

The AI speed train accelerates: Look far ahead, watch your speed



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Tech executives are racing ahead at full speed: What's the upside for investors? The AI speed train accelerates as tech companies stoke the boiler with heaps of capex and very optimistic outlooks. Will this capex deliver high returns on capital? Is there still big upside for AI chip spending (vol/price) next year given the surge and rush to get ahead of others this year? Despite the swift speed of capex this year and stretched valuations, we believe that most trillion-cap stocks and the market overall will climb modestly higher in a year provided the titans of Tech and Communications keep delivering and guiding to 15% EPS growth. DWS analysts and our tech focused PMs believe that the Great Eight will deliver with exciting new AI products and enhancements. Thus, we lift our 12-month S&P target more than the usual bump up for the passage of time and normal EPS growth owing to a higher rate of EPS growth now expected for 2025 & 2026. While we expect dips around the US election, we expect such dips to be short-lived if political power is balanced after the election and an even-handed tax and spending plan emerges to restore fiscal health. We think the degree of fiscal discipline ahead will affect the degree of monetary easing.

Raise 12-month S&P 500 target to 5600: 21.5x trailing \$260 EPS in June 2025

Slowing inflation, vanishing recession fears and especially surging AI related capex and optimism pushed current S&P EPS yields vs. bonds yields to levels not seen since the late 1990's. Our target 21.5 PE on trailing 4-quarter S&P EPS is above what current bond yields plus a normal equity risk premium (ERP) would support. However, we now expect 10% S&P EPS growth to be sustained into 2026. We raise our 2025E S&P EPS to \$270 from \$265 on 15-20% EPS growth at the Great Eight stocks and 7% from the rest; and while we do not formally estimate 2026 S&P EPS at this moment, our target assumes it is near \$300.

Our 21.5x PE target relies on multiple years ahead of strong S&P EPS growth

At 2026 end, we expect the S&P 500 to trade at roughly 20x trailing EPS or roughly 6000, assuming no recession on the horizon at that time and that 10yr TIPS yields are 2% or less. Forecasting well into the future is obviously uncertain, but constructive views on this market cannot be substantiated without approximating longer-term S&P EPS and being comfortable with an outlook for an above normal growth rate for a few years. Our robust S&P EPS growth outlook through 2026 underlies the 15% "growth premium" included in our trailing 21.5 PE target for June 2025, which is 3 points higher than 1 divided by long-term real interest rates plus a 350-400bp ERP or the 18.5 average S&P PE since 1995.

Normal and healthy EPS growth expected in Europe, Asia stronger on a bounce

Beyond the US, EPS growth should be healthy and support respectable price gains over the next 12-months. We estimate 6% EPS growth in Europe, 9% in Japan and 13% in EM. With Europe returning to EPS growth, its record PE discount to the US should not expand. Recent snap elections in France have created political uncertainty. However, the populist government in Italy did not prevent Italian stocks from outperforming. We also suggest that global investors add to equities in Japan. The competitive position of Japanese companies and their exports are much improved from the weak yen and modest price increases so far. Furthermore, we think Japan is relatively well positioned if geopolitical tensions worsen.

Focused on the EPS outlook: Optimistic on EPS, but subpar compensation seen

Earnings growth best explains S&P 500 gains in recent years and the longer-term past. There is no need to seek new theories. High uncertainty remains on all that drives interest rates, earnings and "growth premiums" over the next year. While we see good reasons for optimistic outcomes, we think it's important to seek compensation for uncertainty and even optimism. At current valuations, we see subpar compensation for the risks ahead even with our optimistic EPS and interest rate expectations. Furthermore, while the earnings trends support it, we are concerned by the persistent leadership momentum at the S&P 500 and now the 35% concentration from eight stocks all at valuations and aggregate market caps that suggest great expectations. Just as earnings drive stocks and the market over time, Portfolios could benefit from diversification. We think even optimists should diversify and demand better compensation for the risks and the concentration of the Great Eight.

Contributor: Ju Wang, Portfolio Manager Equity

Global Equity Index Forecasts: 12-months			
Index	Jun 2025F	NTM EPS Growth	Target PE
S&P 500	5,600	10.8%	21.5
EuroStoxx 50	5,100	4.3%	13.6
Stoxx 600	530	5.3%	14.1
MSCI Japan	1,760	9.7%	15.7
MSCI Asia xJ	710	14.6%	14.0
MSCI EM	1,100	12.8%	13.1

S&P 500 Outlook at Yearend			
	2022	2023	2024F
S&P 500	3840	4770	5300
Dividend Yield	1.75%	1.50%	1.50%
S&P EPS	\$222	\$223	\$245
Trailing PE	17.3	21.5	21.6
DPS	\$67	\$70	\$76

Next 5%+ Price Move
(Up / Balanced Risk / **Down**)
Risk of 10%+ correction within 12-months
(Low / Moderate / **High**)

Taxable U.S. Investor Asset Allocations		
Asset Class	Long-term	Current
Fixed Income/cash	31.5%	31%
Equities	58.5%	58.5%
US Equities	41%	38%
S&P 500	37%	35%
Small Caps	4%	3%
Foreign DM	12.5%	15.5%
Foreign EM	5%	5%
Alternatives	10%	10.5%

Key CIO Views		
Macro signal:	Dec 2023	Jun 2025F
U.S. Fed Funds rate	5.25%-5.50%	4.5%-4.75%
10yr Treasury yield	4.20%	4.25%
US IG Corp Spreads	140bp	80bp
US High Yield Spreads	420bp	400bp
Crude Oil (WTI) \$/bbl	69	80
EUR / USD FX rate	1.06	1.08

GDP Forecasts			
Region	2023	2024F	2025F
US	2.5%	2.0%	1.6%
World	3.1%	3.0%	3.2%
Euro area	0.5%	0.7%	1.1%
China	5.2%	5.0%	4.4%
Japan	1.9%	0.3%	1.4%

* 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 6/17/2024 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	11.8%	16.6%	Health Care	17.7	22.0	19.6	Biotechnology Health Care Equipment & Supplies Pharmaceuticals	14.1 26.6 15.4	19.2 26.8 25.9	19.2 24.9 18.9	Health Care Providers & Services	16.9	15.7	15.1	Life Sciences Tools & Services	24.6	28.8	28.8	
	12.2%	14.0%	Financials	18.6	16.8	16.0	Banks Insurance	12.8 20.2	11.0 16.7	11.7 14.0	Financial Services	28.4	24.7	23.0	Capital Markets Consumer Finance	20.2 12.0	20.9 13.7	18.3 13.3	
	9.3%	10.5%	Communication Services	30.3	23.8	20.5	Entertainment Interactive Media & Services	87.0 44.2	34.9 31.4	28.9 24.4	Diversified Telecommunication Ser Wireless Telecommunication Serv	7.3 85.4	7.9 25.2	8.5 20.3	Media	10.5	10.2	10.2	
	3.5%	4.5%	Energy	8.4	11.4	12.5	Energy Equipment & Services	20.4	13.8	12.1	Oil Gas & Consumable Fuels	8.1	11.2	12.6					
	2.3%	3.1%	Utilities	19.9	18.8	17.1	Electric Utilities	21.2	19.2	17.2	Gas Utilities Independent Power & Renewable E Multi-Utilities Water Utilities	20.3 11.6 17.4 29.2	18.2 11.1 18.1 26.1	16.4 9.5 16.9 23.5					
Equal-weight	8.1%	8.1%	Industrials	27.2	23.2	21.5	Aerospace & Defense Electrical Equipment Passenger Airlines	40.2 29.9 18.5	36.0 29.9 6.9	26.7 23.9 6.9	Construction & Engineering Industrial Conglomerates Machinery	43.1 17.1 21.8	39.4 13.7 17.2	32.9 19.0 17.3	Air Freight & Logistics Building Products Commercial Services & Supplies Ground Transportation Professional Services Trading Companies & Distributors	11.9 22.5 41.7 57.5 29.8 25.6	16.5 28.2 43.0 28.2 28.0 21.2	16.5 22.8 33.9 25.7 25.5 20.1	
	5.8%	5.8%	Consumer Staples	22.1	21.0	19.8	Beverages Personal Care Products	24.6 46.1	22.0 20.6	21.0 21.4	Consumer Staples Distribution & R Household Products	27.4 29.3	26.4 27.0	22.1 25.7	Tobacco Food Products	13.2 13.9	13.0 14.6	12.9 15.0	
Under-weight	2.2%	1.7%	Materials	15.9	20.5	21.4					Chemicals Metals & Mining	17.2 10.1	21.6 15.6	22.2 17.8	Construction Materials Containers & Packaging	48.1 15.6	32.8 18.6	27.6 20.1	
	2.1%	1.4%	Real Estate	17.8	17.8	16.8	Specialized REITs	18.5	18.5	17.7	Hotel & Resort REITs Industrial REITs Office REITs Retail REITs	10.0 21.8 8.2 13.0	9.4 20.3 3.9 13.4	9.1 17.9 3.9 12.1	Health Care REITs Residential REITs Real Estate Mgmt. & Development	19.2 18.9 24.7	26.1 17.6 33.5	22.1 17.4 35.6	
	9.7%	6.5%	Consumer Discretionary	40.7	28.5	25.8	Automobile Components	13	12.0	10.2	Distributors Hotels Restaurants & Leisure Leisure Products Textiles Apparel & Luxury Goods	15 66.0 13.8 25.3	15.2 24.4 21.4 32.9	14.7 23.2 17.8 23.6	Automobiles Household Durables Broadline Retail Multiline Retail Specialty Retail	21 11.4 -2147 21.8	21.7 11.5 58.2 22.9	23.8 12.4 39.0 22.6	
			Automobiles	21.0	21.7	23.8													
			Broadline Retail	-2147	58.2	39.0													
		CD ex Auto &	27.1	22.0	21.1														
	32.8%	27.8%	Information Technology	41.5	39.8	33.9	Software IT Services	45.7 21.7	39.4 19.6	34.5 18.8	Communications Equipment Technology Hardware Storage & Pe	18.7 33.2	16.9 33.8	16.9 31.0	Electronic Equipment Semiconductors	19.7 55.6	23.1 56.9	20.5 41.6	
Aggregate PE: DWS View							Overweight	25.5	24.2	21.4	Equalweight	19.5	19.9	19.6	Underweight	32.0	30.9	27.0	
	S&P							5432			2022, 2023& 2024 EPS	218.45	223.00	245.00	2022, 2023 & 2024 PE	24.9	24.4	22.2	
											Bottom-up Consensus EPS	218.45	223.47	247.69	Bottom-up Cons. PE	24.9	24.3	21.9	
															2022, 2023 & 2024 Ex Energy PE	25.4	25.4	22.9	
															Btm-up Cons. Ex Energy PE	26.8	25.4	22.8	

