



**RBA Investment Process:**

- Quantitative indicators and macro-economic analysis are used to establish views on major secular and cyclical trends in the market.
- Investment themes focus on disparities between fundamentals and sentiment.
- Market mis-pricings are identified relative to changes in the global economy, geopolitics and corporate profits.

Many have used the word “quality” when describing equity income strategies, but what does it really mean? Quality companies are often portrayed as large-cap multinational companies, and many investors begin with a large-cap universe when creating income strategies. However in our view, simply utilizing large-cap equity income stocks may be overlooking opportunities for additional income in other segments of the capitalization spectrum globally, which we believe can be accomplished without sacrificing “quality”. Rather, RBA defines “quality income” as limiting the risk of a dividend cut while providing attractive income. The Richard Bernstein Advisors Quality Income Index (“the Index”) seeks to capture companies which provide an attractive level of income while controlling the risks associated with investing in higher-yielding dividend stocks.

**The Richard Bernstein Advisors Quality Income Index**

- An optimized, risk-weighted index of companies in the global high dividend yield universe which meet RBA’s criteria for quality income.
- The index value was set at 1,000 as of the close of business on January 17th, 2014, and the inception date was July 25th, 2011.
- Quoted on the NYSE Arca, the index can be found under the symbol RBAQI for the intraday price return, and RBAQIT for the end-of-day total return.
- The Index can be utilized as a basis for exchange-traded products, a selection universe, structured products or derivatives.

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Symbol	Name	Currency	Frequency	Publication Times
<b>RBAQI</b>	Richard Bernstein Advisors Quality Income Index	USD	15-sec	9:30 AM - 6:00 PM ET
<b>RBAQIT</b>	Richard Bernstein Advisors Quality Income Index (Total Return)	USD	End-of-Day	7:00 PM - 8:15 PM ET

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**Investment Opportunity**

Many have used the word “quality” when describing equity income strategies, but what does it really mean? Quality companies are often portrayed as large-cap multinational companies, and many investors begin with a large-cap, U.S. equity universe when creating income strategies. However, in our view, simply utilizing large-cap equity income stocks may be overlooking opportunities for additional income in other segments of the capitalization spectrum globally, which we believe can be accomplished without sacrificing “quality”. Rather, RBA defines “quality income” as limiting the risk of a dividend cut while providing an attractive yield.

Our process begins with the global high dividend yield universe, and the first step is to exclude the top 10% of dividend payers. These companies are generally there not because they are attractive, but because very often the market is anticipating a future dividend cut. It is likely in many cases that the stock price has already declined but the dividend hasn’t been cut yet. Companies that fit this profile tend to sit in the highest decile of dividend payers, which is why we exclude this group up front.

We then follow up with screens for below-average debt levels and consistency of earnings to identify companies that we believe fit the description of quality income. Our final index is constructed with a specific focus on risk-balancing the constituents to reduce volatility, rather than a market-cap weighted or equal-weighted approach. After our process is completed we end up with constituent companies that are distributed across the capitalization spectrum—small, mid and large-cap—with added yield vs. many of our index’s larger-cap peers.



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## Dividend Yield with a Difference

We believe the RBA Quality Income Index is uniquely positioned relative to major equity-income indices such as the S&P 500® Dividend Aristocrats® Index, Dow Jones U.S. Select Dividend™ Index and NASDAQ US Dividend Achievers Select Index. The RBA Quality Income Index methodology uncovers equity-income opportunities across the capitalization spectrum globally while seeking to limit the probability of a dividend cut through its focus on debt levels, consistency of earnings, and the risk-weighting of securities.

Ticker	Index Name	Number of Constituents	Selection	Weighting
<b>RBAQI</b>	RBA Quality Income Index	31	Global high dividend yielding companies are screened for below average debt levels and consistency of earnings	Mean-Variance optimization model
<b>SPDAUDT</b>	S&P 500® Dividend Aristocrats® Index	51	S&P 500 constituents that increased dividends every year for 25 years	Equal-Weighted
<b>DJDVY</b>	Dow Jones U.S. Select Dividend™ Index	98	Stocks are selected by dividend yield, subject to screens for dividend-per-share growth rate, dividend payout ratio and average daily dollar trading volume	Components are weighted by indicated annual dividend
<b>DVG</b>	NASDAQ US Dividend Achievers Select Index	178	Companies that trade on the NYSE or NASDAQ which have increased their annual regular dividend payments for the last ten or more consecutive years	Modified Market Capitalization

