10 investment ideas for 2013

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Bank of America Merrill Lynch

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2012: stocks lead against all odds

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Our 2013 base case: high liquidity, improving growth

In 2013, the RIC's core view is that the global economy will gradually pick up steam in the second half of the year following a resolution to the Fiscal Cliff and after Spain asks for formal help from the ECB. Global central banks will continue to provide high liquidity to the market. That said, we acknowledge that the first few months of 2013 could be challenging for risk assets if the debate about the Fiscal Cliff gets drawn out into the first quarter. We recommend investors continue to hedge their portfolios against negative outcomes early in the year. Please see our "10 key macro calls" section for more details on the BofAML base case.

Changes to the RIC's asset allocation

As we begin to observe evidence that policy is successfully stimulating growth, we expect to see the initial stages of the Great Rotation later in 2013. Already in 2012, we have observed a "stealth rotation" into some key unloved assets – particularly bank stocks and those tied to US housing. We have updated our asset allocation to be overweight equities and corporate bonds and underweight government bonds and cash.

Changes to equity allocations: Reduce large-cap Growth by 3ppt and raise large-cap Value, small-cap Growth and small-cap Value by 1ppt each.

Changes to bond allocations: Reduce MBS by 2ppt and raise corporate bonds by 2ppt.

10 key investment ideas for 2013

1. Companies over countries (redux); 2. Buy neglected US multinationals; 3. Buy small-cap Tech stocks; 4. Add exposure to European equities; 5. EM: stay long consumer & scarce yield; 6. Buy higher-beta credit sectors, especially financials; 7. Focus on high-yielding sectors in munis; 8. Long precious metals; 9. Buy assets tied to US housing recovery; 10. Continue to hedge risk (esp. in 1Q13).

Click the image above to watch the video.

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November recap

After getting off to a shaky start at the beginning of the month, global equities recovered their losses in the second half of November. All major global equity markets ended the month on a positive note, with the greatest gains in Europe.

Emerging and Developed market equities largely performed in line with one another in November.

Within US size and style segments, Growth outperformed Value in large-caps, reflecting the rebound in Tech stocks in the second half of the month. Meanwhile in small-caps, Value outperformed Growth.

In terms of US sectors, Discretionary (+3.2%) was the winner, while Utilities (-4.3%) was the laggard. Year to date, cyclicals such as Discretionary and Financials have posted the strongest returns.

In fixed income markets, Munis (+1.8%), EM Sovereign bonds (+1.4%) and Treasuries (+1.2%) outperformed for the month. Meanwhile, preferreds (-0.3%) and IG bonds (-0.1%) underperformed.

The Japanese yen (-3.2%) continued to weaken in November. Meanwhile the euro (+0.9%) and dollar (+0.6%) rallied.

Following a weak October, oil prices rebounded this month. Meanwhile gold prices declined in the face of a stronger US dollar.

Financial markets recap

Table 1: Total return (%)

		As of 30 November 2012			
Asset class	2011	1 mo	3 mo	12 mo	YTD
Equity Indices (%, US dollar terms)					
S&P 500	2.1	0.6	1.3	16.1	15.0
NASDAQ Comp	-0.8	1.4	-1.4	16.4	17.0
FTSE 100	-2.7	1.3	4.6	13.0	13.0
TOPIX	-11.9	1.9	2.4	3.2	2.4
Hang Seng	-17.3	1.9	14.0	27.4	24.2
DJ Euro Stoxx 50	-16.7	3.2	9.6	10.9	15.6
MSCI EAFE	-11.7	2.4	6.4	13.2	14.2
MSCI Emerging Markets	-18.2	1.3	6.8	11.7	13.1
Size & Style (%, US dollar terms)					
Russell 2000	-4.2	0.5	1.6	13.1	12.3
S&P 500 Citigroup Growth	4.7	0.9	0.2	15.2	14.8
S&P 500 Citigroup Value	-0.5	0.2	2.6	17.3	15.2
S&P 600 Citigroup Growth	3.6	0.4	-0.3	11.7	11.1
S&P 600 Citigroup Value	-1.4	1.6	2.9	16.5	14.2
S&P 500 Sectors (%, US dollar terms)					
Consumer Discretionary	6.1	3.2	4.9	24.9	23.3
Consumer Staples	14.0	1.6	1.9	16.3	13.2
Energy	4.7	-1.4	-0.1	2.9	4.0
Financials	-17.1	-0.8	4.6	25.1	23.0
Health Care	12.7	0.6	4.2	21.6	18.1
Industrials	-0.6	1.7	2.9	13.8	12.5
Information Technology	2.4	1.1	-4.5	13.8	14.8
Materials	-9.8	1.7	3.3	9.1	11.4
Telecom Services	6.3	-0.9	-1.3	24.1	19.4
Utilities	19.9	-4.3	-1.8	4.7	1.2
BofA Merrill Lynch Global Research Bond Indices (%, US dollar terms)					
10-Year Treasury	17.1	1.2	0.3	7.3	5.3
2-Year Treasury	1.5	0.1	0.0	0.3	0.2
TIPS	14.1	0.5	1.9	8.2	8.0
Municipals*	11.2	1.8	2.8	11.1	9.0
US Corporate Bonds	7.5	-0.1	2.0	12.5	10.4
US High Yield Bonds	4.4	0.7	3.0	16.6	13.8
Emerging Market Corporate Bonds	3.8	0.6	3.5	15.4	14.6
Emerging Market Sovereign Bonds	5.8	1.4	4.2	17.1	16.3
Preferreds	4.1	-0.3	1.3	14.3	13.7
Foreign Exchange (%, in local currencies)**					
US Dollar	0.5	0.6	0.6	2.0	0.6
British Pound	1.6	-0.5	-0.8	3.8	2.9
Euro	-3.2	0.9	3.2	-2.9	-0.4
Yen	5.9	-3.2	-6.0	-5.1	-6.5
Commodities (%, US dollar terms)**					
CRB Index	-8.3	1.1	-3.4	-4.7	-2.1
Gold	10.1	-0.3	1.3	-1.8	9.7
WTI Crude Oil	8.2	3.1	-7.8	-11.4	-10.0
Brent Crude Oil	13.8	2.4	-2.4	0.6	4.1
Alternative Investments† (%, US dollar terms)					
Hedge Fund - CS Tremont[1]	-2.5	-0.2	1.7	4.4	5.4
Hedge Fund - HFRI Fund of Funds[1]	-5.6	-0.4	1.3	1.5	3.1
Private Equity - Cambridge Assoc.[2]	10.8	NA	-0.1	5.9	5.3
Private Real Estate - NCREIF TR[3]	14.3	NA	2.3	11.0	7.8

Notes: *Not tax adjusted. **BoE calculated effective FX indices. [1]Data as of 10/31/12; CS AUM-weighted, HFRI equal-weighted [2]Quarterly data as of 6/30/2012 [3]Quarterly data as of 9/30/12†AI data not comparable to other asset classes because of reporting delays, lack of standardized reporting, and survivorship and self selection biases. Crude oil prices are spot in USD.

Source: S&P, MSCI, Bloomberg, FactSet, BofAML Bond Indices (US Treasury Current 10yr, Current 2yr, Inflation-Linked; Muni Master, US Corp Master, US HY Master II Index; EM Corporate Plus Index; EM External Debt Sovereign Index; US Preferred Stock, Fixed Rate).

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Despite solid returns from equities, investors continued to favor fixed income. In fact, fund flows in 2012 showed that investors added more than $250bn to global bond funds and just $11bn to equity funds (all through ETFs).

Table 2: Asset returns in 2012

	YTD
Global Equities	14.2%
US	15.0%
Europe	16.6%
UK	13.0%
Japan	2.9%
Pacific Rim ex-Japan	21.7%
Emerging Markets	13.1%
Global Fixed Income	5.1%
Government	2.8%
US Treasuries	2.7%
Quasi-government	6.1%
Investment Grade Corporate	10.5%
High Yield Corporate	16.9%
EM Corporate Debt	14.6%
Collateralized Debt	4.5%
US Mortgage Backed Securities	2.4%
Commodities	1.0%
Energy	-2.6%
Industrial Metals	2.3%
Precious Metals	9.8%
Agriculture	7.8%
Cash	0.1%
US Dollar	0.6%

Notes: Total returns in USD; Equity returns are MSCI indices; BofA Merrill Lynch Global Bond Indices are: Fixed Income Markets; Government Bond II; US Treasury Master; Large Cap Quasi-Govt; Large Cap Corporate; High Yield; Emerging Markets Corporate Plus; Large Cap Collateralized; Commodity returns are Merrill Lynch Commodity eXtra TR Indices.
Source: BofA Merrill Lynch Global Equity Strategy; Bloomberg

Our 2013 base case: high liquidity, improving growth

In 2013, the RIC's core view is that the global economy will gradually pick up steam in the second half of the year following a resolution to the Fiscal Cliff and after Spain asks for formal help from the ECB. Global central banks will continue to provide high liquidity to the market. That said, we acknowledge that the first few months of 2013 could be challenging for risk assets if the debate about the Fiscal Cliff gets drawn out into the first quarter. We recommend investors continue to hedge their portfolios against negative outcomes early in the year.

But as we begin to observe evidence that policy is successfully stimulating growth, we expect to see the initial stages of the Great Rotation later in 2013. Already in 2012, we have observed a "stealth rotation" into some key unloved assets – particularly bank stocks and those tied to US housing. We have updated our asset allocation to be more constructive on risk assets in 2013.

In this month's report we outline the 10 key macro calls for 2013 from BofA Merrill Lynch Global Research. We also highlight the RIC's 10 key investment ideas for next year and our favorite ways to position for them.

Changes to the RIC's asset allocation

We believe global equities will provide the best returns over the next 12 months. As a result, we have updated the RIC's core asset allocation to be overweight equities and corporate bonds and underweight government bonds and cash. Our recommended allocation for a moderate investor is 65% stocks, 33% bonds and 2% cash (Table 3). These allocations represent our 12-18 month outlook for markets.

Overweight stocks

In recent years the low growth, low rates and high liquidity backdrop has been beneficial for assets that provide growth, quality and yield. While the RIC maintains our core positions in these three themes, we recommend adding to risk over the coming quarters. We expect some of the post Financial Crisis winners (such as LC Growth stocks) to have a difficult time replicating their strong returns over the next few years.

Table 3: Allocations for a Moderate Investor

	Strategic	Core
Stocks	60%	65%
Lg. Cap Growth	38%	39%
Lg. Cap Value	38%	36%
Small Growth	4%	4%
Small Value	4%	3%
Intl: Developed	13%	13%
Intl: Emerging	3%	5%
Bonds	35%	33%
Tsys, CDs & GSEs	40%	32%
Mortgage Backeds	25%	23%
IG Corp & Preferred	25%	27%
High Yield	5%	7%
International	5%	11%
Cash	5%	2%

These are the recommended allocations for a moderate investor. For allocations for other risk profiles, see page 15.

Source: BofA Merrill Lynch Research Investment Committee

As economic growth gradually improves and the Great Rotation begins to take root, we recommend adding exposure to beaten-down cyclicals, small-caps, and Value. We remain constructive on mega-cap multinationals and Tech stocks. Within US equities, we make the following changes:

- Reduce large-cap Growth by 3ppt (but maintain OW)
- Raise exposure to large-cap Value by adding 1ppt (but maintain modest UW)
- Raise exposure to small-cap Growth by 1ppt (to move to a neutral allocation)
- Raise exposure to small-cap Value by adding 1ppt (but maintain modest UW)

Internationally, we expect Europe to outperform the US in the first half of the year, as we expect out-of-favor European equities re-rate. But as the recovery takes hold in 2H13, we expect the US to outperform Europe. We are bullish on Emerging Market equities in 2013, and favor consumer related stocks and sectors. We leave our allocations to international Developed Markets (DM) and Emerging Markets (EM) unchanged.

Modestly underweight bonds

The RIC remains overweight corporate and EM bonds, as the backdrop of low rates and high liquidity should continue to boost higher yielding areas of the fixed income markets. While we expect credit returns in 2013 to be lower than they have been in the past, Credit Strategists Hans Mikkelsen and Barnaby Martin still forecast positive returns of roughly 2-7% for US and European IG and HY corporate bonds. We prefer high yield corporates, as investment grade bonds have higher interest rate risk. Fixed Income Strategist Marty Mauro favors below market duration, above market credit risk, and recommends avoiding low coupon preferreds.

Rates Strategist Priya Misra expects the yield on the 10-year Treasury to rise modestly to 2% by the end of 2013. Higher interest rates are a key reason why we maintain our underweight on Treasuries for next year. But we would not write off the asset class entirely, as easy monetary policy and the US fiscal cliff should cause a flatter curve, at least in the early part of the year. We make the following changes to our core fixed income allocations:

- Reduce MBS by 2ppt to move to an underweight (due to narrower spreads and interest rate risk).
- Raise corporate bonds by 2ppt.

10 key macro calls for 2013

1. The Global economy grows 3.2%, gradually improving through the year

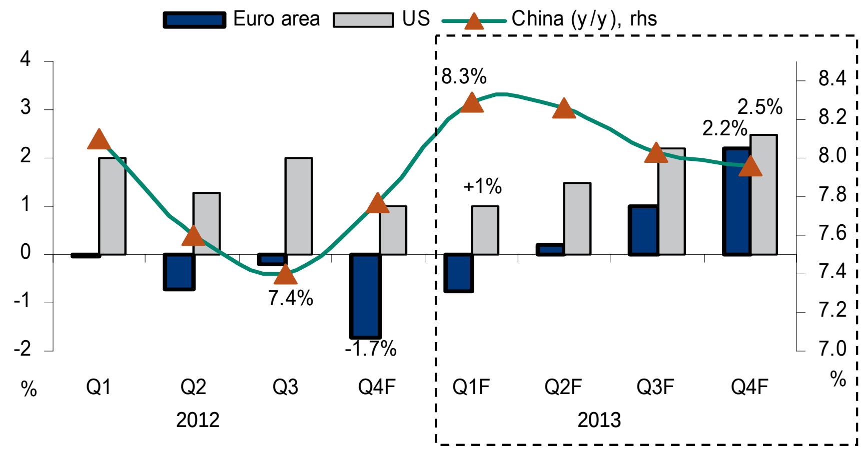
Table 4: BofAML global growth forecasts

	2012	2013
Global	3.1%	3.2%
US	2.1%	1.5%
Euro area	-0.4%	-0.4%
Japan	1.7%	1.5%
EM	4.9%	5.3%
China	7.7%	8.1%

Source: BofA Merrill Lynch Global Research

According to our global economics team, a combination of a resolution to the fiscal cliff, Spain negotiating terms for OMT support in 1Q13 and low commodity prices should support a gradual improvement in global business and consumer spending through the year. North American Economist Ethan Harris expects US growth to rise from 1% to 2.5% by the end of 2013, European Economist Laurence Boone forecasts positive growth in Europe in 2Q following six quarters of contraction, and China Economist Ting Lu expects roughly 8% growth in China (Table 4). Inflation should remain muted thanks to stabilization in commodity prices and low wage growth across the developed world.

Chart 1: Our 2013 GDP growth evolution is for gradual improvement



Note – Quarterly growth are QoQ annualized for US and Euro-Area while YoY growth for China. Source: BofA Merrill Lynch Global Research

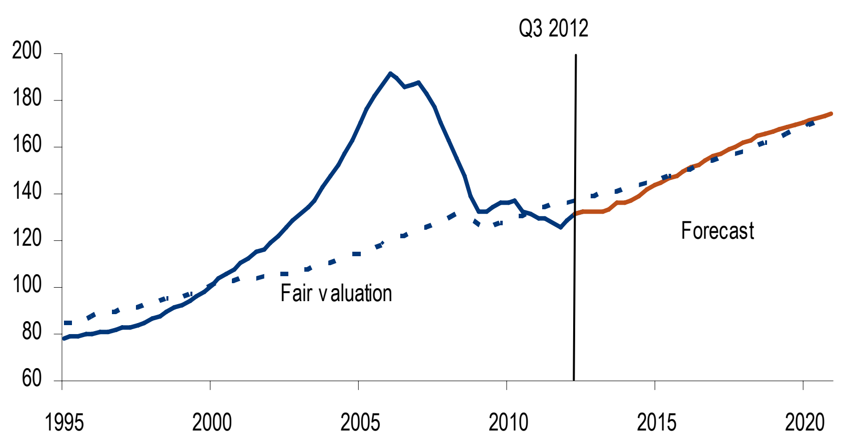
2. G3 policy: monetary stimulus and fiscal austerity

Expect more monetary stimulus from Developed Market central banks in 2013. We forecast another $2tn of Quantitative Easing (QE) over the next two years in the US, Spain to trigger the ECB's Outright Monetary Transaction (OMT) in Q1, and the Bank of Japan to increase asset purchases over the next few months. But monetary easing may not be enough to offset fiscal contraction in the first part of the year, and we expect fiscal austerity in both the US and Europe will act as a drag on growth. Ethan Harris expects a contraction in US fiscal spending of about 2% of GDP in 1H13.

3. The US housing recovery builds momentum

Our housing specialists, Mortgage and Structured Finance Analyst Chris Flanagan, and US Economist Michelle Meyer, forecast US home prices will rise 3% in 2013 – adding to the 5% gain in 2012 (Chart 2). The average annual appreciation over the next 10 years should be about 3.5%. Housing starts could increase by more than 25%, adding 0.4ppt to GDP. The recovery in the housing market should add jobs to construction and support related sectors such as Furniture, Building Materials, and Financials.

Chart 2: Case-Shiller Home price forecast (indexed level)



Source: BofA Merrill Lynch Global Research, Case Shiller

Table 5: Global equity forecasts for 2013

Region	Index	2013 target
Global	MSCI ACWI	370
US	S&P 500	1600
Europe	Stoxx 600	315
Asia (ex. Japan)	MSCI Asia Pac ex Japan	490
Japan	TOPIX*	880

*Forecast for Nov'13.

Source: BofA Merrill Lynch Global Research

Table 6: US equity sector preferences

Overweight
Technology
Industrials *(upgrade from M/W)*
Energy *(upgrade from M/W)*
Market weight
Consumer Staples *(downgrade from O/W)*
Consumer Discretionary
Health Care
Financials *(upgrade from U/W)*
Materials *(upgrade from U/W)*
Underweight
Utilities *(downgrade from M/W)*
Telecom *(downgrade from M/W)*

Source: BofA Merrill Lynch US Equity & Quant Strategy

4. Flares, not wildfires, in Europe

The year 2013 could bring a series of episodic flare-ups of the ongoing crisis in Europe, but we believe the big tail risk of a Eurozone break-up is behind us. And while brinkmanship may continue, Laurence Boone expects the economy will stabilize as the year progresses. We expect Spain to formally ask for ECB support in Q1.

5. China will lead EM growth

GEM Fixed Income Strategist and Economist Alberto Ades believes EM growth will continue to recover in 2013, even against a backdrop of subdued growth in DM. We expect EM GDP growth to recover to 5.2% in 2013, from 4.9% in 2012. The recovery of EM activity will likely be led primarily by the BRIC economies, and particularly by China. Against the backdrop of improving growth, Alberto also expects inflation to increase to 5.2% next year, leaving EM policy makers largely sitting on their hands (with EEMEA the exception). In terms of fiscal policy, he believes EM policy makers have limited room to ease, especially outside Asia.

6. Global equities will be the best-performing asset class

Powerful policy support, bottoming macro, reasonable valuations and receding tail risks provide a solid backdrop for equities in 2013. BofAML regional equity strategists have targets roughly 9-16% higher than current market levels on the back of earnings growth and a very modest re-rating of undervalued and out-of-favor equity markets (Table 5). We maintain our core US equity position, and are constructive on European, Japanese, and EM equities.

7. The S&P 500 will reach 1600 – a new all-time high

While we believe near-term risks to US equities remain skewed to the downside as the Fiscal Cliff plays out, the asset class should pick up in the second half of 2013 as US and global growth gain momentum. US Equity & Quant Strategist Savita Subramanian expects the S&P 500 to reach 1600 by year-end – a new all time high for the index. Savita recommends investors look for value in cyclical sectors and recently upgraded Industrials and Energy to an overweight and Financials and Materials to market weight (Table 6). Note that for investors worried about the potential changes to tax policy, Savita has generally found that the performance of dividend-based strategies has more to do with growth opportunities than with the fluctuating tax rate for dividends. She continues to recommend dividend growth stocks.

8. US IG credit will offer low returns: look to HY and international

Corporate yields in the US have declined to record lows in 2012 and Credit Strategist Hans Mikkelsen expects much lower returns on corporate credit over the year ahead. He forecasts just 1.6% total return on US IG in 2013. While HY returns will likely be lower than 2012, the asset class offers a better hedge against interest rate risk and should return 7% next year. Our strategists forecast strong returns for EM debt (10.1% for local and 4.2% for external).

9. Government bond yields will rise modestly

Our rates strategists forecast very modest increases in sovereign bond yields throughout the year to 2.0%, 2.5%, and 1.5% for the US, UK, and Germany, respectively. This translates into total returns for the major government bond markets of roughly -3 to 2%. G3 central banks are expected to maintain their zero interest rate policies.

10. Gold will rise to $2,000/oz

Investors should maintain exposure to gold, as it serves as a useful hedge against global macro and inflation risks. Commodity Strategist Francisco Blanch expects large scale policy easing by the Fed and ECB to push gold prices higher. He maintains his targets of $2,000/oz for 2013 and $2,400/oz for the end of 2014.

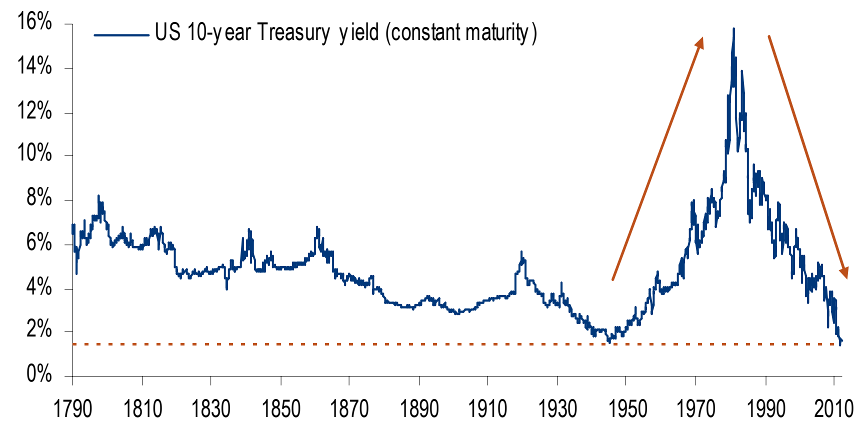
10 investment ideas for 2013

1. Companies over countries (redux)

We prefer corporate risk assets – equities and credit – to government bonds once again in 2013. With US 10-year Treasury yields close to a 220-year low (Chart 3), and with rates expected to rise modestly after the resolution of the Fiscal Cliff, government bonds offer very little upside in our view. Corporate balance sheets, however, remain at peak health – with low levels of leverage, high cash balances, and conservative commitments to capex. The RIC believes companies will outperform countries again in 2013.

How to invest: Underweight government bonds, overweight equities and corporate bonds.

Chart 3: US 10 year Treasury yields fell to a 220 year low earlier this year



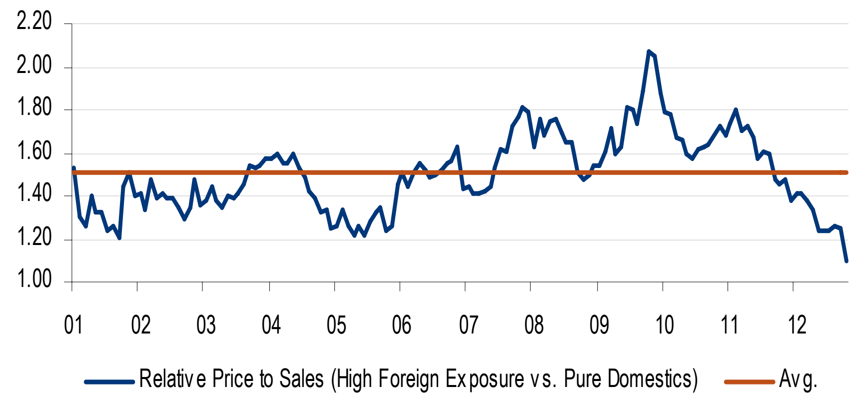
Source: BofA Merrill Lynch Global Equity Strategy, Global Financial Data

2. Buy beaten-down, neglected US multinationals

Savita Subramanian thinks that companies most tethered to global growth could outperform in 2013 given the house view that overseas growth will outpace and eclipse US GDP growth next year. Her work suggests that stocks with high foreign exposure have historically outperformed following mid-cycle slowdowns. Valuation also points to an attractive entry point as these stocks are now trading at the steepest discount to their pure domestic counterparts in a decade (Chart 4). And finally, positioning has turned supportive (no longer a crowded trade) as fund managers are now underweight this segment of the market.

How to invest: See Savita's stock screen of S&P 500 companies with the highest percentage of foreign sales.

Chart 4: Relative Price/Sales of top decile in S&P 500 by foreign exposure vs pure domestics, 2001-present



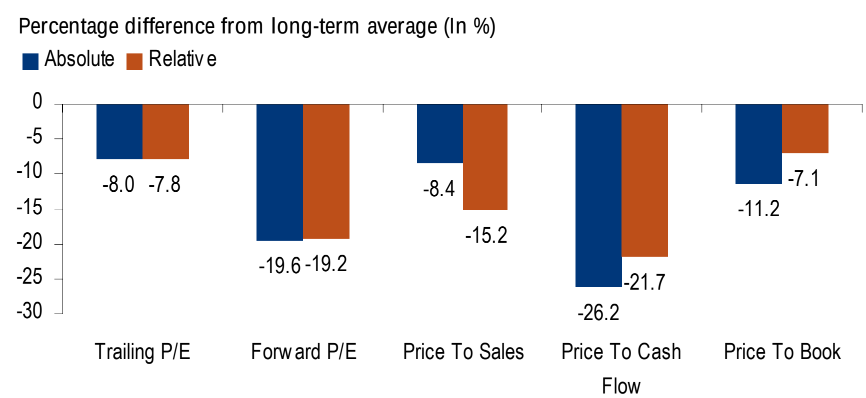
Source: WorldScope, Compustat, BofA Merrill Lynch US Equity & US Quant Strategy

3. Buy small-cap Tech stocks

Tech is one of Small-Cap Strategist Steven DeSanctis' favored themes for 2013. Valuations for the sector appear attractive (Chart 5) and earnings revisions are starting to improve. Balance sheets are in solid shape, and companies are buying back stock and paying dividends, which has added value over time. Additionally, M&A activity in the sector is likely to pick up. Note that we have added 1ppt to our small-cap Growth allocation.

How to invest: Overweight Tech within small-cap allocations. See the BofAML Endeavor list for ideas within small-caps.

Chart 5: Small-cap Tech valuations are attractive on both an absolute and relative basis



Note: Trailing and forward P/E are based on Thomson estimates.
Source: FactSet Research Systems; Thomson Financial; BofA Merrill Lynch Small Cap Research

4. Add exposure to European equities

European Investment Strategist John Bilton is bullish on European stocks in 2013. Stabilizing global growth, receding tail risks and high central bank liquidity should allow the Eurostoxx 50 to reach 3000, FTSE to reach 6400 and the DAX to reach a new all time high of 8400. Our European investment strategy team favors three themes next year: global recovery plays, European stabilization plays, and cash return plays. Early in 2013, the team's favorite trade to own is European basic materials (to leverage Chinese restocking) and European cyclical sectors.

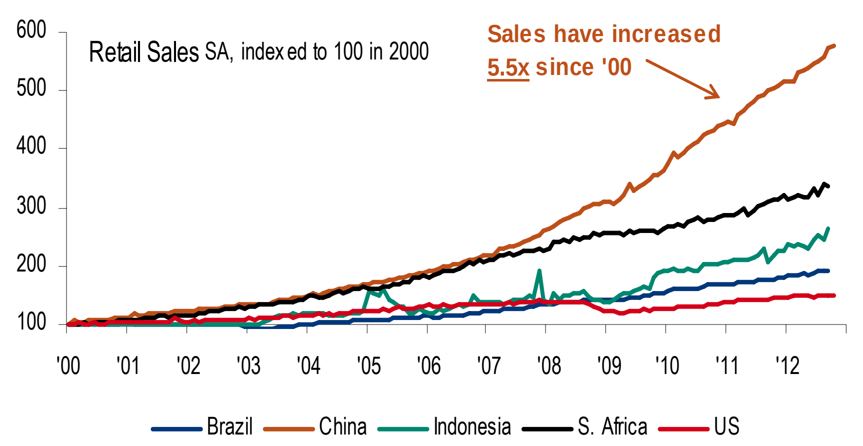
How to invest: Buy EU Basic Materials, Autos, Banks, Financial Services, Energy, Media and Healthcare.

5. EM: stay long the consumer and scarce yield

A pick-up in global and EM growth in 2013 should buoy EM assets after the resolution of the Fiscal Cliff. A gradual recovery in export demand stemming from the stabilization in Europe and an improvement in 2H US growth will further support key EM markets. The RIC continues to have high-conviction in the EM consumer (Chart 6) and believes related assets will outperform once again over the year ahead. We expect another solid year of returns from EM sovereign debt and that corporate spreads will tighten throughout the year.

How to invest: Buy DM plays on the EM consumer (see Why to invest in DM stocks to play the EM consumer and EMs: over-consumption, or greatest trade-up story ever?), high quality EM consumer stocks, and EM debt funds.

Chart 6: Why we love the EM consumer



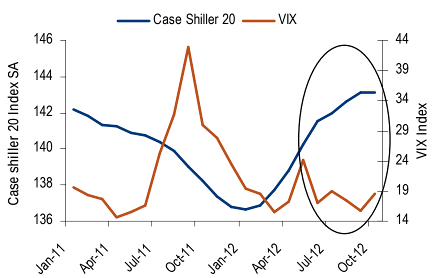
Source: BofA Merrill Lynch Global Investment Strategy, Haver

6. Buy higher-beta credit sectors, especially financials

Our credit strategists think that higher-beta credit sectors will outperform in 2013 as super-easy policy, lack of real yields and declining macro uncertainties will continue to send spreads tighter across the globe. In particular, Financials (US banks) have now successfully completed the multi-year process of balance sheet repair and are the prime beneficiary of the improving housing market.

How to invest: In US high-grade, buy Banks, Insurance and real estate sensitive sectors. In US high-yield, own mid-quality credit heading into the New Year, with an eye toward extending into lower-rated credit on market weakness. In Europe and Asia, buy subordinated bank debt for its stand-out spread.

Chart 7: Declining uncertainties and increasing home prices are positives for credit in 2013



Source: Bloomberg, S&P Case-Shiller

7. Focus on high-yielding sectors within Munis

Municipal Research Strategist John Hallacy expects muni returns to be roughly 6% in 2013 (down from 8.6% this year) and continues to expect negative net supply of new munis in 2013, which should make the market richer. He recommends positioning in the intermediate maturity range with higher coupons. Potential changes to tax policy and/ or a US credit rating downgrade remain risks to the asset class.

How to invest: Essential purpose revenue bonds, the higher yielding sectors of Healthcare and Transportation, high grade tax backed credits and general obligation bonds are Hallacy's preferred areas of the market.

8. Long precious metals

According to our commodity strategists, monetary easing and rising inflation expectations should push gold and silver higher. Ongoing issues in South Africa suggest that mine supply may not increase sufficiently to prevent a deficit in platinum and palladium; with higher offtake from industrial users, platinum could outperform gold.

How to invest: Long platinum, palladium, gold and silver.

9. Buy assets tied to the US real estate recovery

The recovery in US real estate is one of our favorite medium-term investment themes. Housing inventories have come down more than expected and primary investors have returned to the market. Stronger housing and consumer confidence should lead to increased lending volumes, stronger asset prices and resurgent loan demand.

How to invest: Buy Money Center Banks, Specialty Finance companies, Mortgage REITs, US bank bonds and Home Renovation Retailers. Avoid MBS.

10. Continue to hedge risk (particularly for 1Q13)

As the RIC wrote in November, while we are not preoccupied with tail risks, we acknowledge their potential – particularly after the events of the last few years. As we remain in a risk-on/risk-off world, many asset prices move together when a tail risk strikes. The cost of hedging these risks can be reduced by looking across markets and assets for the cheapest options relative to the asset's beta in a stress event.

The RIC's 2012 trade scorecard

We acknowledge that one cannot invest directly in an index, and that index returns cited here are meant only to provide investors with a broad overview of how our themes performed. The returns of investors who sought to implement our themes through various investment vehicles could be, and in many cases would be, different from those returns cited here.

In the December 2011 Year Ahead RIC report, we introduced 10 trades that we believed investors should be positioned for in 2012. Most have generated a positive absolute return, although many investment ideas such as US Tech stocks, MLPs, and US Consumer Staples and Tobacco stocks took a notable leg lower in the second half of the year. Below we evaluate how our 10 themes performed on a total return basis from December 7, 2011 (the day after the December 2011 RIC was published) through November 30, 2012.

Table 7: How did we do?

2012 Trades	Benchmark outperformed	Benchmark
Buy gold	√	Gold spot price
Buy US high grade Financial Bonds	√	ML US Financial Corporates Index
Buy high quality/high yielding munis, & "kicker bonds"	√	ML Muni Master Index
Buy EM local currency debt	√	ML Local Debt Markets Plus Index
Buy high-yielding equities	√ X	MSCI US REIT Index, Alerian MLP Index
Buy the Best & the Distressed in Europe	√ √	MSCI EMU Growth Index, European Best of breed stocks, ML Euro Financial Index
Buy US Staples & Tobacco	√ √	S&P 500 Consumer Staples and Tobacco Indices
Buy US Tech	X	S&P 500 Info Tech Index

Performance measured in total return terms from 12/7/11 (the day after the Dec'11 RIC was published) to 11/30/12. Benchmark is measured against the CRB index for commodities, the ML US Treasury Master Index for fixed income, and the MSCI ACWI for equity recommendations. Note that we have excluded "Hedge Risk" and "Watch the Technicals" from our list as there is no benchmark index available to track the performance of these recommendations.
Source: BofA Merrill Lynch Global Equity Strategy, Bloomberg

Top 10 themes

Table 8: BofA Merrill Lynch Global Research - Thematic investment ideas

	Theme	Rationale	Investment
Deleveraging themes	Yield	Investment yield is scarce, and will likely remain so as the Fed keeps rates at zero through late 2015. High-yielding assets will likely remain in high demand.	Corporate & EM bonds Dividend growth and high quality dividend yielding stocks REITs (selective)
Deleveraging themes	Growth	Economic growth is scarce, and will likely remain so until deleveraging ends. Regions, sectors and companies that offer strong revenue/earnings growth will likely remain in high demand. Tech and EM assets are some of the best ways to gain exposure to secular growth.	Global multinational mega-cap stocks Technology stocks (Cloud Computing, Big Data, internet gaming, smartphones, sedans and servers) Emerging Markets (debt & equity)
Deleveraging themes	Quality	Strong balance sheets are likely to be favored over low quality balance sheets – at least until the financial system heals and credit creation resumes.	Creditors over debtors Companies over countries Global best of breed stocks
Great Rotation themes	US Real Estate	US real estate is one of the best investment themes over the next 3-5 years; BofAML research forecast a 36% return over the next 10 years.	Money center banks Specialty finance companies US bank bonds Mortgage REITs Home renovation retailers
Great Rotation themes	Distressed Europe	Thanks to the debt crisis, many European assets are cheap relative to history. Stabilizing global growth, receding tail risks and high central bank liquidity should boost EU equities in 2013.	Global recovery plays: EU basic materials and autos European stabilization plays: EU banks and financial services Cash return plays: EU Energy, Media and Healthcare European senior Financial bonds
Great Rotation themes	EM Wealth	EM growth is slowing, but it is still far outpacing the US and Europe. For every $1 of global growth this year, Emerging Markets will contribute $0.81.	Consumer companies with EM exposure EM healthcare funds Russian domestic demand stocks Frontier markets (Saudi, Nigeria & Qatar)
	Globesity	Obesity is arguably one of the most pressing health challenges facing the world today, accounting for roughly 20% of annual medical spending in the US.	Pharmaceuticals & Health Care Food Commercial Weight Loss, Diet Management & Nutrition Sports Apparel & Equipment
	US Energy Independence	The US is on course toward energy self-sustainability, thanks to the advances in extraction technology for non-conventional energy sources.	Direct beneficiaries: US domestic oil producers, Refiners, Oil services firms, Indirect beneficiaries: Chemicals Retail, Transports, Utilities
	Drought	The US is undergoing the worst drought since at least 1956. Global water demand will overshoot supply by 40% in the next 20 years, and water is likely to be scarcer than oil by 2030.	Water, fertilizers, crop science, farming, energy efficiency, second generation biofuels, renewables
	Deflation, Inflation & Volatility	Extreme central bank liquidity policies could lead to extreme macro and market outcomes. This increases the need for volatility hedges. Event risk tends to be very high in a backdrop of deleveraging.	Gold TIPS

