# Looking Back: MSCI's Evolution and History

MSCI has transformed from an international benchmark provider into a vital infrastructure business for the global investment industry. Its competitive advantage is derived from factors such as benchmark adoption, data scale, recurring licensing revenues, and strong client dependency.

As a foundation, MSCI—Morgan Stanley Capital International—creates market indexes that enable investors to benchmark their performance and structure their portfolios. The company identified an underdeveloped segment of global investing and established a benchmark franchise that became deeply integrated into institutional portfolio construction. MSCI's strengths lie in its benchmark entrenchment, data infrastructure, strategic acquisitions, and the high switching costs for clients.


### 1960s-1970s

In 1968, Capital International (CI) launched a series of global equity indexes that later became the foundation for MSCI. These indexes were created to assist institutional investors in benchmarking their international performance, accurately allocating capital, and comparing exposure.

By establishing common performance benchmarks ahead of many competitors, Capital International gained significant network effects: the more investors adopted its indexes, the more valuable they became as industry standards. This adoption gradually spread across pension funds, institutional investors, and global asset managers, demonstrating that standardised indexes filled a crucial gap in international investing.

This period established MSCI as a leading provider of standardised global equity benchmarks, at a time when institutional investors lacked reliable tools for comparing international markets.

### 1980s-1990s

The 1980s marked a significant transformation for Capital International (CI), as it evolved from being a benchmark provider to an emerging leader in the global indexing industry. In 1986, Morgan Stanley licensed and co-developed CI's indexing operations, rebranding the company with their name to create what we now know as MSCI (Morgan Stanley Capital International). Morgan Stanley was more than just a financial backer; they served as a strategic partner, helping to accelerate the adoption of indexes on a global scale.

In 1988, MSCI launched its first major product, the Emerging Markets Index, which covered 10 developing markets. This was quickly followed by the All Country World Index, which combined developed and emerging markets into a single benchmark. These innovations positioned MSCI as a leader in global indexing. Rather than competing directly with established firms such as FTSE and S&P, MSCI focused on an underserved segment, carving out a durable, defensible niche.

Throughout the 1990s, MSCI expanded its offerings to include small-cap and frontier markets, targeting various sectors, industries, and investment styles. This made MSCI's indexes indispensable for asset managers seeking precise global exposure.

By leveraging Morgan Stanley's distribution strength and its early focus on emerging markets, MSCI developed a differentiated benchmark franchise that became challenging for global asset managers to replace. This strategic shift transformed MSCI from merely an index publisher to a benchmark standard-setter, especially in areas where institutional investors required global and emerging market exposure.

### 2000 – 2010s

The 2000s were the start of MSCI's acquisition plans. In 2004, MSCI acquired Barra, adding industry-leading portfolio risk modelling and performance analytics through Barra's factor-based risk models.

In 2007, MSCI launched its IPO, allowing it to gradually become an independent company and explore opportunities beyond its core benchmark and index-licensing business. The independence created allowed MSCI to address any conflict-of-interest concerns, strengthening its neutrality and putting a strategic focus on the market and on any acquisitions it would make in the coming years.

This period saw MSCI accelerate its acquisition strategy to broaden its capabilities beyond indexing and strengthen its position as a multi-asset investment decision-support platform. These acquisitions expanded its capabilities in sustainability and climate data, multi-asset risk analysis and expanded its presence in fixed income and private markets.

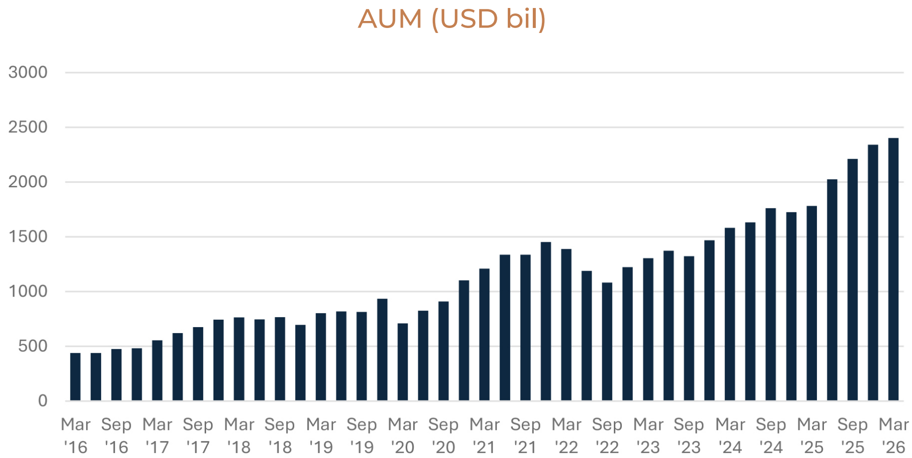
### Current

Today, MSCI is a leading provider of investment decision-support tools and solutions for the global investment community. MSCI provides investors with data, analytics, and benchmarking tools that are utilised throughout the investment process. Investors leverage MSCI's research-driven and technology-enabled solutions to gain insights and enhance transparency in their investments.

MSCI serves approximately 7,100 clients across more than 100 countries. Its client base includes asset owners, asset managers, financial intermediaries, wealth managers, real estate professionals, and corporations. Notably, BlackRock is MSCI's largest client, primarily through index-linked ETFs and non-ETF products. This client concentration is an important factor to monitor, even with MSCI's extensive global client portfolio.

Indexing remains a cornerstone of MSCI's business model and has contributed to the growth of many of its other offerings.

