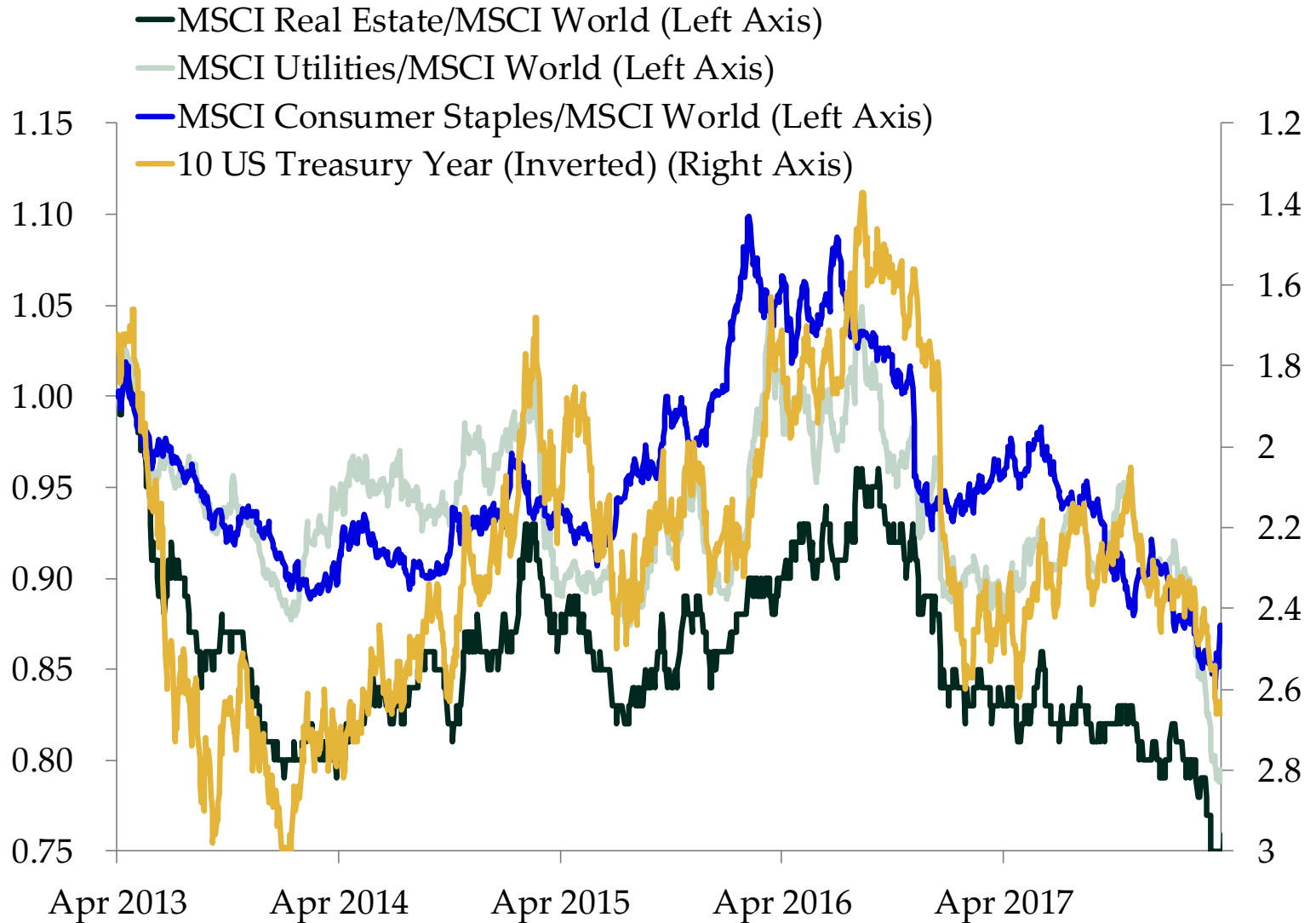


	Revenue Growth (10-Year Annualised)	Share of Revenues 2017	Share of Revenues 2007
EM	13%	14%	11%
DM	4%	79%	84%

Source: FactSet GeoRev and Oxford Economics as of December 2017. Big Pharma is based on MSCI World Pharmaceuticals Biotechnology & Life Sciences constituents.

# DEFENSIVE SECTOR'S LATE BULL WEAKNESS

Bond-like yield attributes of defensive sectors have encouraged substantial inflows throughout this cycle, elevating valuations as investors searched for yield. However, the categories' inverse relationship to interest rates and historically weak late-bull performance mean better investment opportunities lie elsewhere.



Source: FactSet as of March 2018.

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# CURRENT MARKET TOPICS

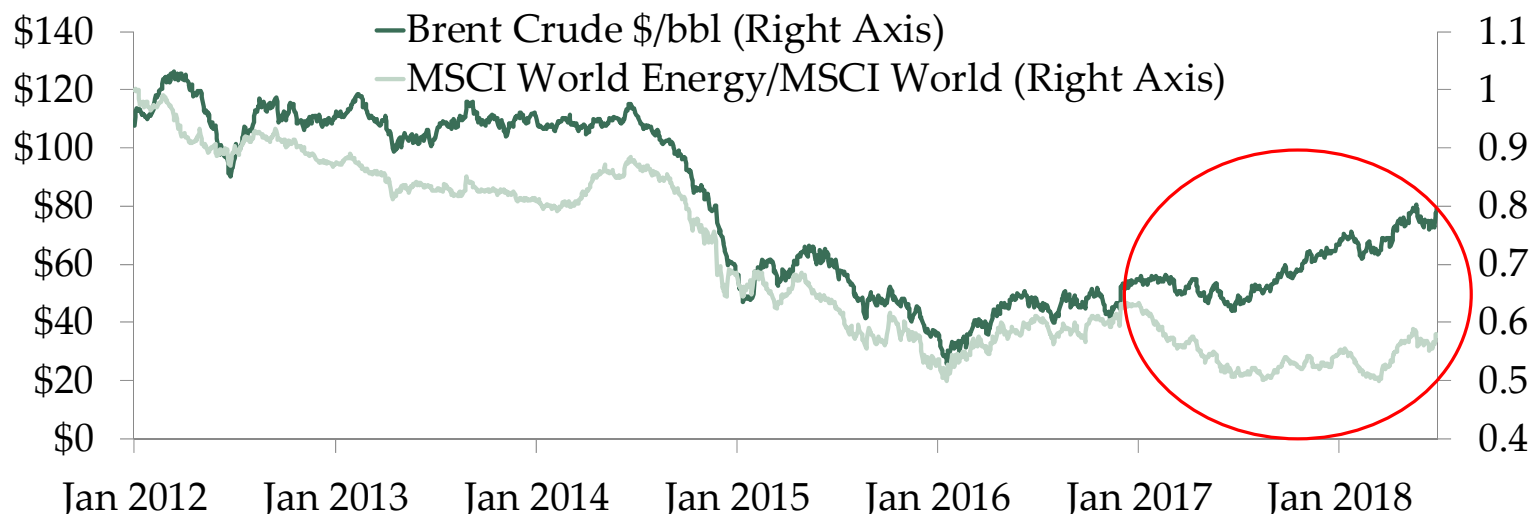
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*Our views on contemporary investor topics in the market*

