

# MSCI Risk Control Indexes

The MSCI Risk Control Indexes target a specific level of risk by dynamically varying the weights of an underlying MSCI parent index and a cash component.

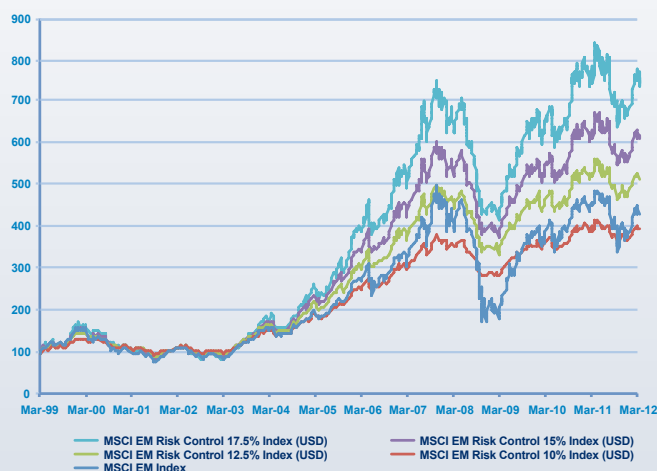
Traditional market cap weighted indexes reflect the performance of equity markets with varying levels of volatility. The MSCI Risk Control Indexes, however, aim to replicate the performance of a strategy that targets a specific level of risk by dynamically varying the weights of an underlying MSCI parent index, based on the realized volatility of the index, and a cash component. When the volatility of the underlying MSCI parent index is higher than the specific targeted risk level, the weight of the MSCI parent index in the MSCI Risk Control Index is reduced to less than 100% and the rest is weighted to cash. When the volatility of the underlying MSCI parent index is lower than the specific targeted risk level, the weight of the MSCI parent index in the MSCI Risk Control Index is increased to more than 100% using leverage to achieve the specific targeted risk level.

At launch MSCI Risk Control Indexes will be calculated for seven regions/countries:

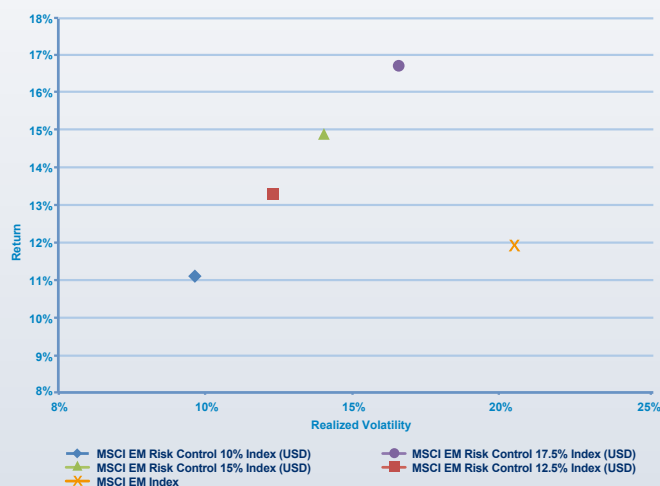
MSCI Risk Control Indexes	Currency				Target Volatility			
	USD	EUR	GBP	JPY	10%	12.5%	15%	17.5%
MSCI World Risk Control Index	*	*	*		*	*	*	*
MSCI EAFE Risk Control Index	*	*	*		*	*	*	*
MSCI Europe Risk Control Index	*	*	*		*	*	*	*
MSCI Emerging Markets (EM) Risk Control Index	*	*	*		*	*	*	*
MSCI EM 50 Risk Control Index	*	*	*		*	*	*	*
MSCI Kokusai Risk Control Index	*	*		*	*	*	*	*
MSCI USA Risk Control Index	*	*	*		*	*	*	*

## MSCI Emerging Markets Risk Control Indexes

Cumulative Index Performance - Total Returns



Risk-Return Profile of MSCI EM Risk Control Indexes (USD)



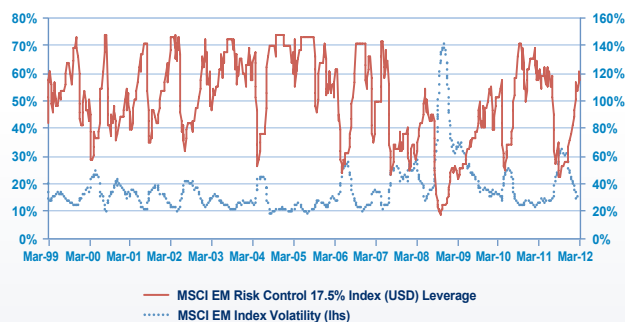
Index Performance Total Returns (Period Ending March 30, 2012)

