CHAHINE CAPITAL
Performance Engineering

28/3/2020

STRATEGY OVERVIEW

Crazy volatility in a very difficult time

Summary

The VIX index hit 83% on 16 March, which was the day when the S&P 500 slumped 12%. That beat the VIX's previous record, set back in 2008. We titled our previous edition "Cuts in interest rates will not be enough to deal with this crisis", and events proved that right as governments across the world showered billions of helicopter money on individuals and businesses affected by Covid-19. Unlimited central bank liquidity has helped to lift equity markets off their lows.

In the meantime, millions of highly anxious people are in an apparently unlimited lockdown. The magic of modern medicine is not as powerful as all that, and it turns out that we are short of the few things that do work, such as ventilators and even basic protective and other equipment. The markets will remain in the same state of fear until they see a way out of the pandemic; the 34% correction to the S&P 500 from its highs took just 33 days, and of course we do not yet know whether the 2,237-point low will remain the bottom.

The statistics on the pandemic are a total mess. National comparisons of coronavirus cases are meaningless, as they hinge on the number of testing kits available. There is a huge gap in tests carried out in France and Germany, for example. We have searched in vain for a country that has established a representative sample of the population that would enable us to track the spread of the disease scientifically (we used to work on the Nielsen Scanning Panel). So far we do not know what the best way of combatting it is, either. China, South Korea and Singapore all risk renewed outbreaks, which is why they are being so careful about returning to normal. The Netherlands and UK have backtracked from 'herd contamination' strategies, which could have proved very costly in terms of lives in a context of health system overload. At the end of the day, getting through this crisis will require a miracle vaccine, a miracle cure or herd contamination, which is what is actually happening without anyone admitting it. Once more than half of the population has been exposed to the virus and has developed antibodies, the epidemic statistically ends. We are all waiting on antibody tests rather than tests for the infection itself; they ought to arrive in a massive scale soon and – one hopes – immune individuals will then be allowed to return to work and something like a normal life. Individuals that do not have antibodies but are deemed low-risk could then follow. Statistics on the proportion of immune individuals would be welcome in the meantime.

Having slumped 34%, as we have seen, the S&P 500 is down 25% at the time of writing. By sector, the biggest corrections concern energy, finance and everything connected with travel and holidays. Netflix is doing well, with so many people having nothing much to do other than watch TV. Bond markets have been disrupted, and spreads as high as 12% on junk issues are kindling fears of imminent bankruptcies. Central banks have already pumped in $5.7 trillion in new liquidity and many governments have launched stimulus packages to protect jobs and firms.

Consensus forecasts and other economic indicators are completely useless at the moment. We have referred back to the 2008 crisis to pencil in a 21% drop in US profits this year and a 15% rebound in 2021. If we use 1.38% for our 30-year rate, we obtain a year-end theoretical objective of 3,030 points for the S&P 500. The market could be expected to hit that level as we come out of this crisis. This valuation has prompted us to switch from an underweight equities allocation relative to the benchmark to an overweight allocation, and in any case our allocation had dropped to 30% because of the correction. We expect to lift that allocation 5% by placing buy orders from 2,650 points upwards. That was the previous low at which we got in. We would also ask what is going to happen in the end to all those billions showered on our economies: will they end up as higher consumption amid shortages of supply, triggering significantly higher inflation?

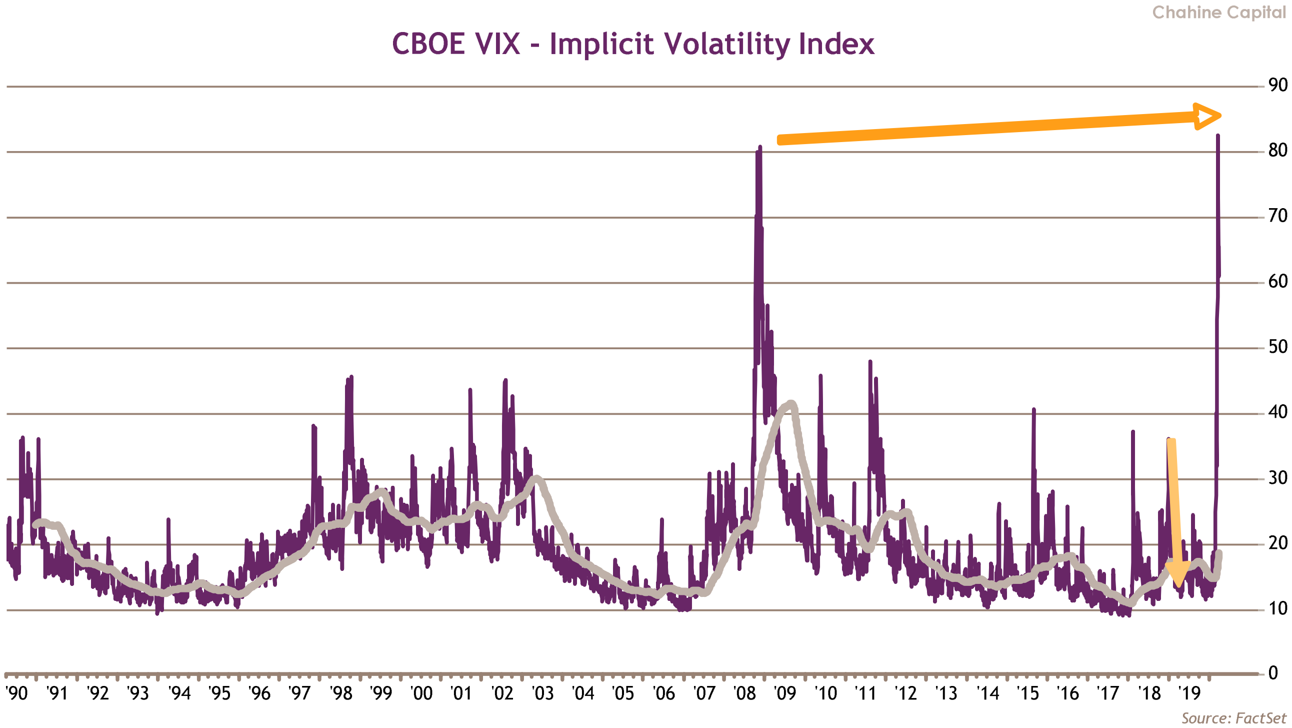
We wish all our readers good health and the energy we will all need to get through this period.

Jacques Chahine

Volatility beats its 2008 record

The VIX index hit 83% on 16 March, which was the day when the S&P 500 slumped 12%. That level signifies that the standard deviation of the daily change is 5.2%, and that on 5% of days the variation should be double. Unfortunately, that is what we've seen in practice since the virus really hit the markets. We titled our previous edition "*Cuts in interest rates will not be enough to deal with this crisis*", and events proved that after central banks eased and renewed with qualitative easing. The only weapon the authorities had left was helicopter money, which as regular readers will know we have discussed for months. Trillions of dollars-worth of payouts around the globe to those most directly affected by the crisis and unlimited central bank liquidity injections have helped the markets to stage a few technical rebounds, but investors' hearts are clearly not in it.

