

Research Portfolios Update

Income Portfolio Changes and Rebalancing

Portfolio Strategy

We made the following changes to the Income Portfolio as well as rebalanced some positions that have drifted from their target weights. A complete rationale for the portfolio changes begins on page 2.

Exhibit 1: Income Portfolio Changes
 Portfolio Changes

Sector/ Cash	Action	Company	Symbol	Investment Rating	Price 2/29/24	Old Position	New Position
IND	Increase	INDUSTRIALS				11.00%	11.50%
	Increase	Emerson Electric	EMR	B-1-7	\$106.02	3.50%	4.00%
	Increase	Eaton Corp	ETN	B-1-7	\$287.71	2.50%	3.00%
	Reduce	Deere & Co	DE	B-2-7	\$364.48	1.50%	1.00%
INT	Increase	INFORMATION TECHNOLOGY				13.00%	13.50%
	Increase	Broadcom	AVGO	B-1-7	\$1294.84	2.50%	3.00%
REL	Reduce	REAL ESTATE				8.50%	7.50%
	Reduce	Realty Income	O	B-2-7	\$52.18	1.50%	1.00%
	Reduce	VICI Properties	VICI	B-1-7	\$29.86	1.50%	1.00%
FIN	Increase	FINANCIALS				21.50%	22.00%
	Increase	Truist Financial	TFC	B-1-7	\$35.09	3.00%	3.50%
HCR	Reduce	HEALTHCARE				12.50%	12.00%
	Reduce	UnitedHealth Group	UNH	B-1-7	\$498.10	2.00%	1.00%
	Increase	HCA Healthcare	HCA	B-1-7	\$310.48	2.00%	2.50%

<u>Rebalance to Target Weight</u>	<u>Company</u>	<u>Symbol</u>	<u>Investment Rating</u>	<u>Price 2/29/24</u>	<u>Target Weight</u>
	Consolidated Edison	ED	A-1-7	\$87.31	2.5%
	HP inc.	HPQ	B-1-7	\$28.40	1.5%
	Digital Realty Trust	DLR	B-1-7	\$145.97	3.5%
	ExxonMobil	XOM	B-1-7	\$104.79	5.0%

Source: BofA Global Research, Bloomberg

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Sector abbreviations are as follows: Consumer Discretionary (COD), Consumer Staples (CST), Energy (ENE), Financials (FIN), Health Care (HCR), Industrials (IND), Information Technology (INT), Materials (MAT), Real Estate (REL), Communication Services (CSR), and Utilities (UTL).

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Refer to important disclosures on page 5 to 8. Analyst Certification on page 4. 12665873

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Income Portfolio Changes

Financials

We increase our Financials sector weight to 22.0% from 21.5% by increasing our weight in Truist Financial (TFC, \$35.09, B-1-7) to 3.5% from 3.0%. [Ebrahim Poonawala recently reiterated his Buy rating, noting an improved balance sheet and ability to play offense \(see report\).](#)

Industrials

We increase our Industrials sector weight to 11.5% from 11.0% by increasing our weights in Emerson Electric (EMR, \$106.02, B-1-7) to 4.0% from 3.5% and in Eaton Corp (ETN, \$287.71, B-1-7) to 3.0% from 2.5% while at the same time reducing our weight in Deere & Co (DE, \$364.48, B-2-7) to 1.0% from 1.5%. [Andrew Obin recently raised his earnings estimates on EMR following better-than-expected quarterly results \(see report\).](#) The portfolio change reduces our underweight to the Industrials sector.

Healthcare

We reduce our Healthcare sector weight to 12.0% from 12.5% by reducing our weight in UnitedHealth Group (UNH, \$498.10, B-1-7) to 1.0% from 2.0% while increasing our weight in HCA Healthcare (HCA, \$310.48, B-1-7) to 2.5% from 2.0%. [Kevin Fischbeck recently reiterated his Buy rating on HCA after the company reported strong volume and pricing trends.](#)

Technology

We increase our Technology sector weight to 13.5% from 13.0% by increasing our weight in Broadcom (AVGO, \$1294.84, B-1-7) to 3.0% from 2.5%.

Real Estate

We reduce our Real Estate sector weight to 7.5% from 8.5% by reducing our weight in Realty Income (O, \$52.18, B-2-7) to 1.0% from 1.5% and in VICI Properties (VICI, \$29.86, B-1-7) to 1.0% from 1.5%. The change reduces our overweight in the Real Estate sector.

The changes leave the estimated portfolio yield at 3.0%.

