

- ▶ **Magni Country Governance Index – Emerging Markets (MAGEM)**
- ▶ **Magni Country Governance Index – EAFE (MAGEAFE)**
- ▶ **Magni Country Governance Index – All Country World ex US (MAGACWX)**

Most active and passive approaches to international portfolio construction ignore the fact that every country has unique legal, regulatory, and economic infrastructures. The resulting differences in individual country economies have implications for equity valuations. If country-level information impacts financial projections and those projections are very important to investment decisions, **country-level information** should impact investment decisions. At Magni, we have a repeatable process for turning this research into investment information by scoring all investible countries in the world based on their demonstrated record of good governance. Simply put, *Countries Matter™*.

## 1

### **Good Governance = Honesty and Transparency**

The more honest and transparent a country is with its citizens, businesses, and investors, the more wealth is created in the country.

Economic studies have shown that countries which have an open, honest, and transparent economy outperform those that do not. Magni created the **Sustainable Wealth Creation** principles to enable the collection and organization of country level data about the proven ability of respective economic infrastructures to deliver honesty and transparency. The resulting information can be used when making investment decisions.

Sustainable Wealth Creation addresses three very important questions.

#### ***Important Questions***

Do financial statements accurately reflect a company's position?

Are shareholders protected and are there adequate controls?

Can company leadership make decisions confidently...and without interference from a corrupt government?

## 2

### Behavior is More Important than Intent

Just because laws and regulations are in place does not mean that they are enforced. A key factor in determining good governance is behavior versus intent, and this is where Magni is most differentiated from other similar types of research organizations.

Measuring good governance is not easy. When deciding on metrics for good governance, there must be a method to determine the **adherence** to good governance practices in an objective and repeatable manner. We believe adherence requires qualitative metrics. The use of public information enables widespread and overlapping assessments that in turn lead to more uniform and more complete understanding of the realities in a country. A common, objective scale with discrete levels helps assure repeatable and meaningful insights when converting qualitative information into numbers for investment decisions.

<b>Common objective scale for quantitative conversion</b>	
<b>Score</b>	<b>Definition</b>
0	Insufficient Information
1	No Compliance
3	Intent Declared
6	Enacted
8	Compliance in Progress
10	Full Compliance

## 3

### A Long-Term Research Track Record

Country information, especially qualitative information, is not easy to find, organize or incorporate into the investment decision-making process. Magni's research database contains data on **280**

**Qualitative Sovereign Factors** grouped into **12 Economic Standards** and updated monthly over the past **16 years**. Research on the Qualitative Sovereign Factors is accumulated to determine a score for each Economic Standard and then combined into an overall Magni Country Score. The higher the country score, the greater the adherence to the Sustainable Wealth Creation principles, the greater the weighting in the index.

**With Magni Country Governance Indexes**, investors now have easy access to this research. The Indexes are based on the Magni Country Score for adherence to good governance behaviors.

To request our research publications, or for media inquiries, contact us at [info@magniglobal.com](mailto:info@magniglobal.com). Please visit our website at [indexes.magniglobal.com](http://indexes.magniglobal.com) and follow us on Twitter @MagniGlobal.

<b>12 Economic Standards</b>
▶ Monetary policy transparency
▶ Fiscal policy transparency
▶ Data dissemination
▶ Banking
▶ Securities
▶ Insurance
▶ Corporate governance
▶ Accounting
▶ Auditing
▶ Payment systems
▶ Market integrity
▶ Insolvency