

JANUARY 8, 2021

Earnings and Sales Growth: Developed Americas has shaken off its previously negative earnings outlook and the median company is now expecting flat-to-modest growth in 2020, joining Emerging Asia as one of only two regions with a positive change in EPS year-over-year, thanks to China. Inversely, while still expected to be high on an absolute basis globally, 2021 earnings for the United States, Canada, and China are forecasted to be relatively lower than for their respective peers due to rising 2020 estimates, making forecasted 2021 growth appear smaller by comparison. Median sales estimates are down slightly for the current fiscal year in the Developed world while up slightly in the Emerging world, which also leads the former in 2021 forecasts.

Earnings Expectation Trends: Of all regions, 2020 earnings sentiment in Developed Americas improved the most, driven predominantly by the high weighting of U.S. stocks that posted a similarly positive move relative to last quarter. However, notably, Canada experienced an even greater improvement. This led the way for the large pickups in bottom-line expectations posted by the Developed world overall, which outpaced the Emerging world, whose current-year lift was carried by Asia. In the Emerging Americas, 2020 earnings estimate raises in Brazil brought on by vaccine news were canceled out by estimate declines in Mexico. That country's investment grade credit rating is under pressure as its nationalized oil company Pemex has found itself especially strained by the pandemic.

Economic Comments: With one more reporting season of 2020 left to go, economic momentum has ended the calendar year better than originally feared. The presence of COVID will continue to have ramifications both socially and economically, yet the global outlook in the equity markets has once again returned to a crescendo, though a somewhat hesitant one. The unprecedented speed of vaccine production and scale of fiscal stimulus has given the international economy new legs to stand on. Increased digitization as well as the policies passed by an ideologically different U.S. President will be factors to watch in 2021, providing challenge or opportunity depending on the business sector. As this past year has shown, however, when threatened, the competitive nature of the world corporate climate is nothing if not extremely adaptable. Smart allocation and healthy risk management remain a stable recommendation.

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	CY'20 Local Market Total Return
Developed	-4.2%	+5.2%	16.7%	-1.9%	-1.5%	+1.3%	6.6%	+0.3%	11.7%
Americas	2.2%	+6.6%	13.1%	-1.9%	2.0%	+2.1%	7.2%	+0.4%	18.3%
U.S.	2.6%	+6.5%	12.8%	-2.0%	2.3%	+2.3%	7.0%	+0.2%	19.2%
Canada	0.1%	+8.0%	15.3%	-0.5%	-0.1%	+0.5%	7.9%	+1.5%	0.9%
Europe	-15.3%	+3.4%	18.7%	-3.8%	-4.2%	-0.3%	6.0%	+0.0%	-4.2%
Germany	-9.6%	+4.1%	20.3%	-7.1%	-0.3%	+3.3%	6.2%	+0.2%	0.1%
U.K.	-14.5%	+2.0%	16.8%	+2.0%	-4.2%	+0.8%	6.2%	+0.2%	-16.1%
Pacific	-6.7%	+4.0%	22.3%	-1.0%	-4.3%	+0.7%	6.9%	+0.5%	3.7%
Japan (Mar)	-6.7%	+3.4%	26.0%	-3.2%	-4.8%	+0.9%	6.5%	+0.2%	6.6%
Australia (Jun)	3.1%	+7.5%	16.6%	+1.5%	-0.4%	-0.5%	4.9%	-0.1%	-3.7%
Emerging	0.5%	+2.4%	20.1%	-1.6%	2.4%	+1.0%	10.5%	+0.3%	16.6%
Americas	-20.5%	+1.0%	34.1%	-2.4%	0.5%	+2.0%	8.5%	+0.9%	-0.3%
Brazil	-9.1%	+7.4%	28.9%	-5.1%	6.3%	+7.3%	10.0%	+0.3%	2.1%
Mexico	-21.5%	-7.3%	29.4%	+3.9%	-0.3%	+2.2%	6.6%	-0.5%	1.3%
EMEA ¹	-9.7%	+1.0%	22.3%	+0.6%	2.1%	+1.3%	6.6%	+0.0%	-4.4%
Russia	-20.4%	+8.6%	41.0%	-9.0%	-11.7%	+1.1%	14.4%	+2.4%	-3.0%
Saudi Arabia	-14.6%	+5.2%	15.9%	-1.4%	1.2%	+4.0%	5.8%	+1.0%	-2.3%
Asia	4.1%	+2.8%	18.6%	-2.0%	2.7%	+0.5%	11.3%	+0.4%	23.2%
China	8.1%	+3.0%	17.4%	-0.1%	8.0%	+1.1%	15.3%	+1.8%	30.0%
S. Korea	9.6%	+2.0%	27.5%	+5.4%	-0.6%	-1.1%	8.0%	+0.7%	34.0%

¹Countries / regions with a significant portion of companies with non-calendar year end fiscal years are so noted in parentheses

¹: EMEA: Europe, Middle East and Africa; Source: Refinitiv Financial; MSCI; Smith Asset Management Group; Data as of Dec. 31, 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.**