Exhibit 2: Income Portfolio Holdings

Portfolio Weights

Sectors/Target Weights	Symbol	Proposed Weight	Price	Yield	QRQ Rating
			2/29/2024		
Communication Services (5.5%)					
Comcast Corp	CMCSA	3.0%	\$42.76	2.90%	B-1-7
Interpublic Group	IPG	2.5%	\$31.48	4.19%	B-1-7
Consumer Discretionary (7.5%)					
Magna Intl	MGA	3.0%	\$54.50	3.49%	B-1-7
D.R. Horton	DHI	2.0%	\$148.12	0.81%	B-1-7
McDonald's	MCD	1.5%	\$292.77	2.28%	A-2-7
The Home Depot	HD	1.0%	\$378.90	2.38%	B-1-7
Consumer Staples (5.5%)					
Kraft Heinz	KHC	2.5%	\$35.43	4.52%	B-1-7
PepsiCo	PEP	3.0%	\$165.53	3.06%	A-1-7
Energy (12.5%)					
ExxonMobil	XOM	5.0%	\$104.79	3.63%	B-1-7
Chevron	CVX	1.5%	\$152.49	4.28%	B-1-7
Williams Companies	WMB	3.5%	\$35.81	5.31%	B-1-7
Kinder Morgan	KMI	2.5%	\$17.41	6.49%	B-2-7
Financials (22.0%)					
American Express	AXP	3.0%	\$218.80	1.10%	B-1-7
Blue Owl Capital	OWL	1.5%	\$17.95	3.12%	B-1-7
Allstate Corp.	ALL	1.5%	\$159.43	2.31%	B-1-7
BlackRock, Inc.	BLK	4.0%	\$811.80	2.51%	B-1-7
Synchrony Financial	SYF	2.5%	\$41.13	2.43%	B-2-7
Principal	PFG	2.0%	\$80.68	3.42%	B-2-7
JP Morgan Chase	JPM	4.0%	\$184.56	2.28%	B-1-7
Truist Financial	TFC	3.5%	\$35.09	5.93%	B-1-7
Health Care (12.0%)					
UnitedHealth Grp	UNH	1.0%	\$498.10	1.51%	B-1-7
Becton Dickinson	BDX	3.0%	\$236.85	1.60%	B-1-7
HCA Healthcare	HCA	2.5%	\$310.48	0.85%	B-1-7
Medtronic	MDT	3.0%	\$82.99	3.33%	B-1-7
Eli Lilly	LLY	2.5%	\$749.10	0.63%	B-1-7
Industrials (11.5%)					
General Dynamics	GD	1.0%	\$273.29	1.93%	B-1-7
Eaton Corp PLC	ETN	3.0%	\$287.71	1.20%	B-1-7
Deere & Co	DE	1.0%	\$364.48	1.61%	B-2-7
Emerson	EMR	4.0%	\$106.02	1.98%	B-1-7
CSX Corporation	CSX	2.5%	\$37.97	1.26%	B-1-7
Information Technology (13.5%)					
Hewlett-Packard	HPE	2.5%	\$15.14	3.44%	B-2-7
Int Business Machine	IBM	3.5%	\$185.99	3.57%	B-1-7
HP Inc.	HPQ	1.5%	\$28.40	3.88%	B-1-7
Broadcom	AVGO	3.0%	\$1,294.84	1.62%	B-1-7
Texas Instruments	TXN	1.0%	\$164.98	3.15%	B-2-7
Microsoft	MSFT	2.0%	\$407.66	0.74%	B-1-7
Materials (0.0%)					
Real Estate (7.5%)					
Realty Income	O	1.0%	\$52.18	5.90%	B-2-7
Digital Realty Trust	DLR	3.5%	\$145.97	3.34%	B-1-7
Welltower	WELL	2.0%	\$91.73	2.66%	B-1-7
VICI Properties	VICI	1.0%	\$29.86	5.56%	B-1-7
Utilities (2.5%)					
Consolidated Edison	ED	2.5%	\$87.31	3.80%	A-1-7
Cash (0.0%)					
		100.0%		3%	

Source: Bloomberg, BofA Global Research

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Buy	100	49.75%	Buy	84	84.00%
Hold	54	26.87%	Hold	41	75.93%
Sell	47	23.38%	Sell	35	74.47%

Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

Equity Investment Rating Distribution: Industrials/Multi-Industry Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	45	50.56%	Buy	25	55.56%
Hold	26	29.21%	Hold	13	50.00%
Sell	18	20.22%	Sell	7	38.89%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Underperform	N/A	≥ 20%

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