

MSCI CANADA CUSTOM CAPPED INDEX METHODOLOGY

February 2019

CONTENTS

1	Introduction	3
2	Index Construction and Maintenance	4

1 INTRODUCTION

The MSCI Canada Custom Capped Index (“the Index”) aims to represent the performance of securities included in the MSCI Canada Index (“Parent Index”), while reflecting capping constraints, i.e., constrain the weight of any single group entity¹ at 22.5% and sum of the weights of all group entities representing more than 5% at 24.5%.

¹ Financial accounts of listed companies holding stakes of 20% or more in other listed companies are analyzed to determine whether these stakes are controlling in nature and, consequently, whether both companies should be considered as belonging to the same group entity. In certain cases, even in the absence of consolidated accounts, MSCI may consider two companies as belonging to the same group entity where there is reasonable evidence of control based on other information.

2 INDEX CONSTRUCTION AND MAINTENANCE

The MSCI Canada Custom Capped Index is constructed from the Parent Index.

The MSCI 25/50 Indexes methodology² is applied on the Parent Index, with the following parameters:

- The weight of any single group entity will be constrained at 22.5%
- The sum of the weights of all group entities representing more than 5% weight will be constrained at 24.5%
- A buffer of 5% of the value is applied on the aggregation factor of 5%, while a buffer of 8.16% of the value is applied on the aggregation constraint of 24.5%. Therefore, at the point of constructing or rebalancing the Index:
 - The aggregated weight of all group entities with weight above 4.75% (applying the 5% buffer on aggregation factor of 5%), cannot exceed 22.5% (applying the 8.16% buffer on aggregation constraint of 24.5%) of the Index weight
- Between two Quarterly Index Review effective dates, the Index is rebalanced at the end of any business day on which the constraints (22.5% for any single group entity, 24.5% for group entities representing more than 5%) are breached.

At Index Reviews, the pro forma Index is typically announced nine business days before the review's effective date.

In general, the MSCI Canada Custom Capped Index follows the event maintenance of the MSCI 25/50 Indexes methodology.

² Please refer to the MSCI 25/50 Indexes methodology at www.msci.com/index-methodology

The following sections have been modified since August 2017:

Section 2: Index Construction and Maintenance

Updated rebalancing notification change from five days to nine days

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