Sector OW	8.89%
Sector UW	-8.89%
Industry OW	18.05%
Industry UW	-18.05%

Macro tilts:	
Cyclicals	-4.57%
Defensive	4.57%
Value (Financial+Energy)	2.59%
Growth	-0.32%
Growth ex Health Care	-4.15%
Consumer	-3.45%
Services/experience	0.02%
Disc. Goods	-3.53%
Retailing	-2.27%
Durables	-1.26%
Staples Goods/Retail	0.06%
Commodity	1.13%
Energy	1.02%
Metals/Chemicals	0.11%
Capex	6.71%
Capacity additions	3.58%
Productivity	3.13%
Health Care	3.83%
Innovation	3.45%
Marketers	1.86%
Insurers	-0.10%
Financials	1.57%
Up rates/low spreads	0.66%
Capital Markets	-0.53%
Insurance	1.44%
Bond Substitutes	0.73%
Weak FX \$ plays	0.15%
High R&D plays	1.80%
Transports	-0.78%
Geopolitical risk	1.89%
Weak oil prices	-0.12%
Inflation shock	-0.04%
Stagflation Protection	4.08%
Domestic GDP	-3.04%
Global GDP	-5.74%
Consumer TMT	-0.28%
Trade sensitive	-2.38%

Recent changes: Communication Equipment moved from OW to EW, Software from EW to OW, Food Products from EW to UW, Industrial REITs from UW to EW.

More details on sector earnings forecast and sector intrinsic valuation can be found towards the back of this note.

Price as of 6/14/2024

Source: DWS Investment Management GmbH. Past performance may not be indicative of future results.

DWS Strategic CIO View: Overview of strategic forecasts – Fixed Income, FX, Equity & Commodities

Overview of Strategic 12-Month Forecasts

Fixed Income		Strategic Forecast Mar-24	Current level	12m forwards	Strategic Forecast Jun-24	Forecast change	Expected 12m Total Return	10yr Total Return (p.a.) ⁴
Market Index	Target Mar-25	13-Jun-24	13-Jun-24	Target Jun-25				
Forecasts - US								
UST 2yr	US 2y yield	3.95%	4.7%	4.24%	4.15%	↗	4.97%	4.04%
UST 10yr	US 10y yield	4.20%	4.28%	4.27%	4.25%	↗	5.02%	4.53%
UST 30yr	US 30y yield	4.45%	4.45%	4.43%	4.55%	↗	2.98%	4.64%
Municipals	Taxable Muni Index OAS	80	67		75	↘	5.26%	3.56%
US IG Corp	BarCap US Credit	85 bp	83 bp		80 bp	↘	5.59%	4.97%
US HY ¹	Barclays US HY	400 bp	302 bp		400 bp	→	4.01%	5.75%
Securitized / MBS	MBS Index OAS	120 bp	140 bp		120 bp	→	5.52%	4.49%
Forecasts - Europe								
Schatz 2yr	GER 2y yield	2.50%	2.94%	2.46%	2.50%	→	3.02%	2.32%
Bund 10yr	GER 10y yield	2.60%	2.52%	2.51%	2.60%	→	2.65%	2.04%
Bund 30yr	GER 30y yield	2.80%	2.68%	2.66%	2.80%	→	0.46%	2.92%
Gilt 10yr	UK 10y yield	4.20%	4.15%	4.17%	4.20%	→	4.57%	4.18%
EUR IG Corp	ICE BofA Bond Index	95 bp	107 bp		95 bp	→	4.92%	3.33%
EUR HY ¹	M LEUR Non-Fin HY Constr. Index	400 bp	340 bp		400 bp	→	3.98%	5.89%
Securitized / Covered	iBoxx Covered	55 bp	62 bp		50 bp	↘	4.50%	2.92%
Italy 10yr ³	GTITL 10Y Corp - GTDEM 10Y Corp	180 bp	144 bp	157 bp	180 bp	→	1.43%	n/a
Forecasts - AsiaPac								
JGB 2yr	JPN 2y yield	0.25%	0.33%	0.47%	0.70%	↗	0.13%	0.41%
JGB 10yr	JPN 10y yield	0.90%	0.98%	1.16%	1.40%	↗	-1.48%	0.29%
Asia Credit	JACI Index	210 bp	226 bp		200 bp	↘	9.19%	-
Forecasts - Global								
EUR vs USD	EUR/USD	110	108		108	↘	-1.52%	-
USD vs JPY	USD/JPY	145	157		150	↗	0.24%	-
EUR vs JPY	EUR/JPY	160	170		162	↗	-1.29%	-
EUR vs GBP	EUR/GBP	0.86	0.84		0.85	↘	-0.87%	-
GBP vs USD	GBP/USD	1.28	1.28		1.27	↘	-0.69%	-
USD vs CNY	USD/CNY	7.35	7.3		7.35	→	3.97%	-
EM Sovereign ¹	EMBIG Div.	390 bp	386 bp		390 bp	→	7.97%	7.18%

Benchmark Rates

Market Index	Strategic Forecast Mar-24	Current Level	Strategic Forecast Jun-24	Forecast change	Expected 12m Total Return	10yr Total Return (p.a.) ⁴
Market Index	Target Mar-25	13-Jun-24	Target Jun-25			
Forecasts – Benchmark rates						
United States	Federal funds rate	4.50-4.75	5.25-5.50	4.50-4.75	→	
Eurozone	Deposit rate	3.00	3.75	3.00	→	
United Kingdom	Repo rate	4.25	5.25	4.25	→	
Japan	Policy Rate	0.25	0.10	0.50	↗	
China	1 year lending rate	3.30	3.45	3.10	↘	

Equities

Market Index	Strategic Forecast Mar-24	Current Level	Strategic Forecast Jun-24	Forecast change	Expected 12m Total Return	10yr Total Return (p.a.) ⁴
Market Index	Target Mar-25	13-Jun-24	Target Jun-25			
Forecasts – Equity						
US	S&P 500	5,300	5,432	5,600	↗	4.59%
Germany	DAX	18,700	18,382	19,600	↗	6.63%
Eurozone	Eurostoxx 50	5,000	4,967	5,100	↗	5.98%
Europe	Stoxx 600	515	518	530	↗	5.71%
Japan	MSCI Japan	1,740	1,705	1,760	↗	5.50%
SMI	SMI	11,450	12,099	11,900	↗	1.45%
UK	FTSE 100	7,600	8,169	8,200	↗	4.18%
Emerging Markets	MSCI EM	1,050	1,069	1,100	↗	5.84%
Asia ex Japan	MSCI AC Asia ex Japan	675	688	710	↗	5.84%
Australia	MSCI Australia	1,500	1,549	1,500	→	0.86%

Alternatives

Market Index	Strategic Forecast Mar-24	Current Level	Strategic Forecast Jun-24	Forecast change	Expected 12m Total Return	10yr Total Return (p.a.) ⁴
Market Index	Target Mar-25	13-Jun-24	Target Jun-25			
Forecasts – Commodities						
Gold - Spot	Gold Spot	2,400	2,312	2,600	↗	14.5%
Gold - Futures	Gold 12m Futures	-	2,422	-		7.36%
Oil - Spot ²	Brent Spot	84	83	80	↘	7.43%
Oil - Futures ²	Brent 12m Futures	-	79	-		1.59%
Carbon	Carbon 12m Futures	80	70	80	→	14.71%
Real Estate & Infrastructure						
Listed US RE (LC)						7.00%
Non-Listed US RE (LC)						5.00%
Listed Global RE (LC)						6.50%
Non-Listed European RE (LC)						7.00%
Non-Listed APAC RE (LC)						4.50%
Non-Listed Global RE (LC)						5.70%
Listed Infrastructure (LC)						6.50%
Non-Listed Infrastructure (LC)						11.30%

¹US HY default rate: 2.75%, 40% recovery, CCC average price of 80 used (instead of par); EUR HY default rate: 2.75%, 40% recovery; EM Sov default rate 1%, 50% recovery; ²Oil-Futures used to calculate expected TR; forecasts are made on Brent-Spot // ³Total return. Excess return for Italy 10yr is -2.38% // ⁴LTCMA forecasts for Gold and Oil based on futures

Source: Factset, DWS Investment GmbH as of June 2024. Past performance may not be indicative of future results. Forecasts are not a reliable indicator of future returns.

