

Active managers' holdings update

What are your neighbors doing?

Hedged against everything but positive tail risk

Thursday's PCE print allayed concerns that the economy is overheating, after being reignited by a series of hotter-than-expected data (CPI/PPI, payrolls, GDP in prior weeks). But the economy and earnings have continued to positively surprise (see [GDP](#) and [EPS](#)). Whereas Wall Street strategists are more bullish than bearish on stocks today (see [SSI](#)), the buy-side long only (LO) funds are hedged against a sluggish economy via cyclical vs. defensive exposure near the lowest levels since the global financial crisis (GFC), and are hedged against a down market via lower beta exposure than since the GFC. LOs and HF's are 20% underweight inflation beneficiaries by high inflation betas (Exhibit 1) and are underexposed to factors that lead after positive economic data surprises (Exhibit 3).

Energy exposure near lows with oil poised to break out

In keeping with an anti-cyclical bias, LOs have a 26% underweight in Energy after dropping exposure by 12ppt over the last 3 months (Exhibit 58). Energy exposure has been meaningfully lower only in late 2015 and during COVID. Energy has also seen a notable rise in short interest over the last three months, and it is now the most shorted sector (Exhibit 29). Meanwhile, geopolitical risk, supply discipline and near-shoring of US manufacturing pose upside risks to oil prices as it [marches toward a breakout](#).

Still no bid for the US consumer

Consumer Discretionary (CD) has been chronically overweight since we began tracking ownership data in 2008, along with Health Care, likely due to higher idiosyncratic or stock-specific drivers. Today, CD is 1.3 std dev below its average exposure at a slim 3% overweight, just off the record low 1% underweight of mid-2023 (Exhibit 4). CD exposure was at the same level 12 months ago, when economists were forecasting a 65% probability of a US recession (now 40%). Spending trends [softened in January](#), but one month does not make a trend, and real wage growth is still positive (one of the strongest drivers of CD returns), the job market is tighter than usual and household balance sheets are healthy. Earnings resilience is starkly evident from 4Q – CD companies are tracking a 10% beat vs. consensus EPS (6% ex. AMZN).

Know your election risks: HC, Defense, Quality

Positioning in sectors potentially sensitive to election outcomes has not meaningfully changed since last year. Health Care is 14% overweight by LOs, higher than avg. and in line with levels ahead of 2016/2020 elections, after which the sector underperformed on headlines (remember "Medicare for all"?). Policy risk may be lower this cycle given Trump's/Biden's stances are well-known, and comprehensive reform is unlikely ([MCO Year Ahead](#)). But Health Care also has the second highest gov't spend exposure (topped by Defense) and fiscal austerity could be another theme. Aerospace & Defense stocks typically outperform in election years ([Defense Year Ahead](#)), but are already overweight by a remarkable 50%, the largest in a decade (Exhibit 12). High Quality could lead in 2H amid the typical VIX pickup ahead of November but are 1% underweight (Exhibit 13).

Trading ideas and investment strategies discussed herein may give rise to significant risk and are not suitable for all investors. Investors should have experience in relevant markets and the financial resources to absorb any losses arising from applying these ideas or strategies.

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Note: Stock-level ownership data for S&P 500, Russell 1000, and Russell 2000 stocks are available upon request.

Abbreviations:

LO: long only fund

HF: hedge fund

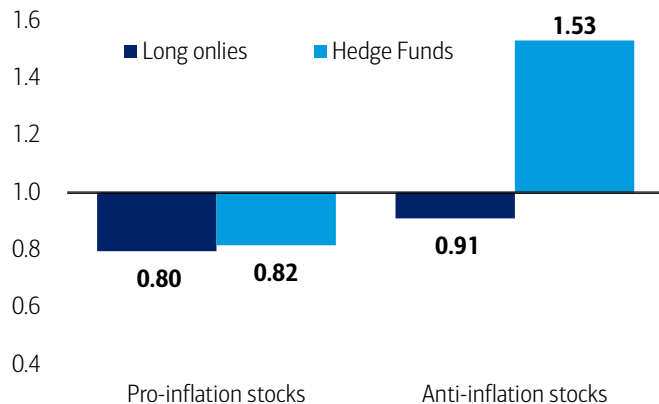
CD: Consumer Discretionary

PCE: Personal Consumption Expenditure

Funds not worried about inflation

Exhibit 1: Active managers are not positioned for inflation

Relative weight (vs. S&P 500 index) of pro-inflation basket vs. anti-inflation basket in long-only fund and hedge fund holdings, as of 1/2024



Source: FactSet Ownership, BofA US Equity & US Quant Strategy. Based on "Pro-inflation" and "Anti-inflation" basket in our latest [Theme Screens](#) report.

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The majority of [BofA Global Fund Manager Survey](#) investors expect lower short-term rates (90%) and lower inflation (77%); only 4% expect higher short-term rates while only 7% expect inflation to rise.

Our [annual survey of Merrill financial advisors](#) also suggested little concerned about inflation, with only 7% of respondents citing inflation as the biggest risk to US equities this year.

However, our economists highlight upside risks, noting that the rapid disinflation we've seen in the US has been supply rather than demand driven: [Let's talk about inflation risks](#).

Exhibit 2: Dividend Yield and Dividend Growth factors fared best after positive economic surprises; Value also did well, led by Price/Free Cash Flow

12-mth relative performance vs equal-weighted S&P 500 index after positive economic surprises

Factor	Avg return	Median return	Hit rate
Dividend Growth	5.4%	5.2%	90%
Dividend Yield	13.0%	9.4%	80%
Price/ Free Cash Flow	5.7%	4.3%	80%
Price/ Sales	5.5%	5.2%	80%
EV/ EBITDA	6.5%	5.6%	80%
Price/ Cash Flow	3.3%	3.6%	70%
Free Cash Flow/ EV	7.7%	3.3%	70%
Relative Strength - 5wk/30wk MA	0.1%	1.9%	70%
Price Return - 3-mth Perf.	-0.7%	1.4%	70%
Low Price	2.9%	3.8%	70%
Share Repurchase	5.6%	5.2%	70%
Price Return - 12-mth and 1-mth Reversal	-0.3%	1.8%	60%
Most Active	-1.8%	1.4%	60%
Earning Momentum	-2.1%	0.8%	60%
Earnings Torpedo	5.6%	6.3%	60%
5y ROE	1.8%	2.3%	60%
Size	2.5%	2.4%	60%

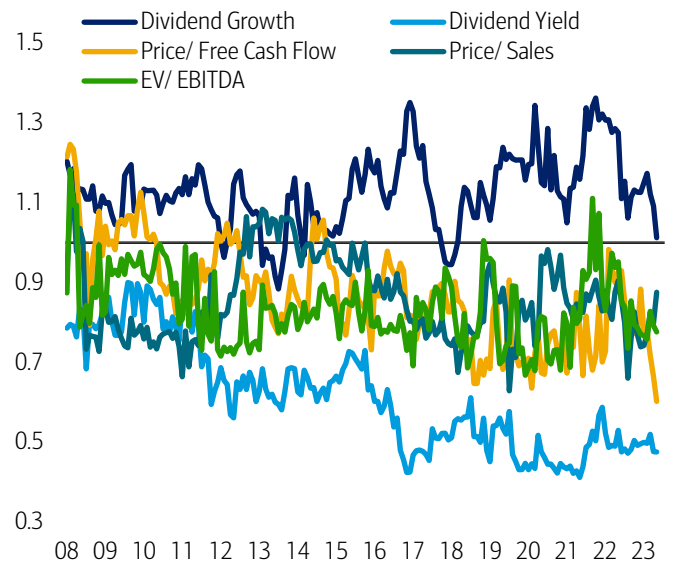
Source: BofA US Equity & Quant Strategy, FactSet, Bloomberg

Note: Based on top 10 economic surprises since Jan. 2000 according to the Bloomberg ECO Surprise Index (ESI). See our latest [Quantitative Profiles](#) report for more information on factors.

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Exhibit 3: 4 out of the top 5 performing factors following positive economic surprises are underweight by LOs

LO relative weight in top 5 factors that outperform 12m following positive economic surprises (2008-1/2024)



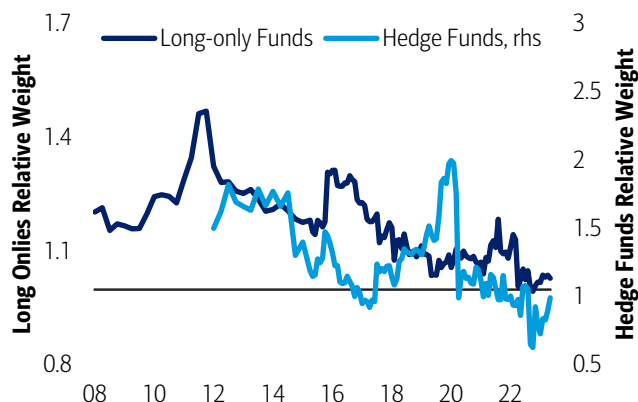
Source: FactSet, BofA US Equity & Quant Strategy. See our latest [Quantitative Profiles](#) report for more information on factors.

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Still no bid for the US consumer

Exhibit 4: LO and HF positioning in Consumer Discretionary is well below average

Funds' relative weight in Discretionary vs S&P 500 (2008-1/2024)

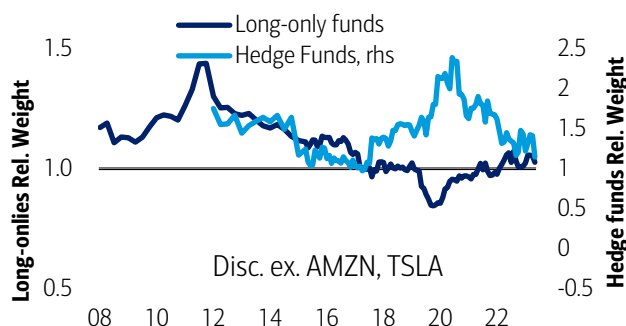


Source: FactSet Ownership, BofA US Equity & US Quant Strategy

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Exhibit 6: Ex AMZN/TSLA, LO exposure to Discretionary has increased since 2020 but is still below average; HFs near all-time low

Funds' relative weight in Discretionary ex AMZN & TSLA vs S&P 500 (2008-1/2024)

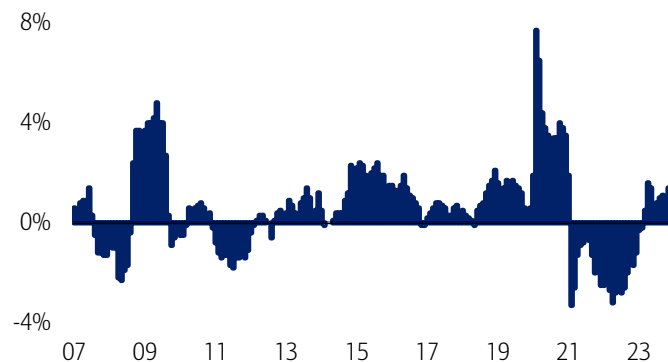


Source: FactSet Ownership, BofA US Equity & US Quant Strategy

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Exhibit 8: Real wages have been positive since mid-2023

Real average hourly earnings YoY (as of Jan. 2024)

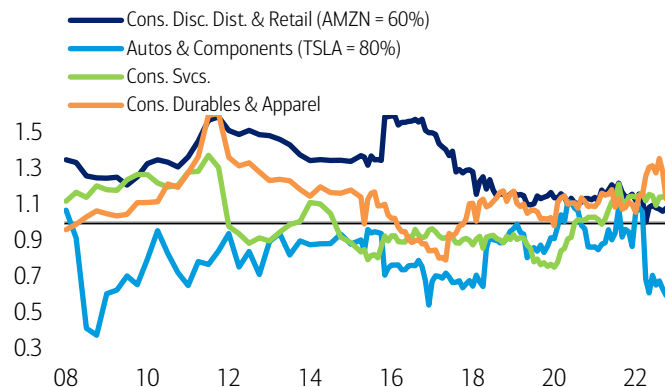


Source: Bloomberg

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Exhibit 5: Within Consumer Discretionary, LOs are most underweight Autos (TSLA), most overweight Consumer Services

Long-only funds' relative weight in Discretionary industry groups vs S&P 500 (2008-1/2024)

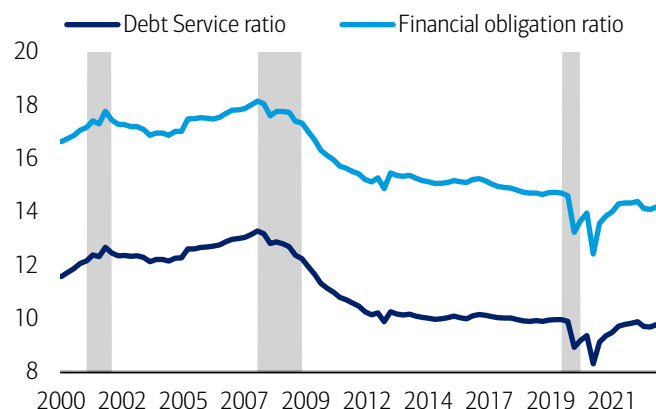


Source: FactSet Ownership, BofA US Equity & US Quant Strategy

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Exhibit 7: Consumer balance sheet is still healthy

Household debt service & financial obligations ratio (%) (as of 3Q2023)

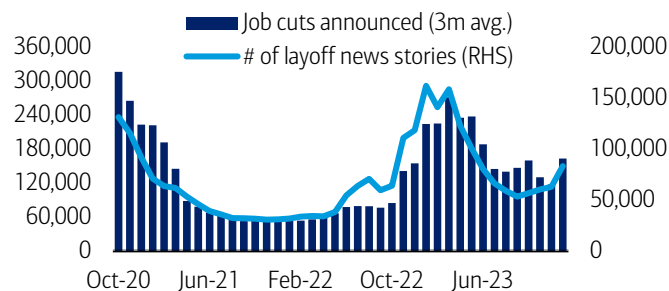


Source: Haver Analytics, BofA Global Research

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Exhibit 9: Size and frequency of layoff announcements are well off the peak

Challenger job cuts announced (3-mo. avg.) vs. # of layoff news stories on Bloomberg (2020-1/24)



Source: BofA US Equity & Quant Strategy, Bloomberg

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Know your election exposure: HC, Defense, Quality

Exhibit 10: LO positioning in Health Care is 14% OW, similar to positioning heading into 2016/2020 elections

Long-only funds' relative weight in Health Care vs. S&P 500 index over time (as of Jan. 2024)