Source: BofA Merrill Lynch Global Research

Asset markets: base case, ideas, risks

Table 9: RIC base case for global asset markets

Region/sector Analyst(s)	Convictions	Ideas & risks
Global Economics Ethan Harris Alberto Ades	■ Europe remains mired in a prolonged recession, contracting -0.4%annually in both 2012 and 2013, respectively. Risks remain skewed to the downside. ■ The ECB stands ready to back Euro area countries with its OMT program if any countries request help and sign a MoU. ■ The US faces a fiscal drag of as much as 4.6% of GDP at the end of 2012. We believe growth will be slow into early 2013 as the fiscal cliff creates macro and micro uncertainty – fears of recession coupled with uncertainty around tax policy. ■ Throughout 2013 we expect the Fed to purchase outright $40 bn/month in MBS and $45 bn/month in Treasury securities.	■ Downside risks: US fiscal tightening; Chinese hard landing; Europe fails to ratify fiscal integration; Greece leaves Euro area. ■ Upside risks: US housing market rebound, rapid recovery in China.
Global Equities Michael Hartnett	■ MSCI All-Country World Index year-end targets are 330 for 2012 and 370 for 2013. ■ Positives: powerful policy support, bearish positioning, bottoming macro, reasonable valuations, receding tail risks, healthy corporate balance sheets, US real estate. ■ Negatives: US & EU fiscal policy, bank deleveraging. ■ EU to outperform US in 1H13, US to outperform EU in 2H13. Bullish in EM consumer-related assets. Japan is our favored contrarian trade.	■ Cautious in early 2013, but barring a major policy mistake or global recession, we remain constructive on equities in the medium-term. Buy the dips. ■ Add exposure to assets tied to US Real Estate (US banks), distressed Europe (European bank debt), and EM Wealth (MIST and EM debt). ■ Upside risks: policy stimulus works to create stronger than expected growth in 2013. ■ Downside risks: crash in credit, relapse in US real estate, or financial event in China.
Global Rates Priya Misra Ralf Preusser John Wraith	■ US: QE, the end of Operation twist sales and the expiration of unlimited FDIC insurance on noninterest bearing accounts should help lower yields in the front end of the Treasury curve. In the near term outright 10y rates face binary risks from the perception of the cliff. We recommend limiting longs to the <5y sector of the curve. ■ Europe: ECB OMT helped removed some tail risks and resulted in a normalization of peripheral curves, but plenty of event risks in Europe still await and along with the weakening global growth outlook should limit the sell-off in Bunds. ■ UK: We expect outright yields in Gilts to stay close to current levels, with further downside progress increasingly difficult, but safe haven demand preventing a material sell off.	■ US: 7s-30s flatteners offer good risk reward heading into the cliff negotiations in our view. Heightened uncertainty could translate into risk off and lower inflation expectations and thereby a flatter curve. Further, were Congress to reach a deal with meaningful long term reform, the long end of the curve can benefit from reduced fiscal risk premium. A complete postponement of the cliff is a risk that could take us to higher yields. ■ Europe: We are underweight Spain and France against Italy and Germany and position for a rally in swaps through mid-curve receivers. ■ UK: The UK's weak economic outlook risks putting mounting pressure on the fiscal policy stance and the AAA credit rating. This could undermine Gilts, and we recommend underweight positions against Treasuries.
Global Commodities Francisco Blanch	■ We believe commodity demand will be modestly supported in 2013 given global economic growth of 3.2% and a relatively healthy EM. Still, we remain concerned about the impending US fiscal cliff and ongoing recession in Europe. ■ Although the rest of the world fights for scarce molecules of oil and gas, North America's energy supplies are surging. We see a risk of WTI crude oil prices dropping to $50/bbl. Brent crude oil however will likely touch $120/bbl next year as monetary pressures build. ■ Large-scale policy easing by the Fed and the ECB should push gold prices higher, and we keep our targets of $2,000/oz for 2013 and $2,400/oz for end of 2014. ■ A stronger Chinese economy will likely lend support to supply constrained metals next year, and we expect copper prices to average $7,750/t in 4Q13.	■ Risks: Deeper-than-expected Euro area recession; Increased Middle East tensions; Faster-than-expected US fiscal tightening; A China hard-landing scenario. ■ From a geopolitical perspective, the return of Iran's idled oil output, or a further loss, could be the biggest swing factor for Brent.
Global Credit Hans Mikkelsen Oleg Melentyev	■ Macro backdrop for corp credit in is 2013 still positive. Systemic uncertainties have significantly declined while global growth remains low. More value in Asia, but better technicals in Europe & US. ■ Era of equity-like returns in IG is over. 2013 IG return forecasts: 1.5 in US, 2% in EM, 2-3% in Asia, 3.5% in Europe. HY should still do well – forecast 6-7% in US, EU & Asia & a bit more in EM. US IG & HY spreads should tighten to 120bp and 475bp respectively. ■ High beta sectors (i.e. Financials & cyclicals) should outperform as investors continue to reach for yield. Prefer to start the year in mid-quality in HY, and add on weakness.	■ We are concerned about the Great Rotation trade out of bonds, into equities for US IG and prefer to position now for higher interest rates. US HY (leveraged loans in particular) should do well in a rising interest rate environment. EU and Asian credit should be less susceptible to the rotation. ■ Biggest risk to US IG is possibility of wider credit spreads following massive fund outflows, should interest rates rise rapidly. Biggest risk to US HY is that fiscal uncertainties increase recession probabilities.
Global FX David Woo Alberto Ades	■ We expect the euro to fall, with a target of 1.20 for end-2012 and 1.18 for end 2014. Existential risks around the Euro and reduced EM reserve diversification demand should push the EUR lower. ■ We expect the USD to strengthen over the next year, given European worries, risk-negative impacts of the US fiscal cliff, and concerns about a hard landing in China. ■ We are somewhat cautious on EMFX as we enter 2013 given fiscal cliff risks. However, beyond 1Q13 we are bullish and recommend high beta currencies with low intervention risk such as MXN, KRW and INR.	■ A surprise resolution to the European crisis provides further upside risk to our view, while a country exit would cause the euro to fall further. ■ If it becomes increasingly likely that we go over the fiscal cliff following the election, we think EMFX could sell off as EM growth and risk assets would likely suffer.

Source: BofA Merrill Lynch Research Investment Committee

Global equity market convictions: ideas & risks

Table 10: Global equity weightings by region

Region/sector Analyst(s)	Recommendation*	Convictions	Ideas & risks
US Savita Subramanian	Overweight	■ 2013 year-end S&P 500 target is 1600, which is 14.5x our 2013 EPS of $110. ■ The US Fiscal Cliff and growth in Europe & China remain overhangs, but we expect a pick-up in economic activity as we gain clarity on these issues by mid 2013, boosting corporate profits growth and driving modest multiple expansion. ■ Pro-cyclical sector preferences: OW Tech, Industrials & Energy, UW Utilities and Telecom.	■ A pick-up in corporate profits growth could cause investors to seek out undervalued assets. ■ We recommend taking advantage of attractive valuations via four flavors of growth: 1) Dividend Growth, 2) Cyclical Growth, 3) Global Growth, and 4) Stable Growth (Quality). ■ Key risks: Global recession/US fiscal cliff worse than expected, no bottom in China growth, re-emergence of tail risks from Europe.
Europe John Bilton	Europe ex-UK: Overweight UK: Neutral	■ SX5E target 3,000 on a PE of 11.8 and with 2013 EPS growing 7.5% YoY to €254; EU leads US in 1H13, but a passenger in 2H13. ■ FTSE target 6,400, can rally quickly in early 2013 but likely to fade as EU tail risks recede and investors sell quality plays to buy value stocks. ■ Cyclicals lead defensives and value & risk outperform best of breed; OW Basics, Autos, Banks, Financial Services, Energy, Media & Pharma; UW Telcos, Utilities, Retail, Pers & HH, and Food & Bev. ■ Three key themes, rotation – as bonds run out of yield, reflation – as central banks focus in on nominal growth, and regearing – as firms that can access cheap debt funding lock in a competitive funding advantage and uplift to RoE.	■ Long SXPP and SXAP vs. SXKP and SX6P; buy 3m FTSE call spreads to play short run outperformance as miners rerate in early 2013 ■ Risks: fiscal cliff impasse, Spain refuse to enter OMT; quicker than appropriate fiscal tightening; spike in oil prices
Japan Naoki Kamiyama	Overweight	■ Under our baseline scenario of a moderate recovery in the US, we forecast TOPIX of 880 at end-2013. We expect exporters, chiefly the carmakers and electronic components companies, to lead the market recovery, aided by a moderate recovery in the US economy. ■ Under our bullish scenario of a softer yen, expanded demand and a lower cost of capital, we forecast TOPIX of 1,050 by YE13. We would expect the yen to begin a sustained depreciation early in 2013, driven lower initially by the domestic factor of stronger monetary easing under pressure from the new political leadership and later by the recovery in the US economy. Increase government spending (prior to the higher consumption tax rate) should shift the focus of corporate managers to Japan's low cost of capital.	■ Positive to exporters, financials, and construction. Negative to defensives. ■ One risk is that no party wins enough seats in the general election to push through its policy agenda, leading to more unstable government. In addition, policy action in Japan will have no sustained impact if failure to agree a timely resolution to the fiscal cliff means the recovery in the US economy is delayed.
Asia-Pac ex-Japan Nigel Tupper	Underweight	■ Easier monetary policy and fiscal stimulus are being implemented across the region. ■ Macro data has yet to provide a positive signal on the cycle, but the short-term momentum indicators we monitor are generally positive on equity performance in the next 1-3 months. ■ Valuations in Asia are extremely attractive but are not a catalyst. ■ Our 12-month index target for MSCI APxJ is 490 implying 8% upside from 30-Nov level of 452.	■ Position for a cyclical downturn and a tactical upturn. ■ The major risk is being too defensive at the trough of the cycle. ■ Balance quality and yield by some early cycle cyclicals. ■ Overweight Banks, underweight China. ■ Our preferred styles in Asia include Value, Quality, Momentum and Dividend.
Emerging Markets Michael Hartnett	Overweight	■ High growth, infant credit cycles and abundant global liquidity remain secular positives for EM, but China's growth is set to moderate over the next five years. ■ Recovery of EM activity in 2013 will by led primarily by the BRIC economies, particularly China. ■ Favor Brazil in Latin America, Korea in EM Asia, and Russia in EMEA.	■ Own EM consumer (via DM plays on EM consumer and high quality EM consumer stocks) and EM debt funds. ■ While inflation is not a near term risk, watch for signs of rising inflation and margin compression across Ems.

*Recommendations are relative to regional weightings in the MSCI All Country World Index.
Source: BofA Merrill Lynch Research Investment Committee

Asset allocation for individual investors

- The tables below represent asset allocation recommendations by investor profile (Conservative – Aggressive).
- Strategic allocations are long-term, 20-30 year benchmarks developed by Merrill Lynch Global Wealth Management.
- Core allocations have a 12-18 month horizon, and are provided by the BofA Merrill Lynch Global Research Investment Committee.

Asset allocation for US clients

Tier 0 (highest liquidity):
Highest liquidity needs with none of the portfolio invested in less liquid alternative asset categories. Tier 0 clients can also reference the Tier 1 strategic allocations if fulfilling the Alternative Assets allocation with liquid forms of alternative investments (including non-traditional funds).

Table 11: Strategic and core allocations without alternative assets (Tier 0 liquidity)

	Conservative		Moderately conservative		Moderate		Moderately aggressive		Aggressive	
	Strat.	Core	Strat.	Core	Strat.	Core	Strat.	Core	Strat.	Core
Traditional Assets										
Stocks	20%	24%	40%	44%	60%	65%	70%	75%	80%	85%
Bonds	55%	53%	50%	48%	35%	33%	25%	23%	15%	13%
Cash	25%	23%	10%	8%	5%	2%	5%	2%	5%	2%
Alternative Assets	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Tier 1 (higher liquidity):
Up to 10% of the portfolio may be unavailable for 3-5 years.

Table 12: Strategic allocations with alternative assets (Tier 1 liquidity)

	Conservative	Moderately conservative	Moderate	Moderately aggressive	Aggressive
Traditional Assets					
Stocks	20%	40%	55%	65%	70%
Bonds	50%	45%	30%	20%	10%
Cash	25%	10%	5%	5%	5%
Alternative Assets					
Real Assets*	1%	1%	2%	2%	6%
Hedge Fund Strategies	4%	4%	8%	8%	9%
Private Equity	0%	0%	0%	0%	0%

** "Real Assets" defined to include commodities, TIPs and Real estate, including REITS.; Figures may not sum to 100 because of rounding.*

Tier 2 (moderate liquidity):
Up to 20% of the portfolio may be unavailable for 3-5 years.

Table 13: Strategic allocations with alternative assets (Tier 2 liquidity)

	Conservative	Moderately conservative	Moderate	Moderately aggressive	Aggressive
Traditional Assets					
Stocks	15%	35%	50%	55%	55%
Bonds	50%	45%	25%	20%	10%
Cash	25%	10%	5%	5%	5%
Alternative Assets					
Real Assets*	3%	3%	7%	7%	10%
Hedge Fund Strategies	6%	6%	8%	8%	8%
Private Equity	1%	1%	5%	5%	12%

** "Real Assets" defined to include commodities, TIPs and Real estate, including REITS.; Figures may not sum to 100 because of rounding.*

Tier 3 (lower liquidity)
Up to 30% of the portfolio may be unavailable for 3-5 years.

