MARKET COMMENTARY

Energy sector: decarbonisation to continue, for big oils in particular

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- **The energy sector is currently characterised by lower MSCI Environmental and Governance scores relative to the average Iboxx. Energy's total CO2 emissions and Carbon Intensity are the third highest after Materials and Utilities.**
- **Looking forward to the next 3 years, the decarbonisation trend (Scope S1+S2, direct Emissions and Indirect from Electricity Purchased & Used) of -11% for the Energy names in 2019-2024 lies above that of EU sector average (-8%, source: MSCI).**
- **The "big oils" are in a much better position than the Energy sector average. More importantly, their 2019-2024 decarbonisation trend at -20% is superior.**
- **Furthermore, we expect credit KPIs to hold well, estimating a manageable decarbonisation, allowing needed capex and dividends and further declines in Net debt and Net debt-to-Ebitda ratios, thanks also to higher cost efficiency.**
- **Longer term (10-30 years), S3 (other Indirect emissions, related to products sold to clients) will be a challenge but the mix change towards renewables via big investments will help.**
- **Transition risks are palatable, and the firms' current targets still imply a trajectory slightly above 2°C. Pressure to adhere to more stringent goals – (2°C) – would imply a higher capex and negative cash flows. The good news from early simulation is that, after an initial period, the available cash flow could then increase over the long run more robustly than in the base scenario.**
- **Higher credit spreads vs. the Iboxx index and an extreme degree of relative equity undervaluation (cheapest sector on adjusted market multiples) should appeal to investors. This come at a time when the oil price is forecasted to remain in the 80 to 85US$/bbl range, with risks clearly skewed to the upside. The sector's relative equity performance also shows the highest correlation to inflation, a high one to yields and an average one to volatility (VIX).**
- **Relatively low E scores (Esg) and ECB greening will be headwinds, which will slow the mean reversion of cheap valuations.**
- **Following the 2021 ally, we maintain a slight OW on the energy equity sector (small given the short-term overbought signals from our quant models), while sticking to a Neutral position in the Credit space.**

The energy sector, here defined as the constituents of the IG Iboxx index, is currently characterized by **lower MSCI Environmental and Governance scores** (ESG) relative to the average Iboxx (6.2 and 4.8 vs 6.5 and 5.3 respectively).

Energy total **CO2 emissions** and Carbon Intensity are the **third highest** after **Materials and Utilities**. The Social score, on the contrary, looks better with a score of 6.9 vs an average of 5.

- **Looking forward, in the next 3 years,** MSCI analysts see a **decarbonisation** (S1+S2) trend of -11% for Energy companies in 2019-2024, compared to an EU sector average of -8%. While this expected trend is already included in the current score, such decline, if realised, will benefit investors looking to decarbonise portfolios.

  The "big oils" (EU majors, like Shell-RD, Total, Eni, Repsol, Equinor and BP) are in a better place **than the Energy sector average**. While their Environment score is slightly lower (5.8 vs. 6.2), both their Social and Governance scores are higher: by +0.2 and + 0.4, respectively. More importantly, **their 2019-2024 decarbonisation trend is superior, at -20% vs. -11%.**

  Furthermore, we expect **credit KPIs to stabilise over the same period**. In a base case scenario - **current supportive environment (Brent at nearly 80$/bbl, high gas prices) - we estimate a very manageable decarbonisation, allowing for the needed capex, dividends, and deleveraging**. Indeed, in a base case scenario (based on companies' outlook), for the next years we see a further decline in **Net debt and Net debt-to-Ebitda ratio**. The **free cash flow** will however halve compared to 2021 level, due to an increased capex and, to a lesser extent, to higher dividends and share buy-backs.

  Overall, even compared to 2019, cost efficiency will support higher Ebitda and net profits, notwithstanding stable-to-slightly reduced revenues, with also higher free cash flow and lower debt ratio.

Energy sector: decarbonisation to proceed. Renewables to mend S3 score.

