

# Latam Equity Quant

## Difficult to argue with 13.75% nominal rates

Investment Strategy

### Key takeaways

- US\$3.3bn inflows to EM equity funds this week (5th consecutive week of inflows), but mostly into China.
- Since Sep-2021 in BZ we saw R\$130bn outflows from local equity funds, and AUM declining from R\$430bn to from R\$325bn today.
- Foreign inflows into Brazil local exchange remain flattish in May.

### Last week in numbers

In 1Q23, Ibovespa had biggest YoY EPS contraction since the pandemic (see our report [LatAm Earnings Tracker 1Q Review](#)). EPS contraction was broad both within commodity exporters and domestic industries ex-financials.

**More investors see stable earnings revisions in Brazil this year.** In our May [LatAm Fund Manager Survey](#), half of our panelists expect earnings to remain stable. Only 27% now expect more downward revisions, down from 55% last month. Consensus now sees 13% EPS YoY growth in 2023 for domestic industries ex-banks. At the start of the year, consensus estimated 25% YoY growth for 2023 (Exhibit 16).

**Since peak domestic flows in sep-2021 in Brazil** we saw: R\$130bn outflows from local equity funds and AUM down to R\$325bn (from roughly R\$430bn in Sep-21). R\$220bn outflows from local hedge funds (but AUM roughly stable). If the pace of outflows of the last 3M continues, we would see additional outflows of R\$42bn from equity funds and R\$70bn from hedge funds by the end of the year.

**Outflows from Brazil local equity/hedge last week.** R\$1bn outflows from equity funds (below avg of the last 6M of R\$1.6bn outflows/week) (Exhibit 9). R\$3.6bn outflows from local hedge funds (vs avg of R\$2.6bn outflows/week in the last 6M).

**US\$3.3bn inflows to EM equity funds this week (5<sup>th</sup> consecutive week of inflows).** US\$2.9bn inflows into China dedicated funds (or 90% of all EM flows, which is more than normal. On avg in the 6M, 60% of EM inflows went into China dedicated funds. Inflows into EM (all EM regions) reached +US\$56bn YTD (Exhibit 12).

**Foreign inflows are still not reaching Brazil this month.** Foreign flows into Brazil local exchange remain flattish in May so far. In 2023, foreign flows into cash equities + futures + IPO/follows in BZ are positive (+R\$9bn YTD, Exhibit 11).

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

19 May 2023

Investment Strategy  
Latin America

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### Exhibit 1: LatAm Earnings Revision Ratio

Earnings Revision Ratio = #Up Revisions / #Down Revisions. Brazil ERR at 0.6. Sector details in Exhibit 22.

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

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

ERR = Earnings Revision Ratio

WTD = Week To Date

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Refer to important disclosures on page 16 to 18.

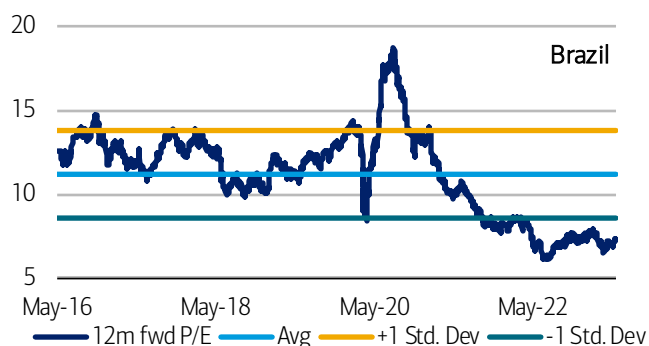
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# LatAm valuation

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

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

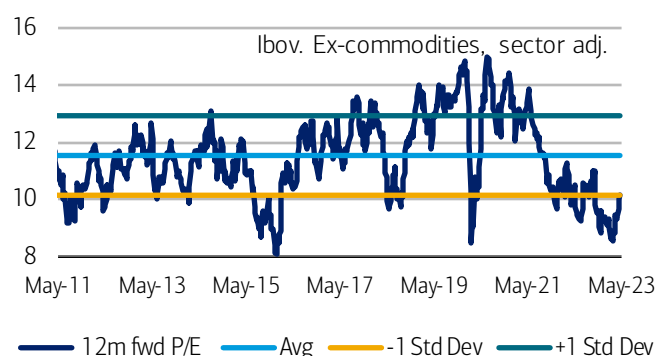


Source: BofA Global Research, Bloomberg

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

Ibov ex-commodities at 12% discount vs hist.



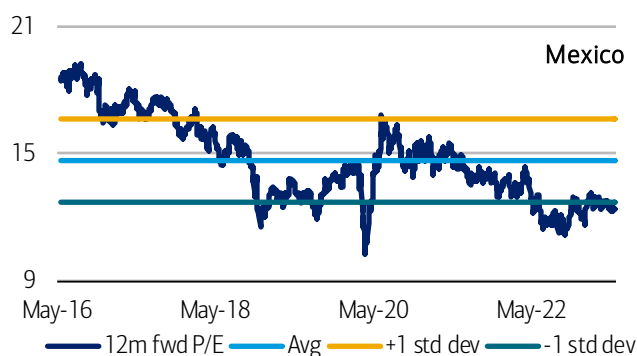
Note: Sector weights were adjusted and kept constant through time.

Source: BofA Global Research, Bloomberg

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## Exhibit 4: Mexbol P/E ratio, May-17 to May-23

Trading 1 Std Dev below historical average.