A new high for the 'fear' index

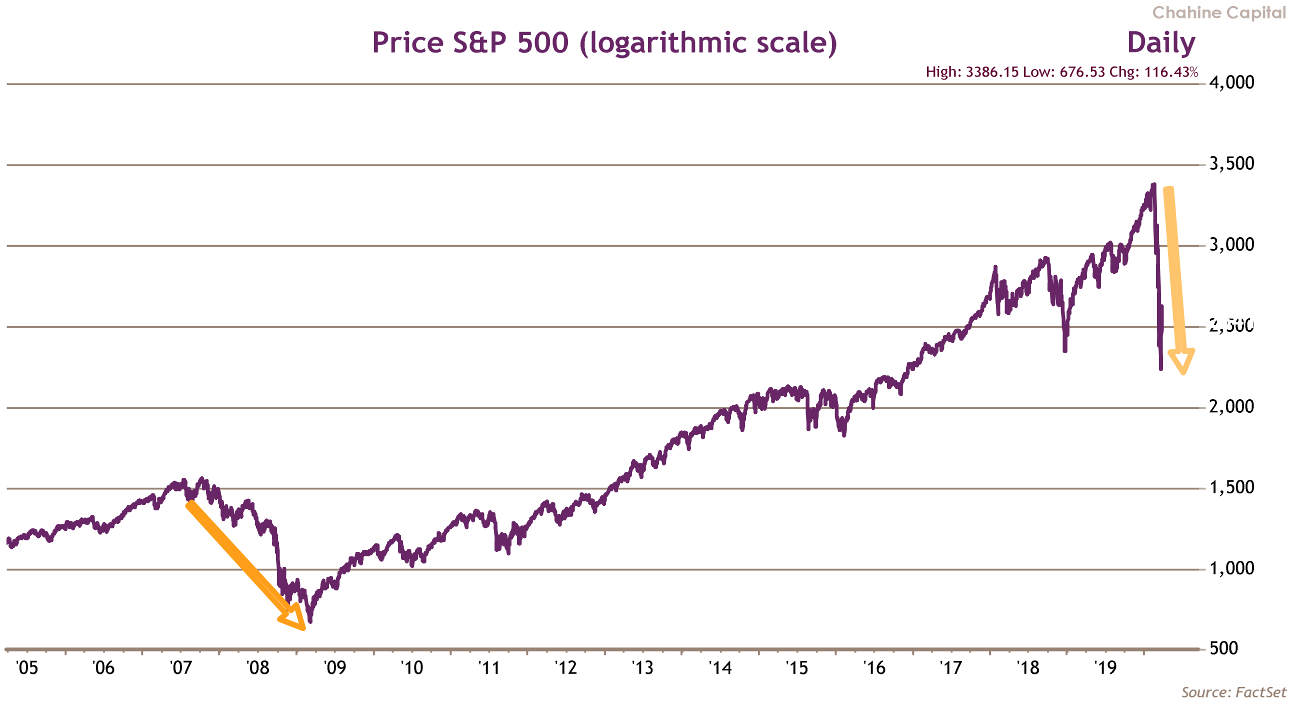


High anxiety

Successive lockdowns in country after country have fomented deep anguish and a sentiment of powerlessness against an infection making inexorable progress. The magic of modern medicine is not as powerful as all that, and it turns out that we are short of the few things that do work, such as ventilators and even basic protective and other equipment. The pandemic is testing the resilience of national healthcare systems, and some are clearly doing better than others. This virulent virus is highly contagious and we still know very little about it. Anguish is inevitable when we have no real idea of how we will emerge on the other side of the crisis and none of the early hotspots - including China - are back to anything like normal.

Financial markets will remain in this same anguished state until an exit from the crisis starts to take form, with an identified and credible pathway to some sort of normality. The economic damage inflicted by the virus is worse than that of any of the recessions on record. The S&P 500 corrected 34% from its highs in just 33 days, and the low of 2,237 points was below the trough of the 2018 correction. Commentators are divided on whether we will revisit that level.

The most violent of corrections



Down 33.9%: was that the worst of it?

Drawdown	Date High	Date Low	Date Recovery	Days to recover	Days to bottom	min value	max value	Type
-21.5%	03/08/56	22/10/57	24/09/58	**337**	445	39.0	49.6	Récession
-28.0%	12/12/61	26/06/62	03/09/63	**434**	196	52.3	72.6	Correction
-22.2%	09/02/66	07/10/66	04/05/67	**209**	240	73.2	94.1	Correction
-36.1%	29/11/68	26/05/70	06/03/72	**650**	543	69.3	108.4	Récession
-48.2%	11/01/73	03/10/74	17/07/80	**2114**	630	62.3	120.2	Récession
-27.1%	28/11/80	12/08/82	03/11/82	**83**	622	102.4	140.5	Récession
-33.5%	25/08/87	04/12/87	26/07/89	**600**	101	223.9	336.8	Correction
-19.9%	16/07/90	11/10/90	13/02/91	**125**	87	295.5	369.0	Récession
-19.3%	17/07/98	31/08/98	23/11/98	**84**	45	957.3	1186.8	Correction
-49.2%	24/03/00	09/10/02	30/05/07	**1694**	929	776.8	1527.5	Récession
-56.8%	09/10/07	09/03/09	28/03/13	**1480**	517	676.5	1565.2	Récession
-19.8%	20/09/18	25/12/18	23/04/19	**119**	96	2351.1	2930.8	Correction
-33.9%	**19/02/20**	**23/03/20**	**?**	**?**	**33**	**2237.4**	**3386.2**	**Recession**

Given persistently high volatility and the wave of bad news on the spread of the coronavirus in Europe and the USA, calling the bottom would be a bold move at this point.

A statistical shambles

The provision of statistics during the pandemic – and particularly the lack of figures that could allow comparisons between countries – has been abysmal. Superb databases do exist in every country, but the figures they provide are useless. Even relatively simple numbers such as Covid-19 deaths have to be treated with caution, as they are sometimes limited to deaths recorded in hospitals. Every day we are fed data on the number of cases in each country, but they refer to tests carried out, which in turn depends on the number of test kits available. As of the time of writing, Germany has carried out 167,000 tests and France 37,000, for example. France has concentrated tests on people already showing symptoms, while Germany has probably covered people without symptoms as well as those showing them. A quick study has shown that there are probably 10 infected people per every case detected; German data therefore show a low death rate relative to cases (0.6%) compared with France (5.8%). None of this is any help in defining a sensible medical strategy. Most of the cases recorded in Germany appear to be mild, while France is testing only serious cases. We have searched in vain for national data showing at any time *t* the number of people infected, from the asymptomatic to the serious. Apart from hearsay that every confirmed case masks ten others, we simply do not have any useful numbers.

Frustratingly, it would be a simple enough exercise to set up a representative panel of the population (1,000-2,000 people) and track their situation 'neutrally' to avoid biasing their behaviour. 'Private' experts would test them at regular intervals. The difficulty is preventing the panel from behaving differently, which stops it being representative. But in that case one would simply start again with another panel. The writer's 25 years as a statistician with Nielsen Scanning Panels measuring consumer and retail behaviour shows that we can readily measure sales of soap powder and TV audiences, so why not the progression of Covid-19?

No clear model for defeating the virus

We do not yet have any convincing model for beating the virus. Hopes are running high for China, which was the first country to be affected and which adopted a drastic lockdown policy in Hubei province. With the number of new cases in Hubei falling to zero, the authorities have now decided to ease up on those restrictions. Except for Wuhan, the provincial capital, still on lockdown for another fortnight at least, Hubei residents can again leave the province. The Chinese government has introduced a giant app for the population, featuring a three-colour QR code (green, yellow and orange). 'Green' citizens are not quarantined and can travel. Alibaba is cooperating in this massive 'Big Brother' exercise, which incidentally makes all smartphone data available to the State. Getting the green code does not indicate that the individual concerned has acquired immunity as confirmed in some test, but follows from permanent surveillance, including contacts, movements and medical history. Even so, the authorities are still wary of a fresh outbreak of the coronavirus as a result of contamination from abroad.

South Korea and Singapore are also cited as examples. Both managed to slow the epidemic with systematic testing, rapidly identifying individuals that had been in contact with each infected person and quarantining them. Two people died of the disease in Singapore and 144 in South Korea. Unfortunately, and following a steep decline in the number of cases detected, infections have risen again.

Sweden is also attracting attention, as it has refrained from lockdowns and allowed business to continue. Precautions have been taken by banning large gatherings, and people deemed at high risk have been asked to work from home if possible. The death rate is no higher than anywhere else. The Netherlands adopted a similar approach, but that has not worked as well. As in the UK, the Dutch experiment with so-called herd contamination has been dropped.

