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SUMMARY

- AI spending has driven US markets in the face of macro uncertainty.
- US Large-Cap earnings continue to accelerate.
- Small-Cap and Japan are showing signs of strength, while Europe remains a relative laggard.

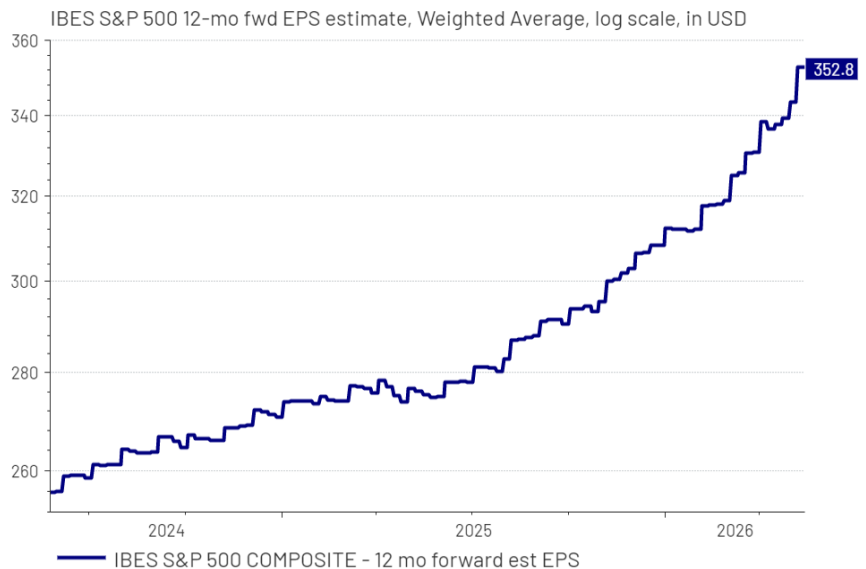
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Earnings Analysis: US Exceptionalism

AI Tailwinds Overcome Geopolitical and Macro Fears

While headlines are focusing on geopolitical conflict and mixed macroeconomic data, the S&P 500 has powered to new highs, on the back of exceptional earnings, in our view. Looking at the chart below, we see that earnings expectations have not just remained resilient in the face of economic headwinds, they have actually accelerated this year.

US Earnings Estimates Keep Rising



Source: LSEG Datastream, RiverFront. Data weekly as of May 14, 2026. Chart right shown for illustrative purposes only. Past performance is no indication of future results.

We believe analysts are balancing the effects of the Iranian conflict, rising headline inflation, and bond yields spiking, with the tailwinds of AI (both infrastructure build and productivity gains from adoption) and the remarkable resilience of US consumers. This recent strong earnings season has demonstrated that the positives currently outweigh the negatives, with estimates expecting this to continue. **The bigger point here: macroeconomic and geopolitical risks matter most when they start to erode earnings – and right now, that simply isn't happening.**

With this context in mind, let's again perform our quarterly earnings analysis, leaning on our three 'earnings principles':

1. **Earnings/Revenue Surprises:** Were corporate results out of alignment with market expectations?
2. **Analyst Adjustments:** What was the direction and magnitude of analysts' estimate revisions after forward guidance was issued?
3. **Earnings/Revenue Trends:** What is the long-term earnings trend?

US Large-Cap: The Standard Gets Stronger

Put simply, US Large-Cap results were exceptional this quarter, improving on an already strong prior period.

Starting with our **first principle**: S&P 500 aggregate **earnings were 16.3% higher** than analyst's expectations, with every sector posting earnings higher than expectation. On the revenue front, aggregate **revenue was 2.0% higher** than expectations. Both of these numbers were better than last quarter.

Moving to our **second principle**, forward earnings expectations for the S&P 500 over the next 12 months have ticked upward, as the chart on page 1 illustrates.

Finally, the S&P 500 continues to shine when viewed through our **final principle** with **year-over-year earnings growing 27.5% and sales growing 11.1%**. This growth was well spread between the sectors with all eleven growing sales and only health care having negative earnings growth.

When considering equity themes, we are seeing positive results for both AI-driven equities and a potential 'value rotation.' Starting with AI, we continue to see strength in the Technology sector with a 50.1% year-over-year earnings growth. This figure even surpassed analyst expectations by 29.0%. Both Consumer Discretionary and Communications Services (two other growth-oriented sectors) had strong results. From a 'value rotation' standpoint, Materials and Financials earnings grew 39.6% and 23.5% year-over-year, respectively. These two sectors are both tied to our 'value rotation' scenario, which [we have laid out in the past](#).

