

# US Equity Strategy Focus Point

## Boomers boom

### The great wealth transfer: from public to private

Since 1980, the US government debt has risen from 31% of GDP to 120%, and 10-yr Tsy yields have shrunk from 12% to 4.6% today (Exhibit 2). The result: a massive wealth transfer from the public to the private sector – companies and consumers: US household net worth increased from \$17T (3.5x nominal GDP) to ~\$150T (5.5x GDP, a record high) – Exhibit 3. The next great wealth transfer may now be from the elderly to the young.

### Who's got cash? Boomers

The biggest beneficiary of the great wealth transfer was the Baby Boomer generation (born in 1946-64), in the prime working age during the period of wealth creation. Today, Boomers and Traditionalists hold 2/3 of total net worth, the majority of which is in financial assets (ex. Real Estate). And now, the hurdle rate on financial assets has risen to 5%. On the cost side, homeowners have largely locked in low-rate mortgages, where the effective mortgage rate remains below pre-COVID levels (Exhibit 4). Millennials are the only group with meaningful mortgage debt incurred after 2021 (+20%, Exhibit 5).

### Boomers are spending, others not so much

Boomers have yet, if ever, to feel the impact of higher rates, and many wealthy Boomers are actually benefiting. Bank of America internal data also indicates that Boomers and Traditionalists are the only groups to increase consumption (Exhibit 8). And if the next great wealth transfer is from Boomers to Millennials, the consumption growth story could have legs – another reason that US consumers can remain strong despite higher rates.

### How to trade: long Boomer stocks, short Millennial stocks

Boomers spend more on health care, entertainment and home improvement, whereas Millennials spend more on housing and apparel (Exhibit 13). Wealth and leisure time post-retirement could drive increased entertainment spend for Boomers. We see more upside in goods vs. services given normalizing post-COVID trends (see recent [Earnings Tracker](#) report), but travel was cited as the top priority for discretionary spend (85%) among the 50+ age group (Exhibit 14). Other beneficiaries of an aging population include elder care, senior housing and death care. AXP is also seen as a beneficiary from wealthy Boomers. Housing could struggle given higher rates, but the wealth transfer from Boomers to Millennials is supportive, especially for luxury housing (Exhibit 16). Apparels could remain challenged, given the demographic skew to Millennial and Gen Z. See stock ideas (Exhibit 1) for long Boomer exposure & short millennial exposure.

### Risk: Weaker sentiment & lower COLA boost next year

Despite healthier spending trends, sentiment is weaker among Boomers than Millennials. One potential reason could be waning tailwinds from cost of living adjustments (COLA) for social security benefits (+3.2% YoY in 2024 vs. +8.7% in 2023). And here, Bank of America internal data suggests people who receive social security benefits saw bigger increases in card spending this year vs. those who do not, particularly in lower-income workers (<\$50K). This can present headwinds to low price point retailers, grocers and drugstores.

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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**Refer to important disclosures on page 19 to 23. Analyst Certification on page 14. Price Objective Basis/Risk on page 13.**

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### Exhibit 1: Stock ideas

Stocks for Boomer & Millennial thesis

Ticker	BoFA Rating
<b>Long ideas</b>	
TOL	Buy
WELL	Buy
SCI	Buy
AXP	Buy
<b>Short idea</b>	
RVLV	Underperform

Source: BoFA Global Research

# Boomers boom

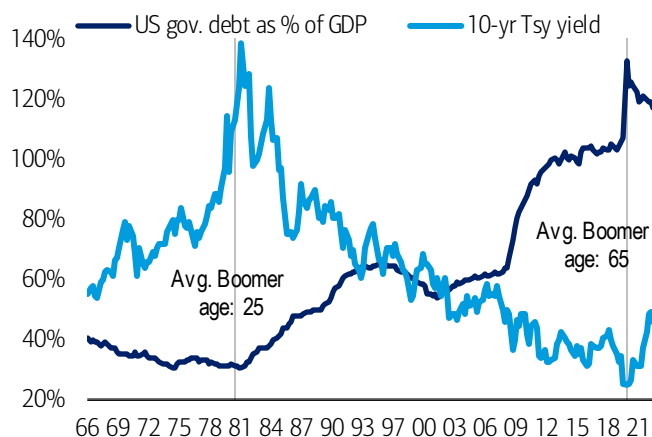
## The great wealth transfer: from public to private

Since 1980, the US government deficit has risen from 31% of GDP to 120%. The 10-yr Treasury yield dropped from 12% to 4.6% today (Exhibit 2). The resulting effect was a massive wealth transfer from the public sector to the private sector: US household net worth rose from \$17T (3.5x nominal GDP) to ~\$150T (5.5x GDP, a record high) – Exhibit 3.

The biggest beneficiary of the great wealth transfer was Baby Boomers who were in the prime working age during the period. Boomers hold over half of the total net worth (Boomers + Traditionalists hold 2/3), 78% of which is in financial assets (ex. Real Estate). Now, the hurdle rate on financial assets just jumped to 5%+.

### Exhibit 2: The great wealth transfer: from public to private

US government debt as % of GDP vs. 10-yr Treasury yield (1966-2Q23)



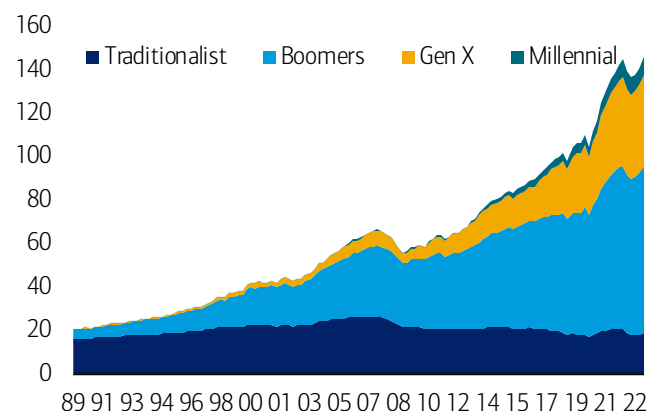
Source: Federal Reserve Bank of St. Louis, Bloomberg, BofA US Equity & Quant Strategy  
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### Exhibit 3: Household net worth = \$146T (540% of GDP)

Boomers + Traditionalists = 2/3 of total net worth

Higher rates = higher interest income for older generations

Household net worth by generation (1989-2Q23)



Source: Haver Analytics, BofA US Equity & Quant Strategy

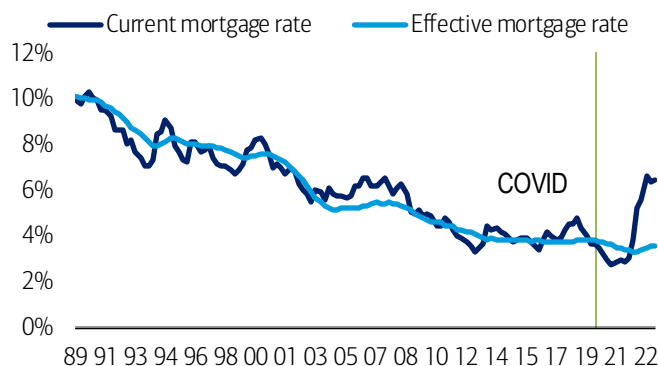
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## Everyone locked in 3% mortgage rates, except Millennials

On the cost side, most Boomers locked in low mortgage rates, where the effective mortgage rate remains below pre-COVID levels (Exhibit 4). The only group that took out mortgage debt meaningfully since 2021 is Millennials, seeing a 20% jump (Exhibit 5).

### Exhibit 4: Effective mortgage rate is still below pre-COVID levels. Everyone locked in 3% mortgage...

Current mortgage rate vs. effective rate on all mortgage debt outstanding (1989-2Q23)

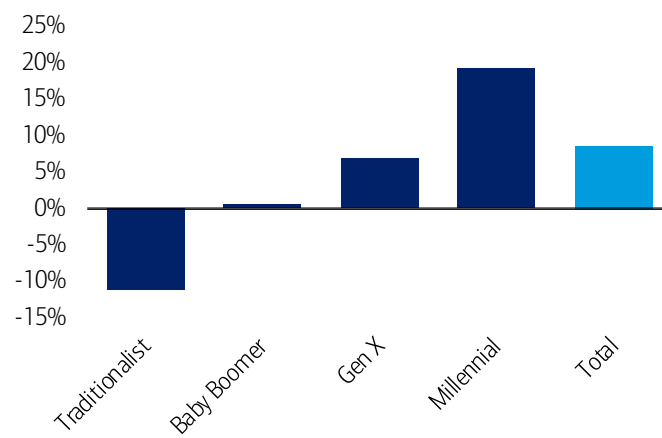


Source: Bloomberg, BofA US Equity & Quant Strategy

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### Exhibit 5: ...except Millennials

% change in mortgage debt since 4Q21 by generation (as of 2Q23)

