

Latam Equity Quant

Ibovespa preview – what to expect

Investment Strategy

Ibov preview: VIVA3, AURE3, possibly POMO4 and CXSE3

The next preview for the Ibovespa index will be announced on April 1st. The 2nd and 3rd (last) previews are due to be announced on April 16th and May 3rd. Changes are effective on May 6th. We estimate **VIVA3**, **AURE3** are likely additions in this review. We also think that there is a possibility that **POMO4** and/or **CXSE3** could also be added, however it will depend on their traded value until the end of April (details on page 2). Note that CXSE3 was just added to the MSCI Brazil, and thus its traded value increased in the last 2 weeks. We estimate that no stocks will be removed in this review.

Estimated weights and inflows

If added, we estimate VIVA3 / AURE3 / POMO4 / CXSE3 could have weights of 0.1% / 0.2% / 0.2% / 0.4% respectively and conservatively estimate that inflows could represent 1 / 1 / 2 / 3 trading days (Exhibit 2). Details on page 2.

Watchlist for future reviews

According to our estimates, **SMFT3** and **PSSA3** would be next in terms of tradability metrics (Exhibit 7) but would need their tradability to improve vs the rest of the index to have a greater chance of inclusion. On the other hand, **DXCO3** and **EZTC3** are the current members with the lowest ranks in terms of IN (tradability index). We think these stocks could risk being removed in future revisions if tradability decreases relative to the rest of the market. IN for current members needs to fall below 90% for them to be excluded.

Last week in numbers

Performance of the week: Ibov +0.4%, Mexico +2.8%, SPX +0.5%, EM +1.1%. Iron ore slumps this week (-11%), oil recovers (+4%).

Minor outflows from BZ equity funds last week, only R\$0.2bn, compared to -R\$0.6bn/week in the last 6M. YTD, we saw R\$2bn outflows from equity funds.

Local hedge funds showed outflows last week. R\$1.7bn outflows, vs -R\$2.3bn/week in the last 6M, Exhibit 15. YTD, we saw R\$5bn outflows from hedge funds.

We still see foreign outflows from B3 (Exhibit 17). In fact, we saw R\$29bn outflows from foreigners in BZ local exchange YTD, mostly from cash equities (Exhibit 17).

US\$0.7bn outflows from EM this week (Exhibit 19). We saw inflows in 13 of the last 15 weeks. However almost all of that went into China ETFs.

For more details see [Flows to Know](#).

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Refer to important disclosures on page 18 to 20.

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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 28.

LatAm countries	Jan-24	Feb-24
Argentina	1.2	1.7
Brazil	1.0	0.9
Chile	1.0	0.9
Colombia	0.3	0.6
Mexico	1.0	0.9
Peru	0.6	1.2
LatAm	0.9	0.9

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

EM = Emergent Markets

ERR = Earnings Revision Ratio

VIVA3 = Vivara Participacoes

AURE3 = Auren Energia

POMO4 = Marcopolo

CXSE3 = Caixa Seguridade Participacoes

SMFT3 = Smartfit Escola de Ginastica e

PSSA3 = Porto Seguro

DXCO3 = Dexco

EZTC3 = EZ Tec

Exhibit 2: Non-members of the Ibov with the highest ranks in terms of tradability index (IN)

A stock can only be included if its IN is within the top 85%.

We estimate VIVA3, AURE3 and maybe POMO4 and/or CXSE3 could meet the tradability requirements for inclusion in this review **by the end of April**. For POMO4 and CXSE3, it will largely depend on the volume traded until then. CXSE3 would have a higher chance of inclusion if traded volume remains at the same level of the last 2 weeks (everything equal).

BBG Ticker	Company name	Tradability index (IN) Cumulative rank	Weight if eventually added to index (%)	Impact if eventually added (trading days)
VIVA3	Vivara Participacoes	81.7%	0.14%	1
AURE3	Auren Energia	83.9%	0.17%	1
POMO4	Marcopolo	85.0%	0.20%	2
CXSE3*	Caixa Seguridade Participacoes	86.0%*	0.38%	3
SMFT3	Smartfit Escola de Ginastica e	86.7%	0.37%	3
PSSA3	Porto Seguro	87.0%	0.26%	2

(*) CXSE3 would have a higher chance of inclusion (IN below 85%) if traded volume remains at the same level of the last 2 weeks, everything equal.

IN requirements not met highlighted in red.

Source: BofA Global Research, Bloomberg

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First official preview to be announced on April 1st

The Ibovespa Index goes through a revision three times a year (changes become effective always on the first Monday of January, May and September), and as such each portfolio is valid for a four month period.

Changes in the current portfolio are to be effective on May 6th, 2023. The local exchange B3 will publish official previews on Apr 1st (first business day of the previous month of the effective date), a second preview on April 16th and a third and last preview the day before the new composition is effective. Our estimates are based on data up to March 11th, 2023. They are subject to change, as there is more than one month of trading data until the final preview.

One of the most important factors for inclusion is the tradability index (“Índice de Negociabilidade” or “IN” in Portuguese). IN is a proxy for liquidity, as it’s a function of number of trades and traded value. A stock can only be included if its IN is within the top 85% in the exchange. A current member of the index will be removed if its IN falls outside of the top 90% in the exchange. Details on page 4.

Highest IN: VIVA3, AURE3, followed by POMO4 and CXSE3

With IN in the necessary range, we believe **VIVA3, AURE3** are likely to be added back to the index (see Exhibit 7) and there is a possibility that **POMO4** and/or **CXSE3** are also added. For POMO4 and CXSE3, it will largely depend on the volume traded until the end of April. CXSE3 would have a higher chance of inclusion if traded volume remains at the same level of the last 2 weeks, everything equal. Note that CXSE3 was just added to the MSCI Brazil, and thus its traded value increased. Estimated weights are shown in Exhibit 2.

SMFT3 and **PSSA3** would be next in terms of tradability metrics but they are unlikely to meet the threshold for inclusion in this review. They would need their tradability to improve vs the rest of the index to have higher chances of inclusion. See IN in Exhibit 5, Exhibit 6 and Exhibit 7.

Lowest IN: DXCO3 and EZTC3

We estimate that no stocks will be removed in this review. According to our calculations, **DXCO3** and **EZTC3** are current members with lowest IN (Exhibit 3). They could risk being deleted in future revisions if tradability decreases relatively to the rest of the market. IN for current members needs to fall below 90% for them to be excluded.

