



Focus:

Momentum



Factor focus:

Momentum

In the realm of investing, a factor is any characteristic that helps explain the long-term risk and return performance of an asset.

MSCI Factor Indexes are designed to capture the return of factors which have historically demonstrated excess market returns over the long run.



MSCI Factor Indexes are rules-based, transparent indexes targeting stocks with favorable factor characteristics – as backed by robust academic findings and empirical results – and are designed for simple implementation, replicability, and use for both traditional indexed and active mandates.

Defining Momentum

The Momentum factor refers to the tendency of winning stocks to continue performing well in the near term. Momentum is categorized as a “persistence” factor i.e., it tends to benefit from continued trends in markets (see “Performance and Implementation”).

The MSCI Momentum Index measures:

- **Risk-adjusted excess return** – which exceeds the benchmark – for 6-month periods
- **Risk-adjusted excess return** – which exceeds the benchmark – for 12-month periods

Why investors have used momentum strategies

Academics first identified the momentum premium in 1993, when UCLA scholars Narasimhan Jegadeesh and Sheridan Titman demonstrated that the strategy of buying stocks that have done well and selling stocks that have done poorly generated significant positive returns over 3- to 12-month holding periods.

Many studies since then have found the momentum factor present across equity sectors, countries, and more broadly asset classes.¹ Momentum may not be as well understood as other factors, although various theories attempt to explain it. Some postulate that it is compensation for bearing high risk; others believe it may be a consequence of market inefficiencies produced by delayed price reactions to firm-specific information.²

MSCI research shows, on a historical basis, the momentum factor has been one of the strongest generators of excess returns and has typically outperformed in a macro environment characterized by a long cycle in underlying market trends.

¹ Moskowitz, T.J. and M. Grinblatt. (1999). “Do Industries Explain Momentum?” *Journal of Finance*, Vol. 54, No. 4, pp. 1249–1290.

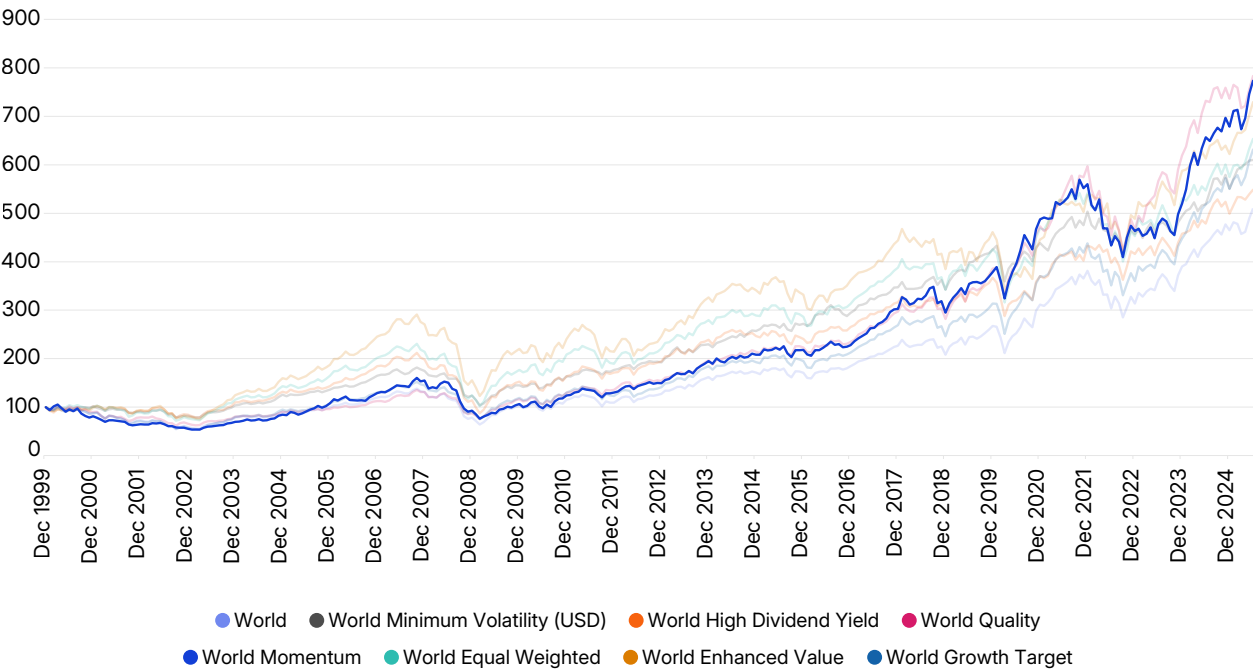
² Jegadeesh, N. and S. Titman. (1993). “Returns to Buying Winners and Selling Losers: Implications for Stock Market Efficiency.” *Journal of Finance*, Vol. 48, No. 1, pp. 65–91.

