Colombia 101

The Country Stockguide: 23 Investment Opportunities

We are positive the Colombia equity outlook and OW the country in our strategy model portfolio, on the economic reform and investment grade outlook, combined with the compelling capital markets intermediation story. The market has performed well in recent years but is cheaper than it seems, underowned by foreign investors, and with significant investment opportunities. This 90-page Colombia stockguide provides an overview of the country's macro environment and key sectors, as well as snapshots of 23 of the largest and most liquid Colombia-listed or -exposed companies.

Latin America Equity Strategy

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See page 90 for analyst certification and important disclosures, including non-US analyst disclosures.

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Pricing in this report is as of the close on February 8, 2011, unless otherwise indicated

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The Country Stockguide

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Economic growth to accelerate, as highlighted by our Colombian economists, Julio Callegari and Ben Ramsey. Economic growth is expected to pick up this year to around 4.5%, led by consumption. This is in line with potential and driven by credit expansion, better exports, terms of trade gains, and higher fiscal spending as part of the flood disaster relief program.

Central Bank to start raising rates, as headline inflation is moving towards the upper range of the 3% (+/-1%) target band fueled by food prices, but core trends more subdued. The Central Bank is forecast to start raising rates at the end of this quarter, with upto 250bps of hikes expected by year end. Macro prudential measures are unlikely. The currency has been appreciating, the authorities intervening, and the country has a history of using capital controls. These are considered a last resort.

Santos Administration focused on reforms, and a return to investment grade is expected this year. The center-right Santos Administration, elected last year, is pursuing a full plate of inter-related fiscal reforms, in order to reduce central government debt/GDP 10pp by 2015 and to create a countercyclical stabilization fund to manage the country's mining and oil boom. All three major rating agencies have Colombia's rating one notch below investment grade, with a positive outlook. Reform progress is likely to see Colombia regaining the investment grade it lost a decade ago.

The equity flows environment is positive. The private pension funds system has been growing strongly, despite some recent movement back into the government system. Equity weightings have been raised, and a multifunds system has been introduced. Examples from Chile and Peru suggest that this could boost equity allocations further over time. The market remains heavily underowned by foreign institutional investors, and the Andean stock market integration should drive increased retail flows over time. The recently announced merger of the Colombian and Peruvian stock exchanges should support this process.

Capital markets development is a key driver, as additional Canadian companies seek to list locally, in addition to the existing Pacific Rubiales and Canacol listings. The government has also announced plans to further reduce its 90% Ecopetrol stake as a means to partly fund this year's flood resconstruction program. Further local listings are also expected, following on from 2010's Banco Davivienda IPO. The fast-growing mining and energy sectors continue to see significant investment, new listings, and M&A activity. This should all combine to increase Colombia's very low free float and MSCI LatAm weight of only 3.5%. This weight is half the size of Chile's weight, despite Colombia having near three times the population.

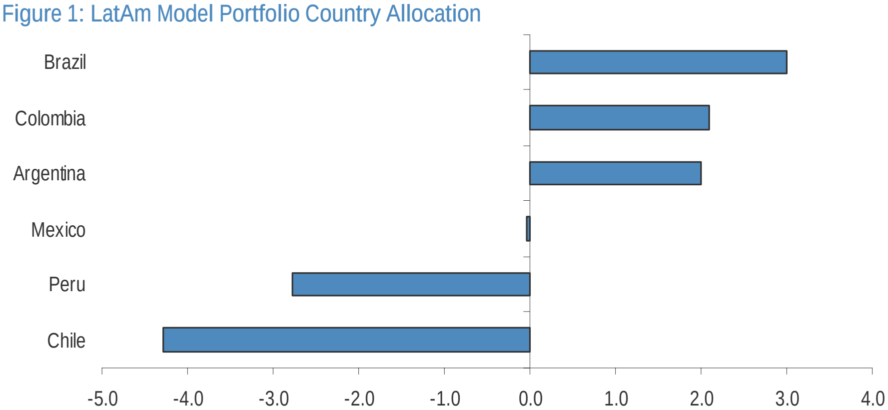
The country is becoming a popular investment destination outside of the key mining and oil sectors. It has become an important earnings contributor for Copa Holdings (Panamanian airline), Millicom (emerging markets wireless), America Movil (LatAm wireless), Cemex (global cement), Femsa (LatAm beverages), Casino (global retailer), SAB Miller (global beverages), as well as many Chilean companies, such as Endesa Chile, Falabella, and Cencosud.

Colombian companies are also beginning to expand aggressively abroad, with Argos now one of the largest concrete players in the US; Chocolates expanding it's food business into Central America and the Andes; ISA now the region's largest electricity transmission company; Colombia's stock exchange acquiring the Lima stock exchange; and Bancolombia and Suramericana expanding into Central America.

The MSCI Colombia is trading at the top of its long-term valuation trading range and at a meaningful premium to LatAm average multiples, whilst profitability remains at historical levels. P/E valuations are partly distorted, however, by local accounting (revaluation of assets) and the holding company structure of much of the market (significant nonconsolidated assets), whilst at the same time being supported by the growing local pension fund system (as in Chile). Significant alternative investment options are also available, however, with many Canada-listed companies now active in the Colombian energy and mining sectors. A number of these stocks are highlighted in this report.

We are OW Colombia in our LatAm strategy model portfolio. Our two portfolio stocks are emerging markets wireless player Millicom, which has Colombia as one of its largest individual markets and the one where it has the highest potential market share upside. Also, our Colombia Oil Basket (JPCOLOIL) is a means to get small and mid cap exposure to the fast-growing energy sector, with its strong exploration activity, high success rates, and attractive fiscal terms. Both os these stocks are focused on 'off-index' companies – those that are not listed in Colombia but which have significant operations in the country.

Figure 1: LatAm Model Portfolio Country Allocation



Source: J.P. Morgan.

Macro Outlook

Colombia Economics

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Mixed messages from activity readings, but growth should regain traction in 2011

GDP growth came in at an underwhelming 3.6%oya pace in 3Q10, with the drag coming largely from a -10.5%oya performance in construction due to a fall in public works.

Supply-side data suggest that manufacturing remains subdued, while domestic demand gains momentum. The gradual recovery in employment, credit expansion and improving consumer confidence has been supporting a strong expansion in retail sales. In the opposite direction, industrial production growth continues to fade (first figure below). Our assessment is that the increasing perception of "high" inventories along with the strong COP in 3Q and the start of 4Q have hurt the manufacturing sector, despite relatively high business confidence.

The weak 3Q10 result prompted us to change the full-year 2010 growth forecast to 4.0% (from 4.3%). Public investment should not improve much in 4Q, even though it will likely be less of a drag compared to 3Q. At the same time we should continue to see the retail sector flourishing and IP underperforming.

Table 1: Summary Economic Indicators

	Average 2004-08	2009	2010f	2011f	2012f
Real GDP, % change	5.3	0.8	4.0	4.5	4.0
Consumption[1]	4.0	1.4	3.5	3.7	3.3
Investment[1]	2.7	-1.1	1.6	1.7	1.2
Net trade[1]	-1.4	0.5	-1.1	-0.9	-0.5
Consumer prices, %oya	5.6	4.2	2.3	3.0	3.0
% Dec/Dec	5.6	2.0	3.2	3.2	3.0
Producer prices, %oya	4.1	1.9	4.0	3.8	3.0
Government balance, % of GDP	-0.3	-2.7	-4.2	-3.7	-3.4
Merchandise trade balance (US$ bn)	0.7	-0.2	0.9	-0.6	-1.3
Exports	26.6	31.9	37.6	40.8	43.7
Imports	25.9	32.2	36.6	41.4	45.0
Current account balance	-3.7	-5.2	-5.7	-7.5	-8.6
% of GDP	-2.1	-2.2	-2.0	-2.4	-2.7
International reserves, (US$ bn)	17.4	25.0	29.0	33.0	35.0
Total external debt, (US$ bn)	41.8	53.6	56.0	58.2	58.9
Short term[2]	3.3	4.0	3.6	4.1	4.1
Total external debt, % of GDP	23.5	21.6	19.4	18.3	18.2
Total external debt, % of exports[3]	114.1	116.7	112.7	107.8	103.6
Interest payments, % of exports[3]	8.2	7.0	6.2	6.2	5.7

1. Contribution to growth of GDP.
2. Debt with original maturity of less than one year.
3. Exports of goods, services, and net transfers.

Source: J.P. Morgan Economics.

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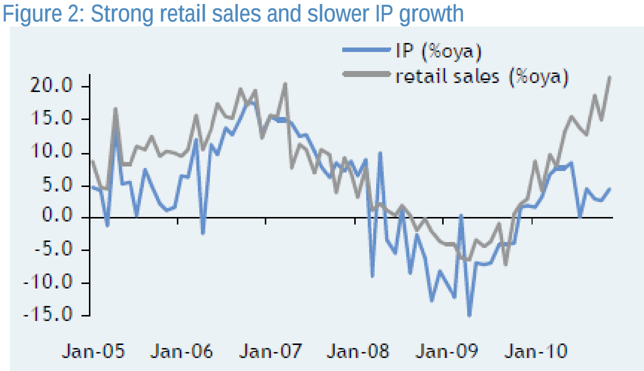
We maintain our 4.5% growth forecast for 2011. Recent floods should drive higher public investments in 1Q11, while the inventory cycle and some modest recovery of exports to Venezuela could help boost the manufacturing sector in 1H11. Finally, we expect private consumption to remain supported by a gradual improvement in the labor market and credit expansion (underpinned by loose monetary policy). Therefore it remains reasonable to expect some reacceleration in activity next year.

Employment continues to expand in the retail sector but remains subdued in the manufacturing sector. Employment in the retail sector has been showing a vigorous expansion, with real wages improving considerably. However, employment in the manufacturing sector continues to shrink at the same time that real wages lose momentum after the surge recorded in 1H10.

Figure 2: Strong retail sales and slower IP growth



Source: J.P. Morgan Economics.

Figure 3: Perception of high inventories low but increasing (sa JPM)

Source: J.P. Morgan Economics.

Reconstruction Spending Boost

The disaster relief program will not result in higher debt issuance in 2011. The government has outlined a four-year total need for COP14.3-16.3 trillion (US$7.5-8.5 billion) to address emergency relief and reconstruction following heavy rains and floods at the end of 2010. Of this, COP6.3 trillion will come from adjustment to budgetary revenue sources: namely, from an increase in the wealth tax (generating COP3.3 trillion); the delay of the previously planned elimination of the financial transactions tax (COP2.0 trillion); and reconfigurations of budgetary expenditure (COP1.0 trillion). The rest of the financing—COP8-10 trillion—would come from the government's plans to sell more of its stake in Ecopetrol.

In 2011, disaster relief will be covered with budgetary maneuvering (a combination of carrying over unexpected tax revenues from 2010, the aforementioned wealth tax hike, and residual savings of a disaster relief fund called FOREC) along with some sale of Ecopetrol shares. The government has so far not increased the 4.1%-of-GDP deficit projection. Instead, it has signaled upside risk, but it is hopeful that firmer economic growth can lead to better tax receipts. In any case, the Finance Ministry has been resolute that it will not increase TES issuance, which remains at COP28 trillion (US$14.8 billion), of which COP18 trillion are market auctions. The financing plan contemplates US$2.25 billion of external bond issuance.

BanRep on hold during 1Q11 but will likely hike rates in 2Q11

BanRep is ready to hike. Headline inflation has started to show the impact of higher global commodity prices on local prices, and one of the consequences has been deteriorating inflation expectations for 2011. BanRep left the policy rate unchanged at 3.0% in January, but the post-meeting *communiqué* shifted to a hawkish tone, suggesting that a rate hike may take place in the short term (possibly before our prevailing call for a first move in April). In fact, the bank highlighted that "if" the Colombian economy keeps growing as expected "or" if inflation expectations deviate from the targeted level, the conditions will be in place for the gradual withdrawal of monetary stimulus.

Colombian domestic demand has been rebounding in recent quarters, while both inflation and inflation expectations had—until December—been subdued. Despite end-year food price pressure, core inflation remains contained and economic activity is showing some mixed signals (namely, lagging manufacturing activity). This should lead BanRep to keep the policy rate at its current (admittedly stimulative) level over the near term.

Recent headline inflation numbers have been accelerating on the back of higher food prices, while core figures remain benign. This acceleration was a result of some pass-through from the recent spike in international commodity prices, which has coincided with extreme weather conditions in Colombia (harsh rains and flooding) that have added pressure on fresh food items. Inflation is poised to accelerate even further in the coming quarters as food prices should reflect the pressure in external markets, while domestic demand is expected to remain on a strong footing.

BanRep has been highlighting that its technical team projects "with a high degree of confidence" that inflation will remain inside the target range in 2011. BanRep's official forecast was looking for 2011 inflation at 3.0% (the midpoint of the target range) despite the recent spike in local food inflation.

Market expectations are for inflation to finish 2011 well above 3%, and the downward trend in these forecasts has reversed sharply in January following December's upward surprise (second figure below).

We continue to see BanRep beginning to remove monetary stimulus with an initial 25-bp hike in April amid higher inflation and activity data. We see the policy rate finishing 2011 at 5.5%.

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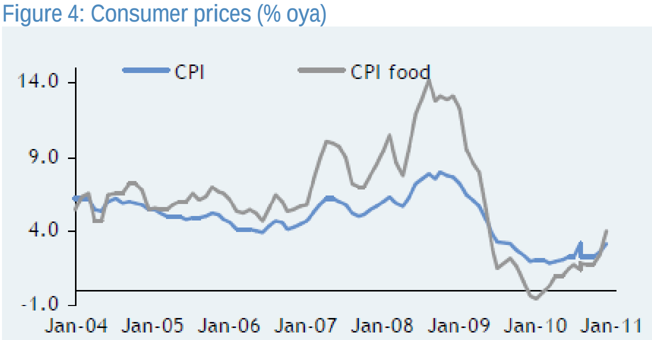
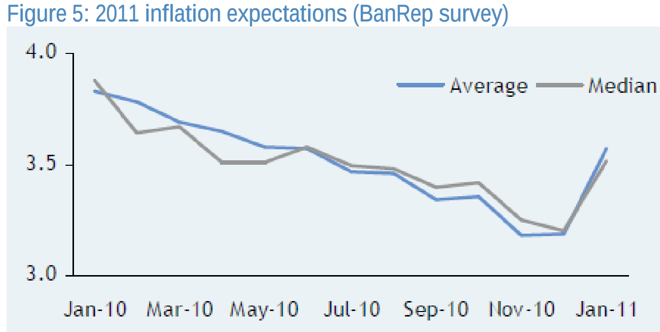
Figure 4: Consumer prices (% oya)



Source: J.P. Morgan Economics.

Figure 5: 2011 inflation expectations (BanRep survey)



Source: J.P. Morgan Economics.

Background

BanRep has been independent since 1991 to conduct monetary and exchange rate policies. The BanRep board of directors has seven members (appointed for four-year terms) who are responsible for policy decisions and regulatory issues. BanRep explicitly targets annual headline CPI inflation with the primary objective of keeping inflation aligned with the long-term target (3.0%). The CPI inflation target range for 2011 is 2.0-4.0%, with a point reference in the middle of the range at 3.0%. The bank holds monthly monetary policy meetings to set policy rates, which take place on Friday of the second or third week of the month (a calendar is published on BanRep's website). The main policy instrument is the interest rate on repos.

BanRep has been active in managing the repo rate, carrying out a 525-bp easing cycle since the September 2008 financial crisis. A 250-bp tightening cycle is expected over the course of 2010-11, to take the repo rate to 5.50% by end-2011, reversing less than half the cumulative cuts. The authorities also manage liquidity with reserve requirements on financial institutions (savings accounts, checking accounts, and CDs).

Table 2: LatAm inflation – Targets expected to be met in 2011, but risk on upside

End of period (% Dec/Dec)	2009	2010	2011
Latin America	**5.4**	**7.3**	**7.4**
Latin America ex Argentina and Venezuela	**3.4**	**5.0**	**4.6**
Argentina*	7.7	11.1	12.0
Brazil	4.3	5.6	5.1
Chile	-2.6	2.9	3.8
Colombia	2.0	2.7	3.2
Ecuador	4.3	3.1	3.7
Mexico	3.6	4.8	4.0
Peru	0.2	2.4	2.5
Venezuela	26.9	30.0	35.0

Source: J.P. Morgan. * * Nonofficial estimate of inflation is 14% (2009), 27% (2010), and 25% (2011).

Should get the investment grade stamp this year

Reforms point to a better fiscal outlook, but Congress may still water down key projects. The Santos Administration has presented a full plate of inter-related fiscal reforms to Congress, including constitutional reforms to the royalties system and to elevate fiscal stability to a constitutional right (on par with healthcare); a fiscal rule proposal; and a so-called "mini-fiscal reform" to reduce tax exemptions and eliminate loopholes. The originally stated goal of the fiscal rule would be to reduce Colombia's central government debt from 39.4% of GDP in 2010 to 28.4% in 2015 via a very gradual move toward a primary surplus by the end of Santos's term.

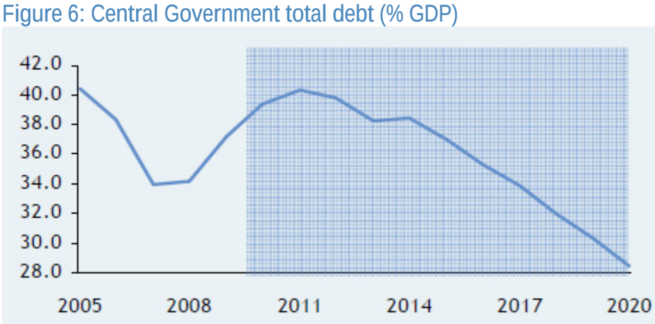
The reform of laws governing energy/mining sector royalties intends to better channel and manage the expected boom in the coming years, including the creation of a centrally managed countercyclical stabilization fund. The constitutional reforms passed both houses of Congress in the 2H10 legislative session, and now, as required under Colombian law, must be taken up again in the 1H11 session. Royalties reform has good momentum but could face further watering down, as local interests push back against centralized control of the windfall. The constitutional reform on fiscal stability is more controversial and could face stepped-up opposition, meaning a higher likelihood of being watered down in 1H11. Overall, many crucial details are set to be defined this year, but in general the reforms should be approved by the Congress.

All three major rating agencies have Colombia's rating one notch below investment grade, with a positive outlook. The approval and implementation of fiscal reforms may be a catalyst of rating agency action. But at this point even a less-than-ideal final reform package could earn Colombia an investment grade rating, given the agencies' overall positive assessment of Colombia's macroeconomic resilience.

Background

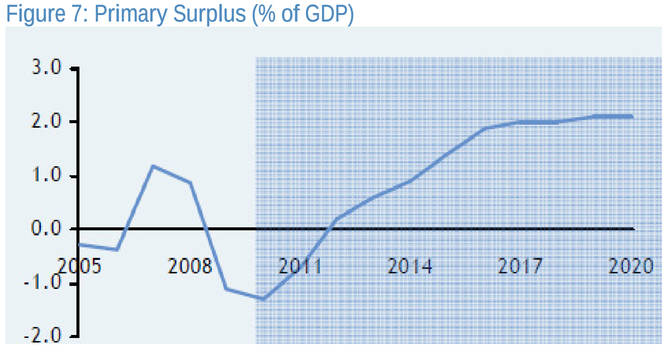
Colombia was last rated investment grade at the end of the 1990s. Prior to that Colombia and Chile were the only two major LatAm countries to be investment grade rated in recent times.

Figure 6: Central Government total debt (% GDP)



Source: Ministry of Finance.

Figure 7: Primary Surplus (% of GDP)



Source: Ministry of Finance.

Table 3: Summary Debt & Fiscal Indicators

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010F	2011F
Debt Stock														
Total External Debt (USD bn)	36.7	36.8	36.2	39.2	37.4	38.1	39.5	38.5	40.1	44.6	46.4	53.7	60.5	63.4
Sovereign External Debt (USD bn)[1]	18.8	20.3	20.7	23.5	22.8	24.6	25.8	24.2	26.3	28.8	29.4	37.1	38.1	38.5
Private Sector External Debt (USD bn)	17.9	16.5	15.5	15.6	14.5	13.5	13.7	14.3	13.8	15.7	16.9	16.6	22.4	24.9
Total External Debt (% GDP)	32.8	33.8	38.5	42.2	40.3	41.5	34.7	26.6	24.7	21.4	19.1	23.3	21.0	20.0
Total External Debt (% of exports)	246.2	247.1	215.3	245.1	249.7	233.7	196.0	151.2	133.3	123.5	104.5	142.0	138.9	133.7
Sovereign Gross Domestic Debt (USD billion)	16.6	23.0	26.3	29.6	29.0	31.9	42.2	51.3	55.6	68.0	62.3	77.7	99.9	103.6
Sovereign Gross Domestic Debt (% GDP)	19.7	25.3	30.0	31.6	35.7	33.6	33.2	35.0	32.5	30.7	29.3	32.0	33.2	33.5
Sovereign Gross External Debt (% GDP)	16.8	18.6	22.0	25.3	24.6	26.8	22.7	16.7	16.2	13.9	12.1	16.1	13.2	12.1
Total Gross Sovereign or Public Sector Debt (USD bn)[3]	35.3	43.3	47.0	53.2	51.8	56.5	68.1	75.5	81.9	96.8	91.7	111.0	134.0	144.6
Total Gross Sovereign or Public Sector Debt (% of GDP)	36.5	43.9	52.0	56.9	60.3	60.4	55.9	51.7	48.6	44.5	41.4	48.1	46.4	45.6
Sovereign Debt Service														
External Debt Service (USD bn)	3.2	3.3	3.5	4.4	5.4	5.3	3.9	7.7	6.0	4.9	4.6	3.9	3.7	3.7
Amortization (USD bn)	2.0	2.0	2.0	2.7	3.7	3.6	2.1	5.5	4.1	2.9	2.4	1.7	1.7	1.2
Interest (USD bn)	1.2	1.3	1.5	1.6	1.7	1.7	1.8	2.1	1.9	2.0	2.2	2.1	2.0	2.5
External Debt Service (% GDP)	2.9	3.0	3.7	4.7	5.8	5.8	3.4	5.3	3.7	2.4	1.9	1.7	1.3	1.2
Amortization (% GDP)	1.8	1.8	2.1	2.9	4.0	3.9	1.8	3.8	2.5	1.4	1.0	0.7	0.6	0.4
Interest (% GDP)	1.1	1.2	1.6	1.8	1.8	1.9	1.6	1.5	1.2	1.0	0.9	0.9	0.7	0.8
Domestic Debt Service (% of GDP)	5.4	5.6	5.4	6.3	5.4	5.0	5.8	5.8	8.3	8.4	6.4	6.5	4.9	4.8
Amortization (% of GDP)	2.3	3.4	2.9	3.6	3.3	2.7	3.5	3.9	5.6	5.5	4.1	4.2	2.4	2.4
Interest (% of GDP)	3.0	2.2	2.4	2.6	2.1	2.2	2.2	1.9	2.7	2.9	2.3	2.3	2.5	2.4
Total Sovereign Debt Service (% GDP)	8.2	8.6	9.1	10.9	11.2	10.7	9.2	11.1	12.0	10.7	8.3	8.2	6.2	6.0
Sovereign External Debt Service (% of exports)	21.6	22.0	20.8	27.2	36.1	32.6	19.4	30.2	19.9	13.6	10.3	10.2	8.5	7.9
Private Sector External Debt Service														
Amortization (USD bn)	2.4	2.9	3.6	2.6	3.2	3.0	3.4	2.8	3.9	2.8	2.9	4.1	5.9	5.9
Interest (USD bn)	1.4	1.2	1.2	0.9	0.8	0.7	0.7	0.8	0.9	0.7	0.8	0.8	0.7	0.7
Private Sector External Debt Service (% of GDP)	3.4	3.8	5.1	3.8	4.3	4.1	3.6	2.5	2.9	1.7	1.5	2.1	2.3	2.1
Total External Debt Service (% of GDP)	6.3	6.8	8.8	8.5	10.2	9.8	7.1	7.8	6.6	4.1	3.4	3.8	3.6	3.3
Fiscal Finances														
Headline Fiscal Balance (% of GDP)[2]	-3.3	-3.6	-3.7	-3.8	-3.1	-2.3	-0.5	-0.4	-0.4	-0.4	0.5	-2.2	-3.6	-3.0
Public Sector Borrowing Requirements (% of GDP)	7.4	8.9	8.8	10.4	10.4	8.9	5.9	8.2	8.5	7.3	4.6	7.1	6.6	5.7
Primary Fiscal Balance (% GDP)	0.8	-0.3	0.3	0.6	0.8	1.8	3.3	2.9	3.5	3.4	3.6	1.0	-0.4	0.2
Government revenue (% GDP)[2]	27.2	30.2	29.8	30.7	30.5	31.0	31.4	29.5	30.2	30.6	27.3	27.9	24.7	25.7
Nominal GDP (USD bn)	112.0	109.1	94.1	92.9	92.8	91.7	113.8	144.5	162.4	208.0	243.1	231.0	288.5	317.2
GDP Per Capita (USD)	2,873	2,475	2,362	2,297	2,259	2,198	2,685	3,357	3,717	4,690	5,400	5,059	6,225	6,743
Real GDP growth (% oya)	0.6	-4.2	2.9	2.2	2.5	3.8	5.3	4.9	7.1	6.1	2.7	0.8	4.5	4.1

Source: Finance Ministry, Central Bank, IMF, J.P. Morgan. 1. Includes leasing and securitization. 2. Includes other NFPs' debt to the financial sector and central government debentures.

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Table 4: Latin America Credit Ratings

	Moody's		S&P		Fitch		Recent Moody's Action		Recent S&P Action		Recent Fitch Action	
	Rating	View	Rating	View	Rating	View	Action	Date	Action	Date	Action	Date
Latin America												
Argentina	B3		B		B		O/L chngd to stable	Aug-14-08	Upgrade, O/L stable	Sep-13-10	Upgrade	Jul-12-10
Barbados	Baa3		BBB-		NR		Downgrade, O/L chngd to stable	Oct-13-09	Downgrade, O/L chngd to stable	Oct-22-10		
Belize	B3		B		NR		Upgrade, O/L stable	Feb-10-09	Affirmed, O/L stable	Feb-16-10		
Bolivia	B2	+	B	(+)	B+		Review (+)	Jun-24-10	Upgrade, O/L chngd to (+)	May-06-10	Upgrade, O/L stable	Oct-05-10
Brazil	Baa3	(+)	BBB-		BBB-	(+)	Upgrade, O/L (+)	Sep-22-09	Upgrade, O/L stable	Apr-30-08	O/L chngd to (+), Affirmed	Jun-28-10
Chile	Aa3		A+		A		Upgrade, O/L chngd stable	Jun-16-10	Affirmed, O/L stable	Dec-29-09	Affirmed, O/L stable	May-18-10
Colombia*	Ba1	(+)	BB+	(+)	BB+	(+)	O/L chngd to (+), Affirmed	Sep-09-10	O/L chngd to (+), Affirmed	Jul-07-10	O/L chngd to (+), Affirmed	Oct-14-10
Costa Rica*	Baa3		BB		BB		Upgrade, O/L stable	Sep-09-10	Affirmed, O/L stable	Feb-09-10	Affirmed, O/L stable	Feb-01-10
Cuba	Caa1		NR		NR		Assigned	Apr-05-99				
Dominican Rep	B1		B	(+)	B	(+)	Upgrade, O/L stable	Apr-22-10	O/L chngd to (+), Affirmed	May-05-10	O/L chngd to stable, Affirmed	Sep-25-08
Ecuador	Caa3		B-		B-		Upgrade, O/L chngd to stable	Sep-24-09	Upgrade, O/L chngd to stable	Aug-02-10	Upgrade, O/L stable	Nov-05-10
El Salvador	Ba1	(-)	BB		BB	(-)	Downgrade, O/L chngd to (-)	Nov-15-09	Affirmed, O/L stable	Jan-27-10	Affirmed, O/L (-)	Jul-06-10
Guatemala	Ba1		BB		BB+		Upgrade, O/L stable	Jun-01-10	Affirmed, O/L stable	Sep-22-10	Affirmed, O/L stable	Aug-10-10
Honduras	B2		B		NR		Affirmed, O/L stable	Sep-29-98	Affirmed, O/L stable	Sep-27-10		
Jamaica	B3		B-		B-		Upgrade, O/L Stable	Mar-02-10	Upgrade, O/L Stable	Feb-24-10	Upgrade, O/L stable	Feb-16-10
Mexico	Baa1		BBB		BBB		Affirmed, O/L stable	Aug-05-09	Downgrade, O/L chngd to stable	Dec-14-09	Downgrade, O/L chngd to stable	Nov-23-09
Nicaragua	B3		NR		NR		Upgrade, O/L stable	May-26-10				
Panama	Baa3		BBB-		BBB-	(+)	Upgrade, O/L stable	Jun-09-10	Upgrade, O/L stable	May-25-10	Upgrade, O/L (+)	Mar-23-10
Paraguay	B3	+	B+	(+)	NR		Review (+)	Jun-24-10	Upgrade, O/L chngd to (+)	Aug-23-10		
Peru	Baa3		BBB-	(+)	BBB-	(+)	Upgrade, O/L chngd stable	Dec-16-09	O/L chngd to (+), affirmed	Aug-23-10	O/L chngd to (+), Affirmed	Jun-02-10
Trinidad & Tobago	Baa1		A		NR		Upgrade, O/L stable	Jul-13-06	O/L chngd to stable, Affirmed	Sep-14-09		
Uruguay*	Ba3	+	BB		BB	(+)	Review (+)	Jul-15-10	Upgrade, O/L stable	Sep-06-10	Upgrade, O/L chngd to (+)	Jul-27-10
Venezuela	B2		BB-		B+		Affirmed, O/L stable	Jan-15-09	O/L chngd to stable, Affirmed	Jan-11-10	Affirmed, O/L stable	Feb-08-10

* S&P issue rating is one notch above the issuer credit rating
Source: J.P. Morgan.

Government has been fighting COP gains, but oil boom helps keep external accounts robust

Since last September, BanRep has been buying US$20 million per day in the FX spot market, a policy that has been extended through March. The government also announced in November a series of measures intended to curb COP appreciation, including the postponement of monetization of external debt in 2010, eventual purchases of USD in the forward markets to meet external debt obligations, and the elimination of the exemption of a 33% withholding tax on the interest payments for external credit lines. If the COP/USD regains momentum, “tougher measures” cannot be ruled out—like the resumption of capital controls, last used in 2007.

Colombian President Santos and Venezuelan President Chavez have agreed to restore diplomatic ties. The bilateral frictions intensified in the last years of the Uribe administration, causing severe strain on bilateral trade in particular. The bulk of the negative impact on Colombian exports was felt in 2009, but so far there has been no recovery. At this point this means that Venezuela is neither a drag on Colombian growth (on a sequential basis) nor supportive of it.

The drop in Colombian exports has helped to tame inflation in Colombia by increasing the domestic supply of food. If exports to Venezuela regain traction, this

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could benefit Colombian industry at the same time that it should add some pressure to food inflation in Colombia.

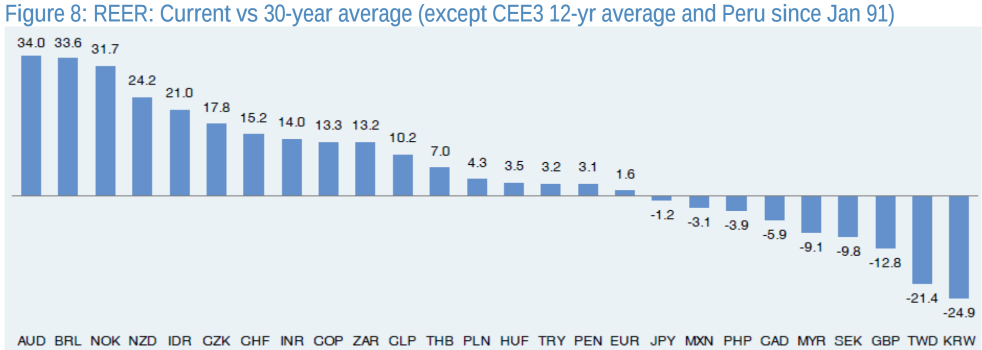
Colombia's external accounts have shown resilience despite the Venezuela shock, as growth in "traditional exports"—mainly commodities—have more than compensated the Venezuela-related fall in "non-traditional" exports. Not only have terms of trade been supportive, but Colombia has been increasing its production and its exports—particularly in the oil sector. Crude oil production was up 16.9% in 2010, having reached 825kbd by December.

Background

Colombia moved to a floating exchange rate in September 1999 after abandoning the crawling-peg band system introduced in 1992. The central bank, Banco de la Republica (BanRep), intervenes in the FX market either by direct spot purchases/sales or through derivatives. In particular, in an effort to control FX volatility, it auctions 30-day USD/COP options if the market referential exchange rate (TRM) deviates from its 20-day moving average by more than 2%, but it can also issue 30-day options to increase/decrease the stock of international reserves. The TRM is the daily average rate in spot transactions calculated by the Superintendencia Financiera of Colombia—the local regulator.

Daily spot operations in USD/COP are carried out through the currency market (SET-FX), which is administered by the Bolsa de Valores de Colombia (BVC), and the operations are registered through the central bank's clearing system (SEBRA). Liquidity has increased dramatically since COP was floated. Average daily turnover hovers around US$1 billion, with an average transaction size of US$1 million. The market is open from 8am until 1pm local time, but next-day operations can be done from 8am to 4:30pm (liquidity in the latter is significantly lower).

Figure 8: REER: Current vs 30-year average (except CEE3 12-yr average and Peru since Jan 91)



Source: Bloomberg, J.P. Morgan.

Regulations, taxation, and capital controls

BanRep has established regulations for local FX intermediaries limiting the overall leverage position in forward foreign exchange transactions, spot trades, and other FX exchange-related derivatives to 5.5 times its net worth. There is no tax treaty with the US. Foreign investment accounts' investments in local government securities are subject to a monthly withholding tax on income gains: 6% for maturities up to five years and a 4% tax for maturities over five years. Withholding taxes are deductible from the income tax. The income tax on coupons and any realized capital gains is 33%. Also, note that foreign investors have to pay a 0.4% financial transactions tax on after-tax funds that are repatriated from Colombia.

Capital controls. The authorities have on occasion attempted to stem financial inflows and control “excessive” FX appreciation via capital controls (1998-2000 and 2007-2008). In May 2007 the government applied a 6-month nonremunerated deposit requirement of 40% to new loans in foreign currency and portfolio inflows. In May 2008 the government increased this rate to 50% and added a restriction of two years’ minimum stay for FDI. These controls had two key goals: to discourage short-term overseas borrowing and induce a switch to long-term debt maturities and to create room for further monetary tightening without generating undesired appreciation pressures of COP given the widening interest rate differential *vis-à-vis* the US. The authorities started to unwind some of these restrictions in September 2008, eliminating capital controls on equities and FDI, and by October the controls were fully unwound in the face of the international financial crisis.

Table 5: State of current FX regime, capital control, and possible future intervention measures

	FX Regime	Recent Measures	Possible Future Measures	Reserve Accumulation 2010 US$ billion	2010 % Change in Reserves
Colombia	Non Convertible. 33% tax on income and capital gains and 6% WHT on coupon payments for bonds with maturities up to 5 years and 4% for longer bonds.	USD purchases of US$20 million day	Risks remain high for further interventions both in spot FX and potentially increases in Reserve Requirements for foreign investors.	1.5	6%

Source: J.P. Morgan.

Table 6: EM policy makers stepping up reserve accumulation and other measures

	Inflation target		Multiple	FX sales purchases		Capital
	Target rate	Range	targets	Reserves	Other[1]	controls
Latin America						
Brazil	Headline	4.5% (+/-2%)		x	x	
Chile[2]	Headline	3% (+/-1%)			x	
Colombia	Headline	3% (+/-1%)		x	x	
Mexico	Headline	3% (+/-1%)		x	x	
Peru[3]	Headline	2% (+/-1%)		x	x	
EMEA EM						
Czech Republic[4]	Headline	2% (+/-1%)		x	x	
Hungary[4]	Headline	3%		x	x	
Israel	Headline	1-3%		x		
Poland	Headline	1.5-3.5%		x	x	
Romania	Headline	3.0% (+/-1%)		x		
Russia[5]	Headline	6-7%	x	x	x	
South Africa	Headline	3.0-6.0%		x	x	x
Turkey	Headline	6.5% (+/-2%)		x		
Emerging Asia						
China	Headline	na	x	x		x
Hong Kong	Headline	na		x		
India[6]	Headline WPI	5.50%	x	x	x	
Indonesia	Headline	4-6 %		x	x	
Korea	Headline	3% (+/-1%)		x	x	
Philippines	Headline	3-5%		x	x	
Singapore	Headline	2-3%	x	x	x	
Thailand	Core	0.5-3.0%		x	x	

1. Swaps, forwards, credit lines, withholding taxes, etc.
2. The treasury set up an offshore fiscal stabilization fund in 2006 to accumulate the windfall gains from high copper prices.
3. The Central Bank has used targeted fees and reserve requirements to limit inflows.
4. Euro revenues from privatization and EU transfers are brought into FX reserves. In Czech, Eurobond proceeds are not exchanged but the MoF is obliged to hedge against the FX risk.
5. Inflation target changes every year; Capital controls are indirect.
6. India's WPI forecast is for end-March 2011; RBI forecasts inflation not target.

Source: J.P. Morgan.

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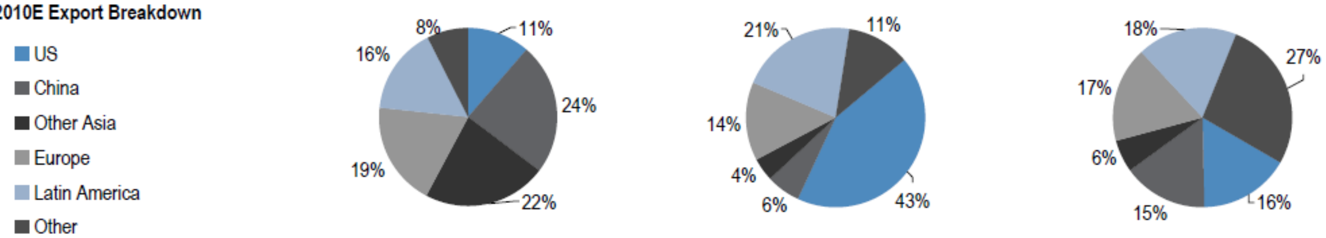
Table 7: Andean Markets Comparative Snapshot

US$ in Millions	CHILE			COLOMBIA			PERU		
	2010E	**2005**	**2000**	**2010E**	**2005**	**2000**	**2010E**	**2005**	**2000**
Population	**17,132**	**16,293**	**15,412**	**46,299**	**43,046**	**39,763**	**29,495**	**27,833**	**25,997**
<15	*22%*	*25%*	*28%*	*28%*	*31%*	*33%*	*29%*	*32%*	*34%*
15-64	*69%*	*67%*	*65%*	*66%*	*64%*	*62%*	*65%*	*63%*	*61%*
>64	*9%*	*8%*	*7%*	*6%*	*5%*	*5%*	*6%*	*5%*	*5%*
Nominal GDP	**192,356**	**118,250**	**75,495**	**288,479**	**144,581**	**94,053**	**150,113**	**79,389**	**53,336**
Per Capita	*11,223*	*7,257*	*4,899*	*6,225*	*3,359*	*2,365*	*5,086*	*2,852*	*2,052*
Total # of Listed Stocks	233	246	260	84	98	73	246	224	213
Local Market Capitalization	**290,846**	**163,864**	**60,514**	**192,567**	**50,687**	**6,966**	**73,850**	**36,196**	**10,511**
Market Cap / GDP	*151%*	*139%*	*80%*	*67%*	*35%*	*7%*	*49%*	*46%*	*20%*
Local Index ADTV	**179**	**81**	**25**	**86**	**36**	**4**	**16**	**10**	**10**
Pension AUM	**129,843**	**74,756**	**35,886**	**49,154**	**16,015**	**3,585**	**26,990**	**9,508**	**2,752**
Pension AUM / GDP	*68%*	*63%*	*48%*	*17%*	*11%*	*4%*	*18%*	*12%*	*5%*
% Penetration	*74%*	*68%*	*63%*	*29%*	*23%*	*16%*	*24%*	*21%*	*16%*
Pension Equity Holdings	**59,846**	**32,923**	**4,165.3**	**21,372.2**	**2,663.4**	**83.3**	**12,476**	**4,319**	**826**
% Total Pension AUM	*46%*	*44%*	*12%*	*43%*	*17%*	*2%*	*46%*	*45%*	*30%*
Number of Affiliates (Millions)	**8.7**	**7.4**	**6.3**	**9.0**	**6.4**	**4.0**	**4.6**	**3.6**	**2.5**
<30 Years of Age	*29%*	*29%*	*34%*	*32%*	*37%*	*41%*	*29%*	*35%*	*39%*
<40 Years of Age	*57%*	*59%*	*68%*	*72%*	*75%*	*82%*	*64%*	*69%*	*73%*
<50 Years of Age	*84%*	*85%*	*89%*	*94%*	*96%*	*98%*	*86%*	*89%*	*92%*
<60 Years of Age	*98%*	*97%*	*98%*	*100%*	*100%*	*100%*	*97%*	*98%*	*99%*
Nominal GDP Breakdown									
Agriculture	4%	4%	6%	7%	8%	8%	9%	9%	9%
Mining and Energy	18%	16%	7%	7%	6%	6%	5%	7%	5%
Industrial Manufacturing	10%	15%	18%	13%	14%	14%	15%	15%	15%
Electricity, Gas and Water	4%	3%	3%	4%	4%	3%	2%	2%	2%
Construction	8%	6%	7%	8%	6%	4%	6%	5%	5%
Commerce	9%	9%	10%	12%	12%	13%	16%	14%	14%
Personal/Public Services	42%	42%	43%	42%	42%	44%	38%	38%	39%
Taxes	5%	6%	6%	8%	8%	7%	9%	10%	10%

2010E Export Breakdown



Source: CIA world Factbook, country central banks, country stock exchanges, Bloomberg, SAFP, FIAB, J.P. Morgan.

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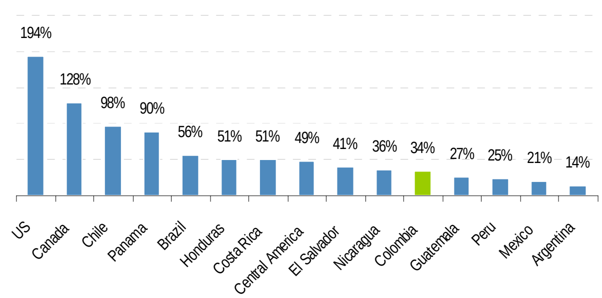
The Financial System

Financial sector penetration in Colombia remains low at around 34%; this compares with Brazil at 56% and Chile at a region-leading 98%. Banking penetration has risen in recent years, along with the stronger growth outlook for the country, from a recent low of 18%.

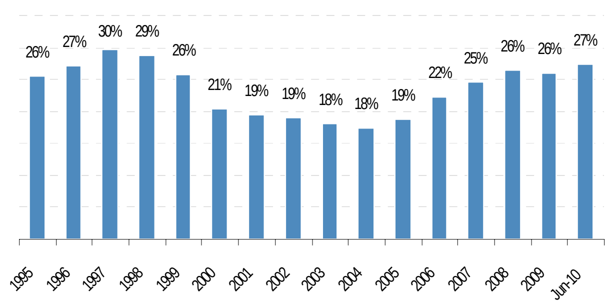
The breakdown of this loan penetration is largely made up of commercial loans (18% of GDP) and consumer loans (8% of GDP). Mortgages are very under-represented, at around 2.5% of GDP, having being severely hampered by the recession of the early 2000s, when mortgage penetration was closer to 6% of GDP. Credit cards per capita are also low at 0.3, compared to 2.9 in Chile and 1.7 in Brazil. This has been growing as nontraditional financial players, such as retailers Exito and Falabella, have entered the consumer credit market. Existing usury laws, and a 4-bp financial transactions tax, are limiting factors on financial inclusion.

Figure 9: Private Credit as a % of GDP



Source: World Bank, IMF.

Figure 10: Evolution of Bank Credit/GDP



Source: Company reports.

System asset quality is robust, with PDL/total loan ratios of around 3.8% and reserve ratios of 131%. These have improved moderately in recent years, from a respective 4.3% and 110% at end-2008.

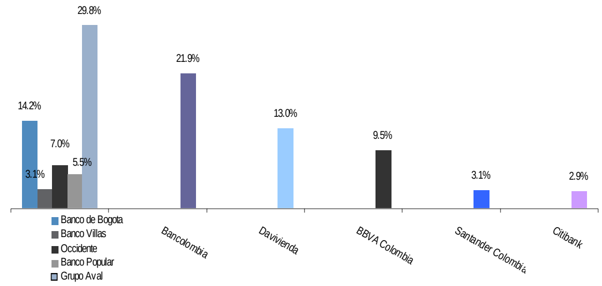
System capitalization levels are also robust at close to 13% of risk-weighted assets and 14% capital/assets. System RoA stands at around 3% and ROE at 21%, in line with Chile and somewhat lower than Brazil.

We expect that good economic growth coupled with higher benchmark rates will lead to loan expansion, continued improvements in asset quality, NIM expansion, and, ultimately, ROE expansion and strong earnings growth.

Grupo Aval is Colombia's largest financial group, with a 30% loan market share. The group consists of four commercial banks (Bogota, Occidente, Popular, and AV Villas) as well as Colombia's largest merchant bank (Corficolombiana) and pension fund manager (Porvenir).

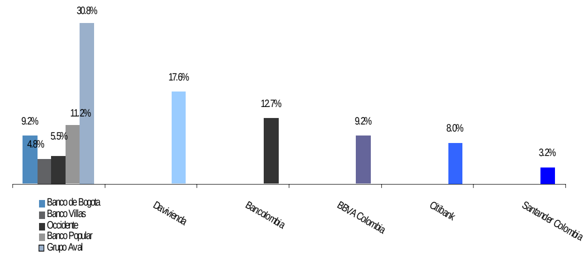
Competitor Bancolombia is the largest individual bank in Colombia, with 20% loan market share. Recently listed Davivienda is the largest individual bank in Colombia by consumer loans. The largest foreign-owned bank operating in Colombia is BBVA.

Figure 11: Total Loan Market Share



Source: Superintendencia Financiera de Colombia.

Figure 12: Consumer Loan Market Share



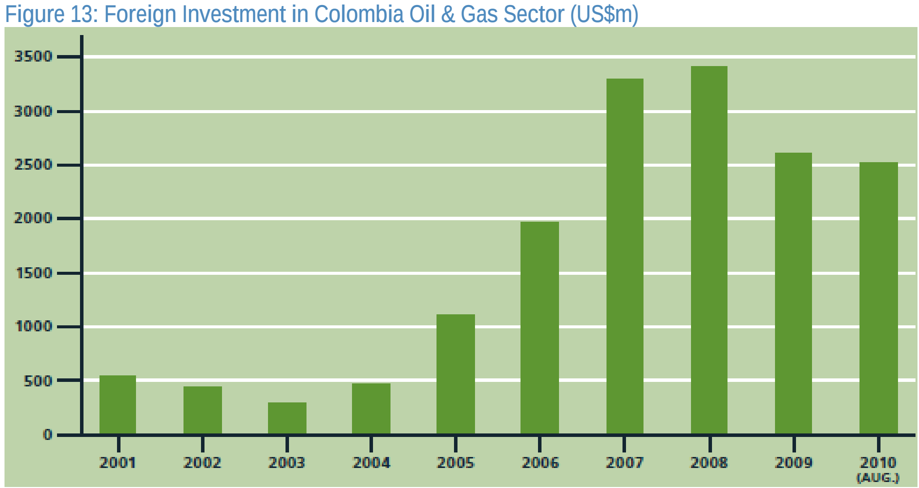
Source: Superintendencia Financiera de Colombia.

Energy Sector

A combination of improved security, changes to the energy investment framework, an independent regulator, and a semiprivate state oil company have combined to drive a dramatic increase in investment activity in the sector over the last decade.

Colombia oil production peaked at over 800k bpd in 1999, falling to nearly 550k in 2004, driven by geological setbacks as well as the worsening security situation. With this situation gradually improving after President Uribe came to power in 2002, the regulatory model was overhauled and the independent National Hydrocarbons Agency (ANH) established in 2003. Royalties were cut from a flat 20% to an 8-25% sliding scale, depending on production, and the government royalty share was reduced to 50-55% from 70%.

Figure 13: Foreign Investment in Colombia Oil & Gas Sector (US$m)



Source: Colombia Central Bank, Council of the Americas.

Additionally, state oil company Ecopetrol was made to compete with private-sector companies. It no longer had a stake in all upstream projects, with the private sector allowed to own 100% of all fields with less than 60m bbl of reserves. In November 2007 the government listed Ecopetrol in the stock exchange, with a 10% free float.

The impact on the sector was significant. The number of exploration blocks awarded doubled from 2004 to 2009, whilst drilling activity has picked up from 20 wells in 2002 to 75 last year. Oil output has recovered to around 750k bpd and is expected to reach 1.0m bpd by 2015. Rising output, along with relatively flat domestic demand, has allowed Colombia to boost exports. 150 oil companies are now operating in the country, and FDI was around $4bn last year, an approximate tenfold increase from the $400m per year in 2002. A number of these foreign oil companies – such as Pacific Rubiales and Canacol Energy – have begun to list on the local Colombian stock exchange.

Oil represents around 40% of total Colombian exports and only 4% of imports. Every $1/bbl oil price change equals around $150m of additional export revenue. The fiscal impact of a $1/bbl change is around 0.02% of GDP.

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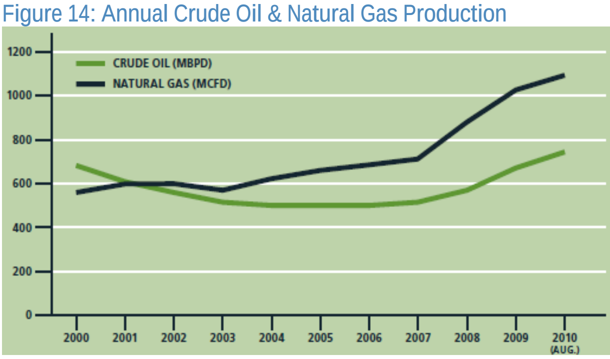
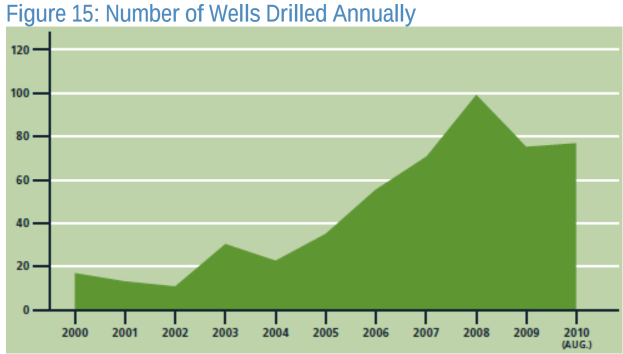
Figure 14: Annual Crude Oil & Natural Gas Production



Source: National Hydrocarbons Agency (Colombia), Council of the Americas.

Figure 15: Number of Wells Drilled Annually



Source: National Hydrocarbons Agency (Colombia), Council of the Americas.

Table 8: 2011 oil price assumptions in key EM oil exporters and importers

Country	Oil exports[1] % of total	Oil imports % of total	Impact of $1/bbl change on fiscal accounts (%GDP)	Impact of $1/bbl change on exports % of GDP	Impact of $1/bbl change on exports US$ million	2011 oil price budget	Implicit WTI assumption in 2011 budget
Latin America							
Colombia	40.1	4.0	0.02	0.07	150	74.5	83.0
Ecuador	55.0	19.0	0.13	0.22	130	73.3	80.0
Mexico[2]	13.9	9.9	0.10	0.23	500	65.4	75.4
Venezuela	95.1	15.0	0.15	0.38	750	40.0	48.1
EMEA EM							
Algeria	98.1	0.0	0.70	0.84	1,130	37.0	37.0
Angola	94.0	0.2	0.44	0.67	517	65.3	65.3
Egypt	47.1	16.4	0.00	0.04	41	44.7	50.0
Gabon	85.9	0.5	0.19	0.73	85	60.0	60.0
Iraq	97.7	0.0	1.05	1.15	228	62.0	62.0
Kazakhstan	70.0	0.0	0.20	0.45	630	65.0	65.0
Nigeria	92.6	2.4	0.29	0.40	674	67.0	67.0
Qatar	89.5	0.0	0.49	1.00	562	50.0	50.0
Russia	63.0	0.0	0.13	0.17	3,100	75.0	76.0
EM Asia							
China	1.2	10.5	0.00	0.00	238	n/a	n/a
India	17.0	28.0	0.05	0.03	300	75.0	n/a
Indonesia	16.3	19.6	-0.01	0.06	307	70.0	n/a
Korea	0.0	19.7	0.02	-	-	63.0	n/a
Malaysia	14.8	8.2	0.00	0.17	379	75.0	71.1
Philippines	0.8	17.1	0.00	0.00	4	n/a	n/a
Singapore	20.0	25.0	0.00	0.49	886	n/a	n/a
Taiwan	5.5	15.3	0.00	0.05	180	n/a	n/a
Thailand	5.5	18.6	0.00	0.04	101	80.0	n/a

1. Including oil derivatives and in some cases natural gas.
2. In Mexico, the impact of $1 change in fiscal accounts represents an estimate of how much goes to the stabilization fund for every $1 above the oil price budget assumption. If the price is below the budget assumption, the price is offset by the oil hedge.

Source: J.P. Morgan.

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Infrastructure

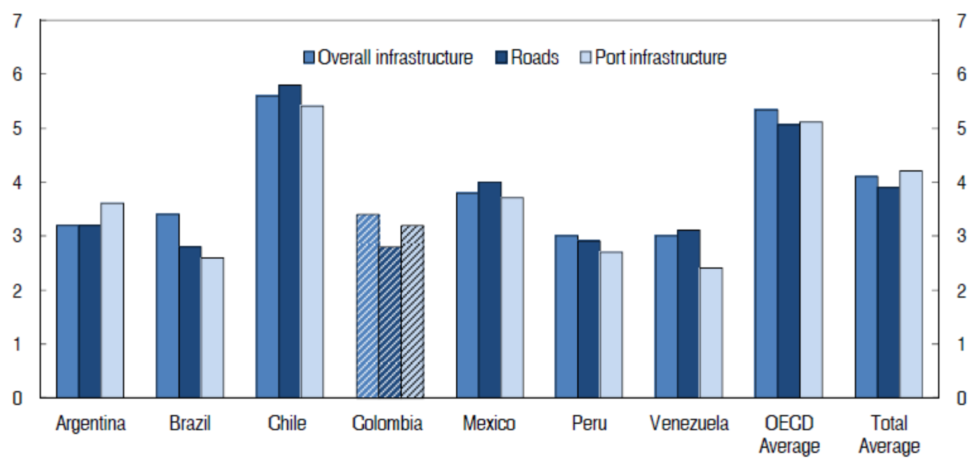
Colombia has a significant infrastructure deficit. The total road network remains small (less than 200,000km) in comparison with the rest of LatAm, and only 15% is paved. Road density is also poor. Rail lines are also underveloped, at less than 2,000km. The government estimates the social housing deficit at two million units. Utility infrastructure – telecoms, water, electricity – is better, by comparison.

Private-sector involvement in infrastructure projects is growing but still remains low by regional standards. The first private-public partnerships (PPPs) were introduced in 1994 and peaked then at 2% of GDP, having since fallen to around 1%. However, in 2009 an estimated 52% ($9.5bn) of total country infrastructure investment came from the private sector, with the majority focused on mining and energy and only 12% on transport.

The government is keen to expand this concept to 'social' PPPs, including courts, universities, and daycare centres. The government estimates $42bn of transport infrastructure investment is needed over the next seven years.

Figure 16: Quality of Infrastructure

Scale index of 1-7 from extremely underdeveloped to well developed and efficient by international standards[1]

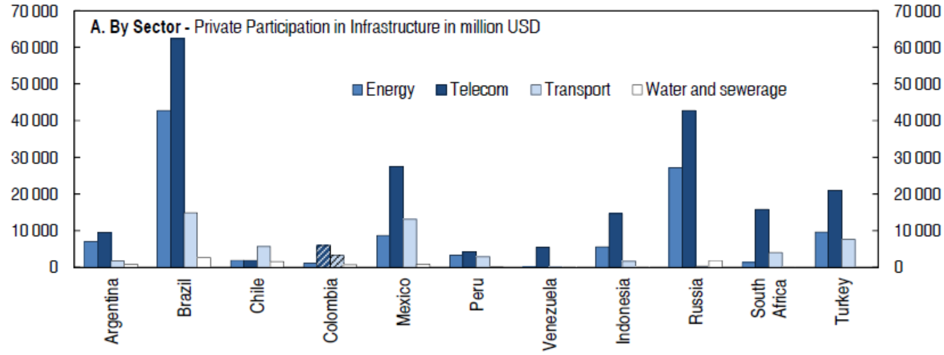


Source: OECD 'Economic Assessment of Colombia' 2010.

More recently, private participation has been less than in much of the region, with the greatest focus on telecoms and transport. By contrast, road concession operations are important in Colombia and have attracted foreign investors and domestic pension funds. Specific Colombia infrastructure funds have been launched by Ashmore and Brookfield.

The private sector is currently involved in upgrading Bogota's El Dorado airport, operating public transport in 12 cities, and expanding the country's double-lane highways by 200km per year. Concessions are pending for additional concessions for highways, railroads, airports, and urban commuter .train and subway projects.

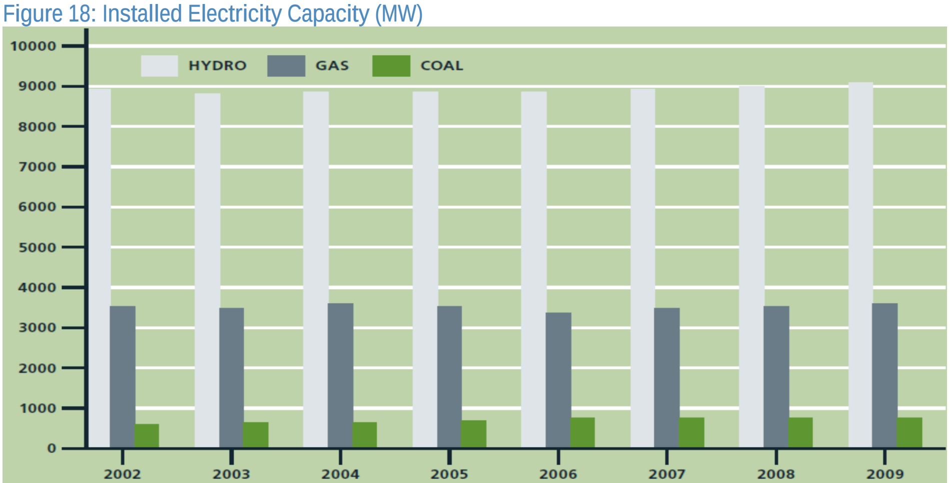
Figure 17: Infrastructure Projects 2000-2009



Source: OECD 'Economic Assessment of Colombia' 2010.

The electricity sector was deregulated in the 1990s and part privatized. A number of major companies in the sector – such as generator ISAGEN and transco ISA – are state owned but publicly listed. Installed capacity stands at 13,500 MW currently and is expected to rise to near 18,000 MW by 2017. Colombia also exports power to Ecuador and plans to export to Panama. Most of current installed capacity is hydro powered.

Figure 18: Installed Electricity Capacity (MW)



Source: Colombia Ministry of Mines and Energy, Council of the Americas.

Pension Funds

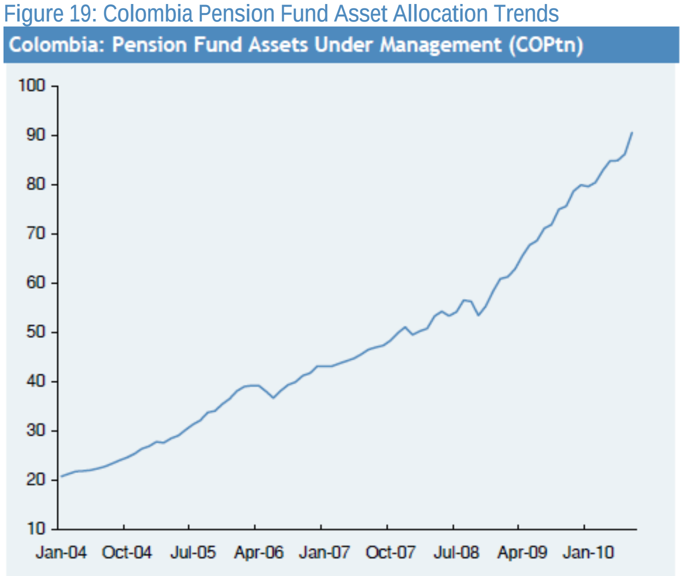
Colombia was one of the pioneers of social security reform in Latin America in the 1990s, creating private pension funds that capture the contributions of a large share of the insured population in individual accounts. The assets managed by the six private pension funds total around US$51 billion (18% of GDP) for the obligatory funds, and the net monthly contributions growth rate hovers around US$200 million. Voluntary funds, unemployment funds (known as *cesantías*), and reserve funds account for another US$8.8 billion. 55% of assets under management are invested in fixed income and 43% in equities.

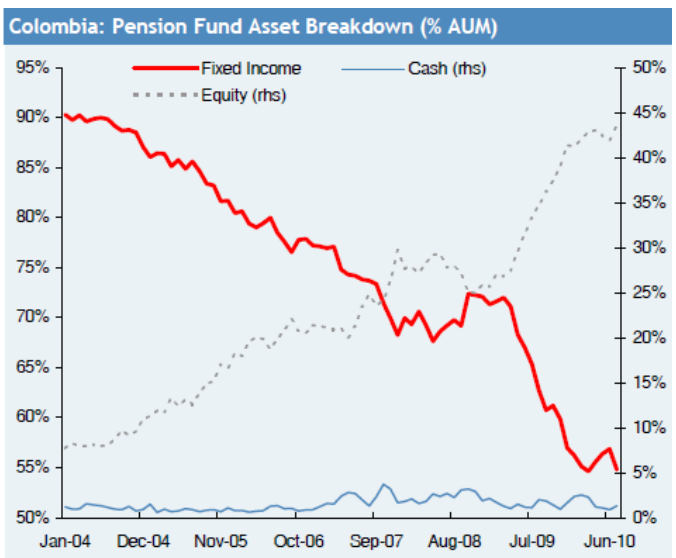
Table 9: Colombia Pension Fund Asset Allocation

		Average			
	Latest	Previous 3-Month	Since Jan'04	Max	Min
Fixed Income	55%	56%	75%	90%	55%
Equity	43%	43%	23%	43%	8%
Cash[1]	1%	1%	1%	4%	1%
Local currency	86%	87%	2%	5%	1%
Foreign currency	14%	13%	16%	32%	10%
FX Exposure	6.1%	6.3%	7.7%	15.0%	4.5%
Duration Risk (yrs)[2]	2.7	2.6	3.0	3.6	2.6

Source: J.P.Morgan and Superfinanciera. 1. Cash corresponds to Sight Deposits, other derivatives not accounted for. 2. (PF FI Duration * PF FI Cash) / AUM.

Figure 19: Colombia Pension Fund Asset Allocation Trends





Source: J.P. Morgan and Superfinanciera.

In September 2010 the system migrated to a multifunds system. This has three funds, with differing asset allocation models – conservative, moderate, and risky – with equity limits of 20%, 45% and 70%, respectively. Total exposure to foreign securities is capped at 60% on average. This system is similar to the structure that originated in Chile and is also used in Peru and Mexico.

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Table 10: Colombia – Equity Exposure by Fund – November 30, 2010

COPtrn

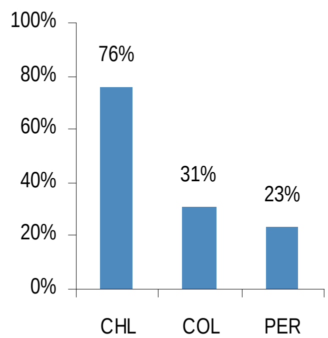
	AUM	Equity	%	Limit	%	Cushion	%
1	0.0	0.0	NM	0.0	20.0%	0.0	NM
2	96.9	43.3	44.7%	43.6	45.0%	(0.3)	-0.3%
3	0.0	0.0	NM	0.0	70.0%	0.0	NM
Total	96.9	43.3	44.7%	43.6	45.0%	(0.3)	-0.3%

Source: Superfinanciera, Asofondos and J.P. Morgan.

From January 1 to February 28, 2011, affiliates are able to migrate to different funds, choosing the risky, moderate, or conservative funds. Colombian demographics favor higher equity limits and growing inflows, with 72% of affiliates under the age of 40. This compares to 56% in Chile and around 64% in Peru. In addition, we see that just 6% of affiliates are over 50 years of age in Colombia, compared to 18% in Chile and 15% in Peru.

Figure 20: AFP Affiliate Penetration

% of 15- to 64-year olds that are affiliates

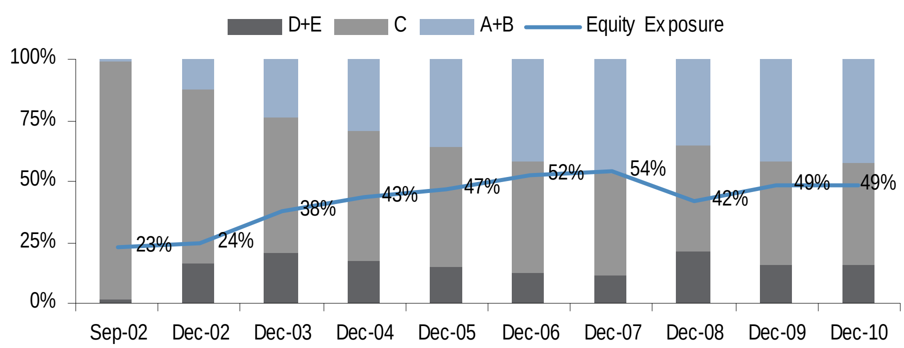


Source: Asociacion de los AFP, Superfinanciera, SAFP and J.P. Morgan.

In our base-case example, we assume that half of the 72% of affiliates under 40 will reposition toward the risky fund, while just 5% of affiliates will migrate to the conservative fund (just 6% of affiliates are over age 50). This would result in a hypothetical average equity limit of 53%, leaving considerable room for AFPs to add equities from current levels. We believe our base case is not particularly aggressive. If we look at Chile, 42% of assets under management (AUM) are in the riskier A and B funds (and just 16% are in the conservative D and E funds) despite the fact that only 56% of the affiliates are under 40 and 18% are over 50.

Figure 21: CHILE – Equity Exposure Evolution since Multifund Implementation

%



Source: SAFP and J.P. Morgan. Note: The equity limits for funds A, B, C, D, and E are 80%, 60%, 40%, 20%, and 5%, respectively.

Despite having a mandatory system, pension affiliate penetration is quite low at just 31% of 15- to 64-year-olds in the country, primarily due to the high level of informality in the wage market. We would expect penetration to increase gradually over time, not only as the level of formality increases but also as new reforms (payroll taxes) and job creation initiatives are implemented.

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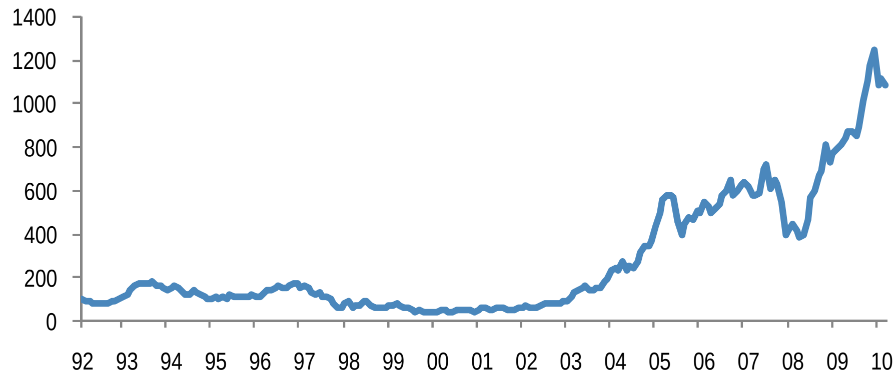
Stock Market & Integration

There are no foreign restrictions on trading on the Colombian exchange. The main stock exchange index is the IGBC, a capitalization-weighted index of the largest and most liquid stocks on the local exchange. It currently has 36 constituents, of which two are primarily domiciled offshore – Pacific Rubiales and Canacol Energy.

Figure 22: MSCI Colombia. Long-Term Index Performance



Source: MSCI, Datastream.

Table 11: Colombia IGBC Index Constituents

Company	Weights	Bloomberg Ticker	Mkt Cap US$ m	3M ADTV US$ m	Price	Performance (%) 1d	5d	1m	3m	6m	YTD	1y
Pacific Rubiales	23.5%	PREC CB	8,273	26.5	58800.0	0.3	(5.5)	(7.7)	2.3	34.3	(7.0)	114.1
Ecopetrol	21.1%	ECOPETL CB	83,786	19.6	3910.0	(1.5)	(0.4)	1.8	(10.0)	20.3	(4.6)	58.0
Bancolombia Pref	7.3%	PFBCOLO CB	10,883	8.5	26000.0	(2.2)	(3.8)	(4.3)	(14.2)	3.3	(13.2)	21.5
Suramericana	5.6%	GRUPOSUR CB	8,486	3.6	34840.0	(0.7)	(0.5)	(4.6)	(12.2)	6.6	(7.0)	37.7
Bancolombia	3.9%	BCOLO CB	10,883	2.8	26140.0	(1.1)	(3.3)	(4.2)	(10.5)	3.7	(11.4)	22.7
ISAGEN	3.8%	ISAGEN CB	3,392	2.7	2350.0	(0.6)	(3.1)	(7.1)	(7.1)	6.8	(9.6)	6.6
Cementos Argos	3.3%	CEMARGOS CB	6,403	2.4	10500.0	1.5	(4.5)	(5.9)	(10.3)	(7.9)	(7.9)	(11.6)
Almacenes Exito	3.0%	EXITO CB	4,144	2.0	23480.0	(0.1)	0.8	0.7	(2.4)	15.7	0.5	28.2
ISA	2.6%	ISA CB	7,343	2.1	12520.0	0.2	(4.1)	(8.1)	(8.1)	(0.8)	(11.2)	(0.5)
Inversiones Argos	2.6%	INVARGOS CB	6,212	1.9	18180.0	0.4	(3.5)	(6.8)	(14.4)	(6.2)	(8.6)	(3.7)
Corficol-Pref	2.5%	CORFICOL CB	3,200	4.4	34200.0	(0.9)	(2.7)	(1.7)	0.8	10.5	(0.3)	46.9
Canacol Energy	2.2%	CNEC CB	678	3.1	2930.0	0.7	3.4	0.5	(1.3)	38.9	(1.3)	NA
ETB	1.9%	ETB CB	1,099	0.7	585.0	(0.8)	(4.3)	(10.3)	(20.2)	(45.6)	(12.7)	(46.1)
Grupo Aval	1.9%	AVAL CB	11,037	1.6	1495.0	(2.0)	(8.0)	(7.7)	1.7	41.0	(12.1)	85.0
Tablemac	1.7%	TABLEMA CB	136	0.8	10.1	6.9	6.5	9.7	12.2	3.3	3.1	62.9
Davivienda	1.6%	PFDAVVND CB	4,684	2.7	21680.0	0.1	0.4	(2.3)	(3.0)	NA	(5.7)	NA
Chocolates	1.4%	CHOCOLA CB	5,368	1.0	23300.0	(2.6)	(4.5)	(9.9)	(9.0)	0.3	(14.0)	11.9
SIE	1.2%	SIE CB	1,239	0.8	12700.0	(2.6)	(10.6)	(10.6)	(9.3)	(7.7)	(11.4)	(14.4)
BVC	1.2%	BVC CB	386	0.7	39.0	(1.0)	(4.2)	(7.4)	(14.3)	6.6	(9.3)	30.0
Colinversiones	1.1%	COLINV CB	1,939	0.7	5090.0	(0.6)	(3.6)	(10.9)	(17.9)	(21.2)	(11.8)	(1.7)
EEB	1.0%	EEB CB	8,047	0.7	177000.0	(1.1)	0.9	8.5	19.5	38.9	1.4	46.5
Enka	1.0%	ENKA CB	88	0.9	14.1	0.7	(4.7)	10.2	3.7	48.3	11.0	74.1
Banco Bogota	0.8%	BOGOTA CB	6,922	1.1	54880.0	0.0	(1.5)	0.5	1.4	22.0	(5.2)	56.8
Interbolsa	0.6%	INTBOL CB	285	0.5	2625.0	(1.9)	(3.1)	(8.9)	1.7	12.2	(10.1)	10.5
Helm Bank	0.6%	PFBHELMB CB	907	0.5	425.0	(0.5)	(5.1)	(5.6)	(3.4)	(6.8)	(7.2)	(3.4)
Fabricato	0.6%	FABRI CB	131	0.6	30.0	(1.0)	(0.3)	11.1	16.3	0.7	11.5	8.7
Mineros	0.5%	MINEROS CB	963	0.5	6950.0	(1.4)	(3.5)	(10.2)	(6.1)	18.8	(11.6)	23.2
Banco De Occidente	0.4%	OCCID CB	2,648	0.5	36500.0	(0.3)	1.4	(0.6)	2.1	19.3	(3.1)	25.9
Biomax	0.4%	BIOMAX CB	98	0.4	1750.0	(1.7)	(6.7)	0.6	19.9	52.2	(5.4)	116.0
Corficolombiana	0.2%	PFCORCOL CB	3,200	0.1	33100.0	0.0	(2.4)	(1.5)	(5.4)	11.3	(1.5)	49.6
Grupo Odinsa	0.2%	ODINSA CB	704	0.3	9000.0	0.0	0.0	5.9	15.4	18.4	6.5	31.2
BMC	0.1%	BMC CB	81	0.2	2575.0	(0.6)	(0.4)	(0.6)	17.8	13.2	(0.2)	(1.7)
Valorem	0.1%	VALBAVA CB	430	0.1	425.0	0.0	0.0	2.4	4.9	25.7	1.0	27.6
Coltejer	0.1%	COLTEJ CB	221	0.1	0.8	0.0	(5.6)	(4.5)	(5.6)	(6.7)	(5.6)	(15.2)
Paz Del Rio	0.0%	PAZRIO CB	394	0.1	47.0	0.0	(0.4)	4.2	4.0	36.2	0.4	23.7
Corp Fin Colombiana	0.0%	SDCORFIC CB	3,200	0.1	34500.0	0.0	0.0	2.9	2.1	19.0	(0.5)	NA

Source: Bloomberg. Prices as of 10 Feb 2011.

Andean Integration

In November 2010 the trial phase of the the integration of the Colombian, Peruvian, and Chilean stock exchanges began. By facilitating trading liquidity between exchanges, especially for retail investors, this could significantly benefit all markets, as developed world examples such as Euronext and the Nordic region's OMX have shown. *For further details, see Brian Chase's Positive Implications of Stock Market Integration, November 10, 2010.*

This process took a practical step further with the January 2011 announcement that the Colombia and Peru exchanges had agreed to combine operations, with the Colombian exchange owning 64% of the combined entitity.

Integration, not a merger, of the three. It is important to clarify that this is not a merger and does not contemplate harmonization of the tax/legal/commercial codes, despite the announced takeover of the Lima Stock Exchange by the Colombia Stock Exchange. This will simply create interoperability between the markets. The integrated markets will have 563 listed companies (higher than Brazil/Mexico) with a market cap of US$564bn (better than Mexico, but below Brazil) and ADTV of US$264mn (behind Mexico/Brazil but likely to improve over time).

Infrastructure/regulation in place. Although there is an ongoing initial testing phase, all of the required technological platforms and regulatory norms are in place. Each exchange manages its own market. Rules/regulations are applied where the shares are listed. Exchanges/custodians/brokers will sign cross-border agreements.

Figure 23: Market Integration, Comparative Statistics vs Brazil and Mexico

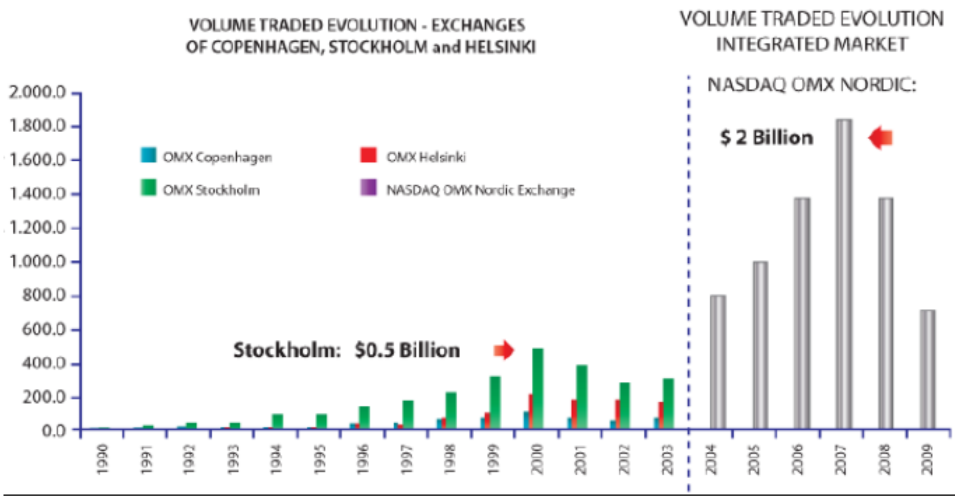
Source: Bolsa de Valores de Colombia.

Positive implications for access, liquidity, new products/issuance. Access will improve most significantly for domestic retail investors, but domestic/foreign institutional investors should also benefit from greater ease via a single access point. Liquidity improvements will be gradual but possibly significant over time (see European examples). New products are also likely to flourish—Andean indices, index/sector funds, derivatives, etc. New issuers will also benefit from cross-access while only being subject to reporting/listing requirements of the home country.

Key challenge is "readiness" of market participants, but we believe this will likely be overcome quickly, especially considering the relative sophistication of some participants and the pre-emptive regional expansion of some local brokers. We also highlight challenges related to different tax/legal codes across countries as well as potentially higher transaction costs and deposit requirements.

Figure 24: NASDAQ OMX Nordic Integration Example

US$m



Source: Bolsa de Valores de Colombia.

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Figure 25: Stock Exchange Summary

Exchange Information					
Local exchange	Bolsa de Valores de Colombia				
Main Stock Index	COLCAP Index (COLCAP Index)				
Time Difference	Standard GMT -5	No daylight savings			
Market Hours					
Trading days	Monday - Friday				
	GMT	BST			
Continuous trading	15:00 - 18:55	16:00 - 19:55			
Closing auction	18:55 - 19:00	19:55 - 20:00			
General information					
Currency	Colombian Peso (COP)				
	Managed, floating currency.				
Settlement	T + 3				
Limits up/Down	Maximum price fluctuation of +/- 6.5%, +/- 5 or +/- 4% on individual securities depending on the stock category.				
Official Closing Price	The closing price is determined by the closing auction.				
Crossing restrictions	Automatic crosses when done within the spread, if above x% (changes by name), triggers a 30sec auction				
ID Requirements	Yes - NIT number				
Foreign Ownership Restrictions	In general, there are no restrictions on foreign ownership in Colombia				
Stock Lending Local	No				
Stock Lending Foreign	No				
		Multiplier	Liquidity	Exercise type	Expiry
Index Futures	N/A				
Index Options	N/A				

Most traded stocks

Name	Bloomberg	Ric	ADV (US$m)
ECOPETROL S.A.	ECOPETL CB	ECO.CN	18
PACIFIC RUBIALES ENERGY CORP	PREC CB	PRU.CN	12
BANCOLOMBIA S.A.	PFBCOLO CB	BIC_p1.CN	11
GRUPO DE INVERSIONES SURAMERICANA S.A.	GRUPOSUR CB	SIS.CN	9
INVERSIONES ARGOS S.A.	INVARGOS CB	ARG.CN	7
INTERCONEXION ELECTRICA S.A.E.S.P	ISA CB	ISA.CN	7
CEMENTOS ARGOS S.A.	CEMARGOS CB	CCB.CN	7
ISAGEN S.A.E.S.P	ISAGEN CB	ISG.CN	3
CORPORACION FINANCIERA COLOMBIANA S.A	CORFICOL CB	CFV.CN	3
COMPANIA COLOMBIANA DE INVERSIONES S.A.	COLINV CB	CLI.CN	3

Source: J.P. Morgan, Bloomberg.

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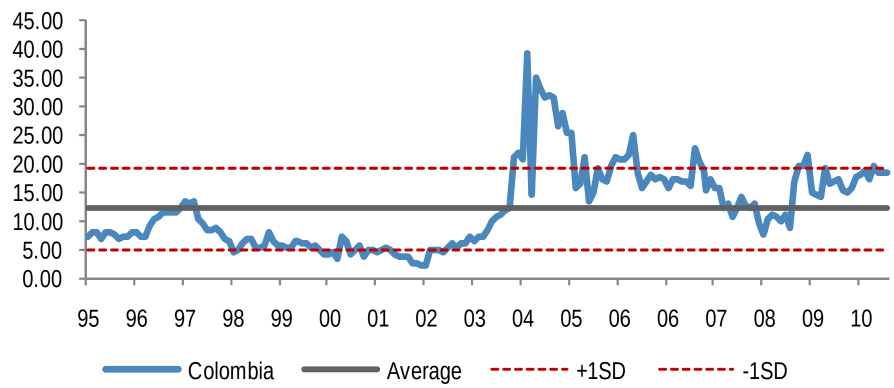
Valuation

Colombian market valuations have rerated sharply in recent years, as country risk premiums have decreased, economic and earnings growth improved, and investor interest built. These valuations have been partly helped by the strong local flows situation but are also inflated higher by the holding company structure of much of the equity market.

Valuations in context

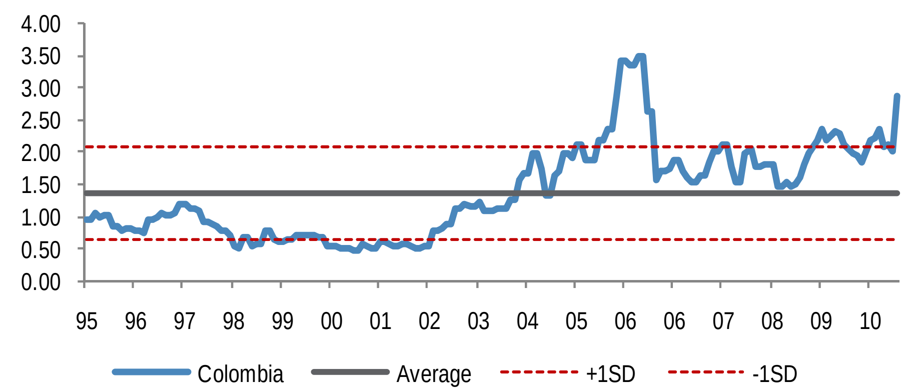
The MSCI Colombia is trading at the top of its long-term valuation trading range and at a meaningful premium to LatAm average multiples. Profitability remains at historical levels. P/E valuations are partly distorted by local accounting (revaluation of assets) and the holding company structure of much of the market (significant nonconsolidated assets), whilst at the same time being supported by the growing local pension fund system (as in Chile).

Figure 26: MSCI Colombia 12 mth Fwd P/E: 15-year Historical Chart



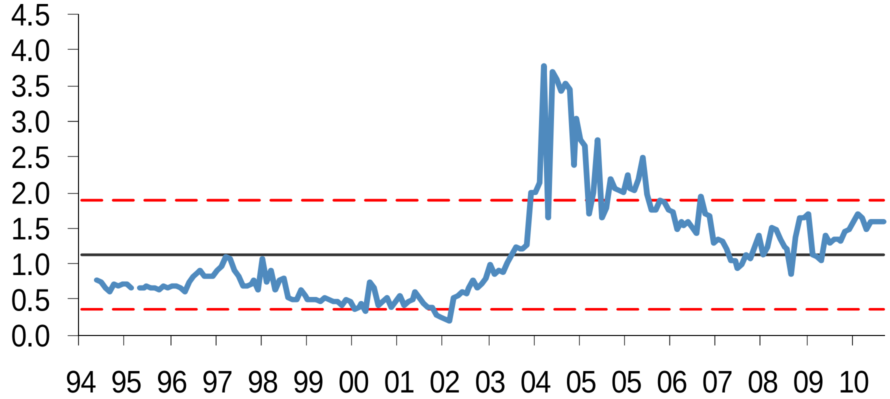
Source: MSCI, Datastream, IBES.

Figure 27: MSCI Colombia Trailing P/BV: 15-year Historical Chart



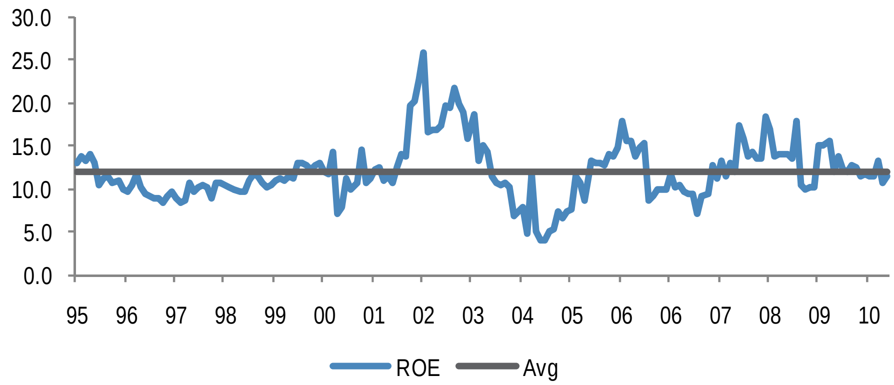
Source: MSCI, Datastream, IBES.

Figure 28: MSCI Colombia Fwd P/E premium to LatAm



Source: MSCI, Datastream, IBES.

Figure 29: MSCI Colombia 12 mth Fwd ROE: 15-year Historical Chart



Source: MSCI, Datastream, IBES.

The role of the pension funds

Given the strong flow support in Colombia, the local market's valuation premium to the rest of Latin America has been gradually climbing, most recently peaking at over 80% in August. Although we don't believe that such high premiums are sustainable, we do believe that as long as flows continue to be supportive, some level of premium will exist.

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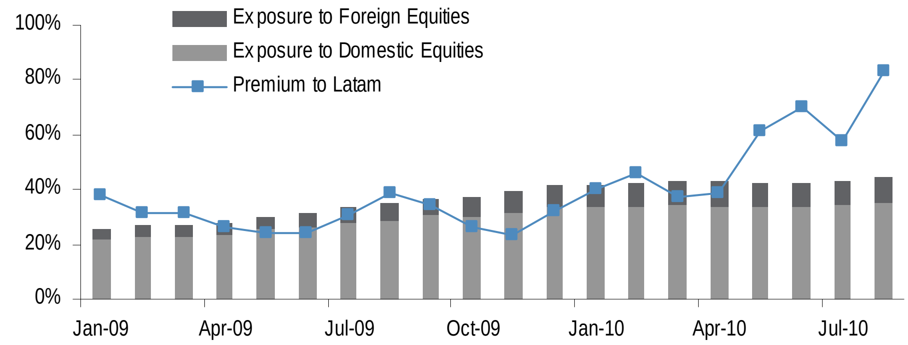
Figure 30: Colombia AFP Equity Exposure and Market Premium to LatAm

%

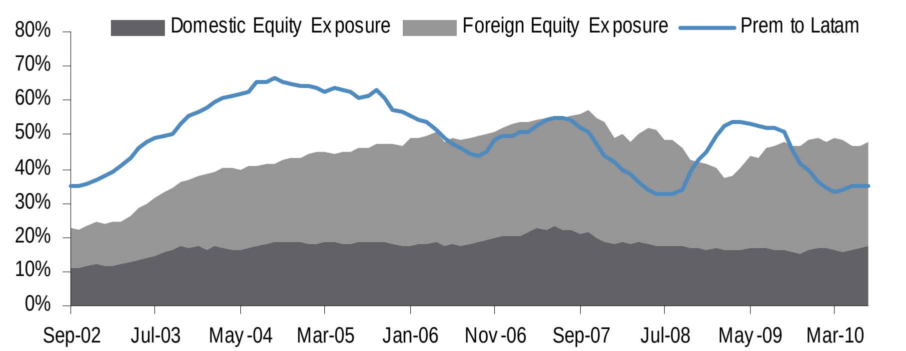


Source: Bloomberg, Superfinanciera and J.P. Morgan.

Chile is the best example of this phenomenon. Despite less captive pension fund flows (since a 2007 law change) and accounting changes (recent move to IFRS eliminated bottom-line distortions), valuation premiums have stayed at 30% or above.

Figure 31: Chile AFP Equity Exposure and Market Premium to LatAm

%



Source: SAFP, Bloomberg and J.P. Morgan.

Although a certain portion of the premium is justified by unique “Chilean factors”, such as a low tax rate and low cost of capital, the excess can largely be explained by continued supportive domestic flows – whether it is the backdrop of the pension funds or the growing domestic retail and institutional investor bases. Given the similarities in the Colombian market, we believe the same scenario could play out.

Factors Affecting Valuation

Marking to market of assets on a quarterly basis
This tends to inflate D&A, which can depress net income.

Cross holdings
This is particularly relevant for the Grupo Economico Antioqueño (GEA), a Medellin-based economic group that was primarily formed in the 1970s. By 1985 there were 46 companies affiliated with the GEA, of which 18 were in ‘other’ sectors,

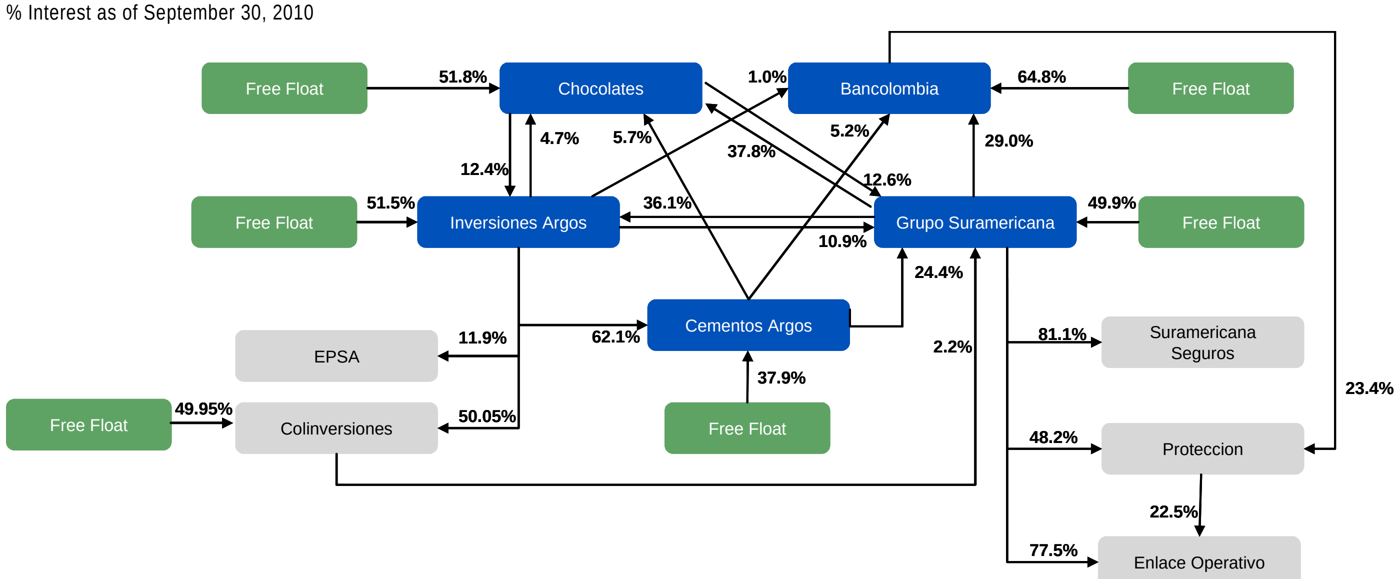
outside those of the 3 main affiliates (Chocolates, Grupo Suramericana, and Inversiones Argos).

The current cross-holding structure emerged in the 1970s as a protection mechanism from hostile takeovers, which had become widespread. Whilst the structure has been simplified over time, and Inversiones Argos has been selling down its stakes in other affiliates, there is no defined plan to break up the current cross-holding structure.

This cross-holding structure has a relevant impact on valuation metrics, specifically EV/EBITDA, as the implied enterprise values (EVs) of the affiliates are often inflated by their stakes in other affiliates, while the EBITDAs used for the calculation are often simply taken from core business of the affiliate being analyzed.

Figure 32: GEA Ownership Structure

% Interest as of September 30, 2010



Source: Company reports and J.P. Morgan.

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Stock Summary

We present summary metrics for the 23 Colombia-related stocks highlighted in this report. These stocks are the 16 largest Colombia-domiciled stocks and their holdcos in the local IGBC index, plus 7 international companies that do a significant amount of business in Colombia and can be used to gain exposure.

Table 12: Summary Metrics, Colombia Universe: Liquidity and Market Cap (ranked by market cap)

Company Name	Ticker	Sector	JPM Rating	Covering Analyst	Price	Market Cap US$ m	ADTV US$ m
Ecopetrol	ECOPETL CB	Energy	UW	Torres, Sergio	3990.0	86,215	20.2
Grupo Aval	AVAL CB	Financials	Not Covered	NA	1540.0	11,465	1.6
Bancolombia	BCOLO CB	Financials	OW	Martinez, Saul	56.1	11,043	21.9
Millicom	MICC US	Telecoms	OW	Lemardeley, Jean-Charles A	97.8	10,662	40.4
Suramericana	GRUPOSURCB	Financials	Not Covered	NA	35180.0	8,641	3.6
EEB	EEB CB	Utilities	Not Covered	NA	178500.0	8,183	0.7
Pacific Rubiales	PRE CN	Energy	N	Torres, Sergio	30.1	8,086	71.7
ISA	ISA CB	Utilities	Not Covered	NA	12800.0	7,570	2.1
Cementos Argos	CEMARGOSCB	Materials	N	Huerta, Adrian	10800.0	6,641	2.5
Inversiones Argos	INVARGOSCB	Materials	Not Covered	NA	18800.0	6,478	1.9
Chocolates	CHOCOLA CB	Staples	Not Covered	NA	24400.0	5,668	1.0
Davivienda	PFDAVVNDCB	Financials	Not Covered	NA	21620.0	4,710	2.9
Exito	EXITO CB	Staples	N	Teixeira, Andrea	23400.0	4,164	1.9
Petrominerales	PMG CN	Energy	Not Covered	NA	36.6	3,800	26.9
Isagen	ISAGEN CB	Utilities	Not Covered	NA	2390.0	3,478	2.8
Copa Holdings	CPA US	Industrials	N	Baker, Jamie	57.5	2,508	13.3
Gran Tierra Energy	GTE US	Energy	N	Torres, Sergio	8.9	2,123	7.0
Ventana Gold	VEN CN	Materials	Not Covered	NA	12.9	1,420	20.0
ETB	ETB CB	Telecoms	Not Covered	NA	595.0	1,127	0.8
Mineros	MINEROS CB	Materials	Not Covered	NA	7050.0	985	0.5
Canacol Energy	CNE CN	Energy	Not Covered	NA	1.6	736	4.5
BVC	BVC CB	Financials	Not Covered	NA	39.0	389	0.7
Tablemac	TABLEMA CB	Industrials	Not Covered	NA	9.3	126	0.7

Source: Bloomberg, J.P. Morgan estimates. Prices as of 8 Feb 2011.

Table 13: Summary Metrics, Colombia Universe: Valuation (ranked by P/E 2011E)

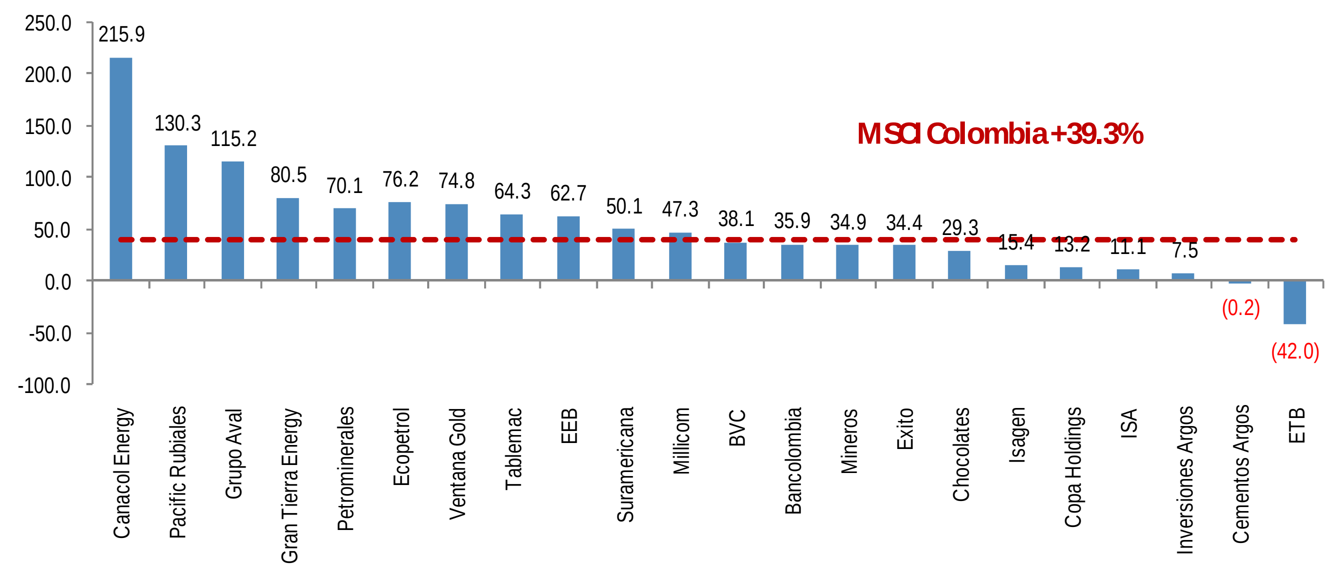
Company Name	Ticker	Sector	JPM Rating	P/E 2011E	P/E 2012E	EV/EBITDA 2010E	EV/EBITDA 2011E	P/BV 2011E	ROE 2011E	EPS Growth 2011E	EPS Growth 2012E
Petrominerales	PMG CN	Energy	Not Covered	10.6	10.0	4.6	3.9	3.7	1.4	39.8	6.1
Copa Holdings	CPA US	Industrials	N	10.9	9.0	9.0	8.2	1.9	1.3	16.6	20.7
Pacific Rubiales	PRE CN	Energy	N	11.3	8.7	4.5	3.2	3.1	1.3	227.1	30.6
Bancolombia	BCOLO CB	Financials	OW	13.2	11.7	NA	NA	2.5	2.6	24.0	13.1
Davivienda	PFDAVVNDCB	Financials	Not Covered	14.1	NA	NA	NA	NA	NA	21.1	NA
Millicom	MICC US	Telecoms	OW	14.3	12.7	5.9	5.3	3.2	3.4	-7.8	12.9
Isagen	ISAGEN CB	Utilities	Not Covered	15.7	19.0	NA	NA	NA	NA	37.7	-17.5
Ecopetrol	ECOPETL CB	Energy	UW	17.4	10.6	NA	NA	NA	3.1	25.9	64.8
Gran Tierra Energy	GTE US	Energy	N	18.7	15.3	4.8	4.2	1.7	0.0	155.4	22.7
ETB	ETB CB	Telecoms	Not Covered	22.5	32.7	4.1	3.9	NA	NA	18.0	-31.2
Tablemac	TABLEMA CB	Industrials	Not Covered	23.8	17.5	NA	NA	NA	NA	50.0	35.9
Suramericana	GRUPOSURCB	Financials	Not Covered	25.2	21.6	NA	NA	NA	NA	-10.2	16.6
BVC	BVC CB	Financials	Not Covered	26.0	NA	NA	NA	NA	NA	25.0	NA
Exito	EXITO CB	Staples	N	31.9	26.5	10.9	NA	NA	1.1	27.5	20.5
Chocolates	CHOCOLA CB	Staples	Not Covered	32.8	24.3	NA	NA	NA	NA	13.2	35.4
ISA	ISA CB	Utilities	Not Covered	44.1	38.1	NA	NA	NA	NA	-18.3	15.9
Cementos Argos	CEMARGOSCB	Materials	N	64.9	41.5	21.5	17.8	1.2	1.2	-49.6	56.3
Inversiones Argos	INVARGOSCB	Materials	Not Covered	86.0	84.2	NA	NA	NA	NA	-63.9	2.2
Grupo Aval	AVAL CB	Financials	Not Covered	NA	NA	NA	NA	NA	NA	NA	NA
EEB	EEB CB	Utilities	Not Covered	NA	NA	NA	NA	NA	NA	NA	NA
Ventana Gold	VEN CN	Materials	Not Covered	NA	NA	NA	NA	NA	NA	NA	NA
Mineros	MINEROS CB	Materials	Not Covered	NA	NA	NA	NA	NA	NA	NA	NA
Canacol Energy	CNE CN	Energy	Not Covered	NM	40.3	14.5	10.4	NA	NA	NM	185.7

Source: Bloomberg, J.P. Morgan estimates. Prices as of 8 Feb 2011.

Performance: Median return +42.7% last 12 months

This universe has performed well recently, gaining 42.7% over the last 12 months. The median stock has outperformed MSCI Colombia over the last 12 months, with MSCI Colombia up 39.3%. The star performers over the last 12 months have been Canacol Energy (up 215.9%), Pacific Rubiales (+130.3%), Grupo Aval (+115.2%), and Gran Tierra Energy (+80.5%).

Figure 33: Stocks by 12mth Performance (US$ Returns)



Source: Bloomberg, J.P. Morgan. Prices as of 8 Feb 2011.

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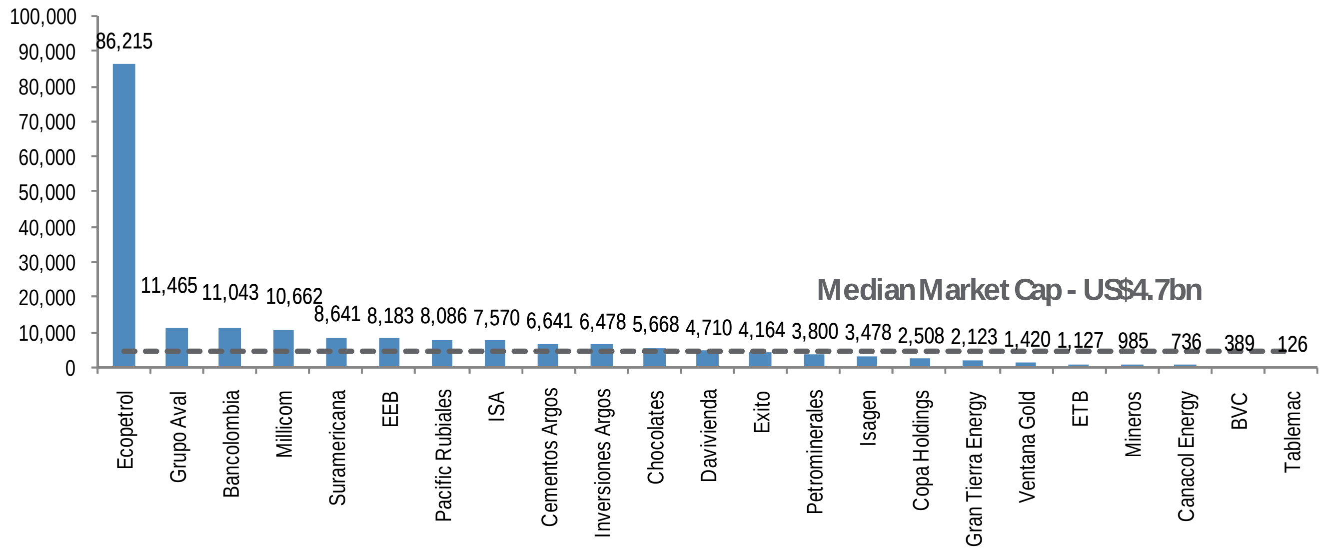
Size: ~US$5bn market cap, in line with LatAm average

The median market capitalization of the stocks of our universe is US$4.7bn, ranging from the $126m of Tablemac all the way up to the $86.2bn of Ecopetrol, Colombia's state-owned oil company. This median market cap is in line with that of our broader 160-stock LatAm coverage universe. Four stocks have market caps of over $10bn: Ecopetrol, Grupo Aval, Bancolombia, and Millicom.

Figure 34: Stocks by Market Capitalization (US$m)

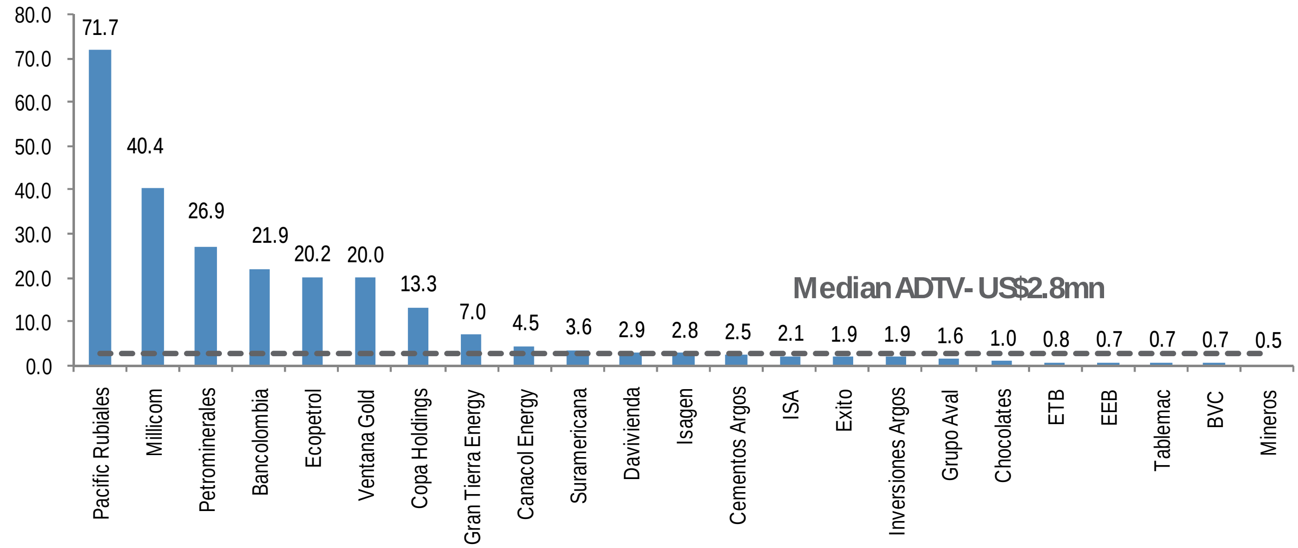


Source: Bloomberg, J.P. Morgan. Prices as of 8 Feb 2011.

Liquidity: US$27m ADTV, less than LatAm average

The median universe average daily traded volume is only $2.8m, ranging from $71.7m for Pacific Rubiales, Colombia's largest independent oil and gas E+P company, down to around half a million for local precious metal play Mineros. This median daily volume is much less than the median ($11m) for our LatAm coverage universe.

Figure 35: Stocks by Average Daily Traded Volume (US$m)

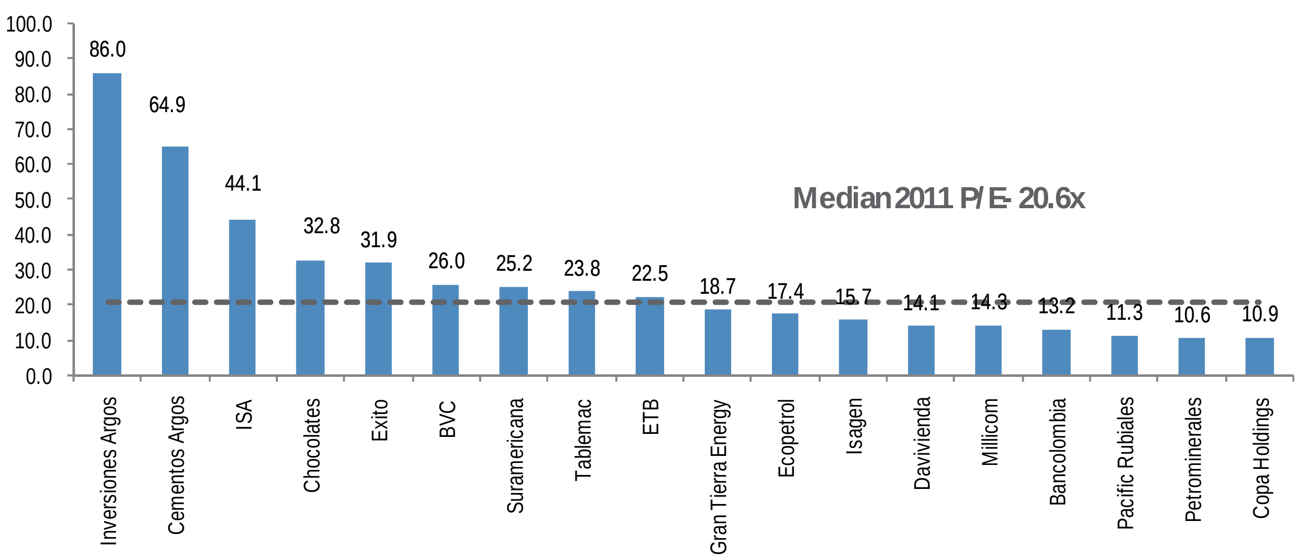


Source: Bloomberg, J.P. Morgan. Prices as of 8 Feb 2011.

Valuation: P/E premium to LatAm

The median 2011E P/E for the universe is 20.6x, representing a significant premium to the 13.2x for JPM's broader 160-stock LatAm coverage universe. This is driven by holdco valuation distortions at some companies and by a large weight of early-stage E+P and mining companies. At 86.0x consensus earnings, Inversiones Argos is the most expensive stock in the universe, followed by Cementos Argos. Despite its run-up, Pacific Rubiales remains one of the cheaper stocks, along with Petrominerales and Copa Holdings. These three trade at P/E discounts to LatAm.

Figure 36: Stocks by 2011E P/E (x)



Source: Bloomberg, J.P. Morgan. Prices as of 8 Feb 2011.

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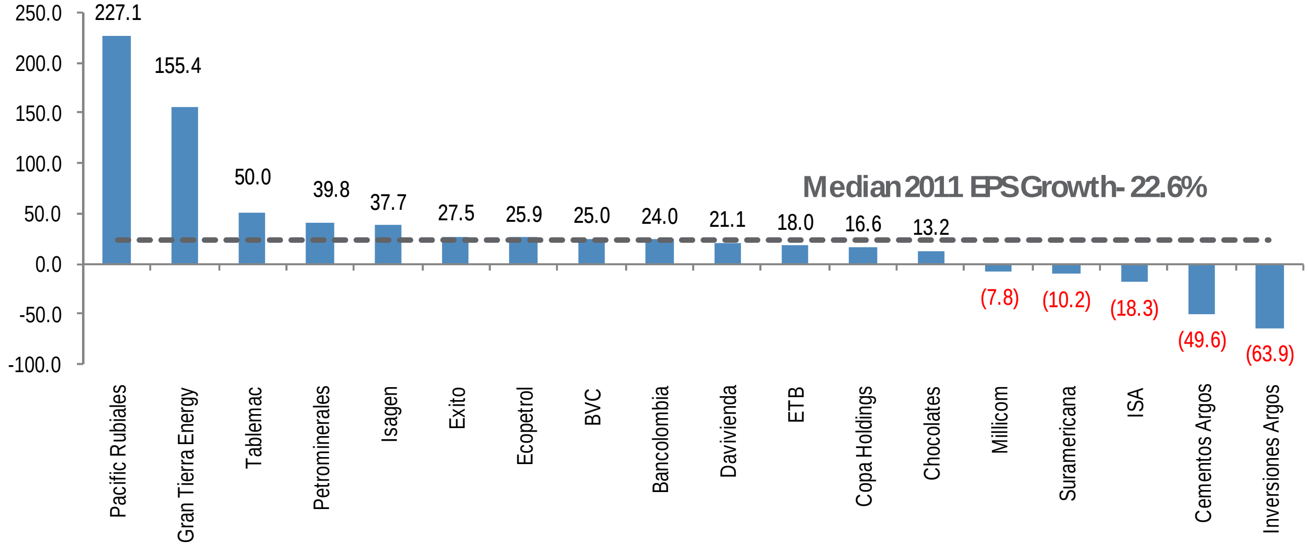
22.6% 2011E EPS growth

The median projected EPS growth for the universe is 22.6%, higher than that of JPM's broader 160-stock LatAm coverage universe. Pacific Rubiales and Gran Tierra Energy top the list with JPMe 227% and 155% EPS growth projected for 2011. Cementos Argos and Inversiones Argos lead the projected declines.

Figure 37: Stocks by 2011E EPS Growth (%)



Source: Bloomberg, J.P. Morgan. Prices as of 8 Feb 2011. Consensus estimates used for noncovered companies.

Colombia E&P Basket (JPCOLOIL)

As one of the investment options for Colombia, we highlight our Colombia Oil Basket. J.P. Morgan's Delta One desk has created a Colombia E&P basket. This is a market cap-weighted baskets of stocks (with a 20% maximum weight) consisting of Colombian small and mid cap oil exploration and production companies. The basket offers clients exposure to E&P names other than the Brazilian heavyweights. It is benchmarked to 100 as of December 30, 2010.

Colombia E&P earnings are expected to grow 35.6% and 34.3% respectively for 2011 and 2012, much higher than MSCI LatAm Energy (2011E: 21.0%, 2012E: 16.4%). The basket outperformed MSCI Colombia by 28.9% in 2010. Colombia E&P outperformed the broader LatAm Energy index by a strong 74.5% in 2010.

Figure 38: Basket Constituents

Name	Ticker	Weight
Pacific Rubiales	PRE CN	20%
Petrominerals	PMG CN	20%
Gran Tierra Energy	GTE US	18%
Canacol Energy	CNE CN	10%
C&C Energia Ltd	CZE CN	10%
Alange Energy Co	ALE CN	8%
Petrodorado Ener	PDQ CN	7%
Petroamerica Oil	PTA CN	7%

Source: J.P. Morgan.

Bloomberg subscribers can use the ticker JPCOLOIL to access tracking information on a basket created by the J.P. Morgan Delta One Desk to leverage the theme discussed in this report. For information on JPCOLOIL, please contact your J.P. Morgan salesperson or the Delta One Desk.

We are positive on the outlook for oil exploration and production in Colombia. Canada-listed Pacific Rubiales (PRE CN, OW rated by Sergio Torres) has become the largest independent oil producer in Colombia in recent years, accounting for 20% of national production. Its stock price has risen tenfold in the last two years.

1) Colombia has seen a strong reactivation of oil exploration in recent years, with the dramatic improvement in the security situation and a new, attractive fiscal regime. Foreign investment in the sector has risen from under $200m in 2003 to over an estimated $3bn in 2010.

2) Success rates have been high given the lack of prior exploration, and production growth has risen strongly. Colombia oil production in 2010 (9 months) was 775 kbd, growing 19% y/y and recording for the third consecutive year one of the fastest output growth rates in the world.

3) Profitability has been helped by the relatively attractive fiscal regime and onshore exploration and production base. The regulatory regime provides plenty of room for independents, with the national oil company (Ecopetrol) having no mandatory investment involvement, as is common in other countries.

4) These companies have begun to list locally in Colombia – the case with Pacific Rubiales (now 24.2% of Colombia's IGBC index) and Canacol Energy (2.1% of IGBC). Others may follow this listing path. These companies have become weighted in the local indices and developed a following from the large local investment base.

5) We believe a basket strategy is optimal for gaining exposure to this theme. These companies are often very early stage, and relatively illiquid, making the strategy high risk. Owning these stocks as a diversified basket helps mitigate this.

For further details, please see *'LatAm Baskets 101: The 2011 Thematic & Sector Handbook'*, Ben Laidler, January 07, 2011.

Company Overviews

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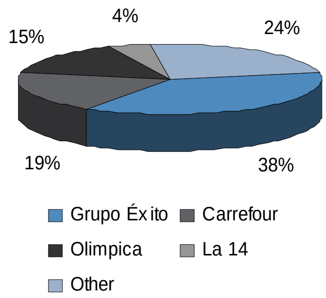
Almacenes Exito (N): Supermarket Retailer

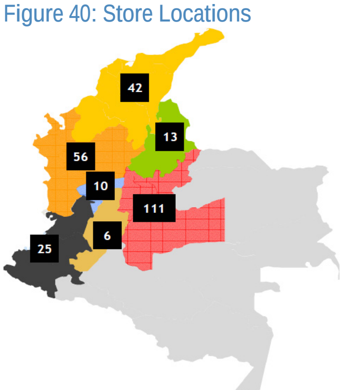
Ticker	Price	Market Cap $m	ADTV $m
EXITO CB	23400.0	4,164	1.9

Figure 39: Market Share
% Total Market Revenue



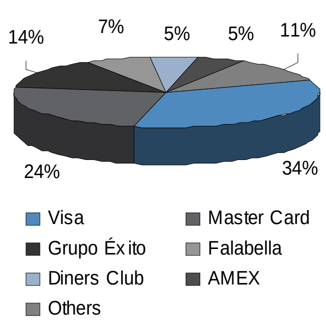
Source: Nielsen, company report.

Figure 40: Store Locations



Source: Company reports.

Figure 41: Credit Card Market Share
% Total Number of Cards



Source: Superintendencia Financiera, company reports.

Company Description

Medellin-headquartered Almacenes Exito is the leading supermarket retailer in Colombia. It has a multiformat strategy of 262 stores across 3 formats – hypermarkets, supermarkets, and bodega stores. It is nationwide, with 40% market share (including CAFAM) and presence in 52 cities. Carrefour has an approximate 19% market share and local operator Olimpica 15%. The majority shareholder is the French-based Casino Group. It has been an Exito shareholder for 12 years and gained control in 2007. Casino is also present in Argentina, Uruguay, and Venezuela, within LatAm, as well as in Sri Lanka, Thailand, and Vietnam, in Asia.

Business Overview

The company has expanded aggressively through acquisitions, buying Cadenalco and Pomona in 2001 and Carulla Vivero in 2007, the second players in the market at those times. In 2007 the company also issued shares internationally for the first time. This was the year that Casino acquired its controlling stake. In 2010 the company signed a commercial agreement with CAFAM, adding 31 stores, which will be converted to the Exito brand by end-2011. The deal added 7 points of market share in Bogota and 3 points nationwide.

Exito runs a multistrategy format. Exito-branded hypermarkets, supermarkets and convenience stores represent 75% of sales, with 110 stores, and a total sales area of 478,000m^2. The Carulla and Pomona brands (supermarket and convenience) represent 18% of sales with 81 stores. The Bodega Surtimax warehouse concept (launched in 2008) is a little over 4% of sales (52 stores). Other formats (Casa Ley and home mart) are 3% of sales. The company runs 10 logistics centers around the country, with 81% of product passing through these centers. Main centers are in Bogota, Medellin, Baranquilla, and Cali. Private label remains a focus, and penetration is high by regional standards. Private label makes up 11.5% of total food retail sales in Colombia and 15% at Exito, up from 13% in 2009.

Exito has diversified to a number of complementary businesses. Exito Card is the pioneer of consumer finance in the country, with 1.3 million cards in issue, estimated 14% share, behind Visa (34%) and Mastercard (24%). The real estate business has 7 shopping malls, each with an Exito store as anchor tenant, with 90% overall occupancy. The travel business has 56 points of sale, and is the largest travel package retailer in the country. The insurance business has 49 points of sale and 140k policies outstanding. Finally, Exito operates 10 gas stations.

Recent Trends

Cumulative 9M10 revenues rose 5.5% oya, and EBITDA rose 12.3%. Net income soared 110%. The company is AAA rated locally. 2010 saw the approval of the merger between Carulla Vivero and Exito, the alliance with CAFAM, and the continued strategy of brand and store conversion to Exito and Surtimax brands.

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Almacenes Exito . : Summary of Financials

Income Statement	FY08A	FY09E	FY10E	FY11E	FY12E
Revenues	7,124,974	7,018,034	7,197,198	7,743,394	8,478,542
Cost of goods sold	-5,361,156	-5,274,577	-5,415,501	-5,849,714	-6,430,513
SG&A	-1,522,612	-1,498,951	-1,538,958	-1,604,080	-1,696,028
Operating Profit (EBIT)	241,206	244,506	242,739	289,600	352,000
EBIT Margin	3.40%	3.50%	3.40%	3.70%	4.20%
Depreciation	301,992	284,723	309,114	308,225	309,585
EBITDA	543,198	529,229	551,854	597,825	661,585
EBITDA Margin	7.60%	7.50%	7.70%	7.70%	7.80%
Financial income	54,680	46,584	44,856	54,939	60,359
Financial expense	-150,714	-155,608	-162,007	-161,916	-161,916
FX & Monetary gains (losses)	0	0	0	0	0
Other Nonoperating income	31,310	38,446	39,427	42,420	46,447
Equity income	0	0	12,049	13,203	14,994
EBT	153,674	168,167	165,016	225,042	296,890
Taxes	-4,894	-55,321	-54,285	-78,765	-103,912
Minority interest	-5,333	-12,344	-4,911	-6,379	-8,319
Extraordinary	0	0	0	0	0
Net Income	143,447	100,501	117,869	153,101	199,654
Net income margin	2.00%	1.40%	1.60%	2.00%	2.40%
EPS	505.76	354.34	415.58	539.8	633.72
Revenue growth	0.10%	-1.50%	2.60%	7.60%	9.50%
EBITDA growth	1.90%	-2.60%	4.30%	8.30%	10.70%
Net income growth	-7.90%	-29.90%	17.30%	29.90%	30.40%
FCF growth	-	-	-	-	-

Balance Sheet	FY08A	FY09E	FY10E	FY11E	FY12E
Cash	406,064	640,800	784,839	862,268	1,753,907
Accounts receivable	258,180	255,812	250,481	269,490	295,075
Inventories	948,918	936,833	903,896	976,370	1,073,310
Other current assets	61,483	60,919	19,718	21,215	23,229
Net PP&E	3,121,851	2,918,202	2,859,088	2,850,863	2,863,435
Other Assets	1,028,766	1,019,329	1,067,399	1,148,404	1,257,432
Total assets	6,208,356	6,177,423	6,230,950	6,474,138	7,611,917
Short-term debt	476,527	468,107	476,527	476,527	476,527
Accounts payable	904,289	892,772	815,225	880,589	968,020
Other current liabilities	452,425	446,663	411,496	444,489	488,621
Long-term debt	802,507	811,646	802,507	802,507	802,507
Deferred taxes	0	0	0	0	0
Other liabilities	48,146	47,704	109,564	117,879	129,070
Total liabilities	2,819,036	2,806,539	2,759,876	2,872,928	3,024,002
Minority interest	135,142	139,646	144,558	150,937	159,256
Shareholders' equity	3,389,320	3,370,881	3,471,070	3,601,206	4,587,912
Liabilities + Equity	6,208,356	6,177,420	6,230,947	6,474,135	7,611,914
Net Debt	872,970	638,953	494,195	416,766	-474,873
Net Debt/Capital	18.70%	13.70%	10.40%	8.50%	-8.10%
Debt/Capital	27.40%	27.50%	26.90%	26.20%	21.80%
Net Debt/EBITDA	1.6	1.2	0.9	0.7	-0.7

Operating Data, Ratios	FY08A	FY09E	FY10E	FY11E	FY12E
Capex	488,495	190,000	250,000	300,000	322,157
Change in working capital	-131,193	75,440	-39,933	-5,379	-7,023
Free Cash Flow	-	-	-	-	-
Dividends	51,122	48,678	17,680	22,965	29,948
Dividend % of net income	35.60%	48.40%	15.00%	15.00%	15.00%
Capex/Depreciation	1.6	0.7	0.8	1	1
Capex/Sales	6.90%	2.70%	3.50%	3.90%	3.80%
Working capital	-88,133	-12,693	-52,626	-58,004	-65,027
Working capital/sales	-1.20%	-0.20%	-0.70%	-0.70%	-0.80%
Sales Area (Sq,m)	646,737	654,865	682,465	724,100	769,070
Floor Space Growth	4.50%	1.30%	4.20%	6.10%	6.20%
No. of Stores	263	264	272	288	309
SSS growth (nominal terms)	-0.30%	-2.40%	4.50%	5.00%	7.00%
# of PL cards issued	-	-	-	-	-
% of sales in 0+5x (no interest)	-	-	-	-	-
% of sales on interest plans	-	-	-	-	-
Bad Debt Provisions	-	-	-	-	-
Personal Loans Portfolio	-	-	-	-	-
Capex	488,495	190,000	250,000	300,000	322,157
Maintenance	-	-	-	-	-
Expansion	-	-	-	-	-

Valuation, Macro	FY08A	FY09E	FY10E	FY11E	FY12E
EV/EBITDA	10.1	8.9	8.3	7.5	6.6
P/E	46.3	66.0	56.3	43.3	36.9
P/BV	1.3	2.0	1.9	1.8	1.6
P/S	0.6	0.9	0.9	0.9	0.9
FCF yield	-	-	-	-	-
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
ROE	4.20%	3.00%	3.40%	4.30%	4.90%
Net income margin	2.00%	1.40%	1.60%	2.00%	2.40%
Net revenue/Assets	1.1	1.1	1.2	1.2	1.1
Assets/Equity	1.8	1.8	1.8	1.8	1.7
ROIC	4.40%	3.40%	3.20%	4.00%	4.30%
Shares	284	284	284	284	315
ADRs	-	-	-	-	-
DCF					
WACC	9.10%				
Perpetual Growth	4.00%				
Cost of equity	10.90%				
Cost of debt	4.20%				

Source: Company reports and J.P. Morgan estimates.
Note: Col$ in millions (except per-share data). Fiscal year ends Dec

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Bancolombia (OW): Largest Single Bank

Table 14: System Penetration

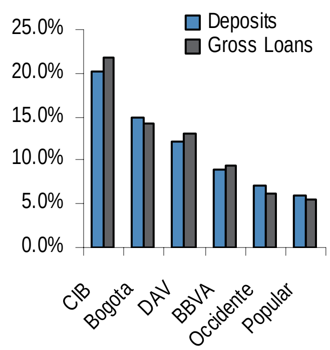
Millions

	Clients	% of Adults
Savings Account	17.4	57%
Checking Account	1.4	5%
Credit Product	5.1	17%
Mortgage	0.6	2%
Credit Card	4.7	15%
Financial Product	18.5	61%
Total Population	45.5	67%

Source: Company reports and J.P. Morgan estimates.

Figure 42: Colombia Market Share

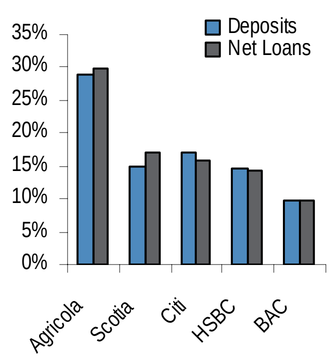
% Total Market



Source: Company reports.

Figure 43: El Salvador Market Share

% Market Share



Source: Company reports.

Ticker	Price	Market Cap $m	ADTV $m
BCOLO CB	56.1	11,043	21.9

Company Description

Bancolombia is Colombia's largest bank, offering a full-service platform to a diversified individual and corporate base of more than 6.9 million customers in both Colombia and El Salvador. Bancolombia has 900 branches, 540 nonbanking correspondents, 2,669 ATMs, 8,049 local service points, 484 mobile service points, and 154 kiosks.

Bancolombia does not have a majority shareholder but is part of the Medellin-based Grupo Economico Antioqueño (GEA). Suramericana holds a 29% stake, the ADR program 21%, and Colombian pension funds 20%.

Business Overview

Bancolombia emerged in 1998 from the merger of Banco Industrial Colombiano and Banco de Colombia. In 2007, Bancolombia acquired Banagricola, the market leader in El Salvador, its first major step abroad. The group has also developed offshore banking subsidiaries in Panama, the Cayman Islands, and Puerto Rico, as well as an agency in Miami.

Bancolombia has 5.9 million clients in Colombia and 1 million clients in El Salvador. It has 6.6 million savings accounts, 5.4 million debit cards, and 2.5 million credit cards. In Colombia, Bancolombia has a 20.2% share of deposits and 21.9% share of loans. This compares to a 14.3% loan share for its nearest competitor, Banco de Bogota of the Aval Group. In El Salvador, Banagricola has 28.9% deposit share and 29.7% loan shares, the market leader, ahead of Scotiabanks' 17% loan market share.

Recent Trends

Cumulative net income for 9M10 grew 14% oya, helped by a slower pace of deterioration of the loan portfolio and robust loan growth, up 7.8% yoy and 3.4%, led by both consumer (+18% oya) and dollar commercial loans (+20% oya). The pace of loan growth has been above the system's.

The ROE in 3Q10 reached nearly 21% (up from 20% a year earlier), lifting the figure for the nine months to 18.9%. Capital adequacy stood at 15.2% (10.6% tier 1), with PDL/loans of 3.4%, down from 4.1% yoy, whilst the coverage ratio was at 163%, up from 132% yoy.

Nonconsolidated results for FY2010 confirmed recent trends, with net income growing 18% oya. Net loans grew 33% oya in 4Q10. Commercial lending continued to be the most dynamic, posting a 19% oya increase for FY10.

Bancolombia: Summary of Financials

Income Statement	FY09A	FY10E	FY11E	FY12E
Interest Income	6,427,698	5,004,577	5,774,956	7,022,490
Interest Expense	(2,625,416)	(1,575,512)	(1,784,549)	(2,301,095)
Net interest Income	3,802,282	3,429,064	3,990,407	4,721,395
LL Provision	(1,153,374)	(570,344)	(602,500)	(807,549)
Net Interest Income after provision	2,648,908	2,858,720	3,387,907	3,913,846
Fee Income	1,506,273	1,565,870	1,753,459	1,946,339
Foreign Exchange and Trading transaction	380,676	499,762	527,398	554,608
Non Interest Income	198,761	193,658	183,975	193,174
Non Interest Expenses	(3,000,674)	(3,186,885)	(3,548,165)	(3,888,300)
Non Operating results	-	-	-	-
Pretax income	1,733,944	1,931,125	2,304,573	2,719,667
Taxes	(462,013)	(530,107)	(640,109)	(755,974)
Statutory Profit Sharing	-	-	-	-
Minority Interest	(15,081)	(17,260)	(18,468)	(19,761)
Net Income	1,256,850	1,383,759	1,645,996	1,943,932
Recurring Net Income	1,170,050	1,383,759	1,645,996	1,943,932
Dividends	-	-	-	-

Balance Sheet	FY09A	FY10E	FY11E	FY12E
Securities	8,436,244	8,895,070	9,517,403	10,183,622
Loans, gross	42,041,974	47,449,262	55,197,828	64,005,983
Cash and due from Banks	7,372,359	5,417,489	6,144,913	6,575,057
Repurchase Agmt and Derivativ	-	-	-	-
Loan loss reserves	(2,431,667)	(2,429,402)	(2,483,902)	(2,691,452)
Other assets	6,445,455	7,580,916	7,812,792	8,050,975
Total assets	61,864,365	66,913,334	76,189,034	86,124,186
Total deposits	42,149,330	43,978,839	50,832,857	58,440,781
Other funding	5,428,960	5,890,742	6,480,097	7,128,107
Bonds and subordinated debts	-	-	-	-
Other liabilities	7,253,246	9,118,253	9,963,132	10,459,239
Total liabilities	61,864,365	66,913,334	76,189,034	86,124,186
Shareholder's equity	7,032,829	7,925,501	8,912,948	10,096,059

Operating Data, Ratios	FY09A	FY10A	FY11E	FY12E
Per share analysis				
EPS	2.97	3.73	4.52	5.15
BVPS	17.44	19.66	20.41	22.94
Dividend per Share	1.08	1.35	1.48	1.70
Growth				
EPS growth	(2.6%)	35.0%	21.0%	14.0%
Fee income	14.7%	4.0%	12.0%	11.0%
Non interest expenses	10.1%	6.9%	11.9%	9.8%
Loan	(5.8%)	12.9%	16.3%	16.0%
Deposits	4.4%	4.3%	15.6%	15.0%
Ratios				
NIM	6.6%	5.7%	6.0%	6.2%
Fees/Expenses	53.3%	51.8%	51.8%	52.4%
PDL/Loans	3.9%	3.2%	3.0%	2.9%
LL Reserves/Total Loans	5.8%	5.1%	4.5%	4.2%
LL Reserves/NPL	149.4%	160.0%	150.0%	145.0%
Cost/Income	49.7%	55.0%	53.9%	51.4%
Loans/Deposits	99.7%	107.9%	108.6%	109.5%
Loans/Assets	68.0%	70.9%	72.4%	74.3%
Equity/Assets	11.4%	11.8%	11.7%	11.7%
Dividend Payout	36.3%	36.3%	32.8%	33.0%

Valuation, Macro	FY09A	FY10A	FY11E	FY12E
P/E	19.9	15.9	12.4	10.9
P/BV	3.4	3.0	2.7	2.4
Dividend yield	1.8%	2.3%	2.6%	3.0%
ROE	17.8%	19.4%	19.6%	20.5%
ROA	1.9%	2.2%	2.3%	2.4%
Shares	-	-	-	-
ADRs	197	197	197	197

Source: Company reports and J.P. Morgan estimates.

Note: $ in millions (except per-share data). Fiscal year ends Dec

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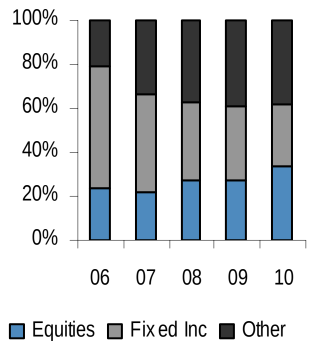
BVC (Not Covered): Stock Exchange

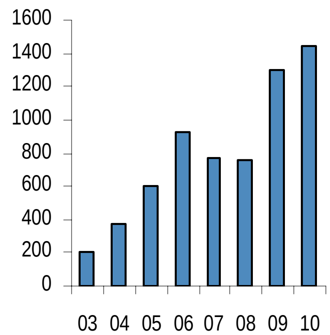
Ticker	Price	Market Cap $m	ADTV $m
BVC CB	39.0	389	0.7

Figure 44: Revenue Breakdown
%



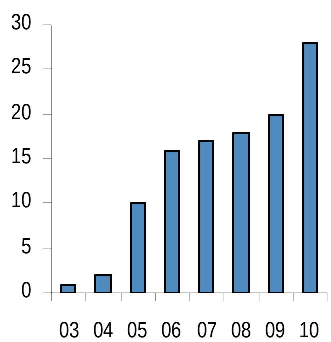
Source: Company reports.

Figure 45: Total Traded Value
US$bn [#s on left wrong]



Source: Company reports, BVC.

Figure 46: Equity Traded Value
US$bn



Source: Company reports.

Company Description

The BVC (Bolsa de Valores de Colombia) is the only securities exchange in Colombia and has offices in Bogotá, Medellín, Cali, Barranquilla, and Pereira. It was established in July 2001 from the merger of three exchanges – Bolsa de Bogotá (1928), Bolsa de Medellín (1961), and Bolsa de Occidente (Cali, 1983). The company also has stakes in developing trading entities, primarily related to derivatives, FX trading, derivatives and FX clearing, and energy. It became a public company in 2007.

The BVC has a diverse investor base of over 1,800 shareholders made up of brokerage firms (31% stake), foreign investment funds (22%), pension funds (17%), and Colombian holding companies (15%). The remainder is in the hands of universities (7%) and other local retail and institutional investors.

Business Overview

The BVC administers transaction platforms for fixed income markets, equities markets, derivatives, and foreign exchange markets. It also provides equities clearing and liquidation services, selling of market information, routing and automized systems.

Total traded value reached US$1.4trn in 2010, representing a 32% CAGR from 2003 to 2010. This has primarily been led by the fixed income market, which reached US$1.1trn, or 81% of the total volume, in 2010. Although the private debt market remains a small fraction of the total, progress is being made, with 53 new issues during 2010. On the equity front, total market capitalization reached above US$200bn in 2010, with total trading value climbing to US$28bn (ADTV of US$115m), up 40% oya. The derivatives market has also grown substantially and is now also at US$28bn, with 3.2m contracts. Meanwhile, currency trading makes up the balance at around US$250bn.

Recent Trends

For 9M10, EBITDA grew 30% oya to US$16m, while net income rose 40% oya to US$13mn. This growth was primarily led by equities, which now represent 34% of revenue (up from 27% a year earlier). Fixed income continues to decline in importance, from 55% in 2006, to 28% today. Listing services also continue to gain in importance, at 20% of revenue from 13% in 2006.

On January 19th, 2011, the Lima Stock Exchange and BVC announced a merger agreement, under which the BVC would own 65% of the combined entity. This aims to boost trading, cut costs, and have one strategic vision for the proposed 'Andean' stock exchange. This merger is seen as 'complementary' to that process. The merger is expected to close in the second half of 2011.

BVC: Summary of Financials

Income Statement	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Sales Revenue	69,949	72,219	60,468	64,910	69,312
Operating Income (Losses)	36,650	38,650	12,442	26,127	34,245
Operating Margin %	52.4	53.5	20.6	40.3	49.4
Net Non-Oper Losses(Gains)	(6473)	(1444)	(7)	(531)	(779)
Pretax Income	43,123	40,095	12,449	26,659	35,024
Income Tax Expenses (Credits)	15,806	12,960	2,407	8,225	11,080
Net Income/Net Profit (Losses)	26,651	27,134	10,042	18,434	23,944
Net Profit Margin %	38.1	37.6	16.6	28.4	34.5
Diluted EPS Cont Ops	-	-	-	-	-
# Shrs Diluted EPS	-	-	-	-	-

Balance Sheet (Assets)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Cash&Near Cash Items	10,699	15,364	4,239	8,218	6,417
Accounts & Notes Receivable	7,824	3,940	13,032	6,135	5,576
Net Fixed Assets	6,205	13,992	14,895	17,331	16,816
Other Assets/Def Chgs&Other	8,790	15,517	9,081	2,802	2,020
Total Assets	91,902	103,880	93,834	113,698	119,547

Balance Sheet (Liabilities)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
ST Borrowings	1,101	5	0	1	0
LT Borrowings	2,122	0	0	0	0
Total Liabilities	20,764	20,035	10,771	15,854	14,854
Minority Interest	873	-	0	0	0
Total Shareholders' Equity	71,139	83,845	83,063	97,844	104,693
Total Liabilities and Equity	91,902	103,880	93,834	113,698	119,547

Cashflow Summary	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Cash Flow Net Income	26,651	-	-	-	-
Depreciation & Amortization	2,236	-	-	-	-
Other Non-Cash Adjustments	1,349	-	-	-	-
Changes in Non-Cash Work Cap	(2,043)	-	-	-	-
Cash From Operations	28,193	-	-	-	-
Free Cash Flow/Basic Shr	1.6	-	-	-	-
Cash Flow per Share	1.7	-	-	-	-
Cash from Financing Activities	(18,275)	-	-	-	-
Net Changes in Cash	906	-	-	-	-
Cash from Investing Activities	(9,012)	-	-	-	-

Ratios	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
PE Ratio	-	24.7	33.1	29.9	33.5
Price/Book	-	8.0	4.0	5.6	7.7
Price/Sales	-	9.3	5.5	8.5	11.6
Price/Cashflow	-	-	-	-	-
Dividend Yield	-	-	-	-	-
ROA	-	27.7	10.2	17.8	20.5
ROE	-	35.2	12.0	20.4	23.6

Source: Bloomberg

Note: Col$ in millions (except per-share data). Fiscal year ends Dec

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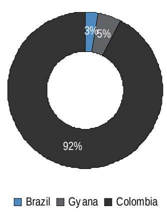
Canacol Energy (Not Covered): E+P Junior

Ticker	Price	Market Cap $m	ADTV $m
CNE CN	1.6	736	4.5

Figure 47: 2011 Capital Program by Country

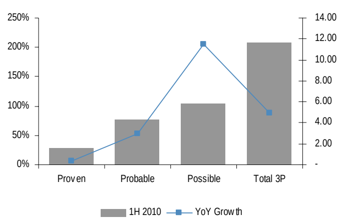
% of total capital program



Source: Company reports.

Figure 48: 3P Reserves and Growth

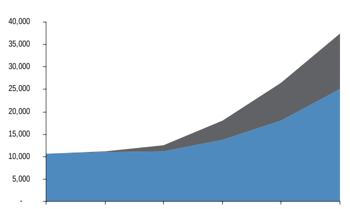
Bbls



Source: Company reports.

Figure 49: Avg. Net BOPD Production Company Expectations

BOPD



Source: Company reports.

Company Description

Headquartered in Calgary, Canada, Canacol Energy is an international oil E+P company with operations onshore in Colombia, Guyana, and Brazil. Production has grown from 1,820 net bopd in 2008 to 10,600 in 2010. Over that time the company has raised $150m from investors. The company has built a 3.1m acreage position (1.6m heavy oil) across 19 blocks, of which 7 are producing. The stock trades on the TSX Venture Exchange and the Colombia Stock Exchange under the tickers CNE CN and CNEC CB. The ownership structure is 10% management and board, 20% Colombian pension funds, 25% retail investors, and 45% other institutions.

Business Overview

Rancho Hermoso is a producing field owned in conjunction with Ecopetrol. The field was acquired in 2008 and is currently producing 22l bopd in gross production. The 2011 plan is to finish two current wells, commence a new 4-well program, and expand permanent production facilities to 100k bopd. The company also plans to update its reserve report for its most recent exploration success.

Capella is an appraisal and development project, with 12 wells drilled to date and a net 3P + contingent resources of 20mmbls. The company plans to drill 28 new wells, evaluate the role of steam injection and secondary recovery to boost Capella reserves, and update reserves by year end. The plan is to prep the field for full development, targeting 100k bopd at a 2015 peak, the need for 300 wells, and construction of a 250km pipeline. The company also has an additional 5 prospects in the Caguan basin comprising Capella.

The company is also present in Guyana. The oil and gas industry there is in a very early stage of development. Canacol holds 1.85 million acres in the Takutu basin, where 3 exploration wells (K-2, Pirara River, and Rewa High) were drilled between 1981 and 1985 with a total net resource potential of 617mmbls.

Brazilian operations are focused on the Recôncavo, Sergipe, Espirito Santo, and Tucano basins of Brazil. To date, the bulk of activity has been undertaken jointly by Canacol and JV partner W. Washington in the Recôncavo and Sergipe basins. Canacol holds a 47.5% working interest and W. Washington holds a 52.5% interest in five producing oil fields in Recôncavo.

Recent Trends

For 2011 the exploration program is focused on drilling two wells in Guyana and 3 wells in Colombia and on acquiring 500km of 2D seismic and drilling 1 well in Brazil. On the development side, there are 2 projects: 1) drilling 28 wells at the Capella project and constructing permanent production facilities, and 2) drilling 5 wells at the Rancho Hermoso project and expanding fluid handling capacity there. The company is fully funded, with $60m in cash and $80m in operating free cash flow. The Colombia capex plan is $98m for 2011, Guyana $5m, and Brazil $3m. By activity, 61% of capex will be spent on the drilling campaign.

Canacol Energy: Summary of Financials

Income Statement	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Sales Revenue	0	1	7	5	10	23
Operating Income (Losses)	(1)	(3)	(8)	(8)	(6)	(17)
Operating Margin %	(1,891.4)	(258.4)	(125.8)	(152.4)	(59.9)	(74.3)
Net Non-Oper Losses(Gains)	0	(1)	(0)	2	8	2
Pretax Income	-1	-3	-8	-10	-19	-22
Income Tax Expenses (Credits)	0	0	0	0	0	-1
Net Income/Net Profit (Losses)	-1	-3	-8	-18	-8	-22
Net Profit Margin %	(2876.5)	(251.3)	(120.3)	(355.9)	(84.1)	(94.8)
Diluted EPS Cont Ops	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
# Shrs Diluted EPS	9.5	29.2	61.1	85.2	122.5	299.8
Balance Sheet (Assets)	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**
Cash&Near Cash Items	1	12	3	10	0	56
Accounts & Notes Receivable	0	0	2	8	3	6
Net Fixed Assets	1	14	34	88	68	90
Other Assets/Def Chgs&Other	0	0	1	3	1	1
Total Assets	2	27	40	112	73	159
Balance Sheet (Liabilities)	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**
ST Borrowings	0	3	0	8	10	0
LT Borrowings	0	0	0	39	11	1
Total Liabilities	1	4	2	77	41	45
Minority Interest	0	0	0	3	0	0
Total Shareholders' Equity	1	23	37	34	32	113
Total Liabilities and Equity	2	27	40	112	73	159
Cashflow Summary	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**
Cash Flow Net Income	(1)	(3)	(8)	(18)	(8)	(22)
Depreciation & Amortization	0	0	2	5	6	12
Other Non-Cash Adjustments	1	1	1	5	(1)	6
Changes in Non-Cash Work Cap	(0)	(0)	(0)	1	2	4
Cash From Operations	(0)	(1)	(5)	(7)	(2)	(0)
Free Cash Flow/Basic Shr	(0.2)	(0.3)	(0.4)	(0.8)	(0.1)	(0.1)
Cash Flow per Share	(0.0)	(0.0)	(0.1)	(0.1)	(0.0)	(0.0)
Cash from Financing Activities	2	21	17	75	(3)	74
Net Changes in Cash	1	12	(9)	7	(8)	56
Cash from Investing Activities	(1)	(8)	(21)	(61)	(3)	(17)
Ratios	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**
PE Ratio	-	-	-	-	-	-
Price/Book	4.2	2.4	2.5	2.3	0.9	3.4
Price/Sales	110.5	26.2	11.5	14.1	2.0	11.8
Price/Cashflow	-	-	-	-	-	-
Dividend Yield	0.0	0.0	0.0	0.0	0.0	0.0
ROA	-	(20.5)	(23.9)	(23.3)	(8.9)	(18.7)
ROE	-	(24.2)	(26.3)	(51.1)	(25.9)	(29.7)

Source: Bloomberg

Note: CAD$ in millions (except per-share data). Fiscal year ends Dec

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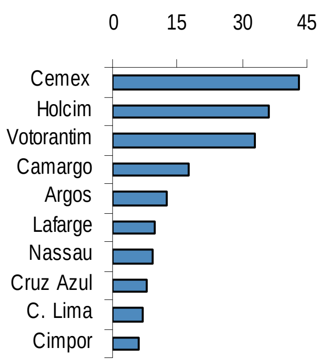
Cementos Argos (N): Colombia/US Cement

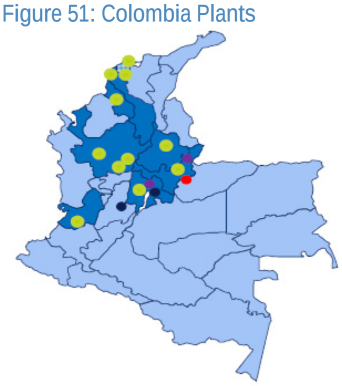
Ticker	Price	Market Cap $m	ADTV $m
CEMARGOSCB	10800.0	6,641	2.5

Figure 50: Installed Capacity
Million TPA



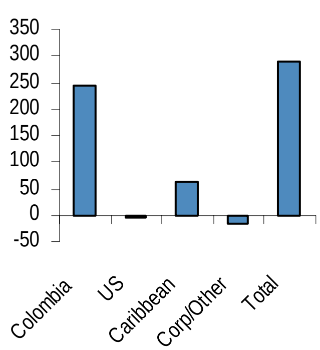
Source: Company reports.

Figure 51: Colombia Plants



Source: Company reports.

Figure 52: LTM EBITDA
US$mn



Source: Company reports.

Company Description

Cementos Argos is a cement and concrete producer and marketer. It is the 5th-largest cement company in Latin America, with investments in Panama, Haiti, the Dominican Republic, St. Marteen, St. Thomas, Antigua, Dominica, Curacao, and Suriname. It has a leading position in the Colombian cement market (51% market share) and the Caribbean imported cement market (31% market share). It is also the sixth-largest cement producer in the US, with a 2.1% market share. The company's main competitors in Latin America are CEMEX, Holcim, Votorantim, Camargo Correa, and Lafarge.

The main shareholder of Cementos Argos is Inversiones Argos (62% stake), which also maintains a controlling interest (51% stake) in electricity generator Colinversiones. Both Cementos Argos and Inversiones Argos are key assets in the GEA; however, they have been trimming their stakes in recent years.

Business Overview

Argos has 14 cement-producing plants in the Americas. Eleven of them are in Colombia, and the others are located in Panama, the Dominican Republic, and Haiti. In northern Colombia, there are 4 plants dedicated to exports. In addition, there are 7 plants located in the central states of Antioquia, Cundinamarca, Valle, Boyacá, and Santander, where the domestic demand is concentrated. Total capacity was recently expanded to 13.3 million tons with a new plant in Cartagena. Argos is also the only producer of white cement in Colombia.

Argos's total concrete capacity from its 184 plants is 11.1 million cubic meters, distributed via 1,650 mixers. Most production capacity is in the US, where it can produce 8.9 million cubic meters from 134 production plants and 1,350 mixers. In Colombia, the company has a capacity of 1.7 million cubic meters per year.

Additionally, Argos has eight plants of aggregates (gravel and sand), a strategic raw material for the production of concrete.

Recent Trends

The company reported consolidated EBITDA of US$218m for 9M10, a decline of 7% oya. Although Colombia-derived EBITDA of US$186m grew 10% oya, this was offset by relevant declines in both the US and Caribbean operations.

During 2010, the company signed a key contract to supply the Atlantic docks of the Panama Canal expansion. The company also produced the first clinker at its new Cartagena facility (1.8mn TPA) and expects full operation in 1Q11. Meanwhile the company was awarded 4.5m cubic meters in ready-mix contracts, while also producing and selling its first oil well cement in Colombia. The company is also pursuing opportunities related to the country's infrastructure plan, as well as a new US$10bn reconstruction plan related to the severe flooding this past fall/winter.

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Cementos Argos: Summary of Financials

Income Statement	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Sales Revenue	1,055,946	1,723,519	3,430,023	3,787,144	3,805,007	3,449,768
Operating Income (Losses)	203,625	42,423	263,061	328,584	254,157	300,807
Operating Margin %	19.3	2.5	7.7	8.7	6.7	8.7
Net Non-Oper Losses(Gains)	(21755)	(349082)	(188793)	(98801)	(323250)	(334765)
Pretax Income	130,128	298,473	245,752	301,935	114,028	304,550
Income Tax Expenses (Credits)	17	12	28	33	7	29
Net Income/Net Profit (Losses)	29	103	65	102	36	98
Net Profit Margin %	7.1	13.9	4.5	5.6	1.9	6.1
Diluted EPS Cont Ops	-	-	-	-	-	-
# Shrs Diluted EPS	-	-	-	-	-	-

Balance Sheet (Assets)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Cash&Near Cash Items	64,043	80,112	190,296	115,638	226,625	155,816
Accounts & Notes Receivable	217,816	628,547	499,373	886,210	992,806	752,349
Net Fixed Assets	498,298	1,481,526	2,394,420	2,324,674	2,776,061	2,880,021
Other Assets/Def Chgs&Other	1,860,608	5,635,823	6,261,656	6,944,698	6,210,780	9,684,776
Total Assets	3,726,421	9,213,522	10,527,566	11,268,019	12,010,307	14,697,615

Balance Sheet (Liabilities)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
ST Borrowings	307,238	167,713	668,567	679,078	1,676,456	1,058,099
LT Borrowings	74,447	1,075,608	1,578,376	1,724,369	1,836,805	2,186,524
Total Liabilities	757,878	2,222,380	3,792,034	3,981,556	5,489,511	4,870,111
Minority Interest	350,036	105,768	241,473	206,136	223,356	87,124
Total Shareholders' Equity	2,968,543	6,991,142	6,735,532	7,286,463	6,520,796	9,827,504
Total Liabilities and Equity	3,726,421	9,213,522	10,527,566	11,268,019	12,010,307	14,697,615

Cashflow Summary	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Cash Flow Net Income	74,871	239,359	152,951	212,036	70,637	209,827
Depreciation & Amortization	52,472	149,886	309,659	354,383	339,427	352,553
Other Non-Cash Adjustments	18,724	(284,943)	(84,433)	(86,391)	(58,950)	(380,289)
Changes in Non-Cash Work Cap	(44,543)	55,213	616,243	(286,368)	189,182	(159)
Cash From Operations	101,524	159,515	994,420	193,660	540,296	181,932
Free Cash Flow/Basic Shr	60.1	(28.8)	585.3	(36.4)	(346.4)	(281.0)
Cash Flow per Share	158.0	138.5	863.5	168.2	469.1	158.0
Cash from Financing Activities	(15,337)	1,389,799	1,093,336	(105,007)	844,983	(550,378)
Net Changes in Cash	(87,265)	362,835	(169,700)	(25,331)	697,671	(340,528)
Cash from Investing Activities	(173,452)	(1,186,479)	(2,257,456)	(113,984)	(687,608)	27,918

Ratios	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
PE Ratio	29.7	46.2	68.8	48.8	109.2	59.3
Price/Book	0.8	1.6	1.6	1.5	1.2	1.3
Price/Sales	2.1	6.4	3.1	2.7	2.0	3.6
Price/Cashflow	21.9	69.3	10.6	53.4	14.3	68.4
Dividend Yield	-	1.0	1.1	1.2	1.8	1.2
ROA	2.4	3.7	1.5	1.9	0.6	1.6
ROE	3.5	5.0	2.3	3.1	1.1	2.6

Source: Bloomberg

Note: Col$ in millions (except per-share data). Fiscal year ends Dec

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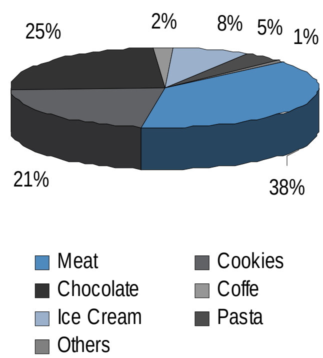
Chocolates (Not Covered): Expanding Food Group

Ticker	Price	Market Cap $m	ADTV $m
CHOCOLA CB	24,400.0	5,668	1.0

Figure 53: EBITDA by Division

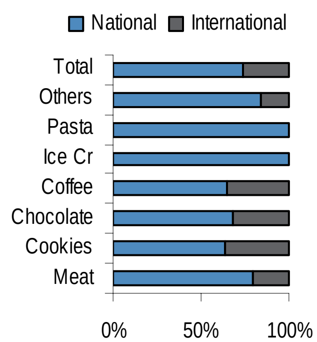
% Total



Source: Company reports.

Figure 54: International Exposure

% Total



Source: Company reports.

Figure 55: Corporate Strategy

Source: Company reports.

Company Description

With headquarters in Medellín, Grupo Nacional de Chocolates (GNC, or Chocolates) is a leader in processed foods, not only in Colombia but also in other key Latin American markets as well as in the Hispanic community in the US.

Chocolates is active in six core businesses: processed meats and frozen meals; cookies; chocolates; coffee; ice cream; and pastas. It has presence in 71 countries around the world, with its own distribution in 11 countries, and production plants in 6 (Colombia, Costa Rica, Mexico, Panama, Peru, Venezuela). Strategically the company has been growing its international operations by acquisition.

The company is an integral part of the GEA and is cross-held by Grupo Suramericana (37.8%), Cementos Argos (5.7%), and Inversiones Argos (4.7%). In turn, it holds relevant stakes in Grupo Suramericana (12.6%) and Inversiones Argos (12.4%). Dividends received from these investments made up more than 10% YTD earnings.

Business Overview

74% of sales are from Colombia, and 26% are international. Of the international markets, Central America (7% total), Venezuela (7%), and the US (6%) are the largest. Processed meats is the largest individual business, generating a little under a third of total sales, followed by the cookie and chocolates business. Meat is also one of the most profitable business (15.4% EBITDA margin), along with ice cream (15.6%) and pasta (14.0%).

Much of the company's cost structure is driven by raw materials. The most important of these is coffee (13% of costs), followed by packaging materials (11%), pork (8%), and cocoa (7%).

Recent Trends

9M10 results showed a 4.1% rise in domestic sales, which offset an 8.6% decline in international sales. Excluding Venezuela, international sales rose 20%. EBITDA rose 2.7%, with a 12.3% margin. Excluding Venezuela, EBITDA would have increased by 41%. Coffeee and processed meats led growth. Net earnings rose 55% yoy. The balance sheet remains strong, with net debt/EBITDA of 1.4x and interest coverage of 9.4x.

In September 2010 the group completed its acquisition of 41% of Allied Industries. Allied is expected to sell an annualized COP51bn, with an EBITDA margin of 12.5%. In October 2010, Chocolates acquired Fehr Holdigs (US). The expected annualized sales of Fehr are US$58m, with an EBITDA margin of 13.3%.

Chocolates: Summary of Financials

Income Statement	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Sales Revenue	2,147,254	2,297,199	2,872,015	3,449,517	4,009,737	4,588,366
Operating Income (Losses)	263,169	263,181	300,074	432,885	465,896	448,724
Operating Margin %	12.3	11.5	10.4	12.5	11.6	9.8
Net Non-Oper Losses(Gains)	(28654)	(61199)	(9756)	44482	15591	89011
Pretax Income	231,864	267,419	246,764	347,530	372,572	295,040
Income Tax Expenses (Credits)	86,454	84,076	70,246	99,987	73,232	81,309
Net Income/Net Profit (Losses)	114,718	183,320	176,535	247,313	299,061	213,274
Net Profit Margin %	5.3	8.0	6.1	7.2	7.5	4.6
Diluted EPS Cont Ops	-	-	-	-	-	-
# Shrs Diluted EPS	-	-	-	-	-	-
Balance Sheet (Assets)	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
Cash&Near Cash Items	50,999	47,153	77,961	134,295	142,446	116,630
Accounts & Notes Receivable	293,106	286,481	374,838	418,070	645,639	510,929
Net Fixed Assets	440,874	456,824	561,031	653,908	767,527	977,261
Other Assets/Def Chgs&Other	1,247,181	2,543,703	3,236,004	3,321,956	2,881,341	4,392,567
Total Assets	2,727,621	4,022,157	5,032,901	5,348,302	5,336,553	6,929,126
Balance Sheet (Liabilities)	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
ST Borrowings	47,300	37,500	187,361	248,058	349,791	210,544
LT Borrowings	383	3,540	518,674	470,445	535,026	804,613
Total Liabilities	353,523	347,295	1,112,399	1,215,943	1,469,369	1,538,886
Minority Interest	451,725	2,519	2,618	2,964	2,751	3,611
Total Shareholders' Equity	2,374,098	3,674,862	3,920,502	4,132,359	3,867,184	5,390,240
Total Liabilities and Equity	2,727,621	4,022,157	5,032,901	5,348,302	5,336,553	6,929,126
Cashflow Summary	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
Cash Flow Net Income	114,718	183,320	176,535	247,313	299,061	213,274
Depreciation & Amortization	77,238	90,316	147,526	115,288	169,634	111,898
Other Non-Cash Adjustments	16,466	(24,664)	(67,637)	(12,964)	(107,447)	(15,955)
Changes in Non-Cash Work Cap	(27,083)	8,740	(98,845)	(66,721)	(195,655)	108,458
Cash From Operations	181,339	257,712	157,579	282,916	165,593	417,675
Free Cash Flow/Basic Shr	430.1	432.8	(123.9)	300.6	(107.2)	437.2
Cash Flow per Share	523.1	592.3	362.1	650.2	380.6	959.9
Cash from Financing Activities	(143,531)	(218,371)	591,138	(104,016)	35,526	(11,853)
Net Changes in Cash	43,812	(47,779)	25,550	(12,726)	65,828	(47,551)
Cash from Investing Activities	6,004	(87,120)	(723,167)	(191,626)	(135,291)	(453,373)
Ratios	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
PE Ratio	26.4	30.7	40.9	29.0	22.7	42.8
Price/Book	1.6	1.5	1.8	1.7	1.8	1.7
Price/Sales	1.4	2.4	2.5	2.1	1.7	2.0
Price/Cashflow	16.7	21.8	45.8	25.4	41.0	21.9
Dividend Yield	3.8	1.8	1.1	1.4	2.0	1.5
ROA	4.6	5.4	3.9	4.8	5.6	3.5
ROE	6.8	6.6	4.7	6.1	7.5	4.6

Source: Bloomberg

Note: Col$ in millions (except per-share data). Fiscal year ends Dec

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Copa Holdings (N): Second-Largest Airline

Ticker	Price	Market Cap $m	ADTV $m
CPA US	57.5	2,508	13.3

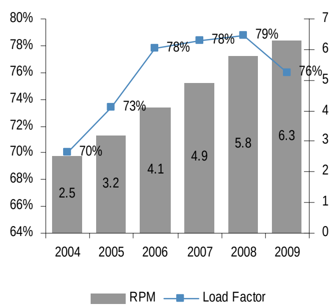
Company Description

Copa was established in 1947 and is based in Panama City, Panama. Copa is a leading Latin American passenger airline, operating through its two principal subsidiaries: Copa (based in Panama) and AeroRepública (based in Colombia). The company operates a fleet of 58 aircraft: 32 Boeing 737-Next Generation and 26 Embraer 190 aircraft. The company has firm orders, including purchase and lease commitments, for an additional 26 Boeing 737-Next Generation and 11 Embraer 190s.

The company offers 152 daily scheduled flights to 45 destinations and 24 countries in the Americas and the Caribbean. Its hub is Panama City, the '*Hub of the Americas*', a low altitude airport where Copa runs four plane banks daily. The company operated with a load factor of 76% in 2009 at Copa, and 67% at AeroRepública, Colombia's second largest airline.

In 1998 Copa started a strategic alliance with Continental. They have a joint marketing and code-sharing arrangement and participate in the OnePass frequent flyer loyalty program. As part of aligning its corporate strategy with Continental's, Copa exited the SkyTeam Alliance in 4Q09. Continental originally owned 49% of Copa but gradually sold entirely out of this stake by mid-2008. Copa trades on the NYSE under the CPA ticker.

Figure 56: RPM (m) and load factor



Source: Company reports.

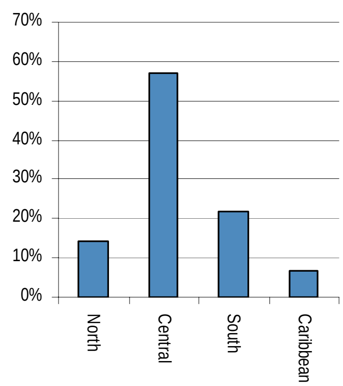
Business Overview

In 2009, 57% of Copa revenue came from South America, 22% from Central America, and 7% from the Caribbean. 14% came from North America, which includes the US, Canada, and Mexico.

In 2005, Copa purchased AeroRepública, Colombia's second-largest airline. This operation accounted for 19% of 2009 revenue. This is primarily a domestic operation, competing with Avianca.

Approximately 94% of Copa revenues come from passenger operations. 50% of this traffic is leisure. An estimated 50% of travelers regard Panama as their destination or origination point.

Figure 57: Revenue Breakdown (Americas)



Source: Company reports.

Recent Trends

Since 2001, Copa has grown significantly and has established a track record of consistent profitability. Revenues increased from $290m in 2001 to $1.3bn in 2009, while operating margins increased from 8.6% to 17.8% over the same period .Copa reported 2009 net income of $240m, up from $119m in 2008.

Copa Holdings, S.A.: Summary of Financials

Income Statement - Annual	FY08A	FY09A	FY10E	FY11E		Income Statement - Quarterly	1Q10A	2Q10A	3Q10A	4Q10E
RPMs (M)	6,718	7,397	8,328	9,549		RPMs (M)	2,005	1,871	2,187	2,265
ASMs (M)	8,844	9,910	10,939	12,900		ASMs (M)	2,507	2,559	2,897	2,975
Load factor	76.0%	74.6%	76.1%	74.0%		Load factor	80.0%	73.1%	75.5%	76.1%
Yield (¢)	18.12	16.04	15.78	15.24		Yield (¢)	15.92	15.23	15.70	16.18
RASM (¢)	13.76	11.97	12.01	11.28		RASM (¢)	12.73	11.14	11.85	12.32
CASM (¢)	12.04	10.20	10.40	9.56		CASM (¢)	10.54	10.59	10.05	10.01
CASM ex-fuel (¢)	7.46	7.16	7.23	6.42		CASM ex-fuel (¢)	7.43	7.36	6.88	6.86
Fuel cost/gal	3.23	2.18	2.50	2.50		Fuel cost/gal	2.26	2.37	2.36	2.65
Passenger revenues	1,217	1,187	1,314	1,455		Passenger revenues	319	285	343	366
Total revenues	1,289	1,253	1,386	1,527		Total revenues	335	303	362	385
Operating income	224	243	248	294		Operating income	71	32	71	87
Net income	174	202	197	237		Net income	57	26	55	72
EBITDA	267	290	300	344		EBITDA	83	46	84	100
EBITDAR	-	-	-	-		EBITDAR	96	-	-	-
EPS	3.99	4.62	4.48	5.40		EPS	1.29	0.60	1.25	1.64
Balance Sheet and Cash Flow	**FY08A**	**FY09A**	**FY10E**	**FY11E**		**Ratio Analysis**	**FY08A**	**FY09A**	**FY10E**	**FY11E**
Total debt	916	846	851	875		RPM growth	14.6%	10.1%	12.6%	-
Cash and cash equivalents	397	352	478	623		ASM growth	11.7%	12.1%	10.4%	-
Net debt	519	493	373	252						
						Yield growth	9.8%	(11.5%)	(1.8%)	-
Operating leases	301	326	328	350		RASM growth	12.7%	(13.0%)	0.3%	-
Minority interest	-	-	-	-		CASM growth	14.7%	(15.3%)	2.0%	-
Preferred stock	-	-	-	-		CASM ex-fuel growth	4.4%	(4.1%)	1.0%	-
Convert adjustment	-	-	-	-						
Enterprise value	3,285	3,284	-	-		Total revenue growth	25.5%	(2.8%)	10.6%	-
						EBIT margin	17.4%	19.4%	17.9%	-
Book value	632	866	1,086	1,307						
Capex	162	51	150	150		EV/revenue	2.5	2.6	-	-
Free cash flow	104	239	194	194		EV/EBITDAR	10.6	9.8	0.0	-
Free cash flow yield	3.2%	7.3%	-	-		EV/EBITDA	12.3	11.3	-	-
						BV/share	14.56	19.82	24.70	29.72
						Debt/capital	65.8%	57.5%	51.1%	-

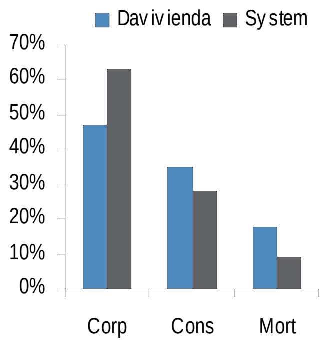
Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share and fuel cost data). Fiscal year ends Dec

Davivienda (Not Covered): Largest Consumer Bank

Ticker	Price	Market Cap $m	ADTV $m
PFDAVVNDCB	21720.0	4,714	3.0

Figure 58: Consumer Focus

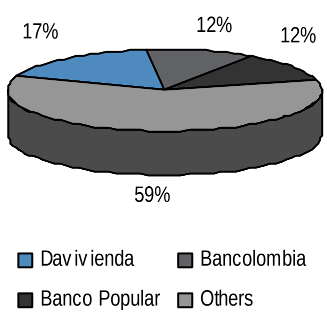
% Total Loan Book



Source: Company reports.

Figure 59: Consumer Leader

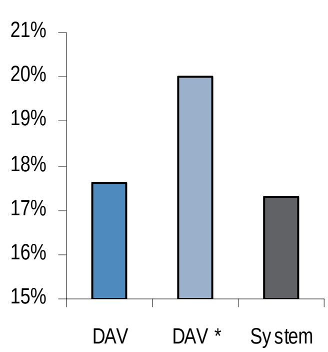
% Market Share in Consumer Loans



Source: Company reports.

Figure 60: LTM ROE

%



Source: Company reports. * Excludes credit amortization.

Company Description

Davivienda is Colombia's third-largest bank by assets and the market leader in consumer loans. The company operates 526 branches and 1,376 ATMs in 163 cities with a total base of 4.0mn customers. Additionally, the company has majority control of seven subsidiaries, including international affiliates with presence in Panama and the US. However, wholly owned Banco Davivienda represents 93% of total assets.

The company is controlled by Grupo Bolivar, which maintains holdings in various industries, including financial services, insurance, and construction. Grupo Bolivar is present in Colombia, Venezuela, Ecuador, Panama, and the US. Davivienda represents 91% of the group's total assets. Construction and investment group Cusezar and the International Finance Corporation (IFC) also maintain minority stakes in the company.

Business Overview

The company was established in 1972 as the Corporación Colombiana de Ahorro y Vivienda (thrift/mortgage lender) and in 1997 became a commercial bank under the name Banco Davivienda. Since then, it has grown through a series of acquisitions and subsequent consolidation, becoming one of Colombia's leading banks.

In 2000, Davivienda absorbed Delta Bolivar, a commercial finance company specializing in auto loans, from Grupo Bolivar. Then, in 2005, the company purchased BanSuperior and with it the Diners Club credit card franchise. In 2006, Davivienda acquired 94% of Confinanciera, a commercial finance company, also with a focus on vehicle loans. Finally, in 2007, the company acquired Granbanco-Bancafe in a privatization process, consolidating its position in the consumer lending market as well as extending its reach to Panama and the US (Miami).

Davivienda operates as a universal bank; however, its focus is primarily on the consumer, with whom it has a leadership position in Colombia. The company is first in consumer loans as well as the leader in number of credit cards in circulation and credit card balances. The company also maintains a leadership position in car loans and loans to the agricultural sector.

Recent Trends

For 9M10, the company saw profits increase 13%, while its loan book grew 21% (the consumer segment was +26%, helped by World Cup promotions). Meanwhile, the quality of the loan book improved to 1.8% PDL/total loans (from 2.5%), while coverage settled at 230%, both figures well ahead of the industry average. ROE reached 17.6% (20% excluding credit amortizations from recent acquisitions). Davivienda conducted an initial public offering in 3Q10, raising US$230m, with more than 82,000 shareholders, in a transaction that was more than 13 times oversubscribed.

