

Latam Equity Quant

After 2 years of waiting, outflows stopped

Investment Strategy

Key takeaways

- Outflows from local equity funds stopped in Brazil. We continue to see a slowdown in outflows from local hedge funds.
- Key to watch if inflows pick up in the future as rates move lower.
- We continue to see foreign outflows from B3 in 2024 (R\$27bn outflows).

Last week in numbers

Performance of the week. Ibov -0.4%, Mexbol flat, SPX +0.4%, EM +0.3%, oil flat and iron ore +2.2% (USD terms).

Materials and financials are the main drags for Ibovespa this year. YTD, Ibov -6% (USD terms, total return). Energy outperformed YTD (+3%) thanks to oil (+8%). Main drags are materials (-12%, as iron ore -17%) and financials -7% (as Bradesco -20%).

SPX touching new highs. After reaching new highs in Dec-23, SPX continue to rally: +8% YTD (total return). This week, our US strategy team revised SPX year-end forecast from 5000 to 5400 (see: [S&P 500 Target Update](#)). US performance is not just Magnificent 7. S&P500 equal weight is up 4% YTD (total return).

Meanwhile in LatAm, investors are in standby mode. Appetite for risk taking in Latin America appears limited as investors wait for a clear picture on the beginning of the monetary easing cycle in the US (see: [The LatAm Feedbaker](#)). We still think a June cut remains likely (see: [Federal Reserve Watch](#)).

Ibov ex-commodities trades at 11% discount vs hist (vs 5% discount at the start of 2024, Exhibit 3). Mexbol now trades at 6% discount vs historicals (Exhibit 7).

Outflows from BZ equity funds stopped. Flows were flat last week compared to -R\$0.6bn/week in the last 6M (Exhibit 8). Local hedge funds had R\$4.7bn inflows but if we remove 5 outlier funds, it would be -R\$1.5bn net outflows (vs -R\$2.1bn/week in the last 6M, Exhibit 9). For more details see [Flows to Know](#).

Foreigners continue to withdraw from BZ local exchange (B3): -R\$1.7bn this week (-R\$2.7bn/week on avg YTD, Exhibit 11). In fact, we saw R\$27bn outflows from foreigners in BZ local exchange YTD, mostly redeemed from cash equities.

US\$3bn inflows into EM this week, (Exhibit 13). YTD, EM equity funds had US\$55bn inflows, with almost all flows going into China.

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Refer to important disclosures on page 14 to 16.

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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 22.

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

LatAm valuation

Exhibit 2: Ibovespa P/E ratio (12m fwd)

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

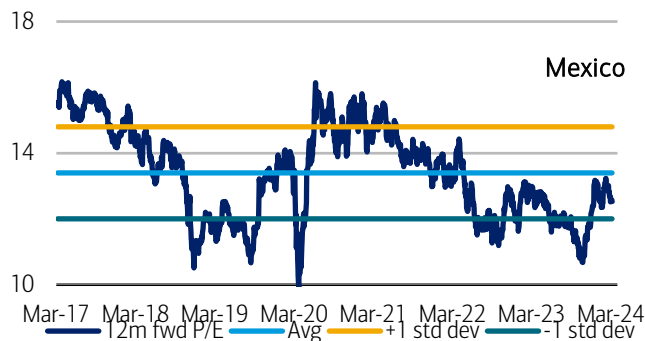


Source: BofA Global Research, Bloomberg

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Exhibit 4: Mexbol P/E ratio, Mar-17 to Mar-24

Trading at 7% discount vs hist.

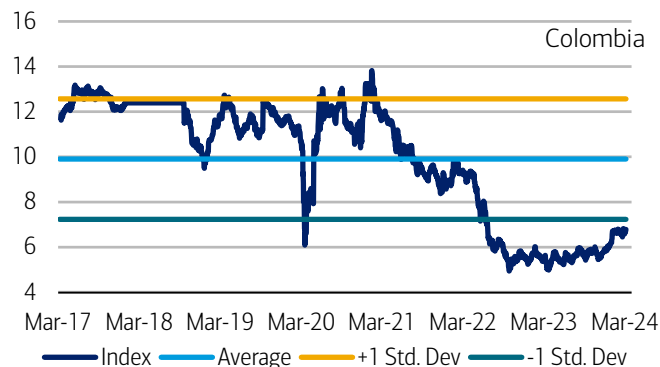


Source: BofA Global Research, Bloomberg

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Exhibit 6: Colcap P/E ratio, Mar-17 to Mar-24

Trading more than 1 Std Dev below historical average.

