

Latam Equity Quant

Happy US CPI day

Investment Strategy

Key takeaways

- This week, markets rallied on the back of lower US rates (driven by soft US Oct CPI).
- Ibov ex-commodities now trades at a c.13% discount to history (vs 20% 4 weeks ago).
- No inflows into EM equity funds in past 11 weeks. Conversely, foreign flows into BZ exchange are positive in Nov.

Last week in numbers

LatAm outperformed global markets this week. Ibovespa was up +4.3%, Mexbol +4.8%, LatAm 4.7%, SPX +2.2%, EM 3.6% in USD terms, total return. Markets rallied on the back of lower US rates (driven by soft US October CPI this week). The CPI print led us to change our Fed call. We now think the hiking cycle is over (see [US watch](#)).

Since US rates started to decline last month (Exhibit 2) Ibov is up 16%, BZ C. Discretionary +23% (USD terms, total return, since first week of Oct-23). With US rates finally declining, we see room for rate-sensitive names such as bond proxies to thrive (see [Brazil Bond Proxies](#) report).

Valuation update. Ibov ex-commodities now trades at around 13% disc. to hist (vs 20% 4 weeks ago, Exhibit 3). Mexbol is currently trading at 17% disc. to hist. (Exhibit 4).

Sentiment uptick in LatAm. In our last [LatAm Fund Manager Survey](#), cash levels fell slightly and more investors see Ibov above 130k in 2024 (44% vs 33% last month). (Exhibit 14). Investors prefer Energy, Utilities and Financials (Exhibit 15). In our [Global Fund Manager Survey](#), investors remain cautious on macro but turn bullish on interest rates; investor playbook for 2024 is a soft landing, lower rates, weaker US\$.

We continue to see outflows from equity funds. R\$1.5bn outflows from local equity funds last week, above the avg of outflows/week YTD (R\$1bn outflows/week). Hedge funds had R\$4.4bn outflows last week, compared to R\$1.8bn outflows/week YTD on avg (Exhibit 9). For detailed data on flows, please refer to our monthly [Flows to know](#) report.

We see no inflows into EM equity funds in the past 11 weeks (Exhibit 3). EM equity funds had R\$0.3bn outflows this week (Exhibit 13). YTD, EM equity funds are still positive: +US\$86bn.

R\$10bn foreign inflows into Brazil local exchange in November. After flattish flows in October (Exhibit 11), we now see foreigners adding R\$10bn flows into B3 in Nov MTD. YTD, foreign flows (cash + futures + IPO/follow-ons) are positive: R\$28bn.

17 November 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 0.9. Sector details in Exhibit 22.

LatAm countries	Sep-23	Oct-23
Argentina	2.6	2.1
Brazil	0.8	0.9
Chile	0.8	0.8
Colombia	0.6	0.9
Mexico	0.8	0.9
Peru	0.9	0.8
LatAm	0.8	0.9

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

EM = Emergent Markets

ERR = Earnings Revision Ratio

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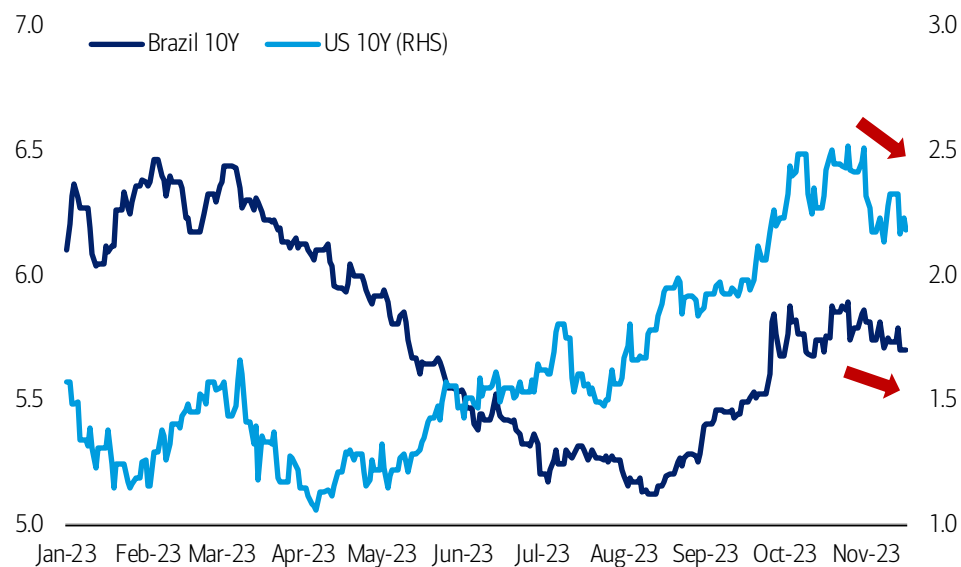
Refer to important disclosures on page 16 to 18.

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Timestamp: 17 November 2023 04:30AM EST

Exhibit 2: Brazil and US 10Y real rates in 2023

US real rates started to decline in October-23.

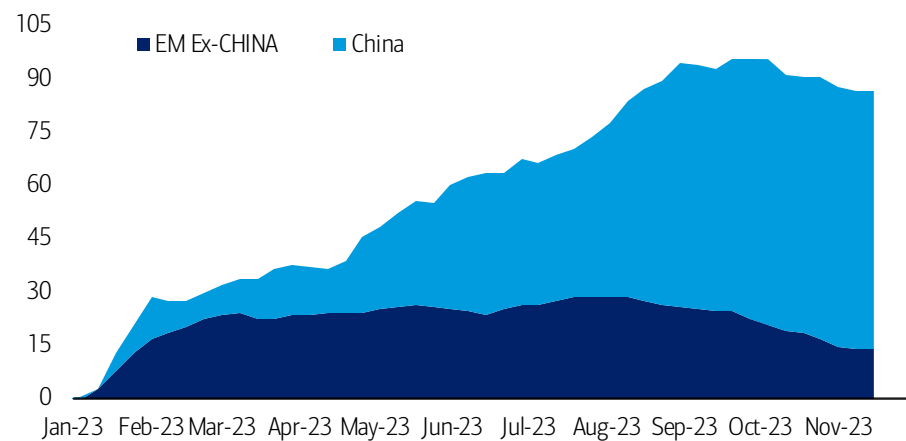


Source: Bloomberg

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Exhibit 3: Flows to EM equity funds YTD (US\$bn)

Flows into EM equity funds stopped.



