

Global Capital Markets Yearbook 2007

Review of Risk and Return
Across Asset Classes



January 2008

Dear Client,

We wish you a happy and prosperous new year and are pleased to provide you with the MSCI Barra Yearbook for 2007. We hope you find it useful for the analysis of market risks and investment performance in the past year.

This year, we have decided to focus on understanding the performance, risk, and correlations of the various asset classes globally, viewed through the lens of our flagship multi-asset class risk model, the Barra Integrated Model (BIM). BIM provides detailed and in-depth coverage for 56 markets around the world including developed and emerging market countries spanning five asset classes: Equities, Fixed Income, Commodities, Currencies, and Hedge Funds.

Due to popular demand, we are also continuing our update on the cross sectional volatility of equity returns applied to our equity indices. Last year's study was the first time we decomposed the indices along the BIM factors to help us gauge the importance of global and local factors as sources of risk and return and their changing dynamics over time and across markets.

This year heralded the launch of our enhanced international equity indices the MSCI Global Investable Market Indices family—which provides deeper coverage and size segmentation of the international equity markets. These enhancements, while retaining many of the attractive features of our existing indices, facilitate the construction of international equity portfolios at various levels of market capitalization. Using the enhanced international equity indices, we provide an analysis of the performance, risk, and weightings of the global equity markets and their sector, size, and style indices. The review of the China A, REIT, High Dividend Yield, GCC (Gulf Cooperation Council) Countries, and the recently launched Islamic, and Frontier Markets Indices follows our analysis of the international equity indices.

The book concludes with a detailed look at the performance of the hedge funds segment as covered by the MSCI Hedge Fund Indices.

Once again, we hope this publication is a useful reference for understanding the investment trends of 2007 and the various correlations at work in the context of your portfolios.

Sincerely,

A handwritten signature in black ink, appearing to read 'Remy Briand', with a stylized flourish at the end.

Remy Briand
Managing Director,
Global Head of Index and Applied Research

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Multi-Asset-Class Review

Account Name	Balance	Change	Total
Equity	10,000.00	1,000.00	11,000.00
Fixed Income	20,000.00	2,000.00	22,000.00
Real Estate	30,000.00	3,000.00	33,000.00
Commodities	40,000.00	4,000.00	44,000.00
Private Equity	50,000.00	5,000.00	55,000.00
Art Collection	60,000.00	6,000.00	66,000.00
Collectibles	70,000.00	7,000.00	77,000.00
Other Assets	80,000.00	8,000.00	88,000.00
Total	330,000.00	33,000.00	363,000.00

Multi-Asset Class Review

In this section, we review the major sources of return and risk of the global capital market this past year. Based on the Barra Integrated Model, we focus on the factor returns and risks across various asset classes and examine how these factors and risks have evolved over time.

Introduction

Assessing the performance characteristics of the various asset classes available to investors today is a critical part of all institutional investors' asset allocation process. One challenge is that investors need to be able to measure the risk and return of different asset types in a consistent framework. Another challenge is that investors need to be able to understand the sources of return and risk for these various asset classes and decompose them along meaningful lines that hopefully will help them make better decisions in the future. Thus, a multi-asset class factor model is a powerful tool for understanding the risk and return components for different asset segments. Not only is it consistent since the model must ensure that all assets are treated in a coherent and systematic way, but it can also be illuminating since as part of the model's construction, more granular components of return are identified. In this section, we review the performance in 2007 of five distinct asset classes around the world using the Barra multi-asset class global factor model.

I Overview of the Barra Integrated Model (BIM)

- BIM is a multi-asset class risk model covering equities, bonds, commodities, hedge funds and currencies, and presents a comprehensive and consistent framework for analyzing cross-asset trends.

- The Barra Integrated Model¹ (BIM) is MSCI Barra's flagship multi-factor model designed to analyze returns and risks of global and cross-asset class portfolios.
- We analyze five distinct asset classes within BIM: Equities, Fixed Income, Currencies, Commodities, and Hedge Funds.

We use the in-depth granular and yet global structure of the model to analyze the performance and characteristics of the five different asset classes. Within BIM there are over 220 global factors, covering equities, fixed income, commodities, currencies and hedge funds.

BIM builds on Barra local (single-country) models which attribute the explainable portion of an asset's return to the common factors at work in each market. For example, typical factors include size, momentum, value and industries for equities and term structures and credit spreads for bonds. These *local factors* may differ significantly from market to market².

How assets within individual country markets are linked at the global level presents a special challenge. For example, consider equities that are part of US banking. The US banking industry is influenced by the performance of the US market and by the global banking industry. However, these two global factors only *partly* explain US banking industry returns. The part that cannot be explained does not move in lockstep with the US market and global financial sector. The impact of governmental regulation, the state of domestic economies and interest rates, and local investor behavior can all contribute to shaping this component. We call it the "purely local return" component.

¹ For a comprehensive presentation of the Barra Integrated Model and applications, see the "Barra Integrated Model V206", Dan Stefek et al. 2006, MSCI Barra Research Insights and Anton Puchkov, Dan Stefek and Mark Davis, "Sources of Return in Global Investing," Journal of Portfolio Management, Volume 31, No. 2, Winter 2005, pp 12-21.

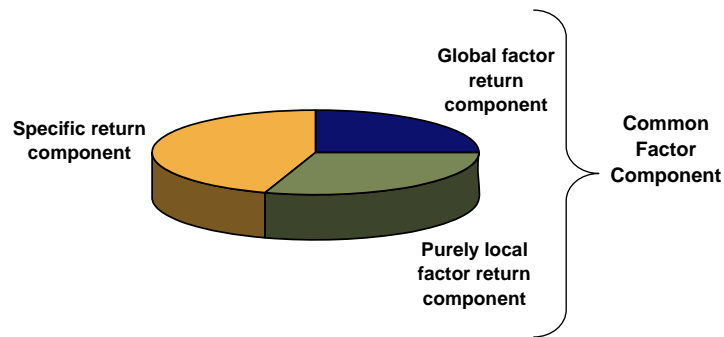
² These factors may differ in number, character and behavior across markets. For example, the US equity market is characterized by 13 style factors and 55 industries with significant concentration in technology, finance and health care. In contrast, the Australian equity market can be captured with fewer factors and has more exposure to basic materials. The bond models are more uniform in structure, each incorporating three factors to account for interest rate (term structure) movements, and one or more credit spread factors.

Multi-Asset Class Review

I Overview of the Barra Integrated Model (continued)

Asset Returns in the Barra Integrated Model

- Asset returns can be decomposed along different dimensions, first into systematic versus specific (or idiosyncratic) return.
- The systematic part of returns can then be further split into a global component versus a purely local component.



This separation of the factor component into a global one and purely local one is a key distinction of BIM. It recognizes that factors in any one market are only partly exposed to global factors.

Global equity factors include the following: (1) a world factor, (2) country factors, (3) global industry factors, and (4) global style factors – size, momentum, value, volatility. The world factor captures the global market return, while the industry and country factors reflect the return to global industry and country influences net of the world and other factors.

Global fixed income factors include the following: (1) term structure factors, (2) swap spreads, (3) credit spreads and (4) additional factors such as inflation-protected term structure and Muni term structure factors. In total, we identify 56 term structure factors related to 28 markets to explain global sources of term structure risks, 21 global swap spread factors over sovereign curves to explain global swap spread risk and 8 global credit spread factors to account for global sources of credit risks.

Global currency factors cover 39 currencies spanning developed and emerging markets. Currency factor returns are comprised of two components: the exchange rate appreciation or depreciation against the US dollar, and the risk-free interest rate differential with the US. Thus, currency factor returns capture more than simple exchange rate fluctuations. For instance, if the Australian dollar depreciates against the US dollar, its exchange rate component is negative. In this case, the Australian currency factor return could still however be positive if the Australian interest rate is sufficiently high relative to the US interest rate.

There are five global commodity factors based on the main S&P GSCI Indices, which measure the returns accrued from investing in fully-collateralized nearby commodity futures. The five global commodity factors are simply the five aggregated total return indices, which cover energy, agriculture, industrial metals, precious metals and livestock.

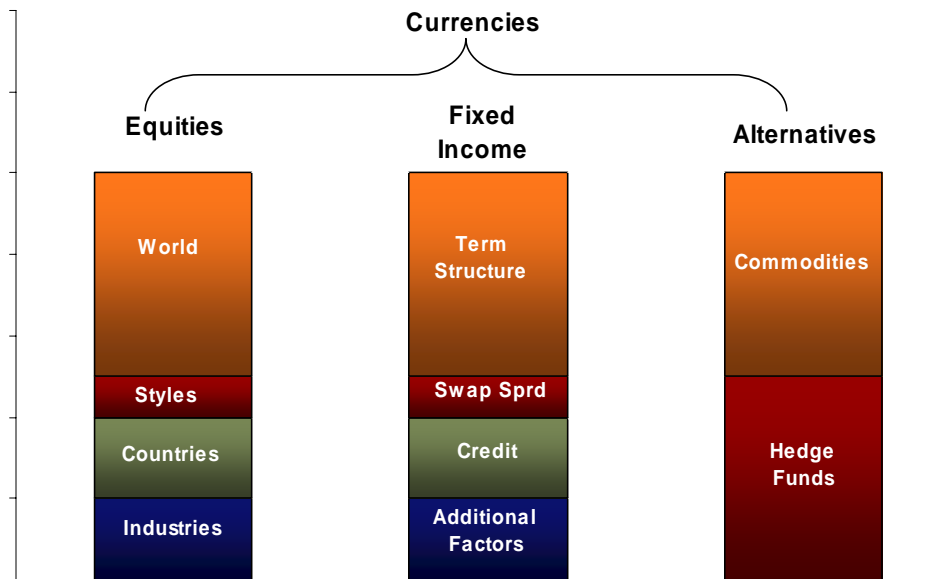
Finally, BIM includes three additional global hedge fund factors which capture the risk associated with particular strategy types. These factors are designed to capture the systematic portions of hedge fund risk not explained by traditional factors. These alternative risks can arise from a fund's strategy, illiquid investments, or nonlinear return behavior.

Multi-Asset Class Review

I Overview of the Barra Integrated Model (continued)

Asset Classes and Broad Factor Categories in BIM

- The cross-asset factors in BIM (2,000-plus local factors and 220 global factors) cover assets around the world in 56 markets.
- The performance of these factors reflects the performance of assets exposed to those factors, and thus can be a powerful tool for portfolio analysis.



It is important to point out that because all global factor returns are derived simultaneously in a cross-sectional regression, each of them represents variations that are clear of the influences of other factors. For instance the global size factor for the equity universe captures the relative performance of large cap relative to small cap stocks after removing the effects of other factors such as country and industry factors. This size factor would therefore not be directly comparable to simply taking the difference in returns between a large cap and small cap index. Likewise, the global industry indices are not equivalent to the corresponding sector indices in the MSCI All Country Indices, but are pure industry returns after filtering out the effects of style, country and other factors.

In the following pages, we will review the highlights of each of the five asset classes covered by BIM, focusing on the performance of these asset types in 2007, including which were the best and worst segments, as well as the correlation between these segments. The global factors in BIM reflect the performance of these different segments—from emerging market equities to developed market swap spreads to global hedge fund strategies. Our analysis therefore centers on the global factors that capture the returns to these different asset classes.

Multi-Asset Class Review

II A Summary of Global Cross-Asset Class Performance

The Barra Integrated Model includes 220 global factors spanning over 2,000 common local factors. These local factors capture all commonalities that exist among assets within each market-asset category. For instance, the UK Media factor reflects commonalities among UK media stocks while the US GNMA 30-year spread factor reflects the commonalities between US mortgage issues of a similar duration relative to US Treasuries. The 220 global factors, meanwhile, capture the linkages between these local factors both across markets *and* across asset classes. Through the global factors, we can, for example, tie the return and risk of US fixed income securities to UK equity securities.

Focusing just on the global factors, the following chart gives a snapshot of the performance of the five asset classes in 2007.

Snapshot of Asset Classes in 2007

	Equities	Fixed Income	Commodities	Hedge Fund Factors	Currencies
Average Annualized Return	19%	-0.9%	198%	116%	9.8%
Best Performing	Zimbabwe Country Factor	AUD Credit Agency A Spread Factor	Energy	Global Macro	Venezuelan Bolivar
Worst Performing	Venezuela Country Factor	ZAR Inflation-Protected Shift Factor	Livestock	Nonlinear FR3000 Factor	Indonesian Rupiah

Note: Equity returns calculated here are the returns to individual global country and industry factors plus the world equity factor. This adjustment makes the factors more consistent with index returns for ease of interpretation. Currency Returns are calculated from a USD perspective

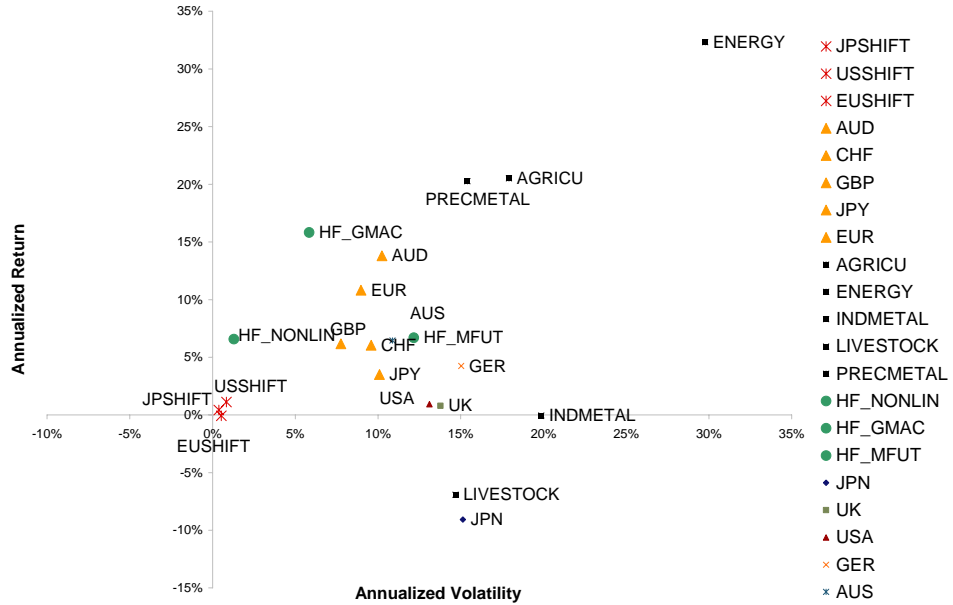
The next two figures show the return and forecast annualized volatility (as of December 2007) for select global factors.

Multi-Asset Class Review

II A Summary of Global Cross-Asset Class Performance (continued)

Return versus Volatility for Select Global Factors, 2007

- Commodities experienced the highest returns and largest volatilities in 2007 followed by hedge funds and currencies.

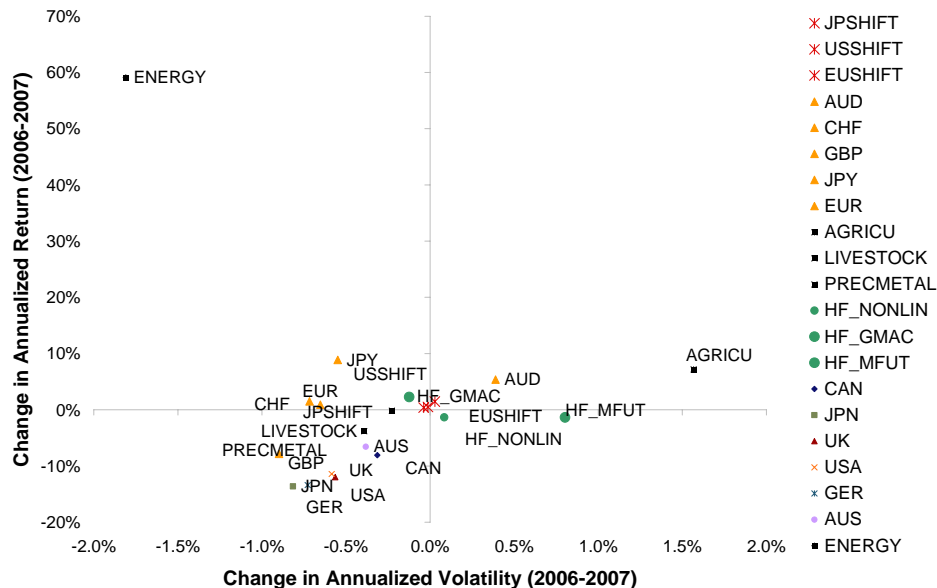


Multi-Asset Class Review

II A Summary of Global Cross-Asset Class Performance (continued)

Change in Return versus Change in Volatility for Select Global Factors, 2006 to 2007

- Compared to 2006, gains were limited across most asset segments with the exception of the Energy Commodities factor.



Note: JPN = Japan country factor, UK = UK country factor, USA = US country factor, GER = Germany country factor, AUS = Australia country factor, JPSHIFT = Japan sovereign shift, USSHIFT = US sovereign shift, EUSHIFT = EU sovereign shift, AUD = Australian dollar factor, CHF = Swiss franc factor, GBP = British pound factor, JPY = Japanese yen factor, EUR = euro factor, AGRICU = agriculture commodity factor, ENERGY = energy commodity factor, INDMETAL = industrial metals commodity factor, LIVESTOCK = livestock commodity factor, PRECMETAL = precious metals commodity factor, HF_NONLIN = Nonlinear Frank Russell 3000 factor, HF_GMAC = pure global macro factor, HF_MFUT = pure managed futures factor.

Among the five asset classes, commodities and hedge funds in aggregate experienced the strongest gains in 2007. These gains were focused in Energy and Agriculture (in the former category), and Global Macro funds (in the latter category). Not all commodities segments performed well however. Industrial metals were flat while Livestock prices fell in aggregate. Meanwhile, the three hedge fund factors showed solid gains, particularly the Pure Global Macro Hedge Fund factor. On a risk-adjusted basis, other hedge fund segments such as the hedge fund segments captured by the Managed Futures factor, did not fare as well. Some country equity pools—for example, the UK and Switzerland—experienced solid gains even as volatility continues to remain low.

In addition, currency factors also performed well reflecting in part continued appreciation of major currencies against the US dollar. Of the major currencies, the Japanese Yen and Australian dollar posted the largest absolute gains.

Lastly, fixed income assets held steady in 2007 as measured by the fixed income factors. Interest rates rose slightly in the US and Europe which is mirrored in the positive gains to the shift factors shown above (shift factors describe parallel movements in the term structure.)

Those factors which saw large gains in 2007 also have experienced higher volatilities. Thus from a risk-adjusted viewpoint, these gains were not without a tradeoff. Next, we look at the correlations across asset classes to gauge the potential diversification opportunities, an important objective for any asset allocation.

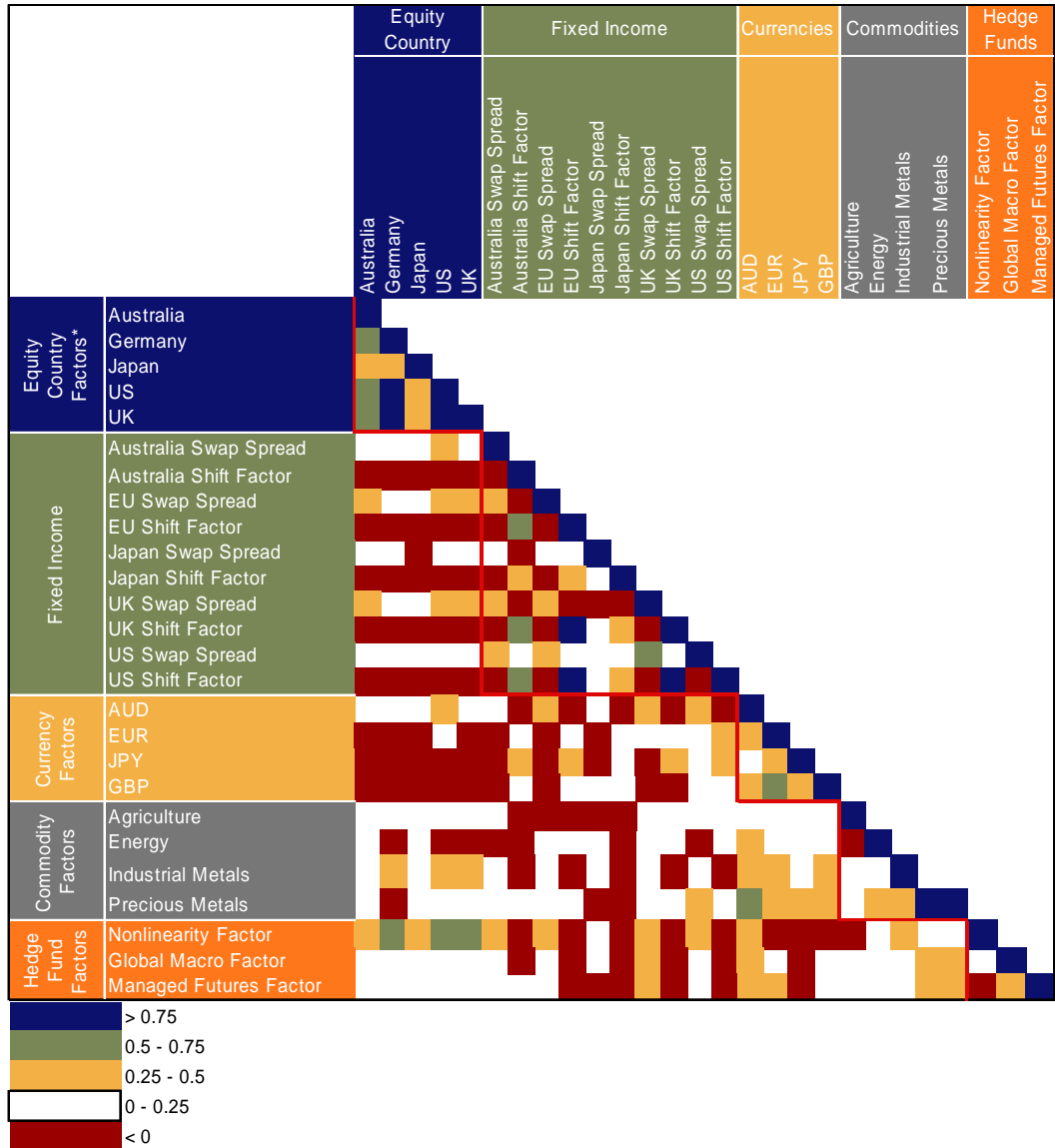
Multi-Asset Class Review

II A Summary of Global Cross-Asset Class Performance (continued)

The chart below shows forecast correlations as of December 2007 between a subset of the 220 global factors in BIM. The factors are grouped by asset class and ordered from left to right (top to bottom) starting with equities. Correlations are higher within asset classes than across asset classes. There are also instances of negative correlation both within asset classes (primarily in Fixed Income) and, more commonly, across asset classes. Note that correlations between equity and fixed income factors are close to zero or negative.

Correlations Between Select Global Factors, 2007

- Correlations in equities are overwhelmingly positive.
- Correlations in fixed income remain small to negative.
- Correlations between assets in different asset classes are for the most part close to zero or negative.
- A handful of positive correlations exist between asset classes. For instance, Precious Metals and the Australian dollar are moderately correlated, reflecting the Australian market's heavy commodity focus.



Multi-Asset Class Review

III Global Equities

In this section, we explore the performance of, and correlations among, global equities using the global equity factors in BIM. The global equity factors are comprised of:

- A world factor
- Country factors
- Global industry factors
- Global style factors: Price Momentum, Size, Value, and Volatility

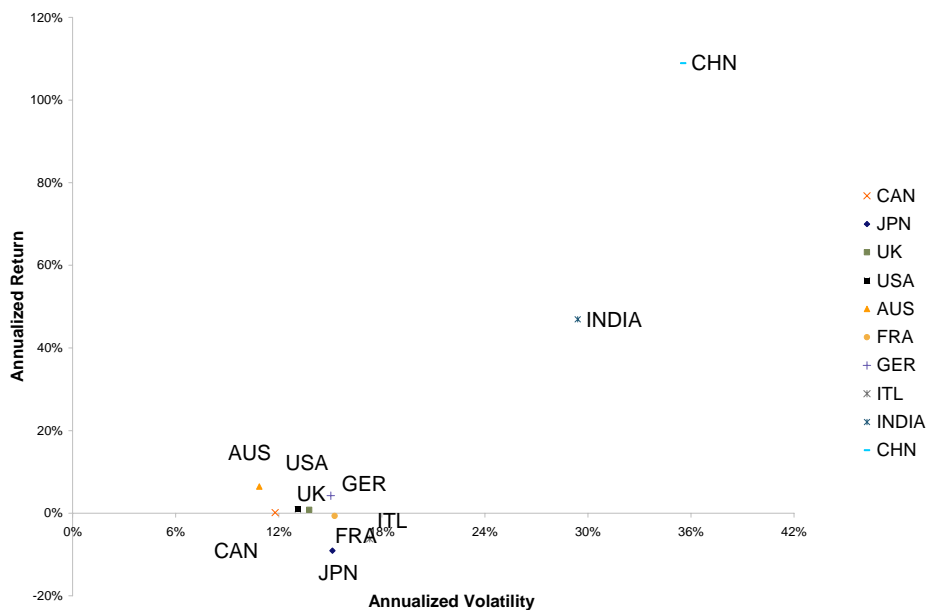
The world factor captures the global market return, while the industry and country factors reflect the return to global industry and country influences net of the world and all other factors. The style factors capture the commonality across returns of stocks with particular characteristics (i.e. large cap stocks, value stocks, etc.). Because country factors and industry factors in BIM are *net* of the world equity factor, for ease of interpretation we sum each set of returns with the world equity factor. The resulting return series is more comparable to the return on country and industry indices.

Global Equities: Country Factors

The first set of charts below summarizes the performance of the factors for Canada, Japan, UK, US, Australia, France, Germany, Italy, India, and China. The volatilities shown below are the forecast volatilities from BIM as of December 2007 annualized.

Return versus Volatility for Select Country Equity Factors, 2007

- Emerging market countries like China and India soared in 2007 compared to developed markets.
- Returns for the eight developed markets shown averaged -0.4% (annualized) in 2007
- Forecast annualized risk averages 14% for the eight developed markets shown, and 32% for China and India as of December 1, 2007.



Note: Data shown is the sum of BIM country factors and the world equity factor.

Developed markets generally experienced flat performance in 2007. Among the developed markets, the poorest performers were Ireland, Japan, Italy, and New Zealand. The strongest performers were Hong Kong, Greece, and Singapore. Meanwhile, emerging markets like China and India experienced remarkable returns. China was the runaway best performer, although its volatility remains high. Other emerging markets that had strong equity gains in 2007 were Zimbabwe, Nigeria, Oman, Saudi Arabia, Peru, Indonesia, and Pakistan.

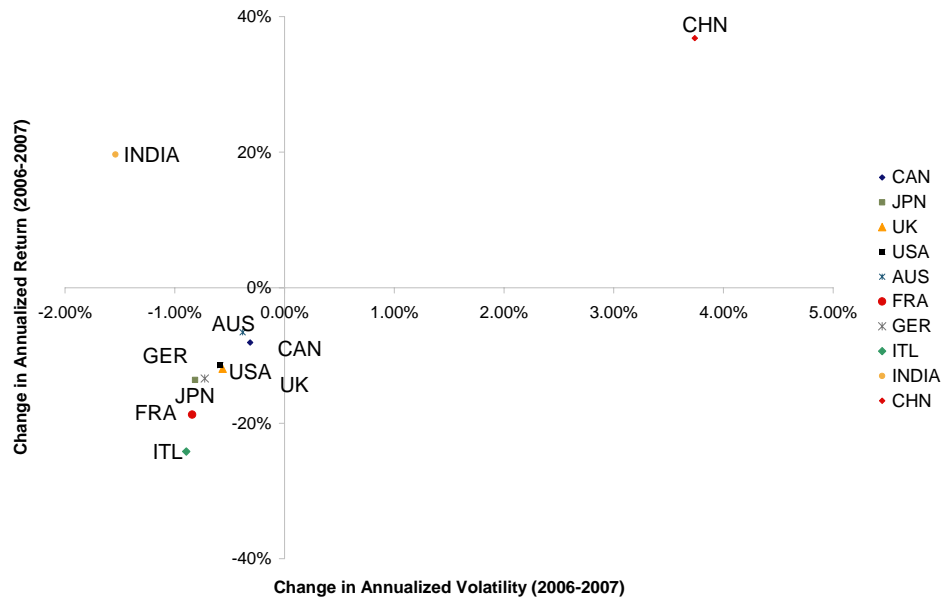
Multi-Asset Class Review

III Global Equities (continued)

Year-over-year changes for return and forecast volatility are shown below. Lower returns were accompanied by lower volatility for all the developed markets shown reflecting a benign market environment at least until the latter part of the year.

Changes in Return and Volatility for Select Country Equity Factors (2006 to 2007)

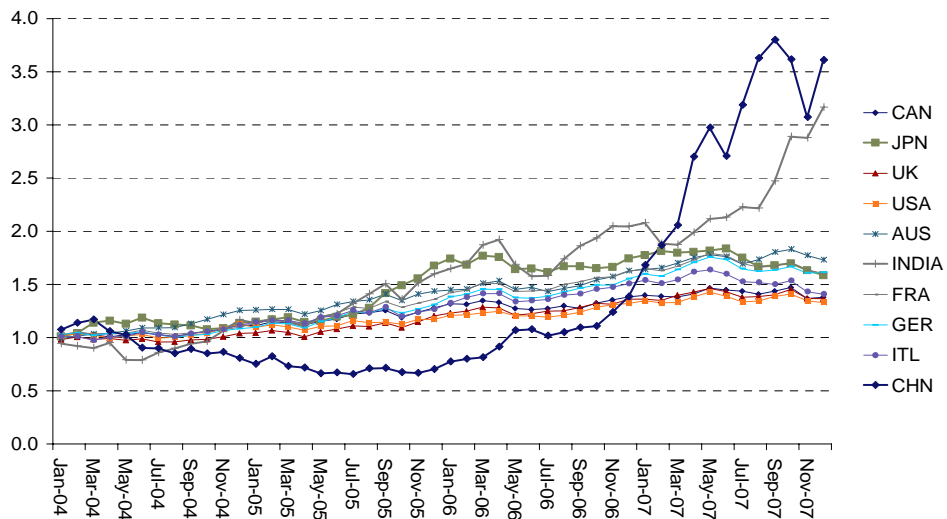
- Most country factors were less volatile in 2007 as compared to 2006; China was an obvious exception.



Note: Data shown is the sum of BIM country factors and the world equity factor.

In all, developed markets have remained steady over the last three years compared to the big surge in certain emerging market countries.

Cumulative Returns to Select Country Equity Factors



Note: Data shown are BIM country factors *net* of the world equity factor.

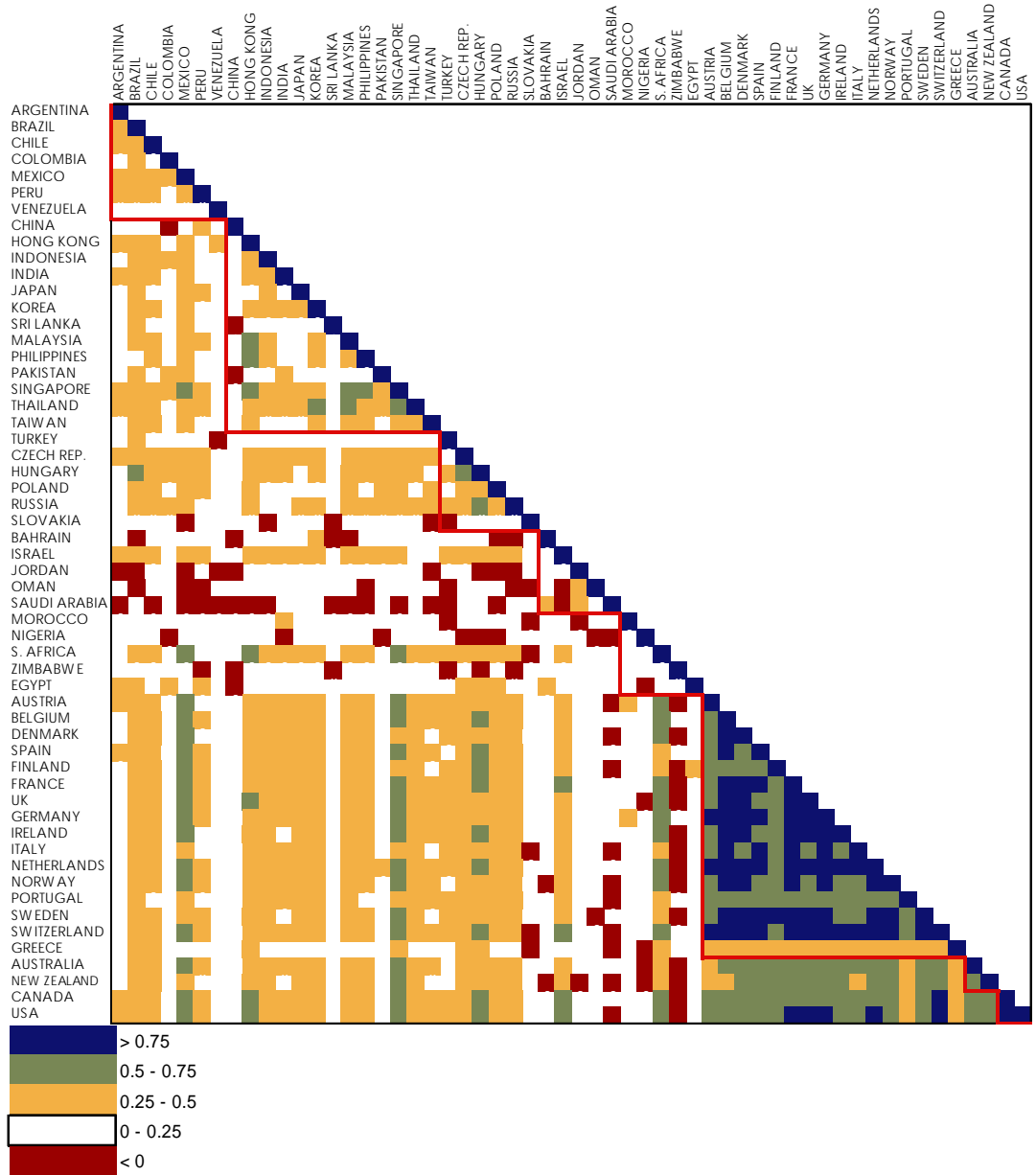
Multi-Asset Class Review

III Global Equities (continued)

Forecast correlations between country factors as of December 2007 are displayed below. These correlations capture the co-movement of the various countries' markets. Countries within regions exhibit much higher correlations in general, in particular the countries within Europe and Canada and the US. In contrast, emerging markets exhibit lower correlations both among themselves and with developed countries (though recent research suggests these correlations may have increased over the years.) The countries with the overall lowest average correlations include Saudi Arabia, Zimbabwe, Nigeria, Jordan, Slovakia, and China. Among the developed markets, the countries expected to have the lowest (average) correlations as of the end of 2007 are Japan, Greece, and New Zealand.

Correlation Between Country Equity Factors

- Countries within regions still have much higher correlations than their non-regional counterparts particularly the European Union
- Negative correlations are highlighted in red and are concentrated in a handful of emerging markets.



