

A background image showing the hands and arms of rowers in a boat, holding oars. The image is slightly blurred and has a dark overlay.

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

**2Q19 Earnings Primer**  
**Investor Sentiment Survey**

July 12, 2019

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.

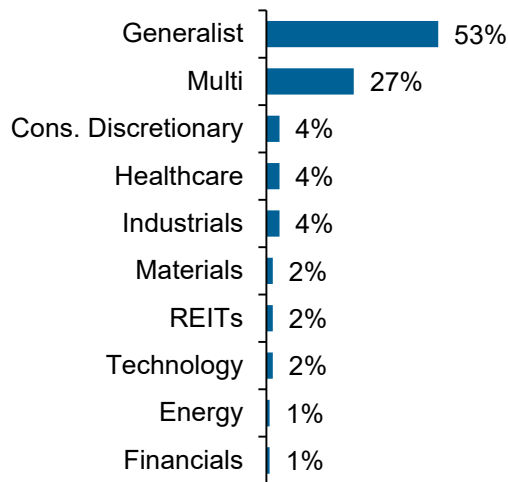
**Survey Scope:** 84 participants globally, comprising 64% buy side and 36% sell side; assets under management total ~\$2.3 trillion

**Survey Timeframe:** Jun. 14 – 28, 2019

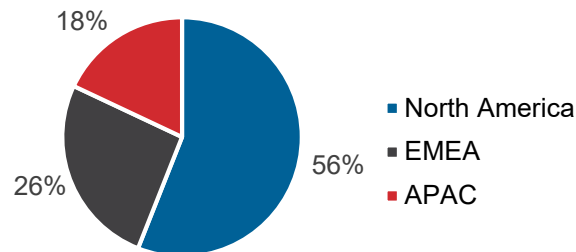
Market Performance		
	<u>2Q19</u>	<u>YTD</u> <sup>1</sup>
<b>DJIA</b>	2.6%	14.0%
<b>NASDAQ</b>	3.6%	20.7%
<b>S&amp;P 500</b>	3.8%	17.3%
<b>Russell 2000</b>	1.7%	16.2%

<sup>1</sup> As of 6'28'19

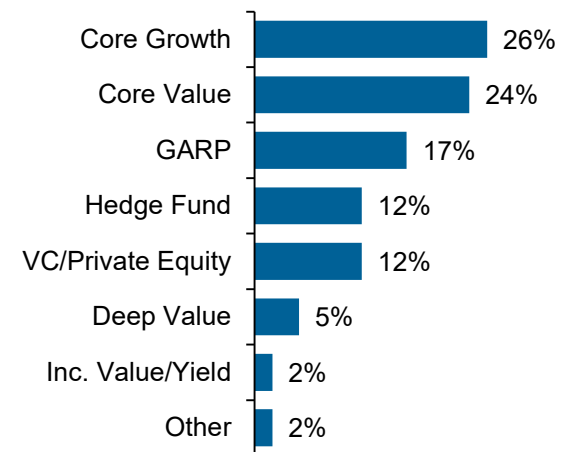
**By Type**



**By Region**



**By Investment Style**



## Investor Feedback Indicates Increasingly Cautious Sentiment, as a Gradual Economic Slowdown is Expected; Trade War Concerns Loom Large

1Q 2019

2Q 2019



**Key: Underlying Sentiment**

- Positive
- Neutral
- Negative

## #1 Survey Findings Indicate Increased Recognition of Slowing Growth but Pace of Slowdown is Expected to be Measured; Few Calling for a Recession in the Next 12 Months

- 41% expect earnings to *Decrease* sequentially and 43% believe earnings will be *Worse Than* consensus, the highest level registered since Dec. 2015
- All KPIs – Organic Growth, EPS, Margins and Cash Flow – are expected to *Stay the Same* or *Worsen* QoQ
- 62% note the U.S. economy is *Losing Steam*; still, 72% *Do Not* believe we will enter a recession in the next 12 months
- 78% anticipate 2019 U.S. GDP growth of  $\leq 2.5\%$ , in line with last quarter
- 80% note they are placing *More Emphasis* on balance sheet strength versus a year ago, up from 70% last quarter; debt paydown is cited as a *top* use of excess free cash by 52% of participants

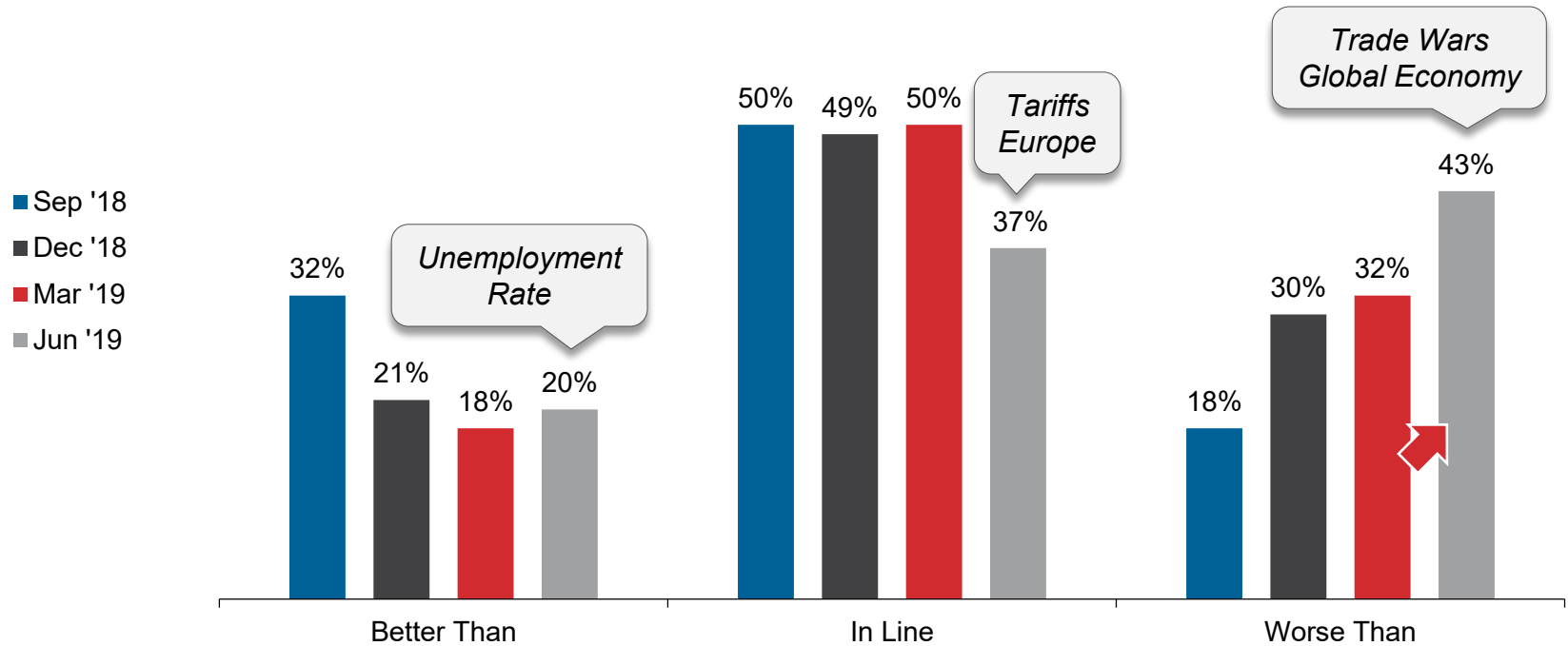
## #2 Sentiment More Cautious amid Slowdown and an Increase in Concerns Registered but Low Interest Rate Environment and Pockets of Strength Buoy Spirits