DWS Global Macro Forecasts

GDP Growth Rate

% year-on-year average

	2023	2024F	2025F	Consensus 2024 (BBG)
World	3.2 (3.1)	3.1 (3.0)	3.2 (3.1)	3.0
U.S.	2.5	2.0 (1.8)	1.6	2.4 (2.1)
EUZ	0.5	0.7	1.1	0.7 (0.5)
GER	0.0 (-0.1)	0.4	1.2	0.2
UK	0.1	0.7 (0.4)	1.3 (1.3)	0.5 (0.4)
Japan	1.9	0.3 (0.5)	1.4 (1.1)	0.6 (0.7)
China	5.2	5.0 (4.8)	4.4	4.9 (4.6)

Inflation (CPI)

% year-on-year average

	2023	2024F	2025F	Consensus 2024 (BBG)
World				4.1
U.S.	4.1	3.0 (2.8)	2.3	3.2 (2.7)
EUZ	5.5	2.5	2.3	2.4 (2.3)
GER	6.1	2.6	2.5	2.4 (2.5)
UK	7.3	2.5 (2.5)	2.3 (2.4)	2.5 (2.6)
Japan	3.2	2.5 (2.3)	2.0 (1.7)	2.4 (2.2)
China	0.2	0.6 (0.8)	1.7	0.7 (1.0)

Unemployment Rate (Annual average)

%

	2023	2024F	2025F	Consensus 2024 (BBG)
U.S.	3.6	4.0	4.1	3.9
EUZ	6.6	6.6 (6.7)	6.5	6.6 (6.7)
GER	5.7	5.9	5.7	5.9
UK	4.0	4.4 (4.4)	4.6 (4.6)	4.3 (4.5)
Japan	2.6	2.4 (2.4)	2.3 (2.4)	2.5
China*	5.2	5.0	5.0	5.1

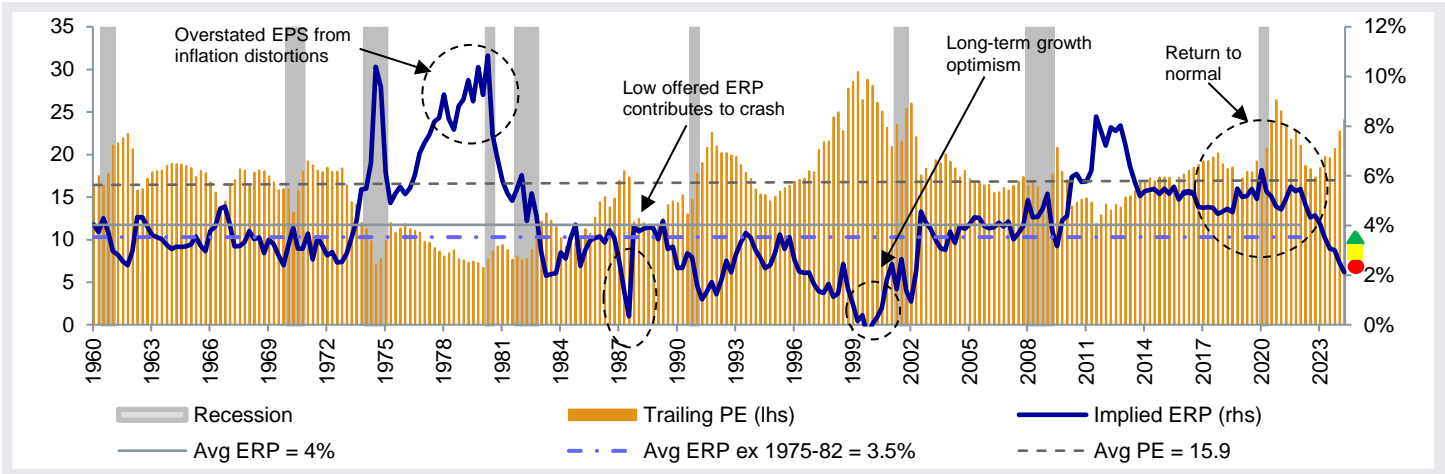
Fiscal Balance

% of GDP

	2023	2024F	2025F	Consensus 2024 (BBG)
U.S.	-6.5	-6.0	-5.9	-5.8
EUZ	-3.7	-2.8	-2.7	2.9 (-3.0)
GER	-2.1	-1.5 (-1.2)	-1.0 (-0.7)	-1.6
UK	-4.2	-4.0 (-4.5)	-3.5 (3.5)	-3.5 (-2.4)
Japan	-5.3	-5.0 (-4.5)	-3.0 (3.0)	-4.1
China**	-13.6	-13.3	-13.0	-4.9

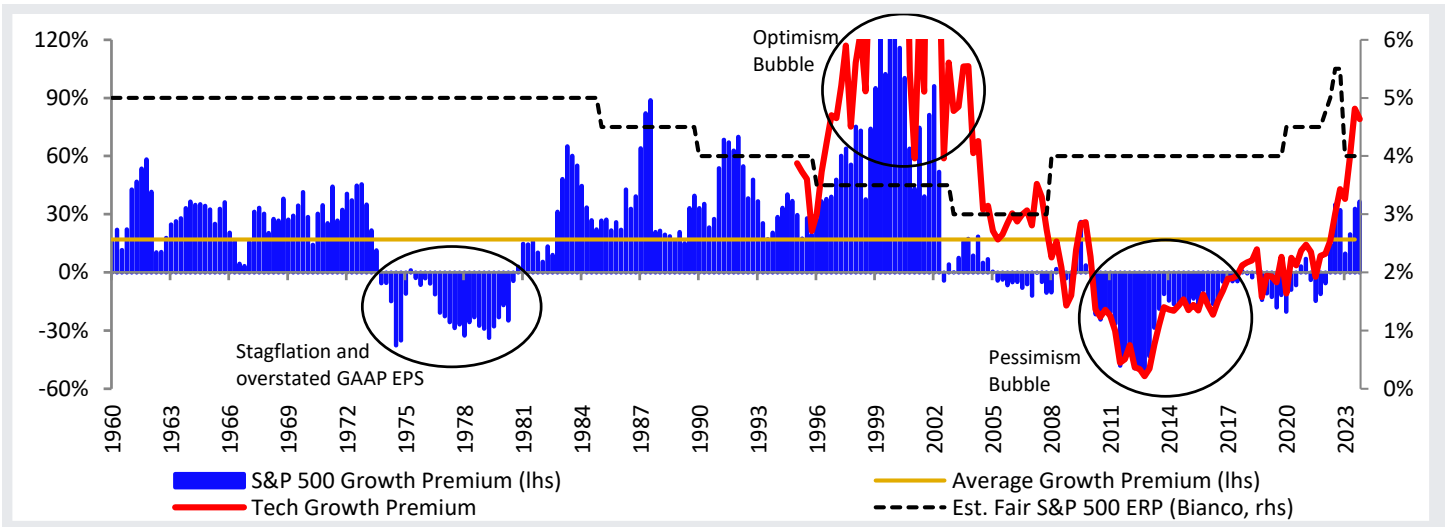
Source: DWS Macro Research. (*) For the U.S., GDP growth Q4/Q4 % is 0.5% in 2024 and 2.0% in 2025, (**) Measure is CPI, other measures see US part of the presentation, (***) Urban unemployment rate (end of period), not comparable to consensus data, (****) China fiscal deficit refers to augmented fiscal balance (widest definition) and refers to IMF. It's not comparable with the consensus. as of June 2024.

S&P 500 PE and implied ERP



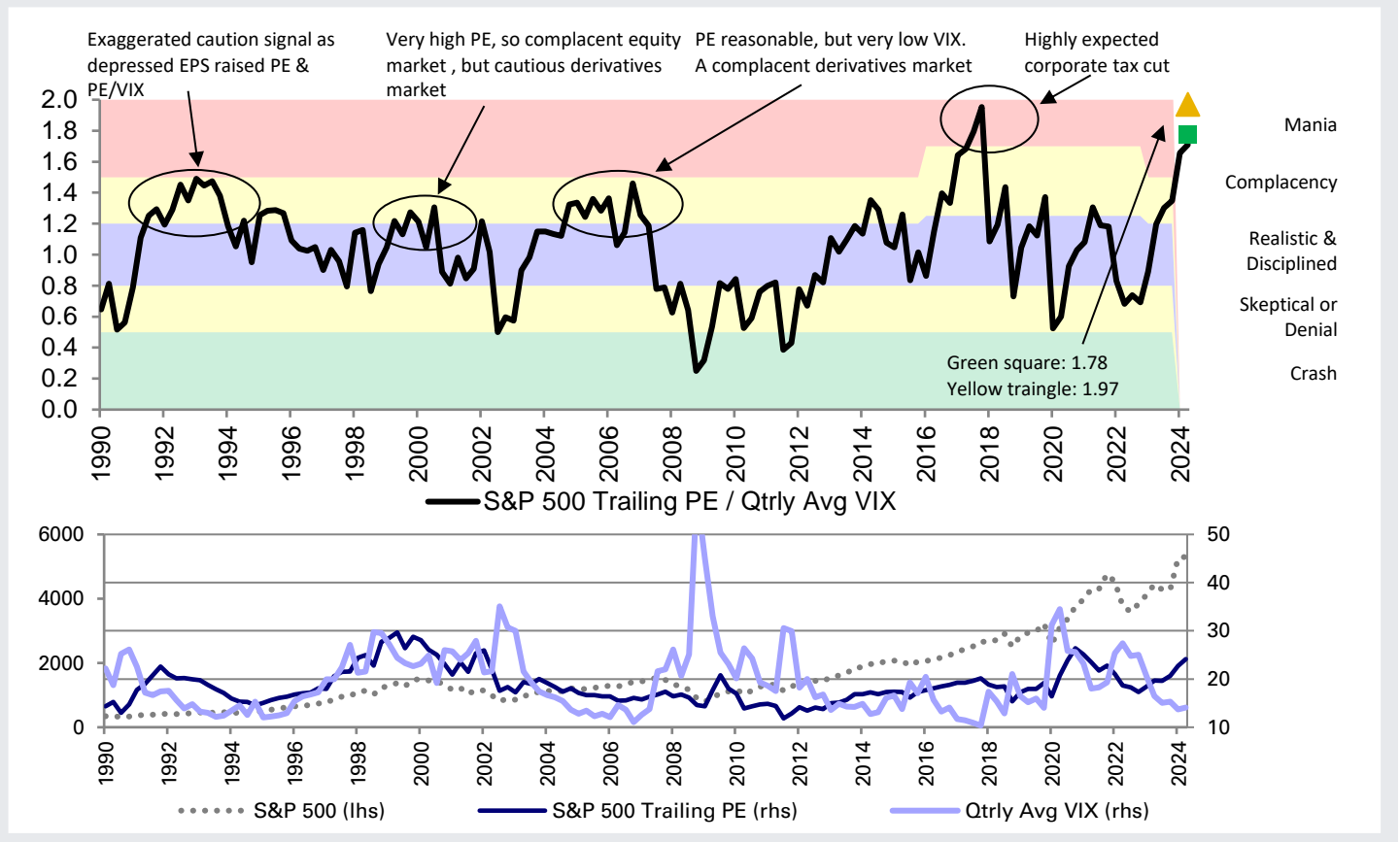
Red circle: ERP=2.8% implied by PE on our 2024 EPS estimate of \$245 and 2% assumed real 10 year interest rate
 Yellow square: ERP=3.0% implied by PE on our 2024 EPS estimate of \$245 and 1.75% assumed real 10 year interest rate
 Green triangle: ERP=3.3% implied by PE on our 2024 EPS estimate of \$245 and 1.5% assumed real 10 year interest rate
 Source: Haver, DWS Investment GmbH as of 6/13/2024. Past performance may not be indicative of future results.

