Enhancements to the MSCI Standard and Small Cap Indices: Consultation on an Updated Methodology and Transition Plan Proposal

Last Updated on January 18, 2007

Please note that the details presented in this document are based on the proposed methodology contained herein and based on historical data. The actual changes to constituents in indices would be based on the final methodology and transition plan to be announced on or before March 31, 2007

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- An "Additional Information" document providing more details is available at http://www.mscibarra.com/products/consultations/

Background & Summary

Introduction

- For over 35 years, MSCI has constructed global equity benchmark indices that assist the international investment management process
- The MSCI equity indices serve investors' needs by being:
  – Relevant and precise performance benchmarks
  – Effective research and asset allocation tools
  – The basis for investment vehicles designed to gain and/or manage exposure to different segments of the global equity markets
- Index needs of investors seeking international diversification have evolved over time and have been addressed by enhancements to the MSCI indices

Investment Process Needs

- The continued evolution of the international equity markets and investment management processes have led investors to desire:
  - Broader coverage of international equity markets while satisfying reasonable investability considerations
  - Size segmentation of the global investable universe and exhaustive coverage of the size segments while satisfying
    - **Size Integrity**: Consistency in defining size cut-offs globally to ensure that companies of comparable and relevant sizes are included in the appropriate size segments
    - **Market Coverage**: Consistency in size segment coverage for each market to allow for country diversification in each segment
    - **Index Stability**: Keeping the changes in the number of constituents low over time and keeping on-going turnover low
- Investors also continue to seek style segmentation, sector classification, and the ability to obtain diversification within markets

Index Design Objectives

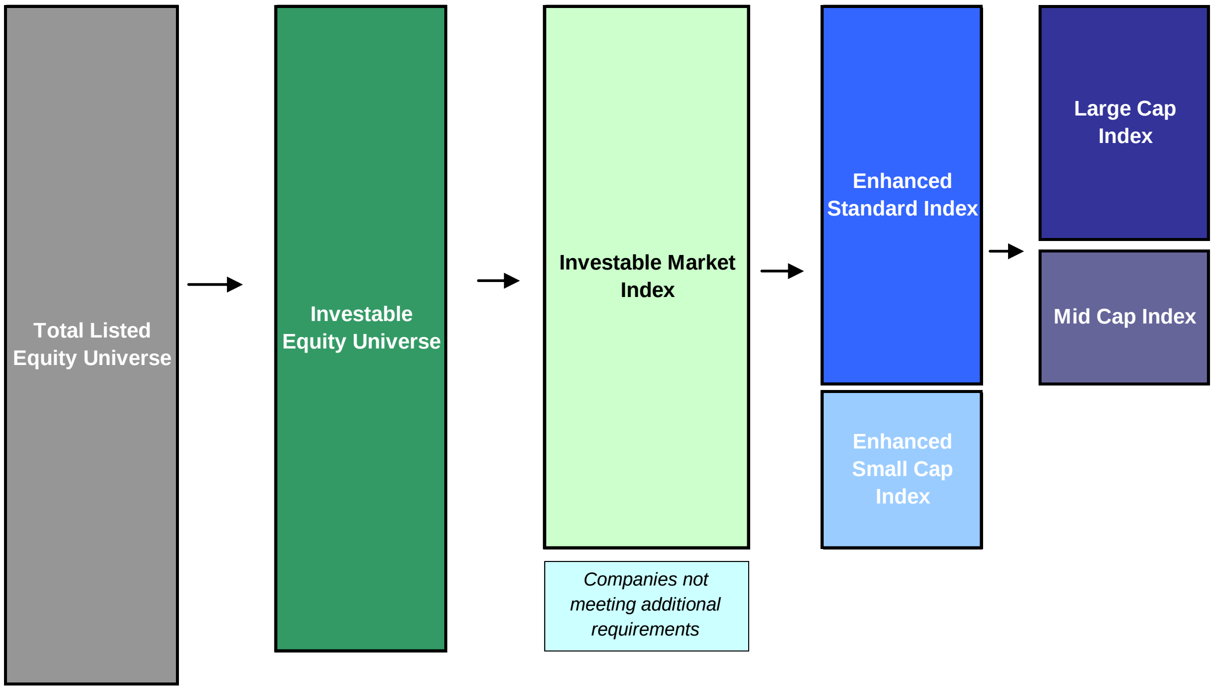
- In creating indices to meet these objectives, investors' feedback suggests:
  - Investability is more important than complete coverage of the universe in each market
  - Size integrity, market coverage, and index stability are the appropriate objectives for size segment indices
    - Balancing those three objectives, rather than fully achieving one at the expense of the other two, is preferred
    - When a balance cannot be achieved, some sacrifice in country coverage and representation is acceptable to preserve size integrity
    - In the maintenance of these indices, some sacrifice in index stability is acceptable to preserve country coverage and size integrity
- In response, MSCI Barra has announced that it will evolve it's current set of sampled multi-cap international equity indices to create a family of Investable Market Indices with size and style segmentation

Proposed Enhancements to the MSCI Indices

- The enhanced Standard Indices will provide exhaustive coverage of the large and mid-cap segments of the universe by targeting a coverage range around 85% of free float-adjusted market capitalization in each market subject to a universal minimum size range
  - As a reminder, the current Standard Indices target 85% coverage of each industry group in each market, resulting in a multi-cap index
- The enhanced Small Cap Indices will target all companies with market capitalization below that of the companies in the enhanced Standard Indices and up to 99% coverage of the free float-adjusted investable universe, subject to minimum investability criteria and a universal minimum size range
  - As a reminder, the current Small Cap Indices target 40% coverage of the companies in the range of $1.5 billion to $200 million in Developed Markets
- The enhanced Standard and Small Cap Indices will be combined to create an Investable Market Index family with non over-lapping segments, including new Large and Mid Cap size segment indices

Proposed Structure of the Global Investable Market Index Family

- In each market, the proposed structure of the Investable Market Index family is as depicted below
- In the case of Developed Markets Europe, the index and its size and style segments will be constructed from the whole region. Country indices within Europe will be created from the enhanced Europe Index



Building on Existing Attractive Features

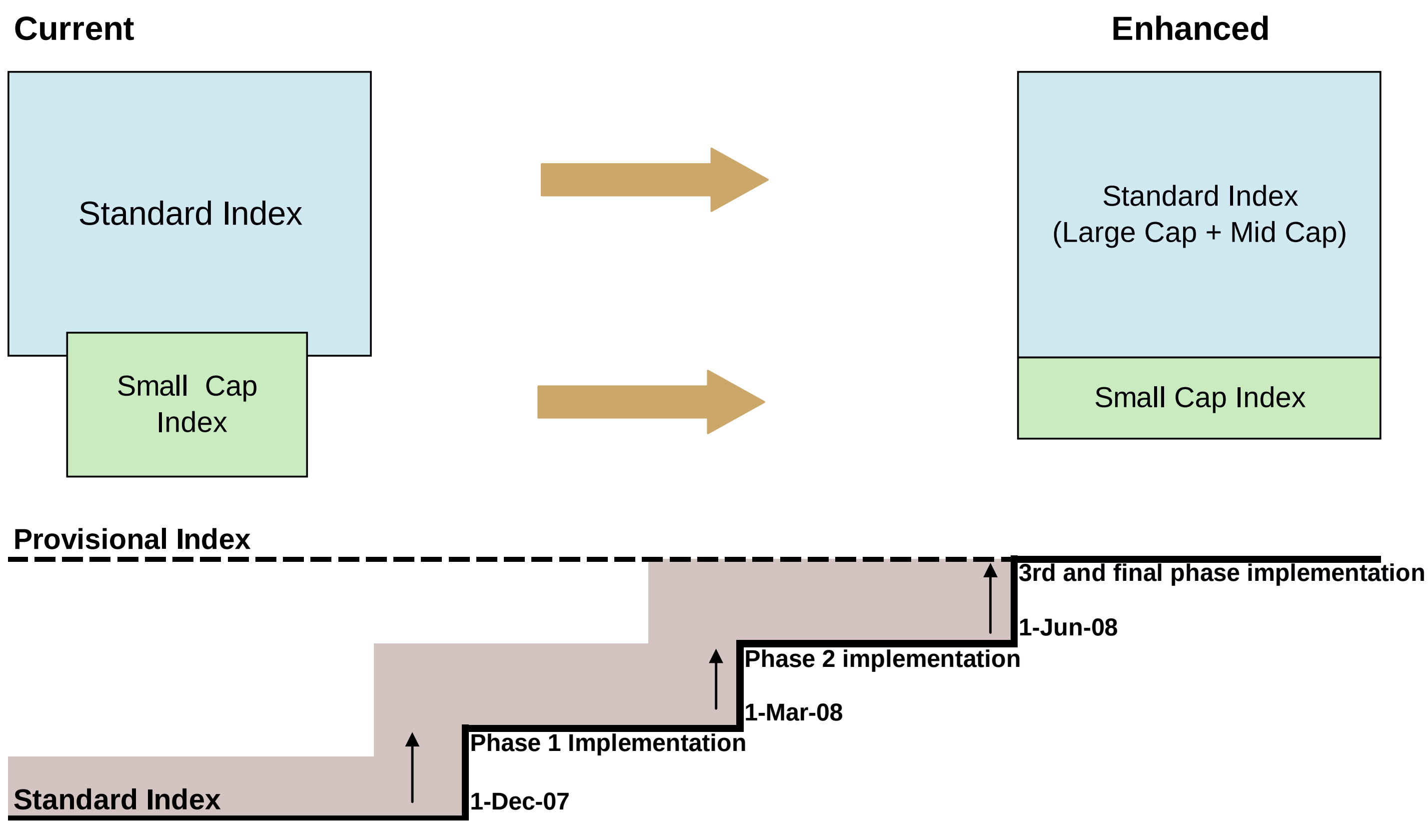
- The proposed enhanced indices feature:
  - Exhaustive coverage of the investable opportunity set along with non-overlapping size and style segmentation
  - Strong emphasis on investability and replicability of the indices through the use of size and liquidity screens
  - Continuity with the current Standard Index coverage through the targeting of 85% of the investable universe
  - Size segmentation designed to achieve an effective balance between the objectives of size integrity and country diversification
  - Innovative maintenance methodology that provides superior balance between timely reflection of changes in the opportunity set and index stability
  - Complete and consistent product offering, with new Large and Mid Cap Indices, Value/Growth for Small Cap, and Small Cap for Emerging Markets

