

# MSCI<sup>®</sup> press release

## HEDGE FUND INDICES

### MSCI Hedge Fund Indices Performance – January 2003

New York, February 27, 2003 MSCI announced today its January 2003 performance figures for the MSCI Hedge Fund Indices<sup>SM</sup>. Below is a summary of performance data for selected indices.

#### MSCI HEDGE FUND INDICES

	Jan-03	1 Year	3 yr. Ann. Ret.	3 yr. Std Dev.	3 yr. Sharpe
<b>MSCI Hedge Fund Composite Index - Equal Weighted<sup>SM</sup></b>	<b>1.34%</b>	<b>5.43%</b>	<b>8.01%</b>	<b>4.81%</b>	<b>0.88</b>
<b>MSCI Hedge Fund Composite Index - Asset Weighted<sup>SM</sup></b>	<b>1.61%</b>	<b>6.99%</b>	<b>6.38%</b>	<b>4.47%</b>	<b>0.58</b>
<b>Process Groups</b>					
MSCI Directional Trading Index <sup>SM</sup>	3.29%	17.59%	13.30%	8.30%	1.15
MSCI Relative Value Index <sup>SM</sup>	1.47%	8.20%	8.80%	2.19%	2.28
MSCI Security Selection Index <sup>SM</sup>	0.31%	-0.35%	4.83%	8.64%	0.12
MSCI Specialist Credit Index <sup>SM</sup>	2.19%	4.39%	10.61%	4.96%	1.37
MSCI Multi-Process Group Index <sup>SM</sup>	0.98%	3.74%	8.36%	4.37%	1.04
<b>Asset Class</b>					
MSCI Hedge Fund Equity Index <sup>SM</sup>	0.41%	0.66%	5.62%	6.78%	0.27
MSCI Hedge Fund Fixed Income Index <sup>SM</sup>	1.94%	8.42%	10.99%	2.84%	2.53
MSCI Hedge Fund Diversified Index <sup>SM</sup>	3.10%	15.74%	12.25%	7.16%	1.18
<b>Geography</b>					
MSCI Hedge Fund Developed Markets Index <sup>SM</sup>	1.33%	5.64%	8.19%	4.72%	0.93
MSCI Hedge Fund Emerging Markets Index <sup>SM</sup>	1.02%	2.37%	4.79%	9.08%	0.11
MSCI Hedge Fund Global Markets Index <sup>SM</sup>	1.61%	5.26%	7.97%	5.48%	0.76
MSCI Hedge Fund Europe Index <sup>SM</sup>	1.03%	11.91%	7.05%	9.33%	0.35
MSCI Hedge Fund North America Index <sup>SM</sup>	0.55%	-0.99%	6.39%	6.58%	0.39
MSCI Hedge Fund Japan Index <sup>SM</sup>	0.60%	5.24%	5.74%	7.14%	0.27
<b>Domicile</b>					
MSCI Offshore Hedge Fund Composite Index <sup>SM</sup>	1.34%	7.38%	7.55%	4.00%	0.94
MSCI Onshore Hedge Fund Composite Index <sup>SM</sup>	1.15%	1.86%	7.19%	5.83%	0.58

#### MSCI EQUITY AND FIXED INCOME INDICES

MSCI World Equity Index <sup>SM</sup>	-3.12%	-21.08%	-16.92%	16.79%	N/A
MSCI World Sovereign Debt Index <sup>SM</sup>	1.43%	23.56%	7.53%	7.28%	N/A

Data are as of January 31, 2003. All hedge fund indices listed above are equal weighted unless noted otherwise.

The MSCI Hedge Fund Composite Index<sup>SM</sup>, an equal weighted index, posted a 1.34% return for the month of January, slightly lower than December's 1.36%. In contrast, the MSCI World Equity Index<sup>SM</sup> declined -3.12%. Over the past three-year period, the MSCI Hedge Fund Composite Index, which returned 8.01%, has outperformed the MSCI World Equity Index, which returned -16.92%. The MSCI Sovereign Debt Index<sup>SM</sup> returned 1.43% for the month of January while LIBOR increased 0.11% for the month.

