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Late Reports

Late reports are tracking slightly worse than early reports as the overall surprise rate for S&P 500 companies has fallen from early February. Energy companies have seen the worst of it as both the beat rate and the median surprise percentage have slowed dramatically while most other sectors have actually seen increases in the more recent reports. Overall, this quarter has turned out to be a rather typical reporting season despite having some very interesting developments in currency and oil leading into the quarter.

Q1 Reporting Season	% Reported	% Beat (EPS / Sales)	Median Reported % Surprise (EPS / Sales)	Median Q4'14 - Q4'13 % Earnings Growth	Median Q1'15 - Q1'14 Expected Earnings Growth	Median 2015 Expected Growth (EPS / Sales)
S&P 500	95%	76% / 63%	3.1% / 0.6%	10.3%	3.2%	6.7% / 2.8%
Ex Financials	94%	79% / 63%	3.3% / 0.5%	11.7%	3.4%	7.0% / 2.7%
Smith Group Large Cap Focused Growth	95%	85% / 68%	5.8% / 1.0%	14.6%	6.4%	6.9% / 3.3%

S&P 500 Sectors						
Consumer Discretionary	88%	73% / 63%	2.7% / 0.5%	12.4%	4.0%	9.9% / 4.3%
Consumer Staples	85%	73% / 47%	1.6% / -0.1%	6.1%	1.9%	5.2% / 0.7%
Energy	100%	67% / 54%	5.9% / 0.2%	-16.7%	-61.8%	-52.9% / -17.6%
Financials	99%	63% / 62%	2.4% / 0.9%	4.3%	2.4%	5.6% / 3.4%
Health Care	100%	89% / 69%	2.7% / 1.2%	17.1%	9.0%	8.5% / 6.2%
Industrials	95%	90% / 55%	2.9% / 0.2%	17.0%	8.8%	9.3% / 2.4%
Info Tech	92%	94% / 58%	4.7% / 0.4%	12.8%	4.0%	9.1% / 5.1%
Materials	100%	86% / 52%	6.0% / 0.2%	16.4%	10.4%	11.7% / 1.2%
Telecom	100%	20% / 67%	-1.5% / 0.4%	5.7%	-10.2%	4.2% / 2.5%
Utilities	100%	59% / 73%	1.9% / 8.6%	0.0%	-3.7%	2.8% / -0.1%

Energy Falling

Not surprisingly, energy company growth rates for 2015 are continuing to decline on both the top and bottom line. Expectations for the upcoming quarter are particularly poor with the median S&P 500 energy company now expected to have earnings *decline* nearly 62% relative to the same quarter last year. Overall, growth rates are continuing to show declines in other sectors as well in both EPS and Sales. As we mentioned in the last report, the lack of sales growth is particularly worrisome as margins remain near peak levels leaving very little flexibility for management to engineer growth from the middle of the income statement.

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.