

Latam Equity Quant

One day rates will fall. But not this week.

Investment Strategy

Key takeaways

- Local equity & hedge funds continue to post outflows in Brazil. Positioning remains bearish.
- Brazil underperformed LatAm & global markets this week. Hawkish statement by the central bank likely a drag.
- Positive EM flows MTD, but we saw small outflows from foreigners from BZ local exchange in March.

Last week in numbers

Ibov ex-commodities trading at 27% discount to historicals. (Exhibit 4) Brazil underperformed LatAm and global markets this week. Ibov is -4% this week (local currency terms), while Mexbol +1.7%, IPSA +3.2%, Colcap -1.2%, LatAm -0.2%, EM +2.8%.

Hawkish statement by the central bank likely a driver for bearish markets in Brazil. Selic was maintained at 13.75%, as expected (see [BCB delivers a hawkish hold](#)). Short-term rates rose since last week. Now the first cut is priced in for August rather than June (Exhibit 2). When we ran our LatAm Fund Manager Survey 2 weeks ago, participants expected rate cuts in BZ no later than 3Q23 (see: [LatAm Fund Manager Survey](#)).

Cash reached new highs in LatAm (Exhibit 14), according to our [LatAm Fund Manager Survey](#). Protection levels are still above hist. average and risk taking is very low. Only 20% see Ibov >120k by year end. Participants are most OW Financials, Utilities and C. Staples. (Exhibit 15).

Positive EM flows this week (+US\$3bn). We saw +US\$7bn inflows MTD. EM flows YTD reached +US\$36.4bn mostly into GEM & China (Exhibit 12).

R\$5bn foreign outflows MTD (-R\$2bn from futures and -R\$3bn from cash equities), Exhibit 11.

Outflows from Brazil local equity/hedge funds continue. R\$2.1bn outflows from local equity funds last week, preliminary data for this week already shows R\$1.3bn outflows. Local hedge funds posted R\$0.2bn outflows last week. Preliminary data for this week shows R\$2.2bn of outflows, Exhibit 10.

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

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Refer to important disclosures on page 14 to 16.

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Timestamp: 24 March 2023 05:30AM EDT

24 March 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 0.7. Sector details in Exhibit 22.

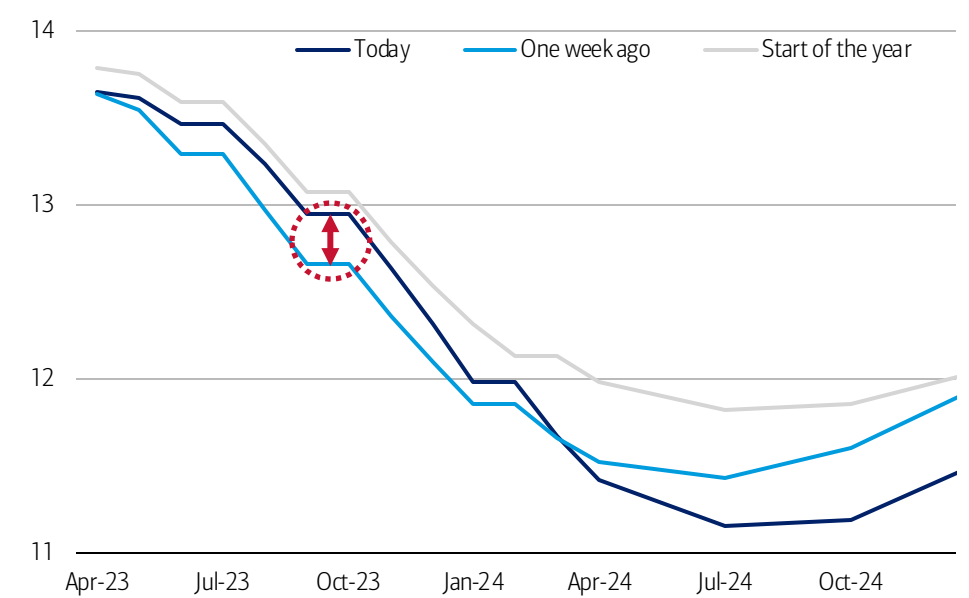
LatAm countries	Jan-23	Feb-23
Argentina	1.4	1.8
Brazil	0.8	0.7
Chile	0.9	0.5
Colombia	0.8	0.8
Mexico	1.2	1.1
Peru	0.9	1.0
LatAm	0.9	0.8

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

Exhibit 2: CDI futures' implicit CDI estimates

Short-term rates rose since last week. Now the first cut is priced in for August rather than June



Source: Bloomberg

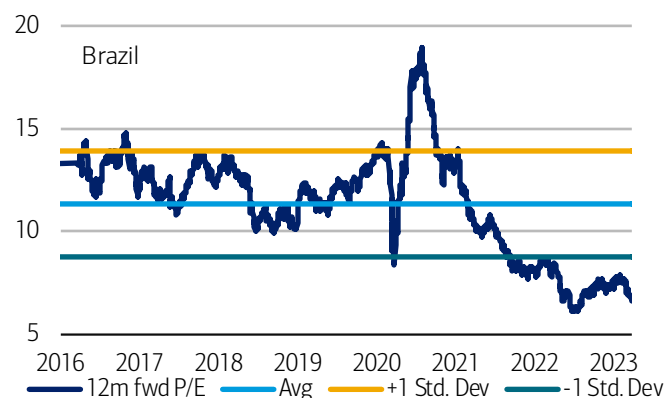
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LatAm valuation

Exhibit 3: Ibovespa P/E ratio (12m fwd)