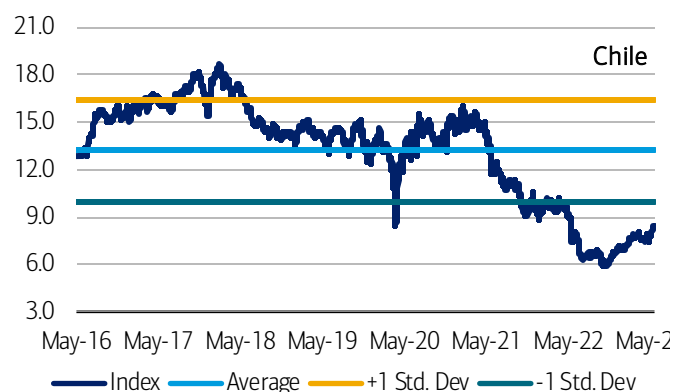


Source: BofA Global Research, Bloomberg

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## Exhibit 5: IPSA P/E ratio, May-17 to May-23

Trading more than 1 Std Dev below historical average.

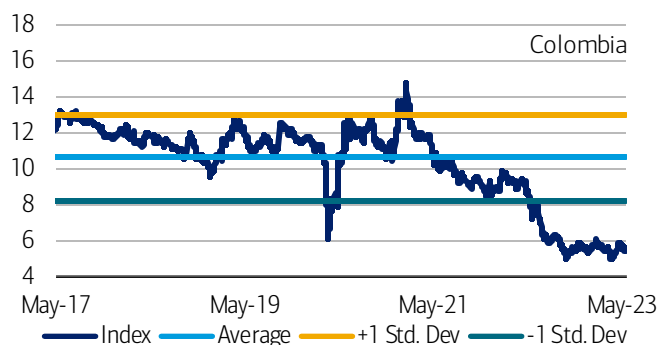


Source: BofA Global Research, Bloomberg

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

Trading more than 1 Std Dev below historical average.



Source: BofA Global Research, Bloomberg

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## Exhibit 7: Valuation summary

Brazil 34% discounted vs hist.

Country	Index	Current	Average	Std. Dev	Prem. to Hist	Prem. to EM*
Brazil	Ibov	7.3	11.2	2.6	-34%	-38%
BZ	Ex-commod.	10.1	11.5	1.4	-12%	-8%
Mexico	Mexbol	12.4	14.7	1.9	-15%	5%
Chile	Ipsa	8.5	13.2	3.3	-36%	-35%
Peru	SPBLPGPT	9.1	12.5	2.4	-27%	-20%
Colombia	Colcap	5.4	10.6	2.4	-49%	-58%
Argentina	Merval	12.8	10.4	2.9	23%	-44%
<b>EM</b>	<b>MXEF</b>	<b>11.7</b>	<b>12.2</b>	<b>1.2</b>	<b>-4%</b>	<b>-</b>

Source: BofA Global Research, Bloomberg

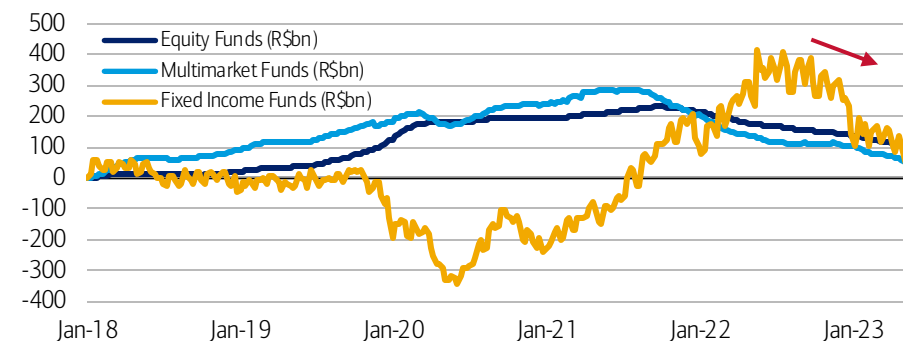
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# Flows & Positioning

## Brazil flows

### Exhibit 8: Cumulative flows into Brazil local fixed income, equity funds and local multimarket (hedge) funds (R\$bn)

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



Source: BofA Global Research, Economática

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### Exhibit 9: 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	21-Apr	28-Apr	5-May	12-May	19-May*	YTD	Since peak Sep-21
Broad equity Funds	222	-0.8	-0.8	-0.9	-0.7	-0.8	-25	-76
Ibovespa Active	40	-0.1	-0.3	-0.1	-0.1	-0.2	-4	-25
Other	64	0.2	-0.2	-0.2	-0.2	-0.1	-5	-19
<b>Equity Funds (Ex. Foreign Invest.)</b>	<b>325</b>	<b>-0.7</b>	<b>-1.3</b>	<b>-1.2</b>	<b>-1.0</b>	<b>-1.1</b>	<b>-34</b>	<b>-128</b>
Multimarket	764	-2.3	-4.1	-2.4	-2.8	0.2	-31	-123
Macro	269	-1.5	-2.4	-1.5	-0.9	-0.6	-17	-59
Other	145	-0.2	-0.5	-0.8	0.2	-0.2	-6	-35
<b>Multimarket Funds (Ex. Foreign Invest.)</b>	<b>1,178</b>	<b>-4.1</b>	<b>-7.1</b>	<b>-4.7</b>	<b>-3.6</b>	<b>-0.6</b>	<b>-54</b>	<b>-220</b>

(\*) 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 outflows in 2022.

