

# Latam Equity Quant

## Five weeks of rally

### Investment Strategy

### Key takeaways

- Ibov continues to rally, driven by a "lower rates" narrative. Inflation below expectations this week supports the movement.
- The move of the last few weeks was driven by locals, as there were no foreign inflows into Brazil local exchange.
- Local funds continue to post outflows in line with the average of the last six months.

### Last week in numbers

**Five straight weeks of Ibov rally.** Now at 115k, highest point in 2023. Still 12% away from historical highs of 131k in June 2021. Ibov up 2.6% this week vs SPX +0.3% and EM +1%.

**Inflation print below expectations** on Wednesday likely contributed to the decline in rates in Brazil and continuing upward move in equities. (see report: [May IPCA: positive headline and breakdown](#))

**Ibov ex-commodities trades at 8% discount to historicals**, compared to 16% discount a month ago and around 26% discount at 2023 lows (Exhibit 5).

**Rally of the last weeks likely driven by locals**, as there were no foreign inflows to B3 during that time. In fact, foreign flows were negative in the last month and cumulative YTD flows are at zero (Exhibit 2).

**Meanwhile, inflows to EM are positive this week (+US\$2.6bn) but all into China.** In the last month, almost of all of EM inflows went into China (Exhibit 3).

**Brazil local equity funds continue to show outflows:** R\$0.6bn last week (but R\$1.3bn outflows after removing one outlier fund, which is roughly in line with the average of the last six months, -R\$1.5/week). Preliminary data for this week shows R\$0.5bn outflows. Since the peak in Sep-21, there has been close to R\$131bn outflows (Exhibit 11).

**Brazil local hedge funds:** Local hedge funds had R\$1.4bn outflows last week (but R\$4.4bn outflows after removing two outlier funds, which is above the average of the last six months, -R\$2.5/week). Preliminary data for this week show R\$2bn outflows (Exhibit 11).

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

09 June 2023

Investment Strategy  
Latin America

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### Exhibit 1: LatAm Earnings Revision Ratio

Earnings Revision Ratio = Number of Up Revisions / Number of Down Revisions. Brazil ERR at 0.6. Sector details in Exhibit 24.

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 15 to 17.**

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Timestamp: 09 June 2023 05:30AM EDT

**Exhibit 2: Cumulative foreign flows to B3 YTD (R\$bn)**

Foreign flows into the Brazilian exchange are flat YTD

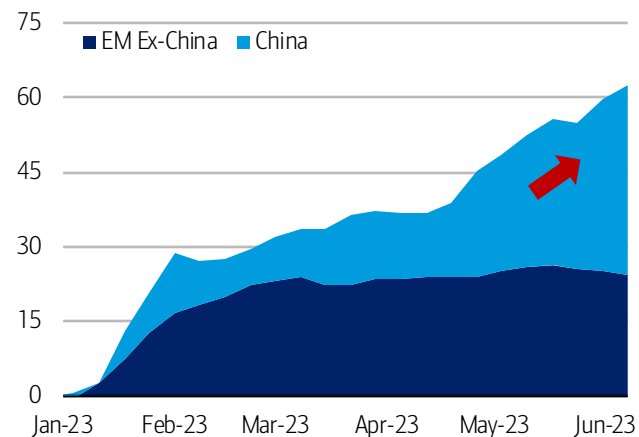


Source: Bloomberg

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**Exhibit 3: Cumulative YTD flows EM equity funds**

Inflows into EM in the last month went mostly into China



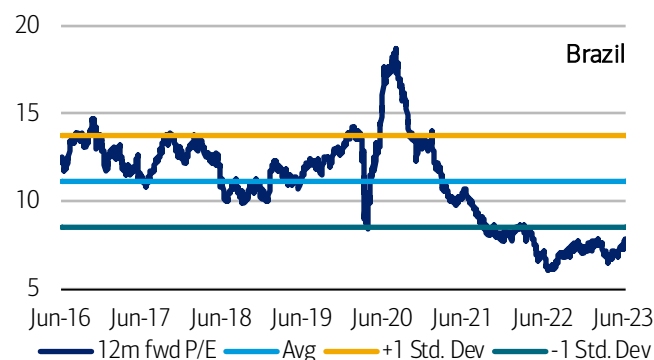
Source: Bloomberg

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# LatAm valuation

## Exhibit 4: Ibovespa P/E ratio (12m fwd)

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

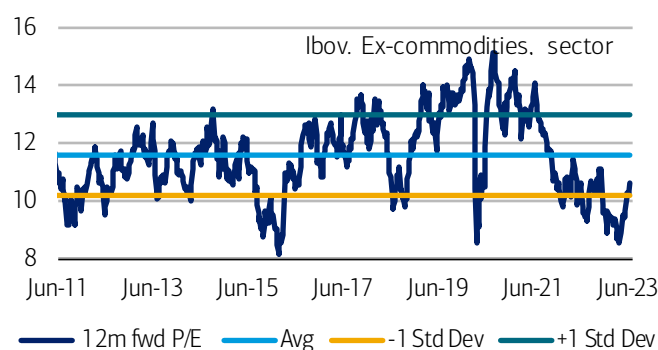


Source: BofA Global Research, Bloomberg

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## Exhibit 5: Ibovespa P/E ratio (12m fwd, sector adjusted ex. commodities)

Ibov ex-commodities at 8% discount vs hist



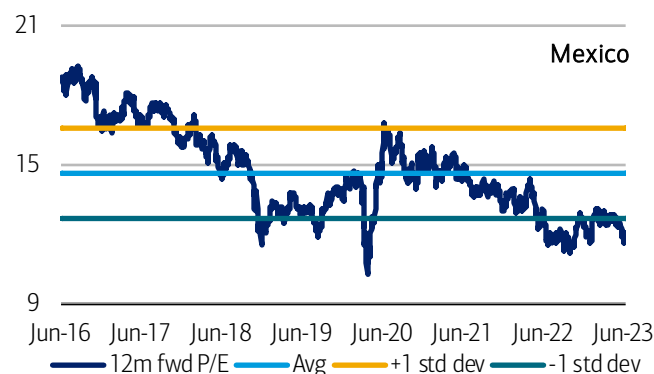
Note: Sector weights were adjusted and kept constant through time.