S&P 500 implied growth premium



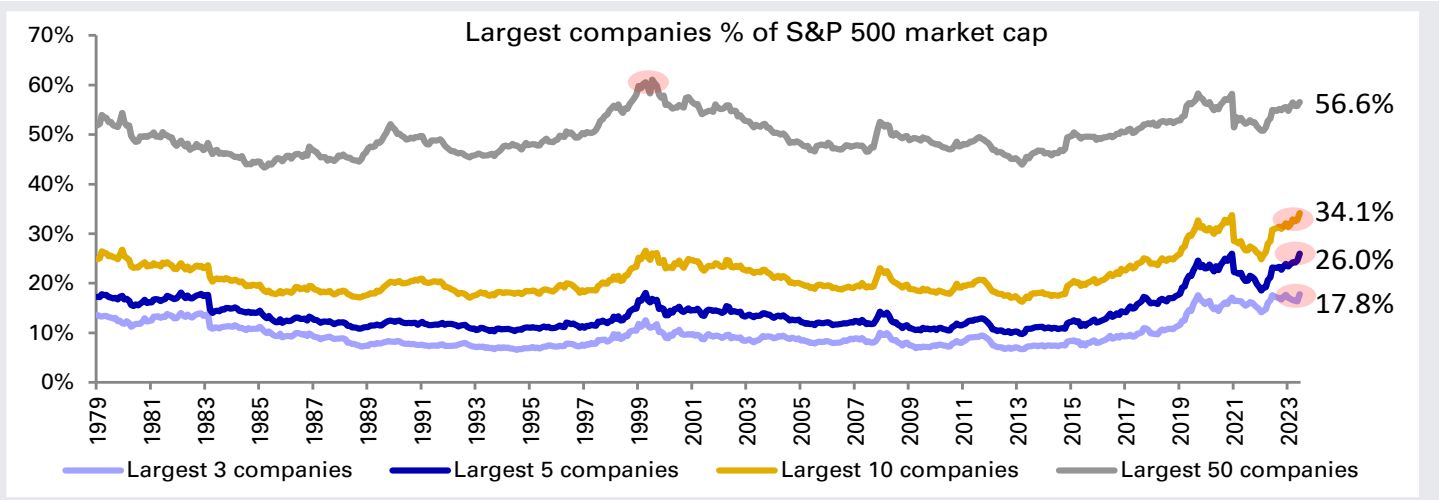
Source: Haver, DWS Investment GmbH as of 1Q 2024. Past performance may not be indicative of future results.

S&P 500 PE and implied ERP



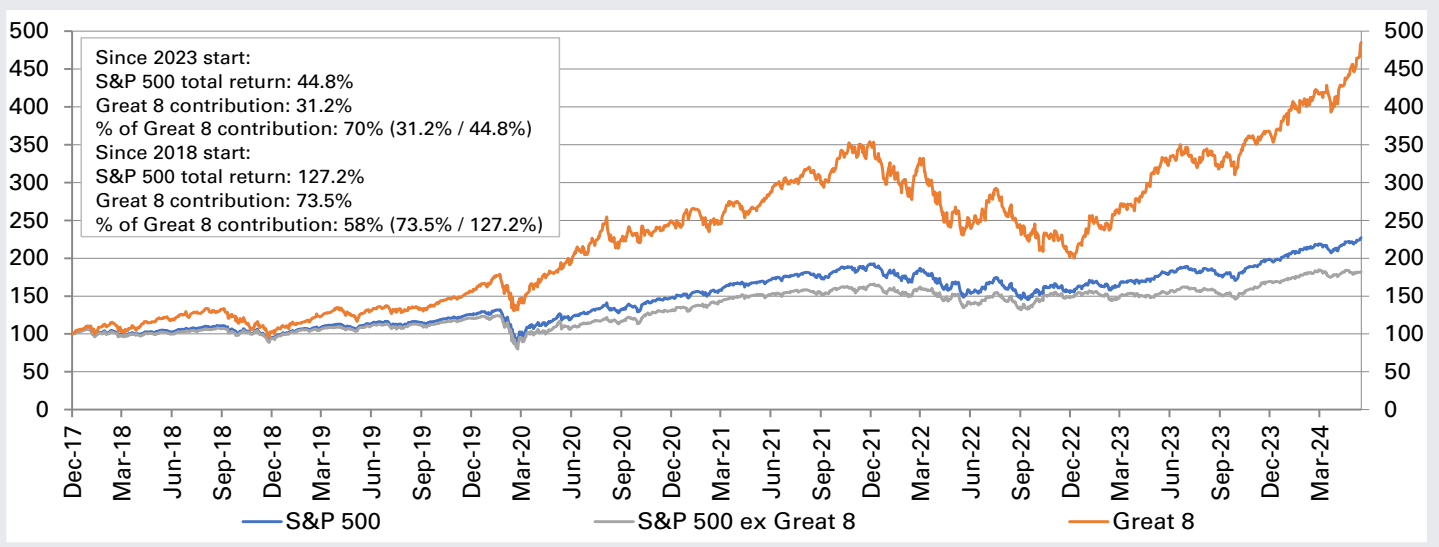
Green square: PE on our 2024 normalized EPS divided by VIX on Jun 13 2024.
 Yellow triangle: Trailing PE as of Jun 13 2024 divided by VIX on Jun 13 2024.
 Source: Haver, DWS Investment GmbH as of 6/13/2024. Past performance may not be indicative of future results.

Largest 3, 5, 10, 50 companies % of S&P 500 market cap



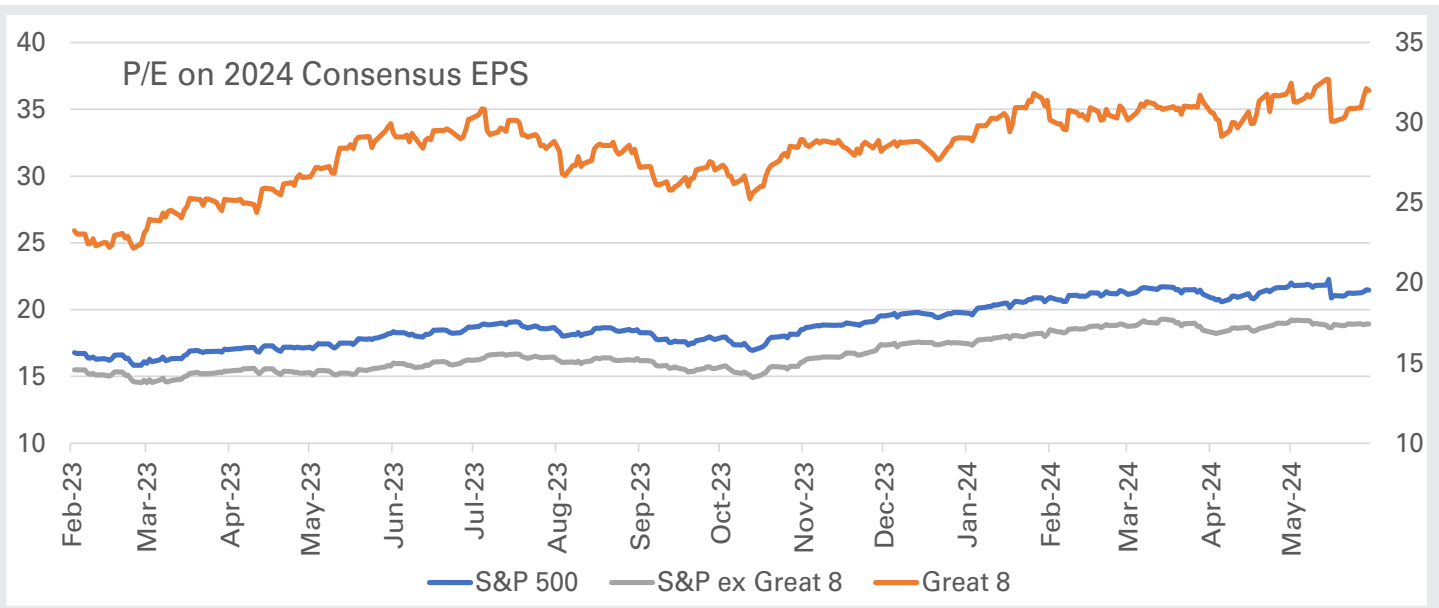
Source: Factset, DWS Investment GmbH as of 4/30/2024. Past performance may not be indicative of future results.

S&P 500 returns: Great 8 and S&P ex Great 8



Source: Factset, DWS Investment GmbH as of 6/13/2024. Past performance may not be indicative of future results.

S&P 500 PE: Great 8 and S&P ex Great 8



Source: Factset, DWS Investment GmbH as of 6/13/2024. Past performance may not be indicative of future results.