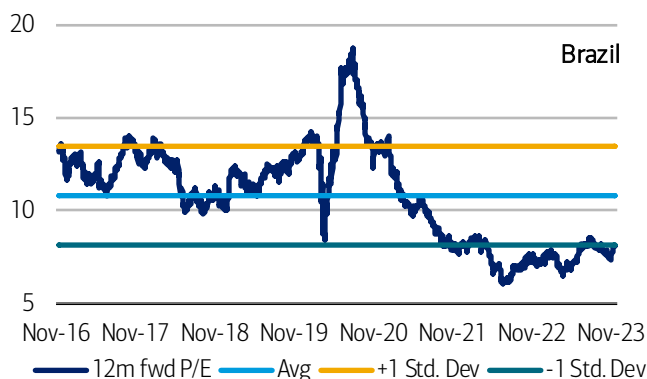
Source: EPFR

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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.

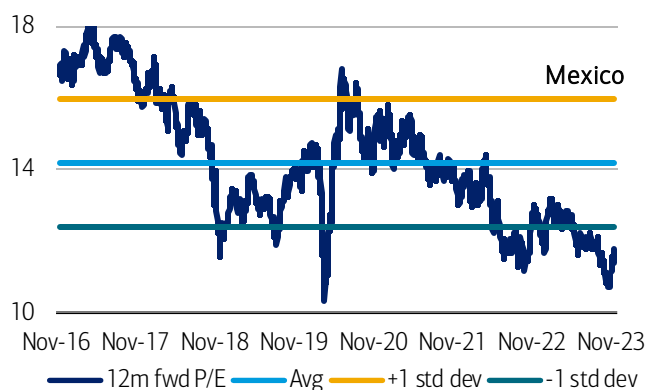


Source: BofA Global Research, Bloomberg

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

Trading at more than 1 Std Dev below historical average.

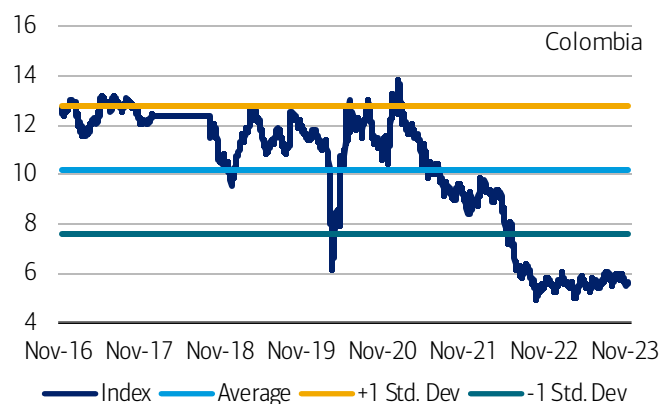


Source: BofA Global Research, Bloomberg

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

Trading more than 1 Std Dev below historical average.

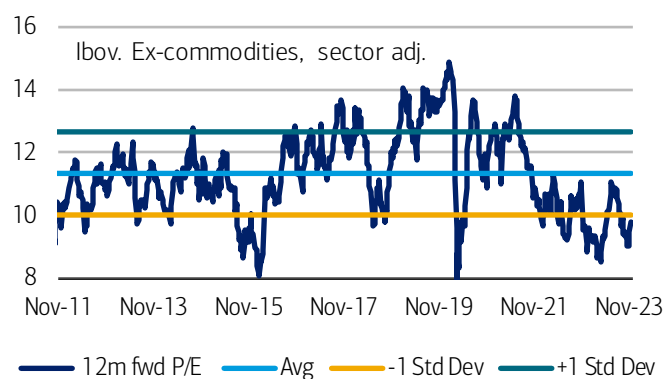


Source: BofA Global Research, Bloomberg

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

Ibov ex-commodities at 13% discount vs hist.



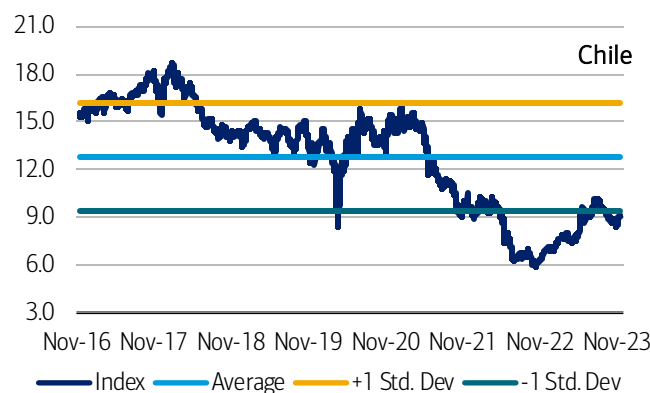
Note: Sector weights were adjusted and kept constant through time.

Source: BofA Global Research, Bloomberg

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

Trading 1 Std Dev below historical average.



Source: BofA Global Research, Bloomberg

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Exhibit 7: Valuation summary

Brazil 25% discounted vs hist.

Country	Index	Current	Average	Std. Dev	Prem. to Hist	Prem. to EM*
Brazil	Ibov	8.1	10.8	2.7	-25%	-34%
BZ	Ex-commod.	9.8	11.3	1.3	-13%	-16%
Mexico	Mexbol	11.8	14.2	1.8	-17%	3%
Chile	Ipsa	9.2	12.8	3.4	-28%	-20%
Peru	SPBLPGPT	8.4	12.2	2.6	-31%	-16%
Colombia	Colcap	5.6	10.2	2.6	-45%	-57%
Argentina	Merval	5.3	9.9	3.0	-47%	-59%
EM	MXEF	11.8	12.2	1.2	-4%	-

