

# MSCI CHINA 50 INDEX METHODOLOGY

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## **1 INTRODUCTION**

The MSCI China 50 Index is constructed based on the MSCI China Index (“Parent Index”). The MSCI China 50 Index aims to reflect the performance of the 50 largest securities of MSCI China Index based on free float-adjusted market capitalization.

## 2 INDEX CONSTRUCTION METHODOLOGY

### 2.1 APPLICABLE UNIVERSE

The applicable universe includes all securities from the MSCI China Index<sup>1</sup>.

### 2.2 DETERMINING THE CONSTITUENTS OF THE MSCI CHINA 50 INDEX

The eligible securities are ranked in the decreasing order of free float-adjusted market capitalization<sup>2</sup>. The top 50 securities are then selected for inclusion in the MSCI China 50 Index.

### 2.3 THE 25/50 RULE

The MSCI 25/50 Index Methodology is applied on the MSCI China 50 Index after the step described in section 2.2 to determine the final weights of the constituents of the MSCI China 50 Index. The details of the MSCI 25/50 Index Methodology are available at

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

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<sup>1</sup> China A and B shares will become part of the applicable universe starting from the May 2018 Semi-Annual Index Review.

<sup>2</sup> China A shares are subject to Partial Inclusion Factor of 2.5% from June 1, 2018 and 5.0% from September 3, 2018.

### **3 MAINTAINING THE MSCI CHINA 50 INDEX**

#### **3.1 QUARTERLY INDEX REVIEWS**

The composition of the MSCI China 50 Index is fully reviewed on a quarterly basis coinciding with the regular index reviews (Semi-Annual Index Reviews in May and November and Quarterly Index Reviews in February and August) of the MSCI Global Investable Market Indexes. The pro forma MSCI China 50 Index is in general announced nine business days before the effective date and the changes are implemented at the end of February, May, August and November.

At each Index Review, the number of securities in the MSCI China 50 Index will be restored to 50. Between two Index Reviews, the number of index constituents may differ from 50 due to deletions resulting from corporate events impacting existing constituents.

If a security that is scheduled to be added to or deleted from the MSCI China 50 Index is suspended from trading on the day before the effective implementation date of the index review, MSCI will cancel the implementation for the security. When the implementation of a deletion from a Parent Index is postponed, the implementation of the deletion from the indexes derived from that Parent Index will also be postponed. When the deletion is implemented in the Parent Index after the security resumes trading, the security will be simultaneously deleted from the derived index.

##### **3.1.1 BUFFER RULES**

To minimize index turnover, buffer rules are applied to the MSCI China 50 Index.

The eligible securities are ranked in the decreasing order of free float-adjusted market capitalization. New index constituents that satisfy all eligibility criteria and with a rank 35 or higher in the eligible universe will be added to the MSCI China 50 Index on a priority basis. Existing index constituents with a rank between 36 and 65 are then successively added till the number of constituents in the MSCI China 50 Index reaches 50. If the number of constituents is below 50 after this step, the remaining securities in the eligible universe with the next highest rank are added till the number of securities in the MSCI China 50 Index reaches 50.

##### **3.1.2 CUTOFF DATE FOR MARKET CAPITALIZATION AND PRICES USED FOR THE REBALANCING**

The cutoff date for market capitalization and prices used for the rebalancing of the MSCI China 50 Index is five business days before the end of February, May, August and November.

**3.1.3 ANNOUNCEMENT POLICY**

The results of the rebalancing are announced five business days before the effective date of each Quarterly Index Review.

**3.2 ONGOING EVENT RELATED CHANGES**

In general, the MSCI China 50 Index follows the event maintenance of the MSCI China Index with the exception of the treatment described below. Details regarding the treatment of corporate events not covered below can be found in the MSCI Corporate Events Methodology Book, available at

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

**3.2.1 IPOs AND OTHER EARLY INCLUSIONS**

IPOs and other early inclusions (for example, spun-off companies) will only be considered for inclusion in the MSCI China 50 Index at the next quarterly index review.

**3.2.2 EARLY DELETIONS OF EXISTING CONSTITUENTS**

If a security is deleted from the underlying MSCI China Index due to corporate events, it will be automatically removed from the MSCI China 50 Index. Examples are securities of companies that are acquired, file for bankruptcy, companies that file for protection from their creditors and/or are suspended and for which a return to normal business activity and trading is unlikely in the near future. When the number of securities in the MSCI China 50 Index falls below 50 due to corporate events, no additions or deletions will be made to restore the number of securities to 50 until the next index review.

## METHODOLOGY BOOK TRACKED CHANGES

### The following sections have been modified since July 2012:

#### Section 3.1: Quarterly Index Reviews

- Clarification on implementation of suspended securities

### The following sections have been modified since August 2017:

#### Section 1: Introduction

- Updates

#### Section 3.1: Quarterly Index Reviews

- New sub-sections added

#### Section 3.2: Ongoing Event Related Changes

- Added clarification

### The following sections have been modified since September 2017

#### Section 2.1: Applicable Universe

- Updates

### The following sections have been modified since March 2018:

#### Section 3.1: Quarterly Index Reviews

- Updated rebalancing notification change from five days to nine days

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