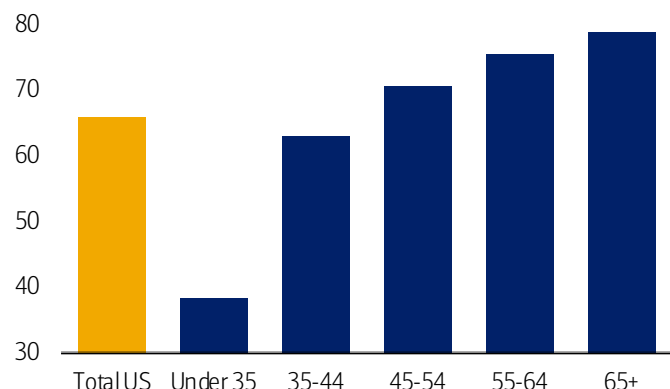


Source: Haver Analytics, BofA US Equity & Quant Strategy

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**Exhibit 6: Home ownership is much lower for younger generations**

% home ownership by age groups (as of 2Q23)



Source: Census, BofA US Equity &amp; Quant Strategy

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**Exhibit 7: Affordability has decreased significantly since 2021**

NAR Housing Affordability Index, Fixed Rate Mortgages



Source: National Association of Realtors, Haver Analytics

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**Boomers are spending, others not so much**

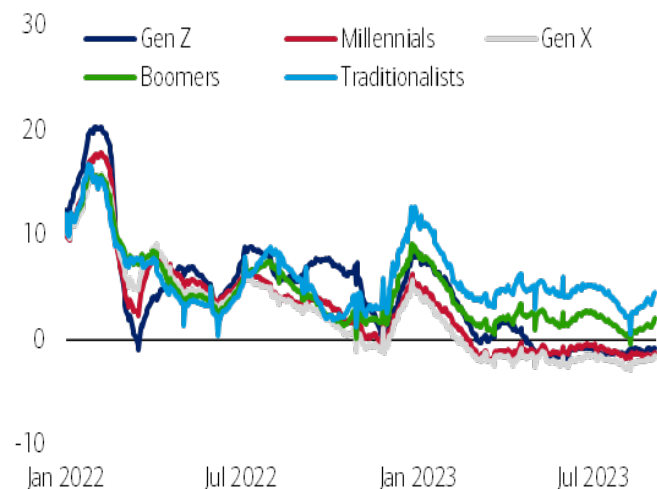
Boomers have certainly not felt the impact of higher rates as much, and we believe many wealthy Boomers are actually benefiting. Bank of America internal data also shows Boomers & Traditionalists are the only groups increasing consumption (40% of total consumption). On the other hand, younger generations have seen a bigger headwind from higher rates – their spending has fallen and credit card delinquency has risen (Exhibit 9).

Boomers typically spend less on big ticket items (housing and autos), but spend more on health care, home improvement and slightly more on entertainment. As ultra-low rate mortgages incentivize people to live in their homes longer, we could see increased home improvement spending by wealthy Boomers. Moreover, as more Boomers reach the retirement age, more leisure time should lead to more travel, entertainment and discretionary spend, in our view.

See [Consumer Morsel \(bofa.com\)](https://www.bofa.com/consumer-morsel) for methodology, limitations, and disclaimers related to BAC card data.

### Exhibit 8: Boomer and traditionalist spending growth has been significantly higher than that of younger generations

Bank of America total card spending per household by generation (28-day moving average, % YoY)

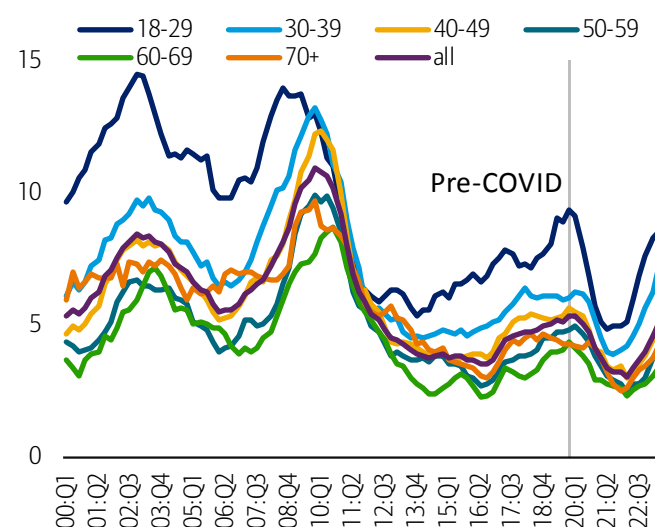


Source: Bank of America internal data

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### Exhibit 9: Younger Millennials (30-39) are the only group with higher credit card delinquency today vs. pre-COVID levels

Transition into serious delinquency (90+) for credit cards by age

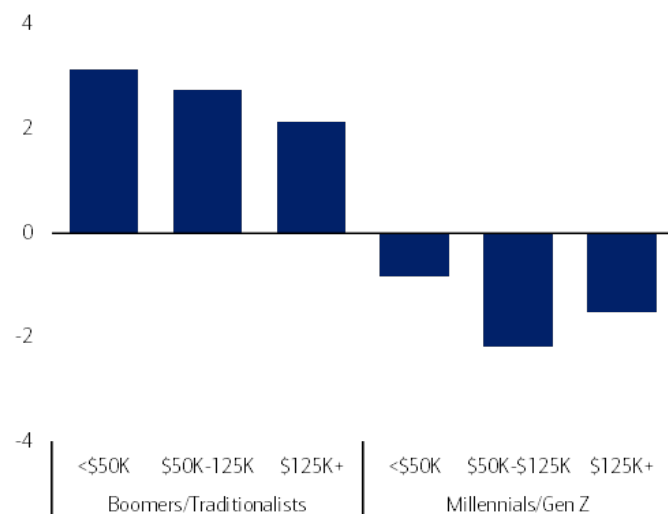


Source: New York Federal Reserve

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### Exhibit 10: Older generation spending has outpaced younger generation across income cohorts

Total card spending per household for Boomer/Traditionalist and Millennials/Gen Z by income (28-day moving average to 7th October 2023, % YoY)

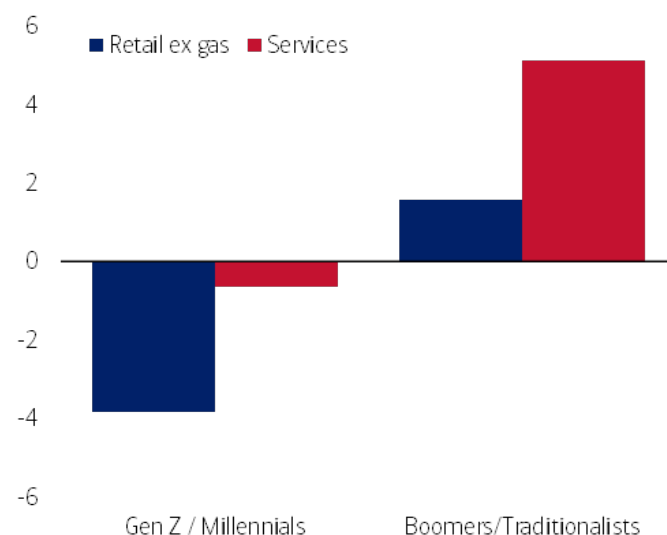


Source: Bank of America internal data

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### Exhibit 11: Higher older generation spending is a feature of both retail and services

Total card spending per household for Boomer/Traditionalist and Millennials/Gen Z by retail (ex gas) and services (28-day moving average to 7th October 2023, % YoY)

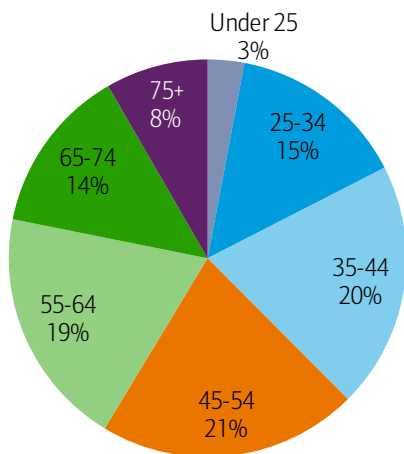


Source: Bank of America internal data

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### Exhibit 12: 25-44 (Millennials) and 55-74 (Baby Boomers) together make up 2/3 of total consumption

Breakdown of total consumption by age group (2022 consumer expenditure survey)

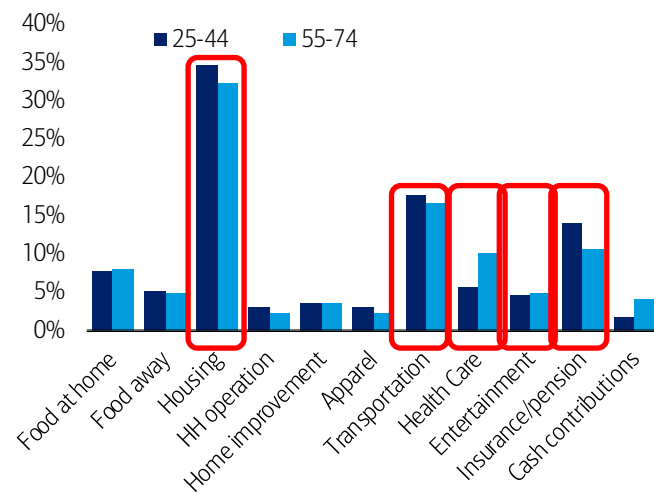


Source: Haver Analytics, BofA US Equity & Quant Strategy

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### Exhibit 13: Millennials spend more on big ticket items; Boomers spend more on Health Care and slightly more on Entertainment

