

# MSCI World Custom Tax Net Total Return Index – WHT custom rate review process (Ticker: M1WO0CTX Index)

23<sup>th</sup> August 2022

## Index Overview and Custom Dividend Withholding (WH) Tax Rate application

The MSCI World Index captures large- and mid-cap representation across 23 Developed Markets (DM) countries, it covers approximately 85% of the free float-adjusted market capitalization in each country.

The index is built using MSCI's Global Investable Market Index (GIMI) methodology. Each company and its securities (i.e., share classes) in the MSCI Equity Universe are classified in one and only one country, which allows for a distinctive sorting of each company by its respective country.

The country classification of a company is generally determined by the company's country of incorporation and the primary listing of its securities. MSCI will classify a company in the country of incorporation if its securities have a primary listing in this country. This approach determines the country classification of the vast majority of companies, however, in certain cases the company's country classification may differ from the location of its primary listing.

The dividend WH rates applicable to each constituent are based on the country classification for each constituent security. For the MSCI World Custom Tax Net Total Return Index the standard MSCI tax rates for net dividend reinvestment (as found in the MSCI Index Calculation Methodology document online) are applied to all countries except the countries listed below where the custom dividend WH rates as detailed below are applied. The only exception to this would be a scenario where the standard dividend WH rate is preferable (the dividend WH tax rate is lower) to the custom dividend WH rate, in which case the standard dividend WH tax rate would be applied.

## Country Custom Dividend WH Tax Rates Incorporated into the MSCI World Custom Tax Net Total Return Index (Ticker: M1WO0CTX Index)

The below country list only includes country rates that differ from the standard MSCI tax rates for net dividend reinvestment, and all other countries in MSCI World use the standard MSCI tax rates for net dividend reinvestment.

Country	Country ISO Code	Custom Dividend WH Tax Rate
United States	US	0%
Germany	DE	15%
France	FR	15%
Belgium	BE	27%

## Rationale for Custom Dividend WH Tax Rates

The country custom dividend WH tax rates have been agreed with the swap counterparties for the Invesco MSCI World UCITS ETF, a synthetically-replicated ETF which uses swap contracts on the MSCI World Custom Tax Net Total Return Index to produce its returns.

## Annual review process of Withholding Tax (WHT) custom rates for MSCI World Custom Tax Net Total Return Index

The EMEA ETF Product and Sales Strategy (PSS) team at Invesco will perform the annual analysis of relevant sub-funds performance versus competing products to assess the appropriateness of the custom WHT rates. The review would be a part of the Annual Product Review process, performed annually in Q4 of each year.

Based on the above analysis follow-up actions are:

- Product competing in line or better than competing ETFs – recommend no change to be made to custom rates within index.
- Product is significantly underperforming competing ETFs – recommend review of custom tax rates within index. The EMEA Product Solutions and Implementation (PSI) team at Invesco are tasked with reviewing rates with swap counterparts to negotiate markets where rates can be adjusted to improve performance for the coming year.

Result of the review and the recommendation are a subject of internal approval of the EMEA ETF Product Strategy Group (EPPSG) which review and approve or reject the recommendation, provided as an item for an approval as a part of the annual product review results. If rejected, PSS and PSI reconsider the review, and if necessary provide further supporting information for the conclusion and recommendation made.

Once approved by the EEPSTG, the EMEA ETF Product and Sales Strategy team at Invesco will provide a confirmation email to confirm the review has taken place, has been approved and no further action is to be taken.

On an ad-hoc basis, in exceptional cases or if necessary, the WHT custom rates will be reviewed in line with the above process on a more frequent basis.

### **Important Information**

This document has been prepared solely for informational purposes based upon information and from sources believed to be reliable. Invesco does not guarantee the accuracy, completeness, timeliness or availability of the content of this document, the indices referenced, or any data included therein (the "Content"). Invesco is not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. The Content is provided on an "as is" basis. Invesco disclaims any and all express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. In no event shall Invesco be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

All Information is impersonal and not tailored to the needs of any person, entity or group of persons. None of the information contained herein constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle or any trading strategy, nor is this information considered to be investment advice.

This document has been communicated by Invesco Investment Management Limited, Ground Floor, 2 Cumberland Place, Fenian Street, Dublin 2, Ireland.