



VGK: Vanguard FTSE Europe ETF

Alternatives



Overview of VGK

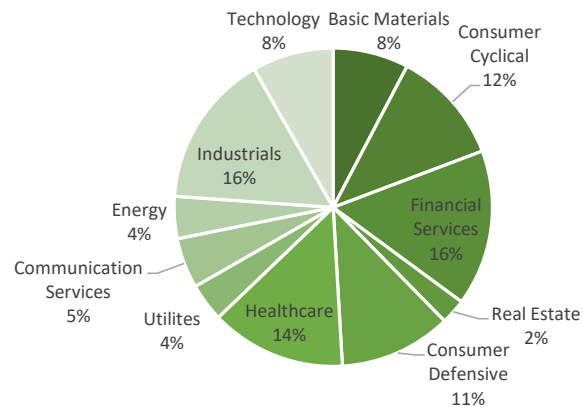
ETF

- VGK tracks the performance of the FTSE Developed Europe All Cap Index
- This index measures the investment return of Europe's major markets

Current Performance

- Current Price: \$59.84
- Market Cap: \$48B
- Annual Fee: 0.08%
- YTD Returns: -6.86%
- Average Volume: 8,443,873
- 52-Week High: \$70.57

Composition



Historical Performance





America vs. Europe

America

Highly
Growth in
Tech
Sector

Stimulus
Package
Given

US Gov
Spending
Greatly
Increased

Europe

- Less aggressive Federal Reserve and less GDP output
- Big companies are owned by families and more likely to lend from bank
- Focus on Value Companies

S&P 500 Versus FTSE 100 Accumulated Percentage





European Market Undervaluation

BINGHAMTON INVESTMENT FUND

Economic Recovery

- After a strong earnings season, optimism for Europe's economic growth has been boosted
- With talks of rate increase, the United States has already seen the majority of its economic recovery

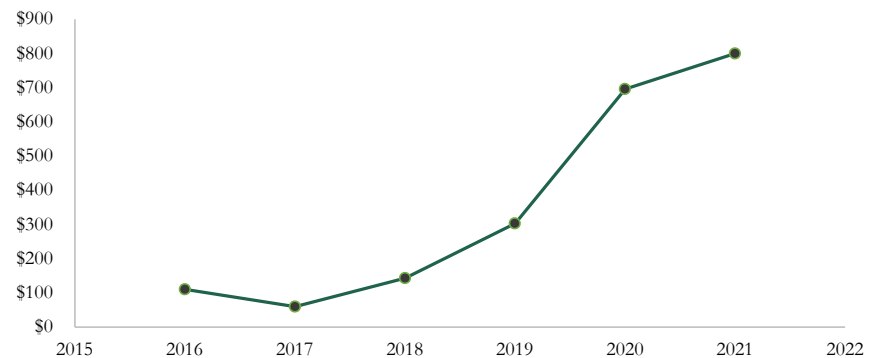
Significant Discount

- In comparison to the MSCI American Index, Europe's version is trading at a 33% discount when based on Forward P/E metrics
- Analysts estimate 10% EPS growth for the European Index

Forward P/E



Net Inflow Into European Funds (Billions)





European Unity & Militarization

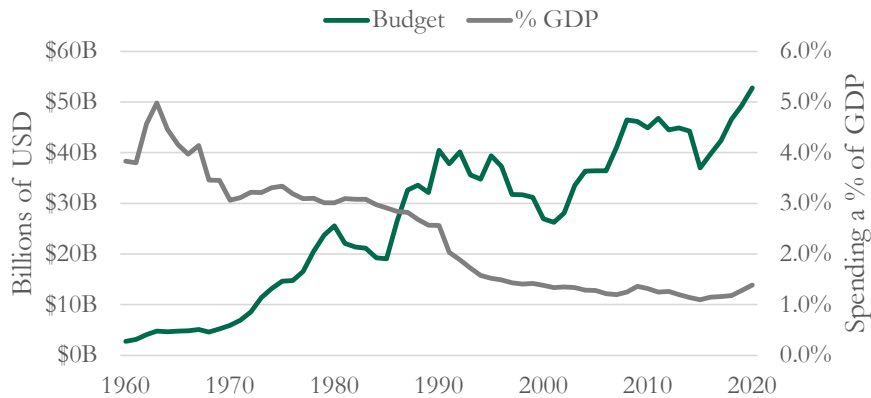
Military Aid & Expansion

- Germany broke traditional taboo, sent direct military aid
- €500m military and aid support package from the EU
- One-time €100b package from Germany and commitment to increase defense spending to over 2% of GDP

