

Schroders

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Inside Archittas

Beyond the numbers

October 25

European Equities

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Marketing material for professional investors and advisers only



Agenda



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Fundamentals

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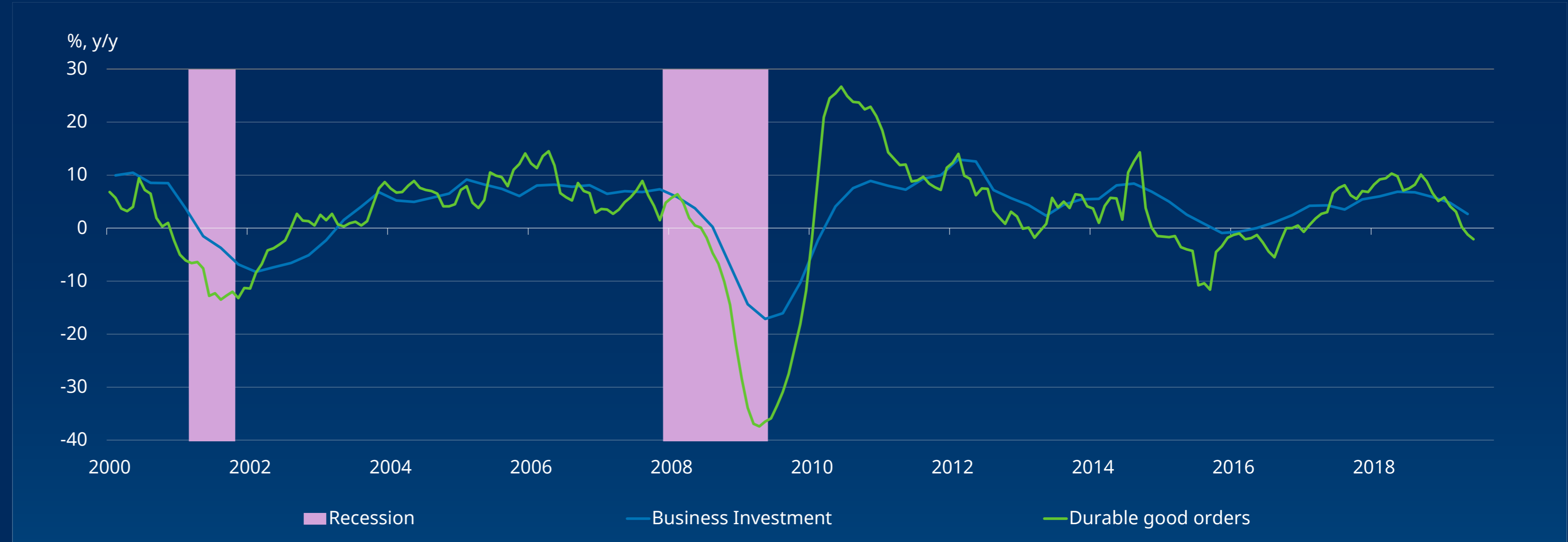
Markets

3

Opportunity



Uncertain times

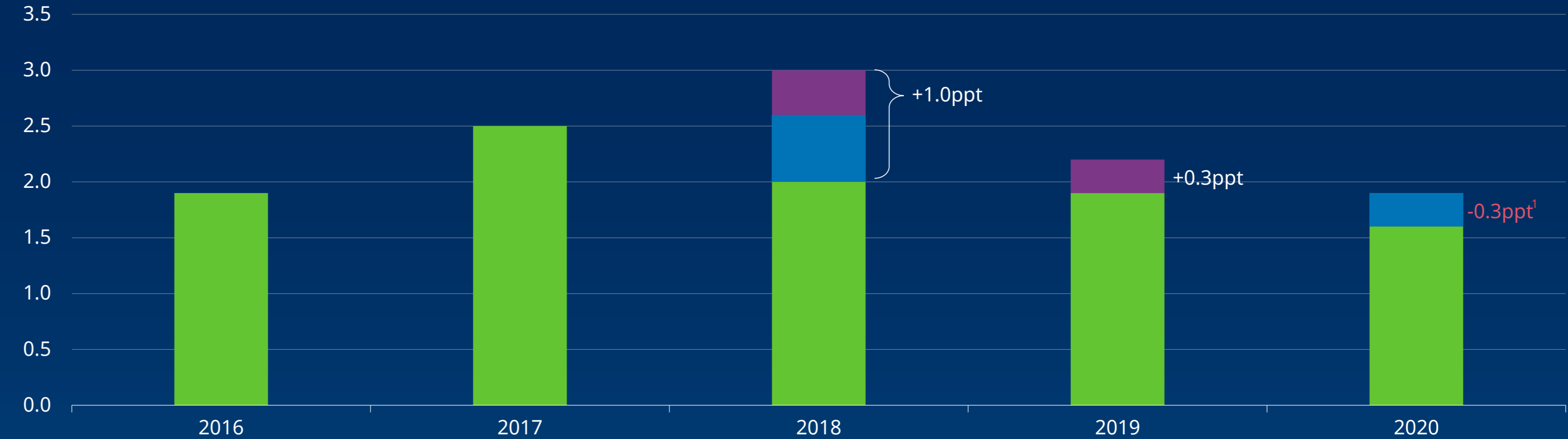


Source: Refinitiv DataStream, Schroders Economics Group.
20 August 2019.

