



Third Quarter 2009

Volume 19.3

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**Market Review**

On September 15, 2009, Federal Reserve Chairman Ben Bernanke declared the recession of the U.S. economy to be "very likely over." Experts caution, however, that times will continue to be unpleasant for many as the United States moves toward economic recovery. ▶

**Economic Outlook**

What kind of economic recovery is likely in the world and U.S. economy? This is Richard Hoey of BNY Mellon with a market commentary on October 26, 2009. ▶

**Announcements*****Enhanced Compliance Monitoring Service***

New features include an expanded range of guidelines on a post-trade basis (permissible assets, country and currency exposures, issues and issuers, and other investor benchmarks) and the ability to screen on Environmental, Social and Governance (ES&G) criteria. ▶

***New Composite Builder***

New Composite Builder functionality within Navigator, our online data collection tool, accessible via Workbench allows you to construct custom composites for immediate access through Charts, our sophisticated web-based graphics and reporting capability. ▶

***BNY Mellon – Investor Analytics Study Points to New Improvements in Risk Management***

The study recommends that risk managers explicitly incorporate lessons of known human biases into market stress tests and scenarios and reveals several such biases together with specific recommendations on how to use that information for better analysis. ▶

**Report of the Quarter*****Total Performance Summary Report***

This flexible and customizable report enables you to view key performance information for your accounts (i.e., portfolios) and consolidations (i.e., composites or groups of accounts). ▶



## Third Quarter 2009

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**Market Review****Economic Review**

On September 15, Federal Reserve Chairman Ben Bernanke declared the recession of the U.S. economy to be "very likely over." Experts caution, however, that times will continue to be unpleasant for many as the United States moves toward economic recovery. Unemployment numbers continued to grow, with the official rate reaching 9.7% in September. Many expect this number to continue to increase. The dollar continued to drop in value, raising fears of inflation and the potential demise of the currency's central role in global commerce. Early estimates of the U.S. trade deficit for the month of August 2009 were \$30.7 billion dollars, a slight decline from \$31.9 billion in July 2009.

**Financial Markets Review**

The positive returns of all asset classes in the second quarter of 2009 carried over into the third quarter. The Fed again held the target Fed Funds Rate steady at 0-0.25%, the same level since December 16, 2008. The government continued its attempts to shore up the financial markets and greater economy through programs including TARP, TALF and PPIP. Long-term treasury rates fell slightly over the quarter, as the yield on 10-year treasury notes moved from near 3.50% at the start of the quarter to just over 3.25% at its close. The inflation versus deflation debate raged on, with vocal proponents of each stating their case. De-leveraging, quantitative easing, and monetary expansion themes led to the various parties' conflicting predictions.

**Domestic Equity Review**

The third quarter picked up right where the second left off. Strong positive returns were the result for all major indices, including the Russell 3000 index with a 16.31% quarterly return, and the S&P 500 which gained 15.61%. The positive returns were common to stocks of all sizes and style. Large and small, growth and value: all shared in rewarding investors with positive returns. As with size and style, investors earned uniformly positive returns in all sectors of the Russell 3000 index. The continued positive returns for all sectors and styles did not, however, mean an end to the high volatility of late. The standard deviation of returns for the Russell 3000 index has been 29.5% for the last year ending September 30. Investors cheered the returns of the quarter and hoped that as in the past, strong stock market performance would be a leading indicator of the recession's conclusion.

Small stocks continued their second quarter out-performance of large stocks, with the Russell 2000 index achieving a 19.3% return, compared to the Russell 1000 index return of 16.1%. Value beat growth for the quarter, with the Russell 3000 Value index besting the Russell 3000 Growth index: 18.6% to 14.1, respectively. For the second consecutive quarter, every sector of the Russell 3000 index had a positive return.

**International Markets Review**

Investors in international markets continued to be rewarded as the third quarter yielded strong returns for international equities. The dollar's ongoing decline once again led to impressive international equity returns for domestic investors. Emerging markets continued their run, exemplified by the MSCI Emerging Markets index which has returned a remarkable 64.5% year-to-date as of September 30. The MSCI EAFE Index continued its impressive run of positive performance, following the second quarter's 25.8% return with a 19.5% third quarter return.

Investors in all styles and regions of international equities were rewarded for their positions in the third

quarter, highlighted in the developed regions by the performance of the MSCI Pacific ex Japan and MSCI Europe ex UK indices. Emerging markets slightly outperformed developed in the third quarter. As in the second quarter, international value stocks outperformed international growth.

### **Fixed Income Review**

As with most other asset classes, fixed income investments continued their positive performance in the second quarter with positive returns in all major fixed income sub-classes. Government bonds reversed the course of their negative returns in the second quarter, with the Barclays Capital Government Bond index returning 2.0% for the quarter. Corporate bonds had a rewarding quarter, as both high quality and high yield corporate bonds gave their investors positive returns. The gains for the quarter also spread to international fixed income. The Citigroup World Government bond index returned 6.16% for the quarter.

For the third consecutive quarter, high yield bonds led the fixed income asset classes. The Barclays Capital Corporate High Yield BB bond index returned 11.1% for the 3rdquarter. Mirroring the second quarter, the Barclays Capital U.S. Credit index was the second highest performer, returning 7.5% for the quarter. Overall, fixed income investors achieved near unanimously positive returns, highlighted by the 3.7% return for the Barclays Capital Aggregate bond index.