Source: BofA Global Research, Bloomberg

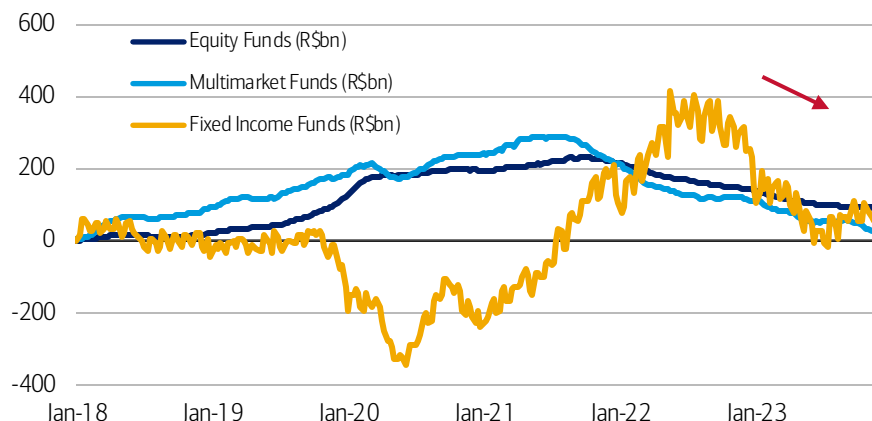
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Flows & Positioning

Brazil flows

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

Outflows from Brazil local equity and multimarket funds are slowing down in 2023.



Source: BofA Global Research, Economática

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Exhibit 9: Equity and Multimarket funds weekly flows (R\$mn) (Brazil local funds)

Flow picture is improving in 2023

Equity and Multimarket funds weekly flows (R\$mn)

Fund type (R\$ mn)	AUM	15-Sep	22-Sep	29-Sep	6-Oct	13-Oct	20-Oct	27-Oct	3-Nov	10-Nov	17-Nov*	2023	2022
Equity Funds	239,253	686	-519	-237	-336	-171	-664	-395	-803	-598	-299	-33,407	-42,836
Foreign Investments	126,200	-20	-59	-136	-129	197	-5	12,777	5,197	3,036	-13	16,613	-18,740
Ibovespa Active	43,414	-85	-171	25	-138	-23	-164	-153	16	-392	-17	-8,335	-16,714
Sector	10,166	49	13	50	27	74	145	37	-22	-17	-12	502	-1,860
Value / Growth	17,498	-71	12	-157	-27	-76	-22	-41	-78	-94	-12	-4,359	-6,745
Dividends	12,370	128	32	67	3	2	-4	5	-7	-83	-5	-1,448	-434
Ibovespa Passive	11,215	28	45	-1	-32	-60	-89	-52	-9	-259	-22	-902	-2,932
Small Caps	5,600	24	46	56	77	11	6	-3	-12	-10	0	-365	-2,243
Single Stocks	9,785	-22	2	-3	-2	-19	6	-35	-36	-25	-2	-791	-2,225
ESG	116	0	0	0	0	0	0	0	0	-1	0	-16	-366
Equity Funds (Total)	475,618	717	-600	-337	-557	-65	-793	12,139	4,246	1,557	-383	-32,509	-95,096
Equity Funds (Total ex. Foreign Invest.)	349,417	737	-541	-201	-428	-262	-787	-638	-952	-1,479	-370	-49,122	-76,355
Multimarket	840,554	-419	-1,832	-946	240	-2,379	-553	-1,803	-394	-1,914	-812	-27,457	-69,300
Foreign Investments	810,457	-109	-85	2,643	-3,029	553	-1,927	-3,622	-2,432	-5,669	-5,896	-39,356	-22,102
Macro	241,099	-474	-2,920	-1,303	-992	-1,407	-2,400	-1,995	-2,376	-2,113	-489	-49,288	-14,754
Dynamic Multimarket	48,561	-273	-248	-252	-282	-331	-423	-295	-279	-341	-159	-5,706	-16,130
Specific Strategy	68,041	183	51	-27	-12	-107	-99	113	41	12	-47	2,686	-2,279
Long/Short Directional	7,725	-123	-44	-16	-28	-14	-106	-23	-45	-52	-5	-2,298	-3,384
Balanced	12,074	8	-9	-181	9	-62	-15	-57	11	5	-5	-857	-54
Trading	3,733	-13	-21	-5	-15	-10	-14	-22	-3	-9	-5	-563	-1,154
Long/Short Neutral	2,386	6	-16	-3	6	8	-10	-5	17	26	3	-295	-527
Protected Capital	769	-1	0	-1	-1	-2	-2	-2	-1	0	0	78	-196
Multimarket Funds (Total)	2,035,399	-1,217	-5,124	-91	-4,105	-3,749	-5,549	-7,709	-5,461	-10,056	-7,415	-123,056	-129,878
Multimarket Funds (Total ex. Foreign Invest.)	1,224,943	-1,107	-5,039	-2,734	-1,076	-4,303	-3,622	-4,087	-3,029	-4,387	-1,518	-83,700	-107,777

(*) Preliminary data, up to Wednesday.

Source: Economática

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Exhibit 10: Fixed Income funds weekly flows (R\$bn) (Brazil local funds)

Brazil local fixed income funds had inflows in Aug-23.

Fixed Income funds weekly flows

Fund type	AUM	20-Oct	27-Oct	3-Nov	10-Nov	17-Nov*	YTD
FI Short Duration - Invest. Grade	960	1.0	5.5	-3.1	4.1	0.8	-86.1
FI Short Duration Govt	874	-2.3	-12.6	1.6	2.0	4.0	50.6
FI All Duration Credit	335	1.8	3.6	1.8	3.8	-0.5	48.8
FI All Duration - Invest. Grade	744	0.3	1.4	-5.1	-6.8	5.7	-23.3
FI All Duration Govt	238	-0.2	-0.6	-3.7	1.9	0.8	4.8
FI (Broad)	373	-8.7	-3.8	-6.6	3.2	5.2	3.3
Other	507	-2.5	-1.4	-0.5	0.4	0.1	-6.5
Fixed Income (Total) Ex. Foreign Invest.	4,026	-11	-8	-15	9	16	-8

(*) Preliminary data, up to Wednesday.

