

MSCI INDEX UPDATES AND TRENDS



WHY MSCI?

1

MSCI has been in the business of building innovative indexes and calculating fair, accurate and cost effective indexes for **40+ years**

2

Investors count on MSCI Indexes, as evidenced by the ~\$10 trillion in assets benchmarked to MSCI Indexes¹, as well as USD ~\$63 billion in aggregate notional outstanding of MSCI index linked futures & options

3

MSCI is the **#1 provider** to the equity ETF industry in number of licensed ETFs ²

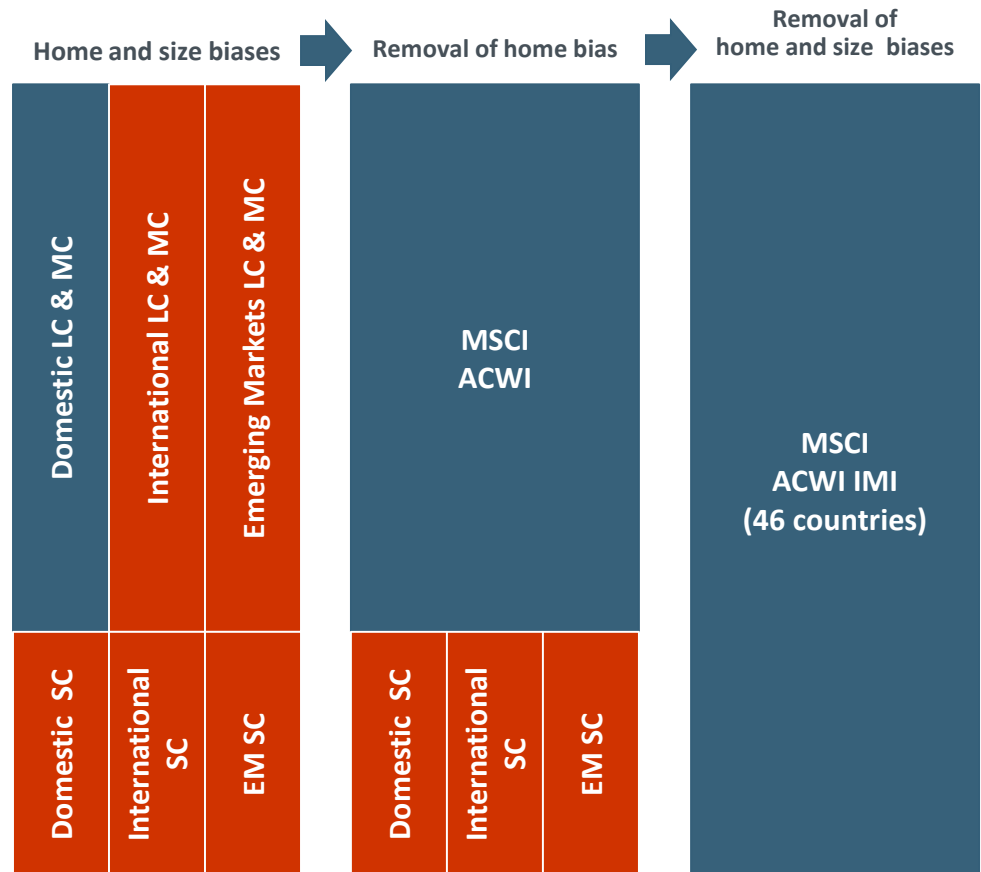
¹ As reported on March 31, 2016, by eVestment, Morningstar and Bloomberg

² As of June 30, 2016; defined as each share class of an exchange traded fund, as identified by a separate Bloomberg ticker. Only primary listings, and not cross-listings, are counted.

MSCI: DEFINING THE EQUITY SPACE FOR 40+ YEARS

Globalization of portfolio allocation

- Recent years have seen increased **adoption of global equity policy** benchmarks in contrast to the traditional segmentation between domestic/non-domestic and other fixed regional buckets
- Some institutional investors believe that **ignoring small cap and emerging markets could have significant implications** for long term portfolio performance
- An increasing number of investors are now adopting the MSCI global benchmark **ACWI IMI Index that covers all size segments**