- *Neutral to Bearish* to *Bearish* investor sentiment jumped to 53% from 33% QoQ, while management tone is also described as more cautious
- Top *unaided* concerns center on trade wars, the political environment and a slowing economy; 65% express *High* concern with trade wars and 54% believe a favorable resolution to the U.S./China trade dispute over the next six months is only *Somewhat* likely
- Views that China and Europe are slowing are more prevalent QoQ, while nearly half expect Global Capex and PMI to *Worsen* over the next 6 months; global investors and analysts remain downbeat on Auto and Semi
- The low interest rate environment remains a bright spot and largely priced into the market; survey participants anticipate one to two more cuts, as 69% expect the Fed Funds Rate will be 2.0% - 2.25% at year-end
- While concerns over Industrial production mount, Technology and Healthcare register the highest levels of bullish sentiment and the consumer is still seen as going strong

## #3 Despite Recent Record Highs, Equities Considered Fairly Valued

- 56% describe U.S. equities as *Fairly Valued*, an increase from 51% last quarter; more value seen in Europe and Asia equities despite greater concerns around slowdown in those regions
- While 58% report *Holding* or *Rotating* QoQ, *Net Buyers* have steadily increased over the past two quarters

### Expectations Regarding 2Q19 Earnings Performance vs. Consensus



**43%** Buy-side Respondents Expecting Earnings to be *Worse Than* Consensus vs. 32% Last Quarter

**41%** Expect Earnings to *Decrease* Sequentially vs. 50% Last Quarter

## Better Than – 20%

*“Interest rates down, minimal unemployment, no government shutdown.”* **Buy Side, Generalist, N. America**

*“Consumer and employment.”* **Buy Side, Generalist, N. America**

*“Timing and seasonality.”* **Sell Side, REIT, N. America**

## In Line – 37%

*“Steady economic environment, negative sentiment driven by tariff noise.”* **Buy Side, Generalist, N. America**

*“Corporate America keeps defying pessimistic predictions in the press.”* **Buy Side, Generalist, N. America**

*“European and Chinese slowdown.”* **Buy Side, Generalist, N. America**

*“1Q19 was soft and the lack of drivers leaves little room for upside.”* **Buy Side, Generalist, N. America**

*“Unclear picture, optimism/pessimism keep balance.”* **Buy Side, Generalist, N. America**

*“Similar to Q1 but falling behind plan for the year.”* **Buy Side, Multi, N. America**

*“Negative read on tariffs.”* **Buy Side, Multi, N. America**

*“Not a recession yet.”* **Buy Side, Financials, Europe**

*“Lack of solid recovery in China, weakening conditions in the U.S. and Europe, excess supply chain inventories.”* **Sell Side, Multi, N. America**

## Worse Than – 43%

*“Trade war and weather.”* **Buy Side, Generalist, N. America**

*“Trade.”* **Buy Side, Generalist, N. America**

*“Slowing top-line growth and margin pressure.”* **Buy Side, Generalist, N. America**

*“Economic numbers are declining around the world.”* **Buy Side, Multi, N. America**

*“Fuel prices.”* **Buy Side, Multi, Asia**

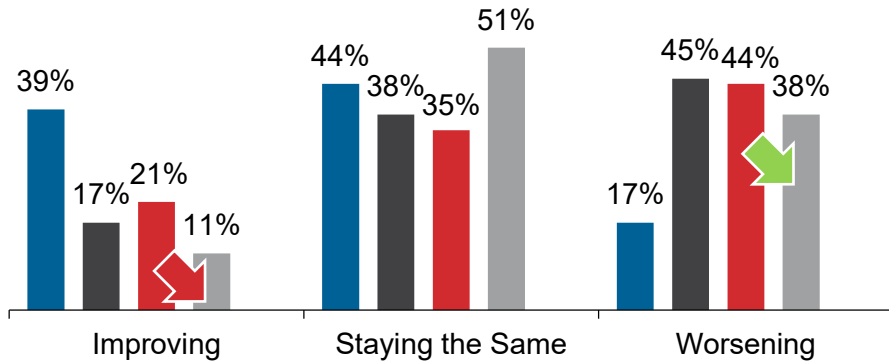
*“Weaker export and investment.”* **Sell Side, Multi, Asia**

*“With the onset of monsoon, economic activities get adversely affected.”* **Sell Side, Multi, Asia**

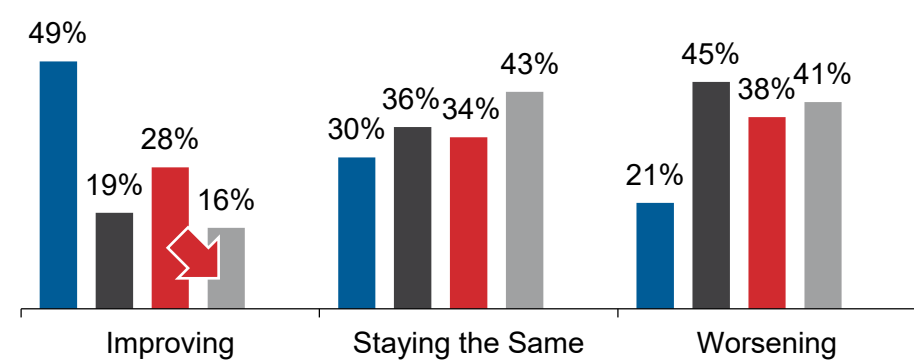
*“Consumer data.”* **Sell Side, Consumer Discretionary, Europe**

### KPI Trends – Expectations

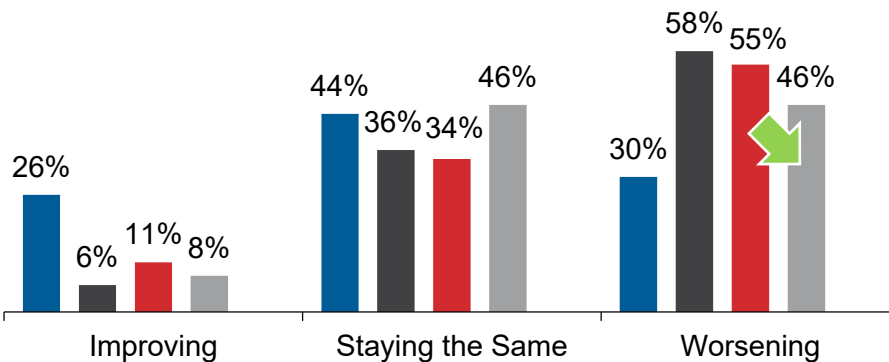
#### Organic Growth



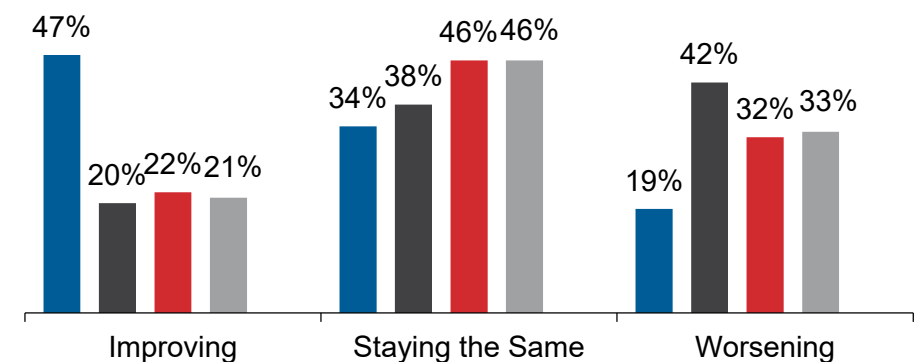
#### EPS



#### Operating Margins



#### Cash Flow



■ Sep '18   ■ Dec '18   ■ Mar '19   ■ Jun '19



**1** Growth outlook, demand trends

**2** Trade war impact

**3** Efforts to position company for a slowdown, including capex levels

## Out of N. America

*“Capex.”* **Buy Side, Generalist**

*“Business activity levels given weak freight data, slowing global PMIs, 2H outlook vs. prior guidance.”* **Buy Side, Generalist**

