

MSCI Quarterly Index Review Report

Saudi Stock Market | Special Report | February 2026 —



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MSCI Index Review: MSCI is scheduled to review its indices on February 10, we foresee no new inclusions for the Saudi MSCI EM Standard Index, whereas **Dallah** remains a primary candidate for deletion. **SAL** is also at risk of exclusion but with comparatively lower chances. In contrast, the Small Cap Index has potential changes; **Nahdi** and **Taiba** stand as strong contenders for inclusion, while **Sumou** and **Saudi Steel Pipe** are the candidates for exclusion in this upcoming February review.

- **On the Edge - Dallah and SAL Lead Potential MSCI Exclusions:** **Dallah** is a primary candidate for exclusion from the Saudi MSCI EM Standard Index (as per closing prices of January 21, 2026), as its market capitalization and free-float adjusted levels fell below our estimated thresholds. We also see deletion risk for **SAL**, which marginally missed these size requirements. Additionally, **Mouwasset**, **SIPCHEM**, and **SRMG** face lower-probability removal risks. These potential shifts in the upcoming February review may trigger significant passive outflows, with final changes expected to be effective March 02, 2026.

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

Company	Sector	Market capitalization*	Reason for inclusion/exclusion
Dallah	Healthcare	USD 3.3bn	Below FF-Mcap limit
SAL	Transportation	USD 3.6bn	Below FF-Mcap limit

Source: Bloomberg, Aljazira Capital Research, * As of January 21, 2026

- **Expected foreign fund outflows:** Exclusion of Dallah and SAL 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
Dallah	0.01%~	USD100 - 200mn~
SAL	0.02%~	USD100 - 200mn~

Source: Aljazira Capital Research

- **The Small Cap Cut - High-Conviction Inclusions and Exit Risks:** We identify **Nahdi** and **Taiba** as high-conviction inclusion candidates for the Small Cap Index, as both comfortably exceed current market capitalization and free-float adjusted thresholds. Nahdi is particularly well-positioned following its standard index deletion and a subsequent 19% price decline. Conversely, **Sumou** and **Saudi Steel Pipe** are top contenders for exclusion. We also flag potential, albeit lower-probability, inclusions for **Advanced**, **Savola**, and **Saudi Chemical**, depending on the available rebalancing room. Additionally, **Nice One**, **Ataa**, and **Cenomi Retail** remain at risk of being removed during this review cycle. These projections underscore significant shifts in the Saudi Small Cap landscape, likely necessitating strategic portfolio adjustments ahead of the final MSCI announcement and the subsequent month-end passive flows.

MSCI Index review	February 10, 2026
MSCI EM Standard Index	2 exclusion candidates*
MSCI Small Cap Index	2 each inclusion & exclusion candidate*

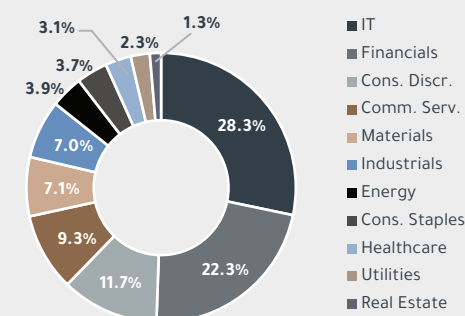
* high conviction based on Aljazira Capital Research

MSCI EM vs MSCI ACWI vs MSCI Saudi



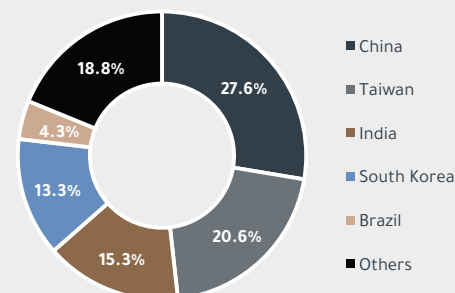
Source: MSCI, Aljazira Capital Research

MSCI EM sector weights



Source: MSCI, Aljazira Capital Research, as of December 31, 2025

MSCI EM country weights

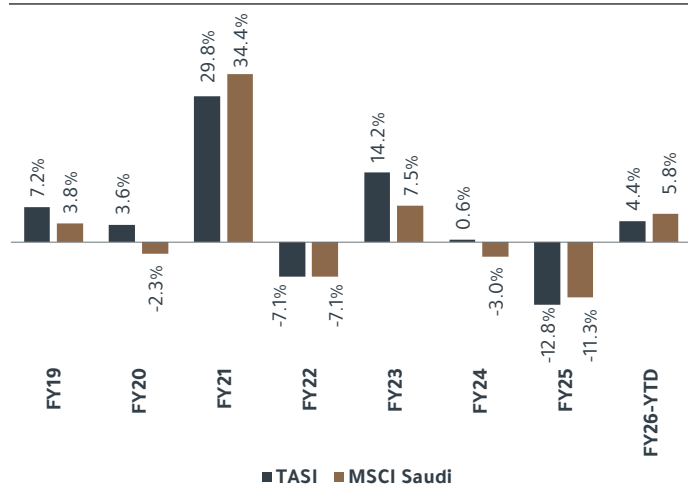


Source: MSCI, Aljazira Capital Research, as of December 31, 2025

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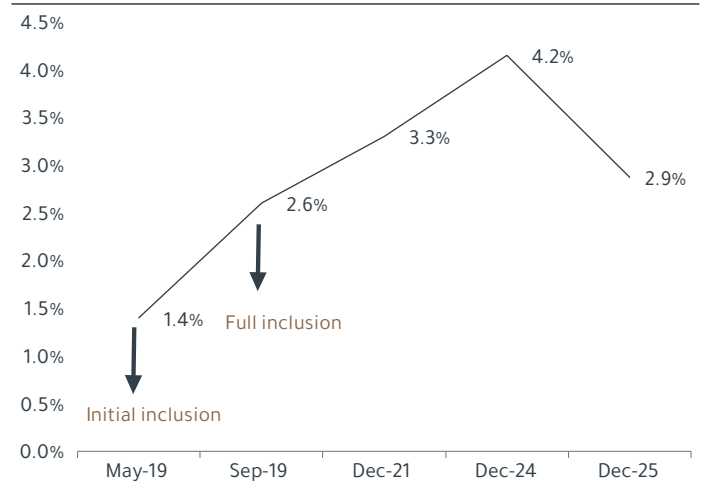
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TASI vs. MSCI Saudi returns



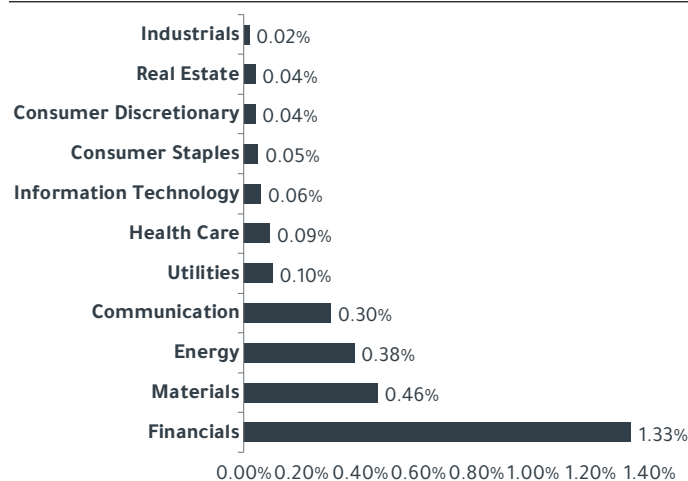
Source: MSCI, Tadawul, Aljazira Capital Research