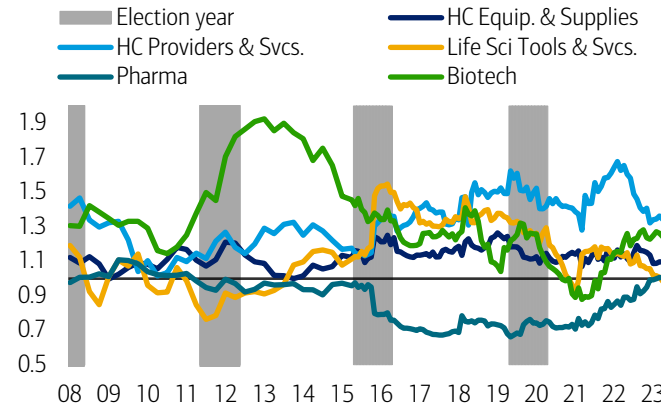


Source: FactSet Ownership, BofA US Equity & Quant Strategy

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Exhibit 11: Within Health Care, LOs are adding exposure to Pharma, fading exposure to HC Providers & Services

Long-only funds' relative weight in Health Care industries vs. S&P 500 index over time (as of Jan. 2024)

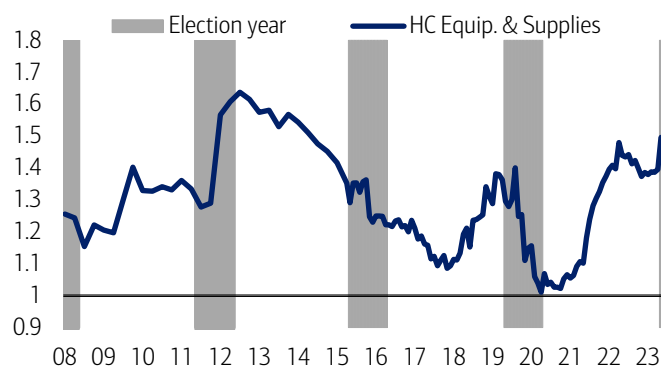


Source: FactSet Ownership, BofA US Equity & Quant Strategy

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Exhibit 12: Aerospace & Defense LO positioning at a decade high

Long-only funds' relative weight in Aerospace & Defense vs. S&P 500 index over time (as of Jan. 2024)

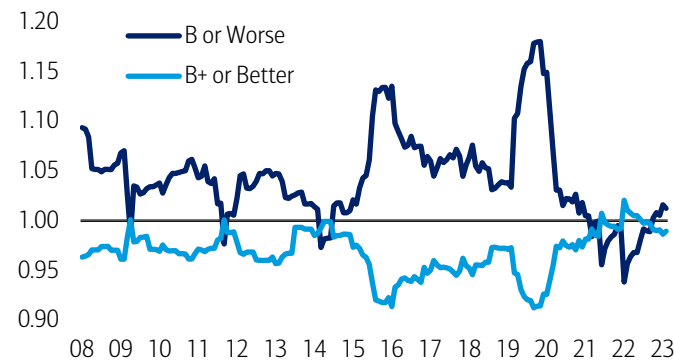


Source: FactSet Ownership, BofA US Equity & Quant Strategy

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Exhibit 13: LOs typically maintain a low quality bias

Long-only funds' relative weight in stocks ranked B+ or better (High Quality) vs. B or Worse (Low Quality) (as of Jan. 2024)

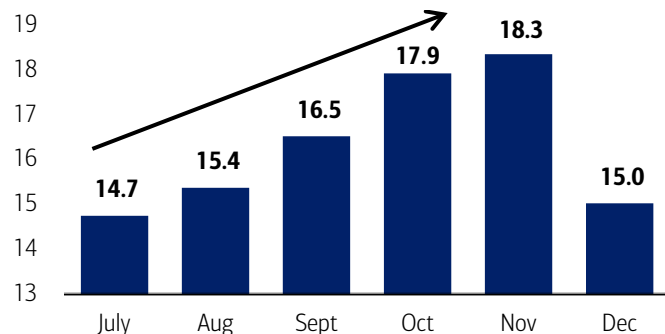


Source: BofA US Equity & Quant Strategy, FactSet. Based on the S&P Common Stock Quality Rankings.

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Exhibit 14: 25% increase in volatility from July-Nov of election years

Average monthly volatility (VIX 1990-present, monthly average of daily S&P 500 return volatility 1928-1989) for US election years since 1928

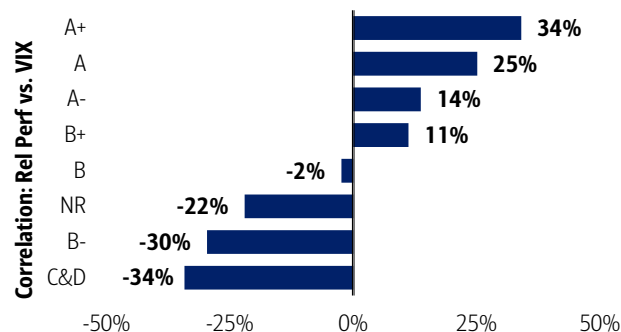


Source: Bloomberg, FactSet, BofA US Equity & Quantitative Strategy

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Exhibit 15: High quality stocks tend to outperform when volatility rises

BofA Quality Indices 12-Mth Performance Correlation to 12-mth change in CBOE VIX (1986-present)



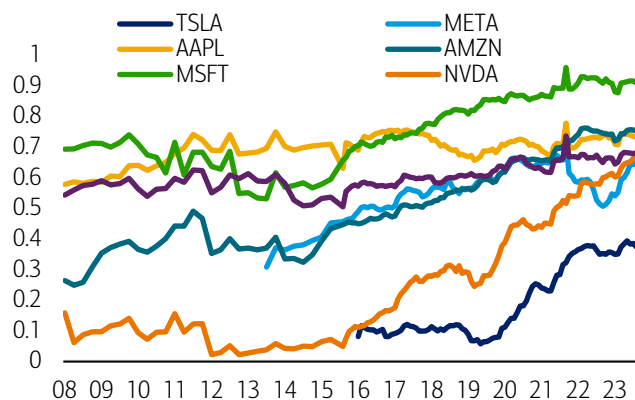
Source: FactSet, BofA US Equity & Quantitative Strategy

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Active funds overweight Magnificent 7

Exhibit 16: Critical mass hit in most winners

% of large cap long only active funds owning each ticker (as of 1/2024)

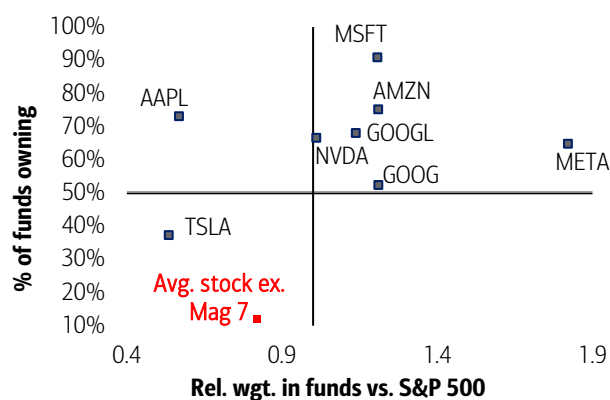


Source: FactSet Ownership, BofA US Equity & Quant Strategy

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Exhibit 17: Just AAPL and TSLA are underweight by active funds

Large cap long only funds holdings in Magnificent 7 (as of 1/2024)



Source: FactSet Ownership, BofA US Equity & Quant Strategy

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Bias toward defensive & expensive stocks

Exhibit 18: Beta (cyclical bullish) exposure is closing in on all-time lows

LO relative weight in High vs. Low Beta (as of 1/31/2024)

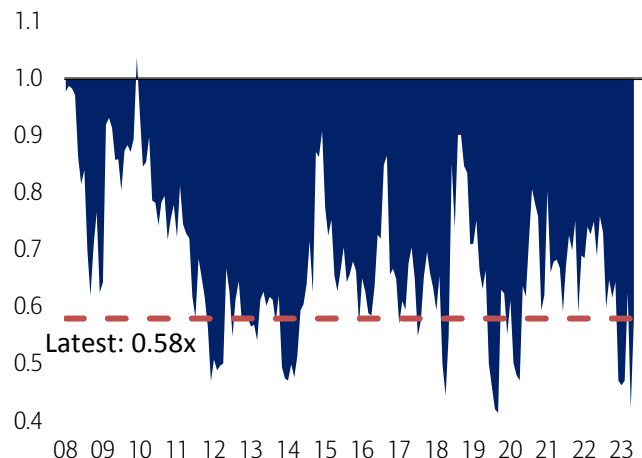


Source: BofA US Equity & US Quant Strategy, FactSet Ownership

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Exhibit 19: Value is 40% underweight vs. Growth

Long only positioning in Value vs Growth proxied by P/E vs Long-Term Growth of S&P 500 (9/2008-present)

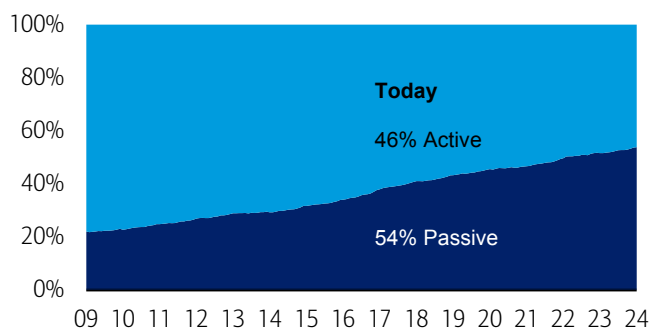


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Time to get active

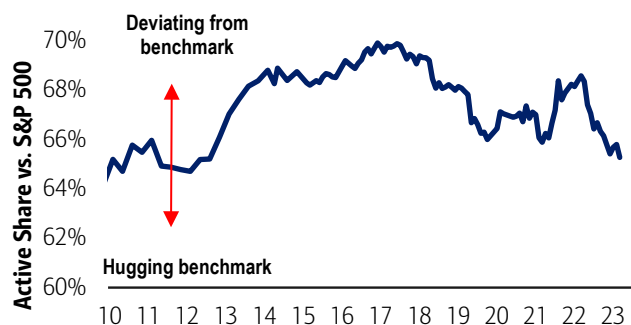
Exhibit 20: Passive now accounts for the majority of US domiciled AUM
US AUM allocation active vs. passive (2009 to 1/2024)



Source: Strategic Insights SimFund, BofA US Equity & Quant Strategy

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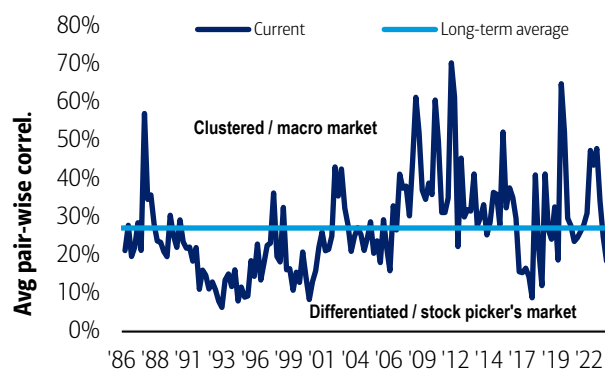
Exhibit 21: More benchmark hugging = waning investor conviction
Active share ratio of core managers vs. S&P 500 (Nov. 2010- Jan. 2024)



Source: BofA US Equity & Quant Strategy, FactSet Ownership

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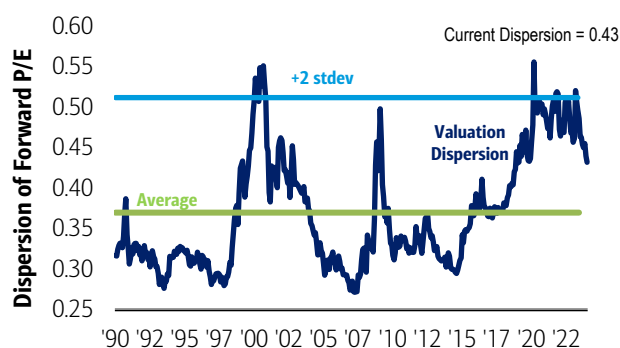
Exhibit 22: Lower pair-wise correlations = more micro, less macro
Avg. pair-wise stock correl. based on 90-day periods, daily (as of 1/24)



Source: FactSet, BofA US Equity & Quant Strategy

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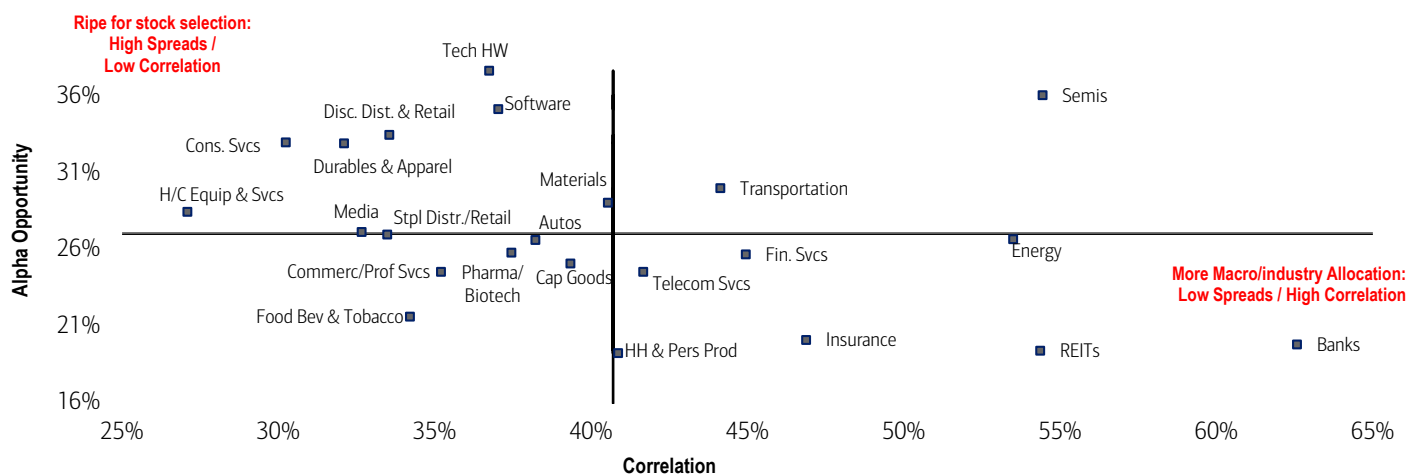
Exhibit 23: P/E dispersion highs = alpha for value investors
S&P 500 valuation dispersion of fwd P/E (std. dev / avg) (1990-1/24)



