

Float Data Product

Capturing the
Full Investment
Universe

Capturing the Full **Investment Universe**

In March 2023, MSCI launched the Float Data Product which provides additional transparency to metrics associated with free float market capitalization at a security level.

This extensive data set is updated monthly and includes all securities within the MSCI equity universe (>34,000).

Let's learn more about this product, the data it covers and how it can help investors better understand the markets they operate in.

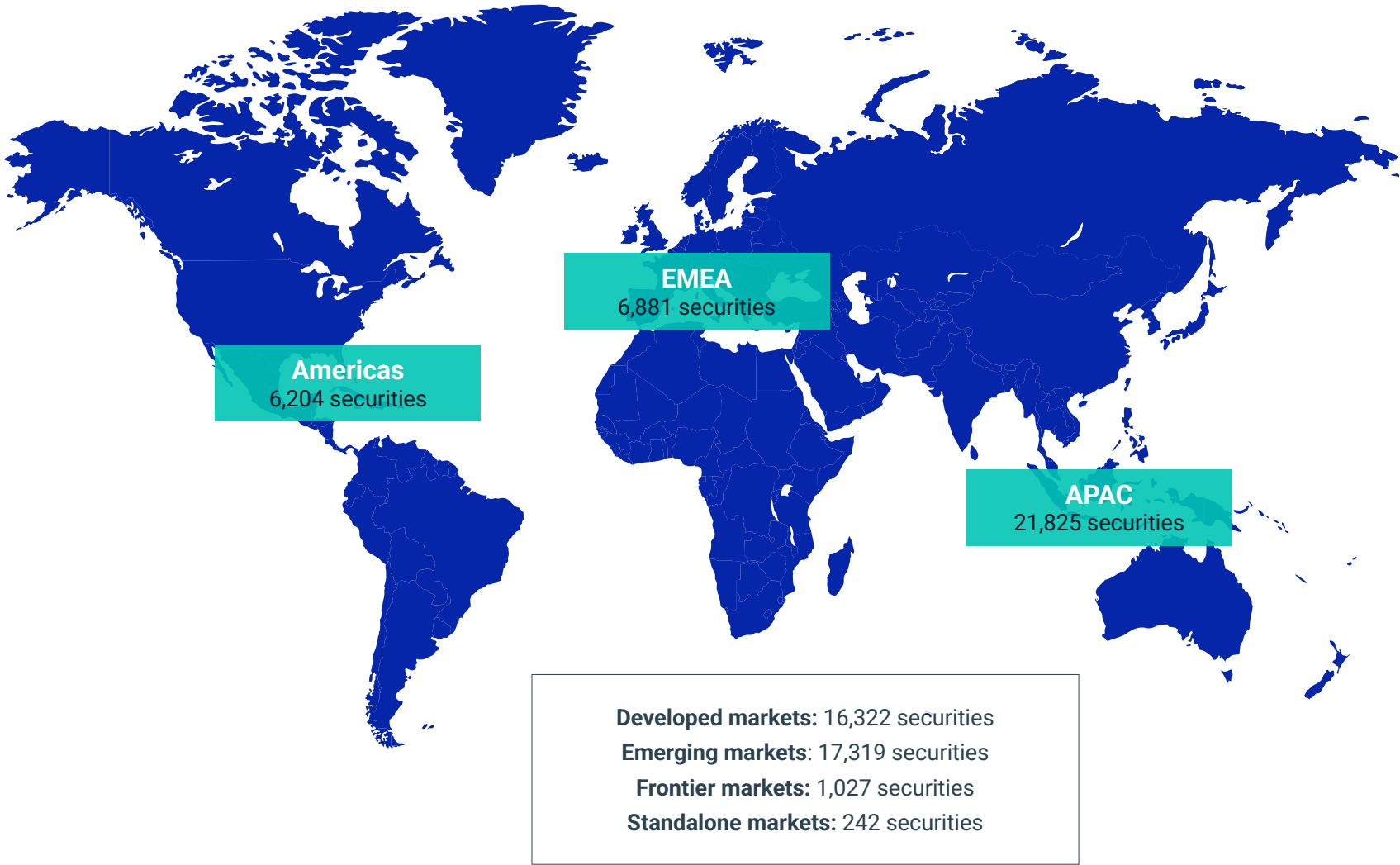
All data is as of April 30, 2023.