Past its best



Real GDP growth, Q4/Q4



■ Latest Base

■ Impact of TCJA, 2017

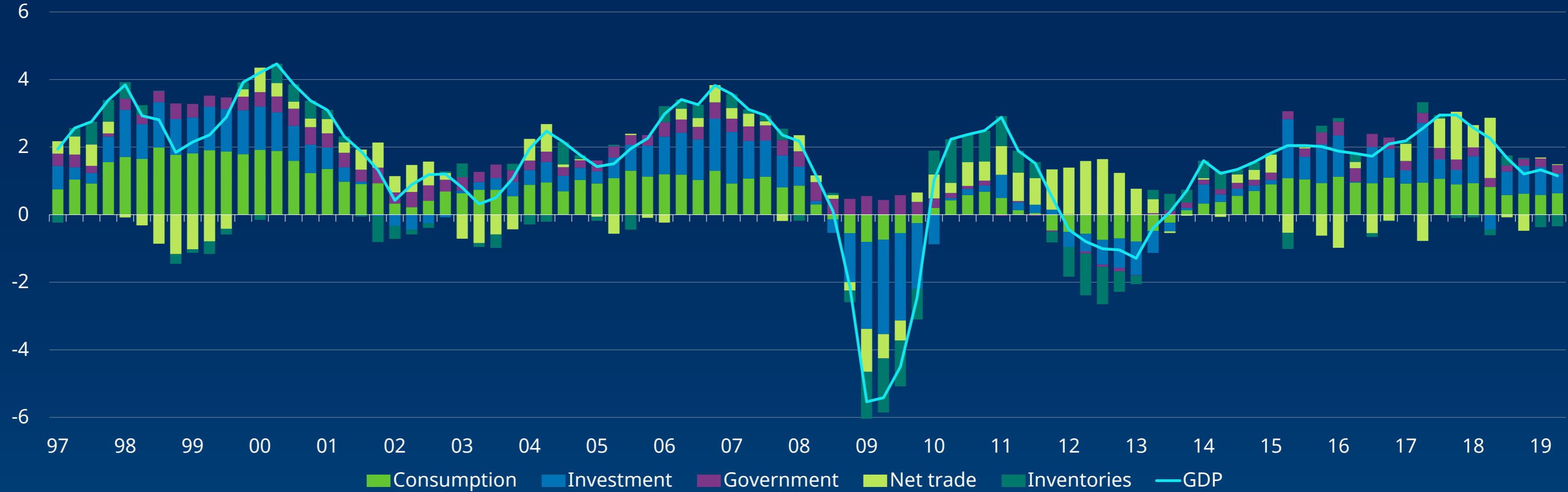
■ Impact of BBA, 2018

Source: Oxford Economics, 20 July 2019.
¹Fiscal cliff risk if Congress doesn't extend BBA spending
TCJA: Tax Cuts and Jobs Act, BBA: Bipartisan Budget Act.

Trade winds



Contributions to GDP growth (% , y/y)



Source: Refinitiv Datastream, Schroders Economics Group.
28 August 2019.

Under pressure



German Manufacturing PMI



Source: Eikon, Thomson Reuters, as at 26 September 2019.

Looking ahead



Real GDP

y/y%	Wt (%)	2018	2019	Prev.	Consensus	2020	Prev.	Consensus
World	100	3.3	2.6	(2.8)	2.7	2.4	(2.6)	2.6
Advanced*	61.4	2.3	1.6	(1.8)	1.7	1.1	(1.4)	1.5
US	26.5	2.9	2.1	(2.6)	2.3	1.3	(1.5)	1.9
Eurozone	17.2	2.0	1.1	(1.2)	1.1	0.9	(1.4)	1.2
Germany	5.0	1.9	0.5	(0.9)	0.6	0.8	(1.2)	1.2
UK	3.6	1.4	1.1	(1.4)	1.2	1.0	(1.4)	1.2
Japan	6.7	1.1	1.2	(0.9)	0.9	-0.1	(0.2)	0.3
Total Emerging**	38.6	4.8	4.2	(4.4)	4.2	4.5	(4.6)	4.5
BRICs	25.3	5.7	5.2	(5.5)	5.3	5.4	(5.5)	5.3
China	16.7	6.6	6.2	(6.3)	6.2	6.0	(6.0)	6.0

Inflation CPI

y/y%	Wt (%)	2018	2019	Prev.	Consensus	2020	Prev.	Consensus
World	100	2.7	2.5	(2.6)	2.5	2.6	(2.7)	2.5
Advanced*	61.4	2.0	1.5	(1.8)	1.5	1.7	(2.0)	1.7
US	26.5	2.4	1.9	(2.3)	1.8	2.2	(2.4)	2.1
Eurozone	17.2	1.7	1.3	(1.7)	1.3	1.3	(1.6)	1.4
Germany	5.0	1.8	1.4	(1.8)	1.5	1.5	(1.7)	1.6
UK	3.6	2.5	1.8	(2.0)	1.9	1.9	(2.3)	2.1
Japan	6.7	1.2	0.7	(0.3)	0.7	1.0	(1.2)	0.8
Total Emerging**	38.6	3.8	4.1	(3.9)	4.0	3.9	(3.8)	3.7
BRICs	25.3	2.8	3.1	(2.8)	2.9	3.3	(3.1)	2.9
China	16.7	2.2	2.7	(2.4)	2.4	2.8	(2.7)	2.3

Source: Schroders Economics Group: August 2019 Forecast.

Previous refers to May 2019 forecast. Please see the forecast risk warning on the important information slide.

