

JULY 13, 2020

**Earnings and Sales Growth:** While no secret has been made of COVID-19's impact on both earnings and sales estimates this year, there have been some countries which have bucked the downward trend. In Developed Pacific, New Zealand has instilled confidence in analysts for its successes against the spread of the virus, with median earnings still expected to grow by +4.0% this year, the highest of any of its developed peers. Emerging Asia, while somewhat helped by a generally earlier fiscal year end, has also maintained positive growth estimates at the median with China and South Korea both expecting not only positive top and bottom line growth in 2020, but also quite high sales growth in 2021 even given a relatively tough comparable year.

**Earnings Expectation Trends:** Despite the tremendous turnaround in equity market returns since the trough of the March quarter, it would appear that optimism has manifested itself almost exclusively in 2021 earnings forecasts while 2020 estimates have instead continued to depress internationally. In the most extreme example, median predicted 2020 earnings growth in the Emerging Americas region has fallen -17.9% since May while 2021 estimates rose +12.4%. Confirmed cases of the virus have ramped up especially severely in Latin America with Brazil now lagging only the U.S. in total number which has affected financial metrics accordingly. On a country basis, current year estimates in Peru (-36%), Chile (-29%), and Colombia (-27%) compose the top three highest Q/Q decelerations globally, as the Americas overtake Europe as the new epicenter of viral spread.

**Economic Comments:** As governments oceans apart battle a common enemy, the global economy has undergone a monumental deluge of monetary and fiscal stimulus. Time will tell whether certain bureaucratic levers were pulled with too much haste or hesitance, but even as the world economy is tightly interwoven, perfect correlation between countries does not exist and a diverse multinational allocation of funds remains valuable. With the worst of the pandemic seemingly in the past, 2021 is set up to be a year of economic rebound. This does not, however, mean that investors should hold off until next year to put capital to work. The preceding nature of capital market performance before the real economy creates ample opportunity out of exceptional times such as these.

Region / Select Countries	Current FY1 Expected Earnings Growth	Q/Q Change	Next FY2 Expected Earnings Growth	Q/Q Change	Current FY1 Expected Sales Growth	Q/Q Change	Next FY2 Expected Sales Growth	Q/Q Change	YTD Local Market Total Return
<b>Developed</b>	<b>-11.6%</b>	<b>-1.7%</b>	<b>19.7%</b>	<b>+4.4%</b>	<b>-3.0%</b>	<b>-1.0%</b>	<b>6.2%</b>	<b>+1.2%</b>	<b>-2.9%</b>
Americas	-10.6%	+0.4%	17.6%	+0.7%	-1.4%	+0.8%	6.4%	+0.6%	-0.2%
U.S.	-10.4%	+1.5%	17.6%	+0.4%	-1.5%	+0.8%	6.4%	+0.4%	0.2%
Canada	-11.5%	-2.2%	17.6%	+4.5%	-0.1%	+0.1%	6.5%	+1.4%	-7.7%
Europe	-19.0%	-1.8%	23.9%	+3.8%	-4.0%	-0.9%	6.3%	+0.8%	-9.0%
Germany	-17.6%	-3.1%	28.5%	+4.9%	-0.9%	+0.8%	6.4%	+0.1%	-4.4%
U.K.	-20.0%	-3.5%	16.0%	+5.6%	-4.7%	-1.1%	5.0%	+1.9%	-16.2%
Pacific	-9.1%	-6.2%	20.4%	+11.4%	-4.0%	-3.3%	5.6%	+2.9%	-7.0%
Japan	-7.4%	-7.7%	22.7%	+14.5%	-4.0%	-3.7%	5.7%	+3.7%	-6.5%
Australia	-17.8%	+0.1%	14.9%	+6.7%	-3.4%	-0.5%	3.0%	+0.7%	-10.6%
<b>Emerging</b>	<b>-2.6%</b>	<b>-4.7%</b>	<b>25.2%</b>	<b>+6.8%</b>	<b>1.2%</b>	<b>-1.8%</b>	<b>9.9%</b>	<b>+1.7%</b>	<b>0.3%</b>
Americas	-15.9%	-17.9%	30.4%	+12.4%	0.2%	-2.6%	7.5%	+0.1%	-13.8%
Brazil	-18.5%	-20.0%	29.5%	+9.2%	-1.1%	-4.3%	8.3%	-1.3%	-13.2%
Mexico	-8.3%	-13.9%	25.4%	+11.6%	0.9%	-1.8%	8.3%	+2.1%	-11.8%
EMEA <sup>1</sup>	-14.8%	-10.4%	22.5%	+3.7%	-0.8%	-3.1%	7.5%	+1.1%	-14.1%
Russia	-19.4%	-8.4%	27.5%	+3.6%	-14.9%	-9.2%	12.5%	+5.7%	-11.7%
S. Africa	-10.6%	-5.9%	21.8%	+9.2%	3.8%	-1.3%	7.4%	+1.2%	-4.6%
Asia	0.3%	-2.7%	19.4%	+3.4%	1.9%	-1.4%	10.6%	+1.9%	4.6%
China	5.6%	-0.5%	18.3%	+0.9%	8.1%	+0.8%	12.7%	+0.6%	13.5%
S. Korea	5.6%	-3.1%	23.1%	+0.3%	0.2%	-0.5%	7.8%	+1.3%	-0.2%

<sup>1</sup>: EMEA: Europe, Middle East and Africa; Source: Refinitiv Financial; MSCI; Smith Asset Management Group; Data as of July 6, 2020; 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.