



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 for clients that are innovative, risk-controlled, and focused on overall portfolio construction instead of individual stock selection.

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Charts for the Beach



It's time for our annual August report, "Charts for the Beach." Each year we highlight five of our favorite charts we think consensus is currently overlooking. Load up the cooler, get your towel and chair, and enjoy the charts! As The Happenings sang, "See you in September."

The Fed has cornered the Treasury market

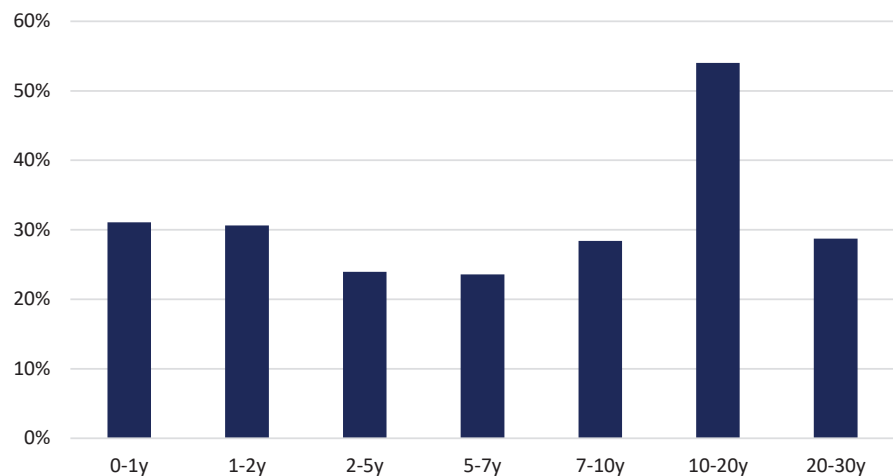
When the Hunt brothers attempted to corner the silver market in the early-1980s, they owned approximately 30-35% of the privately held market. Today, the US Federal Reserve owns between 50-55% of the 10-20 year Treasury market. The Fed has cornered the Treasury market.

This has several implications:

1. The Treasury market's available float has been reduced, so interest rate movements have become accentuated.
2. The Fed has worked against its own goals. The combination of tighter post-Financial Crisis regulations on leverage and a flat yield curve has constrained bank lending and prevented liquidity from flowing to the real economy.

3. The Fed has fostered a broad range of bubbles because their massive liquidity injections have been trapped in the financial economy.
4. As with any cornered market, there are limited buyers and prices fall as the “cornerer” sells. Accordingly, bond prices seem likely to fall (interest rates rise) when as Fed reduces its cornered positions.
5. Rising interest rates could be the kryptonite to the bubble in long-duration assets (long-term bonds, technology, innovation, disruption, bitcoin, etc.).

CHART 1:
Fed Ownership of Treasury Securities as a Percentage of Outstanding, by Maturity
(as of July 2021)



Source: New York Fed.

Don't be geographically myopic

Investors tend to become very myopic during a bubble, and believe only a small universe of stocks is attractive. Accordingly, innovation and disruption themes have become cornerstones of speculative growth investing in the US during the current bubble. However, France, not exactly the hotbed of innovation and disruption, is outperforming NASDAQ so far this year. No technology industry ranks in the top 10 of MSCI France index's industries. Myopia during a bubble can hurt portfolio performance.

CHART 2:
MSCI France Outperforming the NASDAQ Composite Index YTD
(Dec. 31, 2020 - Aug. 17, 2021)

