

MSCI Quarterly Index Review Report

Saudi Stock Market | Special Report | May 2026



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MSCI Index Review: MSCI is set to conduct its next index review on May 12, 2026. For the Saudi MSCI EM Standard Index, we anticipate no new additions. However, **SAL Logistics** and **Mouwasat** remain primary candidates for deletion. In contrast, the Small Cap Index shows potential movement; SAL and Mouwasat are likely to be downgraded to small cap, while **AFG International (Cenomi Retail)** and **Avalon Pharma** are the top candidates for exclusion in the May review.

- SAL and Mouwasat are potential MSCI exclusions:** **SAL Logistics** is a high-conviction candidate for exclusion from the Saudi MSCI EM Standard Index because its market capitalization and free-float adjusted levels are no longer meeting our estimated thresholds (as per closing prices of April 23, 2026). We also flag **Mouwasat** for deletion risk following drop in market capitalization below estimated cut-off for the standard index. These potential shifts in the upcoming May review may trigger passive outflows, with final changes expected to be effective June 01, 2026.

Fig 1. Exclusion contenders (Saudi MSCI EM Standard Index)

Company	Sector	Market capitalization*	Reason for inclusion/exclusion
SAL	Transportation	USD 3.5bn	Below FF-Mcap limit
Mouwasat	Healthcare	USD 3.7bn	Below Mcap limit

Source: Bloomberg, Aljazeera Capital research, * As of April 23, 2026

- Expected foreign fund outflows:** Exclusion of SAL and Mouwasat could trigger passive outflows of roughly **USD 100-200mn** each, given their current weights within the index.

Fig 2. Expected foreign fund flows

Company	Estimated Index weight	Passive outflows
SAL	0.01%~	USD100 - 200mn~
Mouwasat	0.02%~	USD100 - 200mn~

Source: Aljazeera Capital Research

- The small cap reshuffle: Downgrade inclusions and heightened exit risks:** We anticipate that **SAL** and **Mouwasat** will be added to the Small Cap Index as high-conviction inclusions following their likely removal from the Standard Index. Besides these two downgrades, two potential new entrants to the Small Cap index could be - **Dar AIMajed** which meets market capitalization criteria and **AIRamz Real Estate** which completed minimum trading length requirement for inclusion. Regarding removals, **AFG International (Cenomi Retail)** and **Avalon Pharma** are the top contenders for exclusion. Other names at risk of being removed during this cycle include - **Theeb**, **Eastern Province Cement**, **Jadwa REIT Saudi** and **Advanced Building Industries**. Furthermore, we see a lower-probability risk of exclusion for **SMASCO**.

MSCI Index review	May 12, 2026
MSCI EM Standard Index	2 exclusion candidates*

MSCI Small Cap Index	2 each inclusion & exclusion candidate*
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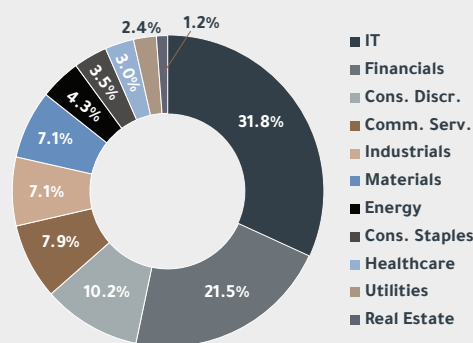
* HCR - high conviction recommendation based on Aljazeera Capital Research

MSCI EM vs MSCI ACWI vs MSCI Saudi



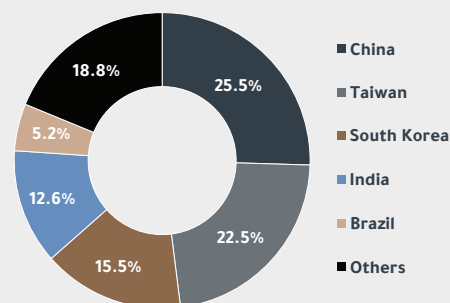
Source: MSCI, Aljazeera Capital Research