DWS Investment GmbH S&P 500 Annual EPS Outlook

	2014A	2015A	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023A	y/y	Bottom-up Consensus (IBES)				DWS View				Normalized 2024	
												2024E	y/y	2025E	y/y	2024E	y/y	2025E	y/y	(\$)	% of 2023
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%										
S&P 500 EPS (current constituents)	\$116.69	\$117.11	\$117.57	\$131.02	\$157.80	\$159.37	\$141.81	\$217.71	\$218.45	\$222.30	1.8%	\$248	11.4%	\$281	13.3%	\$245	10.2%	\$270	10.2%	\$250	102%
Sector (\$ bn)																					
Communication Services	66.3	76.8	88.9	96.9	121.2	127.9	131.9	183.9	143.9	173.1	20.3%	211.3	22.1%	237.6	12.5%	213.0	23.1%	238.5	12.0%	216.8	102%
Consumer Discretionary	57.7	67.6	75.3	79.6	94.8	93.1	62.3	121.6	110.5	156.7	41.8%	177.8	13.4%	203.8	14.6%	174.2	11.2%	190.0	9.1%	181.3	104%
Consumer Staples	84.0	82.8	85.5	89.8	96.9	98.0	105.3	118.0	111.9	124.5	11.3%	128.5	3.2%	138.4	7.7%	125.0	0.4%	131.2	5.0%	123.4	99%
Energy	94.2	39.5	10.4	36.9	69.5	49.1	-6.6	78.7	200.4	141.5	-29.4%	135.2	-4.4%	148.8	10.1%	135.0	-4.6%	143.0	5.9%	123.0	91%
Financials	184.3	200.0	203.8	213.3	262.6	276.6	225.6	363.2	308.5	333.7	8.2%	365.8	9.6%	402.1	9.9%	360.0	7.9%	383.5	6.5%	349.4	97%
Health Care	137.9	152.9	157.8	172.2	189.0	207.0	227.0	293.1	308.5	244.0	-20.9%	277.1	13.5%	312.6	12.8%	278.5	14.1%	302.0	8.4%	277.3	100%
Industrials	100.6	104.1	98.1	107.1	130.8	113.9	61.2	112.2	135.9	161.5	18.8%	171.1	5.9%	196.6	14.9%	172.3	6.7%	184.8	7.3%	175.6	102%
Information Technology	159.3	165.3	170.6	204.5	236.9	231.3	263.6	436.7	363.5	374.3	3.0%	448.7	19.9%	535.6	19.4%	445.0	18.9%	505.0	13.5%	473.0	106%
Materials	24.6	23.4	22.5	28.7	36.2	34.1	32.5	61.5	63.9	48.4	-24.3%	47.4	-1.9%	55.2	16.4%	47.5	-1.8%	50.0	5.3%	47.0	99%
Real Estate	22.9	24.2	28.4	31.7	35.7	37.1	37.0	44.0	51.6	54.0	4.6%	55.1	2.0%	58.2	5.7%	54.7	1.3%	56.0	2.3%	53.1	97%
Utilities	32.9	33.1	35.7	37.1	40.9	45.0	46.9	49.6	50.9	52.6	3.3%	59.1	12.5%	63.9	8.1%	59.5	13.1%	65.0	9.3%	62.3	105%
S&P 500	964.8	969.5	977.1	1097.8	1314.4	1313.1	1186.7	1862.5	1849.4	1864.2	0.8%	2077.2	11.4%	2353.0	13.3%	2064.7	10.8%	2249.0	8.9%	2082.3	101%
S&P ex. Energy (\$bn)	870.6	930.0	966.6	1060.9	1244.9	1264.0	1193.3	1783.7	1649.1	1722.8	4.5%	1942.0	12.7%	2204.2	13.5%	1929.7	12.0%	2106.0	9.1%	1959.3	102%
S&P ex. Tech (\$bn)	805.5	804.2	806.4	893.3	1077.5	1081.7	923.2	1425.7	1485.9	1489.9	0.3%	1628.4	9.3%	1817.5	11.6%	1619.7	8.7%	1744.0	7.7%	1609.3	99%
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%										
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	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 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 3/31/2024.

Source: Factset, DWS Investment GmbH as of 6/14/2024. Past performance may not be indicative of future results. Forecasts are not a reliable indicator of future returns.



DWS Investment GmbH View: S&P 500 fair value by sector: Assuming a ~5.50% real cost of equity (CoE) for overall S&P 500

	Market Value (\$bn)	Current 2024 PE	2024E Earnings (\$bn)	Normal Ratio	Normal 2024E Earnings	Accounting Quality Adjustment	Fully Adjusted Earnings	Net Debt / Market Cap	FCF / EPS	Real CoE	Steady State Value	Growth Premium	2024 Start Fair Value (\$bn)	2024E Dividend Yield	2024 End Fair Value (\$bn)	PE on Normal 2024E EPS	2024 End Upside %	2024 End Upside vs. S&P 500
Communication Services	4,359	20.5	213.0	102%	216.8	-7%	201.6	11%	0.83	5.50%	3,666	20%	4,399	0.8%	4,715	21.7	8%	13%
Consumer Discretionary	4,501	25.8	174.2	104%	181.3	-6%	170.4	10%	0.76	5.50%	3,099	34%	4,167	1.0%	4,457	24.6	-1%	4%
<i>Automobiles</i>	596	23.8	25.0	100%	25.0	-8%	23.0	32%	0.99	6.50%	354	40%	495	0.5%	538	21.5	-10%	-5%
<i>Broadline (Internet) Retail</i>	1,658	39.0	42.5	120%	51.0	-5%	48.5	0%	0.18	5.25%	923	75%	1,615	0.0%	1,740	34.1	5%	10%
<i>ex. Auto & Broadline (Internet) Retail</i>	2,247	21.1	106.7	99%	105.3	-6%	99.0	13%	0.78	5.43%	1,822	13%	2,057	1.5%	2,189	20.8	-3%	2%
Consumer Staples	2,477	19.8	125.0	99%	123.4	-6%	116.0	14%	0.84	5.25%	2,210	5%	2,320	2.8%	2,435	19.7	-2%	3%
Energy	1,692	12.5	135.0	91%	123.0	-10%	110.7	14%	0.90	6.20%	1,785	-15%	1,518	2.2%	1,616	13.1	-4%	0%
Financials	5,745	16.0	360.0	97%	349.4	-7%	323.3		1.11	6.00%	5,388	-3%	5,226	1.8%	5,575	16.0	-3%	2%
<i>Banks</i>	1,480	11.7	126.5	95%	120.2	-7%	111.8		1.11	7.00%	1,597	-10%	1,437	2.8%	1,534	12.8	4%	8%
Health Care	5,448	19.6	278.5	100%	277.3	-8%	255.1	10%	1.14	5.40%	4,725	15%	5,433	1.3%	5,790	20.9	6%	11%
Industrials	3,702	21.5	172.3	102%	175.6	-5%	166.8	15%	0.88	5.50%	3,033	10%	3,336	1.6%	3,549	20.2	-4%	1%
Information Technology	15,072	33.9	445.0	106%	473.0	-3%	458.8	2%	0.95	5.25%	8,739	35%	11,798	0.7%	12,629	26.7	-16%	-11%
Materials	1,015	21.4	47.5	99%	47.0	-7%	43.7	16%	0.90	5.75%	761	10%	837	1.4%	894	19.0	-12%	-7%
Real Estate	918	16.8	54.7	97%	53.1	-5%	50.5	35%	1.79	5.60%	902	0%	902	3.8%	941	17.7	2%	7%
Utilities	1,015	17.1	59.5	105%	62.3	-7%	57.9	79%	-0.81	5.50%	1,054	5%	1,106	3.5%	1,156	18.6	14%	19%
S&P 500 (\$ bn)	45,943	22.3	2064.7	101%	2082.3	-6.1%	1955.0			5.49%	35,360	16.1%	41043	1.3%	43,756	21.0	-5%	0%
S&P 500 Index (\$/sh)	5432	22.2	245.0	102%	250.0	-6.0%	235.0	10%	0.93	5.50%	4273	16.7%	4988	1.3%	5311	21.2	-2%	0%



Source: IBES, DWS Investment GmbH as of 6/14/2024. Past performance may not be indicative of future results. Forecasts are not a reliable indicator of future returns.

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 3/31/2024.

The estimated 2024 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 ~5.50% real cost of equity (CoE) for overall S&P 500 (1 of 2)

