Research Insight

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Market Concentration and the Global Index Opportunity Set

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Executive summary

Over the past five decades, institutional and individual investors alike have expanded their equity allocations beyond domestic limits to include international equities and small-cap stocks. MSCI first launched global equity indexes over 56 years ago to meet the natural investor need to benchmark the risk and return of these global investments. It was nearly 20 years ago that this indexing effort was put onto its current, modern footing with the introduction of the Global Investable Market Indexes methodology. This framework was designed to strike an investor-friendly balance, addressing the tensions inherent in any approach to global indexing: size integrity, global and regional opportunity-set representation and the capitalization coverage of each market.

MSCI's distinctive GIMI™ approach gave prominence to the concept of "global size integrity." This is the idea that, for investors with a global perspective on potential investment opportunities, a corresponding standard-setting index should group companies of a comparable size together. This is why, in the GIMI methodology, we first estimate the size of a "large enough" global company relative to which we then calculate a "size and coverage target area." [1] The flexibility brought by using such a target area helps resolve the core tensions in global indexing as we determine each market-index's constituents, while avoiding the pitfalls of simply selecting a single market-cap filter or cap-coverage target. These principles were true in 2006 when we first proposed them and they remain true today.

This transparent and rules-based approach has worked well over the intervening 20 years and has been widely adopted by institutional investors and wealth managers with an estimated USD 21 trillion benchmarked to the MSCI suite of indexes as of December 31, 2025. Today's changing equity-market structure, and the unusually persistent market concentration, especially in the U.S., has been just the latest evolution to which the GIMI methodology has adapted as it seeks a balance between size integrity and market coverage. This paper explores four key dimensions of the GIMI methodology and evaluates how the resultant index simulations' characteristics change as those well-established rules are flexed. What evolutions to the core trade-off are possible that remain fully anchored to size integrity?

The chosen scenarios examine the simulated impact of: (1) different ways to quantify size integrity, (2) variations in how market coverage is targeted, (3) a more flexible balance between size integrity and market coverage, and finally (4) size integrity being calculated independently within key market segments. We analyzed each scenario along multiple dimensions that include liquidity, turnover and the stabilization (or increase) of index breadth, as well as future index resilience. We continue to believe that the focus on size integrity is the right one to meet the global indexing challenge. The objective of this paper is to demonstrate its resilience by examining these scenarios in a data-driven, consistent way. Our aim is that such analysis deepens the understanding of the GIMI methodology for our clients while openly showing how it might evolve to further adapt to the novel challenges set by market concentration. MSCI indexes have been the standard for equity investors globally for the last 56 years. We welcome discussions with our clients on the ideas and scenarios presented here to ensure those standards into the future.

[1] We do this via the calculation of the Global Minimum Size Reference (GMSR), ranking eligible companies on market cap (Appendix 1).

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Meeting the global indexing challenge

2006 saw the launch of a client consultation proposing a transformation of the MSCI approach to global indexing. By May 2008, MSCI had fully transitioned its standard indexes (large- and mid-cap stocks) for developed markets (DM) and emerging markets (EM) as well as its small-cap indexes to the new MSCI GIMI methodology. The switch to the GIMI methodology was designed to address investor needs, including:

• exhaustive coverage of the investable opportunity set with non-overlapping size segmentation,

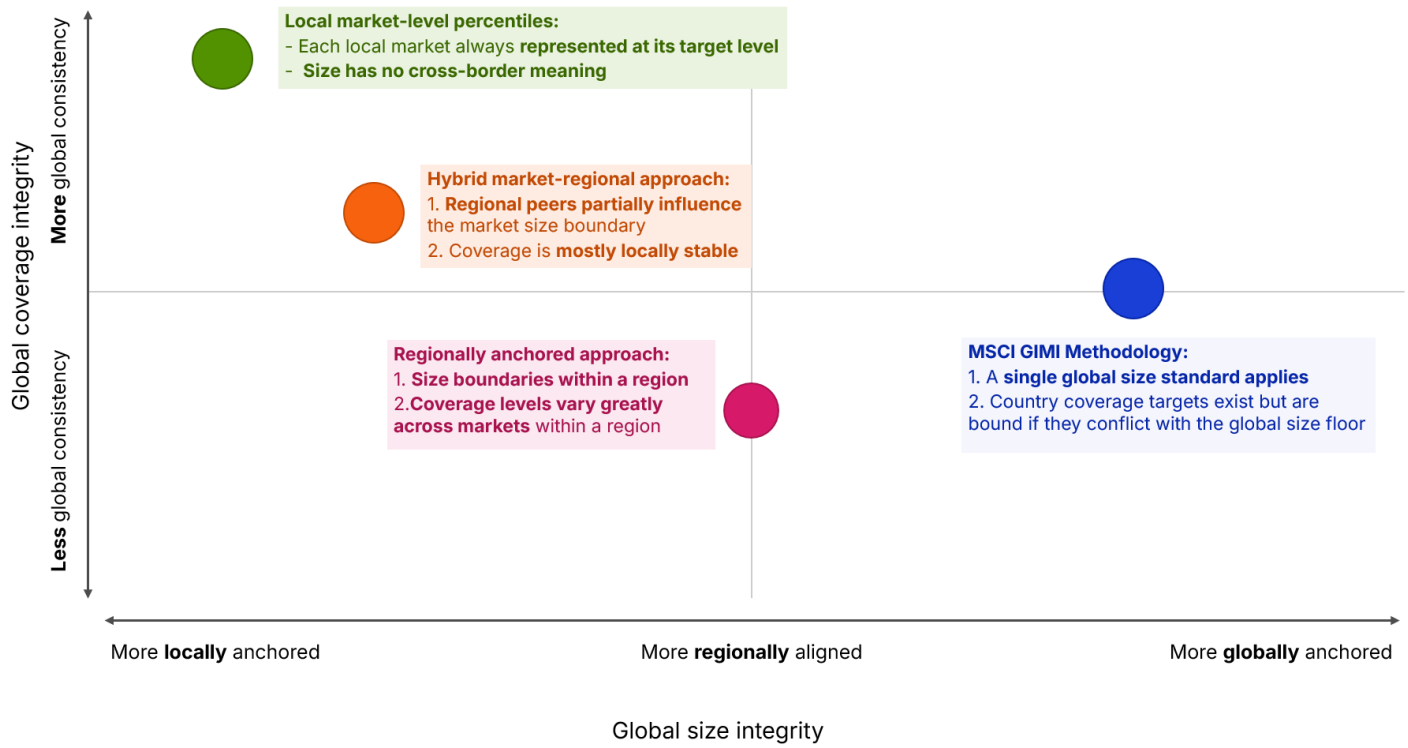
• a strong emphasis on the investability and replicability of the indexes through the use of size and liquidity screens,

• size segmentation designed to balance the objectives of global size integrity versus country/region diversification, and

• a maintenance philosophy that balanced index stability with timely reflection of changes in the opportunity set for global investors.

We can represent the trade-offs inherent in global index construction and MSCI's distinctive approach to navigating them in the schematic below.

The GIMI™ methodology and the global indexing challenge



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Global index construction necessarily navigates a trade-off between consistency across markets of the fraction of the market covered (labeled “coverage integrity” in the schematic above) and the degree of consistency across markets of the size of the smallest stock included ("size integrity"). For example, a global index that applied the same dollar-size cut-off across all regions will produce widely varying coverage from one region to the next. In May 2026, a USD 30 billion cut-off would capture 85% of the U.S. market’s free-float market capitalization (14% by issuer count) but only 57% of the Japanese market’s (5.7% by issuer count). A fixed coverage target does the opposite: It captures the same fraction of every market, but the implied dollar cut-offs vary widely. In this example, targeting 85% free-float market-cap coverage would imply a cut-off of USD 30 billion in the U.S. but only USD 5 billion in Japan.

With the GIMI methodology, MSCI has targeted consistent coverage percentiles while giving priority to global size integrity (shown by the blue disk in the schematic). This choice has been effective since inception and remains a competitive methodology advantage. It enables MSCI indexes to provide cross-market comparable size segmentation that regional or locally-anchored approaches cannot. The recent sustained U.S. megacap outperformance, however, has tested the adaptability of any globally-anchored standard.

We have also represented the trade-offs made by other approaches in the schematic. If we were to focus on regional size integrity, then this choice could be represented by the pink disk. This could limit some spill-over from megacap appreciation but neglects global comparability. Each region’s management of concentration effects would be de-coupled and market coverage would thus be inconsistent globally. Alternatively, an approach which leans into consistency of coverage above other considerations is represented by the orange disk. It would provide more stable constituent counts across markets, but this comes with a loss of meaning as to what, say, “large cap” means in terms of market cap. Finally, we show with a green disk a pure market-level percentile approach. This would maximize local representativeness but at the cost of any cross-market size comparability and consistent liquidity.

The schematic helps us explain the choices inherent in the GIMI methodology and allows us to efficiently express the hypothetical methodology evolution captured by one of our methodology scenarios. To be clear, the question this paper seeks to address is not whether global size integrity remains the right principle, but rather, whether the parameters by which it is currently implemented remain well calibrated for today’s market conditions and whether the rules still embed sufficient flexibility to adapt.

