

Endeavor List Update

No changes to the Endeavor List

Portfolio Strategy

No changes to the Endeavor List

Small caps outperform large cap in December

Small-cap stocks outperformed large cap in December by 763 basis points, with the Russell 2000 Price-Only index up 12.05% versus the S&P 500 Price-Only Index up 4.42%. However, for the full year of 2023, the Russell 2000 Price-Only returned 15.09% versus the S&P 500 Price-Only returning 24.23%. For December, the Endeavor list lagged the Russell 2000 Price-Only benchmark by 169 bps (10.36% versus 12.05%). For the year, the Endeavor List was virtually flat, returning 0.30%.

Description of Endeavor, the small cap buy list

The Endeavor List is a concentrated list of approximately 15-35 small cap stocks that are most compelling using a multi-disciplinary process. Candidates for the Endeavor buy list carry a favorable view by BofA Global Research fundamental equity research analysts and are attractively ranked by our Aurora (growth) or Enhanced Contrarian (value) quantitative models. See page 3 for more details on Endeavor's buy and sell discipline and descriptions of the Aurora and Enhanced Contrarian mode

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Equity and Quant Strategy
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Refer to important disclosures on page 6 to 8.

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Exhibit 1: Endeavor List Holdings as of 1/11/2024

All prices are as of intraday 1/10/2024

GICS Sector	Company	Symbol	BofA Opinion	Stock Price	Mkt Value (\$ Millions)	Aurora	Enhanced Contrarian	Add Date	Price on Add date
Communication Services	Vivid Seats	SEAT	C-1-9	\$6.20	\$1,284	94	93	11/22/2023	\$7.60
Consumer Discretionary	Penske Auto Group	PAG	B-1-7	\$150.94	\$10,159	74	71	1/7/2019	\$43.88
Consumer Discretionary	Academy	ASO	C-1-7	\$63.35	\$4,745	65	71	4/12/2021	\$30.84
Consumer Discretionary	Group 1 Auto	GPI	C-1-7	\$281.60	\$3,911	96	96	7/18/2023	\$264.93
Consumer Discretionary	Toll Brothers	TOL	B-1-7	\$103.40	\$10,578	97	88	12/20/2023	\$103.61
Consumer Discretionary	Upbound Group	UPBD	C-1-7	\$32.92	\$1,773	97	100	7/18/2023	\$33.37
Energy	Scorpio Tankers	STNG	C-2-7	\$62.04	\$3,364	92	76	7/13/2022	\$32.01
Financials	Flywire	FLYW	C-1-9	\$21.50	\$2,669	88	68	9/21/2023	\$30.27
Financials	PROG Holdings	PRG	C-1-9	\$29.78	\$1,318	98	100	5/5/2023	\$28.73
Financials	Victory Capital	VCTR	B-1-7	\$33.00	\$2,163	62	62	9/21/2023	\$33.22
Health Care	Hims & Hers	HIMS	C-1-9	\$8.51	\$1,810	57	57	11/22/2023	\$7.60
Health Care	Rocket Pharma	RCKT	C-1-9	\$28.82	\$2,653	82	67	12/20/2023	\$28.76
Health Care	Patterson Companies	PDCO	B-1-7	\$29.46	\$2,746	70	90	3/12/2020	\$19.52
Health Care	Select Medical	SEM	B-1-7	\$26.20	\$3,363	69	95	5/5/2023	\$31.40
Industrials	H&E	HEES	C-1-7	\$48.27	\$1,777	92	99	3/14/2023	\$47.07
Industrials	Dycor	DY	B-1-9	\$113.63	\$3,297	83	87	12/20/2023	\$112.41
Industrials	API Group	APG	B-1-9	\$30.91	\$7,279	79	41	12/20/2023	\$34.02
Industrials	Rush	RUSHA	B-1-7	\$44.72	\$3,630	89	96	7/18/2023	\$61.74
Information Technology	Nutanix	NTNX	C-1-9	\$48.16	\$11,406	95	76	12/20/2023	\$47.08
Information Technology	Jabil Inc.	JBL	B-1-7	\$130.24	\$16,373	90	96	2/4/2021	\$43.20
Information Technology	JFrog	FROG	C-1-9	\$34.02	\$3,468	98	77	6/12/2023	\$25.92
Information Technology	Fastly	FSLY	C-1-9	\$17.55	\$2,299	38	52	8/16/2023	\$18.91
Materials	Berry Global	BERY	B-1-7	\$66.32	\$7,682	70	87	5/5/2020	\$41.78
Materials	O-I Glass Inc	OI	C-1-9	\$15.64	\$2,403	43	92	3/14/2023	\$21.41
Real Estate	Sabra Health Care	SBRA	B-1-7	\$13.77	\$3,170	77	81	10/20/2023	\$14.25

