RBA Richard Bernstein Advisors
Pactive® Approach to Investing

Quarterly Commentary

Q4-2024

Global Risk-Balanced Moderate ETF Strategy

Q4 2024 Performance Highlights (%)

Portfolio (gross)	-2.74
Portfolio (net)	-2.84
Style Index*	-1.79

Annualized Performance[1] (%)

as of Dec 31, 2024

	1YR	3YR	5YR	10YR	Since Inception
Gross	6.81	0.32	4.34	5.44	6.63
Net	6.38	-0.08	3.94	4.95	5.96
Style Index*	9.45	2.03	5.30	5.54	6.38

Annual Performance (%)

	2018	2019	2020	2021	2022	2023	2024
Gross	-8.06	16.44	12.23	9.14	-11.49	6.81	6.81
Net	-8.34	15.62	11.86	8.71	-11.85	6.38	6.38
Style Index*	-4.52	17.16	12.58	8.31	-14.69	13.74	9.45

** Style index is 50% MSCI ACWI Index net of dividend taxes, 45% Bloomberg US Aggregate Bond Index and 5% Bloomberg 1-3 month T-Bill Index.*

[1]Returns greater than 1 year are annualized.

*** Net of dividend taxes*

Inception date: 9/30/2011

Richard Bernstein Advisors

RBA employs a macrodriven, top-down style to construct global tactical equity and asset allocation portfolios. The investment team uses quantitative indicators and the firm's macro-economic analysis to invest in global equity, fixed income asset classes, sub-asset classes and sectors using only US-listed ETFs. The firm currently has $16.1 billion collectively under management and advisement as of 12/31/2024.

Investment Committee: Richard Bernstein; Dan Suzuki, CFA; Michael Contopoulos; Malvika Dhingra; Matthew Griswold, CFA; Lisa Kirschner; Matthew Poterba, CFA; Henry Timmons, CFA.

For investment minimums, please contact your financial advisor. Performance information included in this factsheet is as of current quarter-end and subject to change. Prior period returns may have been restated to conform to this presentation. All other information is as of the most recent quarter end. See disclosure at the end of the factsheet for further information.

Past performance is no guarantee of future results.

The Global Risk-Balanced Moderate ETF Strategy underperformed its benchmark in 4Q24, posting a return of -2.74% compared to a -1.79% return for its style index*.

Equity Positioning

The Strategy was overweight equity over the period, holding an average weight of 54.7% (4.7ppt overweight) in 4Q24. The equity sleeve underperformed the -0.99% return of its benchmark, the MSCI ACWI Index**. Within equities, the underweight in China, Japan, Asia ex-Japan and Europe helped performance. This was more than offset by the overweight in U.S. value and high dividend-paying stocks, international high-quality stocks, and non-China emerging markets, as well as the underweight in U.S. mega cap growth stocks.

Fixed-Income Positioning

The Strategy was underweight fixed income over the period, holding an average weight of 40.3% (4.7ppt underweight). The fixed income sleeve outperformed the -3.06% return of its benchmark, the Bloomberg US Aggregate Bond Index. Outperformance was primarily driven by the portfolio's shorter duration and overweight in collateralized loan obligations (CLOs). This was partially offset by the portfolio's position in yield curve steepener. The strategy was underweight cash, holding an average weight of 2.0%.

Commodities Positioning

The 3.0% average weight in gold helped relative performance.

Changes in Portfolio

During the quarter, RBA made changes to the portfolio. RBA reduced its position in global natural resources, and increased its overweight to U.S. value stocks to further provide broad cyclical exposure to the accelerating and broadening U.S. profit cycle. The change specifically adds to our holdings of sectors that are seeing improvements in their earnings trends and/or are likely to benefit from better than expected U.S. nominal growth, such as financials, health care, and industrials.

2024 Performance Review

For the full year, the Strategy underperformed its benchmark, posting a return of 6.81% compared to 9.45% for its style index*. The overweight in equities and gold, and underweight in fixed income and cash helped performance. Within equities, the underweight in Europe, Japan, and Asia ex-Japan helped performance. This was more than offset by the underweight in U.S. mega cap growth stocks, as well as the overweight in U.S. high dividend-paying stocks, small cap stocks, international high-quality stocks, and emerging markets. The overweight in energy, materials, and healthcare further detracted from performance. Within fixed income, the portfolio's shorter duration and overweight in collateralized loan obligations (CLOs) helped performance. This was partially offset by the portfolio's position in yield curve steepener.

Outlook & Positioning

Beyond the typical uncertainty, investors are now facing uncertainty regarding Fed policy, fiscal policy under the new administration, trade and tariffs, business and regulatory policies, the effects of deglobalization, and even the ongoing strength of the labor market.

Within this truly unclear investment landscape, there are 5 factors we think are relative certainties in this uncertain world that together argue for stronger nominal growth than is current consensus.

1. Starting 2025 with a healthy economy

2. The Fed could make easy financial conditions even easier
3. Profits are accelerating
4. Tariffs and ongoing deglobalization
5. Tax cuts increased or extended

These five relatively certain factors imply stronger nominal growth (real growth plus inflation) than investors currently expect, and our portfolios are currently positioned for that positive surprise.

