Index Methodology

MSCI Russia Local Liquidity Screened 15% Capped Index

June 2014

1. Introduction

The MSCI Russia Local Liquidity Screened 15% Capped Index (the "Index") applies liquidity screenings on the MSCI Russia Index and replaces American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs) included in the MSCI Russia Index with corresponding Russian listings where available. The Index aims to capture the Large Cap and Mid Cap size segments of the Russian equity universe listed domestically while maintaining liquidity and diversification in the selected universe of securities. The Index is free float-adjusted market capitalization weighted with a capping applied on the largest weights.

2. Constructing the MSCI Russia Local Liquidity Screened 15% Capped Index

The Index includes all constituents of the MSCI Russia Index with the exception of those securities that are identified by applying the screenings described in sections 2.1 and 2.2 below.

2.1. Russia Listing Screening

For all constituents of the MSCI Russia Index for which American Depositary Receipts (ADRs) or Global Depositary Receipts (GDRs) are used, the listing is replaced with a Russian listing as the price source, provided the Russia listed security meets the liquidity screening described in section 2.2. In cases where no liquid Russian listing is identified, the security is not included in the Index. As a result, no ADR and no GDR is included in the Index.

2.2. Liquidity Screening

Securities with a 3-Month Annualized Traded Value lower than USD 1 Billion based on a 3 month period are excluded from the Index. The 3-Month Annualized Traded Value is obtained by taking the average of the monthly median traded values of the previous 3 months for the listing under consideration and annualizing it by multiplying it by 12.

2.3. Applying the 15% Group Entity Capping

If the free float-adjusted market capitalization weight of any group entity[1] in the Index is greater than 16.5%, then its weight is capped to 15%. The weight of the remaining group entities is increased in proportion to their weight prior to such capping, subject to a maximum of 15%.

[1] For definition of Group Entities, refer to section 3.1 in the MSCI 10-40 Indexes Methodology book
http://www.msci.com/products/indexes/strategy/capped/ten_forty/

3. Maintaining the MSCI Russia Local Liquidity Screened 15% Capped Index

In general, the MSCI Russia Local Liquidity Screened 15% Capped Index follows the maintenance rules described in the MSCI Global Investable Market Indexes methodology

(http://www.msci.com/products/indexes/country_and_regional/all_country/methodology.html), including changes related to Semi-Annual Index Reviews, Quarterly Index Reviews and Corporate Events. The below sections describe the maintenance rules specific to the Index.

3.1. Quarterly Index Reviews

The Index is rebalanced on a quarterly basis as described in section 2 coinciding with the Semi-Annual and Quarterly Index Reviews of the MSCI Global Investable Market Indexes, usually as of the close of the last business day of February, May, August and November.

The pro forma MSCI Russia Local Liquidity Screened 15% Capped Index is rebalanced five business days before the effective date. The changes resulting from the rebalancing are announced on the same day.

3.2. Rebalancing due to Non-compliance

On a daily basis, if the weight of any group entity is greater than 20%, its weight is capped at 15%. The 16.5% group entity weight constraint is only applied at initial construction and Quarterly Index Reviews. The weight of the remaining group entities is increased in proportion to their weight prior to such capping, subject to a maximum of 15%. This rebalancing due to non-compliance between the announcement date and the effective date at the Quarterly Index Reviews applies in case the pro forma Index violates the 20% group entity weight constraint.

The rebalancing of the Index in this case is done relative to the existing constituents' weights, as opposed to rebalancing relative to the constituents' weights in the MSCI Russia Index. This feature of the methodology helps to significantly reduce the Index turnover, as rebalancing to the MSCI Russia Index may increase or decrease the weight of constituents which are not in breach of the constraints.
The rebalancing will take place as of the close of the day when the Index breaches the constraints, based on closing prices, such that the Index will always be within the constraints before the opening of the following trading day.

3.3. Handling of Concentration issues

A minimum of seven group entities in the Index is required in order to apply the 16.5% weight capping constraint. In the event the number of group entities drops below seven, MSCI will apply the following adjustments:

- Number of group entities drops to six: the 16.5% constraint will be relaxed to 20% and the 15% capping will be relaxed to 17%.
- Number of group entities drops to five: the capping rules will be replaced with the 20/35 capping described in the section "MSCI 20/35 Indexes" of the MSCI Capped Indexes methodology book (http://www.msci.com/products/indexes/strategy/capped/standard_capped/).

The Index will need to be discontinued if the number of group entities drops below five. MSCI will however temporarily maintain the Index for a minimum of two months before discontinuation by adding the necessary number of securities to the Index. The Index discontinuation will coincide with one of the subsequent regular index reviews. The securities to be added will be chosen in the following order of priority:

- Securities deleted from the Index that triggered the decrease in the number of group entities, provided they remain eligible, e.g., exhibit required liquidity, were not deleted due to financial difficulties, etc.
- Eligible securities of relevant size not included in the MSCI Russia Index, e.g., largest small cap size-segment securities.

In the event that no securities are eligible for temporary addition to the Index, MSCI will provide an Index, as close as possible to the constraints, for a minimum of two months before discontinuation. The Index discontinuation will coincide with one of the subsequent regular index reviews.

MSCI will announce any of these adjustments to all impacted clients ahead of implementation.

3.4. Ongoing Event-Related Maintenance

Companies deleted from the MSCI Russia Index between index reviews are simultaneously deleted from the Index.

Additions of ADR or GDR listings to the MSCI Russia Index between index reviews are not included in the Index and are considered for addition to the Index at the next Quarterly Index Review.

Additions of Russian listings to the MSCI Russia Index with no link to an existing constituent, including IPOs, are included in the Index simultaneously with an estimated weight based on a rebalancing as per section 2. However this rebalancing does not trigger changes to the constraint factors applied on the market capitalization of other constituents.

Additions of Russian listings to the MSCI Russia Index with a link to an existing constituent (such as spin offs) are included in the Index simultaneously and inherit the constraint factor of the pre-event entity.

In case of acquisitions or mergers between constituents of the Index where the post event entity is included in the MSCI Russia Index with a Russian listing, the post event entity will be included in the Index simultaneously with a reviewed constraint factor calculated as the weighted average of the pre-event constraint factors.

The details relating to the handling of specific corporate event types can be found in the MSCI Corporate Events Methodology book available at:
http://www.msci.com/products/indexes/size/standard/methodology.html

Client Service Information is Available 24 Hours a Day

clientservice@msci.com

Americas

Americas	1.888.588.4567 (toll free)
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
Sao 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 (toll free)

Asia Pacific

China North	10800.852.1032 (toll free)
China South	10800.152.1032 (toll free)
Hong Kong	+ 852.2844.9333
Seoul	00798.8521.3392 (toll free)
Singapore	800.852.3749 (toll free)
Sydney	+ 61.2.9033.9333
Taipei	008.0112.7513 (toll free)
Tokyo	+ 81.3.5290.1555

Notice and Disclaimer

About MSCI

MSCI Inc. is a leading provider of investment decision support tools to investors globally, including asset managers, banks, hedge funds and pension funds. MSCI products and services include indexes, portfolio risk and performance analytics, and governance tools.

The company's flagship product offerings are: the MSCI indexes with approximately USD 8 trillion estimated to be benchmarked to them on a worldwide basis[1]; Barra multi-asset class factor models, portfolio risk and performance analytics; RiskMetrics multi-asset class market and credit risk analytics; IPD real estate information, indexes and analytics; MSCI ESG (environmental, social and governance) Research screening, analysis and ratings; ISS corporate governance research, data and outsourced proxy voting and reporting services; and FEA valuation models and risk management software for the energy and commodities markets. MSCI is headquartered in New York, with research and commercial offices around the world.

[1] *As of September 30, 2013, as reported on January 31, 2014 by eVestment, Lipper and Bloomberg* *Feb 2014*