

New Communication Services Sector

As we have mentioned in previous communications, the Telecommunication Services Sector is being broadened to **likely** include companies from the Media Industry Group (CMCSA), Internet Retail sub-industry (NFLX, TRIP), and Technology Sector (GOOG, FB) that are involved in communication services. The new sector, the Communications Services Sector will contain two industry groups - Telecommunication Services and Media & Entertainment.

These changes will go into effect after the market close on Friday, September 28, 2018. The new sector is expected to have a much different complexion than the current Telecommunications sector that includes only T, VZ, and CTL in the S&P 500. On slide three we have provided an **estimated** list of the stocks we believe will be in the new Communications Services Sector.

The Sector's dynamics including: weighting, growth prospects, valuation, dividend yield, etc. are all expected to be significantly affected by the changes. **Estimated** changes are shown on the following slides.

New Communication Services Sector

Ticker	Sector Wgt	S&P 500 Wgt	Mkt Cap	Div Yld	P/E-LTM	P/E-NTM	EPS Gr. NTM	EPS Gr. STM
S&P 500	-	-	-	1.97	18.80	16.80	13.9%	10.1%
Telecom (Current)	-	1.99%	-	5.56	11.16	10.47	11.1%	2.0%
Communication Services (Est.)	-	11.20%	-	0.95	24.57	18.95	13.4%	11.6%
FB	13.7%	2.07%	504,668.2	0.00	25.70	22.33	15.1%	13.6%
GOOGL	11.7%	1.77%	860,392.1	0.00	31.89	27.34	16.7%	17.3%
GOOG	11.5%	1.74%	849,191.6	0.00	31.48	26.98	16.7%	17.3%
T	6.4%	0.97%	237,031.7	6.13	9.81	9.23	6.3%	-0.1%
VZ	6.1%	0.93%	226,347.7	4.31	12.66	11.63	8.8%	2.7%
DIS	4.5%	0.68%	166,466.8	1.50	16.42	15.12	8.5%	3.2%
CMCSA	4.5%	0.69%	167,240.6	2.08	15.38	13.47	14.2%	13.3%
NFLX	4.2%	0.64%	156,251.1	0.00	165.06	95.25	73.3%	56.3%
CHTR	1.9%	0.29%	69,714.6	0.00	80.93	47.60	70.0%	71.7%
ATVI	1.5%	0.23%	56,486.9	0.46	29.54	25.61	15.4%	14.4%
FOXA	1.1%	0.17%	83,680.6	0.80	22.64	20.71	9.3%	12.8%
FOX	1.1%	0.17%	82,587.6	0.81	22.33	20.38	9.6%	12.5%
EA	1.1%	0.16%	39,312.4	0.00	27.83	24.43	13.9%	13.2%
CTL	0.7%	0.10%	24,572.7	9.49	17.94	19.89	-9.8%	13.2%
TWTR	0.7%	0.11%	25,979.0	0.00	57.57	45.68	26.0%	16.3%
CBS	0.5%	0.08%	19,967.4	1.36	10.74	9.39	14.3%	14.8%
DISH	0.4%	0.07%	16,573.5	0.00	14.23	14.41	-1.2%	-20.9%
OMC	0.4%	0.06%	15,475.0	3.48	12.74	12.11	5.2%	5.7%
TTWO	0.4%	0.06%	15,254.1	0.00	34.74	27.92	24.4%	20.6%
VIAB	0.3%	0.05%	12,480.7	2.58	7.66	7.08	8.2%	3.6%
IPG	0.2%	0.04%	8,781.0	3.67	14.25	12.91	10.4%	5.7%
TRIP	0.2%	0.03%	7,342.3	0.00	41.79	34.90	19.7%	17.7%
DISCA	0.2%	0.03%	14,910.0	0.00	12.48	9.62	29.7%	17.8%
DISCK	0.2%	0.03%	13,750.2	0.00	11.54	8.92	29.4%	18.0%
NWS	0.1%	0.02%	8,074.8	1.44	31.74	32.57	-2.5%	14.0%
NWSA	0.1%	0.02%	7,812.5	1.49	30.59	30.49	0.3%	17.8%

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

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Examples of Changes (Estimated)

