Quarterly Commentary

Q3-2022

Core Plus Total Return ETF Strategy

Q3 2022 Strategy Composite Performance Highlights (%)

Portfolio (gross)	-5.93
Portfolio (net)	-6.02
Style Index	-4.75

Annualized Strategy Composite Performance (%)

as of Sep 30, 2022

	YTD	1 Yr	Since Inception
Gross	-15.00	-15.01	-7.79
Net	-15.26	-15.36	-8.15
Style Index*	-14.61	-14.60	-9.16

Annual Strategy Composite Performance (%)

	2021
Gross	0.73
Net	0.32
Style Index*	-1.54

** 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 $13.5 billion collectively under management and advisement as of 9/30/2022.

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

For investment minimums, please contact your financial advisor.

Model performance information included in this Profile 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 Profile for further information.

Past performance is no guarantee of future results.

The Core Plus Total Return ETF strategy underperformed its benchmark in 3Q22, posting a return of -5.93 % compared to a -4.75% for its style index.*

Fixed-Income Positioning

The main detractor was the portfolio's long duration as interest rates rose. This was partially offset by the benefit from the portfolio's overweights in high-quality CLOs and floating-rate corporate notes.

Changes in Portfolio

Given our view that corporate profit growth will continue to slow and liquidity will continue to tighten, we further increased the defensiveness of the portfolio during the quarter. Specifically, we reduced our investment grade credit exposure, eliminated our high yield exposure, and increased our duration.

Outlook & Positioning

It's not all about a Fed pivot

Many of the recent market moves appear to have been driven by the intense examination of the public statements of US Federal Reserve ("the Fed") board members for clues regarding the possibility of a "pivot" by the central bank. This relentless parsing has caused short-term volatility spikes as investors rush to buy or sell speculative assets like technology stocks and cryptocurrencies at even the remotest suggestion from the Fed that they might curtail or maintain tight monetary policies.

Such speculative fervor seems very premature. First, the Fed has been clear that it believes monetary policy needs to be much more restrictive if they hope to rein in the persistent inflation pressures, even if it means putting the US economy into an economic recession. Second, it's not all about the Fed. There are two inputs to any classic valuation formula: interest rates and earnings. And investors seem to have forgotten the importance of earnings.

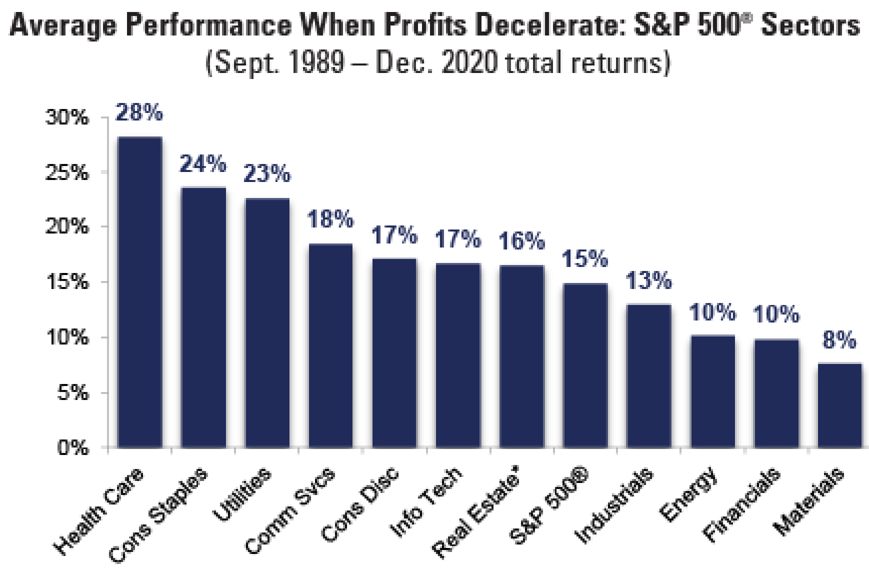
Profits recession ahead

We expect the US to enter a full-blown profits recession — i.e. negative corporate profits growth — by early next year, as corporations face the troublesome combination of weakening demand, rising labor costs, a very strong dollar, and the simple math of difficult comparisons with 2021-22's strong earnings growth. The combination of the Fed tightening monetary policy and profits decelerating means both primary inputs to valuation are worsening.

