

MSCI EMU SELECT DYNAMIC 50% RISK WEIGHTED INDEX & MSCI USA SELECT DYNAMIC 50% RISK WEIGHTED INDEX METHODOLOGY

May 2015

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1 INTRODUCTION

The MSCI EMU Select Dynamic 50% Risk Weighted Index & MSCI USA Select Dynamic 50% Risk Weighted Index include securities in descending order of risk weight from the parent MSCI EMU Index and parent MSCI USA Index respectively, where the aggregated risk weight of selected securities is 50% of the Parent Index. Each selected security is then reweighted so that stocks with lower risk are given higher index weights.

2 INDEX CONSTRUCTION METHODOLOGY

1.1 APPLICABLE UNIVERSE

The applicable universe includes all the existing constituents of an underlying MSCI parent Index (herein, a “Parent Index”). This approach aims to provide an opportunity set with sufficient liquidity and capacity.

1.2 DETERMINATION OF RISK WEIGHTS

The security level risk weights for each constituent in the Parent Index are computed in accordance with the MSCI Risk Weighted Indexes methodology¹.

1.3 SECURITY SELECTION

For the initial construction of the Index all constituents of the Parent Index are ranked in descending order of risk weight as defined in section 1.2.

All the securities (so ordered) where the associated cumulative risk weight aggregates to 50% of the total risk weight of the Parent Index are selected for inclusion in the Index.

1.4 WEIGHTING SCHEME

The securities selected in the Index in the previous step are weighted as per their risk weights as computed in section 1.2

¹ <https://www.msci.com/index-methodology>

2 MAINTAINING THE INDEX

2.1 SEMI-ANNUAL INDEX REVIEWS

The Indexes are rebalanced on a semi-annual basis, usually as of the close of the last business day of May and November, coinciding with the May and November Semi-Annual Index Review of the MSCI Global Investable Market Indexes. The pro forma Index is in general announced nine business days before the effective date.

At each Semi-Annual Index Review, the constituents of the Parent Index are ranked in descending order of their risk weight as defined in section 1.2. For the selection process, a buffer of 20% of the targeted aggregate risk weight of 50% is used to mitigate turnover in the Index. Securities are selected in the following order until the cumulative risk weight aggregates to 50%:

- First, select all securities such that their associated cumulative risk weight aggregates to $50\% \times 0.8$
- Second, all current constituents of the Index ordered on the basis of their risk weight, for which the associated cumulative risk weight aggregates to between $[50\% \times 0.8]$ and $[50\% \times 1.2]$
- Third, remaining securities whose associated cumulative risk weight aggregates to $50\% \times 0.8$ and beyond.

The securities selected in the Index are weighted as per their risk weights.

2.2 ONGOING EVENT RELATED CHANGES

In general, the Indexes follow the event maintenance of the Parent Index.

There are no additions to the Index in between two index reviews. A constituent deleted from the Parent Index following a corporate event or during the Quarterly Index Review of the Parent Index will be simultaneously deleted from the Index.

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