Regional and Sector Strategy: Monthly Update

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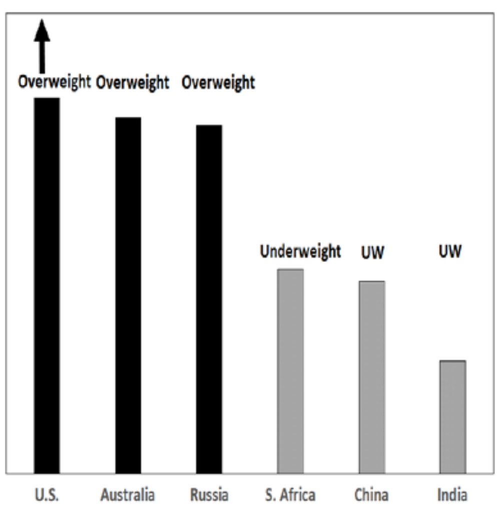
- **Upgrade U.S. to Overweight from Neutral.** Earnings estimate revisions turned sharply positive, adding to other favorable fundamentals including margins, share buybacks.

- **Information Technology: Still Neutral; Earnings Outlook Remains Unfavorable.** We downgraded Information Technology to Neutral last month reflecting, in part, negative earnings estimate revision trends and a deceleration in expected earnings momentum. Both factors remain unfavorable.

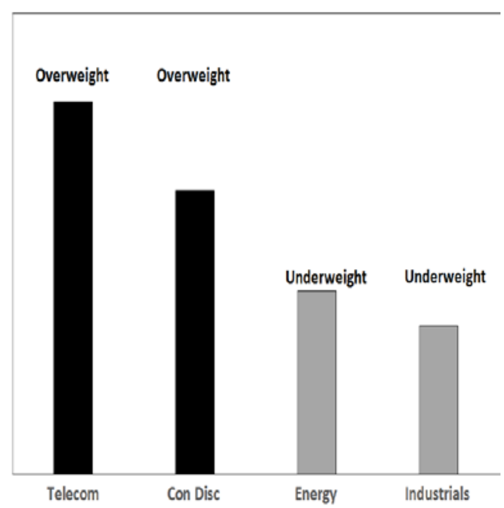
- **Market Outlook Unchanged: Modest Gains in Global Equities in 2016.** While the earnings outlook in the U.S. has improved, other countries are still seeing material earnings downgrades so that we continue to expect just a single-digit increase in global profits in 2016. Single-digit earnings growth combined with stable P/Es would suggest modest gains in global equities in 2016.

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



Source: Cornerstone Capital Group

Figure 2: Sector Over- and Underweights



Source: Cornerstone Capital Group

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