MSCI ACWI - A MODERN SINGLE SEAMLESS SOLUTION

MSCI ACWI - Non-Dividend



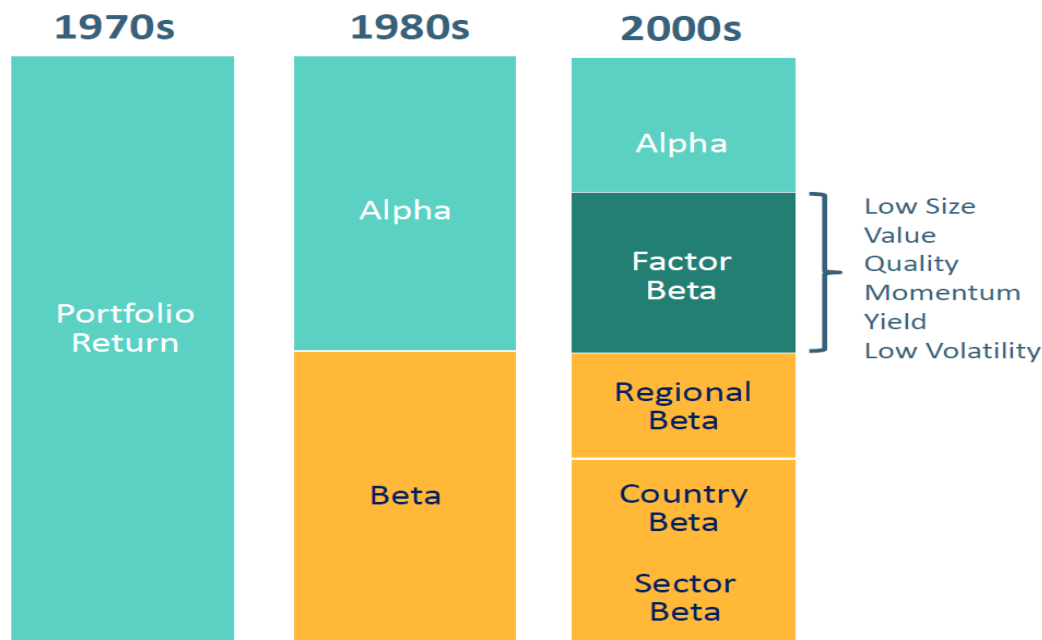


Trending Themes In Indexing

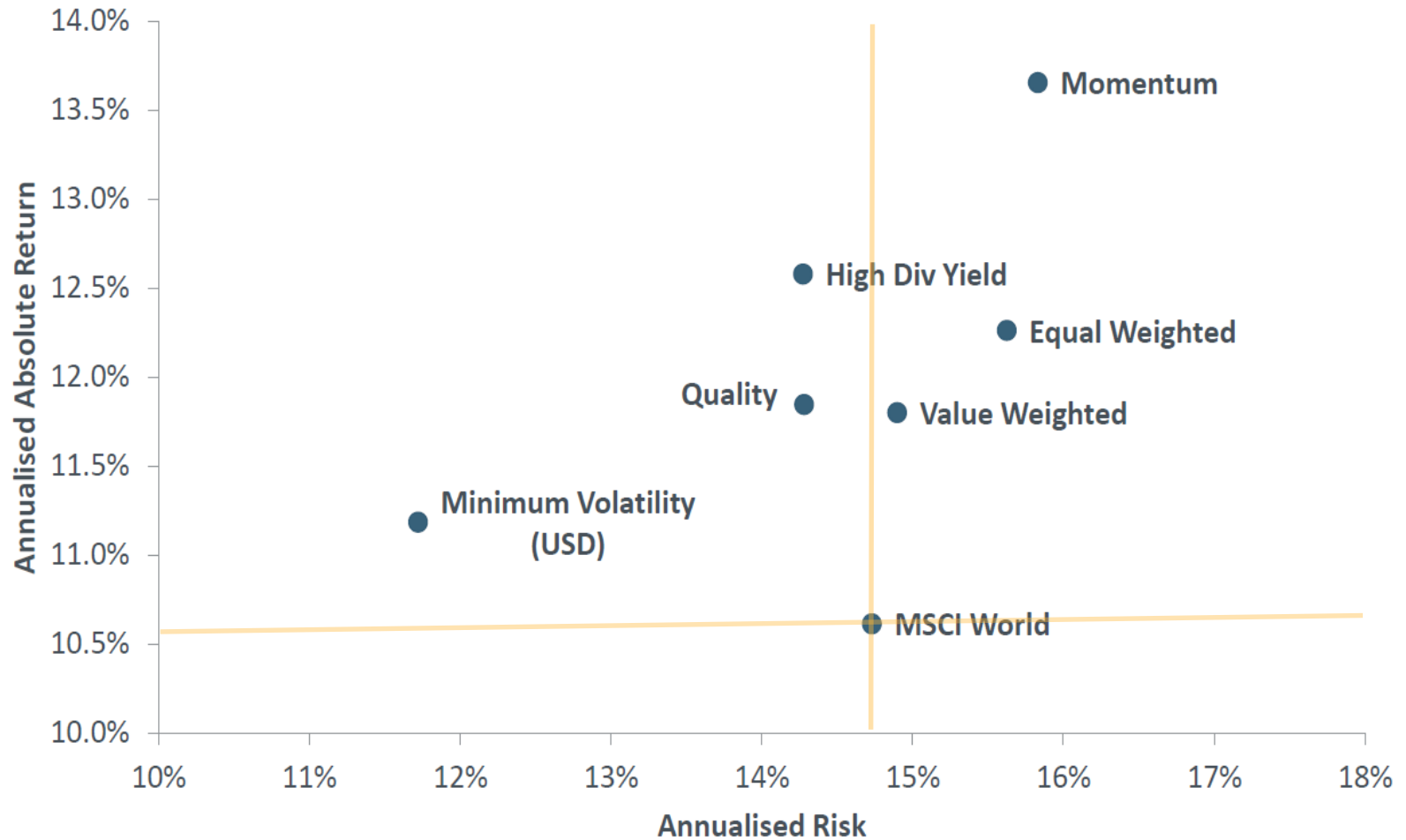
- 1. Factor Investing**
2. China
3. Emerging Markets
4. Small Cap Investing
5. ESG & Low Carbon Investing
6. Listed Real Estate & Listed Infrastructure

