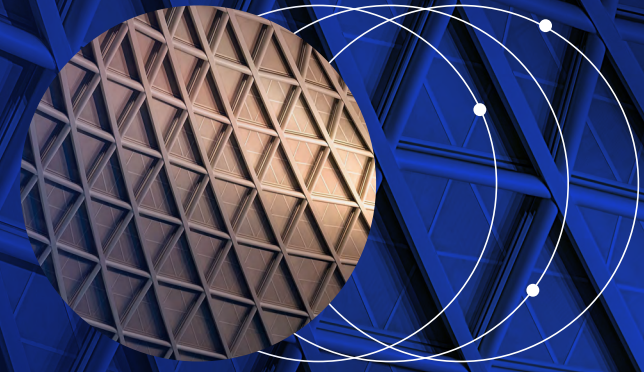


Bringing Analyst Sentiment to Index Investing

Institutional equity analysts frequently revise earnings forecasts, cash-flow expectations, sales estimates, price targets, and recommendations. But instead of making one large revision, they tend to make a series of smaller revisions. When forecasts begin to move higher, they may continue rising as improving fundamentals become clearer and confidence builds across the analyst community.



MSCI Research Insight

MSCI research indicates that upward revisions have often persisted historically and such revisions have in some cases preceded periods of price appreciation. In other words, improving forecasts may exhibit a positive pattern: expectations drift upward, conviction builds next, and prices follow.

Investors who identify these patterns may benefit from the tendency of positive revisions to keep trending upward alongside subsequent return momentum. MSCI Research compared the excess performance of companies ranging from high to low exposure to positive Analyst Sentiment (footnote definition) across the ACWI IMI – demonstrating a positive relationship between excess returns and analyst sentiment.

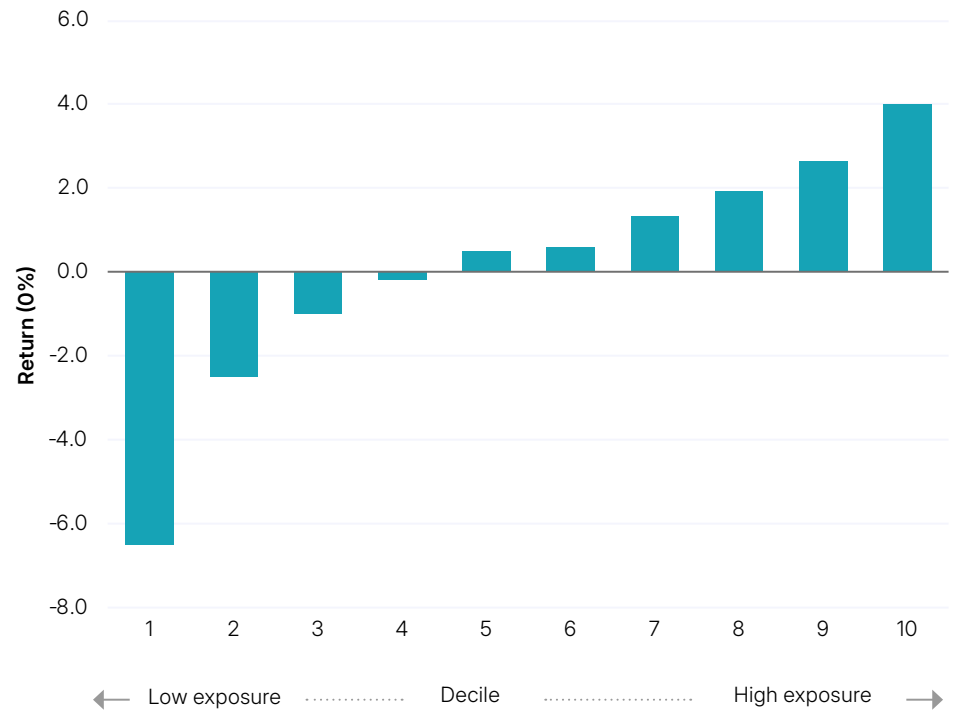
From Signal to Indexed Strategy

The MSCI EAFE Analyst Sentiment Select Index converts this signal into a systematic, rule-based strategy capturing higher exposure to companies undergoing expansion in analyst sentiment optimism. The index focuses on companies where analyst expectations are not just improving, but doing so in a risk-aware, broad, and consistent manner — seeking to capture signals that a positive forecast trend may be building