Continuation of Attractive Features of the Existing Indices

- The enhanced indices will retain attractive features of the existing Standard Indices such as:
  - A building block approach to allow the creation and calculation of meaningful composites
  - Sector and industry 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
  - Timely and consistent treatment of corporate events and synchronized rebalancings, globally

Proposed Transition

- MSCI is proposing to transition its Standard and Small Cap Indices to the enhanced methodology as shown below



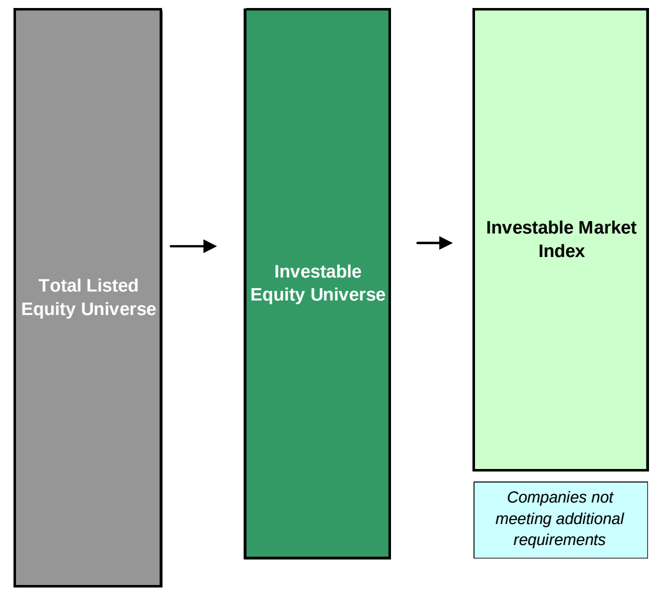
Proposed Transition Plan

- The transition will result in additions to the Standard Indices, reclassifications of securities from the Standard Indices to the Small Cap Indices, as well as deletions
- Provisional Standard and Small Cap Indices will be made available on or before June 1, 2007
- To provide transparency while minimizing the market impact and other costs of the transition, MSCI is proposing the following transition plan:
  - The transition will be implemented in 3 phases to take place at the end of November 2007, at the end of February 2008 and at the end of May 2008
  - At each phase 1/3 of the market cap of each addition and deletion resulting from the implementation of the enhanced methodology will be added to/deleted from the Standard and Small Cap Indices
- MSCI may modify this proposed methodology and transition plan. The final methodology and transition plan will be announced on or before March 31, 2007

Index Methodology to Achieve the Index Design Objectives

Deriving the Investable Universe

- Investability screens are used to arrive at an investable universe and the Investable Market Index to ensure replicability of constituents
  - Liquidity – Annualized traded value ratio (ATVR) of 20% for DM and 15% for EM
  - Minimum Size – $145 million full market cap as of September 2006
  - Free Float – Minimum Free Float of 15% at security and 10% at company level
  - Seasoning – 3 months for small IPOs
  - Additional requirements, including minimum size cut-off equal to the market capitalization at the 99th percentile of the free float adjusted market capitalization of the global investable universe for DM (half of that level for EM)



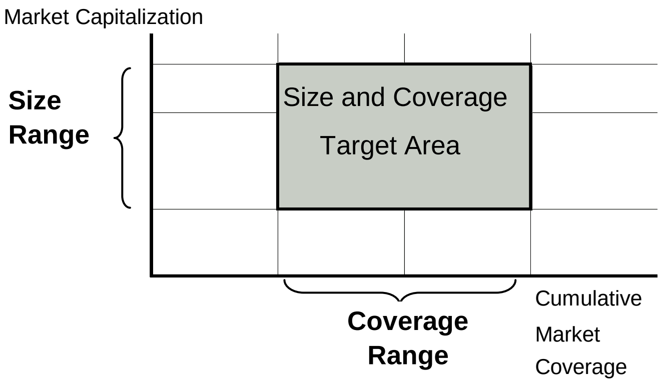
Total Listed Equity Universe to Investable Market Index	DM	EM	ACWI	DM	EM	ACWI
	Nb. of securities			% Float Mcap		
Total number of securities in equity universe	**19,685**	**12,033**	**31,718**	**100.0%**	**100.0%**	**100.0%**
Meeting liquidity Screen	13,487	7,854	21,341	98.1%	93.8%	97.7%
Meeting minimum size and other screens	8,095	1,995	10,090	97.4%	88.5%	96.7%
Investable Universe	**8,095**	**1,995**	**10,090**	**97.4%**	**88.5%**	**96.7%**
Investable Market Index (meeting additonal requirements)	**6,236**	**1,801**	**8,037**	**96.3%**	**88.1%**	**95.6%**

All market caps are in USD millions. Data as of September 30, 2006.

Constructing Appropriate Size Segments

Deriving the Size and Coverage Target Area

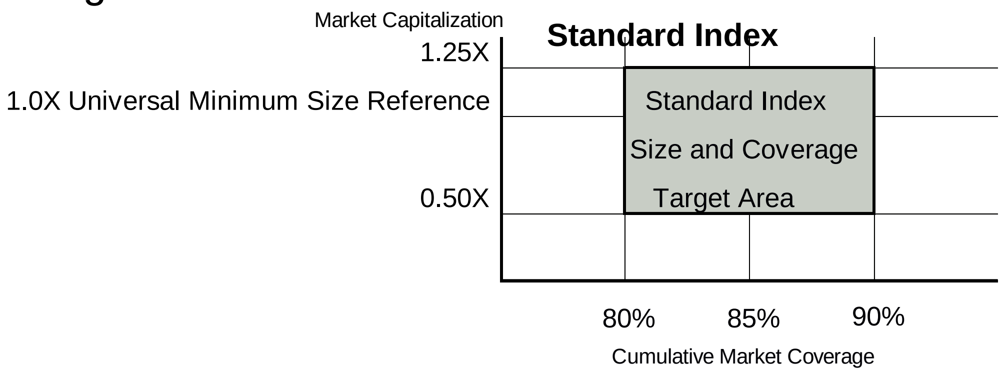
- The distribution of company market capitalizations varies from market to market. Therefore the use of the same company size cut-offs and the same market coverage targets to create size segments is not feasible
- Striking a balance between size integrity and market coverage requires the use of :
  – Universal minimum company size **ranges**, and
  – Market coverage target **ranges**
- The intersection of the minimum size range with the coverage range describes a Size and Coverage Target Area which will be used to find a balance between size integrity and market coverage



Constructing Appropriate Size Segments (cont'd)

