



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.

2026: Boring is Beautiful



2025 was a historic year for speculation

2025 was a historic year for speculation across the financial markets. The economy is healthy, and the banking system is functioning well, so the Fed's rate cuts and the anticipation of future rate cuts have resulted in excess liquidity that the economy simply can't absorb, and excess liquidity and leverage form the life blood of speculation.

Whether it was the equity market's emphasis of AI, SPACs, and Meme stocks, the fixed-income market's near-record narrow credit spreads, individual investors' record use of options and levered ETFs, or the hoarding of cryptocurrencies, speculation was rampant in 2025.

Pushing the speculative envelope even further, several money management firms commented during the year that they are considering incorporating sports betting as an asset class. (I kid you not!)

Seemingly unrelated asset classes' high correlations support the notion that excess liquidity has driven speculation across many markets. Chart 1 shows the tight relationship between the cryptocurrency Ether and high yield bond spreads (inverted). There is virtually no fundamental connection between these two assets except they are both more speculative assets.

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CHART 1:
Crypto vs. High Yield Bond Spreads
(Oct. 31, 2020 – Nov. 26, 2025)

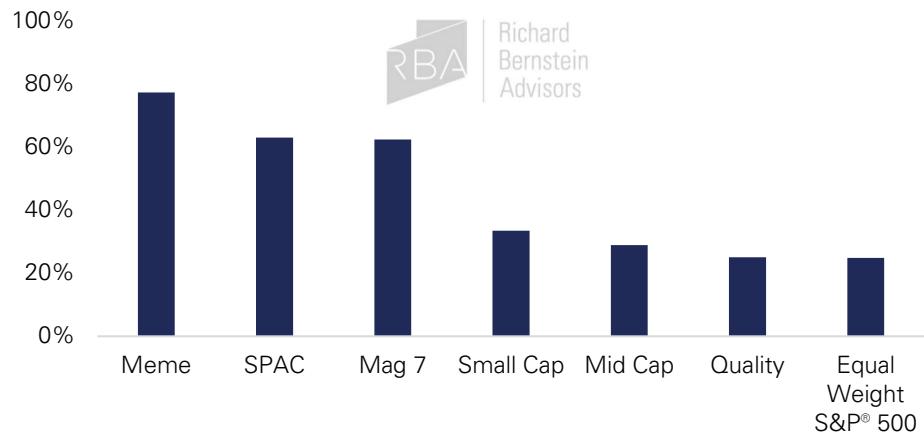


LF980AS Index (Bloomberg US Corporate High Yield Average OAS) Crypto vs HY Spreads Daily 31OCT2020-26NOV2025 Copyright© 2025 Bloomberg Finance L.P. 26-Nov-2025 12:46:31

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

Performance since “Liberation Day”, when the most recent stock market rally began, reflects speculation. Chart 2 shows that quality and broader stock market measures substantially underperformed more speculative market segments.

CHART 2:
Speculation Led Since Liberation Day
(Total Return, Apr. 8, 2025 – Nov. 25, 2025)

