

THE MSCI HIGH DIVIDEND YIELD INDEXES

REPRESENTING THE PERFORMANCE OF STOCKS WITH SUSTAINABLE DIVIDEND YIELDS

- The MSCI High Dividend Yield (HDY) Indexes aim to reflect the opportunity set of securities with higher dividend income and quality characteristics relative to the parent index.
- The MSCI High Dividend Yield Index methodology incorporates screens that aim to include stocks with a track record of sustainable and consistent dividend payouts and dividend growth.
- The MSCI High Dividend Yield Indexes may serve as a performance benchmark for income investors and as the basis of financial products such as ETFs.

WHY DO INVESTORS USE HIGH DIVIDEND YIELD STRATEGIES?

- Income investors typically seek investments that provide high current income with capital preservation and some long-term capital appreciation
- Increasing demand for income from aging populations has triggered renewed interest in high dividend yield investment strategies

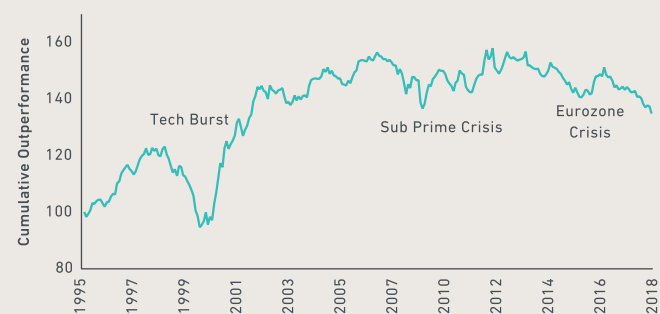
KEY BENEFITS OF THE MSCI HIGH DIVIDEND YIELD INDEXES

- Simple and transparent index methodology
- Aim to include stocks with sustainable dividend yields and a consistent track record of growing dividends
- Goal of high investability and capacity with moderate annual index turnover
- Seamless integration with MSCI index-based portfolios

ILLUSTRATIVE USE CASE

- A US Public Pension Plan adopted a passive approach to capture income with low volatility
- The fund combined the MSCI USA High Dividend Yield Index and the USA Minimum Volatility Index
- Historically, over long periods, combining factor indexes has typically enhanced risk-adjusted performance

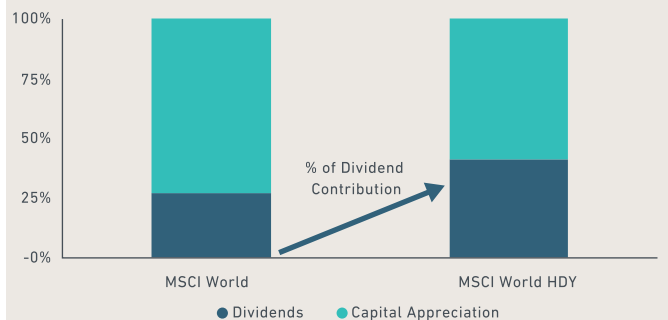
PERFORMANCE OF THE MSCI WORLD HDY INDEX RELATIVE TO THE MSCI WORLD INDEX (USD)



Historical Gross Performance, MSCI World USD	MSCI World	MSCI World High Dividend Yield
Total Return* (%)	7.51	8.92
Total Risk* (%)	14.8	14.4
Risk Adjusted Return	0.51	0.62
Active Return* (%)	0.0	1.41
Tracking Error* (%)	0.0	5.54
Information Ratio	N/A	0.25

* Annualized from June 1995 to May 2018

HISTORICALLY, DIVIDENDS HAVE BEEN A HIGHER COMPONENT OF THE TOTAL RETURNS IN THE MSCI WORLD HDY INDEX



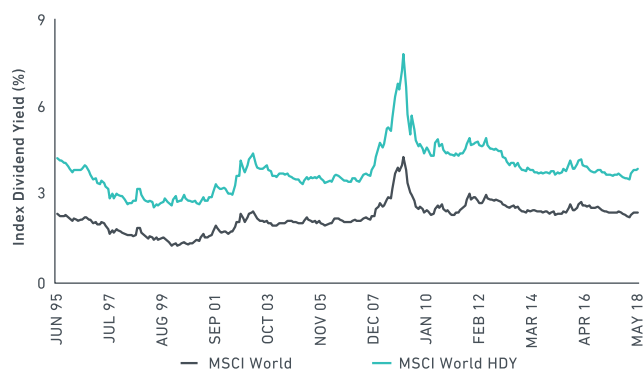
METHODOLOGY HIGHLIGHTS

PARAMETER	METHODOLOGY	COMMENTS
Universe	Parent index constituents ex REITs (e.g., the constituents of the MSCI ACWI ex REITs Index)	Objective approach aims to capture the standard opportunity set and ensure that the indexes have high investability and liquidity REITs structurally have very high dividend yields and, if included, would represent a very significant proportion of the index. Regulatory constraints often restrict the inclusion of REITs in institutional portfolios
Selection	Dividend yield > 1.3x parent index yield	Identify companies with higher dividend yield than the parent index
Variables	Dividend persistency screen—excludes stocks with negative 5-year DPS growth Dividend sustainability screen—excludes stocks with negative or very high payouts (top 5% by payout) Quality screen—excludes stocks with negative quality scores (based on ROE, earnings variability and debt-to-equity) Yield trap screen—excludes stocks performing in the bottom 5% of the index with negative 12-month price performance	Identify companies with sustainable and quality yields and consistent dividend growth
Weighting	Free float market capitalization weighting Issuer-level weights are capped at 5%	Indexes aim for adequate capacity, lower concentration and low turnover
Rebalancing	Semi-annual, in May and November	Reflects timely updates to dividend yields and is consistent with the rebalancing frequency of MSCI parent indexes
Buffers	Buffers are applied around the dividend yield, dividend growth, dividend payout and quality screens for existing index constituents	Buffers aim to mitigate turnover without significantly altering other index characteristics

DIVIDEND YIELD OF MSCI HIGH DIVIDEND YIELD INDEXES

- The MSCI High Dividend Yield Indexes provide high dividend yield while aiming to ensure dividend persistency and sustainability
- Securities included in the index must have a dividend yield that is at least 30% higher than the dividend yield of the parent index
- Dividend yield of the MSCI World HDY Index has historically been more than 1.5 times higher than the dividend yield of the MSCI World Index at each rebalancing

EVOLUTION OF MONTHLY INDEX DIVIDEND YIELDS



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