MSCI: A LEADER IN FACTOR INVESTING

- During the 1960s/1970s, MSCI provided investors with a basis for understanding opportunity sets outside their home markets
- In the 1980s, MSCI pioneered investing in the Emerging Markets
- Today, MSCI is at the forefront of developing Factor Indexes creation
- **For the first time on a large and systematic basis, traditional investment strategies are being captured in indexes**



FACTOR INDEXES: LONG – TERM OUTPERFORMANCE



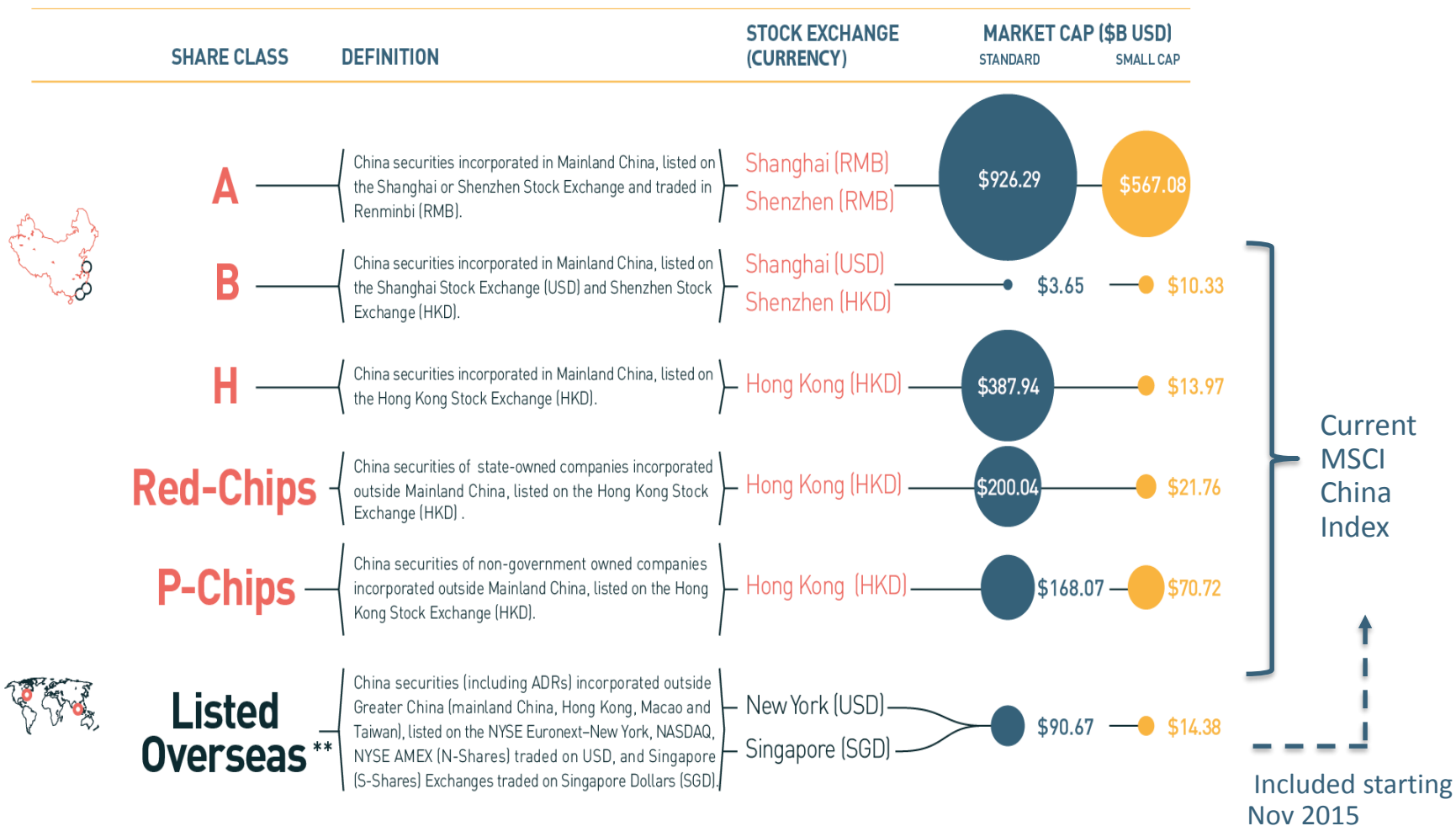
Data from 1975 – 2015. Source: Factor Indexes in Perspective: Insights from 40 Years of Data, MSCI Research Insight. Data extended to 4/30/2015



