



**Consultation on
MSCI Asia Apex Mid Cap and
Small Cap Indices**

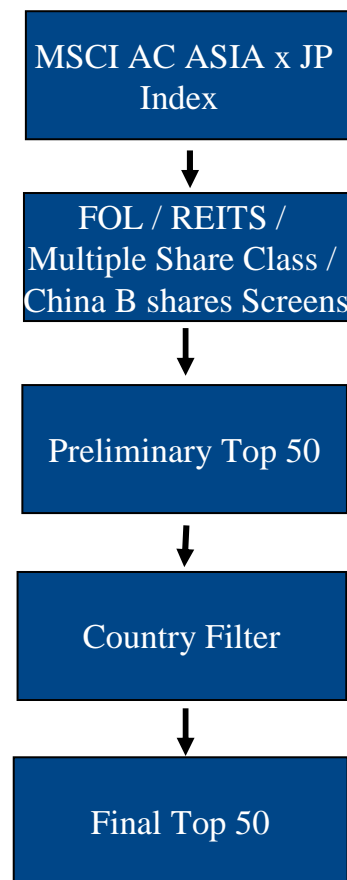
September 2008

Objective

- Following the launch of the MSCI Asia APEX 50 Index in November 2007, MSCI Barra is considering creating an MSCI Asia APEX Mid Cap Index and an MSCI Asia APEX Small Cap Index
- The proposed MSCI Asia APEX Indices would be designed to be tradable proxies to the respective broader MSCI AC Asia x Japan Mid Cap and Small Cap Indices and to serve as the basis for investment vehicle creation
- MSCI Barra welcomes any feedback from the investment community and plans to contact directly some market participants to solicit feedback. Please note that the consultation may or may not lead to the creation of the MSCI Asia Apex Mid Cap or Small Cap Indices

Proposed Methodology

The proposed MSCI Asia APEX Mid Cap and Small Cap Indices would be constructed using a methodology similar to the MSCI Asia APEX 50 Index



1. Selection universe would be based on the MSCI Asia x JP Standard Index
2. Securities with the following characteristics would be excluded:
 - Securities subject to foreign ownership limit - for ongoing tradability of index
 - REITS – Some countries have investment restrictions for investment products containing REITS (e.g. Japan)
 - Companies with multiple share classes in the universe would only be represented by the larger security based on free float market cap
 - China B shares – minimize the need for additional exchange settlement management
3. A preliminary top 50 based on free float market cap would be derived from the index universe.
4. Countries with less than 3 securities (during initial construction) ranking in the top 50 OR weight less than 5% in the MSCI AC Asia x JP Index would be excluded – would minimize additional currency exposure for insignificant index representation but retain the flexibility to expand country coverage in future should the country representation improve
5. After the above screenings, the MSCI Asia APEX 50 Index would be constructed based on the new top 50 securities by free-float adjusted market cap
6. The index would be rebalanced on a quarterly basis. Outside the semi-annual rebalancing, the number of constituents would allowed to deviate from 50.

MSCI AC Asia x Japan – Size Segment Profiles

Country	MSCI Asia x Japan Large Cap		MSCI Asia x Japan Mid cap		MSCI Asia x Japan Small cap	
	# of Sec	Index Wgt	# of Sec	Index Wgt	# of Sec	Index Wgt
CHINA	59	24.5%	37	15.0%	117	10.8%
KOREA	46	19.9%	47	22.4%	241	20.3%
TAIWAN	45	15.8%	67	18.6%	293	21.9%
HONGKONG	29	13.0%	21	12.4%	120	11.2%
INDIA	38	11.5%	25	10.7%	184	14.5%
SINGAPORE	14	5.8%	19	10.8%	68	7.8%
MALAYSIA	20	3.6%	20	4.5%	73	4.6%
INDONESIA	11	2.8%	8	2.2%	34	4.5%
THAILAND	16	2.4%	9	1.6%	40	2.7%
PHILIPPINES	8	0.6%	8	1.2%	12	0.7%
PAKISTAN	3	0.2%	3	0.4%	18	1.1%
TOTAL	289	100%	264	100%	1200	100%