Source: FactSet, BofA US Equity & Quant Strategy

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Exhibit 24: Pick your battles: correlations vs. dispersion by sector
Historical Intra-stock correlation vs. performance spread (3Q86 to 4Q23)



Source: FactSet, BofA US Equity & Quant Strategy

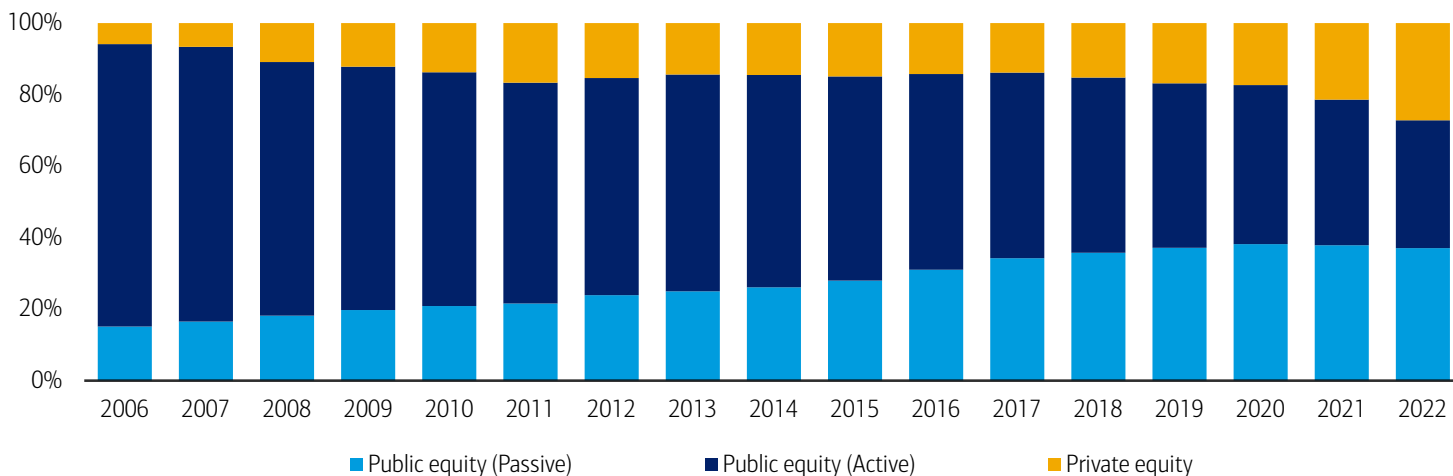
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Fewer eyeballs means more alpha

A brain drain (15% fewer sell-side eyeballs) and asset drain (40% fewer funds) from active fundamental investing to passive and private equity suggest equity markets may be less efficient and thus offer more alpha potential.

Exhibit 25: Fundamental active equity squeezed out by passive & private

Pension allocation: Public equity (Active)*, Public equity (Passive)*, Private Equity as a % of total equity

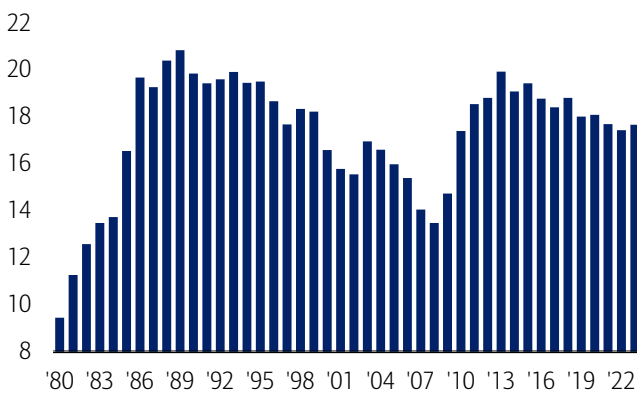


Source: BofA US Equity & Quant Strategy, Pensions & Investments, Strategic Insights SimFund. Based on US pension funds within the top 1000 that have available asset allocations. Total equity includes public equity (global, international, and domestic) and private equity. *We make assumptions on mix shift based on SimFund US AUM tracked in passive vs active.

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Exhibit 26: Avg. # of analysts covering an S&P 500 stock down 15% since 1990

Avg. # of analysts covering an S&P 500 stock (1980-2023)

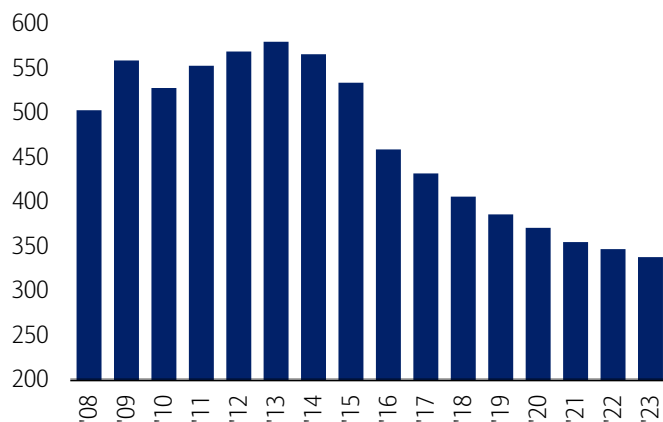


Source: FactSet, BofA US Equity & Quant Strategy

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Exhibit 27: # of funds down 40% since 2013

of large cap US long only funds (2008-2023)



Source: BofA US Equity & Quant Strategy, Lipper, FactSet Ownership

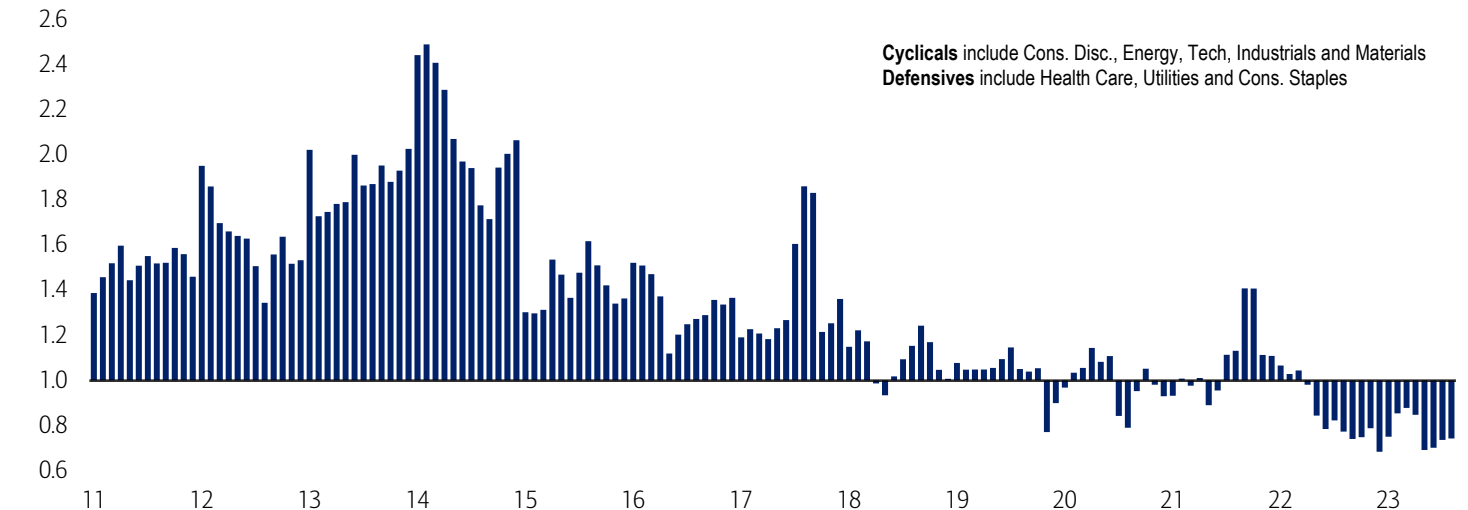
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Hedge fund positioning

We analyze hedge fund managers' positioning in the S&P 500 stocks by aggregating their long positions reported through the 13F filings, and by estimating their short positions based on exchange-reported data. We estimate that hedge funds account for 85% of the total short interest. The net exposure of hedge funds (HFs) is defined as their reported long exposure less their estimated short exposure.

Exhibit 28: Hedge funds' exposure to cyclical vs. defensive sectors is near an all-time low

Hedge funds' cyclical vs. defensive positioning (as of Jan. 2024)



Source: BofA US Equity & Quant Strategy, FactSet Ownership

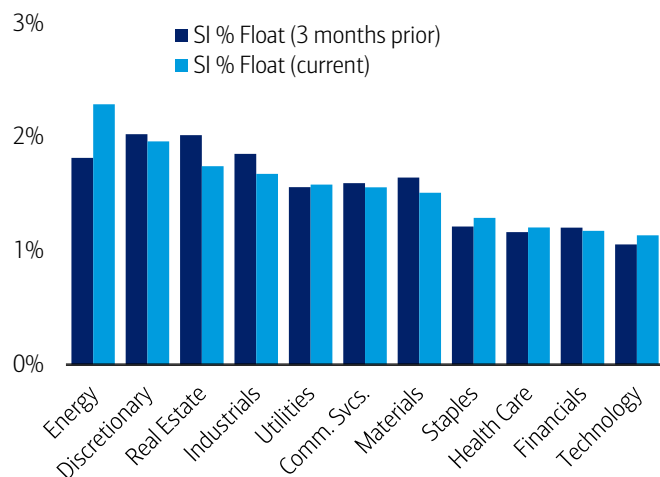
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The longest and the shortest sectors

Energy is the most shorted sector while Tech is the least shorted.

Exhibit 29: Energy has seen the largest increase in short interest over the last three months

Current short interest as a % of float vs. 3 months prior

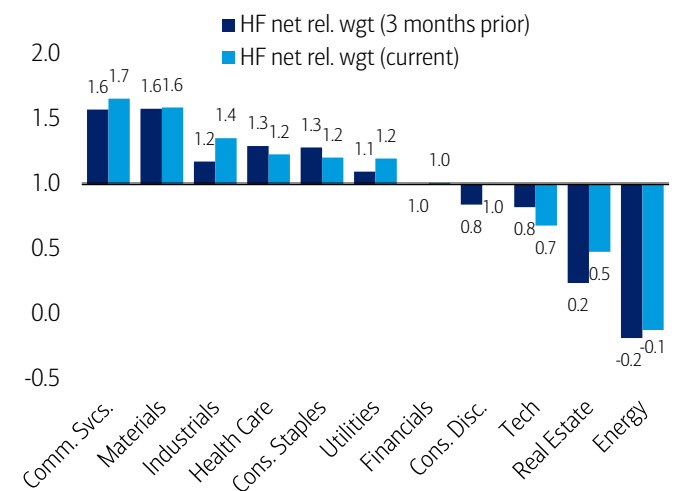


Source: BofA US Equity & Quant Strategy, FactSet

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Exhibit 30: Comm. Svcs. has the highest net relative exposure by HFs; Real Estate has seen the largest increase in exposure over the last 3m

Current HF net relative weight in sectors vs. 3 months prior



Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Hedge Fund longs and shorts

Below we provide screens of S&P 500 stocks with the most (Exhibit 31) and the least (Exhibit 32) short interest as a % of float where, as noted earlier, we estimate that 85% of total short interest in stocks is from hedge funds. We also include screens of S&P 500 stocks most overweight (Exhibit 33) and underweight (Exhibit 34) by hedge funds, relative to the stocks' weight in the S&P 500.

Exhibit 31: Paramount (PARA) is the most shorted stock

Top 20 S&P 500 stocks by short Interest (by % of float), Jan. 2024

Ticker	Company	Sector	Short interest as a % of float
PARA	Paramount Global	Comm. Svcs.	13.6
ETSY	Etsy, Inc.	Cons. Disc.	12.2
KMX	CarMax, Inc.	Cons. Disc.	11.9
ALB	Albemarle	Materials	11.8
WHR	Whirlpool	Cons. Disc.	11.6
POOL	Pool	Cons. Disc.	10.9
TSCO	Tractor Supply	Cons. Disc.	9.8
NCLH	Norwegian Cruise Line Holdings Ltd.	Cons. Disc.	9.4
RL	Ralph Lauren	Cons. Disc.	9.2
GM	General Motors	Cons. Disc.	8.6
CCLU	Carnival Corporation	Cons. Disc.	7.9
NRG	NRG Energy, Inc.	Utilities	7.9
ENPH	Enphase Energy, Inc.	Tech	7.6
VFC	V.F.	Cons. Disc.	7.5
BBY	Best Buy Co., Inc.	Cons. Disc.	7.4
FOXA	Fox	Comm. Svcs.	7.1
WAT	Waters	Health Care	7.0
CHRW	C.H. Robinson Worldwide, Inc.	Industrials	6.9
RCL	Royal Caribbean	Cons. Disc.	6.3
CHTR	Charter Communications, Inc.	Comm. Svcs.	6.3

Source: BofA US Equity & Quant Strategy, FactSet Ownership

This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision.

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Exhibit 32: Philip Morris (PM) is the least shorted stock

Bottom 20 S&P 500 stocks by short Interest (by % of float), Jan. 2024

Ticker	Company	Sector	Short interest as a % of float
PM	Philip Morris International Inc.	Cons. Staples	0.43
WMT	Walmart Inc.	Cons. Staples	0.43
LLY	Eli Lilly and	Health Care	0.46
JNJ	Johnson & Johnson	Health Care	0.51
ORCL	Oracle	Tech	0.52
KO	Coca-Cola	Cons. Staples	0.52
MA	Mastercard	Financials	0.53
LIN	Linde plc	Materials	0.59
JPM	JPMorgan Chase & Co.	Financials	0.61
BRKB	Berkshire Hathaway Inc.	Financials	0.62
MMC	Marsh & McLennan Companies	Financials	0.64
AAPL	Apple Inc.	Tech	0.64
ZTS	Zoetis, Inc.	Health Care	0.65
LMT	Lockheed Martin	Industrials	0.65
PGR	Progressive	Financials	0.65
GOOG	Alphabet Inc.	Comm. Svcs.	0.65
MSFT	Microsoft	Tech	0.67
MRK	Merck & Co., Inc.	Health Care	0.67
PH	Parker-Hannifin	Industrials	0.67
UNH	UnitedHealth	Health Care	0.68

Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Exhibit 33: Incyte (INCY) has the highest net exposure by HFs

Top 20 S&P 500 stocks by HF net relative exposure, Jan. 2024

Ticker	Company	Sector	HF net relative weight
INCY	Incyte	Health Care	40.56
BBWI	Bath & Body Works, Inc.	Cons. Disc.	29.43
IVZ	Invesco Ltd.	Financials	17.25
EXPE	Expedia, Inc.	Cons. Disc.	16.29
WDC	Western Digital	Tech	16.16
UHS	Universal Health Services, Inc.	Health Care	16.16
LW	Lamb Weston Holdings, Inc.	Cons. Staples	15.11
QRVO	Qorvo, Inc.	Tech	13.82
NI	NiSource Inc	Utilities	13.74
CZR	Caesars Entertainment Inc	Cons. Disc.	12.96
TDG	TransDigm	Industrials	12.37
EG	Everest Group	Financials	11.35
PTC	PTC Inc.	Tech	10.71
NDAQ	Nasdaq, Inc.	Financials	10.62
HES	Hess	Energy	10.54
HLT	Hilton Worldwide Holdings Inc	Cons. Disc.	10.15
DLTR	Dollar Tree, Inc.	Cons. Staples	9.89
DPZ	Domino's Pizza, Inc.	Cons. Disc.	9.87
EVRG	Evergy, Inc.	Utilities	9.43

Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Exhibit 34: Albemarle (ALB) has the lowest net exposure by HFs

Bottom 20 S&P 500 stocks by HF net relative exposure, Jan. 2024

Ticker	Company	Sector	HF net relative weight
ALB	Albemarle	Materials	-11.34
TSCO	Tractor Supply	Cons. Disc.	-10.65
PARA	Paramount Global	Comm. Svcs.	-10.27
POOL	Pool	Cons. Disc.	-9.64
OXY	Occidental Petroleum	Energy	-7.58
WAT	Waters	Health Care	-7.34
KMX	CarMax, Inc.	Cons. Disc.	-6.41
ETSY	Etsy, Inc.	Cons. Disc.	-6.28
BBY	Best Buy Co., Inc.	Cons. Disc.	-5.89
NCLH	Norwegian Cruise Line Holdings Ltd.	Cons. Disc.	-5.58
WHR	Whirlpool	Cons. Disc.	-5.36
MRNA	Moderna, Inc.	Health Care	-4.87
BF.B	Brown-Forman	Cons. Staples	-4.50
TROW	T. Rowe Price	Financials	-4.39
URI	United Rentals, Inc.	Industrials	-4.31
CE	Celanese	Materials	-4.29
DAY	Dayforce Inc.	Industrials	-4.15
CHTR	Charter Communications, Inc.	Comm. Svcs.	-3.87
DRI	Darden Restaurants, Inc.	Cons. Disc.	-3.62
RTX	Raytheon Technologies	Industrials	-3.58

Source: BofA US Equity & Quant Strategy, FactSet Ownership

This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision.

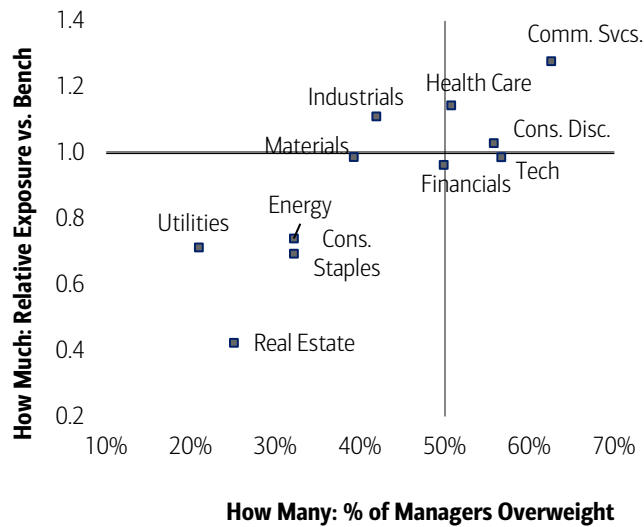
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Long only fund positioning

Exhibit 35: Long only fund managers are most overweight Comm. Svcs.

Long only fund sector positioning as of Jan. 2024

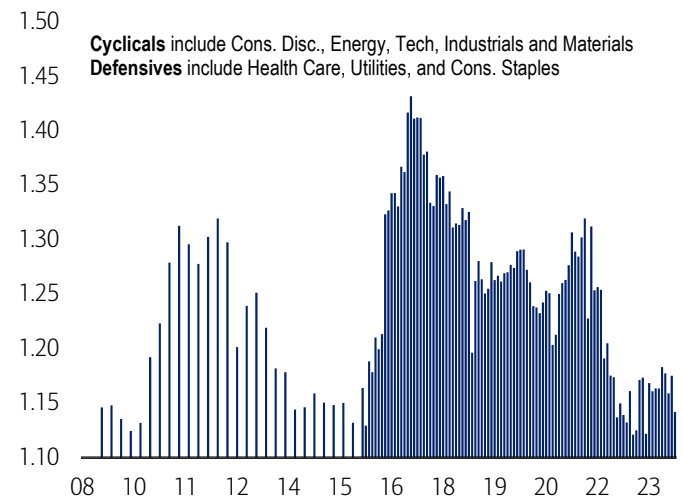


Source: FactSet Ownership, BofA US Equity & Quant Strategy

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Exhibit 36: Long only funds' exposure to cyclical vs. defensive sectors is low vs. history

Long only fund relative positioning in cyclical vs. defensive sectors, Jan. 2024

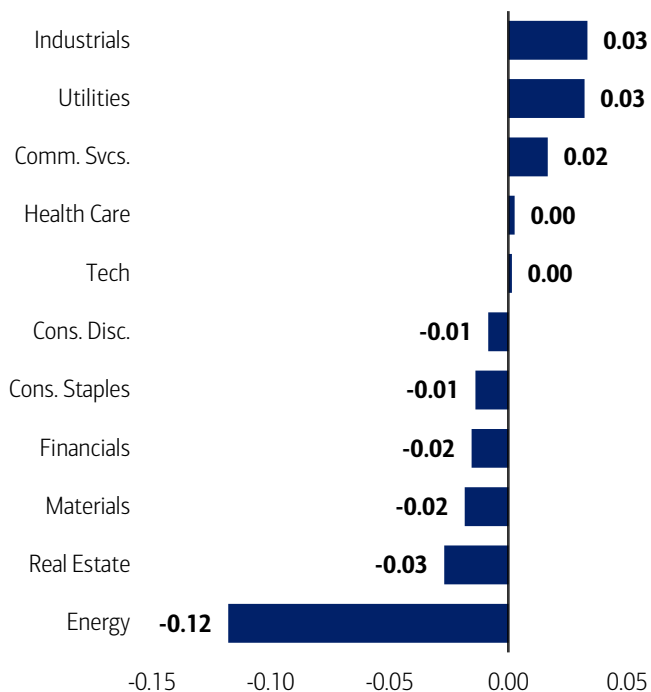


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Exhibit 37: Last 3 months: Long only funds added exposure to Industrials, decreased exposure to Energy

3m relative weight change: long only funds, as of Jan. 2024

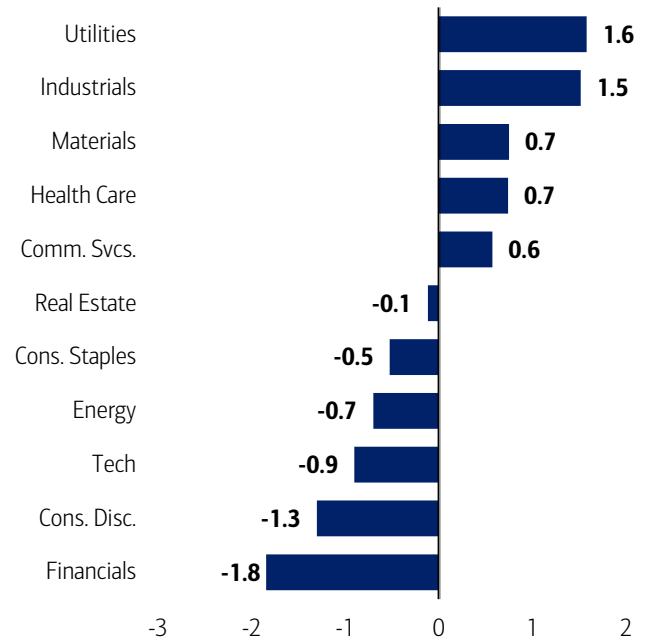


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Exhibit 38: Utilities & Industrials are most overweight vs. history, Financials & Discretionary are most underweight vs. history

Latest long only fund sector exposure as the Z-score vs. history, as of Jan. 2024



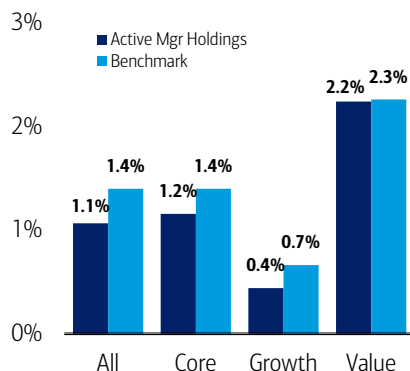
Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Active long only fund characteristics

Exhibit 39: PMs have lower dividend yields than benchmarks

Dividend Yield exposure by manager style as of Jan. 2024

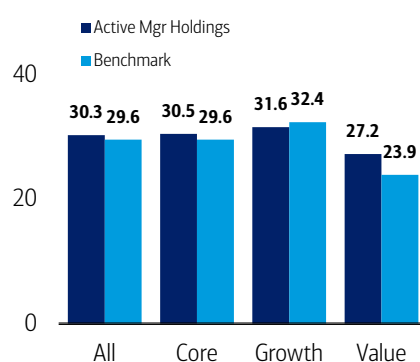


Source: BofA US Equity & Quant Strategy, FactSet Ownership. Benchmarks used: Russell 1000 Growth for Growth funds; Russell 1000 Value for Value funds; S&P 500 for All and Core funds.

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Exhibit 40: Value managers are longer duration than benchmarks

Equity Duration exposure by manager style as of Jan. 2024

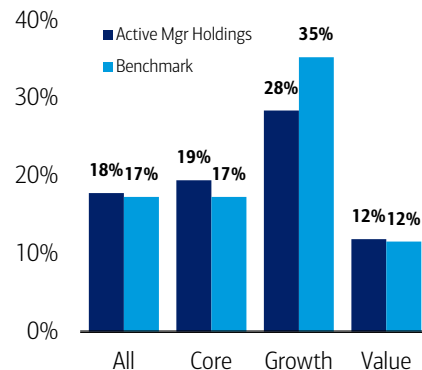


Source: BofA US Equity & Quant Strategy, FactSet Ownership. Benchmarks used: Russell 1000 Growth for Growth funds; Russell 1000 Value for Value funds; S&P 500 for All and Core funds.

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Exhibit 41: Growth managers are underweight quality

1-yr ROE exposure by manager style as of Jan. 2024

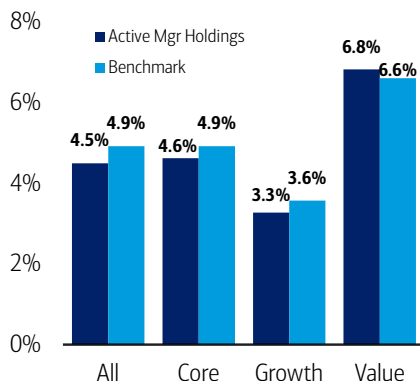


Source: BofA US Equity & Quant Strategy, FactSet Ownership. Benchmarks used: Russell 1000 Growth for Growth funds; Russell 1000 Value for Value funds; S&P 500 for All and Core funds.

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Exhibit 42: Growth and Core managers own more expensive stocks on Fwd PE

Forward Earnings Yield exposure by manager style as of Jan. 2024

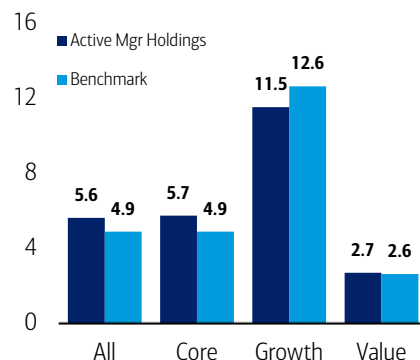


Source: BofA US Equity & Quant Strategy, FactSet Ownership. Benchmarks used: Russell 1000 Growth for Growth funds; Russell 1000 Value for Value funds; S&P 500 for All and Core funds.

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Exhibit 43: Core managers hold more expensive stocks on Price/Book than their benchmark

Price to Book Value exposure by manager style as of Jan. 2024

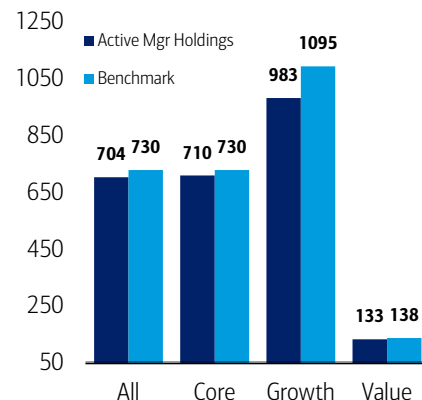


Source: BofA US Equity & Quant Strategy, FactSet Ownership. Benchmarks used: Russell 1000 Growth for Growth funds; Russell 1000 Value for Value funds; S&P 500 for All and Core funds.

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Exhibit 44: Managers have a smaller average market cap than their benchmarks

Market Cap exposure by manager style as of Jan. 2024



Source: BofA US Equity & Quant Strategy, FactSet Ownership. Benchmarks used: Russell 1000 Growth for Growth funds; Russell 1000 Value for Value funds; S&P 500 for All and Core funds.

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Sectors

Most crowded and neglected S&P 500 stocks

Note: stock-level ownership data for all S&P 500, Russell 1000 and Russell 2000 stocks based on this methodology are available upon request.

Exhibit 45: Most crowded stock within each sector

As of Jan. 2024

Sector	Ticker	Company Name	Rel Wt	% of Funds Owning
Comm. Svcs.	META	Meta Platforms Inc Class A	1.82	64.8%
Discretionary	CMG	Chipotle Mexican Grill, Inc.	2.59	25.7%
Staples	MNST	Monster Beverage Corporation	1.79	18.6%
Energy	COP	ConocoPhillips	1.48	26.9%
Financials	MMC	Marsh & McLennan Companies	2.30	25.4%
Health Care	LLY	Eli Lilly and Company	1.81	55.0%
Industrials	UBER	Uber Technologies, Inc.	1.75	30.2%
Technology	NOW	ServiceNow, Inc.	1.77	40.2%
Materials	SHW	Sherwin-Williams Company	1.35	29.3%
Real Estate	AMT	American Tower Corporation	1.01	25.7%
Utilities	CEG	Constellation Energy Corporation	2.42	10.9%

Source: BofA US Equity & Quant Strategy, FactSet Ownership. Most crowded stock in each sector based on an average rank score of relative weight and % of funds owning. This screen is not a recommended list either individually or as a of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision

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Exhibit 46: Most neglected stock within each sector

As of Jan. 2024

Sector	Ticker	Company Name	Rel Wt	% of Funds Owning
Comm. Svcs.	NWS	News Corporation Class B	0.01	1.5%
Discretionary	F	Ford Motor Company	0.01	3.0%
Staples	WBA	Walgreens Boots Alliance	0.01	2.7%
Energy	OKE	ONEOK, Inc.	0.01	4.4%
Financials	CMA	Comerica Incorporated	0.00	1.5%
Health Care	CRL	Charles River Laboratories	0.01	2.1%
Industrials	PNR	Pentair plc	0.03	2.7%
Technology	QRVO	Qorvo, Inc.	0.05	3.0%
Materials	AMCR	Arcor PLC	0.01	1.8%
Real Estate	O	Realty Income Corporation	0.01	1.5%
Utilities	LNT	Alliant Energy Corp	0.00	1.2%

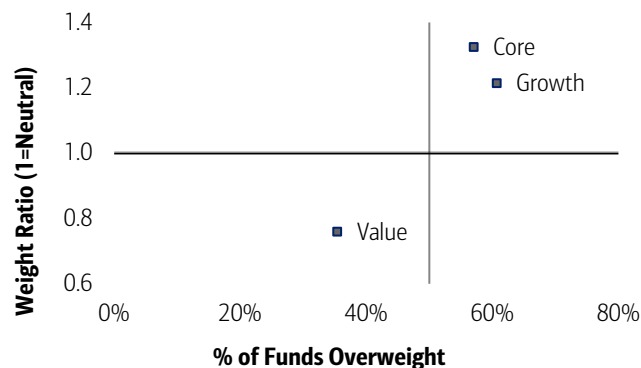
Source: BofA US Equity & Quant Strategy, FactSet Ownership. Most neglected stock in each sector based on an average rank score of relative weight and % of funds owning. This screen is not a recommended list either individually or as a of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision

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Communication Services

Exhibit 47: Core managers are 30% overweight Communication Services

Fund managers' positioning in Communication Services sector, Jan. 2024

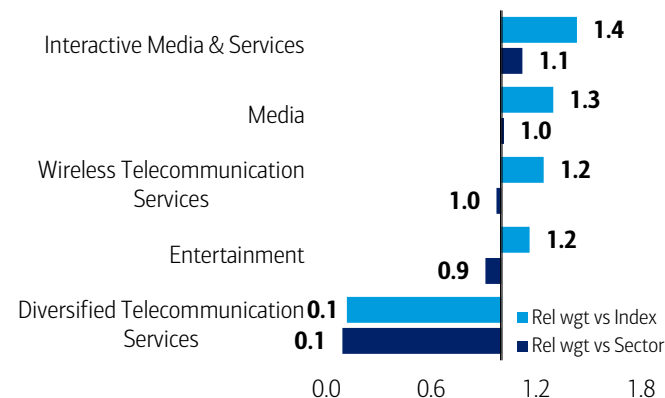


Source: BofA US Equity & Quant Strategy, FactSet Ownership. Benchmarks used: Russell 1000 Growth for Growth funds; Russell 1000 Value for Value funds; S&P 500 for Core funds.

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Exhibit 48: Fund managers are most overweight Interactive Media & Services

Industry Exposure (All Styles), Jan. 2024

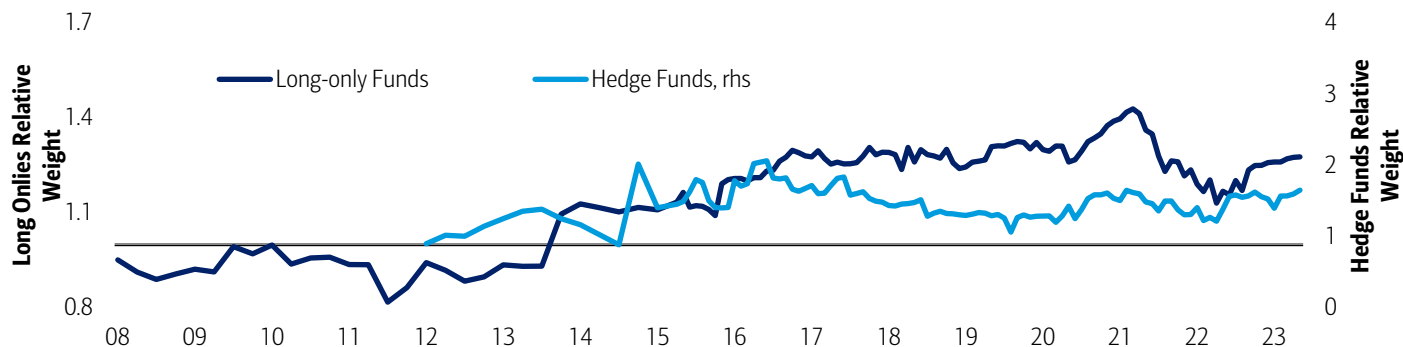


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Exhibit 49: Crowding risk in Communication Services after strong 2023 performance

Funds' relative weight in Communication Services vs. S&P 500 index over time (as of Jan. 2024)

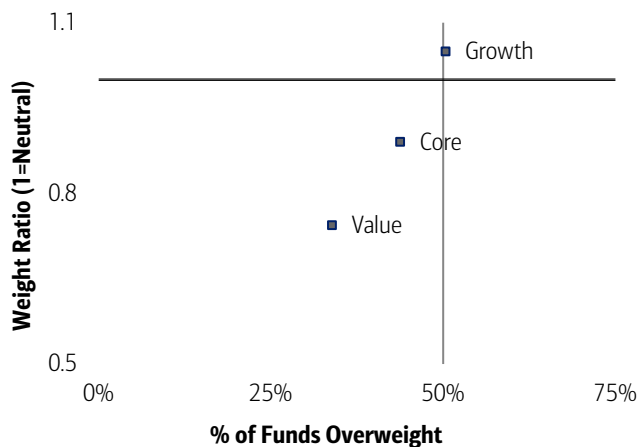


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Consumer Discretionary**Exhibit 50: Value and Core managers are underweight Consumer Discretionary**

Fund managers' positioning in Consumer Discretionary sector, Jan. 2024

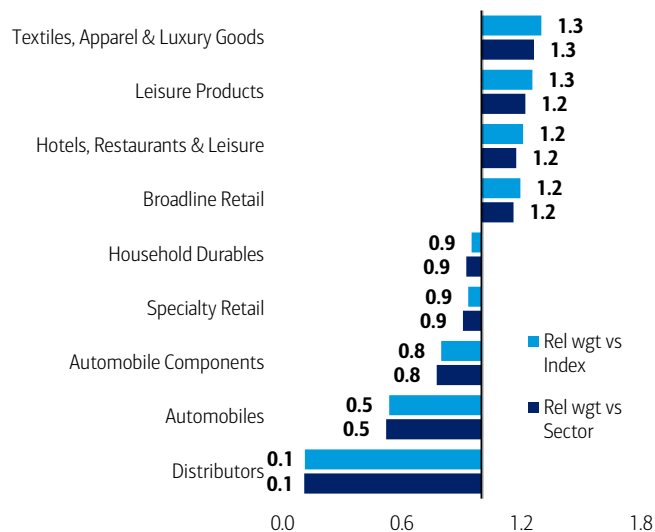


Source: BofA US Equity & Quant Strategy, FactSet Ownership. Benchmarks used: Russell 1000 Growth for Growth funds; Russell 1000 Value for Value funds; S&P 500 for Core funds.

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Exhibit 51: Fund managers are most overweight Textiles, Apparel & Luxury Goods

Industry Exposure (All Styles), Jan. 2024

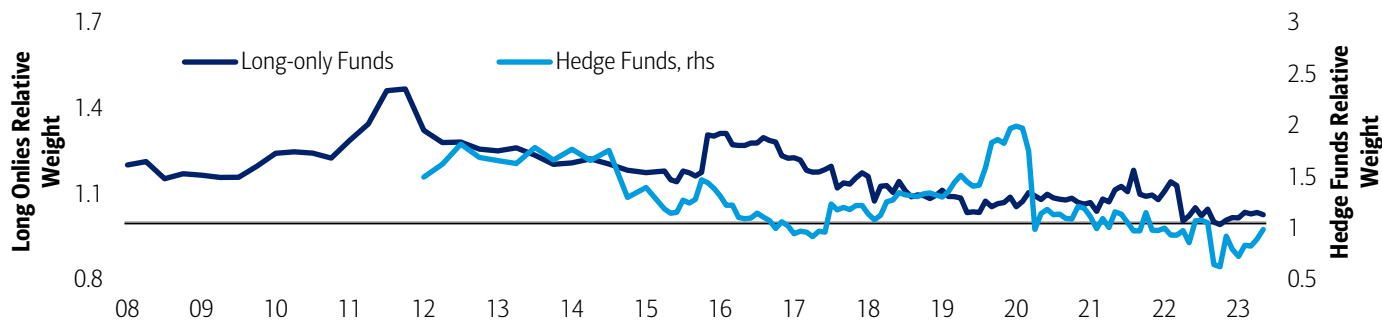


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Exhibit 52: LO and HF exposure to Discretionary is just off historical lows

Funds' relative weight in Consumer Discretionary vs. S&P 500 index over time (as of Jan. 2024)



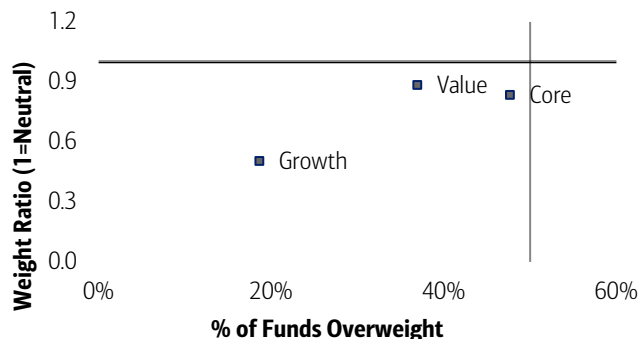
Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Consumer Staples

Exhibit 53: All styles are underweight Consumer Staples

Fund managers' positioning in Consumer Staples sector, Jan. 2024

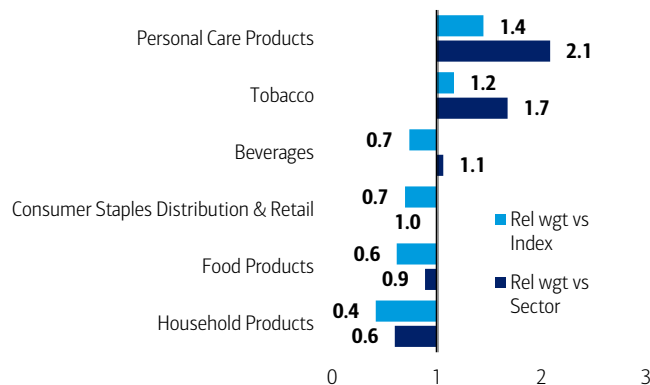


Source: BofA US Equity & Quant Strategy, FactSet Ownership. Benchmarks used: Russell 1000 Growth for Growth funds; Russell 1000 Value for Value funds; S&P 500 for Core funds.

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Exhibit 54: Fund managers are most overweight Personal Care Products

Industry Exposure (All Styles), Jan. 2024

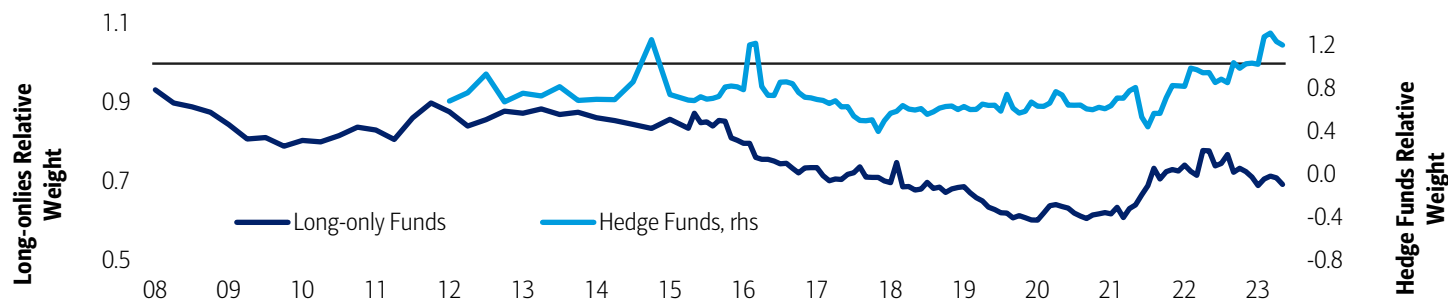


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Exhibit 55: LO exposure to Staples is elevated vs. recent years; HFs are just off peak exposure

Funds' relative weight in Staples vs. S&P 500 index over time (as of Jan. 2024)



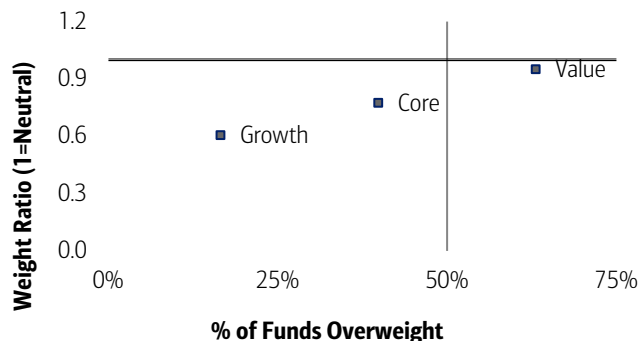
Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Energy

Exhibit 56: Growth managers are 40% underweight Energy

Fund managers' positioning in Energy sector, Jan. 2024

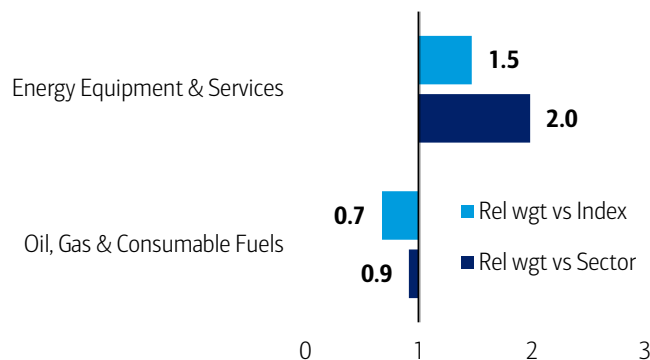


Source: BofA US Equity & Quant Strategy, FactSet Ownership. Benchmarks used: Russell 1000 Growth for Growth funds; Russell 1000 Value for Value funds; S&P 500 for Core funds.

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Exhibit 57: Fund managers are overweight Energy Equipment & Services

Industry Exposure (All Styles), Jan. 2024

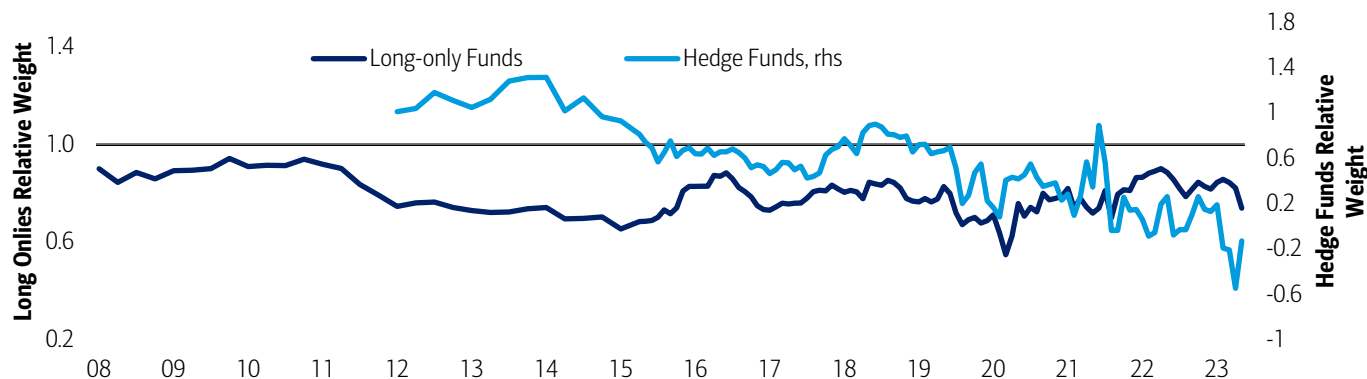


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Exhibit 58: LOs dropped exposure to Energy last month to almost all-time lows, HF exposure is just off an all-time low

Funds' relative weight in Energy vs. S&P 500 index over time (as of Jan. 2024)

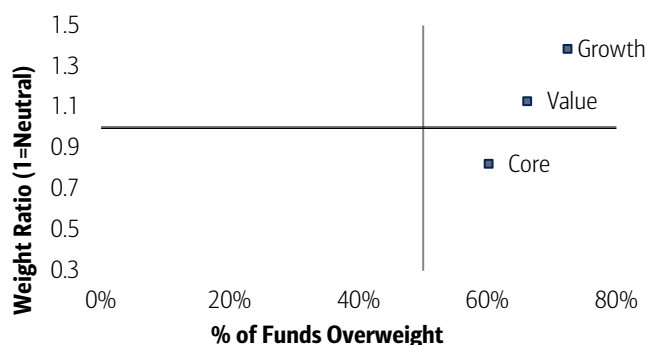


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Financials**Exhibit 59: Growth managers are 40% overweight Financials**

Fund managers' positioning in Financials sector, Jan. 2024

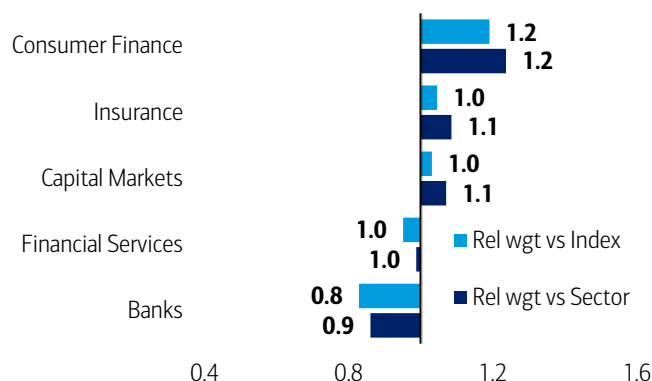


Source: BofA US Equity & Quant Strategy, FactSet Ownership. Benchmarks used: Russell 1000 Growth for Growth funds; Russell 1000 Value for Value funds; S&P 500 for Core funds.

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Exhibit 60: Fund managers are most overweight Consumer Finance

Industry Exposure (All Styles), Jan. 2024

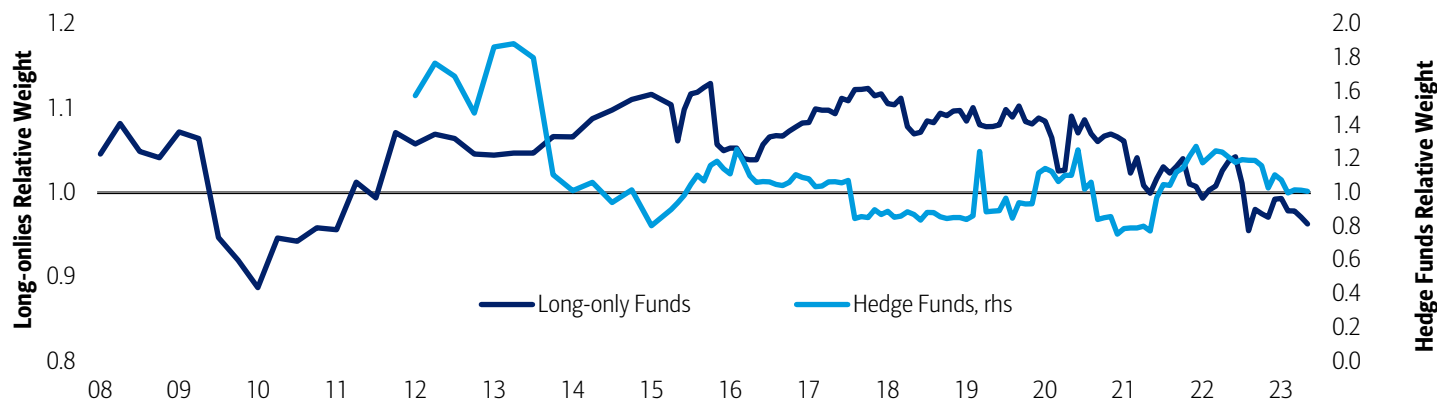


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Exhibit 61: Long only and hedge fund exposure to Financials is light vs. history

Funds' relative weight in Financials vs. S&P 500 index over time (as of Jan. 2024)



Source: BofA US Equity & Quant Strategy, FactSet Ownership

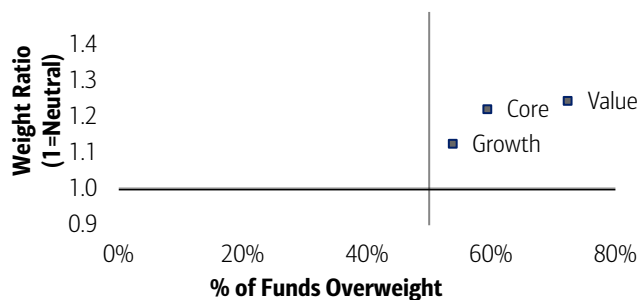
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Health Care

Exhibit 62: All managers are overweight Health Care

Fund managers' positioning in Health Care sector, Jan. 2024

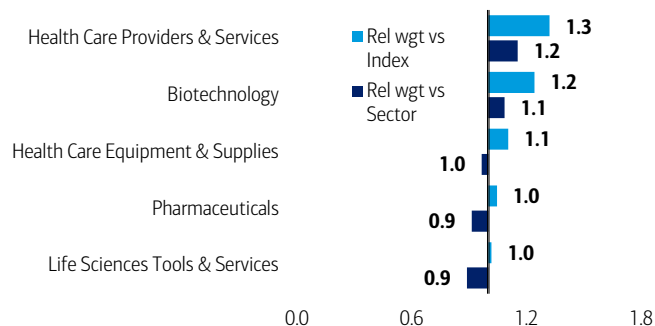


Source: BofA US Equity & Quant Strategy, FactSet Ownership. Benchmarks used: Russell 1000 Growth for Growth funds; Russell 1000 Value for Value funds; S&P 500 for Core funds.

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Exhibit 63: Fund managers are most overweight Health Care Providers & Services

Industry Exposure (All Styles), Jan. 2024

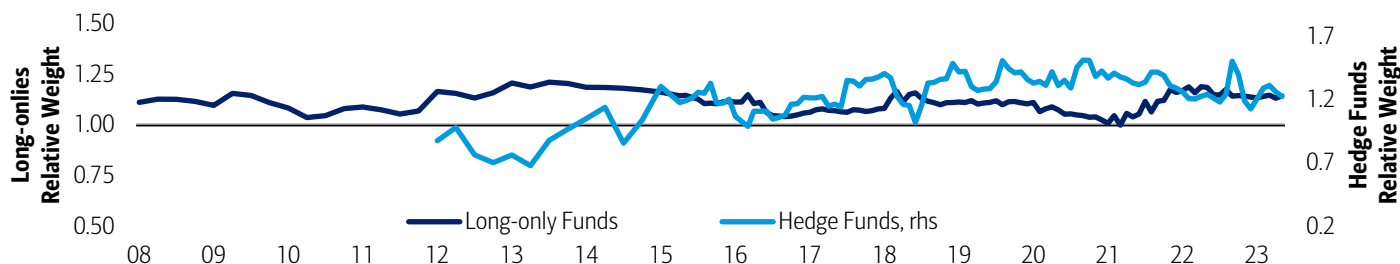


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Exhibit 64: Health Care is overweight by both LOs and HFs

Funds' relative weight in Health Care vs. S&P 500 index over time (as of Jan. 2024)



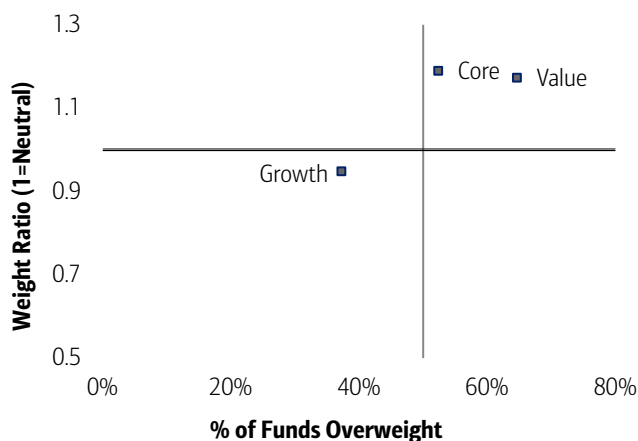
Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Industrials

Exhibit 65: Core and Value managers are ~20% overweight Industrials

Fund managers' positioning in Industrials sector, Jan. 2024

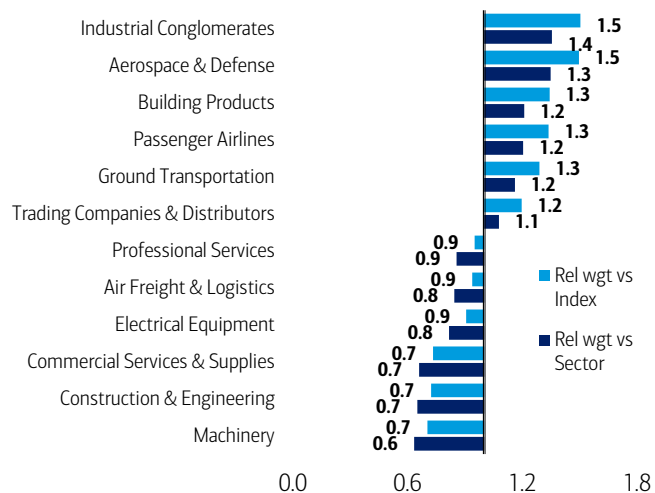


Source: BofA US Equity & Quant Strategy, FactSet Ownership. Benchmarks used: Russell 1000 Growth for Growth funds; Russell 1000 Value for Value funds; S&P 500 for Core funds.

