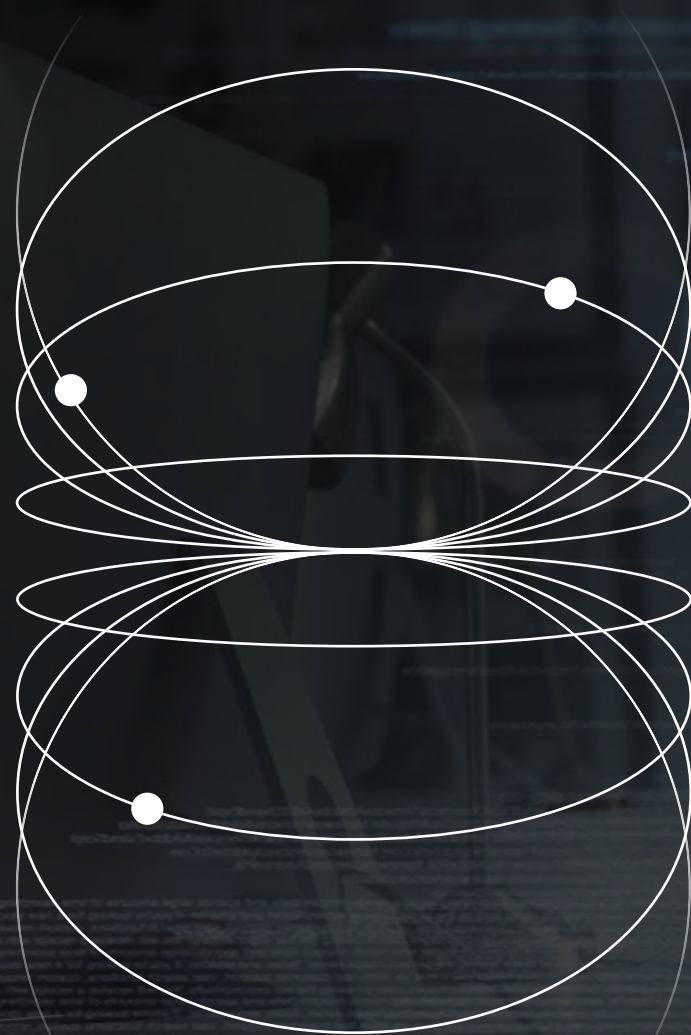




# Index Client Solutions Newsletter

January 2026 →



# Index Performance Recap

- Across the Global Benchmark Index spectrum, the **EMU** leads in 2025 with a 41.3% full-year gain, followed by **EM** at 34.4%. **Spain** is the best performing DM country in 2025 with a 83.6% gain, followed by **Austria**. **Korea** tops the EM category with a 93.3% return, while **Taiwan** remains the 5-year performance leader.
- **Communication Services** leads 2025 performance across the USA and World. Over the 5-year horizon, **Energy** remains the top-performing sector in both the USA and World indexes while **Financials** continue to dominate in EMU and APAC.
- **Enhanced Value** continues to be the best performing factor for 2025 across all major regions, including the USA, World, EAFE, EM, EMU, and APAC, highlighting strong global momentum for value-driven strategies.
- Among thematic indexes, the **Blockchain Economy** delivered the strongest full-year performance at 35.9% as well as the best annualized returns over the five-year period, followed by **Smart Cities**.

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

	Benchmark returns (%)		Best performing factor returns (%)		Best performing sector returns (%)	
	2025	5Yr annualized	2025	5Yr annualized	2025	5Yr annualized
<b>USA</b>	17.7	13.9	Enhanced Value 32.9	Growth 15.7	Comm Services 33.0	Energy 23.5
<b>World</b>	21.6	12.7	Enhanced Value 40.4	Enhanced Value 14.4	Comm Services 32.4	Energy 20.8
<b>EAFE</b>	31.9	9.5	Enhanced Value 49.5	Enhanced Value 17.0	Financials 53.9	Financials 20.4
<b>Emerging Market</b>	34.4	4.7	Enhanced Value 56.1	Enhanced Value 10.7	Materials 63.0	Information Tech 13.0
<b>EMU</b>	41.3	11.4	Enhanced Value 58.7	Enhanced Value 15.6	Financials 82.2	Financials 26.3
<b>AC Asia Pacific</b>	28.6	5.4	Enhanced Value 44.5	Enhanced Value 12.4	Information Tech 49.1	Financials 12.9

## Thematic Indexes Performance

	Best performing index (%)	
	2025	5Yr annualized
<b>Thematics - technology</b>	Blockchain Economy 35.9	Blockchain Economy 17.9
<b>Thematics - other</b>	Clean Energy Infra 34.4	Smart Cities 17.3

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

2025 perf. (%)	5-year perf. (annualised, %)
<b>DM:</b> Spain 83.6	<b>DM:</b> Austria 22.4
<b>EM:</b> Korea 100.8	<b>EM:</b> Taiwan 17.4

Data Source: MSCI. Gross total returns in USD as of December 31, 2025. Illustrative examples only. Not investment advice. Past performance not indicative of future results.

