

# MSCI<sup>®</sup> press release

## HEDGE FUND INDICES

### MSCI Hedge Fund Indices – September 2004 - Early Reporting Funds

New York, October 13, 2004. MSCI announced performance figures for early reporting funds in the MSCI Hedge Fund Composite<sup>SM</sup> and Process Group Indices<sup>SM</sup>. The performance figures for September are based on the returns of funds that have reported through October 12<sup>th</sup>, 2004. The performance figures may change significantly as returns from additional funds are received. Below is a summary of performance data for selected indices.

	Early Reports		YTD	Annual	3 yr.	%
MSCI Hedge Fund Indices <sup>SM</sup>	Sep-04	Aug-04	Sep-04	2003	Sharpe	Reporting
MSCI Hedge Fund Composite Index <sup>SM</sup>	1.2%	-0.1%	1.9%	14.7%	1.85	63%
<b>Process Groups</b>						
MSCI Directional Trading Index <sup>SM</sup>	1.5%	-0.9%	-2.8%	10.9%	0.64	70%
MSCI Relative Value Index <sup>SM</sup>	-0.1%	0.1%	1.5%	6.3%	2.58	65%
MSCI Security Selection Index <sup>SM</sup>	1.7%	-0.1%	2.5%	19.0%	1.21	60%
MSCI Specialist Credit Index <sup>SM</sup>	1.0%	0.7%	7.5%	24.2%	3.08	62%
MSCI Multi-Process Group Index <sup>SM</sup>	1.4%	0.3%	5.1%	19.3%	1.96	59%
<b>Other Reference Indices</b>						
MSCI World Equity Index <sup>SM</sup>	1.9%	0.4%	2.5%	33.1%	0.29	N/A
MSCI World Sovereign Debt Index <sup>SM</sup>	1.4%	2.4%	1.6%	15.0%	1.16	N/A

All hedge fund indices listed above are equal weighted and are expressed in US dollars.  
The MSCI World Equity Index<sup>SM</sup> is measured with dividends reinvested.

For the month of September, the early reporting funds in the MSCI Hedge Fund Composite Index, an equal weighted index, returned 1.2% with 63% of funds reporting.

The MSCI World Equity Index<sup>SM</sup> went up by 1.9% in September while the MSCI World Sovereign Debt Index<sup>SM</sup> posted a large gain of 1.4%. The performance of the MSCI Hedge Fund Composite Index is comprised of five Process Group Indices, the MSCI Directional Trading, Relative Value, Security Selection, Specialist Credit and Multi-Process Indices<sup>SM</sup>.

These Process Group Indices are further subdivided into Investment Process Indices<sup>SM</sup>.

Below is a brief description of the performance of select MSCI Hedge Fund Indices:

The **MSCI Directional Trading Index<sup>SM</sup>** increased by 1.5% for the month of September based on 70% of funds reporting. 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.

The **MSCI Relative Value Index<sup>SM</sup>** decreased by 0.1% in September based on 65% of funds reporting. Relative Value strategies focus on spread relationships between pricing components of financial assets or commodities.

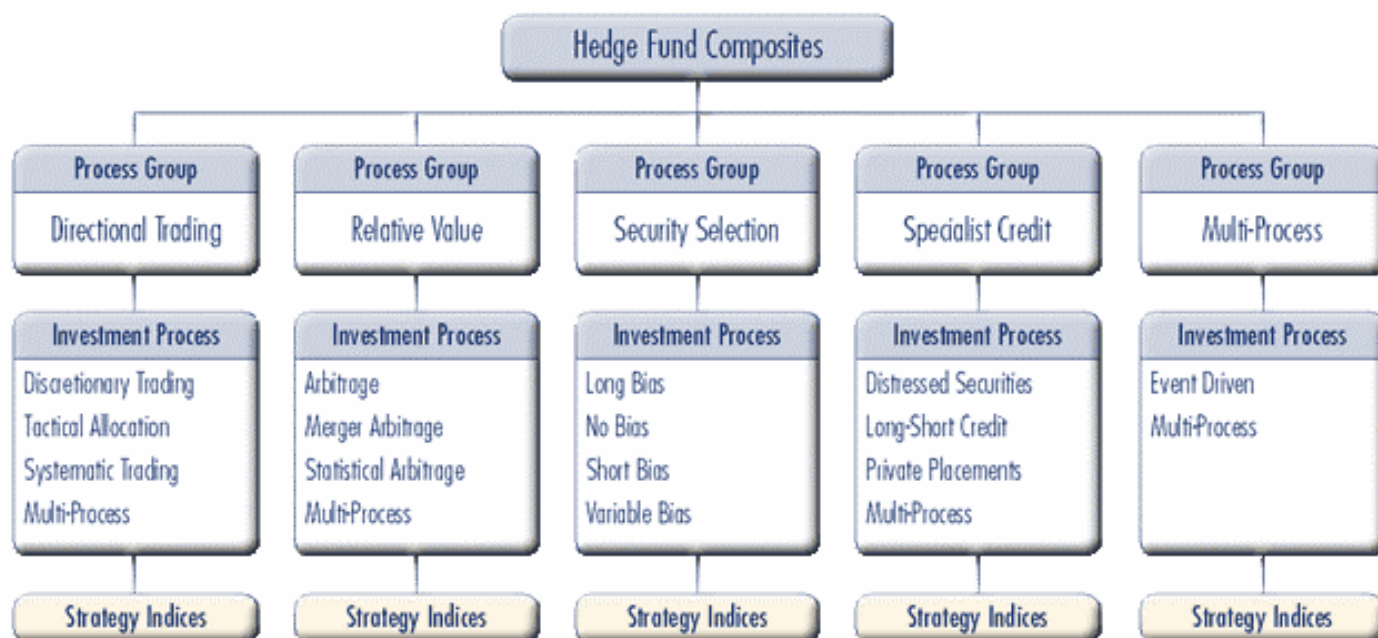
The **MSCI Security Selection Index<sup>SM</sup>** increased by 1.7% in September based on 60% of funds reporting. Security Selection managers combine long positions and short sales with the aim of benefiting from their ability in selecting investments while offsetting systematic market risks.

The **MSCI Specialist Credit Index<sup>SM</sup>** increased by 1.0% in September based on 62% of funds reporting. Specialist Credit funds seek to lend to credit-sensitive issuers.

The **MSCI Multi-Process Group Index<sup>SM</sup>** increased by 1.4% in September based on 59% of funds reporting. 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.

The MSCI Hedge Fund Database has grown to over 1,800 hedge funds. The MSCI Hedge Fund Indices are composed of more than 190 indices representing more than \$240 billion in assets.

### MSCI Hedge Fund Indices – Index Structure



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

Amy Davidson, MSCI, New York	+ 1 212 762 5790
Guillermo Bénédict, MSCI, London	+ 44 20 7425 6660
Jammy Chan, MSCI, Hong Kong	+ 852 2848 6740
Olivia Vong, MSCI, Tokyo	+ 813 5424 5470
Daniel Guthrie/Beany McLean, Luther Pendragon, London	+ 44 20 7618 9100
Ed Rowley/Patrick Linehan, Abernathy MacGregor, New York	+ 1 212 371 5999

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In June 2004, Morgan Stanley acquired Barra, a global leader in risk management technology for investment professionals. Barra's operations will be combined with MSCI to form MSCI Barra.