



Fourth Quarter 2008

Volume 18.4

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Market Review

The United States economy has officially been in a recession since December of 2007, confirming the suspicions of many economists and lay-people alike. Industrial production, capacity utilization, retail sales, housing purchases, consumer confidence, durable goods and hours worked all declined during the quarter, providing evidence of economic weakness. ▶

Economic Outlook

The U.S. is in what is likely to be the longest recession of the Postwar period, the combination of two distinct recession phases: (1) a pre-Lehman bankruptcy borderline recession and (2) a post-Lehman bankruptcy sharp economic decline. Combining the two phases of the recession, we expect an economic decline lasting roughly a year-and-a-half. ▶

Announcements***Performance & Risk Analytics Product Manager Wins Award For Excellence in Performance Measurement Writing***

BNY Mellon Asset Servicing, the world leader in securities servicing, announced that analytics product manager David Asermely has won The Spaulding Group's prestigious Peter O. Dietz award for excellence in performance measurement writing for his white paper "Long/Short Portfolio Analytics." ▶

All Segments of the US Master Trust Universe End 2008 in the Red

The median plan for the 654 corporate, foundation, endowment, public, Taft-Hartley and health care plans that make up the BNY Mellon Master Trust Universe posted a -13.10% return for the fourth quarter of 2008, representing the fifth straight quarter of negative returns. ▶

Report of the Quarter***Value Added Chart***

One of the most frequently asked questions our clients ask themselves about

their managers is: “How has the manager’s performance fared compared to their benchmark?” BNY Mellon Asset Servicing developed a Value Added chart that graphically represents the value a client attains from a manager above what they would receive from passive investing. ➤

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Market Review**Economic Review**

The United States economy has officially been in a recession since December of 2007, confirming the suspicions of many economists and lay-people alike. Industrial production, capacity utilization, retail sales, housing purchases, consumer confidence, durable goods and hours worked all declined during the quarter, providing evidence of economic weakness. In an effort to stabilize the credit markets, the U.S. government established the Troubled Asset Relief Program (TARP), setting aside \$700 billion to distribute in order to head off a potential financial meltdown. On October 14, 2008, nine large financial institutions were the first recipients of as much as \$250 billion of these funds. The Federal funds rate was also lowered to a target rate of 0-0.25 percentage points in another attempt to stimulate the economy. Neither of these actions have yet served to stem the rising unemployment rate, which hit 7.2% in December. The only bright side is that inflation was actually negative during the last four months of 2008, reflecting lower oil and food prices. The dollar continued to exhibit strength as compared to most other currencies, with the notable exception of the Japanese Yen. As the fourth quarter came to a close, the U.S. anxiously waited to see if the presidency of Barack Obama could help bring an end to the economic malaise.

Financial Markets Review

The same fears that drove the events of the third quarter were amplified during the fourth quarter. Capping one of the worst years in history, nearly all global financial assets decreased in value by double-digits with the exception of U.S. Treasury securities. Seeking security and liquidity, funds flooded into the U.S. Treasury market, driving Bill yields to near-zero levels. Despite repeated injections of liquidity by the Federal Reserve and Treasury Department, credit continued to be difficult to acquire. The Treasury Department's TARP plan distributed up to \$250 billion to nine key financial institutions in an implicit granting of "too-big-to-fail" status. The scandal of Bernard Madoff re-acquainted the American people with the phrase "Ponzi Scheme". As much as \$50 billion of institutional and high net worth money is believed to have been lost as a result, subjecting the already-struggling financial industry to even further skepticism. As investors took in the news of slowing economies around the world, they bid down the prices of commodities. By the end of the fourth quarter, oil was trading at around one third of its summertime record prices.

Domestic Equity Review

The bad news kept coming for domestic equity investors in the fourth quarter as recessionary fears scared many to the sidelines. The declines were far-reaching, including all sectors of the Russell 3000 index, large and small cap stocks, as well as growth and value. For the ten years ended December 31, 2008, the annualized return for the Russell 3000 index was a negative 1.1%, leading many to refer to this period as a "lost decade", reminiscent of the Japanese market of the 1990s and 2000s. Equity investors will look forward to putting behind them a year in which the Russell 3000 returned -37.3% and the S&P 500 returned -37.0%. Investors in the fourth quarter weighed the opinions of economists arguing everything from a 2nd quarter 2009 recovery to this being the onset of the second Great Depression.

The Russell 1000 index slightly bested the Russell 2000 index for the quarter, posting a -22.5% return to the 2000 index's -26.1%. Value continued to marginally outperform Growth, as the Russell 1000 Value index returned -22.4% to the -23.2% of the Russell 1000 Growth Index. The Energy sector was the worst performer for the second consecutive quarter, bringing its loss for all of 2008 to -53.4%.

