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Reports slipped a bit during the last half of reporting season as the overall EPS surprise rate dropped from 81% to 77% while sales surprises dropped from 68% to 61% relative to what we saw at the halfway point last month. What was looking to be one of the better quarters in more than two years is finishing up as a much more typical reporting season. Staples and Energy companies saw the biggest declines in EPS surprises while Health Care, Info Tech and Material companies declined the most relative to our initial read on Sales surprises.

Q3 Reporting Season	% Reported	% Beat (EPS / Sales)	Median Reported % Surprise (EPS / Sales)	Median Current Quarter Expected YoY Earnings Growth	Median Next Quarter Expected YoY Earnings Growth	Median 2016 Expected Growth (EPS / Sales)
S&P 500	95%	77% / 61%	3.7% / 0.5%	6.5%	5.2%	6.9% / 2.8%
Ex Energy	94%	78% / 59%	3.7% / 0.4%	7.1%	5.2%	7.1% / 3.1%
Smith Group Large Cap Focused Growth	93%	85% / 73%	4.4% / 0.8%	7.5%	7.4%	9.4% / 4.1%

S&P 500 Sectors						
Consumer Discretionary	90%	81% / 51%	4.1% / 0.0%	10.2%	7.1%	11.1% / 4.4%
Consumer Staples	83%	75% / 39%	3.7% / -0.4%	6.3%	7.1%	6.0% / 1.0%
Energy	97%	64% / 62%	6.4% / 2.6%	-75.8%	-29.2%	-64.6% / -18.5%
Financials	100%	74% / 74%	3.1% / 1.6%	1.6%	4.3%	2.4% / 2.8%
Health Care	100%	91% / 76%	3.3% / 1.2%	10.9%	8.5%	9.8% / 6.7%
Industrials	97%	74% / 48%	3.4% / -0.1%	4.9%	1.9%	6.1% / 1.5%
Info Tech	90%	96% / 78%	5.2% / 1.8%	10.8%	8.8%	9.4% / 5.6%
Materials	96%	61% / 40%	1.3% / -1.4%	8.1%	6.3%	1.5% / -0.6%
Telecom	100%	50% / 0%	0.4% / -1.2%	4.3%	-12.5%	-2.4% / 0.7%
Utilities	100%	58% / 18%	3.5% / -3.8%	2.1%	5.0%	4.7% / 3.0%

The growth picture has been murky over the past year and a half although that looks to be improving this quarter as the median company in the S&P 500 is most likely going to grow around 6.5% which is higher than any quarter since the beginning of 2015. That being said, sales growth is still stuck in a low gear as evidenced by the 2.8% expected growth rate for 2016. While we've seen full year earnings expectations tick up a little bit over the past month, expectations for 2016 sales growth have declined as the quarter has progressed. Health Care, Info Tech and Discretionary companies continue to have the highest expectations for the full year on both sales and EPS.

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.