

MSCI Inc. 2019 First Quarter Update

May 2, 2019

MSCI Inc. started off strong in 2019, and we are very excited about the growth opportunities in front of us for the rest of this year and beyond. We continue to execute our strategy and believe we are well-positioned to thrive and deliver strong growth in a rapidly transforming industry. Our franchise – Index, Analytics, ESG and Real Estate – is as vibrant as ever as we continue to cultivate relationships with clients globally.

We delivered our sixth straight quarter of organic subscription run rate growth around 10%¹ – demonstrating the resiliency of our franchise and the strength of our business model. The company's growth continues to be fueled by a deepening engagement with clients, thought leadership in areas such as global and emerging markets, factors, fixed income, real estate and sustainable investing, and a sharp focus on our organization, people and internal processes to ensure we operate at maximum performance and efficiency.

MSCI and the future of investing

As we continuously strive to improve how we operate and help our clients in a rapidly transforming global investment industry, we never lose track of our mission: to power better investment decisions for a better world. MSCI works to address investors' needs to build better and more effective portfolios with deeper insights into key drivers of risk and return. Our industry-leading research-enhanced solutions enable clients across public and private markets to solve mission-critical investment problems, involving asset allocation, portfolio construction, performance, risk management and regulatory compliance.

At our Investor Day this past February, we outlined MSCI's growth strategy, which is built upon pillars designed to expand our core offerings, execute in-flight opportunities and make investments that help position us to capture the next wave of growth opportunities.

- **Expand our core offerings.** We continue driving growth by expanding use cases, helping existing and newer client segments understand how our solutions can help them solve their investment challenges. Our focus is on sharpening our go-to-market strategy and cultivating our deep client relationships to ensure we are in a position to capture opportunities and remain at the forefront of investment trends.
- **Execute in-flight opportunities.** We are enhancing our technology platforms to allow for greater flexibility, capabilities and more scalable solutions. We are also expanding our fixed-income capabilities by integrating ESG and factors. We must continue deploying resources to help drive these initiatives and ensure clients understand the depth and breadth of our capabilities, particularly in some of the newer client segments such as wealth management.
- **Capture the next wave of growth opportunities.** The industry is rapidly transforming. It is essential to anticipate where clients are headed. Whether it is a shift from public assets to private, from active management to passive, from short-term financial returns to long-term

¹ Percentage and other changes refer to comparisons to the first quarter of 2018 unless otherwise noted.

sustainable investing, we are focused on adding other layers of growth to meet our long-term financial objectives.

This strategy works hand-in-glove with major trends that are transforming the investment world. As discussed by our Chairman and Chief Executive Officer, Henry Fernandez, in his shareholder letter that accompanied our 2018 Annual Report, these trends include:

- **The continued globalization of investments.** Investors have become increasingly global with their portfolios. China, with the second-largest stock market in the world by market capitalization², third-largest bond market³ and an enormous real estate market, is a prime example of a formerly closed country opening to international investors. MSCI's partial inclusion of China A shares in the MSCI Emerging Markets Index recognizes this change, while our risk models, factor insights and ESG analyses help investors evaluate Chinese equities in their portfolio construction decisions.
- **The importance of risk management.** The 2008 global financial crisis helped bring risk management to the heart of the investment decision-making process, providing critical lessons on how leverage, liquidity and the possibility of contagion can affect how investors view risk. Through MSCI's risk models, including our factor-crowding model and stress-testing capabilities, investors can better understand their risk exposures and how they relate to each other.
- **The growing use of factors.** More than 40 years ago, Barra – now part of MSCI – pioneered the use of factors, such as value, momentum and volatility, in understanding the drivers of risk and return in equity portfolios. Our multi-asset class factor models extend to other asset classes globally. We also have introduced a new factor classification standard – MSCI FaCS – that provides a common framework for factors.
- **A mounting focus on sustainable investing.** Investors increasingly are looking at long-term, sustainable investments – also known as ESG investing. This approach helps them identify long-term ESG risks and opportunities. Ratings from MSCI ESG Research⁴ provide insight into the drivers of a company's ESG profile. We believe in 10 years' time, there will be no such thing as "ESG investing" – it will just be "investing."
- **The rise of wealth management.** Due to governmental and societal shifts, the responsibility for saving for retirement and health care has shifted to individuals. As individuals have started to focus on savings and investments earlier in their careers, they have turned to wealth management firms who are employing institutional approaches. These providers, in turn, are seeking cutting-edge tools to help manage their portfolios.
- **Public and private assets.** The mix of investable assets is changing, as the vast accumulation in global wealth is transforming capital markets, and investors are increasingly turning to private assets, including real estate and private equities. For example, emerging markets are becoming more urbanized, leading to demand for housing and commercial properties. Investors need better tools and data to analyze this increasingly complicated universe. We provide this capability with our real estate tools and plan to expand this capability to other asset classes.

