

# **MSCI RUSSIA LOCAL LIQUIDITY SCREENED CAPPED INDEX**

**September 2014**

<b>CONTENTS</b>	1	Introduction .....	3
	2	Constructing the MSCI Russia Local Liquidity Screened Capped Index.....	4
	2.1	Russia Listing Screening .....	4
	2.2	Liquidity Screening .....	4
	2.3	Applying the Group Entity Capping.....	4
	3	Maintaining the MSCI Russia Local Liquidity Screened Capped Index.....	5
	3.1	Quarterly Index Reviews .....	5
	3.2	Rebalancing due to Non-compliance .....	5
	3.3	Ongoing Event-Related Maintenance .....	5

## 1 INTRODUCTION

The MSCI Russia Local Liquidity Screened Capped Index (the “Index”) applies liquidity screenings on the MSCI Russia Index (the “Parent Index”) and replaces American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs) included in the MSCI Russia Index with corresponding Russian listings where available. The Index is free float-adjusted market capitalization weighted with a capping applied on the largest weights.

## 2 CONSTRUCTING THE MSCI RUSSIA LOCAL LIQUIDITY SCREENED CAPPED INDEX

The Index includes all constituents of the MSCI Russia Index with the exception of those securities that are identified by applying the screenings described in Sections 2.1 and 2.2 below.

### 2.1 RUSSIA LISTING SCREENING

For all constituents of the MSCI Russia index for which American Depositary Receipts (ADRs) or Global Depositary Receipts (GDRs) are used, the listing is replaced with a Russia listing as the price source, provided that the Russia listed security meets the liquidity screening requirements described in Section 2.2. In cases where no liquid Russia listing is identified, the security is not included in the Index. As a result, no ADR or GDR is included in the Index either.

### 2.2 LIQUIDITY SCREENING

Securities with a 3-Month Annualized Traded Value lower than USD 1 Billion based on a 3 month horizon are excluded from the Index. The 3-Month Annualized Traded Value is obtained by taking the average of the monthly median traded values of the previous 3 months for the listing under consideration and annualizing it by multiplying it by 12.

### 2.3 APPLYING THE GROUP ENTITY CAPPING

If the free float-adjusted market capitalization weight of any group entity in the Index is greater than 16.5%, then its weight is capped to 15%. The weight of the remaining group entities is increased in proportion to their weight prior to such capping, subject to a maximum of 15%.

### 3 MAINTAINING THE MSCI RUSSIA LOCAL LIQUIDITY SCREENED CAPPED INDEX

In general, changes to the MSCI Russia Index as described in the MSCI Global Investable Market Indexes methodology (<https://www.msci.com/index-methodology>), including changes related to Semi-Annual Index Reviews, Quarterly Index Reviews and Corporate Events, are applied simultaneously to the Index.

For example, changes in number of shares and Foreign Inclusion Factors, as well as Price Adjustment Factors, are applied simultaneously in the Index. Deletions from the Parent Index are also simultaneously reflected in the Index.

The below sections describe the maintenance rules that are applied in addition to or in lieu of the changes in the MSCI Russia Index and that are specific to the Index.

#### 3.1 QUARTERLY INDEX REVIEWS

The Index is rebalanced on a quarterly basis coinciding with the Semi-Annual and Quarterly Index Reviews of the MSCI Global Investable Market Indexes, usually as of the close of the last business day of February, May, August and November. The Index is rebalanced as described in section 2, based on the pro forma MSCI Russia Index.

The pro forma Index is announced five business days before the effective date.

#### 3.2 REBALANCING DUE TO NON-COMPLIANCE

On a daily basis, if the weight of any group entity is greater than 20%, its weight is capped at 15%. The weight of the remaining group entities is increased in proportion to their weight prior to such capping, subject to a maximum of 15%.

#### 3.3 ONGOING EVENT-RELATED MAINTENANCE

Additions of ADR or GDR listings to the MSCI Russia Index between Index Reviews are not included in the Index and are considered for addition to the Index at the next Quarterly Index Review.

Additions of Russian listings to the MSCI Russia Index with no link to an existing constituent, including IPOs, are included in the Index simultaneously with an estimated weight based on a rebalancing as per section 2. However this rebalancing does not trigger changes to the constraint factors applied on the market capitalization of other constituents.

Additions of Russian listings to the MSCI Russia Index with a link to an existing constituent (such as spin offs) are included in the Index simultaneously and inherit the constraint factor of the pre-event entity.

In the case of acquisitions or mergers between constituents of the Index where the post event entity is included in the MSCI Russia Index with a Russia listing, the post event entity will be included in the Index simultaneously with a reviewed constraint factor calculated as the weighted average of the pre-event constraint factors.

