



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.

CONTACT RBA

Website: RBAadvisors.com

Twitter: @rbadvisors

Phone: (212) 692-4088

Time to be boring



When the rally in TMT stocks turned into a bubble in 1998/99, we encouraged investors to avoid the hype and focus on tried-and-true strategies for wealth building. We began a monthly strategy screen that focused primarily on two characteristics: quality and dividends.

We didn't object to people wanting to speculate, after all speculation is a necessity within every functioning financial market, but speculation should not dominate most well-structured wealth-building portfolios.

Today's discussions about whether AI-related stocks are in a bubble seem to miss the bigger picture. Virtually every asset class is now ripe with speculation, and such broad asset speculation suggests to us that **boring humdrum assets might be very attractive.**

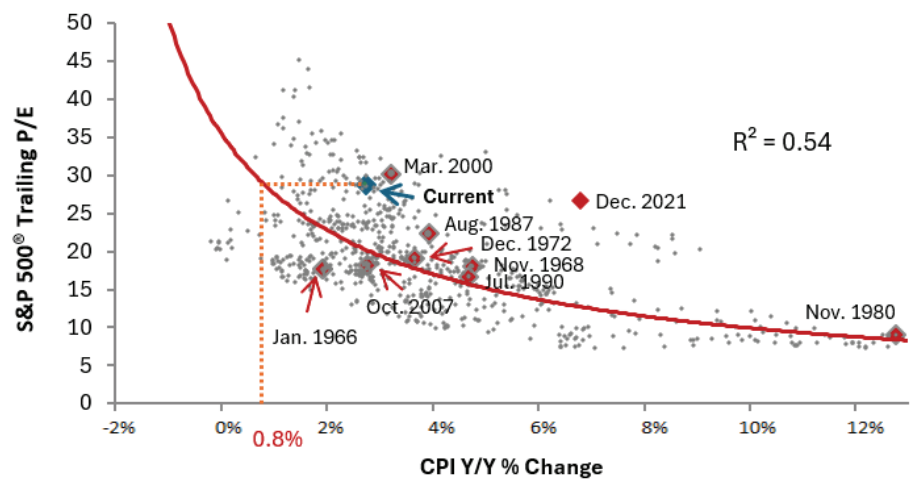
Speculation seems everywhere

Today's financial markets seem ripe with speculation. Consider the following:

- Equities: The equity market seems myopically focused on AI, SPACs, and meme stocks. BofA Securities has pointed out that private client

equity betas are between 1.25 and 1.50, whereas betas were about 0.75 at the beginning of the secular bull market. In addition, market valuations are expensive (see Chart 1, dates represent prior market peaks). History suggests an inflation rate of just 0.8% year over year to justify the market's current P/E of 30.

CHART 1:
Inflation vs. S&P® 500 P/E Ratio
(Jan. 1965 – Oct. 2025)



Source: Richard Bernstein Advisors LLC, Bloomberg Finance L.P. Market peaks based on month end data.

- Fixed-income: Credit spreads are historically narrow, mimicking those seen prior to the Asia/Russia Crisis, the Global Financial Crisis, and the Inflation/Fed rate hike scare of 2022 (see Chart 2).

CHART 2:
Bloomberg US Corporate High Yield Spread
(Aug. 11, 1980 – Nov. 13, 2025)



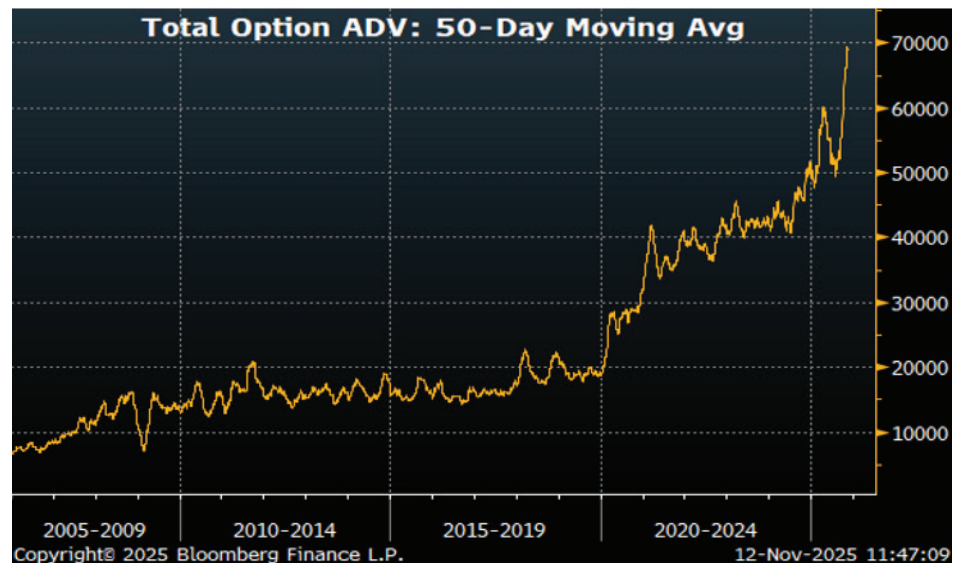
Source: Bloomberg Finance L.P.