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**Economic Outlook**

This is [Richard Hoey](#) of BNY Mellon with a market commentary on October 26, 2009.

We believe that the U.S. and global recessions are over and that sustained economic recoveries have begun, both in the U.S. and worldwide. The "global emergency rescue" of the financial system and the economy was a major success, at least from a short-term cyclical perspective and potentially from a long-term perspective as well. Aggressive global policy stimulus in the form of central bank liquidity actions, monetary stimulus and government fiscal stimulus occurred in many different countries and succeeded in calming the financial crisis, ending the recession and starting a global expansion.

What kind of economic recovery is likely in the world and U.S. economy? The IMF has revised up its 2010 global growth forecast to about 3%. We believe that the most likely outlook is that the global economy has begun a simultaneous worldwide expansion and that the global growth rate in 2010 should be closer to 4%. The synchronization of economic weakness in nearly all countries during the financial crisis intensified global economic weakness, but now the synchronization of policy stimulus and recovery in nearly all countries should make a positive contribution to the strength of the recovery.

Evidence in support of simultaneous global expansion has strengthened. Leading indicators and purchasing managers' surveys have been rising in many parts of the world. Risk spreads in the bond markets have narrowed. Yield curves have steepened. Stock prices and commodity prices have risen. Consumer and corporate surveys have improved. The global expansion should be led by emerging and emerged economies with strong balance sheets as well as by some commodity-exporting countries, while those countries suffering from a housing bust and a debt overhang should expand at a more tentative pace.

Overall, the coming U.S. economic recovery is easier to understand as an exhaustion of sources of extreme weakness than as the sum of sources of strength. A key to understanding current economic realities is that while the changes in key variables (real GDP, production, operating rates, income) are shifting from negative to positive, the levels of many economic variables will remain deeply depressed relative to normal. The good news is about the direction of change, but the bad news is about levels.

Some sectors are likely to remain weak, including (1) the private structures component of capital spending, given the serious problems in commercial real estate and (2) the state and local sector, which usually lags behind cyclical developments in the rest of the economy. However, more sectors are likely to be expanding. Auto sales have been severely depressed for so long that there has finally been a buildup of some pent-up demand. As auto credit is now somewhat more freely available and near-term uncertainties about the automobile industry have dropped, we believe that a cyclical uptrend from extremely depressed levels of auto sales has now begun. Another sector where the downtrend is showing signs of exhaustion is U.S. residential construction. Declining residential construction has been reducing the real GDP growth rate by about 1% quarter after quarter for the last several years, but there is a good chance that the second quarter of 2009 should mark the bottom for residential construction. As in the case of the auto sector, residential construction dropped to an extremely low level, dramatically below peak levels. There is now growing evidence that a tentative uptrend is beginning. Again, the level is still severely depressed but we believe that an uptrend has begun. As severe liquidation of inventories gives way first to a slower pace of liquidation and eventually to modest positive accumulation, the contribution to real GDP growth should swing from negative to positive.

The outlook for capital equipment spending is also improving.

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 - September 30, 2009

	QTR ENDING	YTD ENDING	YEAR ENDING	3 YEARS ENDING	5 YEARS ENDING	7 YEARS ENDING	10 YEARS ENDING
<b>US Equity</b>							
S&P 500	15.61	19.26	-6.91	-5.43	1.02	5.86	-0.15
RUSSELL 1000	16.07	21.08	-6.14	-5.10	1.49	6.31	0.41
RUSSELL 1000 GROWTH	13.97	27.11	-1.85	-2.50	1.86	5.81	-2.56
RUSSELL 1000 VALUE	18.24	14.85	-10.62	-7.87	0.90	6.63	2.59
RUSSELL 2000	19.28	22.43	-9.55	-4.57	2.41	8.99	4.88
RUSSELL 3000	16.31	21.19	-6.42	-5.06	1.56	6.51	0.73
<b>International Equity</b>							
MSCI WORLD INDEX	17.57	25.55	-1.64	-3.80	4.07	8.84	1.40
MSCI WORLD NET DIVIDEND	17.45	24.90	-2.29	-4.35	3.51	8.28	0.92
MSCI EAFE	19.52	29.58	3.80	-3.12	6.57	11.41	2.97
MSCI EAFE NET DIVIDEND	19.47	28.97	3.23	-3.60	6.07	10.92	2.55
MSCI EUROPE	22.98	32.44	2.32	-3.06	6.95	12.35	3.77
MSCI PACIFIC	13.20	24.24	7.08	-3.29	5.74	9.28	1.23
MSCI EMERGING MARKETS	21.04	64.88	19.44	8.27	17.68	22.62	11.71
TSE 300 (CAD \$)	10.61	30.04	0.51	1.85	8.34	11.72	7.27
<b>US Fixed Income</b>							
BARCLAYS CAPITAL AGGREGATE BOND	3.74	5.72	10.56	6.41	5.13	4.96	6.30
BARCLAYS CAPITAL GOVT BOND	2.03	-1.21	6.74	6.75	5.19	4.57	6.21
CITIGROUP BROAD	3.56	5.05	10.98	6.86	5.43	5.21	6.45
MERRILL LYNCH HIGH YIELD BOND	14.48	47.67	21.88	5.06	5.95	9.78	6.28
<b>International Fixed Income</b>							
BARCLAYS CAPITAL GLOBAL AGGREGATE	6.23	7.85	13.51	8.08	6.11	7.06	6.41
CITIGROUP WLD GOVT BD	6.16	4.57	13.78	9.41	6.65	7.77	6.69
CITIGROUP WLD GOVT BD (HEDGED)	2.04	1.20	7.50	5.56	5.21	4.61	5.63
CITIGROUP WLD GOV EX US	7.33	6.68	16.07	10.15	7.06	8.69	6.66
JP MORGAN GLOBAL GOVT BOND	5.95	3.89	14.00	9.43	6.67	7.72	6.74
JP MORGAN EMERGING MARKETS BOND	10.24	24.25	18.31	7.54	9.18	13.56	12.11
<b>Other</b>							
NCREIF REAL ESTATE *	-5.20	-19.42	-19.56	0.99	7.61	8.07	8.50
VENTURE ECONOMICS ALL PRIVATE EQUITY *	5.70	-13.02	-17.98	2.64	9.65	9.03	8.28

