



Index Methodology

MSCI All Colombia Index

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Table of Contents

1. Introduction.....	3
2. Constructing the MSCI All Colombia Index.....	3
3. Selecting the MSCI All Colombia Index Constituents.	4
4. Maintaining the MSCI All Colombia Index.....	5
5. Appendix I – MSCI All Colombia Capped Index.....	7

1. Introduction

The MSCI All Colombia Index is a free float-adjusted market capitalization index that aims to reflect the performance of listed companies in the Broad Colombia Equity Universe, and is designed to serve as a benchmark and research tool.

2. Constructing the MSCI All Colombia Index

2.1 Defining the Broad Colombia Equity Universe

The Broad Colombia Equity Universe is defined as equity securities classified in Colombia according to the MSCI Global Investable Market Indices Methodology¹ as well as equity securities that are not classified in Colombia according to the MSCI Global Investable Market Indices Methodology, but are either headquartered in Colombia or listed in Colombia and have the majority of their operations based in Colombia.

2.2 Determining the Investable Broad Colombia Equity Universe

The Investable Broad Colombia Equity Universe is derived by applying investability screens to individual companies and securities in the Broad Colombia Equity Universe.

Some of the investability requirements are applied at the individual security level and some at the overall company level, represented by the aggregation of individual securities of the company.

2.2.1 Minimum Size Requirement

This investability screen is applied at the company level. In order to be included in the Investable Broad Colombia Equity Universe, a company must have a full market capitalization of at least 50% the IMI Market Size-Segment Cutoff for Colombia.

For a definition of the IMI Market Size-Segment Cutoff, please refer to the MSCI Global Investable Market Indices Methodology.

2.2.2 Minimum Float-Adjusted Market Capitalization Requirement

This investability screen is applied at the individual security level. To be eligible for inclusion in the Investable Broad Colombia Equity Universe, a security must have a free float-adjusted market capitalization of at least 25% of the IMI Market Size-Segment Cutoff for Colombia.

2.2.3 Minimum Liquidity Requirement

This investability screen is applied at the individual security level. To be eligible for inclusion in the Investable Broad Colombia Equity Universe, a security must have both a 12-month and 3-month Annual Traded Value Ratio (ATVR) of at least 7.5%. In addition, a security must have 3-month frequency of trading of at least 50%.

For a definition of ATVR, please refer to the MSCI Global Investable Market Indices Methodology.

¹ As part of the MSCI Global Investable Market Indices Methodology, the country classification of a security is generally determined by the country of incorporation of the issuing company and the primary listing of the security. Please refer to the MSCI Global Market Indices Methodology book for further details on the country classification process.

2.2.4 Minimum Foreign Inclusion Factor Requirement

This investability screen is applied at the individual security level. In general, a security must have a Foreign Inclusion Factor (FIF) equal to or larger than 0.15 to be eligible for inclusion in the Investable Broad Colombia Equity Universe. Exceptions to this general rule are made only for securities that have a free float-adjusted market capitalization greater than 1.8 times the Minimum Float-Adjusted Market Capitalization Requirement as defined in section 2.2.2 above.

2.2.5 Minimum Length of Trading Requirement

This investability screen is applied at the individual security level. For an IPO to be eligible for inclusion in the Investable Broad Colombia Equity Universe, the new issue must have started trading at least three calendar months before the inclusion. Large IPOs are not subject to the Minimum Length of Trading Requirement and may be included in the MSCI All Colombia Index. Please refer to section 3 for more details.

3. Selecting the MSCI All Colombia Index Constituents

Once the Investable Broad Colombia Equity Universe is defined, then the constituents of the MSCI All Colombia Index are determined.

All securities fulfilling any of the following criteria are included in the MSCI All Colombia Index:

- All constituents of the MSCI ACWI IMI that are included in the Broad Colombia Equity Universe as defined in Section 2.1 (including all constituents of the MSCI Colombia IMI as well as all securities that are included in the Broad Colombia Equity Universe and belong to the MSCI ACWI IMI Indices of other countries);
- All securities ranked in the top 15 of the Investable Broad Colombia Equity Universe sorted by free float-adjusted market capitalization;
- IPOs not meeting the Minimum Length of Trading Requirement as described in section 2.2.5 but with a free float-adjusted market capitalization greater than that of the 10th largest security by free float-adjusted market capitalization in the Investable Broad Colombia Equity Universe.

If the resulting number of constituents in the MSCI All Colombia Index is less than 25, additional securities are included in the following order until the number of constituents reaches 25:

- Securities from the Investable Broad Colombia Equity Universe in descending order of free float-adjusted market capitalization
- Current constituents from the non-Investable Broad Colombia Equity Universe in descending order of free float-adjusted market capitalization
- Other securities from the non-Investable Broad Colombia Equity Universe in descending order of free float-adjusted market capitalization

4. Maintaining the MSCI All Colombia Index

4.1 November Annual Index Review

The MSCI All Colombia Index is reviewed annually. In general, the changes are implemented as of the close of the last business day of November, coinciding with the November Semi-Annual Index Review of the MSCI Global Investable Market Indices. The pro forma indices are announced nine business days before the effective date.

4.1.1 Updating the Broad Colombia Equity Universe

During the Annual Index Review, the Broad Colombia Equity Universe is updated by identifying all eligible securities according to Section 2.1.

4.1.2 Updating the Investable Broad Colombia Equity Universe

During each Annual Index Review, each company/security in the updated Broad Colombia Equity Universe that is not a constituent of the MSCI All Colombia Index is evaluated for investability using the same investability screens described in Section 2.2.

Existing constituents of the MSCI All Colombia Index, on the other hand, are evaluated using buffers around these investability requirements:

- Minimum Size Requirement: an existing constituent will remain in the Investable Broad Colombia Equity Universe if its full market capitalization is at least 50% of the Minimum Size Requirement as defined in Section 2.2.1;
- Minimum Float-Adjusted Market Capitalization Requirement: an existing constituent will remain in the Investable Broad Colombia Equity Universe if its free float-adjusted market capitalization is at least 50% of the Minimum Float-Adjusted Market Capitalization Requirement as defined in Section 2.2.2;
- Minimum Liquidity Requirement: an existing constituent will remain in the Investable Broad Colombia Equity Universe if its 12-month and 3-month ATVRs are above 2.5% and its 3-month frequency of trading is above 40%;
- Minimum FIF Requirement: an existing constituent will remain in the Investable Broad Colombia Equity Universe if it has a FIF lower than 0.15 and free float-adjusted market capitalization greater than 1.8 times 50% of the Minimum Float-Adjusted Market Capitalization Requirement as defined in section 2.2.2.

4.1.3 Selecting the MSCI All Colombia Index Constituents

All constituents of the MSCI ACWI IMI that are included in the Broad Colombia Equity Universe are included in the MSCI All Colombia Index. Further, securities included in the updated Investable Broad Colombia Equity Universe as per section 4.1.2 fulfilling any of the following criteria are included in the MSCI All Colombia Index:

- Existing constituents of the MSCI All Colombia Index;
- Other securities which are ranked among the largest 15 securities in the updated Investable Broad Colombia Equity Universe by free float-adjusted market capitalization.

In case the resulting number of constituents is below 25, additional securities are selected in the following order, until the number of constituents reaches 25:

- Securities from the updated Investable Broad Colombia Equity Universe in descending order of free float-adjusted market capitalization;
- Existing constituents of the MSCI All Colombia Index that are not part of the updated Investable Broad Colombia Equity Universe (but still part of the Broad Colombia Equity Universe), in descending order of free float-adjusted market capitalization.
- Other securities that are not part of the updated Investable Broad Colombia Equity Universe (but still part of the Broad Colombia Equity Universe), in descending order of free float-adjusted market capitalization

4.1.4 Deleting Securities with Low Liquidity

Securities identified as deletions from the MSCI All Colombia Index as a result of not fulfilling the Minimum Liquidity Requirements for existing constituents described in section 4.1.2 are deleted in two phases. To do so, an inclusion factor of 0.5 is applied to the weight of the security at the time of the November Annual Index Review and up to the February Quarterly Index Review (QIR). The security is deleted from the Index at the time of the February QIR.

All other deletions are implemented fully at the time of the November Annual Index Review.

4.2 Quarterly Index Reviews

Additions to the MSCI Colombia IMI as part of the May Semi-Annual Index Review (SAIR) and February and August QIRs of the MSCI Global Investable Market Indices are simultaneously reflected in the MSCI All Colombia Index. Deletions from the MSCI Colombia IMI as part of the May SAIR and February and August QIRs are not reflected in the MSCI All Colombia Index and are reviewed for inclusion as part of the following November Annual Index Review.

In addition, significant changes in free float estimates and corresponding FIFs are reflected at the Quarterly Index Reviews. Small changes in number of shares, typically less than 5% of the shares outstanding, are updated at the Quarterly Index Reviews rather than at the time of the change, to minimize index turnover.

4.3 Ongoing Event Related Changes

Corporate events are handled according to the MSCI Global Investable Market Indices Methodology.

Any security deleted from the MSCI ACWI IMI as a result of a corporate event will be simultaneously deleted from the MSCI All Colombia Index. In addition, securities of companies that file for bankruptcy, companies that file for protection from their creditors and/or are suspended and for which a return to normal business activity and trading is unlikely in the near future will be removed from the MSCI All Colombia Index as soon as practicable. Companies that fail stock exchanges listing requirements with announcements of delisting from the stock exchanges will be treated in the same way.

Any security added to the MSCI Colombia IMI Index as a result of a corporate event will be simultaneously added to the MSCI All Colombia Index. No other security will be added to the MSCI All Colombia Index outside the Index Reviews.

5. Appendix I – MSCI All Colombia Capped Index

In the MSCI All Colombia Capped Index, no issuer can exceed 25% of the index weight and all issuers with weights above 5% cannot exceed 50% of the index weight. Further details of the MSCI 25/50 Index Methodology are available at the following link:

http://www.msci.com/products/indices/strategy/capped/twentyfive_fifty/

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¹As of March 31, 2012, as published by eVestment, Lipper and Bloomberg in September 2012