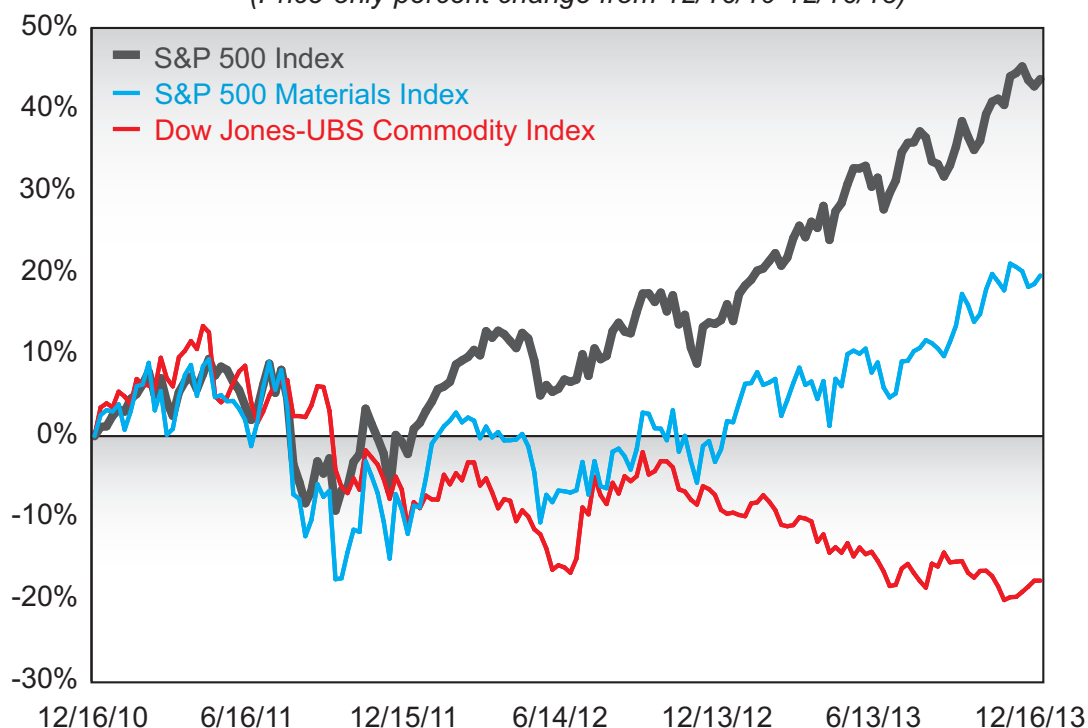


# Materials Companies Could Be Poised To Benefit From Stronger Growth In 2014

**S&P 500, S&P 500 Materials Index & Dow Jones-UBS Commodity Index**  
(Price-only percent change from 12/16/10-12/16/13)



Source: Bloomberg. Past performance is no guarantee of future results.

## View from the Observation Deck

1. The latest Blue Chip Economic Indicators survey of 50-plus economists reached a consensus real GDP forecast of 2.8% for 2014. Real GDP growth has averaged about 2.2% over the past 12 quarters.
2. With the S&P 500 setting new highs as year-end approaches, we wanted to feature an area of the market that has significantly lagged the broader market over the past three years. Materials was the worst performing sector in that period.
3. From 12/16/10-12/16/13, on a price-only basis, the S&P 500 posted a cumulative gain of 43.74%, compared to 19.67% for the S&P 500 Materials Index. The Dow Jones-UBS Commodity Index of prices declined by 17.70%.
4. Here are a few of the industries that help comprise the S&P 500 Materials Index: Aluminum; Construction Materials; Diversified Chemicals; Diversified Metals & Mining; Fertilizers & Agriculture Chemicals; and Paper Products.
5. Of the major sectors that comprise the S&P 500, the one with the highest earnings growth rate estimate for 2014 is Materials at 17.02%, according to Bloomberg. The S&P 500's 2014 earnings growth estimate is 10.28%.
6. The 2014 estimated price-to-earnings (P/E) ratio on the S&P 500 Materials Index is 15.45, well below its 5-year average of 17.64, according to Bloomberg. The 2014 estimated P/E on the S&P 500 is 14.55, a bit below its 5-year average of 15.43.
7. The materials sector currently represents just 3.5% of the S&P 500, which makes it an interesting overweight candidate for 2014, in our opinion.

*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 500 Materials Index is capitalization-weighted and comprised of S&P 500 constituents representing the materials sector. The Dow Jones-UBS Commodity Index tracks the futures contracts on 22 physical commodities.*