

MSCI COLCAP Index Methodology

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1 Introduction

The MSCI COLCAP Index is designed to represent the performance of the local Colombian equity market. The index aims to include a minimum of 25 securities and 20 issuers selected based on free float-adjusted market capitalization, liquidity, and international investability criteria.

2 Index Construction Methodology

2.1 Equity Universe

The applicable equity universe includes all locally listed securities on the Colombia Securities Exchange (Bolsa de Valores de Colombia – bvc). Foreign shares trading through bvc’s Colombian Global Market segment are not eligible for inclusion.

Eligibility of securities, including preferred shares and Real Estate Investment Trusts, are based on rules described in the MSCI Global Investable Market Indexes methodology.

Dual-listed shares are eligible for inclusion and will be assessed based on their listing on the bvc.

2.2 Eligibility and Investability Criteria

Minimum requirements based on the following parameters are applied to the applicable universe to determine the eligible equity universe of securities for inclusion in the index.

Within the eligible equity universe, higher values for each of the same criteria are used to define the investable equity universe.

In the index construction process, preference is given to securities that are included in the investable universe and eligible universe using the criteria in the Appendix to enhance the investability and replicability of the index.

- Full market capitalization – this requirement is applied at the company level
- Free float-adjusted market capitalization – this requirement is applied at the security level
- Free float (Foreign Inclusion Factor¹) – this requirement is applied at the security level
- Liquidity (12-month Annual Traded Value Ratio² (ATVR), 3-month ATVR, and 3-month frequency of trading) – this requirement is applied at the security level

¹ MSCI defines Foreign Inclusion Factor as the proportion of the shares outstanding that is available for purchase in the public equity markets by international investors. Details on MSCI’s free float estimation and review rules can be found in the MSCI GIMI Methodology, available at <https://www.msci.com/index/methodology/latest/GIMI>

² The ATVR measures the average traded value as a proportion of the free float-adjusted market capitalization over a specified period. Details on the computation of ATVRs can be found in the MSCI Global Investable Market Indexes (GIMI) Methodology, available at <https://www.msci.com/index/methodology/latest/GIMI>

The applicable thresholds are detailed in the Appendix.

2.3 Security Selection

The index targets a minimum of 25 securities and 20 issuers. Multiple securities from the same issuer may be included and are assessed separately in the security selection steps.

All securities belonging to the MSCI Colombia Investable Market Index³ (IMI) are included in the MSCI COLCAP Index.

If the number of securities is below 25 or the number of issuers is below 20, securities are added in the following order until both these targets are reached:

- securities that are part of the investable equity universe in the order of decreasing free float-adjusted market capitalization
- securities that are not part of the investable equity universe but part of the eligible equity universe in the order of decreasing liquidity (3-month ATVR)
- securities that are not part of the eligible universe in the order of decreasing liquidity (3-month ATVR)

2.4 Security Weighting

The selected index constituents are assigned weights in proportion to their free float-adjusted market capitalization.

³ The MSCI Global Investable Market Indexes (GIMI), including the MSCI Colombia IMI, are maintained based on higher investability thresholds. Further details can be found in the MSCI GIMI Methodology, available at <https://www.msci.com/index/methodology/latest/GIMI>

Any constituent of the MSCI Colombia IMI that is listed in the Global Select market is not eligible for inclusion in the MSCI COLCAP Index

3 Index Maintenance Methodology

The MSCI COLCAP Index is reviewed on a quarterly basis to coincide with the regular Index Reviews of the MSCI Global Investable Market Indexes. The November Index Review involves a full review of the composition of the MSCI COLCAP Index, while the February, May and August Index Reviews generally reflect changes to the MSCI Colombia IMI.

3.1 Annual Index Review

The MSCI COLCAP Index is fully reviewed annually in November, and the changes are implemented coinciding with the November Semi-Annual Index Review of the MSCI Global Investable Market Indexes.

3.1.1 Updating the Equity Universe

During the Annual Index Review, the equity universe is updated by identifying all eligible securities according to Section 2.1.

3.1.2 Updating the Eligible and Investable Equity Universe

Each security in the equity universe that is not a constituent of the MSCI COLCAP Index is assessed for eligibility and investability using the same criteria described in Section 2.2.

Assessment of existing constituents of the MSCI COLCAP Index, on the other hand, is subject to buffers to enhance index stability.

The applicable thresholds are detailed in the Appendix.

3.1.3 Security Selection

All securities meeting the following criteria are included in the pro forma MSCI COLCAP Index:

- securities belonging to the pro forma MSCI Colombia IMI⁴
- existing constituents of the MSCI COLCAP Index that continue to meet the investability criteria

If the number of securities is below 25 or the number of issuers is below 20, additional securities are included in the following order until both these targets are reached:

⁴Excluding any security that is listed in the Global Market segment

- non-constituent securities that are part of the investable equity universe in the order of decreasing free float-adjusted market capitalization
- existing constituents that are not part of the investable equity universe but part of the eligible equity universe in the order of decreasing liquidity (3-month ATVR)
- non-constituent securities that are not part of the investable equity universe but part of the eligible equity universe in the order of decreasing liquidity (3-month ATVR)
- existing constituents that are not part of the eligible equity universe in the order of decreasing liquidity (3-month ATVR)
- non-constituent securities that are not part of the eligible equity universe in the order of decreasing liquidity (3-month ATVR)

3.1.4 Deleting Securities with Low Liquidity

Securities identified as deletions due to failing the liquidity requirements (but otherwise meet other requirements) are deleted in two phases to enhance index replicability.

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 fully from the index coinciding with the February QIR.

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

3.1.5 Security Weighting

All securities are weighted in the pro forma index based on their free float-adjusted market capitalization; except securities that will be deleted in two phases due to low liquidity.

3.2 Quarterly Index Review

Additions to the MSCI Colombia IMI⁵ as part of the May Semi-Annual Index Review (SAIR) and the February and August Quarterly Index Reviews (QIRs) of the MSCI Global Investable Market Indexes are simultaneously reflected in the MSCI COLCAP Index.

⁵Excluding any security that is listed in the Global Market segment

Deletions from the MSCI Colombia IMI as part of the May SAIR and February and August QIRs are generally not reflected in the MSCI COLCAP Index and are reviewed for continued inclusion as part of the following November Annual Index Review.

If the number of securities falls below 23 and/or the number of issuers falls below 18 at the Quarterly Index Review, additions are made to the index as described in Section 3.1.3 in order to restore the number to 23 securities and 18 issuers.

3.3 Cutoff Dates for the Rebalancing

The cutoff date for market capitalization data used in the rebalancing of the MSCI COLCAP Index is generally nine business days before the effective date of the index review.

Liquidity data is as of the month-end of January, April, July, and October, for the February, May, August, and November index reviews, respectively.

The Equity Universe is updated as of the last business day of November, February, May, and August for the February, May, August, and November index reviews, respectively.

For the full universe, MSCI updates free float estimates annually as part of its Annual Float Review coinciding with the May Semi-Annual Index Review. In addition, significant changes in the Foreign Inclusion Factor or Number of Shares may be implemented for constituents of the MSCI Colombia IMI at the time of the quarterly index reviews. Further details can be found in the MSCI GIMI Methodology, available at <https://www.msci.com/index/methodology/latest/GIMI>

3.4 Index Review Announcement Policy

The pro forma results of the rebalancing of the MSCI COLCAP Index are generally announced nine business days before the effective date of each index review.

The index review is implemented as of the close of the last business day of the month and effective at the open of the first business day of the following month. For example, the results of the November Annual Review are implemented as of the close of the last business day of November and effective at the open of the first business day of December.

Effective dates for the MSCI Index Reviews are announced with sufficient advance notice, including changes thereof, if any.

3.5 Ongoing Event Related Changes

The following section briefly describes the treatment of common corporate events within the MSCI COLCAP Index. Corporate events treatment is based on the MSCI Corporate Events Methodology and is generally driven by the size segment classification of the security in the MSCI Global Investable Market Indexes.

No new securities will be added outside the regularly scheduled index reviews, other than those added to the MSCI Colombia IMI⁶.

Securities deleted from the MSCI Colombia IMI resulting from corporate events, will be simultaneously deleted from the MSCI COLCAP Index.

EVENT TYPE	EVENT DETAILS
New additions	A new security added to the MSCI Colombia IMI will be simultaneously added to the MSCI COLCAP Index at an estimated full market capitalization adjustment factor on the date of security inclusion.
Spin-Offs	Spun-off securities that are added to the MSCI Colombia IMI will be simultaneously added to the MSCI COLCAP Index at the time of event implementation. Reevaluation for continued inclusion will occur at the subsequent Index Review
Merger/Acquisition	<p>For Mergers and Acquisitions, the acquirer's post event weight will account for the proportionate amount of shares involved in deal consideration, while cash proceeds will be invested across the Index.</p> <p>If an existing MSCI COLCAP Index constituent is acquired by a non-constituent, the existing constituent will be deleted, and the acquiring non-constituent will be added to the MSCI COLCAP Index if it is also added to the MSCI Colombia IMI. Reevaluation for</p>

⁶ Excluding any security that is listed in the Global Market segment

continued inclusion will occur at the subsequent Index Review.

Changes in Security Characteristics

A security will continue to be an index constituent if there are changes in characteristics (e.g. sector, MSCI GIMI size segment, etc.). Reevaluation for continued inclusion will occur at the subsequent Index Review

Securities under Prolonged Suspension

Constituents that are under prolonged suspension are deleted from the MSCI COLCAP Index. If the suspended security is also a constituent of the MSCI GIMI, the security will be deleted from the MSCI COLCAP Index two business days following 50 business days of continuous suspension. Otherwise, the deletion of the suspended security will be implemented two business days following 100 days of continuous suspension

Further detail and illustration regarding specific treatment of corporate events relevant to this Index can be found in the MSCI Corporate Events Methodology book under the sections detailing the treatment of events in Capped Weighted and Non-Market Capitalization Weighted indexes.

The MSCI Corporate Events methodology book is available at:
<https://www.msci.com/index/methodology/latest/CE>

Appendix I: Eligibility and Investability Parameters

The specific thresholds used in determining the eligible and investable equity universe are defined below:

	Eligibility		Investability	
	<i>New Securities</i>	<i>Existing Constituents</i>	<i>New Securities</i>	<i>Existing Constituents</i>
Full Market Capitalization⁷	25% of MSCI Colombia IMI cut-off	12.5% of MSCI Colombia IMI cut-off	50% of MSCI Colombia IMI cut-off	25% of MSCI Colombia IMI cut-off
Free Float Adjusted Market Capitalization⁷	12.5% of MSCI Colombia IMI cut-off	6.25% of MSCI Colombia IMI cut-off	25% of MSCI Colombia IMI cut-off	12.5% of MSCI Colombia IMI cut-off
3-month ATVR	2.5%	1%	7.5%	2.5%
12-month ATVR	2.5%	1%	7.5%	2.5%
3-month Frequency of trading	20%	10%	40%	20%
Foreign Inclusion Factor	>= 0.15, except if free float adjusted market capitalization > 1.8 times the free float adjusted market capitalization cut-off noted above			

⁷ The size-segment cutoffs for the MSCI Global Investable Market Indexes, including the MSCI Colombia IMI, are updated at each quarterly index review.

Appendix II: Transition from the bvc COLCAP Index to the MSCI COLCAP Index

MSCI Provisional COLCAP Index

On March 29, 2021, the MSCI Provisional COLCAP Index was launched to provide transparency to market participants ahead of the upcoming transition.

The MSCI Provisional COLCAP Index does not replace the existing bvc COLCAP Index, which will continue to be calculated until the transition to the MSCI COLCAP Index in May 2021.

The MSCI Provisional COLCAP Index is constructed by applying the Annual Index Review maintenance rules under Section 3.1 (Annual Index Review) on the existing bvc COLCAP Index at the time of the February 2021 Index Review.

The MSCI Provisional COLCAP Index is calculated starting Mar 1, 2021, and commences with the index level of the existing bvc COLCAP Index as of February 26, 2021.

Ongoing maintenance of the MSCI COLCAP Index follows the rules described in Section 3.5 (Ongoing event related changes).

Transition to the MSCI COLCAP Index

The existing bvc COLCAP Index will be replaced by the MSCI COLCAP Index effective May 28, 2021, coinciding with the May 2021 Index Review.

At the time of the May 2021 Index Review, Annual Index Review maintenance rules under Section 3.1 (Annual Index Review) will be applied on the existing bvc COLCAP Index to determine the pro forma MSCI COLCAP Index constituents.

The MSCI COLCAP Index will maintain the historical index levels of the existing bvc COLCAP Index.

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