

MSCI Australia Quarterly Private Infrastructure Fund Index (Unfrozen)

CONSULTATION PROPOSAL TO FREEZE INDEX

April 2, 2024

This consultation may or may not lead to the implementation of any or all the proposals mentioned. Consultation feedback will remain confidential. MSCI may publicly disclose the feedback of a participant if so, requested by any participant. In that case, the relevant feedback would be published at the same time as the results of the consultation.

Executive Summary

- MSCI has launched the index methodology consultation to freeze MSCI Australia Quarterly Private Infrastructure Fund Index (Unfrozen) and this document comprises of the consultation proposal
- **Proposal:** MSCI conducted the review as per its methodology review procedure for fund indexes and propose the following changes:
 1. MSCI Australia Quarterly Private Infrastructure Fund Index (Unfrozen) to be based on frozen methodology
 2. Sub-Indexes of MSCI Australia Quarterly Private Infrastructure Fund Index (Unfrozen) to be based on frozen methodology
- **Benefits:** If implemented, the proposal will enable index to be on frozen history with historical changes to data and composition not impacting the index return retrospectively*
- **Key Dates:**
 - Launch consultation – 2 April 2024
 - Consultation completion – 3 May 2024
 - MSCI decision communication – On or before 15 May 2024
- **Implementation:**
 - Proposed changes would be implemented for September 2024 index results scheduled to be released on 25-October-2024 with June 2024 as the freeze point for index

Methodology

- **MSCI Australia Quarterly Private Infrastructure Fund Index (Unfrozen)**
 - Includes open-ended funds domiciled in Australia and set-up for institutional investors
 - Funds investing in Australia as well as outside Australia
 - Index calculated using unitized method and has unfrozen history
 - As of Dec-2023, index includes 23 funds with NAV of AUD\$75.2bn
 - Index Base date: Mar-2007

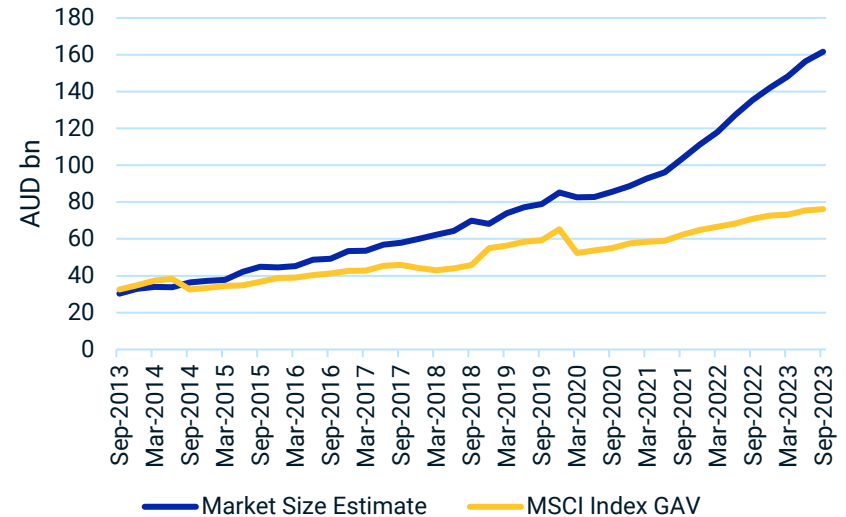
Assessment for Proposal to Freeze Indexes

- As per MSCI's methodology review procedure, following criteria are assessed for freezing proposal:
 1. Index coverage i.e., Size of the index compared to the market size estimate
 2. Historical changes to index composition
 3. Impact of historical changes on returns (simulated)