Source: Ecomatrica

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Exhibit 11: Foreign flow to B3 (R\$bn), Dec-22 to Nov-23

Flows are positive YTD

Month	Futures	Cash	IPO/follow-on	TOTAL
Dec-22	-4	14	1	12
Jan-23	6	13	0	19
Feb-23	-9	-2	0	-11
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	5	5	0	10
12M Cumulative	1	25	14	40
2023 YTD	5	11	12	28
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 equity funds had US\$0.3bn outflows this week. +US\$86.3bn YTD



Source: EPFR

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Exhibit 13: Weekly flows to LatAm and EM funds (US\$m)

EM equity funds had US\$0.3bn outflows this week. +US\$86.3bn YTD.

Region	Week	% Current Assets	Weeks	% Current Assets	YTD	% Current Assets
LatAm	5	0.1%	(152)	-1.5%	598	6.1%
Brazil	190	1.1%	(190)	-1.1%	(448)	-2.7%
Mexico	94	1.0%	102	1.1%	422	4.3%
Andean	6	0.2%	(31)	-1.0%	(77)	-2.6%
LatAmTotal	295	0.8%	(271)	-0.7%	514	1.3%
China	(102)	0.0%	(76)	0.0%	72,411	4.8%
EM Total	(331)	0.0%	(4,314)	-0.3%	86,302	5.8%

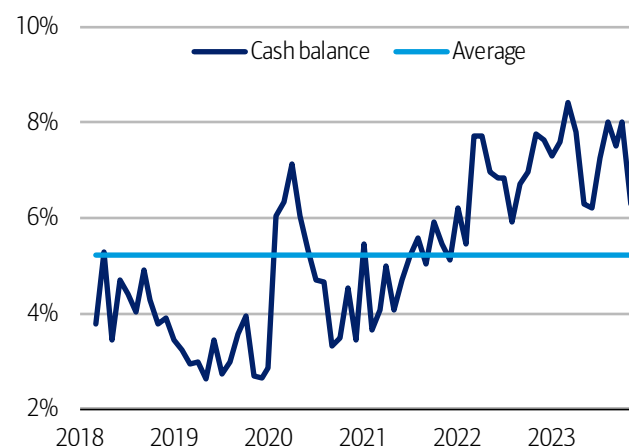
Source: EPFR

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LatAm positioning

Exhibit 16: Average cash position (2018-2023)

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

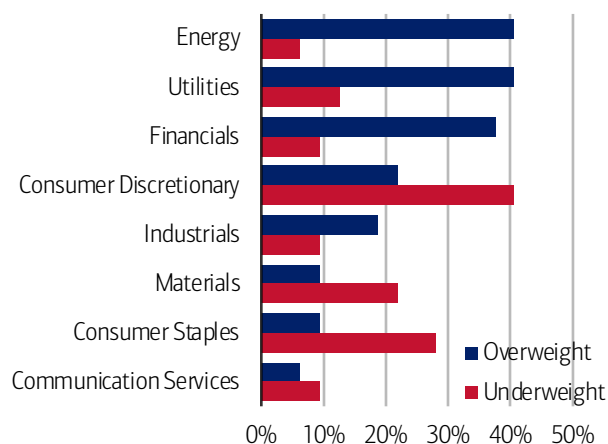


Source: LatAm Fund Manager Survey

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

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



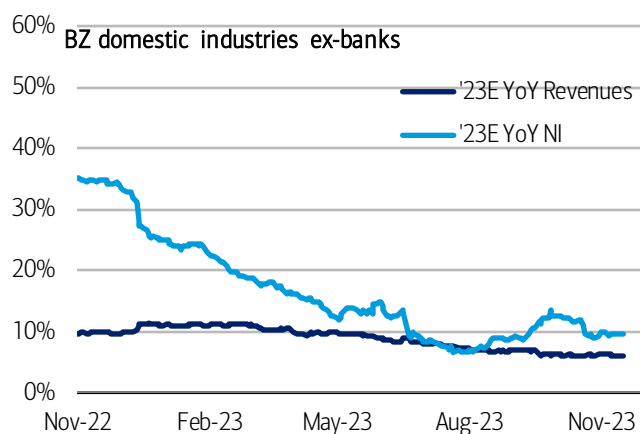
Source: LatAm Fund Manager Survey

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Consensus Earnings Revisions for Brazil

Exhibit 18: Brazil domestic industries: consensus revised NI downwards but still expected at 10% YoY growth

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



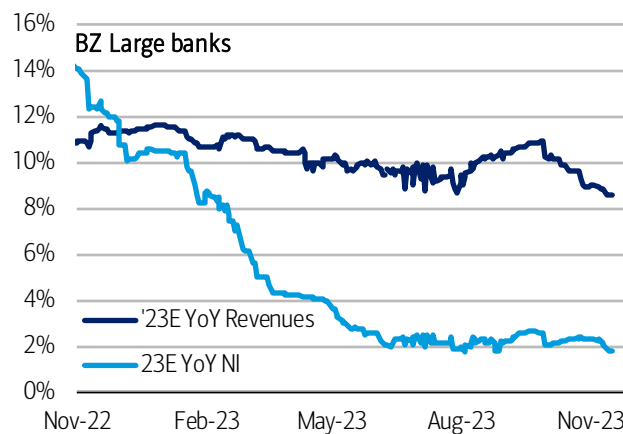
Consensus estimates.

Source: Bloomberg, BofA Global Research

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Exhibit 19: Brazil Banks: consensus revised NI downwards since Nov-22, but still expected at +2% 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 18: LatAm 3-month ERR – country details

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

LatAm countries	12m Avg	Aug-23	Sep-23	Oct-23	1M Chg in 3M ERR
Argentina	2.6	3.6	2.6	2.1	-0.46
Brazil	0.7	0.8	0.8	0.9	0.06
Chile	0.8	0.8	0.8	0.8	-0.07
Colombia	0.7	0.6	0.6	0.9	0.26
Mexico	1.0	0.8	0.8	0.9	0.05
Peru	0.8	0.7	0.9	0.8	-0.13
LatAm	0.8	0.8	0.8	0.9	0.05

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 20: LatAm 3-month ERR – sector details

Real Estate shows the highest ERR (1.5).