# Market Trends

Growing demand for alternative assets, international benchmarks, and AI-driven investment themes is driving innovation and transforming global portfolio strategies

## Structured Products →

Alternative assets, digital exposures, and thematic innovation drive global structured product demand across regions with distinct client priorities.

**Americas:** Growing client interest in alternative asset exposure via listed securities, including digital assets (bitcoin), precious metals – gold, private equity, and analyst sentiment strategies due to consistent outperformance relative to traditional equity benchmarks.

**EMEA:** Continued demand for AI related and Europe Sovereignty themes alongside increased interest in Sustainability & Climate topics, both broad and specific. Emerging markets, gold, rare earths, and uranium are gaining traction as new thematic exposures.

**APAC:** Sustained interest in cross asset offerings across client segments. Clients explore ex US diversification leveraging factor signals and other systematic approaches. Appetite for Islamic strategies growing in selective regions.

**Client Momentum: Regional divergence in structured product demand reflects localized investment priorities** while revealing universal shift toward accessing non-traditional exposures through index linked instruments and thematic construction methodologies.



## ETFs →

From Beta Reset to Geographic Rotation MSCI linked exposures remained central to core equity flows during December's year end beta reset and January's tactical geographic rotation.

**Broader Context:** U.S. ETFs received a record \$1.5 trillion ETF inflow in 2025. December set a monthly record with \$256 billion in total inflows.

**December Beta Capture:** Developed-market equity ETFs added \$7.9 billion of net inflows in December with European equity ETFs gathering \$23.59 billion as investors rebalanced toward international benchmarks within the broader \$330.8 billion monthly global ETF inflow environment.

**January Geographic Rotation:** International equity ETFs dominated with \$16.1 billion inflows (week ending January 9) while US equity ETFs saw \$1.8 billion outflows. US Equity Funds experienced \$18.9 billion outflows in early January, suggesting tactical sector rotation within international equity exposures.

**Client Momentum:** MSCI benchmarks functioned as both core beta building blocks and precision instruments for geographic rotation, enabling portfolio engineering rather than risk reduction.



## Asset Owners →

From Benchmark to Backbone: MSCI evolves from passive beta to institutional governance infrastructure.

**Benchmark Consolidation Accelerates:** Asset owners transitioning from fragmented allocation to integrated total portfolio management, with large US asset owners adopting single benchmarks (75% equities/25% bonds) to replace multiple asset class benchmarks CA, require infrastructure balancing governance stability with implementation flexibility. MSCI delivers board familiar, operationally standardized, implementation agnostic solutions.

**Geographic Reallocation Confirms MSCI as Capital Flow Rail:** Billions flowing from US to international markets, with European pension funds actively rebalancing geographic exposures. Increasing debates US versus Europe among pension funds. Dutch pension funds systematically increase equity exposure through benchmark-based strategies as part of pension system transition deepening network effects and institutional adoption.

**Infrastructure Dependency Deepens:** MSCI serving as universal reference infrastructure, Infrastructure enabler. Evolution spans from passive beta to performance and risk attribution framework to governance infrastructure enabling total portfolio approach, concentration management, and public/private integration.



# Index Launches and Research Insights

## Highlights



- We are introducing **MSCI World Titans Golden Compass Select Index**. The index implements a dynamic, cross-asset allocation strategy powered by a proprietary trend signal that evaluates the consistency and directionality of market movements. Each day, it allocates across three components - Gold, a 50/50 Gold–Equity basket, and Global Equities
- We have launched **MSCI USA Gold Navigator Select Index**, which allocates between risk-controlled indices on MSCI USA and gold futures.
- Launched **USA Quality 8% Volatility Target Index**, which applies risk control on flagship MSCI USA Quality Index.
- We also launched the **MSCI MKT MediaStats Multi-Asset Index**, available exclusively in the Athene® BCA® 2.0 Suite of FIAs. Developed in collaboration with MKT MediaStats and Annexus, this innovative index leverages MKT MediaStats' insights and analytics to dynamically allocate across asset classes in response to shifting investor attention and market sentiment.

