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Europe

Strategy Matters

Portfolio Strategy Research

The value of scarcity – finding ‘affordable’ growth and income

The post-recession world has been marked by very slow economic activity and historically low interest rates. This has left investors with unusually few opportunities to find both growth and income and the scarcity of these two factors has led to rising valuations for those assets that offer them. However, we still see some pockets of opportunities for investors to find less expensive growth and, in particular, income. We highlight a list of growth stocks on which our analysts are positive and our dividend yield and growth basket (GSSTHIDY).

The scarcity of growth

Globally, the post-recession economic recovery has been unusually weak in many cases, even by the standards of previous financial crisis recoveries. This weaker growth, together with high uncertainty as a result of the financial crisis, has also been reflected in the corporate sector. Companies have been hoarding cash rather than spending on future growth. The proportion of companies in Europe generating annual earnings growth of more than 10% has fallen sharply, while the number generating annual sales growth of over 10% is at a multi-year low. This lack of growth has resulted in some high-growth equities, for example in the technology sector, rerating to valuations not seen since the technology bubble of the late 1990s. Very ‘secure’ and stable growth has also attracted record relative valuations in many cases.

The scarcity of income

In a world of close to zero interest rates, and (in real terms) rates of not much more for risk-free assets, the search for yield continues unabated. This appetite has resulted in a scramble for carry and historically low risk premia in fixed income and credit markets. The anomaly is that equity yields remain high, and it is still possible to find ‘affordable’ income in equities. The proportion of companies in Europe with a dividend yield above the corporate credit yield is still close to a record.

Finding ‘affordable’ growth and income

We look for opportunities where growth remains reasonable in terms of valuation and where yield and dividend growth can be found with relatively low risk. We identify a list of companies that screen as high-growth, and on which our analysts have Buy ratings, and we continue to recommend our income and growth basket (GSSTHIDY) relative to the SXXP.

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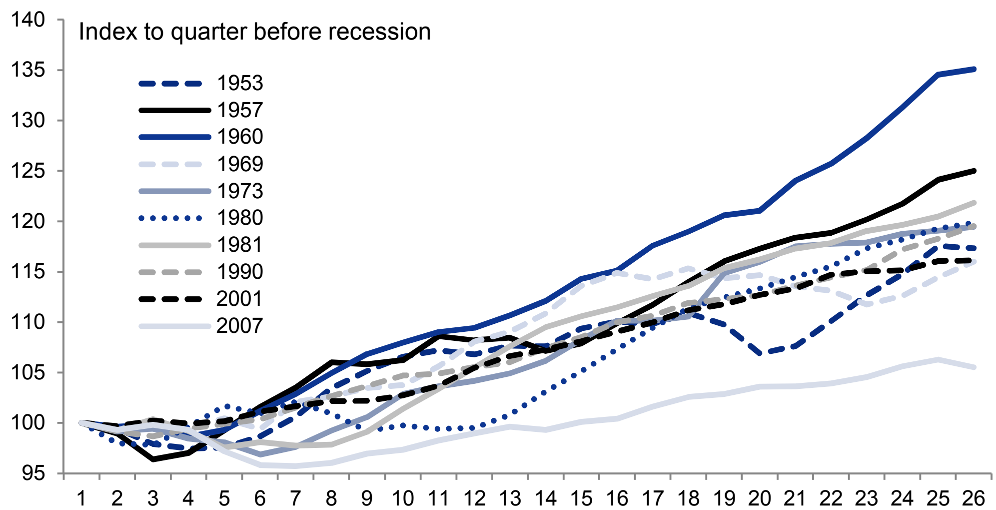
The scarcity of growth.

The post recession world has been marked by unusually low growth rates. As Exhibit 1 shows, even in the US (which has been out of recession for five years), growth is tracking below equivalent points in past economic recoveries.

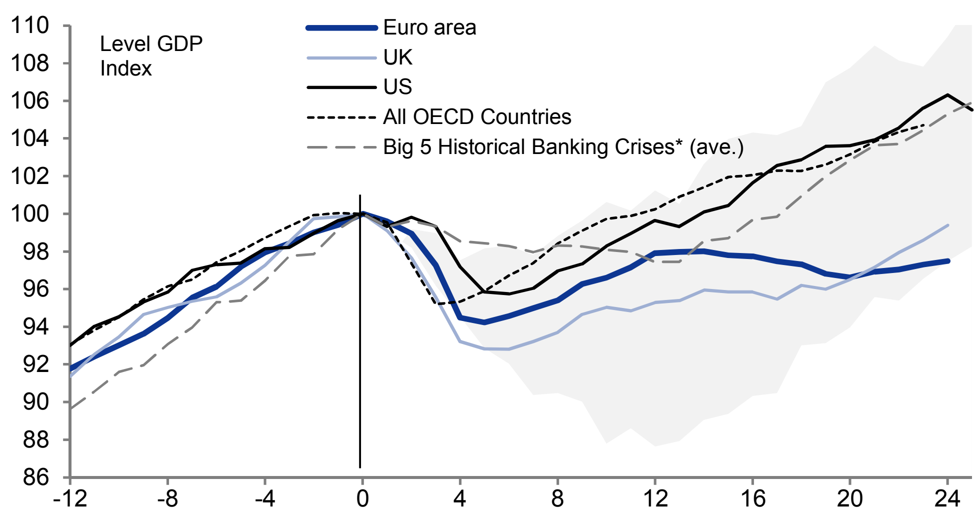
Exhibit 1: US GDP growth continues to track below equivalent points in past recoveries



Source: Haver Analytics, Goldman Sachs Global Investment Research.

Of course, part of the reason that the recovery has been slow and growth tepid is that the economic downturn has been exacerbated by the financial crisis. The US housing crash and credit crunch has had a bigger impact on activity than 'normal' recessions, and its impact has been amplified further around the world by the banking and sovereign crisis in Europe. But even in comparison to previous major banking/financial crises (the 'big 5' historically) growth rates have been unusually lacklustre in this cycle, particularly in Europe.