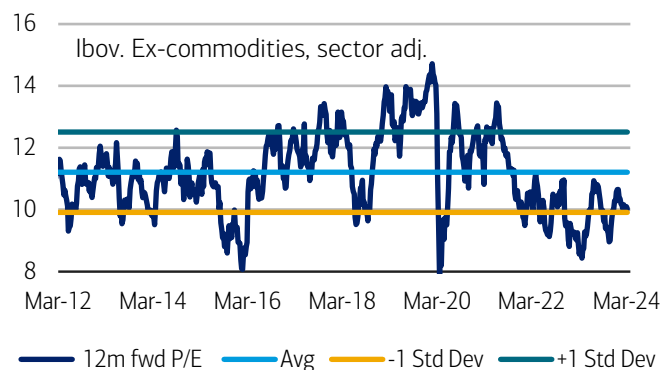


Source: BofA Global Research, Bloomberg

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Exhibit 3: Ibovespa P/E ratio (12m fwd, sector adjusted ex. commodities)

Ibov ex-commodities at 11% discount vs hist.



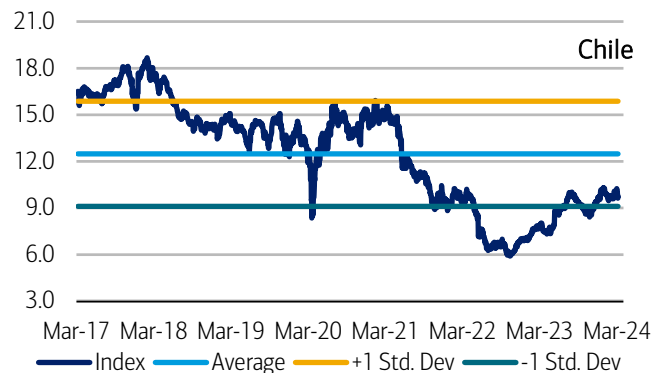
Note: Sector weights were adjusted and kept constant through time.

Source: BofA Global Research, Bloomberg

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Exhibit 5: IPSA P/E ratio, Mar-17 to Mar-24

Trading 1 Std Dev below historical average.



Source: BofA Global Research, Bloomberg

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Exhibit 7: 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%	-35%
BZ Ex-commod.		10.0	11.2	11.2	-11%	-16%
Mexico	Mexbol	12.5	13.4	1.4	-6%	6%
Chile	Ipsa	9.8	12.5	3.4	-22%	-17%
Peru	SPBLPGPT	11.9	12.1	2.6	-2%	6%
Colombia	Colcap	6.8	9.9	2.7	-32%	-50%
Argentina	Merval	7.9	9.7	2.9	-18%	-38%
EM	MXEF	11.9	12.2	1.2	-2%	-

Source: BofA Global Research, Bloomberg

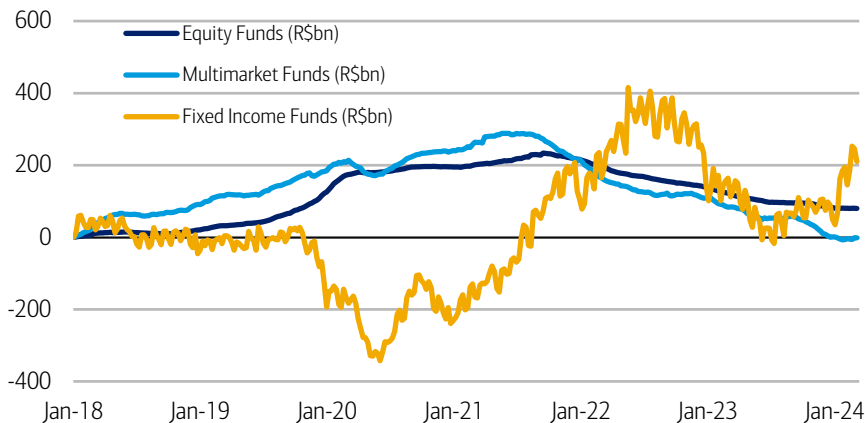
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Flows & Positioning

Brazil flows

Exhibit 8: 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 9: Equity and Multimarket funds weekly flows (R\$m) (Brazil local funds)

