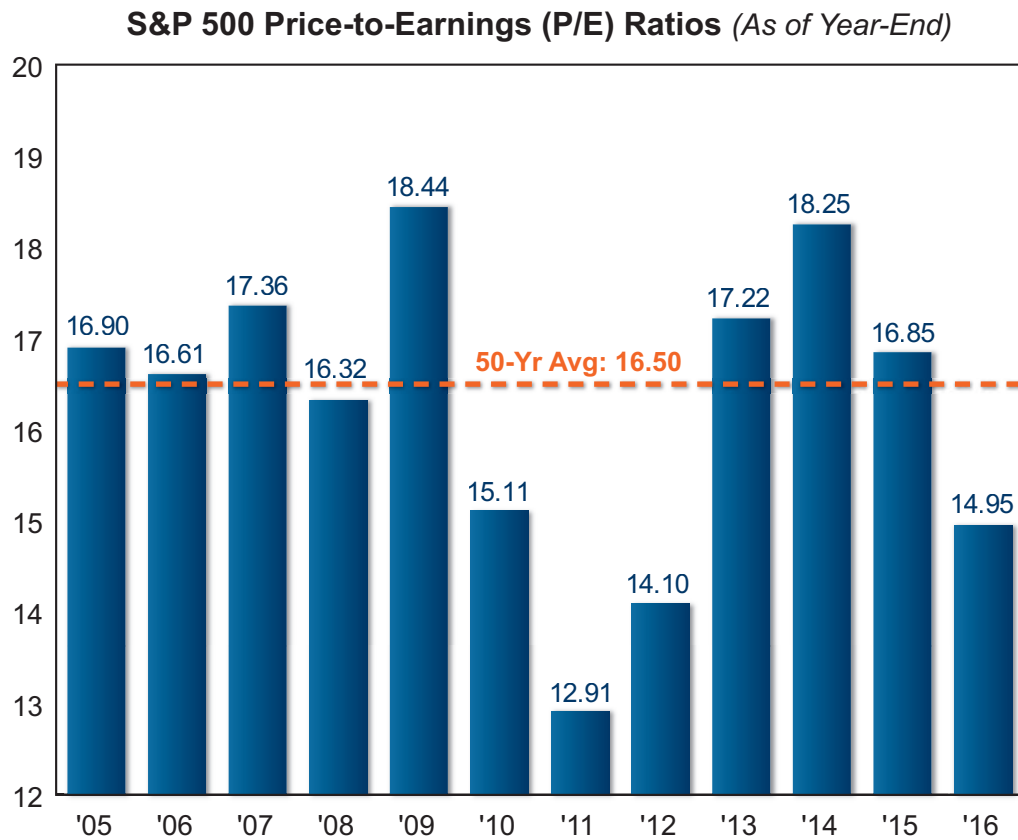


# The S&P 500 Is Not Expensive On A Forward-Looking Basis



Source: Bloomberg. 50-yr average P/E measured from 1/27/65-1/27/15. 2015 & 2016 are estimates.

## View from the Observation Deck

1. The S&P 500 closed 12/29/14 at a record high 2090.57. Its P/E ratio stood at 18.25 on 12/31/14, according to data from Bloomberg.
2. As shown in the chart, the average P/E on the S&P 500 over the past 50 years was 16.50.
3. On a relative basis, the 500 constituents in the index carried a higher valuation at 18.25 (P/E) than the 16.50 average P/E at the close of 2014.
4. On a forward-looking basis, however, Bloomberg's P/E estimates for 2015 and 2016 were 16.85 and 14.95, respectively, as of 1/27/15.
5. These two estimated P/Es were based on Bloomberg's 2015 and 2016 consensus earnings growth rate estimates of 6.57% and 12.73%.
6. Since earnings estimates are constantly in flux, we intend to revisit this topic over time.

*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. Past performance is no guarantee of future results. The S&P 500 is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance.*