*Advanced markets: Australia, Canada, Denmark, Euro area, Israel, Japan, New Zealand, Singapore, Sweden, Switzerland, United Kingdom, United States. ** Emerging markets: Argentina, Brazil, Chile, Colombia, Mexico, Peru, China, India, Indonesia, Malaysia, Philippines, South Korea, Taiwan, Thailand, South Africa, Russia, Czech Rep., Hungary, Poland, Romania, Turkey, Ukraine, Bulgaria, Croatia, Latvia, Lithuania.

Friendless



Monthly flows €'000s



Source: Schroders, Morningstar. As at 31 August 2019.

Going to extremes



Past performance is not a guide to future performance and may not be repeated.

¹Source: Redburn. As at 03 September 2019.

²Source: Thomson Reuters, Schroders. As at 30 September 2019.

Euro-area 60 year (vs. 6m) swap rates (%)¹



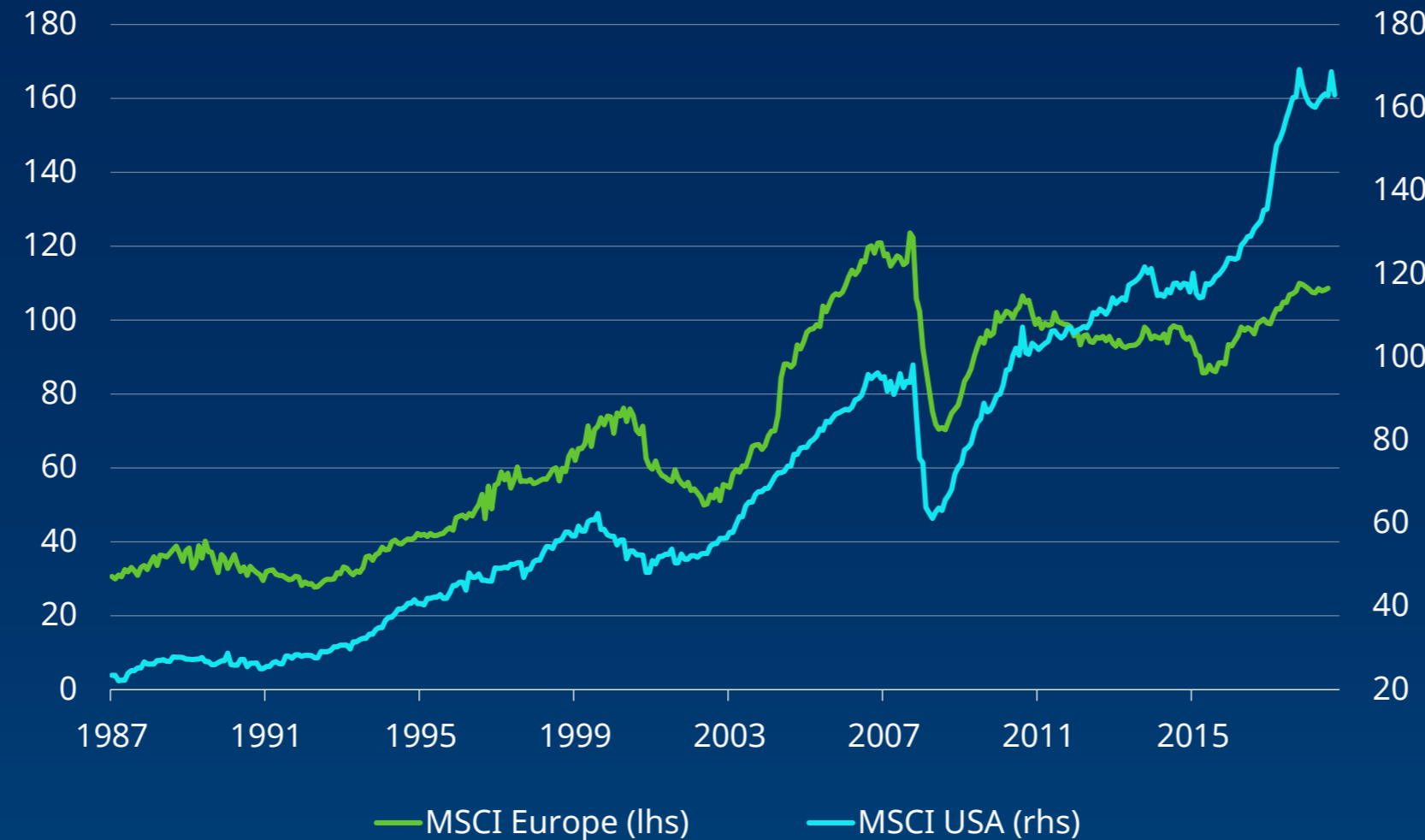
MSCI Europe factors returns year to date²



Not all bad



12 months forward earnings per share¹



Trailing 12 months net profit margin %²



Past performance is not a guide to future performance and may not be repeated.

¹Source: Thomson Reuters, as at 30 September 2019.

²Source: Thomson Reuters, as at 30 September 2019, Indices used: Datastream Europe, Datastream US.

