



**CORBIN**  
ADVISORS  
INSIGHTS • STRATEGY • RESULTS

| IF IT'S CORBIN, IT'S ACTIONABLE |

**Inside**<sup>The</sup>  
**BUY-SIDE**<sup>®</sup>

---

**3Q17 Earnings Primer**  
**Investor Sentiment Survey**

October 12, 2017

---

[CORBINADVISORS.COM](http://CORBINADVISORS.COM)

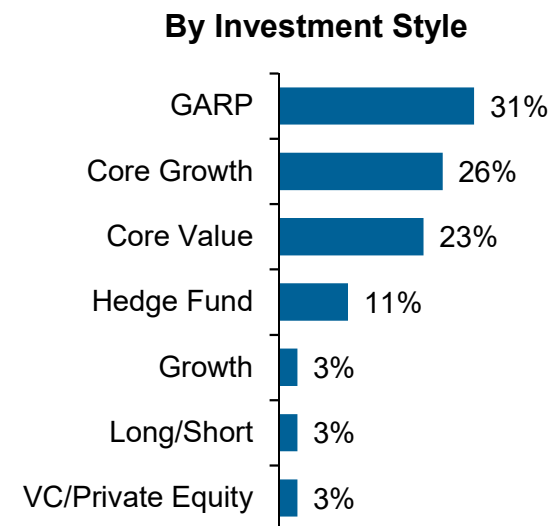
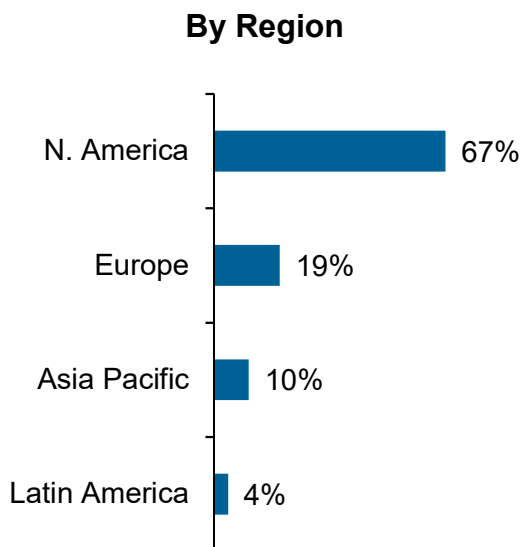
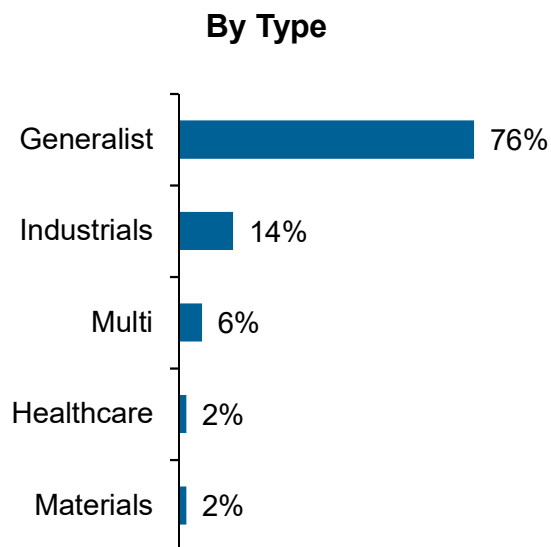
For over a decade, we have surveyed global investors and analysts on the equity markets, world economies and business climate. We share our research broadly with corporate executives, investor relations (IR) professionals and the financial community.

**Survey scope:** 70 participants globally, comprising 60% buy side and 40% sell side; assets under management total ~\$1.9 trillion

**Survey timeframe:** September 11 – October 3, 2017

Market Performance		
	<u>3Q17</u>	<u>YTD</u> <sup>1</sup>
<b>DJIA</b>	4.9%	15.2%
<b>NASDAQ</b>	5.8%	22.4%
<b>S&amp;P 500</b>	3.9%	13.9%
<b>Russell 2000</b>	5.3%	12.4%

<sup>1</sup> As of 10'6'17





## #1 Coming Off Strong 2Q, Expectations Remain Near All-Time Highs for Continued Earnings Growth; Positive Investor Optimism and Bullish Executive Tone Remain Intact

- 59% expect sequential earnings improvement while 50% expect *In Line* results with consensus estimates; positive views are driven by economic growth in the U.S. and Europe, supported by the low interest rate environment
- Despite tempered margin outlooks, which are factoring in higher input costs, majority believe organic growth will be sustained or improve QoQ while nearly 60% anticipate EPS acceleration
- Management tone remains elevated despite a dip from three-year high last quarter; 71% describe executives as *Bullish* or *Neutral to Bullish*, down from 80% in 2Q17 but outright *Bullish* stances have increased

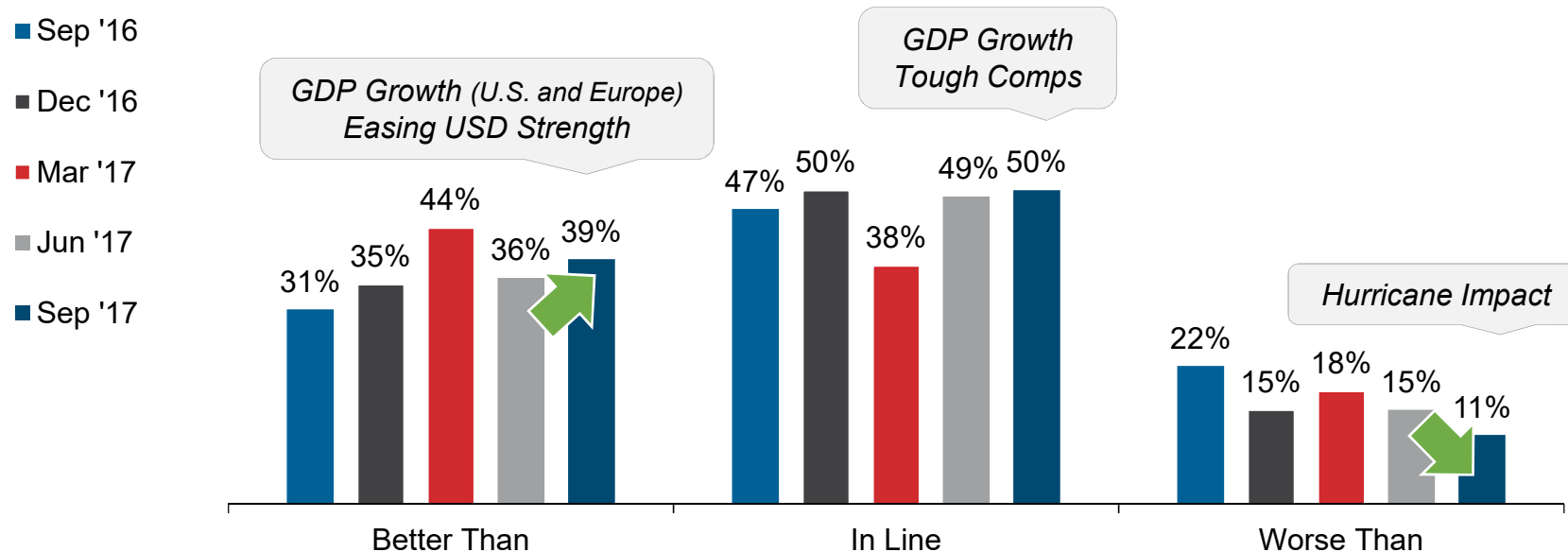
## #2 Early Indications Are for a Strong 2018; Still, Geopolitical Volatility and D.C. Dysfunction Loom

- Organic growth, cash flow and EPS expected to improve in 2018 over 2017, though views on margin expansion are mixed
- Eurozone remains top region for economic improvement over the next six months while favorable outlooks for India and U.S. are intact and Brazil sees more conviction; views on China remain muted
- Expectations for stronger Global Capex, Energy and Construction (Resi and Non-Resi) markets fueling positive views for next year; while hurricane impact predicted to weigh on 4Q results, 62% see recovery as a positive for U.S. GDP in 2018
- Looming in the background are heightened concerns around U.S.-North Korea stand-off and continued doubts about @POTUS execution; positive developments on policies likely to supercharge market

