

# Press Release



**Contact:** Louisa Bartoszek  
+44 20 7163 2826  
louisa.bartoszek@bnymellon.com

## **Balanced funds remain affected by market environment in Q1 2009**

### ***Cautious managers continue to move from Equities favouring Cash and Bonds***

LONDON, 27 April 2009 – BNY Mellon Asset Servicing's latest quarterly pooled fund survey shows that balanced pooled funds posted a return of -7.9% for Q1 2009 (-3.4% in Q4 2008). This is the fifth consecutive quarter of negative returns. The last time a positive performance was recorded by BNY Mellon was in Q4 2007 when a marginal positive return of 1.0% was achieved.

This prolonged period of negative performance has impacted one and three year returns which achieved -20.5% and -6.6% p.a. respectively. Performance is more favourable over the medium term with returns over five and ten years achieving 3.2% p.a. and 1.4% p.a. respectively. Over these periods, the median fund achieved real rates of return against the Retail Prices Index in only the five-year period with a real return of 0.5% p.a.

<b>Universe Name</b>	<b>Net Median Return (%)</b>	<b>Index Return (%)</b>
Balanced	-7.9	-
UK Smaller Companies	-2.3	-4.7
UK Equity Standard	-8.3	-9.1
Overseas Equity	-10.2	-10.2
Global Equity	-9.2	-10.2
North American Equity	-8.7	-9.8
European ex UK Equity	-14.0	-16.0
Pan European Equity	-	-14.4
Japanese Equity	-17.2	-16.2
Pacific Basin (ex Japan) Equity	-0.8	-2.2
Emerging Market Equity	0.1	1.3
UK Bonds Standard	-4.0	-0.8
UK Bonds Long Term	-5.2	-4.5
International Bond	-3.6	-4.7
Index Linked	-2.2	-1.3
Cash	0.3	0.4
Property	-5.7	-8.1

Although there were a few exceptions, pooled funds struggled in the first quarter of 2009 and returns for most funds were negative during this period.

Within Equities, BNY Mellon recorded negative results for nearly all of the pooled funds within its universes. The weakest performance came from the Japan Equity pooled sector with a median return of -17.2%. Along with Emerging Market Equity, the Japan Equity sector failed to beat its respective Index. In Q1 2009, all of the other active Equity pooled sectors within BNY Mellon's pooled pension survey beat their respective benchmark. However, only the Emerging Market Equity sector, managed a positive result for Q1 2009 with a return of 0.1%. UK Equity pooled fund managers achieved a return of -8.3% outperforming the FTSE All Share which returned -9.1% over the same period.

# Press Release



Within Bonds, UK Bond pooled fund managers returned -4.0% and underperformed the comparative market index by 3.2%. International Bond pooled fund managers fared slightly better, achieving a return of -3.6% during Q1 2009. International Bonds also outperformed their Index by 1.1%. The only other sector to achieve a positive return in Q1 2009 was Cash with a return of 0.3%.

Property pooled fund managers continued their run of negative quarterly returns and returned -5.7% during the quarter. Over the year, the median return for these funds was -22.8%.

## **Asset allocations in UK equity fall to new record low**

Balanced pooled sector weightings in UK Equities have fallen further from the previous all time quarterly low of 36.5% posted at the end of Q4 2008. Weightings fell by 1.0% to 35.5% in Q1 2009 and can be attributed to a combination of poor relative performance and managers moving money away from the sector.

Weightings in Overseas Equities also fell during the quarter, most notably in Europe ex UK Equity and Japan Equity where BNY Mellon recorded a decrease in holdings by 0.9% and 0.7% respectively. This was primarily due to poor relative performance. Money was, however, moved into North American Equity and relative performance helped increase weightings in the Pacific Ex Japan Equity and Emerging Markets Equity sectors.

As weightings in Equities declined, weightings boosted in both Cash and Bonds. In Cash, weightings increased by 0.5% as a result of strong relative performance. Within Bonds, we saw weightings for the UK boosted by 0.2% to 10.6% over the quarter and International Bonds increase by 0.6% to 4.0%. Weightings in Index-Linked Gilts remained fairly static over the quarter; however there was 0.2% reduction in Property weightings due to manager movements.

Commenting on the results, Alan Wilcock, BNY Mellon Asset Servicing's Performance and Risk Analytics Manager, said: "The continuing lack of confidence in the equity markets continues to affect the performance of balanced funds with another negative quarter's performance. A more cautious approach to asset allocation overall has meant equity allocations have fallen again to their lowest levels for the second consecutive quarter. Conversely allocations to Cash and Bonds have increased and now account for around a quarter of balanced fund asset allocations."

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 71 separate asset managers who manage over £320 billion in pooled funds, both balanced and specialist.

-ends-

## **Notes to editors**

The performance analysis and other information in this press release are based on historical data and are intended for informational purposes only. Past performance is not a guarantee of future performance. This press release does not constitute investment advice, nor is it an offer or recommendation of any security, investment product, service or firm.

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 offers its products and services through The Bank of New York Mellon and other subsidiaries of The Bank of New York Mellon Corporation.

The Bank of New York Mellon Corporation is a global financial services company focused on helping clients manage and service their financial assets, operating in 34 countries and serving more than 100 markets. The company is a leading provider of financial services for institutions, corporations and high-net-worth individuals, providing superior asset management and wealth management, asset servicing, issuer services, clearing services and treasury services through a worldwide client-focused team. It has \$19.5 trillion in assets under custody and administration, \$881 billion in assets under management, services more than \$11 trillion in outstanding debt and processes global payments averaging \$1.8 trillion per day. Additional information is available at [www.bnymellon.com](http://www.bnymellon.com).