#### Fixed Income funds weekly flows

Fund type	AUM	21-Apr	28-Apr	5-May	12-May	19-May*	YTD
FI Short Duration - Invest. Grade	887	-9.0	-5.6	-4.1	1.3	0.9	-90.0
FI Short Duration Govt	871	0.4	-38.7	-2.0	32.9	3.3	79.4
FI All Duration Credit	236	-1.4	-1.2	-1.6	3.0	-0.3	-8.2
FI All Duration - Invest. Grade	715	-2.8	-3.6	-7.6	1.4	0.5	-14.4
FI All Duration Govt	221	-1.1	-4.8	-2.0	3.3	-1.6	1.1
FI (Broad)	387	-8.4	-1.1	-4.2	11.0	0.2	39.0
Other	490	-2.8	-2.1	0.9	2.8	1.9	-12.8
<b>Fixed Income (Total) Ex. Foreign Invest.</b>	<b>3,802</b>	<b>-25</b>	<b>-57</b>	<b>-21</b>	<b>56</b>	<b>5</b>	<b>-6</b>

(\*) Preliminary data, up to Wednesday.

Source: Economática

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**Exhibit 11: Foreign flow to B3 (R\$bn), Jun-22 to May-23**

Flows remain flattish in May

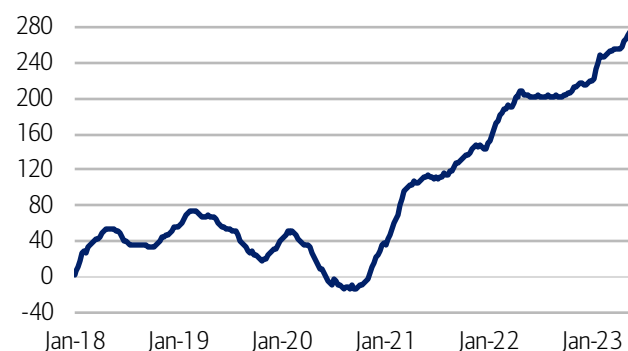
Month	Futures	Cash	IPO/follow-on	TOTAL
Jun-22	3	0	11	15
Jul-22	(1)	2	-	1
Aug-22	(3)	16	-	13
Sep-22	(3)	(0)	1	(3)
Oct-22	(3)	14	-	11
Nov-22	5	3	-	8
Dec-22	(4)	14	1	12
Jan-23	6	13	-	19
Feb-23	(9)	(2)	-	(11)
Mar-23	(2)	(2)	2	(3)
Apr-23	3	3	1	6
May-23	(2)	(0)	-	(2)
<b>12M Cumulative</b>	<b>(10)</b>	<b>60</b>	<b>16</b>	<b>66</b>
<b>2023 YTD</b>	<b>(4)</b>	<b>11</b>	<b>3</b>	<b>9</b>
<b>2022</b>	<b>(2)</b>	<b>101</b>	<b>17</b>	<b>116</b>
<b>2021</b>	<b>27</b>	<b>(7)</b>	<b>44</b>	<b>64</b>

Source: B3, Bloomberg

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

EM flows were positive this week. US\$56bn YTD.



Source: EPFR

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

EM flows were positive this week. US\$56bn YTD.

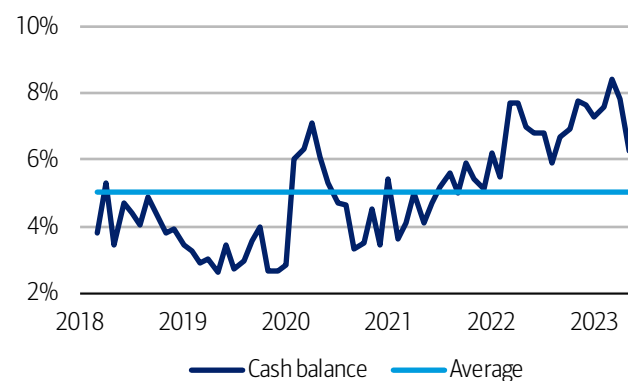
Region	Week	% Current Assets	4 Weeks	% Current Assets	YTD	% Current Assets
LatAm	(38)	-0.4%	(115)	-1.3%	(38)	-0.4%
Brazil	126	0.9%	114	0.8%	(1,061)	-7.5%
Mexico	43	0.4%	163	1.7%	365	3.7%
Argentina	(0)	0.0%	0	0.0%	14	28.0%
Andean	(1)	0.0%	43	1.4%	(96)	-3.2%
<b>LatAmTotal</b>	<b>129</b>	<b>0.4%</b>	<b>205</b>	<b>0.6%</b>	<b>(816)</b>	<b>-2.3%</b>
<b>China</b>	<b>2,862</b>	<b>0.2%</b>	<b>14,607</b>	<b>1.0%</b>	<b>29,479</b>	<b>2.0%</b>
<b>EM Total</b>	<b>3,328</b>	<b>0.2%</b>	<b>16,837</b>	<b>1.1%</b>	<b>55,755</b>	<b>3.8%</b>

Source: EPFR

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**LatAm positioning****Exhibit 14: Average cash position (2018-2023)**

