INSIGHTS

A LOOK AT GLOBAL MARKETS THROUGH THE LENS OF MSCI

MARCH 2015

MSCI

FEATURED ARTICLE:

US Market Brief

Market Rebounds in February as Risk Appetite Returns

CONTENTS

MSCI INDEX PERFORMANCE

Month Ending February 27, 2015		Performance: 1 Month % Change	3 Months % Change	6 Months % Change	9 Months % Change	YTD % Change	1 Year % Change	5 Years % Change
GLOBAL	MSCI ACWI	5.397	1.562	0.214	2.595	3.681	5.448	8.359
	MSCI ACWI ex USA	5.193	1.080	-4.515	-3.922	4.974	-1.631	3.701
	MSCI ACWI IMI	5.434	1.901	0.135	2.549	3.732	4.877	8.680
	MSCI World	5.682	1.918	1.382	3.363	3.696	5.817	9.361
	MSCI EAFE	5.809	2.529	-1.993	-3.596	6.275	-2.563	4.726
	MSCI Emerging Markets (EM)	2.981	-1.437	-8.972	-3.641	3.552	2.468	1.135
	MSCI World ESG	5.143	1.644	0.763	2.781	3.365	5.247	9.024
	MSCI Frontier Markets (FM)	2.882	-5.354	-13.429	-13.297	-1.318	-2.178	3.055
ASIA PACIFIC	MSCI Kokusai (World ex JP)	5.650	1.491	1.121	2.966	3.278	5.706	9.870
	MSCI Pacific	5.296	4.778	-0.607	2.677	6.849	4.223	4.123
	MSCI AC Asia ex Japan	1.821	1.946	-2.164	3.416	4.343	8.782	5.177
	MSCI Emerging Markets Asia	2.337	2.546	-2.039	3.949	4.762	9.448	4.921
	MSCI China	3.240	6.786	5.426	15.487	5.576	15.391	2.875
	MSCI Japan	6.038	6.849	4.350	7.934	8.511	7.070	4.514
	MSCI Australia	6.860	2.366	-11.700	-9.293	4.962	-4.035	1.990
	MSCI Emerging Markets Far East	2.403	2.453	-3.145	2.665	4.146	6.717	5.135
EMEA	MSCI Europe	6.128	1.449	-2.712	-6.565	6.050	-5.777	5.153
	MSCI Europe IMI	6.368	1.967	-2.477	-6.553	6.182	-6.101	5.696
	MSCI Europe ex UK	6.249	1.287	-1.273	-6.388	6.691	-5.551	5.008
	MSCI EMU	6.596	1.150	-1.607	-7.790	6.668	-6.631	3.375
	MSCI EM EMEA	4.749	-5.696	-12.606	-14.362	4.887	-9.160	-1.886
	MSCI Switzerland	4.563	0.344	0.175	-2.265	5.262	-1.522	8.660
	MSCI United Kingdom IMI	6.380	2.628	-4.878	-6.310	4.955	-6.571	6.419
	MSCI AC Europe	6.239	0.965	-3.477	-7.418	6.038	-6.469	4.622
AMERICAS	MSCI North America	5.603	1.536	3.619	8.246	2.138	11.817	12.888
	MSCI EM Latin America	3.858	-11.782	-27.555	-18.148	-2.700	-9.749	-7.424
	MSCI BRAZIL	2.234	-15.385	-35.030	-23.094	-4.534	-14.366	-12.285
	MSCI CANADA	5.827	-5.325	-14.444	-7.879	-3.207	-3.569	1.903
	MSCI MEXICO	7.325	-6.927	-15.497	-7.476	0.861	0.621	4.695
	MSCI USA ALL CAP	5.632	2.388	4.916	9.402	2.608	11.942	14.130
	MSCI US REIT INDEX	-3.783	3.890	8.519	12.073	2.584	18.001	13.370
	MSCI USA	5.589	2.014	5.051	9.486	2.503	12.985	13.868
FACTOR	MSCI ACWI Minimum Volatility	2.556	3.275	5.249	8.985	3.971	12.567	9.909
	MSCI ACWI Risk Weighted	4.066	1.473	-1.249	1.400	3.551	5.520	7.766
	MSCI ACWI Value Weighted	5.898	0.930	-2.519	-0.848	3.354	2.275	6.787
	MSCI World Minimum Volatility	2.817	3.629	5.903	9.101	4.217	12.740	9.971
	MSCI World Risk Weighted	4.684	2.970	1.707	3.694	4.057	6.682	9.388
	MSCI World Value Weighted	6.196	1.466	-0.840	0.327	3.383	2.931	7.965
	MSCI USA Minimum Volatility	3.451	2.736	9.407	12.949	2.841	16.138	13.828
	MSCI USA Value Weighted	5.734	1.419	3.076	7.212	1.349	11.722	13.838

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INTERVIEW

An Interview with Chris Corrado,
MSCI Chief Information Officer

As Chief Information Officer at MSCI, Chris Corrado is responsible for technology, data content services and the firm's project management office with over 1500 employees.

Prior to joining MSCI, Chris was Managing Director and Head of Platform Services at UBS where he oversaw technical infrastructure, global production services, application platform development services and IT services.

Chris started his career at IBM before joining Morgan Stanley where he spent over 12 years in a number of senior technology positions including CIO for Europe and Asia. He subsequently held CTO positions at Deutsche Bank and Merrill Lynch and CIO/CTO positions at Asurion, a technology insurance company as well as at eBay and AT&T Wireless. He was recently awarded Institutional Investors 2014 Top Tech 50.

Q: WHAT IS YOUR ROLE AT MSCI?

CHRIS: My job at MSCI is simple. MSCI is a great company that creates fantastic content. It's technology's job to make it easy for our clients to do business with us. Our goal is to focus on providing the underlying technology behind our products and services that enable our clients to use this content in whatever form they want. To do this we are focused on operational excellence in our systems, data, applications, and program management to insure we deliver the highest quality client experience.

Q: HOW ARE YOU DOING THIS? WHAT DOES THE TERM RASF STAND FOR?

CHRIS: I learned early in my career that there are four key things you need to worry about if you want a career in IT in the financial services industry. RASF is an acronym for those four things. It stands for Reliability, Availability, Scalability and Flexibility. These are simple words but very hard to do well. We serve many of the largest financial services and investment managers in the world. Our clients rely upon us. The content we provide - data, analytics, and software is embedded into their investment process. We are running literally millions of portfolios through our systems each day and calculating thousands of indexes. On a daily basis we process over 400 billion calculations! And that number continues to rise.

To meet this load our systems must be reliable. They must be available when our clients want to use them. They must be able to scale around peak hours and they must be flexible as our clients continue to use our models and services in creative ways.

As I said earlier these are simple words but hard to do well. That's why I am a big fan of metrics – specifically dashboards and scorecards. This is how we measure ourselves against RASF. A dashboard tells you how you're doing – like looking at a speedometer in a race car. A scorecard tells you if you're winning and are going to cross the finish line first. We obsess about measuring ourselves and are focused on continual improvement and learning to raise the level of quality and predictability.

Q: MSCI HAS BEEN INVESTING HEAVILY IN TECHNOLOGY AND PEOPLE. CAN YOU PROVIDE AN UPDATE?

CHRIS: Let me first touch on the technology front. We are in year two of a four year program to modernize and expand our growth and elastic capacity. As the needs of our clients continue to evolve we need to be ready.

Today we have two datacenters – one in Geneva and one in Nevada. Both are located in state of the art hosted facilities. In fact, in Nevada we are at SWITCH, the only Tier 4 certified co-location provider on the planet. At both facilities we have already completed and modernized our core networks and are in the process of expanding capacity. When we are done we will have essentially doubled our capacity with the ability to grow elastically globally.

On the people front, we have continued to build out our team by hiring some of the brightest people in the industry. Over the last year we have been fortunate enough to attract seasoned leaders from Google, Barclays, UBS, and JP Morgan to bring fresh perspectives and thinking to the business.

WE OBSESS ABOUT MEASURING OURSELVES AND ARE FOCUSED ON CONTINUAL IMPROVEMENT

Q: WHAT KEEPS YOU UP AT NIGHT?

CHRIS: In this day and age, IT Security is always a number one concern. Having worked in a number of large global banks I know firsthand what it takes to keep your technology secure. That's why we have hired some of the best and most talented IT Security professionals. We are constantly evaluating the robustness of our information security measures via an iterative approach to test and improve our security controls and procedures.

Q: WHAT ARE YOUR PLANS AND VISION FOR THE FUTURE?

CHRIS: MSCI is far more than what many think of us as- an index firm. Through a series of acquisitions since 2004, including Barra, RiskMetrics, IPD Group and InvestorForce, MSCI has transformed into a broad- based provider of performance and risk management tools. We believe we are in a unique position to be at the center of the investment process and are focused on creating an integrated platform for risk and portfolio management that will unify all of our unique product and content offerings. This new platform we are envisioning will be able to support innovation by developers and ultimately allow the client to perform their own analytics.

