

Latam Equity Quant

Ibov rallies for 3 weeks

Investment Strategy

Key takeaways

- BZ sentiment shift: rates-sensitive names rally in May. Ibov ex-commodities at 11% discount vs historicals despite uptick.
- We continue to see outflows from local equity/hedge funds. They are in line with the avg of the last 6M.
- We saw EM outflows (-US\$0.7bn this week) for the first time after 5 consecutive weeks of inflows into EM.

Last week in numbers

Markets in BZ reacted positively after inflation figures released yesterday (Thursday). Our economics team revised inflation forecasts to 5.5% YoY in 2023 (down from 6%). See details in the report [Brazil Watch](#).

Ibov rallied for 3 weeks straight, amid an uptick in sentiment (see the report [LatAm Fund Manager Survey](#)) and rates moving lower (BZ 10y rates down 50bp in May). Rates-sensitive names and sectors outperformed: C. Discretionary +23% this month in BRL terms, vs +5% for the broad index (Exhibit 2). Materials was a drag this month, and could remain a drag until the end of the year based on our iron ore forecasts (Exhibit 3).

After the rally, Ibov ex-commodities trades at an 11% discount to historicals, compared to around a 26% discount at 2023 lows (Exhibit 5). But downwards earnings revisions remain a risk (Exhibit 18).

Outflows from Brazil local equity/hedge last week. R\$1.6bn outflows from equity funds (in line with of avg of the last 6M, Exhibit 11). R\$1.8bn outflows from local hedge funds (R\$2.3bn outflows if we remove one outlier fund, which is also in line with avg of the last 6M).

US\$0.7bn outflows from EM equity funds this week (first outflow after 5 consecutive week of inflows). EM inflows of the last 5 weeks had been directed almost entirely to China (90% of all EM flows, compared to 60% in the last 6 months). Inflows into EM (all EM regions) reached +US\$55bn YTD (Exhibit 15).

No foreign inflows into B3 this month. Foreign flows into Brazil local exchange remain flattish in May so far. In 2023, foreign flows into cash equities + futures + IPO/follows in BZ are positive (+R\$8bn YTD, Exhibit 13).

For detailed data on flows, please refer to our monthly [Flows to know](#) report.

26 May 2023

Investment Strategy
Latin America

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Exhibit 1: LatAm Earnings Revision Ratio

Earnings Revision Ratio = #Up Revisions / #Down Revisions. Brazil ERR at 0.6. Sector details in Exhibit 24.

LatAm countries	Mar-23	Apr-23
Argentina	2.0	2.0
Brazil	0.6	0.6
Chile	0.5	0.6
Colombia	0.8	0.7
Mexico	1.1	1.0
Peru	0.7	0.8
LatAm	0.8	0.8

Source: BofA Global Research, Factset, Bloomberg
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BZ = Brazil

ERR = Earnings Revision Ratio

WTD = Week To Date

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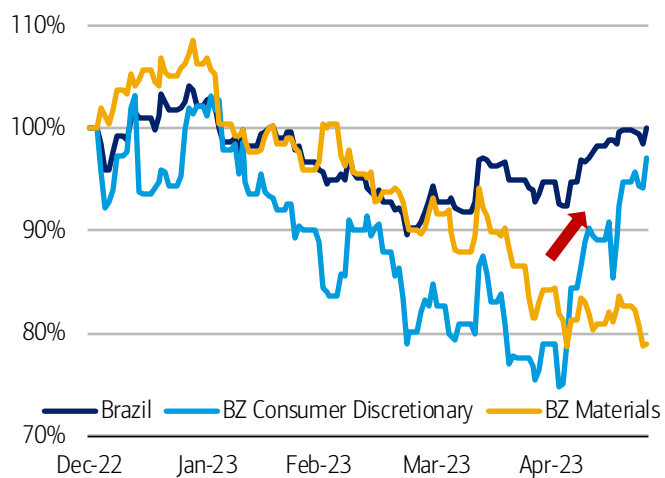
Refer to important disclosures on page 16 to 18.

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Timestamp: 26 May 2023 05:30AM EDT

Exhibit 2: Brazil, BZ C. Discretionary and BZ Materials total returns (BRL Terms)

BZ consumer discretionary names rebounded in May

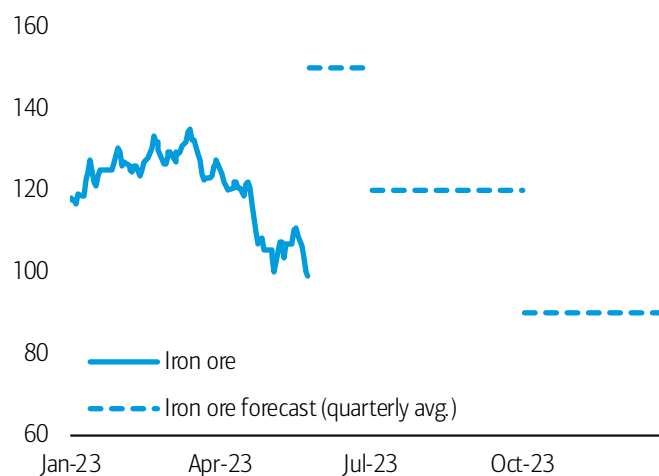


Source: Bloomberg

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Exhibit 3: Iron ore prices and forecasts (\$/t)

Iron ore prices are expected at \$90/t in 4Q23



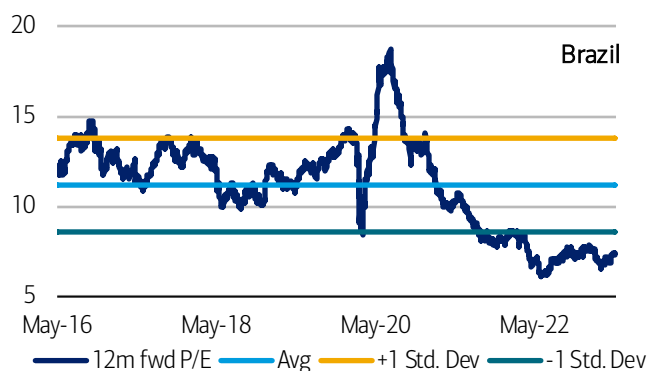
Source: Bloomberg, BofA Global Research

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LatAm valuation

Exhibit 4: Ibovespa P/E ratio (12m fwd)

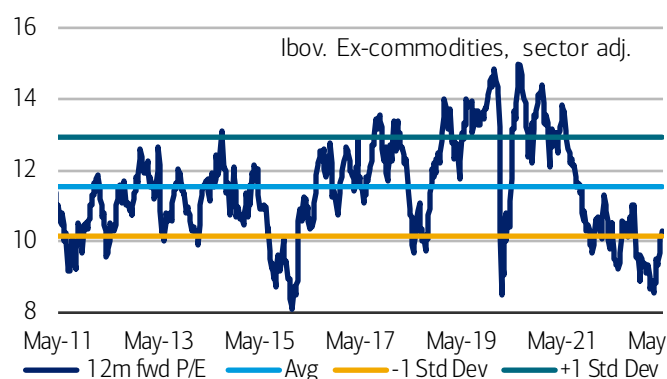
Trading more than 1 Std Dev below historical average, mostly driven by commodities.



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Exhibit 5: Ibovespa P/E ratio (12m fwd, sector adjusted ex. commodities)

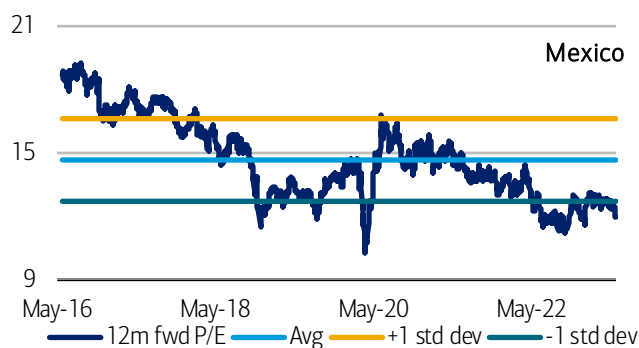
Ibov ex-commodities at 11% discount vs hist.



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Exhibit 6: Mexbol P/E ratio, May-17 to May-23

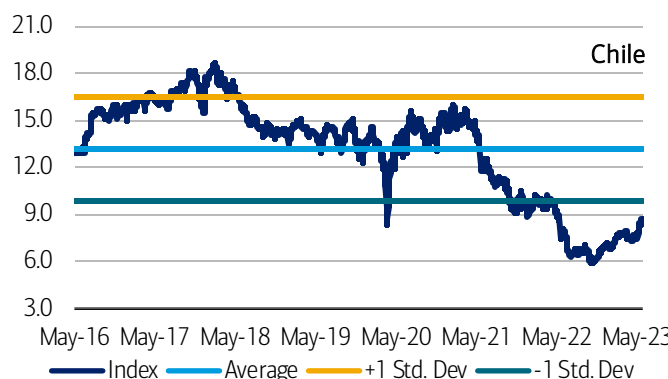
Trading 1 Std Dev below historical average.



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Exhibit 7: IPSA P/E ratio, May-17 to May-23

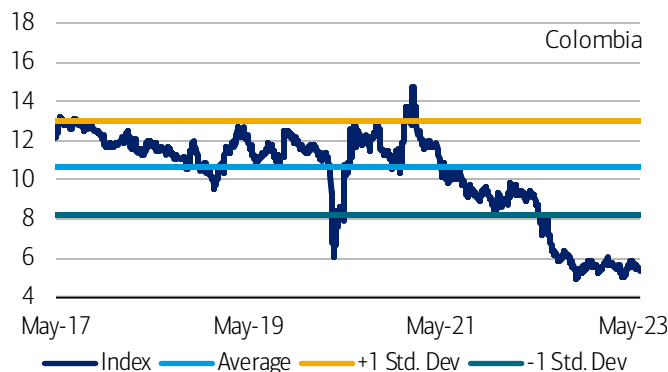
Trading more than 1 Std Dev below historical average.



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Exhibit 8: Colcap P/E ratio, May-17 to May-23

Trading more than 1 Std Dev below historical average.



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Exhibit 9: Valuation summary

Brazil 34% discounted vs hist.

Country	Index	Current	Average	Std. Dev	Prem. to Hist	Prem. to EM*
Brazil	Ibov	7.4	11.2	2.6	-34%	-39%
BZ	Ex-commod.	10.3	11.5	1.4	-11%	-6%
Mexico	Mexbol	12.0	14.7	1.9	-18%	3%
Chile	Ipsa	8.7	13.2	3.3	-34%	-34%
Peru	SPBLPGPT	8.1	12.5	2.4	-36%	-23%
Colombia	Colcap	5.3	10.6	2.4	-50%	-59%
Argentina	Merval	12.8	10.4	2.9	23%	-42%
EM	MXEF	11.6	12.2	1.2	-5%	-

Source: BofA Global Research, Bloomberg

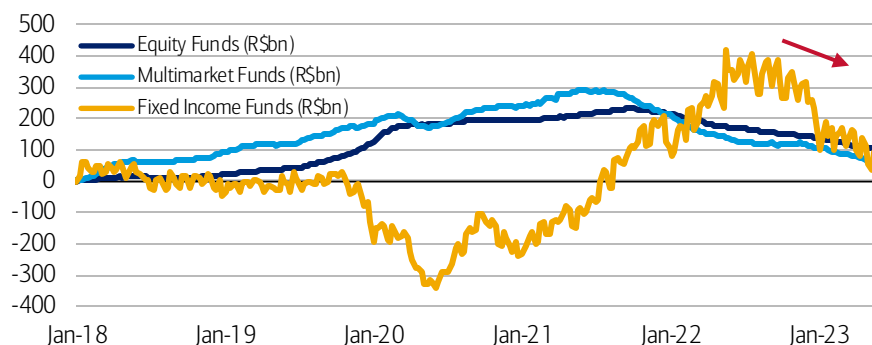
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Flows & Positioning

Brazil flows

Exhibit 10: Cumulative flows into Brazil local fixed income, equity funds and local multimarket (hedge) funds (R\$bn)

Inflows into Brazil local equity and multimarket funds peaked in Sep-21.



Source: BofA Global Research, Economática

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Exhibit 11: Equity and Multimarket funds weekly flows (R\$bn) (Brazil local funds)

Brazil local equity funds had outflows since Sep-21.

Equity and Multimarket funds weekly flows

Fund type	AUM	28-Apr	5-May	12-May	19-May	26-May*	YTD	Since peak Sep-21
Broad equity Funds	227	-0.8	-0.9	-0.7	-1.1	-0.5	-26	-76
Ibovespa Active	40	-0.3	-0.1	-0.1	-0.2	-0.1	-4	-25
Other	65	-0.2	-0.2	-0.2	-0.3	-0.1	-5	-20
Equity Funds (Ex. Foreign Invest.)	332	-1.2	-1.2	-1.0	-1.6	-0.7	-35	-130
Multimarket	756	-4.0	-2.3	-2.8	-0.5	-0.6	-31	-123
Macro	267	-2.4	-1.5	-0.9	-0.8	-0.6	-18	-60
Other	143	-0.5	-0.8	0.2	-0.4	0.0	-6	-36
Multimarket Funds (Ex. Foreign Invest.)	1,166	-7.0	-4.6	-3.6	-1.8	-1.3	-55	-218

(*) Preliminary data, up to Wednesday.

Source: Economática

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Exhibit 12: Fixed Income funds weekly flows (R\$bn) (Brazil local funds)

Brazil local fixed income funds had outflows in 2022.

Fixed Income funds weekly flows

Fund type	AUM	28-Apr	5-May	12-May	19-May	26-May*	YTD
FI Short Duration - Invest. Grade	895	-5.6	-4.1	1.3	-0.7	-0.5	-93.5
FI Short Duration Govt	835	-38.7	-2.0	32.9	-26.9	0.8	49.9
FI All Duration Credit	238	-1.2	-1.6	3.1	0.0	0.0	-7.6
FI All Duration - Invest. Grade	715	-3.6	-7.7	1.6	-1.6	1.8	-14.2
FI All Duration Govt	217	-4.8	-2.0	3.3	-5.5	0.1	-2.7
FI (Broad)	386	-1.1	-4.2	11.0	-1.1	0.0	37.7
Other	489	-2.1	0.9	2.8	2.8	-1.5	-13.3
Fixed Income (Total) Ex. Foreign Invest.	3,770	-57	-21	56	-33	1	-44

(*) Preliminary data, up to Wednesday.