High total CO2 emissions are mitigated in part by higher decarbonization expectations

Iboxx Europe

Sectors	ESG Score	E-Score	S-Score	G-Score	S1+S2 (mn t Co2)	Carbon Intensity (t Co2/EVIC mn)	% Decarb 2019-2024
Communication Services	6.4	9.5	5.8	4.7	51	20	41.2%
Consumer Discretionary	5.4	5.5	4.2	4.7	132	33	18.3%
Consumer Staples	6.9	5.5	5.1	5.4	117	36	16.0%
Energy	6.9	6.2	6.9	4.8	840	400	10.9%
Financials	6.7	6.8	4.7	5.6	90	4	2.7%
Health Care	5.5	7.6	4.7	5.0	25	6	17.3%
Industrials	6.3	6.5	4.9	5.3	394	111	22.3%
Information Technology	6.6	7.0	5.1	5.3	11	3	63.3%
Materials	6.0	5.0	4.2	5.5	1,001	585	2.5%
Real Estate	6.1	5.8	5.4	5.9	10	10	0.8%
Utilities	7.0	7.1	6.2	5.0	1,298	989	4.4%
Average	**6.3**	**6.5**	**5.0**	**5.3**	**3,968**	**81**	**8.1%**

The big oils score better than average energy sector. Credit and equity KPIs attractive.

Declining debt ratios and cheap valuation add to decarbonisation trend ahead: OW equities, Neutral credit.

EU majors	ESG Score	E-Score	S-Score	G-Score	S1+S2 (mn t Co2)	Carbon Intensity (t Co2/EVIC mn)	% Decarb 2019-2024
Royal Dutch Shell PLC	7.7	5.7	7.1	6.3	80	390	22.8%
TotalEnergies SE	7.0	5.9	5.1	5.4	45	287	9.3%
BP plc	5.3	4.7	5.8	6.7	52	379	16.1%
ENI SpA	5.8	6.0	8.1	2.1	42	672	33.3%
Equinor	9.0	6.5	8.5	6.0	15	196	19.9%
Repsol	7.3	6.0	7.9	4.6	25	894	16.1%
Average	**7.0**	**5.8**	**7.1**	**5.2**	**259**	**470**	**20.0%**

EU majors - avg	2019	2020	2021e	2022e
Revenue	165,278	100,212	145,832	155,964
EBITDA	33,010	19,910	35,560	35,832
EBITDA %	20.0%	19.9%	24.4%	23.0%
Net Income	6,781	(12,656)	11,281	10,984
CFO	23,755	15,259	25,629	24,259
Capex	(13,756)	(10,555)	(11,600)	(13,450)
Dividends	(7,203)	(5,106)	(4,908)	(5,264)
Shr. buyback	(2,980)	1,616	(955)	(3,508)
DCF	2,796	(401)	9,121	5,545
Net debt	40,325	41,593	31,275	26,346
Net Debt/EBITDA	**1.6**	**2.8**	**1.5**	**1.3**
ROE	**6.0%**	**-13.1%**	**10.9%**	**10.5%**

- **Looking longer term (10-30 years), S3 will be a challenge: the Energy sector is estimated to account for ca. 50% of emissions, (8% the EU Majors only), though S3 data are still very reliable.** While **S3 emissions** (from customers, which is 90% of Scope 1,2 & 3 of Energy issuers) **will remain a drag, the** mix change towards **renewables will help**.

  - EU big oils' long-term **commitments** to reduce sensibly total emissions - **Net Zero targets - are widespread.** Interestingly, such companies 'current targets look coherent in our opinion with **increasing free-cash flows**.

  - **In a scenario in which firms will be pressed to adhere to more stringent goals – (2°C) –** a given 'Carbon Budget' should be respected and **a higher capex would then be needed** to shift more aggressively towards renewables from the mid-2020. Here **risks** are the **availability and price** of such sizeable investments, **execution** and **higher debt plus negative free cash flows for some years**. Firms would probably still be able to pay **dividends** but would show more **discipline** in order to **maintain investors' confidence** during the higher investment period.

    The **good news** is that, based on early simulations (GI with Bernstein), after the first years of bigger investments **the available cash flow would then increase more robustly than in the base scenario** (from 2030 onward).

