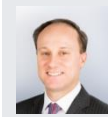


New Year's resolutions vs. classic fundamentals: Momentum vs. Valuations



David Bianco
Americas Chief Investment Officer
DWS

Our New Year's resolution is to heed momentum and be less tactical, but...

Upon Trump's victory we figured investor optimism would stay strong through early 2025 provided 10yr Treasury yields don't spoil the mood. We marked inauguration day as being the first possible indication of less-than-ideal news for investors, such as new tariffs. Yet, Trump knows how to keep everyone guessing and the party going. We take no tactical view right now, but we'd be surprised not to see dips or a correction before reaching our 6500 S&P 500 target.

Trump's message was tariffs are coming, but more study and negotiating first. Also coming, less government regulation/ bureaucracy, more U.S. energy, etc. Music to investor ears, but no promises around corporate tax cuts kept the party more like a formal ball than a rave. Corporate leaders surround Trump now, but Trump knows who put him back in office and likely will prioritize low taxes for households. Beyond Trump, the bond market seems more confident recently that the Fed recognizes the greater deficit and inflation risks and likely will go slowly on further cuts. Earnings season brought great results from banks and upbeat reports from most others so far.

Thus, the beat goes on and we are thinking about the likelihood of a "Great Continuation," whether that be a long-lasting economic expansion, uninterrupted equity bull market, good conditions in commodities, FX markets, bonds, real estate, etc. But the risks include that Trump policies could be more about Americans first, more so than corporate profits first, his penchant for borrowing, a world difficult to discipline even with big sticks, and for equities very demanding U.S. valuations vs. bond yields and high expectations for growth from Trump and of course AI.

EPS Tracker (week 1): 4Q24 growth is an indicator for 2025 ex. tax cuts/tariffs

Strong start to 4Q earnings season from large banks delivering big beats with upward net interest income on net interest margin expansion from Fed rate cuts and lower loan loss provisions, also strong investment banking revenue. Loan loss reserves remain steady and low, showing the major banks' confidence in an extended economic cycle. Bottom-up 4Q EPS climbed to \$62.32. If the rest of companies beat by 5% in aggregate, 4Q EPS should hit our \$65.00 estimate, which suggests \$260 annualized S&P EPS, giving us more confidence in our 2025E EPS of \$275 ex. corporate tax cuts and tariffs. Bottom-up 4Q EPS growth is up 24% y/y at Great 8 companies. Also encouraging is that the other 492 bottom-up EPS growth still stands at 5.4% y/y. Our standing 2025E S&P EPS assumes mid to upper single-digit growth at S&P 492 companies.

Does the S&P's PE matter? Yes, particularly for likely 3-5 year forward returns

Inside, we provide historical analysis on S&P 500 PE versus subsequent 1-, 3-, 5- and 10-year returns. The relationship is downward sloping, even if excluding the late 1990s bubble and late 1970s high inflation period. So, PE does matter! The empirical analysis supports the idea that high PEs can take 1% off of annualized returns over the next 1 to 5 years. The PE shouldn't say too much about 10-year returns as so much can happen over 10 years: various macro conditions, EPS growth, interest rates, S&P composition, capital gains taxes, etc. The 15-30% R-Squared of observed PE vs. subsequent 5-year returns suggests it's an important consideration, but far from the only one. Given a forward S&P PE of 22, we expect somewhat subpar returns from the S&P 500 over the next 3-5 years. A near 6% annualized total return rather than the 8% we'd consider to be fair right now given yields. Thus, we think the S&P 500 is about 10% too expensive, but this over valuation should only be a small dent to returns over a 3-5 year period. That said, if EPS exceeds our estimates, or 10yr yield falls back to 4%, or the expansion lasts through the decade, then we think the S&P is quite fairly valued. Our intrinsic approach to valuation supports the current PE, but it requires 10% EPS growth (3% above 7%) for a few years beyond 2025.

Diversifying from Great Eight: Exceptional enterprises, but record concentration

Allocating to Great 8 is becoming a total asset allocation decision, not just an S&P 500 allocation decision. The unique and generally superior operating features of Great 8-10 S&P 500 enterprises, yet their high PEs and very heavy weights in the index call for new thinking about appropriate strategic allocation. Active managers should seek other stocks that can beat or at least keep up and passive solutions should facilitate Great allocations vs. the rest of the S&P.

Sticking with momentum for now, ...but new year's resolutions rarely last for long

Current S&P 500 PE of 22x on 2025E EPS really depends on strong EPS growth for at least a few years. We don't see either elevated cash (M2 money supply) to equity market cap or high household savings rates (albeit healthy) as supporting the PE. Also, household equity allocation is already high. While we think household and corporate savings flows (net buybacks) can keep equity demand healthy, it's ultimately not about equity supply/demand, but rather that future EPS yields are fair vs. bond yields. Thus, future S&P returns are mostly about EPS growth achieved. We expect S&P EPS growth to exceed par (near 7%) by about 3% for the next few years, but as this occurs the observed 22 S&P PE should compress by 3 - 5% each year back toward our estimate of a fair steady state PE of 18.5, which assumes a 4.5% 10yr treasury yield.

Contributor: Ju Wang, Equity Portfolio Manager

Global Equity Index Forecasts: 12-months			
Index	Dec 2025F	NTM EPS Growth	Target PE
S&P 500	6,500	12.2%	23.5
EuroStoxx 50	4,950	6.0%	13.6
Stoxx 600	525	6.0%	13.9
MSCI Japan	1,770	7.0%	15.3
MSCI Asia xJ	750	11.0%	14.1
MSCI EM	1,150	11.0%	13.2

S&P 500 Outlook at Yearend			
	2024F	2025E	2026E
S&P 500	6000	6500	6900
Dividend Yield	1.30%	1.30%	1.30%
S&P EPS	\$245	\$275	\$303
Trailing PE	24.5	23.6	22.8
DPS	\$76	\$84	\$90

Next 5%+ Price Move
(Up / **Balanced Risk** / Down)

Taxable U.S. Investor Asset Allocations		
Asset Class	Long-term	Current
Fixed Income/cash	31.5%	29.5%
Equities	58.5%	59.5%
US Equities	41%	41%
S&P 500	37%	37%
Small Caps	4%	4%
Foreign DM	12.5%	13.5%
Foreign EM	5%	5%
Alternatives	10%	11%

Key CIO Views		
Macro signal:	Jan 2025	Dec 2025F
U.S. Fed Funds rate	4.25%-4.50%	3.75%-4.00%
10yr Treasury yield	4.55%	4.50%
US IG Corp Spreads	95bp	85bp
US High Yield Spreads	285bp	325bp
Crude Oil (WTI) \$/bbl	76	65
EUR / USD FX rate	1.03	1.02

GDP Forecasts			
Region	2024F	2025F	2026F
US	2.7%	2.0%	2.2%
World	3.1%	3.1%	3.1%
Euro area	0.7%	0.9%	1.0%
China	4.9%	4.2%	4.0%
Japan	-0.1%	1.2%	0.7%

* Q4/Q4 GDP growth.
EPS = Earnings Per Share; GDP = Gross Domestic Product
FX = Foreign Exchange; TIPs –Treasury Inflation Protected Securities
Source: DWS Investment Management GmbH. All opinions and claims are based upon data on 1/23/2025 and may not come to pass. This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. All foreign asset exposures are not FX hedged unless otherwise noted. For illustrative purposes only. Past performance may not be indicative of future results. Diversification neither assures a profit nor guarantees against loss. Forecasts are not a reliable indicator of future returns.

S&P 500 Sector and Industry views

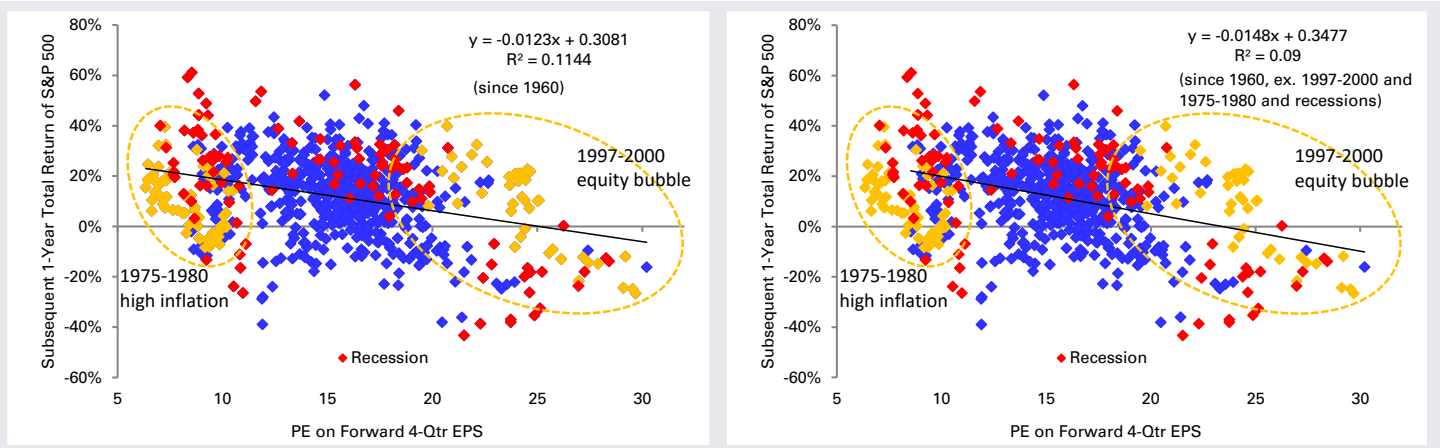
	Market	Allocated	Sector	2022	2023	2024	Overweight	2022	2023	2024	Equal weight	2022	2023	2024	Underweight	2022	2023	2024
Over-weight	10.2%	15.0%	Health Care	17.4	21.6	19.6	Biotechnology Health Care Equipment & Supplies Pharmaceuticals	12.9 30.4 14.2	17.7 30.3 24.0	19.9 28.2 16.9	Health Care Providers & Services	16.4	15.3	15.4	Life Sciences Tools & Services	24.5	27.9	29.2
	13.9%	16.6%	Financials	23.5	21.2	19.2	Banks Insurance	17.2 22.9	14.6 18.9	15.1 15.4	Capital Markets Financial Services	26.0 34.1	27.0 30.4	22.1 26.8	Consumer Finance	17.5	20.1	17.5
	2.4%	3.5%	Utilities	24.7	22.2	19.5	Electric Utilities	23.9	21.0	18.7	Gas Utilities Independent Power & Renewable E Multi-Utilities Water Utilities	25.4 -418.7 20.2 28.5	21.8 70.7 21.2 25.5	19.6 28.3 19.8 23.0				
	9.4%	10.5%	Communication Services	35.0	27.6	23.5	Entertainment Interactive Media & Services	105.0 51.2	42.6 36.4	66.9 26.3	Diversified Telecommunication Ser Wireless Telecommunication Ser	8.1 106.5	8.8 30.3	9.5 24.001	Media	11.0	10.8	10.4
	3.3%	4.2%	Energy	9.6	12.5	16.9	Energy Equipment & Services	22.7	15.4	13.6	Oil Gas & Consumable Fuels	9.1	12.3	17.2				
Equal-weight	8.5%	8.4%	Industrials	31.3	26.7	26.0	Aerospace & Defense Electrical Equipment	44.9 34.4	41.2 34.5	40.0 26.5	Air Freight & Logistics Construction & Engineering Industrial Conglomerates Machinery Passenger Airlines	12.2 56.5 20.2 25.7 28.0	17.2 51.8 16.3 20.3 9.5	17.2 43.2 22.3 20.6 12.5	Building Products Commercial Services & Supplies Ground Transportation Professional Services Trading Companies & Distributors	25.8 45.1 62.5 36.6 31.8	32.0 47.1 30.8 32.1 26.7	24.7 43.5 25.7 29.3 25.4
	5.4%	5.1%	Consumer Staples	24.9	26.6	24.7	Beverages	23.1	20.8	19.6	Consumer Staples Distribution & R Household Products Personal Care Products	35.7 28.4 46.2	53.3 26.2 20.7	43.4 23.9 23.2	Tobacco Food Products	15.8 12.8	15.6 13.6	15.0 14.2
	2.0%	1.5%	Materials	17.2	22.5	24.3					Chemicals Construction Materials Metals & Mining	17.5 49.6 8.9	22.2 33.8 13.5	24.4 35.5 17.2	Containers & Packaging	27.7	38.1	29.4
	2.1%	1.3%	Real Estate	19.5	19.1	18.4					Hotel & Resort REITs Industrial REITs Office REITs Retail REITs Specialized REITs	9.6 22.7 9.8 14.7 19.8	9.1 21.3 4.6 14.0 19.7	8.8 18.7 10.7 13.6 19.7	Health Care REITs Residential REITs Real Estate Mgmt. & Development	22.7 19.4 32.1	28.5 18.1 44.0	18.1 17.8 41.5
	31.7%	27.6%	Information Technology	43.1	42.3	34.4	Software IT Services	47.2 28.4	40.9 26.3	34.8 25.2	Technology Hardware Storage & P	34.0	37.7	31.5	Communications Equipment Electronic Equipment Semiconductors	21.5 23.1 58.5	18.7 31.0 57.7	18.7 26.4 40.9
Under-weight	11.4%	6.5%	Consumer Discretionary	52.7	37.1	32.8	Automobile Components	12	11.8	10.0	Broadline Retail Distributors Household Durables Leisure Products Textiles Apparel & Luxury Goods	-15555 14.1 11.9 13.0 27.5	73.4 14.6 12.1 20.0 32.4	41.9 16.9 12.5 15.0 27.9	Automobiles Hotels Restaurants & Leisure Specialty Retail	44 73.2 25.2	46.8 27.6 26.0	47.6 28.4 26.0
			Automobiles	43.5	46.8	47.6												
			Broadline Retail	-15555	73.4	41.9												
			CD ex Auto & Broadline Retail	30.4	24.4	24.5												
Aggregate PE: DWS View							Overweight	28.2	27.0	23.7	Equalweight	21.5	22.9	22.8	Underweight	40.1	36.0	30.7
S&P 500								6049			2022, 2023& 2024 EPS	218.24	223.00	245.00	2022, 2023 & 2024 PE	27.7	27.1	24.7
											Bottom-up Consensus EPS	218.24	221.97	244.70	Bottom-up Cons. PE	27.7	27.3	24.7
															2022, 2023 & 2024 Ex Energy PE	28.8	28.8	25.6
															Bottom-up Cons. Ex Energy PE	30.1	28.3	25.6