International Markets Review

The themes of fear and deflation were not limited to the United States equity markets; the experience of investors in

international equities was much the same as their domestic counterparts. Equity markets around the globe were highly correlated. The major international indices fell almost as sharply as their domestic counterparts. For the year of 2008, the MSCI EAFE returned -43.1%. For US investors holding international equity assets, the negative returns were exacerbated by the relative strength of the US dollar. The performance of the emerging markets continued to lag that of the developed indices. For the year, the MSCI Emerging Markets Index suffered a 53.2% decline, with few investors optimistic of a quick turnaround. As the quarter came to a close, investors in international markets waited nervously to see how the effects of the U.S. recession would affect the rest of the world.

International equities continued to slide in the fourth quarter. The MSCI EAFE Index suffered a 19.9% decline for the three months, led by the MSCI Pacific Ex Japan Index and the MSCI United Kingdom Index. The Emerging Markets continued to under-perform the developed world, with a -27.6% return for the MSCI Emerging Markets Index for the quarter.

Fixed Income Review

Fixed income markets took advantage of the flight to safety to post largely positive returns for the fourth quarter. As investors shifted their preferences from return on principal to merely return of principal, U.S. Treasury Bills were bid ever higher until their effective yield hovered around 0%. Government bonds were not the only strong performers for the quarter; high quality corporate bonds also achieved positive returns with the Barclays Capital US Credit Index returning 4.0% for the quarter. The positive returns were not universal across all sub-classes of fixed income. Lower rated high yield debt continued its drop off as the Barclays Capital Corporate High Yield BB index finished the year down 17.5%. Long term government bonds as a sub-class were the leading performer for the quarter, with the Barclays Capital Treasury -20 Year+ index achieving a return of 27.29% for the fourth quarter.

Unlike most other asset classes, fixed income assets had mostly positive returns as shown by the Barclays Capital Aggregate Index's 4.6% return for the quarter. Government bonds posted the strongest returns as the BC Government Bond index showed an 8.0% return at quarter end. High yield corporate bonds were the lone exception, with the BC Corporate High Yield BB index down 12.9% for the fourth quarter.

Commentary provided by Mellon Institutional Funds, BNY Mellon Asset Management

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Economic Outlook

This is [Richard Hoey](#) of The Bank of New York Mellon Corporation with a market commentary on January 26, 2009.

The U.S. is in what is likely to be the longest recession of the Postwar period, the combination of two distinct recession phases: (1) a pre-Lehman bankruptcy borderline recession and (2) a post-Lehman bankruptcy sharp economic decline. Combining the two phases of the recession, we expect an economic decline lasting roughly a year-and-a-half. The peak-to-trough decline in the 2007-2009 recession should roughly equal the 1973-1975 recession and the 1981-1982 recession. With a weak start to the year, economic activity should be lower in 2009 than in 2008 in most developed countries and the overall global economy should be roughly flat in 2009, well below potential trend growth.

It has been more than a generation since the U.S. economy has experienced a recession with anything near the severity of the current recession. We expect the recession trough to occur close to mid-2009 in response to monetary ease, fiscal stimulus and an end to inventory liquidation. Policy is powerful, policymakers have a correct diagnosis of the situation and their ability and willingness to be proactive in adopting stimulative monetary and fiscal policies is quite high. A recession trough occurs when the economy stops declining and begins to rise, irrespective of whether that rise is weak or strong. While a few months of sharp rebound is conceivable when inventory liquidation ends, we expect a subpar recovery in the first few quarters after the economic trough. The end of economic decline by mid-2009 is likely to be followed by several quarters of subpar recovery, and then by a somewhat better recovery in 2010.

The Fed's actions have succeeded in generating a rapid growth in the money supply. This is a desirable outcome when consumer prices are deflating and financial stresses are contributing to a fall in velocity. Desired liquidity has risen in a context of financial stress and if the Fed did not accommodate that rise, the contractive forces in the financial system and the economy could intensify even further. Rapid growth in the money supply can help prevent an inflection point to long-term deflation expectations. We regard it as appropriate in the current context.

How and why will the recession end? Some factors are automatic, such as the end of inventory liquidation. However, there needs to be a set of policy contributions from (1) conventional monetary policy, (2) unconventional monetary policy and government support for the functioning of the financial system, (3) fiscal stimulus, and (4) government policies to avert a "house price overshoot."

Despite the financial crisis, the global recession and the U.S. recession, we believe that confidence that the governments and central banks will prevent an intensification of the financial crisis is returning and the financial sector is gradually recuperating. As a result, we believe that the most likely case is a recession trough around mid-2009 followed by a subpar economic recovery.

Mr. Hoey's comments are provided as a general market overview and should not be considered investment advice or predictive of any future market performance.