Source: BofA Global Research, Bloomberg

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## Exhibit 6: Mexbol P/E ratio, Jun-17 to Jun-23

Trading 1 Std Dev below historical average.

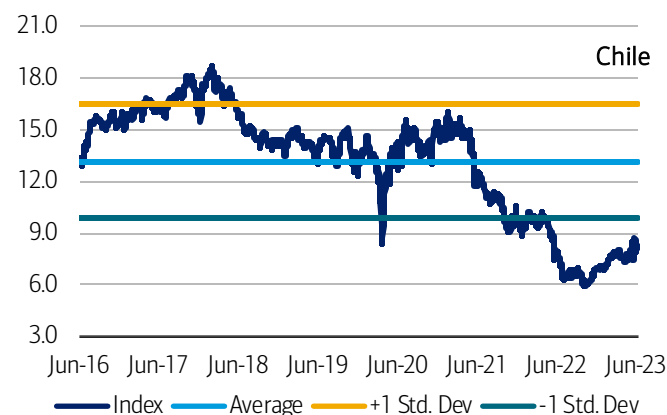


Source: BofA Global Research, Bloomberg

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## Exhibit 7: IPSA P/E ratio, Jun-17 to Jun-23

Trading more than 1 Std Dev below historical average.

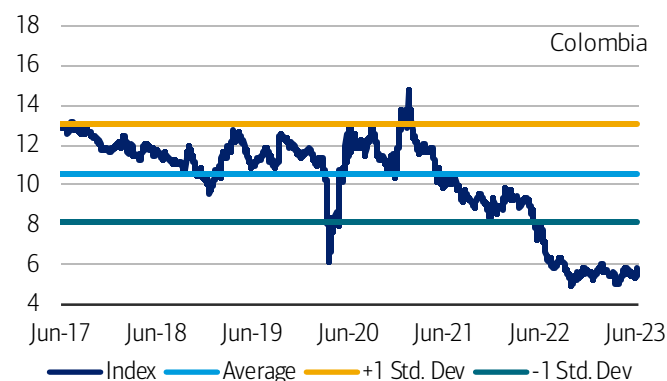


Source: BofA Global Research, Bloomberg

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## Exhibit 8: Colcap P/E ratio, Jun-17 to Jun-23

Trading more than 1 Std Dev below historical average.



Source: BofA Global Research, Bloomberg

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## Exhibit 9: Valuation summary

Brazil 29% discounted vs hist.

Country	Index	Current	Average	Std. Dev	Prem. to Hist	Prem. to EM*
Brazil	Ibov	7.9	11.1	2.6	-29%	-37%
BZ	Ex-commod.	10.6	11.6	1.4	-8%	-12%
Mexico	Mexbol	12.0	14.6	1.9	-18%	1%
Chile	Ipsa	8.2	13.1	3.3	-37%	-34%
Peru	SPBLPGPT	8.1	12.5	2.5	-35%	-20%
Colombia	Colcap	5.8	10.6	2.4	-45%	-54%
Argentina	Merval	13.4	10.5	2.9	28%	-40%
<b>EM</b>	<b>MXEF</b>	<b>12.0</b>	<b>12.2</b>	<b>1.2</b>	<b>-1%</b>	<b>-</b>

Source: BofA Global Research, Bloomberg

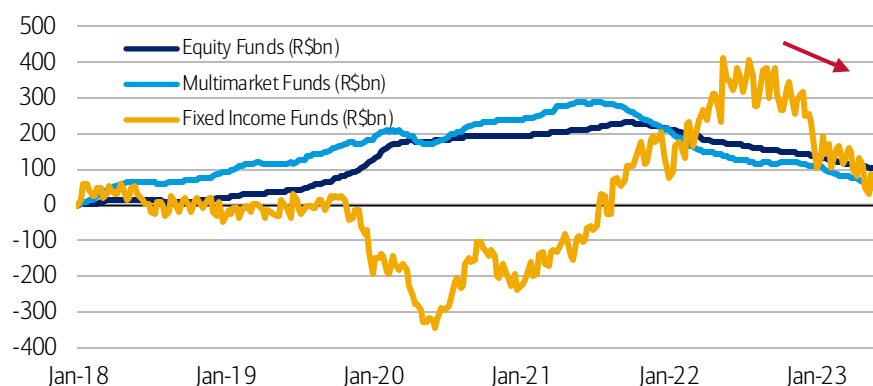
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# Flows & Positioning

## Brazil flows

### Exhibit 10: 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 11: 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	12-May	19-May	26-May	2-Jun	9-Jun*	YTD	Since peak Sep-21
Broad equity Funds	235	-0.7	-1.1	-0.8	-0.7	-0.3	-27	-78
Ibovespa Active	41	-0.1	-0.2	-0.2	-0.2	-0.1	-4	-26
Other	68	-0.2	-0.3	-0.2	0.2	-0.1	-5	-20
<b>Equity Funds (Ex. Foreign Invest.)</b>	<b>345</b>	<b>-1.0</b>	<b>-1.6</b>	<b>-1.3</b>	<b>-0.6</b>	<b>-0.5</b>	<b>-37</b>	<b>-131</b>
Multimarket	805	-2.7	-0.2	-1.3	1.0	-1.4	-32	-124
Macro	267	-1.0	-0.8	-1.3	-1.9	-0.5	-21	-63
Other	146	0.2	-0.4	-0.2	-0.5	-0.1	-7	-36
<b>Multimarket Funds (Ex. Foreign Invest.)</b>	<b>1,218</b>	<b>-3.4</b>	<b>-1.4</b>	<b>-2.8</b>	<b>-1.4</b>	<b>-2.0</b>	<b>-60</b>	<b>-223</b>

(\*) Preliminary data, up to Wednesday.

Source: Economática

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### Exhibit 12: 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	12-May	19-May	26-May	2-Jun	9-Jun*	YTD
FI Short Duration - Invest. Grade	887	1.4	-0.6	-2.9	-6.5	-0.7	-102.6
FI Short Duration Govt	802	32.9	-26.9	-8.5	-18.4	-0.2	22.1
FI All Duration Credit	256	2.8	-0.1	0.3	-1.0	0.3	-13.8
FI All Duration - Invest. Grade	708	1.7	-0.8	0.2	-10.0	-6.4	-31.2
FI All Duration Govt	214	3.3	-5.0	-1.1	-3.3	0.0	-6.8
FI (Broad)	375	11.0	-0.6	0.0	-12.2	-1.3	24.8
Other	492	2.8	2.8	-2.2	-0.3	0.5	-13.8
<b>Fixed Income (Total) Ex. Foreign Invest.</b>	<b>3,729</b>	<b>56</b>	<b>-31</b>	<b>-14</b>	<b>-52</b>	<b>-8</b>	<b>-121</b>

(\*) Preliminary data, up to Wednesday.

Source: Economática

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**Exhibit 13: Foreign flow to B3 (R\$bn), Jul-22 to Jun-23**

Flows are flat YTD

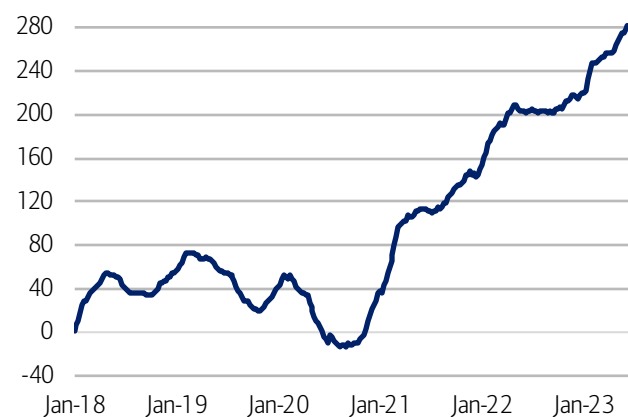
Month	Futures	Cash	IPO/follow-on	TOTAL
Jul-22	(1)	2	-	1
Aug-22	(3)	16	-	13
Sep-22	(3)	(0)	1	(3)
Oct-22	(3)	14	-	11
Nov-22	5	3	-	8
Dec-22	(4)	14	1	12
Jan-23	6	13	-	19
Feb-23	(9)	(2)	-	(11)
Mar-23	(2)	(2)	2	(3)
Apr-23	3	3	1	6
May-23	(6)	(4)	-	(10)
Jun-23	(1)	(0)	-	(2)
12M Cumulative	(18)	56	4	42
2023 YTD	(9)	7	3	(0)
2022	(2)	101	17	116
2021	27	(7)	44	64

Source: B3, Bloomberg

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**Global flows****Exhibit 14: Cumulative flows into EM equity funds (US\$bn), 2018-2023**

EM flows were positive this week. US\$62bn YTD.



Source: EPFR

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**Exhibit 15: Weekly flows to LatAm and EM funds (US\$mnn)**

EM flows were positive this week. US\$62bn YTD.

Region	Week	% Current Assets	4 Weeks	% Current Assets	YTD	% Current Assets
LatAm	73	0.8%	125	1.4%	126	1.4%
Brazil	(131)	-0.9%	290	1.9%	(897)	-5.9%
Mexico	(28)	-0.3%	(57)	-0.6%	265	2.7%
Argentina	(0)	0.0%	(0)	0.0%	14	26.6%
Andean	18	0.5%	21	0.6%	(74)	-2.3%
<b>LatAmTotal</b>	<b>(68)</b>	<b>-0.2%</b>	<b>379</b>	<b>1.0%</b>	<b>(567)</b>	<b>-1.5%</b>
<b>China</b>	<b>3,259</b>	<b>0.2%</b>	<b>11,337</b>	<b>0.8%</b>	<b>37,954</b>	<b>2.6%</b>
<b>EM Total</b>	<b>2,623</b>	<b>0.2%</b>	<b>10,055</b>	<b>0.7%</b>	<b>62,482</b>	<b>4.2%</b>

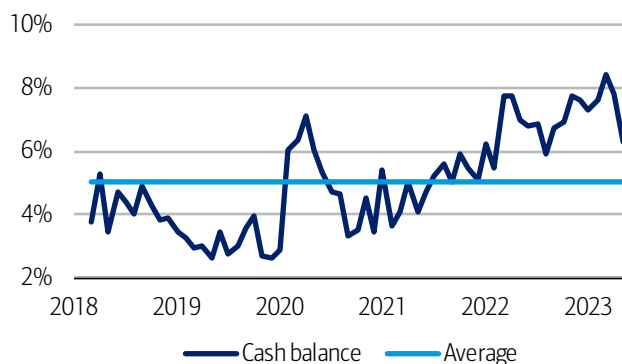
Source: EPFR

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## LatAm positioning

### Exhibit 16: Average cash position (2018-2023)

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

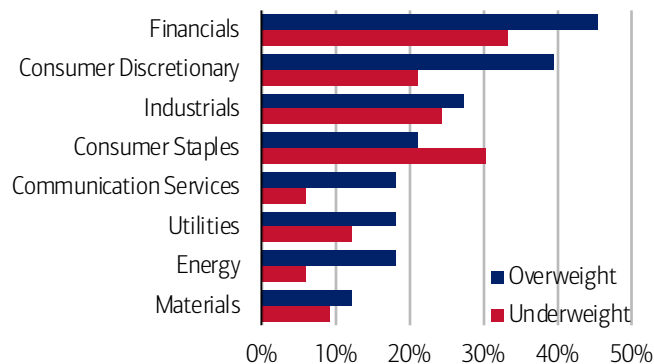


Source: LatAm Fund Manager Survey

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### Exhibit 17: Which sectors among equities are you most underweight?

Participants are more underweight Staples than they are overweight.



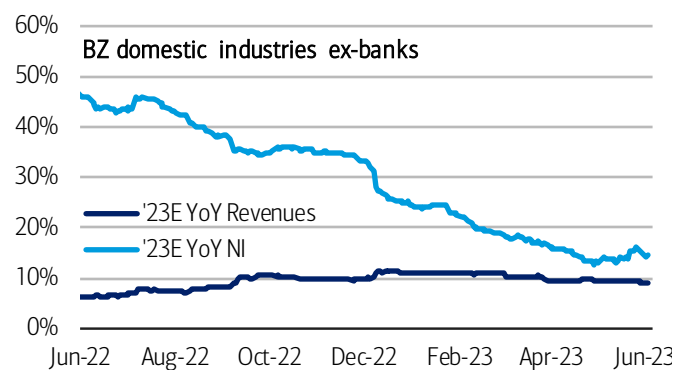
Source: LatAm Fund Manager Survey

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## Consensus Earnings Revisions for Brazil

### Exhibit 18: Brazil domestic industries: consensus revised NI downwards but still expected at 14% YoY growth

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



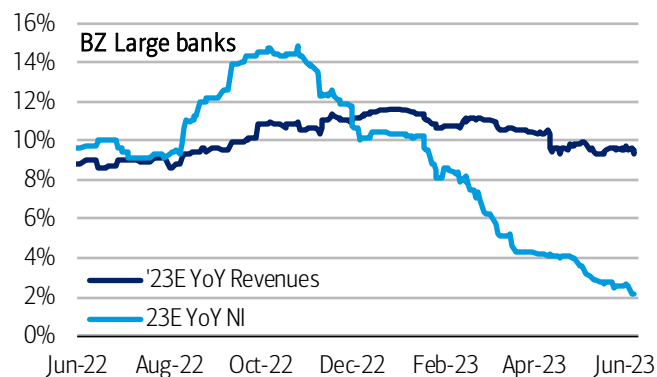
Consensus estimates.

Source: Bloomberg, BofA Global Research

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### Exhibit 19: Brazil Banks: consensus revised NI downwards since Nov-22, but still expected at +2% 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 20: LatAm 3-month ERR – country details

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

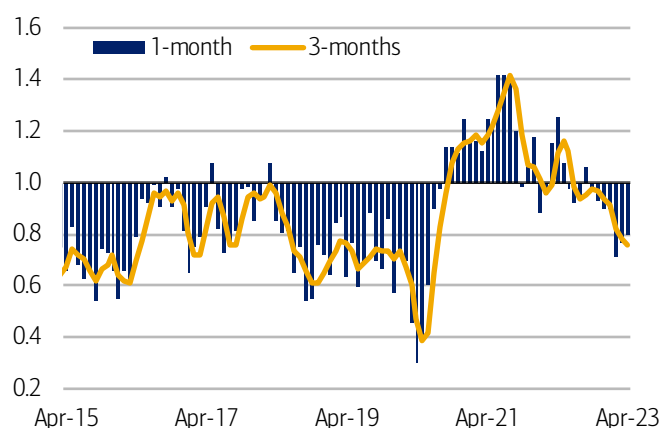
LatAm countries	12m Avg	Feb-23	Mar-23	Apr-23	1M Chg in 3M ERR
Argentina	1.5	1.9	2.0	2.0	0.00
Brazil	0.8	0.7	0.6	0.6	-0.06
Chile	1.3	0.5	0.5	0.6	0.10
Colombia	1.0	0.8	0.8	0.7	-0.09
Mexico	1.1	1.1	1.1	1.0	-0.03
Peru	0.9	1.0	0.7	0.8	0.11
<b>LatAm</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>-0.03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

Source: BofA Global Research, Factset, Bloomberg

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

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

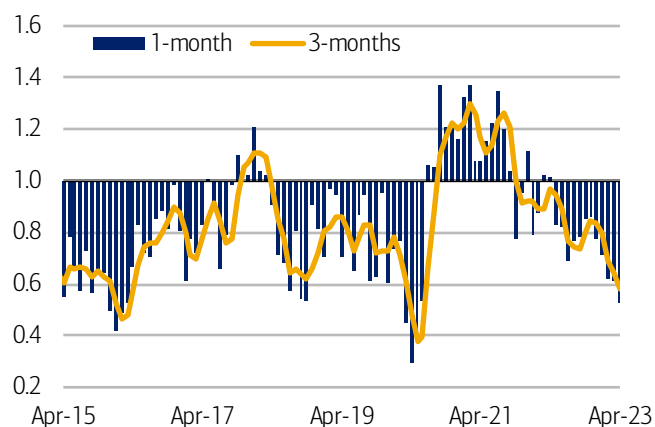


Source: BofA Global Research, Factset, Bloomberg

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## Exhibit 23: 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 22: 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 24: Brazil 3-month ERR – sector details

HealthCare and C. Discretionary with lowest ERR in April.

