

# MSCI WMA PRIVATE INVESTOR INDEX SERIES METHODOLOGY

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# 1 INTRODUCTION

The MSCI WMA Private Investor Indexes aims to represent the performance of Conservative, Income, Growth, Balanced and Global Growth investment strategies defined by the Wealth Management Association for United Kingdom domestic investors with Pounds Sterling (GBP) denominated exposure. This methodology book provides a description of the rules and guidelines followed by MSCI for the construction and maintenance of the MSCI WMA Private Investor Index Series. These Indexes are produced by MSCI, with component index weights provided by the Wealth Management Association (WMA).

The MSCI WMA Private Investor Index Series consists of the following five indexes

- MSCI WMA Private Investor Conservative Index
- MSCI WMA Private Investor Income Index
- MSCI WMA Private Investor Growth Index
- MSCI WMA Private Investor Balanced Index
- MSCI WMA Private Investor Global Growth Index

The primary purpose of the MSCI WMA Private Investor Indexes is as performance benchmarks for wealth managers to compare to their portfolios. The Indexes are available in price and net variants calculated as per the MSCI Price Index methodology and the MSCI Net Daily Total Return (DTR) Index methodology respectively described in the MSCI Index Calculation Methodology<sup>1</sup>.

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<sup>1</sup> MSCI Index Calculation Methodology available at <https://www.msci.com/index-methodology>

## 2 CONSTRUCTING THE MSCI WMA PRIVATE INVESTOR INDEX SERIES

### 2.1 INDEX STRUCTURE

The MSCI WMA Private Investor Index Series consists of five indexes designed to represent a variety of investment strategies.

- MSCI WMA Private Investor Conservative Index

The MSCI WMA Private Investor Conservative Index aims to represent the investment strategy of a client adopting a conservative approach to their investment.

- MSCI WMA Private Investor Income Index

The MSCI WMA Private Investor Income Index aims to represent the investment strategy of a client seeking an income flow from their investment.

- MSCI WMA Private Investor Growth Index

The MSCI WMA Private Investor Growth Index aims to represent the investment strategy of a client seeking capital growth from their investment.

- MSCI WMA Private Investor Balanced Index

The MSCI WMA Private Investor Balanced Index aims to represent the investment strategy of a client seeking a balanced approach between income and capital growth in their portfolio.

- MSCI WMA Private Investor Global Growth Index

The MSCI WMA Private Investor Global Growth Index aims to represent the investment strategy of a client seeking capital growth based on global equity indexes from their investment.

### 2.2 INDEX WEIGHTING SCHEME

The five indexes are constructed as combinations of the following component indexes at specified weights. The component index weights<sup>2</sup> are assigned by the WMA on a quarterly basis.

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<sup>2</sup> The component index weights for each index are determined by the WMA's Indices Committee, who may choose to make these publically available

The component index weights for the MSCI WMA Private Investor Indexes are available at [www.msci.com/wma](http://www.msci.com/wma)

- MSCI United Kingdom (UK) IMI
- MSCI ACWI ex UK Index
- MSCI World Index
- MSCI Emerging Markets (EM) Index
- Markit iBoxx £ Gilts Index
- Markit iBoxx £ Corporates Index
- Markit iBoxx UK Gilt Inflation-Linked Index
- MSCI WMA Cash Equivalent (GBP LIBOR 1-week – 1%)
- MSCI United Kingdom IMI Liquid Real Estate Index
- 50% MSCI World Diversified Multiple-Factor Index + 50% GBP LIBOR 1-week

The price variant in Pound Sterling (GBP) of the MSCI WMA Private Investor Indexes utilize the price variant in Pound Sterling (GBP) for the underlying MSCI component indexes and the Clean Price Index (CPI) for the underlying Markit component indexes, while the net variant in Pound Sterling (GBP) of the MSCI WMA Private Investor Indexes utilize the net variant in Pound Sterling (GBP) for the underlying MSCI component indexes and the Total Return Index (TRI) for the underlying Markit component indexes.

The methodology for construction and maintenance of the component indexes is detailed in Appendix 1.

### 3 MAINTAINING THE MSCI WMA PRIVATE INVESTOR INDEX SERIES

#### 3.1 QUARTERLY AND SEMI ANNUAL INDEX REVIEWS

The MSCI WMA Private Investor Indexes follow the rebalance schedule for the corresponding component indexes, in general, coinciding with the May and November Semi-Annual Index Reviews (SAIR) and the February and August Quarterly Index Reviews (QIR) of the MSCI Global Investable Market Indexes.