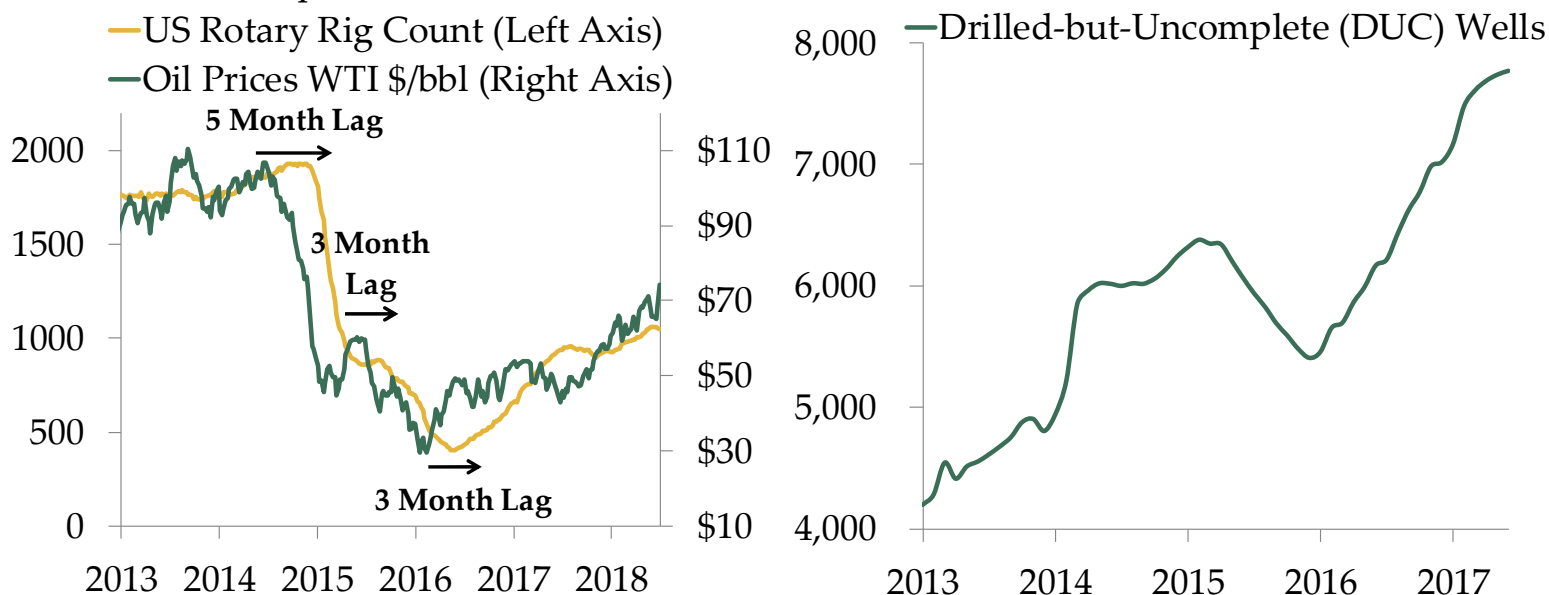
- Is the oil rally reflected in Energy share prices?
- Will EM weakness start a bear?
- Are Central Banks tightening?
- Can corporations handle higher interest rates?
- Are equity valuations too high?
- Does Fed balance sheet unwinding pop the asset bubble?

