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Index Methodology

MSCI All Peru Index Methodology

Index Construction and Methodology for the MSCI All Peru Index

February 2013

1. Introduction

The MSCI All Peru Index is a free float-adjusted market capitalization index designed to serve as a benchmark and research tool for investment in listed companies in the Broad Peru Equity Universe.

2. Constructing the MSCI All Peru Index

2.1 Defining the Broad Peru Equity Universe

The Broad Peru Equity Universe is defined as equity securities classified in Peru according to the MSCI Global Investable Market Indices Methodology as well as equity securities from companies that are headquartered in Peru and have the majority of their operations based in Peru but are not listed in Peru and therefore not classified in Peru according to the MSCI Global Investable Market Indices Methodology.

Please refer to the MSCI Global Investable Market Indices Methodology for a description of eligible equity securities classified in Peru.

2.2 Determining the Investable Broad Peru Equity Universe

The Investable Broad Peru Equity Universe is derived by applying investability screens to individual companies and securities in the Broad Peru 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 Peru Equity Universe, a company must have a full market capitalization of at least 50% the IMI Market Size-Segment Cutoff for Peru.

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 Peru Equity Universe, a security must have a free float-adjusted market capitalization equal to or higher than 25% of the IMI Market Size-Segment Cutoff for Peru.

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 Peru Equity Universe, a security must have at least 7.5% 12-month and 3-month Annual Traded Value Ratio (ATVR). In addition, a security must have at least 50% 3-month frequency of trading.

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

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 Peru Equity Universe. Exceptions to this general rule are made only for securities which 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 Peru Equity Universe, the new issue must have started trading at least three calendar months before the implementation.

Large IPOs are not subject to the Minimum Length of Trading Requirement and may be included in the MSCI All Peru Index. Please refer to section 3 for more details.

2.3 Selecting One Security per Issuer

If for a given company several securities pass all the investability requirements described in section 2.2 above, then one is selected for inclusion in the Investable Broad Peru Equity Universe while all other securities of this company are excluded.

If one of the securities is a constituent of the MSCI Peru IMI Index, this security is selected. If either several securities or no securities are constituents of the MSCI Peru IMI Index, the largest security by free float-adjusted market cap is selected.

3. Selecting the MSCI All Peru Index Constituents

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

All securities fulfilling the following criteria are included in the MSCI All Peru Index:

- All constituents of the MSCI Peru IMI Index;
- All securities ranked in the top 15 of the Investable Broad Peru 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 Peru Equity Universe.

If the resulting number of constituents in the MSCI All Peru Index is lower than 25, additional securities from the Investable Broad Peru Equity Universe are added in descending order of free float-adjusted market capitalization until the number of constituents reaches 25.

4. Maintaining the MSCI All Peru Index

4.1 November Annual Index Review

The MSCI All Peru Index is rebalanced 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 Peru Equity Universe

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

4.1.2 Updating the Investable Broad Peru Equity Universe

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

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

- Minimum Size Requirement: an existing constituent may remain in the Investable Broad Peru 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 may remain in the Investable Broad Peru 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 may remain in the Investable Broad Peru 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 may remain in the Investable Broad Peru 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 One Security per Issuer

Only one security per issuer is included in the Investable Broad Peru Equity Universe, as described in section 2.2.5 with the exception that priority is given to any existing constituent of the MSCI All Peru Index even if a larger security of the same company passes the investability requirements.

4.1.4 Selecting the MSCI All Peru Constituents

During the Annual Index Review, all securities from the updated Investable Broad Peru Equity Universe fulfilling the following criteria are included in the MSCI All Peru Index:

- All constituents of the MSCI Peru IMI;
- All existing constituents of the MSCI All Peru Index;

- All other securities which are ranked among the largest 15 securities in the updated Investable Broad Peru 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 Peru Equity Universe in descending order of free float-adjusted market capitalization;
- Existing constituents of the MSCI All Peru Index that are not part of the updated Investable Broad Peru Equity Universe (but still part of the Broad Peru Equity Universe), in descending order of free float-adjusted market capitalization.

4.1.5 Deleting Securities with Low Liquidity

Securities identified as deletions from the MSCI All Peru 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 November Annual Index Review.

4.2 Quarterly Index Reviews

Additions to the MSCI Peru IMI Index as part of the May Semi-Annual Index Review (SAIR) and February and August Quarterly Index Reviews (QIRs) of the MSCI Global Investable Market Indices are simultaneously reflected in the MSCI All Peru Index. Deletions from the MSCI Peru IMI Index as part of the May SAIR and February and August QIRs are not reflected in the MSCI All Peru 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 generally 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 Peru IMI Index as a result of a corporate event will be simultaneously deleted from the MSCI All Peru 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 Peru 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 Peru IMI Index as a result of a corporate event will be simultaneously added to the MSCI All Peru Index. No other security will be added to the MSCI All Peru Index outside the Index Reviews.

Appendix I – 10/40 and Capped Versions

In addition to the free float-adjusted market capitalization weighting scheme, two indices with concentration constraints to account for regional regulations are also made available.

5.1 10/40 Version

The MSCI All Peru 10/40 Index takes into account the current UCITS III (Undertakings for Collective Investment in Transferable Securities) directives by applying 10/40 concentration constraints according to the MSCI 10/40 Indices Methodology.

5.2 Capped Version

The MSCI All Peru Capped Index takes into account the 25/50 constraint requirement for Regulated Investment Company (RIC) compliant funds, where no issuer can exceed 25% of the index weight and all issuers with weights above 5% cannot exceed 50% of the index weight, by applying the MSCI 25/50 Index Methodology. The pro forma MSCI All Peru Capped Index is announced nine business days before the effective date.

Appendix II – Methodology Transition

This methodology is applied from the November 2012 Annual Index Review, effective December 3, 2012.

Prior to that, the largest securities were selected for inclusion in the MSCI All Peru Index until the free float-adjusted market capitalization of the index captured 98% of the free float-adjusted market capitalization of the Broad Peru Equity Universe. The following rules were employed at each Annual Index Review:

- If a current constituent's free float-adjusted market capitalization or Annualized Traded Value (ATV) fell below the 120th percentile rank (e.g. rank 30 of the Broad Peru Equity Universe if the index had 25 securities), it was selected for deletion.
- If a non-constituent security's free float-adjusted market capitalization reached the 80th percentile rank (e.g. rank 20 of the Broad Peru Equity Universe if the index had 25 securities) or higher, it was selected for inclusion.

If the free float-adjusted market capitalization of the MSCI All Peru Index captured less than 98% of the free float adjusted market capitalization of the Broad Peru Equity Universe excluding the less liquid of every company's securities, the securities with the largest free float-adjusted market capitalization from the Broad Peru Equity Universe were added until the index reached 98%. All additions to the MSCI All Peru Index were subject to a minimum liquidity requirement of 10% ATVR.

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