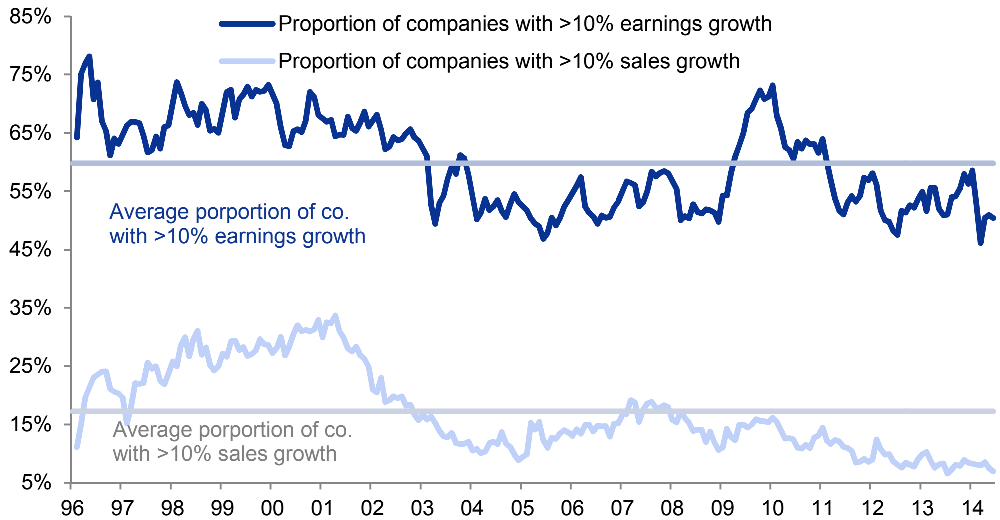
Exhibit 2: Current Euro area recovery subdued relative to other regions and history
*Spain (1977), Norway (1987), Finland (1991), Sweden (1991) and Japan (1992)



Source: Have Analytics, Goldman Sachs Global Investment Research

This scarcity of economic growth has taken its toll on the corporate sector too. While the damage has not been done so much in terms of financial losses (at least outside the banking sector) it has had an impact on investment behavior and, with it, confidence in future growth. Rather than spend money on an uncertain macro future, companies have been hoarding cash. **The proportion of companies in Europe, for example, generating annual earnings growth above 10% has fallen sharply, and those generating annual sales growth above 10% have reached a multi-year low. Little wonder that 'growth' has become highly prized.**

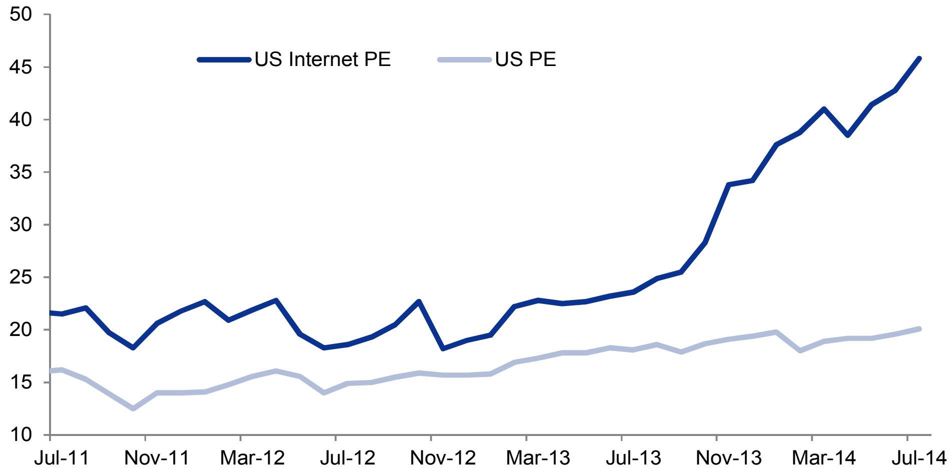
Exhibit 3: Proportion of STOXX 600 companies with FY3/FY2 growth >10% has fallen for both sales and earnings
Based on FY3/FY2 consensus earnings and sales growth



Source: I/B/E/S via Datastream, Goldman Sachs Global Investment Research.

The re-pricing of growth, however, has manifested itself in very specific ways. For a while after the post Lehman recovery, it was the US stock market that embodied many investors' hopes for growth – Europe was entering its own crisis and the lustre had started to fade from EM growth. As a result, US equities went to a high relative multiple premium. Later, when investors began to rediscover Europe (around mid-2012), the European market was largely seen as a deep value investment opportunity with many distressed assets. **The attraction of US growth stocks grew and, in many cases, valuations in areas such as technology have approached levels last seen during the technology bubble of the late 1990s.**

Exhibit 4: US internet trailing P/E and US market trailing P/E



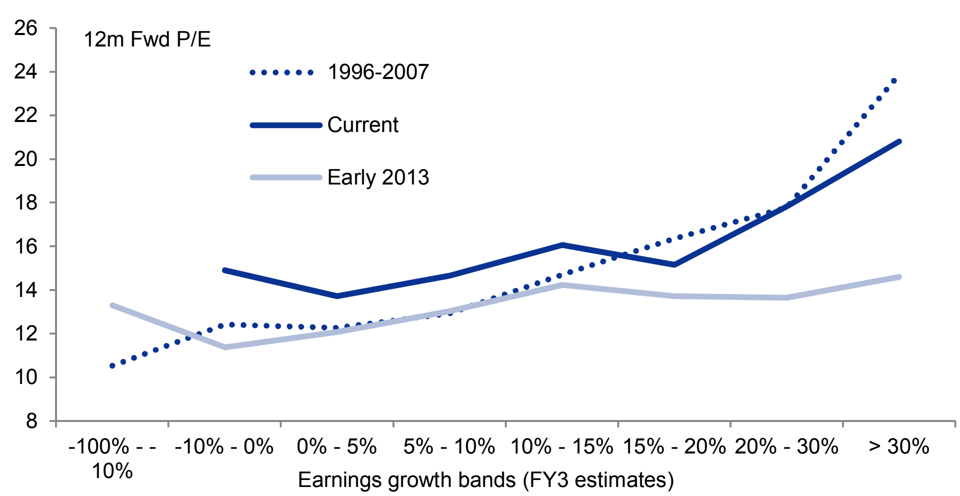
Source: Datastream, Goldman Sachs Global Investment Research.

In Europe's case, the depth of the recession, coupled with an existential crisis of the euro, meant that it has been only since fairly recently that investors would pay any premium for growth again. Investor time horizons shortened during the crisis as uncertainty rose and, as a consequence, only highly visible and predictable top-line growth in very defensive sectors enjoyed much of a premium for a long period (for example consumer staples).