Spending power



Eurozone retail sales 3m, y/y



Real household consumption growth y/y

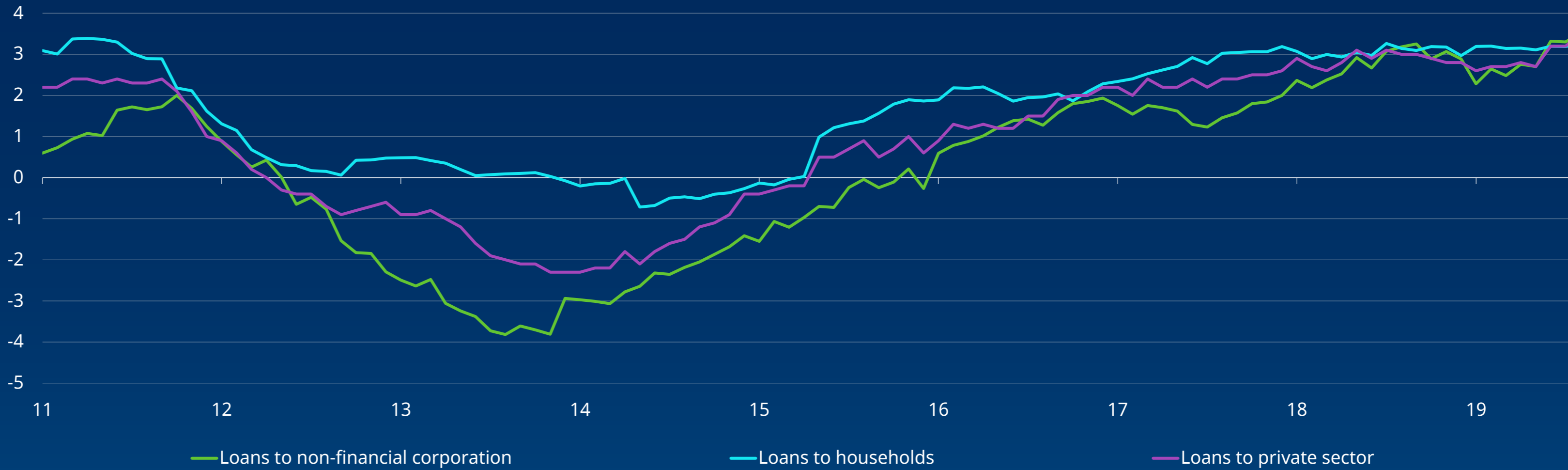


Source: Refinitiv Datastream, Schroders Economics Group. 7 October 2019.

Money talks



Loans 12mth % change

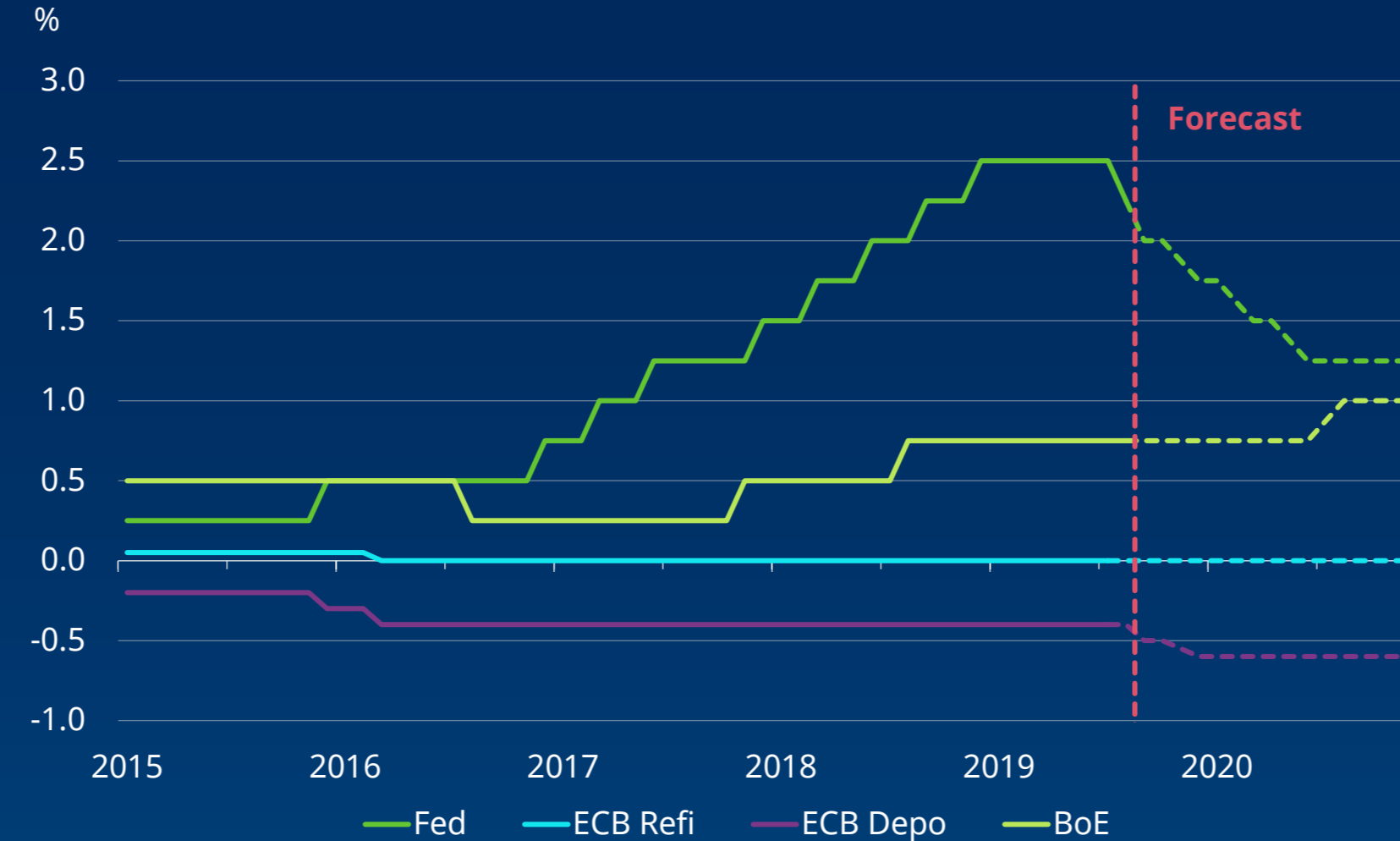


Source: Thomson Reuters, 31 August 2019.