	European Integrated Energy Climate Targets
Shell	+ **Absolute Emissions (Scopes 1+2):** -50% by 2030 (vs 2016), -100% by 2050 + **Net Emissions (Scopes 1-3):** -100% by 2050 + **Carbon Intensity:** -2-3% by 2021, -3-4% by 2022, -6-8% by 2023, -20% by 2030, -45% by 2035, -100% by 2050
Total	+ **Net Emissions (Scopes 1+2):** -15% by 2025 (vs 2015), -40% by 2030, -100% by 2050 + **Absolute <u>Worldwide</u> Emissions (Scope 3):** 2030 < 2015 + **Net Emissions <u>Europe</u> (Scopes 1-3):** -30% by 2030, -100% by 2050 + **Carbon Intensity (Scopes 1-3):** -20% by 2030, -35% by 2040, -60% by 2050
bp	+ **Net Emissions (Scopes 1+2):** -20% by 2025 (vs 2019), -30-35% by 2030, -100% by 2050 + **Net Emissions <u>Upstream</u> (Scopes 1-3):** -20% by 2025, -35-40% by 2030, -100% by 2050 + **Carbon Intensity:** -5% by 2025, >-15% by 2030, -50% by 2050
eni	+ **Net Emissions (Scopes 1+2):** -100% by 2040 + **Net Emissions <u>Upstream</u> (Scopes 1+2):** -50% by 2024 (vs 2018), -100% by 2030 + **Net Emissions (Scopes 1-3):** -25% by 2030, -65% by 2040, -100% by 2050 + **Carbon Intensity:** -15% by 2030, -40% by 2040, -100% by 2050
equinor	+ **Absolute Emissions <u>Norway</u> (Scopes 1+2):** -40% by 2030, -70% 2040, near zero by 2050 + **Net Emissions (Scopes 1-3):** -100% by 2050 + **Carbon Intensity**: -20% by 2030, -40% by 2035, -100% by 2050 + **<u>Upstream</u> CO2 Intensity:** <8kg CO2/boe by 2025, 6kg CO2/boe by 2030
REPSOL	+ **Absolute Emissions (Scopes 1+2):** -55% by 2030 (vs 2016) + **Absolute Emissions (Scopes 1-3):** -30% by 2030 + **Carbon Intensities (Scopes 1-3):** -15% by 2025, -28% by 2030, -55% by 2040, -100% by 2050
galp	+ **Absolute Emissions (Scopes 1+2):** -40% by 2030 (vs 2017) + **Net Emissions (Scopes 1-3)**: -100% by 2050 + **Carbon Intensity (Scopes 1-3):** -40% production and -20% downstream-sales based by 2030, -100% by 2050

Source: Company reports, Bernstein analysis

EXHIBIT 11: **Group implied temperature rise of 2.23°C...**

	Implied Temperature Rises (°C)
Shell	2.15
TOTAL	2.45
BP	2.19
ENI	2.17
Equinor	2.15
Repsol	2.16
Galp	2.36
Group	**2.23**

EXHIBIT 20: **Further intensity reduction targets of -10%, -40% & -65% are required...**

Scopes 1-3 Intensity Reduction Targets	Current Target	2°C Target
2023 Target	-6-8%	-10%
2030 Target	-20%	-40%
2035 Target	-45%	-65%
2050 Target	-100%	-100%

<u>Source: Bernstein</u>

<u>Conclusions</u>: To evaluate the 'E' profile of an energy company we have identified some short-term and long-term key parameters amid the overall financial sustainability of the issuer:

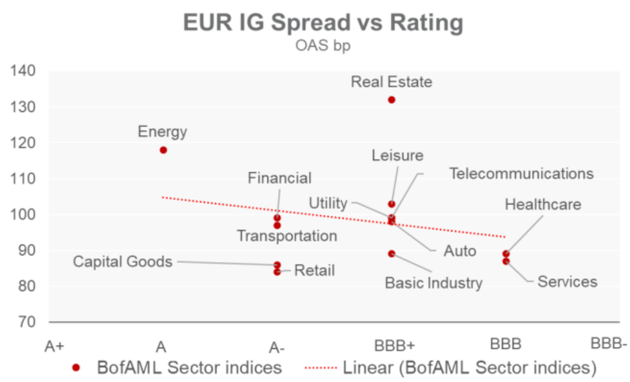
- **Short-term** we focus on the 'Carbon Intensity' (starting point) and the 'Decarbonisation' (evolution)
- **Long-term** we monitor the '2050 Net Zero' commitments (a pre-requisite), the expected emission vs. the 'Carbon Budget coherent with a 2° scenario" and the 'implied temperature'.

Higher spreads vs. the Iboxx index and an **extreme degree of relative undervaluation in the equity space** should appeal investors. This comes at a time when we expect the oil price to stay high (80-85US$/bbl range, with clear upside risks) and the sector exhibits the **highest correlation to inflation**.

Such positives **should in part offset the negatives represented by a disadvantage in terms of ESG E score and the upcoming pressure from the ECB** on less green issuers. Those headwinds will maintain of a certain degree of under-valuation vs. financial fundamentals and cause occasional bouts of volatility.

- **We keep a slight OW on energy stocks: after the good performance achieved in 2021, we see some short-term overbought signals coming from our quant models, yet undervaluation remains extreme, judging from our adjusted market multiples**. The sector is a Value one, so positively correlated to higher yields and inflation, and would benefit from above-potential GDP growth.
- **On Credit**, the sector is trading wider than its rating would suggest, most likely on the back of its poor ESG profile. We suspect the pressure on high emitters will intensify in 2022 as the ECB follows the BoE in tilting its private purchases according to climate criteria; hence we are reluctant to move OW on the sector despite the strong fundamental trend: **Neutral credit energy sector**.