% share of expenditure by category (2022 consumer expenditure survey)



Source: Haver Analytics, BofA US Equity & Quant Strategy

Note: Cash contributions includes cash contributed to persons or organizations outside the consumer unit, including alimony and child support payments; care of students away from home; and contributions to religious, educational, charitable, or political organizations.\* – BLS

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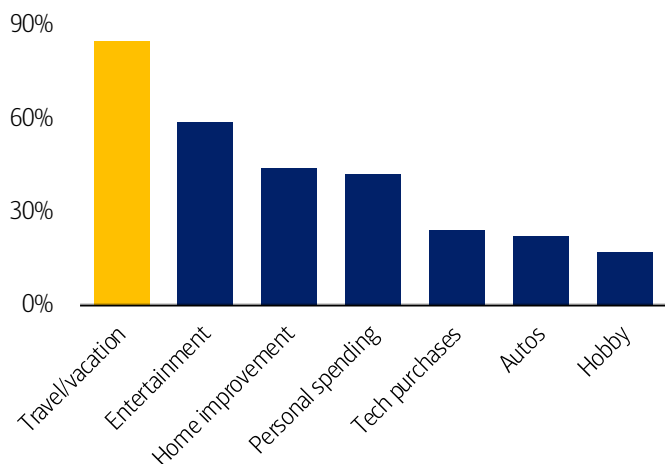
## How to trade the theme

### Travel = #1 discretionary spend priority

Extra interest income and more leisure time post retirement could drive increased entertainment spend for Boomers. In fact, travel was cited as the top priority for discretionary spend (85%) among the 50+ age group, according to the AARP (Exhibit 14). Cruise lines are heavily exposed to Boomers, accounting for ~40% of travelers (Exhibit 15).

#### Exhibit 14: Travel was cited as the #1 discretionary spend priority among people over 50

% of respondents aged 50+ that rank each category in top 3 discretionary spend priority (March 2023)

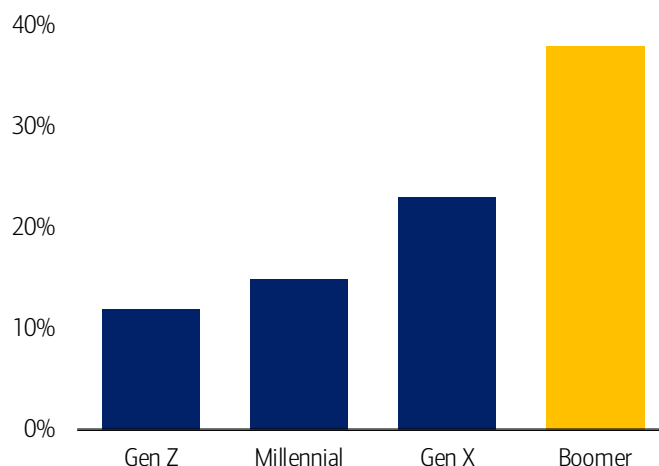


Source: AARP Research

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#### Exhibit 15: Cruise lines are heavily exposed to Boomers (~40% of travelers)

Mix of travelers for Norwegian Cruise Line (FY2019)



Source: Company reports

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## Housing: Increasing wealth bodes well for luxury home demand

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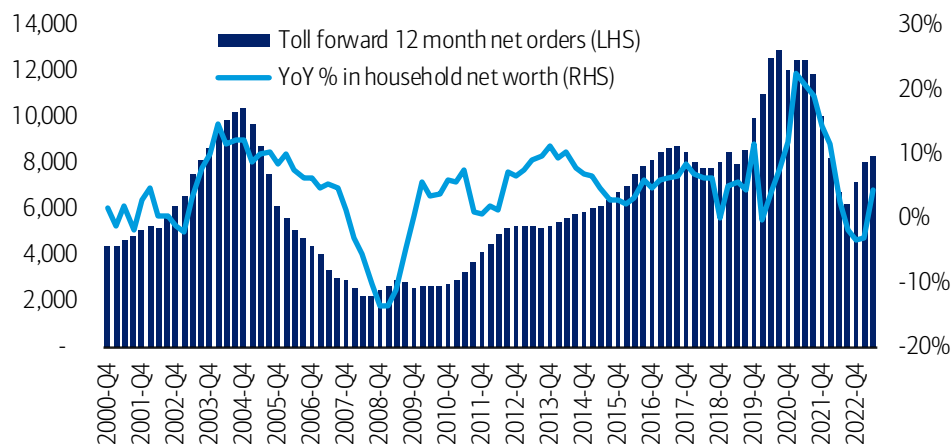
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We think TOL can continue to grow beyond our FY2024 home sales forecast, which is 40% above the 2006 peak for several reasons: (1) US household net worth has increased at record rates in recent years, which has historically been a positive indicator for TOL forward order growth, (2) TOL has broadened its customer base through expansion into the affordable luxury, active adult and city living segments, (3) elevated existing home prices give TOL better pricing power and could create an upcycling effect as owners use equity to trade-up, and (4) wealth transfer to millennials from boomers.

TOL management on the August 23, 2023 earnings call, “Our buyers also tend to be more affluent. In the third quarter, **25% of our buyers paid all cash**, up from 23% in the second quarter and our long-term average of 20%. Buyers who do take a mortgage make higher down payments, with an average LTV of 68% in this past quarter.”

**Exhibit 16: Toll net order growth and US household net worth**

Stronger YoY growth in US household net worth tends to lead an acceleration in Toll order growth



Source: Federal Reserve, Haver Analytics, Company data, BofA Global Research

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**Toll expanding into active adult space and affordable luxury**

Over the past several years TOL has worked to expand its active adult (age-targeted) and affordable luxury presence in order to diversify its customer base and revenue stream. Age-targeted communities as a percent of total units have increased to ~20% (vs. 16-17% in FY19), while affordable luxury communities have grown to 45% in FY2Q23 from ~35% in FY19.

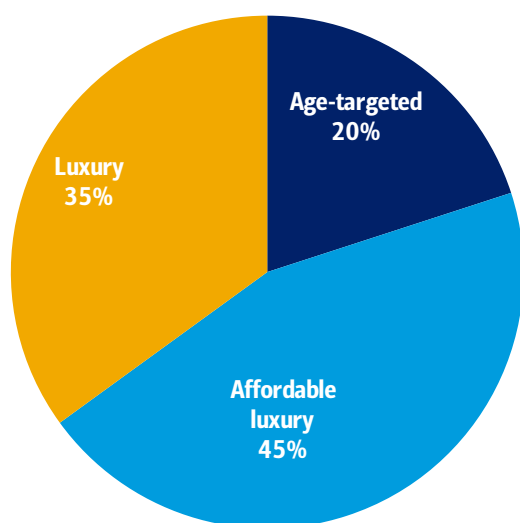
In our view, the active adult market is attractive due to an aging US demographic and the fact that retirees are often less price sensitive than the broader population. Additionally, the surge in existing home prices over the last few years should benefit TOL as potential buyers in these communities will have more money to spend when looking to move into an age restricted community with more amenities.

TOL's affordable luxury offering is intended to target millennials, a group which is still in the early stages of homeownership. The amount of 35-44 year olds (historically a leading indicator of housing starts) is set to increase by 5mm over the next 8 years. Going forward, we see additional tailwinds from flexible work arrangements and technology including ride-sharing and food /grocery delivery apps that have improved the convenience and quality of life in suburbs.

TOL management on the August 23, 2023 earnings call, "In addition, demographic and migration trends continue to provide long-term support for the industry, with millennials forming families and buying their first home later in life, when they have higher incomes and accumulated wealth. Baby boomers who are either retiring or planning for it are also moving as they adjust to their new lifestyles. **There also appears to be an increase in generational wealth transfer with parents helping their kids buy homes.** All of these factors combined have kept demand for new homes solid in the face of higher rates, and we are benefiting."

**Exhibit 17: Community breakdown**

Affordable luxury gaining share on luxury communities



Source: Company reports

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**Wealthy boomers will drive demand for senior housing****Joshua Dennerlein**

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In 2020 seniors over 65 years old, made up 17% of the population. That is expected to increase to 44.2% in 2040 (80.8M) according to the US Census. The growth is expected to be even larger for the 85+ age group. This segment of the population will increase from 6.7M (2% of the population) in 2020 to 14.4M (3.9% of the population) in 2040 (115% increases). According to data from the US Department of Health and Human Services (HHS), about 70% of Americans who reach the age of 65 will need some form of long-term care in their lives for an average of three years. The bottom line is that aging demographics are a positive tailwind for senior housing demand.

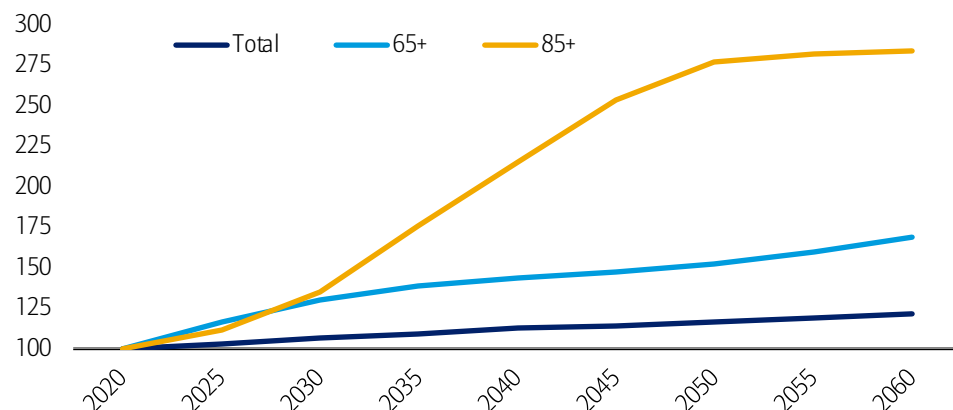
**WELL is best position to capture aging Boomers Wealth; on US1 list**

Seniors typically pay for their stay in a senior housing facility using private funds. The most common source is from selling one's primary residence. We view Boomers wealth as a key support to our positive long term thesis on Senior Housing. We view Welltower (Ticker: WELL) which is on BofA's US1 list as best positioned for this theme. For more see our [Senior Housing Primer](#).



**Exhibit 18: Projected population size, indexed at 100 in 2020**

The population of those 85+ is projected to grow at 5x the national average



Source: BofA Global Research, US Census

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## Private pay health care and death care would benefit

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The vast majority of health care services for seniors (aged 65+) is covered by Medicare, the federally funded program. As such the wealth transfer would not impact utilization of those services. One health care area that is not covered by insurance is senior housing where target customers are in their late 70s to early 80s with annual income of \$50k+.

Wealth matters for paying for a senior housing stay since the average monthly rent is \$4k for Independent Living (shelter, housekeeping, and food), \$6k for Assisted Living (hospitality services plus assistance with activities of daily living), and \$8k for Memory Care (for seniors with Alzheimer's and dementia). A vast majority of residents fund their stay by selling their primary residence and using the proceeds to pay for their stay. About 80% of people entering a facility were previously living in an owned house. As such, the wealth transfer could benefit senior housing operators. Specifically, over the last few years, there has been more development of very high-end senior housing properties, some charging \$10-\$20k+ monthly rents (e.g. in New York City).

Another area of health care that would benefit from wealthy seniors would be private pay personal care (long-term non-skilled attendant care). Seniors with low income or who spend down their savings qualify for Medicaid-funded nursing home stays or personal care assistance at home. However, the more affluent seniors who do not qualify for Medicaid and want to stay in their homes, would need to spend around \$20k per month for 24/7 care by a home health aide.

Finally, we would flag death care as a beneficiary of the wealth transfer given the age of the target customers, the need-based nature of the services and the lack of insurance coverage. Typically, customers of funeral services are in their late 70s but seniors aged 65-74 purchase pre-need funeral contracts to cover costs of funeral services in the future. Meanwhile, seniors in their late 50s to early 60s typically purchase cemetery plots on a pre-need basis (when they are still alive). While funeral costs can vary depending on the type and size of the service/ gathering, the range of prices of cemetery plots is even wider. A columbarium spot starts at \$2k and a cremation garden spot can cost \$2k-25k while a gated estate prices start at \$25k and can go above \$2m.

**Service Corp (SCI)**, the largest funeral and cemetery operator in the US, has been successful in driving the average cemetery pricing higher over time by tiering its cemetery offering. The company has been investing \$80-100m annually to develop cemetery properties that then can be sold to the customers for the future use. Specifically, the company has seen its premium property sales (average unit cost of over \$40k) growing at a 15% CAGR in 2015-2021 with private mausoleum cost ranging from \$0.25m to \$5m. The premium properties offer secluded and scenic grounds (e.g. water views, good feng shui), and can accommodate multi-generational use. The company is also seeing a strong demand for cemetery properties for cremation customers where pricing could also vary dramatically from \$5k for a glass-front niche to \$100k for columbarium.

With higher-income customers accounting for 15-20% and another 20% of customers driven by customs/religious or ethnic needs, SCI is well positioned to benefit from the wealthy accumulation by the senior population.

## AXP: Boomers matter, even as it adds younger cardmembers

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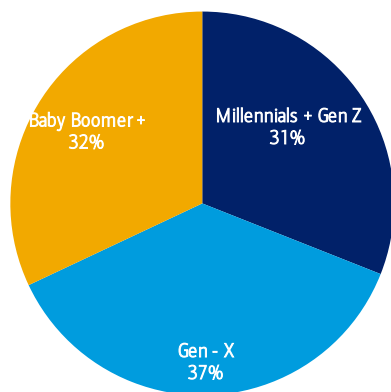
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### Boomers: 1/3<sup>rd</sup> of card base but big spenders

We think American Express is a beneficiary of the boomer's boom thesis. Baby boomers represent about 1/3<sup>rd</sup> of U.S. consumer billings at Amex and 13% of total spend on all American Express cards. This is a similar share as Millennials and Gen Z combined and only slightly less than Gen-Xs'. However, Amex has also noted that on a per-card basis Boomers spend at much higher levels than millennials. This implies Amex's Boomer customers are wealthier and have higher levels of discretionary income than average.

#### Exhibit 19: Baby boomers represent ~1/3<sup>rd</sup> of U.S. Consumer billings at AXP

% of U.S. Consumer billings (2Q23)



Source: Company reports, BofA Global Research

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### Travel & entertainment are Amex specialties

Notably, the categories that Boomers are prioritizing for the discretionary spending – travel & entertainment – are categories Amex has historically had the strongest offerings in from a rewards and access standpoint. Travel and entertainment together comprise 27% of total billed business at Amex, a much larger share than other issuers or networks. Whether its airport lounge access, hotel rewards and offers, or restaurant

reservations, Amex's premium card offerings fit nicely with Boomers desire to spend their post-retirement leisure time.

### **Premium offerings likely attracted well-off Boomers**

Amex has long been viewed as a premium card and we believe its Boomer customers are likely to be wealthier and have more discretionary income than average. These customers were likely key beneficiaries of the great wealth transfer and are also more likely to be home owners that locked in low mortgage rates. Amex has long had the lowest credit card loss rates in the industry, and it is the only pure-play card issuer whose losses remain below pre-pandemic levels. While we expect [losses to increase](#) from current levels, we expect Amex to benefit from its wealthier customer base and have less credit pressure than other issuers. The wealthier client base should also be less impacted by inflation and contain a larger share of Boomers who are benefiting from higher rates, which should also boost spending (billings), an important metric for Amex.

### **Expect pressures on apparel spending**

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### **Expect Apparel retail challenges given Millennial target demographic**

Even as overall spending has held up, clothing spending has decelerated in recent weeks: clothing spending was -7.6% in the first week of Oct (see our latest [BAC data note](#)). We think this is partly explained by the discrepancy in wealth and consumption between the age cohorts. Millennials are more pressured by inflation and higher housing expenses, but account for more of the apparel spending (Exhibit 13). Boomers spend more in other categories such as leisure and healthcare, and are boosting overall consumption.

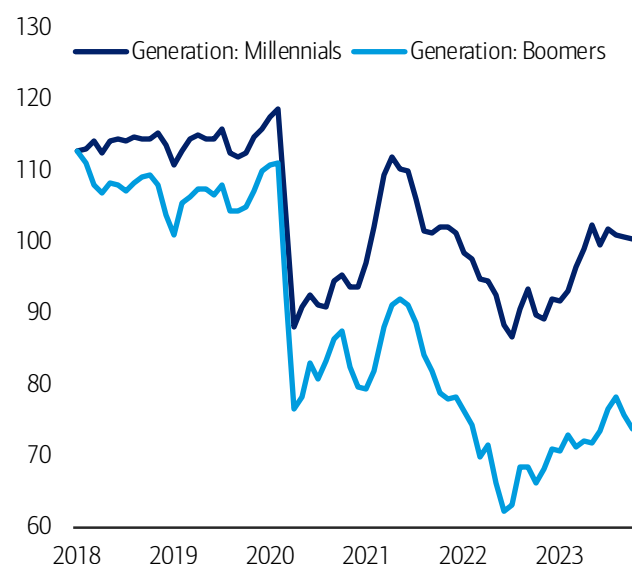
We see the most risk to womenswear apparel retailers such as Underperform rated Revolve ([RVLV](#)), which have a younger target demographic of Gen Z and Millennials. Its products have a higher price point than the average US fashion retailer, and continued pressures for Gen Z and young Millennial shoppers could mean higher price sensitivity and weaker demand ahead.

