

Latam Equity Quant

Waiting for rate cuts to save us

Investment Strategy

Key takeaways

- Weak Ibov performance this week driven by lack of foreign flows into B3 and lower commodities prices.
- Valuations in LatAm remain discounted. Ibov ex-commodities trades at 11% disc vs hist. Mexbol, 4% disc vs hist.
- Global EM equity funds had nine weeks of inflows, but mostly into China.

Last year in numbers

Performance of the week: Ibov -0.5%, Mexbol +2.1%, EM -1%, SPX +0.3%, in USD terms, total return. This week we saw weak Ibov performance, despite a decline in US rates of 16bp (Exhibit 2). Drags for Brazil: (1) the lack of foreign flows into BZ local exchange YTD (Exhibit 4); (2) Lower commodities prices this week (Brent oil – 5.6% and iron ore -2.9%, in USD terms).

Valuations in the region remain discounted. Ibov ex-commodities now trades at around 11% disc. to hist, Exhibit 6). Mexbol is trading at 4% disc. to hist. (Exhibit 7).

LatAm central banks cut policy rates this week... In BZ, Copom announced a 50bp selic cut, in line with expectations (see [Brazil Watch](#)). We expect selic at 9.5% '24YE. In Chile, BCCCh cut 100bp to 7.5% (rates expected at 5% '24YE, see: [Chile Watch](#)). In Colombia, Banrep cut rates by 25bp to 12.75% (terminal rate expected at 6% in '25YE).

... but in the US, expectations for the first rate cut are postponed. Fed says it needs a “greater confidence” in the outlook for inflation. A March cut is no longer the base case. We now expect rate cut cycle to begin in June (See: [US Watch – Jan FOMC](#)).

In 4Q earnings season, we expect to see first signs of the BZ consumer recovery. Retailers, staples, education and HC expected to post strong EPS expansion, thanks to soft comps vs 4Q22. MX should post earnings contraction in 4Q, but financials remain a positive highlight (see: [LatAm Earnings Tracker](#)).

R\$1bn inflows into BZ equity funds last week, above the avg of the past 3M, - R\$0.8bn/week, Exhibit 12). Hedge funds continue to have outflows. Last week, we saw R\$2.6bn outflows from hedge funds, below weekly avg of the last 3M (-R\$3.7bn, Exhibit 12). For more details see [Flows to know](#).

Inflows into China surged. EM equity funds had R\$6.7bn inflows this week (nine straight weeks of inflows into EM, Exhibit 16), but most inflows went into China (Exhibit 3). In Brazil, we saw R\$12bn foreign outflows from Brazil local exchange (B3) YTD.

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Refer to important disclosures on page 15 to 17.

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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 25.

LatAm countries	Nov-23	Dec-23
Argentina	1.1	1.2
Brazil	0.8	0.9
Chile	1.0	0.9
Colombia	0.6	0.6
Mexico	0.8	0.8
Peru	0.4	0.4
LatAm	0.8	0.8

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

EM = Emergent Markets

ERR = Earnings Revision Ratio

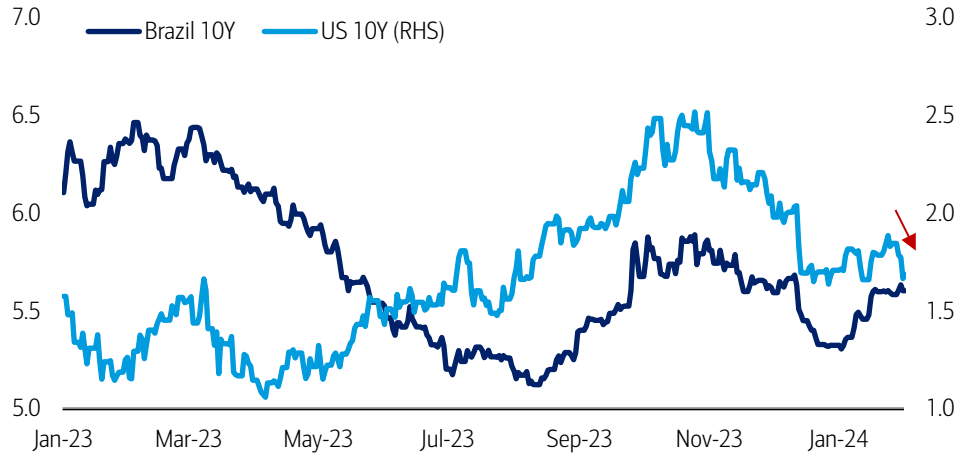
BCCCh = Central Bank of Chile

Banrep = Central Bank of Colombia

HC = Healthcare

Exhibit 2: US 10y and BR 10y real rates (since Jan-23)

US 10y rates decreased 16bp this week.

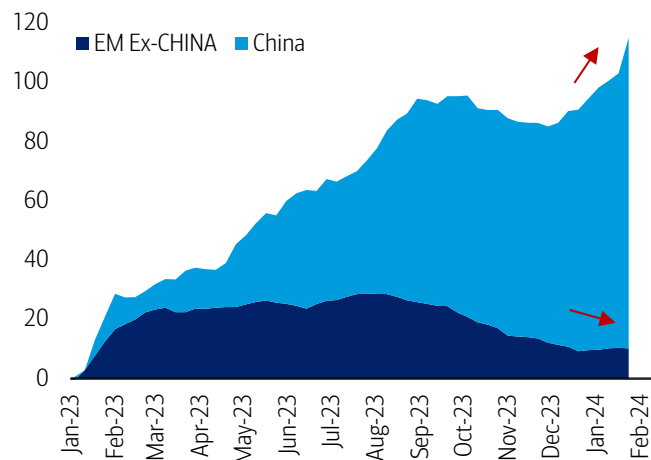


Source: Bloomberg

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Exhibit 3: EM flows into China and EM ex-China (US\$bn)

Flows into China picked-up in Dec-23.



Source: Bloomberg, BofA Global Research

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Exhibit 4: Cumulative foreign flows into Brazil local exchange (B3) – Jan-23 – Feb-24

R\$12bn outflows in January-24.