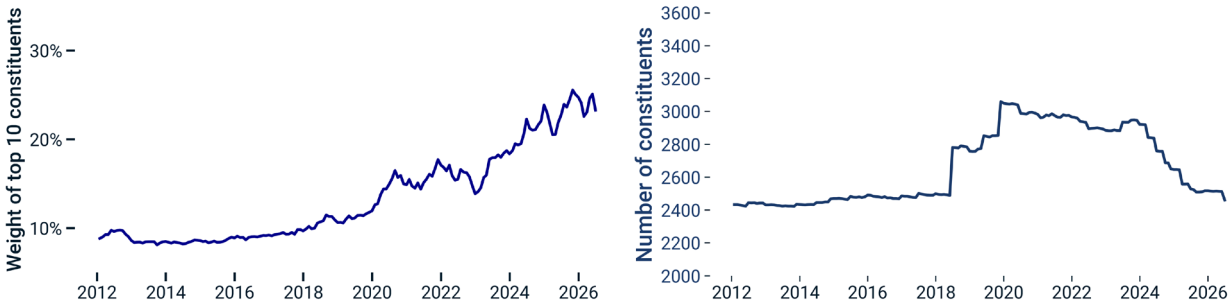
Market concentration and changes in index representation

Before we outline the four methodology scenarios in greater detail, we first review how the recent growing megacap concentration has changed the characteristics of global indexes. We see in what respects, and in which regions, the MSCI indexes have been most resilient and where the indexes have adapted more in terms of constituent count and market-coverage changes within DM and EM. We begin naturally at the global level, showing the trends for MSCI ACWI. The weight taken by the top 10 constituents was approaching 25% at the end of June 2026 while the number of constituents slipped below 2,500, to a level last seen in 2017. In much of what follows, we look at DM and EM separately for two reasons. First, because in the GIMI methodology, the size-inclusion rules for EM are set directly from

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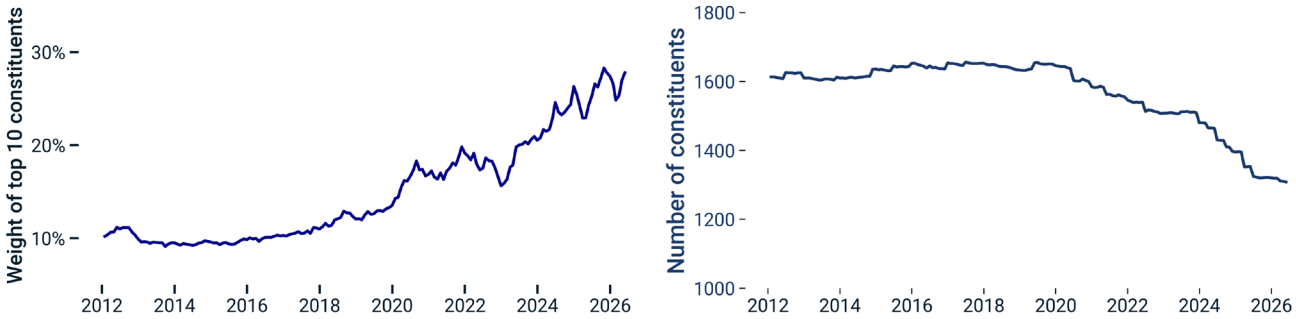
those generated within DM, and second, because looking at the ACWI picture over the long run can mix market re-classifications (for example, the addition of China A) with market-environment effects.

MSCI ACWI: Weight of top 10 constituents and constituent number since January 2012



In the corresponding chart for DM, the left panel shows the rising weight of the ten largest constituents in the MSCI World Index since January 2012. Top-ten concentration increased from approximately 10% in January 2012 to nearly 30% by early 2026, accelerating sharply since 2020. The right panel shows the effect on index breadth. Total constituent count was broadly stable through 2020 but since then, the count of constituents excluded has climbed over 300. As a shrinking number of companies absorb an ever-larger share of global free-float market capitalization, the size threshold for index inclusion rises, and an increasing number of companies that were previously large enough to qualify no longer do. Concentration and breadth reduction are two sides of the same structural shift.

MSCI World: Weight of top 10 constituents and constituent number since January 2012



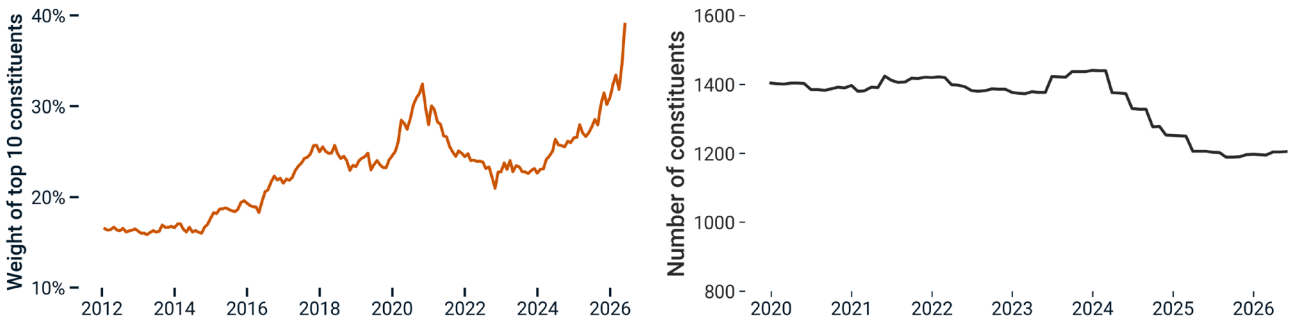
The data in the table below gives insight into market-level trends within MSCI World. The U.S. is an outlier to the upside. Rising megacap concentration has increased index market-cap coverage as the number of constituents has fallen from 604 to 527. In most other (smaller) DM, the opposite has been true: fewer companies have been included and lower overall coverage. But the drop has not been evenly distributed. Japan has lost 148 companies (a 46% decline), Australia 24 (34%) and Singapore 16 (50%). Of course, concentration is not the only reason for the fall in the number of companies (de-equitization, competitor elimination via aggressive M&A by incumbents and reduced IPO activity have also contributed). In contrast, Canada and Europe saw their coverage increase modestly. In aggregate, the structural pattern is of rising coverage in concentrated markets and falling coverage in flatter ones.

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MSCI World: Constituent number and market-cap coverage changes from 2012 to 2026

	Number of companies (NOC)		Coverage (%)	
Market	May 2012	May 2026	May 2012	May 2026
USA	604	527	86.4%	90.8%
EUROPE	447	396	89.9%	90.0%
JAPAN	320	172	84.1%	78.9%
CANADA	102	83	84.3%	86.5%
AUSTRALIA	71	47	86.3%	79.3%
HONG KONG	43	28	87.8%	86.8%
SINGAPORE	32	16	83.4%	80.4%
ISRAEL	11	15	80.5%	60.3%
NEW ZEALAND	5	3	48.9%	50.7%
TOTAL	1,635	1,287	86.9%	89.3%

MSCI EM: Weight of top 10 constituents and constituent number since January 2012



The EM chart for number of companies is plotted from 2020 to improve comparability over time with the addition of China A coverage.

In EM, top-ten concentration is currently higher than in DM, but the overall percentage reduction in the number of constituents has been smaller. Alongside the modest overall coverage decline from 85.5% to 81.2%, there is market-level dispersion. Offsetting forces such as secular market growth (India) or sector exposure (Taiwan) led to some of that differentiation. China, Korea and Brazil are countries with a larger reduction in the number of constituents, while Korea and Brazil have seen their coverage rise.

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MSCI EM: Constituent number and market-cap coverage changes from 2019 to 2026

	Number of companies (NOC)		Coverage (%)	
Market	Nov 2019	May 2026	Nov 2019	May 2026
CHINA	932	775	85.4%	77.3%
TAIWAN	88	83	81.1%	87.6%
KOREA	110	81	85.5%	87.6%
INDIA	112	189	85.8%	81.6%
BRAZIL	56	43	87.4%	88.5%
SOUTH AFRICA	49	28	89.0%	86.1%
MALAYSIA	43	30	83.9%	72.7%
INDONESIA	32	20	87.7%	72.9%
SAUDI ARABIA	35	36	88.4%	84.8%
THAILAND	48	19	84.0%	75.8%
TURKEY	19	16	77.6%	60.6%
MEXICO	30	23	89.0%	88.3%
CHILE	18	12	85.7%	80.5%
PHILIPPINES	24	11	90.2%	70.0%
POLAND	19	16	91.1%	80.9%
QATAR	12	12	88.6%	82.5%
COLOMBIA	6	3	91.6%	83.7%
KUWAIT	8	7	86.4%	81.9%
UNITED ARAB EMIRATES	8	18	86.4%	87.7%
EGYPT	10	1	90.4%	50.5%
GREECE	3	10	68.3%	79.7%
HUNGARY	9	2	75.8%	81.3%
PERU	3	3	94.5%	96.0%
CZECH REPUBLIC	4	2	100.0%	76.5%
TOTAL	1,680	1,440	85.5%	81.2%

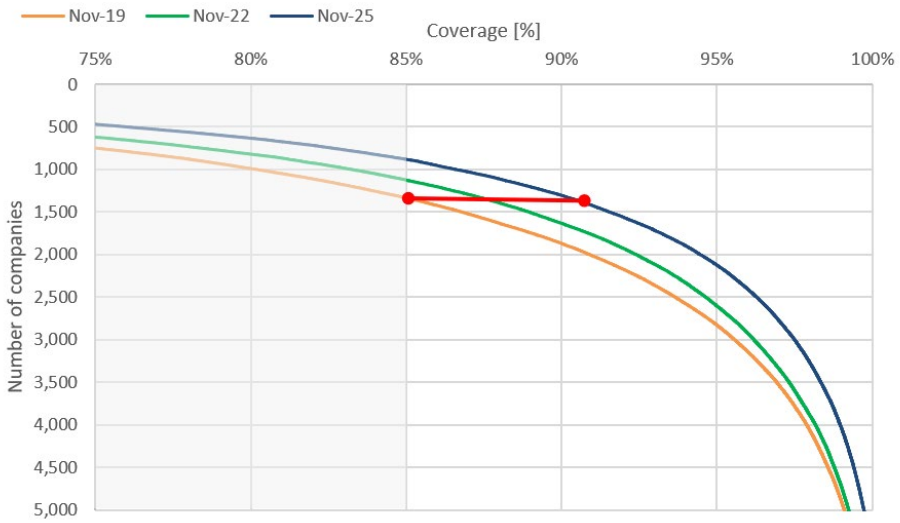
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Size integrity is at the core of the MSCI GIMI methodology and, overall, a key driver of the changes shown above for individual markets has been the increase in the MSCI estimate of that global size reference — the "large enough" company globally.

