

A GROWING EARNINGS STREAM IS THE MAIN CATALYST OF LONG TERM EQUITY MARKET GROWTH

FROM 2014 TO 2016 S&P 500 EARNINGS FAILED TO PRODUCE MUCH GROWTH ABOVE THE \$117 LEVEL REACHED IN 2014. DURING THE PERIOD THE S&P 500 STRUGGLED TO MAKE GAINS

IN Q3 OF 2016 EARNINGS FINALLY BEGAN TO ADVANCE. GROWTH CONTINUED IN Q4 AND Q1 OF 2017. AS A MATTER OF FACT GROWTH REACHED 14% IN Q1. IT IS NO COINCIDENCE THAT EQUITY PRICES EMERGED FROM THE 2014-2016 SIDEWAYS TRADING PATTERN AND NOW HAVE MOVED 15% ABOVE THAT PREVIOUS PEAK PERIOD

THE FAVORABLE EARNINGS TREND IS SET TO CONTINUE AS EARNINGS SHOULD GROW IN THE UPPER SINGLE DIGIT AREA IN 2017 AND 2018. SHOULD THE TRUMP ADMINISTRATION HAVE SUCCESS WITH ITS REFORM PLATFORM 2018 EARNINGS GROWTH COULD BE BETTER.

THE RECOVERY IN EARNINGS IS ONE REASON WE REMAIN POSITIVE ON THE US EQUITY MARKET

SECOND QUARTER EARNINGS ARE BEING REPORTED CURRENTLY. THE QUARTER IS EXPECTED TO BE STRONG WITH UPPPER SINGLE DIGIT GROWTH LIKELY.

EARNINGS TRENDS INFLUENCE OUR OPINION REGARDING CERTAIN SECTOR WITH IN THE ECONOMY.

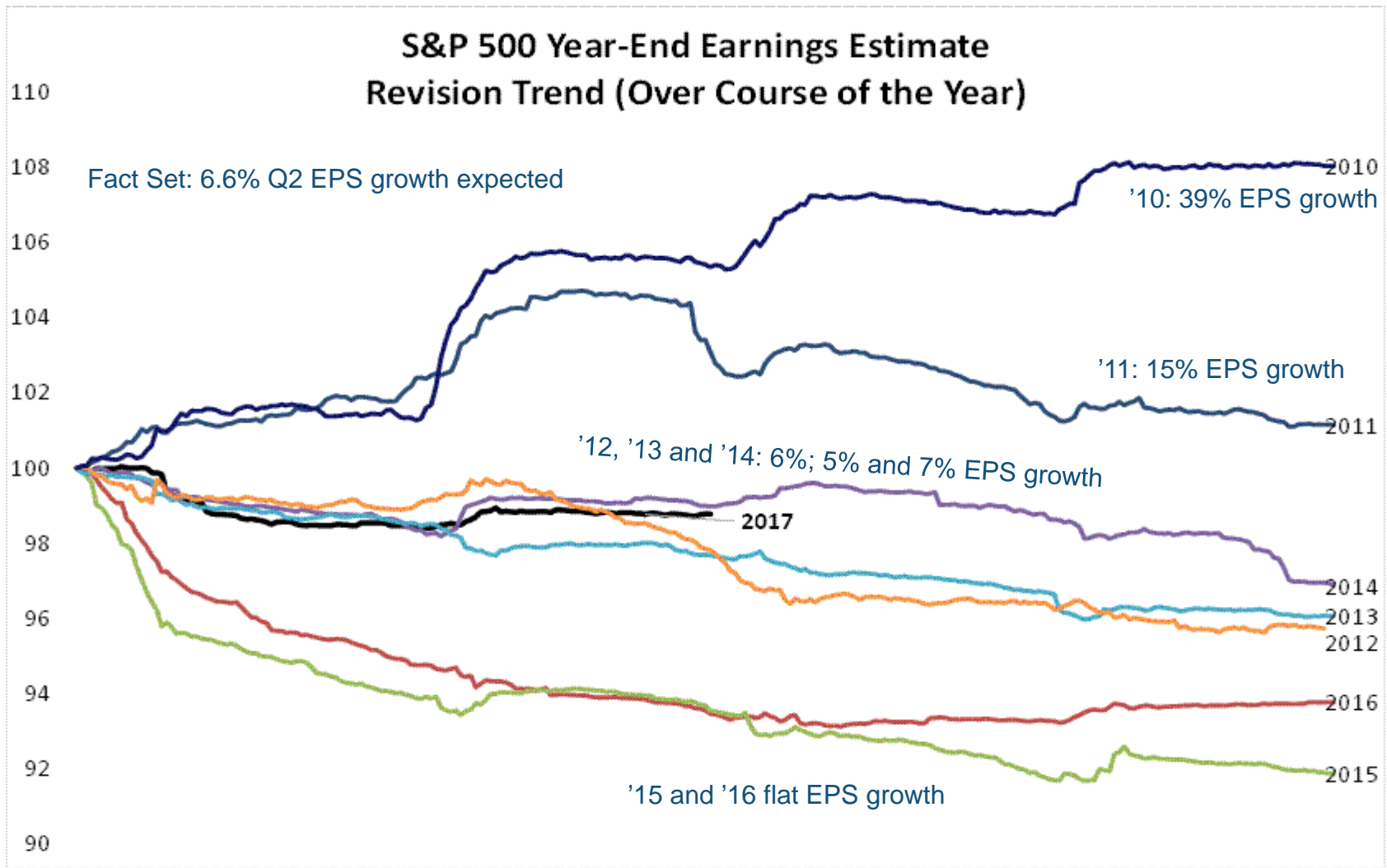
SOME OF OUR FAVORED SECTORS SUCH AS TECHNOLOGY, INDUSTRIALS, FINANCIALS AND HEALTH CARE ARE EITHER EXPECTED TO POST STRONG EARNINGS GROWTH OR HAVE SEEN EARNINGS TRENDS IMPROVE IN RECENT MONTHS.

