



**Consultation on proposed enhancements  
to the Standard and Small Cap Indices  
and on the resulting global investable  
equity market index family**

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# Executive Summary

- The evolution of the international investment management process has led investors to seek exposure to a deeper opportunity set, with ability to focus on specific size and style segments
- These needs may be met by a family of investable market indices that:
  - Provides broad coverage of the universe and
  - Allows meaningful size/style segmentation with no overlaps or gaps
- MSCI is conducting this consultation to seek investors' feedback on a proposal to create such a family by enhancing:
  - The Standard Index by moving from the current sampled approach targeting 85% at the industry group level to an exhaustive coverage of the large and mid cap segments of the universe
  - The Small Cap Index from the current sampled approach to one that targets all companies with a market capitalization below that of the companies in the enhanced Standard Index in the investable universe
- MSCI may or may not enhance its current set of indices as proposed
  - Any decision will be announced in advance providing ample lead time before implementation of changes, if any



# Background

# Introduction

- For over 30 years, MSCI has constructed global equity benchmark indices that assist the international investment management process
- MSCI continually tries to assess, understand and address index needs that arise from the evolution of the investment 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 changes to the MSCI indices
  - In response to investor needs for size segment representation and broader coverage, MSCI launched the Global Small Cap Index in 1998 and increased the market representation of the Standard Indices from 60% to 85% in 2001

# Evolution of the International Investment Process

- Meaningful changes have continued to occur in international markets and investment processes, such as
  - Increased liquidity and greater ease of access to international markets
  - Increased sophistication and specialization of asset managers/asset owners
  - Shift from the individual national markets to the regional market as the relevant investment universe in Europe
  - Pronounced performance disparities across different size segments
- These developments motivate investors to add value by having the ability to
  - Capture the performance of a broader opportunity set through deeper access to markets and
  - Focus on and invest in specific size and style segments of the market
- This investors' desire to have exposure to a deeper opportunity set, with size and style segmentation, represents an important step in the evolution of the international investment process

# MSCI's Response to the Evolving International Investment Process

- This development in the investment process has implications for the way benchmark indices are designed to best serve research, asset allocation, portfolio construction and performance measurement needs
- In response, MSCI is conducting this consultation to evaluate investors' desire for proposed enhancements to MSCI's current set of sampled multi-cap international equity indices which can then be combined to create a family of investable market indices that:
  - Provide a broader coverage of the universe and
  - Allow meaningful size/style segmentation with no overlaps or gaps (i.e. without benchmark misfit)
- MSCI may or may not enhance its current set of indices as proposed
  - Any decision will be announced in advance providing ample lead time before implementation of changes, if any

# Enhanced Standard Index

- MSCI proposes to enhance the Standard Index by moving from the current sampled approach targeting 85% at the industry group level to an exhaustive coverage of the large and mid cap segments of the universe
- The enhanced Standard Index would retain the many key features of the existing Standard Index, such as
  - Similar country and industry exposures
  - Investability criteria (liquidity, free float and minimum size)
  - Similar maintenance schedules
  - Low ongoing turnover
  - Value and growth segmentation
- In addition, the enhanced Standard Index would
  - Have improved size integrity
  - Allow, due to the exhaustive coverage, for the creation of separate large cap and mid cap indices, and corresponding value and growth segmentation

# Enhanced Small Cap Index

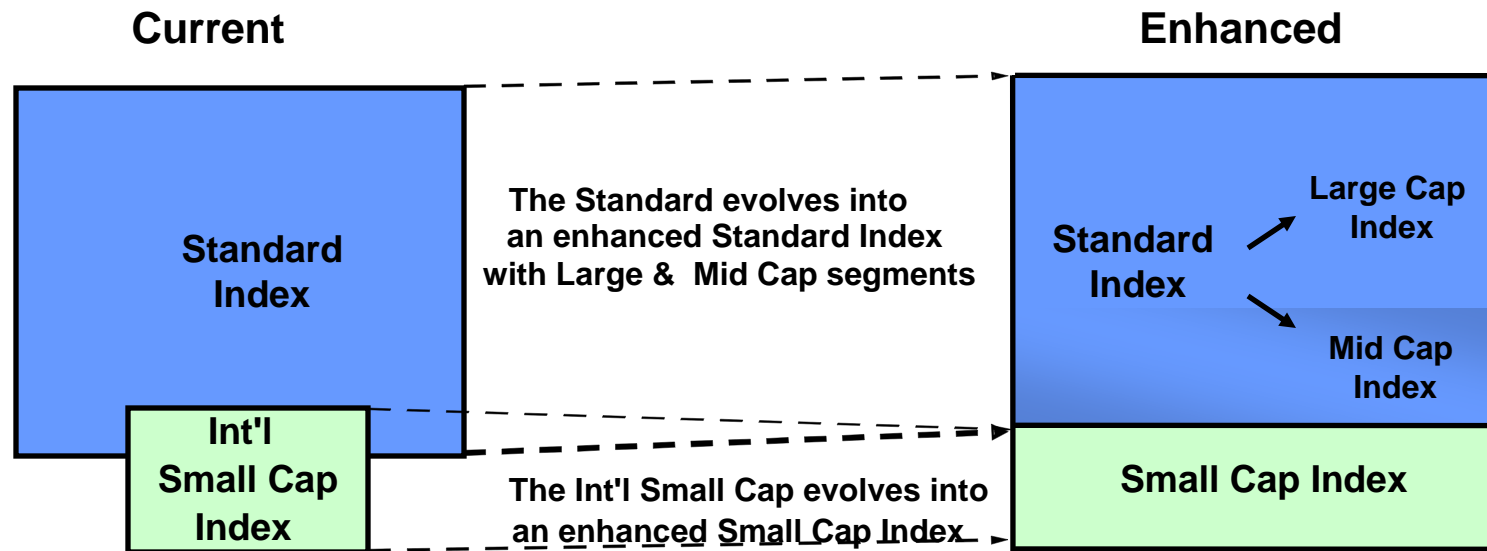
- MSCI also proposes to transition the existing Small Cap Index to an enhanced Small Cap Index that targets all companies with market capitalization below that of the companies in the enhanced Standard Index in the investable universe, subject to minimum investability criteria
  - For comparison, the current small cap index targets 40% coverage of the companies in the range of \$1.5 billion to \$200 million in Developed Markets
- The enhanced Small Cap Index will
  - Have no overlaps with the enhanced Standard Index
  - Also cover emerging markets
  - Also offer value and growth segmentation

# An Enhanced Index Family

- The enhanced Standard and the enhanced Small Cap indices would be combined to create an investable market index
- Together, the enhanced Standard, enhanced Small Cap, and the investable market indices would become an investable market index family and provide
  - Deeper coverage of the investable market
  - Size and style segmentation
  - No benchmark misfit
- The proposed enhancements offer index continuity for existing Standard and Small Cap users

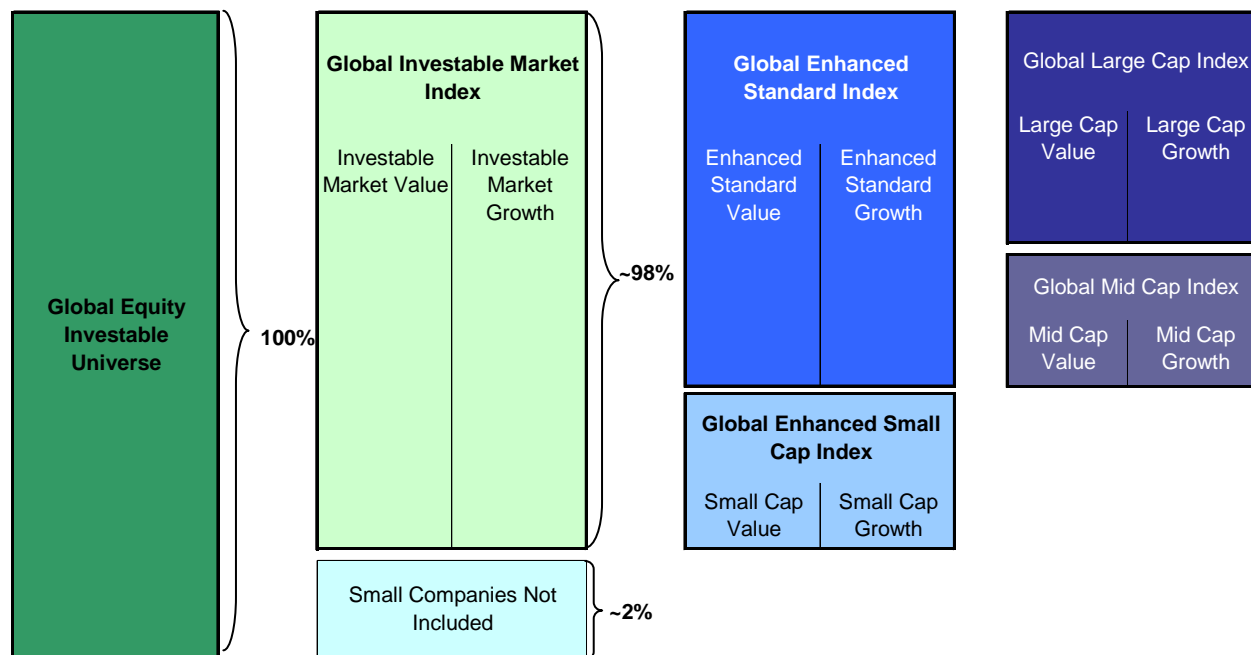
# Purpose of Consultation

- MSCI is seeking investor feedback on the need for and the design of the proposed enhancement to its Standard and Small Cap indices, which together would form a family of global investable market indices
  - MSCI may or may not enhance the existing indices as described in this proposal
  - Any decision will be announced in advance



# Proposed Structure of Enhanced MSCI Indices

- Proposed structure of the global investable market index family:
  - The global index family and its size and style segments would be the result of the aggregation of the investable market indices and size and style segment indices constructed within each country except in Europe ex-UK where the investable market index and its size and style segments would be constructed from the whole region



# Critical Considerations in Index Design

# Defining Size: Percentile Approach

- Traditionally, indices built for depicting the global investable universe have largely followed a percentile approach to defining size segments
  - For example, the large capitalization segment may include companies in the top 70% by market capitalization, the mid cap segment may represent the next 15% and the small cap the next 13%, with the bottom 2% being excluded because of lack of investability
- A fixed percentile of the market provides perfect country representation in size composites
  - Each country's weight reflects the proportional size of its market
  - Each country's weight is identical across size composites

# Defining Size: Percentile Approach (cont'd)

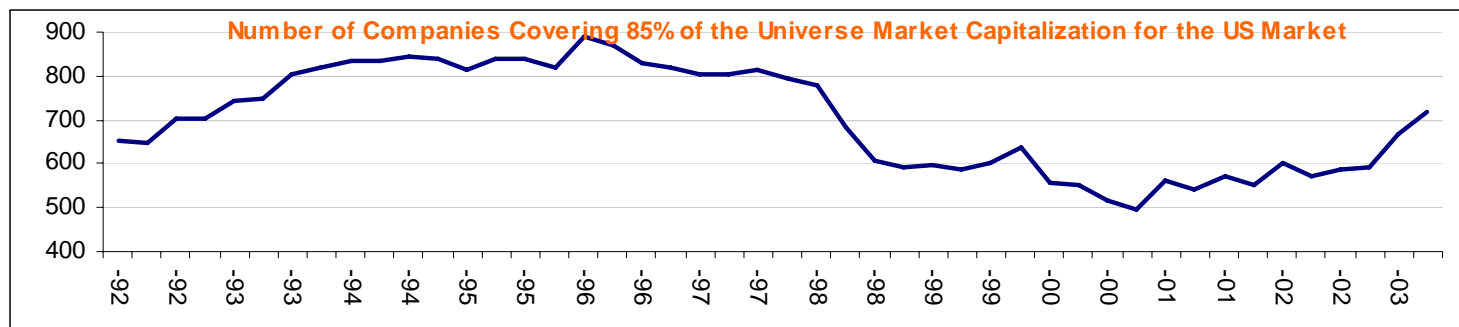
- However, a fixed percentile approach offers very little size integrity within each size segment