Source: Economática

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Exhibit 13: Foreign flow to B3 (R\$bn), Jun-22 to May-23

Flows are negative in May

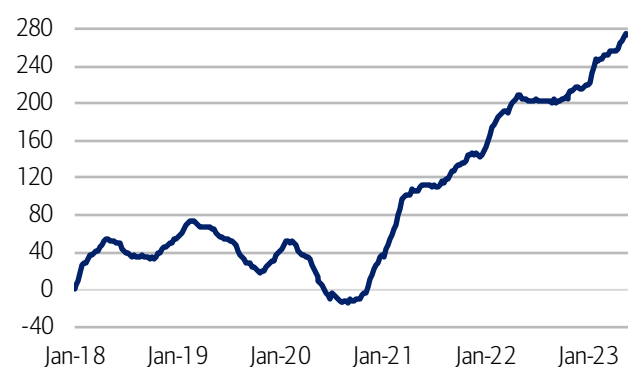
Month	Futures	Cash	IPO/follow-on	TOTAL
Jun-22	3	0	11	15
Jul-22	(1)	2	-	1
Aug-22	(3)	16	-	13
Sep-22	(3)	(0)	1	(3)
Oct-22	(3)	14	-	11
Nov-22	5	3	-	8
Dec-22	(4)	14	1	12
Jan-23	6	13	-	19
Feb-23	(9)	(2)	-	(11)
Mar-23	(2)	(2)	2	(3)
Apr-23	3	3	1	6
May-23	(2)	(2)	-	(3)
12M Cumulative	(9)	59	16	65
2023 YTD	(4)	10	3	8
2022	(2)	101	17	116
2021	27	(7)	44	64

Source: B3, Bloomberg

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Global flows**Exhibit 14: Cumulative flows into EM equity funds (US\$bn), 2018-2023**

EM flows were positive this week. US\$55bn YTD.



Source: EPFR

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Exhibit 15: Weekly flows to LatAm and EM funds (US\$mn)

EM flows were positive this week. US\$55bn YTD.

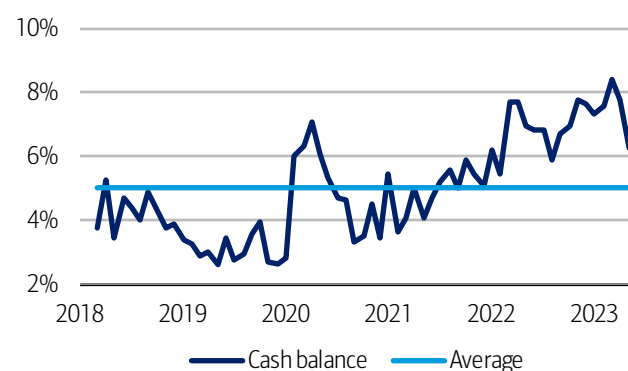
Region	Week	% Current Assets	4 Weeks	% Current Assets	YTD	% Current Assets
LatAm	80	0.9%	36	0.4%	42	0.5%
Brazil	213	1.5%	178	1.2%	(848)	-5.9%
Mexico	(118)	-1.3%	28	0.3%	247	2.7%
Argentina	(0)	0.0%	0	0.0%	14	28.2%
Andean	10	0.3%	55	1.8%	(86)	-2.9%
LatAmTotal	185	0.5%	296	0.8%	(631)	-1.8%
China	(40)	0.0%	8,227	0.6%	29,439	2.0%
EM Total	(728)	-0.1%	9,719	0.7%	55,027	3.8%

Source: EPFR

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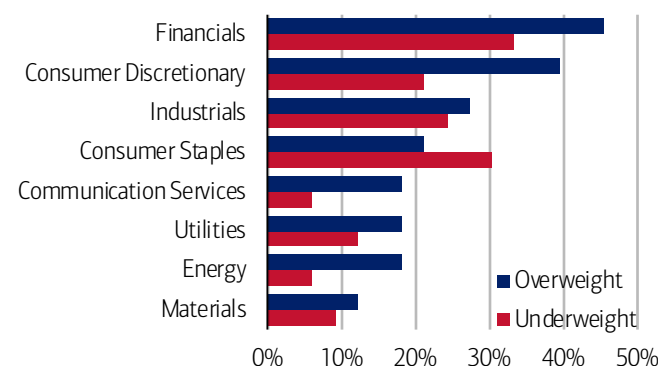
LatAm positioning**Exhibit 16: Average cash position (2018-2023)**

Cash levels at 6.3% in May-23, above hist avg (5%).



Source: LatAm Fund Manager Survey

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Exhibit 17: Which sectors among equities are you most underweight?Participants are more underweight Staples than they are overweight.

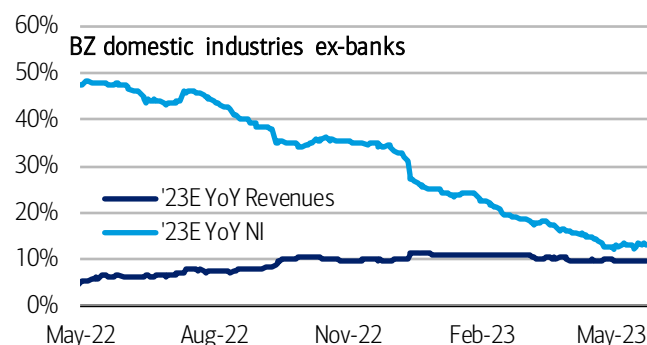
Source: LatAm Fund Manager Survey

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Consensus Earnings Revisions for Brazil

Exhibit 18: Brazil domestic industries: consensus revised NI downwards but still expected at 13% YoY growth

Brazil domestic industries (ex-banks) revenues vs NI consensus estimates (2023E YoY growth).



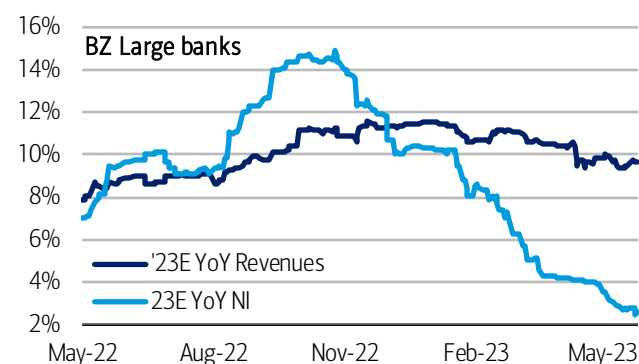
Consensus estimates.

Source: Bloomberg, BofA Global Research

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Exhibit 19: Brazil Banks: consensus revised NI downwards since Nov-22, but still expected at +3% YoY for 2023.

BZ large banks revenues vs NI consensus estimates (2023E YoY growth).



Consensus estimates.

Source: Bloomberg, BofA Global Research

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Earnings Revision Ratio (ERR)

The Earnings Revision Ratio measures the number of revisions for which the consensus EPS estimate has risen versus the number for which it has fallen.