Although we believe the 5 mentioned factors to be relative certainties, it's important to consider what could change during the year.

Elevated market speculation has thrived on excess liquidity. If stronger than expected nominal growth causes the Fed to shift to a tightening bias, market volatility might increase, and investors might see some of the markets' risk-taking fervor subside.

A second consideration is the potential peak in the profits cycle. We currently project peak earnings growth in the first or second quarter of 2025. A peak in the profits cycle by itself is not sufficient to cause a bear market, but the combination of the Fed hiking rates into a decelerating profits cycle has historically been a fillip for higher volatility.

Third, sentiment is worrisome because investors appear to be universally very bullish. In some cases, even historically so. Equity allocations are high, portfolio betas are high, and investors are shunning diversification for concentration. Diversification is no longer viewed as a risk-reduction tool, but rather as a hindrance to performance. That could be a precarious sentiment backdrop given the potential for increased volatility in the 2nd half of 2025.

Overall, we enter 2025 anticipating that nominal growth will be stronger than investors expect and accordingly are cyclically positioned in our equity and fixed-income portfolios. Risks could increase around mid-year, and more defensive positioning might be appropriate at that point.

IMPORTANT DISCLOSURE

The performance was calculated by Richard Bernstein Advisors LLC (the "Adviser") for the Global Risk-Balanced Moderate ETF Strategy ("Strategy") as described below. The Strategy's asset allocation recommendations are subject to guideline allocation limitations at the major asset class level (i.e., equity, fixed income and cash) that may change over time.

The Strategy has an inception date of September 30, 2011. The Strategy seeks risk-adjusted long-term growth by employing a top-down style to construct a global tactical asset allocation portfolio with flexible guardrails. Accounts in this Strategy obtain desired exposure via ETF vehicles.

The Strategy returns represents the all-asset composite return from October 1, 2011 until December 31, 2015 and thereafter represents the composite returns of the Global Risk Balanced Moderate ETF strategy maintained by RBA. The Global Risk Balanced Moderate ETF strategy is presented after December 31, 2015.

The benchmark is composed as follows: 50% MSCI ACWI USD Net, 45% Bloomberg US Aggregate Index Unhedged USD, and 5% Bloomberg US Treasury Bills: 1-3 Months Index Unhedged. The benchmark is rebalanced daily. The firm's complete list of composite returns are available upon request.

Past performance is no guarantee of future results. Performance is shown in USD and includes reinvestment of dividends and other earnings. Results are shown on a "gross" and "net" basis. Gross-of-fee returns are reduced by actual trading costs incurred and platform fees but are before deduction of any advisory or other fees. Net performance is shown net of a model annual advisory fee of 0.40% deducted on a monthly basis, the highest fee charged by the Adviser. Taxes have not been deducted. Prior to 2016, net returns are calculated using the actual investment management fee of the all asset strategy composite. The composite includes all fully discretionary accounts that invest across equities, bonds, cash, currencies, and commodities for exposure to global asset classes with a tolerance for moderate risk.

Index and portfolio data herein have been supplied by outside sources, including, Richard Bernstein Advisors LLC, and are believed to be reliable as of the date indicated. The source for ETF returns is Richard Bernstein Advisors LLC. The source for risk measures is Morningstar.

About Risk: Any investment is subject to risk. ETFs are subject to risks similar to those of stocks, such as market risk, and investors who have their funds invested in accordance with the model portfolio may experience losses. Additionally, fixed income (bond) ETFs are subject to interest rate risk, which is the risk that debt securities in a portfolio will decline in value because of increases in market interest rates. Foreign investments may be subject to greater risk than domestic investments. Investments in foreign instruments or currencies can involve greater risk and volatility than U.S. investments because of adverse market, economic, political, regulatory, geopolitical or other conditions. In emerging countries, these risks may be more significant. The value of commodities investments will generally be affected by overall market movements and factors specific to a particular industry or commodity, including weather, embargoes, tariffs, or health, political, international and regulatory developments. An imbalance in supply and demand in the income market may result in valuation uncertainties and greater volatility, less liquidity, widening credit spreads and a lack of price transparency in the market. As interest rates rise, the value of certain income investments is likely to decline. Investments in income securities may be affected by changes in the creditworthiness of the issuer and are subject to the risk of non-payment of principal and interest. The value of income securities also may decline because of real or perceived concerns about the issuer's ability to make principal and interest payments. Smaller companies are generally subject to greater price fluctuations, limited liquidity, higher transaction costs and higher investment risk than larger, established companies. Derivatives instruments can be used to take both long and short positions, be highly volatile, result in economic leverage (which can magnify losses), and involve risks in addition to the risks of the underlying instrument on which the derivative is based, such as counterparty, correlation and liquidity risk. If a counterparty is unable to honor its commitments, the value may decline and/or the portfolio could experience delays in the return of collateral or other assets held by the counterparty. Investing in an exchange- traded fund (ETF) exposes the Strategy to all of the risks of that ETF and, in general, subjects the Strategy to a pro rata portion of the Strategy's fees and expenses.

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