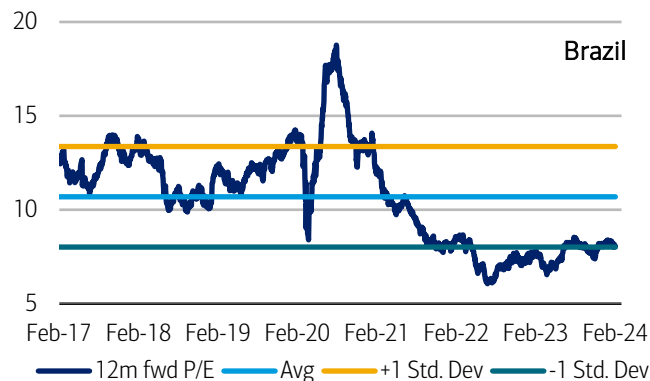
Source: Bloomberg, B3

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LatAm valuation

Exhibit 5: Ibovespa P/E ratio (12m fwd)

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

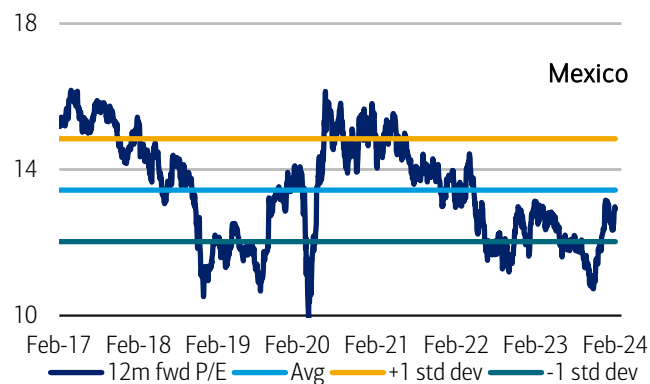


Source: BofA Global Research, Bloomberg

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

Trading below historical average.

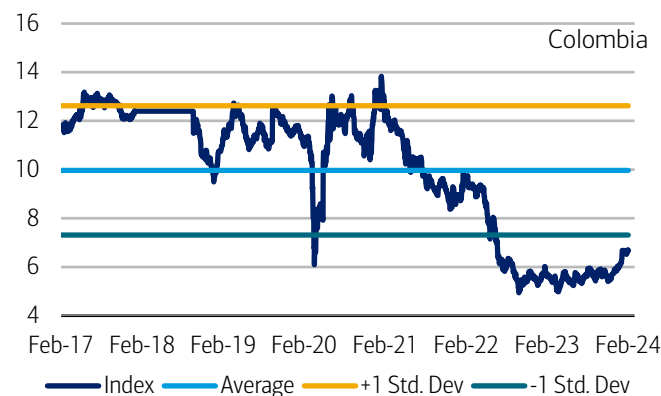


Source: BofA Global Research, Bloomberg

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Exhibit 9: Colcap P/E ratio, Feb-17 to Feb-24

Trading more than 1 Std Dev below historical average.

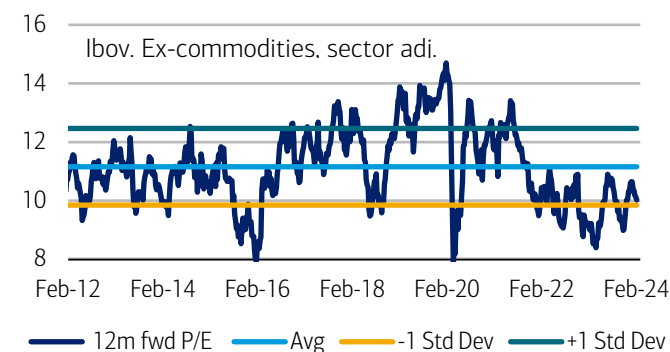


Source: BofA Global Research, Bloomberg

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Exhibit 6: Ibovespa P/E ratio (12m fwd, sector adjusted ex. commodities)

Ibov ex-commodities at 11% discount vs hist.



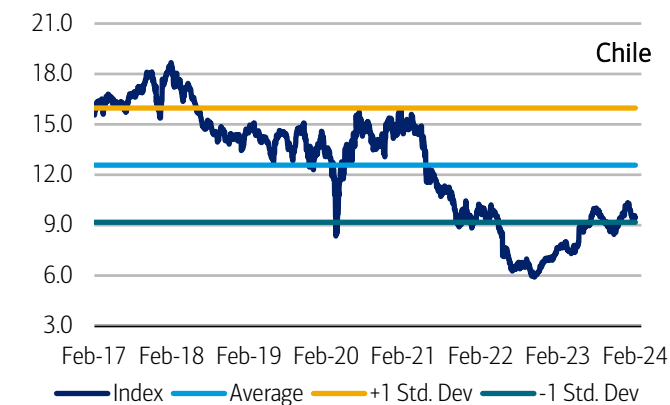
Note: Sector weights were adjusted and kept constant through time.

Source: BofA Global Research, Bloomberg

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

Trading 1 Std Dev below historical average.



Source: BofA Global Research, Bloomberg

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Exhibit 10: Valuation summary

Brazil 25% discounted vs hist.