GLOBAL MACROECONOMIC RISK AND ASSET ALLOCATION

LOW INFLATION IN THE US: CONTINUATION OF SLOW GROWTH AND LOW RATES

While the U.S. economy has shown signs of improvement over the past year, the MSCI Macroeconomic Model indicates the pace of growth remains uncertain. In turn, high equity risk premia and low bond yields — driven by slow growth and low inflation — are likely to persist.

However, a faster recovery to pre-2008 crisis trend growth in the U.S. could improve global growth and global equities. Combined with moderately higher inflation, a swifter U.S. recovery could also hasten the timing of the Federal Reserve's expected move to hike interest rates (see first box, page 11).

The MSCI Macroeconomic Model projects the U.S. economy will grow at a 2.8% clip over the next year (Exhibit 1). Although solid, that growth rate is still below the pre-crisis trend.

Several balancing factors could be at work. Consistent with the monthly indicators of Exhibit 2, U.S. industrial production was surprisingly strong during the last three months, driving the annual change, from 2014, to 94bps and above the long-term average of 74bps. U.S. retail sales increased significantly over the past year by 58bps, still slightly below the long-term average annual change of 76bps, but indicating a pick-up in consumption.

EXHIBIT 1: Economic Growth and Inflation Projected to Remain Well Below Pre-Crisis Trend

As of March 1, 2015			Global	DM	EM	US	UK	Eurozone	China	Russia	Switzerland
GDP	Long-Term Trend Through 2007		4.5	3.2	7.8	3.4	2.8	2.8	9.5	6.9	1.8
	Last Four Quarters		2.7	1.7	4.9	2.7	2.9	0.7	7.1	0.0	2.0
	MSCI Year-Ahead Projections as of February 2015	Baseline	3.0	2.0	4.9	2.8	3.2	1.1	7.9	-1.0	1.5
		Low	1.3	0.4	2.6	1.4	1.7	-0.5	6.1	-4.0	0.1
		High	4.8	3.6	7.2	4.2	4.7	2.9	9.7	2.1	2.9
	MSCI 3 Years Out Projections as of February 2015	Baseline	2.9	1.7	5.6	2.5	2.0	1.1	8.5	0.0	1.6
		Low	0.9	-0.2	3.1	0.9	0.1	-1.0	6.6	-3.4	0.1
		High	4.9	3.6	8.1	4.1	3.8	3.2	10.5	3.2	3.0
INFLATION	Long-Term Trend Through 2007		3.4	3.4	4.1	4.0	2.7	3.1	0.4	13.1	0.7
	Last Four Quarters		2.0	1.2	3.5	1.7	0.9	-0.1	2.1	6.2	-0.2
	MSCI Year-Ahead Projections as of February 2015	Baseline	1.7	1.0	4.3	1.5	1.9	0.1	2.1	10.8	-0.2
		Low	1.0	0.3	3.1	1.2	0.0	-0.8	1.9	8.6	-0.3
		High	2.4	1.8	5.6	1.8	3.7	1.0	2.4	13.3	-0.1
	MSCI 3 Years Out Projections as of February 2015	Baseline	1.9	1.3	4.4	1.7	2.3	0.6	2.9	8.4	0.0
		Low	0.8	0.2	2.2	1.1	-0.8	-0.7	1.3	6.0	-1.1
		High	3.0	2.3	6.6	2.2	5.3	1.8	4.6	11.0	1.0
TERM SPREAD	Current		1.0	1.1	0.3	1.8	1.1	0.7			0.7
	MSCI Year-Ahead Projections as of February 2015	Baseline	1.1	1.2	0.5	1.8	1.0	0.9			0.8
		Low	0.7	0.7	0.2	1.2	0.5	0.4			0.5
		High	1.5	1.6	0.9	2.2	1.5	1.4			1.1
	MSCI 3 Years Out Projections as of February 2015	Baseline	1.2	1.2	0.7	1.9	0.9	0.9			0.9
		Low	0.5	0.6	0.3	1.1	0.2	0.1			0.6
		High	1.7	1.8	1.2	2.5	1.7	1.5			1.2

This Exhibit shows Baseline, Low, and High projections for real GDP growth, inflation, and term spread (10 year minus 3 month) for selected regions and countries from the MSCI Macroeconomic Model. Low and High projections are the 30th and 70th percentiles. All rates are annualized percentage rates. The model Baseline projections are consistent with the continuation of global macroeconomic uncertainty. This scenario is consistent with the persistence of low global bond yields and high global equity risk premia.[1]

Source: MSCI Macroeconomic Model

Higher U.S. consumption levels, consistent with lower oil prices and a stronger dollar, could lift the global economy as the rest of the world boosts exports to the U.S.

However, the persistence of low inflation, projected to remain at 1.5% throughout 2015, could threaten the pace of U.S. economic growth in the long run. Low inflation could be driven by low unit labor costs (adjusted for productivity). As shown in Exhibit 2, unit labor costs have barely changed. Inflation is unlikely to deviate much from the change in unit labor costs as corporate profit margins have remained stable overall.

Our model further indicates that a significant pick-up in inflation in 2015 is unlikely: the model assigns a 10% chance for inflation to be greater than the elusive Fed target of 2%.

The Fed's decision to increase rates is likely to be dependent on significant improvements in growth and inflation. Under the baseline scenario, a rise in interest rates is unlikely. Exhibit 1 indicates that bond yields could remain low, consistent with the continuation of macroeconomic uncertainty and a high U.S. equity risk premium. Our model projects a baseline annualized inflation-adjusted return of 5.9% for the next three years (Exhibit 3).

EXHIBIT 2: Short-Term Macroeconomic Indicators Signal Greater Uncertainty About Long-Term Trend Growth and Inflation

As of March 1, 2015	Industrial Production	Retail Sales	Unemployment	CPI Inflation	Unit Labor Cost	Trade Balance	Exports
US	0.05	-0.10	-0.08	-0.34	0.01	-0.33	-0.13
CANADA	0.00	-0.05	-0.10	-0.06	-0.02	**1.37**	-0.04
UK	0.15	0.10	-0.29	-2.18	0.14	0.03	0.01
GERMANY	0.02	0.20	-0.09	-1.69	-0.07	0.40	0.14
FRANCE	0.04	0.07	-0.08	-1.65	-0.02	0.60	0.10
SPAIN	0.02	-0.28	-0.35	-3.51	0.22	0.32	-0.01
ITALY	0.15	0.21	-0.30	-0.49	-0.01	0.38	0.11
JAPAN	0.01	-0.01	-0.08	-0.42	0.00	**1.47**	0.91
AUSTRALIA	-0.09	0.05	0.12	-1.32	-0.93	**-1.20**	0.78
CHINA	0.02	0.19	0.23	-0.69	-0.02	**2.22**	-0.05
INDIA	0.03	-0.10	0.07	-0.47	0.01	0.71	-0.51
KOREA	0.02	0.31	-0.07	1.21	0.19	0.66	-0.08
BRAZIL	-0.33	-0.01	0.11	0.08	-0.27	**-2.19**	-0.97
RUSSIA	**1.09**	-0.28	0.22	0.45	-0.21	-0.53	-0.40

The heat map shows, for each variable, the change in realized value over previous quarter's trend, normalized by historical standard deviation.

Shaded figures indicate above one standard deviation changes (positive or negative). Red coloured scores contribute to a potential decline in real GDP relative to previous quarter trend. Green coloured scores contribute to a potential increase in real GDP relative to previous quarter trend. Bold figures indicate scores that remain in positive/negative territory. CPI Inflation is coloured in green between -1 and 1, otherwise coloured in red.

Source: MSCI Research

EXHIBIT 3: A Faster Return to Pre-Crisis Trend Growth and Inflation in the US Could Benefit Equity Market, Factor, and Cyclical Sector Returns

Annualized Real Returns		Market	Equal Weighted	High Dividend Yield	Momentum	Quality	Risk Weighted	Value Weighted	Energy	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Telecom Services	Utilities
3 Years Out Projection as of February 2015	Baseline	5.9	8.4	7.3	9.5	9.0	8.4	7.7	6.1	6.6	7.4	6.7	7.2	6.2	7.3	4.8	4.3	3.5
	Low Growth	5.2	7.4	5.4	8.1	8.3	7.2	6.6	5.0	5.4	6.6	5.7	7.1	6.0	5.9	3.7	3.6	3.4
	Return to Trend Growth	6.4	9.2	9.1	10.6	9.4	9.5	8.6	7.0	7.6	8.1	7.5	7.4	6.3	8.6	5.7	4.9	3.6
Long-term Equilibrium Returns	Baseline	5.4	6.2	4.6	4.9	5.4	6.7	6.4	3.9	6.5	5.6	6.2	3.1	3.1	6.9	6.2	4.6	3.1
	Low	3.8	3.9	3.0	2.5	3.3	4.3	4.0	2.7	4.2	3.4	3.7	2.6	2.5	4.7	3.9	3.1	2.6
	High	7.0	8.6	6.3	7.4	7.6	9.1	8.7	5.2	8.9	7.8	8.8	3.5	3.7	9.3	8.3	6.1	3.6

The Exhibit shows the MSCI Asset Pricing Model implied three-years-out return projections for MSCI US market, factor, and sector indexes under the baseline, low growth, and return to trend growth scenarios. The Exhibit also shows the MSCI Asset Pricing Model implied long-term equilibrium return projections and the standard error bands (Low/High) for these projections. All returns are annualized and adjusted for inflation.

