ARGUS®

*MONTHLY RESEARCH WEBINAR*

# INCOME INVESTING

Moderator:

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Director of Research

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# WHAT'S NEW AT ARGUS?

## Income Investing

- Jim Kelleher, CFA, Director of Research
- Kevin Heal, Fixed Income Strategist
- Marie Ferguson, Senior Analyst

## New Tiers on the Argus Research Website

- Adding ETF models and reports to website
- Roll-out planned for week of 11/10/25

## New A6 Ratings Methodology

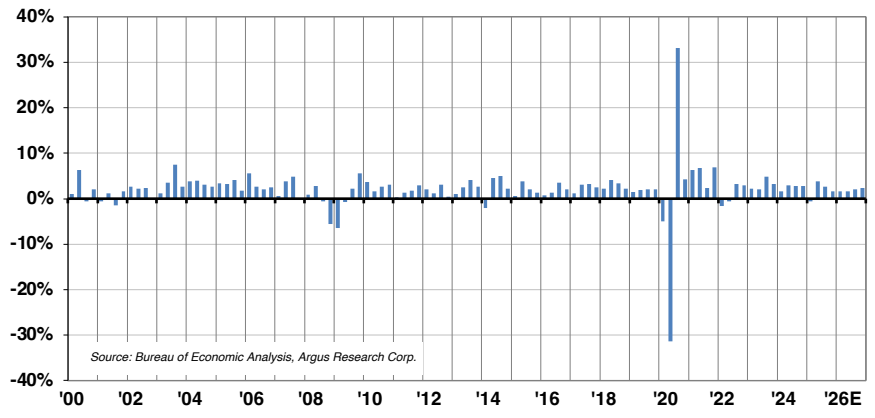
- New proprietary data, revised equations & sector weights
- Quantitative A6 research more aligned with analyst ratings
- Roll-out planned for 11/17/25

## New Argus Investors Counsel Website

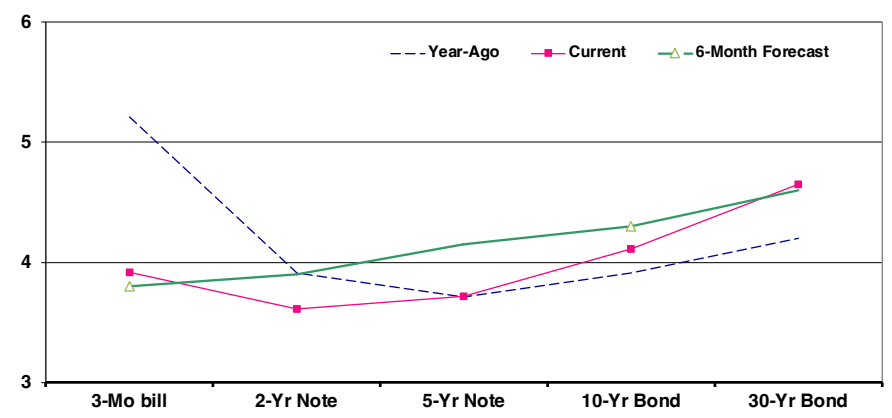
- Updated information on all 18 AIC strategies
- Site is now live