- Cryptocurrencies: As we highlighted last month¹, cryptocurrencies' performances are largely driven by speculative liquidity.
- Options: Options' imbedded leverage makes them attractive to investors during more speculative periods. Chart 3 highlights that option volumes have hit an all-time high, and retail option participation is at record levels².
- Betting sites: Despite very meaningful differences between the stock market and a horse race, investors today increasingly seem to equate the two. Differences between betting sites and financial markets have been blurred so that people can now bet on economic events. Several major money managers recently announced that they were considering including sports betting among their strategies³.

CHART 3:

Option Volumes

(Dec. 31, 2005 – Nov. 11, 2025)



Source: Bloomberg Finance L.P.

Dividends

Investors tend to sneer at dividends during speculative periods because dividends are viewed as a drag on performance. Most dividend-oriented stocks are lower beta stocks because their total returns are comprised of a combination of cash dividends and capital appreciation, but speculators crave beta.

¹<https://www.rbadvisors.com/insights/crypto-aint-digital-gold>

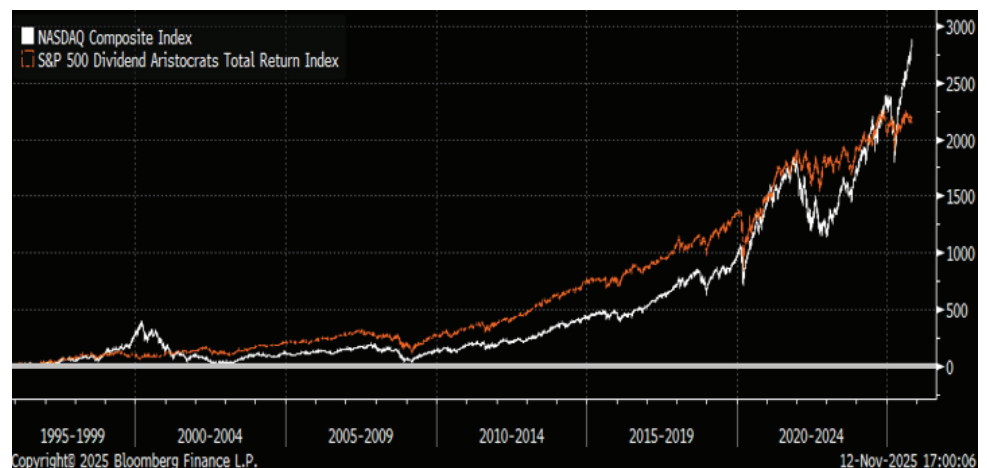
²<https://www.citadelsecurities.com/news-and-insights/rules-and-tools/?series=global-market-intelligence>

³<https://www.aol.com/sports-betting-next-frontier-wall-093502502.html>

Chart 4 shows that the boring compounding of dividend income can be a meaningful part of building wealth. The chart compares the compounded total returns of S&P Dividend Aristocrats Index to those of the NASDAQ Composite over the past 30 years.

The recent Magnificent 7 period has propelled NASDAQ into the lead, but the indices were basically neck-and-neck (revisiting our earlier horse racing comparison) until this year. The low-beta nature of dividend yield-oriented stocks implies that they have outperformed NASDAQ over this period on a risk-adjusted basis.

CHART 4:
S&P Dividend Aristocrats vs. Nasdaq Composite
(Dec. 31, 1995 – Nov. 12, 2025)



Source: Bloomberg Finance L.P.

Quality

Most investors today might be intrigued by an investment with the following characteristics:

1. Median projected earnings growth rate faster than that of the Magnificent 7
2. Median dividend yield roughly 8 times the yield of the Magnificent 7
3. Median valuation is 30-40% cheaper than the Magnificent 7's