An ERR above 1 means more upwards revisions than downwards revisions. However, historically analysts tend to start overly optimistic and do more downwards revisions down the line. As a result, **the overall historical average of the 3-month ERR is close to 0.8**

Exhibit 20: LatAm 3-month ERR – country details

Brazil 3-month ERR at 0.6 in April-23.

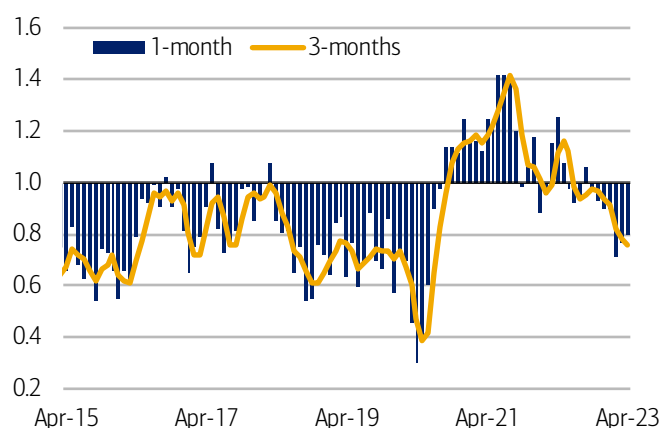
LatAm countries	12m Avg	Feb-23	Mar-23	Apr-23	1M Chg in 3M ERR
Argentina	1.5	1.9	2.0	2.0	0.00
Brazil	0.8	0.7	0.6	0.6	-0.06
Chile	1.3	0.5	0.5	0.6	0.10
Colombia	1.0	0.8	0.8	0.7	-0.09
Mexico	1.1	1.1	1.1	1.0	-0.03
Peru	0.9	1.0	0.7	0.8	0.11
LatAm	0.9	0.8	0.8	0.8	-0.03

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 21: LatAm Earnings Revision Ratio (Apr 2015-Apr2023)

3-month ERR at 0.8 in April-23, lowest since Aug 2020.

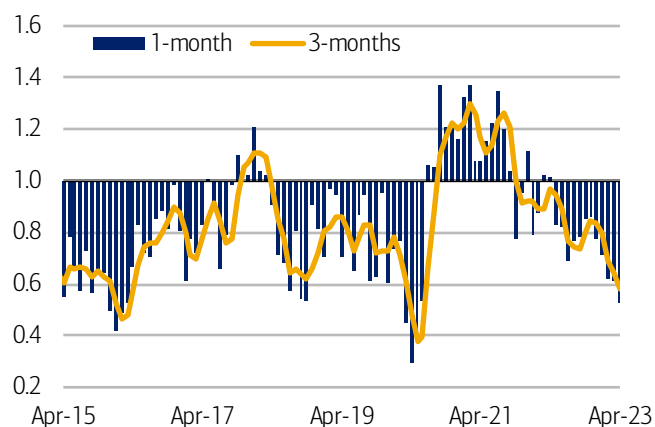


Source: BofA Global Research, Factset, Bloomberg

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Exhibit 23: Brazil Earnings Revision Ratio (Apr 2015-Apr2023)

Brazil 3-month ERR in April is at 0.6, the lowest level since June 2020.



Source: BofA Global Research, Factset, Bloomberg

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Exhibit 22: LatAm 3-month ERR – sector details

Financials show the highest ERR (1.3).

LatAm sectors	12m Avg	Feb-23	Mar-23	Apr-23	1M Chg in 3M ERR
C. Discretionary	0.8	0.8	0.7	0.6	-0.04
C. Staples	1.0	0.8	0.7	0.7	0.00
Energy	1.2	0.7	0.7	0.6	-0.05
Financials	1.8	1.4	1.2	1.3	0.04
Health Care	0.4	0.5	0.3	0.3	0.00
Industrials	1.1	1.1	0.9	0.9	-0.05
IT	1.1	1.4	1.2	0.9	-0.29
Materials	0.8	0.7	0.7	0.8	0.06
Real Estate	1.1	1.3	1.1	1.1	0.00
Communication	0.8	1.0	0.8	0.5	-0.27
Utilities	1.0	1.3	1.0	0.9	-0.15
LatAm	0.9	0.8	0.8	0.8	-0.03

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 24: Brazil 3-month ERR – sector details

HealthCare and C. Discretionary with lowest ERR in April.

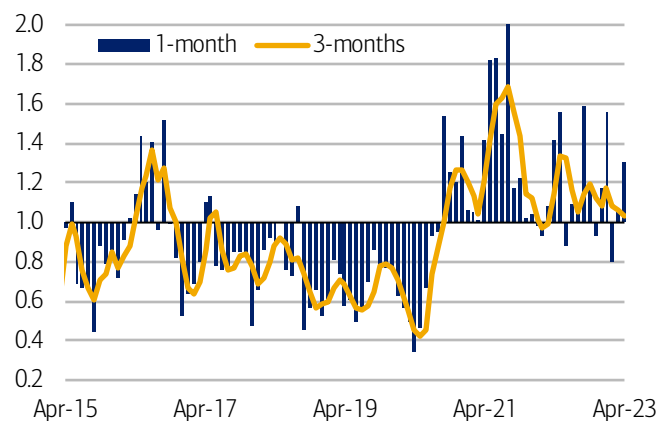
Brazil sectors	12m Avg	Feb-23	Mar-23	Apr-23	1M Chg in 3M ERR
C. Discretionary	0.5	0.4	0.3	0.3	-0.03
C. Staples	0.7	0.5	0.5	0.3	-0.13
Energy	1.0	0.6	0.6	0.8	0.21
Financials	1.1	0.8	0.8	1.1	0.32
Health Care	0.4	0.4	0.3	0.2	-0.11
Industrials	0.8	0.7	0.7	0.6	-0.07
IT	1.0	1.1	0.8	0.7	-0.06
Materials	0.9	0.7	0.7	0.6	-0.15
Real Estate	1.4	1.4	1.0	0.5	-0.46
Communication	1.1	1.4	1.0	0.7	-0.27
Utilities	0.9	1.3	1.0	0.8	-0.20
Brazil	0.8	0.7	0.6	0.6	-0.06

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 25: Mexico Earnings Revision Ratio (Apr 2015-Apr2023)

3-month ERR above 1 since April 2022.



Source: BofA Global Research, Factset, Bloomberg

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Exhibit 26: Mexico 3-month ERR – sector details

Financials has the highest ERR (2.1 in April).

Mexico sectors	12m Avg	Feb-23	Mar-23	Apr-23	1M Chg in 3M ERR
C. Discretionary	1.4	1.4	1.2	1.5	0.25
C. Staples	1.6	1.1	1.1	1.2	0.14
Energy	NA	NA	NA	NA	NA
Financials	3.9	3.5	4.3	2.1	-2.19
Health Care	NA	NA	NA	NA	NA
Industrials	1.5	1.2	1.2	1.1	-0.02
IT	NA	NA	NA	NA	NA
Materials	0.7	0.8	0.8	1.0	0.12
Real Estate	1.1	1.1	1.0	0.5	-0.54
Communication	0.6	0.2	0.2	0.3	0.08
Utilities	NA	NA	NA	NA	NA
Mexico	1.1	1.1	1.1	1.0	-0.03

Source: BofA Global Research, Factset, Bloomberg

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ERR methodology

The Earnings Revision Ratio (ERR) is calculated as follows: $ERR = \frac{\# \text{Up Revisions}}{\# \text{Down Revisions}}$, where:

Up Revisions = All instances when an analyst revises an estimate up.

