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TO: Senior Vice-Chancellor Marc Shaw

FROM: Janet Krone JMK

SUBJECT: Investment Update

This memorandum provides an overview of the markets and our portfolio for the calendar year-to-date [CYTD] period ending September 30, 2011.

Market Summary
[Note: all figures are in US dollars].
For the nine months ended September 30, 2011, developed global equity markets, as represented by the MSCI World Index, returned -12.2%, while developed global equity markets excluding the US [MSCI EAFE Index] returned -15.0% and the US market [S&P500 Index] returned -8.7%. However, emerging markets equity [MSCI Emerging Markets Index] continued to lag developed markets with a CYTD return of -21.7%.

During this period, US large-, mid-, and small capitalization growth outperformed their value counterparts, though all domestic equity style categories were in the red. A few of the S&P500 economic sectors were in the black CYTD, but the rest fell into negative territory. Top performing sectors during this period included utilities [+10.7%], consumer staples [+3.4%], and health care [+2.5%], while those at the bottom of the list included industrials [-14.7], materials [-21.8%] and financials [-25.2%]

Global sovereign bonds [Citigroup World Government Bond Index] were up 6.5% during the last nine months and the Citigroup Non-US World Government Bond Index was up 5.7%. In U.S. credit markets, long governments and long government/credit [Barclays Long Government Bonds and Long Govt/Credit Bonds] returned 26.8% and 19.4%, respectively, outperforming both the Barclays Aggregate Bond Index return of 6.7% and the Barclays High Yield Composite Bond return of -1.4%.

Commodities continued to come down from their highs: CYTD the Dow Jones-UBS Commodity TR Index and the S&P Goldman Sachs Commodity Index returned -13.6% and -9.3%, respectively.

CUNY Long-Term Pool

During this period, the Pool returned -6.3%, bringing the market value to approximately $147 million. All asset classes produced negative composite returns calendar year-to-date through September 2011.

The Total U. S Equity composite [23.0% of the Pool] is invested entirely in the Vanguard S&P500 Index Fund and produced a -8.7% benchmark return with no tracking error. Likewise, the Total Fixed Income composite [27.6% of the Pool] produced a benchmark-like return of +7.2%. This reflects the composition of the composite: 80% is invested in the State Street U.S. Government/Credit Bond Index with a CYTD return of +7.5% and 20% is invested with Colchester [active global bond manager hired in March 2011] with an inception-to-date return of +6.0%.

Our Total International Equity composite [23.4% of the Pool] returned -13.4%, adding 160 basis points over the MSCI EAFE Index. Except for Philadelphia Advisors, the component international equity managers contributed value—Walter Scott and IVA Worldwide outperformed EAFE by 310 and 730 basis points, respectively. Likewise, the Emerging Market Equity composite [6.7% of the Pool] returned -17.8%, adding 380 basis points in value over the MSCI Emerging Markets Index comprised as follows: roughly 70% is invested in Aberdeen's active product with a CYTD return of -15.6%, and roughly 30% is invested with Dimensional Fund Advisors [a semi-passive small cap emerging market equity fund hired in March 2011] with an inception-to-date return of -19.0%.

Finally, our Hedge Fund composite [9.7% of the Pool] returned -6.4% CYTD, underperforming its benchmark [the HFRI Fund of Funds Index] by 140 basis points, while Real Assets [9.6% of the Pool] returned -12.7% CYTD, 320 basis points below the Wellington DIH Benchmark.

Composite (Inception Date)	Percentage of Portfolio (%)	Assets $ mil	Total Return (%) CYTD 1/1/11 - 9/30/11
Total U.S. Equity (01/01/00)	**23.0**	**33.7**	**-8.7**
S&P500 Index (01/01/00)			-8.7
Value Added			0.0
Total International Equity (07/02/02)	**23.4**	**34.2**	**-13.4**
MSCI EAFE Index (07/02/02)			-15.0
Value Added			+ 1.6
Total Emerging Markets (04/21/09)	**6.7**	**9.8**	**-17.8**
MSCI Emerging Markets Index(04/21/09)			-21.7
Value Added			+3.8
Total Hedge Funds (04/30/10)	**9.7**	**14.3**	**-6.4**
HFRI Fund of Funds Index (04/30/10)			-5.0
Value Added			-1.4
Total Real Assets (07/01/09)	**9.6**	**14.1**	**-12.7**
Wellington DIH Benchmark (06/30/09			-9.4
Value Added			-3.2
CPI-U +5% (06/30/09			+7.4
Value Added			-20.0
Total Fixed Income (01/01/00)	**27.6**	**40.5**	**+7.2**
BC Govt/Credit Bond Index (04/20/10)			+7.5
Value Added			-0.3
Total CUNY Assets (9/30/11)		**146.5**	**-6.3**

Conclusion and Recommendations

The restructured Investment Pool is significantly more diversified than its predecessor portfolio of three years ago and is likely to meet our 5% expected long-term real return net of fees. However, we continue to look for opportunities to add value that are appropriate for CUNY's risk-return profile and will discuss such opportunities with you in the future.

Attachment

Cc:
Matthew Sapienza, Associate Vice Chancellor
Barry Kaufman, University Controller