Richard Bernstein Advisors

The Leaders In Pactive® Management

Quarterly Commentary

Q4-2023

Global Equity ETF Strategy

Q4 2023 Performance Highlights (%)

Portfolio (gross)	9.36
Portfolio (net)	9.26
Style Index	11.03

Annualized Performance[1] (%)

as of Dec 31, 2023

	1YR	3YR	5YR	10YR	Since Inception
Gross	9.00	4.79	10.59	7.84	9.33
Net	8.57	4.38	10.15	7.25	8.57
Style Index*	22.20	5.75	11.71	7.92	8.62

Annual Performance (%)

	2017	2018	2019	2020	2021	2022	2023
Gross	22.04	-11.31	24.88	15.13	17.31	-10.01	9.00
Net	21.56	-11.67	24.40	14.67	16.85	-10.37	8.57
Style Index*	23.97	-9.41	26.60	16.25	18.54	-18.36	22.20

**Style index is 100% MSCI ACWI Index net of dividend taxes.*

*** Net of dividend taxes.*

[1]Returns greater than 1 year are annualized.

Inception date: 10/31/2010

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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 Global Equity ETF Strategy underperformed its benchmark in 4Q23, posting a return of 9.36% compared to a 11.03% for its style index*.

Positioning

The underperformance was mainly driven by the overweight in energy, and China, and the underweight in information technology. The overweight in US aerospace & defense, and Europe and its currency impact helped relative performance. The strategy held an average cash weight of 2.1% (2.1ppt overweight) which detracted from performance.

Changes in Portfolio

The Global Equity ETF Strategy did not make any changes during the quarter.

2023 Performance Review

For the full year, the Strategy underperformed its benchmark, posting a return of 9.00% compared to 22.20% for its style index*. The portfolio's overweight in defensive sectors and China, and underweight in information technology, US communication services, and US consumer discretionary detracted from performance. The overweight in energy in the fourth quarter further detracted from performance. The underweight in financials in the first quarter helped relative performance.

Outlook & Positioning

Our "4 for '24" theme is largely based on a potential replay of the 2000's Lost Decade. We envision an extended period during which the Magnificent 7 significantly underperform, but other sectors, industries, countries, and investment themes that are currently being ignored could present excellent opportunities.

With this backdrop, our portfolios enter 2024 with four embedded themes: (1) US Small Caps, (2) US Cyclicals, (3) Non-US and Emerging Markets, (4) Industrials as a play on deglobalization.

The profits cycle has begun to recover and seems poised to accelerate until at least mid-2024. If profits are accelerating or decelerating, it is typically attributable to cyclical companies' earnings because stable companies' earnings are simply too stable to cause a cycle.

Smaller capitalization stocks are more cyclical than are larger capitalization stocks and tend to outperform when profits accelerate. More important, the range of small cap outperformance is skewed positively when profits accelerate.

We are also overweight traditional cyclical sectors such as energy, materials, and industrials. In contrast, according to the latest Bank of America Global Fund Manager Survey, fund managers are underweight these sectors relative to their "normal" portfolio weights.

When the US bull market began in 2009, investors were enamored with non-US, particularly emerging market, stocks. Fourteen years later, the opposite is true and investors strongly favor US stocks. Fundamentals and sentiment though increasingly favor non-US stocks, and we have an underweight US equity allocation.

Lastly, it may be critical for the US economy to rebuild its productive infrastructure as globalization continues to contract. Energy infrastructure, utility infrastructure, private sector manufacturing infrastructure, and related real estate, ports, roadways, and rail are as important to the future of the US economy as AI might be. However, when compared to AI, few investors are paying as much attention to this theme, which suggests greater opportunity.

RBA's portfolios have typically been diversifiers within an overall portfolio. That role today seems a very good one to play. The speculative rally in the equity markets in 2023 is giving rise to what we think will be a once-in-a-generation investment opportunity in 2024. Like the opportunities after the Technology Bubble, there seem to be plenty of attractive investments. They just aren't in the seven stocks that are investors' favorites.