Table 14: Strategic allocations with alternative assets (Tier 3 liquidity)

	Conservative	Moderately conservative	Moderate	Moderately aggressive	Aggressive
Traditional Assets					
Stocks	15%	35%	40%	50%	40%
Bonds	45%	40%	25%	15%	10%
Cash	25%	10%	5%	5%	5%
Alternative Assets					
Real Assets*	3%	3%	9%	9%	11%
Hedge Fund Strategies	10%	10%	14%	14%	14%
Private Equity	2%	2%	7%	7%	20%

** "Real Assets" defined to include commodities, TIPs and Real estate, including REITS.; Figures may not sum to 100 because of rounding.*

Notes: The Strategic Profile Asset Allocation Models with Alternative Assets were developed by Merrill Lynch Global Wealth Management for private clients. The Strategic allocations are identified by Merrill Lynch Global Wealth Management and are designed to serve as guidelines for a 20-30 year investment horizon. The Core allocations are provided by the BofA Merrill Lynch Global Research Investment Committee. The Merrill Lynch Global Wealth Management models allocate assets among specified asset classes and, within each class, reflect broad investment diversification. The models offer benchmarks for traditional asset class allocation (stocks, bonds and cash), as well as models for allocations among traditional and alternative asset classes reflecting portfolios targeting varying liquidity levels. The models are designed to provide allocation benchmarks based on risk/return profiles. Merrill Lynch Global Wealth Management defines liquidity as the percentage of assets, by invested value, within a portfolio that can be reasonably expected to be liquidated within a given time duration under typical market conditions. Given the less-liquid nature of certain alternative assets, BofA Merrill Lynch Global Research does not make Core allocation recommendations for portfolios that include these asset classes. Merrill Lynch Global Wealth Management clients should consult with their financial advisor about these allocations.

A closer look at asset allocation for US clients: size, style and international

The tables below present in-depth size and style recommendations for US clients using the stocks, bonds and cash weights from the most liquid (Tier 0) liquidity profile on the previous page.

Table 15: Strategic and core allocations without alternatives

	Conservative		Moderately conservative		Moderate		Moderately aggressive		Aggressive	
	Strategic	Core	Strategic	Core	Strategic	Core	Strategic	Core	Strategic	Core
Stocks	20%	24%	40%	44%	60%	65%	70%	75%	80%	85%
Lg. Cap Growth	8%	11%	16%	19%	23%	28%	25%	28%	27%	29%
Lg. Cap Value	12%	11%	16%	15%	23%	22%	25%	24%	21%	20%
Small Growth	0%	0%	2%	2%	2%	2%	3%	3%	6%	6%
Small Value	0%	0%	2%	1%	2%	1%	3%	2%	6%	5%
Intl: Developed	0%	1%	3%	4%	8%	8%	11%	12%	16%	17%
Intl: Emerging	0%	1%	1%	3%	2%	4%	3%	6%	4%	8%
Bonds	55%	53%	50%	48%	35%	33%	25%	23%	15%	13%
Tsys, CDs & GSEs	35%	41%	27%	16%	13%	11%	6%	7%	2%	4%
Mortgage Backeds	14%	1%	13%	11%	9%	7%	6%	5%	4%	2%
IG Corp & Preferred	6%	11%	10%	13%	9%	9%	9%	6%	5%	4%
High Yield	0%	0%	0%	3%	2%	2%	1%	2%	2%	1%
International	0%	0%	0%	5%	2%	4%	3%	3%	2%	2%
Cash	25%	23%	10%	8%	5%	2%	5%	2%	5%	2%

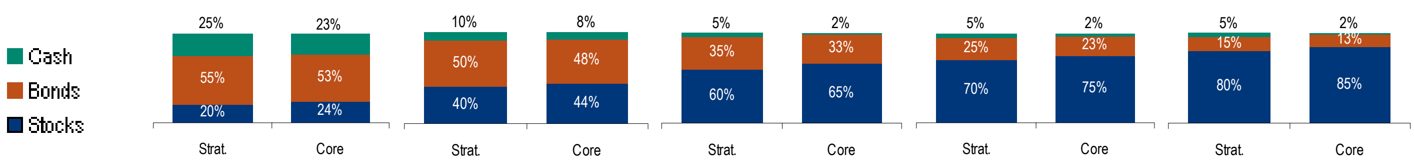


Table 16: Stocks – by size and style

	Conservative		Moderately conservative		Moderate		Moderately aggressive		Aggressive	
	Strategic	Core	Strategic	Core	Strategic	Core	Strategic	Core	Strategic	Core
Large cap growth	40%	41%	40%	41%	38%	39%	35%	36%	33%	34%
Large cap value	60%	54%	40%	39%	38%	36%	35%	33%	26%	24%
Small growth	0%	0%	4%	4%	4%	4%	4%	4%	8%	8%
Small value	0%	0%	4%	3%	4%	3%	4%	3%	8%	6%
International: Developed	0%	4%	10%	10%	13%	13%	18%	18%	20%	20%
International: Emerging	0%	1%	2%	3%	3%	5%	4%	6%	5%	8%

Source: BofA Merrill Lynch Global Research

Table 17: Bonds -- by sector

	Conservative		Moderately conservative		Moderate		Moderately aggressive		Aggressive	
	Strategic	Core	Strategic	Core	Strategic	Core	Strategic	Core	Strategic	Core
Tsys, CDs & GSEs	65%	78%	55%	32%	40%	32%	25%	32%	15%	29%
Mortgage Backeds	25%	2%	25%	23%	25%	23%	25%	23%	25%	19%
IG Corp & Preferred	10%	20%	20%	27%	25%	27%	35%	27%	40%	27%
High yield	0%	0%	0%	7%	5%	7%	5%	7%	10%	10%
International	0%	0%	0%	11%	5%	11%	10%	11%	10%	15%

Source: BofA Merrill Lynch Global Research

Notes: Figures may not sum to 100 because of rounding
The Investor Profile Asset Allocation Model was developed by Merrill Lynch Global Wealth Management for private clients. The Strategic allocations are identified by Merrill Lynch Global Wealth Management and are designed to serve as guidelines for a 20-30-year investment horizon. The Core allocations are provided by the BofA Merrill Lynch Global Research Investment Committee and reflect the group's outlook over the next 12-18 months.

Asset allocation for global clients

The Asset Allocation for Global Clients is designed to reduce "home country bias" and introduce a currency perspective. Core recommendations are based on qualitative views from our BofAML Global Research strategists, translated into recommendations with a quantitative optimization model. Strategic allocations are based on market cap weights for the MSCI All-Country World and BofAML Global Fixed Income Markets Indices (12/31/2010). Both allocations are for individual investors.**

Tier 0 (highest liquidity):

Highest liquidity needs with none of the portfolio invested in less liquid alternative asset categories. Tier 0 clients can also reference the Tier 1 strategic allocations if fulfilling the Alternative Assets allocation with liquid forms of alternative investments (including non-traditional funds).

Table 18: Strategic and core allocations without alternatives (Tier 0 liquidity)

	Conservative		Moderately conservative		Moderate		Moderately Aggressive		Aggressive	
	Strat.	Core	Strat.	Core	Strat.	Core	Strat.	Core	Strat.	Core
Global Equities	20%	24%	40%	45%	60%	66%	70%	78%	80%	90%
North America	8%	10%	19%	22%	28%	32%	32%	37%	37%	43%
Europe (ex UK)	4%	5%	7%	8%	11%	13%	13%	15%	15%	17%
UK	2%	2%	4%	4%	5%	5%	6%	6%	7%	7%
Japan	2%	2%	3%	4%	5%	6%	6%	7%	7%	8%
Pac Rim (ex Japan)	1%	1%	2%	1%	3%	2%	4%	3%	4%	3%
Emerging Markets	3%	4%	5%	6%	8%	9%	9%	11%	10%	12%
Global Fixed Income	55%	56%	50%	47%	38%	32%	28%	20%	18%	8%
Govt Bonds	34%	34%	30%	26%	24%	18%	18%	11%	10%	1%
Inv. Grade Credit	8%	8%	8%	8%	6%	6%	4%	4%	3%	3%
High Yield Credit	2%	2%	2%	2%	1%	1%	1%	1%	1%	1%
Collateralized Debt	11%	12%	10%	10%	7%	7%	5%	5%	4%	4%
Cash (USD)	25%	20%	10%	8%	2%	2%	2%	2%	2%	2%
Global Real Assets*	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Global Hedge Fund Strat	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Global Private Equity	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

**Real Assets include commodities, TIPs, Real estate, incl. REITS;* Figures may not sum to 100 because of rounding; collateralized debt includes MBS

Tier 1 (higher liquidity):

Up to 10% of the portfolio may be unavailable for 3-5 years.

Note: The RIC does not provide core allocations to Alternative Investments due to their less liquid nature. Recommended allocations in these categories reflect strategic allocations.

Table 19: Strategic and core allocations with alternatives (Tier 1 liquidity)

	Conservative		Moderately conservative		Moderate		Moderately aggressive		Aggressive	
	Strat.	Core	Strat.	Core	Strat.	Core	Strat.	Core	Strat.	Core
Global Equities	18%	22%	38%	43%	56%	62%	66%	74%	73%	80%
North America	8%	10%	18%	21%	26%	30%	30%	35%	34%	39%
Europe (ex UK)	3%	4%	7%	8%	10%	12%	12%	14%	14%	16%
UK	2%	2%	3%	3%	5%	5%	6%	6%	6%	5%
Japan	2%	2%	3%	4%	5%	6%	6%	7%	6%	7%
Pac Rim (ex Japan)	1%	1%	2%	1%	3%	2%	3%	2%	4%	3%
Emerging Markets	2%	3%	5%	6%	7%	8%	9%	11%	9%	10%
Global Fixed Income	52%	53%	50%	47%	32%	26%	22%	14%	10%	3%
Govt Bonds	32%	32%	30%	26%	20%	14%	14%	7%	6%	0%
Inv. Grade Credit	8%	8%	8%	8%	5%	5%	3%	3%	2%	2%
High Yield Credit	2%	2%	2%	2%	1%	1%	1%	1%	0%	0%
Collateralized Debt	10%	11%	10%	10%	6%	6%	4%	4%	2%	1%
Cash (USD)	25%	20%	7%	5%	2%	2%	2%	2%	2%	2%
Global Real Assets^*	1%	1%	1%	1%	2%	2%	6%	6%	12%	12%
Global Hedge Fund Strat^	4%	4%	4%	4%	8%	8%	4%	4%	3%	3%
Global Private Equity^	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

^The RIC does not make core allocations to these categories due to their long term, less liquid nature Strategic benchmark weights are reflected in both columns

**Real Assets include commodities, TIPs, Real estate, incl. REITS;* Figures may not sum to 100 because of rounding; collateralized debt includes MBS

Notes: Merrill Lynch Global Wealth Management's Strategic Profile Asset Allocation Models were developed for private Merrill Lynch Global Wealth Management Clients. The Strategic allocations are identified by Merrill Lynch Global Wealth Management are designed to serve as guidelines for a 20-30 year investment horizon. The Core allocations are provided by the BofA Merrill Lynch Global Research Investment Committee. The Merrill Lynch Global Wealth Management models allocate assets among specified asset classes and, within each class, reflect broad investment diversification. The models offer benchmarks for traditional asset class allocation (stocks, bonds and cash), as well as models for allocations among traditional and alternative asset classes reflecting portfolios targeting varying liquidity levels. The models are designed to provide allocation benchmarks based on risk/return profiles. Merrill Lynch Global Wealth Management defines liquidity as the percentage of assets, by invested value, within a portfolio that can be reasonably expected to be liquidated within a given time duration under typical market conditions. Given the less-liquid nature of certain alternative assets, BofA Merrill Lynch does not make Core allocation recommendations for portfolios that include these asset classes. Merrill Lynch Global Wealth Management clients should consult with their financial advisor about these allocations.
**BofAML Global Research also publishes a core Global Asset Allocation for institutional investors, distinct from the RIC's Core Asset Allocation for Global Clients, published herein. The institutional Core Global Asset Allocation, published weekly, is based on the same views and framework, but is designed for institutional investors with a 3-6 month time horizon.

Asset allocation for global clients (continued)

Tier 2 (moderate liquidity):
Up to 20% of the portfolio may be unavailable for 3-5 years.

Note: The RIC does not provide core allocations to Alternative Investments due to their less liquid nature. Recommended allocations in these categories reflect strategic allocations.

