

Research Portfolios Update

Income & Growth portfolio 4Q23 Spotlight

Portfolio Strategy

In the fourth quarter, the Income & Growth portfolio increased 13.4% compared with the benchmark S&P 500 gain of 11.7%. For the full year, the portfolio increased 26.2% and outperformed the benchmark, which rose 26.1%.

We entered 2023 positioned too defensively, as our expectation was the economy would remain in late cycle for longer as the possibility of a recession was progressively pushed out. That view turned out to be incorrect and resulted in the portfolio significantly underperforming the benchmark in January. Once we recognized a soft landing was more likely, we shifted the portfolio to a more neutral stance, which allowed us to deliver alpha through stock selection and not from styles or regime shifts in the market. This resulted in the portfolio recouping all its relative losses in January and to outperform slightly for the year.

Some of the largest contributors to returns were NVIDIA (NVDA) on AI excitement and good results; Costco (COST), which continues to deliver consistent strong growth; Zoetis (ZTS) as its new products gain market share; and Eli Lilly (LLY) on the GLP1 phenomenon. Entering 2024, we maintain our more neutral positioning in terms of portfolio construction and remain focused on the strength of the consumer and the interest rate environment, as we see these as potentially two big swing factors in determining market and sector performance.

Exhibit 1: Income & Growth portfolio

Performance and metrics

	Income & Growth	S&P 500	I&G Portfolio Metrics	
4Q23	13.4%	11.7%	Dividend Yield	1.3%
YTD	26.2%	26.1%	Est. Dividend Growth	15.0%
12 Months	26.2%	26.1%	Est. EPS Growth	16.0%
3 Year	7.4%	9.8%	Forward P/E	26.7
5 Year	15.6%	15.3%	Forward P/CF	29.6
10 Year	11.7%	11.4%	3 year Standard Deviation	17.4%
2023	26.2%	26.1%	3 year Tracking Error	2.7%
2022	-23.1%	-18.1%	3 year Sharpe Ratio	0.30
2021	27.7%	28.4%	12 Month Turnover	59.0%
2020	22.3%	18.1%	Avg Market Cap (\$BN)	\$456
2019	36.3%	31.2%		
2018	-3.0%	-4.2%		
2017	23.7%	21.6%		
2016	10.0%	11.8%		
2015	-2.2%	1.4%		
2014	13.1%	13.5%		
2013	31.0%	32.0%		

Source: BofA Global Research

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23 January 2024

United States

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The Research Income & Growth Portfolio Model is designed for moderate investors who want to utilize a cross-section of stocks that combine income growth for inflation protection and earnings growth for wealth accumulation. The model provides a total return approach from liquid, well-known industry leaders. Earnings growth potential is likely to be below that of the more growth-oriented models; likewise, the dividend yield may be significantly below that of income-oriented portfolio models, but the expected dividend growth rate is often higher than for pure income models.

Key Charts & Data

Exhibit 2: Contributors to return

4Q23

Top 5 Contributors to Return

Ticker	Company
COST	Costco
BA	Boeing
AMZN	Amazon
AVGO	Broadcom
BLK	Blackrock

Bottom 5 Contributors to Return

Ticker	Company
AAPL	Apple
XOM	Exxon Global
MKC	McCormick
GOOGL	Alphabet
WMT	Walmart

Source: BofA Global Research

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Exhibit 3: Top 10 holdings

As of 12/29/23

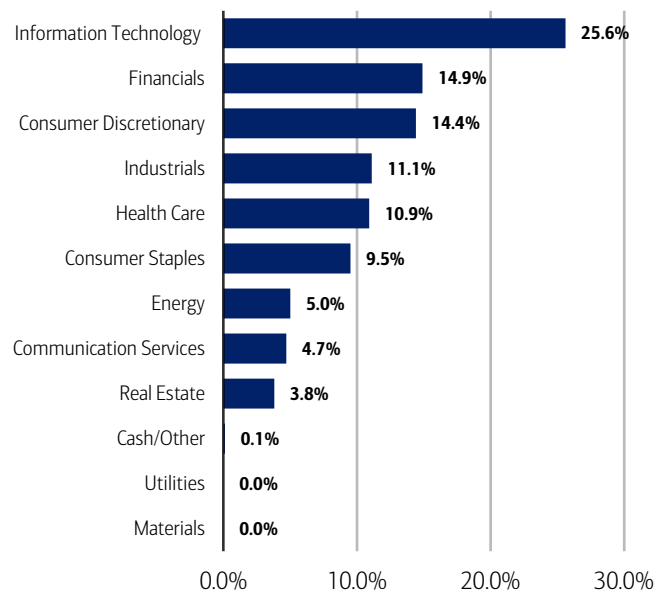
Microsoft	8.1%
Apple	6.9%
Amazon	4.3%
Costco	4.1%
NVIDIA	3.6%
JPMorgan	3.3%
Parker Hannifin	3.1%
Alphabet	3.1%
Visa	3.0%
United Healthcare	2.8%

Source: BofA Global Research

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Exhibit 4: Portfolio sector weights