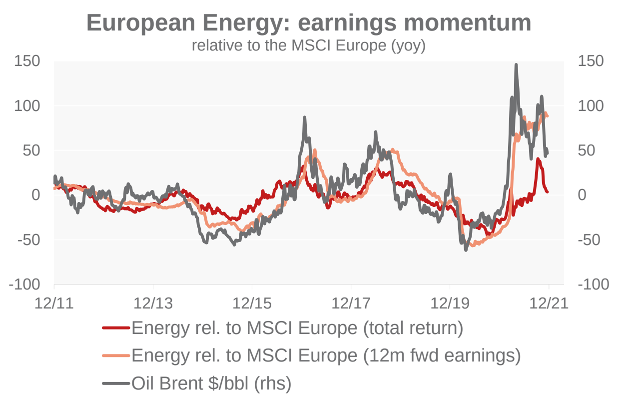
Risk: ESG premia to increase in 2022 from Central Banks / Investors pressure, igniting a higher cost of capital and equity risk premium.



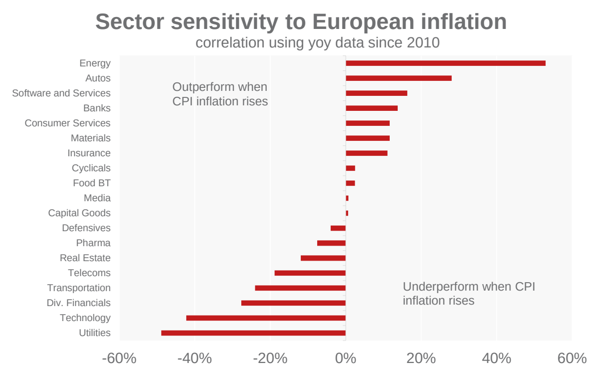
Source:Bloomberg, BofAML indices, GIAM own calculations

Equity sector view: we keep a cautious OW

Oils represent one of the few **natural hedges versus inflation and commodity** spikes, while the low correlation with long-term rates makes it less sensitive to a rise in yields. The chart below shows that the relative performance of the energy sector versus the MSCI Europe is the most positively correlated to inflation changes among EU sectors.



Source: Datastream, GIAM



Source: Datastream, GIAM calculations

In 2021, the EU energy sector has posted a **total return of 36% vs. 26% of the MSCI EU and its 12-month forward earnings have been revised up by 150% vs." just" 37% for the whole index**.

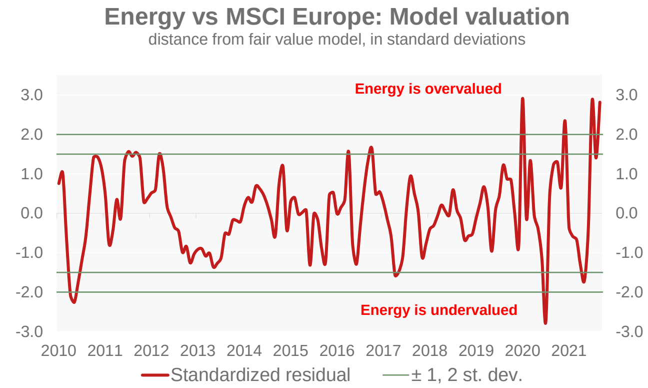
That said, in total return terms vs. MSCI Europe, the sector is still down 63% since 2009, and down 22% in terms of relative earnings. Past underperformance is thus due to both poorer earnings trends and the recent investors' allergy to low ESG scores.

Current earnings revisions are still near a cyclical high (Q3 reporting season showed higher surprises vs the index for the sector) and could roll over in part, as the oil price rise flattens out in the coming months.

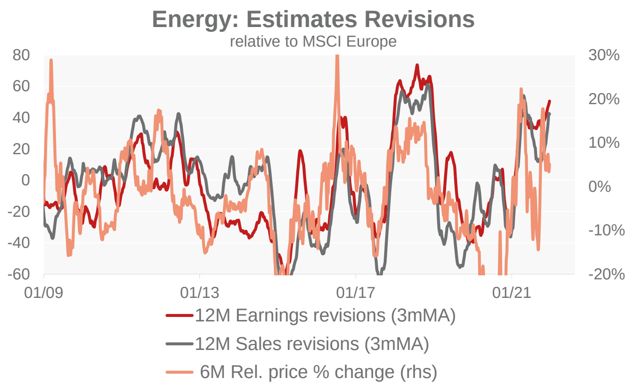
Thankfully, the aggregated Oil sector enjoys a **manageable debt positions** and **high free cash flow as well as dividend yields**. As the macro trend stays firm (albeit less exuberant) and bond yields are tilted to the upside, we expect the Value style – not least banks and energy – to continue to outperform.

