

MSCI SIZE TILT INDEXES METHODOLOGY

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1 INTRODUCTION

The MSCI Size Tilt Indexes (“the Indexes”) aim to reflect the performance of a Low Size Strategy with high investment capacity. The Indexes are created by including all the constituents in the Parent Index (defined below) and weighting the constituents using the square root of their market capitalization weight.

The Indexes aim to capture the Low Size premium with a simple and transparent methodology while maintaining reasonably high trading liquidity and investment capacity of constituent companies, as well as moderate Index turnover.

2 INDEX CONSTRUCTION METHODOLOGY

2.1 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. The relevant Parent Index would be any country or regional Index.

2.2 WEIGHTING SCHEME

All the issuers in the Parent Index are weighted by the square root of their free float-adjusted market capitalization weight in the Parent Index.

Size Tilt Weight = Free Float-Adjusted Market Capitalization Weight in the Parent Index^{0.5}

The above weights are then normalized to 100% and are then capped at the issuer level in order to mitigate concentration risk. The excess weight of such issuers is distributed among the remaining constituents in proportion to their free float market capitalization weight prior to the capping.

1. Issuers in the Indexes based on broad Parent Indexes (e.g. MSCI World Index, MSCI Emerging Markets Index etc.) will be capped at 5%.
2. Issuers in the Indexes based on narrow Parent Indexes will be capped at the maximum weight in the Parent Index.

MSCI defines narrow Parent Indexes as those Parent Indexes where the largest free float-adjusted market capitalization weight of a single issuer in the Parent Index is more than 10%.

If there are multiple securities of the same issuer in the Index, the capped size tilt weight calculated above at the issuer level is then re-distributed to all the securities of that issuer in proportion to their free float-adjusted market capitalization weight.

3 MAINTAINING THE INDEXES

3.1 QUARTERLY INDEX REVIEWS

The Indexes are rebalanced on a quarterly basis, as of the close of the last business day of February, May, August and November, coinciding with the Index Reviews of the Parent Index. The pro forma Indexes are announced nine business days before the effective date.

Note that the capping of the issuer weight is done for the pro forma index as of the effective date, based on the closing prices as of the index review announcement date. In a case where an issuer weight breaches the cap as a result of market price movements or corporate events between the announcement date and the effective date, the capping is not applied again. Similarly, even if any issuer weight breaches the cap as a result of market price movements or corporate events between two Index Reviews, no capping is applied.

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

New additions to the Parent Index

A new security added to the parent index (such as IPO and other early inclusions) will not be added to the index.

Spin-Offs

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

Merger/Acquisition

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 November 2014:

- Appendix I in the previous version of the methodology book describing the Corporate Events treatment has been deleted. 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 Size Tilt 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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