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Sector and Regional Strategy: Monthly Update

- **An Even More Cautious Sector Strategy.** Downgrade Consumer Staples, Health Care and Utilities to Underweight from Neutral. These defensive sectors face the unfavorable combination of unattractive valuations and lackluster earnings growth. We are now Underweight four of the ten GICS (the other Underweight being Industrials), and only Overweight one (Telecom), which is consistent with our broader concern about the equity outlook.
- **ESG Rankings a Differentiator.** One factor that makes the Telecom sector an Overweight in our model is its ESG ranking. The relatively strong earnings momentum of the Energy and Materials sectors is partly offset by their poor showing in terms of the ESG metrics we track.
- **Regional Strategy Still Selective.** Russia and Australia, our only two Overweights, continue to enjoy the favorable combination of rising earnings estimates and attractive valuations.

Figure 1: Sector and Industry Rankings
Arrows Indicate Change vs. Last Month

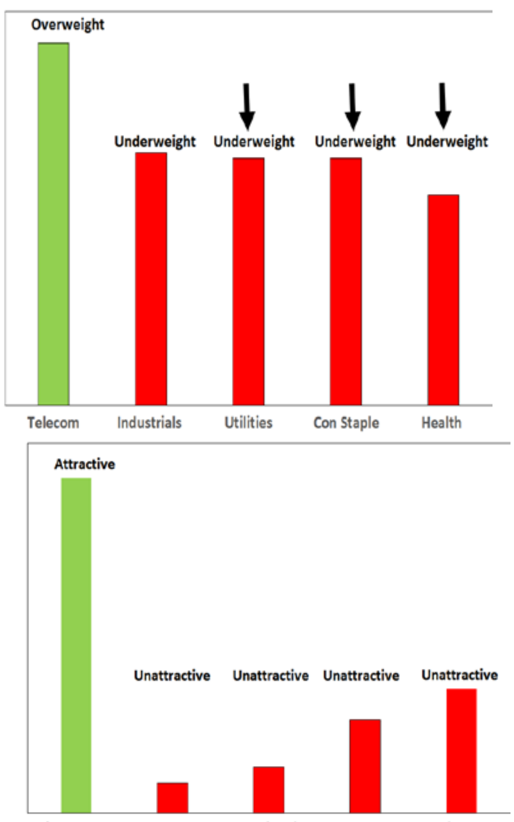
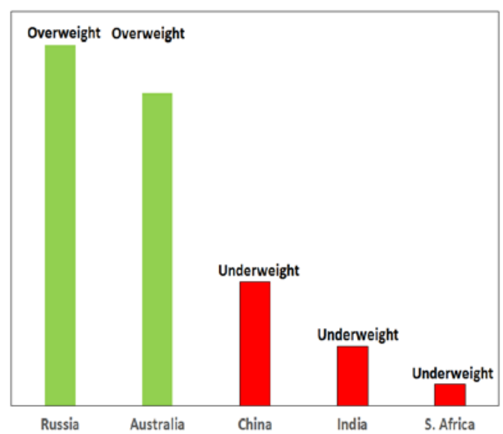


Figure 2: Regional Rankings



Source: Cornerstone Capital Group

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