Focus on defensive investments

A popular debate centers on the relative attractiveness of cyclicals versus growth — stocks more exposed to the economy compared with companies that have superior secular profits growth. Unfortunately, history suggests neither of those two groups lead performance when profits decelerate. Rather, defensive sectors tend to lead equity markets during profits recessions.

Relative earnings growth is a primary driver of stock returns. Earnings growth in defensive stocks that are less economically sensitive tend to look very boring and too stable when the economy is booming, but they become quite attractive during profits recessions when broad earnings growth turns negative. Consumer staples, healthcare, and utilities have historically been the three best performing sectors during such periods. One needs to remember that no matter what goes on in the economy, people still eat. They might switch from steak to bologna, however, so necessities rather than dreams and desires usually dominate successful investment themes during profits recessions.



Source: Richard Bernstein Advisors LLC.S&P Global, FTSE, Bloomberg Finance L.P. For Index descriptions see Index Descriptions at end of document. Dec. 2020 was the end of the last full profits deceleration cycle. Real Estate performance is proforma as it was not a stand alone sector until 9/30/16 and was included within the Financials Sector. We use the FTSE Nareit All Equity REITS Total Return Index as a proxy for its performance from 9/1989 through 10/2002 when the GICS Real Estate Industry Index performance becomes available for data from that point on. Communication Services was Telecom Services prior to GICS reclassification in 9/30/18.

It also seems unrealistic to assume that lower quality credits will go untouched by tighter monetary conditions. After all, isn't that the whole point to tightening? Indeed, credit spreads have already begun to widen as the Fed has raised rates, and we expect a profits recession in 2023 to cause credit spreads to widen further.

There comes a point in every cycle during which investors believe the markets will "look beyond the recession". This provides comfort to those holding more cyclical assets, but the markets have never ignored a profits or economic recession. Investors should resist the knee-jerk reaction of rushing to speculative assets based solely on the Fed potentially reversing course. We believe that portfolios also need to reflect the realities of an approaching profits recession.

IMPORTANT DISCLOSURE

RBA Core Plus Total Return ETF Strategy composite1 returns include the reinvestment of dividends and are presented in USD. Gross performance results presented are net of transaction costs, withholding taxes, direct expenses and the fees and expenses of underlying funds, but before advisory fees, custody fees and other indirect expenses. Net performance results are presented net of the maximum applicable advisory fees, transaction costs, withholding taxes, expenses of underlying funds and direct expenses, but before custody fees and other indirect expenses. Net performance has been adjusted on a pro-forma basis to reflect the advisory fee that would otherwise apply to a fee-paying discretionary account. The advisory fee used to determine net performance was 0.40% per annum. All returns are estimated and unaudited. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Past performance is not a guarantee of future results. Wherever the potential for profit exists, there is also a potential for loss.

Net performance numbers are a hypothetical illustration based on a 0.40% annualized advisory fee applied monthly. Net fees do not reflect actual strategy performance and are for illustrative purposes only. Actual account performance may vary.

This strategy does not incur any performance-based compensation. RBA's standard fee schedule is available on request and can be found in Part 2A of our Form ADV. Investment advisory fees are generally collected quarterly, which produces a compounding effect on the total rate of return net of advisory fees. The actual fee charged to an individual account may differ from the standard schedule depending on a number of factors including account type and size.

Risks of RBA Core Plus Total Return ETF Strategy portfolios: strategy returns may show a high level of variability and volatility. In addition to market risk, fixed income risk and ETF risk, additional risks in these portfolios may result from RBA's selection of specific securities, since individual holdings may represent a significant percentage of a portfolio's holdings. Performance returns are of the RBA Core Plus Total Return ETF Strategy inception 12/23/2020. The composite includes all fully discretionary accounts that employ the strategy[1]. The investment objective of the strategy is to generate attractive risk-adjusted total returns with a secondary mandate of generating income. The composite benchmark is Bloomberg US Aggregate Bond Index. The firm's list of composite descriptions is available upon request. The RBA Core Plus Total Return ETF Strategy composite consists of all discretionary client accounts.[1] The accounts do not use leverage or engage in short selling. Derivatives can be utilized in the strategy.

The Bloomberg US Aggregate Bond Index is a broad-based, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States. The index is unmanaged, its returns do not reflect any fees, expenses or sales charges and is not available for direct investment. Bloomberg is the source for the Bloomberg US Aggregate Bond Index.

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.

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 Bloomberg.

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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[1]NTD: not technically a composite since currently internal capital only

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