## #3 Fewer Investors See U.S. Equity Markets as Overvalued QoQ and More Get in on the Action

- Just 44% of investors now classify U.S. markets as overvalued, down from 47% in June and 67% in March; nearly half predict equities will continue to expand through year-end
- 34% of investors report they are net buyers, the highest level since 4Q16 (42%)
- Financials claim top spot amongst bulls, displacing Technology, while Consumer Discretionary sees largest uptick in positive sentiment and Utilities and REITs remain out of favor

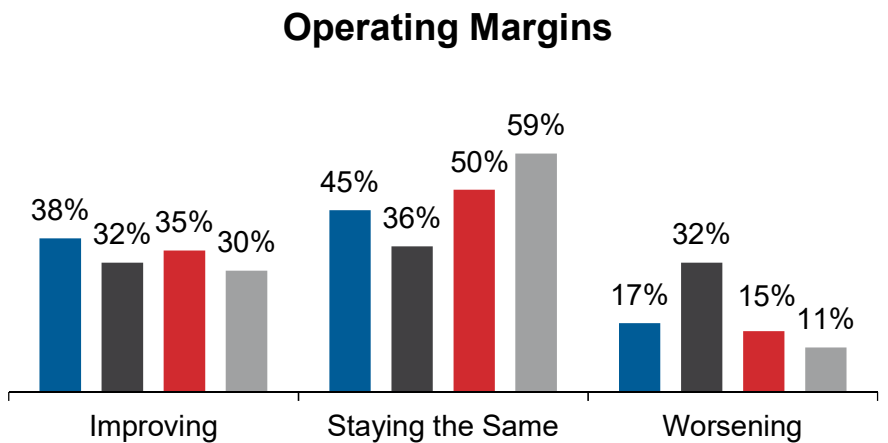
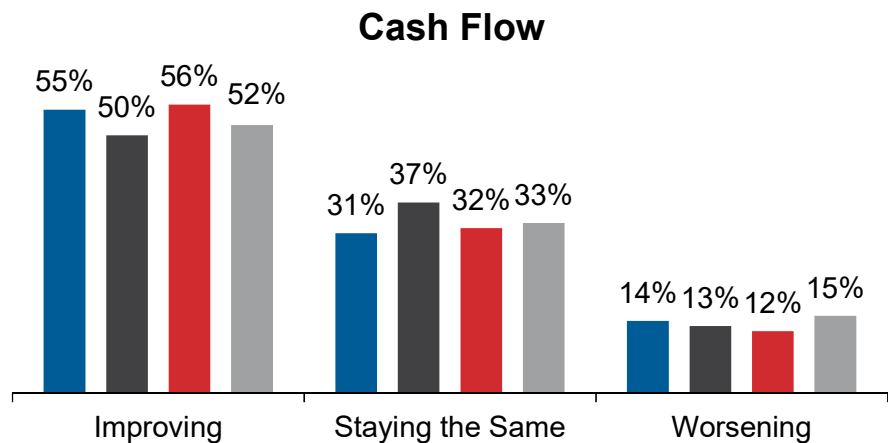
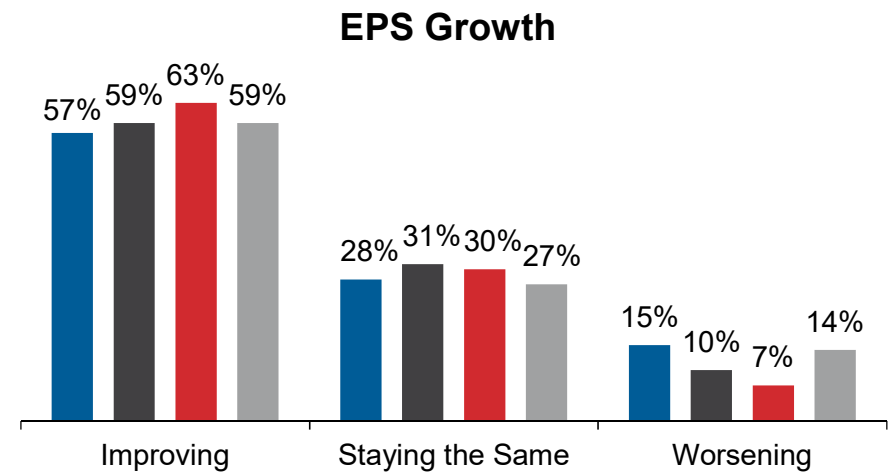
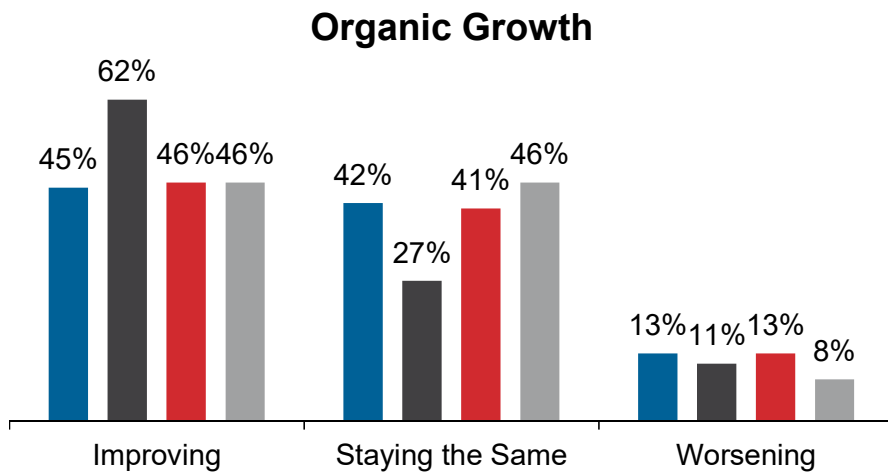
## Expectations Regarding 3Q17 Earnings Performance Relative To Consensus



