

# Stock Story



## The Power of a Benchmark

MSCI is a leading participant in global data and analytics services for financial markets, benefiting from the long-term trends of asset accumulation and passive investment. They provide global benchmarks, and data and analytics across equities, sustainability, climate, fixed income and private assets. MSCI is a gem within the financial services industry – an earnings and free cash flow generation powerhouse. Why? The economic moat surrounding its benchmarking business. While the business itself is far more diverse, this ecosystem is built around the strength and necessity of MSCI benchmarks in global financial markets, with over US\$18t in AUM benchmarked to MSCI indices as of 30 June 2025.

MSCI, the leader in global investing, manages the leading global equities benchmarks (e.g. MSCI World, MSCI ACWI, MSCI World SMID Cap), ex-US benchmarks (e.g. MSCI EAFE, MSCI Emerging Markets), sector (e.g. MSCI World IT, MSCI World HealthCare) and factor (e.g. MSCI World Quality, MSCI World Growth).

### What is a benchmark and why do they generate so much value?

A benchmark is “a standard used for measurement and comparison”. A way to think about this is – if financial markets are a **musical instrument**, a benchmark is a **metronome** used to see how fast and accurately you can play it. Benchmarks in financial markets provide a baseline for comparing returns, enabling market participants to judge, rank and articulate performance. Importantly, the benchmark must be repeatable and objective to maintain its relevance. Benchmarks give market participants a common language to describe and assess markets.

For example, industry classifications, factors, and geographical classifications are critical in describing and understanding the underlying risks of markets. Without these common classifications, we would not be able to consistently communicate market dynamics.

This power of a benchmark is the underlying competitive advantage of MSCI’s economic moat. The embedded nature of MSCI benchmarks across the financial system has enabled MSCI to scale its business, to create network effects from this common language, and material barriers to entry for new entrants.

As a result, MSCI generates the majority of its revenues from data and services related to these powerful benchmarks. MSCI generates revenues from asset-based fees linked to each benchmark (a toll on passive investing); from licensing, reporting and access to proprietary data, linked to benchmarks; from analytics, where proprietary MSCI data is combined with portfolio management and analytics to assist clients in decision making and risk assessment; from sustainability and climate, where MSCI has created proprietary data sets and analytics to compare and contrast sustainability and climate risks and opportunities for thousands of companies; and to newer opportunities of data sets and analytics in private assets and fixed income. Essentially, MSCI benefits from the accumulation of assets in global markets, and the need to benchmark these assets and assess their risks. As the volume of assets in global markets grows, so do MSCI’s revenues and earnings.

### But can’t AI just replicate the benchmark?

We do not envisage MSCI’s benchmark ecosystem can be disrupted by AI. The power of a benchmark isn’t in its creation or existence. AI can create an index that seeks to compete with MSCI. What AI can’t do is create the universal metronome that MSCI benchmarks represent. It can’t embed these ‘new benchmarks’ across financial markets and workflows.

AI can't create network effects and proprietary data so that the whole market is being measured and assessed on a like-for-like basis. We view the risk of AI disruption in MSCI's core benchmark business as Low, because these competitive advantages remain intact in a world of AI.

In summary, we believe MSCI is amongst the highest-quality companies globally. The power of the benchmark enables MSCI to generate attractive subscription-like returns, with a high degree of confidence from quarter to quarter. While the company is slowly maturing, as passive investing takes more share, the consistent investment in new benchmarks (e.g. thematic), products (e.g. climate and sustainability), and asset classes (e.g. private assets) gives us confidence that MSCI can continue to deliver attractive returns over the long term for our investors.

**Elisa Di Marco**

Investment Director and Analyst

**Connect with us**   **Email:** [info@magellanfinancialgroup.com](mailto:info@magellanfinancialgroup.com)   **Phone:** +61 2 9235 4888 or 1800 6243 5526

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