

# **MSCI World Select Natural Resources Index Methodology**

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<b>Contents</b>	1	Introduction	3
	2	Constructing the MSCI World Select Natural Resources Index	4
	2.1	Defining the Eligible Universe	4
	2.1.1	Constituent Selection	4
	2.2	Weighting Scheme	5
	2.2.1	Calculating Weight for Each Sub-Industry	5
	2.2.2	Security Weighting	6
	3	Maintaining the MSCI World Select Natural Resources Index	7
	3.1	Semi-Annual Index Reviews	7
	3.2	Ongoing Event Related Changes	7
	3.2.1	IPO and Newly Listed Securities	7
	3.2.2	Additions and Deletions due to Corporate Events	7
		Changes to the Methodology Book	8

## 1 Introduction

MSCI Indexes are constructed and maintained in accordance with the MSCI Global Investable Market Indexes (GIMI) Methodology and calculated as per the MSCI Index Calculation Methodology. This methodology book provides a description of the rules and guidelines followed by MSCI for the construction and maintenance of the MSCI World Select Natural Resources Index.<sup>1</sup>

The MSCI World Select Natural Resources Index (“Index”) is designed to represent the performance of listed companies which are a part of MSCI World Investable Market Index (IMI), except securities with country of classification as Hong Kong or Singapore as per MSCI Global Investable Market Indexes Methodology, that own, process and/or develop natural resources, namely materials or substances occurring in nature.

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<sup>1</sup> The Indexes are governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. The Methodology Set for the Indexes can be accessed from MSCI’s webpage <https://www.msci.com/index-methodology> in the section ‘Search Methodology by Index Name or Index Code’.

## 2 Constructing the MSCI World Select Natural Resources Index

### 2.1 Defining the Eligible Universe

The eligible universe includes all securities belonging to the MSCI World IMI (“Parent Index”), except securities with country of classification as Hong Kong or Singapore as per MSCI Global Investable Market Indexes Methodology.

#### 2.1.1 Constituent Selection

Only securities mentioned above that are classified in the following Global Industry Classification Standard (GICS®<sup>2</sup>) Sectors and sub-industries, will be included in the Index:

AGGREGATE SECTOR	GICS CODE	GICS SUB-INDUSTRY
ENERGY	10102050	Coal & Consumable Fuels
	10102010	Integrated Oil & Gas
	10101010	Oil & Gas Drilling
	10101020	Oil & Gas Equipment & Services
	10102020	Oil & Gas Exploration & Production
	10102030	Oil & Gas Refining & Marketing
	10102040	Oil & Gas Storage & Transportation
MATERIALS	15104010	Aluminum
	15101010	Commodity Chemicals
	15102010	Construction Materials
	15104025	Copper
	15101020	Diversified Chemicals
	15104020	Diversified Metals & Mining
	15101030	Fertilizers & Agricultural Chemicals
	15105010	Forest Products

<sup>2</sup> GICS®, the global industry classification standard jointly developed by MSCI and S&P Global. For more information visit <https://www.msci.com/our-solutions/indexes/gics>

	15104030	Gold
	15101040	Industrial Gases
	15103010	Metal, Glass & Plastic Containers
	15103020	Paper & Plastic Packaging Products & Materials
	15105020	Paper Products
	15104040	Precious Metals & Minerals
	15104045	Silver
	60108040	Timber REITs
	15101050	Specialty Chemicals
	15104050	Steel
<b>UTILITIES</b>	55101010	Electric Utilities
	55102010	Gas Utilities
	55103010	Multi-Utilities
	55105020	Renewable Electricity
	55104010	Water Utilities
<b>INDUSTRIALS</b>	20106015	Agricultural & Farm Machinery
	20103010	Construction & Engineering
	20106010	Construction Machinery & Heavy Transportation Equipment
	20106020	Industrial Machinery & Supplies & Components

## 2.2 Weighting Scheme

The weighting scheme is divided into two steps – calculating the weight for the included sub-industries and then for securities within those included sub-industries:

### 2.2.1 Calculating Weight for Each Sub-Industry

The weight of an included sub-industry is determined from the total free float adjusted market capitalization of the securities from that sub-industry among all selected subindustries in the Parent Index, keeping the total weight of Sectors as follows:

- Energy – 60%
- Materials – 30%
- Utilities – 5%
- Industrials – 5%

The sub-industry weights in the Energy and Materials Sectors are capped at 20% and any excess is distributed proportionately to other sub-industries within the same Sector to ensure that the weights of these Sectors remain in line with the pre-defined levels. The 20% sub-industry capping is not applicable for Utilities or Industrials Sectors given their low predefined levels

### 2.2.2 Security Weighting

All securities belonging to the included sub-industries are weighted by their free float adjusted market capitalization within their sub-industry weight, subject to a maximum weight of 5% and any excess is distributed proportionately to other securities within the same sub-industry. For those sub-industries with a limited number of securities, the security capping takes precedence over the sub-industry weights.

## 3 Maintaining the MSCI World Select Natural Resources Index

### 3.1 Semi-Annual Index Reviews

The MSCI World Select Natural Resources Index is rebalanced on a semi-annual basis, typically as of the close of the last business day of May and November, coinciding with the May and November Index Reviews of the MSCI Global Investable Market Indexes. The pro forma Index is typically announced nine business days before the effective date.

At each rebalancing, a constraint factor (CF) is calculated for each constituent in the Index. The constraint factor is defined as the weight in the Index at the time of the rebalancing divided by the weight in the Parent Index. The constraint factor as well as the constituents in the Index remains constant between Index Reviews except in case of corporate events as described in next section.

### 3.2 Ongoing Event Related Changes

The Index follows the event maintenance of the Parent Index.

#### 3.2.1 IPO and Newly Listed Securities

IPOs and other newly listed securities will only be considered for inclusion at the next SAIR, even if they qualify for early inclusion in the Parent Index.

#### 3.2.2 Additions and Deletions due to Corporate Events

There will be no early inclusion of new securities to the MSCI World IMI Select Natural Resources Index, except when the new security results from an event affecting an existing constituent (e.g., merger, acquisition, and spin-off). In such a case, the constraint factor for the new security will be the same as the existing constituent.

In the event of a merger or an acquisition where an index constituent acquires another index constituent, the remaining company is maintained in the Index with a constraint factor calculated as the weighted average of the constraint factors before the corporate event.

Please refer to the MSCI Corporate Events Methodology book available at <https://www.msci.com/index/methodology/latest/CE> for more details.

## Changes to the Methodology Book

### The following sections have been modified as of May 2023:

Section 2.1.1: Updated to reflect the New Structure of GICS effective June 1, 2023.

Section 3.1: Updated to reflect the transition of the MSCI Global Investable Market Indexes (GIMI) to Quarterly Comprehensive Index Reviews.

- All references to “Semi-Annual Index Reviews” were replaced with “Index Reviews”.



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