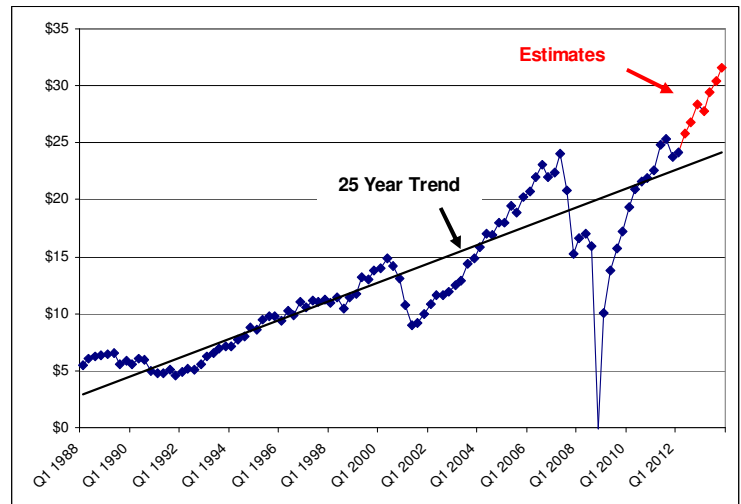


## Q1 2012 Earnings Season Summary

Earnings season is almost over and investors have paid little attention. The European debt crisis, the slowing economy of China, Iran's nuclear threats and continued weak economic results out of the US have all taken the centre stage. So in case you have been wondering, the following summary from Goldman Sachs is a good summary of what you have missed.

**1. Earnings above expectations but below historical levels.** Q1 earnings per share are tracking 1% above the consensus estimate at the start of reporting season, \$24.17 versus \$23.88. The median surprise over the past ten years has been 1.8%. The Q1 estimate fell by 3% between the start of the Q4 2011 reporting season in mid-January and the start of the Q1 2012 season in early April, which aided the level of surprise.



**2. More surprises than average.** The percentage of firms beating consensus earnings per share expectations by more than one standard deviation (positive surprise) exceeds the historical average. The number of firms missing by more than one standard deviation is in-line with the average.

**3. EPS growth of 7% vs. last year.** On a quarterly basis, Q1 2012 EPS will post year/year growth of 7% versus Q1 2011 while sales for S&P 500 (excluding Financials and Utilities) will rise by 7%. Industrials and Info Tech earnings per share grew by 20% and 18%, respectively. On a trailing four quarter basis, Q1 2012 will establish a new earnings per share peak of \$98.

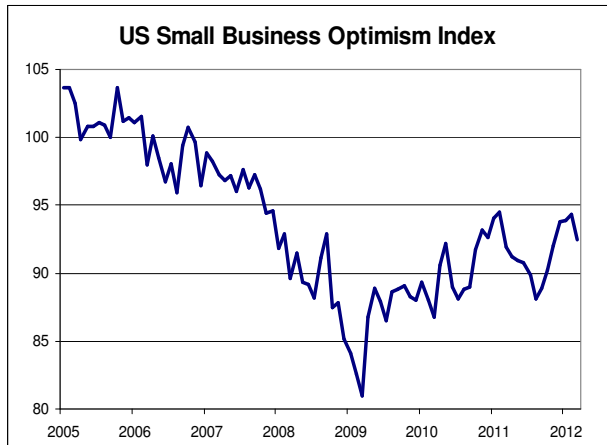
**4. Margin stabilization continues.** Trailing-four-quarter net margin for the S&P 500 (ex Financials and Utilities) is tracking at 8.8%, near peak levels of 8.9%. Margins have been hovering at this level for the past year, and consensus expectations are for margins to remain at this level through Q3 2012. Analysts forecast a sudden jump in margins to a new peak of 9.1% in Q4 2012.

**5. Positive Q1 surprises, but negative revisions to future quarters.** Bottom-up consensus revisions to the remainder of 2012 are slightly negative despite Q1 beats. Since the start of earnings season, 2012 bottom-up S&P 500 earnings per share estimates are down 0.5% for Q2, down 0.4% for Q3, and down 0.5% for Q4. Year-to-date, Q4 is the only quarter in 2012 for which consensus estimates have increased. Full-year 2012 estimates remain \$105.