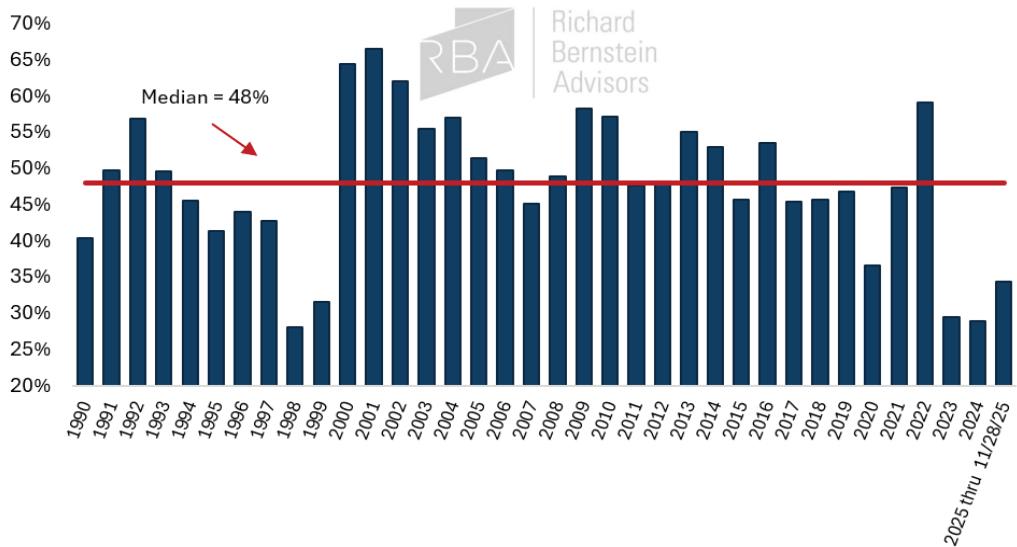


Source: Richard Bernstein Advisors LLC, Bloomberg Finance L.P.

Profit fundamentals were relatively strong during 2025 (admittedly stronger than we anticipated at the beginning of the year), but the historically narrow equity market ignored the breadth of that strength.