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Market Benchmarks - December 31 2008

	QTR ENDING	YTD ENDING	YEAR ENDING	3 YEARS ENDING	5 YEARS ENDING	7 YEARS ENDING	10 YEARS ENDING
US Equity							
S&P 500	-21.94	-37.00	-37.00	-8.36	-2.19	-1.53	-1.38
RUSSELL 1000	-22.48	-37.60	-37.60	-8.66	-2.04	-1.21	-1.09
RUSSELL 1000 GROWTH	-22.79	-38.44	-38.44	-9.11	-3.42	-3.38	-4.27
RUSSELL 1000 VALUE	-22.18	-36.85	-36.85	-8.32	-0.79	0.78	1.36
RUSSELL 2000	-26.12	-33.79	-33.79	-8.29	-0.93	1.60	3.02
RUSSELL 3000	-22.78	-37.31	-37.31	-8.63	-1.95	-1.00	-0.80
International Equity							
MSCI WORLD INDEX	-21.65	-40.33	-40.33	-7.61	0.00	1.06	-0.19
MSCI WORLD NET DIVIDEND	-21.77	-40.71	-40.71	-8.10	-0.51	0.56	-0.64
MSCI EAFE	-19.90	-43.06	-43.06	-6.92	2.10	3.85	1.18
MSCI EAFE NET DIVIDEND	-19.95	-43.38	-43.38	-7.35	1.66	3.41	0.80
MSCI EUROPE	-22.74	-46.08	-46.08	-6.07	2.03	3.36	0.79
MSCI PACIFIC	-13.81	-36.17	-36.17	-8.81	2.16	5.00	2.14
MSCI EMERGING MARKETS	-27.56	-53.18	-53.18	-4.62	8.02	11.63	9.31
TSE 300 (CAD \$)	-22.71	-33.00	-33.00	-4.80	4.16	4.50	5.34
US Fixed Income							
BARCLAYS CAPITAL AGGREGATE BOND	4.58	5.24	5.24	5.51	4.65	5.36	5.63
BARCLAYS CAPITAL GOVT BOND	8.05	12.39	12.39	8.11	6.06	6.28	6.16
CITIGROUP BROAD	5.65	7.02	7.02	6.18	5.11	5.67	5.86
MERRILL LYNCH HIGH YIELD BOND	-17.47	-26.21	-26.21	-5.59	-0.84	2.71	2.27
International Fixed Income							
BARCLAYS CAPITAL GLOBAL AGGREGATE	5.25	4.79	4.79	6.95	5.01	7.64	5.22
CITIGROUP WLD GOVT BD	8.81	10.89	10.89	9.30	6.05	9.12	5.90
CITIGROUP WLD GOVT BD (HEDGED)	6.23	9.21	9.21	5.98	5.57	5.39	5.58
CITIGROUP WLD GOV EX US	8.80	10.11	10.11	9.48	5.97	9.86	5.59
JP MORGAN GLOBAL GOVT BOND	9.73	12.00	12.00	9.55	6.24	9.19	5.95
JP MORGAN EMERGING MARKETS BOND	-4.78	-9.70	-9.70	2.03	5.84	10.04	10.94
Other							
NCREIF REAL ESTATE *	-0.17	5.27	5.27	13.25	14.24	12.05	11.83
VENTURE ECONOMICS ALL PRIVATE EQUITY*	-5.00	-5.41	-5.41	12.49	16.03	10.16	13.06
GOLDMAN SACHS COMMODITY INDEX	-47.00	-46.48	-46.48	-15.52	-2.35	5.09	7.35
Cash							
90 DAY TREASURY BILL	0.22	2.06	2.06	3.96	3.25	2.74	3.45
LIBOR BBA USD 1 MONTH	0.68	2.86	2.86	4.39	3.58	2.98	3.65

* As of September 30, 2008

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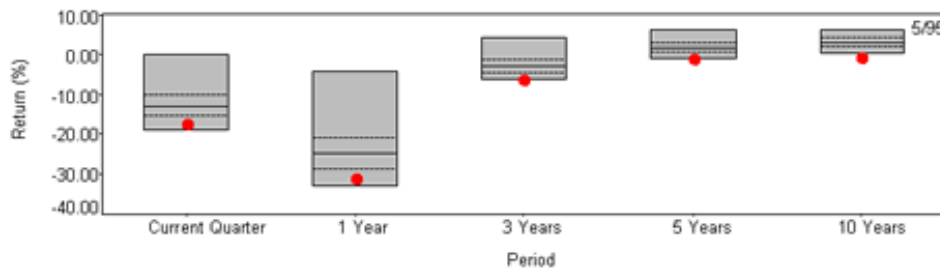
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Master Trust Funds - Total Fund - Quarter Ending December 31, 2008