Source: BofA Global Research; Bloomberg

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Exhibit 2: Endeavor List Performance

All performance numbers are as of 12/31/2023

	Endeavor	Russell 2000
December	10.36%	12.05%
Last three months	6.35%	13.56%
Year to date	0.30%	15.09%
Trailing twelve months	0.30%	15.09%
Annualized Returns		
Trailing three years	0.38%	0.87%
Trailing five years	9.14%	8.50%
Trailing 10 years	5.20%	5.71%
Annualized Since Inception (10/31/97 – 12/31/23)		
Price Return	8.15%	6.10%
Standard Deviation	21.79%	20.81%
Turnover	71.18%	

Source: S&P Compustat, BofA Global Research. Calculation of advances and declines is based on price appreciation or depreciation and reflects additions, deletions (including rebalancings) priced as described in the text describing Performance Calculation Methodology. The calculation does not include dividend or reflect transaction costs. Past performance should not and cannot be viewed as an indicator of future performance. A complete performance record is available upon request. The list identified as Small Cap Endeavor above is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This list was not created to act as a benchmark.

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Quantitative model methodology

Our quantitative models are an integral part of the Endeavor selection process. Our two proprietary models (Aurora – growth and Enhanced Contrarian – value) are made up of the same three factors but with different weightings to reflect the style characteristics. The goal of the three factors is to capture the sentiment, momentum, and fundamental characteristics of the stocks in the universe and therefore we selected the most effective factors out of these three categories to quantitatively rank stocks. The three factors are estimate revision (sentiment) as defined by a three-month change in the consensus estimates based on I/B/E/S polling. The price momentum factor is based on a 12-month price change and the valuation rank is a sector-adjusted price-to-cash flow (fundamental) analysis. The scores of both models range from 100 (the best possible score) down to 1 (the weakest score), which is calculated based on the contribution of three factors and ranking the companies against the universe based on their raw score. The quantitative scores are calculated on a monthly basis using the Russell indices to determine universe inclusion.

Aurora

The Aurora screen is a combined discipline that takes advantage of successful emerging growth traits, but controls for excess variability. The model ranks companies with better future growth opportunities higher than those that do not, thus having a 70% weight in the sentiment and momentum factors. The construction of the model consists of a 40% weighting in estimate revision, 30% emphasis on relative strength, and 30% weight in sector relative price-to-cash flow.

Enhanced Contrarian

The Enhanced Contrarian screen is a combined discipline that is designed to find stocks with compelling value but removes some of the tendencies of “value traps.” The model looks for companies that are undervalued but are strong fundamentally, which is why it places an emphasis on the fundamental factor. The model places a 70% weighting on Price to Cash Flow, a 15% emphasis on estimate revisions, and the remaining 15% on momentum.

Buy & sell discipline

At the time of addition to Endeavor, stocks should satisfy all these conditions:

- Rank favorably in either Aurora or Enhanced Contrarian models, our quantitative models for emerging growth and value investing, respectively. Model ranks range from 1 to 100, with 100 being most favorable.
- Have a favorable fundamental rating of Buy (1) or Neutral (2).
- Are U.S. listed stocks, excluding ADRs, which are smaller companies in the BofA Global Research coverage universe.

Stocks are considered for removal under any one of the following conditions:

- Fundamental, strategic, or tactical reasons at the discretion of the BofA Global Research Portfolios team.
- Comparable stocks become more attractive.
- Ranks in our Aurora or Enhanced Contrarian models deteriorate sharply.
- Fundamental coverage by BofA Global Research is interrupted.
- A stock is downgraded to Neutral from Buy rated.
- The market capitalization of a stock becomes too large for an extended period.



Stocks are removed under either one of the following conditions:

- A stock is downgraded to Underperform.
- Fundamental coverage by BofA Global Research is terminated.
- A stock is delisted.

Performance calculation methodology

The Endeavor price performance is calculated by S&P Compustat. The price performance of an individual security is its percentage change in price, excluding dividends $[(\text{End Price} - \text{Begin Price}) / \text{Begin Price}]$. The price performance of Endeavor is the weighted performance of all holdings where securities are reset to an equal weighting on the last day of every month. Holdings are also reset to an equal weighting on the date of any announced changes in the recommended list. Therefore, if a change in the recommended list is announced during the month, performance is calculated for the periods before and after the change using an equal weighting of individual security price returns for each respective period. The two periods are then combined to arrive at the monthly returns in the following manner:

$$[(1 + \text{PR1}) * (1 + \text{PR2})] - 1$$

Where PR1 is the equal weighted price return of the recommended securities during the period before the announced change and PR2 is the equal weighted price return of the recommended securities during the period after the announced change. Monthly returns are compounded in a similar manner to arrive at the annual returns.