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

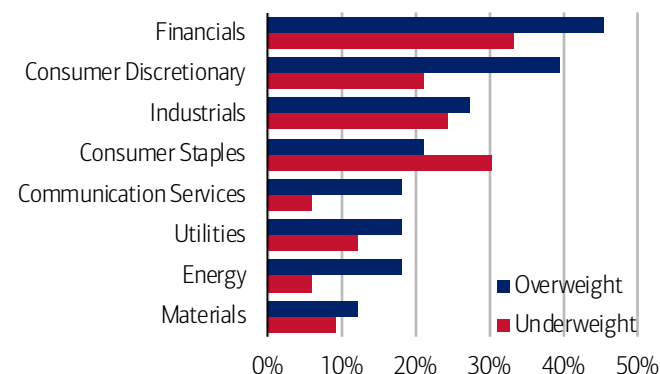


Source: LatAm Fund Manager Survey

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

Participants are more underweight Staples than they are overweight.



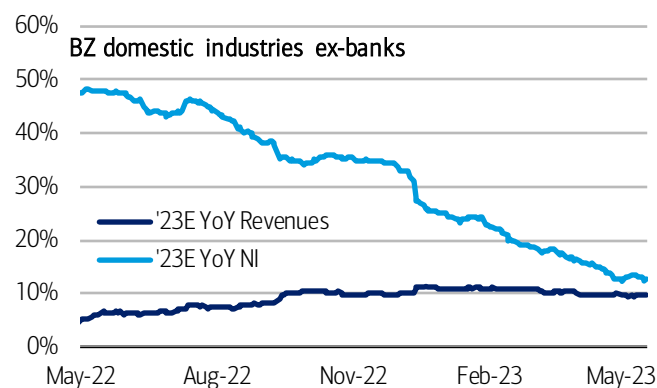
Source: LatAm Fund Manager Survey

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# Consensus Earnings Revisions for Brazil

## Exhibit 16: Brazil domestic industries: consensus revised NI downwards but still expected at 13% YoY growth

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



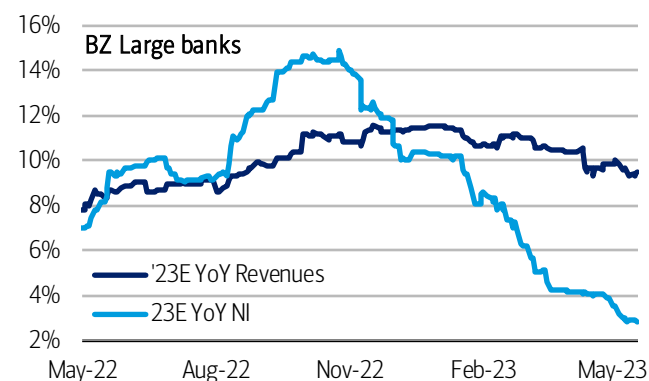
Consensus estimates.

Source: Bloomberg, BofA Global Research

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## Exhibit 17: Brazil Banks: consensus revised NI downwards since Nov-22, but still expected at +3% YoY for 2023.

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



Consensus estimates.

Source: Bloomberg, BofA Global Research

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# Earnings Revision Ratio (ERR)

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

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

## Exhibit 18: LatAm 3-month ERR – country details

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

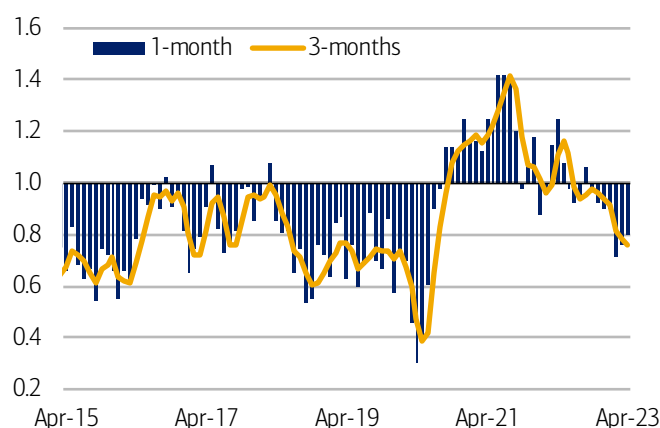
LatAm countries	12m Avg	Feb-23	Mar-23	Apr-23	1M Chg in 3M ERR
Argentina	1.5	1.9	2.0	2.0	0.00
Brazil	0.8	0.7	0.6	0.6	-0.06
Chile	1.3	0.5	0.5	0.6	0.10
Colombia	1.0	0.8	0.8	0.7	-0.09
Mexico	1.1	1.1	1.1	1.0	-0.03
Peru	0.9	1.0	0.7	0.8	0.11
<b>LatAm</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>-0.03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

Source: BofA Global Research, Factset, Bloomberg

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## Exhibit 19: LatAm Earnings Revision Ratio (Apr 2015-Apr2023)

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

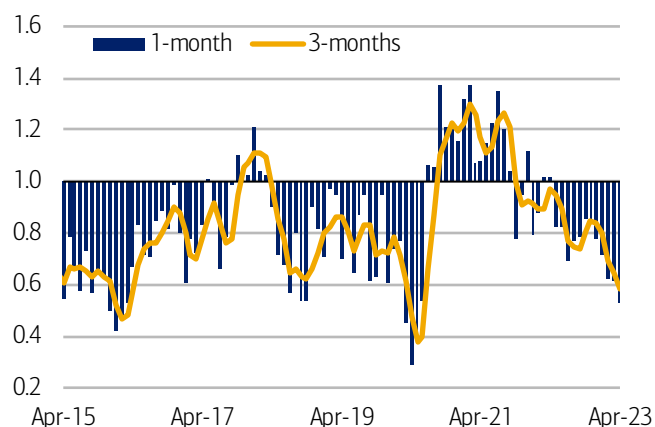


Source: BofA Global Research, Factset, Bloomberg

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

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



Source: BofA Global Research, Factset, Bloomberg

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

Financials show the highest ERR (1.3).