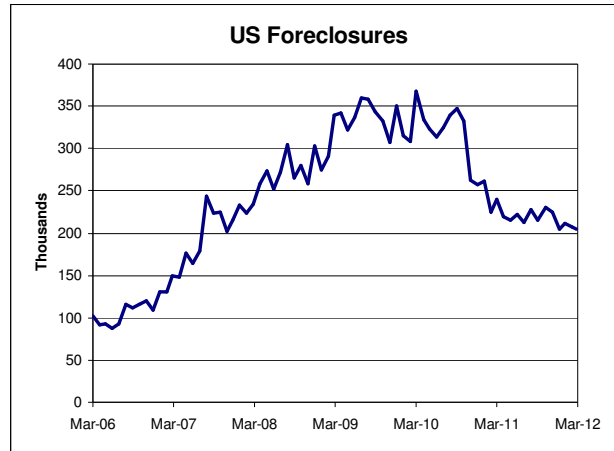
**6. Bottom-up consensus expects S&P 500 earnings will grow by 9% in 2012.** More than half of the growth is attributed to Q4. Q4 earnings are expected to grow 20% versus Q4 2011, more than twice as fast as any other quarter. Poor Q4 2011 results explain some of the growth discrepancy between quarters, but not the difference in revisions.

In summary, the earnings this season were decent. They are still growing and with the S&P trading at 1,336 the trailing P/E multiple is 13.6x which is well below the 70 year historical average of 16x. Support for higher prices is there, we just have to look through the headlines to find them.

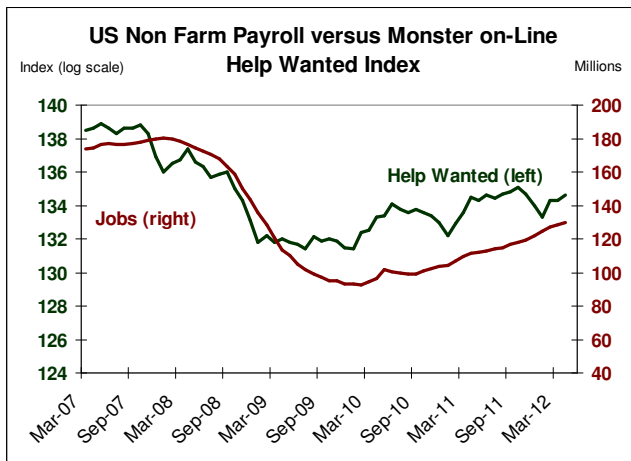
## KEY ECONOMIC NEWS FOR FIRST HALF OF MAY



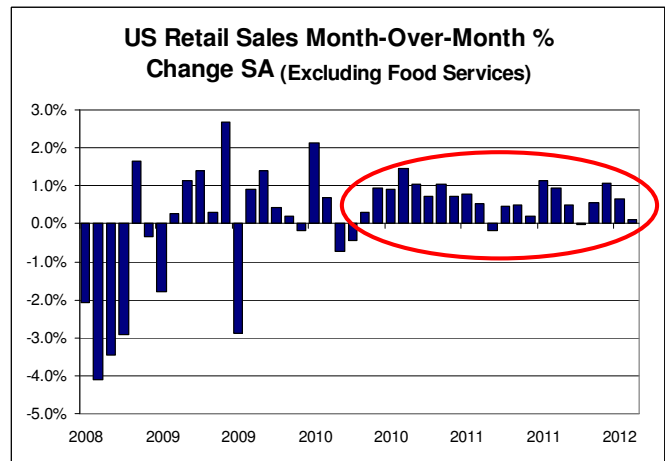
The US Small-Business Optimism Index rose in April, beating market expectations. The details of the report were positive, reflecting improved hiring intentions and capital expenditures.



At the time of this report, the US Foreclosure numbers for April were not released and thus we have left this graph the same as last month's report.



