Cornerstone Capital Group

Global Markets Strategy

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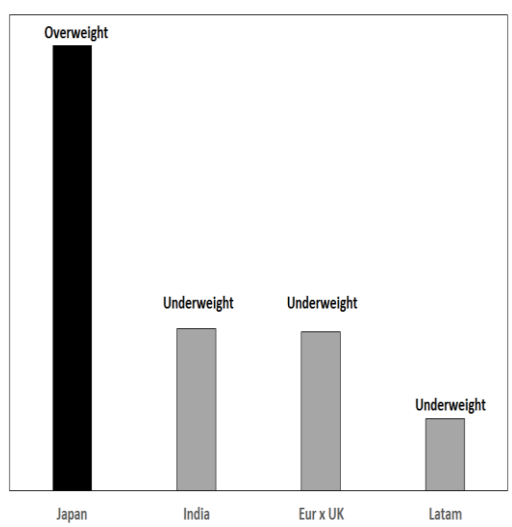
Regional and Sector Strategy: Monthly Update

- **Cyclical Weakness** — The weakness in global equity markets in September (MSCI ACWI -3.8%) was particularly evident in Materials (-8.5%) and Energy (-7.8%), likely reflecting continued downward earnings estimate revisions in these two cyclical sectors. Not surprisingly, commodity-oriented regions also performed poorly: Latin America (-7.9%), South Africa (-7.3%), Australia (-5.3%).

- **Maintain a Defensive Sector Strategy** — With stock prices falling as fast as earnings estimates in many cyclical sectors, we maintain a defensive sector strategy. We are Underweight Energy, Materials, and Industrials. Our only Overweight is in Financials.

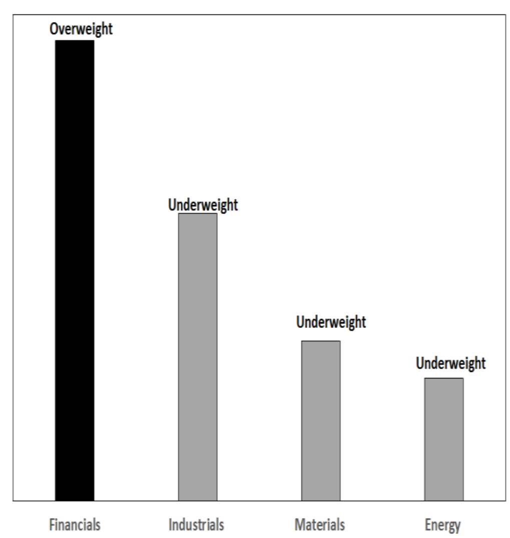
- **Regional Strategy Largely Unchanged** — Japan remains our sole Overweight; Latin America, Europe and India remain Underweight. Largely reflecting modest improvements in relative valuations, we upgrade China and Russia to Neutral from Underweight.

Figure 1: Regional Over- and Underweights



Source: Cornerstone Capital Group

Figure 2: Sector Over- and Underweights



Source: Cornerstone Capital Group

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