Exhibit 3: Current members with the lowest IN

BPAN4 has the lowest IN. IN for current members needs to fall below 90% for them to be excluded.

BBG Ticker	Company name	Tradability index (IN) Cumulative rank	Current weight (%)	Impact if eventually deleted (trading days)
DXCO3	Dexco	89.0%	0.12%	2
EZTC3	Ez Tec Empreendimentos e Parti	88.2%	0.07%	1

Source: BofA Global Research, Bloomberg

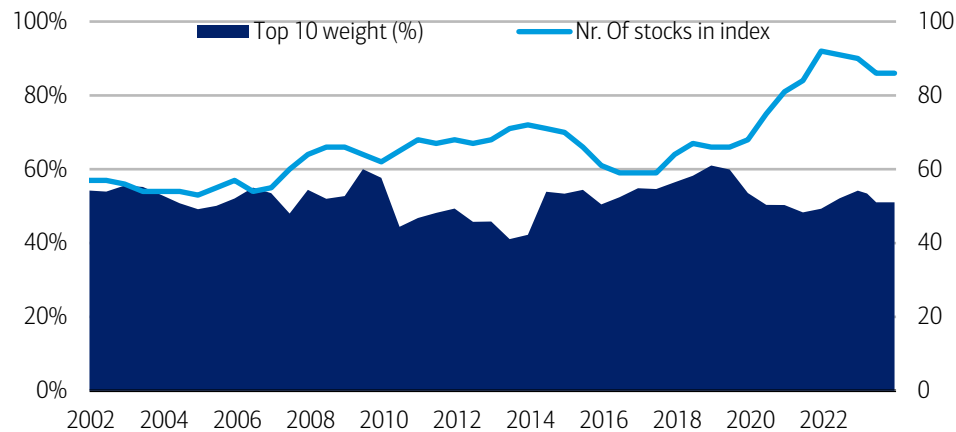
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Ibov: 10 largest members account for half of the index

The number of stocks (tickers) in the Ibovespa decreased from 90 a year ago to 86 today. This compares to only 49 tickers in the MSCI Brazil. Five years ago, the Ibovespa had only 66 members. Yet the index remains concentrated. The 10 largest members historically represented around 50% of the index (Exhibit 4).

Exhibit 4: Ibov # of stocks and weight of top 10 tickers

The number of stocks increased from 66 5y ago to 86 today. The share of the top 10 remained fairly stable around 50%.



Source: BofA Global Research, Bloomberg

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Exhibit 5: Cumulative Tradability Index (IN) (estimated), up to 92% - PART 1

VIVA3, AURE3 and POMO4 could be added to the index (IN <85%).

IN Rank	Ticker	Cum. IN (%)
1	PETR4	6.3%
2	VALE3	12.5%
3	ITUB4	15.5%
4	BBDC4	18.3%
5	B3SA3	20.5%
6	BBAS3	22.6%
7	PRI03	24.5%
8	MGLU3	26.4%
9	PETR3	28.3%
10	HAPV3	30.1%
11	RENT3	31.9%
12	LREN3	33.6%
13	ABEV3	35.2%
14	ELET3	36.7%
15	BPAC11	38.0%
16	RAIL3	39.3%
17	WEGE3	40.6%
18	SUZB3	41.8%
19	GGBR4	43.0%
20	EQTL3	44.1%
21	ITSA4	45.2%
22	VBBR3	46.3%
23	AZUL4	47.4%
24	ASAI3	48.5%
25	BRFS3	49.5%
26	NTCO3	50.5%
27	MRVE3	51.4%
28	JBSS3	52.4%
29	CIEL3	53.3%
30	RRRP3	54.2%
31	BBSE3	55.1%
32	CPL6	56.0%
33	RADL3	56.8%
34	CMIG4	57.7%
35	EMBR3	58.5%
36	SBSP3	59.3%

Estimates for April 23-April 24 range. We use trading data up to Mar 11th 2024.

Source: BofA Global Research, Bloomberg

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Exhibit 6: Cumulative Tradability Index (IN) (estimated), up to 92% - PART 2

VIVA3, AURE3 and POMO4 could be added to the index (IN <85%).

IN Rank	Ticker	Cum. IN (%)
37	CSAN3	60.1%
38	UGPA3	60.9%
39	SOMA3	61.6%
40	RDOR3	62.3%
41	CYRE3	63.1%
42	MULT3	63.8%
43	TOTS3	64.5%
44	CSNA3	65.1%
45	TIMS3	65.8%
46	ALOS3	66.4%
47	USIM5	67.0%
48	ARZZ3	67.6%
49	CRFB3	68.2%
50	KLBN11	68.8%
51	ENGI11	69.4%
52	HYPE3	70.0%
53	BEEF3	70.6%
54	YDUQ3	71.2%
55	BHIA3	71.8%
56	BRKM5	72.4%
57	VIVT3	73.0%
58	CCRO3	73.6%
59	GOAU4	74.1%
60	ENEV3	74.7%
61	COGN3	75.2%
62	MRFG3	75.7%
63	RAIZ4	76.2%
64	BBDC3	76.7%
65	IGTI11	77.3%
66	VAMO3	77.8%
67	IRBR3	78.3%
68	PETZ3	78.8%
69	CVCB3	79.2%
70	BRAP4	79.7%
71	TRPL4	80.1%
72	RECV3	80.5%

Estimates for April 23-April 24 range. We use trading data up to Mar 11th 2024.

Source: BofA Global Research, Bloomberg

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Exhibit 7: Cumulative Tradability Index (IN) (estimated), up to 92% - PART 3

VIVA3, AURE3 and POMO4 could be added to the index (IN <85%).

IN Rank	Ticker	Cum. IN (%)
73	TAE11	80.9%
74	SMT03	81.3%
75	VIVA3	81.7%
76	ELET6	82.1%
77	EGIE3	82.4%
78	ALPA4	82.8%
79	SLCE3	83.2%
80	CPFE3	83.5%
81	AURE3	83.9%
82	LWSA3	84.3%
83	FLRY3	84.6%
84	POMO4	85.0%
85	CMIN3	85.3%
86	PCAR3	85.7%
87	CXSE3	86.0%
88	SANB11	86.3%
89	SMFT3	86.7%
90	PSSA3	87.0%
91	MOVI3	87.3%
92	GMAT3	87.6%
93	DIRR3	87.9%
94	TEND3	88.2%
95	EZTC3	88.4%
96	STBP3	88.7%
97	CPL3	89.0%
98	DXCO3	89.2%
99	GFSA3	89.5%
100	CSMG3	89.7%
101	ANIM3	90.0%
102	ECOR3	90.2%
103	MDIA3	90.5%
104	ENAT3	90.7%
105	HBSA3	90.9%
106	SBFG3	91.1%
107	CURY3	91.4%
108	SIMH3	91.6%

Estimates for April 23-April 24 range. We use trading data up to Mar 11th 2024.