Defining Coverage and Size Ranges

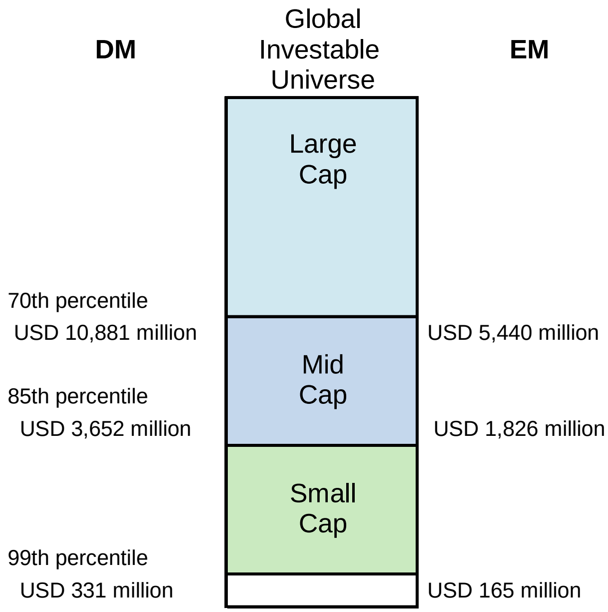
- The market coverage range proposed for various segments is defined as coverage of:
  - 65% to 75% in each market for the Large Cap Index
  - 80% to 90% in each market for the Standard Index and
  - 98.5% to 100% in each market for the Investable Market Index
- The universal minimum company size range for each segment is defined by:
  - First determining a universal minimum size reference and
  - Then specifying a range of 0.5X to 1.25X the universal minimum size reference



Universal Minimum Size Reference

- The universal minimum size references for the size segment indices are derived by:
  - First aggregating the individual Developed Market countries investable universes to create a global investable universe
  - Then choosing the market capitalization at:
    - The 70^{th} percentile as the cut-off between the Large Cap and Mid Cap Index
    - The 85^{th} percentile as the cut-off for the Standard Index, i.e., between the Mid Cap and Small Cap Index
    - The 99^{th} percentile as the cut-off at the bottom for the Investable Market Index
- For Emerging Markets, the universal minimum size reference is set at ½ the level of the Developed Markets

Universal Minimum Size Reference



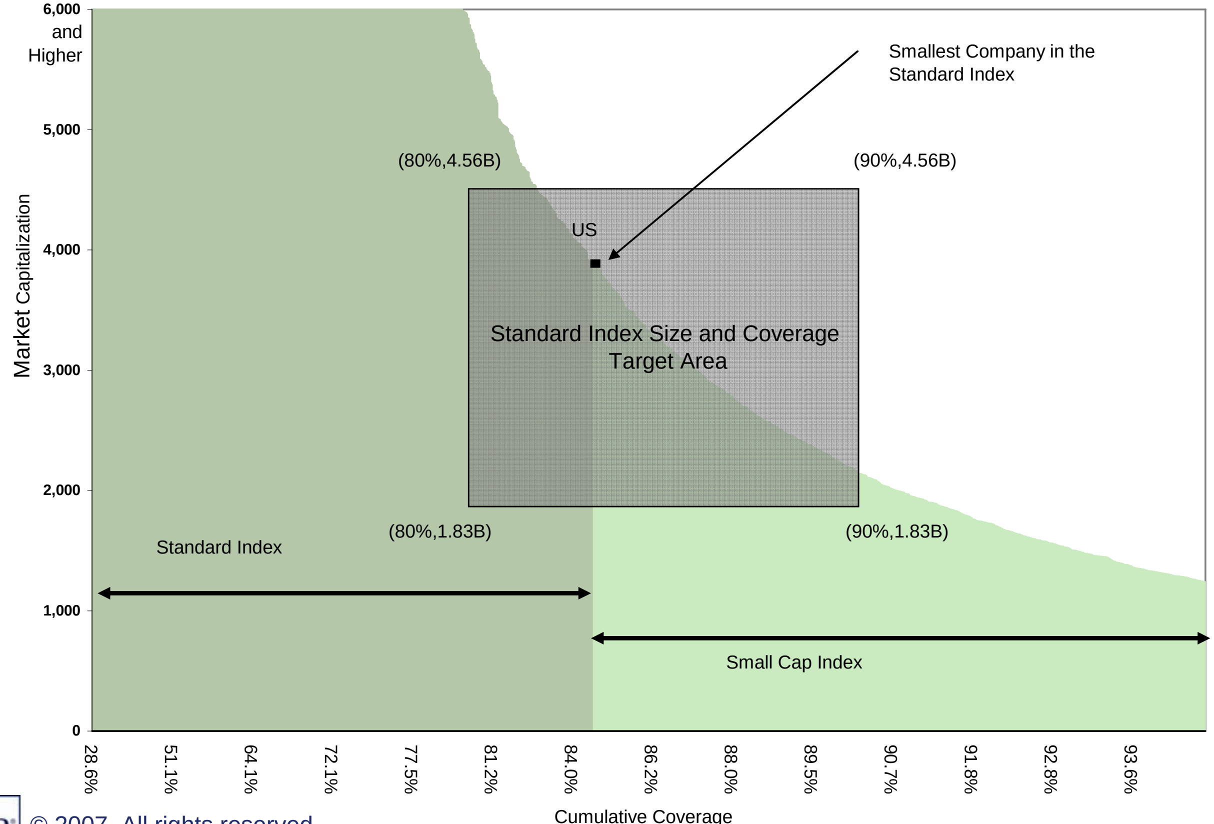
* Data as of September, 2006

Balancing Size Integrity & Market Coverage

- Size integrity is achieved when the market capitalization of the smallest company in the segment within a market falls in the universal company minimum size range
- Adequate country representation is achieved when the cumulative market coverage of the investable universe falls within the coverage target range
- Achieving a balance between size integrity and market coverage requires that both size integrity and country coverage are achieved
  - However, in some instances this is not possible and country coverage is allowed to deviate from the target coverage band in order to achieve size integrity
- At initial construction the number of companies is chosen to balance both objectives and the market capitalization of the smallest company becomes the minimum size cut-off for that market

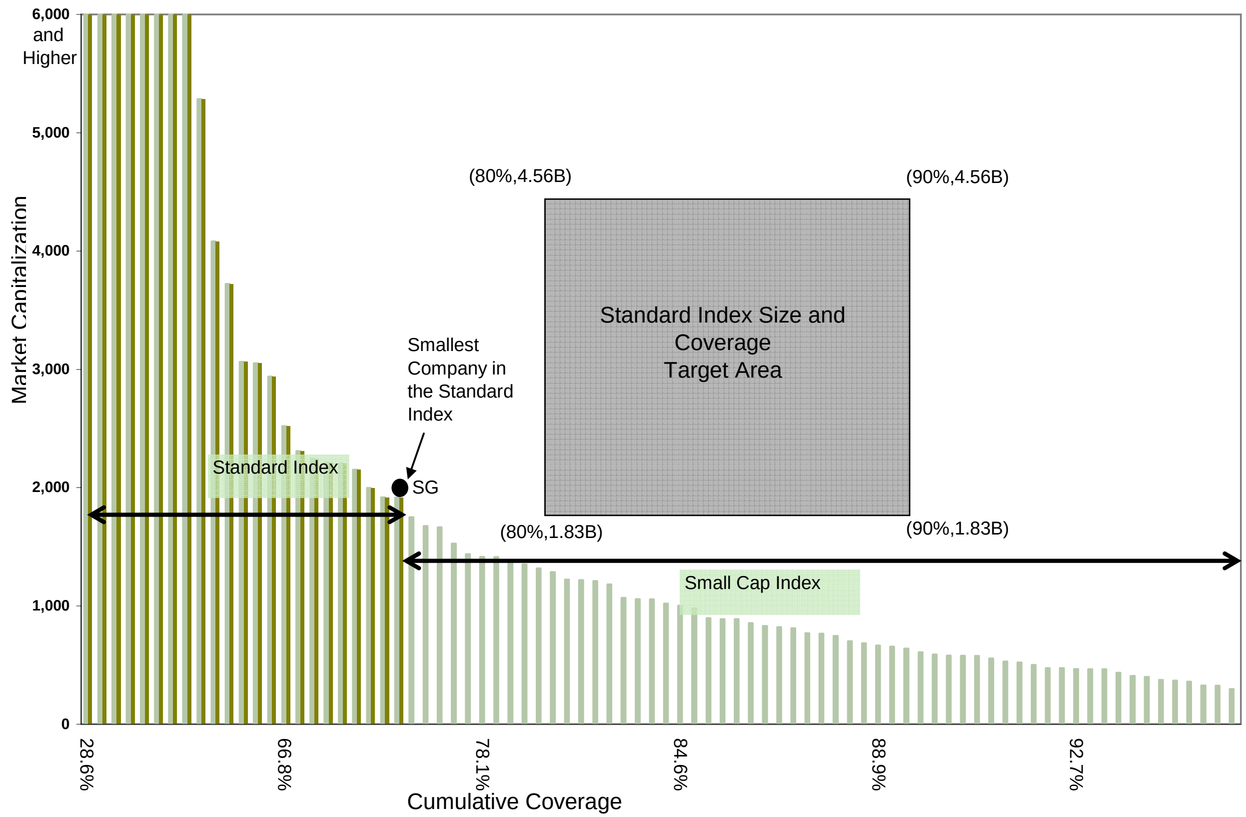
Market Coverage and Size Integrity: US

- In the enhanced US Standard Index, a balance between size integrity and market coverage is achieved as the smallest company in the index has a market capitalization that is within the universal minimum company size range and the cumulative coverage at that company's rank is within the coverage target range