Table 20: Strategic and core allocations with alternatives (Tier 2 liquidity)

	Conservative		Moderately conservative		Moderate		Moderately aggressive		Aggressive	
	Strat.	Core	Strat.	Core	Strat.	Core	Strat.	Core	Strat.	Core
Global Equities	14%	18%	35%	40%	45%	51%	51%	59%	53%	63%
North America	6%	8%	16%	19%	21%	25%	24%	29%	24%	30%
Europe (ex UK)	3%	4%	6%	7%	8%	10%	9%	11%	10%	12%
UK	1%	1%	3%	3%	4%	4%	4%	4%	5%	5%
Japan	1%	1%	3%	4%	4%	5%	4%	5%	4%	5%
Pac Rim (ex Japan)	1%	1%	2%	1%	2%	1%	3%	2%	3%	2%
Emerging Markets	2%	3%	5%	6%	6%	7%	7%	9%	7%	9%
Global Fixed Income	51%	52%	48%	45%	33%	27%	27%	19%	15%	5%
Govt Bonds	31%	31%	30%	26%	21%	15%	17%	10%	9%	0%
Inv. Grade Credit	8%	8%	7%	7%	5%	5%	4%	4%	2%	2%
High Yield Credit	2%	2%	2%	2%	1%	1%	1%	1%	1%	1%
Collateralized Debt	10%	11%	9%	9%	6%	6%	5%	5%	3%	3%
Cash (USD)	25%	20%	7%	5%	2%	2%	2%	2%	2%	2%
Global Real Assets^*	2%	2%	2%	2%	4%	4%	4%	4%	8%	8%
Global Hedge Fund Strat^	6%	6%	6%	6%	9%	9%	4%	4%	6%	6%
Global Private Equity^	2%	2%	2%	2%	7%	7%	12%	12%	16%	16%

^The RIC does not make core allocations to these categories due to their long term, less liquid nature Strategic benchmark weights are reflected in both columns.
**Real Assets include commodities, TIPs, Real estate, incl. REITS;* Figures may not sum to 100 because of rounding; collateralized debt includes MBS

Tier 3 (lower liquidity):
Up to 30% of the portfolio may be unavailable for 3-5 years.

Note: The RIC does not provide core allocations to Alternative Investments due to their less liquid nature. Recommended allocations in these categories reflect strategic allocations.

Table 21: Strategic and core allocations with alternatives (Tier 3 liquidity)

	Conservative		Moderately conservative		Moderate		Moderately aggressive		Aggressive	
	Strat.	Core	Strat.	Core	Strat.	Core	Strat.	Core	Strat.	Core
Global Equities	12%	16%	32%	37%	41%	47%	47%	55%	46%	52%
North America	5%	7%	14%	17%	19%	23%	22%	27%	21%	25%
Europe (ex UK)	2%	3%	6%	7%	8%	10%	9%	11%	9%	11%
UK	1%	1%	3%	3%	4%	4%	4%	4%	4%	3%
Japan	1%	1%	3%	4%	3%	4%	4%	5%	4%	5%
Pac Rim (ex Japan)	1%	1%	2%	1%	2%	1%	2%	1%	2%	1%
Emerging Markets	2%	3%	4%	5%	5%	6%	6%	8%	6%	7%
Global Fixed Income	48%	49%	48%	45%	27%	21%	21%	13%	7%	1%
Govt Bonds	30%	30%	30%	26%	17%	11%	13%	6%	5%	0%
Inv. Grade Credit	7%	7%	7%	7%	4%	4%	3%	3%	1%	1%
High Yield Credit	2%	2%	2%	2%	1%	1%	1%	1%	0%	0%
Collateralized Debt	9%	10%	9%	9%	5%	5%	4%	4%	1%	0%
Cash (USD)	25%	20%	5%	3%	2%	2%	2%	2%	2%	2%
Global Real Assets^*	3%	3%	3%	3%	6%	6%	7%	7%	15%	15%
Global Hedge Fund Strat^	9%	9%	9%	9%	16%	16%	11%	11%	14%	14%
Global Private Equity^	3%	3%	3%	3%	8%	8%	12%	12%	16%	16%

^The RIC does not make core allocations to these categories due to their long term, less liquid nature Strategic benchmark weights are reflected in both columns.
**Real Assets include commodities, TIPs, Real estate, incl. REITS;* Figures may not sum to 100 because of rounding; collateralized debt includes MBS

Notes: The Strategic Asset Allocation Model was developed by Merrill Lynch Global Wealth Management. The Strategic allocations are identified by Merrill Lynch Global Wealth Management and are designed to serve as guidelines for a 20-30 year investment horizon for Merrill Lynch Global Wealth Management clients The Core allocations are provided by the BofA Merrill Lynch Global Research Investment Committee and reflect their outlook over the next 12-18 months.

Fixed-income allocation for US clients

We favor sectors of the bond market that have limited exposure to rising rates and that are still providing a decent yield advantage over Treasury securities. Our favorites are high yield and emerging market debt. These sectors are not for everyone though because they have a higher than normal degree of credit risk, and for local market debt, currency risk. For more conservative investors, we like investment grade corporate bonds and munis. In all cases, we prefer the 5- to-10-year maturity range.

We recently changed our taxable fixed income allocations for both the Moderate and Aggressive Profiles in order to reduce interest rate risk and take credit risk more selectively. We added 2% to the 5- to 15-year range for both profiles. For the Moderate Profile that comes out of the 15-year and longer range. For the Aggressive Profile it comes out of the 1- to 5-year range. The shorter duration reflects our expectation that yields will move higher in 2013.

The changes in our sector allocation reflect the narrowing in credit spreads among government-linked securities, and our preference for high yield within the corporate sector. We reduced our allocation to both agency and mortgage backed securities (MBS) added to the Treasury allocation .For MBS we made the change despite the prospect of heavy buying from the Fed. The move reflects the narrowing in spreads and also the potential extension risk if rates rise.

We also reduced our allocation to preferreds to market weight (1%). The change reflects the price risks that we see in the preferred market. We added to our allocation for both investment grade and high yield corporates, where we see better risk/reward. We do not have a specific allocation to senior loans, but we consider them to be part of the high yield allocation. In our opinion, loans will outperform high yield bonds in 2013.

Table 22: Combined municipal and taxable recommended sector allocations by Investor Profile

	Conservative			Moderate**			Aggressive		
	Federal tax bracket								
Sector	<25%*	28%	35%	<25%*	28%	35%	<25%*	28%	35%
Munis	0%	45%	50%	0%	58%	63%	0%	75%	80%
Treasuries & CDs	40%	22%	20%	27%	11%	10%	25%	6%	5%
TIPS	3%	2%	2%	4%	2%	2%	4%	1%	1%
Agencies (GSEs)	35%	19%	17%	1%	0%	0%	0%	0%	0%
Mortgages	2%	1%	1%	23%	10%	9%	19%	5%	4%
Corporates	20%	11%	10%	26%	11%	9%	26%	7%	5%
Preferreds	0%	0%	0%	1%	1%	0%	1%	0%	0%
High Yield*	0%	0%	0%	7%	3%	3%	10%	2%	2%
International: Developed Markets	0%	0%	0%	3%	1%	1%	3%	1%	1%
International: Emerging Markets USD	0%	0%	0%	3%	1%	1%	5%	1%	1%
International: Emerging Markets Local	0%	0%	0%	5%	2%	2%	7%	2%	1%
TOTALS	100%	100%	100%	100%	100%	100%	100%	100%	100%
TAXABLE-Maturity									
1-4.99 years	100%	100%	100%	52%	52%	52%	51%	51%	51%
5-14.99 years	0%	0%	0%	43%	43%	43%	40%	40%	40%
15+ years	0%	0%	0%	5%	5%	5%	9%	9%	9%
TOTALS	100%	100%	100%	100%	100%	58%	100%	100%	100%
TAX EXEMPT-Maturity									
1-4.99 years	100%	100%	100%	10%	10%	10%	5%	5%	5%
5-9.99 years				30%	30%	30%	25%	25%	25%
10-14.99 years				30%	30%	30%	35%	35%	35%
15+ years				30%	30%	30%	35%	35%	35%
TOTALS	100%	100%	100%	100%	100%	100%	100%	100%	100%

* Including tax-deferred accounts like IRAs and 401(k)s. ** The Moderate Category applies to the "Moderately Conservative", "Moderate", and "Moderately Aggressive" Profiles.
Changes from last month are highlighted in bold.
Source: BofA Merrill Lynch Global Research

US Equity sector allocation models

Table 23: Portfolio Strategy team's US equity sector weightings by investor profile

	Weight in S&P 500	Conservative	Moderately conservative	Moderate	Moderately aggressive	Aggressive
Consumer Discretionary	11.4%	10.0%	6.0%	11.0%	12.0%	13.0%
Consumer Staples	11.1%	22.0%	15.0%	12.0%	8.0%	4.0%
Energy	11.0%	12.0%	12.0%	10.0%	12.0%	13.0%
Financials	15.0%	12.0%	14.0%	15.0%	7.0%	7.0%
Health Care	12.2%	12.0%	9.0%	11.0%	17.0%	18.0%
Industrials	10.1%	14.0%	12.0%	14.0%	18.0%	14.0%
Info Technology	19.2%	6.0%	8.0%	16.0%	23.0%	25.0%
Materials	3.5%	0.0%	2.0%	2.0%	3.0%	3.0%
Telecom Services	3.1%	3.0%	10.0%	3.0%	0.0%	3.0%
Utilities	3.4%	9.0%	12.0%	6.0%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: BofA Merrill Lynch Research Portfolios, S&P; S&P 500 Sector Weights are as of 30 November 2012; weights may not add up to 100% due to rounding.

Table 24: Sector Weightings (Sectors listed in order of preference)

Sector	Weight in S&P 500	BofAML Weight (+ / = / -)	Comments	Industry Preferences/Themes
Information Technology	19.2%	+	■ Cash rich - dividend, buyback, capex play ■ Attractive valuation - greatest implied upside on forward P/E of any sector ■ Highest foreign exposure, secular and cyclical growth, lower EPS volatility vs. history ■ Stock pickers industries: Tech Hardware and Software ■ Risks: Consensus overweight, govt. spending cuts (Comm. Equipment)	Mega-cap Tech
Industrials	10.1%	+	■ Highest percentage of high quality stocks ■ GDP-sensitive, capex exposure, global exposure ■ Risks: Defense stocks at risk from govt. spending cuts, high European exposure	Industrial Conglomerates Machinery Avoid Defense stocks
Energy	11.0	+	■ Attractive valuation: only sector besides Health Care with implied upside on relative P/B, P/OCF and fwd. P/E ■ Benefits from US domestic energy advantage ■ Cyclical recovery play, foreign exposure ■ Risks: oil price volatility	Domestic Refiners Energy Equipment & Services
Health Care	12.2%	=	■ Large cap pharmaceuticals are our preferred yield play (cheap, underowned) ■ Attractive valuation: only sector besides Energy with implied upside on relative P/B, P/OCF and fwd. P/E ■ Obama's re-election/Health Care Reform: benefits hospitals, Medicaid managed care, labs, and PBMs ■ Risks: Most government spending exposure of any sector	Pharmaceuticals
Consumer Staples	11.1%	=	■ Contrarian - underowned by fund managers ■ High quality, dividend yield, and dividend growth potential (lower payout ratio than Utilities/Telecom) ■ Higher foreign exposure and less government risk than the other defensive sectors ■ Risks: inflation, upside surprise to profits growth	Food & Staples Retailing
Consumer Discretionary	11.4%	=	■ Household Durables (contains homebuilders) and Specialty Retail (contains home improvement stores) beneficiaries of improvement in housing market ■ Risks: higher oil prices, consumer deleveraging, continued high unemployment	Select Specialty Retail Select Household Durables
Financials	15.0%	=	■ Benefits from US cyclical recovery / housing recovery ■ Old leadership rarely becomes new leadership, high beta ■ Attractively valued on relative P/B, but remains expensive vs. history on relative fwd. P/E ■ Risks: regulatory reform, litigation, stress in European financial system, US recession	Mega-cap Financials
Materials	3.5%	=	■ Poor risk-reward vs. other non-financial cyclicals (high beta but lower LTG) ■ Risk: no bottoming in China growth (more leveraged to improvement in China than Industrials, which is also highly exposed to improvement in Europe as well as EM).	Chemicals Avoid Metals & Mining until more signs of improvement in China
Utilities	3.4%	-	■ Most expensive sector on relative fwd. P/E, no growth, high payout ratios (little room to raise dividends) ■ High dividend yield, underowned by fund managers, hedge against macro uncertainty, purely domestic ■ Expiration of Bush tax cuts could be risk to high dividend yielding stocks' performance	
Telecom	3.1%	-	■ Expensive (trading near all-time-highs on relative fwd. P/E), high payout ratios (little room to raise dividends) ■ Highest dividend yield, hedge against macro uncertainty, low intra-stock correlations ■ Expiration of Bush tax cuts could be risk to high dividend yielding stocks' performance	

Note: Weights in S&P as of 11//30//2012. May not add to 100% due to rounding.
Source: BofA Merrill Lynch US Equity & US Quant Strategy

Core portfolio

The Core is a sector-driven US equity portfolio whose target sector weightings and selected industry representation are reflective of our US Equity Strategy team's current recommendations. Individual stocks are chosen based on their potential to deliver above average earnings growth, yet have attractive valuations based on P/E-to-EPS growth rate. Sector weights are benchmarked to the S&P 500.