Down Revisions = All instances when an analyst revises an estimate down.

We look at 1-Month and 3-Month ERRs; the former may anticipate market turns, while the latter is less volatile. Each company may contribute more than once as the total number of analyst revisions are considered. A company covered by several analysts will have a higher weight in the ratio.

The considered universe is composed of all companies within our current LatAm Coverage countries (Argentina, Brazil, Chile, Colombia, Mexico and Peru). A company will be included in the sample if at least one of the following variables is listed as one of said countries: country of risk, country of incorporation, country of registration, country of Headquarters, and country of top revenue. Panama's Copa Holdings is the only exception to the rule and was also added to the sample. Number of companies with at least one revision in the last 12 months: Argentina: 35, Brazil: 185, Chile: 37, Colombia: 20, Mexico: 106, Peru: 19.

Stock screens

Exhibit 27: Value screen

Within this screen, Homebuilders and Airlines have the best performance YTD.

Company	Country	Industry	BBG Ticker	BofA Ticker	P/E 2021E	P/E 2022E	Net Debt/EBITDA	30D Performance (local crncy)	YTD Performance (local crncy)
YPF SA	AR	Oil & Gas Producers	YPF US	YPF	3.2	3.2	1.8	0%	21%
Petrobras PN	BZ	Oils	PETRA4 BZ	PTBFB	2.9	3.2	0.5	-2%	8%
Petro-Rio	BZ	Oil & Gas Producers	PRI03 BZ	HRTPF	5.3	3.8	1.8	3%	-4%
Ecopetrol	CO	Oil & Gas Producers	ECOPETL CB	XESSF	4.1	4.3	1.4	-7%	-14%
Usiminas	BZ	Steels	USIM5 BZ	USSPF	6.5	4.9	0.1	4%	2%
Metalurgica Gerdau	BZ	Steels	GOAU4 BZ	MZGPF	3.8	5.5	0.4	1%	-13%
Vale ON	BZ	Non-Ferrous-Mining	VALE3 BZ	VALEF	4.7	5.5	0.4	-7%	-27%
Ternium	MX	Steels	TX US	TX	5.9	6.1	-1.0	-5%	25%
Gerdau	BZ	Steels	GGBR4 BZ	GGBUF	5.0	6.8	0.4	0%	-13%
Alpek	MX	Chemicals-Major	ALPEKA MM	ALPKF	8.2	6.8	1.7	-2%	-32%
COPASA	BZ	Water Utilities	CSMG3 BZ	CSAOF	7.4	6.9	1.4	22%	27%
Copa	CO	Airlines	CPA US	CPA	7.3	7.0	0.8	21%	28%
Cemig	BZ	Electric Utilities	CMIG4 BZ	CEMCF	6.3	7.0	1.4	-3%	8%
SQM	CL	Fertilizers	SQM US	SQM	5.6	7.0	0.0	0%	-17%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	6.7	7.1	1.6	12%	16%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	7.9	7.5	0.8	-2%	-9%
Cyrela	BZ	Homebuilders	CYRE3 BZ	XCBMF	8.9	7.7	0.5	26%	43%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	7.7	7.8	1.6	-6%	-4%
Coca-Cola Andina	CL	Soft Drinks	ANDINAB CI	AKOBF	10.6	9.1	1.8	-1%	-1%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	10.5	9.9	1.7	-2%	-2%
Median								-1%	-2%

Source: BofA Global Research, Bloomberg.

Stocks are selected from our LatAm universe of coverage regardless of the rating. Stocks must have at least 5y of trading. Screen criteria: Mkt Cap>US\$1bn. 2021E and 2022E fwd P/E ratio below MSCI LatAm median P/E. Net Debt/EBITDA <2 (this condition is ignored for Financials). If results exceed 20 companies, those with the lowest 2022E P/E ratio are selected. Fundamental ratings are not part of the screening criteria. This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision. Fundamental ratings are not part of the screening criteria.

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Exhibit 28: Growth screen

Many traditional retail and e-commerce names in this screen.

Company	Country	Industry	BBG Ticker	BofA Ticker	P/E 2022E	Div. Yield 2022E	30D Performance (local crncy)	YTD Performance (local crncy)
Mercado Libre	BZ	Internet/e-Commerce	MELI US	MELI	51.6	0%	2%	48%
Magazine Luiza	BZ	Retailing-Hardlines	MGLU3 BZ	MGZZF	50.4	0%	14%	36%
Omega Geração	BZ	Renewable Energy	MEGA3 BZ	XZQAF	47.3	0%	10%	1%
Raia Drogasil	BZ	Drug Store Chains	RADL3 BZ	RAIAF	30.3	1%	13%	23%
WEG	BZ	Industrials/Multi-Industry	WEGE3 BZ	WGSEF	28.3	2%	-3%	2%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	26.7	0%	28%	16%
Rumo Logística	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	22.1	0%	6%	13%
Walmex	MX	Supermarkets/Food Retailers	WALMEX* MM	WMMVF	20.6	4%	-3%	2%
Vesta	MX	Real Estate/Property	VESTA* MM	VESTF	20.4	3%	-3%	16%
TOTVS	BZ	Server & Enterprise Software	TOTS3 BZ	XBEGF	20.2	1%	17%	8%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	19.0	1%	67%	-17%
Bimbo	MX	Bakers	BIMBOA MM	GRBMF	18.8	1%	1%	13%
Brasils Foods	BZ	Food Processors	BRFS3 BZ	BRFFF	18.8	0%	27%	-9%
Braskem	BZ	Chemicals-Major	BRKM5 BZ	BAKAF	18.2	1%	19%	-3%
Cogna	BZ	Education & Training Services	COGN3 BZ	KROTF	16.8	0%	41%	29%
Localiza	BZ	Car Rental	RENT3 BZ	LZRFF	16.5	1%	13%	20%
Multiplan	BZ	Real Estate/Property	MULT3 BZ	XMULF	16.4	3%	8%	23%
FEMSA	MX	Brewers	FEMSAUBD MM	FMXUF	16.3	2%	1%	15%
Arca	MX	Soft Drinks	AC* MM	EMBVF	15.7	4%	4%	11%
Volaris	MX	Airlines	VOLARA MM	XSOBF	15.7	0%	16%	41%
Median							11%	14%

Source: BofA Global Research, Bloomberg.

Stocks are selected from our LatAm universe of coverage regardless of the rating. Stocks must have at least 5y of trading. Screen criteria: Mkt Cap>US\$1bn. 2021E and 2022E fwd P/E ratio above MSCI LatAm median P/E. Dividend yield (2022E) below MSCI LatAm dividend yield. If results exceed 20 companies, those with the highest 2022E P/E ratio are selected. Fundamental ratings are not part of the screening criteria. This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision.