Chart 3 shows that 2025 performance breadth remains amongst the narrowest in the US equity market since 1998, but narrow equity markets typically mirror weaker profits cycles, not healthy ones like 2025's.

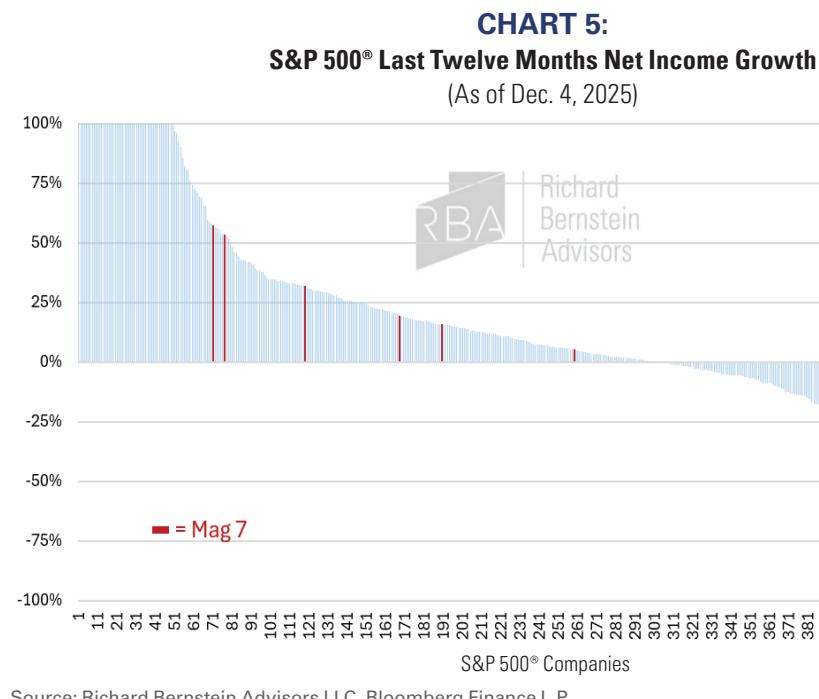
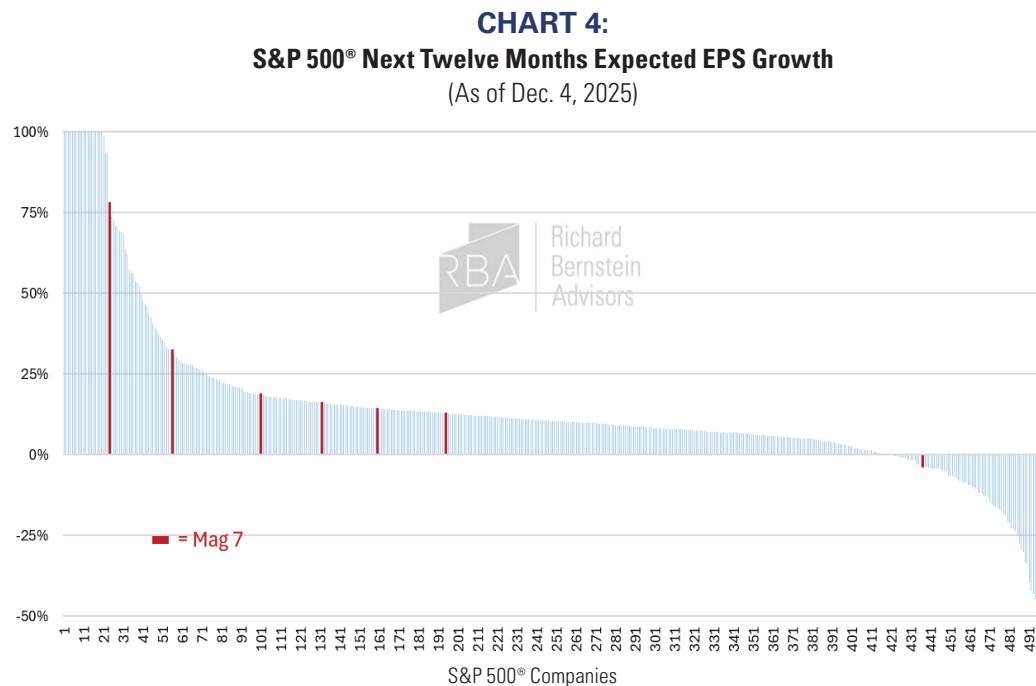
CHART 3:
S&P 500®: Percentage of Stocks that Outperformed the Index
(Price Returns, 1990 – Nov. 28, 2025)