Policy action

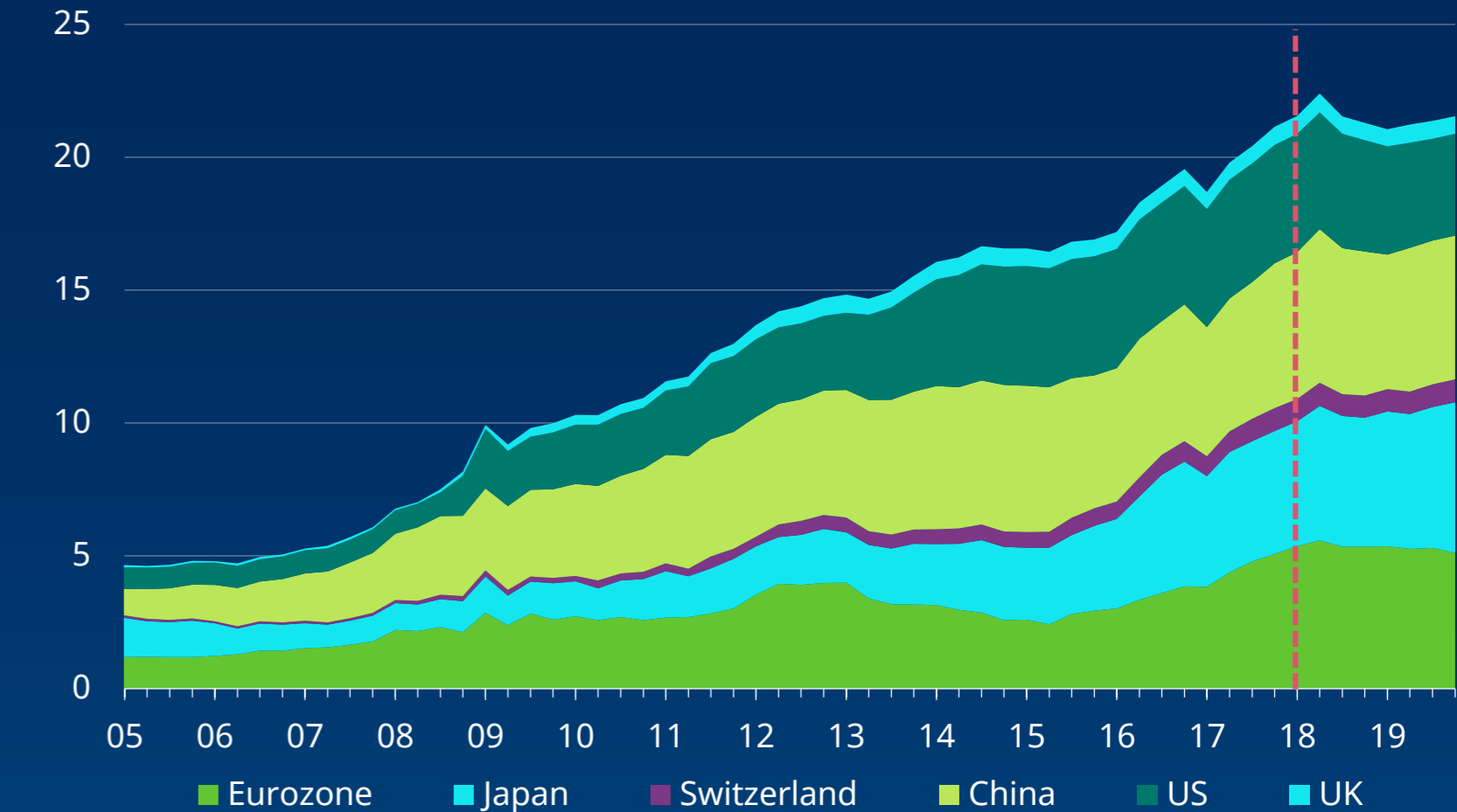


Interest rates outlook



Central banks' balance sheets

Value of assets in central banks' balance sheets (tn of USD)



Source: Refinitiv Datastream, Schroders Economics Group. 2 October 2019. Please see the forecast risk warning on the important information slide.

An aerial night view of a city, likely Dubai, with a dark blue overlay. The city lights are visible, and a network of glowing white lines with circular nodes is overlaid on the scene, suggesting a digital or financial network. The text is centered in a large, bold, light blue font.

**“Now is the time for fiscal
policy to take charge”**

Mario Draghi

Source: Schroders.