Multi-Asset Class Review

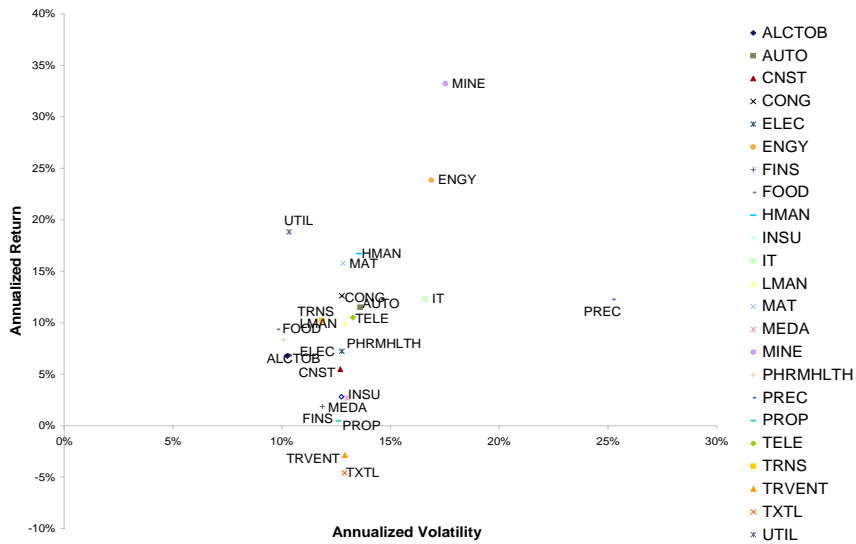
III Global Equities (continued)

Global Equities: Industry Factors

In the following charts, we show the performance of the global industry factors in BIM. The strongest performers among global industries in 2007 were Mining, Energy, and Utilities. The weakness in Financial Services reflects the sub-prime-related banking crisis which escalated in the US towards the second half of the year. Other underperforming global sectors were Textiles and Travel & Entertainment.

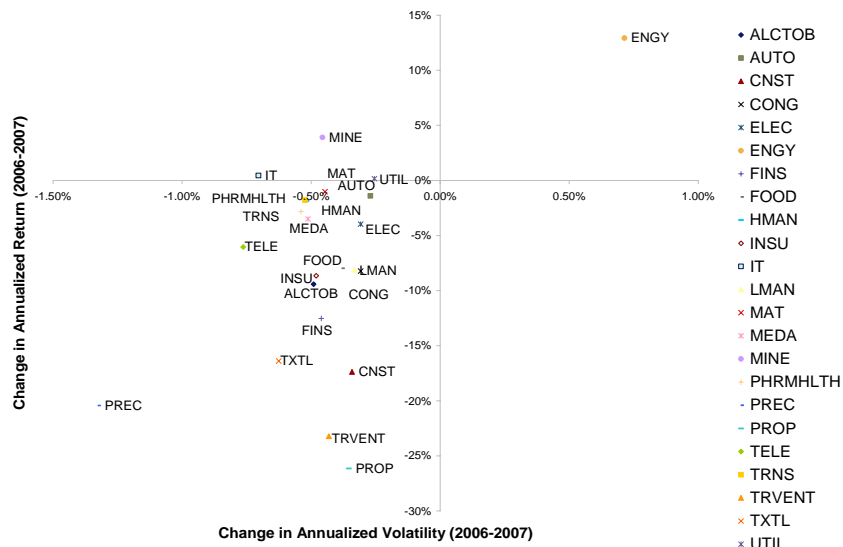
- Mining, Energy, and Utilities experienced large gains in 2007.
- Weakness in Financial Services reflects problems in the US banking sector in the last months of 2007.
- Other hard-hit global sectors were Textiles and Travel & Entertainment.

Return versus Volatility for Global Equity Industry Factors, 2007



Note: Data shown is the sum of BIM country factors and the world equity factor.

Changes in Return and Volatility for Global Industry Equity Factors (2006 to 2007)



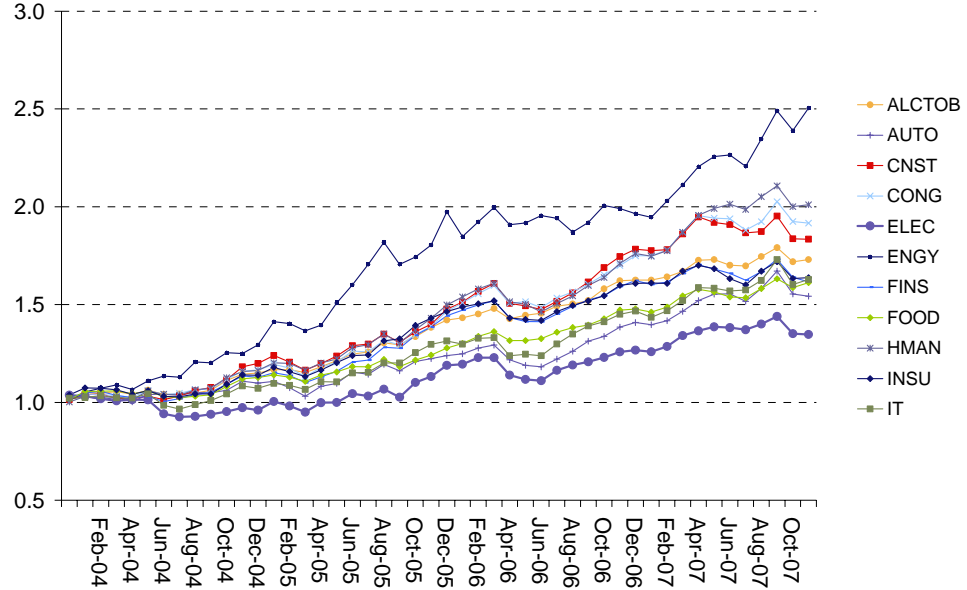
ALCTOB = alcohol & tobacco, Auto = automobiles, CNST = construction, CONG = conglomerates, ELEC = electricity, ENGY = energy, FINS = financial services, FOOD = food, HMAN = heavy manufacturing, INSU = insurance, IT = information technology, LMAN = light manufacturing, MAT = materials, MEDA = media, MINE = mining, PHRMHLTH = pharmaceuticals & health care, PREC = precious metals, PROP = property, TELE = telecommunications, TRNS = transportation, TRVENT = travel & entertainment, TXTL = textiles, UTIL = utilities.

Multi-Asset Class Review

III Global Equities (continued)

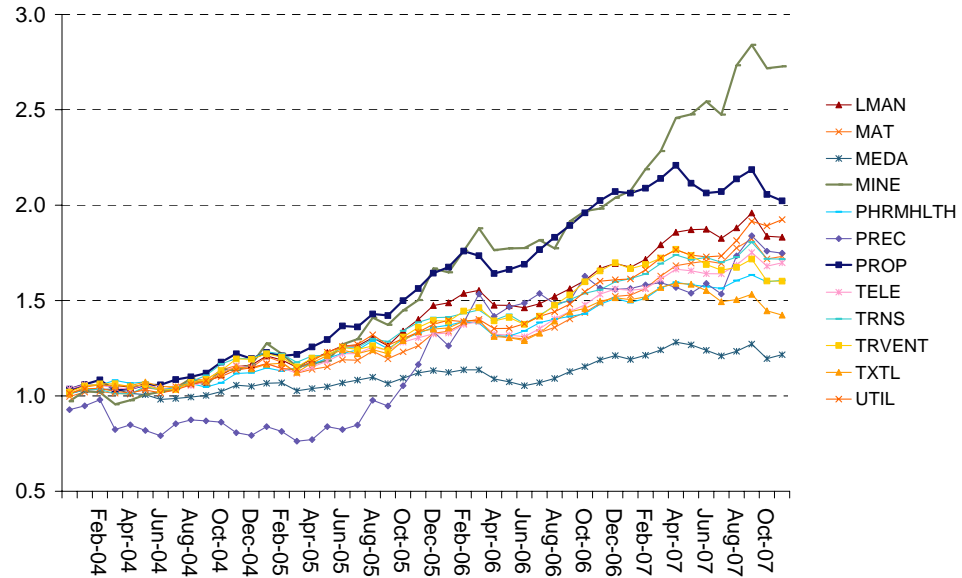
Cumulative Returns to Global Industry Equity Factors

- Returns to global Energy stocks have been strong in the last several years.



Cumulative Returns to Global Industry Equity Factors

- Global Precious Metals stocks have only in the last year a half experienced a turnaround.
- Global Property stocks experienced uneven growth in 2007.



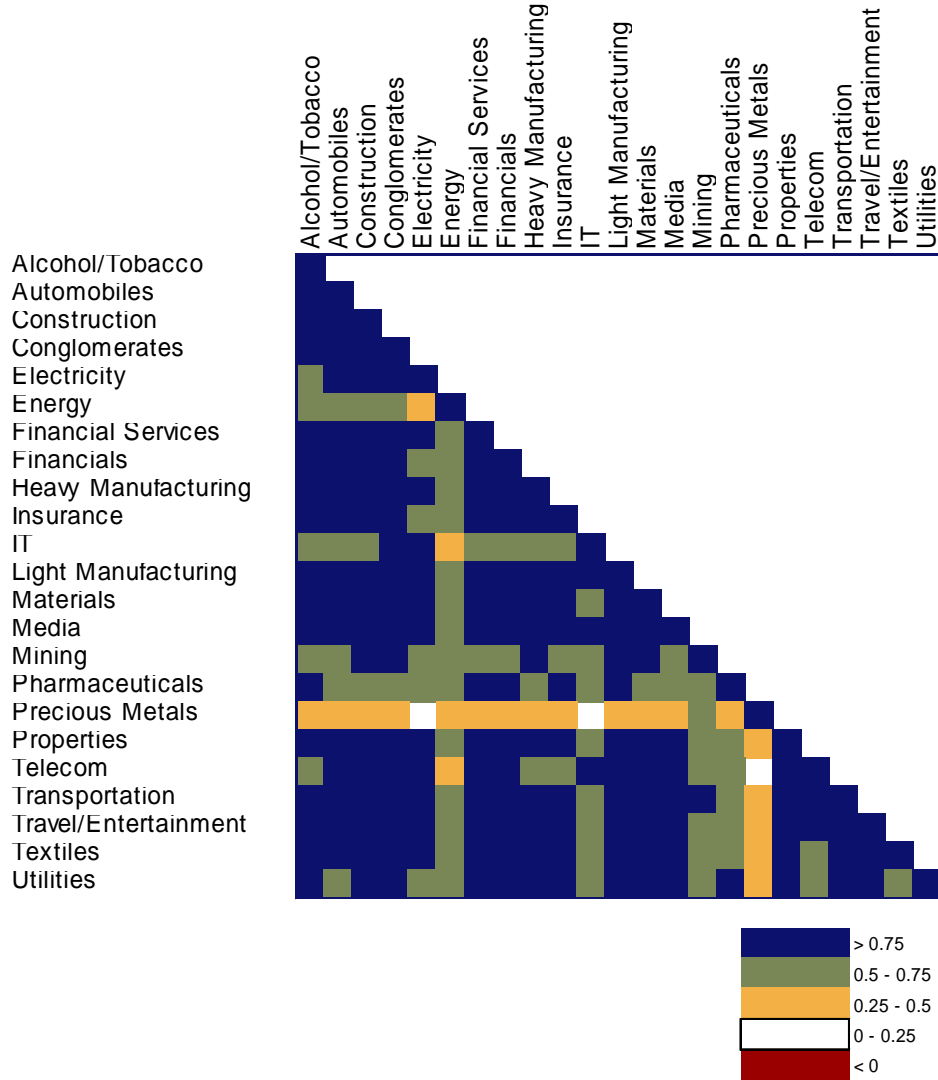
Multi-Asset Class Review

III Global Equities (continued)

Correlations between industry factors in 2007 are shown below. These correlations capture the co-movement of the global industries. For global equities, most industries are strongly correlated with the exception of Precious Metals.

Correlations Between Global Industry Equity Factors

- Global industry correlations remain high with the exception of Precious Metals.



Note: Correlations shown here are adjusted for the world factor. That is, the correlation between Insurance and Materials includes the commonality arising from their shared correlation with the world factor. Unadjusted, most of these correlations are substantially lower, and in many cases negative, pointing to diversification opportunities available from an active management perspective.

Multi-Asset Class Review

IV Global Fixed Income

There are 94 global fixed income factors in the Barra Integrated Model spanning 28 countries' fixed income markets. The primary market-wide determinants of fixed-income portfolio risk are interest rates and yield spreads. Global factors for the fixed income market thus include term structure factors, which capture interest rate risk, and swap and credit spreads, which capture risk due to yield spread. Returns to portfolios of high credit quality securities are typically affected primarily by variation in interest rates, while returns on lower quality portfolios may be determined mostly by credit factors.

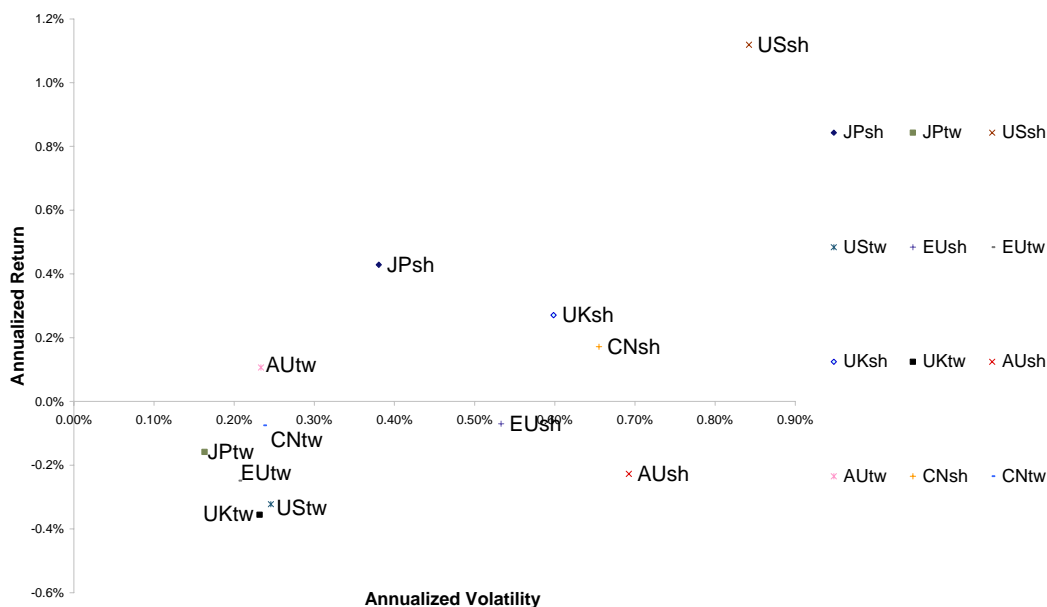
BIM's fixed income global factors are comprised of:

- The shift and twist factors from each of the local markets
- The swap spread factor from each local market, where available
- An average credit spread factor for each of the following: Canada, Japan, Switzerland, Australia, US, UK, and the Euro zone
- An average emerging market credit spread factor
- US muni shift and twist factors
- Implied volatility factors for each of Japan, US, UK, and the Euro zone
- Shift factors for real interest rates in the US, UK, Canada, Japan, and the Euro zone

Interest rate risk for each market is captured by the two term structure factors, shift and twist. Shift describes approximately parallel yield curve movements. Twist describes yield curve movements with short and long ends moving in opposite directions. A steepening of the yield curve, i.e., long rates increase short rates decrease, lead to a negative return for the Twist factor.

The following two charts shows the return and forecast risk (as of December 2007) to the term structure factors, shift and twist, for six markets—Japan, US, EU, UK, Australia, and Canada—as well as the changes in return and risk from 2006.

Return versus Volatility for Select Term Structure Factors, 2007



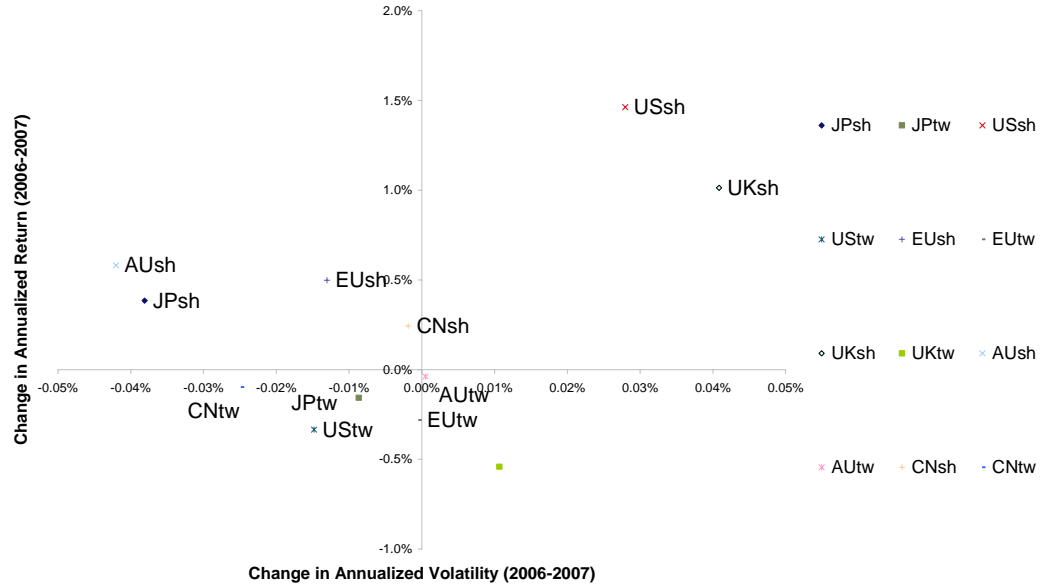
Note: The sovereign term structure shift and sovereign term structure twist are denoted by sh and tw respectively.

- Interest rates remained highest in the US and UK in 2007.

Multi-Asset Class Review

IV Global Fixed Income (continued)

Changes in Return and Volatility for Select Term Structure Factors (2006 to 2007)



Note: The sovereign term structure shift and sovereign term structure twist are denoted by sh and tw respectively.

The shift and twist factors shown in the two figures above jointly describe interest rate movements. Higher returns to these factors indicate increasing interest rates. Interest rates experienced stronger moves in the US and UK in 2007 relative to many of the other developed markets.

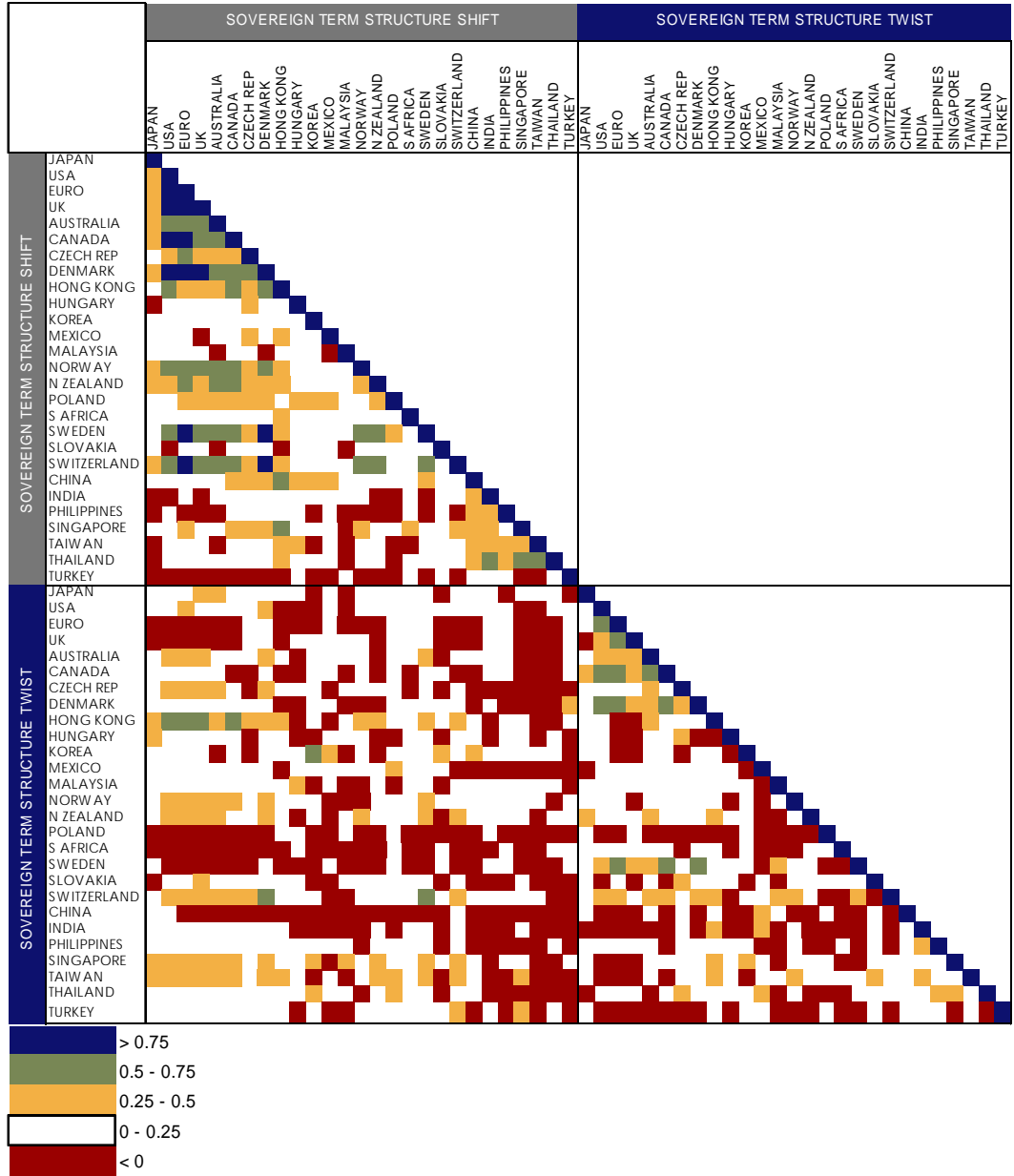
Multi-Asset Class Review

IV Global Fixed Income (continued)

Correlations between the shift and twist term structure factors across the 28 sovereign markets are shown in the chart below. These factors exhibit a high degree of correlation among developed markets like the US, European Union, UK, Canada, and Australia, reflecting in part an increase of central bank coordination among these markets in the last decade. Correlations in emerging markets on the other hand remain close to zero both among each other and with developed markets.

Correlations for Term Structure Factors, 2007

- Correlations between term structure factors are high among developed markets and low among emerging markets.



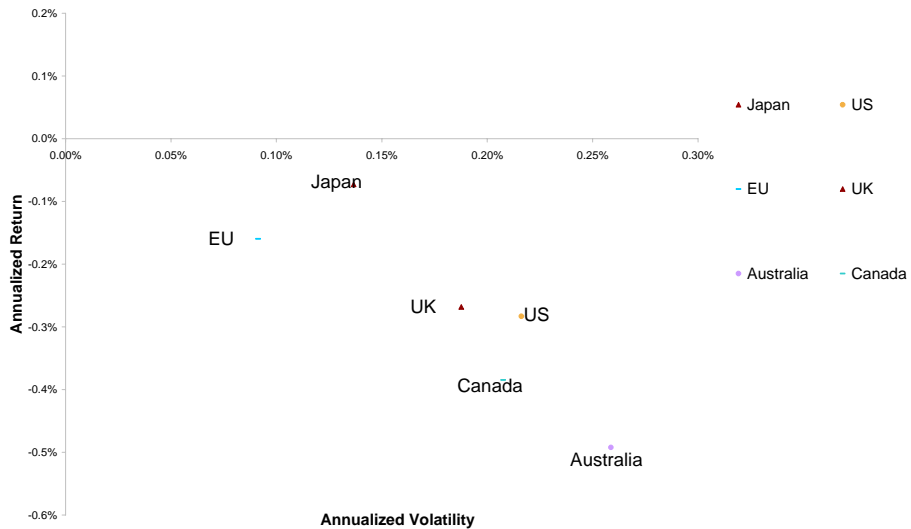
Multi-Asset Class Review

IV Global Fixed Income (continued)

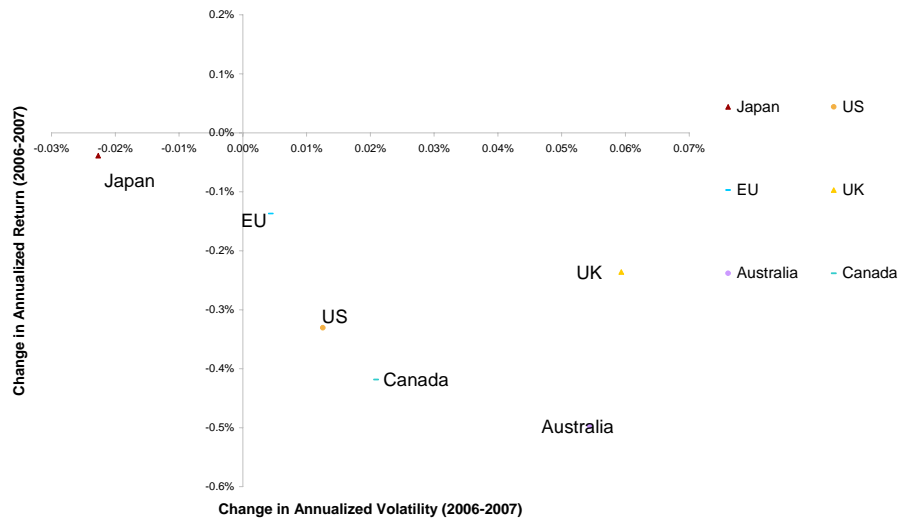
Every bond is also exposed to a market-wide swap spread factor, where one is available, which is based on the average spread between sovereign and swap rates. The return to the credit spread factors all declined in 2007 from the previous year even as the volatility of these factors increased in all markets except Japan. A significant drop in credit spread yields occurred in the last few months of 2007 in these five markets (see next chart), as concerns about the solvency of major banks rippled through credit markets.

Return versus Volatility for Select Swap Spread Factors, 2007

- During the last months of 2007 swap spreads fell sharply in the US, Canada, Australia, and UK.



Changes in Return and Volatility for Select Swap Spread Factors (2006 to 2007)



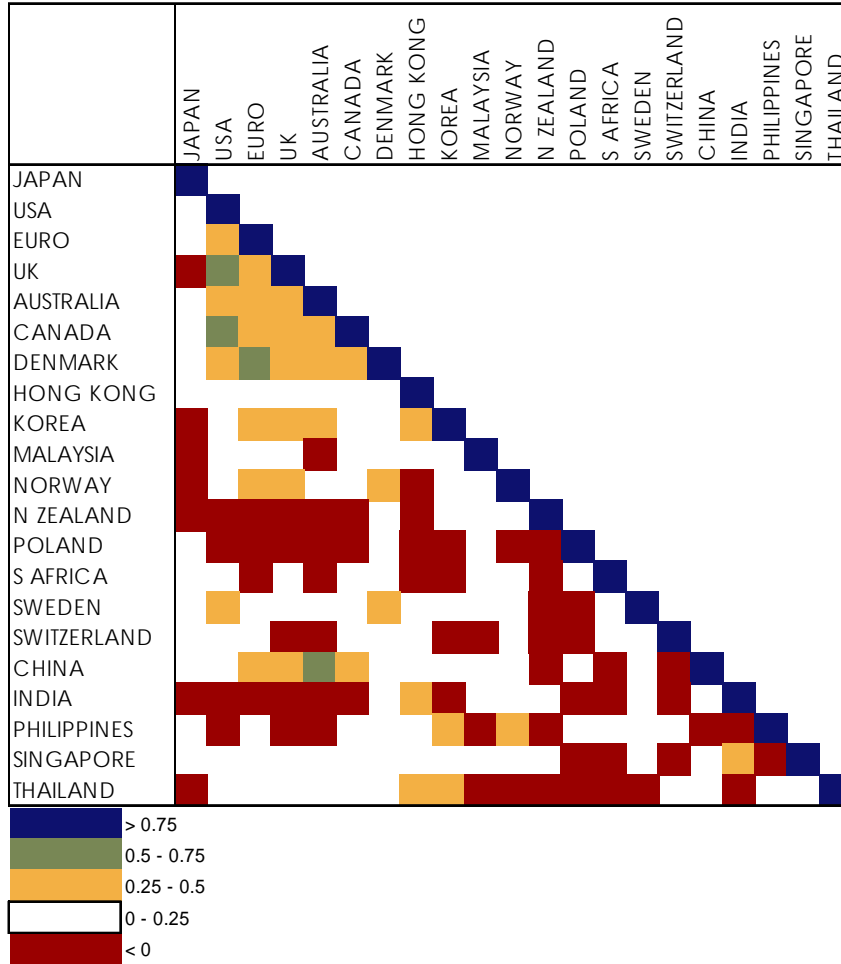
Multi-Asset Class Review

IV Global Fixed Income (continued)

As of the end of 2007, the credit spread factors continued to be more uncorrelated than the term structure factors. These factors exhibited moderate correlations in developed markets. Only a handful of pairs shown below had correlations in the 0.5-0.75 range and none fell in the 0.75-1.0 range. This contrasts with the correlations between term structure factors that exhibited correlations falling in the 0.75-1.0 bracket for most major developed markets including the UK, Europe, US, and Canada.

Correlations Between Swap Spread Factors, 2007

- Correlations between swap spread factors remained relatively low among most countries.



Multi-Asset Class Review

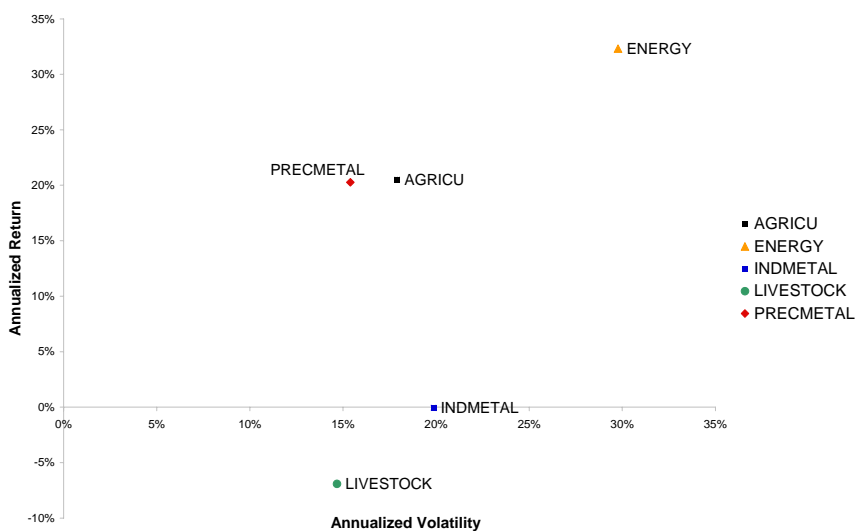
V Commodities

The five global commodity factors measure the returns accrued from investing in fully-collateralized nearby commodity futures. The factors are based on the S&P GSCI indices and represent Energy, Agriculture, Industrial Metals, Precious Metals and Livestock.

The Energy factor experienced the strongest gains (though also with the highest risk) in 2007. However, the risk of the Energy factor dropped significantly from 2006, attributable in part to a milder hurricane season relative to previous years and a decrease in major supply disruptions. Precious Metals and Agriculture earned strong positive returns though these increases were on par with 2006. In general, with the exception of Agriculture, volatilities have declined from 2006.

Return versus Volatility for Commodity Factors, 2007

- Commodities like Energy, Precious Metals, and Agriculture experienced strong returns in 2007.
- The volatility of all five commodities segments were either on par or lower than the previous year except for Agriculture.



Note: The five commodity groups include agriculture, energy, industrial metals, livestock and precious metals.

Changes in Returns and Volatility for Commodity Factors (2006 to 2007)



Note: The five commodity groups include agriculture, energy, industrial metals, livestock and precious metals.

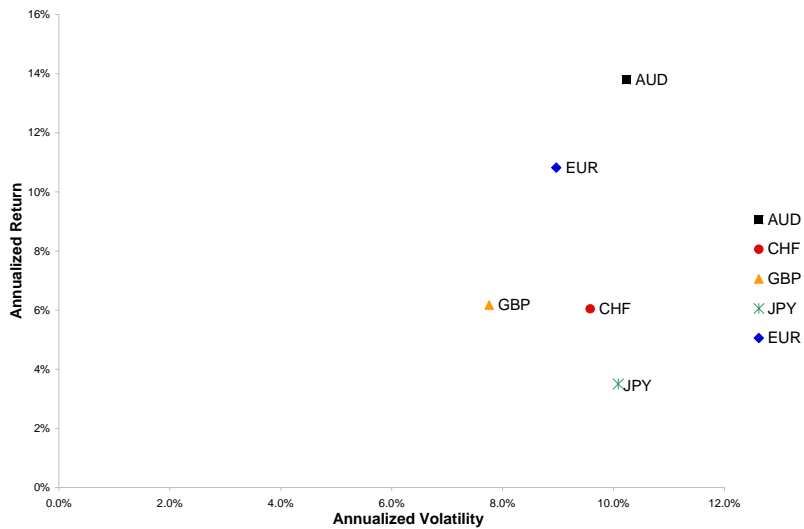
Multi-Asset Class Review

VI Currencies

Currency factors capture more than simple exchange rate fluctuations. They are comprised of two components: the exchange rate appreciation/depreciation against some numeraire (in BIM, the US dollar), and the risk-free interest rate differential with the numeraire's associated country. For instance, if the Australian dollar depreciates against the US dollar, its exchange rate component is negative. In this case, the Australian currency factor return could still however be positive if the Australian interest rate is sufficiently high relative to the US interest rate.

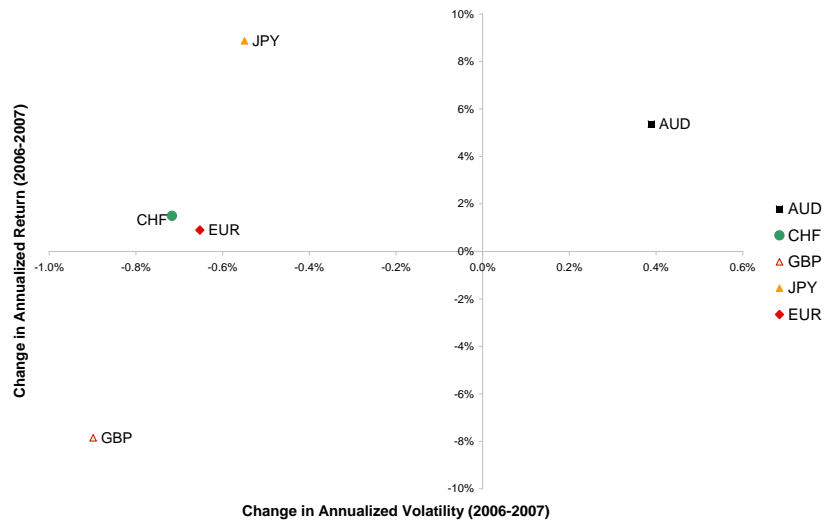
Major currency factors all rose in 2007 (against the US dollar). This year-over-year increase was a continuation of the strong appreciation in 2006 for the Swiss Franc and the Euro. In contrast, the Japanese Yen and Australian Dollar appreciated more rapidly than they had during the previous year. The former experienced a large decline in volatility while the latter was accompanied by much higher volatility, ending the year as the most volatile currency of those shown below.

Return versus Volatility for Select Currency Factors, 2007



- Major currencies continued to rise against the dollar in 2007.
- While the Euro continued to appreciate at the same rate as it did in 2006, the Japanese Yen and Australian Dollar gained more rapidly against the US Dollar than they had during the previous year.

Changes in Returns and Volatility for Select Currency Factors (2006 to 2007)



Multi-Asset Class Review

VII Hedge Funds

- Hedge funds returns exhibit commonalities associated with their strategy group.

Global hedge fund factors capture the risk associated with particular strategy types. Hedge funds are modeled within the Barra Integrated Model framework by using a combination of traditional and alternative risk factors. Traditional factors capture conventional sources of risk that arise from buying and holding assets over monthly horizons. These factors consist of equity and fixed income portfolios as well as other factors from our equity, fixed income, commodity, and currency models. Alternative factors are designed to capture the systematic portions of hedge fund risk not explained by traditional factors. These alternative risks can arise from a fund's strategy, illiquid investments, or nonlinear return behavior.

Systematic Factors in the Barra Hedge Fund Model

The first step is to assess the relevant traditional and alternative factors for different hedge fund strategy categories. The table below highlights the main and relevant factors for each strategy group.

