

Latam Equity Quant

Fed setting the tone in LatAm

Investment Strategy

Key takeaways

- We saw small inflows into BZ equity funds last week. Outflows from local hedge funds are slowing down.
- Brazil trades at a 9% discount vs historicals while Mexico trades at a 7% discount.
- We continue to see foreign outflows from B3 in 2024 (R\$22bn outflows).

Last week in numbers

Performance of the week. Ibov -0.1%, Mexbol -2%, SPX +0.1%, EM -1% (USD terms, total return). This week, consumer discretionary names in BZ outperformed commodities (C. Discretionary +1.5%, vs Materials +0.5% and Energy -4.3%).

Investors waiting for triggers in Brazil. YTD, Ibov is down -6%, vs EM -0.5%, SPX +6.8% (USD terms). Ibovespa remains pressured by 1) lower iron ore prices (-17.6% YTD, Exhibit 3), 2) ongoing foreign outflows from BZ cash equities and 3) slightly higher US rates (US 10Y +21bps YTD, Exhibit 2).

All eyes are on the Fed... Despite the resilient US economy this year, outlook for the US monetary policy remains unchanged. We expect the Fed to start a gradual cutting cycle in June owing to progress in reducing inflation (see: [US outlook: Supply-side resilience](#))

... and China's growth targets. In the next National People's Congress on Mar 5th, we expect China to announce a more proactive fiscal policy to boost investment and support consumption, (see details in [China Watch](#)).

Valuations remain discounted in LatAm. In Brazil, Ibov ex-commodities trades at a 9% discount vs historicals (vs around 5% discount in the beginning of 2024, Exhibit 5). Mexbol now trades at a 7% discount vs historicals (Exhibit 9).

Small inflows into BZ equity funds last week, +R\$0.1bn, compared to -R\$0.6bn/week in the last 6M. Local hedge funds showed smaller outflows last week. Only R\$0.8bn outflows, vs -R\$2.3bn/week in the last 6M, Exhibit 11). For more details see [Flows to Know](#).

No foreign flows in Brazil YTD (Exhibit 13). In fact, we saw R\$22bn outflows from foreigners in BZ local exchange YTD, mostly redeemed from cash equities (Exhibit 13).

US\$1bn outflows from EM this week, (Exhibit 15). This is the first weekly outflow from EM after 12 consecutive weeks of inflows. YTD, EM equity funds had US\$52bn inflows, with almost all flows going into China.

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Investment Strategy
Latin America

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Exhibit 1: LatAm Earnings Revision Ratio

Earnings Revision Ratio = #Up Revisions / #Down Revisions. Brazil ERR at 0.9. Sector details in Exhibit 24.

LatAm countries	Dec-23	Jan-24
Argentina	1.2	1.2
Brazil	0.9	1.0
Chile	0.9	1.0
Colombia	0.6	0.3
Mexico	0.8	1.0
Peru	0.4	0.6
LatAm	0.8	0.9

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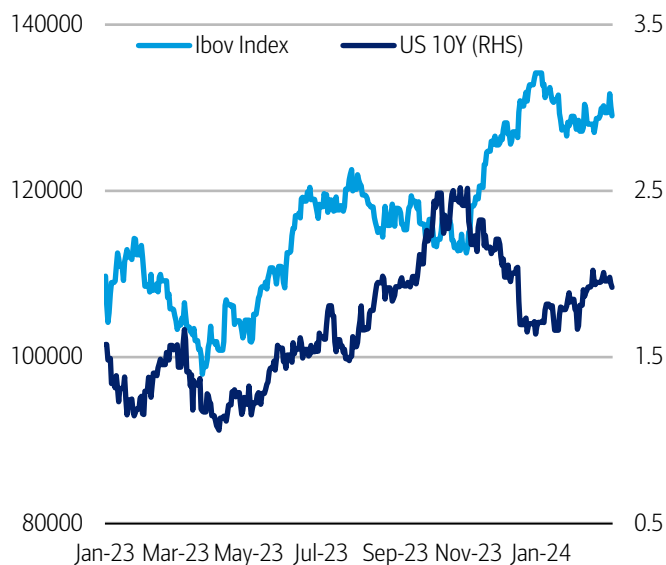
BZ = Brazil

EM = Emergent Markets

ERR = Earnings Revision Ratio

Exhibit 2: Ibov Index and US 10Y (since Jan-23).

YTD, Ibov -6% (USD terms) and US 10% are +21bp.

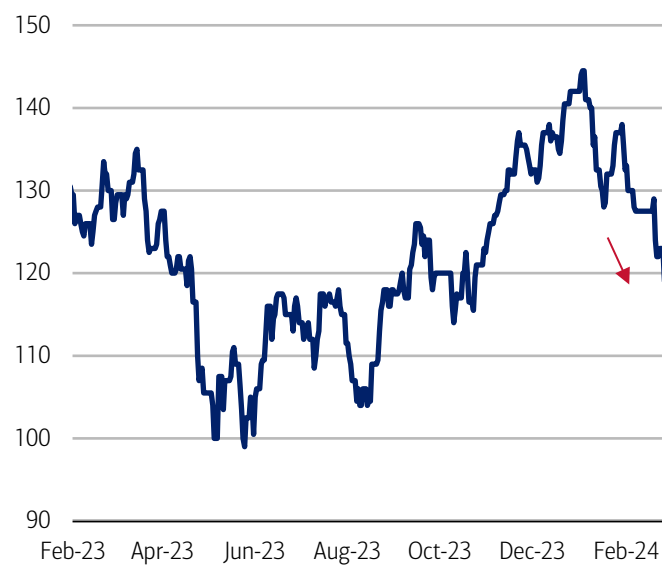


Source: Bloomberg

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Exhibit 3: Iron ore prices in last 12M (US\$/t)

Iron ore prices declined 18% YTD.



