



Richard Bernstein Advisors



Richard Bernstein Advisors LLC (RBA) is an investment manager focusing on longer-term investment strategies that combine top-down, macroeconomic analysis and quantitatively-driven portfolio construction. We strive to be the leading provider of innovative investment solutions for investors, and our competitive edge is our research-driven macro style of investing.

Our top-down macro approach differentiates our firm from the more common, traditional bottom-up approach of most asset managers. Our extensive array of macro indicators allows us to construct portfolios that are innovative, risk-controlled, and focused on overall portfolio construction instead of individual stock selection.

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Fade the election



Citizens freely expressing political opinions is the most prized aspect of a functioning democracy. That freedom will certainly be on full display as we head toward the hotly contested Presidential election.

RBA has always been highly dispassionate regarding politics when building portfolios, and that unemotional approach might be even more important in the current stormy political environment.

History suggests Presidential elections are not nearly as important to the financial markets as the media plays them up to be, and a focus on fundamentals rather than political slogans has generally been beneficial. Historical asset class and sector performance shows virtually no consistent performance pattern under Democratic or Republican Presidents. In fact, performance is sometimes totally counter to what was expected.

The market doesn't crash when the other side wins

The losing side in every Presidential election seems to predict the financial markets will be doomed. Yet, history shows that investors reaped double-digit annualized returns under every President except one in the last 45 years.

Table 1 shows S&P 500® annualized returns by Presidential time in office for each of the last eight Presidents. The S&P 500® had a negative compounded return only during Bush 43's time in office, which was called the "Lost Decade in Equities".

The S&P 500® tended to have meaningful positive returns regardless of a President's political party.

TABLE 1:
S&P 500® Annualized Total Return by Presidential Term*

President	Return
Carter	12.0%
Reagan	15.1%
Bush 1	14.6%
Clinton	17.5%
Bush 2	-4.5%
Obama	16.3%
Trump	16.3%
Biden**	12.9%

Source: Richard Bernstein Advisors LLC, Bloomberg Finance L.P.

*Presidential Term measured by Inauguration dates.

**Biden returns are calculated through 8/31/2024.

Asset returns aren't related to the President

Asset class returns similarly don't appear to be related to a President's party affiliation. Gold was the best performing asset class under Carter (Democrat) and Bush 43 (Republican). Commodities were the best performer under Biden (Democrat), but the worst under Obama (Democrat) and Trump (Republican) and stocks were the best performer under Reagan (Republican), Clinton (Democrat), Obama (Democrat), and Trump (Republican). Stocks were either the best or second-best performing asset class during 6 of the past 8 Presidents' time in office.

Two recent and rather ironic examples help explain why investors might want to ignore Presidential politics when setting asset allocation. President Obama was considered by some to be bad for business, but Small Cap stocks performed well during his 8 years. Similarly, EM Equities outperformed domestically-focused US Small Caps despite President Trump's MAGA theme.

TABLE 2:
Asset Returns aren't related to the President

Presidential Cycles & Annualized Total Return by Asset Class ⁽¹⁾							
Carter ⁽²⁾	Reagan ⁽²⁾	Bush 41 ⁽²⁾	Clinton	Bush 43	Obama	Trump	Biden ⁽³⁾
Gold 40%	S&P 500® 16%	EM Equities 28%	S&P 500® 18%	Gold 16%	US Small Caps 17%	S&P 500® 16%	Commodities 16%
US Small Caps 32%	LT Treas 15%	Commodities 14%	US Small Caps 12%	LT Treas 9%	S&P 500® 16%	EM Equities 15%	S&P 500® 13%
Commodities 19%	US Agg 14%	S&P 500® 14%	LT Treas 9%	EM Equities 7%	HY Bonds 13%	US Small Caps 14%	Gold 8%
S&P 500® 12%	US Small Caps 12%	LT Treas 13%	HY Bonds 8%	US Agg 6%	EM Equities 10%	Gold 12%	HY Bonds 3%
Cash 9%	Cash 10%	US Small Caps 12%	Commodities 7%	HY Bonds 3%	Gold 4%	LT Treas 8%	Cash 3%
US Agg 3%	Commodities 9%	HY Bonds 12%	US Agg 7%	Cash 3%	LT Treas 4%	HY Bonds 6%	US Small Caps 2%
LT Treas -1%	Gold -3%	US Agg 12%	Cash 5%	US Small Caps 0%	US Agg 4%	US Agg 5%	US Agg -2%
		Cash 7%	EM Equities 4%	Commodities -2%	Cash 0%	Cash 1%	EM Equities -4%
		Gold -4%	Gold -3%	S&P 500® -4%	Commodities -5%	Commodities -3%	LT Treas -8%

Source: Richard Bernstein Advisors LLC, Bloomberg Finance L.P., Morningstar (Ibbotson SBBI), ICE ®BofA, S&P Global, MSCI

(1) Presidential Term measured from Inauguration dates described as follows

(2) Monthly Performance for month-end following inauguration date to month end following next inauguration until 3/31/1992 when daily becomes available for all asset classes at which point actual inauguration dates used.

