

Insights from MSCI August 2023 Index Review

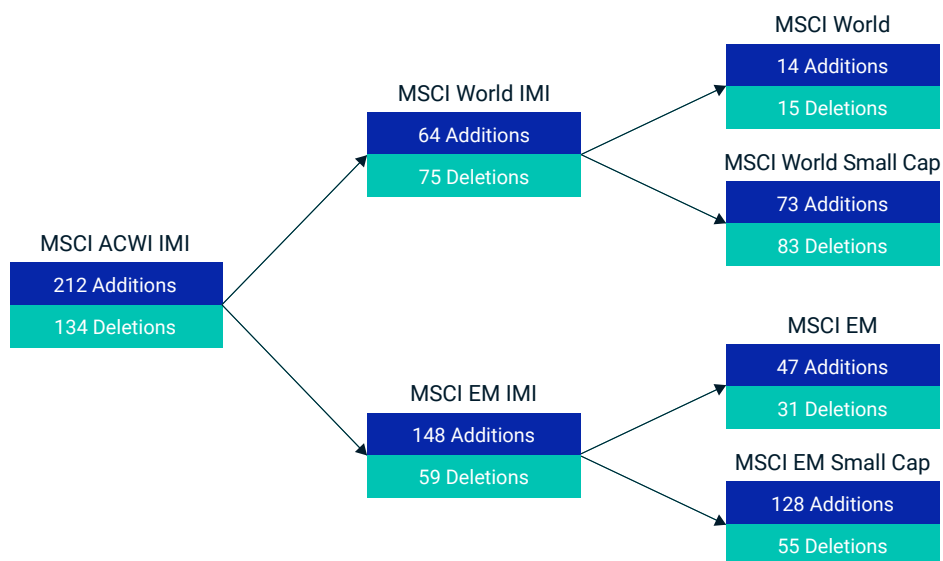
On **August 10th**, we communicated that **212 securities were added** and **134 securities were removed** from the MSCI ACWI Investable Market Index (IMI), MSCI's flagship global equity index. The MSCI ACWI IMI is designed to represent the performance of the investment universe of large/mid and small cap companies across developed and emerging markets. It covers approximately 99% of the global equity investment opportunity by free float-adjusted market capitalization.

In addition to the coverage of developed and emerging markets through the MSCI ACWI IMI, MSCI also covers other less advanced capital markets which will be categorized as frontier markets. Following previously announced enhancements to the MSCI Frontier Markets Indexes methodology, the **MSCI Frontier Markets Index** will have **103 additions** and **3 deletions**, while the **MSCI Frontier Markets Small Cap Index** will have **245 additions** and **120 deletions**. These enhancements were linked to changes in size segment cut-offs and minimum number of constituents for country level indexes.

Additionally, as part of its frontier markets coverage, MSCI announced the upcoming **launch of the MSCI Baltic States and MSCI Latvia Indexes**. Starting with the August 2023 Index Review, MSCI will consider Estonia, Latvia and Lithuania as a single market for the purpose of index construction and maintenance.

Further granularity

Our methodology applies a **building block approach across geographies and company sizes**. This enables investors to assess **how the global investable opportunity has changed at a more granular level**. In this rebalance, there were more additions and deletions in emerging markets than in developed markets for both large/mid cap and small cap indexes.



In the MSCI World Index, most of the additions were size segment migrations. This means that before this rebalance these companies were included in the MSCI World Small Cap index, but they are now large enough in terms of full company market capitalization to be included in MSCI World, which covers large and mid-sized companies. On the other hand, in the MSCI Emerging Markets Index, most of the additions are due to securities that are now meeting the free float-adjusted market capitalization requirements.

Impact on the indexes

To assess the impact on the indexes of these changes, we calculate one-way index turnover to measure the percentage change in the composition of the index. This index turnover corresponds to the proportion of assets that should be bought in a portfolio replicating the index. As a portfolio has a fixed dollar amount, the amount of assets that should be bought exactly corresponds to the amount of assets that should be sold:



Index turnover is influenced by the number and size of securities added or deleted as well as other changes impacting security index market capitalization, such as free float update.



What happens next?

September 1, 2023 – Effective date of the index changes

While the index changes were announced on August 10th, they will be implemented for the market cap indexes by September 1, 2023. MSCI's standard practice is to announce the results of the review and provided sufficient lead time prior to implementation, to allow for the market and market participants to adjust to the information.

About MSCI

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