



Float Data Product

2024 | Capturing the
Full Investment Universe



This is an
interactive brochure

Contents



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Introduction

In March 2023, MSCI launched the Float Data Product to provide additional transparency to equity markets and equity securities' free float market capitalization. This monthly data set which initially covered just over 34,000 securities, now covers nearly 37,000 securities globally.

All data is as of February 29th, 2024.



Universe

MSCI's equity universe covers a wide range of listed security types¹:

- All listed equity securities
- REITs and some income trusts in Canada.
- Certain types of USA listed limited partnerships, limited liability companies, and business trusts.
- Preferred shares determined by MSCI to exhibit characteristics of listed equity securities.

It will include IPOs but it will not include mutual funds or ETFs, and most investment trusts are also excluded.

To note, in August 2023, Latvia was added as a Frontier Market, and in February 2024, Nigeria was reclassified from Frontier to a Standalone Market.



¹ Please refer to the MSCI Global Investable Market Indexes (GIMI) Methodology for more details which can be found on <https://www.msci.com/index-methodology>

Source: MSCI, data as of February 29th, 2024.

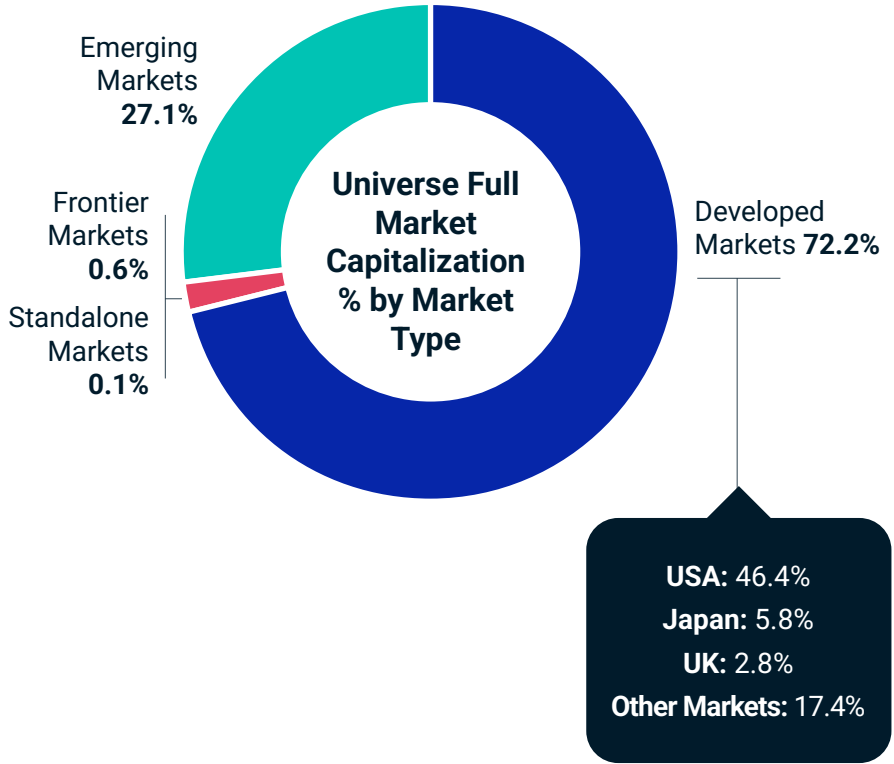
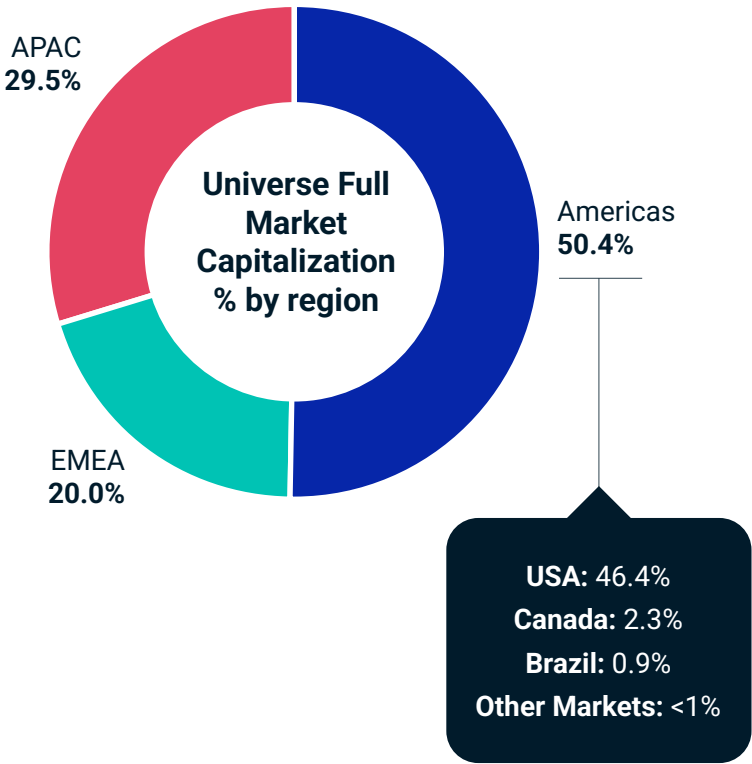
Markets and Regional Coverage