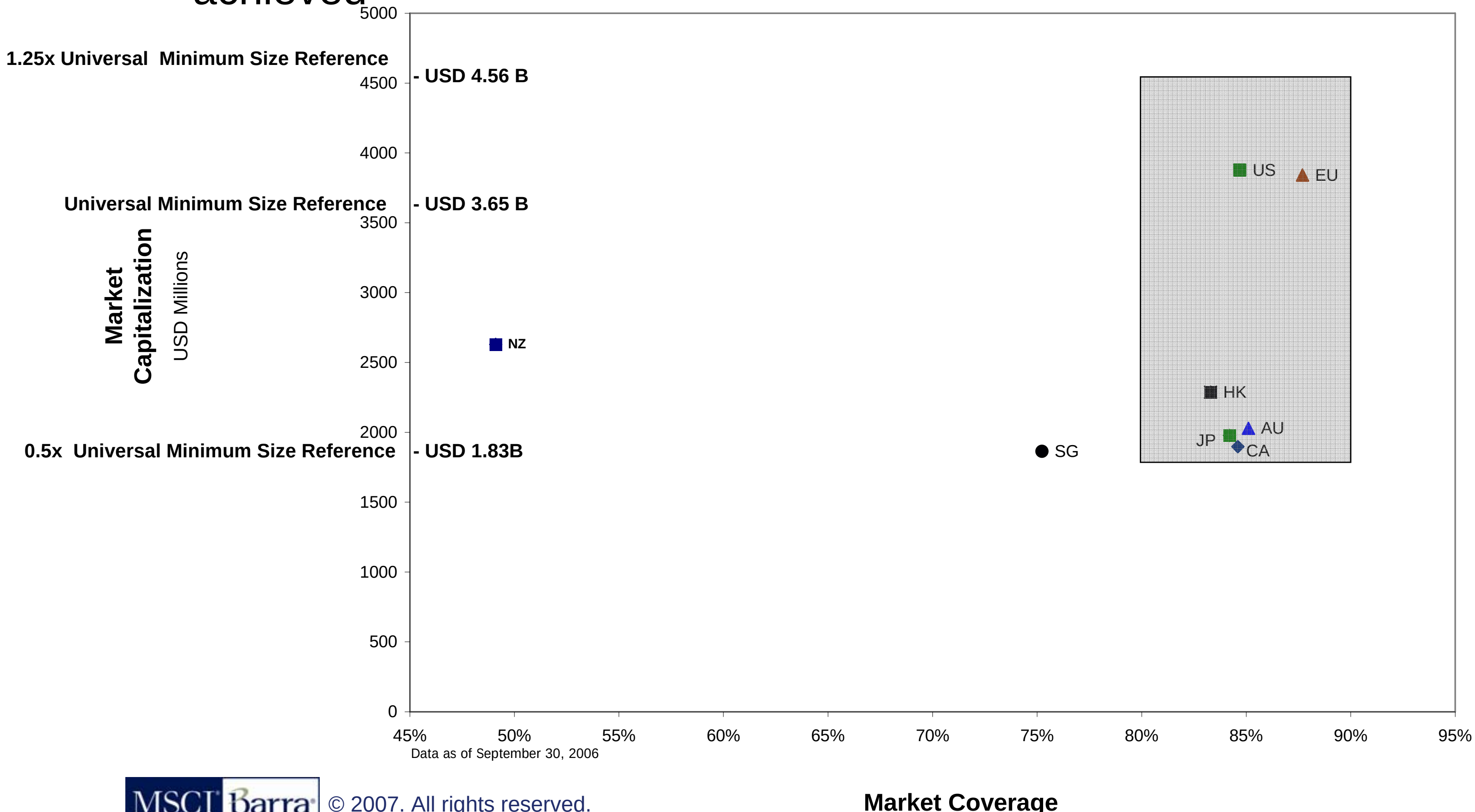
Market Coverage and Size Integrity: Singapore

- In the enhanced Singapore Standard Index, a balance between size integrity and market coverage cannot be achieved. Hence the Standard Index stops short of the coverage target range in order to preserve size integrity



Size and Coverage Target Area for Developed Market Standard Indices

- In all Developed Markets, except Singapore and New Zealand, a balance between size integrity and market representation is achieved



Pro-forma Developed Market Indices

- The pro-forma number of companies in the enhanced MSCI World Standard Index and the Investable Market Index would be 1,692 and 6,205, respectively, based on September 30, 2006 data

Number of companies by country/region for Developed Markets

Segment	Australia	Hong Kong	Singapore	New Zealand	Pacific ex Japan	Japan	Europe	EAFE	Canada	USA	World ex Japan	World
Large	33	25	8	1	67	159	199	425	48	262	576	735
Mid	43	18	15	2	78	204	257	539	61	357	753	957
Enhanced Standard	76	43	23	3	145	363	456	964	109	619	1,329	1,692
Enhanced Small Cap	134	75	59	16	284	857	1,105	2,246	235	2,032	3,656	4,513
Investable Market Index	210	118	82	19	429	1,220	1,561	3,210	344	2,651	4,985	6,205

Minimum size at construction: Full Market Cap of Companies

Segment	Australia	Hong Kong	Singapore	New Zealand	Pacific ex Japan	Japan	Europe	EAFE	Canada	USA	World ex Japan	World
Large	5,587	5,622	6,117	5,557	5,557	5,452	12,434	5,452	6,537	12,496	5,557	5,452
Enhanced Standard	2,029	2,287	1,864	2,630	1,864	1,977	3,842	1,864	1,898	3,877	1,864	1,864
Investable Market Index	331	331	331	331	331	331	331	331	331	331	331	331

Cumulative Coverage of Free Float-Adjusted Market Capitalization

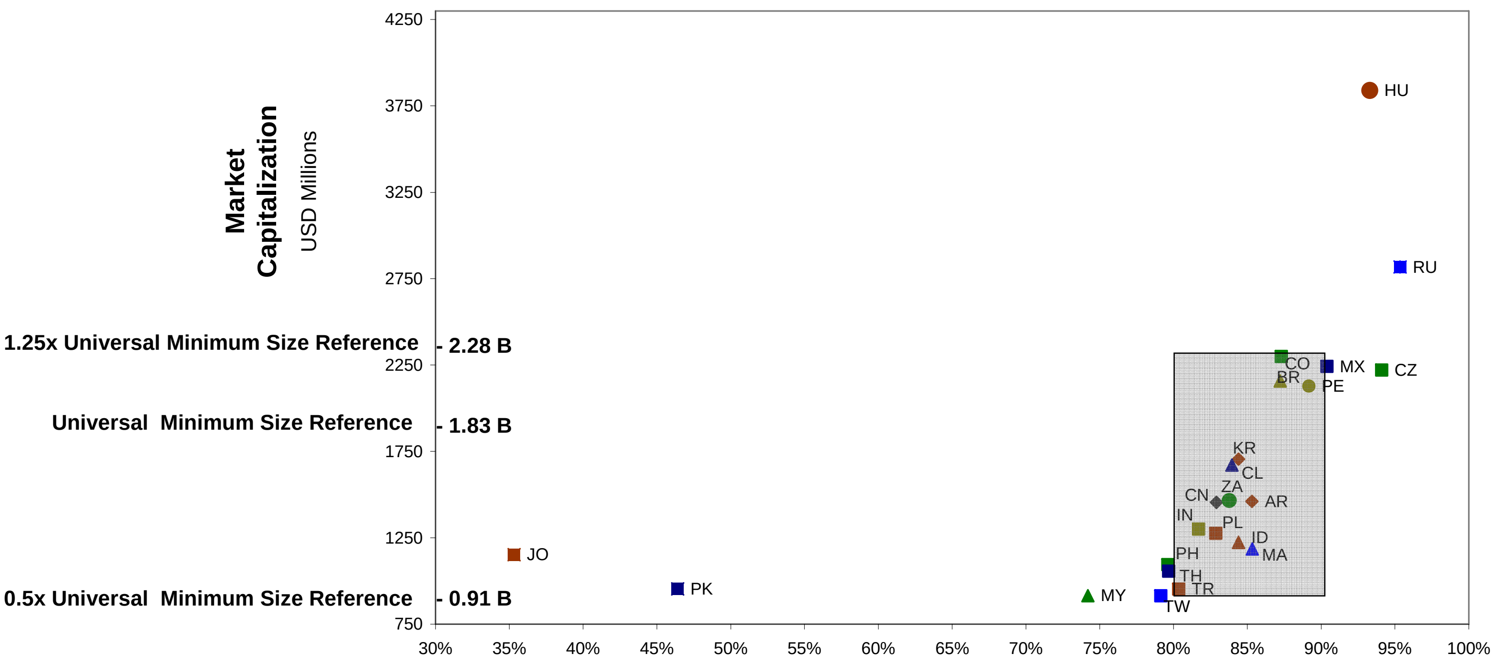
Segment	Australia	Hong Kong	Singapore	New Zealand	Pacific ex Japan	Japan	Europe	EAFE	Canada	USA	World ex Japan	World
Large	67.4%	70.2%	54.8%	28.6%	66.0%	68.9%	73.1%	71.5%	70.1%	69.7%	70.7%	70.5%
Mid	17.7%	13.1%	20.5%	20.5%	17.0%	15.3%	14.7%	15.0%	14.5%	14.9%	14.9%	15.0%
Enhanced Standard	85.1%	83.3%	75.2%	49.1%	83.0%	84.2%	87.7%	86.5%	84.6%	84.7%	85.6%	85.5%
Enhanced Small Cap	12.9%	12.2%	19.5%	48.2%	14.0%	13.1%	11.0%	11.8%	13.4%	14.2%	13.1%	13.1%
Investable Market Index	98.0%	95.5%	94.7%	97.3%	97.0%	97.3%	98.7%	98.2%	98.0%	98.9%	98.7%	98.6%

All market caps are in USD millions. Data as of September 30, 2006.