Data as of Mar 3, 2008

- The MSCI Asia x Japan Mid Cap Index would have roughly similar number of stocks compared to the large cap index but has a smaller representation for China and bigger representation for Singapore
- The MSCI Asia x Japan Small Cap Index would have significantly more constituents versus the large and mid cap indices and also a lower representation in China

Index Proposals

- Using a similar methodology to the MSCI Asia APEX 50 Index methodology, we construct a straw MSCI Asia APEX Mid Cap Index with 50/75/100 securities and a straw MSCI Asia APEX Small Cap Index with 200/250/300 securities

MSCI Asia x JP Mid Cap		MSCI Asia Apex Mid Cap Index					
Country	Indx Wgt	50 Securities		75 Securities		100 Securities	
		# of Sec	Indx Wgt	# of Sec	Indx Wgt	# of Sec	Indx Wgt
KOREA	22.4%	22	43.3%	28	38.6%	36	37.4%
TAIWAN	18.6%	4	7.5%	9	10.8%	16	14.0%
CHINA	15.0%	9	17.4%	16	20.0%	20	19.0%
HONGKONG	12.4%	10	20.7%	15	20.6%	19	19.9%
SINGAPORE	10.8%	5	11.1%	7	10.0%	9	9.6%
INDIA	10.7%	--	--	--	--	--	--
MALAYSIA	4.5%	--	--	--	--	--	--
INDONESIA	2.2%	--	--	--	--	--	--
THAILAND	1.6%	--	--	--	--	--	--
PHILIPPINES	1.2%	--	--	--	--	--	--
PAKISTAN	0.4%	--	--	--	--	--	--
TOTAL	100.0%	50	100.0%	75	100.0%	100	100.0%

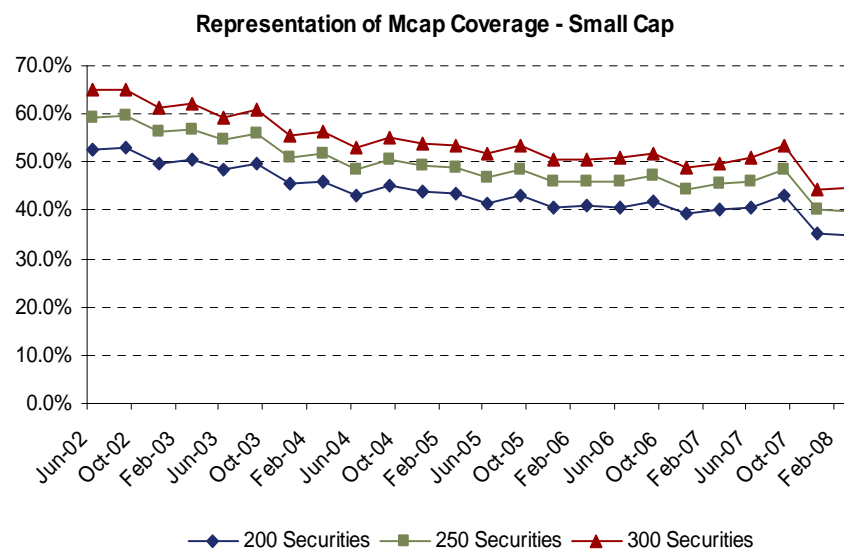
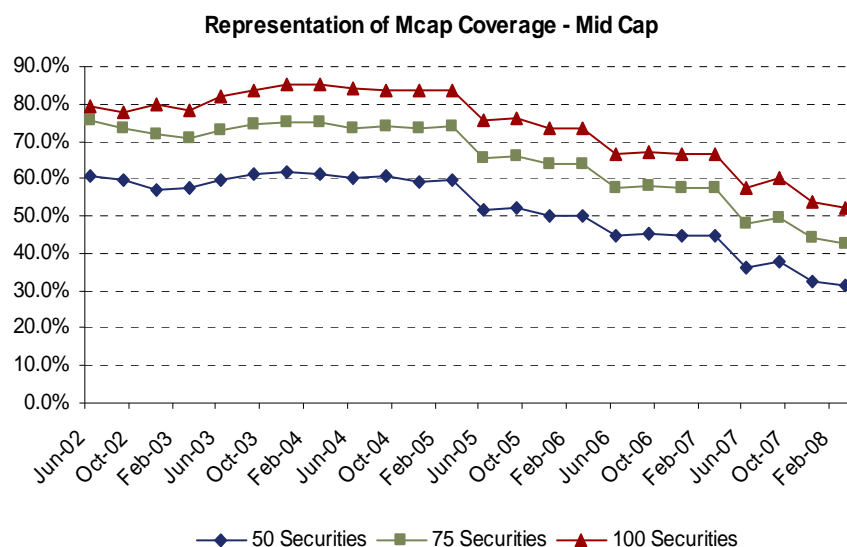
The resulting country exposure would be similar to that of the MSCI Asia APEX 50 Index except that the MSCI Asia APEX Small Cap 300 Index features India (Most Indian securities would be excluded due to failing the foreign ownership restriction rule)