Source: Richard Bernstein Advisors LLC, BofAML US Strategy

Charts 4 and 5 show the trailing and projected earnings growth rates for all S&P 500® companies. Although some of the Magnificent 7 companies (highlighted with red bars) were indeed fast-growing companies, the market effectively ignored that the Magnificent 7 companies' earnings growth rates were not at all unique. There were many companies that have growth rates similar to or greater than those of the Magnificent 7 companies.

2025 earnings growth is turning out to be stronger than consensus and our own forecasts made at the beginning of the year. However, that broader earnings strength strongly supports our contention that liquidity and not fundamentals have driven market performance. Stronger-than-expected earnings growth coupled with the wider range of growth opportunities shown in the following two charts fundamentally argues for a broader stock market. Yet, 2025 was an extraordinarily narrow year.



2026: Can the Fed cut rates as much or as fast as is current consensus?

Early 2026's financial headlines will likely be about a new Fed Chair and the prospect for ongoing interest rate cuts. However, the key question for investors isn't about personalities, politics, and whether rates will be cut, it's whether the economy and the markets will allow the Fed to cut rates as much or as fast as investors currently expect.

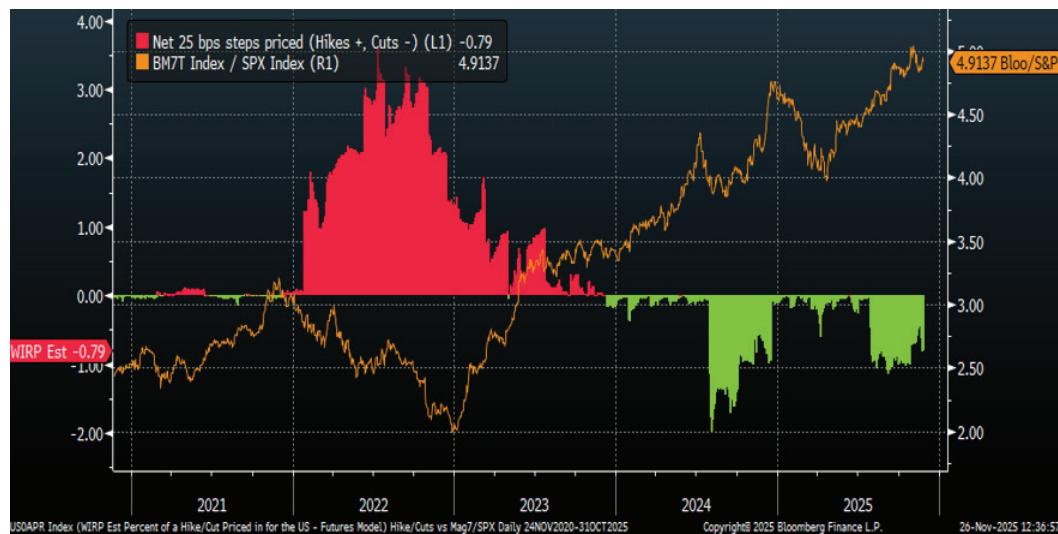


Because liquidity has fueled asset markets' performance over the past several years, financial market volatility has correlated well with changing expectations regarding the number and magnitude of rate cuts. Chart 6 shows the link between the outperformance of the so-called Magnificent 7 stocks and expectations of Fed rate cuts in recent years.

When rate hikes were expected (red bars) speculation subsided and the Magnificent 7 underperformed the broader market. However, they outperformed when rate cuts were expected (green bars).

The Magnificent 7 may come under pressure if markets are too optimistic about Fed rate cuts in 2026.

CHART 6:
Expected Fed Rate Cuts vs. Magnificent 7
(Nov. 24, 2020 – Oct. 31, 2025)



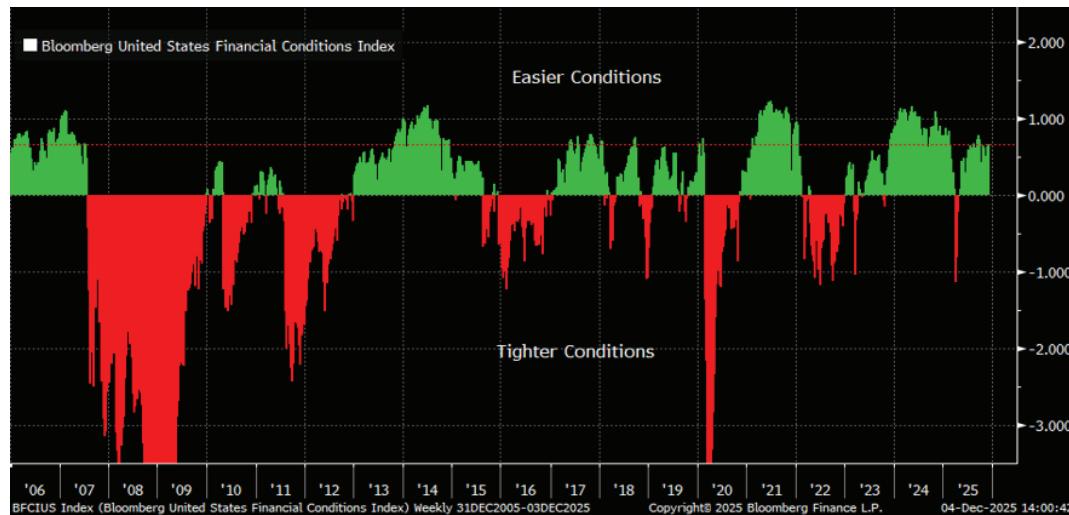
Source: Richard Bernstein Advisors LLC, Bloomberg Finance L.P.

Financial and monetary conditions are not restraining economic growth

Investors forget that the Fed only indirectly affects the economy. When the Fed cuts rates, they do so explicitly to lower the cost of funding to the banking system and other lenders in hope that a lower cost of funding will spur additional lending in hope that the additional lending will spur economic growth.