Note: Developed Markets Universal Minimum Size Reference for Large Cap is USD 10,881 million, for Standard is USD 3,652 million and USD 331 million for Small Cap.

Size and Coverage Target Area for Emerging Market Standard Indices

- In most Emerging Markets the balance between country coverage and size integrity is achieved
  - In Jordan, Pakistan, Malaysia, Philippines, Taiwan, and Thailand country coverage falls short of the 80% target due to size integrity constraints
  - In other markets like Mexico, Czech Republic, Hungary, and Russia the coverage exceeds 90% due to high concentration in these markets



Data as of September 30, 2006

Pro-forma Emerging Market Indices

- The pro-forma number of companies in the enhanced MSCI EM Standard Index and the Investable Market Index would be 595 and 1,778, respectively, based on September 30, 2006 data

Number of Companies

Segment	LATAM	ASIA	EMEA	EM	WORLD	ACWI
Large	47	177	80	304	735	1,039
Mid	38	189	64	291	957	1,248
Enhanced Standard	85	366	144	595	1,692	2,287
Enhanced Small Cap	87	872	224	1,183	4,513	5,696
Investable Market Index	172	1,238	368	1,778	6,205	7,983

Mimimum Full Market Cap of Companies

Segment	LATAM	ASIA	EMEA	EM	WORLD	ACWI
Large	2,723	2,734	2,792	2,723	5,452	2,723
Enhanced Standard	1,461	914	950	914	1,864	914
Investable Market Index	166	166	166	166	331	166

Cumulative Coverage of Free Float-Adjusted Market Capitalization

Segment	LATAM	ASIA	EMEA	EM	WORLD	ACWI
Large	76.5%	67.4%	77.8%	71.9%	70.5%	70.6%
Mid	11.5%	14.2%	10.1%	12.6%	15.0%	14.8%
Enhanced Standard	88.0%	81.6%	87.9%	84.5%	85.5%	85.4%
Enhanced Small Cap	9.5%	16.4%	10.3%	13.5%	13.1%	13.1%
Investable Market Index	97.5%	98.0%	98.2%	98.0%	98.6%	98.5%

All market caps are in USD millions. Data as of September 30, 2006.

Note: Emerging Markets Universal Minimum Size Reference for Large Cap is USD 5,440 million, for Standard is USD 1,826 million and USD 165million for Small Cap.

- Note: Individual country details are available in the "Additional Information" document

Investability, Size Integrity, and Continuity of Indices

- The company minimum size cut-offs are a requirement for achieving size integrity
- In addition, to ensure investability and replicability of size segments, a security's free float-adjusted market capitalization is required to be at least 50% of the minimum size cut-off for that market
- However, in some Emerging Markets, companies which are significant in the context of the domestic equity universe may not meet this requirement because of low float
- In these cases, the float requirement is lowered to 30% of the minimum size cut-off and securities are added provided the free float market cap of the security is at least 1% of the free float market capitalization of the investable universe in that market

Investability, Size Integrity, and Continuity of Indices (cont'd)

- To ensure continuity a minimum of three companies will be required to be present for a market to have a Standard Index
  - If the pool of eligible securities shrinks to less than 3, at least 3 companies will be maintained in the index by choosing the securities with the largest free float market capitalization
  - If the small number of eligible companies is a condition that persists, a consultation to examine the continued inclusion of the country in composites will be launched

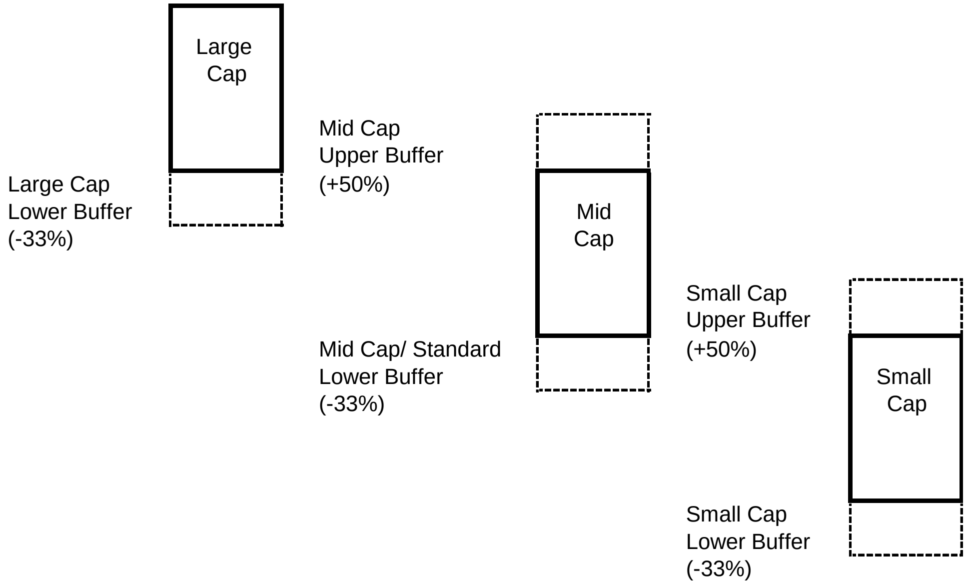
Index Rebalancing

Index Rebalancing

- The indices will be rebalanced semi-annually and quarterly in order to reflect changes in the opportunity set in a timely manner while managing index stability and turnover
- Index stability will be managed by keeping the number of companies in the indices unchanged at rebalancing as long as the Size and Coverage Target Area is not violated
  - If a change in the number of companies is indicated, typically no more than 5% of the number of companies is added or deleted in a single rebalance
  - In some market specific instances, such as the bursting of the Japan bubble or the Asian crisis, a larger change, but of not more than 10% of the number of companies, may be implemented to ensure faster achievement of size integrity and coverage

Buffer Zones

- Turnover will be managed by the use of buffer zones to control the migration of companies between size segments while reflecting the investment process and allowing for timely representation of market developments
  - Buffer zones at quarterly index reviews will be wider (+80%, -45%) to capture only large moves
  - Buffer zones at semi-annual reviews are as shown below:



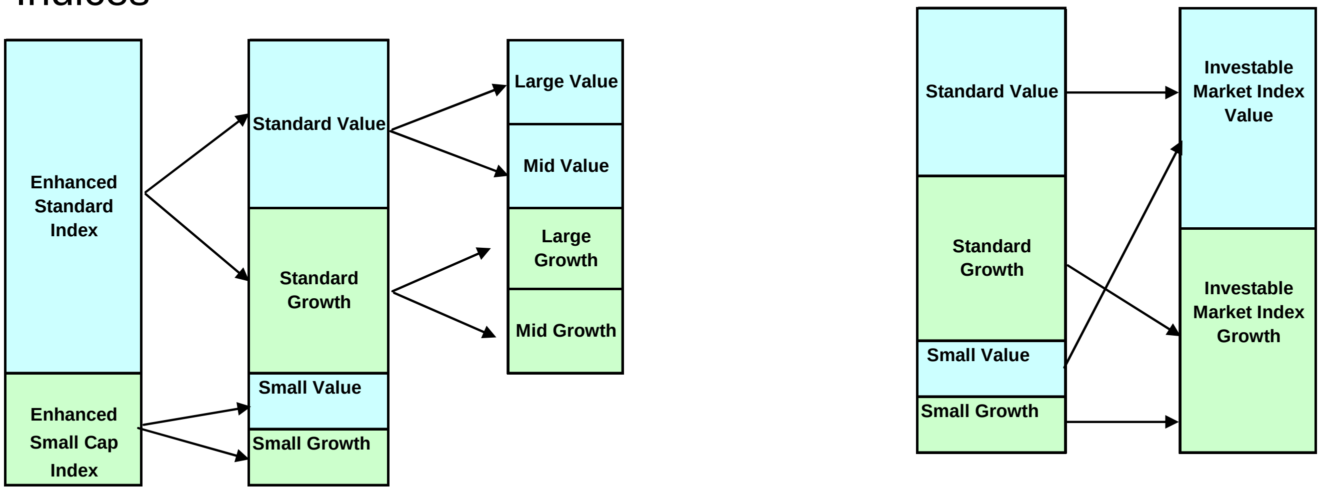
Index Rebalancing Schedule

- Semi-Annual Reviews
  - Semi-annual index rebalancings will occur in May and November
  - A comprehensive review of the size segment indices is conducted and any adjustments, if indicated, are made to the number of companies to ensure size integrity and market coverage
  - The universal minimum size reference, which is linked to the rank of a company, is also evaluated against the global investable universe and if market coverage at that rank indicates a change, that change is implemented
- Quarterly Reviews
  - Quarterly reviews occur in February and August
  - Only companies that have moved out of the buffer zones will be reclassified
- Significant corporate events will continue to be reflected in the indices as they occur

Style Segmentation

Style Segmentation

- The current bi-dimensional, multi-variate, global value/growth methodology will be used to segment the market into value and growth for both developed and emerging markets
- The value and growth methodology will be applied to the enhanced Standard and Small Cap Indices
  - Large Cap and Mid Cap Value and Growth Indices will be derived from the Standard Value and Growth Indices
  - The Investable Market Index Value and Growth Indices will be created by aggregating the Value and Growth segments of the Standard and Small Cap Indices



Style Segmentation (cont'd)

- The enhanced Standard Value and Growth Indices will use the same variables as in the current Standard Value and Growth Indices
- The Long Term Forward EPS Growth rate variable will not be used for Small Cap Indices due to lack of consistent coverage by street analysts
- Style indices will be reviewed during the semi-annual index rebalancings
- In Quarterly Index Reviews, only companies changing size segments will be reviewed for style segment attribution
- Buffer zones will be applied for the Value and Growth Indices

Transition Plan Proposal

Transition Analysis

- In order to evaluate the proposed transition plan, this section presents the aggregated differences between the index constructed with the enhanced methodology and the current index and transition turnover using pro-forma data as of September 30, 2006
- The full transition to the enhanced methodology is characterized by:
  - Reasonable aggregate turnover at the Standard Indices level
  - Large number of companies reclassified from the Standard to Small Cap Indices
  - Significant changes in the market capitalization of certain countries in the Standard Indices, while regions remain relatively stable
- The transition of the current MSCI indices to the proposed enhanced methodology will be based on a final plan to be announced on or before March 31, 2007

Understanding the Changes in the MSCI DM Standard Index

	Current Standard Index			Pro forma Enhanced Standard Index			%Chg	# Securities		% Change in Nb of Sec		Weight		One-Off One Way Index Turnover
	FIF Mkt Cap	Weight	# Sec.	FIF Mkt Cap	Weight	# Sec.	Mkt Cap	Add	Del	Add	Del	Add	Del	
WORLD	**24,976,305**	**100.0%**	**1,917**	**25,303,172**	**100.0%**	**1,708**	**1.3%**	**196**	**405**	**10.2%**	**21.1%**	**4.3%**	**3.1%**	**4.3%**
EAFE	11,636,834	46.6%	1,165	11,625,261	45.9%	973	-0.1%	111	303	9.5%	26.0%	4.1%	4.2%	4.2%
WORLD ex JAPAN	22,221,206	89.0%	1,535	22,511,794	89.0%	1,345	1.3%	155	345	10.1%	22.5%	4.4%	3.1%	4.4%
DM NORTH AMERICA	**13,339,471**	**53.4%**	**752**	**13,677,911**	**54.1%**	**735**	**2.5%**	**85**	**102**	**11.3%**	**13.6%**	**4.5%**	**2.1%**	**4.5%**
US USA	12,440,759	49.8%	636	12,740,091	50.3%	625	2.4%	72	83	11.3%	13.1%	4.3%	2.0%	4.3%
CA Canada	898,713	3.6%	116	937,820	3.7%	110	4.4%	13	19	11.2%	16.4%	6.7%	2.6%	6.7%
DM EUROPE	**7,961,165**	**31.9%**	**603**	**7,919,825**	**31.3%**	**465**	**-0.5%**	**57**	**195**	**9.5%**	**32.3%**	**4.2%**	**4.7%**	**4.7%**
GB United Kingdom	2,779,846	11.1%	158	2,781,258	11.0%	125	0.1%	18	51	11.4%	32.3%	4.7%	4.6%	4.7%
FR France	1,161,698	4.7%	63	1,181,296	4.7%	63	1.7%	7	7	11.1%	11.1%	3.3%	1.7%	3.3%
DE Germany	825,536	3.3%	52	840,196	3.3%	49	1.8%	6	9	11.5%	17.3%	3.8%	2.1%	3.8%
CH Switzerland	821,187	3.3%	37	826,481	3.3%	31	0.6%	4	10	10.8%	27.0%	3.0%	2.4%	3.0%
ES Spain	463,372	1.9%	31	482,732	1.9%	32	4.2%	7	6	22.6%	19.4%	6.0%	2.1%	6.0%
IT Italy	447,389	1.8%	37	475,195	1.9%	40	6.2%	8	5	21.6%	13.5%	7.0%	1.3%	7.0%
NL Netherlands	410,419	1.6%	26	396,868	1.6%	19	-3.3%	1	8	3.8%	30.8%	1.1%	4.4%	4.4%
SE Sweden	280,296	1.1%	47	258,984	1.0%	24	-7.6%	2	25	4.3%	53.2%	7.9%	14.9%	14.9%
FI Finland	166,106	0.7%	23	144,372	0.6%	12	-13.1%	-	11	-	47.8%	0.0%	13.1%	13.1%
BE Belgium	144,030	0.6%	20	139,889	0.6%	14	-2.9%	2	8	10.0%	40.0%	3.5%	6.2%	6.2%
IE Ireland	98,930	0.4%	16	97,171	0.4%	9	-1.8%	1	8	6.3%	50.0%	12.1%	13.7%	13.7%
DK Denmark	90,086	0.4%	22	72,283	0.3%	12	-19.8%	1	11	4.5%	50.0%	6.3%	24.8%	24.8%
NO Norway	95,043	0.4%	24	67,268	0.3%	8	-29.2%	-	16	-	66.7%	0.0%	29.2%	29.2%
GR Greece	73,209	0.3%	19	65,736	0.3%	10	-10.2%	-	9	-	47.4%	0.0%	10.2%	10.2%
AT Austria	64,756	0.3%	17	54,476	0.2%	10	-15.9%	-	7	-	41.2%	0.0%	15.9%	15.9%
PT Portugal	39,263	0.2%	11	35,619	0.1%	7	-9.3%	-	4	-	36.4%	0.0%	9.3%	9.3%
DM PACIFIC	**3,675,669**	**14.7%**	**562**	**3,705,436**	**14.6%**	**508**	**0.8%**	**54**	**108**	**9.6%**	**19.2%**	**3.8%**	**3.0%**	**3.8%**
JP Japan	2,755,099	11.0%	382	2,791,378	11.0%	363	1.3%	41	60	10.7%	15.7%	3.7%	2.4%	3.7%
AU Australia	608,052	2.4%	88	608,953	2.4%	76	0.1%	6	18	6.8%	20.5%	3.9%	3.8%	3.9%
HK Hong Kong	197,570	0.8%	42	206,176	0.8%	43	4.4%	6	5	14.3%	11.9%	6.1%	2.1%	6.1%
SG Singapore	97,988	0.4%	38	89,396	0.4%	23	-8.8%	1	16	2.6%	42.1%	1.5%	10.1%	10.1%
NZ New Zealand	16,959	0.1%	12	9,532	0.0%	3	-43.8%	-	9	-	75.0%	0.0%	43.8%	43.8%

All market caps are in USD millions. Data as of September 30, 2006.

