



Index Methodology

MSCI Index Glossary

June 2014

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Key term	Definition
Adjusted Market Capitalization	Market Capitalization of a security adjusted by the Inclusion Factor and the Price Adjustment Factor for the day, using the FX Rate as of t.
All Country World Index (ACWI) Countries	Countries classified as either Developed Markets or Emerging Markets.
Announcement date	Date on which results of index review are disseminated publicly.
Annual Full Country Float Review	Once a year, detailed review of the shareholder information used to estimate free float is carried out for all securities in the equity universe.
Annual Market Classification Review	Annual cycle aiming to review the classification of Equity Markets into Investment Universes. The results of each annual cycle are announced in June.
Annualized Traded Value Ratio (ATVR)	Liquidity measure used to assess liquidity of securities in the GIMI. The ATVR corresponds to the Annualized Traded Value of a security relative to its Free Float-Adjusted Market Capitalization.
As of the close of date	"End of day" date as of which changes are implemented in the MSCI Indexes.
Base date of the index	The date where the index has its base value and against which the performance of the index is measured.
Base value	The initial value (index level) that the index has. The value from which ongoing calculations are done and compared to.
Capping	The process of limiting the maximum weight of a security in an index, typically to avoid concentration risk.
Calculated price	Price determined by MSCI based on the terms of a corporate event.
Carry forward market price	Market price of the previous business day used for the next business day in the MSCI Index calculations.
Constraint factor	Ratio of the weight of a security in a derived index and the parent index, at the time of the index rebalancing.
Country Classification (Frontier Markets)	Rules within the MSCI GIMI Methodology used to classify each Frontier Market into size (Large, Small) and liquidity (Average, Low, Very Low) categories. The Country Classification is used as a basis for the construction and maintenance of each Frontier Market.
Country Classification Framework	Rules used to determine the country classification of equity securities.
Country of Classification	A country assigned to all eligible companies in the equity universe based on MSCI Country Classification framework.

Country of Coverage	A country assigned to eligible companies in the equity universe which cannot be classified based on MSCI Country Classification framework.
Country of Incorporation	A country where a company is incorporated or legally registered.
Cross-border event	Corporate event involving companies classified in two different countries.
Cum date	Business day prior to the ex-date.
Default distribution	Distribution received if shareholders do not elect for any option.
Detached security	A dummy security added to the MSCI Indexes to offset the drop in market capitalization of the parent security, when the spunoff entity is not trading on the spinoff ex-date.
Domestic Inclusion Factor (DIF)	Free float-adjustment factor applicable to domestic investors.
Domestic Equity Indexes	Equity indexes constructed on the basis of the investment opportunity set available for domestic institutional investors
Early Inclusion	Addition of a security to the MSCI Indexes outside regular index review process.
Effective Date	"From the open day" date as of which changes are implemented in the MSCI Indexes.
Effective Implementation Date	"End of day" date as of which changes are implemented in the MSCI Indexes.
Efficiency of a benchmark	Level of stability and simplicity of a benchmark, potentially lowering replication costs
Equity Index Methodologies	Methodology documents containing construction and maintenance rules for the MSCI Equity Indexes. Any index family is governed by a number of documents: the specific index methodology, the MSCI Global Investable Market Indexes methodology, the MSCI Index Calculation methodology, the MSCI Corporate Events methodology, the MSCI Fundamental Data methodology and the MSCI Index Policies.
Equity Market	Geographical entity used as a basis for the construction and maintenance of the GIMI. Defined by MSCI either as a country or a group of countries (e.g. Developed Markets Europe).
Equity Universe	Universe of eligible equity securities. Example: the Developed Markets Equity Universe consists of eligible equity securities in Developed Markets.
Equity Universe Minimum Size Requirement	Minimum full company market capitalization requirement for inclusion of a security in the Investable Equity Universe.
Factor Tilt	Active Exposure to a certain factor that any strategy index might have relative to its parent
Final Size-Segment Investability Requirements	Additional investability requirements applied to investable equity securities assigned to the IMI Size-Segment during Index Reviews. Different requirements apply for securities assigned to the Standard Size-Segment compared to securities assigned to the Small Cap Size-Segment.