Our exit scenario

So how are we going to move on from this terrible pandemic? Unless and until we have a miracle vaccine or cure, we are stuck with herd contamination, which is what all governments appear to be doing without actually saying so. The restrictions and lockdowns are intended to flatten the contamination growth curve so that health systems can cope. Epidemiologists tell us that once half of a given population has contracted the virus and developed the antibodies to deal with it, contamination will slow naturally. Immune individuals are unlikely to contaminate anyone else, and while we do not yet know how long that immunity lasts we can assume at least a year or two. Immune health workers can be less worried as they go about their business, and your local barman will not be infecting his customers. Testing efforts are now about identifying immune individuals rather than infected ones. The UK says it will ‘soon’ have millions of kits to do just that, for example, so that people unlikely to endanger others can return to work. The statistical shambles we have referred to means that nobody knows at what stage we are all at (or somebody does know but is keeping it a secret).

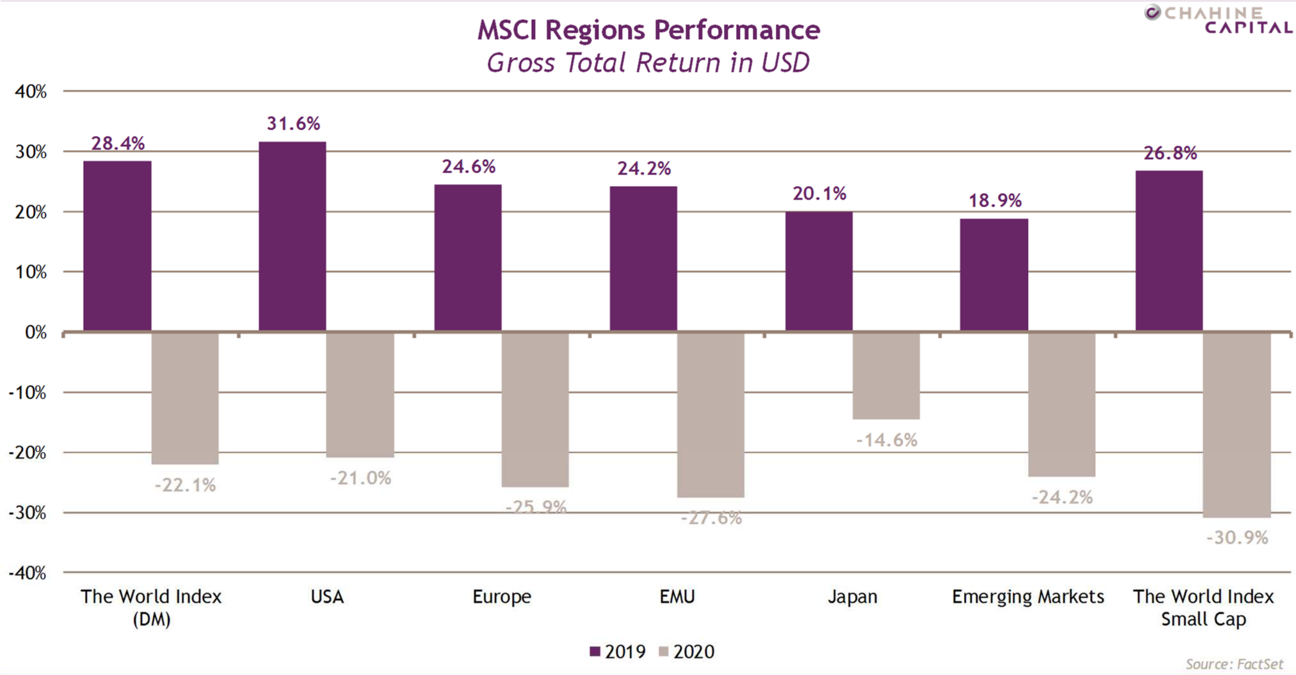
We believe the most realistic scenario at the moment is that spreading immunity will eventually halt the rise in new cases. We should not rule out wonder drugs – chloroquine was an early hope, but is now controversial – but should not forget that a dozen other antiviral drugs are being tested for other things, like Ebola. Research efforts have been stepped up massively and we can always hope that something positive emerges sooner rather than later. In China and South Korea, there is always a risk of another upsurge in infections for as long as half the population lacks immunity.

If our scenario pans out, the planet’s return to work will be gradual. Immune people will be freed up to go about their business alongside with low-risk segments of the population that will then be unlikely to catch it in the first place. Long-term lockdowns are hardly a great solution, as people can die of depression just as easily as they can die of Covid-19. Donald Trump’s earlier dream of going to work at Easter will have to wait for the immunity tipping point. For us, the most important leading indicators would be reliable figures on immunity and trends in the pandemic itself, not the mish-mash of incompatible data we have at present.

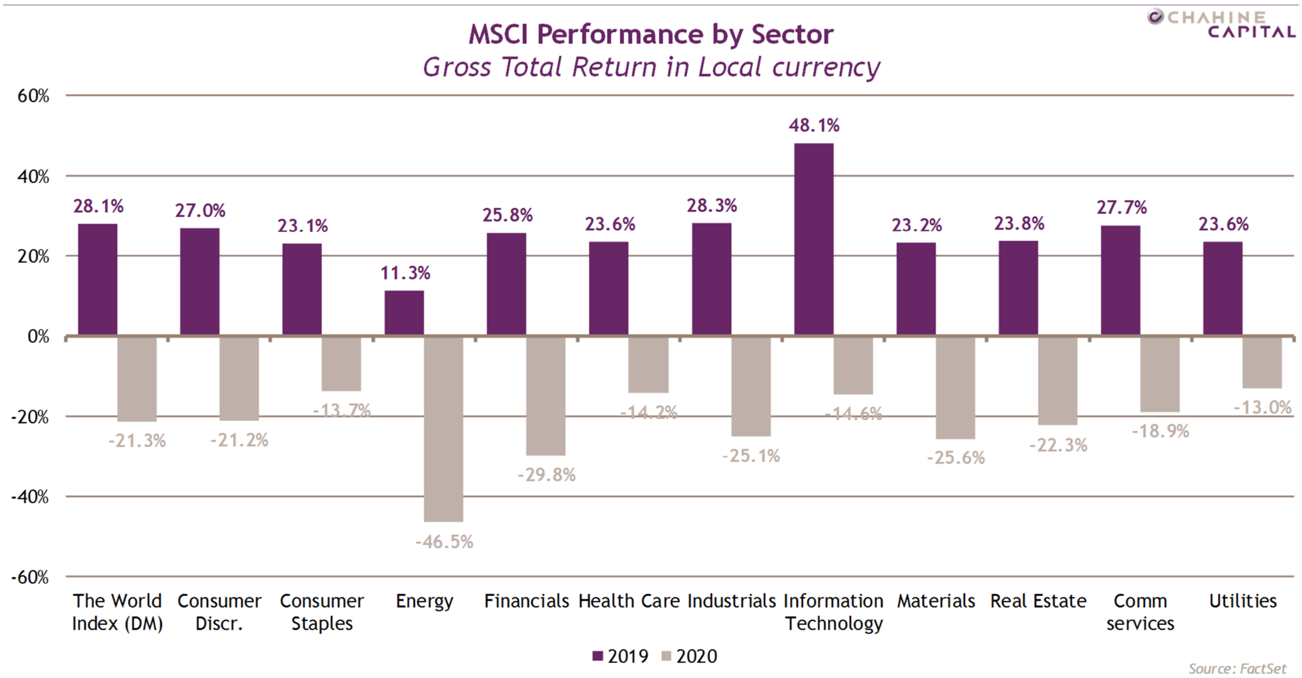
The biggest casualties: energy, finance, travel and leisure

In the current climate, long-term investors are best advised to stay indoors and ignore the market’s gyrations. Those will continue until an exit route starts to materialise. Losses on equities have been serious, amounting to 22% for the world index and 21% for the S&P 500 since the start of the year. As usual, eurozone equities have exaggerated the move, dropping 27.6%, and small caps without the cash reserves available to large caps have been particularly hard hit. The oil sector is at rock bottom in the wake of collapsing oil prices and the threat to the smaller US producers that Saudi Arabia want to eliminate for good. The next worst sector is finance, which is always damaged by recession because of the implications for bankruptcy rates. As we explained last month, we have increased our equity weight by 3 percentage points, with 20% executed at 2,939 points, 40% at 2,750 points and 20% at 2,650 points. We have cancelled a buy order at 2,850 points and replaced it with one at 2,650 points. Needless to say, our orders were filled pretty quickly.

