The City University of New York

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TO: Senior Vice-Chancellor Marc Shaw

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SUBJECT: Investment Update

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This memorandum provides an overview of the markets and our portfolio for the calendar year-to-date period ending April 30, 2012.

**Market Summary**
*[Note: all figures are for the four months ended April 30, 2012 and are in US dollars]*.

For the calendar year-to-date period ended April 30, 2012, developed global equity markets, as represented by the MSCI World Index, returned 10.3%, while developed global equity markets excluding the US [MSCI EAFE Index] returned 8.7% and the US market [S&P500 Index] returned 11.9%. Emerging markets equity [MSCI Emerging Markets Index] outperformed developed markets with a return of 12.8%.

During this period, US mid-capitalization stocks outperformed large- and small-capitalization stocks, while US growth equity outperformed US value equity across all capitalization sectors. As for the S&P500 economic sectors, nine out of ten were in the black. Top performing sectors during this period included consumer discretionary [+16.8%], financials [+12.2%] and materials [+11.0%], while those at the bottom of the list included energy [+2.4%], utilities [+1.1%] and telecommunications [-3.1%].

Global sovereign bonds [JPMorgan Global Government Bond Index] returned 0.7% during this period and non-US sovereign bonds [Citigroup Non-US World Government Bond Index] returned 1.3%. In U.S. credit markets, long government bonds [Barclays Long Government Bond Index] returned -1.6%; whereas long and intermediate government/credit bonds [Barclays Long Govt/Credit Bond Index and Barclays Aggregate Bond Index] returned 1.0% and 1.5%, respectively. US High Yield, as represented by the Barclays High Yield Composite Bond Index, returned 6.4%.

Commodities [Dow Jones-UBS Commodity TR Index] returned 0.5% for the four months through April; while the S&P Goldman Sachs Commodity Index, which has a higher exposure to energy, returned 5.3%.

**CUNY Long-Term Pool**

During this period, the Pool returned 7.3%, bringing the market value to approximately $170 million. All asset classes produced positive composite returns; though not all composite asset classes added value relative to their respective benchmarks.

The Total U. S Equity composite [27.7% of the Pool] returned 11.8%, 40 basis points below the Russell 3000 Index. This reflects the fact that 95% of these assets are invested in the Vanguard S&P500 Index Fund and produced a 11.9% benchmark return, while the remaining assets are invested with SMID manager Boston Trust which returned 9.2%, 290 basis points below the Russell 2500. The Total Fixed Income composite [23.5% of the Pool] returned 1.8%, 40 basis points over its overall benchmark, reflecting the fact that 80% of its assets are invested in the State Street U.S. Government/Credit Bond Index, which produced a benchmark return of 1.4%; while the remaining assets managed by active global bond manager Colchester returned 3.4%, 240 basis points over the Citigroup World Government Bond Index.

Our Total International Equity composite [21.3% of the Pool] returned 8.3%, 40 basis points behind the MSCI EAFE Index return, reflecting the performance of both managers: IVA Worldwide with 65% of these assets, returned 4.6%, 620 basis points below the MSCI All Country World Index; while Walter Scott, with 35% of the international equity assets, returned 11.3%, 260 basis points over EAFE. The Emerging Market Equity composite

[7.3% of the Pool] returned 14.4%, 160 basis points over the MSCI Emerging Markets Index, reflecting the outperformance of both emerging market equity managers:: Aberdeen, which represents roughly 70% of the Emerging Market Equity composite, returned 14.4%, which is 160 basis points over the benchmark; and Dimensional Fund Advisors [a semi-passive small cap emerging market equity fund with roughly 30% of the assets] returned of 14.4%, 160 basis points over the benchmark.

Finally, our Hedge Fund composite [11.1% of the Pool] returned 5.2%, outperforming the HFRI Fund of Funds Index by 210 basis points, while Real Assets [9.2% of the Pool] returned 4.3%, 20 basis points below the Wellington DIH Benchmark.

| Composite (Inception Date) | Percentage of Portfolio (%) | Assets $ mil | | Total Return (%) CYTD 1/1/11 - 4/30/12 |
|---|---|---|---|---|
| **Total U.S. Equity (01/01/00)** | **27.7** | **46.7** | | **11.8** |
| Russell 3000 Index (01/01/00) | | | | 12.1 |
| Value Added | | | | -0.4 |
| **Total International Equity (07/02/02)** | **21.3** | **35.8** | | **8.3** |
| MSCI EAFE Index (07/02/02) | | | | 8.7 |
| Value Added | | | | -0.4 |
| **Total Emerging Markets (04/21/09)** | **7.3** | **12.3** | | **14.4** |
| MSCI Emerging Markets Index(04/21/09) | | | | 12.8 |
| Value Added | | | | 1.6 |
| **Total Hedge Funds (04/30/10)** | **11.1** | **18.7** | | **5.2** |
| HFRI Fund of Funds Index (04/30/10) | | | | 3.1 |
| Value Added | | | | 2.1 |
| **Total Real Assets (07/01/09)** | **9.2** | **15.5** | | **4.3** |
| Wellington DIH Benchmark (06/30/09 | | | | 4.5 |
| Value Added | | | | -0.2 |
| **Total Fixed Income (01/01/00)** | **23.5** | **39.5** | | **1.8** |
| BC Govt/Credit Bond Index (04/20/10) | | | | 1.4 |
| Value Added | | | | 0.4 |
| **Total CUNY Assets (4/30/12)** | | **168.4** | **1/** | **7.3** |

**1/ $1.9 million in cash awaiting redeployment**

## Conclusion and Recommendations

Despite an environment of continued uncertainly and volatility, the globally-diversified Investment Pool is likely to meet our 5% expected long-term real return net of fees. However, we continue to look for appropriate opportunities to add value, regardless of macroeconomic conditions.

Attachment

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