

# **MSCI EFM AFRICA CAPPED + GCC COUNTRIES CAPPED SPECIAL WEIGHTED 10/40 INDEX METHODOLOGY**

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## **1 INTRODUCTION**

The MSCI EFM Africa Capped + GCC Countries Capped Special Weighted 10/40 Index aims to represent the performance of a selection of securities from the MSCI Emerging Frontier Market (EFM) Africa Index and the MSCI GCC Countries Index and assigns equal weights to the indexes. To avoid excess concentration, the weight of each country is first capped, following which, the index is capped as per the MSCI 10/40 Indexes methodology.

## 2 CONSTRUCTING THE MSCI EFM AFRICA CAPPED + GCC COUNTRIES CAPPED SPECIAL WEIGHTED 10/40 INDEX

The MSCI EFM Africa Capped + GCC Countries Capped Special Weighted 10/40 Index (the “Index”) is constructed by applying the following steps:

- Creating the Index components
- Combining the Index Components
- Applying the MSCI 10/40 Indexes Methodology

### 2.1 CREATING THE COMPONENT INDEXES

- **Component Index 1: MSCI EFM Africa 70% Country Capped Index**

The MSCI EFM Africa 70% Country Capped Index is constructed from the MSCI EFM Africa Index (Parent Index). The maximum weight of any country in the Index is capped at 70%, in accordance with the MSCI Capped Indexes methodology<sup>1</sup>.

- **Component Index 2: MSCI GCC Countries 70% Country Capped Index**

The MSCI GCC Countries 70% Country Capped Index is constructed from the MSCI GCC Countries Index (Parent Index). The maximum weight of any country in the Index is capped at 70%, in accordance with the MSCI Capped Indexes methodology.

### 2.2 COMBINING THE COMPONENT INDEXES

The MSCI EFM Africa Capped + GCC Countries Capped Special Weighted Index is constructed by combining the components defined in section 2.1 in equal proportion.

At each index review, the weight of each security is determined based on the following formula:

$$W_{Sec_i}^{CI} = \sum_{C_j} 50\% \times W_{Sec_i}^{C_j}$$

where:

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<sup>1</sup> Please refer to the MSCI Capped Indexes methodology at [www.msci.com/index-methodology](http://www.msci.com/index-methodology)

- $W_{Sec_i}^{CI}$  is the weight of security  $Sec_i$
- $W_{Sec_i}^{C_j}$  is the weight of security  $Sec_i$  in the Component Index

### 2.3 APPLYING THE MSCI 10/40 INDEXES METHODOLOGY

The MSCI 10/40 Indexes methodology<sup>2</sup> is applied on the MSCI EFM Africa Capped + GCC Countries Capped Special Weighted Index, such that the weight of any single group entity<sup>3</sup> is capped at 10% and the sum of the weights of all group entities with a weight of more than 5% is capped at a maximum of 40%.

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<sup>2</sup> For details, refer to the MSCI 10/40 Indexes Methodology at [www.msci.com/index-methodology](http://www.msci.com/index-methodology).

<sup>3</sup> For a definition and a description of the maintenance of Group Entities, please refer to the MSCI 10/40 Indexes methodology at [www.msci.com/index-methodology](http://www.msci.com/index-methodology).

### 3 MAINTAINING THE MSCI EFM AFRICA CAPPED + GCC COUNTRIES CAPPED SPECIAL WEIGHTED 10/40 INDEX

#### 3.1 QUARTERLY INDEX REVIEWS

The Index is reviewed on a quarterly basis, coinciding with the May and November Semi-Annual Index Reviews and the February and August Quarterly Index Reviews of the MSCI Global Investable Market Indexes. The pro forma index is typically announced five business days before the effective date.

At each Quarterly Index Review, the MSCI EFM Africa Capped + GCC Countries Capped Special Weighted 10/40 Index is rebalanced as described in Section 2.

#### 3.2 ONGOING EVENT-RELATED CHANGES

The maintenance of the MSCI EFM Africa Capped + GCC Countries Capped Special Weighted Index follows the maintenance of the Component Indexes.

The general treatment of corporate events in the component indexes aims to minimize turnover outside of index Reviews. The methodology aims to appropriately represent an investor’s participation in an event based on relevant deal terms and pre-event weighting of the index constituents that are involved.

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

No new securities will be added (except where noted below) to the component indexes 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.

#### EVENT TYPE

#### EVENT DETAILS

**New additions to the Parent Index**

A new security added to the parent indexes (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 event weight will account for the proportionate amount of shares involved in deal consideration, while cash proceeds will be invested across the Index.

For Mergers and Acquisitions, if an existing index constituent is acquired by a non-index constituent, the existing constituent will be deleted from the index and simultaneously the acquiring non-constituent will 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>

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