Source: BofA Global Research, Bloomberg

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Ibovespa Index methodology

Ibovespa: free float-based index

The Bovespa Index (Ibovespa) is Brazil's main equity index benchmark. It is a cumulative index, so its value represents the current value of a portfolio that began on 2 January 1968, with a starting value of 100. The index is rebalanced every four months.

- **Criteria for inclusion:** 1) stocks within the 85% highest negotiability index; 2) stocks that traded in at least 95% of the trading days in the three previous indexes; 3) stocks with a volume share of at least 0.1%; and 4) stocks valued above R\$1.0 per share (no penny stocks).
- **Criteria for exclusion:** 1) stocks not within the 90% highest negotiability index; 2) stocks valued below R\$1.0/share (penny stocks); and 3) stocks that enter special situations (bankruptcy), with such stocks removed by the end of the first trading day after the announcement of the special situation.
- The **tradability index** gives a greater weight to trading volumes (two-thirds) compared to the number of trades (one-third). It is calculated on a daily basis, summed and then divided by the number of trading days of the analyzed period. The negotiability index is calculated as follows:

$$IN = \frac{\sum_{i=1}^P \sqrt[3]{\frac{n_a}{N} \times \left(\frac{v_a}{V}\right)^2}}{P}$$

Where:

IN = tradability index

n_a = number of trades of asset a

N = number of total trades

v_a = volume of trades of asset a

V = volume of total trades

P = number of trading days

- **Weights:** each stock is weighted by its free float market cap, with a 2x IN cap.

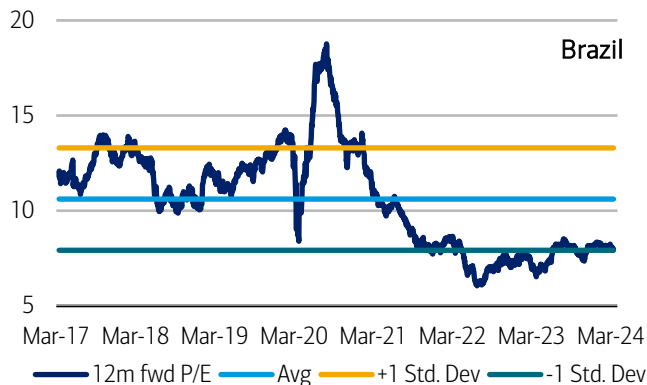
Source (Portuguese): <http://bvmf.bmfbovespa.com.br/indices/download/Manual-de-procedimentos-pt-br.pdf>

Source (English): <http://bvmf.bmfbovespa.com.br/indices/download/Manual-de-procedimentos-en-us.pdf>

LatAm valuation

Exhibit 8: Ibovespa P/E ratio (12m fwd)

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

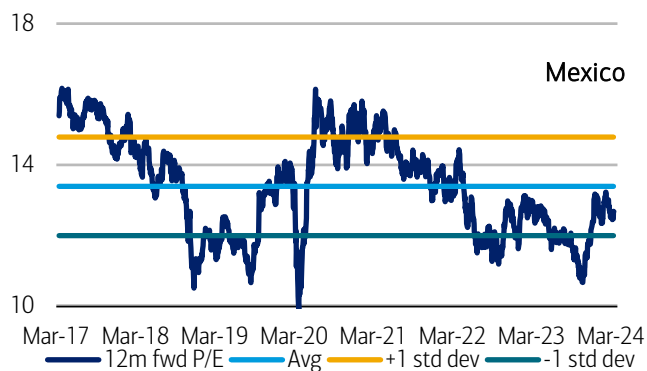


Source: BofA Global Research, Bloomberg

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Exhibit 10: Mexbol P/E ratio, Mar-17 to Mar-24

Trading at 5% discount vs hist.

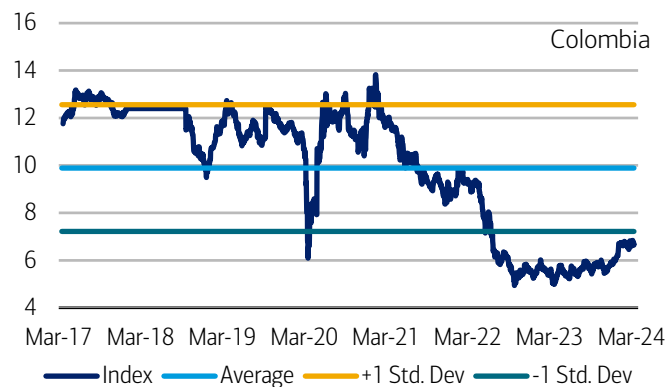


Source: BofA Global Research, Bloomberg

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Exhibit 12: Colcap P/E ratio, Mar-17 to Mar-24

Trading more than 1 Std Dev below historical average.

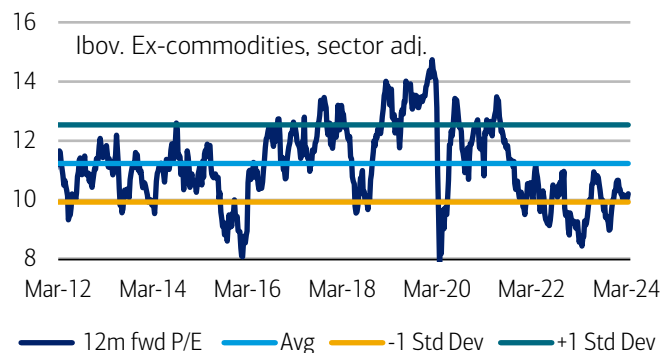


Source: BofA Global Research, Bloomberg

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Exhibit 9: Ibovespa P/E ratio (12m fwd, sector adjusted ex. commodities)

Ibov ex-commodities at 9% discount vs hist.



