

# MSCI<sup>®</sup> press release

## HEDGE FUND INDICES

### MSCI Hedge Fund Indices – October 2004 - Early Reporting Funds

New York, November 11, 2004. MSCI announced performance figures for early reporting funds in the MSCI Hedge Fund Composite<sup>SM</sup> and Process Group Indices<sup>SM</sup>. The performance figures for September are based on the returns of funds that have reported through November 10<sup>th</sup>, 2004. The performance figures may change significantly as returns from additional funds are received. Below is a summary of performance data for selected indices.

	Early Reports		YTD	Annual	3 yr.	%
	Oct-04	Sep-04	Oct-04	2003	Sharpe	Reporting
<b>MSCI Hedge Fund Indices<sup>SM</sup></b>						
<b>MSCI Hedge Fund Composite Index<sup>SM</sup></b>	<b>0.8%</b>	<b>1.2%</b>	<b>2.8%</b>	<b>14.7%</b>	<b>1.84</b>	<b>65%</b>
<b>Process Groups</b>						
MSCI Directional Trading Index <sup>SM</sup>	2.1%	1.3%	-0.8%	10.6%	0.60	78%
MSCI Relative Value Index <sup>SM</sup>	-0.1%	0.0%	1.5%	6.3%	2.50	66%
MSCI Security Selection Index <sup>SM</sup>	0.8%	1.8%	3.4%	19.1%	1.19	61%
MSCI Specialist Credit Index <sup>SM</sup>	1.1%	0.9%	8.6%	24.2%	2.99	61%
MSCI Multi-Process Group Index <sup>SM</sup>	1.0%	1.1%	6.0%	19.0%	1.97	59%
<b>Other Reference Indices</b>						
MSCI World Equity Index <sup>SM</sup>	<b>2.4%</b>	<b>1.9%</b>	<b>5.0%</b>	<b>33.1%</b>	<b>0.31</b>	<b>N/A</b>
MSCI World Sovereign Debt Index <sup>SM</sup>	<b>2.9%</b>	<b>1.4%</b>	<b>4.6%</b>	<b>15.0%</b>	<b>1.25</b>	<b>N/A</b>

All hedge fund indices listed above are equal weighted and are expressed in US dollars.  
The MSCI World Equity Index<sup>SM</sup> is measured with dividends reinvested.

For the month of October, the early reporting funds in the MSCI Hedge Fund Composite Index, an equal weighted index, returned 0.8% with 65% of funds reporting.

The MSCI World Equity Index<sup>SM</sup> went up by 2.4% in October while the MSCI World Sovereign Debt Index<sup>SM</sup> posted a large gain of 2.9%. The performance of the MSCI Hedge Fund Composite Index is comprised of five Process Group Indices, the MSCI Directional Trading, Relative Value, Security Selection, Specialist Credit and Multi-Process Indices<sup>SM</sup>.

These Process Group Indices are further subdivided into Investment Process Indices<sup>SM</sup>.

Below is a brief description of the performance of select MSCI Hedge Fund Indices:

The **MSCI Directional Trading Index<sup>SM</sup>** increased by 2.1% for the month of October based on 78% of funds reporting. 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.

The **MSCI Relative Value Index<sup>SM</sup>** decreased by 0.1% in October based on 66% of funds reporting. Relative Value strategies focus on spread relationships between pricing components of financial assets or commodities.

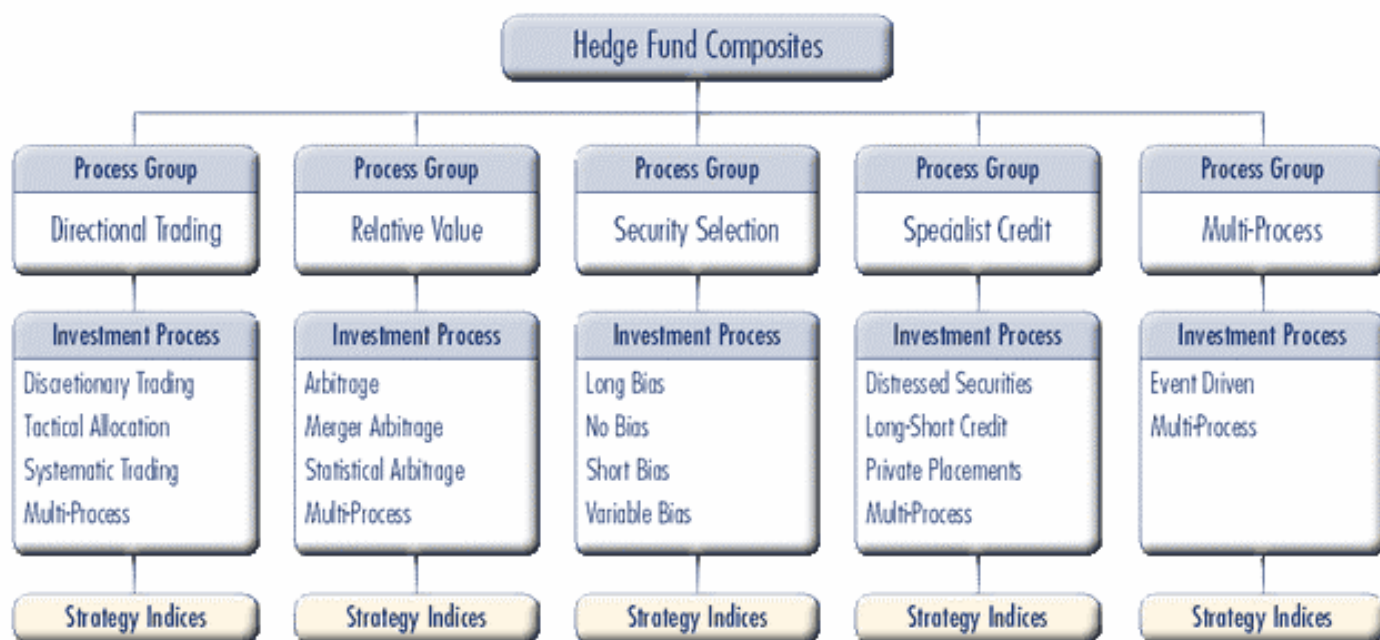
The **MSCI Security Selection Index<sup>SM</sup>** increased by 0.8% in October based on 61% of funds reporting. Security Selection managers combine long positions and short sales with the aim of benefiting from their ability in selecting investments while offsetting systematic market risks.

The **MSCI Specialist Credit Index<sup>SM</sup>** increased by 1.1% in October based on 61% of funds reporting. Specialist Credit funds seek to lend to credit-sensitive issuers.

The **MSCI Multi-Process Group Index<sup>SM</sup>** increased by 1.0% in October based on 59% of funds reporting. 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.

The MSCI Hedge Fund Database has grown to over 1,900 hedge funds. The MSCI Hedge Fund Indices are composed of more than 190 indices representing more than \$240 billion in assets.

**MSCI Hedge Fund Indices – Index Structure**



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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In June 2004, Morgan Stanley acquired Barra, a global leader in risk management technology for investment professionals. Barra's operations will be combined with MSCI to form MSCI Barra.