MSCI Asia x JP Small Cap		MSCI Asia Apex Small Cap					
Country	Indx Wgt	200 Securities		250 Securities		300 Securities	
		# of Sec	Indx Wgt	# of Sec	Indx Wgt	# of Sec	Indx Wgt
TAIWAN	21.9%	51	21.2%	72	23.8%	93	25.6%
KOREA	20.3%	56	31.5%	69	30.8%	85	30.5%
INDIA	14.5%	--	--	--	--	4	1.7%
HONGKONG	11.2%	38	19.2%	43	17.9%	47	16.8%
CHINA	10.8%	34	16.8%	38	15.7%	41	14.7%
SINGAPORE	7.8%	21	11.3%	28	11.7%	30	10.7%
MALAYSIA	4.6%	--	--	--	--	--	--
INDONESIA	4.5%	--	--	--	--	--	--
THAILAND	2.7%	--	--	--	--	--	--
PAKISTAN	1.1%	--	--	--	--	--	--
PHILIPPINES	0.7%	--	--	--	--	--	--
TOTAL	100.0%	200	100.0%	250	100.0%	300	100.0%

Malaysia, Indonesia, Thailand, Philippines and Pakistan would be excluded from the proposed MSCI Asia APEX Indices as the weight in the parent indices would be below 5%

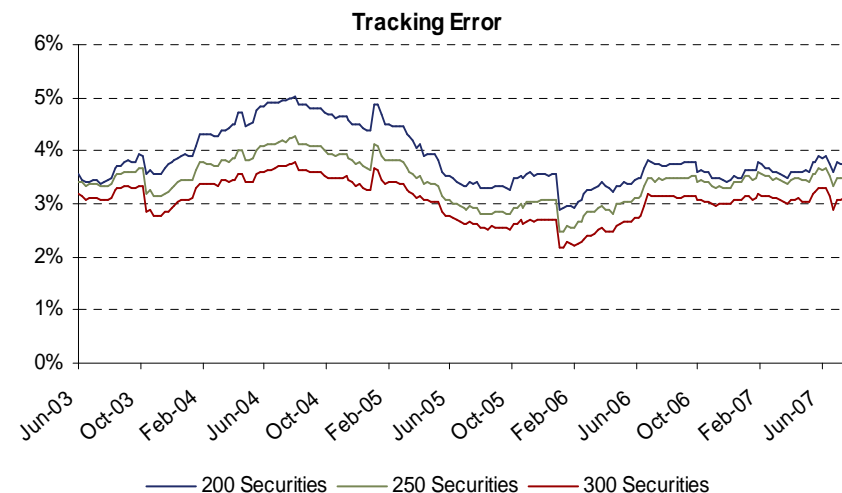
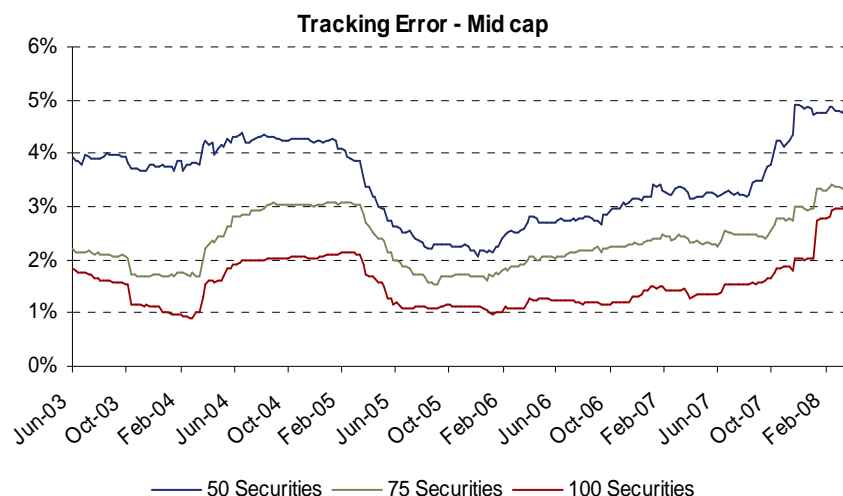
*As of 3rd March 2008

