MSCI Macro Finance Analyzer

Evaluate the effect of different macro scenarios on long-term risk and expected return on your portfolios.

With ever-present uncertainties within the macroeconomic environment, investment teams from risk managers to asset allocators need a framework to better understand how changes within a regime, due to macro drivers, can impact the expected risk and performance of a portfolio.

The Macro Finance Analyzer is designed to capture the effects of different macro scenarios quickly and effectively on long-term risk and expected return throughout the portfolio construction process, to better inform strategic asset allocation decisions.

It is a systematic framework available in MSCI ONE that can be leveraged by both RiskManager and BarraOne clients.

Key benefits:

Use customizable inputs: Explore MSCI's adjustable baseline or dynamically create scenarios to explore new paths and understand the impact on a portfolio.

Analyze long term horizons: Capture long term views of the primary macro risks.

Apply a systematic and transparent framework: Stress intuitive macro-drivers of risk and returns across asset classes, based on market observations.

Achieve flexible integration: Leverage custom macro scenarios results in BarraOne, RiskManager, or through MSCI AI Portfolio Insights through the data warehouse or interactive dashboards.

Streamline communication: Facilitate collaboration between the economic research team, investment teams, risk teams, through to senior management.
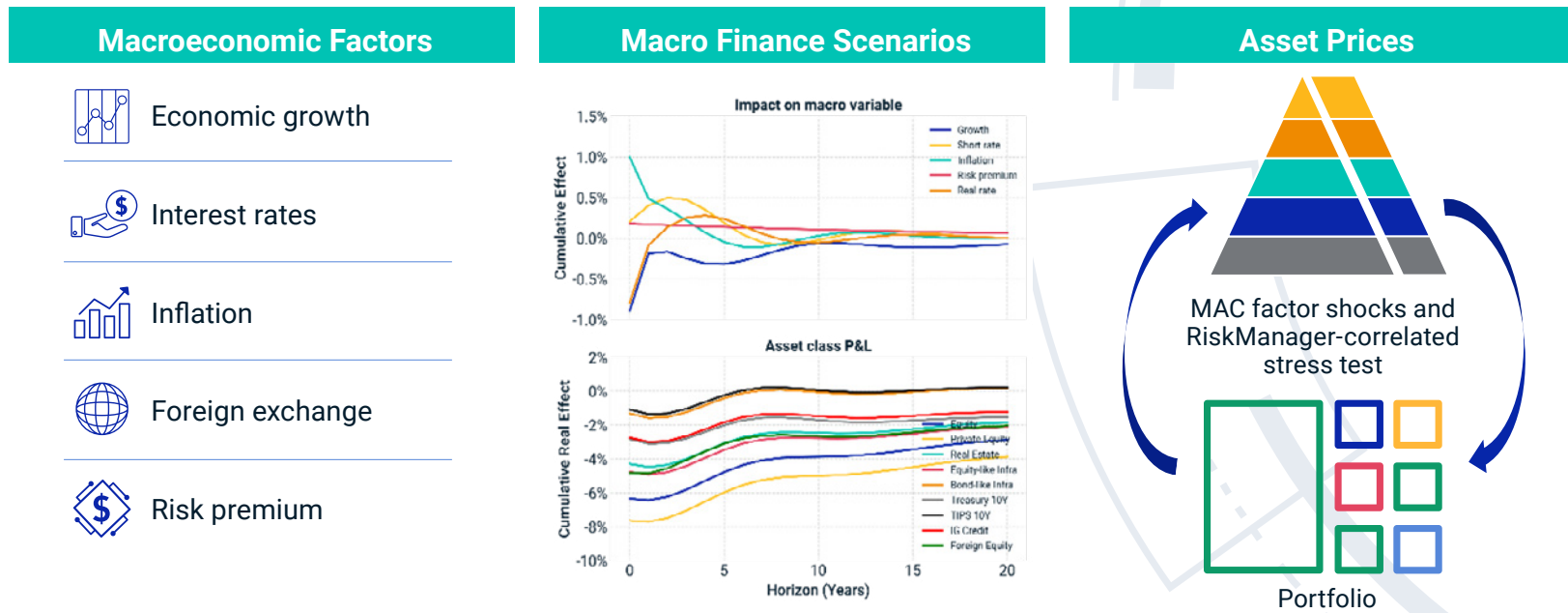
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Connect macro factors to asset prices and propagate to investment portfolios.

The Macro Finance Analyzer is powered by the MSCI Macro Finance Model, which extends MSCI's Multi-Asset Class (MAC) Factor Model's tiered framework to integrate key macroeconomic variables. The Macro Finance Model relates asset cashflows and discount rates to their underlying macroeconomic drivers, and models how these macro variables interact and evolve.

Three key pillars connect macro factors to asset prices and propagate to investment portfolios.

1 **Growth and equity:** Long-run expectations of economic growth drive the valuation and expected returns of equities and other equity-like assets.

2 **Inflation, monetary policy, and interest rates:** Central bank monetary policy connects inflation and growth to interest rates, and in turn to yield curve term structures and asset valuation.

3 **Supply demand regimes:** Whether supply or demand shocks dominate an economic cycle, has important implications for bond-equity correlations and asset allocation.

Macroeconomic Factors	Macro Finance Scenarios	Asset Prices

Macroeconomic Factors
- Economic growth
- Interest rates
- Inflation
- Foreign exchange
- Risk premium

Macro Finance Scenarios

Impact on macro variable — Cumulative Effect (1.5%, 1.0%, 0.5%, 0.0%, -0.5%, -1.0%); legend: Growth, Short rate, Inflation, Risk premium, Real rate

Asset class P&L — Cumulative Real Effect (2%, 0%, -2%, -4%, -6%, -8%, -10%) vs Horizon (Years) (0, 5, 10, 15, 20); legend: Equity, Private Equity, Real Estate, Equity-like Infra, Bond-like Infra, Treasury 10Y, TIPS 10Y, IG Credit, Foreign Equity

For illustration purposes only.

Asset Prices

MAC factor shocks and RiskManager-correlated stress test

Portfolio

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Get 24X5 client service and support.

- **24x5 highly trained client service team:** Our dedicated client service team operates around the clock, five days a week, from multiple global offices. They are equipped to address client inquiries promptly and efficiently.

- **Implementation and training support:** We assist clients in implementing our solutions effectively. Our experts provide training sessions to ensure clients' maximize utilization to achieve desired outcomes.

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About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 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**.