MSCI Barra
INDEX METHODOLOGY

www.mscibarra.com

MSCI Standard Index Series Methodology

Index Construction Objectives, Guiding Principles and Methodology for the MSCI Standard Equity Index Series

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Notice and Disclaimer

About MSCI Barra

MSCI Barra (www.msci.com) develops and maintains equity, fixed income, multi-asset class, REIT and hedge fund indices that serve as the benchmark for an estimated USD 3 trillion on a worldwide basis. MSCI is headquartered in New York, with research and commercial offices around the world. In 2004, MSCI acquired Barra, Inc. (www.barra.com), a global leader in delivering risk analytics, performance measurement and attribution systems and services to managers of portfolio and firm-wide investment risk. Morgan Stanley, a global financial services firm and a market leader in securities, asset management, and credit services, is the majority shareholder in MSCI, and Capital Group International, Inc. is the minority shareholder.

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Introduction

MSCI: A Leading Global Benchmark Provider

Morgan Stanley Capital International Inc. ("MSCI") is a leading provider of global equity, US equity, fixed income hedge fund and multi-asset class indices, and benchmark related products and services to investors worldwide.

Equity Indices

MSCI provides global equity indices, which over the last 30 years have become the most widely used international equity benchmarks by institutional investors. Almost 2,000 organizations worldwide currently use MSCI global equity benchmarks. Sector, industry groups, and industry indices are calculated based on the Global Industry Classification Standard (GICS®), developed by MSCI and Standard and Poor's. In addition, MSCI provides value and growth indices for developed and emerging markets based upon a two-dimensional, multifactor methodology for style definition and segmentation. In 2002, MSCI launched a new family of US Equity Indices to provide broad and comprehensive coverage of the US equity market. This family of indices consists of a Broad Market Index and its various capitalization, style and sector sub-indices.

Fixed Income Indices

MSCI provides a wide range of global fixed income indices for the investment community, including indices for Sovereign, Investment Grade and High Yield debt markets, as well as the Interest Rate Swaps market. The MSCI Fixed Income Indices are unique in their use of an industry classification system based on the GICS.

Hedge Fund Indices

In July 2002, MSCI launched a family of hedge fund indices based on a comprehensive classification system – The MSCI Hedge Fund Classification Standard℠ – and a growing fund database, the MSCI Hedge Fund Database℠. The MSCI Hedge Fund Indices aim to reflect the composition and performance characteristics of the entire hedge fund opportunity set and as such include open as well as closed funds. In parallel, MSCI has developed an innovative index construction and maintenance methodology for investable hedge fund indices. The MSCI investable hedge fund composite-level indices aim to reflect the aggregate performance of a diversified range of hedge fund strategies and are designed to be replicable in investment vehicles linked to the indices.

Global Capital Markets Indices

MSCI has now launched the MSCI Global Capital Markets Index. This index is designed to provide a framework for global diversification by depicting the global opportunity set of marketable, liquid and investable financial securities that are available to all international investors, irrespective of their domicile. It currently includes equity and fixed income securities which are represented by MSCI's family of equity and fixed income indices.

Executive Summary

The MSCI Equity Index Series

The objective of MSCI, with respect to its Equity Index Series, is to construct global benchmark indices that contribute to the investment process by serving as relevant and accurate performance benchmarks and effective research tools, and as the basis for various investment vehicles. As such, the MSCI Equity Index Series are designed to fulfill the investment needs of a wide variety of global institutional investors. In constructing these indices, MSCI consistently applies its equity index construction and maintenance methodology across regions and developed and emerging markets. This consistency of approach makes it possible to aggregate individual country and industry indices to create meaningful regional and composite benchmark indices.

MSCI has constructed its equity indices with the same objectives in mind for more than 30 years. During that time, as the markets have evolved, MSCI's methodology has also evolved in order to ensure that the MSCI Equity Index Series continue to accurately represent the opportunities available to global institutional investors. Importantly, while the methodology has evolved, the index construction objectives and guiding principles have remained paramount.

Methodology and the MSCI Standard Index Series

The MSCI Standard Index Series adjusts the market capitalization of index constituents for free float and targets for index inclusion 85% of free float-adjusted market capitalization in each industry group, in each country. Currently, MSCI calculates the Standard Index Series for 50 countries globally in the developed and the emerging markets.

This Methodology Book describes MSCI's index construction objectives, guiding principles, and the methodology for the Standard Index Series. Certain specific aspects of MSCI's Standard Index Series methodology are treated in appendices at the end of the Methodology Book. Any updates to the Methodology will be posted on the web site www.mscibarra.com. Other useful methodology guidelines can be found in the same link.

Section 1: Equity Index Construction Objectives and Guiding Principles

1.1 Purpose and Objectives

MSCI's objective is to construct "benchmark indices" that contribute to the investment process in the following ways. First, they serve as a gauge for measuring the performance of a market. In so doing, these indices also serve as performance benchmarks in the measurement and attribution of the performance of an investment strategy. Second, they may be used as a research tool for a variety of purposes, including in the strategic asset allocation process. Performance benchmarks provide an important historical perspective on the various dimensions of investment performance of asset classes, such as returns, volatility of returns, and correlation. This historical perspective may serve as a useful guide in the determination of an appropriate strategic asset mix. Finally, benchmark indices may serve as a basis for investment vehicles designed to replicate the performance of a market or to implement and manage an investment policy. Given these uses, MSCI's benchmark indices are designed to fulfill the investment needs of a wide variety of global institutional investors.

1.2 Guiding Principles

MSCI strives to achieve the objective of providing global benchmark equity indices by adhering to the following guiding principles in the design and implementation of its index construction and maintenance methodology.

1.2.1 Broad and Fair Market Representation

MSCI Standard Index Series is constructed and managed with a view to providing broad and fair market representation. In the abstract, a total market index, representing all listed securities in a given market, would achieve this goal. In practice, however, a total market index may be difficult to use as a true performance benchmark for global investors, as it will include a very large proportion of small and/or illiquid securities, which international investors may not be able to easily reflect in their portfolios. Therefore, MSCI defines broad and fair market representation as an accurate and complete reflection in the indices of the structure and distribution of business activities across and within industries that international institutional investors can gain exposure to in a given market. MSCI strives to achieve the objective of broad and fair market representation by following a bottom-up sampling approach to index construction. This approach, which builds the indices from the industry group level up, aims to capture the structure and other characteristics of the underlying total market, but does so with securities that are practically replicable in global institutional portfolios of reasonable size. Specifically, to implement this approach, a target of 85% of free float-adjusted market representation within each industry group, within each country is used as a guideline. This guideline strikes an appropriate balance between broad and fair market representation and investability of indices.

Given the objective of representing the diversity of business activities across and within industries, MSCI's sampling approach does not target a specific number of securities in its country indices. The number of constituents included in an index is dependent on the breadth and depth of the underlying market and on the minimum size guidelines applied in the construction of the index. However, in certain cases, an appropriate balance needs to be attained between including a large number of securities and the additional diversification benefits that these securities bring to the index.

1.2.2 Investability and Replicability

MSCI Equity Index Series are constructed and managed with a view to being fully investable from the perspective of international institutional investors. MSCI strives to achieve this objective by providing indices that are replicable. This includes representing constituents in the index at weights that can easily and cost effectively be reflected in global institutional portfolios of reasonable size. This objective is achieved by a) free float-adjusting constituent weights, taking into account any Foreign Ownership Limits (FOLs) and other restrictions that hinder the implementation of the investment process for international institutional investors and b) selecting securities of reasonable size and liquidity for the indices.

1.2.3 Consistency of Approach

MSCI's Standard Index Series is constructed and managed with a view to providing consistency of approach across all markets around the world. This objective is achieved by applying MSCI's index construction and maintenance methodology, including its rules and guidelines, in a consistent fashion across all markets. The consistent application of index methodology to all markets also makes it possible to apply a "building block" approach in the construction of regional and composite indices. Under this approach, individual MSCI country indices can be aggregated to create relevant, accurate, and comparable regional (e.g., MSCI Europe Index) and composite (e.g., MSCI EAFE Index) benchmark indices.

1.2.4 Continuity and Index Turnover

MSCI's Standard Index Series is managed with a view to ensuring the continuity of the indices. Continuity refers to the consistent application of index methodology over time. It also implies that the primary, but not the only, concern when considering additions and deletions is the continuity of constituents in the index being reviewed. In emphasizing continuity, MSCI wishes to provide improved predictability of and greater stability to the indices.

MSCI's Standard Index Series is also managed with the objective of keeping the level of index turnover relatively low, while at the same time reflecting the evolution of markets on a timely fashion. Therefore, implementation of changes in the index takes into consideration the perspective of a portfolio that replicates the index and weighs the impacts from potential reverse and/or unnecessary turnover. As such, costs associated with reflecting the changes in the MSCI Indices in a portfolio are maintained at a reasonable level.

1.2.5 Disciplined Approach: Principles, Rules and Guidelines

MSCI's Standard Index Series is constructed and managed using a set of principles, rules and guidelines. This approach makes it possible to attain certain desirable attributes of a benchmark index, such as, stability of the index, proper diversification across industries and securities and accurate representation of the distribution and structure of business activities within the overall market. These desirable features of a benchmark index would be difficult to achieve through a fully rules based, mechanical methodology for inclusion and deletion of index constituents.

There are a number of areas in index construction and maintenance where clear, simple, and objective rules can be, and are, applied by MSCI to simplify the index management process, without compromising the ability of the indices to achieve the stated index construction objectives. In other more complicated areas of index construction and maintenance, where the use of rules may be impractical or may lead to conflicts with the objectives of the indices, MSCI makes decisions based on its index guiding principles and guidelines. The basic objective of index guidelines is to ensure that judgment can be applied in a structured and consistent fashion in order to reach final decisions.

1.2.6 Transparency

MSCI's Standard Index Series is constructed and managed with a view to being transparent in the context of MSCI's index construction objectives, guiding principles and methodology. These objectives, guiding principles and methodology are clearly specified and published. Additionally, as mentioned above, in some areas of index construction and maintenance, explicit index rules are applied to simplify the index management process. These rules are published by MSCI and regularly updated if changes are made. In some other areas of index construction and maintenance, MSCI uses internal index guidelines to facilitate the index decision-making process. These guidelines, by their nature, are not intended to be applied rigidly and are subject to change as underlying market conditions change. Therefore, where index guidelines are used, explanations of the framework for analysis used to develop these index guidelines are also published, so that investors and other users of MSCI products can better understand the spirit in which these guidelines are developed and applied by MSCI in the decision-making process. Finally, in order to provide transparency and predictability to the marketplace, MSCI has a policy of announcing all significant changes to its indices in advance of implementing such changes. As a matter of policy, MSCI generally does not comment on any potential changes to the indices, including but not limited to the potential inclusion of constituents before the changes are made known to clients. In addition, MSCI does not comment in detail or provide a breakdown of the shareholder ownership of securities due to the potentially price-sensitive nature of such information.

1.2.7 Independence and Objectivity

MSCI's Standard Index Series is constructed and managed with a view to providing independent and objective editorial and content decisions. With respect to editorial decisions, MSCI operates completely independently of all interest groups, including its shareholders, and manages its family of equity indices based on publicly available information. The fact that MSCI is editorially independent and objective does not preclude MSCI from considering the views and suggestions of our clients and other users of our products and services. To the contrary, MSCI believes in fully engaging all stakeholders by frequently soliciting feedback, counsel, and guidance relating to all aspects of index construction and maintenance. MSCI carefully considers and analyzes all the feedback received from various constituencies, and the final decisions are taken independently of any single interest group or stakeholder and have the sole objective of preserving or enhancing the quality of the MSCI indices.

Section 2: Constructing the MSCI Standard Index Series

To construct relevant and accurate equity indices for the global institutional investor under the Standard Index Series Methodology, MSCI undertakes an index construction process, which involves:

- Defining the equity universe.
- Adjusting the total market capitalization of all securities in the universe for free float available to foreign investors.
- Classifying the universe of securities under the Global Industry Classification Standard (GICS).
- Selecting securities for inclusion according to MSCI's index construction rules and guidelines.

2.1 Defining the Equity Universe

The index construction process starts at the country level, with the identification of the universe of investment opportunities. Currently, MSCI creates equity indices for 56 country markets.

MSCI classifies each company and its securities in one and only one country. This allows securities to be sorted distinctly by their respective countries. In general, companies and their respective securities are classified as belonging to the country in which they are incorporated. All listed equity securities, or listed securities that exhibit characteristics of equity securities, except investment trusts[1], mutual funds, equity derivatives, and limited partnerships, are generally eligible for inclusion in the universe. Generally, only equity or equity-like securities that are listed in the country of classification are included in the universe[2]. These are considered fully even if a subset serves as a basis of creation of depository receipts. About 99% of the world's total equity market capitalization is included in the MSCI universe.

For further details on domicile determination, see Appendix I, entitled "Country Classification of Securities".

2.2 Adjusting the Total Market Capitalization of Securities in the Universe for Free Float

After identifying the universe of securities, MSCI calculates the free float-adjusted market capitalization of each security in that universe. The process of free float-adjusting market capitalization involves:

- Defining and estimating the free float available to foreign investors for each security, using MSCI's definition of free float.
- Assigning a free float-adjustment factor to each security.
- Calculating the free float-adjusted market capitalization of each security.

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[1] Real Estate Investment Trusts (REITs) in certain countries are eligible for inclusion in the universe. Certain Income Trusts are eligible for inclusion in the MSCI Canada equity universe. Please refer to Appendix I for details.

[2] Special treatment is applied where there are a significant number of large companies trading exclusively outside of their country of classification, such as in the cases of China and Israel. Please refer to Appendix I for details.

2.2.1 Defining and Estimating Free Float

MSCI Barra defines the free float of a security as the proportion of shares outstanding that are deemed to be available for purchase in the public equity markets by international investors. In practice, limitations on free float available to international investors include:

- Strategic and other shareholdings not considered part of available free float.
- Limits on share ownership for foreign investors.

MSCI's Barra's estimation of free float is based solely on publicly available shareholder information obtained from multiple information sources. For each security, all available shareholdings are considered where public data is available, regardless of the size of the shareholding. MSCI Barra may consult with analysts, other industry experts and official company contacts, particularly where disclosure standards or data quality make the estimation of free float difficult.

For further details on the MSCI Barra's free float definition, see Appendix II, entitled "Free Float Definition and Estimation Guidelines".

The estimation of free float available to international investors for securities with or without foreign ownership limits is explained below.

2.2.1.1 Securities Not Subject to Foreign Ownership Limits (FOLs)

For securities not subject to FOLs, the free float of a security is estimated as its total number of shares outstanding less shareholdings classified as strategic and/or non-free float. Examples of shares excluded from free float are stakes held by strategic investors such as governments, corporations, controlling shareholders and management.

Non-Free Float Shareholdings (%) =	Number of Shares Classified as Non-Free Float divided by the Total Number of Shares

Free Float (%)	=	100% minus Non-Free Float Shareholdings (%)

2.2.1.2 Securities Subject to FOLs

For securities subject to FOLs, the estimated free float available to foreign investors is equal to the lesser of:

- Estimate of free float, as defined above.
- FOL adjusted for non-free float stakes held by foreign investors.

Free Float for Foreign Investors (%) =
Lower of:
- 100% minus Non-Free Float Shareholdings, Including Domestic and Foreign Shareholdings
- FOL minus Foreign Non-Free Float Shareholdings

2.2.2 Assigning a Free Float-Adjustment Factor

MSCI free float-adjusts the market capitalization of each security using an adjustment factor referred to as the Foreign Inclusion Factor (FIF).

2.2.2.1 Securities with Free Float Greater Than 15% and Not Subject to FOLs

For securities with free float greater than 15%, the FIF is equal to the estimated free float, rounded up to the closest 5%.

2.2.2.2 Securities with Free Float Less than 15% and Not Subject to FOLs

For securities with free float less than 15%, the FIF is equal to the estimated free float, rounded to the closest 1%.

2.2.2.3 Securities Subject to FOLs

For securities subject to FOLs, the FIF is equal to the lesser of:

- Estimated free float available to foreign investors,
  - Rounded up to the closest 5%, if the free float is greater than 15%.
  - Rounded to the closest 1%, if the free float is less than 15%.
- FOL rounded to the closest 1%.

2.2.2.4 Securities Affected by Other Foreign Investment Restrictions

For securities affected by other foreign investment restrictions, which hinder the efficient implementation of the investment process for foreign investors, an additional adjustment factor, referred to as the Limited Investability Factor (LIF), is applied. In these special cases, the free float-adjusted for limited investability is defined as the product of the available free float for foreign investors and the LIF.

Free Float-Adjusted for Limited Investability = Free Float for Foreign Investors times the LIF

Therefore, for securities subject to other foreign investment restrictions, the Foreign Inclusion Factor is equal to the lesser of:

- Estimated free float-adjusted for limited investability,
  - Rounded up to the closest 5%, if the free float-adjusted for limited investability is greater than 15%.
  - Rounded to the closest 1%, if the free float-adjusted for limited investability is less than 15%.
- FOL rounded to the closest 1%.

2.2.3. Calculating the Free Float-Adjusted Market Capitalization

The free float-adjusted market capitalization of a security is calculated as the product of the FIF and the security's full market capitalization.

Free Float-Adjusted Market Capitalization = FIF times the Security's Full Market Capitalization

The following examples illustrate the calculation of the free float-adjusted market capitalization of securities with and without FOLs.

Example:
Calculating Free Float-Adjusted Market Capitalization:
Securities Not Subject to FOLs

	Company A	*Company B*
Total number of shares outstanding	10,000,000	10,000,000
Number of shares classified as non-free float	4,300,000	8,760,000
Non-free float shareholding (%)	43.0%	87.6%
Free float (%)	57.0%	12.4%
Foreign Inclusion Factor (FIF)	**0.60**	**0.12**
Market price ($)	500	500
Full market capitalization ($ mm)	5,000	5,000
Free float-adjusted market capitalization ($ mm)	**3,000**	**600**

Example:
Calculating Free Float-Adjusted Market Capitalization:
Securities Subject to FOLs

	Company C	*Company D*	*Company E*
Total number of shares outstanding	10,000,000	10,000,000	10,000,000
All shares classified as non-free float	8,760,000	4,000,000	4,000,000
- those held by foreign investors as strategic	1,000,000	1,000,000	-
Total non-free float shareholdings (%)	87.6	40.0	40.0
Free float (%)	**12.4**	**60.0**	**60.0**
Foreign ownership limit (%)	33.3	33.3	33.3
Foreign strategic shareholding (%)	10.0	10.0	0.0
Foreign ownership limit less the foreign strategic shareholding (%)	**23.3**	**23.3**	**33.3**
Foreign Inclusion Factor (FIF)	**0.12**	**0.25**	**0.33**
Market price ($)	500	500	500
Full market capitalization ($ mm)	5,000	5,000	5,000
Free float-adjusted market capitalization ($ mm)	**600**	**1,250**	**1,650**

2.3 Classifying Securities Under the Global Industry Classification Standard (GICS)

In addition to the free float-adjustment of market capitalization, all securities in the universe are assigned to the industry that best describes their business activities. To this end, MSCI has designed in conjunction with Standard & Poor's, the Global Industry Classification Standard (GICS). This comprehensive classification scheme provides a universal approach to industries worldwide and forms the basis for achieving MSCI's objective of reflecting broad and fair industry representation in its indices.

2.3.1 Structure of the Global Industry Classification Standard (GICS)

The Global Industry Classification Standard (GICS) consists of 10 sectors, 24 industry groups, 67 industries, and 147 sub-industries. These four industry groupings are strictly hierarchical, as shown below.

The Global Industry Classification Standard (GICS)

10 Sectors

⇧

24 Industry Groups

⇧

67 Industries

⇧

147 Sub-Industries

2.3.2 Industry Classification of Companies under the GICS

Under the Global Industry Classification Standard (GICS), each company is assigned uniquely to one sub-industry according to its principal business activity. Therefore, a company can only belong to one industry grouping at each of the four levels of the GICS.

Classifying securities into their respective sub-industries can be complex, especially in an evolving and dynamic environment. The GICS guidelines used to determine the appropriate industry classification are:

- A security is classified in a sub-industry according to the business activities that generate approximately 60% or more of the company's revenues.
- A company engaged in two or more substantially different business activities, none of which contributes 60% or more of revenues, is classified in the sub-industry that provides the majority of both the company's revenues and earnings.
- Where the above guidelines cannot be applied, or are considered inappropriate, further analysis is conducted, and other factors are analyzed to determine an appropriate classification.

For further details on the GICS, see Appendix III, entitled "Global Industry Classification Standard (GICS)".

2.4 Selecting Securities for Index Inclusion

In order to ensure a broad and fair representation in the indices of the diversity of business activities in the universe, MSCI follows a "bottom-up" approach to index construction, building indices from the industry group level up. The bottom-up approach to index construction requires a thorough analysis and understanding of the characteristics of the universe. This analysis drives the individual security selection decisions, which aim to reflect the overall features of the universe in the country index.

MSCI targets an 85% free float-adjusted market representation level within each industry group, within each country. The security selection process within each industry group is based on the careful analysis of:

- Each company's business activities and the diversification that its securities would bring to the index.
- The size (based on free float-adjusted market capitalization) and liquidity of securities. All other things being equal, MSCI targets for inclusion the most sizable and liquid securities in an industry group. In addition, securities that do not meet the minimum size guidelines discussed below and/or securities with inadequate liquidity are not considered for inclusion.
- The estimated free float for the company and its individual share classes. Only securities of companies with an estimated overall and/or security free float greater than or equal to 15% are, in general, considered for inclusion.

2.4.1 Index Constituent Eligibility Rules and Guidelines

In order to ensure the investability of the MSCI Standard Index Series, the following index eligibility rules and guidelines for index inclusion are applied in the index construction process.

These rules and guidelines are applied at the security level, rather than the company level. As such, the inclusion or deletion of one share class does not imply the automatic inclusion or deletion of the other share classes and tracking stocks of the same company.

2.4.1.1 Minimum Size Guidelines

All securities that are considered for inclusion or currently are included in the MSCI Standard Index Series must be of reasonable size, in terms of free float-adjusted market capitalization. In order to derive guidelines on eligible minimum size for inclusion and deletion for various countries and country groupings, the following factors are considered:

- The overall free float-adjusted market capitalization of the market.
- The distribution of free float-adjusted market capitalization in the country.
- The level of market concentration.
- The marginal contribution to the market of the largest security at different percentiles of the free float-adjusted market capitalization distribution.
- Other characteristics of the underlying market.

For further details on size-related eligibility criteria, see Appendix IV, entitled "Minimum Size Guidelines".

2.4.1.2 Liquidity

All securities that are considered for inclusion or currently are included in the MSCI Indices must have adequate liquidity. However, liquidity is not the sole determinant for inclusion in the index, though it is an important consideration.

In making an assessment of adequate liquidity levels, a number of absolute and relative liquidity measures are considered. These include patterns of traded volume and traded value over several periods of time. A useful measure to compare liquidity within the same market is the Annualized Traded Value Ratio (ATVR), which screens out extreme daily trading volumes and takes into account the difference in market capitalization size of securities.

The ATVR Ratio of each security is calculated in a 3-step process described below:

- First, monthly median traded values are computed using the daily median traded value, multiplied by the number of days in the month that the security traded. The daily traded value of a security is equal to the number of shares traded during the day, multiplied by the closing price of that security. The daily median traded value is the median of the daily traded values in a given month.
- Second, the monthly median traded value ratio is obtained by dividing the monthly median traded value of a security by its free float-adjusted security market capitalization at the end of the month.
- Third, the ATVR is obtained by taking the average of the monthly median trade value ratios of the previous 12 months – or the number of months for which this data is available – and multiplying it by 12.

The analysis of the adequacy of a security's liquidity also considers the average liquidity for the country and the industry group to which the security belongs. In addition, in some cases, while assessing the liquidity of a local security, the trading volumes in depository receipts, such as ADRs or GDRs may also be considered. MSCI does not define absolute minimum or maximum liquidity levels for stock inclusion or exclusion from the MSCI Standard Index Series, but considers their relative standing within each country and between cycles. This is because liquidity is not comparable between countries. In addition, liquidity is partly a function of the cyclicality of markets and industries, and limiting index constituents to only the most liquid stocks would introduce a bias against those stocks and sectors that are temporarily out of favor with investors.

2.4.1.3 Companies and Securities with a FIF less than 0.15

Securities of companies with a FIF less than 0.15 across all share classes are generally not eligible for inclusion. Exceptions to this general rule are made only in significant cases, where not including a security of a large company would compromise the index's ability to fully and fairly represent the characteristics of the underlying market.

For a security with a company and/or security FIF below 0.15 to be eligible for inclusion, the free float-adjusted market capitalization of the security must represent at least:

- 10 basis points of the MSCI World Index or 15 basis points of the MSCI EM Index, if included, OR
- 5% of the country index to which the security would belong, if included.

- As a result of a corporate event (other than conversion of share classes or merger of different share classes) or due to performance, if the company and/or security FIF of an existing constituent decreases to less than 0.15, in order to remain in the index, the free float-adjusted market capitalization of the security must represent at least:
  - 10 basis points of the MSCI World Index or 15 basis points of the MSCI EM Index, OR
  - 5% of the country index to which the security belongs.

2.4.1.4 Foreign Room

For a security that is subject to a Foreign Ownership Limit (FOL), in determining eligibility for index inclusion and in determining an affected constituent's weight in an index, MSCI Barra will additionally take into consideration the proportion of shares still available to foreign investors relative to the maximum allowed (referred to as "foreign room"). Securities with less than 25% foreign room are typically not eligible for index inclusion. Current constituent securities for which there is no foreign room left may remain in the index, but their weight may be reduced by the application of a Limited Investability Factor (LIF).

2.4.2 Target Representation

As mentioned above, in constructing the country indices, MSCI aims to achieve a uniform level of 85% of free float-adjusted market representation within each industry group, within each country.

2.4.2.1 Target Representation at Various Industry Levels

In certain circumstances, the 85% representation target may be applied at the industry or the sub-industry level. This is the case of deep and broadly diversified markets, such as the USA and Japan, where the 85% target is applied at the sub-industry level. It may also happen in the case of highly concentrated industry groups, which are dominated by a sub-industry. For example, in many developed markets large pharmaceutical companies dominate the Pharmaceuticals and Biotechnology industry group. In these cases, targeting the 85% market representation at the industry group level would result in these large pharmaceutical companies accounting for almost all of the targeted 85% coverage, thus leaving little room for the inclusion of the smaller, though quite significant, biotechnology firms.

Example:
The USA Pharmaceuticals and Biotechnology Industry Group

In the USA, the number of securities at the sub-industry level demonstrates the depth of the Pharmaceuticals and Biotechnology Industry Group. For example, (at the time of the review as of April 30, 2001), there were 198 securities in the Biotechnology sub-industry. Many of these listed securities are relatively large and liquid, and hence potential candidates for index inclusion.

If MSCI were to select securities for index inclusion focusing solely on the largest free float-adjusted market capitalization at the Pharmaceuticals and Biotechnology industry group level, this would lead to securities in the Pharmaceuticals sub-industry dominating the industry group. In this case, selecting securities for index inclusion by targeting an 85% market representation in each of the Pharmaceuticals and Biotechnology sub-industry levels allows for the inclusion of relatively large and liquid securities from both sub-industries. This results in an index, which better represents the full breadth of business activities in this industry group without sacrificing investability.

In trying to achieve adequate industry representation, all other things being equal, MSCI attempts to include operating companies, rather than holding or investment companies, as they are better representatives of industries.

2.4.2.2 Over- and Under-Representation

The distribution of free float-adjusted market capitalization and the level of concentration within industries and industry groups also affect the level of market representation that can reasonably be realized in a country index. This may result in an industry group representation level that may exceed or remain below the 85% target representation guideline. These differences in the structure of industries account for the differences in the market representation of industries and industry groups that are actually achieved in the indices.

Example:
<u>Over-Representation</u>

Suppose two securities, Cell Co and Mobile Corp, dominate the Wireless Telecommunications Services industry in a country, accounting for 70.0% and 23.0% of the free float-adjusted market capitalization of the industry, respectively at the time of the review.

Including only the larger Cell Co in the index would yield an industry representation of 70%, which is 15% below the desired target representation of 85%. Including Mobile Corp in the index, in addition to Cell Co, would result in the industry representation increasing to 93%, which is 8% above the 85% targeted guideline. In this case, all other things being equal, it would be more appropriate to include both companies in the index, as the resulting industry group representation would be closer to the 85% target level.

Example:
<u>Under-Representation</u>

Suppose the Energy industry group in a given country at the time of the review consists of four companies, Drilling Corp, Exploration Corp, National Oil Company, and Marketing Co, accounting for 35%, 20%, 40%, and 5% of the free float-adjusted market capitalization of the industry group, respectively.

Drilling Corp and Exploration Corp are both exclusively engaged in the exploration and production of oil and gas products. National Oil Company and Marketing Co, on the other hand, are exclusively engaged in the refining and marketing of oil and gas products.

In this case, including Drilling Corp and National Oil Company would provide a better diversification of business activities in the index. The inclusion of both companies would result in an industry group representation of 75%. In addition to these two companies, it would be more appropriate to include Marketing Co in the index, rather than Exploration Corp, as the resulting industry group representation of 80% would be closer to the 85% target than the industry group representation of 95% that would result from the inclusion of Exploration Corp. Therefore, in this example, all other things being equal, Exploration Corp would not be added to the index and the industry group representation would remain at 80%.

This example also highlights the fact that in certain industry groups the application of the 85% industry group representation target could lead to a large company, such as Exploration Corp, not being added to the index, while a smaller company, such as Marketing Co, might be included in the index.

2.4.2.3. Security Size and Target Market Representation

In certain cases, the free float-adjusted market capitalization representation that is achieved in the index for a given industry group may remain below the targeted 85% level because only a few securities in the industry are of a size that is considered reasonable for inclusion in the country index.

For further details on minimum size guidelines, see Section 2.4.1.1 and Appendix IV, entitled "Minimum Size Guidelines".

Example:

<u>Security Size and Industry Representation</u>

Suppose that an industry group consists of 25 securities at the time of the review. The five largest securities in this industry group have a free float-adjusted market capitalization of over $US 1,000 million each. These five securities account for 75% of the free float-adjusted market capitalization of the industry group. The remaining securities have a free float-adjusted market capitalization of less than $US 300 million each. For this country the appropriate size for inclusion in the country index is estimated at $US 400 million, in free float-adjusted terms.

In this example, the five largest securities in the industry group are included in the index, while the remaining securities are not considered for inclusion due to small size. As a result, only a 75% industry representation is achieved in the index for this industry group.

2.4.2.4 Number of Constituents and Industry Representation

MSCI does not target a specific number of securities for inclusion in its indices. However, there may be instances where an appropriate balance needs to be attained between including a large number of securities and the additional diversification benefits that these securities bring to the country index.

Example:

<u>The USA Biotechnology Sub-Industry</u>

As mentioned above, in the case of the USA, there are 198 securities in the Biotechnology sub-industry (as of April 30, 2001). Many of these listed securities are of a similar size, which is considered reasonable for the country. These companies are hence potential candidates for index inclusion.

If the 85% industry representation target were strictly followed, it would result in the inclusion of approximately 50 securities. This number is considered too large, in the context of the relative size of these securities, their marginal contribution to the country index and the additional diversification benefits they bring to the index. Therefore, including a much smaller number of securities is considered appropriate, even though it results in a sub-industry representation, which remains below the target level of 85%.

2.4.2.5 Industry Representation: A Summary

In constructing its Standard Index Series under the methodology, MSCI aims to target a free float-adjusted market representation of 85% within each industry group, within each country. However, because of differences in the structure of industries, this industry representation target may not be exactly and uniformly achieved in the indices across all industry groups. The differences in the structure of industries, and other considerations, may lead to over- or under-representation in certain industries. In these instances, the indices are constructed with a view to minimizing the divergence between the industry group representation achieved in the index and the 85% representation guideline.

Since the over- and under-representation of industries is unlikely to be exactly off-setting, the average industry group representation achieved in a given country is also likely to be different from the 85% level.

MSCI's bottom-up approach to index construction, which builds the equity indices from the industry group level up, coupled with the 85% industry group representation guideline, may at times lead to a large company in an industry group not being included in the index, while a smaller company from the same or a different industry group might be added. Also, since the MSCI Standard Index Series is built from a country perspective, a large company in an industry group in one country may not be included in that country's index, while a smaller company in the same industry group in another country might be added to that country's index.

Section 3: Maintaining the MSCI Standard Index Series

The MSCI Standard Index Series is maintained with the objective of reflecting the evolution of the underlying equity markets on a timely basis. In maintaining the indices, emphasis is also placed on continuity, replicability and on minimizing turnover in the indices.

Maintaining the indices involves many aspects, including additions to and deletions from the indices and changes in number of shares and changes in Foreign Inclusion Factors (FIFs) as a result of updated free float estimates.

Potential additions are analyzed not only with respect to their industry group, but also with respect to their industry or sub-industry group, in order to represent a wide range of economic and business activities. All additions are considered in the context of MSCI's Methodology, including the index constituent eligibility rules and guidelines described in Section 2.4.1.

In assessing deletions, it is important to emphasize that the indices must represent the full-investment cycle, including bull as well as bear markets. Out-of-favor industries and their securities may exhibit declining prices, declining market capitalization, and/or declining liquidity, and yet are not deleted because they continue to be good representatives of their industry group.

As a general policy, changes in number of shares are coordinated with changes in Foreign Inclusion Factor (FIF) to accurately reflect the investability of the underlying securities. In addition, MSCI continuously strives to improve the quality of its free float estimates and the related Foreign Inclusion Factors (FIFs). Additional shareholder information may come from better disclosure by companies or more stringent disclosure requirements by a country's authorities. It may also come from MSCI's ongoing examination of new information sources for the purpose of further enhancing free float estimates and better understanding shareholder structure's. When MSCI identifies useful additional sources of information, it seeks to incorporate them into its free float analysis.

Overall, index maintenance can be described by three broad categories of implementation of changes.

- Annual full country index reviews that systematically re-assess the various dimensions of the equity universe for all countries and are conducted on a fixed annual timetable.
- Quarterly index reviews, aimed at promptly reflecting other significant market events.
- Ongoing event-related changes, such as mergers and acquisitions, which are generally implemented in the indices promptly as they occur.

Please note that potential changes in the status of countries (standalone, emerging, developed) follow their own separate timetables. These changes are normally implemented in one or more phases at the regular annual full country index review and quarterly index review dates.

3.1 Annual Full Country Index Review in May

The objective of the annual full country index review is to systematically re-assess the various dimensions of the equity universe for all countries on a fixed annual timetable. This includes a re-appraisal of the free float-adjusted industry group representation within a country, a detailed review of the shareholder information used to estimate free float for constituent and non-constituent securities, updating of minimum size guidelines for new and existing constituents, as well as changes typically considered for a quarterly index review as discussed below.

3.1.1 Annual Full Country Index Review Changes in Constituents

During a full country index review, securities may be added to or deleted from a country index for a range of reasons, including the reasons underlying constituent changes during quarterly index reviews, outlined in Section 3.2.1. Other reasons for additions and deletions that are unique to the annual full country index review include the following:

- Additions or deletions of securities following the re-appraisal of the free float-adjusted industry group representation within a country relative to the 85% target.
- Additions or deletions of securities following an update of the minimum size guidelines for additions and deletions described in Appendix IV.
- Deletion of securities with company and/or security free float of less than 15% that have decreased in size in terms of free float-adjusted market capitalization due to reduction in free float as a result of a corporate event (other than conversion of share classes or merger of different share classes) or due to performance and that no longer meet the criteria described in section 2.4.1.3.

3.1.2 Annual Full Country Index Review Changes in Foreign Inclusion Factors (FIFs)

During an annual full country index review, a detailed review of the shareholder information used to estimate free float for constituent and non-constituent securities is carried out. As such, the review will be comprehensive, covering all aspects of shareholder information. Changes in FIFs also include those typically implemented during quarterly index reviews, as outlined in Section 3.2.2.

For further details on FIF changes that are implemented during an annual full country index review, see Appendix VII entitled "Quarterly and Annual Index Review Changes in FIFs".

3.1.3 Annual Full Country Index Review Frequency and Timing

The annual full country index review for all the MSCI Standard Country Indices is carried out once every 12 months and implemented as of the close of the last business day of May. Please refer to Appendix VIII for details on MSCI's policy regarding market closures during index reviews.

3.2 Quarterly Index Review

The Quarterly index review process is designed to ensure that the indices continue to be an accurate reflection of the evolving equity marketplace. This is achieved by rapidly reflecting significant market driven changes that were not captured in the index at the time of their actual occurrence and that should not wait until the annual full country index review due to their importance. These quarterly index reviews may result in additions, deletions, and changes in FIFs and in number of shares.

3.2.1 Quarterly Index Review Changes in Constituents

During a quarterly index review, securities may be added to or deleted from a country index for a variety of reasons including the following:

- Additions or deletions of securities, due to one or more industry groups having become significantly over- or under-represented as a result of mergers, acquisitions, restructuring and other major market events affecting that industry group.
- Additions or deletions resulting from changes in industry classification, significant increases or decreases in free float, and relaxation/removal or decreases of Foreign Ownership Limits (FOLs) not implemented immediately.
- Additions of large companies that did not meet the minimum size criterion for early inclusion at the time of their IPO or secondary offering described in section 3.3.2.1. Please note that newly-listed equity securities that did not meet these early inclusion criteria are eligible for inclusion at the quarterly index review immediately following their IPO, or at the following quarterly index review if the trading period was too short to assess the security's investability.
- IPOs eligible according to section 3.3.2.1, and for which the effective date of inclusion is either 5 days before the effective date of the QIR/AIR or 3 days after, will be made effective to coincide with the QIR/AIR. Example: effective date of inclusion of the IPO is August 29 (3 business days before September 1), while the effective date of the QIR is September 1; in that case the IPO will be added effective September 1.
- Replacement of companies, which are no longer suitable industry representatives.
- Deletion of securities whose company and/or security free float has fallen to less than 15% as a result of a corporate event (other than conversion of share classes or merger of different share classes) and which do not meet the criteria described in section 2.4.1.3.
- Deletion of securities that have become very small or illiquid.
- Replacement of securities (additions or deletions) resulting from the review of price source for constituents with both domestic and foreign board quotations.
- Additions or deletions of securities resulting from the review of NVDRs in Thailand described in Appendix II.
- Additions or deletions of securities as a result of other market events.

3.2.2 Quarterly Index Review Changes in FIFs

Significant changes in free float estimates and corresponding changes in the FIFs for constituents, related to relatively large events, are reflected in the indices at the quarterly index reviews. Changes may result from the following:

- Large market transactions, involving strategic shareholders, which are publicly announced (for example transactions made by way of immediate bookbuilding and other processes, e.g. block sales or block buys).
- Secondary offerings that, given the lack of sufficient notice, were not reflected immediately, and secondary offerings that represent less than 5% of the security's number of shares.
- Increases in Foreign Ownership Limits (FOLs). Foreign Ownership Limits restrict the proportion of

a security's share capital that is authorized for purchase by non-domestic investors.

- Decreases in FOLs not applied earlier as they did not oblige foreign investors to immediately sell shares in the market.
- Corrections resulting from the reclassification of shareholders from strategic to non-strategic, (and vice versa) and rectification of number of shares outstanding.
- Update of FIFs following the public disclosure of the new shareholder structure for companies involved in mergers, acquisitions or spin-offs, where different from MSCI Barra's pro forma free float estimate at the time of the event.
- Large conversions of exchangeable bonds and other similar securities into already existing shares.
- End of lock-up periods or expiration of loyalty incentives for non-strategic shareholders, which determine the reclassification of these shareholdings and result in an increase in free float.
- Changes in FIFs resulting from other events of similar nature. However, FIF changes resulting from updates in NVDRs in Thailand are applied in the indices on a semi-annual basis and not quarterly basis.

For further details on FIF changes that are implemented during a quarterly index review, see Appendix VII, entitled "Quarterly and Annual Full Country Index Review Changes in FIFs".

3.2.3 Quarterly Index Review Changes in Number of Shares

Updates in number of shares are generally small changes in a security's shares outstanding and MSCI Barra implements these at the Quarterly Index Review rather than at the time of the change. Changes in Number of Shares (NOS) generally occur due to:

- Exercise of options or warrants and employee stock option plans.
- Conversion of convertible bonds or other instruments, including periodic conversion of preferred stocks, and small debt-to-equity swaps.
- Periodic share buybacks and cancellation of treasury shares.
- Increases in a security's number of shares resulting from acquisition of non-listed companies and conversion of unlisted shares.
- Increases of less that 5% of a security's number of shares resulting from any equity offering.
- Other changes in number of shares resulting from events that could not be implemented on or near the effective dates, and where no price adjustment factor (PAF) is necessary.
- Share cancellations.

Updates in number of shares implemented as part of the quarterly index review could also trigger a review of the free float of the security. Any resultant change in FIF would be implemented simultaneously.

3.2.4 Quarterly Index Review Frequency and Timing

The implementation of changes resulting from a quarterly index review occurs on only three dates throughout the year: as of the close of the last business day of February, August and November. Any country indices may be impacted at the quarterly index review. Please refer to Appendix VIII for details on MSCI's policy regarding market closures during index reviews.

3.3 Ongoing Event-Related Changes

Ongoing event-related changes to the indices are the result of mergers, acquisitions, spin-offs, bankruptcies, reorganizations and other similar corporate events. They can also result from capital reorganizations in the form of rights issues, bonus issues, public placements and other similar corporate actions that take place on a continuing basis. These changes are reflected in the indices at the time of the event.

General principles that are applied in the treatment of these ongoing event-related changes are described in the following pages. The handling of ongoing event-related changes can be classified in two broad categories:

- Corporate events affecting existing index constituents.
- Corporate events affecting non-index constituents.

3.3.1 Corporate Events Affecting Existing Index Constituents

Corporate events can affect existing index constituents in various ways:

- Changes in Foreign Inclusion Factor (FIF), number of shares or industry classification for existing constituents.
- Early inclusions of non-index constituents.
- Early deletions of existing index constituents.

3.3.1.1 Changes in FIF, Number of Shares or Industry Classification for Existing Constituents

In order to ensure that the index accurately reflects the investability of the underlying securities, it is a general policy to coordinate changes in number of shares with changes in FIF.

When two companies merge, or a company acquires or spins-off another company, the free float of the resulting entity is estimated on a pro forma basis, using pro forma number of shares if applicable, and the corresponding FIF is applied simultaneously with the event. When there is a subsequent public disclosure regarding the new shareholder structure, which results in a different free float estimation than at the time of the event, MSCI will update the FIF at the next quarterly index review. Other corporate events, which result in a change in shareholder structure or FOLs and FIFs, will typically be reflected in the indices simultaneously with the implementation of the event in the index. Any other pending shareholder information updates or reclassifications will generally also be reflected in the pro forma free float estimation related to the event.

In the cases of decreases in FOLs in which foreign investors are obliged to immediately sell shares in the market, such changes will be implemented in the indices as soon as possible.

Changes in number of shares and FIF resulting from primary equity offerings representing more than 5% of the security's number of shares are generally implemented as of the close of the first trading day of the new shares, if all necessary information is available at that time. Otherwise, the event is implemented as soon as practicable after the relevant information is made available. A primary equity offering involves the issuance of new shares by a company.

Changes in number of shares and FIF resulting from primary equity offerings representing less than 5% of the security's number of shares are deferred to the next regularly scheduled Quarterly Index Review following the completion of the event.

For public secondary offerings of existing constituents representing more than 5% of the security's number of shares, where possible, MSCI Barra will announce these changes and reflect them shortly after the results of the subscription are known. Secondary public offerings that, given lack of sufficient notice, were not reflected immediately will be reflected at the next Quarterly Index Review. Secondary offerings involve the distribution of existing shares of current shareholders' in a listed company and are usually pre-announced by a company or by a company's shareholders and open for public subscription during a pre-determined period.

For US securities, increases in number of shares and changes in FIF resulting from primary equity offerings and from secondary offerings representing at least 5% of the security's number of shares will be implemented as soon as practicable after the offering is priced. Generally, implementation takes place as of the close of the same day that the pricing of the shares is made public. If this is not possible, the implementation will take place as of the close of the following trading day.

Changes in industry classification resulting from a corporate event are generally implemented simultaneously with the event. Other changes in industry classifications are implemented at the end of the month.

3.3.1.2. Early Inclusions of Non-Index Constituents

When there is a corporate event affecting index constituents, non-index constituents that are involved in the market event are generally considered for immediate inclusion in the MSCI indices, as long as they meet all the index constituent eligibility rules and guidelines described in Section 2.4.1 and 2.4.2.

For example, if a non-constituent company acquires a constituent company, the constituent company's securities may be replaced by the securities of the acquiring company. Similarly, if a constituent company merges with a non-constituent company, the merged company may replace the constituent company. In addition, securities spun-off from existing constituents may be considered for early inclusion at the time of the event.

3.3.1.3. Early Deletions of Existing Constituents

MSCI will remove from the MSCI Standard Index Series as soon as practicable securities of companies that file for bankruptcy, companies that file for protection from their creditors and/or are suspended and for which a return to normal business activity and trading is unlikely in the near future.

When the primary exchange price is not available, MSCI will delete securities at an over-the-counter or equivalent market price when such a price is available and deemed relevant. If no over-the-counter or equivalent price is available, the company will be deleted at the smallest price (unit or fraction of the currency) at which a security can trade on a given exchange.

Securities may also be considered for early deletion in other significant cases, such as decreases in free float and FOLs. In addition, when a constituent company acquires or merges with a non-constituent company or spins-off another company, the securities of the constituent company may be removed from the index, if, for example, these securities are no longer representative of the industry as a result of the event.

For securities that are suspended, MSCI will carry forward the market price immediately prior to the suspension during the suspension period.

3.3.2 Corporate Events Affecting Non-Index Constituents

3.3.2.1 IPOs and Other Early Inclusions

In general, newly listed equity securities available to foreign investors are considered for inclusion in the MSCI Indices, according to MSCI's Standard Index Series Methodology index rules and guidelines, at the time of the quarterly index review. However, for IPOs, which are significant in size and meet all the MSCI inclusion criteria, an early inclusion, outside of the quarterly index review, may be considered. If the decision is made to include an IPO early, it will generally become effective after the close of the company's tenth day of trading. However, in certain cases, another date may be chosen for the inclusion to reduce turnover, for example, where the normal inclusion date is close to the effective date of the next quarterly index review.
Securities may also be considered for early inclusion in other significant cases, including those resulting from removal or relaxation of FOLs, a large additional offering of an already listed security, consolidation or restructuring in the industry giving rise to a large new company, or company spun-off from a non-constituent company. Such cases will be treated in the same way as the IPOs.

In order to qualify for IPOs and other early inclusions, a security must meet the index constituent eligibility rules and guidelines described in Section 2.4.1 and have a free float-adjusted market capitalization of at least 4 times the minimum size guidelines for normal inclusion.

For further details on size-related eligibility criteria, see Appendix IV, entitled "Minimum Size Guidelines".

3.4 Announcement Policy

3.4.1 Annual Full Country Index Review

The results of the annual full country index reviews are announced at least two weeks in advance of their effective implementation dates as of the close of the last business day of May.

3.4.2 Quarterly Index Review

The results of the quarterly index reviews are announced at least two weeks in advance of their effective implementation dates as of the close of the last business day of February, August and November.

3.4.3 Ongoing Event-Related Changes

All changes resulting from corporate events are announced prior to their implementation in the MSCI Indices.

The changes are typically announced at least ten business days prior to these changes becoming effective in the indices as an "expected" announcement, or as an "undetermined" announcement, when the effective dates are not known yet or when aspects of the event are uncertain. MSCI sends "confirmed" announcements at least two business days prior to events becoming effective in the indices, provided that all necessary public information concerning the event is available. The full list of all new and pending changes is delivered to clients on a daily basis, at 5:30 PM US Eastern Standard Time (EST) through the Advance Corporate Events (ACE) File.

In exceptional cases, events are announced during market hours for same or next day implementation. Announcements made by MSCI during market hours are usually linked to late company disclosure of corporate events or unexpected changes to previously announced corporate events.

In the case of secondary offerings representing more than 5% of a security's number of shares for existing constituents, these changes will be announced prior to the end of the subscription period when possible and a subsequent announcement confirming the details of the event (including the date of implementation) will be made as soon as the results are available.

Both primary equity offerings and secondary offerings for US securities, representing at least 5% of the security's number of shares, will be confirmed through an announcement during market hours for next day or shortly thereafter implementation, as the completion of the events cannot be confirmed prior to the notification of the pricing.

Early deletions of constituents due to bankruptcy or other significant cases are announced as soon as practicable prior to their implementation in the MSCI indices.

A more descriptive text announcement is sent to clients for significant events that meet any of the following criteria:

1. Additions and deletions of constituents.
2. Changes in free float-adjusted market capitalization equal to or larger than USD 5 billion, or with an impact of at least 1% of the constituent's underlying country index.

If warranted, MSCI may make additional announcements for events which are complex in nature and would benefit from additional clarification.

3.4.3.1 IPOs and Other Early Inclusions

Early inclusions of large IPOs in the MSCI Standard Index Series are announced no earlier than shortly before the first day of trading and no later than before the opening of the third day of trading in the market where the company has its primary listing.

Early inclusions of already listed securities following large secondary offerings of new and/or existing shares are announced no earlier than shortly after the end of the offer period.

It is MSCI policy not to comment on future listed equity securities, including their industry classification under the Global Industry Classification Standard (GICS), their country classification and their potential inclusion in an MSCI Index. The same applies to non-index constituents that are already listed with pending large events.

3.4.3.2 Global Industry Classification Standard (GICS)

Non-event related changes in industry classification at the sub-industry level are announced at least two weeks prior to their implementation as of the close of the last business day of each month.
MSCI announces GICS changes twice a month, the first announcement being made on the first US business day of the month and the second one being made at least ten US business days prior to the last US business day of the month. All GICS changes announced in a given month will be implemented as of the close of the last US business day of the month.

Appendices

Appendix I: Country Classification of Securities

This appendix outlines the guidelines MSCI Barra uses to determine the country classification of equity securities.

General framework
Each of the securities followed in the MSCI index universe is classified in one and only one country.

The country classification of a security is generally determined by the country of incorporation of the issuing company and the primary listing of the security. This approach determines the country classification of the vast majority of securities.

In the few cases where a company is incorporated in one country while its securities have a primary listing in a different country, additional factors need to be considered to determine the country classification.

Companies may choose to incorporate in a different country than the country of primary listing to benefit from tax, legal, and/or regulatory advantages. These companies often incorporate in countries with limited, if any, public domestic equity markets, such as the Bahamas, Bermuda, British Virgin Islands, Cayman Islands, Channel Islands, Luxembourg, Marshall Islands, Netherlands Antilles, and Panama. In some other cases, companies may seek to benefit from tax, legal and/or regulatory advantages by incorporating in a different country than their country of primary listing where such country of incorporation is one of the countries in the MSCI All Country World Index (ACWI). In both of these cases of special benefit incorporations, MSCI Barra will generally classify the company in the country of the primary listing of its securities.

Companies incorporated outside of the US which have their securities' primary listing in the US may be included in the USA index universe, provided that they file a Form 10-K/10-Q.

Companies incorporated in a European Developed Market country (including Luxembourg) which have their securities' primary listing in a different European Developed Market country are generally classified in the country of primary listing.

Other cases

In the few remaining cases where the general framework proves to be insufficient, an additional analysis may be performed to determine the company's country classification. In such circumstances, MSCI Barra uses a set of rules, the most important of which are:

- The company's primary listing, secondary listings, if any, and the geographic distribution of its shareholder base;
- The geographical distribution of its operations (in terms of assets and production);
- The location of its headquarters; and
- The country in which investors consider the company to be most appropriately classified.

The outcome of that analysis may lead to some companies not being eligible for any MSCI country index if the country of classification resulting from the analysis remains different from the country of listing. This may happen in particular, but not exclusively, for companies incorporated in an Emerging Market country and having their only listing in a Developed Market country.

Country specific cases

China, Russia, and Israel have a number of large companies incorporated within them but with securities listed only outside of them. MSCI Barra considers such companies for inclusion in the index universe of the country of incorporation subject to the following:

Israel: The MSCI Israel universe includes companies incorporated in Israel with a listing on either the Tel-Aviv Stock Exchange or a US stock exchange.

Russia: The MSCI Russia universe includes companies incorporated in Russia with a listing in either Russia, London or New York. Companies with incorporation in a special benefit country, as described above, may also be included in the Russia universe if they have a listing in Russia.

China: The MSCI China universe includes companies incorporated in the People's Republic of China (PRC) and listed in the form of B shares on the Shanghai Stock Exchange (in US$) or Shenzhen Stock Exchange (in HK$), or H shares in Hong Kong (in HK$). The MSCI China universe also includes companies not incorporated in the PRC or the Hong Kong Special Administrative Region, provided that they satisfy both of the following conditions:

- The company is listed on the Hong Kong Stock Exchange; and
- The company's majority shareholders (directly or indirectly) are at least one of the following:
    - organizations or enterprises owned by the state, provinces, or municipalities of the PRC, or companies incorporated in the PRC, or
    - PRC individuals.

The MSCI China universe excludes companies which satisfy these two conditions but derive more than 80% of their revenues and profits from the Hong Kong Special Administrative Region. Those companies will be included in the MSCI Hong Kong universe.

Change of Incorporation

In the event that a company that is already classified in one of the countries in the MSCI All Country World Index (ACWI) changes its incorporation to another country, it generally will remain in the initial country of classification. However, it may be re-classified if the company's geographical profile fundamentally differs following the reincorporation.

A change in the country classification of a company generally takes place at a Semi-Annual Index Review, except if the change is the result of a corporate event. In that case the company may be reclassified simultaneously with the change in country of incorporation or at a Quarterly Index Review following the corporate event.

When MSCI Barra changes a company's country classification, the company's equity securities are not automatically included in the index of the new country classification even if the company was a constituent of its original country's index. The securities would have to meet all constituent selection criteria for the index of the new country.

Review and Maintenance

MSCI Barra periodically reviews the country classification of companies not classified into their country of incorporation. MSCI Barra also periodically reviews the status of stock exchanges and/or market sections to determine whether securities listed on such exchanges or sections will become part of the universe.

Appendix II: Free Float Definition and Estimation Guidelines

MSCI Barra defines the free float of a security as the proportion of shares outstanding that is deemed to be available for purchase in the public equity markets by international investors. In practice, limitations on the investment opportunities available to international institutional investors include:

- **Strategic and other non-free float shareholdings**: Stakes held by private or public shareholders whose investment objectives or other characteristics suggest that those holdings are not likely to be available in the market. In practice, disclosure requirements generally do not permit a clear determination of these investment objectives. Therefore, MSCI primarily classifies shareholdings as free float or non-free float based on a categorization of investor types into non-strategic and strategic respectively.
- **Limits on share ownership for foreign investors**: Limits on the proportion of a security's share capital that is authorized for purchase by non-domestic investors. Where they exist, these foreign share-ownership limits are set by law, government regulations, company by-laws and other authoritative statements.
- **Other foreign investment restrictions**: Investment restrictions, other than those described above, which materially limit the ability of international investors to freely invest in a particular equity market, sector or security. There is typically no simple way to account for these limitations in a benchmark, as these restrictions tend to be more subtle and complex, and may affect different market participants in different ways.

Classification of Shareholder Types

STRATEGIC SHAREHOLDER TYPES (NON-FREE FLOAT)	
Governments	Shareholdings owned by governments and affiliated entities are generally classified as non-free float.
Companies	Shares owned by companies. This includes treasury shares owned by the company itself.[3]
Banks	Shareholdings by banks are considered as strategic, excluding shareholdings held in trust on behalf of third parties that are deemed to be non-strategic. (Shareholding by Trust banks in Japan are considered non-strategic).

[6] Treasury[3] For most countries, treasury shares are generally included in the total shares outstanding used forin the calculation of the indices, and therefore they are takenMSCI Barra takes them into account in theits calculation of free float. Alternatively, treasury shares can be taken outIn other countries, where treasury shares are excluded from the determination of the total security shares outstanding used for the calculation of the indices and therefore, they are accordingly not taken into consideration for the free float calculation.

Principal officers and board members	Shares owned by the company's principal officers or members of the Board of Directors, including shares owned by individuals or families that are related to or closely affiliated with the company's principal officers, members of the Board of Directors, or founding members deemed to be insiders.
STRATEGIC SHAREHOLDER TYPES (NON-FREE FLOAT)	
Employees	Shares of the employing companies, held by both officers and non-officers, which are held in a variety of ways including plans sponsored by the employer for the purpose of retirement and savings plans, incentive compensation programs and other deferred and employee pension funds.
NON-STRATEGIC SHAREHOLDER TYPES (FREE FLOAT)	
Individuals	Shares owned by individuals, excluding shares owned by individuals or families that are related to or closely affiliated with the company's principal officers or members of the Board of Directors or founding members deemed to be insiders, and, also excluding those shareholdings held by individuals, the significant size of which suggests that they are strategic in nature.
Investment funds, mutual funds and unit trusts	Shares owned in investment funds, mutual funds and unit trusts, including shares owned in passively managed funds.
Security brokers	Non-strategic interests held by broker dealers (e.g., trades in the process of settlement, holdings in the process of being transferred, as part of underwriting activity etc), unless held within the same group or the nature of holding is deemed strategic.
Pension funds	Shares owned in employee pension funds, excluding shares of the employing company, its subsidiaries or affiliates.
Insurance companies	In principle, all stakes held by insurance companies are part of free float. For exceptions to this general principle, please refer to the additional discussion on insurance companies presented below.
Social security funds	Shares owned in social security funds, unless the fund's management is deemed to exert influence over the management of the company.

In the event that the above categories should not appropriately capture the nature of a specific shareholding, its classification as free float or non-free float will be determined based on a more extensive analysis.

Special Cases

The following guidelines will be applied in analyzing the special cases set forth below:

- **Nominees or trustees:** Shareholdings registered in the name of a nominee or trustee are classified as strategic or non-strategic based on an analysis of who the ultimate beneficial owner of the shares is, according to the shareholder types described above.

- **Government agencies and government-related investment funds:** Shareholdings of government agencies and government-related investment funds are classified based on an analysis of the objective of the investment and the extent of government involvement in managing the companies.

- **Insurance companies:** Shareholdings by insurance companies are considered as non-free float, when analysis shows that these holdings are unlikely to be made available as free float in the market. This analysis typically looks at the nature of the insurance business in each country, a company's business practices with its group-related or other companies, and the regulatory environment in the country, including fiscal incentives. These factors, individually or combined, could restrict the insurance company's shareholdings from being made freely available in the stock market. Therefore, the treatment of stakes held by insurance companies may differ from country to country. Because of the structure of equity ownership and the importance of financial alliances for the control of companies in some countries, insurance companies' stakes in other companies may be treated as strategic. This is the case in France, Germany, Italy and Japan, where stakes above 2% (FR, DE, IT) and above 5% (JP) are treated as strategic.

- **Depository Receipts:** Shares that are deposited to back the issuance of depository receipts such as ADRs and GDRs are classified as non-strategic, unless it is established that a specific stake held in depository receipts is strategic in nature.

- **Shares with "loyalty" incentives:** In a public offering, special incentives are sometimes provided to retail investors and are subject to a minimum holding period. These shares will not be considered as part of the free float during the minimum holding period if the incentives are deemed to be material. In general, a conditional share bonus in a ratio of 1 to 5 (or an equivalent price discount of $1/6^{th}$), or more, will be considered as material.
- **Lock-up periods:** Any shares that are subject to lock-up periods will be considered as non-free float during the lock-up period. At the end of the lock-up period, these shares will be classified as strategic or non-strategic based on the nature of the shareholder.

Foreign Ownership Limits (FOLs)

For the determination of the FOLs, the following guidelines are used:

- For companies that impose ownership restrictions for non-European Union investors, such restrictions are fully taken into account in the calculation of the FOL.

- Regulatory requirements governing the ownership of shares by foreign investors in the country where the security is included

- In countries where companies are allowed to issue depository receipts such as ADRs or GDRs in exemption of the outstanding foreign ownership restrictions, the FOL calculation includes the percentage represented by the depository receipts.

- Similarly, if a company exceptionally permits certain foreign shareholders to own shares in excess of the maximum stated in the company's by-laws and the exception is publicly disclosed, this is taken into account in the calculation of the FOL.

- When a company's foreign ownership restriction is defined as a proportion of the company's total share capital and the company has multiple listed share classes with no specific limit set for any one class, MSCI applies the company's FOL equally to each of the company's listed share classes.

- When a company's foreign ownership restriction is defined as a proportion of the company's total share capital and the company has multiple share classes but only one is listed, MSCI calculates the FOL by applying the total shares available to foreign investors (after taking into consideration foreign non-free float shareholdings of non-listed shares, if any) on the listed shares only.

Example:
Calculating Foreign Ownership Limit (FOLs)

	Listed	Non-Listed	Total
Number of shares outstanding	500	500	1,000
Foreign non-free float shareholdings		100	100
Foreign ownership limit applied to the company	= 40%		
Foreign Ownership Limit (FOL) applied to listed shares	**= ((0.40*1,000) – 100)/500**		
	= 0.60		

Treatment of Non-Voting Depository Receipts in Thailand

As part of the Capital Market Development Plan, the Securities and Exchange Commission of Thailand set up Non-Voting Depository Receipts (NVDRs) to improve the investability of the Thai capital market. NVDRs are depository receipts issued by the Thai NVDR Company Limited, a subsidiary of the Stock Exchange of Thailand (SET) and backed by shares listed on the SET. NVDRs entitle their holders to all financial benefits of the underlying shares, except voting rights.

Foreign ownership limits that apply to common shares do not apply to NVDRs, and therefore the NVDR scheme may allow foreign investors to own a greater percentage of shares than the foreign ownership limit of certain companies. NVDRs are traded as local shares and as such, investors can buy and sell them through the local price counter.

MSCI Barra will consider increasing the weight of companies that are existing constituents of the MSCI Thailand Index, that also have sizeable NVDRs. Sizeable NVDRs are defined as those representing at least 5 per cent of the existing constituent’s total outstanding company number of shares and must represent at least the minimum size for addition in Thailand as defined in Appendix IV.

MSCI Barra will recognize NVDRs as securities based on the local price. The calculation of Foreign Ownership Limit (FOL) and Foreign Inclusion Factor (FIF) will differ in the following scenarios:

1. Existing Constituent Included with the Local Price

When an existing constituent of the MSCI Standard Thailand Index is included with the local price, MSCI Barra includes the portion of NVDRs issued at the time of the review in the calculation of the Foreign Ownership Limit (FOL), for the existing constituents.

The Foreign Inclusion Factor (FIF) is equal to the lesser of:

- Estimated free float available to foreign investors, where the FOL used in the calculation follows the same definition described above:
  - Rounded up to the closest 5%, if the free float is greater than 15%,
  - Rounded to the closest 1%, if the free float is less than 15%.
  - FOL rounded to the closest 1%, where the FOL is calculated as the sum of the foreign ownership limits as defined in the company's bylaws or regulations rounded to the closest 1% and NVDRs in issue as a proportion of total outstanding company number of shares rounded to the closest 1%.

2. Existing Constituent Included with the Foreign Price

When an existing constituent of the MSCI Thailand Index Series is included with the foreign price, MSCI will account for the NVDRs in the index separately as securities based on the local price while maintaining the existing constituent with the foreign price. The Foreign Inclusion Factor (FIF) of the local price security is equal to the portion of NVDRs issued at the time of the review rounded to the closest 1%:

As FIF changes related to NVDR reviews are applied in the indices on a semi-annual basis, the review of inclusions or removals of NVDRs occurs on a semi-annual basis to coincide with the May Annual Full Country Index Review and November Quarterly Index Review.

Example:
<u>Calculating Foreign Inclusion Factor (FIF) and Foreign Ownership Limit (FOL) for an Existing Constituent included with the Local Price in the MSCI Thailand Index Series with Sizeable NVDRs:</u>

	Company A	*Company B*	*Company C*
Total number of shares outstanding	10,000,000	10,000,000	10,000,000
All shares classified as non-free float	4,000,000	4,000,000	4,000,000
- those held by foreign investors as strategic	1,000,000	-	100,000
Total non-free float shareholdings (%)	40.0	40.0	40.0
Free float (%)	**60.0**	**60.0**	**60.0**
Foreign ownership limit as defined by the company (%)	33.3	33.3	33.3
Percentage of NVDRs issued	20.0	20.0	20.0
Foreign Ownership Limit (%)	**53.3**	**53.3**	**53.3**
Foreign strategic shareholding (%)	10.0	-	1.0
Foreign Ownership Limit less the foreign strategic shareholding (%)	**43.3**	**53.3**	**52.3**
Foreign Inclusion Factor (FIF)	**0.45**	**0.53**	**0.53**
Market price ($)	500	500	500
Full market capitalization ($mm)	5,000	5,000	5,000

Free-float adjusted market capitalization ($mm)	2,250	2,650	2,650

Securities affected by Other Foreign Ownership Restrictions

In the case where other foreign investment restrictions exist, which materially limit the ability of international investors to freely invest in a particular equity market, sector or security, a Limited Investability Factor (LIF) may be applied to ensure that the investability objectives of the MSCI Indices can be achieved.

There is typically no simple way to account for these types of investability limitations in a benchmark, as they tend to be subtle and complex, and may affect different market participants in different ways.

For example, such restrictions may involve a complex process of investor validation and qualification, restrictions on funds transfer, individual investment quota limits and various complex administrative requirements. While instituted at a country level these restrictions may have different consequences depending on the characteristics of the investor, including legal status, size of assets under management or date of application.

In the case of individual companies with Foreign Ownership Limits, it may happen that the maximum ownership by non-national investors is reached while depository receipts may continue to be available to foreign investors. In such cases, the depository receipts typically trade at a persistent premium relative to the domestic shares, highlighting the difficulties for international investors to replicate the security's weight in the index.

Therefore, where deemed necessary, a LIF will be determined and applied based on an extensive case-by-case analysis. The application of this LIF permits a more accurate comparison of constituent markets and securities that have more complex and subtle restrictions on the investment process to markets and securities where investment limitations can be appropriately reflected in their standard FIFs.

Appendix III: Global Industry Classification Standard (GICS)

Introduction

The Global Industry Classification Standard (GICS) was developed by MSCI in collaboration with Standard & Poor's (S&P) to provide an efficient, detailed and flexible investment tool. It is designed to respond to the global financial community's need for a global, accurate, complete and widely accepted approach to defining industries and classifying securities by industry. Its universal approach to industry classification aims to improve transparency and efficiency in the investment process.

Key Features of GICS

The key features of GICS are that it is:

- Universal: the classification applies to companies globally.
- Accurate: the structure precisely reflects the state of industries in the equity investment universe.
- Flexible: the classification consists of four levels of analysis, ranging from the most general to the most specialized sub-industry.
- Evolutionary: annual reviews are conducted to ensure that the classification remains fully representative of the universe.

To provide the level of precision critical in the investment process, GICS is designed with four levels of classifications:

The Global Industry Classification Standard (GICS)

10 Sectors

⇧

24 Industry Groups

⇧

67 Industries

⇧

147 Sub-Industries

GICS has 10 sector classifications:

- Energy
- Materials
- Industrials
- Consumer Discretionary
- Consumer Staples
- Health Care
- Financials
- Information Technology

- Telecommunication Services
- Utilities.

Philosophy and Objectives of GICS

The way in which securities are classified into asset classes forms the basis of many important investment decisions. The relative merits of each security are judged primarily within these asset classes, and investment decisions are taken within this framework.

Approaches to Industry Classification Schemes

While grouping securities by country and regions is relatively straightforward, classifications by industries are more difficult. There are many approaches to developing industry classification schemes, some of which are discussed below.

At one extreme is the purely statistical approach, which is solely financial market-based and backward looking, using past returns. Aggregations are formed around correlation, often yielding non-intuitive groupings that are dissimilar across countries and regions. Another approach attempts to define a priori financial market-oriented groups or themes, such as cyclical, interest rate sensitive, etc. The difficulty, however, lies in finding widely accepted and relatively stable definitions for these themes.

Two other approaches begin with an economic perspective on companies. The first focuses on a production orientation while the other adopts a market or demand orientation in company analysis. The production-oriented approach was effective in the past in its analysis of the microstructure of industries from the producers' standpoint. For instance, it segregated goods and services on the premise that it was a different set of companies that provided each to consumers. As the structure of the global economy evolved, limitations of this approach became increasingly obvious. The ever-increasing share of discretionary income brought about by economic development, emergence of the service era, and the availability and accessibility of information with the advent of new communication technology has moved the emphasis from producers to consumers.

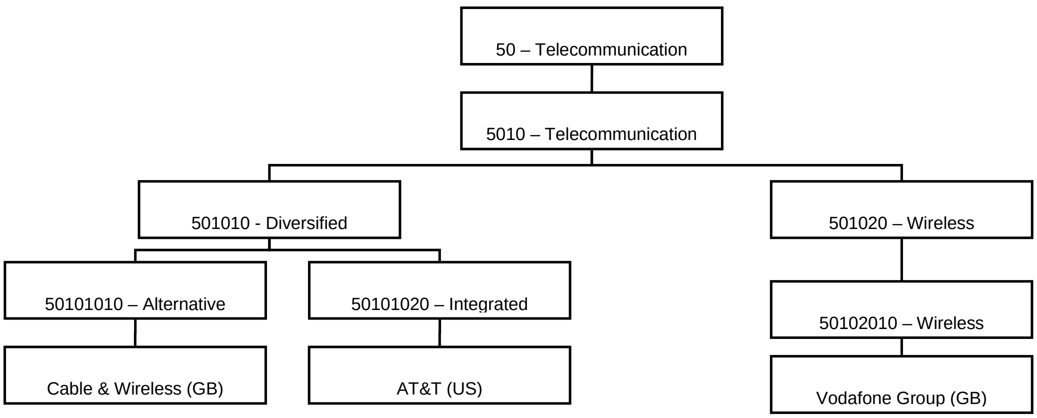
GICS: Market Demand-Oriented

The Global Industry Classification Standard (GICS) is designed to be market demand-oriented in its analysis and classification of companies. For example, drawing the line between goods and services is becoming increasingly arbitrary as they are now commonly sold together. This distinction between goods and services is replaced by adopting the more market-oriented sectors of "Consumer Discretionary" and "Consumer Staples", which group goods and services sub-industries. In addition, the creation of large stand-alone sectors such as Health Care, Information Technology and Telecommunication Services accurately represents industries that provide significant value to the consumer in today's global and integrated economy. This further contributes to a more uniform distribution of weights among the 10 sectors.

GICS Company Classification

The Global Industry Classification Standard (GICS) is used to assign each company to a sub-industry according to its principal business activity. Since the GICS is strictly hierarchical, a company can only belong to one grouping at each of the four levels.

An Illustration of the GICS – Telecommunication Services Sector:



Classification by Revenue

In order to provide an accurate, complete and long-term view of the global investment universe, a company's revenues often provide a more stable and precise reflection of its activities than earnings. Furthermore, industrial and geographical breakdowns of revenues are more commonly available than earnings broken down the same way for most companies. Nevertheless, company valuations are more closely related to earnings than revenues. Therefore, earnings remain an important secondary consideration in a company's industry classification.

General Guidelines for Classification

The primary source of information used to classify securities is a company's annual reports and accounts. Other sources include brokers' reports and other published research literature. As a general rule, a company is classified in the sub-industry whose definition most closely describes the business activities that generate at least 60% of the company's revenues.

Example: Nokia (FI)

2005 Results	Mobile Phones	Multimedia	Enterprise Solutions	Networks
Revenues	61%	17%	3%	19%
Earnings	72%	17%	0%	17%

Classified as:

GICS Level	GICS Code	Code Description
Sector	45	Information Technology
Industry Group	4520	Technology Hardware & Equipment
Industry	452010	Communications Equipment
Sub-Industry	45201020	Communications Equipment

However, a company engaged in two or more substantially different business activities, none of which contribute 60% or more of revenues, is classified in the sub-industry that provides the majority of both the company's revenues and earnings. When no sub-industry provides the majority of both the company's revenues and earnings, the classification will be determined based on further MSCI research and analysis. In addition, a company significantly diversified across three or more sectors, none of which contributes the majority of revenues or earnings, is classified either in the Industrial Conglomerates sub-industry (Industrial Sector) or in the Multi-Sector Holdings sub-industry (Financials Sector).

Example: General Electric (US)

2005 Results	Infrastructure	Industrial	Healthcare	NBC Universal	Commercial Finance	Consumer Finance
Revenues	29%	23%	10%	10%	14%	13%
Earnings	33%	11%	11%	13%	18%	13%

Classified as:

GICS Level	GICS Code	Code Description
Sector	20	Industrials
Industry Group	2010	Capital Goods
Industry	201050	Industrial Conglomerates
Sub-Industry	20105010	Industrial Conglomerates

In the case of a new issue, the classification will be determined based primarily on the description of the company's activities and pro forma results as given in the prospectus.

Review of Sub-Industry Classification

A company's sub-industry classification will be reviewed either when a significant corporate restructuring occurs or when a new annual report is available. In order to provide a stable sub-industry classification, when reviewing a company's classification, changes will be minimized in the sub-industry classification to the extent possible by disregarding temporary fluctuations in the results of a company's different activities.

In the event that the above guidelines should not appropriately capture a particular company's business activity, its classification will be determined based on more extensive analysis.

GICS (Global Industry Classification Standard)

Effective after close of business (US, EST) Friday April 28, 2006

Sector	Industry Group	Industry	Sub-Industry
10 - Energy	1010 - Energy	101010 - Energy Equipment & Services	10101010 - Oil & Gas Drilling
			10101020 - Oil & Gas Equipment & Services
		101020 - Oil, Gas & Consumable Fuels	10102010 - Integrated Oil & Gas
			10102020 - Oil & Gas Exploration & Production
			10102030 - Oil & Gas Refining & Marketing
			10102040 - Oil & Gas Storage & Transportation
			10102050 - Coal & Consumable Fuels
15 - Materials	1510 - Materials	151010 - Chemicals	15101010 - Commodity Chemicals
			15101020 - Diversified Chemicals
			15101030 - Fertilizers & Agricultural Chemicals
			15101040 - Industrial Gases
			15101050 - Specialty Chemicals
		151020 - Construction Materials	15102010 - Construction Materials
		151030 - Containers & Packaging	15103010 - Metal & Glass Containers
			15103020 - Paper Packaging
		151040 - Metals & Mining	15104010 - Aluminum
			15104020 - Diversified Metals & Mining
			15104030 - Gold
			15104040 - Precious Metals & Minerals
			15104050 - Steel
		151050 - Paper & Forest Products	15105010 - Forest Products
			15105020 - Paper Products
20 - Industrials	2010 - Capital Goods	201010 - Aerospace & Defense	20101010 - Aerospace & Defense
		201020 - Building Products	20102010 - Building Products
		201030 - Construction & Engineering	20103010 - Construction & Engineering
		201040 - Electrical Equipment	20104010 - Electrical Components & Equipment
			20104020 - Heavy Electrical Equipment
		201050 - Industrial Conglomerates	20105010 - Industrial Conglomerates
		201060 - Machinery	20106010 - Construction & Farm Machinery & Heavy Trucks
			20106020 - Industrial Machinery
		201070 - Trading Companies & Distributors	20107010 - Trading Companies & Distributors
	2020 - Commercial Services & Supplies	202010 - Commercial Services & Supplies	20201010 - Commercial Printing
			20201030 - Diversified Commercial & Professional Services
			20201040 - Human Resource & Employment Services
			20201050 - Environmental & Facilities Services
			20201060 - Office Services & Supplies
	2030 - Transportation	203010 - Air Freight & Logistics	20301010 - Air Freight & Logistics
		203020 - Airlines	20302010 - Airlines
		203030 - Marine	20303010 - Marine
		203040 - Road & Rail	20304010 - Railroads
			20304020 - Trucking
		203050 - Transportation Infrastructure	20305010 - Airport Services
			20305020 - Highways & Railtracks
			20305030 - Marine Ports & Services
25 - Consumer Discretionary	2510 - Automobiles & Components	251010 - Auto Components	25101010 - Auto Parts & Equipment
			25101020 - Tires & Rubber
		251020 - Automobiles	25102010 - Automobile Manufacturers
			25102020 - Motorcycle Manufacturers
	2520 - Consumer Durables & Apparel	252010 - Household Durables	25201010 - Consumer Electronics
			25201020 - Home Furnishings
			25201030 - Homebuilding
			25201040 - Household Appliances
			25201050 - Housewares & Specialties
		252020 - Leisure Equipment & Products	25202010 - Leisure Products
			25202020 - Photographic Products
		252030 - Textiles, Apparel & Luxury Goods	25203010 - Apparel, Accessories & Luxury Goods
			25203020 - Footwear
			25203030 - Textiles
	2530 - Consumer Services	253010 - Hotels, Restaurants & Leisure	25301010 - Casinos & Gaming
			25301020 - Hotels, Resorts & Cruise Lines
			25301030 - Leisure Facilities
			25301040 - Restaurants
		253020 - Diversified Consumer Services	25302010 - Education Services
			25302020 - Specialized Consumer Services
	2540 - Media	254010 - Media	25401010 - Advertising
			25401020 - Broadcasting & Cable TV
			25401030 - Movies & Entertainment
			25401040 - Publishing
	2550 - Retailing	255010 - Distributors	25501010 - Distributors
		255020 - Internet & Catalog Retail	25502010 - Catalog Retail
			25502020 - Internet Retail
		255030 - Multiline Retail	25503010 - Department Stores
			25503020 - General Merchandise Stores
		255040 - Specialty Retail	25504010 - Apparel Retail
			25504020 - Computer & Electronics Retail
			25504030 - Home Improvement Retail
			25504040 - Specialty Stores
			25504050 - Automotive Retail
			25504060 - Homefurnishing Retail

Sector	Industry Group	Industry	Sub-Industry
30 - Consumer Staples	3010 - Food & Staples Retailing	301010 - Food & Staples Retailing	30101010 - Drug Retail
			30101020 - Food Distributors
			30101030 - Food Retail
			30101040 - Hypermarkets & Super Centers
	3020 - Food, Beverage & Tobacco	302010 - Beverages	30201010 - Brewers
			30201020 - Distillers & Vintners
			30201030 - Soft Drinks
		302020 - Food Products	30202010 - Agricultural Products
			30202030 - Packaged Foods & Meats
		302030 - Tobacco	30203010 - Tobacco
	3030 - Household & Personal Products	303010 - Household Products	30301010 - Household Products
		303020 - Personal Products	30302010 - Personal Products
35 - Health Care	3510 - Health Care Equipment & Svcs	351010 - Health Care Equipment & Supplies	35101010 - Health Care Equipment
			35101020 - Health Care Supplies
		351020 - Health Care Providers & Services	35102010 - Health Care Distributors
			35102015 - Health Care Services
			35102020 - Health Care Facilities
			35102030 - Managed Health Care
		351030 - Health Care Technology	35103010 - Health Care Technology
	3520 - Pharma., Bio. & Life Sciences	352010 - Biotechnology	35201010 - Biotechnology
		352020 - Pharmaceuticals	35202010 - Pharmaceuticals
		352030 - Life Sciences Tools & Services	35203010 - Life Sciences Tools & Services
40 - Financials	4010 - Banks	401010 - Commercial Banks	40101010 - Diversified Banks
			40101015 - Regional Banks
		401020 - Thrifts & Mortgage Finance	40102010 - Thrifts & Mortgage Finance
	4020 - Diversified Financials	402010 - Diversified Financial Services	40201020 - Other Diversified Financial Services
			40201030 - Multi-Sector Holdings
			40201040 - Specialized Finance
		402020 - Consumer Finance	40202010 - Consumer Finance
		402030 - Capital Markets	40203010 - Asset Management & Custody Banks
			40203020 - Investment Banking & Brokerage
			40203030 - Diversified Capital Markets
	4030 - Insurance	403010 - Insurance	40301010 - Insurance Brokers
			40301020 - Life & Health Insurance
			40301030 - Multi-line Insurance
			40301040 - Property & Casualty Insurance
			40301050 - Reinsurance
	4040 - Real Estate	404020 - Real Estate Investment Trusts (REITs)	40402010 - Diversified REIT's
			40402020 - Industrial REIT's
			40402030 - Mortgage REIT's
			40402040 - Office REIT's
			40402050 - Residential REIT's
			40402060 - Retail REIT's
			40402070 - Specialized REIT's
		404030 - Real Estate Management & Development	40403010 - Real Estate Management & Development
45 - Information Technology	4510 - Software & Services	451010 - Internet Software & Services	45101010 - Internet Software & Services
		451020 - IT Services	45102010 - IT Consulting & Other Services
			45102020 - Data Processing & Outsourced Services
		451030 - Software	45103010 - Application Software
			45103020 - Systems Software
			45103030 - Home Entertainment Software
	4520 - Technology Hardware & Equipment	452010 - Communications Equipment	45201020 - Communications Equipment
		452020 - Computers & Peripherals	45202010 - Computer Hardware
			45202020 - Computer Storage & Peripherals
		452030 - Electronic Equipment & Instruments	45203010 - Electronic Equipment Manufacturers
			45203020 - Electronic Manufacturing Services
			45203030 - Technology Distributors
		452040 - Office Electronics	45204010 - Office Electronics
	4530 - Semicondt. & Semicondt. Equip.	453010 - Semiconductors & Semiconductor Equipment	45301010 - Semiconductor Equipment
			45301020 - Semiconductors
50 - Telecommunication	5010 - Telecommunication Services	501010 - Diversified Telecommunication Services	50101010 - Alternative Carriers
			50101020 - Integrated Telecommunication Services
		501020 - Wireless Telecommunication Services	50102010 - Wireless Telecommunication Services
55 - Utilities	5510 - Utilities	551010 - Electric Utilities	55101010 - Electric Utilities
		551020 - Gas Utilities	55102010 - Gas Utilities
		551030 - Multi-Utilities	55103010 - Multi-Utilities
		551040 - Water Utilities	55104010 - Water Utilities
		551050 - Independent Power Producers & Energy Traders	55105010 - Independent Power Producers & Energy Traders

GICS Structure Review Frequency

MSCI and Standard & Poor's are committed to ensuring that the GICS structure remains relevant and up-to-date. This is accomplished through an annual review of the structure. This review includes a detailed internal analysis to develop a proposal for potential structural changes and public request for comments and in-depth client consultations with various market participants as a means of obtaining feedback on proposed structural changes.

Appendix IV: Minimum Size Guidelines

Objective

The objective of MSCI is to provide global benchmark equity indices that can serve as relevant and accurate performance benchmarks, effective research tools, and as the basis for a wide variety of investment vehicles. MSCI strives to achieve this objective by following some guiding principles in the design and implementation of its index construction and maintenance methodology. One such guiding principle is to construct and manage the MSCI Equity Index Series such that the indices can be replicated in global institutional portfolios of meaningful size at a relatively reasonable cost. The replicability of indices requires that constituents in MSCI Indices be represented at their free float-adjusted, investable weight and that existing constituents or new securities that are considered for inclusion be of reasonable size and liquidity. The use of free float-adjustment and a broader and deeper industry group representation target of 85% of the free float-adjusted market capitalization further require that closer consideration be given to the size of existing or potential new constituents. In many industries and countries, in the absence of an eligible minimum size requirement for inclusion, achieving this broader and deeper level of target market representation could well result in the inclusion of many small securities, which global institutional investors may find difficult to reflect in their portfolios in a cost-effective fashion.

Size Distribution and Structure of Markets

The determination of minimum size for inclusion is complicated by the fact that the free float-adjusted market capitalization or size distributions vary considerably across markets around the world. These variations are caused by differences in the structure of underlying markets. For example, in the case of the USA, a free float-adjusted market capitalization of $US 1 billion would correspond to the size of the largest security within the 92nd percentile of the distribution of free float-adjusted market capitalization. This security's contribution to US market capitalization would amount to 1.1 basis points. In the case of Japan, a $US 1 billion free float-adjusted market capitalization would correspond to the size of the largest security within the 78th percentile of the distribution of free float-adjusted market capitalization and its contribution to the market would amount to 6.9 basis points. This simple example illustrates that a minimum size threshold of $US 1 billion would be too low in the case of the USA, as it would result in the inclusion of hundreds of securities with a negligible marginal contribution to the country index. On the other hand, this minimum size threshold would be too high in the case of Japan, as an 85% target market representation could only be achieved by including all securities with a free float-adjusted market capitalization of up to $US 1 billion, irrespective of their industry group affiliation. The table below provides the characteristics of a security of $US 1 billion free float-adjusted market capitalization in some large developed markets. This table further highlights the variation of size patterns across countries.

Characteristics of a Security of $US 1 Billion Free Float-Adjusted Market Cap (Data as of December 2002)			
Country	***Market Size Free float-adjusted ($US bn)***	***Percentile of Total Market*** [1]	***Contribution to Total Market*** [2] ***(b.p.)***
USA	9,277	92	1.1
UK	1,656	92	6.0
Japan	1,452	78	6.9
France	576	90	17.4
Switzerland	452	93	22.1
Canada	392	81	25.5
Germany	356	88	28.1
Netherlands	340	94	29.4
Italy	256	85	39.1
Sweden	132	76	75.8

Notes:
[1] Percentile of free float-adjusted market capitalization in descending order to which the $US 1 billion security belongs
[2] Contribution of a $US 1 billion security to the total market

Framework for Determining Minimum Size Guideline

The above example highlights the fact that, given the differences in the structure of underlying markets, a simple rule that defines the minimum size for inclusion for all markets around the world cannot be designed to simplify the index construction process. A rigid rule would also introduce unnecessary turnover, potentially leading to benchmark instability. Therefore, a careful assessment of what constitutes minimum size for inclusion needs to be made on a country by country basis and/or on the basis of certain country groupings, based on overall market size or other criteria. In order to develop guidelines for minimum size for inclusion for various countries and/or country groupings, MSCI has designed a framework for analyzing this issue. This framework requires a careful analysis and interpretation of different factors, such as:

- The overall free float-adjusted market capitalization of the market.
- The distribution of free float-adjusted market capitalization in the country.
- The level of market concentration.
- The marginal contribution of securities, belonging to different percentiles of the free float-adjusted market capitalization distribution, to the country index.
- Other relevant characteristics of the underlying market at the time of decision.

Minimum Size Guidelines for Inclusion

Based on the framework described above, the following minimum size thresholds for inclusion were considered appropriate for the different countries and country groupings shown below. These thresholds were updated and based on market data as of December 2005, and they were applied in the annual full country index review in May 2006. They remain applicable until further notice. Note that in the table below, countries within the same minimum size threshold are ranked by order of decreasing index market capitalization using data as of April 2006.

Eligible Minimum Size Threshold for Inclusions of New Securities (Free Float-Adjusted Market Capitalization) May 2006

DM Countries		Minimum Size (USD mm)
USA	US	3,000
UNITED KINGDOM	GB	1,800
FRANCE	FR	1,600
GERMANY	DE	1,600
SWITZERLAND	CH	1,600
ITALY	IT	1,600
SPAIN	ES	1,600
NETHERLANDS	NL	1,600
JAPAN	JP	1,300
CANADA	CA	1,300
AUSTRALIA	AU	1,300
SWEDEN	SE	800
HONG KONG	HK	800
FINLAND	FI	800
BELGIUM	BE	800
NORWAY	NO	800
IRELAND	IE	800
DENMARK	DK	800
GREECE	GR	800
AUSTRIA	AT	800
PORTUGAL	PT	800
SINGAPORE	SG	600
NEW ZEALAND	NZ	600

EM Countries		Minimum Size (USD mm)
KOREA	KR	600
TAIWAN	TW	600
BRAZIL	BR	600
SOUTH AFRICA	ZA	600
RUSSIA	RU	600
MEXICO	MX	600
CHINA	CN	400
INDIA	IN	400
ISRAEL	IL	400
MALAYSIA	MY	250
TURKEY	TR	250
THAILAND	TH	250
INDONESIA	ID	250
POLAND	PL	250
CHILE	CL	250
HUNGARY	HU	250
CZECH REPUBLIC	CZ	250
ARGENTINA	AR	150
EGYPT	EG	150
PERU	PE	150
PHILIPPINES	PH	150
COLOMBIA	CO	150
PAKISTAN	PK	150
MOROCCO	MA	150
JORDAN	JO	150
VENEZUELA	VE	50
SRI LANKA	LK	50

Users of MSCI Indices should view the minimum size thresholds for securities in various countries and country groupings presented above with caution. In general, index guidelines are subject to review as underlying market conditions change and are less rigid than index rules. In particular, the minimum size thresholds are somewhat time-dependent. MSCI has a policy of periodically reviewing the minimum size thresholds, at the time of its regularly scheduled annual full country index review.

Minimum Size Guidelines for Early Inclusion of new securities outside a Quarterly Index Review (please refer to section 3.4.3.1)

In order to qualify for other early inclusions, a security must meet the index constituent eligibility rules and guidelines described in Section 2.4.1 and have a free float-adjusted market capitalization of at least 4 times the minimum size guidelines for inclusion. Please note that countries within the same minimum size threshold are ranked by order of decreasing index market capitalization using data as of April 2006.

Eligible Minimum Size Threshold for Early Inclusions of New Securities (Free Float-Adjusted Market Capitalization) May 2006

DM Countries		Minimum Size (USD mm)
USA	US	12,000
UNITED KINGDOM	GB	7,200
FRANCE	FR	6,400
GERMANY	DE	6,400
SWITZERLAND	CH	6,400
ITALY	IT	6,400
SPAIN	ES	6,400
NETHERLANDS	NL	6,400
JAPAN	JP	5,200
CANADA	CA	5,200
AUSTRALIA	AU	5,200
SWEDEN	SE	3,200
HONG KONG	HK	3,200
FINLAND	FI	3,200
BELGIUM	BE	3,200
NORWAY	NO	3,200
IRELAND	IE	3,200
DENMARK	DK	3,200
GREECE	GR	3,200
AUSTRIA	AT	3,200
PORTUGAL	PT	3,200
SINGAPORE	SG	2,400
NEW ZEALAND	NZ	2,400

EM Countries		Minimum Size (USD mm)
KOREA	KR	2,400
TAIWAN	TW	2,400
BRAZIL	BR	2,400
SOUTH AFRICA	ZA	2,400
RUSSIA	RU	2,400
MEXICO	MX	2,400
CHINA	CN	1,600
INDIA	IN	1,600
ISRAEL	IL	1,600
MALAYSIA	MY	1,000
TURKEY	TR	1,000
THAILAND	TH	1,000
INDONESIA	ID	1,000
POLAND	PL	1,000
CHILE	CL	1,000
HUNGARY	HU	1,000
CZECH REPUBLIC	CZ	1,000
ARGENTINA	AR	600
EGYPT	EG	600
PERU	PE	600
PHILIPPINES	PH	600
COLOMBIA	CO	600
PAKISTAN	PK	600
MOROCCO	MA	600
JORDAN	JO	600
VENEZUELA	VE	200
SRI LANKA	LK	200

Minimum Size Guidelines for inclusion of new securities during a Quarterly Index Review

As mentioned in Section 3.2.1, securities may be added to a country index during a quarterly index review for a variety of reasons, including under-representation of one or more industry groups following mergers, acquisitions, restructuring and other major market events affecting that industry group and changes in industry classification.

In addition to these reasons, MSCI takes into account other factors such as the free float-adjusted market capitalization of the security in order to decide if the security can be added to the indices. In general, MSCI considers for inclusion at a quarterly index review, those securities that represent at least two times the minimum size guideline for inclusion. The minimum size guideline for inclusion is given earlier in this Appendix. The objective of this guideline is to minimize the number of additions and to reflect only significant changes in quarterly index reviews.

Minimum Size Guidelines for Deletions and for Spin-Offs

Deletions due to small size can be carried out at the time of the annual full country index review and the quarterly index reviews. As a matter of policy, the minimum size guideline for deletions at the time of the annual full country index review is set at 50% of the eligible minimum size threshold for inclusions. Outside of the annual full country index review, such as the quarterly index review, a security will be deleted if its free floated-adjusted market capitalization is significantly below the minimum size guidelines for deletions.

In addition, the minimum size guidelines for deletions are used for spun-off securities as spin-offs can be considered as deletions of part of existing index constituents. Consequently, securities spun-off from existing constituents within the same country may be considered for inclusion at the time of the event if the security spun-off has an estimated free float-adjusted market capitalization representing at least 50% of the eligible minimum size threshold for inclusion of the country. Securities spun-off from existing constituents in a different country may be considered for early inclusion at the time of the event if the security spun-off has an estimated free float-adjusted market capitalization representing the minimum size for inclusion of the country in which the spun-off security belongs.

Appendix V: Index Reviews During Transition Period

May 2007 Annual Full Country Index Review of the Standard Indices

In order to minimize reverse turnover, the May 2007 Annual Full Country Index Review for the Standard Indices used the same Global Minimum Size Requirement and other investability requirements that will be applied in the construction and maintenance of the Provisional Standard Indices. Only securities that are constituents of the Provisional Standard Indices will be added to the Standard Indices to bring the Industry Group representation closer to 85%, if necessary.

August 2007 Quarterly Index Review

In August 2007, the first QIR for the Provisional Standard Indices will be conducted under the principles of the Global Investable Market Indices methodology. Newly eligible companies that will be included in the Provisional Standard Indices as a result of the August 2007 QIR will also be added to the existing Standard Indices as of the close of August 31, 2007. The migrations of companies between the Provisional Standard and Provisional Small Cap Indices will also be reflected in the Standard and Small Cap Indices.

November 2007 Quarterly Index Review

In November 2007, the first SAIR for the Provisional Standard Indices will be conducted under the principles of the Global Investable Market Indices methodology. The addition or deletion of one-half the difference in each constituent's free float-adjusted market capitalization between the existing Standard Indices and the corresponding Provisional Standard Indices will be implemented in the Standard Indices as of the close of November 30, 2007.

February 2007 Quarterly Index Review

In February 2008, the second QIR for the Provisional Standard Indices will be conducted under the principles of the Global Investable Market Indices methodology. Newly eligible companies that will be included in the Provisional Standard Index as a result of the February 2008 QIR will also be added to the Standard Index as of the close of February 29, 2008. The migration of companies between the Provisional Standard and Provisional Small Cap Indices will also be reflected in the Standard and Small Cap Indices.

May 2008 Semi-Annual Index Review

In May 2008, the second Semi-Annual Index Review for the Provisional Standard Indices will be conducted under the principles of the Global Investable Market Indices methodology. The addition or deletion of the remaining difference of the free float-adjusted market capitalization for each constituent will be implemented in the Standard Indices as of the close of May 30, 2008. After this, the Provisional Indices will be discontinued.

Minimum Size Guidelines for Deletions

While the Global Minimum Size Requirement for the Provisional Standard Indices is used to determine the additions to the MSCI Standard Index Series, the following minimum size thresholds are used for deletions in the different countries and country groupings shown below. These thresholds were updated and based on market data as of December 2006, and they were applied in the annual full country index review in May 2007. They remain applicable until further notice. Note that in the table below, countries within the same minimum size threshold are ranked by order of decreasing index market capitalization using data as of April 2006.

DM Countries		Minimum Size (USD mm)
USA	US	1400
UNITED KINGDOM	GB	1300
SPAIN	ES	1300
FRANCE	FR	1200
GERMANY	DE	1200
SWITZERLAND	CH	1200
ITALY	IT	1200
NETHERLANDS	NL	1200
JAPAN	JP	800
CANADA	CA	800
AUSTRALIA	AU	800
SWEDEN	SE	600
HONG KONG	HK	600
FINLAND	FI	600
BELGIUM	BE	600
NORWAY	NO	600
DENMARK	DK	600
IRELAND	IE	600
AUSTRIA	AT	600
GREECE	GR	600
PORTUGAL	PT	600
SINGAPORE	SG	500
NEW ZEALAND	NZ	500

EM Countries		Minimum Size (USD mm)
BRAZIL	BR	500
RUSSIA	RU	500
SOUTH AFRICA	ZA	500
MEXICO	MX	500
KOREA	KR	400
CHINA	CN	400
INDIA	IN	400
TAIWAN	TW	350
MALAYSIA	MY	200
ISRAEL	IL	200
SAUDI ARABIA	SA	200
POLAND	PL	200
CHILE	CL	200
INDONESIA	ID	200
TURKEY	TR	200
THAILAND	TH	200
HUNGARY	HU	200
CZECH REPUBLIC	CZ	200
EGYPT	EG	125
ARGENTINA	AR	125
PERU	PE	125
PHILIPPINES	PH	125
MOROCCO	MA	125
KUWAIT	KW	100
UAE	AE	100
QATAR	QA	100
COLOMBIA	CO	100
PAKISTAN	PK	100
JORDAN	JO	100
BAHRAIN	BH	50
OMAN	OM	50

Appendix VI: Gulf Cooperation Council Countries

Methodology used to construct the MSCI GCC Countries Indices

The methodology used to construct the MSCI GCC Countries indices is similar, but not identical, to the Standard Index Series methodology. Securities are selected for inclusion targeting an 85% free float-adjusted market representation level within each industry group, within each country. Securities must satisfy pre-determined minimum size guidelines and must have a free float of at least 15%. The MSCI GCC Countries Indices are reviewed on an annual and quarterly basis in February, May, August and November. The May Annual Index Review is intended to systematically re-assess the various dimensions of the equity universe for all countries, while the quarterly index reviews are aimed at promptly reflecting other significant market events.

The difference with the methodology for the Standard Indices lies in the fact that the selection of securities is initially done for the domestic indices, i.e., from the perspective of domestic investors. In order to do that, the eligible universe is free float-adjusted by the Domestic Inclusion Factor (DIF) and the selection of securities for the domestic country indices is carried out in that context. The constituents of the non-domestic country indices are then derived from the domestic indices; however the market capitalization of a security is adjusted by the Foreign Inclusion Factors (FIF), which incorporates the Foreign Ownership Limit (FOL). The FOL applied to the GCC countries are based on conditions relevant to international investors based outside of the GCC countries with the exception of Saudi Arabia where the FOL is based on conditions relevant to non-domestic investors in other GCC countries.

Please note that these countries are standalone indices and therefore not part of the MSCI Emerging Markets Index.

<u>Minimum size guidelines</u>

The minimum size guidelines used at construction for the GCC countries' domestic MSCI Indices are: USD 400 mm for Saudi Arabia, USD 200 mm for United Arab Emirates, Kuwait and Qatar, USD 100 mm for Bahrain and Oman. These minimum size guidelines represent DIF-adjusted figures.

As Foreign Ownership Limits captured by the FIF-adjustment may significantly decrease the market capitalization of securities, a minimum size guideline of USD 100 mm ensures that there is also a minimum size threshold on a FIF-adjusted basis.

Appendix VII: Quarterly and Annual Full Country Index Review Changes in FIFs

Quarterly Index Review changes in FIF

As stated in section 3.2.2 "Quarterly Index Review Changes in FIFs", significant changes in free float estimates and corresponding changes in the FIFs for constituents related to relatively large events are reflected in the indices at the quarterly index reviews.
All FIF changes, such as changes resulting from large market transactions involving strategic shareholders, that are publicly announced (for example transactions made by way of immediate bookbuilding and other processes, or secondary offerings that were not implemented immediately), will be implemented during a quarterly index review provided they satisfy one of the following conditions:

- The absolute size of the FIF change is 0.15 or more, or

- The change in free float-adjusted market capitalization resulting from the FIF change represents at least:
  - USD 1bn for securities classified in the US
  - USD 500 mm for securities classified in developed markets other than the US
  - USD 200 mm for securities classified in the emerging markets

The thresholds above only apply to changes in FIFs at quarterly index reviews.

All FIF changes resulting from an increase in FOL are implemented during a quarterly index review unless a corporate event takes place during the quarter, in which case the FIF (including the FOL) will be updated at the time of this event.

Buffer rule for FIF Changes at Quarterly and Annual Full Index Reviews

FIF changes resulting from a change in free float of less than 1% will not be implemented, except in cases of corrections.

Appendix VIII: Price Source for Securities

For a full updated list of prices used in MSCI's end of day index calculations by country, please refer to the MSCI web site at www.msci.com/standard.

In certain countries significant foreign ownership limits exist for certain companies and/or industries. When the FOL is reached in these countries, foreign investors may trade with each other in an organized local market, frequently at a price higher than that available to domestic investors. As a result, there may be separate domestic and foreign board quotations.

MSCI regularly monitors the relative liquidity and foreign ownership availability of constituents with separate domestic and foreign board quotations to determine whether prices for these constituents should reflect the domestic or foreign board quotations. This review occurs on a quarterly basis to coincide with the quarterly index review.

Israel and Russia

A number of factors are analyzed in order to determine the most appropriate price source for the MSCI Israel and Russia Standard Index constituents. The eligible universe includes securities listed on more than one stock exchange, as well as depositary receipts. These factors include the trading frequency, traded volumes and traded value on each exchange, amongst others. The price source will be determined independently for each security. This may result in different price sources for the securities of the same company.

Markets open on Saturday and/or Sunday

In the event that a security is not traded on a Monday but was traded on the previous Saturday and/or Sunday, this security will have the latter price carried forward to the Monday.

Appendix IX: Policy Regarding Market Closures During Index Reviews

For both quarterly index reviews and the annual full country index review, the following principles apply in case of market closures on the day of implementation. As a reminder, the effective implementation date for quarterly index review is as of the close of the last business day of February, August and November. The effective implementation date for the annual full country index review is as of the close of the last business day of May.

Market Closures Due to Scheduled Stock Market Holidays

When a given stock market is closed on the "as of the close of" date due to stock market holiday, the change will be effective on the next day, using the price of the previous day's close.

Unexpected Market Closures

In the event that the primary stock market in a country fails to open for trading and remains closed for the entire trading day on the effective implementation date of the review due to an unexpected market closure, MSCI will, in principle, postpone the review of the MSCI Standard Index Series for that specific country index. MSCI will implement the country index review affected as of the close of the first business day (Monday to Friday) that the specific market reopens for trading and closing prices are available. In the event of unexpected closures of stock markets in more than one country, MSCI will evaluate the situation and may apply a different policy.

For smaller countries, however, in the event of unexpected market closures, MSCI reserves the right to implement the index review as planned using the closing price of the last day the market was open.

Market Outage during the Trading Day

In the event that a market is affected by an outage during the trading day on the effective implementation date, MSCI will determine its pricing policy for the relevant country on a case by case basis. In making its decision, MSCI will take into consideration a number of factors, including the time and duration of the outage, information on the outage provided by the specific stock exchange, and other relevant market information.

MSCI will communicate all decisions taken with respect to market outages during the day through the regular client communication channels as well as via Reuters (Pages MSCIA and following) and Bloomberg (MSCN).

In some exceptional cases, such that stock market holidays in many countries coincide with the "as of the close of" date, MSCI may decide to move the "as of the close of" date to a more appropriate date. In such cases, MSCI would announce such a change in advance.

Appendix X: Equity Markets and Universe

The tables below provide a list of Stock Exchanges, Market Segments and Eligible Security Classes that MSCI Barra uses as the basis of the construction of the MSCI Standard Index Series

Eligible Markets (DM)

Country Name	Stock Exchange	Market Segment
AUSTRALIA	Australian Stock Exchange	
AUSTRIA	Vienna Stock Exchange	Prime Market Standard Market
BELGIUM	Euronext	Eurolist
CANADA	Toronto Stock Exchange	
DENMARK	Copenhagen Stock Exchange	
FINLAND	Helsinki Stock Exchange	Main List I List NM List
FRANCE	Euronext	Eurolist Alternext
GERMANY	Deutsche Börse	Official Market Regulated Market
GREECE	Athens Exchange	Big Capitalization Medium and Small Capitalization
HONG KONG	Stock Exchange of Hong Kong	Main Board Growth Enterprise Market
IRELAND	Irish Stock Exchange	Official Market Irish Enterprise Exchange (IEX)
ITALY	Borsa Italiana	Blue Chip STAR Standard Mercato Expandi
JAPAN	Tokyo Stock Exchange Osaka Stock Exchange JASDAQ Nagoya Stock Exchange	First Section Second Section Mothers First Section Second Section Hercules First Section Second Section Centrex
NETHERLANDS	Euronext	Eurolist
NEW ZEALAND	New Zealand Stock Exchange New Zealand Alternative Exchange	
NORWAY	Oslo Stock Exchange	Main List SMB List Primary Capital Certificates List
PORTUGAL	Euronext	Eurolist
SINGAPORE	Singapore Exchange	Main Board SESDAQ
SPAIN	Madrid Stock Exchange	Primer Mercado
SWEDEN	Stockholm Stock Exchange Nordic Growth Market Nya Marknaden AktieTorget	A-list O-list
SWITZERLAND	Swiss Exchange	VIRT-X SWX SWX Local Caps
UNITED KINGDOM	London Stock Exchange	Main Market AIM
USA	New York Stock Exchange NASDAQ American Stock Exchange	

1 *For a more detailed description of the MSCI universe, please refer to Appendix II*

Eligible Markets (EM)

Country Name	Stock Exchange	Market Segment
ARGENTINA	Buenos Aires Stock Exchange	
BRAZIL	Bolsa de Valores de Sao Paulo	Level 1 Level 2 Novo Mercado
CHILE	Santiago Stock Exchange	
CHINA (1)	Shenzen Stock Exchange Shanghai Stock Exchange Stock Exchange of Hong Kong	 Main Board Growth Enterprise Market
COLOMBIA	Colombian Stock Exchange	
CZECH REPUBLIC	Prague Stock Exchange	Main Market Secondary Market Free Market
EGYPT	Cairo & Alexandria Stock Exchanges	
HUNGARY	Budapest Stock Exchange	Equities Category A Equities Category B
INDIA	National Stock Exchange Mumbai Stock Exchange	
INDONESIA	Jakarta Stock Exchange	Main Board Development Board
ISRAEL (1)	Tel Aviv Stock Exchange	
JORDAN	Amman Stock Exchange	First Market
KOREA	Korea Exchange	KSE KOSDAQ
MALAYSIA	Malaysia Stock Exchange	Main Board Second Board MESDAQ
MEXICO	Mexican Stock Exchange	
MOROCCO	Casablanca Stock Exchange	
PAKISTAN	Karachi Stock Exchange	
PERU	Lima Stock Exchange	
PHILIPPINES	Philippine Stock Exchange	Main Board
POLAND	Warsaw Stock Exchange	Main Market Parallel Market
RUSSIA (1)	Russian Trading System (RTS) MICEX Stock Exchange	
SOUTH AFRICA	Johannesburg Stock Exchange	Main Board AltX
TAIWAN	Taiwan Stock Exchange GreTai Securities Market	
THAILAND	Stock Exchange of Thailand Market for Alternative Investment	
TURKEY	Istanbul Stock Exchange	National Market Second National Market New Economy Market

1 *For a more detailed description of the MSCI universe, please refer to Appendix II*

Eligible Markets (Standalone Markets)

Country Name	Stock Exchange	Market Segment
BAHRAIN	Bahrain Stock Exchange	
KUWAIT	Kuwait Stock Exchange	
OMAN	Oman Securities Market	
QATAR	Doha Securities Market	
UNITED ARAB EMIRATES	Abu Dhabi Stock Exchange Dubai Stock Exchange Dubai International Financial Exchange	
SAUDI ARABIA	Tadawul	
SRI LANKA	Colombo Stock Exchange	Main Board Second Board

Eligible Classes of securities (DM)

Country Name	Classes of Securities
AUSTRALIA	Ordinary shares Preferred shares (2)
AUSTRIA	Ordinary shares Preferred shares (2) Participation certificates
BELGIUM	Ordinary shares Preferred shares (2)
CANADA	Ordinary shares Units of Income Trusts
DENMARK	"A" shares "B" shares
FINLAND	"A" shares "B" shares "K" shares
FRANCE	Ordinary shares Preferred shares (2) Certificats d'Investissement Certificats Coopératif d'Investissement
GERMANY	Ordinary shares Preferred shares (2)
GREECE	Ordinary shares Preferred shares (2)
HONG KONG	"A" shares "B" shares
IRELAND	Ordinary shares Units
ITALY	Ordinary shares Preferred shares (2) Savings shares
JAPAN	Ordinary shares
NETHERLANDS	Ordinary shares Preferred shares (2) Certificates
NEW ZEALAND	Ordinary shares Preferred shares (2)
NORWAY	"A" shares "B" shares Primary Capital Certificates
PORTUGAL	Ordinary shares
SINGAPORE	Ordinary shares
SPAIN	Ordinary shares Preferred shares (2)
SWEDEN	"A" shares "B" shares "C" shares Swedish Depositary Receipts
SWITZERLAND	Registered shares Bearer shares Participation certificates Dividend-right certificates
UNITED KINGDOM	Ordinary shares Units
USA	Common shares Tracking Stock

1 *For a more detailed description of the MSCI universe, please refer to Appendix II*

2 Preferred shares that exhibit characteristics of equity securities are generally eligible

Eligible Classes of securities (EM)

Country Name	Classes of Securities
ARGENTINA	Ordinary shares Preferred shares (2)
BRAZIL	Ordinary shares Preferred shares (2) Units
CHILE	Common shares Preferred shares (2)
CHINA (1)	"B" shares "H" shares "N" shares
COLOMBIA	Ordinary shares Preferred shares (2)
CZECH REPUBLIC	Common shares
EGYPT	Ordinary shares
HUNGARY	Common shares
INDIA	Ordinary shares
INDONESIA	Ordinary shares
ISRAEL (1)	Common shares Preferred shares (2) ADR
JORDAN	Ordinary shares
KOREA	Common shares Preferred shares (2)
MALAYSIA	Common shares
MEXICO	Ordinary shares Certificates of Participation Units
MOROCCO	Ordinary shares
PAKISTAN	Ordinary shares
PERU	Common shares Preferred shares (2) Investment shares
PHILIPPINES	Common shares Philippine Depositary Receipts
POLAND	Common shares
RUSSIA (1)	Common shares Preferred shares (2) ADRs GDRs
SOUTH AFRICA	Common shares Preferred shares (2)
TAIWAN	Ordinary shares Preferred shares (2)
THAILAND	Common shares Preferred shares (2)
TURKEY	Common shares

1 *For a more detailed description of the MSCI universe, please refer to Appendix II*

2 *Preferred shares that exhibit characteristics of equity securities are generally eligible*

Eligible Classes of securities (Standalone Markets)

Country Name	Classes of Securities
BAHRAIN	Ordinary shares
KUWAIT	Ordinary shares
OMAN	Ordinary shares
QATAR	Ordinary shares
SAUDI ARABIA	Ordinary shares
UNITED ARAB EMIRATES	Ordinary shares
SRI LANKA	Ordinary shares

REITs

Companies that have adopted the following REITs or REIT equivalent structures in the following countries will qualify to be classified in the GICS Industry - Real Estate Investment Trusts (REITs):

- Australia: LPT (Australian Listed Property Trust)
- Belgium: SICAFI (Société d'Investissement à Capital Fixe Immobilière)
- Canada, Hong Kong, Korea, Taiwan and the U.S.: REIT (Real Estate Investment Trust)
- France: SIIC (Sociétés d'Investissements Immobiliers Cotées)
- Greece: REIC (Real Estate Investment Company)
- Japan: J-REIT (Japanese Real Estate Investment Trust)
- Malaysia: REIT (Real Estate Investment Trust/Property Trust Funds)
- Netherlands: FBI (Fiscal investment institution/Fiscale Beleggingsinstelling)
- New Zealand: Property Trusts
- Singapore: S-REIT (Singapore Real Estate Investment Trust)
- South Africa: Property Trust
- Turkey: Gayrimenkul Yatirim Ortakligi
- United Kingdom: UK-REIT
- United States: REIT

MSCI Barra closely monitors the potential emergence of REIT equivalent structures in other countries and announces when appropriate their consideration as REITs in the Global Industry Classification Standard (GICS).

Canadian Income Trusts

Income Trusts in Canada formed under the laws of provinces which have passed limited liability legislation and are not designed to invest in a diversified portfolio of Income Trusts, securities, and/or funds, will be included in the MSCI Canada Equity Universe and will be subject to the same index eligibility rules applicable to other equity (and equity-like) securities.

The following section has been modified since May 2007:

Appendix VI: Gulf Cooperation Council Countries

Appendix X: Equity Universe