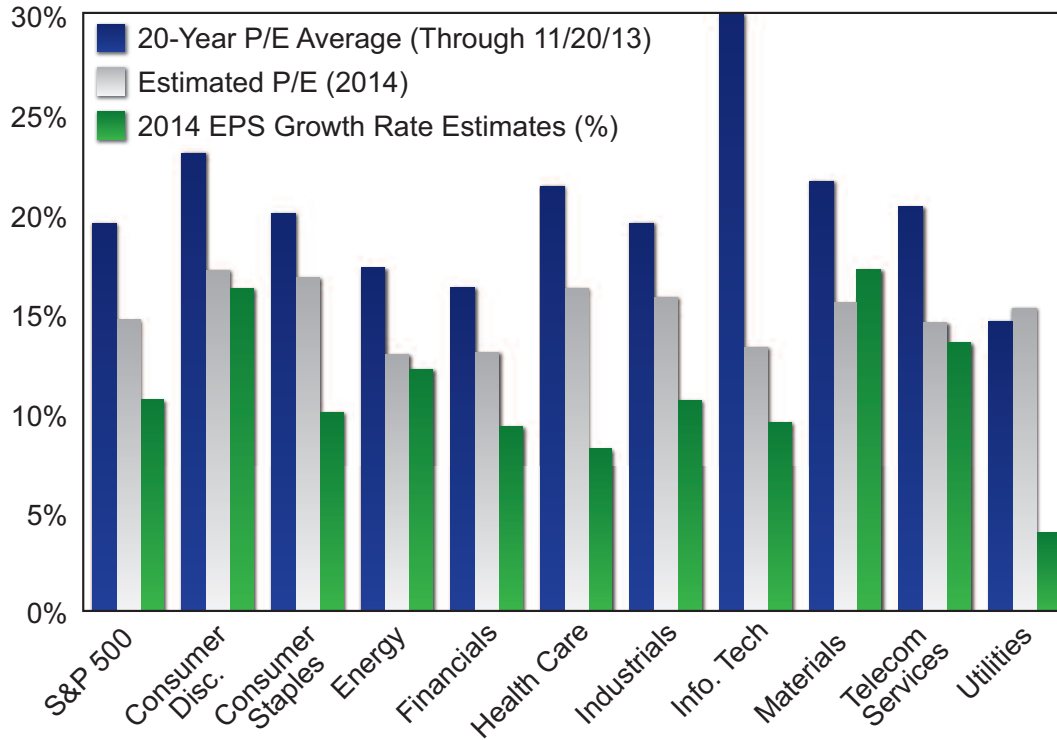


# S&P 500 Valuation Snapshot With Focus on 2014

## S&P 500/Sector Price-to-Earnings (P/E) Ratios & 2014 Earnings Per Share (EPS) Growth Rate Estimates



Source: Bloomberg. As of 11/20/13.

### View from the Observation Deck

1. Year-to-date through 11/20, the S&P 500 posted a total return of 27.3%. From 1980-2012, the S&P 500 posted a total return in excess of 28.0% in eight of the 33 calendar years, or 24% of the time.
2. The S&P 500 closed trading on 11/20/13 at 1781.37, a little less than 1.0% below the all-time high set on 11/15/13. Records aside, we still believe that the bull market in stocks has legs.
3. With the exception of Utilities, the S&P 500 and the other 9 major sectors that comprise the index currently have 2014 estimated P/E ratios below their respective 20-year averages. In some cases, well below.
4. We subscribe to the notion that corporate earnings drive the direction of stock prices over time. The 2014 estimated earnings growth rate on the S&P 500 is 10.60%.
5. Here are the sectors with double-digit earnings growth estimates for 2014: Materials (+17.13%); Consumer Discretionary (+16.18%); Telecom. Services (+13.46%); Energy (+12.15%); and Industrials (+10.59%).
6. Here are the earnings growth estimates for the other five sectors: Consumer Staples (+9.98%); Information Technology (+9.48%); Financials (+9.27%); Health Care (+8.15%); and Utilities (+3.93%).

*This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance, while the S&P Sector Indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector.*