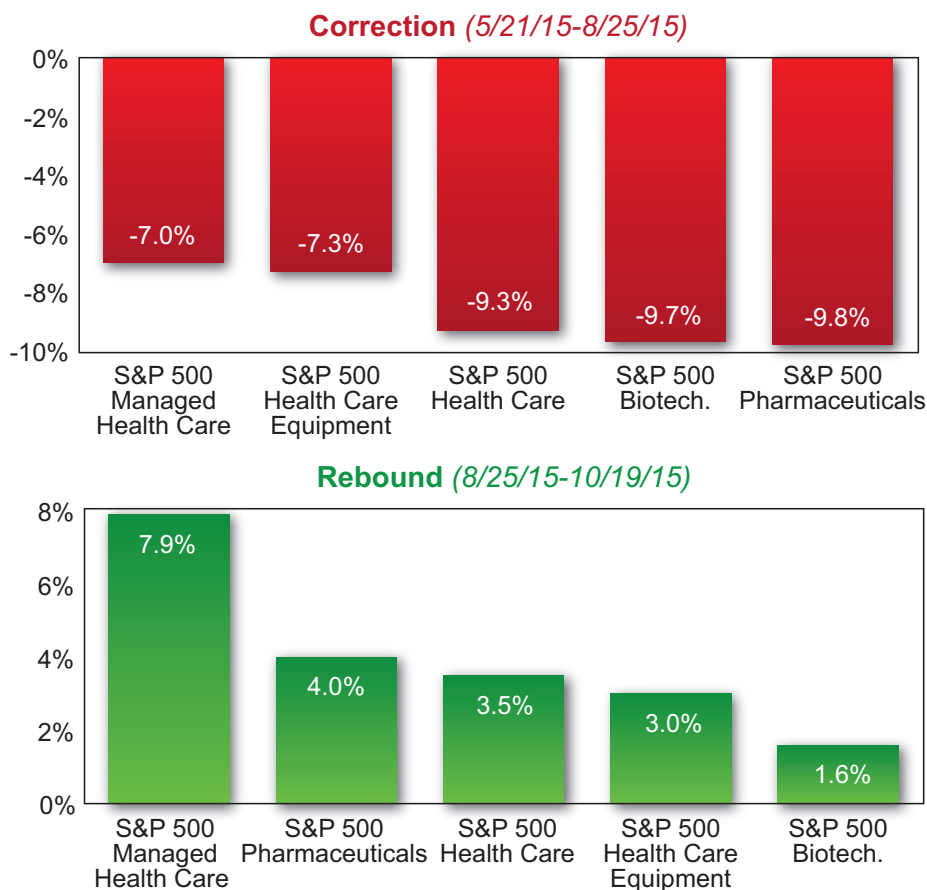


The Performance Of Health Care Stocks In The Recent Correction & Subsequent Rebound

S&P 500 Health Care Index & Related Subsector Index Total Returns



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

View from the Observation Deck

1. Health Care is the only sector that has outperformed the S&P 500 Index in each of the past five years, including this one, according to S&P Capital IQ. It is a top theme in the market, in our opinion.
2. From 12/31/10-10/19/15, the S&P 500 indices in the chart posted the following cumulative total returns (Bloomberg): 301.7% (Biotech.); 252.3% (Managed Health Care); 143.5% (Health Care); 127.0% (Pharmaceuticals); and 90.6% (Health Care Equipment). The S&P 500 Index was up 79.01% over the same period.
3. One of the interesting developments depicted in the charts is the performance of Managed Health Care. These stocks went down the least in the correction, yet have rallied the most in the rebound.
4. Of the indices in the charts, Managed Health Care was by far the worst performer in 2008, posting a total return of -55.04%, according to Bloomberg. This is back when the groundwork was being laid for the Affordable Care Act, and there was some fear in the market about the potential for a single-payer insurance system. The Affordable Care Act was not signed into law until 2010.
5. In addition to the recent correction in the S&P 500 Index (see top chart), at least one presidential candidate has targeted one specific drug company to attack the high cost of some prescription medicines. While such comments could be weighing on the performance of the pharmaceutical and biotechnology sectors in the near-term, perhaps out of a fear of government price caps or curbs, we believe these stocks will trade on fundamentals over time.
6. As of 10/20/15, the estimated price-to-earnings ratios on the S&P 500 Health Care Index for 2015 and 2016 were 16.82 and 15.17, respectively, below the 5-year average of 17.22, according to Bloomberg.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. There can be no assurance that any of the projections cited will occur. The S&P 500 Health Care Index, S&P 500 Biotechnology Index, S&P 500 Health Care Equipment Index, S&P 500 Managed Health Care Index and S&P 500 Pharmaceuticals Index are all capitalization-weighted indices focused on either the health care sector or its subsectors. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance.