

MSCI®

# press release

## MSCI LAUNCHES FAMILY OF HEDGE FUND INDICES

**New York, July 9, 2002.** MSCI, a leading provider of global equity and fixed income indices used by institutional investors worldwide, today announced the launch of the MSCI Hedge Fund Indices<sup>SM</sup>. The new index family features more than 90 indices calculated monthly, supported by a growing database of over 750 hedge funds and an innovative, web-based analytical tool. Today, the MSCI Hedge Fund Composite Index<sup>SM</sup> includes over 350 hedge funds.

The indices are organized in accordance with a comprehensive classification framework - the MSCI Hedge Fund Classification Standard<sup>SM</sup> – that uses the investment process of hedge fund managers as the dominant characteristic to classify funds and define strategy indices. The indices are equal weighted at all four levels of aggregation and asset weighted at the two highest levels. They are also organized into three domicile families.

In a complex investment area that is difficult to measure and analyze, MSCI believes the indices offer transparency in index construction and maintenance, a more comprehensive hedge fund classification framework, and an extensive and reliable fund database that together can serve as a meaningful basis for conducting peer group analysis.

“Our clients have expressed a strong interest in a global family of MSCI Hedge Fund Indices which would help them better analyze performance characteristics of hedge fund strategies,” said Henry Fernandez, President and CEO of MSCI. “While it is currently not possible to build hedge fund indices to the same level of comprehensiveness as equity indices, we believe we have developed a product that will be useful to hedge fund investors.”

Some of the key characteristics of the MSCI Hedge Fund Indices include:

- **Transparency:** MSCI is the first hedge fund index provider where the data of constituent hedge funds is available and linked directly to the index, enabling qualified subscribers\* to the indices and fund database to better analyze index performance and risk characteristics and compare hedge funds to their peers and the indices. In addition, MSCI’s complete and published methodology clarifies how it constructs and maintains the indices.
- **Superior Hedge Fund Classification and Index Definition**
  - The MSCI Hedge Fund Classification Standard provides the basis for several levels of index detail, enabling a more accurate definition of peer groups. It uses three primary characteristics – hedge fund investment process, asset class and geography – to classify funds and define hedge fund strategy indices. Secondary classification characteristics include industry segmentation according to the Global Industry Classification Standard (GICS)<sup>SM</sup> and capitalization size for equity-oriented strategies, and a variety of fixed income criteria.
  - Open and closed hedge funds with assets under management in excess of \$15 million are the only funds included in the indices. These funds currently represent more than 95 percent of the MSCI Hedge Fund Database<sup>SM</sup>, measured by assets under management.
  - Today over 90 MSCI Hedge Fund Indices are available. As funds are added to the database, MSCI will launch additional indices. The indices are constructed as follows:
    - Four levels of index aggregation
      - Strategy – Indices are produced for all relevant strategies with adequate fund representation
      - Investment Process – Aggregates all strategies belonging to an investment process
      - Process Group – Combines similar investment processes within five process groups: Directional Trading, Relative Value, Security Selection, Specialist Credit and Multi-Process
      - Composite – Offers the broadest index coverage by aggregating all five process groups
    - Equal weighted indices at all four levels of aggregation and asset weighted at the two highest levels of aggregation (Composite and Process Group)
    - Three domicile families - Onshore, Offshore and All Domicile

- **Comprehensive and Reliable Database:** MSCI seeks to ensure all data is complete and reliable by collecting it directly from hedge fund managers. Fund managers are required to supply audited financials, and offering memoranda for all of their funds where available. MSCI offers a comprehensive set of index and fund level data, including index values, index performance and risk statistics at the index level. Fund level data includes the identity of the constituents included in each index, assets under management, specific fund performance, risk statistics and contact information. In addition, MSCI reviews all data prior to releasing it to qualified clients\*.
- **Accessibility:** MSCI offers qualified subscribers\* a flexible, web-based analytical tool – the MSCI Hedge Fund Indices Subscriber Site<sup>SM</sup> - that enables comparison of fund statistics to the indices and peer group funds. This tool also offers charting, scatter plot, downloading and reporting capabilities. The indices and database of funds will also be delivered via XML files direct to qualified clients\*. In addition, all subscribers to the MSCI Hedge Fund Indices will be served by MSCI's global client service platform, available 24 hours a day, five days a week.

MSCI developed the MSCI Hedge Fund Indices in consultation with hedge fund managers, funds of hedge funds and institutional investors around the world. In developing the indices, Financial Risk Management (FRM), an international hedge fund specialist, provided invaluable hedge fund industry insight to MSCI in the development of the index structure and fund classification based on their experience gained through hedge fund research, analysis and investment during the last decade. FRM also provides data and operational support to MSCI.

MSCI has been serving the investment community for over thirty years and currently provides equity and fixed income indices used as benchmarks for approximately \$3.0 trillion of capital managed by institutional investors worldwide.

**For further information on the MSCI Hedge Fund Indices, please visit our web site at [www.msci.com/hedge](http://www.msci.com/hedge) or contact:**

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\*To be able to access information on hedge funds, subscribers must meet the "accredited investor" criteria as per the United States Securities Act of 1933.

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**And at a further thirteen locations around the world.**