Consumer Discretionary -> Communication Services

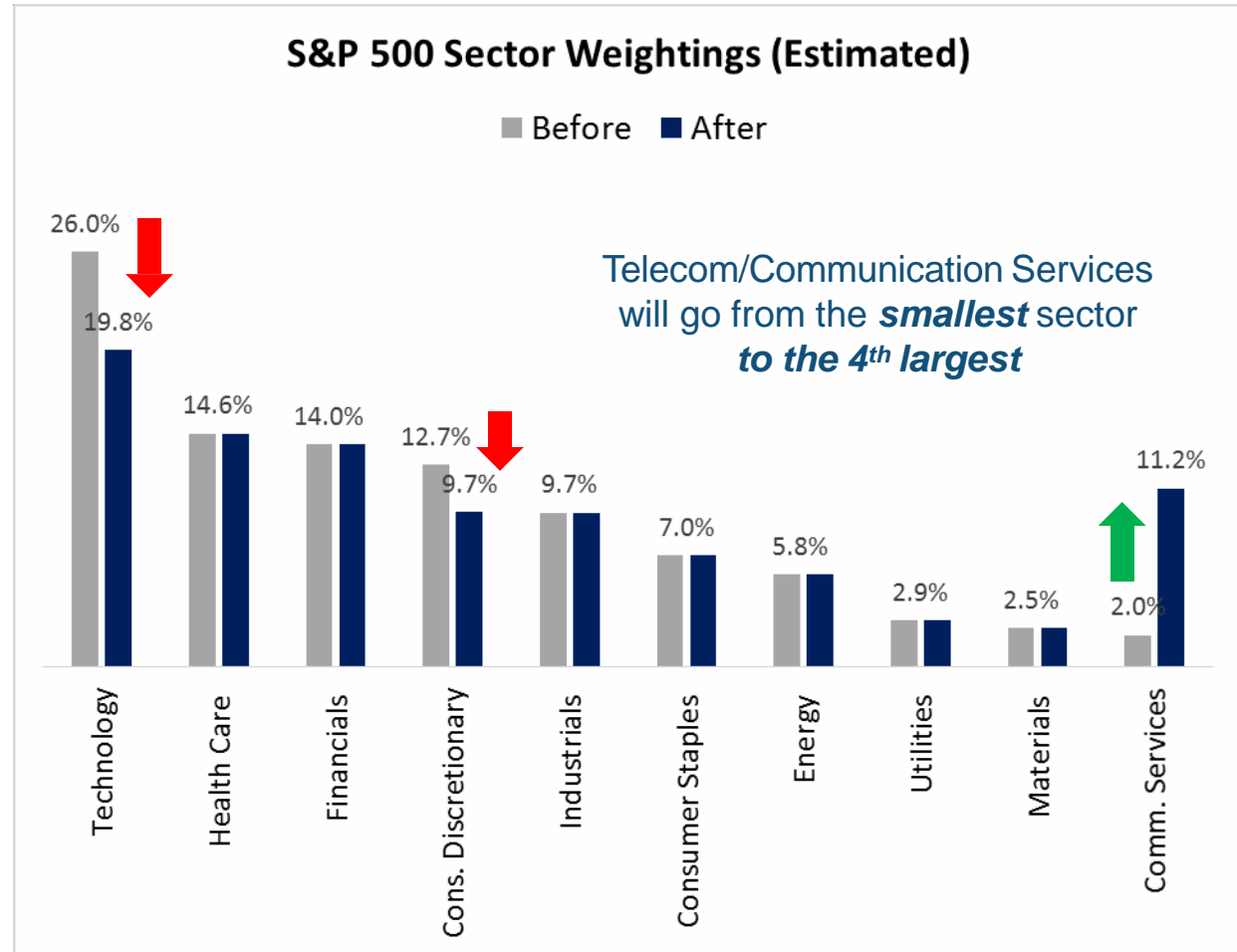
- + IPG, OMC (Advertising)
- + CBS, DISCA (Broadcasting)
- + CMCSA, DISH (Cable & Satellite)
- + DIS, VIAB (Movies & Entertainment)
- + NWSA (Publishing)
- + NFLX, TRIP (Internet Retail)

Technology -> Communication Services

- + GOOG, FB (Internet Software & Services)
- + ATVI, EA (Home Entertainment Software)

