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Despite all the hand-wringing about a global slowdown, earnings and sales reports this quarter continue to reflect a stable growth picture for U.S. companies. Health Care and Consumer Staples companies are the standouts this quarter as a very high percentage of companies in those sectors have beaten both Earnings and Sales expectations. Within Health Care, Pharma/Biotech companies are reporting surprisingly good results while all industries within the Staples sector are near record highs for beating expectations. Among the large sectors, Industrials have reported the weakest results, particularly within Transportation companies as they are struggling to meet expectations on the sales side.

Q4 Reporting Season	% Reported	% Beat (EPS / Sales)	Median Reported % Surprise (EPS / Sales)	Median Q3'19 - Q3'18 Expected Earnings Growth	Median Q4'19 - Q4'18 Expected Earnings Growth	Median 2019 Expected Growth (EPS / Sales)
U.S. Large Cap	59%	79% / 64%	3.8% / 0.4%	4.3%	5.6%	5.7% / 3.6%
U.S. Large Cap Ex Energy	59%	80% / 66%	3.8% / 0.4%	5.0%	5.8%	5.9% / 3.8%
Smith Group Large Cap Focused Growth	63%	95% / 93%	5.9% / 1.2%	9.3%	7.7%	12.6% / 6.3%

Sectors						
Communication Services	52%	73% / 50%	3.8% / 0.2%	2.3%	3.6%	4.3% / 5.9%
Consumer Discretionary	40%	67% / 67%	4.2% / 0.3%	1.4%	2.8%	2.5% / 3.2%
Consumer Staples	61%	100% / 100%	4.1% / 0.2%	-0.2%	1.5%	2.2% / 1.2%
Energy	61%	60% / 36%	3.8% / -1.9%	-31.2%	-18.9%	-11.1% / -3.0%
Financials	88%	80% / 84%	3.4% / 0.8%	6.6%	6.8%	6.7% / 4.3%
Health Care	58%	93% / 92%	3.7% / 1.8%	8.0%	11.1%	10.1% / 5.9%
Industrials	73%	78% / 43%	3.8% / -0.2%	6.9%	5.5%	6.8% / 3.5%
Info Tech	46%	89% / 72%	5.2% / 0.9%	1.6%	0.5%	4.4% / 3.8%
Materials	54%	82% / 18%	3.4% / -1.6%	1.8%	11.4%	0.7% / 0.7%
Utilities	36%	60% / 11%	3.4% / -7.0%	5.1%	11.3%	5.1% / 2.8%

While we wouldn't characterize earnings growth this year as remarkable, it is positive and fairly durable given the headwinds of trade and a tough comparison to last year from corporate tax cuts. However, there are distinct winners and losers. Most notably, Information Technology earnings growth is heavily skewed towards Software companies as both Hardware and Semiconductor companies are struggling to deliver earnings growth this year. Consumer Discretionary growth is anemic but Retailers aren't the culprit this time as they are the only industry within that sector to see any kind of meaningful top and bottom line growth. Health Care is the real standout as both Pharma/Biotech and Service companies are expected to grow in the double-digits for the current year.

*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. U.S. Large Cap universe is generally comprised of the largest 500 U.S. companies.*