S&P 500 valuation measures

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Valuation measure	Description	Latest	25-year avg.*	Std. dev. Over-/under-Valued
P/E	Forward P/E	16.1x	16.1x	0.0
CAPE	Shiller's P/E	32.1	26.6	0.9
Div. Yield	Dividend yield	2.1%	2.0%	-0.2
P/B	Price to book	3.0	2.9	0.1
P/CF	Price to cash flow	12.0	10.7	0.7
EY Spread	EY minus Baa yield	1.4%	-0.2%	-0.8

Source: FactSet, FRB, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.
Price to earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since December 1989, and FactSet for June 30, 2018. Average P/E and standard deviations are calculated using 25 years of FactSet history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-month consensus dividend divided by most recent price. Price to book ratio is the price divided by book value per share. Price to cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure.
*P/CF is a 20-year average due to cash flow data availability.
Guide to the Markets – U.S. Data are as of June 30, 2018.

J.P.Morgan Asset Management

Economists are projecting that the second quarter economic expansion may exceed 4.00% annualized growth and approach almost 3.00% GDP growth for all of 2018. Corporate profits for S&P 500 companies are accelerating and estimated to be in the mid-teens for the entire 2018 calendar year. S&P 500 company earnings for the first quarter grew by approximately 25%. Therefore, and despite the mounting risks, the domestic economy continues to experience above-average growth, resulting in strong revenue and profits for U.S. companies.

We help you stay invested in the U.S. stock market by using passively managed mutual and exchange-traded funds, such as Vanguard and Dimensional Fund Advisers (DFA). We also allocate dollars into domestically oriented, actively managed mutual and exchange-traded funds, such as the American Funds and T. Rowe Price fund families. These strategies allow for downside protection, as these active managers seek undiscovered valuations by arbitraging the recent market volatility.

Final Word

When it comes to managing your portfolio, Seamount Financial is focused on diversification and long-term time horizons. After several decades as Certified Financial Planners™, we are certain that the only investors who should care about the daily headlines are the high-volume day traders for whom five minutes is an eternity. On the other hand, we continue to manage risks by executing proven, long-term strategies that preserve principal while positioning for gains to come.

Sources: *Financial Research Center Investment Newsletter*, the *Wall Street Journal*, *J.P. Morgan Guide to the Markets*, ThomsonOne & *Barron's*.

*The S&P 500 Index is an unmanaged index of 500 common stocks that is generally considered representative of the U.S. stock market. Performance of an index is not illustrative of any particular investment and performance figures quoted are historical. It is not possible to invest directly into an index.

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