MSCI FRONTIER EMERGING MARKETS INDEX METHODOLOGY

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1 INTRODUCTION

The MSCI Frontier Emerging Markets Index is a free float-adjusted market capitalization index designed to serve as a benchmark covering all countries from the MSCI Frontier Markets Index and the lower size spectrum of the MSCI Emerging Markets Index.

The MSCI Frontier Emerging Markets Index is a Composite Index that aggregates all the Country Indexes in the MSCI Frontier Markets Index and selected Country Indexes in the MSCI Emerging Markets Index.

This methodology book aims to describe how individual Country Indexes may be added to or removed from the MSCI Frontier Emerging Markets Index.

Constituent level changes in the MSCI Frontier Markets Index are governed by the MSCI Global Investable Markets Indexes Methodology and the MSCI Corporate Events Methodology. Changes in this Index would result from the changes in the component Country Indexes.

2 CONSTRUCTING THE MSCI FRONTIER EMERGING MARKETS INDEX

At initial construction, Emerging Markets countries are included in the MSCI Frontier Emerging Markets Index if:

- The country’s weight in the MSCI All Countries World Index (ACWI) is below 10bp;

and

- The country’s GNI per capita is lower than the average GNI per capita of countries classified in the upper middle income category as defined by the World Bank.

3 MAINTAINING THE MSCI FRONTIER EMERGING MARKETS INDEX

The changes in the country composition of the MSCI Frontier Emerging Markets Index may result from:

- Emerging Markets Annual Eligibility Review, which coincides with November Semi-Annual Index Reviews;
- Ongoing inclusion of new countries to the MSCI Frontier Markets Indexes, which may take place during November or May Semi-Annual Index Reviews;

- Country migration between the MSCI Emerging Markets Index and the MSCI Frontier Markets Index, which may take place during November or May Semi-Annual Index Reviews;
- Country deletion from the MSCI Emerging Markets Index or Frontier Markets Index not resulting from the migration.

3.1 EMERGING MARKETS ANNUAL ELIGIBILITY REVIEW

The Emerging Markets country composition of the MSCI Frontier Emerging Markets Index is reviewed once a year at the November Semi-Annual Index Review. The Annual Eligibility Review is based on the latest GNI per capita statistics and the country weights in the MSCI ACWI Index.

During the Annual Eligibility Reviews an Emerging Market country is added if:

- The country's weight in the MSCI ACWI Index has been below 10bp for at least 3 consecutive years or below 5bp for at least 2 consecutive years;

and

- The country's GNI per capita is lower than the threshold for the upper middle income categories of the World Bank.

During Annual Eligibility Review an Emerging Market country is deleted if:

- The country's weight in the MSCI ACWI Index has been above 15bp for at least 3 consecutive years or above 20bp for at least 2 consecutive years;

or

- The country's GNI per capita is greater than the threshold for the high-income categories of the World Bank.

3.2 ONGOING INCLUSION OF FRONTIER MARKETS

The new countries included in the MSCI Frontier Markets Index will be simultaneously included in the MSCI Frontier Emerging Markets Index. The addition of new countries to the MSCI Frontier Markets may take place during May or November Semi-Annual Index Reviews.

3.3 COUNTRY MIGRATION

If a country is reclassified from Frontier Markets to Emerging Markets, the country will be deleted if:

- The country's weight in the MSCI ACWI Index is above 20bp;

or

- The country's GNI per capita is greater than the threshold for the high-income categories of the World Bank.

If a country, which was excluded from the MSCI Frontier Emerging Markets Index is reclassified from Emerging Markets to Frontier Markets, it will be simultaneously included in the MSCI Frontier Emerging Markets Index.

Such migrations between Emerging Markets and Frontier Markets Index may take place during November or May Semi-Annual Index Reviews.

4 LIST OF ELIGIBLE COUNTRIES

In addition to the countries from the MSCI Frontier Markets Index the following countries from the MSCI Emerging Markets Index are included in the MSCI Frontier Emerging Markets Index: Egypt, Peru, Philippines and Colombia.

5 ANNOUNCEMENT POLICY

In order to give sufficient lead-time, the changes resulting from the Emerging Markets Annual Eligibility Review will be announced as part of the August Quarterly Index Review and implemented as part of subsequent November Semi-Annual Index Review.

The potential additions of countries to the MSCI Frontier Markets Index and migrations between the Emerging Markets and Frontier Markets are usually announced at least three months before the implementation.

METHODOLOGY BOOK TRACKED CHANGES

The following sections have been modified since November 2013:

Section 1: Introduction

- Added clarification

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