Everybody hurts



Energy and finance the worst hit, better resistance from healthcare and IT



Having corrected 34% from its highs at one point, the S&P 500 is down 25% at the time of writing. A more detailed look at the casualty list might help our readers. In the energy sector, corrections have been as much as 80% relative to the market's peak on 19 February. The next worst performers are three cruise lines in the index: Norwegian, Royal Caribbean and Carnival, all down more than 70%. Department stores were already struggling and now we find Macy's down 67%. ViacomCBS is down 70%; conventional TV operations depend on advertising revenues, which have evaporated without any likelihood of a swift return. To nobody's great surprise, travel and leisure firms make the disaster list, from casinos to airlines, hotels and restaurants. Here corrections exceed 60%. Clothing is in a similar situation. Boeing is a bit of a special case, having collapsed from $400 to $100 before rebounding to the $150-180 range when government support was announced. Real estate has not been a safe haven, whether it be retail space, offices or hotels. Corrections in the financial sector often exceed 40%, especially among insurers.

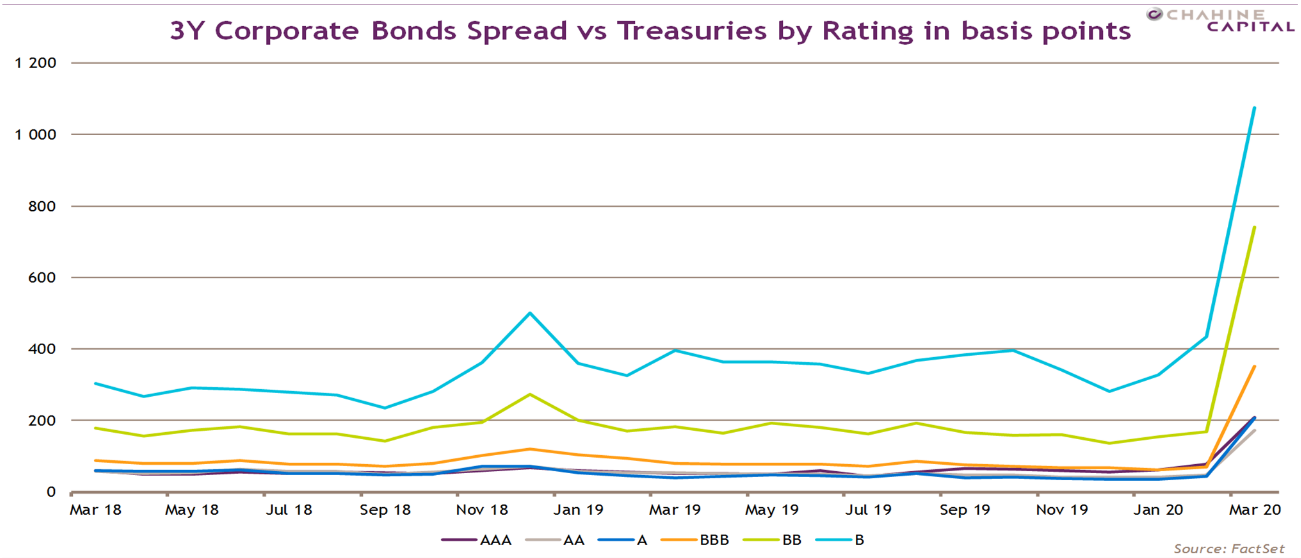
Some niche stocks have held up very well. Citrix specialises in digital workspaces, and biotech firms such as Regeneron and Gilead are involved in coronavirus research. With so many people stuck at home, Netflix has seen its market soar. The same goes for Amazon, not just for home deliveries but through its streaming and cloud computing services. In real estate, a firm housing data centres stands out from the rest.

Our Digital funds have proved resilient, without any marked setbacks. Indeed, we have seen a steady stream of new investors since the market bottomed out.

Turbulent times for other asset classes

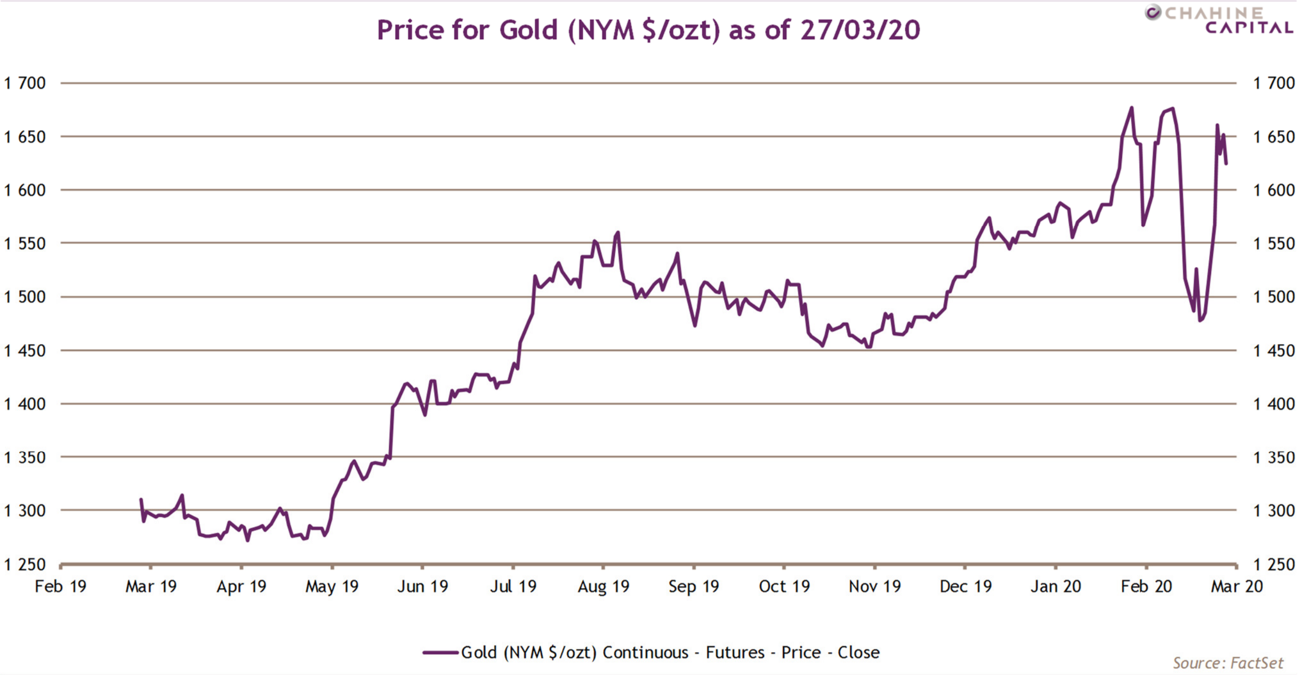
The dislocation of the corporate bond market has even affected triple-A issues. The chart below shows how spreads over government bonds have moved. Junk bonds are yielding 11 percentage points over Treasury bonds in the 3-year maturity, compared with 4 points before the crisis. Spreads on triple-A debt, some of which has been described as sounder than government paper, have climbed 150 basis points, hitting investors that would have thought to be safe. The situation implies looming bankruptcies, particularly in an oil sector carrying high debt. Can governments save everyone? We hardly think so, as the amounts involved are colossal. The weak will go to the wall.