Sector OW	10.63%
Sector UW	-10.63%
Industry OW	17.85%
Industry UW	-17.85%
Beta	0.90
Tracking Error	275bp

Macro tilts:	
Great 8	-2.96%
Cyclicals	-5.13%
Defensive	5.13%
Value (Financial+Energy)	3.82%
Growth	2.08%
Growth ex Health Care	-2.81%
Consumer	-4.75%
Services/experience	-0.92%
Disc. Goods	-3.68%
Retailing	-1.31%
Durables	-2.37%
Staples Goods/Retail	-0.15%
Commodity	0.89%
Energy	1.03%
Metals/Chemicals	-0.14%
Capex	5.46%
Capacity additions	2.50%
Productivity	2.96%
Health Care	4.89%
Innovation	4.09%
Marketers	1.90%
Insurers	-0.15%
Financials	2.79%
Up rates/low spreads	1.04%
Capital Markets	0.02%
Insurance	1.73%
Bond Substitutes	0.02%
Weak FX \$ plays	0.02%
High R&D plays	2.34%
Transports	-0.58%
Geopolitical risk	1.32%
Weak oil prices	-0.42%
Inflation shock	0.03%
Stagflation Protection	4.07%
Domestic GDP	-3.76%
Global GDP	-5.51%
Consumer TMT	-0.84%
Trade sensitive	-2.89%

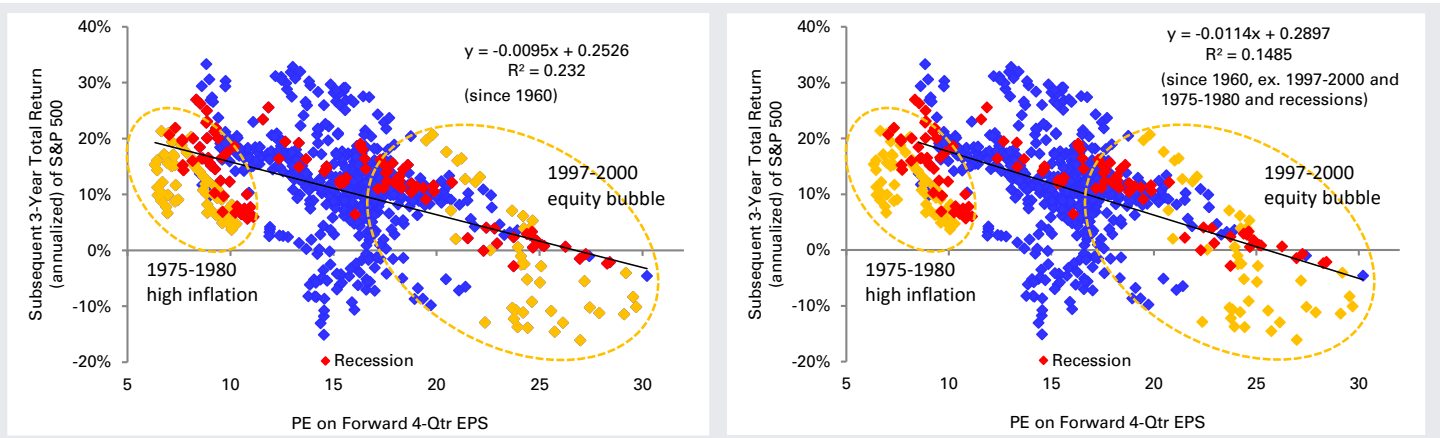
More details on sector earnings forecast and sector intrinsic valuation can be found towards the back of this note.
Price as of 1/21/2025
Source: DWS Investment Management GmbH. Past performance may not be indicative of future results.

S&P 500 PE vs. subsequent 1-year return



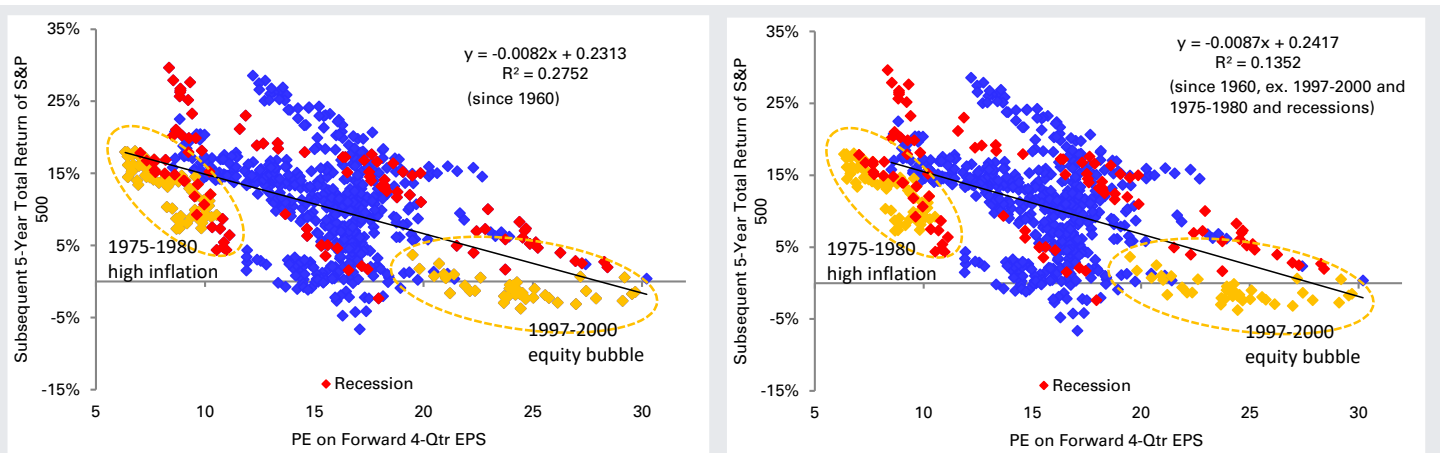
Source: S&P, IBES, Haver, DWS Investment GmbH as of 12/31/2024. Past performance may not be indicative of future results.

S&P 500 PE vs. subsequent 3-year return



Source: S&P, IBES, Haver, DWS Investment GmbH as of 12/31/2024. Past performance may not be indicative of future results.

S&P 500 PE vs. subsequent 5-year return



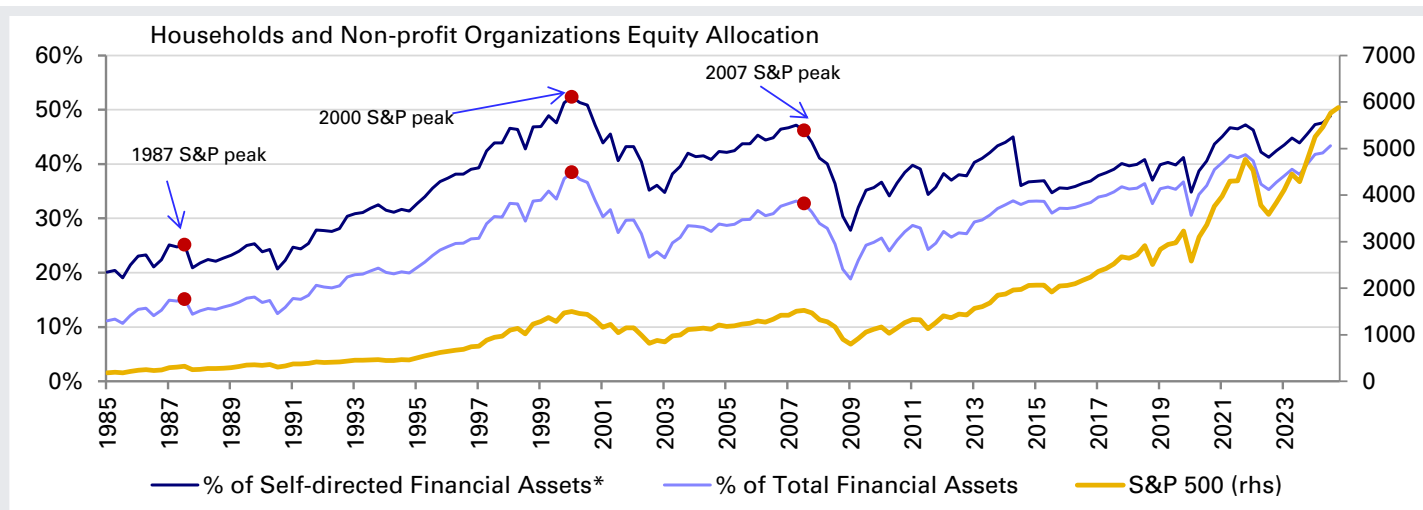
Source: S&P, IBES, Haver, DWS Investment GmbH as of 12/31/2024. Past performance may not be indicative of future results.