Understanding the Changes in the MSCI EM Standard Index

	Current Standard Index			Pro forma Enhanced Standard Index			%Chg	# Securities		% Change in Nb of Sec		Weight		One-Off One Way Index Turnover
	FIF Mkt Cap	Weight	# Sec.	FIF Mkt Cap	Weight	# Sec.	Mkt Cap	Add	Del	Add	Del	Add	Del	
EM	**2,019,071**	**100.0%**	**852**	**2,014,863**	**100.0%**	**610**	**-0.2%**	**71**	**313**	**8.3%**	**36.7%**	**6.9%**	**7.1%**	**7.1%**
EM ASIA	**1,076,322**	**53.3%**	**502**	**1,081,639**	**53.7%**	**373**	**0.5%**	**46**	**175**	**9.2%**	**34.9%**	**7.3%**	**6.9%**	**7.3%**
KR Korea	354,092	17.5%	92	361,361	17.9%	79	2.1%	13	26	14.1%	28.3%	7.4%	5.5%	7.4%
TW Taiwan	260,734	12.9%	104	267,080	13.3%	92	2.4%	16	28	15.4%	26.9%	7.6%	5.4%	7.6%
CN China	191,076	9.5%	81	187,503	9.3%	53	-1.9%	6	34	7.4%	42.0%	7.1%	8.8%	8.8%
IN India	137,445	6.8%	68	146,588	7.3%	59	6.7%	7	16	10.3%	23.5%	9.7%	3.7%	9.7%
MY Malaysia	53,316	2.6%	60	45,836	2.3%	30	-14.0%	2	32	3.3%	53.3%	3.7%	17.2%	17.2%
ID Indonesia	32,886	1.6%	24	31,162	1.5%	19	-5.2%	-	5	-	20.8%	0.0%	5.2%	5.2%
TH Thailand	32,345	1.6%	41	30,878	1.5%	25	-4.5%	2	18	4.9%	43.9%	9.4%	13.5%	13.5%
PH Philippines	10,111	0.5%	17	8,638	0.4%	10	-14.6%	-	7	-	41.2%	0.0%	14.6%	14.6%
PK Pakistan	4,318	0.2%	15	2,592	0.1%	6	-40.0%	-	9	-	60.0%	0.0%	40.0%	40.0%
EM EMEA	**553,364**	**27.4%**	**221**	**550,814**	**27.3%**	**146**	**-0.5%**	**16**	**91**	**7.2%**	**41.2%**	**6.2%**	**6.7%**	**6.7%**
RU Russia	216,845	10.7%	23	219,990	10.9%	18	1.5%	1	6	4.3%	26.1%	4.0%	2.6%	4.0%
ZA South Africa	155,832	7.7%	50	158,568	7.9%	38	1.8%	3	15	6.0%	30.0%	9.8%	8.2%	9.8%
IL Israel	54,937	2.7%	35	51,591	2.6%	23	-6.1%	3	15	8.6%	42.9%	3.4%	9.3%	9.3%
PL Poland	32,916	1.6%	22	31,928	1.6%	14	-3.0%	3	11	13.6%	50.0%	7.2%	10.0%	10.0%
TR Turkey	30,185	1.5%	33	30,717	1.5%	22	1.8%	2	13	6.1%	39.4%	10.4%	8.9%	10.4%
HU Hungary	19,771	1.0%	5	19,145	1.0%	4	-3.2%	-	1	-	20.0%	0.0%	3.2%	3.2%
EG Egypt	17,888	0.9%	21	17,252	0.9%	12	-3.6%	2	11	9.5%	52.4%	10.8%	13.9%	13.9%
CZ Czech Republic	15,916	0.8%	7	14,975	0.7%	5	-5.9%	-	2	-	28.6%	0.0%	5.9%	5.9%
MA Morocco	5,445	0.3%	11	4,958	0.2%	7	-8.9%	2	6	18.2%	54.5%	18.9%	26.2%	26.2%
JO Jordan	3,631	0.2%	14	1,691	0.1%	3	-53.4%	-	11	-	78.6%	0.0%	53.4%	53.4%
EM LATIN AMERICA	**389,384**	**19.3%**	**129**	**382,410**	**19.0%**	**91**	**-1.8%**	**9**	**47**	**7.0%**	**36.4%**	**6.5%**	**8.2%**	**8.2%**
BR Brazil	203,803	10.1%	54	205,799	10.2%	40	1.0%	5	19	9.3%	35.2%	8.0%	7.1%	8.0%
MX Mexico	123,332	6.1%	25	121,242	6.0%	17	-1.7%	2	10	8.0%	40.0%	5.8%	7.4%	7.4%
CL Chile	31,516	1.6%	27	25,670	1.3%	17	-18.5%	-	10	-	37.0%	0.0%	18.5%	18.5%
AR Argentina	14,270	0.7%	12	12,338	0.6%	5	-13.5%	-	7	-	58.3%	0.0%	13.5%	13.5%
PE Peru	9,831	0.5%	5	9,283	0.5%	4	-5.6%	-	1	-	20.0%	0.0%	5.6%	5.6%
CO Colombia	6,632	0.3%	6	8,078	0.4%	8	21.8%	2	-	33.3%	-	17.9%	0.0%	17.9%

All market caps are in USD millions. Data as of September 30, 2006.

Characteristics of Additions and Deletions to the MSCI EAFE Standard Index

MSCI EAFE Index

Days to Trade Breakdown

Using $300 B Estimate for Assets Indexed to MSCI EAFE

	Days<3		3>Days<5		5>Days<10		10>Days<15		Days>15	
	Nb. Of Securities	Weight as % of Additions/ Deletions	Nb. Of Securities	Weight as % of Additions/ Deletions	Nb. Of Securities	Weight as % of Additions/ Deletions	Nb. Of Securities	Weight as % of Additions/ Deletions	Nb. Of Securities	Weight as % of Additions/ Deletions
Adds	19	13.7%	33	36.1%	28	26.6%	16	13.6%	15	10.0%
Deletes	52	15.7%	95	37.7%	117	37.4%	26	6.3%	13	2.8%

All market caps are in USD millions. Data as of September 30, 2006.

Security Capitalization Breakdown

	Cap < $ 1B		$ 1B>Cap<$ 3B		$ 3B>Cap<$ 5B		Cap > $ 5B	
	Nb. Of Securities	Weight as % of Additions/ Deletions	Nb. Of Securities	Weight as % of Additions/ Deletions	Nb. Of Securities	Weight as % of Additions/ Deletions	Nb. Of Securities	Weight as % of Additions/ Deletions
Adds	0	0%	57	23.2%	23	19.1%	31	57.7%
Deletes	84	12.5%	187	65.1%	32	22.4%	0	0.0%

All market caps are in USD millions. Data as of September 30, 2006.

Days to Trade is an estimate of the number of average trading days volume represented by the change in portfolio weight of a security in a USD 300 billion portfolio. The average daily volume is calculated over a 12 month period.

Characteristics of Additions and Deletions to MSCI EM Standard Index

MSCI EM index

Days to Trade Breakdown

Using $30 B Estimate for Assets Indexed to MSCI EM index

	Days<5		5>Days<10		10>Days<15		15>Days<20		Days>20	
	Nb. Of Securities	Weight as % of Additions/ Deletions	Nb. Of Securities	Weight as % of Additions/ Deletions	Nb. Of Securities	Weight as % of Additions/ Deletions	Nb. Of Securities	Weight as % of Additions/ Deletions	Nb. Of Securities	Weight as % of Additions/ Deletions
Adds	52	66.8%	11	22.1%	4	8.5%	2	2.1%	2	0.4%
Deletes	174	60.0%	65	20.2%	34	9.0%	11	2.0%	29	8.7%

All market caps are in USD millions. Data as of September 30, 2006.

Security Capitalization Breakdown

	Cap < $ 0.5B		$ 0.5B>Cap<$ 1.5B		$ 1.5B>Cap<$ 3B		Cap > $ 3B	
	Nb. Of Securities	Weight as % of Additions/ Deletions	Nb. Of Securities	Weight as % of Additions/ Deletions	Nb. Of Securities	Weight as % of Additions/ Deletions	Nb. Of Securities	Weight as % of Additions/ Deletions
Adds	2	0%	39	25.4%	18	27.1%	12	47.4%
Deletes	213	42.0%	98	54.1%	2	3.9%	0	0.0%

All market caps are in USD millions. Data as of September 30, 2006.

Days to Trade is an estimate of the number of average trading days volume represented by the change in portfolio weight of a security in a USD 30 billion portfolio. The average daily volume is calculated over a 12 month period.

