

# **MSCI CONSUMER DEMAND INDEXES METHODOLOGY**

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## **1 INTRODUCTION**

The MSCI Consumer Demand Indexes are designed to track the performance of global companies driven by consumer demand, by capturing broad and diversified investment opportunities across various sectors. These indexes are designed to serve as a benchmark and research tool for investment in consumer driven companies.

## 2 CONSTRUCTING THE MSCI CONSUMER DEMAND INDEXES

### 2.1 CONSTITUENT SELECTION:

MSCI Consumer Demand Indexes are constructed from applicable MSCI country and regional indexes (“Parent Index”).

Constituents of the Index are selected based on the Global Industry Classification Standard (GICS®) and include all securities classified under Consumer Demand sectors, defined as:

- Consumer Staples and Consumer Discretionary Sectors
- Underlying GICS Sub-industries

Sector	GICS® Code	GICS® Sub-Industry	Description
HealthCare	35102015	Health Care Services	Companies providing patient health care services. Includes dialysis centers, lab testing services, and pharmacy management services.
	35102020	Health Care Facilities	Owners and operators of health care facilities, including hospitals, nursing homes, rehabilitation centers and animal hospitals.
	35102030	Managed Health Care	Owners and operators of Health Maintenance Organizations (HMOs) and other managed plans.
	35202010	Pharmaceuticals	Companies engaged in the research, development or production of pharmaceuticals.
Financials	40102010	Thriffs & Mortgage Finance	Financial institutions providing mortgage and mortgage related services.
	40202010	Consumer Finance	Providers of consumer finance services, including personal credit, credit cards, lease financing, mortgage lenders, travel-related money services and pawn shops.

	40203010	Asset Management & Custody Bank	Financial institutions primarily engaged in investment management and/or related custody and securities fee-based services. Includes companies operating mutual funds, closed-end funds and unit investment trusts.
	40301020	Life & Health Insurance	Companies providing primarily life, disability, indemnity or supplemental health insurance.
Industrials	20302010	Airlines	Companies providing primarily passenger air transportation.
Communication Services	50101020	Integrated Telecommunication Services	Operators of primarily fixed-line telecommunications networks and companies providing both wireless and fixed-line telecommunications services not classified elsewhere. Also includes internet service providers offering internet access to end users.
	50102010	Wireless Telecommunication Services	Providers of primarily cellular or wireless telecommunication services.
	50202020	Interactive Home Entertainment	Producers of interactive gaming products, including mobile gaming applications. Also includes educational software used primarily in the home. Excludes online gambling companies classified in the Casinos & Gaming Sub-Industry.
Real Estate	60101060	Residential REIT's	Companies or Trusts engaged in the acquisition, development, ownership, leasing, management and operation of residential properties including multifamily homes, apartments, manufactured homes and student housing properties.
	60101070	Retail REIT's	Companies or Trusts engaged in the acquisition, development, ownership,

			leasing, management and operation of shopping malls, outlet malls, neighborhood and community shopping centers.
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**2.2 WEIGHTING SCHEME:**

The constituents of the MSCI Consumer Demand Indexes are weighted based on their free float market capitalization. To mitigate the impact of stock-specific risk to the Index, capped versions can be made available as per the MSCI Capped Index Methodology, available at:

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

### **3 MAINTAINING THE MSCI CONSUMER DEMAND INDEXES**

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

The MSCI Consumer Demand Indexes are rebalanced as described in Section 2 on a quarterly basis in February, May, August and November, coinciding with the Index Reviews of the Parent Index. The pro forma indexes are generally announced nine business days before the effective date.

Note that the capping of the issuer weight is done for the pro forma index as of the effective date, based on the closing prices as of the index review announcement date. In a case where an issuer weight breaches the cap as a result of market price movements or corporate events between the announcement date and the effective date, the capping is not applied again. Similarly, even if any issuer weight breaches the cap as a result of market price movements or corporate events between two Quarterly Index Reviews, no capping is applied.

#### **3.2 ONGOING EVENT RELATED AND GICS® CHANGES**

In general, the MSCI Consumer Demand Indexes follow the event maintenance of the corresponding Parent Indexes.

Except when the new security results from an event affecting an existing constituent (e.g., spin off, merger), there will be no early inclusion of new securities to the index. New additions to the Parent Index outside the regular Index Reviews will be added to the MSCI Consumer Demand Indexes at the next regularly scheduled Index Review. For example, an early inclusion to the Parent Index following an IPO in September would only be considered for inclusion to the MSCI Consumer Demand Indexes at the following November Quarterly Index Review. Likewise, if a security experiences a GICS® reclassification into the Consumer Demand Sectors due to a corporate event, it will only be considered for inclusion to the MSCI Consumer Demand Indexes during the next regularly scheduled Index Review.

If a security is deleted from the Parent Index due to a corporate event, it will be removed from the MSCI Consumer Demand Indexes at the effective date of the event. Similarly, if a security experiences a GICS® reclassification out of the Consumer Demand Sectors following a corporate event, it will be removed from the MSCI Consumer Demand Indexes at the effective date of the event.

##### **3.2.1 GICS® CHANGES**

Regular monthly and annual GICS® reviews may result in the migration of a security's GICS® sub-industry into or out of the Consumer Demand Sectors. Newly eligible securities after

such a GICS® change will only be considered for inclusion in the MSCI Consumer Demand Indexes during the following regularly scheduled Index Review. Any existing constituent moving out of the Consumer Demand sectors will be deleted from the MSCI Consumer Demand Indexes at the effective date of the GICS® change (as of the close of the last business day of the given month).



**The following sections have been modified since May 2014:**

Section 2: Constructing the MSCI Consumer Demand Indexes

- Updated the table in section 2.1 to reflect the revisions to GICS structure in 2016 – Residential REITs (new code 60101060) and Retail REITs (new code 60101070) moved out from within Financials to the newly formed Real Estate sector.

**The following sections have been modified since August 2016:**

Section 2: Constructing the MSCI Consumer Demand Indexes

- Updated the table in section 2.1 to reflect the revisions to GICS structure in 2018: Addition of GICS - Interactive Home Entertainment (GICS code: 50202020), removal of GICS - Home Entertainment Software (GICS code: 45103030) and Internet Software & Services (GICS code: 45101010) due to discontinuation, updating the description of Integrated Telecommunication Services (GICS Code: 50101020) and Wireless Telecommunication Services (GICS Code: 50102010) and renaming of Telecommunication sector to Communication Services.

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