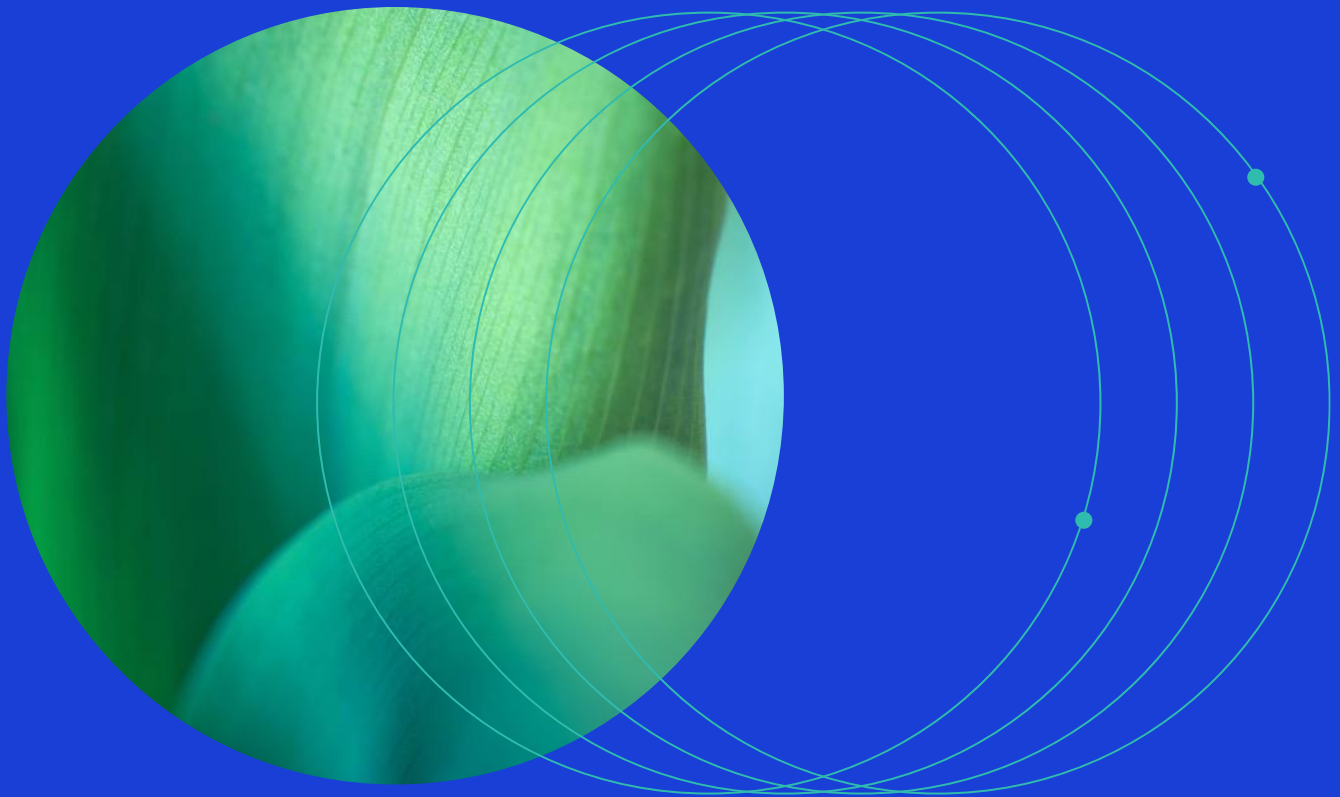




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METHODOLOGY BOOK FOR:

MSCI World Enhanced Momentum Crowding Control Select Index Methodology



Contents

1. Introduction	3
2. Index Construction	4
2.1 Defining the Alpha Score	4
2.2 Defining the Eligible Universe	4
2.2.1 Alpha Score Screen	4
2.2.2 Liquidity Criteria	4
2.3 Defining the Optimization Setup	5
2.4 Optimization Constraints	5
2.5 Determining the Optimized Index	6
3. Maintaining the Index	7
3.1 Index Reviews	7
3.2 Ongoing Event Related Changes	7
Appendix I: GEMTL Momentum	9
Appendix II: Defining Trade Limits	10
Appendix III: Handling Infeasible Optimizations	11
Appendix IV: New Release of Barra® Equity Model or Barra® Optimizer	12
Appendix V: Methodology Set	13
Contact us	14
Notice and disclaimer	15

1. Introduction

The MSCI World Enhanced Momentum Crowding Control Select Index (the 'Index')¹ is designed to represent the performance of a strategy that seeks higher active exposure to the Barra Momentum Factor while constraining portfolio-level crowding exposure relative to the Parent Index.