Currently, MSCI's equity universe covers 87 markets around the world, split like this:

	Americas	EMEA	APAC	Total
Developed Markets	2	16	5	23
Emerging Markets	5	11	8	24
Frontier Markets	--	23	4	27
Standalone Markets	4	9	--	13
Total	11	59	17	87

While the number of markets covered is the largest in EMEA, the overall market capitalization is concentrated in the Americas, and even more specifically in the US.

From a market classification perspective, we cover more Frontier Markets than any other type, but they represent only a small part of the overall universe in terms of market capitalization.

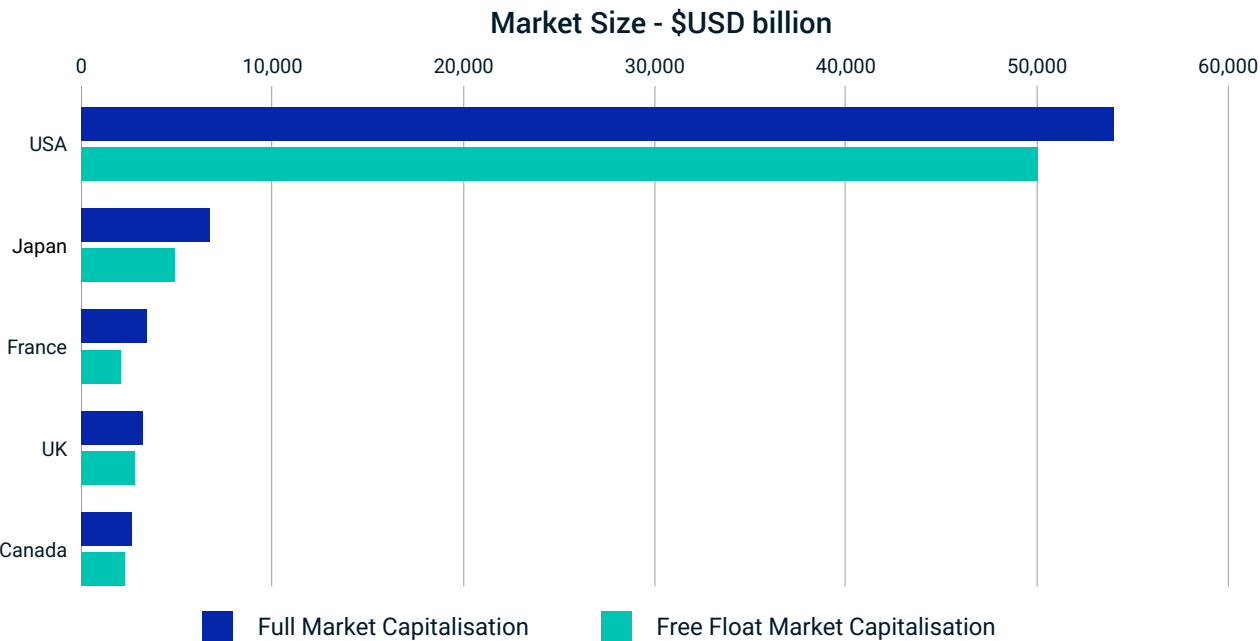


Full Market Capitalization and Free Float Market Capitalization

Comparing the full market capitalization with free float does reveal some interesting observations. Free float² is defined as the proportion of shares outstanding that is deemed to be available for purchase in the public equity markets by investors, i.e. what percentage of total share capital that is more readily available for any investor, regardless of their location.

Even for the largest developed markets, there are differences between a full market capitalization and a free float market capitalization at a company level. France is where this difference is relatively larger, and the market size using free float is 40% smaller than measuring it using the full market capitalization.

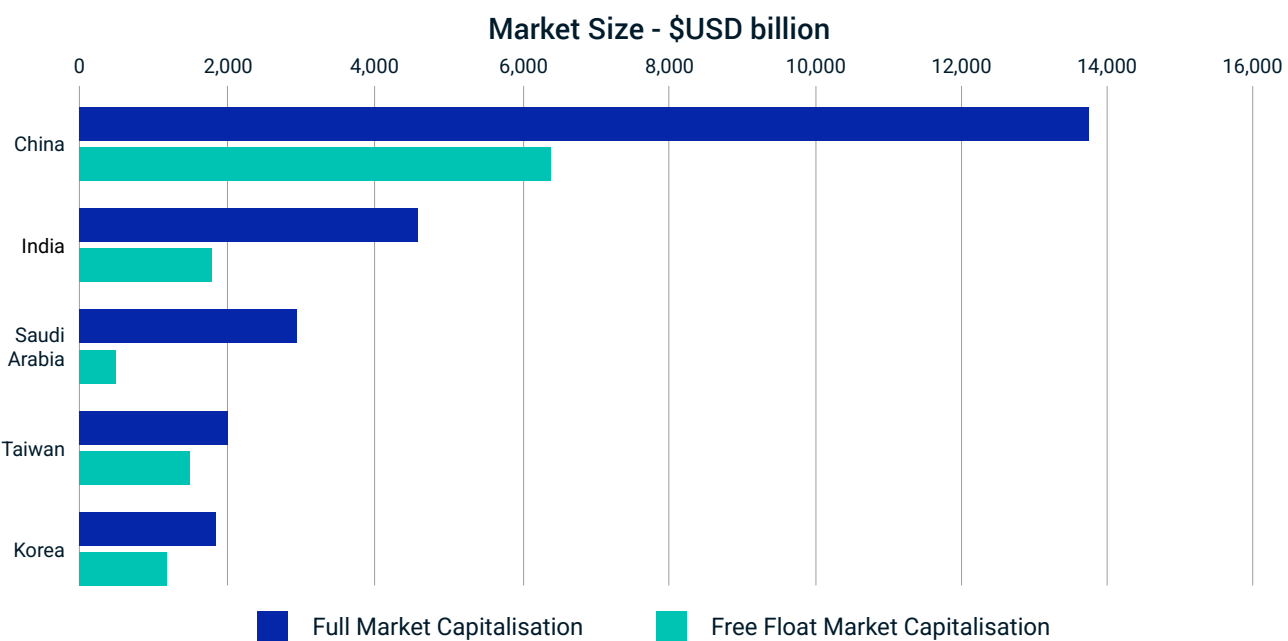
Largest Developed Markets



But it is in Saudi Arabia it is where we see the largest difference, indicating a significant number of strategic shareholders like the sovereign and related entities and reducing the number of shares freely available for purchase in the market.

