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Companies are reporting modestly positive earnings and sales surprises so far this quarter. We are seeing some interesting trends in how specific industries are faring particularly within financials and health care companies. Banks are continuing to report strong numbers although not to the same degree as last quarter. Within health care there is a stark difference between health care providers, which are reporting earnings well in excess of expectations, and pharma/biotech companies which are having as meager a reporting period as we've seen in quite some time. Despite dollar headwinds tech companies are beating expectations at a healthy clip. We are closely monitoring retailers as early reports have been a mixed bag although this group tends to report much later than the rest of the universe.

Q1 Reporting Season	% Reported	% Beat (EPS / Sales)	Median Reported % Surprise (EPS / Sales)	Median Q4'16 - Q4'15 % Earnings Growth	Median Q1'17 - Q1'16 Expected Earnings Growth	Median 2017 Expected Growth (EPS / Sales)
S&P 500	50%	76% / 58%	2.7% / 0.4%	8.0%	7.1%	7.5% / 3.9%
Ex Energy	52%	76% / 56%	2.7% / 0.3%	7.5%	6.2%	7.0% / 3.5%
Smith Group Large Cap Focused Growth	53%	79% / 71%	2.2% / 0.8%	10.7%	11.6%	10.1% / 4.9%

S&P 500 Sectors						
Consumer Discretionary	27%	55% / 55%	1.0% / 0.3%	6.3%	5.9%	8.1% / 4.5%
Consumer Staples	27%	71% / 25%	1.2% / -1.0%	6.0%	5.8%	5.7% / 1.8%
Energy	39%	67% / 71%	2.5% / 1.7%	12.3%	10.6%	3.2% / -2.7%
Financials	81%	81% / 56%	3.2% / 1.0%	11.9%	8.6%	9.7% / 4.9%
Health Care	58%	84% / 56%	2.5% / 0.2%	9.9%	8.5%	7.7% / 5.0%
Industrials	65%	64% / 41%	1.7% / -0.4%	2.1%	0.7%	4.6% / 2.9%
Info Tech	57%	91% / 79%	4.9% / 1.3%	13.1%	12.1%	10.1% / 5.9%
Materials	56%	91% / 57%	3.4% / 0.6%	4.4%	9.3%	7.9% / 2.4%
Telecom	40%	0% / 50%	-2.4% / 0.2%	-12.0%	4.9%	-0.2% / -0.3%
Utilities	25%	50% / 14%	-0.3% / -17.1%	7.8%	0.0%	4.7% / 2.9%

Our initial read on full year 2017 growth for S&P 500 companies in our report from last November was for 9.6% EPS growth and 4.3% on sales. Those expectations have dropped fairly significantly since then as the current expectation is for 7.5% EPS growth supported by 3.9% of sales growth. Revision trends have been most notably negative for health care and industrial companies while financials have remained very robust over the past few months. While it's fairly common to see full year growth expectations drop as the year progresses, that's a more significant drop than we normally observe. We suspect that uncertainty around the economic impacts of the election are tempering expectations, however that doesn't match up with direction of the market since the election. It's likely that earnings expectations will need to find a catalyst to move higher at some point during the year in order to support current prices.

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.