

**MSCI WORLD
DIVIDEND
GROWERS
QUALITY SELECT
INDEX
METHODOLOGY**

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1 Introduction

The MSCI World Dividend Growers Quality Select Index aims to represent the performance of 80 stocks that have consistently increased dividends historically and are expected to continue to increase dividends for subsequent one year based on analyst estimates as well as to continue to exhibit high dividend yield. The index aims to achieve diversification with country and sector constraints.

2 Index Construction

The MSCI World Dividend Growers Quality Select Index is constructed from the MSCI World Index (the “Parent Index”).

2.1 ELIGIBLE UNIVERSE

2.1.1 LIQUIDITY SCREEN

The securities from Parent Index are screened for 12-month ADTV to be greater than USD 5 Million to be eligible for inclusion in MSCI World Dividend Growers Quality Select Index.

ADTV is defined as Average Daily Traded Volume and is calculated as:

$$ADTV_{3M} = \frac{ATV_{3M}^1}{252}$$

2.1.2 REITS SCREEN

The MSCI World Dividend Growers Quality Select Index excludes stocks that belong to the REITS GICS® Sub-Industry.

2.1.3 DIVIDENDS SUSTAINABILITY SCREEN

Securities with zero or negative payout ratios are not considered for inclusion in the MSCI World Dividend Growers Quality Select Index as they either do not pay dividends or have negative earnings which may put their future dividend payments at risk. Additionally, securities with payout ratio > 100%, are also not considered for inclusion in the Index.

2.1.4 QUALITY SCREEN

Securities with negative Quality Z-score are not considered for inclusion in the MSCI World Dividend Growers Quality Select Index. The Quality Z-scores are calculated by combining in equal proportion the security-level exposures to five factors - Profitability, Investment Quality, Earnings Quality, Leverage and Earnings Variability – from the relevant Barra GEMTL model².

¹ MSCI Index Calculation Methodology at MSCI Index Calculation Methodology at

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

MSCI Global Investable Market Indexes Methodology at

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

² Please refer to Appendix 1 for the detailed information on model usage

A sector-relative score is derived from the combined score by standardizing the latter within each sector and winsorizing at +/- 3

$$\text{Quality}_i = (0.2) * \text{Profitability}_i + (0.2) * \text{Investment Quality}_i + (0.2) * \text{Earnings Quality}_i + (-1) * (0.2) * \text{Earnings Variability}_i + (-1) * (0.2) * \text{Leverage}_i$$

2.1.5 DIVIDEND GROWTH SCREEN

The securities that have consistently increased dividends every year for 5 consecutive years historically (“Dividend Increase Period”) only are included in MSCI World Dividend Growers Quality Select Index.

2.1.6 FORWARD DIVIDEND GROWTH SCREEN

The securities that are expected to increase dividend yield for next year based on 1Y Forward Dividend Yield only are included in MSCI World Dividend Growers Quality Select Index.

At each rebalance, the 1Y Forward Dividend Yield for each security is computed by dividing the median of analyst estimated DPS³ for a forecast period of 1 year by the price of the security at last month end.

2.2 SECURITY SELECTION

The securities from the eligible universe are subsequently filtered to include a single security per issuer. For issuers having multiple securities which are part of the eligible universe, the security with the highest 12-month ADTV is selected.

From the securities remaining post screenings, the following steps are followed to select 80 securities:

Select the Top 80 securities with the highest 12-Month dividend yield from the universe while ensuring that the maximum exposure to any country and sector does not exceed 10% above corresponding country or sector weight in the Parent Index.

For each country, the number of constituents is capped based on the below formula:

$$CTRCAP(k, T_R) = RoundUp((WtCTR_{BM}(k, T_R) + 10\%) * 80)$$

Where:

$CTRCAP(k, T_R)$ = Cap on Number of Securities for Country k on Index Review date T_R
 $WtCTR_{BM}(k, T_R)$ = Weight of the securities from country k in the MSCI World Index

³MSCI sources median analyst estimated DPS from external reliable data providers

For each of the GICS® Sectors, the number of constituents is capped based on the below formula:

$$SecCAP(j, T_R) = RoundUp((WtSec_{BM}(j, T_R) + 10\%) * 80)$$

Where:

$SecCAP(k, T_R)$ = Cap on Number of Securities for Sector j on Index Review date T_R
 $WtSec_{BM}(k, T_R)$ = Weight of the securities from sector j in the MSCI World Index

2.3 FALLBACK MECHANISM

If the number of securities remaining post Security Selection step in 2.2 is less than 80, then as fallback, the Eligible Universe is relaxed post Quality screen in 2.1.4.

2.3.1 FALLBACK DIVIDEND GROWTH SCREEN

The Dividend Growth Screen is relaxed to allow securities that have consistently **increased or maintained** dividends every year for 5 consecutive years historically (“Dividend Increase Period”) to be included in MSCI World Dividend Growers Quality Select Index.

2.3.2 FALLBACK FORWARD DIVIDEND GROWTH SCREEN

The Forward Dividend Growth Screen is relaxed to allow securities that are expected to **increase or maintain** dividend yield for next year based on analyst estimated dividend yield to be included in MSCI World Dividend Growers Quality Select Index.

2.3.3 FALLBACK SECURITY SELECTION

The securities remaining from above are subsequently filtered to include a single security per issuer. For issuers having multiple securities which are part of the eligible universe, the security with the highest 12-month ADTV is selected.

The following relaxed steps are followed to select securities:

Select the Top 80 securities with the highest 12-Month dividend yield from the universe while ensuring that the maximum exposure to any country and sector does **not exceed 20%** above corresponding country or sector weight in the MSCI World Index.

For each country, the number of constituents is capped based on the below formula:

$$CTRCAP(k, T_R) = RoundUp((WtCTR_{BM}(k, T_R) + 20\%) * 80)$$

Where:

$CTRCAP(k, T_R)$ = Cap on Number of Securities for Country k on Index Review date T_R
 $WtCTR_{BM}(k, T_R)$ = Weight of the securities from country k in the MSCI World Index

For each of the GICS® Sectors, the number of constituents is capped based on the below formula:

$$SecCAP(j, T_R) = RoundUp((WtSec_{BM}(j, T_R) + 20\%) * 80)$$

Where:

$SecCAP(k, T_R)$ = Cap on Number of Securities for Sector j on Index Review date T_R
 $WtSec_{BM}(k, T_R)$ = Weight of the securities from sector j in the MSCI World Index

If the number of securities remaining post above selection is less than 80, then all the remaining securities are selected for the index.

2.4 WEIGHTING SCHEME

The securities selected for inclusion in the Index are assigned equal weights.

3 Maintenance of the Index

3.1 QUARTERLY INDEX REVIEWS

The Index is reviewed on a quarterly basis, coinciding with the May and November Semi-Annual Index Reviews and the February and August Quarterly Index Reviews of the Parent Index. The pro forma Index is announced nine business days before the effective date.

3.2 ONGOING EVENT RELATED CHANGES

The following section briefly describes the treatment of common corporate events within the Index.

No new securities will be added (except where noted below) to the Index between Index Reviews. For cases where additions are noted below, securities will be added to the Index only if added to the Parent Index. 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>

Appendix 1: New release of Barra® Equity Model or Barra® Optimizer

The methodology presently uses MSCI Barra Global Equity Model for Long-Term Investors (“GEMTL”) for the optimization. A new release of the relevant Barra Equity Model or Barra Optimizer may replace the former version within a suitable timeframe.

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