

Press Release



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Balanced pooled funds see second consecutive negative quarter of 2008

Gains made over medium term

LONDON, July 24, 2008 – Results from BNY Mellon Asset Servicing's quarterly CAPS survey show that balanced pooled funds failed to achieve a positive median return for the second consecutive quarter. Over this period balanced pooled funds returned -1.6%, which combined with poor performance in the previous quarter, means that over a one year period the median return was -8.2%.

Balanced pooled funds did however make gains over the medium term; over three and five years balanced pooled funds returned 7.2% p.a. and 10.0% p.a. respectively. Over these periods, balanced pooled funds achieved median real rates of return, against the Retail Prices Index, of 3.1% p.a. and 5.9% p.a.

Results were for the most part, negative for equity pooled funds during the second quarter of 2008. The only exceptions to this were Japanese and Emerging Market equity pooled funds which returned 2.1% and 0.2% respectively. Not so successful were European ex UK and Pan European pooled funds, which returned -4.2% and -4.4% respectively.

Median results for UK Equity pooled managers ranged from -1.1% for UK Equity standard funds to -2.4% for UK Smaller Companies funds. In both cases however, these funds did perform ahead of their comparative market indices. On an overall basis Global Equity pooled funds returned -0.7%, beating the return on the FTSE All World Index by 1.1%.

Both UK and Overseas bond pooled fund managers struggled during quarter two, with returns of -2.7% and -4.2% respectively. The strongest non-equity returns of the quarter came from Index Linked Gilts (0.9%) and Cash (1.3%) pooled funds, whilst Property pooled fund managers had a challenging quarter and returned -1.7%. This means that Property has now seen a full year of negative quarterly returns with four consecutive negative quarters.

Allocation to UK equities continues to fall

Balanced pooled fund weightings in UK Equities continued to decline over the last three months with a fall of 0.5% and at the end of Q2, allocations had reached an all time low of 41.0%. In one year alone, BNY Mellon has seen weightings in this sector decline by 6.0%, from 47.0% at the end of June 2007. On an overall basis, weightings in Overseas Equities have remained fairly static over the quarter, increasing slightly from 37.7% to 37.8%.

Within Overseas Equities, weightings in North American Equities were boosted by 0.6% to 9.9% as a result of managers moving money into this sector. The opposite was true for Europe ex UK Equities which saw holding decline by 0.8% due to poor relative performance and managers moving money out of the sector. Weightings remained fairly static in Emerging Market and Pacific ex Japan Equities, but were boosted by 0.4% in Japanese Equities. This was due to a combination of positive relative performance and managers moving money into this sector.

Despite some poor relative performance in these sectors, Q2 2008 saw weightings boosted in both UK and Overseas Bonds, by 0.5% and 0.2% respectively. This was as a result of managers moving money into these sectors. During the quarter, the same was also true for Cash for which we saw holdings increase from 7.9% to 8.5%. This was not the case for Index Linked Gilts and Property, which both saw holdings decline slightly due to money being moved away from these sectors.

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Commenting on the results, Alan Wilcock, BNY Mellon Asset Servicing's Performance and Risk Analytics Manager, said: "The continued decline in property values means that property now falls behind equity results over three and five year periods, but remains the best asset class over 10 years. Continued market volatility has also resulted in allocations to cash increasing again to 8.5%, within Balanced Funds, which is the highest level we have seen for over 15 years."

BNY Mellon Asset Servicing's Pooled Pension Fund Database covers the largest and most representative sample available to UK pension funds' trustees. The company currently covers 86 separate asset managers who manage over £413 billion in pooled funds, both balanced and specialist.

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Notes to editors

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