

**- MSCI EMU Ricardo Comparative
Advantage Top 25 Select Index
- MSCI EMU Ricardo Comparative
Advantage Top 25 Select 5%
Decrement Index**

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1. Introduction

The MSCI EMU Ricardo Comparative Advantage Top 25 Select Index (the 'Index') aims to represent the performance of the securities from a set of countries which have the highest active weight in each of the GICS^{®1} Industry Groups as measured against the MSCI EMU Index (the 'Parent Index')².

The MSCI EMU Ricardo Comparative Advantage Top 25 Select 5% Decrement Index (the 'Decrement Index') aims to represent the performance of the net total return variant of the Index while applying a constant markdown ('synthetic dividend') of 5% on an annual basis, expressed as a percentage of performance.

1 GICS, the Global Industry Classification Standard jointly developed by MSCI and S&P Global Market Intelligence.

2 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. Index Construction

The Index is constructed from the Parent Index. The following steps are applied at initial construction and at each Index Review of the Index:

- Eligible Universe
- Security Selection
- Security Weighting

In addition to the above steps, the MSCI Decrement Indexes Methodology³ is applied to the Index to construct the Decrement Index.

2.1. Eligible Universe

2.1.1. Country-Industry Selection

At each Index Review, securities of the country with the highest active country weight in each GICS Industry Group of the Parent Index are selected.

The Active Country Weight for a given *GICS Industry Group(j)* for a given *country(i)* in the Parent Index is calculated as:

$$Active\ Country\ Weight(i, j) = Country\ Weight\ Industry\ Group(i, j) - Country\ Weight\ Parent(i),$$

where:

- *Country Weight Industry Group(i, j)* is the weight of *country(i)* in a subset of the *GICS Industry Group(j)* taken from the Parent Index, where the weights in the subset *GICS Industry Group(j)* are normalized to 100%.
- *Country Weight Parent(i)* is the weight of *country(i)* in the Parent Index.

2.1.2. Euro Denominated Securities

Only euro denominated securities within the Parent Index are eligible for inclusion in the Index.

2.1.3. Liquidity Criteria

Securities with 3-month ADTV (Average Daily Traded Value) greater or equal to USD 5 Million are eligible for inclusion in the Index.

ADTV is calculated as:

$$ADTV_{3M} = \frac{ATV_{3M}}{252},$$

where ATV_{3M} is annualized 3-month Average Traded Value⁴ of the security.

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

⁴ MSCI Index Calculation Methodology at www.msci.com/index/methodology/latest/IndexCalc and MSCI Global Investable Market Indexes Methodology at <https://www.msci.com/index-methodology>

2.2. Security Selection

From the securities in the Eligible Universe, the largest security in each GICS Industry Group based on its free-float adjusted market capitalization is selected for inclusion in the Index. Should there be two securities with the same free-float adjusted market capitalization, the one with higher liquidity per its 3-month ADTV is ranked higher for selection.

2.3. Security Weighting

At each Index Review and at initial construction, the securities selected for inclusion in the Index are weighted in proportion of their free-float adjusted market capitalization and are then normalized to sum to 100%.

Additionally, the constituent weights are capped to mitigate concentration risk in the Index. The individual security weights in the final Index are capped at 10%.

2.4. Application of the MSCI Decrement Indexes Methodology

The MSCI Decrement Indexes Methodology⁵ is applied on the Index to construct the Decrement Index. The parameters for the Decrement Index are noted in Appendix 2.

⁵ Please refer to the MSCI Decrement Indexes Methodology at <http://www.msci.com/index-methodology> for details as well as intended use of such indexes.

3. Maintenance of the Index

3.1. Quarterly Index Reviews

The Index is reviewed on a quarterly basis, coinciding with the February, May, August, and November Index Reviews of the Parent Index. The pro forma Index is announced nine business days before the effective date.

3.2. Daily Decrement Calculation

The performance of the Decrement Index is computed by reducing the performance of the net total return variant of the Index, by a fixed percentage, on a daily basis using parameters detailed in Section 2.4.

3.3. Ongoing Event Related Changes

The following section briefly describes the treatment of common corporate events within the Index. Changes in index market capitalization that occur because of corporate event implementation will be offset by a corresponding change in the Variable Weighting Factor (VWF) of the constituent.

No new securities will be added (except where noted below) to the Index between Index Reviews. For cases where additions are noted below, securities will be added to the Index only if added to the Parent Index. 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 be added to the Index at the time of event implementation. Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review.

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 this Index 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>.

Appendix 1: 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
- 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 Industry Classification Standard (GICS) Methodology – <https://www.msci.com/index/methodology/latest/GICS>
- MSCI Global Investable Market Indexes Methodology – www.msci.com/index/methodology/latest/GIMI

The Methodology Set for the Index 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: MSCI EMU Ricardo Comparative Advantage Top 25 Select 5% Decrement Index

The following parameters are used for the calculation of Decrement Index:

MSCI Decrement Indexes Methodology Parameters		Parameter Value
1	Currency of Calculation	EUR
2	Return Variant of the Index	Daily Net Total Return
3	Decrement Type	Fixed Percentage
4	Decrement Application	Geometric
5	Decrement Value	5%
6	Day-count Convention	Actual / 365
7	Index Floor	0
8	Decrement Frequency	Daily

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AMERICAS

United States + 1 888 588 4567 *
 Canada + 1 416 687 6270
 Brazil + 55 11 4040 7830
 Mexico + 52 81 1253 4020

EUROPE, MIDDLE EAST & AFRICA

South Africa + 27 21 673 0103
 Germany + 49 69 133 859 00
 Switzerland + 41 22 817 9777
 United Kingdom + 44 20 7618 2222
 Italy + 39 02 5849 0415
 France + 33 17 6769 810

ASIA PACIFIC

China + 86 21 61326611
 Hong Kong + 852 2844 9333
 India + 91 22 6784 9160
 Malaysia 1800818185 *
 South Korea + 82 70 4769 4231
 Singapore + 65 67011177
 Australia + 612 9033 9333
 Taiwan 008 0112 7513 *
 Thailand 0018 0015 6207 7181 *
 Japan + 81 3 4579 0333

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