LatAm sectors	12m Avg	Aug-23	Sep-23	Oct-23	1M Chg in 3M ERR
C. Discretionary	0.8	1.0	1.0	0.9	-0.02
C. Staples	0.8	0.7	0.6	0.8	0.16
Energy	0.8	0.8	0.9	1.4	0.42
Financials	1.4	1.6	1.6	1.4	-0.15
Health Care	0.6	1.3	1.5	1.0	-0.49
Industrials	0.9	0.7	0.7	0.7	-0.02
IT	1.2	1.1	1.0	0.9	-0.09
Materials	0.7	0.5	0.5	0.6	0.05
Real Estate	1.0	0.9	1.1	1.5	0.39
Communication	0.8	0.8	1.0	1.0	-0.04
Utilities	1.1	1.0	1.2	1.4	0.23
LatAm	0.8	0.8	0.8	0.9	0.05

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 22: Brazil 3-month ERR – sector details

Communication and Real Estate show highest ERR in October.

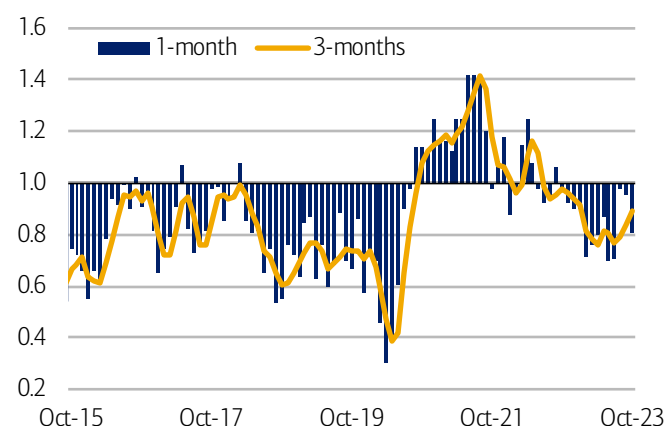
Brazil sectors	12m Avg	Aug-23	Sep-23	Oct-23	1M Chg in 3M ERR
C. Discretionary	0.6	0.8	0.9	1.0	0.08
C. Staples	0.6	0.8	0.6	0.6	-0.02
Energy	0.8	0.8	1.0	1.5	0.57
Financials	1.2	1.9	1.8	1.5	-0.31
Health Care	0.6	1.2	1.4	0.9	-0.50
Industrials	0.8	0.9	0.8	0.7	-0.06
IT	1.3	1.2	1.0	0.9	-0.10
Materials	0.6	0.3	0.4	0.5	0.11
Real Estate	1.6	0.9	1.6	5.0	3.40
Communication	3.2	3.0	6.0	19.0	13.00
Utilities	1.0	0.8	1.0	1.4	0.33
Brazil	0.7	0.8	0.8	0.9	0.06

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 21: LatAm Earnings Revision Ratio (Oct 15-Oct 23)

3-month ERR at 0.9 in Oct-23.

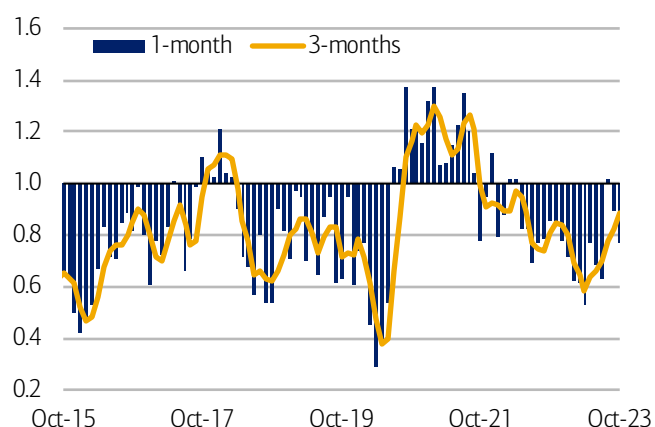


Source: BofA Global Research, Factset, Bloomberg

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Exhibit 23: Brazil Earnings Revision Ratio (Oct 15-Oct 23)

Communication and Real Estate show highest ERR in October.

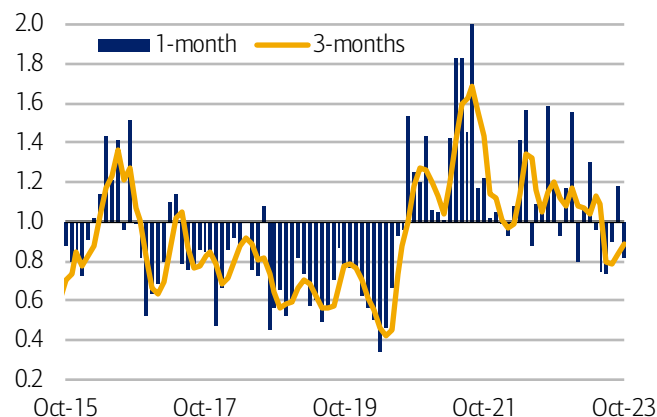


Source: BofA Global Research, Factset, Bloomberg

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Exhibit 25: Mexico Earnings Revision Ratio (Oct 15-Oct 23)

Financials has the highest ERR in Mexico (1.8 in October).



Source: BofA Global Research, Factset, Bloomberg

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Exhibit 24: Mexico 3-month ERR – sector details

Financials has the highest ERR in Mexico (1.8 in October).

Mexico sectors	12m Avg	Aug-23	Sep-23	Oct-23	1M Chg in 3M ERR
C. Discretionary	1.1	1.0	0.8	0.6	-0.20
C. Staples	1.3	0.8	0.7	1.2	0.52
Energy	NA	NA	NA	NA	NA
Financials	2.9	1.7	2.0	1.8	-0.27
Health Care	NA	NA	NA	NA	NA
Industrials	1.2	0.5	0.6	0.7	0.02
IT	NA	NA	NA	NA	NA
Materials	0.8	0.6	0.7	0.6	-0.03
Real Estate	0.8	0.8	0.8	1.0	0.14
Communication	0.5	0.6	1.0	0.4	-0.58
Utilities	NA	NA	NA	NA	NA
Mexico	1.0	0.8	0.8	0.9	0.05

