



FOURTH QUARTER // 2013

Analytical Insights is a quarterly publication providing clients with investment information that can be used in the process of monitoring global assets.

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Global Risk Solutions
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A MESSAGE FROM DEBRA BAKER

**Debra A. Baker, Managing Director,
Head of Global Risk Solutions, BNY Mellon**

I am excited to share with you our new research paper, ***New Frontiers of Risk: Revisiting the 360° Manager.***

BNY Mellon and Dr. Harry Markowitz, a Nobel Laureate and one of the founders of Modern Portfolio Theory, partnered on this paper. Surveying over 100 of our asset owner and sovereign wealth fund clients, across the globe, this new research uncovers the revolutionary change in risk management practices since the 2008 financial crisis.

- **The 2008 Financial Crisis – A New Awakening of Risk Awareness:** The 2008 financial crisis caught many institutional investors off guard. The risk management procedures then in place were widely perceived to be insufficient for a crisis of such magnitude. The drive for more effective, holistic risk management was soon on.
- **No More Chasing Alpha:** It's down with alpha and up with targeted returns. Institutional investors are placing greater emphasis on achieving absolute return targets as opposed to outperforming a market benchmark. Risk budgets, matching liabilities and avoiding downside risk all play an important role in this shift.
- **Analytical Tools on the Front Lines of Risk Management:** Analytical tools based upon risk-return analysis and performance attribution continue to be the most commonly used to model, analyze and monitor investments. Total plan/enterprise risk reporting tools are on the rise to encompass traditional and alternative investments, as well as liabilities.
- **Avoidance of Unintended Bets:** A desire to avoid unintended leverage and to better understand underlying investments has grown markedly since the 2008 financial crisis and appears to be driving institutional investors toward solutions offering greater investment transparency.

I hope you find the research as compelling and thought-provoking as I did. Risk management practices continue to have a profound effect on investment processes and we are committed to staying at the forefront of these activities and providing you with comprehensive risk and transparency solutions for improved investment oversight.

[Click here to read the paper in its entirety.](#)

Best regards,



Debra A. Baker

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REPORT OF THE QUARTER

BNY MELLON EQUITY PROFILE REPORT

The BNY Mellon Equity Profile Offers a Comprehensive Source for Industry-Leading Fundamental and Quantitative Statistics. This Report Helps Determine the Structural Style Characteristics of Portfolios, Composite Portfolios, Plans and Market Indices.

The Profile report provides over 150 portfolio level statistics to identify the exposures and risks inherent within your investment program. Industry leading methodologies, exceptional security coverage, and third party credibility combine to provide compelling and objective reporting.

A quick glance at the [Equity Profile's](#) first page will reveal:

- Over or under exposure to benchmark market capitalization and sectors
- Robust risk characteristics used to determine growth or value orientation, investment in high quality positions, and market risk
- Historical and forecasted adherence to or deviation from your mandate

Further into this sample report, we can evaluate the impact of short-term and long-term measures, including:

- Short and long term growth measures along with forecast earnings, reveal a manager's commitment to growth and penchant for earnings
- Market capitalization statistics, including largest and smallest companies
- Positive and negative earnings surprises

The BNY Mellon Equity Profile service can be customized to provide a monthly snapshot, portfolio changes over time, and Country Allocation results.

Additionally, when subscribing to this report, you have access to BNY Mellon's expansive library of indexes. We have over 10,000 indexes available for relevant and meaningful comparisons.

For more information on the BNY Mellon Equity Profile, please contact your Global Risk Solutions Consultant.

