

WEIGHT INCREASE OF CHINA A SHARES IN MSCI INDEXES

Q&A Document

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Contents

Executive Summary.....	3
General Questions	4
1. What are the key impacts of the weight increase of China A shares to the MSCI Indexes?.....	4
2. What are the key dates for the weight increase of China A shares in MSCI Indexes? .4	
3. What changes will be implemented in Step 1 of the weight increase of China A shares?.....	4
4. What changes will be implemented in Step 2 of the weight increase of China A shares?.....	4
5. What changes will be implemented in Step 3 of the weight increase of China A shares?.....	4
6. What are the expected weights of China A shares in the MSCI Indexes upon the completion of the 3-step process?	5
7. Will there be any changes to the way MSCI rebalances the MSCI China Indexes following the weight increase of China A shares?	5
8. What does it mean for ChiNext shares to be eligible for the integrated MSCI China equity universe?.....	5
9. How will MSCI rebalance the MSCI China Index at the time of the May 2019 SAIR? ..6	
10. How will MSCI rebalance the MSCI China Index at the time of the August 2019 QIR?6	
11. How will MSCI rebalance the MSCI China Index at the time of the November 2019 SAIR?	6
14. Has MSCI provided a simulated list of China A shares that will be part of the MSCI China and MSCI EM Indexes?	6
15. Where can I find the simulated list of China A stocks that is made available together with this announcement?.....	7
16. Will ChiNext shares be eligible for other MSCI China Indexes?	7
17. Will MSCI apply any special treatment on the MSCI China Indexes in the context of the announced weight increase of China A shares?	7

EXECUTIVE SUMMARY

MSCI announced on February 28, 2019 that it will increase the weight of China A shares in the MSCI Indexes using a three-step inclusion process beginning with the May 2019 Semi-Annual Index Review.

MSCI will increase the weight of China A shares in the MSCI Indexes according to the following schedule:

- Step 1: MSCI will increase the index inclusion factor of all China A Large Cap shares in the MSCI Indexes from 5% to 10% and add ChiNext Large Cap shares with a 10% inclusion factor coinciding with the May 2019 Semi Annual Index Review.
- Step 2: MSCI will increase the index inclusion factor of all China A Large Cap shares in the MSCI Indexes from 10% to 15% coinciding with the August 2019 Quarterly Index Review.
- Step 3: MSCI will increase the index inclusion factor of all China A Large Cap shares in the MSCI Indexes from 15% to 20% and add China A Mid Cap shares, including eligible ChiNext shares, with a 20% inclusion factor coinciding with the November 2019 Semi-Annual Index Review.

On completion of the 3-step implementation, there will be 253 Large and 168 Mid Cap China A shares including 27 ChiNext stocks on a pro forma basis in the MSCI Emerging Markets Index¹ representing, approximately a weight of 3.3% in the pro forma index.

The purpose of this document is to address commonly asked questions regarding the implementation of this 3-step weight increase of China A Shares in various MSCI Indexes.

For further details please refer to Appendixes XIV, XV, XVI and XVII of the MSCI Global Investable Market Indexes (GIMI) methodology book available at: <https://www.msci.com/index-methodology>.

¹ Based on simulations using data from the February 2019 Quarterly Index Review, applying Semi-Annual Index Review Index Maintenance Rules as per the MSCI Global Investable Market Indexes Methodology.

GENERAL QUESTIONS

1. What are the key impacts of the weight increase of China A shares to the MSCI Indexes?

Upon implementation of the 3-step process to increase the weight of China A shares, the index inclusion factor of China A shares included in the MSCI Indexes, including the MSCI China, the MSCI Emerging Markets and the MSCI ACWI Indexes, will increase from 5% to 20%, ChiNext stocks will become eligible in the integrated MSCI China equity universe and Mid Cap China A shares will become eligible in the MSCI Indexes.

2. What are the key dates for the weight increase of China A shares in MSCI Indexes?

MSCI will increase the weight of China A shares in the MSCI Indexes through a 3-step process coinciding with the following Index Reviews:

Step 1 to coincide with the May 2019 Semi-Annual Index Review (SAIR)

Step 2 to coincide with the August 2019 Quarterly Index Review (QIR)

Step 3 to coincide with the November 2019 SAIR

3. What changes will be implemented in Step 1 of the weight increase of China A shares?

MSCI will increase the index inclusion factor of all China A Large Cap shares in the MSCI Indexes from 5% to 10% and add ChiNext Large Cap shares with a 10% inclusion factor coinciding with the May 2019 SAIR.

4. What changes will be implemented in Step 2 of the weight increase of China A shares?

MSCI will increase the index inclusion factor of all China A Large Cap shares in the MSCI Indexes from 10% to 15% coinciding with the August 2019 QIR.

5. What changes will be implemented in Step 3 of the weight increase of China A shares?

MSCI will increase the index inclusion factor of all China A Large Cap shares in the MSCI Indexes from 15% to 20% and add China A Mid Cap shares, including eligible ChiNext Mid Cap shares, with a 20% inclusion factor to the MSCI Indexes coinciding with the November 2019 SAIR.

6. What are the expected weights of China A shares in the MSCI Indexes upon the completion of the 3-step process?

Based on simulations using data as of the February 2019 QIR, China A shares would have estimated weights of:

10.4% in the MSCI China Index

4.0% in the MSCI AC Asia ex Japan Index

3.3% in the MSCI EM Index

0.4% in the MSCI ACWI Index

7. Will there be any changes to the way MSCI rebalances the MSCI China Indexes following the weight increase of China A shares?

No. MSCI will continue to review the MSCI China Indexes based on the integrated MSCI China equity universe, comprised of A shares which now will include ChiNext shares and B shares listed in China; H shares, Red chips and P chips listed in Hong Kong; as well as foreign listed Chinese companies, under the Emerging Markets thresholds described in the MSCI GIMI methodology book.

For more details on Index Maintenance for the MSCI China Indexes, please refer to Appendix XV of the MSCI GIMI Methodology.

8. What does it mean for ChiNext shares to be eligible for the integrated MSCI China equity universe?

Starting from the May 2019 SAIR, ChiNext shares will be treated the same as any other newly eligible China A shares subject to the relevant full market capitalization, free float-adjusted market capitalization, liquidity, suspension as well as other requirements for inclusion in the MSCI GIMI. Investable ChiNext shares will be assigned to the respective Large Cap, Mid Cap or Small Cap Size-Segments. Only ChiNext Large Cap shares that meet the necessary requirements, including Stock Connect eligibility, will be added to the MSCI Indexes as part of the May 2019 SAIR. Eligible ChiNext Mid Cap shares will be added to the MSCI Indexes starting from the November 2019 SAIR.

Kindly refer to questions 12-15 for more details on simulated results of China A and ChiNext shares.

9. How will MSCI rebalance the MSCI China Index at the time of the May 2019 SAIR?

MSCI will apply the SAIR maintenance rules on the integrated MSCI China equity universe (i.e., MSCI China All Shares Indexes), including ChiNext shares, at the time of the May 2019 SAIR. Mid Cap and Small Cap China A shares as well as Large Cap China A shares that are not eligible through the Stock Connect will be excluded. The index inclusion factor applied on the China A shares will then be increased to 10%.

10. How will MSCI rebalance the MSCI China Index at the time of the August 2019 QIR?

MSCI will apply the QIR maintenance rules on the integrated China Equity Universe. Mid Cap and Small Cap China A shares as well as Large Cap China A shares that are not eligible through the Stock Connect will be excluded. The index inclusion factor applied on the China A shares will then be increased to 15%.

11. How will MSCI rebalance the MSCI China Index at the time of the November 2019 SAIR?

MSCI will apply the SAIR maintenance rules on the integrated China Equity Universe. Small Cap China A shares as well as Large Cap and Mid Cap China A shares that are not eligible through the Stock Connect will be excluded. The index inclusion factor applied on the China A shares will then be increased to 20%.

12. How many China A Large Cap shares are expected to be in the pro forma MSCI China Index?

Based on simulation using data as of the February 2019 QIR, there will be 253 China A Large Cap shares in the MSCI China Index, including 12 ChiNext Large Cap shares.

13. How many China A Mid Cap shares are expected to be in the pro forma MSCI China Index?

Based on simulation using data as of the February 2019 QIR, there will be 168 China A Mid Cap shares in the MSCI China Index, including 15 ChiNext Mid Cap shares.

14. Has MSCI provided a simulated list of China A shares that will be part of the MSCI China and MSCI EM Indexes?

MSCI has provided a simulated list of China A shares, including Large Cap and Mid Cap ChiNext shares, that could potentially be added to the MSCI China and the MSCI EM Indexes. The pro forma list of additions and deletions will be determined as part of the May 2019 SAIR for China A Large Cap shares and the November 2019 SAIR for China A Mid Cap shares.

15. Where can I find the simulated list of China A stocks that is made available together with this announcement?

The simulated list of China A shares is made available on <https://www.msci.com/index-consultations>.

16. Will ChiNext shares be eligible for other MSCI China Indexes?

ChiNext shares will be eligible for the MSCI Indexes that are based on the integrated MSCI China equity universe including the MSCI China All Shares, MSCI China, MSCI China A and the MSCI China A Inclusion Indexes.

ChiNext shares will also be eligible for the MSCI China A Onshore Indexes.

17. Will MSCI apply any special treatment on the MSCI China Indexes in the context of the announced weight increase of China A shares?

Yes. In order to prevent reverse turnover from the perspective of the Standard MSCI China Index, MSCI will continue to not implement migrations between the Large Cap and the Mid Cap Size-Segments in the MSCI China Indexes.

MSCI will lift the special treatment applied on the MSCI China Indexes upon the inclusion of China A Mid Cap shares in the MSCI China and MSCI EM Indexes (i.e., November 2019 SAIR).

CONTACT US

clientservice@msci.com

AMERICAS

Americas	1 888 588 4567 *
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
São 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 *

ASIA PACIFIC

China North	10800 852 1032 *
China South	10800 152 1032 *
Hong Kong	+ 852 2844 9333
Mumbai	+ 91 22 6784 9160
Seoul	00798 8521 3392 *
Singapore	800 852 3749 *
Sydney	+ 61 2 9033 9333
Taipei	008 0112 7513 *
Thailand	0018 0015 6207 7181 *
Tokyo	+ 81 3 5290 1555

* = toll free

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