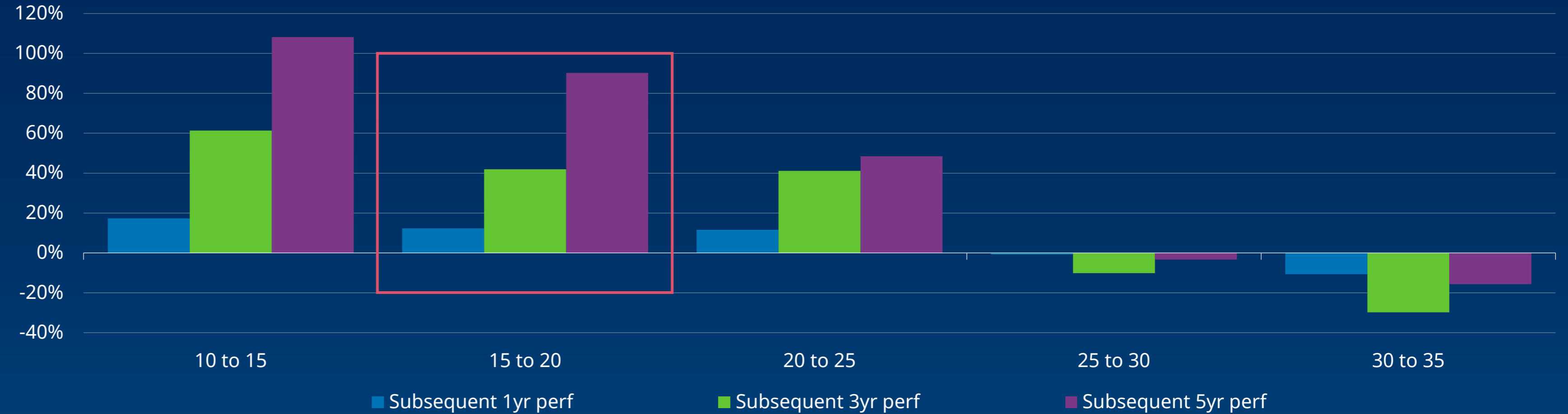


Buying low



Valuation of Datastream Europe index on a 10 year cyclically adjusted P/E (CAPE)

Cumulative returns



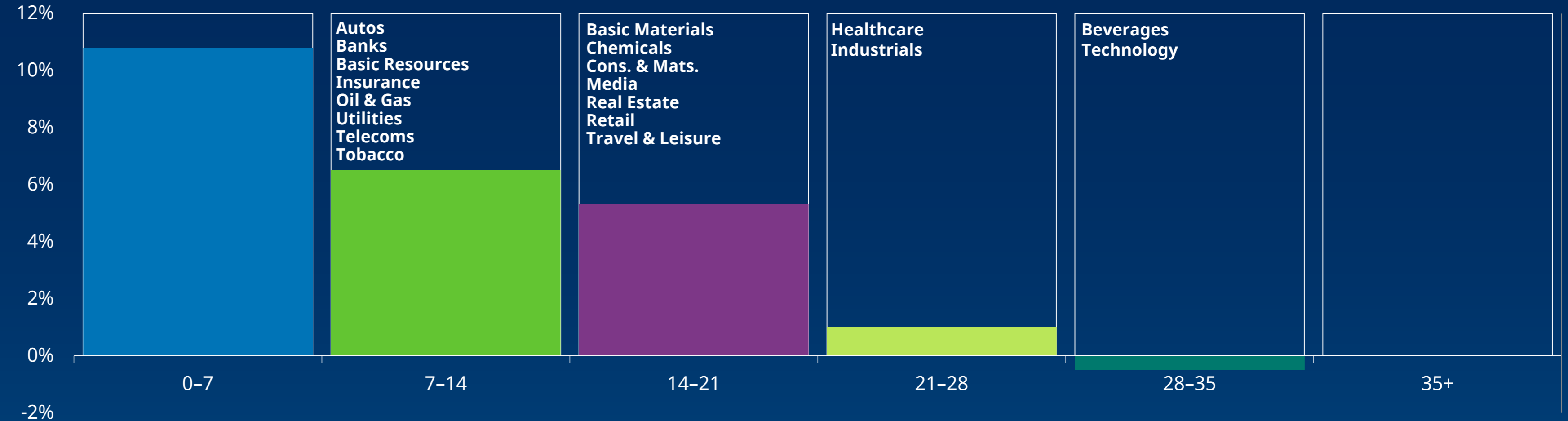
Past performance is not a guide to future performance and may not be repeated.

Source: Schroders, Thomson Reuters Datastream. Based on index data from 31 January 1973-31 December 2017.

Compare and contrast



European sectors grouped by cyclically adjusted P/E (CAPE)

