Blog
March 26th, 2024

**Performance drivers for the MSCI ACWI and MSCI Emerging Markets indices in 2023**

In 2023, the MSCI All Country World Index (ACWI) had a return of 22.8%. Eastern European countries like Hungary and Poland had the highest returns at 51% and 50% respectively, while Hong Kong, Thailand, and China had double-digit losses at -15%, -11%, and -11% respectively. The average return for MSCI ACWI countries was 17%.
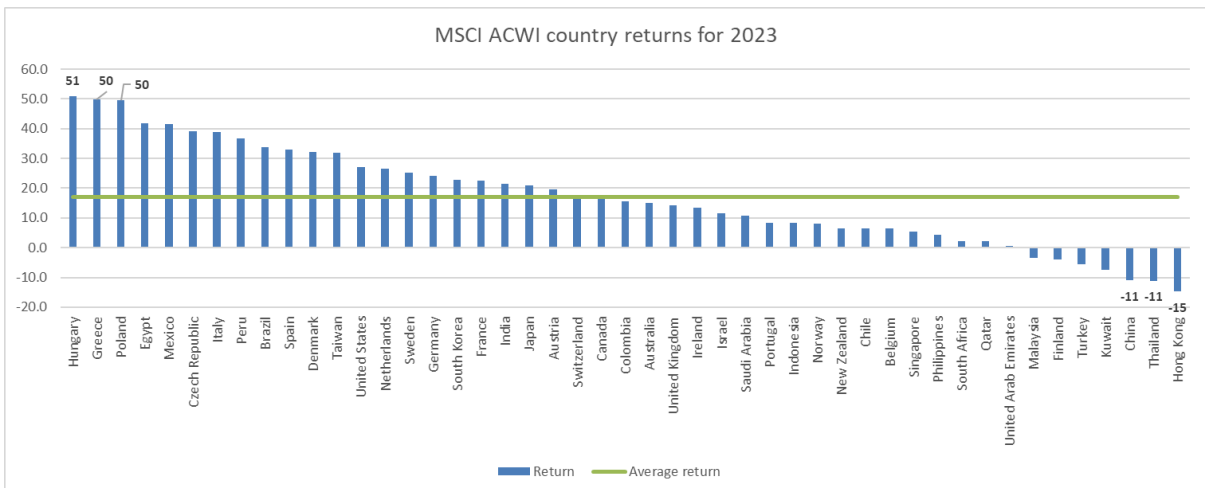
The majority of the return came from the U.S. at 16.4%, with 9.1% coming from the "magnificent 7" stocks. Japan contributed 1.1% to the return, while China detracted -0.4% last year.


MSCI ACWI country return contributions for 2023
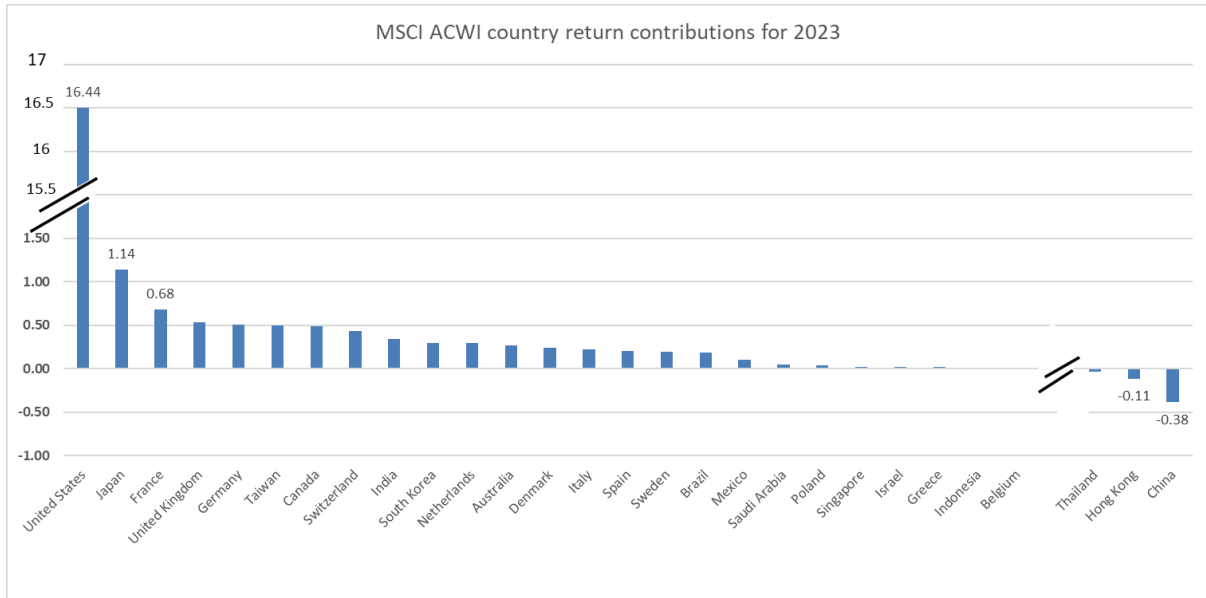
All sectors had positive returns, with Information Technology having the highest return at 55% and contributing 10.2% to the MSCI ACWI return.


