CHAHINE CAPITAL
Performance Engineering

29/6/2019

STRATEGY OVERVIEW

A flight to assets with predictable cash flows

Summary

Mea culpa! We failed to pick a further slide in interest rates and missed out on our own model's S&P 500 valuation last month, which was 2,993 points with a 30-year at 2.65%. This long rate actually fell further than that, hitting 2.50% to give us a year-end objective of 3,043 points. Our hypothesis was a rise to 3% against a backdrop of calmer US-China trade relations; the truce negotiated at the G20 summit will give the Federal Reserve a welcome respite. The inverted US yield curve out to 3 years highlights the gap between market expectations and the real intentions of a Fed that needs to take account of the financial bubble created by low rates and an inflation rate that is no longer that tame. Equities would correct by 10% if Fed policy pushes the 30-year rate towards the 3% mark. Eurozone yields have tracked America, but as the ECB can hardly lower its own rates any further the euro has strengthened.

Slumping yields have prompted investors to search out assets with some assurance of cash flow: real estate in all forms and listed shares backed by concessions on motorways or airports. Vinci is a good example – and every European country has an equivalent. Vinci almost got hold of ADP, too. Aircraft manufacturers with substantial order books are another option. Dividends are a source of cash flow in themselves and have proved resilient over a long period.

Despite the trade war, forecasts for world growth this year are unchanged at 2.9%, with Asia-Pacific driving most of it. Germany is suffering from weaker export performance and has seen its growth forecast lowered to 0.8%; France is stable at 1.3%. Italy is verging on recession. The prospects for the US economy are perhaps not as bright as the forecasters think, as the PMIs have turned down sharply towards the key 50 mark. US corporate earnings will be virtually unchanged after an exceptional 2018, mainly because electronics components firms such as Micron are casualties in the trade war against China. We expect EPS to rebound 9% in 2020. Eurozone earnings estimates are being shaded lower yet again and we cannot see growth of more than 3% this year. European markets can boast those nuggets with predictable cash flows, however.

Our annual review of the energy sector underlines a strong 2.9% increase in consumption in 2018, although that for oil was up just 1.2%. Renewables are still posting remarkable growth: an average 15% per year, including 33% for solar energy. BP is playing down the sector's outlook but its own forecasts have doubled from where they were five years ago. We believe the share of renewables in the overall energy mix to rise to 9.1% by 2025 and 14.1% by 2030, thanks notably to solar power. Proven reserves of oil and gas have fallen sharply, reflecting the fact of oil prices below $100 per barrel in recent years. Given that demand is not about to evaporate, prices could spike at some point, and that would heighten the search for substitutes even more. Given negative interest rates, the shrewd thing to do might be to keep oil underground until that happens...

Low interest rates are good for our market valuations but the gap between what the markets expect and what the Fed needs to do may prevent them staying low for much longer. Liquid investors should invest to earn at least something on their assets. We are underweighting our benchmark (35% versus 40%) until we see what happens to interest rates and the trade war.

Jacques Chahine

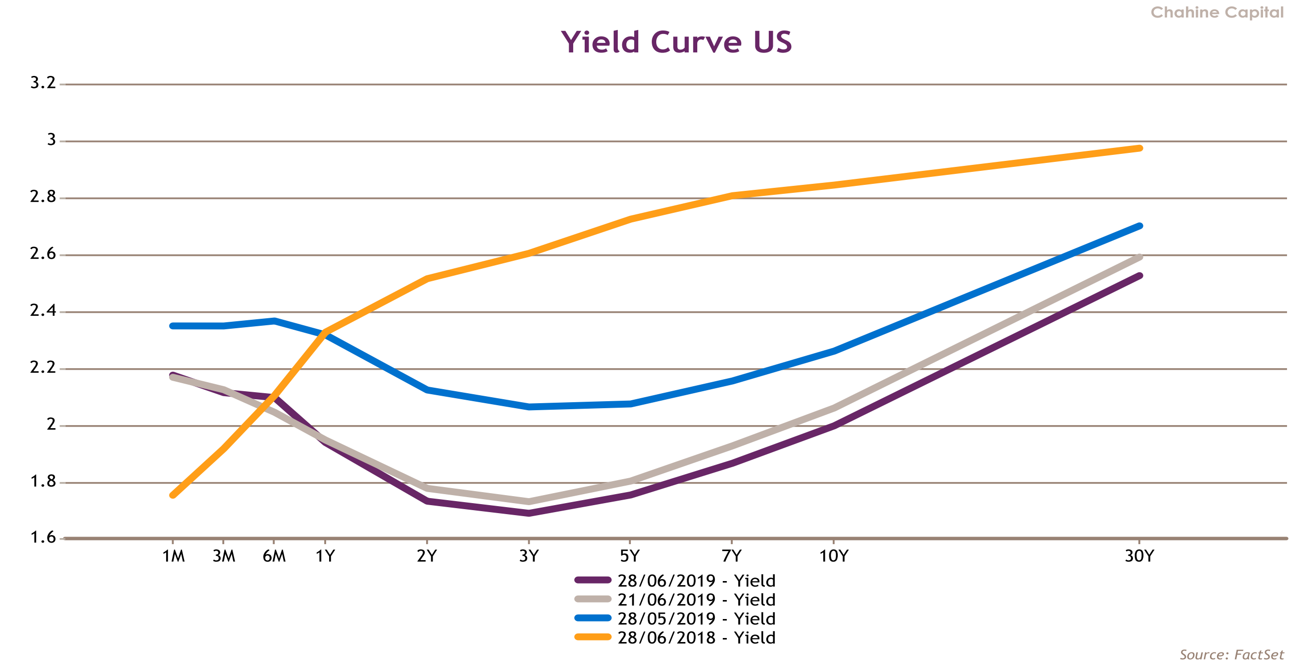
Our mistake – we should have believed in our own model

Mea culpa! We failed to pick a further slide in interest rates and missed out on our own model's S&P 500 valuation last month, which was 2,993 points with a 30-year at 2.65%. This long rate actually fell further than that, hitting 2.50% to give us a year-end objective of 3,043 points. Our hypothesis was a rise to 3% against a backdrop of calmer US-China trade relations; the coming days will tell us whether the truce negotiated at the G20 summit will hold, staving off more tariffs. Donald Trump appears to have turned down the heat by hinting (albeit less than clearly) at less stringent US restrictions on the Chinese tech giant Huawei, which is one of the flashpoints of the whole trade war. We do not know what he might have obtained in return on any of the major issues, such as intellectual property, forced technology transfer or hidden subsidies. The Chinese were after a "balanced text", meaning they would agree to their best, and naturally refuse any verification of concrete action. Mr Trump is not in a strong position in the run-up to elections, as he will not want the trade war to bring Wall Street back to Earth.

Can the Fed face down the markets?

The yield curve below shows a gulf between market expectations and the direction of commentary from the Federal Reserve. The Fed has conceded that a rate cut is on the cards, but investors expect no less than four between now and next April. A 2-year yield of 1.75% when the 1-month is at 2.25% imply that rates have to drop below 1.75% to get the average right. Several Fed officials are rebelling against the market's diktat, citing the need to take the real economy into account. Corporations are running up debt as fast as they can, opting for financial engineering – buying their own shares or their competitors – rather than investing in the real economy.