Company Full Market Capitalization (USD million) at the 85th Percentile

Percentile	Canada	USA	Europe ex UK	UK	Japan	Hong Kong	Australia	Singapore	New Zealand
85%	2,129	3,126	3,438	3,627	945	1,137	1,620	743	347

Data as of June 30, 2005

- In addition, index stability, in terms of the number of companies in the index over time, is poor, and ongoing turnover is high



# Defining Size: USD Cut-off Approach

- Alternatively, size segments in the global investable market index family could be based on a fixed USD market capitalization level
  - For example, a USD 2 billion cut-off could be used to define large + mid cap companies globally, while companies below that level but with a capitalization of at least USD 200 million could be included in a small cap index
- A fixed USD market capitalization level allows perfect size integrity
  - But it would result in varying country composition within each size segment and by nature it would not be reflective of market movements

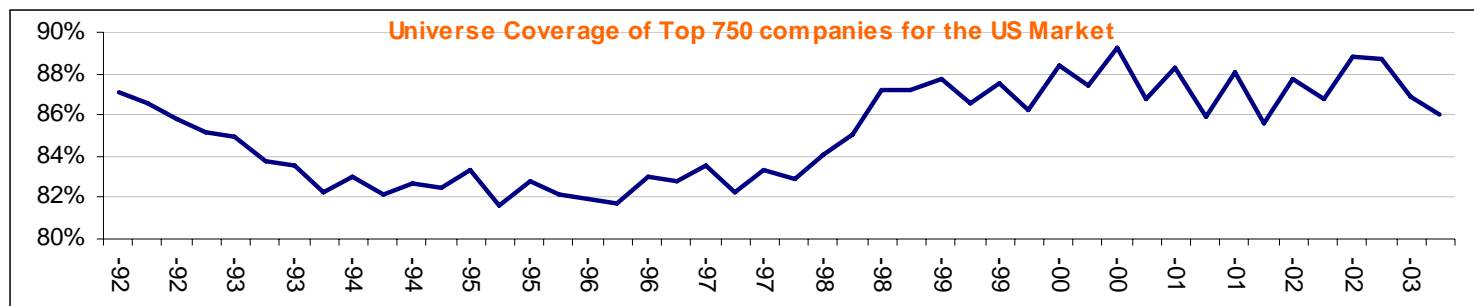
Percentile Coverage at a Full Market Capitalization (USD million) of USD 2 Billion

	Canada	USA	Europe ex UK	UK	Japan	Hong Kong	Australia	Singapore	New Zealand
Percentile coverage at USD 2 Billion	87%	89%	92%	91%	77%	80%	84%	69%	57%

Data as of June 30, 2005

# Defining Size: Number of Companies Approach

- Yet another alternative is to use a fixed number of companies to define size segments within each market
  - For example, in the US, the top 750 companies by full market capitalization could be chosen to depict the large and mid cap segment, with the next 1750 forming the small cap segment, and together the 2500 comprising the investable market index
  - Size segments defined by number of companies in each country could be aggregated to form size segments at the global index level
- A fixed number of companies approach would achieve good index stability and low turnover
  - But both country representation and size cut-offs would vary over time



# Defining Size: Issues

- None of the previously mentioned approaches for size segmentation can, independently, achieve the critical, but conflicting objectives of:
  - Size integrity in multi-country index composites
  - Appropriate country representation in size composites
  - Index stability and reasonably low ongoing turnover
- The solution is to develop an approach that combines elements of the alternative definitions in order to achieve a good balance between the conflicting objectives

# **Enhancement of Standard and Small Cap Indices to Create a Global Investable Market Index Family: Index Design Proposal**

# Broad Methodology

- The methodology proposed by MSCI balances the different objectives by achieving:
  - *Index stability*, through the use of a fixed number of companies
  - *Size integrity*, by using minimum USD size guidelines globally or regionally
  - *Consistent country representation*,
    - by choosing the number of companies, at construction, to target largely identical percentiles of the market, and
    - by periodic review and adjustment of the number of companies to maintain such country representation over time

# Definition of the Investable Market Index Family

- MSCI proposes to evolve the existing Standard Index and the existing International Small Cap Index, which use a sampled approach, to an enhanced Standard Index and an enhanced Small Cap Index that would use a top-down exhaustive coverage approach
- The enhanced Standard Index and the enhanced Small Cap Index, together, would form an investable market index
- Each country investable market index would comprise
  - An enhanced Standard Index
    - Consisting of a large and mid cap index, where relevant, and
  - An enhanced Small Cap Index
- MSCI proposes to define the global investable market index family and its size segments as the aggregation of the investable market indices constructed by country or region

# Country/Region for Index Construction

- The investment process in Europe appears to have shifted to one where investors' focus is on regional – rather than national – equity markets
  - However, investors from different blocs within the region may still have different perceptions as to what region (Euroland, Europe ex-UK or Europe) is their relevant universe
- MSCI proposes to construct the investable market indices within each country, except in Europe, where the investable market index would be built as an aggregation of Europe ex-UK (treated as a region) plus UK
  - The UK represents more than a third of Europe's market capitalization and the GBP is the currency with the widest fluctuations versus the Euro since its inception
  - It is difficult to justify a separate treatment for countries with currencies other than the Euro or GBP as they
    - Are either seen as being increasingly part of the Euro bloc (CHF, DKK) or
    - Have very small weight even when the currencies exhibit dissimilar behavior (SEK, NOK)
  - Many UK domestic investors and some Europe ex-UK investors still make the distinction between UK and Europe ex-UK

# Investability & Coverage

- To be considered as investable, similar to the current Standard and Small Cap eligibility screenings, companies would have to pass the following screens:
  - Size: Full company market capitalization must exceed USD 200 million for DM (USD 100 million for EM) and free float-adjusted security market capitalization must exceed USD 100 million (USD 50 million for EM)
    - Companies which meet the full market cap cut-off but fail to reach the free float cut-off are excluded from the index as they are considered too small from a portfolio construction perspective
  - Liquidity: Securities must exhibit an annualized traded value ratio (ATVR) of at least 15% (in emerging markets 10%)
  - Length of trading: Small Cap IPOs are eligible after a 3-month seasoning period
  - Company and security free float: Aggregate company and individual security free float available for international investors must be at least 10% and 15% respectively
- The investable market indices would strive to approximate 98% of the eligible universe within each relevant universe, subject to the above investability constraints

# Approach to Size Segmentation

- MSCI proposes to define the size segments of the global investable market index family on the basis of fixed number of companies
  - Fixed number of companies is a superior approach in terms of index stability and low turnover and it is also more reflective of how asset managers maintain their research and investment universe under coverage
- The number of companies would be set at construction in order to achieve a balance between the objectives of proportional market representation and reasonable size integrity
  - Minimum size guidelines can be used as a reference for maintaining reasonable size integrity
  - Targeted percentiles of the market can serve as the reference for proportional market representation
- This approach sometimes results in the targeted percentiles being exceeded or not reached due to the minimum size guidelines becoming a constraint

# Enhanced Standard Index: Developed Markets

- Within the enhanced Standard Index, the number of companies is proposed to be determined:
  - using minimum size levels in terms of both company full market capitalization and security free float-adjusted market capitalization, in order to preserve size integrity and to accommodate investability considerations
    - In the USA and Europe, the proposed full market capitalization cut-off would be USD 3 billion and the free float adjusted cut-off is USD 1.5 billion. In all other markets the proposed cut-offs are respectively USD 1.5 billion and 0.75 billion
  - to capture approximately 85% of the eligible universe in each relevant market with a target of 70% for the large cap segment, where a separate large cap index is created
- Where the minimum size guidelines would lead to over or undershooting of the targeted coverage, the best balance in terms of size integrity and coverage is chosen

# Enhanced Standard Index: Emerging Markets

- The enhanced Standard Index of emerging markets would be constructed under the same principles as the developed markets
  - To achieve size integrity and investability minimum size guidelines would be used
    - For Brazil, Mexico, Chile, South Africa, Russia, Korea and Taiwan the proposed full market capitalization cut-off is USD 1 billion and the free float adjusted cut-off is USD 0.5 billion.
    - In other emerging markets the proposed cut-offs are USD 0.5 billion for full market capitalization and 0.25 billion for free float market capitalization
  - For country representation, the index family would try to capture approximately 85% of the eligible universe in each relevant market with a target of 70% for the large cap segment, where a separate large cap index is created

# Enhanced Small Cap Index: Developed and Emerging Markets

- For the enhanced Small Cap Index, the number of companies is proposed to be set to capture the companies in the investable market segment that are not included in the enhanced Standard Index
- As a result, the enhanced Small Cap Index would capture on average 11-12% of the global universe, and comprise, at construction, companies with a market capitalization
  - between USD 3.0 billion and 200 million in the USA and Europe,
  - between USD 1.5 billion and 200 in the other Developed Markets,
  - between USD 1.0 billion and 100 million in larger Emerging Markets, and
  - between USD 0.5 billion and 100 million in other Emerging Markets

# Developed Markets: Summary

- Number of companies by country / region for developed markets

Segment	Australia	Hong Kong	Singapore	New Zealand	Pacific ex Japan	Japan	United Kingdom	Europe ex UK	EAFE	Canada	USA	World
Large	30	20	10	-	60	150	50	150	410	45	300	755
Mid	45	20	10	5	80	250	75	175	580	60	450	1,090
Enhanced Standard	75	40	20	5	140	400	125	325	990	105	750	1,845
Enhanced Small Cap	110	80	50	15	255	950	300	600	2,105	120	1,750	3,975
Investable Market Index	185	120	70	20	395	1,350	425	925	3,095	225	2,500	5,820

- Minimum size at construction

## Minimum Full Market Cap of Companies

Segment	Australia	Hong Kong	Singapore	New Zealand	Pacific ex Japan	Japan	United Kingdom	Europe ex UK	EAFE	Canada	USA	World
Large	4,950	4,450	3,565	-	3,565	4,950	9,700	9,450	3,565	5,300	9,080	3,565
Enhanced Standard	1,430	1,500	1,500	1,500	1,430	1,465	3,005	3,050	1,430	1,555	2,725	1,430
Investable Market Index	235	213	285	240	213	215	263	289	213	225	321	213

- Cumulative Coverage

Segment	Australia	Hong Kong	Singapore	New Zealand	Pacific ex Japan	Japan	United Kingdom	Europe ex UK	EAFE	Canada	USA	World
Large	67.2%	66.0%	61.7%	0.0%	64.6%	63.5%	73.3%	74.7%	70.9%	72.6%	71.5%	71.2%
Mid	19.6%	19.1%	14.8%	59.8%	20.1%	19.5%	14.9%	13.9%	16.0%	16.0%	15.3%	15.6%
Enhanced Standard	86.8%	85.1%	76.5%	59.8%	84.7%	83.0%	88.2%	88.6%	86.9%	88.5%	86.8%	86.9%
Enhanced Small Cap	10.5%	11.2%	19.1%	27.5%	12.0%	13.4%	10.3%	9.7%	10.9%	9.0%	11.5%	11.2%
Investable Market Index	97.3%	96.3%	95.6%	87.2%	96.7%	96.4%	98.5%	98.4%	97.8%	97.5%	98.3%	98.0%

