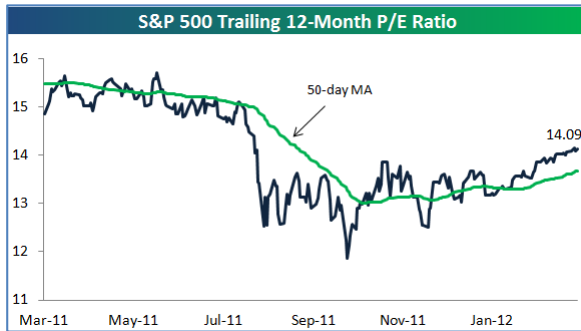




### S&P 500 Sector P/E Ratios

As investors and market analysts, we are constantly trying to predict the capital markets. Despite this being a fool’s errand, there is an enormous industry developed around it. Having said that, if we believe that human psychology and behavior repeats itself, there are certain fundamental economic parameters that we can review to gain some insight on how the overall investor sentiment may trend in the short and the intermediate term.

Chart 1<sup>1</sup>

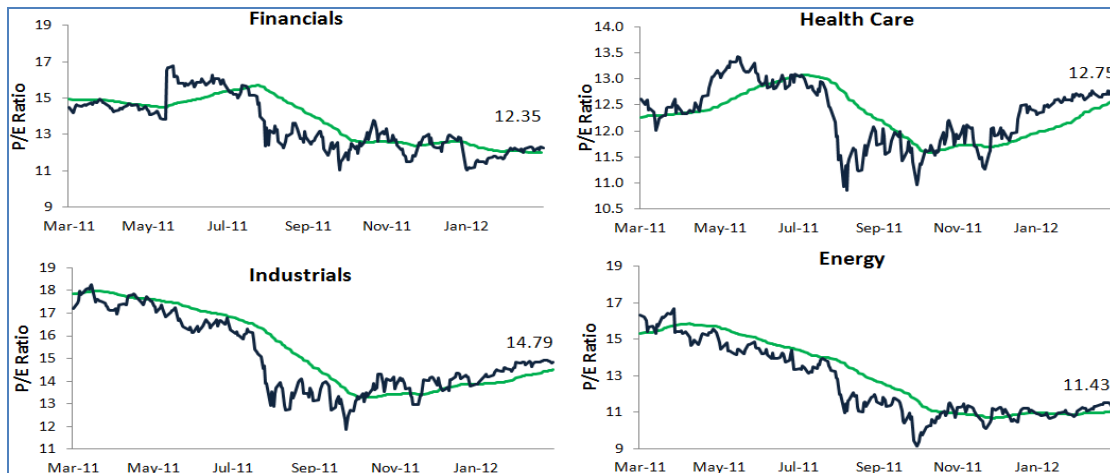


We have mentioned umpteen times in our previous research and Newsletters, that earnings have a dominant impact on the price movement of a company’s stock. When investors perceive that a specific sector or company will perform well, money flows into that particular sector / stock, hence helping increase its value and vice versa. One of the measures of the stock valuations is the ratio which uses the Price of a stock divided by its Earnings (Earnings Per Share, EPS). In other words, what is the market price

of a company in relation to its actual earning’s power.

The S&P 500, one of the broad based market indexes is used as a measuring scale for the performance of the US markets. It comprises of 500 US companies which represent various sectors of the US economy. As shown in Chart 1 above, the S&P 500’s trailing 12-month Price / Earnings (P/E) ratio is approximately 14 as of mid March 2012. It’s important to note that the P/E ratio has been gradually moving up since December of 2011. We believe that the US economic recovery has provided confidence amongst investors, which has helped the overall market’s ascent along with the P/E expansion from around 12.5-13 to approximately 14.