# RECENT OIL RALLY UNMET BY EQUITY RETURNS

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



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

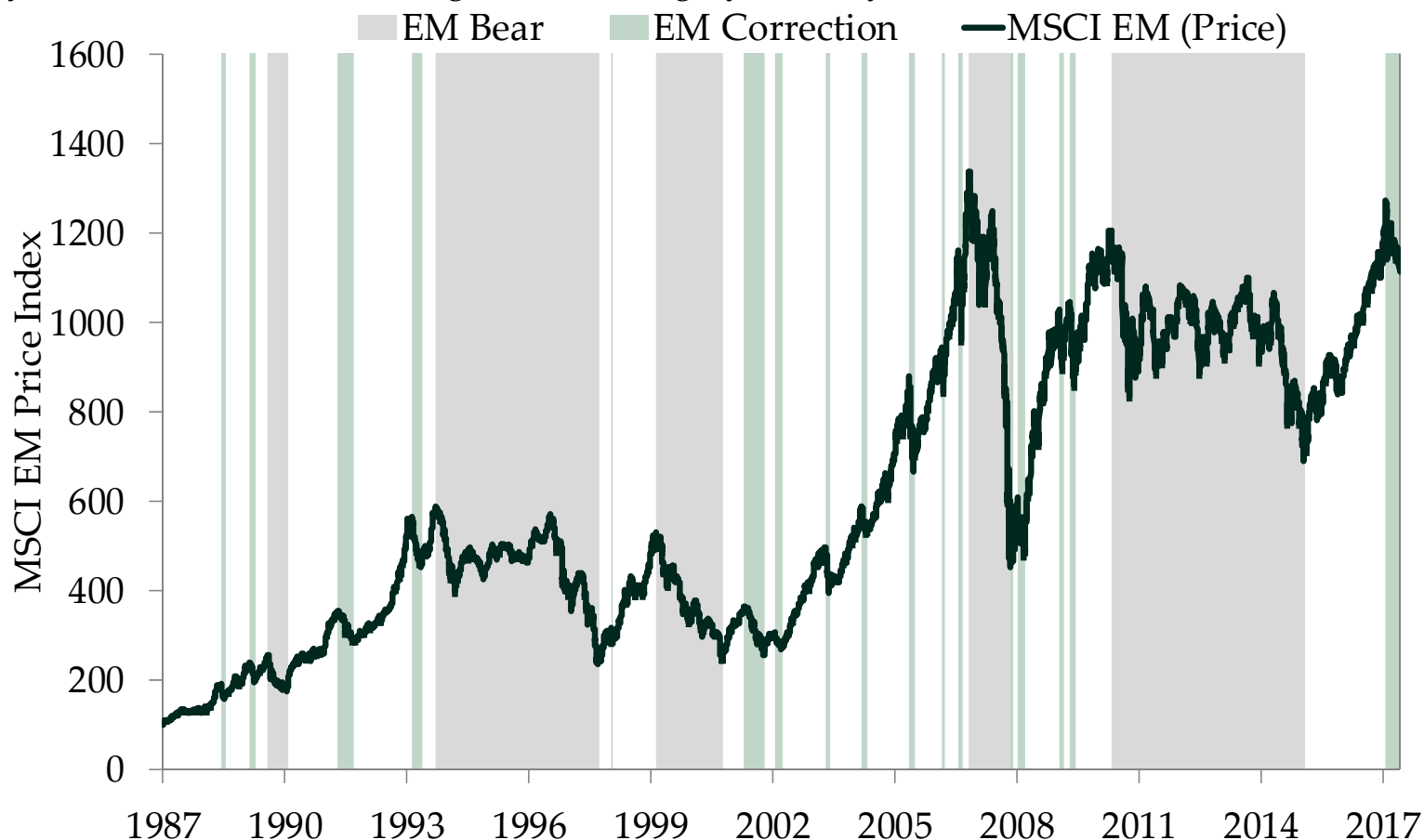


Top Chart source: FactSet as of June 2018. Bottom Left Chart source: FactSet and Baker Hughes as of June 2018. Bottom Right Chart source: EIA; Drilling productivity report; DUC wells by region, from January 2014 to May 2018. Based on monthly data points. Investment in securities involves the risk of loss. Past performance is no guarantee of future returns. Other methods may produce different results, and the results for individual portfolios and for different periods may vary depending on market conditions and the composition of the portfolio.



# RECENT EM CALM LONGEST IN HISTORY

EM equities tend to experience more frequent corrections or bear markets than developed. The unusually long calm period between the end of the last EM bear and this year's downturn was the longest in the category's history.



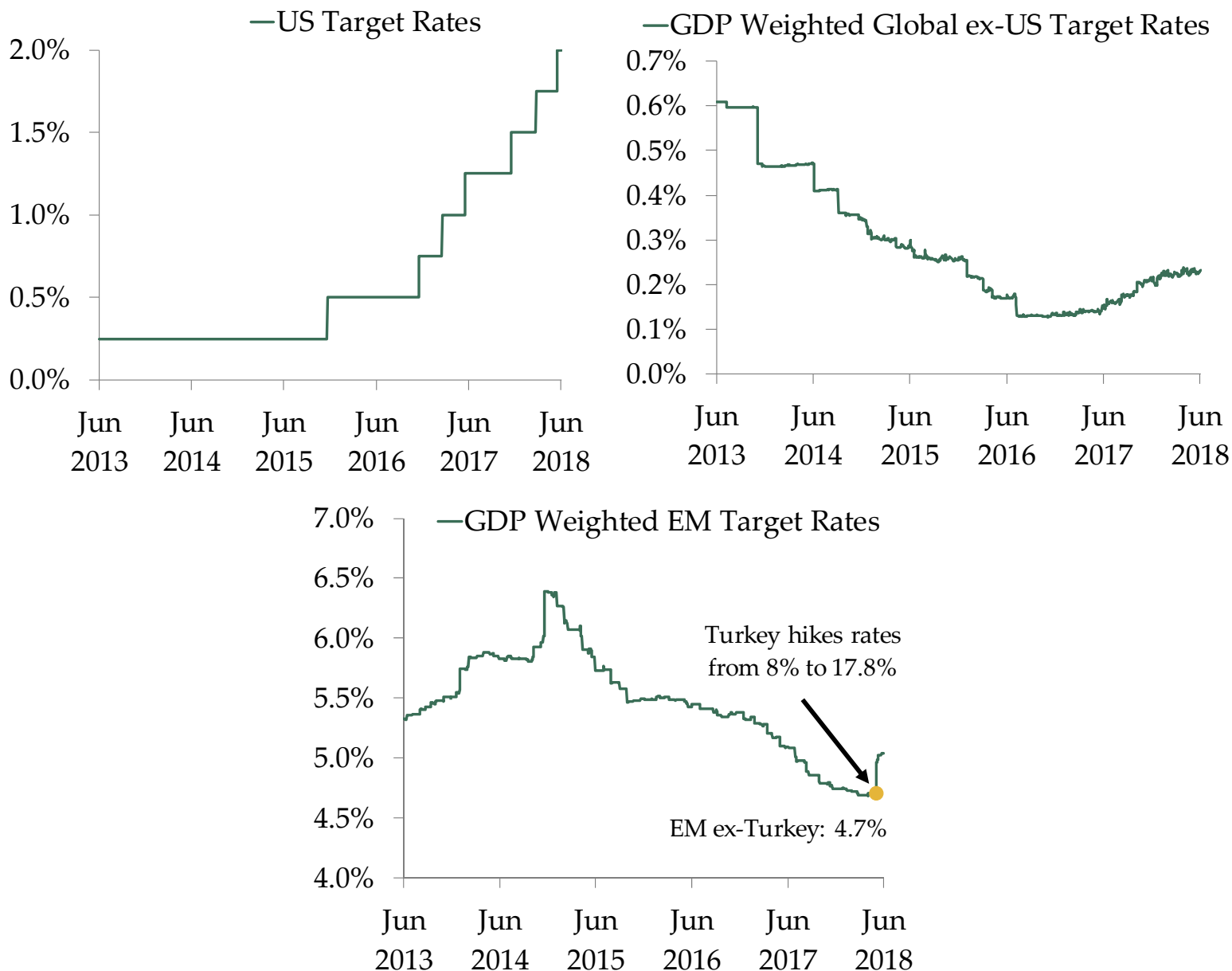
Start	End	EM Calm Period (Trading Days)
22/01/2016	25/01/2018	670
25/08/1992	10/02/1994	535
17/01/1991	16/04/1992	456
31/12/1987	01/06/1989	407
12/03/2003	11/04/2004	397

Source: FactSet and Fisher Investments Research as of May 2018. MSCI EM indexed to 100 December 1987.

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# OUTSIDE THE US, MONETARY EASING REIGNS