Performance & implementation

Portfolio managers usually implement momentum by choosing stocks based upon their performance over the previous three to 12 months, omitting the most recent month to allow for short-term reversal effects.

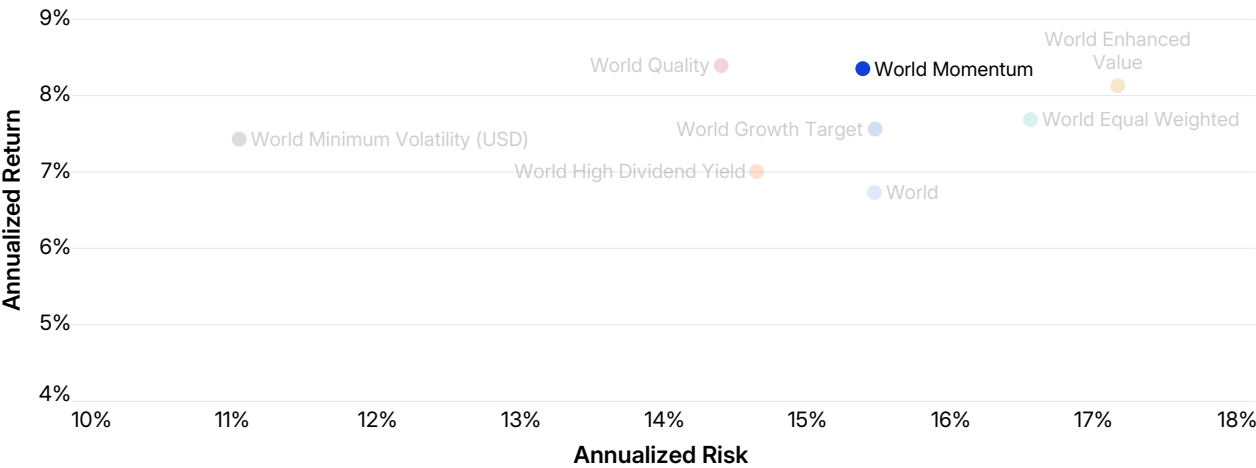
MSCI World Factor Indexes

Over time, individual factors have delivered outperformance relative to the market.



The MSCI World Momentum Index has historically generated excess returns over the long run with a 1.8% annual return over the MSCI World Index since 1999 as represented above.