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

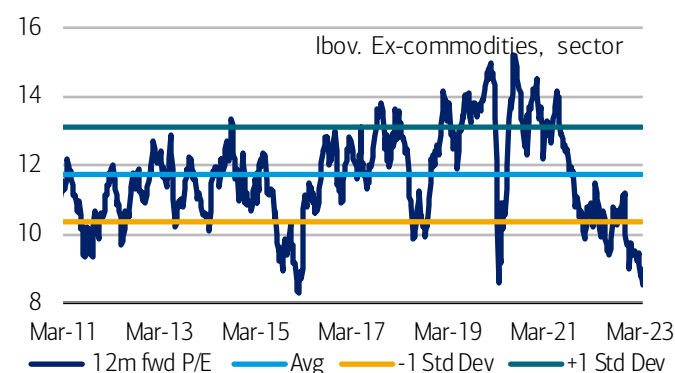


Source: BofA Global Research, Bloomberg

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Exhibit 4: Ibovespa P/E ratio (12m fwd, sector adjusted ex. commodities)

Trading close to 27% below historical average.



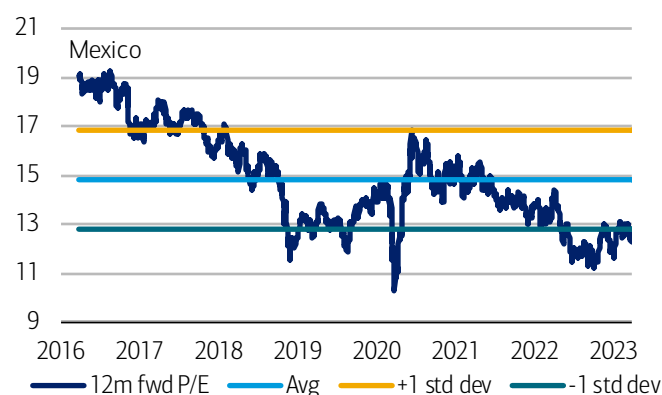
Note: Sector weights were adjusted and kept constant through time.

Source: BofA Global Research, Bloomberg

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Exhibit 5: Mexbol P/E ratio, Mar-16 to Mar-23

Trading 1 Std Dev below historical average.



Source: BofA Global Research, Bloomberg

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Exhibit 6: IPSA P/E ratio, Mar-16 to Mar-23

Trading more than 1 Std Dev below historical average.

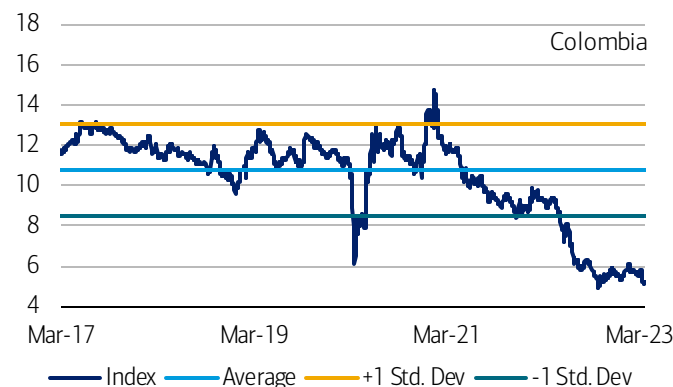


Source: BofA Global Research, Bloomberg

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Exhibit 7: Colcap P/E ratio, Mar-17 to Mar-23

Trading more than 1 Std Dev below historical average.



Source: BofA Global Research, Bloomberg

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Exhibit 8: Valuation summary

Brazil 39% discounted vs EM.

Country	Index	Current	Average	Std. Dev	Prem. to Hist	Prem. to EM*
Brazil	Ibov	6.6	11.3	2.6	-42%	-44%
BZ Ex-commod.		8.6	11.8	1.4	-27%	-25%
Mexico	Mexbol	12.5	14.8	2.0	-15%	10%
Chile	Ipsa	7.6	13.3	3.2	-43%	-39%
Peru	SPBLPGPT	9.2	12.7	2.4	-27%	-13%
Colombia	Colcap	5.2	10.8	2.3	-52%	-58%
Argentina	Merval	12.8	10.4	2.9	23%	-50%
EM	MXEF	11.5	12.2	1.2	-6%	-

Source: BofA Global Research, Bloomberg

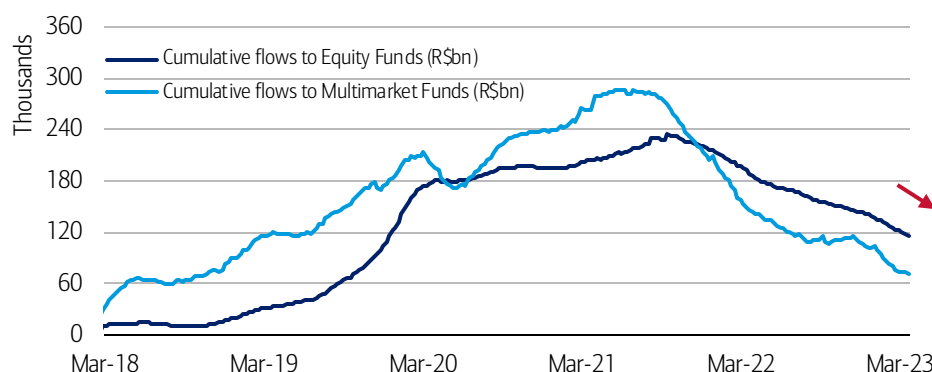
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Flows & Positioning

Brazil flows

Exhibit 9: Cumulative flows into Brazil local equity funds and local multimarket (hedge) funds

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



Source: BofA Global Research, Economática

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Exhibit 10: 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	24-Feb	3-Mar	10-Mar	17-Mar	24-Mar	YTD	Since peak Sep-21
Broad equity Funds	238	-1.1	-1.0	-2.6	-1.5	-1.0	-17	-67
Ibovespa Active	42	-0.1	-0.1	-0.4	-0.3	-0.1	-2	-23
Other	68	-0.5	0.2	-0.2	-0.4	-0.2	-4	-18
Equity Funds (Ex. Foreign Invest.)	348	-1.6	-1.0	-3.2	-2.1	-1.3	-23	-118
Multimarket	775	-2.6	-1.9	0.9	0.5	-1.4	-20	-111
Macro	278	-1.3	-0.5	-0.2	-0.3	-0.3	-6	-53
Other	0	-0.3	-0.2	0.0	-0.4	-0.4	-3	-32
Multimarket Funds (Ex. Foreign Invest.)	1,202	-4.1	-2.6	0.6	-0.2	-2.2	-29	-196

(*) Preliminary data, up to Wednesday. Source: Economática

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

Flows in March were negative.

Month	Futures	Cash	IPO/follow-on	TOTAL
Apr-22	(4)	(8)	0	(11)
May-22	5	(6)	-	(1)
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)	(3)	-	(5)
12M Cumulative	(9)	44	14	48
2023 YTD	(5)	8	-	3
2022	(2)	101	17	116
2021	27	(7)	44	64

Source: B3, Bloomberg

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Global flows

Exhibit 12: Cumulative flows into EM equity funds (US\$bn), 2018-2023

EM flows were flat this week. US\$36.4bn YTD.



Source: EPFR

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

EM flows were flat this week. US\$36.4bn YTD.

US\$ Million	Week	% Assets	4 Weeks	% Assets	YTD	% Assets
LatAm	(45)	-0.6%	(58)	-0.7%	108	1.4%
Brazil	(100)	-0.8%	(1)	0.0%	(944)	-7.6%
Mexico	(41)	-0.5%	32	0.4%	272	3.1%
Argentina	(1)	-2.3%	(3)	-7.3%	17	36.0%
Andean	1	0.0%	(11)	-0.4%	(120)	-4.3%
LatAmTotal	(187)	-0.6%	(41)	-0.1%	(666)	-2.1%
EM Total	2,966	0.2%	6,930	0.5%	36,406	2.5%

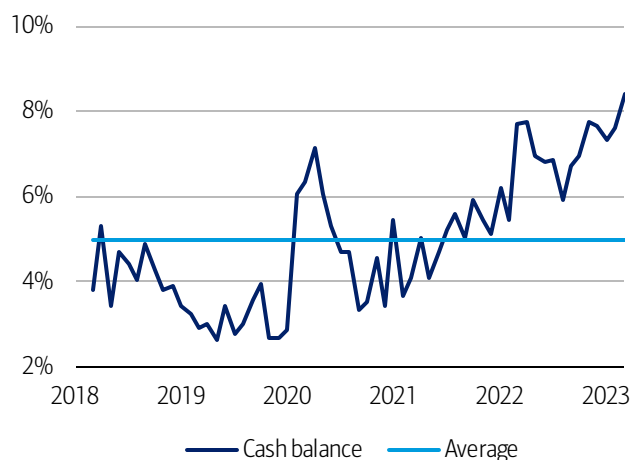
Source: EPFR

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LatAm positioning

Exhibit 14: Average cash position (2018-2023)

Cash levels at 8.4% in Mar-23, above hist avg (4.9%).

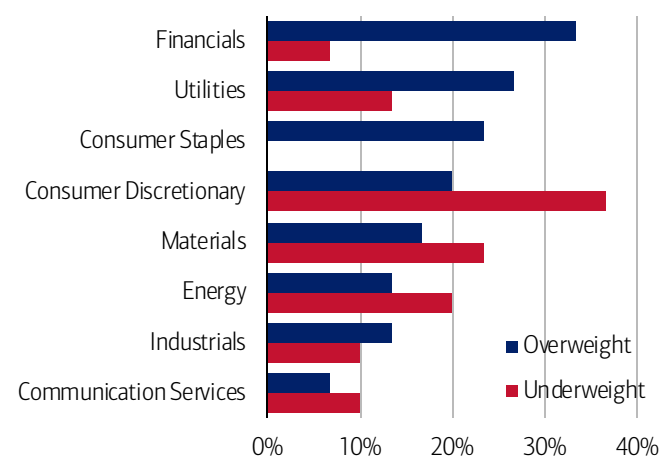


Source: LatAm Fund Manager Survey

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Exhibit 15: Which sectors among equities are you most underweight?

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



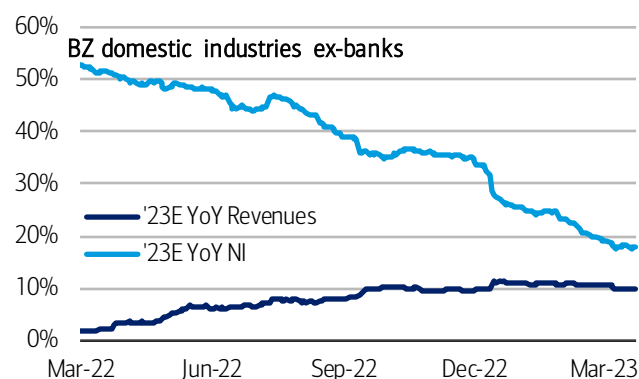
Source: LatAm Fund Manager Survey

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Consensus Earnings Revisions for Brazil

Exhibit 16: Brazil domestic industries: consensus revised NI downwards but still expected at 18% YoY growth

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



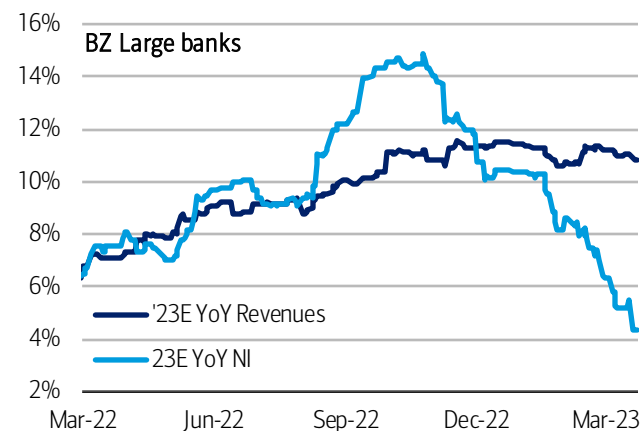
Consensus estimates.

Source: Bloomberg, BofA Global Research

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Exhibit 17: Brazil Banks: consensus revised NI downwards since Nov-22, but still expected at +4% 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 ERR at 0.7 in Feb-23.

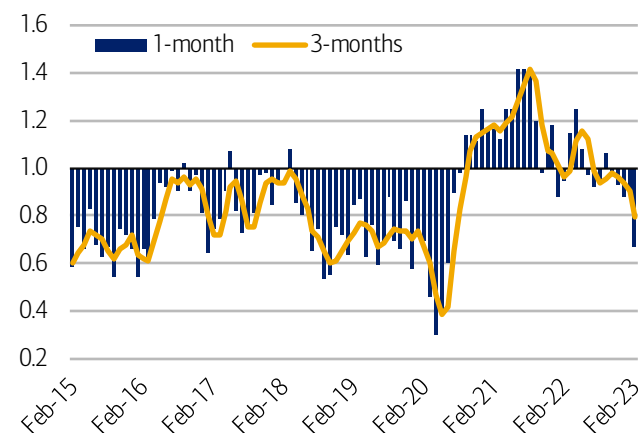
LatAm countries	12m Avg	Dec-22	Jan-23	Feb-23	1M Chg in 3M ERR
Argentina	1.3	1.3	1.4	1.8	0.34
Brazil	0.8	0.8	0.8	0.7	-0.14
Chile	1.5	1.2	0.9	0.5	-0.39
Colombia	1.1	0.8	0.8	0.8	0.02
Mexico	1.2	1.1	1.2	1.1	-0.09
Peru	0.9	0.8	0.9	1.0	0.04
LatAm	1.0	0.9	0.9	0.8	-0.12

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 19: LatAm Earnings Revision Ratio, Feb-16 to Feb-23

3-month ERR at 0.79 in Feb-23.



Source: BofA Global Research, Factset, Bloomberg

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Exhibit 20: LatAm 3-month ERR – sector details

Financials show the highest ERR (1.2)

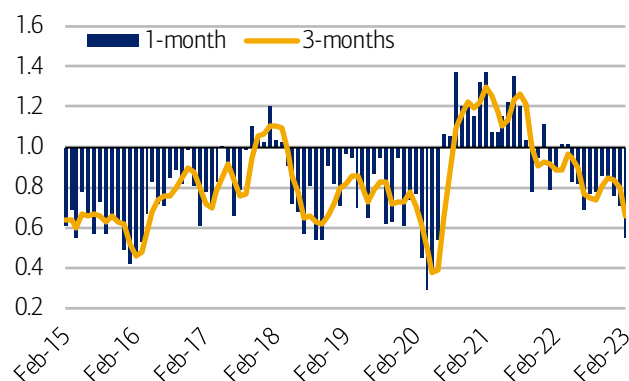
LatAm sectors	12m Avg	Dec-22	Jan-23	Feb-23	1M Chg in 3M ERR
C. Discretionary	0.8	0.7	0.8	0.7	-0.06
C. Staples	1.0	1.0	0.8	0.7	-0.11
Energy	1.3	0.8	0.7	0.6	-0.07
Financials	1.8	1.8	1.4	1.2	-0.22
Health Care	0.4	0.5	0.5	0.3	-0.25
Industrials	1.0	1.2	1.1	0.9	-0.21
IT	1.1	1.5	1.4	1.2	-0.22
Materials	0.9	0.7	0.7	0.7	-0.02
Real Estate	1.1	1.1	1.3	1.1	-0.18
Communication	0.8	0.8	1.0	0.8	-0.16
Utilities	0.9	1.3	1.3	1.0	-0.25
LatAm	1.0	0.9	0.9	0.8	-0.12

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 21: Brazil Earnings Revision Ratio, Feb-16 to Feb-23

1-month ERR below 1 since Apr-22



Source: BofA Global Research, Factset, Bloomberg

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Exhibit 22: Brazil 3-month ERR – sector details

C. Discretionary with lowest ERR at 0.4.

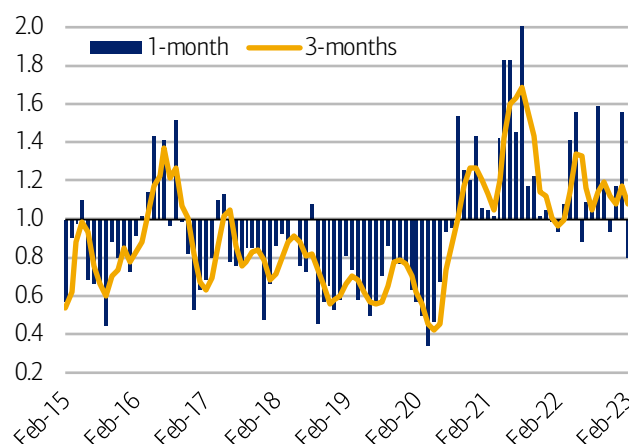
Brazil sectors	12m Avg	Dec-22	Jan-23	Feb-23	1M Chg in 3M ERR
C. Discretionary	0.6	0.6	0.6	0.4	-0.22
C. Staples	0.8	0.5	0.5	0.5	-0.04
Energy	1.0	0.8	0.7	0.6	-0.07
Financials	1.2	1.1	0.8	0.8	-0.02
Health Care	0.4	0.5	0.6	0.4	-0.26
Industrials	0.8	0.8	0.8	0.7	-0.10
IT	0.9	1.4	1.2	1.1	-0.10
Materials	1.0	0.8	0.7	0.5	-0.15
Real Estate	1.4	2.1	2.4	1.4	-1.05
Communication	1.0	2.3	1.9	1.4	-0.52
Utilities	0.8	1.3	1.3	1.3	-0.01
Brazil	0.8	0.8	0.8	0.7	-0.14

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 23: Mexico Earnings Revision Ratio, Feb-16 to Feb-23

1-month ERR at 0.8 in Feb-23.



Source: BofA Global Research, Factset, Bloomberg

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Exhibit 24: Mexico 3-month ERR – sector details

Financials has the highest ERR (3.5).

Mexico sectors	12m Avg	Dec-22	Jan-23	Feb-23	1M Chg in 3M ERR
C. Discretionary	1.4	0.9	1.2	1.4	0.22
C. Staples	1.5	2.3	1.8	1.1	-0.69
Energy	NA	NA	NA	NA	NA
Financials	3.9	4.5	4.2	3.5	-0.72
Health Care	NA	NA	NA	NA	NA
Industrials	1.4	2.0	2.0	1.2	-0.82
IT	NA	NA	NA	NA	NA
Materials	0.7	0.5	0.7	0.8	0.16
Real Estate	1.1	0.8	0.9	1.1	0.17
Communication	0.7	0.6	0.5	0.2	-0.27
Utilities	NA	NA	NA	NA	NA
Mexico	1.2	1.1	1.2	1.1	-0.09

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, only Embraer, COPASA and Liverpool outperformed in last 30D.

Company	Country	Industry	BBG Ticker	BofA Ticker	P/E 2021E	P/E 2022E	Net Debt/EBITDA	30D Performance (local crncy)	YTD Performance (local crncy)
Petrobras PN	BZ	Oils	PETR4 BZ	PTBFB	2.7	3.0	0.6	-14%	-7%
YPF SA	AR	Oil & Gas Producers	YPF US	YPF	2.7	3.4	1.8	-16%	5%
Petro-Rio	BZ	Oil & Gas Producers	PRI03 BZ	HRTPF	4.8	3.6	-0.1	-22%	-20%
Ecopetrol	CO	Oil & Gas Producers	ECOPETL CB	XESSF	2.9	4.3	1.4	-11%	-5%
Tenaris	AR	Oil Services	TS US	TS	4.2	5.0	-0.2	-18%	-20%
Usiminas	BZ	Steels	USIM5 BZ	USSPF	8.2	5.1	0.3	-9%	-8%
Embraer	BZ	Aerospace	ERJ US	ERJ	6.9	5.3	1.7	24%	41%
COPASA	BZ	Water Utilities	CSMG3 BZ	CSAOF	6.1	5.3	1.5	4%	-3%
Cemig	BZ	Electric Utilities	CMIG4 BZ	CEMCF	6.5	6.0	1.2	-4%	-6%
Vale ON	BZ	Non-Ferrous-Mining	VALE3 BZ	VALEF	5.1	6.0	0.4	-10%	-10%
Sao Martinho	BZ	Food-Commodities	SMT03 BZ	SRTOF	7.0	6.6	1.9	-12%	-12%
Ternium	MX	Steels	TX US	TX	7.1	6.7	-0.7	-3%	28%
Copa	CO	Airlines	CPA US	CPA	7.4	6.7	1.0	-5%	5%
Alpek	MX	Chemicals-Major	ALPEKA MM	ALPKF	7.0	6.7	1.3	-14%	-25%
Gerdau	BZ	Steels	GGBR4 BZ	GGBUF	5.3	6.8	0.4	-11%	13%
SQM	CL	Fertilizers	SQM US	SQM	6.3	7.2	-0.1	-3%	2%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	7.8	7.2	1.8	-6%	-12%
Alpargatas	BZ	Footwear	ALPA4 BZ	SRDDF	10.5	8.1	1.2	-24%	-49%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	9.1	8.3	0.6	1%	-1%
Median								-10%	-7%