If we were to rank emerging markets by free float rather than full float market capitalization, Saudi Arabia would drop out of the top 5.

Largest Emerging Markets

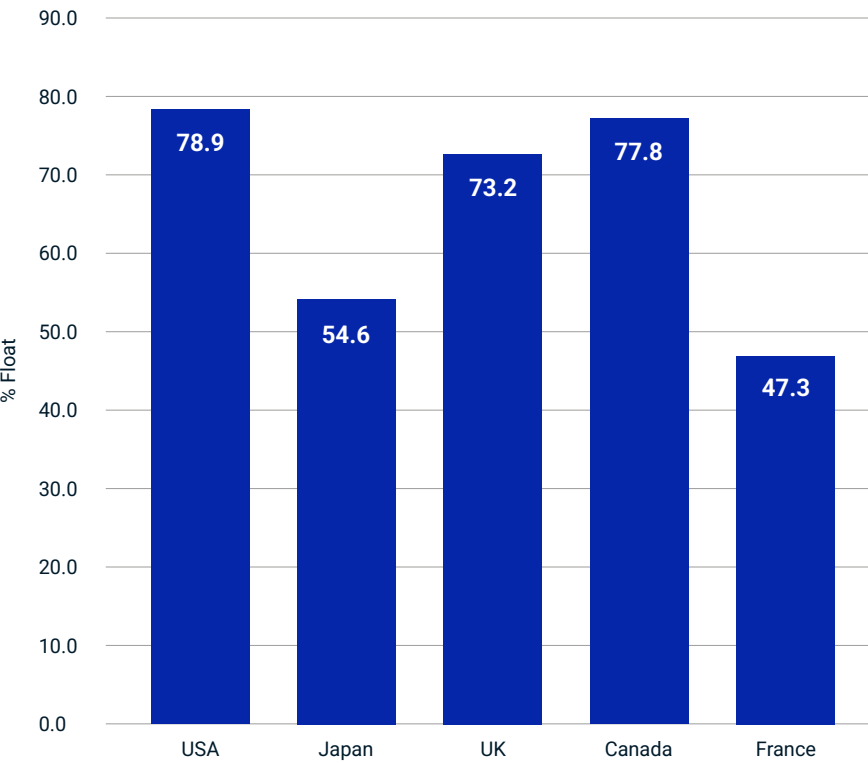


² Please refer to the MSCI Free Float Data Methodology for more details which can be found on <https://www.msci.com/index-methodology>