Beyond Large-Cap: Small-Cap and Japan Improving; European Revenues Struggling

	US large-cap	US small-cap	Europe	Japan
Revenue Surprise	Positive (11/11)	Positive (10/11)	Negative (2/11)	Positive (7/11)
Earnings Surprise	Positive (11/11)	Positive (9/11)	Positive (9/11)	Positive (7/11)
Estimates for 2026	Positive	Positive	Positive	Positive
Revenue Trend Growth	Positive (11/11)	Positive (9/11)	Negative (5/11)	Positive (9/11)
Earnings Trend Growth	Positive (10/11)	Positive (6/11)	Positive (6/11)	Positive (10/11)

Source : Bloomberg Estimates

Source: Bloomberg, RiverFront. Data quarterly as of May 22, 2026. Chart shown for illustrative purposes only. Past performance is no indication of future results. You cannot invest directly in an index. Not indicative of RiverFront portfolio performance. In the table above, US Large Cap is represented by the S&P 500, US Small Cap is represented by the S&P 600, Europe is represented by Euro Stoxx 50, and Japan is represented by Tokyo Price Index. See Disclosures section for definitions.

The table above summarizes RiverFront's view of the earnings picture for four different market segments: US large-cap, small-cap, Europe and Japan (the numbers in brackets are the 11 sectors). Comparing these segments can help answer our question about value vs growth. US Small-cap, European, and Japanese equities tend to have a greater weighting in more value-oriented sectors, meaning they can provide us insight into whether earnings can provide a catalyst to a value rotation. Additionally, we can compare how each of these markets has changed from [last quarter](#), in order to determine if there is a trend forming. Here is a quick 'checkup' for the three non US large-cap market segments:

- US small-cap:** Small-cap earnings look strong across all three principles when looking at the aggregate level. The only cause for concern is the lack of breadth in the earnings trend, with only 6 of the 11 sectors having positive growth. While this is the same proportion as last quarter, the fact that financials have swung back to a positive trend is heartening, as this sector is often viewed as a bellwether for the broad small-cap market. Of the three other markets, US small-cap seems a cut above the other two, though the earnings breadth concern may point towards selection-led investments.
- Europe:** After taking a step back towards the end of last year, the first quarter was not as clear for European earnings. After being flat to analyst expectations in the fourth quarter, earnings beat expectations, while revenue surprised to

the downside. Earnings beats and revenue misses were widespread in Q1, impacting nine different sectors each. From a trend perspective, revenue continues to shrink year-over-year. Echoing our concern from last quarter, this sales growth (or lack thereof) is particularly concerning given we had hoped the foundation for a value rotation would be elevated, but moderated inflation driving revenues higher.

- **Japan:** Japan completes its turnaround, now scoring positively across each principle. The lone straggler from last quarter, earnings surprises, turned positive, while keeping its strong breadth across sectors. Additionally, both its earnings and revenue trends are robust, being positive in ten and nine sectors, respectively.

Conclusion: US Large-Cap Continues Strength Though US Small-Cap and Japan Beginning to Look Attractive

The first quarter earnings season was impressive for the US large-cap, as the S&P 500 improved off an already strong foundation. Additionally, US small-cap and Japan are showing strong earnings across our three metrics, though we would like to see these regions build on this in future quarters, given the up-and-down nature of the past few quarters.

As we mentioned in the intro and last quarter's recap, as geopolitical tensions and global macro concerns create unease amongst investors, it is important to use earnings to ground ourselves. Unless these headwinds cause earnings deteriorations, we view price volatility as more of a short-term phenomenon. However, our [previous discussion](#) on the Iranian conflict remains reflective of our house view for those seeking a deeper dive into the geopolitical risks.

Risk Discussion: All investments in securities, including the strategies discussed above, include a risk of loss of principal (invested amount) and any profits that have not been realized. Markets fluctuate substantially over time, and have experienced increased volatility in recent years due to global and domestic economic events. Performance of any investment is not guaranteed. In a rising interest rate environment, the value of fixed-income securities generally declines. Diversification does not guarantee a profit or protect against a loss. Investments in international and emerging markets securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability. Please see the end of this publication for more disclosures.

