Richard Bernstein Advisors

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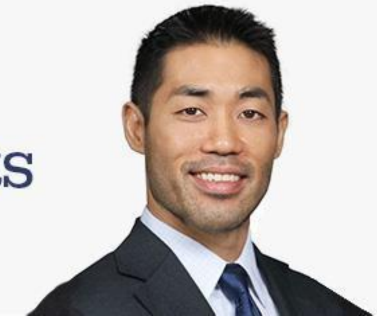
# RBA Quick Insights



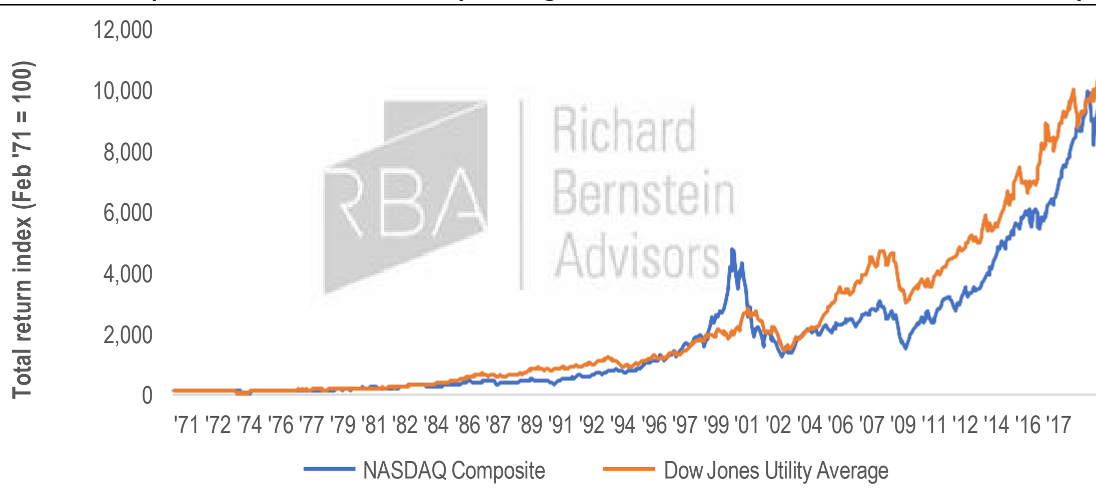
**April 2nd, 2019**

## Sometimes defense is the best offense

**It is often said that "offense sells tickets, but defense wins championships."** This past weekend, there were many factors that went into determining the outcomes of the men's NCAA tournament games (including not getting the ball inside to the best player in the tournament for the last play of the game!), but it was no coincidence that the winner of each game happened to be the team with more steals and fewer turnovers.

**For investors, perhaps the saying should be "defense generates wealth."** In keeping with the idea that returns are greatest where capital is scarce, a quick examination of long-term sector returns suggests that avoiding the frothiest parts of the market and compounding dividends is more important than owning the fastest growers. Case in point, as Rich has often pointed out, Utilities have outperformed the NASDAQ composite since its inception in 1971.

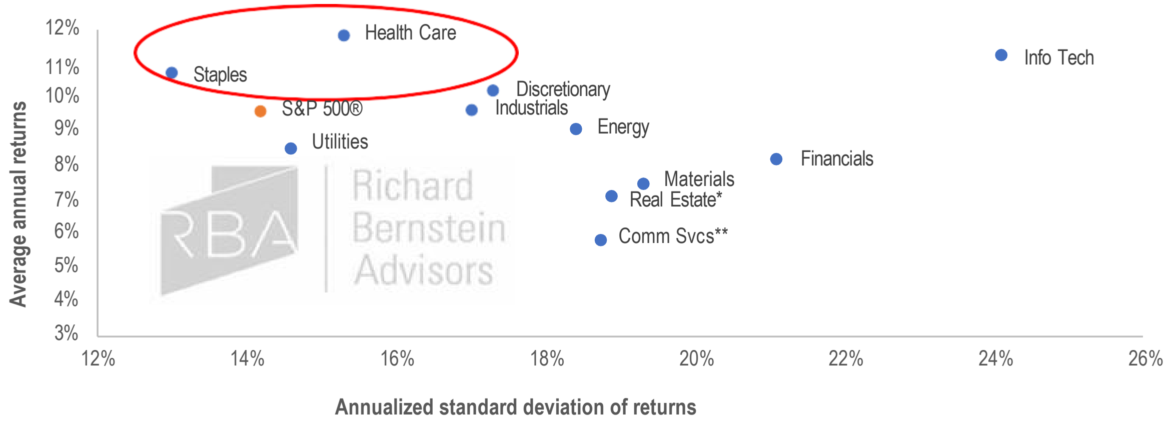
**NASDAQ Composite vs. Dow Jones Utility Average cumulative total return since NASDAQ inception**




Source: Richard Bernstein Advisors LLC, Bloomberg

Along these lines, many may also be surprised to hear that, even ten years into one of the biggest bull markets of our lifetimes, not only do Health Care and Staples have the best risk-adjusted long-term returns, but they also have some of the best absolute returns. Since 1989, Health Care has returned nearly 2,700% (~12% per year) while Consumer Staples has returned almost 2000% (~11% per year), although Staples' long-term performance was recently overtaken by Information Technology. The last time Technology's long-term performance was ahead of Health Care or Staples was during the Tech Bubble. In general, it is probably more of a cautious than a bullish signal for the markets when cyclical sectors lead the long-term performance rankings. The last cyclical sector to lead was Energy before the collapse in oil prices in 2014-2015, and prior to that it was the Financial sector during the later stages of the credit bubble. Watch out when Tech overtakes Health Care for the lead!

**S&P 500® sector returns vs. standard deviation of returns since August 1989**




Source: Richard Bernstein Advisors LLC, Standard & Poor's, NAREIT

** Using NAREIT data prior to October 2001; **Communications Services was previously Telecommunications Services prior to the GICS reclassification in September 2018.*

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