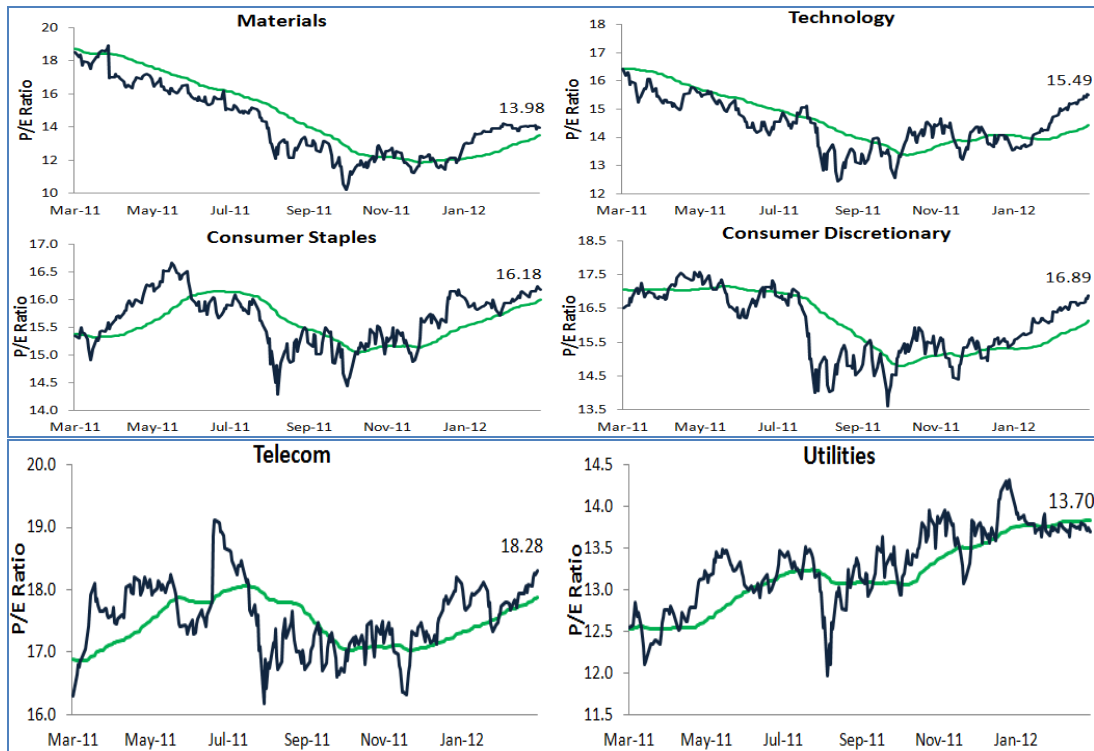
Below are trailing 12-month P/E ratio charts for the ten S&P 500 sectors. As shown, every sector except Utilities and Telecom (Page 2 of 3) currently has a lower P/E ratio than it had in early 2011.



<sup>1</sup> Source for all charts in this Research Article: Bespoke Investment Group



## Continuum Global Asset Management, LLC



In addition, Table 1 illustrates the change in each sector's P/E ratio since April 2011, which was the S&P 500's prior bull market high. Corporate earnings have been strong since early 2011. If we believe, that the US along with the global economy is in recovery and continues to expand, it behooves us to consider investing in sectors with low P/E ratios with high growth rates. We believe that Financials, Energy, Materials and Industrials are poised to outperform the market for the next 12-18 months.

Table 1<sup>2</sup>

S&P 500 Trailing 12-Month P/E Ratio			
Sector	4/29/2011	Current	Chg Since 4/29
Energy	15.59	11.43	-4.17
Materials	17.19	13.97	-3.22
Industrials	17.87	14.80	-3.08
Financials	14.67	12.35	-2.32
<b>S&amp;P 500</b>	15.59	14.10	-1.49
Cons. Discret.	17.53	16.90	-0.63
Health Care	13.03	12.75	-0.28
Technology	15.74	15.50	-0.24
Cons. Staples	16.27	16.19	-0.08
Telecom	17.96	18.29	0.34
Utilities	13.13	13.72	0.60

