LMM COMPASS

Dear reader

The trend toward index-proximate implementation in asset investment has intensified in recent years. The MSCI AC World Index is often chosen as the benchmark for passive implementation. In our specialist article, we take an in-depth look at the characteristics of this index.

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THEMES

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MARKET DATA AND STRATEGIES

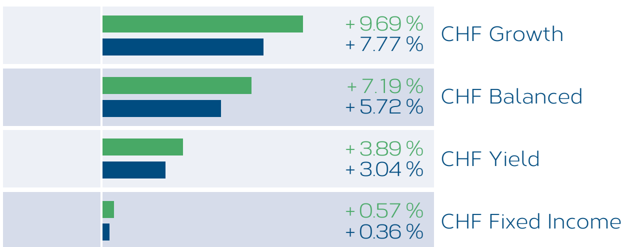
Market activity in the second quarter continued to be driven by geopolitics and technology. As the conflict in the Middle East began to ease and energy prices fell significantly in the wake of peace negotiations, investors' risk appetite also turned positive. Another key driver was the renewed momentum surrounding the growth themes of digitalization and artificial intelligence (AI). As shown in the table below, international stock markets therefore posted double-digit gains in the second quarter. Emerging-market equities, in particular, surged by 24 %, marking their strongest quarterly gain since 2009. Monetary policy, by contrast, varied by region. Rising inflation prompted the European Central Bank (ECB) to raise its key interest rate by 0.25 % as a precautionary measure. The U.S. Federal Reserve and the Swiss National Bank, on the other hand, left interest rates unchanged.

As already mentioned, there was a strong rebound in the international financial markets in the second quarter of 2026. All investment strategies benefited from this positive environment. Following the losses in the first quarter, they are now all showing significantly positive returns again.

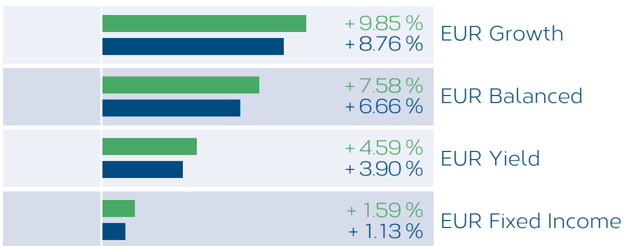
		Value	% QTD	% YTD	Currency
Currencies	EUR / CHF	0.92	-0.05	-0.80	
	EUR / USD	1.14	-1.15	-2.74	
	USD / CHF	0.81	+1.11	+2.00	
	USD / JPY	162.58	+2.44	+3.72	
Bonds	Switzerland		+0.50	+0.74	CHF
	Europe		+1.95	+1.30	EUR
	USA		+0.67	+0.62	USD
	EMMA (Hard Currency)		+3.30	+1.64	USD
	Inflation Linked		+0.60	+0.36	USD
	High Yield		+3.50	+2.14	USD
	World		+0.87	-0.21	USD
Equities	Switzerland		+12.60	+9.39	CHF
	Europe		+11.80	+10.75	EUR
	North America		+15.18	+9.88	USD
	Pacific		+10.87	+12.94	USD
	EMMA		+24.05	+23.85	USD
	World		+14.93	+11.25	USD
Alternatives	Real Estate		+8.82	+10.24	USD
	Commodities		-8.92	+12.30	USD
	Gold		-14.04	-7.03	USD
	Private Equity (listed)		+2.48	-18.14	USD
	Hedge Fonds		+5.40	+4.80	USD

Calculation LMM; reference date 01.04.–30.06.2026

Investment strategies in CHF QTD YTD



Investment strategies in EUR QTD YTD



Note: the figures are before costs
Calculation LMM; Period 01.04.–30.06.2026

MSCI AC WORLD INDEX – WHAT SHOULD YOU KEEP IN MIND WHEN INVESTING PASSIVELY

In recent years, an increased trend toward index-proximate implementation in asset investment has been observed, particularly among institutional investors. The global equity index MSCI AC World is often chosen as the benchmark for passive implementation. Below, we analyze the characteristics of this index regarding its composition, inclusion criteria, weighting method, and concentration risks.

What is the composition of the MSCI AC World Index?
This global equity index tracks the performance of companies from 23 developed markets and 24 emerging markets, focusing on established, large-cap companies (the top 70 %) and mid-cap companies (the subsequent 15 %). Small-cap companies are excluded. This covers approximately 85 % of the globally investable equity market. Each company is assigned to one of a total of 11 sectors.

