

MSCI EAFE Index

The MSCI EAFE Index is a stock market index that measures the performance of large- and mid-cap companies across 21 developed markets countries around the world. Canada and the USA are not included.

EAFE is an acronym that stands for Europe, Australasia, and the Far East. With 795 constituents, the index covers approximately 85% of the market capitalization¹ in each country.

¹ Free-float-adjusted market capitalization; as of Jan. 31, 2023

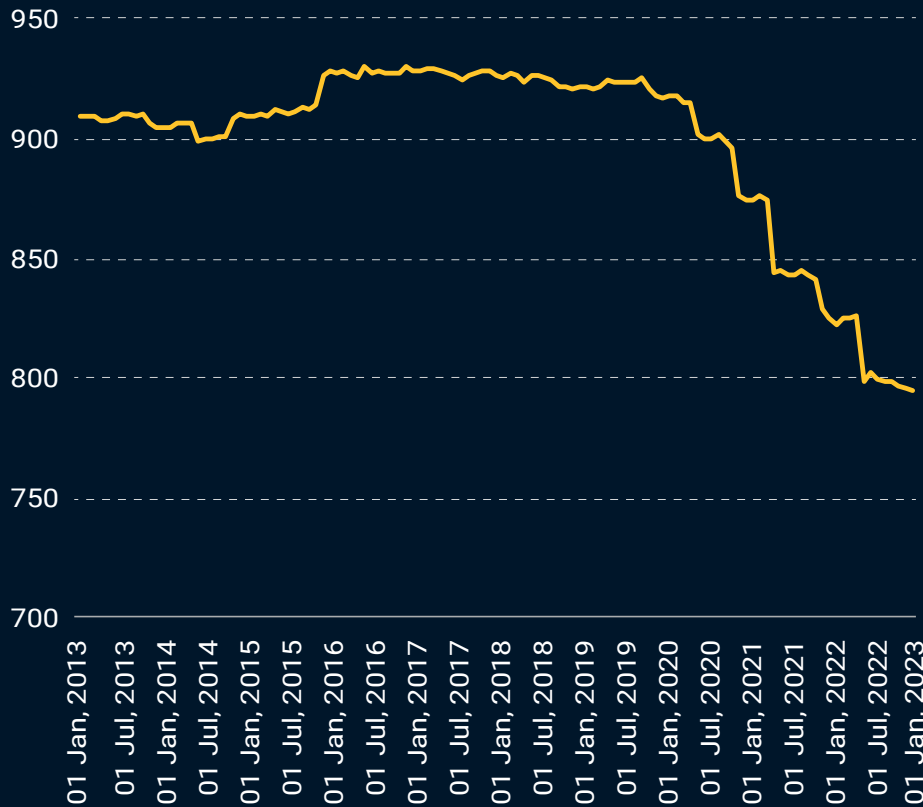
What companies does it include?

The MSCI EAFE Index is comprised of both large and mid-cap companies.

Rather than a fixed number of names, we construct the Index using a mix of large- and mid-cap companies. Large-cap companies comprise approximately 70% of the total market capitalization and mid-cap companies make up the balance, approximately 15%.

Let's see how this has played out over the last decade.

Number of Constituents in the MSCI EAFE Index



Data as of Jan. 31, 2023

How has it performed over time?

The MSCI EAFE Index has returned 5.0% on an annualized basis over the last decade.

MSCI EAFE Index	Return
Year-to-date	8.1
1 Year	-2.8
3 Years	4.2
5 Years	2.1
10 Years	5.0

Net returns, USD, as of Jan. 31, 2023. Returns are annualized for periods longer than a year.

The MSCI EAFE Index has posted a positive return in seven of the last 10 years.

Annual performance	MSCI EAFE Index
2022	-14.5
2021	11.3
2020	7.8
2019	22.0
2018	-13.8
2017	25.0
2016	1.0
2015	-0.8
2014	-4.9
2013	22.8

Net returns, USD, as of Jan. 31, 2023

Can you tell me more about what constitutes a developed market?

The classification of a market as developed, emerging or frontier reflects is based on a framework anchored in three pillars:

- » Economic development, which considers the sustainability of economic development and is used only in the classification of developed markets.
- » Size and liquidity requirements, which determine whether securities meet minimum investability standards.
- » Market accessibility, which aims to reflect international institutional investors' experience of investing in each market.

For a country to be classified as developed, it will have to meet the following criteria²:

- » Economic development: Gross National Income (GNI) per capita of 25% above the World Bank high-income threshold for three consecutive years.
- » Size and liquidity requirements: At least five companies meeting minimum size requirements (full- and free-float market capitalization) and a liquidity threshold based on annualized traded values.
- » Market accessibility: Exhibits a high degree of openness to foreign investment as measured by such indicators as the absence of foreign ownership limits or restrictions on the flow of capital.