² World Federation of Exchanges, December 2018.

³ Bank for International Settlements, third quarter 2018.

⁴ MSCI ESG Research products and services are provided by MSCI ESG Research LLC, and are designed to provide in-depth research, ratings and analysis of environmental, social and governance-related business practices to companies worldwide. ESG Ratings, data and analysis from MSCI ESG Research LLC are also used in the construction of the MSCI ESG Indexes. MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc.

At present, we have only scratched the surface of what is possible. But we are uniquely positioned to deliver actionable solutions that help clients prepare for, and embrace, the future.

Client updates/wins

MSCI has cemented its position at the hub of the global investment process by providing must-have solutions and building strong relationships across the investment ecosystem.

In the first quarter of 2019, we gained further momentum across our diverse, global client base. This is anchored by our continued relationships with asset owners, asset managers, broker dealers and exchanges and increasing traction with newer client segments, such as wealth managers. Geographically, Asia was our fastest-growing region, though we also saw strength in EMEA and the Americas.

Meeting increasingly complex needs

As asset owners take more direct control of their investment portfolios, we have seen increasing demand for our solutions by them. In fact, we had one of our best quarters for sales within the asset owner segment in the first quarter of 2019. Growth was fueled by clients taking a much more proactive role in monitoring externally managed portfolios and directly managing portfolios. In both instances, clients sought to achieve their investment objectives and operate more efficiently using our solutions. For example, one of the largest sovereign wealth funds in EMEA, which maintains one of the largest global investment portfolios diversified across more than two dozen asset classes and sub-categories, chose our risk solutions to help improve reporting and risk management capabilities.

Improving client coverage in Asia and beyond

We had several notable wins in Asia in the first quarter of 2019, including one asset owner with well over \$100 billion in assets invested in more than 40 countries that was looking to enhance its risk management capabilities and develop deeper performance and risk insights. This client selected our Multi-Asset Class Analytics solution to help them better understand its exposures, run scenario analyses and position its portfolios in the face of volatile markets. In Japan, we closed a deal with one of that nation's largest banks which licensed RiskManager, CreditManager and BarraOne to meet their needs for an extended user base, increased product coverage and additional reporting capabilities.

Our growth in Asia has been driven by key hires, such as Jack Lin, Head of Client Coverage – APAC, who joined us a year ago, bringing more than 20 years of experience at Amundi, Pioneer, Janus and Franklin Templeton. Jack and his team take a focused and unified approach to targeting clients and helping us better understand client needs. Focused investments aimed at improving effectiveness by bringing on experienced leaders to engage with clients strategically at the C-level, and integration across regional sales teams, continue to pay off throughout the Client Coverage organization in Asia.

Asia, however, is not the only regional growth story of the quarter. Looking to the Americas, for example, we leveraged our relationship with one of the largest pension funds in Canada by highlighting various use cases for our deep historical data. This data is typically used to run sensitivities, conduct scenario analysis, and back test and stress test strategies over longer lengths of time with more granularity. We secured a large deal with this pension fund, which will enable the fund's quant team to develop a more comprehensive view as they model portfolio strategies and build portfolios.

Product updates/enhancements

These key client wins are the result of investments we have made in our business to enhance our value to clients. On the product side, outlays to areas including our Analytics technology platform, ESG, private assets and equity index derivatives licensing further advanced our ability to differentiate ourselves in the marketplace.

Sustaining our ESG edge

As ESG adoption and the focus on sustainable investing increase, it's essential to widen our lead in this area. We continue to make investments that broaden and deepen our coverage of issuers and improve the quality of our data and issuer ratings by deploying cutting-edge technology, including the latest in artificial intelligence, natural language processing and machine learning.

In the first quarter of 2019, MSCI ESG Research expanded a contract with one of the largest asset managers in the world. This global deal, the result of a long-standing relationship, reflects the quality of our ESG research and offerings and the momentum we are seeing with ESG generally.

