

Sector and Regional Strategy: Monthly Update



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- Maintain a Cautious Sector Strategy.** The majority of sectors continued to experience downward revisions to estimates, so that expectations are for just lackluster earnings growth. Most valuations remain unattractive. Telecom is still our sole Overweight sector. We upgraded Utilities to Neutral from Underweight reflecting the lagging stock price performance of the sector, but we stick with our Underweight of two other defensive sectors — Consumer Staples, Health — as they underperformed the MSCI ACWI by a lesser margin last month.
- 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

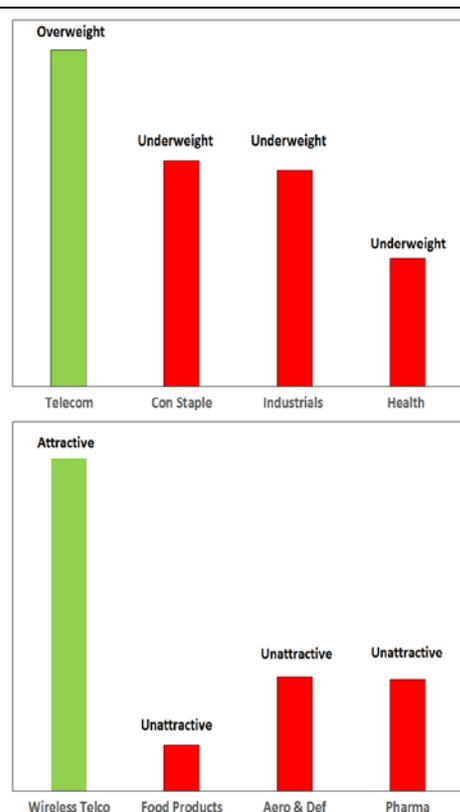
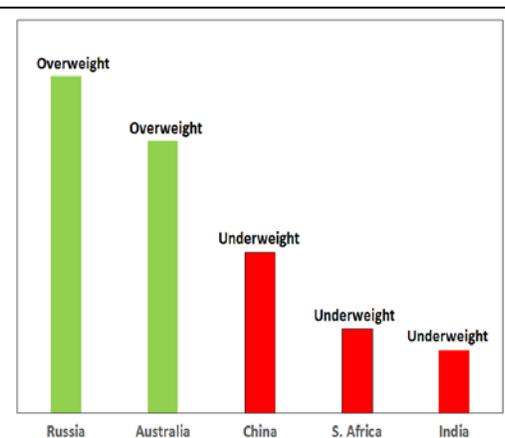


Figure 2: Regional Rankings



Michael Geraghty
Global Equity Strategist
212-874-7400

Source: Cornerstone Capital Group



Michael Geraghty is the Global Equity Strategist for Cornerstone Capital Group. He has over three decades of experience in the financial services industry including working as an investment strategist at UBS and Citi.

michael.geraghty@cornerstonecapinc.com

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