It is only since Mr Draghi's 'do whatever it takes' speech that investors in Europe have started to pay for stronger expected earnings growth again.

Exhibit 5 shows the median P/E multiple on different groups of consensus FY3 earnings estimates. At the start of 2013, when the equity risk premium was very high, this curve was still unusually flat. Investors would not pay a premium for higher medium-term earnings growth as the macro environment remained too uncertain. **As the equity risk premium has fallen, and investors have become more confident and lengthened their investment horizons, the slope of this curve has normalized, suggesting less opportunity to find undervalued growth.**

Exhibit 5: The earnings "growth curve" has steepened as investors are now more confident and are rewarding high EPS growth
Median P/E for stocks in different bands; FY3 consensus earnings growth



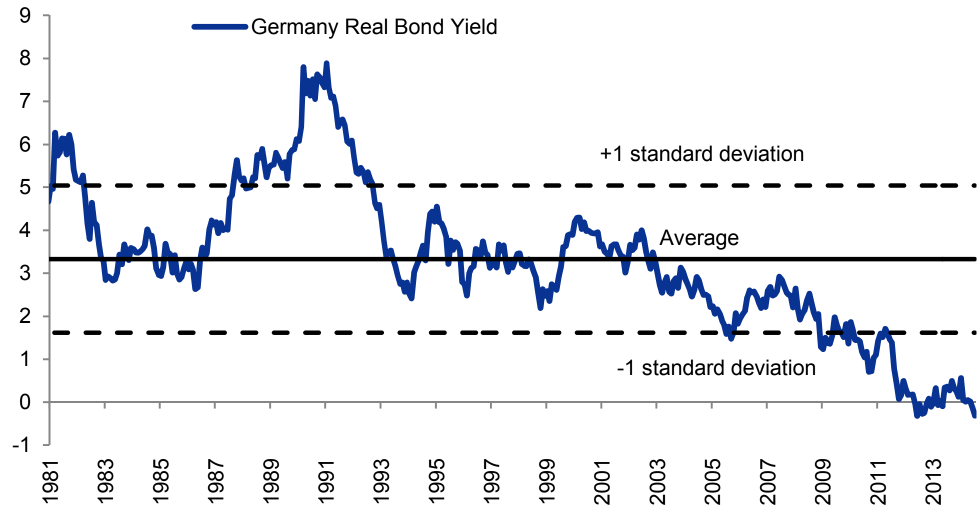
Source: I/B/E/S via Datastream, Goldman Sachs Global Investment Research.

The scarcity of income

While growth may be scarce, income appears even harder to find. In effect, we live in a world with a zero, if not negative, risk free rate. German real bond yields, for example, are close to zero on ten-year maturities.

Even US overnight OIS rates are priced to be negative until 2018, and in the case of the Eurozone this is true through to 2021.

Exhibit 6: The collapsing 'risk free' rate…
…now negative in real terms on 10-year maturities

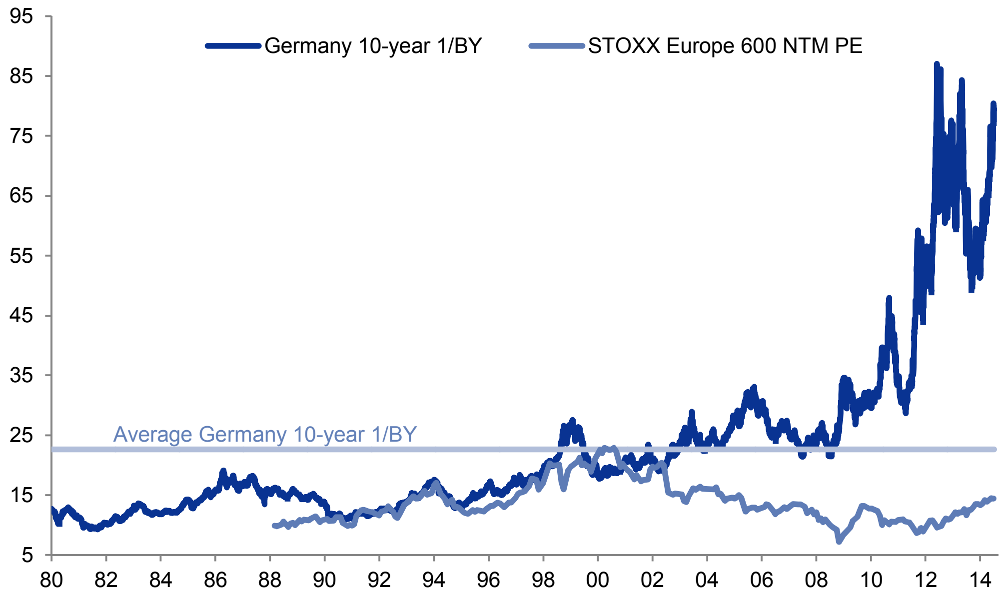


Source: Datastream, Goldman Sachs Global Investment Research.

Yield attracts very high valuations

It is understandable that in a zero-rate world anything offering a higher yield becomes highly prized, particularly when this environment is coupled with low volatility and low inflation expectations. However, **the extent of the rerating is remarkable. An effective multiple for government bonds (1/bond yield for 10-year German government bonds) is in the high 70s.**

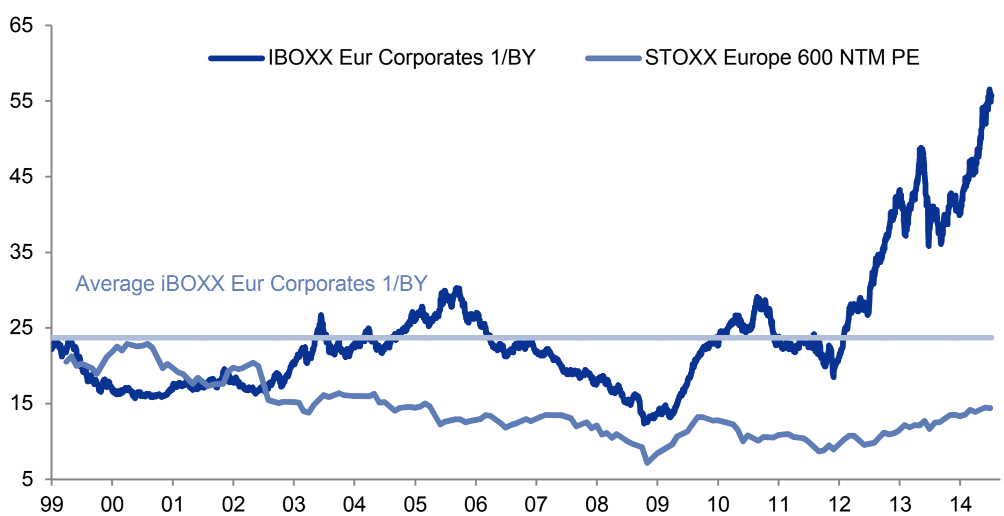
Exhibit 7: The "effective multiple" is extremely high for government bonds…
1/bond yield for 10-year German bonds and 12-month forward P/E for STOXX 600



Source: Datastream, Goldman Sachs Global Investment Research.