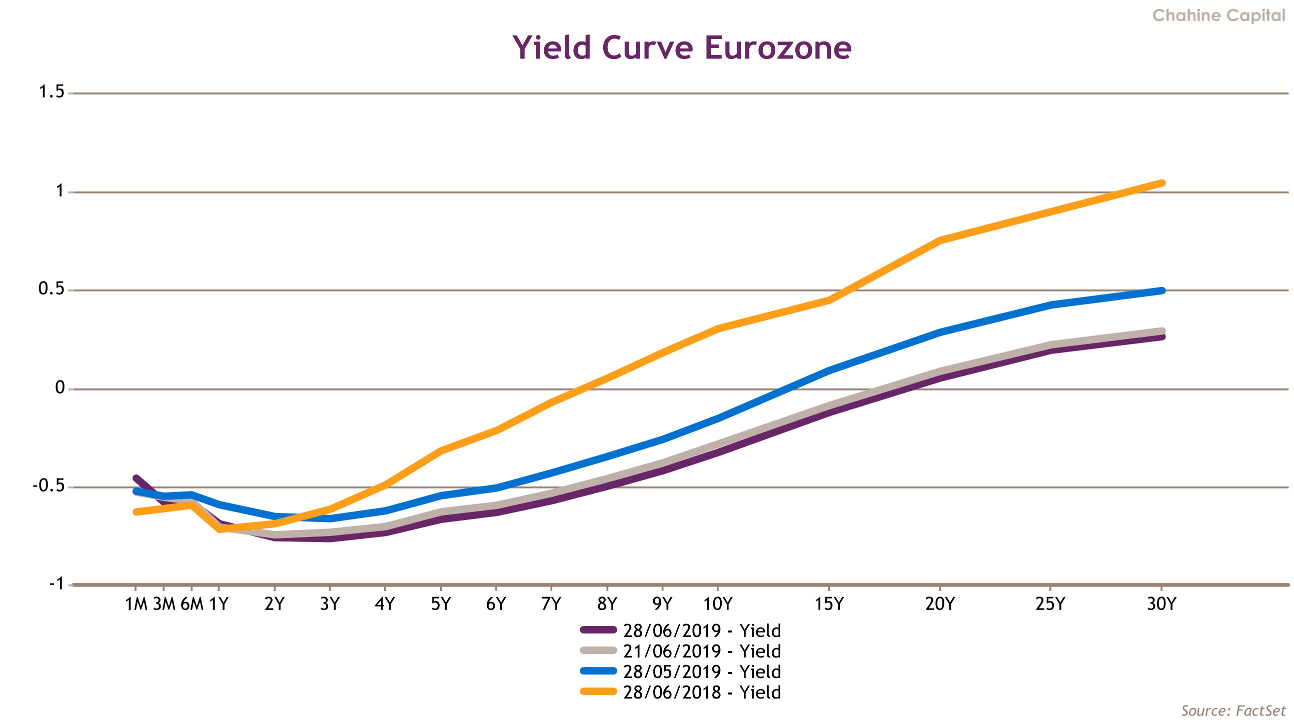
Long rates fall further



US bond debt has been increasing by 5% per year in recent years and now totals $4,600 billion. As in the shale oil sector, the slightest blip in economic activity could trigger a financial crisis. CPI inflation is running at around 2%, keeping interest rates negative in real terms.

In the euro zone, long rates have fallen way below anything that resembles reason. Bund yields are negative out to 20 years and Mario Draghi intends to intervene even more. His problem is that he has nothing left in the cupboard to do it. In the meantime, the euro has appreciated because the differential against dollar interest rates has contracted. Despite the ECB's denials, the strategy is clearly to keep the euro as competitive as possible as a means of bolstering growth. In our previous letter we mentioned 'helicopter money', which would have the double advantage of targeting European consumers directly and providing some proof that the EU can do at least some good. One of our Swiss readers, also an economist, took matters into his own hands and drafted a request that two parties submitted to the national parliament. The idea is unorthodox but has some attractions ahead of elections in October.

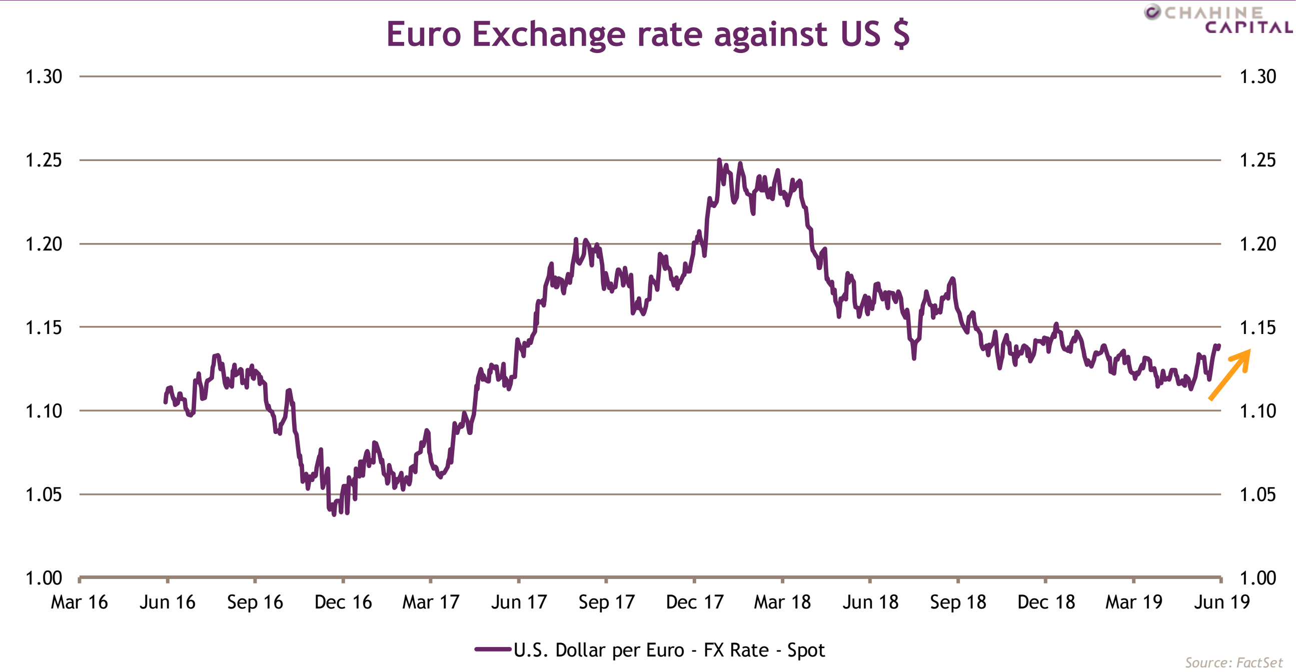
Negative eurozone rates out to 20 years



Dollar depreciation against the euro

A tighter differential between European and US interest rates has boosted the value of the euro and undermined the carry trade in which borrowed euros are switched into dollars to benefit from the interest-rate spread. The 1-year spread is still 2.7%, however, meaning that the euro would have to appreciate by that amount before the trade lost money. Its mean appreciation in June was 1.7% and further gains from here are worth watching. As we have already pointed out, it is by no means certain that the Fed will ease by as much as the market expects, especially if there is a prospect of a better trade relationship with China. We have been recommending this carry trade for a very long time as part of a prudent management strategy. Prudence dictates that assets should never be 100% euro-denominated; a 30-40% allocation in dollars would have been largely positive and we would keep it irrespective of where exchange rates go.

Expectations of lower Fed rates push the euro higher



The attraction of assets with assured cash flows

At a time when bank accounts return nothing at all, savers are looking for anything that will generate some kind of assured return. For the wealthy, with assets in the €5-10 million range, banks are required to apply a negative 0.4% interest rate – the same that they pay to the ECB. French pension funds and insurers are finding it increasingly difficult to offer a return to their customers. This is fuelling particular interest in relatively safe investments that generate reasonably certain cash flow. Real estate comes top of the list: prime office space in Luxembourg rented out for fixed 6-year terms is still yielding 3.25-3.5%, for example. Two years ago, that would have been around 4.5% with the same rents, meaning that prices have surged 30% in the meantime. The same is true of Paris and other major capitals. The prices of residential property in high-demand areas have also soared, but institutional investors are less keen on that option.

The stock market has its own version of this kind of asset. Vinci is a good example, given its concessions on motorways and airports. Unfortunately, many of this type of company are also active in construction, which is both low-margin and far more cyclical. Hochtief in Germany is a pure construction player, for instance. We have examined cyclical stocks for names that can boast recurrent cash flows from motorways and airports, for example, adding aircraft manufacturers with a long-term order book. The eurozone companies making our list (below) have far outperformed the main market index with a 17% gain so far this year.

Aena is the Spanish equivalent of ADP. Leonardo (formerly Finmeccanica) has interests in aerospace, while Atlantia (formerly Autostrada) is an Italian motorway operator. Ferrovial is Spain’s leading infrastructure operator, with holdings in London airports and Spanish motorways. We have already mentioned Vinci, which runs France’s motorways and is accused (with reason) of having profited from the state’s incompetence. It manages a number of airports as well, and almost got hold of ADP. That particular cash flow jewel is supposed to be in line for privatisation and the authorities appear unaware of its real value. Opposition to the sale has forces President Macron to backtrack, fortunately. Its negative equity market performance this year follows a doubling of its share price over the previous three years, which itself reflected expectations of privatisation. This had effectively externalised part of the company's worth. We hope that the French government will make the most of the financial strength of this asset, perhaps by leverage. Fraport is Germanys' ADP and Getlink is Eurotunnel. Eiffage is a competitor for Vinci.