*“Signal on China demand and logistics planning.”* **Buy Side, Generalist**

*“China trade impacts, interest rate sensitivity, cash deployment.”* **Buy Side, Generalist**

*“Ability/speed to accelerate or decelerate spending depending on demand outlook changes.”* **Buy Side, Generalist**

*“How they’re positioned for economic slowdown.”* **Buy Side, Generalist**

*“Innovation and demand for their product or service going forward.”* **Buy Side, Generalist**

*“What companies’ prospects are in the next six months.”* **Buy Side, Generalist**

*“Standardized operations.”* **Buy Side, Multi**

*“Growth, destocking, decremental plans.”* **Sell Side, Multi**

*“How they are getting stronger.”* **Sell Side, Multi**

## Out of Europe

*“Impact of trade war.”* **Buy Side, Financials**

*“Margins.”* **Buy Side, Multi**

*“Inflation.”* **Sell Side, Generalist**

*“Stable earnings attitude.”* **Sell Side, Generalist**

## Out of Asia

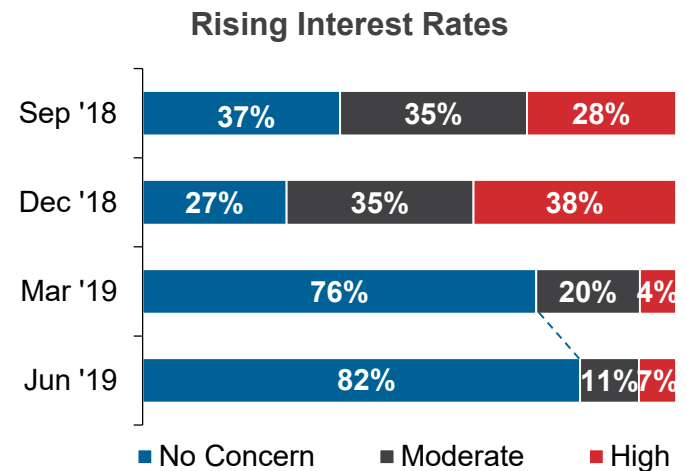
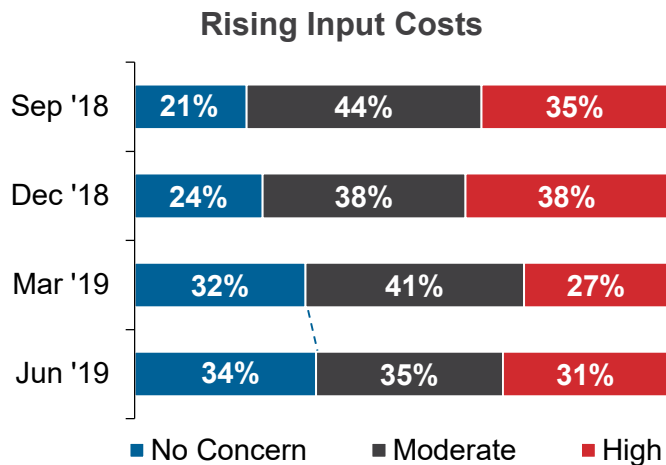
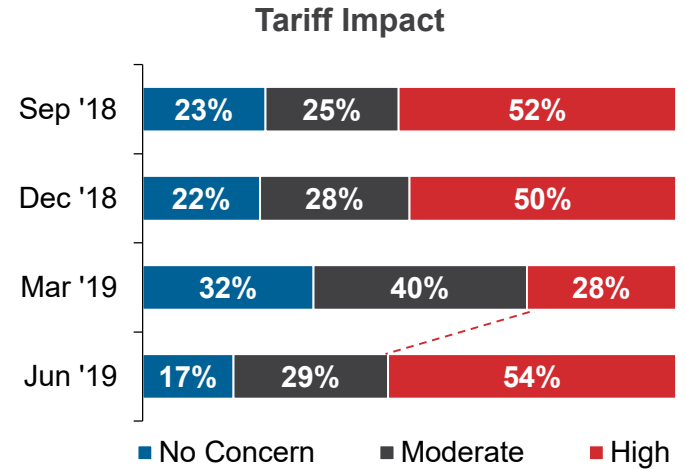
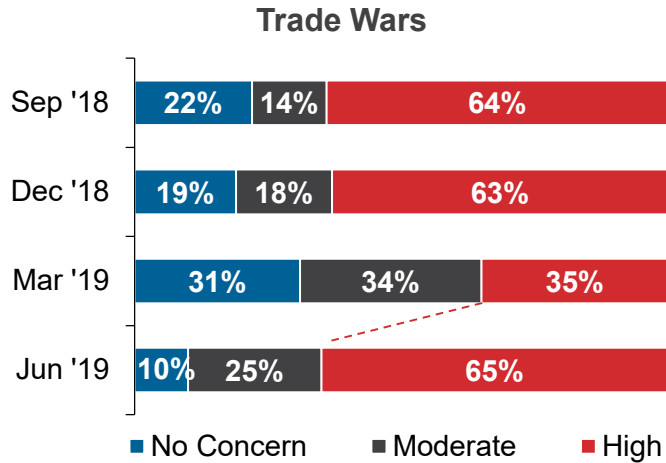
*“Economic impact.”* **Sell Side, Generalist**

*“Trade war.”* **Sell Side, Multi**

*“Easing out of liquidity, amicable Brexit and resolving of the trade conflict.”* **Sell Side, Multi**