Source: MSCI Asset Pricing Model

ASSET ALLOCATION IMPLICATIONS OF A RETURN TO TREND GROWTH SCENARIO

A faster recovery to pre-crisis trend growth and inflation (i.e., 4.2% growth and 2% inflation during the next three years) could provide the conditions for a rise in interest rates. Under this scenario, the Macro models indicate that:

- U.S. bond yields could rise by about 60 bps (Exhibit 1)
- U.S. equities could rise about 60 bps per year (Exhibit 3)
- Factor index-based strategies could rise by about 50 to 180 bps per year, depending on the strategy, and cyclical sectors, by about 70 to 130 bps per year (Exhibit 3)

According to the Macro models, faster U.S. growth could also boost global growth by about 70 bps, global equity returns by 120 bps and global bond yields by about 10 bps during the next three years.

Under this same scenario, and given the uncertainty about long-term trend growth and inflation, uncertainty tolerant institutional investors could increase allocations to:

- U.S. equities relative U.S. bonds
- Factor-based strategies and cyclical sectors relative to the equity cap-weighted market portfolio
- Global equities relative to global bonds
- US Dollar carry

MSCI MACROECONOMIC RISK MODEL

Starting in 2012, MSCI Research began exploring the impact of macroeconomic events on asset valuation and strategic asset allocation. This research has allowed us to create a growing suite of "macro" models to:

- Generate future scenarios for global macroeconomic variables such as GDP growth and inflation
- Measure and attribute long-term portfolio risk to macroeconomic factors
- Assess the impact of long-term macroeconomic scenarios on portfolio returns and asset allocation decisions

The MSCI Macroeconomic model covers twenty-three countries accounting for more than 80% of world GDP, and combines country-specific models into a global framework, providing an important risk and asset allocation tool to investors. The model produces timely forecasts that compare favorably to alternative forecasts. In addition to the forecasts for the macroeconomic scenarios, the model also provides scenario probabilities. Combined with the MSCI Asset Pricing and Dynamic Asset Allocation models, the macroeconomic forecasts can be used to decompose long-term macroeconomic risk in portfolios, and to establish a quantitative asset allocation strategy based on the potential macro scenarios.

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We have two new short videos that provide an overview of our equity and fixed income risk models.

These two videos can be viewed on our MSCI YouTube channel by clicking **here** for equity and **here** for the fixed income model overview.

Please give any feedback or ideas to our **Online Client Experience Team**.

MARCH 2015

GLOBAL RISK MONITOR

BOND PRICES FLUCTUATING OVER THE MONTH

Using a standard RiskMetrics forecasting model, the monthly MSCI Global Risk Monitor shows forecasts for 12 key global risk factors. We examine changes in volatility and correlation behavior and identify days when factor returns were surprising relative to the risk forecasts.

February saw an increased number of movements in the bond markets. At the beginning of the month, a hike in the oil price as well as the release of a report indicating larger-than-forecast growth in US jobs stoked speculation on an earlier rate increase by the Federal Reserve. The two and ten-year US government yields and the implied rate on Eurodollar futures experienced a larger than two-sigma increase (see Exhibit 3).

Later in the month, bond yields and the implied rate on three-month Eurodollar futures reverted as a consequence of the Chairman of the Fed, Mrs. Yellen's reiterations that it would take several months before a rate increase may be expected.

The European two-year government rate, on the other hand, kept declining in light of the quantitative easing program by the European Central Bank (see Exhibit 1).

Besides the bond markets, February was a relatively benign month. Equity prices rose, the VIX dropped and crude oil gained a little. The relative stability of crude oil has also allowed credit to rally; we saw credit spreads tighten in February (see Exhibits 2 and 4).

FORECAST VOLATILITY

VOLATILITY STATS FOR EWMA (DECAY FACTOR OF 0.97)

EXHIBIT 1: Risk Forecast of Daily Absolute Changes in Rates (bps) Over Prior Month, Prior Three Months and Prior Year (Decay = 0.97)

	Prior month[1]				Prior 3 months[2]				Prior year[3]			
	Return	Avg. vol.	Min. vol.	Max. vol.	Return	Avg. vol.	Min. vol.	Max. vol.	Return	Avg. vol.	Min. vol.	Max. vol.
US GOVT 2Y	16.89	3.66	3.25	**3.89**	14.55	3.18	2.26	**3.89**	30.02	2.23	1.53	**3.89**
US GOVT 10Y	33.04	6.10	5.78	**6.43**	-19.98	5.19	4.01	**6.43**	-73.35	4.19	3.43	**6.43**
EUR GOVT 2Y	-4.32	0.95	0.88	1.03	-19.01	0.98	0.87	1.06	-35.26	1.28	0.87	1.87
US 3M EURODOLLAR FUT 3M	3.75	0.68	0.44	**0.87**	9.97	0.51	0.34	**0.87**	10.86	0.36	0.23	**0.87**

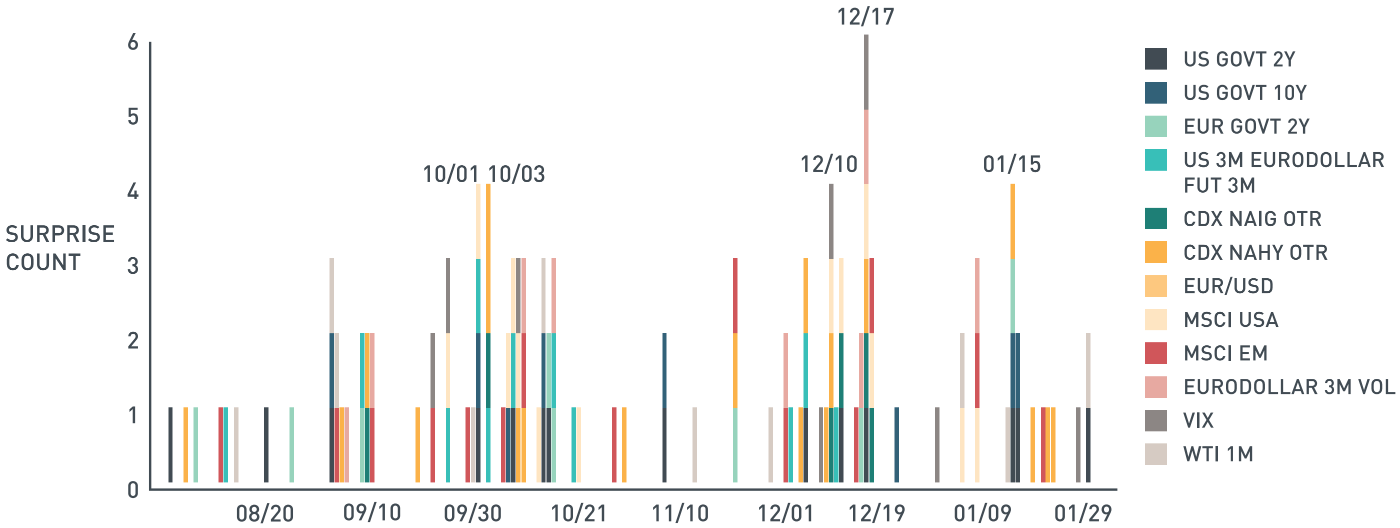
EXHIBIT 2: Risk Forecast of Daily Relative (log) Changes Over Prior Month, Prior Three Months, and Prior Year (Decay = 0.97)

	Prior month[1]				Prior 3 months[2]				Prior year[3]			
	Return	Avg. vol.	Min. vol.	Max. vol.	Return	Avg. vol.	Min. vol.	Max. vol.	Return	Avg. vol.	Min. vol.	Max. vol.
CDX NAIG OTR	-13.15%	2.39%	**2.16%**	2.61%	0.14%	2.48%	**2.16%**	3.01%	-3.52%	2.24%	1.52%	3.01%
CDX NAHY OTR	-13.38%	2.16%	1.99%	2.26%	-4.06%	2.28%	1.94%	2.74%	2.87%	1.99%	1.44%	2.74%
EUR/USD	-0.60%	0.61%	0.55%	0.67%	-10.03%	0.55%	0.41%	0.69%	-18.79%	0.37%	0.23%	0.69%
MSCI USA	5.59%	0.87%	0.78%	**0.94%**	2.01%	0.83%	0.65%	**0.94%**	12.98%	0.70%	0.49%	**0.94%**
MSCI EM	2.98%	0.80%	0.74%	0.85%	-1.44%	0.81%	0.71%	0.90%	2.47%	0.68%	0.47%	0.90%
EURODOLLAR 3M VOL	-2.14%	4.78%	**4.54%**	5.02%	3.92%	5.03%	**4.54%**	5.66%	29.17%	5.62%	**4.54%**	6.84%
VIX	-36.39%	8.23%	7.47%	8.81%	0.08%	8.27%	6.88%	9.05%	-4.71%	7.04%	4.82%	9.28%
WTI 1M	3.65%	3.47%	3.13%	**3.62%**	-24.03%	2.90%	2.37%	**3.62%**	-50.88%	1.50%	0.71%	**3.62%**

Overall, February was not a particularly volatile month as indicated by the decrease in VIX. An exception is the US fixed income market. The U.S. two and 10-year government yield and the US 3M Eurodollar future's implied yield reached their maximum volatility over the past year, triggered by uncertainty about the timing of the rate increase by the Federal Reserve.

