

ANNEXURE: SUMMARY OF INCLUSION CRITERIA FOR MSCI/AREF UK QUARTERLY PROPERTY FUND INDEX

June 2021

Further to the announcement published for conclusion of consultation on changes to inclusion criteria of MSCI/AREF UK Quarterly Property Fund Index, the following exhibits include details of the rules to be implemented.

Consultation conclusion announcement can be found at <https://www.msci.com/real-estate-index-announcements>

Exhibit 1: List of Index Inclusion Rules for UK PFI and Consultation Decision

Rule #	Index Inclusion Rules	Consultation Decision		
		Rule Change	Quarterly Review of Fund's Eligibility	Observation Period
1	Fund should not be listed on a stock exchange	--	Yes	--
2	Funds should have minimum 95% of their gross assets (excl. cash) invested in the UK	Yes	Yes	4 quarters
3	Fund should have its direct property portfolio investment performance measured by MSCI, at least quarterly	Yes	Yes	--
4	Fund must be a full member of AREF	--	Yes	--
5	Fund must be open to new investors i.e., funds must be registered as: <ul style="list-style-type: none"> • Open-ended and Semi open-ended funds • Closed-ended funds that are open to investment 	--	--	--
6	Minimum fund size (NAV) of GBP 100 million	Yes	Yes	4 quarters
7	Fund must be listed within the MSCI/AREF UK Quarterly Property Fund Index market information products with individual fund performance, but not contribute to the Index, for their first period of data provision	--	--	--

Rule #	Index Inclusion Rules	Consultation Decision		
		Rule Change	Quarterly Review of Fund's Eligibility	Observation Period
8	Fund must value and report their NAV, at least quarterly	--	Yes	--
9	Fund should provide data to compile the longest possible history of investment performance, subject to minimum of either three years or from the date of inception of the fund was launched less than three years before the point of inclusion	Yes	--	--
10	Fund must value at least 95% of its property portfolio each quarter, including indirect investments	--	Yes	--

Exhibit 2: List of Sub-Index Inclusion Rules for UK PFI and Consultation Decision

Rule #	Sub-index Inclusion Rules	Consultation Decision		
		Rule Change	Quarterly Review of Fund's Eligibility	Observation Period
1	<p>MSCI/AREF UK Long Income Open-ended Fund Index</p> <ul style="list-style-type: none"> Funds that are open-ended or semi open-ended Funds with weighted average unexpired lease term of greater than 15 years Funds with a low leverage ratio i.e., not more than 20% (where leverage is defined as the ratio of total debt to Gross Asset Value of the fund) 	Yes	Yes	4 quarters
2	<p>MSCI/AREF UK All Balanced Open-ended Fund Index</p> <ul style="list-style-type: none"> Funds that are open-ended or semi open-ended Balanced Property Funds that are not classified as Long Income funds Funds with holdings of either Office, Retail, Industrial, Residential, Hotel or Other property account for no more than 70% of the portfolio Funds diversified geographically so that no more than 70% of the investments from portfolio are in one of the following regions: Central London (City, Mid-town and the West End), Inner London, Outer London, South East, South West, Eastern, East Midlands, West Midlands, Yorkshire & Humberside, North East, North West, Scotland, Wales, Northern Ireland, Offshore UK) 	Yes	Yes	4 quarters

Rule #	Sub-index Inclusion Rules	Consultation Decision		
		Rule Change	Quarterly Review of Fund's Eligibility	Observation Period
2.a	<p>MSCI/AREF UK Managed Open-ended Property Fund Index</p> <ul style="list-style-type: none"> Funds that are Open-ended or Semi Open-ended Managed Property Pension Funds that are not classified as Long Income funds 	Yes	Yes	4 quarters
2.b	<p>MSCI/AREF UK Other Balanced Open-ended Property Fund Index</p> <ul style="list-style-type: none"> Funds that are Open-ended or Semi Open-ended Other Balanced funds that are not classified as Long Income funds Balanced funds that are not classified as Managed Property Pension Fund 	Yes	Yes	4 quarters
3	<p>MSCI/AREF UK Other Property Fund Index</p> <ul style="list-style-type: none"> Funds that otherwise qualify for inclusion in the Index but do not meet the conditions to be included either as a balanced open-ended fund or as a long income open-ended fund All specialist funds and closed-ended funds within the UK PFI will be included 	Yes	Yes	4 quarters

Note: MSCI/AREF UK Low Geared Balanced Property Fund Index and MSCI/AREF UK Specialist Property Fund Index will be discontinued starting Q1 2022 results reporting.

Exhibit 3: Illustration of Methodology – Introduction of Observation Period for Existing Index Constituents

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Criteria adherence (Yes / No)	No	No	No	No	No	No	Yes	
	Observation Period During Non-adherence (4 quarters)							
Index Inclusion Status (Yes / No)	Yes	Yes	Yes	No	No	No	Yes	
Included in Market Information Products (Yes / No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	

Exhibit 4: Illustration of Methodology – Introduction of Observation Period for Existing Sub-Index Constituents

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Criteria adherence (Yes / No)	Yes	Yes	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
			Observation Period Prior to Exclusion (4 quarters)					Observation Period Prior to Inclusion (4 quarters)				
Sub-Index Inclusion Status (Yes / No)	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	Yes	Yes
Included in Market Information Products (Yes / No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

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