Explaining the Systematic Portion of Hedge Fund Returns with Traditional and Alternative Factors

Strategy Category	Main and Relevant Traditional Factors	Relevant Alternative Factors
Long-Short Equity	Russell 3000 Index Barra US Equity Factors	
Equity Market Neutral	Barra US Equity Factors	Barra US Alphabuilder Factors
Merger Arbitrage		Nonlinear Frank Russell 3000 Pure Merger Arbitrage
Convertible Arbitrage	High Yield BB, B, CCC Bond Portfolio Barra US Credit Spread Factors	Pure Convertible Arbitrage Factor
Fixed Income Arbitrage	Barra Term Structure Factors Barra US Credit Spread Factors	Pure Fixed Income Arbitrage
Distressed Securities	Russell 3000 Index Barra US Equity Factors Barra US Credit Spread Factors High Yield B, CCC Portfolio	Pure Distressed Securities
Emerging Markets	MSCI Eastern Europe MSCI EM Latin America MSCI All Country Asia Pacific Ex-Japan Barra Emerging Market Bond Factor	
Managed Futures	Barra Commodity Factor Barra Currency Factor	Pure Managed Futures
Global Macro Funds	Barra Term Structure Factors Barra Currency Factor	Pure Global Macro

- Depending on the hedge fund's category, returns can be explained in part by traditional equity and fixed income factors.
- The return component not explained by these can be modeled using alternative factors.

The alternative factors can be divided into two groups--global hedge fund factors display significant correlations with other asset class global factors while the local hedge fund factors do not.

Multi-Asset Class Review

- Of the alternative factors, three factors qualify as global in nature.

VII Hedge Funds (continued)

The three global hedge fund factors are:

- Nonlinear Frank Russell 3000 - the Nonlinear Frank Russell 3000 factor captures the nonlinear systematic behavior of deal risk for merger arbitrage trades. This factor return will be close to zero unless the Frank Russell 3000 Index falls by more than a given threshold, in which case its return is equal to the return of the index.
- Pure Global Macro - the Pure Global Macro factor captures the significant portion of systematic returns within the global macro funds of our database that are not explained by traditional factors such as fixed income term structure, currency, and world equity factors.
- Pure Managed Futures – the Pure Managed Futures factor captures a significant portion of systematic returns within the managed futures category of our database that is not explained by traditional factors such as commodity and currency factors.

Relative Explanatory Power of Traditional Factors versus Alternative Factors

Traditional factors display significant differences in explanatory power across hedge fund strategy categories. For Long-Short Equity funds, traditional Barra Equity factors are enough to capture most of the observed commonality in fund returns. However, traditional factors are not enough to explain the commonality in convertible arbitrage fund returns, which is mostly captured by the Pure Convertible Arbitrage factor. In sharp contrast, equity market neutral fund returns display only little commonality and traditional factors capture only a minor portion of the systematic returns to these funds.

The table below sheds some insights on the relative importance of traditional factors in explaining fund returns in each strategy category. One measure of this explanatory power is the adjusted R-square in cross-sectional regressions of fund returns on traditional factors, a robust quantification of average correlation between fund returns and traditional factors.

Relative Explanatory Power of Traditional Factors by Strategy Type

Strategy Category	Relative Explanatory Power of Traditional Factors	Adjusted R2 in Cross-sectional Regressions of Fund Returns on Traditional Factors
Long-Short Equity	High	0.26
Merger Arbitrage	Medium	0.23
Distressed Securities	Medium	0.23
Global Macro Funds	Medium	0.13
Managed Futures	Medium	0.11
Convertible Arbitrage	Low	0.10
Fixed Income Arbitrage	Very Low	0.07
Equity Market Neutral	Very Low	0.07

Multi-Asset Class Review

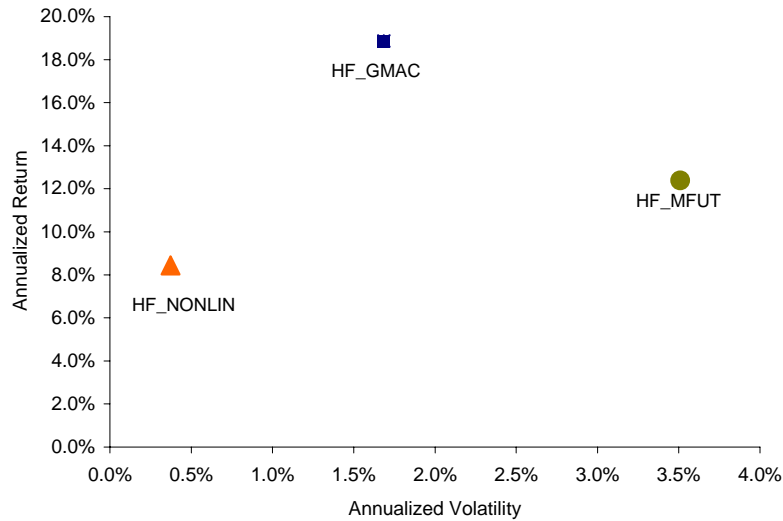
VII Hedge Funds (continued)

- The global hedge fund factor with the highest absolute return in 2007 was the Pure Global Macro factor.

Returns versus Volatility Forecasts

In terms of the tradeoff between return and volatility, the Nonlinear Frank Russell 3000 factor outperformed the Pure Managed Future factor which was plagued by high volatility. Even though the Pure Global Macro factor experienced the highest absolute returns, its risk-adjusted return was close to that of the Nonlinear Frank Russell 3000 factor. Only the Pure Global Macro factor earned higher returns in 2007 relative to 2006.

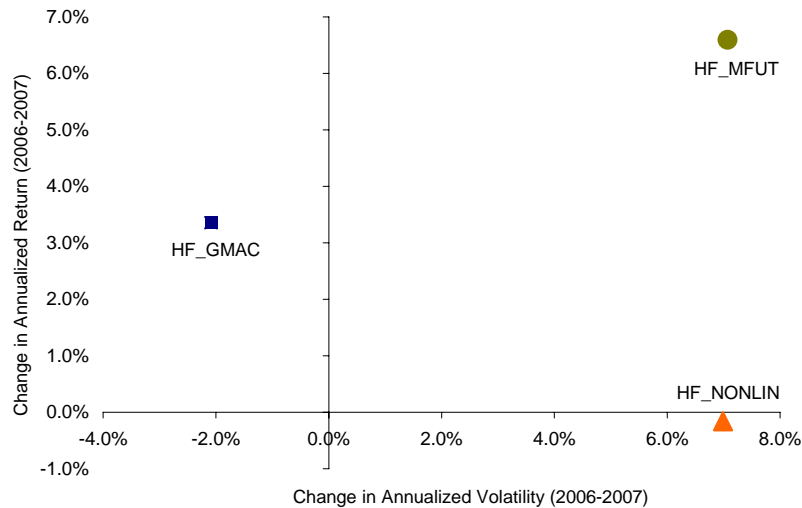
Return versus Volatility for Global Hedge Fund Factors, 2007



Note: HF_NONLIN = Nonlinear Frank Russell 3000, HF_GMAC = Pure Global Macro, HF_MFUT = Pure Managed Futures.

- However, on a risk adjusted basis, the Nonlinear FR 3000 factor performed the best.

Changes in Returns and Volatility for Global Hedge Fund Factors (2006 to 2007)



Note: HF_NONLIN = Nonlinear Frank Russell 3000, HF_GMAC = Pure Global Macro, HF_MFUT = Pure Managed Futures.

Multi-Asset Class Review

VII Hedge Funds (continued)

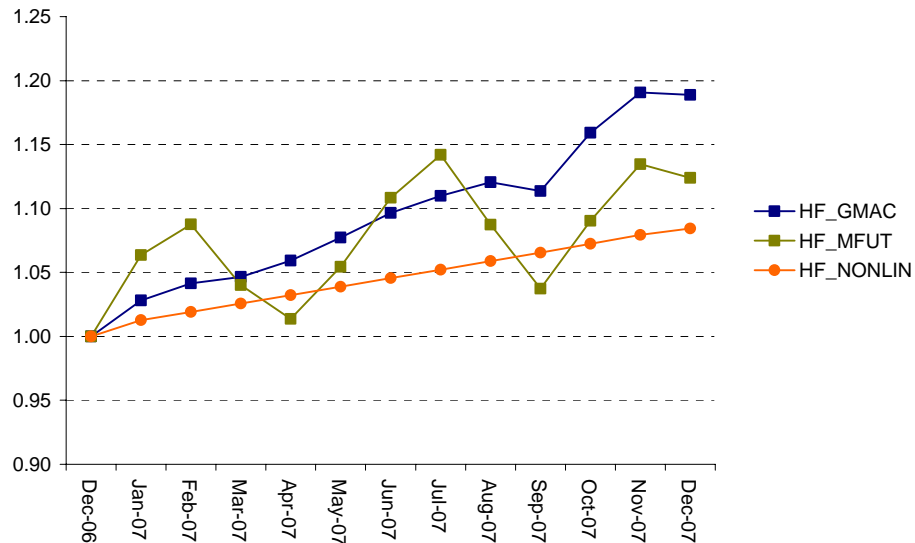
Cumulative returns for the three global hedge fund factors are shown in the figure below.

The Nonlinear Frank Russell 3000 factor return captures a portion of the returns to merger arbitrage funds. Its cumulative return increased steadily throughout 2007. This small but positive trend reflects the fact the Frank Russell 3000 index did not experience any major severe downturns in 2007.

The Pure Global Macro factor captures the returns to global macro fund portfolios, which can include stocks, bonds, currencies and derivative securities. These portfolios are usually managed to exploit perceived macroeconomic events or certain global market trends. Bets on increasing volatility and potential repercussions of problems related to the sub-prime market may explain why returns to the Pure Global Macro factor increased continuously throughout 2007 and even experienced a sharp increase in the last quarter.

The Pure Managed Futures factor reflects the performance of funds that mostly accrue profits in global commodity futures and currency markets. Trading strategies within this category of funds are usually trend following, in the sense that they are closely related to market trends or price patterns that are perceived to exist and expected to continue. Rising market upheavals may explain why the Pure Managed Futures factor return was particularly volatile in 2007.

Cumulative Returns for BIM Global Hedge Fund Factors, 2007



Note: HF_NONLIN = Nonlinear Frank Russell 3000, HF_GMAC = Pure Global Macro, HF_MFUT = Pure Managed Futures.

MSCI Global Investable Market Indices – Review

Introduction

MSCI Barra enhanced its international equity indices with the creation of the MSCI Global Investable Market Indices family which provides broader coverage of the global equity markets along with size segmentation. We have attempted to provide a bird's eye view of the performance, risk, and weightings of the global equity markets and their sector, size, and style segments in this section.

This section first presents the performance and risk of the newly launched Investable Market Indices ("IMI") by country/region. The structure of the Global IMI family (weights, number of securities) follows. We then present the performance of the size segment indices of the Global IMI family. Sector and style performance (based on the Standard Indices) follow. The performance and risk of the Standard Indices concludes the broad international equity indices section.

The performance of the MSCI China A, REIT, High Dividend Yield, Gulf Cooperation Council (GCC) Countries, and the recently launched Islamic, and Frontier Markets Indices follow.

Selected highlights include:

- MSCI ACWI Investable Market Index posted a return of 7.2% in local currency terms and 11.6% in USD terms for the year 2007.
- In USD terms, MSCI Developed Markets IMI had a return of 9.0% while Emerging Markets outperformed with a 40.1% return.
- MSCI ACWI IMI, with 8333 securities, represented USD 37 trillion of free-float adjusted market capitalization as of December 31, 2007.
- MSCI Emerging Markets represented 11.3% of the global investable equity universe and China is the largest Emerging Market country with a 15.9% weight in Emerging Markets.
- Financials and Consumer Discretionary were the only two sectors with negative returns in 2007. In the case of Financials, it was largely a North American event.
- Large Caps did better than Small Caps and Growth outperformed Value in Developed Markets in 2007 while the reverse was true in Emerging Markets.
- The MSCI China A Index had a return of 176% in USD terms in 2007.
- The MSCI Global Islamic Indices outperformed their parent indices.

MSCI Global Investable Market Indices – Performance Summary

Performance of Global, Regional, and Country Investable Market Indices in Local Currency and USD

	Index			Gross Perf. in Local					Gross Perf. in USD				
	Mkt Cap FIF*	Weight	No. Sec	Annualized			3Y Risk	5Y Risk	Annualized			3Y Risk	5Y Risk
				1Y	3Y	5Y	Std Dev	Std Dev	1Y	3Y	5Y	Std Dev	Std Dev
ACWI	37,017	100.0%	8,333	7.2%	14.0%	16.5%	8.4	8.9	11.6%	14.9%	19.3%	8.9	9.7
WORLD	32,846	88.7%	6,145	4.7%	12.5%	15.4%	8.2	8.7	9.0%	13.3%	18.1%	8.4	9.4
EAFE	15,731	42.5%	3,387	3.1%	16.3%	17.0%	9.3	9.6	10.7%	17.3%	22.5%	9.6	10.7
WORLD EX JAPAN	29,648	80.1%	4,990	6.7%	12.7%	15.7%	8.1	8.9	10.6%	14.0%	18.4%	8.7	9.7
DM NORTH AMERICA	17,115	46.2%	2,758	6.1%	9.7%	14.2%	10.9	10.9	7.4%	10.2%	14.8%	12.0	12.0
US USA	15,742	42.5%	2,470	5.8%	9.2%	13.9%	8.2	9.0	5.8%	9.2%	13.9%	8.2	9.0
CA Canada	1,373	3.7%	288	9.9%	17.8%	19.2%	11.2	10.3	29.5%	25.7%	31.0%	16.6	15.1
DM EUROPE	10,879	29.4%	1,701	5.6%	17.3%	17.3%	9.1	10.4	13.4%	19.5%	24.0%	10.0	12.0
GB United Kingdom	3,457	9.3%	452	5.4%	14.0%	15.1%	8.4	9.7	7.2%	15.4%	20.1%	9.8	11.4
FR France	1,611	4.4%	182	3.1%	17.4%	16.4%	10.3	11.9	14.3%	20.3%	24.4%	11.1	13.3
DE Germany	1,431	3.9%	179	19.5%	24.0%	23.2%	11.1	15.7	32.5%	27.0%	31.6%	12.2	17.0
CH Switzerland	1,021	2.8%	115	-0.7%	17.5%	15.8%	10.0	11.3	7.1%	17.7%	20.5%	10.0	11.7
ES Spain	672	1.8%	86	11.0%	22.4%	24.4%	11.8	12.1	23.0%	25.4%	32.9%	12.1	13.5
IT Italy	634	1.7%	159	-4.4%	11.9%	14.2%	9.5	11.0	6.0%	14.7%	22.0%	10.6	13.7
NL Netherlands	446	1.2%	67	9.3%	19.8%	14.7%	11.6	13.3	21.2%	22.8%	22.6%	12.0	13.8
SE Sweden	390	1.1%	102	-3.6%	18.1%	23.3%	14.1	14.9	2.0%	19.2%	30.9%	16.6	17.5
FI Finland	281	0.8%	49	31.3%	27.4%	16.4%	13.7	21.0	45.6%	30.5%	24.4%	14.6	21.7
BE Belgium	195	0.5%	46	-9.8%	12.0%	17.0%	11.2	13.8	0.0%	14.7%	25.0%	11.4	15.6
NO Norway	186	0.5%	65	13.3%	30.5%	34.3%	16.2	17.6	29.9%	35.3%	41.0%	19.9	20.5
DK Denmark	154	0.4%	55	8.9%	22.8%	24.0%	11.9	14.0	20.7%	25.7%	32.4%	11.9	14.4
GR Greece	137	0.4%	58	18.4%	24.8%	26.7%	14.9	18.9	31.3%	27.9%	35.4%	16.0	19.7
IE Ireland	112	0.3%	30	-26.1%	4.2%	13.8%	15.9	14.2	-18.1%	6.8%	21.6%	15.0	14.8
AT Austria	95	0.3%	35	-8.2%	17.7%	26.8%	15.5	13.5	1.7%	20.6%	35.5%	15.6	14.8
PT Portugal	58	0.2%	21	12.1%	19.7%	19.8%	13.7	13.3	24.2%	22.7%	28.0%	14.0	15.0
DM PACIFIC	4,852	13.1%	1,686	-1.9%	14.3%	16.4%	11.8	11.3	5.1%	12.8%	19.5%	10.9	12.6
JP Japan	3,198	8.6%	1,155	-10.8%	10.8%	13.7%	13.9	13.5	-4.8%	7.6%	15.1%	11.5	14.5
AU Australia	1,047	2.8%	232	16.4%	21.9%	21.5%	19.4	17.8	29.6%	26.5%	32.8%	13.9	12.6
HK Hong Kong	396	1.1%	175	41.6%	27.2%	29.3%	14.0	14.8	41.3%	27.1%	29.3%	14.2	15.0
SG Singapore	186	0.5%	102	20.7%	24.8%	25.4%	12.7	11.8	28.7%	30.1%	30.1%	14.5	13.1
NZ New Zealand	25	0.1%	22	2.4%	9.6%	15.7%	11.7	11.0	11.7%	11.9%	25.0%	16.9	15.9
EM	4,171	11.3%	2,188	34.0%	32.6%	31.5%	14.6	14.1	40.1%	35.3%	37.1%	18.0	16.8
EM ASIA	2,334	6.3%	1,496	40.9%	32.3%	29.5%	16.0	15.9	43.3%	34.6%	33.0%	18.1	17.8
CN China	637	1.7%	214	69.3%	54.5%	45.4%	23.5	23.0	68.8%	54.3%	45.4%	23.8	23.2
KR Korea	604	1.6%	333	35.7%	30.2%	26.8%	19.3	19.9	34.8%	34.7%	32.9%	21.8	22.5
TW Taiwan	437	1.2%	409	8.8%	13.4%	14.6%	16.0	18.8	9.3%	12.5%	16.2%	18.3	20.6
IN India	382	1.0%	250	59.5%	53.4%	48.2%	21.1	22.0	79.1%	58.4%	54.1%	24.0	24.4
MY Malaysia	108	0.3%	117	39.0%	21.6%	21.1%	12.4	13.3	48.3%	27.4%	24.5%	15.0	14.9
ID Indonesia	75	0.2%	54	60.7%	44.1%	50.9%	19.5	21.7	53.9%	43.5%	49.4%	23.7	26.1
TH Thailand	60	0.2%	68	36.3%	15.6%	26.6%	18.3	21.5	46.3%	21.2%	33.0%	21.8	24.2
PH Philippines	22	0.1%	27	19.7%	28.1%	29.7%	18.2	19.9	42.2%	41.9%	36.6%	20.7	21.7
PK Pakistan	8	0.0%	24	43.4%	25.9%	27.8%	25.8	24.3	41.6%	24.4%	26.4%	26.1	24.9
EM EMEA	1,022	2.8%	444	21.2%	32.1%	31.4%	14.3	14.1	28.1%	30.2%	37.4%	19.8	18.4
RU Russia	387	1.0%	57	21.8%	49.2%	46.3%	24.3	27.1	23.7%	50.4%	47.0%	24.5	27.2
ZA South Africa	293	0.8%	116	15.2%	31.0%	26.5%	14.7	16.2	18.8%	22.8%	32.4%	24.7	22.4
IL Israel	89	0.2%	69	25.6%	14.4%	21.1%	13.1	15.4	36.2%	18.5%	25.5%	13.3	16.7
PL Poland	73	0.2%	66	10.6%	24.6%	28.2%	21.9	21.5	30.6%	33.1%	40.1%	28.6	26.8
TR Turkey	73	0.2%	68	41.4%	31.7%	41.5%	24.7	30.0	70.9%	38.0%	51.6%	33.6	38.6
EG Egypt	33	0.1%	28	49.9%	57.7%	76.8%	32.9	30.5	54.9%	62.7%	70.6%	34.9	31.4
HU Hungary	29	0.1%	8	5.1%	20.7%	28.3%	23.0	20.0	15.8%	22.5%	35.2%	28.4	25.5
CZ Czech Republic	29	0.1%	8	35.6%	35.1%	40.3%	17.4	17.7	55.6%	44.6%	55.1%	19.8	20.7
MA Morocco	10	0.0%	9	22.4%	34.4%	29.2%	18.5	18.2	33.2%	37.1%	36.3%	19.8	19.3
JO Jordan	4	0.0%	15	28.0%	13.3%	30.8%	28.6	24.9	28.1%	13.3%	30.9%	28.7	24.9
EM LATIN AMERICA	815	2.2%	248	33.6%	35.1%	39.6%	16.9	15.4	49.2%	46.5%	50.9%	22.8	21.0
BR Brazil	536	1.4%	136	48.3%	37.8%	42.7%	20.7	20.4	77.9%	57.4%	63.7%	28.9	27.9
MX Mexico	173	0.5%	39	7.5%	29.7%	35.5%	16.4	14.9	6.6%	30.6%	34.4%	19.0	17.8
CL Chile	49	0.1%	34	16.2%	20.3%	27.5%	14.0	14.8	24.2%	24.8%	37.3%	16.5	18.4
PE Peru	25	0.1%	15	79.7%	54.6%	45.3%	27.5	26.4	84.3%	56.4%	47.8%	28.0	26.8
AR Argentina	19	0.1%	13	0.4%	39.3%	42.9%	32.4	28.5	-2.3%	36.6%	44.8%	33.2	29.9
CO Colombia	13	0.0%	11	-2.0%	31.4%	42.5%	26.3	24.5	8.9%	38.3%	52.9%	30.3	27.8

This table reflects the performance of the Investable Market Indices within the Global Investable Market Index family and includes back-calculated history. All market caps are in USD billions. Gross index captures the price performance with dividends reinvested. Data as of December 31, 2007.

MSCI Global Investable Market Indices – Review

I Performance of Global, Regional, and Country Investable Market Indices

In this section the return, risk, and composition of the recently enhanced MSCI Global Investable Market Indices are presented. Most of the discussion is based on the Investable Market Indices (“IMI”) that comprise the Large Cap, Mid Cap (together, the provisional Standard Indices) and the Small Cap indices. The performance includes some back-calculated history prior to the launch of the MSCI Global Investable Market Indices on June 1, 2007. The sector and style indices performance discussions are based on the Standard Indices. The discussion of the performance of the Standard Indices, which reflect the ongoing transition to the enhanced methodology, concludes this section.

Gross performance in local currency, which includes reinvested dividends, for the MSCI All Country World Investable Market Index (ACWI IMI), which comprised 8333 securities at the end of 2007, was 7.2% for 2007. Developed Markets posted a return of only 4.7%, but the ACWI IMI return was lifted by the 34.0% return for the Emerging Markets.

Within Developed Markets, North America and Europe outperformed the MSCI World Index with returns of 6.1% and 5.6% respectively while Pacific posted a negative return of -1.9%. EM Asia and EM Latin America outperformed the MSCI Emerging Markets Index with EMEA recording the lowest returns of 21.2%.

The best Developed Market country return was from Hong Kong at 41.6%, while the best Emerging Market country return was from Peru at 79.7%. The worst performing countries were Ireland (-26.1%) in Developed Markets and Colombia (-2.0%) in Emerging Markets.

The 2007 Developed Markets returns were generally lower than the three-year and five-year annualized returns for Developed Markets. The five-year returns generally improved as 2002 dropped out of the calculations. In Emerging Markets, the three- and five-year returns were generally matched in 2007 except in EMEA. Over the three-year period and the five-year period volatility was generally about the same.

The continued depreciation of USD versus foreign currencies in 2007 resulted in higher returns in USD terms rather than local currency for all regions and for almost all countries. Volatilities measured on USD returns were also higher than those in local currency terms.

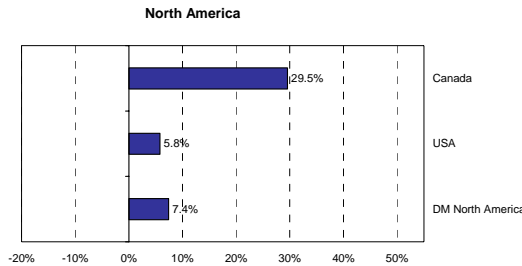
MSCI Global Investable Market Indices – Review

II Performance of Developed Market Regions and Countries in 2007 (USD terms)

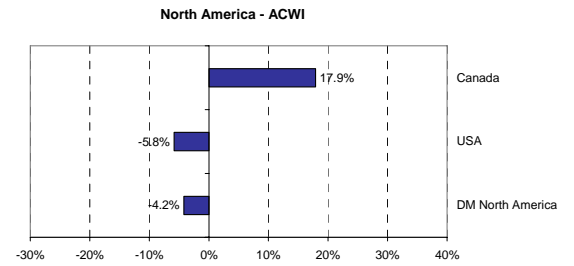
The gross performance of the Investable Market Indices for 2007 in USD terms is presented graphically in the following charts. The charts on the left side show the returns of the different regions and countries within the regions. The charts on the right side show the excess return of the same regions and countries compared to ACWI's performance of 11.6%.

- Within equities, Japan and Ireland were the only countries with negative returns in 2007.

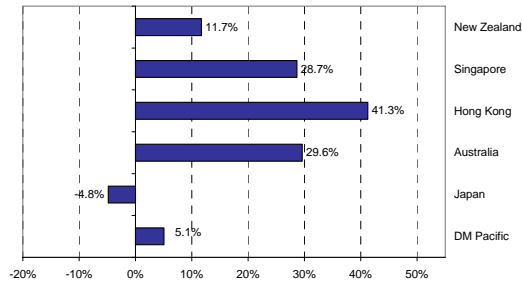
Absolute Return (USD)



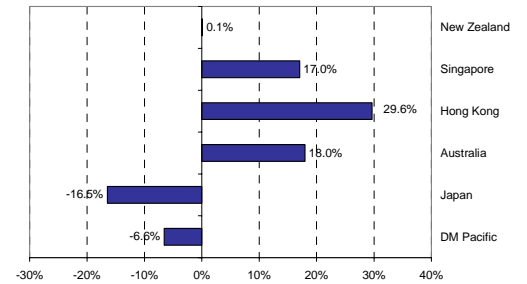
Excess Return vs. ACWI IMI



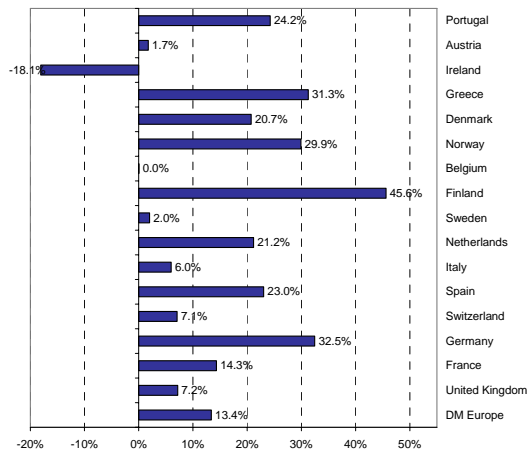
Pacific



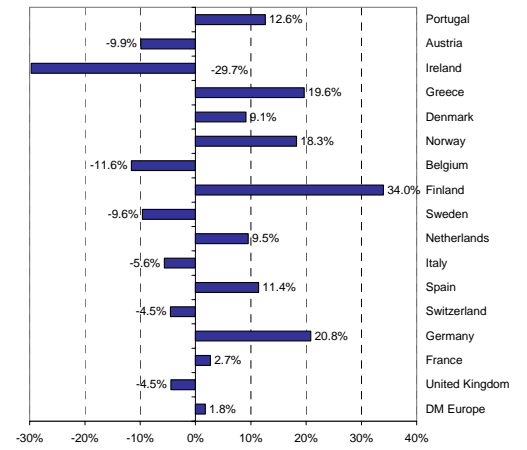
Pacific - ACWI



Europe



Europe - ACWI



MSCI Global Investable Market Indices – Review

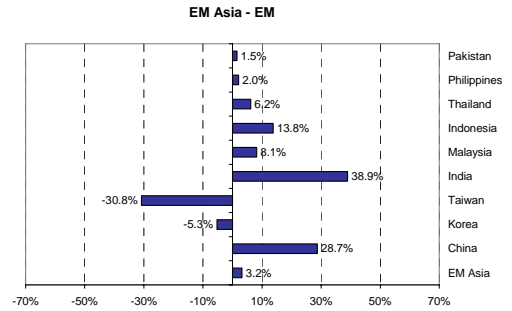
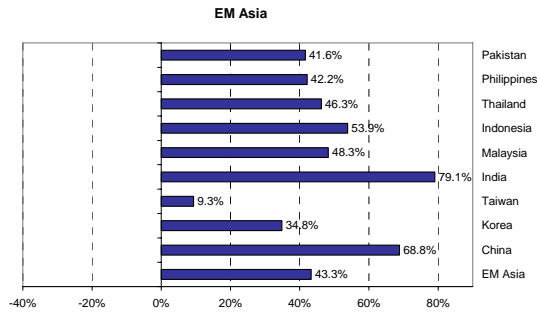
III Performance of Emerging Market Regions and Countries in 2007 (USD terms)

Argentina was the only EM country to post a negative return in USD terms in 2007. The excess return charts on the right hand side, which compare performance with the EM composite, show the outperformers and underperformers within the EM universe.

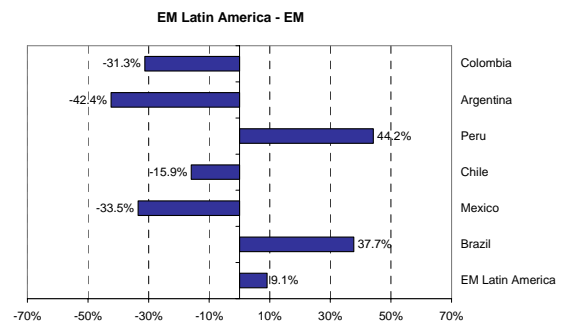
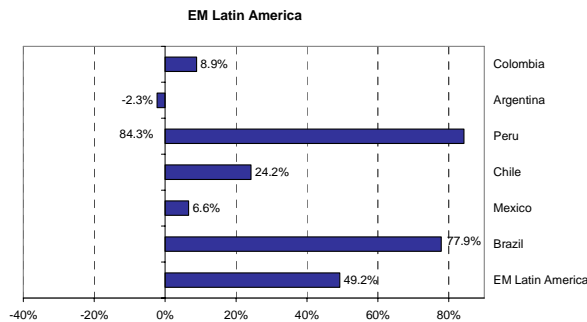
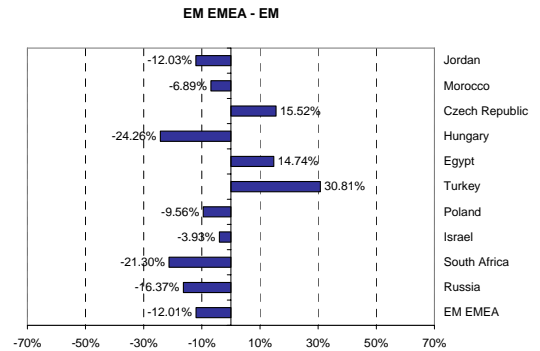
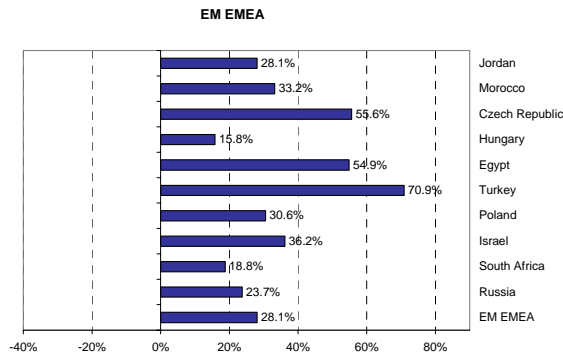
Absolute Return (USD)

Excess Return vs. EM IMI

- EM countries performed exceedingly well compared to their DM counterparts.



- However, country-selection was important for outperforming the EM composite.

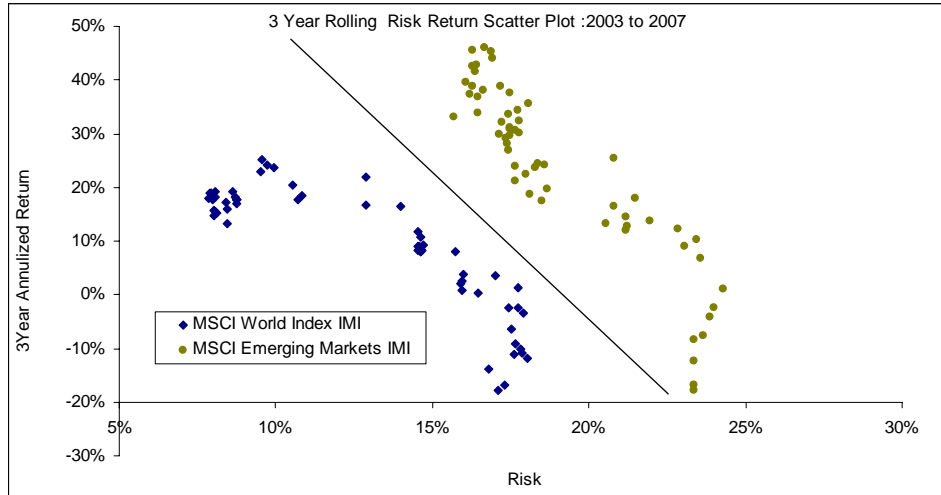


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IV Risk-Return and Correlation of Developed and Emerging Markets (USD terms)

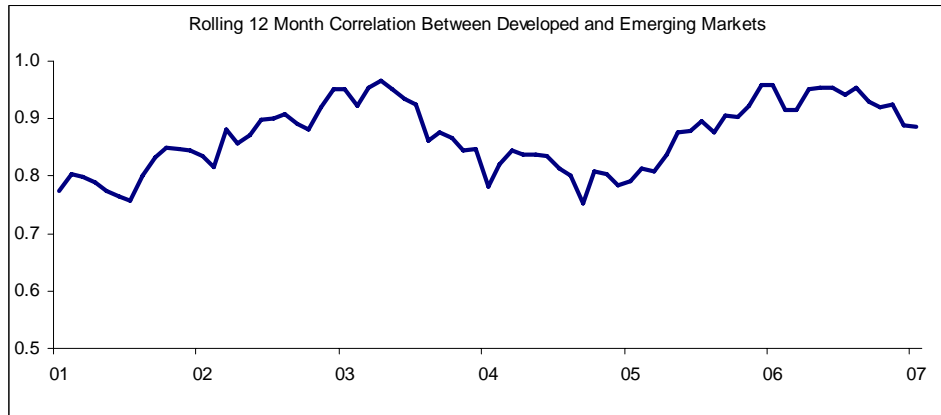
The distinction between Developed and Emerging Markets in terms of risk-return characteristics is clearly visible in the following chart which plots the rolling 3 year annualized returns and standard deviation from December 2000 to December 2007. The EM data points staying to the northeast of the DM data points illustrates that the higher returns of Emerging Markets have been associated with higher volatility in Emerging Markets.

- DM returns are lower than EM returns as is volatility.



The correlation between Developed and Emerging Markets continues to remain high.

- The EM returns have however been highly correlated with DM returns.