	Market Value (\$bn)	Current 2024 PE	2024E Earnings (\$bn)	Normal Ratio	Normal 2024E Earnings	Accounting Quality Adjustment	Fully Adjusted Earnings	Net Debt / Market Cap	FCF / EPS	Real CoE	Steady State Value	Growth Premium	2024 Start Fair Value (\$bn)	2024E Dividend Yield	2024 End Fair Value (\$bn)	PE on Normal 2024 EPS	2024 End Upside %	2024 End Upside vs. S&P 500
CONSUMER DISCRETIONARY	4,501	25.8	174.2	104%	181.3	-6.0%	170	10%	0.76	5.50%	3,099	34.5%	4,167	1.0%	4,457	24.6	-1%	4%
Automobile Components	26,451	10.2	2,600	100%	2,600	-7%	2,418	26%	1.00	6.75%	35,822	0%	35,822	0.4%	38,999	15.0	47%	52%
Automobiles	596,131	23.8	25,000	100%	25,000	-8%	23,000	32%	0.29	6.50%	353,846	40%	495,385	0.5%	537,620	21.5	-10%	-5%
Distributors	44,210	14.7	3,000	100%	3,000	-7%	2,790	17%	0.93	5.50%	50,727	0%	50,727	2.4%	53,561	17.9	21%	26%
Hotels Restaurants & Leisure	904,123	23.2	39,000	100%	39,000	-5%	37,050	18%	0.79	5.25%	705,714	20%	846,857	1.3%	901,810	23.1	0%	5%
Household Durables	166,944	12.4	13,500	90%	12,150	-15%	10,328	0%	0.99	6.75%	153,000	0%	153,000	0.9%	165,795	13.6	-1%	4%
Broadline Retail	1,657,895	39.0	42,500	120%	51,000	-5%	48,450	0%	0.89	5.25%	922,857	75%	1,615,000	0.0%	1,739,616	34.1	5%	10%
Leisure Products	8,010	17.8	450	90%	405	-7%	377	35%	1.00	5.50%	6,848	0%	6,848	4.6%	7,084	17.5	-12%	-7%
Specialty Retail	892,993	22.6	39,500	100%	39,500	-5%	37,525	13%	0.91	5.25%	714,762	10%	786,238	1.7%	833,802	21.1	-7%	-2%
Textiles Apparel & Luxury Goods	203,909	23.6	8,650	100%	8,650	-6%	8,131	-2%	0.97	5.50%	147,836	20%	177,404	1.2%	189,534	21.9	-7%	-2%
CONSUMER STAPLES	2,477	19.8	125.0	99%	123.4	-6%	116	14%	0.84	5.25%	2,210	5%	2,320	2.8%	2,435	19.7	-2%	3%
Beverages	601,889	21.0	28,700	100%	28,700	-5%	27,265	14%	0.85	5.25%	519,333	15%	597,233	2.8%	626,624	21.8	4%	9%
Consumer Staples Distribution & Retail	674,782	22.1	30,500	100%	30,500	-6%	28,670	8%	0.65	5.25%	546,095	10%	600,705	1.6%	637,736	20.9	-5%	-1%
Food Products	336,487	15.0	22,500	100%	22,500	-7%	20,925	28%	0.87	5.25%	398,571	-10%	358,714	3.2%	375,099	16.7	11%	16%
Household Products	568,014	25.7	22,100	100%	22,100	-6%	20,774	8%	0.98	5.25%	395,695	15%	455,050	2.4%	479,389	21.7	-16%	-11%
Personal Care Products	57,695	21.4	2,700	110%	2,970	-7%	2,762	16%	0.93	5.50%	50,220	25%	62,775	3.5%	65,628	22.1	14%	19%
Tobacco	238,195	12.9	18,500	90%	16,650	-8%	15,318	29%	1.01	5.20%	294,577	-25%	220,933	6.3%	224,045	13.5	-6%	-1%
Energy	1,692	12.5	135.0	91%	123.0	-10%	111	14%	0.90	6.20%	1,785	-15%	1,518	2.2%	1,616	13.1	-4%	0%
Energy Equipment & Services	121,237	12.1	10,000	105%	10,500	-10%	9,450	13%	0.91	6.50%	145,385	5%	152,654	2.5%	162,595	15.5	34%	39%
Oil Gas & Consumable Fuels	1,570,408	12.6	125,000	90%	112,500	-10%	101,250	14%	0.90	6.25%	1,620,000	-20%	1,296,000	3.0%	1,369,912	12.2	-13%	-8%
FINANCIALS	5,745	16.0	360.0	97%	349.4	-7%	323	0%	1.11	6.00%	5,388	-3%	5,226	1.8%	5,575	16.0	-3%	2%
Capital Markets	1,232,769	18.3	67,500	95%	64,125	-10%	57,713	2%	1.09	6.00%	961,875	0%	961,875	2.1%	1,023,449	16.0	-17%	-12%
Banks	1,479,548	11.7	126,500	95%	120,175	-7%	111,763	N/A	1.14	7.00%	1,596,611	-10%	1,436,950	2.9%	1,531,857	12.7	4%	8%
Consumer Finance	238,904	13.3	18,000	95%	17,100	-15%	14,535	N/A	1.15	6.25%	232,560	-10%	209,304	1.5%	224,446	13.1	-6%	-1%
Financial Services	1,843,583	23.0	80,000	100%	80,000	-5%	76,000	0%	1.00	5.10%	1,490,196	10%	1,639,216	0.4%	1,757,802	22.0	-5%	0%
Insurance	950,572	14.0	68,000	100%	68,000	-7%	63,240	N/A	1.14	5.75%	1,099,826	-10%	989,843	1.5%	1,056,530	15.5	11%	16%
Health Care	5,448	19.6	278.5	100%	277.3	-8%	255	10%	1.14	5.40%	4,725	15%	5,433	1.3%	5,790	20.9	6%	11%
Biotechnology	866,208	19.2	45,000	105%	47,250	-10%	42,525	13%	1.33	5.50%	773,182	20%	927,818	2.3%	981,051	20.8	13%	18%
Health Care Equipment & Supplies	1,071,610	24.9	43,000	105%	45,150	-7%	41,990	8%	1.14	5.00%	839,790	25%	1,049,738	1.1%	1,117,444	24.7	4%	9%
Health Care Providers & Services	1,167,925	15.1	77,500	95%	73,625	-7%	68,471	10%	1.06	5.50%	1,244,932	5%	1,307,178	1.5%	1,392,709	18.9	19%	24%
Life Sciences Tools & Services	604,809	28.8	21,000	105%	22,050	-5%	20,948	10%	1.18	5.50%	380,864	20%	457,036	0.3%	492,289	22.3	-19%	-14%
Pharmaceuticals	1,737,292	18.9	92,000	97%	89,240	-10%	80,316	11%	1.27	5.50%	1,460,291	15%	1,679,335	2.3%	1,775,373	19.9	2%	7%
INDUSTRIALS	3,702	21.5	172.3	102%	175.6	-5%	167	15%	0.88	5.50%	3,033	10%	3,336	1.6%	3,549	20.2	-4%	1%
Aerospace & Defense	826,930	26.7	31,000	115%	35,650	-7%	33,155	17%	1.09	5.50%	602,809	15%	693,230	1.3%	739,548	20.7	-11%	-6%
Air Freight & Logistics	189,754	16.5	11,500	95%	10,925	-7%	10,160	15%	0.71	5.75%	176,700	0%	176,700	3.4%	185,242	17.0	-2%	2%
Passenger Airlines	72,516	6.9	10,500	90%	9,450	-20%	7,560	71%	0.07	10.0%	75,600	0%	75,600	0.9%	84,335	8.9	16%	21%
Building Products	239,902	22.8	10,500	90%	9,450	-7%	8,789	15%	1.07	5.50%	159,791	10%	175,770	1.2%	187,642	19.9	-22%	-17%
Commercial Services & Supplies	257,808	33.9	7,600	100%	7,600	-5%	7,220	10%	0.86	5.25%	137,524	10%	151,276	0.9%	161,680	21.3	-37%	-33%
Construction & Engineering	39,431	32.9	1,200	110%	1,320	-7%	1,228	8%	1.18	5.25%	23,383	10%	25,721	0.1%	27,680	21.0	-30%	-25%

Source: IBES, DWS Investment GmbH as of 6/14/2024. Past performance may not be indicative of future results. Forecasts are not a reliable indicator of future returns.

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The estimated 2024 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 ~5.50% real cost of equity (CoE) for overall S&P 500 (2 of 2)

	Market Value (\$bn)	Current 2024 PE	2024E Earnings (\$bn)	Normal Ratio	Normal 2024E Earnings	Accounting Quality Adjustment	Fully Adjusted Earnings	Net Debt / Market Cap	FCF / EPS	Real CoE	Steady State Value	Growth Premium	2024 Start Fair Value (\$bn)	2024E Dividend Yield	2024 End Fair Value (\$bn)	PE on Normal 2024 EPS	2024 End Upside %	2024 End Upside vs. S&P 500
Electrical Equipment	286,763	23.9	12,000	110%	13,200	-7%	12,276	6%	#DIV/0!	5.25%	233,829	25%	292,286	1.3%	311,070	23.6	8%	13%
Industrial Conglomerates	199,089	19.0	10,500	100%	10,500	-7%	9,765	13%	1.05	5.25%	186,000	5%	195,300	2.2%	206,124	19.6	4%	8%
Machinery	751,730	17.3	43,500	100%	43,500	-7%	40,455	19%	0.96	5.50%	735,545	10%	809,100	1.5%	861,712	19.8	15%	19%
Professional Services	293,521	25.5	11,500	100%	11,500	-5%	10,925	6%	1.09	5.25%	208,095	15%	239,310	1.7%	253,780	22.1	-14%	-9%
Ground Transportation	423,512	25.7	16,500	100%	16,500	-7%	15,345	16%	0.65	5.00%	306,900	10%	337,590	1.3%	358,393	21.7	-15%	-11%
Trading Companies & Distributors	120,767	20.1	6,000	100%	6,000	-7%	5,580	11%	0.78	5.50%	101,455	10%	111,600	1.4%	118,982	19.8	-1%	3%
INFORMATION TECHNOLOGY	15,072	33.9	445.0	106%	473.0	-3%	459	2%	0.95	5.25%	8,739	35%	11,798	0.7%	12,629	26.7	-16%	-11%
Communications Equipment	355,638	16.9	21,000	100%	21,000	-5%	19,950	-4%	1.07	5.50%	362,727	5%	380,864	2.1%	403,370	19.2	13%	18%
Technology Hardware Storage & Peripherals	3,378,648	31.0	109,000	100%	109,000	-2%	106,820	2%	1.03	5.00%	2,136,400	25%	2,670,500	0.5%	2,857,250	26.2	-15%	-11%
Electronic Equipment Instruments & Components	235,933	20.5	11,500	100%	11,500	-7%	10,695	9%	1.07	5.50%	194,455	15%	223,623	1.1%	239,083	20.8	1%	6%
IT Services	441,506	18.8	23,500	100%	23,500	-3%	22,795	8%	1.18	5.00%	455,900	15%	524,285	2.3%	551,797	23.5	25%	30%
Semiconductors & Semiconductor Equipment	5,828,447	41.6	140,000	115%	161,000	-5%	152,950	2%	0.92	5.75%	2,660,000	35%	3,591,000	0.5%	3,869,855	24.0	-34%	-29%
Software	4,832,275	34.5	140,000	105%	147,000	0%	147,000	1%	0.90	5.00%	2,940,000	50%	4,410,000	0.6%	4,715,197	32.1	-2%	2%
MATERIALS	1,015	21.4	47.5	99%	47.0	-7%	44	16%	0.90	5.75%	761	10%	837	1.4%	894	19.0	-12%	-7%
Chemicals	676,514	22.2	30,500	100%	30,500	-5%	28,975	17%	0.81	5.50%	526,818	15%	605,841	1.9%	642,864	21.1	-5%	0%
Construction Materials	68,898	27.6	2,500	100%	2,500	-10%	2,250	7%	0.82	6.00%	37,500	0%	37,500	0.6%	40,455	16.2	-41%	-37%
Containers & Packaging	100,450	20.1	5,000	100%	5,000	-10%	4,500	31%	1.12	6.00%	75,000	0%	75,000	2.6%	79,393	15.9	-21%	-16%
Metals & Mining	168,870	17.8	9,500	95%	9,025	-10%	8,123	7%	0.62	6.50%	124,962	0%	124,962	1.7%	134,119	14.9	-21%	-16%
REAL ESTATE	918	16.8	54.7	97%	53.1	-5%	50	35%	1.79	5.60%	902	0%	902	3.8%	941	17.7	2%	7%
Health Care REITs	99,247	22.1	4,500	100%	4,500	-5%	4,275	36%	7.80	5.25%	81,429	0%	81,429	3.8%	84,668	18.8	-15%	-10%
Hotel & Resort REITs	12,740	9.1	1,400	90%	1,260	-10%	1,134	25%	1.98	7.00%	16,200	0%	16,200	4.4%	17,021	13.5	34%	38%
Industrial REITs	89,534	17.9	5,000	95%	4,750	-5%	4,513	28%	1.81	5.25%	85,952	5%	90,250	4.0%	93,668	19.7	5%	9%
Office REITs	8,890	3.9	2,300	85%	1,955	-7%	1,818	63%	4.27	7.00%	25,974	0%	25,974	6.4%	26,788	13.7	201%	206%
Residential REITs	128,795	17.4	7,400	90%	6,660	-5%	6,327	33%	1.81	5.25%	120,514	0%	120,514	3.7%	125,353	18.8	-3%	2%
Retail REITs	115,359	12.1	9,500	100%	9,500	-5%	9,025	48%	2.03	6.25%	144,400	0%	144,400	5.7%	148,733	15.7	29%	34%
Specialized REITs	406,458	17.7	23,000	100%	23,000	-4%	22,080	36%	1.23	5.50%	401,455	10%	441,600	3.8%	459,977	20.0	13%	18%
Real Estate Management & Development	56,919	35.6	1,600	95%	1,520	-3%	1,474	0%	0.95	5.25%	28,084	25%	35,105	-	37,825	24.9	-34%	-29%
COMMUNICATION SERVICES	4,359	20.5	213.0	102%	216.8	-7%	202	11%	0.83	5.50%	3,666	20%	4,399	0.8%	4,715	21.7	8%	13%
Diversified Telecommunication Services	297,815	8.5	35,000	75%	26,250	-15%	22,313	94%	-0.28	5.50%	405,682	-25%	304,261	6.4%	309,069	11.8	4%	9%
Entertainment	558,308	28.9	19,300	110%	21,230	-8%	19,532	15%	1.59	5.50%	355,120	40%	497,168	0.3%	535,552	25.2	-4%	1%
Interactive Media & Services	3,152,322	24.4	129,000	110%	141,900	-3%	137,643	-4%	0.69	5.25%	2,621,771	30%	3,408,303	0.4%	3,658,324	25.8	16%	21%
Media	254,841	10.2	25,000	90%	22,500	-10%	20,250	69%	0.99	7.00%	289,286	-15%	245,893	2.5%	263,114	11.7	3%	8%
Wireless Telecommunication Services	95,630	20.3	4,700	105%	4,935	-8%	4,540	39%	1.41	5.50%	82,549	5%	86,677	1.4%	92,380	18.7	-3%	1%
UTILITIES	1,015	17.1	59.5	105%	62.3	-7%	58	79%	-0.81	5.50%	1,054	5%	1,106	3.5%	1,156	18.6	14%	19%
Electric Utilities	690,248	17.2	40,100	107%	42,907	-7%	39,904	80%	1.15	5.50%	725,518	7%	776,305	3.2%	813,359	19.0	18%	23%
Gas Utilities	16,393	16.4	1,000	100%	1,000	-7%	930	43%	-1.16	5.25%	17,714	0%	17,714	3.0%	18,562	18.6	13%	18%
Independent Power and Renewable Electric	13,328	9.5	1,400	100%	1,400	-15%	1,190	80%	-4.16	8.00%	14,875	0%	14,875	3.5%	15,921	11.4	19%	24%
Multi-Utilities	271,163	16.9	16,000	100%	16,000	-7%	14,880	79%	-1.06	5.50%	270,545	0%	270,545	3.8%	281,925	17.6	4%	9%
Water Utilities	23,497	23.5	1,000	100%	1,000	-5%	950	51%	-0.97	5.00%	19,000	0%	19,000	2.5%	19,943	19.9	-15%	-10%

