

Research Portfolios Update

Equity Income Portfolio Spotlight

Portfolio Strategy

Q4 2023 Review

The Income Portfolio returned 10.4% vs. 9.4% for its Russell 1000 Value (R1V) benchmark in Q423, outperforming by 1.0% driven by dividend paying and bond proxy stocks advancing rapidly as the end of the Fed rate hiking cycle became market consensus. Consistent with its primary objective, the Income portfolio's dividend yield at 3.0% remains at a large spread to the S&P 500's 1.5% yield and its R1V benchmark's 2.4% yield.

Q4 outperformance was driven by stock selection in high dividend paying sectors including Financials, Communications Services and Energy. Allocation was a small positive contributor driven by an overweight to Real Estate and value Technology stocks.

Broadcom (AVGO), Blackrock (BLK), D.R. Horton (DHI), American Express (AXP) and Synchrony Financial (SYF) were the top contributors in the quarter. AVGO is a leading datacenter and communications semiconductor company benefitting from cloud and AI.

Exxon Mobil (XOM), Beckton, Dickinson and Company (BDX), Hewlett Packard Enterprise (HPE), Emerson Electric (EMR) and Comcast Corporation (CMCSA) were the largest detractors in Q4. BDX is a diversified global medical technology company that produces medical devices and instrument systems. While the company gave multi-year targets that were on track, currency translation negatively impacted guidance. The FX outlook has the potential to improve if the Fed cuts interest rates this year which is the current consensus.

Table 1: Income Portfolio Performance and Metrics

Portfolio Returns and Characteristics

	Income	Russell 1000 Value	Income Portfolio Metrics	
Q4 23	10.4%	9.4%	Dividend Yield	3.0%
YTD	9.3%	11.3%	Est. Dividend Growth	6.1%
12 Months	9.3%	11.3%	Est. EPS Growth	7.4%
3 Year	8.5%	8.8%	Forward P/E	21.3
5 Year	9.4%	10.7%	Forward P/CF	16.9
10 Year	8.3%	8.0%	3-year Standard Deviation	16.9%
2023	9.3%	11.3%	3-year Tracking Error	2.4%
2022	-4.7%	-7.5%	3-year Sharpe Ratio	0.4%
2021	22.7%	24.9%	12 Month Turnover	51.0%
2020	-0.5%	2.4%	Avg Market Cap (\$BN)	203.3
2019	23.2%	26.2%		
2018	-7.3%	-8.1%		
2017	13.8%	13.5%		
2016	16.5%	17.0%		
2015	2.7%	-3.8%		
2014	11.7%	13.3%		

Source: BofA Global Research. Note: 3-Year, 5-Year, and 10-Year figures are annualized returns for the periods ended 31 December 2023. Past performance is not necessarily a guide to future performance.

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23 January 2024

United States

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Refer to important disclosures on page 6 to 8. Analyst Certification on page 5. 12649044

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High Current Income with Dividend Growth

The Research Income Portfolio is designed for moderate investors who want to obtain an ongoing secure income stream from what we view as dependable sources, with some emphasis on protection of principal.

The Income portfolio is unique in its relatively high dividend yield with diversified holdings across all GIC sectors. For more information on Investment Philosophy and Process, please see this report, [Portfolio Strategy Primer](#).

Key Charts & Data

Table 2: Top Portfolio Holdings

As of 12/31/23

JPMorgan	4.62%
BlackRock	4.53%
Digital Realty Trust	3.91%
Exxon Mobil	3.76%
Williams Companies	3.46%
International Business Machines	3.41%
American Express	3.33%
Emerson Electric	3.12%
Broadcom Inc.	3.07%
UnitedHealth Group	2.98%

Source: BofA Global Research, Bloomberg and FactSet

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Table 3: Contributors to Return

