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Beyond Developed and Emerging

A Four-Pillar Architecture for Global Equity Allocation

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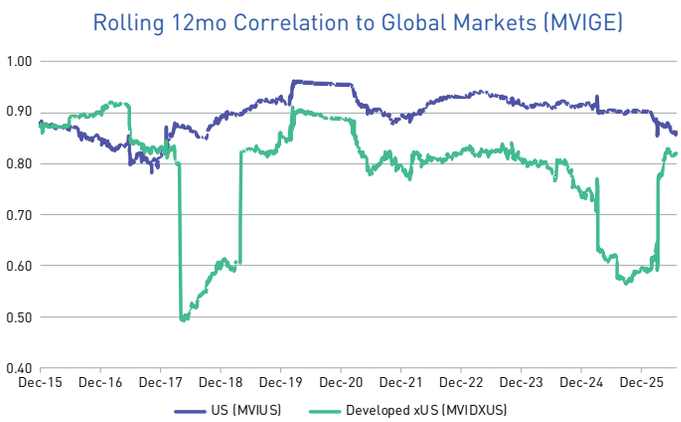
Country classifications are often presented as labels attached to markets. In practice, they are de facto allocation decisions. They determine which countries enter a mandate, where risk is reported and how capital is allocated amongst developed and emerging markets.

"Global" Has Become Primarily a US Allocation

Those decisions matter more as market structure and geopolitics diverge. As of 30 June 2026, US equities represented 66% of the MarketVector™ Investable Global Index (MVIGE). This is not a flaw in market-cap weighting methodology, but the reality that a single market with an extreme weight can produce less diversification than the word "global" may imply.

Exhibit 1: Global Developed Markets Move with the US



Source: MarketVector data as of 2026.07.31. MVIGE: the MarketVector™ Investable Global Index TR, MVIUS: MarketVector™ Investable US Index TR, MVIDXUS: MarketVector™ Investable Developed ex US Index TR

A global equity benchmark can remain representative of the market while becoming less useful as a neutral starting point for investors who want direct control over country risk.

Market-capitalization weighting answers an important question: where does the aggregate investable equity value stand today? It does not answer a different question: how much exposure should a long-term investor assign to a single country, currency or regulatory regime? Treating market representation as portfolio neutrality can obscure that distinction. Separating the US does not reject the market portfolio. It allows investors to choose it intentionally.

Developed-Market Exposure carries China-Linked Risk

Another quandary is currently present inside the developed-market label is Hong Kong. Hong Kong continues to offer sophisticated trading, custody and settlement infrastructure. At the same time, its legal, political and economic links with mainland China have deepened. A classification based mainly on market mechanics may therefore understate the jurisdictional risk perceived by some investors.

Security-level mechanics are important. Mainland-incorporated companies listed in Hong Kong are generally assigned to China already. Less visible issue concerns locally- incorporated Hong Kong companies. Their listings may retain developed-market characteristics while their operating environment is increasingly connected to mainland Chinese policy outcomes.

A modern global benchmark should do two things at once: preserve investability and make its most consequential allocation choices visible.

The Case for Four Pillars

The MarketVector framework separates the global equity universe into four investable building blocks. It does not require investors to abandon market-cap weighting or take a tactical market view. It gives investors greater control and a clearer set of allocation tools. The framework organizes the global equity universe into four distinct building blocks

United States. The largest country exposure becomes a standalone policy decision. Investors can hold the market weight, set a strategic weight or apply a concentration limit without redesigning the rest of the global benchmark.

Developed Markets ex United States. Europe, Japan, Canada, Australia, South Korea and other developed markets can serve as a distinct diversification sleeve, without the dominant US weight overwhelming its regional characteristics.

Investable Greater China. Mainland China and Hong Kong form a single allocation. The approach recognizes that market access and jurisdictional risk are different questions. It also avoids splitting related exposure across developed and emerging-market portfolios.

Emerging Markets ex-China. With China treated separately, investors can more clearly allocate to the broader opportunity across India, Southeast Asia, Latin America, the Middle East, Africa and Eastern Europe without one market dominating the category.

Architecture, Not a Market Call

All four pillars are derived from the same broad global universe and governed by a common methodology. The MarketVector Investable Global Equity Index Family targets at least 98% of the free-float market capitalization of each eligible country. Securities must also meet rules for foreign investability, liquidity and reliable pricing. Constituents are weighted by free-float-adjusted market capitalization.

Common rules are essential. Without them, four sleeves could introduce gaps, overlaps or different investability standards, making the overall portfolio difficult to interpret, and introducing unintended portfolio risks. A shared parent universe means that the architecture changes the allocation map, not the underlying discipline used to select and weight securities.

The result is **modular but internally consistent**. The four pillars can be recombined to reproduce a broad global allocation, or used separately to express policy weights, caps, tilts and exclusions. That distinction matters. A modular benchmark does not tell an asset owner what to believe about the United States or China. Rather it makes beliefs implementable and measurable.

Gains for Investors

For asset owners, the framework can create a clearer policy benchmark. The US weight can be debated explicitly rather than inherited from an embedded label. Greater China can be assigned its own risk budget and governance process. Emerging markets ex China can be based assessments of their own growth, currency and liquidity characteristics.

For investment managers, the same structure can support core and completion portfolios, regional mandates, concentration controls and transition paths between strategic weights. Performance attribution also becomes clearer because the major country decisions sit in separate sleeves rather than inside broad labels.

Consider an asset owner that wants less US concentration but does not want an arbitrary equal-weighted world index. It can set a US policy weight, allocate the balance across developed markets ex US, give Greater China a separately governed weight and retain diversified emerging-market exposure through the ex-China sleeve. The same components can support a market-weighted baseline, a capped policy portfolio or active regional views without changing country definitions from one mandate to another.

None of this removes judgement from index design. Country classification depends on evidence, transparent criteria and robust governance. Market accessibility remains essential, but it should not be the only lens. Jurisdiction, concentration and the intended portfolio use also deserve consideration.

From Taxonomy to Portfolio Architecture

The relevant question is not whether developed and emerging market labels should disappear. It is whether those labels should be allowed to drive more portfolio decisions than intended.

A four-pillar framework preserves the breadth and discipline of global market-cap-weighted indexing while unbundling two of its most significant embedded choices: the scale of US exposure and the treatment of China and Hong Kong. In doing so, it gives greater visibility to medium-sized and smaller developed and emerging markets, while transforming country classification from a static taxonomy into a more practical portfolio architecture.

The four pillars reflect today's market structure and allocation challenges, but they should not be viewed as permanent. Concentration may shift, new markets may become investable, accessibility may improve or deteriorate, geopolitical relationships may change, and investors may define risk differently.

A good benchmark should therefore do more than describe the market as it exists today. It should provide a transparent, investable framework that can evolve with the world and give investors greater control over the risks they choose to bear.

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