

MSCI CURRENCY HEDGED INDEXES (CAD)

TOOLS FOR INVESTORS FOCUSED ON THE IMPACT OF CURRENCY

INVESTOR INSIGHTS

With the growth of international investing, it is important to understand the impact of currency movements. All investors are exposed to currency risk when investing abroad. Changes in exchange rates can dramatically impact the performance and volatility of global equity portfolios.

To hedge or not to hedge currency is a question that ultimately depends on an investor's specific circumstances, including risk tolerance, investment horizon and any view on the currency markets. Investors who wish to express a view on currency or remove currency risk often seek to hedge their foreign currency exposure without altering their underlying equity exposure. For such investors, the MSCI Hedged Indexes may be a useful tool as they seek to measure the equity performance of an MSCI Parent Index, while removing the impact of currency.

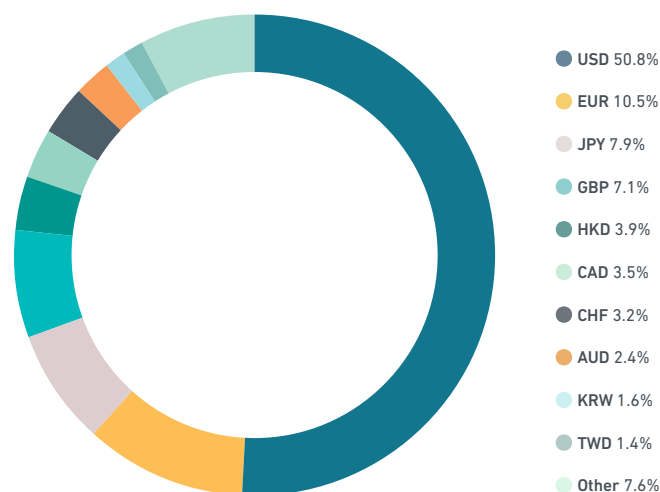
FOREIGN CURRENCY EXPOSURE

- From the perspective of a Canada-based investor, foreign currencies represent nearly 96% of the currency exposure of MSCI's global index, the MSCI ACWI.
- If an investor is allocating to foreign equities based on their weight in the MSCI ACWI, nearly 96% of the portfolio will be impacted by foreign currency.

IMPACT OF FOREIGN CURRENCY EXPOSURE

- In the short run, currency risk and returns can be driven by an array of factors, including central bank decisions, changes in inflation, the balance of trade and cross-country capital flows. These factors may cause a currency to *appreciate* or *depreciate* relative to other currencies.
- Investing in foreign equities in periods when the corresponding foreign currency depreciates will reduce the gains from foreign investments. Conversely, if the foreign currency appreciates, the gains from the foreign investments are enhanced.

FIGURE 1: CURRENCY EXPOSURE OF MSCI ACWI*



* Data as of May 29, 2015

- For example, from the perspective of a Canada-based investor, the *unhedged* MSCI EAFE Index (which tracks 21 developed markets outside the US and Canada) returned 14.4% over the last year, while the hedged version of the same index returned 17.9%. By hedging the impact of foreign currency the return increased by over 3%.

FIGURE 2: MSCI EAFE INDEX: HEDGED VS UNHEDGED (AS OF MAY 29 2015)