Heightened interest in cash flow assets

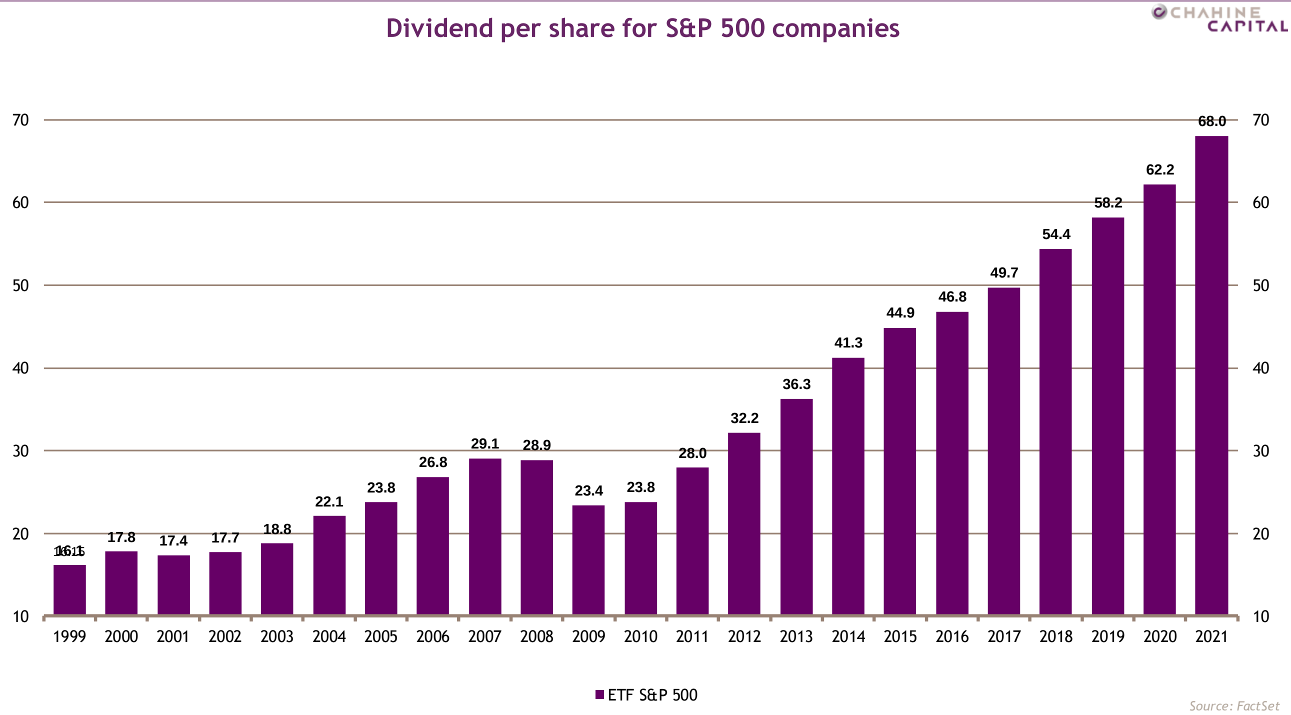
	Port. Average Weight	Port. Total Return	Port. Contrib. To Return
Total	**100.00**	**16.98**	**16.98**
Airbus SE	1.75	50.59	0.74
Leonardo SpA	0.09	47.20	0.04
MTU Aero Engines AG	0.27	34.10	0.08
Aena SME SA	0.29	32.95	0.09
Atlantia S.p.A	0.29	32.00	0.08
Ferrovial, S.A.	0.28	28.79	0.08
VINCI SA	1.14	27.77	0.30
Bureau Veritas SA	0.14	25.26	0.03
Fraport AG	0.08	24.47	0.02
Getlink SE	0.16	23.32	0.04
Eiffage SA	0.18	22.34	0.04
Aeroports de Paris SA	0.13	-4.39	-0.01
Hochtief AG	0.07	-5.17	-0.00

We expect this assured cash flow theme to persist in the months ahead, and informed investors will continue to seek niches in this sector. Banks are a great counter-example, with a great-looking dividend yield up at 5.5% but without much certainty over the future. Investors are leaning more towards insurers because they are less risky. In a more general sense, equities are becoming more attractive because they can generate dividends that are less haphazard than profits. The chart below covers the S&P 500 over the past 20 years and shows that dividends increased in every year except after the crisis-hit 2000 and 2008 (down 20%). Dividend payouts are now averaging 2% and companies are buying back their own shares at a rate of 3% per year.

This line of reasoning will reach its limits once interest rates start rising again. In the more immediate future, the market will certainly react badly if the Fed decides that lowering interest rates could create more trouble than it is worth. Were American 30-year yields to climb back to where they were at the start of the year (3% - and they were as high as 3.5% in 2018), our model indicates a 10% correction. Goldman Sachs is coming up with the same figures. Naturally, macroeconomic data on growth could amplify or diminish the scale of the correction.