S&P 500 Earnings and Price



2014: \$118
 2015: \$117
 2016: \$119
 2017: ~\$130 Estimated

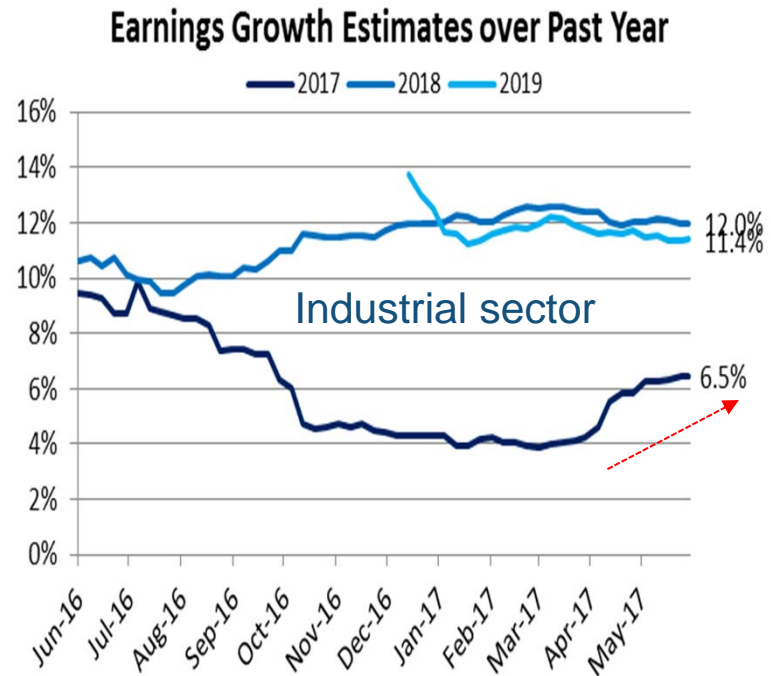
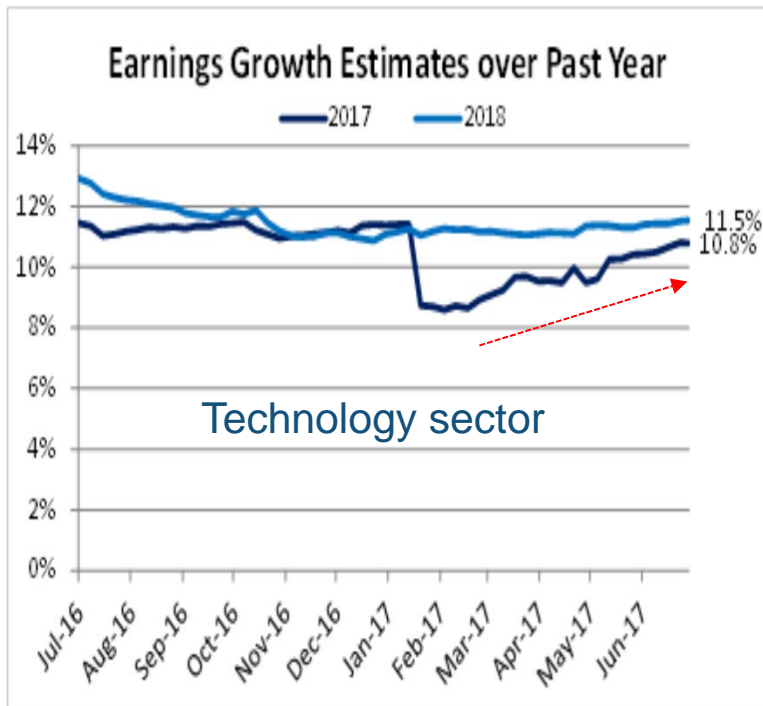
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Technology and Industrial Sectors