Country	Index	Current	Average	Std. Dev	Prem. to Hist	Prem. to EM*
Brazil	Ibov	8.0	10.7	2.7	-25%	-32%
BZ	Ex-commod.	10.0	11.2	11.2	-11%	-12%
Mexico	Mexbol	12.9	13.4	1.4	-4%	15%
Chile	Ipsa	9.5	12.6	3.4	-25%	-16%
Peru	SPBLPGPT	11.4	12.1	2.6	-6%	6%
Colombia	Colcap	6.7	10.0	2.7	-33%	-49%
Argentina	Merval	6.2	9.7	3.0	-36%	-20%
EM	MXEF	11.3	12.2	1.2	-7%	-

Source: BofA Global Research, Bloomberg

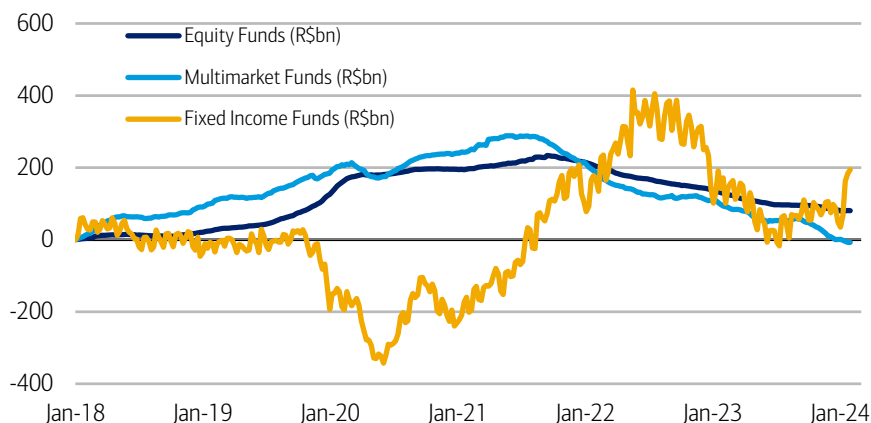
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Flows & Positioning

Brazil flows

Exhibit 11: 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 12: Equity and Multimarket funds weekly flows (R\$mnn) (Brazil local funds)

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

Fund type (R\$ mn)	AUM	1-Dec	8-Dec	15-Dec	22-Dec	29-Dec	5-Jan	12-Jan	19-Jan	26-Jan	2-Feb*	2024	2023	2022
Free Portfolio	251,866	21	-162	-982	-111	-547	-1,160	-440	636	826	-342	-480	-35,568	-42,836
Closed-end Funds	126,675	331	2	4	-523	148	-272	19	37	-12	0	-229	373	2,377
Index Enhanced	42,217	-213	-145	-421	-583	-124	-669	-383	-10	-54	-5	-1,120	-11,081	-16,714
Value / Growth	18,221	-150	63	33	-4	-67	-85	-30	56	178	-26	93	-4,634	-6,745
FMP - FGTS	12,763	-34	-35	-42	-39	-20	-25	-29	-41	-27	-23	-146	-1,269	4,462
Dividends	11,680	-198	11	-116	-479	-105	-77	-6	-69	19	-9	-142	-2,658	-434
Sector	10,963	-11	-10	-21	-16	-5	-10	-16	-12	-9	-5	-51	420	-1,860
Indexed	10,552	-290	-95	-249	-104	-116	115	43	-32	82	-64	143	-2,045	-2,932
Small Caps	5,534	18	-23	-13	-64	-18	-33	-8	-4	-16	-15	-75	-453	-2,243
Single Stocks	10,146	-8	-26	-41	-22	-14	-1	0	-16	-41	-4	-61	-967	-2,225
Sustainability / Governance	40	0	0	0	0	0	0	0	-9	0	0	-10	0	-366
Foreign Investments	148,383	-11	109	-196	498	4,030	-548	337	-15	73	73	-80	21,794	-18,740
Equity Funds (Total)	649,040	-544	-311	-2,042	-1,449	3,162	-2,766	-514	520	1,021	-420	-2,159	-36,088	-88,257
Equity Funds (Total ex. Foreign Invest.)	361,218	-831	-387	-1,809	-1,385	-996	-1,920	-841	540	987	-469	-1,704	-56,986	-76,355
Free Portfolio	811,328	-3,407	332	-2,540	-1,809	2,043	1,592	-2,356	-2,759	-1,875	745	-4,653	-36,493	-69,300
Foreign Investments	803,496	-2,825	-1,834	-10,537	-10,396	-2,411	-4,883	-1,118	-1,227	-2,164	-423	-9,816	-69,450	-22,102
Macro	233,355	-2,876	-1,798	-1,259	-1,320	-1,134	-1,284	-512	-127	-667	-612	-3,201	-61,875	-14,754
Dynamic	46,546	-578	-258	-132	-264	-291	-26	-122	-134	-131	-228	-642	-7,210	-16,130
Specific Strategy	70,027	-404	-154	67	-537	62	-27	254	-7	11	38	269	2,110	-2,279
Long/Short Directional	7,260	-58	-21	-2	10	-93	-125	-1	-27	50	-10	-114	-2,555	-3,384
Balanced / Mixed	11,977	-49	36	-6	-48	-31	42	-12	-20	11	-11	11	-1,065	-54
Trading	3,074	-11	-4	-8	-18	13	0	-1	-10	-11	-1	-22	-625	-1,154
Long/Short Neutral	2,417	-18	-33	-13	-4	-9	-12	-3	-2	0	-1	-18	-381	-527
Protected Capital	798	-2	0	-1	-1	0	0	0	-13	0	5	-8	73	-196
Multimarket Funds (Total)	1,990,277	-10,228	-3,735	-14,432	-14,387	-1,851	-4,723	-3,870	-4,326	-4,778	-498	-18,194	-177,471	-129,878
Multimarket Funds (Total ex. Foreign Invest.)	1,186,781	-7,404	-1,900	-3,895	-3,991	560	160	-2,752	-3,099	-2,614	-74	-8,378	-108,022	-107,777

(*) Preliminary data, up to Wednesday.

Source: Economática

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Exhibit 13: Fixed Income funds weekly flows (R\$bn) (Brazil local funds)

Brazil local fixed income funds had inflows YTD

Fund type	AUM	5-Jan	12-Jan	19-Jan	26-Jan	2-Feb*	YTD
Short Duration Inv. Grade	1,025	5.8	8.6	0.5	2.1	-8.7	8.2
Short Duration Sovereign	953	14.9	42.4	14.2	3.1	18.7	93.3
All Duration Credit	369	2.2	3.5	3.3	1.8	-1.2	9.5
All Duration Inv. Grade	764	-3.1	13.7	4.8	1.9	-4.6	12.7
All Duration Sovereign	240	3.7	6.4	-1.1	0.8	-1.7	8.1
Simple	370	6.9	20.1	0.1	2.3	-6.3	23.1
Other	486	1.9	1.0	-0.5	-1.7	-0.4	0.3
Fixed Income (Total)	4,199	32	96	21	10	-4	155
Ex. Foreign Invest.							