Our investment in ESG has also resulted in clients launching several new equity and fixed-income exchange trade funds ("ETFs"). One of our key ETF clients, BlackRock, took another step toward mainstream sustainable investing with the launch of six new ESG equity ETFs linked to MSCI ESG indexes in Europe, and four in Canada. The indexes these funds seek to track are designed to target companies with positive ESG characteristics, while exhibiting risk and return characteristics similar to those of the relevant market segment. The indexes exclude securities of producers and retailers of tobacco, companies involved with controversial weapons, producers and retailers of civilian firearms and companies involved in very severe business controversies. BlackRock also added ESG data reporting on their iShares' website and now shows ESG and carbon intensity metrics based on MSCI ESG Ratings alongside existing portfolio characteristics on all ESG ETFs.

During the first quarter of 2019, we also saw an increasing focus on sustainable investing within fixed income. Through a collaboration with Bloomberg formed in 2012 to license our ESG Ratings for fixed-income indexes, two large global asset managers launched three new fixed-income ETFs linked to Bloomberg Barclays MSCI ESG Fixed Income Indexes.

Another client, DWS Group, majority owned by Deutsche Bank and one of the world's leading asset managers with over €662 billion of assets under management ("AUM"), announced the launch of Xtrackers MSCI USA ESG Leaders Equity ETF, seeded by Finland's largest pension insurance company. The fund targets large- and mid-cap U.S. companies with high ESG performance relative to their sector peers. Finally, a large Canadian asset owner looking to reduce the carbon footprint of its investment portfolio selected an MSCI Low Carbon Target benchmark to replace a market-cap benchmark for a passive mandate.

Others in the industry are taking notice of the strides we have made in ESG and the high-quality tools we offer. For the third consecutive year, the Bloomberg Barclays MSCI Green Bond Index was recognized by the *Environmental Finance* Green, Social and Sustainability Bond Awards as Index of the Year.

Enhancing private assets

We are excited about the advances we have made in private assets, specifically within our Real Estate segment. In the first quarter of 2019, we renewed a multi-year global contract with one of the largest real estate investment managers in the world, providing tools and data to support its analytics team

and product development efforts. This deal signifies the progress we have made in expanding our capabilities and creating tools for managing private real estate, which are playing an ever-growing role in institutional portfolios. Our extensive suite of real estate products is unique in the industry, comprised of global market indexes, as well as global market and portfolio performance analysis through MSCI Real Estate Enterprise Analytics and MSCI Global Intel, the market-data engine that underpins our real estate offerings.

Expanding the licensing of equity-index derivatives

In derivatives, we are working to license exchanges around the world who are striving to create a market for multi-currency equity index futures and options that will help drive trading of these contracts and over-the-counter structured products. In the first quarter of 2019, listed contracts reached all-time highs in open interest and volume hit new first quarter highs. We are seeing increasing demand for new products. For example, we entered into an agreement with the Hong Kong stock exchange to grant them a license to list MSCI China A futures.

We are seeing a lot of excitement from clients and increasing momentum in this area. CBOE Global Markets, Inc., one of the world's largest exchange holding companies, announced the launch of a suite of volatility indexes based on their listed options which are linked to the MSCI Emerging Markets Index and the MSCI EAFE Indexes.

Additionally, Eurex, the derivatives exchange of Deutsche Boerse and one of the largest derivatives exchanges in the world, announced the launch of listed derivatives linked to three new MSCI Dividend Point Indexes based on MSCI EM, MSCI EAFE and MSCI World. This will enable market participants to hedge their dividend exposure around the globe. Eurex plans to go live with the futures contracts during the second quarter of 2019.

Providing leading-edge, flexible technology

A key part of our success is tied to our ability to deliver innovative solutions to our global clients in a flexible and efficient manner. We are launching our next-generation analytics platform MSCI Beon,TM which is the industry's first truly open platform. MSCI Beon allows users to integrate, build and share data in a way that conforms to the user's needs and preferences. It offers the ability to create custom analysis screens, calculators and workflows that conform to a client's unique investment process and share them across an organization. This provides greater efficiency and flexibility that can help portfolio and risk managers gain deeper insight into the drivers of risk and performance in their portfolios, scale their operations, instantly expand their analytical capabilities, adapt to changing markets, differentiate their value and gain efficiency.

We have already received strong interest from many clients and look forward to providing more detail in the future.

Focusing on factors

Factor investing continues to capture the attention of investors globally. Our research team has been engaged with many clients on this topic and has analyzed how the fast-moving rotation among factors in the first quarter of 2019 impacted performance and returns, and where risk models are pointing for the second quarter of 2019.

