Pensions&Investments

RUSSELL, MELLON START FIRM

Steve Hemmerick
Frank Russell Co. and Mellon Trust have formed a company providing performance measurement and portfolio analysis.

Russell/Mellon Analytical Services Inc. will operate independently, with ownership shared equally between the parents.

The venture begins with a client base of about 1,330, who hold more than $1.5 trillion in assets. About 420 employees of Russell Analytical Services and Mellon Trust's Investment Information Services units will staff the new company.

Russell, Tacoma, Wash., and Mellon, Boston and Pittsburgh, plan to create a single line of performance and analytic products, choosing the best of their combined offerings.

The new company will compete with investment management software giants such as BARRA Inc., Berkeley, Calif., which supplies sophisticated analytical services to custody banks. It also will compete with other investment management consulting firms in the United States and United Kingdom, as well as with big trust/custody banks that are enhancing their abilities to provide performance data to clients.

Mellon officials hope the venture will make Mellon a stronger competitor - particularly in the United States and Europe - among the five or six remaining big U.S. trust and custody banks.

Russell, meanwhile, gains access to Mellon's endowment and foundation market, "so the clients who subscribe to Russell for anlytics would benefit from having better comparisons for their portfolios," said Janice Harding, managing director, Russell Analytical.

With the additional data from Mellon, Russell will be able to form performance universes that closely compare plans of similar sizes, structures and objectives - which plan executives long have wanted.

Mellon offers the venture a global electronic pipeline for delivery of performance and data analysis, its own analysis software and larger-scale computer processing power than Russell now has.

The bank, which has 525 trust and custody clients with $1.5 trillion in assets, plans to offer the joint venture's services to subscribers through Mellon's electronic workstation, Executive Workbench.

Russell offers attribution analysis software for global markets and data analysis software. Ms. Harding said Mellon's performance and plan data, in combination with Russell's data and analysis products, will provide clients with statistically stronger analysis. One new product the joint venture might look at is software to measure planwide risk, which is of increasing interest to plans, she said.

The venture could be an important competitive move for both Russell and Mellon. Large competitors of Mellon - such as State Street Bank & Trust Co., Boston, and Bank of New York, New York City - in past months have been acquiring other custody operations with analytical software capabilities, and acquiring outside software vendors.

Russell officials expect the new venture to enhance what they say is already considerable success in Europe.

Russell Analytical Services had a 50% increase in sales of its performance and analysis products in Europe in 1997, said Ms. Harding.

European investors have strong interest in attribution analysis products, she said.

Institutional investor interest in performance and analysis is also on the upswing in Asia.

Russell Analytics, which will be folded into the new venture, has 143 clients in Europe and 84 in Asia and Australia.

About 330 of Mellon's trust and custody clients, representing about 90% of Mellon's custody assets, subscribe to Mellon's analytical services. Most subscribe to Mellon's WorkBench, which provides real-time delivery of accounting, transaction and other data and analysis products, said William Pryor, manager of investment information services and first vice president.

Mellon had been providing attribution analysis software for only three countries. The new joint venture will provide attribution analysis for all investment markets, Mr. Pryor said.

A redistribution agreement with Chase Manhattan Bank in the United Kingdom for some of Russell's international analytical and performance attribution products won't be affected by the joint venture.

The joint venture is expected to be formally completed by Jan. 1, 1999.

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