

INVESTMENT PROCESS – STOCK EXAMPLE

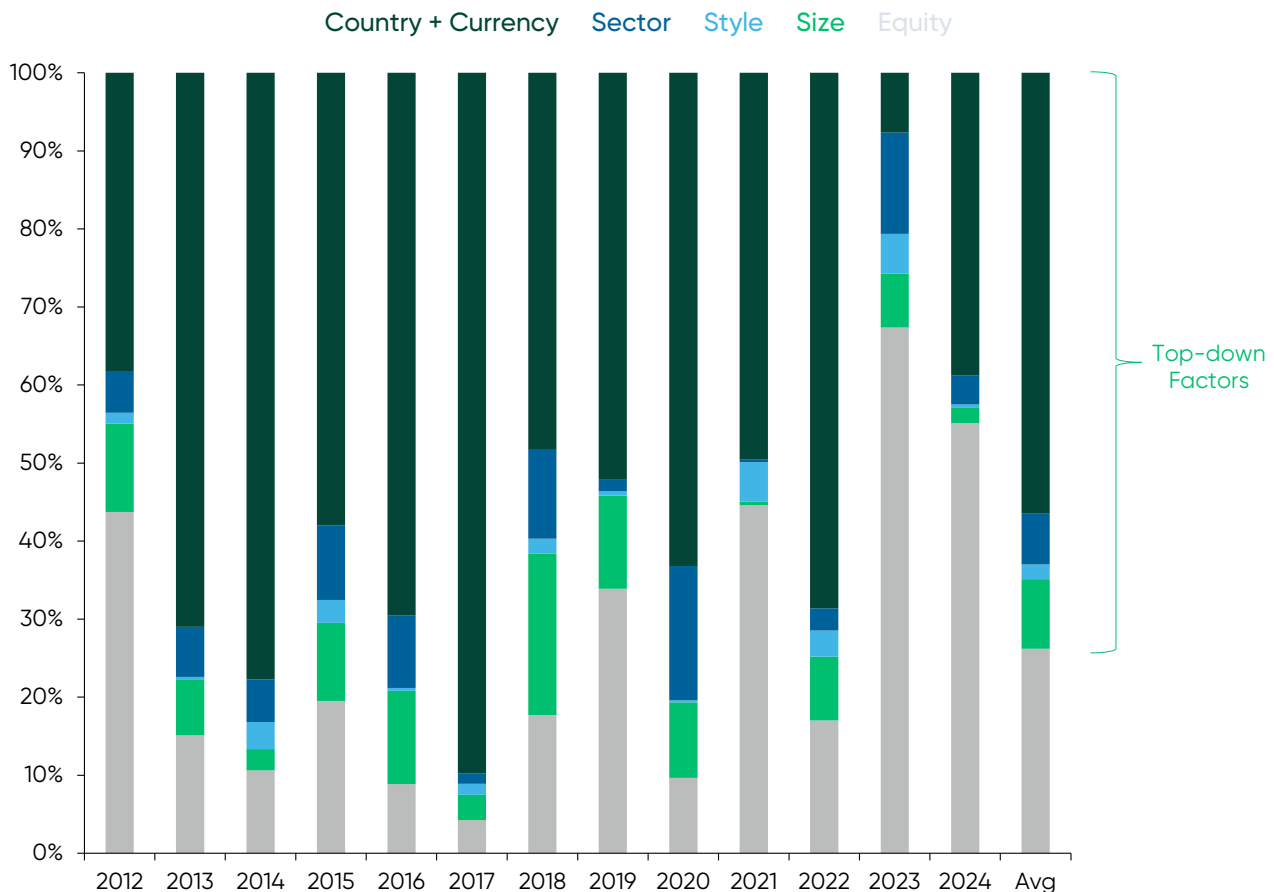
PURPOSE

The purpose of this paper is to provide an overview of our investment process accompanied by a working example of stock selection to demonstrate the application of the investment process and highlight the contributions and accountabilities of each investment team.

INVESTMENT PHILOSOPHY

At Fisher Investments (FI) we believe the dominant drivers of equity returns are country, sector, and other macro factors. We further believe a top-down investment process beginning with analysis of these factors helps us seek to maximise the probability of successful equity selection, allowing us to increase the likelihood of generating excess return and control risk for our investors.

As evidenced by MSCI data, identifying countries that beat the market greatly increases the likelihood of selecting outperforming equities. In addition, equities from outperforming countries tend to generate more excess return than those from underperforming countries. Similarly, identifying sectors that beat the market greatly increases the likelihood of selecting outperforming equities. Further, equities from outperforming sectors tend to generate more excess return than those from underperforming sectors. The following charts depicts calendar year Barra attribution analysis on the MSCI World Index, showing top-down factors explain over 73% of the MSCI World Index’s return since 2012.



Percentage breakdown of the absolute factor contributions to MSCI World's performance based on annual returns, from 2012 through 2024. Percentages based on return attribution figures from Barra's Global Equity Model for Long Term Investors (GEMLT), excluding the world and certain style factors (quality, momentum, beta, and liquidity). Source: MSCI Barra Portfolio Manager. As of 31/12/2024.

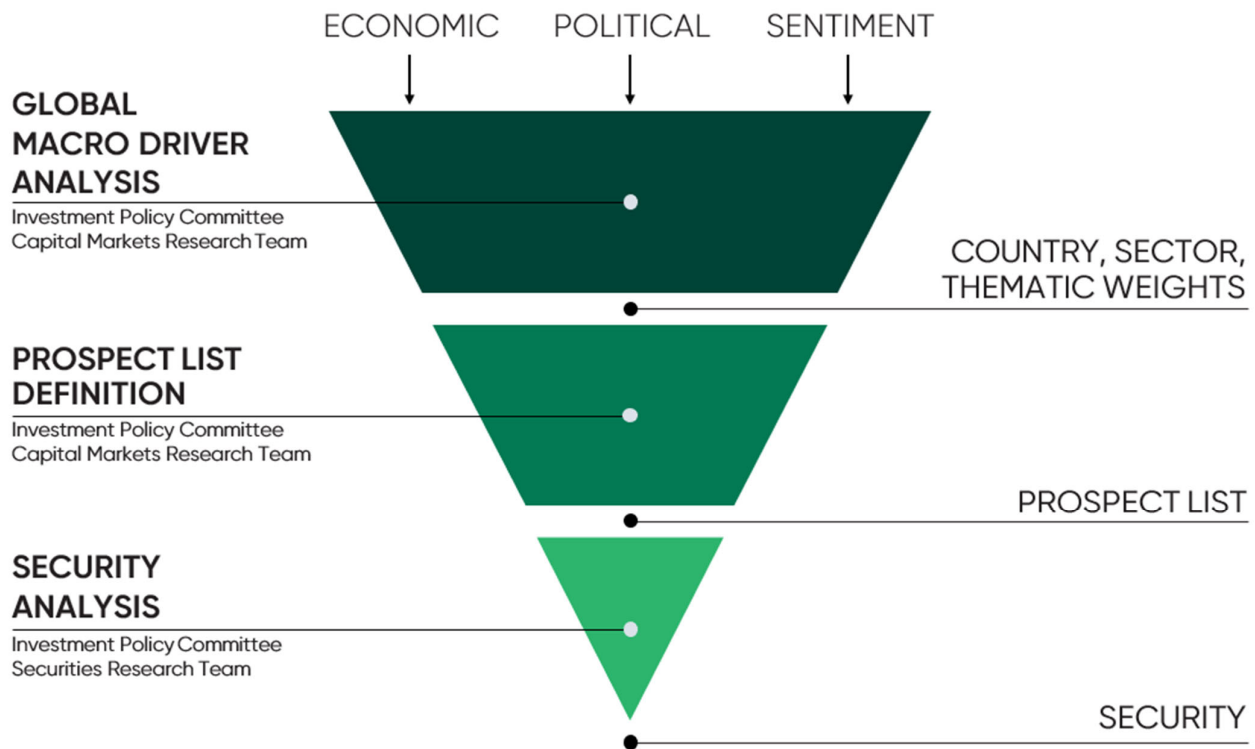
INVESTMENT PROCESS

The Fisher Investments Global Equity strategy's investment process leverages a combined top-down and bottom-up approach. Capital markets research analyses economic, political and sentiment drivers to formulate forecasts and develop portfolio themes, which is then fed into our fundamental bottom-up research to identify stocks that are likely to benefit from those themes.

The process focuses on three basic decisions ultimately made by the Investment Policy Committees (IPC) based upon research conducted by the Capital Markets Research and Securities Research Teams. This approach allows us to gain exposure to macro themes, countries, sectors and securities we believe are most likely to generate the highest expected returns:

1. *Step 1 - Global Macro Theme and Forecasts: Identify where we are in the market cycle and macro themes for the portfolio.*
2. *Step 2 - Country Exposure and Sector Exposure: Identify the countries and sectors most likely to outperform or underperform versus the benchmark.*
3. *Step 3 - Security Selection: Identify the security or group of securities within a particular category increasing the likelihood of beating the overall category.*

Diagram of Investment Process



Step 1 – Global Macro Themes

The IPC uses the analysis of various economic, political and sentiment indicators or "drivers" to determine country and sector allocations based on information provided by the Capital Markets Research Team. These drivers allow us to establish relative risk and return expectations for countries and sectors:

1. Economic drivers such as monetary policy, yield curve and relative GDP growth analysis.
2. Political drivers such as taxation, governmental stability and political turnover.
3. Sentiment drivers primarily measuring consensus thinking to identify relative investment-category popularity. Sentiment driver interpretation is typically counter- intuitive (i.e., avoid the overly popular and seek the largely unpopular).

FI continuously monitors drivers to ascertain shifts and whether the market has discounted them yet. A representative list of drivers is below. The impact of an individual driver varies depending on the macroeconomic environment. The list should not be considered a quantitative or a "black-box" model:

Portfolio Drivers

Driver Category	Portfolio Drivers	Information Sources	Frequency of Change	Analytical Approach	ESG Considerations
Economic	<ul style="list-style-type: none"> Access to Credit GDP Growth and debt Monetary Base Currency Relative Strength Interest Rates / Inflation Yield Curve Spreads Global Capacity Infrastructure M&A, Issuance and Repurchase Fiscal Policy 	<ul style="list-style-type: none"> Government, central bank, supranational and industry organisations' periodic releases Global economic sources including Datastream, FactSet, S&P, MSCI, Russell, Finaeon, Clarifi, and proprietary databases Industry and trade group publications 	<ul style="list-style-type: none"> Periodic (weekly, monthly, quarterly, annually) 	<ul style="list-style-type: none"> Using econometrics and statistical relationships, seek historically unusual or extreme driver outputs underappreciated by the market. 	<ul style="list-style-type: none"> Costs of environmental regulation Resource Dependency and access Wages & labour costs Emissions programmes Embargoes and tariffs
Political	<ul style="list-style-type: none"> Taxation Property Rights Structural Reform Privatisation Trade/Capital Barriers Current Account Government Stability Political Turnover 	<ul style="list-style-type: none"> Over 100 financial and popular media periodicals and extensive online information monitoring Political and economic databases 	<ul style="list-style-type: none"> Ad hoc 	<ul style="list-style-type: none"> Marginal rate of change analysis of political developments incorporating both quantitative and qualitative inputs. 	<ul style="list-style-type: none"> Hostile govts./regimes Governmental influence Environmental Human Rights Corruption Reforms impacting private property Labour rights and
Sentiment	<ul style="list-style-type: none"> Fund Flows Style and Asset Class Valuations Media Coverage Institutional Searches Consumer Confidence Foreign Investment Investor Forecasts Momentum Cycle Analysis Risk Aversion Behavioural Factor Analysis 	<ul style="list-style-type: none"> Over 100 financial and popular media periodicals and extensive online information monitoring Asset management industry publications and databases Proprietary samplings of investor sentiment 	<ul style="list-style-type: none"> Periodic, Ad hoc 	<ul style="list-style-type: none"> A contrarian analysis of investor sentiment incorporating both quantitative and qualitative inputs. 	<ul style="list-style-type: none"> ESG fund flows Institutional ESG mandate searches ESG sentiment trends (e.g. fossil fuels, EVs) Performance & valuation dispersion in ESG scores Divestment

Step 2 – Prospect List Definition

Macroeconomic research plays a large role in our decision-making process. FI has a Capital Markets Research Team dedicated to conducting macroeconomic research; their primary responsibilities are to follow global macroeconomic, political and sentiment trends. Based on this research, FI's IPC identifies the countries and sectors most likely to outperform or underperform versus the benchmark and subsequently determines our country and sector over/underweight decisions.

