Leading Edge:
What is Direct Indexing?

Today, investors can customize an index to meet specific outcomes—also known as direct indexing. Below, we show how a custom-made index is built.

Consider an investor who wants an index with the following features:

- Improved ESG score
- Lowered risk
- Increased global exposure
- Reduced tax burden

Based on these needs, the investor can choose from a number of indexes and personalization options.

Investment Exposures

- ESG & Climate
- Regional
- Risk
- Thematic

After making custom selections, investors can build a direct index to meet their clients’ unique needs and objectives, utilizing the following tools:

- ESG metrics
- Risk optimization
- Tax optimization

Along with creating a personalized investment, direct indexing can:

- Reduce client costs
- Increase client engagement
- Provide performance measurement tools
- Provide risk management tools

Through an expansive set of index products, 24-hour service, and dedicated research team, MSCI works hand-in-hand with investors to build their desired portfolios.