Our quant models (macro-based, using machine learning technique) showed deep undervaluation in August; after the +14% relative price move since then, they have turned much less upbeat and have **started to signal some overbuying**. **Moreover, peaking confidence indicators (ISM, IFO, PMI manufacturing etc.) could also limit the sector performance in the short term**. For these reasons **<u>we decided to reduce our OW on the sector</u>**.

On the other side, several valuation metrics (i.e. market multiples, Shiller CAPE, total return based on earnings growth and dividend yield) indicate the energy sector's deep undervaluation on a mid-term basis, **effectively the cheapest among the 18 sectors we follow in Europe**.



Source: Datastream, GIAM calculations



Source: Datastream, GIAM calculations

Valuation metrics

Sectors (Europe)	Shiller PE, discount	Exp. TR = DY + next years' EPS growth	average PEG*	average PEG adj.*	LT earnings growth (3-5yr)	DY - 10Y yield	LT DEV gap (the higher = the cheaper)	ST DEV gap (the higher = the cheaper)	Market multiples, discount to history	PE vs. hist. avg. excl. bubble years	Price vs earnings perfor-mance since 1995	Rank 1= most under-valued	hc
weights used in the calculation of rank	9%	32%		32%				9%	9%	9%			
Market	1%	24%	0,7	1,2	20%	3%			17%	8%	14%	8	9
Auto and Components	-5%	66%	0,1	0,7	41%	4%	0,8	2,2	-24%	-55%	-87%	2	6
Banks	-18%	31%	0,3	1,2	24%	5%	3,1	3,0	-17%	-37%	-17%	4	4
Capital Goods	35%	31%	0,8	1,2	24%	2%	-3,0	-3,8	38%	45%	34%	11	16
Consumer Durables and Apparel	66%	38%	0,8	1,2	35%	2%	-3,4	-3,6	44%	61%	49%	10	17
Diversified Financials	-8%	11%	1,6	2,6	10%	2%	0,3	-0,1	5%	-5%	24%	20	7
Energy	-31%	101%	0,1	**0,7**	56%	**5%**	5,2	4,3	**-25%**	-38%	-89%	1	1
Food, Beverages and Tobacco	15%	13%	2,1	2,3	11%	2%	-1,0	-0,2	16%	34%	39%	19	24
Health Care Equipment and Services	24%	18%	1,7	2,1	20%	1%	-1,2	-1,2	14%	34%	48%	17	25
Household and Pers. Products	-16%	8%	2,3	2,7	7%	2%	-0,4	0,4	14%	7%	18%	21	19
Insurance	-38%	24%	0,7	1,5	26%	5%	0,6	2,0	-20%	-28%	-83%	6	2
Materials	20%	20%	0,7	1,1	14%	4%	-0,2	0,5	-1%	-23%	3%	7	13
Pharmaceuticals, Biotechnology and Life Sci	-4%	12%	1,9	2,1	10%	2%	-1,2	-1,1	20%	7%	16%	15	18
Real Estate	-43%	11%	2,3	2,7	9%	3%	2,6	3,2	9%	0%	-6%	16	10
Semi-Conductor and Semi-C. Equipment	123%	31%	1,2	1,5	29%	0%	-5,0	-4,4	99%	8%	-	18	22
Software and Services	11%	14%	2,3	2,6	14%	1%	-2,6	-2,2	47%	-4%	1%	24	3
Technology Hardware and Equipment	264%	11%	2,0	2,4	10%	2%	0,7	-1,1	23%	-74%	18%	25	12
Telecommunication Services	-27%	11%	2,3	2,7	6%	5%	3,0	2,7	-14%	-63%	-2%	12	5
Utilities	0%	12%	2,2	2,6	6%	4%	0,5	-0,7	14%	24%	25%	22	21
Median	**0%**	**18%**	**1,6**	**1,9**	**20%**	**2%**	**0,1**	**-0,1**	**16%**	**7%**	**18%**		
Average	**14%**	**28%**	**1,3**	**1,8**	**21%**	**3%**	**-0,2**	**-0,1**	**18%**	**7%**	**7%**		
st. dev.	*63%*	*23%*	*0,8*	*0,7*	*13,6%*	*1,4%*	*2,3*	*2,4*	*28%*	*49,7%*	*41%*		
a) Discretionary+Transp. average	**3%**	**43%**	**0,9**	**1,5**	**31,1%**	**2%**	**-0,4**	**0,1**	**23%**	**32%**	**12%**		
b) = (a) -food retail, retail and C.serv.	7%	43%	**0,8**	**1,3**	**28,9%**	**2,7%**	**-0,9**	**-0,1**	**12,2%**	**-6,5%**	**-8%**		