## Risk: Weaker sentiment & lower COLA boost next year

Despite the spending trend that looks much healthier for Boomers, consumer sentiment is in fact much weaker among Boomers than Millennials according to Morning Consult. This can be at least partly attributable to a smaller increase in cost of living adjustments (COLA) announced for social security benefits for 2024, +3.2% YoY, which is a big drop from +8.7% YoY in 2023. 2023 is expected to be the biggest real increase year in COLA since the financial crisis (+4.5ppt vs. expected CPI), while +3.2% increase in 2024 is largely in line with expected CPI for next year (BofA estimate). BAC card data suggests Boomers and Traditionalists who receive social security benefits have seen bigger increases in card spending this year vs. those that do not. The gap was particularly wider in lower-income workers (<\$50K) and the lower COLA increase next year could put more pressure on that cohort.

### Exhibit 20: Consumer sentiment is much weaker among Boomers than Millennials

Consumer sentiment by age group (2018-10/23)

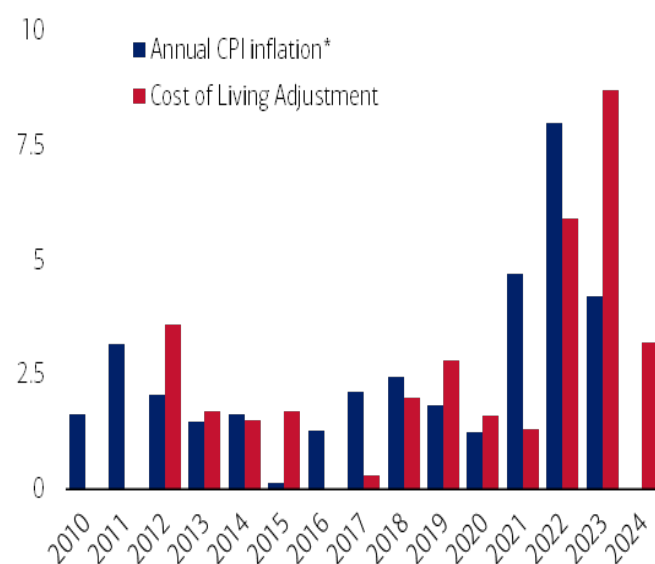


Source: Morning Consult

BofA GLOBAL RESEARCH

### Exhibit 21: The 2023 COLA was large relative to where inflation is expected to turn out

Cost of Living Adjustments (COLA) and annual inflation (% YoY, annual)



Source: BofA Global Research, Haver Analytics, Social Security Administration. \* 2023 data uses BofA Global Research annual CPI forecast

BofA GLOBAL RESEARCH

## Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AXP	AXP US	American Express	US\$ 144.42	B-1-7
RVLV	RVLV US	Revolve	US\$ 13.6	C-3-9
SCI	SCI US	Service Corp.	US\$ 54.16	B-1-7
TOL	TOL US	Toll Brothers	US\$ 69.77	B-1-7
WELL	WELL US	Welltower	US\$ 84.29	B-1-7

Source: BofA Global Research

## Price objective basis & risk

### American Express Company (AXP)

Our \$200 price objective is based on a 16x multiple to our 2024 EPS forecast. An 16x PE multiple is on the higher end of the historical range (12-18x) for AXP, which we think is appropriate given the faster growth outlook and strong operating momentum it is experiencing.

Downside risks to our PO are weaker-than-expected macroeconomic conditions, softer consumer and business spending, weaker loan growth, increasing competition, weaker US consumer credit performance, disruptions in capital markets, or an increasing regulatory burden.

### Revolve (RVLV)

Our \$11.50 price objective is based on 9x F24E EV/EBITDA, in line with a group of digitally native peers.

Upside risks: Results could hold up better in the near term than other retailers given its primarily fashion offering (versus casual) and higher-end demographic focus, estimate cuts could be greeted with a surge in the stock as the worst is behind, or the macro climate could fare better than we expect, paving the way for better sales growth than we are modeling.

Downside risks: the consumer could pull back faster than we expect due to inflation, pandemic-recovery margin gains may unwind through higher promotional activity, execution on the ramp of owned brand penetration, and shifts in the broader consumer trends away from products in categories Revolve offers.

### Service Corp. (SCI)

Our price objective (PO) of \$70 is based on 11.7x 2024E EBITDA, a premium to the median multiple we use for the stocks in our coverage (10x) due to the demographic tailwinds, a better payor mix and margins, and lower than average leverage with growing dividends being a differentiating factor. It is below the 5-year avg multiple for SCI of 12.4x due to the risks to the pre-need cemetery sales production (discretionary).

Risks to our PO are unexpected pressure to volumes, weaker pre-need sales and trust fund performance. In addition, there is risk around execution of acquisitions and share repurchases.

### Toll Brothers, Inc. (TOL)

Our \$95 PO on TOL shares is based on a price to forward 12-month book value multiple of roughly 1.4x, a slight discount to TOL's historical multiple (1.5x price to book value), which we view as appropriate given increasing affordability concerns and difficult comparisons.

Downside risks: (1) Luxury home demand could suffer an outsized decline during economic slowdowns, (2) Mid-Atlantic and Northeastern markets tend to grow more slowly, (3) potential earnings volatility given historically lumpy City Living sales, although this segment is now a small portion of TOL's overall business, (4) worsening affordability from rising rates, (5) supply chain issues and (6) slowing US economic growth.

Upside risks: (1) Luxury home demand could benefit by an outsized amount during economic strengthening, (2) Mid-Atlantic and Northeastern markets could grow more quickly, (3) improved lending markets could positively impact potential TOL customers needing to sell an existing home.

**Welltower (WELL)**

Our \$93 price objective for WELL is now derived by applying a AFFO Multiple to our 2024 forward AFFO estimate as we look to a more normalized earnings period. We use a target AFFO multiple of 25.0x and we believe this is warranted given: (1) depressed earnings due to the COVID pandemic, (2) our expectations of a multi-year period of above average earnings growth driven by a rebound in senior housing as the COVID pandemic fades. Upside risks to our PO are better-than-expected senior housing or medical office building performance, higher-than-forecast dividend growth and lower interest rates. Downside risks to our PO are further public-pay reimbursement cuts, a more competitive acquisitions environment, weaker-than-expected senior housing fundamentals, increased tenant credit risk, and rising interest rates.

**Analyst Certification**

We, Alice Xiao, Joanna Gajuk, Joshua Dennerlein, Mihir Bhatia and Rafe Jadrosich, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

## US - REITs Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Agree Realty Corp	ADC	ADC US	Joshua Dennerlein
	Alexandria Real Estate Equities	ARE	ARE US	Joshua Dennerlein
	American Homes 4 Rent	AMH	AMH US	Jeffrey Spector
	Americold Realty Trust	COLD	COLD US	Joshua Dennerlein
	AvalonBay Communities Inc	AVB	AVB US	Joshua Dennerlein
	Boston Properties	BXP	BXP US	Jeffrey Spector
	Brixmor Property Group	BRX	BRX US	Jeffrey Spector
	COPT Defense Properties	CDP	CDP US	Camille Bonnel
	Cousins Properties Inc.	CUZ	CUZ US	Camille Bonnel
	CubeSmart	CUBE	CUBE US	Jeffrey Spector
	EastGroup Properties	EGP	EGP US	Jeffrey Spector
	Empire State Realty Trust	ESRT	ESRT US	Camille Bonnel
	Equity Residential	EQR	EQR US	Jeffrey Spector
	Essential Properties	EPRT	EPRT US	Joshua Dennerlein
	Extra Space Storage, Inc.	EXR	EXR US	Jeffrey Spector
	Federal Realty	FRT	FRT US	Jeffrey Spector
	Highwoods Properties	HIW	HIW US	Camille Bonnel
	Invitation Homes Inc	INVH	INVH US	Joshua Dennerlein
	Kimco Realty	KIM	KIM US	Jeffrey Spector
	Kite Realty Group	KRG	KRG US	Jeffrey Spector
	OMEGA Healthcare	OHI	OHI US	Joshua Dennerlein
	Phillips Edison & Company	PECO	PECO US	Jeffrey Spector
	Prologis, Inc.	PLD	PLD US	Camille Bonnel
	Public Storage, Inc.	PSA	PSA US	Jeffrey Spector
	Regency	REG	REG US	Jeffrey Spector
	Retail Opportunity Investments Corp.	ROIC	ROIC US	Jeffrey Spector
	Rexford Industrial Realty	REXR	REXR US	Camille Bonnel
	Sabra Health Care	SBRA	SBRA US	Joshua Dennerlein
	Simon Property	SPG	SPG US	Jeffrey Spector
	UDR, Inc.	UDR	UDR US	Joshua Dennerlein
	Welltower	WELL	WELL US	Joshua Dennerlein
<b>NEUTRAL</b>				
	Acadia Realty Trust	AKR	AKR US	Jeffrey Spector
	Camden Property Trust	CPT	CPT US	Joshua Dennerlein
	EPR Properties	EPR	EPR US	Joshua Dennerlein
	Equity LifeStyle Properties	ELS	ELS US	Jeffrey Spector
	Essex Property Trust, Inc.	ESS	ESS US	Joshua Dennerlein
	Getty Realty Corp.	GTY	GTY US	Joshua Dennerlein
	Healthpeak Properties, Inc.	PEAK	PEAK US	Joshua Dennerlein
	Hudson Pacific Properties, Inc.	HPP	HPP US	Camille Bonnel
	InvenTrust Properties	IVT	IVT US	Jeffrey Spector
	Kennedy Wilson	KW	KW US	Joshua Dennerlein
	Kilroy Realty Corporation	KRC	KRC US	Camille Bonnel
	Macerich	MAC	MAC US	Jeffrey Spector
	Mid-America Apartment Communities, Inc.	MAA	MAA US	Joshua Dennerlein
	Paramount Group	PGRE	PGRE US	Camille Bonnel
	Realty Income	O	O US	Jeffrey Spector
	SL Green Realty	SLG	SLG US	Camille Bonnel
	Sun Communities	SUI	SUI US	Joshua Dennerlein
	Ventas, Inc.	VTR	VTR US	Jeffrey Spector
	Veris Residential Inc	VRE	VRE US	Joshua Dennerlein
	Vornado Realty	VNO	VNO US	Camille Bonnel
<b>UNDERPERFORM</b>				
	American Assets Trust	AAT	AAT US	Camille Bonnel
	Armada Hoffer Properties	AHH	AHH US	Camille Bonnel
	Brandywine Realty	BDN	BDN US	Camille Bonnel
	Diversified Healthcare Trust	DHC	DHC US	Joshua Dennerlein
	Douglas Emmett	DEI	DEI US	Camille Bonnel
	Equity Commonwealth	EQC	EQC US	Camille Bonnel
	LXP Industrial Trust	LXP	LXP US	Camille Bonnel
	Medical Properties Trust, Inc.	MPW	MPW US	Joshua Dennerlein
	National Storage Affiliates Trust	NSA	NSA US	Jeffrey Spector
	NetSTREIT	NTST	NTST US	Joshua Dennerlein



**US - REITs Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	NNN REIT Inc	NNN	NNN US	Joshua Dennerlein
	Office Properties Income Trust	OPI	OPI US	Camille Bonnel
	Peakstone Realty Trust	PKST	PKST US	Joshua Dennerlein
	Physicians Realty Trust	DOC	DOC US	Joshua Dennerlein
	Spirit Realty Capital	SRC	SRC US	Joshua Dennerlein
	STAG Industrial	STAG	STAG US	Camille Bonnel
	Tanger Factory	SKT	SKT US	Jeffrey Spector
	WP Carey	WPC	WPC US	Joshua Dennerlein

**US - Softline Retailing and Dept Stores Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Bath & Body Works Inc	BBWI	BBWI US	Lorraine Hutchinson, CFA
	Burlington Stores	BURL	BURL US	Lorraine Hutchinson, CFA
	Deckers Outdoor Corp	DECK	DECK US	Christopher Nardone
	European Wax Center	EWZC	EWZC US	Lorraine Hutchinson, CFA
	lululemon athletica Inc	LULU	LULU US	Lorraine Hutchinson, CFA
	Oddity Tech	ODD	ODD US	Lorraine Hutchinson, CFA
	PVH Corp	PVH	PVH US	Christopher Nardone
	Ralph Lauren	RL	RL US	Christopher Nardone
	Ross Stores Inc	ROST	ROST US	Lorraine Hutchinson, CFA
	Tapestry Inc.	TPR	TPR US	Lorraine Hutchinson, CFA
	TJX Companies	TJX	TJX US	Lorraine Hutchinson, CFA
	Urban Outfitters	URBN	URBN US	Lorraine Hutchinson, CFA
	Victoria's Secret & Co	VSCO	VSCO US	Alice Xiao
<b>NEUTRAL</b>				
	FIGS, Inc.	FIGS	FIGS US	Alice Xiao
	Foot Locker	FL	FL US	Lorraine Hutchinson, CFA
	Levi Strauss & Co.	LEVI	LEVI US	Christopher Nardone
	Nike	NKE	NKE US	Lorraine Hutchinson, CFA
	Signet Jewelers	SIG	SIG US	Lorraine Hutchinson, CFA
	Ulta Beauty	ULTA	ULTA US	Lorraine Hutchinson, CFA
	Under Armour Inc	UAA	UAA US	Lorraine Hutchinson, CFA
<b>UNDERPERFORM</b>				
	American Eagle	AEO	AEO US	Christopher Nardone
	Aritzia	YATZ	ATZ CN	Alice Xiao
	Aritzia	ATZAF	ATZAF US	Alice Xiao
	Carter's Inc	CRI	CRI US	Christopher Nardone
	Gap Inc.	GPS	GPS US	Lorraine Hutchinson, CFA
	Kohl's	KSS	KSS US	Lorraine Hutchinson, CFA
	Macy's	M	M US	Lorraine Hutchinson, CFA
	Nordstrom	JWN	JWN US	Lorraine Hutchinson, CFA
	Revolve	RVLV	RVLV US	Alice Xiao
	V F Corp	VFC	VFC US	Lorraine Hutchinson, CFA

**US - Facilities, Hospitals and Managed Healthcare Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Acadia Healthcare	ACHC	ACHC US	Kevin Fischbeck, CFA
	Addus HomeCare	ADUS	ADUS US	Joanna Gajuk
	Agilon Health	AGL	AGL US	Adam Ron
	Alignment Healthcare	ALHC	ALHC US	Adam Ron
	Chemed Corporation	CHE	CHE US	Joanna Gajuk
	Elevance Health Inc	ELV	ELV US	Kevin Fischbeck, CFA
	Encompass Health	EHC	EHC US	Kevin Fischbeck, CFA
	HCA	HCA	HCA US	Kevin Fischbeck, CFA
	Humana Inc	HUM	HUM US	Kevin Fischbeck, CFA



## US - Facilities, Hospitals and Managed Healthcare Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Option Care Health	OPCH	OPCH US	Joanna Gajuk
	Privia Health	PRVA	PRVA US	Adam Ron
	Select Medical Corp.	SEM	SEM US	Kevin Fischbeck, CFA
	Service Corp.	SCI	SCI US	Joanna Gajuk
	Surgery Partners, Inc	SGRY	SGRY US	Kevin Fischbeck, CFA
	Tenet Healthcare	THC	THC US	Kevin Fischbeck, CFA
	The Cigna Group	CI	CI US	Kevin Fischbeck, CFA
	UnitedHealth Group	UNH	UNH US	Kevin Fischbeck, CFA
	Universal Health Services	UHS	UHS US	Kevin Fischbeck, CFA
	US Physical Therapy	USPH	USPH US	Joanna Gajuk
<b>NEUTRAL</b>				
	AdaptHealth Corp.	AHCO	AHCO US	Joanna Gajuk
	AMN Healthcare	AMN	AMN US	Kevin Fischbeck, CFA
	Apollo Medical	AMEH	AMEH US	Adam Ron
	Centene Corporation	CNC	CNC US	Kevin Fischbeck, CFA
	Molina Healthcare, Inc.	MOH	MOH US	Kevin Fischbeck, CFA
	Oscar Health	OSCR	OSCR US	Adam Ron
<b>UNDERPERFORM</b>				
	Agility Health Inc	AGTI	AGTI US	Kevin Fischbeck, CFA
	Brookdale	BKD	BKD US	Joanna Gajuk
	Cross Country Healthcare	CCRN	CCRN US	Kevin Fischbeck, CFA
	DaVita Inc	DVA	DVA US	Kevin Fischbeck, CFA
	Enhabit Home Health & Hospice	EHAB	EHAB US	Joanna Gajuk
	Pediatric Medical Group, Inc.	MD	MD US	Kevin Fischbeck, CFA