(*) Preliminary data, up to Wednesday.

Source: Ecomatica

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Exhibit 14: Foreign flow to B3 (R\$bn), Feb-23 to Jan-24

Foreign flows into BZ local exchange (B3) had R\$14bn outflows YTD.

Month	Futures	Cash	IPO/follow-on	TOTAL
Feb-23	-9	-2	0	-11
Mar-23	-2	-2	2	-3
Apr-23	3	3	1	6
May-23	-6	-4	0	-10
Jun-23	-7	10	4	7
Jul-23	3	7	3	13
Aug-23	-3	-13	3	-13
Sep-23	10	-2	0	8
Oct-23	5	-3	0	2
Nov-23	9	21	0	30
Dec-23	-7	17	0	11
Jan-24	-5	-7	0	-12
12M Cumulative	-9	25	13	29
2024 YTD	-5	-7	0	-12
2023	2	45	13	60
2022	-2	101	17	116

Source: B3, Bloomberg

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Global flows**Exhibit 15: Cumulative flows into EM equity funds (US\$bn), 2018-2024**

EM equity funds had US\$27bn inflows YTD.



Source: EPFR

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Exhibit 16: Weekly flows to LatAm and EM funds (US\$mn)

EM equity funds had US\$27bn inflows YTD.

Region	Week	% Current Assets	4 Weeks	% Current Assets	YTD	% Current Assets
LatAm	(75)	-0.6%	(228)	-1.9%	(263)	-2.1%
Brazil	(101)	-0.6%	(180)	-1.0%	(233)	-1.3%
Mexico	(90)	-0.9%	(286)	-3.0%	(371)	-3.9%
Andean	(1)	0.0%	(23)	-0.7%	(135)	-4.2%
LatAmTotal	(256)	-0.6%	(683)	-1.6%	(965)	-2.3%
China	5,991	0.4%	22,363	1.5%	25,964	1.7%
EM Total	6,745	0.4%	23,635	1.6%	27,314	1.8%

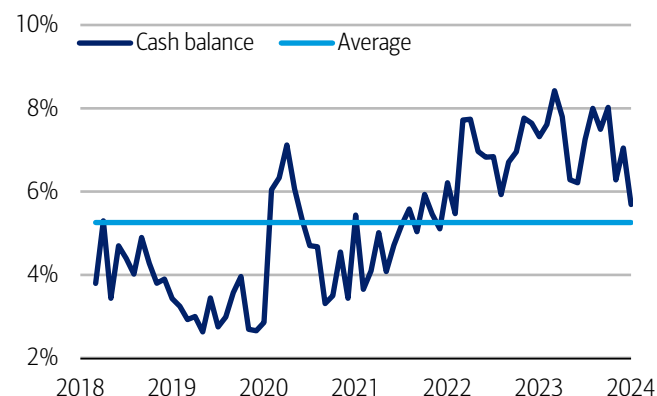
Source: EPFR

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LatAm positioning

Exhibit 17: Average cash position (2018-2024)

Cash levels declined to 5.7% in Jan-24, lowest since Feb-22.

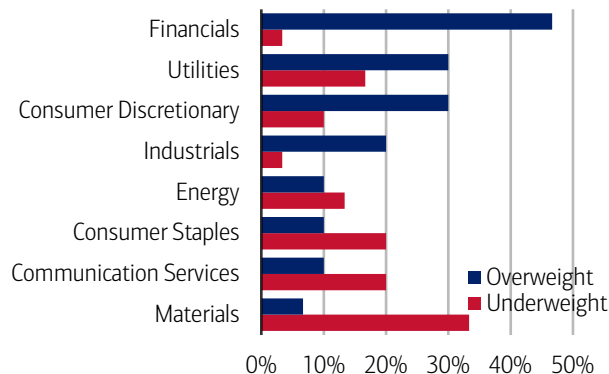


Source: LatAm Fund Manager Survey

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Exhibit 18: Which sectors among equities are you most underweight?

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



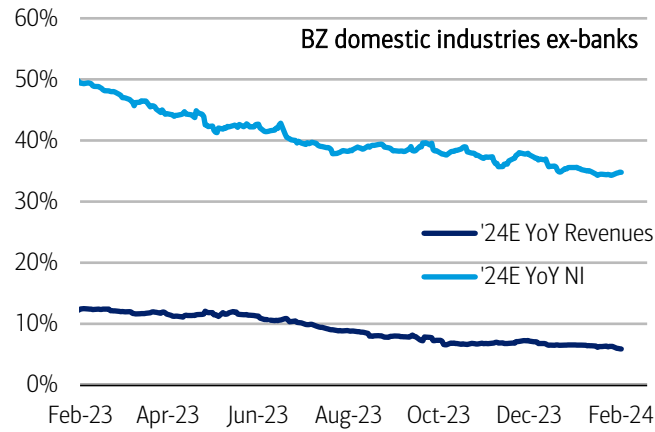
Source: LatAm Fund Manager Survey

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Consensus Earnings Revisions for Brazil

Exhibit 19: Brazil domestic industries: consensus revised NI downwards but still expected at 35% YoY growth

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



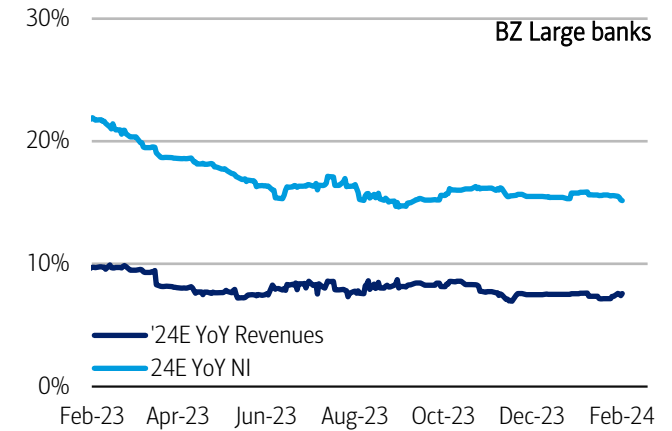
Consensus estimates.