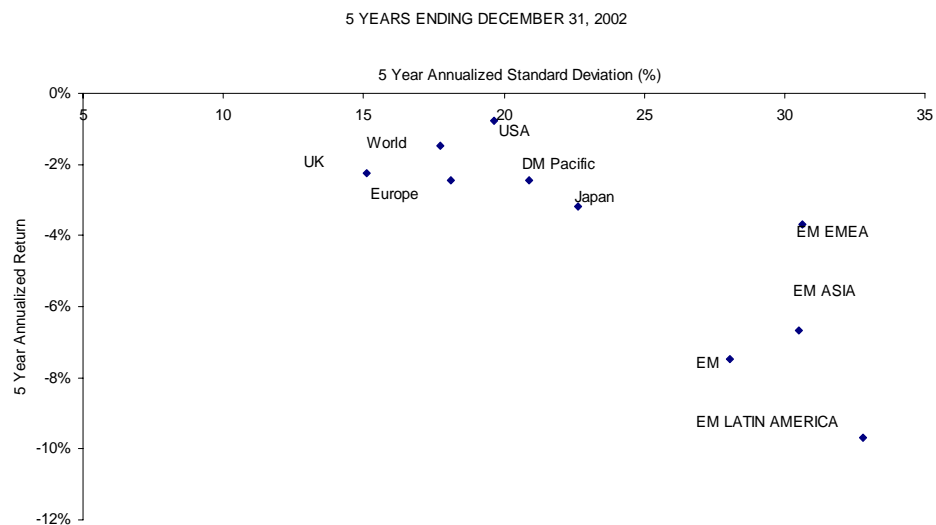
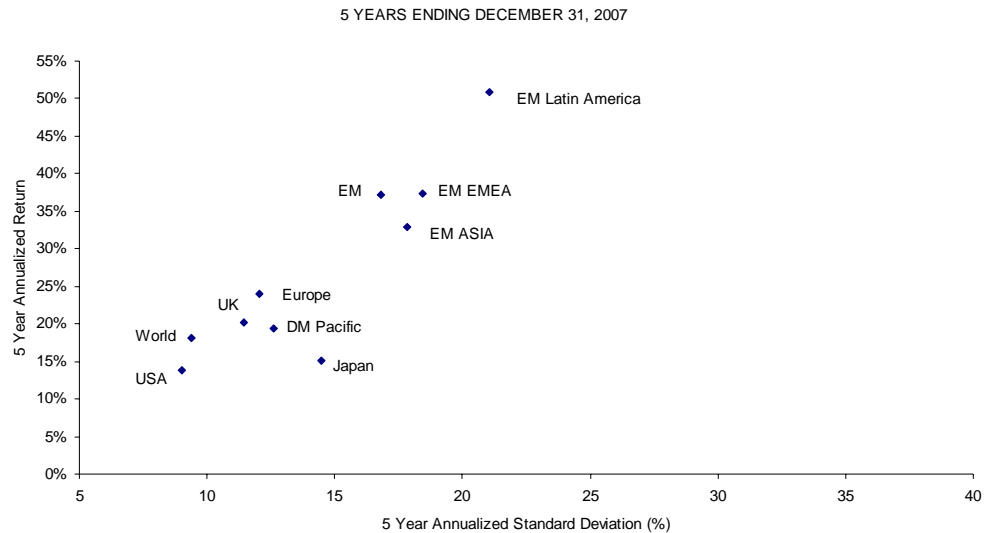
MSCI Global Investable Market Indices – Review

IV Risk-Return and Correlation of Developed and Emerging Markets (USD terms) (continued)

For the five years ending in 2007, Emerging Markets generally had the best returns, while Developed Markets, and more particularly the USA, experienced low returns. The risk-return trade-off was positive, with the higher returns achieved alongside higher volatility.

This was in contrast to the five years ending in 2002, when all major regions and countries had negative returns with Emerging Markets performing worse than Developed Markets and exhibiting higher volatility as well.

- Emerging Markets have exhibited higher volatility in both the 5-year periods ending in 2007 and 2002.
- However, in the latest 5-year period, the higher volatility accompanied superior returns, while in the prior 5-year period it was associated with inferior returns relative to Developed Markets.



MSCI Global Investable Market Indices – Review

Number of Securities and Capitalization of Country and Regional Global Investable Market Indices in USD

	Number of Securities					Index Capitalization				
	Large Cap	Mid Cap	Provisional Standard	Provisional Small Cap*	IMI	Large Cap	Mid Cap	Provisional Standard	Provisional Small Cap*	IMI
ACWI	1,195	1,343	2,538	5,795	8,333	27,436	5,173	32,609	4,408	37,017
WORLD	787	987	1,774	4,371	6,145	24,295	4,630	28,925	3,921	32,846
EAFE	460	588	1,048	2,339	3,387	11,813	2,220	14,033	1,699	15,731
WORLD EX JAPAN	635	785	1,420	3,570	4,990	22,007	4,130	26,137	3,511	29,648
DM NORTH AMERICA	327	399	726	2,032	2,758	12,482	2,410	14,892	2,223	17,115
US USA	281	343	624	1,846	2,470	11,480	2,205	13,685	2,058	15,742
CA Canada	46	56	102	186	288	1,002	205	1,207	165	1,373
DM EUROPE	227	299	526	1,175	1,701	8,372	1,457	9,829	1,050	10,879
GB United Kingdom	48	84	132	320	452	2,641	479	3,120	337	3,457
FR France	39	36	75	107	182	1,369	160	1,529	82	1,611
DE Germany	33	21	54	125	179	1,206	115	1,322	110	1,431
CH Switzerland	16	19	35	80	115	849	89	939	82	1,021
NL Netherlands	10	10	20	47	67	333	59	392	54	446
ES Spain	14	18	32	54	86	549	69	618	53	672
IT Italy	17	22	39	120	159	488	76	564	69	634
SE Sweden	15	18	33	69	102	244	82	326	64	390
FI Finland	4	15	19	30	49	193	63	255	26	281
BE Belgium	6	8	14	32	46	127	42	169	26	195
NO Norway	6	8	14	51	65	106	37	144	43	186
DK Denmark	4	13	17	38	55	67	61	128	26	154
GR Greece	4	7	11	47	58	64	40	104	33	137
IE Ireland	4	6	10	20	30	66	26	92	20	112
AT Austria	4	8	12	23	35	38	41	78	17	95
PT Portugal	3	6	9	12	21	31	18	50	8	58
DM PACIFIC	233	289	522	1,164	1,686	3,441	763	4,204	648	4,852
JP Japan	152	202	354	801	1,155	2,288	499	2,787	411	3,198
AU Australia	38	40	78	154	232	741	158	900	147	1,047
HK Hong Kong	29	24	53	122	175	291	55	346	50	396
SG Singapore	14	18	32	70	102	121	34	155	32	186
NZ New Zealand	0	5	5	17	22	0	16	16	9	25
EM	408	356	764	1,423	2,188	3,140	544	3,684	487	4,171
EM ASIA	244	227	471	1,024	1,496	1,673	335	2,008	326	2,334
CN China	58	37	95	119	214	524	68	592	45	637
KR Korea	885	47	932	240	333	1,216	100	1,316	81	604
TW Taiwan	45	69	114	295	409	291	71	362	75	437
IN India	36	24	60	189	250	255	54	309	73	382
MY Malaysia	20	22	42	75	117	69	20	89	19	108
ID Indonesia	11	9	20	34	54	50	9	59	16	75
TH Thailand	17	10	27	41	68	44	6	50	10	60
PH Philippines	8	6	14	13	27	14	5	19	3	22
PK Pakistan	3	3	6	18	24	3	1	5	4	8
EM EMEA	93	75	168	276	444	807	113	920	102	1,022
RU Russia	24	5	29	28	57	365	12	376	11	387
ZA South Africa	21	21	42	74	116	202	48	249	44	293
IL Israel	9	16	25	44	69	63	16	78	11	89
PL Poland	11	11	22	44	66	50	11	61	12	73
TR Turkey	13	10	23	45	68	52	9	60	12	73
EG Egypt	5	5	10	18	28	21	7	28	5	33
HU Hungary	2	2	4	4	8	22	6	28	1	29
CZ Czech Republic	3	2	5	3	8	23	4	27	2	29
MA Morocco	4	1	5	4	9	8	1	9	1	10
JO Jordan	1	2	3	12	15	1	1	2	2	4
EM LATIN AMERICA	71	54	125	123	248	661	95	756	59	815
BR Brazil	37	28	65	71	136	447	54	501	34	536
MX Mexico	13	12	25	14	39	144	20	165	8	173
CL Chile	11	6	17	17	34	33	7	40	8	49
PE Peru	3	3	6	9	15	15	7	22	3	25
AR Argentina	2	3	5	8	13	12	3	16	4	19
CO Colombia	5	2	7	4	11	8	3	11	2	13

* Provisional Small Cap series used for DM only
Data as of December 31, 2007

MSCI Global Investable Market Indices – Review

Index Weights of Country and Regional Global Investable Market Indices

	Weights in ACWI					Weights in Country Index				
	Large Cap	Mid Cap	Provisional Standard	Provisional Small Cap*	IMI	Large Cap	Mid Cap	Provisional Standard	Provisional Small Cap*	IMI
ACWI	100.0%	100.0%	100.0%	100.0%	100.0%	74.1%	14.0%	88.1%	11.9%	100.0%
WORLD	88.6%	89.5%	88.7%	89.0%	88.7%	74.0%	14.1%	88.1%	11.9%	100.0%
EAFE	43.1%	42.9%	43.0%	38.5%	42.5%	75.1%	14.1%	89.2%	10.8%	100.0%
WORLD EX JAPAN	80.2%	90.3%	81.8%	67.3%	80.1%	74.2%	15.8%	90.0%	10.0%	100.0%
DM NORTH AMERICA	45.5%	46.6%	45.7%	50.4%	46.2%	72.9%	14.1%	87.0%	13.0%	100.0%
US USA	41.8%	42.6%	42.0%	46.7%	42.5%	72.9%	14.0%	86.9%	13.1%	100.0%
CA Canada	3.7%	4.0%	3.7%	3.7%	3.7%	73.0%	15.0%	88.0%	12.0%	100.0%
DM EUROPE	30.5%	28.2%	30.1%	23.8%	29.4%	77.0%	13.4%	90.3%	9.7%	100.0%
GB United Kingdom	9.6%	9.3%	9.6%	7.6%	9.3%	76.4%	13.9%	90.3%	9.7%	100.0%
FR France	5.0%	3.1%	4.7%	1.9%	4.4%	85.0%	9.9%	94.9%	5.1%	100.0%
DE Germany	4.4%	2.2%	4.1%	2.5%	3.9%	84.3%	8.1%	92.3%	7.7%	100.0%
CH Switzerland	3.1%	1.7%	2.9%	1.9%	2.8%	83.2%	8.7%	91.9%	8.1%	100.0%
ES Spain	2.0%	1.3%	1.9%	1.2%	1.8%	81.7%	10.3%	92.0%	8.0%	100.0%
IT Italy	1.8%	1.5%	1.7%	1.6%	1.7%	77.0%	12.0%	89.0%	11.0%	100.0%
NL Netherlands	1.2%	1.1%	1.2%	1.2%	1.2%	74.7%	13.2%	88.0%	12.0%	100.0%
SE Sweden	0.9%	1.6%	1.0%	1.5%	1.1%	62.6%	20.9%	83.5%	16.5%	100.0%
FI Finland	0.7%	1.2%	0.8%	0.6%	0.8%	68.5%	22.2%	90.7%	9.3%	100.0%
BE Belgium	0.5%	0.8%	0.5%	0.6%	0.5%	65.2%	21.6%	86.8%	13.2%	100.0%
NO Norway	0.4%	0.7%	0.4%	1.0%	0.5%	57.0%	19.9%	77.0%	23.0%	100.0%
DK Denmark	0.2%	1.2%	0.4%	0.6%	0.4%	43.7%	39.6%	83.3%	16.7%	100.0%
GR Greece	0.2%	0.8%	0.3%	0.7%	0.4%	46.9%	29.2%	76.1%	23.9%	100.0%
IE Ireland	0.2%	0.5%	0.3%	0.5%	0.3%	59.0%	22.8%	81.7%	18.3%	100.0%
AT Austria	0.1%	0.8%	0.2%	0.4%	0.3%	39.7%	42.8%	82.6%	17.4%	100.0%
PT Portugal	0.1%	0.4%	0.2%	0.2%	0.2%	54.0%	32.1%	86.1%	13.9%	100.0%
DM PACIFIC	12.5%	14.7%	12.9%	14.7%	13.1%	70.9%	15.7%	86.6%	13.4%	100.0%
JP Japan	8.3%	9.7%	8.5%	9.3%	8.6%	71.5%	15.6%	87.2%	12.8%	100.0%
AU Australia	2.7%	3.1%	2.8%	3.3%	2.8%	70.8%	15.1%	85.9%	14.1%	100.0%
HK Hong Kong	1.1%	1.1%	1.1%	1.1%	1.1%	73.4%	14.0%	87.4%	12.6%	100.0%
SG Singapore	0.4%	0.7%	0.5%	0.7%	0.5%	64.9%	18.1%	83.1%	16.9%	100.0%
NZ New Zealand	0.0%	0.3%	0.0%	0.2%	0.1%	0.0%	64.9%	64.9%	35.1%	100.0%
EM	11.4%	10.5%	11.3%	11.0%	11.3%	75.3%	13.0%	88.3%	11.7%	100.0%
EM ASIA	6.1%	6.5%	6.2%	7.4%	6.3%	71.7%	14.4%	86.0%	14.0%	100.0%
CN China	1.9%	1.3%	1.8%	1.0%	1.7%	82.2%	10.7%	92.9%	7.1%	100.0%
KR Korea	1.5%	1.9%	1.6%	1.8%	1.6%	69.9%	16.6%	86.5%	13.5%	100.0%
TW Taiwan	1.1%	1.4%	1.1%	1.7%	1.2%	66.7%	16.2%	82.9%	17.1%	100.0%
IN India	0.9%	1.0%	0.9%	1.7%	1.0%	66.7%	14.1%	80.8%	19.2%	100.0%
MY Malaysia	0.3%	0.4%	0.3%	0.4%	0.3%	63.9%	18.7%	82.6%	17.4%	100.0%
ID Indonesia	0.2%	0.2%	0.2%	0.4%	0.2%	66.6%	12.6%	79.2%	20.8%	100.0%
TH Thailand	0.2%	0.1%	0.2%	0.2%	0.2%	73.6%	10.0%	83.6%	16.4%	100.0%
PH Philippines	0.1%	0.1%	0.1%	0.1%	0.1%	63.2%	21.7%	85.0%	15.0%	100.0%
PK Pakistan	0.0%	0.0%	0.0%	0.1%	0.0%	39.9%	16.8%	56.6%	43.4%	100.0%
EM EMEA	2.9%	2.2%	2.8%	2.3%	2.8%	78.9%	11.1%	90.0%	10.0%	100.0%
RU Russia	1.3%	0.2%	1.2%	0.2%	1.0%	94.2%	3.0%	97.2%	2.8%	100.0%
ZA South Africa	0.7%	0.9%	0.8%	1.0%	0.8%	68.7%	16.3%	85.0%	15.0%	100.0%
IL Israel	0.2%	0.3%	0.2%	0.2%	0.2%	70.2%	17.7%	87.9%	12.1%	100.0%
PL Poland	0.2%	0.2%	0.2%	0.3%	0.2%	68.7%	14.8%	83.5%	16.5%	100.0%
TR Turkey	0.2%	0.2%	0.2%	0.3%	0.2%	71.1%	12.2%	83.3%	16.7%	100.0%
EG Egypt	0.1%	0.1%	0.1%	0.1%	0.1%	64.1%	19.7%	83.8%	16.2%	100.0%
HU Hungary	0.1%	0.1%	0.1%	0.0%	0.1%	75.5%	19.8%	95.3%	4.7%	100.0%
CZ Czech Republic	0.1%	0.1%	0.1%	0.0%	0.1%	78.2%	15.4%	93.6%	6.4%	100.0%
MA Morocco	0.0%	0.0%	0.0%	0.0%	0.0%	77.4%	8.6%	86.1%	13.9%	100.0%
JO Jordan	0.0%	0.0%	0.0%	0.0%	0.0%	33.3%	17.5%	50.7%	49.3%	100.0%
EM LATIN AMERICA	2.4%	1.8%	2.3%	1.3%	2.2%	81.1%	11.7%	92.8%	7.2%	100.0%
BR Brazil	1.6%	1.0%	1.5%	0.8%	1.4%	83.5%	10.1%	93.6%	6.4%	100.0%
MX Mexico	0.5%	0.4%	0.5%	0.2%	0.5%	83.5%	11.8%	95.3%	4.7%	100.0%
CL Chile	0.1%	0.1%	0.1%	0.2%	0.1%	68.4%	14.6%	83.0%	17.0%	100.0%
PE Peru	0.1%	0.1%	0.1%	0.1%	0.1%	60.4%	28.2%	88.6%	11.4%	100.0%
AR Argentina	0.0%	0.1%	0.0%	0.1%	0.1%	64.0%	17.5%	81.5%	18.5%	100.0%
CO Colombia	0.0%	0.1%	0.0%	0.0%	0.0%	63.3%	21.9%	85.2%	14.8%	100.0%

* Provisional Small Cap series used for DM only
Data as of December 31, 2007

MSCI Global Investable Market Indices – Review

V Index Weights of Country and Regional Investable Market Indices

The MSCI Global Investable Market Indices provide broad and comprehensive coverage of the global equity markets, after considering investability requirements, along with size segmentation. The MSCI ACWI Investable Market Indices, which cover both Developed and Emerging Markets and all size segments within them, comprised 8333 securities representing USD 37 trillion in float-adjusted market capitalization.

The provisional MSCI World Standard Index, which comprises the Large + Mid Cap segments of the Developed Markets universe, represented USD 29 trillion in index market cap. Emerging Markets were 11.3% of ACWI IMI and Small Caps were 11.9% of ACWI IMI. The US was the largest country in terms of weight at 42.5% represented by 2470 securities. Within Emerging Markets, China had the largest capitalization. New Zealand in Developed Markets and Pakistan in Emerging Markets were the countries with the smallest capitalizations.

The table below shows the regional weights and size segment weights relative to the MSCI ACWI Investable Market Index. The MSCI World Standard Index provided coverage of only 78.1% of the global investable opportunity set. Adding Emerging Markets provided additional coverage of 10.0%, but still leaves out small caps which were 11.9%. While Developed Markets were dominated by North America and Europe – 75.6% of ACWI IMI was in DM North America and DM Europe – Asian Emerging Markets were almost half of Pacific Developed Markets.

- Emerging Markets and Small Caps are sizable pieces of the global investable opportunity set.

	Weights in ACWI IMI				IMI
	Large Cap	Mid Cap	Provisional Standard	Provisional Small Cap*	
ACWI	74.1%	14.0%	88.1%	11.9%	100.0%
WORLD	65.6%	12.5%	78.1%	10.6%	88.7%
EAFE	31.9%	6.0%	37.9%	4.6%	42.5%
WORLD EX JAPAN	59.5%	12.6%	72.1%	8.0%	80.1%
DM NORTH AMERICA	33.7%	6.5%	40.2%	6.0%	46.2%
DM EUROPE	22.6%	3.9%	26.6%	2.8%	29.4%
DM PACIFIC	9.3%	2.1%	11.4%	1.8%	13.1%
EM	8.5%	1.5%	10.0%	1.3%	11.3%
EM ASIA	4.5%	0.9%	5.4%	0.9%	6.3%
EM EMEA	2.2%	0.3%	2.5%	0.3%	2.8%
EM LATIN AMERICA	1.8%	0.3%	2.0%	0.2%	2.2%

* Provisional Small Cap series used for DM only
Data as of December 31, 2007

MSCI Global Investable Market Indices – Review

V Index Weights of Country and Regional Investable Market Indices (continued)

The evolution of country and regional weights over time shows the dynamic nature of global equity markets. In this data based on the MSCI Standard Indices, Emerging Markets grew from 5.1% of ACWI in 1999 to 11.3% at the end of 2007. Japan shrunk from 13.4% to 9.7%. Within the Emerging Markets, China, which was 0.4% in 1999, is now the largest market at 15.9%.

Evolution of Country Weights Over Time

- Emerging Markets grew from 5.1% of the ACWI in 1999 to 11.3% at the end of 2007.

	1999	2002	2007
As a % of World			
North America	51.1%	58.5%	51.3%
USA	49.0%	56.2%	47.1%
Canada	2.1%	2.3%	4.1%
Europe	32.5%	29.6%	34.1%
United Kingdom	9.4%	11.5%	10.8%
France	5.0%	3.8%	5.2%
Germany	5.1%	2.4%	4.6%
Switzerland	2.8%	3.4%	3.3%
Netherlands	2.6%	2.3%	1.4%
Italy	2.1%	1.6%	1.9%
Pacific	16.4%	11.8%	14.6%
Japan	13.4%	8.8%	9.7%
Australia	1.2%	2.0%	3.2%
Hong Kong	1.1%	0.7%	1.2%
EAFE	48.9%	41.5%	48.7%
Kokusai	86.6%	91.2%	90.3%
As a % of ACWI			
World	94.9%	96.0%	88.7%
EM	5.1%	4.0%	11.3%
ACWI	100.0%	100.0%	100.0%
As a % of EM			
EM Asia	40.1%	55.4%	54.6%
Korea	13.9%	21.7%	14.3%
Taiwan	11.0%	12.8%	9.9%
China	0.4%	6.6%	15.9%
India	8.4%	5.0%	8.3%
Thailand	3.0%	1.7%	1.3%
EM EMEA	31.1%	27.0%	25.0%
South Africa	10.8%	14.0%	6.7%
Russia	2.5%	4.7%	10.1%
EM Latin America	28.7%	17.6%	20.4%
Brazil	9.9%	6.9%	13.4%
Mexico	11.6%	7.9%	4.5%

- Within Emerging Markets, China, which was just 0.4% in 1999, has become the largest market with a 15.9% share.

MSCI Global Investable Market Indices – Review

Performance of Size Indices in Local Currency and USD

	Gross Perf. in Local Annualized					Gross Perf. in USD Annualized				
	Large Cap	Mid Cap	Provisional Standard	Provisional Small Cap*	IMI	Large Cap	Mid Cap	Provisional Standard	Provisional Small Cap*	IMI
ACWI	8.3%	4.1%	7.7%	3.2%	7.2%	12.8%	8.3%	12.2%	7.2%	11.6%
WORLD	6.0%	1.1%	5.3%	0.1%	4.7%	10.4%	5.2%	9.7%	3.9%	9.0%
EAFE	5.3%	-2.8%	4.1%	-4.1%	3.1%	13.1%	4.2%	11.8%	3.0%	10.7%
WORLD EX JAPAN	8.1%	2.8%	7.3%	2.2%	6.7%	12.2%	6.5%	11.3%	5.8%	10.6%
DM NORTH AMERICA	6.8%	4.7%	6.5%	3.3%	6.1%	8.0%	6.1%	7.8%	4.7%	7.4%
US USA	6.4%	4.4%	6.1%	3.1%	5.8%	6.4%	4.4%	6.1%	3.1%	5.8%
CA Canada	10.6%	7.6%	10.1%	5.8%	9.9%	30.4%	26.9%	29.9%	24.8%	29.5%
DM EUROPE	8.2%	-2.9%	6.7%	-2.8%	5.6%	16.2%	4.0%	14.5%	4.5%	13.4%
GB United Kingdom	9.6%	-7.3%	6.6%	8.6%	5.4%	11.4%	-5.8%	8.5%	10.5%	7.2%
FR France	4.0%	-4.0%	3.6%	-0.5%	3.1%	15.3%	6.5%	14.6%	10.4%	14.3%
DE Germany	22.2%	2.8%	21.6%	8.3%	19.5%	35.5%	14.0%	34.8%	20.0%	32.5%
CH Switzerland	-1.3%	-0.6%	-1.1%	4.3%	-0.7%	6.4%	7.1%	6.6%	12.4%	7.1%
ES Spain	13.8%	13.8%	12.4%	-3.8%	11.0%	26.1%	26.1%	24.6%	6.7%	23.0%
IT Italy	-2.6%	-7.4%	-2.4%	-15.8%	-4.4%	8.0%	2.6%	8.3%	-6.7%	6.0%
NL Netherlands	10.9%	2.8%	9.7%	6.3%	9.3%	23.0%	14.0%	21.6%	17.9%	21.2%
SE Sweden	-3.2%	-2.2%	-2.7%	-5.4%	-3.6%	2.5%	3.5%	3.1%	0.2%	2.0%
FI Finland	50.2%	2.4%	38.3%	-7.8%	31.3%	66.5%	13.5%	53.4%	2.2%	45.6%
BE Belgium	-11.8%	-8.8%	-11.1%	-2.9%	-9.8%	-2.2%	1.1%	-1.5%	7.6%	0.0%
NO Norway	9.6%	41.0%	18.8%	-14.3%	13.3%	25.7%	61.6%	36.2%	0.3%	29.9%
DK Denmark	10.4%	44.9%	20.3%	-17.6%	8.9%	22.4%	60.6%	33.4%	-8.7%	20.7%
GR Greece	34.0%	18.0%	20.6%	11.0%	18.4%	48.6%	30.9%	33.7%	23.0%	31.3%
IE Ireland	-30.7%	-24.8%	-28.6%	-9.0%	-26.1%	-23.2%	-16.7%	-20.8%	0.9%	-18.1%
AT Austria	4.7%	-25.7%	-10.2%	-5.1%	-8.2%	16.1%	-17.6%	-0.4%	5.3%	1.7%
PT Portugal	6.8%	13.1%	10.7%	12.6%	12.1%	18.5%	25.4%	22.8%	24.9%	24.2%
DM PACIFIC	-1.0%	-2.6%	-1.3%	-5.9%	-1.9%	6.0%	4.2%	5.6%	1.0%	5.1%
JP Japan	-9.9%	-11.0%	-10.1%	-15.1%	-10.8%	-3.9%	-5.0%	-4.1%	-9.4%	-4.8%
AU Australia	18.5%	8.9%	16.9%	12.9%	16.4%	32.0%	21.3%	30.1%	25.8%	29.6%
HK Hong Kong	44.2%	33.6%	42.1%	25.6%	41.6%	43.9%	33.2%	41.7%	25.3%	41.3%
SG Singapore	13.3%	38.1%	19.6%	23.3%	20.7%	20.8%	47.2%	27.5%	31.2%	28.7%
NZ New Zealand	na	7.4%	2.8%	2.3%	2.4%	na	17.2%	12.2%	11.7%	11.7%
EM	31.9%	38.1%	33.0%	36.8%	34.0%	38.2%	44.3%	39.2%	42.3%	40.1%
EM ASIA	36.4%	55.2%	39.7%	44.0%	40.9%	38.8%	57.3%	42.9%	46.7%	43.3%
CN China	64.1%	82.1%	68.1%	73.8%	69.3%	63.7%	81.7%	67.6%	73.3%	68.8%
KR Korea	25.5%	60.5%	32.6%	48.9%	35.7%	26.3%	59.5%	31.7%	47.9%	34.8%
TW Taiwan	11.0%	3.2%	9.5%	5.3%	8.8%	11.6%	3.7%	10.0%	5.8%	9.3%
IN India	49.5%	97.2%	56.4%	74.4%	59.5%	67.9%	121.4%	75.6%	95.9%	79.1%
MY Malaysia	38.1%	34.5%	37.2%	45.9%	39.0%	47.4%	43.5%	46.4%	55.5%	48.3%
ID Indonesia	33.1%	187.3%	57.8%	66.4%	60.7%	27.4%	175.1%	58.9%	59.3%	53.9%
TH Thailand	40.7%	38.0%	39.8%	18.7%	36.3%	51.0%	48.1%	50.0%	27.4%	46.3%
PH Philippines	18.3%	11.3%	14.6%	24.2%	19.7%	40.4%	32.1%	36.1%	47.5%	42.2%
PK Pakistan	28.2%	56.9%	44.5%	44.9%	43.4%	26.6%	55.0%	42.7%	43.2%	41.6%
EM EMEA	21.4%	12.7%	20.2%	21.8%	21.2%	28.0%	20.4%	26.9%	30.2%	28.1%
RU Russia	20.9%	51.1%	21.6%	14.4%	21.8%	22.7%	53.2%	23.4%	18.6%	23.7%
ZA South Africa	14.6%	5.1%	12.8%	24.5%	15.2%	18.3%	8.4%	16.3%	28.4%	18.8%
IL Israel	32.4%	16.8%	29.1%	6.7%	25.6%	43.9%	27.4%	40.4%	13.7%	36.2%
PL Poland	12.0%	-11.3%	8.0%	13.8%	10.6%	32.3%	4.8%	27.5%	34.4%	30.6%
TR Turkey	48.5%	25.0%	44.0%	27.9%	41.4%	79.5%	51.0%	74.0%	54.5%	70.9%
EG Egypt	53.2%	41.0%	24.7%	44.6%	49.9%	58.6%	45.4%	28.2%	48.6%	54.9%
HU Hungary	8.1%	-2.1%	5.9%	-12.6%	5.1%	19.2%	7.9%	16.8%	-3.6%	15.8%
CZ Czech Republic	39.5%	22.9%	37.3%	20.7%	35.6%	60.1%	41.0%	57.6%	38.5%	55.6%
MA Morocco	19.4%	na	16.8%	54.1%	22.4%	29.9%	na	27.0%	67.6%	33.2%
JO Jordan	38.8%	12.3%	31.3%	26.8%	28.0%	38.8%	12.3%	31.3%	26.8%	28.1%
EM LATIN AMERICA	37.1%	16.5%	34.6%	25.5%	33.6%	53.0%	31.9%	50.4%	39.4%	49.2%
BR Brazil	56.4%	16.7%	50.3%	29.3%	48.3%	87.5%	40.0%	80.3%	55.1%	77.9%
MX Mexico	5.9%	6.9%	6.9%	22.2%	7.5%	5.0%	6.0%	6.0%	21.2%	6.6%
CL Chile	12.9%	27.1%	15.5%	20.5%	16.2%	20.7%	35.8%	23.5%	28.8%	24.2%
PE Peru	84.7%	na	76.6%	59.1%	79.7%	87.9%	na	80.5%	69.5%	84.3%
AR Argentina	-6.1%	19.8%	-0.2%	3.2%	0.4%	-8.6%	16.6%	-0.6%	0.4%	-2.3%
CO Colombia	-2.4%	na	-2.8%	1.9%	-2.0%	8.4%	na	7.9%	13.1%	8.9%

All market caps are in USD billions. Gross index captures the price performance with dividends reinvested. Data as of December 31, 2007.
Returns for MSCI New Zealand Large Cap not shown since the index was computed until November 30, 2007
Returns for MSCI Colombia Mid Cap not shown since historical returns were not computed after January 1, 2007
Returns for MSCI Peru Mid Cap not shown since historical returns were not computed after November 30, 2006

* Provisional Small Cap series used for DM only
Data as of December 31, 2007

MSCI Global Investable Market Indices – Review

VI Performance of Size Indices in Local Currency and USD (continued)

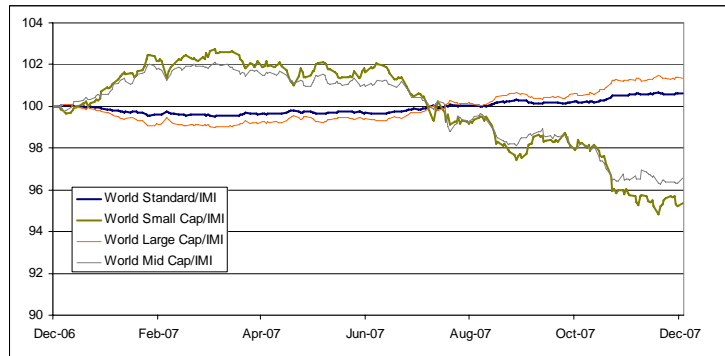
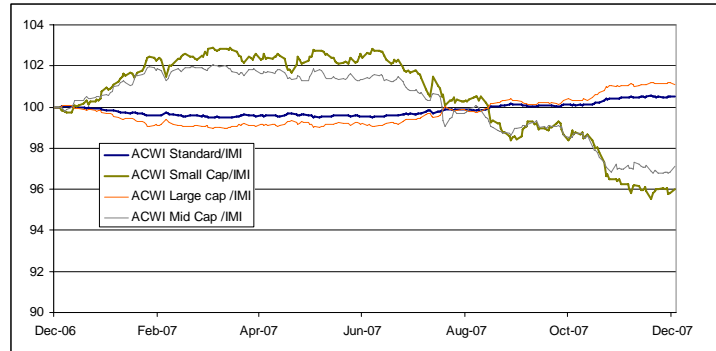
Gross performance in local currency, which includes reinvested dividends, for the MSCI All Country World Index (ACWI), showed that Large Caps did better than other size segments in 2007. This pattern was true for most regions and countries. In the Pacific region, all size segments posted negative returns due to the poor performance of Japan. Emerging Markets returns were, in general, better than those of Developed Markets. Returns in USD terms were also generally better than those in local currency terms due to the general depreciation of the US dollar.

MSCI Global Investable Market Indices – Review

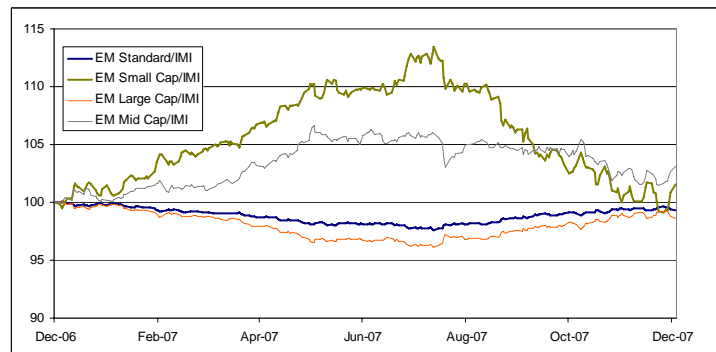
VII Performance of Size Indices (USD terms)

The gross performance for 2007 in USD terms of the different size segments, relative to the Investable Market Indices at the ACWI, World, and Emerging Markets levels are shown below. While Small Caps underperformed the Investable Market Index in Developed Markets, and hence at the ACWI level, they outperformed the Investable Market Index in Emerging Markets. But in all markets, small caps began to underperform beginning in June-July 2007.

- For the full year 2007, Small Caps underperformed the Investable Market Index in Developed Markets, but managed to outperform in Emerging Markets.



- However, small caps began underperforming larger caps at about the same time in both Developed and Emerging Markets.

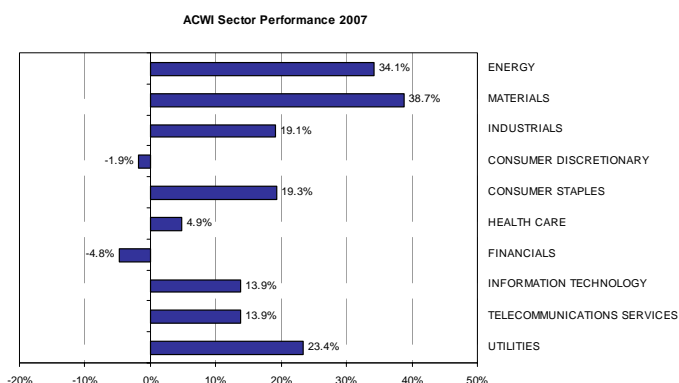


MSCI Global Investable Market Indices – Review

VIII Performance of Sectors in 2007 (USD terms) (continued)

Sector performance reported here is based on the Standard Indices. At the ACWI level, Materials was the best performer with a return of 38.7% for the year 2007, bettering the 34.1% return of the Energy sector. Consumer Discretionary and Financials brought up the rear with negative returns of 1.9% and 4.8%, respectively.

- Consumer Discretionary and Financials sectors of the ACWI Standard Index had negative returns for the year.

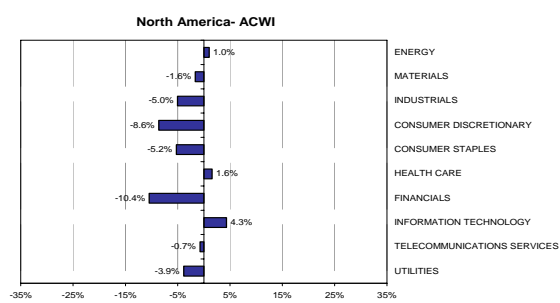
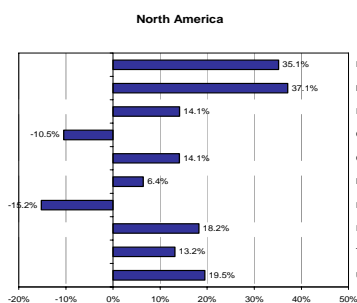


The following charts show the performance of sectors by region on the left side and the excess return compared to the corresponding ACWI sector on the right side. Looking at regional performances within and across regions is clearly visible. Financials were the biggest loser in North America but actually had a positive return in the Pacific. Energy and Materials had large positive returns in every major region. However, Energy underperformed its ACWI counterpart only in Europe while Financials underperformed only in North America.

