INDEX BULLETIN UPDATE
FINAL MSCI METHODOLOGY

TRANSITION NOW SET FOR TWO PHASES – NOT THREE

On March 28, 2007 MSCI announced the final methodology and transition plans for their indexes.

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In summary, there were no significant changes to the proposed methodology. The major change announced involved the plan for the transition to the new index series. Instead of the three phase approach proposed in the release of their preliminary plan, MSCI has decided to transition the indexes in two phases, as follows:

- Phase I– end of November 2007
- Phase II – end of May 2008

The change in methodology highlights the following features of the updated index series:

- Broader and exhaustive coverage of the large and mid cap segments with a targeted coverage range of 85% of free-float adjusted market capitalization within each market segment
- A non-overlapping Small Cap Index Series which will seamlessly fit with the large and mid cap indexes.

MSCI's Current Methodology

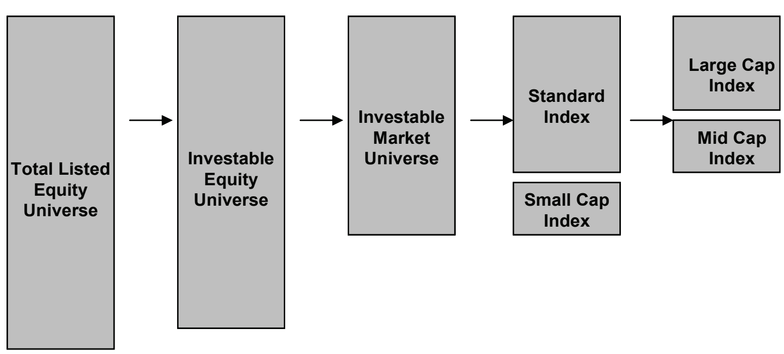
The current Standard methodology targets inclusion of 85% of float-adjusted market capitalization of each industry group in each country, resulting in a Multi-Cap Index.

The current Small Cap Index targets inclusion of 40% of float-adjusted market capitalization of the companies in the range of $200 million to $1.5 billion in the developed markets.

MSCI's Updated Methodology

The updated methodology will be an exhaustive representation of the large, mid and small cap markets. The large and mid cap indexes will target 85% of the float-adjusted market capitalization of the investable market universe and will be combined to create the Standard Index. The Small Cap Index will target all companies with a free-float adjusted market capitalization below that of the Standard and up to 99% of the investable market universe. (Figure 1)

Figure 1. New Composition of MSCI Index Series



Sources: MSCI and Northern Trust.

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After gathering the securities which comprise the total listed equity universe the following criteria are used to define the investable market universe.

- Liquidity – Annualized traded value ratio of 20% for Developed Markets and 15% for Emerging Markets
- Minimum size – $145M full market cap as of September 2006
- Free-Float – Minimum free float of 15% at the security level and 10% at the company level
- Seasoning – 3 months for small IPOs

Unlike the current index series, the Standard Index combined with the Small Cap Index will create a seamless investable market universe. Another significant change to the methodology pertains to the treatment of Europe. Within the rules of the new methodology the European countries will be sliced into large/mid/small cap indexes after being grouped together in one region. This is a change to the current methodology which considers each European country individually. To illustrate, a company that may have been classified as a large cap company within a European country may now be classified as a small cap company when evaluated within the larger context of the aggregation of all European countries.

Advantages of the Updated Methodology

As investors continue to increase and broaden their exposure to international markets, a consistent, accurate benchmark to measure each market segment is imperative. The improved methodology will provide investors the following:

- Ability to segment size within both the Developed and Emerging markets
    - Large Cap, Mid Cap, Small Cap
- Availability of Growth/Values indexes for each segment of the market
    - Developed, Emerging Markets and Small Cap
- Continued emphasis on investability

Portfolio Implementation and Rebalancing Considerations

In order to both minimize market impact and transaction costs, MSCI's proposal includes a two-phase transition in which each stage will apply one-half of the full index weight of both the additions and deletions. The two-phase transition will begin at the end of November 2007 and conclude in May of 2008.

Effective immediately, after the release of the final details of the methodology change and the transition, MSCI will be taking into account and applying the enhanced methodology of the updated indexes to apply to the current Standard index series. As a result no company will be added to the Standard Index series if it is not in the Provisional series, and no company will be deleted if it is included in the Provisional index series. As a result, the expected turnover for the upcoming Annual May rebalance is significantly lower than in past years. Throughout the transition, we will continue to review the dynamics surrounding the trading of this event.

Provisional Indexes Expected on June 5th

In addition to executing the MSCI transition trades in a risk and cost minimizing manner for our portfolios, we can also provide our clients with customized analysis and investment strategies to better help manage the transition. On June 5, 2007, MSCI will create and distribute Provisional Indexes. The availability of the provisional indexes provides a better opportunity for implementation of pre-trade strategies, as investors interested in trading before the scheduled phases will now have the appropriate "official" MSCI benchmarks.

All of us at Northern Trust Global Investments look forward to working with you to effectively manage the MSCI index evolution. We also welcome discussions on general international equity benchmark decision. If you have any questions about the MSCI methodology or transition or are interested in discussing related index trading strategies, please contact your Investment Relationship Manager.

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