Richard Bernstein Advisors
Pactive® Approach to Investing

Quarterly Commentary

Q4-2024

Global Equity ETF Strategy

Q4 2024 Performance Highlights (%)

Portfolio (gross)	-2.97
Portfolio (net)	-3.07
Style Index*	-0.99

Annualized Performance[1] (%)
as of Dec 31, 2024

	1YR	3YR	5YR	10YR	Since Inception
Gross	9.93	2.55	7.80	8.44	9.37
Net	9.50	2.14	7.37	7.91	8.63
Style Index*	17.49	5.43	10.05	9.22	9.22

Annual Performance (%)

	2018	2019	2020	2021	2022	2023	2024
Gross	-11.31	24.88	15.13	17.31	-10.01	9.00	9.93
Net	-11.67	24.40	14.67	16.85	-10.37	8.57	9.50
Style Index*	-9.41	26.60	16.25	18.54	-18.36	22.20	17.49

** Style index is MSCI ACWI Index*
[1]Returns greater than 1 year are annualized.
*** Net of dividend taxes*
Inception date: 10/31/2010

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 $16.1 billion collectively under management and advisement as of 12/31/2024.

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 underperformed its benchmark in 4Q24, posting a return of -2.97% compared to a -0.99% for its style index*.

Positioning

The underweight in China, Japan, Asia ex-Japan and Europe helped performance. This was more than offset by the overweight in U.S. value and high dividend-paying stocks, international high-quality stocks, and non-China emerging markets, as well as the underweight in U.S. mega cap growth stocks.

Changes in Portfolio

During the quarter, RBA made changes to the portfolio. RBA reduced its position in global natural resources, and increased its overweight to U.S. value stocks to further provide broad cyclical exposure to the accelerating and broadening U.S. profit cycle. The change specifically adds to our holdings of sectors that are seeing improvements in their earnings trends and/or are likely to benefit from better than expected U.S. nominal growth, such as financials, health care, and industrials.

2024 Performance Review

For the full year, the Strategy underperformed its benchmark, posting a return of 9.93% compared to 17.49% for its style index*. The underweight in Europe, Japan, and Asia ex-Japan helped performance. This was more than offset by the underweight in U.S. mega cap growth stocks, as well as the overweight in U.S. high dividend-paying stocks, small cap stocks, international high-quality stocks, and emerging markets. The overweight in energy and materials further detracted from performance.

Outlook & Positioning

Beyond the typical uncertainty, investors are now facing uncertainty regarding Fed policy, fiscal policy under the new administration, trade and tariffs, business and regulatory policies, the effects of deglobalization, and even the ongoing strength of the labor market.

Within this truly unclear investment landscape, there are 5 factors we think are relative certainties in this uncertain world that together argue for stronger nominal growth than is current consensus.

1. Starting 2025 with a healthy economy
2. The Fed could make easy financial conditions even easier
3. Profits are accelerating
4. Tariffs and ongoing deglobalization
5. Tax cuts increased or extended

These five relatively certain factors imply stronger nominal growth (real growth plus inflation) than investors currently expect, and our portfolios are currently positioned for that positive surprise.

Although we believe the 5 mentioned factors to be relative certainties, it's important to consider what could change during the year.

Elevated market speculation has thrived on excess liquidity. If stronger than expected nominal growth causes the Fed to shift to a tightening bias, market volatility might increase, and investors might see some of the markets' risk-taking fervor subside.

A second consideration is the potential peak in the profits cycle. We currently project peak earnings growth in the first or second quarter of 2025. A peak in the profits cycle by itself is not sufficient to cause a bear market, but the combination of the Fed hiking rates into a decelerating profits cycle has historically been a fillip for higher volatility.

Third, sentiment is worrisome because investors appear to be universally very bullish. In some cases, even historically so. Equity allocations are high, portfolio betas are high, and investors are shunning diversification for concentration. Diversification is no longer viewed as a risk-reduction tool, but rather as a hindrance to performance. That could be a precarious sentiment backdrop given the potential for increased volatility in the 2nd half of 2025.

Overall, we enter 2025 anticipating that nominal growth will be stronger than investors expect and accordingly are cyclically positioned in our equity and fixed-income portfolios. Risks could increase around mid-year, and more defensive positioning might be appropriate at that point.

Richard Bernstein Advisors