



RICHARD BERNSTEIN

Richard Bernstein is the CEO and CIO of Richard Bernstein Advisors (RBA), which he founded in 2009. Prior to founding RBA, he served as the Chief Investment Strategist at Merrill Lynch & Co. A much-noted expert on equity, style and asset allocation, Mr. Bernstein was voted to Institutional Investor magazine’s annual “All-America Research Team” eighteen years, and is one of only fifty-seven analysts inducted into the Institutional Investor “Hall of Fame.”

RICHARD BERNSTEIN ADVISORS

Core aspects of the RBA investment process include:

- ▶ 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.

ABOUT RBA’S INVESTMENT TEAM

- ▶ Investment management firm that combines a unique top-down, macro approach with quantitative stock selection
- ▶ Strategies include: Global Equity, Global All-Asset, Equity Income and Thematic Equity Portfolios
- ▶ AUM approximately \$3.6 billion
(as of 12/31/16, including assets under advisement)
- ▶ Strategic Partners
Eaton Vance | Open-End Mutual Funds, Separately Managed Accounts
First Trust | Income-Oriented and Thematic Equity UITs, Exchange-Traded Funds
- ▶ Quantitative Research & Investment Team with an average of 25 years of experience

Mutual Funds		
Eaton Vance Richard Bernstein Equity Strategy Fund* A: ERBAX C: ERBCX I: ERBIX	Eaton Vance Richard Bernstein All Asset Strategy Fund* A: EARAX C: ECRAK I: EIRAX	
*RBA acts as sub-advisor to the Eaton Vance funds. Eaton Vance funds are distributed by Eaton Vance		
Unit Investment Trusts (UITs) - First Trust		
RBA Quality Income Portfolio RBA Quality Income Buy-Write RBA Global Dividend Kings®	RBA Cyclical Sector Income RBA American Industrial Renaissance® RBA Mergers and Acquisitions RBA Concentrated Core 16®	RBA Japan Opportunities RBA Europe Opportunities RBA North American CapEx
Exchange-Traded Funds (ETFs) - First Trust		
RBA American Industrial Renaissance® AIRR	RBA Quality Income QINC	Strategic Income*
*RBA acts as sub-advisor for the dividend paying equity portion only		
Global All Asset ETF SMAs*	Structured Products*	
Risk-Balanced, Conservative, Moderate, Aggressive	Market Linked CD available through BNP Paribas featuring select equities from RBA’s Global Dividend Kings	
* Contact us at marketing@RBAadvisors.com for further information		
Indexes		
RBA American Industrial Renaissance®	RBA Quality Income	

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COMMENTARY TOPICS INCLUDE:

- It's checkers not chess
- 2017 - Inflation Returns
- The Opportunity Cost Keeps Growing and Growing
- It ain't just the Fed
- "New Normal": Not new. Just normal.
- Charts for the beach
- Rabidly Risk Averse

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It Ain't Just the Fed

It seems unprecedented to us that the US stock market is in the 7th year of a bull market and investors generally aren't too keen to invest in equities. The data clearly shows that not only are individual investors cautious, but so are pensions, endowments, foundations, and hedge funds. Investors are typically quite bullish by the time in the bull market, but that does not appear to be the case today.

Our "Year Ahead" report for 2016 was titled "Below the 10". We highlighted our September 2015 view of a Presidential election year, and that investors could potentially be overvalued by political propaganda. The key to investing in 2016 would be investor ability to sift through all the election-related noise and invest based on fundamentals.

Our view is that they've been misled that the S&P 500™ has appreciated more than 15% in the past year (through September 30), and those that believe stocks have performed so well that an impending bear market will be worse because it isn't "expensive" yet. It is inconceivable to investors that the US bull market has been and continues to be pushed by fundamentals.

This countervailing bullish sentiment is supported by data. All the groups mentioned above have been net sellers of equities during the bull cycle according to data from Bank of America Merrill Lynch. In addition, Chart 1 points out that the Fed Chair has been recommending that portfolio have underweight positions in equities throughout the bull market. This may be more typical than one might at first realize. Fed Chair also recommended underweighting equities throughout the entire bull market of the 1990s and 1950s.

CHART 1:
Wall Street Settlement Index - as of September 30, 2016

Source: Bank of America Merrill Lynch, RBAAdvisors, Equity Client Firm Trends, 8/23/16

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