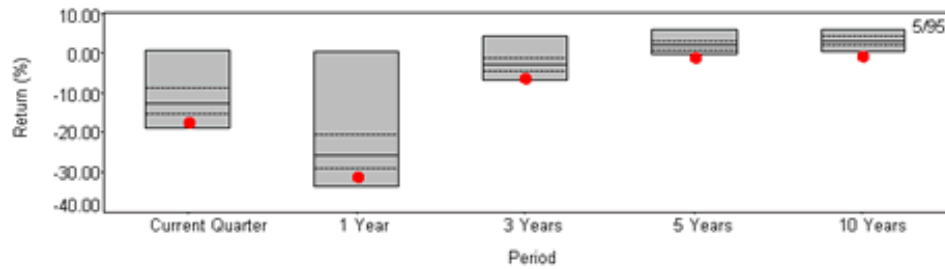


	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
5th Percentile	0.07	-	- 4.39		4.29		6.38		6.84	
25th Percentile	- 10.20		- 21.20		- 0.85		3.32		4.37	
Median	- 13.10		- 25.23		- 2.82		1.98		3.47	
75th Percentile	- 15.23		- 28.86		- 4.20		0.89		2.50	
95th Percentile	- 18.67		- 33.10		- 6.20		- 0.47		0.88	
# of Portfolios	654		539		507		446		307	
● 50R3000:40LB AGG/10 MSCI WxUS	- 16.63	89	- 30.13	86	- 5.32	89	- 0.03	92	0.78	97

Master Trust Funds - Total Fund - Asset Allocation Quarter Ending December 31, 2008

	Total % of Market Value	5th	25th	Median	75th	95th
US Equity	29%	59.60%	43.65%	34.25%	25.62%	12.58%
Non-US Equity	15%	25.92%	18.50%	14.18%	10.51%	4.22%
US Fixed Income	28%	71.13%	45.07%	33.30%	24.40%	9.18%
Non-US Fixed Income	2%	7.91%	4.68%	2.22%	0.00%	0.00%
Real Estate	4%	16.63%	10.22%	7.07%	4.56%	1.22%
Alternative Investments	11%	61.67%	39.69%	18.61%	9.12%	3.12%
Cash	2%	54.09%	13.19%	5.38%	2.41%	0.00%
Other	9%					

Total Funds - Corporate - Quarter Ending December 31, 2008

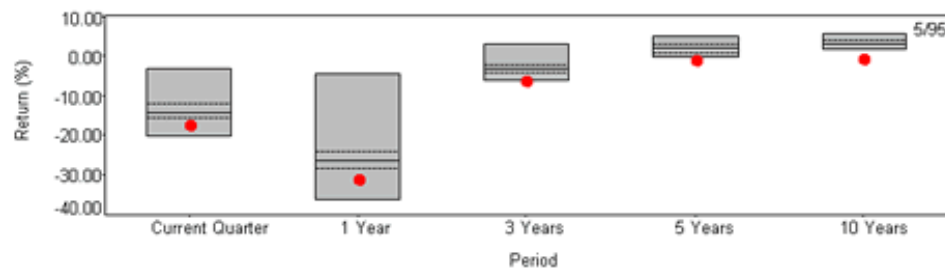


	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
5th Percentile	0.97		0.60		4.58		6.13		5.88	
25th Percentile	- 8.98		- 20.90		- 0.89		3.17		4.41	
Median	- 12.63		- 25.71		- 2.87		2.07		3.48	
75th Percentile	- 15.17		- 29.28		- 4.27		1.06		2.47	
95th Percentile	- 19.14		- 33.70		- 6.47		- 0.43		0.52	
# of Portfolios	275		232		223		196		138	
● 50R3000/40LB AGG/10 MSCI WxUS	- 16.63	88	- 30.13	83	- 5.32	88	- 0.03	92	0.78	95

Total Funds - Corporate - Asset Allocation Quarter Ending December 31, 2008

	Total % of Market Value	5th	25th	Median	75th	95th
US Equity	30%	56.39%	46.50%	37.07%	29.18%	18.77%
Non-US Equity	13%	23.10%	17.85%	13.42%	10.57%	4.56%
US Fixed Income	35%	65.30%	46.29%	36.57%	29.03%	16.92%
Non-US Fixed Income	1%	7.22%	3.71%	1.58%	0.00%	0.00%
Real Estate	2%	16.30%	10.22%	7.12%	5.18%	2.78%
Alternative Investments	5%	35.59%	16.75%	11.26%	6.21%	2.54%
Cash	4%	100.00%	15.87%	7.22%	3.04%	0.00%
Other	10%					

