

## **METHODOLOGY BOOK FOR:**

- **MSCI WORLD IMI DIGITAL ECONOMY SELECT 50 INDEX**
- **MSCI WORLD IMI DIGITAL ECONOMY SELECT 50 5% DECREMENT INDEX**
- **MSCI USA IMI DIGITAL ECONOMY SELECT 50 INDEX**
- **MSCI USA IMI DIGITAL ECONOMY SELECT 50 5% DECREMENT INDEX**

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## 1 Introduction

The MSCI Digital Economy Select 50 Indexes (the 'Indexes') aim to represent the performance of the top 50 companies by free float-adjusted market capitalization that are expected to derive significant revenues from the development of new products and services for the digital economy value chain, which meet certain minimum liquidity requirements.

This methodology applies to the following indexes (the "Indexes"):

- MSCI World IMI Digital Economy Select 50 Index
- MSCI USA IMI Digital Economy Select 50 Index
- MSCI World IMI Digital Economy Select 50 5% Decrement Index
- MSCI USA IMI Digital Economy Select 50 5% Decrement Index

The MSCI Digital Economy Select 50 5% Decrement Indexes aim to represent the performance of their respective MSCI Digital Economy Select 50 Index, while applying a constant markdown ('synthetic dividend') of 5% on an annual basis, expressed as a percentage of performance.

## 2 Constructing the Indexes

### 2.1 ELIGIBLE UNIVERSE

The eligible universe for the MSCI Digital Economy Select 50 Indexes is defined by the constituents of the MSCI ACWI IMI Digital Economy Index filtered for the respective Parent Index.

The Parent Indexes of the MSCI Digital Economy Select 50 Indexes are shown in the table below.

Index Name	Parent Index
MSCI World IMI Digital Economy Select 50 Index	MSCI World IMI
MSCI USA IMI Digital Economy Select 50 Index	MSCI USA IMI

### 2.2 LIQUIDITY SCREENING

Securities that have a 6-month average daily trading value (6M ADTV) less than or equal to 20 million USD are excluded from the eligible universe. For the calculation of ADTV, please refer to Appendix 1.

### 2.3 SECURITY SELECTION

From the eligible universe, the top 50 securities after the liquidity screening are ranked in descending order based on their free float-adjusted market capitalization are selected for inclusion in the Index.

In case the number of securities in the eligible universe is below 50, all eligible securities are selected for inclusion.

### 2.4 WEIGHTING SCHEME

Selected securities are weighted in proportion of their free-float adjusted market capitalization. The weights are then normalized to sum to 100%.

Additionally, for the MSCI USA IMI Digital Economy Select 50 Index, the maximum weight of any issuer is capped at 10% at each index review. The excess weight of the capped securities is distributed among the remaining constituents in proportion of their free float-market capitalization. Between index reviews, security weights will fluctuate according to market movements.

## 2.5 APPLYING THE DECREMENT

The MSCI Decrement Indexes methodology<sup>1</sup> is applied on the MSCI World IMI Digital Economy Select 50 Index and the MSCI USA IMI Digital Economy Select 50 Index to construct their respective decrement indexes using the following parameters:

Sr.No.	Methodology Parameters	MSCI World IMI Digital Economy Select 50 5% Decrement (Gross USD) Index
1	Currency of Calculation	USD
2	Parent Index	MSCI World IMI Digital Economy Select 50 Index
3	Return Variant of the Parent Index	Gross Total Return
4	Decrement Type	Fixed Percentage
5	Decrement Application	Geometric
6	Decrement Value	5%
7	Day-count Convention	Act / 365
8	Index Floor	0
9	Decrement Frequency	Daily

Sr.No.	Methodology Parameters	MSCI World IMI Digital Economy Select 50 5% Decrement (Net USD) Index
1	Currency of Calculation	USD
2	Parent Index	MSCI World IMI Digital Economy Select 50 Index
3	Return Variant of the Parent Index	Net Total Return
4	Decrement Type	Fixed Percentage
5	Decrement Application	Geometric
6	Decrement Value	5%

<sup>1</sup> Please refer to the MSCI Decrement Indexes Methodology at <http://www.msci.com/index-methodology>

<b>Sr.No.</b>	<b>Methodology Parameters</b>	<b>MSCI World IMI Digital Economy Select 50 5% Decrement (Net USD) Index</b>
7	Day-count Convention	Act / 365
8	Index Floor	0
9	Decrement Frequency	Daily

<b>Sr.No.</b>	<b>Methodology Parameters</b>	<b>MSCI USA IMI Digital Economy Select 50 5% Decrement (Gross USD) Index</b>
1	Currency of Calculation	USD
2	Parent Index	MSCI USA IMI Digital Economy Select 50 Index
3	Return Variant of the Parent Index	Gross Total Return
4	Decrement Type	Fixed Percentage
5	Decrement Application	Geometric
6	Decrement Value	5%
7	Day-count Convention	Act / 365
8	Index Floor	0
9	Decrement Frequency	Daily

### **3 Maintaining the Indexes**

#### **3.1 SEMI-ANNUAL INDEX REVIEWS**

The Indexes are reviewed on a semi-annual basis to coincide with the regular Semi-Annual Index Reviews of the MSCI Global Investable Market Indexes. The changes are implemented as of the close of the last business day of May and November.

The pro forma Indexes are in general announced nine business days before the effective date.

#### **3.2 ONGOING EVENT-RELATED CHANGES**

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

No new securities will be added (except where noted below) to the Index between Index Reviews. Parent Index deletions will be reflected simultaneously.

Further detail and illustration regarding specific treatment of corporate events relevant to this Index can be found in the MSCI Corporate Events Methodology.

#### **EVENT TYPE**

#### **EVENT DETAILS**

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

A new security added to the Parent Index (such as IPO and other early inclusions), will not be added to the index.

##### **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.

##### **Merger/Acquisition**

For Mergers and Acquisitions, the acquirer's post even 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 not be added to the Index.

**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 1: Calculation of 6-Month Average Daily Traded Value (ADTV)

$$ADTV = ATV / 252$$

Where:

- ADTV = 6-month Average Daily Traded Value
- ATV = 6-month Annualized Traded Value

For details on the calculation of ATV, please refer to the MSCI Fundamental Data Methodology (<https://www.msci.com/index-methodology>)

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