

EARNINGS SCORECARD

Chief Investment Officer – Robert Carey, CFA

Recent volatility in world equity markets has certainly grabbed much attention causing many investors to question the health of the economy and, ultimately, prospects for corporate earnings. Lost amid all the breathtaking swoons and rallies last week is a surprisingly strong showing for those S&P 500 members weighing in on Q4 2007 earnings. So far, as of January 29, 2008, 211 members have reported results with nearly 65% beating consensus expectations. Amongst non-financials that figure rises to 73%.

So what about the rest of the S&P 500 yet to report? Over the last several years final quarterly results tend to track the first wave of reporting companies rather well and even slightly improve, a trend reasonably to be expected to play out once again. The overwhelming majority of negative

surprises have come from the financial sector where nearly half of all members have already reported. Notably, of our top three sectors right now (Information Technology, Industrials and Health Care) 82% are beating estimates.

Lastly, for the first time since last August, consensus estimates for the S&P 500 have started to trend upward according to Bloomberg (see below). If results continue to come in on balance ahead of expectations, more upward revisions can be expected and will help lift overall market averages after a rough start to the year.

Source: Bloomberg L.P.

S&P500 Valuation Graph
1/29/07 - 1/25/08