1. Index Coverage Assessment

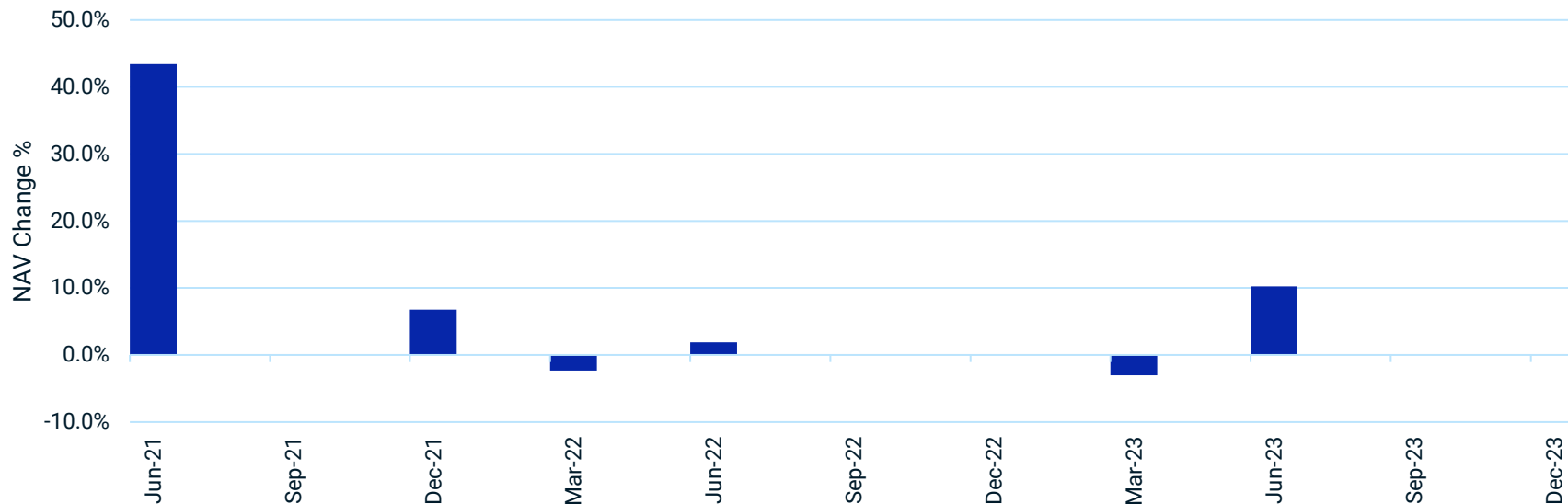
- Market size estimate:
 - Superannuation investments in unlisted infrastructure (Domestic & International)
- Index:
 - Measures open-ended funds / Separate accounts
- Index coverage remains representative
 - 47% of total superannuation investments in Australian unlisted infrastructure funds
- In past 5 years, index size increased by 66%

- Market size estimate ~AUD 161bn *
- Index GAV ~AUD 76bn



2. Changes in Index Composition

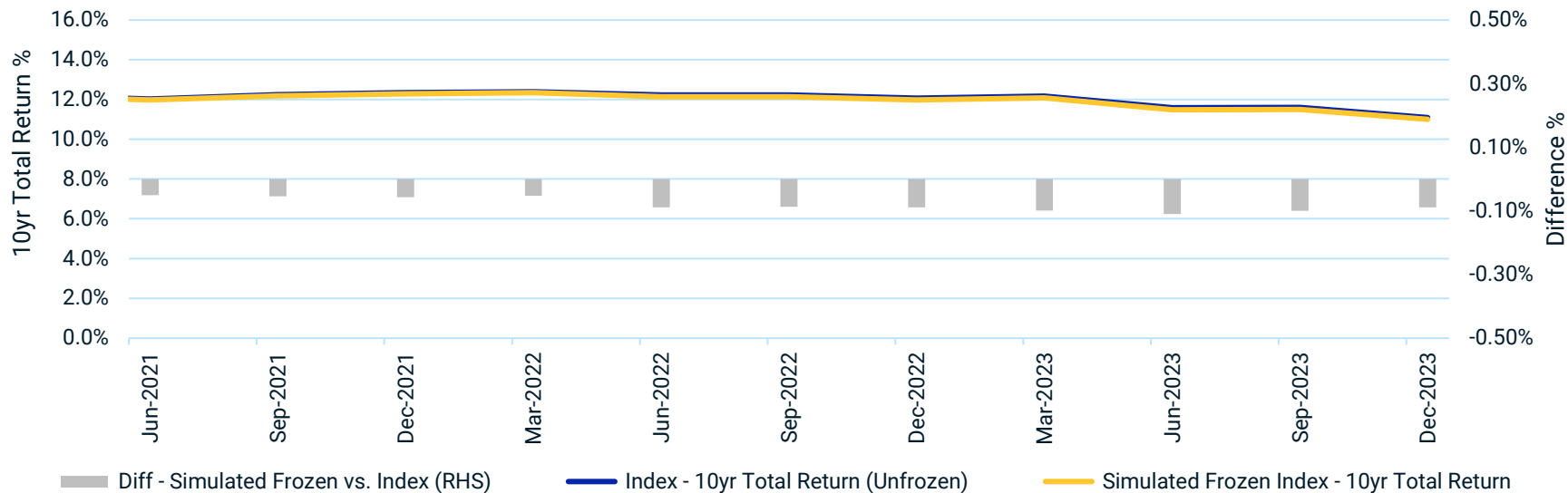
- Since 2021, 14 funds added to the index leading to a material increase in size
- Chart below shows changes to index composition for individual periods



3. Impact of Historical Changes on Returns (Simulated)

Weighted Average Return

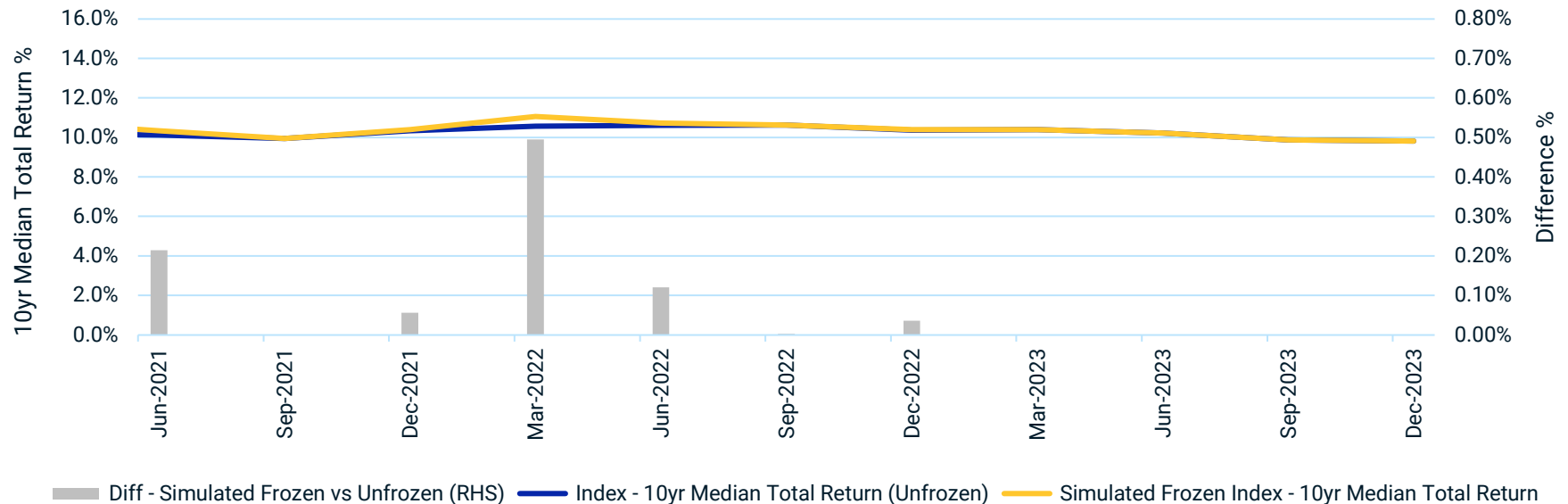
- Since 2021, no material differences in the simulated frozen 10-yr weighted average total return of the index compared to returns based on unfrozen history



3. Impact of Historical Changes on Returns (Simulated)

Median Return

- Since 2021, no material differences in the simulated frozen 10-yr median total return of the index compared to returns based on unfrozen history



Discussion Points

1. Do you agree with MSCI's proposal for MSCI Australia Infrastructure Fund Index to be based on frozen index methodology?
2. Do you agree with MSCI's proposal for sub-indexes of MSCI Australia Infrastructure Fund Index to be based on frozen index methodology?

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