## CONTACT US

clientservice@msci.com

### AMERICAS

Americas	1 888 588 4567 *
Atlanta	+ 1 404 551 3212
Boston	+ 1 617 532 0920
Chicago	+ 1 312 675 0545
Monterrey	+ 52 81 1253 4020
New York	+ 1 212 804 3901
San Francisco	+ 1 415 836 8800
Sao Paulo	+ 55 11 3706 1360
Toronto	+ 1 416 628 1007

### EUROPE, MIDDLE EAST & AFRICA

Cape Town	+ 27 21 673 0100
Frankfurt	+ 49 69 133 859 00
Geneva	+ 41 22 817 9777
London	+ 44 20 7618 2222
Milan	+ 39 02 5849 0415
Paris	0800 91 59 17 *

### ASIA PACIFIC

China North	10800 852 1032 *
China South	10800 152 1032 *
Hong Kong	+ 852 2844 9333
Mumbai	+ 91 22 6784 9160
Seoul	00798 8521 3392 *
Singapore	800 852 3749 *
Sydney	+ 61 2 9033 9333
Taipei	008 0112 7513 *
Tokyo	+ 81 3 5290 1555

\* = toll free

## ABOUT MSCI

For more than 40 years, MSCI's research-based indexes and analytics have helped the world's leading investors build and manage better portfolios. Clients rely on our offerings for deeper insights into the drivers of performance and risk in their portfolios, broad asset class coverage and innovative research.

Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research.

MSCI serves 98 of the top 100 largest money managers, according to the most recent P&I ranking.

For more information, visit us at [www.msci.com](http://www.msci.com).

## NOTICE AND DISCLAIMER

This document and all of the information contained in it, including without limitation all text, data, graphs, charts (collectively, the "Information") is the property of MSCI Inc. or its subsidiaries (collectively, "MSCI"), or MSCI's licensors, direct or indirect suppliers or any third party involved in making or compiling any Information (collectively, with MSCI, the "Information Providers") and is provided for informational purposes only. The Information may not be modified, reverse-engineered, reproduced or disseminated in whole or in part without prior written permission from MSCI.

The Information may not be used to create derivative works or to verify or correct other data or information. For example (but without limitation), the Information may not be used to create indexes, databases, risk models, analytics, software, or in connection with the issuing, offering, sponsoring, managing or marketing of any securities, portfolios, financial products or other investment vehicles utilizing or based on, linked to, tracking or otherwise derived from the Information or any other MSCI data, information, products or services.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF THE INFORMATION PROVIDERS MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH INFORMATION PROVIDER EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by applicable law, in no event shall any Information Provider have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited, including without limitation (as applicable), any liability for death or personal injury to the extent that such injury results from the negligence or willful default of itself, its servants, agents or sub-contractors.

Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.

The Information should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. All Information is impersonal and not tailored to the needs of any person, entity or group of persons.

None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle or any trading strategy.

It is not possible to invest directly in an index. Exposure to an asset class or trading strategy or other category represented by an index is only available through third party investable instruments (if any) based on that index. MSCI does not issue, sponsor, endorse, market, offer, review or otherwise express any opinion regarding any fund, ETF, derivative or other security, investment, financial product or trading strategy that is based on, linked to or seeks to provide an investment return related to the performance of any MSCI index (collectively, "Index Linked Investments"). MSCI makes no assurance that any Index Linked Investments will accurately track index performance or provide positive investment returns. MSCI Inc. is not an investment adviser or fiduciary and MSCI makes no representation regarding the advisability of investing in any Index Linked Investments.

Index returns do not represent the results of actual trading of investable assets/securities. MSCI maintains and calculates indexes, but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the index or Index Linked Investments. The imposition of these fees and charges would cause the performance of an Index Linked Investment to be different than the MSCI index performance.

The Information may contain back tested data. Back-tested performance is not actual performance, but is hypothetical. There are frequently material differences between back tested performance results and actual results subsequently achieved by any investment strategy.

Constituents of MSCI equity indexes are listed companies, which are included in or excluded from the indexes according to the application of the relevant index methodologies. Accordingly, constituents in MSCI equity indexes may include MSCI Inc., clients of MSCI or suppliers to MSCI. Inclusion of a security within an MSCI index is not a recommendation by MSCI to buy, sell, or hold such security, nor is it considered to be investment advice.

Data and information produced by various affiliates of MSCI Inc., including MSCI ESG Research Inc. and Barra LLC, may be used in calculating certain MSCI indexes. More information can be found in the relevant index methodologies on [www.msci.com](http://www.msci.com).

MSCI receives compensation in connection with licensing its indexes to third parties. MSCI Inc.'s revenue includes fees based on assets in Index Linked Investments. Information can be found in MSCI Inc.'s company filings on the Investor Relations section of [www.msci.com](http://www.msci.com).

MSCI ESG Research Inc. is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc. Except with respect to any applicable products or services from MSCI ESG Research, neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and MSCI's products or services are not intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Issuers mentioned or included in any MSCI ESG Research materials may include MSCI Inc., clients of MSCI or suppliers to MSCI, and may also purchase research or other products or services from MSCI ESG Research. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body.

Any use of or access to products, services or information of MSCI requires a license from MSCI. MSCI, Barra, RiskMetrics, IPD, FEA, InvestorForce, and other MSCI brands and product names are the trademarks, service marks, or registered trademarks of MSCI or its subsidiaries in the United States and other jurisdictions. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and Standard & Poor's.