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 25: Value screen

Within this screen, homebuilders, food-commodities and oil 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	PTBFB	3.4	3.7	0.8	-5%	45%
Pampa energia	AR	Electric Utilities	PAM US	PAM	4.1	3.8	1.6	-18%	12%
Petro-Rio	BZ	Oil & Gas Producers	PRI03 BZ	HRTPF	6.7	4.7	1.1	-10%	22%
Ecopetrol	CO	Oil & Gas Producers	ECOPETL CB	XESSF	5.7	5.5	1.6	-8%	-1%
Metalurgica Gerdau	BZ	Steels	GOAU4 BZ	MZGPF	4.2	5.7	0.4	15%	-7%
Ternium	MX	Steels	TX US	TX	5.3	5.7	-0.8	-6%	20%
Copa	CO	Airlines	CPA US	CPA	6.3	6.0	0.6	11%	14%
COPASA	BZ	Water Utilities	CSMG3 BZ	CSAOF	5.9	6.1	1.4	16%	23%
Vale ON	BZ	Non-Ferrous-Mining	VALE3 BZ	VALEF	7.1	6.4	0.6	9%	-17%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	7.1	6.5	0.9	6%	-18%
Gerdau	BZ	Steels	GGBR4 BZ	GGBUF	4.8	6.7	0.5	9%	-13%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	6.6	6.7	1.5	11%	43%
Cemig	BZ	Electric Utilities	CMIG4 BZ	CEMCF	7.7	7.8	1.1	12%	21%
Sao Martinho	BZ	Food-Commodities	SMT03 BZ	SRTOF	10.3	8.0	1.9	-10%	29%
GMexico	MX	Non-Ferrous-Mining	GMEXICOB MM	GMBXF	11.6	8.4	0.3	0%	13%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	9.0	8.5	1.9	-4%	-17%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	8.8	9.2	1.5	12%	10%
Coca-Cola Andina	CL	Soft Drinks	ANDINAB CI	AKOBF	11.9	9.3	2.0	4%	-2%
Megacable	MX	Telecom Services-Wireless/Cellular	MEGACPO MM	MHSDF	10.4	9.6	1.5	-9%	-33%
Prom y Oper Infra	MX	Toll Road Operators	PINFRA* MM	PYOIF	11.9	9.6	-1.2	6%	5%
Median								5%	11%

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 26: 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	54.8	0%	30%	-20%
Brasil Foods	BZ	Food Processors	BRFS3 BZ	BRFFF	50.5	0%	30%	67%
Mercado Libre	BZ	Internet/e-Commerce	MELI US	MELI	45.8	0%	18%	74%
Omega Geração	BZ	Renewable Energy	MEGA3 BZ	XZQAF	34.3	0%	5%	-4%
Raia Drogasil	BZ	Drug Store Chains	RADL3 BZ	RAIAF	31.3	1%	1%	23%
WEG	BZ	Industrials/Multi-Industry	WEGE3 BZ	WGSEF	25.9	2%	-2%	-13%
TOTVS	BZ	Server & Enterprise Software	TOTS3 BZ	XBEGF	25.1	1%	26%	21%
Alpargatas	BZ	Footwear	ALPA4 BZ	SRDDF	23.3	0%	33%	-35%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	22.6	0%	3%	-24%
Vesta	MX	Real Estate/Property	VESTA* MM	VESTF	21.9	2%	10%	35%
Rumo Logística	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	21.0	0%	8%	27%
FEMSA	MX	Brewers	FEMSAUBD MM	FMXUF	20.9	2%	14%	43%
Falabella	CL	Retailing-Broadline/Department Stores	FALAB CI	XDIYF	19.5	1%	2%	21%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	18.9	0%	13%	28%
Ultrapar	BZ	Oil Refining & Marketing	UGPA3 BZ	XLRUF	18.7	3%	25%	97%
Energisa	BZ	Utilities-Other	ENG11 BZ	XLXGF	18.5	2%	20%	18%
Bimbo	MX	Bakers	BIMBOA MM	GRBMF	18.2	1%	7%	2%
Eneva	BZ	Electric Utilities	ENEV3 BZ	XZUMF	17.1	1%	19%	8%
AES Brasil	BZ	Electric Utilities	AESB3 BZ	XDFDF	17.0	1%	3%	12%
Localiza	BZ	Car Rental	RENT3 BZ	LZRFF	16.6	2%	15%	15%
Median							13%	20%