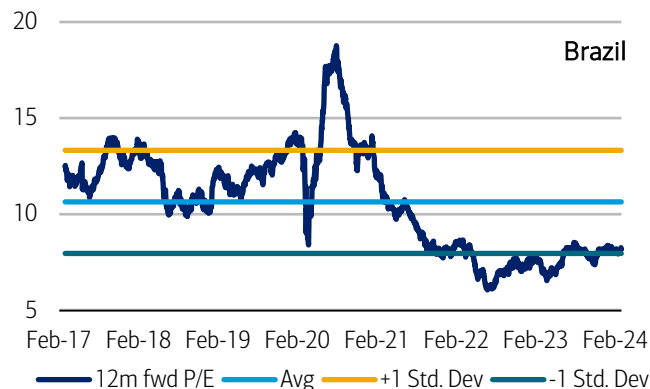
Source: Bloomberg

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LatAm valuation

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

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

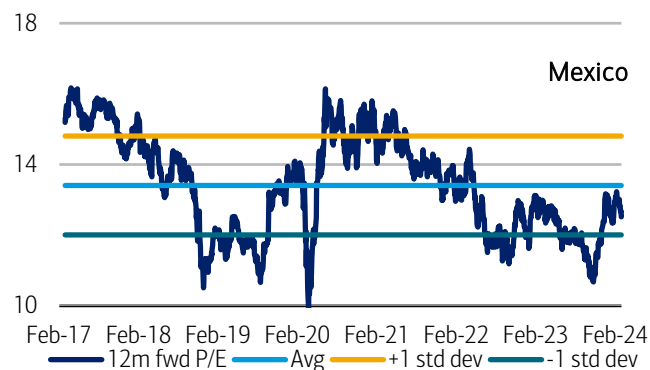


Source: BofA Global Research, Bloomberg

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Exhibit 6: Mexbol P/E ratio, Feb-17 to Feb-24

Trading at 7% discount vs hist.

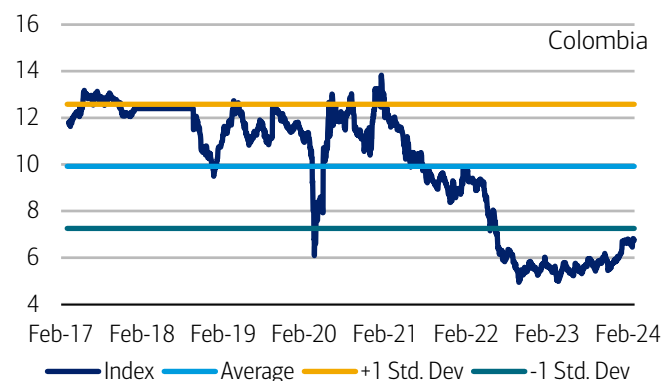


Source: BofA Global Research, Bloomberg

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Exhibit 8: Colcap P/E ratio, Feb-17 to Feb-24

Trading more than 1 Std Dev below historical average.

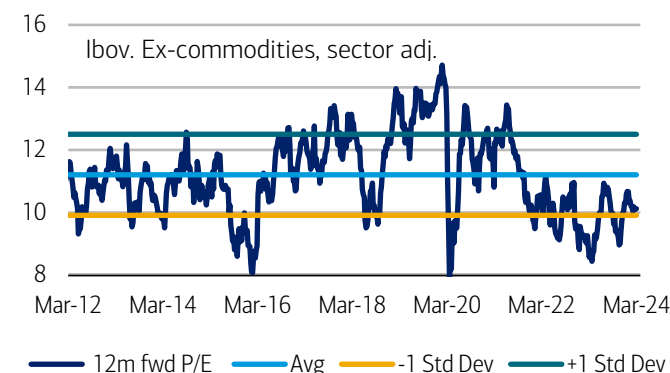


Source: BofA Global Research, Bloomberg

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

Ibov ex-commodities at 10% discount vs hist.



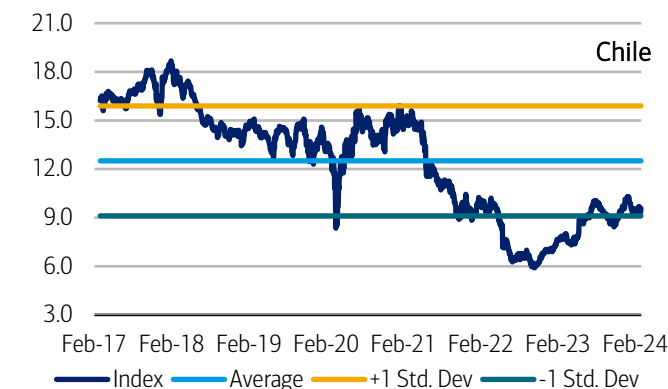
Note: Sector weights were adjusted and kept constant through time.

Source: BofA Global Research, Bloomberg

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Exhibit 7: IPSA P/E ratio, Feb-17 to Feb-24

Trading 1 Std Dev below historical average.



Source: BofA Global Research, Bloomberg

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Exhibit 9: Valuation summary

Brazil 24% discounted vs hist.

Country	Index	Current	Average	Std. Dev	Prem. to Hist	Prem. to EM*
Brazil	Ibov	8.1	10.6	2.7	-24%	-34%
BZ	Ex-commod.	10.1	11.2	1.2	-10%	-14%
Mexico	Mexbol	12.5	13.4	1.4	-7%	6%
Chile	Ipsa	9.7	12.5	3.4	-22%	-18%
Peru	SPBLPGPT	11.6	12.1	2.6	-4%	4%
Colombia	Colcap	6.7	9.9	2.7	-32%	-50%
Argentina	Merval	8.1	9.6	2.9	-16%	-40%
EM	MXEF	11.8	12.2	1.2	-3%	-

Source: BofA Global Research, Bloomberg

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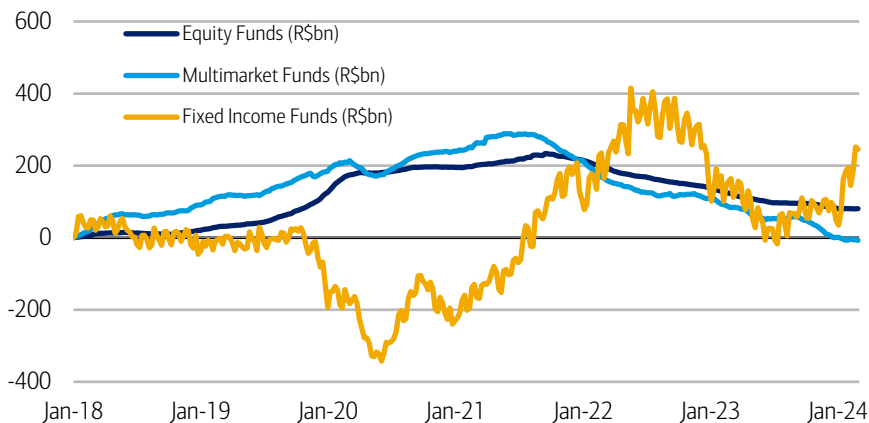


Flows & Positioning

Brazil flows

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

R\$57bn outflows from local equity funds in 2023.



Source: BofA Global Research, Economática

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

R\$57bn outflows from local equity funds in 2023.

Fund type (R\$ mn)	AUM	29-Dec	5-Jan	12-Jan	19-Jan	26-Jan	2-Feb	9-Feb	16-Feb	23-Feb	1-Mar*	2024	2023	2022
Free Portfolio	260,848	-547	-1,145	-482	638	831	138	-74	-341	157	-41	-318	-35,568	-42,836
Closed-end Funds	128,191	148	-272	34	37	15	99	21	0	17	10	-39	373	2,377
Index Enhanced	42,914	-124	-669	-383	-10	-54	-256	-230	-77	-44	-3	-1,726	-11,081	-16,714
Value / Growth	18,872	-67	-85	-30	56	178	-112	85	12	105	-13	196	-4,634	-6,745
FMP - FGTS	13,181	-20	-25	-29	-41	-27	-49	-33	-15	-43	-14	-275	-1,269	4,462
Dividends	12,165	-105	-77	-6	-69	19	23	27	2	-21	63	-39	-2,658	-434
Sector	10,881	-5	-10	-16	-12	-9	-5	-12	0	-25	-1	-89	420	-1,860
Indexed	11,025	-116	115	43	-32	82	62	3	35	-84	37	261	-2,045	-2,932
Small Caps	5,630	-18	-33	-8	-4	-16	-101	-20	-11	-5	34	-165	-453	-2,243
Single Stocks	11,334	-14	-1	0	-16	-41	6	62	32	37	11	90	-967	-2,225
Sustainability / Governance	41	0	0	0	-9	0	0	0	0	0	0	-11	0	-366
Foreign Investments	155,411	4,030	867	256	2	46	111	207	51	-178	2	1,364	21,794	-18,740
Equity Funds (Total)	670,492	3,162	-1,335	-622	539	1,026	-84	36	-311	-85	84	-751	-36,088	-88,257
Equity Funds (Total ex. Foreign Invest.)	373,708	-996	-1,905	-883	542	992	-245	-160	-347	119	86	-1,801	-56,986	-76,355
Free Portfolio	818,867	2,043	1,636	-2,318	-2,732	-1,765	1,814	4,366	-305	-266	-359	71	-36,493	-69,300
Foreign Investments	793,016	-2,411	-1,408	-995	-779	-2,218	359	-3,767	-1,673	-1,408	626	-11,263	-69,450	-22,102
Macro	230,242	-1,134	-1,284	-514	-126	-603	-771	-1,441	-1,288	-691	-569	-7,287	-61,875	-14,754
Dynamic	45,667	-291	-26	-122	-134	-131	-331	-269	-306	-342	-156	-1,816	-7,210	-16,130
Specific Strategy	72,953	62	-27	254	-7	91	107	162	92	604	22	1,299	2,110	-2,279
Long/Short Directional	7,278	-93	-122	-1	-27	50	-13	-19	-62	-18	31	-182	-2,555	-3,384
Balanced / Mixed	12,103	-31	42	-12	-20	11	-70	95	-3	-28	-28	-12	-1,065	-54
Trading	3,088	13	0	-1	-10	-11	3	-1	-3	-14	0	-36	-625	-1,154
Long/Short Neutral	2,399	-9	-12	-3	-2	0	-1	-1	-5	-12	0	-35	-381	-527
Protected Capital	780	0	0	0	-13	0	-14	0	0	0	-12	-40	73	-196
Multimarket Funds (Total)	1,986,392	-1,851	-1,201	-3,712	-3,850	-4,577	1,084	-875	-3,552	-2,173	-444	-19,302	-177,471	-129,878
Multimarket Funds (Total ex. Foreign Invest.)	1,193,376	560	207	-2,717	-3,071	-2,359	725	2,892	-1,879	-765	-1,070	-8,038	-108,022	-107,777

(*) 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 R\$200bn inflows YTD

Fund type	AUM	2-Feb	9-Feb	16-Feb	23-Feb	1-Mar*	YTD
Short Duration Inv. Grade	1,056	-7.1	2.4	8.6	4.7	3.4	28.9
Short Duration Sovereign	952	-16.0	29.1	21.8	-21.2	-2.2	86.0
All Duration Credit	381	-1.8	3.3	2.6	3.3	1.0	19.6
All Duration Inv. Grade	778	-8.7	-2.2	9.0	7.4	0.6	23.4
All Duration Sovereign	242	-4.8	0.9	3.7	-2.2	0.9	8.2
Simple	382	-10.4	5.1	12.9	-1.0	-3.7	32.3
Other	499	-0.7	0.8	9.4	1.8	-1.7	10.3
Fixed Income (Total)	4,275	-49	39	59	-7	-2	201
Ex. Foreign Invest.							

