



HOW DO YOU DEFINE YOUR BORDERS?

THE MODERN INDEX STRATEGY

[msci.com](https://www.msci.com)

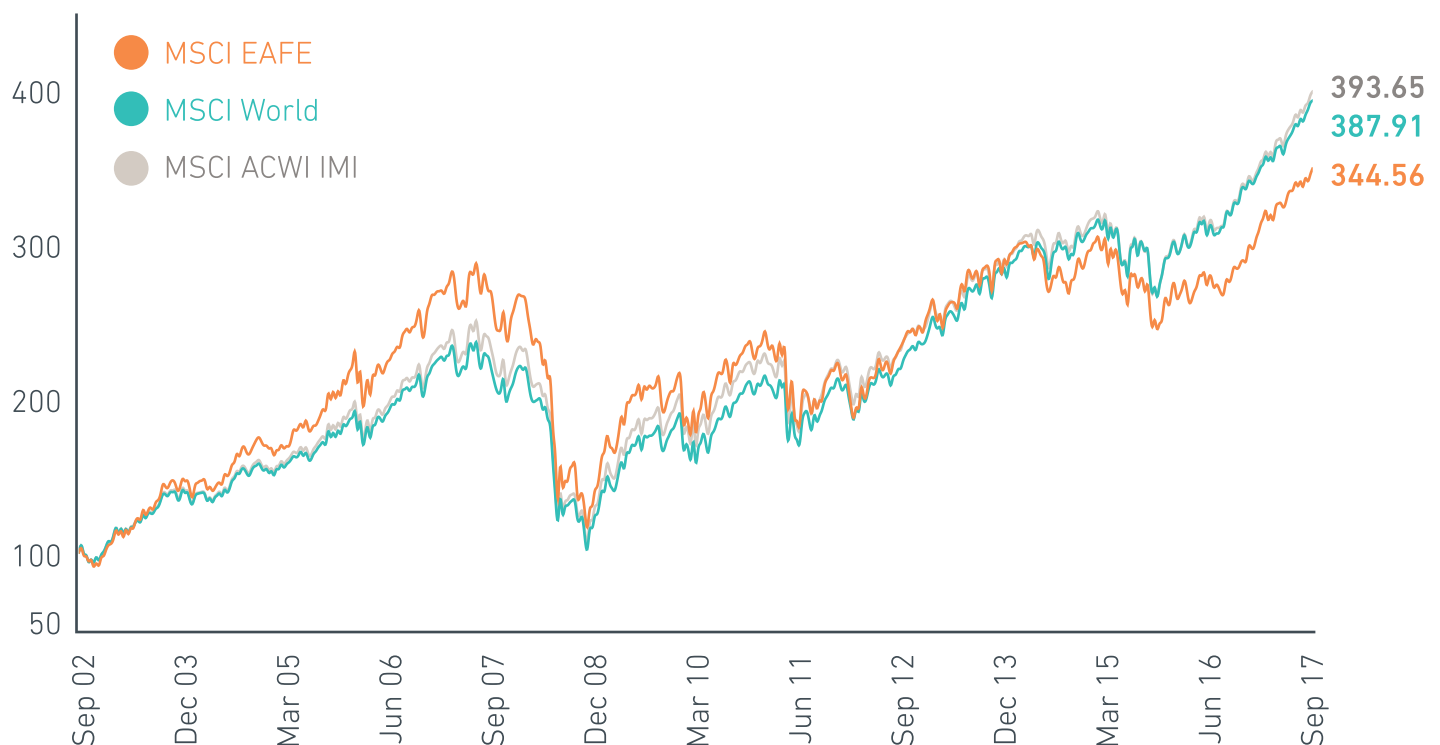


# MSCI DELIVERS THE MODERN INDEX STRATEGY

The **MSCI EAFE Index** is designed to represent the performance of large- and mid-cap securities across 21 developed markets in Europe, Australasia and the Far East,<sup>1</sup> excluding the U.S. and Canada. As of December 2017 it had more than 900 constituents and covered approximately 85% of the free float-adjusted market capitalization in each country.