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

Source: BofA Global Research, Factset, Bloomberg

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## Exhibit 22: Brazil 3-month ERR – sector details

HealthCare and C. Discretionary with lowest ERR in April.

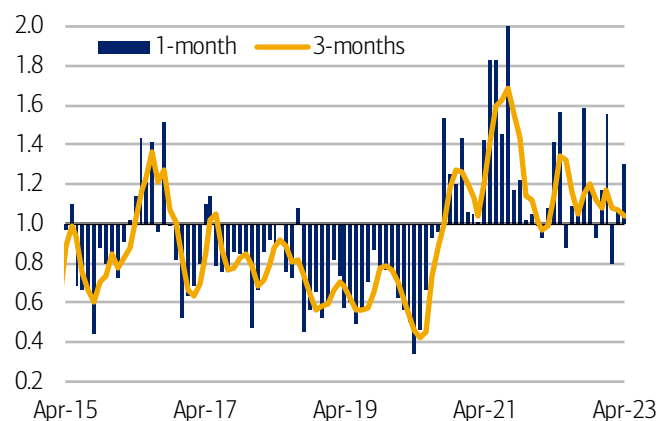
Brazil sectors	12m Avg	Feb-23	Mar-23	Apr-23	1M Chg in 3M ERR
C. Discretionary	0.5	0.4	0.3	0.3	-0.03
C. Staples	0.7	0.5	0.5	0.3	-0.13
Energy	1.0	0.6	0.6	0.8	0.21
Financials	1.1	0.8	0.8	1.1	0.32
Health Care	0.4	0.4	0.3	0.2	-0.11
Industrials	0.8	0.7	0.7	0.6	-0.07
IT	1.0	1.1	0.8	0.7	-0.06
Materials	0.9	0.7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

Source: BofA Global Research, Factset, Bloomberg

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

3-month ERR above 1 since April 2022.



Source: BofA Global Research, Factset, Bloomberg

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**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.

**Exhibit 24: Mexico 3-month ERR – sector details**

Financials has the highest ERR (2.1 in April).

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

Source: BofA Global Research, Factset, Bloomberg

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# Stock screens

## Exhibit 25: Value screen

Within this screen, Non-Ferrous-Mining and Homebuilders have the best performance YTD.

Company	Country	Industry	BBG Ticker	BofA Ticker	P/E 2021E	P/E 2022E	Net Debt/EBITDA	30D Performance (local crncy)	YTD Performance (local crncy)
Petrobras PN	BZ	Oils	PETR4 BZ	PTBFB	2.8	3.1	0.5	-6%	5%
YPF SA	AR	Oil & Gas Producers	YPF US	YPF	3.1	3.2	1.8	-11%	18%
Petro-Rio	BZ	Oil & Gas Producers	PRIO3 BZ	HRTPF	5.5	3.9	1.8	3%	-2%
Ecopetrol	CO	Oil & Gas Producers	ECOPETL CB	XESSF	4.1	4.2	1.4	-17%	-13%
Usiminas	BZ	Steels	USIM5 BZ	USSPF	7.7	5.3	0.1	3%	9%
Metalurgica Gerdau	BZ	Steels	GOAU4 BZ	MZGPF	3.8	5.5	0.4	-7%	-13%
Vale ON	BZ	Non-Ferrous-Mining	VALE3 BZ	VALEF	5.0	6.0	0.4	-11%	-21%
Temium	MX	Steels	TX US	TX	6.2	6.4	-1.0	-7%	31%
Alpek	MX	Chemicals-Major	ALPEKA MM	ALPKF	7.2	6.6	1.7	-1%	-30%
COPASA	BZ	Water Utilities	CSMG3 BZ	CSAOF	7.2	6.7	1.4	18%	25%
Gerdau	BZ	Steels	GGBR4 BZ	GGBUF	5.0	6.8	0.4	-7%	-14%
Cemig	BZ	Electric Utilities	CMIG4 BZ	CEMCF	6.2	7.0	1.4	-4%	7%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	6.7	7.1	1.6	12%	16%
Cyrela	BZ	Homebuilders	CYRE3 BZ	XCBMF	8.1	7.2	0.5	11%	31%
Copa	CO	Airlines	CPA US	CPA	7.8	7.4	0.8	16%	28%
SQM	CL	Fertilizers	SQM US	SQM	6.1	7.4	0.0	-12%	-9%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	7.7	7.7	1.6	-6%	-6%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	8.4	7.9	0.8	-1%	-4%
GMexico	MX	Non-Ferrous-Mining	GMEXICOB MM	GBMXF	11.3	8.5	0.3	-10%	22%
Sao Martinho	BZ	Food-Commodities	SMT03 BZ	SRTOF	11.2	9.5	1.9	28%	34%
Median								-5%	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.