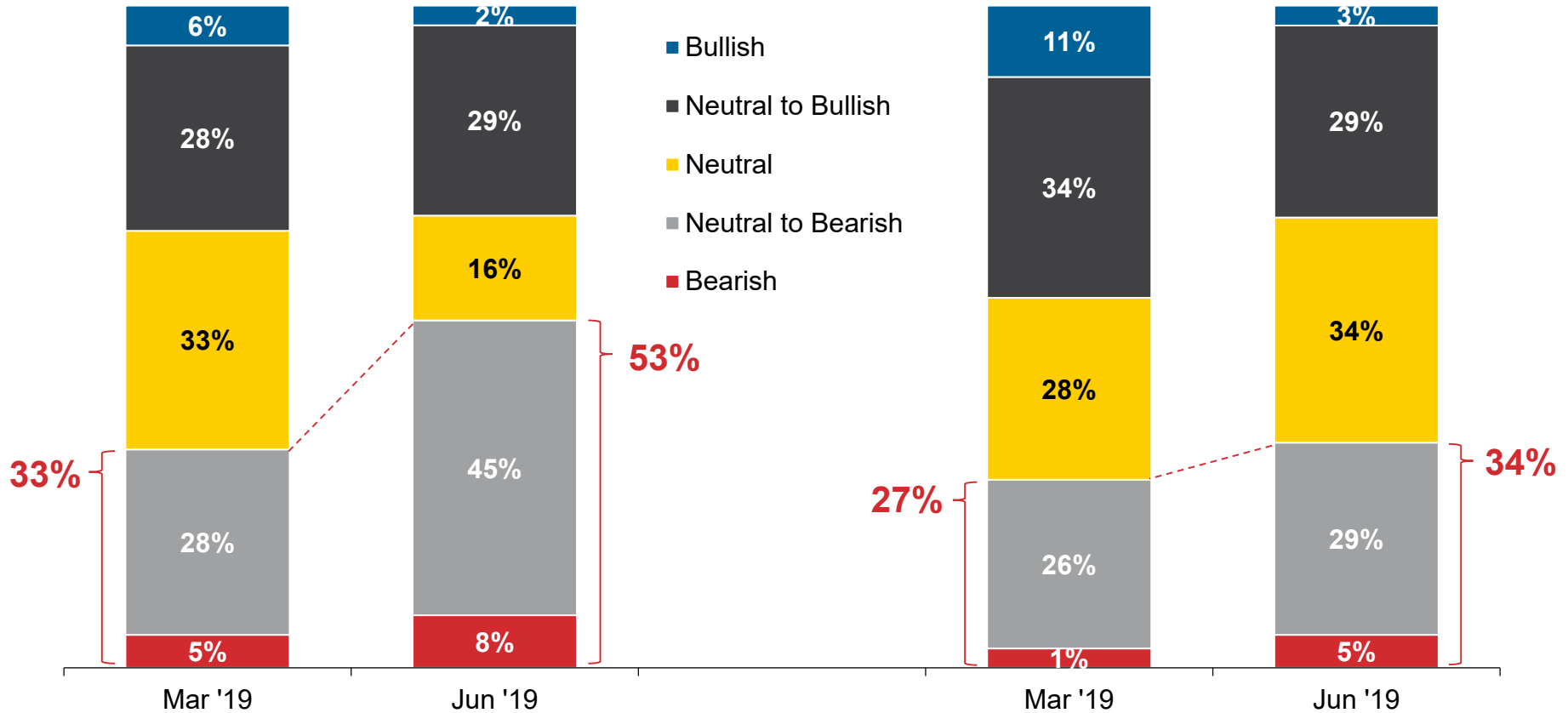
### Concern Levels



Downbeat Investor Sentiment Registers at the Highest Level Since Sep. 2015, as Management Tone Heard as Slightly More Cautious

Investor Sentiment

Management Tone



## Neutral to Bullish – 29%

*“We are starting to see concerns based on the current economic cycle.”* **Buy Side, Generalist, N. America**

*“Tariffs.”* **Buy Side, Generalist, N. America**

*“I think there will be a China-U.S. trade deal and rate increases are off the table for now.”* **Buy Side, Generalist, N. America**

*“There is room for surprises.”* **Buy Side, Generalist, N. America**

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## Neutral – 16%

*“Fed and trade.”* **Buy Side, Generalist, N. America**

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## Neutral to Bearish – 45%

*“Trade/tariff uncertainty in light of the Mexico threats make me cautious.”* **Buy Side, Generalist, N. America**

*“Geopolitical tail risks combined with stretched fundamentals.”* **Buy Side, Generalist, N. America**

*“Expected re-acceleration has not materialized at the halfway point in the year. Very difficult binary trade war scenarios. Better to play it safe.”* **Buy Side, Generalist, N. America**

*“Valuations and potential recession within 18 months.”* **Buy Side, Generalist, N. America**

*“The slowing down of the global economy.”* **Buy Side, Financials, Europe**

*“Unemployment is too low, leading to wage inflation, trucking is hard to find, trade issues have not flowed through to financial statements but they are coming, the economy is very susceptible to an external event right now.”* **Buy Side, Multi, N. America**

*“U.S.-China trade war.”* **Sell Side, Multi, Asia**

*“The lingering trade war is towards dampening business sentiment.”* **Sell Side, Multi, Asia**

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## Bearish – 8%

*“Geopolitical issues, President, widening U.S. deficit despite high employment rate, use of tariffs – these were dismissed as ridiculous years ago. Potential for armed conflict in Middle East (i.e., U.S. and Iran).”* **Buy Side, Multi, N. America**

1	Trade conflict	↑	4	Monetary policy	↓	7	Oil prices	↑
2	Political environment	↑	5	Middle East	↑	8	Valuation	↓
3	Slowing economy	↑	6	China	↑	9	Capex	↑

### Out of N. America

*“Escalating trade tensions, global capex, labor, inflation.”*  
**Buy Side, Generalist**

*“Trade as a non-economic policy tool, greater than anticipated slowdown in China, unpredictability of Trump.”*  
**Buy Side, Generalist**

*“Slowing growth, tougher comps, the cycle.”*  
**Buy Side, Generalist**

*“U.S. war with China, U.S. war with Iran, Israel/Iran War.”*  
**Buy Side, Generalist**

*“Valuations, economy, exogenous shocks.”*  
**Buy Side, Generalist**

*“Trade disputes, dollar too strong, Brexit.”*  
**Buy Side, Generalist**

*“U.S. politics, global politics.”*  
**Buy Side, Generalist**

*“Trade wars, Brexit, recession.”*  
**Sell Side, Multi**

*“Growth, rates, sentiment.”*  
**Sell Side, Multi**

### Out of Europe

*“Global slowdown, Brexit, Auto sector.”*  
**Buy Side, Generalist**

*“Macro, inflation, interest.”*  
**Buy Side, Generalist**

*“Trade wars.”*  
**Buy Side, Generalist**

*“Trade war, too much debt, Italy.”*  
**Buy Side, Financials**

*“Trade conflict, Europe weak economic growth, too positive outlook on low interest rates.”*  
**Buy Side, Multi**

*“Trade war, capex.”*  
**Buy Side, Multi**

*“Politics, politics, politics.”*  
**Sell Side, Generalist**

### Out of Asia

*“Trade war, abnormality of weather, fuel prices.”*  
**Buy Side, Multi**

*“Trade war, lower oil price & deflation, weak EU economy.”*  
**Sell Side, Multi**

## Most Optimistic Areas of Equity Investments/Macro Landscape

*(unaided)*

**1** Technology (SaaS, AI, 5G)

*“Employment, consumer confidence and low inflation.”* **Buy Side, Generalist, N. America**

*“Fed will lower rates, still no credible alternatives to equities.”* **Buy Side, Generalist, N. America**

*“Consumer Discretionary will continue to grow, pushed by low unemployment rate and increase in wages.”* **Buy Side, Generalist, N. America**