**89%** Expect *In Line* to *Better Than* Consensus Results

**59%** Expect Sequential Improvement

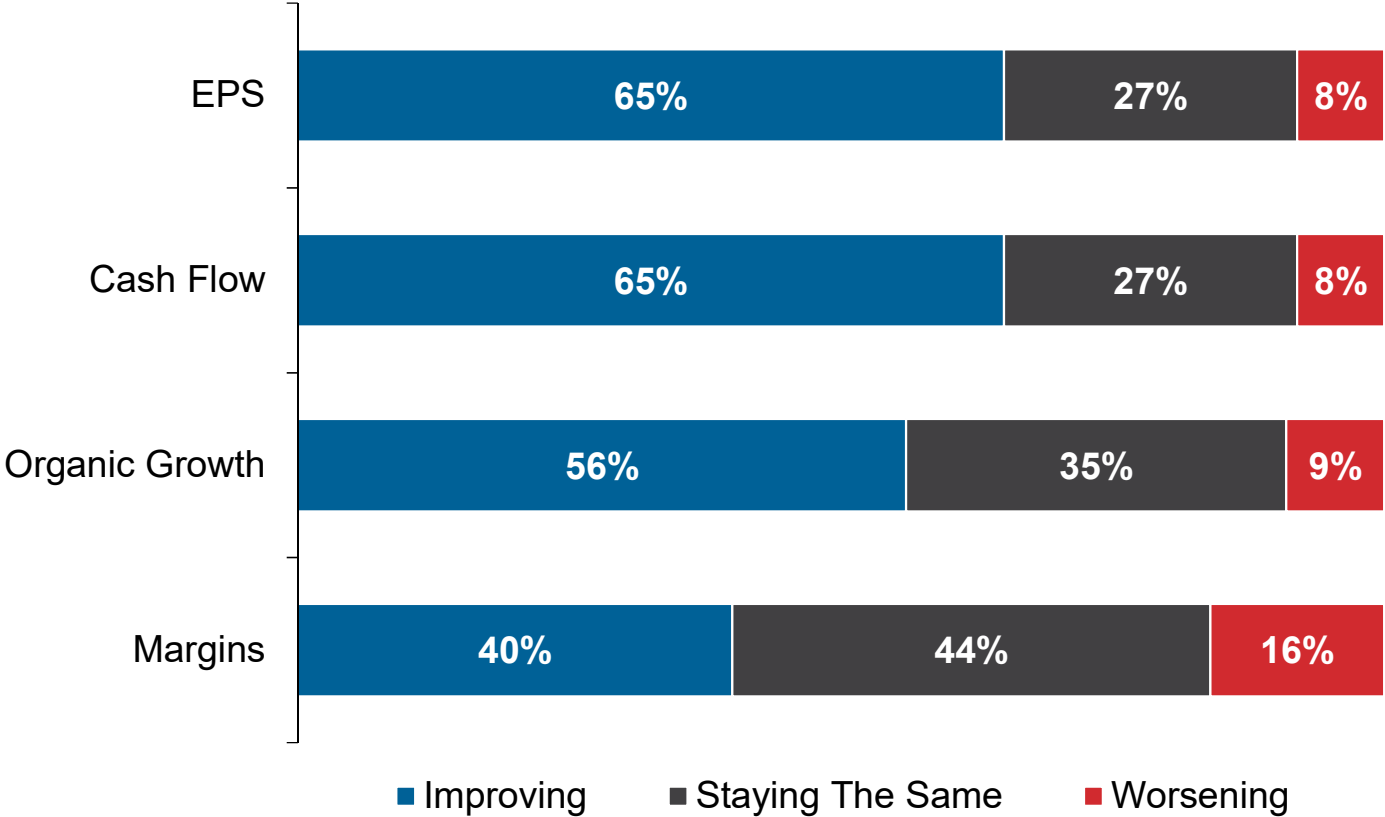
### Key Performance Indicators



■ Dec '16 ■ Mar '17 ■ Jun '17 ■ Sep '17

At this Point, Expectations are for Continued Strength in 2018; Margin Expansion is at the Expense of Growth

### Expectations for 2018 Versus 2017



## Better Than

*“Global economy continues to surprise on the upside.”* **Buy Side, Generalist, N. America**

*“Falling USD exchange rate.”* **Buy Side, Generalist, N. America**

*“Overall business momentum.”* **Buy Side, Generalist, N. America**

*“Strong earnings momentum across the board.”* **Buy Side, Generalist, N. America**

*“Economic and payroll growth.”* **Buy Side, Generalist, N. America**

*“Top-line growth.”* **Buy Side, Generalist, Europe**

*“Growth.”* **Buy Side, Materials, Latin America**

*“Real USD and better global economic growth.”* **Sell Side, Generalist, N. America**

*“Credit likely improves.”* **Sell Side, Financials, N. America**

*“Better GDP growth in Europe.”* **Sell Side, Generalist, Europe**

## In Line

*“Hurricane and seasonality will keep 3Q just okay.”* **Buy Side, Healthcare, N. America**

*“It depends on the companies; some are more currency-sensitive than others.”* **Buy Side, Generalist, Europe**

*“Tough comparisons vs. generally strong 2Q results.”* **Sell Side, Multi, N. America**

*“Economy in general continues to improve.”* **Sell Side, Telecommunications, Europe**

*“Global trade, weak USD.”* **Sell Side, Generalist, Asia**

*“Fear of missing expectations.”* **Sell Side, Consumer Staples, Asia**

## Worse Than

*“Slowdown in economy related to hurricanes, offset by effect of a weaker dollar.”* **Buy Side, Generalist, N. America**

*“Hurricane impact, waning consumer confidence.”* **Buy Side, Generalist, N. America**

*“Seasonality plays a role but the storms will have an initial impact in September.”* **Sell Side, Multi, N. America**

*“Valuations, storms/hurricanes and higher expectations.”* **Sell Side, Healthcare, N. America**

*“Hurricanes.”* **Sell Side, Industrials, N. America**

*“Value gap compression will persist and likely be worse than 2Q17 due to continued USD weakness, which has essentially eliminated prior modest, positive pricing on about 55% of U.S. industrial sales outside of the U.S., while raw material cost inflation is likely to continue in line or higher than 2Q17.”* **Sell Side, Industrials, N. America**

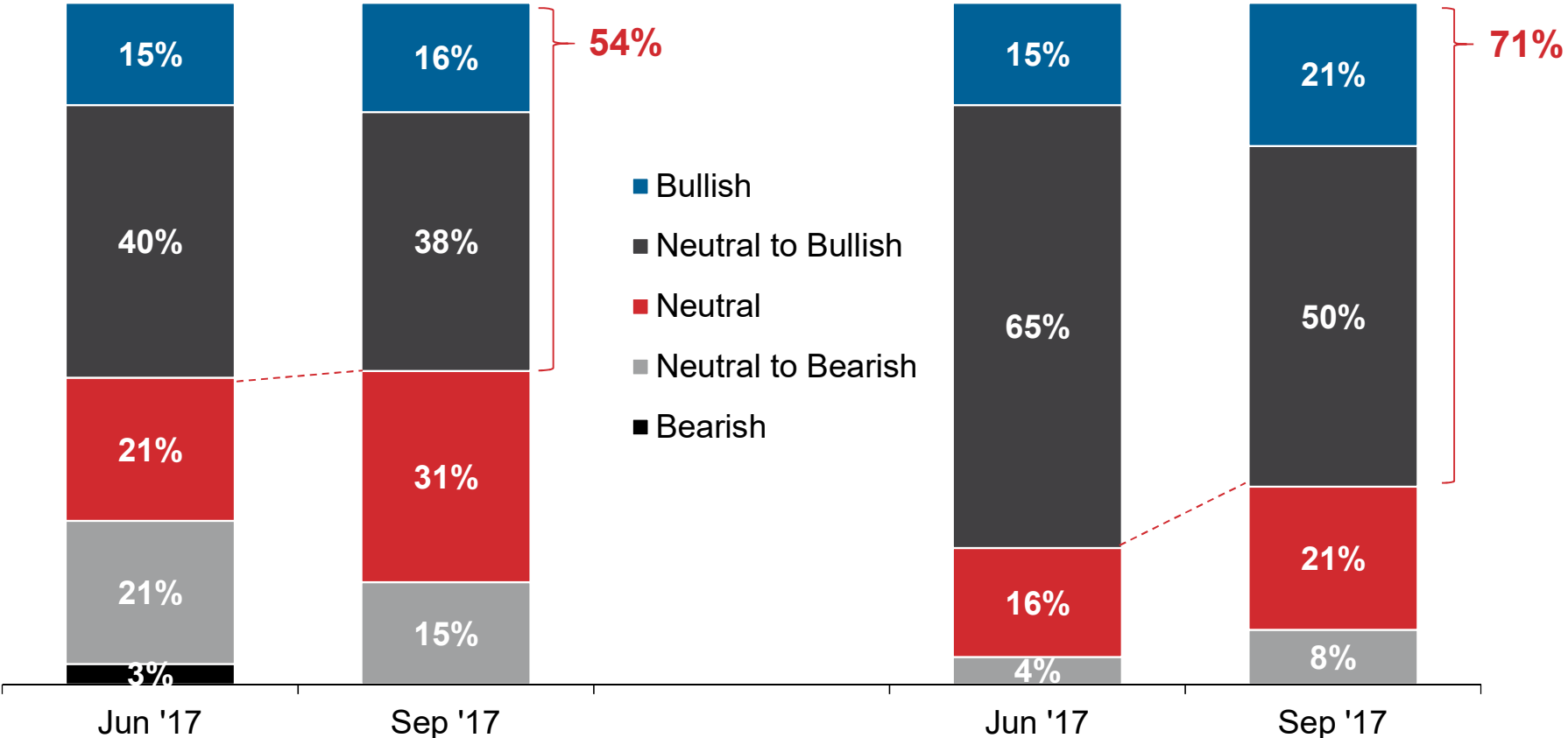
*“U.S. fiscal policy.”* **Sell Side, Generalist, Europe**



Positive Sentiment Continues While Diehard Bears Have Exited Stage Right; Shift to More Neutral View Driven by “Rich” Valuations

