

## MSCI Hedge Fund Indices Performance

May 2007

**New York - July 2, 2007** - MSCI Barra, a leading provider of benchmark indices and risk management analytics products, announced today its May performance figures for the MSCI Hedge Fund Indices. Below is a summary of performance data for selected indices.

<b>MSCI HEDGE FUND INDICES</b>						
	<b>May</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 yr Ann. Ret.</b>	<b>3 yr Std Dev.</b>	<b>3 yr Sharpe</b>
<b>MSCI Hedge Fund Composite Index</b>	<b>1.99%</b>	<b>6.17%</b>	<b>11.65%</b>	<b>10.39%</b>	<b>3.86%</b>	<b>1.65</b>
<b>MSCI Hedge Fund Composite Index - Asset Weighted</b>	<b>2.07%</b>	<b>6.69%</b>	<b>12.76%</b>	<b>10.49%</b>	<b>3.61%</b>	<b>1.79</b>
<b>Process Groups</b>						
MSCI Directional Trading Index	1.68%	3.00%	5.49%	7.13%	4.94%	0.63
MSCI Relative Value Index	0.95%	4.31%	9.20%	6.13%	1.60%	1.31
MSCI Security Selection Index	2.51%	7.81%	14.77%	12.93%	5.34%	1.67
MSCI Specialist Credit Index	1.59%	6.79%	12.92%	12.00%	2.27%	3.51
MSCI Multi-Process Group Index	2.16%	8.26%	14.26%	12.06%	3.58%	2.24
<b>Geography</b>						
MSCI Hedge Fund Developed Markets Index	1.79%	5.52%	10.13%	9.33%	3.63%	1.46
MSCI Hedge Fund Emerging Markets Index	2.78%	8.19%	18.41%	16.65%	5.70%	2.21
MSCI Hedge Fund Global Markets Index	2.65%	8.89%	17.16%	14.43%	5.28%	1.97
MSCI Hedge Fund Europe Index	1.45%	6.78%	14.08%	12.07%	3.91%	2.06
MSCI Hedge Fund North America Index	1.93%	6.30%	11.61%	9.93%	3.83%	1.54
MSCI Hedge Fund Japan Index	2.25%	2.92%	2.09%	6.60%	6.35%	0.40
<b>Size</b>						
MSCI Hedge Fund Core Fund Composite Index	2.07%	6.58%	12.37%	10.80%	3.67%	1.84
MSCI Hedge Fund Small Fund Composite Index	1.91%	5.72%	10.83%	9.91%	4.04%	1.45
<b>MSCI Hedge Invest Index<sup>†</sup></b>	<b>1.12%</b>	<b>4.43%</b>	<b>8.02%</b>	<b>6.38%</b>	<b>3.00%</b>	<b>0.78</b>
<b>MSCI EQUITY AND FIXED INCOME INDICES</b>						
<b>MSCI World Equity Index</b>	<b>2.80%</b>	<b>10.02%</b>	<b>24.51%</b>	<b>17.82%</b>	<b>7.75%</b>	<b>1.78</b>
<b>MSCI World Sovereign Debt Index</b>	<b>-2.09%</b>	<b>0.01%</b>	<b>2.32%</b>	<b>3.47%</b>	<b>5.64%</b>	<b>-0.10</b>

Data is as of May 31, 2007. 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. 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.

From May 2007, MSCI Barra will replace the MSCI Hedge Fund Short Bias Index with an indicative MSCI Hedge Fund Short Bias Index since the number of eligible funds, i.e. those with AUM above USD 15 million, for index production has fallen below the required index threshold of 8 funds. The indicative MSCI Hedge Fund Short Bias Index includes all short bias funds regardless of their level of assets under management. As a reminder the MSCI Broad Hedge Fund Index family aims to include all funds in excess of USD 15 million.

For the month of May, the MSCI Hedge Fund Composite Index, an equal weighted index, gained 1.99%. The MSCI World Equity Index gained 2.80% and the MSCI World Sovereign Debt Index declined 2.09%. The MSCI Hedge Fund Database has grown to over 3,000 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 Security Selection Index performed the best by gaining 2.51%, followed by the MSCI Multi-Process Group Index which gained 2.16%. The MSCI Relative Value Index posted the lowest return gaining 0.95%.

For May under the MSCI Directional Trading Index, Discretionary Trading funds gained 1.30% and Systematic Trading funds gained 2.05%. Within the MSCI Relative Value Index Merger Arbitrage funds posted the highest return for the month by gaining 1.85% while Multi-Process (RV) funds posted the lowest return for the month gaining 0.57%.

Under the MSCI Security Selection Index, Long Bias funds posted the highest return for the month by gaining 2.92%. Short Bias indicative of all fund sizes funds posted the lowest return for the month declining by 1.60%. Within the MSCI Specialist Credit Index, Long-Short Credit funds underperformed Distressed Securities funds with returns of 1.09% and 2.01% respectively.

Among geographic areas (Developed Markets, Emerging Markets & Global Markets), the MSCI Hedge Fund Emerging Markets Index posted the highest return for the month gaining 2.78%, while the MSCI Hedge Fund Developed Markets Index posted the lowest return gaining 1.79%. Note: MSCI Hedge Fund indices are hedged to remove the effect of currency on fund performance.

In terms of hedge fund size, the MSCI Security Selection, Core Funds Index<sup>1</sup> posted the highest return for the month by gaining 2.57%, while the MSCI Relative Value, Core Funds Index posted the lowest return of the month by gaining 0.83%.

In terms of risk-adjusted returns, the MSCI Hedge Fund Special Credit, Core Funds Index had the highest 3 year Sharpe Ratio of 3.97 with a return of 1.80% for the month, while the MSCI Hedge Fund Short Bias, All Fund Sizes Indicative Index<sup>2</sup> had the lowest 3 year Sharpe Ratio of -0.78 with a return of -1.6% for the month.

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

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

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

The **MSCI Multi-Process Group Index** - 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>Core Fund Composite Index comprises funds with assets greater than \$100mm.

<sup>2</sup>Short Bias of all Fund Sizes Indicative Index includes all short bias funds regardless of their level of asset under management.

## About MSCI Barra

MSCI Barra develops and maintains equity, hedge fund and REIT 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.

MSCI Barra was recently voted "Index Provider of the Year" at the 2007 Global Pensions Magazine Awards.

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

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