In Appendix 1, we give a detailed overview of the mechanics of the GIMI methodology. Here, we note that we begin the process of index construction by ranking our global-equity universe on market cap and then, for MSCI standard indexes (large-cap plus mid-cap), finding the company that sits at the 85% free-float market-cap coverage percentile. This calculation — and the corresponding market-cap figure — yields what we call the Global Minimum Size Reference or GMSR. We then create tolerance ranges around the GMSR to construct individual market indexes. The coverage vs. size-target area ("the box"), determines exactly which companies are eligible for each market and is defined by a range of 80% to 90% for market-cap coverage and a spread of 0.5 times to 1.15 times the estimate of the GMSR. The size references themselves have greatly increased with the extraordinary equity-market performance of recent years: 350% increase to USD 47 billion for large caps (as of May 2026) while the GMSR has increased by a smaller 295%. Both have outpaced small-cap's size reference which has risen 211%.

However, changes to the GMSR are not just a story of relative performance between markets and size segments. Megacaps accounting for an ever-larger share of total free-float market cap means fewer companies are needed to reach any given coverage target. As we show in the chart below, the same number of DM companies that delivered approximately 85% coverage in 2019 now deliver over 90%. Said differently, reaching the standard 85% coverage target requires materially fewer companies than ever. The company that marks the 85th percentile has moved up the size distribution, and with it, the GMSR. The rise has pushed up size requirements globally, impacting the natural opportunity set of small-cap indexes as well as international markets. The consistent outperformance of U.S. markets has left it with the highest size requirements of any market, as the most concentrated and with the largest weight in tech megacap stocks.

The same number of DM stocks that delivered ~85% coverage in 2019 now deliver 90%+



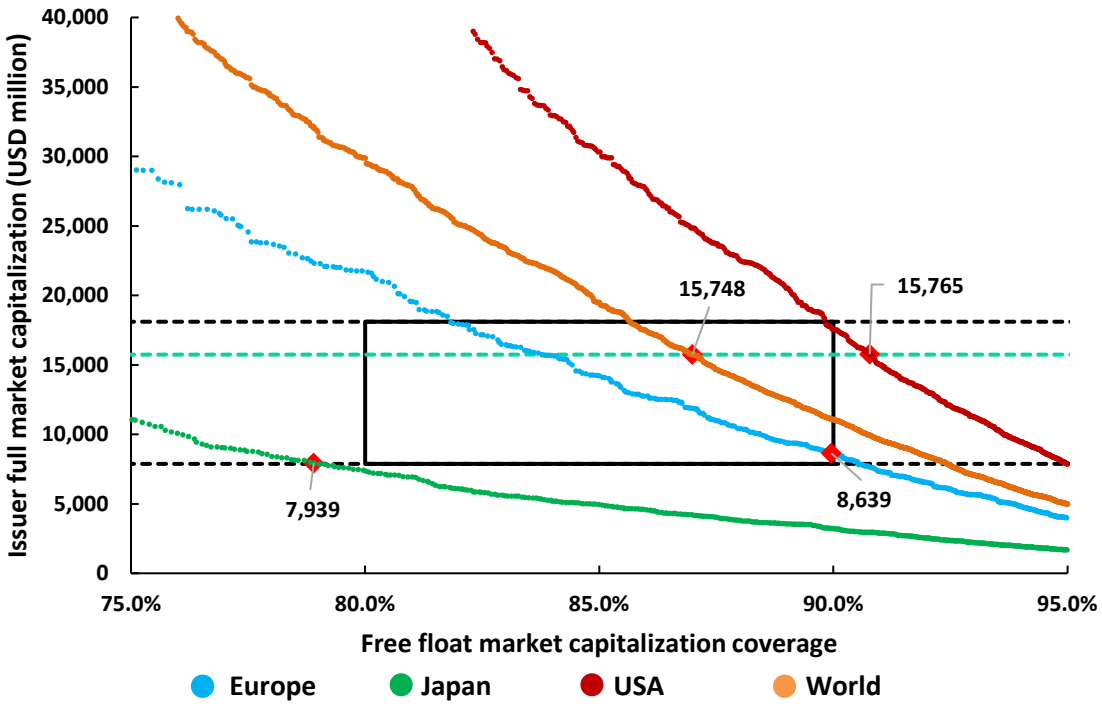
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From size references to market indexes

We can see in the chart below that the same coverage vs. size-target area or “box” produced very different outcomes for three developed markets, reflecting their different size structures: the concentrated U.S., the "flat" Japanese market with its deep small-cap tail, and Europe sitting in between. A market’s standard index is built by adding constituents from the largest company downward, stopping at whichever edge of the box is reached first, either the coverage limit (the box’s right-hand edge, at 90% of the market’s free-float) or the size floor (its lower edge, at 0.5 times the GMSR).

For the U.S., the binding constraint is the coverage limit. The index reaches 90% coverage (shown by the red diamond) while the marginal company is well above the size floor. For Japan, the opposite was true. The size distribution sees company sizes fall away gradually and hence coverage accumulates slowly. Thus, the index building runs into the size floor and stopped with the company sitting at 0.5 times GMSR, leaving a tail of mid-sized Japanese companies outside the index. Europe passes through the interior of the box. In 2006, at the inception of the GIMI methodology, almost every developed market sat inside the box in the same way and the dispersion of index determination points across DM and EM was much reduced.

Standard index membership determination in US, Japan and Europe in May 2026 QIR



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Four methodology scenarios

Each of the four hypothetical scenarios examined in this discussion paper addresses a distinct aspect of the current GIMI methodology. The first looks at how the GMSR is determined; the second, how the GMSR is applied to individual market index construction; and the third, how the target area (the box) responds to that size reference change. The final scenario examines the effect of re-considering the fundamental linkage between the construction of EM and DM indexes.

Re-cast from an investor perspective, the scenarios are designed to answer the following questions:

1. How would natural variants of the large enough company-size calculation respond differently to market-structure change and megacap concentration effects?
2. Would wider buffers for the size reference (before its recalculation is triggered) alter the changes in numbers of constituents and market-cap coverage we have observed at the aggregate level?
3. How do the characteristics of MSCI indexes change if the center of the coverage vs. size-target area tracks the changing size reference, rather than being anchored to the original target 85%?
4. Should EM define their own investable-size integrity, independent of DM and what are the hypothetical effects of such a change?

Changing the estimation of the Global Minimum Size Reference

The GMSR is determined by the market cap of the company sitting at the 85th percentile of cumulative free-float market-cap coverage in the DM investable universe. This construction is straightforward and transparent. It is also coupled to how we determine market-index membership and hence directly responds to the concentration of market value at the top of the distribution. As we saw for the U.S., if a small number of companies account for an ever-larger share of total free-float market cap, the coverage curve steepens. Hence the company at the 85% mark moves progressively up the size distribution in terms of rank.

If we were, hypothetically, to de-couple the GMSR calculation from the index-construction process by which companies are actually selected, then does data suggest we would ultimately obtain an index less directly influenced by megacaps in a manner that also suggests we might meet the overall global indexing objectives more adaptably? We simulated two alternatives to examine the kind of impact that such a de-coupling might drive: a top-down approach and then a bottom-up variant.

For the top-down estimate, we begin by noting that a 1% weight is a common heuristic for identifying megacaps within a broad index. We can use this rule of thumb to re-build the “large enough company” estimate that only uses each company’s market cap up to that cutoff. No individual company would contribute more than 1% to the DM cumulative free-float market-cap coverage curve used to estimate the size reference. Any contribution above 1% is redistributed proportionally across the remaining universe before the GMSR rank is determined. We do not alter the company selection for the index in this scenario. Megacaps continue to feature in any simulated indexes in line with their actual free-float market cap.

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In the bottom-up estimate experiment, we identify an alternate size reference by using the cumulative square-root of market cap. This gives a smoother dampening of the influence of megacaps than the top-down version where we employed the hard 1% cap. It is also a weighting anchored in risk. Empirically, company-specific risk varies inversely with the square root of market cap, driven by business diversification, institutional coverage and liquidity.[2] The variant retains proportional size ordering, and conceptually sits midway between market cap and equal-weighting. However, it requires us to calibrate suitable target levels (to replace the 85%) when selecting the GMSR company.

Increasing the flexibility with which the size reference is applied

The GIMI methodology uses a Global Coverage Tolerance Band of 85% to 87%. This means that the ranking of the large-enough company in global free-float market cap terms (the GMSR rank) is held stable so long as the cumulative free-float coverage corresponding to that rank is within this range. If coverage drifts above 87%, the GMSR is recalculated and the rank is moved upward. Conversely, if the coverage falls below 85%, the GMSR rank is moved downward.

In practice, the narrowness of this band — just two percentage points — means the methodology is highly responsive, but relatively modest variations in market concentration have triggered upward GMSR adjustments. Raising the rank has raised the size-cutoffs across all markets. The mechanism has worked smoothly with gradual concentration trends. Under the sustained and accelerated concentration shift of recent years, it has contributed to the reduced number of constituents discussed earlier.

The methodology scenario we tested widens the band from 85%–87% to 85%–90%. A wider band means the GMSR rank is held stable over a broader range of market-coverage drift, which should lead to lower turnover over time. As we saw earlier, the company rank that delivered 85% coverage in 2019 (and indeed in 2015) now delivers just over 90% coverage. In this sense, the band-widening to 90% can be seen as a hypothetical recalibration of GIMI methodology to current market structure.

Linking the target coverage-representation area to the size reference

In the GIMI methodology, the target area box is centered on a fixed coverage range (85%+/-5%). This underpins the framework's mechanism for determining which companies qualify for index inclusion within a market. As we have seen, companies are added to the index while their free-float market cap is above or equal to half the GMSR, provided the resulting coverage still falls within 80%–90% of each market's GIMI investable universe.

This fixed center is consistent with the tolerance bands being narrow. However, it is a drag on the flex that those bands seek to introduce. In the third scenario, we examine the effect of re-centering the coverage target area on whatever target arises from the GMSR determination. Additionally, we will analyze the overlay of this scenario on the evaluations of alternative GMSR because the GIMI methodology reduces the simulated effect of translating a GMSR reduction into an increase in the number of index constituents.

