

MSCI[®] press release

HEDGE FUND INDICES

MSCI Hedge Fund Indices – December 2003

New York, January 26, 2004 MSCI announced today its December 2003 performance figures for the MSCI Hedge Fund IndicesSM. Below is a summary of performance data for selected indices.

MSCI HEDGE FUND INDICES

	Dec-03	YTD	2002	3 Year Ann. Ret.	3 yr Std Dev.	3 yr Sharpe
MSCI Hedge Fund Composite Index - Equal WeightedSM	1.77%	14.71%	2.44%	8.01%	3.16%	1.93
MSCI Hedge Fund Composite Index - Asset WeightedSM	1.64%	13.34%	3.00%	7.19%	2.72%	1.94
Process Groups						
MSCI Directional Trading Index SM	2.79%	10.57%	10.87%	9.54%	7.38%	1.03
MSCI Relative Value Index SM	0.35%	6.66%	6.11%	6.56%	1.43%	3.25
MSCI Security Selection Index SM	1.97%	18.88%	-2.70%	6.84%	5.82%	0.85
MSCI Specialist Credit Index SM	1.88%	24.02%	4.82%	14.30%	3.97%	3.12
MSCI Multi-Process Group Index SM	2.02%	18.30%	0.91%	9.73%	4.23%	1.85
Asset Class						
MSCI Hedge Fund Equity Index SM	1.64%	15.38%	-1.50%	5.93%	4.60%	0.87
MSCI Hedge Fund Fixed Income Index SM	1.59%	16.92%	6.94%	12.47%	2.29%	4.60
MSCI Hedge Fund Diversified Index SM	2.60%	13.32%	9.10%	11.04%	5.45%	1.68
Geography						
MSCI Hedge Fund Developed Markets Index SM	1.62%	13.71%	2.29%	7.50%	3.02%	1.85
MSCI Hedge Fund Emerging Markets Index SM	3.38%	26.38%	5.38%	13.69%	6.83%	1.72
MSCI Hedge Fund Global Markets Index SM	2.39%	18.83%	2.26%	10.18%	3.87%	2.14
MSCI Hedge Fund Europe Index SM	0.12%	6.23%	-1.17%	2.42%	2.38%	0.21
MSCI Hedge Fund North America Index SM	1.57%	16.86%	-0.28%	7.50%	4.52%	1.24
MSCI Hedge Fund Japan Index SM	1.24%	18.26%	7.38%	11.45%	4.74%	2.01
Domicile						
MSCI Offshore Hedge Fund Composite Index SM	1.46%	11.85%	2.93%	7.30%	2.38%	2.26
MSCI Onshore Hedge Fund Composite Index SM	1.97%	16.36%	1.19%	7.70%	4.01%	1.44

MSCI EQUITY AND FIXED INCOME INDICES

MSCI World Equity IndexSM	6.27%	33.11%	-19.89%	-3.92%	17.70%	N/A
MSCI World Sovereign Debt IndexSM	3.91%	14.97%	19.59%	10.78%	7.82%	N/A

Data as of December 31, 2003.

All hedge fund indices listed above are equal weighted and are expressed in US dollars unless noted otherwise.

The MSCI World Equity IndexSM is measured without dividends reinvested.

The equal weighted MSCI Hedge Fund Composite IndexSM posted a 1.77% return for the month of December, underperforming both the MSCI World Equity IndexSM which gained 6.27% and the MSCI World Sovereign Debt IndexSM which rose 3.91%. The MSCI Hedge Fund Database has grown to over 1,700 hedge funds. More than 98% of the funds in the database reported performance as of December's index calculation. The MSCI Hedge Fund Indices are composed of more than 190 indices representing more than \$197 billion in assets.

On an annual basis, Specialist Credit outperformed all other investment process groups with a 1.88% return in December bringing its 2003 return to 24.02%. Security Selection followed closely adding 1.97% in December, which brings its 2003 return to 18.88%. Similar to the beginning of the year, Directional Trading ended the year well with a 2.79% return in December bringing its total return in 2003 to 10.57%. Relative Value performed modestly during 2003 adding another 0.35% in December. Although the 6.66% 2003 return for Relative Value was not impressive, its performance was still very efficient relative to other process groups. Relative Value has the lowest three-year standard deviation (1.43%) and highest Sharpe ratio (3.25) of any other investment process group. This is in contrast to the 5.82% three-year standard deviation and 0.85 Sharpe ratio of Security Selection.

Daniel P. Coker, Head of Hedge Fund Research for MSCI, points out that, "In contrast to 2002, equity and fixed income markets rewarded hedge funds investing in traditionally riskier assets such as emerging market, small cap and distressed securities." Within Specialist Credit, Distressed Securities added another 2.49% in December, ending the year with a 32.73% return. Whereas the entire Specialist Credit group performed well in 2003, returns varied dramatically within Security Selection. For example, although Long Bias added another 2.36% in December, ending the year with a 26.02% return, Short Bias was the biggest investment process decliner for the month and year with a -1.18% and -14.69% return, respectively. Similarly, within Relative Value, investment process returns varied for 2003. Although Merger Arbitrage and Statistical Arbitrage ended the year returning 5.41% and 1.14%, respectively, Convertible Arbitrage and Fixed Income Arbitrage returned 9.92% and 9.30% in 2003.

From a geographical basis, hedge funds investing in Emerging Markets outperformed those investing in Developed and Global Markets with a December return of 3.38%, bringing its 2003 total to 26.38%. This was in contrast to the 1.62% December return and 13.71% 2003 return for funds focusing on Developed Markets. Of the funds investing in Developed Markets, those investing in North America and Japan fared better than those investing in Europe. Both North America and Japan focused funds returned 16.86% and 18.26%, respectively in 2003 relative to the 6.23% return for funds investing in Europe.

Contrasting returns were also observed for Security Selection funds focusing on Small Cap companies which returned 35.49% in 2003 versus those funds focusing on Mid and Large Cap companies which returned 12.16%. This small cap outperformance is consistent with the performance of the relevant U.S. equity market indices. The MSCI U.S. Small Cap 1750 Index gained 47.38% in 2003 while the MSCI U.S. Prime Market 750 Index, comprised of mid-to-large cap stocks, gained 29.45%. The U.S. Investable Market 2500 Index returned 31.15% for 2003 and the MSCI World Equity Index returned 33.11%.

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.

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