The weights of component indexes<sup>3</sup> constituting the MSCI WMA Private Investor Indexes are provided by WMA on a quarterly basis<sup>4</sup> for each of the five indexes. The weights applicable for the component indexes in an index are effective at the open of the first business day of each month for the upcoming quarter. In between the monthly rebalances, the weights of the component indexes in each index will evolve based on the relative daily return performance in GBP of the component indexes.

#### 3.2 ONGOING EVENT RELATED CHANGES

In general, the MSCI WMA Private Investor Indexes follows the event maintenance of the component indexes.

Any security added or deleted from a component index follows the same treatment in the corresponding MSCI WMA Private Investor Index that uses the component index.

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<sup>3</sup> The component index weights for the MSCI WMA Private Investor Indexes are available at [www.msci.com/wma](http://www.msci.com/wma)

<sup>4</sup> In the event that WMA is unable to provide the component index weights for an upcoming quarter, the component index weights effective for the corresponding index at the previous quarter will be applied for the rebalance of the index.

## APPENDIX 1 METHODOLOGY FOR COMPONENT INDEXES

The following component indexes are used in the construction of the MSCI WMA Private Investor Index Series.

### MSCI UNITED KINGDOM (UK) IMI

The MSCI United Kingdom IMI is constructed and maintained in accordance with the MSCI Global Investable Market Indexes methodology<sup>5</sup>.

The MSCI United Kingdom IMI, price variant in GBP measures the performance of the Index in Pound Sterling (GBP), calculated as per the MSCI Price Index methodology described in the MSCI Index Calculation Methodology.

The MSCI United Kingdom IMI, net variant in GBP measures the performance of the Index in Pound Sterling (GBP), calculated as per the MSCI Net Daily Total Return Index methodology described in the MSCI Index Calculation Methodology.

### MSCI ACWI EX UK INDEX

The MSCI ACWI Ex UK Index is constructed and maintained in accordance with the MSCI Global Investable Market Indexes methodology.

The MSCI ACWI Ex UK Index, price variant in GBP measures the performance of the Index in Pound Sterling (GBP), calculated as per the MSCI Price Index methodology described in the MSCI Index Calculation Methodology.

The MSCI ACWI Ex UK Index, net variant in GBP measures the performance of the Index in Pound Sterling (GBP), calculated as per the MSCI Net Daily Total Return Index methodology described in the MSCI Index Calculation Methodology.

### MSCI WORLD INDEX

The MSCI World Index is constructed and maintained in accordance with the MSCI Global Investable Market Indexes methodology.

The MSCI World Index, price variant in GBP measures the performance of the Index in Pound Sterling (GBP), calculated as per the MSCI Price Index methodology described in the MSCI Index Calculation Methodology.

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<sup>5</sup> MSCI Global Investable Market Indexes methodology available at <https://www.msci.com/index-methodology>

The MSCI World Index, net variant in GBP measures the performance of the Index in Pound Sterling (GBP), calculated as per the MSCI Net Daily Total Return Index methodology described in the MSCI Index Calculation Methodology.

### MSCI EMERGING MARKETS INDEX

The MSCI Emerging Markets Index is constructed and maintained in accordance with the MSCI Global Investable Market Indexes methodology.

The MSCI Emerging Markets Index, price variant in GBP measures the performance of the Index in Pound Sterling (GBP), calculated as per the MSCI Price Index methodology described in the MSCI Index Calculation Methodology.

The MSCI Emerging Markets Index, price variant in GBP measures the performance of the Index in Pound Sterling (GBP), calculated as per the MSCI Net Daily Total Return Index methodology described in the MSCI Index Calculation Methodology.

### MARKIT IBOXX £ GILTS INDEX

The index is the Markit iBoxx £ Gilts Index<sup>6</sup>.

The Markit iBoxx £ Gilts Index, Clean Price Index (CPI) calculated in GBP may be utilized for the calculation of the price variant of the MSCI WMA Private Investor Indexes, while the Markit iBoxx £ Gilts Index, Total Return Index (TRI) calculated in GBP may be utilized for the calculation of the net variant of the MSCI WMA Private Investor Indexes.

### MARKIT IBOXX £ CORPORATES INDEX

The index is the Markit iBoxx £ Corporates Index<sup>7</sup>.

