

Index Quarterly Reviews:

▶ A Year of Transition

In February 2023, MSCI transitioned to a comprehensive schedule for the quarterly reviews of its market cap indexes, prompted by consultations with market participants.

This strategic change reflects our commitment to listening to market participants and ensuring that our index construction continues to effectively respond to the dynamic nature of markets. More specifically, this major enhancement is intended to promptly reflect equity market changes in our indexes, distributing index turnover more evenly across reviews without impacting the total annual index turnover.

Our quarterly reviews now enable a full review of the investable universe four times a year instead of two, as was the case under the previous schedule. This means that newly listed securities, or securities meeting index inclusion requirements may be included in our indexes faster, which would improve the capture of markets by our indexes. It also means that less investable securities may be deleted sooner, which would improve our indexes' investability. Company size (large, mid, small or micro-cap definitions) is also fully assessed at each index review, improving the timeliness of our size-segmentation classification.

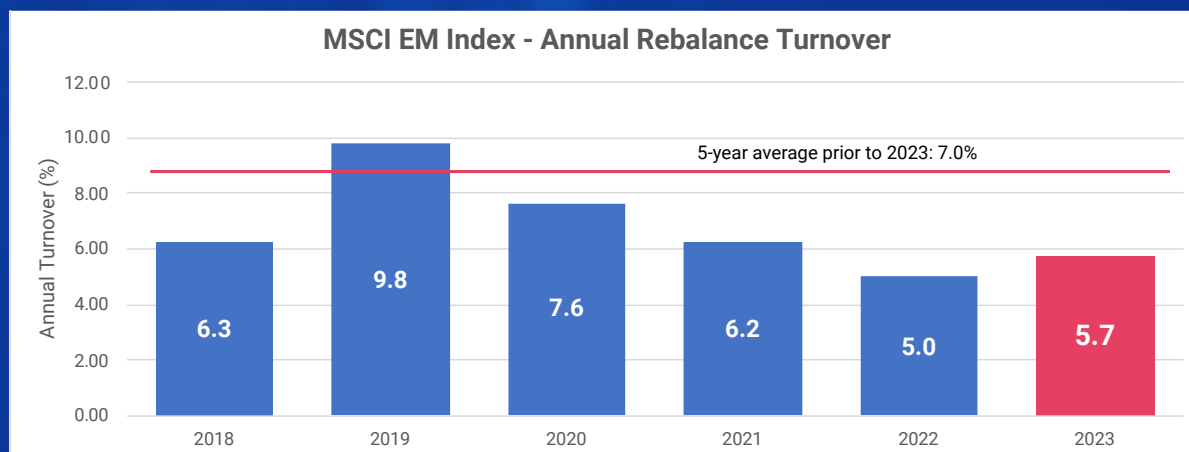
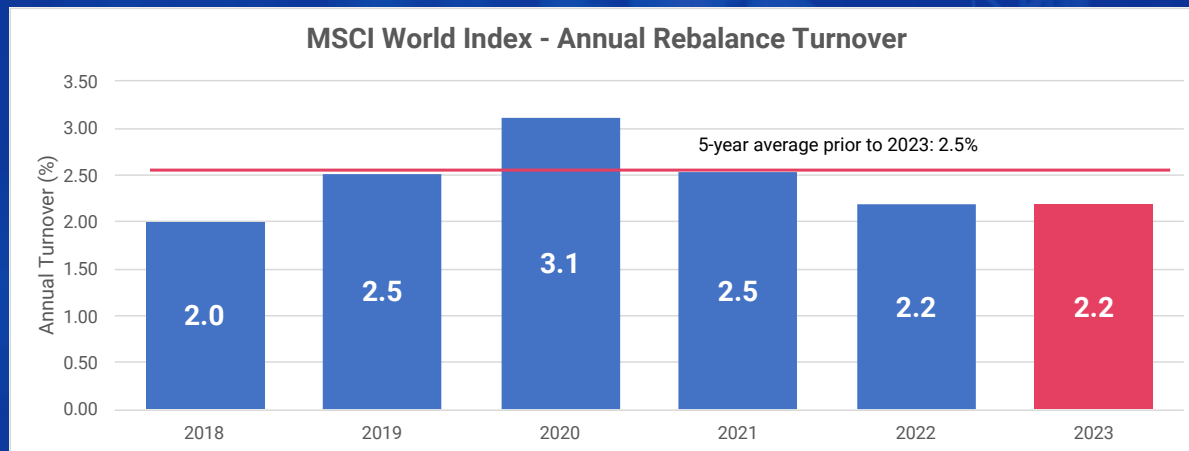
To mark the first anniversary for this change, we have analyzed the impact of 2023 quarterly reviews and compared it to previous years.



