MSCI is consulting with investors on a proposal to enhance the MSCI 10/40 Equity Indices by reflecting the revised investment constraints under the UCITS III directive (Undertakings for Collective Investment in Transferable Securities) as well as to reduce index turnover and to accommodate indices with insufficient constituents. This paper sets forth a series of questions for investors to provide MSCI with information and feedback.

Importantly, this consultation may or may not result in any changes to the MSCI 10/40 Equity Indices. The consultation document can be found on MSCI’s website at www.msci.com/consultation/

HOW TO SUBMIT YOUR FEEDBACK

Please submit your response by May 4, 2005, either via e-mail to consultation@msci.com or by fax to (41) 22 817 9205. Please feel free to send the answers to the questions and any other comments via a separate document if that is more convenient for you.

QUESTIONNAIRE

Contact Details
Name: _______________________________ Title: _______________________
Organization: ___________________________________________________________
Email: _______________________________ Telephone: ___________________

Assets under management
Total assets: __________
Assets in European Union (EU): __________ of which in segregated EU accounts/ funds __________

Type of fund
Open-ended □ Closed-ended □ Combination of open-ended and closed-ended □

Domicile of funds
Please list___________________________________________________________

Type of UCI law applicable to funds
UCITS □ UCITS III □ UCITS and UCITS III □ Others, if so specify ________

Mandates (check all that apply)
Global Mandates □ Regional Mandates □ EM Mandates □
Type of investments in the fund (check all that apply)

Shares/Stocks ☐ Money market instruments ☐ Bonds ☐ Deposits ☐ Funds ☐
Financial derivative instruments ☐ Others, if so specify ___________________

Use of MSCI 10/40 Indices (check all that apply)

Benchmark for active management ☐ Benchmark for passive management ☐
Performance measurement ☐ Research ☐

For which countries, regions and sectors do you use MSCI 10/40 Indices or other types of capped indices (if not MSCI 10/40 Indices, please specify which index)?

____________________________________________________________________________________
____________________________________________________________________________________

1. Impact of UCITS III directive on your UCITS fund

1. Which European Union member state national law is your UCITS fund subject to?

____________________________________________________________________________________

2. Have all of your UCITS funds transitioned to the UCITS III directive? If not, when do you plan to transition all of your UCITS funds to the UCITS III directive?

____________________________________________________________________________________
____________________________________________________________________________________

3. Until the final transition to the UCITS III directive, are your funds allowed to adhere to the original UCITS directive for a transitional period ending February 13, 2007?

____________________________________________________________________________________

4. For your UCITS funds, how do you comply with the 10/40/5 constraints as well as the 20% limit on group entities?

____________________________________________________________________________________

5. According to UCITS III, companies which are included in the same group for the purposes of consolidated accounts, as defined in accordance with Directive 83/349/EEC or in accordance with recognized international accounting rules, are regarded as a single body for the purpose of calculating the limits placed on investments. Does your applicable member state provide any additional guidance relating to the interpretation of the group entities mentioned above?

____________________________________________________________________________________
____________________________________________________________________________________

6. How do you plan to implement the new directive that places investment restrictions on group entities and which type of procedures do you intend to set up in order to monitor these entities?

____________________________________________________________________________________
____________________________________________________________________________________
2. Impact of UCITS III directive on your investment process and the MSCI 10/40 Indices

7. The new group entity concept as defined in the UCITS III directive raises difficulties in its practical implementation considering the complexity inherent in the analysis of consolidated accounts. As an alternative, MSCI suggests that when an issuer owns more than 50% of the shares outstanding of another issuer, both are considered to belong to the same group. Do you support the proposal?

Please note that the proposed alternative reflects share ownership at the security level and not at the company level. Moreover, it does not consider companies that are grouped for the purpose of consolidated accounts as constituting the same group entity.

8. A number of companies are constructed as dual independent entities. The companies forming the following entities are currently treated as separate issuers by MSCI:

- Shell T&T – Royal Dutch Petroleum
- Unilever PLC – Unilever NV
- Reed Elsevier (UK) – Reed Elsevier (NL)
- Rio Tinto PLC – Rio Tinto Ltd
- Carnival PLC – Carnival Corp
- Investec PLC – Investec Ltd
- Brambles PLC – Brambles Ltd
- BHP Billiton PLC – BHP Billiton Ltd

In your opinion, should these issuers:

☐ be treated as group entities under the UCITS III group entity definition, and hence be subject to the 20% constraint.

☐ be combined to form one issuer, and hence be subject to the 10% constraint.

☐ continue to be treated as separate issuers.

Please comment on your preference:

3. Dynamic rebalancing

9. The proposed dynamic rebalancing method provides various benefits, including reduced index turnover, fewer liquidity concerns for smaller issuers and increased similarity to the parent index. On the other hand, this methodology enhancement may potentially lead to a greater concentration in the largest securities included in the parent index. Do you support the proposed enhancement?
4. Treatment of Corporate Events

10. MSCI’s proposal of distinguishing between different types of additions reduces the frequency of rebalancings to the parent index, and hence reduces the index turnover. Do you support the proposed enhancement?

_______________________________________________________________________________

5. Accommodating Indices with Insufficient Constituents

11. When there are less than 19 index constituents, “10/40 like” indices could be calculated with more relaxed investment restriction. Is this proposal useful to you?

_______________________________________________________________________________

6. Implementation of changes, if any

12. If MSCI were to implement any changes related to the UCITS III directive for the 10/40 Indices methodology would the implementation in a single phase be acceptable to you?

_______________________________________________________________________________

7. Suggestions

13. Would you suggest other enhancements in addition to those mentioned in the consultation?

_______________________________________________________________________________

For further information on MSCI indices or MSCI data, please visit our website at www.msci.com or contact:

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ABOUT MSCI

MSCI (www.msci.com) is a leading provider of equity, fixed income and hedge fund indices, and related products and services. MSCI estimates that over USD 3 trillion is benchmarked to its indices on a worldwide basis. MSCI is headquartered in New York, with research and commercial offices around the world. In 2004, MSCI acquired Barra, Inc. (www.barra.com), a global leader in delivering risk analytics, performance measurement and attribution systems and services to managers of portfolio and firm-wide investment risk. Morgan Stanley, a global financial services firm and a market leader in securities, asset management, and credit services, is the majority shareholder of MSCI, and Capital International Inc., part of the global investment management group of The Capital Group Companies, Inc., is the minority shareholder.