Country and sector decisions are sometimes predicated on exclusionary management, i.e., using drivers to determine countries and sectors to avoid or underweight based on relative expected risk.

Once country, sector/industry, and thematic weights are determined by the IPC, our fundamental stock research begins.

Step 3 – Equity Selection

Once country, sector/industry, and thematic decisions have been made, FI runs a basic security screening process to either reduce risk or further narrow the prospect list as applicable. Securities Research Analysts screen out any securities with insufficient liquidity or solvency. Following that, securities are screened based on our macro views on valuation and/or style, and we exclude any companies inconsistent with their respective category or peer group. Once the prospect list is defined, it is given to Securities Analysts covering specific industries to conduct their bottom-up fundamental research on the stocks in the prospect list.

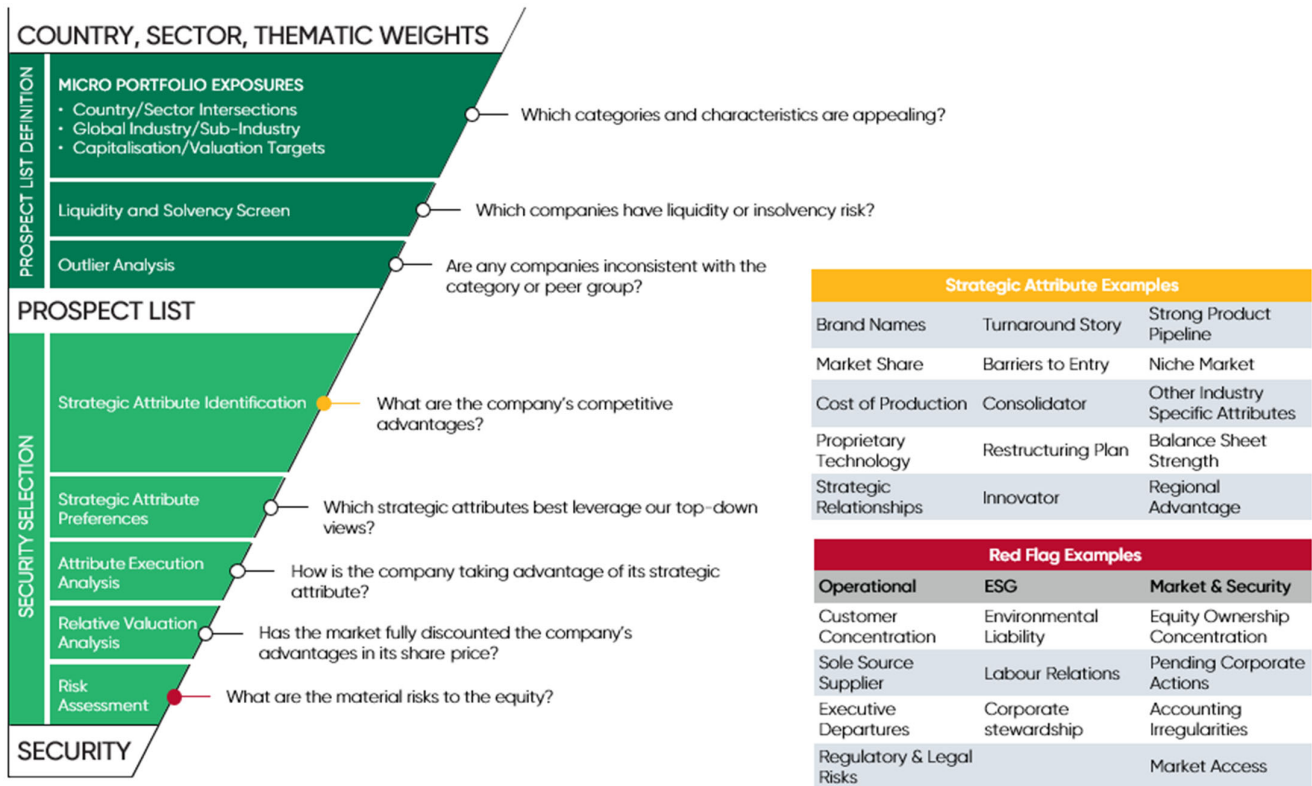
The first step is to perform "Outlier Analysis". This analysis seeks to identify any securities with categorisation, pricing, business activities and/or other characteristics materially outside the peer group. The aim is to ensure selected securities have characteristics directly linked to the portfolio's higher-level themes. FI believes avoiding extreme outliers can reduce portfolio risk while adding value at the security selection level.

The prospect list is then further analysed by the IPC based upon the fundamental research performed by the Securities Research Team, including:

Bottom-Up Analysis Protocol	Purpose
Strategic Attribute Identification	Seeks firms with underappreciated competitive or comparative advantages relative to their peers via FI's unique, proprietary analysis
Strategic Attribute Preferences	Determines strategic attributes best leveraging FI's top-down views, i.e. which attributes could get a tail wind from the current macro environment
Strategic Attribute Execution Analysis	Evaluates if the firm's management has a cohesive executable plan for exploiting its strategic attribute(s)
Relative Valuation Analysis	Examines current valuations relative to peers, historical valuations, and the market to understand if the company's strategic attribute(s) remain undervalued
Operational and ESG Risk Assessment	Operational and ESG Risk Assessment

Please find following the chart displaying our prospect list definition and security selection progression:

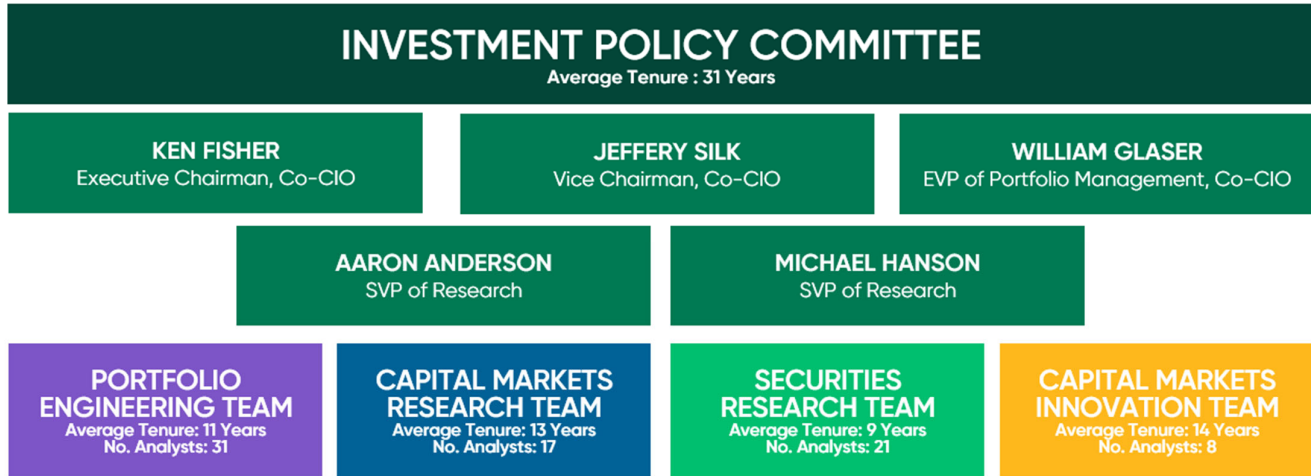
Prospect List Definition and Security Selection



INVESTMENT TEAM

FI's five-member Investment Policy Committee (IPC) are the portfolio managers for the Global Equity strategy and collectively manage all of the firm's strategies. The IPC are supported by FI's Research Department and Portfolio Engineering Team. The Research Department is organised to provide the IPC with high-quality, timely information. The following teams make up the department - Capital Markets Research, Securities Research and Capital Markets Innovation.

Portfolio Management and Research Teams



As at 31/3/2025.

Capital Markets Research Team (Top-Down Research / Countries & Sectors)

17 ANALYSTS

- Conducts country & sector economic, political, sentiment and ESG analysis.
- Develops themes related to coverage areas.
- Works with other teams to ensure macro views are well understood.

The Capital Markets Research Team is responsible for gathering information used in the analysis of a wide range of economic, political, and sentiment drivers. The IPC uses this information to formulate forecasts and to develop portfolio themes. The team's objective is to assist the IPC in determining the country, sector and style forecasts using relevant information generated from these drivers to determine over/under weight allocations relative to a strategy's given benchmark. Capital Markets Analysts are assigned to specific countries and sectors.

Securities Research Team (Bottom-Up Research / Global Sectors & Industries)

22 ANALYSTS

- Conducts fundamental and ESG analysis on existing and potential holdings.
- Screens coverage universe to identify companies aligned with macro views.
- Conveys company-level information to other teams to aid theme development.

The Securities Research Team is responsible for the initial analysis and ongoing monitoring of all securities held in the firm's portfolios. Each analyst is assigned securities falling within specific sectors. They are then responsible for providing the IPC with security updates as market conditions dictate or at least once per quarter. The Securities Analysts are solely responsible for delivering information on individual holdings and prospective holdings. Securities Analysts are assigned to specific sectors, industries and equities. Securities Analysts assigned to a sector also collaborate with Capital Markets Analysts who provide top-down

perspective across countries and sectors.

Capital Markets Innovation Team (Theoretical & Quantitative Research)

8 ANALYSTS

- *Uses proprietary tools to enhance fundamental and ESG research*
- *Provides robust statistical analysis to other teams*
- *Conducts risk analysis, modeling and attribution.*

Striving to develop new and improved ways of understanding capital markets, FI has built out a dedicated Capital Markets Innovation (CMI) Team within the Research Department. This team is tasked with furthering our efforts to develop and evaluate new “capital markets technology” through systematic idea generation and testing in collaboration with the IPC and other parts of the Research Department. This broad initiative is designed to continue expanding our ability to discover information not widely known and to better and more correctly analyse widely known information.

Portfolio Engineering Team (Implementation Strategy Specialists)

11 ANALYSTS

The Portfolio Engineering Team is comprised of Senior Analysts who are dedicated to executing ideas into trades and optimise portfolios for performance, client or fund specific guidelines. The Portfolio Engineering Team also facilitates interaction between the IPC and Research teams.