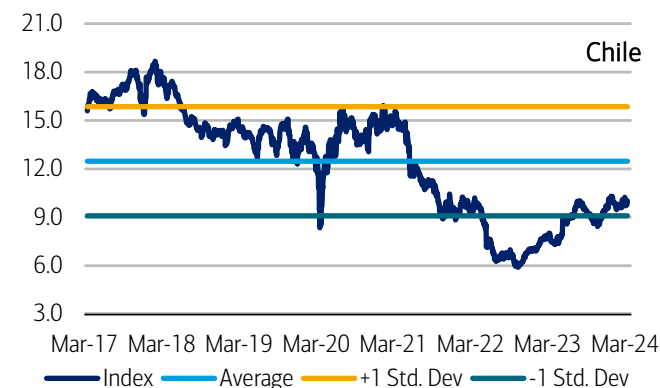
Note: Sector weights were adjusted and kept constant through time.

Source: BofA Global Research, Bloomberg

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Exhibit 11: 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 13: Valuation summary

Brazil 25% discounted vs hist.

Country	Index	Current	Average	Std. Dev	Prem. to Hist	Prem. to EM*
Brazil	Ibov	8.0	10.6	2.7	-25%	-37%
BZ Ex-commod.		10.2	11.2	11.2	-9%	-15%
Mexico	Mexbol	12.7	13.4	1.4	-5%	6%
Chile	Ipsa	10.0	12.5	3.4	-20%	-13%
Peru	SPBLPGPT	12.1	12.1	2.6	0%	9%
Colombia	Colcap	6.7	9.9	2.7	-33%	-51%
Argentina	Merval	8.3	9.5	2.9	-13%	-39%
EM	MXEF	12.1	12.2	1.2	-1%	-

Source: BofA Global Research, Bloomberg

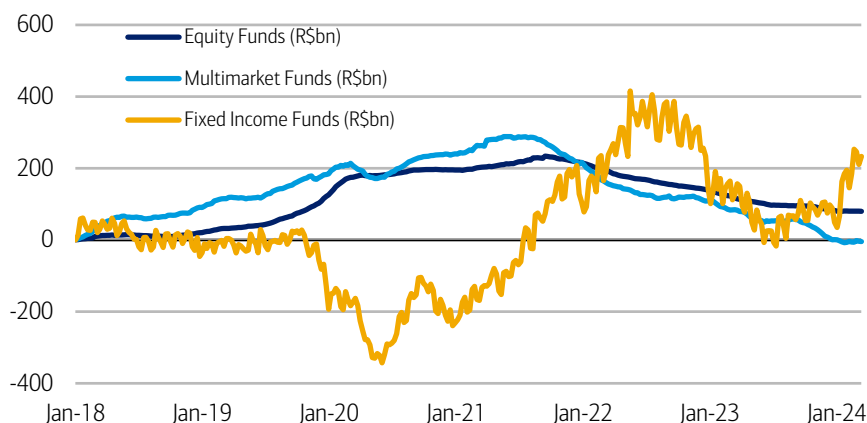
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Flows & Positioning

Brazil flows

Exhibit 14: 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 15: Equity and Multimarket funds weekly flows (R\$mn) (Brazil local funds)

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

Fund type (R\$ mn)	AUM	12-Jan	19-Jan	26-Jan	2-Feb	9-Feb	16-Feb	23-Feb	1-Mar	8-Mar	15-Mar*	2024	2023
Free Portfolio	259,161	-486	638	829	137	-22	-323	235	-122	-276	-122	-657	-35,568
Closed-end Funds	131,067	34	37	16	100	21	0	17	420	-79	-5	288	373
Index Enhanced	42,324	-383	-10	-54	-256	-230	-77	-45	150	55	-2	-1,520	-11,081
Value / Growth	18,028	-30	56	179	-111	84	12	55	-1	-112	-22	24	-4,634
FMP - FGTS	12,264	-29	-41	-27	-49	-33	-15	-43	-31	-25	-11	-328	-1,269
Dividends	11,908	-6	-69	19	23	27	2	-21	68	16	-9	-26	-2,658
Sector	10,612	-16	-12	-9	-5	-12	0	-25	-6	2	2	-89	420
Indexed	10,714	43	-32	82	62	3	35	-84	-53	136	-28	279	-2,045
Small Caps	5,590	-8	-4	-16	-101	-20	-11	-5	30	-20	-12	-200	-453
Single Stocks	10,510	0	-16	-41	6	62	32	37	38	-18	-45	54	-967
Sustainability / Governance	40	0	-9	0	0	0	0	0	0	0	0	-11	0
Foreign Investments	158,682	257	2	47	123	171	56	277	70	-104	-69	1,696	21,794
Equity Funds (Total)	670,899	-624	539	1,026	-70	50	-288	397	562	-425	-322	-491	-36,088
Equity Funds (Total ex. Foreign Invest.)	368,886	-886	542	990	-244	-109	-329	146	104	-217	-237	-2,146	-56,986
Free Portfolio	818,115	-2,359	-2,735	-1,753	1,881	4,451	-270	-165	5,888	-863	-256	5,017	-36,493
Foreign Investments	797,968	-993	-768	-2,220	377	-3,688	-1,815	-2,052	1,538	219	-79	-10,888	-69,450
Macro	229,306	-478	-128	-604	-773	-1,435	-1,286	-619	-979	-1,009	-670	-9,264	-61,875
Dynamic	43,924	-124	-134	-138	-337	-271	-305	-341	-153	-96	-75	-2,080	-7,210
Specific Strategy	73,428	254	-5	90	106	156	91	475	24	234	11	1,412	2,110
Long/Short Directional	7,214	1	-27	50	-12	-19	-61	-12	8	-19	-3	-214	-2,555
Balanced / Mixed	12,142	-12	-20	11	-70	95	-3	-28	-32	6	0	-10	-1,065
Trading	3,011	-1	-10	-11	3	-1	-3	-14	2	-1	0	-35	-625
Long/Short Neutral	2,274	-3	-2	0	0	-1	-5	-12	-4	1	-1	-38	-381
Protected Capital	768	0	-13	0	-14	0	0	0	-15	-1	0	-44	73
Multimarket Funds (Total)	1,988,150	-3,715	-3,840	-4,576	1,161	-714	-3,657	-2,767	6,277	-1,530	-1,072	-16,144	-177,471
Multimarket Funds (Total ex. Foreign Invest.)	1,190,182	-2,722	-3,072	-2,356	784	2,975	-1,842	-716	4,739	-1,749	-993	-5,256	-108,022

(*) Preliminary data, up to Wednesday.

