**Time To Put European Equities On Your Radar Screen**

**MSCI Europe and MSCI Euro Indices**

- **MSCI Europe Index (Average P-E Ratio)**
- **MSCI Europe Index (Earnings Growth %)**
- **MSCI Euro Index (Average P-E Ratio)**
- **MSCI Euro Index (Earnings Growth %)**

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**View from the Observation Deck**

1. Recent economic data in Europe suggests there is some justification for optimism moving forward. European Central Bank President Mario Draghi stated he will keep interest rates low for an extended period of time.

2. One of the more encouraging data points was a 50.3 Eurozone Purchasing Manager Index reading in July 2013. It was the best showing since 7/11 (50.4). A reading over 50 indicates manufacturing activity is expanding.

3. Another sign that confidence is rebuilding is that government bond rates (10-year) are up across the board in Europe y-t-d except for the PIGS (Portugal, Italy, Greece and Spain) countries, where rates remain low.

4. As of 7/31/13, the MSCI Europe Index, which is the broader of the two indices in the chart, closed 26.4% below its 10-year high on 6/1/07, according to Bloomberg. The MSCI Euro Index closed 36.5% below its 10-year high on 6/1/07.

5. The MSCI Euro Index should be down more than its broader counterpart, in our opinion, due to the fact that the sovereign debt crisis occurred in European Union member countries.

6. The data in the chart runs through 2012. Those figures represent historical data. The earnings forecasts looking ahead are more optimistic than what transpired in 2011 and 2012.

7. As of 8/7/13, the 2013 and 2014 estimated earnings growth rates for the MSCI Euro Index were 39.33% and 13.90%, respectively, according to Bloomberg.

8. As of 8/7/13, the 2013 and 2014 estimated earnings growth rates for the MSCI Europe Index were 37.43% and 12.85%, respectively, according to Bloomberg.

9. A return to 2006-2007’s type of climate by 2014 would be a welcome transformation for most investors, in our opinion.

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This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The MSCI Europe Index is a free-float weighted index designed to measure the performance of the developed equity markets in Europe. The MSCI Euro Index is a subset of the broader MSCI EMU Index and was created as a benchmark for derivative contracts, ETFs and other passive investment products.