## Recent Research Publications Overview



### Investment Trends in Focus: Key Themes for 2026

2025 delivered one of the most complex market backdrops in recent memory: geopolitical shocks that briefly upended U.S. exceptionalism, an unprecedented scale of AI-driven investment and the rapid rise of private credit as a critical — but untested — source of financing. Our Investment Trends in Focus report cuts through the noise to show what truly drove markets — and what these forces mean for 2026.

### Sustainability and Climate in Focus: Trends to Watch for 2026

We explore five sustainability and climate trends we'll be watching in 2026. From AI-boosted clean tech and central banks enforcing climate risk rules, to investors reckoning with physical hazards in private equity and the rise of state ownership in strategic sectors. We unpack how materiality is maturing, policy is pivoting, and capital is flowing into what works.

### Are You Really Capturing the Right Factors? Unlocking Deeper Insights in China A-Share Factor Investing

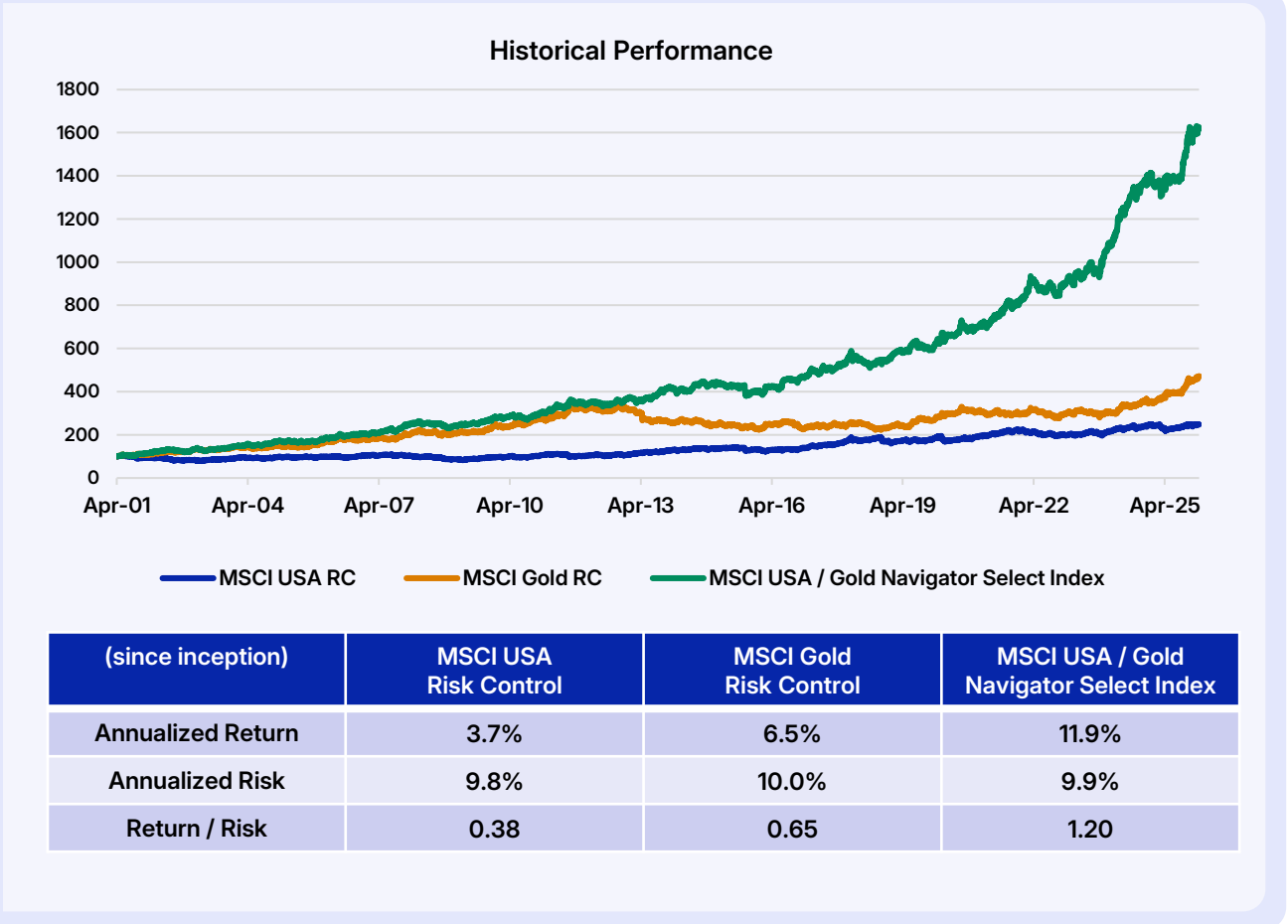
Beyond identifying high-performing factors, the study demonstrates how unintentional exposures — to size, liquidity or valuation — can dilute returns. This paper makes the case for an evolved, multi-factor approach that reflects China's market realities — dynamic, policy-sensitive and factor-diverse. By translating deep analytical insights into actionable strategies, it provides a roadmap for building smarter, more resilient portfolios in a complex market.