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 27: 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)
Petrobras PN	BZ	Oils	PETR4 BZ	PTBFB	21.0	-5%	45%
Ecopetrol	CO	Oil & Gas Producers	ECOPETL CB	XESSF	17.9	-8%	-1%
Danahos	MX	REITs	DANHOS13 MM	GRFFF	11.7	-4%	-17%
SQM	CL	Fertilizers	SQM US	SQM	11.7	-20%	-41%
CSN	BZ	Steels	CSNA3 BZ	SIDHF	11.4	26%	1%
Alpek	MX	Chemicals-Major	ALPEKA MM	ALPKF	10.8	-5%	-52%
Auren Energia	BZ	Electric Utilities	AURE3 BZ	XZMXF	10.7	4%	-2%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDFP	10.2	2%	-5%
Banco do Brasil	BZ	Banks-Retail	BBAS3 BZ	XBBAF	9.6	2%	45%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	9.1	12%	10%
Banco Macro	AR	Banks-Retail	BMA US	BMA	9.0	-1%	17%
Grupo Financiero Galicia	AR	Banks-Retail	GGAL US	GGAL	9.0	-5%	22%
TAESA	BZ	Electric Utilities	TAE11 BZ	XTAEF	8.9	8%	4%
Banco de Chile	CL	Banks-Retail	CHILE CI	XHNDP	8.7	1%	8%
Gerdau	BZ	Steels	GGBR4 BZ	GGBUF	8.7	9%	-13%
Megacable	MX	Telecom Services-Wireless/Cellular	MEGACPO MM	MHSDF	8.6	-9%	-33%
Banrisul	BZ	Banks-Retail	BRSR6 BZ	XGRBF	8.1	3%	20%
Banorte	MX	Banks-Retail	GFNORTEO MM	GBOOF	8.1	9%	15%
Bradespar	BZ	Non-Ferrous-Mining	BRAP4 BZ	BRDQF	8.1	16%	-14%
Median						2%	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. 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 28: 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	1.9	3%	-3%
Copa	CO	Airlines	CPA US	CPA	0.3	0.6	11%	14%
Chedraui	MX	Supermarkets/Food Retailers	CHDRAUIB MM	GCHFF	0.3	1.9	-3%	21%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	0.4	0.9	6%	-18%
Qualitas	MX	Insurance - Non-Life	Q* MM	QUCOF	0.4	NA	3%	65%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDFP	0.4	NA	2%	-5%
Banco Macro	AR	Banks-Retail	BMA US	BMA	0.4	NA	-1%	17%
Grupo Financiero Galicia	AR	Banks-Retail	GGAL US	GGAL	0.4	NA	-5%	22%
Engie	BZ	Electric Utilities	EGIE3 BZ	XZDDF	0.4	1.9	7%	15%
Vivo	BZ	Telecom Equipment-Wireless/Cellular	VIVT3 BZ	XCPTF	0.4	0.7	11%	32%
Coca-Cola Andina	CL	Soft Drinks	ANDINAB CI	AKOBF	0.5	2.0	4%	-2%
Danahos	MX	REITs	DANHOS13 MM	GRFFF	0.5	1.9	-4%	-17%
Auren Energia	BZ	Electric Utilities	AURE3 BZ	XZMXF	0.5	0.6	4%	-2%
Arca	MX	Soft Drinks	AC* MM	EMBVF	0.5	0.5	16%	14%
TIM	BZ	Telecom Services-Wireless/Cellular	TIMS3 BZ	XZUAF	0.5	1.2	9%	36%
AmBev	BZ	Brewers	ABEV3 BZ	AVBPF	0.5	-0.6	7%	-6%
Coca-Cola FEMSA	MX	Soft Drinks	KOFUBL MM	COCSF	0.5	0.8	8%	11%
Pampa energia	AR	Electric Utilities	PAM US	PAM	0.5	1.6	-18%	12%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	0.5	1.5	11%	43%
Grupo BMV	MX	Other Financials	BOLSAA MM	BOMXF	0.5	NA	-6%	-20%
Median							4%	13%

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 29: 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)
Magazine Luiza	BZ	Retailing-Hardlines	MGLU3 BZ	MGZZF	2.1	3.0	30%	-20%
Banco inter	BZ	Banks-Retail	INTR US	INTR	1.9	NA	37%	136%
Cemex	MX	Building Materials	CX US	CX	1.9	3.0	8%	70%
B3 SA	BZ	Financial Services-Consumer/Commercial	B3SA3 BZ	XIMAF	1.7	NA	14%	-2%
Banco Pan	BZ	Banks-Retail	BPAN4 BZ	XQSFF	1.6	NA	12%	42%
Cogna	BZ	Education & Training Services	COGN3 BZ	KROTF	1.6	3.4	29%	47%
Estacio	BZ	Education & Training Services	YDUQ3 BZ	ECPCF	1.6	2.4	6%	100%
Ecorodovias	BZ	Toll Road Operators	ECOR3 BZ	XVEDF	1.5	3.7	17%	89%
BTG Pactual	BZ	Banks-Retail	BPAC11 BZ	XNXCF	1.5	NA	12%	42%
Televisa	MX	Cable TV	TLEVICO MM	GRPFF	1.5	2.8	-14%	-54%
Cosan	BZ	Energy Commodities	CSAN3 BZ	CSAIF	1.4	3.2	15%	6%
CSN	BZ	Steels	CSNA3 BZ	SIDHF	1.4	3.2	26%	1%
GFinbursa	MX	Banks-Retail	GFINBURO MM	GPFOF	1.4	NA	15%	27%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	1.3	4.9	3%	-24%
Localiza	BZ	Car Rental	RENT3 BZ	LZRFF	1.3	3.6	15%	15%
Credicorp	PE	Banks-Retail	BAP US	BAP	1.3	NA	-1%	-8%
Banorte	MX	Banks-Retail	GFNORTEO MM	GBOOF	1.3	NA	9%	15%
Aliansce	BZ	Real Estate/Property	ALOS3 BZ	XADSF	1.2	4.0	10%	51%
Dexco	BZ	Forest Products	DXCO3 BZ	DURXF	1.2	4.7	6%	8%
Median							12%	15%

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 30: 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		0 COGN3 BZ	KROTF	-90%	13.1	134.6	3.4	29%	47%
Televisa	MX		0 TLEVICO MM	GRPFF	-85%	1.5	10.3	2.8	-14%	-54%
Eneva	BZ		0 ENEV3 BZ	XZUMF	-79%	9.9	47.0	4.9	19%	8%
Rumo Logistica	BZ		0 RAIL3 BZ	RUMOF	-72%	21.0	74.1	2.3	8%	27%
Embraer	BZ		0 ERJ US	ERJ	-69%	8.3	26.8	2.3	15%	48%
Omega Geração	BZ		0 MEGA3 BZ	XZQAF	-61%	34.3	87.7	7.2	5%	-4%
Cielo	BZ		0 CIEL3 BZ	CIOXF	-60%	5.2	13.1	NA	8%	-27%
Gentera	MX		0 GENTERA* MM	CMPRF	-55%	1.2	2.6	NA	-13%	-16%
Magazine Luiza	BZ		0 MGLU3 BZ	MGZZF	-55%	0.5	1.2	3.0	30%	-20%
Banrisul	BZ		0 BRSR6 BZ	XGRBF	-52%	0.5	1.0	NA	3%	20%
Ecorodovias	BZ		0 ECOR3 BZ	XVEDF	-45%	8.2	14.9	3.7	17%	89%
Bradesco	BZ		0 BBDC4 BZ	BRDPF	-44%	1.0	1.8	NA	7%	2%
BB Seguridade	BZ		0 BBSE3 BZ	XBDPF	-38%	8.1	13.1	NA	2%	-5%
GFinbursa	MX		0 GFINBURO MM	GPFOF	-38%	8.9	14.3	NA	15%	27%
Credicorp	PE		0 BAP US	BAP	-37%	7.1	11.3	NA	-1%	-8%
Alpek	MX		0 ALPEKA MM	ALPKF	-35%	4.2	6.5	2.7	-5%	-52%
Cencosud	CL		0 CENCOSUD CI	XCSCF	-34%	6.3	9.5	3.3	3%	16%
BTG Pactual	BZ		0 BPAC11 BZ	XNXCF	-32%	17.2	25.4	NA	12%	42%
Orbia	MX		0 ORBIA* MM	MXCHF	-32%	5.0	7.4	2.7	-10%	-4%
Median									6%	-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.