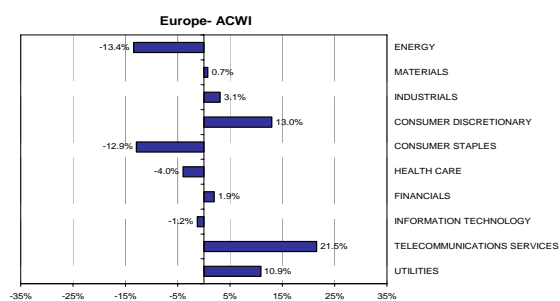
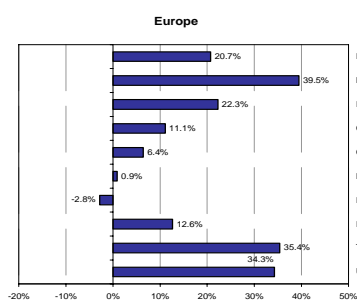
Absolute Return

Excess Return vs. ACWI Sector Return

- Financials performance was a big story in 2007, but was largely a North American event.



- Materials and Energy recorded strong performances in all regions.



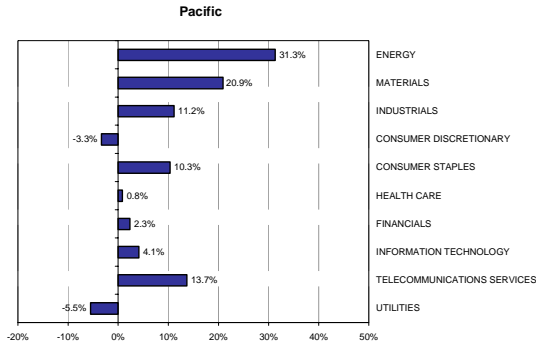
MSCI Global Investable Market Indices – Review

VIII Performance of Sectors in 2007 (USD terms) (continued)

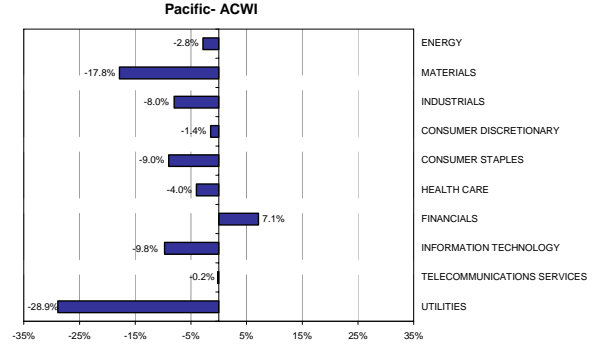
Within Emerging Markets, sector performance was generally more positive than the ACWI sector returns.

- In Emerging Markets, Information Technology was the only sector to underperform its ACWI counterpart.

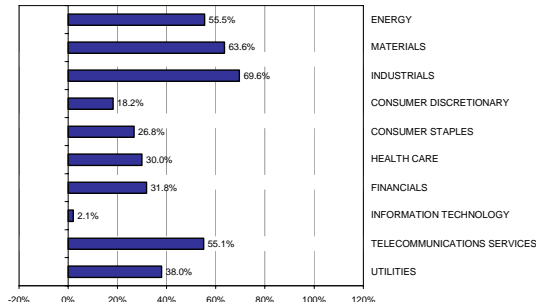
Absolute Return



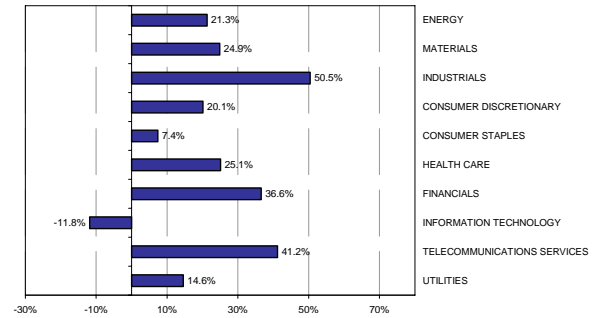
Excess Return vs. ACWI Sector Return



EM



EM- ACWI

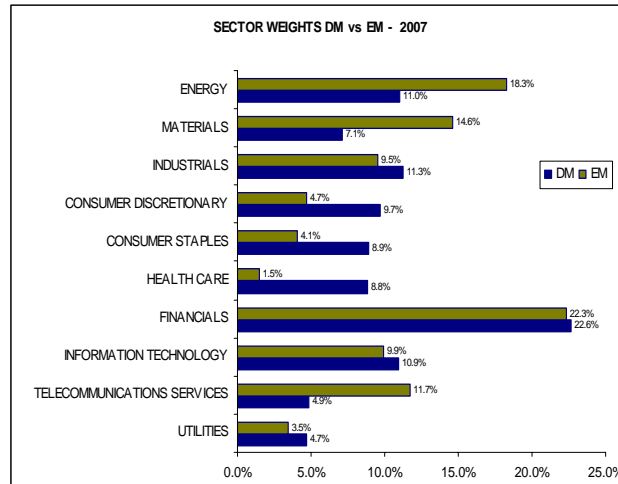


MSCI Global Investable Market Indices – Review

IX Sector Weights in MSCI Global Investable Market Indices in 2007

Sector weights, based on the Investable Market Indices, showed significant variations between Developed and Emerging Markets. While Financials were the largest sector with about a 22% weight in both Developed and Emerging Markets, and Utilities were small with less than a 5% weight in both, the weight differences in other sectors are notable. There is a big overweight in Energy, Materials, and Telecommunications Services in EM with a corresponding underweight in Consumer Discretionary, Consumer Staples, and Health Care.

- Financials is the biggest sector in both Developed and Emerging Markets.



Financials have largely maintained their weight in the Developed Markets over the last decade despite the many crises. Energy has almost doubled its weight in both Developed and Emerging Markets over the last 10 years while Utilities, Consumer Discretionary, Consumer Staples, and Telecommunication Services have all lost ground.

Evolution of Sector Weights Over Time

Sector Weights			
	1997	2002	2007
DM	100.0%	100.0%	100.0%
UTILITIES	5.0%	3.8%	4.7%
TELECOMMUNICATIONS SERVICES	7.2%	5.6%	4.9%
INFORMATION TECHNOLOGY	9.3%	10.4%	10.9%
FINANCIALS	24.0%	23.3%	22.6%
HEALTH CARE	9.3%	12.9%	8.8%
CONSUMER STAPLES	9.1%	9.2%	8.9%
CONSUMER DISCRETIONARY	12.9%	12.6%	9.7%
INDUSTRIALS	11.3%	9.1%	11.3%
MATERIALS	5.4%	4.0%	7.1%
ENERGY	6.6%	9.2%	11.0%
EM	100.0%	100.0%	100.0%
UTILITIES	11.6%	3.1%	3.5%
TELECOMMUNICATIONS SERVICES	12.8%	15.0%	11.7%
INFORMATION TECHNOLOGY	4.2%	18.0%	9.9%
FINANCIALS	23.9%	17.9%	22.3%
HEALTH CARE	1.0%	2.3%	1.5%
CONSUMER STAPLES	8.8%	4.6%	4.1%
CONSUMER DISCRETIONARY	7.7%	6.1%	4.7%
INDUSTRIALS	6.2%	5.2%	9.5%
MATERIALS	14.4%	18.2%	14.6%
ENERGY	9.3%	9.4%	18.3%

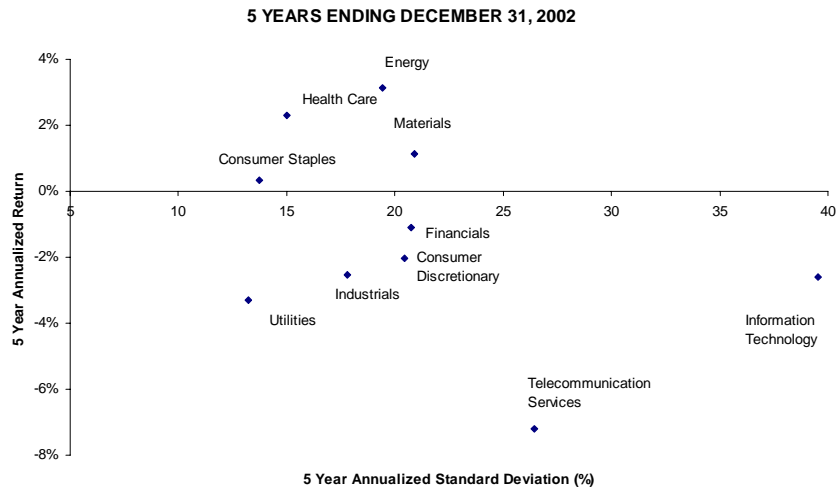
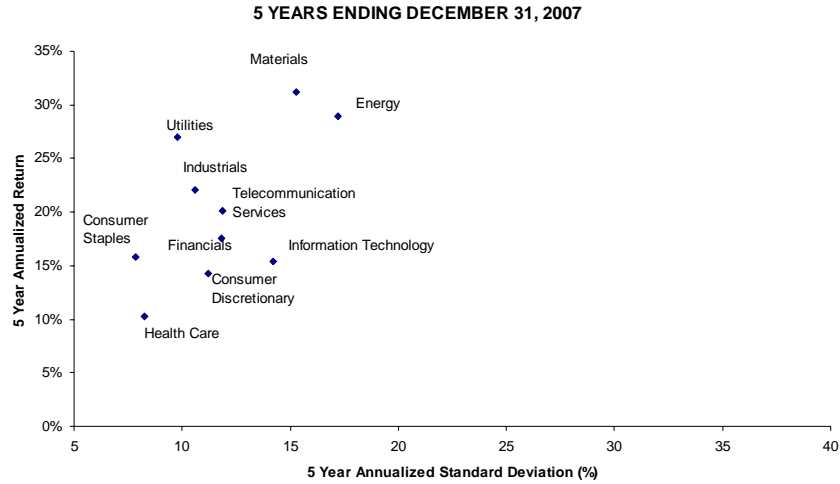
- The increase in the weight of the Energy sector is notable in both Developed and Emerging Markets.

MSCI Global Investable Market Indices – Review

X Risk Return Profile for Sectors (USD terms)

In the five-year period ending in 2007 all sectors had positive returns (again, sector performance is based on the Standard Indices). The annualized volatility across sectors tightened to a range between 5% and 20%. This is in stark contrast to the prior five-year period that ended in 2002. During that period, 6 out of the 10 sectors posted negative returns and Information Technology and Telecommunication Services not only had significant negative returns, but also annualized volatilities that exceeded 25%.

- All sectors posted positive returns in the 5 years ending in 2007 with annualized volatilities not exceeding 20%.
- In the 5-year period ending in 2002, however, most sectors had negative returns and the annualized volatility was higher for each sector.



MSCI Global Investable Market Indices – Review

XI Performance of Style Indices (USD terms)

Gross Performance in USD (Jan 1, 2007 - December 31, 2007)					Performance Differential
		Standard Index	Value Index	Growth Index	Value - Growth
ACWI		12.2%	7.4%	17.1%	-9.7%
WORLD		9.6%	4.1%	15.1%	-11.0%
EAFE		11.6%	6.5%	11.6%	-5.1%
WORLD EX JAPAN		11.3%	5.3%	17.3%	-12.1%
DM NORTH AMERICA		7.7%	1.9%	13.5%	-11.6%
US	USA	6.0%	0.5%	11.6%	-11.1%
CA	Canada	30.2%	21.2%	40.0%	-18.8%
DM EUROPE		14.4%	8.8%	20.0%	-11.1%
GB	United Kingdom	8.4%	0.9%	16.1%	-15.2%
FR	France	14.0%	9.6%	19.1%	-9.5%
DE	Germany	35.9%	28.7%	42.8%	-14.1%
CH	Switzerland	6.1%	5.8%	5.7%	0.1%
ES	Spain	24.7%	18.4%	30.4%	-12.0%
IT	Italy	7.3%	6.8%	7.7%	-0.9%
NL	Netherlands	21.1%	18.4%	21.3%	-2.9%
SE	Sweden	1.5%	6.5%	-3.8%	10.3%
FI	Finland	50.1%	11.2%	80.9%	-69.7%
BE	Belgium	-1.9%	-13.8%	10.9%	-24.8%
NO	Norway	32.4%	31.2%	33.8%	-2.7%
DK	Denmark	26.1%	3.2%	47.2%	-44.0%
GR	Greece	32.9%	32.8%	37.5%	-4.8%
IE	Ireland	-19.6%	-20.3%	-19.1%	-1.1%
AT	Austria	2.7%	1.9%	6.0%	-4.1%
PT	Portugal	24.7%	22.2%	26.7%	-4.5%
DM PACIFIC		5.6%	1.5%	9.7%	-8.2%
JP	Japan	-4.1%	-5.3%	-3.1%	-2.2%
AU	Australia	29.8%	16.0%	44.6%	-28.7%
HK	Hong Kong	41.2%	33.5%	48.3%	-14.8%
SG	Singapore	28.4%	14.4%	44.4%	-30.0%
NZ	New Zealand	9.8%	12.7%	7.3%	5.4%
EM		39.8%	42.7%	37.0%	5.8%
EM ASIA		41.6%	45.9%	37.2%	8.7%
CN	China	66.2%	68.5%	63.4%	5.1%
KR	Korea	32.6%	34.3%	30.8%	3.5%
TW	Taiwan	9.1%	15.2%	3.3%	11.9%
IN	India	73.1%	90.0%	56.7%	33.3%
MY	Malaysia	46.1%	49.2%	43.1%	6.1%
ID	Indonesia	55.0%	55.7%	50.9%	4.8%
TH	Thailand	46.6%	37.3%	55.9%	-18.6%
PH	Philippines	41.7%	48.3%	35.1%	13.2%
PK	Pakistan	38.4%	21.3%	62.0%	-40.7%
EM EMEA		28.7%	29.8%	27.7%	2.1%
RU	Russia	24.8%	29.2%	21.0%	8.1%
ZA	South Africa	18.1%	18.4%	18.0%	0.4%
IL	Israel	40.0%	31.0%	49.2%	-18.3%
PL	Poland	27.4%	29.3%	24.2%	5.1%
TR	Turkey	74.8%	58.1%	91.1%	-33.0%
EG	Egypt	58.4%	52.0%	65.1%	-13.2%
HU	Hungary	16.8%	26.7%	9.0%	17.7%
CZ	Czech Republic	55.9%	57.3%	54.4%	2.9%
MA	Morocco	48.1%	32.6%	62.4%	-29.8%
JO	Jordan	24.3%	11.9%	34.6%	-22.7%
EM LATIN AMERICA		50.7%	51.8%	49.3%	2.5%
BR	Brazil	80.0%	82.8%	75.9%	6.9%
MX	Mexico	12.2%	4.1%	20.3%	-16.2%
CL	Chile	23.7%	29.3%	17.6%	11.7%
PE	Peru	94.7%	105.3%	81.6%	23.7%
AR	Argentina	-4.0%	0.7%	-8.6%	9.2%
CO	Colombia	15.0%	17.9%	12.2%	5.7%

- Growth outperformed Value in Developed Markets, but not in Emerging Markets.

Data as of December 31, 2007

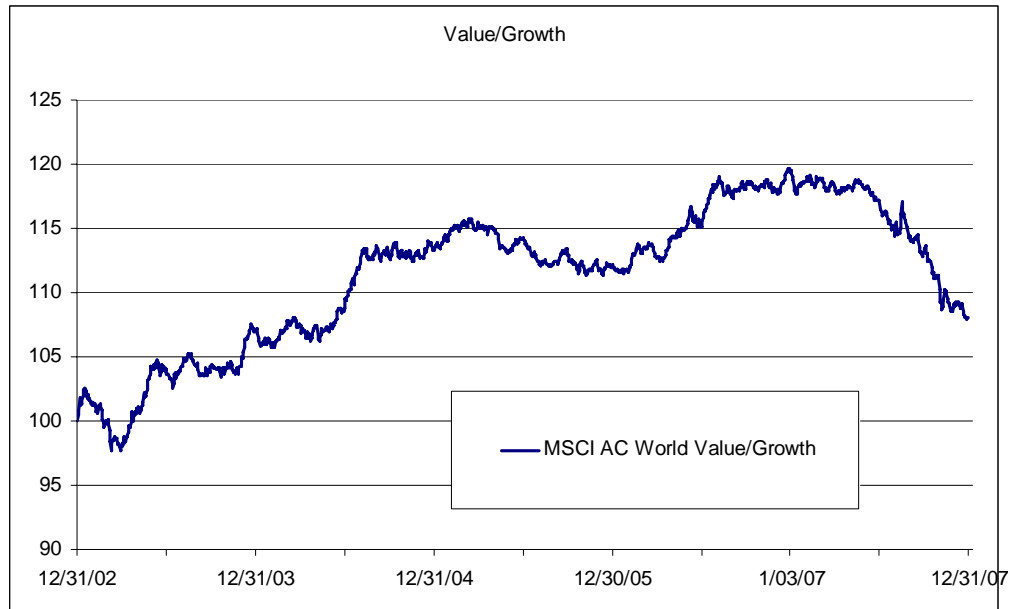
MSCI Global Investable Market Indices – Review

XI Performance of Style Indices (USD terms) (continued)

The style indices return data is based on the Standard Indices. After many years of Value outperforming Growth, in 2007 the MSCI ACWI Value Index, with a return of 7.4%, underperformed the MSCI ACWI Growth Index, which had a return of 17.1%. This underperformance was driven by Developed Markets. In Emerging Markets, Value outperformed Growth in 2007, reversing the performance pattern in that region in 2006. The biggest disparity in Value versus Growth performance was in Finland where Value underperformed Growth by 70%.

Cumulative Relative Performance

- Value outperformance over growth reversed in 2007.



MSCI Global Investable Market Indices – Review

XII MSCI ACWI Index Regional and Country Index Ratios

At the ACWI level, valuation ratios such as P/BV, Yield and the forward P/E improved in 2007 compared with 2006. Growth rates were mixed. While valuation ratios improved in Developed Markets, they deteriorated somewhat in Emerging Markets driven by the larger increase in prices relative to the change in the fundamentals.

- Valuation ratios in Developed Markets generally improved and were accompanied by increases in growth parameters.
- With the significant positive performance in Emerging Markets, valuation ratios slightly worsened from 2006 to 2007.

	Value Index Level Valuation Ratios at December Month End						Growth Index Level Valuation Ratios at December Month End									
	P / BV		P / E 12 month fwd		Yield		LT fwd EPS G		ST fwd EPS G		Current Internal Growth Rate		LT his SPS G		LT his EPS G	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
ACWI	2.5	2.7	13.8	14.5	2.3	2.1	11.6	11.1	12.4	11.1	10.2	11.1	11.0	8.4	21.5	20.7
WORLD	2.5	2.7	13.8	14.7	2.3	2.1	10.9	10.8	12.0	10.8	10.1	10.8	9.9	7.6	20.9	20.1
EAFE	2.2	2.5	12.9	14.2	2.7	2.4	9.0	9.1	9.1	9.1	9.5	9.1	7.2	5.1	21.6	21.4
WORLD EX JAPAN	2.6	2.8	13.7	14.4	2.4	2.2	10.8	10.7	12.2	10.7	10.6	10.7	10.1	7.8	20.4	18.4
DM NORTH AMERICA	2.8	2.9	14.7	15.3	1.9	1.8	12.7	12.3	15.4	12.3	10.9	12.3	12.3	9.8	20.3	19.0
US USA	2.8	2.9	14.7	15.3	1.9	1.8	12.8	12.3	15.7	12.3	11.0	12.3	12.2	9.7	19.9	19.0
CA Canada	2.8	2.9	15.0	14.9	2.2	1.9	11.0	11.9	11.4	11.9	9.2	11.9	14.5	10.7	24.9	18.8
DM EUROPE	2.3	2.6	12.2	13.1	3.0	2.7	8.0	8.0	9.8	8.0	10.7	8.0	6.4	4.1	20.8	17.7
GB United Kingdom	2.4	2.8	11.9	12.4	3.3	3.2	7.2	8.0	7.2	8.0	11.7	8.0	9.3	8.9	17.4	15.5
FR France	2.1	2.3	12.0	13.0	2.9	2.5	6.5	7.6	10.7	7.6	8.5	7.6	0.9	-2.0	25.1	19.3
DE Germany	2.1	1.9	12.7	13.1	2.4	2.2	8.2	6.5	11.4	6.5	10.1	6.5	3.5	1.0	25.4	26.7
CH Switzerland	2.9	3.5	13.1	15.1	2.2	1.6	11.7	10.6	28.0	10.6	14.0	10.6	6.3	4.8	24.0	19.8
ES Spain	2.8	3.1	12.3	13.6	3.1	3.1	7.7	10.9	12.7	10.9	11.4	10.9	13.0	6.9	15.6	10.6
IT Italy	1.8	2.2	11.3	12.9	4.1	4.1	6.4	4.5	11.0	4.5	5.7	4.5	6.7	4.7	22.9	17.0
NL Netherlands	2.3	2.5	11.9	12.9	3.1	2.9	6.3	6.2	2.5	6.2	13.6	6.2	-1.2	-4.4	10.5	7.7
SE Sweden	2.5	3.0	11.8	14.8	3.2	2.5	6.9	5.7	9.4	5.7	12.4	5.7	9.8	1.4	27.3	32.4
FI Finland	3.6	3.2	14.8	14.2	2.6	2.7	9.9	6.7	-9.8	6.7	11.2	6.7	7.8	2.5	9.9	7.9
BE Belgium	1.5	2.1	10.0	12.5	4.8	2.9	8.1	8.6	1.0	8.6	9.8	8.6	5.3	1.5	24.0	16.8
NO Norway	2.6	2.7	13.0	12.5	2.3	2.2	6.6	6.8	2.7	6.8	17.1	6.8	17.7	5.2	34.3	17.4
DK Denmark	3.1	3.0	14.9	16.3	1.3	1.6	13.2	9.6	14.4	9.6	13.6	9.6	10.9	7.1	18.9	19.5
GR Greece	3.2	3.1	13.4	13.6	2.6	2.4	21.5	23.5	15.1	23.5	9.5	23.5	12.2	10.9	22.5	15.4
IE Ireland	1.9	3.2	8.9	14.2	3.2	2.1	7.9	8.7	7.7	8.7	12.4	8.7	1.0	2.9	16.6	9.2
AT Austria	1.8	2.4	10.5	13.6	2.1	1.3	10.8	11.6	10.7	11.6	8.0	11.6	11.9	4.5	30.7	33.9
PT Portugal	2.9	2.9	15.2	15.8	3.2	3.1	7.7	6.7	9.4	6.7	9.6	6.7	3.7	3.6	21.2	11.4
DM PACIFIC	1.9	2.2	15.2	17.2	2.0	1.7	11.5	11.8	7.2	11.8	7.1	11.8	9.0	7.2	23.4	29.6
JP Japan	1.7	2.1	14.8	17.9	1.5	1.1	12.0	12.1	10.4	12.1	7.1	12.1	8.1	6.4	25.4	34.0
AU Australia	3.0	3.0	14.9	14.6	3.7	3.6	8.7	9.2	9.3	9.2	7.2	9.2	10.4	9.6	18.9	16.5
HK Hong Kong	2.4	2.0	21.5	18.7	2.0	2.6	14.3	15.1	-22.8	15.1	6.0	15.1	13.3	11.8	20.8	17.4
SG Singapore	2.3	2.2	15.0	16.4	2.5	2.3	14.1	14.6	4.2	14.6	8.3	14.6	11.9	7.8	17.8	15.5
NZ New Zealand	2.4	3.2	14.4	15.1	5.2	4.6	6.2	5.2	0.5	5.2	5.1	5.2	6.8	6.5	7.0	17.7
EM	2.8	2.6	13.8	12.5	1.9	2.1	18.2	15.2	15.1	15.2	11.2	15.2	20.3	16.9	26.2	27.5
EM ASIA	2.8	2.4	15.0	13.3	1.8	2.1	21.1	17.3	16.0	17.3	9.8	17.3	18.0	15.9	21.6	24.6
CN China	4.5	3.2	19.3	16.9	1.2	1.5	24.3	17.4	21.5	17.4	11.4	17.4	21.7	19.0	26.0	30.2
KR Korea	1.8	1.7	11.8	10.3	1.6	1.6	18.7	14.2	16.1	14.2	10.6	14.2	8.8	11.3	18.7	22.6
TW Taiwan	2.2	2.2	11.9	13.8	3.8	3.5	20.3	17.7	15.2	17.7	5.0	17.7	24.5	19.7	18.7	28.0
IN India	6.4	5.2	23.1	18.6	0.7	1.0	23.8	27.4	19.5	27.4	15.3	27.4	20.9	19.0	25.0	22.0
MY Malaysia	2.5	2.2	16.0	14.8	2.0	2.6	15.3	10.4	-5.6	10.4	9.9	10.4	11.1	4.6	12.6	9.8
ID Indonesia	5.8	4.4	16.1	13.6	1.5	2.3	24.8	23.1	11.6	23.1	18.2	23.1	23.8	17.8	18.4	12.1
TH Thailand	2.4	1.9	12.1	9.6	2.9	3.9	11.0	6.2	14.7	6.2	9.4	6.2	19.3	14.3	20.1	27.0
PH Philippines	2.9	2.8	16.2	14.8	2.2	2.2	14.6	14.8	15.9	14.8	11.1	14.8	11.5	7.0	22.8	15.3
PK Pakistan	3.7	2.7	10.9	8.9	4.1	5.8	12.8	13.2	16.3	13.2	12.3	13.2	21.7	19.9	32.2	30.7
EM EMEA	2.7	2.9	12.1	12.2	2.0	2.0	12.9	11.6	13.3	11.6	12.9	11.6	22.1	16.1	29.6	30.7
RU Russia	2.4	2.7	11.9	12.3	1.2	1.0	13.8	11.9	10.5	11.9	14.0	11.9	29.5	21.2	36.8	42.5
ZA South Africa	3.1	3.6	11.3	12.0	2.7	2.4	11.7	10.3	18.6	10.3	12.6	10.3	12.7	7.7	17.8	10.4
IL Israel	2.5	2.3	14.8	13.4	2.1	2.0	13.1	14.7	13.2	14.7	10.8	14.7	15.5	13.7	26.3	33.5
PL Poland	2.5	2.6	12.0	12.9	3.6	4.2	18.6	12.5	11.3	12.5	7.3	12.5	16.3	12.8	30.0	30.3
TR Turkey	2.3	2.0	10.9	9.7	2.3	2.9	9.4	7.6	10.3	7.6	16.1	7.6	21.7	21.7	30.8	46.2
EG Egypt	5.5	4.6	17.4	13.4	1.8	2.3	15.0	15.0	10.5	15.0	15.4	15.0	36.2	35.5	40.3	40.5
HU Hungary	2.6	3.0	10.8	10.9	2.3	2.4	7.6	7.3	9.8	7.3	14.4	7.3	17.0	15.2	25.1	31.2
CZ Czech Republic	3.6	2.7	16.6	15.7	2.5	3.3	7.5	18.1	22.6	18.1	6.3	18.1	21.2	17.2	30.9	24.3
MA Morocco	6.1	4.2	19.1	15.8	2.7	3.5	na	na	23.6	na	6.1	3.9	24.8	4.7	22.9	10.0
JO Jordan	2.4	2.1	na	na	1.8	3.4	na	na	na	na	7.2	6.9	14.7	12.0	27.4	28.4
EM LATIN AMERICA	3.1	2.8	13.3	11.2	2.1	2.4	15.4	14.2	15.6	14.2	12.9	14.2	24.1	20.6	33.8	30.9
BR Brazil	3.1	2.5	13.6	9.3	2.2	3.1	14.2	13.4	12.9	13.4	13.2	13.4	25.0	23.2	32.6	29.5
MX Mexico	3.3	3.6	12.3	15.0	1.6	1.2	20.4	16.7	22.3	16.7	14.7	16.7	24.6	20.9	36.6	32.0
CL Chile	2.4	2.3	18.2	19.8	1.7	1.9	9.7	10.0	9.0	10.0	6.8	10.0	11.7	5.2	28.0	20.8
PE Peru	5.6	3.9	12.7	7.7	3.7	5.6	15.0	15.0	36.2	15.0	17.0	15.0	31.2	23.7	47.0	52.8
AR Argentina	2.9	3.5	10.5	12.2	1.6	0.8	9.0	10.1	22.6	10.1	17.3	10.1	23.1	16.5	47.4	48.8
CO Colombia	1.8	1.9	na	na	2.3	2.5	na	na	na	na	2.5	4.7	7.3	13.7	16.7	27.7

Data as of December 31, 2007

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XIII MSCI ACWI Index Industry Group Index Ratios

Valuation ratios of ACWI industry groups showed somewhat disparate movements across industry groups from 2006 to 2007. Consumer Discretionary and Financials related industry groups saw their value indicators improve due to the significant decline in their performance brought about by the financial crisis of 2007. In other industry groups, the valuation ratios generally increased, i.e., got worse. Energy and Materials, the best performing sectors in 2007, saw their valuations ratios get a little worse as the P/B and P/E ratios increased and dividend yield fell. But their long term expected earnings growth rates did not decline much while their short term expected earnings growth rates showed improvement.

- Despite being the best sector performers, Energy and Materials did not show a significant erosion in their valuation ratios.

	Value Index Level Valuation Ratios at December Month End						Growth Index Level Valuation Ratios at December Month End									
	P / BV		P / E 12 month fwd		Yield		LT fwd EPS G		ST fwd EPS G		Current Internal Growth Rate		LT his SPS G		LT his EPS G	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
ENERGY	3.0	2.8	12.4	10.8	1.8	2.2	9.1	9.4	9.8	3.6	15.9	19.5	19.1	15.3	33.3	27.9
MATERIALS	2.8	2.6	13.1	12.0	1.9	2.0	12.0	11.6	10.4	7.8	13.0	12.2	14.6	9.8	31.3	30.7
CAPITAL GOODS	3.0	2.8	15.2	15.5	1.8	1.9	15.6	12.1	13.8	12.4	11.1	9.9	8.1	4.9	22.2	20.2
TRANSPORTATION	2.4	2.3	14.3	15.7	1.9	1.7	11.4	10.6	8.0	11.1	10.3	9.2	10.0	6.8	17.7	19.0
COMML SVC & SUPPL	3.2	3.7	14.9	18.3	2.0	1.7	12.2	13.0	12.5	13.0	12.0	10.8	9.4	10.9	14.3	10.7
AUTO & COMPONENTS	1.9	1.9	10.9	14.3	1.9	1.6	7.3	7.5	17.7	15.4	8.2	5.4	7.2	7.3	9.2	16.7
HOUSE & PERS PROD	4.4	3.9	19.9	19.9	1.9	1.9	11.5	10.9	13.7	13.6	11.3	9.2	7.9	8.1	9.1	10.9
CONSUMER SERVICES	3.5	3.8	17.6	20.2	2.2	1.8	13.0	12.7	12.6	12.3	9.7	8.9	11.4	12.2	14.0	14.8
RETAILING	2.8	3.1	14.5	16.5	1.7	1.3	15.3	14.2	10.1	13.4	12.5	12.3	14.2	13.1	19.5	20.6
MEDIA	2.1	2.5	16.6	20.7	1.8	1.4	12.6	13.6	15.9	19.7	7.5	6.7	7.0	6.0	33.9	32.1
FOOD BEV & TOBACCO	4.3	4.1	17.9	17.1	2.4	2.4	9.8	8.9	9.3	9.8	11.0	11.4	4.5	3.1	7.4	7.0
PHARMA & BIOTECH	3.6	4.0	14.6	16.6	2.5	2.2	9.8	11.1	9.5	9.2	10.3	11.2	9.4	9.1	11.0	11.1
H CARE EQUIP & SVC	3.5	3.4	17.4	18.0	0.5	0.5	14.6	14.2	14.2	14.5	14.8	13.3	12.3	10.9	16.8	19.8
BANKS	1.7	2.2	10.6	12.1	4.0	3.1	9.0	8.8	9.7	9.2	8.2	9.4	na	na	18.8	17.7
INSURANCE	1.6	1.8	10.1	12.0	2.5	1.9	9.8	9.7	2.0	4.6	11.0	9.7	1.7	3.1	27.0	26.0
DIVERS FINANC	1.7	2.3	10.5	12.8	3.3	2.4	11.2	10.2	29.1	7.5	10.8	11.1	12.7	6.3	22.9	20.4
REAL ESTATE	1.8	2.1	20.7	26.5	3.0	2.6	11.9	10.0	0.5	1.6	3.4	2.1	7.5	5.3	17.2	10.3
TECH HARD & EQUIP	3.3	3.3	16.2	17.8	0.9	0.8	15.5	16.3	21.1	20.0	11.5	10.8	15.2	7.6	27.8	32.9
SOFTWARE & SERVICES	5.9	5.2	20.6	21.9	0.7	0.7	17.3	16.4	18.9	19.7	15.9	13.9	19.6	16.6	25.8	22.9
TELECOM SVC	2.5	2.3	15.3	14.9	3.2	3.2	10.5	9.7	10.9	6.2	5.1	6.4	8.2	4.5	16.6	19.9
UTILITIES	2.3	2.2	16.9	15.6	2.8	3.2	8.6	7.3	9.7	11.3	6.5	5.6	5.1	2.9	12.6	9.5
FOOD & STAPLES RETL	2.9	3.1	16.8	17.4	1.7	1.5	13.2	12.2	13.3	13.4	9.7	10.8	8.5	10.7	9.5	9.6
CONS DUR & APPAREL	2.1	2.2	15.4	17.0	1.6	1.4	16.0	14.8	27.8	15.3	6.8	8.0	9.3	7.5	17.3	27.8
SEMICON & SEMICON EQUIP	2.7	2.9	15.9	16.2	1.8	1.3	15.7	17.1	22.7	15.4	9.1	11.5	12.9	12.7	26.7	33.6
ACWI	2.5	2.7	13.8	14.5	2.3	2.1	11.6	11.1	12.4	9.5	10.2	10.3	11.0	8.4	21.5	20.7

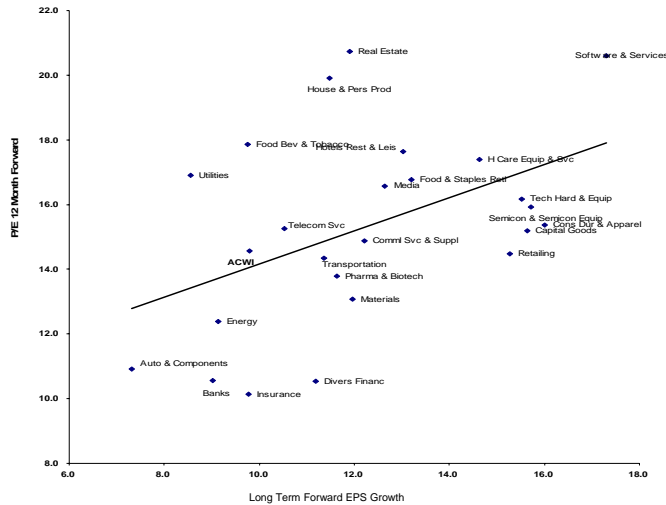
Data as of December 31, 2007

MSCI Global Investable Market Indices – Review

XIV MSCI ACWI Index Industry Group Value-Growth Tradeoffs

12 Month Forward P/E versus LT Forward EPS Growth by Industry Group

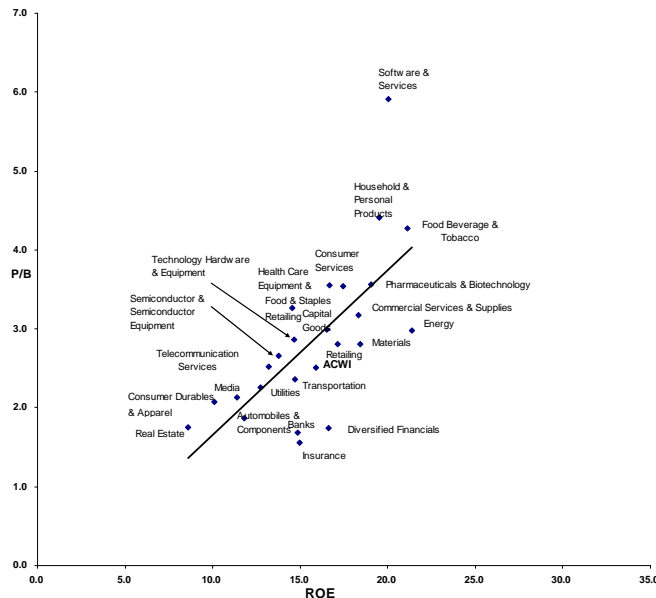
At an industry group level, LT Forward EPS Growth and 12-month Forward P/E exhibited a positive relationship. Financial and Consumer Discretionary related industry groups generally were below the valuation/growth trend line. Despite their notable performance in 2007, Energy and Materials also were below the valuation/growth trend line.



