

Earnings and Sales Growth: At the regional level, 2023 earnings growth estimates are generally outpacing expectations for 2022. Conversely, sales estimates for the current year so far exceed the projected sales growth for next fiscal year. Overall, the emerging world remains at an elevated level of median expected growth relative to the developed world, though this is mostly carried by Asia and EMEA². Emerging Americas is again the region with the lowest earnings growth sentiment at the median. A weakening in the prices of industrial metals affected a number of Latin American economies, in addition to the common macroeconomic forces at play around the globe. Worldwide, expected topline growth is anticipated to be exceptionally high, with sales growth in the developed world as a whole expected to surpass EPS growth this year, inflation being a likely influence.

Earnings Expectation Trends: Estimates remained mostly stable at the region level, with the exception of Emerging Americas. Meanwhile, 2022 earnings forecasts in Europe and EMEA increased. In a reversal from leading the pack in the first quarter, the United Kingdom's median 2022 earnings growth estimate declined -4.6% Q/Q in the second quarter after a series of rate increases by the Bank of England and a rise in the cost of living. This decline was larger than any other major European nation, sitting in stark contrast to the positive gains in current year sentiment seen by Germany (+3.3% Q/Q) and France (+11.8% Q/Q).

Economic Comments: While breaks in the supply chain have led to low inventory levels over the last couple of years, it would seem that many technology companies, having stored up inventory to compensate, are now experiencing a remarkable excess of inventory, which demand is no longer supporting, as the outlook for consumer electronics is weakened by higher costs of living. This will continue to be one of numerous factors to monitor as the global economy searches for equilibrium. Yet, despite rising interest rates and inflationary pressure affecting consumer sentiment and purchasing power, median earnings and sales growth estimates continue to be persistently positive. Nevertheless, while the possibility of technical recession is rising in the United States and elsewhere, peaking commodity prices are looking towards at least some moderate easing as supply lines adapt to the ongoing geopolitical backdrop.

Region / Select Countries	Current FY Expected Earnings Growth	Q/Q Change ¹	Next FY Expected Earnings Growth	Q/Q Change ¹	Current FY Expected Sales Growth	Q/Q Change ¹	Next FY Expected Sales Growth	Q/Q Change ¹	YTD Local Market Total Return
Developed	8.5%	-0.2%	10.5%	-0.3%	9.1%	+1.9%	5.4%	-0.1%	-18.3%
Americas	9.2%	-0.2%	11.2%	-0.6%	9.5%	+0.6%	6.1%	-0.2%	-20.8%
U.S.	9.2%	-0.5%	11.5%	-0.7%	9.6%	+0.6%	6.3%	-0.2%	-21.3%
Canada	9.5%	+1.8%	8.8%	+0.7%	9.2%	+1.6%	4.4%	-0.3%	-10.0%
Europe	8.2%	+0.4%	9.9%	-0.6%	9.3%	+2.0%	5.0%	-0.1%	-13.6%
Germany	10.7%	+3.3%	11.5%	-0.2%	10.1%	+2.6%	5.3%	+0.1%	-22.4%
U.K.	5.4%	-4.6%	8.1%	-1.2%	6.1%	-0.2%	5.5%	+0.1%	1.7%
Pacific	7.9%	-0.5%	9.1%	-0.2%	7.8%	+2.9%	4.6%	+0.3%	-6.5%
Japan (Mar)	6.9%	-2.2%	8.8%	+0.0%	8.8%	+4.0%	3.5%	-0.3%	-5.9%
Australia (Jun)	11.7%	+0.2%	9.5%	-5.7%	5.8%	+0.1%	6.3%	+0.8%	-7.2%
Emerging	12.7%	-0.1%	15.2%	+0.3%	11.4%	+0.0%	8.5%	+0.2%	-13.7%
Americas	4.5%	-3.0%	9.9%	-0.6%	10.6%	+3.0%	5.1%	-0.6%	-4.1%
Brazil	4.2%	-7.7%	11.7%	-2.0%	14.5%	+3.2%	5.8%	-0.5%	-3.5%
Mexico	1.5%	-1.5%	10.8%	-0.3%	9.3%	+2.3%	5.9%	-0.3%	-9.2%
EMEA ²	16.3%	+0.4%	13.1%	+0.4%	10.4%	+2.3%	6.9%	+0.6%	-21.6%
South Africa	15.2%	-1.6%	13.7%	+1.3%	8.8%	+1.4%	7.8%	+0.6%	-4.9%
Saudi Arabia	14.7%	-2.4%	13.3%	-0.9%	10.9%	+1.4%	7.3%	+2.1%	2.6%
Asia	12.3%	-0.4%	15.8%	-0.6%	11.9%	-0.4%	9.5%	-0.3%	-13.2%
China	6.7%	-4.6%	18.1%	+0.3%	10.8%	-2.4%	12.2%	+0.0%	-10.0%
S. Korea	16.1%	+2.7%	12.4%	+0.1%	13.8%	+3.8%	6.3%	+0.3%	-21.9%

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

¹: Change in the median growth rate of each region/country compared to the median of last quarter. ²: EMEA: Europe, Middle East and Africa; Source: Refinitiv Financial; MSCI; Smith Asset Management Group; Data as of June 30, 2022; 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.**

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