Universe

MSCI's equity universe covers a wide range of listed security types¹:

- listed equity securities
- REITs and some income trusts in Canada
- Certain types of USA listed limited partnerships, limited liability companies, and business trusts
- Preferred shares determined by MSCI to exhibit characteristics of listed equity securities.

It will include IPOs but it will not include mutual funds or ETFs. Most investment trusts are also excluded.



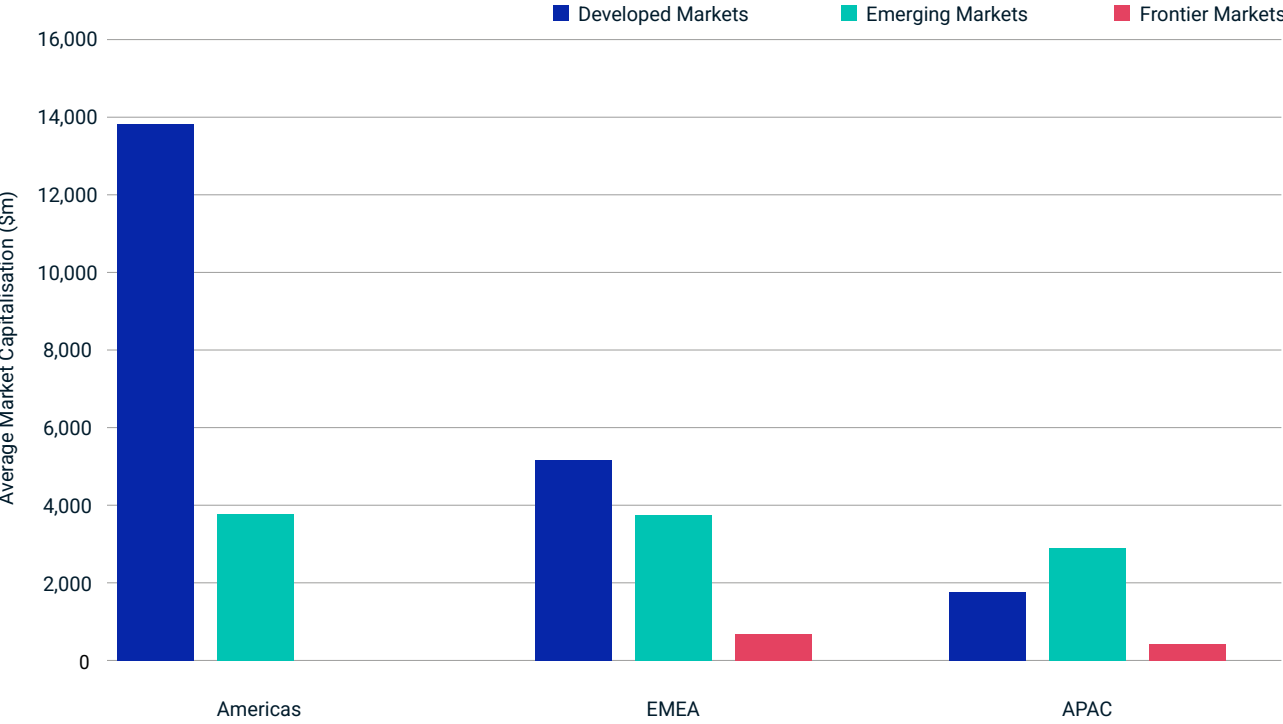
Source: MSCI, data as of April 30, 2023

¹ Please refer to the [MSCI Global Investable Market Indexes \(GIMI\) Methodology](#) for more details.

Market Capitalization

In terms of market capitalization, securities from developed markets tend to be larger than securities in emerging or frontier markets. However, in the Asia Pacific region (APAC), the average security size is larger in emerging markets, as securities in China, India and Taiwan are on average larger than securities in all five APAC developed markets (Australia, Hong Kong, Japan, New Zealand, and Singapore).

