

# Perspectives Podcast

## “The One Where We Say Goodbye to Baer”

Transcript, 26 February, 2026

Adam Bass ([00:05](#)):

This is MSCI Perspectives. I'm your host Adam Bass, and today we have a special treat for you. Baer Pettit joined MSCI a little more than 25 years ago as head of client coverage in EMEA. Come March 1st, he will retire as the firm's president. We were lucky enough to snag him for an exit interview of sorts to talk through some of the themes he's seen over the course of his career and how those same themes may play out in the future. Baer, welcome to the program. Your time at MSCI has been a time of enormous change for global investors and the investor industry. Are there specific themes or trends or whatever we want to call them that stand out to you?

Baer Pettit ([00:48](#)):

Well, it's certainly been an interesting ride, Adam, and there's actually quite a lot of change during this period in the structure of global investments. There's always a lot of change and a lot of continuity in financial markets, so it's always challenging to sort of disaggregate them. I must say that the most self-evident change, which is also absolutely central to what MSCI does, is the enormous rise of indexation for investors. So when I joined 26 years ago, we were still largely in a world of index as benchmarks for the measurement of active portfolios. Replication of benchmarks was present in the institutional space and had already grown to what seemed a decent size at the time. But really the incredibly dramatic change in the last 25 years has been the rise of ETFs and other types of vehicles as well, mutual funds, but largely ETFs and the dramatic role they've played in bringing index investing to hundreds of millions of people.

Adam Bass ([01:57](#)):

Let's start there because as you say, that is certainly centrally the huge driver, the large driver perhaps for MSCI. So walk us through how that trend has evolved for investors, for clients.

Baer Pettit ([02:08](#)):

Sure. So the efficient market portfolio tells you that holding the entire market will likely give you better returns over time. That doesn't mean that active managers cannot do better than that portfolio at a given point in time or over certain periods, but that truth has enormous power. The financial magic of putting that concept in an exchange-traded liquid wrapper, which is what ETFs are suddenly made that much more approachable for individual investors and clearly institutional investors or major players in ETFs, but they were more so in these type of funds beforehand. And so I think if you look at that and the period of the last 25 years, it's really meant that the range of choices where people can get exposure to broad sways of the market at very low fees is just a very different situation than when I first joined the firm.

Adam Bass ([03:21](#)):

And looking ahead for the indexes, the rise of ETFs, where do you see this going, I mean, looking past your time?

Baer Pettit ([03:30](#)):

Sure. So look, I think in some ways, there are two things that are in balance that in a given company, if 50% of it is owned by index funds who are following the benchmark. In fact, what it does is it makes the active investors more powerful for that small amount of capital they may own. So we've seen that active investors owning perhaps only a percentage of a company can have a pretty big impact as activists on its outcome. So I think that the deaths of active management will not occur, and the efficiency of asking the question of where capital should be allocated to a given company will remain important. But nonetheless, I think it's likely that the growth of these market replicating vehicles will increase. So I think we will see increasingly liquid and transparent vehicles in private markets in the years ahead as well.

Adam Bass ([04:38](#)):

And of course, we'll talk a little bit more about private markets as we keep going, but when you talk about the role of indexing as it relates to active managers, that's interesting. What kind of tools or data are active managers looking for today versus say, 25, 26 years ago?

Baer Pettit ([05:00](#)):

Yeah, look, I think the rise of indexation has meant that active managers have to have a much clearer thesis to "justify their existence." We've seen the rise of the very large hedge funds on a scale that we might also not have imagined 10, 20 years ago. So I think that there is both an increase in that most active component of the market in hedge funds in long short money. I think there are a growth of high conviction concentrated portfolio type of active investors. And clearly the quantitative scientific space continues to be a very important category in active investors as well as the more traditional individual company examining stock pickers. So I think that there will always be a need for active managers, and I think there's a natural equilibrium. The more there is indexation paradoxically, the more that individual active investors can have a high impact in a given company.

Adam Bass ([06:21](#)):

Let's move on because there's other trends that I'm sure you've seen, and I want to make sure we make the most of our time with you. What's a second trend that comes to mind?

Baer Pettit ([06:30](#)):

Well, look, I think, I'm not sure it's a trend, but it's a reality. So we have been living in highly globalized financial markets with a long-term trend, I would say from the opening of global capital markets dramatically in the eighties and into the nineties, and the steady reduction of home bias in most countries, particularly in the smaller cap countries. So the portfolio of an investor in most developed markets looks more akin to each other than let's say 25, 30 years ago. Now the question is, will that continue? As we see nationalistic trends and a tendency to countries to maybe turn in on themselves, the importance of supplying analytics data insights in defense of the global portfolio will become ever more important.

Adam Bass ([07:35](#)):

You mentioned in terms of countries closing off capital controls come to mind.

Baer Pettit (07:42):

Yes.

Adam Bass (07:43):

Are there discussions about whether those might come back, what conditions, well, not warrant them, but might introduce them?

Baer Pettit (07:51):

Yes. Look, I think that it's not inconceivable that we might see that. It was only, and I say only showing my age, as recently as the late eighties or early nineties that these type of controls, national controls on capital flows were largely eliminated in developed markets. And I hope that we will not see a recurrence of those type of capital controls. The controls on how the investible universe is defined for a given country are huge. And I think in particular for MSCI, it will mean that we have to increasingly adapt local solutions. And I think we're doing that in large measure in many countries. We're already seeing a certain amount of divergence on topics, let's say, of climate and the importance of climate in a portfolio. Those are not typically driven strictly by regulatory controls, but they are driven by the political environment and the incentive schemes in a given country.

