

MSCI WORLD EX AUSTRALIA SMALL CAP QUALITY 150 INDEX METHODOLOGY

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1 Introduction

The MSCI World ex Australia Small Cap Quality 150 Index aims to capture the performance of a quality growth strategy by identifying the largest 150 stocks based on the free float market capitalization of the securities in the MSCI World ex Australia Small Cap Index tilted by the Quality Score. The Quality Scores are based on three main fundamental variables: high return on equity (ROE), stable year-over-year earnings growth and low financial leverage.

2 Constructing the MSCI World ex Australia Small Cap Quality 150 Index

The MSCI World ex Australia Small Cap Quality 150 Index (the “Index”) is constructed from the MSCI World ex Australia Small Cap Index (the “Parent Index”) in the following steps:

1. Applying the MSCI Quality Indexes Methodology
2. Security Selection
3. Weighting Scheme

2.1 APPLYING THE MSCI QUALITY INDEXES METHODOLOGY

The MSCI Quality Indexes methodology¹ is applied to all the constituents of the MSCI World ex Australia Small Cap Index with the exception that the security weights will not be subject to an issuer-level cap. The securities are assigned weights in the proportion of their free float-adjusted market capitalization multiplied by their Quality Score².

2.2 SECURITY SELECTION

The top 150 securities, ranked in descending order based on the Quality score-adjusted weights calculated in the previous step, are then selected for inclusion in the Index.

2.3 WEIGHTING SCHEME

The security weights are then normalized to 100%. The final security level inclusion factor is determined as the ratio of the final security level weight and the security level pro forma market capitalization weight in the Parent Index.

Additionally, constituent weights are subject to an issuer-level cap as per Section 2.4 of the MSCI Quality Indexes methodology to mitigate concentration risk.

¹ Please refer to the MSCI Quality Indexes methodology at www.msci.com/index-methodology

² Quality Score calculated as per Section 2.2 of the MSCI Quality Indexes methodology

3 Maintaining the MSCI World ex Australia Small Cap Quality 150 Index

3.1 SEMI-ANNUAL INDEX REVIEWS

The MSCI World ex Australia Small Cap Quality 150 Index is rebalanced on a semi-annual basis, usually as of the close of the last business day of May and November, coinciding with the May and November Semi-Annual Index Review of the MSCI Global Investable Market Indexes. Fundamental variables as of the end of April and October are used respectively. This approach aims to capture timely updates to Quality characteristics of the companies and coincides with the rebalancing frequency of the Parent Index.

The pro forma MSCI World ex Australia Small Cap Quality 150 Index are announced nine business days before the effective date of each review.

3.2 BUFFER RULES

To reduce Index turnover and enhance index stability, buffer rules are applied as follows.

A security selection buffer of 20% is applied during the on-going index review when applying the MSCI Quality Indexes methodology as per Section 2.1 of this methodology book.

For example, the Index targets 1000 securities during that step, the buffers are applied between rank 801 and 1200. The securities in the Parent Index with a value score rank at or above 800 will be added to the Index on a priority basis. The existing constituents that have a quality score rank between 801 and 1200 are then successively added until the number of securities in the Index reaches 1000. If the number of securities is below 1000 after this step, the remaining securities in the Parent Index with the highest quality score rank are added until the number of securities reaches 1000.

3.3 ONGOING EVENT RELATED CHANGES

The general treatment of corporate events in the MSCI World ex Australia Small Cap Quality 150 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 MSCI World ex Australia Small Cap Quality 150, the changes made to the Parent Index during intermediate Index Reviews will be neutralized in the MSCI World ex Australia Small Cap Quality 150.

The following section briefly describes the treatment of common corporate events within the MSCI World ex Australia Small Cap Quality 150 Index.

No new securities will be added (except where noted below) to the Indexes 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.

The MSCI Corporate Events methodology book is available at:

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

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