S&P 500 PE vs. subsequent return

S&P 500 PE on Fwd 4-Qtr EPS	Count	Average Subsequent Annualized Return				
		1 Year	2 Year	3-Year	4-Year	5-Year
>22	61	-5.2%	-2.9%	-2.2%	-0.5%	1.6%
20 to 22	27	1.4%	10.8%	8.0%	6.1%	6.3%
18 to 20	83	8.9%	7.8%	9.4%	10.4%	9.8%
16 to 18	199	12.1%	9.5%	9.8%	9.8%	9.1%
14 to 16	137	15.6%	12.6%	10.6%	9.5%	9.1%
12 to 14	88	15.9%	15.4%	16.0%	15.5%	15.1%
10 to 12	60	14.5%	14.7%	13.4%	13.5%	12.8%
<10	112	16.1%	15.8%	15.6%	15.5%	16.0%
All	767	11.8%	11.0%	10.7%	10.7%	10.6%

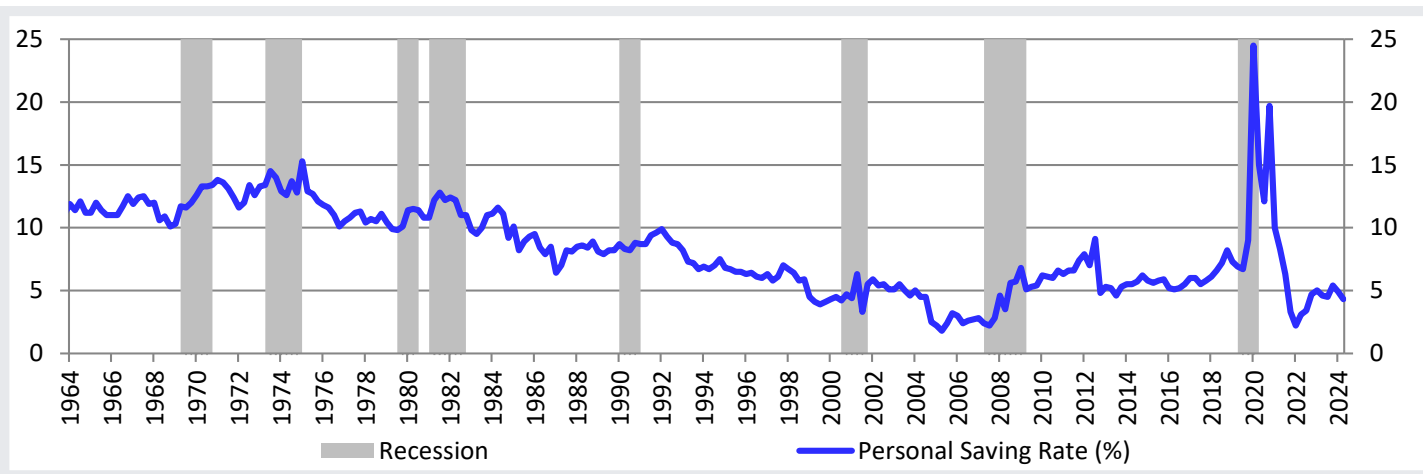
Source: S&P, IBES, Haver, DWS Investment GmbH as of 12/31/2024. Past performance may not be indicative of future results.

U.S. household equity allocation



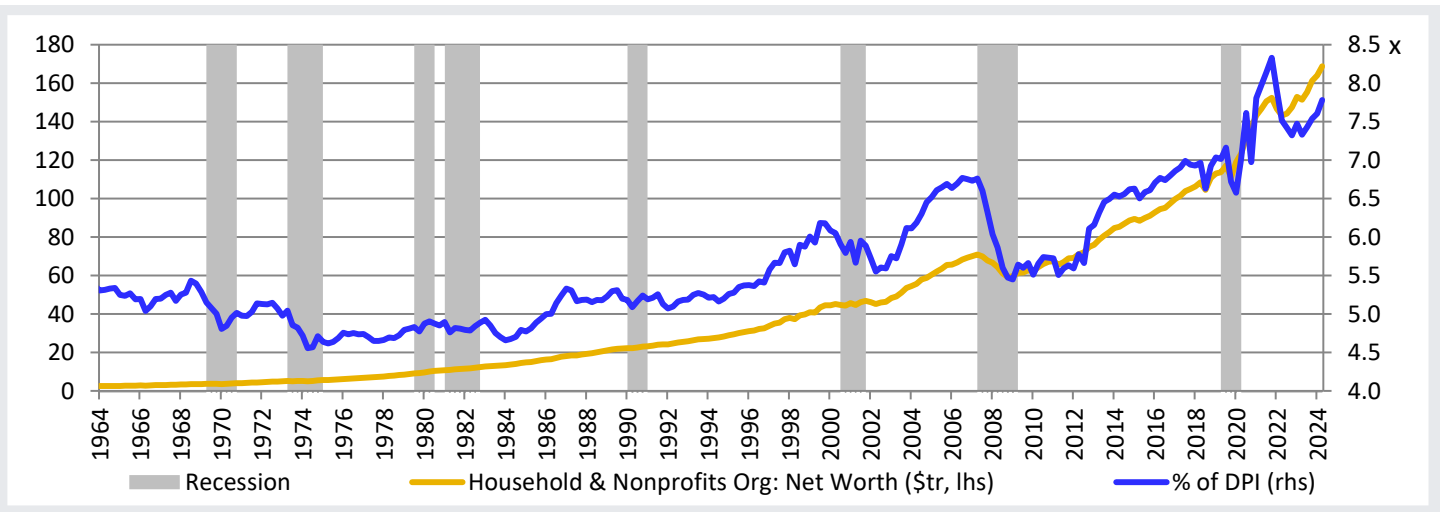
Source: Haver, DWS Investment GmbH as of 4Q2024. Past performance may not be indicative of future results.

U.S. personal saving rate



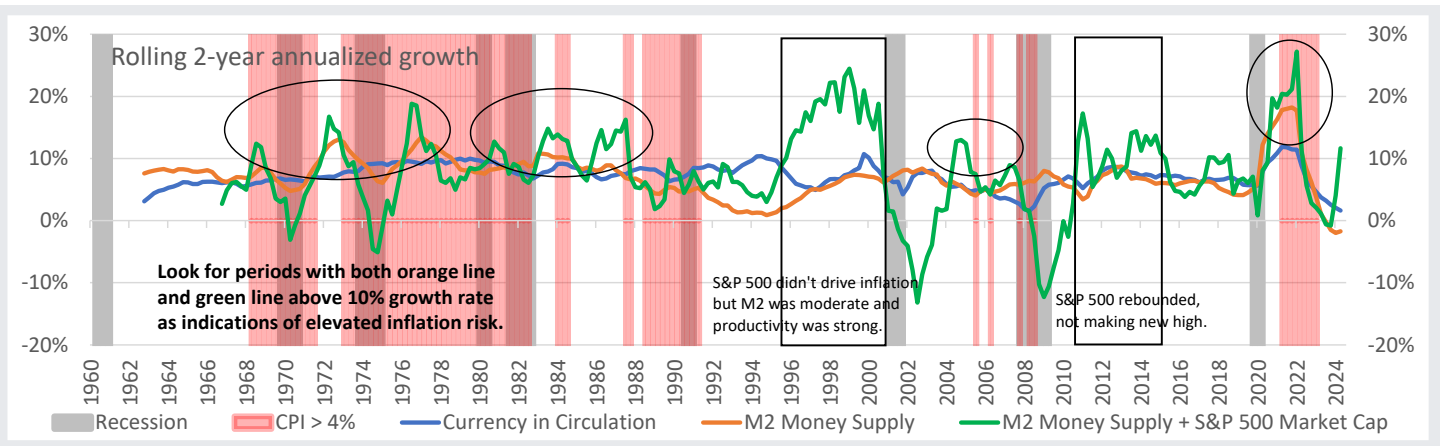
Source: Haver, DWS Investment GmbH as of 3Q2024. Past performance may not be indicative of future results.

U.S. household net worth and % of disposable personal income



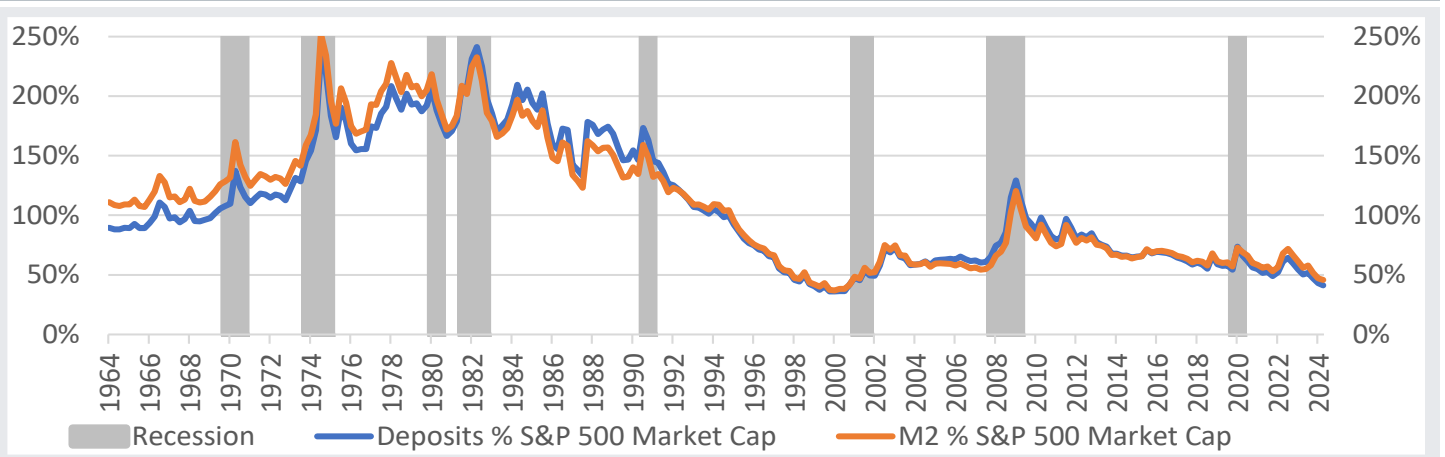
Source: Haver, DWS Investment GmbH as of 3Q2024. Past performance may not be indicative of future results.

U.S. money supply and currency in circulation



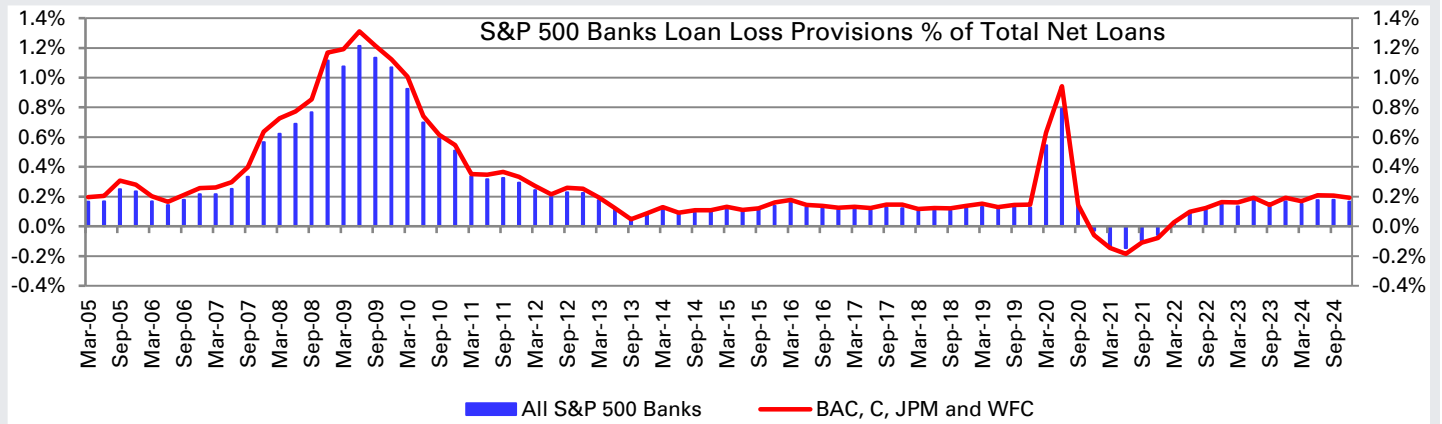
Source: Haver, DWS Investment GmbH as of 3Q2024. Past performance may not be indicative of future results.

