



Real Investment Advice is pleased to introduce J. Brett Freeze, CFA, founder of Global Technical Analysis. Going forward on a monthly basis we will be providing you their valuable S&P 500 Valuation Chart Book. This unique analysis provides an invaluable long term perspective of equity valuations. If you are interested in learning more about their services, please onnect with them.

Introduction

We believe that the chief determinant of future total returns is the relative valuation of the index at the time of purchase. We measure•valuation using the Price/Peak Earnings multiple as advocated by Dr. John Hussman. We believe the main benefit of using peak•earnings is the inherent conservatism it affords: not subject to analyst estimates, not subject to the short-term ebbs and flows of•business, and not subject to short-term accounting distortions. Annualized total returns can

be calculated over a horizon period for•given scenarios of multiple expansion or contraction. Our analysis highlights expansion/contraction to the minimum, mean, average, and maximum multiples (our data-set begins in January•1900). The baseline assumptions for nominal growth and horizon period are 6% and 10 years, respectively. We also provide graphical•analysis of how predicted returns compare to actual returns historically. We provide sensitivity analysis to our baseline assumptions. The first sensitivity table, ceterus paribus, shows how future returns are•impacted by changing the horizon period. The second sensitivity table, ceterus paribus, shows how future returns are•impacted by changing the growth assumption. We also include the following information: duration, over(under)-valuation, inflation adjusted price/10-year real earnings, dividend•yield, option-implied volatility, skew, realized volatility, historical relationships between inflation and p/e multiples, and historical•relationship between p/e multiples and realized returns.

Our analysis is not intended to forecast the short-term direction of the SP500 Index.• The purpose of our analysis is to identify the relative valuation and inherent risk offered by the index currently.