

# **MSCI EQUAL SECTOR WEIGHTED INDEXES METHODOLOGY**

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## 1 INTRODUCTION

The MSCI Equal Sector Weighted Indexes family is designed as an alternative to market capitalization-weighted indexes. In an MSCI Equal Sector Weighted Index (“Index”), each Global Industry Classification Standard (GICS®) sector has the same weight initially. Between rebalancings, the weight of a sector will deviate from this equal weight depending on the relative performance of the sector.

## 2 CONSTRUCTING THE MSCI EQUAL SECTOR WEIGHTED INDEXES

The MSCI Equal Sector Weighted Indexes are constructed from applicable MSCI country and regional indexes (each, a “Parent Index”) and have the same constituents as the underlying Parent Index. At initial construction and each subsequent rebalancing, each GICS® sector in the MSCI Equal Sector Weighted Index is given an equal weight (i.e.  $1/N$ , where  $N$  is the number of GICS® sectors in the Parent Index). Within the sector, the securities are weighted relative to their free float adjusted market capitalization.

### 3 MAINTAINING THE MSCI EQUAL SECTOR WEIGHTED INDEXES

#### 3.1 SEMI-ANNUAL INDEX REVIEWS

The Indexes are rebalanced on a semi-annual basis in May and November, coinciding with the Semi-Annual Index Reviews of the Parent Index. At each Semi-Annual Index Review, the weights of the sectors are reset to equal weights as described in Section 2. The pro forma Indexes are generally announced five business days before the effective date.

#### 3.2 ONGOING EVENT RELATED CHANGES

MSCI Equal Sector Weighted Indexes follow the event maintenance of the Parent Index. Changes in the Parent Index are reflected simultaneously in the MSCI Equal Sector Weighted Index.

##### 3.2.1 REBALANCING DUE TO AN IPO ADDED TO THE PARENT INDEX AS AN EARLY INDEX INCLUSION

Early inclusions of new securities to the Parent Index, such as IPOs, will be simultaneously added to the MSCI Equal Sector Weighted Index with a constraint factor reflecting a weight that the security would have had as a result of an equal sector weighted index rebalancing at the time of IPO inclusion. The weights of the constituent securities are then normalized to bring the total weight of the Index to 100%.

##### 3.2.2 ADDITIONS AND DELETIONS DUE TO CORPORATE EVENTS

The general treatment of additions and deletions due to corporate events is aimed at minimizing turnover in the MSCI Equal Sector Weighted Indexes.

A security added to the Parent Index following a corporate event (e.g. merger, acquisition, spin-off) will also be added to the MSCI Equal Sector Weighted Index with an estimated capped weight.

In the event of a merger or an acquisition where an Index constituent acquires another Index constituent or merges with another Index constituent, the remaining company is maintained in the Index with a constraint factor calculated as the weighted average of the constraint factors before the corporate event.

If a spun off security of an Index constituent is added to the Parent Index, it will be added to the MSCI Equal Sector Weighted Index with the same constraint factor as the Parent Security.

A constituent deleted from the Parent Index following a corporate event will be simultaneously deleted from the MSCI Equal Sector Weighted Index.

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