(3) Biden returns are calculated through 8/31/2024.

HY Bonds and EM not included until Bush 41 as their index inceptions are during the Reagan Term.

EM Equities in USD.

US Small Caps defined as Ibbotson Small Cap Index for Carter term as Russell 2000 inception was during Carter term.

Sector returns aren't related to the President

Prior to every election, Wall Street produces lists of winning and losing sectors based on proposed policies. However, it appears as though sector performance is also unrelated to party affiliation.

For example, most will agree that President Obama and President Trump had polar opposite priorities. Yet, the best and worst performing sectors were virtually identical during each of their times spent in office. Consumer Discretionary and Technology were the best and second-best performing sectors during the Obama administration, and they were the second-best and best performing sectors during the Trump years. Despite widely disparate views regarding the sector, Energy was nonetheless the worst performing sector under both Presidents. The Biden administration's focus on ESG and the political fallout that accompanied those views didn't prevent Energy from being the best performing sector so far during the Biden years.

Overall, attempting to predict sector performance based on a President's party affiliation or stated policy goals seems a poor investment strategy.

TABLE 3:
Sector returns aren't related to the President

Presidential Cycles & Annualized Total Return by S&P 500® Sector ^(*)					
Bush Sr. ^(**)	Clinton	Bush Jr.	Obama	Trump	Biden ^(***)
Cons Stpl 19%	Info Tech 29%	Energy 8%	Cons. Disc 22%	Info Tech 31%	Energy 28%
HlthCare 14%	HlthCare 22%	Materials 3%	Info Tech 20%	Cons. Disc 21%	Info Tech 20%
Utilities 11%	Financials 21%	Cons Stpl 3%	Financials 19%	HlthCare 16%	Financials 14%
Financials 11%	S&P 500® 18%	Utilities 1%	Industrials 17%	S&P 500® 16%	Industrials 13%
Cons. Disc 10%	Industrials 17%	HlthCare -2%	S&P 500® 16%	Materials 13%	S&P 500® 13%
S&P 500® 10%	Energy 16%	Industrials -3%	HlthCare 16%	Industrials 11%	Cons Stpl 11%
Comm. Svcs 9%	Cons. Disc 14%	S&P 500® -4%	Materials 15%	Utilities 10%	HlthCare 10%
Industrials 8%	Comm. Svcs 14%	Cons. Disc -5%	Cons Stpl 14%	Financials 10%	Comm. Svcs 9%
Energy 6%	Cons Stpl 13%	Comm. Svcs -7%	Comm. Svcs 13%	Comm. Svcs 10%	Utilities 9%
Materials 5%	Utilities 12%	Info Tech -11%	Utilities 11%	Cons Stpl 9%	Materials 8%
Info Tech 3%	Materials 7%	Financials -12%	Energy 8%	Real Estate 8%	Real Estate 8%
				Energy -8%	Cons. Disc 4%

Source: Richard Bernstein Advisors LLC, Bloomberg Finance L.P.

(*) Presidential Term measured from Inauguration dates.

(**) Bush Sr. performance begins 9/11/89 as that is when GICS sector performance availability begins. Real Estate was part of the Financial Services GICS Sector prior to 2017.

(***) Biden returns are calculated through 8/31/2024.

Fade the election

The news flow over the next six to eight weeks will be saturated with politics. Everyone has a political view, but investors will likely have to remain extraordinarily dispassionate while managing portfolios during, what could be, a highly emotional period.

Following election gossip can be fun and entertaining, but at RBA we will be paying considerably more attention to time-tested fundamental drivers of Equity, Region, Sector, Size, and Style returns such as profits, liquidity, sentiment, and valuation.

APPENDIX

Unique Analysis - "Are you better off than you were four years ago?"

As we've highlighted, we generally believe following politics is a rather imprudent investment strategy. Nonetheless, we couldn't resist the following analysis. This has nothing to do with the financial markets, but it is a unique analysis.