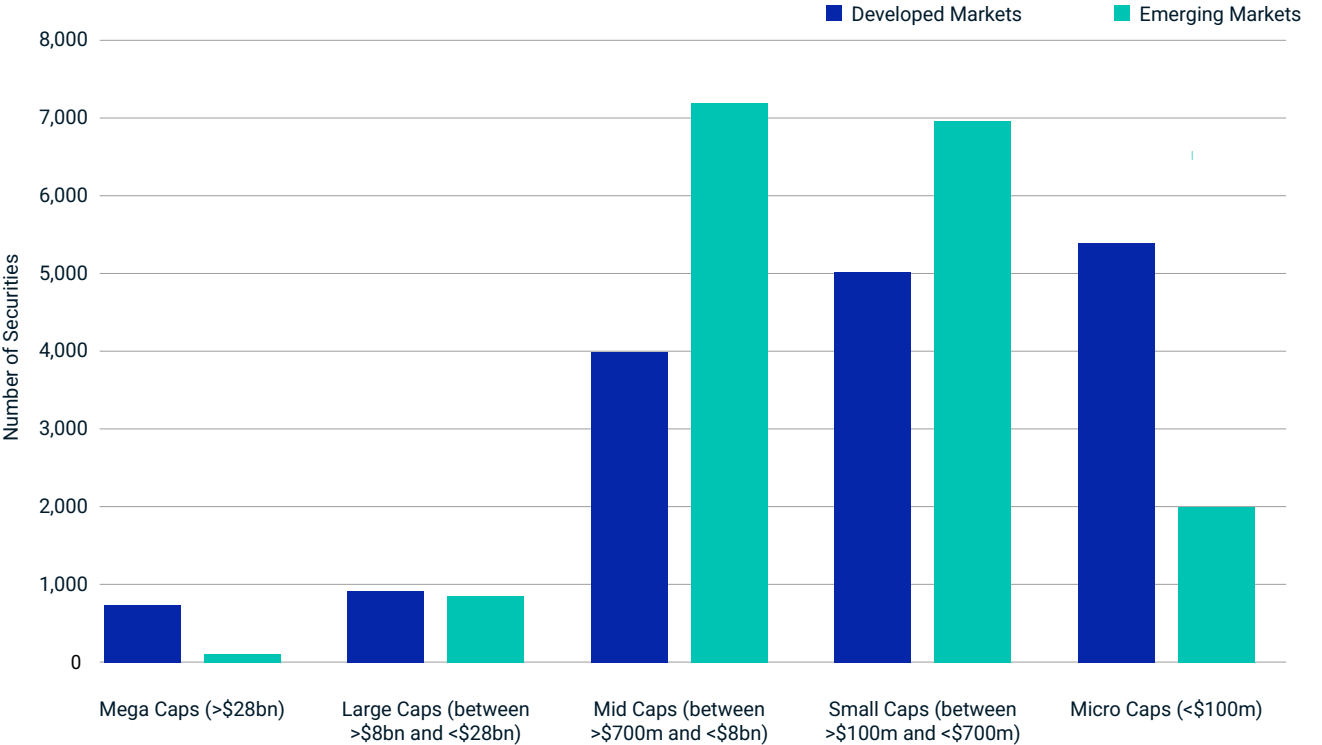
Average Market Capitalization



Source: MSCI, data as of April 30, 2023

That said, emerging markets have a long tail of smaller securities. The chart below looks at the number of securities per market cap buckets² (defined as a market capitalization ranges).

Number of Securities By Company Market Cap Size Buckets



Source: MSCI, data as of April 30, 2023

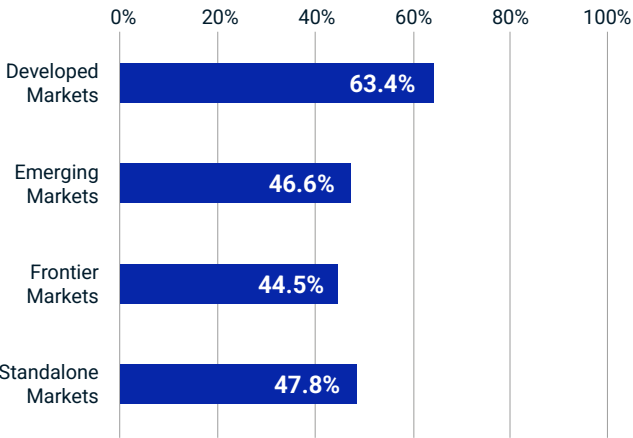
² Illustrative ranges for the purposes of this analysis. Please note that they do not reflect MSCI standard segment definitions.