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Exhibit 66: Fund managers are most overweight Industrial Conglomerates

Industry Exposure (All Styles), Jan. 2024

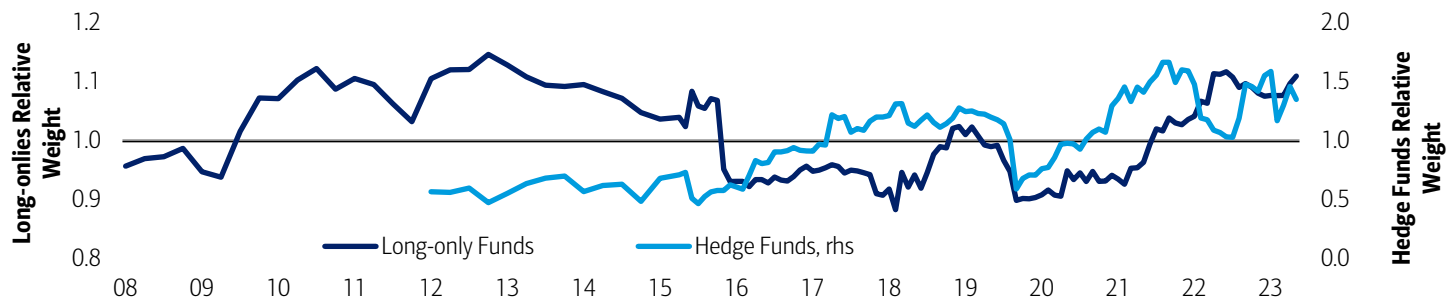


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Exhibit 67: Exposure to Industrials is elevated vs. history

Funds' relative weight in Industrials vs. S&P 500 index over time (as of Jan. 2024)

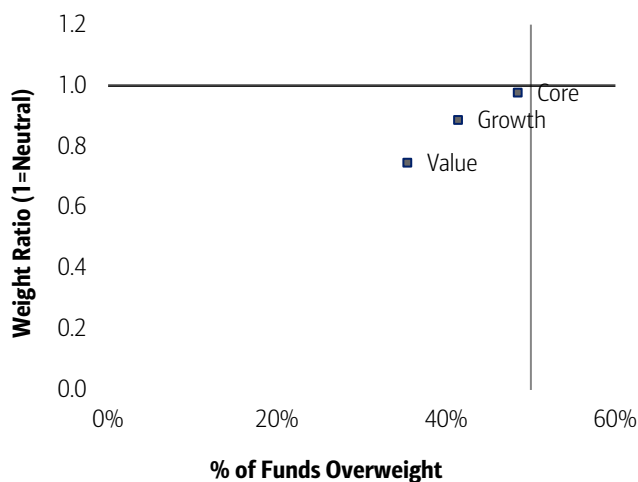


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Information Technology**Exhibit 68: Value managers are over 20% underweight Tech**

Fund managers' positioning in Technology sector, Jan. 2024

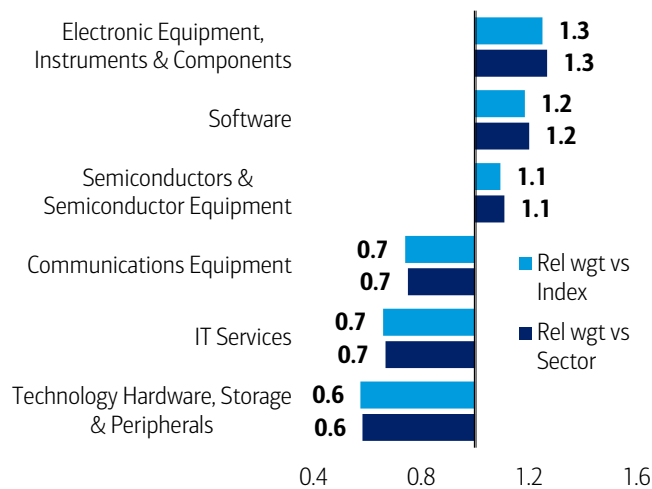


Source: BofA US Equity & Quant Strategy, FactSet Ownership. Benchmarks used: Russell 1000 Growth for Growth funds; Russell 1000 Value for Value funds; S&P 500 for Core funds.

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Exhibit 69: Fund managers are most overweight Electronic Equipment, Instruments & Components

Industry Exposure (All Styles), Jan. 2024

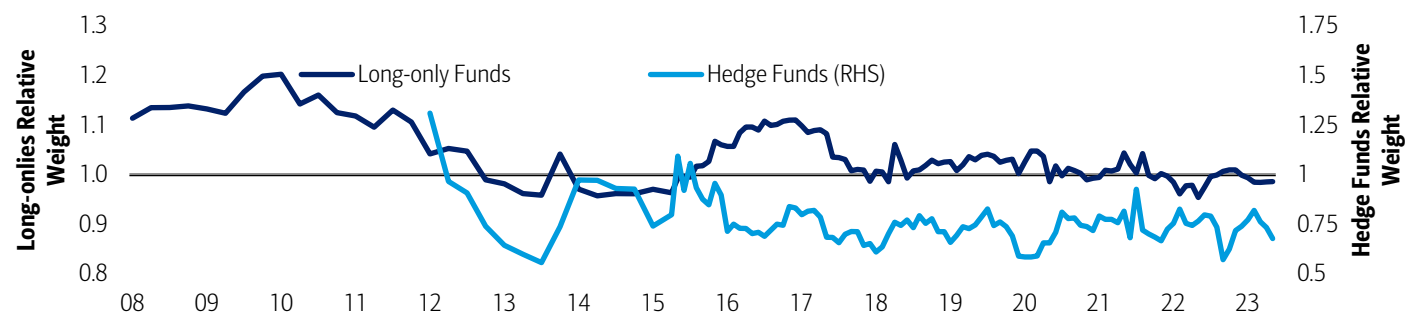


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Exhibit 70: LOs are near marketweight Info Tech; HFs are still underweight

Funds' relative weight in Information Technology vs. S&P 500 index over time (as of Jan. 2024)



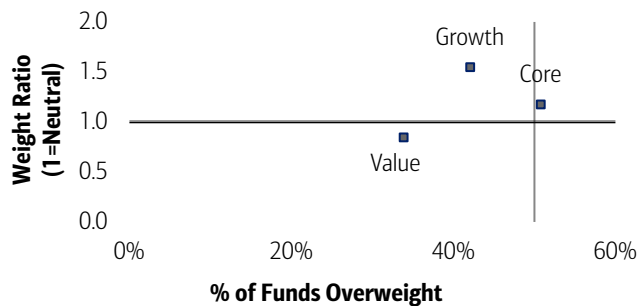
Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Materials

Exhibit 71: Growth managers are 50% overweight Materials

Fund managers' positioning in Materials sector, Jan. 2024

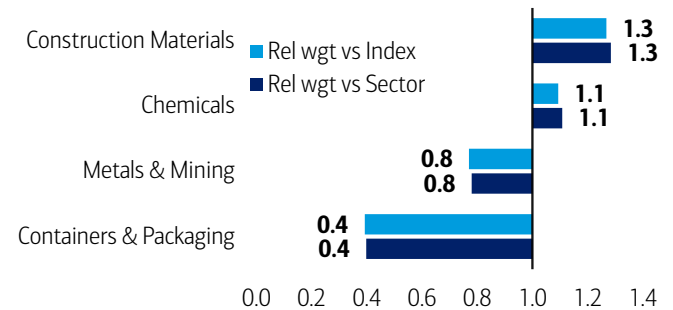


Source: BofA US Equity & Quant Strategy, FactSet Ownership. Benchmarks used: Russell 1000 Growth for Growth funds; Russell 1000 Value for Value funds; S&P 500 for Core funds.

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Exhibit 72: Fund managers are most overweight Construction Materials

Industry Exposure (All Styles), Jan 2024

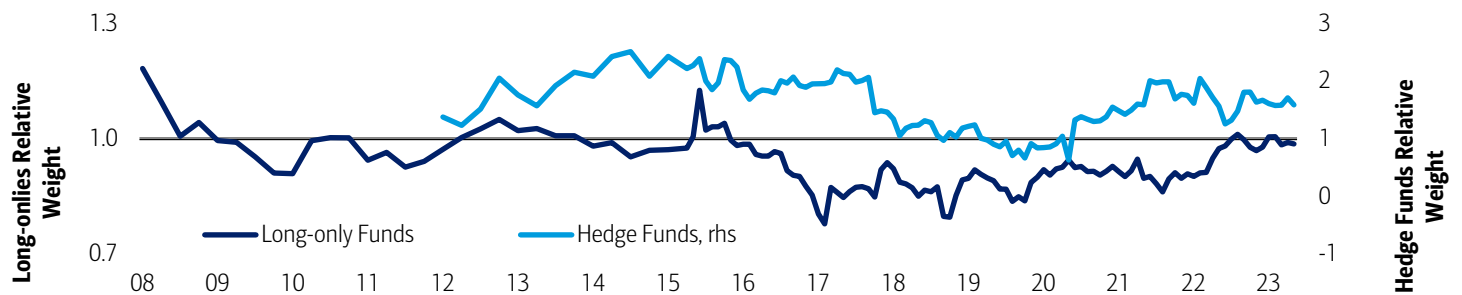


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Exhibit 73: Hedge funds are overweight Materials, long-only funds are near marketweight

Funds' relative weight in Materials vs. S&P 500 index over time (as of Jan 2024)



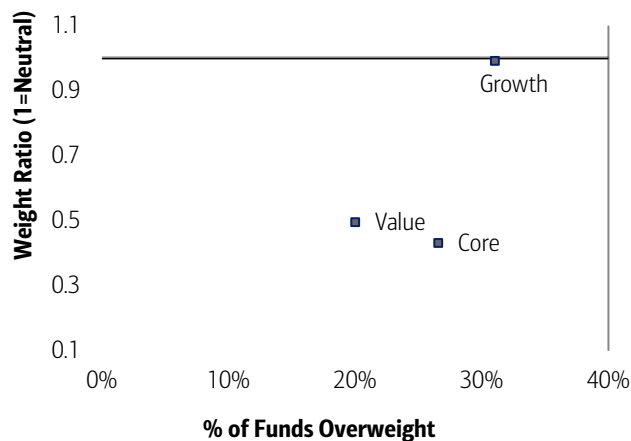
Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Real Estate

Exhibit 74: Value and Core managers are 50%+ underweight Real Estate

Fund managers' positioning in Real Estate sector, Jan. 2024

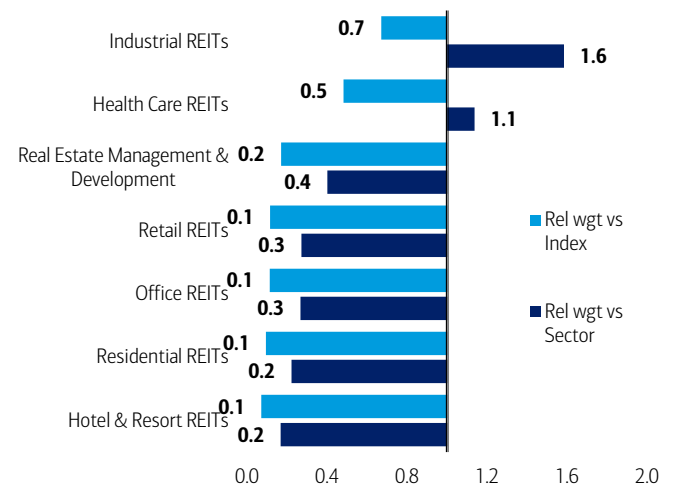


Source: BofA US Equity & Quant Strategy, FactSet Ownership. Benchmarks used: Russell 1000 Growth for Growth funds; Russell 1000 Value for Value funds; S&P 500 for Core funds.

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Exhibit 75: Fund managers are least underweight Industrial REITs vs the index

Industry Exposure (All Styles), Jan. 2024

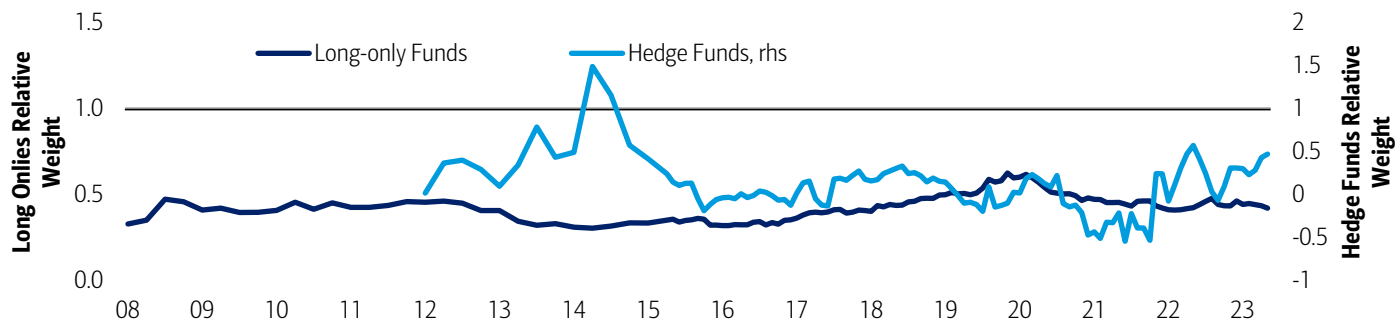


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Exhibit 76: Both LOs and HF's are deeply underweight Real Estate

Funds' relative weight in Real Estate vs. S&P 500 index over time (as of Jan. 2024)

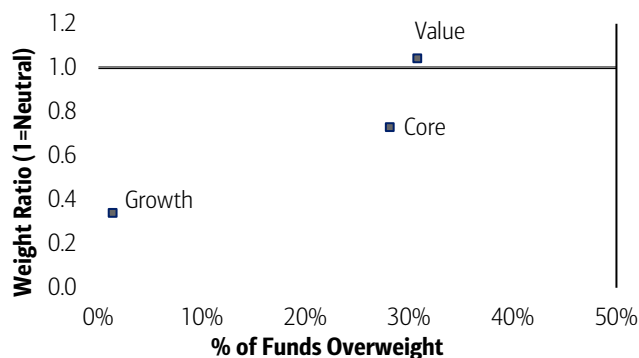


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Utilities**Exhibit 77: Core and Growth managers are underweight Utilities**

Fund managers' positioning in Utilities Sector, Jan. 2024

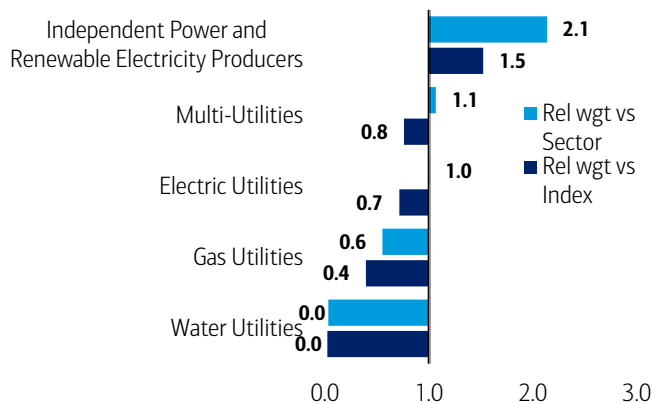


Source: BofA US Equity & Quant Strategy, FactSet Ownership. Benchmarks used: Russell 1000 Growth for Growth funds; Russell 1000 Value for Value funds; S&P 500 for Core funds.