GOLDMAN SACHS COMMODITY INDEX	-1.76	4.68	-44.52	-10.80	-6.70	2.11	4.50
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#### Cash

90 DAY TREASURY BILL	0.07	0.17	0.39	2.82	3.11	2.57	3.11
LIBOR BBA USD 1 MONTH	0.07	0.29	0.97	3.24	3.45	2.83	3.30

\* As of June 30, 2009

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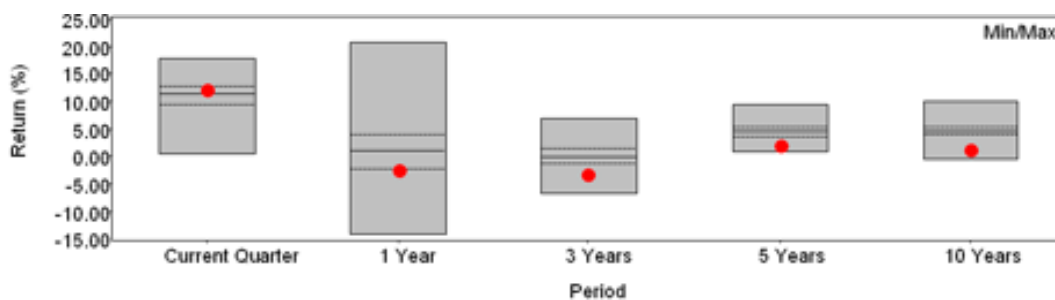
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## BNY Mellon Trust Universes

### Master Trust Funds - Total Fund - Quarter Ending September 30, 2009

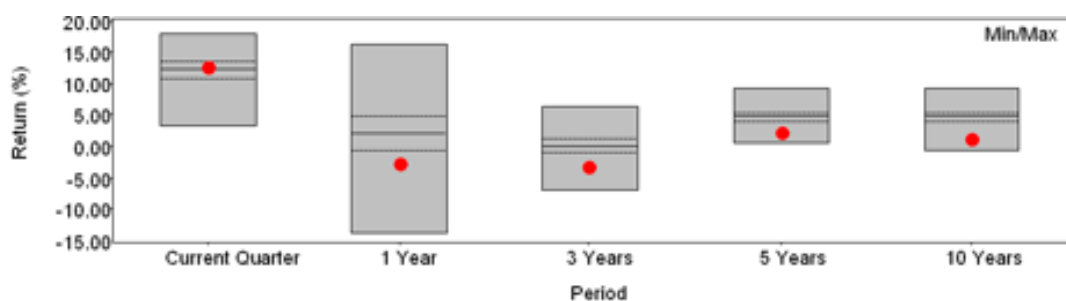


	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
Maximum	17.99		20.39		6.92		9.40		10.19	
25th Percentile	12.87		3.87		1.23		5.26		5.25	
Median	11.30		1.16		- 0.05		4.49		4.58	
75th Percentile	9.45		- 2.02		- 1.24		3.64		3.71	
Minimum	0.53		- 14.10		- 6.67		0.78		- 0.49	
# of Portfolios	633		565		504		441		310	
● 50R3000/40LB AGG/10 MSCI WxUS	13.19	22	- 1.82	73	- 2.43	91	2.84	89	2.08	98

### Master Trust Funds - Total Fund - Asset Allocation Quarter Ending September 30, 2009

	Total % of Market Value	5th	25th	Median	75th	95th
US Equity	34%	60.10%	47.29%	37.87%	28.86%	13.80%
Non-US Equity	17%	29.46%	20.78%	16.30%	12.29%	5.35%
US Fixed Income	27%	67.61%	40.70%	30.40%	23.32%	10.28%
Non-US Fixed Income	1%	15.83%	5.70%	3.49%	0.59%	0.00%
Real Estate	2%	13.99%	8.57%	6.47%	3.42%	0.99%
Alternative Investments	8%	58.53%	31.27%	13.69%	7.55%	2.87%
Cash	1%	42.32%	10.88%	4.35%	1.77%	0.00%
Other	10%					

