

# **MSCI Expanded ADR Indexes**

**September 2024**

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## 1. Introduction

The MSCI Expanded ADR Indexes<sup>1</sup> (the “Indexes”) aim to reflect the performance of large and mid-cap companies in the MSCI Global Investable Market Indexes (the “Parent Indexes”) which have American Depositary Receipts (ADR) listings, represented by their corresponding ADRs. The Eligible Universe comprises Level I, II and III<sup>2</sup> ADRs traded on the New York Stock Exchange or the NASDAQ.

The Indexes are constructed by substituting the constituents of the corresponding Parent Indexes with liquid ADRs from the Eligible Universe described in Section 2.1.

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<sup>1</sup> The Indexes are governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. Please refer to Appendix I for more details.

<sup>2</sup> For details on ADRs levels classification, please refer to <https://www.sec.gov/investor/alerts/adr-bulletin.pdf>

## 2. Index Construction

### 2.1 Eligible Universe

The Eligible Universe comprises Level I, II and III ADRs listed on the New York Stock Exchange or the NASDAQ for the companies that are constituents of the Parent Indexes.

Constituents of the Parent Indexes without such ADR listings are not considered for inclusion in the Index.

### 2.2 Applicable Universe

From the Eligible Universe, securities with a 1-month Frequency of Trading<sup>3</sup> ("FOT") below 80% are excluded from the Index.

The remaining securities are sorted in descending order of 12-month Annual Traded Value Ratio<sup>3</sup> (ATVR), and the cumulative coverage of the free float-adjusted market capitalization is calculated at each security. Securities ranked below the cumulative 95% of the weights based on free float-adjusted market capitalization coverage are excluded from the Index.

If more than one ADR exist for a constituent from the Parent Indexes, the most liquid listing, as measured by its corresponding 12-month ATVR, will be included in the Index.

The Applicable Universe is then obtained by applying the above liquidity screens to the Eligible Universe.

### 2.3 Weighting Scheme

The securities in the Applicable Universe are weighted in proportion of their free float-adjusted market capitalization.

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<sup>3</sup> For more details on liquidity measures, please refer to Section 2 "Constructing the MSCI Global Investable Markets" of MSCI Global Investable Market Indexes (GIMI) methodology, available at <https://www.msci.com/index/methodology/latest/GIMI>

## 3. Maintenance of the Index

### 3.1 Quarterly Index Reviews

The Indexes are reviewed on a quarterly basis to coincide with the regular Semi-Annual and Quarterly 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 Index is in general announced nine business days before the effective date.

### 3.2 Ongoing Event Related Changes

The general treatment of corporate events in the MSCI Expanded ADR 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.

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

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 Indexes.

Parent Indexes deletions will be reflected simultaneously.

#### EVENT TYPE

#### EVENT DETAILS

#### New additions to the Parent Indexes

A new security added to the Parent Indexes (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, including detached securities, 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.) Re-evaluation for continued

inclusion in the Index will occur at the subsequent Index Review.

### **Securities under Prolonged Suspension**

Index constituents, where the corresponding constituents in the Parent Indexes are under prolonged suspension, are deleted from the Indexes simultaneously with their deletion of the corresponding constituents from the Parent Indexes using the last traded price of the ADR.

If a constituent is suspended, while the corresponding security in the Parent Indexes is still trading, it will be maintained and reviewed at 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 and Appendix XII of the MSCI Global Investable Market Indexes methodology.

The MSCI Corporate Events methodology book and MSCI Global Investable Market Indexes methodology book are available at: <https://www.msci.com/index-methodology>.

## Appendix I - 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 – [www.msci.com/index/methodology/latest/GICS](https://www.msci.com/index/methodology/latest/GICS)
- MSCI Global Investable Market Indexes Methodology – <https://www.msci.com/index/methodology/latest/GIMI>
- MSCI Global ex Controversial Weapons Indexes Methodology – [www.msci.com/index/methodology/latest/XCW](https://www.msci.com/index/methodology/latest/XCW)
- ESG Factors In Methodology\*

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'.

\* 'ESG Factors in Methodology' contains the list of environmental, social, and governance factors considered, and how they are applied in the methodology (e.g., selection, weighting or exclusion). It can be accessed in the Methodology Set as described above.

## Appendix II – Changes to this Document

First version reviewed and published in September 2022.

The following modifications are effective from September 2024:

Section 2.2: Applicable Universe:

- Clarification for cumulative 95% selection, specifying the usage of weights based on free float-adjusted market capitalization.



## Contact us

[msci.com/contact-us](https://msci.com/contact-us)

### 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

\* toll-free

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