

# The MSCI WMA Private Investor Index Series Brochure



# MSCI WMA PRIVATE INVESTOR INDEX SERIES

The Private Banking and Wealth Management (PBWM) industry has experienced significant growth in assets in recent years, boosting broader UK economic growth and helping individuals and families plan for the future.

The Wealth Management Association (WMA) represents firms that help customers invest their savings and manage their finances: in the last year alone, our members looked after over £825 billion of wealth for retail investors.

The MSCI WMA Private Investor Index Series strategy-tracking indices are the longest-running private investment price series in the UK.

The Balanced, Income & Growth indices offer historical data going back to 1997, while the Conservative and Global Growth indices have data from 2011.

The five indices track different multi-asset investment strategies with corresponding risk-reward profiles.

Each strategy index includes varying weightings of asset classes such as equities, fixed income, 'cash', real estate, and 'alternative investments'.

MSCI WMA  
Private Investor  
Conservative  
Index

MSCI WMA  
Private Investor  
Income  
Index

MSCI WMA  
Private Investor  
Growth  
Index

MSCI WMA  
Private Investor  
Balanced  
Index

MSCI WMA  
Private Investor  
Global Growth  
Index

- **INDUSTRY BAROMETER:** Measures to compare the range of performance across a variety of five types of risk portfolios
- **ANALYTICAL BENCHMARK:** Over ten years' worth of data can be used for historical reporting as well as future forecasting
- **ROLLING UPDATES:** A basis for reviewing the asset allocation and structure of a portfolio
- **REPLICABLE DAILY PRICING:** Sub-indices underlying the WMA Private Investor Indices are liquid, providing daily market pricing and optimal risk/return visibility

# MSCI WMA PRIVATE INVESTOR INDEX SERIES: SUB-INDICES & DATA MODULES

The different asset classes are linked to existing underlying sub-indices with proven market track and associated liquidity.

## EQUITIES

### UK Equities: MSCI UK IMI (Investible Market Index)

- Tracks large, mid and small-cap segments of the UK market
- Covers around 99% of the UK's free float-adjusted market capitalisation

### Developed-Market Equities: MSCI World Index (in GBP)

- Tracks large and mid-cap stocks across 23 developed markets.
- Covers around 85% of the free float-adjusted market capitalisation in each market.

### Global Equities: MSCI All Country World Index (ACWI) ex UK (in GBP)

- Tracks large, and mid-cap stocks across 22 developed markets (exc UK) and 23 emerging markets
- Covers around 85% of the global equity market outside the UK

### Emerging-Market Equities: MSCI Emerging Market Index (in GBP)

- Tracks large and mid-cap stocks across 23 emerging markets
- Covers approximately 85% of the free float adjusted market capitalisation in each country

## FIXED INCOME / CREDIT

### Government Bonds: Markit iBoxx £ Gilts Index

- Tracks UK government bond market for fixed coupon bonds
- Eligibility criteria: at least 1 yr time to maturity; minimum outstanding of £2 bn

### Corporate Bonds: Markit iBoxx £ Corporates Index

- Tracks £-denominated corporate debt from domestic and international issuers
- Eligibility criteria: investment grade rating, fixed coupon: at least 1 yr time to maturity, minimum outstanding of £250 mn

### Inflation-Linked Bonds: Markit iBoxx UK Gilt Inflation Linked Index

- Tracks UK government inflation-linked bonds
- Eligibility criteria: at least 1 yr time to maturity, minimum outstanding of £1 bn

## OTHERS

### Cash: Cash equivalent (GBP Libor -1%)

- Cash will be represented by the return of 1-week GBP Libor less 1%, with a floor to cap returns under 0%

### Real Estate: MSCI UK IMI Liquid Real Estate Index

- Combines the MSCI UK IMI Core Real Estate Volatility Tilt and Markit iBoxx inflation-linked indices to track unlevered commercial property-related real estate indices

### Alternatives: Custom Index [ 50% cash + 50% MSCI World Diversified Multiple Factor Index]

- Blended custom index: cash component is represented by 1-week GBP Libor
- DMF index, based on the MSCI World Index that tracks large and midcaps in 23 developed markets, maximizes exposure to value, momentum, quality and small size, while maintaining a similar risk profile to the parent index

The five individual indices that are part of the WMA Private Investor Index Series are sold as a single bundle or “data module” containing index-level data for each of the indices.