Long-term factor performance: December 1999 – June 2025

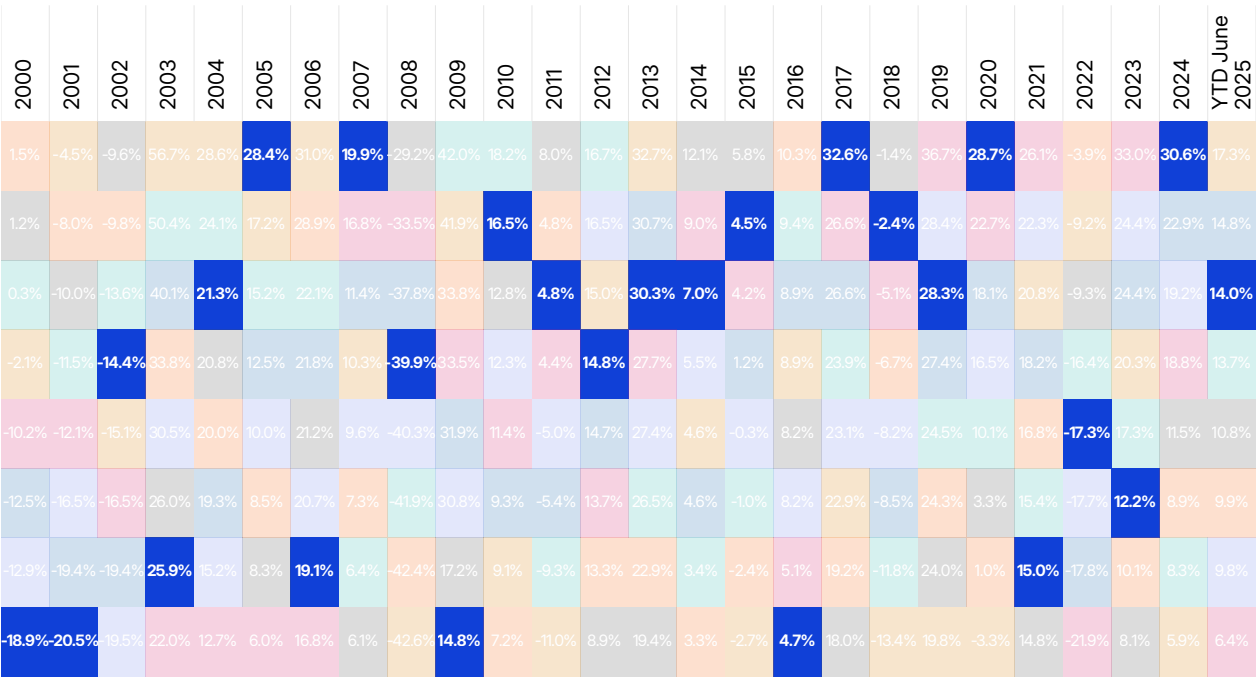


Although factor strategies have exhibited long-term outperformance, in the short-term, factor performance has been cyclical and has generated periods of underperformance.

MSCI research shows, on a historical basis, the momentum factor has been one of the strongest generators of excess returns.

How factors have performed relative to each other:

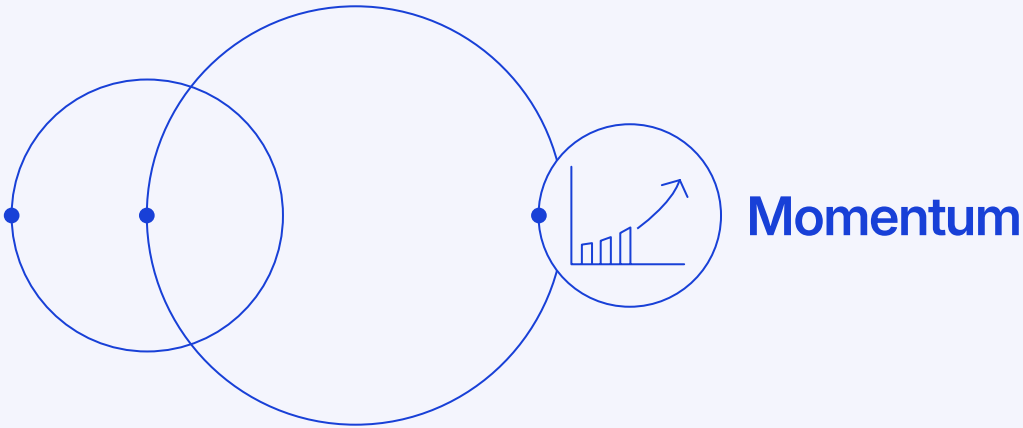
Momentum



World World Minimum Volatility (USD) World High Dividend Yield World Quality
World Momentum World Equal Weighted World Enhanced Value World Growth Target

The analysis and observations in this report are limited solely to the period of the relevant historical data, backtest or simulation. Past performance — whether actual, back tested or simulated — is no indication or guarantee of future performance. None of the information or analysis herein is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision or asset allocation and should not be relied on as such. The time periods covered in the charts in this paper were dictated by the data available when we conducted the simulations which produced them. There are frequently material differences between backtested or simulated performance results and actual results subsequently achieved by any investment strategy.