Investment Responsibility & Accountability

The members of the IPC share overall responsibility for the firm's portfolios. The IPC's role is to develop and manage all firm strategies based on FI's philosophy, process, research and current trading conditions. The IPC collaboratively makes all strategic investment decisions affecting the firm's portfolios and generally makes decisions through reaching a consensus. For portfolio implementation, the IPC is supported by the Portfolio Engineering Team, dedicated to tailoring, overseeing and monitoring each client portfolio according to their bespoke mandates and trading objectives.

Stock Example (as of Q1 2025)

Step 1 – Global Macro Driver Analysis

Market Cycle	Macro Theme	Micro Theme	Top Down ESG
Mid-late cycle, favour non-US and value	We expect previously out-of-favour categories, like European equities and value, to lead in 2025. Positive developments have been largely ignored, including meaningful stimulus programs, a widening yield curve, accelerated free trade agreements, and healthy household, corporate, and bank balance sheets, leaving significant room for upside surprise.	Improved lending in the EMU as evidenced by the ECB's Bank Lending Survey shows that very few banks are still tightening credit standards and that demand is rising, setting the stage for improving lending over the period ahead. Further, continued rate cuts by the ECB should be a tailwind for better access to credit.	Commitment to 'Net Zero' loan and investment portfolios

Market Cycle View – Mid-late Cycle *(Determined by IPC, with Research support from Capital Markets Research and Capital Markets Innovation teams)*

We're not in a traditional market cycle, with some of our most reliable indicators remaining mixed. This bull market began with late-stage economic conditions but early-cycle sentiment. Since then, global economic drivers have shifted towards mid-cycle, while US sentiment has risen to late-cycle levels. Today, US markets seem late-cycle, given a loosening labour market, tight credit conditions, restrictive Fed policy and elevated sentiment. However, if economic indicators continue trending mid-cycle, especially as the inaugural year fades, the market may seem mid-cycle later this year.

Non-US markets are already mid-cycle, with moderate sentiment, steeper yield curves, stronger credit and looser monetary & fiscal policy.

Economic Drivers

Inflation: Inflation expectation perked as tariff threats colored consumers' outlook. (Exhibit 1. While we don't dismiss the potential impact of tariffs, as we've often argued, high money supply growth needs to be present to see a concerning rise in inflation. (Exhibit 2)

Exhibit 1: Inflation Expectations

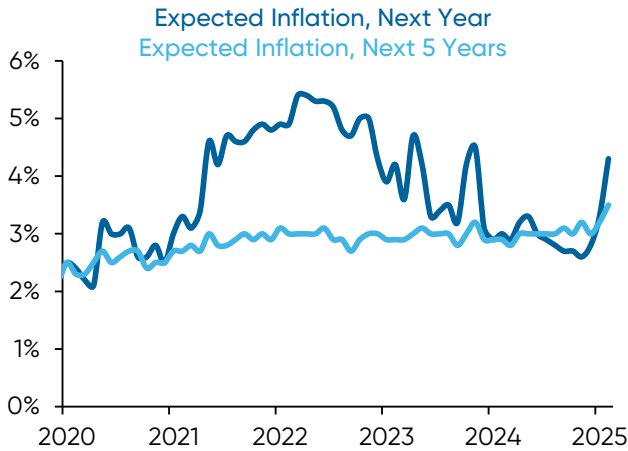
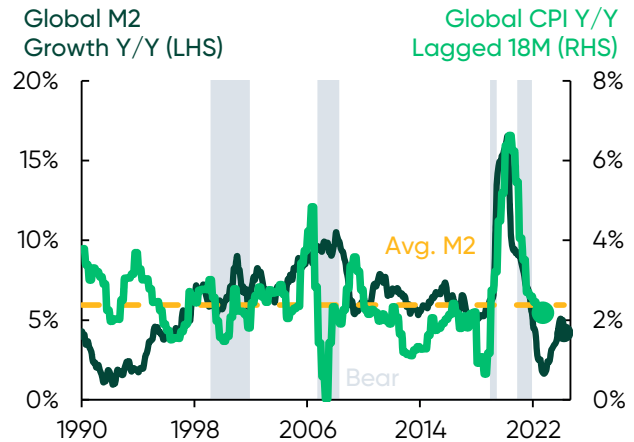


Exhibit 2: Money Supply vs. CPI



Left Source: Macrobond, University of Michigan Expected Change in Inflation 31/1/2020-28/2/2025. Right Source: FactSet, GDP weighted monetary policies and Consumer Price Index (CPI), Top 30 countries by GDP (Excluding Argentina & Turkey). From 1990-2024.

Strong Corporates and Consumers: There are few signs of stress on corporate balance sheets in Europe. Cash balances are historically high, and debt levels and coverage are healthy. (Exhibits 3 & 4) Additionally, even as economic uncertainty continues to weigh on Europe, incomes have grown and households have been stockpiling cash, leaving consumers well positioned to increase buying if economic confidence grows. (Exhibits 5 & 6)

Exhibit 3: Corporate Cash Balances

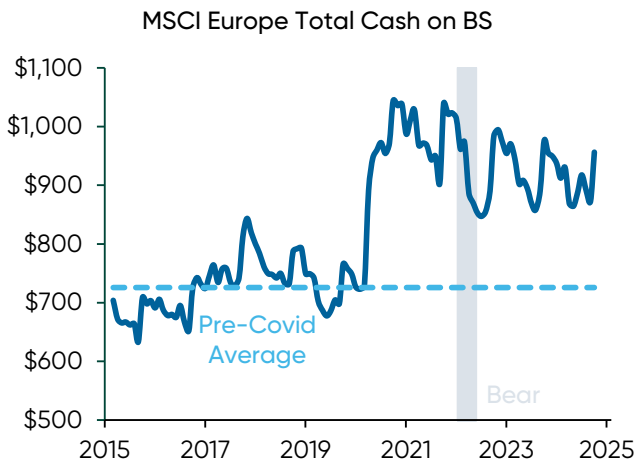
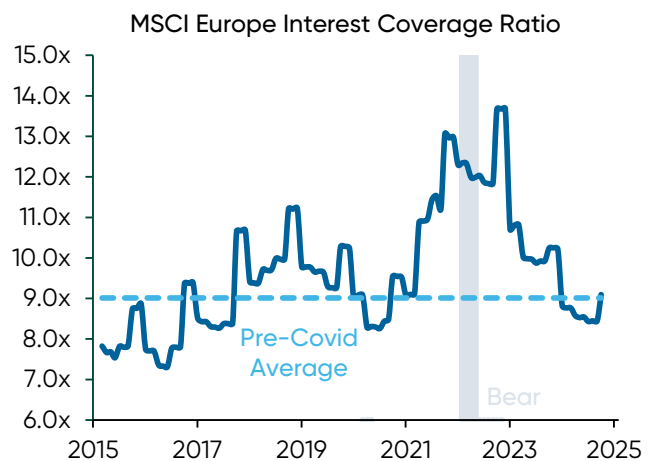


Exhibit 4: Interest Coverage



Source: FactSet, as of 28/2/2025. Data from 30/6/2015-28/2/2025.

Exhibit 5: Household Incomes Growing

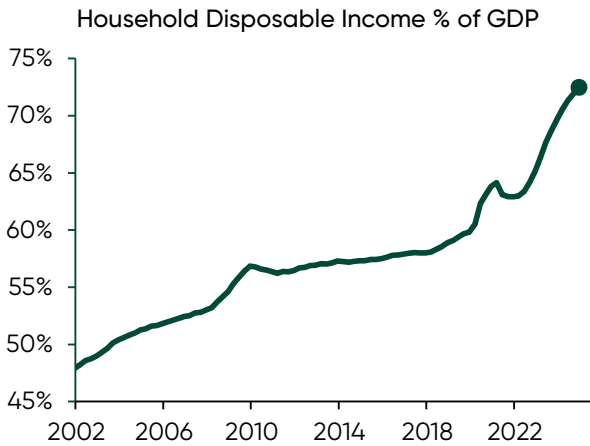
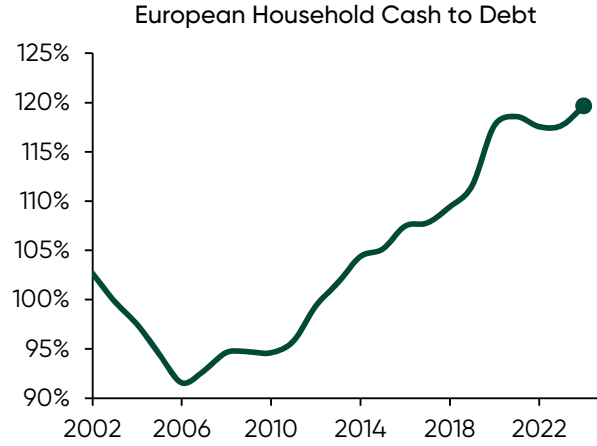


Exhibit 6: European Households Strong



Source: European Central Bank, as of 28/2/2025, data from Q4 2002-Q4 2024.

Economic Resilience: While most focus on Germany, the rest of the eurozone is faring better than portrayed—especially Southern Europe. Eurozone GDP grew steadily since Q3 2023, thanks to contributions from Spain, Belgium, Italy and the Netherlands. (Exhibits 7 & 8) And as Q1 business surveys show, while eurozone manufacturing remained soft (albeit, showing improvement), services—which makes up the bulk of eurozone GDP—mostly grew. (Exhibits 9, 10, 11)

Exhibit 7: GDP Growth Recovered from Q3 '23 Lows

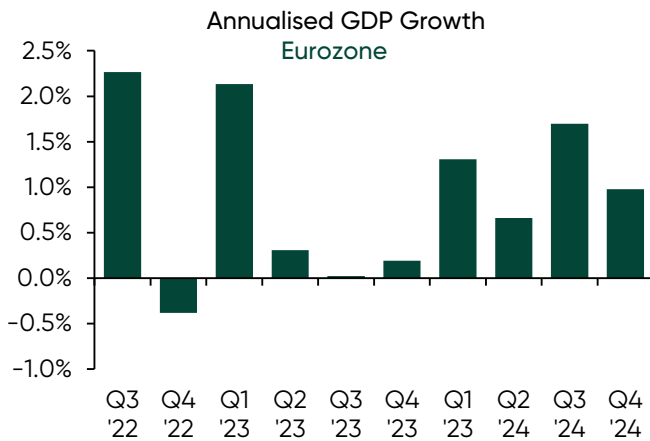
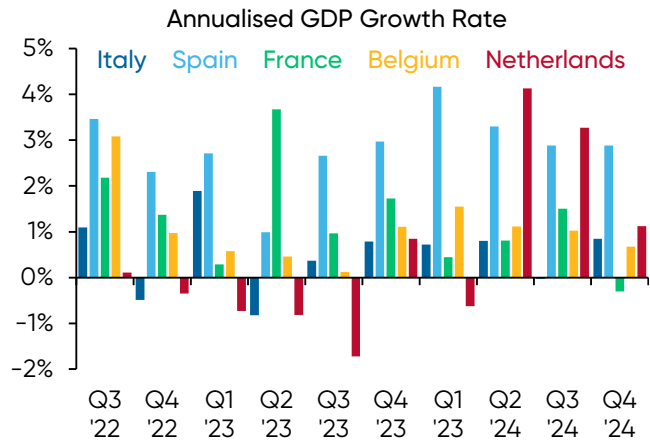


Exhibit 8: European Periphery GDP Growth



Source: FactSet, as of 28/2/2025. Quarterly GDP growth rates, annualised, Q3 2022 – Q4 2024.