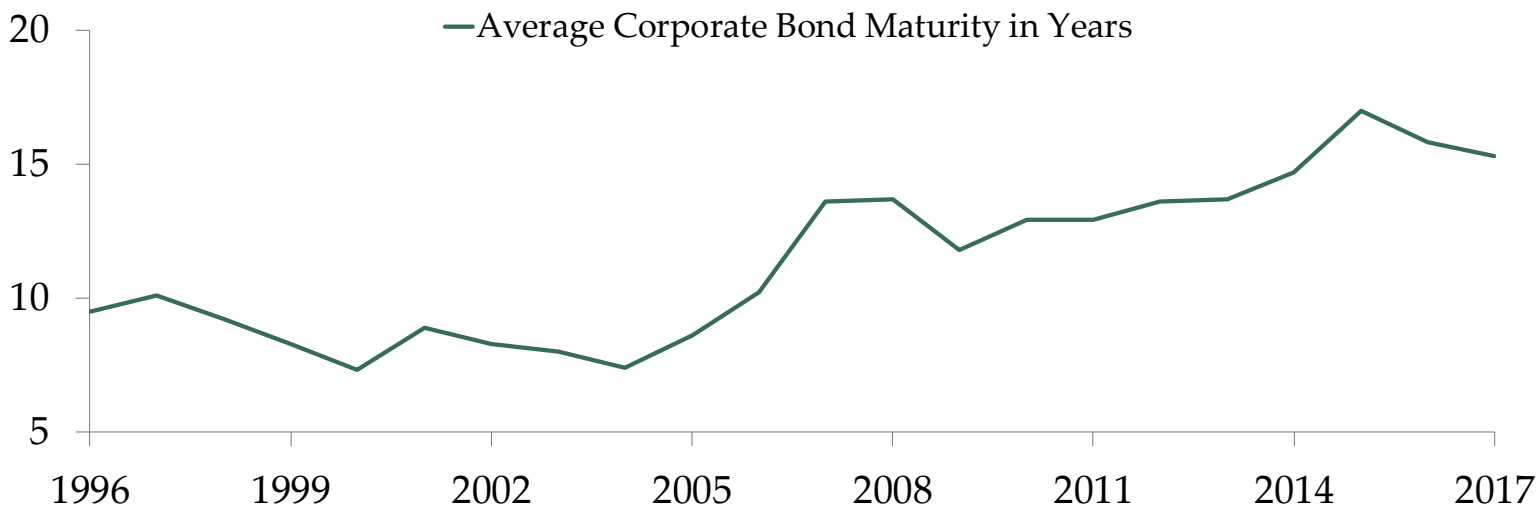
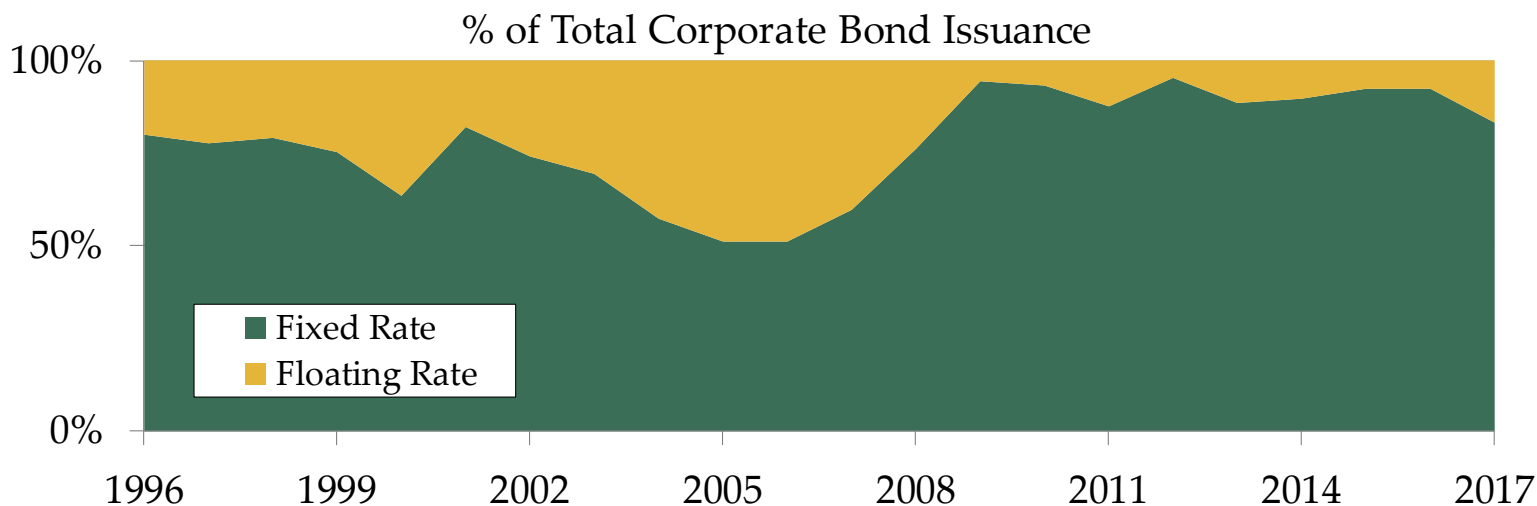
Outside of the US, most central banks continue to keep target policy rates low.



Source: FactSet and respective country's central banks as of June 2018. Based on MSCI EM and MSCI World ex-US country constituents, weighted by March 2018 GDP.

# CORPORATES ARE WELL INSULATED

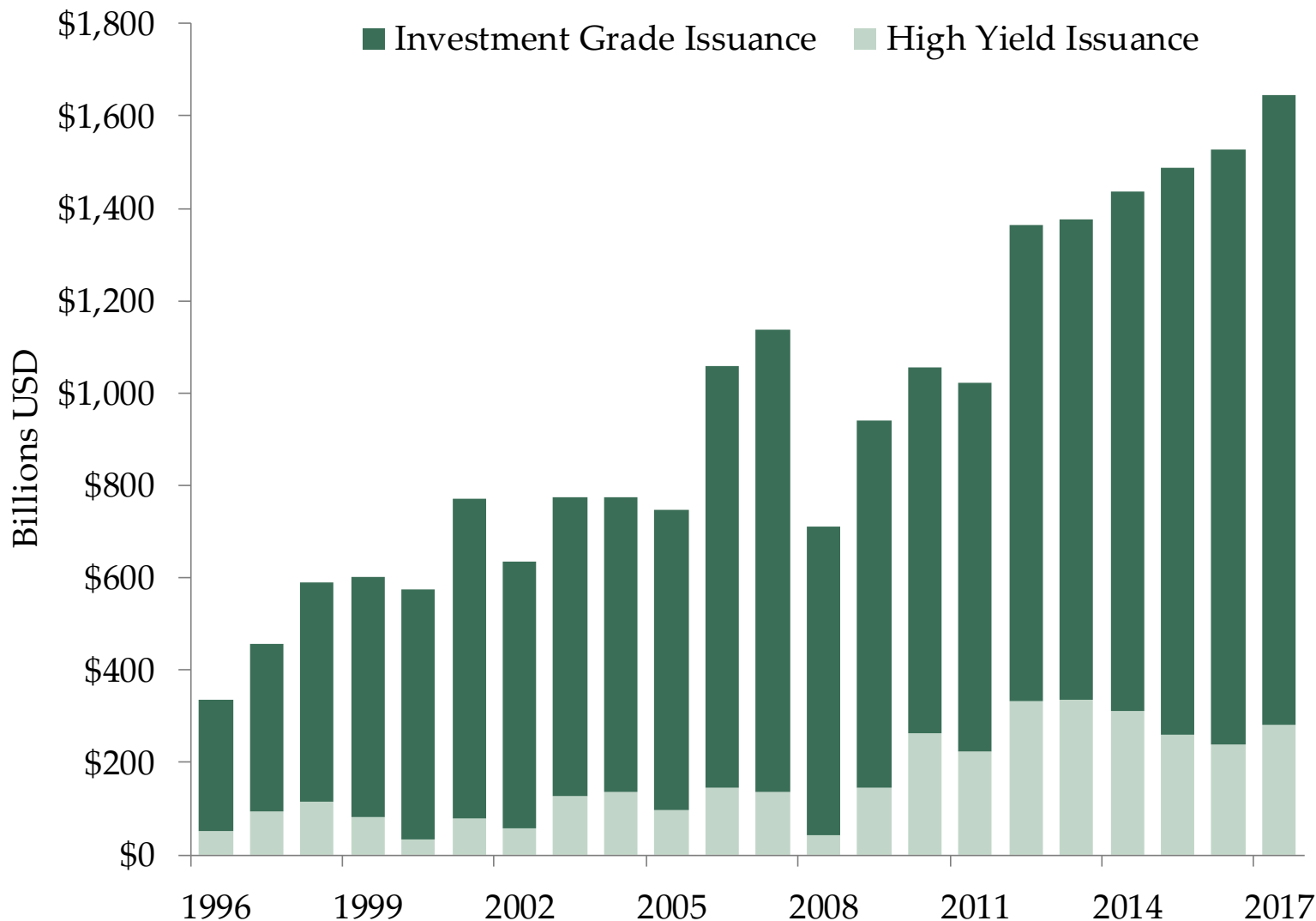
Even if yields were to spike, US companies are insulated because most corporate bonds are issued with a fixed rate. Further, bond maturity is much longer than any time before, meaning higher interest rates would take years to materially increase interest expense.