Proposed Indices - Representation Comparison



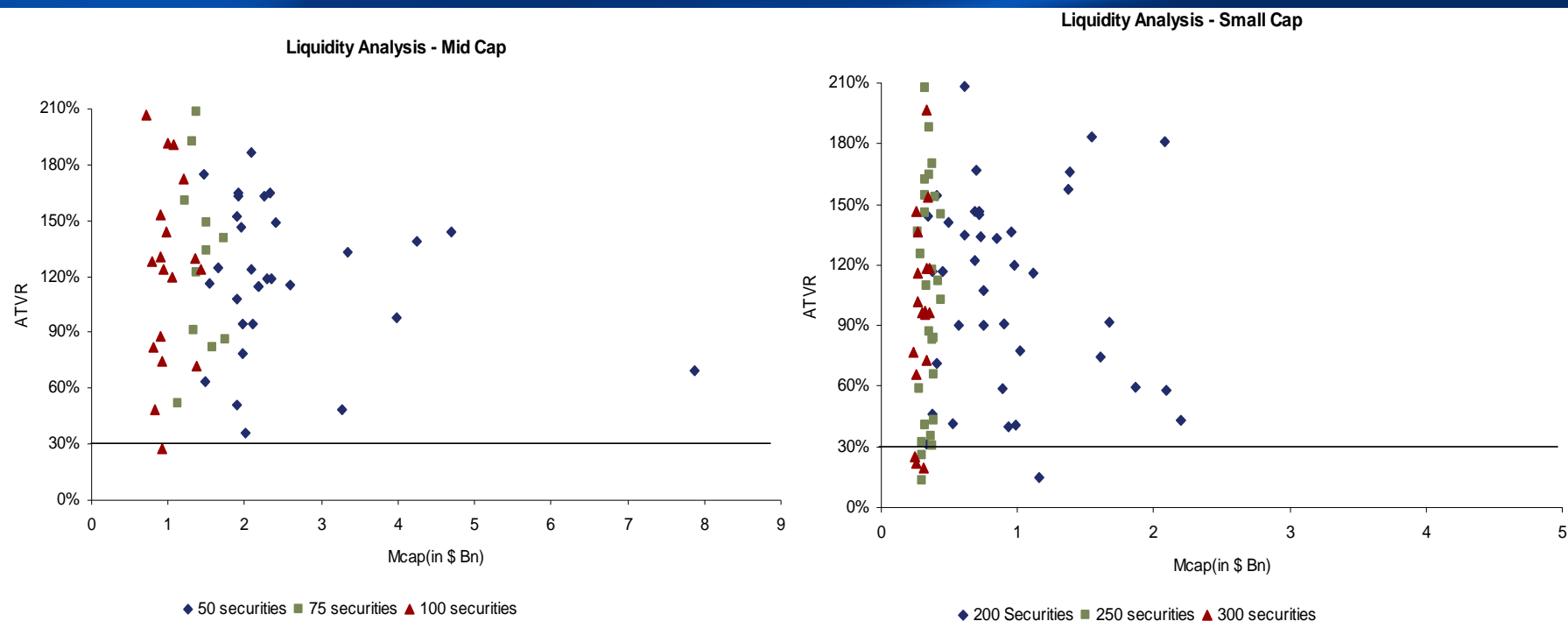
- Index representation improves as more securities are included in the index