Source: Economática

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Exhibit 16: Fixed Income funds weekly flows (R\$bn) (Brazil local funds)

Brazil local fixed income funds had strong inflows YTD

Fund type	AUM	16-Feb	23-Feb	1-Mar	8-Mar	15-Mar*	YTD
Short Duration Inv. Grade	1,071	8.6	4.8	5.0	3.1	3.8	37.6
Short Duration Sovereign	948	21.8	-21.2	-26.4	13.0	2.3	77.1
All Duration Credit	390	2.7	3.5	0.8	5.3	0.6	25.9
All Duration Inv. Grade	781	9.0	7.5	0.3	-6.7	7.9	24.3
All Duration Sovereign	245	3.7	-2.0	-0.6	-0.6	1.2	7.8
Simple	386	12.9	-1.0	-12.9	6.1	5.8	35.0
Other	500	9.4	1.6	-1.8	2.1	0.4	12.5
Fixed Income (Total)							
Ex. Foreign Invest.	4,304	59	-7	-35	22	22	212

(*) Preliminary data, up to Wednesday.

Source: Economatica

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Exhibit 17: Foreign flow to B3 (R\$bn), Apr-23 to Mar-24

Foreign flows into BZ local exchange (B3) had R\$29bn 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	-6	0	-5
12M Cumulative	0	13	11	25
2024 YTD	-7	-23	1	-29
2023	2	45	13	60
2022	-2	101	17	116

Source: B3, Bloomberg

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Global flows**Exhibit 18: 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 19: 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	(105)	-0.9%	(301)	-2.5%	(530)	-4.4%
Brazil	(115)	-0.7%	(502)	-3.0%	(987)	-6.0%
Mexico	(0)	0.0%	177	1.8%	(47)	-0.5%
Andean	6	0.2%	3	0.1%	(133)	-4.0%
LatAmTotal	(220)	-0.5%	(629)	-1.5%	(1,652)	-4.0%
China	(332)	0.0%	4,774	0.3%	53,600	3.2%
EM Total	(717)	0.0%	3,646	0.2%	54,902	3.3%

Source: EPFR

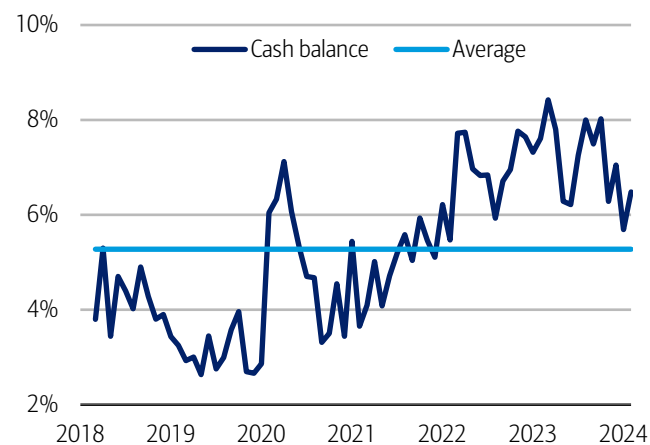
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LatAm positioning

Exhibit 20: Average cash position (2018-2024)

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

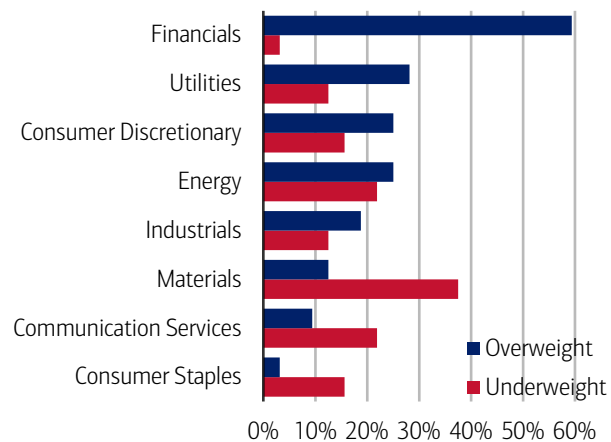


Source: LatAm Fund Manager Survey

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Exhibit 21: Which sectors among equities are you most underweight?

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



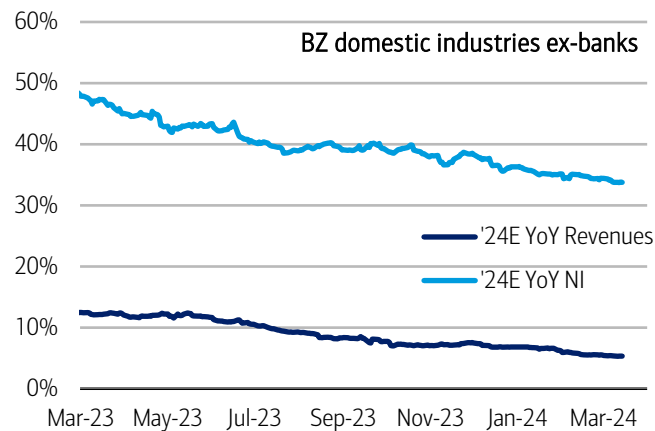
Source: LatAm Fund Manager Survey

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Consensus Earnings Revisions for Brazil

Exhibit 22: 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).



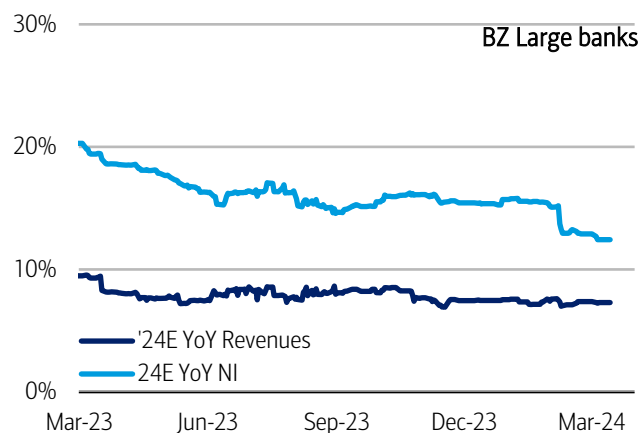
Consensus estimates.

