

Press Release



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Technical approach drives growth as currency overlay managers see mixed results in first quarter of 2008

LONDON, June 13, 2008 – Statistics released today by BNY Mellon Asset Servicing show that Currency Overlay funds had mixed results in the first quarter of 2008. During the quarter, excess returns ranged from 4.48% to -2.38%, and the overall median return was -0.01%.

However, BNY Mellon Asset Servicing's latest *Currency Overlay Manager Profile Analysis* for the quarter ending 31 March 2008 reveals that these managers did add value over one and three year periods, and funds achieved median excess returns of 0.40% and 0.07% p.a. respectively. BNY Mellon Asset Servicing's analysis shows that managers also added value over the longer term, and over five years to 31st March 2008, managers achieved an average outperformance of 0.21% p.a. Currency overlay managers were even more successful over a 10-year period and the median excess return was 0.30% p.a.

Funds are increasingly at risk from currency fluctuations due to rising investment in overseas assets, and the use of currency overlay managers allows pension schemes to hedge against these fluctuations in exchange rates. [The impact of currency fluctuations was particularly notable during Q1 2008 when sterling fell against both the euro and the yen, by 8.5% and 12.4% respectively.](#)

Commenting on the results, Nick Rogers, BNY Mellon Asset Servicing's Senior Technical Specialist, said: "During the first quarter, Dynamic managers were poor performers with a mean return of -0.5%; however this was offset by a strong performance from Technical managers. Euro managers were predictably strong performers during Q1 2008, whilst overall weakness was as a result of negative performances from UK, Japanese and US currency managers."

The use of currency overlay managers allows pension schemes to hedge against fluctuations in exchange rates. This means that where an investment performs well in local terms, but there has been an adverse movement in exchange rates, the scheme will still benefit from the investment performance. Over the last 10 years we have seen proportions in overseas equities rise from 18.7% to 25.5% and as a result, currency overlay strategies have become increasingly important for UK pension funds.

BNY Mellon Asset Servicing's *Currency Overlay Manager Profile Analysis* includes accounts from 17 separate asset managers with a total asset value in excess of \$89 billion. Each quarter, BNY Mellon Asset Servicing publishes the results of this analysis and 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 31 March 2008.

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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 31 March 2008. This press release is issued by Mellon International Limited to members of the financial press and media.

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