*“Tech, falling rates.”* **Buy Side, Generalist, N. America**

**2** Lower interest rates

*“Technology.”* **Buy Side, Multi, N. America**

*“SaaS software spending, Healthcare.”* **Buy Side, Multi, N. America**

**3** Employment

*“Technology, Healthcare and Consumer.”* **Buy Side, Multi, N. America**

*“Overall U.S. economic health.”* **Buy Side, Multi, N. America**

**4** Consumer confidence

*“Low interest rates.”* **Buy Side, Multi, Europe**

*“Strong labor market.”* **Sell Side, Generalist, Asia**

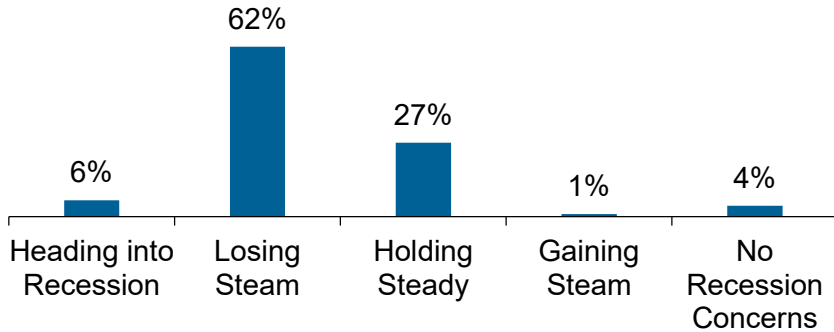
**5** Healthcare

*“Reversion to mean in undervalued Industrials, which have been left behind in the recent run.”* **Sell Side, Generalist, Australia**

*“Combinations of fiscal and monetary stimulus have been taken by the major economies to positively drive business sentiment and thereby equity as an investment tool.”* **Sell Side, Multi, Asia**

*“5G, SaaS, life science and AI.”* **Sell Side, IT, N. America**

**Views on the Economy Following 1Q19 Earnings**



**Areas of Economic Slowdown**  
*(unaided)*

**Regions**

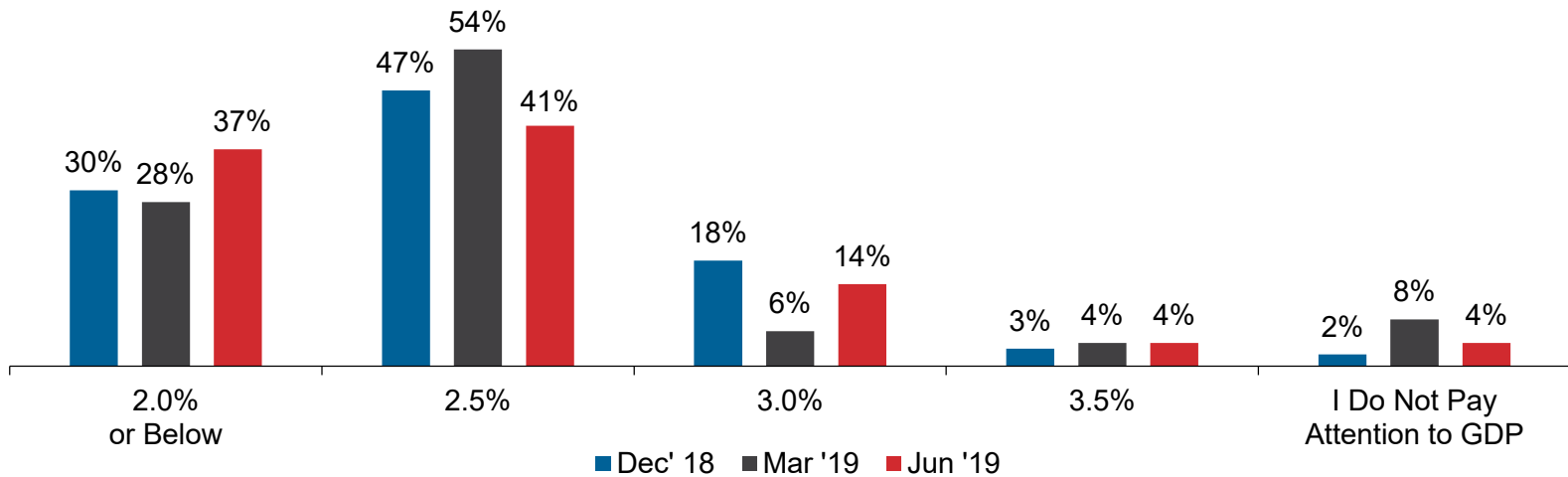
- **60%** | Europe
- **33%** | China
- **31%** | U.S.
- **10%** | Asia

**End Markets**

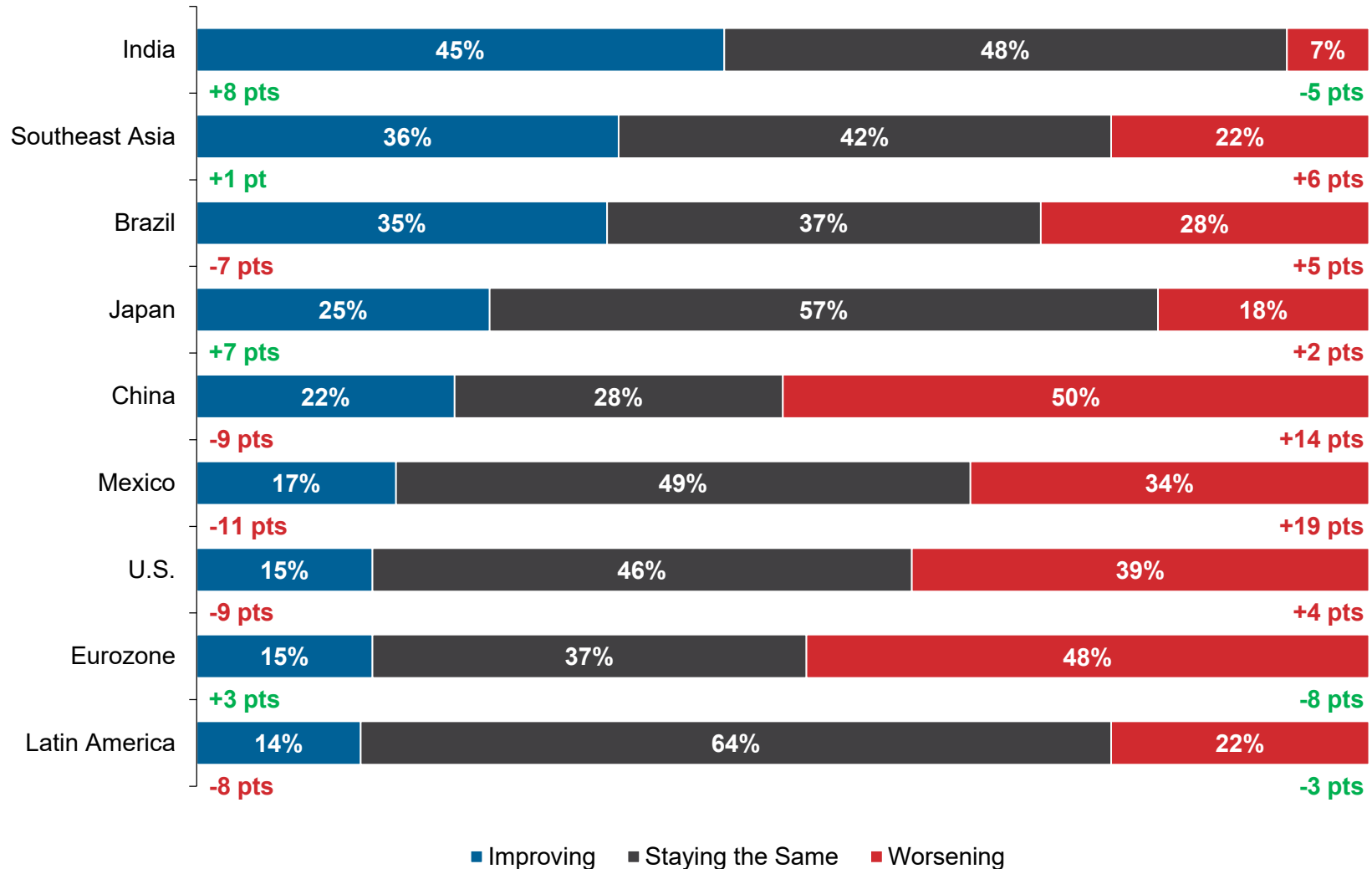
- **29%** | Auto
- **21%** | Industrial
- **18%** | Semi
- **11%** | Construction