(*) Preliminary data, up to Wednesday.

Source: Ecomatica

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Exhibit 13: Foreign flow to B3 (R\$bn), Mar-23 to Feb-24

Foreign flows into BZ local exchange (B3) had R\$22bn outflows YTD.

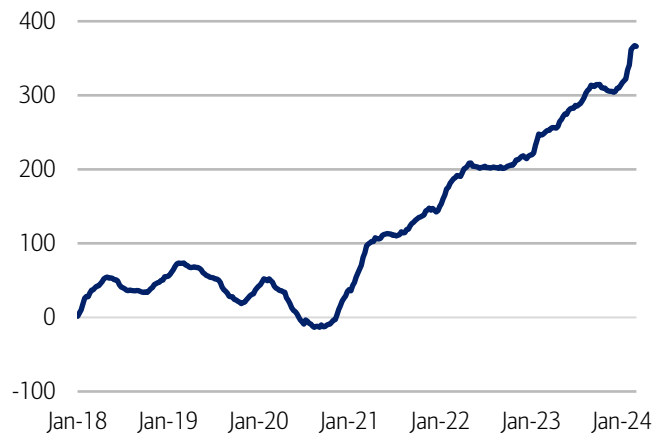
Month	Futures	Cash	IPO/follow-on	TOTAL
Mar-23	-2	-2	2	-3
Apr-23	3	3	1	6
May-23	-6	-4	0	-10
Jun-23	-7	10	4	7
Jul-23	3	7	3	13
Aug-23	-3	-13	3	-13
Sep-23	10	-2	0	8
Oct-23	5	-3	0	2
Nov-23	9	21	0	30
Dec-23	-7	17	0	11
Jan-24	-5	-8	1	-12
Feb-24	0	-9	0	-9
12M Cumulative	0	17	13	30
2024 YTD	-5	-17	1	-22
2023	2	45	13	60
2022	-2	101	17	116

Source: B3, Bloomberg

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Global flows**Exhibit 14: Cumulative flows into EM equity funds (US\$bn), 2018-2024**

EM equity funds had US\$52bn inflows YTD.



Source: EPFR

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

EM inflows YTD went almost entirely into China.

Region	Week	% Current Assets	4 Weeks	% Current Assets	YTD	% Current Assets
LatAm	(42)	-0.3%	(95)	-0.8%	(357)	-2.9%
Brazil	(34)	-0.2%	(650)	-3.8%	(882)	-5.2%
Mexico	73	0.8%	238	2.5%	(133)	-1.4%
Andean	(1)	0.0%	(4)	-0.1%	(139)	-4.3%
LatAmTotal	(4)	0.0%	(495)	-1.2%	(1,461)	-3.5%
China	(1,498)	-0.1%	23,815	1.5%	49,779	3.1%
EM Total	(1,021)	-0.1%	25,250	1.6%	52,564	3.3%

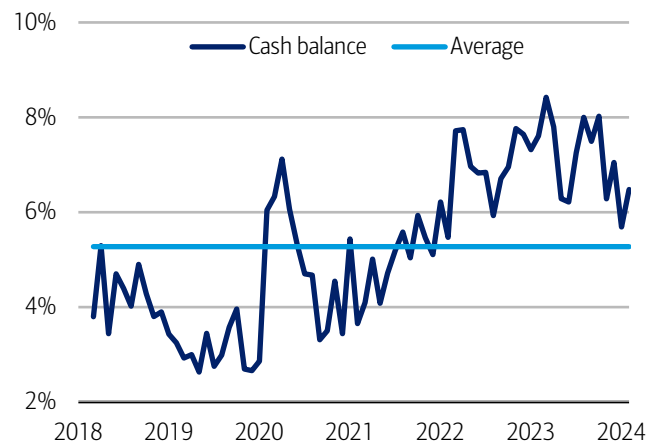
Source: EPFR

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LatAm positioning

Exhibit 16: Average cash position (2018-2024)

Cash levels increased to 6.5% in Feb-24, vs 5.7% last month

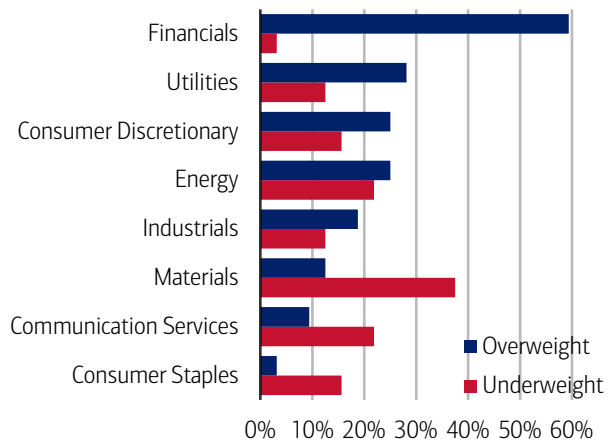


Source: LatAm Fund Manager Survey

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Exhibit 17: Which sectors among equities are you most underweight?

Participants are more underweight Materials, Communication Services and C. Staples than they are overweight.