Based on data as of June 30, 2005. All market capitalization in USD Millions

# Emerging Markets: Summary

- Summary

## Number of Companies

Segment	LATAM	ASIA	EMEA	EM
Large	15	70	30	115
Mid	64	278	113	455
Enhanced Standard	79	348	143	570
Enhanced Small Cap	70	862	217	1,149
Investable Market Index	149	1,210	360	1,719

## Mimimum Full Market Cap of Companies

Segment	LATAM	ASIA	EMEA	EM
Large	5,000	4,150	3,500	3,500
Enhanced Standard	500	500	500	500
Investable Market Index	100	100	100	100

## Cumulative coverage of float market cap

Segment	LATAM	ASIA	EMEA	EM
Large	54.1%	51.8%	47.2%	51.1%
Mid	34.0%	29.6%	39.3%	32.8%
Enhanced Standard	88.1%	81.4%	86.5%	83.9%
Enhanced Small Cap	8.7%	15.6%	9.8%	12.9%
Investable Market Index	96.8%	97.0%	96.3%	96.8%

Data as of June 30, 2005. All market capitalization are in USD Million

# Style Segments

- MSCI proposes to continue to use the existing global value/growth methodology to segment the market into value and growth for both developed and emerging markets
- MSCI proposes to create value and growth indices, where appropriate, for the large cap and mid cap segments separately
  - The Standard Value (Growth) index would result from the aggregation of the large cap Value (Growth) index and the mid cap Value (Growth) index
- MSCI also proposes to create Small Cap value and growth indices, where appropriate
  - The investable Value (Growth) index would result from the aggregation of the Standard Value (Growth) index and the Small Cap Value (Growth) index

# Periodic Maintenance

- MSCI proposes to retain many of the existing principles for the maintenance of the global investable market index family
- In particular, in representing the evolution of equity markets in the indices, MSCI proposes to continue:
  - To reflect in the indices significant corporate events as they occur
  - To reflect large IPOs on a timely basis and appropriately season smaller IPOs
  - To reflect a series of smaller event related changes at the quarterly index review
- MSCI proposes to move the review frequency of the Standard from the current annual review cycle to a semi-annual index review cycle
  - The semi-annual review provides the best trade-off in terms of the timely reflection of the changes in size and style characteristics of companies and reasonable turnover

## Periodic Maintenance (cont'd)

- The semi-annual index reviews, in May and November, would involve a comprehensive review of the size segment indices as well as the value and growth indices
  - The number of companies in the size segment indices within the investable market indices would be brought back to the original number
- The quarterly index reviews, in February and August, would be designed to ensure that the indices would continue to be an appropriate and timely reflection of the equity markets
  - There would generally be no new additions to or deletions from the investable market indices
- During semi-annual and quarterly index reviews, buffer zones, expressed in terms of number of companies, would be used to avoid unnecessary turnover in the market capitalization indices
  - Free float-adjusted market capitalization buffers would also be used at semi-annual index reviews
  - Buffer zones would also be applied for the value and growth indices

# Structural Maintenance

- MSCI would review periodically and could change, if needed, the number of companies in each investable market index and size segment:
  - If the representation of the enhanced Standard and/or Small Cap indices deviated significantly from the targeted coverage
  - If there were large corporate events
  - If a country was reclassified from EM to DM or vice versa
- Changes, if any, would be implemented in a way to minimize large and discrete changes which could cause significant turnover

# Transition Analysis

# Transition Analysis

- This section analyzes country and sector weight changes and transition turnover of the proposed enhancements
- This analysis, based on proforma data as of June 30, 2005, shows that country and sector weight changes and one-off transition turnover are modest for the Standard Index
  - One-off transition turnover is, however, significant for the small cap index
- The transition of the current MSCI indices to the proposed enhanced methodology would be designed with the goal to minimize, and make manageable, the impact
  - Changes, if any, would be announced with ample lead time

# Proforma Comparison & Transition Analysis: Standard to Enhanced Standard Index: Developed Markets

- Proforma comparison of the MSCI Standard and the proposed enhanced Standard Index and turnover analysis

	Current Standard Index Mkt Cap	Pro forma Enhanced Standard Index Mkt Cap	Number of securities				Number of Companies		Wgt Ave FIF	Index ** Turnover
	USD mm	USD mm	Current	+ Added	- Deleted	Pro forma	Pro forma			
	<b>World</b>	20,670,224	21,627,897	1,820	398	312	1,906	1,845	0.87	6.4%
<b>EAFE</b>	8,998,752	9,115,150	1,145	180	281	1,044	990	0.79	5.0%	
<b>Pacific</b>	2,741,285	2,833,151	551	105	91	565	540	0.74	5.7%	
<b>Europe</b>	6,257,467	6,281,999	594	75	190	479	450	0.82	4.7%	
Australia	511,961	519,429	82	5	12	75	75	0.91	3.8%	
Hong Kong	158,536	164,969	40	11	5	46	40	0.52	5.7%	
Singapore	78,546	69,280	41	1	20	22	20	0.58	12.5%	
New Zealand	20,559	14,579	14	0	9	5	5	0.83	29.1%	
Japan	1,971,684	2,064,894	374	88	45	417	400	0.73	6.4%	
United Kingdom	2,233,951	2,272,684	155	16	44	127	125	0.97	5.3%	
Europe Ex UK	4,023,516	4,009,314	439	59	146	352	325	0.75	4.6%	
Canada	671,135	719,468	96	21	12	105	105	0.84	9.2%	
USA	11,000,338	11,793,279	579	197	19	757	750	0.94	7.3%	

Data as of June 30, 2005. All market capitalization are in USD million

## Turnover source as % of Enhanced Standard for additions and as % of Standard for deletions

Segment	Australia	Hong Kong	Singapore	New Zealand	Pacific ex Japan	Japan	United Kingdom	Europe ex UK	EAFE	Canada	USA	World
Additions to Large	2.0%	0.0%	0.0%	0.0%	1.3%	1.4%	3.6%	1.7%	2.1%	4.3%	2.2%	2.2%
Additions to Mid	1.8%	5.7%	0.8%	0.0%	2.5%	5.0%	1.7%	2.6%	2.9%	4.9%	5.1%	4.2%
Additions to Enhanced Standard	3.8%	5.7%	0.8%	0.0%	3.9%	6.4%	5.3%	4.3%	5.0%	9.2%	7.3%	6.4%
Deletions from Current Standard				-3.8%	-0.1%				0.0%			0.0%
Deletions to Enhanced Small Cap	-2.5%	-1.8%	-12.5%	-25.3%	-4.0%	-2.0%	-3.7%	-4.6%	-3.7%	-1.6%	-0.3%	-1.9%
One way turnover	3.8%	5.7%	12.5%	29.1%	4.1%	6.4%	5.3%	4.6%	5.0%	9.2%	7.3%	6.4%



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# Proforma Weight Comparison : Standard vs. Enhanced Standard Index: Developed Markets

World			EAFE			Pacific			Europe			World	EAFE			
		Current Standard Index Weight	Pro forma Enhanced Standard Index Weight	Diff	Current Standard Index Weight	Pro forma Enhanced Standard Index Weight	Diff	Current Standard Index Weight	Pro forma Enhanced Standard Index Weight	Diff	Current Standard Index Weight	Pro forma Enhanced Standard Index Weight	Diff	Weight Change in World (%)	Weight Change in EAFE (%)	
<b>DM NORTH AMERICA</b>			<b>56.47%</b>	<b>57.85%</b>	<b>1.39%</b>									<b>2.46%</b>		
	US	USA	53.22%	54.53%	1.31%									2.46%		
	CA	Canada	3.25%	3.33%	0.08%									2.45%		
<b>DM EUROPE</b>			<b>30.27%</b>	<b>29.05%</b>	<b>-1.23%</b>	<b>69.54%</b>	<b>68.92%</b>	<b>-0.62%</b>				<b>100.00%</b>	<b>100.00%</b>	<b>-4.05%</b>	<b>-0.89%</b>	
	GB	United Kingdom	10.81%	10.51%	-0.30%	24.83%	24.93%	0.11%				35.70%	36.18%	0.48%	-2.77%	0.43%
	FR	France	4.15%	4.05%	-0.10%	9.54%	9.62%	0.08%				13.71%	13.95%	0.24%	-2.36%	0.86%
	DE	Germany	2.99%	2.91%	-0.07%	6.86%	6.91%	0.05%				9.86%	10.03%	0.17%	-2.43%	0.79%
	CH	Switzerland	2.92%	2.79%	-0.13%	6.70%	6.62%	-0.08%				9.64%	9.61%	-0.03%	-4.36%	-1.20%
	NL	Netherlands	2.12%	2.03%	-0.09%	4.88%	4.83%	-0.05%				7.01%	7.00%	-0.01%	-4.20%	-1.04%
	ES	Spain	1.71%	1.71%	0.01%	3.92%	4.07%	0.15%				5.64%	5.90%	0.26%	0.39%	3.70%
	IT	Italy	1.70%	1.71%	0.00%	3.92%	4.05%	0.13%				5.63%	5.87%	0.24%	0.06%	3.36%
	SE	Sweden	1.04%	0.95%	-0.09%	2.39%	2.26%	-0.13%				3.43%	3.28%	-0.15%	-8.36%	-5.34%
	FI	Finland	0.65%	0.53%	-0.12%	1.50%	1.27%	-0.23%				2.15%	1.84%	-0.31%	-17.86%	-15.15%
	BE	Belgium	0.58%	0.52%	-0.05%	1.32%	1.24%	-0.08%				1.90%	1.80%	-0.10%	-9.30%	-6.31%
	IE	Ireland	0.37%	0.32%	-0.05%	0.85%	0.77%	-0.08%				1.23%	1.12%	-0.11%	-12.72%	-9.85%
	DK	Denmark	0.35%	0.29%	-0.06%	0.80%	0.69%	-0.11%				1.15%	1.00%	-0.15%	-16.43%	-13.68%
	NO	Norway	0.32%	0.23%	-0.09%	0.74%	0.55%	-0.19%				1.06%	0.80%	-0.27%	-28.22%	-25.85%
	GR	Greece	0.25%	0.20%	-0.05%	0.57%	0.48%	-0.10%				0.82%	0.69%	-0.13%	-19.27%	-16.60%
	AT	Austria	0.19%	0.16%	-0.03%	0.44%	0.38%	-0.05%				0.63%	0.56%	-0.07%	-15.26%	-12.46%
	PT	Portugal	0.13%	0.11%	-0.02%	0.29%	0.26%	-0.04%				0.42%	0.37%	-0.05%	-15.17%	-12.37%
<b>DM PACIFIC</b>			<b>13.26%</b>	<b>13.10%</b>	<b>-0.16%</b>	<b>30.46%</b>	<b>31.08%</b>	<b>0.62%</b>	<b>100.00%</b>	<b>100.00%</b>				<b>-1.23%</b>	<b>2.03%</b>	
	JP	Japan	9.54%	9.55%	0.01%	21.91%	22.65%	0.74%	71.93%	72.88%	0.96%			0.09%	3.39%	
	AU	Australia	2.48%	2.40%	-0.08%	5.69%	5.70%	0.01%	18.68%	18.33%	-0.34%			-3.03%	0.16%	
	HK	Hong Kong	0.77%	0.76%	0.00%	1.76%	1.81%	0.05%	5.78%	5.82%	0.04%			-0.55%	2.73%	
	SG	Singapore	0.38%	0.32%	-0.06%	0.87%	0.76%	-0.11%	2.87%	2.45%	-0.42%			-15.70%	-12.92%	
	NZ	New Zealand	0.10%	0.07%	-0.03%	0.23%	0.16%	-0.07%	0.75%	0.51%	-0.24%			-32.23%	-29.99%	

