

# MSCI<sup>®</sup> press release

## HEDGE FUND INDICES

### MSCI Hedge Fund Indices Performance – January 2004

New York, February 26, 2004. MSCI announced today its January 2004 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	1 Year	2003	3 Year Ann. Ret.	3 yr Std Dev.	3 yr Sharpe
<b>MSCI Hedge Fund Composite Index - Equal Weighted<sup>SM</sup></b>	1.58%	15.18%	14.69%	7.74%	3.08%	1.82
<b>MSCI Hedge Fund Composite Index - Asset Weighted<sup>SM</sup></b>	1.71%	13.60%	13.18%	7.04%	2.66%	1.84
<b>Process Groups</b>						
MSCI Directional Trading Index <sup>SM</sup>	0.94%	8.39%	10.57%	9.29%	7.36%	0.97
MSCI Relative Value Index <sup>SM</sup>	0.86%	6.10%	6.59%	6.42%	1.41%	3.05
MSCI Security Selection Index <sup>SM</sup>	1.97%	21.19%	18.98%	6.48%	5.72%	0.76
MSCI Specialist Credit Index <sup>SM</sup>	2.48%	24.30%	24.13%	14.25%	3.94%	3.07
MSCI Multi-Process Group Index <sup>SM</sup>	2.15%	19.24%	17.88%	9.35%	4.14%	1.74
<b>Asset Class</b>						
MSCI Hedge Fund Equity Index <sup>SM</sup>	1.72%	17.21%	15.47%	5.66%	4.57%	0.77
MSCI Hedge Fund Fixed Income Index <sup>SM</sup>	1.94%	17.03%	16.92%	12.42%	2.27%	4.52
MSCI Hedge Fund Diversified Index <sup>SM</sup>	1.38%	11.54%	13.00%	10.74%	5.42%	1.59
<b>Geography</b>						
MSCI Hedge Fund Developed Markets Index <sup>SM</sup>	1.60%	14.20%	13.68%	7.29%	2.97%	1.74
MSCI Hedge Fund Emerging Markets Index <sup>SM</sup>	1.91%	27.54%	26.31%	12.44%	6.38%	1.61
MSCI Hedge Fund Global Markets Index <sup>SM</sup>	1.18%	18.59%	18.83%	9.70%	3.74%	2.02
MSCI Hedge Fund Europe Index <sup>SM</sup>	2.18%	8.78%	6.23%	2.78%	2.59%	0.25
MSCI Hedge Fund North America Index <sup>SM</sup>	1.81%	18.13%	16.93%	7.17%	4.47%	1.13
MSCI Hedge Fund Japan Index <sup>SM</sup>	1.45%	19.26%	18.26%	12.14%	4.68%	2.14
<b>Domicile</b>						
MSCI Offshore Hedge Fund Composite Index <sup>SM</sup>	1.38%	12.21%	11.82%	7.05%	2.26%	2.17
MSCI Onshore Hedge Fund Composite Index <sup>SM</sup>	1.74%	17.02%	16.40%	7.50%	3.99%	1.35

#### MSCI EQUITY AND FIXED INCOME INDICES

<b>MSCI World Equity Index<sup>SM</sup></b>	1.60%	39.49%	33.11%	-4.02%	17.69%	N/A
<b>MSCI World Sovereign Debt Index<sup>SM</sup></b>	0.37%	13.76%	14.97%	10.95%	7.80%	N/A

Data are as of January 31, 2004. 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 1.58% return for the month of January, slightly underperforming the MSCI World Equity Index<sup>SM</sup> which gained 1.60% and outperforming the MSCI World Sovereign Debt Index<sup>SM</sup> which gained 0.37%. The MSCI Hedge Fund Database has grown to over 1,700 hedge funds. More than 99% of the funds in the database reported performance as of January's index calculation. The MSCI Hedge Fund Indices are composed of more than 190 indices representing more than \$200 billion in assets.

The two best process groups from 2003 continued to perform well in January. The best performing process group was Specialist Credit, which returned 2.48% for the month of January after gaining 24.13% in 2003. Distressed Securities was the top performing process within Specialist Credit with a 3.17% return in January and 32.69% in 2003. Long Short Credit returned 1.75% in January.

Security Selection funds which rose 18.98% in 2003, gained 1.97% in January. Long Bias, the best performing investment process within Security Selection, gained 2.45% in January and 26.40% in 2003. The worst performing Security Selection process, Short Bias, fell 1.59% in January continuing 2003's -14.69% drop. No Bias and Variable Bias gained 1.58% and 1.28%, respectively. In 2003, Security Selection Small Cap funds returned 35.40% while Security Selection Mid and Large Cap funds returned 12.19%. Security Selection Small Cap funds continued to perform well in January with a 2.92% return, outperforming Security Selection Mid and Large Cap funds by 128 basis points. 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 3.95% in January while the MSCI U.S. Prime Market 750 Index, comprised of mid-to-large cap stocks, gained 1.91%. The overall MSCI U.S. Investable Market 2500 Index rose 2.14% and the MSCI Hedge Fund Equity Index<sup>SM</sup> gained 1.72% in January.

Directional Trading gained 0.94% in January. Directional Trading funds have the highest three year standard deviation at 7.36%, mostly driven by Systematic Trading funds with a 11.83% three year standard deviation. Relative Value was the worst performing process group but still remained in positive territory with a 0.86% return. Fixed Income Arbitrage and Convertible Arbitrage returned a modest 1.06% and 0.95%, respectively. Merger Arbitrage and Statistical Arbitrage continued to underperform other investment processes in January with a 0.80% and 0.91%, respectively. In 2003, Merger Arbitrage returned 5.41% while Statistical Arbitrage returned 0.94%. Relative Value funds have continued to perform consistently with a low three year standard deviation of 1.41%, lower than any other process group. Relative Value has the three year Sharpe ratio of 3.05.

The MSCI Hedge Fund Fixed Income Index<sup>SM</sup>, which returned 1.94% in January, outperformed the MSCI Hedge Fund Equity Index<sup>SM</sup> which returned 1.72%. The MSCI Hedge Fund Developed Market Index<sup>SM</sup>, which returned 1.60%, underperformed the MSCI Hedge Fund Emerging Market Index<sup>SM</sup> at 1.91%. Hedge funds investing in Europe, which returned 2.18%, performed better than those investing in North America, which returned 1.81%.

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

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