[2] In MSCI Equity Risk Models, for example GEM LT, a square-root of market-cap weighting is used in the multi-variate regressions to estimate factor returns, an adjustment that is designed to reflect the variation of volatility between securities.

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In this scenario, if the GMSR rank corresponds to 88% DM coverage, then a given market-index box is centered on 88% (not 85%). We find that the impact of this scenario is most meaningful when combined with the extended tolerance bands scenario. The wider band provides for greater GMSR stability and the re-centering of the box to the actual target coverage level with that more stable rank then converts a larger portion of the GMSR reduction into an index-breadth increase.

Decoupling the size reference for developed and emerging markets

Size thresholds for the inclusion of issuers in EM countries are set at half the value of the one created for DM. Several EM country indexes have experienced material change due to the U.S.-driven trend in the GMSR and their own market's relative underperformance. Coverage in China has declined from 85.4% to 77.3% since 2019, Thailand from 84.0% to 75.8% and Turkey from 77.6% to 60.6%.

Decoupling EM from DM is a much more radical methodology scenario to investigate but it has been an experiment with recurring client interest. Moreover, it helps exercise the full breadth of our evaluation framework and brings useful clarity to the existing methodology's sensitivities. As we quantify later, the simulated degree of turnover or index-breadth change was much more marked with this fourth scenario.

At a more strategic level, decoupling EM from DM (or even, hypothetically, the U.S. from the rest of the world) is harder to reconcile with the core MSCI indexing philosophy of global size integrity and its position in our schematic. The size integrity would not disappear, but clearly cross-region comparisons would be more difficult. It would also bring even greater complexity to the impact of country classification changes from EM to DM or a change of country classification for a company.

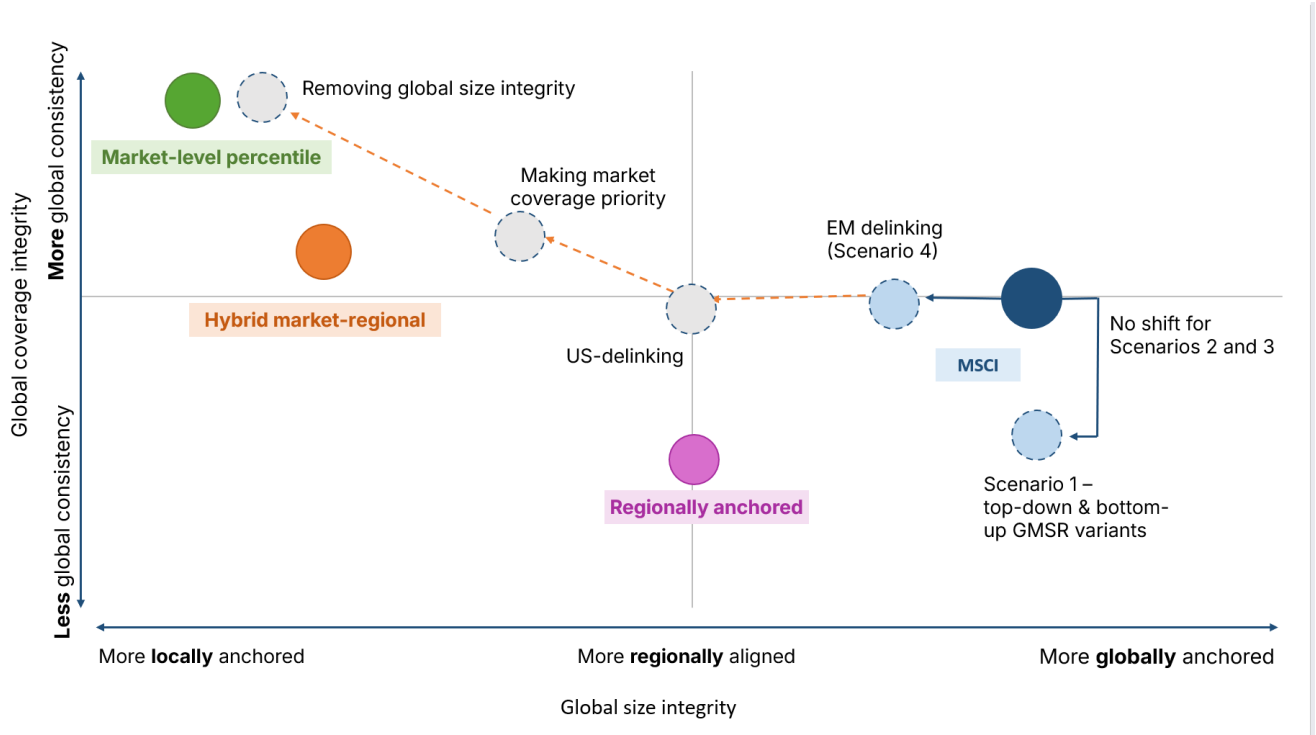
In our analysis, we introduce an "EM GMSR" that is derived directly from the EM investable equity universe alone, targeting an 85% cumulative free-float coverage of EM markets, without any reference to DM. The potential increase in EM index-constituent count was substantial. Simulations showed approximately 977 additional EM constituents on a back-calculated historical basis, with China, Turkey and India gaining the most in terms of numbers. In terms of coverage, India would rise from 82.1% to 90.2%, Thailand from 74.3% to 85.3%, and Turkey from 56.6% to 73.4%. Even as a hypothetical transition, 277 new EM names would be eligible for index inclusion in the simulation, reducing EM Small Cap liquidity if current patterns were to persist.[3] For the avoidance of doubt, we note that Scenario 4 has no impact on DM constituent counts or coverage — it is examined purely as an EM recalibration scenario.

To give something of a roadmap to our evaluation of scenarios, we revisit the global indexing framework introduced earlier and plot each scenario to show the extent to which it would move MSCI away from its current differentiated position.

[3] In the transition evaluation, we calculate the effect of the methodology scenario applied to the last QIR whereas in the historical simulation, we assess the counter-factual of that scenario having been in place throughout a historical period.

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The GIMI™ methodology scenarios located on our global indexing framework map



Changing the GMSR estimation approach improves the coverage integrity. Scenarios 2 and 3 have little to no effect on positioning, while Scenario 4 materially affects the global size integrity.

A multi-dimensional evaluation framework

Historical and forward-looking simulations

Each of our four hypothetical scenarios was evaluated using both historical simulations and more forward-looking calculations. The former approach helps provide a strategic analysis for each scenario while the latter seeks to outline the practical implications of the scenario in current market terms.

In the historical simulations, we quantify a counter-factual statement. What might have been the index characteristics if this rule variation had been in force from 2012 for DM and from 2019 for EM (dates reflect available data and choice to ensure the most comparable market universes)? This analysis illuminates the path-dependency in the methodology. Moreover, with stability buffers re-run from scratch, it can illustrate the maximum hypothetical change had the methodology variation been in force.

In the transition impact analysis, we apply the alternate rules at a single rebalancing (the February 2026 review) and hence to-date historical path-dependency is preserved. This aims to illustrate the potential

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implementation impact for indexed investors. More muted effects are typically seen than in the historical simulations because of the application of current stability buffers.

The six assessment pillars

- **GMSR reduction:** To what extent is the size reference lowered and how does the GMSR rank vary? A fall in GMSR should generally help increase the number of eligible companies.
- **Constituent recovery:** What is the increase in index membership, across DM and EM, for both MSCI Standard and Small Cap Indexes? What is the stability of constituent count, and its level compared to 2012 levels for the current GIMI methodology.
- **Coverage improvement:** How far does the country-level free-float market-cap coverage move toward (or beyond) the 85% target? What is the market impact in key composite indexes?
- **Investability:** Do the simulated additions to the index meet liquidity requirements needed to support indexed replication at scale? We use the Annualized Traded Value Ratio (ATVR) and Days-to-Trade metrics. This is particularly relevant to the EM and small-cap segments.
- **Future resilience:** What is the resilience of a methodology variation to further concentration increases, continued U.S. outperformance or the potential impact of a swathe of megacap IPOs.[4]
- **Transition manageability**: How different is the index created by the application of a hypothetical methodology variation from the current GIMI index constituents? This assessment, based on the turnover at a rebalancing and the estimated number of index additions, indicates the practicality of such an evolution for an index investor, were it applied as a methodology change, at least in a single step. It is also relevant to future country migrations from EM to DM (Scenario 4).

For clarity, we close this section with a table summarizing the scenarios and scenario combinations that we consider systematically in the next section with this framework.

[4] The future resilience evaluation involves creating a "cloned" index where the top 20 constituents are duplicated with dummy securities of identical market cap.

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Summary of test cases evaluated for methodology scenarios

Test case	What the variation changes	Details
Base case	Nothing. Current methodology calculation of GMSR for our standard indexes using full market cap.	Standard GMSR = full market cap of company at 85-87% cumulative free-float coverage of DM universe; coverage target = 85% ±5%
Case 1: Top-down size reference	Re-estimate GMSR using only market-cap contribution of each security up to 1% for the DM universe.	Free-float weights capped before finding the 85-87% rank; excess redistributed proportionally.
Case 2: Bottom-up size reference	Re-estimate size reference using the cumulative square-root market cap.	Calculation reduces megacap GMSR influence more gradually than the 1% cap.
Case 3: More flexibility for size reference	Widen the Global Coverage Tolerance Bands that govern the company selected by the GMSR.	Widen bands from 85–87% to 85–90%. GMSR rank thus held stable over a wider range of coverage drift between reviews.
Case 4: Case 1 and Case 3	Top-down GMSR estimate combined with tolerance buffer flexibility.	Case 1 lowers the GMSR. Case 3 makes the new level sticky vs. further concentration.
Case 5: Target area moves with size reference	Market-coverage target tracks the coverage level implied by the new GMSR rank.	Box re-centers around the DM coverage level for GMSR, not fixed 85%. Analyzed along with Case 3 (less radical) as well with Case 4.
Case 6: Case 3 and Case 5	Greater flexibility simulated in the coverage target is tracked by the target coverage-size box.	Flexibility and adaptation in application of the GMSR without any other radical change.
Case 7: EM decoupling	EM GMSR set independently from DM, dropping the fixed 50% ratio.	EM GMSR derived analogously from the EM investable equity universe with target 85% cumulative free-float cap coverage.

