

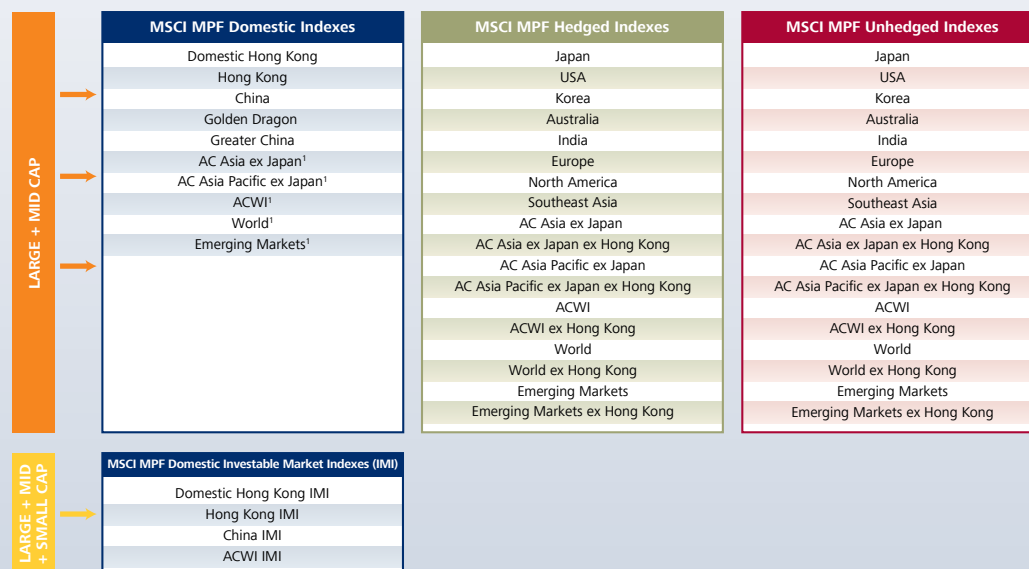
MSCI Hong Kong Mandatory Provident Fund Indexes

Designed to reflect the **Hong Kong Mandatory Provident Fund Schemes Authority's (MPFA)** investment restrictions on Mandatory Provident Funds (MPF), the MSCI Hong Kong MPF Indexes provide a broad and diverse range of benchmark options for index tracking and actively managed funds. An innovative index methodology addresses the minimum 30% Hong Kong Dollar (HKD) exposure requirement, eliminating the need for currency hedging.

Based on the MSCI Global Investable Market Indexes, the MSCI Hong Kong MPF Indexes comprise 50 indexes in total, covering not only the local Hong Kong equity market but also regional and global equity markets through indexes such as the MSCI MPF ACWI, MSCI MPF World and MSCI MPF Emerging Markets Indexes.

Key Features & Benefits

- » **Representative**—An annual review of the MPFA investment restrictions ensures that the MSCI Hong Kong MPF Indexes accurately reflect those regulatory requirements and ensures that any changes are applied in a timely manner.
- » **Broad and Diverse Coverage**—50 indexes in total providing country, regional and global coverage, splitting out the Hong Kong opportunity set which consists of Hong Kong listed companies including HSBC (HK), Red chips and H shares.
- » **Designed to Minimize Turnover**—To comply with the MPFA single issuer concentration limit, a 10% capping is applied to every company in the MSCI Hong Kong MPF Indexes. To reduce the need for constant rebalancing and excessive index turnover, a buffer of 10% is applied to that capping limit.
- » **Designed to Reduce Costs**—An innovative index construction methodology eliminates the need for currency hedging and minimizes index turnover through the use of buffers.
- » **Flexible Hedging Options**—Three versions of the MSCI Hong Kong MPF Indexes are available – Domestic, Hedged and Unhedged – designed to reflect the needs of different types of investors based on their hedging requirements.
- » **Introduces Small Cap Coverage**—For investors and managers looking to extend their investment universe, the MSCI MPF Domestic Investable Market Indexes, covering Hong Kong, China and ACWI, include large, mid and small caps.
- » **Based on Industry Standards**—The MSCI Hong Kong MPF Indexes are constructed using two widely adopted industry standards – the MSCI Global Investable Market Indexes (GIMI) Methodology and the Global Industry Classification Standard (GICS®), both of which are consistently applied across the MSCI family of indexes.



¹ Allocation to MPF HK component has a floor of 30% with a buffer

Methodology Highlights

Index Construction

» Eligible Universe

The MSCI Hong Kong MPF Indexes include only equity securities from stock exchanges approved by the MPFA. The eligible universe of the MSCI Hong Kong MPF Indexes includes all constituent securities of the underlying MSCI Global Investable Market Indexes ("Parent Indexes") with the following exceptions:

- » The MSCI MPF Domestic Hong Kong Index = MSCI Hong Kong Index + Hong Kong listing of HSBC
- » The MSCI MPF China Index = MSCI China Free Index²
- » The MSCI MPF Hong Kong Index = MSCI MPF Domestic Hong Kong Index + MSCI MPF China Index

For any MSCI Hong Kong MPF Index that has a United Kingdom component, the London listing of HSBC will be removed from the eligible universe. REITs are included only if they are listed in the stock exchanges approved by the MPFA for REITs.

» Concentration Limit

MSCI applies a capping of 10% on every company in the MSCI Hong Kong MPF Indexes. This capping is applied at the issuer level. In addition, a buffer of 10% will be applied to reduce the need for constant rebalancing and excessive index turnover.

» Minimum 30% HKD Currency Exposure

The MSCI MPF Domestic Indexes apply a floor of 30% with a buffer to the weight of the MSCI Hong Kong MPF Index component, eliminating the need for currency hedging.

In the MSCI MPF Hedged Indexes, exposure to currency movements relative to the HKD is partially hedged on a monthly basis based on the MSCI Hedged Indexes Methodology. The home currency is set to be HKD and the hedged weight for each foreign currency is set to be 35% of its respective weight in the index on a monthly basis.

Index Maintenance

» Index Review

The MSCI Hong Kong MPF Indexes are rebalanced on a quarterly basis in February, May, August and November.

» Rebalancing Due to Non-Compliance

The MSCI Hong Kong MPF Indexes are reviewed for non-compliance on concentration limit and on HKD currency exposure on a daily basis. The MSCI MPF Indexes will be rebalanced in the event of non-compliance.

» Additions & Deletions

A security added to or deleted from the Parent Index following a corporate event will also be simultaneously added to or deleted from the MSCI Hong Kong MPF Indexes.

» Maintenance

To ensure the MSCI Hong Kong MPF Indexes accurately reflect the MPF regulatory requirements, MSCI reviews the MPF investment restrictions once a year coinciding with the May Semi-Annual Index Review.

For further information: [MSCI Hong Kong MPF Index Methodology](#)

The MSCI Hong Kong MPF Indexes are independently created and maintained by MSCI without input from or involvement or endorsement by the Hong Kong Mandatory Provident Fund Schemes Authority.

² The MSCI China Free Index is comprised of all Hong Kong listed H shares, Red Chips and P Chips included in the MSCI China Index.

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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 7.5 trillion estimated to be benchmarked to them on a worldwide basis¹; 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 FEI 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.

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¹ As of March 31, 2013, as reported on July 31, 2013 by eVestment, Lipper and Bloomberg.