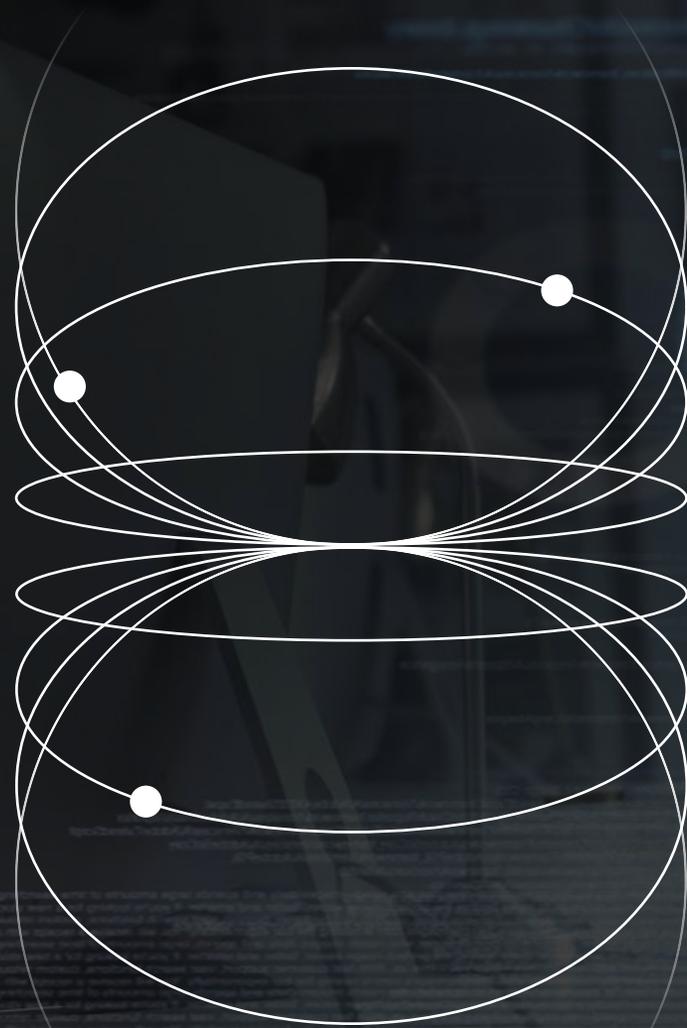




# Index Client Solutions Newsletter

September 2025 →



# Index Performance Recap

- Amongst market cap indexes, EAFE continues to outperform USA YTD, specifically EMU which is leading USA by ~19.3% as of August 29. Within EMU, Spain and Austria remain the top performers YTD, up 55.5% and 50.6% respectively. Korea and Taiwan led EM universe in 2025 YTD and 5yr horizon.
- For sectors, communication services is the best performing sector in USA and Financials lead in the World, EAFE and EMU YTD. Energy is the sector that has dominated over 5yr horizon for both USA and World.
- Among the factors, Enhanced Value continue to outperform YTD across the USA, World, EAFE, EM and APAC.
- Within thematic indexes, the Blockchain Economy delivered the strongest performance YTD as well as the best annualized returns over the five-year period.

## Market Cap, Sector and Factor Indexes Performance – [Monthly Performance Report](#)

	Benchmark returns (%)		Best performing factor returns (%)		Best performing sector returns (%)	
	YTD	5Yr annualized	YTD	5Yr annualized	YTD	5Yr annualized
<b>USA</b>	10.9	14.4	Enhanced Value 15.0	Growth 15.6	Comm Service 17.9	Energy 25.0
<b>World</b>	14.1	13.4	Enhanced Value 23.8	Enhanced Value 14.6	Financials 22.3	Energy 22.2
<b>EAFE</b>	23.3	10.7	Enhanced Value 32.7	Enhanced Value 17.1	Financials 40.2	Financials 21.5
<b>Emerging Market</b>	19.6	5.3	Enhanced Value 27.1	Enhanced Value 10.5	Comm Service 35.1	Info Tech 14.5
<b>EMU</b>	30.2	12.2	Value 41.6	Enhanced Value 16.1	Financials 61.2	Financials 26.3
<b>AC Asia Pacific</b>	18.6	6.7	Enhanced Value 22.0	High Div 12.1	Comm Service 39.1	Financials 14.9

## Thematic Indexes Performance

	Best performing index (%)	
	YTD	5Yr annualized
<b>Thematics - technology</b>	Blockchain Economy 33.1	Blockchain Economy 25.5
<b>Thematics - other</b>	Efficient Energy 19.6	Smart Cities 19.0

## Best Performing Country – [Country Index Report](#)

YTD perf. (%)	5-year perf. (annualised, %)
<b>DM:</b> Spain 55.5	<b>DM:</b> Austria 25.0
<b>EM:</b> Korea 42.6	<b>EM:</b> Taiwan 18.0

Data Source: MSCI. Gross total returns in USD as of August 29, 2025. YTD covers the period from Jan 01, 2025 to August 29 2025. Illustrative examples only. Not investment advice. Past performance not indicative of future results.