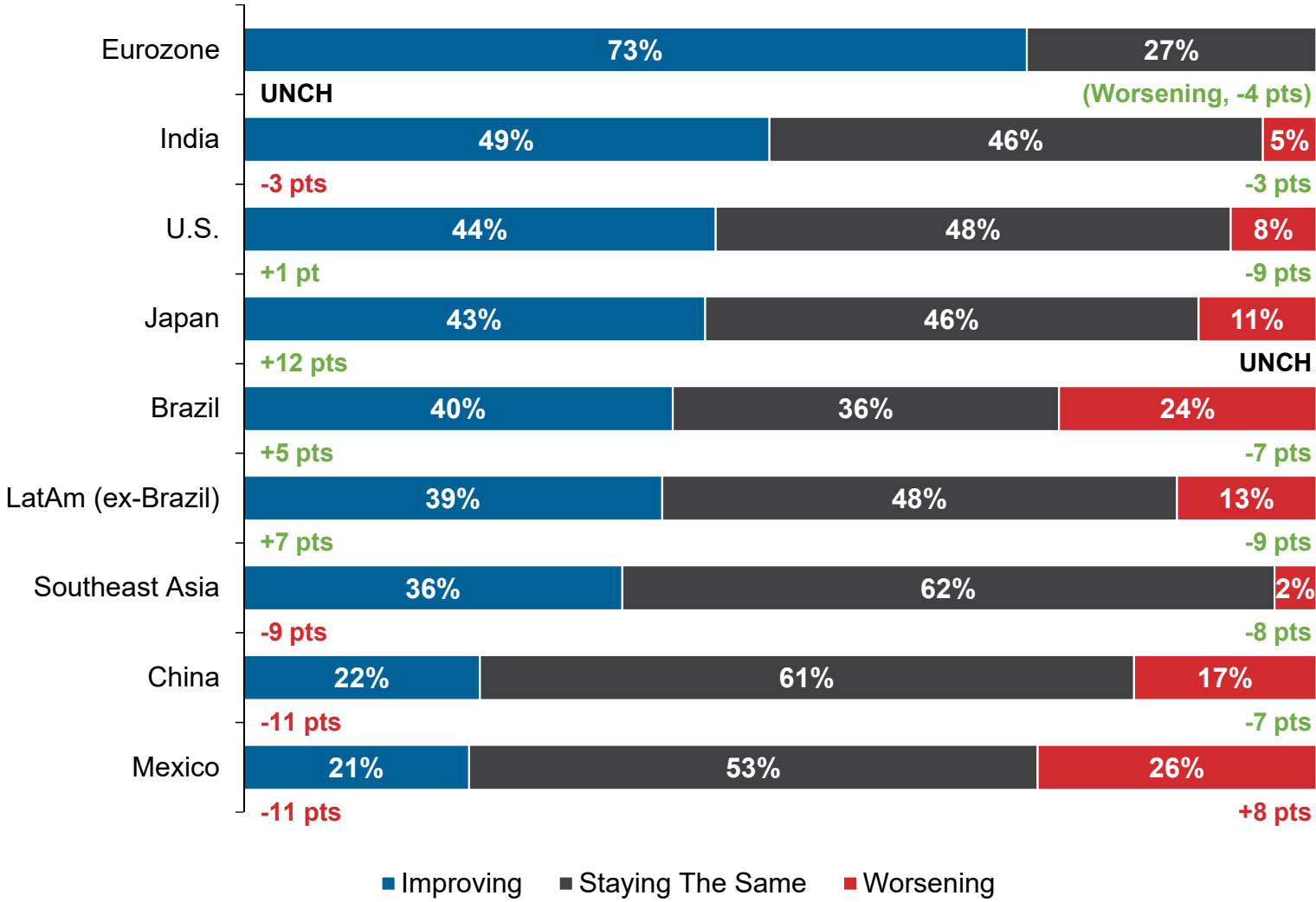
**Investor Sentiment**

**Management Tone**

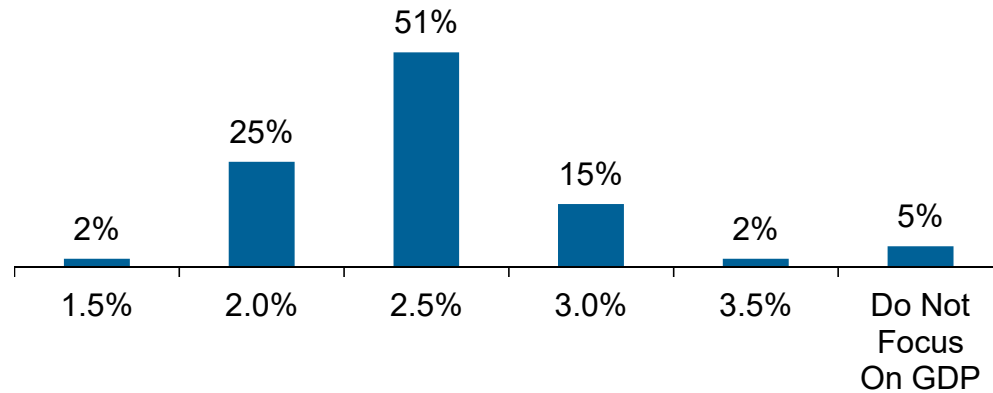


Views on Continued Strength Abound with Europe in the Lead; Japan Sees Largest Upside Move while China Outlook Remains Muted

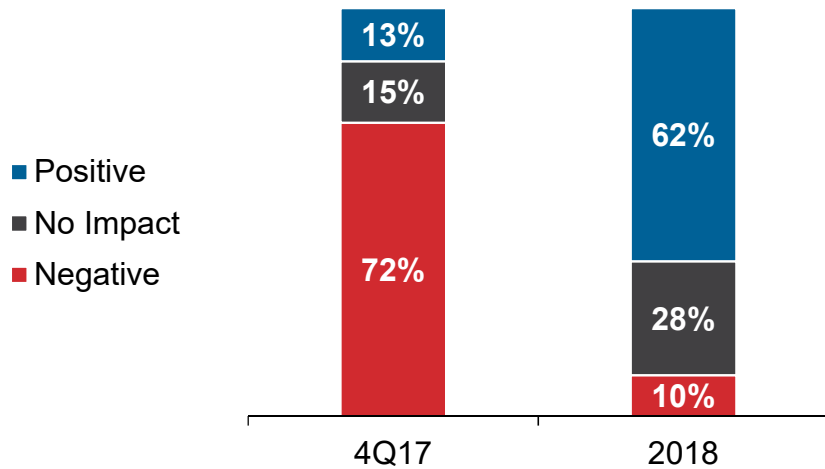
**Global Economy Expectations Over The Next Six Months**



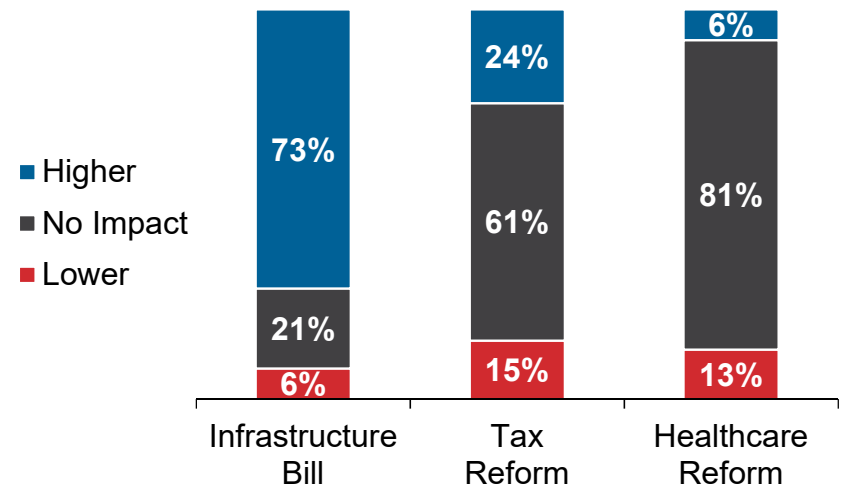
**Predictions for 2017 U.S. GDP Growth**



**Impact of Hurricanes Harvey & Irma on U.S. GDP**



**Probability of Passing due to Impact of Hurricanes Harvey & Irma**



### Bullish

*“Bullish comments by management supported by economic metrics.”* **Buy Side, Industrials, N. America**

*“There is a lot of caution around pro-growth policy and escalating North Korea tension.”* **Sell Side, Generalist, N. America**

---

### Neutral to Bullish

*“Seeing more positive things coming from corporate releases.”* **Buy Side, Generalist, N. America**

*“Global Financial Crisis in rearview mirror. The Fed will hopefully not make a policy error.”* **Buy Side, Generalist, N. America**