Scenario analysis: summary

We begin by sharing the multi-dimensional assessment of the scenarios and combined cases in the table below. The cell color intensity is intended to reflect the degree of impact on MSCI indexes with respect

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to a given metric. For example, a darker blue indicates a stronger increase in index breadth. Of course, increased breadth can, for example, reduce investability as shown by the amber cell. Red has been used to mark the significant trade-off based on our analysis of certain scenarios. The asterisk on the coverage pillar flags the higher risk of over-representation by concentrated markets (like the U.S.) currently.

Test-case evaluation: summary multi-dimensional assessment

Test case	GMSR reduction	Constituents increase		Coverage improvement		Investability	Future resilience	Ease of transition	Limitations
		History	Transition	History*	Transition				
Case 1: 1% capped contribution	Low	Low	Low	Low	Low	No impact	Increased	Low impact	Moderate
Case 2: Square root	Moderate	Moderate	Low	Moderate	Low	No impact	Much increased	Low impact	Higher
Case 3: Extended buffer	Moderate	Moderate	None	Moderate	None	No impact	Much increased	No impact	Low
Case 4: Cases 1 & 3	Higher	Higher	Low	Higher	Low	No impact	Much increased	Low impact	Low
Case 5: Target area re-centers	Higher	Higher	Low	Higher	Low	No impact	Much increased	Low impact	Low
Case 6: Case 3 & 5	Higher	Higher	Low	Higher	Low	No impact	Increased	Low impact	Low
Case 7: EM delinked	Highest	Highest	Highest	Highest	Highest	Moderate in small cap	Largest increase	High impact	Moderate

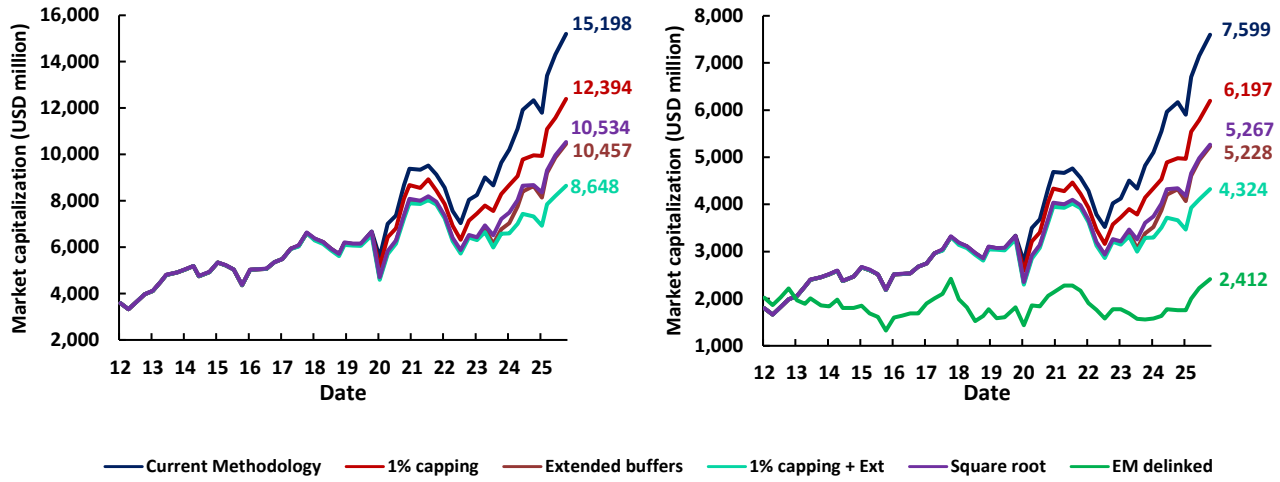
Global Minimum Size Reference reduction

The back-calculations of the GMSR consistently indicated a meaningful impact on DM and (in Case 7) the EM Standard GMSR over time. Case 1 would have reduced the DM GMSR from approximately USD 15,200 million to around USD 12,400 million. The bottom-up variant case 2 showed a further clear decrease compared to the top-down Case 1.

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Nevertheless, the less radical buffer extension calculated for Case 3 achieves similar GMSR outcomes without the same level of methodological complication. Case 5 is not separately plotted since the GMSR calculation is not affected. We calibrated Case 2 so the target levels aligned with the original base-case GIMI methodology. In practice, and unlike for the current GIMI approach, a novel ongoing strategy for re-calibrating the thresholds would be required.

GMSR in each scenario for DM Standard (left) and EM Standard universes (right)



Simulated scenarios ending with the February 2026 Index Review.

Number of constituents increase

Lower GMSR thresholds, other things being equal, allow more companies to qualify for a specific market index. The table below details the number of constituents recovered across key regions, benchmarked against current methodology and 2019 as a baseline (before the recent market-concentration trend).

The table indicates, for example, that the radical combination of Case 4 with Case 5 would have 'saved' ~350 DM constituents in a counter-factual simulation, with the simulated MSCI World Index close to 2019 breadth. U.S., Japan and Australia benefited most in DM. Case 7 would have retained almost 1,000 EM constituents: China was significantly higher.

Generally, the path-dependency effect is significant in EM and DM: even the combined cases would not result in high levels of changes if they were to be applied, because stability buffers would absorb much of the potential adjustment. Case 7 is the exception: The simulated EM impact was significant immediately due to the full EM size threshold re-set. Cases 1 and 7 tended to increase constituent number vs. the current GIMI methodology. Cases 3 and 5 are more forward-looking in the sense that they recalibrate how the GMSR calculation and corresponding coverage-target area responds to concentration. Simulations indicated that they reduce the likelihood of future index-breadth reduction but without structurally reversing past changes. A combination of extended tolerance bands and an adaptive coverage-target area produced constituent increase broadly comparable to the more complex scenario combinations, but with limited transition impact.

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Changes in index breadth by count under the four scenarios

Market, region	Current approach (2019)	Current approach (2026)	Case 1 (1% cap)		Case 3 (85-90%)		Case 4		Cases 4 & 5		Case 2 (54.4-58.0%)		Case 7	
			Hist.	Trans.	Hist.	Trans.	Hist.	Trans.	Hist.	Trans.	Hist.	Trans.	Hist.	Trans.
ACWI	2,990	2,528 (-462)	249	120	534	0	743	120	991	149	498	230	977	268
World	1,629	1,312 (-317)	+106	+58	+226	+0	+314	+58	+343	+60	+208	+141	+0	+0
USA	656	540 (-116)	+73	+34	+141	+0	+204	+34	+204	+34	+132	+97	+0	+0
Europe	426	404 (-22)	+0	+1	+0	+0	+0	+1	+2	+2	+-5	+2	+0	+0
Japan	314	179 (-135)	+20	+15	+52	+0	+73	+15	+84	+16	+50	+23	+0	+0
Canada	87	81 (-6)	+2	+0	+2	+0	+2	+0	+2	+0	+2	+0	+0	+0
Australia	65	46 (-19)	+6	+5	+13	+0	+13	+5	+25	+5	+13	+9	+0	+0
EM[1]	1,361	1,216 (-145)	+143	+62	+308	+0	+429	+62	+648	+89	+290	+89	+977	+268
EM ex-China[1]	651	640 (-21)	+47	+9	+98	+0	+149	+9	+230	+11	+95	+11	+472	+152
China	710	576 (-134)	+96	+53	+210	+0	+280	+53	+418	+78	+195	+78	+505	+116
India	80	164 (84)	+6	+0	+20	+0	+35	+0	+66	+0	+14	+0	+155	+37

Table note 1: Pakistan and Russia are excluded from the analysis due to their reclassification out of the MSCI EM Index in November 2021 and March 2022, respectively. Kuwait is included. Its formal reclassification to EM status was implemented on Nov. 30, 2020, but its inclusion was announced in June 2019 and is hence reflected in the simulations. The "Current approach" columns are based on simulations.

Coverage improvement

Coverage measures the percentage of free-float market capitalization represented by the index. The scenarios improved coverage across most DM and EM, narrowing the current gap to 85% target from current levels. Japan, Australia, Israel and EM generally saw the largest gains. Depending on the scenario combination, Japan coverage would have changed from 79% to as much as 84% while Australia's was increased from 77% to as much as 84%. EM markets like China and India saw 5–10 percentage point coverage gains under the EM delinking (Case 7). However, to increase the coverage in flatter markets, more concentrated markets risk becoming relatively over-represented. For example, U.S. coverage is at ~94% in a combination of Cases 4 and 5.

