

# **MSCI Region Mega Cap 18% Capped Specified Indexes Methodology**

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## 1. Introduction

The MSCI Mega Cap 18% Capped Specified Indexes (the “Indexes”<sup>1</sup>) aim to represent the performance of the largest securities of the relevant MSCI regional index (the “Parent Index”<sup>2</sup>) based on their weight in the Parent Index. The Index construction targets top 40% free float-adjusted market capitalization coverage of the Parent Index.

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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 I for more details.

<sup>2</sup> Please refer to the MSCI Global Investable Market Indexes Methodology (Available on <https://www.msci.com/index-methodology>).

## 2. Constructing the Indexes

### 2.1 Eligible Universe

The Eligible Universe includes all the constituents of the Parent Index. The table below presents the Parent Indexes for the corresponding Indexes.

Index Name	Parent Index
<b>MSCI USA Mega Cap 18% Capped Specified Index</b>	MSCI USA
<b>MSCI World Mega Cap 18% Capped Specified Index</b>	MSCI World

### 2.2 Selected Universe

#### 2.2.1 Free-Float Adjusted Market Capitalisation Coverage Based Selection

The constituents of the Eligible Universe are ranked in descending order of their free float-adjusted market capitalization weight in the Parent Index.

The constituents are selected in the following order until the target of 40%<sup>3</sup> cumulative free float-adjusted market capitalization coverage of the Parent Index is reached:

- Securities in the top 32%<sup>4</sup> of cumulative weight in the Parent Index will be added to the Index
- The existing constituents with cumulative coverage in the top 32% to 48% are then successively added until coverage reaches 40%
- The remaining eligible securities in the ranked universe

#### 2.2.2 Count of Securities Based Selection

If the number of constituents in an Index after security selection based on 2.2.1 is less than 15, then remaining eligible securities from the ranked universe are added in descending order of their ranking to the selection made in 2.2.1, until the number of constituents in the Index reaches 15.

### 2.3 Security Weighting

The Indexes are constructed by weighting the selected constituents in proportion of their free-float adjusted market capitalization. The weights are then normalized to sum up to 100%.

### 2.4 Issuer Capping

As a final step, the maximum weight of any issuer weight in the Indexes is capped at 18%. The weight of the securities outside of the capped group will be increased in proportion to their weight prior to such capping.

This issuer capping is not applied between two rebalancing dates.

<sup>3</sup> The marginal security that takes the coverage just over 40% is included.

<sup>4</sup> The marginal security that takes the coverage just over 32% is included.

## 3. Maintaining the Indexes

### 3.1 Index Reviews

The Indexes are reviewed on a quarterly basis, as of the close of the last business day of February, May, August and November, coinciding with the February, May, August and November Index Reviews of the MSCI Global Investable Market Indexes. The pro forma Index is in general announced nine business days before the effective date.

### 3.2 Ongoing Event-Related Changes

The general treatment of corporate events in the Indexes aims to minimize turnover outside of Index Reviews. The methodology aims to appropriately represent an investor's participation in an event based on relevant deal terms and pre-event weighting of the Index constituents that are involved.

The following section briefly describes the treatment of common corporate events within the Indexes.

No new securities will be added (except where noted below) to the index between Index Reviews. Parent Index deletions will be reflected simultaneously.

#### EVENT TYPE

#### EVENT DETAILS

#### New additions to the Parent Index

A new security added to the Parent Index (such as IPO and other early inclusions) will not be added to the index.

#### Spin-Offs

All securities created as a result of the spin-off of an existing Index constituent will be added to the Index at the time of event implementation. Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review.

#### Merger/Acquisition

For M&A events, if an existing index constituent acquires another company (constituent/non-constituent) then the acquiring company will be maintained in the index at the weighted average of the constraint factors taking into account the share and cash considerations involved in the deal.

If an existing Index constituent is acquired by a non-Index constituent, the existing constituent will be deleted from the Index and the acquiring non-constituent will not be added to the Index.

#### Changes in Security Characteristics

A security will continue to be an Index constituent if there are changes in characteristics (country, sector, size segment, etc.) Reevaluation for continued

inclusion in the Index will occur at the subsequent Index Review.

Further detail and illustration regarding specific treatment of corporate events relevant to the Indexes can be found in the MSCI Corporate Events Methodology book under the sections detailing the treatment of events in Capped Weighted and Non-Market Capitalization Weighted indexes.

The MSCI Corporate Events methodology book is available at: <https://www.msci.com/index-methodology>.

## Appendix I: Methodology Set

The Indexes are 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 Investable Market Indexes Methodology – <https://www.msci.com/index/methodology/latest/GIMI>
- MSCI Capped Indexes Methodology – <https://www.msci.com/index-methodology>

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’.

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