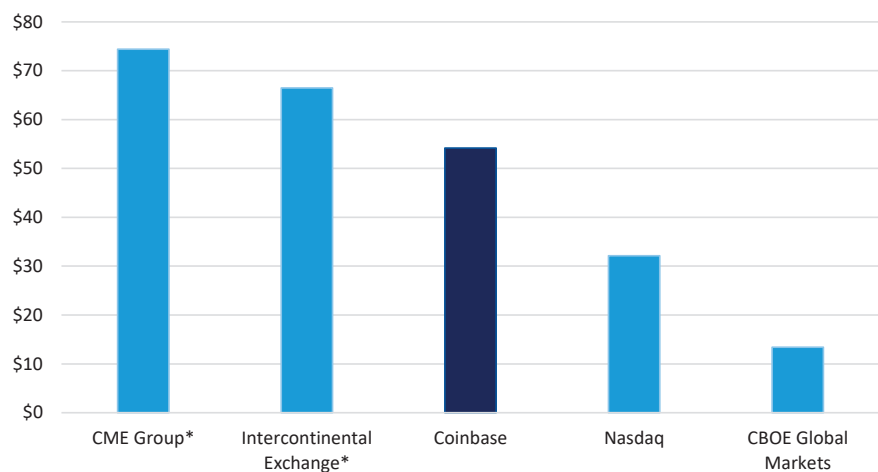


Source: Bloomberg Finance L.P. For descriptors, see "Index Descriptions" at end of document.

One sign of a bubble: increased turnover

Did you realize the leading bitcoin trading platform has a market capitalization over 50% larger than the market cap of the exchange upon which its stock trades? Increased turnover is one of the classic signs of a bubble and these elevated crypto trading volumes are reflected in Coinbase's outsized market capitalization.

CHART 3:
Market Capitalization (\$ Billions)
(as of Aug. 16, 2021)



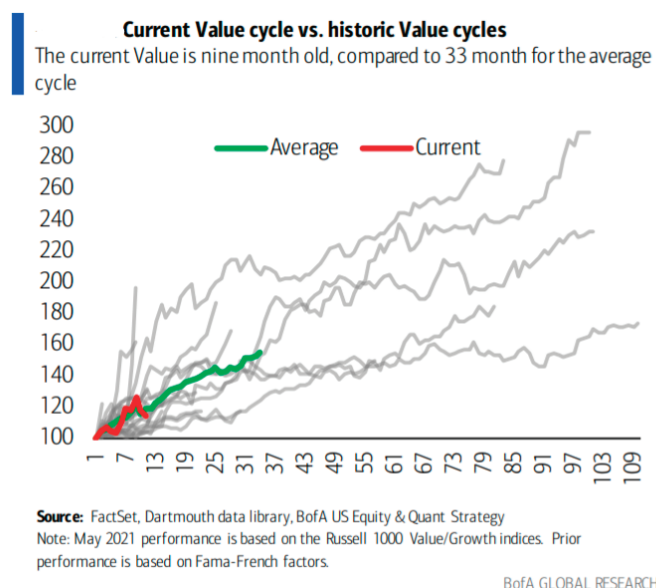
Source: Bloomberg Finance L.P.

* At the time of this publication, this security is currently held in an RBA Portfolio.

More normal than you'd think

Patience is not a word used to describe investors these days. However, investing patience has historically been a virtue. Case in point, the current value cycle seems to be playing out according to historical norms despite all the "I told you so" regarding the recent underperformance of value. According to BofA Global Research, growth outperforms value 33% of the time during value cycles and the current value run seems to indeed be closely mimicking the historical pattern.

CHART 4:
Historic Length of Value Cycles



Stop the Technology hype!

Investors always need to distinguish hype from reality, but it's often difficult to do so because the underlying story seems so compelling. But facts are facts.

There is a clear consensus the increased use of technology has improved productivity and will hinder any inflation potential. The unfortunate reality is technology hasn't changed the trend in productivity one bit over the past 30 years. That's true in the US and true in most major economies.

Globalization, and its associated impact of increased competition, more likely depressed inflation trends than did technology. When supply is greater than demand and competition heats up, prices go down. Econ 101 is never as sexy as a hyped story though.

CHART 5:
OECD Productivity (Y/Y percent change)
 (January 1990 - June 2021)



Source: Bloomberg Finance L.P.

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To learn more about RBA's disciplined approach to macro investing, [please contact your local RBA representative](#).

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



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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.**

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.

France: The MSCI France Index. The MSCI France Index is a free-float-adjusted, market-capitalization-weighted index designed to measure the equity-market performance of France.

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 \$14.7 billion collectively under management and advisement as of July 31st, 2021. 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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