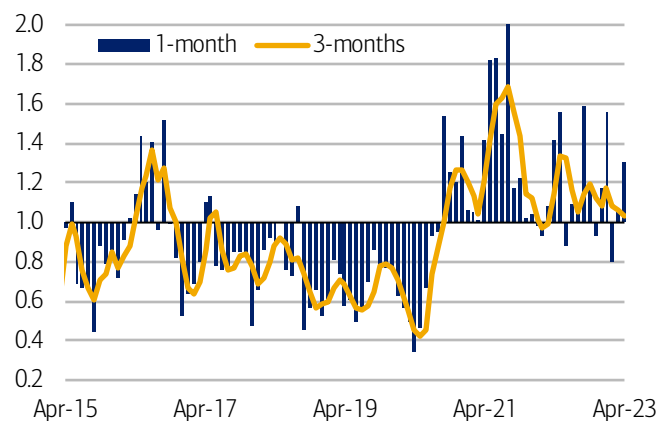
Brazil sectors	12m Avg	Feb-23	Mar-23	Apr-23	1M Chg in 3M ERR
C. Discretionary	0.5	0.4	0.3	0.3	-0.03
C. Staples	0.7	0.5	0.5	0.3	-0.13
Energy	1.0	0.6	0.6	0.8	0.21
Financials	1.1	0.8	0.8	1.1	0.32
Health Care	0.4	0.4	0.3	0.2	-0.11
Industrials	0.8	0.7	0.7	0.6	-0.07
IT	1.0	1.1	0.8	0.7	-0.06
Materials	0.9	0.7	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 25: 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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**Exhibit 26: 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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**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 27: Value screen

Within this screen, Homebuilders, Airlines and Water Utilities 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)
Petro-Rio	BZ	Oil & Gas Producers	PRIO3 BZ	HRTPF	5.2	3.6	1.8	1%	-7%
YPF SA	AR	Oil & Gas Producers	YPF US	YPF	3.6	3.7	1.8	7%	37%
Petrobras PN	BZ	Oils	PETR4 BZ	PTBFB	3.5	3.9	0.5	17%	18%
Ecopetrol	CO	Oil & Gas Producers	ECOPETL CB	XESSF	4.3	4.4	1.4	4%	-10%
Usiminas	BZ	Steels	USIM5 BZ	USSPF	7.7	5.5	0.1	-3%	3%
Cemig	BZ	Electric Utilities	CMIG4 BZ	CEMCF	6.2	5.9	1.4	2%	10%
Vale ON	BZ	Non-Ferrous-Mining	VALE3 BZ	VALEF	5.5	6.3	0.4	-3%	-23%
COPASA	BZ	Water Utilities	CSMG3 BZ	CSAOF	7.0	6.4	1.4	12%	27%
Alpek	MX	Chemicals-Major	ALPEKA MM	ALPKF	8.3	6.9	1.7	-5%	-34%
Gerda	BZ	Steels	GGBR4 BZ	GGBUF	4.5	7.0	0.4	0%	-10%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	6.7	7.2	1.6	8%	17%
SQM	CL	Fertilizers	SQM US	SQM	6.1	7.2	0.0	1%	-11%
Ternium	MX	Steels	TX US	TX	5.6	7.2	-1.0	9%	38%
Copa	CO	Airlines	CPA US	CPA	7.7	7.3	0.8	17%	34%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	8.1	7.6	0.8	0%	-6%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	7.2	7.7	1.6	-2%	-7%
Cyrela	BZ	Homebuilders	CYRE3 BZ	XCBMF	9.6	8.1	0.5	22%	50%
GMexico	MX	Non-Ferrous-Mining	GMEXICOB MM	GMBXF	11.2	8.4	0.3	-4%	23%
Coca-Cola Andina	CL	Soft Drinks	ANDINAB CI	AKOBF	10.4	9.0	1.8	1%	-1%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	9.9	9.3	1.7	-3%	-4%
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. 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 28: 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)
Magazine Luiza	BZ	Retailing-Hardlines	MGLU3 BZ	MGZZF	74.6	0%	-6%	42%
Mercado Libre	BZ	Internet/e-Commerce	MELI US	MELI	50.0	0%	-3%	43%
Omega Geração	BZ	Renewable Energy	MEGA3 BZ	XZQAF	40.1	0%	17%	6%
Raia Drogasil	BZ	Drug Store Chains	RADL3 BZ	RAIAF	29.9	1%	9%	24%
WEG	BZ	Industrials/Multi-Industry	WEGE3 BZ	WGSEF	27.6	2%	-4%	-1%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	25.7	0%	19%	33%
Brasil Foods	BZ	Food Processors	BRFS3 BZ	BRFFF	25.0	0%	21%	5%
Rumo Logística	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	24.3	0%	10%	21%
Dexco	BZ	Forest Products	DXCO3 BZ	DURXF	22.1	1%	24%	31%
Braskem	BZ	Chemicals-Major	BRKM5 BZ	BAKAF	21.5	0%	-3%	7%
Vesta	MX	Real Estate/Property	VESTA* MM	VESTF	20.9	3%	3%	24%
AES Brasil	BZ	Electric Utilities	AESB3 BZ	XDFDF	20.8	2%	-1%	27%
TOTVS	BZ	Server & Enterprise Software	TOTS3 BZ	XBEGF	20.1	1%	6%	8%
Cogna	BZ	Education & Training Services	COGN3 BZ	KROTF	19.0	0%	45%	47%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	18.4	1%	17%	-18%
Bimbo	MX	Bakers	BIMBOA MM	GRBMF	18.4	1%	-5%	13%
Volaris	MX	Airlines	VOLARA MM	XSOBF	17.8	0%	21%	55%
Localiza	BZ	Car Rental	RENT3 BZ	LZRFF	17.2	1%	15%	27%
Eneva	BZ	Electric Utilities	ENEV3 BZ	XZUMF	16.9	1%	7%	2%
Multiplan	BZ	Real Estate/Property	MULT3 BZ	XMULF	16.4	3%	0%	24%
Median							8%	24%

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 29: 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	19.2	4%	-10%
Bradespar	BZ	Non-Ferrous-Mining	BRAP4 BZ	BRDQF	18.6	-2%	-24%
Petrobras PN	BZ	Oils	PETR4 BZ	PTRBF	17.4	17%	18%
BanColombia	CO	Banks-Multinational/Universal	PFBCOLO CB	XAFFF	11.9	6%	-11%
CSN	BZ	Steels	CSNA3 BZ	SIDHF	11.0	-3%	-11%
Banco do Brasil	BZ	Banks-Retail	BBAS3 BZ	XBBAF	10.7	6%	31%
Gerdau	BZ	Steels	GGBR4 BZ	GGBUF	10.6	0%	-10%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	10.5	-3%	-4%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	9.9	-2%	-7%
SQM	CL	Fertilizers	SQM US	SQM	9.9	1%	-11%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	9.8	-8%	-8%
TAESA	BZ	Electric Utilities	TAEE11 BZ	XTAEF	9.5	3%	8%
Banco de Chile	CL	Banks-Retail	CHILE CI	XHNDF	9.4	-6%	-5%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	9.1	8%	17%
Fibra Uno	MX	REITs	FUNO11 MM	FBASF	8.6	5%	11%
Engie	BZ	Electric Utilities	EGIE3 BZ	XZDDF	8.5	2%	14%
Minerva	BZ	Food Processors	BEEF3 BZ	MRVSF	8.3	17%	-18%
Banrisul	BZ	Banks-Retail	BRSR6 BZ	XGRBF	8.1	17%	35%
Vale ON	BZ	Non-Ferrous-Mining	VALE3 BZ	VALEF	8.1	-3%	-23%
Cemig	BZ	Electric Utilities	CMIG4 BZ	CEMCF	7.3	2%	10%
Median						2%	-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. 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 30: 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	1.6	-4%	-4%
Copa	CO	Airlines	CPA US	CPA	0.2	0.8	17%	34%
Vivo	BZ	Telecom Equipment-Wireless/Cellular	VIVT3 BZ	XCPTF	0.3	0.7	4%	11%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	0.4	0.8	0%	-6%
Alpek	MX	Chemicals-Major	ALPEKA MM	ALPKF	0.4	1.7	-5%	-34%
Arca	MX	Soft Drinks	AC* MM	EMBVF	0.4	0.5	1%	13%
AmBev	BZ	Brewers	ABEV3 BZ	AVBPF	0.4	-0.4	2%	2%
Auren Energia	BZ	Electric Utilities	AURE3 BZ	XZMXF	0.4	1.3	2%	-4%
Coca-Cola FEMSA	MX	Soft Drinks	KOFUBL MM	COCSF	0.5	0.9	-5%	16%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	0.5	NA	-8%	-8%
Gruma	MX	Food Producers	GRUMAB MM	GPAGF	0.5	2.0	-1%	7%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	0.5	1.7	-3%	-4%
Coca-Cola Andina	CL	Soft Drinks	ANDINAB CI	AKOBF	0.5	1.8	1%	-1%
Qualitas	MX	Insurance - Non-Life	Q* MM	QUCOF	0.5	NA	2%	38%
TIM	BZ	Telecom Services-Wireless/Cellular	TIMS3 BZ	XZUAF	0.5	1.4	5%	15%
Gentera	MX	Banks-Retail	GENTERA* MM	CMPRF	0.5	NA	-1%	-11%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	0.5	1.6	-2%	-7%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	0.6	1.6	8%	17%
Grupo BMV	MX	Other Financials	BOLSAA MM	BOMXF	0.6	NA	-8%	0%
WEG	BZ	Industrials/Multi-Industry	WEGE3 BZ	WGSEF	0.6	-0.3	-4%	-1%
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.

BofA GLOBAL RESEARCH

**Exhibit 31: 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	-6%	42%
Banco inter	BZ	Banks-Retail	INTR US	INTR	1.9	NA	61%	34%
Cemex	MX	Building Materials	CX US	CX	1.9	2.7	2%	70%
Cogna	BZ	Education & Training Services	COGN3 BZ	KROTF	1.7	3.7	45%	47%
Estacio	BZ	Education & Training Services	YDUQ3 BZ	ECPCF	1.6	2.8	82%	65%
B3 SA	BZ	Financial Services-Consumer/Commercial	B3SA3 BZ	XIMAF	1.6	NA	17%	12%
BTG Pactual	BZ	Banks-Retail	BPAC11 BZ	XNXC	1.5	NA	19%	22%
Volaris	MX	Airlines	VOLARA MM	XSOBF	1.5	5.0	21%	55%
Televisa	MX	Cable TV	TLEVICPO MM	GRPFF	1.4	2.6	2%	0%
CSN	BZ	Steels	CSNA3 BZ	SIDHF	1.4	3.1	-3%	-11%
GFINbursa	MX	Banks-Retail	GFINBURO MM	GPFOF	1.3	NA	2%	33%
Embraer	BZ	Aerospace	ERJ US	ERJ	1.3	2.8	20%	45%
Cosan	BZ	Energy Commodities	CSAN3 BZ	CSAIF	1.3	2.2	11%	2%
Localiza	BZ	Car Rental	RENT3 BZ	LZRFF	1.3	5.5	15%	27%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	1.3	5.0	17%	-18%
Aliansce	BZ	Real Estate/Property	ALSO3 BZ	XCCGF	1.3	6.5	20%	34%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	1.2	4.6	19%	33%
BanColombia	CO	Banks-Multinational/Universal	PFBCOLO CB	XAFF	1.2	NA	6%	-11%
Banorte	MX	Banks-Retail	GFNORTEO MM	GBOOF	1.2	NA	-11%	0%
Banco do Brasil	BZ	Banks-Retail	BBAS3 BZ	XBBAF	1.2	NA	6%	31%
Median							16%	32%

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 32: 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	-86%	19.0	133.9	3.7	45%	47%
Eneva	BZ	Electric Utilities	ENEV3 BZ	XZUMF	-79%	10.3	48.6	6.8	7%	2%
Televisa	MX	Cable TV	TLEVICPO MM	GRPFF	-77%	2.3	10.4	2.6	2%	0%
Rumo Logistica	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	-68%	24.3	77.0	2.5	10%	21%
Embraer	BZ	Aerospace	ERJ US	ERJ	-65%	5.7	16.3	2.8	20%	45%
Volaris	MX	Airlines	VOLARA MM	XSOBF	-65%	4.6	13.0	5.0	21%	55%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	-58%	0.9	2.1	4.6	19%	33%
Cementos Argo	CO	Building Materials	CEMARGOS CB	XGSF	-57%	5.1	12.1	3.2	15%	-3%
BanColombia	CO	Banks-Multinational/Universal	PFBCOLO CB	XAFF	-56%	0.7	1.7	NA	6%	-11%
Cielo	BZ	Financial Services-Consumer/Commercial	CIEL3 BZ	CIOXF	-56%	5.9	13.4	NA	-19%	-11%
Genera	MX	Banks-Retail	GENER* MM	CMPRF	-53%	1.3	2.7	NA	-1%	-11%
Brasil Foods	BZ	Food Processors	BRFS3 BZ	BRFFF	-49%	4.6	9.1	5.7	21%	5%
Banrisul	BZ	Banks-Retail	BRSR6 BZ	XGRBF	-46%	0.6	1.0	NA	17%	35%
BTG Pactual	BZ	Banks-Retail	BPAC11 BZ	XNXC	-41%	15.7	26.6	NA	19%	22%
Cencosud	CL	Retailing-Broadline/General Merchandisers	CENCOSUD CI	XCSCF	-40%	5.8	9.6	3.1	-2%	13%
Bradesco	BZ	Banks-Retail	BBDC4 BZ	BRDPF	-39%	1.1	1.9	NA	9%	9%
Alfa	MX	Industrials/Multi-Industry	ALFAA MM	ALFFF	-39%	6.3	10.3	2.7	3%	-6%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	-39%	8.1	13.3	NA	-8%	-8%
Fibra Uno	MX	REITs	FUNO11 MM	FBASF	-37%	8.9	14.2	7.1	5%	11%
Falabella	CL	Retailing-Broadline/Department Stores	FALAB CI	XDIYF	-37%	13.0	20.5	4.5	2%	10%
Median									8%	10%

Source: BofA Global Research, Bloomberg

Stocks are selected from our LatAm universe of coverage regardless of the rating. Stocks must have at least 5y of trading. Screen criteria: Mkt Cap>US\$1bn. Net Debt/EBITDA <2 (this condition is ignored for Financials). Valuation ratio < 10y hist avg (or longest available). Valuation ratios are chosen according to a company's sector: for Materials, Energy, Airlines and C. Staples EV/EBITDA is used; for Retail EV/Sales is used; for Financials Price/Book Value is used. For remaining sectors Price/Earnings is used. If results exceed 20 companies, those with the greatest discounts to historicals are selected.

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

BofA GLOBAL RESEARCH



**Stock screens methodology**

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

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

## Out-of-consensus

Our out-of-consensus rank identifies companies where our estimates most diverge from consensus, according to EPS, (current and next year), EBITDA (current and next year), Sales (current and next year), ROE (current and next year) and Price Objective.

Details on how the views are ranked at the end of this section.

Our out of consensus highlights can fall in one of the following categories:

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

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

### Exhibit 33: Top out of consensus stocks

Buy-rated stocks with a positive out of consensus ranking. Three Buy-rated stocks according to BofA are not Buy-rated by most of consensus (highlighted).