Total Funds - Public - Quarter Ending December 31, 2008

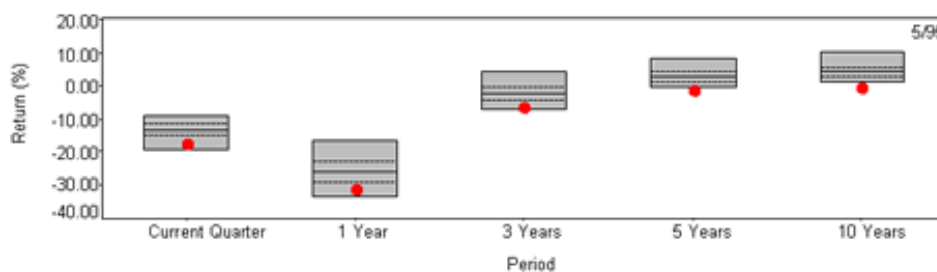


	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
5th Percentile	- 3.18		- 4.60		3.22		5.24		5.42	
25th Percentile	-12.17		-23.78		- 2.17		3.08		4.16	
Median	-14.02		-26.79		- 2.99		2.11		3.42	
75th Percentile	-15.69		-28.46		- 3.88		1.00		3.02	
95th Percentile	-20.33		-36.13		- 6.09		- 0.06		1.94	
# of Portfolios	85		76		75		67		41	
● 50R3000/40LB AGG/10 MSCI WxUS	-16.63	90	-30.13	91	- 5.32	93	- 0.03	96	0.78	98

Total Funds - Public - Asset Allocation
Quarter Ending December 31, 2008

	Total % of Market Value	5th	25th	Median	75th	95th
US Equity	28%	55.33%	42.55%	33.73%	27.77%	15.68%
Non-US Equity	17%	22.08%	18.17%	15.79%	11.82%	5.27%
US Fixed Income	27%	51.65%	34.92%	30.09%	25.48%	14.80%
Non-US Fixed Income	3%	8.38%	5.61%	2.83%	1.39%	0.00%
Real Estate	6%	15.91%	11.42%	7.83%	6.22%	0.78%
Alternative Investments	10%	29.31%	15.43%	10.26%	5.97%	3.90%
Cash	2%	54.31%	23.08%	4.92%	2.90%	0.85%
Other	7%					

Total Funds - Foundation/Endowments - Quarter Ending December 31, 2008



	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
5th Percentile	- 9.30		- 16.77		4.31		8.51		10.21	
25th Percentile	- 11.80		- 22.95		- 0.36		4.47		5.54	
Median	- 13.70		- 25.91		- 2.45		2.36		3.93	
75th Percentile	- 15.46		- 29.35		- 4.35		0.90		2.77	
95th Percentile	- 19.06		- 33.66		- 7.03		- 0.42		1.10	
# of Portfolios	185		141		129		112		78	

● 50R3000/40LB AGG/10 MSCI WxITS - 16.63 68 - 30.13 84 - 5.32 87 - 0.03 93 0.78 99

Total Funds - Foundation/Endowments - Asset Allocation
Quarter Ending December 31, 2008

	Total % of Market Value	5th	25th	Median	75th	95th
US Equity	28%	63.09%	40.90%	28.45%	20.83%	11.64%
Non-US Equity	15%	32.18%	19.08%	15.17%	11.26%	4.87%
US Fixed Income	13%	50.63%	32.72%	21.44%	11.63%	2.58%
Non-US Fixed Income	0%	7.53%	3.01%	2.17%	0.58%	0.00%
Real Estate	2%	17.90%	4.94%	3.62%	1.42%	0.86%
Alternative Investments	32%	68.67%	50.44%	37.59%	22.10%	9.05%
Cash	3%	23.40%	11.77%	5.85%	2.30%	0.56%
Other	7%					