Foreign Inclusion Factor (FIF)	Free float-adjustment factor applicable to foreign investors.
Foreign Ownership Limit (FOL)	Proportion of share capital of the security that is available for purchase to foreign investors.
Foreign Room	Proportion of shares still available to foreign investors relative to the maximum allowed.
Foreign Room Adjustment Factor	Adjustment factor applied to the weight of securities in the GIMI which have low level of foreign room.
Free Float	Proportion of shares outstanding that are available to investors for purchase in the public equity markets.
Free Float-Adjusted Market Capitalization	Market capitalization of an equity security adjusted by its Foreign Inclusion Factor or Domestic Inclusion Factor.
Frequency of Trading	Liquidity measure used to assess liquidity of securities in the GIMI. The Frequency of Trading corresponds to the proportion of trading days where a security traded at least once during the day.
Full Market Capitalization	Aggregated market capitalization of all listed and unlisted securities of a company.
GICS Structure	GICS is designed with four levels of classifications, starting with sectors on the top, branching into industry groups, industries and finally the sub-industries at the grass root level.
GICS Structure Review	Annual Review of the GICS Structure to ensure that the GICS structure remains relevant and current to the investment community.
Global Industry Classification Standard (GICS)	Standard developed by MSCI and S&P Dow Jones Indices used to classify companies <i>within the Global Investable Equity Universe</i> to an industry based on its principal business activity.
Global Investable Market Indexes (GIMI)	Family of MSCI indexes constructed and maintained based on the MSCI Global Investable Market Indexes (GIMI) Methodology.
Global Investable Equity Universe	Aggregation of all Market Investable Equity Universes
Global Minimum Size Range	Full market capitalization range around the Global Minimum Size Reference. Used as a basis for determining the Size and Coverage Target Area.
Global Minimum Size Reference (GMSR)	Minimum full market capitalization reference number applicable to a given Size-Segment of a particular Investment Universe.
Growth Inclusion Factor	Proportion of a security's free float-adjusted market capitalization that is allocated to the Growth Index, as part of the MSCI Global Value Growth methodology.
Hedge Impact	Represents the mark to market gain or loss on the forward contracts measured in terms of the home currency.
Historical link	Price linkage established between two securities following an M&A where a newly added security in the MSCI Indexes will have the market prices and volume history of the existing index constituent being deleted from the MSCI Indexes.
Home Currency	Local currency of investor investing in international equity markets.

Impact Monitor	Company level score ranging from 1 to 10, indicating involvement in environment, social and governance (ESG) related controversies.
Index Continuity Rules	Rules within the MSCI GIMI Methodology aimed at maintaining index stability by avoiding the temporary inclusion or exclusion of Equity Market indexes in composite indexes.
Index Rebase	Changes to the base date and base value of an index.
Initial Market Capitalization	Market Capitalization of a security adjusted by the Inclusion Factor for the day, using the FX Rate as of t-1
Initial Security Weight	The weight a security has at the beginning of the day, comparing its initial market cap against the index initial market cap.
Interim constituents	Provisional Constituents that reflect certain corporate events, similar to the Price Adjustment Factor.
International Equity Indexes	Equity indexes constructed on the basis of the opportunity set which takes into account potential investment restrictions applicable to foreign investors
Intraday Security Pricing	Price movements during the day or during the trading session.
Investable Company	Company (issuer level) with at least one class of shares included in the Investable Equity Universe.
Investable Market Index (IMI)	Size-Segment corresponding to the aggregation of the Large Cap, Mid Cap and Small Cap Size-Segments.
Investment Universe	Universe of Equity Markets sharing similar investment characteristics. There are three investment universes (Developed Markets, Emerging Markets, Frontier Markets).
IVA Rating	Company level rating ranging from AAA to CCC indicating performance on environment, social and governance (ESG) issues; based on the Intangible Value Assessment methodology
Late announcement	Index email announcement sent to MSCI clients in cases where MSCI decides to postpone a corporate event implementation in order to leave sufficient advance notice to clients and respect the announcement policy.
Limited Investability Factor (LIF)	Adjustment factor applied to the Free Float of securities in the GIMI in the process of determining the Foreign Inclusion Factor and Domestic Inclusion Factor. Used to reflect certain investment limitations in Equity Markets and securities.
Liquidity Adjustment Factor	Adjustment factor applied to the weight of large securities in Emerging Markets and Frontier Markets which fail the liquidity requirements for inclusion in the Investable Equity Universe.
Market Classification Framework	Rules used to classify Equity Markets into Investment Universes.
Market Coverage	Proportion of the Investable Equity Universe covered by a given Size-Segment.
Market Investable Equity Universe	Market universe of investable equity securities derived from the application of investability requirements to the securities in the Equity Universe classified in that market.