Table 25: Core

Sectors/Target Weights	Symbol	Proposed Weight	Price: Close 12/3/2012	Price: When added	Yield †	QRQ Rating	EPS Growth	P/E Ratio	Footnote
Consumer Discretionary (11%)									
AutoZone	AZO	3%	378.01	$363.12	0.00%	B-1-9	18.3	16.10	Bbgijopsvw
Garmin	GRMN	2%	39.88	$40.74	4.51%	C-1-7	6.7	13.52	Bbijopsv
Comcast Corp	CMCSA	2%	37.08	$32.33	1.75%	B-1-7	18.0	19.11	#BObgijopsv
The Home Depot	HD	4%	64.98	$50.97	1.79%	B-1-7	16.0	26.31	Bbijopsvw
Consumer Staples (11%)									
Wal*Mart Stores	WMT	4%	71.34	$48.74	2.23%	A-1-7	9.0	15.96	BObijopsv
CVS/Caremark	CVS	4%	46.28	$38.60	1.40%	B-1-7	14.0	14.65	Bbgijoprsvw
AB InBev	BUD	3%	88.29	$55.80	1.77%	A-1-7	10.6	19.07	BObgijopsv
Energy (12%)									
Cameron	CAM	3%	53.87	$55.90	0.00%	C-1-9	16.0	17.16	Bbijpvw
Schlumberger	SLB	3%	71.02	$70.11	1.55%	B-1-7	16.0	16.79	Bbijopvw
Occidental	OXY	3%	73.58	$98.60	2.94%	B-1-7	-0.8	10.39	Bbgijopsvw
Chesapeake	CHK	3%	16.90	$21.60	2.07%	C-1-7	6.7	26.83	BObgijopsvw
Financials (14%)									
ACE Limited	ACE	2%	79.23	$44.47	2.47%	B-1-7	10.0	10.66	Bbijopsvw
Amer Express	AXP	3%	55.99	$41.75	1.43%	B-1-7	10.0	12.73	Bbijopsvw
BlackRock, Inc.	BLK	3%	195.33	$159.18	3.07%	B-1-7	12.0	14.78	Bbgijoprsvw
JP Morgan Chase	JPM	3%	40.81	$43.62	2.94%	B-1-7	7.0	6.80	BObgijopsvw
Wells Fargo	WFC	3%	32.75	$32.75	2.69%	B-1-7	13.2	9.68	BObgijopsv
Health Care (12%)									
Express Scripts	ESRX	3%	53.51	$26.28	0.00%	B-1-9	20.0	22.30	BObijopsvw
Agilent	A	4%	37.92	$43.08	1.05%	B-1-7	9.1	12.15	Bbgijopsvw
GlaxoSmithKline	GSK	3%	43.30	$45.07	5.35%	A-1-7	5.4	11.99	Bbijpsv
Gilead	GILD	2%	74.61	$52.02	0.00%	B-1-9	13.5	19.28	BObgijopsvw
Industrials (11%)									
Deere & Co	DE	3%	83.22	$73.27	2.21%	B-1-7	10.0	10.91	Bbgijoprsvw
Fluor Corp	FLR	3%	52.98	$58.94	1.21%	B-1-7	15.0	14.09	Bbijopsvw
Honeywell	HON	2%	60.59	$37.82	2.71%	B-1-7	10.0	13.49	Bbijopsvw
Union Pacific	UNP	3%	121.43	$121.43	2.27%	B-1-7	11.0	14.70	Bbgijopsvw
Information Technology (22%)									
QUALCOMM	QCOM	3%	63.37	$43.25	1.58%	C-1-7	13.0	19.56	Bbijopsvw
Microsoft Corp	MSFT	3%	26.43	$22.65	3.48%	B-1-7	12.0	9.65	Bbijopsvw
Visa	V	4%	148.64	$119.85	0.89%	B-1-7	N/A	23.97	Bbijopsvw
EMC Corp	EMC	3%	24.76	$28.52	0.00%	C-1-9	15.0	14.65	Bbijopsvw
Apple	AAPL	3%	586.19	$259.69	1.81%	C-1-7	15.0	13.28	Bbijopsvw
Google	GOOG	3%	695.25	$407.98	0.00%	C-2-9	12.8	17.30	#Bbijopsvw
Broadcom	BRCM	3%	32.17	$38.24	1.24%	C-1-7	15.0	11.33	Bbijopsv
Materials (3%)									
Agrium Inc.	AGU	3%	99.74	$105.53	1.00%	C-1-7	6.0	10.07	Bbgijopsv
Telecom Services (2%)									
SBA Comm. Corp.	SBAC	2%	68.42	$60.56	0.00%	B-1-9	N/A	N/A	Bbgiopsw
Utilities (2%)									
Edison Int'l	EIX	2%	45.14	$40.68	2.88%	B-1-7	8.0	24.67	Bbijopsv
Cash (0%)		*0%*							
		100%			1.74%				

†: Investors should be aware that foreign governments sometimes withhold a percentage of dividends paid to US shareholders, which may adversely impact an investor who is following the portfolio. This may affect the yield received when compared to the stated yield for the Research Portfolios. Source: Bloomberg, BofA Merrill Lynch Global Research.
One or more analysts responsible for selecting the securities held in the Research Portfolios own such securities: Honeywell.

Global stock lists

US 1 List (methodology)

Table 26: US 1 List (as of 30 November 2012)

Ticker	Company	Rating	Date added	Price when added	Price as of 30 Nov	Footnotes
APC	Anadarko Petro	C-1-7	07/03/12	69.05	73.19	BObijopsvw
CHKP	Check Point	C-1-9	11/12/12	44.59	46.17	Bbijos
C	Citigroup	B-1-7	11/12/12	36.42	34.57	BObgijopsvw
CMCSA	Comcast Corp	B-1-7	07/10/12	31.35	37.20	#BObgijopsv
CSX	CSX Corporation	B-1-7	04/02/12	22.12	19.76	Bbjop
DAL	Delta Air	C-1-9	05/14/12	11.43	10.00	Bbgijopsv
DG	Dollar General	C-1-9	04/02/12	46.76	50.00	Bbgijopsv
ENDP	Endo Health	C-1-9	09/10/12	33.38	28.68	Bbijopsvw
EQIX	Equinix	B-1-9	04/23/12	151.34	185.76	Bbijopsvw
ESRX	Express Scripts	B-1-9	09/17/12	62.60	53.85	BObijopsvw
F	Ford Motor	C-1-7	08/28/12	9.34	11.45	BObijopsv
HES	Hess	B-1-7	07/03/12	45.30	49.61	Bbijopsv
ISRG	Intuitive Surg	C-1-9	10/29/12	542.22	529.00	Bbijopsvw
KLAC	KLA-Tencor	C-1-7	10/01/12	47.30	45.47	Bbijopsvw
KRFT	Kraft Foods Group	B-1-7	10/02/12	44.10	45.24	Bbgijopsw
NEE	NextEra Energy	B-1-7	04/02/12	61.83	68.71	BObgijopsvw
NWL	Newell	C-1-7	10/15/12	20.21	21.81	Bbijopsvw
OZM	Och-Ziff	C-1-7	08/07/12	8.40	9.52	Bbijopvw
QCOM	QUALCOMM	C-1-7	11/12/12	61.63	63.62	Bbijopsvw
SIRI	Sirius XM Radio	C-1-9	10/15/12	2.80	2.77	Bbgijopsv
TGI	Triumph Group	C-1-7	07/24/12	58.34	65.61	Bbijopsvw
UA	Under Armour	C-1-9	06/12/12	52.92	51.83	Bbijopsv
URBN	Urban Outfitter	C-1-9	09/10/12	39.48	37.70	Bbjp
WMT	Wal*Mart Stores	A-1-7	09/17/12	73.99	72.02	BObijopsv
SWKS	Skyworks	C-1-9	11/19/12		22.65	Bbijops

Note: We last modified this portfolio on 19 November 2012. Please see the original report for details, including price objectives and investment rationale. Please see Footnote Key at the back of this report. One or more members of the US 1 Committee (or a household member) owns stock of one or more companies on the US 1 list.

Source: BofA Merrill Lynch Global Research

Endeavor, the Small Cap US Buy List (methodology)

Table 27: Endeavor stocks (as of 16 November 2012)

GICS sector	Company	Symbol	BofAML opinion	Price as of 16 Nov (US$)	Mkt value (US$ mn)	MLSCR Model scores (100=best; 1=worst) Aurora	MLSCR Model scores (100=best; 1=worst) Enhanced contrarian	Date added	Footnotes
Consumer Discretionary	AMERICAN AXLE & MFG HOLDINGS	AXL	C-1-9	9.55	706	81	95	8/9/2010	BObgijopsvw
Consumer Discretionary	JACK IN THE BOX INC	JACK	C-1-9	25.03	1,118	93	90	7/9/2012	Bbijps
Consumer Discretionary	RED ROBIN GOURMET BURGERS	RRGB	C-1-9	31.18	446	76	75	5/14/2012	Bbivw
Consumer Discretionary	SONIC AUTOMOTIVE INC -CL A	SAH	C-1-7	18.90	1,061	93	81	10/10/2011	Bbgijopsvw
Consumer Staples	SUSSER HOLDINGS CORP	SUSS	C-1-9	35.63	749	94	87	7/5/2011	Bbijopsv
Financials	CORESITE REALTY CORP	COR	C-1-7	22.27	443	92	96	5/14/2012	Bbijpvw
Health Care	HEALTH MANAGEMENT ASSOC	HMA	C-1-9	7.75	1,971	62	94	7/14/2009	Bbijpsvw
Health Care	PHARMERICA CORP	PMC	C-1-9	13.09	389	82	95	1/20/2009	Bbjpw
Health Care	WELLCARE HEALTH PLANS INC	WCG	C-1-9	47.07	2,015	76	87	3/9/2012	Bbpw
Industrials	TAL INTERNATIONAL GROUP INC	TAL	B-2-7	31.44	1,047	90	94	9/19/2011	Bbgijopsw
Industrials	ALASKA AIR GROUP INC	ALK	C-1-9	40.72	2,868	68	80	10/10/2011	Bbijopsv
Industrials	TRIUMPH GROUP INC	TGI	C-1-7	62.10	3,085	95	98	10/16/2007	Bbijopsvw
Information Technology	FEI CO	FEIC	C-1-7	51.80	1,903	89	82	5/14/2012	Bbijopsvw
Information Technology	MENTOR GRAPHICS CORP	MENT	C-1-9	13.59	1,507	98	98	5/14/2012	Bbijopsv
Information Technology	CADENCE DESIGN SYSTEMS INC	CDNS	C-1-9	12.41	3,433	91	85	7/5/2011	Bbijopsv
Materials	GRAPHIC PACKAGING HOLDING CO	GPK	C-1-9	6.03	2,374	99	100	5/18/2011	Bbijopsv
Materials	NORANDA ALUMINUM HOLDING CP	NOR	C-1-7	5.63	375	26	85	4/16/2012	Bbijopsvw
Telecomm. Services	LEAP WIRELESS INTL INC	LEAP	C-1-9	5.97	475	25	88	3/9/2012	Bbijpsvw

Please see Footnote Key at the back of this report.