- The P/E to LT EPS Growth relationship and the P/B to ROE relationships exhibited a positive relationship.

P/B versus ROE by Industry Group

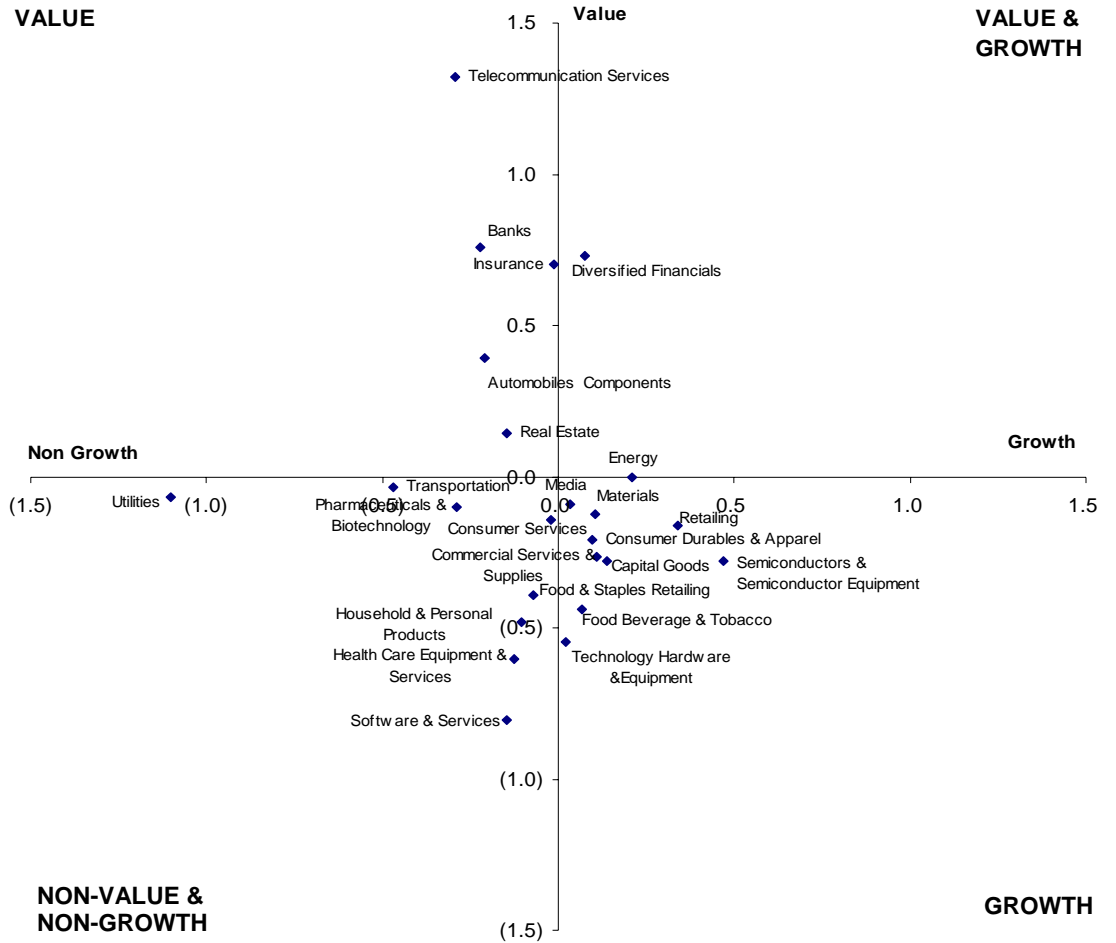
The P/B and ROE relationship of industry groups was also generally positive with only Software & Services posting a very high P/B ratio relative to its ROE. Here again Financial and Consumer Discretionary related industry groups generally were below the trend line.



MSCI Global Investable Market Indices – Review

XV Value and Growth by ACWI Industry Groups

Financials and Telecommunication Services industry groups were on the value side of the value-growth spectrum. Utilities moved to the Non-Value Non-Growth quadrant alongside Pharmaceuticals and Biotechnology. Materials and Energy were in the Growth quadrant.



- Financials dominate the value style.

Note: The z-scores at industry group levels are computed as the market cap weighted average of the z-scores of securities included in the industry groups. Data as of December 31, 2007.

MSCI Global Investable Market Indices – Performance Summary

XVI Performance of Global, Regional, and Country Standard Indices

Performance of Global, Regional, and Country Standard Indices in Local Currency and USD

	Mkt Cap FIF*	Index Weight	No. Sec	Gross Perf. in Local					Gross Perf. in USD				
				Annualized			3Y Risk	5Y Risk	Annualized			3Y Risk	5Y Risk
				1Y	3Y	5Y	Std Dev	Std Dev	1Y	3Y	5Y	Std Dev	Std Dev
ACWI	32,217	100.0%	2,884	7.7%	14.0%	15.9%	8.2	8.7	12.2%	14.9%	18.8%	8.8	9.5
WORLD	28,571	88.7%	1,958	5.2%	12.4%	14.8%	8.0	8.5	9.6%	13.3%	17.5%	8.2	9.2
DM NORTH AMERICA	14,647	45.5%	747	6.4%	9.5%	13.4%	7.8	8.6	7.7%	10.0%	14.0%	8.1	8.8
US USA	13,465	41.8%	637	6.0%	8.9%	13.1%	7.8	8.7	6.0%	8.9%	13.1%	7.8	8.7
CA Canada	1,181	3.7%	110	10.5%	17.8%	18.8%	11.1	10.1	30.2%	25.7%	30.5%	16.5	14.9
DM EUROPE	9,740	30.2%	624	6.5%	17.0%	16.7%	8.9	10.4	14.4%	19.1%	23.3%	9.8	12.0
GB United Kingdom	3,086	9.6%	157	6.6%	13.6%	14.2%	8.3	9.5	8.4%	15.0%	19.1%	9.7	11.2
FR France	1,497	4.6%	75	2.8%	16.7%	15.6%	10.2	12.0	14.0%	19.5%	23.5%	11.0	13.3
DE Germany	1,309	4.1%	61	22.6%	24.1%	23.2%	11.0	16.1	35.9%	27.1%	31.6%	12.3	17.4
CH Switzerland	932	2.9%	39	-1.6%	16.6%	15.3%	10.0	11.4	6.1%	16.8%	20.0%	10.0	11.7
ES Spain	611	1.9%	33	12.5%	22.2%	23.8%	12.0	12.5	24.7%	25.2%	32.3%	12.3	13.9
IT Italy	552	1.7%	40	-3.3%	11.3%	14.6%	9.2	11.3	7.3%	14.0%	22.5%	10.4	13.8
NL Netherlands	393	1.2%	24	9.3%	19.7%	14.2%	11.8	13.6	21.1%	22.6%	22.0%	12.2	14.1
SE Sweden	323	1.0%	49	-4.2%	16.7%	22.5%	14.4	15.6	1.5%	17.8%	30.1%	16.8	17.9
FI Finland	259	0.8%	23	35.4%	29.1%	16.5%	14.0	22.2	50.1%	32.3%	24.5%	14.9	22.8
BE Belgium	171	0.5%	22	-11.5%	11.5%	16.2%	11.5	14.3	-1.9%	14.2%	24.2%	11.7	16.0
NO Norway	150	0.5%	22	15.5%	29.7%	34.6%	16.3	18.0	32.4%	34.6%	41.3%	20.1	20.9
DK Denmark	129	0.4%	23	13.8%	27.1%	25.7%	11.1	13.3	26.1%	30.2%	34.2%	11.8	13.9
GR Greece	107	0.3%	15	19.9%	24.7%	29.9%	15.2	19.3	32.9%	27.7%	38.8%	15.9	19.8
IE Ireland	89	0.3%	14	-27.5%	2.6%	11.4%	16.2	14.6	-19.6%	5.1%	19.0%	15.4	15.0
AT Austria	80	0.2%	16	-7.4%	17.9%	28.0%	15.8	14.1	2.7%	20.8%	36.8%	15.8	15.0
PT Portugal	51	0.2%	11	12.5%	19.4%	19.0%	13.4	13.1	24.7%	22.4%	27.1%	13.8	14.9
DM PACIFIC	4,184	13.0%	587	-1.4%	15.0%	16.2%	12.0	11.4	5.6%	13.5%	19.4%	11.2	12.6
JP Japan	2,772	8.6%	398	-10.1%	11.8%	13.7%	14.1	13.6	-4.1%	8.6%	15.1%	11.8	14.5
AU Australia	900	2.8%	88	16.5%	21.7%	21.0%	9.7	9.3	29.8%	26.4%	32.2%	16.2	14.8
HK Hong Kong	338	1.1%	54	41.6%	26.0%	28.1%	14.6	15.2	41.2%	25.9%	28.1%	14.9	15.4
SG Singapore	155	0.5%	37	20.4%	23.9%	24.7%	12.8	11.9	28.4%	29.2%	29.4%	14.5	13.3
NZ New Zealand	18	0.1%	10	0.6%	7.8%	14.5%	12.4	11.7	9.8%	10.1%	23.7%	17.5	16.4
EM	3,646	11.3%	926	33.5%	32.7%	31.9%	15.0	14.4	39.8%	35.6%	37.5%	18.4	17.1
EM ASIA	1,991	6.2%	554	39.1%	31.7%	29.7%	16.0	16.0	41.6%	34.0%	33.2%	18.1	17.9
CN China	579	1.8%	112	66.7%	54.0%	47.4%	24.2	24.2	66.2%	53.8%	47.4%	24.6	24.4
KR Korea	521	1.6%	113	33.4%	28.9%	25.6%	18.7	19.8	32.6%	33.3%	31.7%	21.3	22.4
TW Taiwan	362	1.1%	123	8.6%	15.6%	15.7%	18.4	18.4	9.1%	12.3%	17.2%	18.0	20.3
IN India	304	0.9%	63	54.2%	48.3%	44.4%	21.0	22.1	73.1%	53.2%	50.2%	24.0	24.5
MY Malaysia	90	0.3%	56	36.9%	21.3%	21.1%	12.4	13.5	46.1%	27.0%	24.5%	15.0	15.0
ID Indonesia	60	0.2%	23	61.9%	47.0%	54.9%	20.3	22.5	55.0%	46.4%	53.5%	24.4	26.8
TH Thailand	49	0.2%	33	36.6%	15.7%	27.6%	18.3	21.5	46.6%	21.3%	34.0%	21.9	24.3
PH Philippines	19	0.1%	18	19.3%	27.3%	31.4%	18.1	19.4	41.7%	41.0%	38.3%	20.5	21.0
PK Pakistan	6	0.0%	13	40.1%	34.8%	33.2%	27.2	25.0	38.4%	33.2%	31.8%	27.5	25.5
EM EMEA	911	2.8%	225	21.9%	32.1%	31.1%	14.9	14.5	28.7%	30.4%	37.0%	20.2	18.7
RU Russia	369	1.1%	32	23.1%	49.0%	43.8%	24.5	27.4	24.8%	50.1%	44.4%	24.7	27.5
ZA South Africa	244	0.8%	51	14.5%	30.4%	25.2%	15.9	17.1	18.1%	22.3%	31.0%	25.7	23.1
IL Israel	79	0.2%	32	29.1%	15.2%	21.8%	13.6	15.5	40.0%	19.3%	26.3%	13.7	16.7
PL Poland	61	0.2%	28	7.9%	22.4%	25.6%	22.2	21.6	27.4%	30.7%	37.3%	28.8	26.8
TR Turkey	61	0.2%	31	44.7%	30.4%	42.0%	25.7	30.8	74.8%	36.7%	52.3%	34.7	39.3
EG Egypt	29	0.1%	17	53.2%	64.0%	90.5%	34.6	32.9	58.4%	69.3%	83.9%	36.8	33.7
HU Hungary	28	0.1%	4	5.9%	21.0%	29.4%	23.2	20.6	16.8%	22.8%	36.4%	28.7	26.2
CZ Czech Republic	28	0.1%	7	35.9%	35.7%	42.0%	17.2	17.2	55.9%	45.3%	57.1%	19.6	20.0
MA Morocco	10	0.0%	11	36.2%	39.0%	31.8%	19.3	19.1	48.1%	41.7%	39.1%	20.7	20.1
JO Jordan	3	0.0%	12	24.2%	14.3%	30.6%	26.6	23.4	24.3%	14.3%	30.6%	26.7	23.5
EM LATIN AMERICA	744	2.3%	147	35.6%	37.1%	40.5%	17.5	15.8	50.7%	48.2%	51.1%	23.3	21.3
BR Brazil	488	1.5%	68	50.1%	40.3%	43.5%	21.9	21.2	80.0%	60.3%	64.6%	30.0	28.6
MX Mexico	165	0.5%	28	13.1%	32.3%	37.2%	16.8	15.1	12.2%	33.2%	36.0%	19.4	18.0
CL Chile	43	0.1%	27	15.7%	20.3%	26.2%	13.9	14.6	23.7%	24.8%	35.9%	16.6	18.3
PE Peru	22	0.1%	6	90.8%	60.8%	51.6%	27.6	27.1	94.7%	62.3%	54.0%	28.1	27.5
AR Argentina	17	0.1%	11	-1.4%	40.5%	44.2%	33.8	30.2	-4.0%	37.8%	46.1%	34.6	31.5
CO Colombia	10	0.0%	7	3.6%	32.5%	49.3%	26.6	26.6	15.0%	39.5%	60.2%	30.8	29.8

These data reflect the performance of the existing Standard Indices undergoing the transition to the enhanced methodology. Data as of December 31, 2007

MSCI Global Investable Market Indices – Review

XVI Performance of Global, Regional, and Country Standard Indices (continued)

The return, risk, and composition of the Standard Indices that are transitioning to the enhanced methodology are presented in the previous table.

Gross performance in local currency, which includes reinvested dividends, for the MSCI ACWI Standard Index, was 7.7% for 2007. Developed Markets posted a return of only 5.2% while Emerging Markets returned 33.5%. The 2007 returns were lower than the five-year average for Developed Markets but kept pace with the average for Emerging Markets. Annualized five-year volatility of Developed Markets at 8.5% was much lower than that of Emerging Markets at 14.4%.

Within Developed Markets, North America and Europe outperformed the MSCI World Index while Pacific posted a negative return of -1.4%. EM Asia and EM Latin America outperformed the MSCI Emerging Markets Index while EMEA lagged with a return of 21.9%.

The continued depreciation of USD versus foreign currencies in 2007 resulted in higher returns in USD terms rather than local currency for all regions and for almost all countries. Volatilities measured on USD returns were higher than those in local currency terms.

A hand holding a pen is positioned over a document that contains a table of data. The document is slightly out of focus, but the table structure is visible. The table has several columns and rows of text, with some numbers and percentages. The overall scene is dimly lit, with a blueish tint.

MSCI China A Equity Indices

Index	Value
MSCI China A	10,250.40
MSCI China A	1,300.00
MSCI China A	20,300.00

MSCI China A Indices - Review

The MSCI China A Index is a standalone index for China's domestic investors that was launched in May 2005. The MSCI China A Index is constructed based on a bottom-up sampling approach targeting for inclusion 65% of the free float-adjusted market capitalization in each industry group, subject to minimum security size requirement. Consisting of 329 securities, as of December 31, 2007, listed on either the Shanghai and/or the Shenzhen stock exchanges, the MSCI China A Index aims to balance broad and fair market representation and adequate investability, while ensuring that the index appropriately reflects the structure and distribution of business activities across and within industries.

I Performance of the MSCI China A Index in Local Currency and USD

The MSCI China A Indices posted a strong performance once again in 2007. The return in local currency terms for 2007 was 158% and a stronger 176% in USD terms. The 5-year annualized returns were around 40% with a volatility of about 29%. Volatility increased slightly in the more recent 3-year period.

- In a repeat performance, the MSCI China A Index and both style indices posted better than 100% returns in 2007, just as in 2006.

	Index		Gross Perf. in Local			3Y Risk	5Y Risk
	Mkt Cap	No.	Annualized			Std	Std
	FIF*	Sec	1Y	3Y	5Y	Dev	Dev
China A	666,703	329	158.0%	76.4%	37.1%	32.5	29.1
China A Value	364,854	233	188.2%	78.1%	39.4%	34.8	30.9
China A Growth	301,849	139	130.5%	74.4%	34.7%	31.0	28.0
China A Absolute Value	310,980	161	194.9%	81.5%	42.4%	34.4	30.4
China A Absolute Growth	360,861	118	149.2%	84.0%	42.1%	31.7	28.5

Data as of December 31, 2007

	Gross Perf. in USD			3Y Risk	5Y Risk
	Annualized			Std	Std
	1Y	3Y	5Y	Dev	Dev
China A	175.7%	83.9%	40.6%	32.8	29.5
China A Value	208.0%	85.7%	42.9%	35.1	31.3
China A Growth	146.3%	81.8%	38.1%	31.3	28.4
China A Absolute Value	215.1%	89.2%	46.0%	34.7	30.8
China A Absolute Growth	166.3%	91.8%	45.7%	32.0	29.0

II Sector Weights and Performance in USD

Industrials, Materials, and Energy increased their weight in the MSCI China A Index in 2007. Every sector posted a triple-digit percentage gain with the worst performance at 132%.

- The worst sector return was 132%.

Sector	Weights		Performance	
	2006	2007	2006	2007
UTILITIES	4.9%	4.6%	49.6%	184.5%
TELECOMMUNICATIONS SERVICES	2.7%	2.1%	124.5%	179.6%
INFORMATION TECHNOLOGY	4.2%	2.9%	67.3%	131.8%
FINANCIALS	25.8%	25.1%	219.0%	133.6%
HEALTH CARE	2.8%	2.8%	113.8%	203.1%
CONSUMER STAPLES	7.6%	6.1%	209.9%	151.2%
CONSUMER DISCRETIONARY	11.8%	10.4%	130.8%	190.8%
INDUSTRIALS	17.9%	18.4%	115.0%	194.0%
MATERIALS	17.5%	18.9%	27.7%	224.0%
ENERGY	4.9%	8.6%	112.0%	175.7%

Data as of December 31, 2007

MSCI China A Indices - Review

III Comparison with the MSCI China Index

The underlying equity universe of the MSCI China Index consists of foreign listed Red Chips, H shares, domestic listed B shares and P Chips. The MSCI China A Index includes only domestically listed A shares. While international investors can now gain access to the China A Share market via the QFII scheme, the China A share market cannot be considered fully open to foreign investors.

The two indices – MSCI China and MSCI China A – exhibited very significant differences in terms of industry exposures and in sector performance. As illustrated in the table below, the largest difference was in the Telecommunication Services and Energy sectors, which together represent more than 40% of the index weight in the MSCI China Index, but accounted for only 10.7% of the index weight in the MSCI China A Index.

- Sector weights and sector performances differed considerably between the MSCI China and the MSCI China A indices.

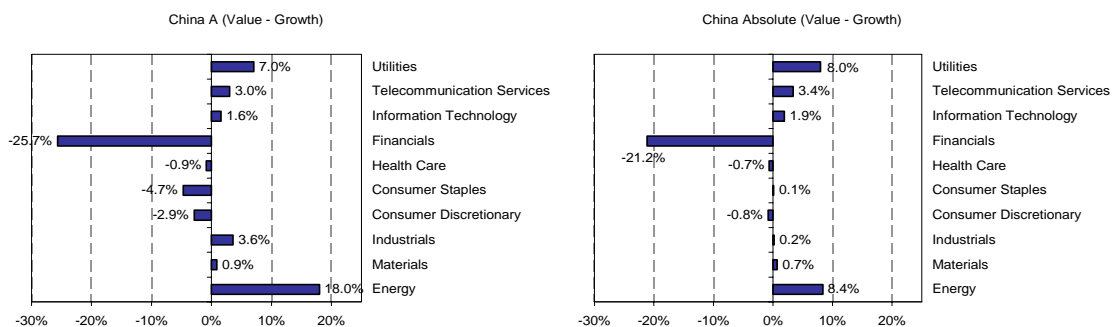
Sector	Weights		Performance	
	China A	MSCI China	China A	MSCI China
UTILITIES	4.6%	2.5%	184.5%	48.3%
TELECOMMUNICATIONS SERVICES	2.1%	19.5%	179.6%	76.8%
INFORMATION TECHNOLOGY	2.9%	1.8%	131.8%	-7.5%
FINANCIALS	25.1%	28.8%	133.6%	136.9%
HEALTH CARE	2.8%	0.0%	203.1%	N.A.
CONSUMER STAPLES	6.1%	2.0%	151.2%	88.2%
CONSUMER DISCRETIONARY	10.4%	3.5%	190.8%	36.7%
INDUSTRIALS	18.4%	13.4%	194.0%	47.9%
MATERIALS	18.9%	7.3%	224.0%	88.1%
ENERGY	8.6%	21.3%	175.7%	66.0%

Data as of December 31, 2007

The performance of the sectors for the two indices in 2007 was also significantly different. Information Technology posted a positive–albeit the lowest– return in the MSCI China A Index. But in the MSCI China Index, the Technology sector return was negative. In terms of index performance, however, over the last five years the MSCI China A Index posted an annualized performance of 41% in USD terms, close to the 45% return for the MSCI China Index.

IV Sector Weights in Style Indices

The sector weight differences between Value and Growth indices in the MSCI China A Value Growth Indices and in the MSCI China A Absolute Value Growth Indices were marginal.



The background image is a blurred photograph of a pen writing on a document. The document contains a table with several columns and rows of data. The text is out of focus, but some words like 'Table', 'Date', and 'Value' are visible. The overall tone is professional and business-oriented.

New Indices: Leveraging Market Opportunities

New Indices: Leveraging Market Opportunities

I MSCI REIT Indices - Review

The MSCI US REIT Index is a free float-adjusted market capitalization weighted index that consists of non-mortgage REITs that are included in the MSCI US Investable Market 2500 Index, with the exception of specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. The index represents approximately 85% of the US REIT universe. On May 1, 2006, MSCI Barra also introduced a suite of global REIT indices, including EAFE, World (Developed Markets), Europe and Asia Pacific regional REIT Indices, as well as country specific REIT indices for Japan and Australia. The MSCI ACWI Investable Market REIT Index was launched in June 2007.

Performance of Domestic and Global REIT Indices in USD

	Index Mkt Cap FIF*	No. Sec	Gross Perf. in USD 1Y	Risk Std Dev
Domestic REIT Indices				
MSCI US REIT Index	261	96	-16.8%	26.0%
MSCI Australia/REIT Index	76	12	3.4%	29.0%
MSCI Japan/REIT Index	18	5	8.9%	35.7%
Global REIT Indices				
MSCI ACWI/REIT Index	359	64	-13.2%	20.2%
MSCI World/REIT Index	358	62	-13.3%	20.2%
MSCI EAFE/REIT Index	174	36	-9.9%	21.9%
MSCI ACWI Investable Market REIT Index	548	254	-13.3%	16.5%
Regional Index				
MSCI Asia Pacific/REIT Index	106	22	5.0%	25.6%

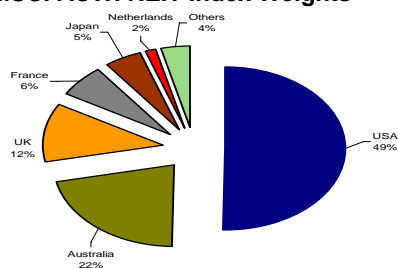
All market capitalizations in billions of USD. Gross return captures performance with reinvested dividends. Data as of December 31, 2007.

During 2007, REITs as an asset class declined in performance. The MSCI ACWI REIT Index posted a return of -13.2% compared with a return of 11.6% for ACWI IMI. The ACWI Investable Market REIT Index had a return comparable to that of the ACWI REIT Index but with lower volatility. The MSCI US REIT Index had the worst return with a return of -16.8% for the year. As of December 31, 2007 the MSCI ACWI REIT Index had an index market capitalization of USD 359 billion represented by 64 securities. The MSCI US REIT Index had an index market capitalization of USD 261 billion, represented by 96 securities.

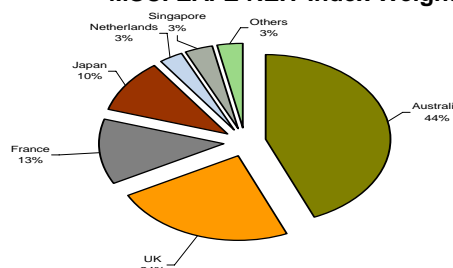
Composition and Characteristics of REIT Indices

- While the US was the largest weight in the ACWI REIT Index, Australia was the largest weight in the EAFE REIT Index.

MSCI ACWI REIT Index Weights



MSCI EAFE REIT Index Weights



Data: As of Dec 31, 2007 for ACWI REIT Standard Index

New Indices: Leveraging Market Opportunities

II MSCI High Dividend Yield Indices - Review

The MSCI High Dividend Yield Indices were launched on September 20, 2006. They target for inclusion high-dividend yielding equity securities. They objectively depict the high-dividend yield opportunity set within selected MSCI equity indices and are intended to reflect dividend-yield focused investment processes.

Performance of the MSCI High Dividend Yield Index in Local Currency and USD

The MSCI High Dividend Yield Index posted relatively weak returns in 2007. The HDY Index returns in local currency were in single digits in most cases; the US HDY Index lost 1.9% while the Pacific HDY Index posted the strongest return of 15.3% in local currency terms. Returns in USD terms improved. All except the EAFE and Pacific HDY indices also underperformed the parent indices from which they are derived.

- The one-year return of the MSCI World High Dividend Yield Index was only 2.5% in local currency terms.

	High Dividend Yield Index					High Dividend Yield Index			Parent Index		
	Mkt Cap	No. Sec	Gross Perf. in Local		3Y Risk	Gross Perf. in USD		3Y Risk	Gross Perf. in USD		3Y Risk
			Annualized	3Y	Std Dev	Annualized	3Y	Std Dev	Annualized	3Y	Std Dev
World	9,610	435	2.5%	13.0%	7.60	7.3%	14.5%	8.55	9.6%	13.3%	8.21
EAFE	4,949	241	5.4%	16.5%	8.57	12.6%	18.9%	10.08	11.6%	17.3%	9.54
Europe	3,022	133	2.7%	16.5%	8.96	8.8%	18.5%	9.73	14.4%	19.1%	9.84
EMU	1,478	65	2.1%	18.6%	9.95	13.2%	24.2%	10.59	20.3%	21.9%	10.53
Kokusai	9,166	402	2.7%	13.1%	7.58	7.5%	14.7%	8.56	11.3%	13.9%	8.49
World ex Australia	9,335	397	2.7%	12.6%	7.50	7.3%	14.1%	8.21	9.0%	13.0%	8.06
Pacific	905	107	15.3%	20.8%	8.90	24.1%	22.9%	12.61	5.6%	13.5%	11.17
US Investable Market Index	4,847	399	-1.9%	7.4%	11.95	-1.9%	7.4%	11.95	5.8%	9.1%	12.60

The yield of the MSCI World High Dividend Yield was 4.0% at the end of 2007 versus 2.3% for the MSCI World Standard Index. A similar difference is noticeable for each major region.

- The MSCI High Dividend Yield Indices reflect the opportunity set of high yielding securities and the corresponding sector biases.

	Dividend Yield		
	High Dividend Yield Index	Standard Index	Difference
World	4.0%	2.3%	1.7%
EAFE	4.2%	2.7%	1.5%
Europe	4.6%	2.9%	1.7%
EMU	4.7%	3.0%	1.7%
Kokusai	4.1%	2.4%	1.7%
World ex Australia	3.9%	2.3%	1.7%
Pacific	3.7%	2.0%	1.7%
US Investable Market Index	3.6%	1.8%	1.8%

Financials had the largest weight of 37.7% in the MSCI World High Dividend Yield Index compared to 22.6% for the MSCI World Standard Index, which could explain the poor performance of the HDY Index.

Sector	Weights	
	High Dividend Yield Index	Standard Index
UTILITIES	8.6%	4.7%
TELECOMMUNICATIONS SERVICES	11.2%	4.9%
INFORMATION TECHNOLOGY	0.4%	11.0%
FINANCIALS	37.7%	22.6%
HEALTH CARE	7.7%	8.8%
CONSUMER STAPLES	6.9%	8.8%
CONSUMER DISCRETIONARY	4.6%	9.8%
INDUSTRIALS	8.3%	11.4%
MATERIALS	3.2%	7.2%
ENERGY	11.5%	10.9%

New Indices: Leveraging Market Opportunities

III MSCI Gulf Cooperation Council (GCC) Countries Indices - Review

The MSCI GCC Countries Indices were launched on January 23, 2006. The MSCI GCC Countries Indices consist of 17 equity indices covering the GCC countries of Saudi Arabia, United Arab Emirates, Kuwait, Qatar, Bahrain and Oman. MSCI Barra provides two index series for the region, one reflecting the investment opportunities available to domestic investors in each of the GCC countries, and the other reflecting opportunities available across the region to GCC-based investors. In addition, MSCI Barra has created the MSCI Arabian Markets Index, which includes the six GCC countries listed above, plus Egypt, Jordan and Morocco.

In November 2007, MSCI Barra announced the enhancement of the MSCI GCC Countries Indices to the Global Investable Market Indices framework providing deeper coverage and size segmentation. The enhanced indices began to be calculated as of the close of November 30, 2007. Transition to the enhanced methodology will occur as of the close of May 30, 2008.

Performance of the MSCI GCC Countries Indices in Local Currency and USD

The MSCI GCC Countries Indices had robust returns in both local currency and USD. Oman had the highest return at 59.5% while Bahrain had the poorest return at 22.2%.

	Index			Gross Perf.	Gross Perf.
	Mcap	Weight	No. Sec	In Local 1YR	In USD 1YR
GCC Countries	295,925	100%	142	49.1%	51.7%
BAHRAIN	1,443	0.5%	5	22.0%	22.2%
KUWAIT	56,147	19.0%	47	36.3%	44.2%
OMAN	4,259	1.4%	9	59.5%	59.5%
QATAR	15,299	5.2%	16	54.2%	54.2%
SAUDI ARABIA	178,882	60.4%	39	56.1%	56.1%
UNITED ARAB EMIRATES	39,895	13.5%	26	38.2%	38.2%
Jordan, Egypt, Morocco	44,998	100%	40	44.8%	51.5%
MOROCCO	10,825	24%	11	36.2%	48.2%
EGYPT	30,113	67%	17	53.2%	58.4%
JORDAN	4,060	9%	12	24.2%	24.3%
Arabian Markets	340,923	100%	182	48.9%	52.2%

Seventy-eight percent of the weight of the GCC Countries Indices is in the Financials and Materials sectors. By contrast, Consumer Discretionary and Health Care barely register.

Sector	Weights
CONSUMER DISCRETIONARY	0.2%
CONSUMER STAPLES	2.0%
ENERGY	1.8%
FINANCIALS	52.6%
HEALTHCARE	0.3%
INDUSTRIALS	8.1%
MATERIALS	25.8%
TELECOMMUNICATIONS SERVICES	8.0%
UTILITIES	1.3%

- Financials and Materials represent two-thirds of the MSCI GCC Countries Index.

New Indices: Leveraging Market Opportunities

IV MSCI Global Islamic Indices - Review

The MSCI Global Islamic Indices reflect Sharia investment principles to provide an innovative and relevant opportunity set for Islamic investors and were launched in July 2007. The MSCI Global Islamic Indices are based on a parent MSCI equity index but exclude all non-compliant securities in accordance with the MSCI Islamic Index Series Methodology which has been approved by an independent Sharia Board. The methodology excludes securities using business activity and financial ratios based screening. In addition, the methodology incorporates dividend purification to comply with Sharia investment principles.

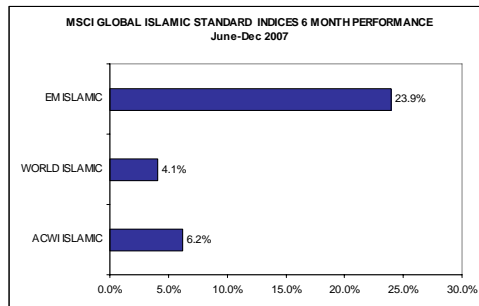
Performance of the MSCI Global Islamic Indices (in USD)

The Islamic Indices outperformed their parent indices during the six months ended in December 2007.

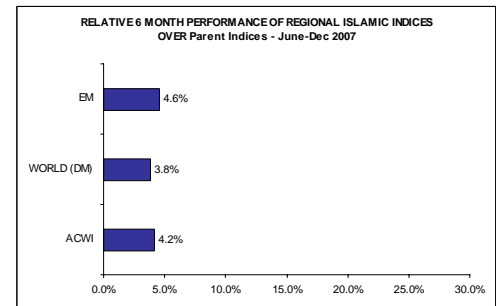
- Islamic Indices in Emerging Markets outperformed their Developed Markets counterparts.

	Islamic Indices	Parent Standard Indices	Excess Return
ACWI	6.2%	2.0%	4.2%
WORLD (DM)	4.1%	0.3%	3.8%
EM	23.9%	19.3%	4.6%

Absolute Performance (in USD)



Relative Performance (in USD)



New Indices: Leveraging Market Opportunities

V MSCI Frontier Markets Indices - Review

The MSCI Frontier Markets Indices were launched on December 18, 2007. The indices are intended to reflect expanded equity investment opportunities beyond traditional Developed Markets (DM) and Emerging Markets (EM). The MSCI Frontier Markets Indices cover 19 countries and provide a series of new regional and global composite indices. The Frontier Markets Indices follow similar principles to the methodology of MSCI Global Investable Market Indices and aim to achieve a broad representation of the investment opportunity set while taking into consideration investability requirements within each market.

Country Weights of the MSCI Frontier Markets Indices

Given the limited history available for the MSCI Frontier Market Indices, the structure and composition of the indices rather than performance is presented in this section. The MSCI Frontier Markets Indices represented a float-adjusted market capitalization of USD 184 billion as of December 31, 2007. The biggest regional weight was in the Middle East at 65% with Kuwait being the largest country at 31%. Financials dominated in terms of sectors with a 57% weighting.

Market Capitalization and Weights

Frontier Market Countries	# of sec	Index	
		Mkt. Cap	Weight
Central & Eastern Europe & CIS	48	32,174	17.5%
Bulgaria	6	1,210	0.7%
Croatia	13	7,093	3.9%
Estonia	3	1,076	0.6%
Kazakhstan	5	8,744	4.8%
Romania	4	3,223	1.8%
Slovenia	9	9,058	4.9%
Ukraine	8	1,770	1.0%
Africa	28	27,424	14.9%
Kenya	5	2,064	1.1%
Mauritius	3	1,663	0.9%
Nigeria	18	23,081	12.6%
Tunisia	2	616	0.3%
Middle East	77	120,079	65.4%
Bahrain	6	1,443	0.8%
Kuwait	29	56,147	30.6%
Oman	8	4,259	2.3%
Qatar	12	15,299	8.3%
UAE	19	39,895	21.7%
Lebanon	3	3,036	1.7%
Asia	9	3,803	2.1%
Sri Lanka	2	1,081	0.6%
Vietnam	7	2,722	1.5%
Frontier Markets	162	183,480	100.0%

- Kuwait dominated country weights and Financials dominated sector weights in the MSCI Frontier Markets Indices.

Sector Weights

Sector	Weights
ENERGY	5.8%
MATERIALS	3.9%
INDUSTRIALS	10.8%
CONSUMER DISCRETIONARY	2.6%
CONSUMER STAPLES	4.0%
HEALTHCARE	2.4%
FINANCIALS	57.1%
INFORMATION TECHNOLOGY	0.5%
TELECOMMUNICATIONS	11.7%
UTILITIES	1.1%

The background image is a blurred photograph of a pen writing on a document. The document contains a table with several columns and rows of data. The text is out of focus, but some words like 'Table', 'Country', and 'Value' are visible. The overall color palette is light and desaturated.

