

MSCI ACWI IMI Artificial Intelligence Select Issuer Capped Index

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1 Introduction

The MSCI ACWI IMI Artificial Intelligence Select Issuer Capped Index (the ‘Index’¹) aims to represent the performance of a set of companies involved in development of artificial intelligence (AI) infrastructure, enabling AI development, and adopting AI for innovation and/or cost reduction.

To reduce concentration risk and ensure a more balanced representation of companies within the index, an issuer capping of 5% is applied.

¹ The Index is governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. Please refer to Appendix II for more details.

2 Constructing the Index

The Index is constructed by selecting stocks from the MSCI ACWI Investable Market Index (IMI) (the 'Parent Index') based on rules explained in the following sections.

2.1 Eligible Universe

The Eligible Universe is constructed from the Parent Index by excluding securities of companies based on the exclusion criteria below:

2.1.1 Liquidity screening criteria

All securities that have a 3-month average daily trading value (3M ADTV) less than 3 million USD are excluded from the eligible universe. For the calculation of ADTV, please refer to Appendix I.

2.1.2 Size screening criteria

All securities that have a free-float market capitalization less than 300 million USD are excluded from the eligible universe.

2.1.3 GICS^{®2} sector and sub industries-based screening criteria

All securities that are not mapped to any of the following GICS sub industries are excluded from the eligible universe.

S. No.	GICS Sectors	GICS Sub industries
1	Information Technology	All
2	Communication Services	Interactive Media & Services
		Movies & Entertainment
		Advertising
3	Consumer Discretionary	Automotive Parts & Equipment
		Broadline Retail
		Consumer Electronics

2.2 Stock Relevance Score

A relevance score for each of the securities in the eligible universe is calculated as described in section 2.6 of MSCI ACWI IMI Robotics & AI Index Methodology³.

² GICS, the Global Industry Classification Standard jointly developed by MSCI and Standard & Poor's Global. Please refer to the GICS section on MSCI's website at www.msci.com/gics.

³ Please refer to the MSCI ACWI IMI Robotics & AI Index Methodology available at <https://www.msci.com/index-methodology> for more details.

2.3 Selection on Relevance Score

- **Securities with free-float market capitalization \geq USD 10 billion:** All securities from the eligible universe with a relevance score of 5% and above are selected.
- **Securities with free-float market capitalization $<$ USD 10 billion:** All securities from the eligible universe with a relevance score of 25% and above are selected.

2.4 Selection on GICS Code

All securities in the Eligible Universe that have a free-float market capitalization of greater than or equal to USD 10 billion and belong to the Semiconductors & Semiconductor Equipment Industry are selected.

2.5 Selected Universe

The selections made in section 1.3 (Selection on Relevance Score) and section 1.4 (Selection on GICS Code) are combined to form the selected security universe. This combined universe serves as the basis for further index construction steps

2.6 Weighting Scheme

All securities in the selected universe are weighted by the product of their weighting factor (as described below) and their weight in the Parent Index.

S. No.	Selection Criteria	Weighting Factor
1	Selection on GICS Code	Max (0.25, Stock Relevance Score)
2	Selection on Relevance Score but are not part of GICS based selection	Stock Relevance Score

The weights are then normalized to 100%.

Additionally, constituent weights are capped at the issuer level to mitigate concentration risk in the component. The issuer weight in the Index is capped at 5% at the time of rebalance.

3 Maintaining the Index

3.1 Semi-Annual Index Review

The Index is rebalanced on a semi-annual basis in May and November, as of the close of the last business day of May and November, coinciding with the May and November Index Review of the MSCI Global Investable Market Indexes. In general, the pro forma index is announced nine business days before the effective date.

3.2 Ongoing event-related maintenance

The general treatment of corporate events in the index 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. Further, changes in index market capitalization that occur as a result of corporate event implementation will be offset by a corresponding change in the Variable Weighting Factor (VWF) of the constituent.

The following section briefly describes the treatment of common corporate events within the Index. No new securities will be added (except where noted below) to the index between Index Reviews. 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.

The MSCI Corporate Events methodology book is available at:
<https://www.msci.com/index-methodology>.

Appendix I: Calculation of 3-Month Average Daily Traded Value (ADTV)

$$ADTV = \frac{ATV}{252}$$

Where:

ADTV = 3-month Average Daily Traded Value

ATV = 3-month Annualized Traded Value

For details on the calculation of ATV, please refer to the MSCI Fundamental Data Methodology (<https://www.msci.com/index/methodology/latest/FundData>)

Appendix II: 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
 - <https://www.msci.com/index/methodology/latest/GICS>
- MSCI Global Investable Market Indexes Methodology
 - <https://www.msci.com/index/methodology/latest/GIMI>
- MSCI Thematic Relevance Score Methodology – <https://www.msci.com/index/methodology/latest/ThemRelevScore>
- MSCI ACWI IMI Robotics & AI Index Methodology – https://www.msci.com/eqb/methodology/meth_docs/MSCI_ACWI_IMI_ROBOTICS_AND_AI_INDEX_UPDT.pdf

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’.

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