As of December 31, 2017; Source: Richard Bernstein Advisors LLC, [www.us.spindices.com](http://www.us.spindices.com), [www.nasdaqomx.com](http://www.nasdaqomx.com)

Richard Bernstein Advisors LLC has retained the New York Stock Exchange (NYSE) to serve as calculation agent for the Index. The NYSE is responsible for the management of the day-to-day operations of the Index, including calculating the value of the Index every 15 seconds, widely disseminating the Index value every 15 seconds and tracking corporate actions, some of which result in Index adjustments. Any adjustments to the Index such as rebalances and corporate actions will be posted to <http://www.nyxdata.com> and anyone who has licensed the Index will have access to nightly files with full constituent details.

The RBA Quality Income Index is constructed using a mean-variance optimization model and is calculated on a price (RBAQI) and total return (RBAQIT) basis. It is published every business day, and real-time updates are disseminated to financial data vendors whenever the New York Stock Exchange is open.

### Index Calculation Methodology

Index value = [SUMPRODUCT (Price, Shares) + Cash] / Index Divisor

For further details on the model (Axioma AX-WW 2.1 World-Wide Equity Factor Risk Model) please refer to <http://cdn2.hubspot.net/hubfs/544108/ModelFactSheet-AXWW21-1.pdf>.

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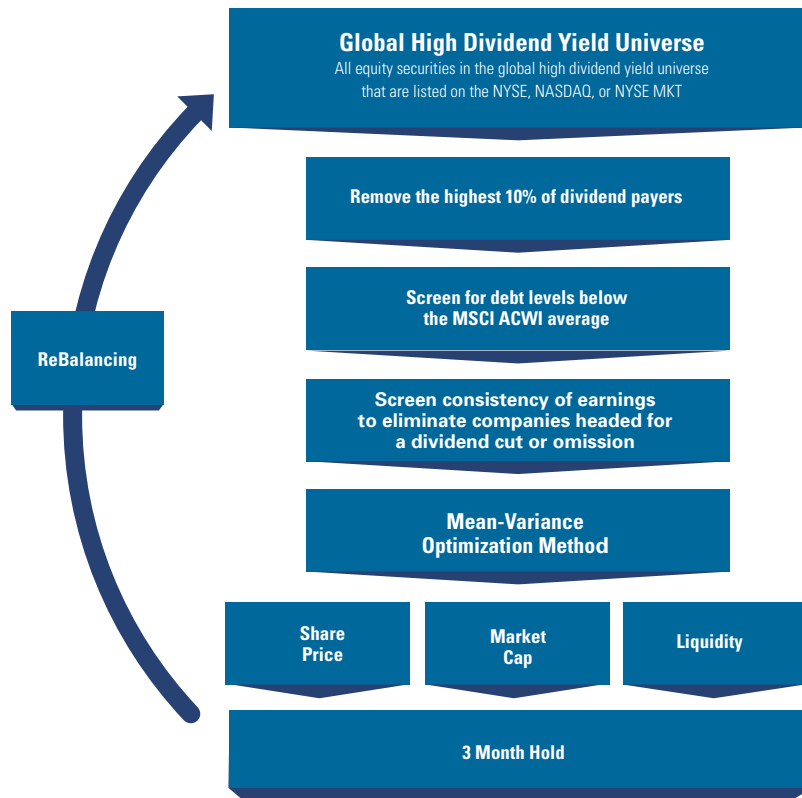
**Index Description**

The Index is designed to provide access to a diversified portfolio of small, mid and large capitalization income producing equity securities.

- RBA places no limit on the number of constituents included in the Index. Typically the process results in 30-60 constituent securities.
- A mean-variance optimization model is used by RBA to risk-weight each individual constituent company within the index and strives to reduce volatility.
- Newly eligible constituent companies are added to the Index at each quarterly rebalancing.
- If a constituent company is no longer eligible to be included in the Index, RBA will either remove it immediately or at the next quarterly rebalance and re-weight the remaining constituent companies proportionally.

The Index has a base date of January 17, 2014 and a base value of 1,000. RBA serves as the index provider and members of the firm serve on the Index Committee, overseeing governance and compilation of the index. The index is published on index business days from 9:30 AM ET to 6:00 PM ET. Index business days are classified as days on which the U.S. Equity Markets (NYSE, NASDAQ, NYSE MKT) are open for a full or half-day of trading.

**Index Construction**



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## Criteria and Diversification Rules

No constituent will exceed approximately 4% of the total index, with a minimum weight of at least 0.5%, at each quarterly rebalance.

