

September 9, 2013

TO: Senior Vice-Chancellor Marc Shaw
FROM: Janet Krone *JMK*
SUBJECT: Investment Update Calendar YTD July 31, 2013

This memorandum provides an overview of the markets and the portfolio for the calendar year-to-date July 31, 2013.

Market Summary

[Note: all figures are for the seven months ended July 31, 2013 and are in US dollars].

During the first seven months of 2013, non-US developed equity markets [MSCI EAFE Index] returned 9.6%, underperforming the US market [S&P500 Index] return of 19.6%. Emerging markets equity [MSCI Emerging Markets Index] lagged both of these markets with a return of -8.4%.

Small-cap companies outperformed large and mid-cap companies, and growth surpassed value, with all ten S&P500 economic sectors in the black. Top performing sectors included health care [up 29.0%], consumer discretionary [up 26.0%] and financials [up 25.9%]. Those at the bottom of the list included information technology [up 10.8%], telecommunications services [up 10.8%] and materials [up 8.7%].

Global sovereign bonds [Citigroup World Government Bond Index] returned -4.4% during this period and non-US sovereign bonds [Citigroup Non-US World Government Bond Index] returned -5.3%. Global high yield bonds [Barclays Global High Yield Bond Index] returned 2.2%. In the US, long government bonds [Barclays Long Government Bond Index] returned -9.5%; whereas long government/credit bonds [Barclays Long-Term Govt./Credit Bond Index] lost 8.1% and intermediate government/credit bonds [Barclays Intermediate Govt./Credit Bond Index] returned -1.1%. US high yield, as represented by the Barclays High Yield Composite Bond Index, returned 3.3%.

Commodities [Dow Jones-UBS Commodity TR Index] lost 9.2% during this period; while the S&P Goldman Sachs Commodity Index, which has a higher exposure to energy, returned -0.77%.

CUNY Long-Term Pool

The Pool returned 6.4% for the first seven months of 2013, bringing the market value to over \$208 million.

The Total U.S. Equity composite [30.0% of the Pool] returned 19.5%, underperforming the Russell 3000 Index by 80 basis points. This reflects the fact that 96% of this asset class is invested in the S&P500 Index, which provided an index-like return of 19.6%, while the remaining 4% is invested with Boston Trust in an actively-managed SMID-cap portfolio.

Total Fixed Income [17.4% of the Pool] returned -1.5%, above its benchmark by 90 basis points. Of the total bond portfolio, 33.0% is invested in the SSgA U.S. Government/Credit Bond Index and 40% is invested in the SSgA 1-3 Year U.S. Credit Index, both of which provided benchmark returns. The remainder of the bond portfolio is invested with active global bond manager, Colchester, which returned -3.7% or 70 basis points over the Citigroup World Government Bond Index.

Total International Equity [21.4% of the Pool] returned 8.1%, 150 basis points under the MSCI EAFE Index return. This underperformance is attributable to the underperformance of MFS, Walter Scott and IVA Worldwide, as Tweedy Browne outperformed the benchmark by 210 basis points.

The Emerging Market Equity composite [9.5% of the Pool] returned -7.6%, eighty basis points over the MSCI Emerging Markets Index, reflecting the relative outperformance of DFA by 290 basis points.

Finally, our Hedge Fund composite [7.6% of the Pool] returned 7.7%, 320 basis points over the HFRI Fund of Funds Composite Index, while Total Real Assets [14.1% of the Pool] returned -2.3%.

Composite (Inception Date)	Percentage of Portfolio (%)	Assets \$ mil	Total Return (%) CYTD thru July, 2013
Total U.S. Equity (01/01/00)	30.0	62.6	19.5
Russell 3000 Index (01/01/00)			20.3
Value Added			-0.8
Total International Equity (07/02/02)	21.4	44.6	8.1
MSCI EAFE Index (07/02/02)			9.6
Value Added			-1.5
Total Emerging Markets (04/21/09)	9.5	19.9	-7.6
MSCI Emerging Mkt. Index(04/21/09)			-8.4
Value Added			0.8
Total Hedge Funds (04/30/10)	7.6	15.8	7.7
HFRI Fund of Funds Index (04/30/10)			4.5
Value Added			3.2
Total Real Assets (07/01/09)	14.1	29.4	-2.3
Wellington Benchmark (06/30/09)			-0.5
Value Added			-1.8
Total Fixed Income (01/01/00)	17.4	36.3	-1.5
BC Govt/Credit Bond Index (04/20/10)			-2.4
Value Added			0.9
Cash	0.1	0.2	0.0
Total CUNY Assets (07/31/13)		208.7	6.4

Conclusion and Recommendations

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

Cc:
 Matthew Sapienza, Associate Vice Chancellor
 Leonard Zinnanti, University Controller