BofA GLOBAL RESEARCH



Exhibit 29: High dividend screen

This screen encompasses many utilities and banks.

Company	Country	Industry	BBG Ticker	BofA Ticker	Div. Yield 2023E	30D Performance (local crncy)	YTD Performance (local crncy)
Ecopetrol	CO	Oil & Gas Producers	ECOPETL CB	XESSF	19.9	-7%	-14%
Bradespar	BZ	Non-Ferrous-Mining	BRAP4 BZ	BRDQF	19.6	-11%	-28%
Petrobras PN	BZ	Oils	PETR4 BZ	PTRBF	17.8	-2%	8%
BanColombia	CO	Banks-Multinational/Universal	PFBCOLO CB	XAFFF	13.2	-12%	-20%
CSN	BZ	Steels	CSNA3 BZ	SIDHF	11.6	-10%	-15%
Banco do Brasil	BZ	Banks-Retail	BBAS3 BZ	XBBAF	10.9	4%	29%
SQM	CL	Fertilizers	SQM US	SQM	10.6	0%	-17%
Danhs	MX	REITs	DANHOS13 MM	GRFFF	10.3	-2%	-2%
TAESA	BZ	Electric Utilities	TAEE11 BZ	XTAEF	9.7	6%	8%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	9.5	-8%	-6%
Gerdau	BZ	Steels	GGBR4 BZ	GGBUF	9.5	0%	-13%
Vale ON	BZ	Non-Ferrous-Mining	VALE3 BZ	VALEF	9.5	-7%	-27%
Fibra Uno	MX	REITs	FUNO11 MM	FBASF	9.4	-3%	4%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	9.3	-6%	-4%
Banco de Chile	CL	Banks-Retail	CHILE CI	XHNDF	9.2	8%	-2%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	9.1	12%	16%
Minerva	BZ	Food Processors	BEEF3 BZ	MRVSF	8.9	17%	-24%
Banco Macro	AR	Banks-Retail	BMA US	BMA	8.8	-3%	7%
Auren Energia	BZ	Electric Utilities	AURE3 BZ	XZMXF	8.3	-8%	-3%
Engie	BZ	Electric Utilities	EGIE3 BZ	XZDDF	7.9	3%	12%
Median						-3%	-4%

Source: BofA Global Research, Bloomberg

Stocks are selected from our LatAm universe of coverage regardless of the rating. Stocks must have at least 5y of trading. Screen criteria: Mkt Cap>US\$1bn. Dividend yield

(2022E) above MSCI LatAm dividend yield. If results exceed 20 companies, those with the highest dividend yield are selected. Fundamental ratings are not part of the screening criteria. This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision.

BofA GLOBAL RESEARCH

Exhibit 30: Defensive screen

Many bond proxies, Utilities, Soft Drinks and Telecom.

Company	Country	Industry	BBG Ticker	BofA Ticker	Beta	Net Debt/EBITDA	30D Performance (local crncy)	YTD Performance (local crncy)
Soriana	MX	Supermarkets/Food Retailers	SORIANAB MM	ONZBF	0.1	1.6	-1%	-3%
Copa	CO	Airlines	CPA US	CPA	0.2	0.8	21%	28%
Vivo	BZ	Telecom Equipment-Wireless/Cellular	VVT3 BZ	XCPTF	0.4	0.7	5%	10%
Alpek	MX	Chemicals-Major	ALPEKA MM	ALPKF	0.4	1.7	-2%	-32%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	0.4	0.8	-2%	-9%
Arca	MX	Soft Drinks	AC* MM	EMBVF	0.4	0.5	4%	11%
Auren Energia	BZ	Electric Utilities	AURE3 BZ	XZMXF	0.4	1.3	-8%	-3%
Coca-Cola FEMSA	MX	Soft Drinks	KOFUBL MM	COCSF	0.4	0.9	0%	15%
AmBev	BZ	Brewers	ABEV3 BZ	AVBPF	0.5	-0.4	4%	2%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	0.5	NA	-8%	-6%
Danhs	MX	REITs	DANHOS13 MM	GRFFF	0.5	1.7	-2%	-2%
Qualitas	MX	Insurance - Non-Life	Q* MM	QUCOF	0.5	NA	-3%	34%
Coca-Cola Andina	CL	Soft Drinks	ANDINAB CI	AKOBF	0.5	1.8	-1%	-1%
Gentera	MX	Banks-Retail	GENTERA* MM	CMPRF	0.5	NA	-1%	-11%
TIM	BZ	Telecom Services-Wireless/Cellular	TIMS3 BZ	XZUAF	0.5	1.4	5%	16%
Cemex LatAm	CO	Building Materials	CLH CB	XOGVF	0.5	0.8		
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	0.5	1.6	12%	16%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	0.5	1.6	-6%	-4%
Grupo BMV	MX	Other Financials	BOLSAA MM	BOMXF	0.6	NA	-6%	-3%
WEG	BZ	Industrials/Multi-Industry	WEGE3 BZ	WGSEF	0.6	-0.3	-3%	2%
Median							-1%	-1%

Source: BofA Global Research, Bloomberg

Stocks are selected from our LatAm universe of coverage regardless of the rating. Stocks must have at least 5y of trading. Screen criteria: Mkt Cap>US\$1bn. Net Debt/EBITDA <2 (this condition is ignored for Financials).

Beta relative to the local index <0.9. If results exceed 20 companies, those with the lowest beta are selected. Fundamental ratings are not part of the screening criteria.

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

BofA GLOBAL RESEARCH

Exhibit 31: High Beta screen

Several financials and Real Estate names in this screen.

Company	Country	Industry	BBG Ticker	BofA Ticker	Beta	Net Debt/EBITDA	30D Performance (local crncy)	YTD Performance (local crncy)
Magazine Luiza	BZ	Retailing-Hardlines	MGLU3 BZ	MGZZF	2.0	4.3	14%	36%
Cemex	MX	Building Materials	CX US	CX	1.9	2.7	7%	54%
Cogna	BZ	Education & Training Services	COGN3 BZ	KROTF	1.7	3.7	41%	29%
B3 SA	BZ	Financial Services-Consumer/Commercial	B3SA3 BZ	XIMAF	1.6	NA	12%	0%
Volaris	MX	Airlines	VOLARA MM	XSOBF	1.5	5.0	16%	41%
BTG Pactual	BZ	Banks-Retail	BPAC11 BZ	XNXCF	1.5	NA	18%	12%
Televisa	MX	Cable TV	TLEVICPO MM	GRPFF	1.4	2.6	-2%	-5%
CSN	BZ	Steels	CSNA3 BZ	SIDHF	1.4	3.1	-10%	-15%
Cosan	BZ	Energy Commodities	CSAN3 BZ	CSAIF	1.3	2.2	3%	-9%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	1.3	5.0	67%	-17%
GFINbursa	MX	Banks-Retail	GFINBURO MM	GPFOF	1.3	NA	0%	23%
Localiza	BZ	Car Rental	RENT3 BZ	LZRFF	1.3	5.5	13%	20%
Embraer	BZ	Aerospace	ERJ US	ERJ	1.3	2.8	-8%	31%
Aliansce	BZ	Real Estate/Property	ALSO3 BZ	XCCGF	1.3	6.5	18%	24%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	1.3	4.6	28%	16%
Banco do Brasil	BZ	Banks-Retail	BBAS3 BZ	XBBAF	1.2	NA	4%	29%
Iguatemi	BZ	Real Estate/Property	IGTI11 BZ	XBGQF	1.2	2.4	15%	19%
BanColombia	CO	Banks-Multinational/Universal	PFBCOLO CB	XAFFF	1.2	NA	-12%	-20%
Dexco	BZ	Forest Products	DXCO3 BZ	DURXF	1.2	3.5	43%	19%
Median							13%	19%

Source: BofA Global Research, Bloomberg

Stocks are selected from our LatAm universe of coverage regardless of the rating. Stocks must have at least 5y of trading. Screen criteria: Mkt Cap>US\$1bn. Net Debt/EBITDA >2 (this condition is ignored for Financials). Beta relative to the local index >1.1. If results exceed 20 companies, those with the highest beta are selected. Fundamental ratings are not part of the screening criteria.