Trending Themes In Indexing

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- 2. China**
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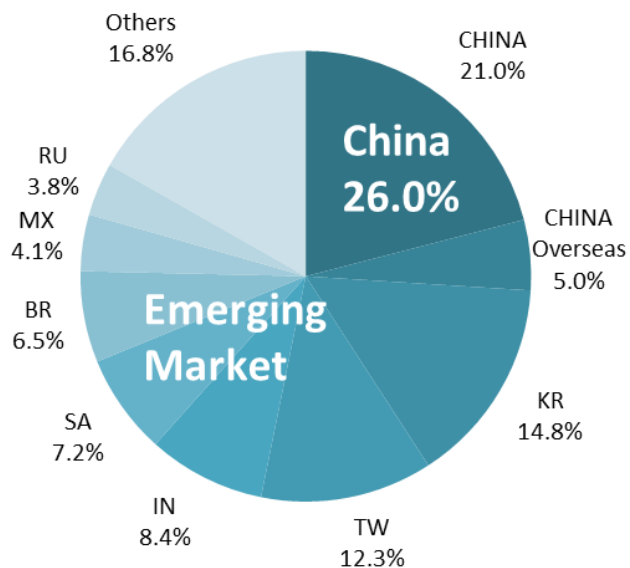
RIISING SIGNIFICANCE OF CHINA A SHARES



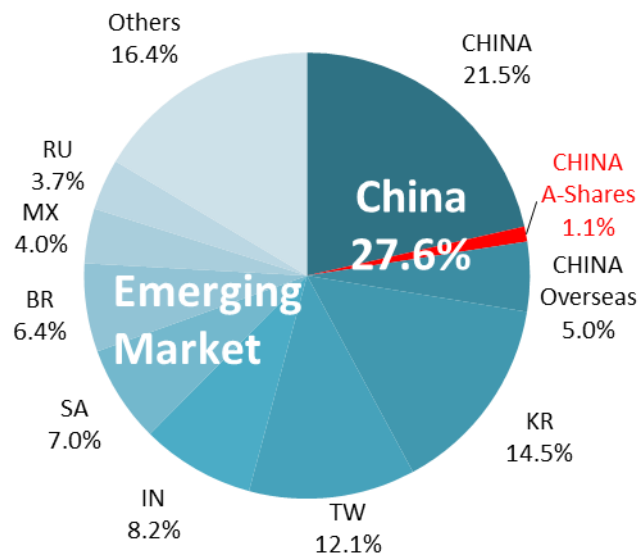
* As of September 30, 2014 (Billion USD) Share Type Standard Small Cap. China A market cap is calculated based on Domestic Inclusion Factor (DIF) and the rest is calculated based on Foreign Inclusion Factor (FIF).
: China Index Methodology.

INDEX INCLUSION ROADMAP OF CHINA A-SHARES

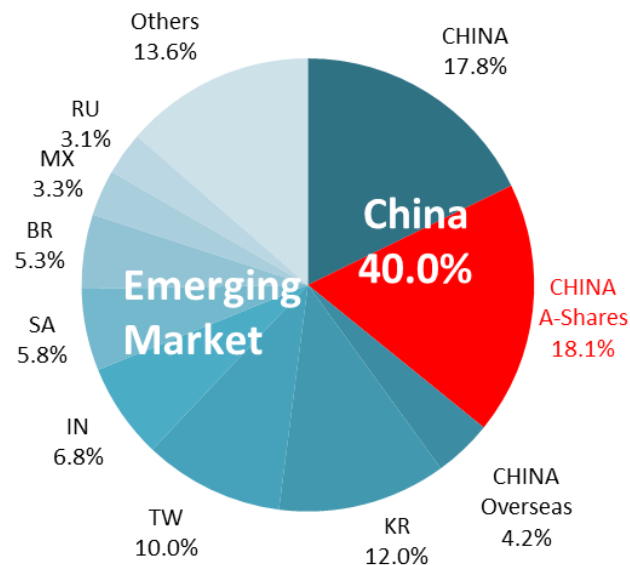
Current Status



Partial Inclusion (5%)



Full Inclusion (100%)



Timeline of Recent Developments

Feb 2016

- Linking QFII Quota allocation to size of investors
- Relaxation of capital mobility restrictions under the QFII scheme

Mar 2016

- MSCI resumes consultation on China A-shares inclusion roadmap

May 2016

- Resolution of the issues regarding beneficial ownership
- Enhanced regulations on trading suspensions

Jun 2016

- MSCI announces Market Reclassification result

Data as of June 10, 2016



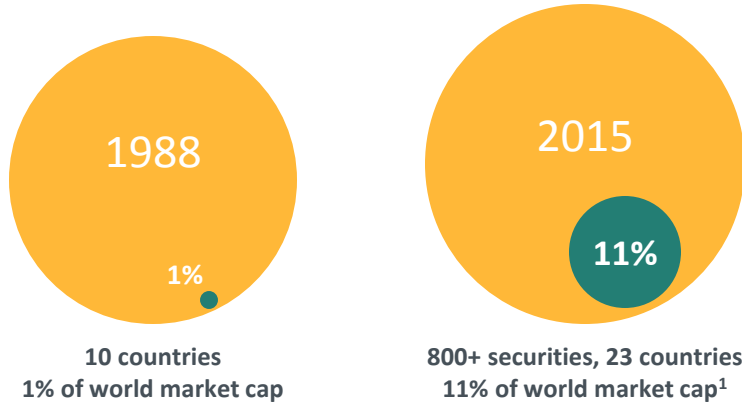
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MSCI: DEFINING EMERGING MARKETS FOR OVER 25 YEARS

1988

MSCI launches first comprehensive emerging markets index



The Emerging Markets

MSCI reviews & identifies countries on the basis of:
Economic development, Size, Liquidity
Market accessibility & extensive discussions with investment community

Asia:

China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, Thailand

EMEA:

Czech Republic, Egypt, Greece, Hungary, Poland, Qatar, Russia, South Africa, Turkey and the UAE.

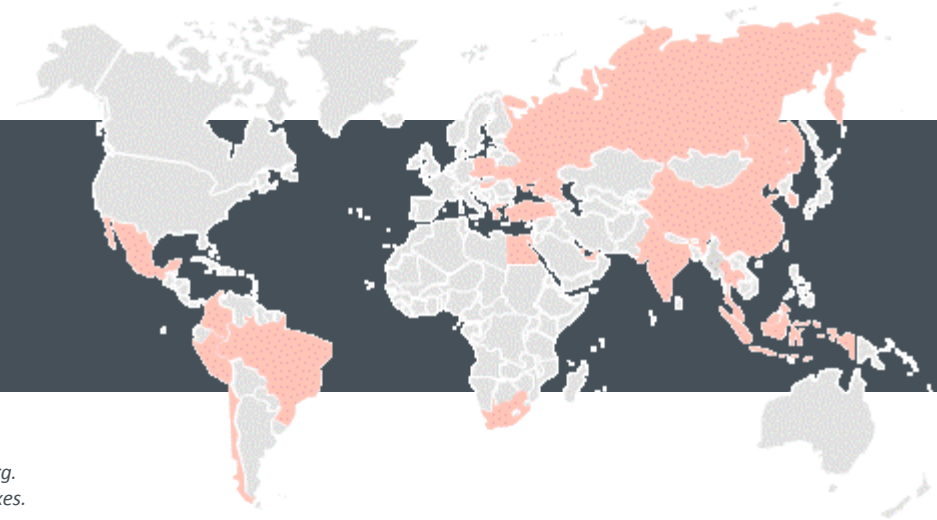
Americas:

Brazil, Chile, Colombia, Mexico, Peru

> \$1.6 trillion AUM tracking
the broad MSCI Emerging Markets Indexes⁽²⁾

(1) As of September 30, 2015

(2) As of June 30, 2015, as reported in September 30, 2015 by eVestment, Morningstar and Bloomberg.
Includes the MSCI EM, MSCI EM IMI, MSCI EM Small Cap, MSCI EM Large Cap, MSCI EM Mid Cap Indexes.



