

JUNE 30, 2015

## A Messy Start

Earnings reports and sales reports painted a different picture of financial health for the first fiscal quarter of the year. At 48%, sales beat rates were the lowest in 3 years. Sales results were particularly weak for industrials and technology companies, which correlates to sectors with heavier international exposure. Consumer stocks also had weak sales reports, which is especially worrisome given the significant drop in energy costs over the past 12 months.

Q2 Reporting Season	% Reported	% Beat (EPS / Sales)	Median Reported % Surprise (EPS / Sales)	Median Q1'15 - Q1'14 % Earnings Growth	Median Q2'15 - Q2'14 Expected Earnings Growth	Median 2015 Expected Growth (EPS / Sales)
S&P 500	100%	74% / 48%	4.1% / 0.0%	4.8%	3.5%	5.7% / 2.4%
Ex Financials	100%	74% / 44%	4.1% / -0.2%	4.3%	3.1%	5.8% / 1.7%
Smith Group Large Cap Focused Growth	100%	85% / 62%	2.7% / 0.4%	9.5%	6.5%	7.0% / 3.3%

S&P 500 Sectors						
Consumer Discretionary	100%	69% / 45%	3.6% / -0.2%	3.2%	3.5%	10.5% / 4.0%
Consumer Staples	100%	79% / 45%	4.3% / -0.4%	5.4%	1.3%	4.6% / 1.7%
Energy	100%	71% / 55%	12.3% / 0.4%	-44.3%	-74.7%	-59.0% / -24.2%
Financials	100%	75% / 65%	3.8% / 1.1%	6.1%	3.9%	3.9% / 3.4%
Health Care	100%	90% / 61%	6.6% / 0.7%	12.6%	8.0%	10.1% / 5.6%
Industrials	100%	70% / 37%	2.7% / -0.8%	10.2%	4.3%	7.0% / 0.3%
Info Tech	100%	71% / 52%	3.3% / 0.0%	5.0%	5.0%	7.0% / 3.5%
Materials	100%	68% / 32%	1.6% / -1.9%	14.3%	8.3%	8.7% / -1.0%
Telecom	100%	83% / 0%	7.5% / -0.6%	-11.3%	1.6%	4.0% / 3.2%
Utilities	100%	75% / 37%	7.6% / -4.4%	2.2%	1.5%	2.8% / 0.8%

## Growth Slowing

Expected growth rates for 2015 have been steadily dropping for most sectors with energy companies getting hit the hardest. Expectations for 2015 EPS growth have fallen from nearly 8% at the beginning of the year to less than 6%. Expectations for both sales and earnings growth are more favorable ex-energy but still do not indicate a robust corporate growth environment. Both sales and earnings growth are expected to be down year over year for the upcoming quarter.

*Past performance is not indicative of future results. As with any investment vehicle, there is always a potential for profit as well as the possibility of loss. Nothing contained in this presentation should be construed as a recommendation to buy or sell a security or economic sector.*