The annualized price return of the Endeavor holdings since inception is calculated using the following formula:

$$[(1 + \text{Price Return Since Inception})^{(12/\# \text{ Months})}] - 1$$

Annualized standard deviation, which is presented as a measure of risk, is equal to the standard deviation of monthly price returns since inception times the square root of 12.

Additions and deletions to each of the portfolios (including those resulting from rebalancing changes) were priced as of the market close on the trading day *following* the date that the change was published in a BofA Global Research report. Transactions costs are not included in the performance results.

The performance results of individuals following Endeavor will differ from the performance contained in this report for a variety of reasons, including differences related to recurring transaction costs and/or investment advisory fees as well as the time and price that the stocks were acquired and disposed of, treatment of dividends, and differences in the weighting of such stocks. Investors should also be aware that in constructing and rebalancing their portfolios, we have assumed the ability to purchase fractional shares, though, in fact, fractional shares of these stocks are not available for purchase. In addition, no assurance can be given about future performance results.

The Russell 2000 Index is used as the small cap benchmark for the Endeavor. The Benchmark is comprised of the 2000 stocks having the smallest market capitalization in the Russell 3000 Index. The Russell 2000 is comprised entirely of U.S. stocks.

The Endeavor differs from the Russell 2000 Index in the following ways: (1) The Endeavor considers smaller companies (micro, small and mid-cap shares) in the BofA Global Research coverage universe. As such, stocks in the Endeavor could be larger or smaller than the benchmark at the time of addition. (2) The Endeavor is more exposed to stock-specific risks than the benchmark. As a result of these differences, the Endeavor may experience higher volatility than the benchmark.

Appendix of Returns

Exhibit 3: Quarterly Returns

All returns are as of 12/31/2023

Period	Endeavor	Russell 2000
1Q11	11.07%	7.64%
2Q11	5.78%	-1.41%
3Q11	-23.38%	-22.15%
4Q11	14.85%	15.02%
1Q12	10.50%	12.06%
2Q12	-11.04%	-3.83%
3Q12	7.70%	4.88%
4Q12	5.54%	1.42%
1Q13	14.82%	12.03%
2Q13	1.28%	2.73%
3Q13	16.41%	9.85%
4Q13	8.60%	8.37%
1Q14	2.54%	0.81%
2Q14	4.08%	1.70%
3Q14	-6.02%	-7.65%
4Q14	8.46%	9.35%
1Q15	7.10%	3.99%
2Q15	-5.22%	0.09%
3Q15	-15.39%	-12.22%
4Q15	3.82%	3.20%
1Q16	-0.26%	-1.92%
2Q16	-1.18%	1.41%
3Q16	12.72%	8.66%
4Q16	7.10%	8.43%
1Q17	2.22%	2.12%
2Q17	-2.69%	2.12%
3Q17	2.91%	5.33%
4Q17	2.81%	3.00%
1Q18	-0.77%	-0.40%
2Q18	3.67%	7.43%
3Q18	7.77%	3.26%
4Q18	-20.40%	-20.51%
1Q19	19.32%	14.18%
2Q19	2.71%	1.74%
3Q19	-8.34%	-2.76%
4Q19	9.86%	9.52%
1Q20	-28.23%	-30.88%
2Q20	32.00%	25.00%
3Q20	8.64%	4.79%
4Q20	21.33%	30.99%
1Q21	10.76%	12.44%
2Q21	5.94%	4.05%
3Q21	-1.69%	-4.60%
4Q21	4.51%	1.86%
1Q22	-3.36%	-7.80%
2Q22	-19.52%	-17.49%
3Q22	-0.81%	-2.53%
4Q22	8.45%	5.80%
1Q23	0.97%	2.34%
2Q23	2.23%	4.79%
3Q23	-8.64%	-5.49%

Source: BofA Global Research; S&P Compustat. Past performance should not and cannot be viewed as an indicator of future performance.

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Exhibit 4: Historical Returns

All returns are as of 12/31/2023

Period	Endeavor	Russell 2000
2004	15.30%	17.00%
2005	-1.40%	3.30%
2006	-0.50%	17.00%
2007	12.10%	-2.70%
2008	-35.60%	-34.80%
2009	42.90%	25.20%
2010	26.50%	25.30%
2011	3.40%	-5.00%
2012	11.70%	14.60%
2013	47.00%	37.00%
2014	8.80%	3.50%
2015	-10.80%	-5.70%
2016	19.00%	19.50%
2017	5.25%	13.14%
2018	-11.70%	-12.18%
2019	23.41%	23.72%
2020	24.02%	18.36%
2021	20.51%	13.70%
2022	-16.35%	-21.56%
2023	0.30%	15.09%

Source: BofA Global Research; S&P Compustat. Past performance should not and cannot be viewed as an indicator of future performance.

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

^{R1} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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