

NOVEMBER 6, 2019

**Earnings and Sales Growth:** In the case of full year estimates, Developed Asia stands out as a laggard behind its two developed market peers who are currently both forecasted to have mid-single-digit earnings and sales growth at their respective medians. In 2020, the Developed Americas region is expected to begin pulling away from Developed Europe on the back of higher annual sales growth. Simultaneously, all Developed Asia countries have a meaningful acceleration anticipated for their top and bottom-line growth rates year-over-year, narrowing their margin with Europe. In the emerging regions, median predicted growth in 2019 looks to handily outperform their developed counterparts as a whole. Year-to-date total returns though have not followed step, foiled by the effects of prolonged trade wars in Asia (U.S.-China, Japan-Korea) and political turmoil in the Americas and EMEA.

**Earnings Expectation Trends:** On a regional basis, while total returns have been up across the board year-to-date, changes in growth estimates have trended negatively over the last several months. Sentiment in Emerging Americas has changed the most, with Mexico continuing to generate weak economic data as the new Administration struggles to stimulate growth, and with Chile facing a slump in mining that is now compounded by a strong political backlash, estimates could be lowered further. By contrast, sentiment in Developed Europe has changed the least after large negative shifts in the U.K. (Brexit complications) and Germany (recession worries) have been mitigated by a flatter estimate change in Switzerland and a notable upswing in the Netherlands.

**Economic Comments:** Despite negative near-term sentiment, and perhaps an earnings recession striking at some point, year-over-year growth in earnings and sales is still perceived to continue through 2020 at the median, notwithstanding the aggregate. Next year, every region is expected to accelerate their earnings growth rates by at least +3%, with most over +5%, paired with constant to mildly-accelerating sales growth. In 2020, slowing economies across the developed world such as the U.K. and Japan are expected to post bottom-line growth rates significantly higher than their sluggish 2019 paces. While in the emerging markets, earnings turnarounds in Russia and Mexico are similarly forecasted. On an annual basis, this data points towards a recovery in global earnings growth.

Region / Select Countries	Current FY Expected Earnings Growth	Q/Q Change	Next FY Expected Earnings Growth	Q/Q Change	Current FY Expected Sales Growth	Q/Q Change	Next FY Expected Sales Growth	Q/Q Change	YTD Local Market Total Return
<b>Developed</b>	4.3%	-2.7%	8.7%	-0.6%	3.1%	-0.5%	3.8%	-0.3%	20.7%
Americas	5.2%	-1.1%	9.1%	-1.3%	3.9%	-0.5%	4.5%	-0.3%	22.4%
U.S.	5.5%	-1.1%	9.1%	-1.4%	3.9%	-0.4%	4.5%	-0.3%	22.7%
Canada	3.8%	-1.9%	9.1%	+0.2%	3.8%	-1.3%	4.3%	+0.5%	16.7%
Europe	5.5%	-0.9%	8.6%	-1.0%	3.8%	-0.3%	3.4%	-0.4%	19.0%
Germany	4.4%	-4.1%	9.4%	-0.4%	3.9%	-0.3%	3.5%	-0.3%	19.3%
U.K.	0.1%	-3.8%	7.5%	-0.9%	3.5%	-0.6%	3.4%	-0.5%	11.4%
Asia	2.0%	-2.6%	7.6%	+0.3%	1.8%	-0.8%	3.1%	-0.1%	15.6%
Japan	1.7%	-2.4%	8.1%	+0.4%	1.4%	-0.9%	2.5%	-0.2%	14.8%
Australia	1.8%	+0.4%	5.4%	-1.3%	3.1%	+0.5%	3.5%	+0.2%	22.5%
<b>Emerging</b>	7.2%	-3.1%	12.4%	+0.8%	6.5%	-0.5%	7.2%	-0.4%	11.0%
Americas	6.2%	-4.4%	13.9%	+0.3%	5.6%	-0.9%	6.9%	-0.4%	13.4%
Brazil	11.3%	-1.1%	17.4%	+2.6%	7.2%	-1.2%	7.1%	-0.4%	21.8%
Mexico	3.8%	-5.2%	11.1%	+0.0%	4.5%	-1.5%	6.8%	-0.6%	5.7%
EMEA <sup>1</sup>	3.9%	-2.9%	11.2%	+1.0%	5.8%	+0.4%	6.1%	-0.6%	21.4%
Russia	-7.3%	-2.5%	5.6%	-1.0%	3.8%	+0.4%	3.2%	-0.6%	31.5%
S. Africa	9.3%	-2.8%	10.0%	-0.1%	5.8%	+0.6%	7.2%	+0.1%	5.1%
Asia	8.6%	-3.6%	12.9%	-0.3%	6.9%	-0.7%	7.9%	-0.2%	11.3%
China	15.3%	-2.5%	14.0%	-0.7%	11.4%	-1.0%	11.1%	+0.1%	12.2%
S. Korea	6.7%	-3.0%	17.7%	+2.6%	4.5%	-0.5%	5.2%	-0.4%	8.2%

<sup>1</sup>: EMEA: Europe, Middle East and Africa; Source: Refinitiv Financial; MSCI; Smith Asset Management Group; Data as of Oct. 28, 2019; Values calculated using median estimates.

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.