**72%** Do Not Believe We Will Enter a Recession in the Next 12 Months

**2019 U.S. GDP Prediction**



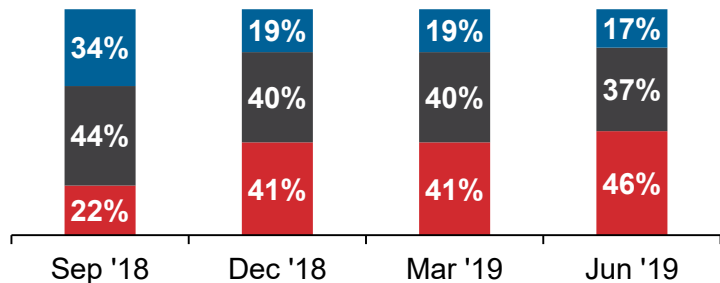
### Global Economy Expectations over the Next Six Months





■ Improving ■ Staying the Same ■ Worsening

### Global Capex



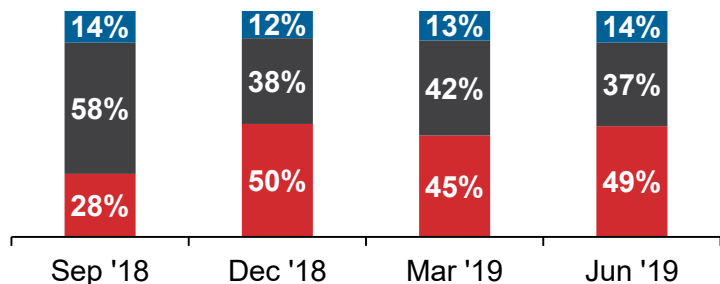
*“Improving: Assuming trade conflict eases.” Buy Side, Generalist, N. America*

*“Staying the Same: Until the Trump administration signals its satisfaction with trade deals, the rest of the world is uneasy.” Buy Side, Generalist, N. America*

*“Worsening: Trade uncertainty.” Buy Side, Generalist, N. America*

*“Worsening: Trade war.” Sell Side, Multi, Asia*

### Global PMI

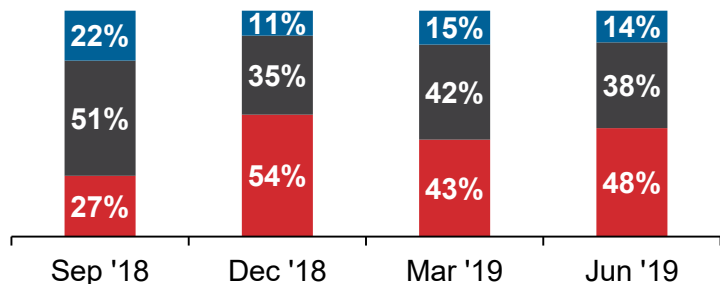


*“Staying the Same: The lack of demand and efficiencies in commodity extraction leaves no room for price increases.” Buy Side, Generalist, N. America*

*“Worsening: China softening, trade war.” Buy Side, Generalist, N. America*

*“Worsening: Already bad in most countries.” Buy Side, Multi, N. America*

### Consumer Confidence



*“Staying the Same: Should be fine until the labor market worsens.” Buy Side, Generalist, N. America*

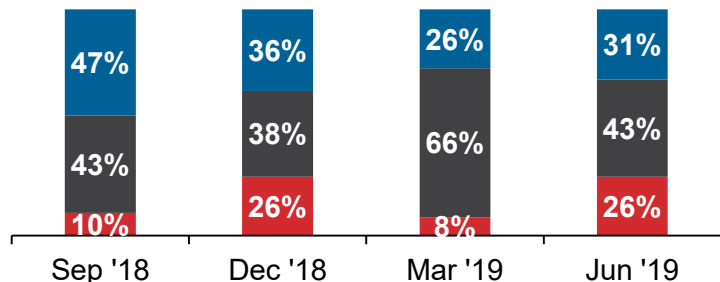
*“Staying the Same: Sentiment and Central bank stimulus will balance each other.” Buy Side, Generalist, N. America*

*“Worsening: Prices will increase from tariff impact.” Buy Side, Generalist, N. America*

*“Worsening: Will follow market and economy.” Buy Side, Multi, N. America*

■ Improving ■ Staying the Same ■ Worsening

### Oil & Gas Markets



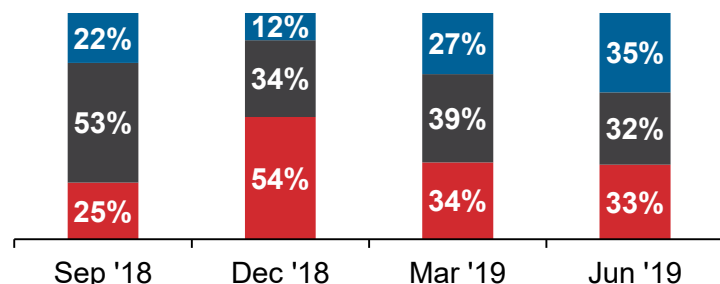
*“Improving: Middle East tensions should help oil prices.”* Buy Side, Generalist, N. America

*“Improving: Assuming trade conflict eases.”* Buy Side, Generalist, N. America

*“Staying the Same: U.S. production offsetting Middle East concerns.”* Buy Side, Generalist, N. America

*“Staying the Same: There is oversupply regardless of political concerns.”* Buy Side, Generalist, N. America

### Resi Construction



*“Improving: Low rates.”* Buy Side, Generalist, N. America

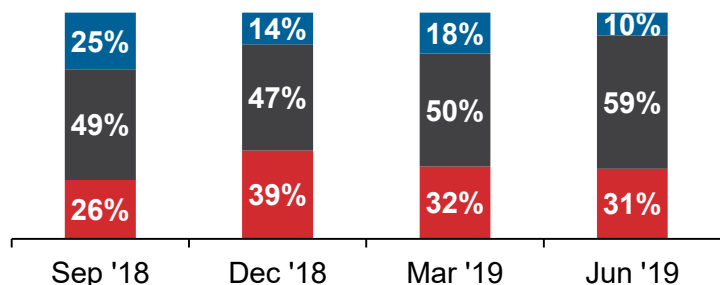
*“Improving: Macro need for millennial housing is building, interest rates lowering.”* Buy Side, Generalist, N. America

*“Improving: Lower rates may drive home demand.”* Buy Side, Generalist, N. America