Given that relationship, investors would be hard pressed today to find a bottleneck within the financial markets that is hindering lending and stymying economic growth which would justify the Fed cutting rates. Chart 7 depicts the Bloomberg Financial Conditions Index and financial conditions are clearly very generous relative to history.

CHART 7:
Bloomberg Financial Conditions Index
(Dec. 31, 2005 – Dec. 3, 2025)



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

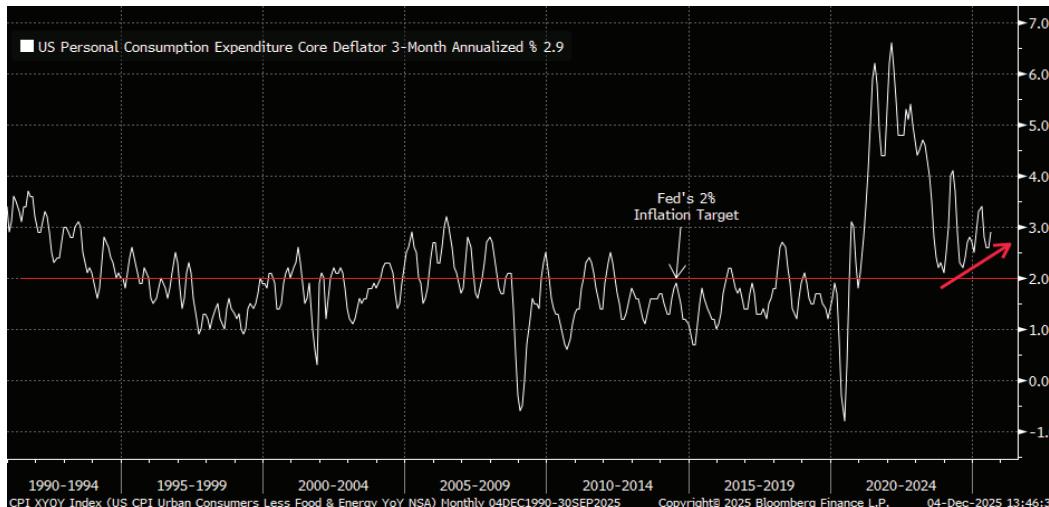
We don't think the Fed will be able to cut rates as much or as fast as investors currently believe because financial conditions are not hindering growth and, perhaps more importantly, inflation is simultaneously moving away from the Fed's 2% inflation target.

Chart 8 shows the 3-month annualized rate of inflation using the Core Personal Consumption Expenditures (PCE) Deflator, which is the Fed's preferred measure of inflation. It seems a stretch to assume that inflation will head back to the Fed's 2% target if they were to continue to cut rates and monetary conditions became incrementally easier.

Unless the Fed changes its long-standing position and accepts higher inflation, it seems reasonable to suggest that current forecasts of how fast and how much the Fed will cut might prove overly optimistic.

Accordingly, our portfolios entering 2026 are geared toward more boring investments in which performance is less dependent on liquidity and on easier financial conditions.

CHART 8:
US PCE Deflator, 3 Month Annualized Rate of Change
(Nov. 30, 1990 – Sep. 30, 2025)



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

Boring equities: dividends and quality

The two themes that dominate our equity portfolios as we enter 2026 are dividends and quality. We think these two cornerstones of building wealth have been forgotten by many investors.

The compounding of dividends has historically been one of the easiest ways to build wealth yet is often overlooked. Chart 9 shows that, on a total return basis, the S&P Dividend Aristocrat Index has marginally outperformed NASDAQ over the past 25 years with considerably less volatility.

CHART 9:
S&P 500® Dividends Aristocrats Index vs. Nasdaq Composite Index
(Dec. 4, 2000 – Dec. 4, 2025)



Source: Richard Bernstein Advisors LLC, Bloomberg Finance L.P. For Index descriptions see Index Descriptions at end of document.

