

# **MSCI Frontier Emerging Markets Index Methodology**

**August 2023**

## Contents

1 Introduction	3
2 Constructing the MSCI Frontier Emerging Markets Index	3
3 Maintaining the MSCI Frontier Emerging Markets Index	3
3.1 Emerging Markets Annual Eligibility Review	4
3.2 Ongoing Inclusion of Frontier Markets	4
3.3 Country Migration	5
3.4 Country Deletion	5
4 Announcement Policy	5
Appendix I: Current List of Eligible Countries from the Emerging Markets	6
Changes to the Methodology Book	7

## 1 Introduction

The MSCI Frontier Emerging Markets Index ('the Index') is a free float-adjusted market capitalization index designed to serve as a benchmark covering all countries from the MSCI Frontier Markets Index and the lower size spectrum of the MSCI Emerging Markets Index.

The Index is a composite index that aggregates all the country indexes in the MSCI Frontier Markets Index and selected country indexes in the MSCI Emerging Markets Index.

This methodology book aims to describe how individual country indexes may be added to or removed from the Index.

Constituent level changes in the MSCI Frontier Markets Index are governed by the MSCI Global Investable Markets Indexes Methodology and the MSCI Corporate Events Methodology. Changes in this Index would result from the changes in the component country indexes<sup>1</sup>.

## 2 Constructing the MSCI Frontier Emerging Markets Index

At initial construction, Emerging Markets countries are included in the Index if:

- The country's weight in the MSCI All Countries World Index (ACWI) is below 10bp;

and

- The country's GNI per capita is lower than the average GNI per capita of countries classified in the upper middle income category as defined by the World Bank.

## 3 Maintaining the MSCI Frontier Emerging Markets Index

The Index is rebalanced on a quarterly basis coinciding with the regular Index Review of the component country indexes in February, May, August, and November.

The changes in the country composition of the Index may result from:

- Emerging Markets Annual Eligibility Review;

<sup>1</sup> The Indexes are governed by a set of methodology and policy documents ("Methodology Set"), including the present index methodology document. The Methodology Set for the Indexes can be accessed from MSCI's webpage <https://www.msci.com/index-methodology> in the section 'Search Methodology by Index Name or Index Code'.

- Ongoing inclusion of new countries to the MSCI Frontier Markets Indexes, ;
- Country migration between the MSCI Emerging Markets Index and the MSCI Frontier Markets Index;
- Country deletion from the MSCI Emerging Markets Index or Frontier Markets Index not resulting from the migration.

### 3.1 Emerging Markets Annual Eligibility Review

The Emerging Markets country composition of the Index is reviewed once a year at the August Index Review and implemented at the subsequent November Index Review. The Annual Eligibility Review is based on the latest GNI per capita statistics and the country weights in the MSCI ACWI Index.

During the Annual Eligibility Reviews an Emerging Market country is added if:

- The country's weight in the MSCI ACWI Index has been below 10bp for at least 3 consecutive years or below 5bp for at least 2 consecutive years;

and

- The country's GNI per capita is lower than the threshold for the upper middle income categories of the World Bank.

During Annual Eligibility Review an Emerging Market country is deleted if:

- The country's weight in the MSCI ACWI Index has been above 15bp for at least 3 consecutive years or above 20bp for at least 2 consecutive years;

or

- The country's GNI per capita is greater than the threshold for the high-income categories of the World Bank.

### 3.2 Ongoing Inclusion of Frontier Markets

The new countries included in the MSCI Frontier Markets Index will be simultaneously included in the Index. The addition of new countries to the MSCI Frontier Markets generally coincide with the regular Index Reviews in February, May, August, and November.

### 3.3 Country Migration

If a country is reclassified from Frontier Markets to Emerging Markets, the country will be deleted if:

- The country's weight in the MSCI ACWI Index is above 20bp;

or

- The country's GNI per capita is greater than the threshold for the high-income categories of the World Bank.

If a country, which was excluded from the Index is reclassified from Emerging Markets to Frontier Markets, it will be simultaneously included in the Index.

Such migrations generally take place during the regular Index Reviews in February, May, August, and November

### 3.4 Country Deletion

If a country which is a component of the Index is reclassified from Emerging Markets or Frontier Markets but not resulting in the migration between Emerging Markets and Frontier Markets as described in section 3.3 Country Migration, it will be simultaneously excluded from the Index.

## 4 Announcement Policy

The results of the Index Reviews are announced at least two weeks in advance of their effective implementation dates, which are generally set at the close of the last business day of February, May, August and November.

Changes resulting from the Emerging Markets Annual Eligibility Review will be announced as part of the August Index Review and implemented as part of subsequent November Index Review.

The eligibility of countries to remain in the Index following reclassification from Frontier Markets to Emerging Markets, are usually announced at least three months before the implementation.

## Appendix I: Current List of Eligible Countries from the Emerging Markets

The following countries from the MSCI Emerging Markets Index are included in the MSCI Frontier Emerging Markets Index:

- Colombia
- Egypt
- Peru
- Philippines

## Changes to the Methodology Book

**The following sections have been modified since November 2013:**

Section 1: Introduction

- Added clarification

**The following sections have been modified since September 2017:**

Section 4: List of Eligible Countries

- Updated list

**The following sections have been modified as of November 2021:**

Section 4: List of Eligible Countries

- Updated list

**The following sections have been modified as of August 2023:**

- Methodology book was updated to reflect the transition of the MSCI Global Investable Market Indexes (GIMI) to Quarterly Comprehensive Index Reviews.
- All references to “Semi-Annual Index Reviews” and “Quarterly Index Reviews” of the MSCI GIMI were replaced with “Index Reviews.”

Section 1: Introduction

- Added footnote

Section 3: Maintaining the MSCI Frontier Emerging Markets Index

- Added clarification for timing

Section 3.1: Emerging Markets Annual Eligibility Review

- Added clarification for timing

Section 3.2: Ongoing Inclusion of Frontier Markets

- Added clarification for timing

Section 3.3: Country Migration

- Added clarification for timing

Section 3.4: Country Deletion

- Added section

#### Appendix I: Country Migration

- Transferred previous section 4: Current List of Eligible Countries from the Emerging Markets to appendix



## Contact us

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

### AMERICAS

Americas	1 888 588 4567 *
Atlanta	+ 1 404 551 3212
Boston	+ 1 617 532 0920
Chicago	+ 1 312 675 0545
Monterrey	+ 52 81 1253 4020
New York	+ 1 212 804 3901
San Francisco	+ 1 415 836 8800
São Paulo	+ 55 11 3706 1360
Toronto	+ 1 416 628 1007

### EUROPE, MIDDLE EAST & AFRICA

Cape Town	+ 27 21 673 0100
Frankfurt	+ 49 69 133 859 00
Geneva	+ 41 22 817 9777
London	+ 44 20 7618 2222
Milan	+ 39 02 5849 0415
Paris	0800 91 59 17 *

### ASIA PACIFIC

China North	10800 852 1032 *
China South	10800 152 1032 *
Hong Kong	+ 852 2844 9333
Mumbai	+ 91 22 6784 9160
Seoul	00798 8521 3392 *
Singapore	800 852 3749 *
Sydney	+ 61 2 9033 9333
Taipei	008 0112 7513 *
Thailand	0018 0015 6207 7181 *
Tokyo	+ 81 3 5290 1555

\* toll-free

### About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

To learn more, please visit [www.msci.com](https://www.msci.com).

*The process for submitting a formal index complaint can be found on the index regulation page of MSCI's website at: <https://www.msci.com/index-regulation>*

## Notice and disclaimer

This document and all of the information contained in it, including without limitation all text, data, graphs, charts (collectively, the "Information") is the property of MSCI Inc. or its subsidiaries (collectively, "MSCI"), or MSCI's licensors, direct or indirect suppliers or any third party involved in making or compiling any Information (collectively, with MSCI, the "Information Providers") and is provided for informational purposes only. The Information may not be modified, reverse-engineered, reproduced or disseminated in whole or in part without prior written permission from MSCI. All rights in the Information are reserved by MSCI and/or its Information Providers.

The Information may not be used to create derivative works or to verify or correct other data or information. For example (but without limitation), the Information may not be used to create indexes, databases, risk models, analytics, software, or in connection with the issuing, offering, sponsoring, managing or marketing of any securities, portfolios, financial products or other investment vehicles utilizing or based on, linked to, tracking or otherwise derived from the Information or any other MSCI data, information, products or services.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF THE INFORMATION PROVIDERS MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH INFORMATION PROVIDER EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by applicable law, in no event shall any Information Provider have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited, including without limitation (as applicable), any liability for death or personal injury to the extent that such injury results from the negligence or willful default of itself, its servants, agents or sub-contractors.

Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.

The Information should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. All Information is impersonal and not tailored to the needs of any person, entity or group of persons.

None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle or any trading strategy.

It is not possible to invest directly in an index. Exposure to an asset class or trading strategy or other category represented by an index is only available through third party investable instruments (if any) based on that index. MSCI does not issue, sponsor, endorse, market, offer, review or otherwise express any opinion regarding any fund, ETF, derivative or other security, investment, financial product or trading strategy that is based on, linked to or seeks to provide an investment return related to the performance of any MSCI index (collectively, "Index Linked Investments"). MSCI makes no assurance that any Index Linked Investments will accurately track index performance or provide positive investment returns. MSCI Inc. is not an investment adviser or fiduciary and MSCI makes no representation regarding the advisability of investing in any Index Linked Investments.

Index returns do not represent the results of actual trading of investable assets/securities. MSCI maintains and calculates indexes, but does not manage actual assets. The calculation of indexes and index returns may deviate from the stated methodology. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the index or Index Linked Investments. The imposition of these fees and charges would cause the performance of an Index Linked Investment to be different than the MSCI index performance.

The Information may contain back tested data. Back-tested performance is not actual performance, but is hypothetical. There are frequently material differences between back tested performance results and actual results subsequently achieved by any investment strategy.

Constituents of MSCI equity indexes are listed companies, which are included in or excluded from the indexes according to the application of the relevant index methodologies. Accordingly, constituents in MSCI equity indexes may include MSCI Inc., clients of MSCI or suppliers to MSCI. Inclusion of a security within an MSCI index is not a recommendation by MSCI to buy, sell, or hold such security, nor is it considered to be investment advice.

Data and information produced by various affiliates of MSCI Inc., including MSCI ESG Research LLC and Barra LLC, may be used in calculating certain MSCI indexes. More information can be found in the relevant index methodologies on [www.msci.com](http://www.msci.com).

MSCI receives compensation in connection with licensing its indexes to third parties. MSCI Inc.'s revenue includes fees based on assets in Index Linked Investments. Information can be found in MSCI Inc.'s company filings on the Investor Relations section of [msci.com](http://msci.com).

MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc. Neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and MSCI's products or services are not a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such, provided that applicable products or services from MSCI ESG Research may constitute investment advice. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. MSCI ESG and climate ratings, research and data are produced by MSCI ESG Research LLC, a subsidiary of MSCI Inc. MSCI ESG Indexes, Analytics and Real Estate are products of MSCI Inc. that utilize information from MSCI ESG Research LLC. MSCI Indexes are administered by MSCI Limited (UK).

Please note that the issuers mentioned in MSCI ESG Research materials sometimes have commercial relationships with MSCI ESG Research and/or MSCI Inc. (collectively, "MSCI") and that these relationships create potential conflicts of interest. In some cases, the issuers or their affiliates purchase research or other products or services from one or more MSCI affiliates. In other cases, MSCI ESG Research rates financial products such as mutual funds or ETFs that are managed by MSCI's clients or their affiliates, or are based on MSCI Inc. Indexes. In addition, constituents in MSCI Inc. equity indexes include companies that subscribe to MSCI products or services. In some cases, MSCI clients pay fees based in whole or part on the assets they manage. MSCI ESG Research has taken a number of steps to mitigate potential conflicts of interest and safeguard the integrity and independence of its research and ratings. More information about these conflict mitigation measures is available in our Form ADV, available at <https://adviserinfo.sec.gov/firm/summary/169222>.

Any use of or access to products, services or information of MSCI requires a license from MSCI. MSCI, Barra, RiskMetrics, IPD and other MSCI brands and product names are the trademarks, service marks, or registered trademarks of MSCI or its subsidiaries in the United States and other jurisdictions. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P Global Market Intelligence. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and S&P Global Market Intelligence.

MIFID2/MIFIR notice: MSCI ESG Research LLC does not distribute or act as an intermediary for financial instruments or structured deposits, nor does it deal on its own account, provide execution services for others or manage client accounts. No MSCI ESG Research product or service supports, promotes or is intended to support or promote any such activity. MSCI ESG Research is an independent provider of ESG data.

Privacy notice: For information about how MSCI collects and uses personal data, please refer to our Privacy Notice at <https://www.msci.com/privacy-pledge>.