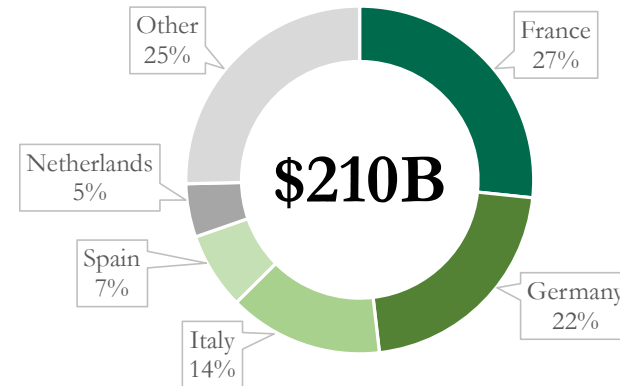
Unified Sanctions

- Historically EU sanctions were weak, unified bloc response shows Ukraine crisis is a powerful unifying force
- Broad financial sanctions (SWIFT ban, Visa & Mastercard)
- Financial sanctions on Russian elite (deposits, asset freezes)
- Ban on all Russian aircraft over EU airspace
- Restricted exports of semiconductors & other tech to Russia

German Remilitarization



EU Defense Budget





Value vs Growth

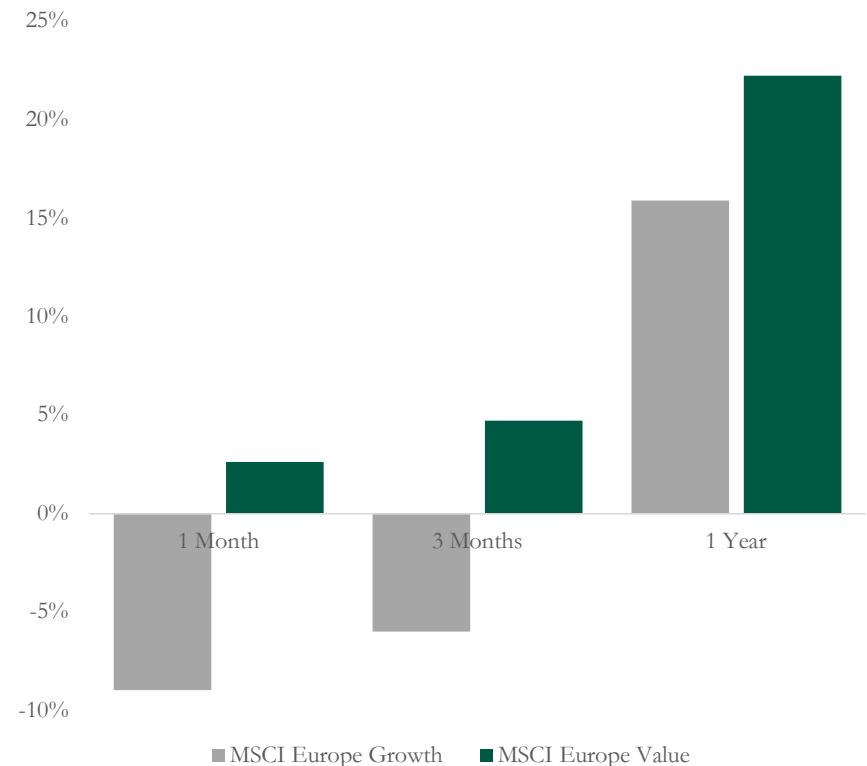
Rise in Interest Rates

- High inflation has led central banks across the globe to tighten monetary policies, causing a market rotation from growth stocks to value stocks
- After holding rates in negative territory for nearly a decade, the European Central Bank announced that they would consider potential rate hikes later this year

Growth in Bank and Energy Stocks

- In Europe, rising interest rates and oil prices have caused bank and energy stocks to realize more growth
- Recently, the European Value Index has outpaced the S&P 500 as it is more heavily weighted in these sectors

Recent Value and Growth Returns





Bull and Bear Case

Bull Case

European equities continue to be attractive to investors on optimism of economic growth

U.S. nears correction at the end of an extended growth cycle

Continued signs of inflationary pressure and Fed tapering in America

Bear Case

Uncertainty surrounding outcome of Russia and Ukraine (sanctions) affecting Europe

European economy slows growth

Questions?