Data as of June 30, 2005



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# Proforma Comparison & Transition Analysis: Standard to Enhanced Standard Index: Emerging Markets

- Proforma comparison of the MSCI EM Standard and the proposed enhanced Standard Index and turnover analysis

	Current Standard Index Mkt Cap USD mm	Pro forma Enhanced Standard Index Mkt Cap USD mm	Number of securities				Wgt Ave FIF	Index ** Turnover
			Current	+ Added	- Deleted	Pro forma		
<b>EM</b>	1,291,625	1,269,457	819	66	303	582	0.52	7.4%
<b>LATAM</b>	239,539	237,314	119	14	45	88	0.58	7.8%
<b>ASIA</b>	721,474	700,114	485	34	170	349	0.51	7.4%
<b>EMEA</b>	330,612	332,029	215	18	88	145	0.49	7.6%
Argentina	7,518	7,187	10	2	6	6	0.42	14.2%
Brazil	118,874	115,837	46	6	21	31	0.66	9.1%
Chile	24,879	25,287	22	2	4	20	0.39	5.9%
Colombia	2,955	4,460	6	2	1	7	0.34	37.7%
Mexico	77,415	76,946	22	2	9	15	0.62	6.9%
Peru	6,471	6,245	8	0	2	6	0.49	3.5%
Venezuela	1,428	1,352	5	0	2	3	0.81	5.3%
China	97,544	95,511	72	7	29	50	0.46	7.7%
Indonesia	22,214	21,124	26	1	8	19	0.43	6.3%
India	78,837	84,283	62	11	8	65	0.33	8.3%
Korea	212,818	207,752	72	4	15	61	0.64	6.9%
Malaysia	46,658	42,978	75	3	33	45	0.38	10.7%
Philippines	6,746	5,824	18	0	8	10	0.30	13.7%
Pakistan	3,682	2,153	14	0	10	4	0.24	41.5%
Thailand	25,395	23,412	43	2	25	20	0.35	17.1%
Taiwan	227,579	217,076	103	6	34	75	0.67	7.2%
Czech Republic	10,376	10,376	6	0	0	6	0.39	0.0%
Egypt	10,627	9,763	16	1	11	6	0.42	13.6%
Hungary	19,324	19,583	6	1	1	6	0.71	1.9%
Israel	43,148	41,822	39	3	12	30	0.66	6.1%
Jordan	4,368	3,176	13	1	9	5	0.20	34.8%
Morocco	3,145	2,135	11	0	7	4	0.16	32.1%
Poland	22,284	20,233	22	1	13	10	0.47	10.6%
Russia	65,002	60,932	18	2	7	13	0.29	9.0%
Turkey	23,750	22,100	34	3	17	20	0.32	13.1%
South Africa	128,588	141,909	50	6	11	45	0.74	13.5%

Data as of June 30, 2005. All market capitalization are in USD million.



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# Proforma Weight Comparison: Standard vs. Enhanced Standard Index: Emerging Markets

EM				ASIA			EMEA			LATAM			EM	
		Current Standard Index Weight	Pro forma Enhanced Standard Index Mkt Cap Weight	Diff	Current Standard Index Weight	Pro forma Enhanced Standard Index Mkt Cap Weight	Diff	Current Standard Index Weight	Pro forma Enhanced Standard Index Mkt Cap Weight	Diff	Current Standard Index Weight	Pro forma Enhanced Standard Index Mkt Cap Weight	Diff	Weight Change in EM (%)
<b>EM ASIA</b>				<b>55.86%</b>	<b>55.15%</b>	<b>-0.71%</b>	<b>100.00%</b>	<b>100.00%</b>						<b>-1.27%</b>
	TW	Taiwan	17.62%	17.10%	-0.52%	31.54%	31.01%	-0.54%						-2.95%
	KR	Korea	16.48%	16.37%	-0.11%	29.50%	29.67%	0.18%						-0.68%
	CN	China	7.55%	7.52%	-0.03%	13.52%	13.64%	0.12%						-0.37%
	IN	India	6.10%	6.64%	0.54%	10.93%	12.04%	1.11%						8.78%
	MY	Malaysia	3.61%	3.39%	-0.23%	6.47%	6.14%	-0.33%						-6.28%
	TH	Thailand	1.97%	1.84%	-0.12%	3.52%	3.34%	-0.18%						-6.20%
	ID	Indonesia	1.72%	1.66%	-0.06%	3.08%	3.02%	-0.06%						-3.25%
	PH	Philippines	0.52%	0.46%	-0.06%	0.94%	0.83%	-0.10%						-12.16%
	PK	Pakistan	0.29%	0.17%	-0.12%	0.51%	0.31%	-0.20%						-40.51%
<b>EM EMEA</b>				<b>25.60%</b>	<b>26.16%</b>	<b>0.56%</b>		<b>100.00%</b>	<b>100.00%</b>					<b>2.18%</b>
	ZA	South Africa	9.96%	11.18%	1.22%			38.89%	42.74%	3.85%				12.29%
	RU	Russia	5.03%	4.80%	-0.23%			19.66%	18.35%	-1.31%				-4.62%
	IL	Israel	3.34%	3.29%	-0.05%			13.05%	12.60%	-0.46%				-1.38%
	TR	Turkey	1.84%	1.74%	-0.10%			7.18%	6.66%	-0.53%				-5.32%
	PL	Poland	1.73%	1.59%	-0.13%			6.74%	6.09%	-0.65%				-7.62%
	HU	Hungary	1.50%	1.54%	0.05%			5.84%	5.90%	0.05%				3.11%
	EG	Egypt	0.80%	0.82%	0.01%			3.14%	3.13%	-0.01%				1.75%
	CZ	Czech Republic	0.82%	0.77%	-0.05%			3.21%	2.94%	-0.27%				-6.53%
	JO	Jordan	0.34%	0.25%	-0.09%			1.32%	0.96%	-0.36%				-26.02%
	MA	Morocco	0.24%	0.17%	-0.08%			0.95%	0.64%	-0.31%				-30.92%
<b>EM LATIN AMERICA</b>				<b>18.55%</b>	<b>18.69%</b>	<b>0.15%</b>					<b>100.00%</b>	<b>100.00%</b>		<b>0.80%</b>
	BR	Brazil	9.20%	9.12%	-0.08%						49.63%	48.81%	-0.81%	-0.85%
	MX	Mexico	5.99%	6.06%	0.07%						32.32%	32.42%	0.11%	1.13%
	CL	Chile	1.93%	1.99%	0.07%						10.39%	10.66%	0.27%	3.41%
	AR	Argentina	0.58%	0.57%	-0.02%						3.14%	3.03%	-0.11%	-2.74%
	PE	Peru	0.50%	0.49%	-0.01%						2.70%	2.63%	-0.07%	-1.80%
	CO	Colombia	0.23%	0.35%	0.12%						1.23%	1.88%	0.65%	53.60%
	VE	Venezuela	0.11%	0.11%	0.00%						0.60%	0.57%	-0.03%	-3.62%

Data as of June 30, 2005.



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# Proforma Comparison & Transition Analysis: Small Cap to Enhanced Small Cap Index: Developed Markets

- Proforma comparison of the MSCI Small Cap and the proposed enhanced Small Cap Index and turnover analysis

	Current Small Cap Index Mkt Cap	Pro forma Enhanced Small Cap Index Mkt Cap	Number of securities				Number of Companies		Wgt Ave	Index **
	USD mm	USD mm	Current	+ Added	- Deleted	Pro forma	Pro forma	FIF	Turnover	
<b>World</b>	1,219,758	2,791,037	1,895	2,486	299	4,082	3,975	0.76	61.6%	
<b>EAFE</b>	609,041	1,150,335	1,077	1,266	163	2,180	2,105	0.65	55.2%	
<b>Pacific</b>	292,330	444,121	579	743	90	1,232	1,205	0.60	51.2%	
<b>Europe</b>	316,712	706,214	498	523	73	948	900	0.69	57.8%	
Australia	51,388	62,857	58	72	17	113	110	0.79	53.1%	
Hong Kong	16,737	22,408	46	48	9	85	80	0.46	48.0%	
Singapore	16,258	18,115	34	32	10	56	50	0.45	44.5%	
New Zealand	9,757	6,830	15	6	5	16	15	0.65	43.6%	
Japan	198,189	333,912	426	585	49	962	950	0.59	52.0%	
United Kingdom	95,655	264,690	113	194	7	300	300	0.89	64.3%	
Europe Ex UK	221,057	441,524	385	329	66	648	600	0.61	53.9%	
Canada	61,543	73,622	75	74	20	129	120	0.85	48.4%	
USA	549,174	1,567,080	743	1,146	116	1,773	1,750	0.86	66.8%	

Data as of June 30, 2005. All market capitalization are in USD million.

# Proforma Weight Comparison: Int'l Small Cap vs. Enhanced Small Cap Index: Developed Markets

World			EAFE			Pacific			Europe			World	EAFE		
		Current Small Cap Index Weight	Pro forma Enhanced Small Cap Index Weight	Diff	Current Small Cap Index Weight	Pro forma Enhanced Small Cap Index Weight	Diff	Current Small Cap Index Weight	Pro forma Enhanced Small Cap Index Weight	Diff	Current Small Cap Index Weight	Pro forma Enhanced Small Cap Index Weight	Diff	Weight Change in World (%)	Weight Change in EAFE (%)
<b>DM NORTH AMERICA</b>			<b>50.07%</b>	<b>58.78%</b>	<b>8.72%</b>									<b>17.41%</b>	
US	USA	45.02%	56.15%	11.12%										24.71%	
CA	Canada	5.05%	2.64%	-2.41%										-47.72%	
<b>DM EUROPE</b>			<b>25.97%</b>	<b>25.30%</b>	<b>-0.66%</b>	<b>52.00%</b>	<b>61.39%</b>	<b>9.39%</b>				<b>100.00%</b>	<b>100.00%</b>	<b>-2.55%</b>	<b>18.06%</b>
GB	United Kingdom	7.84%	9.48%	1.64%	15.71%	23.01%	7.30%				30.20%	37.48%	7.28%	20.93%	46.51%
FR	France	2.16%	1.88%	-0.28%	4.32%	4.56%	0.23%				8.31%	7.42%	-0.89%	-12.99%	5.41%
DE	Germany	2.32%	1.82%	-0.50%	4.64%	4.42%	-0.22%				8.93%	7.20%	-1.73%	-21.44%	-4.82%
CH	Switzerland	1.54%	1.77%	0.23%	3.09%	4.30%	1.21%				5.93%	7.00%	1.06%	14.90%	39.20%
NL	Netherlands	1.72%	1.49%	-0.23%	3.45%	3.62%	0.17%				6.63%	5.89%	-0.74%	-13.47%	4.83%
ES	Spain	2.08%	1.49%	-0.59%	4.17%	3.60%	-0.56%				8.01%	5.87%	-2.14%	-28.59%	-13.49%
IT	Italy	1.55%	1.28%	-0.28%	3.11%	3.10%	-0.01%				5.98%	5.05%	-0.94%	-17.78%	-0.39%
SE	Sweden	1.46%	1.19%	-0.26%	2.92%	2.90%	-0.02%				5.62%	4.72%	-0.90%	-18.11%	-0.80%
FI	Finland	1.16%	1.09%	-0.07%	2.32%	2.65%	0.33%				4.46%	4.32%	-0.14%	-5.67%	14.27%
BE	Belgium	0.97%	0.95%	-0.02%	1.94%	2.30%	0.36%				3.72%	3.75%	0.02%	-1.92%	18.82%
IE	Ireland	0.74%	0.73%	-0.01%	1.48%	1.78%	0.29%				2.85%	2.90%	0.04%	-1.10%	19.82%
DK	Denmark	0.51%	0.67%	0.16%	1.02%	1.63%	0.60%				1.97%	2.65%	0.68%	31.27%	59.02%
NO	Norway	0.91%	0.52%	-0.39%	1.83%	1.27%	-0.56%				3.51%	2.07%	-1.44%	-42.56%	-30.41%
GR	Greece	0.44%	0.42%	-0.02%	0.88%	1.02%	0.14%				1.69%	1.66%	-0.04%	-4.63%	15.54%
AT	Austria	0.48%	0.38%	-0.10%	0.96%	0.92%	-0.04%				1.85%	1.50%	-0.35%	-20.76%	-4.00%
PT	Portugal	0.08%	0.14%	0.05%	0.17%	0.33%	0.16%				0.32%	0.54%	0.22%	62.62%	97.01%
<b>DM PACIFIC</b>			<b>23.97%</b>	<b>15.91%</b>	<b>-8.05%</b>	<b>48.00%</b>	<b>38.61%</b>	<b>-9.39%</b>	<b>100.00%</b>	<b>100.00%</b>				<b>-33.60%</b>	<b>-19.56%</b>
JP	Japan	16.25%	11.96%	-4.28%	32.54%	29.03%	-3.51%	67.80%	75.18%	7.39%				-26.37%	-10.80%
AU	Australia	4.21%	2.25%	-1.96%	8.44%	5.46%	-2.97%	17.58%	14.15%	-3.43%				-46.54%	-35.24%
HK	Hong Kong	1.37%	0.80%	-0.57%	2.75%	1.95%	-0.80%	5.73%	5.05%	-0.68%				-41.49%	-29.12%
SG	Singapore	1.33%	0.65%	-0.68%	2.67%	1.57%	-1.09%	5.56%	4.08%	-1.48%				-51.31%	-41.01%
NZ	New Zealand	0.80%	0.24%	-0.56%	1.60%	0.59%	-1.01%	3.34%	1.54%	-1.80%				-69.41%	-62.94%

Data as of June 30, 2005



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# Proforma Transition Analysis Highlights

- Developed Markets Standard to enhanced Standard Index
  - About 400 new large and mid cap companies, mostly from the US and Japan, would be added, partially offset by the deletions of 300 small cap companies predominantly from Europe
  - The one-way index turnover on average would be relatively modest at 6.4% for the MSCI World Index and 5% for EAFE, and is essentially driven by the additions except for Europe ex UK
  
- Emerging Markets Standard to enhanced Standard Index
  - About 70 large and mid cap companies would be added, while the deletion of 300 small companies would reduce the total number of companies from more than 800 to less than 600
  - The one-way index turnover on average is also relatively modest at 7.4% and country weight changes are generally not significant

## Proforma Transition Analysis Highlights *(cont'd)*

- ACWI to enhanced ACWI index
  - As in the Developed Markets Standard index, the weight of USA increases with a corresponding decline in the weight of Europe
  - The weight of Emerging Markets declines from 5.9% to 5.5% in ACWI and from 11.8% to 11.4% in ACWI ex-US
  - The one-way index turnover is relatively modest at 6.3%
  
- Developed Markets Small Cap to enhanced Small Cap Index
  - The number of companies more than doubles due to the change in methodology from a 40% sampling target to an exhaustive approach and the changed small cap range in the US and Europe. As a result, the turnover is significant at 62%
  - The weight of the US rises significantly and the weight of Japan drops sharply, as the weight of all countries becomes closer to their weight in the equity universe

## Merits of the Proposal

## Merits: Standard Index User Perspective

- An evolution of the Standard to the enhanced Standard Index would provide comprehensive, rather than sampled, coverage of the large and mid cap segments of both DM and EM while maintaining very similar
  - Country exposures
  - Industry group exposures
  - Ongoing turnover
- In addition, simulated one-off transition turnover is not high for DM and only slightly higher for EM (turnover of 6.4% and 7.4% respectively)
- Furthermore, the creation of a compatible enhanced Small Cap index allows investors to assess the performance of the different segments of the market as well as the entire equity market opportunity set
- Investors who desire deeper coverage or exposure to specific size segments would have the additional option to use the investable market index and any of its segments

# Merits: Small Cap Index User Perspective

- An evolution of the Small Cap Index to the enhanced Small Cap Index would provide more comprehensive coverage of the small cap space
  - Value & growth style segmentation within small cap would be possible
  - A small cap EM index could be constructed
  - Ongoing turnover for the enhanced Small Cap Index could potentially be lower due to the use of a fixed number of companies and the revised definition of the segment
- The cost of transitioning would be higher than for the Standard because of the significant increase in coverage and the changed segment definition
- Finally, the creation of a consistent framework for size segmentation would allow interested small cap investors to potentially expand their opportunity set by covering the mid and small cap segment

# Appendix

All comparisons and analysis are proforma based on data as of June 30, 2005



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# Proforma Comparison & Transition Analysis : Standard to Enhanced Standard Index: Europe ex UK Developed Markets

	Current Standard Index Mkt Cap USD mm	Pro forma Enhanced Standard Index Mkt Cap USD mm	Number of securities			Pro forma	Number of Companies Pro forma	Wgt Ave FIF	Index ** Turnover
			Current	+ Added	- Deleted				
<b>Europe ex UK</b>	4,023,516	4,009,314	439	59	146	352	325	0.75	4.6%
Austria	39,362	34,902	14	1	7	8	8	0.47	17.1%
Belgium	118,934	112,876	21	1	8	14	14	0.57	6.2%
Denmark	71,810	62,790	20	1	11	10	9	0.60	21.3%
Finland	134,628	115,706	21	2	15	8	8	0.87	17.3%
France	858,084	876,618	62	9	4	67	65	0.70	3.1%
Germany	617,051	629,971	52	7	11	48	43	0.78	4.5%
Greece	51,579	43,571	21	0	11	10	9	0.60	15.5%
Ireland	76,844	70,174	16	1	10	7	7	0.98	19.5%
Italy	352,335	368,875	41	14	7	48	40	0.63	6.2%
Netherlands	438,893	439,962	27	2	7	22	22	0.91	2.9%
Norway	66,639	50,050	18	0	12	6	6	0.46	24.9%
Portugal	26,187	23,244	10	0	3	7	5	0.52	11.2%
Spain	353,057	370,859	33	8	5	36	36	0.76	6.6%
Sweden	214,905	206,068	46	4	23	27	23	0.80	11.6%
Switzerland	603,207	603,649	37	9	12	34	30	0.89	2.9%

Data as of June 30, 2005. All market capitalization are in USD million.

# Proforma Comparison & Transition Analysis : Small Cap to Enhanced Small Cap Index: Europe ex UK Developed Markets

	Current Small Cap Index USD mm	Pro forma Enhanced Small Cap Index USD mm	Number of securities				Number of Companies Pro forma	Wgt Ave FIF	Index ** Turnover
			Current	+ Added	- Deleted	Pro forma			
<b>Europe ex UK</b>	221,057	441,524	385	329	66	648	600	0.61	53.9%
Austria	5,852	10,611	7	10	1	16	13	0.45	53.4%
Belgium	11,127	14,625	20	11	5	26	24	0.56	44.3%
Denmark	11,791	26,463	15	16	0	31	31	0.73	55.4%
Finland	17,792	33,338	25	18	6	37	37	0.75	49.4%
France	28,288	50,853	60	41	9	92	83	0.51	47.2%
Germany	26,323	52,405	43	38	6	75	67	0.64	51.8%
Greece	5,357	11,690	20	14	6	28	27	0.51	59.2%
Ireland	6,225	18,696	9	9	3	15	15	0.86	71.5%
Italy	18,795	49,414	41	55	7	89	74	0.49	65.8%
Netherlands	18,954	35,658	25	19	3	41	40	0.73	48.6%
Norway	14,120	30,475	22	29	0	51	49	0.67	53.7%
Portugal	1,020	3,796	4	4	1	7	6	0.35	75.4%
Spain	9,038	20,453	18	16	4	30	29	0.46	64.2%
Sweden	25,368	41,450	39	20	4	55	54	0.77	40.0%
Switzerland	21,007	41,595	37	29	11	55	51	0.72	59.0%

Data as of June 30, 2005. All market capitalization are in USD million.

# Proforma Comparison & Transition Analysis : Standard to Global Investable Market Index : Developed Markets

	Current Standard Index Mkt Cap	Pro forma Global Investable Market Index Mkt Cap	Number of securities				Number of Companies	Wgt Ave FIF	Index ** Turnover
	USD mm	USD mm	Current	+ Added	- Deleted	Pro forma			
<b>World</b>	20,670,224	24,418,935	1,820	4,176	8	5,988	5,820	0.85	15.5%
<b>EAFE</b>	8,998,752	10,265,485	1,145	2,082	3	3,224	3,095	0.77	12.4%
<b>Pacific</b>	2,741,285	3,277,272	551	1,247	1	1,797	1,745	0.71	16.4%
<b>Europe</b>	6,257,467	6,988,213	594	835	2	1,427	1,350	0.80	10.5%
Australia	511,961	582,286	82	106	-	188	185	0.89	12.1%
Hong Kong	158,536	187,377	40	91	-	131	120	0.51	15.4%
Singapore	78,546	87,394	41	37	-	78	70	0.54	10.1%
New Zealand	20,559	21,408	14	8	1	21	20	0.76	7.6%
Japan	1,971,684	2,398,806	374	1,005	-	1,379	1,350	0.71	17.8%
United Kingdom	2,233,951	2,537,375	155	272	-	427	425	0.97	12.0%
Europe Ex UK	4,023,516	4,450,838	439	563	2	1,000	925	0.73	9.7%
Canada	671,135	793,091	96	140	2	234	225	0.84	16.2%
USA	11,000,338	13,360,359	579	1,954	3	2,530	2,500	0.93	17.9%

Data as of June 30, 2005. All market capitalization are in USD million



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# Proforma Weight Comparison: Standard vs. Global Investable Market Index : Developed Markets

World			EAFE			Pacific			Europe			World	EAFE			
		Current Standard Index Weight	Pro forma Global Investable Market Index Weight	Diff	Current Standard Index Weight	Pro forma Global Investable Market Index Weight	Diff	Current Standard Index Weight	Pro forma Global Investable Market Index Weight	Diff	Current Standard Index Weight	Pro forma Global Investable Market Index Weight	Diff	Weight Change in World (%)	Weight Change in EAFE (%)	
<b>DM NORTH AMERICA</b>			<b>56.47%</b>	<b>57.96%</b>	<b>1.50%</b>									<b>2.65%</b>		
	US	USA	53.22%	54.71%	1.49%									2.81%		
	CA	Canada	3.25%	3.25%	0.00%									0.03%		
<b>DM EUROPE</b>			<b>30.27%</b>	<b>28.62%</b>	<b>-1.65%</b>	<b>69.54%</b>	<b>68.07%</b>	<b>-1.46%</b>				<b>100.00%</b>	<b>100.00%</b>	<b>-5.47%</b>	<b>-2.10%</b>	
	GB	United Kingdom	10.81%	10.39%	-0.42%	24.83%	24.72%	-0.11%				35.70%	36.31%	0.61%	-3.85%	-0.43%
	FR	France	4.15%	3.80%	-0.35%	9.54%	9.03%	-0.50%				13.71%	13.27%	-0.44%	-8.51%	-5.25%
	DE	Germany	2.99%	2.79%	-0.19%	6.86%	6.65%	-0.21%				9.86%	9.76%	-0.10%	-6.39%	-3.06%
	CH	Switzerland	2.92%	2.64%	-0.28%	6.70%	6.29%	-0.42%				9.64%	9.23%	-0.41%	-9.45%	-6.23%
	NL	Netherlands	2.12%	1.95%	-0.18%	4.88%	4.63%	-0.24%				7.01%	6.81%	-0.21%	-8.27%	-5.00%
	ES	Spain	1.70%	1.71%	0.01%	3.92%	4.07%	0.16%				5.63%	5.99%	0.35%	0.49%	4.07%
	IT	Italy	1.71%	1.60%	-0.11%	3.92%	3.81%	-0.11%				5.64%	5.60%	-0.04%	-6.18%	-2.84%
	SE	Sweden	1.04%	1.01%	-0.03%	2.39%	2.41%	0.02%				3.43%	3.54%	0.11%	-2.51%	0.96%
	FI	Finland	0.65%	0.61%	-0.04%	1.50%	1.45%	-0.04%				2.15%	2.13%	-0.02%	-6.29%	-2.95%
	BE	Belgium	0.58%	0.52%	-0.05%	1.32%	1.24%	-0.08%				1.90%	1.82%	-0.08%	-9.25%	-6.03%
	IE	Ireland	0.35%	0.37%	0.02%	0.80%	0.87%	0.07%				1.15%	1.28%	0.13%	5.21%	8.95%
	DK	Denmark	0.37%	0.36%	-0.01%	0.85%	0.87%	0.01%				1.23%	1.27%	0.04%	-2.10%	1.38%
	NO	Norway	0.32%	0.33%	0.01%	0.74%	0.78%	0.04%				1.06%	1.15%	0.09%	2.29%	5.93%
	GR	Greece	0.25%	0.23%	-0.02%	0.57%	0.54%	-0.03%				0.82%	0.79%	-0.03%	-9.31%	-6.08%
	AT	Austria	0.19%	0.19%	0.00%	0.44%	0.44%	0.01%				0.63%	0.65%	0.02%	-2.12%	1.36%
	PT	Portugal	0.13%	0.11%	-0.02%	0.29%	0.26%	-0.03%				0.42%	0.39%	-0.03%	-12.59%	-9.48%
<b>DM PACIFIC</b>			<b>13.26%</b>	<b>13.42%</b>	<b>0.16%</b>	<b>30.46%</b>	<b>31.93%</b>	<b>1.46%</b>	<b>100.00%</b>	<b>100.00%</b>				<b>1.20%</b>	<b>4.80%</b>	
	JP	Japan	9.54%	9.82%	0.28%	21.91%	23.37%	1.46%	71.93%	73.20%	1.27%			2.99%	6.65%	
	AU	Australia	2.48%	2.38%	-0.09%	5.69%	5.67%	-0.02%	18.68%	17.77%	-0.91%			-3.72%	-0.30%	
	HK	Hong Kong	0.77%	0.77%	0.00%	1.76%	1.83%	0.06%	5.78%	5.72%	-0.07%			0.05%	3.61%	
	SG	Singapore	0.38%	0.36%	-0.02%	0.87%	0.85%	-0.02%	2.87%	2.67%	-0.20%			-5.82%	-2.46%	
	NZ	New Zealand	0.10%	0.09%	-0.01%	0.23%	0.21%	-0.02%	0.75%	0.65%	-0.10%			-11.85%	-8.72%	

Data as of June 30, 2005



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# Proforma Comparison & Transition Analysis : Standard to Global Investable Market Index : Emerging Markets

	Current Standard Index Mkt Cap	Pro forma Global Investable Market Index Mkt Cap	Number of securities				Wgt Ave	Index **
	USD mm	USD mm	Current	+ Added	- Deleted	Pro forma	FIF	Turnover
<b>EM</b>	1,291,625	1,465,996	819	1,020	99	1,740	0.52	14.2%
<b>LATAM</b>	239,539	260,028	119	58	17	160	0.58	10.1%
<b>ASIA</b>	721,474	836,010	485	780	52	1,213	0.52	15.9%
<b>EMEA</b>	330,612	369,958	215	182	30	367	0.49	13.1%
Argentina	7,518	8,162	10	4	1	13	0.42	10.8%
Brazil	118,874	127,759	46	26	9	63	0.66	9.8%
Chile	24,879	28,167	22	13	1	34	0.40	13.2%
Colombia	2,955	4,804	6	4	1	9	0.34	42.2%
Mexico	77,415	83,427	22	11	2	31	0.61	8.6%
Peru	6,471	6,356	8	0	1	7	0.49	1.8%
Venezuela	1,428	1,352	5	0	2	3	0.81	5.3%
China	97,544	108,117	72	45	7	110	0.48	11.0%
Indonesia	22,214	23,779	26	22	4	44	0.42	10.2%
India	78,837	94,496	62	137	7	192	0.33	18.1%
Korea	212,818	240,491	72	207	3	276	0.64	15.3%
Malaysia	46,658	50,594	75	54	9	120	0.38	10.5%
Philippines	6,746	6,583	18	2	3	17	0.30	5.3%
Pakistan	3,682	2,956	14	6	6	14	0.26	30.8%
Thailand	25,395	27,291	43	30	13	60	0.35	16.4%
Taiwan	227,579	281,702	103	277	0	380	0.68	19.2%
Czech Republic	10,376	10,376	6	0	0	6	0.39	0.0%
Egypt	10,627	11,740	16	7	1	22	0.42	10.8%
Hungary	19,324	19,742	6	2	0	8	0.71	2.1%
Israel	43,148	47,204	39	35	4	70	0.63	10.3%
Jordan	4,368	4,979	13	10	2	21	0.26	21.1%
Morocco	3,145	2,426	11	1	5	7	0.17	24.8%
Poland	22,284	23,514	22	17	4	35	0.48	8.6%
Russia	65,002	66,579	18	21	2	37	0.29	7.2%
Turkey	23,750	24,601	34	27	11	50	0.32	13.1%
South Africa	128,588	158,797	50	62	1	111	0.74	19.3%

Data as of June 30, 2005. All market capitalization are in USD million.



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# Proforma Weight Comparison : Standard vs. Global Investable Market Index: Emerging Markets

EM				ASIA			EMEA			LATAM			EM	
		Current Standard Index Weight	Pro forma Global Investable Market Index Weight	Diff	Current Standard Index Weight	Pro forma Global Investable Market Index Weight	Diff	Current Standard Index Weight	Pro forma Global Investable Market Index Weight	Diff	Current Standard Index Weight	Pro forma Global Investable Market Index Weight	Diff	Weight Change in EM (%)
<b>EM ASIA</b>				<b>55.86%</b>	<b>57.03%</b>	<b>1.17%</b>	<b>100.00%</b>	<b>100.00%</b>						<b>2.09%</b>
TW	Taiwan	17.62%	19.22%	1.60%	31.54%	33.70%	2.15%							9.06%
KR	Korea	16.48%	16.40%	-0.07%	29.50%	28.77%	-0.73%							-0.44%
CN	China	7.55%	7.38%	-0.18%	13.52%	12.93%	-0.59%							-2.34%
IN	India	6.10%	6.45%	0.34%	10.93%	11.30%	0.38%							5.61%
MY	Malaysia	3.61%	3.45%	-0.16%	6.47%	6.05%	-0.42%							-4.46%
TH	Thailand	1.97%	1.86%	-0.10%	3.52%	3.26%	-0.26%							-5.32%
ID	Indonesia	1.72%	1.62%	-0.10%	3.08%	2.84%	-0.23%							-5.69%
PH	Philippines	0.52%	0.45%	-0.07%	0.94%	0.79%	-0.15%							-14.03%
PK	Pakistan	0.29%	0.20%	-0.08%	0.51%	0.35%	-0.16%							-29.27%
<b>EM EMEA</b>				<b>25.60%</b>	<b>25.24%</b>	<b>-0.36%</b>		<b>100.00%</b>	<b>100.00%</b>					<b>-1.41%</b>
ZA	South Africa	9.96%	10.83%	0.88%				38.89%	42.92%	4.03%				8.80%
RU	Russia	5.03%	4.54%	-0.49%				19.66%	18.00%	-1.66%				-9.76%
IL	Israel	3.34%	3.22%	-0.12%				13.05%	12.76%	-0.29%				-3.61%
TR	Turkey	1.84%	1.68%	-0.16%				7.18%	6.65%	-0.53%				-8.74%
PL	Poland	1.73%	1.60%	-0.12%				6.74%	6.36%	-0.38%				-7.03%
HU	Hungary	1.50%	1.35%	-0.15%				5.84%	5.34%	-0.51%				-9.99%
EG	Egypt	0.82%	0.80%	-0.02%				3.21%	3.17%	-0.04%				-2.67%
CZ	Czech Republic	0.80%	0.71%	-0.10%				3.14%	2.80%	-0.33%				-11.89%
JO	Jordan	0.34%	0.34%	0.00%				1.32%	1.35%	0.02%				0.43%
MA	Morocco	0.24%	0.17%	-0.08%				0.95%	0.66%	-0.30%				-32.03%
<b>EM LATIN AMERICA</b>				<b>18.55%</b>	<b>17.74%</b>	<b>-0.81%</b>					<b>100.00%</b>	<b>100.00%</b>		<b>-4.36%</b>
BR	Brazil	9.20%	8.71%	-0.49%							49.63%	49.13%	-0.49%	-5.31%
MX	Mexico	5.99%	5.69%	-0.30%							32.32%	32.08%	-0.23%	-5.05%
CL	Chile	1.93%	1.92%	0.00%							10.39%	10.83%	0.45%	-0.25%
AR	Argentina	0.58%	0.56%	-0.03%							3.14%	3.14%	0.00%	-4.35%
PE	Peru	0.50%	0.43%	-0.07%							2.70%	2.44%	-0.26%	-13.45%
CO	Colombia	0.23%	0.33%	0.10%							1.23%	1.85%	0.61%	43.26%
VE	Venezuela	0.11%	0.09%	-0.02%							0.60%	0.52%	-0.08%	-16.54%

Data as of June 30, 2005.