Pressure on bond markets



In a context of central bank liquidity injections and zero interest rates, gold has become more attractive – and volatile. Prices are back on an uptrend that dates back to before the pandemic and their current $1,650/oz compares with $1,300 a year ago. In the very unwelcome event that people lose confidence in the currencies being printed off by the tonne without any corresponding wealth creation, gold would play a perfect safe haven role. Physical gold tucked away in a safe somewhere is part and parcel of prudent investment in any case.

Gold as a safe haven

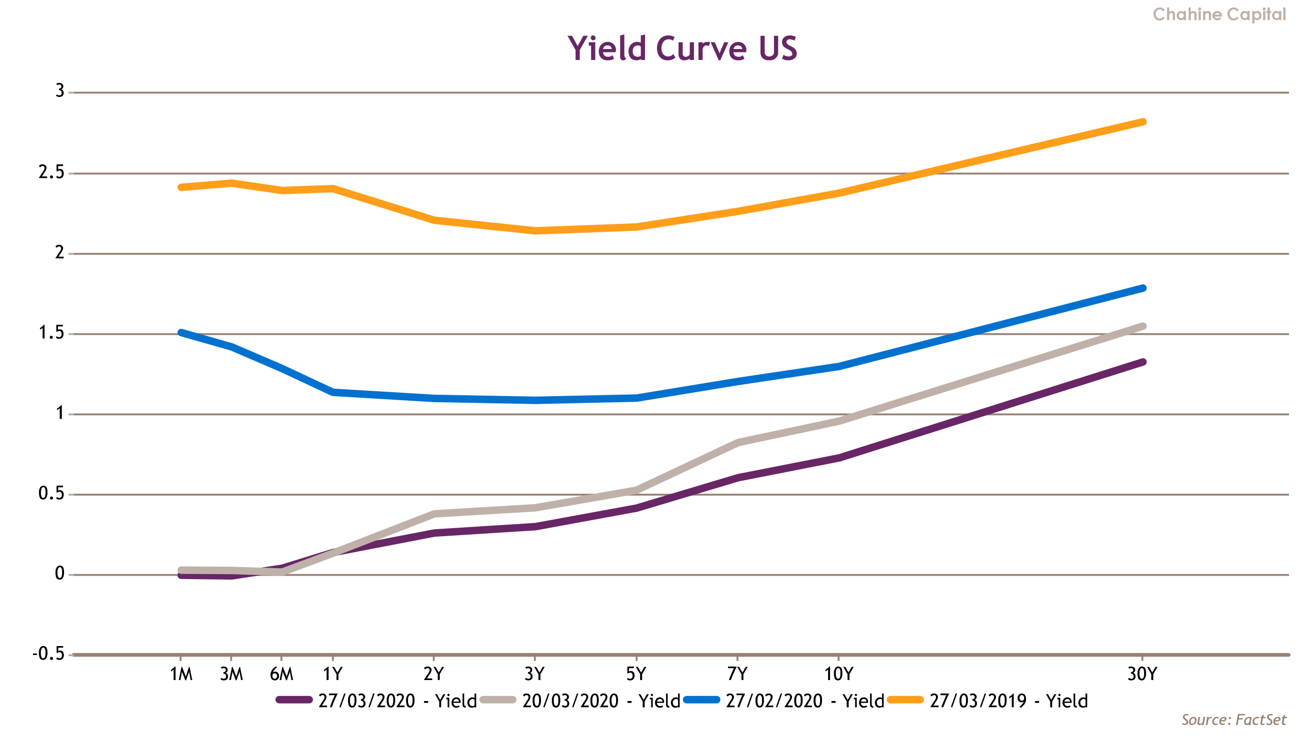


The impact of central bank intervention

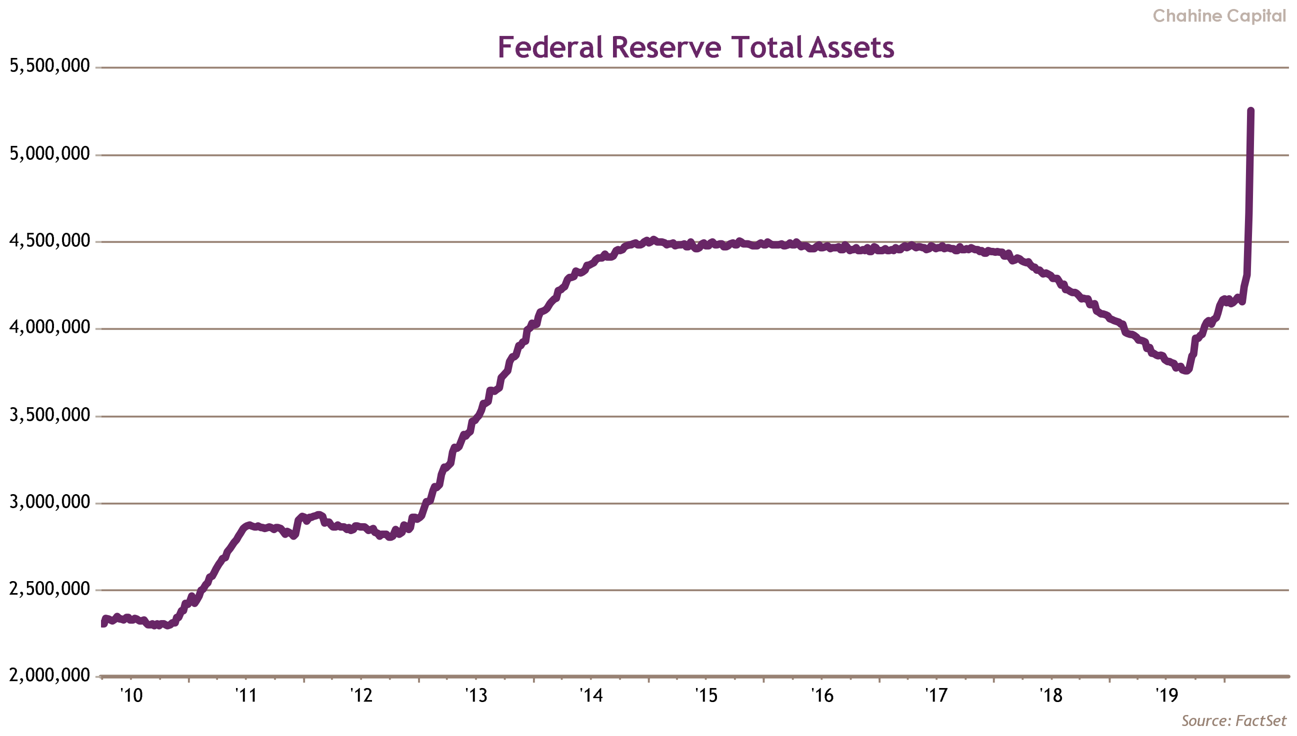
The US yield curve has steepened and shifted down over the past month, with the Fed anchoring the short end at zero. The slightly steeper aspect offers hope of normalisation in the medium term, but the meantime the Fed's qualitative easing has boosted its balance sheet by $1.1 trillion in the space of a month.

The Fed is not the only central bank resorting to QE, of course. The whole planet is now awash with central bank cash, with the prospect of more to come. Taken together, the Fed, ECB, Chinese central bank, Bank of England and Bank of Japan have injected an estimated $5.7 trillion, some 10% of GDP. Pumping liquidity into the financial system is no solution, as we have argued so often, which is why governments have also turned to helicopter money to keep their economies afloat. Stimulus packages announced so far (including two in the USA alone) amount to trillions of dollars; in France, President Macron has invoked Mario Draghi's "whatever it takes" mantra in support of jobs and businesses.