U.S. money supply % of S&P 500 market cap



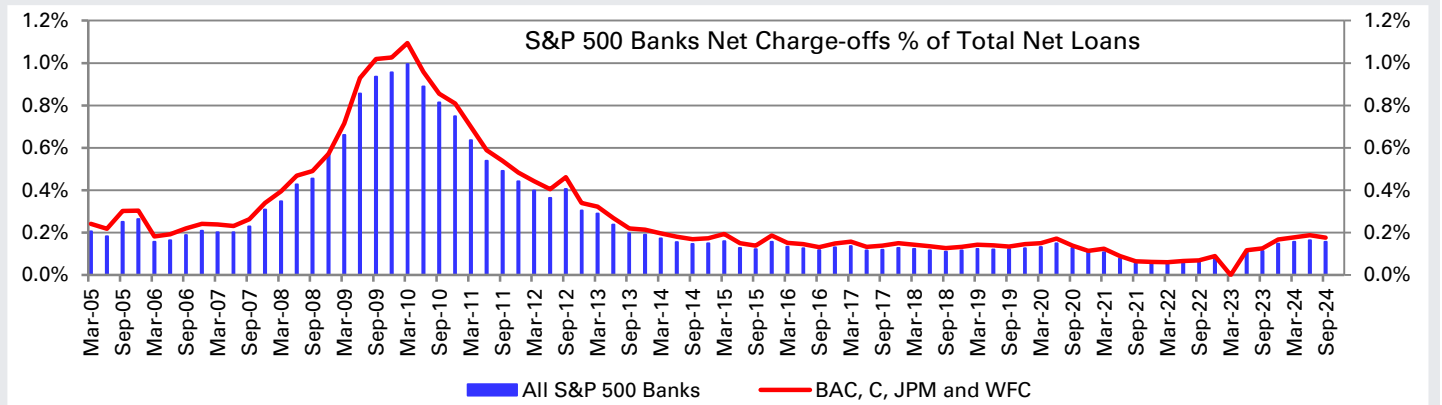
Source: Haver, DWS Investment GmbH as of 3Q2024. Past performance may not be indicative of future results.

S&P 500 Banks loan loss provisions % of total net loans



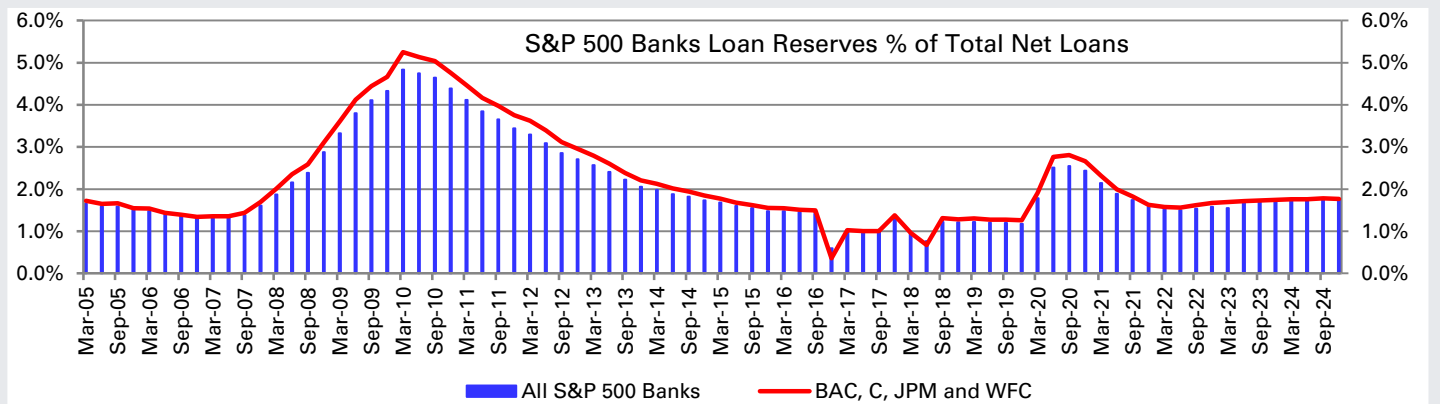
Source: Factset, DWS Investment GmbH as of 4Q2024. Past performance may not be indicative of future results.

S&P 500 Banks net charge-offs % of total net loans



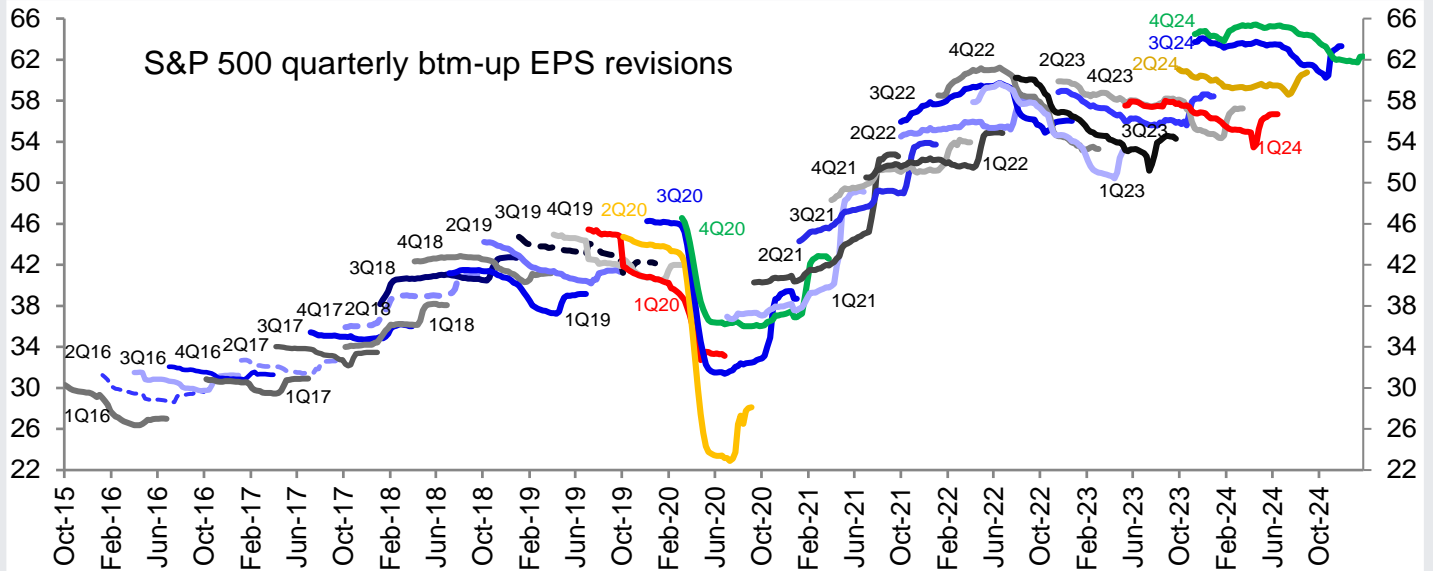
Source: Factset, DWS Investment GmbH as of 4Q2024. Past performance may not be indicative of future results.

S&P 500 Banks loan reserves % of total net loans



Source: Factset, DWS Investment GmbH as of 4Q2024. Past performance may not be indicative of future results.

S&P 500 quarterly EPS revision



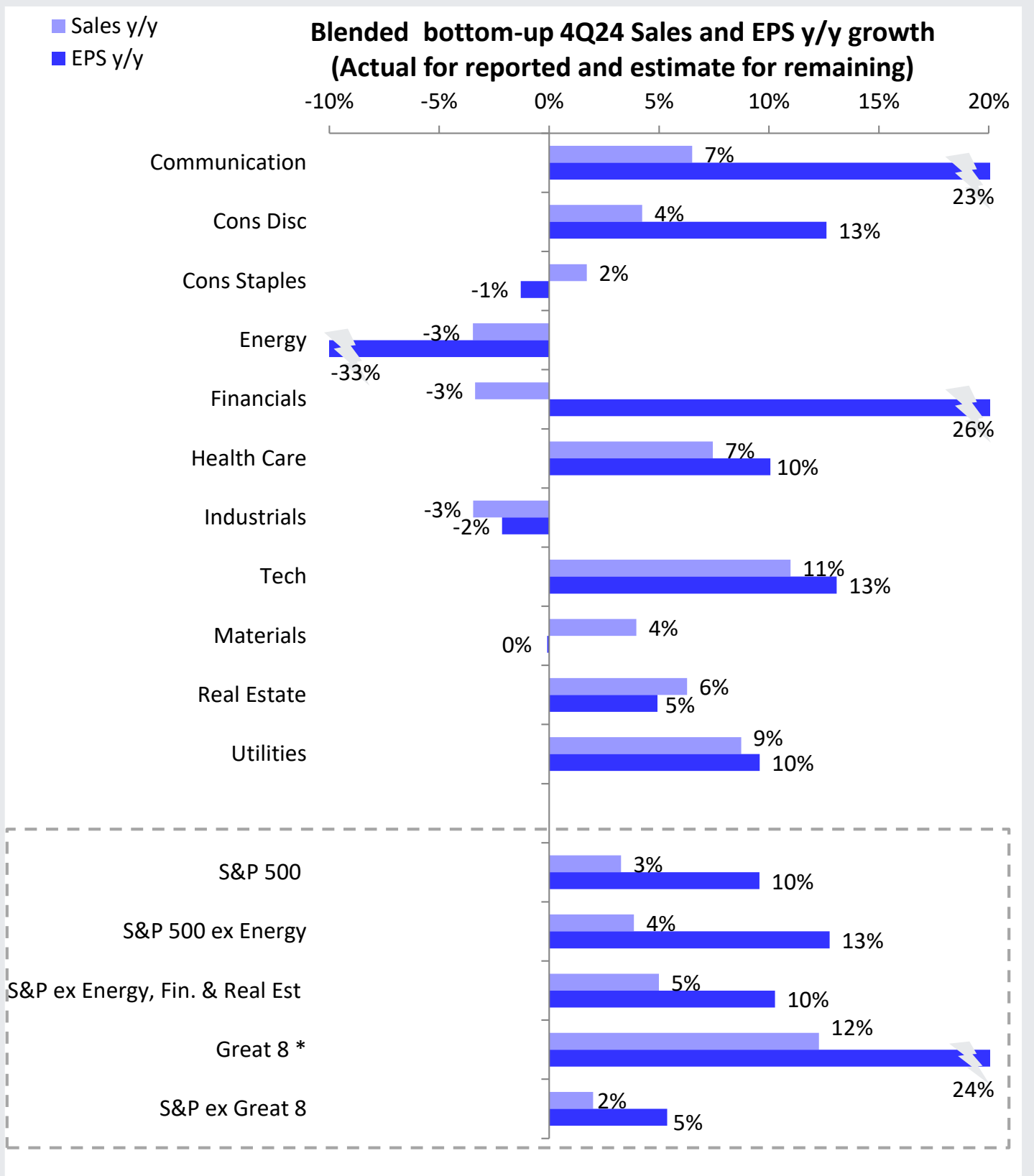
Source: Factset, DWS Investment GmbH as of 1/21/2025. Past performance may not be indicative of future results.

S&P 500 4Q earnings season summary

	4Q24 Summary (Based on reported companies)									
	% of EPS reported	# Cos reported	EPS (% of co's)		EPS surprise (%)		Sales (% of co's)		Sales surprise (%)	
			% beat	% miss	y/y (%)	y/y (%)	% beat	% miss	y/y (%)	y/y (%)
S&P 500	15.0%	51	82%	18%	10.6%	36.5%	55%	24%	1.7%	1.6%
S&P ex. Tech	17.6%	45	82%	18%	11.8%	32.8%	56%	24%	1.7%	0.6%
S&P 500 ex. Financials & Real Est	7.2%	29	72%	28%	3.7%	19.5%	45%	31%	0.8%	4.9%
S&P 500 ex. Energy	15.4%	50	82%	18%	10.8%	37.2%	54%	24%	1.7%	1.6%
S&P ex. Energy, Financials & Real Est	7.2%	28	71%	29%	3.8%	20.1%	43%	32%	0.8%	4.9%
Communication Services	0.0%	0								
Consumer Discretionary	9.0%	7	57%	43%	7.8%	-6.8%	43%	43%	1.4%	-2.4%
Consumer Staples	12.7%	6	67%	33%	6.7%	1.9%	50%	50%	1.8%	6.6%
Energy	5.8%	1	100%	0%	2.2%	7.0%	100%	0%	0.9%	3.3%
Financials	49.2%	21	95%	5%	15.5%	50.5%	71%	14%	3.7%	-4.2%
Health Care	10.0%	1	100%	0%	1.2%	10.6%	0%	100%	-0.9%	6.8%
Industrials	12.0%	8	75%	25%	4.0%	9.2%	38%	13%	0.7%	-1.7%
Information Technology	7.0%	6	83%	17%	2.8%	72.6%	50%	17%	1.7%	14.2%
Materials	0.0%	0								
Real Estate	9.9%	1	100%	0%	7.9%	19.0%	0%	0%	-0.8%	2.6%
Utilities	0.0%	0								
Great 8 *	0.0%	0								
S&P ex Great 8	20.2%	51	82%	18%	10.6%	36.5%	55%	24%	1.7%	1.6%

Source: Factset, DWS Investment GmbH as of 1/21/2025. Past performance may not be indicative of future results.