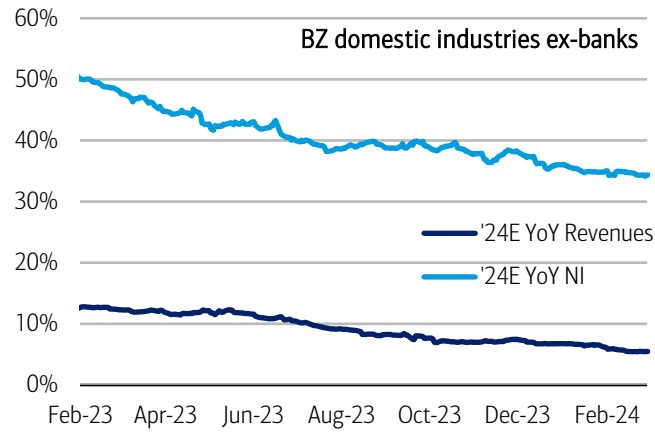
Source: LatAm Fund Manager Survey

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Consensus Earnings Revisions for Brazil

Exhibit 18: Brazil domestic industries: consensus revised NI downwards but still expected at 34% YoY growth

Brazil domestic industries (ex-banks) revenues vs NI consensus estimates (2024E YoY growth).



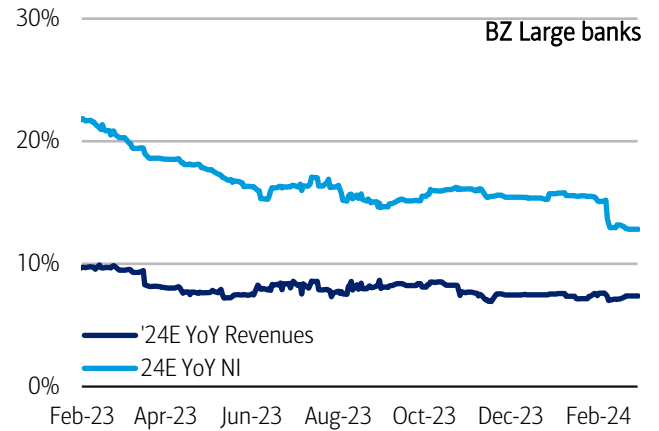
Consensus estimates.

Source: Bloomberg, BofA Global Research

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Exhibit 19: Brazil Banks: consensus revised NI downwards since Jan-23, but still expected at +13% YoY for 2024.

BZ large banks revenues vs NI consensus estimates (2024 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 0.9 in Jan-24.

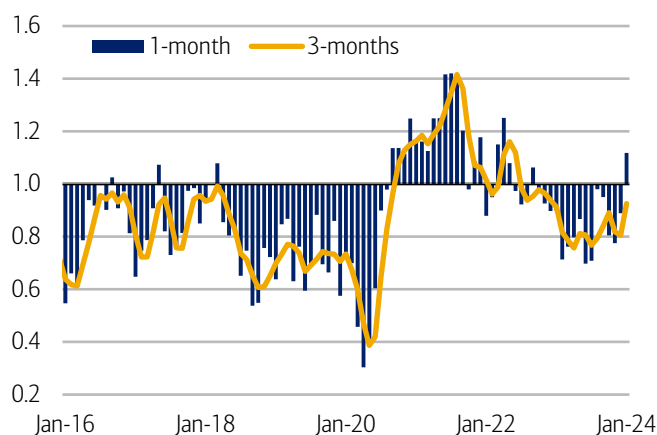
LatAm countries	12m Avg	Nov-23	Dec-23	Jan-24	1M Chg in 3M ERR
Argentina	2.5	1.1	1.2	1.2	0.01
Brazil	0.8	0.8	0.9	1.0	0.11
Chile	0.8	1.0	0.9	1.0	0.02
Colombia	0.6	0.6	0.6	0.3	-0.22
Mexico	0.9	0.8	0.8	1.0	0.19
Peru	0.7	0.4	0.4	0.6	0.26
LatAm	0.8	0.8	0.8	0.9	0.12

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 21: LatAm Earnings Revision Ratio (Jan 16-Jan 24)

3-month ERR at 0.9 in Jan-24.

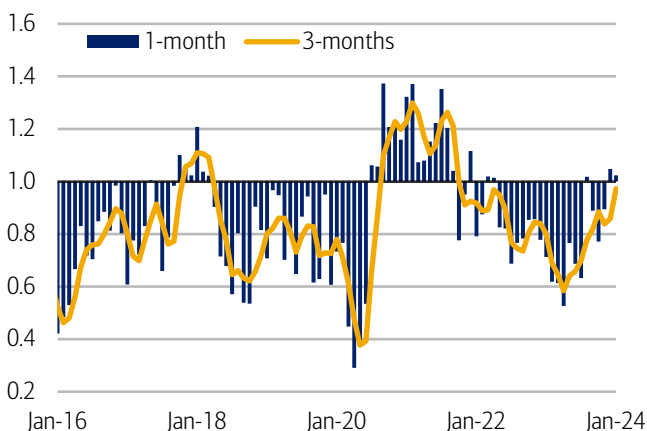


Source: BofA Global Research, Factset, Bloomberg

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Exhibit 23: Brazil Earnings Revision Ratio (Jan 16-Jan 24)

Brazil 3-month ERR nearing to 1 in Jan-24.



Source: BofA Global Research, Factset, Bloomberg

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Exhibit 22: LatAm 3-month ERR – sector details

IT shows the highest ERR (2.2).

