

# Press Release



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## **Market Environment Favors Out-Performance by Stock Pickers, According to The Boston Company Asset Management Company**

### ***Active Equity Managers Have Tended to Out-Perform Indexes Early in Recovery***

BOSTON, June 29, 2009 – Actively managed equity portfolios have tended to outperform passive investments such as index funds following periods of extreme market distress, and the current market environment potentially has set the stage for out-performance by actively managed mutual funds and institutional funds, according to an analysis by The Boston Company Asset Management Company, LLC (TBCAM), part of BNY Mellon Asset Management.

“These periods of market distress have created wide dispersions within stock valuations,” said David A. Daglio, senior vice president and team leader of TBCAM’s opportunistic value strategy. “In the past, good stock pickers have been able to take advantage of these dispersions to add value. They were able to buy attractively valued equities, while avoiding less attractive options.”

Approximately 64 percent of all equity mutual funds with reportable data have outperformed their benchmarks for the first five months of 2009, according to Lipper Equity Fund Performance Analysis Service, and similar trends have been observed for the early part of 2009 for actively managed institutional funds.

TBCAM, which manages both mutual funds and institutional accounts, noted in its analysis that equity levels are approaching attractive levels last seen in the 1940s. At the same time, the analysis noted that cash-flow yields are at 57-year highs.

“The early part of 2009 appears similar to other periods that we have studied, where market distress has created exceptionally wide valuation spreads across the marketplace,” said Daglio. “During these periods, the good stock picker is able to select equities with historically low valuations and where fundamental recovery prospects have been ignored.” Other periods that exhibited similar distress included in the TBCAM study were 1974 - 1975, 1990 - 1991, 2001 - 2002 and 2008 - 2009.

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“Relative performance for the first five months of 2009 was strongest in the small cap equities asset class, where 70 percent of small cap actively managed portfolios were ahead of their benchmarks,” Daglio said.

“Active management allows for the inclusion of the best investment opportunities in the portfolio, while excluding securities that are identified as fundamentally weak or having unattractive valuations that could dilute portfolio returns,” said Michael K. Arends, portfolio strategist for the TBCAM opportunistic value team. “We have had good success exploiting these opportunities over the last several months.”

Arends added the TBCAM analysis concluded that active managers have been able to beat their indexes for a multi-year period following severe market distress. “Given the severity of the recent market decline and breadth in valuations in most market sectors, we believe that this is an opportunity for good stock pickers to out-perform.”

## **Notes to Editors:**

**The Boston Company Asset Management**, a BNY Mellon Asset Management investment boutique, provides investment management services for corporate, public, mutual funds and Taft-Hartley retirement plans, endowments and foundations.

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