

MSCI Tadawul 30 Index Methodology

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1 Introduction

The MSCI Tadawul 30 Index (the “Index”) is constructed from the MSCI Saudi Arabia IMI STW Index (the “Parent Index”)¹. The Parent index is based on the MSCI Saudi Arabia Investable Market Index (IMI) that represents the performance of large, mid and small-cap stocks of the Saudi Arabia equity and follows a trading calendar based on a Sunday through Thursday week (STW). The Index aims to include approximately the 30 largest stocks from the securities listed on the Saudi Arabia equity market, based on free float-adjusted market capitalization, screened for liquidity and international investability, subject to a cap on the weight of individual constituents.

¹ The Parent Index constituents could differ from the constituents of MSCI Saudi Arabia IMI because the Parent Index follows a Sunday through Thursday trading calendar while the MSCI Saudi Arabia IMI Index follows a Monday through Friday trading calendar. Any change to the Index, including but not limited to corporate events, will be implemented based on a Sunday through Thursday trading calendar.

For details on the Index Calculation, please refer to appendix ‘Sunday-Thursday Index Calculation Methodology’ of the MSCI Index Calculation methodology book, available at <https://www.msci.com/index/methodology/latest/IndexCalc>

For details on the Corporate Events, please refer to appendix ‘Corporate Events Implementation in Sunday - Thursday Index Calculation methodology’ of the MSCI Corporate Events Methodology, available at <https://www.msci.com/index/methodology/latest/CE>

For details on the Investable Market Index, please refer to the MSCI Global Investable Market Indexes (GIMI) Methodology, available at <https://www.msci.com/index/methodology/latest/GIMI>

Definitions of standard terms used in GIMI index methodology are available at <https://www.msci.com/index/methodology/latest/IndexGlossary>

2 **Index Construction Methodology**

The index construction rules defined in sections 2.1 to 2.3 below are used to construct the MSCI Tadawul 30 Index.

2.1 **APPLICABLE UNIVERSE**

The applicable universe includes all the constituents of the Parent Index.

2.2 **SECURITY SELECTION**

The Index aims to include the 30 largest stocks from the Parent Index based on their free float-adjusted market capitalization.

2.3 **SECURITY WEIGHTING**

The selected Index constituents are assigned weights in the proportion of their free float-adjusted market capitalization. The weight of each constituent security is capped at 15%.

3 Maintaining the Index

The MSCI Tadawul 30 Index follows a Sunday through Thursday trading calendar. For details on the Sunday through Thursday calendar, please refer to appendix 'Sunday-Thursday Index Calculation Methodology' of the MSCI Index Calculation methodology book, available at <https://www.msci.com/index/methodology/latest/IndexCalc>

3.1 ANNUAL INDEX REVIEW

The MSCI Tadawul 30 Index is rebalanced on an annual basis, usually as of the close of the last business day of November, coinciding with the November Index Review of the MSCI Global Investable Market Indexes.

The pro forma Index is in general announced nine business days before the effective date.

During the Annual Index Review, the target number of constituents can range from 30 to 35 and is determined based on following criteria:

- If the current number of securities in the Index is equal to or less than 30 then the target number is equal to 30
- If the current number of securities in the Index is greater than 30 but less than 35 then the target number is equal to current number of constituents in the index
- If the current number of securities in the Index is equal to or greater than 35 then the target number is equal to 35

For example

Number of current Index constituents prior to the Annual Index Review	Target number of Index constituents at the Annual Index Review
24	30
28	30
30	30
32	32
35	35
38	35

Index constituents are selected from the Parent Index in descending order of free float-adjusted market capitalization. In case the Parent Index has less than 30 constituents, all the Parent Index constituents are included in the Index.

The selected Index constituents are assigned weights in the proportion of their free float-adjusted market capitalization. The weight of each constituent security is capped at 15%.

3.2 QUARTERLY INDEX REVIEW

In addition to the Annual Index Review, the Index is reviewed on a quarterly basis, usually as of the close of the last business day of February, May and August coinciding with the February, May and August Index Review of the MSCI Global Investable Market Indexes.

During a Quarterly Index Review, the number of constituents is allowed to range from 25 to 35 based on following criteria:

- If the current number of constituents in the Index is less than 25, then additional securities are added to the Index such that the number of securities reaches 30. New Index constituents are selected from the Parent Index in the order of free float-adjusted market capitalization. If the current number of securities in the Index is less than 25 and the Parent Index has less than 30 constituents then all the Parent Index constituents are included in the Index.
- If the current number of securities in the Index is greater than 35, then the 35 largest securities in the order of free float-adjusted market capitalization are retained from the current Index constituents.