The underlying indices that make up the asset allocation of each of the WMA Private Investor Index Series are contained in a single data module that is currently available for licensing.

Firms that are members or associate members of the WMA at the time of purchase, and at each subsequent

annual renewal date, will be entitled to a 50% discount on the list fees.

Subscribers have the right to showcase index performance data in client portfolio reports, in portfolio reports used internally by financial advisers, in firm research reports, and on fund performance “factsheets” and/or related marketing material. Any additional required use cases should be discussed with your MSCI representative.

## MSCI WMA PRIVATE INVESTOR INDEX SERIES: ASSET ALLOCATION & WEIGHTINGS

The WMA Private Investors Indices Committee meets on a quarterly basis to track performance, and modify allocations if required, to ensure the indices remain illustrative of strategy performance and can best reflect the changing investment landscape for private investors.

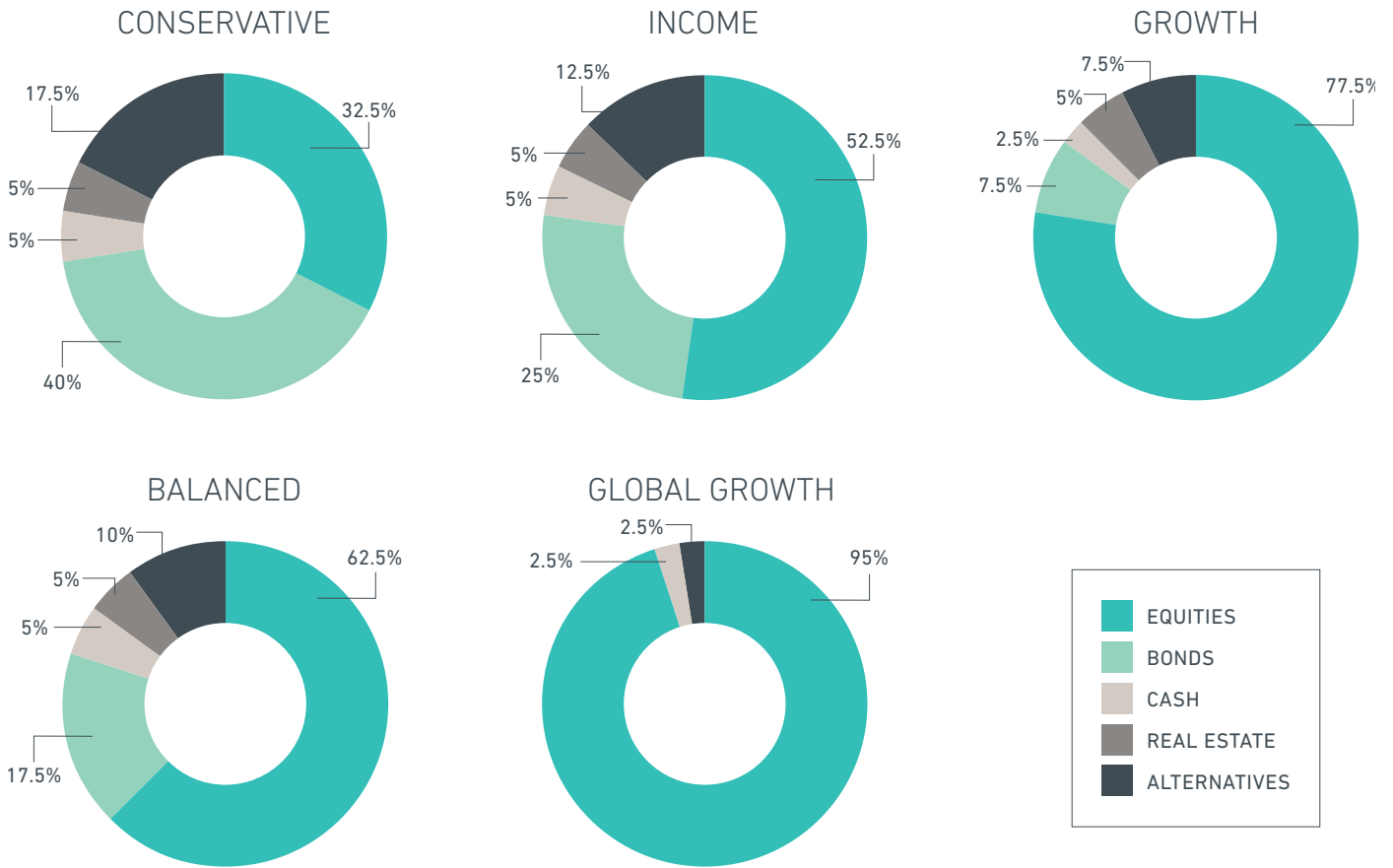
Together with our new data provider MSCI, a world leading index provider, the new strategy indices went live on March 2017. As of 1 March 2019 the asset allocation percentages (%) and their respective indicies are:

Asset Class	Equities		Bonds	
	UK Equities (MSCI United Kingdom IMI)	International Equities (MSCI All Country World Index (ACWI) ex-UK (in GBP))	Bonds: UK Gilts (Markit iBoxx £ Gilts)	Bonds: £ Corporates (Markit iBoxx £ Corporates)
CONSERVATIVE	19.00%	13.50%	10.00%	25.00%
INCOME	27.50%	25.00%	5.00%	17.50%
GROWTH	40.00%	37.50%	2.50%	5.00%
BALANCED	32.50%	30.00%	5.00%	10.00%
GLOBAL GROWTH	Developed World Equities (MSCI World Index (in GBP)) 90.00%	Emerging World Equities (MSCI Emerging Market Index (in GBP)) 5.00%		

In this latest update, the existing fixed income allocations of four of the indices (Growth, Balanced, Income and Conservative) will be refined. The bond quota will be further subdivided to track specialist bond indices provided by Markit iBoxx (i.e. UK Gilts, Corporates, etc).

Although these composite strategy indices do not provide an alternative to the professional investment advice of a wealth manager; they provide a reference on market performance of different investment strategies for the private investor community across specific asset classes.

# INDICES: STRATEGY & ASSET ALLOCATION



	Cash	Real Estate	Alternatives	Total
Bonds: £ Inflation-Linked (Markit iBoxx: UK Gilt Inflation-Linked)	Cash: Cash Equivalent (GBP LIBOR -1% w/ floor 0%)	Commercial Property (MSCI UK IMI Liquid Real Estate)	Hedge Funds / Alternatives (MSCI DMF 50% +1W LIBOR (GBP) 50%)	
5.00%	5.00%	5.00%	17.50%	100%
2.50%	5.00%	5.00%	12.50%	100%
0.00%	2.50%	5.00%	7.50%	100%
2.50%	5.00%	5.00%	10.00%	100%
	2.50%		2.50%	100%

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# FREQUENTLY ASKED QUESTIONS

## Why is the change being made to MSCI as the provider of the WMA Private Investor Indices?

The new MSCI WMA Private Investor Index Series will offer the wealth management community a series of flexible multi-asset indices that will be augmented and enhanced over time based on the changing needs of the private client sector.

The switch to data provider MSCI is the culmination of a lengthy project initially undertaken by the WMA Private Indices Committee. The Committee was looking for flexibility to make regular updates to the indices that would reflect market conditions; therefore ensuring that the indices remain credible, useful and relevant to the Wealth Management community.