Source: Bloomberg, BofA Global Research

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Exhibit 23: 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 24: LatAm 3-month ERR – country details

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

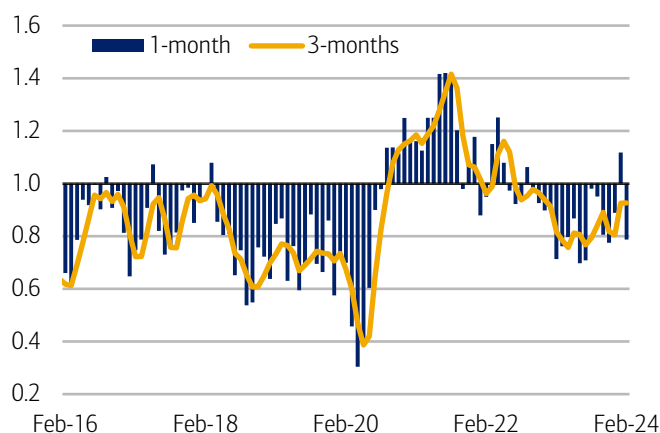
LatAm countries	12m Avg	Dec-23	Jan-24	Feb-24	1M Chg in 3M ERR
Argentina	2.5	1.2	1.2	1.7	0.48
Brazil	0.8	0.9	1.0	0.9	-0.07
Chile	0.8	0.9	1.0	0.9	-0.05
Colombia	0.6	0.6	0.3	0.6	0.27
Mexico	0.9	0.8	1.0	0.9	-0.03
Peru	0.7	0.4	0.6	1.2	0.58
LatAm	0.8	0.8	0.9	0.9	0.00

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 25: LatAm Earnings Revision Ratio (Feb 16-Feb 24)

3-month ERR at 0.9 in Jan-24.



Source: BofA Global Research, Factset, Bloomberg

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Exhibit 26: LatAm 3-month ERR – sector details

IT shows the highest ERR (2.2).

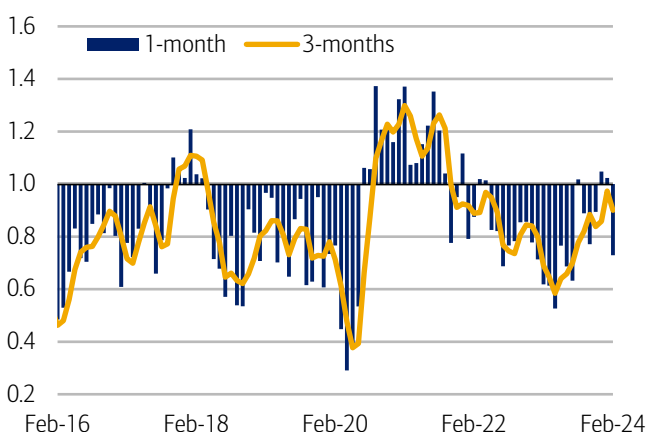
LatAm sectors	12m Avg	Dec-23	Jan-24	Feb-24	1M Chg in 3M ERR
C. Discretionary	0.8	0.8	0.8	0.8	-0.04
C. Staples	0.8	1.0	1.0	0.6	-0.35
Energy	0.9	1.0	0.7	0.9	0.16
Financials	1.3	1.0	1.1	1.6	0.43
Health Care	0.7	0.6	0.7	0.8	0.12
Industrials	0.8	0.8	0.9	0.8	-0.09
IT	1.4	1.9	2.2	1.5	-0.74
Materials	0.6	0.5	0.7	0.8	0.05
Real Estate	1.2	1.8	2.1	1.3	-0.76
Communication	0.9	1.0	1.4	2.1	0.69
Utilities	1.1	1.5	1.2	1.1	-0.10
LatAm	0.8	0.8	0.9	0.9	0.00

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 27: Brazil Earnings Revision Ratio (Feb 16-Feb 24)

Brazil 3-month ERR nearing to 1 in Jan-24.



Source: BofA Global Research, Factset, Bloomberg

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Exhibit 28: Brazil 3-month ERR – sector details

Communication and IT show highest ERR in December.

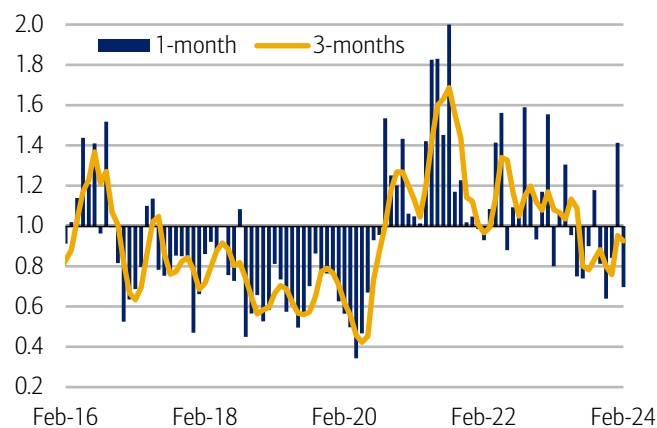
Brazil sectors	12m Avg	Dec-23	Jan-24	Feb-24	1M Chg in 3M ERR
C. Discretionary	0.6	0.8	0.7	0.6	-0.10
C. Staples	0.6	0.8	1.0	0.8	-0.25
Energy	0.9	1.1	0.8	1.2	0.37
Financials	1.3	1.1	1.2	1.2	-0.02
Health Care	0.6	0.6	0.6	0.7	0.05
Industrials	0.7	0.7	0.8	0.7	-0.13
IT	1.5	2.4	2.9	1.6	-1.35
Materials	0.5	0.5	0.8	0.8	0.00
Real Estate	2.2	4.5	1.8	0.8	-0.95
Communication	4.0	4.3	3.7	4.8	1.09
Utilities	1.1	1.5	1.3	1.2	-0.06
Brazil	0.8	0.9	1.0	0.9	-0.07

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 29: Mexico Earnings Revision Ratio (Feb 16-Feb 24)

Mexico 3-month ERR at 1 in Jan-24.



Source: BofA Global Research, Factset, Bloomberg

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Exhibit 30: Mexico 3-month ERR – sector details

Financials has the highest ERR in Mexico (2.1 in Jan-24).