*“Worsening: Things are already slowing.”* Buy Side, Multi, N. America

*“Worsening: Tight mortgage measures.”* Sell Side, Multi, Asia

### Non-Resi Construction



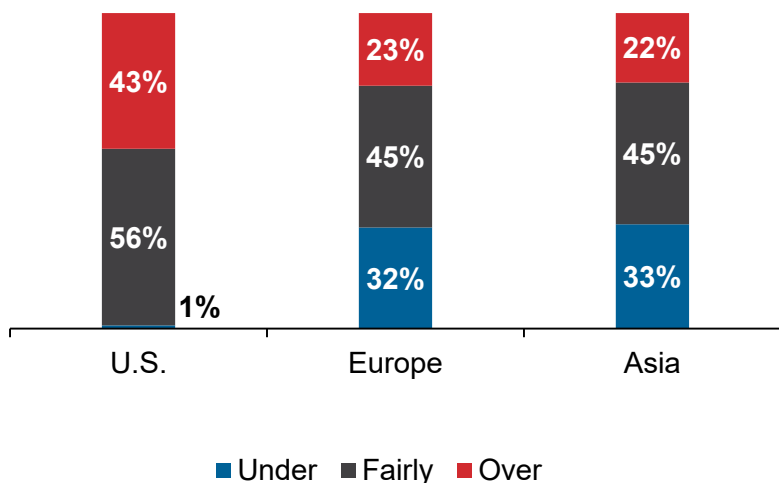
*“Staying the Same: There are still many projects ongoing.”* Buy Side, Generalist, N. America

*“Staying the Same: Public infrastructure.”* Sell Side, Multi, Asia

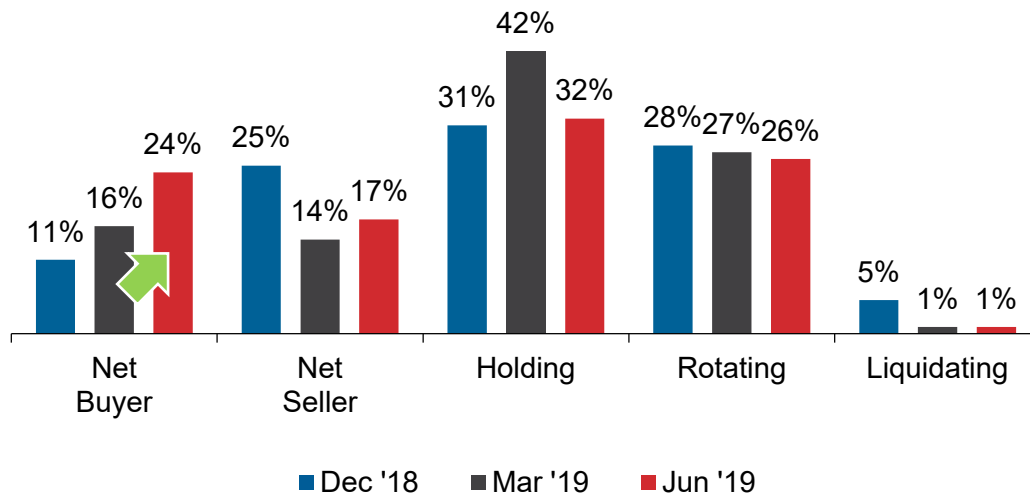
*“Worsening: Less desire for businesses to take on new risks.”* Buy Side, Generalist, N. America

*“Worsening: Why would companies increase capex in light of so much uncertainty?”* Buy Side, Multi, N. America

### Global Equity Valuation Classification



### QoQ Investment Trends

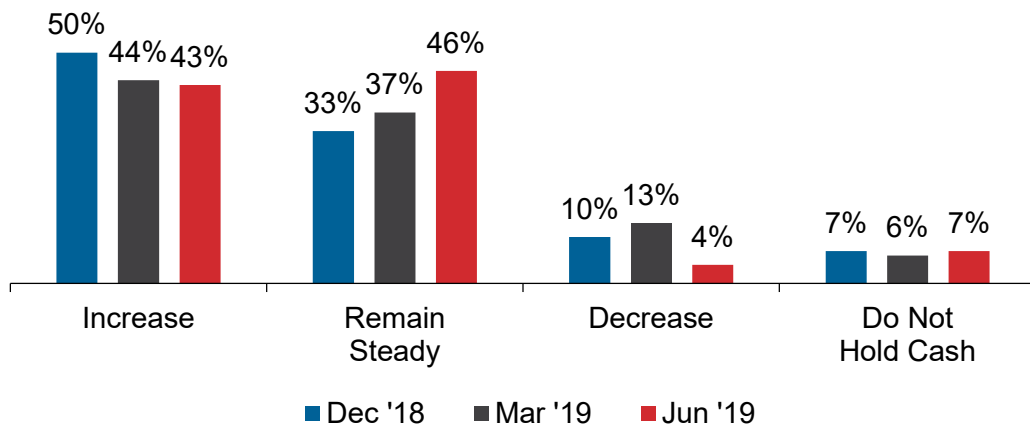


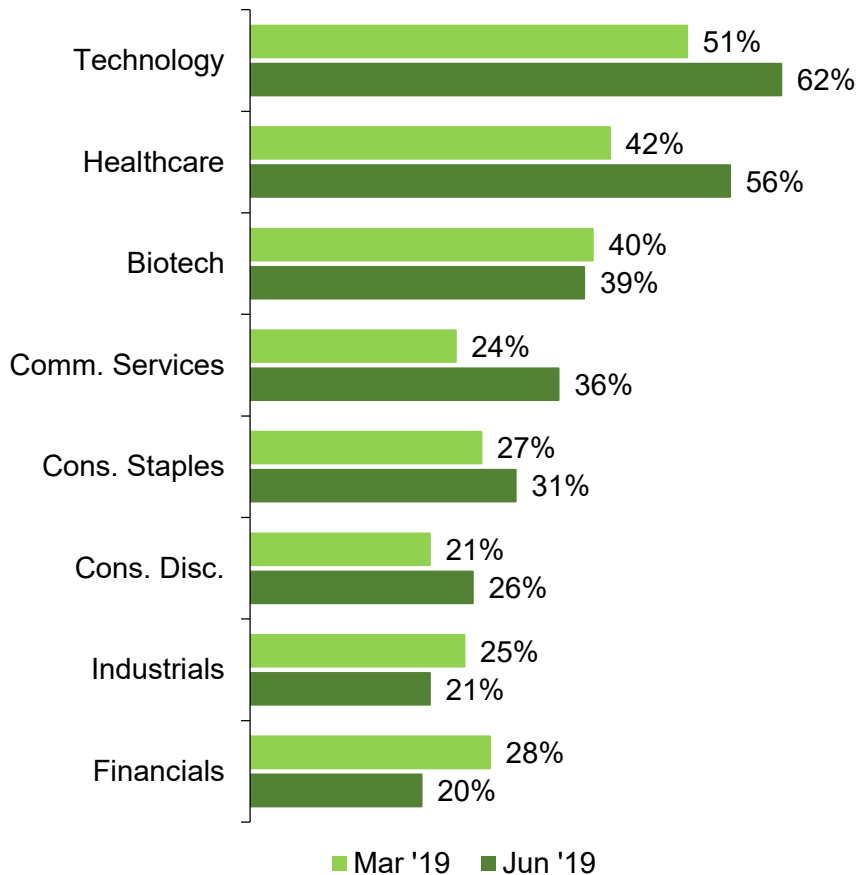
**41%** Europe Investors Who Consider Europe Equities *Undervalued*