The Multi-Asset Class Analytics win with the large asset owner in Asia described above was largely supported by our world-class research and models. Our latest Multi-Asset Class Factor Model was selected by the client's internal investment team responsible for building a multi-asset quantitative

investment business including bottom-up security selection and top-down systematic macro strategies. We were selected by the client because of our research-based differentiated content and will be replacing a competitor.

A rapidly transforming industry

We recognize that our clients, and the investment industry as a whole, are under tremendous pressure with respect to their business models and their pricing structures. In addition, as investment portfolios become even more complex, investors are increasingly challenged to understand and manage performance and risk. Our job is to embrace our role in leading this transformation and helping our clients face these challenges. By doing so, we sharpen our competitive edge.

The first quarter's results clearly demonstrate our ability to provide tools that help our clients navigate their competitive landscape in a rapidly transforming industry. We remain focused on staying at the forefront of investment trends and helping clients with solutions to support their portfolio needs.

Inside MSCI

Successfully executing our growth strategy requires consistent focus on enhancements to our internal processes, such as our disciplined capital allocation strategy. The strategy is built on three priorities: reinvesting for growth, opportunistically pursuing partnership and acquisition opportunities and disciplined return of excess capital. We are well positioned to fund organic growth. Under our Internal Capital Allocation Program ("ICAP"), which we highlighted at February's Investor Day, new investment opportunities are brought forward and reviewed for strategic fit and potential financial returns. This process reinforces our strong culture of accountability and maintains discipline while we accelerate and execute our investments to drive organic growth. We continue to enhance the design and execution of the ICAP process to ensure it is being used effectively across the company.

On the organizational front, earlier this week we announced that Linda S. Huber has been appointed Chief Financial Officer and Treasurer and will become a member of MSCI's Executive Committee, effective May 6, 2019. With a tenure of more than 30 years in the financial services industry and having served more than 13 years as a public company CFO, Linda brings a wealth of relevant business, financial, operational and strategic expertise to MSCI. Her business acumen and financial management experience will make her a valuable member of the leadership team, as we continue to execute on the high-growth initiatives underlying our strategic objectives.

About MSCI Inc.

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 45 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process. To learn more, please visit www.msci.com.

FORWARD-LOOKING STATEMENTS

This first quarter update contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these statements. In some cases, you can identify forward-looking statements by the use of words such as “may,” “could,” “expect,” “intend,” “plan,” “seek,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond our control and that could materially affect our actual results, levels of activity, performance or achievements.

Other factors that could materially affect actual results, levels of activity, performance or achievements can be found in MSCI’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the Securities and Exchange Commission (“SEC”) on February 22, 2019 and in quarterly reports on Form 10-Q and current reports on Form 8-K filed or furnished with the SEC. If any of these risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what MSCI projected. Any forward-looking statement in this first quarter update reflects MSCI’s current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to MSCI’s operations, results of operations, growth strategy and liquidity. MSCI assumes no obligation to publicly update or revise these forward-looking statements for any reason, whether as a result of new information, future events, or otherwise, except as required by law.

Key Operating Metrics

MSCI has presented supplemental key operating metrics as part of this first quarter update, including Run Rate.

Run Rate estimates at a particular point in time the annualized value of the recurring revenues under our client license agreements (“Client Contracts”) for the next 12 months, assuming all Client Contracts that come up for renewal are renewed and assuming then-current currency exchange rates, subject to the adjustments and exclusions described below. For any Client Contract where fees are linked to an investment product’s assets or trading volume/fees, the Run Rate calculation reflects, for ETFs, the market value on the last trading day of the period, for futures and options, the most recent quarterly volumes and/or reported exchange fees, and for other non-ETF products, the most recent client-reported assets. Run Rate does not include fees associated with “one-time” and other non-recurring transactions. In addition, we add to Run Rate the annualized fee value of recurring new sales, whether to existing or new clients, when we execute Client Contracts, even though the license start date, and associated revenue recognition, may not be effective until a later date. We remove from Run Rate the annualized fee value associated with products or services under any Client Contract with respect to which we have received a notice of termination or non-renewal during the period and have determined that such notice evidences the client’s final decision to terminate or not renew the applicable products or services, even though such notice is not effective until a later date.

“Organic subscription Run Rate growth” is defined as the period over period Run Rate growth, excluding the impact of changes in foreign currency and the first year impact of any acquisitions. It is also adjusted for divestitures. Changes in foreign currency are calculated by applying the currency exchange rate from the comparable prior period to current period foreign currency denominated Run Rate.