The performance of the MSCI Hedge Fund Composite Index can be analyzed further by reviewing the five Process Group Indices that comprise it: the MSCI Directional Trading, Relative Value, Security Selection, Specialist Credit and Multi-Process Indices<sup>SM</sup>. MSCI defines Directional Trading strategies as those based upon speculating on the direction of market prices of currencies, commodities, equities, and bonds in the futures and cash markets. Relative Value strategies focus on spread relationships between pricing components of financial assets or commodities. Security Selection managers combine long positions and short sales with the aim of benefiting from their ability in selecting investments while offsetting systematic market risks. Specialist Credit funds seek to lend to credit-sensitive issuers. The Multi-Process group comprises funds which practice a strategy whereby a single investment process does not account for more than 80% of their risk capital. These Process Group Indices are further subdivided into Investment Process and Strategy Indices.

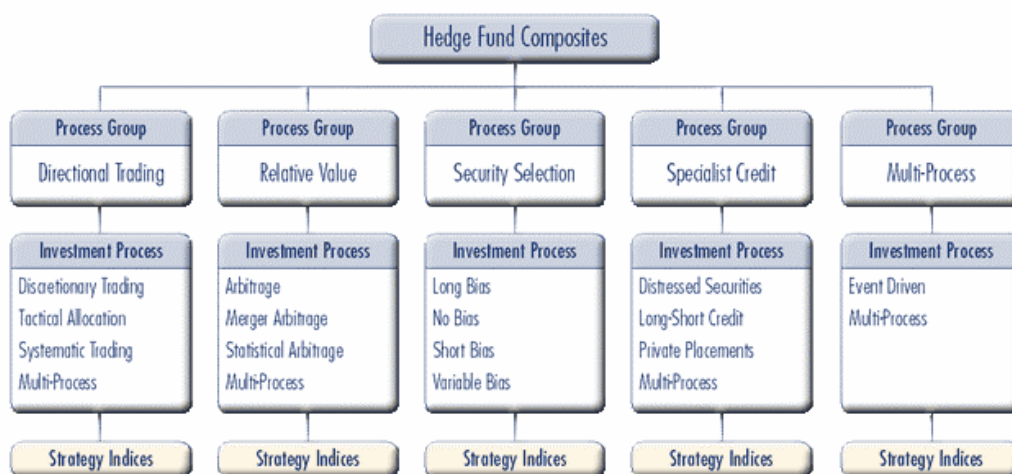
Similar to December, the best performing process group was Directional Trading, which returned 3.29% for the month of January. The primary drivers behind the performance of Directional Trading were Systematic Traders who returned 4.95% for the month. Security Selection was once again the worst performing process group but still remained in positive territory with a 0.31% return. Within Security Selection, all processes produced positive returns for the month with Long Bias returning a modest 0.05% for January. Short Bias outperformed all other Security Selection funds with a 0.90% return. Relative Value funds returned 1.47% for January mostly driven by Arbitrage at 2.29%. More specifically, Convertible Arbitrage led the way with a 3.02% return and Fixed Income Arbitrage followed behind at 1.69%. Distressed Securities, which returned 2.42% for the month, helped Specialist Credit funds become the second best performing process group for January at 2.19%.

The MSCI Hedge Fund Fixed Income Index<sup>SM</sup> which returned 1.94% in January, once again outperformed the MSCI Hedge Fund Equity Index<sup>SM</sup> which returned 0.41%. These results were consistent given the relative outperformance of Specialist Credit funds and Fixed Income Arbitrage funds over Security Selection funds. The MSCI Hedge Fund Diversified Index<sup>SM</sup>, which reflects hedge funds that invest in equity, fixed income, commodities and currencies, was the best performing asset class index returning 3.10% in January.

The MSCI Hedge Fund Developed Market Index<sup>SM</sup>, which returned 1.33%, slightly outperformed the MSCI Hedge Fund Emerging Market Index<sup>SM</sup> at 1.02%, but both outperformed their relevant equity indices. These hedge fund results were inconsistent with equity markets given that the MSCI Emerging Markets Free<sup>SM</sup>, which returned -0.57%, outperformed MSCI World Equity Index, which returned -3.12%. Hedge funds investing in Europe, which returned 1.03%, performed better than those investing in North America, which returned 0.55%.

The MSCI Hedge Fund Indices are composed of more than 160 indices. More than 1,700 hedge funds have agreed to participate in the database and there are over 1,100 hedge funds currently in the MSCI Hedge Fund Indices and Database.

**MSCI Hedge Fund Indices – Index Structure**



For further information on MSCI indices or MSCI data, visit our web site at [www.msci.com](http://www.msci.com) or contact:

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