

## MSCI Hedge Fund Indices Performance

September 2006

**New York** - October 24, 2006 - MSCI Barra, a leading provider of benchmark indices and risk management analytics products, announced today its September performance figures for the MSCI Hedge Fund Indices. Below is a summary of performance data for selected indices.

MSCI HEDGE FUND INDICES						
	September	YTD	1 Year	3 yr Ann. Ret.	3 yr Std Dev.	3 yr Sharpe
<b>MSCI Hedge Fund Composite Index<sup>SM</sup></b>	<b>0.01%</b>	<b>5.97%</b>	<b>8.34%</b>	<b>8.64%</b>	<b>4.07%</b>	<b>1.37</b>
<b>MSCI Hedge Fund Composite Index - Asset Weighted<sup>SI</sup></b>	<b>0.02%</b>	<b>5.93%</b>	<b>7.86%</b>	<b>8.47%</b>	<b>3.74%</b>	<b>1.44</b>
<b>Process Groups</b>						
MSCI Directional Trading Index <sup>SM</sup>	-0.46%	3.03%	6.47%	5.78%	5.60%	0.48
MSCI Relative Value Index <sup>SM</sup>	0.48%	7.30%	8.36%	4.88%	1.56%	1.16
MSCI Security Selection Index <sup>SM</sup>	0.24%	6.49%	9.18%	10.73%	5.55%	1.38
MSCI Specialist Credit Index <sup>SM</sup>	-0.08%	7.63%	8.89%	11.50%	2.67%	3.16
MSCI Multi-Process Group Index <sup>SM</sup>	-0.68%	6.10%	7.99%	9.81%	3.84%	1.75
<b>Geography</b>						
MSCI Hedge Fund Developed Markets Index <sup>SM</sup>	0.07%	5.51%	7.72%	7.99%	3.86%	1.28
MSCI Hedge Fund Emerging Markets Index <sup>SM</sup>	0.21%	8.50%	11.19%	14.19%	5.97%	1.86
MSCI Hedge Fund Global Markets Index <sup>SM</sup>	-0.53%	8.06%	11.42%	10.78%	5.50%	1.40
MSCI Hedge Fund Europe Index <sup>SM</sup>	0.79%	7.82%	10.32%	9.41%	4.04%	1.57
MSCI Hedge Fund North America Index <sup>SM</sup>	0.12%	6.50%	7.73%	8.68%	4.07%	1.38
MSCI Hedge Fund Japan Index <sup>SM</sup>	-0.38%	-5.23%	4.46%	10.24%	7.86%	0.91
<b>Size</b>						
MSCI Hedge Fund Core Fund Composite Index <sup>SM</sup>	0.03%	6.08%	8.53%	8.68%	3.80%	1.47
MSCI Hedge Fund Small Fund Composite Index <sup>SM</sup>	0.03%	5.80%	8.09%	8.44%	4.29%	1.25
<b>MSCI Hedge Invest Index<sup>†</sup></b>	<b>0.18%</b>	<b>3.30%</b>	<b>5.50%</b>	<b>4.77%</b>	<b>3.04%</b>	<b>0.56</b>
<b>MSCI EQUITY AND FIXED INCOME INDICES</b>						
<b>MSCI World Equity Index<sup>SM</sup></b>	<b>1.19%</b>	<b>10.79%</b>	<b>14.18%</b>	<b>16.72%</b>	<b>8.57%</b>	<b>1.61</b>
<b>MSCI World Sovereign Debt Index<sup>SM</sup></b>	<b>-0.24%</b>	<b>4.35%</b>	<b>2.32%</b>	<b>4.01%</b>	<b>6.05%</b>	<b>0.16</b>

Data is as of September 30, 2006. All hedge fund indices listed above are equal weighted unless noted otherwise.

<sup>†</sup> MSCI Hedge Invest Index: Monthly returns are based upon performance from the last Tuesday in previous month until the last Tuesday in reported month. 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.

For the month of September, the MSCI Hedge Fund Composite Index<sup>SM</sup>, an equal weighted index, gained 0.01%. The MSCI World Equity Index<sup>SM</sup> gained 1.19% and the MSCI World Sovereign Debt Index<sup>SM</sup> declined 0.24%. The MSCI Hedge Fund Database has grown to over 2,900 hedge funds and more than 190 indices representing over \$300 billion in assets. More than 95% of the funds in the database reported performance as of this index calculation.

Among the process groups, the MSCI Relative Value Index<sup>SM</sup> performed the best by gaining 0.48%, followed by the MSCI Security Selection Index<sup>SM</sup> which gained 0.24%. The MSCI Multi-Process Group Index<sup>SM</sup> posted the lowest return declining by 0.68%.

For September under the MSCI Directional Trading Index<sup>SM</sup>, Discretionary Trading funds lost 0.07% and Systematic Trading funds lost 0.81%. Within the MSCI Relative Value Index<sup>SM</sup> Merger Arbitrage funds posted the highest return for the month by gaining 0.74% while Multi-Process (RV) funds posted the lowest return for the month declining by 0.01%.

Under the MSCI Security Selection Index<sup>SM</sup>, Long Bias funds posted the highest return for the month by gaining 0.36%. Short Bias funds posted the lowest return for the month declining by 1.33%. Within the MSCI Specialist Credit Index<sup>SM</sup>, Long-Short Credit funds underperformed Distressed Securities funds with returns of -0.45% and 0.31% respectively.

Among geographic areas (Developed Markets, Emerging Markets & Global Markets), the MSCI Hedge Fund Emerging Markets Index<sup>SM</sup> posted the highest return for the month gaining 0.21%, while the MSCI Hedge Fund Global Markets Index<sup>SM</sup> posted the lowest return declining by 0.53%. Note: MSCI Hedge Fund indices are hedged to remove the effect of currency on fund performance.

In terms of hedge fund size, the MSCI Hedge Fund Relative Value, Small Funds Index<sup>SM 1</sup> posted the highest return for the month by gaining 0.59% with 3 year Sharpe Ratio of 0.99, while the MSCI Hedge Fund Multi-Process Group, Core Index<sup>SM 2</sup> posted the lowest return of the month declining by 1.48% with 3 year Sharpe Ratio of 1.53.

In terms of risk-adjusted returns, the MSCI Hedge Fund Specialist Credit, Core Funds Index<sup>SM</sup> had the highest 3 year Sharpe Ratio of 3.58 with 0.33% return of the month, while the MSCI Hedge Fund Directional Trading, Core Funds Index<sup>SM</sup> had the lowest 3 year Sharpe Ratio of 0.42 with -0.22% return of the month.

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

The **MSCI Directional Trading Index<sup>SM</sup>** - 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>** - Relative Value strategies focus on spread relationships between pricing components of financial assets or commodities.

The **MSCI Security Selection Index<sup>SM</sup>** - 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>** - Specialist Credit funds seek to lend to credit-sensitive issuers.

The **MSCI Multi-Process Group Index<sup>SM</sup>** - 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.

<sup>1</sup>Small Fund Composite Index comprises funds with assets greater than \$15mm, but less than \$100mm.

<sup>2</sup>Core Fund Composite Index comprises funds with assets greater than \$100mm.

###

**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.msribarra.com](http://www.msribarra.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:**

Cecile Distel, MSCI Barra, New York	+ 1.212.762.5790
Aatish Suchak, MSCI Barra, London	+ 44.20.7618.2222
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.