Note: The discretionary sectors = auto, consumer durables, consumer services, media, retailing.
fwd **PEG** is 12m fwd PE divided by expected long-term EPS growth (3-5yrs). EPS = 12m fwd earnings. **Trailing PEG** = trailing PE divided by earnings growth (3yr fwd vs current year).
Average PEG is the average of fwd PEG and trailing PEG. **PEG adj.** (higher = expensive): PEG is modified by the ratio COE/ROE which signals the ability to produce a return on capital higher than the cost of it. COE = cost of equity = 10yr gov't bond rate + 6% mkt risk premium x country Beta versus MSCI WORLD (monthly returns over the last 10 yrs).
DEV gap = three-stage discounted earnings based valuation vs. MSCI Europe (higher positive gap = cheaper valuation).
Mkt Multiples (PE, PB, PCF, and DY) are based on 12m forward estimates. PEs are since 1987, the rest is since 2003.
Shiller PE: Price earnings ratio based on average inflation-adjusted earnings from the previous 10 years.
The rank is derived from the valuation score, which is calculated as a sum of standardized expected total return (32%), average PEG ratio adj. (for ROE and COE) (32%), Shiller PE discount (9%), gap from 8 year three-stage earnings growth model (9%), market multiples discount taken from 2004 (9%), and PE vs. hist. avg. excl. bubble years (9%).

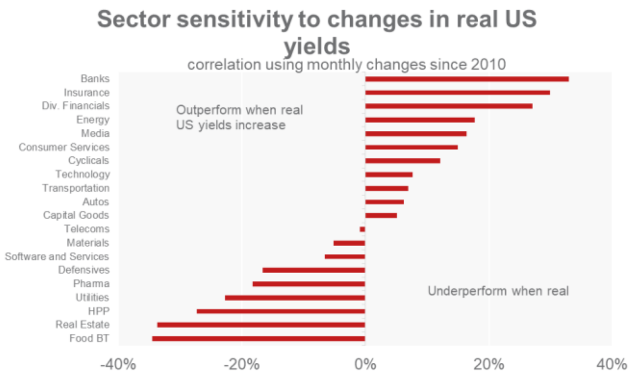
last available date: 21/12/21

Sectors	PE		PB		PCF		DY		Avg.	PEG adj. *
	12m f	Discount	12m f	Discount	12m f	Discount	12m f	Discount	Discount, %	
Europe	15,0	13,8	2,0	15,2	9,3	19,6	3,1	-17,8	**16,6**	1,2
Auto and Components	6,8	-46,3	0,9	-9,3	3,9	-4,9	4,5	34,2	**-23,7**	0,8
Banks	8,5	-15,8	0,7	-35,1	5,3	-0,9	5,7	14,6	**-16,6**	1,2
Capital Goods	20,2	35,0	3,4	47,9	13,9	42,0	2,2	-28,1	**38,2**	1,3
Commercial/Prof.Services	24,8	45,8	7,7	77,3	17,8	49,2	2,0	-24,8	**49,3**	2,0
Consumer Durables & Apparel	25,5	50,0	4,1	62,7	17,5	39,6	1,8	-22,8	**43,8**	1,1
Consumer Services	25,7	46,8	3,3	18,9	16,1	48,8	1,9	-38,5	**38,3**	1,6
Diversified Financials	13,3	16,8	1,1	-7,2	6,6	-17,5	2,6	-27,0	**4,8**	2,3
Energy	7,4	-34,9	1,1	-28,4	3,6	-32,7	5,1	2,8	**-24,7**	**0,8**
Food and Staples Retailing	17,3	25,1	2,1	21,0	7,7	16,4	2,8	-16,8	**19,8**	1,6
Food, Beverages and Tobacco	20,6	20,8	3,6	9,2	15,8	21,5	2,7	-14,2	**16,4**	2,2
Health Care Equip.and Services	24,8	24,8	3,0	1,3	15,6	19,1	1,4	-11,4	**14,2**	1,7
Household and Pers. Products	22,5	16,1	5,2	32,0	17,7	13,7	2,6	6,4	**13,9**	3,6
Insurance	10,3	6,8	1,0	-6,4	7,9	-72,3	5,3	7,4	**-19,8**	1,2
Materials	12,1	-6,0	2,0	21,3	7,8	8,1	4,2	27,2	**-0,9**	1,2
Media	19,7	27,0	1,8	-23,1	12,1	36,3	2,2	-42,9	**20,8**	1,8
Pharmaceuticals, Biotech. and LS	16,9	16,0	4,0	17,7	14,9	23,2	2,6	-21,3	**19,6**	1,9
Real Estate	17,9	-1,9	0,9	-1,3	18,0	11,8	3,3	-25,6	**8,6**	3,1
Retailing	26,5	44,3	2,8	-10,4	27,8	116,3	1,4	-58,1	**52,1**	1,4
Semis	34,0	27,6	10,1	218,6	27,6	108,6	0,7	-39,8	**98,7**	1,5
Software and Services	29,5	53,9	4,9	43,4	24,1	54,5	1,1	-36,4	**47,1**	2,5
Tech. Hardware and Equipment	18,8	11,4	3,0	27,9	15,3	18,4	1,8	-35,1	**23,2**	2,2
Telecommunication Services	14,0	-28,5	1,3	-13,2	3,5	-24,1	4,9	-9,5	**-14,1**	2,7
Transportation	12,1	-19,9	2,9	49,9	7,2	6,4	3,3	4,2	**8,1**	0,9
Utilities	15,6	17,5	1,9	17,1	6,4	9,7	4,6	-10,3	**13,7**	2,9