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 26: 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	49.1	0%	7%	40%
Magazine Luiza	BZ	Retailing-Hardlines	MGLU3 BZ	MGZZF	32.5	0%	-15%	14%
WEG	BZ	Industrials/Multi-Industry	WEGE3 BZ	WGSEF	28.9	1%	0%	3%
Raia Drogasil	BZ	Drug Store Chains	RADL3 BZ	RAIAF	24.2	1%	-1%	-1%
Auren Energia	BZ	Electric Utilities	AURE3 BZ	XZMXF	20.2	3%	-5%	-3%
Rumo Logistica	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	19.6	1%	-3%	-5%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	18.7	0%	-12%	14%
Bimbo	MX	Bakers	BIMBOA MM	GRBMF	17.9	1%	-1%	6%
Vesta	MX	Real Estate/Property	VESTA* MM	VESTF	16.8	3%	-1%	14%
TOTVS	BZ	Server & Enterprise Software	TOTS3 BZ	XBEGF	16.7	2%	-9%	-5%
FEMSA	MX	Brewers	FEMSAUBD MM	FMXUF	15.9	2%	-3%	9%
Eneva	BZ	Electric Utilities	ENEV3 BZ	XZUMF	15.9	1%	-13%	-15%
Chedraui	MX	Supermarkets/Food Retailers	CHDRAUIB MM	GCHEF	13.2	1%	15%	24%
Localiza	BZ	Car Rental	RENT3 BZ	LZRFF	12.6	1%	-14%	-7%
Grupo Cementos Chihuahua	MX	Building Materials	GCC* MM	GCWOF	12.6	1%	-8%	6%
CCR	BZ	Toll Road Operators	CCRO3 BZ	CDCRF	12.6	2%	5%	7%
PARAUCO	CL	Real Estate/Property	PARAUCO CI	XNNJF	12.2	2%	12%	5%
Equatorial	BZ	Electric Utilities	EQTL3 BZ	XKERF	12.2	2%	-8%	-10%
Iguatemi	BZ	Real Estate/Property	IGTI11 BZ	XBGQF	11.7	3%	-7%	-2%
Gruma	MX	Food Producers	GRUMAB MM	GPAGF	11.7	2%	-1%	-4%
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. 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 financials and materials.

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	21.9	-11%	-5%
Petrobras PN	BZ	Oils	PETR4 BZ	PTBFB	19.0	-14%	-7%
Banco do Brasil	BZ	Banks-Retail	BBAS3 BZ	XBBAF	13.3	-14%	7%
Bradespar	BZ	Non-Ferrous-Mining	BRAP4 BZ	BRDQF	12.3	-11%	-13%
BanColombia	CO	Banks-Multinational/Universal	PFBCOLO CB	XAFFF	11.7	-16%	-20%
Banco de Chile	CL	Banks-Retail	CHILE CI	XHNDF	11.7	-12%	-14%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	11.2	-6%	-12%
TAESA	BZ	Electric Utilities	TAE11 BZ	XTAEF	10.0	-4%	-1%
Danahos	MX	REITs	DANHOS13 MM	GRFFF	10.0	-2%	2%
Fibra Uno	MX	REITs	FUNO11 MM	FBASF	9.8	-7%	4%
SQM	CL	Fertilizers	SQM US	SQM	9.7	-3%	2%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	9.2	-8%	-3%
Vale ON	BZ	Non-Ferrous-Mining	VALE3 BZ	VALEF	9.0	-10%	-10%
Gerdau	BZ	Steels	GGBR4 BZ	GGBUF	8.9	-11%	-13%
Engie	BZ	Electric Utilities	EGIE3 BZ	XZDDF	8.8	0%	4%
Minerva	BZ	Food Processors	BEEF3 BZ	MRVSF	8.7	-10%	-14%
COPEL	BZ	Electric Utilities	CPL6 BZ	XLPUF	8.5	-12%	-17%
Trans Paulista	BZ	Electric Utilities	TRPL4 BZ	XOOTF	8.2	-5%	-7%
B3 SA	BZ	Financial Services-Consumer/Commercial	B3SA3 BZ	XIMAF	8.1	-6%	-21%
Vivo	BZ	Telecom Equipment-Wireless/Cellular	VVT3 BZ	XCPTF	8.1	-7%	1%
Median						-9%	-7%

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, C. Staples, Telecom and Utilities