Cross Sectional Volatility for Global Equities

Cross Sectional Volatility for Global Equities

Cross-sectional volatility, or the dispersion of returns across stocks in a single period, can be a good gauge for the opportunities to under or outperform relative to the market. Cross-sectional volatility in global equity markets rose in the second half of 2007 after several years of continuous decline. Corresponding to the heightened volatility we have witnessed since August 2007 in major developed equity markets, cross-sectional volatility has followed suit.

I Introduction

- Cross-sectional volatility in global equity markets rose in the second half of 2007.
- Compared to its peak in 2000, however, cross-sectional volatility still remains relatively low.

Cross-sectional volatility in global equity markets rose in the second half of 2007 after several years of continuous decline. Since peaking in early 2000, the dispersion across returns at any point in time has mirrored the overall market volatility downtrend. And similarly, corresponding to the heightened volatility we have witnessed since August 2007 in major developed equity markets, cross-sectional volatility has followed suit. This phenomenon appears across the board in both developed and emerging markets. The most interesting development this past year has to do with the increase in cross-sectional volatility attributable to country, as opposed to industry membership. In this section, we calculate cross-sectional volatility for six major MSCI indices and decompose this measure into that attributable to common global sources of return, common purely local sources of return, and stock-specific idiosyncratic return.

II Cross Sectional Volatility and The Implications for Portfolio Performance

Cross-sectional volatility measures the dispersion of returns across assets at a single point in time:

$$\sigma_{CSV} = \sqrt{\sum w_i (r_i - \bar{r})^2}$$

where for asset i , w_i denotes the weight, and r_i and \bar{r} denote the return on each asset and the average across all assets.

CSV is a very good gauge for the opportunities in a given market to under or outperform relative to the market. If CSV is high, the 'winners' will outperform the bottom performers by a large margin. In times of low CSV, the difference between top and bottom performers is much smaller. In times of high cross-sectional volatility, an active portfolio's tracking error has a tendency to increase whereas in times of low cross-sectional volatility, the opposite is true. Keeping tracking error stable when cross-sectional volatility levels change significantly requires considerable adjustments to the portfolio's composition.

To understand the impact of changing levels of CSV on a manager's investment style, it is important to analyze if the changes in CSV are driven by systematic or specific sources of risk. Systematic risk is the risk that is common to assets belonging to a particular market, industry, etc., and can not be diversified away. Specific (or asset-specific) risk is risk that is idiosyncratic and can be diversified away with enough assets in the portfolio.

The decomposition into asset-specific and common-factor dispersion can shed light how certain types of active investment strategies may be expected to perform. For example, in a market climate in which common factor return dispersion has increased in importance relative to specific returns, managers who incorporate style and industry bets in their portfolio strategies will find relatively more opportunities to add value. For further details on the implications of cross-sectional volatility for portfolio management, see Nielsen (2006).³

³ Frank Nielsen, "Dynamic Volatility and its Implications for Portfolio Management", *MSCI Barra Horizon Newsletter*, Summer 2006.

Cross Sectional Volatility for Global Equities

III Cross-Sectional Volatility for MSCI Indices in 2007

It can be useful not only to understand the overall level of cross-sectional volatility in a particular market or industry, but also from which sources of return that cross-sectional volatility arises. A factor model, for instance, can allow one to decompose the returns of a set of assets, and therefore the cross-sectional volatility, into various components. These components depend on the factor model in question.

Here, we decompose cross-sectional volatility along the lines of the Barra Integrated Model. A detailed summary of the Barra Integrated Model appears in the first section of this book, but it is helpful to review the intuition behind the model.

Each stock's asset returns in a given period can be decomposed into three components—global, purely local, and specific. The global component of a stock's return is due to a combination of the following: the return of a world equity factor, the return to the stock's global industry, the return to the stock's exposure to global styles such as its size or value bias, and the return to the market of its country. The purely local component of a stock's return is due to a combination of the return to its local industry within its local market, completely independent of the global component.

The distinction between the global and purely local components is an important one. This separation recognizes that factors in any one market are only partly exposed to global factors. For example, the US banking industry is influenced by the performance of the US market and of the global banking industry but these two global factors only partly explain US banking industry returns. The part that can not be explained is called a purely local component. In this example, the purely local US banking factor captures the part of the US banking industry that does not move in lockstep with the US market and global financial sector. The impact of governmental regulation, the state of domestic economies and interest rates, and local investor behavior can all contribute to shaping purely local returns.

Finally, the third component of any stock's return in a period is the specific return component. This is the idiosyncratic component that is not driven by any factors (global or local) but is based on that stock's firm-specific attributes.

By looking at the percentage of cross-sectional volatility that can be attributed to the various sources of return, we can gain a better understanding of the sources of risk (and opportunities for return) in the major equity markets.

The following six charts show cross-sectional volatility for six MSCI indices – the: MSCI World Index, MSCI EAFE Index, MSCI Emerging Markets Index, MSCI Europe Index, MSCI Pacific Index, and MSCI World Small Cap Index⁴.

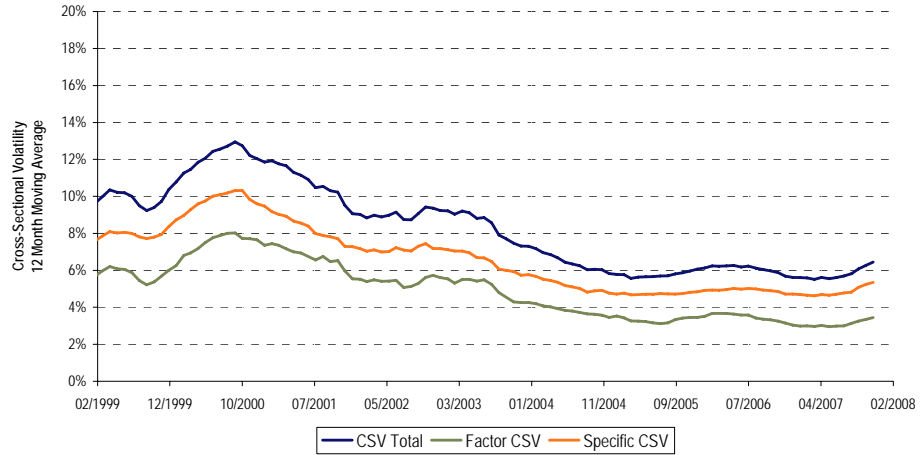
⁴For the MSCI World Index, we calculate 12-month moving averages of all measures beginning in September 2005 and ending November 2006. For all other indices, our data spans the period May 1999 to November 2006 except for the MSCI World Small Cap which begins in April 2000.

- Using the Barra Integrated Model, individual asset returns can be decomposed into several components: global factor-related, purely local factor-related, and idiosyncratic.

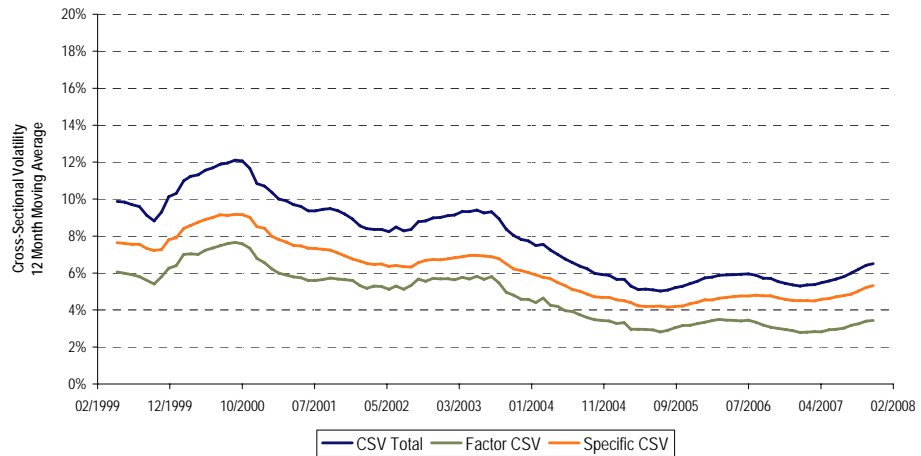
Cross Sectional Volatility for Global Equities

III Cross-Sectional Volatility for MSCI Indices in 2007 (continued)

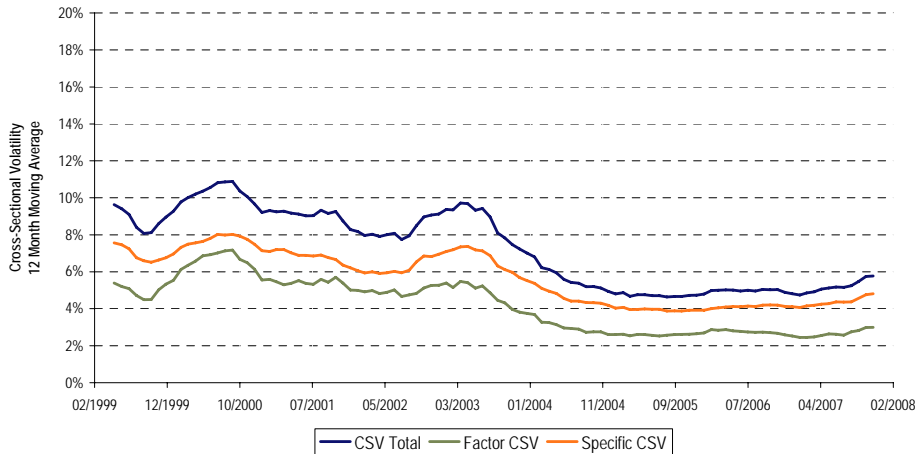
MSCI World Index



MSCI EAFE Index



MSCI Europe Index

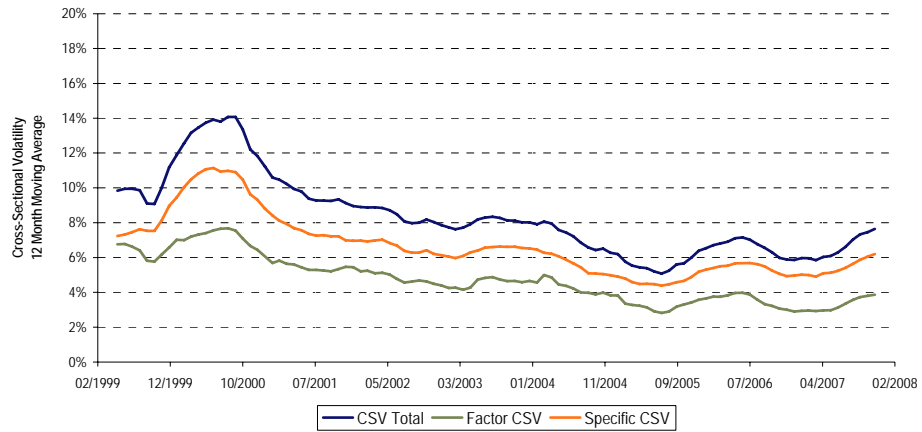


- Global developed market return dispersion (CSV) last peaked in 2000 and has trended downwards.
- The rate of this decline has eased in recent years and in the second half of 2007, appears to have reversed.

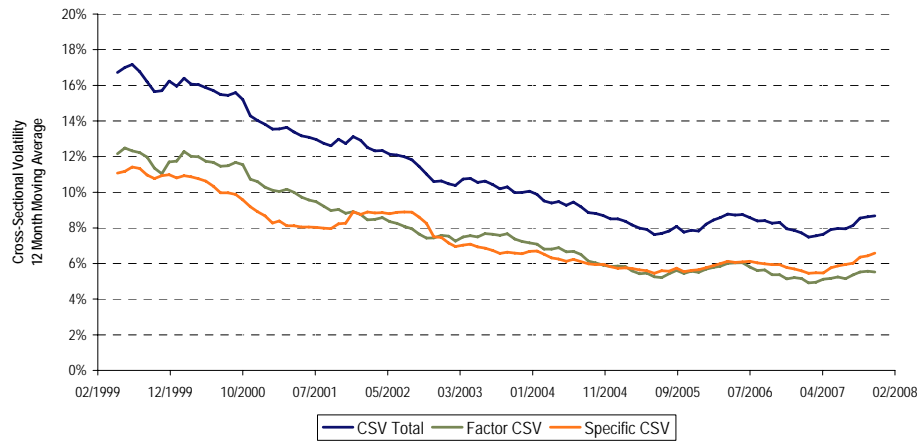
Cross Sectional Volatility for Global Equities

III Cross-Sectional Volatility for MSCI Indices in 2007 (continued)

MSCI Pacific Index

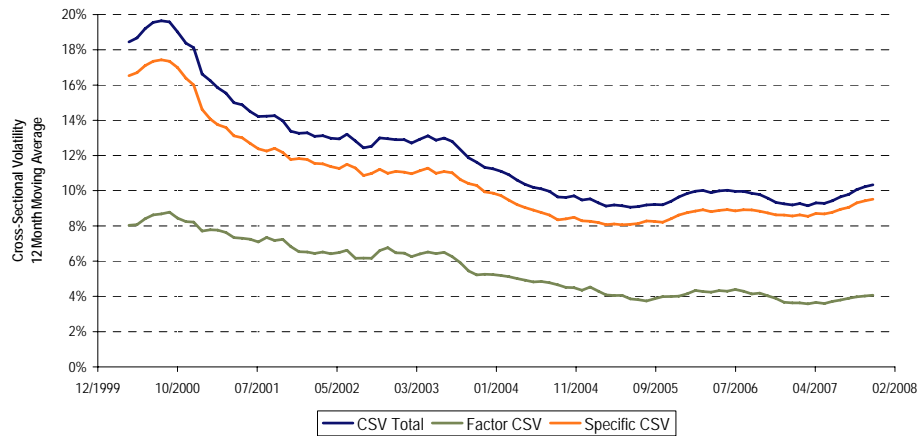


MSCI Emerging Markets Index



- The downward trend in return dispersion (CSV) has been pronounced for emerging markets.
- However, the level of CSV compared to developed markets, remains substantially higher, as does that for small cap equities.

MSCI World Small Cap Index



Cross Sectional Volatility for Global Equities

IV Understanding the Sources of Return

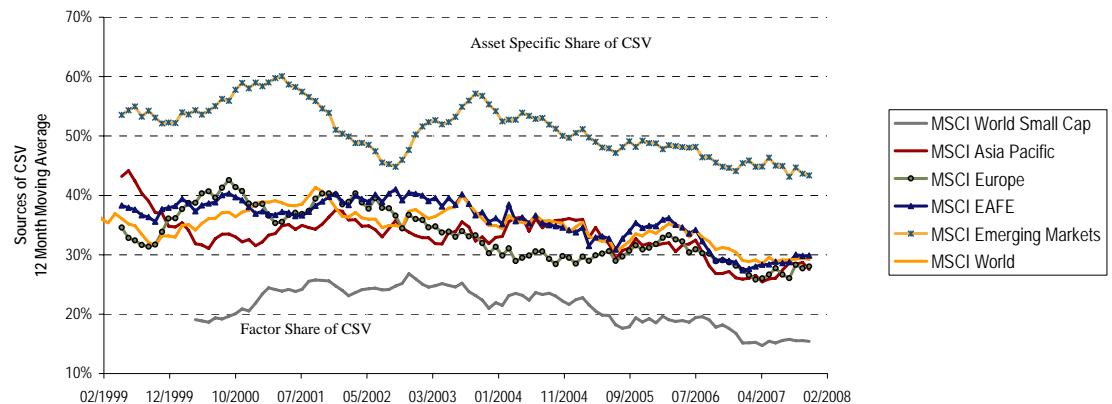
Post 2000, cross-sectional volatility in major equity markets dropped across the board in developed and emerging markets. The six charts in the previous section suggest that although the level of cross-sectional volatility varies from index to index and market to market, the overall trends are fairly similar.

However, a look at the drivers of these cross-sectional volatility trends highlights differences across regions and between developed and emerging markets. The next two charts decompose cross-sectional volatility in two ways. The first way breaks the measure into the part that is common-factor-driven and asset-specific-driven. The higher the portion coming from the latter, the greater support for a portfolio management process focused on identifying superior performers by looking at individual company information.

Note that in the chart below we define the ratio of factor cross-sectional volatility as the cross-sectional variance of the stock returns explained by the common factors to the total cross-sectional variance of stock returns.

Decomposing the Drivers of CSV: Common Factor versus Specific

- The drivers of cross-sectional volatility vary widely across different markets and size segments with important implications for portfolio management.



The levels among indices vary widely with the greatest portion of CSV based on common factors exhibited the constituents of the MSCI Emerging Markets Index, and the smallest portion exhibited by the MSCI World Small Cap Index. Dispersion in emerging market stocks is heavily influenced by the dispersion in country returns whereas for small cap, the large part of CSV is still due to the firm-specific return dispersion.

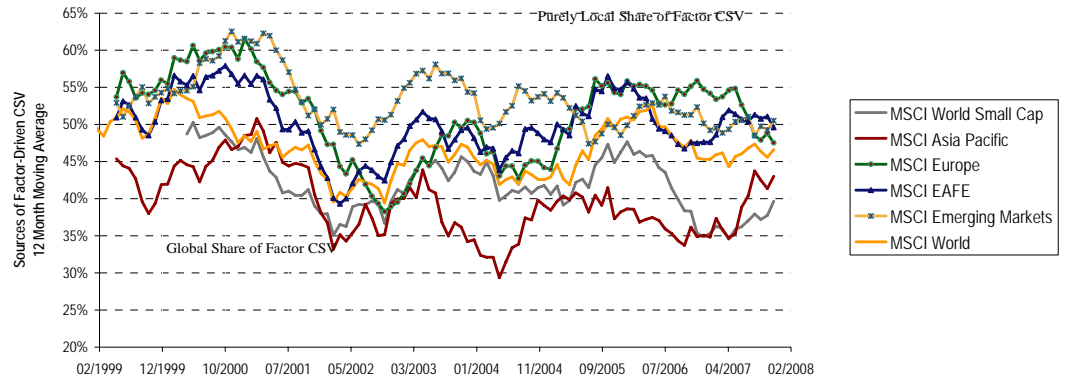
The overall trend for all six indices in the above figure is similar in recent years. The portion of cross-sectional volatility arising from common factors has trended downwards gradually.

Turning to the next way we can decompose returns to gain insight into the drivers of CSV, we show now the portion of each index arising from dispersion in the global component of returns versus the purely local component. Recall that in the Barra Integrated Model, we are able to identify which part of a stock's factor return component is shared globally across stocks, for instance within its industry or style segment, and which component is shared with other stocks with similar characteristics in its own country but *not* globally. For example, a bank stock has a portion of return that is linked to the performance of the global banking industry but also one that is linked to only its country's banking industry, as captured in the idea of "global" versus "purely local."

Cross Sectional Volatility for Global Equities

IV Understanding the Sources of Return (continued)

Decomposing the Drivers of Common Factor CSV: Global versus Purely Local

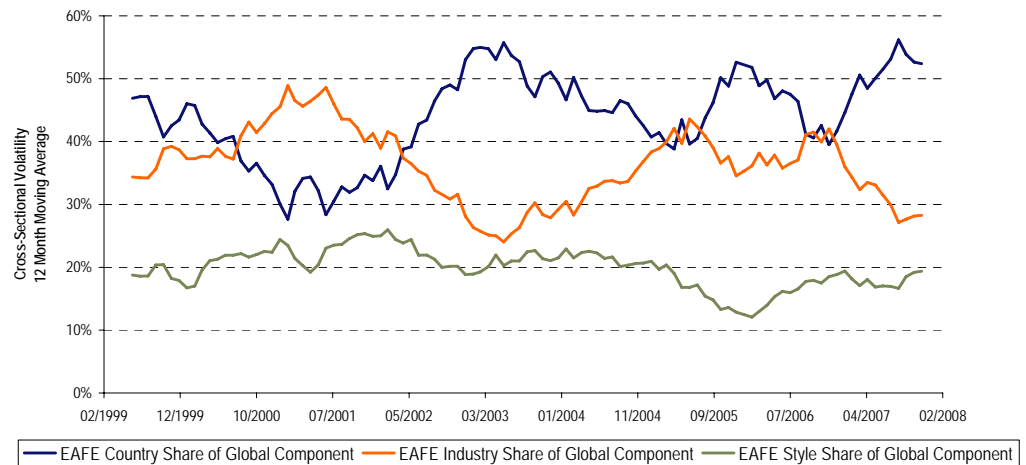


The graph above shows that across the six indices, the breakout between global and purely local components exhibits a fair amount of variation over time. Interestingly, in the last year, the CSV of the global component of the MSCI Pacific constituent returns has risen markedly whereas the same component for the MSCI Europe constituents has decreased. This suggests a shift in the type of focus regional portfolio strategies in these markets that might be expected to do well. Portfolio managers who are able to identify good future performers in certain global sectors or countries may have a harder time generating returns in markets where the global-return-driven portion of CSV is declining or already low.

Finally there are also clear differences across the six indices in where the CSV in the global component of returns is coming from. The following two charts for instance decompose only the global component CSV into three types of sources – countries, industries, and styles—for MSCI EAFE versus MSCI Emerging Markets.

MSCI EAFE Index: Decomposing the Drivers of Global Common Factor CSV

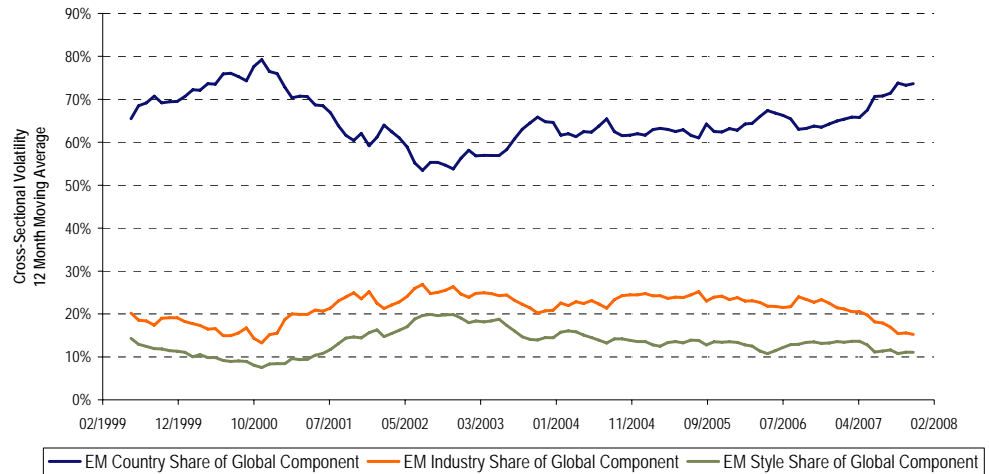
- Within just the global return component of stock returns, the drivers can vary dramatically from one asset segment to another.
- CSV for emerging markets is driven relatively more by the country component compared to developed markets.



Cross Sectional Volatility for Global Equities

IV Understanding the Sources of Return (continued)

MSCI Emerging Markets Index: Decomposing the Drivers of Global Common Factor CSV



If countries are a more important driver of CSV then portfolio management strategies that focus on selecting which countries to over/under-weight may allow managers to differentiate themselves more for better or worse. If industries are a more important driver of CSV, then the same logic applies but for industry selection, and so forth. In the preceding two charts, significant differences in the portion coming from the different components suggests that different considerations for portfolio managers selecting from the EAFE versus EM universe are likely warranted.

V Summary

Cross-sectional volatilities in major markets rose in 2007 but relative to their peak in 2000 continued to be low. Sources of cross-sectional volatility exhibited wide differences across regions. Regional differences (particularly Europe and Asia) remained strong, particularly in the way CSV varied over time. The recent rise in CSV suggests that if the trend persists, there may be greater opportunities for active managers to distinguish themselves from their peers.



MSCI Hedge Fund Indices

MSCI Hedge Fund Indices – Review

I Year-to-date through November 2007 - Performance Analysis Summary

The MSCI Hedge Fund Composite Index outperformed the 3M US Treasury Index and underperformed the MSCI World Equity Index in the first eleven months of 2007. Year-to-date through November 30 the MSCI Hedge Fund Composite Index gained 9.3% while the MSCI World Equity Index rose 10.5% and the 3M US Treasury Index rose 4.1%.

- Funds in the MSCI Hedge Composite Index outperformed the 3M US Treasury Index, but underperformed the MSCI World Equity Index.

All process groups within the MSCI Hedge Fund Composite Index had positive returns during the period. The MSCI Security Selection Index was the top performing process group index for the year gaining 11.5% year-to-date through November after a 13.2% gain in 2006. The MSCI Relative Value Index ended the eleven month period as the lowest performing process group index with a gain of only 5.9%.

Geographically, funds in the MSCI Hedge Fund Composite Index focused on global markets performed the best by gaining 17.8%. Funds focused on Japan fared the worst, losing 0.3%.

Please note that all hedge fund indices related to this section are currency hedged into USD.

Summary of the MSCI Hedge Fund Indices Performance

- While all process groups within the MSCI Hedge Fund Composite had positive returns, Security Selection funds performed the best and Relative Value performed the worst.
- Geographically, funds focused on global markets had the best performance.

	YTD Nov	1 Yr	2006	Return 3 yr	Std Dev 3 Yr
MSCI Hedge Fund Composite Index	9.3%	10.9%	11.3%	10.0%	4.4%
MSCI Hedge Fund Composite Index - Asset Weighted	9.8%	11.7%	11.6%	10.2%	4.2%
Process Groups					
MSCI Directional Trading Index	8.0%	9.1%	7.6%	7.7%	5.3%
MSCI Relative Value Index	5.9%	7.1%	9.9%	6.3%	1.9%
MSCI Security Selection Index	11.5%	13.5%	13.2%	12.5%	5.9%
MSCI Specialist Credit Index	7.1%	8.7%	12.8%	9.8%	3.0%
MSCI Multi-Process Group Index	9.5%	11.5%	12.0%	10.6%	4.2%
Asset Class					
MSCI Hedge Fund Equity Index	10.9%	12.8%	12.3%	11.6%	5.2%
MSCI Hedge Fund Fixed Income Index	5.8%	7.1%	9.6%	7.8%	2.1%
MSCI Hedge Fund Diversified Index	8.4%	9.8%	10.3%	8.7%	4.8%
Geography					
MSCI Hedge Fund Developed Markets Index	7.0%	8.3%	10.1%	8.6%	4.1%
MSCI Hedge Fund Emerging Markets Index	16.8%	19.7%	16.9%	16.6%	6.8%
MSCI Hedge Fund Global Markets Index	17.8%	20.5%	16.9%	15.5%	6.1%
MSCI Hedge Fund Europe Index	3.7%	6.2%	13.5%	10.0%	4.7%
MSCI Hedge Fund North America Index	7.5%	8.6%	11.1%	8.8%	4.2%
MSCI Hedge Fund Japan Index	0.3%	1.3%	-4.8%	6.6%	6.4%
Size					
MSCI Hedge Fund Composite Index, Small Funds	9.3%	10.7%	10.8%	9.7%	4.4%
MSCI Hedge Fund Composite Index, Core Funds	9.4%	11.3%	11.8%	10.4%	4.4%
MSCI Hedge Invest Index [†]	3.6%	4.9%	7.3%	5.4%	3.9%
MSCI EQUITY AND FIXED INCOME INDICES					
MSCI World Equity Index	10.5%	12.7%	20.1%	14.7%	8.2%
3M US Treasury	4.1%	4.5%	4.9%	4.1%	0.3%

Note: Data is as of November 30, 2007, with the exception of the MSCI Hedge Invest Index for which the data is as of November 27, 2007 (please refer to the footnote below for additional details). All hedge fund indices listed above are equal weighted unless noted otherwise.

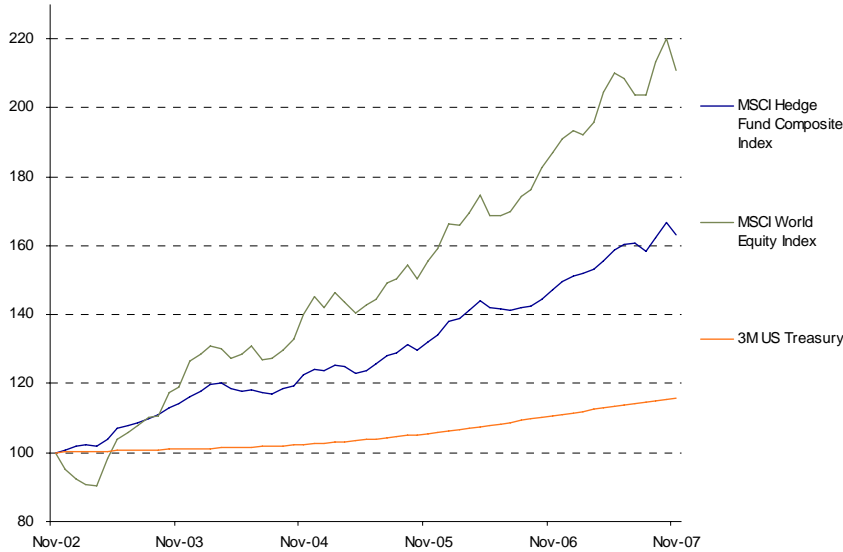
[†] MSCI Hedge Invest Index: YTD returns are based upon performance from the last Tuesday in previous year until the last Tuesday in reported month (November 27, 2007).

MSCI Hedge Fund Indices – Review

I Performance Analysis Summary (continued)

Summary of the MSCI Hedge Fund Composite Performance

- Funds in the MSCI Hedge Fund Composite Index outperformed the 3M US Treasury Index, but underperformed the MSCI World Equity Index.

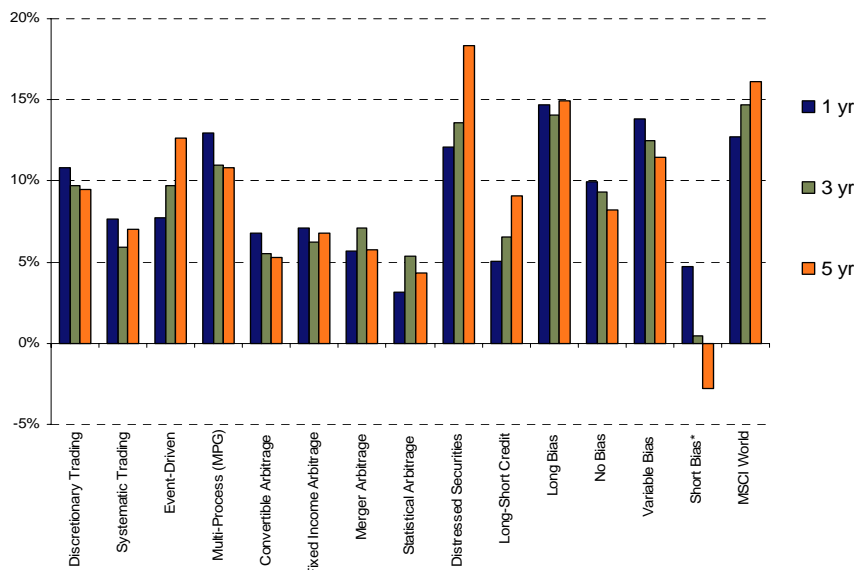


II Performance by Investment Process

Distressed Securities funds in the MSCI Hedge Fund Composite Index were the leading performer by investment process over the past five year period. Short Bias funds underperformed all other categories and had negative returns, while all the other hedge fund investment process indices were up over the past one, three and five year periods.

MSCI HFI Process Indices 1, 3 and 5 year annualized return

- Distressed Securities funds in the MSCI Hedge Fund Composite Index outperformed all other investment process indices over the past 5 year period.



Note: *Short Bias of all Fund Sizes Indicative Index includes all short bias funds regardless of their level of assets under management

MSCI Hedge Fund Indices – Review

II Performance by Investment Process (continued)

Investment Process Dispersion of Performance

For the last 11 months ending in November 2007, the median fund return was positive in all investment processes. Over a three year period, Short Bias was the only strategy with a median manager performance below zero.

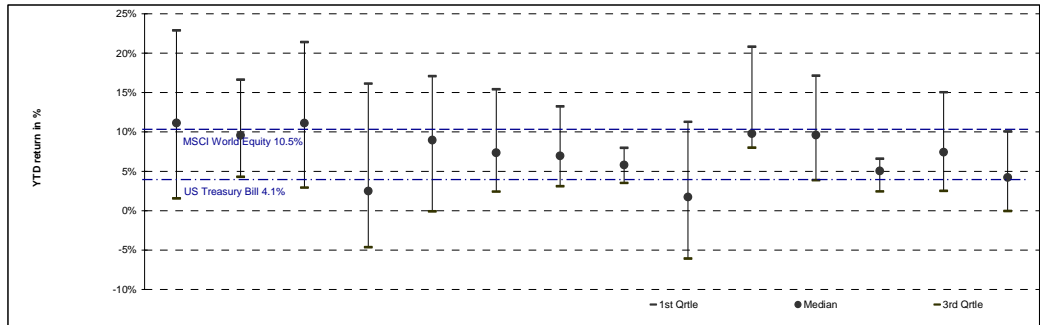
Over the last 11 months, the narrowest 25th to 75th percentile spread for an individual strategy was 4.2% (Event-Driven), while the largest spread was 21.3% (Long Bias). Over the past three year period, Merger Arbitrage and Event-Driven saw the narrowest spread of 4.0%. The largest spread in performance over the three year period was the 11.4% posted by Discretionary Trading.

Investment Process Return Distribution

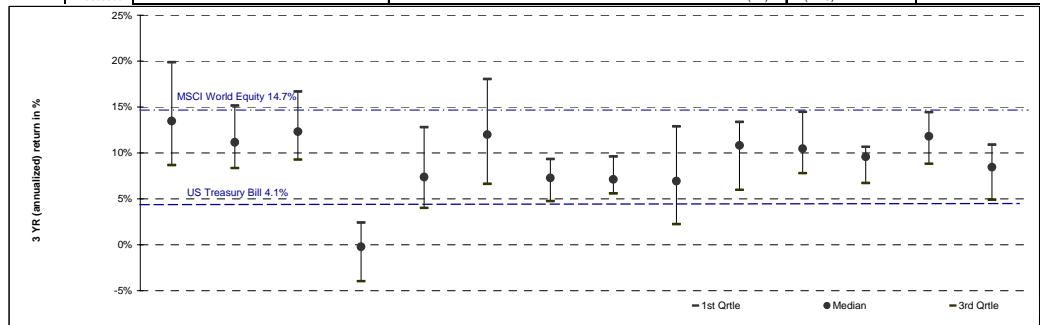
- Short Bias is the only strategy with negative median fund performance for 3 year period ending in November 30, 2007.

- Regardless of strategy, the majority of the funds in the MSCI Hedge Fund Composite Index outperformed the 3M US Treasury Index over the past year.

- The majority of Short Bias funds in the MSCI Hedge Fund Composite Index have produced negative returns over the past three years.