S&P 500 4Q sales and EPS y/y growth by sector



Source: Factset, DWS Investment GmbH as of 1/21/2025. Past performance may not be indicative of future results.

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DWS Investment GmbH S&P 500 Annual EPS Outlook

	2014A	2015A	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023A	y/y	2014-2023 CAGR	Bottom-up Consensus (IBES)				DWS View				Normalized 2025	
													2024E	y/y	2025E	y/y	2024E	y/y	2025E	y/y	(\$)	% of 2025
S&P 500 EPS (historical index)	\$118.82	\$117.46	\$118.10	\$132.00	\$161.93	\$162.93	\$139.72	\$208.12	\$218.09	\$221.36	1.5%	7.2%										
S&P 500 EPS (current constituents)	\$116.94	\$117.28	\$117.85	\$131.21	\$157.97	\$159.48	\$143.22	\$217.85	\$218.24	\$221.97	1.7%	7.4%	\$245	10.2%	\$277	13.2%	\$245	10.0%	\$275	12.2%	\$280	102%
Sector (\$ bn)																						
Communication Services	66.7	77.1	89.2	97.3	121.7	128.5	132.5	184.6	144.4	173.5	20.1%	11.2%	215.1	24.0%	246.2	14.5%	215.0	23.9%	245.0	14.0%	244.8	100%
Consumer Discretionary	57.9	68.2	75.8	80.2	95.6	94.0	63.9	121.9	111.3	157.2	41.2%	11.7%	181.2	15.2%	201.1	11.0%	178.8	13.7%	200.0	11.9%	209.7	105%
Consumer Staples	92.0	90.1	92.3	96.6	104.1	105.0	113.0	126.8	126.0	133.9	6.3%	4.3%	136.8	2.2%	143.8	5.1%	127.0	-5.2%	132.5	4.3%	129.7	98%
Energy	94.3	39.9	10.6	36.9	69.0	48.0	-6.7	76.1	194.2	137.9	-29.0%	4.3%	109.1	-20.9%	113.3	3.9%	110.0	-20.2%	120.5	9.5%	120.5	100%
Financials	184.7	200.3	204.2	213.4	262.6	276.7	226.3	363.5	308.8	335.2	8.5%	6.8%	382.3	14.1%	418.3	9.4%	376.5	12.3%	405.0	7.6%	399.9	99%
Health Care	137.2	152.1	156.9	171.1	187.9	205.7	226.2	291.7	307.9	243.8	-20.8%	6.6%	267.6	9.8%	306.8	14.6%	272.0	11.6%	303.0	11.4%	297.8	98%
Industrials	96.8	98.1	95.3	105.1	129.1	112.1	71.1	118.0	135.8	160.3	18.0%	5.8%	162.9	1.6%	189.0	16.0%	163.5	2.0%	190.5	16.5%	195.9	103%
Information Technology	162.8	169.0	173.7	206.8	241.8	237.4	269.4	443.3	370.9	383.5	3.4%	10.0%	458.5	19.5%	554.6	21.0%	465.0	21.2%	560.0	20.4%	578.3	103%
Materials	24.6	23.1	22.1	28.8	35.9	33.7	32.2	62.3	64.9	49.8	-23.3%	8.2%	45.6	-8.3%	52.9	15.9%	46.0	-7.6%	51.5	12.0%	50.5	98%
Real Estate	22.0	23.7	27.5	31.0	34.8	36.3	36.2	43.1	50.4	52.7	4.5%	10.2%	53.7	1.9%	56.1	4.4%	53.5	1.5%	56.0	4.7%	56.1	100%
Utilities	32.3	32.5	34.9	36.7	40.0	45.2	46.8	47.4	48.7	53.1	9.0%	5.7%	60.7	14.3%	65.9	8.6%	61.5	15.8%	68.5	11.3%	76.1	111%
S&P 500	971.3	974.1	982.7	1103.8	1322.5	1322.7	1210.8	1878.7	1863.4	1880.9	0.9%	7.6%	2073.5	10.2%	2347.8	13.2%	2068.8	10.0%	2332.5	12.7%	2359.2	101%
S&P ex. Energy (\$bn)	876.9	934.2	972.1	1067.0	1253.5	1274.7	1217.5	1802.6	1669.2	1743.0	4.4%	7.9%	1964.4	12.7%	2234.5	13.8%	1958.8	12.4%	2212.0	12.9%	2238.7	101%
S&P ex. Tech (\$bn)	808.5	805.1	809.0	897.0	1080.7	1085.3	941.3	1435.4	1492.5	1497.4	0.3%	7.1%	1615.0	7.9%	1793.2	11.0%	1603.8	7.1%	1772.5	10.5%	1780.9	100%
S&P 500 Sales/Share (historical index)	\$1,163	\$1,127	\$1,151	\$1,232	\$1,339	\$1,415	\$1,362	\$1,567	\$1,753	\$1,872	6.8%	5.4%										
S&P 500 Non-GAAP Net Margin	10.2%	10.4%	10.3%	10.7%	12.1%	11.5%	10.3%	13.3%	12.4%	11.8%												

S&P 500 EPS	Whole Year	1Q	2Q	3Q	4Q
2019A	163	39	41	41	42
2020A	140	33	28	38	42
2021A	210	49	53	54	54
2022A	222	55	58	56	53
2023A	223	53.00	54.25	58.5	57.25
2024E	245	58.00	60.00	62.00	65.00

S&P 500 Trailing PE	Average	Stdev	3yr Avg High	3yr Avg Low
1960 – 2023	16.5	4.6	26.3	7.9
1985 – 2023	18.1	3.9	26.3	13.0
1995 – 2023	18.9	3.8	26.3	14.2
2005 – 2023	17.6	2.8	21.8	14.2
2005 – 2019 (pre-pandemic)	16.7	1.9	18.8	14.2

S&P 500 EPS historical constituents represents the earnings per share (EPS) of S&P 500 index constituents at the time, while S&P 500 EPS current constituents represents the earnings per share of index constituents as of the date the data was compiled 9/30/2024. FFO is used for REITs instead of EPS.

Source: Factset, DWS Investment GmbH as of 1/21/2025. Past performance may not be indicative of future results. Forecasts are not a reliable indicator of future returns. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

DWS Investment GmbH View: S&P 500 fair value by sector: Assuming a ~5.25% real cost of equity (CoE) for overall S&P 500

	Market Value (\$bn)	Current 2025 PE	2025E Earnings (\$bn)	Normal Ratio	Normal 2025E Earnings	Accounting Quality Adjustment	Fully Adjusted Earnings	Net Debt / Market Cap	FCF / EPS	Real CoE	Steady State Value	Growth Premium	2025 Start Fair Value (\$bn)	2025E Dividend Yield	2025 End Fair Value (\$bn)	Fair PE on Normal 2025 EPS	2025 End Upside %	2025 End Upside vs. S&P 500
Communication Services	5,050	20.6	245.0	100%	244.8	-5%	232.6	11%	#N/A	5.10%	4,560	20%	5,472	0.8%	5,842	23.9	16%	13%
Consumer Discretionary	5,869	29.3	200.0	105%	209.7	-6%	197.1	10%	#N/A	5.25%	3,755	39%	5,200	0.6%	5,572	26.6	-5%	-7%
<i>Automobiles</i>	1,286	42.2	30.5	110%	33.6	-10%	30.2	32%	0.99	5.75%	525	50%	788	0.2%	851	25.4	-34%	-36%
<i>Broadline (Internet) Retail</i>	2,093	35.5	59.0	110%	64.9	-5%	61.7	0%	0.18	5.10%	1,209	75%	2,116	0.0%	2,276	35.1	9%	6%
<i>ex. Auto & Broadline (Internet) Retail</i>	2,490	22.5	110.5	101%	111.3	-5%	105.3	13%	0.78	5.21%	2,021	14%	2,297	1.4%	2,442	22.0	-2%	-4%
Consumer Staples	3,139	23.7	132.5	98%	129.7	-5%	123.2	14%	0.84	5.00%	2,464	5%	2,587	2.2%	2,724	21.0	-13%	-16%
Energy	1,855	15.4	120.5	100%	120.5	-10%	108.5	14%	0.90	5.75%	1,886	-15%	1,603	2.9%	1,689	14.0	-9%	-11%
Financials	7,247	17.9	405.0	99%	399.9	-7%	370.8		1.11	5.75%	6,449	0%	6,449	1.3%	6,894	17.2	-5%	-7%
<i>Banks</i>	1,963	14.4	136.5	100%	136.5	-7%	126.9		1.11	6.00%	2,116	-10%	1,904	2.3%	2,023	14.8	3%	1%
Health Care	5,344	17.6	303.0	98%	297.8	-8%	274.0	10%	1.14	5.20%	5,269	13%	5,928	1.7%	6,283	21.1	18%	15%
Industrials	4,258	22.3	190.5	103%	195.9	-5%	186.1	15%	0.88	5.25%	3,544	10%	3,899	1.3%	4,149	21.2	-3%	-5%
Information Technology	16,000	28.6	560.0	103%	578.3	-2%	566.7	2%	0.95	5.10%	11,111	40%	15,556	0.6%	16,643	28.8	4%	2%
Materials	1,117	21.7	51.5	98%	50.5	-7%	46.9	16%	0.90	5.50%	853	10%	938	1.7%	997	19.8	-11%	-13%
Real Estate	985	17.6	56.0	100%	56.1	-10%	50.5	35%	1.79	5.25%	961	5%	1,009	3.7%	1,050	18.7	7%	4%
Utilities	1,200	17.5	68.5	111%	76.1	-7%	70.8	79%	-0.81	5.25%	1,348	0%	1,348	2.9%	1,414	18.6	18%	16%
S&P 500 (\$ bn)	52,063	22.3	2332.5	101%	2359.2	-5.6%	2227.1			5.26%	42,201	18.5%	49990	1.2%	53,257	22.6	2%	0%
S&P 500 Index (\$/sh)	6049	22.0	275.0	102%	280.0	-5.4%	265.0	10%	0.93	5.25%	5048	18.5%	5982	1.2%	6361	22.7	5%	0%

>5%	Bigger upside vs. S&P 500
between -5% and 5%	Same upside as S&P 500
<-5%	Smaller upside vs. S&P 500

Source: IBES, DWS Investment GmbH as of 1/21/2025. Past performance may not be indicative of future results. Forecasts are not a reliable indicator of future returns. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

S&P 500 EPS historical constituents represents the earnings per share (EPS) of S&P 500 index constituents at the time, while S&P 500 EPS current constituents represents the earnings per share of index constituents as of the date the data was compiled 9/30/2024.

The estimated 2025 year end upside is on absolute valuation basis of each sector, not on relative sector valuation basis.