Dividends: a source of relatively stable cash flow

Dividend per share for S&P 500 companies

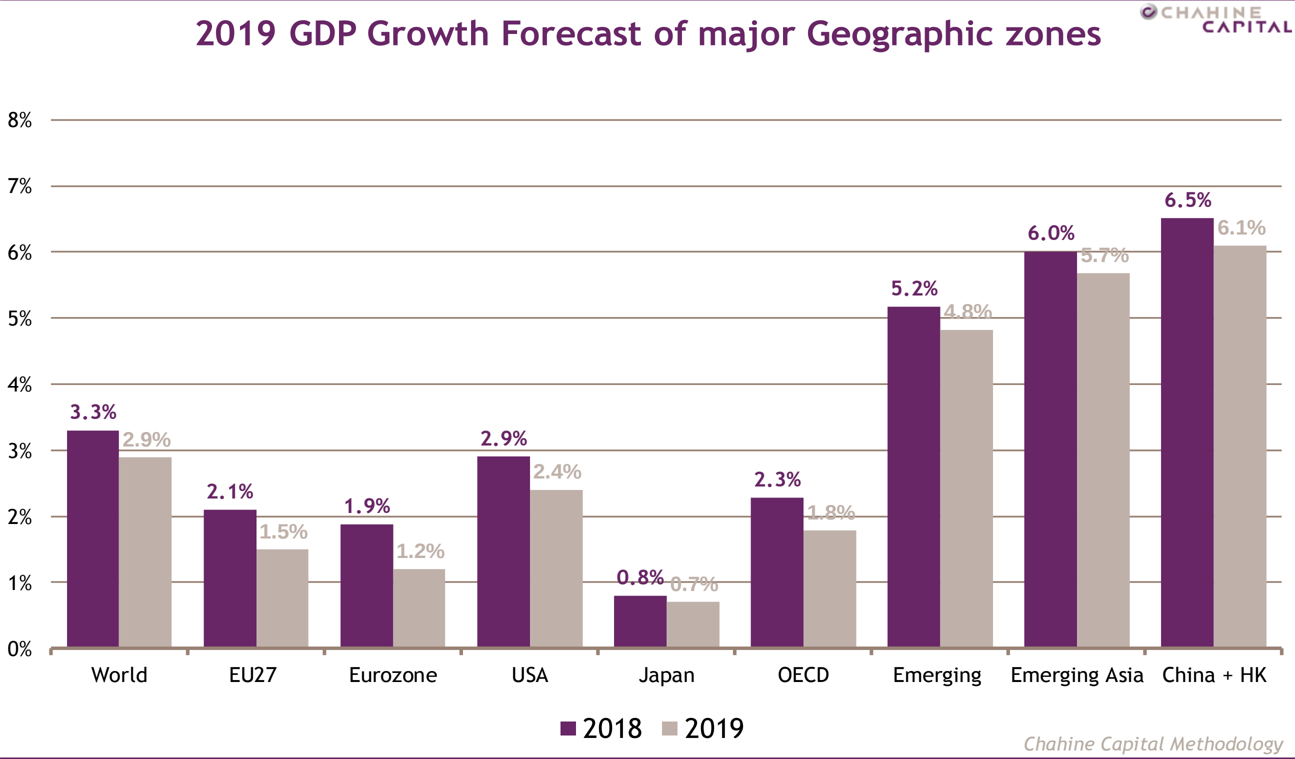


Source: FactSet

World GDP growth stabilises at 2.9%

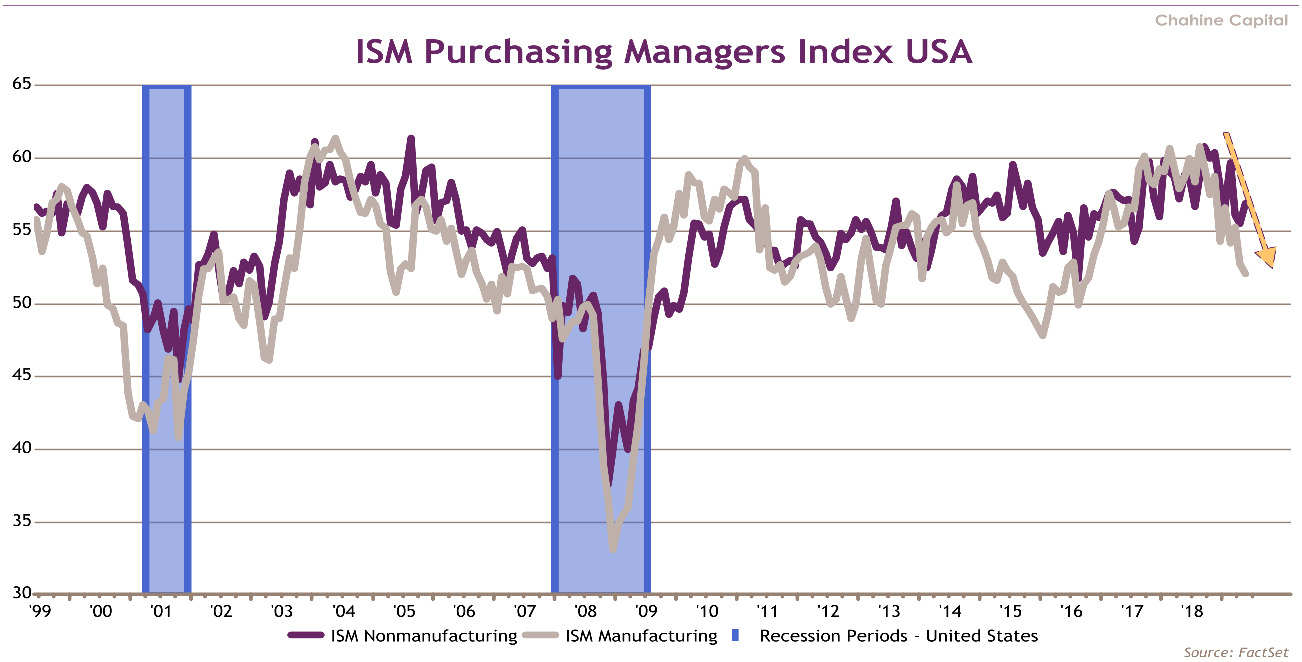
Despite the trade war, world GDP is still set to increase 2.9% in 2019 (real value; purchasing power parity is set to rise 3.3%). This forecast is remarkably stable and follows an excellent 3.3% last year. The drop-off in growth is more evident in OECD countries than emerging economies. Developments in Germany and Italy have cut the eurozone growth forecast from 1.9% to 1.2%. Slowing activity in manufacturing has reduced the outlook for German growth to 0.8%, Italy is not far off recession at 0.2% and France is hanging in with an expected 1.3%. Assuming Chinese data have some relationship with reality, Asian growth is still robust. China is switching gradually from an economic model based on infrastructure investment to one more dependent on consumption, but so far consumption accounts for just 53.4% of GDP and investment a still weighty 44.1%. The country’s external balance has come down from 3.5% of GDP three years ago to 0.8%, and the share of foreign trade in Chinese GDP has dropped from 28% to 18% for imports and from 36% to 20% for exports over the past 11 years. This suggests that the country is increasingly autonomous after a period in which it acquired (or pirated) the technology required for its development. High-speed trains are a classic example of this process, and will probably be repeated in an aerospace sector that still lags the West. Given what happened to France and Canada over high-speed trains, Boeing and Airbus should be wary of sharing their know-how.

Robust growth in Asia



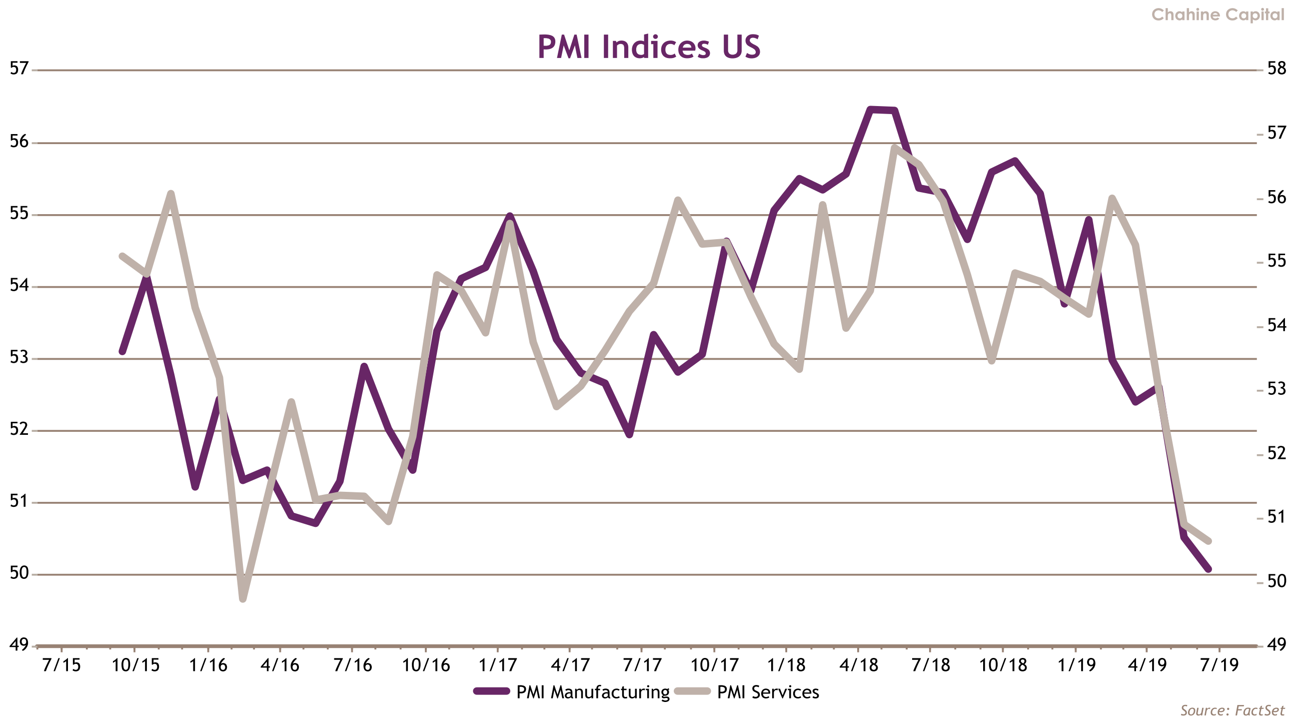
The US ISM purchasing managers' index (PMI) is sending a slightly different signal on American activity, however.

A slide in America's ISM leading indicator



The deterioration in ISM data is worse in manufacturing than in services, reflecting the uneven impact of the trade war. An index level close to 50 indicates stable growth, while further deterioration would be a negative signal. Markit's own PMI shows the same overall trend, but with services slipping at the same pace as industry.