Proposed Indices - Tracking Error Comparison



- Tracking error decreases as more securities are included in the index
- The marginal improvement for mid cap index is more visible between 2003-2004 as the number of mid cap stocks increases from 50-75
- Discussion Point: Are the tracking error ranges acceptable?

Proposed Indices - Liquidity Distribution Comparison



- However, there would be a compromise in index tradability as more securities are included in the index
- Discussion Point: Should there be an additional liquidity screen (e.g. ATVR 30%) to improve the tradability of the MSCI Asia APEX Indices?

A Balancing Act

- Representation and tracking errors generally improve as more securities are added to the index. However, having a lesser number of securities in the index has the advantage of better tradability and also lowers the management/hedging costs.
- Given that the objective of the MSCI Asia APEX Indices is to serve as tradable proxies for the broader parent indices and would be mainly used for investment product creation, MSCI Barra proposes to construct an MSCI Asia APEX Mid Cap Index with 50 stocks and an MSCI Asia APEX Small Cap Index with 200 stocks using a minimum ATVR cut-off of 30%
- Discussion point: Are 50 and 200 the optimal numbers for the MSCI Asia APEX Mid Cap and Small Cap Indices?

APPENDIX

Proposed MSCI Asia APEX Mid Cap 50 Index – Pro forma Securities

No	Ctry Code	Sec Name	Index Mcap	Index Wgt	No	Ctry Code	Sec Name	Index Mcap	Index Wgt
1	SG	Singapore Press Hldg	5,134	7.0%	26	KR	Kangwon Land	2,203	3.0%
2	KR	Dc Chemical Co	4,565	6.2%	27	HK	Tingyi Holding Corp	2,197	3.0%
3	HK	Hang Lung Group	4,093	5.6%	28	KR	Cheil Industrial	2,188	3.0%
4	CN	Gome Elec Appliances	3,813	5.2%	29	CN	Hengan Int'l Group Co	2,154	2.9%
5	KR	Samsung Electro-Mech. Co	3,264	4.5%	30	KR	Hanjin Shipping Co	2,113	2.9%
6	KR	Samsung Engineering Co	2,969	4.1%	31	HK	Pacific Basin Shipping	2,083	2.8%
7	KR	Samsung Techwin Co	2,939	4.0%	32	HK	Kingboard Chem. Holdigns	2,077	2.8%
8	SG	Fraser And Neave	2,929	4.0%	33	CN	Denway Motors	2,072	2.8%
9	CN	China Mengniu Dairy Co	2,911	4.0%	34	CN	Shanghai Ind Hldgs	2,023	2.8%
10	KR	Mirae Asset Sec Co Ltd	2,865	3.9%	35	CN	Sinofert Holdings	2,005	2.7%
11	TW	Taiwan Fertilizer Co	2,778	3.8%	36	SG	Jardine Cycle & Carriage	1,994	2.7%
12	HK	Nws Holdings	2,734	3.7%	37	KR	Hanjin Heavy Industries	1,942	2.7%
13	TW	Chang Hwa Commercial Bk	2,725	3.7%	38	CN	Li Ning Co	1,899	2.6%
14	HK	Wing Hang Bank	2,690	3.7%	39	KR	LG Household & Health	1,882	2.6%
15	KR	Samsung SDI Co	2,688	3.7%	40	KR	Korea Investment Hldg	1,862	2.5%
16	HK	Wheelock And Co	2,561	3.5%	41	KR	LG Investments & Sec	1,826	2.5%
17	HK	PCCW	2,560	3.5%	42	KR	Gs Holdings Corp	1,808	2.5%
18	KR	Daewoo Securities Co	2,522	3.4%	43	SG	Venture Corp	1,783	2.4%
19	SG	ComfortDelGro	2,477	3.4%	44	HK	Shui On Land	1,764	2.4%
20	TW	Tatung	2,452	3.3%	45	CN	Beijing Enterprises Hldg	1,738	2.4%
21	HK	Hopewell Holdings	2,391	3.3%	46	KR	Amorepacific Corp (New)	1,737	2.4%
22	KR	Hanwha Corp	2,380	3.2%	47	KR	Stx Shipbuilding Co	1,737	2.4%
23	TW	Taishin Financial Hldgs	2,286	3.1%	48	KR	Daewoo Int'l Corp	1,717	2.3%
24	KR	Hyundai Securities Co	2,254	3.1%	49	KR	Daegu Bank	1,686	2.3%
25	KR	Stx Pan Ocean	2,245	3.1%	50	CN	Dongfeng Motor Group H	1,284	1.8%