## Total Funds - Corporate - Quarter Ending September 30, 2009

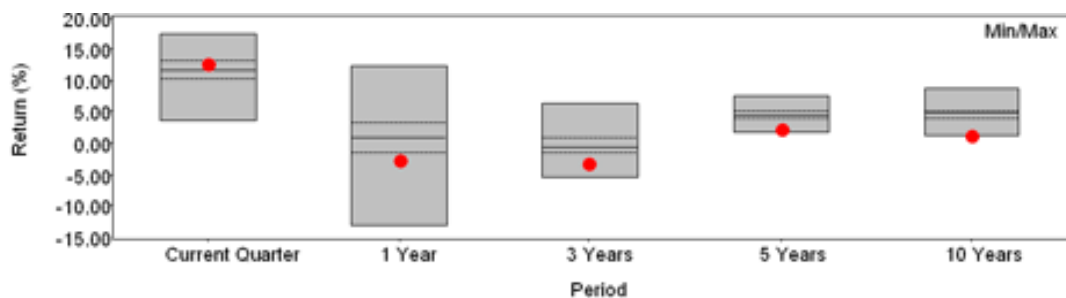


	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
<b>Maximum</b>	17.99		15.96		6.42		9.11		9.21	
<b>25th Percentile</b>	13.38		4.62		1.20		5.49		5.29	
<b>Median</b>	12.08		2.08		- 0.02		4.73		4.60	
<b>75th Percentile</b>	10.94		- 0.52		- 0.95		3.94		3.79	
<b>Minimum</b>	3.25		- 13.56		- 6.67		0.78		- 0.49	
<b># of Portfolios</b>	232		199		178		150		115	
<b>● 50R3000/40LB AGG/10 MSCI WxUS</b>	13.19	31	- 1.82	85	- 2.43	92	2.84	97	2.08	98

## Total Funds - Corporate - Asset Allocation Quarter Ending September 30, 2009

	Total % of Market Value	5th	25th	Median	75th	95th
<b>US Equity</b>	33%	56.44%	48.29%	39.81%	30.36%	19.22%
<b>Non-US Equity</b>	16%	28.94%	21.39%	16.34%	12.87%	7.13%
<b>US Fixed Income</b>	34%	53.61%	40.48%	31.84%	26.38%	16.38%
<b>Non-US Fixed Income</b>	0%	12.80%	4.54%	2.35%	0.00%	0.00%
<b>Real Estate</b>	1%	7.82%	5.89%	3.24%	2.87%	0.93%
<b>Alternative Investments</b>	6%	34.80%	16.53%	10.35%	6.29%	2.40%
<b>Cash</b>	0%	8.63%	6.59%	3.97%	2.07%	0.00%
<b>Other</b>	10%					

## Total Funds - Public - Quarter Ending September 30, 2009



	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
<b>Maximum</b>	17.06		12.39		6.46		7.41		8.55	
<b>25th Percentile</b>	12.94		3.31		0.77		4.98		5.13	
<b>Median</b>	11.66		1.04		- 0.44		4.38		4.69	
<b>75th Percentile</b>	10.32		- 1.54		- 1.39		3.70		4.06	
<b>Minimum</b>	3.74		- 12.90		- 5.22		1.93		1.49	
<b># of Portfolios</b>	106		91		86		79		53	
<b>● 50R3000/40LB AGG/10 MSCI WxUS</b>	13.19	22	- 1.82	80	- 2.43	96	2.84	94	2.08	99

**Total Funds - Public - Asset Allocation  
Quarter Ending September 30, 2009**

	<b>Total % of Market Value</b>	<b>5th</b>	<b>25th</b>	<b>Median</b>	<b>75th</b>	<b>95th</b>
US Equity	34%	54.22%	45.48%	39.77%	31.93%	17.15%
Non-US Equity	19%	26.44%	19.94%	17.36%	12.72%	6.49%
US Fixed Income	28%	69.39%	38.41%	27.94%	23.84%	13.89%
Non-US Fixed Income	2%	15.64%	5.89%	4.24%	0.60%	0.00%
Real Estate	3%	20.36%	10.70%	6.89%	5.70%	2.56%
Alternative Investments	6%	23.84%	10.99%	8.32%	5.13%	2.19%
Cash	1%	17.51%	6.47%	2.32%	0.85%	0.00%
Other	7%					

**Total Funds - Foundation/Endowments - Quarter Ending September 30, 2009**



	<b>Return</b>	<b>(% tile)</b>	<b>Return</b>	<b>(% tile)</b>	<b>Return</b>	<b>(% tile)</b>	<b>Return</b>	<b>(% tile)</b>	<b>Return</b>	<b>(% tile)</b>
<b>Maximum</b>	16.65		20.39		6.92		9.40		10.19	
<b>25th Percentile</b>	12.72		2.76		1.25		5.94		5.98	
<b>Median</b>	10.38		- 1.53		0.02		4.84		4.78	
<b>75th Percentile</b>	8.70		- 4.29		- 1.57		3.71		3.75	
<b>Minimum</b>	2.86		- 14.10		- 4.79		1.04		1.78	
<b># of Portfolios</b>	179		170		142		127		84	
<b>● 50R3000/40LB AGG/10 MSCI WxUS</b>	13.19	19	- 1.82	53	- 2.43	87	2.84	86	2.08	98

