

MSCI Ageing Society Opportunities Index

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1 Introduction

The MSCI Ageing Society Opportunities Index (the 'Index') aims to represent the performance of a set of companies that are associated with the development of new products and services focused on the health, recreation and lifestyle needs of the older population.

2 Constructing the Index

The Index is constructed by selecting stocks from an MSCI Index (the 'Parent Index'¹) based on rules explained in the following sections.

The Index selects companies which are assessed to have high exposure to business activities such as –

- Health care services and therapies for age-related diseases like dementia, cancer, arthritis, heart diseases, etc.
- Senior care housing facilities or assisted living facilities
- Smart houses
- Health insurance and life insurance
- Leisure and tourism services
- Anti-aging cosmetic and consumer products

MSCI may seek input from outside market experts on the ongoing evolution of the themes underlying the Index. However, such input is advisory only in nature. MSCI alone decides whether to use such input at all or to what extent. Receipt of such input, like any other feedback on MSCI indexes, may or may not lead to a change to the index or index methodology.

2.1 The set of relevant words and phrases² used for constituent selection

MSCI uses a broad set of relevant words and phrases derived from the Index objective which are important to describing the products and services that focus on the health, recreation and lifestyle needs of the older population.

2.2 Company level data used for assessing company exposure

The following data is used at the company level:

¹ Use of some indexes as Parent Indexes may result in a low number of constituents, which may affect replicability

² For more details on the steps followed to generate the set of relevant words and phrases, please refer to <https://www.msci.com/www/research-paper/indexing-change-understanding/01647260939>

- Business segment information from company annual reports and vendor data sources: business segment names, assigned SIC codes³ and related revenue.
- English language summary description of the company’s business activities from public sources is used.

2.3 Eligible universe

All stocks from the Parent Index which satisfy any of the following criteria are selected for the eligible universe.

2.3.1 Selection on business segments

Company identified business segment names are compared against the set of relevant words. Companies from the Parent Index which include at least one relevant word in their business segment names are included in the eligible universe.

2.3.2 Selection on company’s summary description

The company’s summary business description is compared against the set of relevant words. Companies from the Parent Index which include at least two distinct relevant words in their summary description are included in the eligible universe.

2.4 Selected business segments

‘Selected business segments’ are business segments which include at least one relevant word. These are the business segments based on which stocks are selected in section 2.3.1.

2.5 SIC code selection

Company business segments are mapped to an SIC code. The SIC code selection is a set of all the SIC codes which satisfy the following criteria

- The SIC code is mapped to at least one of the ‘selected business segments’ as described in section 2.4.
- The SIC code is assigned to the business segments of at least two different stocks from the eligible universe. SIC code 9999 is not selected.

³ Company’s business segments are assigned with a specific SIC (Standard Industry Classification) description for products and services, used by official agencies within the US government. These descriptions provide additional information on the nature of the segment.

2.6 Calculating the stock relevance score

A relevance score for all stocks in the eligible universe is calculated. The relevance score for a company is calculated by taking into account the portion of company's revenue which is derived from the selected business segments (as described in section 2.4) filtered via the SIC code selection (as described in section 2.5).

The relevance score is not an explicit measurement or estimate of the proportion of revenue that the company derives from business activities exposed to the theme.

2.6.1 Relevance score discount factor

A stock level relevance score discount factor is calculated by normalizing the cumulative frequency of relevant words in the company's summary description relative to all companies selected on summary business descriptions as described in section 2.3.2.

At company's business segment level, the revenue discount factor is applied on revenue from a 'selected SIC code'. The revenue discount factor is 1 for revenue derived from 'selected business segment'.

2.6.2 Relevance score

Relevance score for stocks in the eligible universe is calculated as follows:

Relevance score = [revenue from the selected business segments (as described in section 2.4) + relevance score discount factor * revenue from the selected SIC code (as described in section 2.5)] / Total company revenue.

2.7 Selected universe

Stocks in the eligible universe that have a relevance score of 25% or more are included in the selected universe.

2.7.1 GICS^{®4} sector and sub industry filtering

Stocks mapped to the following GICS[®] sub industries are excluded from the selected universe.

No.	GICS [®] Sector	GICS [®] Sub Industries
1	Consumer Staples	<ul style="list-style-type: none"> • Drug Retail • Food Distributors • Packaged Food & Meats • Agricultural Products
2	Health Care	<ul style="list-style-type: none"> • Health Care Distributors
3	Information Technology	<ul style="list-style-type: none"> • Data Processing & Outsourced Services

2.8 Weighting scheme

Stocks included in the Index are weighted by the product of relevance score and their float adjusted market capitalization. The weights are then normalized to 100%. Additionally, constituent weights are capped at the issuer level to mitigate concentration risk in the Index. The issuer weight in the Index is capped at 5%.

⁴ GICS, the global industry classification standard jointly developed by MSCI and S&P Global.

3 Maintaining the Index

3.1 Semi-Annual Index Review

The index is reviewed on a Semi-Annual basis in May and November to coincide with the May and November Semi-Annual Index Reviews of the Parent Index, and the changes are implemented at the end of May and November. In general, the pro forma index is announced nine business days before the effective date.

During the Semi-Annual Index Review, the eligible universe and selected universe are updated.

In general, MSCI uses the company business segment names, business description and revenue data as of the rebalancing date for the Semi-Annual Index Review.

3.2 Annual Index Review

The set of relevant words (as described in section 2.1) are reviewed by MSCI during the May Semi-Annual Index Review.

3.3 Ongoing event-related maintenance

The general treatment of corporate events in the Index aims to minimize turnover outside of Index Reviews. The methodology aims to appropriately represent an investor's participation in an event based on relevant deal terms and pre-event weighting of the Index constituents that are involved. Further, changes in Index market capitalization that occur as a result of corporate event implementation will be offset by a corresponding change in the Variable Weighting Factor (VWF) of the constituent.

The following section briefly describes the treatment of common corporate events within the index.

No new securities will be added (except where noted below) to the index between Index Reviews. Parent Index deletions 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 if the spin-off security is also added to the Parent Index. 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.

The MSCI Corporate Events methodology book is available at: <https://www.msci.com/index-methodology>.

The following sections have been modified since January 2022:

- Introduction
- The role of experts in constructing the Index
- The set of relevant words and phrases
- Calculating the stock relevance score

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