Data as of Mar 31, 2008

Proposed MSCI Asia APEX Small Cap 200 Index - Pro forma top 50 Securities

No	Ctry Code	Sec Name	Index Mcap	Index Wgt	No	Ctry Code	Sec Name	Index Mcap	Index Wgt
1	HK	Wing Lung Bank	1,619	1.4%	26	KR	Cj Corp	871	0.7%
2	KR	Yuhan Corp	1,527	1.3%	27	TW	Taiwan Business Bank	869	0.7%
3	KR	Hyundai Marine & Fire In	1,509	1.3%	28	HK	Ports Design	868	0.7%
4	KR	Megastudy Co	1,479	1.2%	29	SG	Raffles Education	851	0.7%
5	SG	United Industrial	1,379	1.2%	30	KR	Meritz Fire & Marine Ins	845	0.7%
6	SG	Singapore Post	1,204	1.0%	31	HK	Dah Sing Financial Hldgs	820	0.7%
7	HK	First Pacific Co	1,166	1.0%	32	HK	Great Eagle Holdings	819	0.7%
8	CN	China Yurun Food Group	1,157	1.0%	33	SG	Wing Tai Holdings	819	0.7%
9	KR	Korea Express Co	1,120	0.9%	34	KR	Dong-A Pharmaceutical Co	819	0.7%
10	HK	Techtronic Industries Co	1,115	0.9%	35	TW	Clevo Company	791	0.7%
11	CN	Xiniao Gas Holdings	1,091	0.9%	36	KR	Daum Communications Corp	770	0.6%
12	TW	Feng Hsin Iron & Steel	1,029	0.9%	37	KR	LIG Non-Life Insurance	768	0.6%
13	KR	LG Industrial Systems Co	1,016	0.9%	38	CN	Shenzhen Int'l Holdings	761	0.6%
14	KR	S1 Corp (Kr)	986	0.8%	39	TW	Capital Securities Corp	757	0.6%
15	KR	SK Chemicals	969	0.8%	40	KR	Korean Reinsurance Co	757	0.6%
16	KR	Hanmi Pharm Co	961	0.8%	41	CN	Tpv Technology	752	0.6%
17	SG	Straits Asia Resources	957	0.8%	42	TW	Tsrc Corp	737	0.6%
18	KR	Daishin Securities Co	929	0.8%	43	TW	Nan Kang Rubber Tire Co	733	0.6%
19	KR	Hotel Shilla Co	915	0.8%	44	TW	China Petrochemical Dev	725	0.6%
20	KR	Samsung Fine Chemical	913	0.8%	45	TW	Goldsun Devlpt & Constr.	708	0.6%
21	SG	SMRT Corp	900	0.8%	46	HK	VTech Holdings	701	0.6%
22	KR	Cheil Communications	887	0.7%	47	TW	Coretronic Corporation	698	0.6%
23	SG	Singapore Petroleum Co	886	0.7%	48	HK	Johnson Electric Hldgs	695	0.6%
24	CN	China Huiyuan Juice Grp	883	0.7%	49	TW	Simplo Technology Co	694	0.6%
25	HK	Huabao Intl Hldg	882	0.7%	50	TW	President Securities	694	0.6%

Data as of Mar 31, 2008

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