Free Float

The **Free Float³** for any of the securities in the MSCI equity universe is defined as the proportion of shares outstanding that is deemed to be available for purchase in the public equity markets by institutional investors.

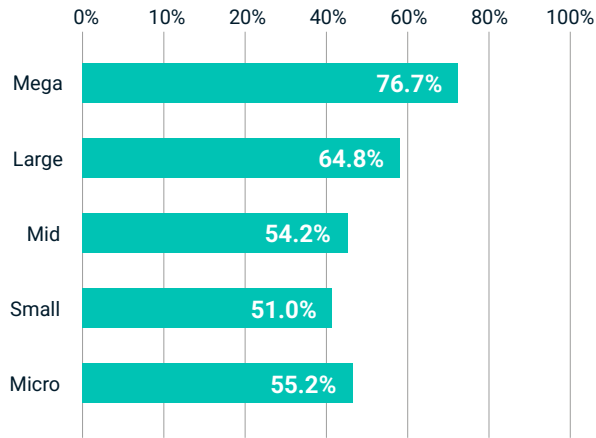
Looking through our universe, free float tends to be higher in developed markets and as companies grow.

Average Free Float by Market Types



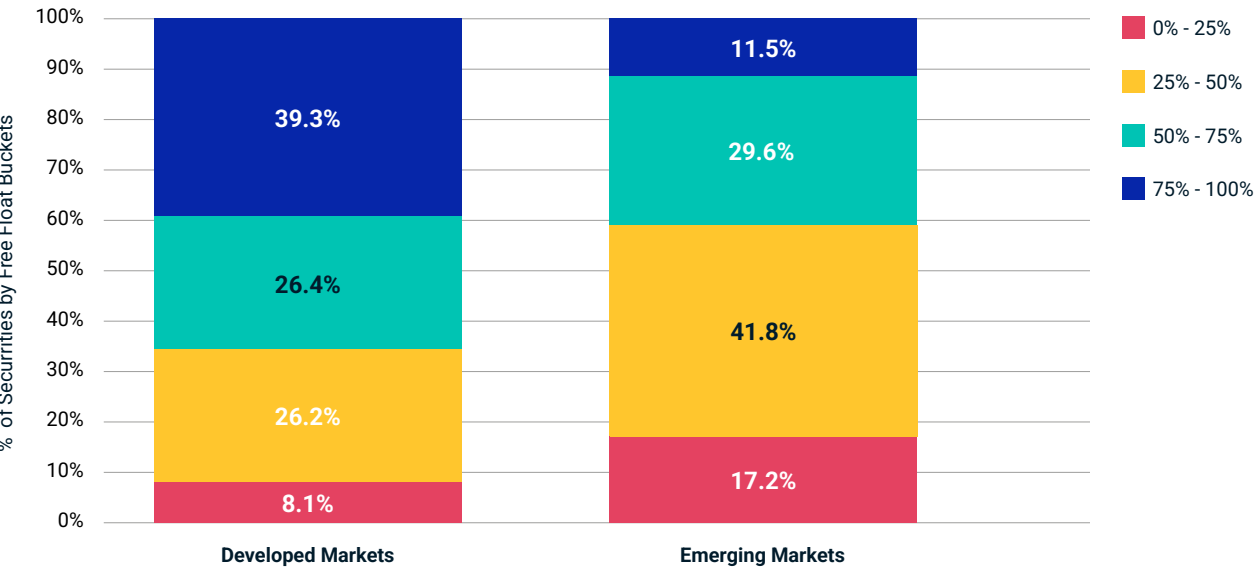
Source: MSCI, data as of April 30, 2023

Average Free Float by Market Caps Bucket



From a distribution perspective, the comparison between developed and emerging markets does provide some interesting results. In developed markets, more than 65% of securities have a free float higher than 50%, while in emerging markets that number is just over 40%.

Free Float Distribution



Source: MSCI, data as of April 30, 2023

If we look a bit deeper, in the USA over 68% of securities have a free float greater than 75%, while in China only around 8% companies have a free float greater than 75%. In India, this number is even lower (closer to 6%).

3 Please refer to the [MSCI Free Float Data Methodology](#) for more details.

Foreign Ownership Limits and Foreign Room

Traditionally, investors associate foreign ownership limits⁴ with emerging and frontier markets. While this is broadly true, there are some sectors that in developed markets are considered of national importance, and as such, will impose limits on the ownership by foreign investors.