DWS Investment GmbH View: S&P 500 fair value by sector and industry: Assuming a ~5.25% real cost of equity (CoE) for overall S&P 500 (1 of 2)

	Market Value (\$bn)	Current 2025 PE	2025E Earnings (\$bn)	Normal Ratio	Normal 2025E Earnings	Accounting Quality Adjustment	Fully Adjusted Earnings	Net Debt / Market Cap	FCF / EPS	Real CoE	Steady State Value	Growth Premium	2025 Start Fair Value (\$bn)	2025E Dividend Yield	2025 End Fair Value (\$bn)	Fair PE on Normal 2025 EPS	2025 End Upside %	2025 End Upside vs. S&P 500
CONSUMER DISCRETIONARY	5,869	29.3	200.0	105%	209.7	-6.0%	197	10%	#N/A	5.25%	3,755	38.5%	5,200	0.6%	5,572	26.6	-5%	-7%
Automobile Components	25,976	9.3	2,800	95%	2,660	-20%	2,128	26%	1.00	7.00%	30,400	0%	30,400	0.4%	33,171	12.5	28%	25%
Automobiles	1,285,895	42.2	30,500	110%	33,550	-10%	30,195	32%	0.29	5.75%	525,130	50%	787,696	0.2%	850,915	25.4	-34%	-36%
Distributors	42,306	15.7	2,700	100%	2,700	-8%	2,484	17%	0.93	5.50%	45,164	0%	45,164	2.5%	47,649	17.6	13%	10%
Hotels Restaurants & Leisure	1,022,992	25.0	41,000	100%	41,000	-5%	38,950	18%	0.79	5.10%	763,725	20%	916,471	1.2%	975,195	23.8	-5%	-7%
Household Durables	175,213	11.7	15,000	95%	14,250	-12%	12,540	0%	0.99	6.50%	192,923	0%	192,923	0.9%	208,528	14.6	19%	17%
Broadline Retail	2,093,155	35.5	59,000	110%	64,900	-5%	61,655	0%	0.89	5.10%	1,208,922	75%	2,115,613	0.0%	2,275,866	35.1	9%	6%
Leisure Products	7,505	15.0	500	95%	475	-5%	451	35%	1.00	5.25%	8,595	0%	8,595	4.9%	8,841	18.6	18%	16%
Specialty Retail	1,015,128	24.8	41,000	105%	43,050	-3%	41,759	13%	0.91	5.00%	835,170	15%	960,446	1.5%	1,018,530	23.7	0%	-2%
Textiles Apparel & Luxury Goods	200,646	26.8	7,500	95%	7,125	-5%	6,769	-2%	0.97	5.20%	130,168	10%	143,185	1.2%	152,514	21.4	-24%	-26%
CONSUMER STAPLES	3,139	23.7	132.5	98%	129.7	-5.0%	123	14%	0.84	5.00%	2,464	5%	2,587	2.2%	2,724	21.0	-13%	-16%
Beverages	568,778	18.7	30,400	100%	30,400	-5%	28,880	14%	0.85	4.90%	589,388	15%	677,796	3.0%	707,633	23.3	24%	22%
Consumer Staples Distribution & Retail	1,365,589	41.3	33,100	100%	33,100	-5%	31,445	8%	0.65	5.20%	604,712	10%	665,183	0.8%	711,130	21.5	-48%	-50%
Food Products	311,687	13.9	22,500	95%	21,375	-7%	19,879	28%	0.87	5.10%	389,779	-5%	370,290	3.5%	385,323	18.0	24%	21%
Household Products	549,635	22.9	24,000	100%	24,000	-5%	22,800	8%	0.98	5.00%	456,000	15%	524,400	2.5%	550,719	22.9	0%	-2%
Personal Care Products	57,989	20.7	2,800	110%	3,080	-7%	2,864	16%	0.93	5.25%	54,560	20%	65,472	3.3%	68,405	22.2	18%	16%
Tobacco	285,033	14.5	19,700	90%	17,730	-5%	16,844	29%	1.01	4.75%	354,600	-25%	265,950	5.4%	270,902	15.3	-5%	-7%
Energy	1,855	15.4	120.5	100%	120.5	-10%	108	14%	0.90	5.75%	1,886	-15%	1,603	2.9%	1,689	14.0	-9%	-11%
Energy Equipment & Services	135,609	12.9	10,500	100%	10,500	-10%	9,450	13%	0.91	6.00%	157,500	0%	157,500	2.3%	167,341	15.9	23%	21%
Oil Gas & Consumable Fuels	1,719,373	15.6	110,000	100%	110,000	-10%	99,000	14%	0.90	5.75%	1,721,739	-15%	1,463,478	2.9%	1,541,192	14.0	-10%	-13%
FINANCIALS	7,247	17.9	405.0	99%	399.9	-7.3%	371	0%	1.11	5.75%	6,449	0%	6,449	1.3%	6,894	17.2	-5%	-7%
Capital Markets	1,590,197	19.6	81,000	95%	76,950	-10%	69,255	2%	1.09	6.00%	1,154,250	0%	1,154,250	1.7%	1,232,938	16.0	-22%	-25%
Banks	1,962,736	14.4	136,500	100%	136,500	-7%	126,945	N/A	1.14	6.00%	2,115,750	-10%	1,904,175	2.3%	2,022,712	14.8	3%	1%
Consumer Finance	350,933	16.7	21,000	95%	19,950	-10%	17,955	N/A	1.15	6.00%	299,250	-10%	269,325	1.0%	289,465	14.5	-18%	-20%
Financial Services	2,265,301	25.2	90,000	100%	90,000	-5%	85,500	0%	1.00	5.25%	1,628,571	15%	1,872,857	0.3%	2,011,678	22.4	-11%	-13%
Insurance	1,077,585	14.1	76,500	100%	76,500	-7%	71,145	N/A	1.14	5.75%	1,237,304	-5%	1,175,439	1.4%	1,256,380	16.4	17%	14%
Health Care	5,344	17.6	303.0	98%	297.8	-8.0%	274	10%	1.14	5.20%	5,269	13%	5,928	1.7%	6,283	21.1	18%	15%
Biotechnology	797,153	15.9	50,000	100%	50,000	-10%	45,000	13%	1.33	5.50%	818,182	20%	981,818	2.6%	1,035,069	20.7	30%	28%
Health Care Equipment & Supplies	1,213,506	25.5	47,500	100%	47,500	-5%	45,125	8%	1.14	5.00%	902,500	25%	1,128,125	0.9%	1,202,272	25.3	-1%	-3%
Health Care Providers & Services	1,142,997	14.3	80,000	100%	80,000	-7%	74,400	10%	1.06	5.20%	1,430,769	0%	1,430,769	1.5%	1,519,713	19.0	33%	31%
Life Sciences Tools & Services	584,938	26.6	22,000	100%	22,000	-5%	20,900	10%	1.18	5.20%	401,923	20%	482,308	0.3%	518,023	23.5	-11%	-14%
Pharmaceuticals	1,605,332	15.5	103,500	95%	98,325	-10%	88,493	11%	1.27	5.20%	1,701,779	10%	1,871,957	2.6%	1,968,125	20.0	23%	20%
INDUSTRIALS	4,258	22.3	190.5	103%	195.9	-5.0%	186	15%	0.88	5.25%	3,544	10%	3,899	1.3%	4,149	21.2	-3%	-5%
Aerospace & Defense	948,383	24.4	38,800	115%	44,620	-5%	42,389	17%	1.09	5.20%	815,173	15%	937,449	1.2%	998,560	22.4	5%	3%
Air Freight & Logistics	197,533	15.8	12,500	95%	11,875	-5%	11,281	15%	0.71	5.50%	205,114	0%	205,114	3.3%	214,756	18.1	9%	6%
Passenger Airlines	99,664	11.1	9,000	90%	8,100	-12%	7,128	71%	0.07	8.50%	83,859	0%	83,859	0.8%	92,397	11.4	-7%	-10%
Building Products	271,819	23.6	11,500	95%	10,925	-5%	10,379	15%	1.07	5.20%	199,591	10%	219,550	1.1%	233,963	21.4	-14%	-16%
Commercial Services & Supplies	282,876	39.3	7,200	100%	7,200	0%	7,200	10%	0.86	4.80%	150,000	10%	165,000	0.8%	175,655	24.4	-38%	-40%
Construction & Engineering	51,806	32.4	1,600	110%	1,760	-5%	1,672	8%	1.18	5.25%	31,848	15%	36,625	0.1%	39,422	22.4	-24%	-26%

Source: IBES, DWS Investment GmbH as of 1/21/2025. Past performance may not be indicative of future results. Forecasts are not a reliable indicator of future returns. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

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The estimated 2025 year end upside is on absolute valuation basis of each sector, not on relative sector valuation basis.

DWS Investment GmbH View: S&P 500 fair value by sector and industry: Assuming a ~5.25% real cost of equity (CoE) for overall S&P 500 (2 of 2)

