Does Investing in a "Global Index" Really Provide Global Exposure? - Part 1

For many investors, the term "global index" suggests broad exposure across worldwide markets, seemingly offering a simple, one-stop solution to diversification. In practice, global indices reflect where market value is concentrated, which can lead to larger weightings in certain regions, sectors, and companies. In this first part, we unpack the construction of indices to show how methodology shapes outcomes, why concentration risk can creep in, and what that means for investors who think they're buying "the whole world."

The MSCI indices are some of the most widely used tools to represent global equity markets. But beneath the labels, the composition of these indices tells a more nuanced story about diversification and concentration risk.

Let's consider three of the MSCI indices:

1. MSCI World Index

Despite its name, the MSCI World only includes developed markets. The index's constituents are large- and mid-sized companies across 23 countries, covering about 85% of the free float-adjusted market capitalisation in each country.

As of 31 July 2025, US equities made up roughly 72% of the index. Even more striking, the top five companies account for nearly 20% of the total index weight. In practice, this means the "MSCI World" is closely tied to the performance of a handful of dominant US technology and consumer-driven giants. For investors seeking diversified global exposure, this level of concentration may come as a surprise.

Top five holdings (31 July 2025)	Weighting (%)	Industry
NVIDIA	5.69%	Information Technology
Microsoft	4.94%	Information Technology
Apple	4.09%	Information Technology
Amazon	2.93%	Consumer Discretionary
Meta Platforms	2.22%	Communication Services

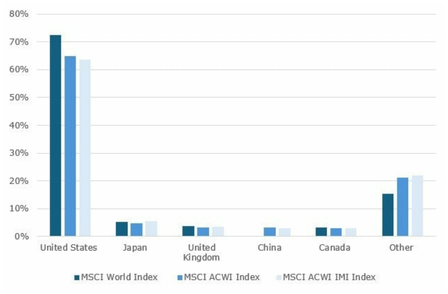
Source/s : Seed Investments (2025)

2. MSCI ACWI (All Country World Index)

The MSCI ACWI broadens the scope by adding emerging markets. It covers large- and mid-cap stocks across 23 developed and 24 emerging market countries, representing about 85% of the global investable equity universe. This reduces the US share of the index to around 65%, though the US remains the dominant component.

3. MSCI ACWI IMI (Investable Market Index)

Lastly, for the purpose of this comparison, the MSCI ACWI IMI includes large-, mid-, and small-cap stocks from the same developed and emerging markets. With over 8,000 constituents, it captures approximately 99% of the global equity investment opportunity set. Yet despite this breadth, the overall country weightings remain largely unchanged, with the US still accounting for more than 60% of the index.



Source/s : Seed Investments (2025)

A key point for advisors to emphasise is that the way an index is constructed has a direct impact on portfolio outcomes. Market-capitalisation weighting gives the largest companies the heaviest representation, meaning that as these firms grow, they become an even greater share of the index. This can significantly increase concentration risk, particularly in dominant sectors such as technology. By contrast, equal-weight indices distribute exposure more evenly across constituents, which helps to reduce reliance on a small group of mega-cap stocks. However, this approach comes with its own trade-offs, often resulting in a greater tilt toward smaller and potentially more volatile companies.

Keep an eye out for Part Two, which will be sent out next week. Here, we will take the discussion a step further, exploring not just where companies are listed, but where they generate their revenues and profits. We'll also compare regional index weights with their share of global economic output and unpack why China's footprint in global benchmarks remains far smaller than its GDP might suggest.

Kirsten Campbell
Investment Analyst

Follow Us on Social Media