

MSCI Australia Select High Dividend Yield Index

May 2023

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1 Introduction

The MSCI Australia Select High Dividend Yield (HDY) Index (the “Index”) is a custom market capitalization weighted index based on the MSCI Australian Shares Investable Market Index (IMI).

The MSCI Australian Shares IMI is constructed and maintained according to the MSCI Global Investable Market Indexes methodology. For more information on the MSCI Global Investable Market Indexes (“GIMI”), please visit our website at <https://www.msci.com/index-methodology>.

2 Constructing the MSCI Australia Select High Dividend Yield Index

The Index is constructed from MSCI Australian Shares IMI (the “Parent Index”).

The Index is constructed in accordance with the MSCI HDY Index Methodology¹, except for the following modifications²:

- The “Quality screening” (Section 2.3 of MSCI HDY Indexes Methodology) is applied with certain modifications, detailed in Appendix I.
- The “High Dividend Yield Security Selection” criteria (Section 2.5 of MSCI HDY Indexes Methodology) is not applied.

Securities that satisfy the above mentioned criteria, are considered for inclusion in the Index.

Final security selection is based on a dividend yield screen which excludes the bottom 50% of number of securities, as per the below formula:

$$0.5(\text{Dividend Yield}) + 0.5(\text{1 Year Forward Yield})$$

The resulting constituents are weighted according to their free float adjusted market capitalizations applicable to domestic investors. In addition, issuers in the final index will be capped at 10%.

¹ For more information, please refer to the MSCI High Dividend Yield Index methodology at <https://www.msci.com/index-methodology>.

² The dividend persistence screening is modified to exclude securities with a 5Y DPS growth rate below -5% instead of below 0%. This rule applies only for the May and November 2010 Semi-Annual Index Reviews

3 Maintaining the MSCI Australia Select High Dividend Yield Index

3.1 Semi-Annual Index Reviews

Coinciding with the May and November Index Reviews of the MSCI Global Investable Market Indexes, the Index is generally rebalanced on the last business day of May and November as described under Section 2 above.

Between semi-annual index reviews, security weights will fluctuate according to market movements.

The pro forma index is announced nine business days before the effective date.

3.2 Ongoing Event Related Changes

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.

Additionally, if the frequency of Index Reviews in the Parent Index is greater than the frequency of Index Reviews in the Index, the changes made to the Parent Index during intermediate Index Reviews will be neutralized in the Index.

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. Only Parent Index constituents are eligible for addition. Parent Index deletions will be reflected simultaneously.

EVENT TYPE

EVENT DETAILS

New additions to the Parent Index

New securities added to the Parent Index (such as IPOs and other early inclusions) will not be added to the index.

Spin-Offs

A new security 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 be added to the Index. Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review.

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.

The MSCI Corporate Events methodology book is available at:

<https://www.msci.com/index-methodology>

Appendix I: Enhancements to the Methodology for the MSCI Australia Select High Dividend Yield Index

(Effective from June 3, 2013)

Starting from the May 2013 Semi-Annual Index Review the MSCI High Dividend Yield Indexes will transition to an enhanced methodology. As part of the enhancements two new screenings will be applied to determine the eligible universe of the MSCI High Dividend Yield Indexes: Quality screening and Price Performance screening. More details on the enhancements to the MSCI High Dividend Yield Indexes can be found in appendix III of the MSCI High Dividend Yield Index methodology at <https://www.msci.com/index-methodology>.

Starting from the May 2013 Semi-Annual Index Review, the two new screenings will also be applied in the construction and maintenance of the Index as follows:

- The Quality screening is modified to exclude securities with a quality Z-score below -1 instead of 0. Existing constituents of the MSCI Australia Select High Dividend Yield Index are excluded from the eligible universe if their quality Z-score is less than -1.25 instead of -0.5.
- The price performance screening will be applied as per the enhanced MSCI High Dividend Yield Indexes methodology.

The new capping rules applied in the enhanced MSCI High Dividend Yield Indexes will not impact the Index.

The construction and maintenance rules described in this methodology book will remain unchanged otherwise.

The following sections have been modified since February 2013:

Section 3: Maintaining the MSCI Australia Select High Dividend Yield Index

- Updated section 3.1 to include the announcement date of the pro forma index.

The following sections have been modified since September 2017:

Section 1, 2 and 3

Updated to reflect a change in Parent Index from a custom market capitalization weighted index based on the MSCI Australia Investable Market Index (IMI) to the MSCI Australian Shares IMI

The following sections have been modified effective July 29, 2022:

Section 3.2: Ongoing Event Related Changes

Updated to reflect the application of Variable Weighting Factor (VWF) in relation to the treatment of corporate events

The following sections have been modified effective June 01, 2023:

Section 2 has been updated to reflect changes made to index methodology:

- Change in yield screening methodology
- Change in constituent capping methodology
- Removal of minimum constituent weighting requirement.

Methodology book was updated to reflect the transition of the MSCI Global Investable Market Indexes (GIMI) to Quarterly Comprehensive Index Reviews.

- All references to “Semi-Annual Index Reviews” and “Quarterly Index Reviews” of the MSCI GIMI were replaced with “Index Reviews”

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