Source: IBES, DWS Investment GmbH as of 6/14/2024. Past performance may not be indicative of future results. Forecasts are not a reliable indicator of future returns.

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 3/31/2024.

The estimated 2024 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 2024E S&P 500 EPS	\$245.00	DWS 2024E S&P 500 DPS	\$76.00	DWS 2024E S&P 500 aggregate ROE	22.3%	Fair long-term nominal return on S&P 500 index	8.00%
		2024E dividend payout ratio	31%	2023E end S&P 500 book value per share	\$1,100	Components of estimated fair S&P 500 return:	
DWS "normal 2024E" S&P 500 EPS	\$250.00	DWS "normal 2024E" S&P 500 DPS	\$76.00	DWS "normal 2024E" S&P 500 aggregate ROE	21.4%	+ Long-term real risk free interest rate	1.75%
"Normal 2024E" EPS / 2024 EPS	102%	Normal dividend payout ratio	32%			+ Long-term fair S&P 500 equity risk premium*	3.75%
				S&P EPS retained for operating reinvestment	34%	= Long-term real S&P 500 cost of equity	5.50%
Accounting quality adjustment to pro forma EPS	-\$15.00	EPS directed to net share repurchases	\$78.00	Estimated ROE on reinvested S&P EPS	9.50%	+ Long-term inflation forecast	2.50%
		Normal share repurchase payout ratio	33%	Economic margin (EM) or ROE-CoE	1.50%	= S&P 500 nominal cost of equity	8.00%
Normal 2024E S&P 500 EPS fair to capitalize	\$235	Total payout of S&P 500 EPS	\$154.00	Sources of long-term earnings growth:		* S&P 500 ERP history 300-400bps, w/ real CoE @ 5% - 6.5%	
Key principle: steady-state value = normal EPS / real CoE		Total payout ratio of normal and quality adj. EPS	66%	+ Long-term inflation forecast	2.50%	Fair S&P 500 Market Value and Book Value Multiple	
				+ Fair return on operating reinvestment	1.90%	2023E end S&P 500 book value per share	\$1,100
S&P 500 EPS Capitalization Valuation		S&P 500 DPS Discount Model		+ Value added earnings growth on op. reinvestment	0.52%	Fair PB = Fair PE * normal aggregate ROE	4.53
Normal EPS / (real CoE - (EM/payout) - EM):		Normal DPS / (nominal CoE - DPS growth):		= Long-term earnings growth	4.91%	Fair PE = (inc ROE-g)/(inc real ROE*(real CoE-real g))	20.36
S&P 500 intrinsic value at 2024 start	4988	S&P 500 intrinsic value at 2024 start	4988	+ Growth from net share repurchases	1.56%	Implied S&P 500 fair value of book at 2024 start	4988
S&P 500 intrinsic value at 2024 end	5311	S&P 500 intrinsic value at 2024 end	5311	= Long-term S&P 500 EPS/DPS growth	6.48%	Implied S&P 500 fair value of book at 2024 start	4988
Implied fair fwd PE in early 2024 on 2024E \$245 EPS	20.4	Implied fair forward yield on 2024E DPS of \$76.0	1.52%	+ Fair normal dividend yield	1.52%	Steady-state PB = normal agg. ROE / real CoE	3.88
Implied fair trailing PE at 2024 end on 2024E \$245 EPS	21.7	Implied fair trailing yield on 2024E DPS of \$76.0	1.43%	= Total long-term return at constant PE	8.00%	Confirmed by fair steady-state PE = 1 / real CoE	18.2
Normal EPS / (real CoE - value added EPS growth)	5021	DPS discount model using true DPS (all payout)	5311	Value added growth premium in fair value est.	17%	Normal 2024E economic profit per share	\$174.50

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

	2024E Normal S&P 500 EPS				
	\$240	\$245	\$250	\$255	\$260
5.00%	5855	6085	6323	6568	6822
5.25%	5380	5574	5772	5976	6186
5.50%	4978	5143	5311	5483	5659
5.75%	4632	4774	4919	5067	5216
6.00%	4331	4456	4582	4709	4838

DWS June 2025 equity index targets

Index	3M relative View	Current Level	Previous Target CIO Day Nov	Target Jun 25	Chg in Target	Expected Total Return Jun 25	Assumptions						
							thereof	EPS growth NTM*	LTM multiple impact	Dividend Yield	EPS NTM* (e)	DWS vs. Cons.	Target LTM P/E in Jun 25
S&P 500		5,434	5,300	5,600	6%	4.5%	USD	10.8%	-7%	1.5%	261	0.0%	21.4x
Stoxx 600		514	515	530	3%	6.4%	EUR	5.3%	-2%	3.3%	37.6	-2.8%	14.1x
EuroStoxx 50		4,884	5,000	5,100	2%	7.8%	EUR	4.3%	0%	3.3%	376	-2.2%	13.6x
DAX40		18,146	18,700	19,600	5%	8.0%	EUR	7.6%	-3%	3.3%	1515	0.0%	12.5x
SMI		12,063	11,450	11,900	4%	1.6%	CHF	9.6%	-10%	3.0%	693	-3.9%	17.2x
FTSE 100		8,155	7,600	8,200	8%	4.4%	GBP	0.9%	0%	3.8%		-3.5%	11.9x
MSCI EM		1,077	1,050	1,100	5%	5.1%	USD	12.8%	-9%	2.9%	84.1	-5.1%	13.1x
MSCI AC Asia xJ		694	675	710	5%	5.0%	USD	14.6%	-11%	2.6%	50.6	-3.6%	14.0x
MSCI Japan		1,696	1,740	1,760	1%	6.0%	YEN	9.7%	-5%	2.3%	111.8	0.8%	15.7x
MSCI Australia		1,552	1,500	1,500	0%	0.6%	AUD	-0.2%	-4%	4.0%	93.0	-0.1%	16.1x

Source: DWS Investment Management GmbH. 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.

