

Regional and Sector Strategy: Monthly Update



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- A Little More Cyclical Once Again.** Last month we upgraded to Overweight two sectors with exposure to global growth: Consumer Discretionary and Information Technology. This month we upgrade Industrials to Neutral from Underweight. We are also upgrading North America to Overweight. Among the sectors with the largest weights in this region are our Overweights: Information Technology (#1 weighting), Financials (#2), Consumer Discretionary (#4). We also downgrade the U.K. to Underweight from Neutral. Among the sectors with the largest weights in the U.K. are two we are avoiding: Consumer Staples (#2 weighting), Energy (#3).
- Selectively Cyclical.** We continue to avoid regions with heavy exposure to commodities, most notably Latin America (Underweight), South Africa and Russia (both ranked Neutral). We remain Neutral on the two sectors that are widely considered the most defensive: Consumer Staples and Health Care. This month we are also downgrading Utilities to Underweight from Neutral.

Figure 1: Regional Over- and Underweights (Arrows Indicate Change vs. Last Month)

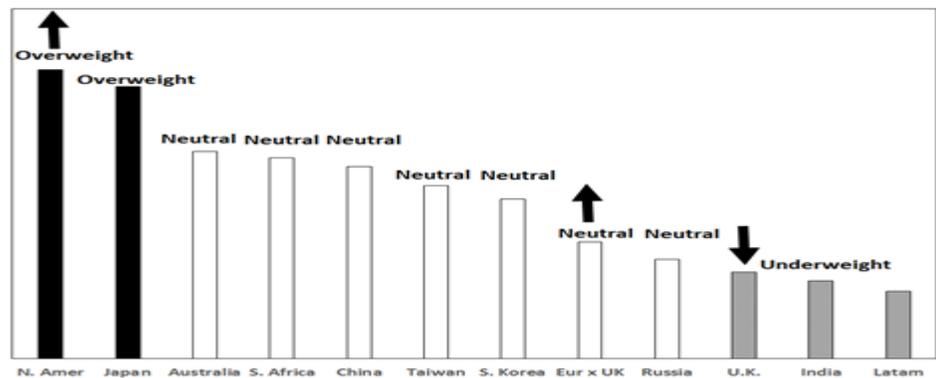
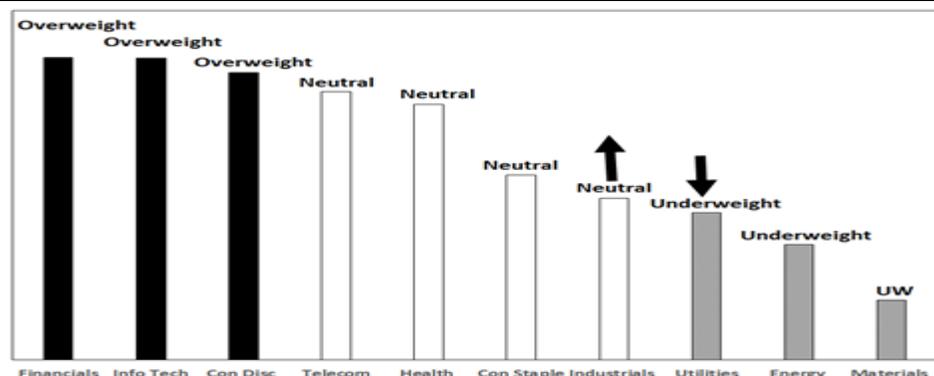


Figure 2: Sector Over- and Underweights (Arrows Indicate Change vs. Last Month)



Source for both: Cornerstone Capital Group

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