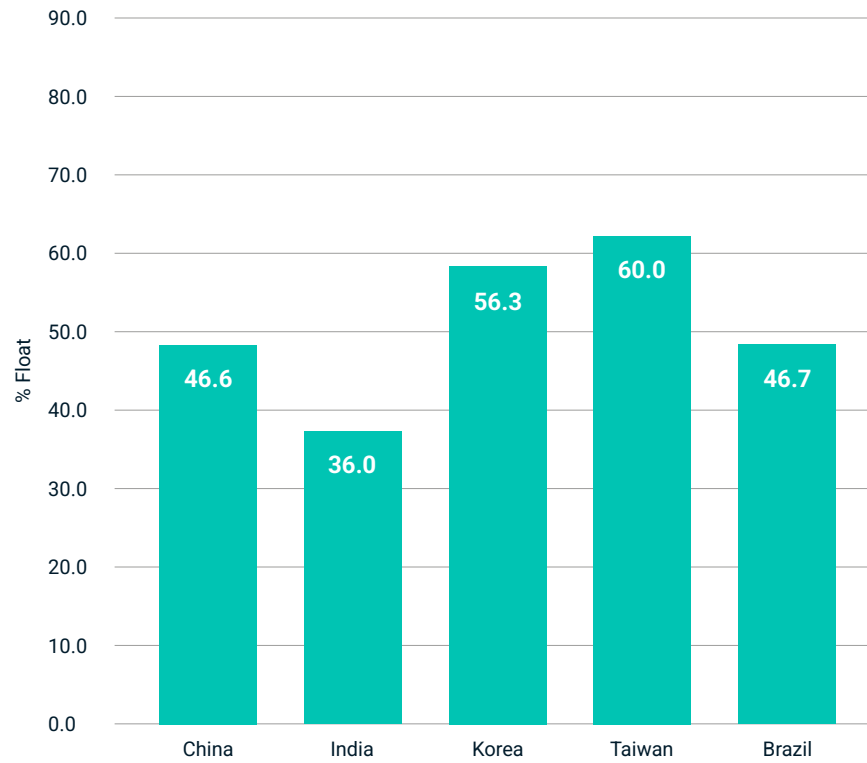
Deeper look into free float by market

The average free float is lower in emerging compared to developed markets, which is in line with prior observations.

Average Free Float - Largest Developed Markets
(Free Float Market Cap)



Average Free Float - Largest Emerging Markets
(Free Float Market Cap)



There are some outliers like Japan and France in Developed Markets and India in Emerging Markets.

Traditionally, Japanese companies have had a high degree of cross-shareholding meaning that they would hold shares in each other. While this has decreased in recent years, it is still a common market practice which limits free float and the number of shares available to a broader set of investors.