	1 Mo	3 Mo	1 Yr	Annualized		
				3 Yr	5 Yr	Since 03/31/99
MSCI EM Index	-3.3%	14.1%	-9.7%	25.4%	5.0%	11.9%
MSCI EM Risk Control 10% Index (USD)	-2.2%	5.9%	-4.7%	9.9%	5.0%	11.1%
MSCI EM Risk Control 12.5% Index (USD)	-2.8%	7.7%	-6.3%	12.8%	5.8%	13.4%
MSCI EM Risk Control 15% Index (USD)	-3.3%	8.8%	-7.4%	14.6%	6.3%	14.9%
MSCI EM Risk Control 17.5% Index (USD)	-4.0%	10.6%	-9.1%	17.5%	7.0%	16.6%

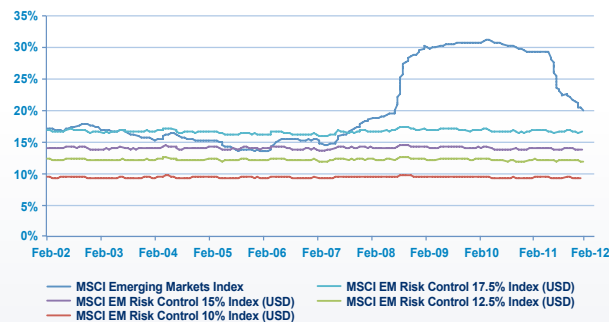
## Realized Risk (Period Ending March 30, 2012)

	Annualized			
	1 Yr	3 Yr	5 Yr	Since 5/31/02
MSCI EM Index	22.2%	20.7%	26.4%	20.6%
MSCI EM Risk Control 10% Index (USD)	9.3%	9.1%	9.2%	9.3%
MSCI EM Risk Control 12.5% Index (USD)	12.1%	11.8%	12.0%	12.1%
MSCI EM Risk Control 15% Index (USD)	14.0%	13.7%	13.8%	13.9%
MSCI EM Risk Control 17.5% Index (USD)	16.8%	16.4%	16.6%	16.6%

### MSCI Emerging Markets Index Volatility and Index Leverage of MSCI Emerging Markets Risk Control Index 17.5% (USD)



### 3 Year Rolling Realized Risk of MSCI Emerging Markets Index and MSCI Emerging Markets Risk Control Indexes (USD)



## Key Methodology Features

- » The MSCI Risk Control Index Methodology can be applied across all existing MSCI indexes and various currencies.
- » Use of short-term and long-term volatility estimates accounts for both short-term and long-term volatility trends of the parent index.
- » Four different target risk levels are provided to represent different levels of risk tolerance.
- » 5% buffers around the index leverage reduce turnover without significantly altering key index characteristics such as risk, return and quality of risk control.
- » Total and Excess Return levels are available

## Applications

The MSCI Risk Control Indexes can be used as benchmarks for managed volatility strategies, or as a basis for financial products such as exchange traded funds or other passive investment products that enable institutional investors to target specific levels of risk with dynamic combinations of an MSCI parent index and cash.

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## About MSCI

MSCI Inc. is a leading provider of investment decision support tools to investors globally, including asset managers, banks, hedge funds and pension funds. MSCI products and services include indexes, portfolio risk and performance analytics, and governance tools.

The company's flagship product offerings are: the MSCI indexes with approximately USD 7.5 trillion estimated to be benchmarked to them on a worldwide basis<sup>1</sup>; Barra multi-asset class factor models, portfolio risk and performance analytics; RiskMetrics multi-asset class market and credit risk analytics; IPD real estate information, indexes and analytics; MSCI ESG (environmental, social and governance) Research screening, analysis and ratings; ISS corporate governance research, data and outsourced proxy voting and reporting services; and FEA valuation models and risk management software for the energy and commodities markets. MSCI is headquartered in New York, with research and commercial offices around the world.

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<sup>1</sup> As of March 31, 2013, as reported on July 31, 2013 by eVestment, Lipper and Bloomberg.