

MSCI Factor Crowding Model

The MSCI Factor Crowding Model helps managers gain insight into how the industry is positioned, through the lens of factors.

The growth and popularity of factor investing increases the potential for strategy crowding. If a factor strategy does become too crowded, there is a risk of a liquidity or drawdown event when the positioning changes. The first generation MSCI Factor Crowding Model can help active managers analyze their investments compared to the industry as a whole and help make better factor investing decisions.

Key features

- Enable timely decision-making on positioning in potentially crowded factors
- An easy to interpret dashboard to quickly view what is and isn't crowded
- Leverages MSCI Barra's latest generation of factor models
- The model is available for the US equity market and global market

Use cases

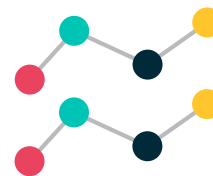
- Determine where factor crowding/drawdown risks may be growing, or what is out of favor
- Monitor susceptibility of portfolio to crowding risk
- Alert to potential bubbles and provide insight into when they may not exist
- Ride the crowding "wave"

MSCI Factor Crowding Summary

If too many investors are chasing the same strategies or factors, crowding will be evident in various ways. MSCI Factor crowding uses these metrics to provide one easy to interpret integrated measure with transparency to these drivers.



VALUATIONS:
Prices Bid Up



PAIRWISE CORRELATION & VOLATILITY:
Stocks of a Factor moving together with wider swings



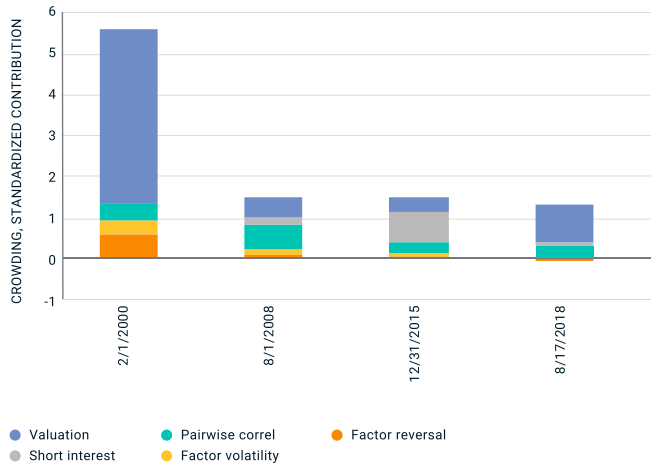
FACTOR REVERSAL:
Strong recent performance promotes performance-chasing



SHORT INTEREST SPREAD:
Bottom quintile heavily shorted relative to top

The MSCI Factor Crowding Model allows investors to examine Factor Crowding over time using multiple dimensions providing further insight into risk and return drivers.

The MSCI Factor Crowding Model can also order Factors by crowding scores at any point in time, enabling investors to make decisions on potentially crowded factors.



Standardized Crowding Scores as of August 17, 2018

About MSCI

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.

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