MSCI ACWI sector returns for 2023
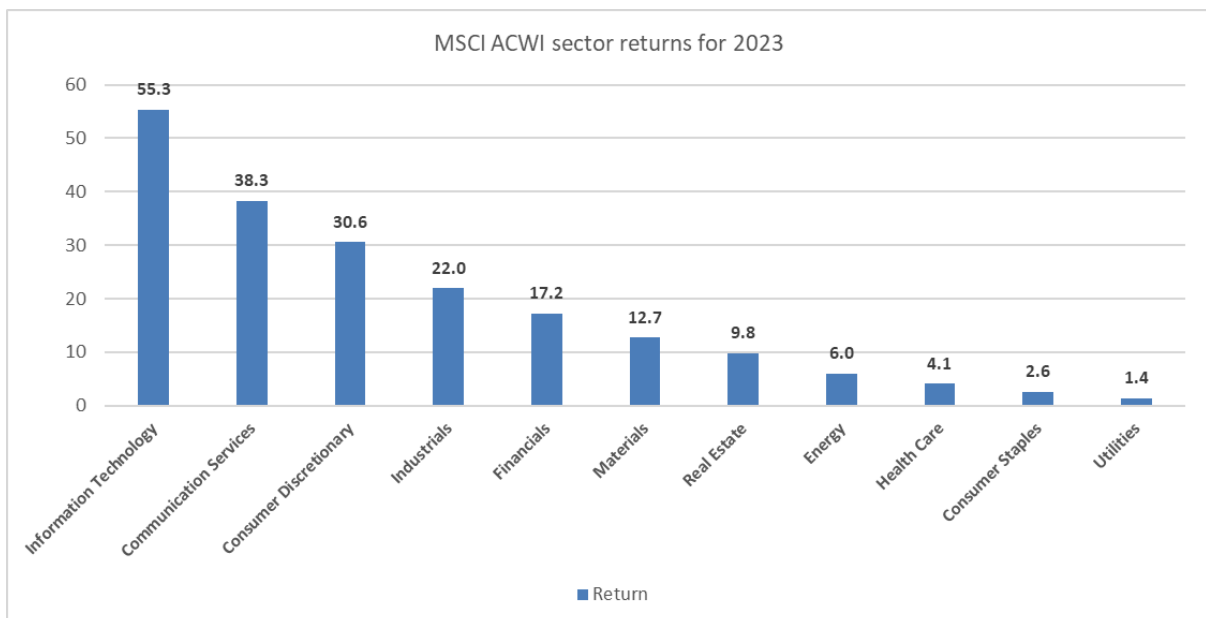
Defensive sectors like Utilities, Staples, and Health Care only provided 80 basis points.

MSCI ACWI sector return contributions for 2023
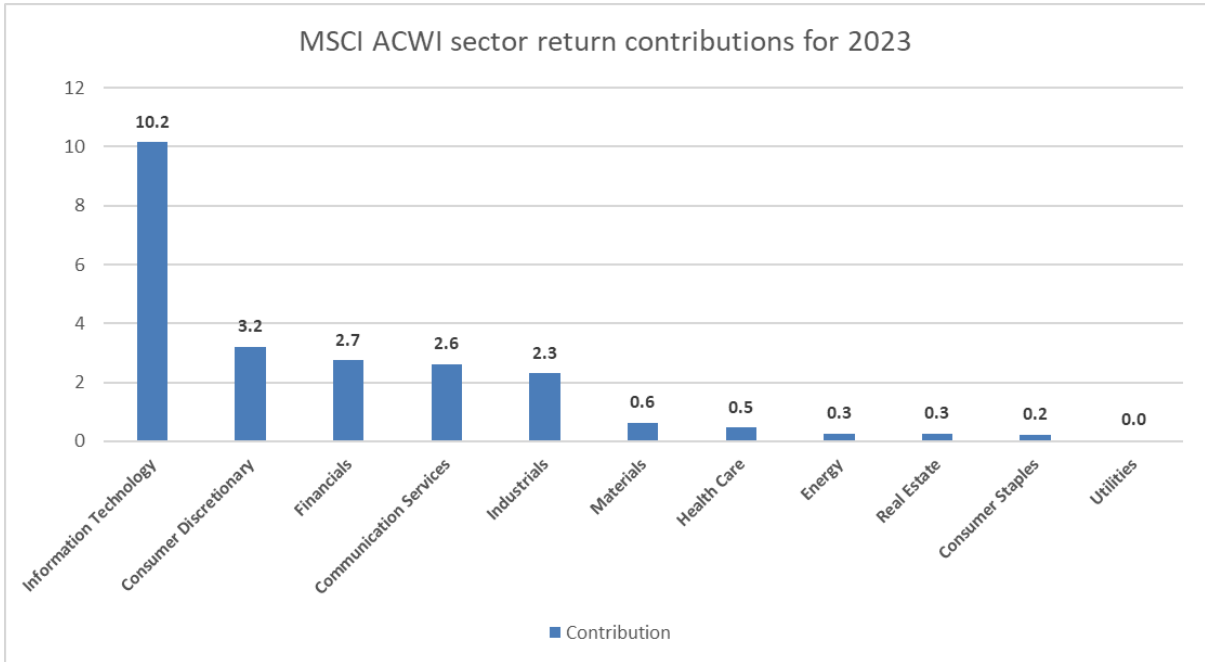
When looking at individual stock returns, the "magnificent 7" stocks contributed 9.1% to the overall MSCI ACWI return. Apple, Microsoft, and Nvidia contributed 1.9%, 1.8%, and 1.6% respectively. Nvidia and Meta had impressive total returns of 239% and 194% respectively (which, in Meta's case, more than made up for the previous year's dismal return).