Back to zero rates



A massive Fed liquidity injection in a very short time



Stimulus packages worldwide

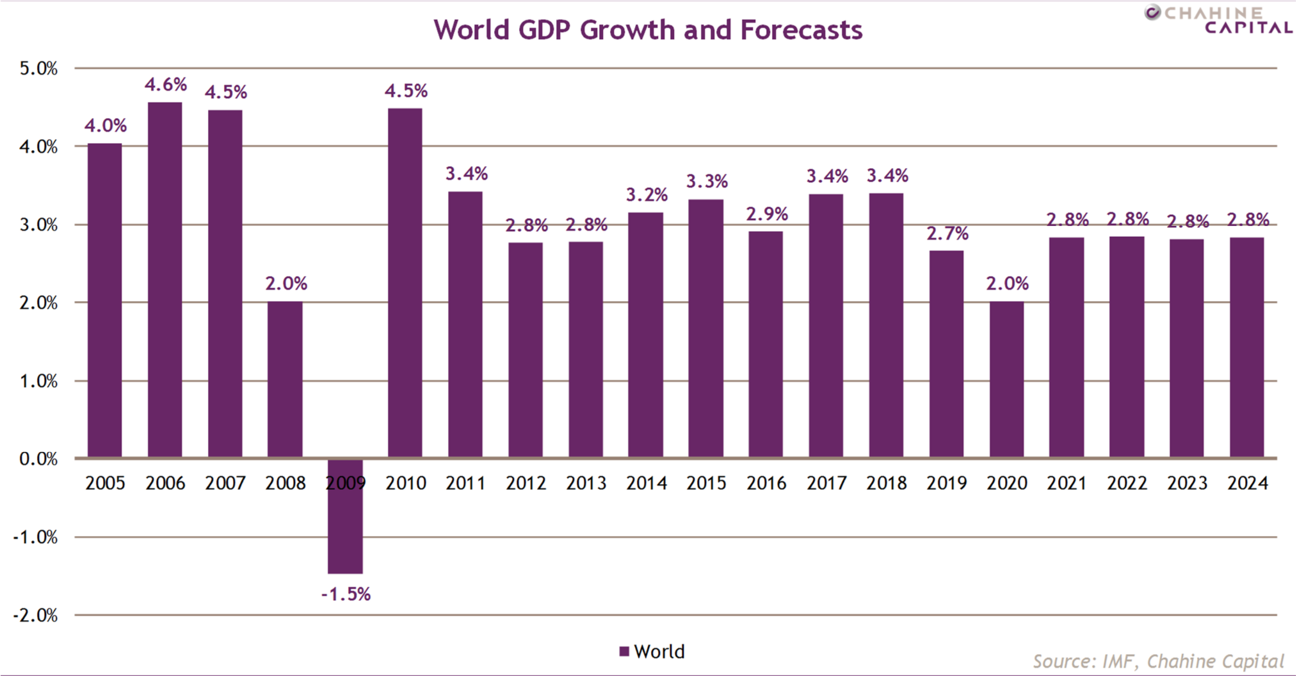
In the USA, the $2 trillion package approved by the Senate in a rare show of bipartisanship (the vote was 96-0) covers a very wide range of measures, from support for the health service to increased unemployment benefit and footing SME wage bills. Helicopter money amounted to a payment of $1,200 per adult and $500 per child for every family earning up to $150,000 per year. Unemployment benefit has been raised by $600 per week and extended to 39 weeks. The self-employed will be covered by this move. Student loan repayments have been suspended until 30 September and households in difficulty can benefit from a 60-day mortgage holiday. Evictions from rented property have been suspended. SMEs can receive up to $10 million to cover wages, rent and utilities for 8 weeks. Larger firms will have access to a $454 billion package of credits and guarantees, with interest capped at 2%, on condition that they keep on 90% of their staff until the end of September and cap senior executives' salaries at $3 million plus 50% of what they would normally make above that. These firms will not be able to pay out any dividends or buy back their own shares. Nor can they outsource any jobs for two years. Airlines will have access to $25 billion in subsidies but in return for shares, and on condition that they make nobody redundant until 30 September and serve destinations as directed by the authorities. $17 billion has been set aside for critical firms such as Boeing. Following heated debate, it has been agreed that an Inspector General named by the Senate and President will oversee the programme. Major companies suffering heavy losses as a result of the crisis will be extended a tax credit equalling 50% of their wage bill and a subsidy for each employee. Employer taxes have been deferred.

We have concentrated on the US package, but similar packages have been approved in almost all developed countries. All have resorted to the creation of substantial amounts of money, with government borrowing underpinned in the final analysis by central banks themselves. When the ECB prints money to buy a French government bond, that money finds its way to households and firms that will be able to spend it. Meeting their needs means importing the goods and services that make up 30% of final demand, paying in dollars (effectively) when those imports come from outside the euro zone. What is true of France is true of all countries paying for their imports, and of course their exports have slowed. It follows that only the USA can print money without a second thought. Central bank swapping to get hold of dollars explains why the US currency has appreciated during the crisis.

Economic indicators of little relevance

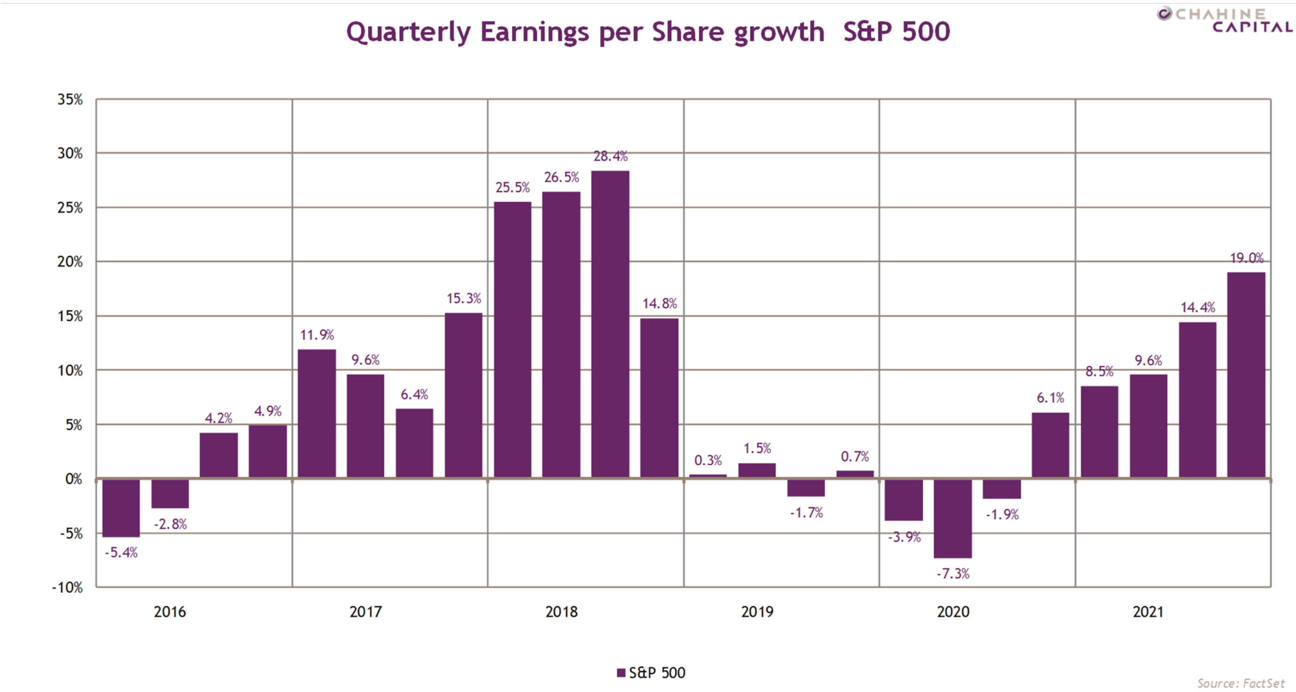
Macro- and microeconomic forecasts should be taken with a very large pinch of salt at the moment, and especially consensus figures. Despite everything, the macro consensus is still a 2% increase in world GDP this year, down from 2.66% last month! That looks like fairyland, given that economic activity has ground to a halt worldwide. It would also look absurd in comparison to 2008. In that crisis year, world GDP rose 2% rather than the forecasters' 4.5%; the following year it fell 1.5%. The consensus estimate for the USA is -0.4%, but the range is from -3.5% to +1.6%. Morgan Stanley and Goldman Sachs claim that US GDP will contract 30% in Q2, which all things considered would not be surprising. For China, the forecast is down from 5.9% to 5.3%, which is hardly serious either. These sorts of numbers are no help in coming to an objective view. We are reduced to microeconomics and what individual companies are saying, but here too forecasts are very confused or even absent, with some refraining from saying anything without any sort of visibility.