UNITED STATES DOLLAR		December 31, 2013		September 30, 2013		June 30, 2013		March 31, 2013		December 31, 2012	
Composition Summary											
Portfolio	Total Portfolio Size	1.86T		1.73T		1.39T		1.35T		1.21T	
Composition - \$/% portfolio	Domestic Equity (Common)	1.86	100.0%	1.73	100.0%	1.39	100.0%	1.35	100.0%	1.21	100.0%
	International Equity	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%
	Fixed Income	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%
	Convertibles	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%
	Other & Receivables	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%
	Cash Equivalents	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%
	Rights & Warrants	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%
	Options & Futures	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%
	Mutual & Pooled Funds	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%
Size of Companies - # holdings/% equity	Large Capitalization (TOP 50)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
	Medium/Large Cap. (51 - 200)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Russell 3000 Index	Medium Capitalization (201 - 500)	24	9.1%	26	10.0%	28	11.0%	26	10.7%	27	11.5%
Break Points	Medium/Small Cap. (501 - 1000)	313	52.6%	311	52.8%	293	51.6%	284	50.5%	284	49.6%
	Small Capitalization (1001+)	1141	38.3%	1073	37.3%	1051	37.4%	1065	38.8%	1079	38.8%
	Unclassified	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
	Market Cap. - \$-Wtd Avg - \$ billion	100%	4.04	100%	3.73	100%	3.56	100%	3.39	100%	2.97
Economic Sectors - # holdings/% equity	Technology	245	15.58%	228	15.57%	226	14.65%	233	15.02%	237	15.55%
	Health Care	283	16.12%	263	16.88%	246	15.15%	247	15.05%	251	14.83%
Based on Russell	Consumer Discretionary	271	20.31%	259	20.19%	237	20.44%	238	19.21%	244	19.46%
Sector Scheme	Consumer Staples	59	3.46%	58	3.50%	56	3.91%	56	3.62%	57	3.47%
	Integrated Oils	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	Energy	80	4.65%	79	4.68%	88	5.13%	86	5.26%	85	5.13%
	Materials and Processing	121	9.89%	121	9.68%	110	8.77%	109	9.38%	110	9.59%
	Producer Durables	210	16.46%	209	16.06%	205	16.02%	207	16.53%	207	16.14%
	Autos and Transportation	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	Financial Services	171	11.82%	155	11.69%	165	14.42%	160	14.45%	160	14.28%
	Utilities	38	1.71%	38	1.75%	39	1.52%	39	1.49%	39	1.56%
	Other	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	Sector Deviation Measure										
Characteristics Summary											
Portfolio Characteristics	Portfolio P/E	96%	34.9	96%	34.0	98%	29.8	98%	28.4	97%	26.9
	Portfolio P/E Excluding Neg. Earnings	81%	25.7	81%	24.6	85%	22.9	86%	22.4	86%	21.2
	Portf. P/E - I/B/E/S 1 Yr Forecast EPS	82%	21.0	82%	19.1	84%	18.4	84%	17.9	82%	16.7
	Portfolio Price/Book	100%	4.61	100%	4.40	100%	3.87	100%	3.89	100%	3.50
	Price/Cash Flow	98%	20.0	98%	19.0	98%	16.9	99%	16.8	98%	15.4
	Portfolio Price/Sales	98%	1.9	98%	1.8	98%	1.8	98%	1.7	98%	1.5
	L.T. Growth Forecast - I/B/E/S Medians	93%	15.9	93%	15.8	95%	15.5	95%	15.5	94%	15.3
	1 Year EPS Forecast - I/B/E/S Medians	83%	17.0	83%	17.7	81%	13.3	82%	14.3	83%	16.3
	Return on Equity - 5 Year Average	74%	14.1	74%	13.4	78%	14.5	78%	14.4	78%	14.4
	EPS Growth - 5 Years	60%	14.4	59%	13.9	66%	14.2	66%	12.1	66%	11.3
	EPS Variability - 10 Years	71%	71.3	71%	74.7	76%	68.4	76%	70.0	73%	68.6
	Beta (vs. R3000)	83%	1.35	84%	1.33	88%	1.24	89%	1.23	90%	1.24
	Number of Holdings		1478		1410		1372		1375		1390
	Equity Profile Number										