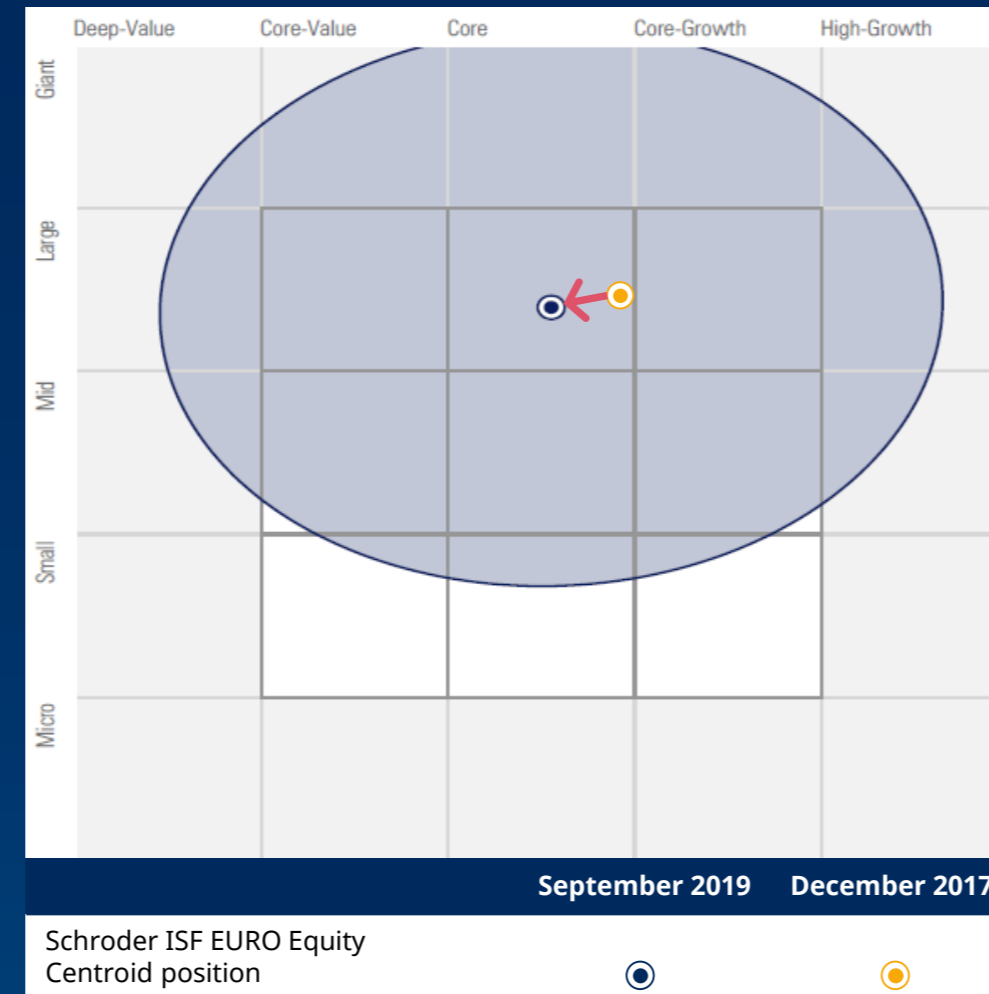


The sectors above are shown for illustrative purposes only and are not a recommendation to buy or sell.
 Source: Schroders, Thomson DataStream as at 30 September 2019.