PMI indices strike a warning note

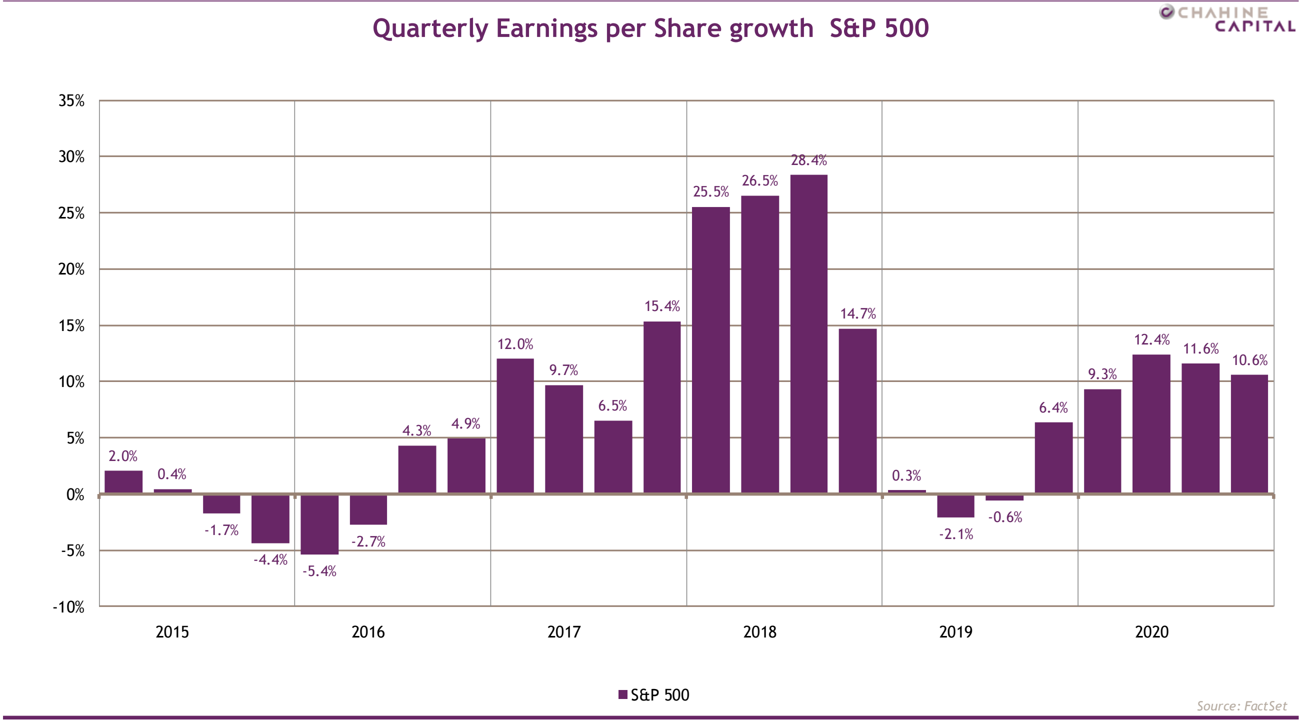


The federal government deficit has widened further and is likely to hit 4.2% of GDP this year. The USA has clearly joined Japan and many other countries in ignoring government deficits. Consumer confidence is very high, although it has inched lower recently. It is waning in the euro zone as well, but from a lower starting point.

Stagnant profits in 2019

Following a year rendered exceptional by tax reform, American corporate profits are expected to flatline in 2019. Q1 earnings were unchanged from a year before and Q2 is expected to be down 2.1%, although in the usual way many companies will succeed in reporting their results as positive surprises. Q3 will be down slightly as well and we will have to wait for Q4 to see a gain, with an expected 6.4% on the back of a helpful base effect. The average gain in EPS for the year will be 1%, and the market has priced that in. As far as 2020 is concerned, the perennially optimistic analysts estimate an 11% increase in profits. We accept that 2019 will present a favourable base effect but would limit our estimate to 9%.

Anaemic profits growth in 2019 and a questionable rebound in 2020



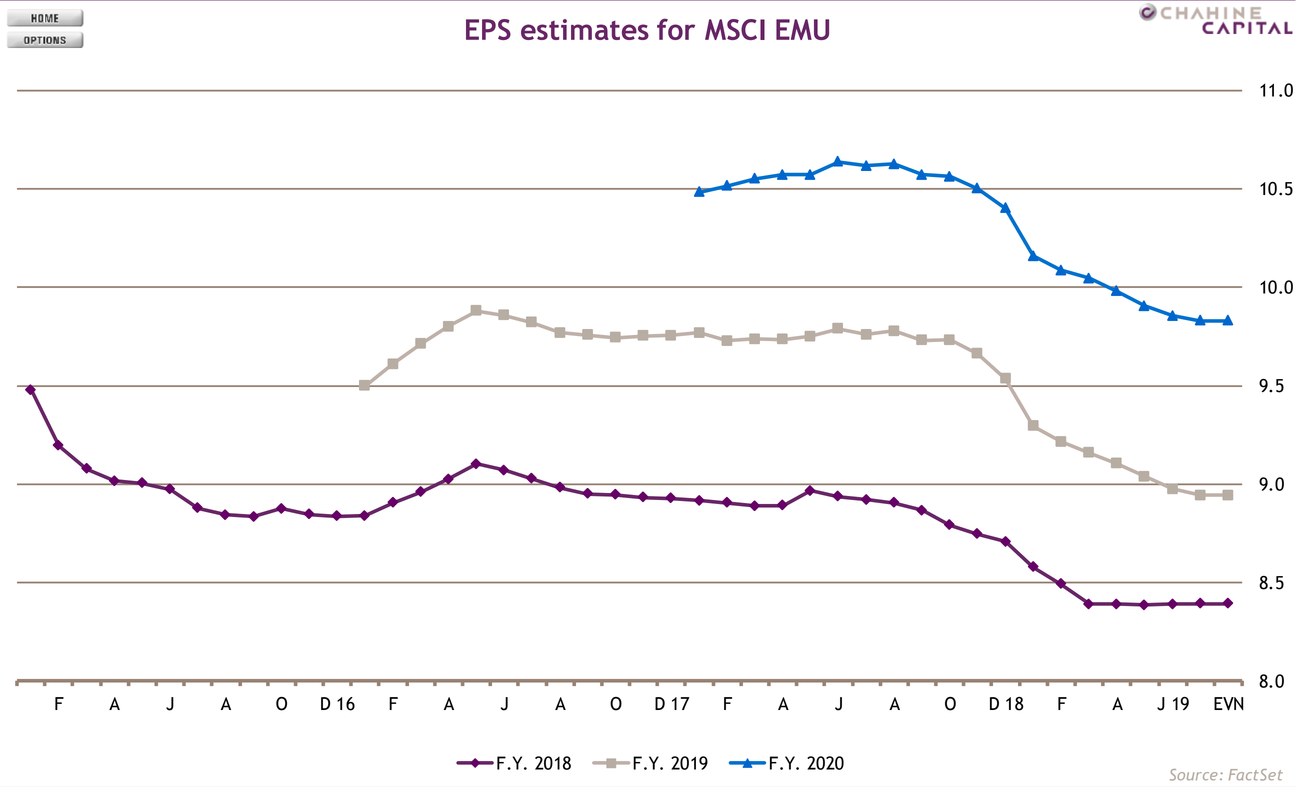
Unsurprisingly, an examination of earnings estimates by company reveals the impact of the trade war with China. Big declines in profits concern firms such as Micron (down $10 billion), Western Digital (down $3 billion), Apple (down $2 billion), Alphabet, Facebook, Intel, Applied Materials, NVidia and Seagate. Further down the list we note oil companies, which are set to post earnings 11% lower overall than they did in 2018. There are some victims of special circumstances, such as Boeing and FedEx. The figures we show understate the phenomenon, as they are calculated on the basis of EPS and most of these companies – Apple front and centre – are buying up their own shares.

A rebound in profits growth in 2020 assumes better fortunes for these firms. The catch is that there is no guarantee that the trade war will be over by then, and our projection is more realistic than the consensus view.

In the euro zone, we are back in the familiar cycle of absurdly rosy consensus estimates at the start of the year ceding to grim realism and zero growth by the end of it. The chart below shows how fast estimates are being revised down, and we are pencilling 3% EPS growth for the year rather than the 7% consensus forecast. That said, and as pointed out above, Europe does offer some nuggets from a cash flow point of view, and the luxury sector remains attractive in its own right.

All that being said, investors are primarily concerned with the direction interest rates may take. Profits are a secondary consideration.

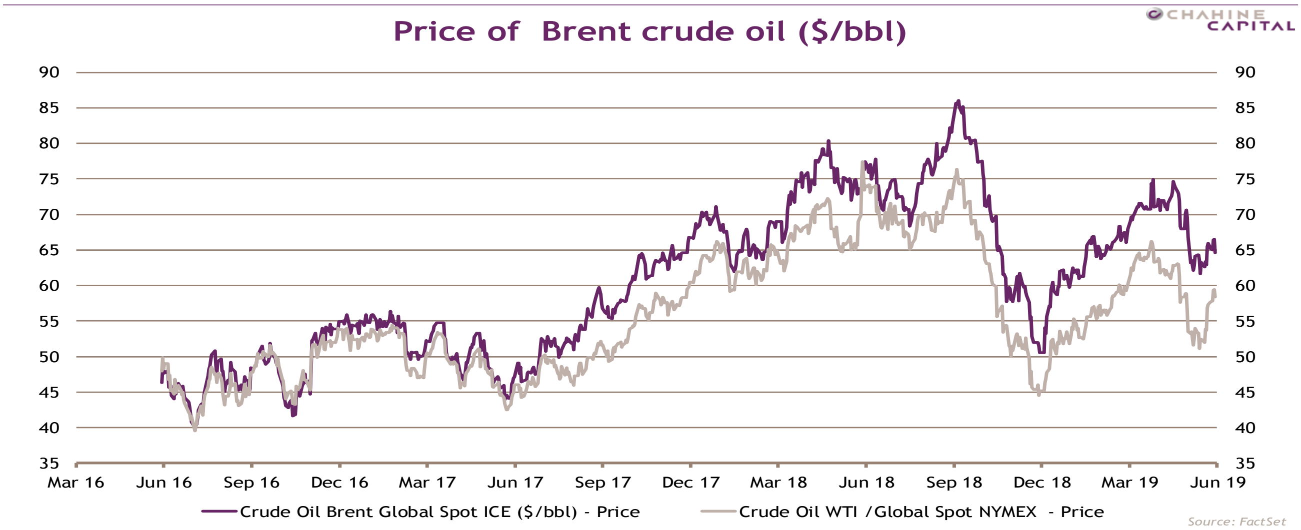
Downward revisions to earnings estimates



