

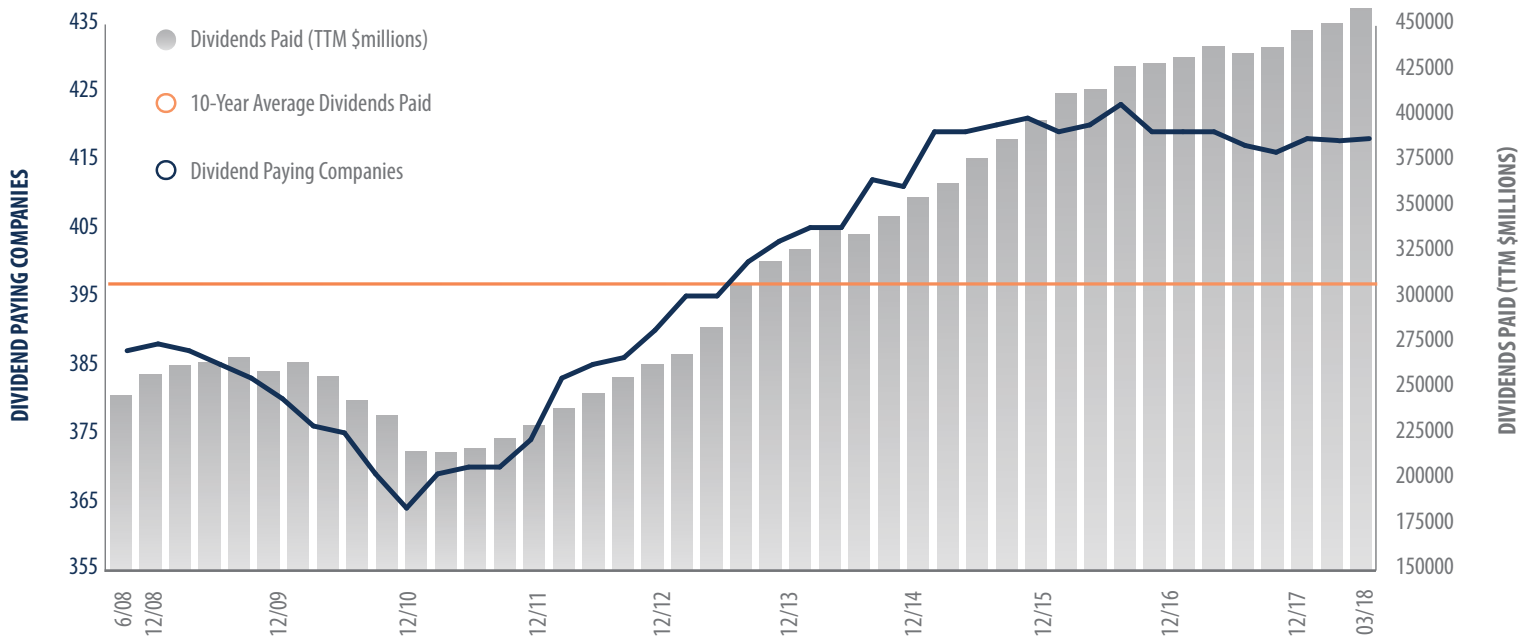


# **RICHARD BERNSTEIN ADVISORS**

QUALITY INCOME PORTFOLIO

## S&P 500 | DIVIDENDS PAID AND DIVIDEND PAYING COMPANIES

(6/30/2008 - 03/29/18)



Source: FactSet

### THE DIVIDEND ATTRACTION

Investors have treasured dividend-paying stocks for ages and recent performance has justified the love. S&P Dow Jones Indices announced that total dividend distributions for U.S. common stocks increased by a net (increases less decreases) \$13.0 billion in Q2'18, up from \$6.7 billion in Q2'17, according to its own release. For the 12-month period ended 6/29/18, net dividend increases totaled \$51.3 billion, up from \$32.5 billion for the 12-month period ended 6/30/17. In Q2'18, there were 573 dividend increases, up from 522 in Q2'17. The number of dividends cut or suspended totaled 92, up from 72 in Q2'17. Perhaps the hardest thing for an individual investor to do is to weed out quality dividend-paying businesses from all the rest.