Current forecasts are worthless



Expectations for US corporate profits in 2020 are hard to pin down. Naturally, estimates have been revised down and the consensus for the year is currently -0.6%. Q1 will feature a normal January then two months of disaster. It is hard to imagine earnings declining only 4%. Companies with a financial year ending at end-February have revised their Q2 guidance by 31%; this figure is on the cautious side, given that the cruise line Carnival was looking to be on unchanged profits in Q2!

Some pointless consensus numbers, too



We are back to positive on equities

Investors should not count on analysts to give them any help in profits forecasting. For our part, we have looked at the 2008 recession as a guide, noting that US profits dropped 28% that year after a 5% decline in 2007. They rebounded just 3% the following year and then surged 36% in 2010. Our estimate is a 21.3% drop in profits this year and a 15% rebound in 2021. Our valuation model indicates that over an 8-year period, and using 2019 as the base year, equities are now priced at a -2.3% CAGR. That looks excessive, as we would expect earnings to be at least as high at the end of that 8-year period as they were in 2019. Our own modelling gives us a CAGR of 0.1%; with current long rates, that would mean a theoretical objective of 3,030 points for the S&P 500. We are obviously a long way from there, and the model takes no notice of the extreme volatility highlighting the risk of any investment right now. Our figures imply recession with a certain degree of normality down the road. A more severe recession would give us a 26% drop in profits this year and an objective of 2,672 points.

These objectives will look realistic as soon as a way out of the pandemic materialises. Volatility would be so great at that point that there would be no time available for pondering a possible re-entry. That is why we suggest placing a buy at 2,650 points or lower, for example, which was the lowest level we went back in at last month.

Equities attractive, but high-risk

S&P 500 - Valuation end 2020 except implied scenario					
CAGR Compounded Annual Growth Rate from 2019	**30 Years Gvt bonds**				
	1.00%	1.25%	**1.38%**	1.50%	2.00%
Deep recession: -26.4% in 2020, 14% in 2021 - CAGR -1.5%	**2 973**	**2 769**	2 672	2 588	2 282
Implied Scenario CAGR -2.3% over 8 years	2 914	2 721	**2 630**	2 551	2 261
Return to normal: -21.3% in 2020, 15% in 2021 - CAGR 0.1%	3 373	**3 140**	**3 030**	**2 934**	2 585
Current Index S&P 500			**2 600**		

In the euro zone, we estimate a 25-30% drop in profits this year and a timid 12% rebound in 2021. Even this scenario offers substantial 10-25% appreciation potential.

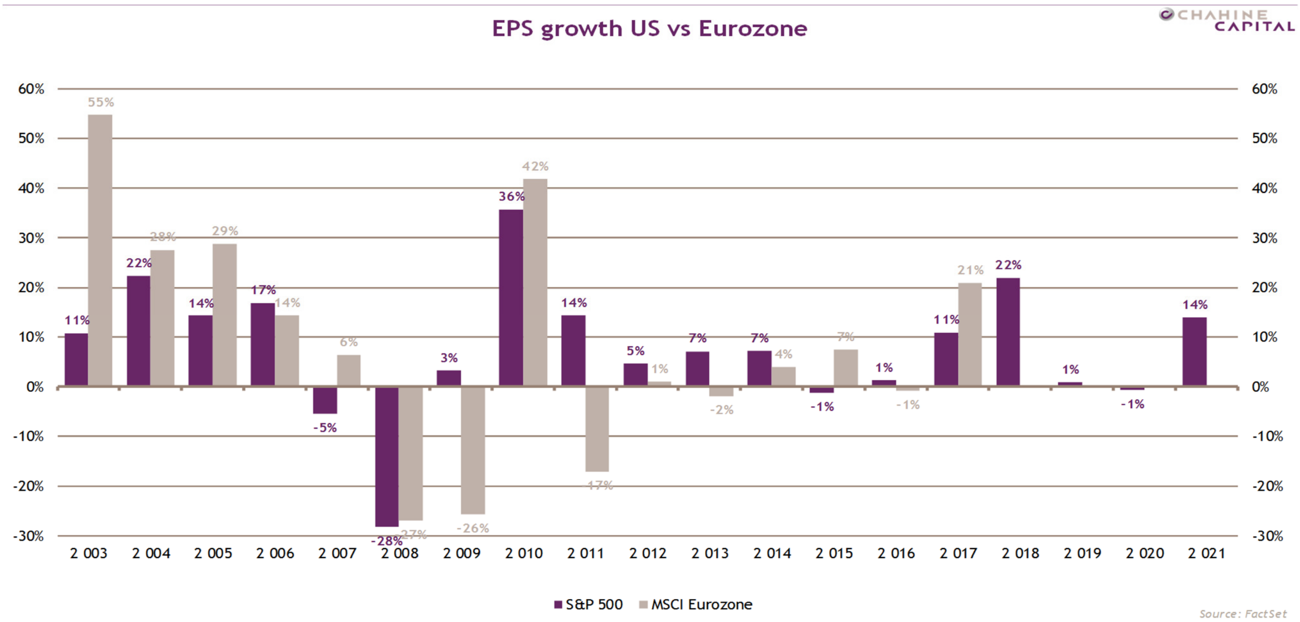
These valuations and the glimmer of hope offered in mass immunity leading to a degree of normality have prompted us to switch to overweighting equities. We suggest buying in by stages as the market rallies. For a benchmark of 40% that would have contracted as the market corrected, we are moving to a 35% exposure and then 40% if the rally continues. The 40% benchmark will be exceeded automatically.

We remind readers that we had been underweight our benchmark allocation since 30 September 2018. The rally last year ensured that it was not always a promising decision.

Euro zone equities are also attractive

MSCI EMU - Valuation end 2020 except implied scenario					
CAGR Compounded Annual Growth Rate from 2019	30 Years Gvt bonds				
	0.25%	0.50%	0.71%	1.00%	1.25%
Deep recession: -30% in 2020, 10% in 2021 - CAGR -8.1%	**125**	**116**	109	101	95
Implied Scenario: CAGR -10.3% over 8 years	114	106	**101**	94	88
Return to normal: -25% in 2020, 12% in 2021 - CAGR -6.4%	143	133	**125**	**115**	**108**
Current Index MSCI EMU			**101**		

We expect US profits to contract 21% in 2020, compared with 28% during the 2008 financial crisis



Conclusions

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The statistics on the pandemic are a total mess. National comparisons of coronavirus cases are meaningless, as they hinge on the number of testing kits available. There is a huge gap in tests carried out in France and Germany, for example. We have searched in vain for a country that has established a representative sample of the population that would enable us to track the spread of the disease scientifically (we used to work on the Nielsen Scanning Panel). So far we do not know what the best way of combatting it is, either. China, South Korea and Singapore all risk renewed outbreaks, which is why they are being so careful about returning to normal. The Netherlands and UK have backtracked from 'herd contamination' strategies, which could have proved very costly in terms of lives in a context of health system overload. At the end of the day, getting through this crisis will require a miracle vaccine, a miracle cure or herd contamination, which is what is actually happening without anyone admitting it. Once more than half of the population has been exposed to the virus and has developed antibodies, the epidemic statistically ends. We are all waiting on antibody tests rather than tests for the infection itself; they ought to arrive in a massive scale soon and – one hopes – immune individuals will then be allowed to return to work and something like a normal life. Individuals that do not have antibodies but are deemed low-risk could then follow. Statistics on the proportion of immune individuals would be welcome in the meantime.

