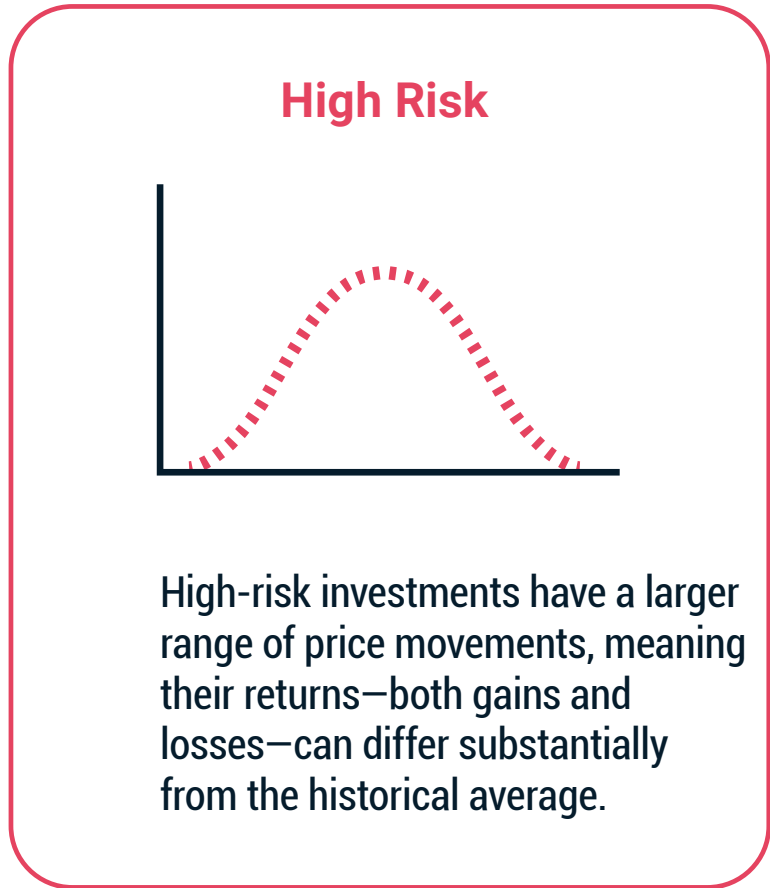# MSCI

RiskGrade™
A More Intuitive Way to Calculate Investment Risk

Investors may want to consider volatility, a measure of risk, when they are making decisions.

However, traditional risk data—such as standard deviation—lacks a logical reference point.

Low Risk

Low-risk investments have a smaller range of price movements relative to the historical average, meaning they have less volatility.

High Risk

High-risk investments have a larger range of price movements, meaning their returns—both gains and losses—can differ substantially from the historical average.

RiskGrade™ is a score-based measure of volatility that uses a transparent methodology:

01 Volatility is calculated by measuring the change in investment price over time
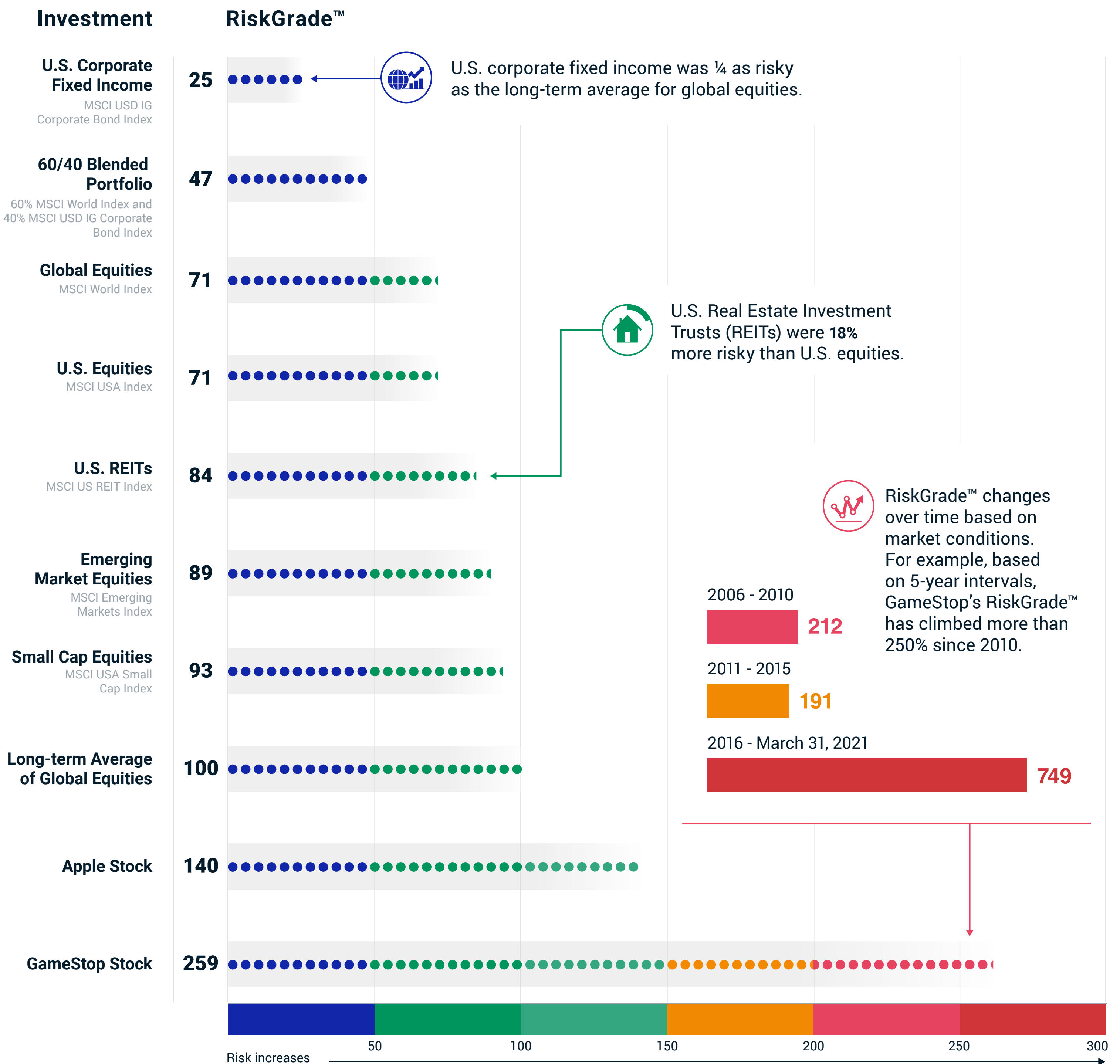
02 A scaling factor is applied to standardize scores

20% 100 = 20% standard deviation, which is the average long-term volatility of global equities

How do RiskGrades™ break down for various investments over the last decade?

RiskGrade™ 2011 - 2020

Investment	RiskGrade™
U.S. Corporate Fixed Income MSCI USD IG Corporate Bond Index	**25**
60/40 Blended Portfolio 60% MSCI World Index and 40% MSCI USD IG Corporate Bond Index	**47**
Global Equities MSCI World Index	**71**
U.S. Equities MSCI USA Index	**71**
U.S. REITs MSCI US REIT Index	**84**
Emerging Market Equities MSCI Emerging Markets Index	**89**
Small Cap Equities MSCI USA Small Cap Index	**93**
Long-term Average of Global Equities	**100**
Apple Stock	**140**
GameStop Stock	**259**

U.S. corporate fixed income was ¼ as risky as the long-term average for global equities.

U.S. Real Estate Investment Trusts (REITs) were **18%** more risky than U.S. equities.

RiskGrade™ changes over time based on market conditions. For example, based on 5-year intervals, GameStop's RiskGrade™ has climbed more than 250% since 2010.

Period	RiskGrade™
2006 - 2010	212
2011 - 2015	191
2016 - March 31, 2021	749

Risk increases
50   100   150   200   250   300

By using RiskGrade™, investors can better understand risk across individual investments, asset classes, and portfolios.

Powering better investments for a better world. **msci.com**