Presidential candidates have for decades asked the question whether voters are better off than they were four years ago? We think this highly unique analysis answers that question and lends insight to historical elections.

To answer the question about being better off than four years ago, we looked at 48-month changes (i.e., "4 years ago") in both the Conference Board's Consumer Confidence Index and the University of Michigan Consumer Sentiment Index. Readings greater than zero would indicate people felt better about their current condition than they did four years ago, whereas readings less than zero would indicate they felt they were worse off.

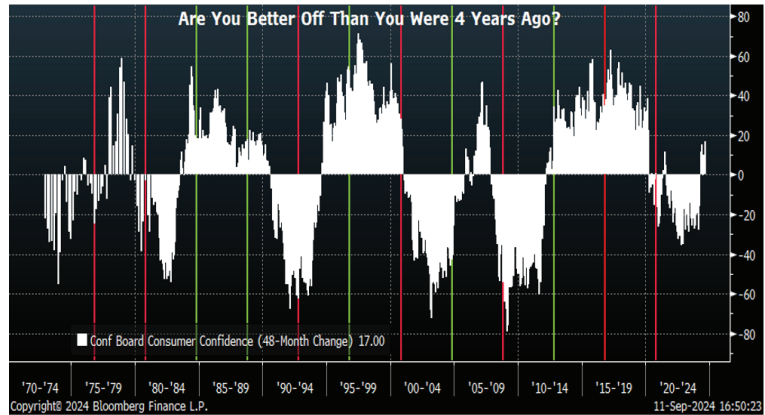
In the following charts, vertical lines indicate the particular survey on October 31st (i.e., immediately before the election). Green lines indicate the incumbent President or the incumbent President's party was re-elected. Red lines indicate a change of party in the White House.

The two surveys differ in length of history (the Conference Board survey has a longer history), sample size (the Conference Board survey is larger), and subject matter. The Conference Board survey largely focuses more on employment issues, whereas the Michigan survey focuses more on financial issues.

Using the Conference Board's version (the first chart), there was only one time the incumbent party was re-elected despite Consumer Confidence being worse than 4 years ago (Bush 2 in 2004), but Consumer Confidence was improving.

In 2000, Consumer Confidence was healthy but quickly weakening and the incumbent party lost (Bush2 v Gore), but the real shocker was 2016 when Consumer Confidence was quite strong, and the incumbent party nonetheless lost (Trump v Clinton).

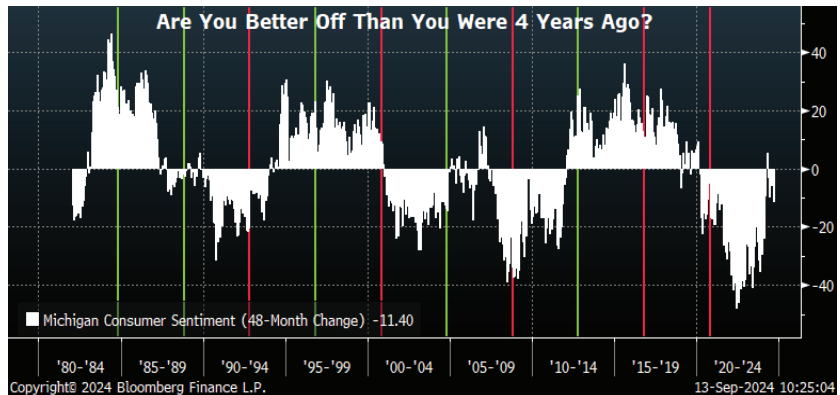
CHART 1:
Conference Board's Consumer Confidence Index
 (as of September 11, 2024)



Source: Bloomberg Finance L.P.

The University of Michigan Consumer Sentiment Index shows current consumers are less satisfied than those in the Conference Board's Survey. Perhaps roughly similar to today would be the incumbent's re-election in 1988 (Bush 1) and 2004 (Bush 2) despite negative/borderline improvement in Consumer Sentiment.

CHART 2:
University of Michigan Consumer Sentiment Index
 (as of September 13, 2024)



Source: Bloomberg Finance L.P.

So, the answer to the question "Are you better off than you were four years ago?" depends on the survey. Tongue-in-cheek, if one is a Democrat, one probably prefers the analysis using the Conference Board Survey, but if one's a Republican, one probably prefers the University of Michigan Survey.