MSCI EM sector weights



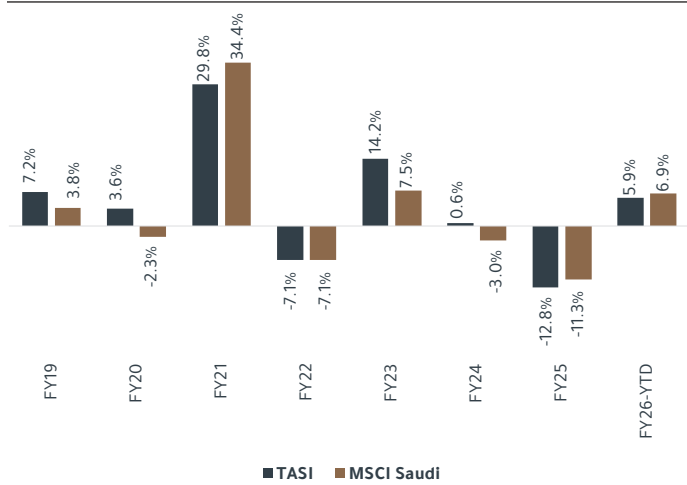
Source: MSCI, Aljazeera Capital Research, as of March 31, 2026

MSCI EM country weights



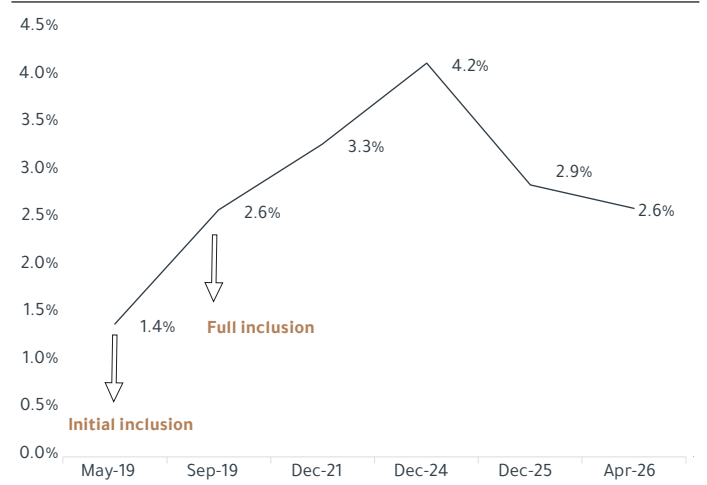
Source: MSCI, Aljazeera Capital Research, as of March 31, 2026

TASI vs. MSCI Saudi returns



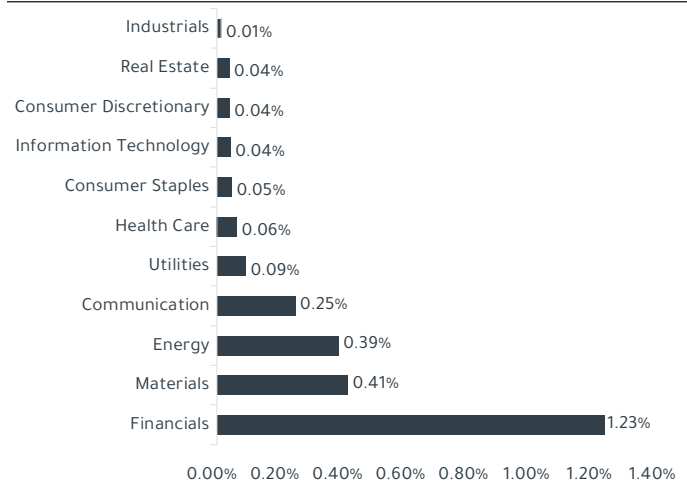
Source: MSCI, Tadawul, Aljazeera Capital Research