(09:12):

So it is not inconceivable that those type of guidance or political framework for certain types of investment could become more rigid as relates to investments in certain type of industries, defensive national industries, even perhaps ultimately there's been talk of controlling access to even government bonds in certain markets. So I think the key point for MSCI is to always be ahead of these type of trends and to have all the data and information that we can provide the best solutions for a given investor in a given country.

Adam Bass (09:51):

We mentioned private markets, which obviously feels like a new topic, especially as we think about retail investors having access, et cetera. But really from other conversations with you, you mentioned how relatively speaking public assets, public markets are really the newbie.

Baer Pettit (10:13):

Yes.

Adam Bass (10:14):

Talk about that a little bit.

Baer Pettit (10:15):

Yeah, so clearly the 20th century was the dramatic period for the growth in public markets. So we saw that first in individual stocks, the growth of listings, the rise of the mutual fund, et cetera. But in fact, private markets have been the dominant form of capitalism in the world forever, the nature of private investments. What's clearly different in the last number of years, that's the last call, the last 20, 30 years has been the wrapping of those private investments in certain types of fund structures and the marketing of those fund structures to a variety of investors, chiefly institutional and some high net worth individuals. So it seems to me that it's not so much that the investing in private markets is new, it's the way that the investing in private markets is packaged that has changed.

(11:18):

And in turn, I think we're on the verge of a major inflection point where a lot of that packaging of private investments will move from ones destined chiefly for institutional investors to ones that are also

destined for individual investors and not merely the very wealthy and the high net worth. There are enormous benefits to public markets, and it's not a coincidence that typically the very largest companies in the world are public companies, but there are also a great deal of benefits to private markets, notably in funding a lot of innovation and early stage companies.

Adam Bass ([12:01](#)):

Are there certain steps that you've pushed for or seen at MSEI to deal with this?

Baer Pettit ([12:07](#)):

Yeah, well, look, I think clearly we've been systematically investing more in private markets over the last number of years, and I think even in the next year or two, we've got a lot of very exciting and innovative things coming to market. Notably, I think some of the work we're doing in valuations, in private credit, in bringing more transparency to that type of asset classes. And I think also the comparability of public and private markets and having a lot of data and information, which allows you to compare performance and risk between private and public markets, all of that is increasing in quality literally week by week and quarter by quarter.

Adam Bass ([12:51](#)):

Of course, Baer, I can't let you go without talking about AI. We are, I believe, legally required to talk about it at this point, but I want to come at it a little differently.

Baer Pettit ([12:59](#)):

Sure.

Adam Bass ([13:00](#)):

Thinking about AI and the impact on investors and the industry, when you look back over your career, are there other technological developments or just developments generally that you think are analogous to what's going on?

Baer Pettit ([13:13](#)):

Sure. So my very first internship at a brokerage here in New York, I had a Quotron screen in front of me. So that is basically a screen which is white and has flickering aquamarine numbers on it. And you cannot interact with it. You cannot touch it. You could just literally look at the numbers on the screen. So then largely we've been in a period of greater interactivity with financial market data through some form of terminal or some form of workflow. I think this is a huge revolution in how you interact with data and information, right? And I think actually Henry has used the expression, "a godsend for MSCI," because I think we have an enormous richness of data and information, and we'll be able to extract ever more value from it.

([14:08](#)):

So I think it's a really important inflection point. I think it's actually going back to my comments about private markets. We were sitting on almost a goldmine of private credit data, but the only way we could unlock the goldmine was using AI. We would've had to hire thousands of people to read prospectuses in the absence of that. So I think it's a very exciting turning point, and I think particularly a business like MSCI that is in data and information, I think it's going to be exciting and transformational.

Adam Bass ([14:45](#)):

What about for our clients getting real practical for global investors?

Baer Pettit ([14:50](#)):

I think really the main question will be how do you get a signal from a lot of noise? So I think, one, if we go back to the Quotron example, everyone is staring at the same thing in the same way crudely, but it's not a very data-rich environment, but everyone's looking at the same thing. Here, you will now have people being able to analyze and slice and dice and look at information in many more varied ways over different time horizons. So I think really that is a huge opportunity, but it's also, I think, going to be very noisy for investors, and they will continue to need standards and frameworks and references of the kind that MSCI provides to help navigate all of that risk and return environment.

Adam Bass ([15:47](#)):

And finally, before we let you go, congratulations, by the way. I should have said that at the top. I'm just trying to do my job. What's next?

Baer Pettit ([15:59](#)):

I have no immediate plans in front of me. I may end up doing something entirely different than this, but I think one of the things that I've enjoyed with MSCI is always the sense of adventure, some new challenge, some new risk to deal with. And I think I've been flexible in dealing with that. And with that goes a little bit of a lack of very long-term planning. So I have no long-term plan. We shall see. Maybe ask me in a year and I'll be able to give you an answer.

Adam Bass ([16:29](#)):

Okay. Well, we'll do that. Thank you again, Baer. Great to have you.

Baer Pettit ([16:32](#)):

My pleasure.

Adam Bass ([16:34](#)):

You'll be missed.

Baer Pettit ([16:35](#)):

Thank you.

Adam Bass ([16:36](#)):

That's all for this week. Our thanks to Baer and to all of you for watching or listening. Next up on the program, we look at three scenarios in how geopolitics may affect client's portfolios going forward. Until then, I'm your host Adam Bass, and this is MSCI Perspectives.

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