Technology -> Consumer Discretionary

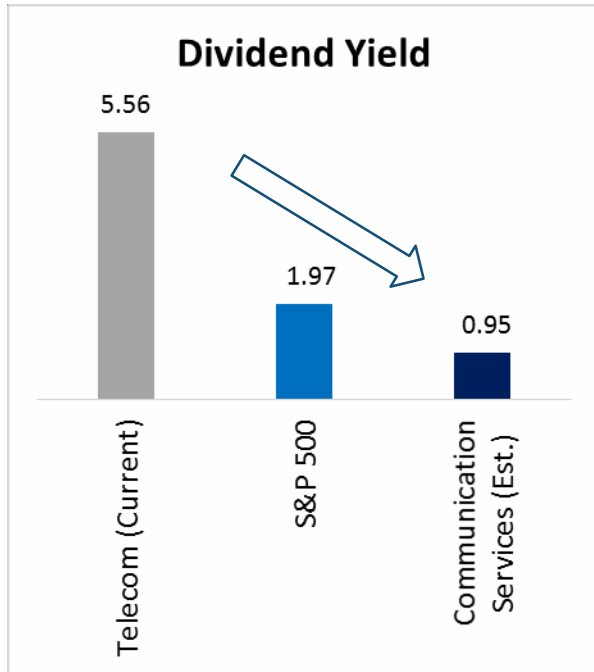
- + EBAY (Internet Software & Services)



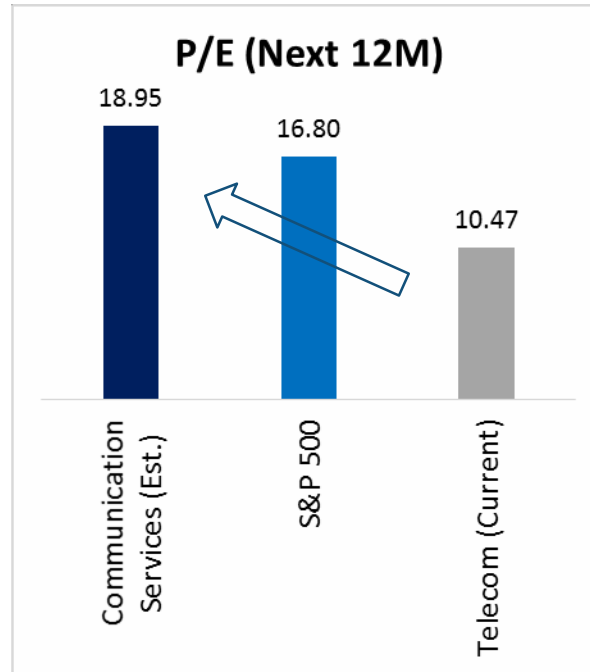
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

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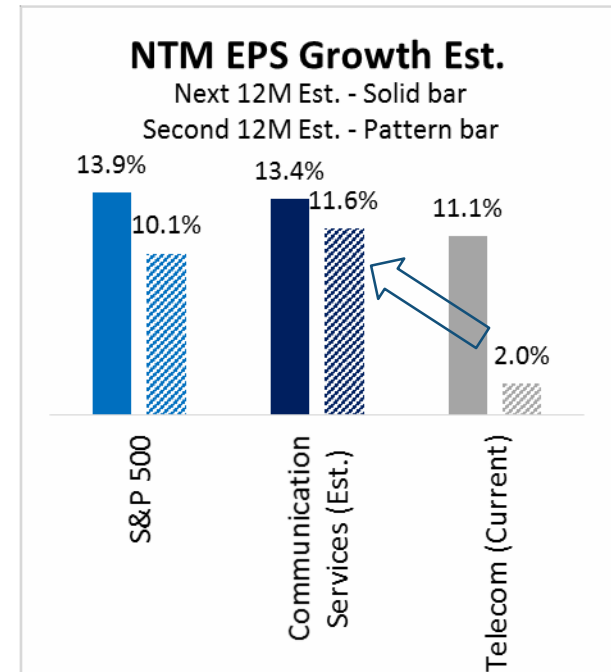
Dividend Yield will go from the highest of all sectors to below the S&P 500