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All charts shown for illustrative purposes only. Technical analysis is based on the study of historical price movements and past trend patterns. There are no assurances that movements or trends can or will be duplicated in the future.

Stocks represent partial ownership of a corporation. If the corporation does well, its value increases, and investors share in the appreciation. However, if it goes bankrupt, or performs poorly, investors can lose their entire initial investment (i.e., the stock price can go to zero). Bonds represent a loan made by an investor to a corporation or government. As such, the investor gets a guaranteed interest rate for a specific period of time and expects to get their original investment back at the end of that time period, along with the interest earned. Investment risk is repayment of the principal (amount invested). In the event of a bankruptcy or other corporate disruption, bonds are senior to stocks. Investors should be aware of these differences prior to investing.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa). This effect is usually more pronounced for longer-term securities). Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. Lower-quality fixed income securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Foreign investments involve greater risks than U.S. investments, and can decline significantly in response to adverse issuer, political, regulatory, market, and economic risks. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.

Investing in foreign companies poses additional risks since political and economic events unique to a country or region may affect those markets and their issuers. In addition to such general international risks, the portfolio may also be exposed to currency fluctuation risks and emerging markets risks as described further below.

Changes in the value of foreign currencies compared to the U.S. dollar may affect (positively or negatively) the value of the portfolio's investments. Such currency movements may occur separately from, and/or in response to, events that do not otherwise affect the value of the security in the issuer's home country. Also, the value of the portfolio may be influenced by currency exchange control regulations. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by the portfolio.

Foreign investments, especially investments in emerging markets, can be riskier and more volatile than investments in the U.S. and are considered speculative and subject to heightened risks in addition to the general risks of investing in non-U.S. securities. Also, inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries.

Technology and Internet-related stocks, especially of smaller, less-seasoned companies, tend to be more volatile than the overall market.

Artificial intelligence, or AI, refers to the simulation of human intelligence by software-coded heuristics. Nowadays this code is prevalent in everything from cloudbased, enterprise applications to consumer apps and even embedded firmware.

Index Definitions:

Standard & Poor's (S&P) 500 Index measures the performance of 500 large cap stocks, which together represent about 80% of the total US equities market.

S&P 600 is a benchmark index for small-cap stocks. To be listed on the S&P 600, stocks must have a market cap of \$850 million to \$3.6 billion, preventing overlap with S&P's larger cap indices.

EURO STOXX 50 is a stock index of Eurozone stocks designed by STOXX, an index provider owned by Deutsche Börse Group. The index is composed of 50 stocks from 11 countries in the Eurozone. EURO STOXX 50 represents Eurozone blue-chip companies considered as leaders in their respective sectors.

The Tokyo Price Index, known as TOPIX, is a Japanese stock market index calculated and published by the Tokyo Stock Exchange (TSE). TOPIX tracks domestic companies in the exchange's first section, which represents Japan's largest firms by market capitalization.

Definitions:

Inflation is a gradual loss of purchasing power, reflected in a broad rise in prices for goods and services over time.

The energy sector is a category of stocks that relate to producing or supplying energy. The energy sector or industry includes companies involved in the exploration and development of oil or gas reserves, oil and gas drilling, and refining. The energy industry also includes integrated power utility companies such as renewable energy and coal.

US Equities include stocks listed in the United States. Stocks represent partial ownership of a corporation. If the corporation does well, its value can increase, and investors can share in the appreciation. However, if it goes bankrupt, or performs poorly, investors can lose their entire initial investment (i.e., the stock price can go to zero). Small/mid-cap equities, MLPs, REITS and alternatives equities are types of US Equities and assume further risks described below.

The Institutional Brokers' Estimate System (IBES) is a database used by brokers and active investors to access the estimates made by stock analysts regarding the future earnings of publicly traded American companies.

Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability.

US large cap equities include equities of companies with a market capitalization of over \$10 billion. Although large cap equities are generally considered to be safer securities, large cap equities are still subject to the risks associated with stocks.

Small-, mid- and micro-cap companies may be hindered as a result of limited resources or less diverse products or services and have therefore historically been more volatile than the stocks of larger, more established companies.

WEEKLY VIEW

When referring to being “overweight” or “underweight” relative to a market or asset class, RiverFront is referring to our current portfolios’ weightings compared to the composite benchmarks for each portfolio. Asset class weighting discussion refers to our Advantage portfolios.

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