KSA weight* evolution in MSCI EM Index



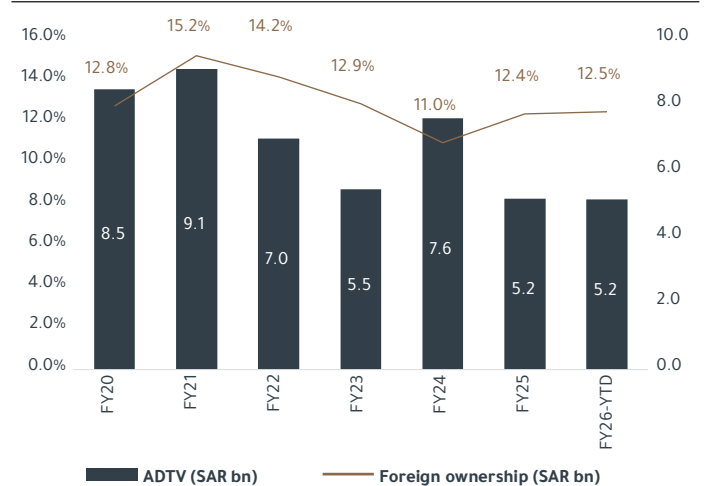
Source: Aljazeera Capital Research. *latest weight based on iShares MSCI EM ETF

KSA sectoral diversification in MSCI EM



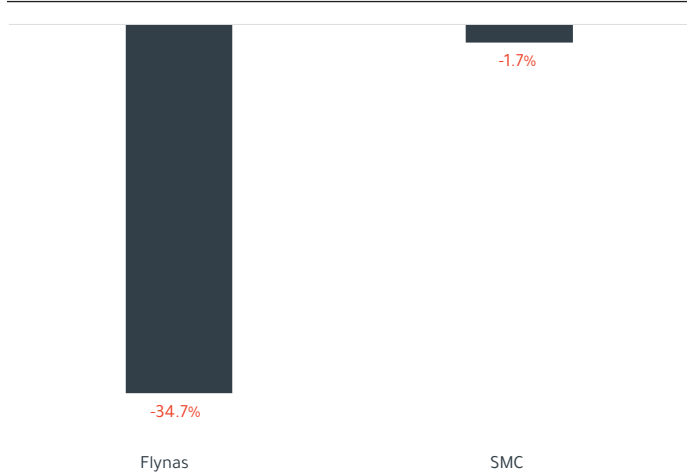
Source: MSCI EM ETF, Aljazeera Capital Research, as of March 31, 2026

Foreign ownership (% of free float) and ADTV in Saudi markets



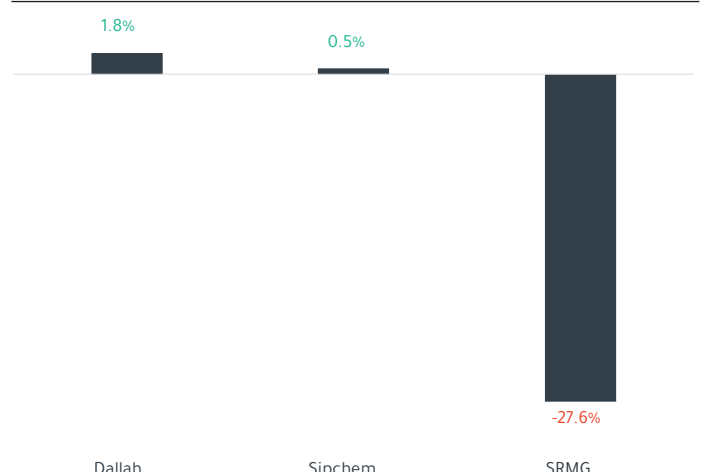
Source: Tadawul, Aljazeera Capital Research, March 31, 2026

Performance since last review - Inclusions



Source: Tadawul, Aljazeera Capital Research; *since November 2025 review, as there was no inclusion in February 2026 review

Performance since last review - Exclusions



Source: Tadawul, Aljazeera Capital Research

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RESEARCH
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1. Overweight: This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. Underweight: This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. Neutral: The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. Suspension of rating or rating on hold (SR/RH): This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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