Next 12M P/E will go from the lowest of all sectors to above the S&P 500



Expected growth estimates will be closer to the S&P 500, from among the lowest

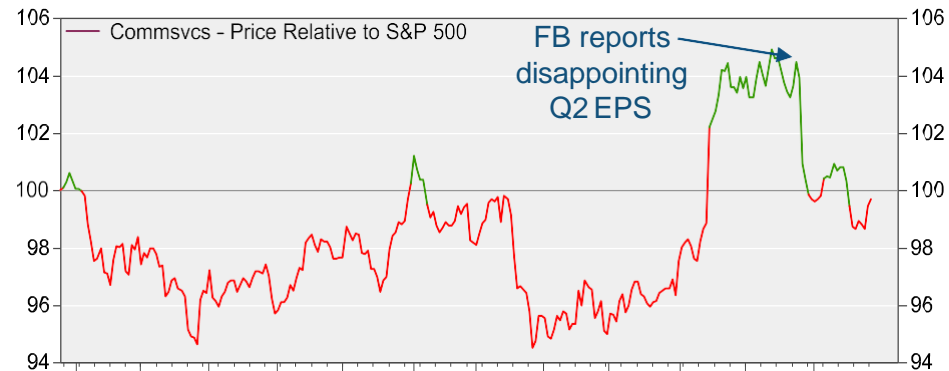
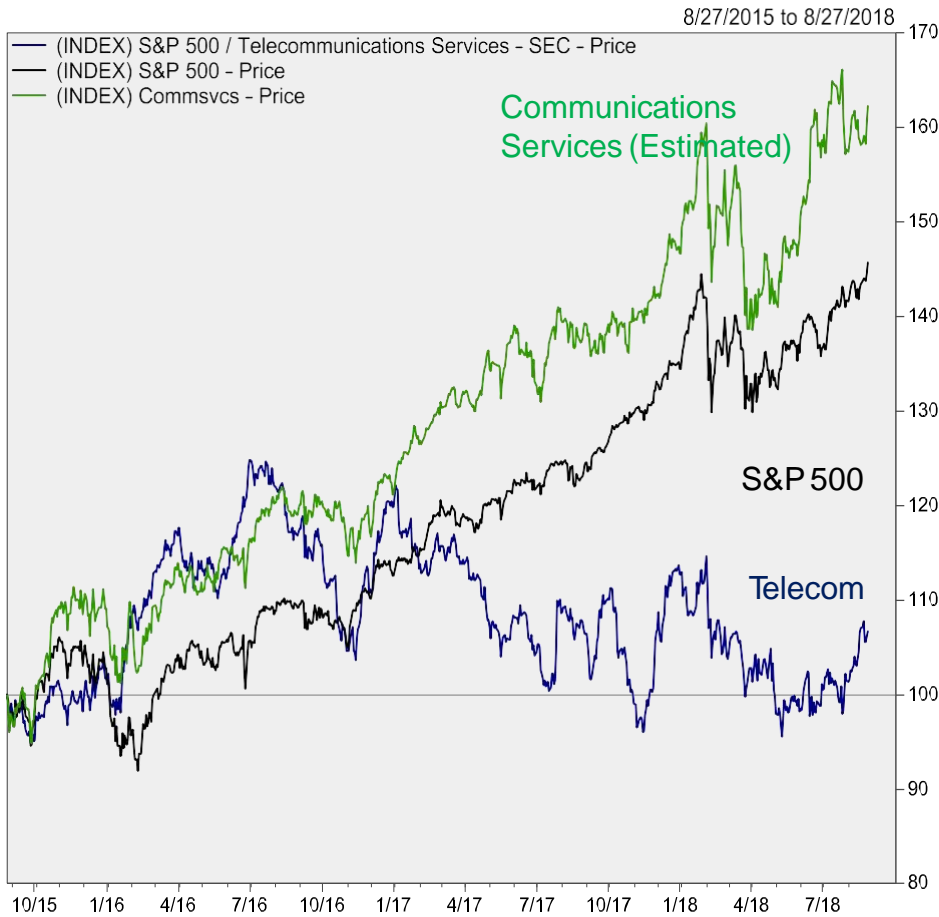


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

New Communication Services Sector

Performance of the estimated constituents has been much stronger than the current Telecom sector over the past few years

Performance of the estimated constituents over the past year has been pretty close to the S&P 500, recently giving up relative strength to begin 3Q



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy