

# **MSCI Core Infrastructure Indexes Methodology**

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## **1 Introduction**

The MSCI Core Infrastructure Indexes are designed to represent the performance of listed companies within the parent index (“Parent Index”) that are engaged in core infrastructure activities.

## 2 Constructing the MSCI Core Infrastructure Indexes

The applicable universe is the relevant Parent Index.

The index construction is based on a three-step process:

- Constituent selection
- Calculating and capping weights (as necessary) for each sub-industry
- Calculating and capping weights (as necessary) of the Index constituents

### 2.1 Country and Constituent Selection

Securities from the Parent Index that belong to a specific set of eligible sub-industries derived from the Global Industry Classification Standard (GICS®) are included in the MSCI Core Infrastructure Indexes.

The table below lists the corresponding sub-industries based on the GICS®:

Aggregate Sector	GICS® Code	GICS® Sub-Industry	Description
<b>Utilities</b>	55101010	Electric Utilities	Companies that produce or distribute electricity. Includes both nuclear and non-nuclear facilities.
	55102010	Gas Utilities	Companies whose main charter is to distribute and transmit natural and manufactured gas. Excludes companies primarily involved in gas exploration or production classified in the Oil & Gas Exploration & Production Sub-Industry. Also excludes companies engaged in the storage and/or transportation of oil, gas, and/or refined products classified in the Oil & Gas Storage & Transportation Sub-Industry.
	55103010	Multi-Utilities	Utility companies with significantly diversified activities in addition to core Electric Utility, Gas Utility and/or Water Utility operations.
	55104010	Water Utilities	Companies that purchase and redistribute water to the end-consumer. Includes large-scale water treatment systems.

	10102040	Oil & Gas Storage & Transportation	Companies engaged in the storage and/or transportation of oil, gas and/or refined products. Includes diversified midstream natural gas companies, oil and refined product pipelines, coal slurry pipelines and oil & gas shipping companies.
<b>Infrastructure</b>	20304010	Railroads	Companies providing primarily goods and passenger rail transportation.
	20305010	Airport Services	Operators of airports and companies providing related services.
	20305020	Highways & Railtracks	Owners and operators of roads, tunnels and railtracks.
	20305030	Marine Ports & Services	Owners and operators of marine ports and related services.
	60101080	Specialized REITs (*)	Companies or Trusts engaged in the acquisition, development, ownership, leasing, management and operation of properties not classified elsewhere. Includes trusts that operate and invest in storage properties. It also includes REITs that do not generate a majority of their revenues and income from real estate rental and leasing operations.

(\*) Within the Specialized REITs sub-industry, only infrastructure companies such as telecom infrastructure REITs are included in the MSCI Core Infrastructure Indexes.

## 2.2 Weighting Scheme

The weighting scheme is divided into two steps – calculating the weight for included sub-industries and then for securities within those included sub-industries.

### 2.2.1 Calculating Weight for Each Sub-Industry

The weight of an included sub-industry is determined from the total free-float market capitalization of the securities from that sub-industry among all selected sub-industries in the Parent Index, keeping the total weight of Infrastructure Aggregate Sector at 40% and Utilities Aggregate Sector at 60%. Once included, the sub-industry weight is capped at 15% and any excess is distributed proportionately to other sub-industries within the same Aggregate Sector to ensure that the weights of the aggregate sectors remain at the pre-determined levels of 40% for Infrastructure and 60% for Utilities.

### 2.2.2 Security Weighting

All securities belonging to the included sub-industries are weighted by their free-float market capitalization within their sub-industry weight, subject to a maximum weight of 5%. For those sub-industries with two or fewer stocks, the security weighting cap takes precedence.

### **3 Maintaining the Indexes**

#### **3.1 Semi-Annual Index Review**

The Index is rebalanced semi-annually in November and May to coincide with the Semi-Annual Index Reviews of the Parent Index.

#### **3.2 Quarterly Index Review**

The Index is reviewed on a quarterly basis to reflect the changes to the Parent Index. These Index Reviews coincide with the regular Quarterly Index Reviews of the MSCI Global Investable Market Indexes.

#### **3.3 Treatment of Corporate Events**

The following section briefly describes the treatment of common corporate events within the MSCI Core Infrastructure Indexes.

No new securities will be added (except where noted below) to the Index between Index Reviews. For cases where additions are noted below, securities will be added to the index only if added to the Parent Index.

Parent Index deletions will be reflected simultaneously in the Index.

##### **EVENT TYPE**

##### **EVENT DETAILS**

##### **New additions to the Parent Index**

New securities added to the Parent Index (such as IPOs, other early inclusions and migrations from a different size-segment) will not be added to the Index at the time of event implementation. Such securities will be considered for addition in the Index at the subsequent Index Review.

##### **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. Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review of the corresponding underlying Index.

**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 under the sections detailing the treatment of events in Capped Weighted and Non-Market Capitalization Weighted indexes.

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



## Methodology Book Tracked Changes

### **The following sections have been modified as of August 2017:**

#### 2.1: Country and Constituent Selection

- Updated the table to reflect the latest GICS® structure

### **The following sections have been modified as of May 2020:**

#### 2.1: Country and Constituent Selection

- Clarified the treatment of Specialized REITs

#### 3.3: Treatment of Corporate Events

- Clarified the treatment of different types of corporate events

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