Company name	BBG ticker	BofA ticker	Sector	Market Cap	Rank	BofA Rating	Consensus Rating			EPS Crncy	2023 EPS		2024 EPS	
							Buy	Hold	Sell		BofA	Cons.	BofA	Cons.
				USDmn										
Rede D'Or	RDOR3 BZ	XPUSF	Health Care	15,041	9.9	BUY	73%	27%	0%	BRL	0.9	0.9	1.4	1.4
Gruma	GRUMAB MM	GPAGF	C. Staples	5,913	9.8	BUY	73%	13%	13%	MXN	17.9	18.0	24.1	22.7
Hapvida	HAPV3 BZ	XDUFF	Health Care	6,488	9.6	BUY	79%	21%	0%	BRL	0.1	0.0	0.2	0.1
Petro Rio	PRIO3 BZ	HRTPF	Energy	6,265	9.5	BUY	94%	6%	0%	USD	1.8	1.4	2.6	2.0
Cosan SA	CSAN3 BZ	CSAIF	Energy	6,611	9.2	BUY	67%	27%	7%	BRL	1.1	0.7	1.4	1.4
Coca-Cola Femsa	KOFUBL MM	COCSF	C. Staples	18,490	9.1	BUY	40%	53%	7%	MXN	10.5	9.1	12.7	10.4
Bimbo	BIMBOA MM	GRBMF	C. Staples	23,722	8.9	BUY	29%	64%	7%	MXN	5.0	4.4	6.2	5.1
Meliuz S.A	CASH3 BZ	XPZXF	Telecom	162	8.8	BUY	38%	63%	0%	BRL	0.3	0.0	0.6	0.6
Arca	AC* MM	EMBVF	C. Staples	18,010	8.7	BUY	63%	32%	5%	MXN	11.9	10.2	14.0	11.5
GCC, S.A.B. de C.V.	GCC* MM	GCWOF	Materials	2,858	8.6	BUY	92%	8%	0%	USD	0.6	0.6	0.7	0.6
VTEX	VTEX US	VTEX	Telecom	845	8.5	BUY	60%	40%	0%	USD	0.0	-0.1	0.1	0.1
InterCorp Financial	IFS US	IFS	Financials	2,696	8.4	BUY	73%	27%	0%	PEN	14.2	14.1	16.2	16.4
Orbia AC	ORBIA* MM	MXCHF	Materials	4,415	8.1	BUY	73%	27%	0%	USD	0.3	0.2	0.3	0.2
Vitru Limited	VTRU US	VTRU	C. Discretionary	522	8.0	BUY	71%	29%	0%	BRL	8.9	6.7	14.0	10.0
Fomento Econ. Mex.	FEMSAUBD MM	FMXUF	C. Staples	33,849	7.8	BUY	93%	7%	0%	MXN	8.2	16.1	9.3	11.5

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

BofA GLOBAL RESEARCH

**Exhibit 34: Bottom out of consensus stocks**

Neutral/Underperform-rated stocks with a negative out of consensus ranking. Seven Neutral/Underperform-rated stocks according to BofA are Buy-rated by most of consensus (highlighted).

Company name	BBG ticker	BofA ticker	Sector	Market Cap	Rank	BofA Rating	Consensus Rating			EPS CmcY	2023 EPS		2024 EPS	
							Buy	Hold	Sell		BofA	Cons.	BofA	Cons.
Cia Paranaense	CPL6 BZ	XLPUF	Utilities	4,131	-9.7	NEU	75%	25%	0%	BRL	0.7	0.8	0.6	0.9
Randon	RAPT4 BZ	RPRTF	Industrials	745	-9.6	NEU	73%	27%	0%	BRL	1.4	1.4	1.3	1.8
Liverpool	LIVEPOLC MM	ELPQF	C. Discretionary	8,091	-9.5	UND	44%	44%	13%	MXN	11.4	13.2	12.4	14.1
Cyrela Brazil	CYRE3 BZ	XCBMF	C. Discretionary	1,589	-9.2	UND	81%	13%	6%	BRL	2.1	2.1	1.6	2.4
Carrefour Brasil	CRFB3 BZ	XLDPF	C. Staples	4,860	-9.0	NEU	44%	56%	0%	BRL	0.9	0.5	1.2	1.1
Even	EVEN3 BZ	EVCNF	C. Discretionary	286	-8.8	UND	33%	56%	11%	BRL	0.8	0.7	0.6	0.8
Camil Alimentos	CAML3 BZ	XSREF	C. Staples	526	-8.5	NEU	75%	25%	0%	BRL	0.9	1.1	1.2	1.2
FIBRA Prologis	FIBRAPL MM	FBPBF	Real Estate	4,001	-8.3	NEU	41%	53%	6%	USD	0.2	0.2	0.2	0.2
lochpe-Maxion	MYPK3 BZ	IOCJF	Industrials	407	-8.2	UND	22%	67%	11%	BRL	1.2	2.0	2.3	2.9
Alsea	ALSEA* MM	ALSSF	C. Discretionary	2,477	-7.8	UND	70%	20%	10%	MXN	1.8	2.7	2.3	3.7
Cia Saneamento M. G.	CSMG3 BZ	CSAOF	Utilities	1,537	-7.6	NEU	33%	58%	8%	BRL	2.9	2.9	2.7	3.1
WEG	WEGE3 BZ	WGSEF	Industrials	32,501	-7.3	NEU	60%	33%	7%	BRL	1.3	1.3	1.3	1.4
Ecorodovias	ECOR3 BZ	XVEDF	Industrials	977	-7.2	NEU	43%	57%	0%	BRL	0.8	0.7	1.0	0.9
EZ Tec SA	EZTC3 BZ	EZTCF	C. Discretionary	850	-7.1	UND	43%	43%	14%	BRL	1.6	1.5	2.1	1.8
Movida	MOV13 BZ	XMBDF	Industrials	835	-6.9	NEU	56%	31%	13%	BRL	0.0	0.3	0.7	1.4

Highlighted rows: Out of consensus in a downwards direction. Stocks with a negative out of consensus Rank and BofA Neutral (NEU)/Underperform (UND) 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 iAnalytics](#)

# 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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