	Market Value (\$bn)	Current 2025 PE	2025E Earnings (\$bn)	Normal Ratio	Normal 2025E Earnings	Accounting Quality Adjustment	Fully Adjusted Earnings	Net Debt / Market Cap	FCF / EPS	Real CoE	Steady State Value	Growth Premium	2025 Start Fair Value (\$bn)	2025E Dividend Yield	2025 End Fair Value (\$bn)	Fair PE on Normal 2025 EPS	2025 End Upside %	2025 End Upside vs. S&P 500
Electrical Equipment	330,727	22.0	15,000	110%	16,500	-5%	15,675	6%	N/A	5.25%	298,571	20%	358,286	1.2%	381,592	23.1	15%	13%
Industrial Conglomerates	235,938	20.5	11,500	100%	11,500	-5%	10,925	13%	1.05	5.20%	210,096	5%	220,601	1.9%	233,397	20.3	-1%	-3%
Machinery	887,491	19.7	45,000	100%	45,000	-5%	42,750	19%	0.96	5.40%	791,667	5%	831,250	1.3%	886,066	19.7	0%	-2%
Professional Services	337,335	27.2	12,400	100%	12,400	0%	12,400	6%	1.09	5.00%	248,000	15%	285,200	1.5%	302,339	24.4	-10%	-13%
Ground Transportation	461,930	23.7	19,500	100%	19,500	-10%	17,550	16%	0.65	5.00%	351,000	10%	386,100	1.2%	410,250	21.0	-11%	-13%
Trading Companies & Distributors	152,120	23.4	6,500	100%	6,500	-5%	6,175	11%	0.78	5.20%	118,750	10%	130,625	1.2%	139,152	21.4	-9%	-11%
INFORMATION TECHNOLOGY	16,000	28.6	560.0	103%	578.3	-2%	567	2%	0.95	5.10%	11,111	40%	15,556	0.6%	16,643	28.8	4%	2%
Communications Equipment	392,565	17.8	22,000	100%	22,000	-7%	20,460	-4%	1.07	5.20%	393,462	10%	432,808	1.9%	457,906	20.8	17%	14%
Technology Hardware Storage & Peripherals	3,774,970	28.2	134,000	100%	134,000	-1%	132,660	2%	1.03	5.00%	2,653,200	35%	3,581,820	0.5%	3,832,849	28.6	2%	-1%
Electronic Equipment Instruments & Components	316,241	23.4	13,500	100%	13,500	-7%	12,555	9%	1.07	5.50%	228,273	15%	262,514	0.9%	281,176	20.8	-11%	-13%
IT Services	592,409	23.2	25,500	100%	25,500	-3%	24,735	8%	1.18	5.00%	494,700	20%	593,640	1.8%	627,685	24.6	6%	4%
Semiconductors & Semiconductor Equipment	5,913,832	29.1	203,000	105%	213,150	-5%	202,493	2%	0.92	5.50%	3,681,682	35%	4,970,270	0.5%	5,344,193	25.1	-10%	-12%
Software	5,010,163	30.9	162,000	105%	170,100	2%	173,502	1%	0.90	4.90%	3,540,857	50%	5,311,286	0.6%	5,671,910	33.3	13%	11%
MATERIALS	1,117	21.7	51.5	98%	50.5	-7%	47	16%	0.90	5.50%	853	10%	938	1.7%	997	19.8	-11%	-13%
Chemicals	694,141	22.0	31,500	100%	31,500	-5%	29,925	17%	0.81	5.35%	559,346	15%	643,248	1.9%	681,798	21.6	-2%	-4%
Construction Materials	70,974	28.4	2,500	95%	2,375	-10%	2,138	7%	0.82	5.75%	37,174	0%	37,174	0.6%	40,012	16.8	-44%	-46%
Containers & Packaging	205,992	24.8	8,300	100%	8,300	-10%	7,470	31%	1.12	5.50%	135,818	0%	135,818	1.7%	144,428	17.4	-30%	-32%
Metals & Mining	146,093	15.9	9,200	90%	8,280	-10%	7,452	7%	0.62	6.00%	124,200	0%	124,200	1.9%	132,380	16.0	-9%	-12%
REAL ESTATE	985	17.6	56.0	100%	56.1	-10%	50	35%	1.79	5.25%	961	5%	1,009	3.7%	1,050	18.7	7%	4%
Health Care REITs	108,336	18.1	6,000	100%	6,000	-7%	5,580	36%	7.80	4.75%	117,474	0%	117,474	3.7%	121,695	20.3	12%	10%
Hotel & Resort REITs	12,342	8.2	1,500	90%	1,350	-20%	1,080	25%	1.98	7.00%	15,429	-15%	13,114	4.6%	13,763	10.2	12%	9%
Industrial REITs	93,562	17.3	5,400	100%	5,400	-7%	5,022	28%	1.81	5.25%	95,657	5%	100,440	3.8%	104,407	19.3	12%	9%
Office REITs	10,683	11.9	900	90%	810	-20%	648	63%	4.27	6.50%	9,969	0%	9,969	5.3%	10,335	12.8	-3%	-6%
Residential REITs	131,985	17.6	7,500	95%	7,125	-10%	6,413	33%	1.81	4.75%	135,000	0%	135,000	3.7%	139,842	19.6	6%	4%
Retail REITs	120,659	12.7	9,500	95%	9,025	-15%	7,671	48%	2.03	6.00%	127,854	0%	127,854	5.6%	131,517	14.6	9%	7%
Specialized REITs	432,502	18.7	23,100	105%	24,255	-10%	21,830	36%	1.23	5.20%	419,798	10%	461,778	3.6%	480,482	19.8	11%	9%
Real Estate Management & Development	74,757	35.6	2,100	100%	2,100	-3%	2,037	0%	0.95	5.00%	40,740	25%	50,925	-	54,744	26.1	-27%	-29%
COMMUNICATION SERVICES	5,050	20.6	245.0	100%	244.8	-5%	233	11%	#N/A	5.10%	4,560	20%	5,472	0.8%	5,842	23.9	16%	13%
Diversified Telecommunication Services	331,198	9.5	35,000	75%	26,250	-15%	22,313	94%	-0.28	4.75%	469,737	-25%	352,303	5.8%	357,244	13.6	8%	6%
Entertainment	682,271	29.0	23,500	120%	28,200	-8%	25,944	15%	1.59	5.25%	494,171	50%	741,257	0.3%	796,536	28.2	17%	14%
Interactive Media & Services	3,650,724	23.6	155,000	105%	162,750	-2%	159,495	-4%	0.69	5.15%	3,096,990	25%	3,871,238	0.4%	4,153,501	25.5	14%	11%
Media	270,830	10.4	26,000	85%	22,100	-10%	19,890	69%	0.99	5.50%	361,636	-15%	307,391	2.3%	324,896	14.7	20%	18%
Wireless Telecommunication Services	115,205	20.9	5,500	100%	5,500	-8%	5,060	39%	1.41	4.75%	106,526	10%	117,179	1.3%	124,149	22.6	8%	5%
UTILITIES	1,200	17.5	68.5	111%	76.1	-7.0%	71	79%	-0.81	5.25%	1,348	0%	1,348	2.9%	1,414	18.6	18%	16%
Electric Utilities	755,452	16.8	44,900	111%	49,839	-7%	46,350	80%	1.15	5.20%	891,351	7%	953,746	2.9%	999,145	20.0	32%	30%
Gas Utilities	19,645	17.9	1,100	100%	1,100	-5%	1,045	43%	-1.16	5.00%	20,900	0%	20,900	2.7%	21,893	19.9	11%	9%
Independent Power and Renewable Electric	84,882	21.8	3,900	125%	4,875	-10%	4,388	80%	-4.16	7.00%	62,679	10%	68,946	0.9%	74,843	15.4	-12%	-14%
Multi-Utilities	317,263	18.1	17,500	110%	19,250	-7%	17,903	79%	-1.06	5.20%	344,279	0%	344,279	3.3%	359,294	18.7	13%	11%
Water Utilities	22,976	21.9	1,050	100%	1,050	-3%	1,019	51%	-0.97	4.50%	22,633	0%	22,633	2.6%	23,630	22.5	3%	1%

Source: IBES, DWS Investment GmbH as of 1/21/2025. Past performance may not be indicative of future results. Forecasts are not a reliable indicator of future returns. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect. S&P 500 EPS historical constituents represents the earnings per share (EPS) of S&P 500 index constituents at the time, while S&P 500 EPS current constituents represents the earnings per share of index constituents as of the date the data was compiled 9/30/2024. The estimated 2025 year end upside is on absolute valuation basis of each sector, not on relative sector valuation basis.

S&P 500 Intrinsic Valuation Model

S&P 500 Capitalized EPS Valuation		S&P 500 Dividend Discount Model		S&P 500 Long-term EPS & DPS Growth		S&P 500 Cost of Equity & Fair Book Multiple	
DWS 2025E S&P 500 EPS	\$275.00	DWS 2025E S&P 500 DPS	\$85.00	DWS 2025E S&P 500 aggregate ROE	25.0%	Fair long-term nominal return on S&P 500 index	7.75%
		2025E dividend payout ratio	31%	2024E end S&P 500 book value per share	\$1,100	Components of estimated fair S&P 500 return:	
DWS "normal 2025" S&P 500 EPS	\$280.00	DWS "normal 2025E" S&P 500 DPS	\$85.00	DWS "normal 2025E" S&P 500 aggregate ROE	24.1%	+ Long-term real risk free interest rate	2.00%
"Normal 2025E" EPS / 2025 EPS	102%	Normal dividend payout ratio	32%			+ Long-term fair S&P 500 equity risk premium*	3.25%
				S&P EPS retained for operating reinvestment	40%	= Long-term real S&P 500 cost of equity	5.25%
Accounting quality adjustment to pro forma EPS	-\$15.00	EPS directed to net share repurchases	\$75.00	Estimated ROE on reinvested S&P EPS	9.00%	+ Long-term inflation forecast	2.50%
		Normal share repurchase payout ratio	28%	Economic margin (EM) or ROE-CoE	1.25%	= S&P 500 nominal cost of equity	7.75%
Normal 2025E S&P 500 EPS fair to capitalize	\$265	Total payout of S&P 500 EPS	\$160.00	Sources of long-term earnings growth:		* S&P 500 ERP history 300-400bps, w/ real CoE @ 5% - 6%	
Key principle: steady-state value = normal EPS / real CoE		Total payout ratio of normal and quality adj. EPS	60%	+ Long-term inflation forecast	2.50%		
				+ Fair return on operating reinvestment	2.08%	Fair S&P 500 Market Value and Book Value Multiple	
S&P 500 EPS Capitalization Valuation		S&P 500 DPS Discount Model		+ Value added earnings growth on op. reinvestment	0.50%	2024E end S&P 500 book value per share	\$1,100
Normal EPS / (real CoE - (EM/payout) - EM):		Normal DPS / (nominal CoE - DPS growth):		= Long-term earnings growth	5.08%	Fair PB = Fair PE * normal aggregate ROE	5.44
S&P 500 intrinsic value at 2025 start	5982	S&P 500 intrinsic value at 2025 start	5982	+ Growth from net share repurchases	1.25%	Fair PE =(inc ROE-g)/(inc real ROE*(real CoE-real g))	21.75
S&P 500 intrinsic value at 2025 end	6361	S&P 500 intrinsic value at 2025 end	6361	= Long-term S&P 500 EPS/DPS growth	6.33%	Implied S&P 500 fair value of book at 2025 start	5982
Implied fair fwd PE in early 2025 on 2025E \$275 EPS	21.8	Implied fair forward yield on 2025E DPS of \$85.0	1.42%	+ Fair normal dividend yield	1.42%	Steady-state PB = normal agg. ROE / real CoE	4.59
Implied fair trailing PE at 2025 end on 2025E \$275 EPS	23.1	Implied fair trailing yield on 2025E DPS of \$85.0	1.34%	= Total long-term return at constant PE	7.75%	Confirmed by fair steady-state PE = 1 / real CoE	19.0
Normal EPS / (real CoE - value added EPS growth)	5926	DPS discount model using true DPS (all payout)	6361	Value added growth premium in fair value est.	18.5%	Normal 2025E economic profit per share	\$207.25

S&P 500 EPS discount model 5 steps to value:

- 1) Estimate normalized S&P 500 EPS
- 2) Adjust normalized EPS for pro forma accounting quality
- 3) Estimate a fair long-term real return on S&P 500 ownership (CoE)
- 4) Capitalize normalized and accounting quality adj. EPS at real CoE
- 5) Consider long-term potential for value added growth opportunities

	2025E S&P 500 Normalized EPS				
	\$270	\$275	\$280	\$285	\$290
4.75%	6739	6941	7147	7358	7573
5.00%	6353	6540	6731	6925	7123
5.25%	6010	6184	6361	6541	6724
5.50%	5703	5866	6031	6199	6369
5.75%	5427	5579	5734	5891	6051

DWS September 2025 equity index targets

Index	3M relative View	Current Level	Previous Target CIO Day Sep	Target Dec 25	Chg in Target	Expected Total Return Dec 25	Assumptions							
							thereof	EPS growth NTM*	LTM multiple impact	Dividend Yield	EPS NTM* (e)	EPS NTM DWS vs. Cons.	Target LTM P/E in Dec 25	Target PE discount to US
S&P 500		5,984	5,800	6,500	12%	10.0%	USD	12.2%	-4%	1.3%	275	0.1%	23.5x	
Stoxx 600		502	540	525	-3%	8.2%	EUR	6.0%	-2%	3.6%	37.9	-2.5%	13.9x	-41%
EuroStoxx 50		4,745	5,100	4,950	-3%	7.9%	EUR	6.0%	-2%	3.5%	366	-1.8%	13.6x	-42%
DAX40		19,034	20,000	20,500	2%	7.7%	EUR	6.6%	-3%	3.0%	1450	-4.0%	13.7x	-42%
SMI		11,712	12,350	12,050	-2%	6.3%	CHF	9.0%	-6%	3.4%	736	-0.1%	16.4x	-30%
FTSE 100		8,026	8,350	8,150	-2%	5.6%	GBP	4.0%	-2%	4.0%		-2.9%	11.8x	-50%
MSCI EM		1,103	1,140	1,150	1%	7.1%	USD	11.0%	-4%	2.9%	87.7	-6.0%	13.2x	-44%
MSCI AC Asia xJ		718	740	750	1%	7.1%	USD	11.0%	-4%	2.6%	53.3	-5.9%	14.1x	-40%
MSCI Japan		1,687	1,760	1,770	1%	7.3%	YEN	7.0%	-1%	2.4%	115.6	-0.9%	15.3x	-35%
MSCI Australia		1,652	1,550	1,650	6%	3.5%	AUD	2.0%	-1%	3.6%	89.8	0.1%	18.6x	-21%

Source: DWS Investment Management GmbH as of 1/16/2025. Past performance may not be indicative of future results. Forecasts are not a reliable indicator of future returns. No representation or warranty is made by DWS as to the reasonableness or completeness of the forward-looking statements or to any other financial information contained herein. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

S&P 500 industry monitor (1 of 2)

