The MSCI Value Weighted Indices

A Fundamental Approach to Capturing the Value Premium

- The MSCI Value Weighted Indices are uniquely designed to reflect the "value premium."
- The MSCI Value Weighted Indices employ value weighting as a simple, effective method to (1) create a tilt towards value stocks and (2) provide superior risk-adjusted performance while maintaining the strong investability and capacity features of the parent cap weighted index.
- Multiple uses of MSCI Value Weighted Indices include cost effective replication, benchmarking of value managers, and combinations of Value Weighted with other MSCI Risk Premia Indices.

Why Do Investors Use Value Strategies?

- Over long periods, value strategies have often generated a premium over the broad market.
- Some value investors argue that because value is a source of systematic risk, value portfolios earn a long-term premium as compensation for bearing this higher systematic risk.
- Over short periods the value risk premium has experienced cyclical performance.

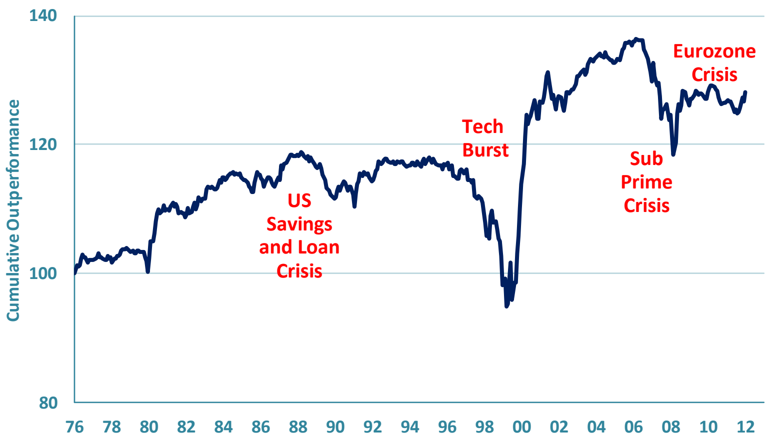
Key Benefits of the MSCI Value Weighted Indices

- Enable investors who track the indices to gain passive and potentially low cost exposure to the value premium
- Significant active exposure to the Value Style factor
- Low turnover
- Highly investable due to its construction based on the features of the parent cap-weighted indices
- Low tracking error of 3.5% relative to the market cap weighted benchmark

Illustrative Use Case

- A US public pension plan adopted a passive approach to capture three risk premia: Value, Low Volatility, Size as well as the overall market.
- The fund combined MSCI ACWI Value Weighted, MSCI ACWI Risk Weighted and MSCI ACWI IMI Indices.
- Historically, over a long period, combining risk premia strategies enhances risk-adjusted performance.

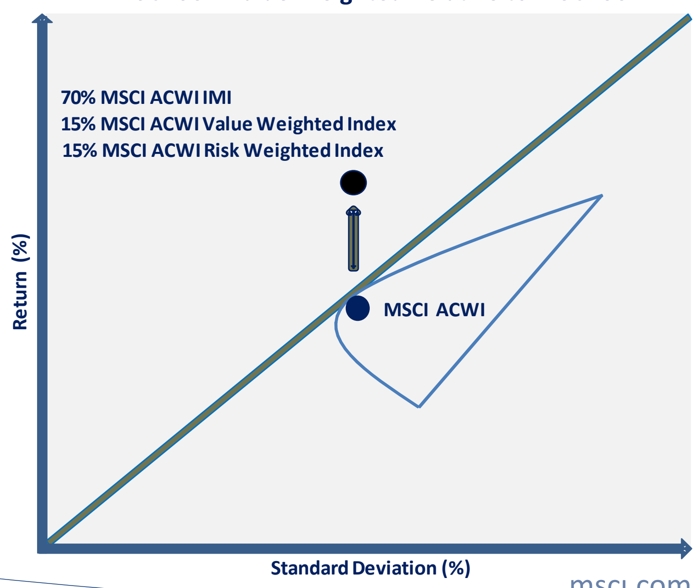
MSCI USA Value Weighted Relative to MSCI USA



Historical Gross Total Return, USD	MSCI USA	MSCI USA Value Weighted
Total Return* (%)	10.5	11.3
Total Risk* (%)	15.3	15.3
Risk Adjusted Return	0.69	0.74
Active Return* (%)		0.8
Tracking Error* (%)		3.4
Information Ratio		0.22

** Annualized from Dec 1976 to Dec 2012.*

MSCI USA Value Weighted Relative to MSCI USA



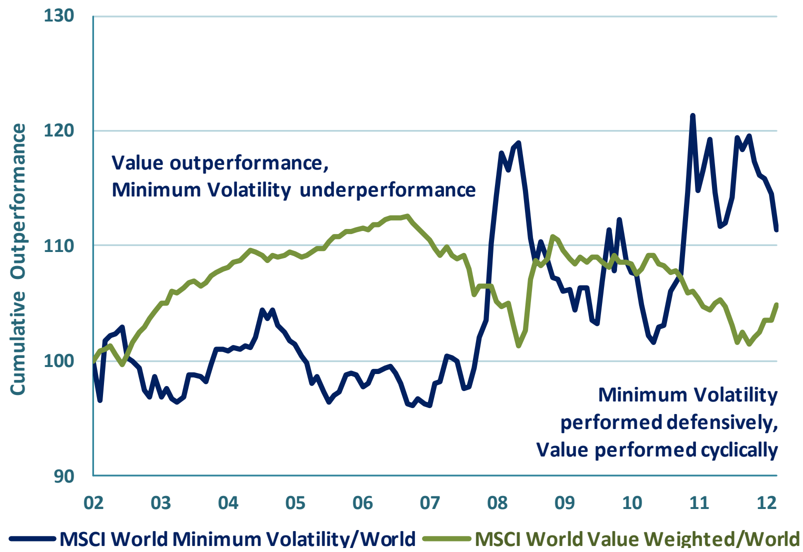
Methodology Highlights

Parameter	Methodology	Comments
Universe	Parent index constituents	- Objective approach capturing the standard opportunity set and ensuring indices have high investability and liquidity - No small cap bias
Variables	Sales, Earnings, Cash Flow, Book Value	- Objective measures that capture different aspects of fundamental value - Dividends are not paid by all companies
Weighting	- All parent index constituents - Average of individual variable weights	- No stock selection - Titled market cap weights result in high investability and liquidity
Rebalancing	Semi-annual	- Timely data updates - Consistent with MSCI rebalancing calendar

Combining MSCI Risk Premia Indices

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

Combining MSCI World Value Weighted and MSCI Minimum Volatility Indices Performance Relative to MSCI World



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