Both sectors have seen a nice uptrend in estimated 2017 earnings

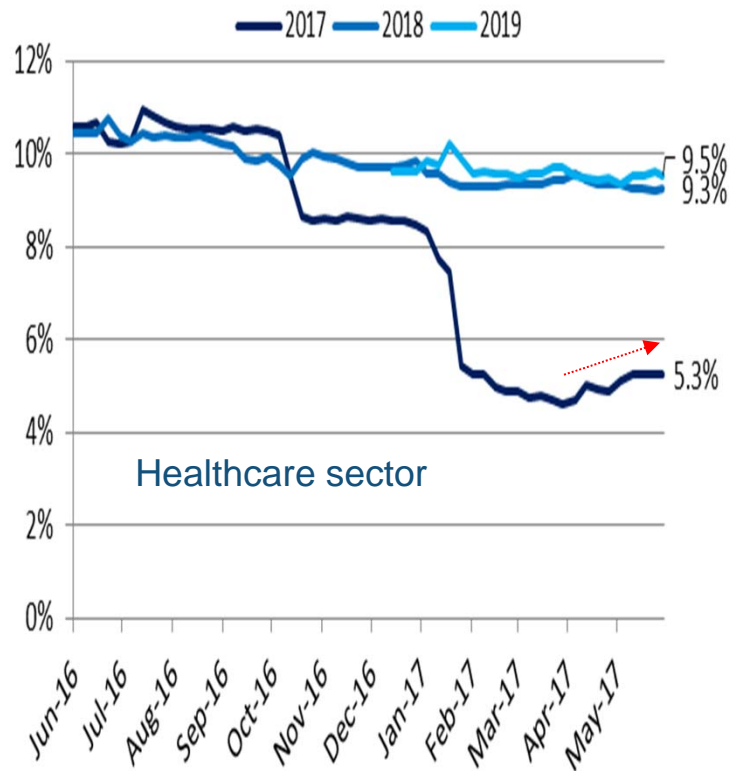


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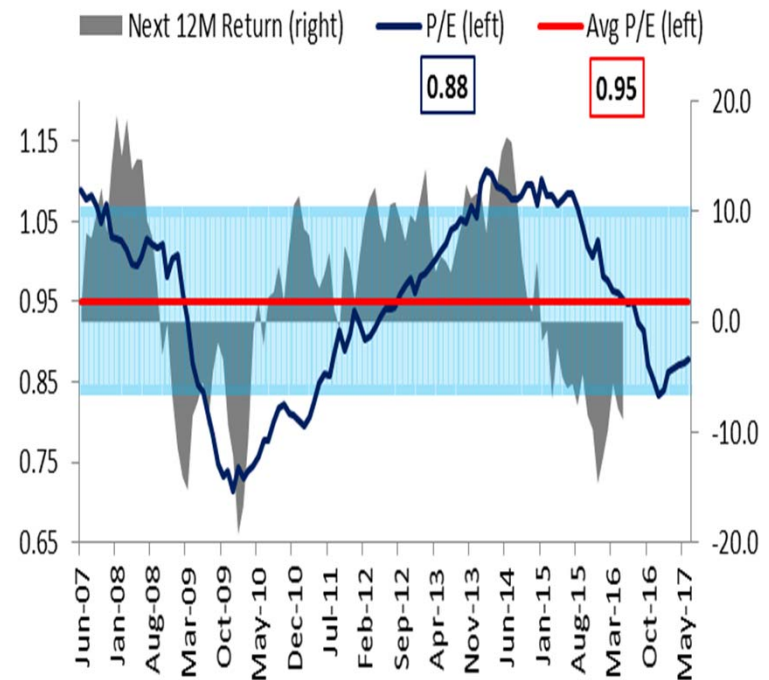
Health Care:

