EARNINGS GROWTH COMMENTARY

While we don't make formal earnings growth forecasts, we have provided a summary of earnings revisions that take into account the impact of the coronavirus. Exhibit 1 details earnings growth estimates for various regions at the beginning of the year and recent updates that reflect revisions. We believe it is likely that many companies and analysts either don't provide forward guidance or revise earnings downward until there is more clarity on the longer-term impacts of coronavirus. This probably has some impact on the revised numbers provided below.

Like many others, we expect the largest downward revisions will likely be on an industry level, particularly with airlines, casinos, hotels, restaurants and entertainment industries. These categories are especially vulnerable as increased regulation and restrictions are placed on them if they take government bailouts that could dampen their ability to return shareholder value. In contrast, certain segments of Consumer Staples, Technology and Health Care have been less impacted by continued government support, investment, and experience an aggressive approval push for new drugs and treatments.

We are optimistic that the current impact on earnings growth and the economy will be relatively short-lived. Nothing is certain but if the coronavirus fades with the flu season and the business disruption that we are seeing around the world ceases, equities will likely see a V-shaped recovery. Conversely, if the shutdowns linger, recession is likely and it will take more time for markets to see the eventual V-shaped recovery. In times of panic, many forget or underestimate the resilience and adaptability of global economies. The market will likely move ahead of the economy and price in the economic impact of the virus long before it's reflected in analysts' projected earnings growth. It is possible that by the time many analysts release earnings growth revisions, equities will have already begun recovering.

Exhibit 1: Calendar Year 2020 Earnings Growth Forecast

Index	As of 1 January 2020	As of 23 March 2020
MSCI World	8.7%	2.2%
S&P 500	9.5%	2.9%
MSCI Europe ex United Kingdom	9.0%	1.3%
MSCI United Kingdom	4.9%	-8.1%
MSCI Japan	5.6%	7.2%
MSCI EM Asia	15.6%	14.4%
MSCI EM EMEA	11.9%	-1.2%
MSCI EM Latin America	16.8%	14.5%
S&P ASX 200	4.4%	-2.2%

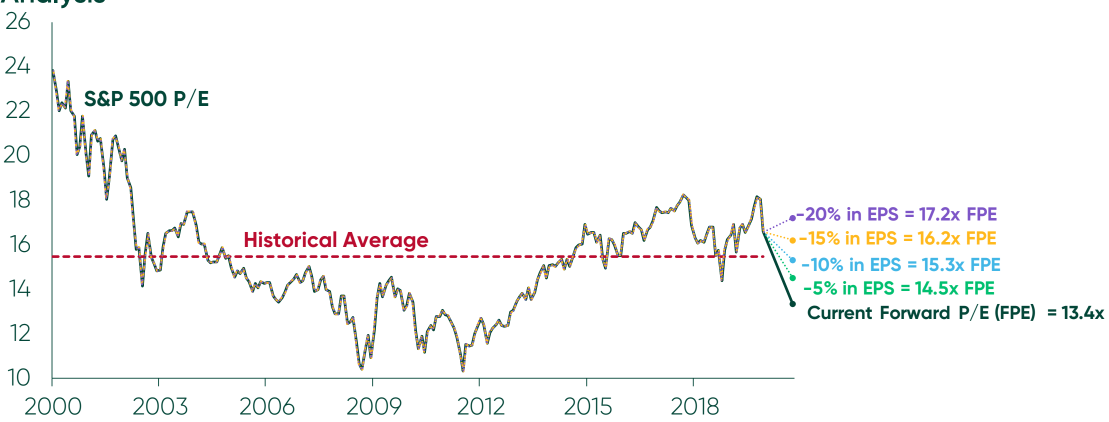
Source: FactSet, as of 23 March 2020.

P/E SCENARIOS BASED ON EARNINGS ESTIMATES FOR 2020

Fisher Investments doesn't view valuations within a vacuum and we don't believe valuations are predictive. That said, valuations can be a guidepost for market sentiment. Given current equity price volatility, and the anticipated continual revision of earnings estimates, we expect multiples to be similarly volatile in the near-term future.

However, against this backdrop of instability, Exhibit 2 demonstrates that valuations have remained within close range of historical averages. Even considering a projected scenario of a -20% collapse in S&P 500 earnings per share (EPS), P/E ratios would remain at similar values to those observed several times during recent history. Should earnings then rebound in 2021, investors would not even require multiples to appreciate much to do well.

Exhibit 2: Price to Earnings Ratio (P/E) – Scenario Analysis



Source: FactSet as of 23 March 2020, figures are subject to change. Shows the P/E ratio for the S&P 500 and MSCI World starting 31 March 2000 and 30 June 2003 respectively. Current FPE based on current December 2020 EPS estimate against current price level. Other forward PE ratios are calculated in various scenarios for EPS, with declines ranging from -5% to -20% from year-end 2019 levels.

Looking ahead, Fisher believes we are well positioned for the eventual rebound. We continue to prefer high quality, growth oriented companies with strong balance sheets, wide profit margins, and less dependence on accelerating economic growth. Finally, we continue to monitor macroeconomic events and will act accordingly if our views change or if we identify opportunities where sentiment has moved too far from fundamentals.

DISCLOSURES

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