Manager Universes - Top 10

Sorted By Total Return on the Three Year Time Period Ending December 31, 2008

LARGE VALUE EQUITY MANAGERS	3 Yrs Dec. 2008	2 Yrs Dec. 2008	1 Yr Dec. 2008	Qtr Dec. 2008	3 Yrs Std Dev.
W.H. Reaves & Co., Inc.	0.04	-10.62	-34.87	-16.75	20.56
American Century Investment Management, Inc.	0.03	-8.92	-19.25	-11.10	10.29
MFS Investment Management, Inc.	-3.40	-14.03	-32.10	-19.02	14.84
Loomis, Sayles & Company, L.P.	-3.54	-15.60	-33.42	-19.41	15.54
Boston Partners Asset Management, L.P.	-3.71	-13.24	-26.56	-14.97	13.18
Chelsea Management Company	-3.80	-8.78	-26.77	-14.49	11.78
Munder Capital Management	-3.98	-13.86	-29.84	-17.61	13.57
Knightsbridge Asset Management LLC	-4.09	-13.21	-25.81	-17.83	14.55
Davidson Investment Advisors, Inc.	-4.18	-14.43	-28.71	-19.40	14.59
The Putnam Advisory Co., LLC	-4.39	-14.86	-30.57	-18.98	14.69
Russell 1000 Value Index	-8.32	-20.60	-36.85	-22.18	
LARGE GROWTH EQUITY MANAGERS	3 Yrs Dec. 2008	2 Yrs Dec. 2008	1 Yr Dec. 2008	Qtr Dec. 2008	3 Yrs Std Dev.
McKinley Capital Management, Inc.	-2.54	-10.25	-34.34	-19.00	17.67
Montag & Caldwell, Inc.	-3.27	-8.89	-32.08	-20.23	16.45
Fred Alger Management, Inc.	-3.75	-13.69	-44.35	-22.82	22.52
Pioneer Investment Management, Inc.	-4.53	-11.86	-31.40	-20.16	14.53
Waddell & Reed Investment Management Company	-4.98	-10.17	-35.85	-20.65	17.10
Roxbury Capital Management	-5.02	-12.16	-27.31	-22.51	14.66
McKinley Capital Management, Inc.	-5.02	-10.39	-34.38	-19.05	16.91
Riverbridge Partners	-5.08	-10.11	-29.01	-22.47	16.19
Sit Investment Associates, Inc.	-5.24	-12.22	-33.58	-20.43	16.04
Lord, Abnett & Company	-5.68	-12.23	-37.33	-22.47	19.17
Russell 1000 Growth Index	-9.11	-17.03	-38.44	-22.79	
SMALL VALUE EQUITY MANAGERS	3 Yrs Dec. 2008	2 Yrs Dec. 2008	1 Yr Dec. 2008	Qtr Dec. 2008	3 Yrs Std Dev.
Vaughan Nelson Investment Management	0.33	-8.26	-21.57	-17.35	16.46
Atlanta Capital Management Company, LLC	0.00	-7.24	-19.44	-16.57	13.08
Lord, Abnett & Company	-1.63	-11.67	-30.28	-23.94	18.53
Netols Asset Management	-1.67	-10.22	-25.45	-22.06	18.08
Morgan Stanley Investment Management, Inc.	-1.78	-13.65	-26.13	-19.70	16.81
Dreman Value Management, Inc.	-2.35	-13.92	-26.09	-20.31	17.32
Loomis, Sayles & Company, L.P.	-2.58	-14.04	-34.10	-22.13	18.42
Rothschild Asset Management Inc.	-2.66	-13.96	-24.00	-20.76	16.53
NewSouth Capital Management, Inc.	-2.85	-14.06	-29.27	-27.10	22.72
Advisory Research Inc.	-2.87	-12.15	-23.45	-19.92	15.24
Russell 2000 Value	-7.49	-19.92	-28.92	-24.89	
SMALL GROWTH EQUITY MANAGERS	3 Yrs Dec. 2008	2 Yrs Dec. 2008	1 Yr Dec. 2008	Qtr Dec. 2008	3 Yrs Std Dev.
Columbus Circle Investors	4.18	-3.45	-35.08	-21.65	23.55
Brown Capital Management, Inc.	-0.83	-7.15	-29.35	-22.37	18.87
TimesSquare Capital Management, LLC	-4.23	-13.19	-31.48	-22.37	18.17
Westfield Capital Management Company, LLC	-4.72	-13.39	-40.11	-25.38	22.72
Wells Capital Management	-4.83	-16.62	-39.50	-27.37	22.69
Driehaus Capital Management, Inc.	-5.22	-13.42	-46.89	-26.90	31.23
TCW Asset Management Company	-5.40	-13.81	-38.33	-26.28	22.39

Arbor Capital Management, LLC	-5.65	-14.79	-41.82	-20.89	23.83
Lord, Abbett & Company	-5.94	-14.48	-46.75	-28.22	27.38
Lee Munder Investments Ltd.	-6.11	-13.67	-46.32	-26.03	25.26
Russell 2000 Growth	-9.32	-18.89	-38.54	-27.45	

These Investment Manager Universes include 1,500 manager-supplied GIPS® compliant composite accounts, and over 60 composite universe classifications, including asset classes (US Equity, Non-US Equity, US Fixed, Non-US Fixed). All style classifications are performed by our data analysts, along with manager input, who are responsible for overseeing the quality of the database. These Universes are available as a module to the BNY Mellon Performance Universes software.

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Announcements**Performance & Risk Analytics Product Manager Wins Award For Excellence in Performance Measurement Writing**

BNY Mellon Asset Servicing, the world leader in securities servicing, announced that analytics product manager David Asermely has won The Spaulding Group's prestigious Peter O. Dietz award for excellence in performance measurement writing for his white paper "Long/Short Portfolio Analytics." As the winner, Asermely will be invited to keynote the group's PMAR (Performance Measurement, Attribution & Risk) conference in May 2009.