Source: Bloomberg, BofA Global Research

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Exhibit 20: Brazil Banks: consensus revised NI downwards since Jan-23, but still expected at +15% 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 21: LatAm 3-month ERR – country details

Brazil 3-month ERR at 0.9 in Dec-23.

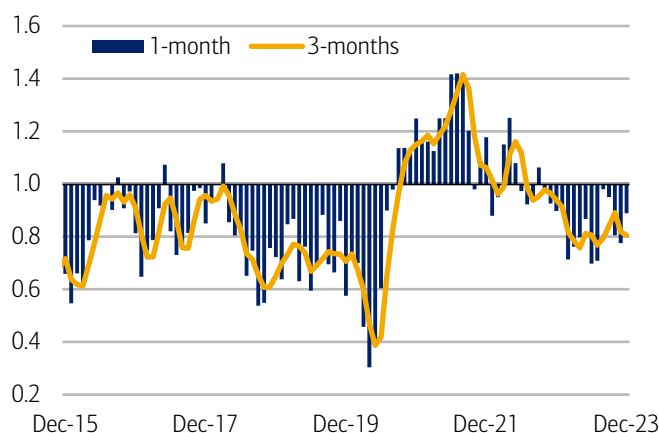
LatAm countries	12m Avg	Oct-23	Nov-23	Dec-23	1M Chg in 3M ERR
Argentina	2.5	2.1	1.1	1.2	0.13
Brazil	0.7	0.9	0.8	0.9	0.02
Chile	0.8	0.8	1.0	0.9	-0.07
Colombia	0.7	0.9	0.6	0.6	0.00
Mexico	1.0	0.9	0.8	0.8	-0.04
Peru	0.7	0.8	0.4	0.4	-0.09
LatAm	0.8	0.9	0.8	0.8	-0.01

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 22: LatAm Earnings Revision Ratio (Dec 15-Dec 23)

3-month ERR at 0.9 in Dec-23.

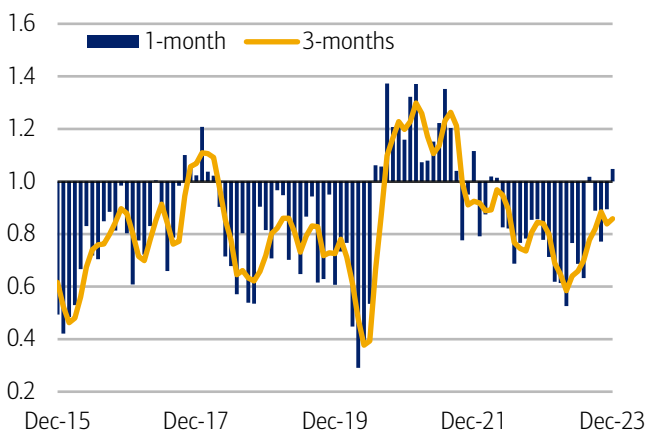


Source: BofA Global Research, Factset, Bloomberg

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Exhibit 24: Brazil Earnings Revision Ratio (Dec 15-Dec 23)

Communication and Real State show highest ERR in December.



Source: BofA Global Research, Factset, Bloomberg

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Exhibit 23: LatAm 3-month ERR – sector details

IT shows the highest ERR (1.9).

LatAm sectors	12m Avg	Oct-23	Nov-23	Dec-23	1M Chg in 3M ERR
C. Discretionary	0.8	0.9	0.9	0.8	-0.05
C. Staples	0.8	0.8	0.8	1.0	0.17
Energy	0.9	1.4	1.1	1.0	-0.09
Financials	1.3	1.4	1.1	1.0	-0.12
Health Care	0.7	1.0	0.6	0.6	0.03
Industrials	0.8	0.7	0.7	0.8	0.02
IT	1.3	0.9	1.5	1.9	0.37
Materials	0.6	0.6	0.5	0.5	-0.05
Real Estate	1.1	1.5	1.6	1.8	0.26
Communication	0.8	1.0	1.0	1.0	0.00
Utilities	1.1	1.4	1.5	1.5	-0.01
LatAm	1.0	2.0	1.0	0.6	-0.40

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 25: Brazil 3-month ERR – sector details

Communication and Real State show highest ERR in December.

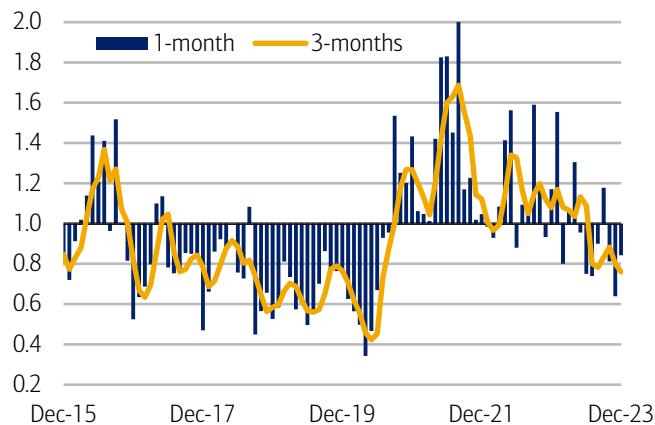
Brazil sectors	12m Avg	Oct-23	Nov-23	Dec-23	1M Chg in 3M ERR
C. Discretionary	0.6	1.0	0.9	0.8	-0.17
C. Staples	0.6	0.6	0.6	0.8	0.21
Energy	0.9	1.5	1.2	1.1	-0.03
Financials	1.2	1.5	1.2	1.1	-0.13
Health Care	0.6	0.9	0.5	0.6	0.06
Industrials	0.7	0.7	0.7	0.7	0.06
IT	1.4	0.9	1.8	2.4	0.57
Materials	0.5	0.5	0.5	0.5	-0.02
Real Estate	2.3	5.0	8.0	4.5	-3.50
Communication	3.7	19.0	4.8	4.3	-0.47
Utilities	1.1	1.4	1.5	1.5	0.02
Brazil	0.7	0.9	0.8	0.9	0.02

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 26: Mexico Earnings Revision Ratio (Dec-15 – Dec-23)

Financials has the highest ERR in Mexico (1.6 in December).