*“Credit improvement.”* **Sell Side, Financials, N. America**

*“U.S. fiscal policy.”* **Sell Side, Generalist, Europe**

*“Improving macro and margins, although valuations are high.”* **Sell Side, Financials, Europe**

*“Global trade and infrastructure spending.”* **Sell Side, Generalist, Asia**

### Neutral

*“High valuations.”* **Buy Side, Generalist, N. America**

*“Implied return at current levels.”* **Buy Side, Generalist, N. America**

*“Multiples are rich.”* **Buy Side, Generalist, N. America**

*“Hard to get much better.”* **Buy Side, Generalist, N. America**

---

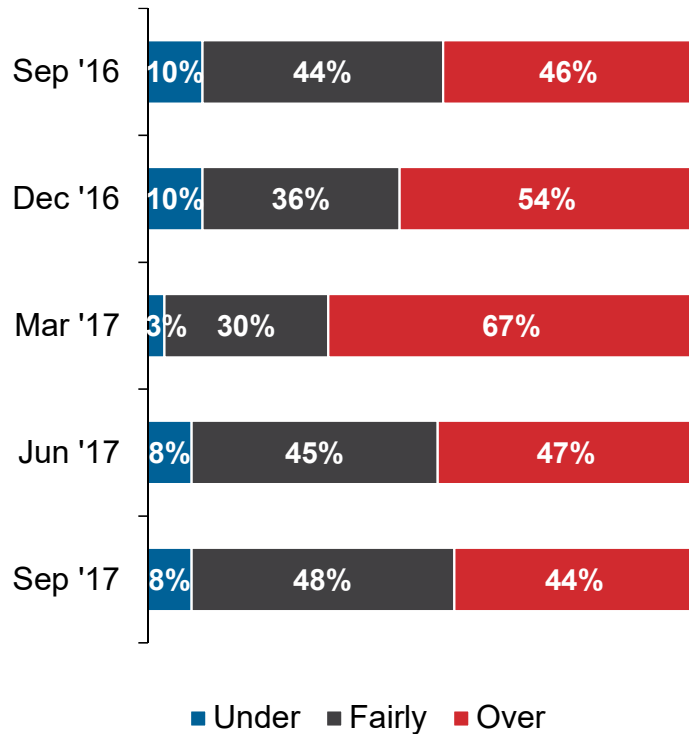
### Neutral to Bearish

*“Expensive valuations.”* **Buy Side, Generalist, N. America**

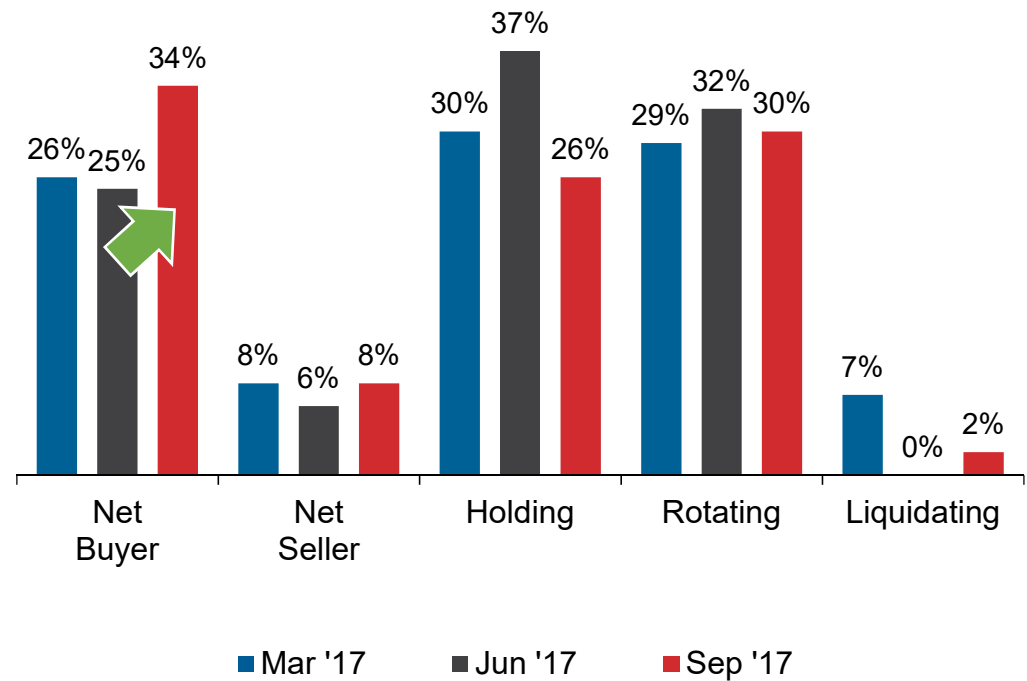
*“Late in the cycle, plus potential military issues that could disrupt or end the cycle.”* **Sell Side, Multi, N. America**

*“Caution about margins near term and geopolitical uncertainty.”* **Sell Side, Industrials, N. America**

### U.S. Equity Valuation Classification



### QoQ Investment Trends



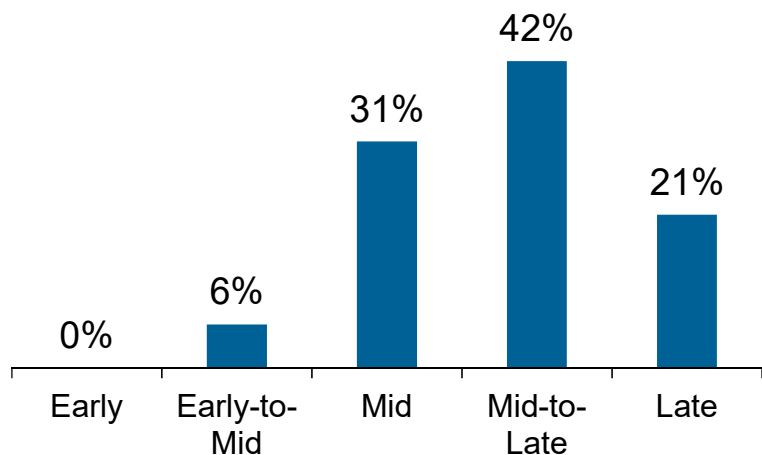
**46%** Expect Valuations to Expand in 2017

# Survey Says: Room to Run in Longest U.S. Recovery on Record; Persistently Low Interest Rate Environment is a Factor (But Going Up)

## Economic Cycle Views



### Early-to-Mid



*"We had a long down cycle that is starting to get positive momentum."*  
**Buy Side, Industrials, N. America**

*"Reduction of NPL level."* **Sell Side, Generalist, Europe**

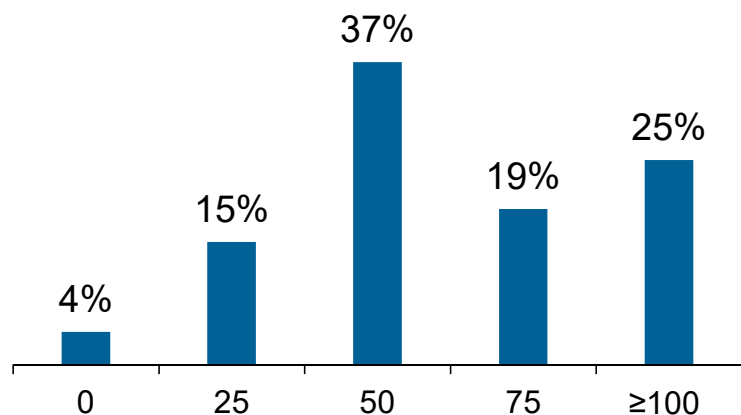
### Mid

*"No inflation and low interest rates persist."* **Buy Side, Generalist, N. America**

*"Wages are improving but not too high. Still room to raise employed base."*  
**Buy Side, Healthcare, N. America**

*"Macro recovery, capex cycle and central banks' monetary policy."* **Sell Side, Financials, Asia**

## Expected 2018 Rate Increase (bps)



### Mid-to-Late

*"Low unemployment rate, stocks go up every day."* **Buy Side, Generalist, N. America**

*"Judgement and Fed action."* **Buy Side, Generalist, N. America**

*"Tightening cycle for interest rates in Australia and E.U."* **Sell Side, Industrials, N. America**