For example

Number of current Index constituents prior to the Quarterly Index Review	Treatment at the Quarterly Index Review
25	No change in Index constituents
28	No change in Index constituents
35	No change in Index constituents
38	Retain largest 35 current Index constituents, based on free float-adjusted market capitalization
24	Add largest 6 non-constituent Parent Index securities, based on free float-adjusted market capitalization

The selected Index constituents are assigned weights in the proportion of their free float-adjusted market capitalization. The weight of each constituent security is capped at 15%.

3.3 ONGOING EVENT RELATED CHANGES

The following section briefly describes the treatment of common corporate events within the MSCI Tadawul 30 Index.

No new securities will be added (except where noted below) to the Index between Index Reviews. For cases where additions are noted below, securities will be added to the Index only if added to the Parent Index.

Parent Index deletions will be reflected simultaneously in the Index.

EVENT TYPE	EVENT DETAILS
New additions to the Parent Index	A new security added to the Parent Index (such as IPO and other early inclusion) will be added to the Index at an estimated full market capitalization adjustment factor on the date of security inclusion.
Spin-Offs	All securities created as a result of the spin-off of an existing Index constituent will be added to the Index at the time of event implementation. Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review of the corresponding underlying Index.
Merger/Acquisition	For Mergers and Acquisitions, the acquirer's post event weight will account for the proportionate amount of shares involved in deal consideration, while cash proceeds will be invested across the Index.
	If an existing Index constituent is acquired by a non-Index constituent, the existing constituent will be deleted from the Index and the acquiring non-constituent will be added to the Index. Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review.

Changes in Security Characteristics

A security will continue to be an Index constituent if there are changes in characteristics (country, sector, size segment, etc.). Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review of the corresponding Parent Index.

Further detail and illustration regarding specific treatment of corporate events relevant to this Index can be found in the MSCI Corporate Events Methodology book under the sections detailing the treatment of events in Capped Weighted and Non-Market Capitalization Weighted indexes.

The MSCI Corporate Events methodology book is available at:

<https://www.msci.com/index/methodology/latest/CE>

4 Appendix I: Liquidity Criteria for the Parent Index

Liquidity Measure ²	Eligibility criteria for new index constituents	Eligibility criteria for existing index constituents
12M ATVR	>=15%	>=10%
3M ATVR	>=15%	>=5%
3M Frequency of Trading	>=80%	>=70%

- Annual Traded Value Ratio (ATVR)
 - First, monthly median traded values are computed using the median daily traded value, multiplied by the number of days in the month that the security traded. The daily traded value of a security is equal to the number of shares traded during the day, multiplied by the closing price of that security. The median daily traded value is the median of the daily traded values in a given month.
 - Second, the monthly median traded value of a security is divided by its free float-adjusted security market capitalization at the end of the month for each month, giving the monthly median traded value ratio.
 - Finally, the 12-month ATVR is obtained by taking the average of the monthly median traded value ratios of the previous 12 months – or the number of months for which this data is available (previous 6 months, 3 months or 1 month) – and annualizing it by multiplying it by 12. The 3-month ATVR is obtained by taking the average of the monthly median traded value ratios of the previous 3 months – or 1 month if 3 months of data are not available – and annualizing it by multiplying it by 12.
- Frequency of Trading
 - The 3-month Frequency of Trading is determined by dividing the number of days a security traded during a 3-month period by the maximum possible number of trading days within this period. If 3 months of data are not available, 1 month of data is used for the calculation of 3-month Frequency of Trading.

²For more details on liquidity measures, please refer to MSCI Index Calculation methodology book and MSCI Global Investable Market Indexes (GIMI) methodology. The MSCI Index Calculation methodology book is available at <https://www.msci.com/index/methodology/latest/IndexCalc> and MSCI Global Investable Market Indexes (GIMI) methodology is available at <https://www.msci.com/index/methodology/latest/GIMI>

The following sections have been modified since December 2018:

1. Introduction
 - Update of the introduction of the MSCI Tadawul 30 Index

The following sections have been modified since January 2019:

1. Maintaining the Index
 - Effective January 15, 2020, the MSCI Tadawul 30 Index follows the point of view of an investor following a Sunday through Thursday trading calendar
 - Prior to January 15, 2020, the MSCI Tadawul 30 Index was available in the "Price" return variant only
2. Introduction
 - Effective January 15, 2020, the Parent Index for the MSCI Tadawul 30 Index follows the point of view of an investor following a Sunday through Thursday trading calendar

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