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

# INVESTMENT GRADE ISSUANCE DOMINATES

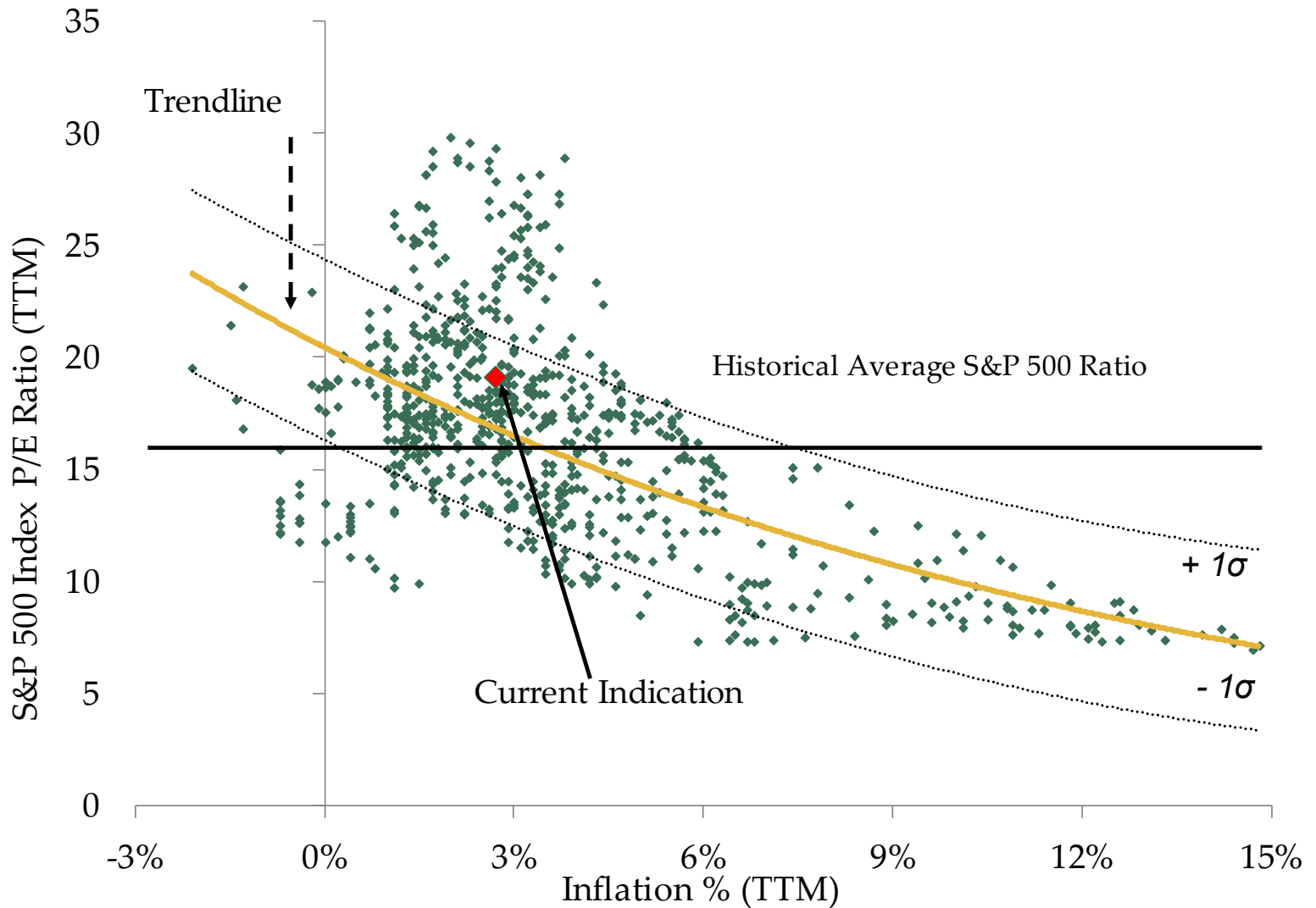
Corporate bond issuance is at an all-time high, but the vast majority is investment grade while high-yield issuance has been trending lower since 2013.



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

# LOW INFLATION, FINE EQUITY VALUATIONS

Given current inflation, valuations are well within historical norm.

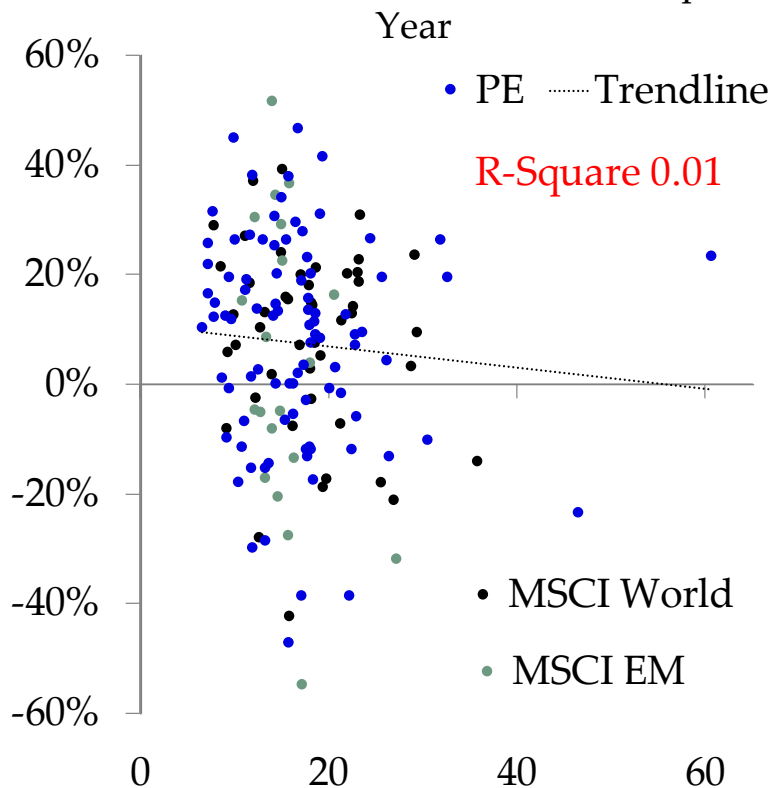


Source: Bloomberg from 1954 through June 2018. Based on monthly data points.