# MACRO FORECASTS

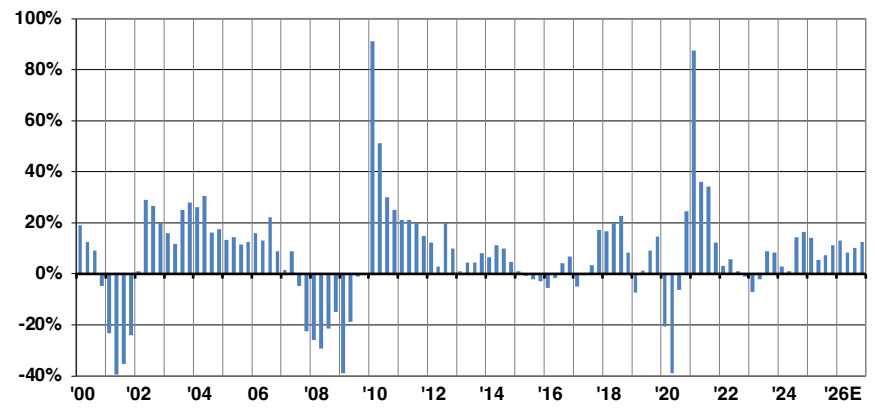
## REAL GDP W/FORECASTS



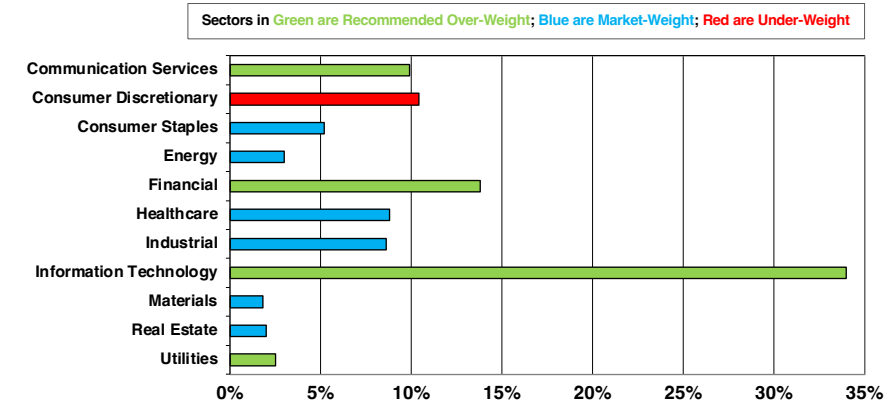

## TREASURY YIELD CURVE (%)




## S&P 500 QUARTERLY EARNINGS GROWTH



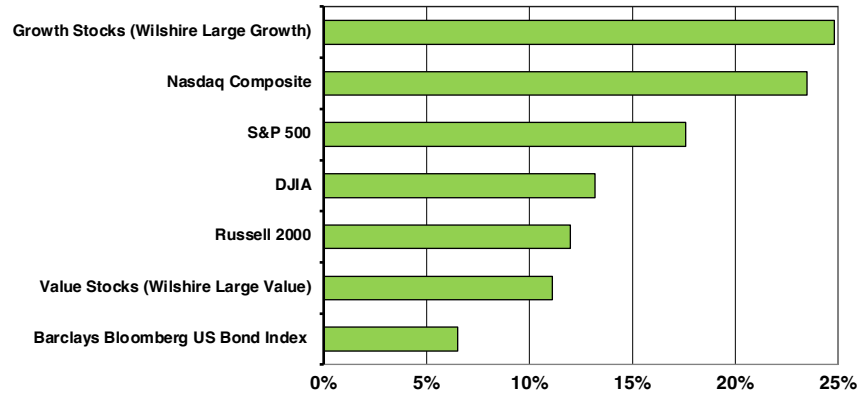

## MARKET SECTOR DISTRIBUTION - PERCENT OF S&P 500



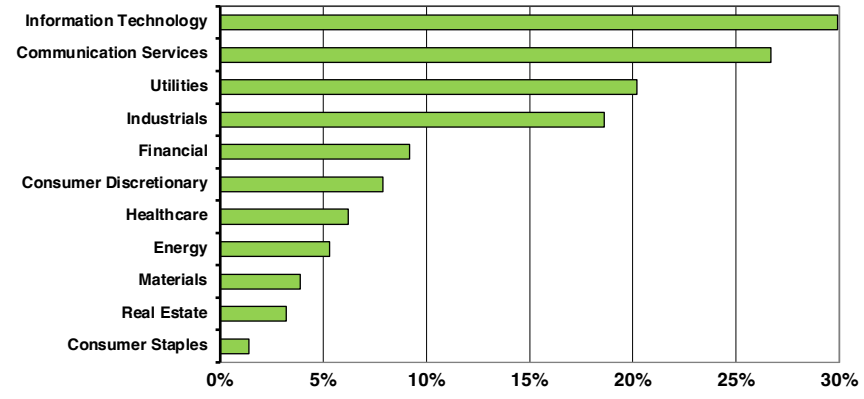
# MARKET PERFORMANCE

## DATA AS OF OCTOBER 31, 2025

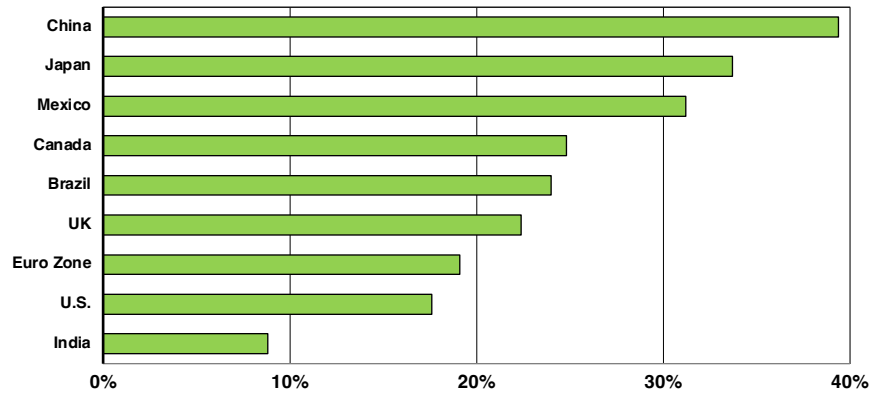
### MAJOR INDEX




### SECTOR




### GLOBAL EQUITY MARKETS



# INCOME SECTORS
# REITS AND UTILITIES

## Where to Find Income

- **The S&P 500 currently yields about 1.2%**
- **Argus Utility Coverage yield: 3.2%**
  - » average dividend growth: 5%
- **Argus REIT coverage yield: 3.8%**
  - » average dividend growth: 4%

## Sector Rotation

- **Periods of Rising Rates – Income stocks fall as fixed income yields rise**
  - » 2009, 2010 – Utilities #9 in S&P 500 sector performance
- **Periods of Declining Rates – Income stocks rise as fixed income yields fall**
  - » 2014, 2018 – Utilities #2 in S&P 500 sector performance
  - » 2024, 2025 – top-five sector performance

# REAL ESTATE SECTOR OVERVIEW

- **The Real Estate Sector accounts for about 2% of the S&P 500**
- **Our Recommendation is Market Weight**
- **Real Estate Sector Performance**
  - YTD 2025: Real Estate sector is up 21%; S&P 500 up 13%
  - Healthcare REITS lead group, up 23%
  - Other:  Industrial, up 17%, Date Center -10%
- **Sector Breadth**
  - Apartment REITs – strong demographic trends
  - Retail REITs – above-peer yields
  - Hotel & Hospitality REITs – poised for recovery
  - Digital REITs – mixed outlook

# REAL ESTATE INVESTMENT THEMES

- **Top FFO Growers**
  - EQIX, PLD
- **Attractive Yields**
  - DOC, KIM, SPG, EQR
- **Segment Leaders**
  - PLD, HOST
- **Housing Challenges**
  - WY (HOLD-rated)

# UTILITY SECTOR OVERVIEW

- **The Utility Sector accounts for about 2.5% of the S&P 500**
- **Our Recommendation is Overweight**
- **Utility Sector Performance**