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# Proforma Comparison & Transition Analysis : Current All Country World Index to Enhanced All Country Market Index

	Current Standard Index	Pro forma Enhanced Standard Index	Wt. in Current Standard Index	Wt. in Pro forma Enhanced Standard Index	Number of securities				Wgt Ave FIF	Index **
	Mkt Cap	Mkt Cap			Current	+ Added	- Deleted	Pro forma		
	USD mm	USD mm							Turnover	
<b>World</b>	20,670,224	21,627,897	94.1%	94.5%	1,820	398	312	1,906	0.87	6.4%
<b>EAFE</b>	8,998,752	9,115,150	41.0%	39.8%	1,145	180	281	1,044	0.79	5.0%
<b>Pacific</b>	2,741,285	2,833,151	12.5%	12.4%	551	105	91	565	0.74	5.7%
<b>Europe</b>	6,257,467	6,281,999	28.5%	27.4%	594	75	190	479	0.82	4.7%
<b>EM</b>	1,291,625	1,269,457	5.9%	5.5%	819	66	303	582	0.52	7.4%
<b>LATAM</b>	239,539	237,314	1.1%	1.0%	119	14	45	88	0.58	7.8%
<b>ASIA</b>	721,474	700,114	3.3%	3.1%	485	34	170	349	0.51	7.4%
<b>EMEA</b>	330,612	332,029	1.5%	1.5%	215	18	88	145	0.49	7.6%
<b>USA</b>	11,000,338	11,793,279	50.1%	51.5%	579	197	19	757	0.94	7.3%
<b>Canada</b>	671,135	719,468	3.1%	3.1%	96	21	12	105	0.84	9.2%
<b>ACWI</b>	21,961,849	22,897,354	100.0%	100.0%	2,639	464	615	2,488	0.84	6.3%

Data as of June 30, 2005. All market capitalization are in USD million



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# Global Investable Market Index Proposal: Emerging Markets - Latin America

- Latin America

## Number of Companies

Segment	Argentina	Brazil	Chile	Colombia	Mexico	Peru	Venezuela	LATAM
Large	-	10	-	-	5	-	-	15
Mid	6	15	19	6	10	6	2	64
Enhanced Standard	6	25	19	6	15	6	2	79
Enhanced Small Cap	7	30	14	2	16	1	-	70
Investable Market Index	13	55	33	8	31	7	2	149

## Mimimum Full Market Cap of Companies

Segment	Argentina	Brazil	Chile	Colombia	Mexico	Peru	Venezuela	LATAM
Large	-	5,000	-	-	10,000	-	-	5,000
Enhanced Standard	500	1,500	1,000	500	1,500	500	500	500
Investable Market Index	100	120	125	100	100	100	100	100

## Cumulative coverage of float market cap

Segment	Argentina	Brazil	Chile	Colombia	Mexico	Peru	Venezuela	LATAM
Large	0.0%	69.4%	0.0%	0.0%	61.9%	0.0%	0.0%	54.1%
Mid	83.0%	17.6%	87.5%	84.8%	28.3%	93.8%	94.7%	34.0%
Enhanced Standard	83.0%	87.0%	87.5%	84.8%	90.1%	93.8%	94.7%	88.1%
Enhanced Small Cap	11.3%	9.5%	9.8%	6.5%	7.6%	3.1%	0.0%	8.7%
Investable Market Index	94.3%	96.5%	97.4%	91.2%	97.7%	96.9%	94.7%	96.8%

Data as of June 30, 2005. All market capitalization are in USD Million

# Global Investable Market Index Proposal: Emerging Markets - Asia

## ■ Asia

### Number of Companies

Segment	China	Indonesia	India	Korea	Malaysia	Philippines	Pakistan	Thailand	Taiwan	ASIA
Large	10	-	10	20	5	-	-	5	20	70
Mid	40	19	55	40	40	10	4	15	55	278
Enhanced Standard	50	19	65	60	45	10	4	20	75	348
Enhanced Small Cap	60	25	125	215	75	7	10	40	305	862
Investable Market Index	110	44	190	275	120	17	14	60	380	1,210

### Mimimum Full Market Cap of Companies

Segment	China	Indonesia	India	Korea	Malaysia	Philippines	Pakistan	Thailand	Taiwan	ASIA
Large	4,150	12,000	5,500	4,500	6,000	5,000	5,000	5,000	4,400	4,150
Enhanced Standard	500	500	500	980	500	500	500	500	905	500
Investable Market Index	143	130	167	102	108	100	100	106	101	100

### Cumulative coverage of float market cap

Segment	China	Indonesia	India	Korea	Malaysia	Philippines	Pakistan	Thailand	Taiwan	ASIA
Large	56.8%	0.0%	42.3%	68.3%	25.4%	0.0%	0.0%	39.0%	51.8%	51.8%
Mid	28.9%	84.4%	38.0%	18.2%	54.8%	82.8%	54.9%	35.8%	24.9%	29.6%
Enhanced Standard	85.6%	84.4%	80.3%	86.5%	80.2%	82.8%	54.9%	74.8%	76.6%	81.4%
Enhanced Small Cap	11.3%	10.6%	9.7%	13.2%	14.2%	10.8%	20.5%	12.3%	22.8%	15.6%
Investable Market Index	96.9%	95.0%	90.0%	99.7%	94.4%	93.6%	75.3%	87.1%	99.4%	97.0%

Data as of June 30, 2005. All market capitalization are in USD Million



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# Global Investable Market Index Proposal: Emerging Markets - EMEA

## ■ EMEA

### Number of Companies

Segment	Czech Republic	Egypt	Hungary	Israel	Jordan	Morocco	Poland	Russia	Turkey	South Africa	EMEA
Large	-	-	-	5	-	-	5	5	5	10	30
Mid	6	6	6	25	5	4	5	6	15	35	113
Enhanced Standard	6	6	6	30	5	4	10	11	20	45	143
Enhanced Small Cap	-	16	2	40	16	3	25	20	30	65	217
Investable Market Index	6	22	8	70	21	7	35	31	50	110	360

### Mimimum Full Market Cap of Companies

Segment	Czech Republic	Egypt	Hungary	Israel	Jordan	Morocco	Poland	Russia	Turkey	South Africa	EMEA
Large	-	-	-	3,500	-	-	4,500	12,965	4,500	6,000	3,500
Enhanced Standard	500	500	500	500	500	500	500	1,500	500	945	500
Investable Market Index	100	100	100	100	100	100	110	150	105	105	100

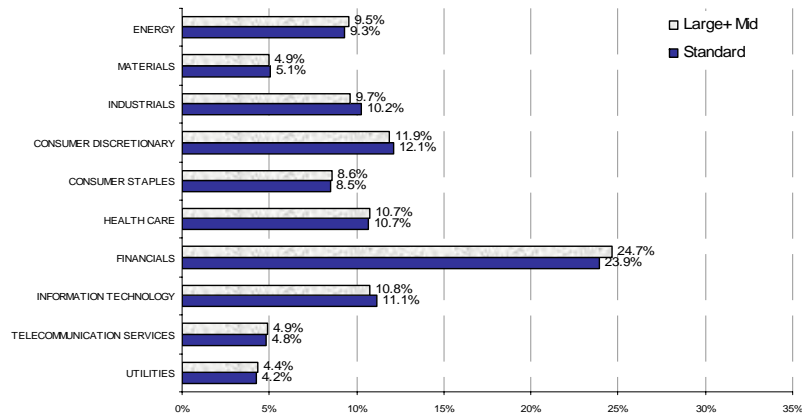
### Cumulative coverage of float market cap

Segment	Czech Republic	Egypt	Hungary	Israel	Jordan	Morocco	Poland	Russia	Turkey	South Africa	EMEA
Large	0.0%	0.0%	0.0%	58.1%	0.0%	0.0%	69.8%	69.9%	39.7%	46.7%	47.2%
Mid	100.0%	78.3%	98.2%	27.3%	51.8%	64.3%	12.5%	19.3%	38.5%	41.1%	39.3%
Enhanced Standard	100.0%	78.3%	98.2%	85.4%	51.8%	64.3%	82.3%	89.2%	78.2%	87.8%	86.5%
Enhanced Small Cap	0.0%	15.9%	0.8%	11.1%	29.4%	8.8%	13.3%	8.0%	9.1%	10.5%	9.8%
Investable Market Index	100.0%	94.1%	99.0%	96.4%	81.2%	73.1%	95.6%	97.2%	87.3%	98.3%	96.3%

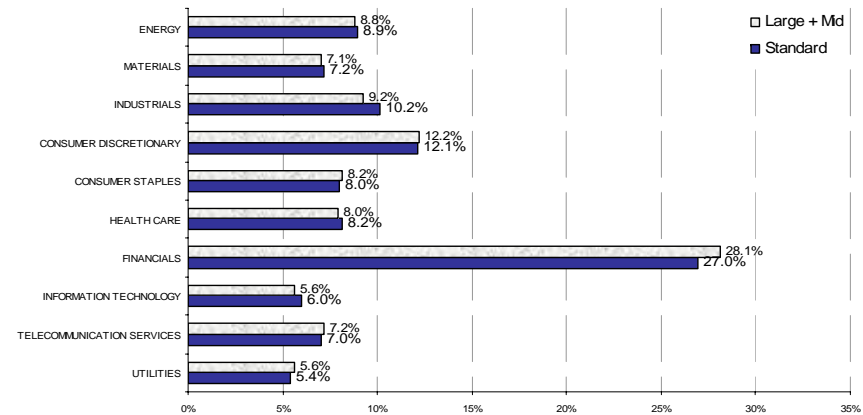
Data as of June 30, 2005. All market capitalization are in USD Million

# Proforma Sector Weight Comparison: Standard vs. Enhanced Standard Index: Developed Markets

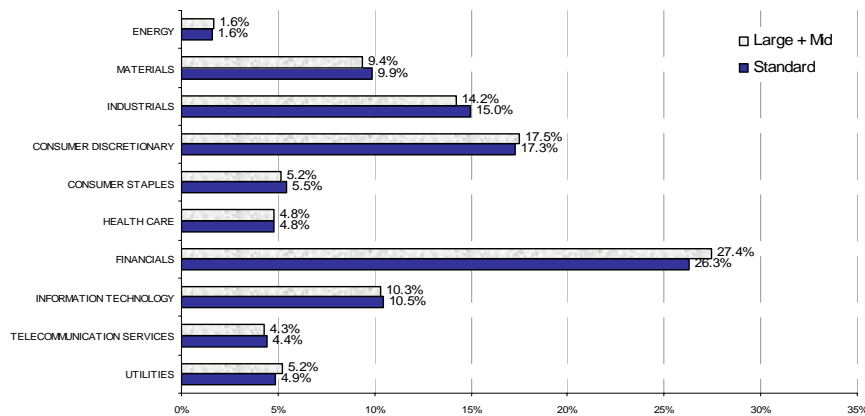
World: Enhanced Standard vs. Current Standard



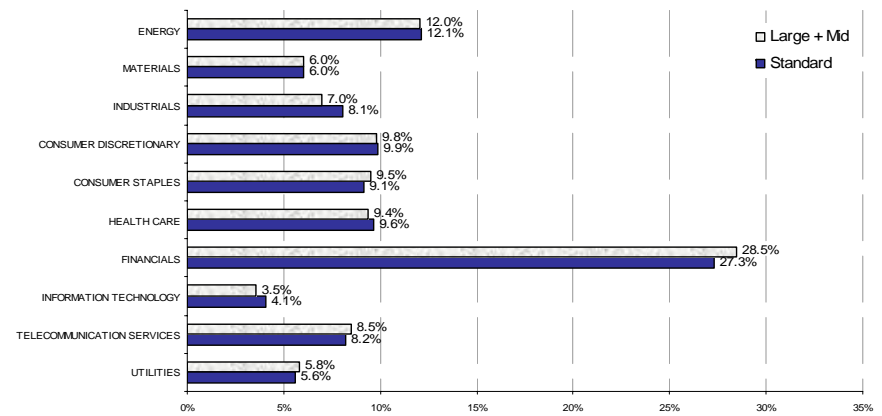
EAFE: Enhanced Standard vs. Current Standard



