

A new stock index aims to measure the performance of Latin America's best-managed companies.

By Staff Reporters

Picking a winner

A stock index tracking the valuations of the best-managed Latin American companies has been launched by Spain-based consultancy Management & Excellence, jointly with *LatinFinance*.

The index, launched on July 1, tracks 16 companies, eight of which have been carried over from a companion index of best-managed firms, Brazil Stars. The others are spread across the region, and stand out for their strong corporate governance, productivity and effectiveness.

LatAm Stars will be benchmarked against the MSCI EM LatAm index. The benchmark is made up of 143 components, and returned a loss of 13.9% last year.

The first numerical comparisons of how the new index stacks up will be available towards the end of 2014, says William Cox, chief executive of M&E.

"We found with the Brazil Stars and the Hong Kong Stars that over the first three to six months, the outperformance was limited. The difference really sets in after

WILLIAM COX, M&E

"THE DIFFERENCE SETS IN AFTER SIX MONTHS — THAT'S WHEN THE MANAGEMENT EFFECTS TAKE HOLD"

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The Brazil Stars index was launched in December 2009. It had outperformed its benchmark, the Ibovespa, by 68% between launch and May 2014, according to M&E.

The only Brazilian index to keep pace has been the Special Corporate Governance index. That tracks a theoretical portfolio of the firms listed on the Novo Mercado seg-

ment of Brazil's stock exchange which have the best corporate governance. The IGC-NM notched up a 20.73% nominal gain in 2010 and a 24.97% rise in 2012, although it fell by 6.72% and 1.06% in 2011 and 2013.

Following the methodology of the other Stars Indices, the LatAm tracker weights its components by both market capitalization and by a rating (from AA+ to D) based on a management score between 0 and 100,

Star-studded line-up

LatAm Stars index components, ranked by rating and score

Company	Country	M&E rating
1. Itaú	Brazil	AA
2. Bicbanco	Brazil	A
3. Copa Airlines	Panama	BB+
4. Bovespa BM&F	Brazil	BB
5. Natura	Brazil	BB-
6. Exito	Colombia	B+
7. Arca Continental	Mexico	B
8. Femsa	Mexico	B
9. Fibria	Brazil	B
10. Cemig	Brazil	B-
11. Embraer	Brazil	CCC+
12. Grupo Alfa	Mexico	CCC
13. TIM	Brazil	CCC
14. Parque Arauco	Chile	CC
15. Cencosud	Chile	C
16. Cemex	Mexico	D

Source: Management & Excellence SA