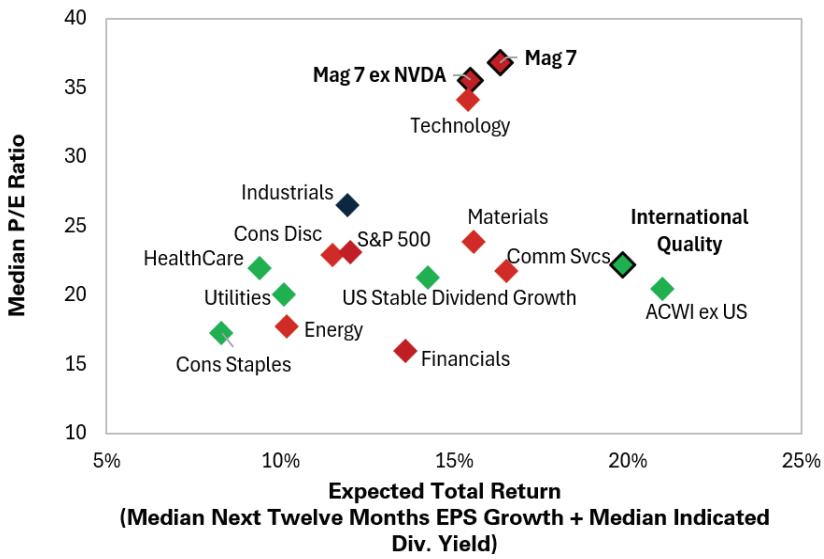


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Investors have commented for some time on the attractiveness of European and other non-US equities based purely on those regions' undervaluation relative to the US, but ignored the regions' inferior growth and were ultimately disappointed by performance. However, there appears to be a different rationale for non-US investing today in that non-US high quality companies now offer competitive if not superior earnings growth. Non-US developed market high quality stocks now offer investors the trifecta of superior growth, higher dividend yield, AND undervaluation.

As Chart 10 highlights, non-US quality has an expected total return (i.e., earnings growth + dividend yield) greater than that of the Magnificent 7 yet sells at a 30-40% discount.

CHART 10:
Expected Total Return vs. Median P/E Ratio
(As of Dec. 4, 2025)



Source: Richard Bernstein Advisors LLC, MSCI, S&P Global, Bloomberg Finance L.P. 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 descriptions, see Index Descriptions at end of document.

Boring fixed income: Avoid corporate credit

RBA remains distinctly out of consensus regarding our avoidance of corporate credit within our fixed-income portfolios. Credit spreads are historically narrow and aren't compensating investors for the risk of lower quality credits.

Chart 11 highlights that there have been only three previous periods in the last 30 years during which credit spreads have been this narrow, and major credit events occurred after each one. The late 1990s Asia/Russia crises, the Global Financial Crisis, and the Fed/inflation fears of 2022 were all preceded by similarly narrow credit spreads.

We prefer mortgages and treasuries while maintaining roughly benchmark duration because of our earlier mentioned inflation concerns.

CHART 11:
Credit Spreads and Credit Events
(Dec. 31, 1993 – Dec. 4, 2025)



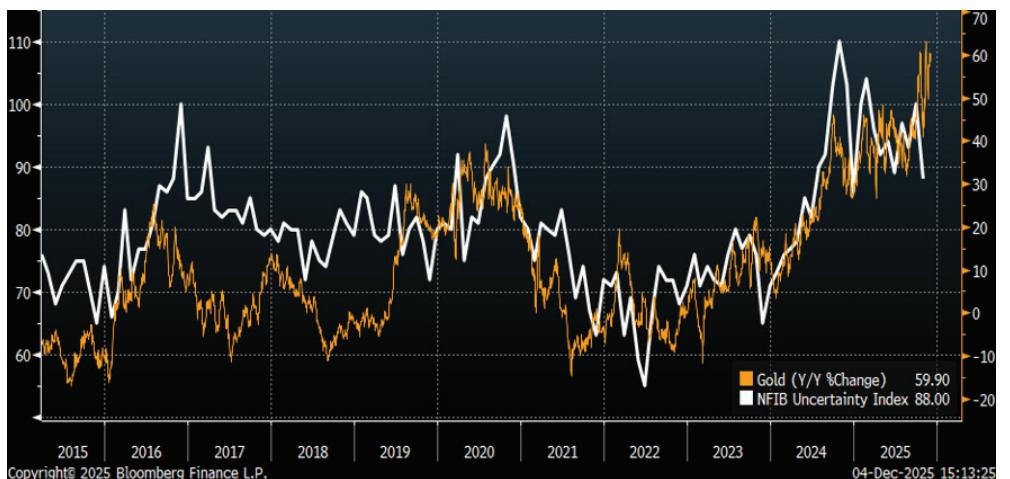
Source: Richard Bernstein Advisors LLC, Bloomberg Finance L.P.

