

MSCI's Sector Reclassifications: What You Need to Know

By Richard Skaggs, CFA, Senior Equity Strategist

The MSCI All Country World Index (MXWD) is a leading capitalization-weighted index of global equity performance, representing companies based in 23 developed and 24 emerging market countries.

The index contains over 2,700 stocks across 11 global sectors. Financials have the largest weight at about 17.0%, while the four smallest sectors, energy, materials, utilities, and real estate, each have weightings below 6.5%. The market capitalization of all companies in the index exceeds USD \$50 trillion.

In December 2018, MSCI adopted new sector classification definitions, resulting in major changes to the consumer discretionary, communications and information technology sectors. As a result, the communications and information technology sectors were reconfigured to better reflect the changing nature of these sectors and the way consumers and businesses use these services today, while the consumer discretionary sector was restructured to focus on a more narrow set of retail, housing, lodging, restaurant, and automotive companies.

The communications sector is now broader and includes far more than just the telecom companies that dominated the sector previously, bringing the sector's total weight to about 9% from its previous 3% of the All Country World Index. Disney and Netflix, previously categorized under consumer discretionary, now fall under the communications umbrella due to their burgeoning content delivery platforms. Alphabet and Facebook, both previously classified as technology, are now more appropriately grouped with communications services companies. Likewise, Chinese digital communication powerhouses Tencent and Baidu have also been reclassified as communications companies.



**THE NEW
COMMUNICATION
SERVICES SECTOR**

	GICS SECTOR NAME	PRIMARY INDUSTRY	REPRESENTATIVE LARGE CAPITALIZATION COMPANIES	MSCI ALL COUNTRY WORLD INDEX WEIGHT	COUNTRY OF DOMICILE
1	Communication Services	Entertainment	WALT DISNEY CO	0.40%	UNITED STATES
2	Communication Services	Entertainment	NETFLIX INC	0.29%	UNITED STATES
3	Communication Services	Entertainment	TWENTY-FIRST CENTURY FOX	0.18%	UNITED STATES
4	Communication Services	Entertainment	ACTIVISION BLIZZARD INC	0.08%	UNITED STATES
5	Communication Services	Media & Services	ALPHABET INC	1.55%	UNITED STATES
6	Communication Services	Media & Services	FACEBOOK INC	0.80%	UNITED STATES
7	Communication Services	Media & Services	TENCENT HOLDINGS LTD	0.54%	CHINA
8	Communication Services	Media & Services	COMCAST CORP	0.40%	UNITED STATES
9	Communication Services	Media & Services	NASPERS LTD	0.21%	SOUTH AFRICA
10	Communication Services	Media & Services	CHARTER COMMUNICATIONS	0.12%	UNITED STATES
11	Communication Services	Media & Services	BAIDU INC	0.11%	CHINA
12	Communication Services	Media & Services	TWITTER INC	0.06%	UNITED STATES
13	Communication Services	Telecommunications	VERIZON	0.57%	UNITED STATES
14	Communication Services	Telecommunications	AT&T INC	0.53%	UNITED STATES
15	Communication Services	Telecommunications	DEUTSCHE TELEKOM AG	0.14%	GERMANY
16	Communication Services	Telecommunications	TELEFONICA SA	0.10%	SPAIN
17	Communication Services	Telecommunications	ORANGE	0.08%	FRANCE
18	Communication Services	Wireless Services	SOFTBANK GROUP CORP	0.15%	JAPAN
19	Communication Services	Wireless Services	CHINA MOBILE LTD	0.15%	HONG KONG
20	Communication Services	Wireless Services	VODAFONE GROUP PLC	0.13%	BRITAIN
21	Communication Services	Wireless Services	KDDI CORP	0.10%	JAPAN

Companies classified as communication services with a market weighting of 0.08% or greater; MSCI All Country World Index as of December 28, 2018. Source: Bloomberg and MSCI.

The restructuring of the communications sector has left the technology sector somewhat smaller by weight and is now more concentrated on traditional technology industries such as information technology services (IT), semiconductors and related capital equipment, and software. Payment services is another key industry within the technology sector represented by Visa and Mastercard among other smaller global payments companies. IT leaders IBM and Accenture are roughly equal in terms of index weighting, and Cognizant Technology Solutions is the third largest representative in the industry. The semiconductor industry has many players such as Intel, Taiwan Semiconductor, Broadcom, and Texas Instruments representing the largest weightings in the category. Software is normally far less cyclical than the semiconductor industry, and Microsoft is by far the largest software company worldwide. Oracle, Adobe, SAP and cloud provider Salesforce.com round, out the global software leaders. Technology hardware is an industry that Apple and Samsung have largely to themselves. Microsoft and Apple are close to equal in terms of market weighting, with each carrying close to 2.0%.