MSCI ACWI stock contributions and total returns 2023
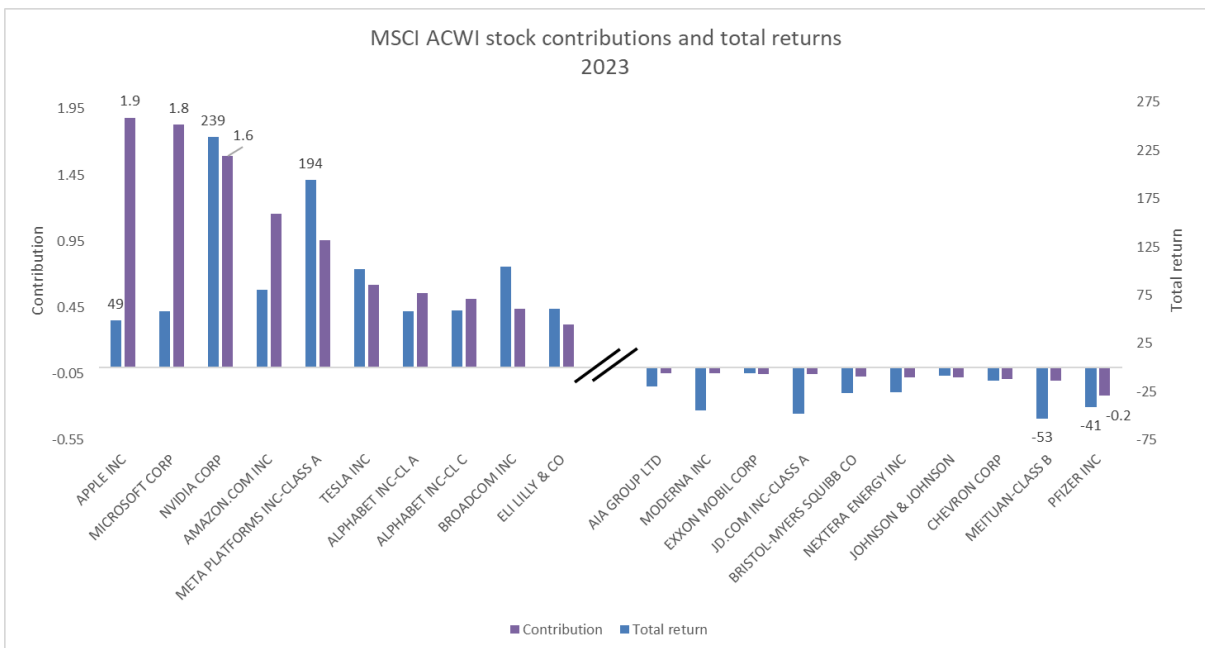
Using a Bloomberg methodology of investing style, stocks are ranked according to characteristics and then grouped into quintiles. The first quintile with the highest exposure to a characteristic is taken long, while the fifth quintile is taken short. This methodology showed that Share-Buybacks, Multi-Factor (combining Momentum, Value, Low Volatility and Profitability), larger Size, and Value type factors performed well on average, while Accruals (the non-cash component of earnings) and Growth type factors performed poorly on average. This was probably due to the higher interest rate environment.
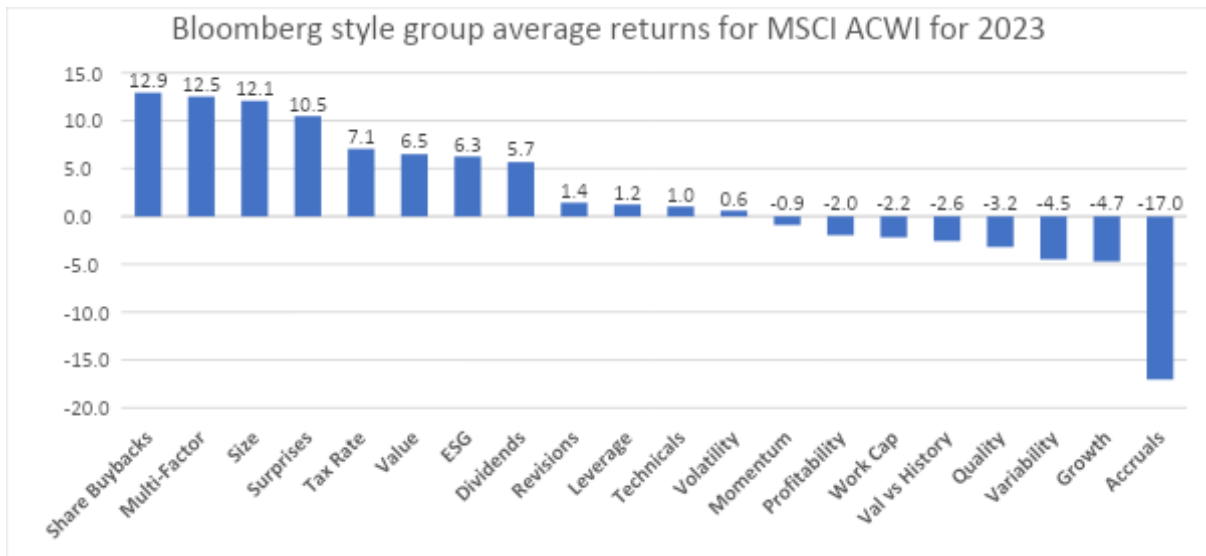