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Change in coverage count under the four scenarios

Market, region	Current approach (2019)	Current approach (2026)	Case 1 (1% Cap)		Case 3 (85-90%)		Case 4		Cases 4 & 5		Case 2 (54.4-58.0%)		Case 7	
			Hist.	Trans.	Hist.	Trans.	Hist.	Trans.	Hist.	Trans.	Hist.	Trans.	Hist.	Trans.
World	87.6%	89.3% (+1.7%)	+1.1%	+0.66%	+2.0%	0.00%	+2.6%	+0.6%	+2.7%	+0.6%	+1.8%	+1.3%	0.0%	0.0%
USA	89.2%	90.9% (+1.7%)	+1.3%	+0.6%	+2.3%	0.00%	+3.1%	+0.6%	+3.1%	+0.6%	+2.1%	+1.7%	0.0%	0.0%
Europe	86.8%	90.0% (+3.2%)	-0.0%	+0.3%	-0.2%	0.00%	-0.2%	+0.0%	-0.1%	+0.1%	-0.4%	-0.1%	0.0%	0.0%
Japan	81.9%	79.0% (-2.9%)	+1.4%	+1.1%	+3.2%	0.00%	+4.5%	+1.1%	+5.1%	+1.1%	+3.1%	+1.1%	0.0%	0.0%
Canada	86.1%	86.7% (+0.7%)	+0.2%	-0.2%	-0.0%	0.00%	-0.1%	-0.2%	-0.1%	-0.2%	0.0%	-0.4%	0.0%	0.0%
Australia	83.3%	76.8% (-6.5%)	+2.6%	+1.8%	+4.46%	0.00%	+4.3%	+1.8%	+7.4%	+1.8%	+4.5%	+3.0%	0.0%	0.0%
EM[1]	83.6%	82.6% (-1.0%)	+1.1%	+0.6%	+1.48%	0.00%	+2.1%	+0.6%	+4.2%	+1.1%	+1.3%	+0.3%	+4.8%	+1.8%
EM ex-China[1]	85.1%	85.1% (+0.1%)	+0.7%	+0.1%	+1.23%	0.00%	+1.8%	+0.1%	+3.5%	+0.2%	+1.0%	-0.3%	+4.8%	+1.8%
China	81.4%	78.1% (-3.4%)	+1.9%	+1.8%	+2.11%	0.00%	+2.8%	+1.8%	+5.6%	+3.2%	+1.9%	+1.8%	+5.3%	+1.8%
India	85.2%	82.3% (-3.0%)	+0.2%	-0.1%	+1.40%	0.00%	+2.4%	-0.1%	+4.9%	+0.0%	+0.6%	-0.4%	+7.9%	+3.1%

Table note 1: Pakistan and Russia are excluded from the analysis due to their reclassification out of the MSCI EM Index in November 2021 and March 2022, respectively. Kuwait is included. Its formal reclassification to EM status was implemented on Nov. 30, 2020, but its inclusion was announced in June 2019 and is hence reflected in the simulations. Zeroes in percentage change may reflect rounding rather than indicate no change. The "Current approach" columns are based on simulations.

Investability

The core liquidity metrics confirm that all the scenarios in their application to DM preserved the current level of investability for indexed investors. However, an aggressive reduction in the GMSR (Case 2) or a

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switch to an EMSR (Case 7) introduced modest liquidity tail-risk: the 90th percentile Days-to-Trade for a one-step transition rose to 11.5 days. Nevertheless, the index-level ATVR remained very high.

Liquidity effect of select methodology scenarios on small-cap segments: DM

World Small Cap (DM)	Wtd ATVR	Additions ATVR	90th Percentile Days to Trade
Current methodology	318%	—	—
Case 1	318%	2,463%	4.34
Case 2	306%	2,283%	4.35
Case 5	318%	2,374%	4.4

Liquidity effect of select methodology scenarios on small-cap segments: EM

EM Small Cap (DM)	Wtd ATVR	Additions ATVR	90th Percentile Days to Trade
Current methodology	283%	—	—
Case 1	282%	788%	9.84
Case 2	282%	760%	11.39
Case 5	280%	788%	9.57
Case 7	322%	740%	11.47

Future resilience

As we described in earlier research, the near-term index impact of a swathe of megacap IPOs on the GIMI-based indexes appears relatively limited. Even the very largest private companies, when they IPO at low free-float, have little ability to shift a market with multiple multi-trillion-dollar companies with 80%+ free-float. However, as lock-ups expire, the medium-term effect could be more material especially if founder shareholdings decrease. Based on the country membership and holding values of the MSCI All Country Venture-Backed Private Company Top 20 index, such a trend would see U.S. weight dominance and market concentration reinforced, and further widening of performance dispersion across markets.[5]

In the evaluation, the top 1 through 20 issuers by size in GIMI are duplicated as a sequence of new entries with identical market caps. This simulates a world where more companies reach megacap size — for example multiple Apples or NVIDIAs. Each clone would push coverage upward faster at the top of the

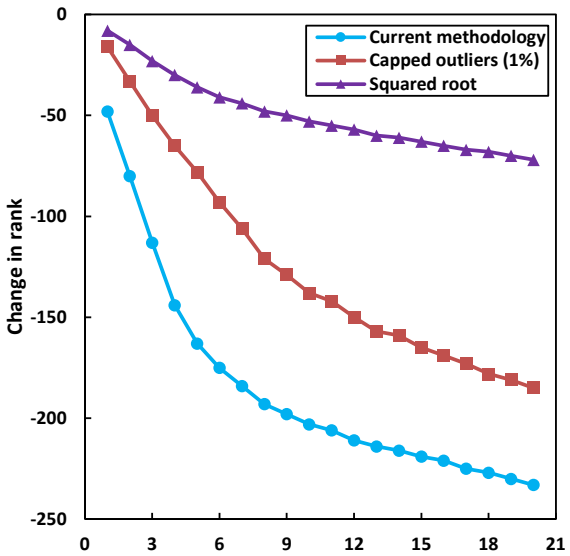
[5] The MSCI All Country Venture-Backed Private Company Top 20 Equal Weighted Index aims to represent the performance of 20 of the largest venture-backed private companies that have liquidity in the secondary market.

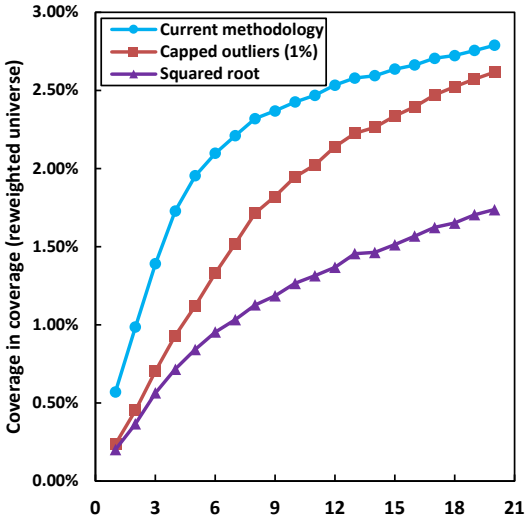
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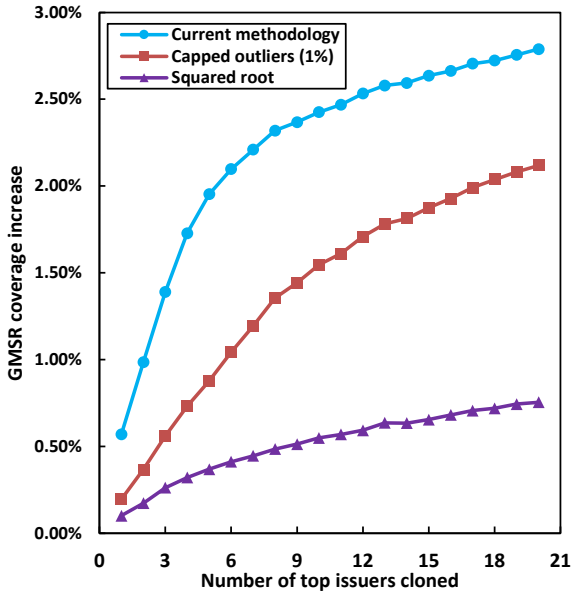
size distribution, which would then force the GMSR rank to adjust. The test explores whether a given methodology variant can absorb these large companies without the GMSR becoming unstable.

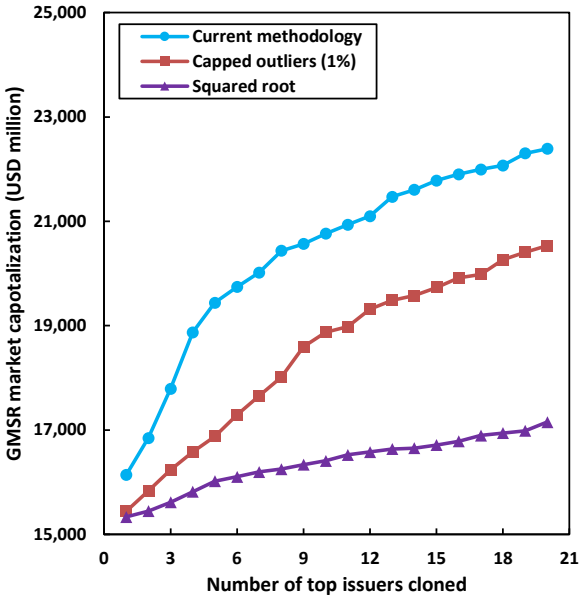
In our results, we saw that across the GMSR calculation variants the current methodology and the top-down approach are more strongly affected by the first handful of IPOs, whereas in the bottom-up GMSR variant (Case 2) there was a steadier but milder trend. Our calculations indicate that we would likely see U.S. standard coverage increase further (beyond 85%) and could potentially hit the limits introduced by the flexible buffering of Cases 3 and 5.

GMSR and coverage characteristics: variation with number of cloned top-20 securities









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Transition manageability

Transition manageability seeks to gauge the one-time turnover and rebalancing effort when moving from the current methodology to each of the simulated index scenarios or scenario combination. Cases 1 to 6 produce generally moderate transitions. However, the calculations for EM delinking (Case 7) indicated a high transaction impact for what would be a significant one-time restructuring of EM indexes.

Market / region	Current	Case 1			Case 4 with Case 5			Case 7			Case 2		
	# Sec	#	Adds	T/over	#	Adds	T/over	#	Adds	T/over	#	Adds	T/over
ACWI	2,517	2,648	131	0.8%	2677	160	0.9%	2794	277	0.6%	2,758	241	1.9%
World	1,310	1,370	60	0.8%	1372	62	0.9%	1310	0	0.0%	1,453	143	1.9%
USA	537	572	35	0.9%	572	35	0.9%	537	0	0.0%	635	98	2.2%
Europe	403	405	2	0.1%	406	3	0.2%	403	0	0.0%	406	3	0.2%
Japan	179	194	15	1.8%	195	16	1.9%	179	0	0.0%	202	23	2.6%
Canada	83	83	0	0.0%	83	0	0.0%	83	0	0.0%	83	0	0.0%
Australia	46	51	5	3.1%	51	5	3.1%	46	0	0.0%	55	9	4.9%
EM	1,207	1,278	71	1.5%	1,305	98	2.0%	1,484	277	5.4%	1,305	98	2.0%
EM ex China	627	644	17	0.8%	646	19	0.9%	787	160	4.8%	646	19	0.9%
China	580	634	54	3.4%	659	79	4.9%	697	117	6.7%	659	79	4.9%
India	165	165	0	0.0%	165	0	0.0%	202	37	5.9%	165	0	0.0%

The "Current" column is based on real data from the actual February 2026 Index Review.