The index is built using MSCI's Global Investable Market Index (GIMI) methodology, which is designed to take into account variations reflecting conditions across regions, market-cap segments, sectors and styles. With over \$1.9 trillion in assets benchmarked globally to the MSCI EAFE Indexes, MSCI continues to be a leader in global equity indexes.<sup>2</sup>

MSCI EAFE INDEX PERFORMANCE CHART<sup>3</sup> - GROSS RETURNS (USD)

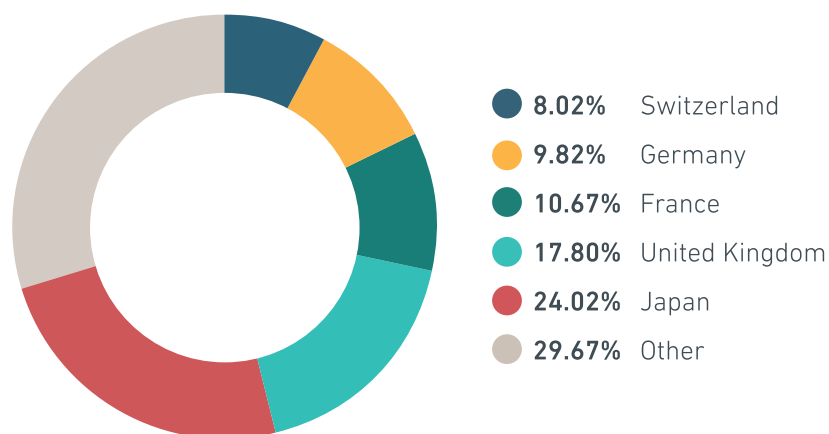


<sup>1</sup> Markets covered: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the U.K.

<sup>2</sup> As of June 30, 2017, as reported on September 30, 2017 by eVestment, Morningstar and Bloomberg

<sup>3</sup> As of December 29, 2017

## MSCI EAFE INDEX COUNTRY ALLOCATION<sup>3</sup>



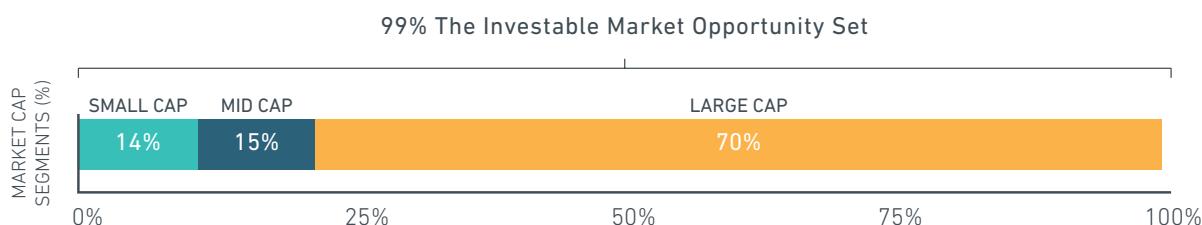
## THE INDEX MATTERS

As globalization proceeds and financial markets become ever more integrated, companies operate increasingly across multiple countries and regions, and their performance may be tied increasingly to economic and political conditions beyond their home countries. In addition, professional investors - whether institutional, asset managers or wealth - often seek to understand unintended exposures and biases as they invest further afield. The best way to identify such unintended effects would be to leverage an index that represents the entire opportunity set, with no gaps, no overlaps and no fixed number of constituent stocks.

The MSCI Global Equity Indexes are used by professional investors worldwide for investment analysis, performance measurement, asset allocation, hedging and the creation of a wide range of index derivatives, funds, ETFs and structured products. From market cap-weighted regional, country and sector indexes to indexes based on strategies such as factor and environmental, social, governance (ESG) investing, the Modern Index Strategy enables clients to construct and monitor portfolios in a cohesive and consistent manner, avoiding benchmark misfits and uncompensated risks.