France is an interesting case. While the other top 5 markets show an average free float of 75% or higher for their largest companies, France’s average is below 70%. In the USA and in the UK, the average free float for their mega caps is even above 90%. France’s lower free float numbers are linked to significant family stakes in their largest companies: LVMH Moet Hennessy (48.6%), Hermes International (66.7%) and L’Oreal (34.7%)³.

In India, the lower free float has historically been driven by high share of state ownership in certain sectors, as well as high share of promoters’ ownership. For example, 50.3% of Reliance Industries is held by promoters⁴.

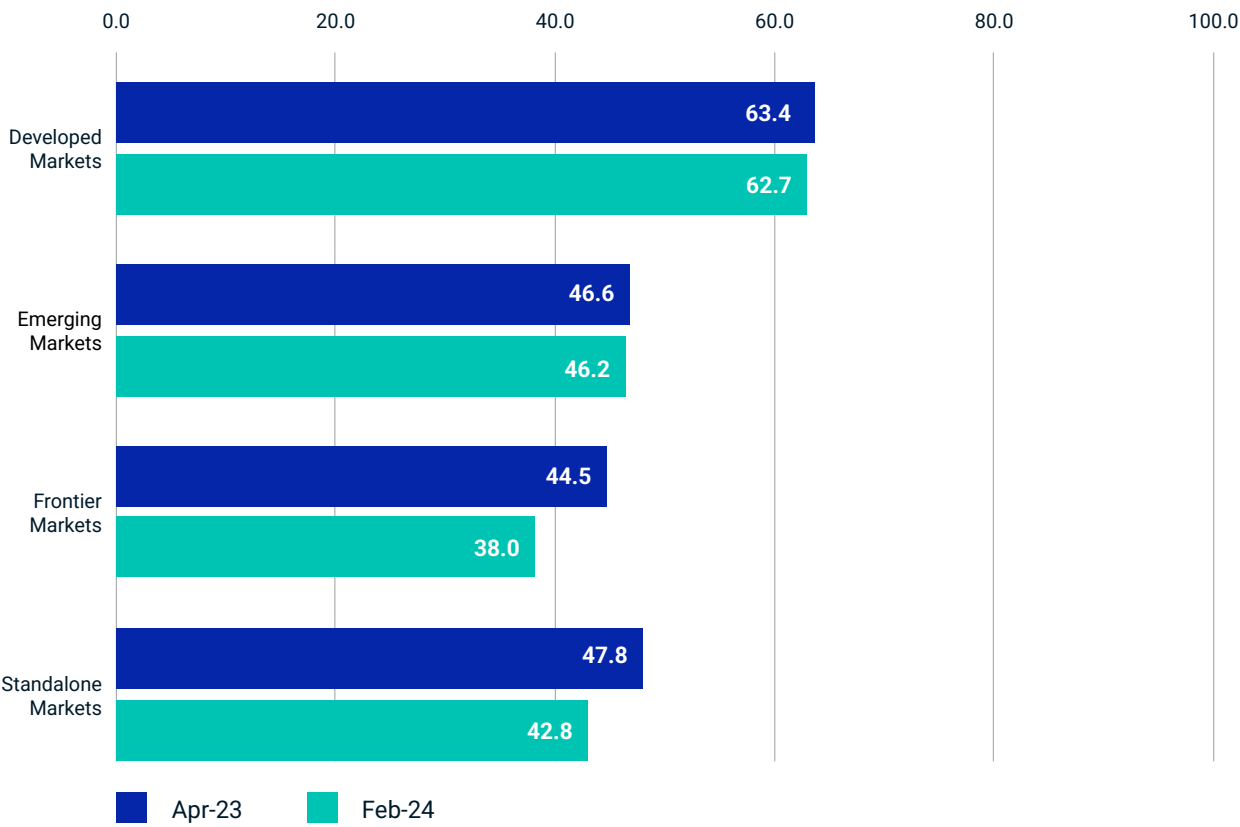
3 Source: Euronext, as of March 31st, 2023
4 Source: NSE, as of December 31st, 2023

