

# MSCI<sup>®</sup> press release

## HEDGE FUND INDICES

### MSCI Hedge Fund Indices Performance – July 2003

New York, August 22, 2003 MSCI announced today its July 2003 performance figures for the MSCI Hedge Fund Indices<sup>SM</sup>. Below is a summary of performance data for selected indices.

#### MSCI HEDGE FUND INDICES

	Jul-03	YTD	1 Year	2002	3 Year Ann. Ret.	3 yr Std Dev.	3 yr Sharpe
<b>MSCI Hedge Fund Composite Index - Equal Weighted<sup>SM</sup></b>	<b>0.28%</b>	<b>8.25%</b>	<b>11.39%</b>	<b>4.73%</b>	<b>8.00%</b>	<b>3.90%</b>	<b>1.31</b>
<b>MSCI Hedge Fund Composite Index - Asset Weighted<sup>SM</sup></b>	<b>0.06%</b>	<b>7.70%</b>	<b>11.77%</b>	<b>5.51%</b>	<b>7.59%</b>	<b>3.52%</b>	<b>1.33</b>
<b>Process Groups</b>							
MSCI Directional Trading Index <sup>SM</sup>	-1.58%	6.82%	13.08%	13.38%	13.60%	8.97%	1.19
MSCI Relative Value Index <sup>SM</sup>	-0.53%	4.75%	9.05%	8.28%	7.62%	1.90%	2.49
MSCI Security Selection Index <sup>SM</sup>	1.41%	9.76%	10.97%	-0.17%	5.38%	6.38%	0.39
MSCI Specialist Credit Index <sup>SM</sup>	0.90%	12.55%	15.33%	4.60%	10.47%	4.24%	1.79
MSCI Multi-Process Group Index <sup>SM</sup>	0.65%	10.45%	13.52%	3.16%	8.79%	4.56%	1.29
<b>Asset Class</b>							
MSCI Hedge Fund Equity Index <sup>SM</sup>	0.90%	8.00%	9.73%	1.16%	5.37%	5.07%	0.49
MSCI Hedge Fund Fixed Income Index <sup>SM</sup>	0.10%	10.53%	13.68%	7.90%	11.70%	2.58%	3.41
MSCI Hedge Fund Diversified Index <sup>SM</sup>	-0.63%	7.35%	12.36%	11.09%	12.75%	6.68%	1.47
<b>Geography</b>							
MSCI Hedge Fund Developed Markets Index <sup>SM</sup>	0.14%	7.87%	11.22%	4.70%	7.95%	3.86%	1.31
MSCI Hedge Fund Emerging Markets Index <sup>SM</sup>	1.65%	12.53%	14.94%	5.88%	7.83%	7.61%	0.65
MSCI Hedge Fund Global Markets Index <sup>SM</sup>	0.92%	9.52%	10.99%	4.33%	8.70%	4.02%	1.44
MSCI Hedge Fund Europe Index <sup>SM</sup>	-0.57%	7.18%	11.46%	9.60%	6.46%	5.90%	0.60
MSCI Hedge Fund North America Index <sup>SM</sup>	0.96%	8.74%	10.87%	-0.15%	6.13%	5.18%	0.62
MSCI Hedge Fund Japan Index <sup>SM</sup>	1.19%	7.15%	7.11%	9.58%	6.14%	5.02%	0.65
<b>Domicile</b>							
MSCI Offshore Hedge Fund Composite Index <sup>SM</sup>	-0.04%	7.57%	10.92%	6.47%	7.82%	3.33%	1.48
MSCI Onshore Hedge Fund Composite Index <sup>SM</sup>	0.70%	8.61%	11.36%	1.46%	7.11%	4.86%	0.87

#### MSCI EQUITY AND FIXED INCOME INDICES

MSCI World Equity Index <sup>SM</sup>	1.92%	12.06%	6.89%	-21.06%	-12.77%	17.38%	N/A
MSCI World Sovereign Debt Index <sup>SM</sup>	-2.97%	4.01%	12.04%	19.59%	8.27%	7.31%	N/A

Data as of July 31, 2003. All hedge fund indices listed above are equal weighted and are expressed in US dollars unless noted otherwise.

The MSCI Hedge Fund Composite Index<sup>SM</sup>, an equal weighted index, posted a 0.28% return for the month of July underperforming the MSCI World Equity Index<sup>SM</sup> which gained 1.92% and outperforming the MSCI World Sovereign Debt Index<sup>SM</sup> which lost -2.97%. The MSCI Hedge Fund Database has grown to over 1,550 hedge funds. More than 99% of funds reported performance as of July's index calculation.

