

# **MSCI Latin America Pacific Alliance Index**

Index Methodology

August 2019

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## **1 Introduction**

The MSCI Latin America Pacific Alliance Index is designed to represent the equity universe of Latin American member states of the Pacific Alliance, currently consisting of Chile, Colombia, Mexico and Peru. The Index is constructed by aggregating individual MSCI Country Investable Market Indexes (IMI) or, when applicable, MSCI All Market Indexes.

## 2 Constructing the MSCI Latin America Pacific Alliance index

### 2.1 Define the Eligible Markets

The MSCI Latin America Pacific Alliance Index is composed of all markets satisfying the following conditions:

- The corresponding state is a member of the Pacific Alliance (Alianza del Pacífico)
- The market is included in the MSCI Emerging Markets (EM) Latin America Index

### 2.2 Define the Underlying Index for each Eligible Market

For each eligible market MSCI defines the underlying Index to be used:

- For markets where the corresponding MSCI IMI Index has less than 25 securities or issuers (or the number of securities or issuers is greater but close to those targets), MSCI uses the corresponding MSCI All Market Index.
- For broader markets MSCI uses the corresponding MSCI IMI Index.

The following underlying indexes are currently used: MSCI Chile IMI, MSCI All Colombia Index, MSCI Mexico IMI and MSCI All Peru Index.

For details on the MSCI Investable Market Indexes, please refer to the MSCI Global Investable Market Indexes methodology: (<https://www.msci.com/index-methodology>).

For details on the MSCI All Market Indexes, please refer to: <https://www.msci.com/index-methodology>.

### 2.3 Index Weighting

The Index is free float-adjusted market capitalization weighted<sup>1</sup>.

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<sup>1</sup> The weight of securities included in the MSCI All Market Indexes on the basis of their economic exposure is capped at 1% of the corresponding MSCI All Market Index. Such securities are weighted in the MSCI Latin America Pacific Alliance Index based on their capped weight in the underlying MSCI All Market Index.

### **3 Maintaining the MSCI Latin America Pacific Alliance Index**

All changes affecting the underlying indexes, including changes related to corporate events and the Quarterly and Semi-Annual Index Reviews, are simultaneously implemented in the MSCI Latin America Pacific Alliance Index. The pro forma index is announced nine business days before the effective date of Index Reviews.

The list of eligible markets is reviewed as described in section 2.1 on an annual basis, coinciding with the May Semi-Annual Index Review of the MSCI Global Investable market Indexes.

#### **Appendix – MSCI Latin America Pacific Alliance Capped Index**

In addition to the MSCI Latin America Pacific Alliance Index, MSCI constructs the MSCI Latin America Pacific Alliance Capped Index. This Index aims to increase diversification by capping the weight of countries at 50%.

It is constructed by applying a country capping on the MSCI Latin America Pacific Alliance Index as per the MSCI Capped Indexes methodology (<https://www.msci.com/index-methodology>). The capping is applied on a quarterly basis, coinciding with the Quarterly and Semi-Annual Index Reviews of the MSCI Global Investable Market Indexes. The pro forma index is announced nine business days before the effective date.

In between Index Reviews country weights evolve based on market performance and changes in market capitalizations. The capping is not re-applied.

## Changes to the Methodology Book

The following sections have been modified since August 2019:

### 2.1 Define the Eligible Markets

- Added clarification on eligible markets

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