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Exhibit 78: Fund managers are overweight Independent Power and Renewable Electricity Producers

Industry Exposure (All Styles), Jan. 2024

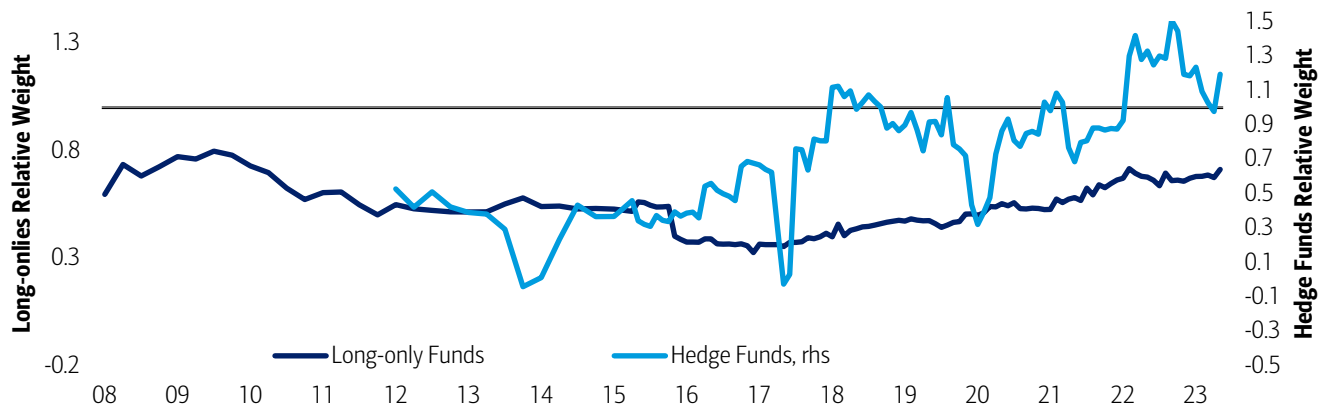


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Exhibit 79: Both HF's and LOs increased exposure to Utilities last month

Funds' relative weight in Utilities vs. S&P 500 index over time (as of Jan. 2024)



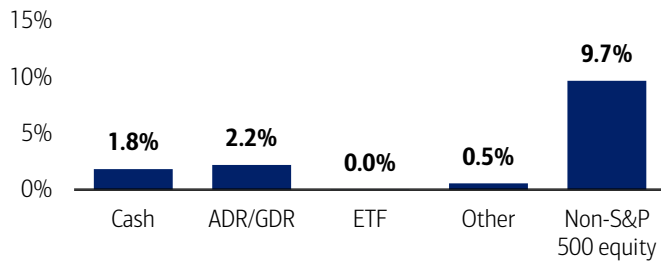
Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Asset allocations

Exhibit 80: Large cap managers held 1.8% in cash as of January 2024

Other asset classes as a % of fund AUM for all large cap managers, Jan. 2024

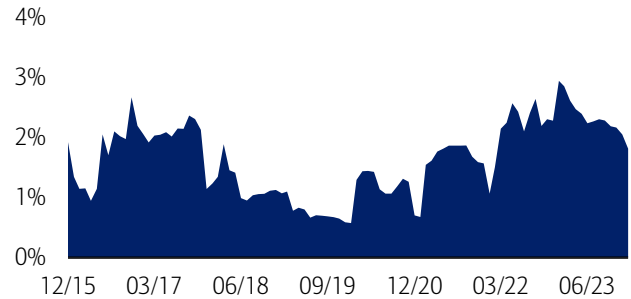


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Exhibit 81: Cash levels have fallen but are still above average

Large cap funds' cash level as a % of their AUM (2015 to present)



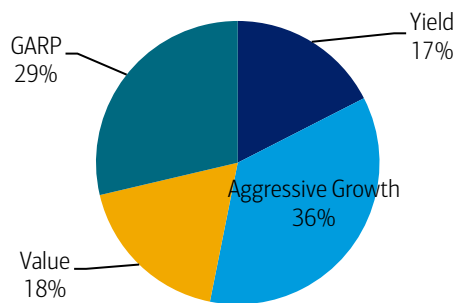
Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Income fund positioning

Exhibit 82: Income funds have grown from less than 20% of active AUM in 2010...

Active equity AUM landscape by fund category – Aug 2010

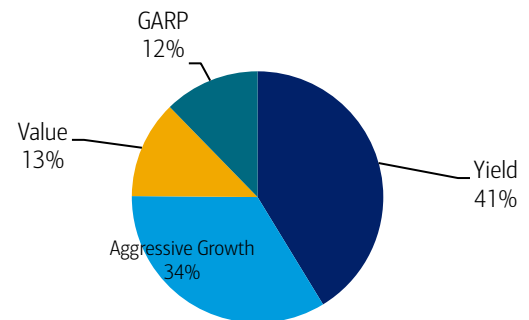


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Exhibit 83: ... to over 40% of active funds today

Active equity AUM landscape by fund category – present

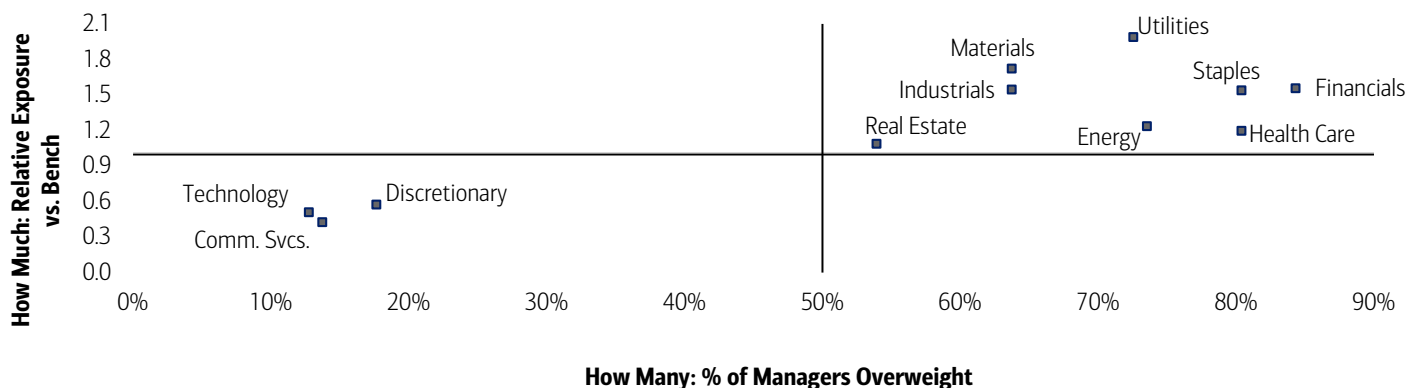


Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Exhibit 84: Income fund managers are most overweight Utilities

Income fund sector positioning vs. S&P 500 as of Jan. 2024



Source: FactSet Ownership, BofA US Equity & Quant Strategy

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Commitment of Traders positioning

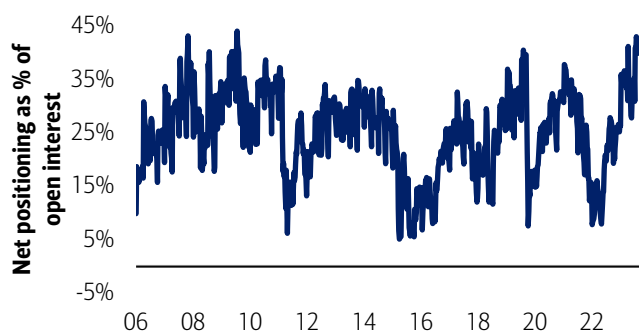
Based on the Commitments of Traders (COT) data published by the Commodity Futures Trading Commission (CFTC), we track asset managers' and leveraged funds' net positions futures normalized by total open interest. The trader categories are:

Asset Manager/Institutional: Institutional investors, including pensions, endowments, insurance co's, mutual funds and PMs with clients are predominantly institutional.

Leveraged Funds: These are typically hedge funds and various types of money managers, including registered commodity trading advisors (CTAs); registered commodity pool operators (CPOs) or funds not registered. Strategies may involve taking outright positions or arbitrage within and across markets. Traders may be engaged in managing / conducting proprietary trading or trading on behalf of speculative clients.

Exhibit 85: High net long positioning by asset managers (real investors)...

Asset managers' net positions in the S&P 500 e-mini futures as % of total open interest (6/2006-2/20/2024)

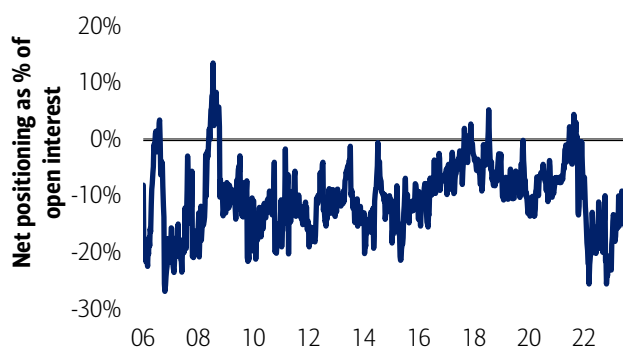


Source: BofA US Equity & Quant Strategy, CFTC

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Exhibit 86: ...but bearish sentiment by speculators on equities

Leveraged funds' net positions in the S&P 500 e-mini futures as % of total open interest (6/2006-2/20/2024)

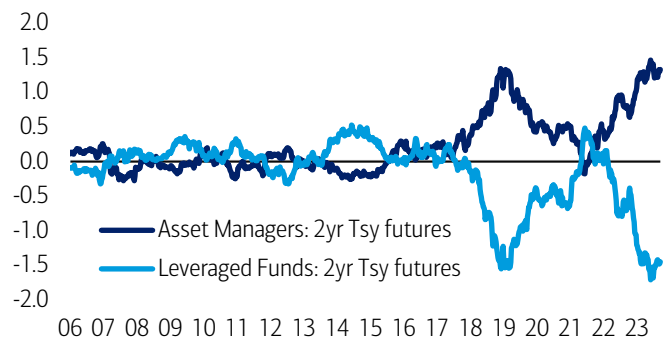


Source: BofA US Equity & Quant Strategy, CFTC

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Exhibit 87: Real money long, speculators short on 2yr Tsy futures contract positioning

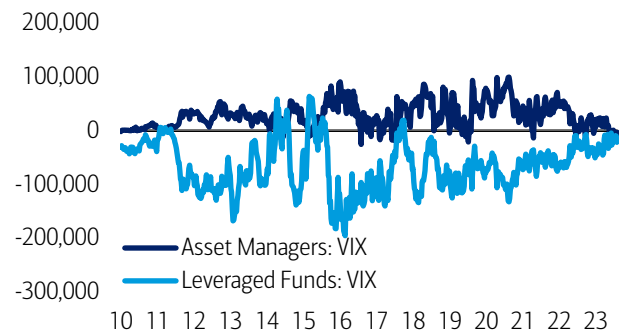
Asset managers and leveraged funds net total 2yr Tsy futures contract positioning (6/2006-2/20/2024)



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Exhibit 88: Real money and speculators have neutralized exposure to volatility

Asset managers and leveraged fund net total VIX futures contracts positioning (7/2010-2/20/2024)



Source: BofA US Equity & Quant Strategy, CFTC

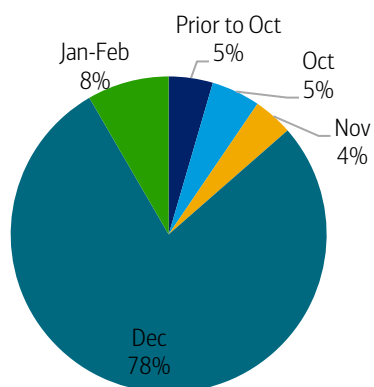
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Methodology

Long Only Fund Positioning Methodology

Each month, we analyze the holdings of US Large Cap Equity Mutual funds that are actively managed and create a bottom-up composite to assess fund managers' exposure to U.S. equities.

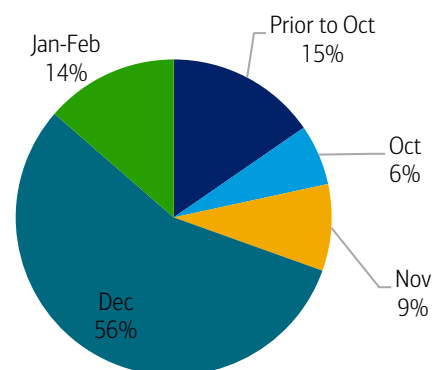
Exhibit 89: ~90% of AUM we track has been reported since Dec.
% of fund AUM that has been reported



Source: FactSet Ownership, BofA US Equity & Quant Strategy

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Exhibit 90: ~70% of funds we track have reported since Dec.
% of funds that have reported



Source: FactSet Ownership, BofA US Equity & Quant Strategy

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Except as noted below, information and analysis contained in this report are based on the most current fund managers' equity holdings from the FactSet Ownership Database. To provide a more recent snapshot of the value of fund managers' equity holdings, we have marked-to-market the composite as of February 16, 2024. This report does not reflect any changes, other than re-pricing, in portfolio holdings after the filing dates. We exclude ADRs and other stocks not found in the S&P 500 and Russell 1000 current constituents from our stock screens.

Our active manager universe is defined by using Lipper's size and style definitions. Using Lipper's definitions we segmented a list of U.S. Large cap active fund managers into three Separate categories Core, Growth and Value. From these lists, the equity holdings were then aggregated from each fund to build our Active Fund Manager Composites. We look at only U.S. actively managed long only funds based on their primary share class. The active manager universe is updated on a monthly basis going forward. Currently we track ~340 large cap funds with AUM of ~\$2.3tn S&P 500 holdings.

To evaluate active managers' sector positioning, we use the S&P 500, Russell 1000 Growth and Russell 1000 Value indices, as of January 31, 2024 as benchmarks. Some screens in the report compare current exposures of our fund snapshot to a past period.

Exhibit 91: Large Cap Active Fund Characteristics by Style

As of Jan. 2024

	Core	Growth	Value	Total
Total Assets in Funds (\$m)	859,052	1,181,094	665,240	2,705,385
Number of Funds	128	145	65	338
Avg # of Stocks	95	71	80	82

Source: BofA US Equity & Quant Strategy, FactSet Ownership

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Hedge Fund Positioning Methodology

We downloaded the holdings of hedge fund managers (as categorized by FactSet) for the S&P 500 stocks, based on the most current fund managers' equity holdings from the FactSet Ownership Database. To calculate the net exposure of hedge funds, we subtract the estimated short positions from their long positions, where we assume hedge funds account for 85% of the total short interest based on our regression analysis. We obtain the aggregate short interest data from the NYSE and NASDAQ exchanges via FactSet. All securities have been marked-to-market as of February 16, 2024. Russell 3000/S&P 500 holdings (long exposure) of hedge funds captured in this analysis was \$1.6tn.

Active Share Ratio

Calculated as the sum of the absolute value of the differences of the weight of each holding in the manager's portfolio versus the weight of each holding in the benchmark index and then dividing by two. For example, if the benchmark includes one stock, and a portfolio manager invests half of assets in that stock and half in another stock, the Active Share of the portfolio is 50%.

Stock Screen Disclaimer

Stock screens in this report are not a recommended list either individually or as a group. One should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision.



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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R1}
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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