

Research Portfolios Update

Equity Large Cap Defensive Spotlight

Portfolio Strategy

The Large Cap Defensive Portfolio returned 11.9% vs. 11.9% for its Russell 1000 (R1) benchmark in Q423, inline in a rapidly advancing market driven by an inflection in the interest rate cycle. The portfolio's overall risk level continues to be lower than the market with a forecast standard deviation of ~0.95 that of the benchmark. We continue to believe that a lower risk portfolio with a bias to higher quality equities can provide downside protection and greater risk-adjusted returns over a market cycle.

Q4 performance was driven by stock selection particularly in Financials, Healthcare, and Consumer Staples while allocation was a detractor due to an overweight to Energy. American Express (AXP), Extra Space Storage (EXR), JPMorgan Chase & Co (JPM), Intuit (INTU), and Salesforce (CRM) were the largest positive contributors in the quarter. AXP is an integrated payments company and charge card issuer. The company reported strong monthly metrics in Q4 including steady loan growth and improved loss rates.

Exxon Mobil (XOM), Walmart (WMT), Comcast (CMCSA), Williams Companies (WMB) and Rockwell Automation (ROK) were the largest detractors in the quarter. XOM is a leading integrated oil and gas company that was impacted by the decline in oil prices in Q4.

During the period we added new stocks to the portfolio where we had high conviction like Consolidated Edison (ED) and Fifth Third Bank (FITB), while exiting stocks where the investment thesis became challenged like Aon PLC (AON) and NextEra Energy (NEE).

Exhibit 1: Large Cap Defensive Performance and Metrics

Performance and portfolio metrics for the Large Cap Defensive Portfolio

	Large Cap Defensive	Russell 1000	Large Cap Defensive Metrics	
Q4 23	11.9%	11.9%	Dividend Yield	1.50%
YTD	27.0%	26.3%	Est. Dividend Growth	6.7%
12 Months	27.0%	26.3%	Est. EPS Growth	14.9%
3 Year	11.0%	8.9%	Forward P/E	28.5
5 Year	15.7%	15.2%	Forward P/CF	25.1
10 Year	11.4%	11.3%	3-year Standard Deviation	17.2%
2023	27.0%	26.3%	3-year Tracking Error	3.3%
2022	-15.6%	-19.0%	3-year Sharpe Ratio	0.51
2021	27.6%	26.3%	12 Month Turnover	43%
2020	15.1%	20.6%	Avg Market Cap (\$BN)	691
2019	31.8%	31.2%		
2018	-4.0%	-4.6%		
2017	17.6%	21.5%		
2016	9.9%	11.9%		
2015	2.8%	0.9%		
2014	11.2%	13.1%		
2013	24.6%	32.8%		

Source: BofA Global Research. **Note:** 3-Year, 5-Year, and 10-Year figures are annualized returns for the periods ended 31 December 2023. 12 Months figure is also for the period ended 31 December 2023. Past performance is not necessarily a guide to future performance.

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23 January 2024

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Timestamp: 23 January 2024 06:00AM EST

Quality and downside protection – key themes

The Research Large Cap Defensive Portfolio seeks to maximize risk-adjusted returns across a full market cycle with the focus on downside protection and some emphasis on income, from what are considered the highest-quality stocks. Earnings stability, balance sheet strength, and cash flow metrics remain fundamental determinants of stock selection. The proliferation of high-quality, large-cap stocks with stable earnings and healthy dividend growth are factors that are likely to attract investors to the Large Cap Defensive portfolio.

For more information on Investment Philosophy and Process, please see the report, [Portfolio Strategy Primer](#).

Key Charts & Data

Exhibit 2: 4Q23 Top 10 Holdings

AAPL top holding

Top 10 Holdings as of 12/31/23

Apple Inc.	7.2%
Microsoft	6.0%
JPMorgan Chase & Co.	5.3%
Amazon.com	3.9%
Visa Inc	3.4%
Caterpillar	3.3%
Zoetis, Inc	3.1%
Intuit	3.1%
American Express Company	3.1%
NVIDIA Corporation	3.1%

Source: BofA Global Research

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Exhibit 3: 4Q23 Contributors to return

AXP largest + contributor, XOM largest detractor

Top 5 Contributors to Return

Ticker	Company
AXP	American Express
EXR	Extra Space Storage
JPM	JPMorgan
INTU	Intuit
CRM	Salesforce, Inc.

Bottom 5 Contributors to Return

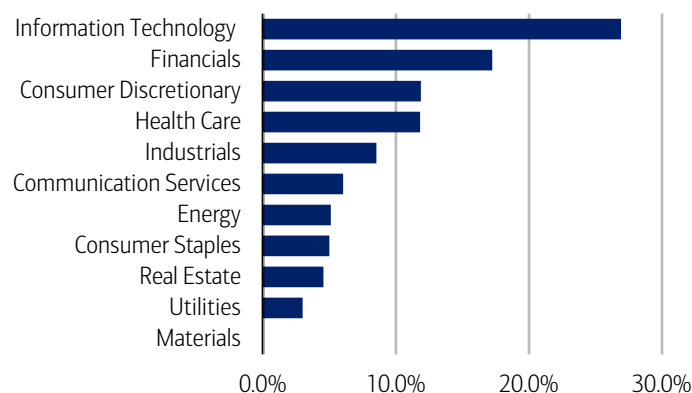
Ticker	Company
XOM	Exxon Mobil
WMT	Walmart
CMCSA	Comcast
WMB	Williams Companies
ROK	Rockwell Automation