# Market Trends

We see a decisive shift away from U.S.-centric portfolios toward international diversification, coupled with growing alignment to structural themes such as innovation, sustainability, real assets, and customization.

## Structured Products →

Growing interest in multi-asset indexes in US and APAC, Evolving interest on AI

- In the US, we've grown our footprint in the US Fixed Indexed Annuity space with adoption of benchmark indexes like World, EAFE, EM and USA; as well as USA volatility target, intraday vol target on USA and growth indexes, multi-asset regime allocation index based on daily Macro forecast.
- In EMEA, we see growing interest in AI-related beneficiaries such as AI infrastructure firms, sovereignty-driven themes, and opportunities linked to tariff dynamics. Factor indexes like high dividend yield, equal weighted are attractive. Strong client interests in the Analyst sentiment indexes.
- In APAC, we continue to see strong demand on cross-asset strategies as our economic regime variations continue to gain traction. We also see growing interest in Islamic ideas in selected regions.



## ETFs →

Q2 saw record MSCI-linked ETF growth past \$1T, fueled by strong global inflows and a shift toward international diversification

- Q2 marked the strongest quarter in four years, with MSCI-linked Americas ETF AUM surpassing \$1T. Global MSCI-linked ETF AUM reached \$2.02T, up from \$1.78T in Q1, driven by strong inflows into Developed Markets and Broad Market categories.
- After years of U.S.-centric positioning, allocators are rotating toward global exposures amid tariff-driven volatility, valuation disparities, and stronger relative performance outside the U.S.
- ETFs launched on MSCI USA GICS sector indexes
- Strong client interests in **thematics, fixed income, and digital asset strategies**, signaling strong innovation momentum.



## Asset Owners →

Market dynamics underscore rising geopolitical concerns, deeper engagement with active risk, and benchmark transitions

- Large U.S. public asset owners adopting **MSCI ACWI IMI ex China ex HK** variants, reflecting geopolitical risk concerns.
- Asset owners raise risk tolerance (higher tracking error mandates, 130/30 strategies), showing willingness to deviate from benchmarks to capture alpha.
- MSCI USA continues to win mandates with growing adoption of **MSCI USA IMI**, while large U.S. asset owners show increasing interest in futures-linked implementation and **MSCI Climate Benchmarks**, particularly Low Carbon Target and Energy Transition strategies.



\*The estimated AUM benchmarked to MSCI indexes is intended solely to be a helpful reference point for the investment community to better understand the scale of the use of MSCI equity indexes globally. It is not an indicator of the financial strength of MSCI. Not investment advice.

# Index Launches and Research Insights

## Highlights



- We launched the **MSCI World Private Equity Return Tracker Index**, which mirrors private equity's systematic characteristics within a public market framework, providing both flexibility and transparency.
- We launched four **new MSCI Factor Indexes**, World Mid Cap Quality, ACWI ex USA Small Cap Quality, USA Small Cap Momentum, and ACWI ex USA Small Cap Momentum, designed to support **actively managed portfolio strategies**.
- We expanded our **derivatives** toolkit with MSCI regional and single-country **futures**, including **ACWI ex-China & HK, EAFE ex-HK, and Korea**. It enhances global benchmark coverage as investor adoption of equity index derivatives and structured products continues to grow.

## MSCI Quarterly Index Review



### INSIGHTS FROM MSCI AUGUST 2025 INDEX REVIEW ▶

176 securities were added and 103 securities 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.

## Recent Research Publications Overview



### Factor Indexing Through the Decades:

- Our research traces 50 years of factor indexing, from the shift from single factor to diversified multi-factor strategies in the 2000s to the recent integration of sustainability and climate considerations, highlighting how factors perform across different macro regimes.
- In the current cycle, structural themes such as artificial intelligence, digital transformation, and broader innovation have reignited investor demand for growth, positioning it once again as a central style factor.

