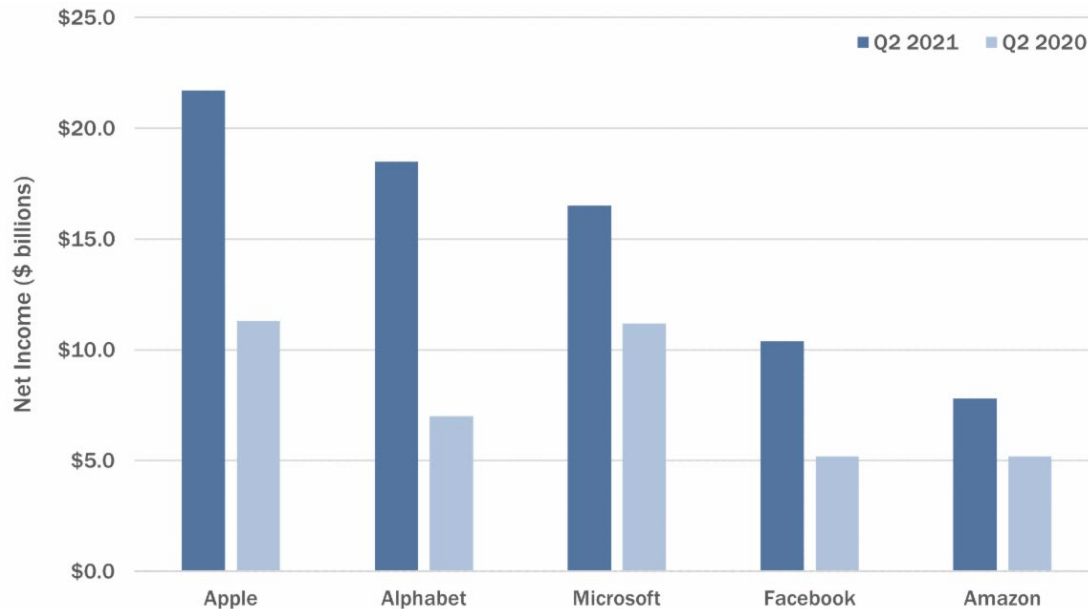


MARKET COMMENTARY

FIG. 1: Mega Cap Tech Leading Strong 2Q Earnings Season



Sources: Bloomberg; Statista; Company Filings; Mill Creek

We are nearly two-thirds of the way through second quarter earnings season, and almost 90% of S&P 500 companies have reported actual EPS results above consensus estimates which is well above the 5-year average of about 75%. Additionally, the reported earnings are more than 17% above estimates also topping the 5-year average of nearly 8%. The index is on pace for the highest year-over-year growth rate since Q4 2009. Analysts had been expecting a strong earnings season with expectations of 63% YoY growth at the end of June, but in mid-August the current blended growth rate is over 85%. Much has been said and written about high market valuations and yes, they are above average, but averages can be misleading, and another strong earnings season is showing many companies can grow into their lofty multiples.

Mega cap tech companies receive a lot of attention from market participants and regulators for both their sheer size and ubiquity in consumers' lives. What should not be overlooked is their collective ability to make money year-in and year-out. Apple has continued to innovate beyond iPhones and now as an example Apple AirPods generate more revenue than several leading tech companies on the whole. Alphabet and Facebook have clearly recovered from a temporary dip in ad spending due to Covid, while Microsoft and Amazon continue to dominate the market in cloud computing through their Azure and AWS platforms. Value investors often deride investments in these businesses because their multiples are so high, but it is clear that they are market leaders for a reason which is reflected in both their top-line growth and profitability.

QUICK LINKS

- [House View Summary](#)
- [Q2'21 Macroeconomic Outlook](#)
- [Q2'21 Equity Outlook](#)
- [Q2'21 Fixed Income Outlook](#)
- [Q2'21 Private Equity Outlook](#)

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Indices Used: U.S. Large Cap equities: Russell 1000 Index, U.S. Small Cap Equities: Russell 2000 Index, International Developed Equities: MSCI EAFE Index, Emerging Market Equities: MSCI Emerging Markets Index, U.S. Bonds: Barclays Aggregate Bond Index, U.S. 10 Year Treasury Note: Bloomberg 10 Yr. Treasury Note, Municipal Bonds: Barclays Intermediate Municipal Bond Total Return Index, High Yield Bonds: Barclays U.S. High Yield Total Return Index, Oil: Bloomberg WTI Crude Sub-Index Total Return Index, Gold: Bloomberg Gold Sub-Index Total Return Index

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