



Richard
Bernstein
Advisors

Uncertainty = Opportunity™



Richard Bernstein,
Chief Executive and Chief Investment Officer

Richard Bernstein Advisors

➤ *Independent investment advisor with a unique top-down, macro approach to investing with quantitative security selection.*

➤ *\$3.3B AUM/AUA as of 10/31/14*

➤ *Strategies include global asset allocation, global equity allocation, income, and promising undiscovered investment themes.*

➤ *Investment themes focus on disparities between fundamentals and sentiment.*

Tired of being scared yet?

Bull markets are based on climbing the proverbial “wall of worry”, and this cycle has been no different.

We have consistently argued over the past five years that the current bull market could be one of the biggest of our careers. Both investors and corporations continue to act conservatively because of the uncertainty caused by a litany of issues. Uncertainty is typically the engine of bull markets.

Here’s a subjective list of fifty concerns in this cycle’s “wall of worry”. Admittedly, we have grouped contradictory fears together to add a bit of humor, but we are not at all passing judgment on any particular concern. However, the list is long and has been relatively fruitless. One has to wonder when investors will grow tired of being so scared.

- 1) Corporate profits growth isn’t sustainable.
- 2) Profit margins will fall.
- 3) Corporate taxes are too high.
- 4) Corporate taxes are too low.
- 5) The stock market is extremely overvalued.
- 6) Buybacks are the only factor supporting the stock market.
- 7) Small businesses can’t grow.
- 8) Employment is abnormally weak.
- 9) Wage pressures will cause inflation.
- 10) There’s too much regulation.
- 11) There’s too little regulation.
- 12) The government is too big.
- 13) The government isn’t doing enough.

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- 14) The government won't support energy investment.
- 15) Capex growth is anemic except within the energy sector.

- 16) The ECB is too loose to benefit the PIIGs.
- 17) The ECB is too tight and is fueling deflation.

- 18) Corporations are too uncertain to hire and invest.
- 19) Corporate profits are an unsustainably large proportion of GDP.

- 20) Monetary policy has been impotent.
- 21) The economy can't survive without QE.

- 22) The US has too much debt.
- 23) The US budget deficit is too large.
- 24) The US is de-basing the dollar.
- 25) The strong dollar will hurt earnings.

- 26) The Fed's policies will cause inflation.
- 27) Deflation is spreading around the world.

- 28) Treasuries are in a bubble and have disconnected from the economy.
- 29) Low rates are forecasting economic weakness.

- 30) Invaders.
 - a. Terrorism
 - b. Immigration
 - c. Ebola

- 31) The separation of wealth is historically wide.
- 32) The owners of capital are being targeted.
- 33) Pensions will bankrupt municipalities.
- 34) Public employee unions are being targeted.

- 35) There's too much uncertainty to take risk.
- 36) Investors are taking too much risk.

- 37) Developed economies will suffer in the "new normal".
- 38) Expectations for the emerging markets are too optimistic.
- 39) China credit markets are an accident waiting to happen.

- 40) Geopolitics.
 - a. Iraq
 - b. Iran
 - c. ISIS
 - d. Al Qaeda
 - e. Syria
 - f. Israel/Palestine
 - g. North Korea
 - h. Argentina default
 - i. Brazil election
 - j. Russia/Crimea
 - k. Russia/Ukraine
 - l. Russia/NATO
 - m. Japan tsunami
 - n. China/Japan
 - o. China/Taiwan
 - p. China/Hong Kong

- 41) High oil prices will hurt the consumer.
- 42) Low oil prices reflect the weakness in the economy.



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- 43) Housing will be a drag on the economy.
- 44) Housing is in another bubble.

- 45) Bond spreads are too wide.
- 46) Credit downgrades will be numerous.
- 47) Bond spreads are too narrow.

- 48) Sentiment is overly optimistic.
- 49) Derivatives are dangerous.
- 50) Hedging downside risk is critical.



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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 \$3.3 billion collectively under management and advisement as of October 31, 2014. RBA acts as sub-advisor for the Eaton Vance Richard Bernstein Equity Strategy Fund, the Eaton Vance Richard Bernstein All-Asset Strategy Fund, the Eaton Vance Richard Bernstein Market Opportunities 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 and the First Trust RBA Quality Income ETF. Additionally, RBA runs ETF asset allocation SMA portfolios at UBS and Merrill Lynch and on select RIA platforms. RBA's investment insights as well as further information about the firm and products can be found at www.RBAdvisors.com.