LatAm sectors	12m Avg	Nov-23	Dec-23	Jan-24	1M Chg in 3M ERR
C. Discretionary	0.8	0.9	0.8	0.8	-0.01
C. Staples	0.8	0.8	1.0	1.0	0.00
Energy	0.9	1.1	1.0	0.7	-0.27
Financials	1.3	1.1	1.0	1.1	0.13
Health Care	0.7	0.6	0.6	0.7	0.04
Industrials	0.8	0.7	0.8	0.9	0.12
IT	1.3	1.5	1.9	2.2	0.39
Materials	0.6	0.5	0.5	0.7	0.25
Real Estate	1.2	1.6	1.8	2.1	0.25
Communication	0.8	1.0	1.0	1.4	0.33
Utilities	1.1	1.5	1.5	1.2	-0.24
LatAm	0.8	0.8	0.8	0.9	0.12

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 24: Brazil 3-month ERR – sector details

Communication and IT show highest ERR in December.

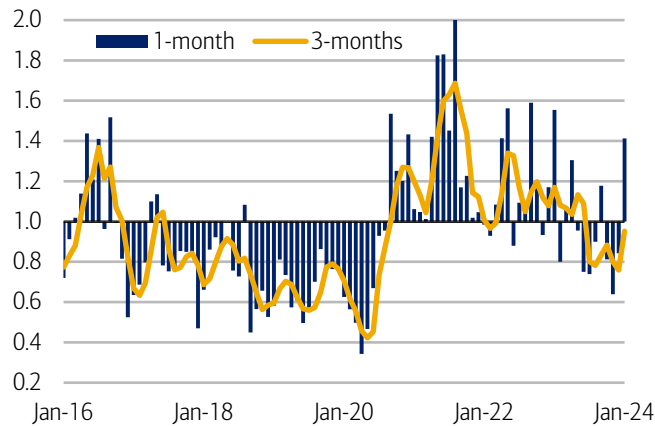
Brazil sectors	12m Avg	Nov-23	Dec-23	Jan-24	1M Chg in 3M ERR
C. Discretionary	0.6	0.9	0.8	0.7	-0.08
C. Staples	0.6	0.6	0.8	1.0	0.23
Energy	0.9	1.2	1.1	0.8	-0.29
Financials	1.2	1.2	1.1	1.2	0.12
Health Care	0.6	0.5	0.6	0.6	0.02
Industrials	0.7	0.7	0.7	0.8	0.07
IT	1.5	1.8	2.4	2.9	0.53
Materials	0.5	0.5	0.5	0.8	0.27
Real Estate	2.3	8.0	4.5	1.8	-2.75
Communication	3.8	4.8	4.3	3.7	-0.62
Utilities	1.1	1.5	1.5	1.3	-0.24
Brazil	0.8	0.8	0.9	1.0	0.11

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 25: Mexico Earnings Revision Ratio (Jan 16-Jan 24)

Mexico 3-month ERR at 1 in Jan-24.



Source: BofA Global Research, Factset, Bloomberg

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Exhibit 26: Mexico 3-month ERR – sector details

Financials has the highest ERR in Mexico (2.1 in Jan-24).

Mexico sectors	12m Avg	Nov-23	Dec-23	Jan-24	1M Chg in 3M ERR
C. Discretionary	1.0	0.5	0.6	0.6	0.03
C. Staples	1.1	1.2	1.4	1.0	-0.43
Energy	NA	NA	NA	NA	NA
Financials	2.2	1.9	1.6	2.1	0.54
Health Care	NA	NA	NA	NA	NA
Industrials	0.8	0.7	0.7	0.9	0.21
IT	NA	NA	NA	NA	NA
Materials	0.8	0.6	0.5	0.8	0.28
Real Estate	0.9	0.8	1.1	1.7	0.58
Communication	0.4	0.3	0.1	0.1	-0.04
Utilities	NA	NA	NA	NA	NA
Mexico	0.9	0.8	0.8	1.0	0.19

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, utilities and retail have the best performance YTD.

Company	Country	Industry	BBG Ticker	BofA Ticker	P/E 2023E	P/E 2024E	Net Debt/EBITDA	30D Performance (local crncy)	YTD Performance (local crncy)
Petrobras PN	BZ	Oils	PETR4 BZ	PTRBF	4.2	4.5	0.8	0%	8%
Petro-Rio	BZ	Oil & Gas Producers	PRI03 BZ	HRTPF	7.2	5.1	1.1	-1%	-5%
Copa	CO	Airlines	CPA US	CPA	6.0	5.3	0.7	0%	-8%
Ternium	MX	Steels	TX US	TX	5.3	5.6	-0.5	4%	-5%
Vale ON	BZ	Non-Ferrous-Mining	VALE3 BZ	VALEF	5.2	5.7	0.5	-3%	-13%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	6.2	6.3	1.6	-7%	-12%
Ecopetrol	CO	Oil & Gas Producers	ECOPETL CB	XESSF	5.2	6.4	1.6	-4%	-2%
COPASA	BZ	Water Utilities	CSMG3 BZ	CSAOF	5.9	6.5	1.4	-4%	1%
Cemig	BZ	Electric Utilities	CMIG4 BZ	CEMCF	5.4	7.0	1.1	4%	4%
Gerdau	BZ	Steels	GGBR4 BZ	GGBUF	7.6	7.6	0.5	1%	-10%
SQM	CL	Fertilizers	SQM US	SQM	9.7	7.6	0.7	10%	-17%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	8.2	7.6	0.9	5%	8%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	8.1	8.7	1.5	-1%	-8%
GMexico	MX	Non-Ferrous-Mining	GMEXICOB MM	GMBXF	11.7	8.9	0.4	-7%	-12%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	9.2	9.3	1.9	-3%	-2%
Usiminas	BZ	Steels	USIM5 BZ	USSPF	11.9	9.5	0.0	22%	19%
Prom y Oper Infra	MX	Toll Road Operators	PINFRA* MM	PYOIF	10.2	9.6	-1.2	4%	-4%
AMX	MX	Telecom Services-Wireless/Cellular	AMXB MM	AMXVF	11.3	9.6	2.0	3%	1%
Megacable	MX	Telecom Services-Wireless/Cellular	MEGACPO MM	MHSDF	12.1	10.3	1.5	0%	16%
Coca-Cola Andina	CL	Soft Drinks	ANDINAB CI	AKOBF	11.5	10.4	1.6	10%	11%
Median								0%	-3%

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.