Source: BofA Global Research, Factset, Bloomberg

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Exhibit 27: Mexico 3-month ERR – sector details

Financials has the highest ERR in Mexico (1.6 in December).

Mexico sectors	12m Avg	Oct-23	Nov-23	Dec-23	1M Chg in 3M ERR
C. Discretionary	1.1	0.6	0.5	0.6	0.06
C. Staples	1.1	1.2	1.2	1.4	0.18
Energy	NA	NA	NA	NA	NA
Financials	2.4	1.8	1.9	1.6	-0.29
Health Care	NA	NA	NA	NA	NA
Industrials	0.9	0.7	0.7	0.7	-0.04
IT	NA	NA	NA	NA	NA
Materials	0.8	0.6	0.6	0.5	-0.05
Real Estate	0.8	1.0	0.8	1.1	0.33
Communication	0.4	0.4	0.3	0.1	-0.14
Utilities	NA	NA	NA	NA	NA
Mexico	1.0	0.9	0.8	0.8	-0.04

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 28: Value screen

Within this screen, homebuilders, food-commodities and oil have the best performance YTD.

Company	Country	Industry	BBG Ticker	BofA Ticker	P/E 2023E	P/E 2024E	Net Debt/EBITDA	30D Performance (local crncy)	YTD Performance (local crncy)
Petro-Rio	BZ	Oil & Gas Producers	PRI03 BZ	HRTPF	7.1	5.0	1.1	-3%	-5%
Ternium	MX	Steels	TX US	TX	9.1	5.1	-0.8	-7%	-9%
Petrobras PN	BZ	Oils	PETR4 BZ	PTBFB	4.5	5.1	0.8	9%	11%
Vale ON	BZ	Non-Ferrous-Mining	VALE3 BZ	VALEF	6.0	5.2	0.6	-12%	-12%
Ecopetrol	CO	Oil & Gas Producers	ECOPETL CB	XESSF	5.6	5.8	1.6	-1%	0%
Copa	CO	Airlines	CPA US	CPA	5.9	5.9	0.6	-8%	-10%
Metalurgica Gerdau	BZ	Steels	GOAU4 BZ	MZGPF	3.7	6.4	0.4	-8%	-9%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	6.4	6.7	1.5	-2%	-5%
Cemig	BZ	Electric Utilities	CMIG4 BZ	CEMCF	5.3	6.8	1.1	3%	1%
Gerdau	BZ	Steels	GGBR4 BZ	GGBUF	4.8	6.9	0.5	-10%	-11%
COPASA	BZ	Water Utilities	CSMG3 BZ	CSAOF	6.2	6.9	1.4	6%	5%
SQM	CL	Fertilizers	SQM US	SQM	5.5	7.9	0.2	-29%	-30%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	9.2	8.2	0.9	7%	5%
Sao Martinho	BZ	Food-Commodities	SMT03 BZ	SRTOF	8.6	8.5	1.9	-2%	-5%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	8.6	8.9	1.5	-6%	-6%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	9.6	9.3	1.9	-3%	0%
Engie	BZ	Electric Utilities	EGIE3 BZ	XZDDF	10.3	9.3	1.9	-9%	-10%
Prom y Oper Infra	MX	Toll Road Operators	PINFRA* MM	PYOIF	12.3	9.5	-1.2	-7%	-8%
Coca-Cola Andina	CL	Soft Drinks	ANDINAB CI	AKOBF	11.0	10.0	1.6	6%	7%
AMX	MX	Telecom Services-Wireless/Cellular	AMXB MM	AMXVF	12.8	11.1	2.0	-1%	-1%
Median								-3%	-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 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 29: 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	65.2	0%	0%	-5%
Omega Geração	BZ	Renewable Energy	SRNA3 BZ	XZQAF	63.5	0%	-2%	-7%
Mercado Libre	BZ	Internet/e-Commerce	MELI US	MELI	50.1	0%	12%	9%
Brasil Foods	BZ	Food Processors	BRFS3 BZ	BRFFF	43.2	0%	5%	1%
Marfrig	BZ	Food Processors	MRF3 BZ	MRRTF	40.0	1%	-4%	-5%
Raia Drogasil	BZ	Drug Store Chains	RADL3 BZ	RAIAF	29.3	1%	-14%	-15%
Eneva	BZ	Electric Utilities	ENEV3 BZ	XZUMF	24.7	1%	-5%	-7%
WEG	BZ	Industrials/Multi-Industry	WEGE3 BZ	WGSEF	24.7	2%	-12%	-12%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	23.4	0%	-15%	-19%
Falabella	CL	Retailing-Broadline/Department Stores	FALAB CI	XDIYF	23.2	1%	0%	0%
TOTVS	BZ	Server & Enterprise Software	TOTS3 BZ	XBEGF	23.0	1%	-5%	-7%
Alpargatas	BZ	Footwear	ALPA4 BZ	SRDDF	22.6	0%	-9%	-16%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	21.6	0%	-6%	-7%
Rumo Logística	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	20.5	0%	4%	0%
AES Brasil	BZ	Electric Utilities	AESB3 BZ	XDFDF	20.4	1%	-6%	-9%
Bimbo	MX	Bakers	BIMBOA MM	GRBMF	17.8	1%	-10%	-9%
Alsea	MX	Restaurants	ALSEA* MM	ALSSF	17.6	0%	6%	5%
Ultrapar	BZ	Oil Refining & Marketing	UGPA3 BZ	XLRFU	17.5	2%	6%	7%
Energisa	BZ	Utilities-Other	ENGI11 BZ	XLXGF	16.3	2%	-2%	-5%
Assaí Atacadista	BZ	Supermarkets/Food Retailers	ASA13 BZ	XFCXF	16.1	1%	6%	2%
Median							-3%	-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 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 30: High dividend screen

This screen encompasses many utilities and banks.

