

Press Release



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Relative Value Strategies Achieving Strong Performance as Fundamentals Return to Markets, According to Mellon Capital Management

BNY Mellon Asset Management Boutique Says Trend Building since December

SAN FRANCISCO, June 22, 2009 – Relative value investment strategies, including those employed by quantitative funds, have produced strong returns since the end of December 2008, when the movements of various assets classes became much more correlated with key fundamental indicators such as corporate earnings and corporate credit spreads, according to an analysis by Mellon Capital Management Corporation, part of BNY Mellon Asset Management.

“This trend has become very strong since December,” said Eric Goodbar, managing director and hedge fund strategist, Mellon Capital Management. “Before December, the behavior of these asset classes was driven by extreme fear in the marketplace. While the return to fundamentals has benefited relative value strategies, strategies focused on momentum have generally not benefited from this trend. We have seen substantial divergence as relative value funds have significantly outperformed other quantitative trend-based classes such as Commodity Trading Advisors (CTA).”

Relative value investors are willing to bear some level of risk for an appropriate reward. They typically base their decisions on the expected returns from stocks, bonds and currencies and often invest in these asset classes throughout the world. CTAs are more likely to add value when prices move without regard to fundamental data. This often happens when stress events hit the markets and investors shed risk taking exposures—pushing aside the knowledge about expected returns from stocks, bonds and currencies.

From December 31, 2008 through May 31, 2009, the HFRI Relative Value (Total) Index*, which measures the performance of relative value funds, has returned positive 11.63 percent versus negative 0.57 percent for the Barclay CTA Index*, which measures the performance of CTA funds and positive 2.96 percent for the performance of U.S. equities, as measured by the Standard & Poor’s 500 Index.*

Note to Editors:

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