Source: BofA Merrill Lynch Small Cap Research

US High Quality & Dividend Yield Screen (methodology)

Table 28: High Quality and Dividend Yield Screen (December 2012)

Date Added	Ticker	Name	Sector	ROE (%)	Debt/ equity	Yield (%)	Quality	Market value (US$ mn)	Cost Price	Price (US$)	QRQ	FCF/ DIV	Footnotes
10/1/2010	ABT	Abbott Labs	Health Care	25.3	0.6	3.1	A	102,007	52.58	65.00	A-2-7	2.4	Bbijopsvw
4/1/2012	ADP	ADP	Information Technology	22.6	0.1	2.8	A	27,501	55.19	56.75	B-1-7	2.1	Bbijopsvw
11/1/2011	BAX	Baxter	Health Care	32.6	0.8	2.2	A	36,265	53.52	66.27	B-1-7	2.4	BObgijopsvw
7/2/2012	CHRW	C.H. Robinson	Industrials	34.9	0	2.1	A+	9,969	60.85	61.74	B-1-7	2	Bbijpvw
12/1/2010	CVX	Chevron	Energy	19	0.1	3.2	A+	207,379	82.70	105.69	A-2-7	1.5	Bbgijopsvw
11/1/2011	ETN	Eaton Corp	Industrials	17.6	0.5	2.8	A	17,609	44.28	52.16	B-1-7	2.8	BObgijopsvw
12/1/2010	GD	General Dynamics	Industrials	17.2	0.3	3	A+	22,052	67.62	66.50	B-1-7	3.6	Bbgijopsvw
10/1/2012	HON	Honeywell	Industrials	19.1	0.6	2.4	A-	47,872	60.80	61.33	B-1-7	2	Bbijopsvw
1/3/2012	KO	Coca Cola	Consumer Staples	26.5	1	2.6	A+	146,813	35.07	37.92	A-1-7	1.7	BObgijopsvw
10/1/2012	LLTC	Linear Technology	Information Technology	58.6	1	3	A-	7,643	32.57	33.19	B-1-7	1.9	Bbijopsw
2/2/2009	MCD	McDonald's Corp	Consumer Discretionary	40	1	3.2	A	87,774	57.90	87.04	B-1-7	1.4	Bbgijopsvw
5/3/2010	MDT	Medtronic	Health Care	19.1	0.7	2.4	A	42,958	44.13	42.11	A-1-7	3.7	BObgijopsvw
10/1/2012	MMM	3M	Industrials	25.5	0.4	2.6	A+	57,845	93.29	90.95	B-1-7	2.6	Bbgijopsvw
8/1/2011	MSFT	Microsoft Corp	Information Technology	24.5	0.2	3	A-	200,849	27.27	26.62	B-1-7	2.4	Bbijopsvw
4/1/2012	PAYX	PAYX	Information Technology	34.6	0	3.9	A	10,506	30.99	32.54	A-2-7	1.3	Bbjopw
12/3/2012	WMT	Wal*Mart Stores	Consumer Staples	23.5	0.8	2.2	A+	121,046	72.02	72.02	A-1-7	2.3	BObijopsv
2/1/2012	XOM	ExxonMobil	Energy	27.5	0.1	2.4	A+	406,849	83.97	88.14	A-1-7	2.8	Bbijopsvw
			Average	27.5	0.5	2.8		91,349				2.3	
			S&P 500 benchmarks:	14.2	1.1	2.1							

Note: Calculations are based on data from the last 12 months. Financials stocks are excluded because they typically have very high Debt/Equity ratios that have nothing to do with their capital structure. We calculate the benchmark S&P 500 ROE by taking the average of the aggregate ROE (S&P 500 EPS ÷ by book value per share) and the median ROE.

Disclaimer: These stocks have been selected according to the specified screening criteria and do not constitute a recommended list. Investors looking for a high quality dividend yield oriented investment can consider this analysis as one part of their decision making process, but should also consider other factors including fundamental opinions, financial risk, investment risk, management strategies and operating and financial outlooks

Source: BofA Merrill Lynch Global Research, BofA Merrill Lynch US Quantitative Strategy, FactSet, S&P

International High Quality & Dividend Yield Screen (methodology)

Table 29: Global Non-US High Quality and High Dividend Yield Screen (December 2012)

Ticker symbol	ADR symbol	Company	Country	Sector	MCAP	Quality	Dividend yield (%)	BofAML Opinion	Price as of 30 Nov (US$)	Price of ADR as of 30 Nov (US$)
MEGGF	MEGGY	MEGGITT	United Kingdom	Industrials	4,882	A-	2.8%	C-2-7	6.24	12.96
SGGEF	SGPYY	SAGE GROUP (THE)	United Kingdom	Software & Srvcs	6,328	A-	3.4%	C-2-7	4.99	19.92
SBGSF	SBGSY	SCHNEIDER ELECTRIC	France	Industrials	38,582	A-	3.1%	B-1-7	70.28	14.13
SNYNF	SNY	SANOFI	France	Health Care	117,959	A	3.9%	A-1-7	89.30	44.62
JCYCF	JCYGY	JARDINE CYCLE & CARRIAGE	Singapore	Retailing	14,220	A	3.1%	C-1-7	39.98	79.95
ALFVF	ALFVY	ALFA LAVAL	Sweden	Industrials	8,240	A-	2.5%	B-2-7	19.64	19.59
XWPPF	WPPGY	WPP	United Kingdom	Media	17,290	A	3.0%	A-1-7	13.72	68.70

Note: Dividend yields are gross of taxes.

Source: BofA Merrill Lynch Global Quantitative Strategy, MSCI, IBES, S&P

Note: Please be aware that links on this page are directed to lists that are updated as of the date of this publication. There may have been updates to one or more lists. Financial Advisors should check for the latest available constituents.

Research portfolios and stock lists

Stock lists

Regional Focus or 1 Lists are best investment ideas chosen from among our Buy-rated stocks.

US   Europe   Asia-Pacific

Most Attractive Buy (MAB)

Designed to identify common stocks that are attractive based on technical analysis, the objective of this list is to capture short to intermediate-term (3-6 month) price appreciation, but positions can be held longer term.

Growth10 / Value10

Consist of 10 stocks each, chosen by the highest five-year EPS growth rate (Growth 10) or lowest trailing 12-month P/E ratio (Value 10) after quantitative screening criteria.

Stock portfolios

US Large Cap Equity

Five portfolios offerings are available to match each of the client profiles of Capital Preservation, Income, Income & Growth, Growth and Aggressive Growth. These match the risk profiles of conservative, moderately conservative, moderate, moderately aggressive and aggressive, respectively. A sixth portfolio called the Core Portfolio is designed to reflect weighting decisions of our US equity strategy team. Each of these portfolios employs a combination of top-down sector weightings and bottom-up stock selection focusing on the 10 GICS sectors.

Holdings   **Primer**

US Mid-Cap Equity

Launched in April 2010, this portfolio invests in stocks between $2-12 billion that are selected using a combination of fundamental, quantitative and portfolio management tools, and is built on the GICS sector framework.

Holdings   **Primer**

International Equity

This portfolio consists of ADRs and US-listed shares of non-US companies representing all major regions outside the US: Europe/Middle East/Africa, Asia, Latin America and Canada, and is built on the GICS sector framework.

Holdings   **Primer**

Global economic, interest rate, FX forecast summaries

Table 30: Global economic forecasts (as of 29 November 2012)

	GDP growth, %				CPI inflation*, %				ST interest rates**, %				Exchange rate***				
	2011	2012F	2013F	2014F	2011	2012F	2013F	2014F	Current	2012F	2013F	2014F	CCY pair	Spot rate	2011	2012F	2013F
Global and Regional Aggregates																	
Global	3.8	3.1	3.2	3.9	4.3	3.2	3.3	3.4	2.70	2.70	2.70	2.97					
Global ex US	4.3	3.3	3.6	4.2	4.6	3.5	3.7	3.8	3.38	3.37	3.36	3.69					
Developed Markets	1.4	1.2	0.9	1.9	2.6	1.9	1.7	1.9	0.51	0.48	0.46	0.54					
G5	1.3	1.1	0.9	1.9	2.7	2.0	1.7	1.9	0.44	0.38	0.38	0.46					
Emerging Markets	6.2	4.9	5.3	5.7	6.0	4.4	4.8	4.8	5.14	4.87	4.79	5.17					
Europe, Middle East and Africa (EMEA)	2.4	0.7	0.9	2.0	4.0	3.3	3.2	2.9	2.38	2.43	2.30	2.42					
European Union	1.6	-0.2	0.0	1.2	3.0	2.6	2.2	1.8	0.96	0.94	0.89	0.97					
Emerging EMEA	4.8	2.9	2.9	3.8	5.9	4.9	5.1	4.8	6.10	5.95	5.46	5.60					
PacRim	5.8	5.4	5.8	5.9	4.7	3.1	3.2	3.6	3.25	3.28	3.15	3.39					
PacRim ex Japan	7.1	6.1	6.5	6.7	5.6	3.7	3.8	4.0	3.95	3.90	3.71	3.96					
Emerging Asia	7.3	6.2	6.7	6.9	5.7	3.8	3.9	4.0	4.00	3.91	3.74	4.00					
Americas	2.6	2.4	1.9	3.0	4.2	3.2	3.5	3.6	2.56	2.41	2.68	3.12					
Latin America	4.4	3.1	3.2	3.5	6.9	6.1	7.9	7.6	8.93	8.27	9.06	10.35					
G5																	
US	1.8	2.1	1.5	2.8	3.2	2.1	1.8	2.0	0.25	0.13	0.13	0.13					
Euro area	1.5	-0.4	-0.4	0.8	2.7	2.5	2.2	1.8	0.75	0.75	0.75	0.75	EUR-USD	1.29	1.30	1.25	1.20
Japan	-0.7	1.7	1.5	1.1	-0.3	-0.1	0.0	1.7	0.10	0.05	0.05	0.05	USD-JPY	82	77	81	85
UK	0.9	-0.1	1.1	2.2	4.5	2.8	2.5	2.0	0.50	0.50	0.50	1.00	EUR-GBP	0.81	0.83	0.79	0.78
Canada	2.6	2.1	1.4	2.4	2.9	1.6	1.4	1.9	1.00	1.00	1.25	2.25	USD-CAD	0.99	1.02	1.02	1.01

Notes: Global and regional aggregates are based on the IMF PPP weights unless stated otherwise. Countries within each region are ordered according to these weights.

* Annual averages. The HICP measure of inflation is used for Euro area economies. ** Central bank target rate, year-end, where available, short-term rates elsewhere.

Note: US short-term rate forecast for 2012 year-end is 0-0.25%. Midpoint used in table above for global and regional aggregation purposes.

Source: BofA Merrill Lynch Global Research

Methodology: US 1 List

The US 1 List represents a collection of our best investment ideas that are drawn primarily from US fundamental equity research analysts' "Buy" recommendations. To be included in the list, stocks must be listed in the US and must have an average daily trading volume of at least $5mn in the six months preceding their selection for the list. Once selected, a stock will remain on the list for 12 months unless the US 1 Committee removes the stock in connection with a downgrade or otherwise. At the end of the 12-month period, the Committee may extend a company's inclusion on the list for another 12 months if it continues to meet the US 1 criteria.

The list will generally consist of between 20 and 30 equally weighted stocks, but not fewer than 15 stocks. It will be rebalanced to achieve equal weighting in connection with the addition and deletion of any stock. Sector weighting in the selection process is considered. However, the US 1 list is not required to reflect the weights of the S&P 500 or any other index.

A US 1 Index will be established to track the performance of the list. The Index will be calculated on both a price-return (without the reinvestment of dividends) and a total-return basis and will be available on Bloomberg at (MLUS1PR <Index>) and (MLUS1TR <Index>), respectively.

Methodology: Endeavor List

Endeavor is a concentrated list of approximately 15 to 20 smaller cap stocks that represents the strategic views of BofA Merrill Lynch Small Cap Research. The Endeavor list includes those smaller cap stocks that are most compelling using a multi-disciplinary process. Candidates for the Endeavor buy list carry a favorable view by a BofA Merrill Lynch Fundamental Analyst and are attractively ranked by our Aurora (growth) or Enhanced Contrarian (value) quantitative models.

Methodology: US High Quality & Dividend Yield Screen

We list a screen of preferred securities that meet specified selection criteria and have relatively high yields for their credit rating and industry sector. The US High Quality & Dividend Yield Screen is not a recommended list.

Screening criteria

We combined our two secular themes through the following criteria. In our view, these screening factors were likely to uncover higher-quality companies that offered relatively secure dividend yield. The stocks are selected from the S&P 500.

- S&P Common Stock Rank of A+, A, or A-. The S&P Common Stock Rankings are our main measure of quality. These rankings are based primarily on the growth and stability of earnings and dividends over a 10-year period.
- Return on Equity (ROE) greater than the average S&P 500 ROE.
- Debt/Equity lower than the S&P 500.
- Dividend yield greater than the S&P 500.
- BofA Merrill Lynch Research Investment Opinion indicates Buy or Neutral as well as the likelihood that the dividend will remain the same or be increased (ie, a dividend rating of "7").
- The ratio of the last 12 months' free cash flow to dividends must be greater than 1.0.

Methodology: International High Quality & Dividend Yield Screen

We list a screen of preferred securities that meet specified selection criteria and have relatively high yields for their credit rating and industry sector. The International High Quality & Dividend Yield Screen is not a recommended list.

This monthly screen selects high quality and high dividend yield stocks from the MSCI AC World ex-USA Index covered by BofA Merrill Lynch Global Research. The screen uses the following criteria to uncover higher quality companies that offer relatively secure dividend yield.

- S&P Common Stock Rank (quality rank) of A+, A, or A-. The S&P Common Stock rankings are our main measure of quality. These rankings are based on the stability and growth in earnings and dividends over a seven-year period for non-US companies.
- Return on Equity (ROE) greater than the MSCI Index.
- Debt/Equity lower than the MSCI Index.
- Dividend yield greater than the MSCI Index.
- BofAML Investment Opinion indicates Buy or Neutral, as well as the likelihood that the dividend will remain the same or be increased (ie, a dividend rating of 7).
- The ratio of the past 12 months' free cash flow to dividends is greater than 1.0.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Underperform	N/A	≥ 20%

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