Improving Estimate Trends and Inexpensive Relative Valuation

Earnings Growth Estimates over Past Year

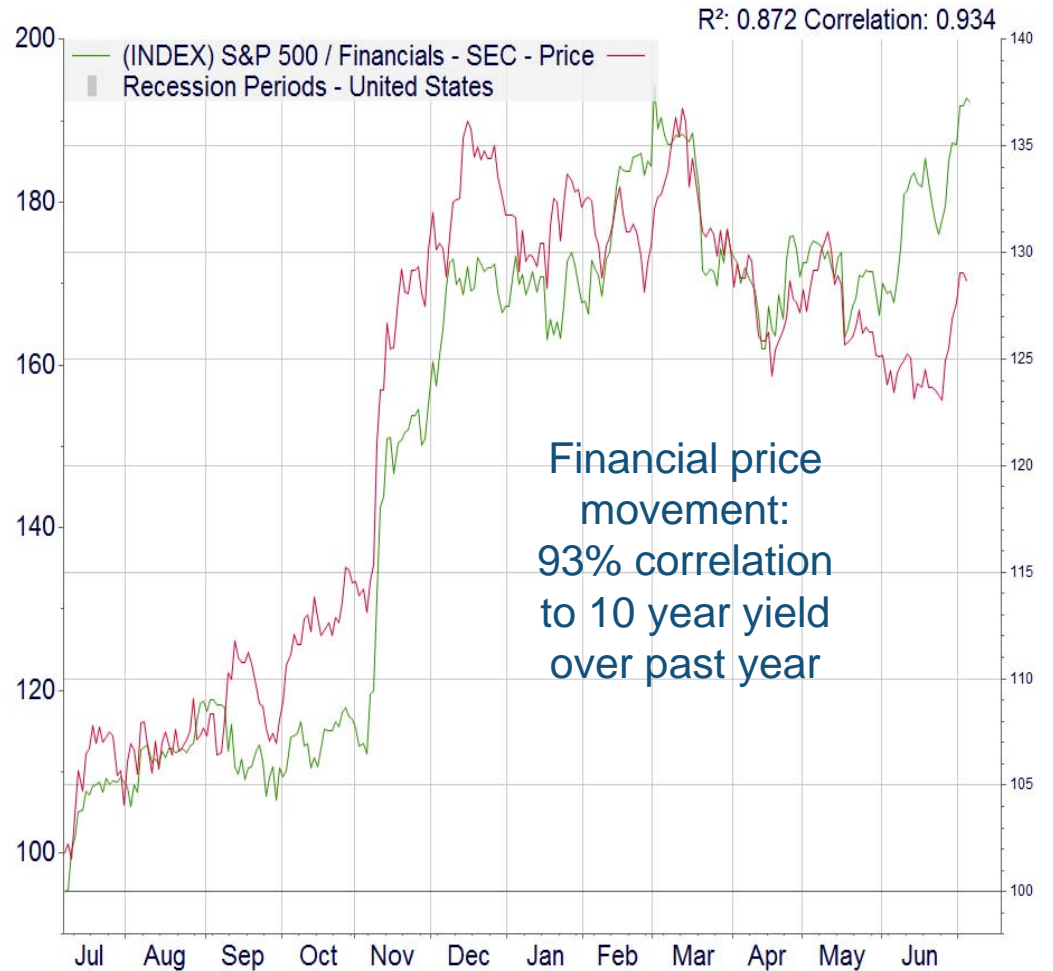
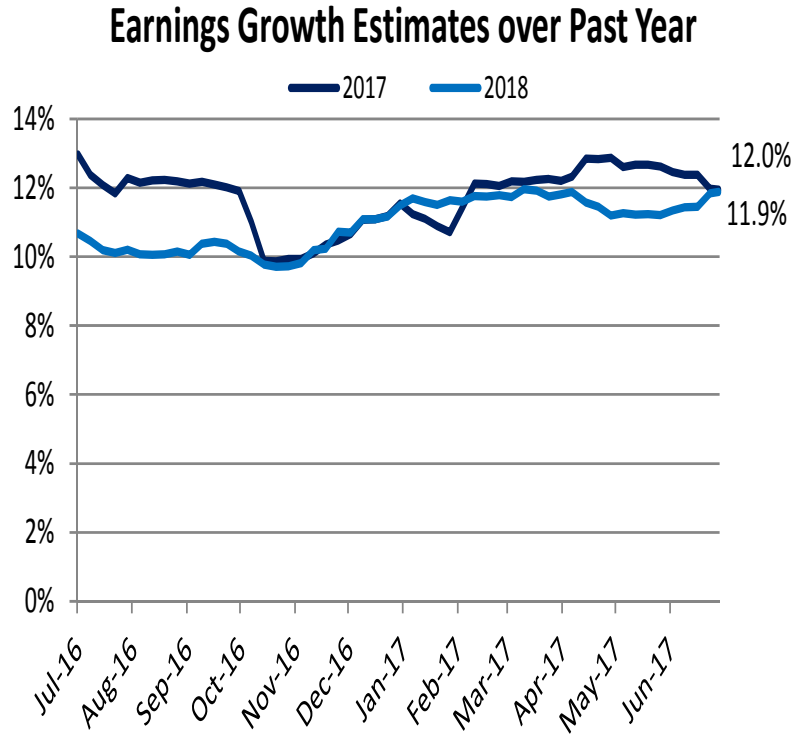