A record year for energy consumption

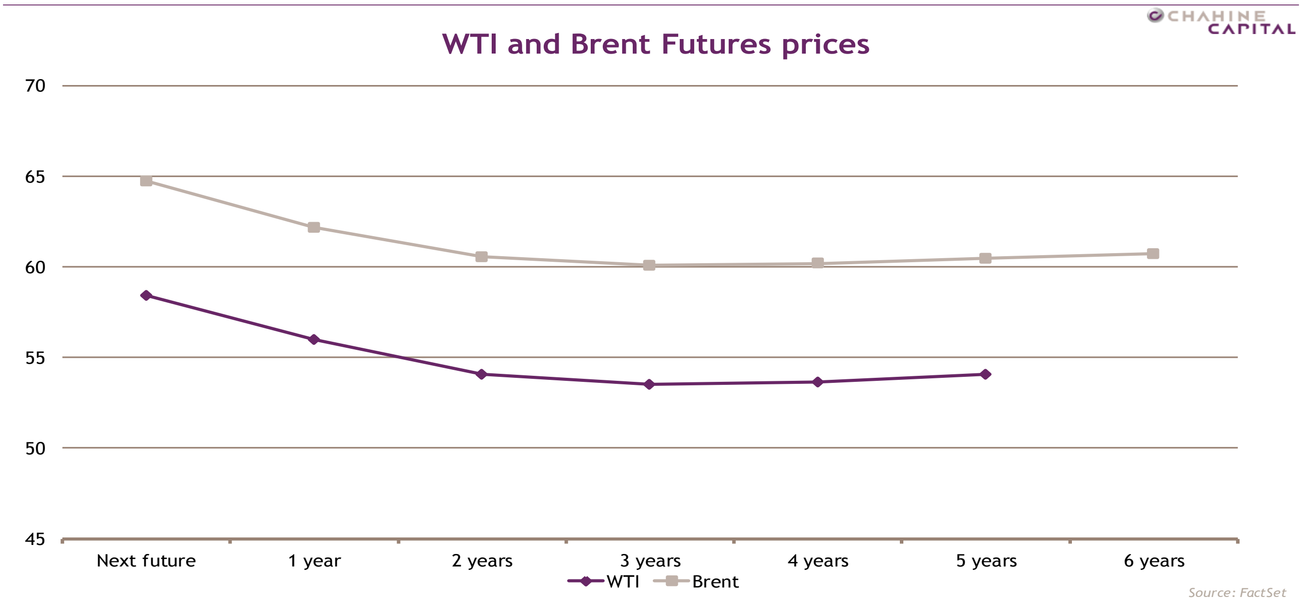
Energy market trends are a matter of strategic interest for the world economy, from household purchasing power right through to production and climate change. Oil is a critical component of the whole, as it will remain the prime fuel for mobility until electricity takes over. Oil prices jump or slump with every passing suggestion of recession, slowdown or accelerating activity, not to mention developments in the Middle East.

Oil prices remain volatile



Today's price levels suggest that we are somewhere between growth and slowdown; the inverted futures curve is consistent with slightly weaker demand.