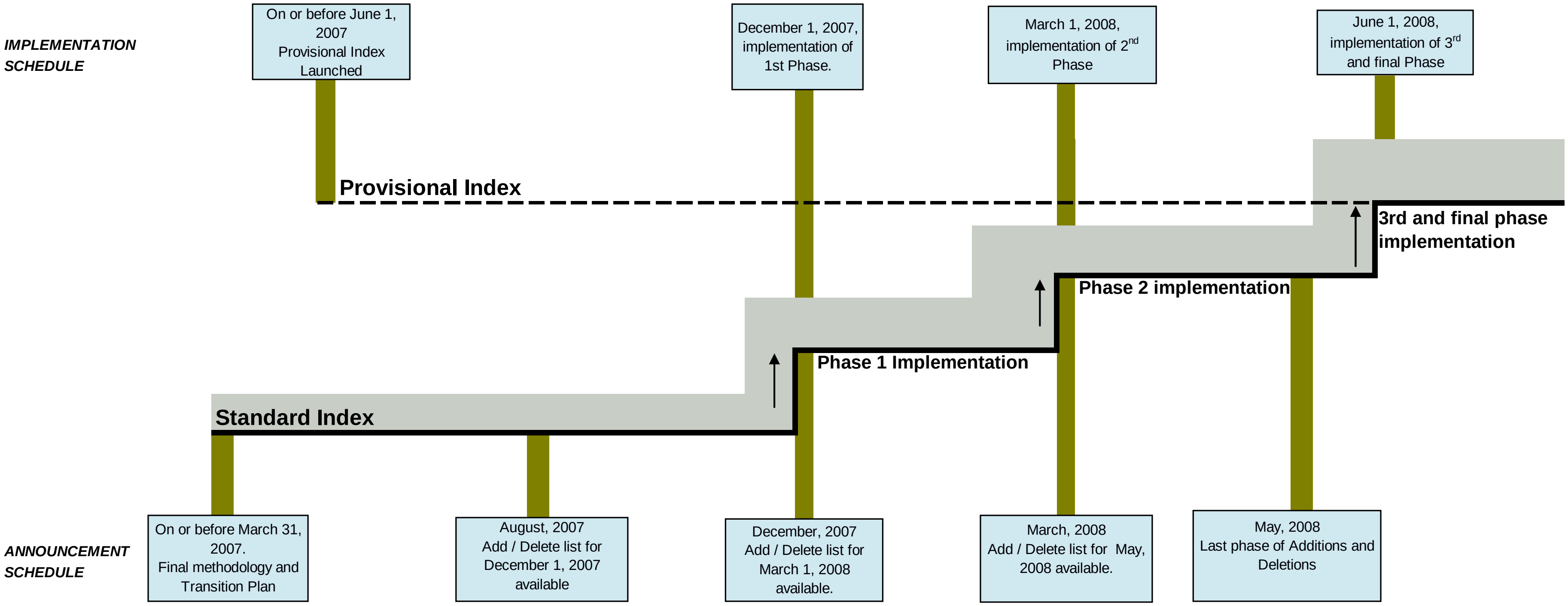
Index Transition Proposal

- Provisional Indices reflecting the enhanced methodology will be launched on or before June 1, 2007
  - Provide investors tools to transition at a time of their choosing,
  - The Provisional Standard and Small Cap Indices will fully reflect the methodology enhancements to the Standard and Small Cap Indices
  - During the transition, the Provisional Indices will be rebalanced and maintained as per the enhanced methodology
  - Changes in the Provisional Index will prevail over that of the current Standard Index
    - e.g. fast inclusion of IPOs will be reflected in the Standard Index at the same time as in the Provisional Index
- MSCI proposes an implementation of the transition in three phases
  - The three phases to take place at the end of November 2007, February 2008, and May 2008, using partial inclusion factors at the security level
  - Typically, one third of the market cap of each security in the Provisional Index, but not a constituent of the Standard Index, will be added in each phase to the Standard Index
  - One third of the market cap of each security in the Standard Index, but not in the Provisional Index will be deleted in each phase from the Standard Index

Index Transition Proposal (cont'd)

- To limit the uncertainty of changes associated with these phases, differences in constituents between the Standard and Provisional Indices are identified in one quarter and implemented in the Standard Index in a subsequent quarter
  - The Provisional Index, including any rebalancing in August 2007, will determine the changes to be implemented in the Standard Index in November 2007
    - The addition or deletion of 1/3rd of the difference in each constituent's free float-adjusted market capitalization between the Standard Index and the Provisional Index will be implemented in the Standard Index in November 2007 using Inclusion Factors
  - The November Provisional Index Review will be used to identify securities for additions to and deletions from the Standard Index in February 2008
    - The addition or deletion of 1/2 of the difference of the free float-adjusted market capitalization for each constituent will be implemented in the Standard Index in February 2008 using Inclusion Factors
  - The February Provisional Index Review will be used to create a preliminary list of additions and deletions for the final phase of implementation of the transition
  - However the final list will be announced in early May 2008 and will be implemented on June 1 to synchronize the Provisional Index and the Standard Index
  - The Provisional Index will be discontinued after the transition

Standard Index Transition Proposal (cont'd)



Index Transition Proposal Analysis

- Pros:
  - Availability of a Provisional Index for a period of 6 months before the first phase of the transition allows for market preparation
  - Potential market impact at a security level is minimized through the use of partial additions and deletions of each security
  - The use of a locked-down list between the first two phases provides reasonable certainty
  - The transition is spread over two calendar years

- Cons:
  - Potential protracted market impact in markets where many securities are bought or sold at the same time
  - Potential higher fixed costs due to the increase in the number of securities in the index during the transition and the associated number of transactions
  - Potential reverse turnover due to the inclusion of securities close to the segment cut-offs in all phases

Index Transition Proposal: Alternatives

- Alternative transition plans that could be considered are:
  - All changes at one time, 18 months after the launch of the Provisional Index
  - A three phase transition, as proposed, but adding and deleting whole securities in each step while balancing the market capitalization of additions and deletions to reflect the final changes
  - A two phase partial-security transition with or without lagged implementation

Index Transition Proposal: Other Indices

- The Small Cap Index transition will be synchronized with the Standard Index transition and follow the same time line and approach
- The transition will be synchronized for all markets and composites
- All derived indices from the Standard Indices will continue to be derived from the Standard Indices throughout the transition
  - 10/40, GDP-weighted, and potentially custom indices, etc.
- Provisional Indices will be provided for the Standard and Small Cap Indices
  - Real-time Provisional Indices are not currently planned for

Global Value and Growth Indices Transition Analysis

- As the Global Value and Growth Indices are subset of the Standard Indices, they will be impacted by the proposed enhancements to the standard methodology and by the proposed three phases transition
- There are two distinct elements that will characterize the transition of the style indices :
  - The additions to and deletions from the Standard Index that will be implemented in three phases as per the transition proposal
  - For Europe, the change from a country approach to a regional approach for the construction of the style indices.
- In aggregate the turnover for the Global Value and Growth resulting from a one-off transition is reasonable, in comparison with a typical semi-annual rebalancing

Global Value and Growth Indices Transition Proposal

- Provisional Global Value and Growth will be made available on or before June 1, 2007
- The Global Value and Growth Indices are subset of the Standard Indices, they will follow the proposed three phases transition of the Standard Indices
- During the transition, starting with the first phase of transition, the style classification of the Provisional Global Value and Growth Indices will prevail over that of the current Global Value and Growth Indices
  - At the first phase of the transition, the Value and Growth Index constituents will acquire the same style inclusion factors as in the Provisional Value and Growth Index
  - Securities currently in the Standard Index but not in the Provisional will retain their current style inclusion factor until the end of the transition

Proposed transition plan for the Global Value and Growth Indices *(Continued…)*

	One-Off One-Way Index Turnover	
	Value	Growth
USA	12.1%	13.6%
Europe	16.4%	19.6%
Japan	16.0%	16.1%
AC Far East ex Japan	19.6%	16.7%
EAFE	**16.0%**	**17.8%**
World	13.7%	15.6%
EM Asia	19.1%	16.0%
EM EMEA	25.9%	25.8%
EM Latin America	19.2%	15.5%
EM	**20.3%**	**18.5%**
ACWI	**14.2%**	**15.8%**

Data as of the close of December 29, 2006.

Discussion Points

Discussion Points

- When company minimum size and/or country coverage ranges are violated, typically only small changes of up to 5% in the number of companies are made at Semi-Annual Index Reviews
  - Should larger changes in the number of companies be contemplated in order to achieve better size integrity and/or market coverage potentially at the expense of index stability?
- In smaller Emerging Markets characterized by low free float, free float-adjusted market capitalization eligibility criteria are relaxed to a minimum of 30% of the lower bound of the absolute size range to include companies with at least 1% weight in the investable universe
  - Is this trade-off of investability for country coverage desirable?

Discussion Points (cont'd)

- In the context of index continuity, it is proposed that at least 3 companies be included in a country Standard Index even if the smallest constituent violates the lower boundary of the absolute size range
  - Should MSCI consider discontinuing a country Standard Index if less than 3 eligible constituents are available?
- Is there a need to create an additional family of indices based on global absolute size cut-offs?
  - For example, a Small Cap Index targeting a global range of USD 200 million to USD 2,500 million
  - For example, a Large Cap Index of companies above USD 10 billion

Discussion Points (cont'd)

- The transition proposal makes available a Provisional Index reflecting the full implementation of the enhanced methodology at each point in time
  - Should additional Provisional Indices reflecting the implementation of interim phases be offered?
- The Provisional Indices are created to provide the option to market participants to transition to the enhanced methodology at a time and process of their choosing
  - Will these Provisional Indices be helpful in facilitating the transition to the enhanced methodology?
  - What other tools and information would be useful to facilitate the transition?
- The transition proposal strives to provide certainty of changes, potentially at the expense of reverse turnover
  - In the context of the enhanced methodology:
    - Is the proposed lagged implementation of changes preferred?
    - Is the lead time to implement the first phase of transition after the launch of the Provisional Indices adequate?

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