Health Care Relative P/E & Performance - Last 10 Years



Financials: EPS Kick-off Friday July 14th

Double digit earnings growth expected in 2017 and 2018



Raymond James Portfolio & Technical Strategy; Fact Set

Definitions

S&P 500 – The S&P 500 is an unmanaged index of 500 widely held stocks. It is not possible to invest directly in an index.

Weighting – Sector percentage (%) of S&P 500

Total Return – Price return including dividends received

Beta – Measure of volatility in comparison to the market as a whole

Dividend Yield – Dividends received divided by price; reflects the percentage return off of dividends received.

Dividend Payout Ratio – Dividends distributed divided by net income; reflects the percentage of net income distributed in dividends.

Long-Term EPS Growth – Estimated earnings per share growth over the next three to five years, as received from consensus analyst forecasts.

Free Cash Flow Yield – Free cash flow divided by price. The free cash flow per share a company is expected to earn against its market price per share.

Price to Sales – Market cap divided by sales of companies in the sector or S&P 500

Price Earnings Ratio (P/E) – The price of the stock divided by its earnings per share.

- **LTM P/E** – P/E calculated with the last 12 months earnings reported.
- **NTM P/E** – P/E calculated with the consensus earnings estimates over the next 12 months.

Relative P/E – The sector's multiple divided by the S&P 500 multiple; represents a premium or discount relative to the S&P 500's valuation. We use last 12-month P/E in this report.

Relative Ratio – The sector's relative P/E multiple vs. its respective 10-year average relative P/E.

Relative Strength – Calculates price performance relative to the S&P 500 over time.

Past performance does not guarantee future results. There is no assurance these trends will continue. The market value of securities fluctuates and you may incur a profit or a loss. This analysis does not include transaction costs and tax considerations. If included these costs would reduce an investor's return.

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Simple Moving Average (SMA) - A simple, or arithmetic, moving average is calculated by adding the closing price of the security for a number of time periods and then dividing this total by the number of time periods.

Exponential Moving Average (EMA) - A type of moving average that is similar to a simple moving average, except that more weight is given to the latest data.

Relative Strength Index (RSI) - The Relative Strength Index is a technical momentum indicator that compares the magnitude of recent gains to recent losses in an attempt to determine overbought and oversold conditions of an asset.

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