But the true bottom line is this is fun fodder for cocktail party discussion, but relatively meaningless for investors. Investors need to focus on fundamentals, and not rhetorical political questions.

INDEX DESCRIPTIONS:

The following descriptions, while believed to be accurate, are in some cases abbreviated versions of more detailed or comprehensive definitions available from the sponsors or originators of the respective indices. Anyone interested in such further details is free to consult each such sponsor's or originator's website.

The past performance of an index is not a guarantee of future results.

Each index reflects an unmanaged universe of securities without any deduction for advisory fees or other expenses that would reduce actual returns, as well as the reinvestment of all income and dividends. An actual investment in the securities included in the index would require an investor to incur transaction costs, which would lower the performance results.

Indices are not actively managed and investors cannot invest directly in the indices.

S&P 500®: The S&P 500® Index is an unmanaged, capitalization-weighted index designed to measure the performance of the broad US market. The index includes 500 leading companies covering approximately 80% of available market capitalization.

Sector/Industries: Sector/industry references in this report are in accordance with the Global Industry Classification Standard (GICS®) developed by MSCI Barra and Standard & Poor's.

US Small Caps (Carter Time in office): The SBBI® Small Company Index: From 1926 to 1981 are composed of stocks making up the fifth quintile (ninth and 10th deciles) of the NYSE by market capitalization. From 1981 thru March 2001 the series is comprised of the DFA U.S. Small Company 9-10 (ninth and tenth deciles) Portfolio. From April 2001-current, the series is represented by the DFA U.S. Micro Cap Portfolio. For more detail see the current SBBI® Yearbook's description of the basic series.

US Small Caps (Reagan – Biden Times in office): Russell 2000 Index. The Russell 2000 Index is an unmanaged, market-capitalization-weighted index designed to measure the performance of the small-cap segment of the US equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index.

EM: MSCI Emerging Markets (EM) Index. The MSCI EM Index is a free-float-adjusted, market-capitalization-weighted index designed to measure the equity-market performance of emerging markets.

Gold: Gold Spot USD/oz Bloomberg GOLDS Commodity. The Gold Spot price is quoted as US Dollars per Troy Ounce.

Commodities: The S&P GSCI Total Return CME. The S&P GSCI Total Return Index in USD is widely recognized as the leading measure of general commodity price movements and inflation in the world economy. Index is calculated primarily on a world production weighted basis, comprised of the principal physical commodities futures contracts.

Cash: 3-Mo T-Bills: ICE® BofA 3-Month US Treasury Bill Index. The ICE® BofA Merrill Lynch 3-Month US Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. The Index is rebalanced monthly and the issue selected is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date.

Long-term Treasury Index: ICE® BofA 15+ Year US Treasury Index. The ICE® BofA Merrill Lynch 15+ Year US Treasury Index is an unmanaged index comprised of US Treasury securities, other than inflation-protected securities and STRIPS, with at least \$1 billion in outstanding face value and a remaining term to final maturity of at least 15 years.

U.S. High Yield: ICE® BofA US Cash Pay High Yield Index. The ICE® BofA Merrill Lynch US Cash Pay High Yield Index tracks the performance of USD-denominated, below-investment-grade-rated corporate debt, currently in a coupon-paying period, that is publicly issued in the US domestic market. Qualifying securities must have a below-investment-grade rating (based on an average of Moody's, S&P and Fitch) and an investment-grade-rated country of risk (based on an average of Moody's, S&P and Fitch foreign currency long-term sovereign debt ratings), at least one year remaining term to final maturity, a fixed coupon schedule, and a minimum amount outstanding of \$100 million.

US Agg: The Bloomberg US Agg Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

About Richard Bernstein Advisors

Richard Bernstein Advisors LLC is an investment manager focusing on long-only, global equity and asset allocation investment strategies. RBA runs ETF asset allocation SMA portfolios at leading wirehouses, independent broker/dealers, TAMPS and on select RIA platforms. Additionally, RBA partners with several firms including Eaton Vance Corporation and First Trust Portfolios LP, and currently has \$14.8 billion collectively under management and advisement as of June 30, 2024. RBA acts as sub-advisor for the Eaton Vance Richard Bernstein Equity Strategy Fund, the Eaton Vance Richard Bernstein All-Asset Strategy Fund and also offers income and unique theme-oriented unit trusts through First Trust. RBA is also the index provider for the First Trust RBA American Industrial Renaissance® ETF. RBA's investment insights as well as further information about the firm and products can be found at www.RBAdvisors.com.

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