## US - Homebuilders and Building Products Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Armstrong World Industries, Inc.	AWI	AWI US	Rafe Jadrosich
	D.R. Horton, Inc.	DHI	DHI US	Rafe Jadrosich
	Latham Group, Inc.	SWIM	SWIM US	Shaun Calnan, CFA
	NVR, Inc.	NVR	NVR US	Rafe Jadrosich
	Owens Corning	OC	OC US	Rafe Jadrosich
	PulteGroup Inc.	PHM	PHM US	Rafe Jadrosich
	The AZEK Company Inc.	AZEK	AZEK US	Rafe Jadrosich
	Toll Brothers, Inc.	TOL	TOL US	Rafe Jadrosich
	TopBuild Corp	BLD	BLD US	Rafe Jadrosich
	Trex Company, Inc.	TREX	TREX US	Rafe Jadrosich
<b>NEUTRAL</b>				
	Dream Finders Homes, Inc.	DFH	DFH US	Rafe Jadrosich
	KB Home	KBH	KBH US	Rafe Jadrosich
	Lennar Corporation	LEN	LEN US	Rafe Jadrosich
<b>UNDERPERFORM</b>				
	Fortune Brands Innovations Inc	FBIN	FBIN US	Rafe Jadrosich
	Hayward Holdings, Inc.	HAYW	HAYW US	Rafe Jadrosich
	Masco Corp	MAS	MAS US	Rafe Jadrosich
	Mohawk Industries	MHK	MHK US	Rafe Jadrosich
	Patrick Industries, Inc.	PATK	PATK US	Rafe Jadrosich
	Pool Corporation	POOL	POOL US	Shaun Calnan, CFA

## US - Payments, Processors, Specialty Finance and IT services Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Accenture Plc	ACN	ACN US	Jason Kupferberg
	American Express Company	AXP	AXP US	Mihir Bhatia
	Ares Capital Corporation	ARCC	ARCC US	Derek Hewett



**US - Payments, Processors, Specialty Finance and IT services Coverage Cluster**

<b>Investment rating</b>	<b>Company</b>	<b>BofA Ticker</b>	<b>Bloomberg symbol</b>	<b>Analyst</b>
	Ares Commercial Real Estate Corporation	ACRE	ACRE US	Derek Hewett
	Barings BDC Inc	BBDC	BBDC US	Derek Hewett
	Blackstone Mortgage Trust Inc	BXMT	BXMT US	Derek Hewett
	Block Inc	SQ	SQ US	Jason Kupferberg
	Blue Owl Capital Corporation	OBDC	OBDC US	Derek Hewett
	Carlyle Secured Lending Inc	CGBD	CGBD US	Derek Hewett
	Compass Diversified Holdings	CODI	CODI US	Derek Hewett
	Crescent Capital BDC	CCAP	CCAP US	Derek Hewett
	Essent Group	ESNT	ESNT US	Mihir Bhatia
	Fidelity National Information Services	FIS	FIS US	Jason Kupferberg
	Fiserv Inc	FI	FI US	Jason Kupferberg
	FleetCor Technologies Inc.	FLT	FLT US	Mihir Bhatia
	Flywire	FLYW	FLYW US	Jason Kupferberg
	Global Payments Inc	GPN	GPN US	Jason Kupferberg
	Mastercard Inc	MA	MA US	Jason Kupferberg
	MGIC Investment Corp.	MTG	MTG US	Mihir Bhatia
	New Mountain Finance Corporation	NMFC	NMFC US	Derek Hewett
	NMI Holdings	NMIH	NMIH US	Mihir Bhatia
	Nuvei	NVEI	NVEI US	Jason Kupferberg
	Nuvei	YNVEI	NVEI CN	Jason Kupferberg
	OneMain Holdings, Inc.	OMF	OMF US	Mihir Bhatia
	PayPal Holdings Inc	PYPL	PYPL US	Jason Kupferberg
	Safehold, Inc	SAFE	SAFE US	Derek Hewett
	Shift4 Payments, Inc	FOUR	FOUR US	Jason Kupferberg
	Sixth Street Specialty Lending, Inc	TSLX	TSLX US	Derek Hewett
	Starwood Property Trust	STWD	STWD US	Derek Hewett
	Telus International	TIXT	TIXT US	Cassie Chan
	Telus International	YTIXT	TIXT CN	Cassie Chan
	Toast	TOST	TOST US	Jason Kupferberg
	Visa Inc.	V	V US	Jason Kupferberg
	WEX Inc.	WEX	WEX US	Mihir Bhatia

**NEUTRAL**

	Affirm Holdings	AFRM	AFRM US	Jason Kupferberg
	AGNC Investment Corp	AGNC	AGNC US	Derek Hewett
	Annaly Capital Management	NLY	NLY US	Derek Hewett
	Apollo Commercial Real Estate Finance	ARI	ARI US	Derek Hewett
	Bain Capital Specialty Finance, Inc.	BCSF	BCSF US	Derek Hewett
	Blackstone Secured Lending Fund	BXSL	BXSL US	Derek Hewett
	Bread Financial Holdings Inc	BFH	BFH US	Mihir Bhatia
	BrightSpire Capital Inc.	BRSP	BRSP US	Derek Hewett
	Capital One Financial	COF	COF US	Mihir Bhatia
	Discover Financial	DFS	DFS US	Mihir Bhatia
	DLocal	DLO	DLO US	Jason Kupferberg
	Enact Holdings	ACT	ACT US	Mihir Bhatia
	Globant SA	GLOB	GLOB US	Jason Kupferberg
	Goldman Sachs BDC, Inc.	GSBD	GSBD US	Derek Hewett
	Golub Capital BDC, Inc.	GBDC	GBDC US	Derek Hewett
	Jack Henry & Associates	JKHY	JKHY US	Jason Kupferberg
	Ladder Capital Corp	LADR	LADR US	Derek Hewett
	Marqeta	MQ	MQ US	Jason Kupferberg
	PennyMac Mortgage Investment Trust	PMT	PMT US	Derek Hewett
	SoFi Technologies Inc	SOFI	SOFI US	Mihir Bhatia
	Synchrony Financial	SYF	SYF US	Mihir Bhatia
	Thoughtworks	TWKS	TWKS US	Jason Kupferberg
	TPG RE Finance Trust, Inc.	TRTX	TRTX US	Derek Hewett
	TTEC Holdings	TTEC	TTEC US	Cassie Chan

**UNDERPERFORM**

	ADP	ADP	ADP US	Jason Kupferberg
	CGI Inc.	GIB	GIB US	Jason Kupferberg
	CGI Inc.	YGIBA	GIB/A CN	Jason Kupferberg
	Cognizant Technology Solutions	CTSH	CTSH US	Jason Kupferberg
	Coinbase	COIN	COIN US	Jason Kupferberg
	DXC Technology	DXC	DXC US	Jason Kupferberg
	EPAM Systems	EPAM	EPAM US	Jason Kupferberg

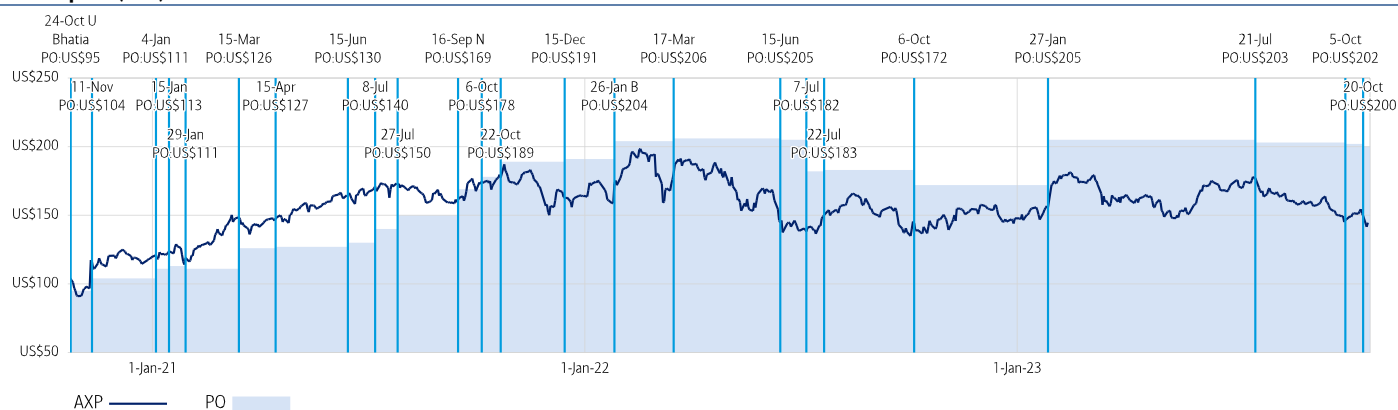
## US - Payments, Processors, Specialty Finance and IT services Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Guild Holdings Company	GHLD	GHLD US	Derek Hewett
	Invesco Mortgage Capital, Inc.	IVR	IVR US	Derek Hewett
	loanDepot Inc	LDI	LDI US	Derek Hewett
	MidCap Financial Investment Co	MFIC	MFIC US	Derek Hewett
	Paychex	PAYX	PAYX US	Jason Kupferberg
	Radian Group Inc	RDN	RDN US	Mihir Bhatia
	Rocket Companies, Inc.	RKT	RKT US	Mihir Bhatia
	TaskUs	TASK	TASK US	Cassie Chan
	Western Union	WU	WU US	Jason Kupferberg

