

European Equity Market Barometer

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<p>Corporate Earnings Outlook</p> <ul style="list-style-type: none"> We believe the earnings driven equity bull market of the last 2 years has ended and we are entering a period where overall market earnings will be more challenged 	
<p>Valuation</p> <ul style="list-style-type: none"> Valuations for European equities are very cheap relative to other asset classes and very attractive for longer term investors Dividend yields look particularly attractive and will be more important in a growth challenged world 	
<p>Investor Positioning</p> <ul style="list-style-type: none"> There have been substantial net outflows over the last few months as investors have flocked to perceived "safe" assets Investors are generally underweight Europe but will need a resolution to the Euro area crisis before moving overweight 	
<p>Macro Factors</p> <ul style="list-style-type: none"> This is an environment different to anything that policy makers or investors have seen in the last 60 years Western world's deleveraging of consumers and governments is putting downward pressure on end demand The political crisis on both sides of the Atlantic has intensified investor's focus on government debt levels A resolution to the Euro crisis involving greater fiscal integration is moving ahead very slowly. A number of significant political, social and economic hurdles remain and will continue to cause volatility. 	
<p>Overall</p> <ul style="list-style-type: none"> The global economic slowdown, and worsening political crisis in the Eurozone and USA has been greater than expected Corporate balance sheets remain very strong and equities look very good value relative to other asset classes We continue to find a number of quality growth and defensive companies on very cheap valuations which provide attractive entry points for longer term investors who can ride out the shorter term volatility 	<p>■ Q3 2011 ■ Q2 2011</p>

Significant upside available for long term investors