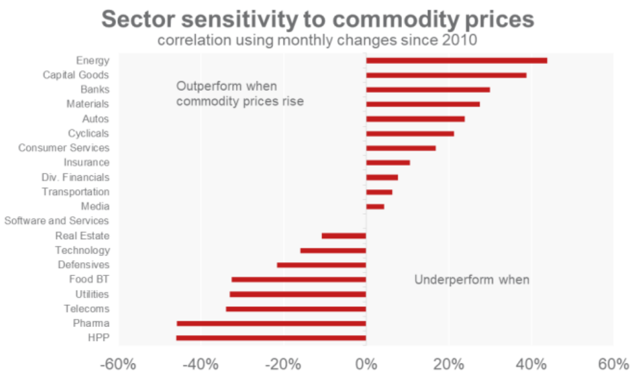
Note: Discount in % to long-run norm; 12m f = expected in 12 months. Multiples are since 2004. In case of DY, a discount means the market had a higher DY, meaning the market is at premium for this multiple.

PEG adj. (higher = expensve): PEG (12m fwd PE / earnings growth over 2-5 yrs) is modified by the ratio COE/ROE, which signals the ability to produce a return on capital higher than the cost of it. COE = cost of equity = 10yr govt bond rate + 6% mkt risk premium x country Beta versus MSCI WORLD (monthly returns over the last 10 yrs).

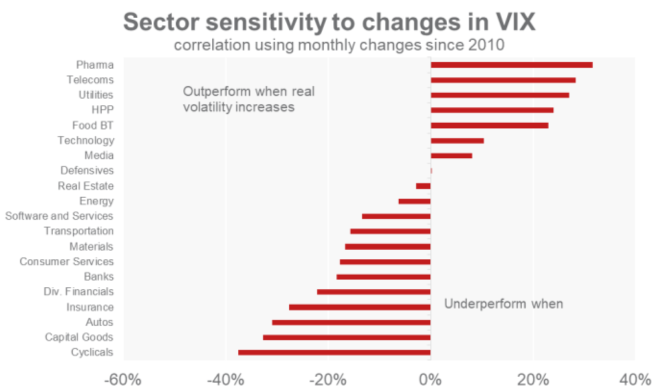
Source: Thomson Reuters Datastream, IBES estimates.



Source: Datastream, GIAM calculations



Source: Datastream, GIAM calculations



Source: Datastream, GIAM calculations

Total Return decomposition, PE expansion and Fair Value Indicator from 31/12/2020 to 21/12/2021