Exhibit 9: GDP Growth Recovered from Q3 '23 Lows

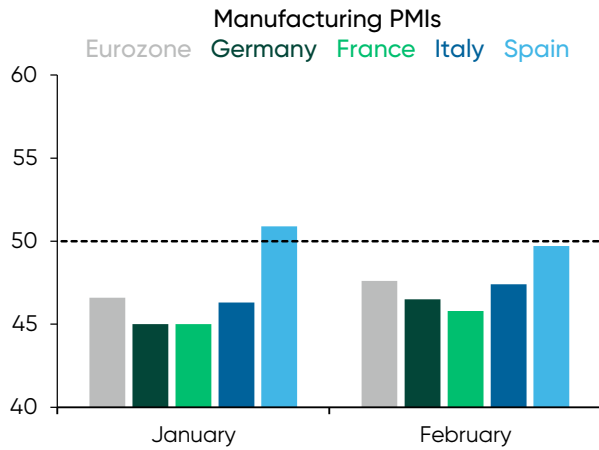
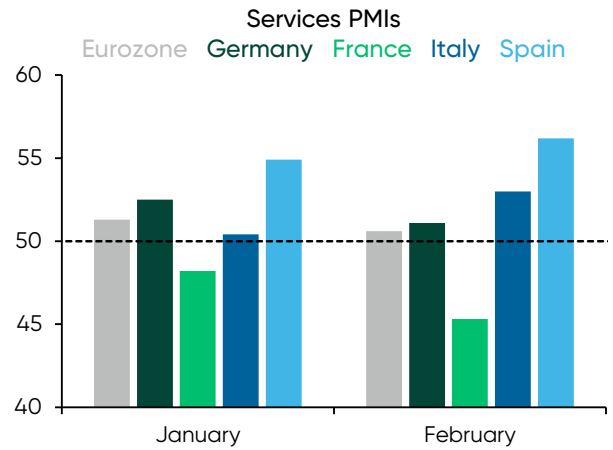
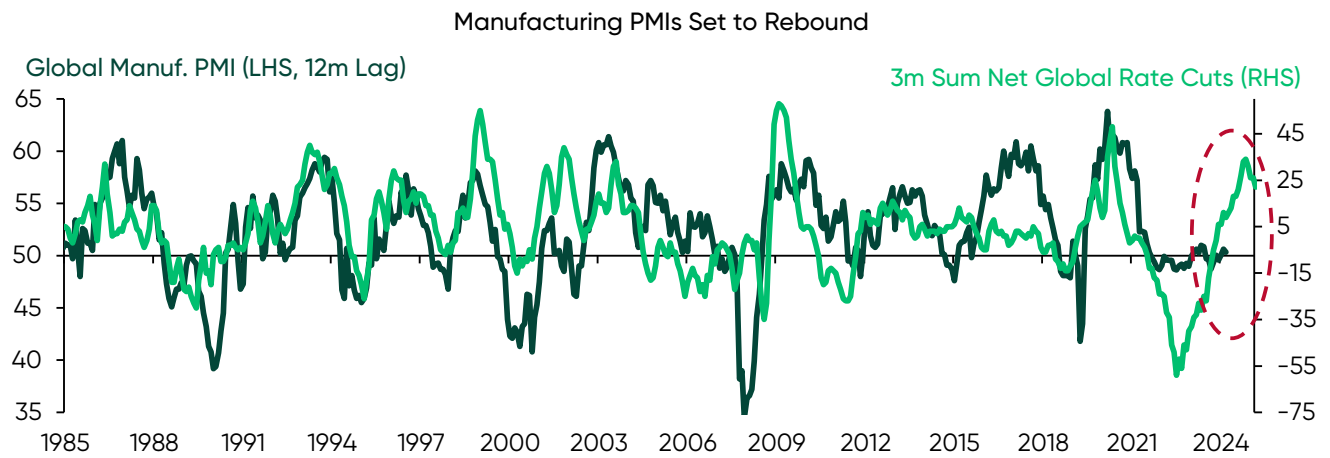


Exhibit 10: European Periphery GDP Growth



Sources: Macrobond, S&P Global PMI Surveys, as of 28/2/2025

Exhibit 11: Manufacturing Follows Rate Cuts



Sources: FactSet and FI Research. ISM Manufacturing PMIs and Global Central Bank Policy Rates from 1/1/1980-28/2/2025.

Credit Conditions: EMU SLOOS suggests credit access has eased relative to 2022's lows, likely benefiting cyclical-heavy Europe. (Exhibits 12 & 13)

Exhibit 12: Credit Access Recovered From 22 Lows

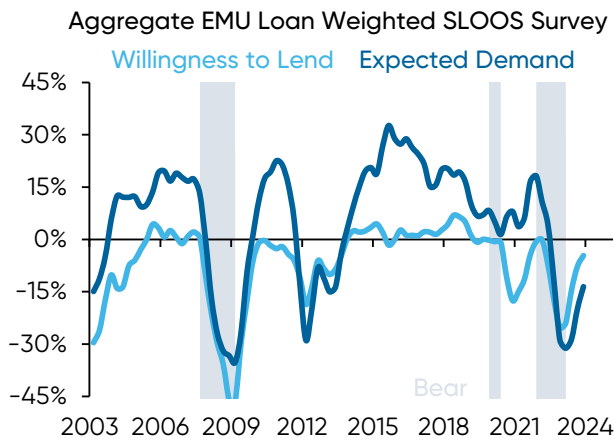
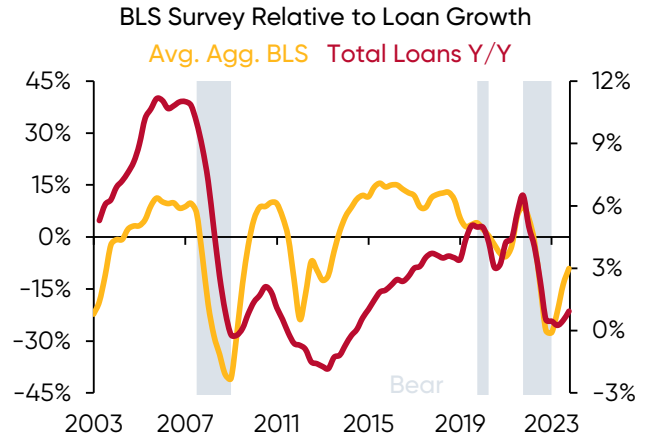


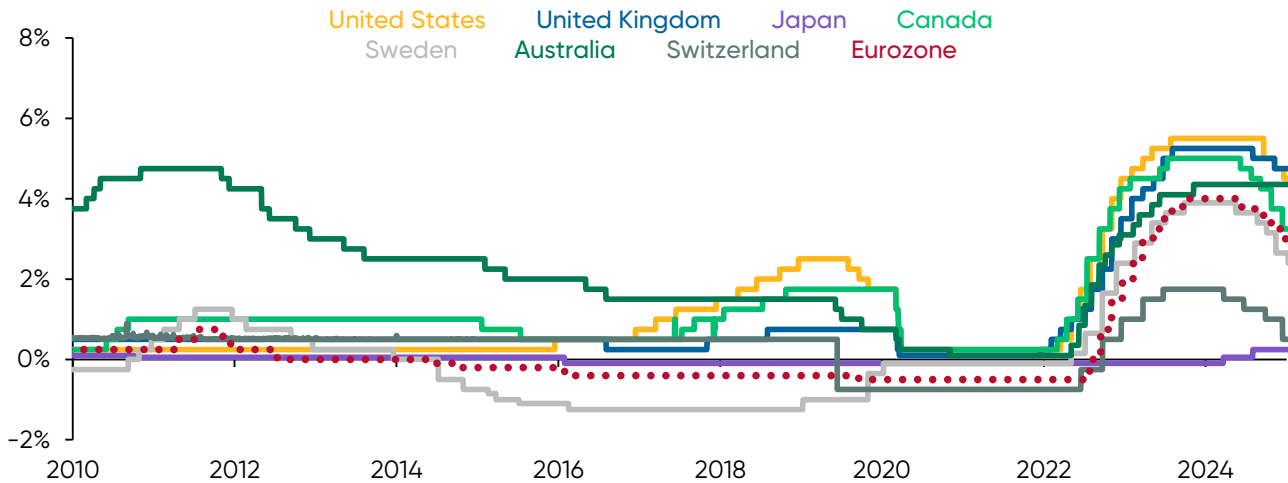
Exhibit 13: Loan Growth Accelerating



Sources: FactSet, EU Bank Lending Survey (BLS), quarterly data, EMU, 2Q moving average. Aggregate SLOOS weightings based on the weight of each loan category. Consumer includes Auto, Credit Card & Other Unsecured Lending as of Q4 2024.

Broad Policy Easing: European governing bodies continue to ease monetary and fiscal policy via rate cuts and stimulus packages. (Exhibit 14) The European Central Bank's rate cuts this year have contributed to a steepening of the eurozone's yield curve, which is an underappreciated positive fundamental for European banks and stocks in our view

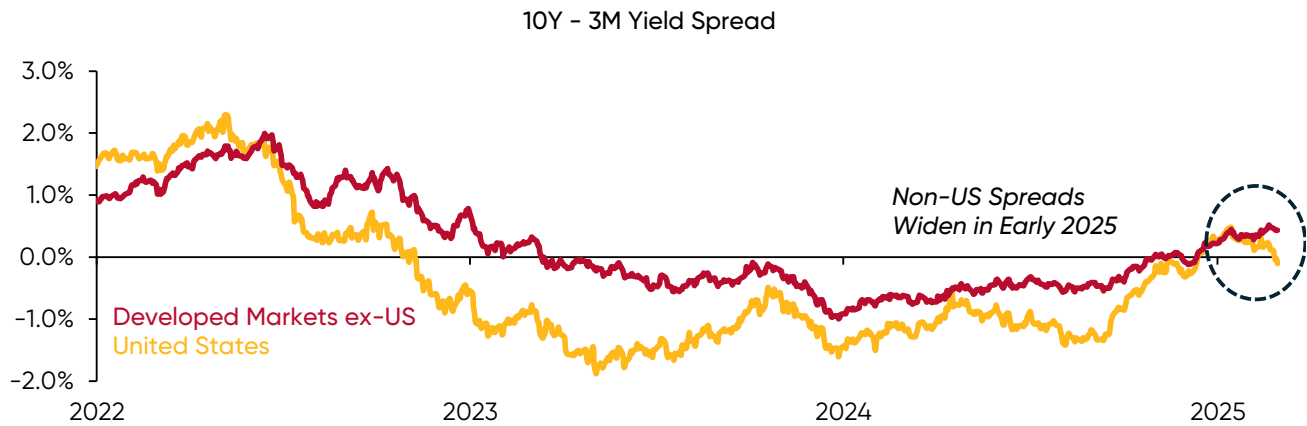
Exhibit 14: Central Banks Are Loosening
Major Developed Market Policy Rates



Source: FactSet, as of 28/2/2025. Daily policy rates from 1/1/2010-31/12/2024.