Pacific: Enhanced Standard vs. Current Standard

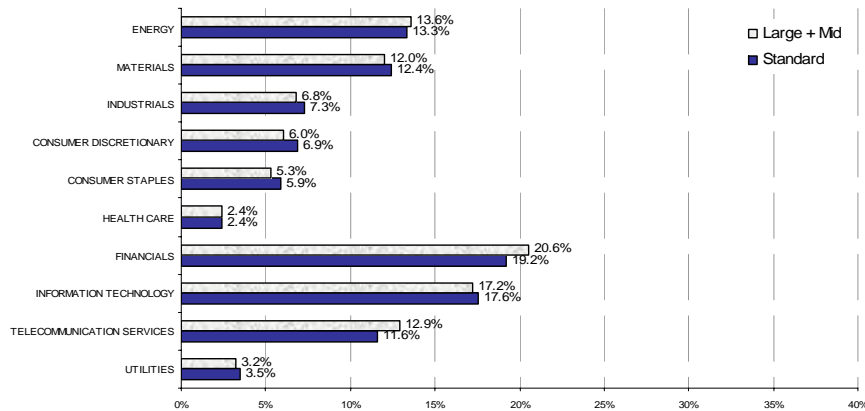


Europe: Enhanced Standard vs. Current Standard

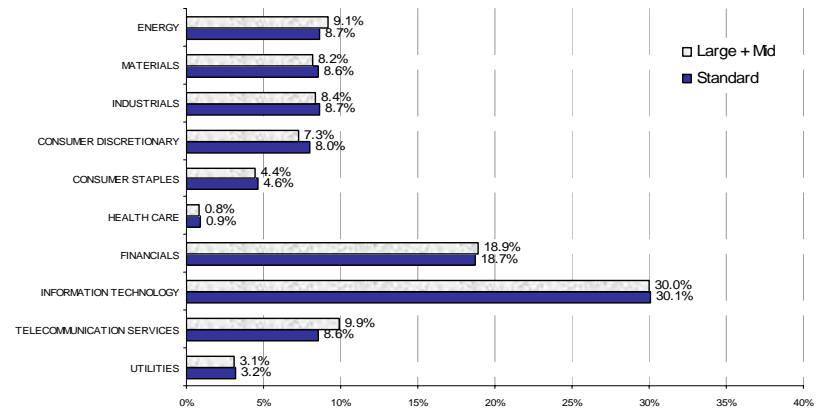


# Proforma Sector Weight Comparison: Standard vs. Enhanced Standard Index: Emerging Markets

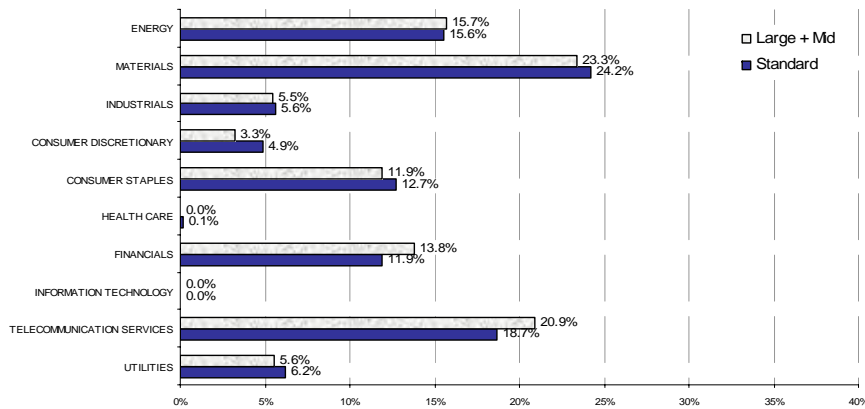
EM: Enhanced Standard vs. Current Standard



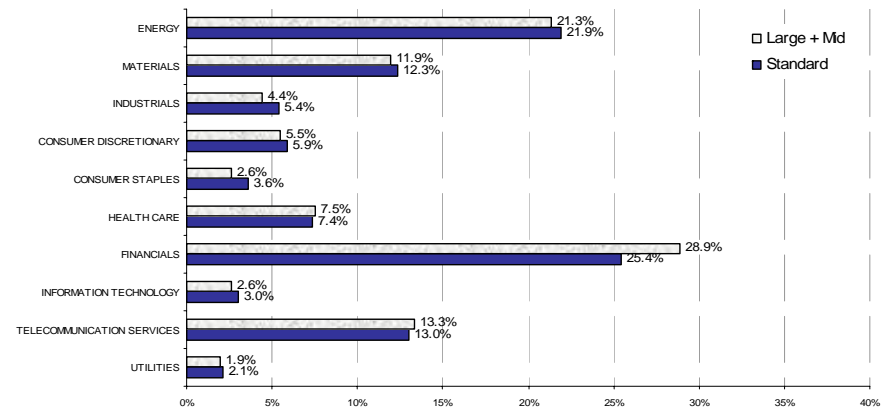
ASIA: Enhanced Standard vs. Current Standard



LATAM: Enhanced Standard vs. Current Standard

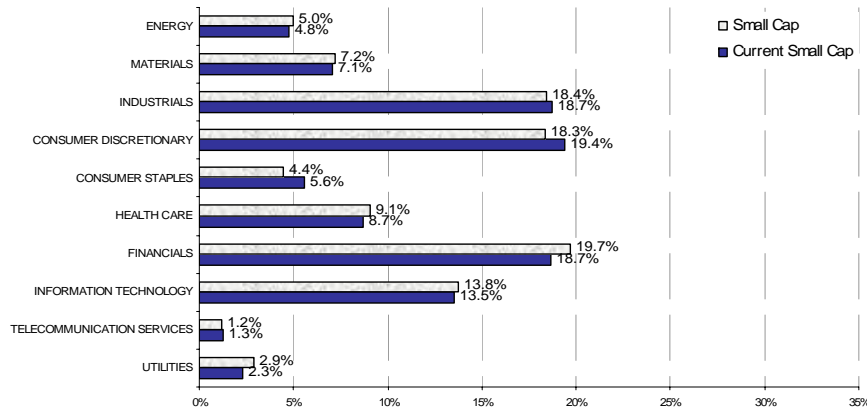


EMEA: Enhanced Standard vs. Current Standard

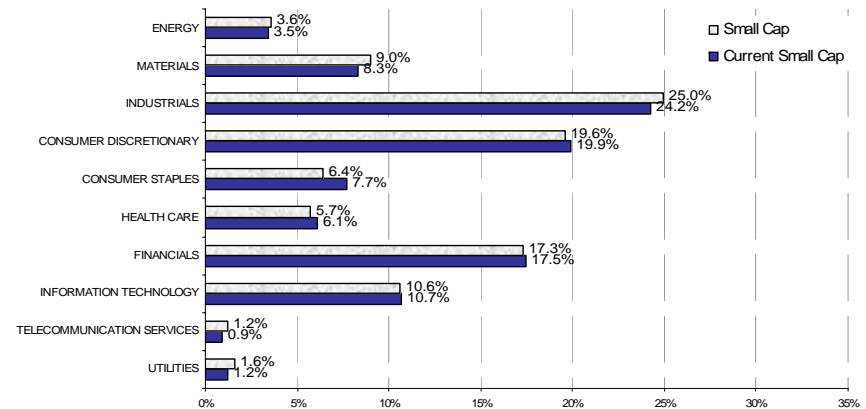


# Proforma Sector Weight Comparison: Small Cap vs. Enhanced Small Cap Index: Developed Markets

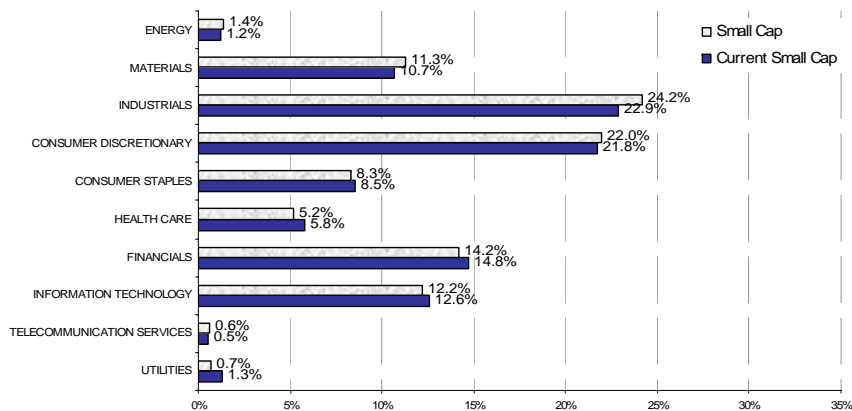
World: Enhanced Small Cap vs. Current Small Cap



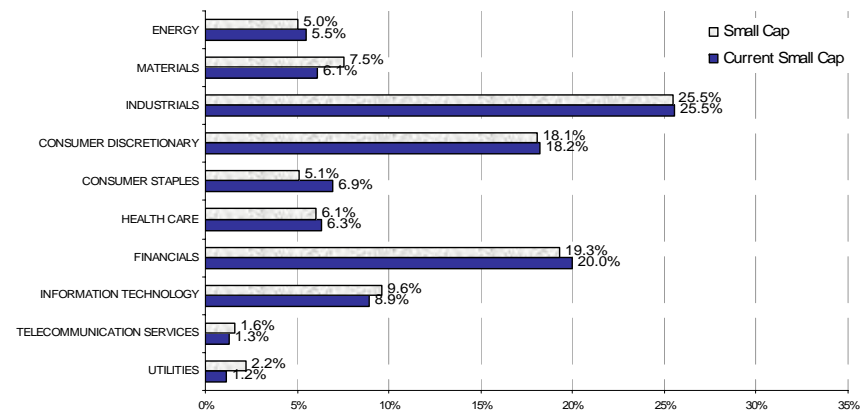
EAFE: Enhanced Small Cap vs. Current Small Cap



Pacific: Enhanced Small Cap vs. Current Small Cap



Europe: Enhanced Small Cap vs. Current Small Cap



# Trade-Off between Coverage & Investability

- One way to achieve deep coverage is to include all securities in the chosen universe
  - However, practical considerations require the use of some investability constraints in order to target only securities that can be included in reasonably-sized institutional portfolios
  - Furthermore, the small additional market coverage achieved by going deeper into a market comes at the cost of a significantly higher number of small-sized companies being included in the index

Total Developed Market Equity Universe: Number of companies and minimum issuer market capitalization at various coverage levels

	Australia	Hong Kong	Singapore	New Zealand	Japan	United Kingdom	Europe ex UK	Canada	US	Total DM	% increase in number of companies for 1% increase in coverage
	Nb. Of Companies	Nb. Of Companies	Nb. Of Companies	Nb. Of Companies	Nb. Of Companies	Nb. Of Companies	Nb. Of Companies	Nb. Of Companies	Nb. Of Companies	Nb. Of Companies	
<b>96%</b>	235	286	203	63	1,765	364	884	222	1,868	5,890	
<b>97%</b>	287	338	241	71	1,995	436	1,022	255	2,126	6,771	15.0%
<b>98%</b>	362	408	293	81	2,301	548	1,220	306	2,479	7,998	18.1%
<b>99%</b>	512	516	372	95	2,757	747	1,574	389	3,040	10,002	25.1%
<b>100%</b>	1,197	838	572	143	3,770	1,754	3,403	719	4,982	17,378	73.7%
	Min. Size	Min. Size	Min. Size	Min. Size	Min. Size	Min. Size	Min. Size	Min. Size	Min. Size	Min. Size	
<b>96%</b>	174	94	60	62	179	462	562	356	666	60	
<b>97%</b>	116	73	46	47	141	308	410	264	501	46	
<b>98%</b>	72	51	31	34	100	191	264	161	349	31	
<b>99%</b>	31	31	19	20	62	96	128	91	195	19	
<b>100%</b>	0.3	0.8	1.6	0.4	1.7	0.1	0.1	0.4	1.1	0.1	

Data as of June 30, 2005. All market capitalization are in USD Million

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