# VALUATIONS' WEAK PREDICTIVE POWER

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

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



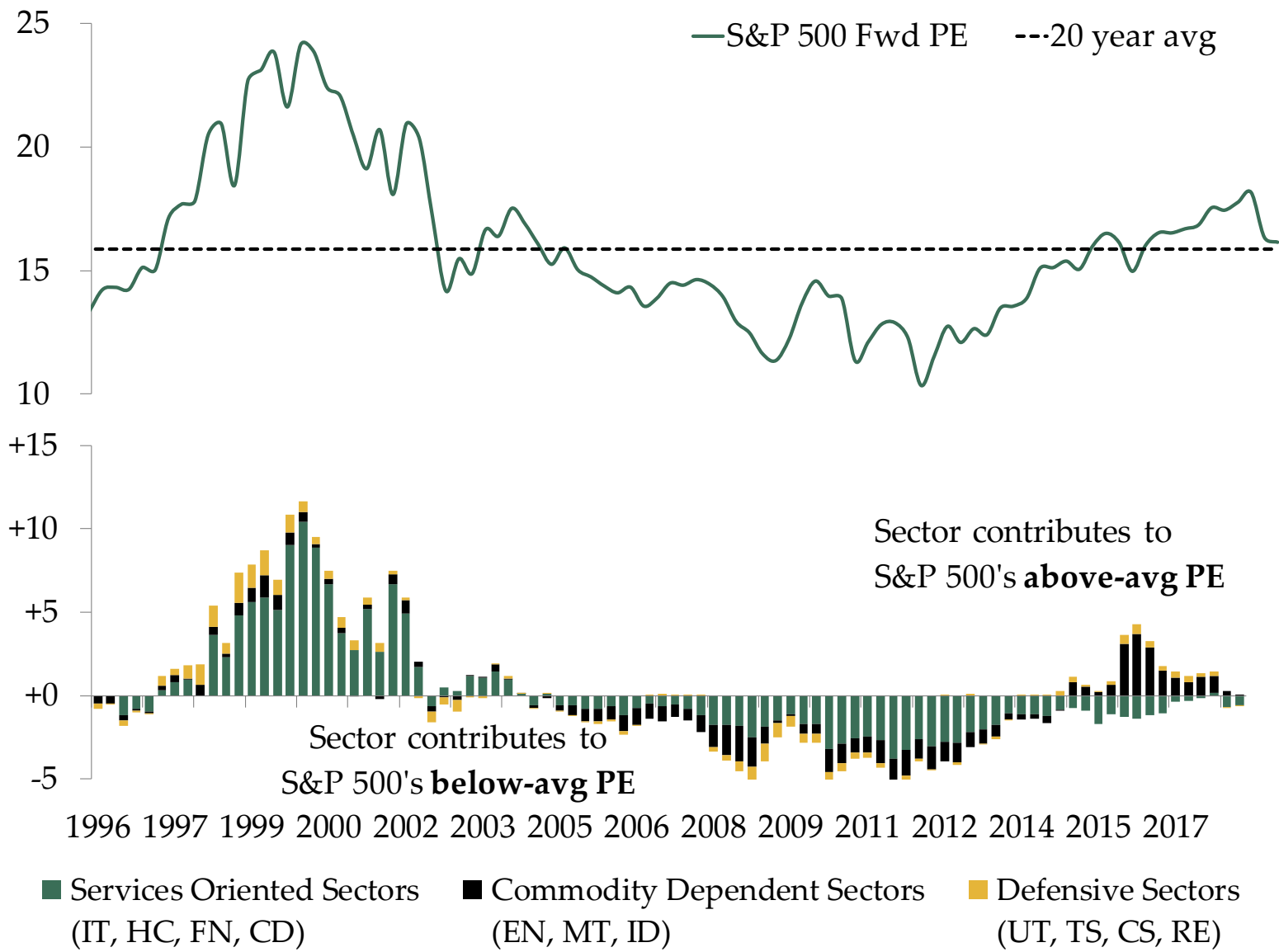
S&P 500 One Year Price Returns Following the Ten Highest PE Ratios

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

Source: FactSet and Global Financial Data as of December 2017. Based on annual observations for MSCI EM (1995-2017), MSCI World (1970-2017), S&P 500 (1927-2017). PE ratios based on trailing 12 month earnings. Investment in securities involves the risk of loss. Past performance is no guarantee of future returns. Other methods may produce different results, and the results for individual portfolios and for different periods may vary depending on market conditions and the composition of the portfolio.

# EVEN THEN, VALUATIONS VARY BY SECTOR

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

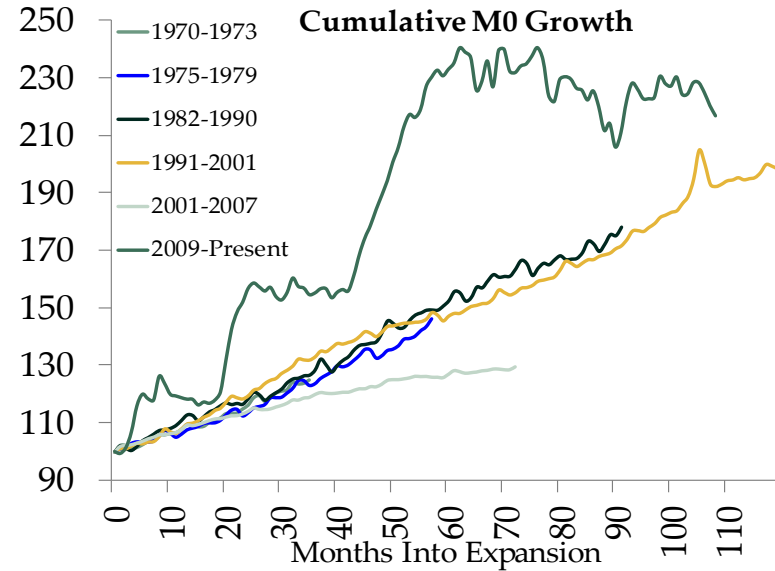


Source: FactSet as of June 2018. Based on forward Price-to-Earnings.