Company	Country	Industry	BBG Ticker	BofA Ticker	Div. Yield 2023E	30D Performance (local crncy)	YTD Performance (local crncy)
Petrobras PN	BZ	Oils	PETR4 BZ	PTRBF	18.5	9%	11%
Ecopetrol	CO	Oil & Gas Producers	ECOPETL CB	XESSF	17.3	-1%	0%
CSN	BZ	Steels	CSNA3 BZ	SIDHF	15.8	-9%	-10%
Auren Energia	BZ	Electric Utilities	AURE3 BZ	XZMXF	15.8	-2%	-2%
Alpek	MX	Chemicals-Major	ALPEKA MM	ALPKF	12.7	-7%	-8%
SQM	CL	Fertilizers	SQM US	SQM	12.4	-29%	-30%
Metalurgica Gerdau	BZ	Steels	GOAU4 BZ	MZGPF	12.2	-8%	-9%
BanColombia	CO	Banks-Multinational/Universal	PFBCOLO CB	XAFFF	10.6	1%	3%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	10.5	-3%	0%
Bradespar	BZ	Non-Ferrous-Mining	BRAP4 BZ	BRDQF	10.4	-11%	-12%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	9.4	1%	2%
TAESA	BZ	Electric Utilities	TAE11 BZ	XTAEF	9.4	-4%	-4%
Vale ON	BZ	Non-Ferrous-Mining	VALE3 BZ	VALEF	9.2	-12%	-12%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	8.6	-6%	-6%
Banco do Brasil	BZ	Banks-Retail	BBAS3 BZ	XBBAF	8.3	4%	3%
Banco de Chile	CL	Banks-Retail	CHILE CI	XHNDF	8.1	4%	2%
SLC Agrícola	BZ	Food-Commodities	SLCE3 BZ	SLCJF	7.7	4%	2%
Fibra Uno	MX	REITs	FUNO11 MM	FBASF	7.7	-4%	-4%
Cemig	BZ	Electric Utilities	CMIG4 BZ	CEMCF	7.7	3%	1%
Ternium	MX	Steels	TX US	TX	7.4	-7%	-9%
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. 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 31: Defensive screen

Many bond proxies, Utilities, Soft Drinks and Telecom.

Company	Country	Industry	BBG Ticker	BofA Ticker	Beta	Net Debt/EBITDA	30D Performance (local crncy)	YTD Performance (local crncy)
Soriana	MX	Supermarkets/Food Retailers	SORIANAB MM	ONZBF	0.1	1.9	-4%	-4%
Chedraui	MX	Supermarkets/Food Retailers	CHDRAUIB MM	GCHEF	0.3	1.9	13%	13%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	0.4	1.9	-3%	0%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	0.4	NA	1%	2%
Auren Energia	BZ	Electric Utilities	AURE3 BZ	XZMXF	0.4	0.6	-2%	-2%
Coca-Cola Andina	CL	Soft Drinks	ANDINAB CI	AKOBF	0.4	1.6	6%	7%
Qualitas	MX	Insurance - Non-Life	Q* MM	QUCOF	0.4	NA	13%	11%
Grupo Financiero Galicia	AR	Banks-Retail	GGAL US	GGAL	0.4	NA	27%	25%
Copa	CO	Airlines	CPA US	CPA	0.5	0.6	-8%	-10%
Engie	BZ	Electric Utilities	EGIE3 BZ	XZDDF	0.5	1.9	-9%	-10%
Vivo	BZ	Telecom Equipment-Wireless/Cellular	VIVT3 BZ	XCPTF	0.5	0.7	-2%	-3%
TIM	BZ	Telecom Services-Wireless/Cellular	TIMS3 BZ	XZUAF	0.5	1.2	-2%	-3%
Banco Macro	AR	Banks-Retail	BMA US	BMA	0.5	NA	18%	15%
Arca	MX	Soft Drinks	AC* MM	EMBVF	0.5	0.5	7%	5%
Grupo BMV	MX	Other Financials	BOLSAA MM	BOMXF	0.5	NA	-2%	-1%
AmBev	BZ	Brewers	ABEV3 BZ	AVBPF	0.5	-0.6	-6%	-6%
Gruma	MX	Food Producers	GRUMAB MM	GPAGF	0.5	1.7	2%	4%
Coca-Cola FEMSA	MX	Soft Drinks	KOFUBL MM	COCSE	0.5	0.8	3%	2%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	0.5	0.9	7%	5%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	0.5	1.5	-2%	-5%
Median							0%	1%

Source: BofA Global Research, Bloomberg

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

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 32: High Beta screen

Several Banks and Retail names in this screen.