1 Prior month date range: February 01, 2015 - February 28, 2015. **2** 3 month date range: December 01, 2014 - February 28, 2015. **3** One year date range: March 01, 2014 - February 28, 2015. Highlighted prior month volatilities indicate that the volatility level reached its minimum/maximum value of the last three months or twelve months. The relevant three-month/ twelve-month minimum/ maximum values are highlighted as well.

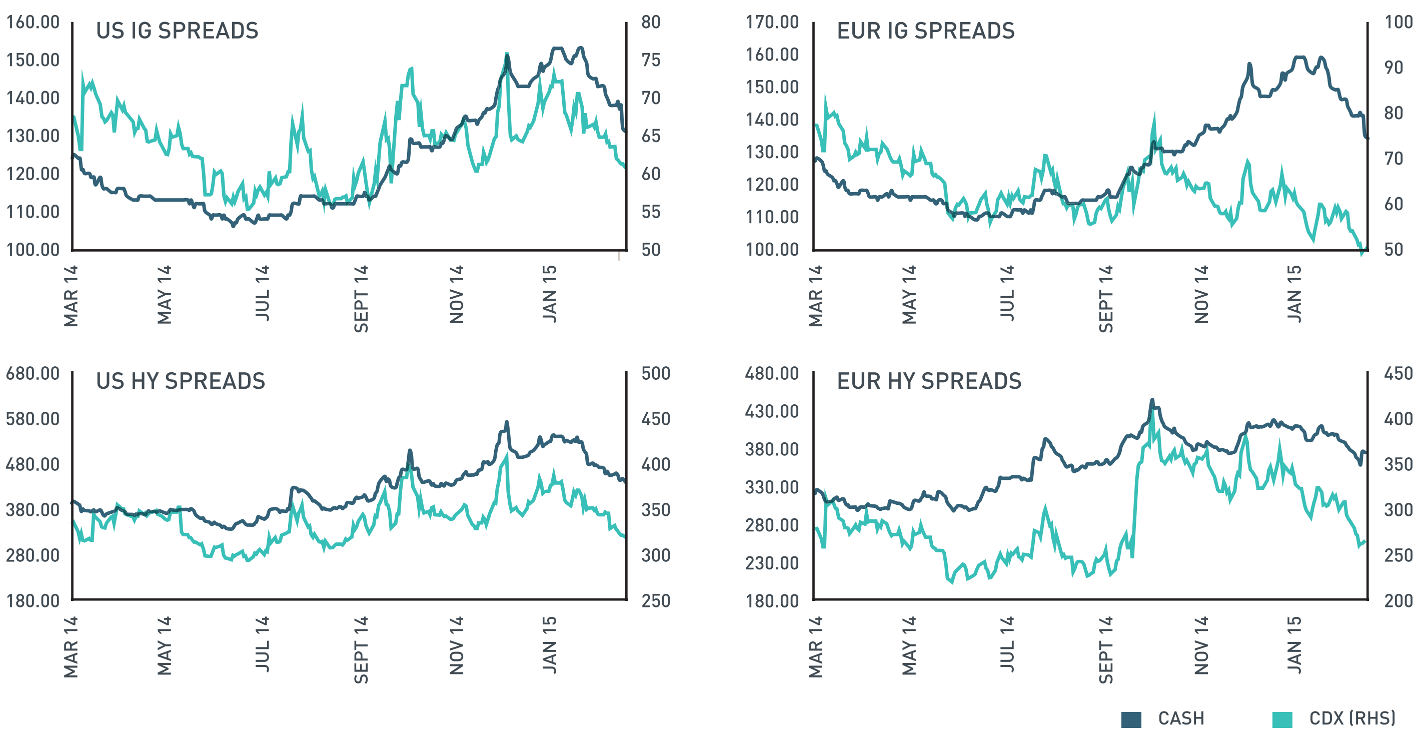
EXHIBIT 3: Daily Returns Exceeding Two Times Forecast Volatility



Date range: September 01, 2014 to February 28, 2015

The risk factors monitored experienced 11 exceedances in February. Most exceedances clustered around the beginning of the month, when a US job market report sent the US yields and the US 3M Eurodollar future 3M higher.

EXHIBIT 4: Investment Grade and High Yield Credit Spreads



We saw investment grade and high yield credit spreads decrease in February. The relative stability in crude oil allowed credit to rally.

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Since December 2013, Thomas has been a member of MSCI's research team. He contributes to the development of new risk methodologies for Barra and RiskMetrics models with special focus on ongoing banking regulation evolutions. He is also responsible after peridicals for the publication of the Riskmetrics periodicals Risk Monitor and Year In Review, the latter an annual, extensive risk models backtest report. Prior to joining MSCI, Thomas obtained a PhD in Applied economics at the KU Leuven, Belgium. He is also a CFA charter holder and holds a Master in Civil Engineering from the KU Leuven, Belgium.

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RISK FACTOR DEFINITIONS

CDX NAIG OTR

Five-year North American Investment Grade CDS Index Spread Level, constructed by MSCI using the most liquid five-year North American Investment Grade CDS Index and smoothed over a period when a new series becomes on-the-run.

CDX NAHY OTR

Five-year North American High Yield CDS Index Spread Level, constructed by MSCI using the most liquid five-year North American High Yield CDS Index and smoothed over a period when a new series becomes on-the-run.

EUR two-year government bond

Euro government two-year Zero Rate, constructed by MSCI from on-the-run German Bunds.

EUR/USD

Mid quote for EUR/USD Foreign Exchange Rate snapped at 1100 EST. Appears in the report each month

Eurodollar three-month volatility

Implied volatility time series of three months at-the-money options on Eurodollar interest rate futures.

Europe two-year government bond

Euro two-year Zero Rate, constructed by MSCI from on-the-run German Treasury bonds..

MSCI emerging market index

Time series of MSCI Emerging Market Equity Index using end-of-day closing prices.

MSCI EM Europe Index in EUR

The MSCI Emerging Market Europe equity index using end-of-day closing prices quoted in Euros.

MSCI USA Index

Time series of MSCI USA equity index using end-of-day closing prices.

US 10-year government bond

US Government 10-Year Zero Rate, constructed by MSCI from on-the-run US Treasury bonds.

US three-month Eurodollar Futures three-month rate

Interest rate of three-month interest rate futures calculated by MSCI based on CME Eurodollar futures quotes on three-month deposits.

US two-year government bond

US Government Two-Year Zero Rate, constructed by MSCI from on-the-run US Treasury bonds.

VIX

Time series of the CBOE Market Volatility Index using end-of-day closing prices.

WTI

One-Month Crude Oil: One-Month CME light sweet crude oil time series. One-Month tenor constructed as a Constant Maturity Future time series by interpolating the first two nearterm CL futures contracts.

BACKTESTING RISK MODELS 2014: YEAR IN REVIEW

The 2014 Year in Review is a report describing the results of one-year backtests using four types of simulation models available in RiskManager:

- Monte Carlo
- Historical
- Filtered historical
- Weighted historical

The models are tested on 10 indexes, representing different segments of US and global equity and bond markets. The Value at Risk (VaR) forecasts are backtested via the standard counting of VaR exceedances. This analysis is complemented by a number of conditional backtesting statistics, which detect inappropriate clustering of VaR exceedances.

Furthermore, we have extended the 2014 Year in Review with additional information:

1. We include a formal backtest of Expected Shortfall (ES), based on a framework recently developed by MSCI.
2. We validate the entire forecast distribution through the realized p-values.
3. We apply a new scoring function, recently developed by MSCI that enables us to rank the four different models in terms of relative predictive performance, index by index, and we refer to this new technique as the MSCI Model Scorecard.

The ES Backtesting and the MSCI Model Scorecard techniques have both been developed in the past year. These methodologies, derived by Acerbi and Székely (Backtesting Expected Shortfall, 2014), have been applied to real financial data for the first time.

The 2014 ES research represents a significant development in the context of Basel regulation, since ES has been chosen to replace VaR to measure risk (Basel Committee on Banking Supervision, 2013). For a given portfolio, the MSCI Model Scorecard provides an innovative tool for selecting the best possible backtesting model in terms of ES and VaR predictivity.