The Index uses an optimization process that aims to maximize the exposure to the Momentum Barra Factor while controlling for active risk, turnover and maximum number of constituents.

¹ The Indexes are governed by a set of methodology and policy documents ("Methodology Set"), including the present index methodology document. Please refer to Appendix V for more details.

2. Index Construction

The Index is constructed from the MSCI World Index² (the 'Parent Index'). The following steps are applied at initial construction and at each Index Review:

- Defining the Alpha Score
- Defining the Eligible Universe
- Defining the Optimization Setup
- Determining the Optimized Index

The steps mentioned above are defined in detail in the subsequent sections.

2.1 Defining the Alpha Score

The Alpha Score is determined by calculating the winsorized (at +/-3) z-score for the Barra Momentum Factor score³.

2.2 Defining the Eligible Universe

2.2.1 Alpha Score Screen

The securities with missing Alpha Score are excluded from the eligible universe.

2.2.2 Liquidity Criteria

Only securities that have a 3-month ADTV (Average Daily Traded Value) greater than or equal to USD 10 Million are selected for inclusion.

ADTV is calculated as:

$$ADTV_{3M} = \frac{ATV_{3M}^4}{252}$$

where ATV_{3M} is the annualized 3-month Average Traded Value of the security.

To avoid multiple securities of the same company in the Index, only the most liquid security for each issuer per its 3-month ADTV, is eligible for inclusion in the eligible universe.

Securities with missing ATV_{3M} values are not considered for inclusion in the Index.

² Please refer to <https://www.msci.com/indexes/index-resources/index-methodology> for the Parent Index methodology.

³ Please refer to Appendix I for more details.

⁴ MSCI Index Calculation Methodology at www.msci.com/index/methodology/latest/IndexCalc.

2.3 Defining the Optimization Setup

The objective of optimization is to maximize the Alpha Score (representative of the exposure to the Barra Momentum Factor) less a penalty for active risk and a maximum integrated crowding score relative to the Parent Index at the time of rebalancing.. The optimization is performed using US Dollar as a base currency.

2.4 Optimization Constraints

At each Index Review, the following optimization constraints are employed, which aim to meet the objectives of the Index while ensuring replicability and investability:

- The weighted average MSCI Security Crowding Integrated Score⁵ of the Index is less than or equal to the weighted average MSCI Security Crowding Integrated Score of the Parent Index.
- The maximum weight of an index constituent is capped at 5%.
- The Common Factor Risk Aversion⁶ and Specific Risk Aversion⁷ parameters in the optimization are set to 0.0075 and 0.075, respectively.
- The ex-ante tracking error of the Index, relative to the Parent Index, will be capped at 3%.
- The one-way turnover of the Index is constrained to a maximum of 10% at the time of rebalancing.
- The maximum number of constituents is capped at 200.
- 3-month ADTV Trade Limit⁸ of 20% is applied. At each monthly index rebalancing, the weight of each index constituent will not change more than predefined Trade Limit linked to the stock's Average Daily Traded Value.
- The exposures of the Index to non-target Barra style factors, namely, Beta, Book-to-Price, Dividend Yield, Earnings Quality, Earnings Variability, Earnings Yield, Growth, Investment Quality, Leverage, Liquidity, Long-Term Reversal, Mid-cap, Profit, Residual Volatility and Size will be restricted to +/-0.1 standard deviation relative to the Parent Index.

⁵ Please refer to <https://www.msci.com/research-and-insights/paper/msci-security-crowding-model> for more details.

⁶ This parameter is the multiplier on the systematic (factor) risk term in the quadratic optimization objective. It penalizes portfolio variance that comes from exposures to common factors (e.g., industries, styles, macro variables).