MSCI EMERGING MARKETS INDEX: BUILT TO LAST

MSCI has been the trusted Emerging Markets Index for 25+ years

MSCI EM Index remains the most widely adopted mandate structure for emerging markets investors*

95% of US pension funds assets invested in Emerging Markets are benchmarked to MSCI*

Flagship Emerging Market Indexes:

- MSCI EM
- MSCI EM IMI
- MSCI EM Minimum Volatility

*Based on P&I AUM data as of Dec 2014 and MSCI clients as of September 2015



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SMALL CAP PREMIUM

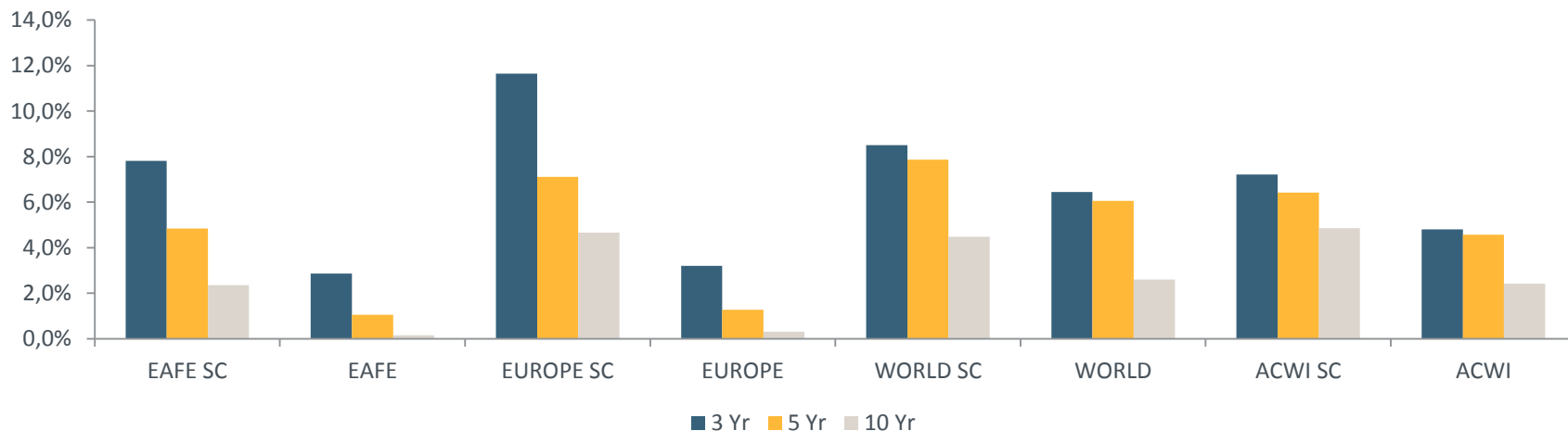
Potential reasons why institutional investors have included small caps in their global equity portfolios:

1. Historical **small cap premium**
2. Better **diversification** potential
3. Wider range of **opportunities**

Historically, most of the MSCI IMI indexes earned higher returns and higher return-to-risk ratios than their large + mid cap counterparts

Small Cap Premium (USD Gross)