## Disclosures

## Important Disclosures

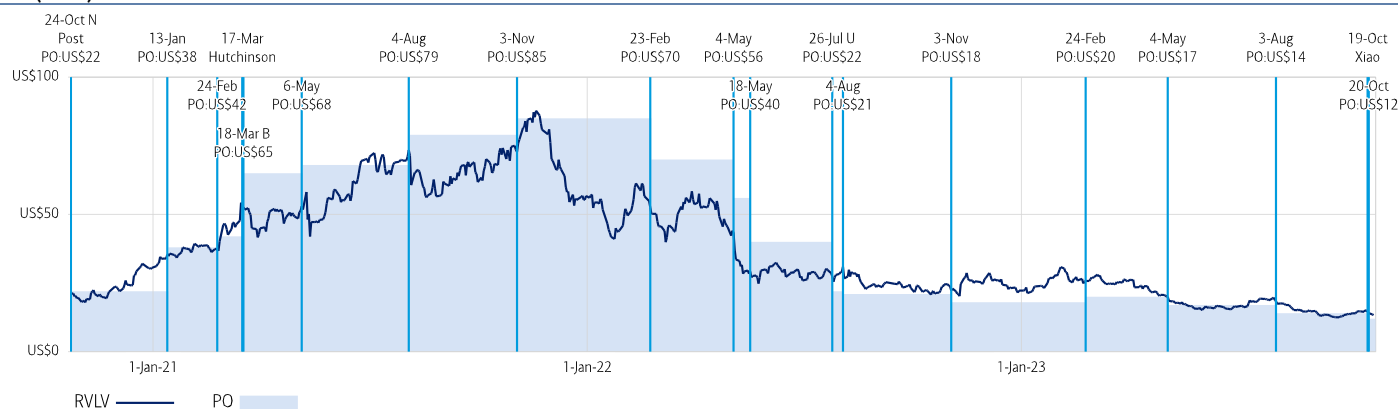
## American Express (AXP) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

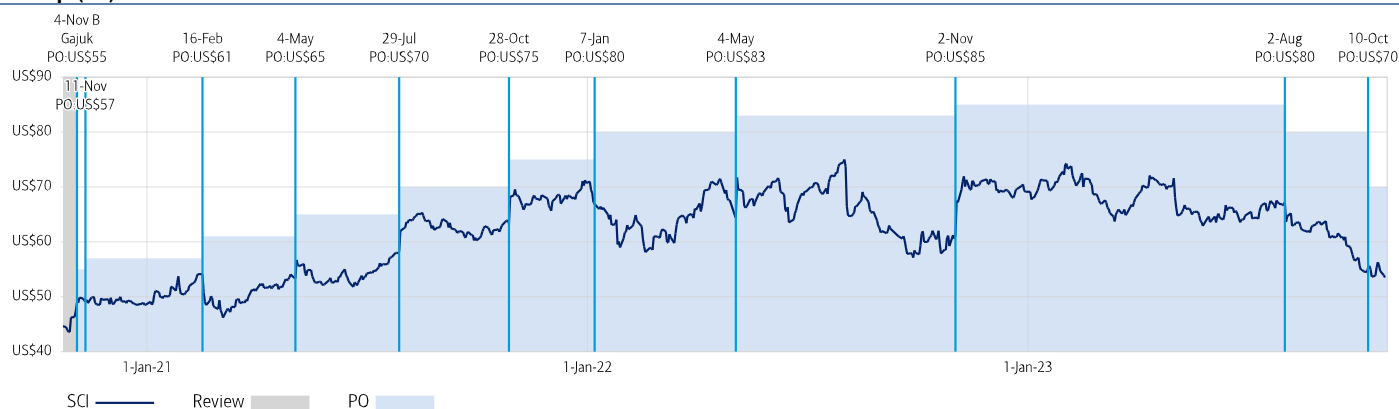
The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

## Revolve (RVLV) Price Chart



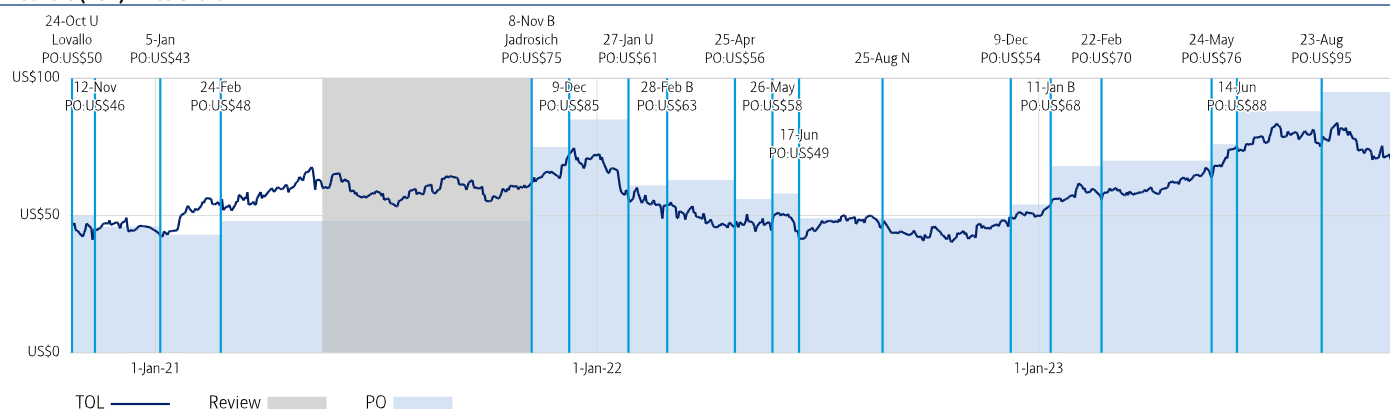
B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

**Service Corp. (SCI) Price Chart**

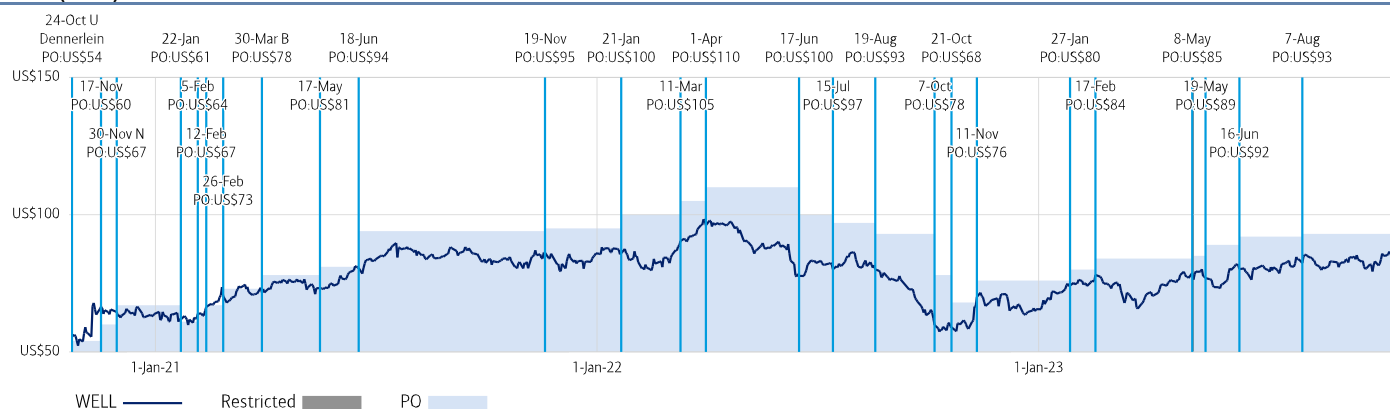
B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

**Toll Brothers (TOL) Price Chart**

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

**Welltower (WELL) Price Chart**

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

**Equity Investment Rating Distribution: Building Group (as of 30 Sep 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	41	47.67%	Buy	23	56.10%
Hold	14	16.28%	Hold	8	57.14%
Sell	31	36.05%	Sell	9	29.03%

**Equity Investment Rating Distribution: Financial Services Group (as of 30 Sep 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	156	53.24%	Buy	94	60.26%
Hold	79	26.96%	Hold	52	65.82%
Sell	58	19.80%	Sell	32	55.17%

**Equity Investment Rating Distribution: REITs (Real Estate Investment Trusts) Group (as of 30 Sep 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	46	49.46%	Buy	38	82.61%
Hold	29	31.18%	Hold	22	75.86%
Sell	18	19.35%	Sell	15	83.33%

**Equity Investment Rating Distribution: Services Group (as of 30 Sep 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	5	41.67%	Buy	3	60.00%
Hold	2	16.67%	Hold	1	50.00%
Sell	5	41.67%	Sell	2	40.00%

**Equity Investment Rating Distribution: Technology Group (as of 30 Sep 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	204	51.52%	Buy	104	50.98%
Hold	95	23.99%	Hold	45	47.37%
Sell	97	24.49%	Sell	27	27.84%

**Equity Investment Rating Distribution: Global Group (as of 30 Sep 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1869	53.48%	Buy	1046	55.97%
Hold	828	23.69%	Hold	461	55.68%
Sell	798	22.83%	Sell	370	46.37%

<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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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> 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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