US non-farm payrolls rose by 115,000 in April. This was the second month where payrolls have fallen short of expectations. The unemployment rate fell to 8.1% from 8.2%, but this reflected a lower participation rate in the labour market rather than any improvement.



US retail sales rose in April to their slowest pace of the year, rising by only 0.1%. The mild weather was probably a factor in pushing sales from April to March, as March sales easily topped estimates.

**Other Economic News:** Equity markets have been shaken lately by the new developments in Greece, as there are plans to hold new elections after unsuccessful attempts to form a coalition government following the May 6 vote. This increases the likelihood that Greece might have to leave the euro. There was a further shock when JP Morgan Chase announced a US\$ 2.0 billion charge related to trading losses. The April ISM non-manufacturing index in the US fell to a four month low with new orders and employment leading to the decline. The US trade balance widened to US \$51.8 billion in March as imports rose to the highest level on record and exports showed strength, rising at the fastest pace since last summer. This is encouraging as it is a reversal of the declining trade volumes registered in February.

**Canadian Economic News:** Job creation surged in Canada in April as 58,000 new positions were created. Full-time employment was up by 44,000. The unemployment rate edged higher to 7.3% from 7.2%, due to higher labour force participation. The Canadian trade balance for March was little changed, registering a surplus of C\$350 million. Canadian housing starts for April were above expectations, driven by multiple unit sales in Ontario and Quebec.

*Sources: US Bureau of Labor Department, US Department of Commerce, RealtyTrac, Monster.com, US National Federation of Independent Business, and Statistics Canada*

## Let's Get Ready to Vacation

Summer is the traditional season for travel and it is right around the corner. What better time to begin to prepare for your time away? One of the ways to prepare is to ensure that your ongoing finances will be maintained while you are away. Establishing a Power of Attorney for Property can help you to achieve this, as we will discuss below.

There are 2 types of Powers of Attorney. We will be focusing on a Power of Attorney for Property. There is also a Power of Attorney for Personal Care which grants a named individual the power to make health care and personal care decisions when the grantor is incapable. A Power of Attorney for Property gives the agent (attorney) the authority to act on behalf of the grantor and to deal with their financial affairs if the grantor is incapable.

Within the Power of Attorney for Property itself there are also 2 versions that can be prepared. A non-continuing Power of Attorney for Property covers your financial affairs but is no longer valid if you become mentally incapable. A continuing power of attorney for property allows your attorney to act even if you become mentally incapable. Most people establish Continuing Powers of Attorney for Property so that there is coverage both now and in the event of incapacity.

There are certain situations where a Power of Attorney for Property is necessary that would not be immediately evident. For example, some assets held in joint name require a Power of Attorney for Property in order to authorize action, such as the matrimonial home. Even though a matrimonial home may be owned in joint name, authorization of both spouses is required for a sale.

There are also limited Powers of Attorney for Property that are offered directly by various institutions. For example, a Power of Attorney that provides trading instructions on an account for an individual does not provide the authority to make withdrawals from the account.

Banks provide Power of Attorney documents that deal specifically with assets managed by the bank. From time to time, banks will tell you that you have to complete the bank's own Power of Attorney, rather than submit your own Continuing Power of Attorney for Property. Please be aware that signing a Bank Power of Attorney can revoke your other Power of Attorney for Property. This is because in Ontario, signing a Power of Attorney will revoke any prior Powers of Attorney unless the subsequently executed document expressly permits the existence of multiple Powers of Attorney. It may be necessary to speak with the bank manager or seek correspondence between the bank's legal department and your own lawyer to have your Power of Attorney for Property successfully established on file.

Powers of Attorney for Property can prove useful in many ways for the smooth administration of your finances while you are away. Consider taking the time to establish a Power of Attorney for Property before you need one in order to give yourself time to consider your wishes for the document.

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*Founded in 1979 as a fee-only personal wealth management firm, KERR has evolved into one of the largest multi-family office firms in Canada, bringing together sound tax advice, investment management and estate planning under one roof. We work with clients to help them maximize their personal financial resources, alleviate their financial and retirement concerns and simplify the administration of their affairs.*

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