

Press Release



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Currency overlay continues to outperform over longer term despite showing negative Q3 returns

LONDON, December 12, 2007 – Statistics released today by BNY Mellon Asset Servicing show that for the first time in 12 months, currency overlay managers failed to achieve a quarterly positive median excess return. The median excess return for the quarter ending 30 September 2007 was -0.42%; this is the lowest return seen since Q2 2004.

Results were however, more favourable over one and three year periods, and currency overlay managers achieved median excess returns of 0.59% and 0.27% p.a. respectively.

Although currency overlay managers failed to achieve positive median excess returns over a five year period, they did add value over the longer term and over 10 years, the average outperformance was 0.24% p.a.

Over the last 10 years, we have seen investment in overseas equities increase by almost 8%, and at the end of September 2007 the average UK pension fund held 28.1% of its assets in this sector. As a result of this increased exposure, pension funds are increasingly at risk from currency fluctuations. Currency overlay seeks to address this issue, and in recent years has been brought into the spotlight as pension funds adopt strategies to actively hedge this risk.

Commenting on the results, Alan Wilcock, BNY Mellon Asset Servicing's Performance and Risk Analytics Manager, said: "Over shorter periods, up to three years, we have seen the survey results swing from positive to negative and vice-versa. However, we have been accustomed to the longer-term currency overlay statistics showing median positive performance. The recent five-year result is therefore quite unusual."

Each quarter, BNY Mellon Asset Servicing publishes the results of its Currency Overlay Manager Profile Analysis. This survey examines the overall excess returns achieved by active currency overlay managers against benchmark, across different styles, hedge ratios and base currencies. The results of this survey have now been published for the quarter ending 30 September 2007.

The Currency Overlay Manager Profile Analysis is a BNY Mellon Asset Servicing service. The universe includes accounts from 20 separate asset managers with a total asset value in excess of \$101 billion.

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Notes to editors

BNY Mellon Asset Servicing offers clients worldwide a broad spectrum of specialised asset servicing capabilities, including custody and fund services, securities lending, performance and analytics, and execution services. BNY Mellon Asset Servicing provides services through The Bank of New York, Mellon Bank, N.A. and other related companies.

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All information and figures source Mellon International unless otherwise stated as at 30 September 2007. This press release is issued by Mellon International Limited to members of the financial press and media.

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