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

Fund type (R\$ mn)	AUM	5-Jan	12-Jan	19-Jan	26-Jan	2-Feb	9-Feb	16-Feb	23-Feb	1-Mar	8-Mar*	2024	2023	2022
Free Portfolio	256,912	-1,144	-483	638	830	135	-22	-311	207	-198	-203	-551	-35,568	-42,836
Closed-end Funds	130,473	-272	34	37	16	100	21	0	17	420	-42	330	373	2,377
Index Enhanced	42,194	-669	-383	-10	-54	-256	-230	-77	-45	91	-8	-1,640	-11,081	-16,714
Value / Growth	18,114	-86	-30	56	179	-111	84	12	55	-1	-71	88	-4,634	-6,745
FMP - FGTS	12,708	-25	-29	-41	-27	-49	-33	-15	-43	-31	-8	-300	-1,269	4,462
Dividends	11,936	-77	-6	-69	19	23	27	2	-21	68	9	-25	-2,658	-434
Sector	10,406	-10	-16	-12	-9	-5	-12	0	-25	-6	3	-90	420	-1,860
Indexed	10,663	115	43	-32	82	62	3	35	-84	-53	24	194	-2,045	-2,932
Small Caps	5,544	-33	-8	-4	-16	-101	-20	-11	-5	30	-18	-186	-453	-2,243
Single Stocks	11,045	-1	0	-16	-41	6	62	32	37	38	2	119	-967	-2,225
Sustainability / Governance	40	0	0	-9	0	0	0	0	0	0	0	-11	0	-366
Foreign Investments	156,442	867	257	2	46	112	163	56	-109	-37	-6	1,351	21,794	-18,740
Equity Funds (Total)	666,477	-1,335	-622	539	1,026	-83	43	-276	-16	319	-318	-723	-36,088	-88,257
Equity Funds (Total ex. Foreign Invest.)	366,855	-1,905	-883	542	991	-246	-109	-317	118	-32	-261	-2,103	-56,986	-76,355
Free Portfolio	859,923	1,711	-2,356	-2,735	-1,753	1,826	4,378	-285	-166	5,806	-119	6,308	-36,493	-69,300
Foreign Investments	795,870	-1,408	-995	-768	-2,218	377	-3,734	-1,638	-2,267	1,791	-188	-11,047	-69,450	-22,102
Macro	231,083	-1,284	-478	-128	-604	-763	-1,435	-1,286	-619	-974	-448	-8,018	-61,875	-14,754
Dynamic	43,981	-105	-124	-134	-138	-337	-271	-305	-341	-153	13	-1,897	-7,210	-16,130
Specific Strategy	76,368	-25	254	-5	90	106	156	91	475	17	68	1,228	2,110	-2,279
Long/Short Directional	7,218	-121	1	-27	50	-12	-19	-61	-12	8	8	-185	-2,555	-3,384
Balanced / Mixed	12,104	42	-12	-20	11	-70	95	-3	-28	-37	-3	-24	-1,065	-54
Trading	3,005	0	-1	-10	-11	3	-1	-3	-14	2	0	-34	-625	-1,154
Long/Short Neutral	2,284	-12	-3	-2	0	0	-1	-5	-12	-4	-4	-43	-381	-527
Protected Capital	770	0	0	-13	0	-14	0	0	0	-15	0	-43	73	-196
Multimarket Funds (Total)	2,032,605	-1,201	-3,714	-3,839	-4,574	1,117	-832	-3,495	-2,984	6,442	-675	-13,756	-177,471	-129,878
Multimarket Funds (Total ex. Foreign Invest.)	1,236,735	207	-2,718	-3,072	-2,356	739	2,902	-1,857	-716	4,651	-488	-2,708	-108,022	-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 R\$176bn inflows YTD

Fund type	AUM	9-Feb	16-Feb	23-Feb	1-Mar	8-Mar*	YTD
Short Duration Inv. Grade	1,060	2.4	8.6	4.7	5.1	-1.9	28.6
Short Duration Sovereign	940	29.1	21.8	-21.2	-26.3	9.8	71.7
All Duration Credit	386	3.5	2.7	3.5	0.5	3.1	22.6
All Duration Inv. Grade	776	-2.2	9.0	7.5	0.4	-2.9	20.4
All Duration Sovereign	239	0.9	3.7	-2.2	-0.6	-0.9	6.1
Simple	374	5.1	12.9	-1.0	-12.8	1.5	24.7
Other	500	0.8	9.4	1.8	-2.1	0.3	10.1
Fixed Income (Total)	4,260	40	59	-7	-36	9	176
Ex. Foreign Invest.							

(*) Preliminary data, up to Wednesday.

Source: Ecomatica

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Exhibit 11: Foreign flow to B3 (R\$bn), Apr-23 to Mar-24

Foreign flows into BZ local exchange (B3) had R\$27bn outflows YTD.

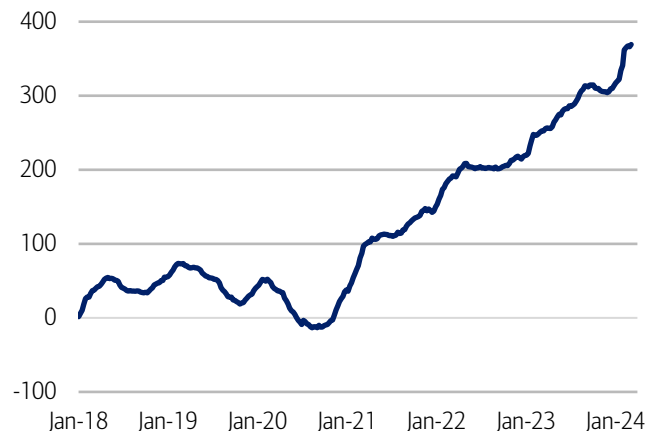
Month	Futures	Cash	IPO/follow-on	TOTAL
Apr-23	3	3	1	6
May-23	-6	-4	0	-10
Jun-23	-7	10	4	7
Jul-23	3	7	3	13
Aug-23	-3	-13	3	-13
Sep-23	10	-2	0	8
Oct-23	5	-3	0	2
Nov-23	9	21	0	30
Dec-23	-7	17	0	11
Jan-24	-5	-8	1	-12
Feb-24	-3	-9	0	-12
Mar-24	-1	-1	0	-2
12M Cumulative	-1	18	11	28
2024 YTD	-9	-19	1	-27
2023	2	45	13	60
2022	-2	101	17	116