For corporate credit, at close to 60, such a 'multiple' is the highest since 1999, the point from when we have data.

Exhibit 8: …and for corporate credit
1/bond yield for iBOXX Europe corporates and 12-month forward P/E for STOXX 600

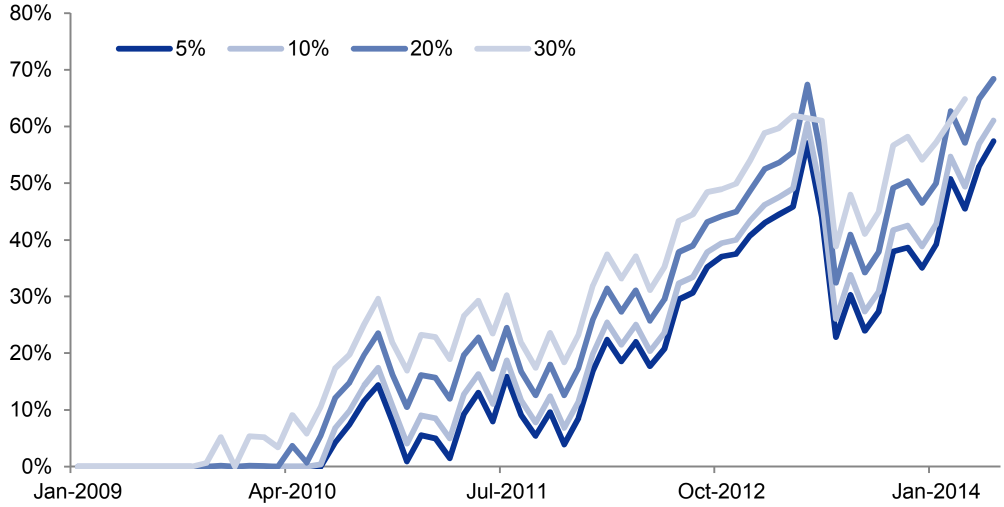


Source: Datastream, Goldman Sachs Global Investment Research.

As bond yields have fallen dramatically and credit spreads narrowed, investors are struggling to meet income requirements without moving significantly up the risk curve. As our Fortnightly Thoughts team note, in order for a credit fund to generate a 4% return, the proportion it would need to invest in BBB would be at a record high.

Exhibit 9: BBB holding needed in credit portfolio

% of portfolio required in high yield corporate bonds to achieve a weighted yield of 4%, if various levels are put in US government bonds



Source: Datastream, Goldman Sachs Global Investment Research.

Finding 'affordable' Growth and Income

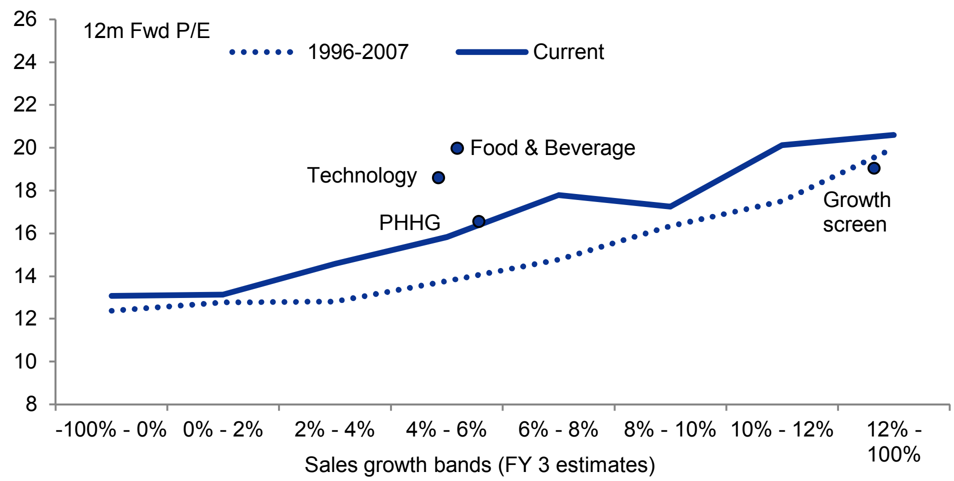
The rerating of growth and significant bull market in fixed income raises the question of whether there really is any growth or yield that is still 'affordable'.

Growth at a reasonable price

Generally 'growth' as a factor is now well rewarded as described earlier. It no longer looks cheap since lower risk premia in equities in general have encouraged investors to lengthen their investment time horizons and to pay more for growth**. Nonetheless, it seems that strong 'theme'-based growth ideas that might generate very strong growth – for example, in areas such as technology as well as in growth areas that are seen as very defensive, such as consumer stables – attract the highest relative valuations compared with history**.

In the case of European equities, we have screened for companies for which our analysts expect top-line growth of over 7% in FY1 and over 8% in both FY2 and FY3.

Exhibit 10: 'Theme'-based growth ideas and defensive growth areas attract the highest relative valuations compared to history, while our growth screen is at reasonable good value for growth compared to the market
Median P/E for stocks and sectors in different bands; FY3 consensus sales growth



Source: I/B/E/S via Datastream, Goldman Sachs Global Investment Research.

