

MSCI GLOBAL CHINA INFRASTRUCTURE EXPOSURE INDEX METHODOLOGY

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1 INTRODUCTION

MSCI Indexes are constructed and maintained in accordance with the MSCI Global Investable Market Indexes (GIMI) Methodology and calculated as per the MSCI Index Calculation Methodology. This methodology book provides a description of the rules and guidelines followed by MSCI for the construction and maintenance of the MSCI Global China Infrastructure Exposure Index.

The MSCI Global China Infrastructure Exposure Index (“Index”) is designed to represent the performance of listed companies within Developed, Emerging and Frontier markets with high revenue exposure to China infrastructure development from within a specified set of industries relevant to what has become known as the ‘One Belt, One Road’ (“OBOR”) investment program and development strategy promoted by China.

2 CONSTRUCTING THE MSCI GLOBAL CHINA INFRASTRUCTURE EXPOSURE INDEX

2.1 DEFINING THE ELIGIBLE UNIVERSE

Eligible constituents for the Index need to pass the following five screens:

- Country selection
- Global Industry Classification Standard (GICS®) sector and sub-industry selection
- Economic exposure data screening
- Security market capitalization screening
- Share class screening

2.1.1 COUNTRY SELECTION

Securities within the composite of MSCI ACWI + Frontier Markets IMI and MSCI China All Shares with the exception of the following regions/countries are eligible.

Exclusions:

- All markets in the Americas
- Developed Markets in Europe
- Hong Kong, Japan, Taiwan, Australia, Korea

The country of classification is as per MSCI Global Investable Market Indexes (“GIMI”) Methodology¹. Appendix I lists the countries eligible at Index launch.

2.1.2 INDUSTRY SELECTION

Only securities that are classified in the following GICS® sectors and sub-industries are eligible for inclusion in the Index:

Country of Classification	GICS SECTOR	GICS® CODE	GICS® SUB-INDUSTRY
China	Energy	10101020	Oil & Gas Equipment & Services
		10102010	Integrated Oil & Gas
		10102020	Oil & Gas Exploration & Production
	Materials	15102010	Construction Materials
		15104020	Diversified Metals & Mining
	Industrials	20102010	Building Products
20103010		Construction & Engineering	

¹ MSCI Global Investable Market Indexes methodology book available at <https://www.msci.com/index-methodology>

		20104010	Electrical Components & Equipment
		20104020	Heavy Electrical Equipment
		20106010	Construction Machinery & Heavy Trucks
		20106020	Industrial Machinery
		20303010	Marine
		20304010	Railroads
		20305020	Highways & Railtracks
		20305030	Marine Ports & Services
	Financials	40101015	Regional Banks
	Utilities	55101010	Electric Utilities
		55102010	Gas Utilities
		55105010	Independent Power Producers & Energy Traders
		55105020	Renewable Electricity
ex China	Energy	10	All sub-industries within this sector
	Materials	15	All sub-industries within this sector
	Industrials	20	All sub-industries within this sector
	Financials	40	All sub-industries within this sector
	Utilities	55	All sub-industries within this sector

2.1.3 ECONOMIC EXPOSURE SELECTION

Securities need to meet the following criteria based on Economic Exposure² to China to be eligible for inclusion in the Index:

- For securities classified in China, a minimum 80% Economic Exposure to China,
- For ex China securities, a minimum 10% Economic Exposure to China.

2.1.4 SIZE SELECTION

Securities need to meet the following size criteria to be eligible for the Index

- For securities in China and Developed Markets, a minimum \$1 billion free float adjusted Market Cap,
- For securities in Emerging Markets (except China) and Frontier Markets, a minimum \$500 million free float adjusted Market Cap.

² Details of the MSCI Economic Exposure data set and the MSCI Economic Exposures indexes Methodology may be found at <https://www.msci.com/index-methodology>.

SHARE CLASS SELECTION

For securities from Chinese issuers with both ‘A’ and ‘H’ share class listings, only the H-share class will be included in the Index if both the ‘A’ and ‘H’ share class listings meet all other criteria.

2.2 WEIGHTING SCHEME

At each Index Review, the Index will target a fixed allocation of 45% and 55%, respectively for China vs ex China securities.

The weighting of securities within the China and ex China markets is implemented as follows.

2.2.1 CHINA

All the securities included in the Index with a country of classification of China (as per MSCI GIMI Methodology) are weighted in proportion to their free-float market capitalization.

2.2.2 EX CHINA

All the securities included in the Index with a country of classification other than China (as per MSCI GIMI Methodology) are weighted in proportion to their free-float market capitalization. There is a country level cap of 10% at the Index level for each country.

At construction and at each rebalancing, if the weight of a country is greater than 10%, its weight will be capped at 10%. Within the capped country, securities are weighted in proportion to their free-float market capitalization. The weight of the securities outside of the capped country will be increased in proportion to their weight prior to such capping. For more details on MSCI Capped Index Methodology, please refer to <https://www.msci.com/index-methodology>

3 MAINTAINING THE MSCI GLOBAL CHINA INFRASTRUCTURE EXPOSURE INDEX

3.1 SEMI-ANNUAL INDEX REVIEWS

The Index is rebalanced on a semi-annual basis, typically as of the close of the last business day of May and November, coinciding with the May and November Semi-Annual Index Reviews (SAIRs) of the MSCI Global Investable Market Indexes. The pro forma Index is typically announced nine business days before the effective date.

During each Semi-Annual Index Review, securities are screened for potential inclusion in the Index in accordance with the rules highlighted in section 2.1. Existing constituents of the Index are also subject to the same criteria for continued inclusion except for the relaxed size criteria as stated below:

- For securities in China and Developed Markets, a minimum \$800 million free float adjusted Market Cap,
- For securities in Emerging Markets (except China) and Frontier Markets, a minimum \$400 million free float adjusted Market Cap

3.2 ONGOING EVENT RELATED CHANGES

The general treatment of corporate events in the MSCI Global China Infrastructure Exposure Index aims to minimize turnover outside of Index Reviews. The following section briefly describes the treatment of common corporate events within the MSCI Global China Infrastructure Exposure Index.

No new securities will be added (except where noted below) to the Index between Index Reviews. Deletions from an index listed in Section 2.1.1 (“parent index”) 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 I: COUNTRIES ELIGIBLE FOR THE MSCI GLOBAL CHINA INFRASTRUCTURE EXPOSURE INDEX

The countries in the composite of MSCI ACWI + Frontier Markets IMI and MSCI China All Shares that are eligible for the Index at launch are as follows. This list of eligible countries may change in the future to reflect changes to MSCI Market Classification³.

ISRAEL	RUSSIA	LEBANON
NEW ZEALAND	THAILAND	SRI LANKA
SINGAPORE	TURKEY	LITHUANIA
UNITED ARAB EMIRATES	SOUTH AFRICA	MOROCCO
CHINA	BANGLADESH	MALI
CZECH REPUBLIC	BURKINA FASO	MAURITIUS
EGYPT	BAHRAIN	NIGER
GREECE	BENIN	NIGERIA
HUNGARY	IVORY COAST	OMAN
INDONESIA	ESTONIA	ROMANIA
INDIA	GUINEA-BISSAU	SERBIA
MALAYSIA	CROATIA	SLOVENIA
PHILIPPINES	JORDAN	SENEGAL
PAKISTAN	KENYA	TOGO
POLAND	KUWAIT	TUNISIA
QATAR	KAZAKHSTAN	VIETNAM

³ Details of the MSCI Market Classification may be found at <https://www.msci.com/market-classification>

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* = toll free

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