**70%** Are *Not* Concerned or Only *Somewhat* Concerned about Brexit

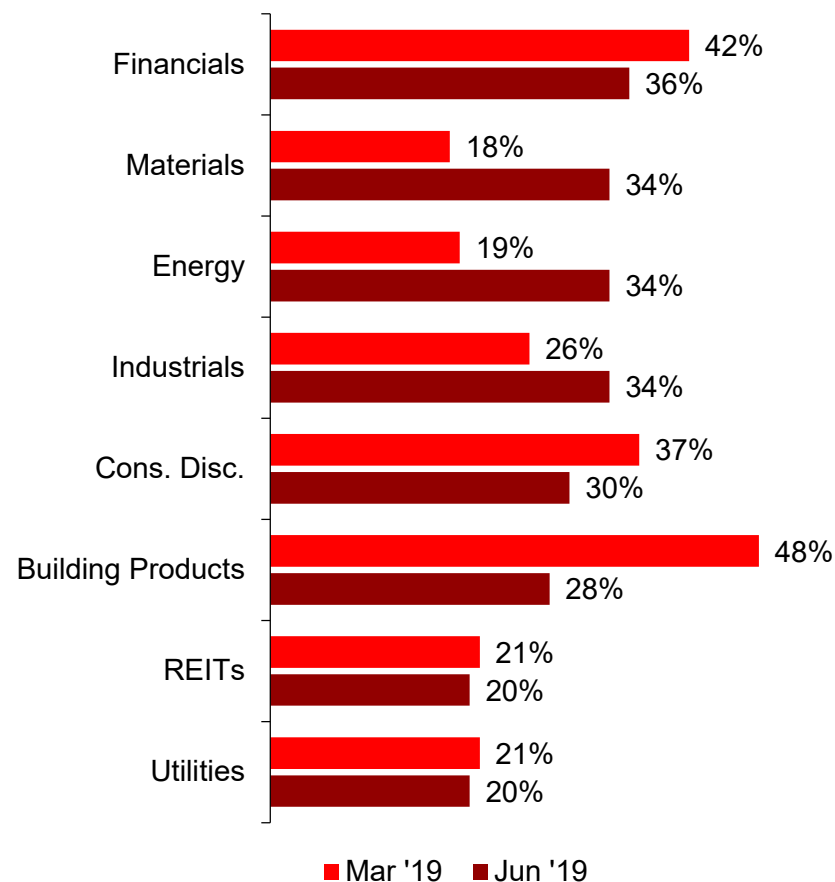
**69%** Expect the Fed Funds Rate Will be Between 2.0% and 2.25% at 2019 Year-end

### QoQ Portfolio Cash Holding





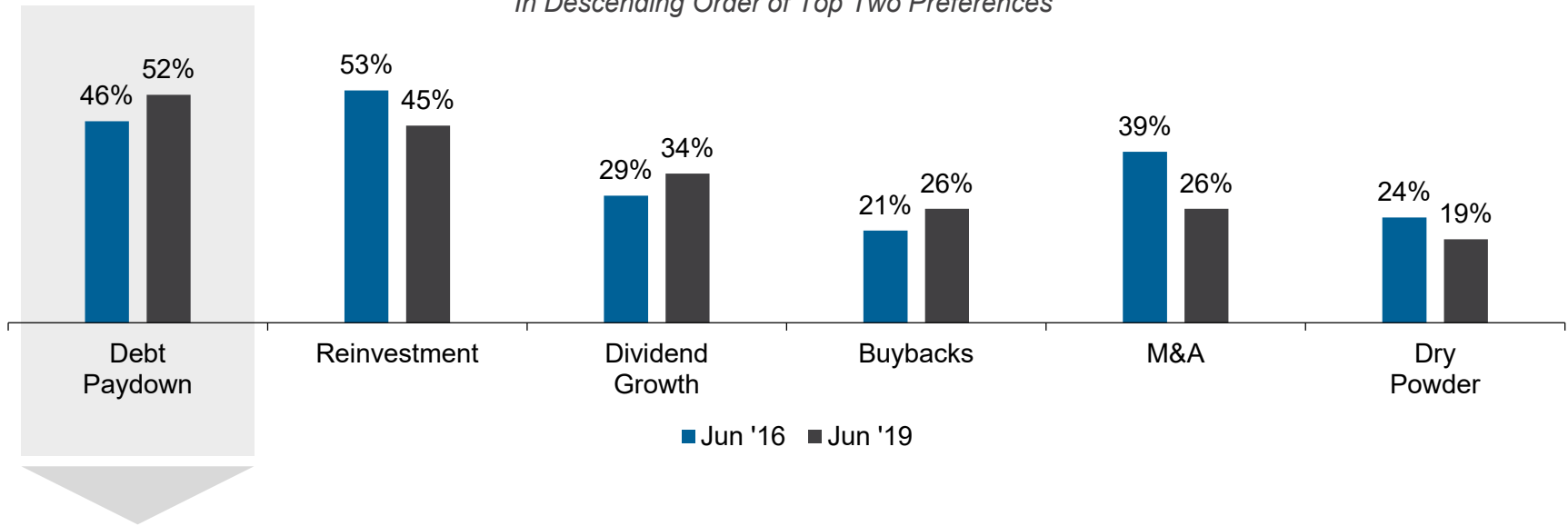
Healthcare, Tech and Comm. Services See the Most Significant Increases in Positive Sentiment



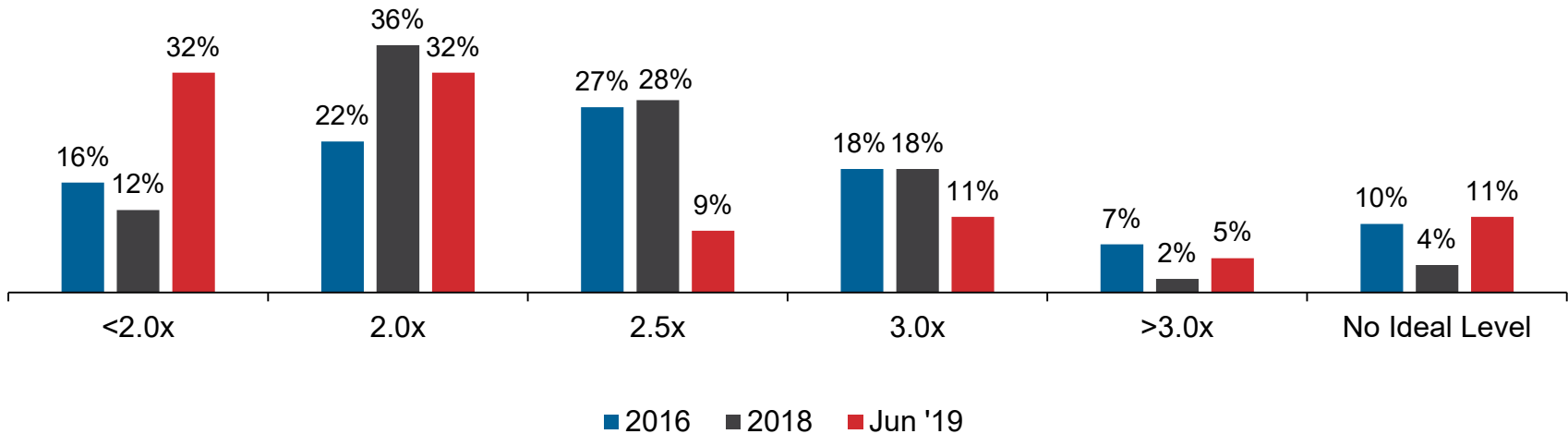
REITs Once Again See their Fewest Bears in Over Three Years, While Building Products See the Largest Decrease in Negative Sentiment QoQ

### Preferred Uses of Cash

*In Descending Order of Top Two Preferences*



### Preferred Net Debt-to-EBITDA Levels



A rowing team in a boat on water, with the text 'ABOUT US' overlaid in the center.

# ABOUT US

## We are **Trusted Partners** that Consistently Deliver Results

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 tactical execution.

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