This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision. Fundamental ratings are shown only for information and are not part of the screening criteria

BofA GLOBAL RESEARCH

Exhibit 32: List of stocks within our coverage most discounted to historicals

Commodity exporters with large earnings this and next year have depressed ratios, as well as many financial names.

Company	Country	Industry	BBG Ticker	BofA Ticker	Discount to hist.	Current Valuation	10-Year Avg. Valuation	Net Debt/EBITDA	30D Performance (local crncy)	YTD Performance (local crncy)
Cogna	BZ	Education & Training Services	COGN3 BZ	KROTF	-87%	16.8	133.8	3.7	41%	29%
Eneva	BZ	Electric Utilities	ENEV3 BZ	XZUMF	-79%	10.0	48.8	6.8	5%	-1%
Televisa	MX	Cable TV	TLEVICPO MM	GRPFF	-75%	2.6	10.4	2.6	-2%	-5%
Rumo Logistica	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	-71%	22.1	77.3	2.5	6%	13%
Embraer	BZ	Aerospace	ERJ US	ERJ	-67%	5.3	16.2	2.8	-8%	31%
Volaris	MX	Airlines	VOLARA MM	XSOBF	-66%	4.5	13.0	5.0	16%	41%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	-63%	0.8	2.2	4.6	28%	16%
BanColombia	CO	Banks-Multinational/Universal	PFBCOLO CB	XAFFF	-61%	0.7	1.7	NA	-12%	-20%
Cielo	BZ	Financial Services-Consumer/Commercial	CIEL3 BZ	CIOXF	-53%	6.3	13.4	NA	-2%	-6%
Gentera	MX	Banks-Retail	GENTERA* MM	CMPRF	-53%	1.3	2.7	NA	-1%	-11%
Brasil Foods	BZ	Food Processors	BRFS3 BZ	BRFFF	-51%	4.5	9.1	5.7	27%	-9%
Banrisul	BZ	Banks-Retail	BRSR6 BZ	XGRBF	-51%	0.5	1.0	NA	16%	24%
Fibra Uno	MX	REITs	FUNO11 MM	FBASF	-45%	7.8	14.2	7.1	-3%	4%
BTG Pactual	BZ	Banks-Retail	BPAC11 BZ	XNXCF	-44%	15.0	26.7	NA	18%	12%
Bradesco	BZ	Banks-Retail	BBDC4 BZ	BRDPF	-41%	1.1	1.9	NA	17%	6%
Cencosud	CL	Retailing-Broadline/General Merchandisers	CENCOSUD CI	XCSCF	-40%	5.7	9.6	3.1	-5%	10%
Alfa	MX	Industrials/Multi-Industry	ALFAA MM	ALFFF	-40%	6.4	10.6	2.7	1%	-7%
Credicorp	PE	Banks-Retail	BAP US	BAP	-39%	7.0	11.4	NA	0%	-1%
Falabella	CL	Retailing-Broadline/Department Stores	FALAB CI	XDIYF	-38%	12.6	20.5	4.5	5%	12%
GFINbursa	MX	Banks-Retail	GFINBURO MM	GPFOF	-38%	9.1	14.7	NA	0%	23%
Median									3%	8%

Source: BofA Global Research, Bloomberg

Stocks are selected from our LatAm universe of coverage regardless of the rating. Stocks must have at least 5y of trading. Screen criteria: Mkt Cap>US\$1bn. Net Debt/EBITDA <2 (this condition is ignored for Financials). Valuation ratio < 10y hist avg (or longest available). Valuation ratios are chosen according to a company's sector: for Materials, Energy, Airlines and C. Staples EV/EBITDA is used; for Retail EV/Sales is used; for Financials Price/Book Value is used. For remaining sectors Price/Earnings is used. If results exceed 20 companies, those with the greatest discounts to historicals are selected.

This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision. Fundamental ratings are shown only for information and are not part of the screening criteria

BofA GLOBAL RESEARCH

Stock screens methodology

Our monthly screens are a quantitative approach for monitoring performance across several investment strategies. The screens are generated through a quantitative process, using consensus projections and historical data. There are two main steps to the selection process: filtering and ranking. For each screening process, filter criteria is applied first, then resulting assets are ranked according to the core variable for each strategy. Each month, we select and rank the 20 stocks that best fit the screen criteria. The stocks are selected from our universe of coverage in LatAm regardless of the rating but must have a market cap above US\$1bn.

There are 5 different screens: Growth, Value, Dividends, Defensive and High Beta. Our Growth screen looks for companies with high projected growth that reinvests free cash flow. Our Value screen looks for companies with low or moderate leverage that are trading at a discounted valuation. The Dividends screen looks for companies with high dividend yields, supported by low moderate leverage. Defensive screen looks for assets with solid performance and lowest volatility while High beta screen looks for market-dependent assets with high leverage and volatility. We also provide a list of stocks within our coverage that are most discounted to historicals.

Out-of-consensus

Our out-of-consensus rank identifies companies where our estimates most diverge from consensus, according to EPS, (current and next year), EBITDA (current and next year), Sales (current and next year), ROE (current and next year) and Price Objective. Details on how the views are ranked at the end of this section.

Our out of consensus highlights can fall in one of the following categories:

Out of consensus in an upwards direction: stocks with a positive out of consensus Rank and BofA Buy rating, but less than 50% Buy ratings from consensus.

Out of consensus in a downwards direction: stocks with a negative out of consensus Rank and BofA Neutral/Underperform rating, but more than 50% Buy ratings from consensus.

Exhibit 33: Top out of consensus stocks

Buy-rated stocks with a positive out of consensus ranking. The 4 stocks highlighted are non-consensus Buy-rated stocks.

