Dear Client,

The recent financial crisis led many institutional investors to reevaluate their asset allocation policies and explore alternative approaches to implementing them. With the increased globalization of capital markets, for example, certain leading pension plans have adopted global equity policy benchmarks, moving away from the traditional divide between domestic and international equity allocations. Clear distinctions between liability matching portfolios and return seeking portfolios have also reinforced the case for integrated global equity approaches.

Theoretically sound, a global equity allocation is the natural starting point for the equity investor. It provides access to the entire global investment opportunity set and diversification benefits from exposures to different geographical regions, market segments, sectors and currency movements.

MSCI has held extensive discussions around the world with major pension plans, asset managers, and investment consultants to understand various approaches to implementing the global equity allocation. Based on feedback from the investment community and our internal research, we published a series of research papers.

- The first paper in the series, "Globalization of Equity Policy Portfolios", presents the arguments proposed by thought leaders in the investment industry for moving away from a partitioned domestic/non-domestic approach to equity investing to an integrated global equity investment process.
- The second publication, "The 'New Classic' Equity Allocation?" addresses the key considerations that should drive the choice of mandate structures and the definition of the relevant opportunity set for individual mandates. The paper also offers an implementation framework for a global equity allocation.
- The third piece, "Some Like it Hot", examines the active management opportunity in different market segments in the context of a global equity allocation implementation. We focus on the role of very active mandates across segments in a core-satellite portfolio structure.

We hope that our research series will serve as a useful reference for those who want to understand current practices and emerging trends in the implementation of a global equity allocation. We look forward to your comments and welcome your suggestions for future research on global asset allocation topics.

Remy Briand
Managing Director,
Global Head of Index and Applied Research