Company	Country	Industry	BBG Ticker	BofA Ticker	Beta	Net Debt/EBITDA	30D Performance (local crncy)	YTD Performance (local crncy)
Magazine Luiza	BZ	Retailing-Hardlines	MGLU3 BZ	MGZZF	2.3	3.0	0%	-5%
Banco inter	BZ	Banks-Retail	INTR US	INTR	1.9	NA	-7%	-10%
Cemex	MX	Building Materials	CX US	CX	1.8	3.0	9%	7%
Televisa	MX	Cable TV	TLEVICO MM	GRPF	1.6	2.8	-9%	-8%
B3 SA	BZ	Financial Services-Consumer/Commercial	B3SA3 BZ	XIMAF	1.6	NA	-8%	-11%
Banco Pan	BZ	Banks-Retail	BPAN4 BZ	XQSFF	1.6	NA	-4%	-8%
Ecorodovias	BZ	Toll Road Operators	ECOR3 BZ	XVEDF	1.5	3.7	-4%	-4%
Cogna	BZ	Education & Training Services	COGN3 BZ	KROTF	1.5	3.4	-15%	-18%
CSN	BZ	Steels	CSNA3 BZ	SIDHF	1.5	3.2	-9%	-10%
Estacio	BZ	Education & Training Services	YDUQ3 BZ	ECPCF	1.5	2.4	-9%	-14%
GFINbursa	MX	Banks-Retail	GFINBURO MM	GPFOF	1.4	NA	11%	9%
Cosan	BZ	Energy Commodities	CSAN3 BZ	CSAIF	1.4	3.2	-5%	-5%
BTG Pactual	BZ	Banks-Retail	BPAC11 BZ	XNXC	1.4	NA	-3%	-4%
Brasil Foods	BZ	Food Processors	BRFS3 BZ	BRFFF	1.3	5.4	5%	1%
Embraer	BZ	Aerospace	ERJ US	ERJ	1.3	2.3	3%	0%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	1.3	5.0	-15%	-19%
Credicorp	PE	Banks-Retail	BAP US	BAP	1.3	NA	0%	-1%
Localiza	BZ	Car Rental	RENT3 BZ	LZRFF	1.3	3.6	-11%	-15%
BanColombia	CO	Banks-Multinational/Universal	PFBCOLO CB	XAFF	1.2	NA	1%	3%
Dexco	BZ	Forest Products	DXCO3 BZ	DURXF	1.2	4.7	0%	-4%
Median							-4%	-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 33: List of stocks within our coverage most discounted to historicals

Commodity exporters with large earnings this and next year have depressed ratios, as well as many financial names.

Company	Country	Industry	BBG Ticker	BofA Ticker	Discount to hist.	Current Valuation	10-Year Avg. Valuation	Net Debt/EBITDA	30D Performance (local crncy)	YTD Performance (local crncy)
Cogna	BZ	Education & Training Services	COGN3 BZ	KROTF	-92%	11.3	134.7	3.4	-15%	-18%
Eneva	BZ	Electric Utilities	ENEV3 BZ	XZUMF	-79%	9.9	46.2	4.9	-5%	-7%
Televisa	MX	Cable TV	TLEVICO MM	GRPF	-77%	2.3	10.1	2.8	-9%	-8%
Rumo Logistica	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	-72%	20.5	72.7	2.3	4%	0%
Embraer	BZ	Aerospace	ERJ US	ERJ	-64%	9.7	26.8	2.3	3%	0%
Magazine Luiza	BZ	Retailing-Hardlines	MGLU3 BZ	MGZZF	-55%	0.5	1.2	3.0	0%	-5%
BanColombia	CO	Banks-Multinational/Universal	PFBCOLO CB	XAFF	-52%	0.8	1.6	NA	1%	3%
Ecorodovias	BZ	Toll Road Operators	ECOR3 BZ	XVEDF	-49%	7.6	14.8	3.7	-4%	-4%
Cielo	BZ	Financial Services-Consumer/Commercial	CIEL3 BZ	CIOXF	-47%	6.9	13.0	NA	8%	5%
Bradesco	BZ	Banks-Retail	BBDC4 BZ	BRDPF	-45%	1.0	1.8	NA	-8%	-10%
Gentera	MX	Banks-Retail	GENTERA* MM	CMPRF	-43%	1.5	2.6	NA	2%	-1%
Banrisul	BZ	Banks-Retail	BRSR6 BZ	XGRBF	-39%	0.6	1.0	NA	15%	10%
GFINbursa	MX	Banks-Retail	GFINBURO MM	GPFOF	-35%	9.2	14.2	NA	11%	9%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	-34%	8.5	13.0	NA	1%	2%
Alpek	MX	Chemicals-Major	ALPEKA MM	ALPKF	-33%	4.3	6.4	2.7	-7%	-8%
Fleury	BZ	Healthcare Technology & Distribution	FLRY3 BZ	XPOXF	-32%	13.0	19.1	2.1	-8%	-9%
Cencosud	CL	Retailing-Broadline/General Merchandisers	CENCOSUD CI	XCSCF	-32%	6.4	9.5	3.4	-2%	-2%
CMPC	CL	Paper Products	CMPC CI	XEMCF	-32%	5.7	8.3	4.2	-11%	-10%
Hypermarcas	BZ	Pharmaceuticals	HYPE3 BZ	XHPYF	-30%	8.7	12.5	2.7	-11%	-12%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	-30%	5.9	8.4	5.0	-15%	-19%
Median									-3%	-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). Valuation ratio < 10y hist avg (or longest available). Valuation ratios are chosen according to a company's sector: for Materials, Energy, Airlines and C. Staples EV/EBITDA is used; for Retail EV/Sales is used; for Financials Price/Book Value is used. For remaining sectors Price/Earnings is used. If results exceed 20 companies, those with the greatest discounts to historicals are selected.

This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision. Fundamental ratings are shown only for information and are not part of the screening criteria

BofA GLOBAL RESEARCH



Stock screens methodology

Our monthly screens are a quantitative approach for monitoring performance across several investment strategies. The screens are generated through a quantitative process, using consensus projections and historical data. There are two main steps to the selection process: filtering and ranking. For each screening process, filter criteria is applied first, then resulting assets are ranked according to the core variable for each strategy. Each month, we select and rank the 20 stocks that best fit the screen criteria. The stocks are selected from our universe of coverage in LatAm regardless of the rating but must have a market cap above US\$1bn.

There are 5 different screens: Growth, Value, Dividends, Defensive and High Beta. Our Growth screen looks for companies with high projected growth that reinvests free cash flow. Our Value screen looks for companies with low or moderate leverage that are trading at a discounted valuation. The Dividends screen looks for companies with high dividend yields, supported by low moderate leverage. Defensive screen looks for assets with solid performance and lowest volatility while High beta screen looks for market-dependent assets with high leverage and volatility. We also provide a list of stocks within our coverage that are most discounted to historicals.

Disclosures

Important Disclosures

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). Our investment ratings are: 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. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. 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.

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