

MSCI TOP 50 DIVIDEND INDEXES METHODOLOGY

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1 INTRODUCTION

The MSCI Top 50 Dividend Indexes are constructed to reflect the performance of the top 50 securities in the Parent Index, ranked by dividend yield, that have increased or maintained their dividend per share compared to the previous year, or have increased or maintained their payout ratio if the dividend per share has dropped by no more than 10%.

The Top 50 Dividend Indexes seek to provide exposure to a focused high income strategy with diversification provided through equal-weighting of the constituents.

2 CONSTRUCTING THE MSCI TOP 50 DIVIDEND INDEXES

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 MSCI Regional or Country Index.

The fundamental data used is maintained monthly. Fundamental data as of the end of January, April, July and October respectively is used for each index review. The MSCI Top 50 Dividend Indexes are constructed from securities within the Parent Index that fulfill specific rules on dividend yield, dividend per share growth, payout ratio and price momentum as indicated in the following sections. Absence of relevant data renders the security ineligible of selection.

2.2 SECURITY SELECTION AND WEIGHTING SCHEME

The MSCI Top 50 Dividend Indexes are constructed with a fixed number of securities approach. For the initial construction of the Index, a selection universe of securities is created from the Parent Index using the following requirements:

- A minimum dividend yield of 5% and a maximum yield at 20%;
- 1-year dividend per share (DPS) growth greater than, or equal to, zero;¹
- A price return over the prior 12 months that is not in the bottom 5th percentile relative to the constituents of the Parent Index as of the previous end of month

The top 50 securities by dividend yield are then identified as potential constituents. The securities are weighted equally at initial construction subject to sector and country capping at 35%. If the sector or country weight exceeds the applicable capping, the lowest yielding security (or securities) from the most overweight sector/country is (are) substituted with the next highest yielding security (or securities). The process repeats until all sector and country weights are within the applicable capping constraints. The sector weights are taken into consideration first followed by country weights.

¹ Note that this requirement ensures, by definition, that the stock must have paid a dividend in each of the last two years

3 INDEX MAINTENANCE

3.1 ANNUAL INDEX REVIEW

The annual review of the Top 50 Dividend Index coincides with the May Semi-Annual Index Review of the Parent Index. Changes are implemented as of close of the last business day of May. The pro forma indexes are announced nine business days before the effective date.

Existing constituents are given preference during the constituent selection process for the Annual Index Review. The existing constituents of the index are retained if they have:

- i. a dividend yield of at least 3%,
- ii. a 1-year DPS growth greater than or equal to zero
- iii. Same or higher payout ratio change compared to the prior year if the 1-year DPS growth is between -10% and 0%.

If the resulting number of securities in the index is less than 50, additional securities are then selected from the Parent Index in order of decreasing dividend yield as long as they have

- i. a dividend yield between 5% and 20%,
- ii. a 1-year DPS growth greater than or equal to zero and
- iii. a price return over the prior 12 months that is not in the bottom 5th percentile relative to the constituents of the Parent Index.

If the total number of securities selected still does not reach 50, the minimum dividend yield threshold of 5% is reduced until the total number of securities equals 50.

The constituents are equal-weighted subject to sector and country capping at the Annual Review as described in Section 3.3.

3.2 QUARTERLY INDEX REVIEW

The quarterly index reviews of the Top 50 Dividend Index coincides with the February and August Quarterly Index Review and November Semi-Annual Index Review of the Parent Index. Changes are implemented as of close of the last business day of the month of the index review. The pro forma indexes are announced nine business days before the effective date.

Existing constituents are also given preference during the constituent selection process for the Quarterly Index Reviews. The existing constituents from the Index are retained if they have:

- i. a dividend yield of at least 3%,
- ii. a 1-year DPS growth greater than or equal to zero and
- iii. same or higher payout ratio change compared to the prior year if the 1-year DPS growth is between -10% and 0%.

If the resulting number of securities in the index is less than 50, additional securities are then selected from the Parent Index in order of decreasing dividend yield if they have a dividend yield between 5% and 20% and 1-year DPS growth greater than or equal to zero.

If the total number of securities selected still does not reach 50, the minimum dividend yield threshold of 5% is reduced until the total number of securities equals 50.

The constituents are subject to sector and country capping at the Quarterly Index Review as described in Section 3.3.

3.3 WEIGHTING SCHEME

During the Annual Review, securities are weighted equally with country and sector capping of 35% each. If there is a breach of a country or sector cap, the lowest yielding securities from the relevant country or sector with the breach will be replaced by the next highest yielding securities from the selection universe (as per Section 2.2).

During the Quarterly Reviews, the existing securities are retained at their current weights. The sector and country weights are both capped at 35%. If there is a breach in the weight of a sector/country, the weight of the existing securities in that sector/country is capped at 35% and the additional weight is redistributed proportionally to other existing securities. In this process, the sector weights are taken into consideration first followed by the country weights. If there is a breach in sector weights while adjusting country weights, the process is repeated until both sector and country capping are in place. The new securities are now added to the index one by one with the country and sector caps till we reach 50 or we run out of eligible securities.

3.4 TREATMENT OF CORPORATE EVENTS

Corporate events are reflected in the Index following the event maintenance of the Parent Index.

3.4.1 IPOs AND NEWLY LISTED SECURITIES

IPOs and newly listed securities will only be considered for inclusion at the next Quarterly Index Review of the Parent Index.

3.4.2 ADDITIONS AND DELETIONS DUE TO CORPORATE EVENTS

There will be no early inclusion of new securities to the MSCI Top 50 Dividend Indexes, except when the new security results from an event affecting an existing constituent (e.g. merger, spin-off). In such a case, that security will have to fulfill all criteria for inclusion at the next index review to remain in the index.

A constituent deleted from the Parent Index following a corporate event will be simultaneously deleted from the MSCI Top 50 Dividend Index.

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