Our results indicate that for 2014 most models performed as expected, with only a few mild discrepancies in the backtesting statistics. Notably:

- Monte Carlo models have a tendency to mildly underestimate risk, especially for equity indexes.
- Historical models, on the other hand, tend to slightly overestimate risk. A notable exception is historical simulation based on a five-year period, which overestimates risk across all tested indexes.
- When backtesting the entire risk distribution with the realized p-values, we observe that all Monte Carlo models fail the Kolmogorov-Smirnov test for three portfolios, which indicates that a Gaussian distribution may not appropriately capture the returns of those particular portfolios.
- Finally, the MSCI Model Scorecard shows that filtered historical models generally performed better during 2014, whereas historical models performed worse.

Going forward in 2015, we will publish this backtest report on a biannual basis.

Visit **msci.com/resources/research** to download the full paper or to find more information.

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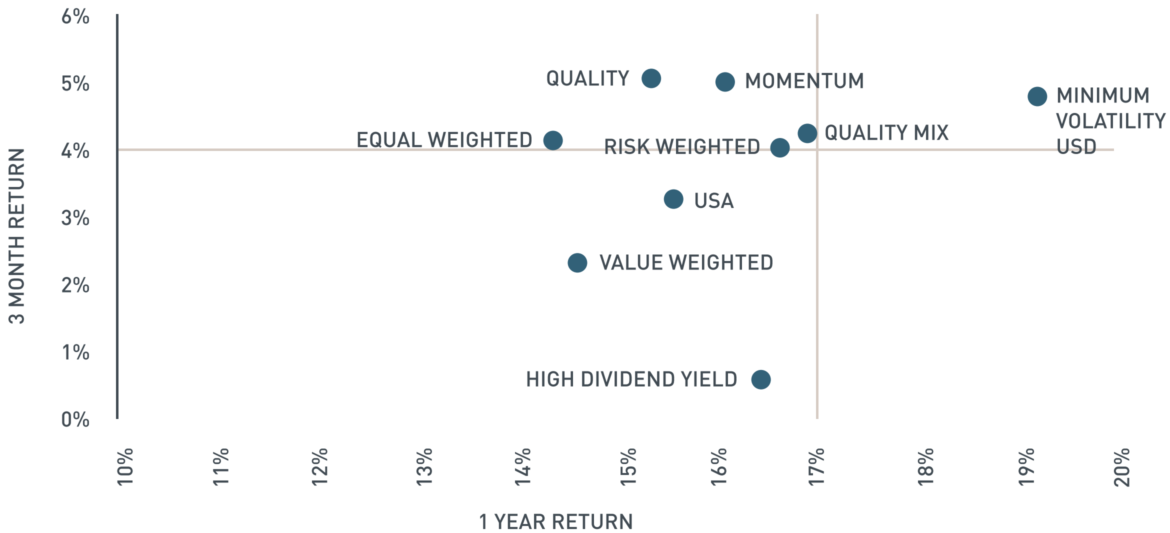
US MARKET BRIEF

MARKET REBOUNDS IN FEBRUARY AS RISK APPETITE RETURNS

After a sluggish start to the year, stocks rebounded sharply in February 2015 with major U.S. benchmark indexes delivering one of their best monthly performances in years. For example, the MSCI USA IMI Index returned close to 6% for the month. Investor sentiment was boosted by a series of positive reports during the month: crude oil posting its first monthly gain since June 2014, employment data was encouraging, worries over Greece eased, and progress in eastern Ukraine continued.

Federal Reserve Chair Janet Yellen's semiannual testimony before Congress also helped alleviate some investor concerns regarding the timing of expected interest rate hikes. Growing signs of strength from the European economy and a reasonable showing from fourth-quarter U.S. corporate earnings made risk-taking more attractive this month.

EXHIBIT 1 USA Factor Indexes Momentum (Gross Total Returns, USD) - All returns to 28 February, 2015



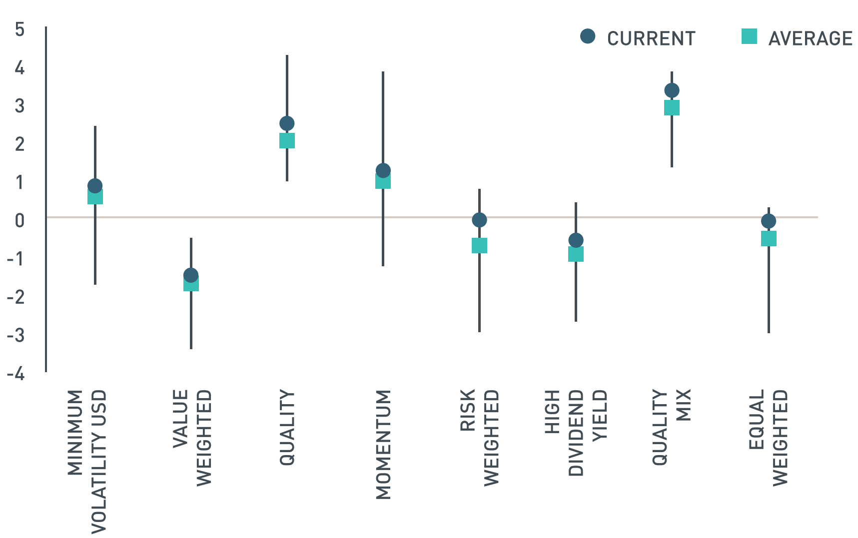
Source: http://www.msci.com/factorindexes/

FACTOR INDEX PERFORMANCE

Some defensively oriented factor indexes, such as the MSCI USA High Dividend Yield and Minimum Volatility Indexes, were among the worst performers in February 2014. On the other hand, the MSCI USA Quality Index performed in line with the market, which was surprising given its defensive nature.

Momentum also slowed down from its strong recent run, but it remains the best performing MSCI USA Factor Index so far in 2015. For the last 12 months, however, defensive strategies, with Momentum included, were the top performers, as can be seen in Exhibit 1.

EXHIBIT 2 USA Factor Index Relative Valuations November 2001 to February 28, 2015



These valuations are based on price to earnings, price to book value, price to cash earnings and price to sales at month end dates. Values below zero indicate the factor index is cheaper than the parent index. A current value below average indicates that the factor is cheap relative to its own history. The line endpoints indicate historical minima and maxima.

Source: http://www.msci.com/factorindexes/

RELATIVE VALUATIONS BY FACTOR INDEX

In terms of relative valuations, several MSCI Factor Indexes moved above long-term averages. Relative valuations of two of the indexes with smaller size exposure, Risk Weighted and Equal Weighted, continued inching above their long-term averages.

BARRA FACTOR PERFORMANCE

This return to risk-taking is also apparent when we drill down to Barra factors. As demonstrated by the performance of the Beta and Residual Volatility factors, high volatility stocks experienced a strong comeback in February by delivering positive returns in both the total U.S. equity market and small-cap universes, as can be seen in Exhibit 3.

EXHIBIT 3 Risk-Adjusted Performance of Select Investment Styles

	Total market cap			Small cap		
	December	15th January	15th February	December	15th January	15th February
LEVERAGE	(0.3)	(2.1)	2.5	0.0	(0.5)	3.0
SHORT-TERM REVERSAL	(0.5)	1.9	2.4	0.9	1.5	0.6
PROSPECT	0.1	(0.8)	2.1	0.1	0.8	2.0
SEASONALITY	(0.9)	0.6	1.5	0.1	(0.2)	0.8
SENTIMENT	(0.9)	(1.3)	1.3	(0.3)	(0.1)	1.1
LIQUIDITY	(1.0)	1.3	1.2	(0.6)	1.1	1.2
BETA	(1.1)	(1.4)	0.9	(0.9)	(1.6)	1.1
VALUE	1.5	0.6	0.8	(0.0)	0.0	0.2
RESIDUAL VOLATILITY	(1.0)	0.7	0.5	(1.4)	1.2	(0.0)
ASSET TURNOVER	(1.3)	(0.7)	0.5	0.1	(0.2)	1.5
SIZE	1.1	0.5	0.0	1.1	(0.2)	2.0
GROWTH	1.1	(0.4)	(0.2)	1.8	0.5	1.3
EARNINGS QUALITY	0.6	(0.2)	(0.7)	0.1	(0.5)	(0.1)
PROFITABILITY	0.2	1.9	(1.3)	(0.1)	2.5	(1.2)
MOMENTUM	(0.9)	2.2	(1.5)	0.9	0.5	(0.3)
INDUSTRY MOMENTUM	(1.3)	(0.2)	(1.5)	(0.8)	1.5	(1.1)
LONG-TERM REVERSAL	0.6	(1.8)	(2.0)	0.6	(0.7)	(2.2)

Source: MSCI Barra US Sector Model and MSCI Barra US Small Cap Model

1 Barra factors help explain risk and return characteristics and thus are important tools in understanding performance and portfolio construction, while MSCI Factor Indexes are rules-based indexes designed to provide exposure to six key factors that have historically offered a premium over long horizons and offer greater investability than pure factors.