In 2023, the MSCI Emerging Markets Index (EM) had a return of 10.3%. Hungary, Greece, and Poland had the highest returns in the MSCI EM Index at 51%, 50%, and 50% respectively, while Thailand and China had the lowest returns at -11% each (in fact, the MSCI EM Ex-China Index returned 20.03% in 2023). The average return for MSCI EM countries was 18%.
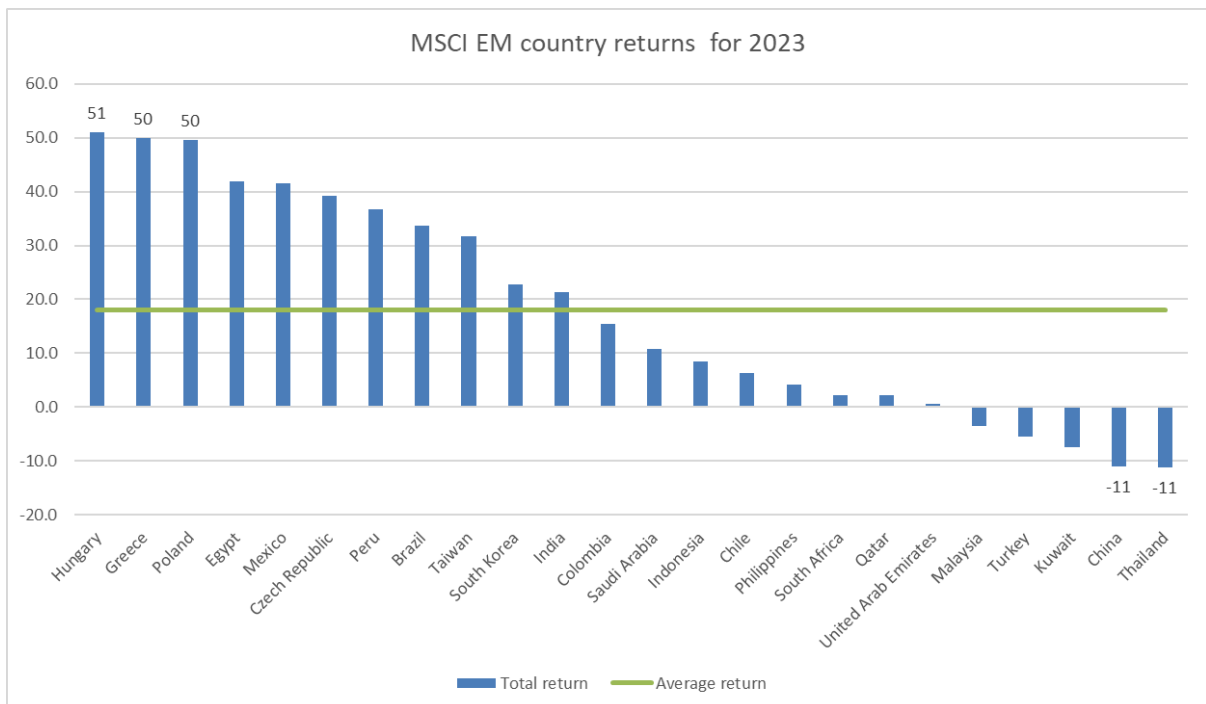
Taiwan, India, and South Korea were the top contributors to the MSCI EM return at 4.4%, 3.2%, and 2.6% respectively. China was the biggest detractor with a contribution of -3.6%.
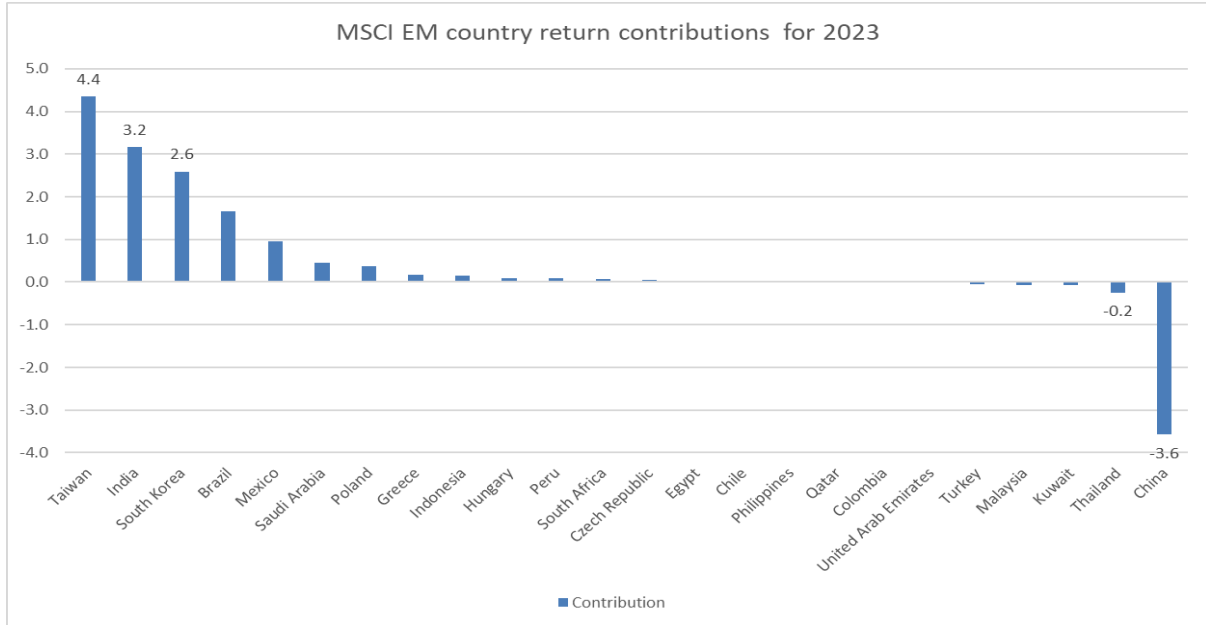

Similar to its contribution to the MSCI ACWI Index, the Information Technology sector was the top contributor in the MSCI EM Index with a return of 33% followed by Energy at 28%. Real Estate, Consumer Discretionary, Health Care, and Communication Services had negative returns, with China being responsible for the majority of the negative performance in these sectors.