Steepening Yield Curves: Non-US central banks have cut rates more aggressively than the Fed, steepening yield curves and creating favorable banking conditions. (Exhibit 15)

Exhibit 15: Non-US Yield Curves Steepening

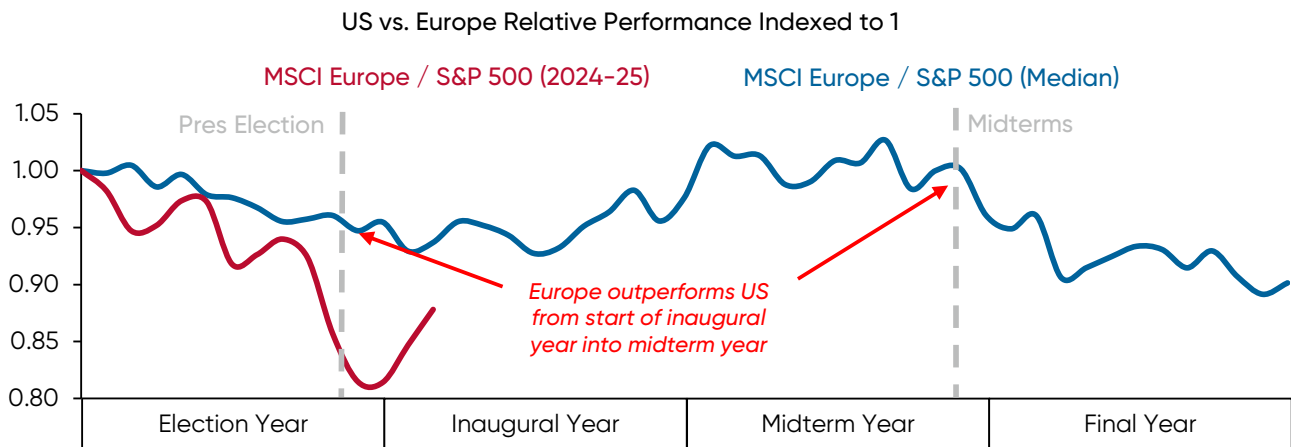


Source: FactSet, as of 28/2/2025. US and GDP-weighted developed markets excluding US government bond yield spreads (10Y - 3M), daily, 1/1/2020 - 28/2/2025.

Political Drivers

Europe Performance Around US Elections: European equities often lag the US in election years as US election tailwinds disproportionately benefit US equities. In this election, tariff threats and Europe’s domestic issues led to a meaningful lag to the US, possibly setting the stage for a reversal in President Trump’s inaugural year. (Exhibit 16)

Exhibit 16: Europe Outperforms in US Inaugural Years

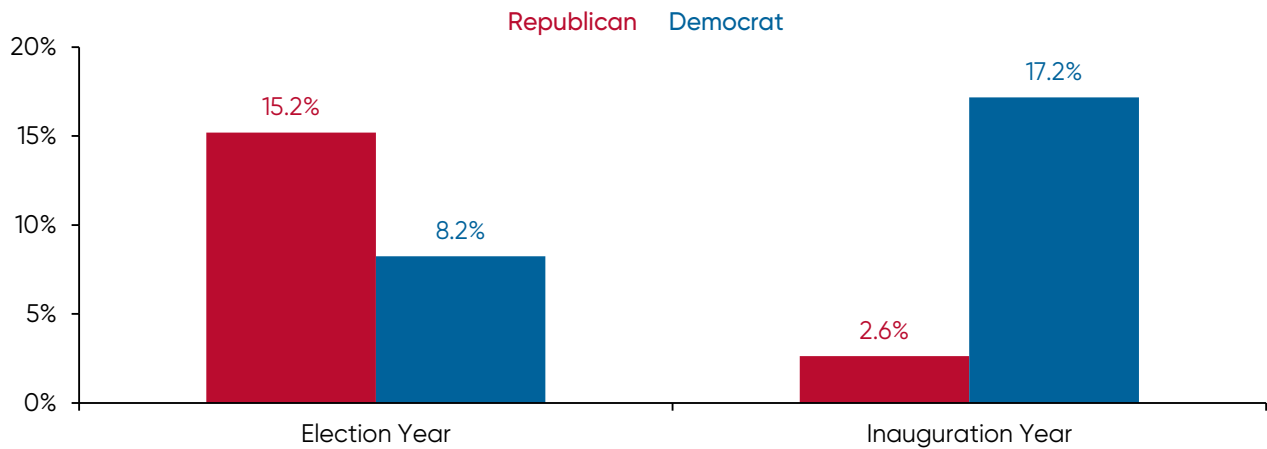


Source: FactSet & Finaeon, as of 28/2/2025. Eurostoxx Index 1952 – 1969 & MSCI Europe TR Index thereafter; S&P 500 TR Index. From 1952-1969 local currency returns were used, otherwise returns are in USD.

Perverse Inverse: Rightly or wrongly, the US Republican party is often viewed as favouring more business-friendly policies such as lower taxes and fewer regulations as compared to Democrats. Historically, Republican election years have been stronger than Democrat election years. But when investors realise

neither candidate has as much impact as hoped or feared, election year trends tend to reverse in inaugural years and US equities underperform under Republican leadership. (Exhibit 17)

Exhibit 17: Europe Outperforms in US Inaugural Years



Source: Finaeon. S&P 500 Total Return Index average cumulative returns by presidential year, 1925–2021, USD.

Tariffs: US President Trump’s victory rekindled fears of tariffs and trade wars. Many fear such measures could knock trade and reignite inflation. In Europe, investors find little solace in the economy’s state ahead of potential tariffs. Should tariff fears prove overstated or false, as we expect, the potential lift to equities in Europe to be significant.

Even if tariffs do arrive, in part or in full, scaling them illustrates how fear over their effects on Europe and America likely exceed reality. The majority of GDP in America and most of the world is services. These firms comprise 71.7% of US output versus 17.1% for goods producers. (Exhibits 18 & 19) Service providers may see some effect from tariffs, but not as directly as a manufacturer importing vast components or raw materials. Consultants, lawyers, many physicians, financial firms and others likely see only a marginal impact from tariffs

Exhibit 18: Services Dominate GDP

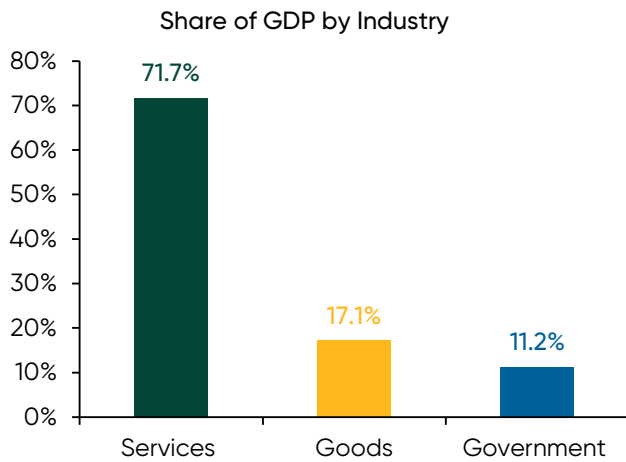
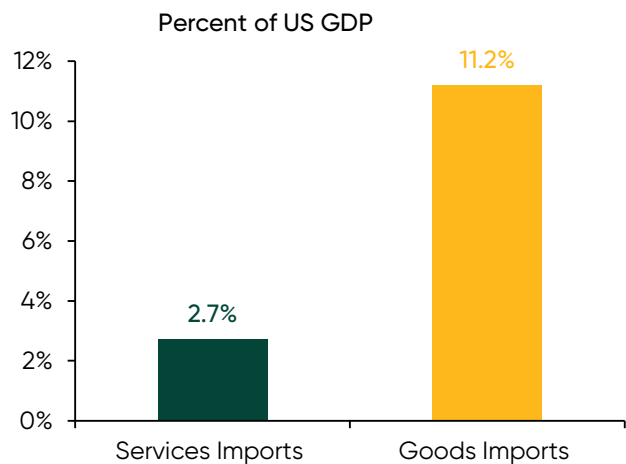


Exhibit 19: Imports a Small Portion of GDP



Source: US Bureau of Economic Analysis, as of 23/1/2025.

2018 vs. Today: In 2018, companies proved adaptive at skirting tariffs. They adjusted goods' construction and used different suppliers to obtain goods needed to deliver services. Similarly, today, they can anticipate tariffs' implementation and stockpile inventory. That may not be the most immediately efficient use of funds, but anticipation is mitigation. This adaptability likely leads to less collections than feared like we saw in 2018. (Exhibit 20)

Of the goods facing potential tariffs, we think the impact on inflation will be minimal absent a rise in the money supply. Tariffs on Chinese goods during Trump's first term show this. (Exhibit 21) Most of the upturn in overall prices was a base effect in oil and fuel, as oil's enormous 2014 – 2016 decline partly reversed.

Exhibit 20: 2018 Collections Fell Short

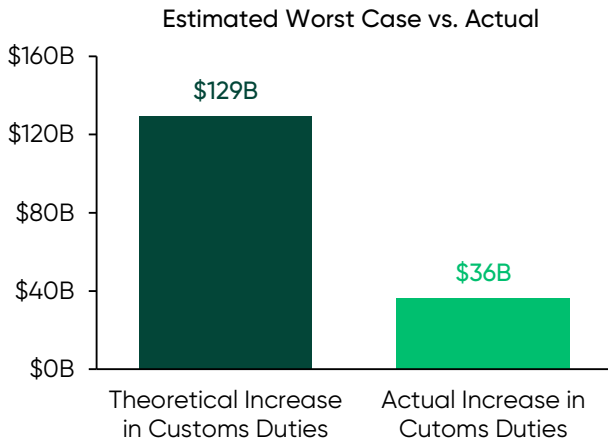
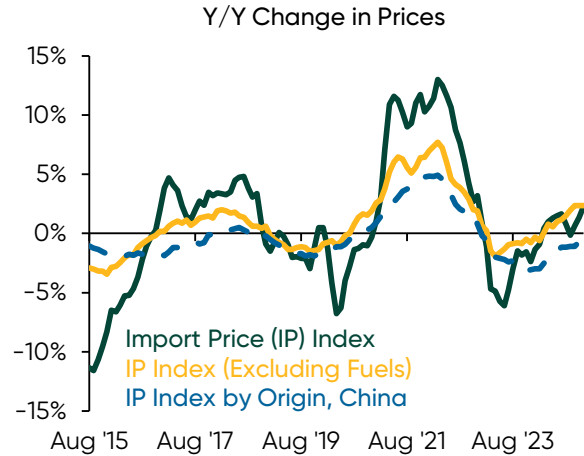


Exhibit 21: Import Prices Show Little Tariff Impact

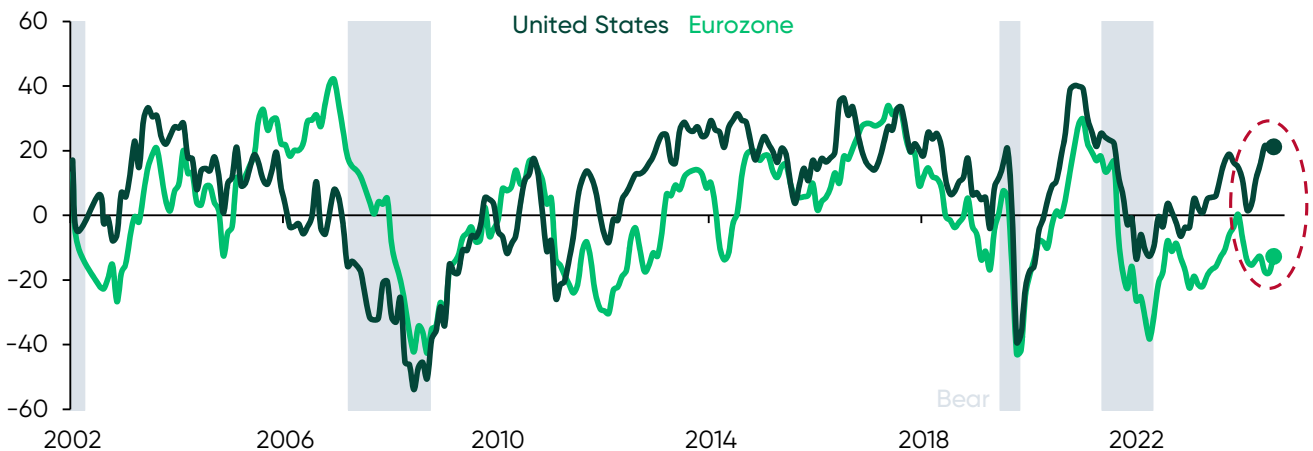


Left Source: Congressional Budget Office, Customs and Border Protection (CBP). US tariff revenue versus FI maximum estimates as of 28/2/2025. Right Source: FactSet, as of 23/1/2025.