As of 12/29/23

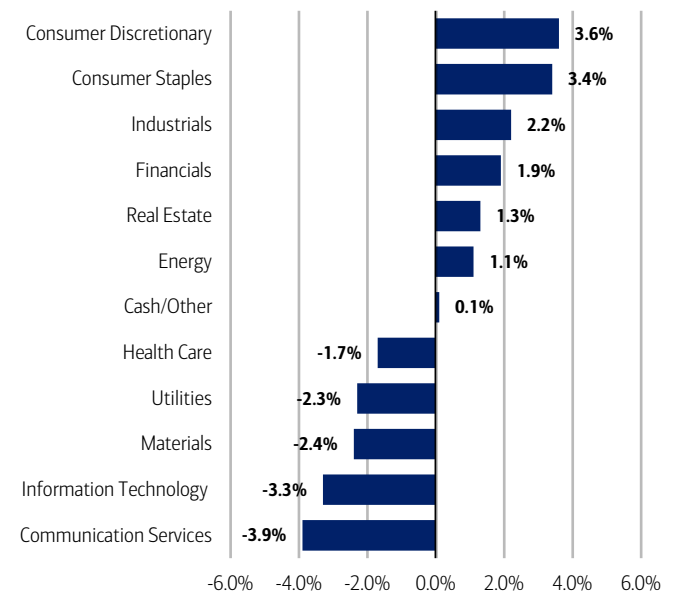


Source: BofA Global Research

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Exhibit 5: Relative sector weights (S&P 500 Index)

As of 12/29/23



Source: BofA Global Research

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Exhibit 6: Income & Growth portfolio

Current holdings and weights

Sectors/Target Weights	Symbol	Proposed Weight	Price	Yield	QRQ Rating
			1/22/2024		
Communication Services (5.5%)					
Netflix	NFLX	2.5%	\$485.82	0.0%	B-1-9
Alphabet A	GOOGL	3.0%	\$146.88	0.0%	B-1-9
Consumer Discretionary (13.5%)					
Amazon.com	AMZN	3.0%	\$154.80	0.0%	B-1-9
Hilton Worldwide	HLT	1.5%	\$188.51	0.3%	B-1-7
O'Reilly Auto	ORLY	1.0%	\$1,029.74	0.0%	B-1-9
Ferrari	RACE	1.5%	\$339.93	0.6%	B-1-7
McDonald's	MCD	2.0%	\$299.38	2.2%	A-2-7
Tesla	TSLA	1.5%	\$208.80	0.0%	C-2-9
Ross Stores	ROST	1.0%	\$138.00	1.0%	B-1-7
The Home Depot	HD	2.0%	\$356.25	2.3%	B-1-7
Consumer Staples (9.5%)					
Costco	COST	4.0%	\$695.50	0.6%	B-1-7
Procter & Gamble	PG	1.0%	\$147.63	2.5%	A-1-7
Kenvue	KVUE	2.0%	\$20.48	3.9%	C-1-7
Walmart	WMT	2.5%	\$162.36	1.4%	A-1-7
Energy (6.0%)					
ExxonMobil	XOM	3.0%	\$96.87	3.9%	B-1-7
Schlumberger	SLB	1.5%	\$50.81	2.2%	C-1-7
ConocoPhillips	COP	1.5%	\$108.16	0.5%	B-1-7
Financials (14.5%)					
Progressive Corp	PGR	2.5%	\$171.55	0.2%	B-1-7
BlackRock, Inc.	BLK	2.5%	\$798.31	2.6%	B-1-7
Visa	V	3.0%	\$271.87	0.8%	B-1-7
JP Morgan Chase	JPM	3.0%	\$170.03	2.5%	B-1-7
SPGI	SPGI	2.5%	\$444.24	0.8%	B-1-7
TD Bank	TD	1.0%	\$60.34	5.0%	B-2-7
Health Care (11.0%)					
Boston Scientific	BSX	2.5%	\$60.70	0.0%	B-1-9
Eli Lilly	LLY	2.0%	\$627.52	0.8%	B-1-7
UnitedHealth Grp	UNH	3.0%	\$509.54	1.5%	B-1-7
Thermo Fisher	TMO	1.0%	\$554.19	0.3%	B-1-7
Zoetis Inc.	ZTS	2.5%	\$191.53	0.9%	B-1-7
Industrials (8.0%)					
Honeywell	HON	1.0%	\$201.12	2.1%	B-1-7
Union Pacific	UNP	2.5%	\$241.79	2.2%	B-1-7
Parker Hannifin	PH	3.0%	\$472.84	1.3%	B-1-7
United Rentals	URI	1.5%	\$577.48	1.0%	C-1-7
Information Technology (25.5%)					
Apple Inc.	AAPL	7.0%	\$193.90	0.5%	B-1-7
Microsoft	MSFT	8.5%	\$396.55	0.8%	B-1-7
ServiceNow	NOW	2.0%	\$758.82	0.0%	B-1-9
NVIDIA	NVDA	3.5%	\$598.19	0.0%	C-1-7
Amphenol	APH	2.0%	\$97.81	0.9%	B-1-7
Palo Alto Networks	PANW	1.0%	\$345.04	0.0%	B-2-9
Broadcom	AVGO	1.5%	\$1,224.59	1.7%	B-1-7
Materials (0.0%)					
Real Estate (4.0%)					
Welltower	WELL	1.5%	\$89.20	2.7%	B-1-7
Prologis, Inc.	PLD	2.5%	\$129.06	2.7%	B-1-7
Utilities (0.0%)					
Cash (2.5%)		2.5%			

Source: BofA Global Research

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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