⁷ This parameter is the multiplier on the idiosyncratic (specific) risk term in the objective. It penalizes variance unique to individual assets that is not explained by factors.

⁸ Refer to Appendix II for more details

2.5 Determining the Optimized Index

The Index is constructed using the Barra Open Optimizer in combination with the relevant Barra Equity Model⁹. The optimization uses the Eligible Universe as the universe of eligible securities and the specified optimization objective and constraints to determine the Index. Infeasible optimizations are handled as explained in Appendix III.

⁹ Please refer to Appendix IV for the detailed information on model usage.

3. Maintaining the Index

3.1 Index Reviews

The Index is reviewed on a monthly basis as per the steps described in Section 2, rebalancing on the first business day of every month ('Index Review Date'). In general, the pro forma Index is announced five business days before the effective date.

MSCI uses Barra Equity Model data as of the day before the pro-forma rebalancing day. ATV as of the last end of month preceding the pro-forma rebalancing day is used.

3.2 Ongoing Event Related Changes

The general treatment of corporate events in the Index 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. Further, the changes in index market capitalization that occur because of corporate event implementation will be offset by a corresponding change in the Variable Weighting Factor (VWF) of the constituent.

No new securities will be added (except where noted below) to the Index between Index Reviews. For cases where additions are noted below, securities will be added to the Index only if added to the Parent Index. 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 not be added to the Index at the time of event implementation.
Merger/Acquisition	For Mergers and Acquisitions, the acquirer's post event weight will account for the proportionate amount of shares involved in deal consideration, while cash proceeds will be invested across the Index.
	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 this Index 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: GEMTL Momentum

The GEMTL style factor targeted in the Index is Barra Momentum Factor. Following is the definition of the target factor currently used in the Index.

Momentum:

The Barra Momentum factor score for each security is the winsorized (at +/- 3) z-score of the Momentum factor taken from the relevant Barra Equity Model (currently GEMTL).

Appendix II: Defining Trade Limits

In the monthly Index Review, the Trade Limit for each security (i.e., the maximum-security weight change) is calculated as 20% of its Average Daily Traded Value, assuming a portfolio value of 1 billion USD:

$$\text{Trade Limit} = (20\% * \text{Average Daily Traded Value}) / 1 \text{ billion}$$

The Average Daily Traded Value of a security is calculated as the average of the daily traded values in the one month prior to the Index Review Date. The daily traded value of a security is equal to the number of shares traded during the day, multiplied by the closing price of that security.

Appendix III: Handling Infeasible Optimizations

During the monthly Index Review, in the event that there is no optimal solution that satisfies all the optimization constraints defined in Section 2.4, the following constraints are relaxed, until an optimal solution is found:

- Relax the Tracking Error constraint in steps of 0.25%, up to a maximum of 4%
- Relax the Turnover constraint in steps of 2%, up to a maximum of 20%

In the event that no optimal solution is found after all the above constraints have been relaxed over all the iterations, the Index will not be rebalanced for that monthly Index Review.

Appendix IV: New Release of Barra® Equity Model or Barra® Optimizer

The methodology presently uses MSCI Barra Global Equity Model for Long-Term Investors (“GEMTL”) for the optimization. A new release of the relevant Barra Equity Model or Barra Optimizer may replace the former version within a suitable timeframe.

Appendix V: Methodology Set

The Index is governed by a set of methodology and policy documents ("Methodology Set"), including the present index methodology document as mentioned below:

- Description of methodology set – www.msci.com/index/methodology/latest/ReadMe
- MSCI Corporate Events Methodology – www.msci.com/index/methodology/latest/CE
- MSCI Fundamental Data Methodology – <https://www.msci.com/index/methodology/latest/FundData>
- MSCI Index Calculation Methodology – www.msci.com/index/methodology/latest/IndexCalc
- MSCI Index Glossary of Terms – www.msci.com/index/methodology/latest/IndexGlossary
- MSCI Index Policies – www.msci.com/index/methodology/latest/IndexPolicy
- MSCI Global Investable Market Indexes Methodology – www.msci.com/index/methodology/latest/GIMI

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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The process for submitting a formal index complaint can be found on the index regulation page of MSCI's website at: <https://www.msci.com/index-regulation>.

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