

# **MSCI Canada High Dividend Yield 10% Security Capped Index Methodology**

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## 1. Introduction

The MSCI Canada High Dividend Yield 10% Security Capped Index<sup>1</sup> (“the Index”) aims to represent the performance of securities in the MSCI Canada Index with higher than average dividend yields that are both sustainable and persistent. The Index also applies quality screens and reviews past 12-month price performance to exclude stocks with potentially deteriorating fundamentals that could force them to reduce or eliminate dividends. The Index is free float-adjusted market capitalization weighted with a capping applied at the security level.

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<sup>1</sup> The Index is governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. Please refer to Appendix 1 for more details.

## 2. Constructing and Maintaining the MSCI Canada High Dividend Yield 10% Security Capped Index

### 2.1 Defining the Applicable Universe

The applicable universe is the MSCI Canada Index (the “Parent Index”) and the eligible universe excludes securities of companies classified as Equity Real Estate Investment Trusts (REITs) Industry Group and Mortgage Real Estate Investment Trusts (REITs) Sub-Industry as per the Global Industry Classification Standard (GICS®).

### 2.2 Applying the MSCI High Dividend Yield Indexes Methodology

The MSCI High Dividend Yield Indexes Methodology<sup>2</sup> is applied on the Parent Index with the below customizations on Section 3.1 Semi-Annual Index Reviews from the MSCI High Dividend Yield Indexes Methodology:

- If a security is already an Index constituent, it will remain in the index as long as its Quality Z-score is higher than or equal to -0.75.
- If a security is already an Index constituent, it will remain in the index as long as its dividend yield higher than or equal to 0.8 times the dividend yield of the Parent Index yield.

The resulting constituents selected after the application of the MSCI High Dividend Yield Indexes Methodology with the above customizations are weighted based on their free float market capitalization. It is important to note that the capping at issuer level as per Section 2.6 Constituent Weighting of the MSCI High Dividend Yield Indexes Methodology during the constituent weighting is not applied.

For more information on the MSCI High Dividend Yield Indexes methodology, please refer to <https://www.msci.com/index-methodology>

### 2.3 Applying the Capping

The maximum security weight in the Index is capped at 10%, with a buffer of 10% applied on this threshold at each index rebalancing, in accordance with the MSCI Capped Indexes Methodology<sup>3</sup>. In case the 10% security capped weighted pro forma Index violates the capping constraint between the announcement date and the effective date, the previously announced capped weighted results will be discarded, and a newly rebalanced capped weighted pro forma index will be announced. The security level capping is applied at Quarterly Index Reviews. There is no index rebalancing due to violation of the capping constraint between Quarterly Index Reviews.

<sup>2</sup> Please refer to the MSCI High Dividend Yield Indexes Methodology at <https://www.msci.com/index-methodology>

<sup>3</sup> Please refer to the MSCI Capped Indexes Methodology at <https://www.msci.com/index-methodology>

## 2.4 Maintaining the Index

The Index is maintained as described in Section 3 of the MSCI High Dividend Yield Indexes Methodology, with the customizations detailed in Section 2.2 of this methodology book.

## Appendix 1: Methodology Set

The Index is governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document as mentioned below:

- Description of methodology set – <https://www.msci.com/index/methodology/latest/ReadMe>
- MSCI Corporate Events Methodology – <https://www.msci.com/index/methodology/latest/CE>
- MSCI Fundamental Data Methodology – <https://www.msci.com/index/methodology/latest/FundData>
- MSCI Index Calculation Methodology – <https://www.msci.com/index/methodology/latest/IndexCalc>
- MSCI Index Glossary of Terms – <https://www.msci.com/index/methodology/latest/IndexGlossary>
- MSCI Index Policies – <https://www.msci.com/index/methodology/latest/IndexPolicy>
- MSCI Global Industry Classification Standard (GICS) Methodology – <https://www.msci.com/index/methodology/latest/GICS>
- MSCI Global Investable Market Indexes Methodology – <https://www.msci.com/index/methodology/latest/GIMI>
- MSCI High Dividend Yield Indexes Methodology – <https://www.msci.com/index/methodology/latest/HDY>
- MSCI Capped Indexes Methodology – <https://www.msci.com/index/methodology/latest/Capped>

The Methodology Set for the Indexes can also be accessed from MSCI’s webpage <https://www.msci.com/index-methodology> in the section ‘Search Methodology by Index Name or Index Code’.

## Appendix 2: Changes to this Document

### The following sections have been modified since May 2017:

Section 2: Constructing and Maintaining the MSCI Canada High Dividend Yield 10% Security Capped Index

- Added a section describing the maintenance of the Index.

### The following sections have been modified since September 2017:

Section 2.3: Applying the capping

- Updated the section 2.3 to include details about the application of buffer.

### The following sections have been modified since November 2017:

Section 2.3: Applying the capping

- Updated the section 2.3 to provide more clarity about the application of buffer.

### The following sections have been modified since May 2024:

Section 2.1: Defining the Applicable Universe

- Clarified the Parent Index and eligible universe.

Section 2.2: Applying the MSCI High Dividend Yield Indexes Methodology

- Updated the section 2.2 to reflect the customization of Quality Z-score and Dividend Yield parameters from the standard MSCI High Dividend Yield Index Methodology.

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