

**METHODOLOGY BOOK FOR:**

- **MSCI USA ENHANCED VALUE CAPPED INDEX**
- **MSCI CANADA ENHANCED VALUE CAPPED INDEX**
- **MSCI EAFE ENHANCED VALUE REGION NEUTRAL CAPPED INDEX**

September 2017

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## **1 INTRODUCTION**

The MSCI USA Enhanced Value Capped Index, MSCI Canada Enhanced Value Capped Index and the MSCI EAFE Enhanced Value Region Neutral Capped Index are designed to represent the performance of companies that exhibit relatively higher value characteristics within the respective parent universe of securities, while restricting the weight of the largest security to 10%.

## 2 CONSTRUCTING THE INDEXES

### 2.1 CONSTRUCTING THE MSCI USA ENHANCED VALUE CAPPED INDEX

#### 2.1.1 DEFINING THE ELIGIBLE UNIVERSE

The eligible universe for the MSCI USA Enhanced Value Capped Index (the “Index”) is the MSCI USA Index (the “Parent Index”).

#### 2.1.2 APPLYING THE MSCI ENHANCED VALUE INDEXES METHODOLOGY

The MSCI Enhanced Value Indexes methodology<sup>1</sup> is applied on the Parent Index.

#### 2.1.3 APPLYING THE CAPPING

The maximum security weight in the Index is capped at 10% in accordance with the MSCI Capped Indexes methodology<sup>2</sup>.

### 2.2 CONSTRUCTING THE MSCI CANADA ENHANCED VALUE CAPPED INDEX

#### 2.2.1 DEFINING THE ELIGIBLE UNIVERSE

The eligible universe for the MSCI Canada Enhanced Value Capped Index (the “Index”) is the MSCI Canada Index (the “Parent Index”).

#### 2.2.2 APPLYING THE MSCI ENHANCED VALUE INDEXES METHODOLOGY

The MSCI Enhanced Value Indexes methodology is applied on the Parent Index, where only the following parameters are adjusted for the application of the methodology.

At Initial construction, the Index targets higher of 25 securities or 50% market cap coverage, (instead of 30%) from the Parent Index.

#### 2.2.3 APPLYING THE CAPPING

The maximum security weight in the Index is capped at 10% in accordance with the MSCI Capped Indexes methodology.

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

<sup>2</sup> Please refer to the MSCI Capped Indexes methodology at [www.msci.com/index-methodology](http://www.msci.com/index-methodology)

## 2.3 CONSTRUCTING THE MSCI EAFE ENHANCED VALUE REGION NEUTRAL CAPPED INDEX

### 2.3.1 DEFINING THE ELIGIBLE UNIVERSE

The eligible universe for the MSCI EAFE Enhanced Value Region Neutral Capped Index (the “Index”) is all the securities that are part of the MSCI EAFE Index.

### 2.3.2 APPLYING THE MSCI ENHANCED VALUE INDEXES METHODOLOGY

The MSCI EAFE Enhanced Value Region Neutral Capped Index is constructed as an aggregate of the following Component Indexes:

Component Index	Parent Index
MSCI Japan Enhanced Value Index	MSCI Japan Index
MSCI Pacific ex Japan Enhanced Value Index	MSCI Pacific ex Japan Index
MSCI Europe & Middle East Enhanced Value Index	MSCI Europe & Middle East Index

The Component Indexes are constructed based on the MSCI Enhanced Value Indexes methodology on the noted Parent Indexes.

### 2.3.3 APPLYING REGION NEUTRALITY

The weight of each component index is set to the weight of the corresponding region in the MSCI EAFE Index at the rebalancing.

### 2.3.4 APPLYING THE CAPPING

The maximum security weight in the Index is capped at 10% in accordance with the MSCI Capped Indexes methodology.

### **3 MAINTAINING THE INDEXES**

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

The MSCI USA Enhanced Value Capped Index, MSCI Canada Enhanced Value Capped Index and the MSCI EAFE Enhanced Value Region Neutral Capped Index are reviewed on a Semi-Annual basis to coincide with the regular Semi-Annual Index Reviews of the MSCI Global Investable Market Indexes.

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

##### **3.1.1 MAINTAINING THE MSCI USA ENHANCED VALUE CAPPED INDEX**

At each Semi-Annual Index Review, the MSCI USA Enhanced Value Capped Index is rebalanced as described in Section 2.

##### **3.1.2 MAINTAINING THE MSCI CANADA ENHANCED VALUE CAPPED INDEX**

At each Semi-Annual Index Review, the MSCI Canada Enhanced Value Capped Index is rebalanced in accordance with the MSCI Enhanced Value Indexes methodology, where only the following parameters are adjusted for the application of the methodology.

- At each Index review, if the market cap coverage of the Index fall below 10% of the parent Index, the Index is rebalanced targeting higher of the 25 constituents or 50% market cap coverage from the Parent Index, similar to the construction at initial rebalance.

The fixed number of constituents calculated at the previous Index Review is maintained when the above condition is not satisfied.

The maximum security weight in the Index is capped at 10% as noted in Section 2.

##### **3.1.3 MAINTAINING THE MSCI EAFE ENHANCED VALUE REGION NEUTRAL CAPPED INDEX**

At each Semi-Annual Index Review, the MSCI EAFE Enhanced Value Region Neutral Capped Index is rebalanced as described in Section 2.

#### **3.2 ONGOING EVENT-RELATED MAINTENANCE**

The general treatment of corporate events in the MSCI USA Enhanced Value Capped Index and the MSCI Canada Enhanced Value Capped Index 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. Further, changes in index market capitalization that occur as a result of

corporate event implementation will be offset by a corresponding change in the Variable Weighting Factor (VWF) of the constituent.

Additionally, if the frequency of Index Reviews in the Parent Index is greater than the frequency of Index Reviews in the Index, the changes made to the Parent Index during intermediate Index Reviews will be neutralized in the Index.

The MSCI EAFE Enhanced Value Region Neutral Capped Index follows the event maintenance of its Component Indexes, in accordance with the MSCI Corporate Events Methodology.

The following section briefly describes the treatment of common corporate events within the MSCI USA Enhanced Value Capped Index and the MSCI Canada Enhanced Value Capped Index.

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

**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 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 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 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>



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