



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](https://rbadvisors.com)

Twitter: @rbadvisors

Phone: (212) 692-4088

A bird in the hand...



Dating back to medieval falconry, the proverb “a bird in the hand is worth two in the bush” suggests that one should be thankful for the sure thing rather than boastful gambling on the spectacular.

That theme of modesty over hubris has also been an important one within portfolio management. One might rephrase it as “a dividend in hand is worth two expensive growth stories.”

Investors’ guidelines regarding the basics of building wealth seem distorted by the current speculative period. As investors have done during other late-cycle and speculative periods, they are taking spectacular portfolio risk and ignoring the power of compounding dividends.

It might be an appropriate time to remember the proverb. Investors seem universally focused on “AI” which seems eerily similar to the “.com” stocks of the Technology Bubble and the “tronics” craze of the 1960s. Meanwhile, we see lots of attractive, admittedly boring, dividend-paying themes.

Utilities vs NASDAQ: Believe it or not, they're neck-and-neck through time

One of the easiest methods for building wealth has historically been the power of compounding dividends. Compounding dividends is boring as all get out, but it's been highly successful through time.

In fact, compounding dividend income has been so successful, that the Dow Jones Utilities Index's returns have been roughly neck-and-neck with NASDAQ returns since NASDAQ's inception in 1971!

Chart 1 shows the compound total return of the Dow Jones Utility Index versus that of the NASDAQ Composite since NASDAQ's origination in February 1971. Several points are worth noting:

1. NASDAQ surges ahead of DJ Utilities only during more speculative periods and bubbles.
2. Utilities have underperformed NASDAQ by less than 65bp/year even when including the current speculative Magnificent 7/AI period.
3. Because such a large proportion of return comes from dividends, Utilities have achieved their returns with considerably lower volatility and beta.
4. The DJ Utilities Index has a beta of only 0.5 to the NASDAQ during the 50+ year period, implying its risk-adjusted returns are superior to those of NASDAQ.

CHART 1:
Dow Jones Utilities Index vs. Nasdaq Composite Index
(Feb. 1971 – May 2025)



Source: Bloomberg Finance L.P. . For Index descriptors, see "Index Descriptions" at end of document.

Table 1 breaks down the returns in Chart 1 by decade. Perhaps contrary to most investors' current perceptions, Utilities outperformed NASDAQ during three decades and NASDAQ outperformed Utilities during three decades.

The table includes the Dow Jones US Dividend Index during the last three decades when it existed. This index is a broader representation of dividend-paying companies than simply utilities, and paints an even more appealing view of dividend-paying companies because it outperforms utilities during all three decades.

Table 1: Utilities vs NASDAQ by Decade

<u>Decade</u>	<u>NASDAQ</u>	<u>DJ Utilities</u>	<u>Dow Jones US Dividend</u>
1970s*	4.6%	5.9%	NA
1980s	11.6%	18.4%	NA
1990s	24.7%	7.7%	NA
2000s	-4.9%	7.4%	8.6%
2010s	16.1%	12.4%	13.9%
2020s*	15.9%	6.9%	9.6%

* 1970s begins February 1971. 2020s ends May 2025.

Source: Richard Bernstein Advisors LLC, Bloomberg. For Index descriptors, see "Index Descriptions" at end of document.

Investors currently want beta not yield

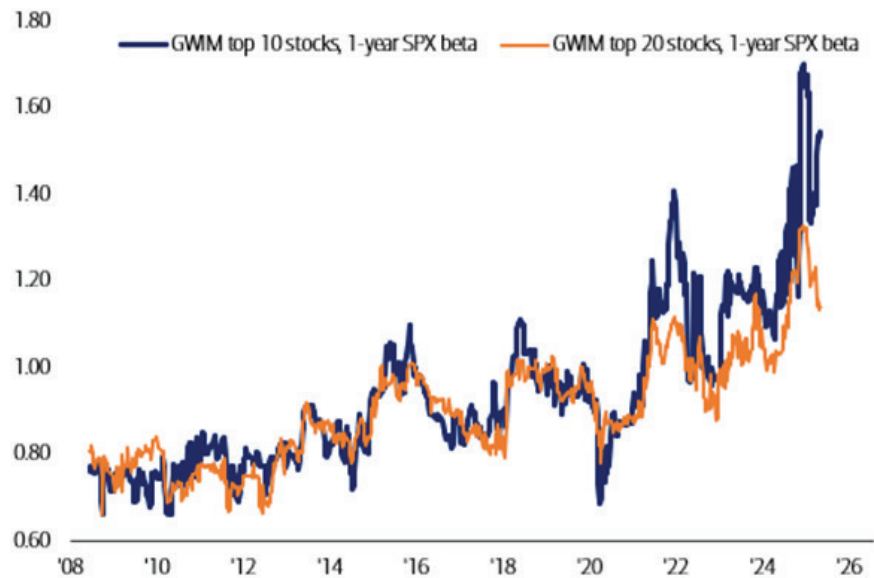
As we've pointed out many times, investors' current appetite for beta risk seem insatiable. Whereas they were extremely hesitant to take any market risk at the beginning of the bull market, today (16 years later) they apparently can't take enough.

