

# MSCI World ESG Leaders Leveraged 1.25x Select Index Methodology

September 2024

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## 1 Introduction

The MSCI World ESG Leaders Leveraged 1.25x Select Index<sup>1</sup> (“the Index”) aims to provide a 125% leveraged exposure to MSCI World ESG Leaders Index. The Index achieves this by allocating 125% long weight to MSCI World ESG Leaders Index and 25% short weight to USD Overnight SOFR Rate (“the Component Indexes”).

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<sup>1</sup> The Index is governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. Please refer to Appendix 2 for more details.

## 2 Constructing the MSCI World ESG Leaders Leveraged 1.25x Select Index

The Index is reviewed monthly by applying the below methodology to the MSCI World ESG Leaders Index<sup>3</sup>.

### 2.1 Applying the Index Methodology

At each month, three trading days prior to monthly rebalance, the following weights are used to calculate the pro forma Units<sup>4</sup> for the USD Overnight SOFR Rate<sup>5</sup> and the MSCI World ESG Leaders Index to create the Index<sup>6</sup>:

Component	Component Index Name	Variant	Weight
1	MSCI World ESG Leaders Index	NTR	125%
2	USD Overnight SOFR Rate		-25%

On the rebalancing day, the Index levels are calculated from the drifted component weights calculated from pro forma Units. The drifted component weights for each of the Component Indexes and subsequent index levels are calculated in accordance with the following formula:

$$\begin{aligned} \text{Component Index Drifted } W_{i,t} & \\ &= \frac{\text{Component Index Level}_{i,t-1} \times \text{Unit of Component Index}_{i,T}}{\text{Index Level}_{t-1}} \end{aligned}$$

Where:

*Component Index Level<sub>i,t</sub>* is the index level of Component Index i as of t

*Unit of Component Index<sub>i,T</sub>* is the pro forma Unit calculated as of three trading days prior to effective date as calculated in Appendix 3

$$\begin{aligned} \text{Index Level}_t &= \text{Index Level}_{t-1} \\ &\times \left( 1 + \sum_{i=0}^n (\text{Component Index Daily Ret}_{i,t} \times \text{Component Index Drifted } W_{i,t}) \right) \end{aligned}$$

<sup>3</sup> Please refer to [MSCI ESG Leaders Indexes Methodology](#) for more details

<sup>4</sup> Please refer to Appendix 3 for more information on Unit calculation

<sup>5</sup> Refer to Appendix 1 for more information on short-term rate

<sup>6</sup> Since the index fixes Units based on prices 3 trading days ahead of rebalance, the index may not be fully self-financing if there is a price movement in these 3 days

Where:

$Index\ Level_{i,t}$  is the Index level as of t

$$Component\ Index\ Daily\ Ret_{i,t} = \frac{Component\ Index\ Level_{i,t}}{Component\ Index\ Level_{i,t-1}} - 1$$

## 2.2 Maintaining the MSCI World ESG Leaders Leveraged 1.25x Select Index

### 2.2.1 Index Reviews

The Index is reviewed monthly as described in Section 2.1 and effective at the open of the first trading day of the month.

The Index only rebalances on the day that is a trading day on all the following exchanges: New York Stock Exchange, London Stock Exchange, Xetra Exchange and Tokyo Stock Exchange. If a rebalancing date is a trading holiday for any one of these exchanges, then the Index will rebalance on the next trading day for all exchanges.

### 2.2.2 Ongoing Event-Related Changes

Please see sector 3.3 in the [MSCI ESG Leaders Indexes Methodology](#)<sup>7</sup> for a detailed description of the treatment of common corporate events applied to the MSCI World ESG Leaders Index.

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<sup>7</sup> For more details regarding the MSCI ESG Leaders Indexes, please refer to the MSCI ESG Leaders Indexes Methodology Book at <https://www.msci.com/index-methodology>.

## **Appendix 1: Short-term Rate**

The reporting currency is US dollars. Coinciding with the August 2021 Index Review, the MSCI World ESG Leaders Leveraged 1.25x Select Index transitioned to the SOFR Overnight Rate away from LIBOR.

## Appendix 2: Methodology Set

The Index is governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document as mentioned below:

- Description of methodology set – [www.msci.com/index/methodology/latest/ReadMe](http://www.msci.com/index/methodology/latest/ReadMe)
- MSCI Corporate Events Methodology – [www.msci.com/index/methodology/latest/CE](http://www.msci.com/index/methodology/latest/CE)
- MSCI Index Calculation Methodology – [www.msci.com/index/methodology/latest/IndexCalc](http://www.msci.com/index/methodology/latest/IndexCalc)
- MSCI Index Glossary of Terms – [www.msci.com/index/methodology/latest/IndexGlossary](http://www.msci.com/index/methodology/latest/IndexGlossary)
- MSCI Index Policies – [www.msci.com/index/methodology/latest/IndexPolicy](http://www.msci.com/index/methodology/latest/IndexPolicy)
- MSCI Global Investable Market Indexes Methodology – [www.msci.com/index/methodology/latest/GIMI](http://www.msci.com/index/methodology/latest/GIMI)
- ESG Factors In Methodology\*

The Methodology Set for the Indexes can also be accessed from MSCI’s webpage <https://www.msci.com/index-methodology> in the section ‘Search Methodology by Index Name or Index Code’.

\* ‘ESG Factors in Methodology’ contains the list of environmental, social, and governance factors considered, and how they are applied in the methodology (e.g., selection, weighting or exclusion). It can be accessed in the Methodology Set as described above.

## Appendix 3: Unit Calculation

The pro forma Unit is calculated using the following formula:

$$\text{Unit of Component Index}_{i,T} = \text{Index Level}_T \times W_{i,*} / \text{Component Index Level}_{i,T}$$

Where,

*Unit of Component Index<sub>i,T</sub>* is the fixed unit calculated for Component Index i as of 3 trading days prior to effective date.

*Index Level<sub>T</sub>* is the Index level as of 3 trading days prior to effective date.

*W<sub>i,\*</sub>* is the weight for each Component Index as in the table of Section 2.1.

*Component Index Level<sub>i,T</sub>* is the index level of Component Index i as of 3 trading days prior to effective date.



## Appendix 4: Changes to this Document

The following sections have been updated effective October 01, 2024:

- Section 2.1: Updated the calculation method of index level for leveraged index
- Section 2.2.1: The effective day of the new rebalance has changed from the open of first business day to first trading day.
- Appendix 2: Added details on the Methodology Set for the Index
- Appendix 3: Added details of unit calculation process

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