Free Float Evolution

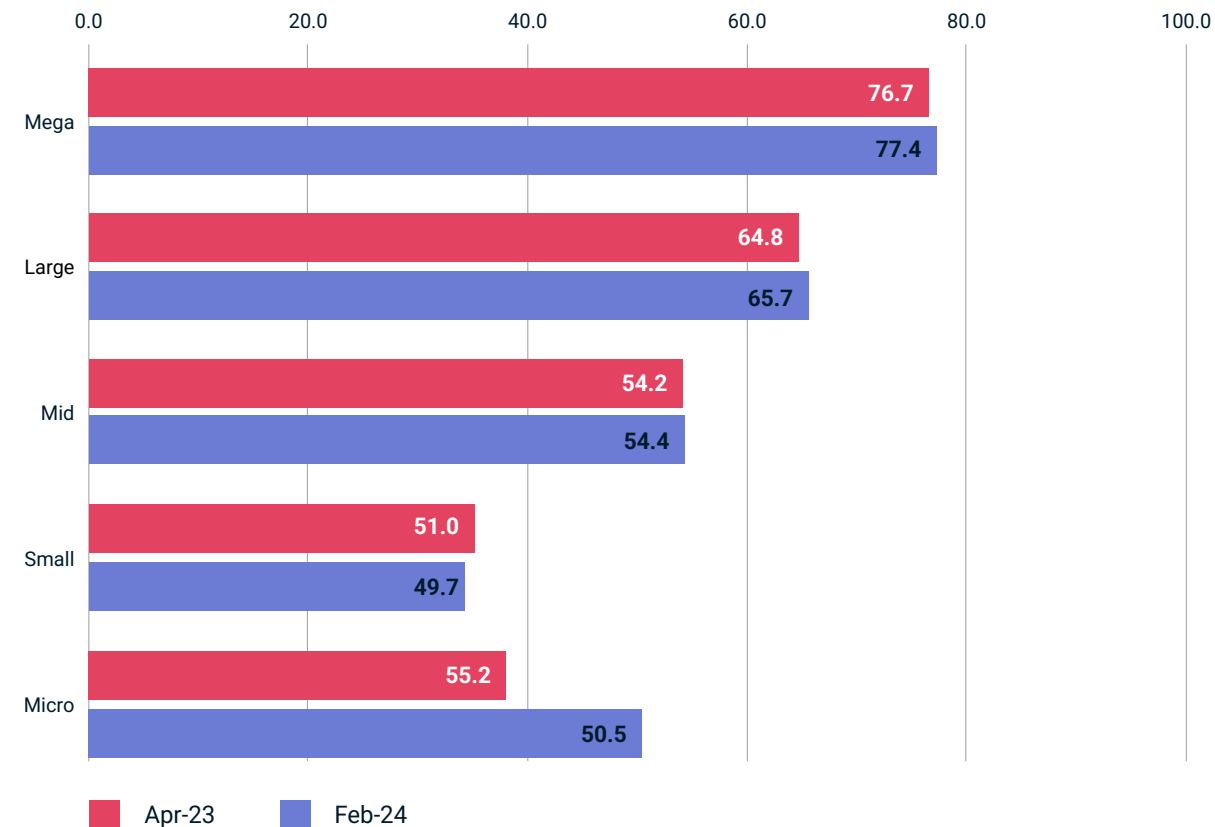
Comparing to last years' snapshot, we see a small drop in average free float level for developed markets, which has been driven by a drop in float in the small and micro-cap segments.