Market Allocation

| | FTSE Europe ETF |
|----------------|-----------------|
| United Kingdom | 24.8% |
| France | 15.9% |
| Switzerland | 14.5% |
| Germany | 13.4% |
| Netherlands | 6.7% |
| Sweden | 6.1% |
| Italy | 4.2% |
| Denmark | 3.7% |
| Spain | 3.6% |
| Finland | 2.2% |
| Belgium | 1.7% |
| Norway | 1.4% |
| Austria | 0.5% |
| Poland | 0.5% |
| Ireland | 0.4% |
| Portugal | 0.3% |
| Other | 0.1% |

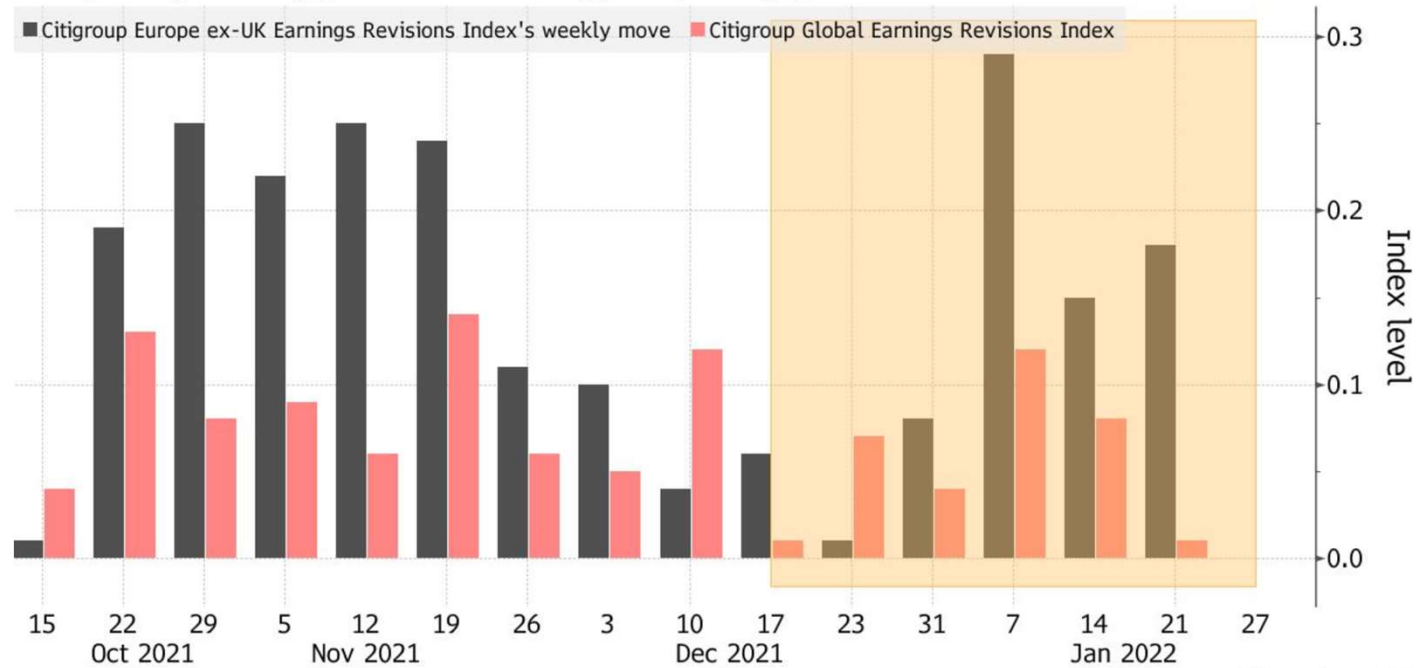




Earnings Outlook

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European profit upgrades are rising, outpacing global revisions



Source: Bloomberg

Bloomberg



Earnings Growth

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