

MSCI Italy All Cap Select PIR Index Methodology

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1. Introduction

The MSCI Italy All Cap Select PIR Index (the “Index”) is a market capitalization weighted Index with 120 securities.¹ The Index selects securities from the constituents of MSCI Italy All Cap Index. The Index aims to align with Piani Individuali di Risparmio (PIR) asset allocation requirements and accordingly allocates specific minimum weights to securities in the mid and small cap segments.

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

2. Index Construction Methodology

2.1 Applicable Universe

The applicable universe includes all the existing constituents of MSCI Italy All Cap Index (the 'Parent Index').

2.2 Eligible Universe

The Eligible Universe is formed from the following component Indexes.

Table 1: Component Indexes

Index Name	Number of Securities
MSCI Italy All Cap Select 40 Index	40
MSCI Italy All Cap Select 60 Index	60
MSCI Italy All Cap Select 20 Index	20

The construction of the component Indexes is detailed in Appendix I.

2.3 Security Selection and Weighting

All securities in the Eligible Universe are selected for inclusion in the index and weighted as described in Appendix I.

Table 2: Diversification constraints

No.	Diversification Constraint	MSCI Italy All Cap Select PIR Index
1	Minimum aggregate weight of securities in MSCI Italy All Cap Select 60 Index or MSCI Italy All Cap Select 20 Index	26.25%
2	Minimum aggregate weight of securities in MSCI Italy All Cap Select 20 Index	4.375%

2.4 Issuer Capping

As a final step, the maximum weight of an Index constituent at an issuer level is restricted to 10% at each Index review, as per the MSCI Capped Indexes methodology².

² For details, please refer to the MSCI Capped Indexes Methodology at <https://www.msci.com/index/methodology/latest/Capped>

3. Maintaining the Index

3.1 Quarterly Index Reviews

The Index and the component Indexes (the 'Indexes') are rebalanced on a quarterly basis to coincide with the regular Index Reviews of the MSCI Global Investable Market Indexes. The changes are implemented as of the close of the last business day of February, May, August and November. The pro forma Indexes are in general announced nine business days before the effective date.

3.2 Ongoing Event-Related Changes

The general treatment of corporate events in the Indexes aims to minimize turnover outside of Index Reviews. The methodology aims to appropriately represent an investor's participation in an event based on relevant deal terms and pre-event weighting of the index constituents that are involved. Further, changes in index market capitalization that occur as a result of corporate event implementation will be offset by a corresponding change in the Variable Weighting Factor (VWF) of the constituent.

Additionally, if the frequency of Index Reviews in the Parent Index is greater than the frequency of Index Reviews in the Indexes, the changes made to the Parent Index during intermediate Index Reviews will be neutralized in the Indexes.

The following section briefly describes the treatment of common corporate events within the Indexes.

No new securities will be added (except where noted below) to the Indexes between Index Reviews. Parent Index deletions will be reflected simultaneously.

EVENT TYPE

EVENT DETAILS

New additions to the Parent Index

A new security added to the parent index (such as IPO and other early inclusions) will not be added to the index.

Spin-Offs

All securities created as a result of the spin-off of an existing Index constituent will not be added to the Index at the time of event implementation.

Merger/Acquisition

For Mergers and Acquisitions, the acquirer's post event weight will account for the proportionate amount of shares involved in deal consideration, while cash proceeds will be invested across the Index.

If an existing Index constituent is acquired by a non-Index constituent, the existing constituent will be deleted from the Index and the acquiring non-constituent will not be added to the Index.

Changes in Security Characteristics

A security will continue to be an Index constituent if there are changes in characteristics (country, sector, size segment, etc.) Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review.

Further detail and illustration regarding specific treatment of corporate events relevant to the Indexes can be found in the MSCI Corporate Events Methodology book under the sections detailing the treatment of events in Capped Weighted and Non-Market Capitalization Weighted indexes.

The MSCI Corporate Events methodology book is available at:

<https://www.msci.com/index/methodology/latest/CE>

Appendix I: Construction of the Constituent Indexes

The 3 component Indexes are as follows:

Index Name	Number of Securities
MSCI Italy All Cap Select 40 Index ('Component 1')	40
MSCI Italy All Cap Select 60 Index ('Component 2')	60
MSCI Italy All Cap Select 20 Index ('Component 3')	20

Securities in each component index are weighted by their free-float market capitalization.

The constituents of the component Indexes are selected from the Parent Index as defined below.

Index Name	Component 1	Component 2	Component 3
Parent Index	MSCI Italy All Cap Index		
Eligible Universe	All existing constituents of the Parent Index	All existing constituents of Parent Index excluding securities in Component 1	All existing constituents of Parent Index excluding securities in Component 1 or Component 2
Selection	Top 40 Securities based on free-float market cap from the Eligible Universe with a 10% buffer	Top 60 Securities based on free-float market cap from the Eligible Universe with a 10% buffer	Top 20 Securities based on free-float market cap from the Eligible Universe with a 10% buffer
Target Number of Constituents	40	60	20
Upper buffer cutoff	37	55	19
Lower buffer cutoff	44	66	22
Issuer Capping ³	15%		

For each component index, all eligible securities are ranked in descending order by their free float market capitalization.

³ The maximum weight of an Index constituent at an issuer level is restricted to 15% at each Index review, as per the MSCI Capped Indexes methodology at www.msci.com/index-methodology

To minimize index turnover, additions to and deletions from the Index during each index rebalance will be controlled by 10% buffer rules. The non-constituents that satisfy all eligibility criteria and rank above the upper buffer⁴ cutoff will be added to the Index. The existing constituents which rank below the lower buffer cutoff will be deleted from the Index. If the number of securities differs from the target number of constituents after applying the buffer rules, the lowest ranked securities within the Index will be deleted, or the next highest ranked securities will be added to the Index to restore the number of constituents to the target.

Since constituents of each of the 3 component indexes are unique, the component indexes are constructed in the following order:

MSCI Italy All Cap Select 40 Index
MSCI Italy All Cap Select 60 Index
MSCI Italy All Cap Select 20 Index

In any Index Review, if the Parent Index is calculated with fewer than 120 constituents, then the Index will not be rebalanced for that Index Review. MSCI may perform a consultation including a discussion of possible alternatives, if any. MSCI would continue to calculate the index for an announced period of time to give users the opportunity to transition to another index. In the event that an appropriate alternative index is established, the details of the methodology governing this index as well as the timing of the transition would be communicated in advance of implementation. In the event, an alternative Index cannot be established, MSCI may terminate the Index in line with the Index Termination Policy.⁵

⁴ The upper and lower buffer rank are determined as +/- 10% around the target count of the index.

⁵ The MSCI Index Termination Policy is contained in the MSCI Index Policies at <https://www.msci.com/index-methodology>.

Appendix II: 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 – <https://www.msci.com/index/methodology/latest/ReadMe>
- MSCI Corporate Events Methodology – <https://www.msci.com/index/methodology/latest/CE>
- MSCI Fundamental Data Methodology – <https://www.msci.com/index/methodology/latest/FundData>
- MSCI Index Calculation Methodology – <https://www.msci.com/index/methodology/latest/IndexCalc>
- MSCI Index Glossary of Terms – <https://www.msci.com/index/methodology/latest/IndexGlossary>
- MSCI Index Policies – <https://www.msci.com/index/methodology/latest/IndexPolicy>
- MSCI Global Industry Classification Standard (GICS) Methodology – <https://www.msci.com/index/methodology/latest/GICS>
- MSCI Global Investable Market Indexes Methodology – <https://www.msci.com/index/methodology/latest/GIMI>

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’.

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