

# 1. Introduction

The MSCI Australia Select High Dividend Yield (HDY) Index is a custom market capitalization weighted index based on the MSCI Australia Investable Market Index (IMI).

The MSCI Australia IMI Index is constructed and maintained according to the MSCI Global Investable Market Indexes methodology. For more information on the MSCI Global Investable Market Indexes ("GIMI"), please visit our website at [http://www.msci.com/products/indexes/country\\_and\\_regional/all\\_country/methodology.html](http://www.msci.com/products/indexes/country_and_regional/all_country/methodology.html).

# 2. CONSTRUCTING THE MSCI AUSTRALIA SELECT HIGH DIVIDEND YIELD INDEX

The MSCI Australia Select HDY Index is constructed from a domestic version of the MSCI Australia IMI Index (the Parent Index).

The domestic version of the MSCI Australia IMI Index is derived from the MSCI Australia IMI Index by weighting the index constituents according to the free float adjusted market capitalizations available to domestic investors. The MSCI Australia Select HDY Index is then constructed in accordance with the MSCI HDY Index Methodology, except for the following changes:

- Only securities with a dividend yield greater than or equal to the dividend yield of the Parent Index are included.
- Current constituents of the MSCI Australia Select HDY Index are maintained as long as their dividend yield is greater than 0.8x times of the dividend yield of the Parent Index.
- The dividend persistence screening is modified to exclude securities with a 5Y DPS growth rate below -5% instead of below 0%. This rule applies only for the May and November 2010 Semi-Annual Index Reviews.

For more information, please refer to the MSCI High Dividend Yield Index methodology at [http://www.msci.com/products/indexes/strategy/risk\\_premia/hdy/](http://www.msci.com/products/indexes/strategy/risk_premia/hdy/).

The resulting constituents are weighted according to their free float adjusted market capitalizations applicable to domestic investors. In addition, the weights of the largest index constituents are capped as per the MSCI 10/40 Index methodology. For a description of the MSCI 10/40 Index methodology, please refer to [http://www.msci.com/products/indexes/strategy/capped/ten\\_forty/](http://www.msci.com/products/indexes/strategy/capped/ten_forty/).

Finally, after applying the MSCI 10/40 Index methodology, securities with a weight below 0.25% are not included in the MSCI Australia Select HDY Index.

## 3. MAINTAINING THE MSCI AUSTRALIA SELECT HIGH DIVIDEND YIELD INDEX

### 3.1. Semi-Annual Index Reviews

Coinciding with the semi-annual index reviews of the MSCI Global Investable Market Indexes, the MSCI Australia Select HDY Index is generally rebalanced on the last business day of May and November as described under Section 2 above.

Between semi-annual index reviews, security weights will fluctuate according to market movements.

### 3.2. Ongoing Event Related Changes

In general, the MSCI Australia Select HDY Index follows the event maintenance of the MSCI Australia IMI Index. Changes in the MSCI Australia IMI Index are reflected simultaneously in the MSCI Australia Select HDY Index.

#### 3.2.1. Additions and deletions due to corporate events

The treatment of additions and deletions due to corporate events aims at reducing turnover in the MSCI Australia Select HDY Index

A security added to the MSCI Australia IMI Index following a corporate event (acquisition, spinoff or merger) will also be added to the MSCI Australia Select HDY Index with an estimated capped weight.

A constituent deleted from the MSCI Australia IMI Index following a corporate event will be simultaneously deleted from the MSCI Australia Select HDY Index.

Early inclusions to the MSCI Australia IMI Index, such as Initial Public Offerings (IPOs), will not be included in the MSCI Australia Select HDY Index and will be reviewed at the following SAIR.

# Appendix I: Enhancements to the Methodology for the MSCI Australia Select High Dividend Yield Index (Effective from June 3, 2013)

Starting from the May 2013 Semi-Annual Index Review the MSCI High Dividend Yield Indexes will transition to an enhanced methodology. As part of the enhancements two new screenings will be applied to determine the eligible universe of the MSCI High Dividend Yield Indexes: a Quality screening and a Price Performance screening. More details on the enhancements to the MSCI High Dividend Yield Indexes can be found in appendix III of the MSCI High Dividend Yield Index methodology at [http://www.msci.com/products/indexes/strategy/risk\\_premia/hdy/](http://www.msci.com/products/indexes/strategy/risk_premia/hdy/).

Starting from the May 2013 Semi-Annual Index Review, the two new screenings will also be applied in the construction and maintenance of the MSCI Australia Select High Dividend Yield Index as follows:

- The Quality screening is modified to exclude securities with a quality Z-score below -1 instead of 0. Existing constituents of the MSCI Australia Select High Dividend Yield Index are excluded from the eligible universe if their quality Z-score is less than -1.25 instead of -0.5.
- The price performance screening will be applied as per the enhanced MSCI High Dividend Yield Indexes methodology.

