

MSCI RETURN SPREAD INDEXES METHODOLOGY

April 2017

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1 INTRODUCTION

The MSCI Return Spread Indexes aim to represent the performance of a strategy based on the return spread between a long position on constituents of one underlying component Index while taking a short position on constituents of another component Index.

The MSCI Return Spread Indexes include the following four indexes:

- MSCI EAFE-Emerging Markets Return Spread Index
- MSCI Emerging Markets-EAFE Return Spread Index
- MSCI Cyclical Sectors-Defensive Sectors Return Spread Index
- MSCI Defensive Sectors-Cyclical Sectors Return Spread Index

This methodology book provides a description of the rules and guidelines followed by MSCI for the construction and maintenance of the MSCI Return Spread Indexes.

2 CONSTRUCTING THE MSCI RETURN SPREAD INDEXES

2.1 INDEX STRUCTURE

The MSCI Return Spread Indexes are designed to represent the performance of a strategy that is 100% long on constituents of the “Long Component Index” and 100% short on constituents of the “Short Component Index”.

The MSCI Return Spread Indexes are computed using a variant of the MSCI Short and Leveraged Daily Indexes Methodology¹ that does not apply stock borrowing costs or the overnight risk-free rates.

The MSCI Return Spread Index return is calculated daily by subtracting the daily index return of the Short Component Index from the daily index return of the Long Component Index, as per the MSCI Short and Leveraged Daily Indexes methodology.

Index	Long Component Index	Short Component Index
MSCI EAFE-Emerging Markets Return Spread Index	MSCI EAFE Index	MSCI Emerging Markets Index
MSCI Emerging Markets-EAFE Return Spread Index	MSCI Emerging Markets Index	MSCI EAFE Index
MSCI Cyclical Sectors-Defensive Sectors Return Spread Index	MSCI USA Cyclical Sectors Index	MSCI USA Defensive Sectors Index
MSCI Defensive Sectors-Cyclical Sectors Return Spread Index	MSCI USA Defensive Sectors Index	MSCI USA Cyclical Sectors Index

Please refer to Appendix I for further details on the component indexes of above MSCI Return Spread Indexes.

¹MSCI Short and Leveraged Daily Indexes methodology is available at <https://www.msci.com/index-methodology>

3 MAINTAINING THE MSCI RETURN SPREAD INDEXES

3.1 ONGOING EVENTS RELATED CHANGES

The MSCI Return Spread Indexes are derived from underlying MSCI Indexes. As a result, corporate events are reflected in these Indexes as they occur and as they are captured in the underlying MSCI Indexes.

APPENDIX I: METHODOLOGY FOR COMPONENT INDEXES

The following Component Indexes are used in the construction of the MSCI Return Spread Indexes.

MSCI EAFE INDEX

The MSCI EAFE Index is constructed and maintained in accordance with the MSCI Global Investable Market Indexes methodology.

The MSCI EAFE Index, net variant in USD measures the performance of the Index in US Dollar (USD), calculated as per the MSCI Net Daily Total Return Index methodology described in the MSCI Index Calculation Methodology².

MSCI EMERGING MARKETS (EM) INDEX

The MSCI Emerging Markets (EM) Index is constructed and maintained in accordance with the MSCI Global Investable Market Indexes methodology.

The MSCI Emerging Markets (EM) Index, net variant in USD measures the performance of the Index in US Dollar (USD), calculated as per the MSCI Net Daily Total Return Index methodology described in the MSCI Index Calculation Methodology.

MSCI USA CYCLICAL SECTORS INDEX

The MSCI USA Cyclical Sectors Index is constructed and maintained in accordance with the MSCI Cyclical and Defensive Sectors Indexes methodology³.

The MSCI USA Cyclical Sectors Index, gross variant in USD measures the performance of the Index in US Dollar (USD), calculated as per the MSCI Gross Daily Total Return Index methodology described in the MSCI Index Calculation Methodology.

MSCI USA DEFENSIVE SECTORS INDEX

The MSCI USA Defensive Sectors Index is constructed and maintained in accordance with the MSCI Cyclical and Defensive Sectors Indexes methodology.

² MSCI Index Calculation Methodology is available at <https://www.msci.com/index-methodology>

³ MSCI Cyclical and Defensive Sectors Indexes methodology is available at <https://www.msci.com/index-methodology>

The MSCI USA Defensive Sectors Index, gross variant in USD measures the performance of the Index in US Dollar (USD), calculated as per the MSCI Gross Daily Total Return Index methodology described in the MSCI Index Calculation Methodology.

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