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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	55.0	0%	1%	57%
Magazine Luiza	BZ	Retailing-Hardlines	MGLU3 BZ	MGZZF	49.0	0%	0%	29%
Omega Geração	BZ	Renewable Energy	MEGA3 BZ	XZQAF	38.7	0%	7%	-5%
Raia Drogasil	BZ	Drug Store Chains	RADL3 BZ	RAIAF	29.7	1%	11%	20%
WEG	BZ	Industrials/Multi-Industry	WEGE3 BZ	WGSEF	28.7	2%	0%	2%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	25.2	0%	22%	15%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	24.1	1%	41%	-18%
Rumo Logística	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	22.7	0%	8%	13%
Vesta	MX	Real Estate/Property	VESTA* MM	VESTF	20.3	3%	6%	22%
Brasil Foods	BZ	Food Processors	BRFS3 BZ	BRFFF	19.9	0%	33%	-4%
TOTVS	BZ	Server & Enterprise Software	TOTS3 BZ	XBEGF	19.6	1%	10%	5%
Bimbo	MX	Bakers	BIMBOA MM	GRBMF	19.0	1%	3%	14%
Braskem	BZ	Chemicals-Major	BRKM5 BZ	BAKAF	18.2	1%	17%	-2%
FEMSA	MX	Brewers	FEMSAUBD MM	FMXUF	16.8	2%	6%	18%
Localiza	BZ	Car Rental	RENT3 BZ	LZRFF	16.5	1%	11%	18%
Multiplan	BZ	Real Estate/Property	MULT3 BZ	XMULF	16.5	3%	4%	23%
CCR	BZ	Toll Road Operators	CCRO3 BZ	CDCRF	16.1	3%	6%	28%
Ultrapar	BZ	Oil Refining & Marketing	UGPA3 BZ	XLRUF	14.8	3%	21%	40%
AES Brasil	BZ	Electric Utilities	AESB3 BZ	XDFDF	14.7	1%	18%	28%
Dexco	BZ	Forest Products	DXCO3 BZ	DURXF	14.6	1%	39%	19%
Median							9%	18%

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.

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**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)
Ecopetrol	CO	Oil & Gas Producers	ECOPETL CB	XESSF	20.9	-17%	-13%
Bradespar	BZ	Non-Ferrous-Mining	BRAP4 BZ	BRDQF	18.2	-14%	-23%
Petrobras PN	BZ	Oils	PETRA4 BZ	PTBFB	15.5	-6%	5%
BanColombia	CO	Banks-Multinational/Universal	PFBCOLO CB	XAFFB	12.9	-18%	-19%
Banco do Brasil	BZ	Banks-Retail	BBAS3 BZ	XBBAF	11.5	-1%	24%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	10.2	-2%	-2%
CSN	BZ	Steels	CSNA3 BZ	SIDHF	10.0	-11%	-8%
TAESA	BZ	Electric Utilities	TAE11 BZ	XTAEF	9.8	6%	7%
Banco Macro	AR	Banks-Retail	BMA US	BMA	9.7	-13%	5%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	9.7	-9%	-7%
SQM	CL	Fertilizers	SQM US	SQM	9.7	-12%	-9%
Fibra Uno	MX	REITs	FUNO11 MM	FBASF	9.5	-5%	3%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	9.4	-6%	-6%
Gerdau	BZ	Steels	GGBR4 BZ	GGBUF	9.2	-7%	-14%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	9.1	12%	16%
Banco de Chile	CL	Banks-Retail	CHILE CI	XHNDF	9.1	7%	-1%
Vale ON	BZ	Non-Ferrous-Mining	VALE3 BZ	VALEF	8.4	-11%	-21%
Minerva	BZ	Food Processors	BEEF3 BZ	MRVSF	8.3	7%	-25%
Grupo Financiero Galicia	AR	Banks-Retail	GGAL US	GGAL	8.0	-7%	18%
Engie	BZ	Electric Utilities	EGIE3 BZ	XZDDF	7.9	3%	12%
Median						-6%	-4%

Source: BofA Global Research, Bloomberg

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

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**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	1.6	-1%	-2%
Copa	CO	Airlines	CPA US	CPA	0.2	0.8	16%	28%
Vivo	BZ	Telecom Equipment-Wireless/Cellular	VIVT3 BZ	XCPTF	0.4	0.7	2%	8%
Alpek	MX	Chemicals-Major	ALPEKA MM	ALPKF	0.4	1.7	-1%	-30%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	0.4	0.8	-1%	-4%
Arca	MX	Soft Drinks	AC* MM	EMBVF	0.4	0.5	9%	14%
Auren Energia	BZ	Electric Utilities	AURE3 BZ	XZMXF	0.4	1.3	-10%	-6%
Coca-Cola FEMSA	MX	Soft Drinks	KOFUBL MM	COCSF	0.4	0.9	4%	19%
AmBev	BZ	Brewers	ABEV3 BZ	AVBPF	0.5	-0.4	0%	0%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	0.5	1.7	-2%	-2%
Qualitas	MX	Insurance - Non-Life	Q* MM	QUCOF	0.5	NA	6%	41%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	0.5	NA	-9%	-7%
Gentera	MX	Banks-Retail	GENTERA* MM	CMPRF	0.5	NA	-3%	-8%
TIM	BZ	Telecom Services-Wireless/Cellular	TIMS3 BZ	XZUAF	0.5	1.4	0%	12%
Cemex LatAm	CO	Building Materials	CLH CB	XOGVF	0.5	0.8		
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	0.5	1.6	12%	16%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	0.6	1.6	-6%	-6%
Grupo BMV	MX	Other Financials	BOLSAA MM	BOMXF	0.6	NA	-3%	0%
Coca-Cola Andina	CL	Soft Drinks	ANDINAB CI	AKOBF	0.6	1.8	2%	2%
WEG	BZ	Industrials/Multi-Industry	WEGE3 BZ	WGSEF	0.6	-0.3	0%	2%
Median							0%	0%