Index	%TR	%PR	%DR	%EPS	%PE	10-Year Yld Chg (BPS)	Absolute Earnings Margins (%) as of 21/12/2021	Absolute Earnings Margins Change (pp)	Absolute EBITDA Margins (%) as of 21/12/2021	Absolute EBITDA Margins Change (pp)	Fair Value Indicator Change	Value Gap (Fair V. - Price) at 21/12/2021
MSCI Europe	22,4	19,1	3,3	35,7	-12,3	35	10,1	1,9	20,1	1,7	28,0	8
Financials	26,0	21,1	4,9	36,6	-11,4	35	13,6	3,5	14,4	0,8	31,1	17
Banks	35,9	30,1	5,7	59,5	-18,4	35	22,4	7,0	29,8	20,3	53,4	28
Insurance	18,2	12,7	5,5	9,6	2,8	35	7,2	0,3	9,5	2,0	5,2	12
Div. Financials	19,5	17,1	2,4	37,9	-15,1	35	20,9	9,0	23,9	0,1	31,1	5
Industrials	24,2	21,6	2,5	41,5	-14,1	35	7,9	1,7	15,7	1,5	31,9	1
Capital Goods	21,8	19,3	2,6	28,7	-7,4	35	7,4	1,2	14,8	1,2	20,0	-4
Transportation	33,9	32,0	1,9	174,7	-51,9	35	9,3	5,1	19,4	2,8	157,7	43
Comm. & Prof. Services	29,5	26,8	2,7	22,0	3,9	35	9,1	0,8	16,6	1,1	12,8	-13
Health Care	23,0	19,8	3,2	12,3	6,8	35	18,4	1,1	31,1	0,0	4,6	8
Pharma	25,5	21,9	3,7	12,4	8,4	35	21,2	1,4	34,1	0,0	5,5	3
HC Equip. & Services	11,7	10,4	1,3	10,3	0,1	35	9,5	0,4	21,8	0,2	-0,3	11
Energy	35,9	29,4	6,4	148,5	-47,9	35	6,9	3,1	18,8	3,4	136,3	89
Communication Services	12,8	9,2	3,6	5,7	3,3	35	7,3	0,6	33,3	0,0	0,5	-8
Telecom. Services	12,3	8,1	4,2	5,4	2,5	35	6,8	0,6	36,1	0,2	0,3	1
Media & Entertainment	14,2	12,1	2,1	6,7	5,0	35	9,5	0,5	20,2	-0,3	0,1	-11
Utilities	7,5	3,7	3,8	12,1	-7,5	35	6,8	1,0	21,2	2,0	5,7	3
Materials	21,9	16,7	5,2	56,7	-25,5	35	9,5	2,1	23,1	2,0	47,8	35
Consumer Staples	19,3	16,2	3,1	8,2	7,4	35	9,8	0,2	18,0	0,1	0,0	4
Food & Staples Retailing	31,4	27,4	4,1	-1,3	29,0	35	2,4	0,0	7,5	0,2	-6,9	-5
Food, Bev. & Tobacco	23,3	20,1	3,2	11,0	8,2	35	15,9	0,0	26,8	-0,5	2,6	3
Household & Pers. Prod.	7,2	4,6	2,7	4,8	-0,2	35	12,7	-0,1	22,0	-0,3	-4,1	9
Consumer Discretionary	19,2	17,6	1,6	55,9	-24,5	35	8,5	2,6	16,9	2,7	47,7	-3
Cons. Durables and Appar	30,4	28,5	1,9	47,4	-12,8	35	14,2	2,9	25,4	3,8	36,3	-14
Cons. Services	9,2	8,9	0,3	63,1	-33,2	35	7,2	2,0	15,0	2,5	50,8	-19
Retailing	-10,1	-11,0	0,8	29,4	-31,2	35	9,0	1,5	12,7	-1,0	18,5	-6
Auto & Components	25,9	23,8	2,2	78,2	-30,5	35	7,0	2,5	15,3	2,8	72,6	36
Information Technology	31,9	30,8	1,1	30,9	-0,1	35	16,3	3,0	25,9	3,0	19,9	-18
Software	10,8	9,7	1,1	8,0	1,5	35	16,3	2,1	26,4	1,5	-1,1	-18
Tech. Hardware & Equip.	20,9	19,8	1,1	31,0	-8,6	35	10,4	2,1	18,1	2,6	21,1	14
Semiconductors	63,0	62,1	0,9	67,6	-3,3	35	23,6	3,9	34,3	4,1	51,4	-21
Real Estate	5,6	2,6	3,0	8,2	-5,2	35	57,3	2,1	73,2	-2,2	0,9	10

Earnings are 12-months forward; **PE** = Price/Earnings 12M forward; **%DR** is estimated as %TR - %PR; **Margins** = Earnings 12M forward or EBITDA 12M Forward / Sales 12M forv

Fair Value Indicator = 12M FW EPS / (10Y Rate + ERP - G); **Value Gap** = percentage diff. between Fair Value and Price (neg = downside)

Fair Value Indicator Change = increase/decrease of theoretical fair value due to EPS or yields delta.

Source: Thomson Reuters, GIAM