Mexico sectors	12m Avg	Dec-23	Jan-24	Feb-24	1M Chg in 3M ERR
C. Discretionary	1.0	0.6	0.6	1.1	0.53
C. Staples	1.0	1.4	1.0	0.4	-0.53
Energy	NA	NA	NA	NA	NA
Financials	2.1	1.6	2.1	2.2	0.06
Health Care	NA	NA	NA	NA	NA
Industrials	0.8	0.7	0.9	0.9	-0.02
IT	NA	NA	NA	NA	NA
Materials	0.8	0.5	0.8	0.8	-0.02
Real Estate	0.9	1.1	1.7	1.3	-0.44
Communication	0.4	0.1	0.1	0.5	0.40
Utilities	NA	NA	NA	NA	NA
Mexico	0.9	0.8	1.0	0.9	-0.03

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 31: 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)
Enauta	BZ	Oil & Gas Producers	ENAT3 BZ	QGEF	6.9	3.8	0.9	45%	39%
Petrobras PN	BZ	Oils	PETRA BZ	PTBPF	4.1	4.4	0.8	-12%	-3%
Petro-Rio	BZ	Oil & Gas Producers	PRI03 BZ	HRTPF	5.9	4.8	0.8	15%	6%
Vale ON	BZ	Non-Ferrous-Mining	VALE3 BZ	VALEF	4.8	5.2	0.5	-8%	-22%
Copa	CO	Airlines	CPA US	CPA	6.4	5.7	0.7	6%	-2%
Ternium	MX	Steels	TX US	TX	5.4	5.8	-0.5	8%	-7%
Ecopetrol	CO	Oil & Gas Producers	ECOPETL CB	XESSF	5.6	6.1	1.6	-7%	-9%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	6.1	6.2	1.6	-9%	-13%
Cemig	BZ	Electric Utilities	CMIG4 BZ	CEMCF	5.0	6.3	1.1	-2%	-3%
COPASA	BZ	Water Utilities	CSMG3 BZ	CSAOF	5.8	6.3	1.4	-8%	-2%
Gerdau	BZ	Steels	GGBR4 BZ	GGBUF	7.7	7.5	0.5	1%	-11%
SQM	CL	Fertilizers	SQM US	SQM	10.3	8.1	0.7	24%	-19%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	7.7	8.2	1.5	-6%	-13%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPOF	8.9	8.3	0.4	7%	16%
Usiminas	BZ	Steels	USIM5 BZ	USSPF	10.9	8.6	0.0	6%	6%
Danahos	MX	REITs	DANHOS13 MM	GRFFF	9.1	9.2	1.9	-3%	-3%
Prom y Oper Infra	MX	Toll Road Operators	PINFRA* MM	PYOIF	10.2	9.7	-0.9	0%	-2%
AMX	MX	Telecom Services-Wireless/Cellular	AMXB MM	AMXVF	11.5	9.8	2.0	11%	3%
Fleury	BZ	Healthcare Technology & Distribution	FLRY3 BZ	XPOXF	12.5	10.3	2.0	-7%	-17%
Soriana	MX	Supermarkets/Food Retailers	SORIANAB MM	ONZBF	11.6	10.4	1.3	-5%	-9%
Median								-1%	-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. 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 32: 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	69.3	0%	-3%	-6%
Mercado Libre	BZ	Internet/e-Commerce	MELI US	MELI	32.8	0%	-8%	-1%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	28.9	0%	0%	-26%
WEG	BZ	Industrials/Multi-Industry	WEGE3 BZ	WGSEF	26.6	2%	13%	2%
Raia Drogasil	BZ	Drug Store Chains	RADL3 BZ	RAIAF	24.4	1%	6%	-8%
Brasil Foods	BZ	Food Processors	BRFS3 BZ	BRFFF	21.7	2%	19%	25%
Southern Copper	PE	Non-Ferrous-Mining	SCCO US	SCCO	21.5	3%	25%	13%
Eneva	BZ	Electric Utilities	ENEV3 BZ	XZUMF	20.8	1%	-1%	-7%
Vesta	MX	Real Estate/Property	VESTA* MM	VESTF	20.2	2%	2%	-6%
TOTVS	BZ	Server & Enterprise Software	TOTS3 BZ	XBEGF	19.6	1%	1%	-8%
Rumo Logistica	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	18.8	0%	-8%	-3%
Omega Geração	BZ	Renewable Energy	SRNA3 BZ	XZQAF	17.4	1%	-14%	-13%
Falabella	CL	Retailing-Broadline/Department Stores	FALAB CI	XDIYF	17.3	1%	10%	14%
Alpargatas	BZ	Footwear	ALPA4 BZ	SRDDF	16.6	0%	18%	1%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	16.1	0%	12%	10%
Bimbo	MX	Bakers	BIMBOA MM	GRBMF	15.4	2%	-8%	-17%
Dexco	BZ	Forest Products	DXCO3 BZ	DURXF	14.3	1%	9%	2%
PARAUCO	CL	Real Estate/Property	PARAUCO CI	XNNJF	13.9	2%	1%	3%
Chedraui	MX	Supermarkets/Food Retailers	CHDRAUIB MM	GCHZF	13.8	1%	11%	30%
Cogna	BZ	Education & Training Services	COGN3 BZ	KROTF	13.1	0%	17%	-19%
Median							4%	-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. 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 33: 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	16.7	-12%	-3%
Ecopetrol	CO	Oil & Gas Producers	ECOPETL CB	XESSF	11.8	-7%	-9%
Bradespar	BZ	Non-Ferrous-Mining	BRAP4 BZ	BRDQF	11.7	-8%	-22%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	10.4	-3%	-3%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	10.2	1%	-2%
Banco do Brasil	BZ	Banks-Retail	BBAS3 BZ	XBBAF	9.9	-1%	2%
Vale ON	BZ	Non-Ferrous-Mining	VALE3 BZ	VALEF	9.5	-8%	-22%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	9.4	-6%	-13%
TAESA	BZ	Electric Utilities	TAEE11 BZ	XTAEF	8.5	-2%	-8%
Cemig	BZ	Electric Utilities	CMIG4 BZ	CEMCF	8.3	-2%	-3%
Banrisul	BZ	Banks-Retail	BRSR6 BZ	XGRBF	8.3	0%	12%
Trans Paulista	BZ	Electric Utilities	TRPL4 BZ	XOOTF	8.0	-7%	-7%
COPASA	BZ	Water Utilities	CSMG3 BZ	CSAOF	7.6	-8%	-2%
SQM	CL	Fertilizers	SQM US	SQM	7.6	24%	-19%
Banorte	MX	Banks-Retail	GFNORTEO MM	GBOOF	7.6	-5%	1%
Itau Unibanco	BZ	Banks-Multinational/Universal	ITUB4 BZ	ITUBF	7.5	1%	2%
Banco de Chile	CL	Banks-Retail	CHILE CI	XHNDF	7.4	3%	8%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	7.1	-9%	-13%
Median						-3%	-3%