Annualized returns as on 09/30/2015





Trending Themes In Indexing

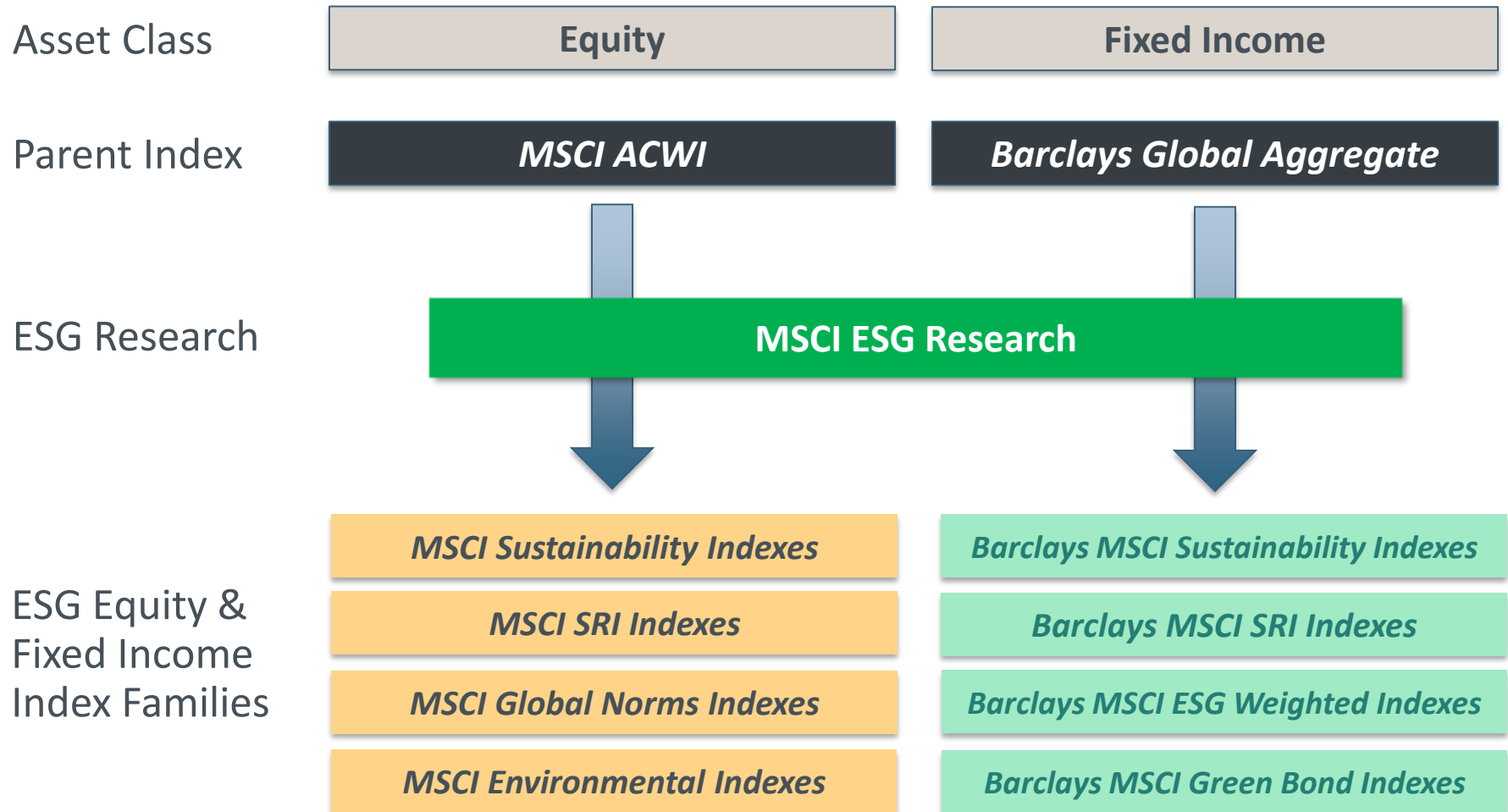
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MSCI ESG INDEXES



- Index and ESG expertise incorporated in a fully integrated business model
- Family of 130+ Sustainability, SRI, Environmental and Global Norms indexes
 - Representative of the most widely used ESG strategies
 - Based on MSCI ACWI, the leading global policy benchmark
- Benchmarks that facilitate ESG integration
 - Passive investment funds
 - Performance and risk analysis
 - Universes for active and quantitative managers
 - Evaluating the ESG characteristics of portfolios

LEADING EQUITY & FIXED INCOME BENCHMARKS FOR ESG INVESTORS





Trending Themes In Indexing

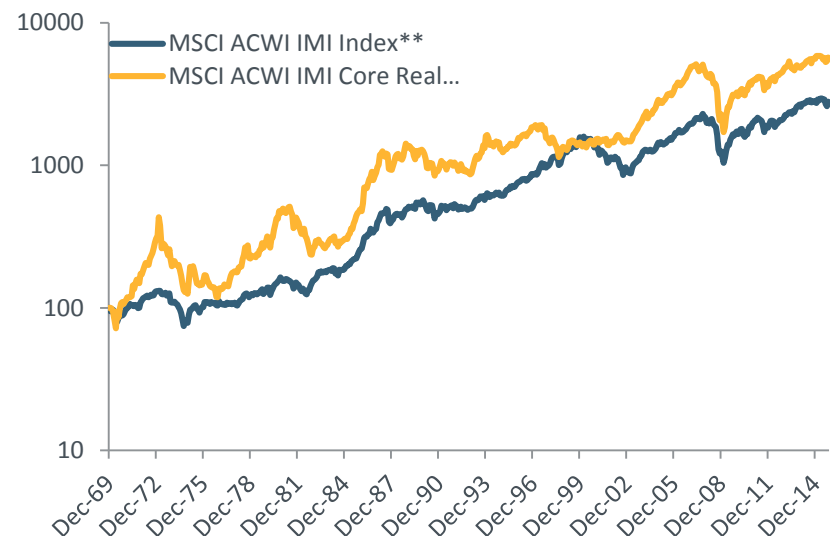
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CORE REAL ESTATE INDEXES

MSCI's Core Real Estate indexes are a subset of ACWI that focuses on companies directly involved in the ownership and management of core real estate activities. This “pure” real estate set of indexes provides a robust measure of market performance and can be used as benchmarks or as the basis for passive investment products.