### Hedging Macro Risk in Equity Portfolios:

As macro risks like inflation and rate volatility rise, our research reveals that traditional equity analytics often understate sector and style sensitivities—highlighting that sectors like **real estate** and **utilities** and styles such as **Growth** and **Minimum Volatility** are especially vulnerable to interest-rate shocks, and demonstrating how interest-rate hedging can enhance growth strategy resilience.

### Capturing the Growth of Venture-Backed Private Companies:

Our research highlights how the **MSCI Venture-Backed Private Company Indexes** capture the growth of companies driving transformative innovation in AI and space exploration, with the Top 50 Index delivering a **40% annualized return** since inception, and provide investors with benchmarks to access an asset class historically beyond reach.

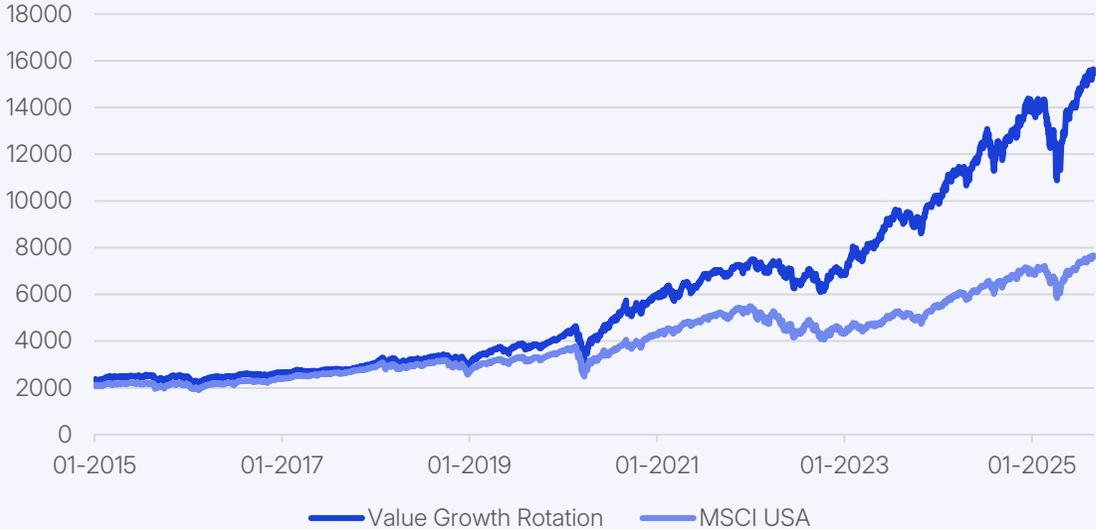
Data Source: MSCI. Not investment advice.

# Live Index Spotlight: Value & Growth Rotation Index

**The MSCI USA Growth-Value Style Rotation Select Index adapts to inflationary regimes by dynamically allocating between growth and value, seeking to capture style rotation opportunities while preserving broad equity market exposure**

- **Inflation-Sensitive Style Rotation:** The Index rotates between growth and value based on OECD USA CPI signals, aligning allocations with shifting inflation dynamics.
- **Favorable Economic Backdrop for Value:** In periods of rising inflation and interest rates, value stocks historically outperformed growth, supported by stronger fundamentals and earlier cash flows.
- **Balanced Exposure Through Market Cycles:** Separating growth and value exposures helps capture cyclical rotations—favoring growth in moderate phases and value when inflation rises—smoothing returns across market regimes.

2025 YTD Performance



Annual Returns	YTD	1 Yr	3Yr	5 Yr	10 Yr
MSCI USA Growth Value Style Rotation Select Index	12.00	24.33	32.53	22.51	20.59
MSCI USA Index	10.62	16.00	19.14	13.36	13.97

Source: MSCI. 1. Period: Jan 2015 to August 2025. Gross Total returns in USD are used. Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results. Not investment advice.

# Live Index Spotlight: Blockchain Economy Index

**Blockchain Economy** developed with ARK Invest, aims to reflect companies engaged in digital asset markets, decentralized finance, cryptocurrency payments, and blockchain-based innovations

- **Strong long-term growth drivers:** Blockchain technology is moving beyond cryptocurrencies into areas such as **decentralized finance**, cross-border **payments**, **tokenization** of assets, and **enterprise solutions**. These secular trends support the potential for sustained earnings growth and market leadership among index constituents.
- **Attractive entry point in current markets:** Following recent market corrections, valuations for many blockchain leaders have become more compelling relative to their growth prospects. Combined with renewed institutional adoption and accelerating real-world use cases, we believe this creates a timely opportunity for exposure.
- **Targeted exposure to blockchain innovation:** The MSCI ACWI IMI Blockchain Economy Index, developed with ARK Invest, provides targeted exposure to blockchain innovation by selecting large, mid, and small-cap securities across 47 developed and emerging markets.

