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## PRESS RELEASE

*(Not for release in the United States of America)*

### **INEXPENSIVE CYCLICAL SECTORS MAY BENEFIT FROM AN IMPROVING STOCK MARKET**

**London, 19 October 2015:** Following the equity market underperformance in the third quarter of 2015, Source research suggests that some of the more cyclical sectors in the US and European equity markets may be best positioned for a market recovery in the final quarter of the year. Source is one of the largest providers of Exchange Traded Products (ETPs) in Europe, and its Multi-Asset Research team is pleased to announce that it has published its latest views on equity sector strategy for the US and Europe.

The latest edition of the Source Sector Selector weighs up the recent market performance, with the reasons for the weakness driven primarily by concerns about global economic growth, especially with current fears around China. While acknowledging the deceleration in the Chinese economy, Paul Jackson, Head of Multi-Asset Research at Source, believes that global growth will be sufficient to allow equities, real estate and high yield corporate bonds to outperform government and investment grade bonds.

Jackson continued: "When we assess equity valuations, we believe it is appropriate to use different metrics for the US than for Europe. In the US, we are focusing mostly on price-to-cashflow ratios, whereas we are emphasising dividend yield for European equities. The European market as a whole requires dividends to grow by only 0.5% per annum to justify current equity valuations. Overall, our analysis shows that banks and resource-related sectors are some of the cheapest in both the US and Europe, while defensive sectors are currently among the most expensive. Utilities, a stereotypical defensive, is also the most leveraged sector in Europe, with net debt of 3.2 relative to EBITDA.

Cyclical sectors that may be worth considering include consumer discretionary in the US and European media companies, as well as industrial goods and services in both markets. We also continue to favour financials in the US and Europe, where valuations and price momentum are both particularly attractive. The one exception is in the financial services area in the US, due to less compelling valuations and profitability. Where we are less positive is toward basic resources, as we remain unconvinced that the commodity super-cycle has completely unwound."

Source UK Services Limited is authorised and regulated by the Financial Conduct Authority in the UK.

## Important Information

The prospectus documentation describing the products, risks and related costs of Source products are available for residents of countries where such products are authorised for sale at [www.sourceETF.com](http://www.sourceETF.com)

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#### About Source

Source is an investment firm and one of Europe's leading Exchange Traded Product (ETP) providers, with more than US\$20 billion in assets under management. Since launch in April 2009, Source has focused on delivering incremental value to European ETP investors through a combination of enhanced indices, strong partnerships, improved structuring and active trading. Its range of just under 80 products gives investors the ability to gain exposure to equities, commodities, fixed income and alternative assets, through Exchange Traded Fund and Exchange Traded Commodity structures with deep liquidity, increased transparency and reduced counterparty risk.

Further information about Source is available at [www.sourceETF.com](http://www.sourceETF.com)