**MSCI EM sector return contributions for 2023**
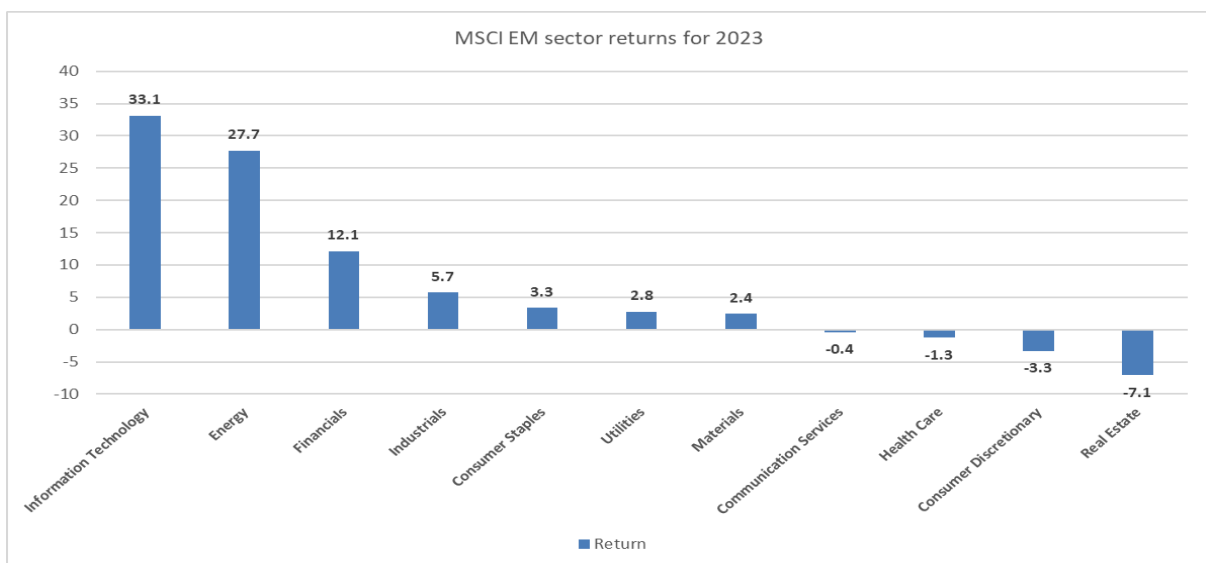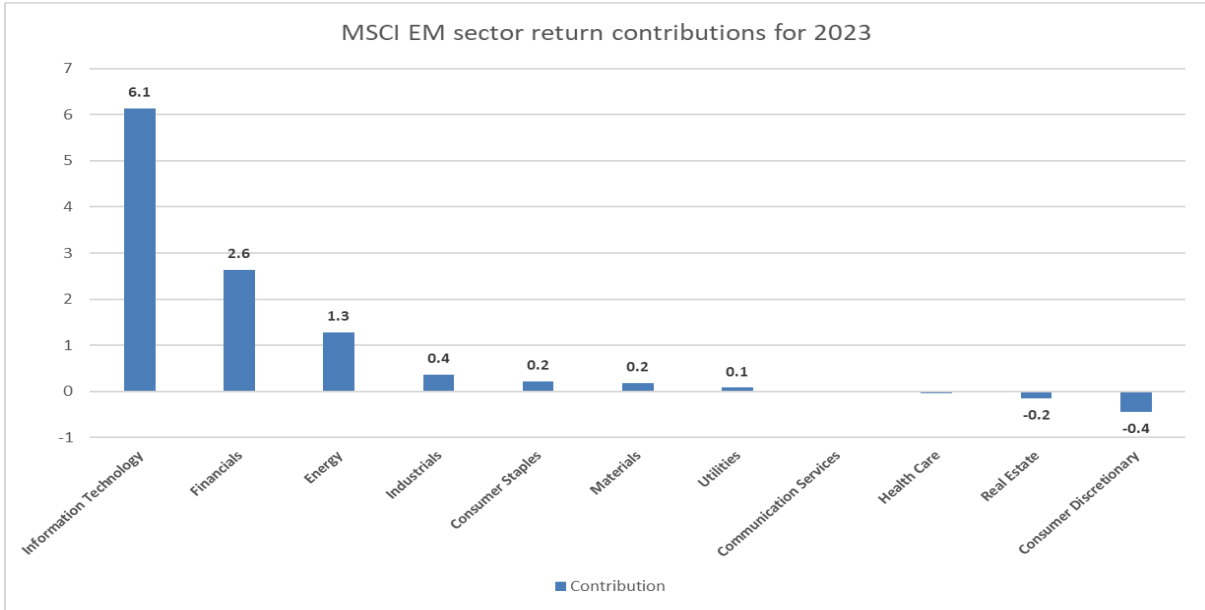
Taiwan Semiconductor Manufacturing Company and Samsung Electronics were big contributors to the MSCI EM return at 2.0% and 1.4% respectively, with annual gains of 36% and 41% respectively. Negative contributors included Meituan, the Chinese shopping platform mainly known for food delivery, at -0.9%, which lost 53% in 2023.