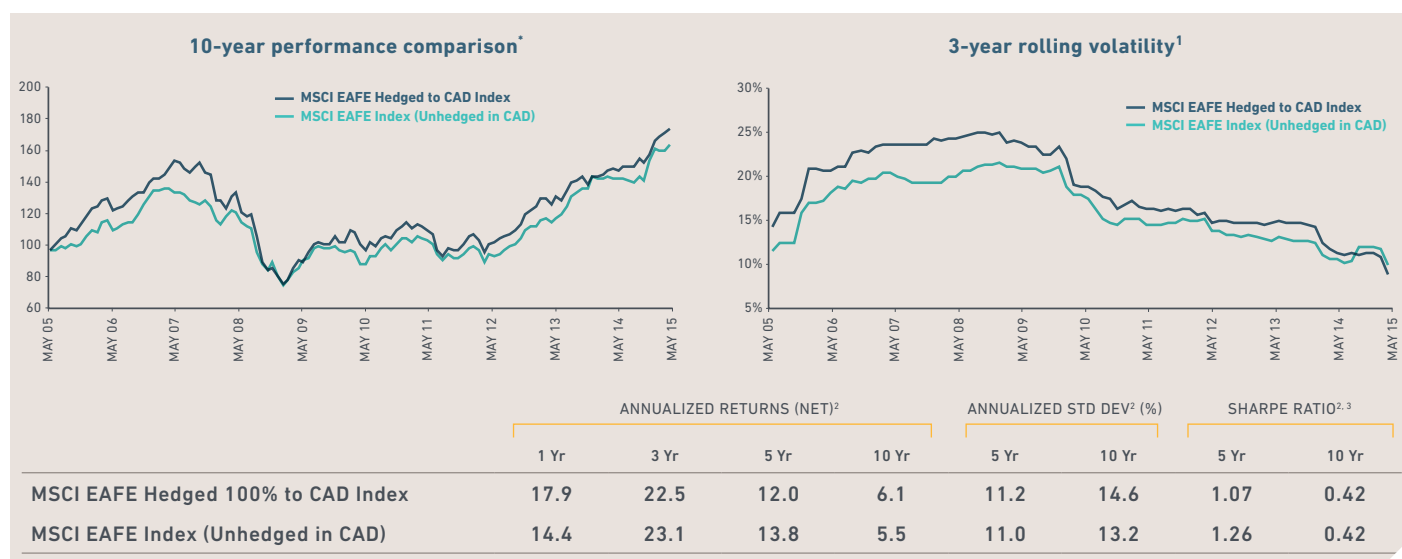


FIGURE 3: CURRENCY RETURNS AND VOLATILITY (JUNE 2005 - MAY 2015)

CAD vs. Foreign Currency	Annualized Return (%)	Annualized Std Dev (%)
USD	0.05	10.3
JPY	1.47	14.35
EUR	1.24	9.69
CHF	-2.69	12.30
GBP	1.84	8.91

FIGURE 4: CURRENCY EXPOSURE OF MSCI EAFE⁴

Currency	Weight
EUR	29.89%
JPY	22.69%
GBP	20.36%
CHF	9.35%
AUD	7.00%
HKD	3.27%
Other	7.44%

^{*} All hedged indexes are hedged to CAD.

¹ Annualized standard deviation of prior 3 years based on monthly net returns.

² Based on monthly net returns data.

³ Based on BBA LIBOR 1M.

⁴ Data as of May 29, 2015

MSCI can apply the Hedged Index Methodology to any MSCI index. The MSCI Hedged Indexes include all of the securities and weights of each corresponding unhedged MSCI Parent Index, enabling investors to measure the impact of hedging currency, while holding equity exposure constant. MSCI Hedged Indexes may be an effective tool for those investors who wish to remove the impact of currency risk, or take a view on the impact of currency returns on an overall portfolio.

To learn more about how MSCI Hedged Indexes are constructed, visit www.msci.com

The information contained herein (the "Information") may not be reproduced or disseminated in whole or in part without prior written permission from MSCI. The Information may not be used to verify or correct other data, to create indexes, risk models, or analytics, or in connection with issuing, offering, sponsoring, managing or marketing any securities, portfolios, financial products or other investment vehicles. Historical data and analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. None of the Information or MSCI index or other product or service constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy. Further, none of the Information or any MSCI index is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. The Information is provided "as is" and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF MSCI INC. OR ANY OF ITS SUBSIDIARIES OR ITS OR THEIR DIRECT OR INDIRECT SUPPLIERS OR ANY THIRD PARTY INVOLVED IN THE MAKING OR COMPILING OF THE INFORMATION (EACH, AN "MSCI PARTY") MAKES ANY WARRANTIES OR REPRESENTATIONS AND, TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH MSCI PARTY HEREBY EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. WITHOUT LIMITING ANY OF THE FOREGOING AND TO THE MAXIMUM EXTENT PERMITTED BY LAW, IN NO EVENT SHALL ANY OF THE MSCI PARTIES HAVE ANY LIABILITY REGARDING ANY OF THE INFORMATION FOR ANY DIRECT, INDIRECT, SPECIAL, PUNITIVE, CONSEQUENTIAL (INCLUDING LOST PROFITS) OR ANY OTHER DAMAGES EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited.

©2015 MSCI Inc. All rights reserved | CFS0615