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From ideas to indexation

This paper has examined four alternative, hypothetical scenarios for the MSCI GIMI methodology to consider the effect on constituent count, size integrity and coverage integrity in the context of increasing megacap concentration over recent years. Our goal was to evaluate what types of methodology variations can alleviate the inevitable trade-off between these objectives. Having described scenarios related to each pillar of the GIMI methodology, we applied a consistent multi-dimensional evaluation of each one and of combinations.

What stands out to us from the data is that meaningful improvements in the trade-off seem achievable without the more radical change captured by variations to the GMSR or EM de-linking. The combination of extended tolerance bands and an adaptive coverage-size-integrity target area produced both higher numbers of constituents and broader coverage. These changes were comparable to the more complex scenarios, but with lower simulated transition costs and structural disruption.

EM decoupling addressed a distinct structural problem. The degree to which largely U.S. megacap dynamics have affected EM size thresholds has been material. This case study was a direct resolution but came at a marked transition cost and with other practical complexities for regional and global investors alike.

There are genuine trade-offs across the hypothetical scenarios — between GMSR reduction and potential U.S. coverage over-shooting, between constituent recovery and investor transition cost, between EM representation and global size consistency, and between size integrity and the provision of broad country market-cap indexes suitable as the basis of strategy indexes. No single scenario works best on every dimension in our assessment framework.

For the institutional investor benchmarking a global mandate, the properties that should flow from global size integrity are important: consistent investable quality, cross-market comparability and transparent rules-based construction. They are key reasons why the MSCI index family has achieved the adoption it has. We welcome discussions with our clients on the ideas and scenarios presented here as we work to ensure MSCI indexes remain the standard for equity investing globally as they have been for the last 56 years.

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Appendix 1: How does global size integrity work?

The GIMI methodology begins with a simple question. What does it mean to be a large company, globally? Rather than reaching for a fixed market cap, which would become stale as markets rise and fall, this question is answered by reference to the prevailing distribution of listed company size across the global investable universe. In the methodology, all eligible companies in the developed markets (DM) investable universe are ranked by full company market cap and the company sitting at the 85th percentile of cumulative free-float market-cap coverage is identified. The full market cap of that company becomes what we call the Global Minimum Size Reference or GMSR. It is, in effect, the MSCI GIMI estimate of the first company that qualifies as genuinely "large" to a global standard. This “large enough company” estimate is updated at each quarterly index review, so that the size standard is anchored to market structure.

Around the GMSR, we construct a selection “box”: a size-coverage target area defined by a size range of 0.5 to 1.15 times the GMSR on the vertical axis, and a market-coverage range of 80% to 90% on the horizontal axis. For each individual market, the companies that qualify for the standard index are determined by those whose market cap and the corresponding cumulative free-float market coverage fall within this box. The box acts as a maintenance stability mechanism. It helps absorb moderate fluctuations in market structure without triggering excess constituent changes, while anchoring each market's index to the global size standard.[6]

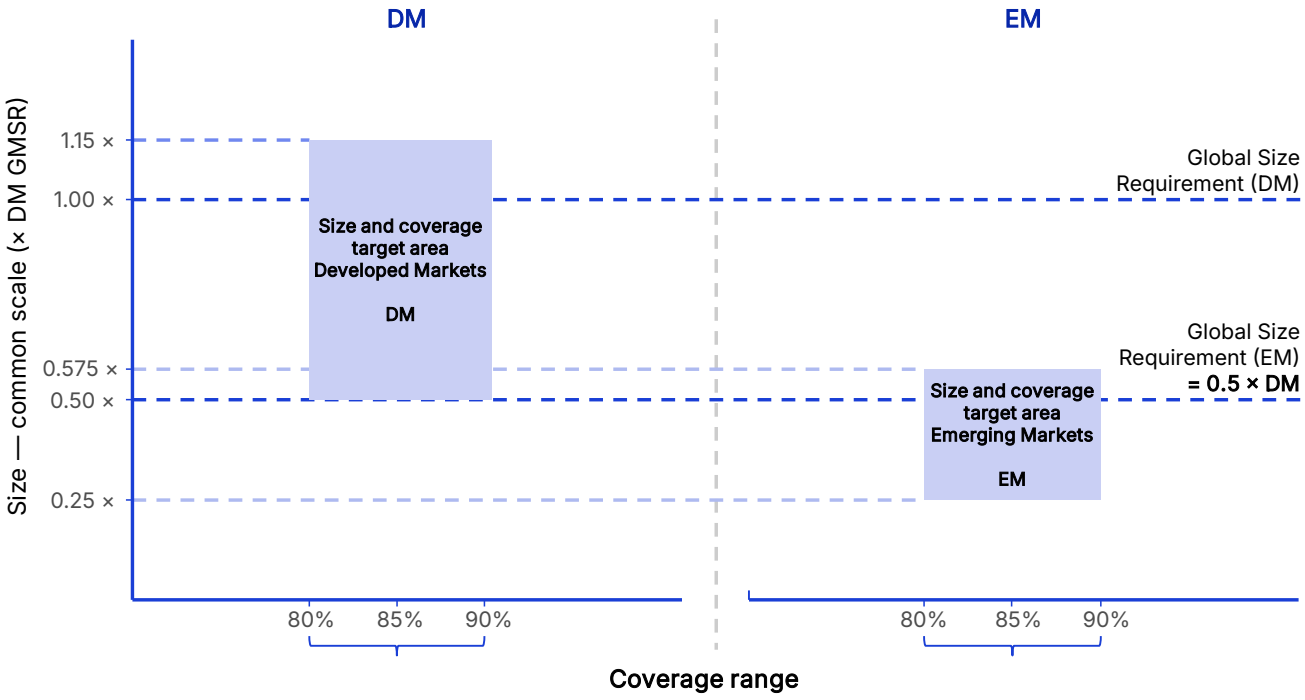
Emerging market (EM) size thresholds are calculated by halving those for DM. This linkage is key. It is what preserves cross-region size comparability across the full MSCI ACWI universe. A large company in, say, Brazil or India is thus measured against the same global benchmark as a large company in Germany or Japan. This linkage also means that, for example, U.S. megacap driven increases in the DM GMSR may be transmitted directly into EM market-size thresholds.

Two features of this approach are worth noting. First, the GMSR may be sensitive to the shape of the market-cap distribution at the very top. When a small number of companies account for a large share of total global free-float market cap, the coverage curve steepens, and the company linked to the 85th coverage percentile moves higher in absolute size terms (and lower in rank). This raises the bar for inclusion across all markets *simultaneously*. Second, the box is anchored to a fixed 85% coverage center. When the GMSR rises but the box remains centered on 85%, markets like Japan with flatter size distributions, where many companies may fall just below the size threshold, can face a rising floor for inclusion that, increasingly, their domestic companies cannot clear. Taken together, this is the mechanism by which concentration in one key market may reduce index breadth in others.

[6] This is the process for MSCI Standard Indexes. The same process can be followed for the separate MSCI Large Cap and MSCI Small Cap Indexes.

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Size and coverage target areas: DM and EM share the same coverage range



Evolution of global and market size-cutoffs

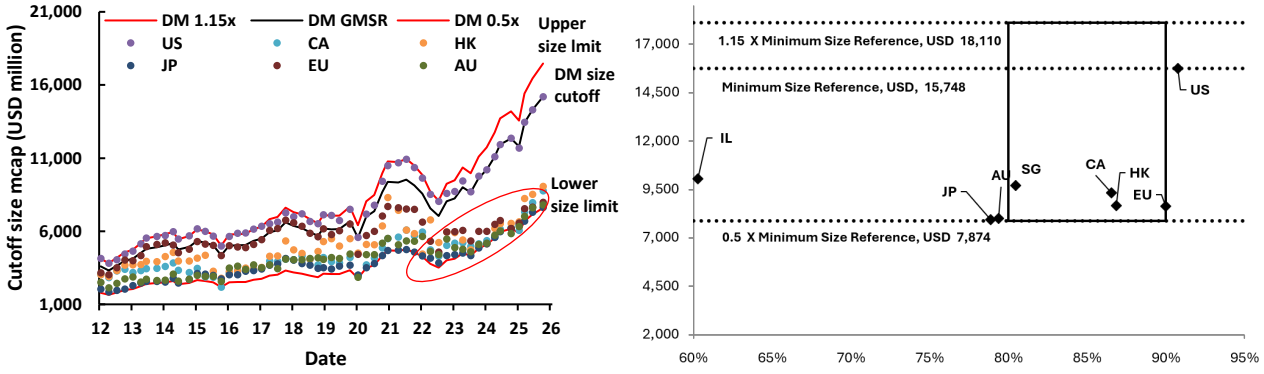
We now look at how the GMSR has evolved and how it has driven individual market representation. There are two components. The first is global. In the GIMI methodology, the GMSR is derived from the shape of the DM size distribution and, by construction, is directly sensitive to market performance and concentration. If the rising GMSR is the primary channel through which concentration is transmitted into a change in the indexed investor's global opportunity set, then moderating how the GMSR responds to market structure by a recalculation buffer, or otherwise, acts as a natural valve to relieve that pressure. However, the ultimate effect of a common global reference on a local market depends on that market's own size distribution and the market's relative performance. Markets whose largest companies have kept pace with the GMSR might be little affected, while markets with flatter distributions, or that have underperformed, could find a growing share of their domestic companies being excluded.