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 31: Top out of consensus stocks

Buy-rated stocks with a positive out of consensus ranking. Two Buy-rated stocks according to BofA are not Buy-rated by most of consensus (highlighted).

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										
Coca-Cola Femsa	KOFUBL MM	COCSE	C. Staples	17,847	10.0	BUY	50%	50%	0%	MXN	9.9	9.4	11.3	10.6
Arca	AC* MM	EMBV	C. Staples	17,887	9.6	BUY	78%	17%	6%	MXN	10.5	9.9	13.1	11.2
Vitru Limited	VTRU US	VTRU	C. Discretionary	400	9.5	BUY	100%	0%	0%	BRL	5.7	7.7	11.3	11.0
TOTVS	TOTS3 BZ	XBEGF	IT	4,255	9.3	BUY	83%	17%	0%	BRL	0.9	1.0	1.3	1.3
Bajio	BBAJIO MM	BBAJF	Financials	4,036	9.1	BUY	47%	47%	7%	MXN	9.3	9.2	8.8	8.7
Parque Arauco	PARAU CO CI	XNNJF	Real Estate	1,335	8.4	BUY	67%	33%	0%	CLP	144.8	102.9	162.8	114.9
Vibra Energia SA	VBBR3 BZ	XUBRF	C. Discretionary	5,175	8.3	BUY	93%	7%	0%	BRL	1.6	1.5	1.6	1.9
Petro Rio	PRIO3 BZ	HRTPF	Energy	8,282	8.2	BUY	83%	11%	6%	USD	1.6	1.4	2.9	2.0
Natura &Co	NTCO3 BZ	XZVAF	C. Staples	4,251	7.9	BUY	46%	54%	0%	BRL	-0.3	-0.6	0.1	0.8
YDUQS	YDUQ3 BZ	ECPCF	C. Discretionary	1,292	7.7	BUY	70%	30%	0%	BRL	1.2	1.1	1.7	1.8
VTEX	VTEX US	VTEX	Telecom	1,255	7.6	BUY	67%	33%	0%	USD	-0.1	-0.1	0.1	0.0
Afya Limited	AFYA US	AFYA	C. Discretionary	1,682	7.4	BUY	83%	17%	0%	BRL	6.4	5.7	7.9	7.9
Hapvida	HAPV3 BZ	XDUFF	Health Care	7,346	7.3	BUY	92%	8%	0%	BRL	0.1	0.0	0.2	0.2
XP Inc.	XP US	XP	Financials	12,776	7.1	BUY	73%	27%	0%	BRL	8.2	7.6	9.7	9.5
Direcional	DIRR3 BZ	DRCHF	C. Discretionary	736	7.0	BUY	85%	15%	0%	BRL	2.4	2.0	3.4	2.9

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 32: Bottom out of consensus stocks

Neutral/Underperform-rated stocks with a negative out of consensus ranking. Eight Neutral/Underperform-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 Cmcycy	2023 EPS		2024 EPS	
							Buy	Hold	Sell		BofA	Cons.	BofA	Cons.
				USDmn										
Liverpool	LIVEPOLC MM	ELPQF	C. Discretionary	7,316	-10.0	UND	50%	31%	19%	MXN	12.5	13.2	13.7	14.6
Cencosud	CENCOSUD CI	XCSCF	C. Staples	5,196	-9.9	NEU	62%	31%	8%	CLP	153.2	181.7	189.1	194.9
Even	EVEN3 BZ	EVCNF	C. Discretionary	301	-9.7	UND	38%	50%	13%	BRL	1.1	0.9	0.7	1.0
M. Dias Branco	MDIA3 BZ	XDMIF	C. Staples	2,458	-9.5	NEU	64%	36%	0%	BRL	2.6	2.6	3.8	3.7
CBD	PCAR3 BZ	GPSAF	C. Staples	217	-8.9	UND	15%	77%	8%	BRL	-3.2	-3.9	-1.5	-1.5
Cyrela Brazil	CYRE3 BZ	XCBMF	C. Discretionary	1,759	-8.8	UND	80%	13%	7%	BRL	2.1	2.3	2.2	2.7
CCR	CCRO3 BZ	CDCRF	Industrials	5,531	-8.6	UND	83%	0%	17%	BRL	0.6	0.7	0.5	0.8
Diagnosticos da Am.	DASA3 BZ	DIAOF	Health Care	1,620	-8.5	UND	50%	40%	10%	BRL	0.0	-0.6	0.0	0.5
Adecoagro	AGRO US	AGRO	C. Staples	1,119	-7.5	NEU	43%	57%	0%	USD	1.6	1.2	2.1	1.4
Itau Unibanco	ITUB4 BZ	ITUBF	Financials	56,405	-7.4	NEU	89%	11%	0%	BRL	3.6	3.6	4.0	4.0
Petz	PETZ3 BZ	XUXUF	C. Discretionary	407	-7.3	NEU	58%	42%	0%	BRL	0.2	0.1	0.3	0.3
CTEEP	TRPL4 BZ	XOOTF	Utilities	3,874	-7.1	UND	20%	67%	13%	BRL	2.2	2.2	2.4	2.7
Randon	RAPT4 BZ	RPRTF	Industrials	729	-6.8	NEU	73%	27%	0%	BRL	1.4	1.4	1.5	1.8
Lojas Renner SA	LREN3 BZ	LORPF	C. Discretionary	2,849	-6.6	UND	69%	25%	6%	BRL	1.1	1.1	1.2	1.3
Cia Siderurgica SA	CSNA3 BZ	SIDHF	Materials	4,007	-5.8	UND	21%	57%	21%	BRL	0.1	0.3	1.1	1.5

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 [European Beat Factor - Out-of-consensus stocks under BofA Global Research coverage](#)

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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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