Having slumped 34%, as we have seen, the S&P 500 is down 25% at the time of writing. By sector, the biggest corrections concern energy, finance and everything connected with travel and holidays. Netflix is doing well, with so many people having nothing much to do other than watch TV. Bond markets have been disrupted, and spreads as high as 12% on junk issues are kindling fears of imminent bankruptcies. Central banks have already pumped in $5.7 trillion in new liquidity and many governments have launched stimulus packages to protect jobs and firms.

Consensus forecasts and other economic indicators are completely useless at the moment. We have referred back to the 2008 crisis to pencil in a 21% drop in US profits this year and a 15% rebound in 2021. If we use 1.38% for our 30-year rate, we obtain a year-end theoretical objective of 3,030 points for the S&P 500. The market could be expected to hit that level as we come out of this crisis. This valuation has prompted us to switch from an underweight equities allocation relative to the benchmark to an overweight allocation, and in any case our allocation had dropped to 30% because of the correction. We expect to lift that allocation 5% by placing buy orders from 2,650 points upwards. That was the previous low at which we got in. We would also ask what is going to happen in the end to all those billions showered on our economies: will they end up as higher consumption amid shortages of supply, triggering significantly higher inflation?

We wish all our readers good health and the energy we will all need to get through this period.

Jacques Chahine

STRATEGY OVERVIEW

Main ratios for markets and sectors as of 27/3/2020 (in local currency)

Data as of 27/03/20	Weight vs MSCI World	Perf 2020	Perf 2019	Weighted P/E 2021	Weighted P/E 2020	% Wted EPS Chge 2021	% Wted EPS Chge 2020	% Wted EPS Chge 2019	Div Yield 2020	Revision vs M-2% Fiscal 21	Revision vs M-2% Fiscal 20
MSCI The World Index	**100.0%**	**-22.57%**	**25.30%**	**12.9 x**	**14.5 x**	**12.8%**	**-2.5%**	**0.3%**	**3.06%**	**-5.2%**	**-7.0%**
MSCI USA	62.6%	-21.40%	29.20%	14.0 x	15.9 x	13.6%	0.0%	0.1%	2.41%	-4.3%	-5.7%
MSCI Japan	9.1%	-15.54%	15.70%	11.4 x	12.5 x	10.0%	5.5%	-13.7%	2.97%	-2.5%	-2.6%
MSCI EMU	13.1%	-26.51%	21.78%	10.5 x	11.9 x	13.7%	-3.7%	0.3%	4.50%	-6.9%	-9.8%
MSCI Europe	23.9%	-25.30%	22.20%	11.1 x	12.6 x	12.7%	-6.8%	4.0%	4.70%	-7.7%	-10.6%
MSCI Europe ex Energy	22.7%	-24.17%	23.83%	11.2 x	12.4 x	10.6%	-2.9%	6.0%	4.38%	-5.0%	-6.4%
MSCI Austria	0.1%	-41.04%	13.38%	6.4 x	7.0 x	10.5%	-3.6%	-23.6%	6.86%	-11.9%	-13.1%
MSCI Belgium	0.5%	-34.50%	19.36%	10.8 x	12.1 x	11.9%	-11.3%	10.7%	4.95%	-8.3%	-11.2%
MSCI Denmark	0.8%	-11.18%	28.95%	18.3 x	21.6 x	18.0%	-0.2%	-4.5%	2.16%	-3.6%	-5.6%
MSCI Finland	0.4%	-22.21%	8.28%	12.4 x	13.9 x	12.1%	-2.5%	-0.6%	4.62%	-3.1%	-3.8%
MSCI France	4.9%	-26.02%	26.10%	11.3 x	12.7 x	12.5%	-4.4%	4.8%	4.26%	-8.1%	-10.8%
MSCI Germany	3.3%	-27.78%	20.09%	9.6 x	11.5 x	19.4%	-2.1%	-4.1%	4.02%	-5.5%	-10.4%
MSCI Great-Britain	4.9%	-26.99%	11.30%	10.3 x	11.5 x	12.1%	-9.7%	-4.4%	6.28%	-8.2%	-12.1%
MSCI Ireland	0.1%	-24.67%	25.63%	12.9 x	14.1 x	9.4%	2.8%	-16.9%	2.23%	-8.0%	-7.8%
MSCI Italy	0.9%	-27.94%	25.49%	8.5 x	9.4 x	10.7%	-6.9%	1.3%	6.52%	-12.1%	-13.8%
MSCI Netherlands	1.6%	-21.53%	26.85%	12.8 x	14.6 x	13.5%	3.6%	-8.5%	3.55%	-3.8%	-4.0%
MSCI Norway	0.3%	-25.17%	8.26%	10.4 x	13.2 x	27.3%	-8.1%	-11.0%	6.81%	-10.7%	-20.4%
MSCI Spain	1.2%	-28.42%	9.85%	9.0 x	9.6 x	7.4%	-7.2%	6.5%	6.51%	-5.9%	-8.2%
MSCI Sweden	1.0%	-20.55%	24.47%	12.3 x	13.5 x	10.1%	-26.3%	69.7%	4.41%	-5.0%	-8.2%
MSCI Switzerland	3.6%	-15.27%	27.22%	14.2 x	15.5 x	8.9%	4.8%	9.9%	3.58%	-2.5%	-2.9%
MSCI Europe Consumer Discretion	3.0%	-30.00%	30.01%	10.5 x	12.7 x	21.6%	-6.6%	-9.4%	3.59%	-8.6%	-15.9%
MSCI Europe Consumer Staples	3.7%	-16.00%	22.38%	14.9 x	16.2 x	8.2%	0.6%	9.8%	3.61%	-3.7%	-4.5%
MSCI Europe Energy	1.2%	-40.88%	3.55%	10.3 x	16.5 x	60.9%	-52.0%	-14.7%	10.37%	-37.3%	-56.5%
MSCI Europe Financials	3.6%	-33.08%	17.49%	7.1 x	7.5 x	6.3%	-8.2%	15.0%	7.40%	-5.7%	-5.9%
MSCI Europe Health Care	3.6%	-12.51%	28.40%	13.8 x	15.2 x	10.5%	4.9%	9.4%	3.19%	-1.2%	-1.0%
MSCI Europe Industrials	3.0%	-29.46%	32.02%	12.2 x	13.9 x	14.0%	-4.9%	7.0%	3.60%	-7.6%	-10.4%
MSCI Europe Information Technol	1.5%	-19.80%	36.00%	15.5 x	18.2 x	17.8%	11.3%	5.5%	1.56%	-2.7%	-3.4%
MSCI Europe Materials	1.5%	-29.37%	21.39%	11.2 x	12.4 x	10.9%	0.8%	-11.5%	4.95%	-6.2%	-7.6%
MSCI Europe Real Estate	0.3%	-30.57%	18.93%	11.9 x	12.1 x	1.8%	-8.5%	-21.8%	6.37%	-3.7%	-3.4%
MSCI Europe Communication Serv	1.1%	-25.85%	0.60%	10.3 x	11.5 x	11.9%	-4.2%	3.3%	5.70%	-3.7%	-3.7%
MSCI Europe Utilities	1.3%	-14.09%	24.29%	12.8 x	13.6 x	6.1%	0.4%	23.8%	5.56%	-2.1%	-2.4%

Benchmarks source iShares ETF - Data as of 27/03/2020

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