The MSCI Quality Indices

Seek to Capture the Performance of Stocks with Quality Growth Characteristics

- The MSCI Quality Indices are designed to reflect a quality growth investment strategy by identifying stocks with historically high return on equity, stable year-over-year earnings growth and low financial leverage
- The MSCI Quality Indices complement other MSCI Risk Premia Indices by reflecting two distinguishing factors—growth and low leverage. Consequently, financial products tracking these indices can play an effective diversification role in a broader portfolio of risk premia-based investments.
- The MSCI Quality Indices are constructed with an objective and transparent methodology based on the MSCI parent index to ensure high trading liquidity, investment capacity and moderate turnover of index constituents

Why Do Investors Use Quality Strategies?

- Quality growth companies are described in the academic literature as companies with durable business models and sustainable competitive advantages
- Empirical research shows that quality growth stocks have historically outperformed the market with relatively low volatility over the long-term
- Many active strategies emphasize quality growth as an important factor in their security selection and portfolio construction

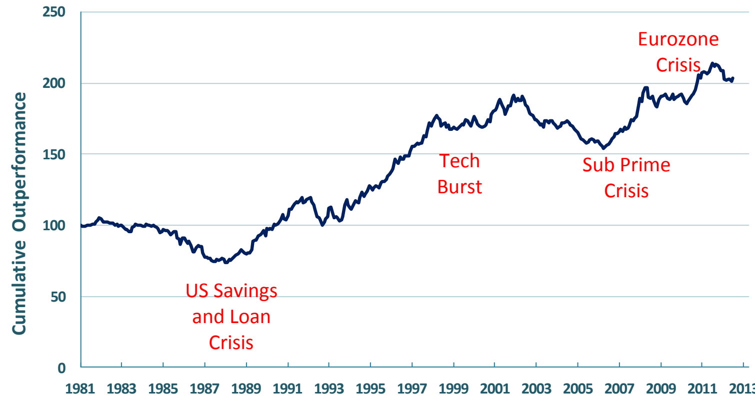
Key Benefits of the MSCI Quality Indices

- Strong theoretical and empirical foundation with simple and transparent index methodology
- Historically, the indices reflect periods of long-term outperformance and low correlation with other risk premia
- Moderate index turnover to minimize replication cost
- Seamless integration with other MSCI Risk Premia Indices

Illustrative Use Case

- A Canadian corporate pension plan adopted a passive approach to capture three risk premia: Quality, Value, and Size
- The fund combined the MSCI ACWI Quality, MSCI ACWI Value Weighted, and the MSCI ACWI Risk Weighted Indices
- Historically, over long periods, combining risk premia strategies has enhanced risk-adjusted performance

MSCI USA Quality Relative to MSCI USA (USD)



Historical Gross Total, USD	MSCI USA	MSCI USA Quality
Total Return* (%)	11.4	13.1
Total Risk* (%)	15.4	15.1
Risk Adjusted Return	0.74	0.87
Active Return* (%)	0.0	1.7
Tracking Error* (%)	0.0	3.9
Information Ratio	N/A	0.45

** Annualized from Nov. 1981 to May 2013.*

Adding MSCI Quality Indices Has Historically Increased Return with Lower Risk

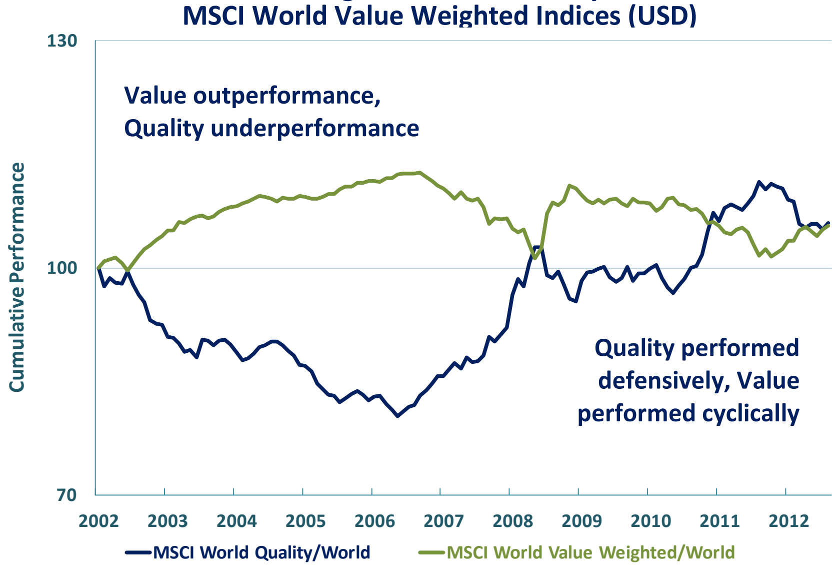
Methodology Highlights

Parameter	Methodology	Comments
Universe	• Parent index constituents	Objective approach capturing the standard opportunity set and ensuring the indices have high investability and liquidity
Variables	• Debt to Equity • Return on Equity • Earnings Variability (standard deviation of year-over-year EPS growth over the last five years)	Quality scores are based on fundamental descriptors and do not incorporate historical return volatility which is recognized as a separate factor
Weighting	• Fixed number of companies • Quality score X market cap • Index weights are capped at 5%	A fixed number of securities with the highest quality scores are included in MSCI Quality Indices, covering between 30%–40% of the parent index market capitalization Index weights are determined by multiplying quality scores by float market caps. Tilted cap weights result in high capacity and liquidity of index constituents.
Rebalancing	• Semi-annual • Buffer zones are applied	Timely data updates, consistent with MSCI rebalancing calendar Buffers are applied at each rebalancing to reduce turnover and improve index replicability

Combining MSCI Risk Premia Indices

- MSCI Quality, Value Weighted, Minimum Volatility and other MSCI Risk Premia Indices have outperformed their cap-weighted parent indices over the long-term
- However, performance is cyclical: any strategy can underperform for long periods
- Therefore, a higher level of diversification may be achieved by combining two or more of these MSCI Risk Premia Indices
- Combinations may also reduce overall cost by exploiting natural internal "crossing opportunities" at each rebalancing

Combining MSCI World Quality and MSCI World Value Weighted Indices (USD)



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