YTD	Hedge Fund Investment Processes:				Systematic Trading	Discretionary Trading	Arbitrage	Merger Arbitrage	Statistical Arbitrage	Multi-process (RV)	Multi-Process (MPG)	Event-Driven	Distressed Securities	Long-Short Credit
	Long Bias	No Bias	Variable Bias	Short Bias*										
25th	22.9%	16.6%	21.4%	16.1%	17.1%	15.4%	13.3%	8.0%	11.3%	20.8%	17.2%	6.6%	15.1%	10.1%
Median	11.2%	9.6%	11.1%	2.5%	9.0%	7.4%	7.0%	5.8%	1.7%	9.8%	9.6%	5.1%	7.5%	4.2%
75th	1.6%	4.3%	2.9%	-4.6%	-0.1%	2.4%	3.1%	3.5%	-6.1%	8.0%	3.9%	2.5%	2.5%	-0.1%
25/75 spread	21.3%	12.3%	18.5%	20.8%	17.2%	13.0%	10.1%	4.5%	17.4%	12.8%	13.3%	4.2%	12.5%	10.1%
Spread change	10.1%	5.5%	11.1%	14.4%	8.4%	1.6%	5.6%	0.4%	6.7%	5.4%	6.6%	0.2%	6.9%	4.1%
3 years	Hedge Fund Investment Processes:				Systematic Trading	Discretionary Trading	Arbitrage	Merger Arbitrage	Statistical Arbitrage	Multi-process (RV)	Multi-Process (MPG)	Event-Driven	Distressed Securities	Long-Short Credit
	Long Bias	No Bias	Variable Bias	Short Bias*										
	25th	19.9%	15.2%	16.7%										
Median	13.5%	11.2%	12.3%	-0.2%	7.4%	12.0%	7.3%	7.1%	6.9%	10.8%	10.5%	9.6%	11.8%	8.5%
75th	8.7%	8.4%	9.3%	-4.0%	4.0%	6.6%	4.8%	5.6%	2.3%	6.0%	7.8%	6.7%	8.8%	4.9%



Note: Within the graph, the dot represents the median return for each investment process. The upper hash mark represents the 25th percentile and the lower hash mark represents 75th percentile. *Short Bias of all Fund Sizes Indicative Index includes all short bias funds regardless of their level of assets under management

MSCI Hedge Fund Indices – Review

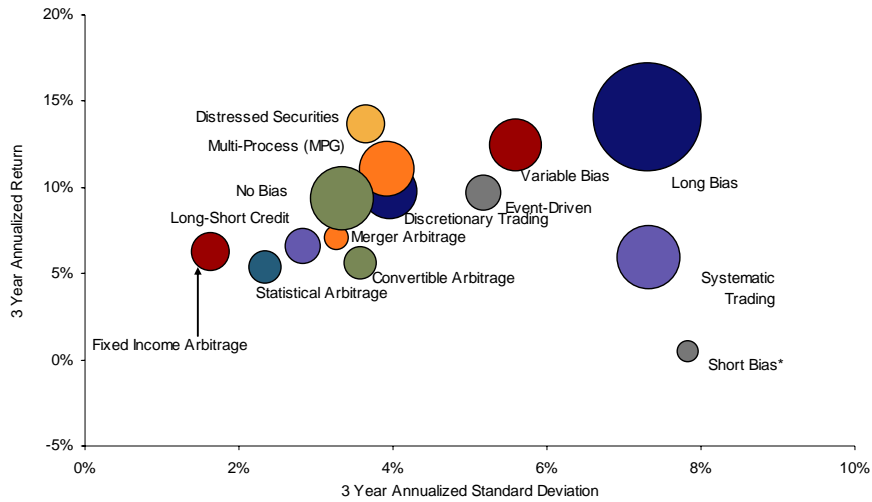
II Performance by Investment Process (continued)

Investment Process Risk-Return Tradeoff

The three-year annualized standard deviation of the MSCI Short Bias Index was higher than that of any of the hedge fund investment process indices in the MSCI Hedge Fund Composite Index. The MSCI Distressed Security Index stood out with one of the highest risk-return tradeoffs.

Investment Process Return Distribution – 3 Years Standard Deviation vs. Return

- Distressed securities in the MSCI Hedge Fund Composite Index offered one of the highest 3 year risk-return tradeoffs.



Note: The bubble size reflects the number of funds in each hedge fund investment process in the MSCI Hedge Fund Composite Index. *Short Bias of all Fund Sizes Indicative Index includes all short bias funds regardless of their level of asset under management

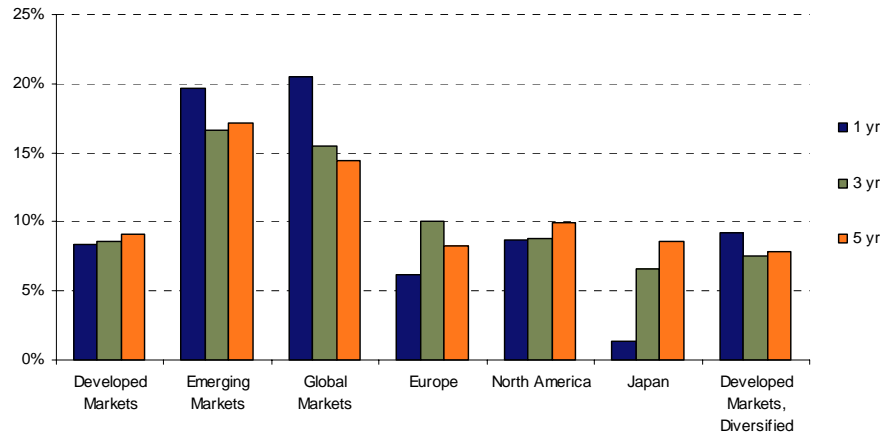
MSCI Hedge Fund Indices – Review

III Performance by Geography of Investments

Funds in the MSCI Hedge Fund Composite Index focusing on emerging markets have outperformed funds that invest in developed markets and global markets in the past 3 year and 5 year periods.

Within developed markets, funds focusing on North America have performed the best in the 1 year and 5 year periods while funds focusing on Europe have had the strongest performance over the past 3 year period ending November 30, 2007. Please note that all hedge fund indices are currency hedged into USD.

Performance by Geography



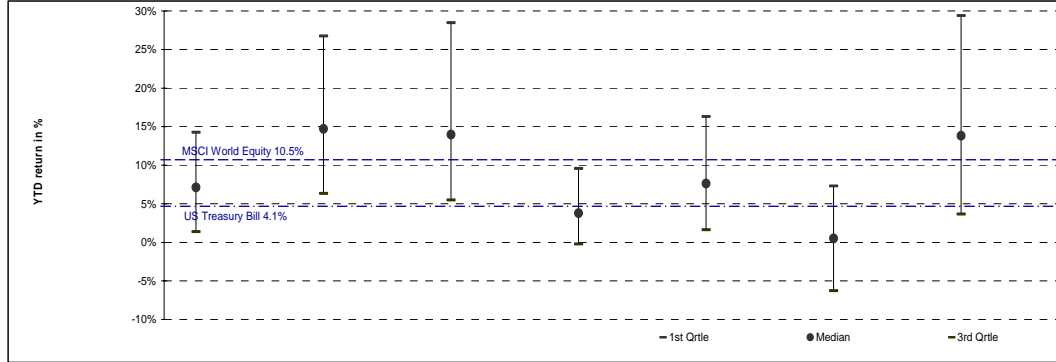
MSCI Hedge Fund Indices – Review

IV Dispersion of Performance by Geography

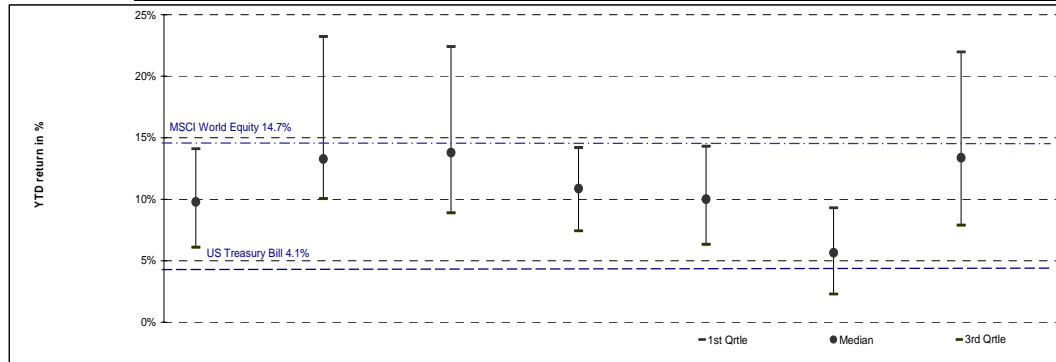
On a geographical basis, all funds in the MSCI Hedge Fund Composite Index in the top quartile across geographies had positive returns in YTD and 3 year period ending November 30 2007. Over the past 11 months, all funds in the MSCI Hedge Fund Composite Index had a median fund performance better than 3M US Treasury Index except Japan and Europe focused funds.

Dispersion of Performance by Geography

- Funds in the MSCI Hedge Fund Composite Index focused on global markets performed better than funds focused on other geographical markets.



	Developed Markets	Emerging Markets	Global Markets	Europe	North America	Japan	Combined Asia Pacific
YTD	25th	14.3%	26.8%	28.5%	9.6%	16.3%	7.3%
	Median	7.1%	14.7%	14.0%	3.8%	7.6%	0.5%
	75th	1.4%	6.3%	5.5%	-0.2%	1.6%	-6.3%
	25/75 spread	12.9%	20.4%	23.0%	9.8%	14.7%	13.6%
	Spread change	4.9%	7.2%	9.5%	3.0%	6.7%	6.6%
3 years	25th	14.1%	23.2%	22.4%	14.2%	14.3%	9.3%
	Median	9.8%	13.3%	13.8%	10.9%	10.0%	5.6%
	75th	6.1%	10.1%	8.9%	7.4%	6.3%	2.3%
	25/75 spread	8.0%	13.2%	13.5%	6.8%	8.0%	7.0%
	Spread change	8.0%	13.2%	13.5%	6.8%	8.0%	7.0%



- Over the last 3 years, top three quartiles return of all except Japan focused funds beat 3M US Treasury Index returns.

Note: Within the graph, the diamond represents the median return by geography. The upper hash mark represents the 25th percentile and the lower hash mark represents 75th percentile. *Short Bias of all Fund Sizes Indicative Index includes all short bias funds regardless of their level of assets under management

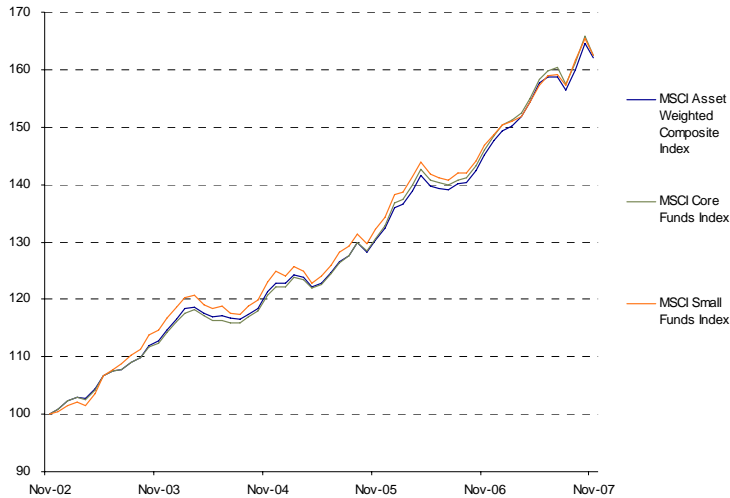
MSCI Hedge Fund Indices – Review

V Performance by Size

The larger funds in the MSCI Core Funds Index (Funds with AUM over USD100 million) outperformed the smaller funds in the MSCI Small Funds Index (funds with AUM between USD15 and USD100 million) in the first 11 months of 2007 and the three year period ending November 2007. Specifically, the MSCI Core Hedge Fund Composite Index advanced 9.4% year-to-date through November and 10.4% on a three year basis, compared with 9.3% and 9.7% for the MSCI Small Hedge Fund Composite Index. Over the past five year period, the MSCI Small Hedge Fund Composite Index and MSCI Core Hedge Fund Composite Index had similar returns of 10.2% respectively.

Summary of the MSCI Hedge Fund Composite Performance by Fund Size

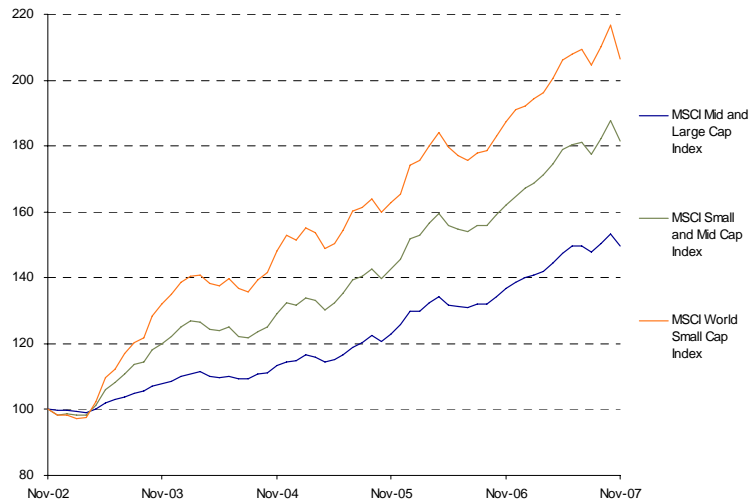
- Larger funds in the MSCI Hedge Fund Composite Index outperformed smaller funds.



In the first 11 months of 2007, funds focusing on small cap stocks and those focusing on mid and large cap stocks produced similar returns of 8.2%. On a three year basis, funds in the MSCI Hedge Fund Composite Index focusing on small cap stocks have outperformed those focusing on mid and large cap stocks with returns of 11.7% and 9.9% respectively.

Summary of the MSCI Hedge Fund Composite Performance by Fund Capitalization Investment Focus

- Over the last 3 years, funds in the MSCI Hedge Fund Composite Index focusing on small cap stocks outperformed those focusing on mid and large cap



MSCI Hedge Fund Indices – Review

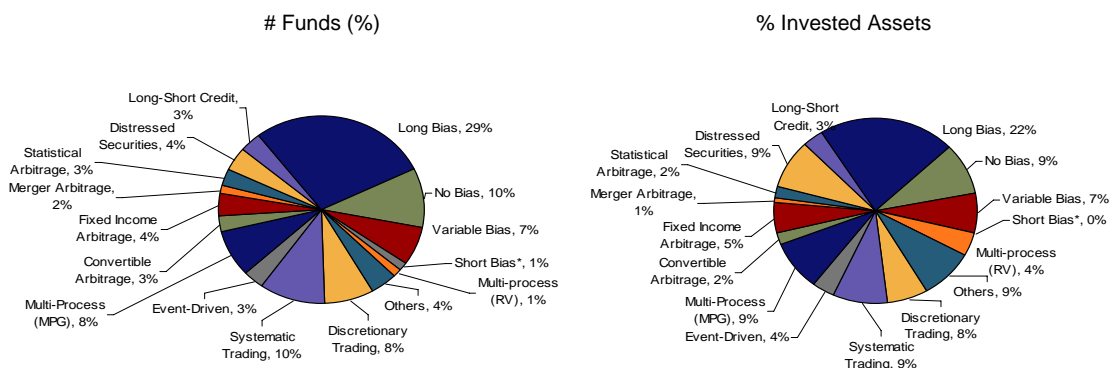
VI Hedge Fund Universe Composition

Composition by Investment Process

As of November 30, 2007 Long Bias funds made up 29% of funds and 22% of the assets of the MSCI Hedge Fund Composite Index. Multi-Process Relative Value (RV) comprised only 1% of the funds in the MSCI Hedge Fund Composite Index but comprised 4% of assets because these tend to be larger funds. While Short Bias funds in the MSCI Hedge Fund Composite Index garner a lot of attention, the group comprised only 1% of funds and has close to 0% assets in the MSCI Hedge Fund Composite Index.

Distribution of Investment Process by Number of Funds and % Invested Assets

- Long Bias is the largest hedge fund investment process in the MSCI Hedge Fund Composite Index.



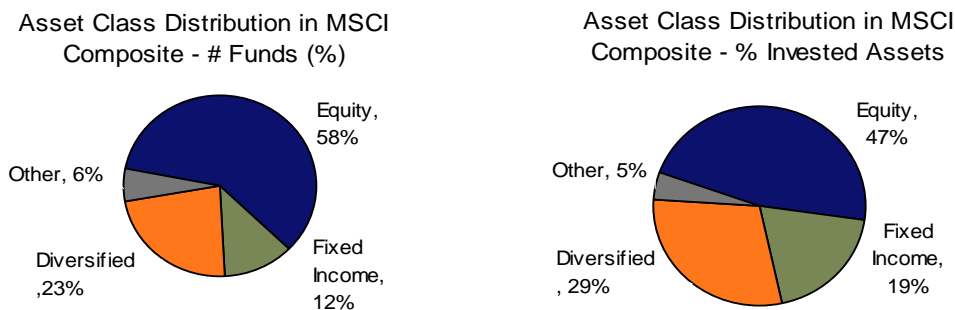
Note: Data as of November 30, 2007. *Short Bias of all Fund Sizes Indicative Index includes all short bias funds regardless of their level of assets under management

Composition by Asset Class

The majority of hedge funds in the MSCI Hedge Fund Composite Index, 58%, invested in equities and 23% were diversified investing in more than one asset class.

Asset Class Distribution in the MSCI Hedge Fund Composite Index by Number of Funds and % Invested Assets

- Equity focus was a dominant characteristic of hedge funds in the MSCI Hedge Fund Composite Index.



Note: Data as of November 30, 2007.

MSCI Hedge Fund Indices – Review

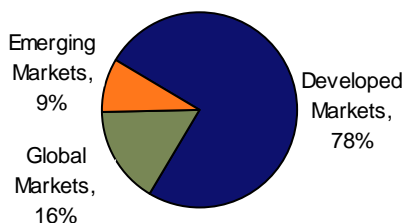
VI Hedge Fund Universe Composition (continued)

Composition by Geography

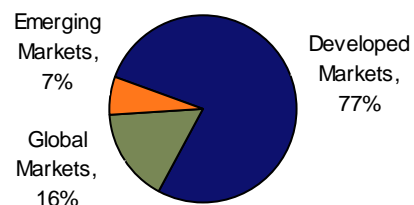
The vast majority of hedge funds (78%) in the MSCI Hedge Fund Composite Index were focused on developed markets. Within developed markets, 50% invested primarily in North America.

Geographic Distribution by Number of Funds and % Invested Assets

Geographical Distribution - # Funds (%)



Geographical Distribution - % Invested Assets

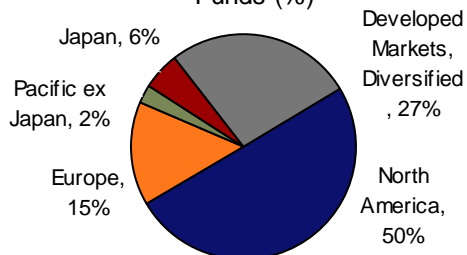


Note: Data as of November 30, 2007.

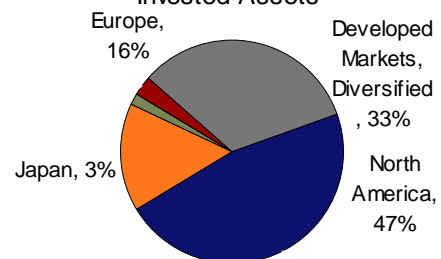
Distribution in Developed Markets by Number of Funds and % Invested Assets

- Developed markets focus is another dominant characteristic of the hedge fund universe in the MSCI Hedge Fund Composite Index.

Distribution in Developed Markets - # Funds (%)



Distribution in Developed Markets - % Invested Assets



Note: Data as of November 30, 2007.

Composition by Equity Size Focus

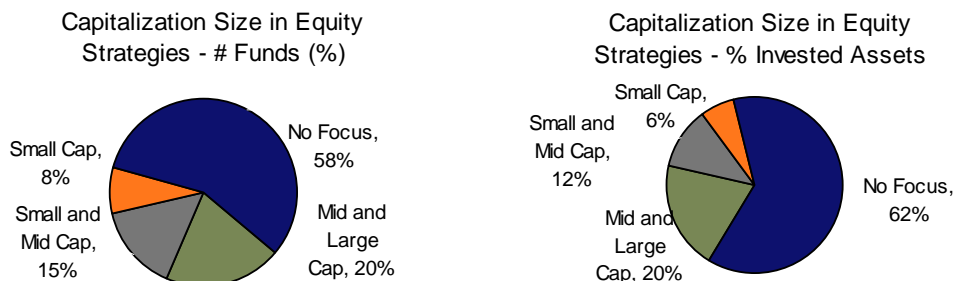
Among hedge funds in the MSCI Hedge Fund Composite Index that invest in equity, 20% focused on mid and large cap stocks. The majority of funds in the MSCI Hedge Fund Composite Index, 58%, invested broadly and did not focus on any particular market capitalization segment of the equity markets. Funds in the MSCI Hedge Fund Composite Index focused on small and/or mid caps represented about 23% of the total index.

MSCI Hedge Fund Indices – Review

VI Hedge Fund Universe Composition (continued)

Capitalization Size in Equity Strategies by Number of Funds and % Invested Assets

- No Size Focus was the dominant characteristic of hedge funds



Note: Data as of November 30, 2007.

VII Process Group and Strategy Correlation Matrix over 5 Years

Most hedge fund investment processes in the MSCI Hedge Fund Composite Index had a low correlation with the 3M US Treasury Index. By contrast, the MSCI World Equity Index had a relatively higher correlation with many hedge fund investment processes.

Within the MSCI Hedge Fund Composite Index, Long Bias, No Bias, Variable Bias, Distressed Securities, Event Driven and Merger Arbitrage indices all had correlations above 50% with the MSCI World Equity Index. The Short Bias Index had the most negative correlations with MSCI World Equity Index and most other hedge fund investment processes in the MSCI Hedge Fund Composite Index.

Fixed Income Arbitrage and Statistical Arbitrage in the MSCI Hedge Fund Composite Index appear to be least correlated with traditional assets and other hedge fund investment processes.

Strategy Correlation Matrix

5 Year Correlation	Investment Process Indices						Strategy Indices															
	Composites equally weighted	Directional Trading	Relative Value	Security Selection	Specialist Credit	Multi-process Group	Discretionary Trading	Systematic Trading	Arbitrage	Convertible Arbitrage	Fixed Income Arbitrage	Merger Arbitrage	Statistical Arbitrage	Long Bias	No Bias	Short Bias*	Variable Bias	Distressed Securities	Long-Short Credit	Event-Driven	MSCI World Equity	
Directional Trading	60%																					
Relative Value	64%	45%																				
Security Selection	94%	33%	48%																			
Specialist Credit	76%	23%	62%	74%																		
Multi-process Group	93%	33%	61%	94%	86%																	
Discretionary Trading	82%	65%	56%	71%	51%	69%																
Systematic Trading	48%	98%	38%	21%	14%	21%	50%															
Arbitrage	45%	33%	86%	29%	56%	43%	40%	28%														
Convertible Arbitrage	46%	33%	84%	33%	52%	42%	40%	28%	96%													
Fixed Income Arbitrage	24%	33%	60%	7%	37%	23%	25%	31%	64%	45%												
Merger Arbitrage	74%	34%	65%	71%	62%	78%	59%	25%	38%	42%	17%											
Statistical Arbitrage	25%	34%	58%	11%	12%	18%	26%	34%	20%	18%	38%	27%										
Long Bias	91%	27%	43%	99%	75%	93%	65%	14%	27%	30%	3%	69%	3%									
No Bias	92%	52%	59%	90%	62%	85%	78%	39%	36%	39%	18%	70%	33%	84%								
Short Bias*	-64%	-6%	-11%	-77%	-53%	-69%	-37%	2%	-4%	-10%	21%	-55%	25%	-83%	-55%							
Variable Bias	92%	46%	49%	93%	61%	85%	81%	32%	26%	30%	9%	67%	26%	87%	92%	-60%						
Distressed Securities	73%	19%	54%	72%	96%	84%	48%	10%	46%	43%	25%	59%	9%	74%	61%	-56%	59%					
Long-Short Credit	65%	25%	66%	58%	91%	73%	48%	17%	63%	58%	52%	58%	17%	57%	50%	-33%	50%	78%				
Event-Driven	84%	24%	57%	86%	89%	95%	56%	14%	39%	40%	17%	80%	13%	87%	75%	-71%	74%	89%	76%			
MSCI World Equity	70%	6%	21%	83%	60%	77%	45%	-4%	12%	15%	-10%	58%	-20%	87%	60%	-84%	68%	62%	41%	76%		
3M US Treasury	8%	2%	25%	8%	-13%	5%	7%	0%	10%	13%	-8%	26%	19%	4%	19%	3%	13%	-10%	-14%	-1%	5%	

Note: Data as of November 30, 2007. Correlation measured using 60 monthly returns.

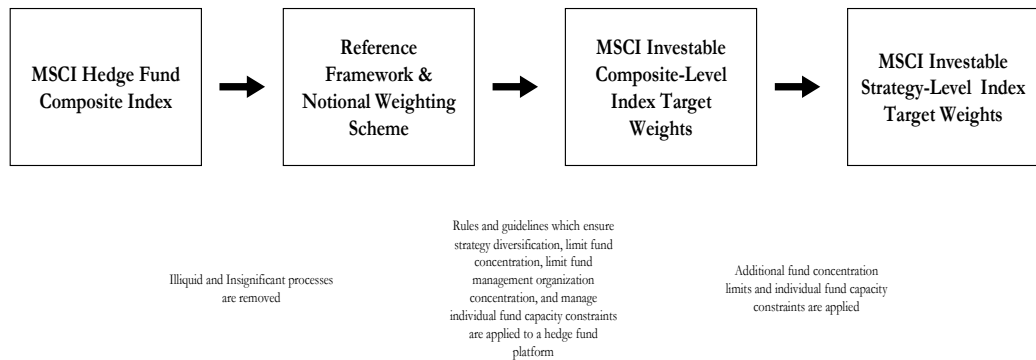
- Fixed income arbitrage and statistical arbitrage appear to be the least correlated with traditional assets and other hedge fund investment processes in the MSCI Hedge Fund Composite.

MSCI Hedge Fund Indices – Review

VIII MSCI Hedge Invest Index

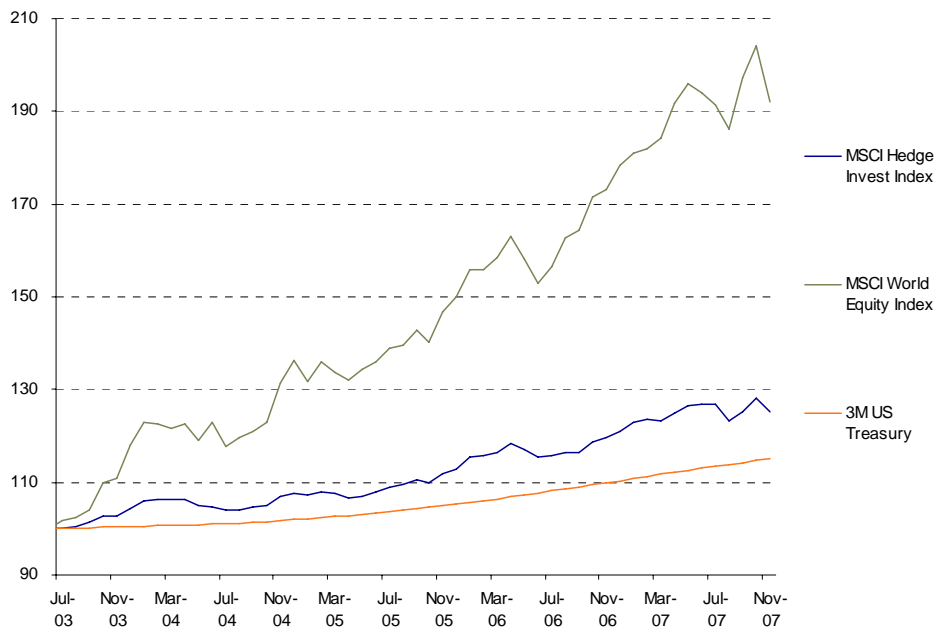
The MSCI Hedge Invest Index is designed to be both investable and to reflect the overall structure and composition of the hedge fund universe. The composite-level MSCI Hedge Invest Index includes funds from a wide range of hedge fund investment strategies available on a third party platform. In addition, eight strategy-level indices subdivide the MSCI Hedge Invest Index and are based on the clearly defined investment processes. The index is daily priced with weekly liquidity. As of November 30, 2007, the index contained 152 funds in 14 investment processes.

The Construction principles of the Hedge Invest Index are depicted below.



MSCI Hedge Invest Index Performance

Year-to-date through November 2007, the MSCI Hedge Invest Index gained 3.6%. Among strategy level indices, the MSCI Hedge Invest Event Driven Index had the largest gain for the first eleven months of the year with a return of 11.7%, followed by the MSCI Hedge Invest Equity Non-Directional Index with a return of 9.9%. The MSCI Hedge Invest Fixed Income Index performed the worst year-to-date through November with a return of -0.5%.



MSCI Hedge Fund Indices – Review

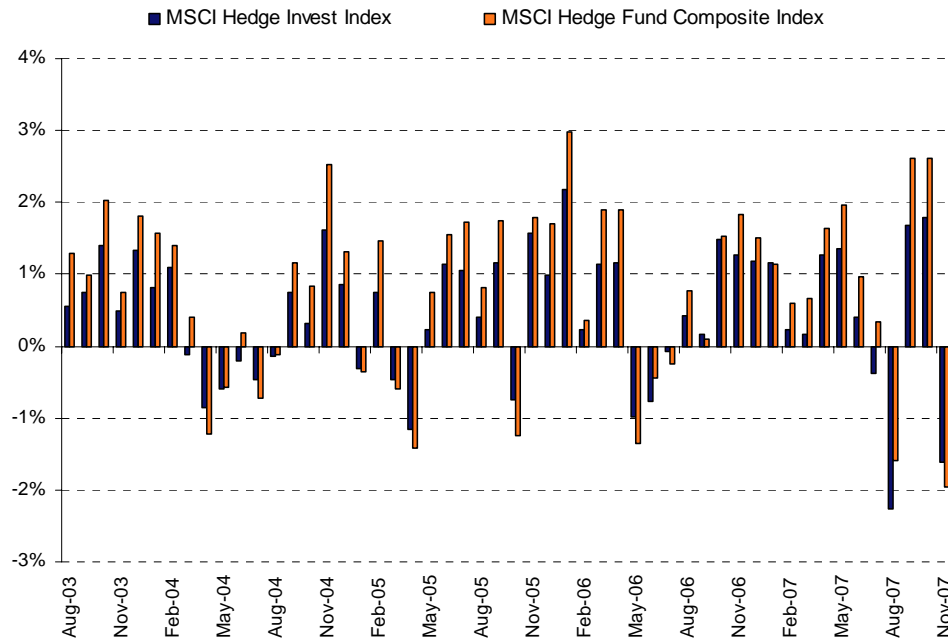
VIII MSCI Hedge Invest Index (continued)

The MSCI Hedge Invest Index had a 96% correlation with the MSCI Hedge Fund Composite Index .

- The MSCI Hedge Invest Index and the MSCI Hedge Fund Composite had a 96% correlation.

Correlation July 2003 to November 2007	MSCI Hedge Invest Index	MSCI Hedge Fund Composite Index	MSCI World
MSCI Hedge Fund Composite Index	96.35%		
MSCI World Equity	82.95%	82.89%	
3M US Treasury	8.80%	8.71%	-0.60%

Monthly Performance Comparison MSCI Hedge Invest Index vs. MSCI Hedge Fund Composite Index



Note: Performance data for the MSCI Hedge Invest Index is tabulated based on the last Tuesday on any given period due to weekly pricing.

The MSCI Hedge Invest Index followed the direction of the returns of the MSCI Hedge Fund Composite Index except on rare occasions, which stems in part from the fact that, by design, the Hedge Fund Composite is utilized as a proxy for the hedge fund universe in determining weights within the MSCI Hedge Invest Index.

Correlation and Tracking Error Comparisons of the MSCI Hedge Invest Index and the MSCI Hedge Fund Composite Index

MSCI Hedge Invest Index vs MSCI Hedge Fund Composite Index	
Correlation	96.35%
Tracking Error	1.27%

Note: Performance data for the MSCI Hedge Invest Index is tabulated based on the last Tuesday on any given period due to weekly pricing. Analysis based on data from July 2003 until November 2007.

MSCI Hedge Fund Indices – Review

VIII MSCI Hedge Invest Index (continued)

MSCI Hedge Invest Performance Summary for Year 2007 ⁽¹⁾

	2007 Return ⁽¹⁾	ITD Return ⁽²⁾
MSCI Hedge Invest Index	3.6%	25.4%
MSCI World Equity Index	7.7%	88.7%

Performance by Strategy-Level Indices	Inception Date	FundCount	2007 Return ⁽¹⁾	ITD Return ⁽²⁾
MSCI Hedge Invest Convertible Arbitrage Index	07/15/03	15	2.87%	9.61%
MSCI Hedge Invest Equity Non-Directional Index	07/15/03	12	9.85%	25.82%
MSCI Hedge Invest Event Driven Index	07/15/03	15	11.64%	30.47%
MSCI Hedge Invest Long Bias Index	07/15/03	25	4.15%	45.01%
MSCI Hedge Invest Systematic Trading Index	07/15/03	25	4.79%	22.47%
MSCI Hedge Invest Discretionary Trading Index	01/06/04	11	5.30%	15.44%
MSCI Hedge Invest Variable Bias Index	07/06/04	21	7.31%	34.21%
MSCI Hedge Invest Fixed Income Index	01/04/05	17	-0.50%	9.28%

Performance by Investment Segment	Weight	FundCount	2007 Return ⁽¹⁾	ITD Return ⁽²⁾
Non Directional	27.9%	46	4.5%	17.8%
Merger Arbitrage	1.3%	6	11.9%	33.0%
Convertible Arbitrage	4.9%	13	2.6%	8.9%
Equity Arbitrage	1.0%	2	6.5%	13.7%
Fixed Income MBS	3.9%	2	-5.1%	16.4%
Fixed Income Ex MBS	2.0%	1	1.7%	2.9%
Statistical Arbitrage,Europe	1.7%	1	4.2%	30.1%
Statistical Arbitrage,North America	0.0%	0	0.0%	-0.2%
Statistical Arbitrage,Diversified	1.0%	3	5.2%	27.6%
No Bias,Europe	2.5%	4	5.3%	26.3%
No Bias,North America	3.3%	2	6.8%	15.3%
No Bias,Diversified	1.4%	2	15.4%	34.7%
No Bias,Japan	0.8%	1	11.6%	43.6%
Event-Driven	4.1%	9	11.6%	31.7%
Enhanced	32.8%	51	3.7%	41.2%
Long Bias,Diversified	3.2%	4	8.8%	29.4%
Long Bias,Europe	5.5%	4	-0.6%	35.7%
Long Bias,Japan	1.8%	3	-7.8%	29.2%
Long Bias,North America Mid and Large Cap	1.5%	3	7.8%	45.9%
Long Bias,North America Small and Mid Cap	5.4%	4	-3.3%	27.7%
Long Bias,North America No size Focus	5.8%	9	7.2%	41.0%
Long Bias, Asia ex Japan	2.0%	1	19.2%	61.3%
Short Bias	0.3%	1	3.3%	-27.1%
Variable Bias,Europe	3.0%	10	2.7%	35.1%
Variable Bias,North America	1.6%	6	7.3%	59.8%
Variable Bias,Other	1.8%	4	16.5%	48.9%
Variable Bias, Japan	0.9%	2	4.1%	15.5%
Directional	27.9%	43	4.0%	21.7%
Systematic, Currencies	1.6%	4	2.9%	-0.2%
Systematic, Diversified	10.5%	21	5.3%	28.3%
Systematic, Equities	0.0%	0	0.0%	-10.6%
Systematic, Fixed Income	0.7%	1	3.6%	1.7%
Discretionary, Equity	3.0%	4	9.0%	57.6%
Discretionary, Diversified	4.2%	5	2.4%	7.9%
Discretionary, Commodity	0.3%	2	12.7%	41.4%
Multi-Process(MPG)	6.8%	4	0.2%	10.6%
Multi-Process(RV)	0.0%	0	-19.4%	-17.6%
Multi-Process(DT)	0.8%	2	6.5%	5.7%
Specialist Credit ex illiquid	11.4%	12	0.0%	16.6%
MSCI Hedge Invest Index	100.0%	152	3.6%	25.4%

Note: All hedge fund performance data is tabulated based on the last Tuesday on any given period due to weekly pricing. (1) 2007 returns are based on the period from 12/26/06 through 11/27/07.

(2) Inception to Date (ITD) returns are from 7/15/03 through 11/28/07 except for strategy-level indices, where inception dates vary with strategy.

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