**Total Funds - Foundation/Endowments - Asset Allocation  
Quarter Ending September 30, 2009**

	<b>Total % of Market Value</b>	<b>5th</b>	<b>25th</b>	<b>Median</b>	<b>75th</b>	<b>95th</b>
US Equity	30%	63.06%	45.07%	32.25%	20.36%	11.07%
Non-US Equity	14%	32.81%	21.85%	17.64%	14.05%	5.94%
US Fixed Income	14%	60.75%	31.04%	22.09%	12.90%	5.19%
Non-US Fixed Income	1%	10.50%	7.22%	2.97%	2.04%	1.07%
Real Estate	1%	13.27%	10.57%	7.19%	6.18%	5.37%
Alternative Investments	28%	65.75%	50.22%	32.09%	20.58%	8.37%
Cash	2%	24.92%	8.79%	4.89%	2.87%	1.07%
Other	10%					

## Manager Universes - Top 10

Sorted By Total Return on the Three Year Time Period Ending September 30, 2009

<b>LARGE VALUE EQUITY MANAGERS</b>	<b>3 Yrs Sep. 2009</b>	<b>2 Yrs Sep. 2009</b>	<b>1 Yr Sep. 2009</b>	<b>Qtr Sep. 2009</b>	<b>3 Yrs Std Dev.</b>
Knightsbridge Asset Management LLC	3.59	-3.16	12.87	22.12	20.50
Atlanta Life Investment Advisors, Inc.	2.53	-5.95	6.48	22.65	24.30
Boston Partners Asset Management, L.P.	1.24	-5.75	7.05	18.18	20.65
Marque Millennium Capital Management, LLC	0.53	-7.24	4.79	21.53	25.10
W.H. Reaves & Co., Inc.	0.50	-11.47	-4.29	9.90	22.88
The Putnam Advisory Co., LLC	-0.52	-8.60	1.24	16.83	20.94
Becker Capital Management, Inc.	1.15	-7.94	-3.73	16.96	20.91
GE Asset Management	-1.62	-9.40	-3.49	15.28	22.41
Jennison Associates LLC	-1.77	-10.51	4.00	17.08	24.27
American Century Investment Management, Inc.	-1.83	-8.85	-4.71	9.46	12.60
Russell 1000 Value Index	-7.87	-17.34	-10.62	18.24	

<b>LARGE GROWTH EQUITY MANAGERS</b>	<b>3 Yrs Sep. 2009</b>	<b>2 Yrs Sep. 2009</b>	<b>1 Yr Sep. 2009</b>	<b>Qtr Sep. 2009</b>	<b>3 Yrs Std Dev.</b>
Fred Alger Management, Inc.	5.21	-9.02	9.27	18.25	26.62
Lord, Abbett & Company	3.90	-6.39	5.78	17.93	23.20
Zevenbergen Capital, Inc.	3.05	-7.94	5.62	19.58	27.26
Riverbridge Partners	2.48	-7.09	-1.58	14.58	19.81
Montag & Caldwell, Inc.	2.41	-7.42	-2.59	11.96	19.93
Ashland Management, Incorporated	2.21	-7.33	-2.47	11.31	16.81
AMI Asset Management Corporation	1.82	-4.64	-5.15	10.72	15.70
McKinley Capital Management, Inc.	1.66	-10.77	-4.31	14.24	20.23
UBS Global Asset Management (Americas), Inc.	1.21	-8.51	4.31	14.02	22.25
Pioneer Investment Management, Inc.	0.89	-7.12	0.30	12.18	17.30
Russell 1000 Growth Index	-2.50	-11.88	-1.85	13.97	

<b>SMALL VALUE EQUITY MANAGERS</b>	<b>3 Yrs Sep. 2009</b>	<b>2 Yrs Sep. 2009</b>	<b>1 Yr Sep. 2009</b>	<b>Qtr Sep. 2009</b>	<b>3 Yrs Std Dev.</b>
NewSouth Capital Management, Inc.	7.61	-0.24	9.72	35.55	34.14
Transamerica Investment Management, LLC	4.48	-8.79	2.64	18.63	30.07
Vaughan Nelson Investment Management	4.37	-2.53	2.08	19.08	20.78
Atlanta Capital Management Company, LLC	3.62	-2.35	1.42	15.44	18.76
Kennedy Capital Management, Inc.	3.27	-1.42	2.38	22.44	27.46
Metropolitan West Capital Management, LLC	2.78	-3.42	-0.81	24.91	31.37
Barrow, Hanley, Mewhinney & Strauss, Inc.	2.78	-5.08	13.56	37.08	35.52
Rutabaga Capital Management LLC	2.70	0.10	12.56	38.79	39.69
Morgan Stanley Investment Management, Inc.	2.21	-5.96	2.44	18.88	24.44
Neuberger Berman, LLC	2.00	-7.70	-13.12	13.41	23.17
Russell 2000 Value	-6.65	-12.43	-12.61	22.70	