The methodology draws on two core indicators of upward revision momentum:

- **Fundamental Revisions:** Rising earnings, sales, and cash-flow forecasts
- **Technical Revisions:** Increasing analyst price targets, positive changes in stock recommendations

Analyst Sentiment Exposure & Return Relationship



Source: Data from Dec. 30, 1994, to June 30, 2025. Annualized average excess returns of decile portfolios over the returns of MSCI GEMLT estimation universe (MSCI ACWI IMI). Stock returns are equally weighted.

Importantly, the look-back period is multi-horizonal, meaning a stock scores well when analysts have been persistently revising estimates upward over the past year and when there has been a recent acceleration in those revisions - not just a single quarterly beat. By combining these signals through a transparent, rules-based framework, the index aims to increase exposure to companies experiencing reinforcing cycles of improving expectations. The process is designed to emphasize sustained upward revision trends rather than short-term noise, aligning sentiment shifts with the potential for outperforming the market, although results may vary.

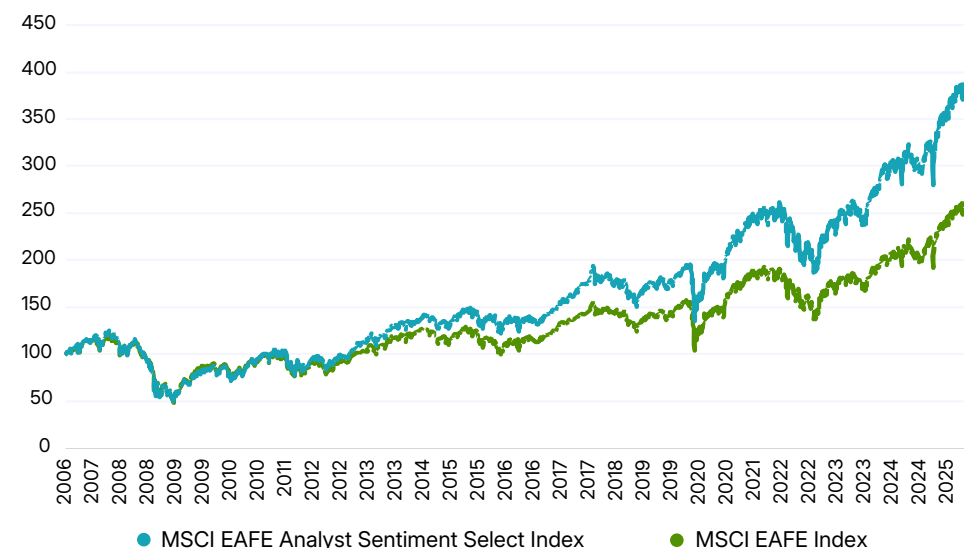
Results

The result is a disciplined, scalable strategy that translates well-documented behavioral and fundamental insight - **that rising forecasts have shown persistence over time** - into a systematic index approach. Historically, **this approach has delivered excess returns relative to its parent benchmark**, while maintaining comparable, or even improved, volatility and drawdown characteristics.

By targeting forward-looking analyst behavior rather than backward-looking price trends, the strategy seeks to provide exposure anchored in fundamental analyst expectations. It aims to enhance risk-adjusted returns and may serve as a complementary allocation alongside traditional fundamental or technical factor indexes. Additionally, its dynamic selection approach may allow investors to position ahead of shifts in market regimes or sector leadership.

Ultimately, the index bridges the gap between analyst insights and index investing - capturing the value of collective, real-time analyst insights within a disciplined, systematic framework.

Relative Performance



About MSCI

MSCI (NYSE: MSCI Inc.) strengthens global markets by connecting participants across the financial ecosystem with a common language. Our research-based data, analytics and indexes, supported by advanced technology, set standards for global investors and help our clients understand risks and opportunities so they can make better decisions and unlock innovation. We serve asset managers and owners, private-market sponsors and investors, hedge funds, wealth managers, banks, insurers and corporates.

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