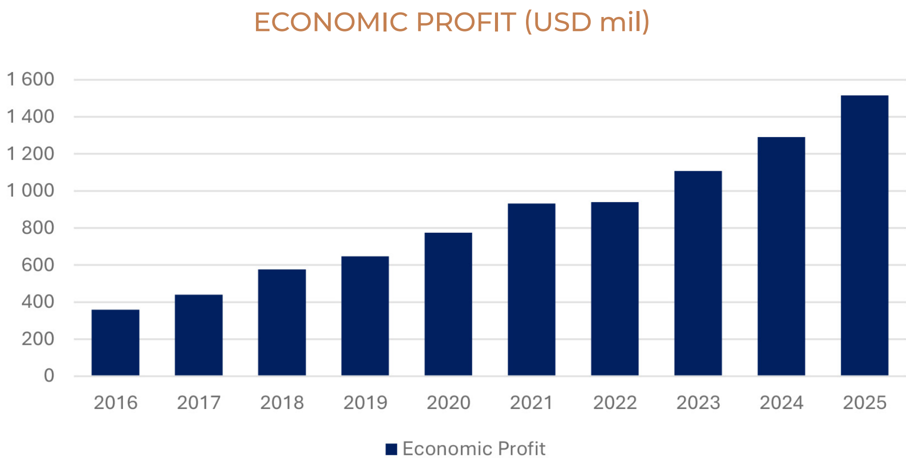
***Below are the Assets Under Management linked to MSCI indexes over the past 10 years.***




*Source: MSCI, BlueAlpha*

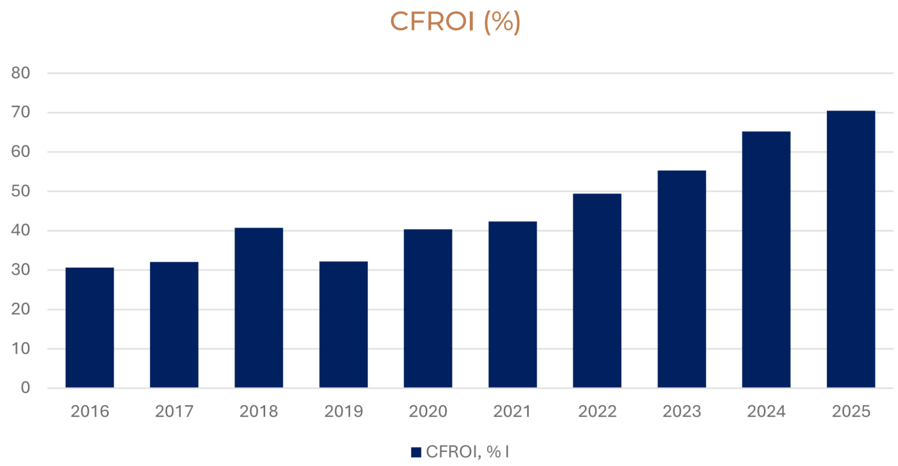
*The AUM has grown by a Cumulative Annual Growth Rate (CAGR) of 18.6% over the past 10 years, 7.1% over the past 5 years and 5.4% over the last 3 years. This demonstrates the continued expansion of MSCI-linked assets. While asset growth has moderated in recent years as global equity markets normalised, the long-term trend continues to demonstrate the strength of MSCI's benchmark franchise.*

*The HOLT data supports the argument that MSCI's business model benefits from recurring revenue, strong operating leverage, and high returns on capital, which are consistent with an infrastructure-like data and analytics business.*




*Source: HOLT*

*Rising economic profit reflects MSCI's ability to grow earnings without requiring significant incremental capital investment.*



*Source: HOLT*

*Persistently high CFROI illustrates the asset-light nature of MSCI's business model and the durability of its competitive advantages.*

MSCI's competitive position remains strong, but the business does carry certain risks. A significant portion of the company's revenue is indirectly linked to a relatively concentrated group of large asset managers—most notably BlackRock—whose index-tracking products generate substantial licensing income. Although switching costs for clients remain high, increasing competition from providers such as FTSE Russell, S&P Dow Jones Indices, and Bloomberg could pressure pricing and future market share gains.

Ongoing regulatory scrutiny also poses risks, particularly regarding index methodology, ESG classifications, and benchmark governance, as policymakers seek greater transparency and standardisation across financial markets. Moreover, while MSCI has successfully diversified into areas such as analytics, sustainability, and private-market data, any prolonged slowdown in global equity markets or in the growth of ETF assets could slow the increase of index-linked assets under management, which is a vital driver of long-term revenue growth.

MSCI's proprietary index data, strong client relationships, and high switching costs position it well to benefit from the growth of quantitative investing and AI-powered financial tools, which are becoming increasingly important in financial markets. The company's strategic expansion into analytics and sustainability has further strengthened its position in this new era. As indexing extends across various asset classes and strategy types, demand has not only increased for benchmarks but also for complementary infrastructure, such as risk tools, sustainability data, and portfolio insights. This alignment uniquely positions MSCI to meet those evolving needs.

## Conclusion

MSCI's history demonstrates a consistent ability to identify structural shifts in global investment markets and build the data, benchmark and analytics infrastructure required to support them.

Having "MSCI" in a fund's name signifies consistency, transparency, and institutional acceptance, particularly for global or sustainability-focused products. It has become a symbol of quality throughout the entire value chain, from fulfilling regulatory and mandate requirements to providing reassurance to individual investors selecting an ETF from a trusted name.

**The strength of MSCI lies in the fact that clients do not just use its products; they are integrated into investment mandates, portfolio construction, reporting processes, risk management systems, and product design. This positions MSCI not merely as a data provider, but as an essential piece of global investment-market infrastructure.**