The MSCI EAFE suite of indexes offers standard, large-cap, mid-cap, small-cap and investable-market (IMI) indexes <sup>4</sup>

### COMPLETE COVERAGE OF THE INVESTMENT OPPORTUNITY



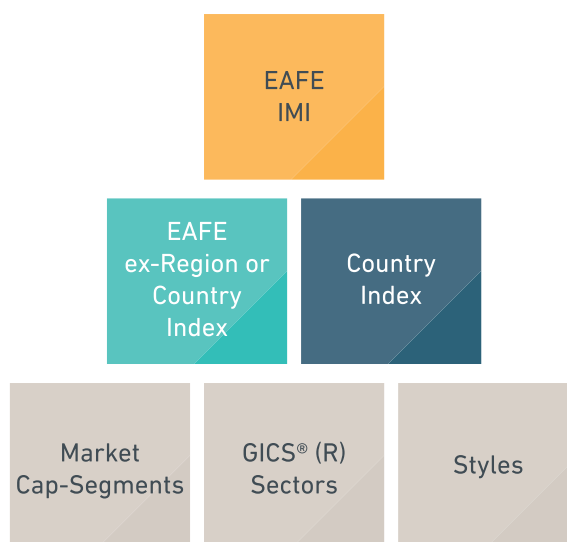
<sup>4</sup> They are: the MSCI EAFE Index, MSCI EAFE Investable Market Index (IMI), MSCI EAFE Large Cap Index, MSCI EAFE Mid Cap Index and MSCI EAFE Small Cap Index

MSCI is a market leader in global equity indexes and has over \$1.9 trillion in assets benchmarked to the MSCI EAFE Index suite.<sup>2</sup>

## MSCI'S INDEX ADVANTAGES AND BENEFITS:

- **Global coverage:** With more than 190,000 indexes to choose from, MSCI offers extensive representation of the global equity opportunity set.
- **Performance measurement and attribution:** Industry-leading indexes for global mandates - with regional, country, sector and other subsets - are available for more-targeted investment mandates.
- **Research:** For more than 40 years, MSCI's research-based indexes and analytics have helped the world's leading institutional investors build and manage better portfolios.
- **Product development:** MSCI has created innovative indexes that can be utilized by the passive investment industry.
- **Consistent framework:** All of MSCI's Global Investable Market Indexes offer a building-block approach with a rules-based, consistent methodology designed to allow institutional investors to identify unintended bets, risks, gaps or overlaps.
- **Replicability:** Minimum free-float requirements for eligibility and free float-adjusted capitalization weighting to reflect the size of each investment opportunity and facilitate replicability of the indexes.

### OUR BUILDING BLOCK APPROACH



# MODERN INDEX STRATEGY

MSCI indexing offers a modern, seamless and fully integrated approach to measuring the full equity opportunity set, with no gaps or overlaps.



## MODERN

Evolves to measure and capture equity markets as they exist today

Our indexes are built using an innovative maintenance methodology that provides superior balance between the need for a stable index that is flexible enough to adjust quickly to a constantly changing opportunity set. We provide timely and consistent treatment of corporate events and synchronized rebalancings, globally.

## SEAMLESS

Covers the full opportunity set and all its segments, including GICS® sectors

All of MSCI's indexes are created using the Global Industry Classification Standard (GICS®), an industry classification system developed by MSCI and S&P Global, which provides a common framework to classify stocks. They offer exhaustive coverage of the investable opportunity set with non-overlapping size and style segmentation.

## INTEGRATED

Consistent methodology for every market

Where other providers use either a long- or short-term liquidity measure to assess the eligibility of stocks for their indexes, MSCI uses both, recognizing the differences in liquidity between developed and emerging markets and enhancing the investability and replicability of our indexes. MSCI puts strong emphasis on investability and replicability of its indexes through the use of size and liquidity screens.

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## TO FIND OUT MORE PLEASE VISIT

The Modern Index Strategy

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# ABOUT MSCI

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For more than 40 years, MSCI's research-based indexes and analytics have helped the world's leading investors build and manage better portfolios. Clients rely on our offerings for deeper insights into the drivers of performance and risk in their portfolios, broad asset class coverage and innovative research.

Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research.

MSCI serves 99 of the top 100 largest money managers, according to the most recent P&I ranking.<sup>1</sup>

For more information, visit us at [www.msci.com](https://www.msci.com).

<sup>1</sup> Based on latest P&I AUM data and MSCI clients as of December 30, 2017

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