<sup>2</sup> Source: Bespoke Investment Group



## Continuum Global Asset Management, LLC

Following are certain securities that we believe will do well in the current market conditions. Majority of the companies illustrated below are in the sectors that have been mentioned above. [PLEASE REMEMBER: Each investor is unique and should invest to compliment their respective financial conditions and objectives.](#)

No.	Ticker	Company	Sector	Country	P/E	Dividend Yield	Price(\$) As Of: 3/11/12	Target Price (\$)	Potential Capital Gain (%)	Total Gain (including dividends)
1	ACAS	American Cap Ltd.	Financial	USA	3.3		9.02	\$10.04	11.25%	11.25%
2	ALU	Alcatel-Lucent	Technology	France	7.44		2.38	\$ 2.81	17.90%	17.90%
3	BAC	Bank of America	Financial	USA	12	0.50%	8.05	\$12.00	49.07%	49.57%
4	CIM	Chimera Invt Corp	Financial	USA	5.81	14.57%	3.02	\$ 3.25	7.74%	22.31%
5	DNR	Denbury Resources Inc.	Basic Materials	USA	13.61		19.19	\$21.88	14.00%	14.00%
6	F	Ford Motor Co.	Consumer Goods	USA	2.51	1.59%	12.58	\$14.63	16.28%	17.87%
7	FCX	Freeport-McMoRan	Basic Materials	USA	8.13	2.58%	38.78	\$47.83	23.34%	25.92%
8	HAL	Halliburton Company	Basic Materials	USA	10.7	1.03%	34.88	\$40.34	15.65%	16.68%
9	HBA N	Huntington Bancshares Inc.	Financial	USA	9.93	2.73%	5.86	\$ 6.95	18.62%	21.35%
10	HIG	Hartford Financial Services Inc.	Financial	USA	18.93	1.99%	20.07	\$ 22.17	10.46%	12.45%
11	JDSU	JDS Uniphase Corporation	Technology	USA	104		13.52	\$ 20.39	50.79%	50.79%
12	JOY	Joy Global, Inc.	Industrial Goods	USA	12.77	0.87%	80.31	\$ 91.50	13.93%	14.80%
13	JPM	JPMorgan Chase & Co.	Financial	USA	9.18	2.44%	41.03	\$ 46.96	14.45%	16.89%
14	NBR	Nabors Industries Ltd.	Basic Materials	Bermuda	17.34		20.11	\$ 24.19	20.29%	20.29%
15	NGLS	Targa Resources Partners LP	Basic Materials	USA	21.46	5.67%	42.5	\$ 50.90	19.77%	25.44%
16	NLY	Annaly Capital Mgt, Inc.	Financial	USA	32.98	14.11%	16.16	\$ 16.98	5.08%	19.19%
17	PDLI	PDL BioPharma, Inc.	Healthcare	USA	5.28	9.79%	6.13	\$ 7.37	20.20%	29.99%
18	QEP	QEP Resources, Inc.	Basic Materials	USA	21.61	0.25%	31.99	\$ 39.47	23.38%	23.63%
19	S	Sprint Nextel Corp.	Technology	USA			2.78	\$ 3.50	25.90%	25.90%
20	WFC	Wells Fargo & Co.	Financial	USA	11.23	1.52%	31.66	\$ 35.61	12.49%	14.01%
<b>Average</b>					<b>17.27</b>	<b>4.26%</b>			<b>19.53%</b>	<b>22.51%</b>

*This research article has been prepared by Continuum Global Asset Management, LLC (CGAM), an independent Registered Investment Advisor. CGAM believes that the data contained is from reliable sources but can not guarantee the accuracy of the data. None of the information provided constitutes a recommendation or solicitation of an offer to buy or sell any particular security. The investment strategies and or securities may not be suitable to all investors and past performance is not indicative, nor a guarantee, of future results. It should not be assumed that recommendations made in this article and in the future will be profitable or will equal the performance of the securities mentioned in this or previous articles.*