2025 YTD Performance



Annual Returns	YTD	1 Yr	3Yr	5 Yr
MSCI ACWI IMI Blockchain Economy Index	33.01	61.02	43.71	22.32
MSCI ACWI IMI Index	14.31	15.50	17.09	11.83

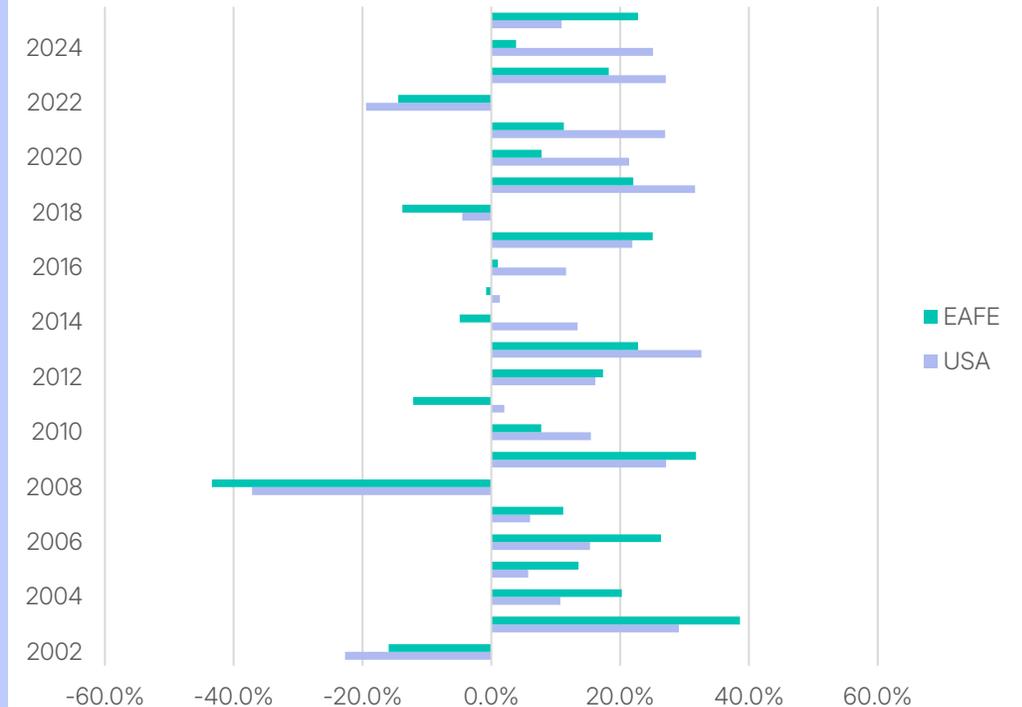
Source: MSCI. 1. Period: Nov 2016 to August 2025. Gross Total returns in USD are used. Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results. Not investment advice.

# Index Idea Spotlight: USA vs EAFE Multi-asset Rotation

The MSCI USA vs EAFE Rotation Strategy dynamically shifts between U.S. and EAFE equities, incorporates fixed income exposure –gold and U.S. treasuries. It applies a volatility-targeting overlay to maintain risk at 10% with capped leverage.

<p><b>Step 1 →</b> Equity allocation among USA and EAFE</p>	<ul style="list-style-type: none"> <li>→ Calculate the growth &amp; analyst sentiment scores of USA and EAFE</li> <li>→ At each month end: the portfolio default to USA</li> <li>→ If both the fundamental growth score and analyst sentiment score favors EAFE, it allocates to EAFE, otherwise it stays in USA;</li> </ul>
<p><b>Step 2 →</b> Non-equity allocation among "Safe Assets"</p>	<ul style="list-style-type: none"> <li>→ Two safe assets: <b>Gold</b> and <b>10yr US treasury</b></li> <li>→ When US growth scores deteriorate: Allocate fully to gold.</li> <li>→ When US growth signals are favorable: Allocate 50% Treasuries and 50% gold.</li> </ul>
<p><b>Step 3 →</b> Risk Control Overlay</p>	<ul style="list-style-type: none"> <li>→ Targeting 10% volatility level first based on the equity portfolio realized volatility, and rebase on the portfolio volatility</li> <li>→ Maximum leverage 200%</li> <li>→ No fee included</li> <li>→ Excess return, used Fed fund rate as cost of funding</li> </ul>

Calendar Year Returns of USA vs EAFE



Source: MSCI. Period: May 2001 to Aug 2025. Simulations are indicative illustrations of the concept only and have been prepared solely for informational purposes. Any MSCI production index may differ. The strategies in the simulations have not been adopted or endorsed by MSCI, and it may or may not be adopted, in whole or in part, by MSCI. Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Not investment advice.