### Late

*"Record high margins, worsening credit trends, 8+ years into recovery, interest rate tightening cycle."* **Buy Side, Generalist, N. America**

*"Signs of trouble, natural disasters, Toys 'R' Us bankruptcy, Congress still can't pass legislation."* **Sell Side, Telecommunications, Europe**

**92%** Believe the Fed Will Continue to Raise Interest Rates in 2018

1

Geopolitical concerns, with emphasis on escalating N. Korea tensions

2

U.S. government ineptitude

3

Interest rate hikes

## Out of N. America

*"1) Impacts of The Fed unwinding its balance sheet; 2) Geopolitical crises, particularly North Korea; 3) Upcoming debt ceiling fight."* **Buy Side, Generalist**

*"1) The continued inability of Congress to accomplish anything constructive, setting the U.S. back in its international standing; 2) The high cost of post-high school education discouraging many from future advancement and setting the U.S. behind in education compared to other countries; 3) The office of the President of the U.S. will lose respect domestically for future administrations and weaken its standing on the international stage for generations to come."* **Buy Side, Generalist**

*"1) Valuations are getting full, though not in every case; 2) De-globalization plus crazy people in charge all around the world makes for plenty of economic danger; 3) Washington D.C. is highly fragile."* **Buy Side, Generalist**

*"1) Geopolitical; 2) Monetary policy; 3) Inflation."* **Sell Side, Generalist**

*"1) Rate hike; 2) Healthcare; 3) Balance sheet missteps."* **Sell Side, Industrials**

*"1) Complacency; 2) Rising rates; 3) ETFs/passive."* **Sell Side, Industrials**

*"1) Geopolitical; 2) Terrorism; 3) Valuations."* **Sell Side, Healthcare**

## Out of Europe

*"1) Geopolitical issues; 2) Impact of strong Euro on Euro economies; 3) Credit cycle in the U.S."* **Buy Side, Generalist**

*"1) North Korea; 2) U.S. fiscal policy; 3) NAFTA."* **Sell Side, Generalist**

*"1) Increasing geopolitical tensions; 2) Trade war between U.S. and China; 3) Recession in the U.S. in 2018."* **Sell Side, Generalist**

*"1) North Korean war damaging South Korea; 2) Super hard Brexit; 3) Another blundered capital market deregulation in China."* **Sell Side, Multi**

*"1) Trump; 2) Congress; 3) Healthcare."* **Sell Side, Telecommunications**

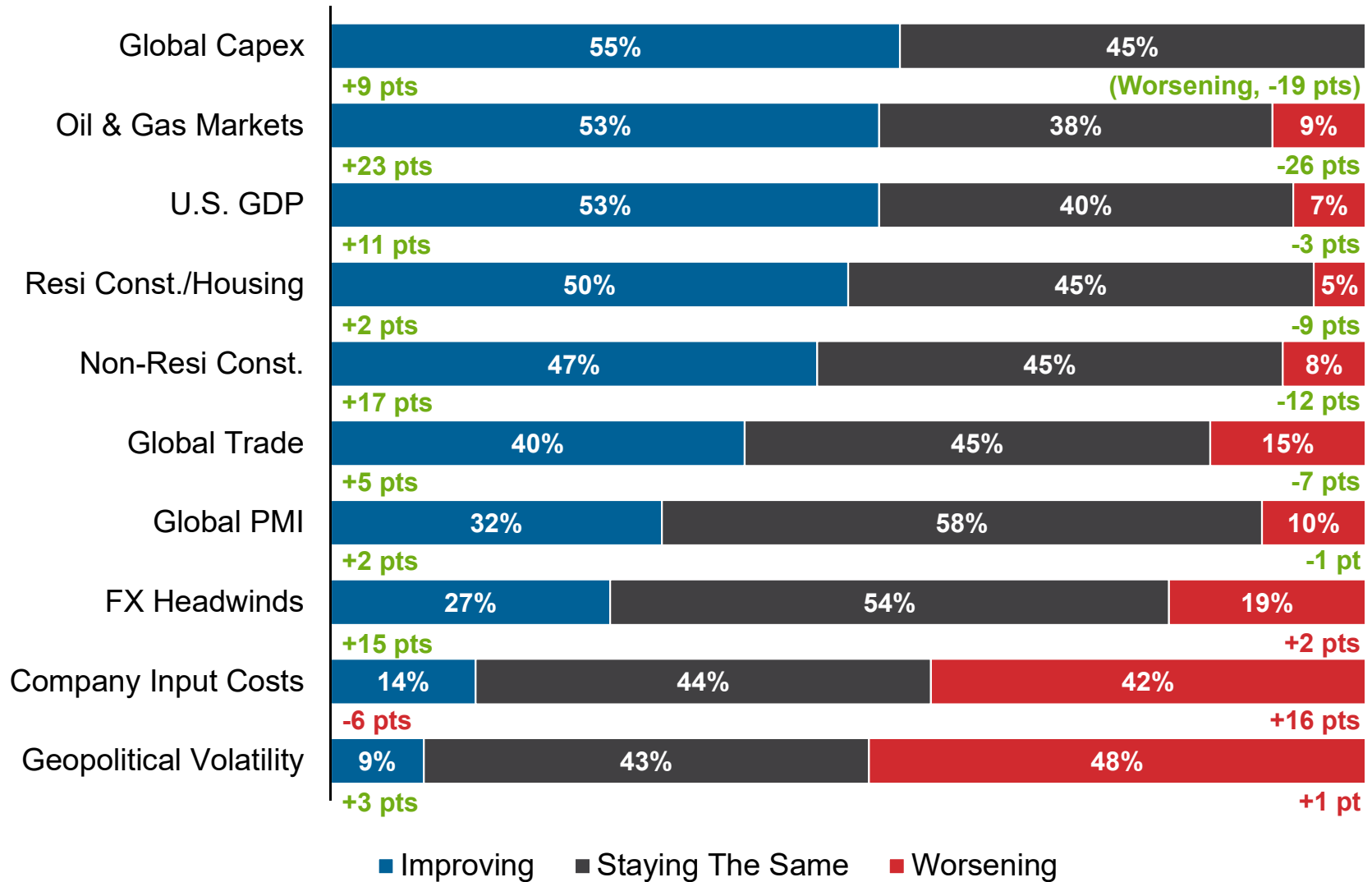
*"1) North Korea; 2) Trade wars; 3) Valuation."* **Sell Side, Financials**

## Out of Asia

*"1) Trump resigning and its impact on international equities."* **Buy Side, Generalist**

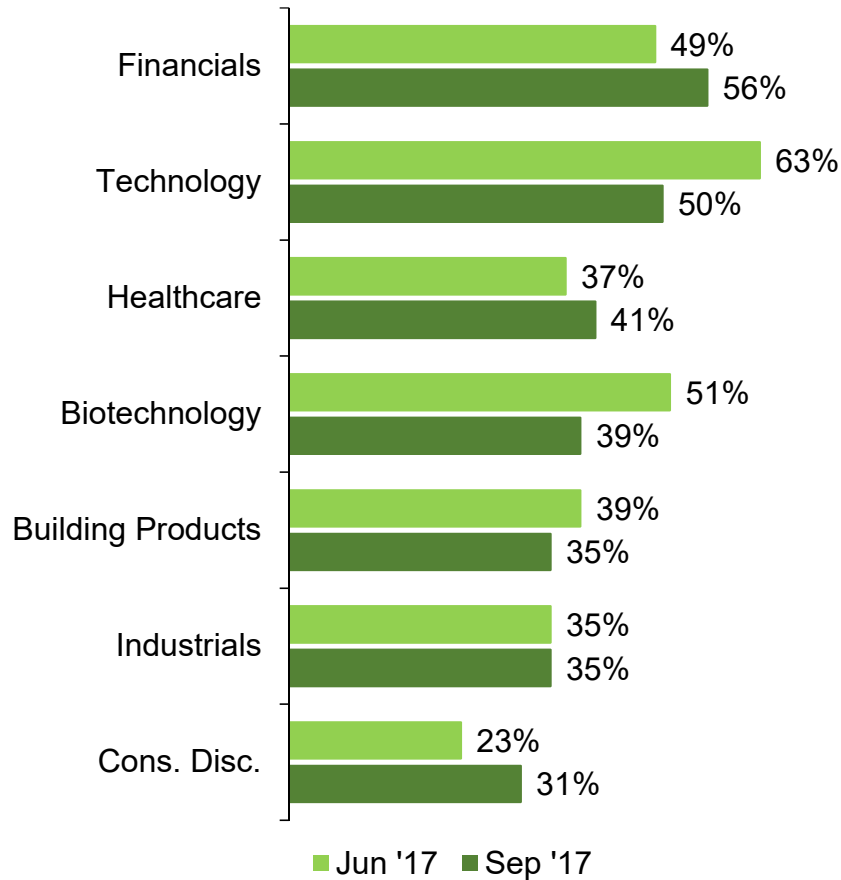
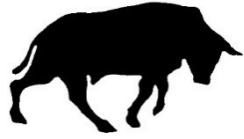
*"1) Monetary policy normalization in U.S. and Eurozone; 2) Geopolitical risks in East Asia and Middle East; 3) Painful economic reform in China."* **Sell Side, Multi**