Conclusion



The **momentum factor** historically has produced long-term excess return, and several studies show that it has been present across asset classes, markets, sectors and industries. However, momentum strategies have sometimes been plagued by crashes and investability constraints. MSCI has developed a momentum index designed to target securities based on risk-adjusted performance, with the goal of mitigating momentum crashes and reducing unnecessary turnover.



Contact us

AMERICAS

US	+1 888 588 4567 (toll free)
Canada	+1 416 628 1007
Brazil	+55 11 4040 7830
Mexico	+52 81 1253 4020

ASIA PACIFIC

China	+86 21 61326611
Hong Kong	+852 2844 9333
India	+91 22 6784 9160
Malaysia	1800818185 (toll free)
South Korea	+82 70 4769 4231
Singapore	+65 67011177
Australia	+612 9033 9333
Taiwan	008 0112 7513 (toll free)
Thailand	0018 0015 6207 7181 (toll free)
Japan	+81 3 4579 0333

EUROPE, MIDDLE EAST & AFRICA

South Africa	+27 21 673 0103
Germany	+49 69 133 859 00
Switzerland	+41 22 817 9400
United Kingdom	+44 20 7618 2222
Italy	+39 025 849 0415
France	+33 17 6769 810

About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 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.

Learn more about Factor Investing at

www.msci.com/factor-investing

The information contained herein (the "Information") may not be reproduced or redisseminated in whole or in part without prior written permission from MSCI ESG Research. The Information may not be used to verify or correct other data, to create any derivative works, to create indexes, risk models, or analytics, or in connection with issuing, offering, sponsoring, managing or marketing any securities, portfolios, financial products or other investment vehicles. Historical data and analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. MSCI ESG Research is provided by MSCI Inc.'s subsidiary, MSCI ESG Research LLC, a Registered Investment Adviser under the Investment Advisers Act of 1940. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. None of the Information or MSCI index or other product or service constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy. Further, none of the Information is intended to constitute a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. MSCI ESG and climate ratings, research and data are produced by MSCI ESG Research LLC, a subsidiary of MSCI Inc. MSCI ESG Indexes, Analytics and Real Estate are products of MSCI Inc. that utilize information from MSCI ESG Research LLC. MSCI Indexes are administered by MSCI Limited (UK). The Information is provided "as is" and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF MSCI INC. OR ANY OF ITS SUBSIDIARIES OR ITS OR THEIR DIRECT OR INDIRECT SUPPLIERS OR ANY THIRD PARTY INVOLVED IN THE MAKING OR COMPILING OF THE INFORMATION (EACH, AN "INFORMATION PROVIDER") MAKES ANY WARRANTIES OR REPRESENTATIONS AND, TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH INFORMATION PROVIDER HEREBY EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. WITHOUT LIMITING ANY OF THE FOREGOING AND TO THE MAXIMUM EXTENT PERMITTED BY LAW, IN NO EVENT SHALL ANY OF THE INFORMATION PROVIDERS HAVE ANY LIABILITY REGARDING ANY OF THE INFORMATION FOR ANY DIRECT, INDIRECT, SPECIAL, PUNITIVE, CONSEQUENTIAL (INCLUDING LOST PROFITS) OR ANY OTHER DAMAGES EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited. Privacy notice: For information about how MSCI collects and uses personal data, please refer to our Privacy Notice at <https://www.msci.com/privacy-pledge>.

Please note that the issuers mentioned in MSCI ESG Research materials sometimes have commercial relationships with MSCI ESG Research and/or MSCI Inc. (collectively, "MSCI") and that these relationships create potential conflicts of interest. In some cases, the issuers or their affiliates purchase research or other products or services from one or more MSCI affiliates. In other cases, MSCI ESG Research rates financial products such as mutual funds or ETFs that are managed by MSCI's clients or their affiliates, or are based on MSCI Inc. Indexes. In addition, constituents in MSCI Inc. equity indexes include companies that subscribe to MSCI products or services. In some cases, MSCI clients pay fees based in whole or part on the assets they manage. MSCI ESG Research has taken a number of steps to mitigate potential conflicts of interest and safeguard the integrity and independence of its research and ratings. More information about these conflict mitigation measures is available in our Form ADV, available at <https://adviserinfo.sec.gov/firm/summary/169222>.



Clarity Drives Action