**MSCI EM stock contributions and total returns 2023**
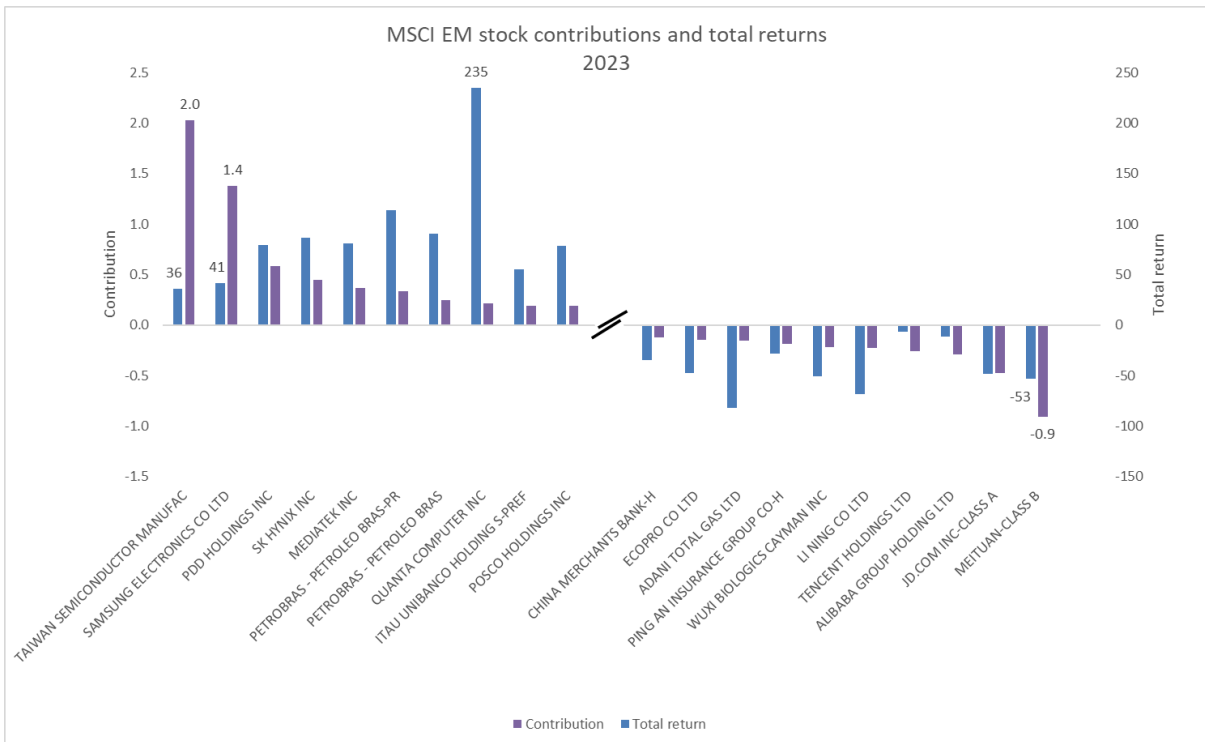
The style group average returns for the MSCI EM Index were similar to those of the MSCI ACWI Index. Positive returns came from style groups like Multi-Factor with a significant 33% return, while negative returns came from Accruals and Growth type factor groups.


Bloomberg style group average returns for MSCI EM for 2023
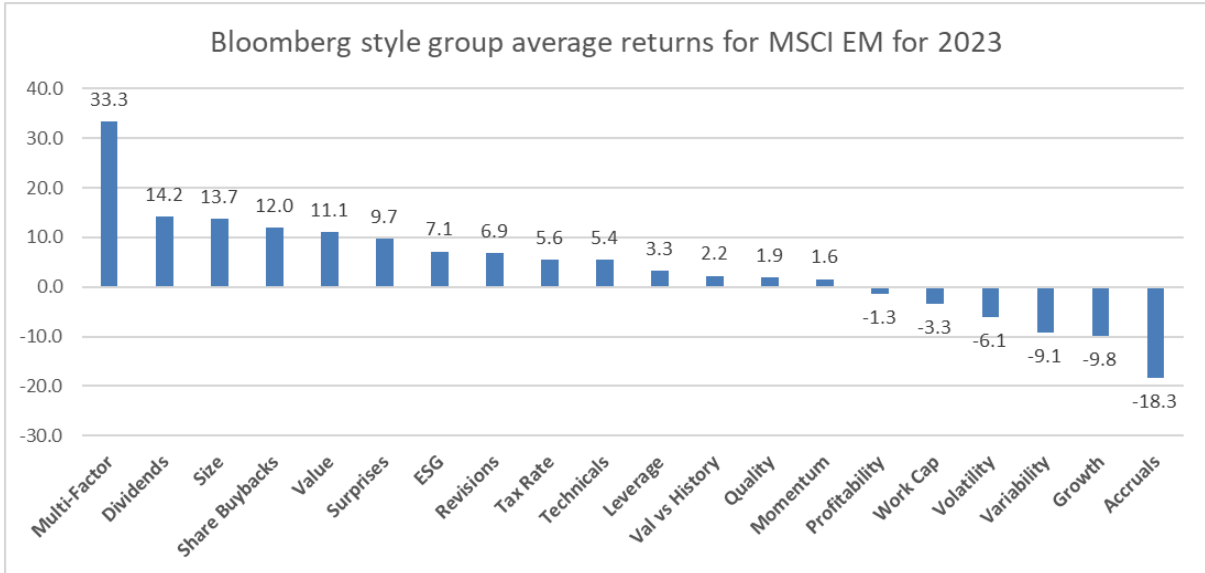
**What are the drivers of performance so far in 2024?**

The MSCI ACWI Index has returned 4.9% YTD to February month-end. There are several contribution leaders YTD 2024 that were in the top 10 in 2023. Among them, Nvidia and Meta have a contribution of 1.1% and 0.5% respectively. There are no stocks in the bottom 10 performing stocks that were in the bottom 10 in 2023. In another reversal, Apple and Tesla were in the top 10 in 2023 but are the worst contributors so far in 2024, Tesla detracting 20 bps and Apple detracting 30 bps from the Index return.