BofA GLOBAL RESEARCH

Exhibit 28: Growth screen

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

Company	Country	Industry	BBG Ticker	BofA Ticker	P/E 2024E	Div. Yield 2023E	30D Performance (local crncy)	YTD Performance (local crncy)
Magazine Luiza	BZ	Retailing-Hardlines	MGLU3 BZ	MGZZF	73.4	0%	8%	-1%
Mercado Libre	BZ	Internet/e-Commerce	MELI BZ	MELI	33.5	0%	-8%	2%
Raia Drogasil	BZ	Drug Store Chains	RADL3 BZ	RAIAF	32.8	1%	1%	-9%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	32.3	0%	-3%	-18%
Brasil Foods	BZ	Food Processors	BRFS3 BZ	BRFFF	26.1	1%	10%	9%
WEG	BZ	Industrials/Multi-Industry	WEGE3 BZ	WGSEF	25.4	2%	11%	-1%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	24.4	0%	5%	-3%
Eneva	BZ	Electric Utilities	ENEV3 BZ	XZUMF	20.4	1%	0%	-6%
Rumo Logistica	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	19.3	0%	0%	-1%
TOTVS	BZ	Server & Enterprise Software	TOTS3 BZ	XBEGF	19.2	1%	-2%	-9%
Vesta	MX	Real Estate/Property	VESTA* MM	VESTF	18.8	2%	-9%	-11%
Omega Geração	BZ	Renewable Energy	SRNA3 BZ	XZQAF	18.4	1%	2%	-8%
Falabella	CL	Retailing-Broadline/Department Stores	FALAB CI	XDIYF	17.1	1%	12%	11%
Alpargatas	BZ	Footwear	ALPA4 BZ	SRDDF	16.5	0%	22%	0%
Banco Macro	AR	Banks-Retail	BMA US	BMA	16.5	0%	20%	39%
Energisa	BZ	Utilities-Other	ENGI11 BZ	XLXGF	16.5	2%	1%	-6%
Localiza	BZ	Car Rental	RENT3 BZ	LZRFF	15.4	2%	-3%	-17%
Bimbo	MX	Bakers	BIMBOA MM	GRBMF	15.0	2%	-8%	-17%
PARAUCO	CL	Real Estate/Property	PARAUCO CI	XNNJF	14.6	2%	5%	9%
Arezzo	BZ	Footwear	ARZZ3 BZ	XARZF	14.2	3%	6%	-8%
Median							2%	-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. 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, banks and commodities.

Company	Country	Industry	BBG Ticker	BofA Ticker	Div. Yield 2023E	30D Performance (local crncy)	YTD Performance (local crncy)
Petrobras PN	BZ	Oils	PETR4 BZ	PTRBF	20.7	0%	8%
CSN	BZ	Steels	CSNA3 BZ	SIDHF	16.5	-6%	-14%
Ecopetrol	CO	Oil & Gas Producers	ECOPETL CB	XESSF	15.9	-4%	-2%
Bradespar	BZ	Non-Ferrous-Mining	BRAP4 BZ	BRDQF	11.1	-7%	-17%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	10.3	-3%	-2%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	10.1	-1%	-1%
TAESA	BZ	Electric Utilities	TAEE11 BZ	XTAEF	9.7	-3%	-8%
Banco do Brasil	BZ	Banks-Retail	BBAS3 BZ	XBBAF	9.6	3%	4%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	8.9	-1%	-8%
Vale ON	BZ	Non-Ferrous-Mining	VALE3 BZ	VALEF	8.8	-3%	-13%
Alpek	MX	Chemicals-Major	ALPEKA MM	ALPKF	8.5	-6%	-13%
Trans Paulista	BZ	Electric Utilities	TRPL4 BZ	XOOTF	8.1	1%	-3%
SLC Agricola	BZ	Food-Commodities	SLCE3 BZ	SLQJF	7.8	3%	4%
SQM	CL	Fertilizers	SQM US	SQM	7.8	10%	-17%
Cemig	BZ	Electric Utilities	CMIG4 BZ	CEMCF	7.7	4%	4%
Itau Unibanco	BZ	Banks-Multinational/Universal	ITUB4 BZ	ITUBF	7.5	5%	0%
Auren Energia	BZ	Electric Utilities	AURE3 BZ	XZMXF	7.5	-1%	-4%
COPASA	BZ	Water Utilities	CSMG3 BZ	CSAOF	7.4	-4%	1%
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. 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	0.2	1.3	-5%	-8%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	0.4	1.9	-3%	-2%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	0.4	NA	-1%	-1%
Auren Energia	BZ	Electric Utilities	AURE3 BZ	XZMXF	0.4	1.9	-1%	-4%
Chedraui	MX	Supermarkets/Food Retailers	CHDRAUIB MM	GCHEF	0.4	1.5	14%	28%
Grupo Financiero Galicia	AR	Banks-Retail	GGAL US	GGAL	0.4	NA	2%	27%
Vivo	BZ	Telecom Equipment-Wireless/Cellular	VIVT3 BZ	XCPTF	0.5	0.7	7%	2%
TIM	BZ	Telecom Services-Wireless/Cellular	TIMS3 BZ	XZUAF	0.5	0.9	6%	1%
Banco Macro	AR	Banks-Retail	BMA US	BMA	0.5	NA	20%	39%
Qualitas	MX	Insurance - Non-Life	Q* MM	QUCOF	0.5	NA	3%	12%
Coca-Cola Andina	CL	Soft Drinks	ANDINAB CI	AKOBF	0.5	1.6	10%	11%
AmBev	BZ	Brewers	ABEV3 BZ	AVBPF	0.5	-0.5	-4%	-8%
Copa	CO	Airlines	CPA US	CPA	0.5	0.7	0%	-8%
Grupo BMV	MX	Other Financials	BOLSAA MM	BOMXF	0.5	NA	6%	5%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	0.5	1.6	-7%	-12%
Gruma	MX	Food Producers	GRUMAB MM	GPAGF	0.5	1.6	-5%	-2%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	0.6	0.9	5%	8%
Banco de Chile	CL	Banks-Retail	CHILE CI	XHNDF	0.6	NA	8%	8%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	0.6	1.5	-1%	-8%
Arca	MX	Soft Drinks	AC* MM	EMBVF	0.6	0.6	-4%	-1%
Median							1%	0%