The new partnership will provide the current suite of indices, i.e. the balanced, conservative, global growth, growth and income portfolios. Further consultation with the WMA membership and Private Investor Indices Working Group will take place on a quarterly basis, to inform the ongoing development and refinement of the traditional indices, in addition to exploring with MSCI options for additional new indices.

## Are there any significant changes to how the new indices are calculated?

The process of polling member firms on a quarterly basis for their asset allocation inputs, and utilising these inputs to rebalance the indices, will remain in place.

## What historical equivalent data will the new indices offer?

The new indices will offer equivalent historical data: the Balanced, Income & Growth indices offer ten years of equivalent historical data; while the Conservative and Global Growth indices will show equivalent historical data from 2011.

## Why are the absolute index values between the old FTSE indices and the new MSCI ones different? Does this mean historical performance of these indices are different as well?

The difference in the absolute value results from the inception dates and base values of the indices being different. For example, the starting date of three of the MSCI WMA indices is May 2006 and the index value at inception was set at a base rate of 1000. The start date for the previous version of the same indices may have been several years earlier at which time their absolute value may have been set at a different base number, hence the comparable values show variation.

However, when measured over similar time periods, the performance of the indices is very similar. The historical data of the MSCI WMA indices was created using the same historical asset allocation weightings as was used for the FTSE series, hence the returns have been relatively in line with one another.

## Will there be any changes to the current Alternatives Index?

In early 2016, following an announcement of the winding up by the largest component of the previous FTSE/WMA Hedge (Investment trust) Index - Bluecrest Allblue, the WMA Indices Committee decided to terminate this Index. A short term solution was needed that displayed characteristics representative of a basket of alternative investments. A custom index to represent "Alternatives" was created which from 1st March 2017 and will contain 50% Cash + 50% MSCI World DMF Index.

Due to feedback from member firms, we have created an Indices Working Group to review the Custom Alternatives Index. This is to ensure that the Alternatives Index accurately represents the alternative investments used by our member firms.

### What happens to the legacy FTSE historical dataset when I subscribe to the new MSCI WMA Private Investor Index Series?

Subscribers to the new MSCI WMA Private Investor Index Series will have to extract any historical FTSE data from their systems, and then import the new MSCI WMA Private Investor Index Series.

### What are the fees for the new indices and will there be any discounts available for WMA member firms?

Firms that are members or associate members of the WMA at the time of purchase, and at each subsequent annual renewal date, will be entitled to a 50% discount on the list fees. If you would like to obtain a quote for licensing the indices data module, you can do so by contacting your existing MSCI representative or by sending an e-mail to MSCI at: [WMA@msci.com](mailto:WMA@msci.com)

### Will support be provided to members/users of the new Indices to assist with the transition?

Yes. There is a range of support that will be made available to users of the new MSCI WMA Private Investor Indices. This will include:

- Expansion of the WMA website dedicated to the Private Investor Indices to facilitate access to key information.
- A series of regional member events and webinars where users can ask questions and learn more about the Indices.



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## MSCI WMA PRIVATE INVESTOR INDEX SERIES

The MSCI WMA Private Investor Index Series, an industry bellwether designed to help investment managers, tracks five distinct multi-asset investment strategies: Conservative, Income, Growth, Balanced and Global Growth.

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## ABOUT THE WMA

The WMA is the trade association for firms that provide financial advice and investment services to help individuals and families prepare for the future, today.

We represent 180 wealth management firms and associate members that provide a range of financial solutions including financial advice, portfolio management, as well as investment and execution services. They assist everyone from individuals and families, to charities and pension funds, all the way to trusts and companies.

These firms run over £5.5 million client portfolios and carry out over 20 million trades a year.

[www.thewma.co.uk](http://www.thewma.co.uk)

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## 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. To learn more, please visit [www.msci.com](http://www.msci.com).

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