What are the developed markets globally and how are they represented in the index?

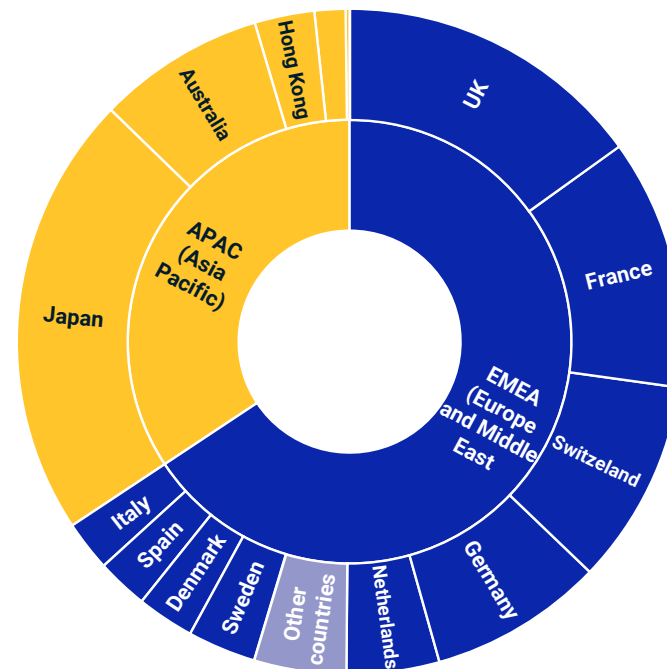
There are currently³ 23 developed markets globally, including: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK, and the USA.

The MSCI EAFE Index captures representation from all but two of these markets; the USA and Canada are excluded from the Index.

The largest country in the MSCI EAFE Index, as measured by market capitalization, is Japan, which represents 21.6% of the Index. The next 3 countries by size are: UK (15.0%), France (12.2%), and Switzerland (10.0%).

As markets and economies evolve, so will country weights within the index. Our index construction process is not bound by a fixed number of constituents, which helps our indexes to be more dynamic and better capture that evolution.

MSCI EAFE Index: Country Composition



Other EMEA Countries (Total: 4.5%):

- Belgium
- Ireland
- Israel
- Austria
- Finland
- Norway
- Portugal

² Data as of Jan. 31, 2023

³ Data as of Jan. 31, 2023

What about the businesses these companies represent?

The MSCI EAFE Index provides exposure to a diverse set of sectors.

Sector	Current
Communication Services	4.5
Consumer Discretionary	11.7
Consumer Staples	10.1
Energy	4.7
Financials	19.0
Health Care	12.8
Industrials	15.1
IT	8.2
Materials	8.0
Real Estate	2.6
Utilities	3.3

Data as of Jan. 31, 2023

By incorporating mid-cap companies, the MSCI EAFE Index may become more diversified from a sector perspective than if it was comprised solely of large cap companies.

For example, Real Estate and Health Care sectors are underrepresented among large cap companies when compared to mid-caps, while sectors such as IT and Financials have larger weights.

Sector weights change over time as markets and economies evolve. By having an index construction process that is not bound by a fixed number of constituents, our Indexes can better capture that evolution. The chart below shows the minimum and maximum weights to each sector over the last 5 years.

Sectors	Minimum weight (5 year-period)	Maximum weight (5 year-period)
Communication Services	3.6	5.7
Consumer Discretionary	10.9	13.0
Consumer Staples	10.0	12.6
Energy	2.7	6.2
Financials	15.1	21.7
Health Care	10	14.7
Industrials	14.2	16.2
IT	6.0	9.9
Materials	6.7	8.3
Real Estate	2.6	3.9
Utilities	3.1	4.2

Data from Jan. 31, 2018 to Jan. 31, 2023

GICS® (Global Industry Classification Standard) is the global industry classification standard jointly developed by MSCI Inc. and S&P Global



Note:

- » Changes in the composition of the Communication Services, Consumer Discretionary and IT sectors in 2018 reflected the increased integration among telecommunications, media and internet companies.
- » Real Estate became its own sector in 2016.

Is there anything else I should know about the index?

Our Economic Exposure dataset illustrates where revenues originate for all the companies in the MSCI EAFE Index.

Economic Exposure	North America	Emerging Markets	Europe and Middle East	Pacific
MSCI EAFE Index	21.1%	28.4%	28.4%	22.2%

Data as of Jan. 31, 2023

While the companies in the MSCI EAFE Index are based in developed markets, the analysis above shows that a substantial amount of their revenues comes from emerging markets.

The USA and Canada are not included in this Index, but revenues from these two markets are significant. In fact, we have seen exposure grow over the last 10 years as North American markets have become a more important source of revenues for other developed markets.

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