

DECEMBER 3, 2015

Split Profile

Late reports have been mixed as Health Care and Technology continue to improve their already good numbers over the course of the quarter while Industrial sales reports continued to disappoint heavily. Discretionary companies improved on EPS surprises but declined on sales as two out of three companies have reported disappointing sales numbers. The difference in outcomes between revenues and earnings implies a fairly significant margin surprise for the universe which has been true the last three quarters.

Q4 Reporting Season	% Reported	% Beat (EPS / Sales)	Median Reported % Surprise (EPS / Sales)	Median Q3'15 - Q3'14 % Earnings Growth	Median Q4'15 - Q4'14 Expected Earnings Growth	Median 2015 Expected Growth (EPS / Sales)
S&P 500	94%	75% / 46%	2.9% / -0.2%	4.5%	0.6%	5.4% / 1.4%
Ex Energy	94%	78% / 42%	3.5% / -0.4%	5.3%	2.1%	5.9% / 1.9%
Smith Group Large Cap Focused Growth	90%	91% / 63%	4.0% / 0.6%	12.6%	7.9%	11.9% / 4.4%

S&P 500 Sectors						
Consumer Discretionary	86%	69% / 35%	2.0% / -0.6%	7.7%	4.4%	10.1% / 3.8%
Consumer Staples	87%	79% / 54%	3.6% / 0.1%	-2.2%	1.3%	3.9% / 0.6%
Energy	100%	79% / 48%	13.7% / -0.2%	-68.5%	-73.1%	-67.2% / -29.0%
Financials	98%	60% / 60%	1.3% / 0.9%	2.7%	2.9%	2.7% / 3.1%
Health Care	98%	91% / 63%	4.4% / 0.7%	11.8%	6.1%	11.5% / 7.5%
Industrials	96%	80% / 24%	2.6% / -1.3%	4.5%	-2.5%	3.9% / -0.8%
Info Tech	91%	85% / 60%	4.9% / 0.3%	7.4%	-0.4%	8.8% / 2.7%
Materials	100%	71% / 27%	2.5% / -2.6%	1.4%	-11.1%	5.6% / -4.5%
Telecom	100%	80% / 33%	3.2% / -0.2%	11.1%	15.1%	-2.0% / 11.9%
Utilities	100%	61% / 27%	3.4% / -5.1%	5.0%	4.5%	3.7% / 0.3%

Looking to 2016

Early forecasts for growth in 2016 look very similar to the initial read on 2015 estimates we observed this time last year with EPS expected to grow 10% and sales at 4.4%. Consumer Discretionary is currently pegged to grow the fastest with 14% for EPS and 5% sales but Health Care and Technology are also expected to have robust years with both growing north of 11% on EPS and 6% for sales. Energy companies are expected to stabilize next year with a slight pickup for growth in sales at nearly 3% and slight decline in EPS at -1%. While the early read indicates a nice rebound in growth, estimates typically are high at the beginning of the year and tend to move lower as the year progresses.

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.