Company	Country	Industry	BBG Ticker	BofA Ticker	Beta	Net Debt/EBITDA	30D Performance (local crncy)	YTD Performance (local crncy)
Suzano	BZ	Pulp	SUZB3 BZ	XXRTF	0.0	2.0	-10%	-13%
Soriana	MX	Supermarkets/Food Retailers	SORIANAB MM	ONZBF	0.2	1.0	3%	-2%
Copa	CO	Airlines	CPA US	CPA	0.2	1.0	-5%	5%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	0.3	0.6	1%	-1%
Vivo	BZ	Telecom Equipment-Wireless/Cellular	VVT3 BZ	XCPTF	0.4	0.9	-7%	1%
Arca	MX	Soft Drinks	AC* MM	EMBVF	0.4	0.5	5%	3%
Auren Energia	BZ	Electric Utilities	AURE3 BZ	XZMXF	0.4	1.4	-5%	-3%
Gruma	MX	Food Producers	GRUMAB MM	GPAGF	0.4	0.1	-1%	-4%
Coca-Cola FEMSA	MX	Soft Drinks	KOFUBL MM	COCSF	0.5	1.0	9%	8%
Gentera	MX	Banks-Retail	GENTERA* MM	CMPRF	0.5	NA	-10%	-20%
Danahos	MX	REITs	DANHOS13 MM	GRFFF	0.5	1.7	-2%	2%
Alpek	MX	Chemicals-Major	ALPEKA MM	ALPKF	0.5	1.3	-14%	-25%
Qualitas	MX	Insurance - Non-Life	Q* MM	QUCOF	0.5	NA	2%	33%
AmBev	BZ	Brewers	ABEV3 BZ	AVBPF	0.5	-0.5	4%	-5%
TIM	BZ	Telecom Services-Wireless/Cellular	TIMS3 BZ	XZUAF	0.5	1.3	4%	2%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	0.5	NA	-8%	-3%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	0.6	1.8	-6%	-12%
Tenaris	AR	Oil Services	TS US	TS	0.6	-0.2	-18%	-20%
Grupo BMV	MX	Other Financials	BOLSAA MM	BOMXF	0.6	NA	0%	1%
Megacable	MX	Telecom Services-Wireless/Cellular	MEGACPO MM	MHSDF	0.6	0.8	-17%	-13%
Median							-3%	-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. 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 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	4.0	-15%	14%
Cemex	MX	Building Materials	CX US	CX	1.8	3.3	1%	24%
B3 SA	BZ	Financial Services-Consumer/Commercial	B3SA3 BZ	XIMAF	1.5	NA	-6%	-21%
Televisa	MX	Cable TV	TLEVICPO MM	GRPFF	1.5	2.5	-17%	-3%
Volaris	MX	Airlines	VOLARA MM	XSOBF	1.5	5.2	2%	27%
CSN	BZ	Steels	CSNA3 BZ	SIDHF	1.4	2.6	-21%	-6%
BTG Pactual	BZ	Banks-Retail	BPAC11 BZ	XNXCF	1.4	NA	-13%	-24%
Aliansce	BZ	Real Estate/Property	ALSO3 BZ	XCCGF	1.3	4.1	-12%	-7%
GFINbursa	MX	Banks-Retail	GFINBURO MM	GPFOF	1.3	NA	-4%	12%
Credicorp	PE	Banks-Retail	BAP US	BAP	1.3	NA	-4%	-8%
Cosan	BZ	Energy Commodities	CSAN3 BZ	CSAIF	1.3	4.2	-13%	-21%
Banorte	MX	Banks-Retail	GFNORTEO MM	GBOOF	1.2	NA	-5%	8%
Localiza	BZ	Car Rental	RENT3 BZ	LZRFF	1.2	6.5	-14%	-7%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	1.2	4.5	-12%	14%
Banco do Brasil	BZ	Banks-Retail	BBAS3 BZ	XBBAF	1.2	NA	-14%	7%
BanColombia	CO	Banks-Multinational/Universal	PFBCOLO CB	XAFFF	1.2	NA	-16%	-20%
PARAUCO	CL	Real Estate/Property	PARAUCO CI	XNNJF	1.2	3.6	12%	5%
Multiplan	BZ	Real Estate/Property	MULT3 BZ	XMULF	1.2	2.5	-6%	6%
Cielo	BZ	Financial Services-Consumer/Commercial	CIEL3 BZ	CIOXF	1.1	NA	-6%	-7%
Median							-12%	-3%

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)
Eneva	BZ	Electric Utilities	ENEV3 BZ	XZUMF	-87%	6.4	49.3	2.6	-13%	-15%
Televisa	MX	Cable TV	TLEVICPO MM	GRPFF	-78%	2.3	10.4	2.5	-17%	-3%
Rumo Logistica	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	-75%	19.6	78.5	2.4	-3%	-5%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	-68%	0.7	2.2	4.5	-12%	14%
Brasil Foods	BZ	Food Processors	BRFS3 BZ	BRFFF	-59%	3.7	9.1	6.1	-19%	-33%
BanColombia	CO	Banks-Multinational/Universal	PFBCOLO CB	XAFFF	-58%	0.7	1.7	NA	-16%	-20%
Gentera	MX	Banks-Retail	GENTERA* MM	CMPRF	-56%	1.2	2.7	NA	-10%	-20%
BTG Pactual	BZ	Banks-Retail	BPAC11 BZ	XNXCF	-55%	12.1	27.0	NA	-13%	-24%
Bradesco	BZ	Banks-Retail	BBDC4 BZ	BRDPF	-54%	0.9	1.9	NA	-10%	-17%
Falabella	CL	Retailing-Broadline/Department Stores	FALAB CI	XDIYF	-53%	9.5	20.5	4.0	-4%	9%
Volaris	MX	Airlines	VOLARA MM	XSOBF	-50%	3.9	7.9	5.2	2%	27%
M. Dias Branco	BZ	Food Processors	MDIA3 BZ	XDMIF	-50%	5.6	11.2	2.0	-29%	-34%
Cielo	BZ	Financial Services-Consumer/Commercial	CIEL3 BZ	CIOXF	-50%	6.8	13.4	NA	-6%	-7%
Magazine Luiza	BZ	Retailing-Hardlines	MGLU3 BZ	MGZZF	-48%	0.6	1.2	4.0	-15%	14%
Multiplan	BZ	Real Estate/Property	MULT3 BZ	XMULF	-46%	12.5	23.1	2.5	-6%	6%
Fibra Uno	MX	REITs	FUNO11 MM	FBASF	-44%	7.9	14.3	7.4	-7%	4%
Energisa	BZ	Utilities-Other	ENGI11 BZ	XLXGF	-44%	8.1	14.6	3.1	-9%	-17%
Cencosud	CL	Retailing-Broadline/General Merchandisers	CENCOSUD CI	XCSCF	-44%	5.4	9.6	3.1	4%	10%
Banco de Chile	CL	Banks-Retail	CHILE CI	XHNDF	-44%	1.6	2.8	NA	-12%	-14%
GFINbursa	MX	Banks-Retail	GFINBURO MM	GPFOF	-43%	8.4	14.8	NA	-4%	12%
Median									-10%	-6%