Source: B3, Bloomberg

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Global flows**Exhibit 12: Cumulative flows into EM equity funds (US\$bn), 2018-2024**

EM equity funds had US\$55bn inflows YTD.



Source: EPFR

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

EM inflows YTD went almost entirely into China.

Region	Week	% Current Assets	4 Weeks	% Current Assets	YTD	% Current Assets
LatAm	(68)	-0.6%	(254)	-2.1%	(425)	-3.5%
Brazil	10	0.1%	(530)	-3.2%	(872)	-5.2%
Mexico	86	0.9%	254	2.7%	(47)	-0.5%
Andean	(0)	0.0%	(6)	-0.2%	(139)	-4.3%
LatAmTotal	29	0.1%	(529)	-1.3%	(1,432)	-3.4%
China	4,153	0.3%	8,062	0.5%	53,932	3.3%
EM Total	3,055	0.2%	7,457	0.5%	55,619	3.4%

Source: EPFR

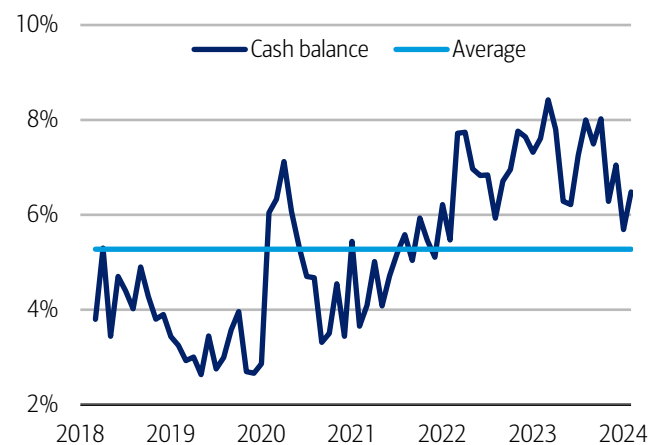
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LatAm positioning

Exhibit 14: Average cash position (2018-2024)

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

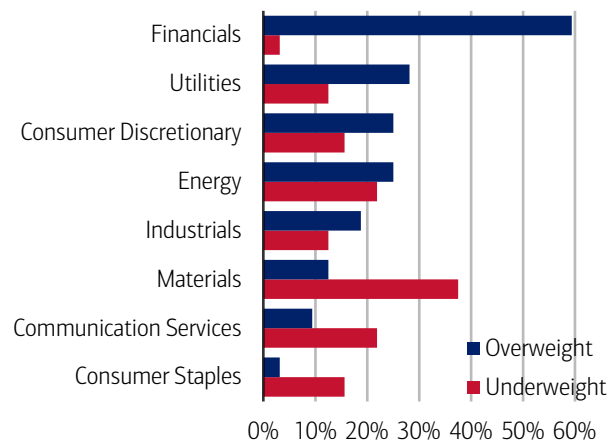


Source: LatAm Fund Manager Survey

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

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



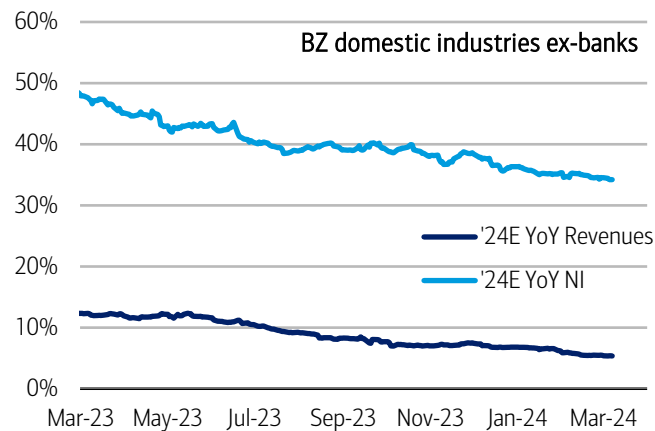
Source: LatAm Fund Manager Survey

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Consensus Earnings Revisions for Brazil

Exhibit 16: 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).



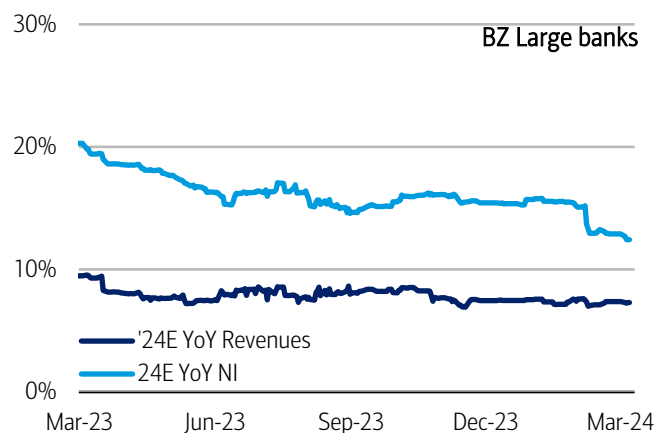
Consensus estimates.

Source: Bloomberg, BofA Global Research

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Exhibit 17: Brazil Banks: consensus revised NI downwards since Jan-23, but still expected at +12% 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 18: LatAm 3-month ERR – country details

Brazil 3-month ERR at 0.9 in Jan-24.

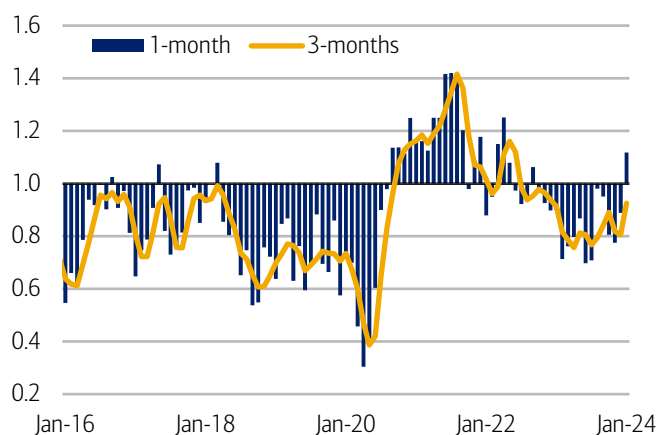
LatAm countries	12m Avg	Nov-23	Dec-23	Jan-24	1M Chg in 3M ERR
Argentina	2.5	1.1	1.2	1.2	0.01
Brazil	0.8	0.8	0.9	1.0	0.11
Chile	0.8	1.0	0.9	1.0	0.02
Colombia	0.6	0.6	0.6	0.3	-0.22
Mexico	0.9	0.8	0.8	1.0	0.19
Peru	0.7	0.4	0.4	0.6	0.26
LatAm	0.8	0.8	0.8	0.9	0.12

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 19: 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 20: LatAm 3-month ERR – sector details

IT shows the highest ERR (2.2).

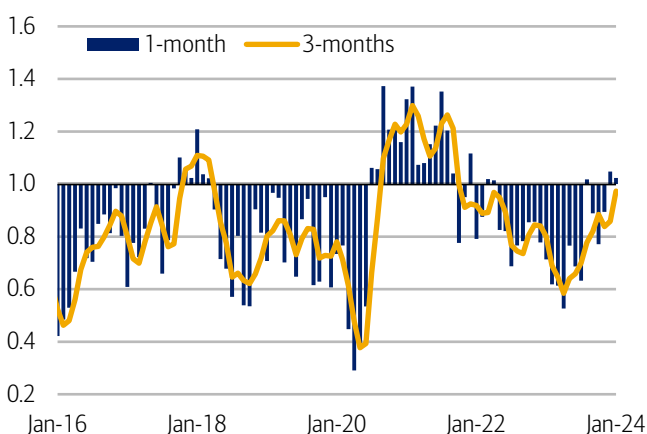
LatAm sectors	12m Avg	Nov-23	Dec-23	Jan-24	1M Chg in 3M ERR
C. Discretionary	0.8	0.9	0.8	0.8	-0.01
C. Staples	0.8	0.8	1.0	1.0	0.00
Energy	0.9	1.1	1.0	0.7	-0.27
Financials	1.3	1.1	1.0	1.1	0.13
Health Care	0.7	0.6	0.6	0.7	0.04
Industrials	0.8	0.7	0.8	0.9	0.12
IT	1.3	1.5	1.9	2.2	0.39
Materials	0.6	0.5	0.5	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 21: 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: Brazil 3-month ERR – sector details

Communication and IT show highest ERR in December.

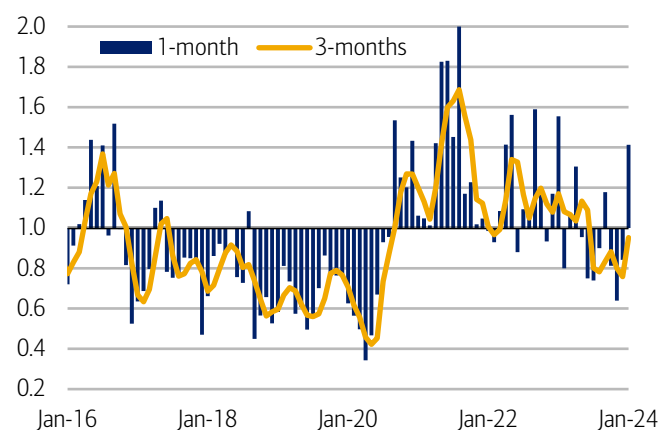
Brazil sectors	12m Avg	Nov-23	Dec-23	Jan-24	1M Chg in 3M ERR
C. Discretionary	0.6	0.9	0.8	0.7	-0.08
C. Staples	0.6	0.6	0.8	1.0	0.23
Energy	0.9	1.2	1.1	0.8	-0.29
Financials	1.2	1.2	1.1	1.2	0.12
Health Care	0.6	0.5	0.6	0.6	0.02
Industrials	0.7	0.7	0.7	0.8	0.07
IT	1.5	1.8	2.4	2.9	0.53
Materials	0.5	0.5	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 23: 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 24: 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 25: 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	4.3	4.5	0.8	-3%	8%
Petro-Rio	BZ	Oil & Gas Producers	PRI03 BZ	HRTPF	7.1	5.1	1.1	-1%	-6%
Copa	CO	Airlines	CPA US	CPA	6.2	5.5	0.7	0%	-6%
Vale ON	BZ	Non-Ferrous-Mining	VALE3 BZ	VALEF	5.3	5.7	0.5	0%	-14%
Ternium	MX	Steels	TX US	TX	5.3	5.8	-0.5	3%	-8%
Ecopetrol	CO	Oil & Gas Producers	ECOPETL CB	XESSF	5.5	6.0	1.6	-11%	-11%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	6.2	6.4	1.6	-6%	-11%
COPASA	BZ	Water Utilities	CSMG3 BZ	CSAOF	6.0	6.6	1.4	-2%	2%
Cemig	BZ	Electric Utilities	CMIG4 BZ	CEMCF	5.3	6.7	1.1	3%	3%
Gerdau	BZ	Steels	GGBR4 BZ	GGBUF	7.4	7.4	0.5	-3%	-11%
SQM	CL	Fertilizers	SQM US	SQM	10.0	7.7	0.7	15%	-22%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	8.7	8.1	0.4	4%	14%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	7.8	8.4	1.5	-6%	-11%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	9.0	9.2	1.9	-3%	-4%
GMexico	MX	Non-Ferrous-Mining	GMEXICOB MM	GMBXF	12.0	9.2	0.4	-6%	-11%
Usiminas	BZ	Steels	USIM5 BZ	USSPF	11.7	9.3	0.0	15%	14%
AMX	MX	Telecom Services-Wireless/Cellular	AMXB MM	AMXVF	11.3	9.6	2.0	4%	2%
Prom y Oper Infra	MX	Toll Road Operators	PINFRA* MM	PYOIF	10.6	10.1	-0.9	1%	-1%
M. Dias Branco	BZ	Food Processors	MDIA3 BZ	XDMIF	11.1	10.5	0.2	5%	5%
Soriana	MX	Supermarkets/Food Retailers	SORIANAB MM	ONZBF	12.0	10.6	1.3	-4%	-8%
Median								0%	-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. 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	70.3	0%	0%	-5%
Mercado Libre	BZ	Internet/e-Commerce	MELI US	MELI	32.1	0%	-11%	-3%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	31.5	0%	1%	-20%
WEG	BZ	Industrials/Multi-Industry	WEGE3 BZ	WGSEF	25.6	2%	11%	0%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	25.3	0%	1%	2%
Raia Drogasil	BZ	Drug Store Chains	RADL3 BZ	RAIAF	23.4	1%	3%	-12%
Brasil Foods	BZ	Food Processors	BRFS3 BZ	BRFFF	20.6	2%	10%	19%
Vesta	MX	Real Estate/Property	VESTA* MM	VESTF	20.0	2%	-4%	-8%
Eneva	BZ	Electric Utilities	ENEV3 BZ	XZUMF	19.5	1%	-5%	-10%
TOTVS	BZ	Server & Enterprise Software	TOTS3 BZ	XBEGF	19.0	1%	-7%	-11%
Rumo Logistica	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	18.8	0%	-2%	-4%
Falabella	CL	Retailing-Broadline/Department Stores	FALAB CI	XDIYF	17.0	1%	6%	10%
Omega Geração	BZ	Renewable Energy	SRNA3 BZ	XZQAF	16.5	1%	-12%	-18%
Energisa	BZ	Utilities-Other	ENGI11 BZ	XLXGF	16.3	2%	-4%	-6%
Dexco	BZ	Forest Products	DXCO3 BZ	DURXF	16.0	2%	-1%	-5%
Alpargatas	BZ	Footwear	ALPA4 BZ	SRDDF	15.7	0%	17%	-5%
Localiza	BZ	Car Rental	RENT3 BZ	LZRFF	15.5	2%	1%	-16%
Bimbo	MX	Bakers	BIMBOA MM	GRBMF	15.3	2%	-12%	-16%
Banco Macro	AR	Banks-Retail	BMA US	BMA	15.0	3%	24%	40%
PARAUCO	CL	Real Estate/Property	PARAUCO CI	XNNJF	14.2	2%	4%	6%
Median							0%	-5%

