

MSCI CUSTOM TAX INDEXES

CUSTOMIZED INDEXES TO REFLECT SPECIFIC TAX PROFILES

In recent years, there has been an increase in demand from Asset Owners for performance benchmarks that more accurately reflect the withholding tax rates of their organization, whether they are a Pension Plan, Foundation or Endowment. With more than 40 years as a trusted leader in index construction and maintenance, MSCI has accumulated expertise in designing and calculating both traditional market cap-weighted and alternatively-weighted equity indexes. We apply this experience to our Custom Tax Rate Indexes so that clients can leverage MSCI's index capabilities and data to reflect their specific tax requirements.

OFFERING

MSCI calculates Custom Indexes for all three index variants (Price, Net and Gross).

MSCI Custom Tax Indexes incorporate client defined withholding tax rates for dividends and other distributions, in the calculation of the Net variant.

Clients can apply special corporate, state or country tax rates as an alternative to the country tax rates defined in our index calculation methodology book.

Customization of any MSCI Developed, Emerging or Frontier Markets Index, or derived index, through the application of withholding tax rates, results in a flexible index offering backed by the quality and reliability of the MSCI brand.

KEY APPLICATIONS AND BENEFITS

REFLECTING TAX BENEFITS ON YOUR INDEX

Asset owners can use defined tax rates different to those applied in MSCI standard indexes – e.g., USA tax of 30% is applicable on MSCI USA Net Indexes, whereas many U.S. asset owners have a zero realized tax rate.

BETTER REPRESENTATION OF PERFORMANCE

A custom tax rate index can better represent the performance of a passive index strategy versus its policy benchmark.

AVOID TRACKING ERROR

Investment strategies with a different realized tax rate than their benchmark index may exhibit tracking error.

INDEX	VARIANT	CUMULATIVE RETURN (15 YEARS)	TRACKING ERROR
MSCI ACWI Special Tax Rate Custom Index	Net	93.07%	0.0357%
MSCI ACWI (Parent Index)	Net	82.79%	

INDEX	VARIANT	CUMULATIVE RETURN (6 YEARS)	TRACKING ERROR
MSCI USA Special Tax Rate Custom Index	Net	156.98%	0.0796%
MSCI USA (Parent Index)	Net	147.50%	

INDEX	VARIANT	CUMULATIVE RETURN (6 YEARS)	TRACKING ERROR
MSCI World Special Tax Rate Custom Index	Net	69.50%	0.1915%
MSCI World (Parent Index)	Net	65.16%	

INDEX LICENSING

MSCI Custom Tax Indexes are licensed and delivered on an index-by-index basis, based on client request. Tax effects are reflected on both a constituent and index level basis, and are incorporated in the MSCI Integrated Client File (ICF) format.

Clients must be licensed to the corresponding MSCI Core Data Module.

In addition to selecting specific tax rates, clients may also request further customizations.

SELECT UNIVERSE	APPLY WEIGHTING	DEFINE CURRENCY & TAX RATES	CHOOSING DELIVERY & FILE FORMAT	CUSTOM INDEX
<ul style="list-style-type: none"> Country (70+), Region Sectors (GICS®) Stock exchange Size Security type SRI/ESG Fundamental & Valuation Ratios Liquidity filters Sharia investment rules 	<ul style="list-style-type: none"> Market Cap Fundamental (value) Risk Equal Fized Capped GDP Special Sector/Geographic neutral Custom Risk Control Combination of indexes, or indexes with cash 	<ul style="list-style-type: none"> Currency Hedge <ul style="list-style-type: none"> Daily, Monthly hedging Adaptive hedge Full or partial hedging Cross hedging Withholding tax rate Price, Total, Net Returns 	<ul style="list-style-type: none"> Standardized Integrated Client File Format (ICF) Text, XML Direct Delivery Vendor Real-time End-of-day 	

RECENT ENHANCEMENTS

Recent enhancements allow clients to further align their custom tax indexes with GIMI treatment, to reflect the taxation rules more accurately. Clients can now define tax rates based on

- Country of Incorporation* and sub-country tax treatments (e.g. tax can be defined at GICS®, Dividend type, or Share type levels).
- 'Stock Specific Exceptional Treatments' (such as stapled securities with mixed tax or companies that pay dividends from tax contribution accounts).
- Custom Tax Rate Indexes now reflect 'Negative dividend', the taxable part of a typically non-cash distribution, such as Taiwan stock dividends or Russian DR Fees.

* The withholding tax applicable to a security is determined by the company's country of incorporation, except in rare cases.

INDEX HISTORY

- Up to 15 years of index level history available in Price, Net and Total Return variants.
- Availability of history varies by index, depending on whether index or security level history is required.

INDEX DELIVERY AND REPORTING

REPORTING OPTIONS	REBALANCING DATES	DELIVERY METHODS	REPORTING OPTIONS
<ul style="list-style-type: none">• Index level• Constituent level	<ul style="list-style-type: none">• Date-specific• Monthly• Quarterly• Annualy	<ul style="list-style-type: none">• Monthly or Daily• "Midday"¹• MSCI Direct Delivery• Vendor Delivery²	<ul style="list-style-type: none">• Asia Pacific 6:30pm CET (t) approx.• Europe 9:45pm CET (t) approx.• World 00:30pm CET (t+1) approx.

- 1 Receive a snapshot via email of an MSCI Index prior to the delivery of an official EOD index levels for fund NAV and performance fee calculations.
- 2 APT, Bloomberg, Capcp, FactSet, Mellon Analytical Solutions, MAS (Index Services), Markit, Reuters, Rimes, RiskMetrics, Style Research, Thomson/DataStream, Thomson/Vestek, Wilshire. For Bloomberg, Reuters certain limitations and restrictions apply.

For more information, see www.msci.com or contact clientservice@msci.com

ABOUT MSCI

For more than 40 years, MSCI's research-based indexes and analytics have helped the world's leading investors build and manage better portfolios. Clients rely on our offerings for deeper insights into the drivers of performance and risk in their portfolios, broad asset class coverage and innovative research. Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research. MSCI serves 97 of the top 100 largest money managers, according to the most recent P&I ranking. For more information, visit us at www.msci.com.

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