The Markit iBoxx £ Corporates Index, Clean Price Index (CPI) calculated in GBP may be utilized for the calculation of the price variant of the MSCI WMA Private Investor Indexes, while the Markit iBoxx £ Corporates Index, Total Return Index (TRI) calculated in GBP may be utilized for the calculation of the net variant of the MSCI WMA Private Investor Indexes.

### MARKIT IBOXX UK GILT INFLATION-LINKED INDEX

The index is the Markit iBoxx UK Gilt Inflation-Linked Index<sup>8</sup>.

<sup>6</sup> <http://content.markitcdn.com/corporate/Company/Files/DownloadDocument?CMSID=25329378592f431c9765becda11544f3>

<sup>7</sup> <http://content.markitcdn.com/corporate/Company/Files/DownloadDocument?CMSID=25329378592f431c9765becda11544f3>



The Markit iBoxx UK Gilt Inflation-Linked Index, Clean Price Index (CPI) calculated in GBP may be utilized for the calculation of the price variant of the MSCI WMA Private Investor Indexes, while the Markit iBoxx UK Gilt Inflation-Linked Index, Total Return Index (TRI) calculated in GBP may be utilized for the calculation of the net variant of the MSCI WMA Private Investor Indexes.

#### **MSCI WMA CASH EQUIVALENT (GBP LIBOR 1-WEEK - 1%)**

The MSCI WMA Cash Equivalent (GBP LIBOR 1-week – 1%) represents the performance of the 1-week London Interbank Offered Rate (LIBOR) denominated in Pound Sterling (GBP) minus 1% annual<sup>9</sup>.

A floor of 0% is set for this component, i.e. if the value of GBP LIBOR 1-week decremented by a fixed 1% annually becomes less than 0%, then the value of the component would be kept at 0%.

#### **MSCI UK IMI LIQUID REAL ESTATE INDEX**

The MSCI UK IMI Liquid Real Estate Index is constructed by combining MSCI UK IMI Core Real Estate Volatility Tilt Index and the Markit iBoxx UK Gilt Inflation-Linked Short Index.

The Index is constructed and maintained in accordance with the MSCI Liquid Real Estate Indexes methodology available at <https://www.msci.com/index-methodology>.

The MSCI UK IMI Liquid Real Estate Index, price variant in GBP measures the performance of the Index in Pound Sterling (GBP), calculated as per the MSCI Price Index methodology described in the MSCI Index Calculation Methodology.

The MSCI UK IMI Liquid Real Estate Index, net variant in GBP measures the performance of the Index in Pound Sterling (GBP), calculated as per the MSCI Net Daily Total Return Index methodology described in the MSCI Index Calculation Methodology.

#### **50% MSCI WORLD DIVERSIFIED MULTIPLE-FACTOR INDEX + 50% GBP LIBOR 1-WEEK**

The 50% MSCI World Diversified Multiple-Factor Index + 50% GBP LIBOR 1-Week Index (the “Index”) is constructed using a combination of the MSCI World Diversified Multiple-Factor index and GBP LIBOR 1-week.

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<sup>8</sup> <http://content.markitcdn.com/corporate/Company/Files/DownloadFiles?CMSID=84b9904db5254b3db95ce057b52cba2c>

<sup>9</sup> Annualized on a 365 day basis

The MSCI World Diversified Multiple-Factor Index is constructed and maintained in accordance with the MSCI Diversified Multiple-Factor Indexes methodology available at <https://www.msci.com/index-methodology>.

The MSCI World Diversified Multiple-Factor Index, price variant in GBP measures the performance of the Index in Pound Sterling (GBP), calculated as per the MSCI Price Index methodology described in the MSCI Index Calculation Methodology.

The MSCI World Diversified Multiple-Factor Index, net variant in GBP measures the performance of the Index in Pound Sterling (GBP), calculated as per the MSCI Net Daily Total Return Index methodology described in the MSCI Index Calculation Methodology.

On a monthly basis, the weights for the MSCI World Diversified Multiple-Factor Index and GBP LIBOR 1-week in the Index are reset to pre-defined proportions. The following weights are effective at the open of the first business day of each month

- MSCI World Diversified Multiple-Factor: 50%
- GBP LIBOR 1-week: 50%

In between the monthly rebalances, the weights of the MSCI World Diversified Multiple-Factor Index and GBP LIBOR 1-week in the Index will evolve based on the relative daily return performance in GBP of each component.

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