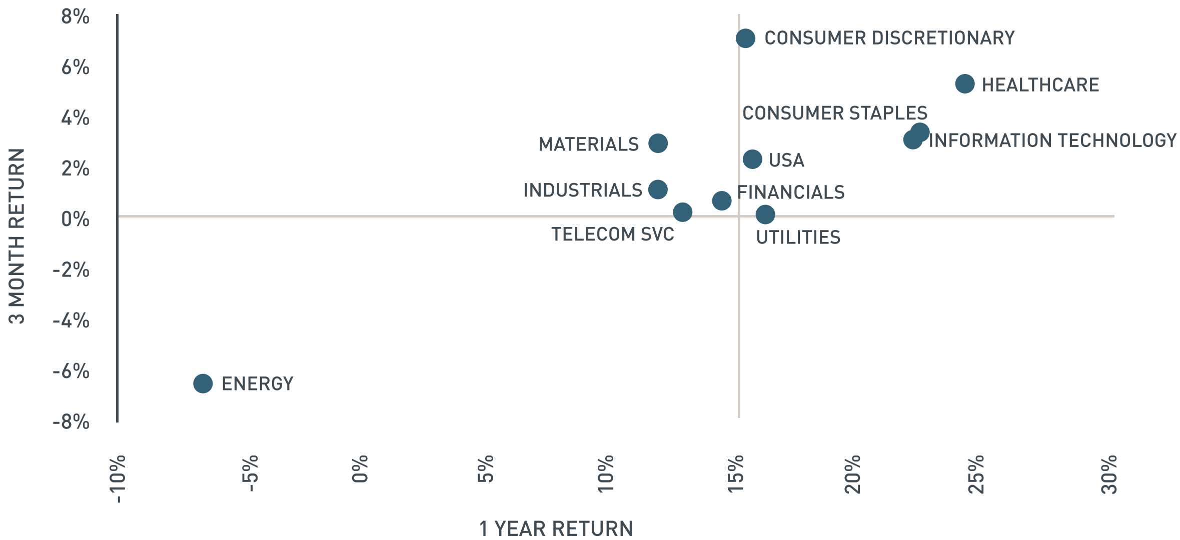
- Beta, Residual Volatility, Leverage, Value, Momentum and Industry Momentum experienced sharp reversals from their January performance, with Short-term Reversal factor this month's best performing style factor.
- Momentum-based strategies performed poorly in February with Momentum and Industry Momentum both underperforming for the month.
- Following a strong January, the Prospect factor, which measures skewness and maximum drawdown in stock returns over a five-year horizon, again delivered positive performance this month in both total U.S. equity market and small cap stocks.
- The outperformance of more highly levered firms has broken the downward trend in performance of the Leverage Factor that started in July 2014. That said, however, there have been other, similarly sharp but ultimately short-term reversals in the slide of the Leverage Factor over the last six months. It remains to be seen whether February's performance presages a change in investor sentiment or is simply another blip.

EXHIBIT 4 Leverage Factor Cumulative Return

SECTOR INDEX PERFORMANCE

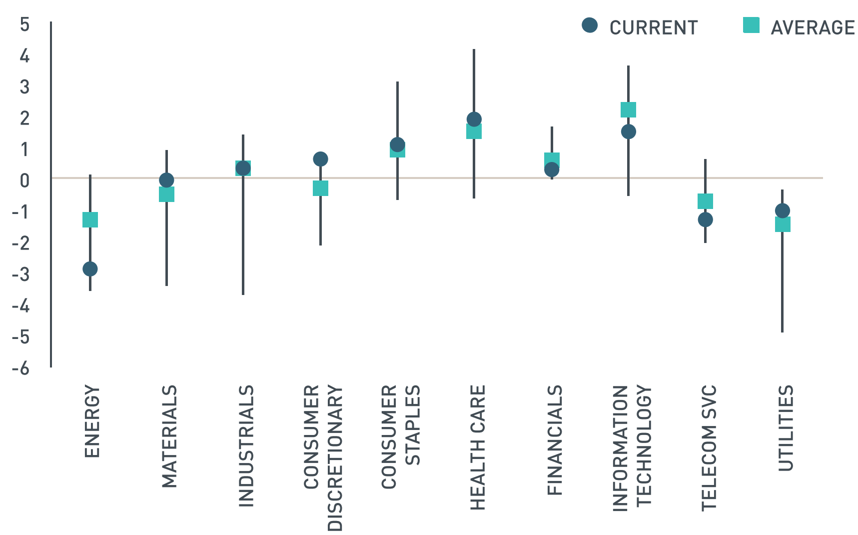
Similar to MSCI Factor Indexes, a shift to risk-taking also was evident in MSCI Sector Indexes in February: MSCI USA Technology, Consumer Discretionary and Materials Sector indexes outperformed and Utilities, Heath Care and Staples underperformed, with Utilities dropping sharply. The MSCI USA Energy Sector underperformed the market again last month, and remains the worst performing of the MSCI USA Sectors over the last three-month to five-year periods. Over the 12-month period, Health Care, Consumer Staples and Information Technology outpaced other sector indexes, as can be seen in Exhibit 5.

EXHIBIT 5 USA Sector Indexes Momentum (Gross Total Returns, USD) - All returns to 28 February, 2015



Source: http://www.msci.com/factorindexes/

EXHIBIT 6 USA Factor Index Relative Valuations November 2001 to February, 2015



These valuations are based on price to earnings, price to book value, price to cash earnings and price to sales at month end dates. Values below zero indicate the factor index is cheaper than the parent index. A current value below average indicates that the factor is cheap relative to its own history. The line endpoints indicate historical minima and maxima.

Source: http://www.msci.com/factorindexes/

RELATIVE VALUATIONS BY SECTOR INDEX

The MSCI USA Energy Sector Index continued trading near the bottom of its long-term relative valuation range. Relative valuations for the Consumer Discretionary index continued to be near their long-term high, driven by strong returns. Conversely, the sustained weakness in Telecom Services has caused that sector index to remain at the low end of its history.

BARRA FACTOR PERFORMANCE

Cyclical sectors, which tend to perform well when investors are less risk averse, outperformed defensive sectors in February, as demonstrated by the MSCI Sector Indexes performance.

EXHIBIT 7 Investment Style Risk-Adjusted Performance by Sector (February 1 through February 28, 2015)

	Consumer discretionary	Consumer staples	Energy	Financials	Healthcare	Industrials	Information technology	Materials	Telecom	Utilities
LEVERAGE	1.4	(0.8)	1.3	0.3	0.2	1.0	1.5	2.4	0.9	(0.1)
SHORT-TERM REVERSAL	1.3	0.7	1.8	2.0	(1.3)	1.2	2.7	2.6	0.4	1.8
PROSPECT	0.9	0.3	0.5	0.2	0.1	(0.3)	0.1	0.9	0.1	(0.7)
SEASONALITY	1.3	1.4	0.6	0.7	0.2	2.5	0.5	(0.6)	1.2	(1.5)
SENTIMENT	(0.5)	1.0	(0.9)	0.5	0.7	1.6	2.2	(0.2)	(0.3)	1.1
LIQUIDITY	(0.8)	2.5	1.5	0.8	0.3	0.6	0.3	(1.3)	0.1	(1.0)
BETA	0.7	1.7	(0.3)	1.2	(0.1)	0.2	0.3	1.0	2.0	0.8
VALUE	1.3	(0.3)	0.6	0.9	1.3	1.5	0.2	1.2	0.7	(1.8)
RESIDUAL VOLATILITY	0.7	0.4	0.1	0.6	0.2	(0.7)	0.3	0.0	0.7	1.0
ASSET TURNOVER	(0.6)	(0.1)	1.7	(0.9)	(0.0)	0.4	(0.4)	(1.7)	0.6	1.2
SIZE	1.1	1.0	(0.8)	0.6	(1.3)	(1.9)	0.5	1.0	1.1	(0.6)
GROWTH	(0.7)	(0.2)	0.5	(0.3)	0.1	1.6	0.0	0.1	(0.1)	0.8
EARNINGS QUALITY	0.2	(1.2)	0.4	(0.8)	(0.0)	1.0	(0.4)	(1.2)	(0.6)	(0.6)
PROFITABILITY	(0.8)	(0.5)	(2.0)	(0.8)	(1.0)	(0.7)	(0.5)	(0.1)	(1.3)	(1.0)
MOMENTUM	0.2	(0.3)	(1.2)	(1.1)	(1.2)	(0.9)	(1.1)	(1.5)	(1.2)	(1.3)
INDUSTRY MOMENTUM	(0.6)	(0.2)	1.2	(1.6)	0.3	0.1	(0.9)	(2.9)	2.7	0.1
LONG-TERM REVERSAL	(2.1)	(0.4)	(1.0)	(0.8)	(2.1)	(3.6)	(0.8)	0.1	0.1	1.7

- Leverage outperformed in eight out of 10 sectors for the month, indicating that the move was market-driven rather than sector-driven. Highly levered Materials companies performed the best, delivering a 2.4 information ratio.
- The strong performance of the Short-Term Reversal factor in nine out of 10 sectors indicates a broad turnaround in sentiment that is reflected in security selection.
- Profitability, Momentum and Long-Term Reversal underperformed in the majority of sectors. In particular, Profitability experienced negative performance in all sectors, as it appeared investors shunned "Quality" firms with higher Profitability in their pursuit of returns.