Source: BofA Global Research

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Exhibit 4: Large Cap Defensive Sector Weights as of 12/31/23

Tech and Financials are largest sector exposures

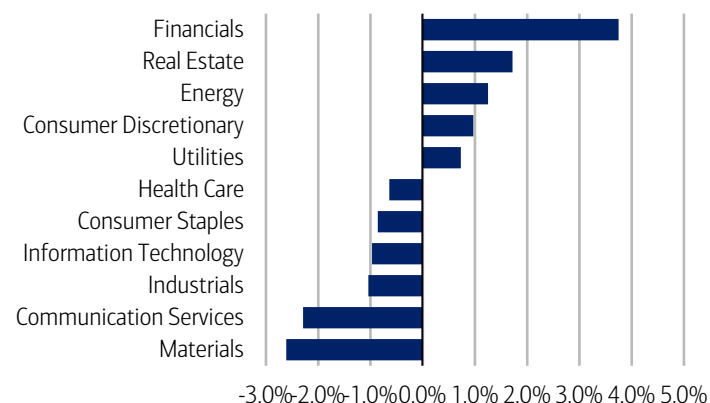


Source: BofA Global Research, Bloomberg

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Exhibit 5: Large Cap Defensive Relative Sector Weights as of 12/31/23

Largest underweight in Materials and overweight in Financials



Source: BofA Global Research, Bloomberg
*Relative to Russell 1000

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Table 1: Large Cap Defensive Portfolio
Portfolio Holdings

Sectors/Target Weights	Symbol	Proposed Weight	Price	Yield	QRQ Rating
			1/22/2024		
Communication Services (6.0%)					
Meta Platforms	META	1.5%	\$381.78	0.0%	C-1-9
Comcast Corp	CMCSA	2.0%	\$43.62	2.7%	B-1-7
Alphabet A	GOOGL	2.5%	\$145.99	0.0%	B-1-9
Consumer Discretionary (12.0%)					
Amazon.com	AMZN	4.0%	\$154.78	0.0%	B-1-9
The Home Depot	HD	1.0%	\$356.69	2.3%	B-1-7
D.R. Horton	DHI	1.0%	\$157.70	0.8%	B-1-7
McDonald's	MCD	2.0%	\$298.41	2.2%	A-2-7
Magna Intl	MGA	2.5%	\$55.70	3.3%	B-1-7
TJX Companies	TJX	1.5%	\$95.13	0.0%	B-1-7
Consumer Staples (5.0%)					
Costco	COST	3.0%	\$692.51	0.6%	B-1-7
Walmart	WMT	2.0%	\$162.39	1.4%	A-1-7
Energy (5.5%)					
Williams Companies	WMB	3.0%	\$33.97	5.3%	B-1-7
ExxonMobil	XOM	2.5%	\$96.82	3.9%	B-1-7
Financials (17.0%)					
American Express	AXP	3.0%	\$185.01	1.3%	B-1-7
Principal	PFG	2.5%	\$79.26	3.4%	B-2-7
Fifth Third Bank	FITB	2.0%	\$34.56	4.1%	B-1-7
Visa	V	3.5%	\$271.20	0.8%	B-1-7
Progressive Corp	PGR	1.0%	\$170.28	2.7%	B-1-7
JP Morgan Chase	JPM	5.0%	\$170.11	2.5%	B-1-7
Health Care (12.0%)					
Eli Lilly	LLY	2.5%	\$630.88	0.8%	B-1-7
Stryker	SYK	1.0%	\$313.27	1.0%	B-1-7
HCA Healthcare	HCA	2.5%	\$288.31	0.8%	B-1-7
UnitedHealth Grp	UNH	3.0%	\$512.99	1.5%	B-1-7
Zoetis Inc.	ZTS	3.0%	\$191.20	0.9%	B-1-7
Industrials (8.0%)					
Rockwell	ROK	2.5%	\$305.64	1.6%	B-2-7
Caterpillar Inc	CAT	3.0%	\$288.67	1.8%	B-1-7
Waste Connections	WCN	1.0%	\$152.60	0.7%	A-1-7
Canadian Pacific	CP	1.5%	\$78.16	0.7%	B-1-7
Information Technology (27.0%)					
Apple Inc.	AAPL	7.5%	\$193.89	0.5%	B-1-7
Intuit	INTU	3.0%	\$630.61	0.6%	B-1-7
Salesforce.com	CRM	2.0%	\$280.30	0.0%	B-1-9
Int Business Machine	IBM	2.5%	\$172.83	0.0%	B-1-7
Microsoft	MSFT	6.0%	\$396.51	0.8%	B-1-7
Palo Alto Networks	PANW	1.0%	\$345.65	0.0%	B-2-9
NVIDIA	NVDA	3.0%	\$596.54	0.0%	C-1-7
Texas Instr.	TXN	2.0%	\$174.83	3.0%	B-2-7
Materials (0.0%)					
Real Estate (4.5%)					
Extra Space Storage	EXR	1.5%	\$148.69	4.4%	B-2-7
Equinix	EQIX	3.0%	\$802.27	2.1%	B-1-7
Utilities (3.0%)					
Consolidated Edison	ED	3.0%	\$89.20	3.7%	A-1-7
Cash (0.0%)		0.0%			
		100.0%		1.5%	

Source: : Bloomberg, BofA Global Research

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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