

# ETFReport

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**THE TEN MOST IMPORTANT PEOPLE IN ETFs**



# Henry Fernandez

**I**ndexing matters. Just ask Henry Fernandez.

“As index providers, we live in exciting times,” says the chairman and CEO of MSCI, the world’s second-largest index provider. “Now more than ever, we have the wind at our backs.”

For almost two decades, Fernandez has helmed MSCI, transforming it from a niche cost-center within Morgan Stanley into one of the world’s premier indexing giants. Under his leadership, MSCI has become synonymous with quality in indexing, particularly for global equity benchmarks.

“I truly believe we’re only on the ground floor of what’s possible to achieve,” he said, adding with a laugh, “And I’m not just saying that because I work here.”

Today more than 675 ETFs track MSCI benchmarks, or more than track the benchmarks of any other provider. Together these funds comprised \$373 billion in assets as of year-end 2014, according to MSCI data. Interest has especially surged among institutional investors, says Fernandez. MSCI-linked ETFs are now the favored choice of many of the world’s largest institutions, including pension funds, sovereign wealth funds and hedge funds.

“The institutional community likes having access to those deep, liquid ETF markets, and having more flexibility in their investment process,” said Fernandez. “Today’s institutional investors are thinking more acutely about what they’re

investing in. They don’t want to give carte blanche to their asset managers anymore.”

MSCI continues to provide some of the most innovative indexes in ETFs, particularly when it comes to factor-based indexes, which are sometimes lumped in with “smart beta” indexes.

ETF creators, driven by institutional interest, have embraced MSCI’s take on factors. Of the 95 ETFs launched last year tracking MSCI indexes, 42—or almost half—tracked MSCI Factor Indexes, compared with just six ETFs in 2013.

“There’s a bit of a revolution right now in factor investing,” said Fernandez. “But what we see now is not new. It’s an acceleration of the existing trend, driven by lower costs, greater access to data and better index engineering.”

While the trend may not be new, the way people think about it is: “Instead of focusing on traditional factors—such as countries, large/small-cap, or value and growth—investors now want us to look at modern factors as well, such as momentum and liquidity,” he added.

The role of the index provider is changing, adds Fernandez. Gone are the days when an indexer was expected to simply represent the markets.

“Investors want index providers to give them not just an opportunity set, but a portfolio, an investment strategy,” said Fernandez.



## QUICK BIO

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