

MSCI[®] press release

HEDGE FUND INDICES

MSCI Hedge Fund Indices Performance – December 2004

New York, January 25, 2005. MSCI announced today its December 2004 performance figures for the MSCI Hedge Fund IndicesSM. Below is a summary of performance data for selected indices.

MSCI HEDGE FUND INDICES

	December	2004	2003	3 yr Ann. Ret.	3 yr Std Dev.	3 yr Sharpe
MSCI Hedge Fund Composite Index - Equal Weighted SM	1.27%	6.55%	14.73%	7.87%	3.35%	1.90
MSCI Hedge Fund Composite Index - Asset Weighted SM	1.37%	7.28%	13.04%	7.70%	2.92%	2.11
Process Groups						
MSCI Directional Trading Index SM	0.32%	2.81%	10.70%	8.23%	7.34%	0.91
MSCI Relative Value Index SM	0.46%	2.80%	6.30%	5.20%	1.37%	2.68
MSCI Security Selection Index SM	1.76%	7.98%	19.09%	7.80%	5.31%	1.18
MSCI Specialist Credit Index SM	2.11%	12.95%	24.07%	13.73%	4.00%	3.05
MSCI Multi-Process Group Index SM	2.14%	10.83%	18.95%	9.97%	4.08%	2.07
Asset Class						
MSCI Hedge Fund Equity Index SM	1.64%	7.45%	15.37%	6.93%	4.28%	1.27
MSCI Hedge Fund Fixed Income Index SM	1.26%	10.19%	16.66%	11.56%	2.23%	4.50
MSCI Hedge Fund Diversified Index SM	0.71%	5.54%	13.33%	9.35%	5.32%	1.47
Geography						
MSCI Hedge Fund Developed Markets Index SM	1.24%	6.25%	13.58%	7.35%	3.26%	1.79
MSCI Hedge Fund Emerging Markets Index SM	1.96%	11.58%	27.27%	14.98%	5.09%	2.64
MSCI Hedge Fund Global Markets Index SM	1.15%	6.44%	19.68%	9.09%	4.19%	1.80
MSCI Hedge Fund Europe Index SM	1.35%	5.53%	6.16%	3.52%	2.66%	0.75
MSCI Hedge Fund North America Index SM	1.64%	7.59%	16.80%	7.90%	4.21%	1.51
MSCI Hedge Fund Japan Index SM	0.96%	8.83%	16.39%	10.73%	6.55%	1.41
Domicile						
MSCI Offshore Hedge Fund Composite Index SM	1.21%	5.76%	12.33%	7.04%	2.75%	2.01
MSCI Onshore Hedge Fund Composite Index SM	1.31%	7.31%	17.14%	8.42%	4.07%	1.70
MSCI Hedge Invest Index [†]	0.74%	3.23%	8.50%	5.65%	2.79%	1.48

MSCI EQUITY AND FIXED INCOME INDICES

MSCI World Equity Index SM	3.82%	14.72%	33.11%	6.95%	14.95%	0.36
MSCI World Sovereign Debt Index SM	1.66%	10.17%	14.97%	14.84%	7.60%	1.75

Data is as of December 31, 2004. All hedge fund indices listed above are equal weighted unless noted otherwise.

† MSCI Hedge Invest Index: MTD returns are based upon performance from the last Tuesday in previous month until the last Tuesday in reported month. 2004 returns are from December 30, 2003 through December 28, 2004. Pro forma historical performance data for the period before July 15, 2003, relies on significant assumptions, and is provided for illustration purposes only. As with all historical performance data, it may not be used to predict future characteristics or performance of the index or relied on in making any investment decisions.

Hedge funds ended 2004 up 6.55% for the year according to the MSCI Hedge Fund Composite IndexSM, an equal weighted index. Both equities and fixed income outpaced hedge funds with the MSCI World Equity IndexSM up 14.72% and the MSCI World Sovereign Debt IndexSM was up 10.17%. The MSCI Hedge Fund Database has grown to over 2,000 hedge funds and more than 190 indices representing more than \$260 billion in assets. Over 98% of the funds in the database reported performance as of December's index calculation.

Since March 2004 larger funds have been outperforming smaller funds, a reversal of a long term phenomenon in hedge funds where smaller funds have out paced larger funds for many years. The MSCI Asset Weighted Hedge Fund Composite gained 7.28% relative to the equal weighted composites 6.55% in 2004. One reason for the outperformance of the asset weighted index is the outperformance of specialist credit funds, which tend to be larger, and the underperformance of directional trading funds, which tend to be smaller.

The MSCI Specialist Credit IndexSM and the MSCI Multi Process Group Index were on top in 2004. Specialist Credit gained 12.95% driven by 19.12% gain in the distressed securities investment process. Multi-process gained 2.14% in December to bring its 200 4 gain to 10.83%. The event driven investment process was the driver for this process group with a 14.73% gain.

By geography, emerging markets funds outperformed in 2004 gaining 11.58% according to the MSCI Hedge Fund Emerging Markets IndexSM. Funds focusing on Europe fell behind the other geographic regions gaining 5.53%. MSCI hedge fund indices are currency hedged for better peer group comparison.

Below is a brief description of the MSCI Hedge Fund Process Groups:

The **MSCI Directional Trading IndexSM** - 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 IndexSM** - Relative Value strategies focus on spread relationships between pricing components of financial assets or commodities.

The **MSCI Security Selection IndexSM** - 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 IndexSM** - Specialist Credit funds seek to lend to credit-sensitive issuers.

The **MSCI Multi-Process Group IndexSM** - Multi-Process Group comprises funds that practice a strategy whereby a single investment process does not account for more than 80% of their risk capital.

For further information on MSCI indices or MSCI data, please visit our web site at 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.