- Derived from MSCI ACWI IMI
 - Subset of the broader GICS-based MSCI ACWI IMI Real Estate Index
 - Includes both REITs and Real Estate Management and Development companies
- Target “pure” Real Estate exposure
 - Includes companies engaged in the ownership, development and management of real estate of core property types
 - 75% of relevant revenues required for eligibility
 - Excludes companies remotely connected to real estate or engaged in very specialized sectors

MSCI Core Real Estate Index Compared with ACWI



FACTOR REAL ESTATE INDEXES

Real Estate Factor Indexes apply MSCI's expertise in factors for the MSCI Core Real Estate Indexes. The initial focus is on the U.S. and UK Indexes, and for the Low Volatility, High Dividend Yield and Low Size Factor Indexes, with further Indexes due to be launched going ahead.

- The index family is a subset of the Core Real Estate Indexes **capturing key Real Estate performance factors**
- Aim to reflect the performance characteristics of investment styles and strategies in the listed real estate space
 - **High Dividend Yield**
 - **Small Size**
 - **Volatility**

Apply the MSCI Factor Indexes Methodology to Real Estate

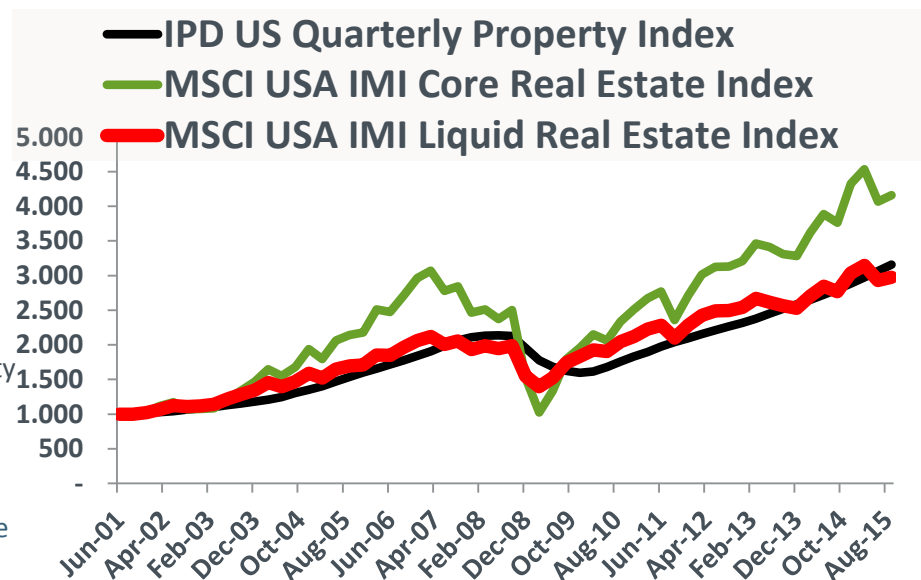


MSCI LIQUID REAL ESTATE INDEXES

The MSCI Liquid Real Estate Indexes are multi-asset class indexes that aim to achieve a risk/return profile similar to direct real estate indexes by using liquid instruments. The MSCI Liquid Real Estate Indexes, based on the MSCI ACWI IMI Index, are constructed by combining MSCI Core Real Estate Volatility Tilt and Markit iBoxx inflation-linked Indexes. This combination of indexes aims to deleverage the listed real estate index to reduce the impact of leverage used by companies on return and achieve a risk/return profile closer to the unlevered return on underlying properties.

- The MSCI USA IMI Liquid Real Estate Index and the MSCI UK IMI Liquid Real Estate Index have historically demonstrated higher correlation with the IPD US Property Index and the IPD UK Property Index than their parent equity - only indexes.
- By using public real estate companies' financial statements and deleveraging a listed equity index, it is possible to create an investable index with a risk/return profile similar to direct real estate indexes
- The MSCI USA IMI Liquid Real Estate Index combines a listed equity index with a short-term index of inflation protected bonds. The index:
 - Targets an index risk/return profile similar to direct real estate indexes(e.g. IPD Property Indexes) using liquid instruments

Performance of the IPD US Property Index, MSCI USA IMI Core Real Estate Index and the MSCI USA IMI Liquid Real Estate Index (as at 30 Sep 2015)



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