**Expectations Over the Next Six Months**

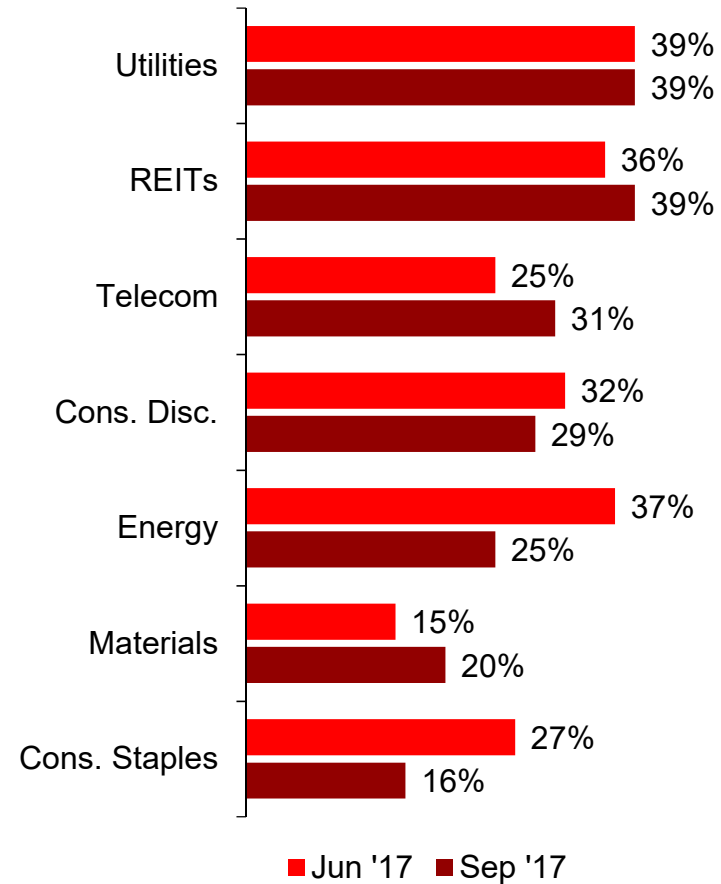




# Bullish Sentiment on Financials Leapfrogs Technology While Views on Consumer Purchasing Power Strengthens



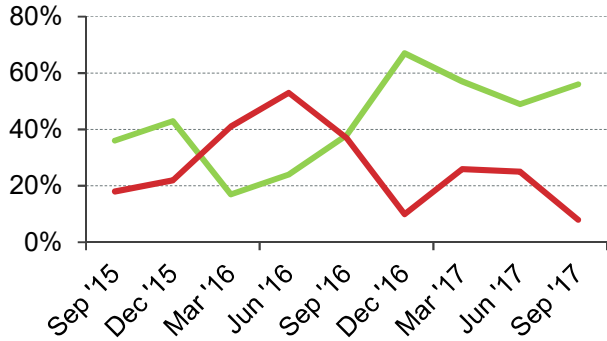
Financials Take Top Spot and See Lowest Level of Bearish Sentiment in Two Years; Consumer Discretionary Sentiment Sees Largest Uptick



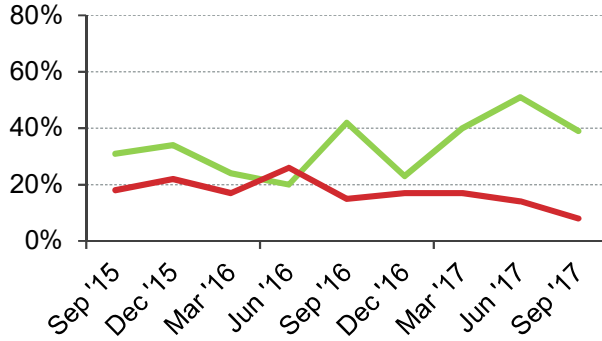
Negative Sentiment on Energy Thaws But Not Hot Yet While Low-Growth Utilities and REITs Continue to Garner Largest Share of Bears

