

## Sector and Regional Strategy: Monthly Update



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- **Sector Strategy: Upgrade Information Technology** (strong relative earnings momentum outweighs rich valuation); **Downgrade Utilities** (weak relative earnings momentum). Financials remains the most favored sector; Health Care still Unattractive. On top of fundamental factors, interest rate increases would benefit Financials, hurt Utilities.
- **Regional Strategy: Upgrade Australia** (robust economy drives very strong relative earnings momentum); **Downgrade UK** (cooling economy after post-Brexit growth spurt), **Russia** (deteriorating earnings momentum likely associated with stagnant oil prices).
- **ESG Matters More to Regions than Sectors.** In our regional model, ESG factors have a combined 18% weight. Australia ranks highly in terms of both governance and environmental metrics.

Figure 1: Sector Rankings

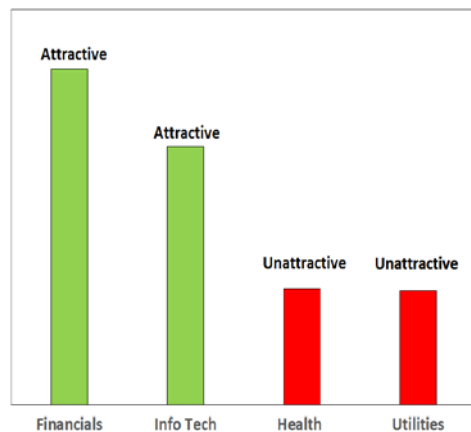
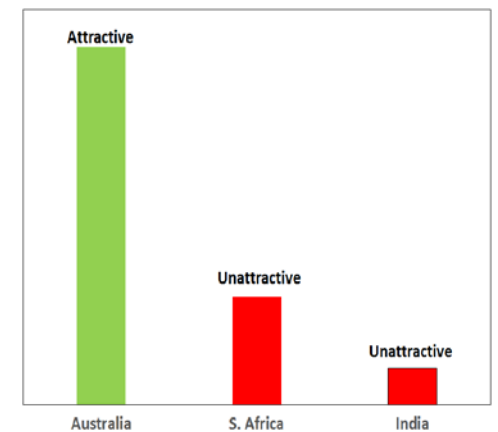


Figure 2: Regional Rankings



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Source: Cornerstone Capital Group



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