FACTOR INDEXES: THE GLOBAL LOOK

MSCI's U.S.-based Factor Indexes experienced much tighter returns around market-cap-based parent indexes than their global peers over the last 12 months. For example, the MSCI Minimum Volatility Indexes have outperformed their parent indexes strongly in Developed Markets generally and EAFE (Developed World ex-North America) in particular. In the U.S., the gap between the Minimum Volatility and parent index is the narrowest of the major regions and countries.

Similarly, Emerging Markets experienced a large spread in relative performance between MSCI Value Weighted (negative) and Quality (positive) Indexes. The spread was much more muted in other regions and countries, including the U.S.

EXHIBIT 9 Factor Indexes Heat Map

Active Gross Total Return versus Parent	ACWI	World	EM	EAFE	USA	Europe	Japan
MINIMUM VOLATILITY	7.5	7.2	3.3	9.2	3.6	6.1	4.6
VALUE WEIGHTED	-2.9	-2.6	-3.9	-1.5	-1.0	-2.5	-1.0
QUALITY	4.7	4.0	6.2	1.3	0.5	6.4	7.0
MOMENTUM	0.7	0.6	1.9	-0.3	-0.2	1.0	6.1
RISK WEIGHTED	0.5	1.2	0.4	4.8	1.3	2.3	5.0
HIGH DIVIDEND YIELD	-4.0	-3.7	0.6	-0.7	0.9	0.7	0.6
QUALITY MIX	3.0	2.8	1.9	2.9	1.1	3.3	3.6
EQUAL WEIGHTED	-1.6	-1.8	0.7	2.5	-1.2	-0.9	2.3

All returns over 12 months to 28th February 2015

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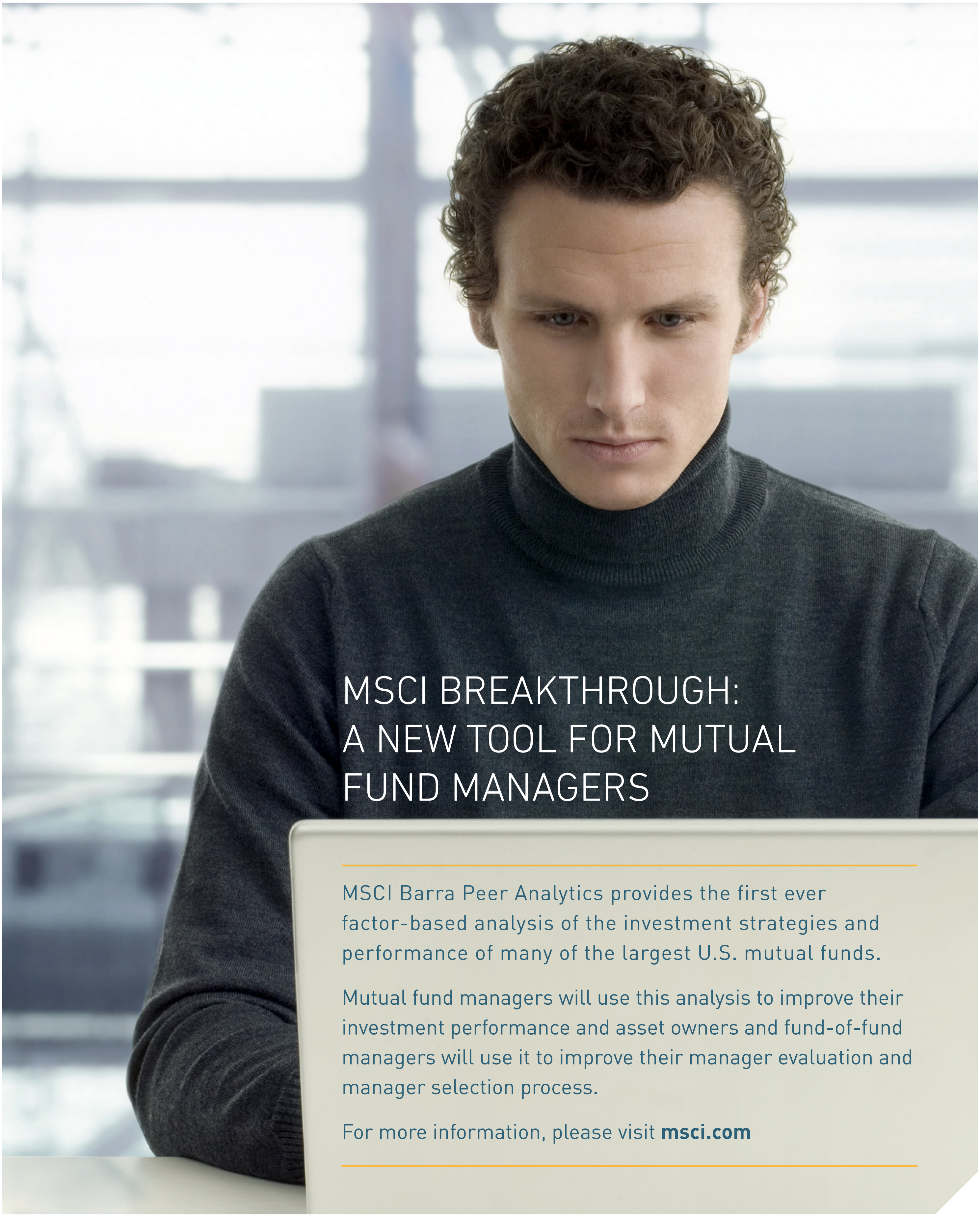
MSCI BREAKTHROUGH:
A NEW TOOL FOR MUTUAL
FUND MANAGERS
MSCI Barra Peer Analytics provides the first ever factor-based analysis of the investment strategies and performance of many of the largest U.S. mutual funds.
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For more information, please visit **msci.com**

A SPOTLIGHT ON ASIA

THE PROMISE OF CHINA

Christopher Ryan is Managing Director and Head of MSCI Asia Pacific based in Hong Kong. Chris is responsible for driving MSCI's growth in the APAC region. Chris has more than 33 years of experience in financial services, having worked in the investment management industry since 1983. He has served in senior management positions for Asian divisions of global firms and regional investment management firms, including HSBC, ING, Fidelity, and Perpetual.

Q: HOW IS CHINA'S ASSET/INVESTMENT MANAGEMENT INDUSTRY DEVELOPING?

CHRISTOPHER: The Chinese institutional asset management industry is comprised of approximately 70 large fund management firms, most of which are controlled by state-owned brokers, banks and corporates as well as a few privately held companies. In the top 10 China fund houses ranked by AUM , 8 of them are MSCI clients. This reflects on the fact that we have had a long track record of creating China-specific index products, designed to help these fund houses better service their domestic clients.

More recently however, we have noticed a definite growing trend in the private fund segment. These funds are comprised of a mix of long-only funds, private equity and hedge fund ventures, where 80% are long-only managers. According to ZBen Advisors, to date there are approximately 3,500 onshore hedge funds in China managing ~ Rmb600bn (about USD$100B) of assets. This market expanded rapidly as former managers from the major fund houses split away to form these smaller boutique firms. It's grown so quickly that recently the China Securities and Regulatory Commission (CSRC) put in place new compulsory registration of these managers to better track its development.

These private funds, otherwise known as "sunshine" funds, have grown as result of money flowing out of the property market and into equities. They operate with a greater degree of independence than SOE's or traditional asset managers and embrace new concepts with a strong desire to professionalize.

Q: WHAT IS A QDII AND WHY IS IT IMPORTANT?

CHRISTOPHER: The Qualified Domestic Institutional Program (QDII) was created to allow Chinese financial institutions, as well as their clients, to invest in overseas financial products with an allotted quota. These institutions are pre-approved by the CSRC and include Chinese domestic fund management institutions, insurance companies, securities companies, banks and trust companies. The QDII program was instituted in April 2006, allowing only investment in fixed income and money market products and expanded the following year to include equity related products.

The QDII program provides local Chinese fund managers the opportunity to access foreign markets and thereby build a sophisticated domestic investment management industry. It has also created an opportunity for the so called "trapped" wealth in China by allowing them to now explore new investment opportunities to diversify their risk and optimize their returns. This has contributed to the opening of the Chinese capital markets and created increased demand for more developed and more sophisticated investment tools.

To help this effort, we recently launched a series of country-specific portfolio and risk management models to cater to these specific market needs including the new China International model, which was developed for investors in internationally listed Chinese companies.

Additionally, with the growing migration of Chinese-born, Western-educated fund managers back to China, demand for more sophisticated investment tools specific to the Chinese market, has also increased. We have responded to this trend with the creation of the Barra China Equity Model.

Q: WHAT ARE QFII AND RQFII? WHAT IS THEIR IMPORTANCE?

