

Real estate index announcement

June 2021

Conclusion of consultation on changes to the inclusion criteria of MSCI/AREF UK Quarterly Property Fund Index

London, June 30 2021: MSCI Inc. (NYSE: MSCI), a leading provider of research-based indexes and analytics, announced today the conclusions from its recent consultation with the UK real estate investment community on changes to the inclusion criteria of MSCI/AREF UK Quarterly Property Fund Index (UK PFI). Following the positive feedback received from the market participants on most of the proposed methodology enhancements, MSCI will implement the following enhancements on a moving forward basis starting Q1 2022 results reporting, with no restatement of index history.

1. Changes to the Index inclusion rules

During the consultation, the market participants were supportive of the proposed changes to index inclusion rules. Based on that, MSCI will implement the proposed changes.

2. Changes to Sub-index inclusion rules

Compared to the consultation proposal, MSCI will implement changes to the sub-index rules based on the feedback received from market participants which is to include only open-ended funds within the MSCI/AREF UK All Balanced Property Fund Index to enhance comparability of funds within the sub-index. The same change will be implemented for the MSCI/AREF UK Managed Property Fund Index and the MSCI/AREF UK Other Balanced Property Fund Index. During Q1 2022 results reporting, this change will lead to exclusion of one closed-ended fund from MSCI/AREF UK All Balanced Property Fund Index and MSCI/AREF UK Other Balanced Property Fund Index with an impact¹ of -0.7% and -0.9% respectively, to the Net Asset Value (NAV) of sub-indexes.

Extending the relevance of this feedback to MSCI/AREF UK Long Income Property Fund Index, MSCI will, in addition to the proposed changes, introduce a rule to include only open-ended property funds in the sub-index. There is no impact of this change to the composition of MSCI/AREF UK Long Income Property Fund Index.

To reflect the above, the current sub-indexes will be renamed as below:

- MSCI/AREF UK All Balanced Open-ended Property Fund Index
- MSCI/AREF UK Managed Open-ended Property Fund Index
- MSCI/AREF UK Other Balanced Open-ended Property Fund Index
- MSCI/AREF UK Long Income Open-ended Property Fund Index.

¹ Impact to index composition is calculated based on NAV as of March 2021

Additionally, MSCI will introduce MSCI/AREF UK Other Property Fund Index that will include all specialist funds and closed-ended funds within the UK PFI and the MSCI/AREF UK Specialist Property Fund Index will be discontinued. As proposed, MSCI/AREF UK Low Geared Balanced Property Fund Index will be discontinued.

3. Introduce quarterly review and observation period to assess eligibility of index constituents

Based on the positive feedback received from the market participants, MSCI will, as proposed, a) introduce quarterly review of eligibility of index and sub-index constituents based on certain rules, b) introduce observation period to monitor temporary non-adherence to certain rules.

4. Treatment of funds under temporary suspension

During the consultation, market participants were supportive of the proposal to introduce a quarterly review and observation period to monitor funds under temporary suspension. However, considering the impending outcome of consultation on ‘Liquidity mismatch in authorized open-ended property funds’ by the Financial Conduct Authority (FCA), MSCI will defer implementation of the proposal until further notice. MSCI will review the FCA consultation outcome before implementing the consultation proposal.

The MSCI/AREF UK Quarterly Property Fund Index methodology document will be updated with relevant changes from the outcome of methodology consultation. The updated methodology document will be published on [MSCI’s Website](#) on or before 1 February 2022 in advance of the Q1 2022 results reporting.

For further details on consultation proposal and consolidated list of inclusion rules for UK PFI including consultation decisions – refer to the below documents

1. [MSCI Methodology Consultation Proposal – Changes to Inclusion Criteria](#)
2. [Annexure: Summary of inclusion criteria for MSCI/AREF UK Quarterly Property Fund Index](#)

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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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