

Methodology Book For:

- **MSCI Four Asian Dragons Select Mean Reversion Index**
- **MSCI Four Asian Dragons Select Mean Reversion 10% Risk Control Index**

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1 Introduction

The MSCI Four Asian Dragons Select Mean Reversion Indexes¹ (the 'Indexes') consist of following indexes:

- MSCI Four Asian Dragons Select Mean Reversion Index
- MSCI Four Asian Dragons Select Mean Reversion 10% Risk Control Index

The MSCI Four Asian Dragons Select Mean Reversion Index (the 'Index') aims to represent the performance of a strategy which, on a daily basis, allocates 100% weight to one of the four Component Indexes that has the lowest past returns over an observable period. The four Component Indexes to which the Index dynamically allocates weights to, are the MSCI Hong Kong Net Total Return Index, the MSCI Singapore Net Total Return Index, the MSCI Korea Net Total Return Index and the MSCI Taiwan Net Total Return Index.

The MSCI Four Asian Dragons Select Mean Reversion 10% Risk Control Index (the 'Risk Control Index') aims to represent the performance of the MSCI Four Asian Dragons Select Mean Reversion Index, while targeting a risk level of 10%.

¹ The Indexes are governed by a set of methodology and policy documents ("Methodology Set"), including the present index methodology document. Please refer to Appendix 1 for more details.

2 Constructing the MSCI Four Asian Dragons Select Mean Reversion Indexes

The MSCI Four Asian Dragons Select Mean Reversion Index is constructed by selecting, on a daily basis, the Component Index that has the lowest past returns over an observable period.

2.1 Allocation Strategy

At each daily Index Review, the following methodology is employed to calculate the past performance indicator² for each of the Component Indexes.

$$Return_t = (IndexLevel_t / IndexLevel_{t-30}) - 1$$

$$PPI_t = \frac{\sum_{i=0}^9 Return_{t-i}}{10}$$

Where:

Return_t – The return for each of the rotation index as of t

IndexLevel_t – Index Level for each of the rotation index as of t

IndexLevel_{t-30} – Index Level for each of the rotation index as of 30 business days prior to t

PPI_t – Past Performance Indicator for each of the rotation index as of t

Return_{t-i} – The return for each of the rotation index as of i business days prior to t

The Component Indexes are ranked in the ascending order of the PPIs calculated as above and the Component Index with the highest rank (lowest past performance indicator) is allocated 100% weight.

2.2 Applying the MSCI Risk Control Indexes Methodology

The MSCI Risk Control Indexes Methodology³ is applied on the Net Total Return variant of the Index to construct the Risk Control Index in excess return variant. The parameters for the Risk Control Index are noted in Appendix 3.

² Please see Appendix 2 for further details on performance indicator calculation with holiday treatment.

³ Please refer to the MSCI Risk Control Indexes Methodology at <http://www.msci.com/index-methodology> for details as well as intended use of such indexes.

3 Maintaining the Indexes

3.1 Index Reviews

The MSCI Four Asian Dragons Select Mean Reversion Index is reviewed on a daily basis as per the steps described in Section 2.1. The pro forma Index for the MSCI Four Asian Dragons Select Mean Reversion Index is announced two business days before the effective date.

3.2 Daily Risk Control Application

The MSCI Four Asian Dragons Select Mean Reversion 10% Risk Control Index is rebalanced on a daily basis, in accordance with the MSCI Risk Control Indexes Methodology with the parameters detailed in Appendix 3.

3.3 Ongoing Event-Related Changes

The treatment of common corporate events within each of the MSCI Hong Kong Net Total Return Index, MSCI Singapore Net Total Return Index, MSCI Korea Net Total Return Index and MSCI Taiwan Net Total Return Index are applied as per the MSCI Global Investable Market Indexes Methodology⁴.

⁴ Please refer to MSCI Global Investable Market Indexes Methodology at: <https://www.msci.com/index-methodology>

Appendix 1: Methodology Set

The Indexes are 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
- MSCI Corporate Events Methodology – www.msci.com/index/methodology/latest/CE
- MSCI Index Calculation Methodology – www.msci.com/index/methodology/latest/IndexCalc
- MSCI Index Glossary of Terms – www.msci.com/index/methodology/latest/IndexGlossary
- MSCI Index Policies – www.msci.com/index/methodology/latest/IndexPolicy
- MSCI Global Investable Market Indexes Methodology – www.msci.com/index/methodology/latest/GIMI
- MSCI Risk Control Indexes Methodology - <http://www.msci.com/index/methodology/latest/RC>

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’.

Appendix 2: Holiday Treatment

The Index is calculated on each business day. If, on calculation date 't', all the securities of a Component Index are closed (e.g., exchange holiday), then the Index Level for that Component Index on day 't' will be the same as on the previous business day t-1.

Illustrative Example:

On date 't', all the securities of a Component Index have exchange holiday. Hence, on date 't', for the Component Index,

$$IndexLevel_t = IndexLevel_{t-1}$$

$$Return_t = (IndexLevel_t / IndexLevel_{t-30}) - 1$$

Which is the same as: $(IndexLevel_{t-1} / IndexLevel_{t-30}) - 1$

In a similar manner, if all the securities of the Component Index have exchange holiday as of t-30, the Component Index Level as of t-30 stays the same as its previous business day.

$$IndexLevel_{t-30} = IndexLevel_{t-31}$$

$$Return_t = (IndexLevel_t / IndexLevel_{t-30}) - 1 = (IndexLevel_t / IndexLevel_{t-31}) - 1$$

Appendix 3: MSCI Four Asian Dragons Select Mean Reversion 10% Risk Control Index

The following parameters are used for the calculation of the Risk Control Index.

| | MSCI Risk Control Indexes Methodology Parameters | Parameters |
|----|---|--|
| 1 | Calendar Rule | Daily |
| 2 | Return Variant of MSCI Four Asian Dragons Select Mean Reversion Index | Net Total Return |
| 3 | Risk Free Rate | LIBOR up to 31-Aug-2021 and SOFR effective 01-Sep-2021 |
| 4 | Risk Free Maturity Rate | Overnight |
| 5 | Apply Closed Market Threshold | No |
| 6 | Rebalancing Type | Volatility |
| | Volatility Rebalancing Parameters | |
| 7 | Risk Control Level | 10% |
| 8 | Underlying Index Level Currency | USD |
| 9 | Maximum Leverage | 150% |
| 10 | Buffer | 5% |
| 11 | Volatility Calculation Type | Equal Weighted Volatility |
| | Estimator Parameters | |
| 12 | Number of days for lagged Return | 2 |
| 13 | Short Term number of days estimate | 20 |
| 14 | Long Term number of days estimate | 60 |
| 15 | Return Period | 1 |

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