<b>SMALL GROWTH EQUITY MANAGERS</b>	<b>3 Yrs Sep. 2009</b>	<b>2 Yrs Sep. 2009</b>	<b>1 Yr Sep. 2009</b>	<b>Qtr Sep. 2009</b>	<b>3 Yrs Std Dev.</b>
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Brown Capital Management, Inc.	9.83	0.17	8.36	19.91	23.68
Columbus Circle Investors	9.65	-7.02	-0.09	19.02	24.68
TCW Asset Management Company	7.69	-2.67	15.59	19.80	29.55
Lee Munder Investments Ltd.	5.14	-10.31	4.72	14.02	27.65
Lord, Abbett & Company	4.48	-11.75	0.60	14.60	29.85
Wells Capital Management	4.16	-7.51	5.73	19.16	27.17
MFS Investment Management, Inc.	2.83	-5.04	13.16	23.82	29.75
TimesSquare Capital Management, LLC	2.55	-6.05	1.73	18.66	22.67
Westfield Capital Management Company, LLC	2.53	-8.19	0.49	18.67	25.58
Frontier Capital Management Company, LLC	1.77	-7.82	0.48	16.48	24.55
Russell 2000 Growth	-2.60	-11.86	-6.32	15.95	

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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## Third Quarter 2009

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## Announcements

### Enhanced Compliance Monitoring Service

*New features sharpen post-trade monitoring, review and transparency*

We are pleased to introduce a number of market-driven enhancements to our compliance monitoring capabilities to assist asset owners and asset managers with the post-trade monitoring of their investments.

With Compliance Monitor, BNY Mellon's compliance reporting toolkit, clients can review whether executed investment decisions are adhering to specified guidelines or mandates established with investment managers. Designed to meet a growing need for improved transparency and review, Compliance Monitor supports an expanded range of guidelines on a post-trade basis, including permissible assets, country and currency exposures, issues and issuers, and other investor benchmarks. The new service also can screen on Environmental, Social and Governance (ES&G) criteria, covering more than 20 controversial business issues (such as Sudan divestment, Iran, etc.), which many asset owners have begun to implement.

Compliance Monitor can be part of a fully outsourced service where BNY Mellon provides alerts to clients, or as an optional toolkit clients can access themselves. Reports can be generated daily, weekly or at other designated intervals. Detailed or summary information can be produced covering all securities in a portfolio or just those that violate the guidelines. Violations can then be e-mailed directly to the client for prompt review. Other enhanced features, including flags for new violations and improved audit trails, allow users to better document their research.

With the recent market performance, monitoring of investment processes and external managers is more important than ever. Unintended or unknown exposures can create risk and losses and undermine the goals of investors. Compliance Monitor gives asset owners an in-depth analysis of their investment managers' activities. With the new reports, clients can easily see any warnings or violations that warrant their attention, and automated distribution puts this information right at their fingertips.

These new compliance capabilities enable clients to focus on key issues without unnecessary data mining, empowering them to make informed investment decisions.

### New Composite Builder Functionality

On September 26, 2009, we released new Composite Builder functionality within Navigator, our online data collection tool accessible via Workbench.

This new capability will allow you to construct custom composites for immediate access through Charts, our sophisticated web-based graphics and reporting capability.

Key features include:

- Create composites using portfolios, indexes or other composites

- Create composites using both hosted and client loaded data
- Flexibility to create composites from a series of individual mixes
- Multiple rebalancing options available
- Integrated within Workbench

If you currently subscribe to Charts you will be able to access these great new features immediately, with no additional requirements.

### **BNY Mellon – Investor Analytics study points to new improvements in Risk Management**

*Incorporating behavioral economics and complexity science would dramatically improve risk management for asset owners and managers*

Recent market events have soundly demonstrated that traditional economics does not adequately describe real markets and the potential impacts on financial portfolios, according to a new study released by BNY Mellon and Investor Analytics (IA). By incorporating behavioral characteristics of human market participants and using newly available imaging techniques to understand how humans make real decisions under uncertain circumstances, Behavioral Economics offers an opportunity to gain much more insight into real markets while significantly improving risk management.

The study, entitled "Tomorrow's Risk Management: How behavioral economics, cognitive studies and complexity science add up to more than their own sum," recommends that risk managers explicitly incorporate lessons of known human biases into market stress tests and scenarios. The study reveals several such biases together with specific recommendations on how to use that information for better analysis.

In surveying the fields of Behavioral Economics, Cognitive Studies and Complexity Science, the study highlights that:

- Humans are risk averse when it comes to gains, but risk takers when it comes to losses
- More credibility is given to stories or scenarios that are rich in detail, even though these tend to be statistically less probable to happen
- Rather than diminishing with improved efficiency, volatility is actually a necessary component for markets to exist in the first place and does not change with efficiency.

This whitepaper follows on from BNY Mellon's and Casey Quirk & Associates' recent study entitled, "The Hedge Fund of Tomorrow: Building an Enduring Firm," which addressed key issues facing the alternative investment management industry.

To read this study in its entirety, please [click here](#).

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**Report of the Quarter****Report of the Quarter****Total Performance Summary**

BNY Mellon Asset Servicing has developed the Total Performance Summary report for customized and flexible performance reporting.

This report provides summary level performance returns for multiple accounts, composites and benchmarks across several time periods. You can select specific composites to explode, add additional benchmark associations and obtain excess return information versus associated benchmarks. Using the excess return feature, you can generate quick analysis that tells you whether your accounts or composites over- or under-performed their comparative benchmark for the specified time periods.

Additional report features include:

- Flexible parameter selections (i.e. retrieve various return types, additional report columns and easier sorting capabilities)
- Customized account groupings
- Multiple return types (i.e. Gross of Fees, Net of Fees)
- Select up to 3 custom time ranges. A beginning and end-date can be specified for the desired time range and can be applied to the custom time period column.
- Apply currency conversion to the report output.