4Q23

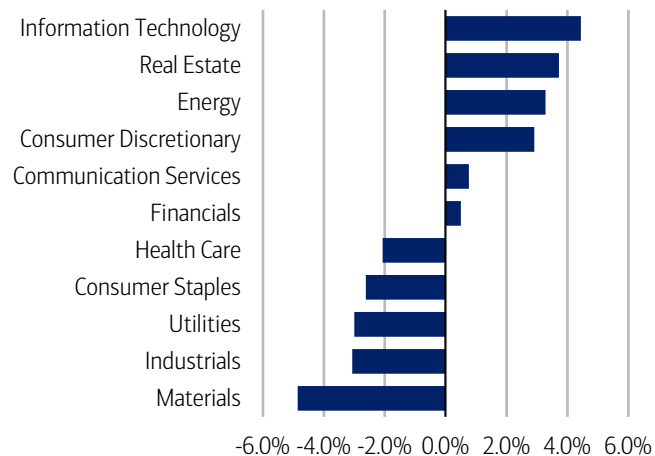
Ticker	Top 5 Contributors to Return
AVGO	Broadcom Inc.
BLK	BlackRock
DHI	D.R. Horton
AXP	American Express
SYF	Synchrony Financial
Ticker	Bottom 5 Contributors to Return
XOM	Exxon Mobil
BDX	Becton, Dickinson, and Company
HPE	Hewlett Packard Enterprise
EMR	Emerson Electric
CMCSA	Comcast Corporation

Source: BofA Global Research, Bloomberg and FactSet

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Chart 1: Portfolio Relative Sector Weights

As of 12/31/23

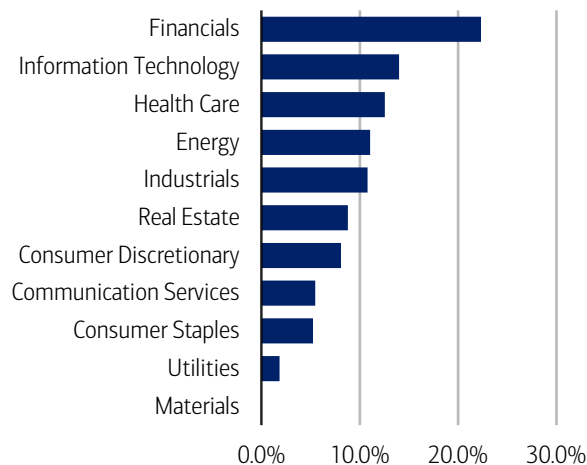


Source: BofA Global Research, Bloomberg and FactSet

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Chart 2: Absolute Sector Weights

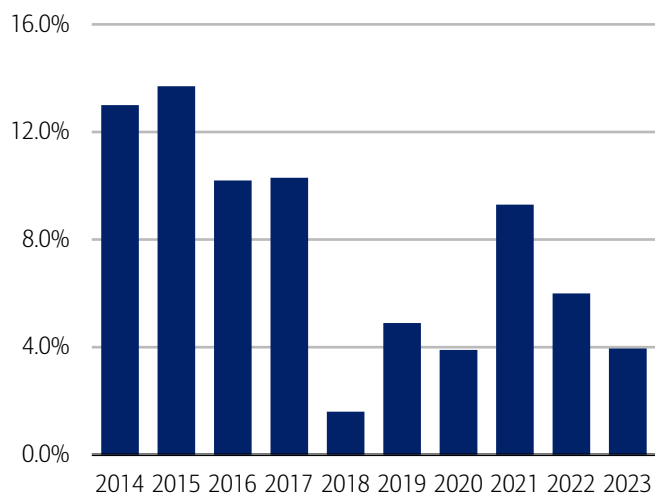
As of 12/31/23



Source: BofA Global Research, Bloomberg and FactSet

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Chart 3: Historical Dividend Cash Flow Growth of Equity Income Portfolio
2014-2023



*Estimated YoY change in portfolio cash flows based on ex-dividend dates in calendar year. A 50% reduction in CME's yearly special dividend due to an acquisition was a major driver of lower 2018 growth.

Source: : BofA Global Research, S&P Compustat

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Table 4: Historical Dividend Yield
2013-12/31/23

Year End	Dividend Yield
2013	3.60%
2014	3.60%
2015	4.00%
2016	3.60%
2017	3.50%
2018	3.50%
2019	3.30%
2020	3.20%
2021	3.00%
2022	3.10%
2023	3.00%

Source: BofA Global Research, Bloomberg. Yields are estimated based on historical information. There is no assurance that the yield will remain the same or increase. Yields may decrease based on portfolio performance or stock specific attributes. Yields do not reflect transaction costs/fees or taxes and may be affected by currency fluctuations.

