Press Release

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Mellon Transition Management Predicts Record Number of Asset Managers To Be Replaced in Second Half of 2009

Trend to Indexing, Longer-Duration Bonds Accelerates

SAN FRANCISCO and LONDON, June 17, 2009 – Mellon Transition Management (MTM), the transition management specialist for BNY Mellon Asset Management, is predicting that a record number of financial institutions such as pension funds and endowments will replace their asset managers in the third and fourth quarters of 2009.

The general trend over the last six months has been for institutions to increase their exposure to indexing and longer-duration bond strategies, according to Mark Keleher, chief executive officer of MTM. He added that they are seeking to reduce risk, which appears to include scaling back on firms actively managing assets. Institutions utilize transition managers such as MTM to minimize their costs and risks when changing managers. They make these changes if they are unhappy with the performance of an asset manager or if they are changing their asset allocation strategies.

Keleher said he expects the number of transitions executed in the third and fourth quarters of 2009 to reach record numbers. He based this prediction on the more than 40 percent increase in the number of pre-trade inquiries during the first five months of 2009 and the substantial jump in executed transitions in the second quarter of 2009 versus the 2009 first quarter. Pretrade inquiries have proven to be a good predictor of transition activity, he said, often leading actual transition activity by several months. Pre-trade inquiries are done by institutions to gauge the costs and risks of switching managers.

"While the business has been increasing all year, institutions are significantly accelerating the number of asset managers they are replacing," Keleher said. Before the latest spike in interest, Keleher said MTM had been growing the assets that it transitions at a compounded rate of more than 40 percent annually over the last three years. "Our growth accelerated as a result of the high volatility in the financial markets between late 2007 and early 2009," said Keleher. "Market turbulence accelerated the rising dominance of transition managers such as MTM that follow the fiduciary model."

The fiduciary model is the more transparent way of conducting transitions, as the transition manager's clients are made aware of how the transition manager is compensated, Keleher said. "The fiduciary model helps protect clients from the often opaque pricing and conflicts of interest inherent to the 'broker-dealer' model of transition management. Market share gains by transition managers following the fiduciary model led to the exit of a number of broker-dealer transition managers over the last 18 months."

Earlier this year, MTM expanded its London team by seven specialists, which increased the global organization representing the business to 50 professionals. In May, it was named Transition

Management Provider of the Year at the International Custody & Fund Administration (ICFA) Global Awards 2009 and Best Transition Manager in the Scheme Services categories at the FT Pension Investment Provider Awards 2009.

Mellon Transition Management also was named “2009 Transition Manager of the Year” for the second successive year at the 2009 Global Pensions Awards. Plan Sponsor has awarded MTM more “Best in Class” Awards than any other provider in 2008.

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Notes to Editors

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