

## **Methodology Book For:**

- **MSCI Emerging Markets ex China Select Index**
- **MSCI Emerging Markets ex China Select 4% Decrement Index**

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# 1 Introduction

The MSCI Emerging Markets ex China Select Index<sup>1</sup> (the 'Index') aims to represent the performance of the securities from the MSCI Emerging Market Ex China (the 'Parent Index') while excluding the securities from the MSCI EFM Africa Index.

The MSCI Emerging Markets ex China Select 4% Decrement Index aims to represent the performance of the Index, while applying a constant markdown ('synthetic dividend') of 4% on an annual basis, expressed as a percentage of performance.

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

## 2 Index Construction

The Index is constructed from the Parent Index. The following steps are applied at initial construction and at each Index Review of the Index:

- Eligible Universe Screening
- Security Weighting

After the above steps, the following additional step is applied to construct the MSCI Emerging Markets ex China Select 4% Decrement Index.

- Applying the MSCI Decrement Indexes Methodology

### 2.1 Eligible Universe Screening

The Eligible Universe for the Index is constructed by selecting the securities from the Parent Index and subsequently applying the steps described in 2.1.1 and 2.1.2.

#### 2.1.1 Security Selection

The securities from the Parent Index that do not belong to the MSCI EFM Africa Index are selected for inclusion in the Eligible Universe.

#### 2.1.2 Liquidity Criteria

The securities selected in 2.1.1 that have a 3-month ADTV (Average Daily Traded Value) greater than or equal to USD 10 Million are selected for inclusion in the Index.

ADTV is calculated as:

$$ADTV_{3M} = \frac{ATV_{3M}^2}{252}$$

where  $ATV_{3M}$  is the annualized 3-month Average Traded Value of the security.

To avoid multiple securities of the same company in the final Index, only the most liquid security for each issuer per its 3-month ADTV, is eligible for inclusion in the Index. For any issuer, should two securities have the same 3-month ADTV, the one with the higher free float-adjusted market capitalization is included.

### 2.2 Security Weighting

At each Index Review and at initial construction, the securities selected for inclusion in the Index are weighted in proportion of their free-float adjusted market capitalization.

<sup>2</sup> Please refer to the MSCI Index Calculation Methodology at [www.msci.com/index/methodology/latest/IndexCalc](http://www.msci.com/index/methodology/latest/IndexCalc) and MSCI Global Investable Market Indexes Methodology at <http://www.msci.com/index/methodology/latest/GIMI> for more details on ATV calculation.

## 2.3 Applying the MSCI Decrement Indexes Methodology

The MSCI Decrement Indexes Methodology<sup>3</sup> is applied on the Index to compute the MSCI Emerging Markets ex China Select 4% Decrement Index.

The parameters for the application of the Decrement Indexes Methodology in the above indexes are noted in Appendix 2.

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<sup>3</sup> Please refer to the MSCI Decrement Indexes methodology at [www.msci.com/index-methodology](https://www.msci.com/index-methodology)

## 3 Maintenance of the Index

### 3.1 Quarterly Index Reviews

The Index is reviewed on a quarterly basis. The rebalancing is generally effective as of the close of the last business day of February, May, August and November, coinciding with the regularly scheduled MSCI Index Reviews. The pro forma Index is announced nine business days before the effective date.

### 3.2 Ongoing Event Related Changes

The following section briefly describes the treatment of common corporate events within the Index. Changes in index market capitalization that occur because of corporate event implementation will be offset by a corresponding change in the Variable Weighting Factor (VWF) of the constituent.

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 Index. 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 book under the sections detailing the treatment of events in Capped Weighted and Non-Market Capitalization Weighted indexes.

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

## Appendix 1: Methodology Set

The Index is governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document as mentioned below:

- Description of methodology set – [www.msci.com/index/methodology/latest/ReadMe](http://www.msci.com/index/methodology/latest/ReadMe)
- MSCI Corporate Events Methodology – [www.msci.com/index/methodology/latest/CE](http://www.msci.com/index/methodology/latest/CE)
- MSCI Index Calculation Methodology – [www.msci.com/index/methodology/latest/IndexCalc](http://www.msci.com/index/methodology/latest/IndexCalc)
- MSCI Index Glossary of Terms – [www.msci.com/index/methodology/latest/IndexGlossary](http://www.msci.com/index/methodology/latest/IndexGlossary)
- MSCI Index Policies – [www.msci.com/index/methodology/latest/IndexPolicy](http://www.msci.com/index/methodology/latest/IndexPolicy)
- MSCI Global Investable Market Indexes Methodology – [www.msci.com/index/methodology/latest/GIMI](http://www.msci.com/index/methodology/latest/GIMI)
- MSCI Decrement Indexes methodology – <https://www.msci.com/index/methodology/latest/Decrement>

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’.



## Appendix 2: Parameters used for The MSCI Emerging Markets ex China Select 4% Decrement Index

The following parameters are used for the calculation of MSCI Emerging Markets ex China Select 4% Decrement Index

	MSCI Decrement Indexes Methodology Parameters	Parameters
1	Currency of Calculation	USD
2	Return Variant of the MSCI Emerging Markets ex China Select Index	Daily Net Total Return
3	Decrement Type	Fixed Percentage
4	Decrement Application	Geometric
5	Decrement Value	4%
6	Day-count Convention	Actual / 360
7	Index Floor	0
8	Decrement Frequency	Daily

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