

---

## **MSCI Barra Announces Decision to Enhance the Existing MSCI Standard and Small Cap Equity Indices**

### ***Consultation on transition to be conducted.***

**Geneva - October 17, 2006** - MSCI Barra, the leading provider of benchmark indices and risk management analytics products, announced today that it has decided to enhance the existing MSCI Standard and Small Cap Equity Indices to provide even broader and more exhaustive coverage and appropriate size segmentation of international equity markets. This decision follows positive feedback from the investment community worldwide during MSCI Barra's recent consultation on enhancing its existing families of international equity indices.

MSCI Barra also announced that, on or before November 17, 2006, it will make public the details of an updated and revised methodology proposal, and begin a consultation with market participants on an appropriate transition of the existing indices to the enhanced methodology. The revised methodology proposal takes into account the valuable and comprehensive feedback that MSCI Barra received from the investment community globally. The finalized enhanced methodology and the details of the implementation of the transition will be announced on or before March 31, 2007.

#### **Enhancements to the MSCI Standard Indices**

The proposed enhancements will allow the MSCI benchmark indices to continue to reflect the changing nature of international equity markets and the evolution of investment processes globally, while maintaining longstanding MSCI Standard Index characteristics of investability, representation, and index stability.

- The enhanced Standard Indices will exhaustively cover the large- and mid-cap segments of the investable universe by targeting a market coverage band around 85% of the free float-adjusted market capitalization in each market and at the same time targeting companies with comparable market capitalizations.
- The enhanced index methodology strives to achieve a balance between appropriate market representation in size segment composites and reasonable size integrity across countries.
- The enhanced methodology will also incorporate innovative index management features to achieve index stability and control ongoing turnover while still reflecting structural changes occurring in the equity markets in a timely manner.

#### **Enhancements to the MSCI Small Cap Indices**

- The enhanced Small Cap Indices will exhaustively cover the small-cap segment of the investable universe by targeting for inclusion all companies with a market capitalization below that of the companies in the enhanced Standard Indices, described above, and within the top 99% of the investable universe in each market.
- Small Cap Indices will now be available for Emerging Markets in addition to Developed Markets.
- Value and growth indices will also become available for the small-cap size segment.

## Introducing an Integrated Index Family

- The enhanced Standard and Small Cap Indices will be combined to create an investable market index in each market to provide very broad and exhaustive coverage of the large-cap, mid-cap, and small-cap companies in the investable universe.
- Further size segmentation of the Standard Indices into large- and mid-cap composites will also be offered.
- The enhancements to the Standard and the Small Cap Indices and the creation of the investable market indices and other size and style segments will result in an integrated investable market index family.
- This integrated investable index family is expected to aid the international investment process by assisting in global asset allocation, mandate attribution, portfolio construction, and performance evaluation of portfolios diversified across geographies and size and style segments.

## Proposed Enhancements Build on Attractive Features of the Existing Indices

The enhanced indices will retain attractive features of the existing Standard Indices. In particular, the enhanced indices will continue to feature:

- A building block approach to allow the creation and calculation of meaningful composites.
- Sector indices using the Global Industry Classification Standard (GICS).
- Value and growth indices using the existing MSCI Value and Growth methodology.
- The use of minimum free float requirements for eligibility and free float weighting to appropriately depict the size of each investment opportunity and facilitate replicability of the indices.
- The use of market-specific liquidity requirements designed to achieve adequate liquidity of index constituents.
- Timely and consistent treatment of corporate events and synchronized rebalancings, globally.

Further information on the MSCI International Equity Indices can be found on [www.msclubarra.com](http://www.msclubarra.com).

###

## About MSCI Barra

MSCI Barra develops and maintains equity, fixed income, multi-asset class, REIT and hedge fund indices that serve as benchmarks for an estimated USD 3 trillion on a worldwide basis. MSCI Barra's risk models and analytics products help the world's largest investors analyze, measure and manage portfolio and firm-wide investment risk. MSCI Barra is headquartered in New York, with research and commercial offices around the world. Morgan Stanley, a global financial services firm and a market leader in securities, asset management, and credit services, is the majority shareholder of MSCI Barra, and Capital Group International, Inc. is the minority shareholder.

For further information on MSCI Barra, please visit our web site at [www.msclubarra.com](http://www.msclubarra.com)

### For media enquiries please contact:

Ben Curson | Clare Rowsell, Penrose Financial, London

+ 44.20.7786.4888

Ann Taylor Reed | Mary Beth Grover, Abernathy MacGregor, New York

+ 1.212.371.5999

**MSCI Barra Global Client Service:**

Aatish Suchak, MSCI Barra, London	+ 44.20.7618.2222
Cecile Distel, MSCI Barra, New York	+ 1.212.762.5790
Jackson Wang, MSCI Barra, San Francisco	+ 1.415.576.2323
Susanna Wu, MSCI Barra, Hong Kong	+ 852.2848.6740
Pavithra Ramasubban, MSCI Barra, Sydney	+ 61.2.9220.9333
Masao Ikeda, MSCI Barra, Tokyo	+ 813.5424.5470

The information contained in this document, including all text, data, graphs, charts and all other information (collectively, the "Information") is the property of Morgan Stanley Capital International Inc. (MSCI) and is provided for informational purposes only. Any use of MSCI indices, data or other information requires a license from MSCI. The Information may not be used to verify or correct other data, to create indices, or in connection with offering, sponsoring, managing or marketing any securities, portfolios, financial instruments or products. None of the Information constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy, and MSCI does not endorse, approve or otherwise express any opinion regarding any issuer, securities, financial instruments or products or trading strategies that may be described or mentioned herein. Further, none of the Information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. The user of the Information assumes the entire risk of any use it may make or permit to be made of it. NEITHER MSCI, ANY OF ITS AFFILIATES OR ANY OTHER THIRD PARTY INVOLVED IN MAKING OR COMPILING ANY OF THE INFORMATION MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND MSCI, ITS AFFILIATES AND EACH SUCH OTHER THIRD PARTY HEREBY EXPRESSLY DISCLAIM ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any other third party involved in making or compiling any of the Information have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Morgan Stanley Capital International, MSCI, ACWI, EAFE, Barra, MSCI Barra and all other service marks referred to herein are the exclusive property of MSCI or its affiliates, except as provided below. All MSCI indices are the exclusive property of MSCI and may not be used in any way without the express written permission of MSCI. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and Standard & Poor's.