### THE QUALITY INCOME APPROACH

The Richard Bernstein Advisors Quality Income Portfolio is a unit investment trust (UIT) focused on total return through a combination of dividend income and capital appreciation. A UIT is an investment vehicle which consists of a professionally selected unmanaged portfolio of securities which are held for a predetermined period of time. The value of the units of the trust will fluctuate each day with the value of the underlying securities; therefore it is possible to lose money by investing in the trust.

The stocks are selected for the trust by Richard Bernstein Advisors LLC (RBA) using their comprehensive Quality Income strategy and held for approximately 15 months. This strategy attempts to control the risks associated with investing in higher-yielding stocks, yet maintain attractive current income. RBA believes risk actually increases as dividend yield increases, and that simply investing in high-yield equities often leads to selecting stocks whose dividends are subsequently cut or discontinued. RBA's strategy incorporates several layers of risk control in order to attempt to minimize the probability of dividend cuts and the related underperformance.

NOT FDIC INSURED | NOT BANK GUARANTEED | MAY LOSE VALUE

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## QUALITY INCOME PORTFOLIO

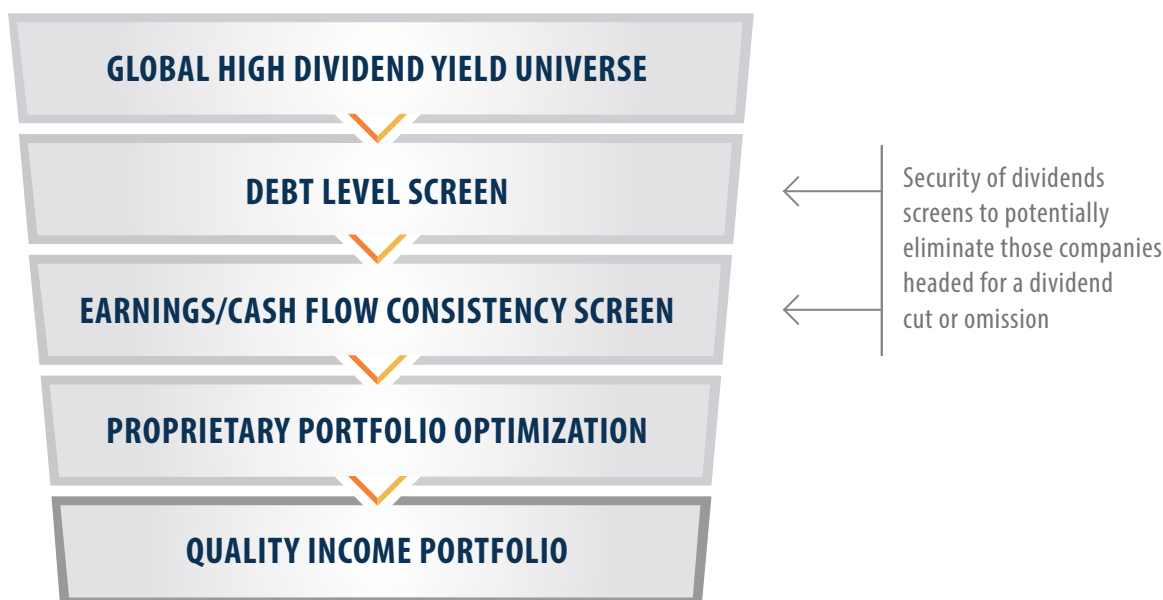
### RBA PORTFOLIO SELECTION PROCESS

The stock market is often far ahead of investors in predicting dividend cuts or omissions. Many stocks that offer extremely high dividend yields get there not by increasing their dividends, but by virtue of their stock price dropping significantly, thus dramatically increasing their yield. In addition, there is typically a sound business reason for a stock to tumble and it usually involves business problems for the company. In such circumstances, it is reasonable to expect a competent board of directors to cut dividends to conserve cash.

Because of this effect, RBA believes stocks with extremely high dividend yields should be viewed cautiously, because high dividend yields may simply reflect depressed stock prices in anticipation of dividend cuts or omissions. RBA examines the security of dividends on the global high dividend yield universe by screening for debt levels and for consistency of earnings. This process generally results in an unweighted portfolio of less than 100 stocks from the initial universe of several thousand.