This [sample report](#) utilizes a pre-defined grouping that presents performance information sorted by asset class defined assignments. The excess return feature shows the over- and under- performance for the various time periods. Using the additional report columns, 3-year standard deviation numbers were added to the report, demonstrating further customization.

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



Total Performance Summary

Report ID:

TOTAL NET OF FEES

Reporting Currency: USD

9/30/2009

Group Label Account Name Benchmark Name	Market Value \$	% of Total	Month	Quarter	1 Year	Annualized				Inception Date	Annualized 3 Years Std Dev (monthly)
						3 Years	5 Years	10 Years	ITD		
<b>Total Plan</b>	<b>931,132,351.21</b>	<b>100.00</b>	<b>3.85</b>	<b>11.22</b>	<b>1.27</b>	<b>1.12</b>	<b>6.36</b>	<b>5.74</b>	<b>8.52</b>	<b>7/31/1981</b>	<b>11.17</b>
<b>Total Large Cap US Equity</b>											
BGI Stocks Plus	57,478,575.88	7.45	4.46	19.36	0.43	-4.40	1.56	0.34	8.49	12/31/1994	21.84
<i>S&amp;P 500 - Total Return Index</i>			3.73	15.61	-6.91	-5.43	1.02	-0.15	7.82	12/31/1994	19.40
<b>Excess Return</b>			<b>0.73</b>	<b>3.75</b>	<b>7.33</b>	<b>1.03</b>	<b>0.54</b>	<b>0.50</b>	<b>0.67</b>	<b>12/31/1994</b>	<b>2.43</b>
Franklin Portfolio Associates	12,678,937.33	1.64	3.51	12.23	-15.99	-11.30	-2.31		0.92	10/31/2003	20.53
<i>S&amp;P 500 - Total Return Index</i>			3.73	15.61	-6.91	-5.43	1.02		3.05	10/31/2003	19.40
<b>Excess Return</b>			<b>-0.22</b>	<b>-3.38</b>	<b>-9.08</b>	<b>-5.87</b>	<b>-3.32</b>		<b>-2.13</b>	<b>10/31/2003</b>	<b>1.13</b>
<b>Total Mid Cap US Equity</b>											
William Blair Midcap Growth	19,419,655.61	2.52	6.21	18.71	-0.24	-1.17	4.95		4.21	7/31/2004	23.01
<i>Russell Midcap Growth Index</i>			5.75	17.58	-0.40	-3.10	3.75		2.70	7/31/2004	23.69
<b>Excess Return</b>			<b>0.46</b>	<b>1.12</b>	<b>0.17</b>	<b>1.94</b>	<b>1.20</b>		<b>1.51</b>	<b>7/31/2004</b>	<b>-0.68</b>
Neuberger Midcap Growth	19,554,006.25	2.53	4.48	17.70	-6.22	-0.69	7.62		6.92	7/31/2004	20.39
<i>Russell Midcap Growth Index</i>			5.75	17.58	-0.40	-3.10	3.75		2.70	7/31/2004	23.69
<b>Excess Return</b>			<b>-1.27</b>	<b>0.11</b>	<b>-5.82</b>	<b>2.42</b>	<b>3.86</b>		<b>4.22</b>	<b>7/31/2004</b>	<b>-3.30</b>
<b>Total Small Cap US Equity</b>											
Pier Capital Sm Cap	10,639,588.70	1.38	8.32	19.32	-0.84	2.60	8.14	5.34	12.05	12/31/1991	23.34
<i>Russell 2000 Growth Index</i>			6.57	15.95	-6.32	-2.60	2.91	1.10	5.52	12/31/1991	24.28
<b>Excess Return</b>			<b>1.76</b>	<b>3.37</b>	<b>5.48</b>	<b>5.20</b>	<b>5.23</b>	<b>4.24</b>	<b>6.54</b>	<b>12/31/1991</b>	<b>-0.94</b>
Wellington Sm Cap Value	8,053,369.07	1.04	4.68	22.31	-14.31				-16.40	9/30/2008	
<i>Russell 2000 Value Index</i>			5.02	22.70	-12.61				-15.52	9/30/2008	25.14
<b>Excess Return</b>			<b>-0.34</b>	<b>-0.40</b>	<b>-1.71</b>				<b>-0.88</b>	<b>9/30/2008</b>	
<b>Developed Mkts Non-US Equity</b>											
Marathon	127,400,939.27	16.51	3.85	16.83	5.42	0.14	9.03	7.91	9.53	6/30/1989	21.81
<i>Marathon Index</i>			4.13	19.36	2.89	-3.03	7.15	4.05	5.40	6/30/1989	24.05
<b>Excess Return</b>			<b>-0.28</b>	<b>-2.53</b>	<b>2.53</b>	<b>3.17</b>	<b>1.88</b>	<b>3.86</b>	<b>4.14</b>	<b>6/30/1989</b>	<b>-2.23</b>
T Rowe Price Int'l Fund	7,826,833.91	1.01	3.50	19.36	3.62					11/30/2007	
Cap Guard International	36,597,435.02	4.74	4.51	18.08	1.22	-4.24	5.55	2.73	5.47	12/31/1994	23.05
Oaktree Int'l Fund	33,715,919.56	4.37	5.77	23.75	10.21	1.23	11.06	8.56	12.20	9/30/1992	26.75
International Fund	36,199,554.96	4.69	4.85	19.84	2.42	-8.20			-2.84	12/31/2005	28.49
<i>Custom Blended Benchmark</i>			3.50	19.76	14.02	-2.27			0.79	12/31/2005	25.59
<b>Excess Return</b>			<b>1.35</b>	<b>0.08</b>	<b>-11.61</b>	<b>-5.94</b>			<b>-3.62</b>	<b>12/31/2005</b>	<b>2.90</b>