Sentiment Drivers:

While American sentiment has normalised on political and economic optimism, Europe continues to stew over tariffs, slow rate cuts and 2024's lackluster non-US returns. (Exhibit 22)

Exhibit 22: Sentix Economic Index



Source: Macrobond. Eurozone and United States Sentix Economic Index from 1/7/2002-28/2/2025.

European Valuations Have Not Budged: Valuations alone are not short-term predictive of market direction or category leadership. However, rising US valuations have contributed to a long stretch of US outperformance. (Exhibits 23-26)

Exhibit 23: Index Returns

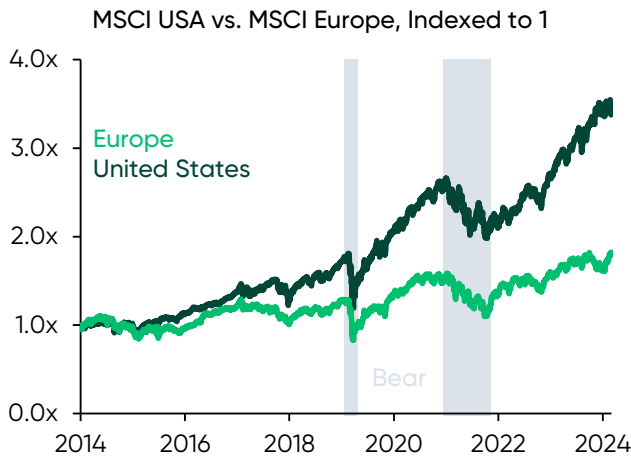


Exhibit 24: Yield Differentials

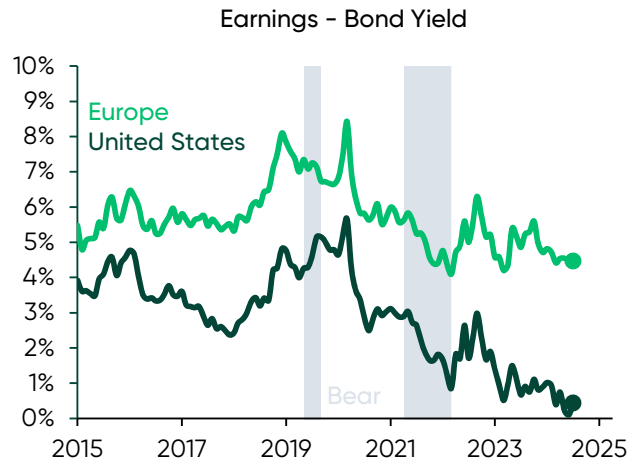


Exhibit 25: P/B Valuations

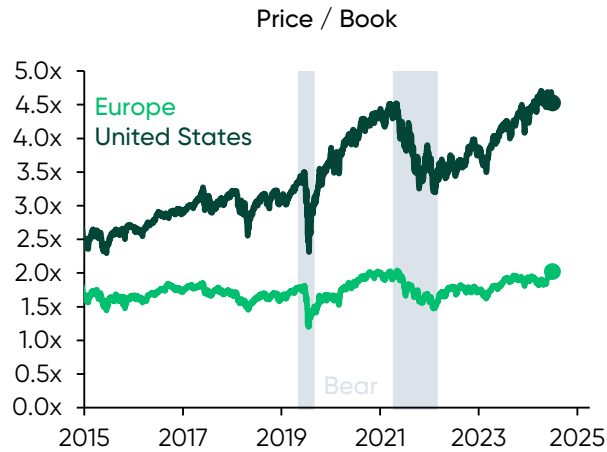
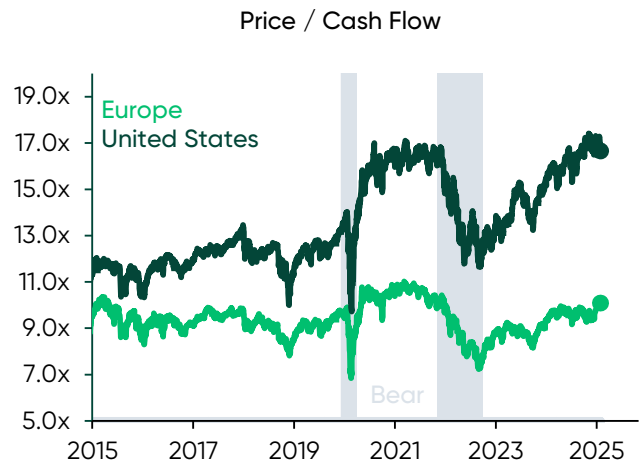


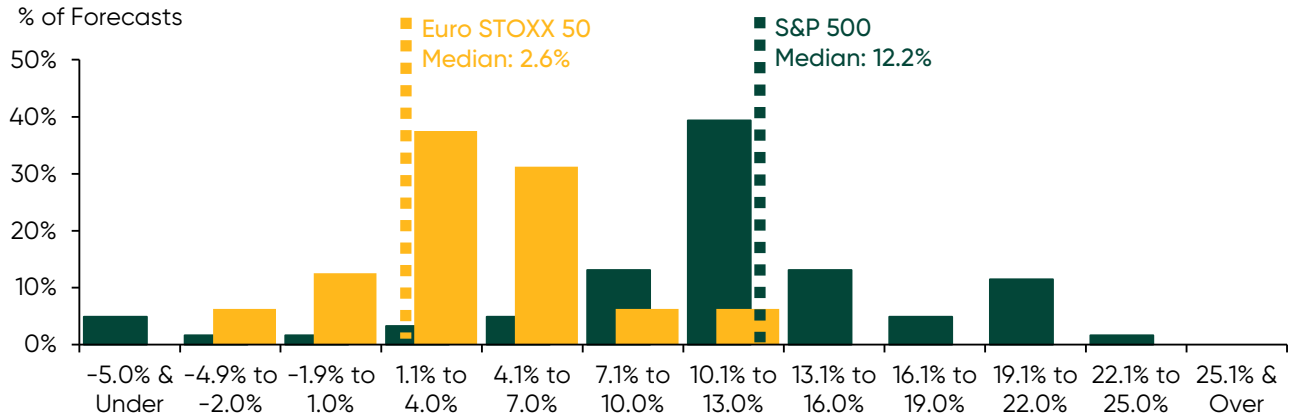
Exhibit 26: PCF Valuations



Top Left Source: FactSet, as of 28/2/2025. MSCI USA and MSCI Europe TR, returns from 1/8/2015-28/2/2025 in USD. Top Right Source: FactSet, as of 28/2/2025. US and European earnings yield based on the P/E ratio of the MSCI Europe and MSCI USA, bond yields are based on the 10y yield of US and EU benchmark bonds, from 1/8/2015-28/2/2025. Bottom Left Source: FactSet, as of 28/2/2025. MSCI Europe and MSCI USA Forward 12m Price to Book Value, from 1/8/2015-28/2/2025. Bottom Right Source: FactSet, as of 28/2/2025. MSCI Europe and MSCI USA Forward 12m Price to CF, from 1/8/2015-28/2/2025.

Market Forecasts: Despite lofty valuations in the United States, market participants are still forecasting substantial leadership in US equity markets. (Exhibit 27)

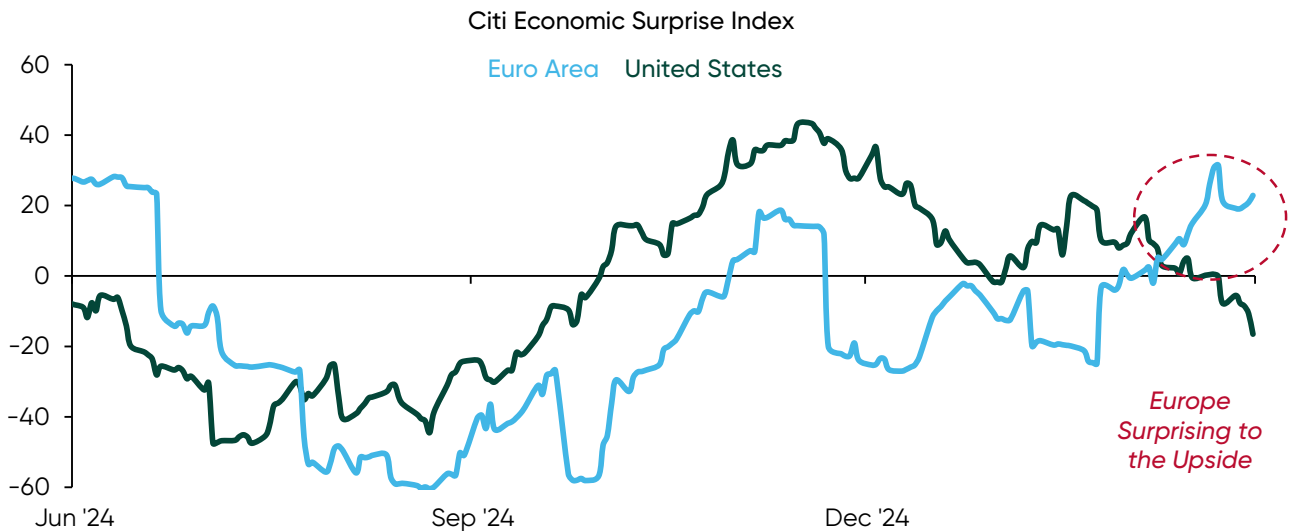
Exhibit 27: January Guru Forecasts



Source: Fisher Investments Research. Median forecasts for end of year S&P 500 and Euro STOXX 50 Price Index returns as of 27/1/2025.

However, by broader measures, scepticism surrounding a durable Europe rally and weak earnings expectations still leave ample room for positive surprise. Europe's positive ESI is a good example of this, with Europe continuing to deliver economic surprise vs sceptical expectations. (Exhibit 28)

Exhibit 28: Europe Continues to Surprise to the Upside



Source: Macrobond, as of 28/2/2025. Citi Economic Surprise Index, daily, from 1/6/2024-28/2/2025.

Macro & Micro Themes – Region/Country, Financials & Banks (Determined by IPC, supported by Capital Markets Research and Securities Research teams)

Europe – Overweight

Entering the year, many expected another year of US leadership. They foresaw President Donald Trump's policies (tax cuts, deregulation and tariffs) plus AI as tailwinds for US equities to continue yearslong leadership trends. Many of the same cast European markets as moribund, held back by political turmoil and economic malaise—especially Germany, commonly seen as Europe's latest weaker member. In our view, these expectations became quickly pre-priced, unlikely to materialise. European sentiment was lower than American, creating the probability of positive surprise there.