Company name	BBG ticker	BofA ticker	Sector	Market Cap	Rank	BofA Rating	Consensus Rating			EPS Cmcycy	2023 EPS		2024 EPS	
							Buy	Hold	Sell		BofA	Cons.	BofA	Cons.
				USDmn										
Rede D'Or	RDOR3 BZ	XPUSF	Health Care	13,357	9.9	BUY	73%	27%	0%	BRL	1.1	0.9	1.7	1.4
Hapvida	HAPV3 BZ	XDUFF	Health Care	5,804	9.6	BUY	79%	21%	0%	BRL	0.1	0.0	0.2	0.1
Petro Rio	PRIO3 BZ	HRTPF	Energy	6,278	9.5	BUY	94%	6%	0%	USD	1.8	1.3	2.6	1.9
Cosan SA	CSAN3 BZ	CSAIF	Energy	5,864	9.2	BUY	67%	27%	7%	BRL	1.1	0.9	1.4	1.4
Coca-Cola Femsa	KOFUBL MM	COCSF	C. Staples	17,865	9.1	BUY	40%	53%	7%	MXN	10.5	9.0	12.7	10.4
Bimbo	BIMBOA MM	GRBMF	C. Staples	23,310	8.9	BUY	29%	57%	14%	MXN	5.0	4.4	6.1	5.0
Meliuz S.A	CASH3 BZ	XPZXF	Telecom	143	8.8	BUY	38%	63%	0%	BRL	0.0	0.0	0.1	0.1
Arca	AC* MM	EMBVF	C. Staples	17,208	8.7	BUY	63%	32%	5%	MXN	11.9	10.1	14.0	11.1
GCC, S.A.B. de C.V.	GCC* MM	GCWOF	Materials	2,599	8.6	BUY	92%	8%	0%	USD	0.6	0.6	0.7	0.6
VTEX	VTEX US	VTEX	Telecom	765	8.5	BUY	60%	40%	0%	USD	0.0	-0.1	0.1	0.0
InterCorp Financial	IFS US	IFS	Financials	2,540	8.4	BUY	64%	36%	0%	PEN	14.2	14.2	16.2	16.0
Orbia AC	ORBIA* MM	MXCHF	Materials	4,379	8.1	BUY	73%	27%	0%	USD	0.3	0.2	0.3	0.2
Vitru Limited	VTRU US	VTRU	C. Discretionary	542	8.0	BUY	71%	29%	0%	BRL	8.9	6.8	14.0	10.6
Fomento Econ. Mex.	FEMSAUBD MM	FMXUF	C. Staples	31,356	7.8	BUY	93%	7%	0%	MXN	8.2	12.7	9.3	10.6
Fleury	FLRY3 BZ	XPOXF	Health Care	1,729	7.7	BUY	23%	62%	15%	BRL	1.3	1.1	1.6	1.3

Highlighted rows: Out of consensus in an upwards direction. Stocks with a positive out of consensus Rank and BofA a Buy rating, but less than 50% Buy ratings from consensus.

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

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 34: Bottom out of consensus stocks

Neu/und-rated stocks with a negative out of consensus ranking. 8 NEU/UND rated stocks according to BofA are buy-rated by most of consensus (highlighted).

Company name	BBG ticker	BofA ticker	Sector	Market Cap	Rank	BofA Rating	Consensus Rating			EPS Cmcy	2023 EPS		2024 EPS	
							Buy	Hold	Sell		BofA	Cons.	BofA	Cons.
Cia Paranaense	CPLE6 BZ	XLPUF	Utilities	4,037	-9.7	NEU	75%	25%	0%	BRL	0.7	0.8	0.6	0.9
Randon	RAPT4 BZ	RPRTF	Industrials	658	-9.6	NEU	67%	33%	0%	BRL	1.4	1.4	1.3	1.8
Liverpool	LIVEPOLC MM	ELPQF	C. Discretionary	8,154	-9.5	UND	41%	41%	18%	MXN	11.4	13.1	12.4	13.9
Cyrela Brazil	CYRE3 BZ	XCBMF	C. Discretionary	1,484	-9.2	UND	81%	13%	6%	BRL	2.1	2.1	1.6	2.4
Carrefour Brasil	CRFB3 BZ	XLDPF	C. Staples	4,138	-9.0	NEU	44%	56%	0%	BRL	0.9	0.6	1.2	1.2
Even	EVEN3 BZ	EVCNF	C. Discretionary	264	-8.8	UND	33%	56%	11%	BRL	0.8	0.7	0.6	0.9
Camil Alimentos	CAML3 BZ	XSREF	C. Staples	486	-8.5	NEU	75%	25%	0%	BRL	0.9	1.1	1.2	1.2
lochpe-Maxion	MYPK3 BZ	IOCJF	Industrials	380	-8.2	UND	30%	60%	10%	BRL	1.2	2.0	2.3	3.0
Alsea	ALSEA* MM	ALSSF	C. Discretionary	2,309	-7.8	UND	70%	20%	10%	MXN	1.8	2.7	2.4	3.8
WEG	WEGE3 BZ	WGSEF	Industrials	32,796	-7.3	NEU	63%	31%	6%	BRL	1.3	1.2	1.3	1.4
EZ Tec SA	EZTC3 BZ	EZTCF	C. Discretionary	747	-7.1	UND	43%	43%	14%	BRL	1.6	1.5	2.1	1.8
Movida	MOVI3 BZ	XMBDF	Industrials	764	-6.9	NEU	59%	35%	6%	BRL	0.0	0.3	0.7	1.3
Assaí Atacadista	ASAI3 BZ	XFCXF	C. Staples	3,118	-6.8	NEU	81%	19%	0%	BRL	0.9	0.9	1.3	1.5
Inbursa	GFINBURO MM	GPOF	Financials	13,977	-6.5	UND	10%	10%	80%	MXN	4.9	4.5	5.0	4.4

Highlighted rows: Out of consensus in a downwards direction. Stocks with a negative out of consensus Rank and BofA Neutral/Underperform rating, but more than 50% Buy ratings from consensus.

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

Source: BofA Global Research, Bloomberg.

BofA GLOBAL RESEARCH

Out-of-Consensus Rank Methodology

Our Out-of-Consensus Rank is a -10;10 scale that measures where BofA analyst estimates are diverging from market consensus. The closer the rank is to the extremes, the farther BofA estimates are from market consensus, which is based on Bloomberg consensus estimates.

For all stocks within our coverage, we look at the following forecasts:

EPS, (current and next year), EBITDA (current and next year), Sales (current and next year), ROE (current and next year) and Price Objective.

For each variable, the z-score is calculated as follows:

$$\text{z-score} = (\text{BofA estimate} - \text{consensus estimate}) / \text{consensus estimate std dev}$$

A z-score will be excluded from the sample if:

- Either BofA or consensus estimate is missing
- Number of estimates that make up the consensus is less than 3.
- Consensus has zero standard deviation
- For EPS, EBITDA and SALES, scores for both years are needed to avoid seasonality. If one year is missing the other will also be excluded.
- Z-score > 5. Such cases are probably because of lack of reliable data.
- ROE z-scores are only considered for financials

A company will be excluded from the sample if:

- Does not have a PO z-score
- It has a PO z-score but does not have a z-score for at least one other variable
- It has a PO z-score but does not have a ROE z-score (financials only)

For each variable, z-scores are ranked and scaled into [-10;10]. The most out of consensus the estimate is, the closer to the range boundaries. The average rank is computed for all companies. For any given company, the average rank will only consider the available variables. The average rank is then re-scaled again from -10 to 10 to obtain the final Out Of Consensus Rank.

This Out-of-Consensus Rank methodology was inspired by [Beat Factor – Global iQanalytics](#)



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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R1}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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

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