Source: BofA Global Research, Bloomberg

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

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

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

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**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	2.1	4.3	0%	29%
Banco inter	BZ	Banks-Retail	INTR US	INTR	1.9	NA	42%	6%
Cemex	MX	Building Materials	CX US	CX	1.9	2.7	11%	63%
Volaris	MX	Airlines	VOLARA MM	XSOBF	1.6	5.0	9%	44%
B3 SA	BZ	Financial Services-Consumer/Commercial	B3SA3 BZ	XIMAF	1.5	NA	14%	2%
BTG Pactual	BZ	Banks-Retail	BPAC11 BZ	XNXCF	1.5	NA	12%	9%
Televisa	MX	Cable TV	TLEVICO MM	GRPFF	1.4	2.6	-5%	0%
Cosan	BZ	Energy Commodities	CSAN3 BZ	CSAIF	1.3	2.2	3%	-5%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	1.3	5.0	41%	-18%
CSN	BZ	Steels	CSNA3 BZ	SIDHF	1.3	3.1	-11%	-8%
GFINBursa	MX	Banks-Retail	GFINBURO MM	GPFOF	1.3	NA	10%	31%
Embraer	BZ	Aerospace	ERJ US	ERJ	1.3	2.8	-12%	33%
Localiza	BZ	Car Rental	RENT3 BZ	LZRFF	1.3	5.5	11%	18%
Aliansce	BZ	Real Estate/Property	ALSO3 BZ	XCCGF	1.3	6.5	12%	20%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	1.3	4.6	22%	15%
Banco do Brasil	BZ	Banks-Retail	BBAS3 BZ	XBBAF	1.2	NA	-1%	24%
Iguatemi	BZ	Real Estate/Property	IGTI11 BZ	XBGQF	1.2	2.4	8%	17%
Credicorp	PE	Banks-Retail	BAP US	BAP	1.2	NA	-3%	-5%
BanColombia	CO	Banks-Multinational/Universal	PFBCOLO CB	XAFFF	1.2	NA	-18%	-19%
Median							9%	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

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**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	-79%	10.3	48.8	6.8	7%	0%
Televisa	MX	Cable TV	TLEVICO MM	GRPFF	-74%	2.7	10.4	2.6	-5%	0%
Rumo Logistica	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	-71%	22.7	77.4	2.5	8%	13%
Volaris	MX	Airlines	VOLARA MM	XSOBF	-69%	4.1	13.0	5.0	9%	44%
Embraer	BZ	Aerospace	ERJ US	ERJ	-64%	5.8	16.2	2.8	-12%	33%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	-64%	0.8	2.2	4.6	22%	15%
BanColombia	CO	Banks-Multinational/Universal	PFBCOLO CB	XAFFF	-61%	0.7	1.7	NA	-18%	-19%
Gentera	MX	Banks-Retail	GENTERA* MM	CMRPF	-52%	1.3	2.7	NA	-3%	-8%
Brasil Foods	BZ	Food Processors	BRFS3 BZ	BRFFF	-50%	4.5	9.1	5.7	33%	-4%
Cielo	BZ	Financial Services-Consumer/Commercial	CIEL3 BZ	CIOXF	-46%	7.2	13.4	NA	5%	5%
Fibra Uno	MX	REITs	FUNO11 MM	FBASF	-45%	7.8	14.2	7.1	-5%	3%
BTG Pactual	BZ	Banks-Retail	BPAC11 BZ	XNXCF	-45%	14.7	26.7	NA	12%	9%
Bradesco	BZ	Banks-Retail	BBDC4 BZ	BRDPF	-43%	1.1	1.9	NA	15%	4%
Alfa	MX	Industrials/Multi-Industry	ALFAA MM	ALFFF	-41%	6.2	10.6	2.7	0%	-7%
Magazine Luiza	BZ	Retailing-Hardlines	MGLU3 BZ	MGZZF	-41%	0.7	1.2	4.3	0%	29%
Credicorp	PE	Banks-Retail	BAP US	BAP	-40%	6.8	11.4	NA	-3%	-5%
Cencosud	CL	Retailing-Broadline/General Merchandisers	CENCOSUD CI	XCSCF	-40%	5.8	9.6	3.1	-6%	10%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	-38%	8.2	13.3	NA	-9%	-7%
Falabella	CL	Retailing-Broadline/Department Stores	FALAB CI	XDIYF	-37%	12.9	20.5	4.5	11%	17%
CMPC	CL	Paper Products	CMPC CI	XEMCF	-37%	5.3	8.4	2.0	6%	0%
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. 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

