

# **MSCI EQUAL SECTOR WEIGHTED INDEXES METHODOLOGY**

**February 2023**

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## 1 INTRODUCTION

The MSCI Equal Sector Weighted Indexes family is designed as an alternative to market capitalization-weighted indexes. In an MSCI Equal Sector Weighted Index (“the Index”), each Global Industry Classification Standard (GICS®) sector has the same weight initially. Between rebalancings, the weight of a sector will deviate from this equal weight depending on the relative performance of the sector.

## 2 CONSTRUCTING INDEXES

The Indexes are constructed from applicable MSCI country and regional indexes (herein, a “Parent Index”) and have the same constituents as the underlying Parent Index. At initial construction and each subsequent rebalancing, each GICS® sector in the Index is given an equal weight (i.e.  $1/N$ , where  $N$  is the number of GICS® sectors in the Parent Index). Within the sector, the securities are weighted relative to their free float adjusted market capitalization.

## 3 MAINTAINING THE INDEXES

### 3.1 QUARTERLY INDEX REVIEWS

The Indexes are rebalanced on a quarterly basis in February, May, August and November, coinciding with the Index Reviews of the Parent Index. At each Index Review, the weights of the sectors are reset to equal weights as described in Section 2. The pro forma Indexes are generally announced five business days before the effective date.

### 3.2 ONGOING EVENT RELATED CHANGES

The general treatment of corporate events in the 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. 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 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.

EVENT TYPE	EVENT DETAILS
<b>New additions to the Parent Index</b>	A new security added to the parent index (such as IPO and other early inclusions) will be added to the index at an estimated full market capitalization adjustment factor on the date of security inclusion.
<b>Spin-Offs</b>	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.

### Merger/Acquisition

Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review.

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>.

## CHANGES TO THE METHODOLOGY BOOK

### **The following sections have been modified since October 2014:**

- The details on the Corporate Events treatment are now included in Section 3.2.

### **The following sections have been modified as of Feb 2023:**

- Methodology book was updated to reflect the transition of MSCI Equal Sector Weighted Indexes to Quarterly Index Reviews along-with the transition of MSCI Global Investable Market Indexes (GIMI) to Quarterly Comprehensive Index Reviews.

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