Data Source: MSCI. Not investment advice.

# Live Index Spotlight: MSCI USA Gold Navigator Select Index

From a macro perspective, Gold and Equities tend to outperform in **different economic environments**. These recurring shifts in relative performance form a compelling basis for a **mean-reversion rotation approach**, as transitions between outperforming assets often create opportunities to tactically improve the risk/return profile.

- Over the past 25 years, the 60-day Daily-Weekly volatility spread on MSCI USA has averaged 1.1%, with notable spikes during stressed market periods.
- The spread is relatively evenly distributed between 3 regimes: **Trendy markets, Below-average mean reversion, and High mean reversion.**
- These observations allow us to construct a two-asset rotation algorithm using MSCI USA and Gold:
  - Trendy markets ⇒ **allocate 100% to MSCI USA**
  - Below-average mean reversion ⇒ **allocate 100% to Gold**
  - High mean reversion ⇒ allocate to the asset with the **lowest recent volatility**



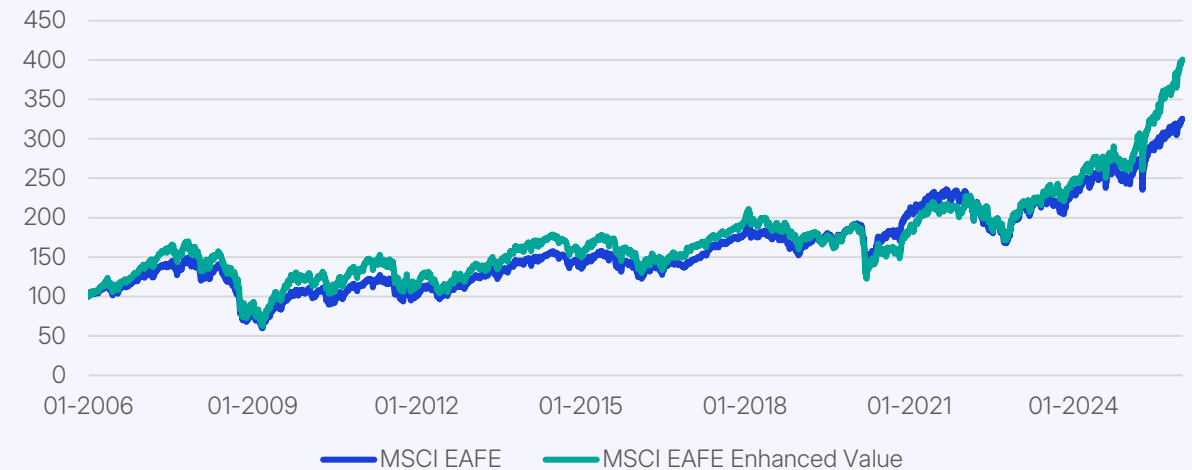
Source: MSCI. 1. Period: Mar 2001 to Dec 2025. Excess returns in USD are used. Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results. Not investment advice.

# Live Index Spotlight: MSCI Enhanced Value Indexes

MSCI Enhanced Value Indexes are factor indexes designed to **maximize their exposure to companies that exhibit higher value characteristics** compared to the parent universe of securities. Each Enhanced Value Index is constructed by selecting a set number of securities with the **highest value scores** from the parent index. The market capitalization weight of each security is then adjusted based on its value score.