  - YTD 2025: Utility sector is up 21%; S&P 500 up 13%
  - Independent power producers lead group, up 40%
  - Other: Gas, up 27%, Electric, up 23%
- **Utility Fundamentals**
  - Sector EPS growth 3%-5%
  - Total Return forecast mid- to high-single digits
  - Regulatory actions driving performance
  - Utilities are using capital to:
    - » Expand transmission, invest in cleaner generation

# UTILITY SECTOR INVESTMENT THEMES

- **Leading Nuclear Producers**
  - SO, NEE, D, DUK, XCEL
- **Top Projected Data Center Growth Potential**
  - ETR, SO, PPL, WEC
- **Top Dividend Growers**
  - NEE, ATO, DTE, XEL, AEE
- **High Yield**
  - ES, FE, EIX, PNW

# MBS-RELATED REITS

## AGNC Investment Corp. (AGNC)

- 14.4% yield
- Leverages MBS Securities (FNMA, FHLMC, GNMA)

## Annaly Capital Management (NLY)

- 13.5% yield
- Leverages agency MBS Securities, large-servicing book and non-agency securitization

## Rithm Capital Corp. (RITM)

- 9.1% yield
- Large servicing book and originator
- Asset Manager of private credit, CRE and RTL

# FIXED INCOME ETF PORTFOLIOS

## 3 Models
- Conservative
- Growth
- Aggressive

## Core Holdings
- AGG, Treasuries, Short-Term Bond

## Opportunistic
- Preferreds, Corporates, Senior Loans, Mortgage-related, TIPs

## Daily Monitoring

## Quarterly Updates

## Portfolio Change Factors
- Interest Rate Forecasts
- Valuation/Yield Curve
- Upcoming Fed Activity

# ARGUS PORTFOLIO PICKS

- **Equity Income**
  - KIM, PEG, SO
- **Min-Vol**
  - REG, AEP, SO, WEC
- **High-Yield**
  - RITM, SPG, AEP, DUK, NFG, PPL
- **Institutional**
  - EQIX, NEE, PEG
- **Dividend Growth**
  - NEE, CEG
- **Growth & Income**
  - KIM, SO
- **Innovative Growth**
  - CEG
- **Mid-Cap**
  - HST, RITM, WTRG, NI

**Note, Argus Model Portfolio Strategies may be licensed for direct money management by our clients using either an AUA or SMA Argus solution. Reach out directly to Argus for more authorization details.**

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