



## MSCI Launches New Barra Equity Models

New Barra US Equity Model (USE4) helps portfolio managers get a better understanding of their sources of risk and return

NEW YORK--(BUSINESS WIRE)-- MSCI Inc. (NYSE: MSCI), a leading provider of investment decision support tools worldwide, including indices, portfolio risk and performance analytics and corporate governance services, announced today the launch of the first in a family of new Barra Equity Models - Barra US Equity Model (USE4). Barra USE4 includes the latest advances in risk methodology, providing institutional investors with the ability to align factor structure with their investment processes, and improve responsiveness and accuracy.

Key advances in Barra USE4 include:

**Eigenfactor Risk Adjustment** adjusts the covariance matrix and improves risk forecasts for optimized portfolios. Forecasting bias is removed from the factor covariance matrix by scaling up where risk is under-forecast, and scaling down where risk is over-forecast.

**Volatility Regime Adjustment** calibrates factor volatilities to current market levels. The model responds quicker to market trends by reducing the under-prediction of risk when entering a regime of increased volatility and the over-prediction of risk when exiting a period of elevated volatility.

MSCI Managing Director and Head of Equity Portfolio Management Analytics, Peter Zangari said, "Barra USE4 is a new model with a new methodology and an updated factor structure that gives portfolio managers a better understanding of their sources of risk and return, and the ability to analyze how their factor tilts affect their portfolio risk and performance. Our recent MSCI survey, *Shifting Realities: Myths & Models*, which captured the opinions of over 600 portfolio managers and investment professionals, demonstrated the need in the market a greater choice of more models and how important it is to have a wide variety."

This innovative new family of equity models will significantly expand the range of Barra models currently available. The roll out of models will continue with the release of a new Barra Global Equity Model, as well as models for other major markets later in the year. The new models will be initially available in Barra Portfolio Manager, Barra Models Direct and Barra Aegis.

Mr Zangari added, "The new Barra Equity Models are designed to deliver better risk forecasts for optimized portfolios through these new innovative methodologies. These models are not a replacement for existing Barra Equity Models, which will continue to be available. Current clients will have the option to transition to the new models or retain their existing subscription."

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About MSCI

MSCI Inc. is a leading provider of investment decision support tools to investors globally, including asset managers, banks, hedge funds and pension funds. MSCI products and services include indices, portfolio risk and performance analytics, and governance tools.

The company's flagship product offerings are: the MSCI indices which include over 148,000 daily indices covering more than 70 countries; Barra portfolio risk and performance analytics covering global equity and fixed income markets; RiskMetrics market and credit risk analytics; ISS governance research and outsourced proxy voting and reporting services; FEA valuation models and risk management software for the energy and commodities markets; and CFRA forensic accounting risk research, legal/regulatory risk assessment, and due-diligence. MSCI is headquartered in New York, with research and commercial offices around the world.

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

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