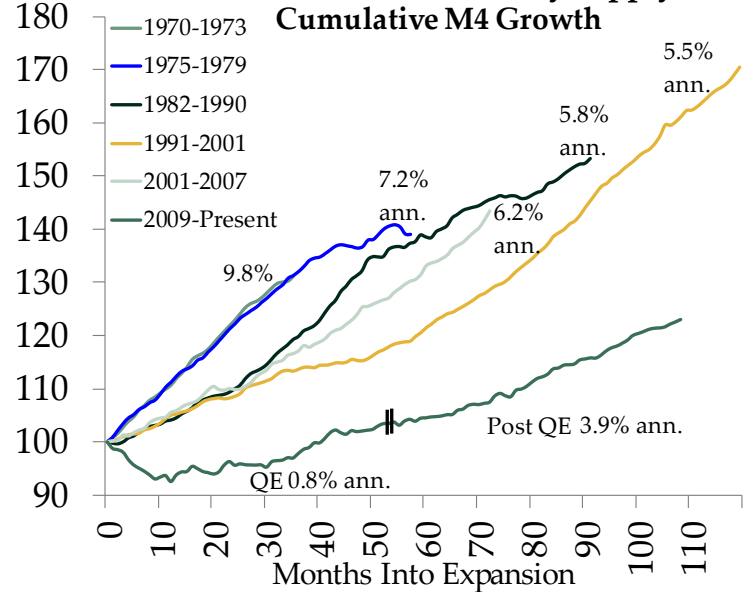
# FALSE PERCEPTIONS ON QUANTITATIVE EASING

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

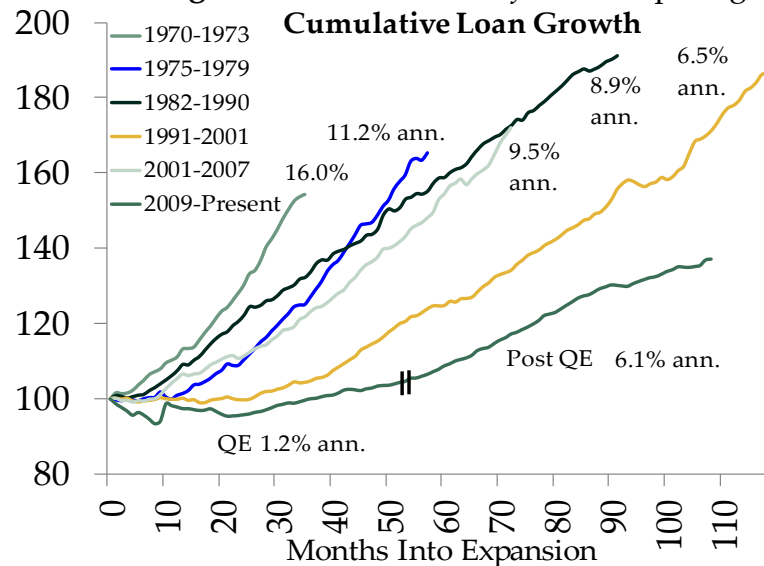
QE's unprecedented expansion of the **monetary base**...



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



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

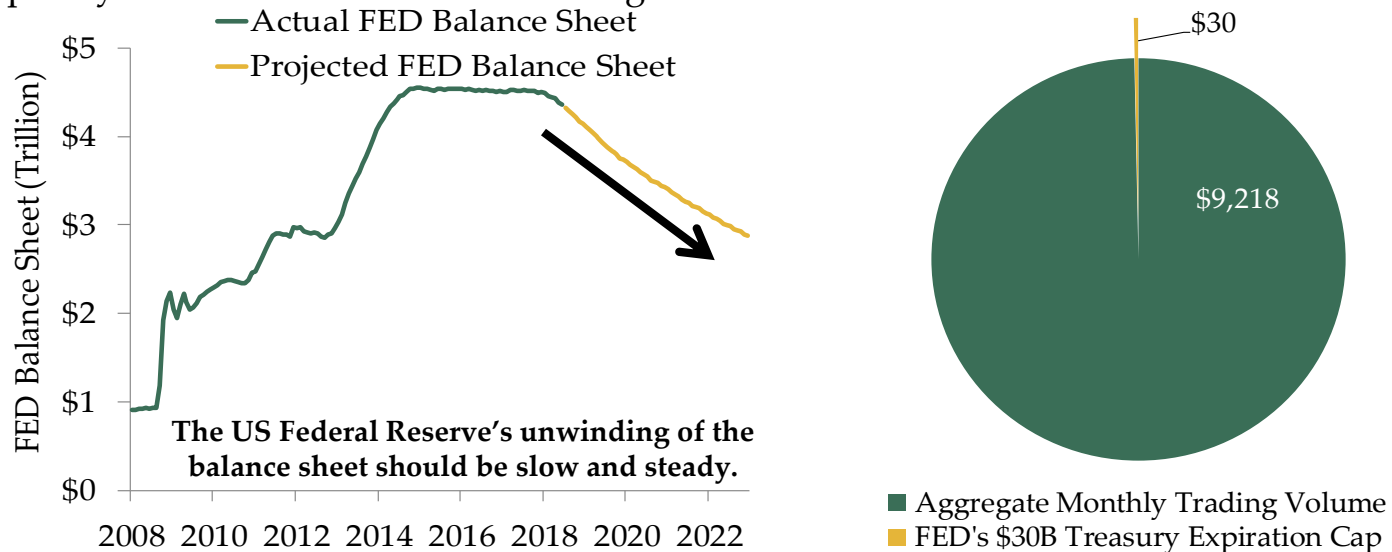


Source: Federal Reserve and Center for Financial Stability as of May 2018.