Exhibit 11: High sales growth companies (on consensus forecasts) rated Buy by our analysts (some on Conviction List)
Companies with >5% annual sales growth in FY-1 and FY0, >7% annual sales growth in FY1and >8% annual sales growth in FY2 and FY3

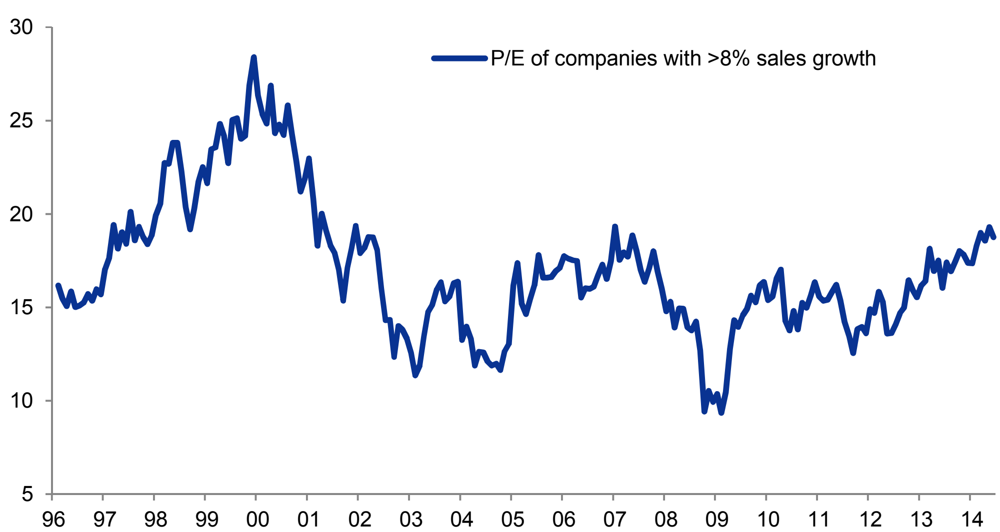
Company name	Sector	Country	Sedol	Price	Currency	Market value	12m forward	Analyst	Sales Growth (%)					Earnings Growth (%)				
						(Bil. EUR)	P/E	rating	FY-1	FY0	FY1	FY2	FY3	FY-1	FY0	FY1	FY2	FY3
Amadeus IT Holding SA	Industrial Goods & Services	Spain	B3MSM28	29.88	E	13.4	19.2	Buy*	7	7	10	11	9	6	11	18	17	15
ARM Holdings plc	Technology	United Kingdom	0059585	8.51	£	15.1	31.5	Buy	17	24	10	12	18	20	41	20	17	30
ASOS plc	Retail	United Kingdom	3092725	28.61	£	3.0	49.1	Buy*	37	39	29	28	30	18	34	NM	62	62
Babcock International	Industrial Goods & Services	United Kingdom	0969703	11.00	£	6.9	15.3	Buy*	14	6	9	27	14	7	23	13	35	26
Barratt Developments	Personal & Household Goods	United Kingdom	0081180	3.67	£	4.5	8.7	Buy	14	12	19	17	17	206	82	106	46	29
Bellway	Personal & Household Goods	United Kingdom	0090498	15.21	£	2.3	8.3	Buy	13	11	33	21	18	55	37	72	28	25
Burberry	Personal & Household Goods	United Kingdom	3174300	14.64	£	8.2	18.4	Buy*	24	8	17	9	13	20	4	24	11	10
Coloplast	Health Care	Denmark	B8FMRX8	475.30	DK	12.9	28.8	Buy	8	6	7	9	8	21	24	18	14	14
Essentra Plc	Industrial Goods & Services	United Kingdom	B074435	7.69	£	2.3	16.5	Buy	20	14	13	12	12	34	18	17	16	16
Fresenius SE & Co KGaA	Health Care	Germany	4352097	110.48	E	16.1	16.4	Buy	18	5	12	9	10	22	12	7	21	17
Gemalto	Technology	Netherlands	B9MS8P5	74.71	E	6.6	18.9	Buy	12	7	12	15	15	22	17	30	27	17
Iliad	Technology	France	7759435	209.80	E	12.2	30.1	Buy*	49	19	16	19	13	NM	NM	38	24	28
Novo Nordisk	Health Care	Denmark	BHC8X90	247.80	DK	70.2	22.6	Buy*	18	7	7	12	10	25	18	11	17	14
Ocado Group PLC	Retail	United Kingdom	B3MBS74	3.84	£	2.8	99.7	Buy*	11	19	22	27	29	NM	NM	NM	220	6
Paddy Power	Travel & Leisure	Ireland	4828974	49.25	E	2.4	16.9	Buy	31	14	12	16	13	0	2	18	1	12
Persimmon	Personal & Household Goods	United Kingdom	0682538	12.54	£	4.8	9.9	Buy	12	21	25	22	22	58	55	43	44	34
Prada SpA	Personal & Household Goods	Hong Kong	B4PFFW4	54.45	K$	13.2	18.2	Buy	25	29	9	10	13	72	45	0	12	16
Recordati	Health Care	Italy	B07DRZ5	12.31	E	2.6	15.5	Buy	9	14	11	11	9	2	13	23	11	11
Rightmove Plc	Media	United Kingdom	B2987V8	20.79	£	2.6	20.7	Buy*	17	19	16	16	12	19	22	22	18	14
Salvatore Ferragamo SpA	Personal & Household Goods	Italy	B5VZ053	20.51	E	3.5	20.1	Buy	17	9	12	14	12	30	43	22	27	22
Sika	Construction & Materials	Switzerland	4808084	3516.00	SF	6.2	20.3	Buy	6	6	11	12	12	31	22	22	22	19
Sky Deutschland AG	Media	Germany	B0662J4	6.31	E	5.5	NM	Buy	17	16	15	16	13	31	36	51	188	246
Sports Direct International Plc	Retail	United Kingdom	B1QH8P2	7.02	£	5.3	17.3	Buy	15	19	20	18	10	16	50	32	30	26
Taylor Wimpey	Personal & Household Goods	United Kingdom	0878230	1.13	£	4.6	9.1	Buy*	14	21	21	13	7	47	46	40	26	6
The Swatch Group	Personal & Household Goods	Switzerland	7184725	524.50	SF	13.3	15.3	Buy	8	11	12	12	12	20	2	18	17	16
Whitbread	Travel & Leisure	United Kingdom	B1KJJ40	41.95	£	9.6	19.8	Buy	14	13	13	13	13	13	21	15	16	16
Wirecard	Industrial Goods & Services	Germany	7508927	30.03	E	3.7	27.4	Buy*	22	28	31	25	22	13	40	44	33	30
Median						**5.5**	**18.7**		**15**	**14**	**13**	**14**	**13**	**21**	**23**	**22**	**22**	**17**

*Share prices as at July 10, 2014; *Conviction List member.*
Source: I/B/E/S via Datastream, Goldman Sachs Global Investment Research.

