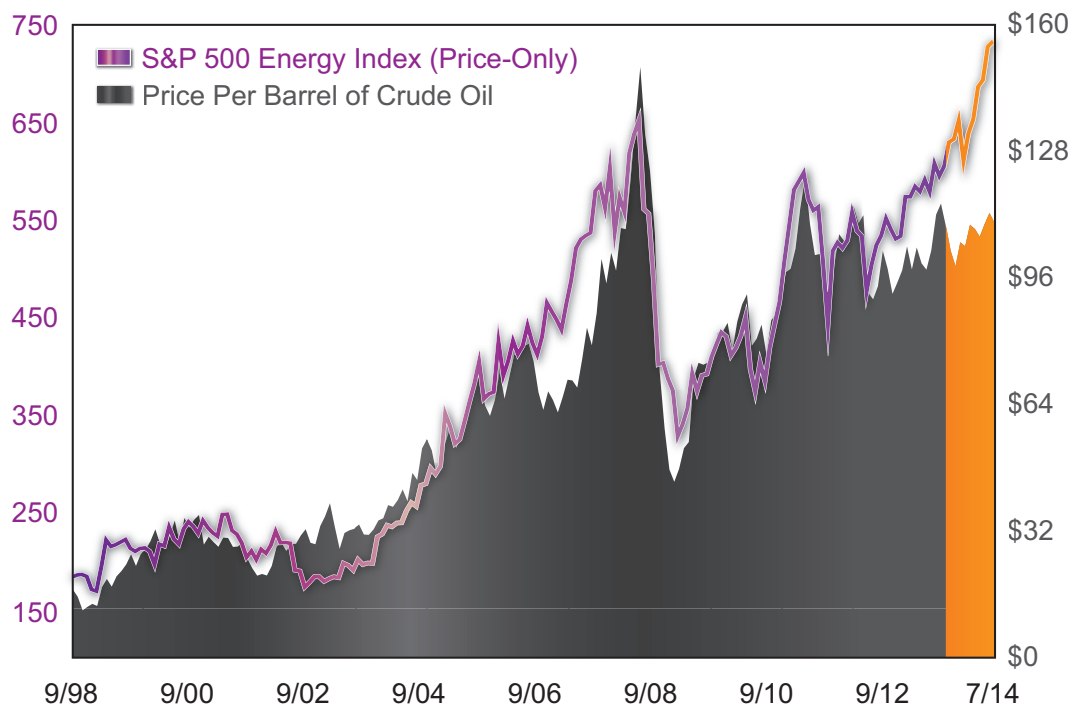


# The Energy Trade Is Still Working For Investors

## S&P 500 Energy Index Performance Relative to Price of Crude Oil



Source: Bloomberg. As of 7/23/14. Past performance is no guarantee of future results.

## View from the Observation Deck

1. Today's blog post is an update of one we did last December. The areas shaded in orange represent activity since 9/30/13. The price of a barrel of crude oil stood at \$103.12, as of 7/23.
2. The price of oil has traded between \$85 and \$110 per barrel over the past two years, with an average price of approximately \$97.00.
3. Oil companies tend to boost their capital expenditures when oil prices trend higher to levels deemed to be sustainable.
4. Worldwide E&P (Exploration & Production) expenditures will increase for the fifth consecutive year in 2014, according to Barclays. It sees spending rising from \$670.76 billion in 2013 to \$712.44 billion in 2014, or a gain of 6.2%.
5. U.S. crude oil production is on the rise. Production is expected to average 8.5 million barrels per day in 2014 and 9.3 million in 2015, up from 7.4 million in 2013, according to the Energy Information Administration.
6. Year-to-date through 7/23, the S&P 500 Energy Index was the second-best performing major sector index, up 13.82%, behind the 14.26% gain posted by the S&P 500 Utilities Index.
7. While investors had funneled only a net \$53.0 million into energy stock mutual funds (open-end) for the 12-month period ended June 2014, net inflows totaled \$1.3 billion in Q2'14, according to Morningstar.
8. Bloomberg's 2014 and 2015 earnings growth rate estimates for the S&P 500 Energy Index were 10.08% and 8.09%, respectively, as of 7/24. Earnings growth was negative in 2012 and 2013, at -2.02% and -7.78%, respectively.

The chart and performance data referenced are for illustrative purposes only and not indicative of any actual investment. The index performance data excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. There can be no assurance that any of the projections cited will occur. The S&P 500 Energy Sector Index is capitalization-weighted and comprised of S&P 500 constituents representing the energy sector.