

MSCI JAPAN IMI QUALITY INDEX (USD)

The MSCI Japan IMI Quality Index is based on the MSCI Japan IMI Index, its parent index, which includes large, mid and small-cap stocks in the Japanese equity market. The index aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity (ROE), stable year-over-year earnings growth and low financial leverage. The MSCI Quality Indexes complement existing MSCI Factor Indexes and can provide an effective diversification role in a portfolio of factor strategies.

CUMULATIVE INDEX PERFORMANCE - NET RETURNS (USD) (JAN 2004 – JAN 2019)



ANNUAL PERFORMANCE (%)

Year	MSCI Japan IMI Quality	MSCI Japan IMI
2018	-12.69	-13.46
2017	27.55	25.25
2016	2.20	3.25
2015	16.47	10.52
2014	4.06	-3.48
2013	19.29	27.04
2012	4.30	7.54
2011	-5.24	-12.88
2010	17.18	16.02
2009	14.32	6.12
2008	-30.06	-28.11
2007	-2.19	-4.93
2006	12.69	2.96
2005	18.63	27.05

INDEX PERFORMANCE — NET RETURNS (%) (JAN 31, 2019)

	1 Mo	3 Mo	1 Yr	YTD	ANNUALIZED			
					3 Yr	5 Yr	10 Yr	Since Nov 30, 1998
MSCI Japan IMI Quality	4.32	-0.38	-12.58	4.32	8.66	7.90	9.26	4.81
MSCI Japan IMI	5.99	-0.65	-12.24	5.99	8.80	5.53	7.10	3.93

FUNDAMENTALS (JAN 31, 2019)

Div Yld (%)	P/E	P/E Fwd	P/BV
1.92	16.17	15.72	2.29
2.41	12.48	12.13	1.21

INDEX RISK AND RETURN CHARACTERISTICS (NOV 30, 1998 – JAN 31, 2019)

	Beta	Tracking Error (%)	Turnover (%) ¹	ANNUALIZED STD DEV (%) ²			SHARPE RATIO ^{2,3}			Since Nov 30, 1998 (%)	MAXIMUM DRAWDOWN Period YYYY-MM-DD	
				3 Yr	5 Yr	10 Yr	3 Yr	5 Yr	10 Yr			
MSCI Japan IMI Quality	0.90	5.15	18.51	11.78	12.13	12.66	0.66	0.62	0.72	0.24	62.68	2000-01-03—2003-04-28
MSCI Japan IMI	1.00	0.00	2.64	11.12	11.98	13.92	0.70	0.44	0.52	0.19	62.07	2000-01-03—2003-04-28

¹ Last 12 months ² Based on monthly net returns data ³ Based on ICE LIBOR 1M

The MSCI Japan IMI Quality Index was launched on Jan 27, 2015. Data prior to the launch date is back-tested data (i.e. calculations of how the index might have performed over that time period had the index existed). There are frequently material differences between back-tested performance and actual results. Past performance -- whether actual or back-tested -- is no indication or guarantee of future performance.

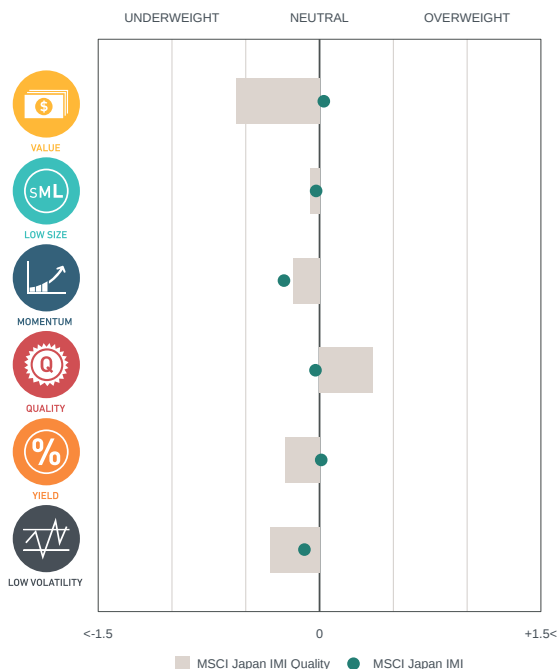
INDEX CHARACTERISTICS

	MSCI Japan IMI Quality	MSCI Japan IMI
Number of Constituents	349	1,302
Weight (%)		
Largest	4.37	3.52
Smallest	0.01	0.00
Average	0.29	0.08
Median	0.06	0.02

TOP 10 CONSTITUENTS

	Index Wt. (%)	Parent Index Wt. (%)	Sector
KEYENCE CORP	4.37	1.25	Info Tech
KDDI	3.48	1.11	Comm Srvcs
KAO CORP	3.44	0.88	Cons Staples
NTT DOCOMO	2.60	0.80	Comm Srvcs
RECRUIT HOLDINGS CO	2.57	0.74	Industrials
FANUC	2.42	0.82	Industrials
SHIN-ETSU CHEMICAL CO	2.40	0.77	Materials
ASTELLAS PHARMA	2.20	0.70	Health Care
JAPAN TOBACCO	2.20	0.70	Cons Staples
HOYA CORP	2.17	0.55	Health Care
Total	27.86	8.33	

FACTORS - KEY EXPOSURES THAT DRIVE RISK AND RETURN MSCI FACTOR BOX



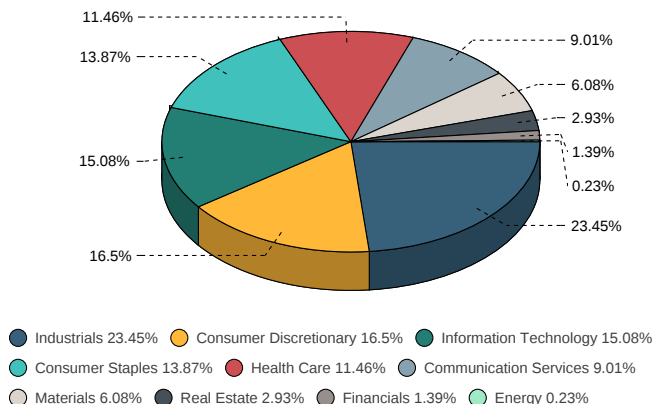
MSCI FaCS

- VALUE**
Relatively Inexpensive Stocks
- LOW SIZE**
Smaller Companies
- MOMENTUM**
Rising Stocks
- QUALITY**
Sound Balance Sheet Stocks
- YIELD**
Cash Flow Paid Out
- LOW VOLATILITY**
Lower Risk Stocks

MSCI FaCS provides absolute factor exposures relative to a broad global index - MSCI ACWI IMI.

Neutral factor exposure (FaCS = 0) represents MSCI ACWI IMI.

SECTOR WEIGHTS



INDEX METHODOLOGY

The MSCI Quality Indexes aim to capture the quality factor with a simple and transparent methodology that ensures reasonably high trading liquidity and investment capacity of constituent companies, as well as moderate index turnover. A quality score for each security is calculated by combining Z scores of three winsorized fundamental variables—Return on Equity, Debt to Equity and Earnings Variability. MSCI then averages the Z scores of each of the three fundamental variables to calculate a composite quality Z score for each security, and then ranks all constituents of the parent index based on their quality scores.

The MSCI Quality Indexes are constructed with a fixed number of securities approach. A fixed number of securities with the highest positive quality scores is determined for each MSCI Quality Index with the goal of achieving high exposure to the quality factor while maintaining sufficient index market capitalization and number of securities coverage. All securities eligible for inclusion in the MSCI Quality Indexes are weighted by the product of their market cap weight in the parent index and their quality score. Issuer weights are capped at 5%.

The Quality indexes are rebalanced semi-annually, as of the close of the last business day of November and May.

FACTOR BOX AND FaCS METHODOLOGY

MSCI FaCS is a standard method ([MSCI FaCS Methodology](#)) for evaluating and reporting the Factor characteristics of equity portfolios. MSCI FaCS consists of Factor Groups (e.g. Value, Size, Momentum, Quality, Yield, and Volatility) that have been extensively documented in academic literature and validated by MSCI Research as key drivers of risk and return in equity portfolios. These Factor Groups are constructed by aggregating 16 factors (e.g. Book-to-Price, Earnings/Dividend Yields, LT Reversal, Leverage, Earnings Variability/Quality, Beta) from the latest Barra global equity factor risk model, GEMLT, designed to make fund comparisons transparent and intuitive for use. The MSCI Factor Box, which is powered by MSCI FaCS, provides a visualization designed to easily compare absolute exposures of funds/indexes and their benchmarks along 6 Factor Groups that have historically demonstrated excess market returns over the long run.

ABOUT MSCI

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