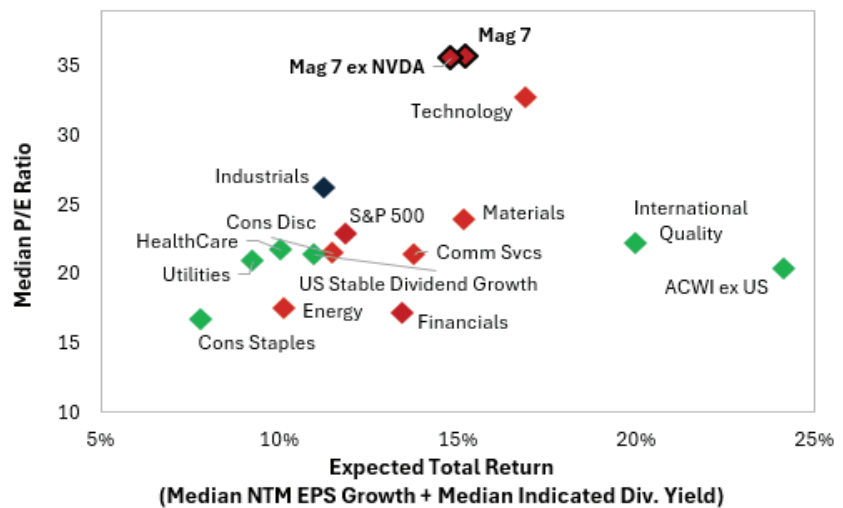
What is the investment? International developed market high quality stocks.

Chart 5 below shows a comparison of various equity market segments' expected total returns (i.e., projected earnings growth plus dividend yield) versus their valuations. More attractive segments are in the lower right of the chart whereas less attractive segments are in the upper left.

Non-US quality stocks appear quite attractive as they sit in the chart to the "southeast" portion of the chart.

Some investors have been bullish on non-US equities for a long time based on undervaluation. However, non-US investments didn't offer growth that was competitive with the US's. The chart demonstrates that non-US quality (and non-US in general!) is undervalued AND now also offers superior growth.

CHART 5:
Expected Total Return vs. Median P/E Ratio
(As of Nov. 7, 2025)



Source: Richard Bernstein Advisors LLC, MSCI Inc., S&P Global, Bloomberg Finance L.P.

NTM = Next Twelve Months. Sectors are defined as S&P 500® GICS Sectors. Green shading denotes an OW position, red denotes an UW and blue denotes a neutral position in our strategies. For Index descriptors, see "Index Descriptions" at end of document.

Contrarian portfolios are, by definition, diversifying portfolios

Some say our equity portfolios are highly contrarian. That is true but might also be a bit superficial.

The term "contrarian" is often derogatorily used to imply an investor simply wants to be disagreeable. It might be quite unfair to dismiss contrarian investors as those who will simply say right if one says left or left if one says right.

Long-term investment returns are always a function of the supply and demand of capital. The point to contrarian investing is not to be argumentative, but rather to search for scarcities of capital relative to the demand for capital. One cannot be part of the popular crowd and still find under-capitalized opportunities that offer higher expected long-term returns.

Contrarian portfolios are, by definition, diversifying portfolios. Diversifying investments are typically those that do not agree with one's assessment of the investment landscape. If one's outlook is proven incorrect, then the distasteful assets within the portfolio that are geared to a different outlook are more likely to outperform, whereas those that supported one's forecast tend to underperform.

In other words, if one likes everything in one's portfolio, then the odds are the portfolio is under diversified. There's nothing in the portfolio to protect the investor against being wrong.

RBA has tried throughout our history to be contrarian investors and, therefore, manage diversifying portfolios. Our current overweight of non-US quality and dividends might be very boring relative to the hype and excitement of many of today's asset classes, but we think our positioning provides both higher expected returns and diversification.

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.

International Quality: The MSCI World Ex USA Sector Neutral Quality Index. The MSCI World Ex USA Sector Neutral Quality Index measures the performance of international developed large and mid capitalization stocks exhibiting relatively higher quality characteristics as identified through the fundamental variables: ROE, earnings variability & debt-to-equity.

US Stable Dividend Growth: The S&P High Yield Dividend Aristocrats Index. The index measures the performance of the highest dividend yielding S&P Composite 1500 Index constituents that have followed a managed-dividends policy consistently increasing dividends every year for at least 20 consecutive years.

Nasdaq: The Nasdaq Composite Index: The NASDAQ Composite Index is a broad-based market-capitalization-weighted index of stocks that includes all domestic and international based common type stocks listed on The NASDAQ Stock Market.

Mag 7: The Magnificent 7 (Mag 7) are a group of 7 widely-traded companies classified in the United States and representing the Communications, Consumer Discretionary and Technology sectors as defined by the Global Industry Classification Standard (GICS®) developed by MSCI Barra and Standard & Poor's. These consist of AAPL, AMZN, GOOGL, META, MSFT, NVDA and TSLA.

S&P Dividend Aristocrats Index: The S&P 500® Dividend Aristocrats index is designed to measure the performance of S&P 500 index constituents that have

followed a policy of consistently increasing dividends every year for at least 25 consecutive years.

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 First Trust Portfolios LP and iM Global Partner and currently has \$17.5 billion collectively under management and advisement as of September 30, 2025. RBA 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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