MSCI

Innovation and Implementation:

Transition to a Comprehensive Schedule for Quarterly Reviews

Starting from the upcoming February 2023 index review, MSCI will transition to a comprehensive schedule for the quarterly reviews of its market cap indexes following its consultation with market participants and resulting announcement in June 2021.

This change reflects our commitment to listen to market participants and more effectively respond to ever changing markets. Until now, our market cap indexes were reviewed more comprehensively twice a year at the Semi-Annual Index Reviews in May and November, while the Quarterly Index Reviews in February and August were designed to reflect only significant changes in the indexes.

This transition is designed to enable a review of the full investable universe four times a year instead of two, as was the case under the previous schedule, and to reflect changes in the overall equity market more frequently.

Company size (large, mid, small or micro-cap) will also be reviewed at each index review. We believe this change will allow our indexes to better represent the practical realities faced by investors operating in the markets today.

Before this switch, we would review the full equity universe every six months. By doing these every three months, we aim to reduce the size and impact of each deep review and spread index changes and index turnover more evenly throughout the year.

At the time of our consultation in 2021, we undertook a historical analysis comparing the simulated new and current rebalancing schedules (covering June 2008 – November 2020) and we found the following[1]:

- By having four comprehensive reviews instead of two, the average number of additions and deletions would have been reduced by over **30%** for each comprehensive review.
- The average turnover at each comprehensive index review for the simulated MSCI World Index would have been reduced from **0.8%** to **0.52%** and for the simulated MSCI Emerging Markets Index from **3.3%** down to **1.9%**.
- As the number of comprehensive index reviews **increased**, newly eligible securities, including IPOs, would have likely be added faster to our indexes.
- Overall, and across a full year, we observed only a marginal impact on total number of index changes (additions, deletions) and annual turnover.

[1]The analysis and observations in the referenced report are limited solely to the period of the relevant historical data, backtest or simulation. Past performance — whether actual, backtested or simulated — is no indication or guarantee of future performance.

For more information on this change, please refer to Q&A: Quarterly Comprehensive Index Review Implementation Details (msci.com) and the MSCI Global Investable Market Indexes (GIMI) Methodology available on Index methodology - MSCI. The consultation and results are available on Index Announcements.

Contact us

AMERICAS

Canada	+ 1 416 687 6284
U.S.	+ 1 212 804 3900

EUROPE, MIDDLE EAST & AFRICA

U.K.	+ 44 20 7336 9200
France	+ 44 20 7336 4783
Germany	+ 49 691 3385 900
Italy	+ 44 20 7336 9684
Spain	+ 34 93 467 7403
South Africa	+ 27 11 656 2115
Sweden	+ 46 8 400 252 30

ASIA PACIFIC

Australia	+ 61 2 9033 9300
Hong Kong	+ 852 2844 9333
Singapore	+ 65 6826 9339
Japan	+ 81 3 5211 1455

About MSCI Inc.

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 45 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

To learn more, please visit www.msci.com.

The process for submitting a formal index complaint can be found on the index regulation page of MSCI's website at: https://www.msci.com/index-regulation.