Asermely's paper, published in the Summer 2008 edition of The Journal of Performance Measurement®, highlights best practices in aggregating and analyzing performance analytics for enhanced active equity portfolios – such as 120/20 and 130/30 products – and market-neutral portfolios. He worked closely with investment managers and plan sponsors for two years in researching the study. An employee since 2001, Asermely is responsible for product management within BNY Mellon Asset Servicing's Performance & Risk Analytics product line.

"We're proud of David for winning this prestigious honor and for his continual efforts to advance our thought leadership in this area," said Greg Stewart, first vice president and regional product manager at BNY Mellon Asset Servicing. "Long/short products have drawn intense market interest the past few years, and we believe David's work brings great value not only to our organization but more importantly to our clients who manage or invest in such portfolios."

Each year, The Journal of Performance Measurement's advisory board casts ballots to decide who will be the Dietz recipient. The award is named for Peter O. Dietz, whose seminal work, "Pension Funds – Measuring Investment Performance," was the basis for industry performance reporting standards. Dietz is also known for the Modified Dietz Method and other formulas to calculate rates of return still widely used today.

To read David's whitepaper in its entirety, click on the link provided below.

http://www.bnymellon.com/news/commentaries/assetservicing/whitepaper_longshort.pdf

All Segments of the US Master Trust Universe End 2008 in the Red, According to BNY Mellon Asset Servicing*US plans post negative returns for fifth straight quarter*

The median plan for the 654 corporate, foundation, endowment, public, Taft-Hartley and health care plans that make up the BNY Mellon Master Trust Universe posted a -13.10% return for the fourth quarter of 2008, representing the fifth straight quarter of negative returns. US plans lost over a quarter of their value in 2008, with the median return down -25.23% for the 12-month period ending December 31, 2008. This marks the worst 12-month return in more than 20 years. The last time the median plan posted a negative full-year return was in 2002 when it was down -8.7%.

The BNY Mellon US Master Trust Universe represents a market value of \$1.1 trillion, with an average plan size of \$1.6 billion.

“All segments in the BNY Mellon Master Trust Universe posted losses in the fourth quarter, however, the health care segment was the only one to post single-digit losses for the period with a median return of -9.50%. Public funds were the worst performing segment, down over 14% for the quarter,” said Greg Stewart, first vice president and regional product manager of BNY Mellon Asset Servicing. “Results for the full year are similar, with health care plans posting the best returns, albeit in the red by more than 16%. All other segments posted returns in the range of -24% to -26%. As before, plans with greater exposure to fixed income fared a bit better, but 2008 will go down as one of the worst on record for many investors.”

Highlights

- Of the plans in the universe, 95% posted negative results for the period ending December 31, 2008.
- 88% of the plans posted a return that either matched or exceeded the custom policy return of -16.63% in the fourth quarter, a contrast to recent quarters when the majority of plans underperformed the universe policy. The outperformance is explained by the lower allocation to equities, notably US equities. The average asset allocation to US equities has fallen below 30% for the first time.
- Health care was the top performing plan type for the fourth quarter with a -9.50% median return, followed by Taft-Hartley, corporate, endowments, foundations and public plans.
- US fixed income led all asset classes for the quarter with a median return of 2.03%, underperforming the Barclays Capital U.S. Aggregate Bond Index return of 4.58%. Non-US fixed income posted a median return of -0.43%, versus the Citigroup Non-US Dollar World Government Bond Index return of 8.80%. US equities returned -23.0%, compared to the Russell 3000 Index return of -22.78%. Non-US equities returned -20.94%, lagging the MSCI All Country World ex US Index return of -19.42%.

“Fourth quarter returns were pulled down by equity markets, with both domestic and international markets down more than 20% for the period,” said Stewart. “With the flight to quality, fixed income markets were the sole safe haven in the quarter, with US fixed income posting a positive return of over 2%. For the year, it’s the same story with equities down significantly. Asset owners who looked outside US equity markets paid a price as the median return of the Non-US asset class was down a staggering 43.5%.”

The average asset allocation in the BNY Mellon US Master Trust Universe for the fourth quarter was: US equity 29%, US fixed income 28%, non-US equity 15%, non-US fixed income 2%, alternative investments 11%, real estate 4%, cash 2%, and other (private equity, oil, gas, etc.) 9%.

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Report of the Quarter**Value Added Chart**

One of the most frequently asked questions our clients ask themselves about their managers is: “How has the manager’s performance fared compared to their benchmark?”

BNY Mellon Asset Servicing developed a Value Added chart that graphically represents the value a client attains from a manager above what they would receive from passive investing.

The Value Added chart allows you to quickly determine whether a manager’s investment strategy has paid off overall, as well as the time periods in which the manager’s strategy has beat its benchmark.