What is the weighting methodology?
The weighting of individual companies follows a clear, automatic logic. Only the amount of shares freely tradeable on the stock exchange (free float) counts. Since there are no quotas for specific countries or industries, the index dynamically reflects the actual current market value ratios. MSCI reviews the index four times a year – in February, May, August, and November. New additions, changed ownership structures, or shifted market capitalizations are updated automatically, without anyone actively or arbitrarily intervening in the rulebook in between.

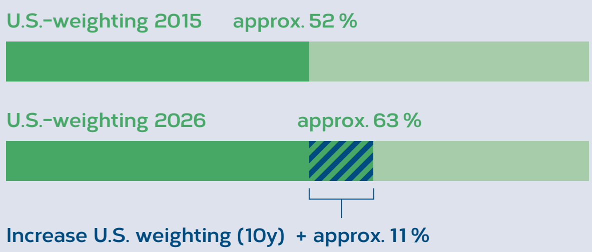
What is the consequence of this weighting method?
This automatic weighting also has a downside: companies and markets with a high market value and strong price performance – such as the US and the technology sector at present – increasingly dominate the index. The system functions like an amplifier: the better these 'giants' perform, the heavier their weight becomes in the index. As a result, concentration risks inevitably build up.

MSCI AC World
Top 10 Stock Weightings – May 2026

#	Company	Country	Weighting
1	NVIDIA	USA	4.95 %
2	Apple	USA	4.42 %
3	Microsoft	USA	3.07 %
4	Amazon	USA	2.51 %
5	Alphabet A	USA	2.13 %
6	Broadcom	USA	1.94 %
7	Taiwan Semiconductor	Taiwan	1.79 %
8	Alphabet C	USA	1.77 %
9	Meta Platforms A	USA	1.33 %
10	Tesla	USA	1.19 %

The top 10 stocks in the MSCI AC World Index account for a combined weighting of 25.1 %, with 23.3 % attributable to U.S. companies.

How has the U.S. weighting in the MSCI AC World Index changed over the past 10 years?



What were the main drivers of this U.S. dominance?

The main reason for this 'US boom' lies in the differing performance of the individual sectors. The US market is dominated by hyper-growth technology and communication companies. In contrast, Europe and emerging markets are characterized more by classic value sectors, such as banking, energy, or materials. The US tech giants – most notably the well-known 'Magnificent 7' – have achieved significantly more dynamic earnings growth. Sectors like cloud computing, semiconductors, and artificial intelligence (AI) are experiencing an unprecedented boom. Another driver over the last 10 years: US companies repurchased their own shares to a historically unprecedented extent, which further pushed stock prices up massively.

MSCI AC World
Major changes from 2015 to 2026

Dimension	2015/2016	2026	Change
Top-10 Total Weight	~10–12%	~24–27%	+12–15%
Largest Single Weight	Apple (~2.0%)	NVIDIA (~4.9%)	New AI Category
Energy in the Top 20	ExxonMobil, Chevron	No Energy stocks	-100%
Non-U.S. in the Top 20	Nestlé, Roche, HSBC	TSMC, Novo Nordisk, ASML	Reduced
IT/Tech in the Top 10	4 companies	~8 companies	Dominance

The index weight of the top 10 stocks has doubled over the past 10 years, and the weight of the largest single stock (NVIDIA, previously Apple) has more than doubled. The dominance of IT/tech companies is reflected in an increase from 4 to 8 stocks among the top 10 over the past 10 years.

Conclusion

The historically strong return of the global equity index MSCI AC World is largely attributable to the strong performance of the heavily weighted US tech sector. Anyone investing passively in this index today makes themselves highly dependent on the performance of a few US tech companies. For those who wish to reduce this concentration risk while remaining passively invested, several alternatives are outlined below:

- **Weighting by Economic Output (GDP Approach)**
  Here, it is not market value that counts, but actual economic output. As a result, the US share automatically drops to around 30%.
- **Equal Weighted**
  Every company in the index receives exactly the same weight – regardless of its market value. The US share shrinks to approximately 23% here.
- **Multi-Factor Approach**
  This approach filters and weights companies based on specific characteristics, such as value, quality, momentum, and company size (mid-cap and small-cap companies).
- **The World Without America**
  The global equity index MSCI AC World ex USA excludes the US entirely. This gives you the freedom to manage the US portion yourself via a separate product and cap it with a fixed upper limit.

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