Boring multi-asset: Gold

We have had a structural allocation to gold over the past several years because gold has historically been a good hedge against uncertainty and uncertainty, by definition, can't be predicted. We view gold as a "spare tire" in the portfolio.

Chart 12 shows the relationship between gold returns and uncertainty. Uncertainty has indeed risen over the past several years, and gold has accordingly appreciated.

CHART 12:
Gold vs. Uncertainty
(Mar. 31, 2015 – Nov. 30, 2025)



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



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Investors might want to ignore claims that cryptocurrencies are “digital gold.” As we explained in an earlier report¹, gold is driven by uncertainty, but cryptocurrencies’ performance is driven by liquidity. Gold has historically been a safe haven, but cryptocurrencies have been a means of speculation.

Rather than being similar, gold and cryptocurrencies are almost two diametrically opposed asset classes.

2026: Boring is beautiful

When sports betting is considered a new asset class, as it apparently is today, it’s easy to argue that speculation is dominating investors’ thoughts. Historically, it’s been prudent to keep portfolios simple and boring as speculation reaches a crescendo because boring suddenly becomes beautiful when speculation subsides.

¹“Crypto ain’t digital gold”, Richard Bernstein, Richard Bernstein Advisors, October 31, 2025

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.

Sectors: Sector references in this report are based on the S&P 500 sector constituents in accordance with the Global Industry Classification Standard (GICS®) developed by MSCI Barra and Standard & Poor's.

Meme: UBS Meme basket. The UBS Meme basket tracks the performance of 15 U.S. listed stocks that gained popularity via online networks and social media platforms. Created on June 4, 2021 - rebalanced and reconstituted semi-annually.

SPAC Index: The IPOX SPAC Index is a benchmark for the performance of a broad universe of Special Purpose Acquisition Vehicles (SPACs) by applying the IPOX Indexes Technology. For further information, including licensing, please contact info@ipox.com.

S&P 500® Equal Weight: The S&P 500® Equal Weight Index is the equal-weight version of the S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

MID Index: S&P Midcap 400 Index. The Standard and Poor's Midcap 400 Index is a capitalization-weighted index which measures the performance of the mid-range sector of the U.S. stock market. The index was developed with a base level of 100 as of December 31, 1990.

SML Index: S&P Smallcap 600 Index. The Standard and Poor's Smallcap 600 Index is a capitalization-weighted index which measures the performance of the mid-range sector of the U.S. stock market. The index was developed with a base level of 100 as of December 31, 1993.

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.

Mag 7 ex NVDA: The Magnificent 7 ex NVDA (Mag 7 ex NVDA) are a group of 6 widely-traded companies classified in the United States and representing the Communications, Consumer Discretionary and Technology 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, and TSLA.

Mag 7 Index: The UBS Magnificent 7 tracks a group of 7 of the largest mega cap stocks listed in the US from within 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. Created Oct 2023- rebalanced and reconstituted semi-annually.

MSCI ACWI® ex US: MSCI All Country World Index (ACWI®) excluding the United States. The MSCI ACWI® is a free-float-adjusted, market-capitalization-weighted



index designed to measure the equity-market performance of global developed and emerging markets excluding the United States.

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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