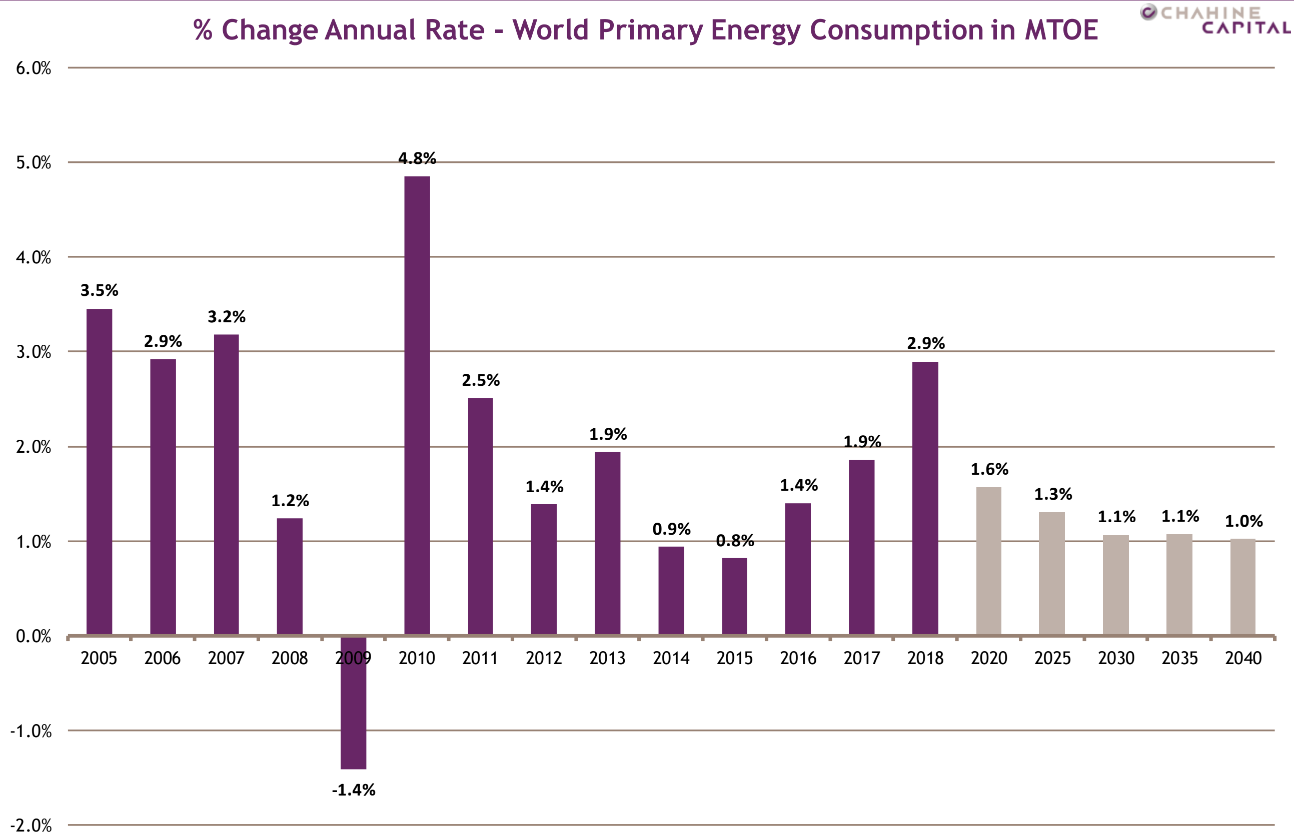
Oil futures point to lower prices



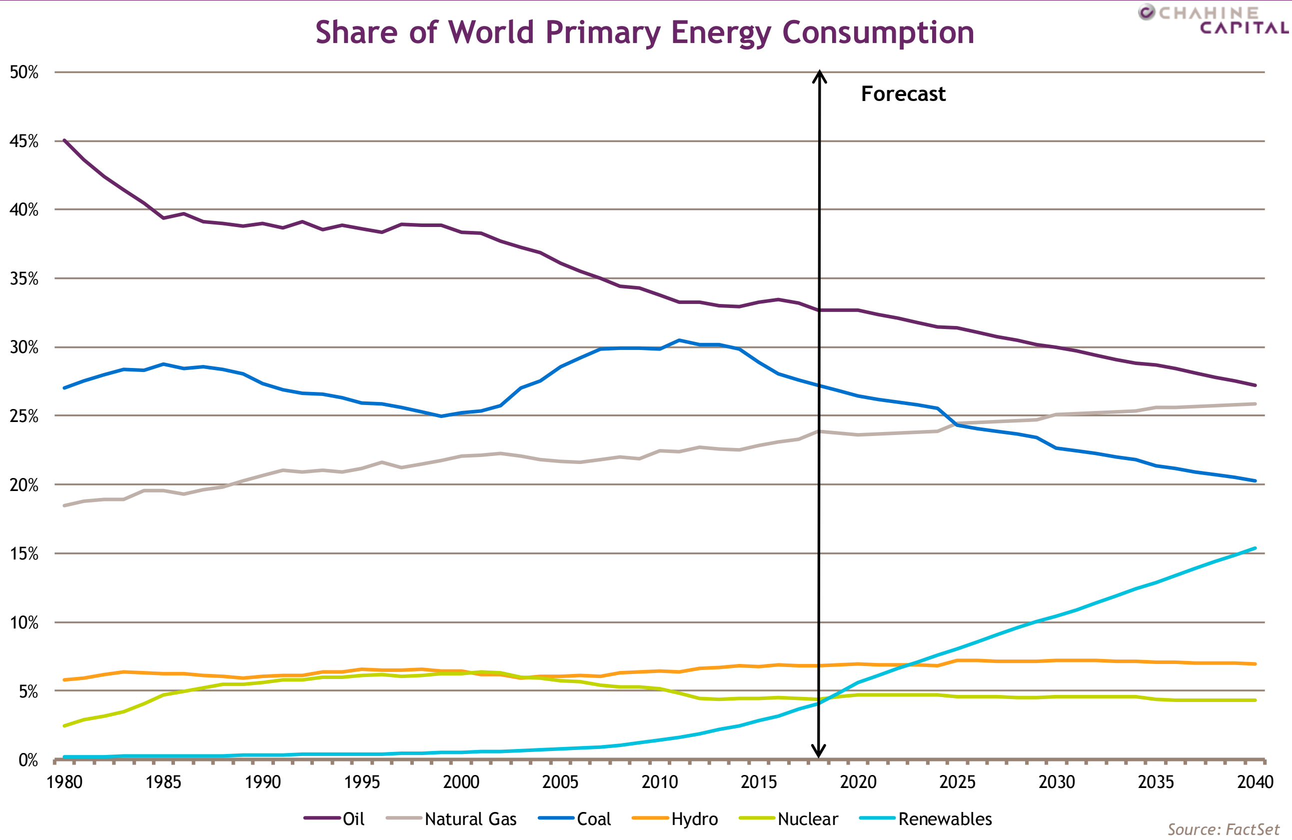
As we do each year, we take a look this month at the energy market. The BP database is still the essential source of information, and it shows a surprisingly strong 2.9% increase in energy consumption last year. While GDP growth was certainly robust, it was no stronger than in 2017, when consumption increased 1.9%. Given that the 2018 gain in GDP was 3.4%, energy efficiency clearly failed to improve very much. Total consumption was the equivalent of 278 million barrels per day, of which 91 bbl/day for oil. Short- and medium-term forecasts of consumption growth range from 1.6% over each of the coming two years to an average 1.1% further out. This scenario is realistic to the extent that consumption per unit of GDP tends to decline as economies develop, as is obviously the case in Asia.

Oil consumption rose by 1.2% in 2018, somewhat less than the overall total, and continues to decelerate. Oil's share in the energy mix fell until 2014 but has since stabilised at around 33%; forecasters see it declining to 30% by 2030. Demand for oil is set to increase in absolute value terms until 2035. In the meantime, coal has taken up some of the share of the energy mix lost by oil, and it pollutes far more. It remains a tempting option for poorer consumers and countries, and its share peaked at 30% in 2011. It has declined ever since and is expected to be down to 21% by 2035 even though Germany is using it as a means of transition to a different energy mix of its own. American shale gas helps cover a good part of electricity generation and will continue to play an important role in the energy mix, despite talk of an abrupt halt on gas-fired plants. Hydro power is on the far end of the low-pollution scale; its share of the mix is a respectable 6.8% and has scope to increase. The share of nuclear energy has declined since 2011 to stabilise at 4.4% and will increase as new plants come on stream. Germany is the only country to dare closing down nuclear power stations, and although France says it will do so that date keeps getting pushed back.

A surprising bounce in energy consumption in 2018



Renewables on track for a far bigger share

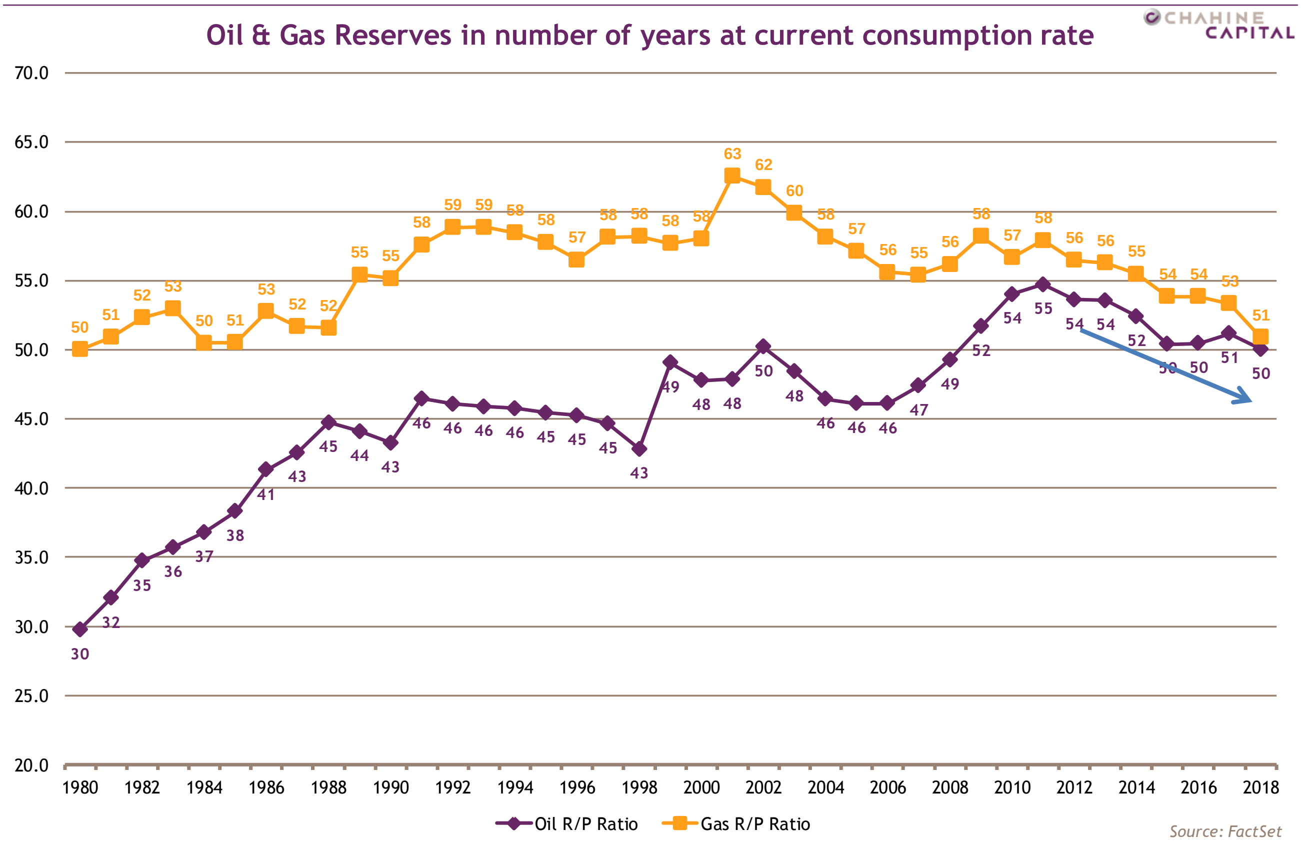


Source: FactSet

The share of renewables in the energy mix is growing fastest of all. It was 4% in 2018, having averaged an average 15% annual growth over the past five years. Because of its focus on fossil fuels, BP forecasts for renewables are not very reliable. In 2015, for example, BP predicted that renewables would represent 536 million tonnes of oil equivalent by 2020. That figure is already at 802 million. They project annual average growth of 9% out to 2025 and 6.3% to 2030, but that is hard to reconcile with worldwide moves towards alternative forms of energy. Wind power accounts for two thirds of the sector and solar power the remaining third; the latter is expanding by over 30% per year. Tech-driven declines in costs promise a brilliant future for solar panels, and even cautiously we expect the segment to account for 9.1% of consumption in 2025 and 14.1% in 2030. That sort of growth would cover almost all of the expected increase in total energy consumption.

As alternatives require lengthy development, we will be reliant on fossil fuels for some time yet. And the situation regarding proven reserves is not great, as the chart shows.

A disturbing decline in oil and gas reserves



The US shale gas boom is not about to be repeated, and reserves have declined from 63 to 51 years, in line with oil. Prices below $100/bbl in recent years have dissuaded research and hampered major discoveries. It is particularly important to identify a replacement for gas, for which consumption has accelerated significantly. Renewables are only part of the solution. The obvious alternative, with massive reserves, is coal. We would bet that Mr Trump would turn to coal in the event of a gas shortfall. Nuclear energy is clean and theoretically abundant, but it falls foul of voters and green NGOs. There is every incentive to press on with renewables and invest in energy savings. That would be the most profitable investment of all.