Region/Country Research (Performed by Capital Markets Research Team)

European equities currently exhibit by an attractive gap between pessimistic sentiment and underappreciated fundamentals. Market expectations for Europe are dim, reflecting tariff fears, political uncertainty, and perceived economic stagnation. However, reality should prove better as markets adapt to tariffs, political uncertainty wanes post-German election and French budget passage, and European economic data continues to show unexpected resilience. Additionally, the value-tilted EMU should benefit from a likely growth to value rotation.

Economic Drivers:

- + **Underappreciated Strong Services:** Which represent +70% of eurozone GDP, remain in expansion aside France. This partially explains why countries with more services/ less industrial exposure (e.g. Spain, Italy) are outperforming.
- + **Improving Lending:** The ECB's Bank Lending Survey shows very few banks still tightening credit standards and demand rising. This should set the stage for improving lending over the period ahead.
- + **Rate Cuts:** In June, the ECB became one of the first central banks in the developed world to cut rates. They have now cut rates by a total of 200 bps—a likely tailwind for improving access to credit.
- + **Quality Balance Sheets:** Large-cap EMU companies have quality balance sheets, large cash balances, solid net debt/EBITDA ratios, and low interest costs.
- ± **High Market Beta & Economic Sensitivity:** The EMU—more sensitive to changes in global economic growth than most other developed regions—tends to outperform in years when the global market rises greater than 20%.
- ± **Potential Manufacturing Recovery:** European manufacturing largely bore the brunt of losing cheap Russian energy, rising Chinese competition & weak Chinese demand. However, green shoots in China's economy, global corporate capex acceleration, and lagged impacts of monetary easing all point to a likely recovery in the manufacturing cycle.

Political Drivers

- + **US Election Impact:** Europe outperforms in 70% of US inaugural years, most likely because US presidents rarely focus on foreign policy in their first year and growth-to-value transitions typically occur around US elections, benefitting more value-exposed EMU.
- + **Falling Political Uncertainty:** Political uncertainty is waning post-German election with the CDU/CSU working quickly to form a coalition with the SPD party. In France, uncertainty has weighed since President Macron called for snap elections in June. However, the recent budget passage should give stocks relief.
- ± **Likely Exaggerated Tariff Fears:** Eurozone sentiment toward Trump's presidency is dour tied to tariff fears. However, the economies underappreciated adaptability to tariffs should yield a tailwind, particularly since even worst-case scenario tariff estimates lack eurozone wallop potential.
- ± **Accelerated Infrastructure & Defence Spending:** Markets cheered Germany's proposed 1 trillion-euro infrastructure and defence spending plan, along with the European Commission's 'Re-Arm' Europe initiative. While Germany's fiscal reform likely benefits Europe's industrial sector, the decade-long time-horizon limits its immediate impact and leaves room for implementation to fall short.

- ± **Overwrought Populist Fears:** European Parliamentary elections held in June 2024 resuscitated fears of far-right parties gaining power. Recent power-gains from the Far-Right AFD party in Germany and National Rally party in France have further stoked fears. Though the far-right may have gained some power, they have also watered-down many of their most heavily feared stances, sapping them of negative surprise power.
- **War in Ukraine:** The largest land war in Europe since World War II still creates wide-reaching impacts for the regional economy, ranging from energy to defense. Volatile commodity prices could negatively impact European economic growth once more, though the invasion premium is largely gone now.
- **Trade Disruption in Red Sea:** Houthi attacks on shipping lanes in the Red Sea create higher risk of supply chain disruptions. The eurozone is feared to be at greater risk of a spike in inflation given more of its trade passes through the Suez Canal. However, positively, impact seems limited thus far and global shipping is adaptable to disruptions.

Sentiment Drivers

- + **Weak Sentiment:** Sentiment in the eurozone, particularly in Germany, has warmed recently but remains depressed—leaving ample room for better-than-expected reality to beat overly dour expectations.

Sector & Industry Research (Performed by Capital Markets Research and Securities Research teams)

The IPC's decision to overweight Financials is based on several factors:

- Easing monetary policy supports steeper yield curve, supporting loan growth
- Manufacturing cycle trough and loosening fiscal budgets in Europe drive increased loan demand
- As economic growth fears fade investor optimism pulls valuations closer to in line with US peers
- Global bull market in assets continues, driving wealth and investment revenue

When value stocks are in favour, Europe and financials tend to perform near the top of the opportunity set. Moderate inflation, easing monetary policy, widening term spreads, and an accelerating manufacturing cycle should serve as tailwinds to the financial sector, and as sentiment toward non-US equities continues to improve we anticipate investors will reward European Financials.

Economic Drivers:

- + **Capital & Liquidity Buffers:** Banks worldwide maintain some of the highest capital and liquidity buffers in modern history, providing ample ability to weather any economic uncertainty ahead. Strong balance sheets allow for continued loan growth and the ability to keep lending margins wide via low dependence on more expensive interest-bearing funding sources.
- + **Household Balance Sheets:** Household debt servicing costs are the lowest in decades. Loan delinquency rates have ticked higher in recent months, but normalisation is to be expected following the post-pandemic's unsustainably low delinquency rates. While lower-end consumers have come under more pressure, labor markets remain broadly healthy, with consumers in a strong position to repay and take on more debt.
- + **Banks Trade Like Their Region:** Outside of the US, bank excess return is highly correlated with their domestic markets. Given our expectation for European stocks to lead, EMU-domiciled Financials are likely poised for outperformance.
- + **Potential Manufacturing Recovery:** The cyclical Financials sector is influenced by the global manufacturing cycle. Green shoots in China's economy, recovering global corporate capex, and lagged impacts of monetary easing offer a tailwind for a rebound in the manufacturing cycle.
- + **Rate Sensitivity:** Financials historically exhibit a strongly positive correlation with the direction of long-term bond yields. As inflation moderates, we expect long-term rates to remain range-bound, representing a modest headwind to the sector. However, falling rates may benefit select banks by bolstering the value of bonds held on bank balance sheets and easing funding costs, offsetting these headwinds.

- **Flat/Inverted Global Yield Curves:** Globally, most yield curves remain flat or inverted, implying tight lending conditions—a headwind for banks. Additionally, while some central banks have begun cutting, many likely keep short rates high in the near term, which could keep yield curves compressed.

Political Drivers:

- ± **Supportive Regulatory Outlook:** In the aftermath of 2023’s US regional bank failures, regulations seemed likely to increase, placing greater scrutiny on bank capital and liquidity, restricting banks’ ability to grow and take risks. Since then, bi-partisan pushback and industry lobbying has watered down many proposed regulations, and Trump’s election victory has further boosted expectations for de-regulation, M&A activity, and light-touch regulators. However, as investor expectations rise, reality could disappoint.
- ± **US Presidential Inaugural Year:** Historically, the Financials sector tends to outperform in US presidential inaugural years, supported by several growth-to-value transitions that occur around elections. However, despite increased prospects de-regulation under a unified Republican government, policy uncertainty could push out corporate M&A and risk-taking in the near-term.

Sentiment Drivers:

- + **Weak but Improving Sentiment:** 2023’s bank failures and recession fears significantly weighed on investor sentiment towards the broader group, though the recent Trump election victory has boosted expectations. Still, banks trade at low, undemanding relative valuations, setting the stage for potential upside surprise.

Sub-Industry – Banks:

Within Financials, we are overweight to Banks. The perceived existential threat to banks from 2023 (though largely contained to the US) has faded and bond losses continue to recover. Banks have repositioned balance sheets for the higher rate backdrop without insolvency headline fears. Further, a better-than-feared economy & job market should keep credit healthy, while tariffs should prove less damaging than feared, a tailwind for banks.

Step 2 – Prospect List Definition

Sector	No. Stocks	Target Sector Active Weight
Financials	233 (MSCI World Financials companies)	Overweight

Industry	No. Stocks	Target Sector Active Weight
Banks	73 (MSCI World Banks)	Overweight

Region	Target Region Active Weight	Country	Target Sector Active Weight
Europe	Overweight	Finland	Overweight

Outlier Analysis (Performed by Portfolio Engineering and Securities Research Team)

Prospect List Definition (Performed by Portfolio Engineering and Securities Research Team)

Screens were applied to the Banks investable universe to narrow our prospect list to larger market capitalisation firms with strong balance sheets, diversified revenue streams not solely dependent on interest rates, and ample liquidity and capital buffers. Additionally, both non-developed market and United States firms were excluded to capitalize on our forecast for non-US, developed market outperformance, along with market liquidity and solvency considerations.

Twenty-two stocks passed, including: Banco Bilbao Vizcaya Argentaria, Banco Santander, Barclays PLC, BNP Paribas, CaixaBank, Commerzbank AG, Credit Agricole, Danske Bank, DNB Bank, Erste Group Bank AG, HSBC Holdings Plc, ING Groep NV, Intesa Sanpaolo S.p.A., KBC Group N.V., Lloyds Banking Group Plc, NatWest Group Plc, Nordea Bank, Skandinaviska Enskilda Banken, Societe Generale, Standard Chartered PLC, Swedbank AB, UniCredit S.p.A.

Outlier Analysis (Performed by the Securities Research Team)

The prospect list was reviewed for company-specific anomalies that presented a higher-than-average risk of undermining the desired theme. This included historical stock performance deviation relative to peers and revenue from non-standard sources. This exercise found no outliers among the remaining list that would give high conviction the securities should perform materially out-of-line with the category.

Step 3 – Security Analysis

Bottom-up Fundamental Stock Research (Performed by Securities Research Team)

Nordea Bank Profile			
Country: Finland	Sector: Financials	Industry: Banks	Style: Value
Description: Provides personal, business and investment banking & asset management services			
Factor Exposure: Value (72%)	Market Capitalisation: \$44B USD	ESG Rating: AA	

We focused on identifying companies that exhibit high correlations to European equities, are exposed to a European economy that is poised to prove better-than-expected and are positioned to capitalise on a recovery in loan growth and fee-based client activity. Within European banks, Nordea Bank (NDA.FI-FI) was targeted given its concentrated European geographic exposure, broad economies of scale, and industry-leading sustainability and digital transformation efforts.

Nordea Bank exhibits a strong correlation with the MSCI Europe Banks index, and more so with Nordic stocks given its market capitalisation and leading position in the Nordic region measured by assets. (Exhibit 29)

Exhibit 29: Nordea Acts Like Europe

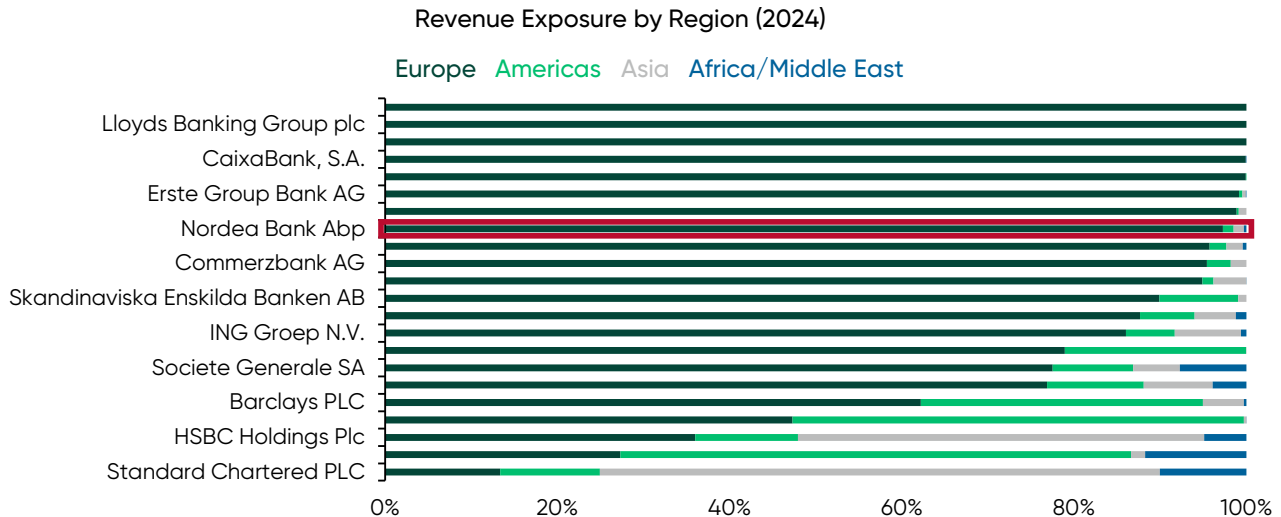


Source: FactSet, as of 28/2/2025. MSCI World, MSCI Europe, and Nordea Bank Monthly Returns, in USD, from 1/1/2005-28/2/2025.