The two panels of the chart below show how the mechanics have played out across DM since 2012. The left panel shows the evolution of country-level market cap cutoffs for DM markets since 2012, alongside the GMSR and its 0.5x and 1.15x bounds. The GMSR, shown by the red line, has risen from approximately USD 4,000 million in 2012 to USD 15,748 million in the May 2026 review, a near four-fold increase. The lower bound of the global size range, the 0.5-times GMSR floor, has risen in lockstep. The markets circled in red illustrate the impact: a cluster of DM markets whose country-level cutoffs have been pushed upward toward, and in some cases against, that floor. These are markets whose companies have become relatively smaller as the U.S. has moved upward, dragging the global standard with it. The right panel shows the position of each DM market within the box in the May 2026 index review. The U.S. sits

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outside the box to the right: its coverage of above 90% illustrates its concentration. On the other hand, flatter markets like Australia and Japan have coverage below 80% with their cutoffs compressed against the global size floor.

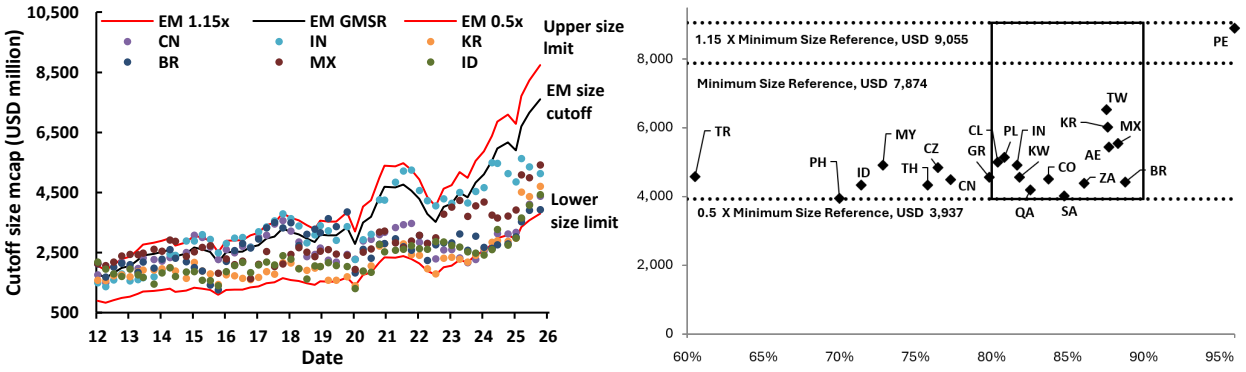
Evolution of the market-cap cutoff for MSCI World and the May 2026 size-coverage box



New Zealand is not shown as it had fewer than five companies eligible for the MSCI Standard Index. Index continuity rules have been applied to this market at Index Reviews. Data as of the close of April 20, 2026. Reflects actual Index Reviews up to and including May 2026 Index Review.

A similar dynamic has played out in EM with the difference that EM markets themselves cannot directly influence the size cutoffs as they are mechanically derived by halving the DM GMSR. The EM GMSR rose from approximately USD 2,000 million in 2012 to USD 7,874 million by May 2026. The consequences are visible in the dispersion of country dots relative to the lower size bound: markets whose cutoffs sit at or below the 0.5x floor.

Evolution of the market-cap cutoff for MSCI EM and the May 2026 size-coverage box



Hungary and Egypt are not shown as they had fewer than three companies eligible for the MSCI Standard Index. Index continuity rules have been applied for these markets at Index Reviews. Data as of the close of April 20, 2026. Reflects actual results of the May 2026 Index Review.

The most recent box snapshot in the right panel shows a large number of markets, including Turkey, Malaysia, Thailand, Philippines, Indonesia and Colombia with coverage falling below 80%. Korea and Taiwan, with their high technology weightings, are larger markets sitting at higher coverage well away

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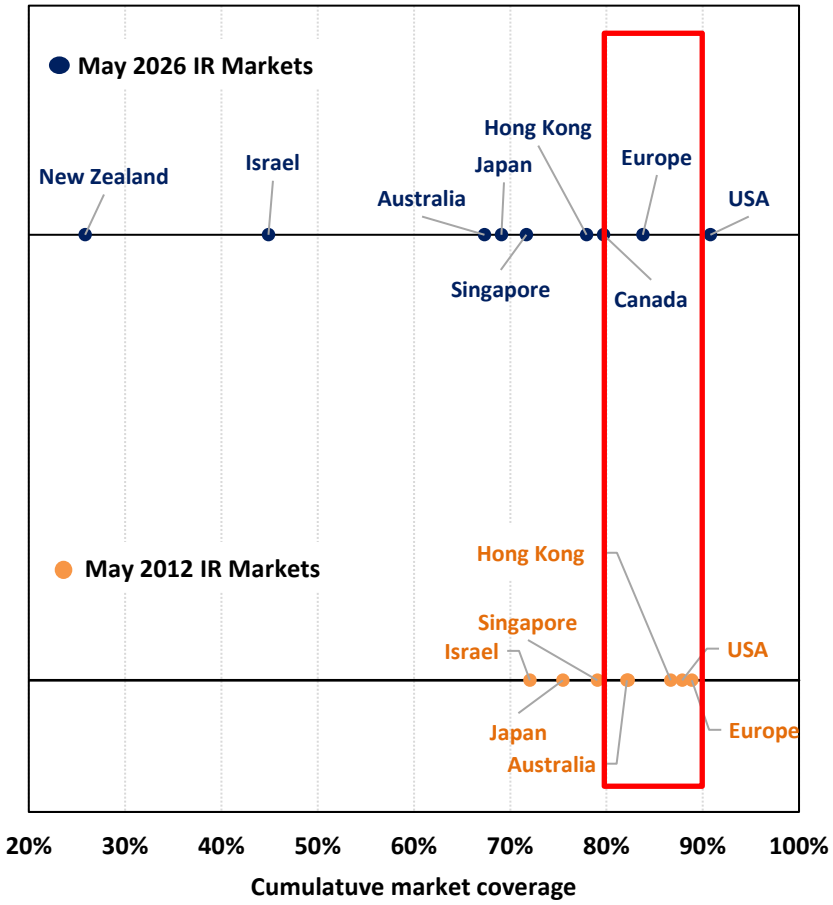
from the size floor. Taken together, the DM and EM charts provide clear motivation to analyze the calibration and flexibility embedded in the GIMI methodology.

Appendix 2: Additional analysis for methodology scenarios

We present two charts that illustrate the methodological importance of the size-coverage target area. In the first chart, we plot the coverage achieved in DM markets if GMSR were identically applied to all of them as a size-segment cutoff. In the second, we show the size-segment cutoff resulting in the 85% coverage in all markets. The simulation was completed for 2012 (orange dots) and 2026 (blue dots). The charts show the weakness of these approaches and, importantly, how performance divergence and concentration variation have widened structural differences between markets globally.

In the first chart we show, by the red box, the standard horizontal range of the MSCI GIMI box in coverage terms. In 2012, all simulated DM points were quite closely clustered within or around the actual GIMI standard target area, except for New Zealand. However, in 2026, the same simulation approach sees a much greater dispersion of coverage across individual DM markets.

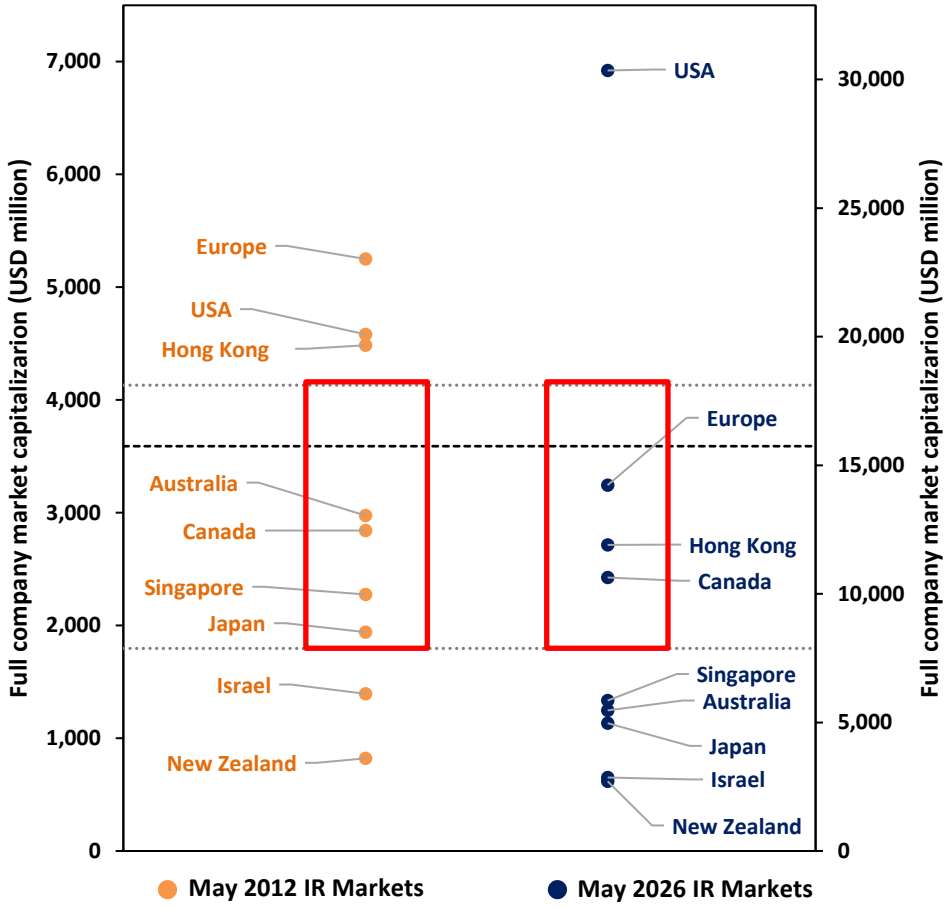
A common GMSR cutoff across all markets produces very different coverage levels



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In the second chart, we show by the red box, the standard vertical range of the MSCI GIMI box in full market-cap terms (that for 2012 is shown on the left-hand axis, while that for 2026 is on the right-hand axis). In the 2012 simulation, DM markets are fairly evenly spread around what was the actual GIMI target area range. However, in the 2026 simulation, the U.S. is a much more significant outlier to the upside if this approach is employed and several more markets fall below the actual GIMI-enforced target range.

A uniform 85% market-cap coverage target yields very different size thresholds and liquidity stress



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