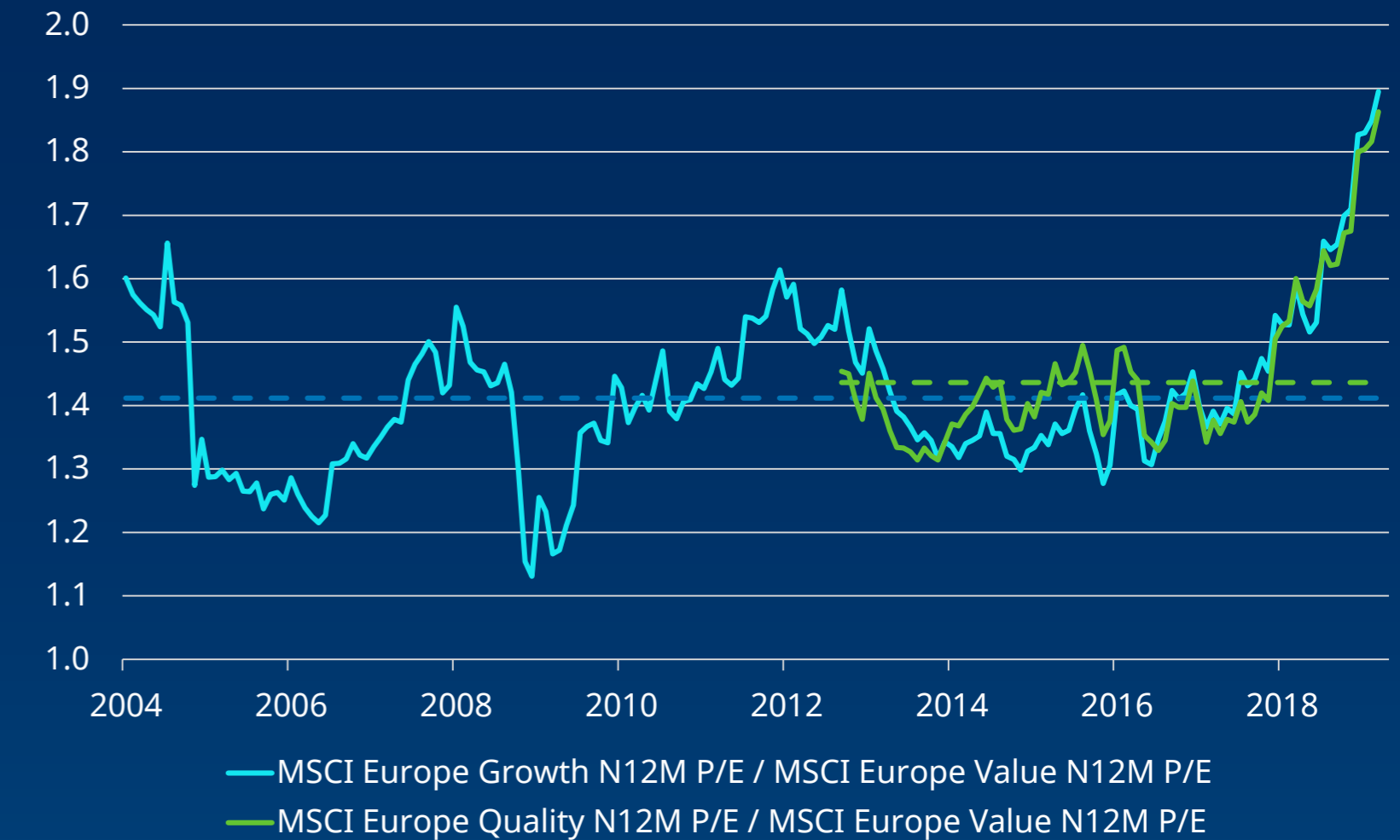
Portfolio has remained true to label



Morningstar holdings based style map

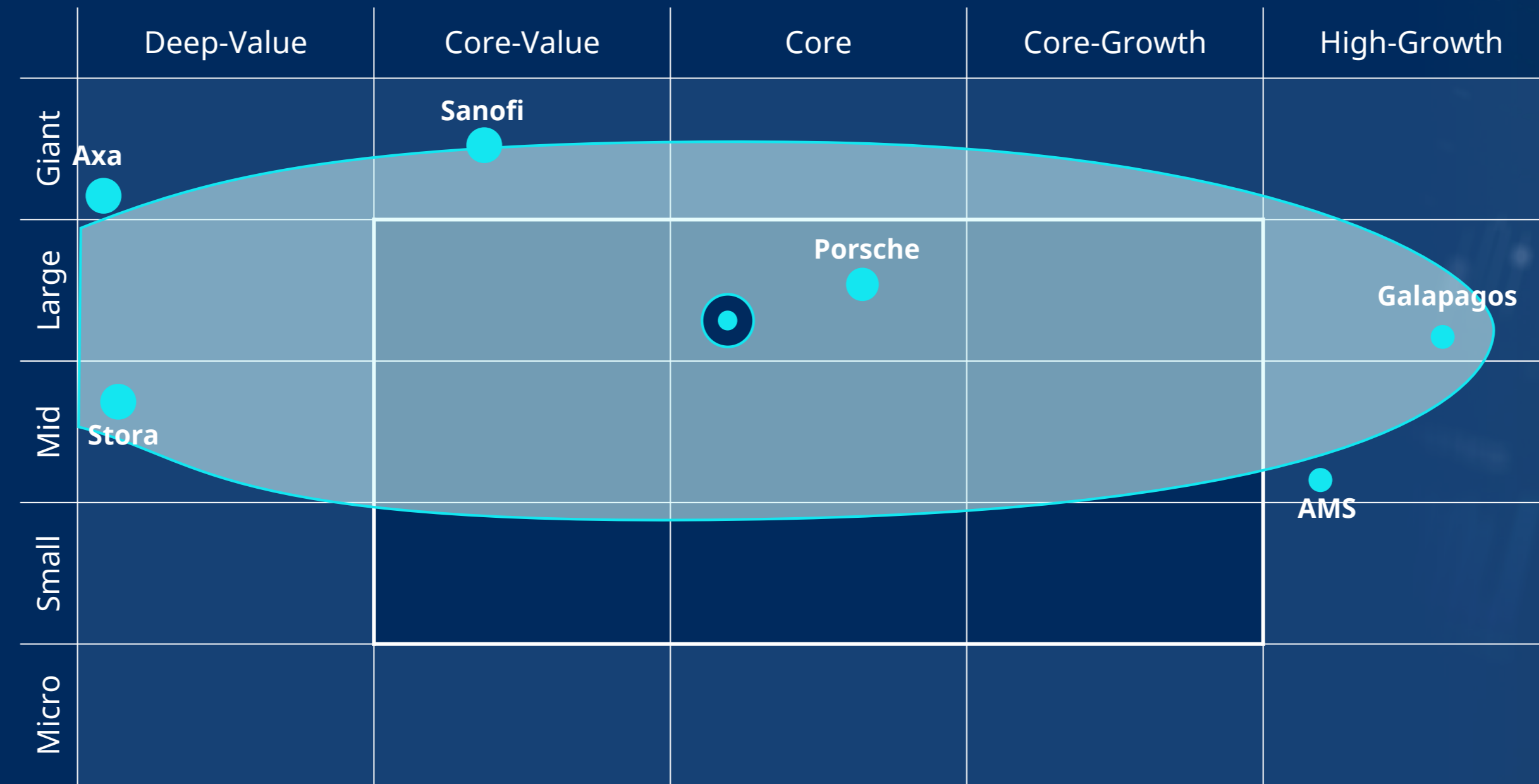


Extreme market dislocation (12 month forward PEs)



Source: Schroders, LHS: Morningstar. Spots represent as at 31 December 2017 and 30 September 2019.
RHS: Thomson Reuters Datastream, data to 30 September 2019.

Opportunities



The securities above are shown for illustrative purposes only and are not a recommendation to buy or sell.
Source: Holdings based style map from Morningstar Direct, based on holdings of Schroder ISF EURO Equity as at 30 June 2019.

⊙ = Centroid position.

Conclusion



① **Fundamentals**

② **Markets**

③ **Opportunity**



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An aerial night view of a city, likely Dubai, featuring a complex network of highways and skyscrapers. A large, semi-transparent circular graphic is centered over the image, containing a sunset or sunrise scene. The background is a dark blue gradient with a network of glowing white lines and nodes, suggesting a digital or technological theme. The text "Thank you" is written in a large, white, sans-serif font on the left side of the image.

Thank you