

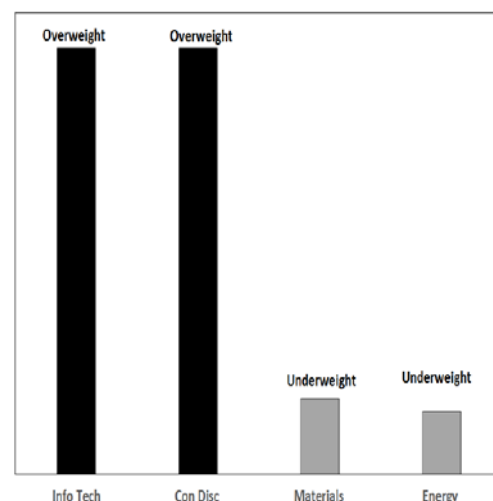
## Regional and Sector Strategy: Monthly Update



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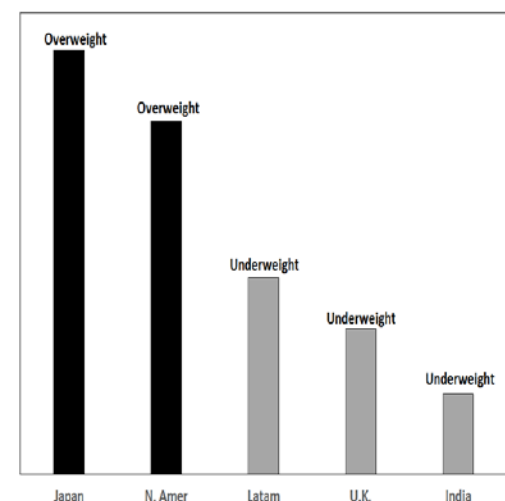
- **Upgrade Utilities to Neutral from Underweight.** The combination of a modest improvement in both earnings momentum and valuation warrants an upgrade of the Utilities sector to Neutral from Underweight.
- **Financials Continue to Deteriorate.** Last month, we downgraded Financials to Neutral from Overweight reflecting plunging earnings momentum and deteriorating valuation. Both earnings momentum and valuation continue to deteriorate.
- **Sector and Regional Recommendations Still Selectively Cyclical.** We remain Overweight Information Technology (largest weighting in Overweight North America region) and Consumer Discretionary (largest weighting in Japan, our other Overweight). We continue to avoid regions with heavy exposure to commodities, most notably Latin America (Underweight), South Africa and Russia (both ranked Neutral).

Figure 1: Sector Over- and Underweights



Source: Cornerstone Capital Group

Figure 2: Regional Over- and Underweights



Source: Cornerstone Capital Group

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