	Developed markets	Emerging markets	Frontier markets	Standalone markets
No foreign ownership limits	99.3%	48.9%	86.9%	92.1%
Some degree of foreign ownership limits	0.7%	51.1%	13.1%	7.9%

Source: MSCI, data as of April 30, 2023

For example, in the EU, foreign investment cannot exceed 49% of ownership of a publicly listed EU airline. Canada has a similar restriction, and they also have restrictions for foreign ownership for media and broadcasting companies. The table on the right combines the Float Data Product with the Global Industry Classification Standard (GICS^{®5}) and shows, for developed and emerging markets, the percentage of securities per GICS sector that has a limit on foreign ownership.

GICS Sector	Developed Markets	Emerging Markets
Communication Services	3.0%	44.5%
Consumer Discretionary	0.2%	44.1%
Consumer Staples	—	43.0%
Energy	0.4%	43.6%
Financials	—	36.1%
Health Care	—	57.3%
Industrials	1.4%	61.5%
Information Technology	—	57.2%
Materials	0.1%	56.6%
Real Estate	2.8%	31.8%
Utilities	—	43.5%

Source: MSCI, data as of April 30, 2023

The lower the value of a foreign ownership limit for a security, the less amount of capital will be available for foreign investors. This has an impact on the potential opportunity set for investors and is an input we consider in our index construction. We also include in this product a metric called Foreign Room. Foreign Room is the proportion of shares of a security still available for investment by foreign investors and it may vary over time⁶.

4 Foreign ownership limit: security foreign ownership restriction as stipulated by regulatory authority overseeing that market.
5 GICS[®] is the Global Industry Classification Standard jointly developed by MSCI Inc. and S&P Global.
6 Please refer to the [MSCI Free Float Data Methodology](#) for more details.

Comparing MSCI Indexes

The MSCI equity universe is the starting point for all MSCI indexes, starting with the market cap indexes as defined by [MSCI's Global Investable Market Indexes \(GIMI\) methodology](#).

The broadest MSCI equity index is the MSCI ACWI (All Country World Index) + Frontier Markets IMI (Investable Markets Index). It covers developed, emerging and frontier markets, across all main size segments (large, mid, and small caps) which include more than 9,000 securities as of April 30, 2023. Standalone markets are only covered in market specific indexes and are not included in regional indexes.

This section compares the MSCI equity universe and the MSCI ACWI + Frontier Markets IMI across several dimensions.

	MSCI Equity Universe Weights	MSCI ACWI + Frontier Markets IMI Weights
Communication Services	8.5%	6.9%
Consumer Discretionary	11.7%	11.1%
Consumer Staples	7.5%	7.3%
Energy	6.4%	5.0%
Financials	15.7%	14.0%
Health Care	10.3%	12.3%
Industrials	10.4%	11.1%
Information Technology	18.3%	20.9%
Materials	5.9%	5.2%
Real Estate	2.4%	3.1%
Utilities	2.9%	3.0%

Source: MSCI, data as of April 30, 2023

From a sector weights perspective, MSCI's broadest index is designed to represent the performance of the MSCI equity universe. However, when we look at region and market type, we can see some stark differences. Developed markets and the Americas take a larger weight of the index compared to the universe based on April 2023 data.

Index rules linked to investability play an important role in explaining these differences. While the universe is agnostic about potential investors, MSCI considers the views and practical implementation challenges of the international investment community in the construction of its MSCI Global Investable Market Indexes.

	MSCI Equity Universe Weights	MSCI ACWI + Frontier Markets IMI Weights
Developed Markets	66.1%	88.9%
Emerging Markets	33.4%	10.9%
Frontier Markets	0.4%	0.2%
Standalone Markets	0.1%	--

Source: MSCI, data as of April 30, 2023

	MSCI Equity Universe Weights	MSCI ACWI + Frontier Markets IMI Weights
Americas	45.9%	63.3%
EMEA	19.4%	19.0%
APAC	34.8%	17.8%

Source: MSCI, data as of April 30, 2023

Conclusion

The MSCI Float Data Product is a new offering which aims to help investors better understand the equity universe that supports our indexes. By including data on free float, foreign ownership limits and foreign room, it gives investors more granular information on the investability of securities in that broader universe.



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To learn more, please visit www.msci.com

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