This can also be seen when looking at the average free float level by size segment, where there has actually been an improvement on the numbers for larger companies across the whole universe.

Free Float and Market Types



Free Float and Market Cap Buckets



Foreign Ownership Limits

The existence of foreign ownership limits may make a market less attractive to foreign investors. The two tables below show the countries with the highest number of securities that have a foreign ownership limit in place.

It is surprising to see the USA in here, even if for a very small subset of companies. Looking at the sectors, we can see that foreign ownership limits are being applied to companies in the Oil & Gas, Air Freight, Marine Transport and Passenger Airlines. Passenger Airlines is a sector where foreign ownership is regularly curtailed: 11 out of the 23 developed markets place some level of restriction.

Developed Markets	Average Foreign Ownership Limit	# Securities
Canada	44.1%	53
USA	24.8%	23
France	24.4%	15

Emerging Markets	Average Foreign Ownership Limit	# Securities
China	30.0%	8,450
Saudi Arabia	47.8%	220
India	51.2%	208

In China we can see foreign ownership limits across all sectors. Given that our equity universe covers 10,089 Chinese securities, this means that 84% of them have foreign ownership limits in place.

Comparing with MSCI Indexes

The MSCI Equity universe is the starting point for all MSCI indexes, starting with the market cap indexes as defined by MSCI’s Global Investable Market Indexes (GIMI) methodology.

From a sector profile perspective, MSCI’s broadest index, the MSCI ACWI IMI is very similar to the MSCI Equity Universe. However, when we look at specific countries, we see some differences. Let’s look at France and India, two countries where we observed a lower free float compared to their market peers.

In the France equity universe, and using full market capitalization, we observe a much larger weighting in Consumer Discretionary, compared to our MSCI France IMI.

	France Equity Universe Weights	MSCI France IMI
Communication Services	3.6%	3.3%
Consumer Discretionary	31.0%	20.5%
Consumer Staples	11.3%	9.7%
Energy	5.1%	7.5%
Financials	6.5%	9.5%
Health Care	8.8%	9.4%
Industrials	19.8%	24.4%
Information Technology	5.5%	5.6%
Materials	4.8%	6.3%
Real Estate	1.5%	1.2%
Utilities	2.1%	2.6%

In the India equity universe, and using full market capitalization, we observe a much larger weighting in Financials, compared to the MSCI India IMI Index.

	India Equity Universe Weights	MSCI India IMI
Communication Services	2.7%	2.9%
Consumer Discretionary	11.6%	12.5%
Consumer Staples	6.9%	7.1%
Energy	7.8%	9.3%
Financials	28.1%	22.9%
Health Care	6.0%	6.4%
Industrials	11.6%	11.3%
Information Technology	10.2%	12.0%
Materials	9.0%	9.3%
Real Estate	1.8%	1.9%
Utilities	4.2%	4.4%

Conclusion

The MSCI Float, our latest offering, empowers investors to better understand the equity universe that supports our indexes. Its evolution is expected to indicate how global markets evolve and the information it covers would help investors navigate more efficiently.





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