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Earnings reports this quarter are fairly typical in both the percentage of companies that are beating expectations and the magnitude by which they beat. However, sales reports are quite a bit lower than normal particularly when compared to the last several quarters. The industrial sector is struggling to keep up with sales expectations particularly within Capital Goods and Transportation companies. Transports are normally volatile on this metric but only one in four Capital Goods companies are exceeding expectations which is close to a historic low. Health Care companies are reporting robust numbers especially for Pharma companies while Semi's are the standout within the Tech sector.

Q3 Reporting Season	% Reported	% Beat (EPS / Sales)	Median Reported % Surprise (EPS / Sales)	Median Q2'19 - Q2'18 Expected Earnings Growth	Median Q3'19 - Q3'18 Expected Earnings Growth	Median 2019 Expected Growth (EPS / Sales)
U.S. Large Cap	89%	80% / 56%	3.2% / 0.2%	5.8%	2.8%	5.7% / 3.5%
U.S. Large Cap Ex Energy	88%	80% / 55%	3.1% / 0.2%	5.8%	3.1%	5.8% / 3.9%
Smith Group Large Cap Focused Growth	90%	88% / 78%	6.0% / 1.2%	17.5%	6.7%	10.1% / 5.2%

Sectors						
Communication Services	89%	82% / 69%	5.9% / 0.1%	7.0%	-0.7%	4.9% / 6.0%
Consumer Discretionary	67%	78% / 61%	3.1% / 0.2%	2.3%	2.0%	4.7% / 3.5%
Consumer Staples	64%	88% / 50%	3.4% / 0.1%	1.8%	1.6%	2.1% / 2.0%
Energy	97%	77% / 63%	8.0% / 1.6%	-0.6%	-11.3%	-7.4% / -0.4%
Financials	100%	77% / 75%	2.1% / 0.5%	7.3%	3.3%	7.4% / 4.0%
Health Care	98%	96% / 85%	5.2% / 1.3%	10.8%	6.1%	9.0% / 5.4%
Industrials	96%	79% / 29%	2.6% / -0.5%	8.1%	6.0%	7.7% / 4.1%
Info Tech	77%	89% / 70%	3.3% / 0.2%	3.1%	-2.9%	5.0% / 3.5%
Materials	96%	75% / 16%	1.2% / -1.5%	-1.9%	2.9%	1.2% / 1.3%
Utilities	100%	42% / 17%	-1.7% / -3.7%	-2.1%	3.6%	4.9% / 2.9%

Expected full year earnings growth for 2019 is starting to decelerate as the median U.S. large cap company is a full percentage point lower than in early May. While it is typical that growth rates hardly ever fulfill expectations from the beginning point of the year, global growth and trade are clearly starting to take their toll on corporate earnings. Nearly every sector of the economy except for Health Care and Consumer Staples are seeing declines in expected earnings and sales growth for the full year. Industrials and Consumer Discretionary companies have seen the largest declines highlighting the increased sensitivity of those two sectors to global growth.

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.

U.S. Large Cap universe is generally comprised of the largest 500 U.S. companies.