

MSCI USA Mega Cap Select Index Methodology

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Contents

1. Introduction3

2. Index Construction Methodology4

 2.1 Eligible Universe 4

 2.2 Selection of Eligible Securities..... 4

 2.3 Security Weighting 4

 2.4 Applying the MSCI 20/35 indexes Methodology 4

3. Maintaining the Index5

 3.1 Quarterly Index Reviews 5

 3.2 Ongoing Event-Related Changes 5

Appendix I: Methodology Set7

1. Introduction

The MSCI USA Mega Cap Select Index (the “Index”²) aims to represent the performance of the largest securities of the MSCI USA Index (the “Parent Index”³) based on the issuer market capitalization.

As a final step, the Index is capped as per the MSCI 20/35 Indexes⁴ methodology.

² The Index is 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.

³ Please refer to the MSCI Global Investable Market Indexes Methodology (Available on <https://www.msci.com/index-methodology>).

⁴ More details can be found in MSCI Capped Indexes Methodology (Available on: <https://www.msci.com/index-methodology>)

2. Index Construction Methodology

2.1 Eligible Universe

The Eligible Universe includes all the constituents of the Parent Index.

2.2 Selection of Eligible Securities

2.2.1 Issuer Full Market Capitalization Based Selection

At the initial Index construction⁵, the constituents of the eligible universe with issuer market capitalization greater than or equal to USD 200 billion are selected.

In ongoing Index reviews, the new constituents are selected from the eligible universe which have an issuer market capitalization greater than or equal to USD 220 billion. The constituents of the eligible universe with issuer market capitalization greater than or equal to USD 180 billion which are also current constituents of the Index are also selected.

2.2.2 Minimum and Maximum Count Based Selection

The constituents of the eligible universe are ranked in descending order of their issuer market capitalization.

- If the number of constituents in the Index after security selection based on 2.2.1 is less than 30, then securities from the ranked universe are added to the selection made in 2.2.1, until the number of constituents in the Index reaches 30. At the margin, if two securities have the same issuer full market capitalization then the one with the higher free float-adjusted market capitalization will be included.
- If the number of constituents in the Index after security selection based on 2.2.1 is more than 50, then securities are excluded using the ranking based on issuer full market capitalization and free float-adjusted market capitalization until the number of constituents in the Index reaches 50. At the margin, if two securities have the same issuer market capitalization then the one with the lower free float-adjusted market capitalization will be excluded.

2.3 Security Weighting

The Index is constructed by weighting the selected constituents in proportion of their free-float adjusted market capitalization. The weights are then normalized to sum up to 100%.

2.4 Applying the MSCI 20/35 indexes Methodology

As a final step, the Index is capped as per the MSCI 20/35 Indexes methodology. For details, please refer to the MSCI Capped Indexes Methodology at www.msci.com/index-methodology.

⁵ When the Index was first constructed in Feb 2004 Index review, an issuer market cap of USD 200 billion was used to create the initial Index.

3. Maintaining the Index

3.1 Quarterly Index Reviews

The Index is rebalanced on a quarterly basis, as of the close of the last business day of February, May, August and November, coinciding with the February, May, August and November Index Reviews of the MSCI Global Investable Market Indexes. The pro forma Index is in general announced nine business days before the effective date.

3.1.1 Cut-off Date for Market Capitalization and Prices Used for the Rebalancing

The cutoff date for the free float-adjusted market capitalization used for the rebalancing⁶ of the Index is nine business days before the effective date of the Index Reviews in February, May, August and November.

The issuer market capitalization data for the rebalancing of the Index is as of ten business days⁷ before the effective date of the Index Reviews.

3.2 Ongoing Event-Related Changes

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.

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 M&A events, if an existing index constituent acquires another company (constituent/non-constituent) then the acquiring company will be maintained in the index at the weighted average of the

⁶ The data used for rebalancing is the same available for the pro forma Parent Index at T-9.

⁷ The issuer market capitalization is as of 2 business days before the effective date prior to August 2024 Index review and 1 business day before the effective date prior to Nov 2015 Index review.

constraint factors taking into account the share and cash considerations involved in the deal.

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 I: 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 – <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 Investable Market Indexes Methodology – <https://www.msci.com/index/methodology/latest/GIMI>
- MSCI Capped Indexes Methodology – <https://www.msci.com/index-methodology>

The Methodology Set for the Index 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’.

Contact us

[msci.com/contact-us](https://www.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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To learn more, please visit 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>.

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