**THE NEW
INFORMATION
TECHNOLOGY SECTOR**

	GICS SECTOR NAME	PRIMARY INDUSTRY	REPRESENTATIVE LARGE CAPITALIZATION COMPANIES	MSCI ALL COUNTRY WORLD INDEX WEIGHT	COUNTRY OF DOMICILE
22	Information Technology	Comm Equipment	CISCO SYSTEMS INC	0.50%	UNITED STATES
23	Information Technology	Comm Equipment	NOKIA OYJ	0.08%	FINLAND
24	Information Technology	Electronic Equipment	KEYENCE CORP	0.12%	JAPAN
25	Information Technology	Electronic Equipment	HON HAI PRECISION INDUSTRY	0.08%	TAIWAN
26	Information Technology	Hardware	APPLE INC	1.91%	UNITED STATES
27	Information Technology	Hardware	SAMSUNG ELECTRONICS CO LTD	0.41%	SOUTH KOREA
28	Information Technology	Hardware	HP INC	0.08%	UNITED STATES
29	Information Technology	Information Services	VISA INC	0.57%	UNITED STATES
30	Information Technology	Information Services	MASTERCARD INC	0.42%	UNITED STATES
31	Information Technology	Information Services	INTL BUSINESS MACHINES CORP	0.26%	UNITED STATES
32	Information Technology	Information Services	ACCENTURE PLC	0.24%	IRELAND
33	Information Technology	Information Services	PAYPAL HOLDINGS INC	0.23%	UNITED STATES
34	Information Technology	Information Services	AUTOMATIC DATA PROCESSING	0.14%	UNITED STATES
35	Information Technology	Information Services	COGNIZANT TECH SOLUTIONS	0.09%	UNITED STATES
36	Information Technology	Information Services	FIDELITY NATIONAL INFO SERV	0.08%	UNITED STATES
37	Information Technology	Information Services	INFOSYS LTD	0.08%	INDIA
38	Information Technology	Information Services	AMADEUS IT GROUP SA	0.08%	SPAIN
39	Information Technology	Semiconductors	INTEL CORP	0.52%	UNITED STATES
40	Information Technology	Semiconductors	TAIWAN SEMICONDUCTOR	0.44%	TAIWAN
41	Information Technology	Semiconductors	BROADCOM INC	0.26%	UNITED STATES
42	Information Technology	Semiconductors	TEXAS INSTRUMENTS INC	0.22%	UNITED STATES
43	Information Technology	Semiconductors	NVIDIA CORP	0.20%	UNITED STATES
44	Information Technology	Semiconductors	QUALCOMM INC	0.20%	UNITED STATES
45	Information Technology	Semiconductors	ASML HOLDING NV	0.16%	NETHERLANDS
46	Information Technology	Semiconductors	MICRON TECHNOLOGY INC	0.09%	UNITED STATES
47	Information Technology	Semiconductors	APPLIED MATERIALS INC	0.08%	UNITED STATES
48	Information Technology	Semiconductors	ANALOG DEVICES INC	0.08%	UNITED STATES
49	Information Technology	Semiconductors	SK HYNIX INC	0.08%	SOUTH KOREA
50	Information Technology	Software	MICROSOFT CORP	1.84%	UNITED STATES
51	Information Technology	Software	ORACLE CORP	0.34%	UNITED STATES
52	Information Technology	Software	ADOBE INC	0.27%	UNITED STATES
53	Information Technology	Software	SAP SE	0.24%	GERMANY
54	Information Technology	Software	SALESFORCE.COM INC	0.23%	UNITED STATES
55	Information Technology	Software	INTUIT INC	0.12%	UNITED STATES
56	Information Technology	Software	RED HAT INC	0.08%	UNITED STATES
57	Information Technology	Software	SERVICENOW INC	0.08%	UNITED STATES

Companies classified as information technology with a market weighting of 0.08% or greater; MSCI All Country World Index as of December 28, 2018. Source: Bloomberg and MSCI.

It's clear given the wide range of industries represented within these two sectors that there is considerably more diversification than perhaps thought at first glance. The communications sector combines fast-growing internet delivery of online services with the vibrant media and entertainment fields. Of course, it also includes traditional communications, although fast-changing consumer preferences have companies such as Verizon and AT&T rapidly expanding into internet and content delivery. The technology sector combines services and software, which tend to be less cyclical and more predictable, with the traditionally more cyclical semiconductor and semiconductor equipment industries. The new communications and technology sectors, which combined represent almost 25% of the market capitalization of the MSCI All Country World Index, will be critical to global equity performance over the long term.



AUTHOR



RICHARD SKAGGS, CFA
VP, Senior Equity Strategist

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