GICS Industries are limited to 20% of the total index

GICS Sectors are limited to +20% of the total index relative to the MSCI ACWI

For inclusion in the Index, companies must as of the last rebalance date:

- I. Have a \$6 minimum share price,
- II. Have a market capitalization of at least \$200 million,
- III. An average daily traded value (ADTV) or turnover of at least \$1,000,000 over the last 20 trading days

## Index Rebalancing

Each quarter the Index is rebalanced such that each company meets the criteria as set forth above and each segment of the Index is capped at its predetermined weight. Rebalancing is effective as of the market close of the third Friday in April, July, October and January. The reference dates for the data used in the rebalancing are the close of trading on the last trading day in March, June, September and December, respectively. The new shares to be a part of the rebalanced index are determined based off the weightings provided by RBA and closing prices as of the close of the Wednesday preceding the third Friday of April, July, October, and January.

## Applications

### Benchmarking

Investors may choose to utilize the Index as the basis for index funds, exchange-traded products, insurance products, structured products, OTC derivatives and listed futures and options.

### Selection Universe

Investors may utilize the universe of stocks in the Index as a base investment screen on which to apply further investment analysis.



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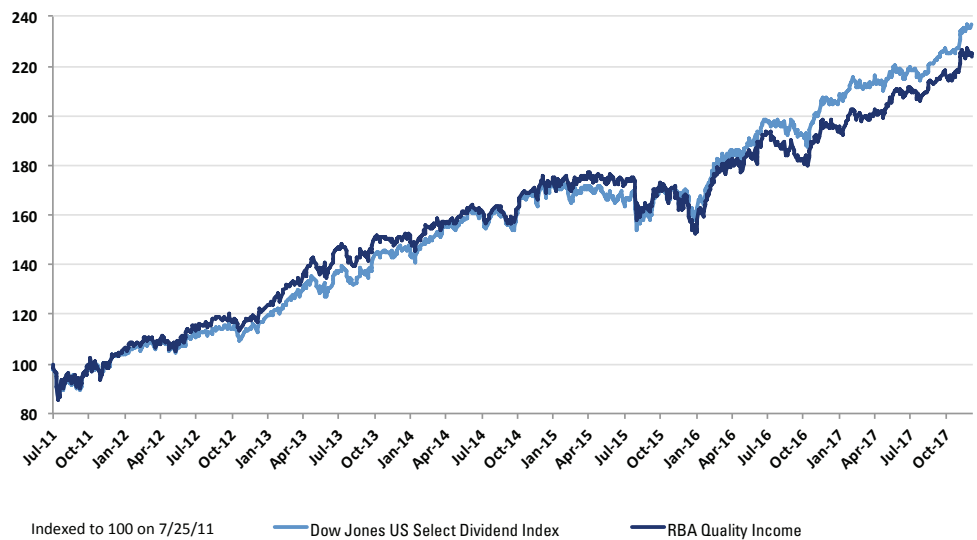
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**Performance and Index Yield** (as of 12/31/2017)

Index Yield <sup>1</sup>	3.08%					
Average Annual Returns	QTD	YTD	1YR	3YR	5YR	Inception
RBA Quality Income Index (RBAQIT)	4.55%	14.47%	14.47%	9.08%	13.61%	13.34%
Dow Jones US Select Dividend™ Index (DJDVY)	6.19%	15.44%	15.44%	11.46%	15.57%	14.28%

**Market Cap Breakdown** (as of 12/31/2017)

**Large-cap:** 47.6% >\$10B  
**Mid-cap:** 37.7% \$2B-\$10B  
**Small-cap:** 14.7% <\$2B



Source: Richard Bernstein Advisors, NYSE, Bloomberg

Inception: July 25, 2011

<sup>1</sup> Index yield represents the weighted average trailing 12-month net dividend of the constituents as of 12/31/2017

**IMPORTANT DISCLOSURE INFORMATION.** The information contained in this document is the exclusive property of Richard Bernstein Advisors LLC ("RBA"). Past performance of any index is not an indication of its future results. You cannot invest directly in an index. Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the index. A decision to invest in any such fund or portfolio should not be made in reliance on any of the statements set forth in this document. Inclusion of a security within any index is not a recommendation by RBA to buy, sell, or hold such security, nor is it considered to be investment advice. Index performance does not reflect any management fees, transaction costs or other expenses that would be incurred by a portfolio or fund, or brokerage commissions on transactions in fund shares. Such fees, expenses and commissions would reduce returns. All information presented prior to the launch date is back-tested. Back-tested performance is not actual performance, but is hypothetical. Back-tested calculations are based on a substantially similar methodology as was in effect when the index was officially launched. However, it should be noted that the historic calculations of an economic index may change from month to month based on revisions to the underlying economic data used in the calculation of the index. Another limitation of using back-tested information is that the back-tested calculation is generally prepared with the benefit of hindsight. No hypothetical record can completely account for the impact of financial risk in actual trading. All information relating to an index is impersonal and not tailored to the specific financial circumstances of any person, entity or group of persons. Index methodologies are available upon request to RBA.