The median multiple for this list of companies is 18.7x. This may sound expensive, but:

- it is at reasonably good value for its growth compared to the general trade-off between growth and value elsewhere in the market (see Exhibit 10)
- the current valuation of these companies has typically been at around this level in the past and was higher in the 1990s despite higher interest rates at the time. (Exhibit 12).

Exhibit 12: STOXX 600 companies in the 8% plus sales growth category have typically traded at high valuations in the past
Median 12-month forward P/E for companies with >8% FY3/FY2 consensus sales growth



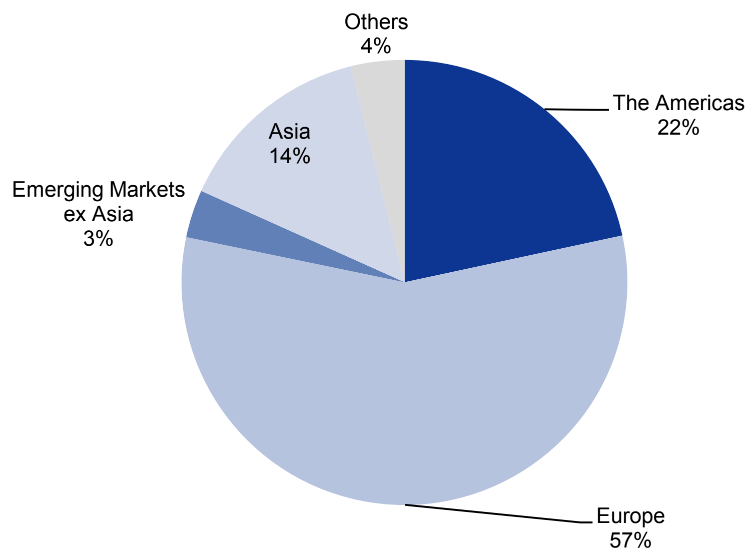
Source: I/B/E/S via Datastream, Goldman Sachs Global Investment Research.

We should also consider that:

- **The current low interest rate/volatility/inflation environment may suggest that ratings in these stocks could be higher; and,**
- **If, as we expect, the cost of equity falls further over the next couple of years as the equity risk premium falls, then longer duration growth stocks may become more valuable still.**

It is also worth noting that the listed stocks have quite high DM exposure (just shy of 80% of sales) which we favour in a period of likely improvement in DM demand.

Exhibit 13: …and close to 80% exposure to DM markets
Aggregate sales exposure to different regions for our growth screen

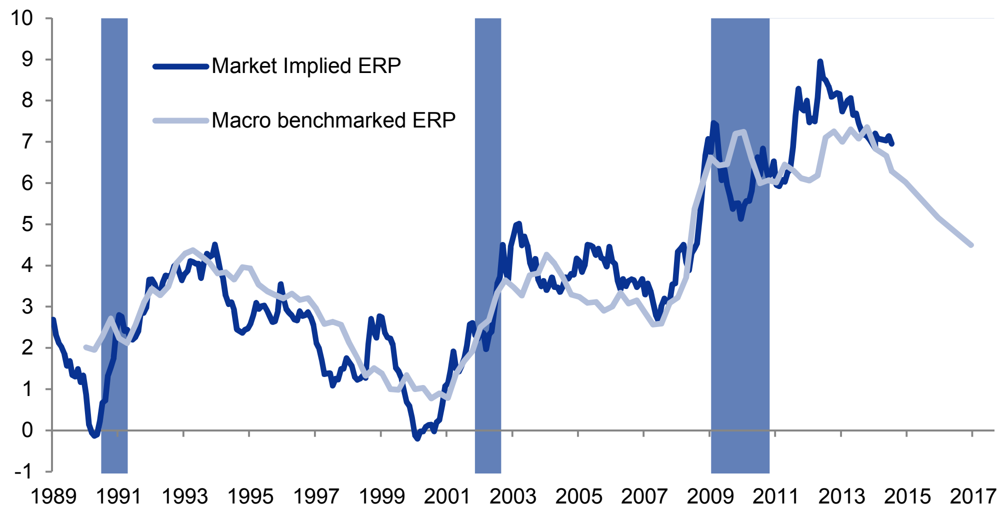


Source: Worldscope via Datastream, Goldman Sachs Global Investment Research.

Affordable yield — High dividend yield and growth (GSSTHIDY)

The equity market is the only major asset class in which risk premia remain high. For a long time we have argued that this offers an opportunity for investors. This is particularly true in an environment where the ERP falls and corporates begin to distribute cash more actively. We have already seen a good deal of this in the US and, as we argued in, "*Show me the Money part 2: Returning to Investing?*", February 27, 2014, we expect more in Europe too. We would not focus only on dividend yield, however. Many stocks with the highest yields could be value traps and vulnerable in an environment where bond yields rose. Our preferred strategy would be to look for a combination of income with growth.

Exhibit 14: Market-implied and macro benchmarked ERP (%)

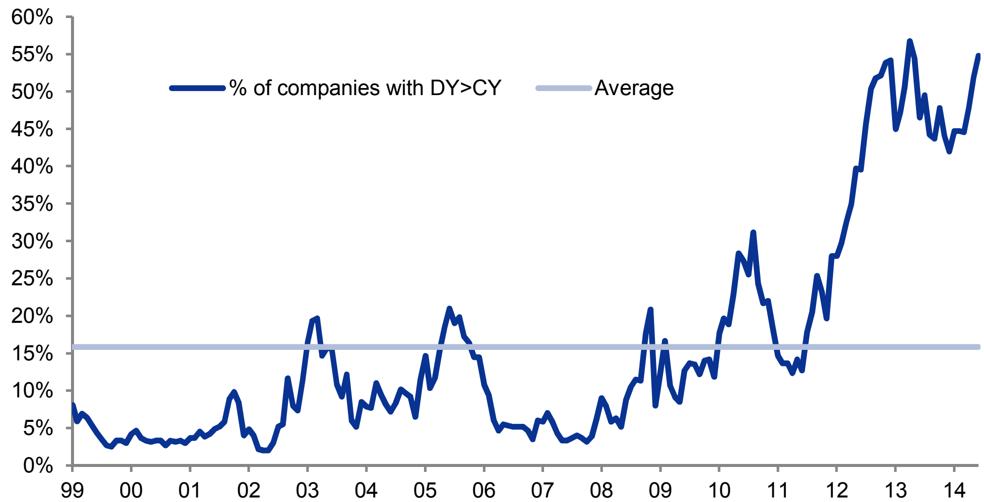


Source: Goldman Sachs Global Investment Research.