Market Size-Segment Cutoff	Minimum full market capitalization number applicable to a given Size-Segment of a particular Equity Market. Used as part of the index construction and Index Review process, as well as for ongoing index maintenance (corporate events).
Merger	Event where two merging entities cease to exist and a brand new entity is created.
Number of Shares (NOS)	All shares of the company that have been issued and outstanding.
Parent Index	MSCI index used as the universe for the construction of any derived index. For example: MSCI World is the parent index for MSCI Minimum Volatility Index.
Pre-opening	Information that is available before the open of the trading session, as a reference.
Price Adjustment Factor (PAF)	Multiplier applied to the market price of a security on the ex-date (from the opening of that day till its end) of a corporate event to offset the price movement related to the corporate event only.
Pro-Rata basis (float)	Corporate event applied proportionally to all existing shareholders.
Provisional Indexes	Indexes that are used in order to reflect future changes to current indexes, and for doing so they are based on pro forma information.
Quarterly Index Review (QIR)	Regular index maintenance process performed in February and August and aiming to reflect significant market driven changes.
Quarterly Index Review of Changes in Number of Shares	All securities in the equity universe are reviewed for the latest outstanding Number of Shares (NOS) as part of each regularly scheduled Quarterly Index Review
Real Time	Information that is available instantaneously, without delay.
Reinvest a negative amount	Cash amount reinvested in the MSCI Net DTR Indexes corresponding to the withholding tax applicable on a distribution in cases where the treatment applied by MSCI used a Price Adjustment Factor (PAF) in the MSCI Indexes.
Replicability & Investability of a benchmark	Level of accessibility of index constituents by a target investor group enabling passive replication a benchmark
Representativeness of a benchmark	Ability of a benchmark to reflect an investment process it aims to represent
Sector Indexes	Indexes aiming to represent sector based subset of a given index, as defined by the MSCI GICS Classification methodology
Security Contribution	The fraction of performance to the index that a security contributes according to its weight.
Security Index of Price	It represents the performance of a security in the form of an index.
Segment Number of Companies	Number of Investable Companies in a given Size-Segment of a particular Equity Market.
Semi-Annual Index Review (SAIR)	Regular index maintenance process performed on a semi-annual basis in May and November and aiming to systematically reassess the various dimensions of the Equity Universe for all Equity Markets.

Share Type	A designation applied to identify different securities under same Share Class.
Size and Coverage Target Area	Intersection of the GIMI size (Global Minimum Size Range) and coverage (Target Coverage Range) objectives. Used at the time of index construction and Semi-Annual Index Reviews for the purpose of updating the Segment Number of Companies.
Size Range Boundary Proximity Area	Buffers around the lower and upper bounds of the Global Minimum Size Range. Aimed at minimizing reverse index turnover resulting from the update of the Segment Number of Companies during Semi-Annual Index Reviews.
Size-Segments	Market capitalization categories derived from the segmentation of the Market Investable Equity Universe (example: Large Cap Size-Segment). Size-Segments are used as a basis for deriving Size-Segment Indexes.
Standalone Index	Index for a given Equity Market that is provided on a standalone basis only, and hence not included in either the MSCI World Index, the MSCI Emerging Markets Index or the MSCI Frontier Markets Index.
Standard Size-Segment	Size-Segment corresponding to the aggregation of the Large Cap and Mid Cap Size-Segments.
Strategy Indexes	Indexes that are based on alternative weighting schemes, and introduce a tilt towards one or more factors such as momentum, volatility and value to aim to capture additional systematic risk premia.
Style Segment	Style categories derived from the segmentation of the Market Investable Equity Universe. Style Segments are used as a basis for deriving Style Indexes (Value & Growth Indexes).
Target Coverage Range	Target range for the Market Coverage. Used as a basis for determining the Size and Coverage Target Area.
Thematic Indexes	Indexes that seek to identify specific social, economic, industrial, environmental or demographic trends and their long-term secular, cyclical and structural influences on the world's economies and markets. Thematic indexes often cut across traditional sector and geographical boundaries and can provide diversification in a portfolio context.
Theo Cum PAF	PAF calculated using the closing market price of the ex-date and the terms of the corporate event ex on that day.
Theo Ex	Calculated price of the expected opening market price on the ex-date of a corporate event, based on the terms of this corporate event and the market price prior to the ex-date.
Value Inclusion Factor	Proportion of a security's free float-adjusted market capitalization that is allocated to the Value Index, as part of MSCI Global Value Growth methodology.
Z-score	The number of standard deviations an observation is away from the mean.

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The company's flagship product offerings are: the MSCI indexes with approximately USD 8 trillion estimated to be benchmarked to them on a worldwide basis¹; 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; 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.

¹ As of September 30, 2013, as reported on January 31, 2014 by eVestment, Lipper and Bloomberg