

OCTOBER 7, 2020

**Earnings and Sales Growth:** Negative earnings trends at the median are still expected across the globe this year in both the developed and emerging regions, though more intensely in the former. Despite the virus' initial impact on Emerging Asia late last year, the region inspired a tremendous rebound in confidence from analysts, which have since budged little over the quarter. Positive growth is expected on both the top and bottom lines this fiscal year and next. Europe shoulders the brunt of the yearly decline amongst its developed peers, while in the emerging world the heaviest anchor weighs on countries in the Americas which are facing a similarly intense slowdown as a group. Interestingly, 2020 sales forecasts are less divergent, with the emerging world anticipated to experience modest median revenue growth on the whole.

**Earnings Expectation Trends:** In contrast with the minimal quarter-over-quarter change experienced by median sales expectations over the last three months, median earnings forecasts have experienced some shift. Notable is the predominately inverse correlation between changes in 2020 and 2021 EPS estimates, especially at the regional level, and most pronounced in the Emerging Americas. In the Developed Americas, net improvement in the United States' COVID situation, while still presenting societal challenge, has underpinned increased 2020 optimism on an economic basis with employment numbers less dreary than initially anticipated. By contrast, in the Pacific Region, Australia endured another substantially hard lockdown in the third quarter due to the viral outbreak in Melbourne.

**Economic Comments:** While the world economy continues to navigate through the low visibility of the pandemic, corporate outlook is generally rebounding at the median, notwithstanding the aggregate. With the rate of new cases flattening in some key markets and the feasibility of a widely-available vaccine more sure, the economic impact of the COVID crisis has become more quantifiable. Even with upcoming uncertainties such as the internationally-relevant U.S. presidential election shading consensus, the low visibility is still better than no visibility at all. Global indices are about even for the year, and investor patience has again been largely rewarded through this second "once-in-a-lifetime" market event of the last 15 years, as the worst is broadly agreed to have passed.

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>	<b>-9.4%</b>	<b>+2.1%</b>	<b>18.6%</b>	<b>-1.1%</b>	<b>-2.7%</b>	<b>+0.3%</b>	<b>6.4%</b>	<b>+0.2%</b>	<b>1.0%</b>
Americas	-4.3%	+6.2%	15.0%	-2.7%	-0.1%	+1.3%	6.8%	+0.4%	6.3%
U.S.	-3.9%	+6.5%	14.8%	-2.8%	0.0%	+1.4%	6.8%	+0.4%	6.8%
Canada	-7.9%	+3.5%	15.8%	-1.8%	-0.6%	-0.5%	6.4%	-0.1%	-4.8%
Europe	-18.6%	+0.3%	22.4%	-1.5%	-3.9%	+0.2%	6.0%	-0.3%	-11.2%
Germany	-13.7%	+3.9%	27.4%	-1.1%	-3.6%	-2.7%	6.0%	-0.4%	-4.2%
U.K.	-16.5%	+3.4%	14.7%	-1.3%	-5.0%	-0.3%	6.0%	+1.1%	-21.6%
Pacific	-10.8%	-1.7%	23.3%	+2.9%	-4.9%	-0.9%	6.4%	+0.8%	-6.2%
Japan (Mar)	-10.0%	-2.6%	29.2%	+6.5%	-5.6%	-1.6%	6.3%	+0.6%	-3.6%
Australia (Jun)	-4.4%	-19.2%	15.1%	+3.4%	0.2%	-2.7%	5.0%	+1.2%	-13.2%
<b>Emerging</b>	<b>-1.9%</b>	<b>+0.7%</b>	<b>21.8%</b>	<b>-3.5%</b>	<b>1.4%</b>	<b>+0.2%</b>	<b>10.2%</b>	<b>+0.3%</b>	<b>2.7%</b>
Americas	-21.5%	-5.6%	36.5%	+6.1%	-1.5%	-1.8%	7.6%	+0.1%	-17.4%
Brazil	-16.5%	+2.0%	34.0%	+4.5%	-1.0%	+0.1%	9.7%	+1.4%	-17.2%
Mexico	-14.2%	-5.9%	25.5%	+0.1%	-2.4%	-3.3%	7.1%	-1.2%	-12.4%
EMEA <sup>1</sup>	-10.7%	+4.1%	21.8%	-0.7%	0.8%	+1.6%	6.6%	-0.9%	-10.5%
Russia	-28.9%	-9.5%	50.0%	+22.5%	-12.8%	+2.1%	12.0%	-0.5%	-12.1%
Saudi Arabia	-19.7%	-9.1%	17.3%	+3.2%	-2.8%	-0.2%	4.8%	+0.2%	-5.5%
Asia	1.2%	+0.9%	20.6%	+1.2%	2.2%	+0.3%	10.9%	+0.3%	8.0%
China	5.1%	-0.5%	17.6%	-0.8%	6.9%	-1.1%	13.6%	+0.8%	15.8%
S. Korea	7.6%	+2.1%	22.1%	-1.0%	0.5%	+0.3%	7.2%	-0.6%	5.8%

Countries / regions with a significant portion of companies with non-calendar year end fiscal years are so noted in parentheses

<sup>1</sup>: EMEA: Europe, Middle East and Africa; Source: Refinitiv Financial; MSCI; Smith Asset Management Group; Data as of Sep. 30, 2020; Values calculated using median estimates; Returns are net of estimated tax withholding. **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.**