The Leaders In Pactive® Management

Quarterly Commentary

Q1-2023

Core Plus Total Return ETF Strategy

Q1 2023 Performance Highlights (%)

Portfolio (gross)	4.09
Portfolio (net)	3.99
Style Index	2.96

Annualized Performance (%)

as of Mar. 31, 2023

	YTD	1YR	Since Inception
Gross	4.09	-6.01	-3.97
Net	3.99	-6.38	-4.35
Style Index*	2.96	-4.78	-5.25

Annual Performance (%)

	2021	2022
Gross	0.73	-13.80
Net	0.32	-14.15
Style Index*	-1.54	-13.01

** Style index is Bloomberg US Aggregate Bond Index*
*** Net of dividend taxes*
Inception date: 12/23/2020

Richard Bernstein Advisors

RBA employs a macrodriven, top-down style to construct global tactical equity and asset allocation portfolios. The investment team uses quantitative indicators and the firm's macro-economic analysis to invest in global equity, fixed income asset classes, sub-asset classes and sectors using only US-listed ETFs. The firm currently has $15.7 billion collectively under management and advisement as of 3/31/2023.

Investment Committee: Richard Bernstein; Dan Suzuki, CFA; Michael Contopoulos; Malvika Dhingra; Matthew Griswold, CFA; Lisa Kirschner; Matthew Poterba, CFA; Henry Timmons, CFA.

For investment minimums, please contact your financial advisor. Performance information included in this factsheet is as of current quarter-end and subject to change. Prior period returns may have been restated to conform to this presentation. All other information is as of the most recent quarter end. See disclosure at the end of the factsheet for further information.

Past performance is no guarantee of future results.

The Core Plus Total Return ETF strategy outperformed its benchmark in 1Q23, posting a return of 4.09% compared to a 2.96% for its style index.*

Positioning

The main contributor was the portfolio's long duration as interest rates fell.

Changes in Portfolio

The onset of a US earnings recession and tightening of liquidity suggest corporate credit will underperform Treasury bonds. We therefore liquidated the bulk of our remaining holdings of fixed-rate corporate bond exposure. Additionally, we added short-term Treasury exposure to achieve a barbell portfolio of short- and long-term maturities, resulting in a slight overweight to duration. Overall, our portfolios remain defensive.

Outlook & Positioning

Although fixed income had a strong first quarter, some areas of the market enjoyed far superior performance to other areas. The determining factor to success was in the decision to take interest rate risk over credit risk. The importance of this decision will likely persist for the foreseeable future, as an earnings recession drives corporate bond spreads wider, and a slowdown in economic data and inflation pull treasury yields lower.

The extra yield currently generated by the corporate bond market – both high-quality investment grade bonds and low-quality high yield bonds – is not enough to compensate investors for three future risks. First, as corporate fundamentals deteriorate, leverage increases and interest coverage erodes, spreads widen in anticipation for ratings downgrades. Second, spreads are too low to compensate investors for a potential increase in equity volatility. Bond investors don't like uncertainty and as the Federal Reserve keeps monetary policy tight, lending standards continue to tighten and profitability declines further, we expect volatility to increase. Third, with the high yield market built on a decade of low rates, we expect defaults to increase across the high yield and leveraged loan space as the weakest credits face refinancing uncertainty and higher interest costs.

While corporate credit presents challenges, Treasury securities are once again acting as a buffer to the world's macro challenges. With the Fed regaining credibility, we expect inflation expectations to remain reasonably anchored and for growth to continue to slow. Though realized inflation may stay elevated for a while yet, the monetary tightening of the last year should cause economic growth to slow and for inflation to moderate further. This backdrop is an ideal one for Treasury performance. Not until the Fed at least begins cutting rates do we think Treasury yields can reach a bottom, presenting an opportunity that lasts for a significant period yet.

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IMPORTANT DISCLOSURE

The performance was calculated by Richard Bernstein Advisors LLC (the "Adviser") for the Core Plus Total Return ETF Strategy ("Strategy") as described below. The Strategy's asset allocation recommendations are subject to guideline allocation limitations at the major asset class level (i.e., fixed income and cash) that may change over time.

The Strategy has an inception date of December 23, 2020. The Strategy seeks to generate superior risk-adjusted returns as compared to the aggregate bond universe over a full market cycle by employing a top-down style to construct a global tactical asset allocation portfolio. Accounts in this Strategy obtain desired exposure via ETF vehicles.

The Strategy benchmark is 100% Bloomberg U.S. Aggregate Bond Index. The benchmark is rebalanced daily.

Past performance is no guarantee of future results. Performance is shown in USD and includes reinvestment of dividends and other earnings. Results are shown on a "gross" and "net" basis. Gross-of-fee returns are reduced by actual trading costs incurred and platform fees but are before deduction of any advisory or other fees. Net performance is shown net of a model annual advisory fee of 0.40% deducted on a monthly basis, the highest fee charged by the Adviser. Taxes have not been deducted.

Index and portfolio data herein have been supplied by outside sources, including, Richard Bernstein Advisors LLC, and are believed to be reliable as of the date indicated. The source for ETF returns is Richard Bernstein Advisors LLC. The source for risk measures is Morningstar.

About Risk: Any investment is subject to risk. ETFs are subject to risks similar to those of stocks, such as market risk, and investors who have their funds invested in accordance with the model portfolio may experience losses. Additionally, fixed income (bond) ETFs are subject to interest rate risk, which is the risk that debt securities in a portfolio will decline in value because of increases in market interest rates. Foreign investments may be subject to greater risk than domestic investments. Investments in foreign instruments or currencies can involve greater risk and volatility than U.S. investments because of adverse market, economic, political, regulatory, geopolitical or other conditions. In emerging countries, these risks may be more significant. The value of commodities investments will generally be affected by overall market movements and factors specific to a particular industry or commodity, including weather, embargoes, tariffs, or health, political, international and regulatory developments. An imbalance in supply and demand in the income market may result in valuation uncertainties and greater volatility, less liquidity, widening credit spreads and a lack of price transparency in the market. As interest rates rise, the value of certain income investments is likely to decline. Investments in income securities may be affected by changes in the creditworthiness of the issuer and are subject to the risk of non-payment of principal and interest. The value of income securities also may decline because of real or perceived concerns about the issuer's ability to make principal and interest payments. Smaller companies are generally subject to greater price fluctuations, limited liquidity, higher transaction costs and higher investment risk than larger, established companies. Derivatives instruments can be used to take both long and short positions, be highly volatile, result in economic leverage (which can magnify losses), and involve risks in addition to the risks of the underlying instrument on which the derivative is based, such as counterparty, correlation and liquidity risk. If a counterparty is unable to honor its commitments, the value may decline and/or the portfolio could experience delays in the return of collateral or other assets held by the counterparty. Investing in an exchange-traded fund (ETF) exposes the Fund to all of the risks of that ETF and, in general, subjects the Fund to a pro rata portion of the Fund's fees and expenses.

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