Index turnover

In the historical analysis we undertook at the time of the market consultation, we had noted a minimal impact on the annual turnover and a decrease in the average turnover for each quarterly rebalance for the simulated MSCI World and MSCI Emerging Market indexes. In 2023, the index review characteristics were at least in line with these observations, and in some instances even ahead of expectations.

Indeed, the charts below show that the 2023 total annual turnover for both MSCI World and MSCI Emerging Market indexes was lower than the average levels observed in the preceding five calendar years.



Also, in 2023, we witnessed a lower quarterly average turnover compared to the semi-annual index reviews conducted in May and November for preceding years, when a comparable full reconstitution used to take place.

Quarterly average	MSCI World Index	MSCI Emerging Markets
2018	0.70%	2.60%
2019	0.87%	4.05%
2020	1.20%	3.26%
2021	0.82%	2.25%
2022	0.74%	1.92%
2023	0.55%	1.43%

2018 – 2022: average turnover of May and November reviews
 2023 - average turnover of February, May, August and November reviews

Number of additions and deletions

Our historical analysis didn't indicate a meaningful impact on the annual number of additions and deletions driven by index reviews, post the introduction of the new rebalancing schedule. Also, since our goal was to spread the impact of index changes more evenly throughout rebalances, the expectation was that the number of additions and

deletions in May and November would reduce, as more of them would have been implemented in February and August.

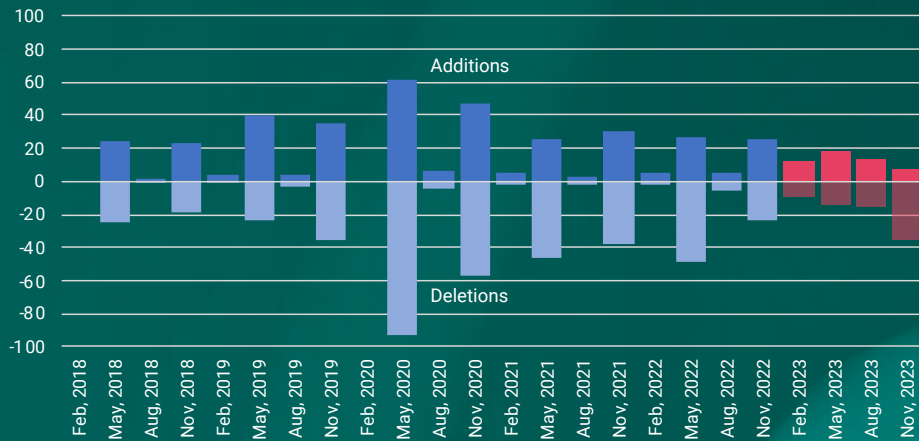
Starting with the annual results, for both the MSCI World and MSCI Emerging Markets indexes, the total number of additions and deletions for 2023

was below the 5-year averages. It should be noted that the high number of additions in the MSCI Emerging Markets Index in 2018 and 2019 was linked to the staggered inclusion of China A shares.

Index Reviews	MSCI World Index		MSCI Emerging Markets Index	
Constituent change	Additions	Deletions	Additions	Deletions
2018	48	45	371	79
2019	83	62	341	59
2020	115	154	181	181
2021	63	88	200	122
2022	63	79	142	127
2018-2022 Average	74	86	247	114
2023	53	74	174	104

In the charts below, we provide a quarterly view of number of additions and deletions for 2023 and the five preceding years. Additions are shown above the x-axis while deletions are shown below.

MSCI World Index - Number of Additions and Deletions



MSCI EM Index - Number of Additions and Deletions



As expected, the number of additions and deletions in February and August 2023 was higher than for equivalent months in most of the prior rebalances, given that now we undertake a deeper rebalance every quarter. On the other hand, the number of additions and deletions in May and November 2023 was lower than for the same months in previous rebalances.

Conclusion

We decided to evolve our index methodology so that our indexes would reflect changes in the overall equity market comprehensively on more frequent basis. From an implementation standpoint, the new rebalancing schedule was designed to reduce the size of any individual quarterly rebalance by spreading index review changes and turnover more evenly.

As we review the results of the first year of this new rebalancing schedule, we are pleased to note that the changes in the index turnover and additions/deletions were above the expectations set by our previous research.

We remain committed to listening to market participants and to continuously look for methodology and process improvements to ensure that our indexes remain investable and evolve with the market they seek to represent.





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