CHRISTOPHER: Whilst the Chinese equity market is now the second largest in the world (only behind the US if internationally listed Chinese companies are included), developed market investors remain very under-invested due to regulatory issues and logistical challenges. While we have seen increased access, transparency and greater opening of China's capital markets in recent years, most investors still find it a challenge to invest in Mainland China. Nevertheless, the Chinese Government and its regulators are aiming to create a more open and international finance industry in China and regulatory changes in this direction occur relatively frequently. One of these key initiatives has been the QFII. Similar to the QDII, the Qualified Foreign Institutional Investor program (QFII) is a government issued licensed quota approved by CSRC and the State Administration of Foreign Exchange (SAFE) to help foreign investment managers and foreign hedge funds to invest in Chinese market and specifically in Chinese onshore financial products This program was one of China's first efforts to internationalize the RMB allowing global institutional investors to invest in its RMB denominated capital market.
Since its inception over 10 years ago, the

QFII program has garnered considerable success. It has grown steadily from an initial grant of $910 million worth of QFII quota to 11 foreign institutional investors in March 2003 to over $41.745 billion of QFII quota to 197 foreign institutions in March 2013. To build on this the RQFII is the Renminbi Qualified Foreign Institutional Investor scheme was launched in December 2011. This new scheme allowed a small number of Chinese financial firms to establish renminbi-dominated funds in Hong Kong for investment in Mainland China with the aim being to allow overseas investors to use offshore renminbi deposits to invest in the mainland securities markets. The China Securities Regulatory Commission initially set the quota at 20bn renminbi divided between a number of subsidiaries of mainland asset managers. The quota was later raised to 70bn renminbi and by November 2012 had been raised to 270bn. While this created tremendous inflows restrictions were imposed by CSRC to restrict volatility with 80% of the quota focused on mainland fixed-income markets while 20% was allowed to enter the stock markets. The scheme was further widened in March 2013 with international banks and asset managers with a presence in Hong Kong now able to participate. This has led to a host of new product and fund launches.

In addition, the launch of the Shanghai-Hong Stock Connect program has been expanded to grant offshore investors access to Mainland China's capital markets. Both of these developments have generated tremendous investment flow into the country and as China's economy continues to grow, about twice the rate of developed economies, this is undeniably a trend that will continue.

Q: WHAT IS THE CURRENT REGULATORY ENVIRONMENT IN CHINA?

CHRISTOPHER: The current regulatory environment still contains many restrictions and limits not found in developed markets. Since President Xi Jin Ping took power in 2013, an important part of his mandate has been to build a substantially more open and internationally competitive financial services industry in China. The success of QFII, RQFII, and the recent launch of the Stock Connect scheme we expect this to further boost the internationalization of China's investment management industry. However, there are still further reforms required to complete this mandate. In recent years, China's home grown fund managers such as China AMC, E-Fund and CSOP have achieved notable success at home, and a select few are now expanding their reach beyond China into other markets. This expansion will undoubtedly take time and we look forward to helping these managers grow as they begin to establish footholds in foreign markets.

Another core regulatory development revolves around managing risk. In 2014, the Chinese regulatory body publicly announced the need for state-owned financial institutions to significantly strengthen their risk and reporting system to the same level of standardization as global players. MSCI played a key role in this endeavor. Our experienced China risk team has been advising many Chinese financial institutions, most of whom are state owned but often listed, in their efforts to develop "gold standard" in-house risk management best practices. To help them succeed, we must stay close to the markets. We know the importance of working closely with regulators in each market we operate in and maintain open dialogue and sharing information and ideas to help the local investment management industry grow. For example, in China MSCI is part of a working committee with Chinese regulators which meets to discuss the latest trends and updates in the global investment management industry. Through these meetings, we help shape policies, which in turn support our client's needs in China.


CHINA AMC SELECTS
MSCI CHINA A INDEX
FOR A NEW ETF
The MSCI China A Index captures large and mid cap representation across China securities listed on the Shanghai and Shenzhen exchanges.
For more information on the performance, sector weights and top ten constituents, download the latest monthly index fact sheet on msci.com/resources

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10 MIPIM CANNES

Cannes, France

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15 INQUIRE SPRING CONFERENCE

Warwickshire, UK

This year's Spring Conference will focus on 1/n and Other 'Smart' Portfolio Construction Approaches. Altaf Kassam, Managing Director & Head of Equity Applied Research at MSCI, will discuss the Investor Experience Of Alternative Indices.

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17 GREEN CITIES

Melbourne, Australia

Michael Salvatico, Vice President at MSCI, will join the session titled Show Me The Money. This session will discuss E-S-G. As these three letters become the short-hand for responsible investing, stakeholders are taking sustainability seriously. Hear about how they're valuing investments and why green is the colour of money.

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19 ETF.COM AWARDS DINNER

New York, USA

MSCI is nominated for Index Provider of the Year at the 2nd annual ETF.com Awards Dinner. The event celebrates the people, products and firms that are breaking new ground and helping to deliver better outcomes for investors.

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23 MSCI SEMINAR: WHY GLOBAL DEMOGRAPHICS MATTER TO YOUR PORTFOLIO

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Please join us for the opportunity to hear acclaimed speaker and renowned demographics expert, Dr. Amlan Roy, Managing Director and Head of Global Demographics & Pensions Research at Credit Suisse. He will explain Why Global Demographics Matter For Investment Portfolios.

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24 MSCI WEBINAR: ENHANCEMENTS TO THE COVERAGE OF THE MSCI GLOBAL INVESTABLE MARKET INDEXES

MSCI has recently announced the conclusions from its consultation with the investment community on proposed enhancements to the coverage of the MSCI Global Investable Market Indexes (GMI).

The objective of the webinar is to provide details on this methodology change and its implementation.

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25 BARRA PORTFOLIO MANAGER - UPDATES AND NEW FEATURES

Please join us for an upcoming webinar where we will highlight the new features and enhancements of the newest release of Barra Portfolio Manager version 3.10 through sample reports and workflows.

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29 FACTSET SYMPOSIUM

Washington DC, USA

MSCI is lead sponsor of the Investment Process Symposium - an exclusive event for FactSet's clients.

Linda-Eling Lee, Executive Director and Global Head of ESG Research, will speak during a session titled A Modern Strategy: Integrating Sustainability Data and Analysis into Investment Decision Making.

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MARCH 2015

NEW INNOVATION FROM MSCI

Barra US Total Market Equity Suite

A next-generation model suite aimed at helping institutional investors in the world's largest equity market. The MSCI Barra US Total Market Equity Suite has been built to include a new set of factors and factor structures that are aligned with multiple investment horizons as well as introducing new Systematic Equity Strategies factors. The Suite targets three investment horizons: Long-Term, Medium-Term and Trading.

MSCI Barra US Total Market Equity Suite for Long-Term investors is **available now.**

MSCI Barra US Total Market Equity Suite – Trading Version **available on the 30th of March**.

MSCI Barra US Total Market Equity Suite for Medium Term investors **available in Q2.**

OTHER MODELS COMING SOON

Barra Taiwan Equity Model **available in Q2**

MSCI Diversified Multi-Factor Indexes

MSCI Diversified Multi-Factor Indexes aim to maximise exposure to four factors – Value, Momentum, Quality and Low Size – while maintaining a risk profile similar to that of the underlying parent index. The methodology includes an optimization designed to limit index turnover and unintended exposures to other risk factors.

Barra Open Optimizer 8

An optimization software library designed to fit seamlessly into portfolio management workflows and support improved investment decision making processes. It utilizes multiple optimization engines from MSCI and 3rd parties to create index tracking portfolios, manage asset allocation, implement tax aware strategies and other objectives of portfolio managers.

COMING SOON

- Multiple Period Optimization, which enables the solver to optimize for not only for today, but to position the portfolio for return or other market opportunities in the future, through the simultaneous optimization of future periods.
- Stronger optimization algorithms when using thresholds or cardinality constraints.
- Additional methodologies for rules based portfolio construction based on maximum diversification or effective number of names.

ABOUT MSCI

MSCI is a leading provider of investment decision support tools to over 6,000 clients worldwide, ranging from large pension to boutique hedge funds. We offer a range of products and services – including indexes, portfolio risk and performance analytics, and ESG data and research – from a number of internationally recognized brands such as Barra, RiskMetrics and IPD. Located in 23 countries around the world, and with over 2,600 employees, MSCI is dedicated to supporting the increasingly complex needs of the investment community with groundbreaking new products, high quality data, superior distribution and dedicated client support.

INDEXES

MSCI has been at the forefront of index construction and maintenance for more than 40 years, launching its first global equity indexes in 1969. Today, MSCI offers a family of more than 160,000 consistent and comparable indexes which are used by investors around the world to develop and benchmark their global equity portfolios.

PORTFOLIO CONSTRUCTION

Equity and multi-asset class portfolio analytics products help asset managers and owners measure, manage, and optimize their risk and performance across multiple portfolios. Robust analytics are powered by the range of equity, fixed income, derivative and alternative investment risk and return attribution models.

RISK AND PERFORMANCE

Multi-asset, position-based risk, performance analytics and wealth management products and reporting services enable clients to measure and quantify portfolio risk across security types, geographies and markets. MSCI's offering is well known for its Value at Risk methodologies, as well as being a leading provider of credit liquidity and counterparty risk systems.

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* Based on P&I AUM data as of Dec 2013 and internal MSCI data as of December 2014

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