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, 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	20.6	-3%	8%
Ecopetrol	CO	Oil & Gas Producers	ECOPETL CB	XESSF	12.0	-11%	-11%
Bradespar	BZ	Non-Ferrous-Mining	BRAP4 BZ	BRDQF	11.3	-7%	-19%
BanColombia	CO	Banks-Multinational/Universal	PFBCOLO CB	XAFFF	10.6	5%	10%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	10.4	-3%	-4%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	10.3	-7%	-2%
Banco do Brasil	BZ	Banks-Retail	BBAS3 BZ	XBBAF	9.6	-2%	5%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	9.1	-6%	-11%
Fibra Uno	MX	REITs	FUNO11 MM	FBASF	8.9	1%	-2%
Vale ON	BZ	Non-Ferrous-Mining	VALE3 BZ	VALEF	8.6	0%	-14%
Banrisul	BZ	Banks-Retail	BRSR6 BZ	XGRBF	8.4	3%	12%
TAESA	BZ	Electric Utilities	TAE11 BZ	XTAEF	8.3	-3%	-8%
SQM	CL	Fertilizers	SQM US	SQM	8.0	15%	-22%
Trans Paulista	BZ	Electric Utilities	TRPL4 BZ	XOOTF	8.0	-8%	-7%
Auren Energia	BZ	Electric Utilities	AURE3 BZ	XZMXF	7.9	-6%	-9%
Cemig	BZ	Electric Utilities	CMIG4 BZ	CEMCF	7.8	3%	3%
Itau Unibanco	BZ	Banks-Multinational/Universal	ITUB4 BZ	ITUBF	7.7	-3%	-1%
Banorte	MX	Banks-Retail	GFNORTEO MM	GBOOF	7.5	-5%	3%
COPASA	BZ	Water Utilities	CSMG3 BZ	CSAOF	7.4	-2%	2%
Banco de Chile	CL	Banks-Retail	CHILE CI	XHNDF	7.3	4%	9%
Median						-3%	-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 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	0.2	1.3	-4%	-8%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	0.4	1.9	-3%	-4%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	0.4	NA	-7%	-2%
Auren Energia	BZ	Electric Utilities	AURE3 BZ	XZMXF	0.4	1.9	-6%	-9%
Chedraui	MX	Supermarkets/Food Retailers	CHDRAUIB MM	GCHEF	0.4	1.5	11%	30%
Grupo Financiero Galicia	AR	Banks-Retail	GGAL US	GGAL	0.4	NA	11%	33%
TIM	BZ	Telecom Services-Wireless/Cellular	TIMS3 BZ	XZUAF	0.5	0.9	2%	4%
Coca-Cola Andina	CL	Soft Drinks	ANDINAB CI	AKOBF	0.5	1.6	7%	16%
Banco Macro	AR	Banks-Retail	BMA US	BMA	0.5	NA	24%	40%
Vivo	BZ	Telecom Equipment-Wireless/Cellular	VIVT3 BZ	XCPTF	0.5	0.7	-2%	-2%
Qualitas	MX	Insurance - Non-Life	Q* MM	QUCOF	0.5	NA	3%	16%
AmBev	BZ	Brewers	ABEV3 BZ	AVBPF	0.5	-0.5	-4%	-8%
Grupo BMV	MX	Other Financials	BOLSAA MM	BOMXF	0.5	NA	6%	6%
Copa	CO	Airlines	CPA US	CPA	0.5	0.7	0%	-6%
Gruma	MX	Food Producers	GRUMAB MM	GPAGF	0.5	1.6	-6%	-4%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	0.5	1.6	-6%	-11%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	0.5	0.4	4%	14%
Banco de Chile	CL	Banks-Retail	CHILE CI	XHNDF	0.6	NA	4%	9%
Arca	MX	Soft Drinks	AC* MM	EMBUF	0.6	0.6	-6%	-3%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	0.6	1.5	-6%	-11%
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. 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)
Cemex	MX	Building Materials	CX US	CX	2.0	2.3	-9%	2%
Banco inter	BZ	Banks-Retail	INTR US	INTR	1.9	NA	13%	8%
Televisa	MX	Cable TV	TLEVICO MM	GRPF	1.6	2.6	-3%	-8%
Banco Pan	BZ	Banks-Retail	BPAN4 BZ	XQSFF	1.6	NA	3%	1%
B3 SA	BZ	Financial Services-Consumer/Commercial	B3SA3 BZ	XIMAF	1.6	NA	-7%	-15%
Ecorodovias	BZ	Toll Road Operators	ECOR3 BZ	XVEDF	1.6	3.7	2%	-4%
Cogna	BZ	Education & Training Services	COGN3 BZ	KROTF	1.6	3.4	7%	-22%
Estacio	BZ	Education & Training Services	YDUQ3 BZ	ECPCF	1.5	2.4	14%	-3%
CSN	BZ	Steels	CSNA3 BZ	SIDHF	1.4	3.0	-12%	-19%
BTG Pactual	BZ	Banks-Retail	BPAC11 BZ	XNXC	1.4	NA	-5%	-5%
GFINbursa	MX	Banks-Retail	GFINBURO MM	GPFOF	1.4	NA	-4%	10%
Cosan	BZ	Energy Commodities	CSAN3 BZ	CSAIF	1.4	3.2	-13%	-17%
Brasil Foods	BZ	Food Processors	BRFS3 BZ	BRFFF	1.3	3.9	10%	19%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	1.3	5.0	1%	-20%
Localiza	BZ	Car Rental	RENT3 BZ	LZRFF	1.3	3.6	1%	-16%
Credicorp	PE	Banks-Retail	BAP US	BAP	1.3	NA	14%	17%
Embraer	BZ	Aerospace	ERJ US	ERJ	1.3	2.3	21%	16%
Dexco	BZ	Forest Products	DXCO3 BZ	DURXF	1.2	4.0	-1%	-5%
BanColombia	CO	Banks-Multinational/Universal	PFBCOLO CB	XAFF	1.2	NA	5%	10%
Aliance	BZ	Real Estate/Property	ALOS3 BZ	XADSF	1.1	4.0	-1%	-9%
Median							1%	-5%