MSCI ACWI stock contributions and total returns YTD 2024
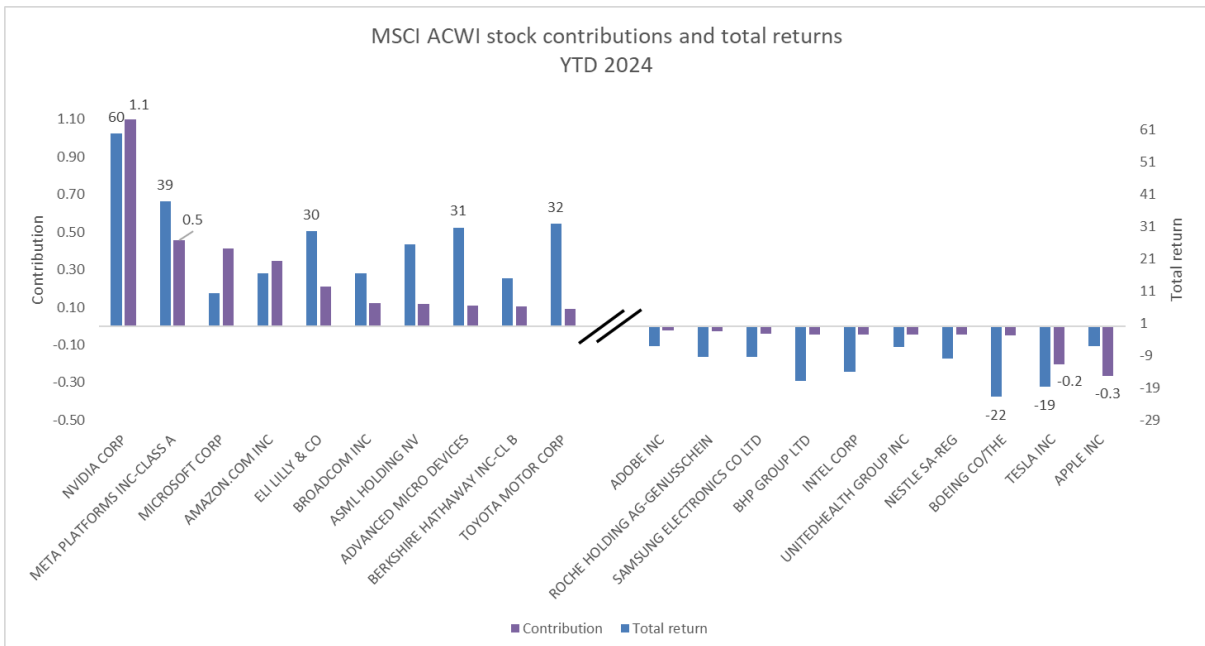
The MSCI EM Index has returned -8 bps so far in 2024. There are 3 stocks in the top 10 contributors that were in the top 10 in 2023, TSMC, Mediatek and SK Hynix contributing 90 bps, 8 bps and 6 bps respectively. In the bottom 10 stocks, there are 4 stocks that were in the bottom 10 in 2023 (Tencent contributing -21 bps, JD.com, –10 bps, Wuxi, -8 bps and Alibaba, -8 bps) and 2 that were in the top 10 (Samsung Electronics, -39 bps and Pinduoduo, -19 bps).
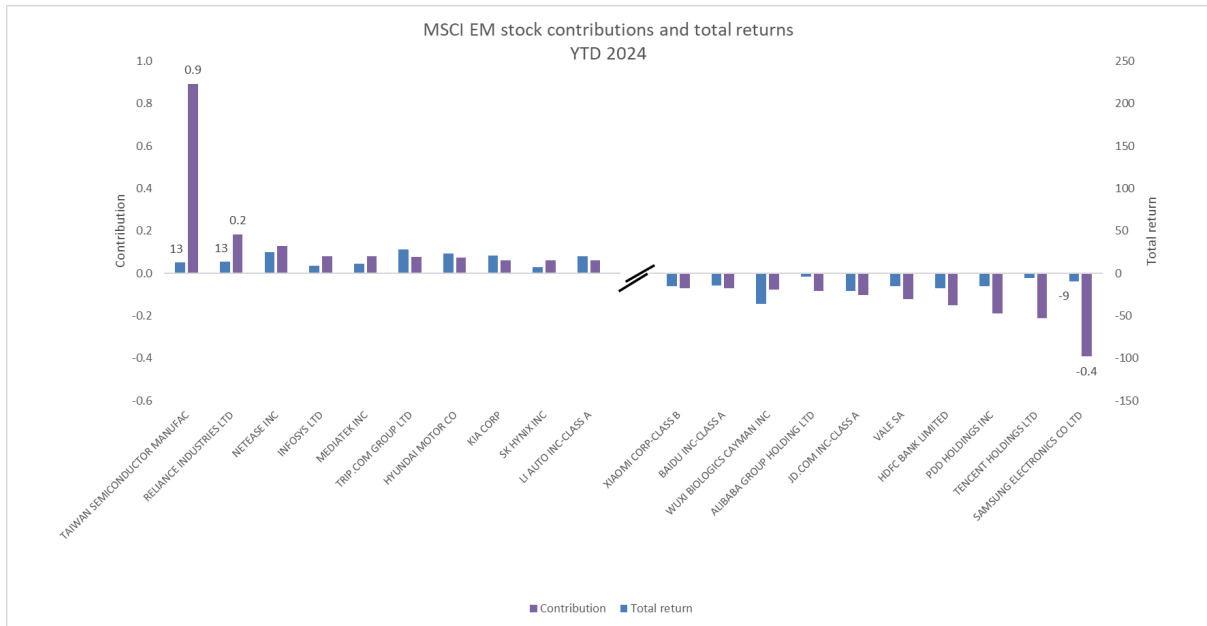
Looking at average style group YTD returns to February 29th 2024, for the MSCI ACWI Index, the extremes of last year seem to be the same so far this year. However, there are 10 reversals vs 2023. Five went from positive to negative, the largest changes of those are ESG (-2.2% in 2024 vs 6.3% in 2023) and Tax Rate (-0.7% in 2024 vs 7.1% in 2023). Five went from negative to positive, the largest changes of those are Quality, which came back to positive performance (3.5% in 2024 vs -3.2% in 2023) and Value vs History ("new value" at 3.7% in 2024 vs -2.6% in 2023).
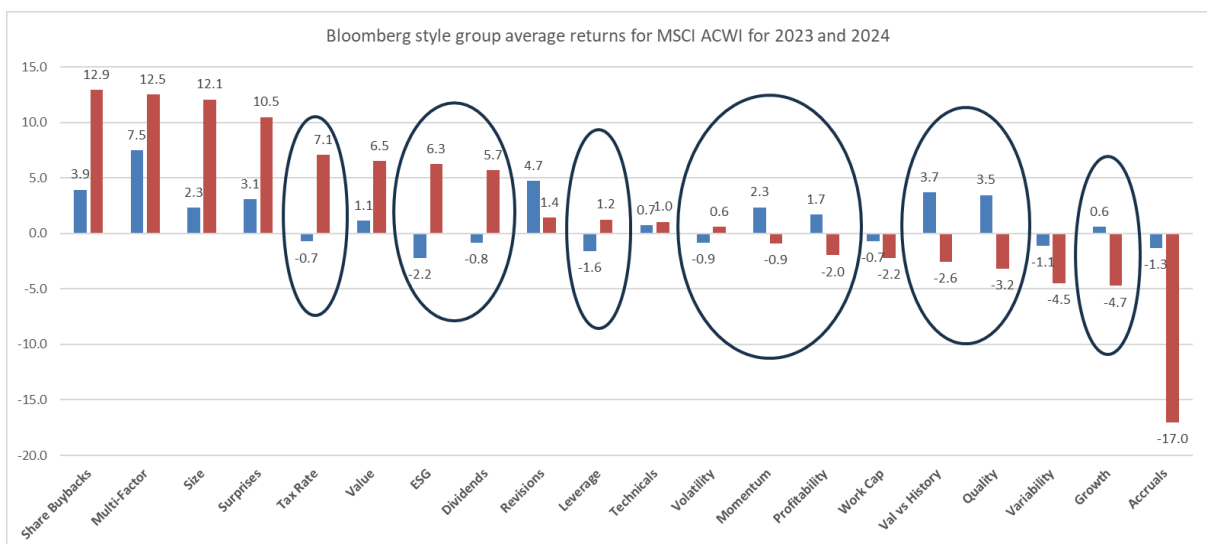
Similarly, the MSCI EM Index's YTD average style group return extremes in 2024 are similar to 2023. There are only three reversals, with ESG going from 7.1% to -3.3%, Tax Rate going from 5.6% to -3.5% and Profitability going from -1.3% to 1.9%.

