

MSCI China A 50 Connect Index

The MSCI China A 50 Connect Index is a stock market index designed to track the performance of the largest 50 China A securities. It is constructed from the MSCI China A Index and uses a sector-neutral approach.

Data as of December 29, 2023



How is the MSCI China A 50 Connect Index constructed?

The MSCI China A 50 Connect Index is constructed from the MSCI China A Index, with a focus on the largest companies by free float-adjusted market capitalization. The MSCI China A Index is also referred to as the “Parent Index” for the MSCI China A 50 Connect Index.

Step 1: selection of the two largest large cap securities from each of the 11 GICS® sectors in the MSCI China A Index. If there aren’t enough large cap securities in a sector that exists in the MSCI China A Index, then the largest securities based on the free float-adjusted market capitalization from each of these sectors will be included. This means that, at times, the index may include both large cap and mid cap names in this first step.

Step 2: after Step 1, select the remaining securities based on their free float adjusted market capitalization, from the remaining large cap universe until the total constituent count reaches the target number of constituents (50).

To reduce index turnover and enhance index stability, buffer rules are applied for 15 securities while undertaking Step 2.

Finally, the selected securities are assigned weights in the proportion of their free float-adjusted market capitalization. These weights are then adjusted to implement a sector neutral approach.

The MSCI China A 50 Connect Index is fully reviewed on a quarterly basis, usually as of the close of the last day of February, May, August, and November, coinciding with regular index reviews of the Parent Index and MSCI Global Investable Market Indexes.

These reviews occur quarterly with the objective of reflecting change in the underlying equity markets in a timely manner, while limiting undue index turnover.

What is a 15-securities buffer rule?

Buffer rules exist to reduce Index turnover and enhance Index stability.

For the MSCI China A 50 Connect Index, buffer rules are applied for 15 securities while selecting remaining securities (step 2 mentioned earlier)

For example, 22 securities are selected based on the sector representation (Step 1) then for the remaining 28 securities buffers are applied between rank 13 and 43. The large cap securities, which are not selected from the sector representation step, with a rank based on their free float-adjusted market capitalization at or above 13 will be added to the MSCI China A 50 Connect Index on a priority basis.

The existing constituents that have a rank between 14 and 43 are then successively added until the total number of securities in the MSCI China A 50 Connect Index reaches 50. If the total number of securities is below 50 after this step, the remaining large cap securities are added until the number of securities in the MSCI China A 50 Connect Index reaches 50.

What is a sector-neutral approach?

Being sector neutral means that the weight of each sector in the MSCI China A 50 Connect Index is equated with the weight of that sector in the Parent Index at the time of rebalancing. This is done by re-normalizing the weights of the constituents within each sector to reflect the Parent Index sector weight.

Where are the securities included in MSCI China A Connect listed?

The MSCI China A 50 Connect includes China A shares listed on the Shanghai and Shenzhen exchanges and accessible through the Stock Connect channel.

The Stock Connect program was established for connectivity of trading and clearing between mainland China’s (Shanghai and Shenzhen) and Hong Kong’s securities markets. For mainland securities, this means that international investors will be able to trade these through the Hong Kong Exchange.

How has it performed over time?

The MSCI China A Connect 50 Index returned 6.8% on an annualized basis over the last five years, while the MSCI China A Index returned 4.4%.

Returns	MSCI China A 50 Connect Index	MSCI China A Index
Year-to-date	-16.6	-13.5
1 year	-15.6	-12.4
3 years	-13.3	-11.7
5 years	5.2	5.3
10 years	6.8	4.4

Net returns, USD, as of December 29, 2023. Returns are annualized for periods longer than a year.

The MSCI China A 50 Connect Index posted a positive return in five of the last 10 years. MSCI China A Index posted six positive returns over the last nine years.

Annual performance	MSCI China A 50 Connect Index	MSCI China A Index
2023	-16.6	-13.5
2022	-25.5	-25.9
2021	0.3	3.2
2020	51.2	43.2
2019	36.5	36.1
2018	-25.1	-30.3
2017	50.7	29.8
2016	-8.1	-15.4
2015	-4.3	3.3
2014	49.8	48.3

Net returns, USD, as of December 29, 2023

NB: The MSCI China A 50 Connect Index was launched in August 2021

Past performance -- whether actual or back-tested -- is no indication or guarantee of future performance.

What about the businesses these companies represent?

The MSCI China A 50 Connect Index provides exposure to a diverse set of sectors. Due to its sector neutrality rules, the MSCI China A 50 Connect Index has a similar sector distribution achieved by the MSCI China A Index.

Sectors	MSCI China A 50 Connect Index	MSCI China A Index
Communication Services	1.8	1.8
Consumer Discretionary	5.7	6.1
Consumer Staples	14.5	14.5
Energy	3.4	3.3
Financials	18.4	18.5
Health Care	8.7	9.0
Industrials	14.4	14.5
IT	16.6	16.0
Materials	11.0	10.8
Real Estate	1.5	1.5
Utilities	4.1	4.1

Data as of December 29, 2023

Sector weights change over time, as markets and economies evolve. The chart below shows the minimum and maximum weights for each sector in the MSCI China A 50 Connect Index, over the five years ending in December 2023.

Sectors	Minimum weight (5 year-period)	Maximum weight (5-year period)
Communication Services	1.1	2.7
Consumer Discretionary	4.8	8.8
Consumer Staples	11.6	19.6
Energy	1.4	3.6
Financials	16.6	31
Health Care	6.5	12.2
Industrials	12	17.5
IT	7.9	16.6
Materials	6.3	13.4
Real Estate	1.5	5.5
Utilities	1.7	4.2

Data from December 31, 2018 to December 29, 2023

Note:

- » Changes in the composition of the Communication Services, Consumer Discretionary, and IT sectors in 2018 reflected the increased integration among telecommunications, media, and internet companies.
- » Real Estate became its own sector in 2016.

What is its exposure to long-term structural trends?

At MSCI we created a Thematic Exposure Relevance Score to measure the importance of a theme or trend to a company's business activities. The table below shows the top three themes to which MSCI China A 50 Connect Index has exposure.

Thematic Exposure Relevance Score (%)	MSCI China A 50 Connect Index	MSCI China A Index
Autonomous Tech	15.4	10.4
Disruptive Technology	13.8	9.2
Future Mobility	10.6	8.2

Data as of December 29, 2023

MSCI China A Index has the same top 3 thematic exposures, but to a lesser degree.

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Is there anything else I should know about the index?

If we use our Economic Exposure dataset, we can see where revenues originate for the companies in MSCI China A 50 Connect Index and MSCI China A Index.

Economic Exposure	North America	Emerging Markets	Europe and Middle East	Pacific
MSCI China A 50 Connect Index	7.3%	86.0%	4.7%	2.0%
MSCI China A Index	5.4%	89.5%	3.6%	1.5%

Data as of December 29, 2023

Within Emerging Markets, for both indexes, most of the revenues are coming from China.