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

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)
Cogna	BZ	Education	COGN3 BZ	KROTF	-91%	12.5	134.7	3.4	7%	-22%
Televisa	MX	Cable TV	TLEVICO MM	GRPF	-86%	1.3	9.5	2.6	-3%	-8%
Eneva	BZ	Electric Utilities	ENEV3 BZ	XZUMF	-79%	9.6	45.9	4.9	-5%	-10%
Omega Geração	BZ	Renewable Energy	SRNA3 BZ	XZQAF	-78%	16.5	74.8	6.6	-12%	-18%
Rumo Logística	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	-74%	18.8	72.1	2.3	-2%	-4%
Embraer	BZ	Aerospace	ERJ US	ERJ	-64%	9.5	26.7	2.3	21%	16%
Ecorodovias	BZ	Toll Road Operators	ECOR3 BZ	XVEDF	-50%	7.3	14.7	3.7	2%	-4%
Bradesco	BZ	Banks-Retail	BBDC4 BZ	BRDPF	-50%	0.9	1.8	NA	-17%	-19%
BanColombia	CO	Banks-Multinational	PFBCOLO CB	XAFF	-48%	0.8	1.6	NA	5%	10%
Cielo	BZ	Financial Services	CIEL3 BZ	CIOXF	-44%	7.2	12.9	NA	2%	14%
Banrisul	BZ	Banks-Retail	BRSR6 BZ	XGRBF	-40%	0.6	1.0	NA	3%	12%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	-39%	7.9	12.9	NA	-7%	-2%
Gentera	MX	Banks-Retail	GENTERA* MM	CMPRF	-39%	1.6	2.6	NA	7%	10%
Cencosud	CL	Retailing-Broadline	CENCOSUD CI	XCSCF	-38%	5.8	9.5	3.4	1%	1%
Cemex	MX	Building Materials	CX US	CX	-36%	5.2	8.1	2.3	-9%	2%
Fibra Uno	MX	REITs	FUNO11 MM	FBASF	-35%	9.1	13.9	6.4	1%	-2%
BTG Pactual	BZ	Banks-Retail	BPAC11 BZ	XNXC	-34%	14.0	21.2	NA	-5%	-5%
GFINbursa	MX	Banks-Retail	GFINBURO MM	GPFOF	-34%	9.3	14.1	NA	-4%	10%
COPEC	CL	Paper Products	COPEC CI	PZDCF	-33%	6.5	9.6	5.2	4%	-2%
Brasil Foods	BZ	Food Processors	BRFS3 BZ	BRFFF	-32%	6.1	9.0	3.9	10%	19%
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. 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

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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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