Source: BofA Global Research, Bloomberg

Stocks are selected from our LatAm universe of coverage regardless of the rating. Stocks must have at least 5y of trading. Screen criteria: Mkt Cap>US\$1bn. 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 34: 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	-5%	-9%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	0.4	NA	1%	-2%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	0.4	1.9	-3%	-3%
Auren Energia	BZ	Electric Utilities	AURE3 BZ	XZMXF	0.4	1.9	-7%	-10%
Chedraui	MX	Supermarkets/Food Retailers	CHDRAUIB MM	GCHEF	0.4	1.5	11%	30%
TIM	BZ	Telecom Services-Wireless/Cellular	TIMS3 BZ	XZUAF	0.4	0.9	2%	5%
Grupo Financiero Galicia	AR	Banks-Retail	GGAL US	GGAL	0.4	NA	21%	35%
Vivo	BZ	Telecom Equipment-Wireless/Cellular	VIVT3 BZ	XCPTF	0.5	0.7	-1%	-1%
AmBev	BZ	Brewers	ABEV3 BZ	AVBPF	0.5	-0.5	-1%	-7%
Coca-Cola Andina	CL	Soft Drinks	ANDINAB CI	AKOBF	0.5	1.6	9%	18%
Banco Macro	AR	Banks-Retail	BMA US	BMA	0.5	NA	36%	45%
Gruma	MX	Food Producers	GRUMAB MM	GPAGF	0.5	1.6	-7%	-6%
Copa	CO	Airlines	CPA US	CPA	0.5	0.7	6%	-2%
Qualitas	MX	Insurance - Non-Life	Q* MM	QUCOF	0.5	NA	1%	15%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	0.5	1.6	-9%	-13%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	0.6	0.4	7%	16%
Grupo BMV	MX	Other Financials	BOLSAA MM	BOMXF	0.6	NA	4%	7%
Banco de Chile	CL	Banks-Retail	CHILE CI	XHNDF	0.6	NA	3%	8%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	0.6	1.5	-6%	-13%
Arca	MX	Soft Drinks	AC* MM	EMBVF	0.6	0.6	-4%	0%
Median							1%	-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.

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Exhibit 35: 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	11%	9%
Banco inter	BZ	Banks-Retail	INTR US	INTR	1.9	NA	14%	10%
Banco Pan	BZ	Banks-Retail	BPAN4 BZ	XQSFF	1.6	NA	0%	4%
Televisa	MX	Cable TV	TLEVICPO MM	GRPFF	1.6	2.6	-1%	-10%
B3 SA	BZ	Financial Services-Consumer/Commercial	B3SA3 BZ	XIMAF	1.6	NA	-6%	-14%
Cogna	BZ	Education & Training Services	COGN3 BZ	KROTF	1.6	3.4	17%	-19%
Ecorodovias	BZ	Toll Road Operators	ECOR3 BZ	XVEDF	1.5	3.6	2%	-2%
Estacio	BZ	Education & Training Services	YDUQ3 BZ	ECPCF	1.5	2.4	13%	-5%
CSN	BZ	Steels	CSNA3 BZ	SIDHF	1.5	3.0	-12%	-20%
BTG Pactual	BZ	Banks-Retail	BPAC11 BZ	XNXCF	1.4	NA	-1%	-1%
Cosan	BZ	Energy Commodities	CSAN3 BZ	CSAIF	1.4	3.2	-10%	-14%
GFINbursa	MX	Banks-Retail	GFINBURO MM	GPFOF	1.3	NA	-5%	9%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	1.3	5.0	0%	-26%
Localiza	BZ	Car Rental	RENT3 BZ	LZRFF	1.3	3.4	3%	-15%
Brasil Foods	BZ	Food Processors	BRFS3 BZ	BRFFF	1.3	3.9	19%	25%
Credicorp	PE	Banks-Retail	BAP US	BAP	1.3	NA	9%	15%
Embraer	BZ	Aerospace	ERJ US	ERJ	1.2	2.3	33%	27%
Dexco	BZ	Forest Products	DXCO3 BZ	DURXF	1.2	4.0	9%	2%
Aliansce	BZ	Real Estate/Property	ALOS3 BZ	XADSF	1.2	4.0	2%	-8%
Median							2%	-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 >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 36: 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 & Training Services	COGN3 BZ	KROTF	-90%	13.1	134.7	3.4	17%	-19%
Televisa	MX	Cable TV	TLEVICPO MM	GRPFF	-87%	1.3	9.5	2.6	-1%	-10%
Eneva	BZ	Electric Utilities	ENEV3 BZ	XZUMF	-78%	10.0	45.9	4.9	-1%	-7%
Omega Geração	BZ	Renewable Energy	SRNA3 BZ	XZQAF	-77%	17.4	74.8	6.6	-14%	-13%
Rumo Logística	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	-74%	18.8	71.9	2.3	-8%	-3%
Ecorodovias	BZ	Toll Road Operators	ECOR3 BZ	XVEDF	-54%	6.7	14.7	3.6	2%	-2%
Embraer	BZ	Aerospace	ERJ US	ERJ	-53%	12.4	26.7	2.3	33%	27%
Bradesco	BZ	Banks-Retail	BBDC4 BZ	BRDPF	-48%	0.9	1.8	NA	6%	-16%
Localiza	BZ	Car Rental	RENT3 BZ	LZRFF	-42%	12.1	20.7	3.4	3%	-15%
Banrisul	BZ	Banks-Retail	BRSR6 BZ	XGRBF	-40%	0.6	1.0	NA	0%	12%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	-39%	7.9	12.9	NA	1%	-2%
Cencosud	CL	Retailing-Broadline/General Merchandisers	CENCOSUD CI	XCSCF	-37%	5.9	9.4	3.4	5%	2%
Alpek	MX	Chemicals-Major	ALPEKA MM	ALPKF	-37%	4.6	6.4	2.9	12%	-6%
Gentera	MX	Banks-Retail	GENTERA* MM	CMPRF	-37%	1.6	2.6	NA	12%	13%
GFINbursa	MX	Banks-Retail	GFINBURO MM	GPFOF	-34%	9.3	14.1	NA	-5%	9%
Hypermarcas	BZ	Pharmaceuticals	HYPE3 BZ	XHPYF	-34%	8.3	12.5	2.7	3%	-8%
Cemex	MX	Building Materials	CX US	CX	-33%	5.4	8.1	2.3	11%	9%
Median									2%	-3%

Source: BofA Global Research, Bloomberg

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



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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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