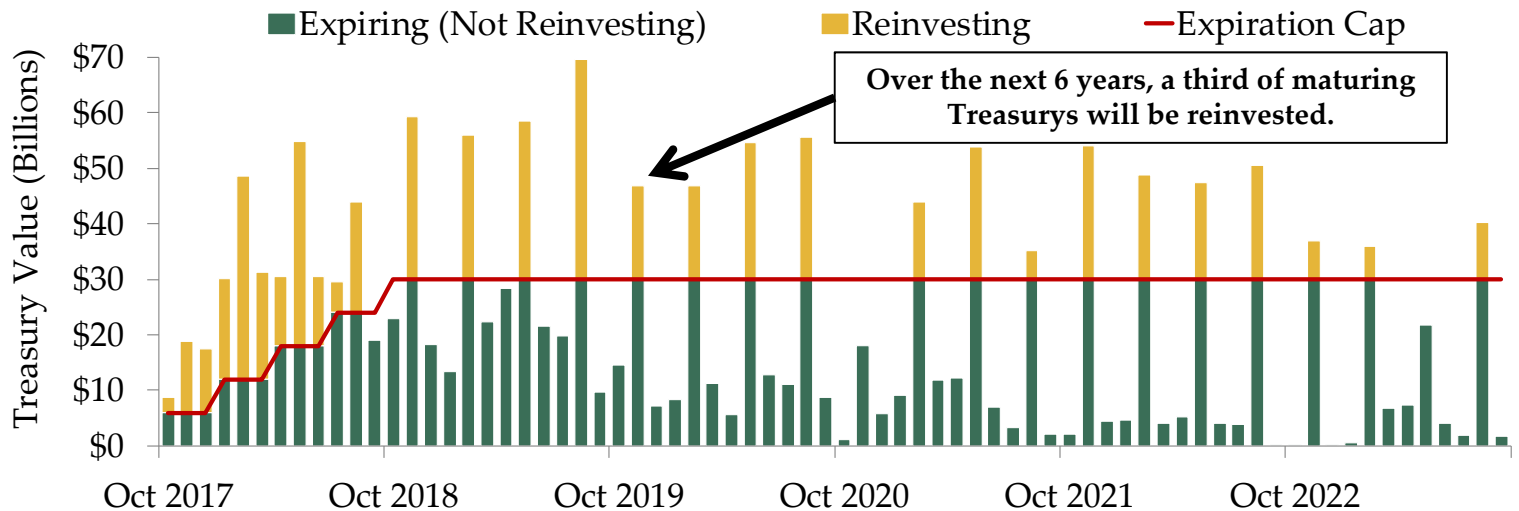


# FED WILL UNWIND ASSETS GRADUALLY

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



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



Top Left Chart source: Federal Reserve, actuals as of June 2018, projected from July 2018 to December 2022.

Top Right Chart source: The Securities Industry and Financial Markets Associations; US Treasury avg daily trading volume from September 2007 to May 2018. Bottom Chart source: US Federal Reserve; maturing treasury's and expiration cap from October 2017 to August 2023.

# TABLE OF CONTENTS

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• Market Outlook	1
• Developed Markets	15
• Emerging Markets	23
• Sector Views	30
• Current Market Topics	37

# STRATEGY OFFERINGS AND BENEFITS

Global Research Platform		
Global	US	Global Ex-US
\$6.1 Billion	\$10.4 Billion	\$26 Billion
<p><b>Global Equity</b> <i>MSCI World Index</i></p> <p><b>Global Equity Focused</b> <i>MSCI World Index</i></p> <p><b>All World Equity</b> <i>MSCI ACWI Index</i></p> <p><b>Global High Dividend Yield</b> <i>MSCI World High Dividend Yield Index</i></p> <p><b>Global Small Cap</b> <i>MSCI World Small Cap Index</i></p> <p><b>Global Long/Short</b> <i>MSCI World (50%) 3-Month T-Bill (50%)</i></p> <p><b>Global Quant</b> <i>MSCI ACWI Index</i></p>	<p><b>US Small Cap Core</b> <i>Russell 2000 Index</i></p> <p><b>US Small Cap Opportunities</b> <i>Russell Micro Cap Value Index</i></p> <p><b>US Small Cap Value</b> <i>Russell 2000 Value Index</i></p> <p><b>US Small and Mid Cap Value</b> <i>Russell 2500 Value Index</i></p> <p><b>US Small and Mid Cap Core</b> <i>Russell 2500 Index</i></p> <p><b>US Mid Cap Value</b> <i>Russell Mid Cap Value Index</i></p> <p><b>US Equity</b> <i>S&amp;P 500 Index</i></p> <p><b>US Small Cap Quant</b> <i>Russell 2000 Index</i></p>	<p><b>All Non-US Equity</b> <i>MSCI ACWI ex-US Index</i></p> <p><b>All Non-US Equity Growth</b> <i>MSCI ACWI ex-US Growth Index</i></p> <p><b>All Non-US Equity Small Cap</b> <i>MSCI ACWI ex-US Small Cap</i></p> <p><b>Non-US Equity</b> <i>MSCI EAFE Index</i></p> <p><b>Non-US Equity Small Cap</b> <i>MSCI World ex-US Small Cap</i></p> <p><b>Emerging Markets Equity</b> <i>MSCI Emerging Markets Index</i></p> <p><b>Emerging Markets Small Cap ESG</b> <i>MSCI Emerging Markets Small Cap Index</i></p> <p><b>Frontier Markets Equity</b> <i>MSCI Frontier Markets Index</i></p>

## 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

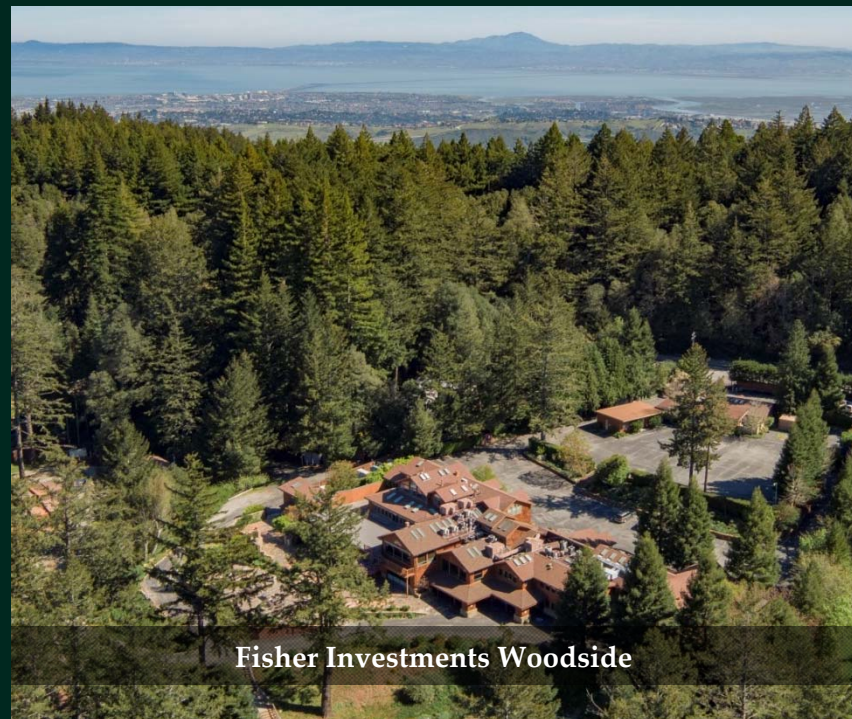
*AUM figures depict assets managed by Fisher Investments and its subsidiaries as of month end June 2018. "Years" is calculated using the date on which Fisher Investments was established as a sole proprietorship: 1979.*

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





**Fisher Investments Camas**



**Fisher Investments Woodside**



**Fisher Investments Europe**



**Fisher Investments DIFC**



**Fisher Investments  
Australasia**



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