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Slight Improvement

The 2nd quarter reporting season is ending much like it started with surprises coming in almost exactly at the long-term average and the average we've observed over the past four years. The only notable changes since the mid-reporting season update are higher surprise rates from both Consumer Discretionary and Technology stocks and fewer positive surprises from Consumer Staples and Industrials.

Q2 Reporting Season	% Reported	% Beat (EPS / Sales)	Median Reported % Surprise (EPS / Sales)	Median Q1'13 - Q1'14 % Earnings Growth	Median Q2'13 - Q2'14 Expected Earnings Growth	Median 2014 Expected Growth (EPS / Sales)
S&P 500	95%	74% / 59%	3.9% / 0.3%	9.1%	8.2%	10.2% / 4.6%
Ex Financials	94%	74% / 58%	3.8% / 0.2%	9.0%	8.8%	10.6% / 4.7%
Smith Group Large Cap Focused Growth	95%	81% / 64%	3.8% / 0.6%	13.4%	13.6%	12.7% / 6.0%

S&P 500 Sectors						
Consumer Discretionary	90%	68% / 48%	2.9% / 0.0%	11.7%	10.1%	13.9% / 6.4%
Consumer Staples	80%	53% / 43%	0.5% / -0.2%	5.5%	7.3%	8.0% / 2.0%
Energy	100%	83% / 77%	10.0% / 3.4%	8.8%	10.4%	18.8% / 6.6%
Financials	100%	72% / 65%	5.6% / 0.9%	8.7%	3.8%	6.2% / 4.4%
Health Care	100%	71% / 40%	3.3% / -0.5%	5.6%	5.7%	7.6% / 4.9%
Industrials	95%	80% / 45%	3.0% / 0.0%	7.8%	9.4%	10.3% / 4.1%
Info Tech	91%	92% / 67%	5.9% / 0.8%	9.6%	9.8%	10.6% / 6.2%
Materials	100%	67% / 27%	2.4% / -0.8%	4.5%	15.0%	13.3% / 3.4%
Telecom	100%	40% / 50%	-1.9% / 0.0%	0.0%	4.8%	7.6% / -0.3%
Utilities	100%	75% / 87%	7.7% / 16.0%	18.8%	1.2%	6.2% / 4.5%

Expectations Accelerating

Expectations for 2014 earnings and sales growth remain robust at around 10% and 5% respectively. In fact, beginning this reporting season, the aggregate revisions to earnings made by analysts have been at their highest level since early 2012. Given that we are also seeing positive sales revisions, this likely indicates increased optimism regarding the overall economy as we enter the last half of the year. At the sector level, revisions to earnings growth have been strongest among Technology, Industrials and Health Care companies and weakest for the Consumer Staples sector. Expectations for 2015 earnings are also beginning to see acceleration across most sectors.

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.