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## Index Corporate Actions

The index may be adjusted for intra-rebalance corporate actions in order to maintain the continuity of the index level and composition. These adjustments take place in reaction to events that occur on the company/constituent level and are designed to mitigate or eliminate the effect of those events on the index performance. This ensures that the index continues to reflect the performance of the underlying constituents as accurate as possible.

Any stock that is not available for trading due to a merger, acquisition, delisting or bankruptcy is deleted from the index on the effective date of the corporate event. There will normally be no replacement for the company being deleted. If a company is removed from the index, the index divisor will be adjusted to maintain the index level.

### Mergers and Acquisitions

If there is a merger or acquisition between two members of the index, then the acquired company will be deleted and the shares of the acquirer will be increased as per the terms of the merger consideration paid in shares. If there is an acquisition of a member of the index by a non-member, then the acquired company will be deleted from the index. If there is an acquisition of a non-member by a member of the index, then there will be no changes made.

### Bankruptcy

If a company files for bankruptcy, then the company will be deleted from the index effective for the next trading day. The price of the deletion will be set to its closing price on the OTC markets, if it is available for trading that day. If the stock does not trade on the OTC markets, and a price is not readily available, the Index Committee reserves the right to set a price at which it will be deleted. This price could be equal to \$0, if there is no available indication of its current value.

### Suspensions and halted trading

In the situation that trading in shares is suspended or halted, the last known price established during regular trading on the primary exchange will be utilized. In extraordinary situations, a company could be valued at a price of \$0 by the Index Committee if there is some sort of financial distress or bankruptcy situation present.

### Spin-offs

In the event of a spin-off by a constituent of the index, the price of the parent company will be adjusted by the value of the spun-off entity. The shares of the parent company will be increased to maintain the existing constituent weighting within the index.

### Reinvestment of Dividends

Regular cash dividends will be accounted for in the total return version of the RBAQIT index. Dividends that are deemed to be special cash dividends will be adjusted for via a price adjustment and corresponding share increase to maintain the constituent's existing weighting within the index. Dividends will be judged to



be special by the Index Committee taking into account the size of the dividend as well as more commonly the identification of the dividend relative to the timing of its normal dividend reporting schedule.

### **Rights offerings**

In the case of a rights issue being offered by an index constituent, the price of that constituent will be adjusted for by the value of the right effective for the ex-date. The shares of the constituent will be increased to maintain the constituent's existing weighting within the index. The rights issue will only be adjusted for if the rights represent a positive value, or are in-the-money. Alternatively, the rights issue will also be adjusted for if the rights can be converted into a tangible cash value.

### **Additional information**

For bonus issues, stock splits and reverse stock splits, the number of shares included in the index will be adjusted in accordance with the ratio given in the corporate action. Since the event won't change the value of the company included in the index, the divisor will not be changed because of this.

Changes in the number of shares outstanding, typically due to share repurchases, tenders, or offerings, will not be reflected in the index.

## **Contact Richard Bernstein Advisors**

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## Richard Bernstein Advisors

Richard Bernstein Advisors LLC is an independent investment adviser. RBA partners with several firms including Eaton Vance Corporation and First Trust Portfolios LP, and currently has \$6.5 billion collectively under management and advisement as of December 31st, 2017. RBA acts as subadvisor for the Eaton Vance Richard Bernstein Equity Strategy Fund and the Eaton Vance Richard Bernstein AllAsset Strategy Fund. The firm also offers income and unique theme-oriented unit trusts through First Trust and is the index provider for the First Trust RBA American Industrial Renaissance® ETF and the First Trust RBA Quality Income ETF. Additionally, RBA runs ETF asset allocation SMA portfolios at UBS, Merrill Lynch, Morgan Stanley, Wells Fargo, RBC, Janney and on select RIA platforms. RBA's investment insights as well as further information about the firm and products can be found at [www.RBAadvisors.com](http://www.RBAadvisors.com).

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