- **Traditional value indexes:** Introduced as benchmarks in the 1980s, these first-generation style indexes maintain capitalization weighting but may introduce unintended sector and other factor biases
- **Enhanced value indexes:** launched in 2014, these indexes combine multiple descriptors, address value traps and match the parent index's sector allocation, with the goal of mitigating drawdowns

MSCI EAFE Enhanced Value vs MSCI EAFE



MSCI EAFE Enhanced Value Index	Since Inception	10-Year	5-Year	3-Year	1-Year
Annualized Return	8.48%	9.97%	17.02%	24.79%	49.65%
Annualized Volatility	15.33%	15.25%	14.66%	14.07%	16.06%
Return / Volatility	0.55	0.65	1.16	1.76	3.09

Source: MSCI. 1. Period: Jan 2006 to Dec 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.

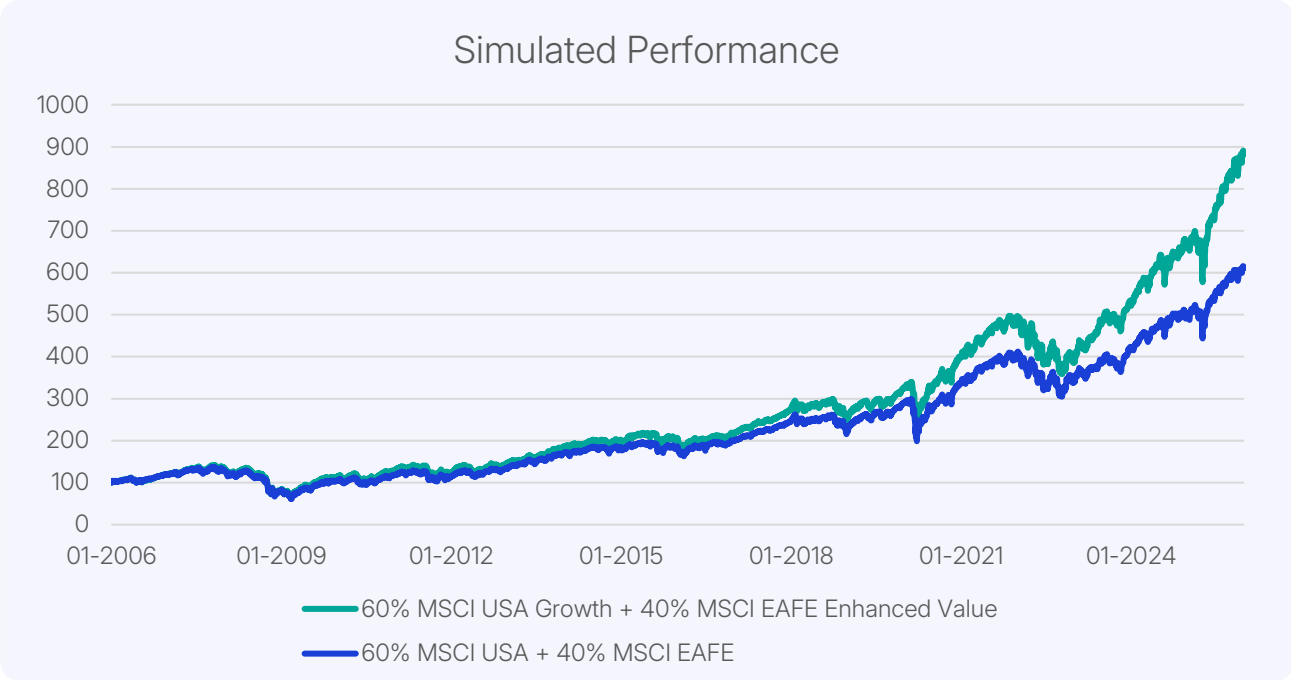
# Index Idea Spotlight: Global Factor Leaders

## Constructing A Global Portfolio Through A Factor Lens

Through the past decade, we have seen various factors that have consistently enhanced regional/country index performances. Based on this observation, a global portfolio can be constructed by picking the historically-winning factor indexes for the respective regions/countries.

We simulate a strategy that allocates into MSCI USA and MSCI EAFE, by choosing relevant factors that have demonstrated historical outperformance.

- Allocate 60% to MSCI USA Growth
- Allocate 40% to MSCI EAFE Enhanced Value
- 60% and 40% weightings are chosen to broadly represent a global investment portfolio.



Simulated Strategy	10-Year	5-Year	3-Year	1-Year
Annualized Return	15.76%	17.08%	31.20%	33.14%
Annualized Volatility	15.84%	15.87%	13.89%	16.43%
Return / Volatility	0.99	1.08	2.25	2.02

Source: MSCI. Period: Jan 2006 to Dec 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.

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