In Europe in particular, the risk premium remains historically high and, as our macro model implies, is likely to decline over time. **Certainly this may be offset over time by a modest rise in bond yields, but the resulting cost of equity is still likely to trend downwards, supporting returns and higher valuations for equities.**

Within the asset class, however, there remains a large group of companies that yields far more than corporate credit.

Exhibit 15: Percentage of European companies with div. yields > corp. bond yield



Source: FactSet, Datastream, Goldman Sachs Global Investment Research

We would not focus purely on dividend yield, however. Many stocks with the highest yields are value traps and would be vulnerable in an environment where bond yields moved higher. Our preferred strategy would be to look for a combination of income with growth.

The argument that we have put forward for a long time is that companies with a reasonable dividend yield but good prospects for dividend growth are highly attractive in a world in which carry is in such demand, and even credit instruments trade as rate products. The basket screens for dividend sustainability by looking at high cash flow cover, low leverage, narrow CDS spreads and manageable payout ratios.

Exhibit 16: Our high dividend yield and growth basket (GSSTHIDY) offers better yield and growth

	GSSTHIDY	STOXX Europe 600
Dividend yield (FY1)	4.2%	3.2%
P/E (FY1)	13.4x	15.0x
Dividend growth (FY2/FY1)	10.0%	9.1%
Dividend growth (FY3/FY2)	9.5%	10.0%
Payout ratio (FY1)	57%	39%
Net debt/ EBITDA (FY1)	1.1x	1.6x
FCF cover (FY1)	1.5x	1.5x
5 year CDS	38 bps	68 bps
Beta	1.00	1.00

Source: Bloomberg, I/B/E/S via Datastream, Goldman Sachs Global Investment Research

The constituents or our high dividend yield and growth baket (GSSTHIDY) are shown in Exhibit 17. The basket has outperformed steadily since 2011, but has experienced a setback recently, mainly as a result of the performance of specific banks contained within it. We believe that the valuation of the basket remains attractive, with a 12m forward P/E of 12.4x.

Exhibit 17: Constituents of our high dividend yield and growth basket (GSSTHIDY)

HIGH DIVIDEND YIELD AND GROWTH BASKET (GSSTHIDY)																	
	Weight	Market cap	Beta (6	Dividend yield		DPS growth (forecast)			DPS growth (implied)		Payout ratio		Free cash flow cover		Net debt/EBITDA		
Company name		(€Bn)	month)	2014E	2015E	2014E	2015E	2013-15E	2014	2015	2014E	2015E	2014E	2015E	2014E	2015E	5 year CDS
Automobiles & Parts	**6.8%**																
BMW	2.3%	59.6	1.20	3.2%	3.8%	15.4%	16.7%	**34.6%**	7.2%	2.6%	32%	35%	1.7x	1.4x	-0.7x	-0.7x	21 bps
CNH Industrial	2.3%	8.9	1.35	2.5%	2.8%	11.0%	10.9%	**23.1%**			40%	40%	0.7x	1.0x	0.7x	0.8x	97 bps
Daimler AG	2.3%	72.7	1.67	3.4%	4.4%	2.2%	30.4%	**33.3%**	-1.4%	-3.7%	61%	39%	0.7x	1.8x	-1.6x	-1.0x	20 bps
Banks	**11.4%**																
Barclays plc	2.3%	42.8	0.97	4.6%	6.6%	49.2%	42.9%	**113.2%**	19.2%	37.9%	31%	38%					48 bps
BBVA	2.3%	50.3	1.56	5.7%	4.9%	31.8%	-13.1%	**14.5%**	0.1%	-16.9%	58%	77%					62 bps
BNP Paribas	2.3%	60.2	1.53	3.1%	5.5%	0.0%	76.3%	**76.3%**	18.4%	24.1%	33%	29%					41 bps
HSBC	2.3%	141.1	0.65	5.2%	5.9%	-0.7%	12.5%	**11.8%**	6.4%	2.3%	56%	56%					
Nordea	2.3%	41.7	1.02	5.0%	5.8%	27.6%	16.6%	**48.8%**	33.4%	-10.3%	56%	60%					
Construction & Materials	**9.1%**																
Bilfinger SE	2.3%	2.9	1.02	4.5%	4.5%	0.0%	0.0%	**0.0%**	0.0%	3.3%	59%	62%	-0.1x	0.1x	0.7x	0.6x	
Royal Boskalis Westminster N.V.	2.3%	4.8	0.77	3.8%	4.0%	7.1%	6.7%	**14.3%**	3.2%	4.7%	46%	47%	1.5x	1.8x	1.7x	1.5x	
Tecnicas Reunidas	2.3%	2.4	0.97	3.3%	3.6%	6.0%	7.9%	**14.3%**			59%	56%	1.6x	2.1x	-3.5x	-3.7x	
Vinci	2.3%	28.7	1.21	3.7%	4.0%	8.3%	7.1%	**16.0%**	-1.1%	3.6%	51%	49%	2.2x	2.7x	2.9x	2.5x	31 bps
Financial Services	**4.5%**																
Groupe Bruxelles Lambert	2.3%	12.4	0.65	3.7%	3.8%	5.0%	5.0%	**10.3%**	-5.7%	0.0%	67%	55%	2.0x	2.3x	2.6x	1.9x	
IG Group Holdings	2.3%	2.6	0.55	4.5%	5.0%	8.8%	11.7%	**21.5%**	0.0%	9.7%	60%	60%	1.1x	1.6x	-0.7x	-0.8x	
Health Care	**6.8%**																
GlaxoSmithKline	2.3%	99.4	0.72	5.3%	5.5%	5.1%	4.9%	**10.2%**	3.3%	1.8%	72%	78%	1.6x	1.8x	1.9x	1.9x	38 bps
Roche	2.3%	187.8	0.97	3.4%	3.9%	17.3%	12.5%	**32.0%**	6.1%	5.1%	55%	58%	2.0x	1.8x	0.6x	0.5x	
Sanofi	2.3%	101.0	1.11	3.8%	4.0%	4.0%	4.0%	**8.2%**	2.2%	4.5%	55%	56%	1.6x	1.2x	0.5x	0.7x	17 bps
Industrial Goods & Services	**18.2%**																
Atlas Copco	2.3%	49.6	1.15	3.3%	3.5%	18.2%	7.7%	**27.3%**	0.0%	-9.1%	56%	62%	1.5x	1.7x	0.4x	0.6x	
Cobham	2.3%	4.1	0.72	3.5%	3.9%	10.0%	10.0%	**21.0%**	10.0%	10.1%	45%	52%	1.4x	1.9x	0.9x	0.9x	
D S Smith	2.3%	3.2	1.23	4.1%	4.3%	20.0%	5.1%	**26.0%**			57%	60%	0.8x	1.2x	2.4x	2.0x	
Deutsche Post	2.3%	31.9	1.57						10.0%	1.3%							32 bps
Rexam	2.3%	4.7	0.72	3.7%	3.9%	0.9%	4.7%	**5.6%**			49%	52%	1.3x	2.3x	2.7x	2.3x	68 bps
Sandvik	2.3%	12.2	1.10						0.0%	0.0%	61%		0.2x		1.5x		
Schneider Electric	2.3%	36.8	1.44	3.0%	3.4%	7.0%	15.0%	**23.0%**	-1.1%	0.9%	47%	44%	2.2x	2.2x	1.2x	1.4x	21 bps
Siemens AG	2.3%	79.6	1.26	4.0%	4.3%	19.6%	6.5%	**27.3%**	0.0%	5.0%	45%	53%	1.9x	1.5x	0.4x	0.7x	20 bps
Insurance	**15.9%**																
Aegon N.V.	2.3%	12.5	1.23	3.6%	4.0%	5.0%	10.0%	**15.5%**	2.7%	15.0%	75%	39%					72 bps
Assicurazioni Generali	2.3%	24.3	1.17	3.8%	4.5%	42.9%	16.7%	**66.7%**	97.5%	37.0%	34%	38%					49 bps
AXA	2.3%	40.0	1.65	5.2%	5.5%	13.0%	6.6%	**20.5%**	11.8%	1.6%	43%	45%					43 bps
Legal & General Group	2.3%	16.7	0.87	4.8%	5.5%	15.0%	15.0%	**32.3%**	-0.5%	9.3%	62%	63%					57 bps
RSA Insurance Group	2.3%	4.9	0.44	3.9%	3.8%	704.9%	-2.8%	**682.2%**	0.0%		NM	35%					66 bps
Sampo	2.3%	20.8	1.01	4.6%	4.7%	3.0%	2.9%	**6.1%**	0.0%	0.0%	64%	64%					
SCOR	2.3%	4.5	0.78	6.1%	6.5%	15.4%	6.7%	**23.1%**	-8.3%	18.2%	44%	54%					38 bps
Media	**4.5%**																
Pearson	2.3%	11.2	0.49	4.5%	4.8%	5.0%	5.0%	**10.3%**	6.5%	-11.2%	69%	78%	0.6x	1.1x	1.6x	1.5x	34 bps
SES SA	2.3%	11.1	0.32	4.3%	4.7%	10.0%	10.0%	**21.0%**	10.3%	9.3%	76%	79%	1.8x	1.2x	2.8x	2.9x	64 bps
Oil & Gas	**6.8%**																
BP plc	2.3%	117.6	0.68	4.6%	4.6%	0.0%	-0.5%	**-0.5%**	-3.0%	-1.3%	52%	54%	-0.3x	0.9x	0.9x	1.0x	33 bps
ENI	2.3%	70.4	1.10	5.7%	5.7%	1.8%	0.0%	**1.8%**	-1.8%	-2.3%	90%	92%	-0.5x	0.1x	0.8x	0.8x	27 bps
Royal Dutch Shell plc (A)	2.3%	192.9	0.62	4.6%	4.7%	1.2%	2.5%	**3.7%**	-0.1%	-2.3%	58%	53%	-0.2x	0.9x	0.8x	0.7x	21 bps
Personal & Household Goods	**4.5%**																
British American Tobacco	2.3%	84.7	0.63	4.2%	4.4%	4.8%	3.8%	**8.8%**	-0.1%	6.2%	66%	70%	1.4x	1.3x	1.7x	1.9x	29 bps
Imperial Tobacco	2.3%	32.5	0.40	4.9%	5.4%	10.0%	9.9%	**20.9%**	10.2%	2.3%	57%	61%	1.5x	1.6x	3.1x	3.0x	31 bps
Retail	**2.3%**																
Casino	2.3%	10.7	1.05	3.5%	3.8%	5.8%	8.0%	**14.2%**	5.0%	9.5%	57%	54%	17.6x	8.7x	1.8x	1.7x	40 bps
Technology	**2.3%**																
Ericsson	2.3%	27.5	0.79	4.2%	4.7%	16.3%	13.6%	**32.2%**	9.1%	-1.7%	55%	68%	1.3x	2.3x	-1.1x	-1.7x	26 bps
Telecommunications	**4.5%**																
Swisscom	2.3%	21.9	0.53	4.3%	5.4%	0.0%	27.3%	**27.3%**	-0.5%	-6.4%	67%	75%	1.5x	1.3x	1.8x	1.7x	
Telenor	2.3%	25.5	0.71	5.7%	6.4%	14.3%	12.5%	**28.6%**	-16.7%	0.0%	77%	78%	2.5x	1.1x	1.1x	1.3x	40 bps
Utilities	**2.3%**																
Centrica	2.3%	19.7	0.19	5.7%	5.9%	3.5%	3.5%	**7.1%**	-2.7%	1.5%	63%	81%	2.3x	0.7x	2.0x	2.3x	62 bps
Median		**26.5**	**0.97**	**4.2%**	**4.6%**	**7.7%**	**7.8%**	**21.0%**	**0%**	**2%**	**57%**	**56%**	**1.5x**	**1.5x**	**1.1x**	**1.1x**	**38 bps**

Source: Bloomberg, Goldman Sachs Global Investment Research.

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