Chart 2 (courtesy of Michael Harnett at BofA Securities) is one we've published many times, and shows the beta of the major holdings in private clients' portfolios. Regardless of whether one examined the top 10 or top 20 holdings, private client equity beta was roughly 0.75 at the beginning of the bull market. Today, the beta of their top 10 holdings is an eye-popping 1.5! Even the beta of the top 20 remains near historic highs.

Throughout the early portion of the 2010s, investors had interest only in "large cap high quality dividend-paying stocks," because those stocks' dividends and low betas were considered safer. Today, it seems as though investors are shunning dividends and are willing to take enormous beta risk.

CHART 2:

Top 10 and Top 20 GWIM Stocks, 1-YR Beta to SPX



Source: BofA Global Research. Reprinted by permission. Copyright © 2025 Bank of America Corporation ("BAC"). The use of the above in no way implies that BAC or any of its affiliates endorses the views or interpretation or the use of such information or acts as any endorsement of the use of such information. The information is provided "as is" and none of BAC or any of its affiliates warrants the accuracy or completeness of the information.

A bird in the hand...

Investors tend to be out of step with the markets. At the beginning of a bull market when momentum and beta strategies are by definition most rewarded, investors' fears leads them to emphasize dividends and lower-beta equities. In later-cycle periods when dividends and lower beta become more attractive, investors' confidence leads them to risk-taking and momentum investing.

We have no idea when the bull market will end, and are not suggesting market-timing. However, we clearly are not at the beginning of a bull market and, as we've previously written, the profits cycle is starting to decelerate.

The combination of a late-cycle market and decelerating corporate profits suggests a bird in the hand might be worth two in the bush.

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.

Dow Jones Utility Average: The Dow Jones Utility Average Index is a price-weighted average of 15 utility companies that are listed on the New York Stock Exchange and are involved in the production of electrical energy. The average as it is known today began on January 2, 1929 with a base value of 50.

Dow Jones U.S. Dividend Index: Dow Jones U.S. Dividend 100 Total Return Index measures the stock performance of high dividend yielding U.S. companies with a record of consistently paying dividends, selected for fundamental strength relative to their peers, based on financial ratios. It is calculated in USD with dividends reinvested.

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.

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 \$15.7 billion collectively under management and advisement as of March 31, 2025. RBA acts as sub-advisor for the Eaton Vance RBA Equity Strategy Fund, the Eaton Vance RBA 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.

Nothing contained herein constitutes tax, legal, insurance or investment advice, or the recommendation of or an offer to sell, or the solicitation of an offer to buy or invest in any investment product, vehicle, service or instrument. Such an offer or solicitation may only be made by delivery to a prospective investor of formal offering materials, including subscription or account documents or forms, which include detailed discussions of the terms of the respective product, vehicle, service or instrument, including the principal risk factors that might impact such a purchase or investment, and which should be reviewed carefully by any such investor before making the decision to invest. RBA information may include statements concerning financial market trends and/or individual stocks, and are based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. Historic market trends are not reliable indicators of actual future market behavior or future performance of any particular investment which may differ materially, and should not be relied upon as such. The investment strategy and broad themes discussed herein may be

inappropriate for investors depending on their specific investment objectives and financial situation. Information contained in the material has been obtained from sources believed to be reliable, but not guaranteed. You should note that the materials are provided “as is” without any express or implied warranties. **Past performance is not a guarantee of future results.** All investments involve a degree of risk, including the risk of loss. No part of RBA's materials may be reproduced in any form, or referred to in any other publication, without express written permission from RBA. Links to appearances and articles by employees of Richard Bernstein Advisors, whether in the press, on television or otherwise, are provided for informational purposes only and in no way should be considered a recommendation of any particular investment product, vehicle, service or instrument or the rendering of investment advice, which must always be evaluated by a prospective investor in consultation with his or her own financial adviser and in light of his or her own circumstances, including the investor's investment horizon, appetite for risk, and ability to withstand a potential loss of some or all of an investment's value. Graphs, charts, and tables are provided for illustrative purposes only. Investing is subject to market risks. Investors acknowledge and accept the potential loss of some or all of an investment's value. Views represented are subject to change at the sole discretion of Richard Bernstein Advisors LLC. Richard Bernstein Advisors LLC does not undertake to advise you of any changes in the views expressed herein.

© Copyright 2025 Richard Bernstein Advisors LLC. All rights reserved.
PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS