

1. Definition

The MSCI Islamic Index Series (the “Islamic Indices”) follow Sharia investment principles. An Islamic Index is based on an MSCI Equity Index (or any combination of MSCI Equity Indices), but excludes all the non-compliant securities in accordance with the MSCI Islamic Index Series Methodology (the “Islamic Index Methodology”).

The Islamic Index Methodology has been approved by MSCI Barra's Sharia advisors' committee of Sharia scholars, as Sharia compliant.

2. Islamic Index Screens

Following Sharia investment principles, MSCI Barra excludes securities using two types of criteria: business activity and financial ratios. Securities for which sufficient financial information is not available to determine the business activity information and financial ratios described in the following sections are considered non-compliant with the Islamic Index Methodology.

Islamic Financial Institutions (as defined in Appendix 1) will not be subject to the Financial Screening in Section 2.2 below. The revenue that Islamic Financial Institutions derive from Financial Services (as defined in Section 2.1 below) will not be considered revenue from a prohibited activity for the purposes of the Islamic Index Methodology.

2.1. Business Activity Screening

Sharia investment principles do not allow investment in companies which are directly active in, or derive more than 5% of their revenue (cumulatively) from, the following activities (“prohibited activities”):

- Alcohol: distillers, vintners and producers of alcoholic beverages, including producers of beer and malt liquors, owners and operators of bars and pubs.
- Tobacco: cigarettes and other tobacco products manufacturers and retailers.
- Pork related products: companies involved in the manufacture and retail of pork products.
- Conventional Financial Services: commercial banks involved in retail banking, corporate lending, investment banking; companies involved in mortgage and mortgage related services; providers of financial services, including insurance, capital markets and specialized finance; credit agencies; stock exchanges; specialty boutiques; consumer finance services, including personal credit, credit cards, lease financing, travel-related money services and pawn shops; financial institutions primarily engaged in investment management, related custody and securities fee-based services; companies operating mutual funds, closed-end funds and unit investment trusts; financial institutions primarily engaged in investment banking and brokerage services, including equity and debt underwriting, mergers and acquisitions; securities lending and advisory services institutions; and insurance and reinsurance brokerage firms, including companies providing property, casualty, life disability, indemnity or supplemental health insurance.

- Defense / Weapons: manufacturers of military aerospace and defense equipment, parts or products, including defense electronics and space equipment.
- Gambling / Casino: owners and operators of casinos and gaming facilities, including companies providing lottery and betting services.
- Music: producers and distributors of music, owners and operators of radio broadcasting systems.
- Hotels: owners and operators of hotels¹.
- Cinema: companies engaged in the production, distribution and screening of movies and television shows, owners and operators of television broadcasting systems and providers of cable or satellite television services.
- Adult Entertainment: owners and operators of adult entertainment products and activities.

2.2. Financial Screening

Sharia investment principles do not allow investment in companies deriving significant income from interest or companies that have excessive leverage. MSCI Barra uses the following three financial ratios to screen for these companies:

- Total debt over total assets
- Sum of a company's cash and interest-bearing securities over total assets
- Sum of a company's accounts receivables and cash over total assets

None of the financial ratios may exceed 33.33%.

2.3. Dividend Purification

If a company derives part of its total income from interest income and/or from prohibited activities, Sharia investment principles state that this proportion must be deducted from the dividend paid out to shareholders and given to charity.

MSCI Barra will apply a "dividend adjustment factor" to all reinvested dividends. The "dividend adjustment factor" is defined as:

$$(\text{total earnings} - (\text{income from prohibited activities} + \text{interest income})) / \text{total earnings}$$

In this formula, total earnings are defined as gross income, and interest income is defined as operating and non-operating interest. MSCI Barra will review the "dividend adjustment factor" on an annual basis at the May Semi-Annual Index Review.

¹ Excluding revenue from hotel premises operating in Saudi Arabia

3. Islamic Index maintenance

3.1. Rebalancing

MSCI Barra will fully reassess the composition of the Islamic Indices by applying the Business Activity Screening in Section 2.1 and the Financial Screening in Section 2.2 on an annual basis at the May Semi-Annual Index Review. MSCI Barra will also reassess the composition of the Islamic Indices by applying the Financial Screening in Section 2.2 to all the applicable securities on a quarterly basis at the Quarterly Index Review. New additions to the MSCI Equity Indices resulting from a Quarterly Index Review may be considered for inclusion to the Islamic Indices at the following Quarterly Index Review. For example, a security added to the MSCI Equity Indices as a result of the November Semi-Annual Index Review may be considered for inclusion to the Islamic Indices at the February Quarterly Index Review. Similarly, a security added to the MSCI Equity Indices as a result of the February Quarterly Index Review may be considered for inclusion to the Islamic Indices at the May Semi-Annual Index Review.

3.2. Corporate Events

A new addition to the MSCI Equity Indices due to a corporate event will not be added simultaneously to the Islamic Indices. It may however be considered for inclusion at the following Quarterly Index Review. For example, an immediate inclusion to the MSCI Equity Indices following an IPO in September would only be considered for inclusion to the Islamic Indices at the following November Semi-Annual Index Review.

Current constituents of the Islamic Indices impacted by corporate events will also be reviewed on a quarterly basis for compliance with the Islamic Index Methodology. Any resulting deletion will be implemented at the following regular Quarterly Index Review. For instance, if an Islamic Index constituent merges with a security that is not compliant with Islamic Index Methodology, and if the new merged entity derives more than 5% of its revenue from a prohibited activity as described in Section 2.1, the new entity may only be considered for deletion at the following Quarterly Index Review.

3.3. GICS® Changes

Regular monthly and annual GICS changes may trigger non-compliance of an Islamic Index constituent.

If a security's existing GICS code changes to a GICS code that is not compliant with the Islamic Index Methodology (as defined in Appendix 2), then that security will be deleted from the Islamic Indices at the effective date of the GICS code change (as of the close of the last business day of the given month).

For all other GICS code changes the security will be screened for compliance with the Islamic Index Methodology at the following Quarterly Index Review. If the security is not in compliance at the following Quarterly Index Review it will be excluded from any Islamic Index until its compliance with the Islamic Index Screens in Section 2 above can be positively determined.

3.4 Periodic Certification

On a quarterly basis, MSCI Barra's Sharia advisors will compare the list of constituent stocks forming the MSCI Islamic Index Series (the "Constituent Stocks") with the MSCI Screening Reports (produced by MSCI Barra as a consequence of applying the Islamic Index Methodology to the MSCI Equity Indices). Provided that the Constituent Stocks forming the MSCI Islamic Index Series can be completely reconciled with the MSCI Screening Reports covering the period under review, confirming that all inclusions and deletions to the MSCI Islamic Index Series have been made as required, MSCI Barra's Sharia advisors will issue a periodic certification covering that period of review based only on their review of the MSCI Screening Reports against the Constituent Stocks.

Appendix 1: Definition of Islamic Financial Institution

A company will be considered an “Islamic Financial Institution” for the purposes of the Islamic Index Methodology, if it meets all the following criteria:

- a. The company is a separate legal entity that is established only to deal in transactions that are Sharia-compliant; and
- b. The company has an appointed Sharia supervisory board that provides oversight and sign-off on all of its activities, provides on-going guidance on all Sharia related matters and issues pronouncements/Fatwas with respect to the foregoing, where such pronouncements/Fatwas are legally binding on the company; and
- c. The above is documented in the company’s formation documents and in the company’s audited financial statements.

Appendix 2: Non-Compliant GICS Codes

GICS codes that are not compliant with Islamic Index Methodology are the following as of August 29, 2008²:

Sub-industries

- 20101010 – Aerospace & Defense
- 25301010 – Casinos & Gaming
- 25301020 – Hotels, Resorts & Cruise Lines
- 25301040 – Restaurants
- 25401020 – Broadcasting
- 25401025 – Cable & Satellite
- 25401030 – Movies & Entertainment
- 30201010 – Brewers
- 30201020 – Distillers & Vintners
- 30203010 – Tobacco

All sub-industries of the following Industries:

- 4010 – Banks
- 4020 – Diversified Financials
- 4030 – Insurance

² Exceptions to the general rule are Islamic Financial Institutions from the following Industries: Banks, Diversified Financials, Insurance.

Appendix 3: Transition

MSCI Barra will transition to the enhanced Islamic Index Methodology from the original Islamic Index Methodology in two phases.

1. Phase One: February 2009 Quarterly Index Review

- a. Islamic Financial Institutions (as defined in Appendix 1) will not be subject to the Financial Screening in Section 2.2. The revenue that Islamic Financial Institutions derive from Financial Services (as defined in Section 2.1) will not be considered revenue from a prohibited activity for the purposes of the Islamic Index Methodology.
- b. Revenues from hotel premises operating in Saudi Arabia will not be subject to the Business Activity Screening in Section 2.1 of the Islamic Index Methodology.
- c. MSCI Barra will not reassess the composition of the Islamic Indices by applying the Financial Screening in Section 2.2 of the Islamic Index Methodology to all the applicable securities.

However under Section 3.1 of the Islamic Index Methodology, MSCI Barra will consider for inclusion to the Islamic Indices new additions to the MSCI Equity Indices due to the November 2008 Semi-Annual Index Review and due to corporate events. In addition, MSCI Barra will review current constituents of the Islamic Indices that have been impacted by corporate events as described in Section 3.2 of the Islamic Index Methodology.

- d. For the securities reviewed for the February 2009 Quarterly Index Review, MSCI Barra will use the original definition of the third financial ratio in the Financial Screening to screen for these companies, which is as follows, and this third ratio may not exceed 70%:

$$\text{Accounts receivables over total assets}$$

- e. For the securities reviewed for the February 2009 Quarterly Index Review, MSCI Barra will use the original definition of the "dividend adjustment factor", which is as follows:

$$(\text{total earnings} - \text{interest income}) / \text{total earnings}$$

In this formula, total earnings are defined as gross income, and interest income is defined as operating and non-operating interest.

2. Phase Two: May 2009 Semi-Annual Index Review

As of the May 2009 Semi-Annual Index Review the enhanced Islamic Index Methodology will be implemented in full.

Contact Information

clientservice@mscibarra.com

Americas

Americas	1.888.588.4567 (toll free)
Atlanta	+ 1.404.551.3212
Boston	+ 1.617.532.0920
Chicago	+ 1.312.706.4999
Montreal	+ 1.514.847.7506
New York	+ 1.212.804.3901
San Francisco	+ 1.415.576.2323
Sao Paulo	+ 55.11.3706.1340
Toronto	+ 1.416.628.1007

Europe, Middle East & Africa

Amsterdam	+ 31.20.462.1382
Cape Town	+ 27.21.683.3245
Frankfurt	+ 49.69.133.859.00
Geneva	+ 41.22.817.9000
London	+ 44.20.7618.2222
Madrid	+ 34.91.700.7275
Milan	+ 39.02.5849.0415
Paris	0800.91.59.17 (toll free)
Zurich	+ 41.44.220.9300

Asia Pacific

China Netcom	10800.852.1032 (toll free)
China Telecom	10800.152.1032 (toll free)
Hong Kong	+ 852.2844.9333
Singapore	+ 65.6834.6777
Sydney	+ 61.2.9033.9333
Tokyo	+ 81.3.5226.8222

www.mscibarra.com

Notice and Disclaimer

- This document and all of the information contained in it, including without limitation all text, data, graphs, charts (collectively, the “Information”) is the property of MSCI Inc., Barra, Inc. (“Barra”), or their affiliates (including without limitation Financial Engineering Associates, Inc.) (alone or with one or more of them, “MSCI Barra”), or their direct or indirect suppliers or any third party involved in the making or compiling of the Information (collectively, the “MSCI Barra Parties”), as applicable, and is provided for informational purposes only. The Information may not be reproduced or disseminated in whole or in part without prior written permission from MSCI or Barra, as applicable.
- The Information may not be used to verify or correct other data, to create indices, risk models or analytics, or in connection with issuing, offering, sponsoring, managing or marketing any securities, portfolios, financial products or other investment vehicles based on, linked to, tracking or otherwise derived from any MSCI or Barra product or data.
- **Historical data and analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction.**
- **None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), or a promotion or recommendation of, any security, financial product or other investment vehicle or any trading strategy, and none of the MSCI Barra Parties endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies. None of the Information, MSCI Barra indices, models or other products or services is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.**
- The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.
- NONE OF THE MSCI BARRA PARTIES MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY LAW, MSCI AND BARRA, EACH ON THEIR BEHALF AND ON THE BEHALF OF EACH MSCI BARRA PARTY, HEREBY EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.
- Without limiting any of the foregoing and to the maximum extent permitted by law, in no event shall any of the MSCI Barra Parties have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited, **including without limitation (as applicable), any liability for death or personal injury to the extent that such injury results from the negligence or wilful default of itself, its servants, agents or sub-contractors.**
- Any use of or access to products, services or information of MSCI or Barra or their subsidiaries requires a license from MSCI or Barra, or their subsidiaries, as applicable. MSCI, Barra, MSCI Barra, EAFE, Aegis, Cosmos, BarraOne, and all other MSCI and Barra product names are the trademarks, registered trademarks, or service marks of MSCI, Barra or their affiliates, in the United States and other jurisdictions. The Global Industry Classification

Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and Standard & Poor's.

© 2009 MSCI Barra. All rights reserved.

About MSCI Barra

MSCI Barra is a leading provider of investment decision support tools to investment institutions worldwide. MSCI Barra products include indices and portfolio risk and performance analytics for use in managing equity, fixed income and multi-asset class portfolios.

The company's flagship products are the MSCI International Equity Indices, which are estimated to have over USD 3 trillion benchmarked to them, and the Barra risk models and portfolio analytics, which cover 56 equity and 46 fixed income markets. MSCI Barra is headquartered in New York, with research and commercial offices around the world. Morgan Stanley, a global financial services firm, is the controlling shareholder of MSCI Barra.