**Morgan Stanley Capital International (MSCI) Stock Market Indexes**

Morgan Stanley Capital International (MSCI) is a leading provider of equity and fixed-income indexes. MSCI has been providing global equity indexes for more than 40 years. Morgan Stanley's global equity benchmarks are probably the most widely used international indexes by institutional investors.

Among the more commonly used and cited MSCI indexes are:

**(1) The MSCI World Index** is a free float market capitalization weighted index that is designed to measure the equity market performance of developed markets. As of May 27, 2010 the MSCI World Index consisted of the following 24 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

**(2) The MSCI Emerging Markets Index** is a free float market capitalization index that is designed to measure equity market performance of emerging markets. As of May 27, 2010 the MSCI Emerging Markets Index consisted of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

**(3) The MSCI BRIC Index** is a free float market capitalization weighted index that is designed to measure the equity market performance of the following four emerging market country indices: Brazil, Russia, India and China.

**(4) The MSCI EAFE Index** (Europe, Australasia, Far East) is a free float market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. As of May 27, 2010 the MSCI EAFE Index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

**(5) The MSCI AC (All Country) Pacific Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed and emerging markets in the Pacific region. The MSCI AC Pacific Free Index consists of the following 12 developed and emerging market countries: Australia, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan, and Thailand.

**(6)** **The MSCI EMU (European Economic and Monetary Union**) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of countries within EMU. The MSCI EMU Index consists of the following 11 developed market country indices: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, and Spain

**Free-Float Market Capitalization:** MSCI uses a free-float methodology market capitalization. Free float market capitalization is calculated by taking the equity's price and multiplying it by the number of shares readily available in the market. Instead of using all of the shares outstanding like the full-market capitalization method, the free-float method excludes locked-in shares such as those held by promoters and governments.

The Morgan Stanley web site which will report up to date performance (along with historical data) of all MSCI indexes is: <http://www.msci.com/products/indices/performance.html>

**BRIC Stocks Lose for 2nd Time in Decade as America’s Stock Market Takes Over**

**Bloomberg.com, February 22, 2011**

The MSCI World Index of equities in 24 (developed) countries rose 6.1% for 2011 through yesterday, the best annual start in 13 years. As a group, the MSCI Emerging Markets have lost 2.7% since the beginning of the year while the BCIC Index has lost 2.2% (all data in USD terms and as of the close on February 21). Over the same period, the World Index of developed equity markets is up 6.1% (with the U.S. index up 6.8%).

While emerging-market equities beat developed countries every year except 2008 in the past decade, they’re falling now as Brazil, Russia, India and China battle inflation. Thornburg Investment Management Inc. expect bigger gains from developed-market equities after German Chancellor Angela Merkel and French President Nicolas Sarkozy pledged to prevent the breakup of the euro and the Fed began buying $600 billion in Treasuries to spur growth. “You’ve got more willingness to take risk with equities in developed markets,” said William Fries, who runs the $26.7 billion Thornburg International Value.

Investors are betting that the U.S., with gross domestic product that’s almost three times greater than China and Japan, will drive global economic growth. U.S. imports of $203.5 billion in December were the most in two years. The Conference Board’s index of U.S. consumer confidence climbed to an almost three-year peak in January, and the Institute for Supply Management-Chicago Inc. said businesses expanded in January at the fastest pace since July 1988.

Greece, Italy and Spain are leading developed markets higher with gains exceeding 9.6 percent this year. Stocks in the nations, among Europe’s most indebted, rebounded from the worst performances in 2010 amid growing confidence France and Germany will keep the region’s currency intact.

Investors are pouring money into equity mutual funds that buy shares in the U.S., the world’s largest stock market, with shares valued at $16.6 trillion. Developed nations, recovering from the worst financial crisis since the Great Depression, have kept interest rates low, with the Fed holding its target near zero since December 2008.

Attempts by emerging-market central banks to battle inflation are holding back their equities, Gill said. Brazil’s central bank lifted its benchmark overnight rate by 50 basis points, or 0.5 percentage point, to 11.25 percent on Jan. 19. India raised rates to a two-year high on Jan. 25. China has ordered lenders twice this year to set aside more money as reserves. Russia increased banks’ reserve requirements for the first time since 2009 on Jan. 31 to stem the fastest inflation in a year.

The World Bank said Feb. 15 that global food prices have surged to dangerous levels, pushing 44 million more people into extreme poverty since June. The 2.9 billion people in Brazil, Russia, India and China spend about 19 percent of their income on groceries, compared with 6 percent in the U.S., according to data compiled by London-based Euromonitor International. Corn futures surged 94 percent in the past year through yesterday, and wheat jumped 70 percent after drought and floods damaged crops from Russia to Argentina.

“The skies are bluer in the developed markets,” said John Praveen, Newark, New Jersey-based chief investment strategist at Prudential International Investments Advisers, a unit of Prudential Financial Inc., which oversees $750 billion. “You have low inflation, low interest rates and growth picking up.”