

MSCI DIVIDEND MASTERS INDEXES METHODOLOGY

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1 INTRODUCTION

The MSCI Dividend Masters Indexes are designed to represent the performance of companies that have increased dividends for a specific number of consecutive years.

MSCI categorizes the MSCI Dividend Masters Indexes as part of the family of MSCI Factor Indexes, which aim to represent the systematic elements of particular investment styles or strategies. While capitalization weighted indexes represent the broad market beta, additional sources of systematic return associated with particular investment styles and strategies, such as value, momentum, volatility, etc. could be represented through alternatively weighted indexes.

2 INDEX CONSTRUCTION METHODOLOGY

2.1 APPLICABLE UNIVERSE

The applicable universe includes all the existing constituents of an underlying MSCI parent index (herein, a “Parent Index”). This approach aims to provide an opportunity set with sufficient liquidity and capacity. The relevant Parent Index would be any MSCI Regional or Country Index.

2.2 SECURITY SELECTION

The MSCI Dividend Masters Indexes are constructed by targeting a minimum number of securities that have consistently increased dividends every year for a specific number of consecutive years (“Dividend Increase Period”). The security selection process begins by selecting all securities that have increased dividends consecutively over the Dividend Increase Period. If the number of securities which have increased dividends consecutively over the Dividend Increase Period is less than the minimum number of securities, then the Dividend Increase Period is progressively reduced in steps of one year to select companies which have increased dividends consecutively over shorter Dividend Increase Periods. The additional securities are selected in the descending order of dividend yield until the minimum number of constituents is selected.

Please refer to Appendix I for the specific details of the MSCI Dividend Masters Indexes.

The selected constituents in the Index are then equally weighted. At each annual rebalancing, the Global Industry Classification Standard (GICS®) sector weights and country weights are capped at the defined sector/country thresholds. To do so, if the resulting sector or country weights in the Index exceed the thresholds defined for the Index, additional securities from other sectors and/or countries are added to the Index until the sector/country weights are within the capping thresholds, subject to all the Index constituents being equally weighted.

Rules for additional security selection for compliance with sector/country thresholds are explained in Appendix II.

2.3 WEIGHTING SCHEME

At each Quarterly and Semi-Annual Index Review, the Index is rebalanced so that all constituents are equally weighted.

3 MAINTAINING THE INDEXES

3.1 ANNUAL INDEX REVIEW

Index is rebalanced annually based on the methodology described above, coinciding with the November Semi-Annual Index Review of the Parent Index.

The pro forma MSCI Dividend Masters Indexes are announced nine business days before the effective date.

3.2 QUARTERLY INDEX REVIEWS

Coinciding with the February and August Quarterly Index Reviews as well as with the May Semi-Annual Index Review of the Parent Indexes, the constituent weights are reset to equal weights.

Deletions from the respective Parent Index at the time of the Quarterly Index Reviews are simultaneously reflected in the Index. Additions to the Parent Index are not included in the Index at the Quarterly Index Reviews. Additions to the Parent Index are considered for inclusion only at the Annual Index Reviews.

3.3 ONGOING EVENT RELATED CHANGES

In general, the MSCI Dividend Masters Indexes follow the event maintenance of the Parent Index.

3.3.1 IPOS AND OTHER EARLY INCLUSIONS

IPOs and other newly listed securities will only be considered for inclusion at the next MSCI Dividend Masters Annual Index Review in November, even if they qualify for early inclusion in the Parent Index.

3.3.2 ADDITIONS AND DELETIONS DUE TO CORPORATE EVENTS

A constituent deleted from Parent Index following a corporate event will be simultaneously deleted from the MSCI Dividend Masters Index.

Additions to the Index are only made at the Annual Index Review in November.

Please refer to Appendix III for more details on the treatment of corporate events.

APPENDIX I: INDEX PARAMETERS FOR THE MSCI DIVIDEND MASTERS INDEXES

This appendix specifies the Index parameters for the MSCI Dividend Masters Indexes

Index	Parent Index	Minimum Number of Securities	Dividend Increase Period	GICS® Sector Security Percentage Cap	Country Security Percentage Cap
MSCI EAFE Dividend Masters Index	MSCI EAFE	40	10 years	30	50
MSCI EM Dividend Masters Index	MSCI EM	40	7 years	30	50
MSCI Europe Dividend Masters Index	MSCI Europe	25	10 years	30	50
MSCI Japan Dividend Masters Index	MSCI Japan	25	10 years	30	NA
MSCI AC Asia ex Japan Dividend Masters Index	MSCI AC Asia ex Japan	30	10 years	50	50
MSCI ACWI ex USA Dividend Masters Index	MSCI ACWI ex USA	90	10 years	30	50
MSCI ACWI Dividend Masters Index	MSCI ACWI	120	10 years	30	75
MSCI Kokusai Dividend Masters Index	MSCI Kokusai	60	10 years	30	75
MSCI World ex USA Dividend Masters Index	MSCI World ex USA	50	10 years	30	50
MSCI World Dividend Masters Index	MSCI World	80	10 years	30	75
MSCI UK Dividend Masters Index	MSCI United Kingdom	25	10 years	30	NA
MSCI USA Dividend Masters Index	MSCI USA	25	10 years	30	NA

APPENDIX II: RULES FOR SECURITY SELECTION

This appendix describes the rules which are followed for security selection in the Index.

1. Select all securities that have increased Dividends consecutively for the Dividend Increase Period (“DivPeriod”)
2. If number of Index Constituents is less than minimum number of securities (“MinSec”), reduce Dividend Increase Period progressively in steps of one year to select securities that have increased dividends consecutively over the shorter Dividend Increase Period. Select additional securities in descending order of dividend yield until Index includes minimum number of securities
3. Security selection is stopped if the sector weights and country weights comply with the defined thresholds - GICS® Sector security percentage cap (“SectorLimit”) and Country security percentage cap (“CountryLimit”)
4. If either sector weights or country weights do not comply with the defined thresholds as explained in point 3 above, additional securities in the Index from other sectors and/or countries are included such that the respective sector and/or country weights comply with the thresholds. Since the portfolio is equal-weighted, for capping the weight of the sectors/countries, the final number of constituent securities in the Index needs to be increased so that the weight of the respective sectors/countries comply with the threshold
5. For including additional securities, calculate number of securities in each sector and country. Also calculate current number of securities in Index (“NumSec”), maximum number of securities in a sector (“MaxSector”) and maximum number of securities in a country (“MaxCountry”). Extra securities that need to be added to satisfy sector condition (“Extra_Sector”) can be calculated by the formula : $Extra_Sector = (MaxSector / SectorLimit) - NumSec$ and similarly extra securities that need to be added to satisfy country condition (“Extra_Country”) can be calculated by the formula: $Extra_Country = (MaxCountry / CountryLimit) - NumSec$
6. Round up both Extra_Sector and Extra_Country to next Integer. Securities that need to be added to Index (Extra_Sec) so that the sector and country weights comply with the thresholds is the maximum of Extra_Sector and Extra_Country. Final number of securities in Index (“FinalNumSec”) = $NumSec + Extra_Sec$
7. Maintain an array of the maximum number of securities which can be added back for each sector (“maxSecAdd_Sector”) and country (maxSecAdd_Country). For each sector, this can be calculated using the formula, $maxSecAdd_Sector(j) = SectorLimit$

* FinalNumSec – number of securities in the sector where j is the unique sector ID. Subsequently for each sector, these values are then rounded down to the previous integer value. Similarly, for each country, this can be calculated using the formula, $\text{maxSecAdd_Country}(j) = \text{CountryLimit} * \text{FinalNumSec} - \text{number of securities in the country where } j \text{ is the unique country ID}$ and then for each country, these values are then rounded down to the previous integer value

8. Reduce DivPeriod by one year to give the new interim Dividend Increase Period (“InterimDivPeriod”) for which securities would be evaluated
9. Check for securities that have increased dividends for the InterimDivPeriod and are currently not a part of the Index. Sort these companies in descending order of last reported dividend yield. Securities would have to be added back sequentially. Check the sector and country of the security whose dividend yield is highest. If maxSecAdd_Sector array value for the corresponding sector and maxSecAdd_Country array value for the corresponding country are greater than zero, then the security can be added and the respective maxSecAdd_Sector and maxSecAdd_Country array values are decreased by 1. Else move onto the next security until Extra_Sec securities have been added to the Index
10. If all securities have been evaluated using the InterimDivPeriod, keep progressively reducing InterimDivPeriod in steps of one year to select securities which have increased dividends consecutively over these shorter Dividend Increase Periods and select additional securities in descending order of dividend yield until Extra_Sec securities have been added to the Index

APPENDIX III: CORPORATE EVENTS TREATMENT

This appendix describes the treatment of the most common corporate events in the MSCI Indexes. Details regarding the treatment of all other corporate events not covered in this appendix can be found in the MSCI Corporate Events Methodology book, available at

http://www.msci.com/eqb/methodology/meth_docs/MSCI_May2014_CorporateEventsMethodology.pdf

Event Type	Event details	Action
Acquisition	Dividend Masters Index constituent acquires another Dividend Masters Index constituent	Maintain acquiring company and remove acquired company
	Dividend Masters Index constituent acquires non Dividend Masters Index constituent	Maintain acquiring company
	Non Dividend Masters Index constituent acquires Dividend Masters Index constituent	Remove acquired company without adding acquiring company
Merger	Dividend Masters Index constituent merges with Dividend Masters Index constituent	Add new company with a constraint factor that is the weighted average of the two constituents
	Dividend Masters Index constituent merges with non Dividend Masters Index constituent	Add new company if MSCI links its price history to the Dividend Masters Index constituent. New company not added if price history is linked to the non Dividend Masters Index constituent
IPO	IPO added to Parent Index	Security will be considered for inclusion in the Dividend Masters Index at the Annual Index Reconstitution Review in November
Spin-off	Dividend Masters Index constituent spins off security	Spun-off security will not be added to the Dividend Masters Index, even if it is included in the Parent Index
Conversion	Security A converted to B, A deleted from Parent Index, B added	B inherits constraint factors from A

Event Type	Event details	Action
Country Reclassification	Domicile of company reviewed: Security A deleted from country A, security B added to country B	B inherits constraint factors from A if it is added to the Parent Index
Stock exchange reclassification	Stock exchange (price source) of company reviewed: Security A deleted, security B added	B inherits constraint factors from A if it is added to the Parent Index
Other Events Resulting in Changes in Number of Shares and Foreign Inclusion Factors (FIF)	Changes in number of shares and subsequent FIF resulting from other events such as share placements and offerings, and debt-to-equity-swaps	No change in Constraint Factor

The following sections have been modified since June 2014:

1. Appendix 1

- Index parameters for the MSCI Europe Dividend Masters Index added

The following sections have been modified since August 2015:

1. Appendix 1

- Index parameters for the MSCI Japan Dividend Masters Index added

The following sections have been modified since August 2016:

1. Appendix 1

- Index parameters for MSCI AC Asia ex Japan Dividend Masters Index added
- Index parameters for MSCI ACWI ex USA Dividend Masters Index added
- Index parameters for MSCI ACWI Dividend Masters Index added
- Index parameters for MSCI Kokusai Dividend Masters Index added
- Index parameters for MSCI World ex USA Dividend Masters Index added
- Index parameters for MSCI World Dividend Masters Index added
- Index parameters for MSCI UK Dividend Masters Index added
- Index parameters for MSCI USA Dividend Masters Index added

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