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. 3 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 Crncy	2023 EPS		2024 EPS	
							Buy	Hold	Sell		BofA	Cons.	BofA	Cons.
				USDmn										
Comp Brasileira	CBAV3 BZ	XZUDF	Materials	758	10.0	BUY	78%	22%	0%	BRL	1.5	1.0	3.1	1.3
Rede D'Or	RDOR3 BZ	XPUSF	Health Care	9,040	9.9	BUY	76%	24%	0%	BRL	1.4	1.1	2.2	1.7
Hapvida	HAPV3 BZ	XDUFF	Health Care	2,829	9.6	BUY	69%	31%	0%	BRL	0.1	0.0	0.3	0.2
Petro Rio	PRI03 BZ	HRTPF	Energy	4,991	9.5	BUY	88%	12%	0%	USD	1.8	1.2	2.1	1.6
Cosan SA	CSAN3 BZ	CSAIF	Energy	4,815	9.2	BUY	69%	15%	15%	BRL	1.1	0.8	1.4	1.2
Coca-Cola Femsa	KOFUBL MM	COCSF	C. Staples	16,190	9.1	BUY	47%	53%	0%	MXN	10.0	9.0	11.5	10.2
Bimbo	BIMBOA MM	GRBMF	C. Staples	20,826	8.9	BUY	27%	60%	13%	MXN	4.9	4.3	5.8	4.9
Meliuz S.A	CASH3 BZ	XPZXF	Telecom	157	8.8	BUY	50%	50%	0%	BRL	0.0	0.0	0.1	0.0
Arca	AC* MM	EMBVF	C. Staples	15,293	8.7	BUY	65%	30%	5%	MXN	11.7	9.8	13.6	10.7
GCC, S.A.B. de C.V.	GCC* MM	GCWOF	Materials	2,522	8.6	BUY	93%	7%	0%	USD	0.6	0.6	0.7	0.6
VTEX	VTEX US	VTEX	Telecom	688	8.5	BUY	50%	50%	0%	USD	0.0	-0.1	0.1	0.1
Intercorp Financial	IFS US	IFS	Financials	2,635	8.4	BUY	64%	36%	0%	PEN	15.4	15.2	17.2	17.2
Orbia AC	ORBIA* MM	MXCHF	Materials	3,986	8.1	BUY	73%	27%	0%	USD	0.3	0.2	0.3	0.2
Vitru Limited	VTRU US	VTRU	C. Discretionary	793	8.0	BUY	43%	57%	0%	BRL	9.4	6.6	13.7	10.7
Fomento Econ. Mex.	FEMSAUBD MM	FMXUF	C. Staples	28,618	7.8	BUY	81%	19%	0%	MXN	8.8	9.4	10.5	10.4

Highlighted rows: Out of consensus in an upwards direction. Stocks with a positive out of consensus Rank and BofA and 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

Neu/und-rated stocks with a negative out of consensus ranking. 9 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 Cmcyc	2023 EPS		2024 EPS	
							Buy	Hold	Sell		BofA	Cons.	BofA	Cons.
				USDmn										
Cia Paranaense	CPL6 BZ	XLPUF	Utilities	3,279	-9.7	NEU	80%	20%	0%	BRL	0.7	1.0	0.6	1.1
Randon	RAPT4 BZ	RPRTF	Industrials	436	-9.6	NEU	62%	38%	0%	BRL	1.3	1.4	1.3	1.9
Liverpool	LIVEPOLC MM	ELPQF	C. Discretionary	8,310	-9.5	UND	50%	33%	17%	MXN	11.4	12.6	12.4	13.7
Cyrela Brazil	CYRE3 BZ	XCBMF	C. Discretionary	995	-9.2	UND	81%	13%	6%	BRL	2.2	2.3	1.6	2.6
Carrefour Brasil	CRFB3 BZ	XLDPF	C. Staples	4,433	-9.0	NEU	56%	44%	0%	BRL	0.9	0.9	1.2	1.6
Even	EVEN3 BZ	EVCNF	C. Discretionary	176	-8.8	UND	33%	56%	11%	BRL	0.9	0.8	0.5	0.9
Camil Alimentos	CAML3 BZ	XSREF	C. Staples	432	-8.5	NEU	71%	29%	0%	BRL	0.9	1.1	1.2	1.2
FIBRA Prologis	FIBRAPL MM	FBBPF	Real Estate	3,690	-8.3	NEU	29%	65%	6%	USD	0.2	0.2	0.2	0.2
Iochpe-Maxion	MYPK3 BZ	IOQJF	Industrials	334	-8.2	UND	27%	64%	9%	BRL	1.8	2.1	2.4	3.1
Alsea	ALSEA* MM	ALSSF	C. Discretionary	1,753	-7.8	UND	68%	21%	11%	MXN	1.8	2.2	2.4	3.5
Cia Saneamento M. G.	CSMG3 BZ	CSAOF	Utilities	1,092	-7.6	UND	38%	46%	15%	BRL	2.2	2.5	1.8	2.9
WEG	WEGE3 BZ	WGSEF	Industrials	31,613	-7.3	NEU	69%	25%	6%	BRL	1.3	1.2	1.3	1.4
EZ Tec SA	EZTC3 BZ	EZTCF	C. Discretionary	505	-7.1	UND	43%	43%	14%	BRL	1.7	1.8	2.2	1.9
Movida	MOV13 BZ	XMBDF	Industrials	485	-6.9	NEU	56%	39%	6%	BRL	0.0	1.2	0.7	1.8
Assaí Atacadista	ASA13 BZ	XFCXF	C. Staples	3,817	-6.8	NEU	87%	13%	0%	BRL	1.0	1.1	1.5	1.8

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

Disclosures

Important Disclosures

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its *Coverage Cluster* (defined below). There are three investment ratings: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

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.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

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Other Important Disclosures

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