Sector	Industry	PE on 2023 EPS	PE on 2024 Consensus EPS	2024 Consensus EPS Growth	2025 Consensus EPS Growth	2024 EPS 3m Revision	3m Total Return Momentum	2025 End Upside (Intrinsic Valuation)	Combined Signal
Consumer Discretionary		33.1	29.8	23.5%	11.3%	2.0%	22.5%	-5.1%	1
	Automobile Components	9.2	8.3	10.8%	10.9%	0.1%	-9.0%	27.7%	0
	Automobiles	51.0	46.5	-12.4%	9.7%	1.9%	83.9%	-33.8%	1
	Household Durables	12.2	12.3	7.3%	-1.0%	-1.2%	-9.8%	19.0%	-1
	Leisure Products	15.1	13.3	11.4%	13.1%	0.4%	-16.6%	17.8%	0
	Textiles Apparel & Luxury Goods	25.8	26.7	0.7%	-3.4%	-4.9%	11.8%	-24.0%	0
	Hotels Restaurants & Leisure	26.2	23.1	27.3%	13.3%	-0.9%	2.5%	-4.7%	0
	Distributors	16.6	15.7	-11.9%	5.5%	-7.7%	3.8%	12.6%	-1
	Broadline Retail	43.4	36.1	127.9%	20.2%	8.4%	24.5%	8.7%	1
	Specialty Retail	25.9	24.4	-0.3%	5.8%	0.3%	3.8%	0.3%	0
Consumer Staples		21.7	20.7	7.0%	4.7%	-0.5%	-3.1%	-13.2%	0
	Consumer Staples Distribution & Retail	31.7	29.9	5.1%	6.2%	-0.7%	6.7%	-47.9%	0
	Food Products	14.1	14.3	-6.2%	-1.1%	-2.1%	-12.0%	23.6%	-1
	Beverages	19.3	18.4	8.6%	5.2%	-0.2%	-11.2%	24.4%	0
	Tobacco	14.9	13.9	5.8%	6.7%	1.1%	-1.8%	-5.0%	0
	Household Products	23.6	22.3	13.2%	5.7%	0.0%	-5.0%	0.2%	0
	Personal Care Products	21.8	20.8	423.5%	4.9%	-5.2%	-8.4%	18.0%	-1
Energy		15.6	15.0	-24.9%	4.0%	-2.5%	4.0%	-8.9%	-1
	Energy Equipment & Services	13.8	13.3	20.1%	3.9%	-1.1%	12.0%	23.4%	1
	Oil Gas & Consumable Fuels	15.8	15.2	-27.5%	4.0%	-2.7%	3.4%	-10.4%	-1
Financials		18.5	17.1	17.8%	8.3%	2.2%	8.0%	-4.9%	1
	Banks	13.7	13.0	5.1%	5.1%	3.0%	15.7%	3.1%	1
	Financial Services	26.1	24.1	16.5%	7.9%	-0.1%	5.0%	-11.2%	0
	Consumer Finance	16.5	15.9	24.4%	3.7%	4.8%	21.8%	-17.5%	1
	Capital Markets	21.9	19.4	27.5%	12.7%	4.3%	8.4%	-22.5%	1
	Insurance	15.4	13.9	39.2%	11.3%	0.5%	-1.8%	16.6%	0
Health Care		20.8	17.3	-0.2%	20.5%	-0.7%	-4.9%	17.6%	-1
	Health Care Providers & Services	15.2	13.9	0.9%	9.1%	-3.4%	-4.1%	33.0%	-1
	Health Care Equipment & Supplies	28.4	25.9	17.9%	9.8%	-0.8%	5.1%	-0.9%	1
	Life Sciences Tools & Services	28.4	26.5	-5.1%	7.2%	0.0%	0.6%	-11.4%	0
	Biotechnology	20.8	15.3	-19.8%	36.2%	-1.0%	-9.6%	29.8%	-1
	Pharmaceuticals	19.7	14.9	3.8%	32.4%	1.8%	-11.4%	22.6%	0
Industrials		27.5	23.2	3.2%	18.4%	-1.1%	2.5%	-2.5%	0
	Aerospace & Defense	48.9	27.3	-12.8%	79.2%	-12.6%	0.9%	5.3%	-1
	Building Products	25.4	23.5	5.4%	8.2%	-1.5%	-1.8%	-13.9%	0
	Trading Companies & Distributors	25.4	23.6	7.5%	7.7%	-1.1%	-0.8%	-8.5%	0
	Electrical Equipment	35.6	30.7	25.8%	16.0%	1.3%	6.6%	15.4%	1
	Construction & Engineering	41.3	35.2	27.2%	17.3%	0.4%	16.8%	-23.9%	1

Combined signal rules: Green – at least 2 of the following 3 must be green: EPS growth, EPS revision, price momentum

Red – at least 2 of the following 3 must be red: EPS growth, EPS revision, price momentum

Source: Factset, DWS Investment GmbH as of 1/21/2025. Past performance may not be indicative of future results. Forecasts are not a reliable indicator of future returns. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

S&P 500 industry monitor (2 of 2)

Sector	Industry	PE on 2023 EPS	PE on 2024 Consensus EPS	2024 Consensus EPS Growth	2025 Consensus EPS Growth	2024 EPS 3m Revision	3m Total Return Momentum	2025 End Upside (Intrinsic Valuation)	Combined Signal
	<i>Industrial Conglomerates</i>	21.9	20.0	-4.9%	9.5%	-1.9%	6.8%	-1.1%	-1
	<i>Machinery</i>	20.5	20.4	1.1%	0.3%	0.5%	4.9%	-0.2%	0
	<i>Commercial Services & Supplies</i>	36.0	32.6	34.4%	10.4%	0.8%	1.9%	-37.9%	0
	<i>Professional Services</i>	30.0	27.3	12.3%	10.0%	-1.2%	3.7%	-10.4%	0
	<i>Air Freight & Logistics</i>	17.1	15.1	-10.8%	13.7%	0.3%	1.7%	8.7%	0
	<i>Passenger Airlines</i>	13.5	10.0	-6.8%	34.9%	-2.1%	29.1%	-7.3%	-1
	<i>Ground Transportation</i>	25.1	22.1	18.8%	13.6%	8.9%	-5.8%	-11.2%	1
Information Technology		35.0	28.9	26.4%	21.1%	0.2%	2.9%	4.0%	0
	<i>IT Services</i>	24.9	23.4	8.8%	6.4%	0.4%	-0.5%	6.0%	0
	<i>Software</i>	36.3	32.2	19.5%	13.0%	0.0%	4.2%	13.2%	0
	<i>Communications Equipment</i>	23.0	22.0	-3.9%	4.4%	1.7%	11.0%	16.6%	1
	<i>Technology Hardware Storage & Peripherals</i>	30.2	27.0	17.1%	12.0%	0.3%	-3.4%	1.5%	0
	<i>Electronic Equipment Instruments & Components</i>	26.5	23.7	4.5%	12.0%	1.0%	7.6%	-11.1%	1
	<i>Semiconductors & Semiconductor Equipment</i>	41.4	29.1	59.6%	42.0%	-0.1%	5.1%	-9.6%	1
Materials		23.6	20.4	-13.3%	15.4%	-3.9%	-6.4%	-10.7%	-1
	<i>Chemicals</i>	24.1	21.4	-12.9%	12.6%	-3.9%	-6.0%	-1.8%	-1
	<i>Construction Materials</i>	35.2	28.5	1.8%	23.6%	-4.4%	3.5%	-43.6%	0
	<i>Metals & Mining</i>	17.1	14.6	-20.7%	16.9%	-4.9%	-17.3%	-9.4%	-1
	<i>Containers & Packaging</i>	28.9	22.8	-2.8%	27.0%	-1.4%	2.8%	-29.9%	-1
Real Estate		38.7	36.7	10.8%	5.4%	0.3%	-4.6%	6.7%	0
	<i>Industrial REITs</i>	29.2	35.2	21.9%	-17.0%	26.9%	-2.2%	11.6%	1
	<i>Hotel & Resort REITs</i>	17.9	19.0	-8.5%	-5.8%	-2.9%	0.7%	11.5%	-1
	<i>Office REITs</i>	36.5	42.3	-21.7%	-13.7%	-4.8%	-13.7%	-3.3%	-1
	<i>Health Care REITs</i>	73.0	70.2	137.6%	4.1%	21.7%	-3.1%	12.3%	1
	<i>Residential REITs</i>	39.1	46.1	-4.2%	-15.2%	3.0%	-5.4%	6.0%	-1
	<i>Retail REITs</i>	32.7	30.7	-2.9%	6.7%	0.8%	-4.9%	9.0%	-1
	<i>Specialized REITs</i>	39.2	33.9	12.0%	15.8%	-9.3%	-7.0%	11.1%	-1
	<i>Real Estate Management & Development</i>	40.8	31.7	7.2%	28.6%	3.9%	8.8%	-26.8%	1
Communication Services		24.0	20.1	31.5%	19.5%	-0.3%	13.0%	15.7%	1
	<i>Diversified Telecommunication Services</i>	9.2	9.2	-7.3%	0.5%	0.9%	-3.3%	7.9%	0
	<i>Wireless Telecommunication Services</i>	23.4	20.6	45.9%	13.2%	1.3%	-0.3%	7.8%	1
	<i>Media</i>	9.9	9.6	11.4%	3.3%	1.3%	-5.6%	20.0%	0
	<i>Entertainment</i>	384.8	28.8	-80.9%	1236.1%	-81.7%	14.9%	16.7%	-1
	<i>Interactive Media & Services</i>	25.7	23.0	67.6%	11.8%	5.1%	16.5%	13.8%	1
Utilities		19.7	18.2	19.8%	8.5%	1.1%	-1.7%	17.8%	1
	<i>Multi-Utilities</i>	20.1	18.3	4.8%	9.8%	0.1%	-0.9%	13.2%	0
	<i>Water Utilities</i>	24.0	22.1	8.7%	8.3%	0.2%	-10.6%	2.8%	0
	<i>Gas Utilities</i>	21.1	19.9	12.4%	6.2%	0.1%	2.3%	11.4%	0
	<i>Electric Utilities</i>	19.3	18.0	25.6%	7.0%	0.8%	-4.0%	32.3%	1
	<i>Independent Power and Renewable Electricity Producers</i>	21.8	17.9	46.4%	21.5%	11.8%	30.2%	-11.8%	1
S&P 500		25.6	22.4	12.3%	14.6%	0.2%	4.7%	5.2%	0

Combined signal rules: Green – at least 2 of the following 3 must be green: EPS growth, EPS revision, price momentum

Red – at least 2 of the following 3 must be red: EPS growth, EPS revision, price momentum

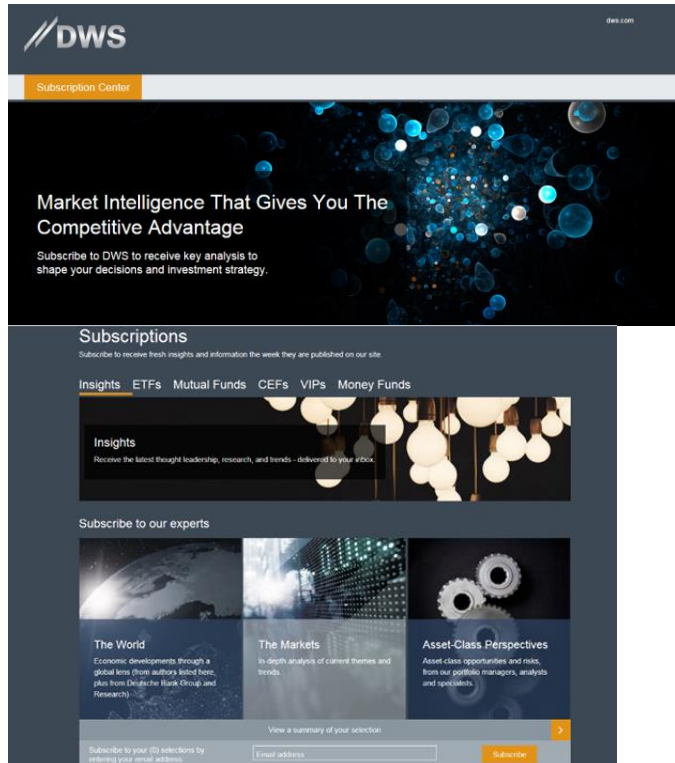
Source: Factset, DWS Investment GmbH as of 1/16/2025. Past performance may not be indicative of future results. Forecasts are not a reliable indicator of future returns. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

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