# Notable Trends in Sector Sentiment over Two Years

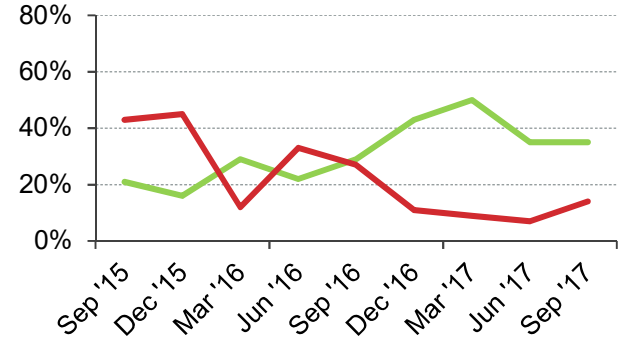
### Financials



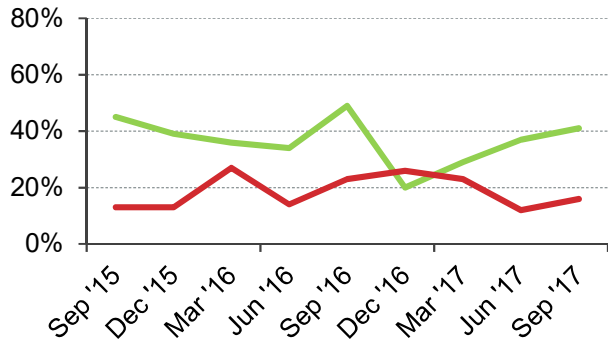
### Biotechnology



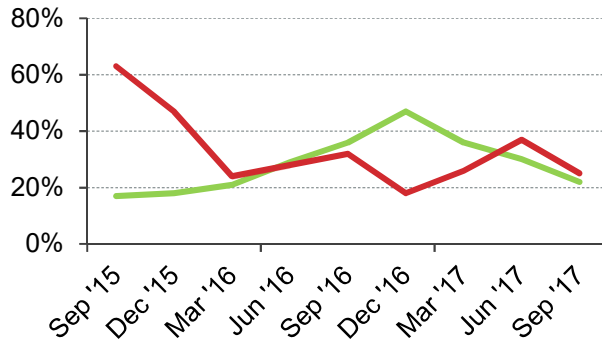
### Industrials



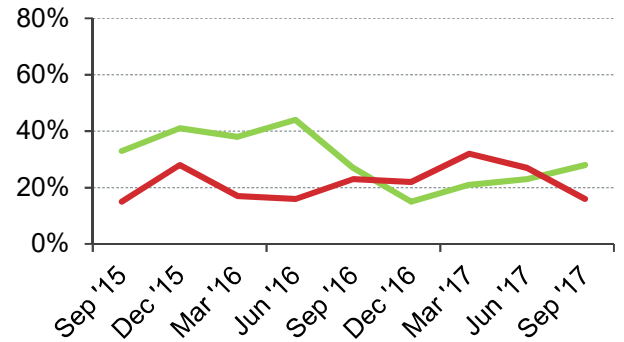
### Healthcare



### Energy



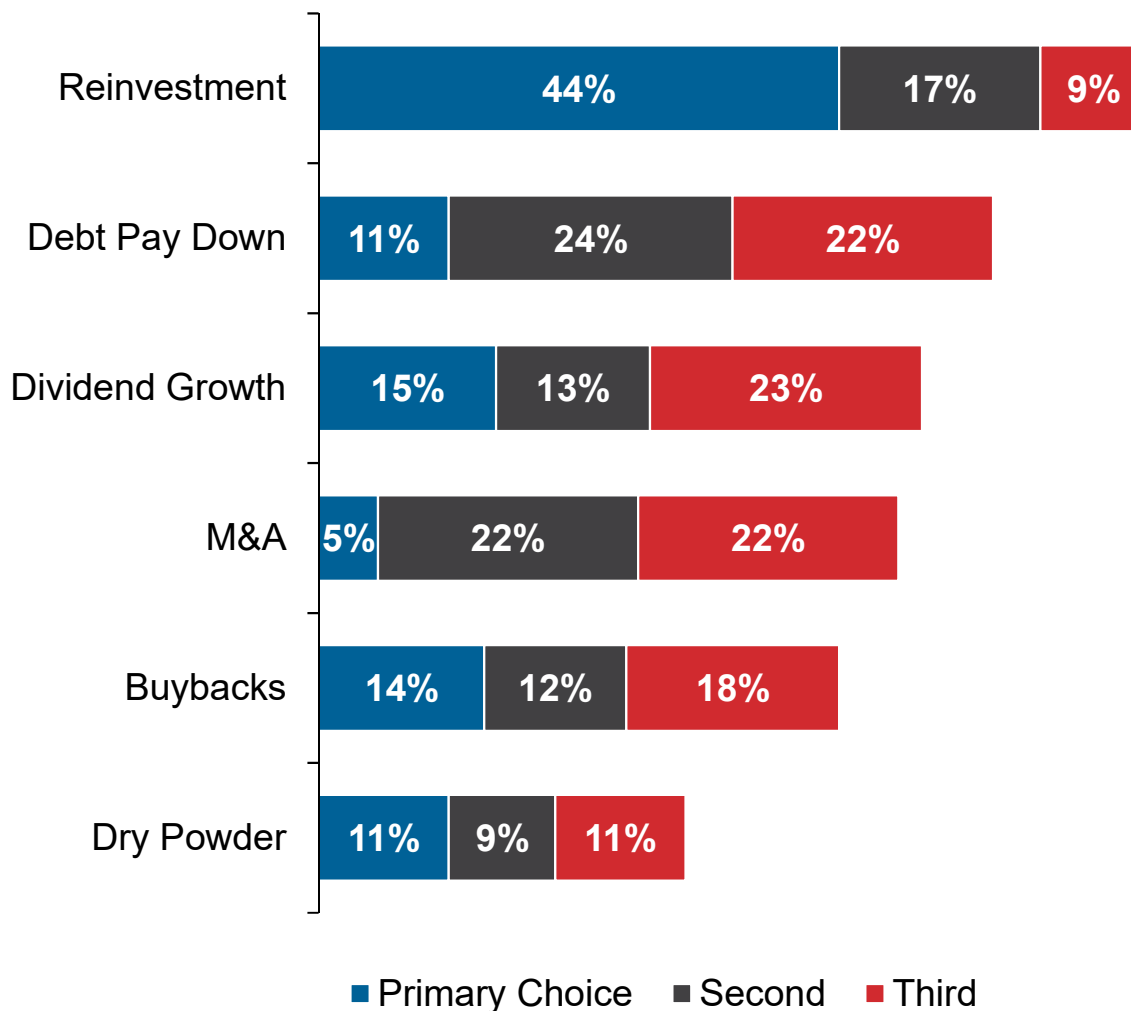
### Cons. Staples



■ Bulls ■ Bears

### Preferred Uses of Cash

*In Descending Order of Top Two Combined Preferences*



## Deep Experience. Deeply Committed.

<b>Founded</b>	<b>2007</b>
<b>Senior Experience</b>	<b>Combined 200+ Years</b>
<b>Location</b>	<b>Hartford, CT (U.S.)</b>
<b>Client Size</b>	<b>\$250M to \$150B+</b>

- Founded in 2007 by Rebecca Corbin
- Track record of value creation and committed to the highest quality standards and client satisfaction
- Extensive C-suite and board-level advisory experience
- Thought leaders: Leading-edge research on investor sentiment and best practices; quarterly surveys regularly featured on CNBC



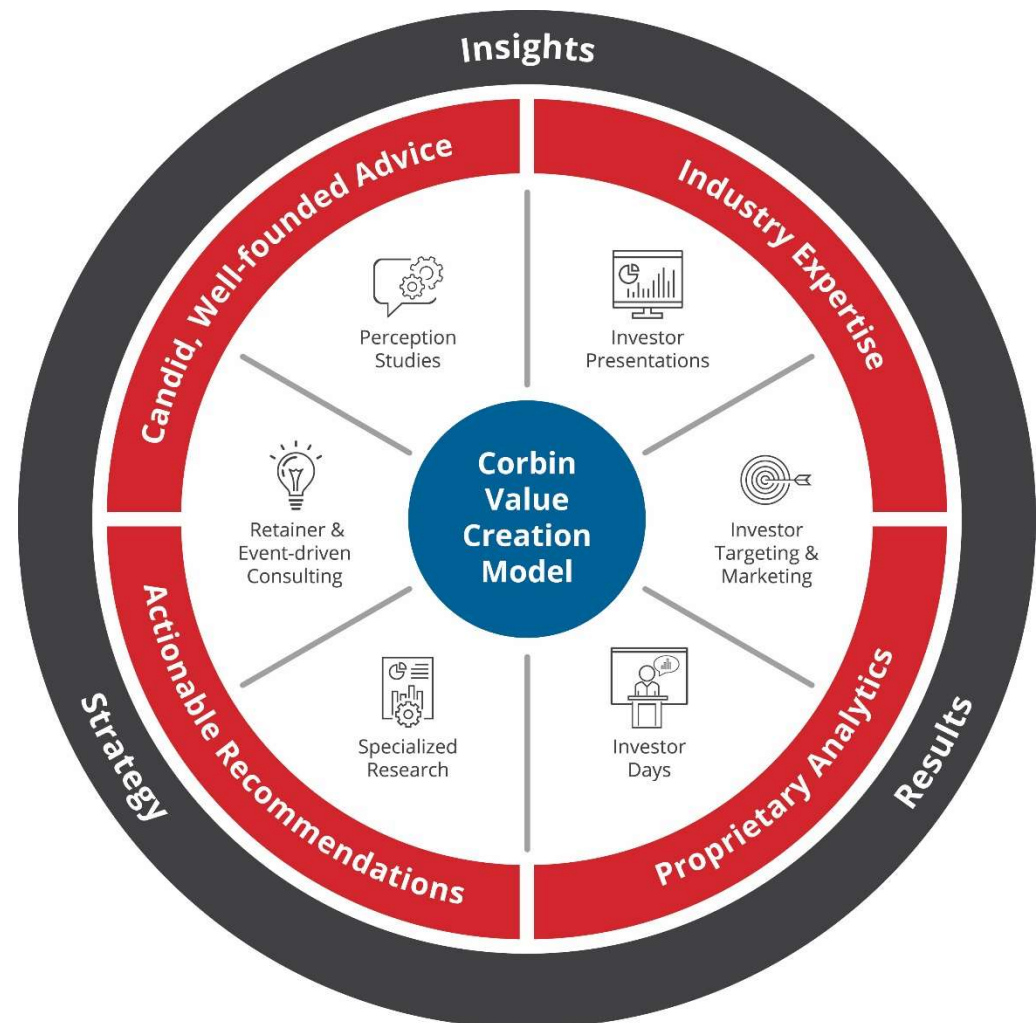
## Our Passion Is Creating Measurable Value

Our proprietary approach combines stakeholder research, investor engagement and communication strategies to unlock embedded value.

Leveraging deep experience across sectors, market-caps and various company situations, we engage with public companies on both high-level strategy and technical execution.

Our candid advice and actionable recommendations consistently result in measurable value creation.

If it's **Corbin**, it's **Actionable**.



Contact:  
Jeffrey Goldsmith  
[Jeffrey.Goldsmith@CorbinAdvisors.com](mailto:Jeffrey.Goldsmith@CorbinAdvisors.com)