Bloomberg style group average returns for MSCI EM for 2023 and 2024
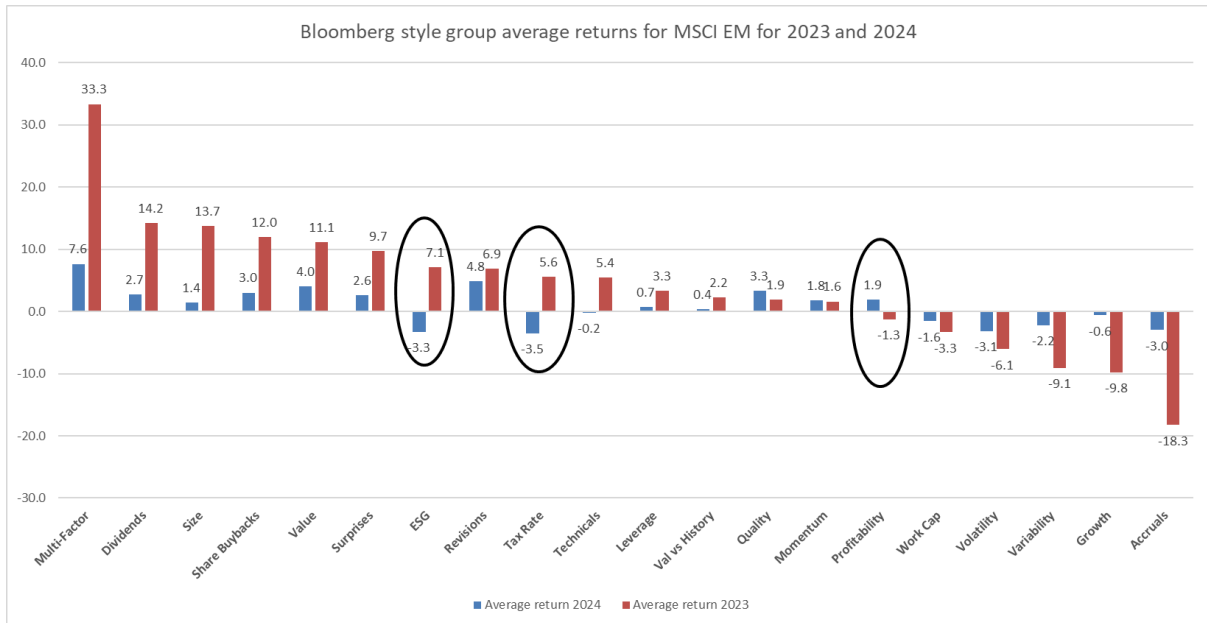
Best regards,

Mount Murray Investment