KSA weight* evolution in MSCI EM Index



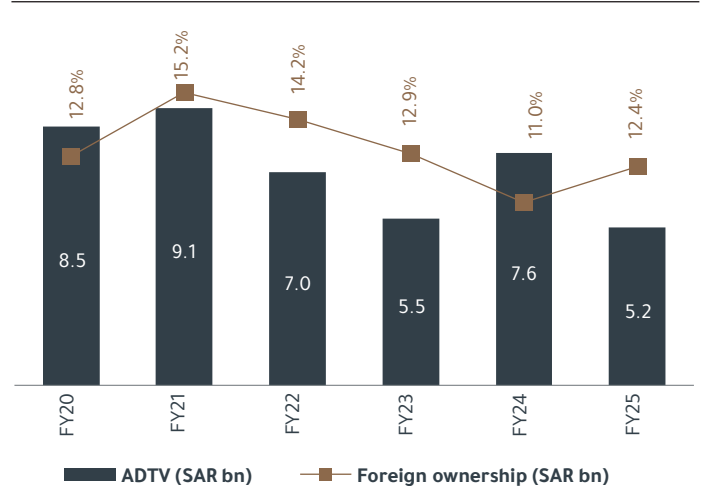
Source: Aljazira Capital Research, *latest weight based on iShares MSCI EM ETF

KSA sectoral diversification in MSCI EM



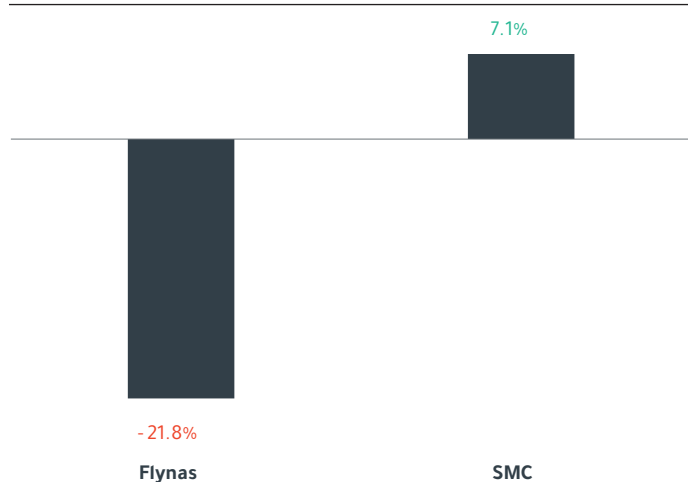
Source: MSCI EM ETF, Aljazira Capital Research, as of December 31, 2025

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



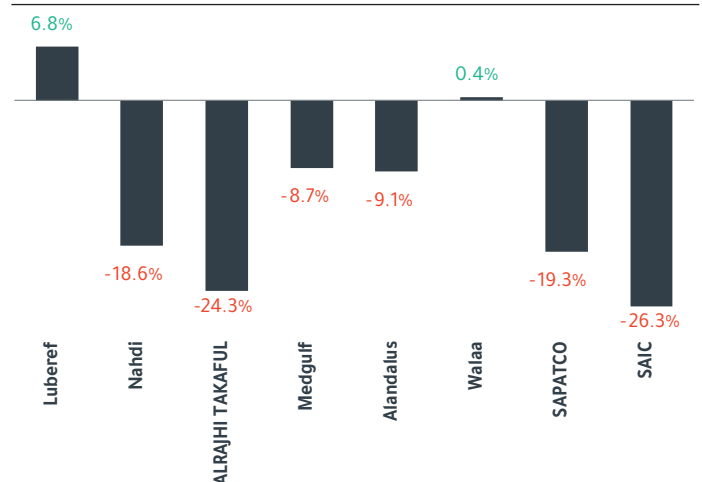
Source: Tadawul, Aljazira Capital Research, as of December 31, 2025

Performance since last review - Inclusions



Source: Tadawul, Aljazira Capital Research

Performance since last review - Exclusions



Source: Tadawul, Aljazira Capital Research

RESEARCH DIVISION

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RESEARCH
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RATING
TERMINOLOGY

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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