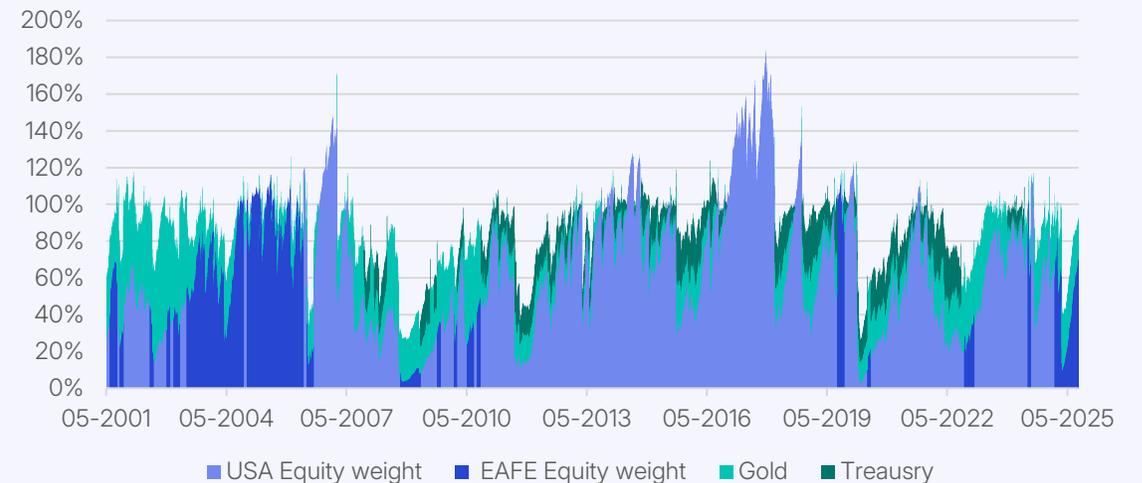
# Index Idea Spotlight: USA vs EAFE Multi-asset Rotation

## Hypothetical back-tested index performance

### Historical Performance



### Historical Allocation



	Since Inception	20yr	15yr	10yr	5yr	3yr	1Y
Ann. Return	8.45%	8.69%	8.91%	9.40%	7.19%	11.79%	11.77%
Realized Vol	10.08%	10.16%	10.20%	10.21%	10.08%	10.23%	10.96%
Sharpe	0.84	0.86	0.87	0.92	0.71	1.15	1.07

Source: MSCI. Period: May 2001 to August 2025. Simulations are indicative illustrations of the concept only and have been prepared solely for informational purposes. Any MSCI production index may differ. The strategies in the simulations have not been adopted or endorsed by MSCI, and it may or may not be adopted, in whole or in part, by MSCI. Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Not investment advice.

Celebrating one-year anniversary of the newsletter

# One Year of Growth and Innovation

## Market Trends: Diversification and Defense

- In 2024, strong inflows into **innovation, AI, and climate strategies**, supported by wider use of structured products and insurance-linked solutions.
- In 2025 YTD, Defensive rotation toward **Minimum Volatility, Value, and Staples/Utilities**, with reduced U.S. exposure.
- **Regional focus:** EMEA clients leaning defensive sectors, semiconductors, APAC and US clients focusing on multi-asset.

## The Year in Perspective: Resilience & Innovation

- **Turning point:** In 2025, international markets regained strength as investors moved defensively with Minimum Volatility and inflation hedges.
- **Index innovation:** custom climate indexes, sentiment-driven factors, and tariff-resilient exposure indexes broaden the investor toolkit.
- **Resilience through diversification:** Portfolios balanced opportunity with risk management in a multipolar market.

## Notable Index launches

### Sentiment & Multi-asset:

- Resilient Futures
- Regional Mean Reversion
- Multi-Asset Rotation Indexes -Economic Regime; 2s/10s Rotation

### Factors:

- Market Neutral Long/Short Factor Indexes
- Analyst Sentiment

### Private Markets:

- MSCI World Private Equity Return Tracker Index

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