TOTAL NET OF FEES

9/30/2009

Group Label Account Name Benchmark Name	Market Value \$	% of Total	Month	Quarter	1 Year	Annualized				Inception Date	Annualized	
						3 Years	5 Years	10 Years	ITD		3 Years Std Dev (monthly)	
<b>Emerging Markets</b>												
MS Emerging Markets Equity	20,211,575.57	2.62	8.55	21.15	20.17	11.16				12.45	7/31/2006	30.22
<i>MS Benchmark</i>			9.14	21.10	20.72	9.63				10.20	7/31/2006	32.45
<b>Excess Return</b>			<b>-0.59</b>	<b>0.04</b>	<b>-0.56</b>	<b>1.54</b>				<b>2.24</b>	<b>7/31/2006</b>	<b>-2.23</b>
Cap Int'l Emerging Mkt	18,445,640.15	2.39	8.28	20.68	23.43	11.03	20.33	12.42		10.12	5/31/1995	29.34
<i>MSCI Emerging Markets IMI Growth Index</i>												
<b>Excess Return</b>												
<b>Fixed Income</b>												
Wellington Fixed Income	72,804,837.30	9.43	2.27	6.17	16.92	9.84	7.03	8.02		9.57	9/30/1990	14.34
<i>Barclays Capital Aggregate Bond Index</i>			1.05	3.74	10.56	6.41	5.13	6.30		7.19	9/30/1990	3.98
<b>Excess Return</b>			<b>1.22</b>	<b>2.43</b>	<b>6.36</b>	<b>3.44</b>	<b>1.91</b>	<b>1.73</b>		<b>2.38</b>	<b>9/30/1990</b>	<b>10.36</b>
Dodge & Cox Fixed Income	151,330,804.31	19.61	1.68	5.71	17.38	6.74	5.53			5.14	7/31/2003	5.65
<i>Barclays Capital Aggregate Bond Index</i>			1.05	3.74	10.56	6.41	5.13			4.66	7/31/2003	3.98
<b>Excess Return</b>			<b>0.63</b>	<b>1.97</b>	<b>6.83</b>	<b>0.33</b>	<b>0.41</b>			<b>0.48</b>	<b>7/31/2003</b>	<b>1.67</b>
Western Asset Mgmt Fixed Opp	20,428,320.27	2.65	1.94	3.71	-23.27					-7.81	1/31/2007	
<i>Barclays Capital Aggregate Bond Index</i>			1.05	3.74	10.56					6.53	1/31/2007	3.98
<b>Excess Return</b>			<b>0.88</b>	<b>-0.04</b>	<b>-33.83</b>					<b>-14.34</b>	<b>1/31/2007</b>	
Pimco Fixed Income	94,324,202.37	12.22	1.58	6.93	16.37					7.04	3/31/2008	
<i>Barclays Capital Aggregate Bond Index</i>			1.05	3.74	10.56					5.76	3/31/2008	3.98
<b>Excess Return</b>			<b>0.53</b>	<b>3.19</b>	<b>5.82</b>					<b>1.28</b>	<b>3/31/2008</b>	
<b>Cash</b>												
Short Term Fund	23,708,576.46	3.07	0.04	0.02	1.01	4.47	4.18	3.79		15.77	7/31/1981	1.93
<i>BofA Merrill Lynch 3 Month US Treasury Bill (GOO1)</i>			0.02	0.07	0.39	2.82	3.11	3.11		5.71	7/31/1981	0.63
<b>Excess Return</b>			<b>0.01</b>	<b>-0.05</b>	<b>0.62</b>	<b>1.66</b>	<b>1.07</b>	<b>0.68</b>		<b>10.05</b>	<b>7/31/1981</b>	<b>1.30</b>
<b>Private Asset Portfolio</b>												
Harbourvest Int'l II	449,123.00	0.06	7.30	7.30	-22.37	0.63	9.19	8.15		7.82	4/30/1996	16.79
Harbourvest Partners III	228,920.00	0.03	-5.25	-5.25	-0.84	-49.85	-41.27	-23.74		-21.45	2/28/1998	100.54
Weis Peck & Greer	118,009.71	0.02	0.00	0.00	-57.47	-6.42	-3.23	-7.66		-9.56	11/30/1997	53.19
GE Private II LP	48,353.00	0.01	-2.03	-2.03	-24.13	-17.76	-15.89	-14.11		-11.01	11/30/1995	16.44
B III Capital Ptrs	38,846.12	0.01	-9.97	-9.97	-51.65	-2.00	12.62	9.14		7.68	12/31/1996	67.25
Crossroads LP	42,698.21	0.01	-0.62	-0.62	0.27	21.07	10.27	24.34		17.20	12/31/1983	31.52