

# WHAT TO LOOK FOR WHEN THE QUARTERLY EARNINGS REPORTS COME OUT



Every three months, publicly traded companies are required by the SEC to issue a quarterly financial statement.<sup>1</sup> Usually referred to as quarterly reports or earnings reports, the data are released shortly after the close of each quarter.

The several-week-long period during which high profile companies release these reports is commonly known as the earnings season. And as you can imagine, this period receives quite a bit of attention from the financial media.

In the weeks leading up to earnings season, pundits and market experts will give their opinions on whether or not specific companies will beat their earlier earnings forecasts. Taken together, these opinions are considered the "expectation" that every company would like to beat. After all, it doesn't look good to under-deliver.

According to financial writer Ben McClure, "For better or for worse, companies are judged by their ability to beat market expectations. All eyes are on whether companies 'hit their numbers'--in other words, whether they manage to match Wall Street analysts' consensus estimates."<sup>2</sup>

So-called bell weather companies can trigger short term market volatility if they miss their numbers. In fact, even if companies outperform expectations, there's no reliable way to know whether their stock will go up or down. So putting too much emphasis on the quarterly reports themselves or their short-term impact on market movements doesn't make much sense in the long run.

## **The Numbers Don't Tell The Whole Story**

The person giving the eulogy at a funeral is expected to tell the truth, but paint the dearly departed in the best possible light. In the same way, because quarterly reports are not audited, companies can smooth over potentially negative results by being selective about which numbers they publish and which details they withhold.

Writing for *Forbes*, value strategist David Trainer goes as far as to say that corporate earnings

announcements provide investors with misleading data. "Only by reading all the financial footnotes, which are only included in annual 10-K reports filed with the SEC," he writes, "can investors know the true profits of publicly traded companies."<sup>3</sup>

This yearly data trails even further than the quarterly numbers. But even if you could get it right away, it's still a description of past performance and so cannot predict future results.

The market has thousands of companies that may be successful and profitable in the upcoming year. Some of them will even end up have better performance than their peers or industry. It's just not possible to identify them ahead of time based on last year's or last quarter's performance.

Since you can't pick them out individually, as a prudent investor, your best strategy is to structure your portfolio to own many of these companies through a broad-based strategy holding diversified exposures across global markets. We can help you create a long-term plan that takes into account the unpredictable nature of the market.

The earnings season makes for interesting financial news and even some corporate drama. Just don't let the temptation to react to Wall Street estimates and opinions derail your chances of reaching your long-term investment goals.

Have a great weekend!

Source: Efficient Advisors

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## Golf Tip of the Week



### How to Never Miss the Short Putt

You're 6 inches from the hole. Easy, right? No problem. One little tap, and you're done, and on to the next hole. But oops. There goes the ball, rounding the lip of the hole, seemingly defying gravity, only to remain above ground. It was the easiest shot in the world, and you missed it!

Your first thought: You'll never golf again. Your second thought: How do you avoid this mistake in the future?

Here are 4 tips from the pros on how to avoid the most obvious blunder:

1. Take a marker and draw a dot on the ball large enough so you can see it easily.
2. Place the ball back on the green so that the dot faces up. Focus solely on the dot as you prepare to putt.
3. Don't let the backstroke go more than a few inches away from the ball before striking. This produces acceleration at the point of the strike.
4. If you quickly turn your head to watch the ball roll, you'll change the direction of the putter face, and miss the shot. Listen instead to the ball dropping in the hole.

Putting that extra effort into the short putts can save you from those disastrous occasions of missing the easiest shots.

Tip adapted from Golf Digest<sup>i</sup>

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## Recipe of the Week



### Berry Coconut Crumble

Serves 6

#### Ingredients:

- ¼ cup room temperature unsalted butter, plus more for the dish
- 1 cup almond flour
- ½ cup old-fashioned oats
- ½ cup pecans, chopped
- 1 teaspoon ground cinnamon
- ½ teaspoon kosher salt

2 tablespoons pure maple syrup  
4 cups frozen raspberries  
1 cup pomegranate seeds  
2 tablespoons cornstarch  
1 teaspoon cane sugar  
1/3 cup unsweetened coconut flakes

**Directions:**

1. Preheat oven to 350°F.
2. Apply butter to a 2-quart casserole dish or 6 mini dishes.
3. Create the crumble by mixing almond flour, oats, pecans, cinnamon, and salt with maple syrup and 1/4 cup butter in a large bowl until the mixture is no longer dry and forms large clumps. Set aside.
4. In a second bowl, toss together raspberries, pomegranate seeds, cornstarch, and sugar. Transfer the mix to the prepared dish.
5. Put the crumble mix on top and sprinkle with coconut flakes.
6. Bake. Rotate the dish halfway through. Crumble is done when it is bubbling around the edges and the topping is golden brown, 35-40 minutes.

Recipe adapted from Good Housekeeping<sup>ii</sup>

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## Health Tip of the Week



### How to Get Your Kids/Grandkids Exercising

The electronic age may have made life easier and more convenient for you and your children or grandchildren. But it also has made a lot of us more sedentary.

You know what it takes to get exercising: a plan and a little initiative. But how do you get the little ones moving?

Here are some tips to get the children or grandchildren exercising and, at the same time, loving it:

- **Get a move on together.** Instead of watching TV or playing video games after dinner, go outside for a walk or a bike ride. You can go play basketball or catch.
- **An hour of power.** OK. You're outside. Your next goal is to stay out there and moving for at least 60 minutes. Performing a variety of activities—running, walking, skipping rope, or playing at the playground—may help you put in the time.
- **Children love gadgets.** So, why not get them a step counter? They can measure how many steps to the playground slide, to the telephone pole, or to their friend's house. They can see how fast they can take 50 steps.
- **On the other side, you don't have to go high tech.** Low tech will do. How about a tennis racket, a jump rope, a hula hoop, or skates? Just some good, old-fashioned fun.
- **Sometimes it's all about location, location, location.** Go to the park. Do a picnic at the lake. How about going to the baseball field? Kind of like taking a very short vacation.
- **"Kiai!"** Enrolling in activity classes—karate, tennis, or dance—is a great way to get children moving and excited about exercising.
- **Go back to the video games.** But use the ones with motion sensors.
- **Make exercise fun.** How about building a snowman or jumping in the leaves? You can walk (or skip) to the library or the park. Or you can go plant some flowers. You're taking "exercise" out of the equation and putting in "fun."

A few simple steps can get you and your children/grandchildren moving and create healthy habits.

Material adapted from WebMD<sup>iii</sup>

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**Our mailing address is:**  
Ballentine Capital Advisors

23 Buena Vista Way, Suite B  
Greenville, SC 29615

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<sup>i</sup> <https://www.golfdigest.com/story/how-to-hole-all-the-short-ones>

<sup>ii</sup> <http://www.goodhousekeeping.com/food-recipes/dessert/a47526/berry-coconut-crumble-recipe/>

<sup>iii</sup> <https://www.webmd.com/parenting/raising-fit-kids/move/ss/slideshow-kids-love-exercise>