Strategic Attribute Identification

Pure Play: Over 95% of Nordea Bank’s revenue is generated within Europe’s borders, making it a pure play on better-than-expected European economic growth and stock outperformance. (Exhibit 30) Nordea Bank’s digital and omnichannel banking should continue to drive European deposit growth.

Exhibit 30: Revenues Highly Concentrated in Europe



Source: FactSet, as of 31/12/2024. Geographic revenue exposure estimates, based on latest full annual reporting period.

Geographic Exposure*: While operating across a geographically diverse footprint, Nordea primarily operates in the Nordic region of Europe. This region has well-developed financial markets, higher GDP per capita and stronger economic stability than the rest of Europe. Nordea has reduced credit risk compared to other European bank peers, given their economic concentration in this region.

Relative Market Share*: Within the Nordic region, Nordea Bank ranks first in loans and deposits. The firm’s footprint spans across 19 countries, serving millions of customers, which enables the bank to cross-sell core banking products with other fee-generating services—such as wealth management and insurance. The bank’s digital channels offer convenience to their clients, making it easy to attract and retain business going forward. High relative market share also leads to economies of scale in marketing, operations and customer service, supporting better efficiency ratios.

Balance Sheet*: Nordea Bank maintains high capital ratios and displays some of the highest profitability metrics among European banks. As a result, shareholder remuneration via dividends and buybacks is a differentiated strength, with the bank most recently targeting a 67% dividend payout ratio & executing 500B EUR in buybacks for 2025. The company’s balance sheet also reduces the risk of dilutive capital raises.

Digital Leadership*: Nordea’s strategic investments in digital channels have improved operational efficiency and customer satisfaction over time. The bank registered 1.5 billion logins in 2024, up 8% from the year prior. Continued investment in their digital platform allows Nordea to capture future growth opportunities as banking overall shifts toward a more digital environment.

*Source: Nordea earnings presentation.

Strategic Attribute Execution Analysis

Nordea Bank has executed on its strategic attributes well, leveraging effective management and recent digital transformations to maintain its position as the leader in Nordic banking. The bank maintains industry-

leading capital buffers and consistent income growth. As a result, shareholder payout has been exceptionally strong and expected to be maintained.

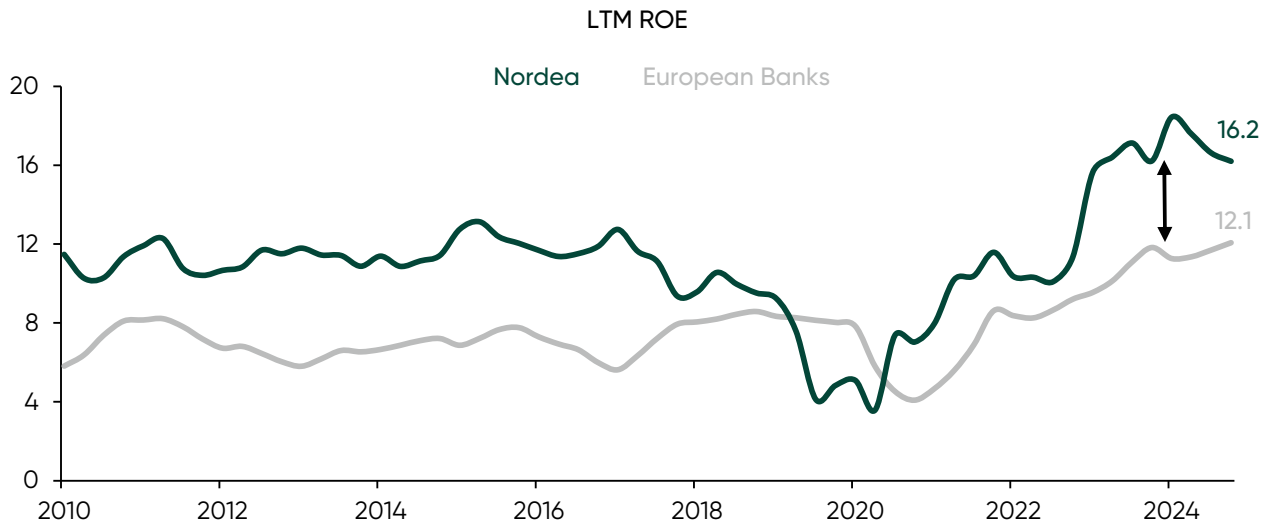
Despite lower short-term interest rates since the European Central Bank’s rate cut cycle—historically a negative for bank profitability and stocks—Nordea Bank’s stock performance has been exceptional. The diversity of Nordea’s business allow it to benefit from stable household savings and growing corporate demand—positive contributors to offsetting lower short-term rates.

Current Valuation	FP/E	P/B
Nordea Bank	9.3x	1.3x
Peer Group	8.7x	1.0x

Peer Group set as MSCI Europe Banks Index Constituents

Profitability*: Nordea Bank exhibits strong profitability and returns for a bank, with a Return on Equity of 16% versus peers at 12% (Exhibit 31). Additionally, the bank’s profitability has proved consistent, with Return on Equity exceeding 15% every quarter since 2022—well above the industry average.

Exhibit 31: ROE Substantially Above Industry Average



Source: FactSet, as of 30/6/2025. LTM Return on Equity from 31/3/2010–31/12/2024.

Balance Sheet*: Nordea Bank’s balance sheet is healthy, with a common equity tier 1 (CET1) ratio of 15.7%, comfortably above minimum requirements, allowing for shareholder return. Its Q1 2025 liquidity coverage ratio of 166% also exceeds the 100% minimum by a significant margin. Bonds trade at or near par.

*Source: FactSet, calculated in local currency.

Operational and ESG Risk Assessment

Operational:

Regulatory Risk: The banking industry is one of the most regulated in the world and subject to additional potential capital requirements under the Basel Accord. A significant change in regulatory requirements could increase strain on the bank’s balance sheet and inhibit lending and/or shareholder return.

Political Risk: Banks play a critical role in their respective country’s economy. Political regime shifts could introduce changes to a banking systems landscape and increase the potential of competition—a threat to

Nordea given its size. Additionally, bank stocks are sensitive to sovereign yield spreads, which may widen during times of political volatility.

Trade Disputes: The terminal size and scope of global trade disputes are ultimately unknowable. Escalation could threaten the global growth trajectory or even cut off a banks access to extend credit in certain jurisdictions.

Bank stocks, while a key beneficiary of better-than-expected economic data, can be volatile and require a steady stream of macro and microeconomic due diligence. For Nordea, the Finnish and EU economy, political landscape and capital markets sphere warrant monitoring. However, we feel the better than expected economic reality in the EU, warming sentiment toward Europe and political tailwinds such as broad policy easing should benefit continue to benefit Nordea over the next 12-18 months.

ESG:

Nordea maintains an unchanged 'AA' rating as of MSCI's most recent rating. The company is an industry leader in the Environmental and Governance categories and falls relatively in-line with peers in the Social category.

- European political leadership and regulators place a premium on sustainability initiatives. Nordea has been a leader in serving this prioritised market, facilitating more than €135 billion of sustainable financing over the past two years.
- By 2030 the company aims to reduce carbon emissions associated with its lending and investment portfolios by 40-50%, making it an attractive investment to European and sustainability-minded allocators. By 2050, Nordea commits to pursue the "Net Zero" by 2050 goal for loan and investment portfolios and asset management.
- The environmental intensity of Nordea's total loans is very low, and the bank leads industry peers in integrating ESG practices into its lending activities. For example, the company has deep dive assessments for high ESG risk industries, and nuanced and detailed sector-specific credit policies to help mitigate ESG-related risks.
- Nordea is a leader in corporate governance practices relative to peers. The company's board is fully independent of management and backed by separate CEO and chair roles, protecting investor interests. In addition, the board includes a fully independent audit committee, an independent pay committee, the company has best in class tax transparency and does not have any business ethics/governance related controversies.
- Social efforts are largely on target, including above average human capital development, an industry leader in staff management, very strong employee satisfaction and a top-tier talent development and training program.
- There are no significant ESG risks, red flags or controversies for Nordea at this time, and the company continues to lead industry peers when it comes to ESG and sustainability.

Non-Implemented Prospect Example

While twenty-two stocks passed our initial screen, all of them were not implemented within our strategy. While CaixaBank SA (CABK-ES) fits our top-down thesis, we made the decision to forgo purchasing this stock, and select others, for idiosyncratic reasons identified using bottom-up analysis.

Regional Selection: CaixaBank is domiciled in Spain, along with Banco Bilbao Vizcaya Argentaria and Banco Santander. We opted to increase exposure to Spanish banks by purchasing Banco Santander, excluding the other two. Banco Santander's impressive size and scale reduce holding risk through diversification and allows the bank to solidify their competitive advantage through strategic investment opportunities—such as digital transformation.

Declining Profitability: CaixaBank's Q1 2025 earnings call revealed falling Net Interest Income, subsequently leading to a 4.5% decline in their stock price. Especially amid a European rate cutting cycle, profitability becomes a key focus for investors as declining profitability and margin compression likely limit shareholder remuneration down the line.

Regulatory Overhang: Spain recently extended their bank windfall tax, which raised the tax rate for larger Spanish banks. Additionally, consensus speculates that the windfall tax may become permanent. While this detracts from all of Spanish banks, we expect Banco Santander to navigate this regulatory uncertainty with minimal impact compared to CaixaBank, given their higher balance sheet flexibility and currently improving profitability.

Step 4 – Equity Selection

Security Selection *(Performed by the IPC)*

Nordea Bank was first purchased in global equity portfolios in March 2025 and has been held at around a 0.5% active weight since. The position was added to bolster our European overweight, as our forecast pointed to a more supportive environment for European and value equities. We believe the firm is well-positioned to benefit as European banks continue to defy expectations—even as they've increased in recent quarters—as capital remains a strong point and firms such as Nordea can pull multiple levers to make up for lost net interest income in the case of lower rates and subdued loan growth.

Portfolio Inclusion & Positioning *(Performed by Portfolio Engineering)*

Stock	Active Weight – Global Equity
Nordea Bank (Initial Purchase)	0.51% @ 07/3/2025

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This document has been approved and is being communicated by Fisher Investments Ireland Limited.

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