The new capping rules applied in the enhanced MSCI High Dividend Yield Indexes will not impact the MSCI Australia Select High Dividend Yield Index.

The construction and maintenance rules described in this methodology book will remain unchanged otherwise.

## Client Service Information is Available 24 Hours a Day

[clientservice@msci.com](mailto:clientservice@msci.com)

### Americas

|               |                            |
|---------------|----------------------------|
| Americas      | 1.888.588.4567 (toll free) |
| Atlanta       | + 1.404.551.3212           |
| Boston        | + 1.617.532.0920           |
| Chicago       | + 1.312.675.0545           |
| Monterrey     | + 52.81.1253.4020          |
| New York      | + 1.212.804.3901           |
| San Francisco | + 1.415.836.8800           |
| Sao Paulo     | + 55.11.3706.1360          |
| Toronto       | + 1.416.628.1007           |

### Europe, Middle East & Africa

|           |                           |
|-----------|---------------------------|
| Cape Town | + 27.21.673.0100          |
| Frankfurt | + 49.69.133.859.00        |
| Geneva    | + 41.22.817.9777          |
| London    | + 44.20.7618.2222         |
| Milan     | + 39.02.5849.0415         |
| Paris     | 0800.91.59.17 (toll free) |

### Asia Pacific

|             |                             |
|-------------|-----------------------------|
| China North | 10800.852.1032 (toll free)  |
| China South | 10800.152.1032 (toll free)  |
| Hong Kong   | + 852.2844.9333             |
| Seoul       | 00798.8521.3392 (toll free) |
| Singapore   | 800.852.3749 (toll free)    |
| Sydney      | + 61.2.9033.9333            |
| Taiwan      | 008.0112.7513 (toll free)   |
| Tokyo       | + 81.3.5290.1555            |

## 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. or its subsidiaries (collectively, "MSCI"), or MSCI's licensors, direct or indirect suppliers or any third party involved in making or compiling any information (collectively, with MSCI, the "Information Providers") 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.
- The Information may not be used to create derivative works or to verify or correct other data or information. For example (but without limitation), the Information may not be used to create indexes, databases, risk models, analytics, software, or in connection with the issuing, offering, sponsoring, managing or marketing of any securities, portfolios, financial products or other investment vehicles utilizing or based on, linked to, tracking or otherwise derived from the Information or any other MSCI data, information, products or services.
- 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 INFORMATION PROVIDERS 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 APPLICABLE LAW, EACH INFORMATION PROVIDER 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 applicable law, in no event shall any Information Provider 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 willful default of itself, its servants, agents or sub-contractors.
- Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.
- None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle or any trading strategy.
- You cannot invest in an index. MSCI does not issue, sponsor, endorse, market, offer, review or otherwise express any opinion regarding any investment or financial product that may be based on or linked to the performance of any MSCI index.
- MSCI's indirect wholly-owned subsidiary Institutional Shareholder Services, Inc. ("ISS") is a Registered Investment Adviser under the Investment Advisers Act of 1940. Except with respect to any applicable products or services from ISS (including applicable products or services from MSCI ESG Research, which are provided by ISS), neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and neither MSCI nor any of its 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 MSCI ESG Indexes use ratings and other data, analysis and information from MSCI ESG Research. MSCI ESG Research is produced by ISS or its subsidiaries. Issuers mentioned or included in any MSCI ESG Research materials may be a client of MSCI, ISS, or another MSCI subsidiary, or the parent of, or affiliated with, a client of MSCI, ISS, or another MSCI subsidiary, including ISS Corporate Services, Inc., which provides tools and services to issuers. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body.
- Any use of or access to products, services or information of MSCI requires a license from MSCI. MSCI, Barra, RiskMetrics, IPD, ISS, FEA, InvestorForce, and other MSCI brands and product names are the trademarks, service marks, or registered trademarks of MSCI or its subsidiaries in the United States and other jurisdictions. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and S&P.

## About MSCI

MSCI Inc. is a leading provider of investment decision support tools to investors globally, including asset managers, banks, hedge funds and pension funds. MSCI products and services include indexes, portfolio risk and performance analytics, and governance tools.

The company's flagship product offerings are: the MSCI indexes with approximately USD 7.5 trillion estimated to be benchmarked to them on a worldwide basis<sup>1</sup>; Barra multi-asset class factor models, portfolio risk and performance analytics; RiskMetrics multi-asset class market and credit risk analytics; IPD real estate information, indexes and analytics; MSCI ESG (environmental, social and governance) Research screening, analysis and ratings; ISS corporate governance research, data and outsourced proxy voting and reporting services; and FEA valuation models and risk management software for the energy and commodities markets. MSCI is headquartered in New York, with research and commercial offices around the world.

<sup>1</sup> As of March 31, 2013, as reported on July 31, 2013 by eVestment, Lipper and Bloomberg

