Richard Bernstein Advisors

The Leaders In Pactive® Management

Quarterly Commentary

Q4-2023

Core Plus Total Return ETF Strategy

Q4 2023 Performance Highlights (%)

Portfolio (gross)	6.25
Portfolio (net)	6.14
Style Index	6.82

Annualized Performance[1] (%)
as of Dec 31, 2023

	1M	1Y	3Y	Since Inception
Gross	3.64	4.85	-3.08	-2.79
Net	3.61	4.44	-3.47	-3.17
Style Index*	3.83	5.53	-3.31	-3.19

Annual Performance (%)

	2021	2022	2023
Gross	0.73	-13.80	4.85
Net	0.32	-14.15	4.44
Style Index*	-1.54	-13.01	5.53

**Style index is 100% Bloomberg US Aggregate Bond Index*

*** Net of dividend taxes*

[1]Returns greater than 1 year are annualized.

Inception date: 12/23/2020

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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 $15.4 billion collectively under management and advisement as of 12/31/2023.

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 underperformed its benchmark in 4Q23, posting a return of 6.25% compared to a 6.82% for its style index*.

Positioning

The underperformance was driven by the portfolio's overweight in AAA CLOs, and yield curve steepener, and underweight in investment grade corporate bonds. This was partially offset by the portfolio's overweight in long-term US Treasuries. The strategy held an average cash weight of 2.1% (2.1ppt overweight).

Changes in Portfolio

Our indicators suggest that progress in corporate profits recovery is evident, accompanied by ample liquidity. Reflecting this favorable environment, we trimmed our exposure to long-term US Treasuries and diversified our bond exposure by exchanging some duration for exposure to reasonably priced agency mortgage-backed securities (MBS), resulting in roughly neutral duration. We consolidated our agency MBS exposure into a single ETF (JMBS), which seeks out superior risk-adjusted income and return opportunities within the MBS sector.

2023 Performance Review

For the full year, the Strategy underperformed its benchmark, posting a return of 4.85% compared to 5.53% for its style index*. The portfolio's overweight in long-term US Treasuries, and underweight in investment grade corporate bonds hurt performance. This was partially offset by the portfolio's overweight in AAA CLOs.

Outlook & Positioning

The start to 2024 will likely be an inauspicious one as spreads are tight and the rates market reflects an overly optimistic view of Federal Reserve policy easing. Today is not the time to "be a hero" and instead we think investors need to be wary of the asymmetric returns that accompany the fixed income asset class.

RBA believes that to navigate this difficult period, one needs to look to alternative ways to manage the next several quarters in fixed income. This contrasts with owning the market and hoping for falling rates or spreads not to widen. Investors also need to be nimble enough to take advantage of opportunities when they present themselves this year.

For example, instead of blindly owning the investment grade corporate bond market, RBA has targeted market segments where a supportive growth backdrop has not been priced, such as preferred securities and AAA CLOs. By barbelling AAA CLOs with long term treasuries, we have also been able synthetically create the same yield and duration characteristics of the investment grade corporate market with far less credit risk.

Additionally, our view is that making a bold call on Treasury yields at near neutral levels won't deliver alpha. Instead, we own yield curve positions through options, which can benefit from interest rate volatility as well as bull and bear steepening. For 2024, we also think it is wiser to own Treasury Inflation Protected Securities (TIPS) and 2y notes than the belly of the nominal yield curve, as these instruments deliver attractive yield and protect the portfolio from higher-than-expected inflation.

By reimagining where and how to get credit and rate exposure, we believe RBA has created a portfolio that looks nothing like the market but creates the opportunity for more upside and less downside.

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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