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 Banks and Retail names in this screen.

Company	Country	Industry	BBG Ticker	BofA Ticker	Beta	Net Debt/EBITDA	30D Performance (local crncy)	YTD Performance (local crncy)
Cemex	MX	Building Materials	CX US	CX	2.0	2.2	-9%	-1%
Banco inter	BZ	Banks-Retail	INTR US	INTR	1.9	NA	13%	2%
B3 SA	BZ	Financial Services-Consumer/Commercial	B3SA3 BZ	XIMAF	1.6	NA	-1%	-12%
Televisa	MX	Cable TV	TLEVICPO MM	GRPFF	1.6	2.6	-1%	-5%
Banco Pan	BZ	Banks-Retail	BPAN4 BZ	XQSFF	1.6	NA	12%	1%
Ecorodovias	BZ	Toll Road Operators	ECOR3 BZ	XVEDF	1.6	3.7	2%	-3%
Estacio	BZ	Education & Training Services	YDUQ3 BZ	ECPCF	1.5	2.4	7%	-9%
CSN	BZ	Steels	CSNA3 BZ	SIDHF	1.5	3.2	-6%	-14%
GFINbursa	MX	Banks-Retail	GFINBURO MM	GPFOF	1.4	NA	2%	11%
BTG Pactual	BZ	Banks-Retail	BPAC11 BZ	XNXCF	1.4	NA	1%	-3%
Cosan	BZ	Energy Commodities	CSAN3 BZ	CSAIF	1.4	3.2	-7%	-12%
Brasil Foods	BZ	Food Processors	BRFS3 BZ	BRFFF	1.3	5.4	10%	9%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	1.3	5.0	-3%	-18%
Embraer	BZ	Aerospace	ERJ US	ERJ	1.3	2.3	5%	6%
Localiza	BZ	Car Rental	RENT3 BZ	LZRFF	1.3	3.6	-3%	-17%
Credicorp	PE	Banks-Retail	BAP US	BAP	1.3	NA	14%	14%
Dexco	BZ	Forest Products	DXCO3 BZ	DURXF	1.2	4.7	6%	1%
Aliansce	BZ	Real Estate/Property	ALOS3 BZ	XADSF	1.2	4.0	3%	-7%
Banco do Brasil	BZ	Banks-Retail	BBAS3 BZ	XBBAF	1.1	NA	3%	4%
Median							2%	-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. 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

Many retailers and financials in this screen.

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)
Televisa	MX	Cable TV	TLEVICPO MM	GRPFF	-86%	1.3	9.5	2.6	-1%	-5%
Eneva	BZ	Electric Utilities	ENEV3 BZ	XZUMF	-79%	9.9	46.0	4.9	0%	-6%
Omega Geração	BZ	Renewable Energy	SRNA3 BZ	XZQAF	-75%	18.4	74.9	6.6	2%	-8%
Rumo Logística	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	-73%	19.3	72.2	2.3	0%	-1%
Embraer	BZ	Aerospace	ERJ US	ERJ	-65%	9.3	26.8	2.3	5%	6%
Bradesco	BZ	Banks-Retail	BBDC4 BZ	BRDPF	-50%	0.9	1.8	NA	-10%	-20%
Ecorodovias	BZ	Toll Road Operators	ECOR3 BZ	XVEDF	-48%	7.7	14.8	3.7	2%	-3%
Cemex	MX	Building Materials	CX US	CX	-40%	4.9	8.1	2.2	-9%	-1%
Gentera	MX	Banks-Retail	GENTERA* MM	CMPRF	-39%	1.6	2.6	NA	12%	9%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	-38%	8.0	12.9	NA	-1%	-1%
Banrisul	BZ	Banks-Retail	BRSR6 BZ	XGRBF	-38%	0.6	1.0	NA	8%	16%
GFINbursa	MX	Banks-Retail	GFINBURO MM	GPFOF	-33%	9.4	14.1	NA	2%	11%
YPF SA	AR	Oil & Gas Producers	YPF US	YPF	-33%	2.0	3.1	2.9	0%	1%
CCU	CL	Brewers	CCU CI	XLUDF	-33%	5.7	8.5	2.0	1%	0%
BTG Pactual	BZ	Banks-Retail	BPAC11 BZ	XNXCF	-33%	14.2	21.2	NA	1%	-3%
Alpek	MX	Chemicals-Major	ALPEKA MM	ALPKF	-32%	4.4	6.4	2.7	-6%	-13%
Brasil Foods	BZ	Food Processors	BRFS3 BZ	BRFFF	-31%	6.2	9.0	5.4	10%	9%
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). 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.

Disclosures

Important Disclosures

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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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