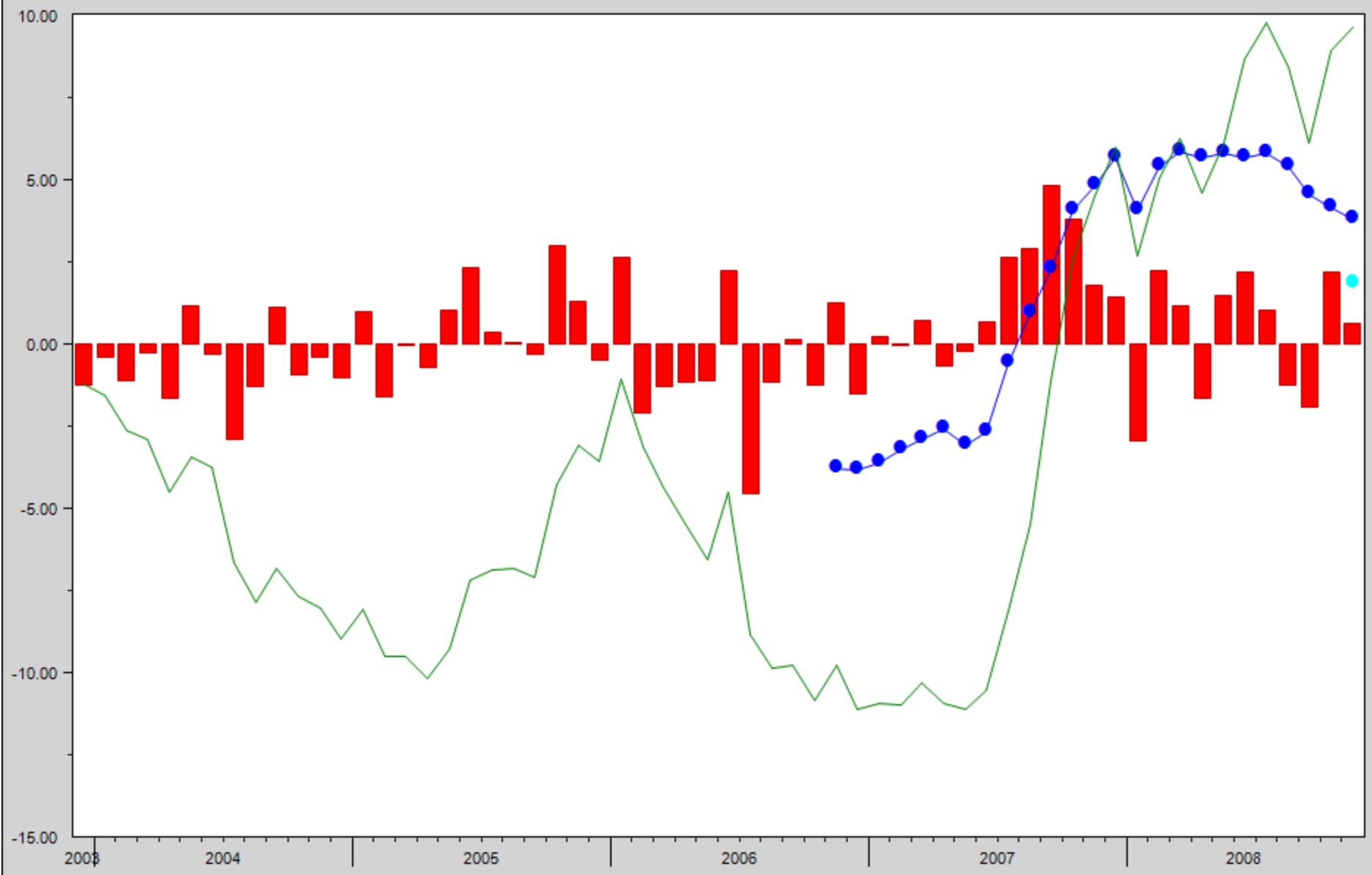
Key Features Include:

- Visually depicts the annualized and cumulative value that a manager provided compared to a market proxy.
- Gauge a manager’s performance in different investment climates by monitoring the value added for individual months, quarters and longer custom time periods.
- Specify the time period and market proxy to allow for a more meaningful comparison of the manager’s performance.

[This sample chart](#) illustrates how the investor benefited from investing with ABC Large Cap Growth Manager relative to the market proxy, Russell 1000® Growth Index, for a five-year period ending November 30, 2008. Cumulatively, the value added by Manager ABC was approximately 2,000 basis points while the annualized value added was about 360 basis points to the investor's performance.

If you have any questions regarding this report or any of our products and services, please contact your Investment Analytics Consultant.

ABC Large Cap Growth Manager
5 Years Ending November 30, 2008
Value Added



Market Proxy: Russell 1000 Index

- Annualized since 122003
- Cumulative Value Added
- Annualized Value Added
- Value Added