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**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. 4 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			EPS Cmcy	2023 EPS		2024 EPS	
							Rating				BofA	Cons.	BofA	Cons.
							Buy	Hold	Sell					
				USDmn										
Rede D'Or	RDOR3 BZ	XPUSF	Health Care	13,333	9.9	BUY	73%	27%	0%	BRL	1.1	0.9	1.7	1.4
Hapvida	HAPV3 BZ	XDUFF	Health Care	5,561	9.6	BUY	79%	21%	0%	BRL	0.1	0.0	0.2	0.1
Petro Rio	PRIO3 BZ	HRTPF	Energy	6,482	9.5	BUY	94%	6%	0%	USD	1.8	1.3	2.6	1.9
Cosan SA	CSAN3 BZ	CSAIF	Energy	6,102	9.2	BUY	67%	27%	7%	BRL	1.1	0.7	1.4	1.4
Coca-Cola Femsa	KOFUBL MM	COCSF	C. Staples	18,503	9.1	BUY	47%	47%	7%	MXN	10.5	9.1	12.7	10.3
Bimbo	BIMBOA MM	GRBMF	C. Staples	23,495	8.9	BUY	29%	57%	14%	MXN	5.0	4.3	6.1	5.0
Meliuz S.A	CASH3 BZ	XPZXF	Telecom	148	8.8	BUY	38%	63%	0%	BRL	0.0	0.0	0.1	0.1
Arca	AC* MM	EMBVF	C. Staples	17,690	8.7	BUY	68%	26%	5%	MXN	11.9	10.1	14.0	11.1
GCC, S.A.B. de C.V.	GCC* MM	GCWOF	Materials	2,738	8.6	BUY	92%	8%	0%	USD	0.6	0.6	0.7	0.6
VTEX	VTEX US	VTEX	Telecom	776	8.5	BUY	60%	40%	0%	USD	0.0	-0.1	0.1	0.0
InterCorp Financial	IFS US	IFS	Financials	2,571	8.4	BUY	64%	36%	0%	PEN	14.2	14.5	16.2	16.0
Orbia AC	ORBIA* MM	MXCHF	Materials	4,552	8.1	BUY	80%	20%	0%	USD	0.3	0.2	0.3	0.2
Vitru Limited	VTRU US	VTRU	C. Discretionary	519	8.0	BUY	71%	29%	0%	BRL	8.9	6.7	14.0	10.6
Fomento Econ. Mex.	FEMSAUBD MM	FMXUF	C. Staples	32,484	7.8	BUY	87%	13%	0%	MXN	8.2	11.2	9.3	10.6
Fleury	FLRY3 BZ	XPOXF	Health Care	1,739	7.7	BUY	23%	62%	15%	BRL	1.3	1.0	1.6	1.3

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

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

Source: BofA Global Research, Bloomberg

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**Exhibit 32: Bottom out of consensus stocks**

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

Company name	BBG ticker	BofA ticker	Sector	Market Cap USDmn	Rank	BofA Rating	Consensus Rating			EPS CmcY	2023 EPS		2024 EPS	
							Buy	Hold	Sell		BofA	Cons.	BofA	Cons.
Cia Paranaense	CPLE6 BZ	XLPUF	Utilities	4,001	-9.7	NEU	82%	18%	0%	BRL	0.7	0.8	0.6	0.9
Randon	RAPT4 BZ	RPRTF	Industrials	643	-9.6	NEU	62%	38%	0%	BRL	1.1	1.5	1.0	1.9
Liverpool	LIVEPOLC MM	ELPQF	C. Discretionary	8,256	-9.5	UND	41%	41%	18%	MXN	11.4	13.1	12.4	13.9
Cyrela Brazil	CYRE3 BZ	XCBMF	C. Discretionary	1,374	-9.2	UND	81%	13%	6%	BRL	2.1	2.1	1.6	2.4
Carrefour Brasil	CRFB3 BZ	XLDPF	C. Staples	4,192	-9.0	NEU	50%	50%	0%	BRL	0.9	0.7	1.2	1.2
Even	EVEN3 BZ	EVCNF	C. Discretionary	262	-8.8	UND	33%	56%	11%	BRL	0.8	0.7	0.6	0.9
Camil Alimentos	CAML3 BZ	XSREF	C. Staples	502	-8.5	NEU	75%	25%	0%	BRL	0.9	1.1	1.2	1.2
Iochpe-Maxion	MYPK3 BZ	IOCJF	Industrials	369	-8.2	UND	27%	64%	9%	BRL	1.4	1.9	2.4	3.1
Alsea	ALSEA* MM	ALSSF	C. Discretionary	2,371	-7.8	UND	70%	20%	10%	MXN	1.8	2.6	2.4	3.7
WEG	WEGE3 BZ	WGSEF	Industrials	33,151	-7.3	NEU	65%	29%	6%	BRL	1.3	1.2	1.3	1.4
EZ Tec SA	EZTC3 BZ	EZTCF	C. Discretionary	731	-7.1	UND	43%	43%	14%	BRL	1.6	1.6	2.1	1.8
Assaí Atacadista	ASAI3 BZ	XFCXF	C. Staples	3,066	-6.8	NEU	81%	19%	0%	BRL	0.9	0.9	1.3	1.5
Inbursa	GFINBURO MM	GPFOF	Financials	14,864	-6.5	UND	10%	10%	80%	MXN	4.9	4.5	5.0	4.4

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

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

Source: BofA Global Research, Bloomberg.

BofA GLOBAL RESEARCH

**Out-of-Consensus Rank Methodology**

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

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

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

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

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

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

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

A company will be excluded from the sample if:

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

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

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

[iQanalytics](#)



# 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 <sup>R1</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R1</sup> 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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