We believe that oil and gas will be with us for a very long time, yet current prices are not helping to raise reserves. As in the past, it will take a sharp increase in prices to do that. Timing is hard to predict, as both international politics and stocking effects come into play. In a world of negative interest rates, the shrewder minds would want to keep oil underground for the time being.

Market valuations

The drop in long rates has had a major impact on our S&P 500 valuation. It is up from 2,993 points last month to 3,043 points, mainly because of the 15bp-move on the 30-year. Our 8-year CAGR is 3.2%, which in normal times would look a bit feeble but credible in a situation where we are at a cycle high and growth may slow across the board. A 30-year rate of 3% would cut our objective to 2,744 points. The market closed last week on a high at 2,942 points. The big question is whether rates will stay this low for the foreseeable future. Many of our readers believe they will and tell us that in the circumstances the market is not overcooked, all other things being equal. That last bit is important, as a recession or slowdown scenario cannot be ruled out and that would take our objective to 2,760 points.

We remain underweight relative to our benchmark (35% versus 40%). Liquid investors would have been wrong to keep away from the market and stay invested for the long term, however. The choice of asset is clearly important, and if securities are your preference we suggest stocks with stable cash flows.

Low rates offer massive support

S&P 500 - Valuation end 2019 except implied scenario *CAGR Compounded Annual Growth Rate from 2018*	**30 Years Gvt bonds**				
	2.00%	2.25%	**2.50%**	2.75%	3.00%
Mild recession: -0.3% in 2019, and -1% in 2020 - CAGR =1.9%	**3 088**	**2 916**	2 760	2 618	2 489
Implied Scenario CAGR 2.9% over 8 years	3 280	3 094	**2 925**	2 771	2 631
Base scenario: 1.5% in 2019 and 8.5% in 2020 - CAGR = 3.2%	3 405	**3 215**	**3 043**	**2 887**	2 744
Current Index S&P 500			**2 942**		

Eurozone interest rates have fallen massively, and have not stopped doing so. The average 30-year rate has come down from 1.18% to 0.86%. Profits estimates are unreliable but there are those opportunities among major firms with large, relatively certain cash flows. The model’s objective is up in line with the move in interest rates. While an under-capitalised financial sector remains a risk, the ECB will do all it can to avoid serious problems.

An attractive proposition at these rate levels

MSCI EMU - Valuation end 2019

CAGR Compounded Annual Growth Rate from 2018	30 Years Gvt bonds				
	0.50%	0.75%	**0.86%**	1.00%	1.25%
Depression scenario: -10% in 2019, and +5% in 2020 - CAGR =-6.8%	**132**	**123**	119	115	108
Implied Scenario: CAGR -7.1% over 8 years	134	125	**122**	118	111
Base scenario: 3% in 2019, and 5% in 2020 - CAGR = -4.6%	158	147	**143**	**138**	**129**
Current Index MSCI EMU			**122**		

Conclusions

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Jacques Chahine

Main ratios for markets and sectors as of 28/6/2019 (in local currency)

Data as of	Weight vs	Perf		Weighted P/E		% Wted EPS Chge			Div Yield	Revision vs M-2%	
28/06/19	MSCI World	2019	2018	2020	2019	2020	2019	2018	2019	Fiscal 20	Fiscal 19
MSCI The World Index	**100.0%**	**15.7%**	**-10.3%**	**14.9 x**	**16.3 x**	**9.6%**	**3.8%**	**12.3%**	**2.54%**	**-1.0%**	**-0.6%**
MSCI USA	60.9%	17.7%	-6.5%	16.3 x	18.1 x	11.0%	2.1%	22.0%	1.95%	-1.5%	-0.9%
MSCI Japan	8.2%	4.6%	-15.8%	12.0 x	12.6 x	4.7%	-3.1%	1.3%	2.71%	-4.7%	-4.7%
MSCI EMU	14.1%	13.7%	-14.5%	12.5 x	13.7 x	9.8%	7.0%	0.3%	3.65%	-1.3%	-1.4%
MSCI Europe	25.7%	13.6%	-13.0%	13.0 x	14.1 x	9.1%	7.1%	5.3%	3.85%	-1.7%	-1.6%
MSCI Europe ex Energy	23.8%	14.0%	-13.7%	13.3 x	14.4 x	8.4%	7.6%	2.1%	3.70%	-1.8%	-1.6%
MSCI Austria	0.1%	6.8%	-26.7%	8.8 x	9.6 x	9.1%	-14.2%	10.9%	4.35%	-2.2%	-3.8%
MSCI Belgium	0.6%	16.1%	-24.9%	14.6 x	15.5 x	6.1%	13.7%	-0.5%	3.31%	-1.0%	0.3%
MSCI Denmark	0.7%	13.8%	-12.4%	18.1 x	20.5 x	13.1%	-0.1%	-1.1%	2.37%	-2.6%	-1.4%
MSCI Finland	0.4%	5.9%	-1.5%	14.3 x	16.4 x	14.6%	3.9%	2.2%	4.85%	-1.6%	-1.9%
MSCI France	5.3%	16.8%	-9.7%	13.3 x	14.7 x	10.7%	8.2%	6.4%	3.38%	-0.4%	-0.5%
MSCI Germany	3.7%	12.1%	-20.2%	11.8 x	13.1 x	11.2%	7.3%	-9.8%	3.41%	-1.7%	-2.7%
MSCI Great-Britain	5.8%	10.0%	-12.7%	12.1 x	13.0 x	7.7%	3.4%	9.8%	4.73%	-0.5%	0.2%
MSCI Ireland	0.1%	14.6%	-23.5%	14.5 x	15.3 x	5.4%	-3.3%		2.00%	-1.8%	-0.1%
MSCI Italy	1.1%	15.3%	-15.5%	10.0 x	10.5 x	5.1%	8.3%	14.3%	4.86%	-1.6%	0.9%
MSCI Netherlands	1.3%	15.4%	-10.9%	14.3 x	16.0 x	11.6%	-0.3%	6.8%	3.25%	-1.7%	-2.8%
MSCI Norway	0.4%	5.2%	-6.0%	12.3 x	14.1 x	14.7%	0.0%	19.6%	4.76%	-2.3%	-1.0%
MSCI Spain	1.4%	8.0%	-15.0%	11.3 x	11.9 x	5.6%	10.2%	-5.4%	4.70%	-2.5%	-1.8%
MSCI Sweden	1.0%	15.0%	-8.1%	14.4 x	15.2 x	5.0%	30.3%	-7.7%	4.14%	-0.1%	1.0%
MSCI Switzerland	3.3%	18.8%	-10.1%	16.1 x	17.7 x	9.6%	11.0%	25.0%	3.18%	-0.3%	-0.5%
MSCI Europe Consumer Discretionary	3.0%	19.0%	-17.5%	12.1 x	13.2 x	8.7%	6.7%	-7.4%	3.27%	-3.2%	-3.7%
MSCI Europe Consumer Staples	3.8%	17.6%	-11.3%	17.2 x	18.7 x	8.4%	9.2%	7.6%	3.01%	-0.6%	-0.9%
MSCI Europe Energy	1.9%	9.0%	-5.0%	10.2 x	11.8 x	16.4%	2.2%	48.9%	5.64%	-0.9%	-0.8%
MSCI Europe Financials	4.4%	8.1%	-21.8%	9.3 x	9.9 x	6.5%	10.3%	5.9%	5.47%	-1.8%	-0.8%
MSCI Europe Health Care	3.1%	13.2%	-2.5%	15.3 x	16.7 x	8.9%	5.2%	4.9%	3.07%	0.3%	0.2%
MSCI Europe Industrials	3.5%	19.2%	-15.0%	15.5 x	17.0 x	10.1%	6.7%	3.1%	2.81%	-2.1%	-1.7%
MSCI Europe Information Technology	1.4%	24.8%	-8.2%	18.9 x	22.3 x	18.0%	9.3%	12.6%	1.49%	-1.6%	-0.8%
MSCI Europe Materials	1.8%	15.4%	-16.4%	12.8 x	13.7 x	7.2%	8.3%	2.4%	4.06%	-1.4%	-2.7%
MSCI Europe Real Estate	0.3%	2.0%	-17.5%	13.6 x	13.2 x	-3.0%	-18.6%	10.8%	5.07%	-2.3%	-1.9%
MSCI Europe Communication Service	1.3%	-0.9%	-10.7%	13.2 x	14.4 x	8.4%	4.2%	-8.7%	4.79%	-5.8%	-5.5%
MSCI Europe Utilities	1.2%	11.9%	-1.3%	13.7 x	15.3 x	11.4%	16.4%	-15.6%	5.01%	-1.3%	-1.5%

Benchmarks source iShares ETF - Data as of 28/06/2019