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Table 5: Equity Income Portfolio Holdings

Portfolio Weights

Sectors/Target Weights	Symbol	Proposed Weight	Price	Yield	QRQ Rating
			1/22/2024		
Communication Services (5.5%)					
Comcast Corp	CMCSA	3.0%	\$43.60	2.66%	B-1-7
Interpublic Group	IPG	2.5%	\$32.18	3.85%	B-1-7
Consumer Discretionary (8.0%)					
Magna Intl	MGA	3.0%	\$55.09	3.34%	B-1-7
D.R. Horton	DHI	2.5%	\$157.11	0.76%	B-1-7
McDonald's	MCD	1.5%	\$300.01	2.23%	A-2-7
The Home Depot	HD	1.0%	\$357.35	2.34%	B-1-7
Consumer Staples (5.5%)					
Kraft Heinz	KHC	2.5%	\$36.59	4.37%	B-1-7
PepsiCo	PEP	3.0%	\$165.42	3.06%	A-1-7
Energy (12.5%)					
ExxonMobil	XOM	5.0%	\$96.16	3.95%	B-1-7
Chevron	CVX	1.5%	\$141.83	4.26%	B-1-7
Williams Companies	WMB	3.5%	\$33.78	5.30%	B-1-7
Kinder Morgan	KMI	2.5%	\$17.14	6.59%	B-2-7
Financials (20.5%)					
American Express	AXP	3.0%	\$185.42	1.29%	B-1-7
Blue Owl Capital	OWL	1.5%	\$15.47	3.62%	B-1-7
Allstate Corp.	ALL	1.5%	\$155.29	2.29%	B-1-7
BlackRock, Inc.	BLK	4.0%	\$799.48	2.55%	B-1-7
Synchrony Financial	SYF	2.5%	\$38.00	2.63%	B-2-7
Principal	PFG	2.0%	\$79.19	3.38%	B-2-7
JP Morgan Chase	JPM	4.0%	\$170.50	2.46%	B-1-7
Truist Financial	TFC	2.0%	\$37.08	5.61%	B-1-7
Health Care (13.0%)					
UnitedHealth Grp	UNH	3.0%	\$508.71	1.48%	B-1-7
Becton Dickinson	BDX	3.0%	\$237.04	1.60%	B-1-7
HCA Healthcare	HCA	2.0%	\$288.99	0.83%	B-1-7
Medtronic	MDT	3.0%	\$86.72	3.18%	B-1-7
Eli Lilly	LLY	2.0%	\$627.31	0.72%	B-1-7
Industrials (11.0%)					
General Dynamics	GD	1.0%	\$250.60	2.11%	B-1-7
Eaton Corp PLC	ETN	2.5%	\$245.14	1.40%	B-1-7
Deere & Co	DE	1.5%	\$385.76	1.52%	B-2-7
Emerson	EMR	3.5%	\$95.60	2.20%	B-1-7
CSX Corporation	CSX	2.5%	\$34.79	1.26%	B-1-7
Information Technology (13.5%)					
Hewlett-Packard	HPE	2.5%	\$15.43	3.37%	B-2-7
Int Business Machine	IBM	3.5%	\$172.67	3.85%	B-1-7
HP Inc.	HPQ	1.5%	\$29.23	3.77%	B-1-7
Broadcom	AVGO	2.5%	\$1,229.02	1.71%	B-1-7
Texas Instruments	TXN	1.5%	\$174.72	2.98%	B-2-7
Microsoft	MSFT	2.0%	\$397.82	0.75%	B-1-7
Materials (0.0%)					
Real Estate (8.5%)					
Realty Income	O	1.5%	\$56.00	5.50%	B-2-7
Digital Realty Trust	DLR	3.5%	\$139.98	3.49%	B-1-7
Welltower	WELL	2.0%	\$89.47	2.73%	B-1-7
VICI Properties	VICI	1.5%	\$30.62	5.42%	B-1-7
Utilities (2.0%)					
Consolidated Edison	ED	2.0%	\$88.71	3.74%	A-1-7
Cash (0.0%)					
		100.0%		3%	

Source: BofA Global Research, Bloomberg. Prices as of 12/31/23

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Underperform	N/A	≥ 20%

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