RBA then uses a proprietary optimization method to weight the stocks. This final step attempts to reduce the volatility of the overall portfolio. Thus, the strategy attempts to reduce risk in two ways. First, RBA screens for estimated dividend consistency. Second, RBA uses a proprietary weighting method which strives to reduce overall portfolio volatility. Of course, there can be no assurance that these objectives will be achieved. In addition, there is no guarantee that the issuers of the securities included in the portfolio will declare dividends in the future or that, if declared, they will either remain at current levels or increase over time.

## A TACTICAL DIVIDEND PORTFOLIO FOR TOTAL RETURN INVESTORS SEEKING HIGH INCOME WITH LOWER VOLATILITY THAN THE OVERALL MARKET.



RBA'S QUANTITATIVE TECHNIQUES SEEK INCOME IN A RISK-CONTROLLED PROCESS TO ATTEMPT TO GAIN YIELD WHILE SEEKING TO ELIMINATE THOSE COMPANIES RIPE FOR DIVIDEND CUTS.



**RBA IS A REGISTERED INVESTMENT ADVISER FOCUSING ON LONGER TERM INVESTMENT STRATEGIES THAT COMBINE TOP-DOWN, MACROECONOMIC ANALYSIS AND QUANTITATIVELY-DRIVEN PORTFOLIO CONSTRUCTION, UTILIZING MR. BERNSTEIN'S WIDELY RECOGNIZED EXPERTISE IN STYLE INVESTING AND ASSET ALLOCATION.**

The firm's Chief Executive and Chief Investment Officer, Mr. Bernstein has over 35 years' experience on Wall Street, including most recently as the Chief Investment Strategist at Merrill Lynch & Co. RBA acts as sub-advisor for mutual funds and also selects portfolios for income-oriented Unit Investment Trusts sponsored by First Trust Portfolios L.P. Additionally, RBA runs exchange-traded fund asset allocation portfolios and separately managed accounts and is the index provider for two exchange-traded funds. RBA has over \$8.4 billion in assets under management/under advisement as of June 30, 2018.



**You should consider the portfolio's investment objective, risks, and charges and expenses carefully before investing. Contact your financial advisor or call First Trust Portfolios L.P. at the number listed below to request a prospectus, which contains this and other information about the portfolio. Read it carefully before you invest.**

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA and the Internal Revenue Code. First Trust has no knowledge of and has not been provided any information regarding any investor. Financial advisors must determine whether particular investments are appropriate for their clients. First Trust believes the financial advisor is a fiduciary, is capable of evaluating investment risks independently and is responsible for exercising independent judgment with respect to its retirement plan clients.

**RISK CONSIDERATIONS** | An investment in this unmanaged unit investment trust should be made with an understanding of the risks involved with owning common stocks, such as an economic recession and the possible deterioration of either the financial condition of the issuers of the equity securities or the general condition of the stock market.

You should be aware that the portfolio is concentrated in stocks in the financials sector which involves additional risks, including limited diversification. The companies engaged in the financials sector are subject to the adverse effects of volatile interest rates, economic recession, decreases in the availability of capital, increased competition from new entrants in the field, and potential increased regulation.

The value of the securities held by the trust may be subject to steep declines or increased volatility due to changes in performance or perception of the issuers.

One of the securities in the portfolio is issued by a Real Estate Investment Trust (REIT). Companies involved in the real estate industry are subject to changes in the real estate market, vacancy rates and competition, volatile interest rates and economic recession.

An investment in a portfolio containing small-cap and mid-cap companies is subject to additional risks, as the share prices of small-cap companies and certain mid-cap companies are often more volatile than those of larger companies due to several factors, including limited trading volumes, products, financial resources, management inexperience and less publicly available information.

Certain of the common stocks held by the trust are issued by foreign entities. An investment in a portfolio containing equity securities of foreign issuers is subject to additional risks, including currency fluctuations, political risks, withholding, the lack of adequate financial information, and exchange control restrictions impacting foreign issuers.

Risks associated with investing in foreign securities may be more pronounced in emerging markets where the securities markets are substantially smaller, less developed, less liquid, less regulated, and more volatile than the U.S. and developed foreign markets.

Although this portfolio terminates in approximately 15 months, the strategy is long-term. Investors should consider their ability to pursue investing in successive portfolios, if available. There may be tax consequences unless units are purchased in an IRA or other qualified plan. As the use of Internet technology has become more prevalent in the course of business, the trust has become more susceptible to potential operational risks through breaches in cyber security.