With equity markets rising, it is not surprising that Security Selection funds were the best performer in July with a gain of 1.41% bringing its year to date return to 9.76%. Long Bias was the best performing investment process within Security Selection posting a 2.28% in contrast with Short Bias which was down -2.57%. By market cap focus, Security Selection Small Cap funds gained 3.84% outperforming Security Selection Mid and Large Cap funds which returned 0.62%. This is consistent with the performance of the relevant U.S. equity market indices. The MSCI U.S. Small Cap 1750 Index rose 5.42% in July while the MSCI U.S. Prime Market 750 Index, comprised of mid-to-large cap stocks, rose 1.84%. The overall MSCI U.S. Investable Market 2500 Index gained 2.20% in July.

Consistent with June, Directional Trading was the worst performer in July at -1.58% compared with June's -1.56% loss. Systematic Trading, again, had the greatest impact with a -2.44% return in July. On a year to date basis, Directional Trading is up 6.82% while Systematic Trading has gained 6.06%. Directional Traders comprise more than 50% of the MSCI Hedge Fund Diversified Index<sup>SM</sup>, an asset class index, largely contributing to its -0.63% July performance. Directional Traders have the highest three year standard deviation at 8.97%. Relative Value funds have continued to perform consistently with a low three year standard deviation of 1.90%, lower than any other process group. The MSCI Relative Value Index<sup>SM</sup> lost -0.53% in July bringing its year to date return to 4.75%. Although Arbitrage was the best performer over the past year within Relative Value with a 11.02% return, it is down for the month losing -0.61%.

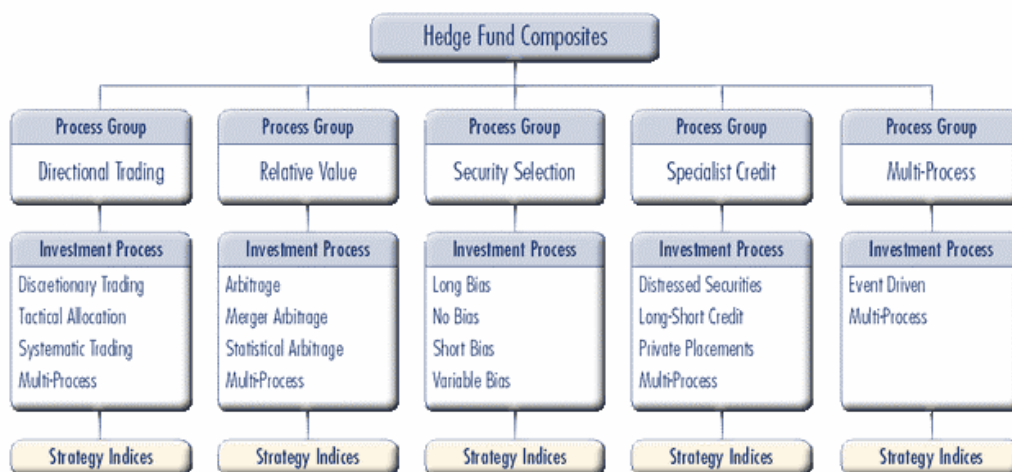
This month, Specialist Credit returned 0.90%, bringing its year to date performance to 12.55%. Consistent with the MSCI Specialist Credit Index<sup>SM</sup>, which are funds that invest primarily in fixed income, the MSCI Hedge Fund Fixed Income Index<sup>SM</sup> returned 0.10% in July bringing its year to date return to 10.53%. In contrast, the MSCI Sovereign Debt Index declined by -2.97%. The MSCI Global High Yield Corporate Index fell -0.59% in July while the MSCI U.S. Treasury Index fell -4.46%.

By geography, funds focusing on Europe fell -0.57% in July on a U.S. Dollar basis, but in Euros, the return was 1.45%. Hedge funds focused on North American markets gained 0.96%. Japanese focused hedge funds outperformed on a U.S. Dollar basis gaining 1.19%, and on a Yen basis, the return was 1.59%. The MSCI Hedge Fund Emerging Market Index<sup>SM</sup> gained 1.65% outperforming the MSCI Hedge Fund Developed Market Index<sup>SM</sup>, which gained 0.14%. This is consistent with the performance of equities globally as the MSCI Emerging Markets Free Index<sup>SM</sup> gained 5.99% while the MSCI World Equity Index returned 1.92%.

The MSCI Hedge Fund Indices are composed of more than 160 indices. More than 1,700 hedge funds have agreed to participate in the database and there are over 1,550 hedge funds currently in the MSCI Hedge Fund Indices and Database.

MSCI defines Directional Trading strategies as those based upon speculating on the direction of market prices of currencies, commodities, equities, and bonds in the futures and cash markets. Relative Value strategies focus on spread relationships between pricing components of financial assets or commodities. Security Selection managers combine long positions and short sales with the aim of benefiting from their ability in selecting investments while offsetting systematic market risks. Specialist Credit funds seek to lend to credit-sensitive issuers. The Multi-Process group comprises funds which practice a strategy whereby a single investment process does not account for more than 80% of their risk capital.

**MSCI Hedge Fund Indices – Index Structure**



**For further information on MSCI indices or MSCI data, visit our web site at [www.msci.com](http://www.msci.com) or contact:**

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