Banco Davivienda: Summary of Financials

Income Statement	FY 2006	FY 2007	FY 2008	FY 2009
Sales Revenue	-	-	5,119,290	4,426,314
Operating Income (Losses)	-	-	395,672	425,945
Operating Margin %	-	-	9.7	12.3
Net Non-Oper Losses(Gains)	-	-	(113911)	(127387)
Pretax Income	-	-	509,583	553,332
Income Tax Expenses (Credits)	-	-	43	43
Net Income/Net Profit (Losses)	-	-	219	216
Net Profit Margin %	-	-	10.4	13.4
Diluted EPS Cont Ops	-	-	-	5.5
# Shrs Diluted EPS	-	-	42.8	47.8

Balance Sheet (Assets)	FY1 2006	FY1 2007	FY1 2008	FY1 2009
Cash&Near Cash Items	-	-	1,067,861	1,548,688
Accounts & Notes Receivable	-	-	-	-
Net Fixed Assets	-	-	727,832	767,208
Other Assets/Def Chgs&Other	-	-	2,084,521	2,101,618
Total Assets	-	-	22,833,346	26,158,870

Balance Sheet (Liabilities)	FY1 2006	FY1 2007	FY1 2008	FY1 2009
ST Borrowings	-	-	478,881	1,422,005
LT Borrowings	-	-	1,088,447	496,156
Total Liabilities	-	-	20,565,978	23,461,152
Minority Interest	-	-	0	0
Total Shareholders' Equity	-	-	2,267,368	2,697,718
Total Liabilities and Equity	-	-	22,833,346	26,158,870

Cashflow Summary	FY1 2006	FY1 2007	FY1 2008	FY1 2009
Cash Flow Net Income	-	-	425,434	461,117
Depreciation & Amortization	-	-	744,888	1,722,658
Other Non-Cash Adjustments	-	-	262,764	-
Changes in Non-Cash Work Cap	-	-	(123,288)	-
Cash From Operations	-	-	1,309,797	-
Free Cash Flow/Basic Shr	-	-	29,933.2	-
Cash Flow per Share	-	-	30,596.6	-
Cash from Financing Activities	-	-	1,889,508	-
Net Changes in Cash	-	-	374,532	-
Cash from Investing Activities	-	-	(2,824,773)	-

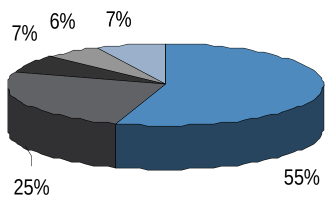
Ratios	FY1 2006	FY1 2007	FY1 2008	FY1 2009
PE Ratio	-	-	-	-
Price/Book	-	-	-	-
Price/Sales	-	-	-	-
Price/Cashflow	-	-	-	-
Dividend Yield	-	-	-	-
ROA	-	-	-	1.9
ROE	-	-	-	18.6

Source: Bloomberg

Note: Col$ in millions (except per-share data). Fiscal year ends Dec

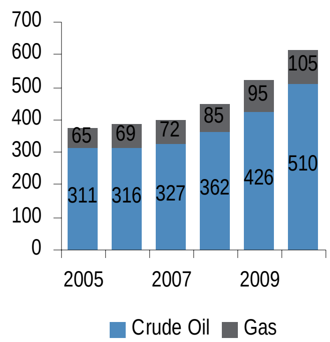
Ecopetrol (UW): National Oil Company

Figure 61: Capex Breakdown
% of Total – US$80bn 2011-2020



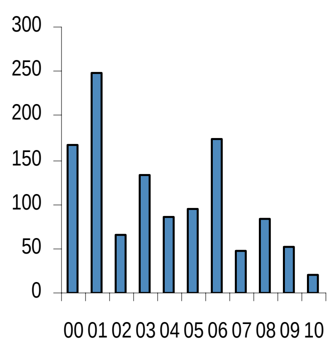
Source: Company reports.

Figure 62: Historical Production
kboed



Source: Company Reports, JPM.

Figure 63: Attacks on Infrastructure
# of Attacks



Source: Company reports.

Ticker	Price	Market Cap $m	ADTV $m
ECOPETL CB	3990.0	86,215	20.2

Company Description

Ecopetrol is Colombia's state-owned oil company. With 615 kboe/pd of production Ecopetrol is the largest producer in Colombia, the fourth in Latin America, and the 39th in the world (based on reserves). Ecopetrol is fully integrated and owns net refining capacity of 330 kbd, the largest in Colombia. Ecopetrol has been a net exporter of crude since 1986. The company also has operations in Brazil, Peru, and offshore in the Gulf of Mexico.

Founded in 1951 as a state-owned oil company, Ecopetrol is now a mixed-capital entity. A capitalization process in 2006-7 gave public investors a 10.1% stake in the company, with the Colombian government retaining an 89.9% interest. The government has the right to sell up to 20% but has increased this amount to 30% as a result of a new flood reconstruction plan. Its shares are traded on the BVC, NYSE, BVL (Lima), and, most recently (2010), on the TSX in Canada.

Business Overview

The company has divided its operations into five business segments: exploration and production; transport; refining; petrochemicals; marketing, and oil sales; and corporate center. It has fields for extracting hydrocarbons in the center, south, east, and north of Colombia; two refineries; ports for export and import of fuels on both coasts; and a transport network of 9,000 km of pipelines.

Ecopetrol is mostly a producer of crude oil in mature fields. The crude mix is 30% light oil, 45% intermediate and 25% heavy crude. The relative importance of heavy oil in the mix is expected to grow for Ecopetrol and for the country as a whole over the next 15 years. This led the company to outline a specific strategy for 1) increasing the recovery factor of its large mature asset base and 2) developing its heavy crude resources.

One of the most important strategic goals of the company is to reach 1 million boed of hydrocarbons output by 2015. An intermediate milestone is to produce 550 kboed by 2011. The company plans to achieve this goal by 1) adding 436 million boe of reserves annually, 2) increasing the recovery factor to 30% from 23% currently, and 3) drilling 45 wildcat wells per year.

Recent Trends

The company has grown its production to 615 kboed in 2010E, an increase of 54% since 2007. In order to maintain production growth, the company also plans to spend US$80bn over the next 10 years. The company recently completed the 51% acquisition of BP's assets in Colombia for nearly US$1.8bn. This will add roughly 90 kboed to Ecopetrol's portfolio. The company also announced total proved reserves for Dec 31, 2010, of 1,714m BOE, up 11% from 2009.

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Ecopetrol S.A. : Summary of Financials

Income Statement - Annual	FY08A	FY09E	FY10E	FY11E	FY12E
Revenues	33,897	33,192	28,864	32,556	37,928
% change YoY	51.80%	-2.10%	-13.00%	12.80%	16.50%
Upstream, %	-	-	-	-	-
Downstream, %	-	-	-	-	-
Gas & Energy, %	-	-	-	-	-
International,%	-	-	-	-	-
EBITDA	14,185	9,782	14,741	20,121	24,216
% change YoY	39.50%	-31.00%	50.70%	36.50%	20.30%
EBITDAmargin, %	41.80%	29.50%	51.10%	61.80%	63.80%
EBIT	12,418	7,209	12,061	17,571	21,413
% change YoY	41.30%	-41.90%	67.30%	45.70%	21.90%
EBIT margin, %	36.60%	21.70%	41.80%	54.00%	56.50%
Net Interest Expense	4,101	1,945	-405	-419	17
EBT	16,011	8,924	11,417	16,894	21,148
% change YoY	126.60%	-44.30%	27.90%	48.00%	25.20%
Tax	-	-	-	-	-
Net Income	11,630	6,247	7,992	11,825	14,803
% change YoY	124.50%	-46.30%	27.90%	48.00%	25.20%
Shares outstanding, mn	40,473	40,473	40,473	40,473	40,473
EPS, Col$/share	287.36	154.34	197.47	292.19	365.76
Fully Diluted EPS	-	-	-	-	-

Cash Flow Statement	FY08A	FY09E	FY10E	FY11E	FY12E
EBIT	12,418	7,209	12,061	17,571	21,413
Depreciation	1,767	2,573	2,680	2,550	2,802
Working Capital changes	(2,265.0)	3,869	0	0	0
Taxes	-2,962	-2,677	-3,425	-5,068	-6,344
CFO	11,793	12,919	10,911	14,634	17,888
Capex	-9,891	-10,017	-6,550	-7,036	-8,997
FCFF	1,902	2,902	4,361	7,598	8,891
Net Interest Expense	4,101	1,945	-405	-419	17
FCFE	6,003	4,847	3,956	7,180	8,908
Equity raised/ (repaid)	283	0	0	0	0
Debt raised/ (repaid)	833	5,374	0	0	115
Dividends	-4,654	-9,331	-4,817	-5,785	-8,642
Other	-	-	-	-	-
Change in cash	-1,636	-1,056	-455	1,814	364
Beginning cash	3,624	2,192	1,123	691	2,614
Ending cash	1,988	1,136	668	2,504	2,978
DACF	6,570	10,391	11,437	15,179	17,866
DPS,Col$/share	114.99	219.9	119.01	142.93	213.53

Balance Sheet	FY08A	FY09E	FY10E	FY11E	FY12E
Cash and cash equivalents	2,114	1,084	676	2,558	3,042
Accounts receivable	5,877	1,667	1,748	1,825	1,906
Inventories	-	-	-	-	-
Others	3,964	3,613	3,790	3,956	4,130
Current Assets	15,705	9,782	9,799	12,082	12,986
Taxes	-	-	-	-	-
Others	16,232	17,822	20,315	23,152	26,974
LT ASSETS	32,997	35,515	40,064	45,266	52,394
Net PP&E	8,077	9,774	11,444	13,442	16,368
Total Assets	48,702	45,298	49,863	57,348	65,379
ST Loans	-	-	-	-	-
Payables	1,709	1,558	1,634	1,706	1,781
Dividends	-	-	-	-	-
Others	4,991	4,549	4,771	4,981	5,200
Current Liabilities	6,700	6,107	6,405	6,687	6,981
LT Debt	0	5,125	5,375	5,612	5,976
Other LT liabilities	7,382	6,729	7,057	7,368	7,692
LT Liabilities	7,382	11,854	12,432	12,979	13,667
Total Liabilities	14,082	17,961	18,837	19,666	20,648
Minority Interests	0	0	0	0	0
Shareholders Equity	34,620	27,337	31,025	37,682	44,731
Liabilities and Equity	48,702	45,298	49,863	57,348	65,379
Enterprise Value	-	-	-	-	-

Operating Data & Ratio Analys	FY08A	FY09E	FY10E	FY11E	FY12E
Reserves (SEC), mn boe	-	-	-	-	-
Production,kboed	1,369	1,546	1,524	1,490	1,443
% change YoY	-	-	-	-	-
Liquids, kbd	362	402	434	463	494
Gas, mcmd	480	525	581	610	634
Prices					
Brent, US$/bbl - as per JPM	1.41	-0.49	0.29	0.43	0.2
Dom. Realization price,US$/bbl	0	0	0	0	0
Discount to brent	0.00%	0.00%	0.00%	0.00%	0.00%
Ratios					
SG&A/revenues, %	7.20%	10.50%	8.10%	5.80%	5.30%
Interest Coverage	-	-	-	-	-
Net Debt (incl.pension liab)	-	-	-	-	-
Net Debt to Total Capital, %	-5.60%	13.60%	13.80%	8.10%	6.70%
Net Debt to Equity, %	-5.30%	15.70%	16.00%	8.80%	7.20%
Net debt to EBITDA, (x)	-0.1	0.4	0.3	0.2	0.1
Capex/Depreciation, (x)	-5.6	-3.9	-2.4	-2.8	-3.2
Net Margin	34.30%	18.80%	27.70%	36.30%	39.00%
Revenues/Assets, (x)	0.7	0.7	0.6	0.6	0.6
Assets/Equity, (x)	1.4	1.7	1.6	1.5	1.5
ROE (%)	41.60%	20.20%	27.10%	34.50%	36.00%
ROCE (%)	25.30%	11.50%	24.90%	32.20%	33.30%
Div. Yield (%)	4.30%	8.20%	4.50%	5.40%	8.00%
FCF Yield (%)	-	-	-	-	-

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data). Fiscal year ends Dec

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EEB (Not Covered): Bogota Energy

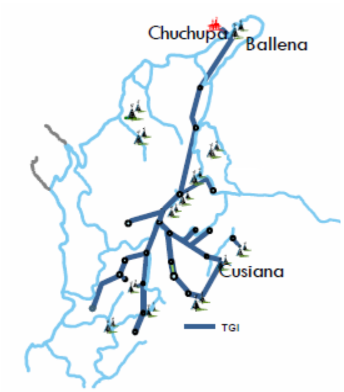
Ticker	Price	Market Cap $m	ADTV $m
EEB CB	178500.0	8,183	0.7

Table 15: EBITDA Contribution per Business

Business Unit	% EBITDA
Elec. Generation	20%
Elec. Distribution	22%
NatGas Transport	22%
NatGas Distribution	6%
Transmission	3%
Others	27%

Source: Company reports.

Figure 64: TGI Gas Network



Source: Company reports.

Company Description

Empresa de Energia de Bogota (EEB) is a diversified energy holding company, with assets in electricitry generation and distribution as well as natural gas transportation. The company has operations in Colombia, Peru, and Guatemala.

EEB transports electricity and has control of the largest gas transporter in Colombia, TGI. In Peru, EEB subsidiary CONGAS holds a 30-year concession for the transportation and distribution of natural gas in the Department of Ica. Furthermore, together with the ISA group, EEB participates in REP and TRANSMANTARO, operating 63% of the electricity transmission system in Peru. It also has a significant portfolio of investments in Colombia, Peru, and Guatemala. Within its controlled companies, EEB owns a network of 3,679km for gas transportation and a network of 1,447km for electricity transmission (12.4% participation).

The ownership structure is the District of Bogota (81.5%), Ecopetrol (7.4%), pension funds (7.2%), Corficolombiana (3.8%), and other stakeholders (0.1%).

Business Overview

EEB has two main business lines, energy transmssion and gas transportation:

TGI SA E.S.P. (97.9% participation; 22% of EBITDA): Transportadora Internacional de Gas is a major natural gas distributor in Colombia, with a 3,679 km network and average transport capacity of 493 mpcd. In addition, it has 10 compressor stations and investments in GAS NATURAL SA (Colombia's largest distributor-marketer of natural gas, with over 1.6m clients and a network of 12,898 km). EEB has a 25% stake.

EMGESA (51% stake; 20% EBITDA) is the largest electricity generator in Colombia, with an approximate 23% market share. Installed capacity is 2,895 MW, made up of eight hydro and two thermal plants. The remainder of the company is owned by Endesa Spain.

CODENSA (51.5% stake; 21% EBITDA) is the largest electricity distributor in Colombia and is focused on Bogota, the largest market. The company has 2.4m clients and 23% market share. The remainder of the company is owned by Endesa Spain.

Recent Trends

For 9M10 EEB had consolidated revenues increased 2.5% yoy. Cumulative net income was, +3.3% yoy. In 2010 EEB formed TRECSA – Transportadora de Centroamérica S.A. – a Guatemalan transmission project slated to start in 2013.

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EEB: Summary of Financials

Income Statement	FY 2005	FY 2006	FY 2007	FY 2009
Sales Revenue	-	-	453,195	930,819
Operating Income (Losses)	-	-	200,815	416,281
Operating Margin %	-	-	44.3	44.7
Net Non-Oper Losses(Gains)	-	-	(604517)	(395928)
Pretax Income	-	-	913,897	771,468
Income Tax Expenses (Credits)	-	-	37,050	25,995
Net Income/Net Profit (Losses)	-	-	869,037	723,213
Net Profit Margin %	-	-	191.8	77.7
Diluted EPS Cont Ops	-	-	-	-
# Shrs Diluted EPS	-	-	-	-

Balance Sheet (Assets)	FY 2005	FY 2006	FY 2007	FY 2009
Cash&Near Cash Items	-	-	170,899	142,540
Accounts & Notes Receivable	-	-	141,861	238,814
Net Fixed Assets	-	-	1,330,877	1,660,338
Other Assets/Def Chgs&Other	-	-	5,738,775	6,280,384
Total Assets	-	-	9,797,506	11,056,510

Balance Sheet (Liabilities)	FY 2005	FY 2006	FY 2007	FY 2009
ST Borrowings	-	-	446,003	208,070
LT Borrowings	-	-	2,753,010	2,991,708
Total Liabilities	-	-	3,666,707	3,971,780
Minority Interest	-	-	33,243	188,467
Total Shareholders' Equity	-	-	6,130,799	7,084,730
Total Liabilities and Equity	-	-	9,797,506	11,056,510

Cashflow Summary	FY 2005	FY 2006	FY 2007	FY 2009
Cash Flow Net Income	-	-	869,037	723,213
Depreciation & Amortization	-	-	89,536	114,526
Other Non-Cash Adjustments	-	-	(309,968)	(353,203)
Changes in Non-Cash Work Cap	-	-	8,392	(33,914)
Cash From Operations	-	-	656,997	450,622
Free Cash Flow/Basic Shr	-	-	5,861.2	762.0
Cash Flow per Share	-	-	7,650.9	5,247.6
Cash from Financing Activities	-	-	3,245,785	(290,215)
Net Changes in Cash	-	-	111,185	84,284
Cash from Investing Activities	-	-	(3,791,597)	(76,123)

Ratios	FY 2005	FY 2006	FY 2007	FY 2009
PE Ratio	-	-	-	14.1
Price/Book	-	-	-	1.5
Price/Sales	-	-	-	11.0
Price/Cashflow	-	-	-	22.7
Dividend Yield	-	-	-	-
ROA	-	-	-	-
ROE	-	-	-	-

Source: Bloomberg

Note: Col$ in millions (except per-share data). Fiscal year ends Dec

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ETB (Not Covered): Bogota Telecoms

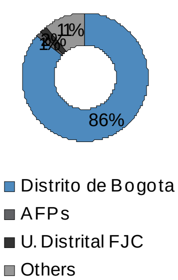
Ticker	Price	Market Cap $m	ADTV $m
ETB CB	595.0	1,127	0.8

Company Description

Empresa de Telecomunicaciones de Bogota is one of Colombia's largest telecom operators. Headquartered in Bogota and founded in 1884, ETB has around 2m lines in service, and 55% of Q310 revenues came from local service, 10% from long distance, and 35% from data and internet. .It also has a 25% stake in Tigo, the local mobile operation of Millicom. The company is 86.6% owned by the Bogota District Government, 1% by the Colombian pension funds, and 11% by other local investors. The company has been listed since 2003.

Figure 65: Ownership

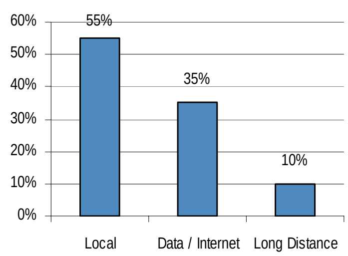
% Total Shares



Source: Company reports.

Figure 66: Revenue Breakdown (9M10)

$ Billion COP



Source: Company reports.

Business Overview

ETB has three main business lines:

Local telephony (55% revenue): ETB is the second-largest player in the market, with around 2m lines in service and 26% market share. Telefonica's Colombia Telecomunicaciones is the largest player, with 28% share. Local has declined from 58% of revenue in 2005. Fixed-line penetration in Colombia is around 18% (compared to mobile penetration of around 100%).

Long distance (10% revenue): ETB is the second-largest player in the market, with 21% market share of both local and international volumes. Long distance has declined from 13% of revenues in 2005.

Internet and data (35% revenues): ETB is the second-largest player in the market, with around 500,000 broadband internet subscribers and 20% market share nationwide (51% in Bogota). Internet and data has risen from only 10% of revenues in 2005.

ETB also has an arrangement with DirecTV to include pay TV in a 'SuperCombo' offering. This represents around 20% of DirecTV Colombia sales.

Recent Trends

In 2009, ETB launched a process to find a strategic partner, through a capital increase, to incorporate international best practices. ETB received no offers and the process was ended.

In cumulative 9M10 results, data and internet revenues rose 12.7%, long distance fell 19.3%, and local service rose 3.9%. EBITDA rose 4.8%, and the margin increased 80bps to 43.3%. Earnings fell 73% (largely on significant extraordinary income booked in 2009).

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ETB: Summary of Financials

Income Statement	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Sales Revenue	1,385,598	1,442,021	1,553,620	1,549,007	1,562,468	1,437,700
Operating Income (Losses)	381,747	338,295	321,772	383,262	240,943	(72,005)
Operating Margin %	27.6	23.5	20.7	24.7	15.4	(5.0)
Net Non-Oper Losses(Gains)	36230	170736	125708	43660	(61989)	(315264)
Pretax Income	297,343	144,299	-	339,602	302,932	-
Income Tax Expenses (Credits)	0	0	-	97,865	91,340	-
Net Income/Net Profit (Losses)	183,922	144,299	185,706	240,789	204,137	202,957
Net Profit Margin %	13.3	10.0	12.0	15.5	13.1	14.1
Diluted EPS Cont Ops	-	-	-	-	-	-
# Shrs Diluted EPS	-	-	-	-	-	-

Balance Sheet (Assets)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Cash&Near Cash Items	88,201	279,985	137,968	210,000	244,529	218,475
Accounts & Notes Receivable	627,774	389,872	534,738	532,995	681,733	405,407
Net Fixed Assets	2,033,569	1,886,070	1,816,950	1,967,055	1,993,351	1,945,466
Other Assets/Def Chgs&Other	1,204,952	1,373,709	1,468,496	1,845,490	2,045,213	2,010,853
Total Assets	4,129,012	4,366,768	4,645,924	4,702,616	5,076,619	4,841,626

Balance Sheet (Liabilities)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
ST Borrowings	109,579	45,308	42,032	39,963	114,096	22,175
LT Borrowings	117,042	75,723	238,016	212,857	288,237	290,410
Total Liabilities	2,058,360	2,278,793	2,466,975	2,392,304	2,490,708	2,320,628
Minority Interest	0	0	-	6,602	14,225	0
Total Shareholders' Equity	2,070,652	2,087,975	2,178,949	2,310,311	2,585,911	2,520,998
Total Liabilities and Equity	4,129,012	4,366,768	4,645,924	4,702,616	5,076,619	4,841,626

Cashflow Summary	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Cash Flow Net Income	-	-	-	240,789	204,137	-
Depreciation & Amortization	-	-	-	316,511	381,781	-
Other Non-Cash Adjustments	-	-	-	39,617	(18,087)	-
Changes in Non-Cash Work Cap	-	-	-	85,249	(71,084)	-
Cash From Operations	-	-	-	682,167	496,746	-
Free Cash Flow/Basic Shr	-	-	-	77.9	22.0	-
Cash Flow per Share	-	-	-	192.2	134.5	-
Cash from Financing Activities	-	-	-	(166,781)	15,743	-
Net Changes in Cash	-	-	-	79,188	29,054	-
Cash from Investing Activities	-	-	-	(436,198)	(483,435)	-

Ratios	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
PE Ratio	6.7	26.8	14.0	10.2	10.3	20.2
Price/Book	1.0	1.9	-	1.1	0.8	1.6
Price/Sales	1.4	2.7	1.7	1.6	1.4	2.9
Price/Cashflow	-	-	-	3.6	4.3	-
Dividend Yield	-	-	-	-	-	-
ROA	4.5	3.4	4.1	5.2	4.2	4.1
ROE	9.1	6.9	8.7	10.7	8.4	8.0

Source: Bloomberg

Note: Col$ in millions (except per-share data). Fiscal year ends Dec

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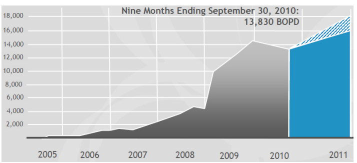
Gran Tierra Energy (N): LatAm E+P

Ticker	Price	Market Cap $m	ADTV $m
GTE US	8.9	2,123	7.0

Figure 67: Production History

BOPD (net after royalty)



Source: Company reports.

Figure 68: Focused on Colombia's Putumayo Basin

Number

Source: Company reports.

Figure 69: 2011 Drilling Program Breakdown

Source: Company reports.

Company Description

Gran Tierra Energy (GTE) is a junior E&P company producing light oil and gas in Colombia and Argentina. The company is headquartered in Calgary, Canada. The company holds 8.4m net acres, across 32 blocks in Colombia, Peru, Argentina, and Brazil. 2P reserves stood at 27.9mmboe at end-2009, and 9M10 production was 13,830 barrels of oil per day (bopd). 2011 company guidance is for 16-18,000 bopd. 100% of Gran Tierra's operations are in South America. Colombia is the core of the asset base, making up 75.2% of its total reserves (proven, probable, and possible). Argentina makes up the rest of the reserves.

Business Overview

GTE is focused on developing the Putumayo basin in Colombia. Its Costayaco field (100% working interest) is its core asset and production base, with 2P reserves of 23.3mmboe and production of 19,000 bopd gross. The company also benefited from production from Solana Resources' interests in Colombia following its acquisition in November 2008. This took GTE's working interest in the block to 100%.

In Argentina the company has production of 900 bopd net after royalty, with low realizations ($43/bbl) given price controls. It is the number one exploration land holder in the Noroeste Basin.

In Peru, Gran Tierra has entered the second exploration period of blocks 122 and 128 on the eastern flank of the Maranon basin of northern Peru.

The company recently entered Brazil and signed an agreement for a 70% working interest in 4 blocks in the Reconcavo basin. This has 500 bopd of gross production and 6 mmbo of unaudited gross resource discovered.

The 2011 drilling program is focused on Colombia's Putumayo basin and will see ten wells drilled in Colombia, three in Peru, two in Argentina, and six in Brazil. The capex plan of $299m ($148m Colombia, $56m Peru, $40m Argentina, $55m Brazil) is fully funded, with $308m of cash and $270m of working capital. GTE has no debt.

Recent Trends

The 2010 independent reserve evaluation saw a 20% increase in 3P (total proved plus probable) reserves to 47.3m boe. Annual 2010 production averaged 14,300 bopd (after royalties), up 13% yoy. Q4 volumes averaged 15,800 bopd.

On January 17, 2011, Gran tierra offered to buy Petrolifera for total consideration of $195m, including net debt. The company operates 3 blocks in Colombia, 3 in Peru, and production from the Neuquen basin in Argentina.

Gran Tierra Energy: Summary of Financials

Income Statement - Annual	FY08A	FY09E	FY10E	FY11E
Revenues	215.00	230.00	416.00	468
Cost of products sold	(122.00)	(166.00)	(200.00)	-206
Gross profit	93.00	64.00	216.00	262
SG&A	(26.00)	(28.00)	(40.00)	-40
DD&A	96.00	131.00	141.00	141
Other operating expenses	(26.00)	(35.00)	(59.00)	-65
Operating Income	66.00	36.00	177.00	222
EBIT	66.00	36.00	177.00	222
EBITDA	162.00	166.00	318.00	363
Net interest income / (expense)	6.00	1.00	4.00	4
Income applicable to minority interests	0.00	0.00	0.00	0
Pretax income	94.00	33.00	206.00	234
Taxes	-	-	-	-
Tax rate (%)	0.29	0.51	0.33	0.33
Reported net income	67.00	16.00	138.00	157
Non-recurring items, disc ops	-	-	-	-
Adjusted net income	67.00	16.00	138.00	157
Average diluted shares outstanding	250.00	250.00	250.00	250
EPS	0.27	0.06	0.55	0.63
EPS growth rate (%)	(146)	0.24	8.52	11.34
Dividend per share	-	0.00	0.00	0
WTI crude price ($/bbl)	99.61	58.11	67.50	75
Henry Hub natural gas price ($/mcf)	-	-	-	-

Ratio Analysis	FY08A	FY09E	FY10E	FY11E
Valuation				
P/E (adjusted)	34.60	142.80	16.8	14.8
P/CF	15.00	30.90	8.7	7.6
Enterprise value/EBITDA	4.40	4.80	5.71	5.00
EV/DACF	5.00	10.80	2.70	1.80
Ratios				
Net debt/equity	-	-	-	-
Net debt/capital	0.00	0.00	0.00	0.00
Net coverage ratio	0.00	0.00	0.00	0.00
ROE	0.10	0.02	0.17	0.17
ROCE	0.10	0.06	0.27	0.34
Yield and cash returns				
CFPS	0.62	0.30	1.01	1.16
CF yield	-	-	-	-
FCF yield	-	-	-	-
Dividend yield	-	0.00	0.00	0.00
Dividend payout ratio	-	-	-	-
Buyback yield	-	-	-	-
Total cash returns (%)	-	-	-	-

Mkt Cap (current) ($bn)	**2.21**
Enterprise Value (current)	1816.17

Balance Sheet and Cash Flow Data	FY08A	FY09E	FY10E	FY11E
Cash and cash equivalents	177.00	100.00	234.00	394
Other current assets	9.00	7.00	7.00	7
Total current assets	195.00	162.00	296.00	456
Net PP&E	768.00	745.00	745.00	745
Other assets	110.00	103.00	103.00	103
Total assets	1073.00	1010.00	1144.00	1304
Total debt	0.00	2.00	2.00	2
Total liabilities	218.00	219.00	219.00	219
Minority interests	-	-	-	-
Preferred stock	-	-	-	-
Shareholders' equity	792.00	735.00	869.00	1029
Net Income	67.00	16.00	138.00	157
DD&A	96.00	131.00	141.00	141
Deferred taxes	-	-	-	-
Other	-	-	-	-
Cash earnings	49.00	24.00	121.00	151
Change in working capital	-	(42.00)	0.00	0
Cash flow from operations	154.00	75.00	254.00	290
Capex	(101.00)	(151.00)	(120.00)	-130
Dividends	-	-	-	-
Share buybacks (net)	-	0.00	0.00	0
Change in debt	-	0.00	0.00	0
Change in preferred stock	-	-	-	-
Other uses of cash	-	-	-	-
Change in cash	97.00	(76.00)	134.00	160
Free cash flow	53.00	(76.00)	134.00	160

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data). Fiscal year ends Dec

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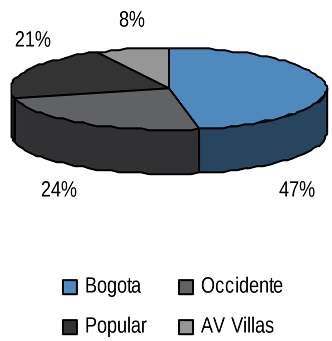
Grupo Aval (Not Covered): Largest Financial Group

Figure 70: Net Income Breakdown

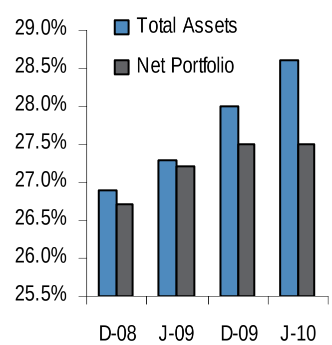
% of Total



Source: Company reports.

Figure 71: Cumulative Market Share

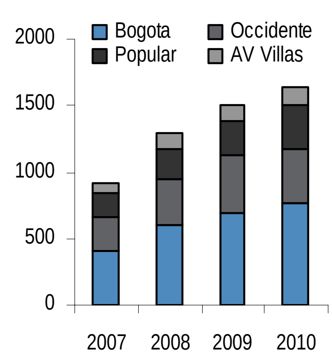
% Market Share



Source: Company reports.

Figure 72: Net Income Evolution

COPbn



Source: Company reports.

Ticker	Price	Market Cap $m	ADTV $m
AVAL CB	1540.0	11,465	1.6

Company Description

Grupo Aval (Aval) is Colombia's largest financial group, with 1,189 branches, 2,374 ATMs, US$25.7 bn in loans, and US$28.2 bn in deposits. Aggregate loan market share is around 30%, focused on commercial loans (33%) and consumer (31%).

Aval consists of four commercial banks (Banco de Bogota, Banco de Occidente, Banco Popular, and Banco AV Villas). In addition, through its bank ownerships, the company owns Colombia's largest merchant bank (Corficolombiana) and pension fund manager (Porvenir). On December 9, 2010, Aval acquired BAC Credomatic (BAC) for US$1.9 billion from General Electric. BAC is a leading Central American banking group and operates in Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, and Panama. Aval was founded in 1994 and is 92% controlled by the Sarmiento Group, with only 8% publicly listed.

Business Overview

Banco de Bogota: Colombia's oldest financial institution, 2nd-largest bank in the country after Bancolombia, and the largest of the Aval banks. It has a loan market share of 14.5%, focused on corporates (19% share). Bogota also owns 47% of Porvenir, a leading pension fund manager, and 37% of Corficolombiana, Colombia's largest merchant bank. The bank is relatively weak in consumer lending (9% share).

Banco de Occidente: The 5th-largest bank in Colombia, with a 7.5% loan market share, with a particularly strong presence in leasing, large and midsize corporate lending, and lending to the public sector. The public sector accounts for more than half of deposits and has an overall 13% share to total demand deposits.

Banco Popular: Privatised in 1996, Popular focuses on consumer and payroll lending (largest in country) and has strong ties to midsize corporates. Aval is currently working to increase its stake from 30% to 94%, with the transaction expected to close in 2H11.

Banco AV Villas: Middle-income mortgage and consumer lender. 3% loan share.

BAC Credomatic: Largest credit card issuer in Central America, with a significant merchant acquirer business. 28% loans in Costa Rica, 18% Honduras.

Recent Trends

In January 2011, Grupo Aval approved the acquisition of 63.07% of the shares of Banco Popular, which will increase its ownership to 93.7%. In July 2010, Grupo Aval acquired BAC Credomatic for US$1.9bn, marking its expansion into Central America.

9M10 results posted a 3.2% PDL ratio and 137% coverage. The efficiency ratio was 46% and the tier 1 capital ratio near 11%. ROE was over 20% and has averaged 25.6% since 2007.

Grupo Aval: Summary of Financials

Income Statement	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Sales Revenue	3,837,465	4,888,660	7,250,880	9,188,226	10,716,559	11,922,552
Operating Income (Losses)	902,565	1,258,730	1,637,090	1,384,808	1,977,477	2,905,030
Operating Margin %	23.5	25.7	22.6	15.1	18.5	24.4
Net Non-Oper Losses(Gains)	(63244)	(67944)	(237320)	(368944)	(137326)	(29044)
Pretax Income	965,809	1,326,678	1,874,410	1,753,752	2,114,803	2,934,074
Income Tax Expenses (Credits)	331,772	419,029	459,070	464,834	677,334	864,293
Net Income/Net Profit (Losses)	379,417	486,085	640,386	645,176	769,664	1,089,101
Net Profit Margin %	9.9	9.9	8.8	7.0	7.2	9.1
Diluted EPS Cont Ops	-	-	-	-	-	-
# Shrs Diluted EPS	-	-	-	-	-	-

Balance Sheet (Assets)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Cash&Near Cash Items	2,607,496	3,033,690	4,444,820	5,071,703	6,621,271	7,370,936
Accounts & Notes Receivable	628,403	744,921	826,006	1,054,322	1,212,227	1,189,176
Net Fixed Assets	557,327	745,357	1,299,530	2,653,804	2,591,497	1,276,237
Other Assets/Def Chgs&Other	3,154,111	3,791,540	4,935,360	3,513,925	2,994,761	4,538,381
Total Assets	26,537,064	35,190,100	49,092,800	55,943,144	63,663,773	70,919,464

Balance Sheet (Liabilities)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
ST Borrowings	2,756,031	4,053,660	3,625,440	214,552	859,772	41,631
LT Borrowings	705,466	1,404,170	1,641,660	6,136,441	5,048,406	10,711,934
Total Liabilities	22,556,653	29,644,215	42,731,617	48,855,482	56,684,271	62,858,581
Minority Interest	560,854	1,670,780	2,446,720	2,846,856	3,385,259	4,129,495
Total Shareholders' Equity	3,980,411	5,545,887	6,361,207	7,087,662	6,979,502	8,060,883
Total Liabilities and Equity	26,537,064	35,190,102	49,092,824	55,943,144	63,663,773	70,919,464

Cashflow Summary	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Cash Flow Net Income	379,417	486,085	640,386	645,176	769,664	1,089,101
Depreciation & Amortization	189,408	266,376	475,487	999,086	958,392	1,087,489
Other Non-Cash Adjustments	(541,902)	205,314	(123,311)	(486,902)	(351,410)	217,130
Changes in Non-Cash Work Cap	860,809	(400,041)	205,275	863,118	233,008	(630,909)
Cash From Operations	887,732	557,734	1,197,840	2,020,478	1,609,654	1,762,811
Free Cash Flow/Basic Shr	66.6	-	60.8	133.2	99.1	107.3
Cash Flow per Share	66.6	41.8	89.9	148.4	115.4	126.4
Cash from Financing Activities	3,320,938	6,271,660	12,060,700	5,830,841	7,052,023	5,638,021
Net Changes in Cash	437,579	426,194	1,411,130	626,882	1,549,568	749,665
Cash from Investing Activities	(3,771,091)	(6,403,200)	(11,847,400)	(7,224,437)	(7,112,109)	(6,651,167)

Ratios	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
PE Ratio	4.5	17.5	6.2	13.6	8.8	9.9
Price/Book	0.8	2.2	2.2	2.1	1.9	2.7
Price/Sales	0.7	1.7	1.2	1.0	0.6	0.9
Price/Cashflow	3.2	15.3	7.3	4.3	4.2	6.1
Dividend Yield	-	3.0	3.5	4.1	6.2	4.3
ROA	1.6	1.6	1.5	1.2	1.3	1.6
ROE	11.7	13.3	16.4	15.8	19.6	28.9

Source: Bloomberg

Note: Col$ in millions (except per-share data). Fiscal year ends Dec

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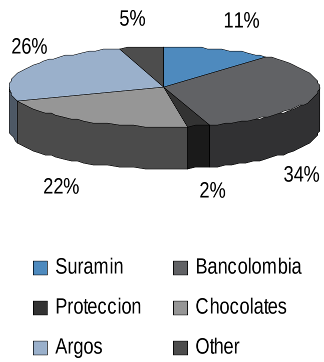
Grupo Suramericana (Not Covered): Insurer and Holdco

Ticker	Price	Market Cap $m	ADTV $m
GRUPOSURCB	35180.0	8,641	3.6

Figure 73: Main Investments

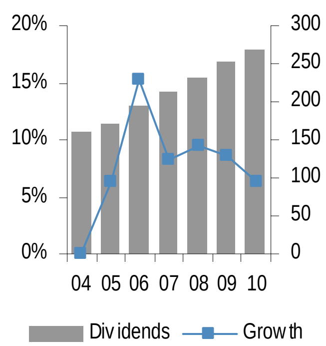
% of Total Investments



Source: Company reports.

Figure 74: Dividends

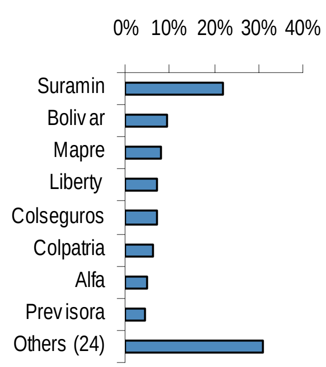
$ COP per Share



Source: Company reports.

Figure 75: Insurance Market

% Market Share



Source: Company reports.

Company Description

Grupo de Inversiones Suramericana is a holding company with a portfolio of investments grouped into two major segments: the first, called 'Strategic Investments', are its interests in financial services, insurance, and pension funds. The second segment, known as 'Portfolio Investments', comprises mainly food, cement, and energy. All these holdings are leaders in their respective markets. The company is an integral part of the GEA and is cross-held by Cementos Argos (24.4%), Chocolates (12.6%), Inversiones Argos (10.9%) and Colinversiones (2.2%). In turn, it holds relevant stakes in these names. The stock's free float is 50%, and it has been listed for 65 years.

Business Overview

Although Grupo Suramericana serves as a holding vehicle with portfolio investments across various industries, its primary focus is on the strategic portfolio of assets, which includes:

Suramericana. The leading provider of insurance in Colombia, with 22% market share (ahead of Bolivar at 9.3% and Mapfre at 8.0%). The company provides insurance services related to property & casualty, life workers' compensation, health and social security. The company also has insurance operations in Panama, as well as an asset management business in Colombia. Suramericana has an 81% stake, and Munich Re 19%.

Bancolombia. Colombia's largest bank, with 21% market share of net loans. The bank has an extensive branch network in both Colombia and El Salvador. Suramericana has a 29% stake.

AFP Protección. Colombia's second-largest pension fund manager, with US$16bn in assets under management, representing 26% market share, and 3.1m affiliates. The vast majority of assets are part of the country's mandatory pension system. Suramericana has a 47% stake.

Recent Trends

Through 3Q10, net income at Suramericana reached US$176m, representing an increase of 86%, led by double-digit growth in its primary insurance businesses.

The company recently signed an agreement to purchase Proseguros, an insurance company based in the Dominican Republic that has 10% market share. It also recently announced the purchase of Bancolombia's insurance operation in El Salvador for $86m. These moves mark an important step in the company's international expansion plan, primarily towards Central America and the Caribbean.

Grupo Suramericana: Summary of Financials

Income Statement	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Sales Revenue	3,776,956	3,973,159	3,527,267	4,416,614	5,908,309	6,387,495
Operating Income (Losses)	608,543	1,110,791	243,693	63,944	313,443	476,296
Operating Margin %	16.1	28.0	6.9	1.4	5.3	7.5
Net Non-Oper Losses(Gains)	87197	131528	49927	(236439)	(27855)	(60463)
Pretax Income	521,346	979,263	193,766	300,383	341,298	536,759
Income Tax Expenses (Credits)	35,681	19,470	18,817	34,905	35,880	29,914
Net Income/Net Profit (Losses)	285,907	808,943	127,511	247,105	282,099	467,386
Net Profit Margin %	7.6	20.4	3.6	5.6	4.8	7.3
Diluted EPS Cont Ops	-	-	-	-	-	-
# Shrs Diluted EPS	-	-	-	-	-	-

Balance Sheet (Assets)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Cash&Near Cash Items	128,873	58,136	105,044	165,148	259,273	287,174
Accounts & Notes Receivable	4,218,723	493,522	749,986	902,219	986,171	978,884
Net Fixed Assets	332,286	79,387	97,932	155,187	156,340	133,454
Other Assets/Def Chgs&Other	1,531,628	5,229,513	6,812,523	7,079,091	4,839,474	10,364,458
Total Assets	11,655,710	11,220,825	13,111,857	14,168,741	12,625,660	18,673,416

Balance Sheet (Liabilities)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
ST Borrowings	2,391,064	287,975	70,308	168,484	373,118	105,392
LT Borrowings	1,894,013	139,426	118,048	252,707	187,729	299,000
Total Liabilities	7,277,312	2,249,218	2,388,913	3,461,871	3,904,375	3,920,731
Minority Interest	998,888	505,371	411,420	369,222	144,837	177,673
Total Shareholders' Equity	4,378,394	8,971,607	10,722,944	10,706,870	8,721,285	14,752,685
Total Liabilities and Equity	11,655,706	11,220,825	13,111,857	14,168,741	12,625,660	18,673,416

Cashflow Summary	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Cash Flow Net Income	285,907	808,943	127,511	247,105	282,099	467,386
Depreciation & Amortization	104,059	95,669	14,762	252,630	99,561	38,099
Other Non-Cash Adjustments	(134,197)	712,276	444,076	(1,171,614)	(273,337)	174,421
Changes in Non-Cash Work Cap	(1,296,986)	915,675	(430,873)	491,518	(65,404)	64,082
Cash From Operations	(1,041,217)	2,532,563	155,476	(180,361)	42,919	743,988
Free Cash Flow/Basic Shr	-	-	-	-	-	-
Cash Flow per Share	-	-	-	-	-	-
Cash from Financing Activities	380,522	(2,642,245)	(99,043)	(83,576)	15,660	(391,790)
Net Changes in Cash	(30,945)	121,866	89,231	(191,464)	109,042	354,469
Cash from Investing Activities	629,750	231,548	32,798	72,473	50,463	2,271

Ratios	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
PE Ratio	-	-	-	-	-	-
Price/Book	-	-	-	-	-	-
Price/Sales	-	-	-	-	-	-
Price/Cashflow	-	-	-	-	-	-
Dividend Yield	-	-	-	-	-	-
ROA	2.8	7.1	1.0	1.8	2.1	3.0
ROE	10.8	13.7	1.4	2.4	3.0	4.0

Source: Bloomberg

Note: Col$ in millions (except per-share data). Fiscal year ends Dec

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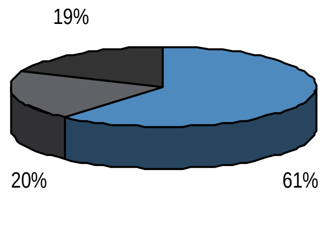
Inversiones Argos (Not Covered): Cem. Argos Holdco

Ticker	Price	Market Cap $m	ADTV $m
INVARGOSCB	18800.0	6,478	1.9

Figure 76: Asset Composition

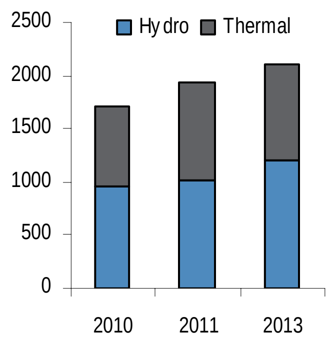
% Total Investment



Source: Company reports.

Figure 77: Generation Capacity Mix

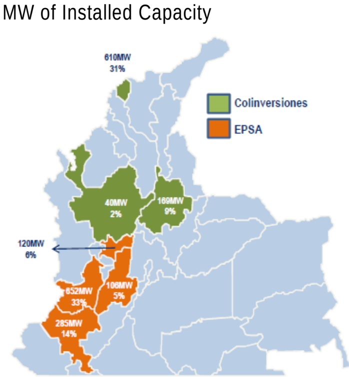
MW of Installed Capacity



Source: Company reports.

Figure 78: Colinversiones + EPSA

MW of Installed Capacity



Source: Company reports.

Company Description

Inversiones Argos is a holding company focused on infrastructure, primarily in the cement and electricity generation sectors. The company's primary assets are a 62% stake in Cementos Argos and a 50.1% stake in electricity generator Colinversiones. The company is an integral part of the GEA and is owned by Grupo Suramericana (36.1%) and Chocolates (12.4%). However, Inversiones Argos has been reducing its cross-holdings within the GEA and now holds just 10.9% of Grupo Suramericana, 4.7% of Chocolates, and 1.0% of Bancolombia.

Business Overview

Although the company has a portfolio of investments, its key assets are Cementos Argos and Colinversiones:

Cementos Argos (62% stake): Cementos Argos is a cement and concrete producer and marketer. It is the leading cement company in Colombia, the fifth-largest cement company in Latin America, and the sixth-largest cement producer in the US, with 2.1% market share.

Colinversiones (50.1% stake): After selling its originally core assets in the paper industry (local assets of Kimberly-Clark), the company embarked on a strategic shift towards infrastructure, primarily electricity generation. Coliversiones has consolidated its position in this sector through a series of acquisitions. Starting in 2007, it acquired Termoflores (441 MW thermal with an expansion project to reach 610 MW). In 2008 it acquired Merielectrica (169 MW) and Genaro (19.9 MW) and was awarded the project Hidromontañitas (19.9 MW). In 2009, it began the process of acquiring 47.3% of EPSA (fifth-largest generator in the country with 1,068 MW). In 2010, the company increased its share in EPSA from 47.3% to 50.01%, thus becoming the fourth-largest energy generator in Colombia, with a total installed capacity of 1,710 MW. The EPSA assets also include a distribution company with 480k customers. Apart from its core electricity assets, the company maintains stakes in other companies, including Grupo Suramericana.

Recent Trends

Inversiones Argos' consolidated EBITDA for 9M10 more than doubled in USD terms as a result of the company's consolidation efforts at Colinversiones as well as a strong Colombian peso. This offset weaker operating results at Cementos Argos.

At Colinversiones, the company has decided to exit the hotel business, selling its participation in Hotel Pereira SA and Promotora de Hoteles Medellin SA in January 2011. The proceeds will be used for further expansion in the energy sector. The company is also in the process of expanding electricity capacity, with 424 MW set to come on line by 2013, thus increasing capacity by 24%. This includes 169 MW of hydro capacity and 235 MW of thermal, which will help maintain the current 56%/44% hydro/thermal mix.

Inversiones Argos: Summary of Financials

Income Statement	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Sales Revenue	1,940,298	1,695,415	3,526,932	3,813,892	3,945,252	4,491,761
Operating Income (Losses)	435,952	53,776	328,037	349,216	390,615	1,205,251
Operating Margin %	22.5	3.2	9.3	9.2	9.9	26.8
Net Non-Oper Losses(Gains)	4239	(347064)	(126837)	(101559)	(226414)	(215629)
Pretax Income	354,706	310,804	250,028	325,912	130,431	1,039,183
Income Tax Expenses (Credits)	124,421	32,476	68,964	70,800	21,541	65,077
Net Income/Net Profit (Losses)	165,538	213,565	152,688	173,626	91,205	906,520
Net Profit Margin %	8.5	12.6	4.3	4.6	2.3	20.2
Diluted EPS Cont Ops	-	-	-	-	-	-
# Shrs Diluted EPS	-	-	-	-	-	-
Balance Sheet (Assets)	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
Cash&Near Cash Items	93,855	80,800	192,090	117,724	227,627	156,306
Accounts & Notes Receivable	409,734	607,635	506,379	888,768	995,517	823,683
Net Fixed Assets	1,251,322	1,433,642	2,400,900	2,329,986	2,764,317	2,870,677
Other Assets/Def Chgs&Other	3,255,602	6,542,746	7,484,642	7,962,830	6,841,058	11,635,884
Total Assets	6,382,557	10,238,868	11,930,277	12,658,674	13,398,454	18,183,890
Balance Sheet (Liabilities)	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
ST Borrowings	328,587	160,782	668,567	679,078	1,676,456	1,058,099
LT Borrowings	100,470	1,028,075	1,579,062	1,725,943	2,256,195	2,587,826
Total Liabilities	1,186,567	2,139,281	3,798,649	3,990,368	5,941,399	5,288,010
Minority Interest	1,473,856	2,005,854	2,141,434	2,267,660	2,023,262	3,641,163
Total Shareholders' Equity	5,195,990	8,099,587	8,131,628	8,668,306	7,457,055	12,895,880
Total Liabilities and Equity	6,382,557	10,238,868	11,930,277	12,658,674	13,398,454	18,183,890
Cashflow Summary	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
Cash Flow Net Income	165,538	213,565	152,688	173,626	91,205	906,520
Depreciation & Amortization	118,338	147,256	310,694	355,200	335,849	349,052
Other Non-Cash Adjustments	463,596	(102,158)	(63,511)	18,452	(179,744)	(198,552)
Changes in Non-Cash Work Cap	46,658	(315,174)	745,713	(200,899)	439,874	(104,374)
Cash From Operations	794,130	(56,511)	1,145,584	346,379	687,184	952,646
Free Cash Flow/Basic Shr	997.4	(224.2)	1,276.7	171.7	(211.0)	692.7
Cash Flow per Share	1,230.4	(87.6)	1,775.0	536.7	1,064.7	1,476.1
Cash from Financing Activities	(15,659)	677,301	970,114	(240,959)	1,024,889	(405,729)
Net Changes in Cash	55,384	138,924	(190,700)	(50,700)	895,906	(535,068)
Cash from Investing Activities	(723,087)	(481,866)	(2,306,398)	(156,120)	(816,167)	(1,081,985)
Ratios	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
PE Ratio	21.2	35.7	49.9	44.8	64.0	13.5
Price/Book	0.9	1.3	1.3	1.2	1.1	1.3
Price/Sales	1.8	4.5	2.2	2.0	1.5	2.7
Price/Cashflow	4.4	-	6.6	22.5	8.5	12.9
Dividend Yield	-	-	-	-	-	-
ROA	3.2	2.6	1.4	1.4	0.7	5.7
ROE	5.5	4.4	2.5	2.8	1.5	12.3

Source: Bloomberg

Note: Col$ in millions (except per-share data). Fiscal year ends Dec

ISA (Not Covered): LatAm Transmission

Ticker	Price	Market Cap $m	ADTV $m
ISA CB	12800.0	7,570	2.1

Company Description

Medellin-headquartered ISA is the largest electricity transmission company in Colombia and a major player in the region, with assets in Brazil (ownership of CTEEP), Peru, and Bolivia. The company is 51.4% controlled by the Colombian government, while important stakes are also held by EPM (10.2%) and Ecopetrol (5.3%). The free float is 31%. The company has begun to diversify its operations into related areas, including road concessions and telecoms.

The largest business is electricity transmission (85% revenue), followed by telecoms (10%). 54% of revenue comes from Brazil, 37% from Colombia, 8% from Peru.

Business Overview

ISA is *one of the largest transmission companies in Latin America.* It has a 38,000km high voltage network in Colombia, Peru, Bolivia, and Brazil; It also has interconnections between Venezuela and Colombia, Ecuador and Colombia, and Ecuador and Peru. ISA has 81% market share in Colombia, 77% in Peru, 34% in Bolivia, 16% in Brazil. CTEEP is its largest operation, with a 19,000km network.

The *market operations and management business* provides planning and coordination of operations to the electricity sector. This represents around 2% of revenues.

ISA also provides *telecommunications transport,* through a 12,000km fiber-optic network connecting Colombia, Ecuador, Peru, Chile and Venezuela, and providing a total capacity of 326,440 MB's to 63 cities in South America.

Road concessions: In 2010, ISA acquired 60% of Cintra Chile, that manages 907 km of the Route 5 South highway. Cintra Chile in 2009 generated revenue of +USD300m. ISA is also evaluationg a 1,250km Colombian highway project.

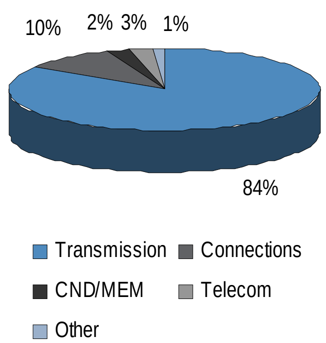
Recent Trends

9M10 revenues were down 0.4%, whilst EBITDA rose 3.9% yoy. Net income declined 7.4%, largely due to increased financial expenses at CTEEP.

ISA recently won a bid to install a 110km transmission line between the substations of Carhuamayo and Pomacochaen in Peru. Meanwhile, INTERNEXA, a subsidiary of ISA, acquired the right to use fiber-optic infrastructure crossing Chile, Argentina, and Brazil. Length: 6,000km approx. Operations are expected to start in 2012.

Figure 79: Revenue Breakdown

% Total Revenue



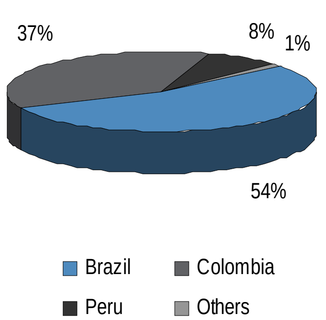
Source: Company reports.

Figure 80: Transmission Network

Source: Company reports.

Figure 81: Breakdown by Country

% Sales



Source: Company reports.

ISA: Summary of Financials

Income Statement	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Sales Revenue	1,072,581	1,076,495	714,704	2,821,675	3,165,041	3,307,064
Operating Income (Losses)	496,795	488,067	391,058	1,286,303	1,716,148	1,743,538
Operating Margin %	46.3	45.3	54.7	45.6	54.2	52.7
Net Non-Oper Losses(Gains)	14490	(24523)	226919	21345	468054	(864972)
Pretax Income	250,408	292,403	164,139	1,264,958	1,248,094	1,373,361
Income Tax Expenses (Credits)	103,554	69,475	13,670	392,927	434,723	483,980
Net Income/Net Profit (Losses)	141,676	200,258	150,469	226,021	236,593	314,878
Net Profit Margin %	13.2	18.6	21.1	8.0	7.5	9.5
Diluted EPS Cont Ops	-	-	-	-	-	-
# Shrs Diluted EPS	-	-	-	-	-	-
Balance Sheet (Assets)	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
Cash&Near Cash Items	176,286	227,789	23,869	567,648	377,376	464,228
Accounts & Notes Receivable	216,951	261,235	160,906	756,648	782,578	1,086,065
Net Fixed Assets	2,712,604	2,930,936	2,475,152	3,438,172	3,539,150	3,064,246
Other Assets/Def Chgs&Other	2,239,924	2,188,355	1,765,172	8,245,927	8,608,202	10,397,254
Total Assets	5,542,155	5,873,043	5,875,833	13,887,489	14,439,690	17,049,376
Balance Sheet (Liabilities)	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
ST Borrowings	199,519	285,086	192,447	746,479	864,817	891,497
LT Borrowings	1,685,181	1,644,724	1,688,261	4,135,723	3,789,510	3,688,609
Total Liabilities	2,578,249	2,712,415	2,562,766	7,075,678	6,721,353	7,390,801
Minority Interest	320,733	374,398	0	3,009,365	2,777,292	3,481,539
Total Shareholders' Equity	2,963,906	3,160,628	3,313,067	6,811,811	7,718,337	9,658,575
Total Liabilities and Equity	5,542,155	5,873,043	5,875,833	13,887,489	14,439,690	17,049,376
Cashflow Summary	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
Cash Flow Net Income	141,676	200,258	150,469	226,021	236,593	314,878
Depreciation & Amortization	164,330	182,363	89,160	168,260	172,575	194,949
Other Non-Cash Adjustments	280,823	297,742	144,737	391,116	1,331,333	1,491,779
Changes in Non-Cash Work Cap	(83,501)	(81,989)	(85,540)	(2,319,936)	(610,568)	(820,555)
Cash From Operations	503,328	598,374	298,826	(1,534,539)	1,129,933	1,181,051
Free Cash Flow/Basic Shr	465.5	289.7	(169.6)	(1,735.0)	794.1	909.6
Cash Flow per Share	524.1	623.1	309.8	(1,426.6)	1,033.3	1,066.2
Cash from Financing Activities	(292,077)	(287,778)	802,791	1,517,299	(1,162,120)	(742,241)
Net Changes in Cash	69,301	18,112	(58,166)	(102,069)	(142,281)	371,957
Cash from Investing Activities	(141,950)	(292,484)	(1,159,783)	(84,829)	(110,094)	(66,853)
Ratios	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
PE Ratio	14.2	27.1	37.9	33.8	32.8	45.7
Price/Book	0.8	1.9	1.8	2.0	1.5	2.3
Price/Sales	1.9	5.0	8.0	2.7	2.5	4.3
Price/Cashflow	4.0	9.1	19.1	-	6.9	12.2
Dividend Yield	-	-	2.2	2.0	2.1	1.2
ROA	2.6	3.5	2.6	2.3	1.7	2.0
ROE	5.6	7.4	4.9	6.4	5.4	5.7

Source: Bloomberg

Note: Col$ in millions (except per-share data). Fiscal year ends Dec

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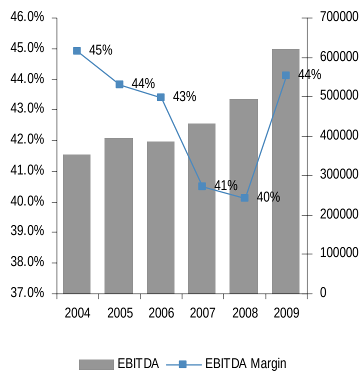
Isagen (Not Covered): Third-Largest Genco

Ticker	Price	Market Cap $m	ADTV $m
ISAGEN CB	2390.0	3,478	2.8

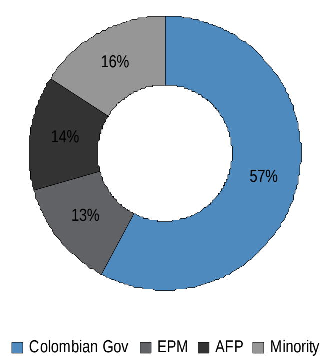
Figure 82: EBITDA EvolutionEBITDA (COP) and Margin



Source: Company reports.

Figure 83: Ownership Structure

% Outstanding Shares



Source: Company reports.

Company Description

Isagen is one of the three electricitry generators in Colombia. ISAGEN is 58% controlled by the Colombian government and has a total installed capacity of 2,100MW, of which 1,826MW is hydro. Other major shareholders are EPM (13%), Colombian pension funds (14%), and other minorities (15%). The company has four main hydro plants.

1) The San Carlos plant, located in Antioquia, with an installed capacity of 1,240 MW;

2) Jaguas, located in Antioquia, with an installed capacity of 170 MW;

3) Calderas, located in Antioquia, with a capacity of 26 MW; and

4) Miel I, located in Caldas, with a capacity of 396 MW.

The company also has a small thermal facility, located in Santander, with a capacity of 300 MW.

Business Overview

ISAGEN has a total installed capacity of 2,100 MW, equivalent to 16% of the total capacity of Colombia's "Sistema Interconectado Nacional". This system saw 3.5% GWh growth in 9M 2010. Pool prices in Colombia are around $115 per GWh, and contract prices $108/GWh.

73% of sales are contracted, and 19% are sold on the spot market. Contract sales increased from 62% last year, given increased industrial customer demand. Lower pool sales (down from 29% in 2009) were driven mainly by lower generation. The company is focused on three expansion projects as part of its plan to increase capacity 65% by 2014:

1. Guarino river diversion, to increase Miel 1's current hydro capacity by 21%;

2. The Rio Amoyo hydroelectric project; and

3. The Sogamoso Project, a new 820 MW hydro plant, which is currently under construction and due to start up in 2014.

Recent Trends

In 9M10 ISAGEN electricity production fell 11% yoy, to 6,452 GWh, from the record-high levels of 2009, when hydrology was especially favorable. Revenues rose 1% on higher prices. Costs rose 7% as increased usage and connection charges offset lower energy purchase costs. The EBITDA margin was 46% versus 49% yoy. Earnings fell 35%.

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ISAGEN: Summary of Financials

Income Statement	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Sales Revenue	785,775	902,112	890,706	1,070,018	1,231,700	1,410,552
Operating Income (Losses)	251,179	288,205	286,246	326,929	387,888	519,038
Operating Margin %	32.0	31.9	32.1	30.6	31.5	36.8
Net Non-Oper Losses(Gains)	(38851)	15783	(18191)	(20975)	(40073)	(54069)
Pretax Income	312,218	221,523	237,885	285,416	363,713	524,609
Income Tax Expenses (Credits)	143,597	103,763	67,303	77,521	103,392	138,858
Net Income/Net Profit (Losses)	168,621	117,760	170,582	207,895	260,321	385,751
Net Profit Margin %	21.5	13.1	19.2	19.4	21.1	27.3
Diluted EPS Cont Ops	-	-	-	-	-	-
# Shrs Diluted EPS	-	-	-	-	-	-

Balance Sheet (Assets)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Cash&Near Cash Items	138,927	185,312	220,192	185,553	291,408	499,210
Accounts & Notes Receivable	197,543	256,106	204,961	231,465	323,300	263,112
Net Fixed Assets	2,471,367	2,383,285	2,361,206	2,343,494	2,353,398	2,519,584
Other Assets/Def Chgs&Other	758,256	758,112	838,694	1,103,257	1,052,953	1,120,128
Total Assets	3,689,577	3,717,070	3,698,941	3,993,632	4,188,345	4,949,857

Balance Sheet (Liabilities)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
ST Borrowings	101,330	184,179	70,088	24,595	24,654	22,957
LT Borrowings	835,588	617,068	561,368	538,409	515,452	942,497
Total Liabilities	1,262,409	1,183,522	962,970	957,633	1,055,854	1,603,994
Minority Interest	0	0	0	0	0	0
Total Shareholders' Equity	2,427,168	2,533,548	2,735,971	3,035,999	3,132,491	3,345,863
Total Liabilities and Equity	3,689,577	3,717,070	3,698,941	3,993,632	4,188,345	4,949,857

Cashflow Summary	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Cash Flow Net Income	168,621	117,760	170,582	207,895	260,321	385,751
Depreciation & Amortization	117,064	106,267	100,346	106,502	106,122	103,496
Other Non-Cash Adjustments	(54,001)	17,071	44,026	31,952	52,211	55,202
Changes in Non-Cash Work Cap	56,475	(76,678)	6,996	(53,669)	(32,357)	24,404
Cash From Operations	288,159	164,420	321,950	292,680	386,297	568,853
Free Cash Flow/Basic Shr	400,029.3	225,850.2	96.3	66.5	95.4	117.4
Cash Flow per Share	426,849.7	241,255.5	118.1	107.4	141.7	208.7
Cash from Financing Activities	(255,783)	(102,438)	(258,247)	(178,044)	(158,441)	277,917
Net Changes in Cash	14,234	46,385	4,159	2,133	100,840	553,235
Cash from Investing Activities	(18,142)	(15,597)	(59,544)	(112,503)	(127,016)	(293,535)

Ratios	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
PE Ratio	-	-	-	27.0	18.7	15.5
Price/Book	-	-	-	1.8	1.6	1.8
Price/Sales	-	-	-	5.2	4.0	4.3
Price/Cashflow	-	-	-	19.2	12.6	10.5
Dividend Yield	-	-	-	-	0.0	-
ROA	4.5	3.2	4.6	5.4	6.4	8.4
ROE	7.1	4.7	6.5	7.2	8.4	11.9

Source: Bloomberg

Note: Col$ in millions (except per-share data). Fiscal year ends Dec

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Millicom (OW): EM Wireless

Ticker	Price	Market Cap $m	ADTV $m
MICC US	97.8	10,662	40.4

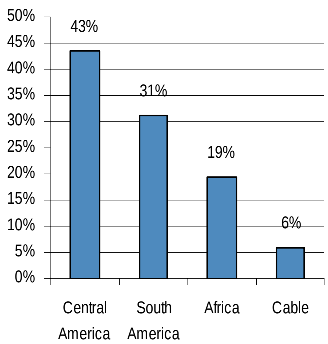
Company Description

Millicom is a provider of voice, data, cable TV, and value-added services in emerging markets. Cellular operations are under the Tigo brand. 2010 customers were 38.59m, up 14% yoy. The company has nearly 13,500 cell sites and 673 retail outlets.

Millicom has operations in Central America (El Salvador, Guatemala, Honduras), in South America (Bolivia, Paraguay, Colombia), in Africa (Chad, DRC, Ghana, Mauritius Rwanda, Senegal, Tanzania), and is ranked top three in each country. LatAm contributes around 75% of total Millicom EBITDA. The company trades on the NASDAQ under the MICC ticker.

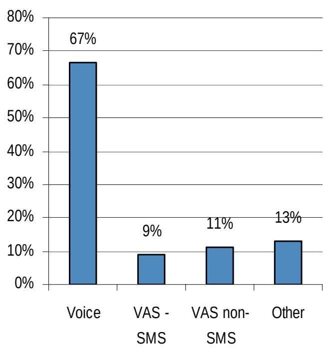
Colombia is one of Millicom's largest individual markets and the one where it has the highest potential market share upside. It owns 50% of its local operation. Penetration in Colombia is 95%, and Millicom's market share is 10%, trailing both Telefonica and America Movil. Millicom has 4.3m subscribers in the country.

Figure 84: EBITDA Breakdown



Source: Company reports.

Figure 85: Revenue Breakdown by Business



Source: Company reports.

Business Overview

MICC Central America has 13.485m customers (up 5% on 2009) and generated 40% of 2010 EBITDA. South America (mainly Colombia) had 10.1m customers and generated 34% of 2010 EBITDA. Central America operations are Millicom's most profitable. Main regional competitors are Digicel, America Movil, and Telefonica.

Mobile penetration is 85-100% in its Central and South American markets but under 60% in most of Africa. Average local currency revenue growth in 2010 was 11.3%, up from 8.8% in 2009. Non-SMS value-added services have been growing very quickly (+48% in Q410) versus 7% for voice and 5% for SMS.

The company estimates it has anoverall 29.1% market share in the countries it operates: 53% in Central America, 16% in South America, and 32% in Africa.

Recent Trends

Millicom enjoys one of the most favorable structural positions for growth in emerging telcos as it benefits from both solid market growth and relatively favorable market share trends. Millicom has one of the strongest management teams, particularly in marketing and distribution, and this is well reflected through market share gains, stronger growth in 2G VAS, and solid profitability.

In 2010, Millicom generated US$1.8bn of EBITDA, up 15% yoy, with a strong 47% margin. EPS were up also, 15%. Year-end churn was 5.1%, and capex/revenue 25%. In 2010 the company bought back $300m of shares. The proposed dividend is up 29% yoy. The balance sheet is strong, with net debt/EBITDA of 0.6x.

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Millicom: Summary of Financials

Profit and Loss Statement					
$ in millions, year end Dec	FY09	FY10E	FY11E	FY12E	FY13E
Revenues	3,373	4,024	4,505	5,018	5,517
% Change Y/Y	-1.2%	19.3%	11.9%	11.4%	9.9%
EBITDA	1,545	1,908	2,148	2,396	2,644
% Change Y/Y	5.3%	23.5%	12.6%	11.5%	10.4%
EBITDA Margin	45.8%	47.4%	47.7%	47.7%	47.9%
EBIT	851	1,103	1,252	1,503	1,748
% Change Y/Y	-1.9%	29.6%	13.5%	20.0%	16.3%
EBIT Margin	25.2%	27.4%	27.8%	29.9%	31.7%
Net Interest	(162)	(195)	(117)	(96)	(46)
PBT	692	911	1,138	1,411	1,707
% change Y/Y	-1.8%	31.8%	24.9%	24.0%	21.0%
Net Income (clean)	851	699	866	1,041	1,234
% change Y/Y	64.4%	-17.9%	23.9%	20.2%	18.6%
Average Shares	-	-	-	-	-
Clean EPS	7.84	6.44	7.98	9.59	11.37
% change Y/Y	64.4%	NM	23.9%	20.2%	18.6%
DPS	1.24	6.02	6.91	7.37	11.37

Cash flow statement					
$ in millions, year end Dec	FY09	FY10E	FY11E	FY12E	FY13E
Cash EBITDA	1,545	1,908	2,148	2,396	2,644
Interest	(162)	(195)	(117)	(96)	(46)
Tax	(188)	(240)	(306)	(381)	(461)
Other	413	(62)	(25)	(89)	(128)
Cash flow from operations	1,609	1,411	1,701	1,830	2,010
Capex PPE	(735)	(621)	(705)	(678)	(654)
Net investments	(769)	(639)	(705)	(678)	(654)
CF from investments	(769)	(639)	(705)	(678)	(654)
Dividends	(135)	(654)	(750)	(800)	(1,234)
Share (buybacks)/ issue	-	-	-	-	-
CF to Shareholders	135	654	750	800	1,234
FCF to debt	705	118	246	352	122
OpFCF (EBITDA - PPE)	810	1,287	1,443	1,717	1,990
EFCF pre Div, PPE	840	772	996	1,152	1,356

Balance sheet					
$ in millions, year end Dec	FY09	FY10E	FY11E	FY12E	FY13E
Cash and cash equivalents	1,511	1,807	965	602	552
Accounts Receivables	225	327	367	401	441
ST financial assets	-	-	-	-	-
Others	292	430	482	527	579
Current assets	2,075	2,616	1,872	1,606	1,655
LT investments	82	99	102	107	112
Net fixed assets	2,711	2,784	2,675	2,575	2,457
Total assets	5,991	7,772	6,921	6,560	6,496
ST loans	434	434	434	434	434
Payables	277	689	772	853	938
Others	724	951	1,066	1,164	1,280
Total current liabilities	3,923	5,362	5,600	5,953	6,061
Long term debt	1,913	2,091	1,002	288	116
Other liabilities	155	319	319	319	319
Total liabilities	5,991	7,772	6,921	6,560	6,496
Shareholders' equity	2,445	3,289	3,328	3,502	3,409

Ratio Analysis					
$ in millions, year end Dec	FY09	FY10E	FY11E	FY12E	FY13E
EBITDA margin	45.8%	47.4%	47.7%	47.7%	47.9%
EBIT Margin	25.2%	27.4%	27.8%	29.9%	31.7%
Net profit margin	25.2%	17.4%	19.2%	20.7%	22.4%
Capex/sales	-21.8%	-15.4%	-15.6%	-13.5%	-11.9%
Depreciation/Sales	18.1%	17.5%	17.4%	15.5%	14.0%
Revenue growth	-1.2%	19.3%	11.9%	11.4%	9.9%
EBITDA Growth	5.3%	23.5%	12.6%	11.5%	10.4%
EPS Growth	64.4%	NM	23.9%	20.2%	18.6%
Net debt/EBITDA	0.6	0.4	0.3	0.1	0.0
CF to Shareholders	135	654	750	800	1,234
FCF to debt	705	118	246	352	122
OpFCF (EBITDA - PPE)	810	1,287	1,443	1,717	1,990
EFCF pre Div, PPE	840	772	996	1,152	1,356

Source: Company reports and J.P. Morgan estimates.

Note: $ in millions (except per-share data). Fiscal year ends Dec

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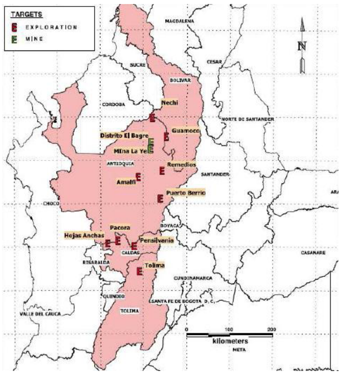
Mineros S.A. (Not Covered): Gold Producer

Ticker	Price	Market Cap $m	ADTV $m
MINEROS CB	7050.0	985	0.5

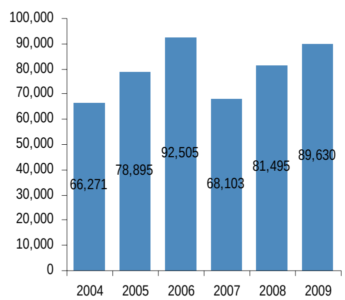
Figure 86: Exploration and Production Locations



Source: Company reports.

Figure 87: Historical Gold Production

Ozs.



Source: Company reports.

Company Description

Medellin-headquartered Mineros is Colombia's largest precious metals miner. Largest shareholders are Colpatria (30%) and Corficolombiana (7%).

The company has existed for over 25 years and was formed when Colombian Mining SA acquired the assets of Pato Consolidated Gold Dredging and Pacific Mining Choco, both owned by International Mining. This new company was called Mineros de Antioquia SA and changed its name to Mineros SA in May 2004. Its main operations are located in the municipality of El Bagre, Antioquia.

Business Overview

Main production is focused on:

1. Alluvial mining, using 5 production units, on Colombia's Rio Nechi.

2. The underground La Ye mine, opened in 2009, with an estimated annual capacity of 25,000 oz.

3. The company has extensive exploration acreage, covering 136,000ha, with 34 exploration projects at different stages. Three are in development: Alarcan Santa Elena, Mangos, and Cordero. The company has a $150m 2010-2014 expansion plan, targeting an increase in mining capacity to 275,000 oz from 150,000 oz today.

Mineros SA had 2009 production of 113.158 oz and had reserves of 1,015,000 oz. Among its main clients are Argor Heaeus and INTL Commodities. These represent 90% of sales.

The company has a long-term plan (by 2020) to more than quadruple production to 500,000 oz per year; of this, 150,000 oz is forecast to come from outside its core Colombian operation today and a further 100,000 oz from abroad. The plan also calls for the addition of 10m oz of new reserves.

Recent Trends

Latest full-year results (2009) saw a 42% increase in sales, driven by higher gold prices. All production was exported. EBITDA rose 59%, and the EBITDA margin was 59%. 9M10 saw cumulative production of 69,969 oz of gold and an EBITDA margin of 50.99%.

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Mineros: Summary of Financials

Income Statement	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Sales Revenue	67,801	78,294	115,311	148,147	140,310	192,387	228,615
Operating Income (Losses)	24,671	24,512	49,222	53,005	59,983	93,508	-
Operating Margin %	36.4	31.3	42.7	35.8	42.8	48.6	-
Net Non-Oper Losses(Gains)	(9750)	(13035)	(12387)	(2701)	(16999)	(44206)	-
Pretax Income	31,649	36,730	56,080	55,706	76,982	137,714	-
Income Tax Expenses (Credits)	6,466	8,540	17,757	14,794	16,602	23,102	-
Net Income/Net Profit (Losses)	25,183	28,190	38,323	40,495	60,380	114,612	91,870
Net Profit Margin %	37.1	36.0	33.2	27.3	43.0	59.6	40.2
Diluted EPS Cont Ops	-	-	-	-	230.7	-	-
# Shrs Diluted EPS	-	-	-	-	261.7	-	-
Balance Sheet (Assets)	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**
Cash&Near Cash Items	3,840	2,433	2,639	628	720	559	-
Accounts & Notes Receivable	2,205	15,396	2,570	18,519	16,992	18,289	-
Net Fixed Assets	29,497	33,484	31,925	58,550	82,524	120,761	-
Other Assets/Def Chgs&Other	23,639	39,450	21,182	57,166	129,799	126,247	-
Total Assets	116,255	140,808	174,457	190,312	276,373	358,180	-
Balance Sheet (Liabilities)	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**
ST Borrowings	8,722	3,370	3,370	3,557	1,669	77	-
LT Borrowings	5,596	3,316	0	0	0	0	-
Total Liabilities	22,066	22,073	32,486	26,531	27,663	46,588	-
Minority Interest	445	0	2,461	3,048	0	0	-
Total Shareholders' Equity	94,189	118,735	141,970	163,781	248,710	311,592	-
Total Liabilities and Equity	116,255	140,808	174,457	190,312	276,373	358,180	-
Cashflow Summary	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**
Cash Flow Net Income	-	28,190	38,323	40,495	60,380	114,612	-
Depreciation & Amortization	-	10,326	-	11,919	11,191	18,873	-
Other Non-Cash Adjustments	-	176	-	2,354	(410)	101	-
Changes in Non-Cash Work Cap	-	(10,636)	-	(23,149)	(6,502)	13,983	-
Cash From Operations	3,347	28,056	-	31,618	64,659	147,568	-
Free Cash Flow/Basic Shr	-	79.4	-	19.3	31.5	255.3	-
Cash Flow per Share	12.8	107.2	-	99.5	247.1	563.9	-
Cash from Financing Activities	(4,852)	(14,448)	-	(18,826)	(25,289)	(32,433)	-
Net Changes in Cash	(268)	682	-	(21,107)	(8,946)	34,386	-
Cash from Investing Activities	1,237	(12,927)	-	(33,900)	(48,316)	(80,749)	-
Ratios	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**
PE Ratio	8.0	13.0	16.0	19.2	10.4	12.7	22.4
Price/Book	2.1	3.1	4.4	4.8	2.5	4.7	-
Price/Sales	3.0	4.7	5.3	5.2	4.5	7.6	9.0
Price/Cashflow	60.2	13.1	-	24.6	9.7	9.9	-
Dividend Yield	-	3.8	-	-	-	-	-
ROA	25.4	21.9	24.3	22.2	25.9	36.1	-
ROE	31.8	26.5	29.7	27.0	29.5	40.9	-

Source: Bloomberg

Note: Col$ in millions (except per-share data). Fiscal year ends Dec

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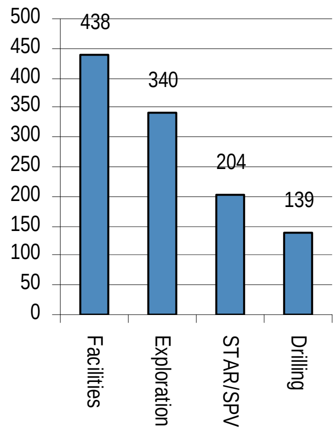
Pacific Rubiales (N): Largest Independent Oil Producer

Ticker	Price	Market Cap $m	ADTV $m
PRE CN	30.1	8,086	71.7

Figure 88: Capital Program 2011

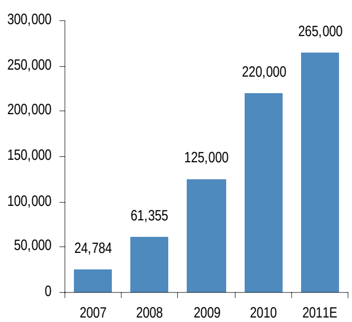
US$ MM



Source: Company reports.

Figure 89: Production

Boe/d



Source: Company reports and company forecast.

Company Description

Pacific Rubiales is the largest independent oil and gas E+P company in Colombia. The company has grown significantly in recent years, following the merger with Pacific Stratus and acquisition of Kappa Energy in 2008. The company operates the Rubiales and Piriri oil fields in Colombia (via 100% ownership of Meta Petroleum) in the Llanos basin. Current production is 220k boe/d (gross operated) and 53k (net of working interest and royalties).

The company is the second-largest E+P operator in Colombia, behind Ecopetrol and ahead of BP, Petrobras, and Occidental. Pacific Rubiales is focused on finding new opportunities in the eastern Llanos basin as well as other areas in Colombia and Peru. The company is listed in Canada, trading on the TSX under the PRE ticker and in Colombia under the PREC ticker.

Business Overview

The company is totally focused on Colombia, Peru, and Guatemala, where it has 33 exploration blocks and 7 producing fields. Its Colombia activities are focused on the Llanos basin, while its Peruvian exploration is in the Marañon and Ucayali basin near the border with Brazil. Core assets are the Rubiales and Quifa fields in Colombia, focused on heavy oil, producing 116k bbl/d gross and 40k net. This is expected to reach 200k gross in 2010.

The La Creciente natural gas field is producing 66mmcf/d gross, with an expected ultimate capacity of 120mmcf/d. The company has six other fields (light/medium oil), producing a total of 6.7k gross, with 14mmboe of 2P reserves.

The company highlights its historical drilling success, with an 83% success rate: 44 discovery wells out of 53 drilled since 2006.

Recent Trends

Rubiales is forecasting capex of $1,123m in 2011, to increase gross production to 265k (end 2011) and net production from 65.6k to 99k boepd. The Bicentenario Pipeline plan is one of the main growth catalysts, and the focus of 49% of 2011E capex. This 235km pipeline has a total investment of $560m (33% PRE, 56% Ecopetrol) being developed in four stages until end 2012.

The company estimates that net production will grow 51.4% yoy in 2011 and 16.7% yoy in 2012. Revenues will grow around 61.1% and 21.1% yoy in 2011E and 2012E. EBITDA is expected to grow 51.2% yoy and 41.3% yoy for 2011 and 2012, repectively.

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Pacific Rubiales: Summary of Financials

Income Statement - Annual	FY09A	FY10E	FY11E	FY12E
Revenues	639	1,725	3,078	3,480
Cost of products sold	(488)	(916)	(1,537)	(2,058)
Gross profit	151	809	1,541	1,422
SG&A	(125)	(216)	(203)	(219)
DD&A	(196)	(310)	(489)	(698)
Other operating expenses	(292)	(606)	(1,048)	(1,360)
Operating Income	26	593	1,338	1,203
EBIT	26	593	1,338	1,203
EBITDA	222	904	1,827	1,902
Net interest income / (expense)	(48)	(78)	(90)	(68)
Income applicable to minority interests	2	(1)	0	0
Pretax income	(109)	517	1,246	1,155
Taxes	(46)	(239)	(411)	(381)
Tax rate (%)	-	-	-	-
Reported net income	(154)	277	835	774
Non-recurring items, disc ops	-	-	-	-
Adjusted net income	(154)	277	835	774
Average diluted shares outstanding	283	292	302	302
EPS	(0.56)	0.96	2.86	2.56
EPS growth rate (%)	-	(272.6%)	198.3%	(10.3%)
Dividend per share	0.00	0.00	0.00	0.00
WTI crude price ($/bbl)	61.66	79.68	93.00	93.00
Henry Hub natural gas price ($/mcf)	3.44	3.49	3.78	3.78

Income Statement - Quarterly	1Q10A	2Q10A	3Q10A	4Q10E
Revenues	381	360	373	612
Cost of products sold	(196)	(199)	(198)	(323)
Gross profit	184	161	175	290
SG&A	(62)	(59)	(40)	(55)
DD&A	(65)	(69)	(71)	(106)
Other operating expenses	(131)	(130)	(127)	(217)
Operating Income	122	101	135	235
EBIT	122	101	135	235
EBITDA	187	170	206	341
Net interest income / (expense)	(14)	(20)	(21)	(22)
Income applicable to minority inter	0	(2)	0	0
Pretax income	81	97	94	244
Taxes	(49)	(47)	(61)	(81)
Tax rate (%)	-	-	-	-
Reported net income	32	48	33	164
Non-recurring items, disc ops	-	-	-	-
Adjusted net income	32	48	33	164
Average diluted shares outstandin	286	289	289	289
EPS	0.11	0.17	0.11	0.57
EPS growth rate (%)	-	-	-	-
Dividend per share	0.00	0.00	0.00	0.00
WTI crude price ($/bbl)	78.76	77.93	76.01	86.00
Henry Hub natural gas price ($/mc	3.51	3.89	3.96	3.96

Balance Sheet and Cash Flow Data	FY09A	FY10E	FY11E	FY12E
Cash and cash equivalents	399	627	665	1,249
Other current assets	21	34	34	34
Total current assets	594	1,012	1,051	1,634
Net PP&E	1,991	2,167	2,167	2,167
Other assets	177	396	396	396
Total assets	2,763	3,576	3,614	4,197
Total debt	621	613	613	613
Total liabilities	1,262	1,640	1,640	1,640
Minority interests	-	-	-	-
Preferred stock	-	-	-	-
Shareholders' equity	1,501	1,935	1,974	2,557
Net Income	(154)	277	835	774
DD&A	(196)	(310)	(489)	(698)
Deferred taxes	-	-	-	-
Other	-	-	-	-
Cash earnings	26	593	1,338	1,203
Change in working capital	(87)	133	0	0
Cash flow from operations	111	836	1,326	1,452
Capex	(393)	(589)	(1,283)	(869)
Dividends	0	0	0	0
Share buybacks (net)	-	-	-	-
Change in debt	426	(18)	0	0
Change in preferred stock	-	-	-	-
Other uses of cash	-	(215)	-	-
Change in cash	308	223	43	583
Free cash flow	(262)	(5)	132	652

Ratio Analysis	FY09A	FY10E	FY11E	FY12E
Valuation				
P/E (adjusted)	(61.5)	35.6	10.5	11.7
P/CF	24.1	40.5	187.8	13.8
Enterprise value/EBITDA	41.6	9.9	3.13	3.01
EV/DACF	66.6	9.5	6.2	5.4
Ratios				
Net debt/equity	14.8%	(0.7%)	(2.7%)	(24.9%)
Net debt/capital	29.3%	24.0%	23.7%	19.3%
Net coverage ratio	4.6	11.6	20.4	27.8
ROE	(10.2%)	16.1%	42.7%	34.2%
ROCE	(10.2%)	16.8%	47.9%	44.4%
Yield and cash returns				
CFPS	1.42	0.84	0.16	2.17
CF yield	(255.1%)	88.1%	5.6%	84.6%
FCF yield	-	-	-	-
Dividend yield	0.0%	0.0%	0.0%	0.0%
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%
Buyback yield	-	-	-	-
Total cash returns (%)	-	-	-	-
Mkt Cap (current) ($bn)	**9.13**			
Enterprise Value (current)	**5,724**			

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data). Fiscal year ends Dec

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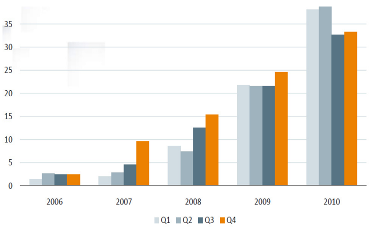
Petrominerales (Not Covered): Colombia E+P

Ticker	Price	Market Cap $m	ADTV $m
PMG CN	36.6	3,800	26.9

Figure 90: Production

Bopd



Source: Company reports.

Figure 91: Principal Locations

Source: Company reports.

Company Description

Petrominerales is a Canadian-listed E+P company focused on Colombia and Peru. The company is producing oil in Colombia with 14 exploration blocks covering a total of 2.0m acres in the Llanos and Putumayo basins, and 5.4m net acres in the Ucayali basin of Peru. Petrominerales is 66% owned by Petrobank Energy (PBG CN). Its ticker is PMG.

Business Overview

1. Guatiquia: Production from this field averaged 16,500 bopd in Q310. The company has four wells in this field and is evaluationg 2-4 more. Current production facilities can handle a throughput of 55,000 bopd.

2. Corcel: Production during 3Q10 was 8,155 bopd. Discovery opened a new producing area. Makes up 75% of group production. 16-well drilling plan, and 55 current prospects.

3. Llanos foothills (Blocks 31, 25, 59, 15): Plans 2 wells for 2011 and has targeted 8 prospects, with 25+m bbl recoverable target size.

4. Central Llanos (Casanare Este, Casimena, Castor, Mapache): 403,000 gross acres. Light oil exploration opportunities. 10- to 12-well 2011 drilling program.

5. Heavy oil (Rio Ariari, Chiguiro Este and Oeste): 906,000 gross acres, 17 current prospects, a 2011 drilling plan of 12 wells, and 50m+ bbl recoverable target size.

6. Neiva: Averaged 3,790 bopd in Q310, an 18% increase from 2009. The company drilled over 20 wells during 2010, and is targeting a further 38 prospects.

7. Putumayo basin (Orito and Las Aguilas): Planning a multiwell drilling program for 2011, and to acquire 3D seismic. Company has 32,000 gross acres, with a 3-10m bbl recoverable target size.

8. Peru: Exploration program continues on its 9,500 gross acres, with 24 current prospects and two wells planned for 2011.

Recent Trends

In Q310 the company increased crude oil production to 32,667 bopd, a 52% increase yoy, generating strong operating netbacks of $47.8/bbl, a 12% increase. During the quarter the company drilled the Candelilla-4 well and began producing oil from the Guadalupe formation. The company also raised $500m through a convertible bond issuance.

In November 2010 the company proposed a reorganization, distributing Petrobank's stake in the company to its shareholders.

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Petrominerales: Summary of Financials

Income Statement	FY 2006	FY 2007	FY 2008	FY 2009
Sales Revenue	40	113	302	421
Operating Income (Losses)	16	58	159	137
Operating Margin %	40.7	51.5	52.7	32.6
Net Non-Oper Losses(Gains)	(1)	5	(13)	(0)
Pretax Income	17	50	161	120
Income Tax Expenses (Credits)	2	2	30	19
Net Income/Net Profit (Losses)	15	48	131	100
Net Profit Margin %	36.8	41.9	43.4	23.8
Diluted EPS Cont Ops	0.2	0.5	1.2	1.0
# Shrs Diluted EPS	87.2	98.1	102.1	100.0

Balance Sheet (Assets)	FY 2006	FY 2007	FY 2008	FY 2009
Cash&Near Cash Items	29	171	82	62
Accounts & Notes Receivable	2	7	25	56
Net Fixed Assets	151	262	451	573
Other Assets/Def Chgs&Other	0	1	3	27
Total Assets	181	441	566	720

Balance Sheet (Liabilities)	FY 2006	FY 2007	FY 2008	FY 2009
ST Borrowings	0	0	0	77
LT Borrowings	0	106	83	10
Total Liabilities	20	175	173	236
Minority Interest	0	0	0	0
Total Shareholders' Equity	161	266	393	485
Total Liabilities and Equity	181	441	566	720

Cashflow Summary	FY 2006	FY 2007	FY 2008	FY 2009
Cash Flow Net Income	15	48	131	100
Depreciation & Amortization	13	32	83	162
Other Non-Cash Adjustments	1	7	20	22
Changes in Non-Cash Work Cap	1	19	(25)	(5)
Cash From Operations	30	105	209	279
Free Cash Flow/Basic Shr	(0.5)	(0.4)	(0.6)	(0.0)
Cash Flow per Share	0.3	1.1	2.1	2.8
Cash from Financing Activities	72	161	(31)	(18)
Net Changes in Cash	29	142	(89)	(21)
Cash from Investing Activities	(73)	(123)	(267)	(281)

Ratios	FY 2006	FY 2007	FY 2008	FY 2009
PE Ratio	19.2	38.1	3.9	17.8
Price/Book	1.9	7.6	1.2	3.6
Price/Sales	7.1	17.2	1.6	4.2
Price/Cashflow	9.5	18.7	2.3	6.3
Dividend Yield	0.0	0.0	0.0	0.0
ROA	-	15.3	26.0	15.6
ROE	-	22.2	39.8	22.8

Source: Bloomberg

Note: CAD$ in millions (except per-share data). Fiscal year ends Dec

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Tablemac (Not Covered): Wood Panels

Ticker	Price	Market Cap $m	ADTV $m
TABLEMA CB	9.3	126	0.7

Company Description

Tablemac (Tableros y Maderas de Caldas) is a major producer of wood products, headquartered in Medellin. The company produces particle board (20% sales), doors and modular furniture (80%) sales, with an installed capacity of 110,000m^3.

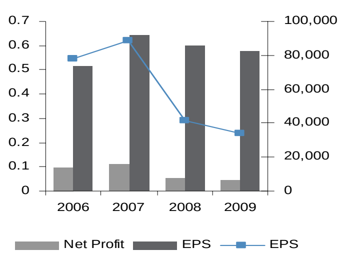
95% of sales are to the domestic market, and most of the exports go to neighbouring Panama and to Central America.

The company has approximately 1/3 of the market. The company also has 5,000ha of forestry and is expanding into medium-density fiberboard (MDF) to double overall installed capacity.

Tablemac has a very high free float, with Cementos Argos its largest shareholder (4%).

Figure 92: Total Sales, Net Profit and EPS

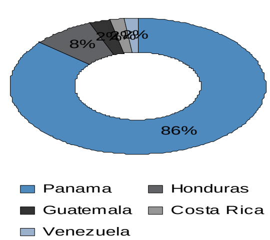
$ Millions COP



Source: Company reports.

Figure 93: Export Destination

% Total Exports



Source: Company reports, 2009.

Busines Overview

The company went into a debt restructuring agreement in 2001, after the economic crisis of the 1990s. Since restructuring and paying off its debt early, in 2008, Tablemac has embarked on an ambitious expansion and modernisation program.

In 2011-2013 the company plans to double its production. The plan calls for a 132,000m^3 MDF plant (the first in Colombia) as well as a resins (a key raw material input) plant. Capex for the MDF plant is around $45m, and it is located in Barbosa, Antioquia. Expected startup is 1H 2011.

Tablemac has approximately one third share of the domestic market, similar to local competitor Pizano. Production is focused in two plants: Yarumal in Antioquia and Manizales in Caldas.

The company faces significant import competition, from Arauco and Masisa (Chile) and from Cotopaxi and Novopan (Ecuador). Approximately two thirds of particleboard sales are to the construction industry.

Wood represents approximately 25% of the cost base. It is primarily sourced from third parties. Main woods used are pine and cypress. Suppliers are diversified (87 in total) and none accounts for more than 30% of the total.

Recent Trends

FY 2009 results showed a 4% decrease in sales, led by a 15% decline in ‘Practimac’ brand modular furniture sales. The EBITDA margin was 24.4%. Net income decreased 17.7%. CAPEX was equivalent to 8.5% of sales.

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Tablemac: Summary of Financials

Income Statement	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Sales Revenue	58,959	57,211	73,531	91,944	85,416	82,168
Operating Income (Losses)	5,751	7,404	17,264	21,584	11,680	8,320
Operating Margin %	9.8	12.9	23.5	23.5	13.7	10.1
Net Non-Oper Losses(Gains)	(2129)	(2470)	(1956)	(2532)	(2924)	(1725)
Pretax Income	2,956	4,748	13,632	18,830	10,006	7,949
Income Tax Expenses (Credits)	1	1	2	3,118	2,606	1,861
Net Income/Net Profit (Losses)	2,955	4,747	13,631	15,711	7,400	6,088
Net Profit Margin %	5.0	8.3	18.5	17.1	8.7	7.4
Diluted EPS Cont Ops	-	-	-	-	0.3	0.2
# Shrs Diluted EPS	-	-	-	-	25398.3	25398.3

Balance Sheet (Assets)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Cash&Near Cash Items	1,204	170	665	329	388	86
Accounts & Notes Receivable	13,436	11,425	13,195	13,469	13,324	11,256
Net Fixed Assets	96,337	64,821	66,487	122,300	126,686	121,263
Other Assets/Def Chgs&Other	4,934	43,049	43,266	4,156	4,170	3,870
Total Assets	137,446	135,670	148,417	169,925	172,827	174,214

Balance Sheet (Liabilities)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
ST Borrowings	541	306	64	5,748	995	122
LT Borrowings	40,728	15,709	5,703	140	131	196
Total Liabilities	47,552	20,500	14,239	14,494	8,606	8,374
Minority Interest	0	0	0	0	0	0
Total Shareholders' Equity	89,894	115,170	134,177	155,431	164,221	165,840
Total Liabilities and Equity	137,446	135,670	148,417	169,925	172,827	174,214

Cashflow Summary	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Cash Flow Net Income	-	4,747	-	-	-	-
Depreciation & Amortization	-	431	-	-	-	-
Other Non-Cash Adjustments	-	11,784	-	-	-	-
Changes in Non-Cash Work Cap	-	-	-	-	-	-
Cash From Operations	-	16,961	-	-	-	-
Free Cash Flow/Basic Shr	-	-	-	-	-	-
Cash Flow per Share	-	0.7	-	-	-	-
Cash from Financing Activities	-	0	-	-	-	-
Net Changes in Cash	-	16,961	-	-	-	-
Cash from Investing Activities	-	0	-	-	-	-

Ratios	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
PE Ratio	10.2	25.0	12.3	16.7	12.9	24.8
Price/Book	0.3	1.0	1.3	1.7	0.6	0.9
Price/Sales	0.5	2.1	2.3	2.8	1.1	1.8
Price/Cashflow	-	7.0	-	-	-	-
Dividend Yield	-	-	-	-	-	-
ROA	2.2	3.5	9.6	9.9	4.3	3.5
ROE	3.7	4.6	10.9	10.9	4.6	3.7

Source: Bloomberg

Note: Col$ in millions (except per-share data). Fiscal year ends Dec

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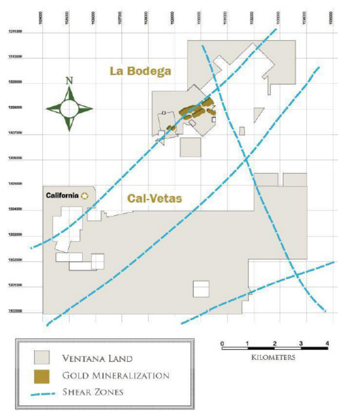
Ventana Gold (Not Covered): Gold Junior

Ticker	Price	Market Cap $m	ADTV $m
VEN CN	12.9	1,420	20.0

Figure 94: Project Locations

Source: Company reports.

Figure 95: Land Position



Source: Company reports.

Company Description

Ventana Gold Corp. holds rights to 4,590 hectares of exploration property in the California-Vetas mining district of Colombia, 400 kilometers northeast of Bogota and 55 kilometers northeast of Bucaramanga. Ventana has drilled 341 holes at its main La Bodega property, totaling 126,000 metres. Gold mineralization was discovered here in 2006. The area has good infrastructure and is at an elevation of 2,800m.

Ventana owns 100% of all projects, with no royalties or back-in rights. Environmental permits are in place for the La Bodega land area – including environmental management guides, water concessions, and discharge permits.

Ventana is based in Vancouver, Canada, and has traded on the Toronto Stock Exchange under the symbol VEN since November 2008.

The company is subject to an unsolicted all-cash offer from AUX Cananda Acquisition, a unit of Eike Batista's EBX Group. This offer is set to expire February 15th, 2011.

Business Overview

The La Bodega project has four identified mineralized zones: 1) The La Bodega mine area – an extension of Angostura. 2) La Mascota – a higher-grade discovery, open to the SW and at depth. 3) Las Mercedes – a recently announced discovery south of La Mascota, currently drilling. 4) Aserredero – discovered in June 2009.

The company is currently drilling with nine rigs on site. Initial engineering studies are under way to optimize the mine plan. A metallurgical test program is under way. The La Bodega mine has ore similar to Agostura's.

The Cal-Vetas area also has exploration potential. Regional geochemistry has outlined six potential areas for more detailed exploration. All six have historical workings. The most advanced target is La Francia, an 800-metre-long area, with 10 historical tunnels and rock sample results up to 32.2g/t gold.

Recent Trends

The 2011 plan: 1. Commence construction of the imderground decline for infill and exploration drilling.2. By Q211 initiate underground drilling program to upgrade inferred resource to measured and indivated. 3. Conduct underground deep drilling of the La Mascota zone. 4. Conduct surface-based deep exploration drilling at the La Bodega zone. 5. Commission full pilot processing plant in Q211. 6. Initiate a drilling program at the Cal-Vetas property.

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Ventana Gold: Summary of Financials

Income Statement	FY 2007	FY 2008	FY 2009	FY 2010
Sales Revenue	0	0	0	0
Operating Income (Losses)	(1)	(1)	(3)	(10)
Operating Margin %	-	-	-	-
Net Non-Oper Losses(Gains)	(0)	(0)	(0)	(0)
Pretax Income	-1	-2	-3	-9
Income Tax Expenses (Credits)	0	0	0	0
Net Income/Net Profit (Losses)	-1	-2	-4	-9
Net Profit Margin %	-	-	-	-
Diluted EPS Cont Ops	(0.0)	(0.0)	(0.1)	(0.1)
# Shrs Diluted EPS	30.6	60.8	69.8	94.4

Balance Sheet (Assets)	FY 2007	FY 2008	FY 2009	FY 2010
Cash&Near Cash Items	3	0	14	29
Accounts & Notes Receivable	0	0	0	0
Net Fixed Assets	5	6	10	21
Other Assets/Def Chgs&Other	3	7	11	35
Total Assets	11	16	37	138

Balance Sheet (Liabilities)	FY 2007	FY 2008	FY 2009	FY 2010
ST Borrowings	0	1	0	0
LT Borrowings	0	0	0	0
Total Liabilities	2	4	3	32
Minority Interest	0	0	0	0
Total Shareholders' Equity	9	12	34	106
Total Liabilities and Equity	11	16	37	138

Cashflow Summary	FY 2007	FY 2008	FY 2009	FY 2010
Cash Flow Net Income	(1)	(2)	(4)	(9)
Depreciation & Amortization	0	0	0	0
Other Non-Cash Adjustments	0	1	2	4
Changes in Non-Cash Work Cap	1	1	(1)	0
Cash From Operations	1	0	(3)	(4)
Free Cash Flow/Basic Shr	0.0	(0.0)	(0.1)	(0.1)
Cash Flow per Share	0.0	0.0	(0.0)	(0.0)
Cash from Financing Activities	5	1	25	96
Net Changes in Cash	3	(3)	14	14
Cash from Investing Activities	(3)	(5)	(8)	(77)

Ratios	FY 2007	FY 2008	FY 2009	FY 2010
PE Ratio	-	-	-	-
Price/Book	-	-	12.2	7.7
Price/Sales	-	-	-	-
Price/Cashflow	-	-	-	-
Dividend Yield	-	-	0.0	0.0
ROA	-	(15.9)	(13.8)	(9.9)
ROE	-	(20.3)	(15.9)	(12.4)

Source: Bloomberg

Note: CAD$ in millions (except per-share data). Fiscal year ends Dec

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