

# Research Portfolios Update

## Equity Growth Portfolio Changes

### Portfolio Strategy

We made the following changes to the Equity Growth Portfolio. Please see next page for more details.

#### Exhibit 1: Equity Growth Portfolio

Increasing technology exposure

<u>Portfolio</u>	<u>Sector</u>	<u>Action</u>	<u>Company</u>	<u>Ticker</u>	<u>Investment Rating</u>	<u>Price 1/10/24</u>	<u>Old Position</u>	<u>New Position</u>
Growth	CD	Decrease	Consumer Discretionary				15.5%	15.0%
		Decrease	Tesla Inc	TSLA	C-2-9	\$233.94	3.0%	2.5%
	IT	Increase	Information Technology				44.0%	44.5%
		Decrease	MongoDB Inc	MDB	C-1-9	\$393.15	1.5%	1.0%
		Decrease	Synopsys Inc	SNPS	B-1-9	\$505.18	1.5%	1.0%
		Buy	Snowflake Inc	SNOW	C-2-9	\$197.40	0.0%	1.5%

Source: BofA Global Research

BofA GLOBAL RESEARCH

11 January 2024

United States

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**Refer to important disclosures on page 6 to 8. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.**

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Timestamp: 11 January 2024 06:00AM EST

## Equity Growth Portfolio

We are buying 1.5% position in Snowflake (SNOW, B-2-7). Snowflake provides a cloud data warehouse platform with multi-cloud interoperability and unified workloads spanning Data Warehouse, Data Engineering, Data Science/ML, Data Application and Sharing, and Cybersecurity. We like SNOW due to the following reasons: 1) As per SNOW management, the optimization headwinds are stabilizing; 2) SNOW possesses compelling competitive advantages such as datawarehouse first mover, native interoperability with major public clouds, ability to run multiple workloads, large installed base of enterprise customers, etc; 3) new product launches in 2024 can reaccelerate business.

Rest of the trades are driven by portfolio risk constraints.

**Exhibit 2: Equity Growth Portfolio**

Current holdings and weights

Sectors/Target Weights	Symbol	Proposed Weight	Price	Yield	QRQ Rating
			1/10/2024		
Communication Services (11.5%)					
Alphabet A	GOOGL	6.0%	\$142.28	0.0%	B-1-9
Meta Platforms	META	3.5%	\$370.47	0.0%	C-1-9
Take-Two	TTWO	1.0%	\$159.21	0.0%	B-2-9
T-Mobile US	TMUS	1.0%	\$163.29	1.6%	B-1-9
Consumer Discretionary (15.0%)					
Amazon.com	AMZN	6.0%	\$153.73	0.0%	B-1-9
O'Reilly Auto	ORLY	1.0%	\$936.55	0.0%	B-1-9
Lowe's	LOW	1.5%	\$220.21	2.0%	B-1-7
Tesla	TSLA	2.5%	\$233.94	0.0%	C-2-9
TopBuild	BLD	1.5%	\$364.71	0.0%	B-1-9
Ferrari	RACE	1.0%	\$351.42	0.6%	B-1-7
TJX Companies	TJX	1.5%	\$94.14	1.4%	B-1-7
Consumer Staples (3.0%)					
Costco	COST	1.0%	\$672.76	0.6%	B-1-7
Procter & Gamble	PG	1.0%	\$149.94	2.5%	A-1-7
PepsiCo	PEP	1.0%	\$166.92	3.0%	A-1-7
Energy(2.0%)					
Cheniere Energy Inc	LNG	1.0%	\$167.14	1.0%	B-1-7
Hess	HES	1.0%	\$138.92	1.3%	-6-
Financials (6.5%)					
Progressive Corp	PGR	1.0%	\$165.51	0.2%	B-1-7
Visa	V	1.5%	\$264.56	0.8%	B-1-7
Mastercard Inc	MA	2.5%	\$428.27	0.6%	B-1-7
SPGI	SPGI	1.5%	\$433.13	0.8%	B-1-7
Health Care (11.5%)					
AstraZeneca	AZN	1.0%	\$69.57	1.3%	B-1-7
Humana Inc	HUM	1.0%	\$459.08	0.8%	B-1-7
Intuitive Surgical	ISRG	1.5%	\$364.45	0.0%	B-1-9
Thermo Fisher	TMO	1.5%	\$543.93	0.3%	B-1-7
BioMarin	BMRN	1.0%	\$95.89	0.0%	B-1-9
UnitedHealth Grp	UNH	1.5%	\$537.64	1.4%	B-1-7
Zoetis Inc.	ZTS	1.0%	\$198.77	0.9%	B-1-7
Eli Lilly	LLY	3.0%	\$630.19	0.8%	B-1-7
Industrials (5.0%)					
General Dynamics	GD	1.0%	\$251.25	2.1%	B-1-7
Eaton Corp PLC	ETN	1.0%	\$240.89	1.4%	B-1-7
Uber Technologies	UBER	1.0%	\$62.41	0.0%	C-1-9
Union Pacific	UNP	2.0%	\$239.00	2.2%	B-1-7
Information Technology (44.5%)					
Apple Inc.	AAPL	13.0%	\$186.19	0.5%	B-2-7
Applied Materials	AMAT	1.5%	\$149.81	0.9%	B-1-7
Autodesk	ADSK	1.5%	\$238.82	0.0%	B-2-9
Broadcom	AVGO	2.5%	\$1,080.57	1.9%	B-1-7
Datadog Inc	DDOG	1.0%	\$120.19	0.0%	C-2-9
Intuit	INTU	1.0%	\$608.70	0.6%	B-1-7
MongoDB	MDB	1.0%	\$393.15	0.0%	C-1-9
Microsoft	MSFT	12.5%	\$382.77	0.8%	B-1-7
NVIDIA	NVDA	5.5%	\$543.50	0.0%	C-1-7
ServiceNow	NOW	1.5%	\$714.30	0.0%	B-1-9
Snowflake	SNOW	1.5%	\$197.40	0.0%	C-2-9
Synopsys	SNPS	1.0%	\$505.18	0.0%	B-1-9
Unity	U	1.0%	\$37.13	0.0%	C-1-9
Materials (1.0%)					
Linde	LIN	1.0%	\$405.88	1.3%	B-1-7
Real Estate (0.0%)					
American Tower	AMT	0.0%	\$208.97	3.3%	B-1-7
Cash (0.0%)		0.0%			
		100.0%		0.60%	

Source: BofA Global Research

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## Price objective basis & risk

### Snowflake (SNOW)

Our PO of \$220 is based on EV/sales of 16x our CY25e, implying 0.5x our C25E revenue growth rate of 31%, in line with the large-cap peers at 0.5x.

Upside risks to our PO: Snowflake recognizes revenue based on actual consumption (versus subscription ratably in arrears). In the event of changes to market sentiment on macro abating and IT spend returning to normal, consumption and revenue growth could quickly reaccelerate which could drive multiple expansion.

Downside risks to our PO: 1) Snowflake trades at a significant premium to its software large-cap peer group. In the event of changes to market sentiment stemming from global macro uncertainty, or potentially disappointing quarterly revenue results, there could be risk of a potential pullback, 2) The company's consumption model implies more revenue volatility than a traditional subscription model, 3) Snowflake serves in a highly competitive market, which consists of deep-pocketed next-gen DBMS vendors, public cloud vendors and legacy DBMS. An inability to execute on a product roadmap for added capabilities could result in slowing share gains or even share losses.

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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%

<sup>R1</sup> 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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