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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 Revision 3m	3m Total Return Momentum	2024 End Upside (Intrinsic Valuation)	Combined Signal
Consumer Discretionary		25.3	22.0	21.2%	14.7%	2.1%	1.2%	-1.0%	0
	Automobile Components	10.3	8.4	9.8%	22.6%	5.1%	-6.4%	47.4%	0
	Automobiles	22.8	20.9	-10.7%	9.0%	0.2%	8.6%	-9.8%	0
	Household Durables	11.7	10.8	6.7%	8.5%	2.8%	-0.1%	-0.7%	0
	Leisure Products	16.9	14.5	5.2%	17.2%	11.3%	16.7%	-11.6%	1
	Textiles Apparel & Luxury Goods	22.4	20.4	15.7%	9.8%	-1.0%	-10.9%	-7.0%	-1
	Hotels Restaurants & Leisure	22.7	19.6	29.8%	15.7%	-1.2%	-0.9%	-0.3%	0
	Distributors	14.6	13.4	4.5%	9.6%	-0.7%	-14.5%	21.2%	-1
	Broadline Retail	38.7	30.8	99.7%	25.8%	8.9%	5.1%	4.9%	1
Specialty Retail	21.6	20.0	1.7%	8.2%	-0.2%	-4.3%	-6.6%	-1	
Consumer Staples		20.6	19.1	8.2%	7.7%	0.2%	3.0%	-1.7%	0
	Consumer Staples Distribution & Retail	26.5	24.4	8.3%	8.7%	0.4%	6.6%	-5.5%	0
	Food Products	14.8	13.9	-3.0%	5.8%	-0.3%	-2.9%	11.5%	-1
	Beverages	20.5	19.0	8.7%	7.8%	0.3%	0.4%	4.1%	0
	Tobacco	12.6	11.8	3.8%	6.8%	-0.4%	8.3%	-5.9%	0
	Household Products	24.6	22.9	12.4%	7.1%	1.2%	4.7%	-15.6%	0
	Personal Care Products	20.8	17.5	476.0%	19.2%	-0.7%	-16.8%	13.7%	-1
Energy		12.0	10.9	-10.6%	10.3%	3.1%	-3.1%	-4.5%	-1
	Energy Equipment & Services	12.1	10.2	23.1%	18.6%	-0.2%	-13.3%	34.1%	0
	Oil Gas & Consumable Fuels	12.0	11.0	-12.6%	9.7%	3.4%	-2.1%	-12.8%	-1
Financials		15.4	14.0	11.3%	9.9%	2.4%	0.0%	-3.0%	0
	Banks	11.3	10.4	-4.0%	8.5%	2.9%	3.1%	3.5%	0
	Financial Services	22.2	20.4	13.9%	8.9%	0.6%	-3.3%	-4.7%	0
	Consumer Finance	12.7	11.2	11.3%	13.0%	1.4%	1.9%	-6.1%	0
	Capital Markets	17.6	15.6	19.9%	12.2%	3.4%	2.3%	-17.0%	1
	Insurance	13.4	12.1	38.2%	10.5%	2.7%	-1.5%	11.1%	1
Health Care		20.5	17.3	3.8%	18.4%	-5.5%	0.7%	6.3%	0
	Health Care Providers & Services	15.0	13.4	5.1%	12.0%	-2.0%	-1.3%	19.2%	0
	Health Care Equipment & Supplies	25.1	22.7	17.7%	10.5%	2.9%	-2.3%	4.3%	0
	Life Sciences Tools & Services	28.6	25.2	-4.5%	13.8%	-0.3%	-3.8%	-18.6%	-1
	Biotechnology	19.3	16.4	-6.3%	17.7%	-8.1%	4.2%	13.3%	-1
	Pharmaceuticals	21.8	16.7	4.4%	30.3%	-12.2%	4.1%	2.2%	0
Industrials		21.7	18.8	8.6%	15.3%	-2.4%	-0.5%	-4.1%	0
	Aerospace & Defense	26.8	21.3	27.3%	25.7%	-8.4%	6.8%	-10.6%	1
	Building Products	21.1	19.1	7.1%	10.3%	0.2%	5.1%	-21.8%	0
	Trading Companies & Distributors	20.0	18.4	9.8%	8.6%	0.4%	-10.8%	-1.5%	0
	Electrical Equipment	26.8	23.2	25.2%	15.4%	7.3%	0.3%	8.5%	1
	Construction & Engineering	32.4	28.1	23.8%	15.3%	0.9%	12.6%	-29.8%	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

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S&P 500 industry monitor (2 of 2)

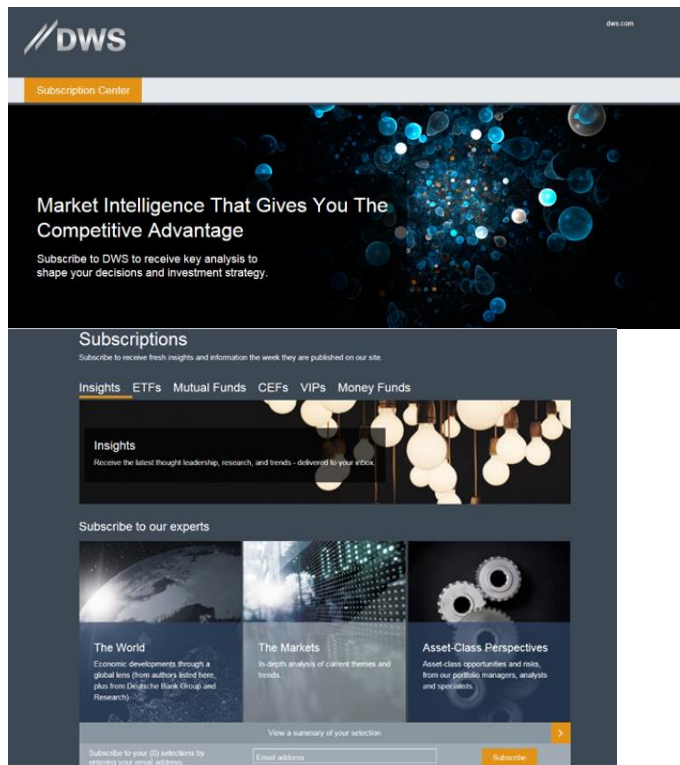
Sector	Industry	PE on 2023	PE on 2024	2024	2025	2024 EPS	3m Total	2024 End	Combined
		EPS	Consensus EPS	Consensus EPS Growth	Consensus EPS Growth	3m Revision	Return Momentum	Upside (Intrinsic Valuation)	
	Industrial Conglomerates	18.0	16.6	-2.8%	8.8%	-9.6%	9.0%	3.5%	-1
	Machinery	17.6	16.4	0.5%	7.1%	0.3%	-4.8%	14.6%	-1
	Commercial Services & Supplies	33.5	30.3	31.4%	10.6%	2.7%	1.0%	-37.3%	1
	Professional Services	25.1	22.6	11.5%	11.2%	0.6%	-0.4%	-13.5%	0
	Air Freight & Logistics	15.7	13.6	-5.7%	16.1%	-0.3%	-5.8%	-2.4%	-1
	Passenger Airlines	7.5	6.2	-6.3%	20.2%	-3.3%	5.8%	16.3%	-1
	Ground Transportation	26.1	20.3	8.9%	28.3%	-6.6%	-10.6%	-15.4%	-1
Information Technology		33.2	27.8	25.5%	19.4%	1.8%	16.9%	-16.2%	1
	IT Services	19.7	18.4	5.1%	7.3%	-1.7%	-17.2%	25.0%	-1
	Software	34.0	29.8	19.2%	13.9%	0.3%	3.9%	-2.4%	0
	Communications Equipment	17.3	16.7	-6.4%	3.7%	-1.9%	1.5%	13.4%	-1
	Technology Hardware Storage & Peripherals	30.1	26.9	14.7%	11.7%	1.4%	22.5%	-15.4%	0
	Electronic Equipment Instruments & Components	23.4	20.4	2.7%	14.4%	-0.9%	5.8%	1.3%	-1
	Semiconductors & Semiconductor Equipment	39.9	29.6	60.3%	34.9%	5.0%	33.4%	-33.6%	1
Materials		21.0	18.0	-6.1%	16.5%	0.6%	-1.6%	-11.9%	-1
	Chemicals	21.8	18.7	-5.7%	16.6%	-1.0%	-3.2%	-5.0%	-1
	Construction Materials	27.4	24.0	26.8%	14.0%	2.2%	-5.0%	-41.3%	1
	Metals & Mining	17.3	15.0	-14.9%	15.3%	5.9%	1.6%	-20.6%	0
	Containers & Packaging	20.1	16.7	-0.6%	20.2%	-0.6%	6.5%	-21.0%	-1
Real Estate		36.1	33.4	8.1%	8.0%	3.2%	-0.6%	2.5%	0
	Industrial REITs	45.6	38.8	-25.2%	17.6%	-0.7%	-13.0%	4.6%	-1
	Hotel & Resort REITs	16.1	15.4	5.5%	4.4%	13.1%	-12.1%	33.6%	0
	Office REITs	28.3	31.2	-15.8%	-9.3%	-0.5%	0.0%	201.3%	-1
	Health Care REITs	71.6	55.9	100.0%	28.1%	34.4%	11.7%	-14.7%	1
	Residential REITs	41.0	43.2	-11.0%	-5.1%	14.4%	9.1%	-2.7%	1
	Retail REITs	29.6	27.7	-5.2%	6.7%	0.5%	2.0%	28.9%	0
	Specialized REITs	32.6	31.2	26.0%	4.6%	-0.6%	-0.7%	13.2%	0
	Real Estate Management & Development	35.5	25.6	-4.3%	38.4%	3.0%	-15.8%	-33.5%	-1
Communication Services		20.2	17.9	35.1%	12.5%	4.2%	11.5%	8.2%	1
	Diversified Telecommunication Services	8.3	8.1	-7.4%	2.9%	0.4%	3.4%	3.8%	0
	Wireless Telecommunication Services	19.5	15.9	39.8%	22.9%	-0.2%	9.2%	-3.4%	1
	Media	9.7	9.1	8.4%	6.5%	-0.8%	-8.3%	3.2%	-1
	Entertainment	30.8	24.2	94.4%	27.4%	-1.0%	0.7%	-4.1%	0
	Interactive Media & Services	23.9	21.0	55.1%	13.8%	7.4%	16.7%	16.1%	1
Utilities		17.3	16.0	19.2%	8.3%	0.2%	11.7%	14.0%	1
	Multi-Utilities	17.1	15.7	5.2%	9.5%	-0.9%	6.3%	4.0%	0
	Water Utilities	24.7	22.8	8.1%	8.2%	0.3%	11.0%	-15.1%	0
	Gas Utilities	17.0	16.2	11.6%	5.1%	1.8%	2.1%	13.2%	0
	Electric Utilities	17.5	16.2	25.2%	7.5%	0.1%	13.0%	17.8%	1
	Independent Power and Renewable Electricity Producers	14.2	12.6	38.1%	12.6%	6.7%	38.5%	19.5%	1
S&P 500		22.5	19.7	13.4%	14.2%	0.7%	6.5%	-2.2%	0

Source: Factset, DWS Investment GmbH as of 6/14/2024. Past performance may not be indicative of future results. Forecasts are not a reliable indicator of future returns.

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