

November 4, 2013

TO: Senior Vice-Chancellor Marc Shaw
FROM: Janet Krone *JMK*
SUBJECT: Investment Update Calendar YTD September 30, 2013

This memorandum provides an overview of the markets and the portfolio for the calendar year-to-date September 30, 2013.

Market Summary

[Note: all figures are for the nine months ended September 30, 2013 and are in US dollars].

During the first nine months of 2013, non-US developed equity markets [MSCI EAFE Index] returned 16.1%, underperforming the US market [S&P500 Index] return of 19.8%. Emerging markets equity [MSCI Emerging Markets Index] lagged both of these markets with a return of -4.1%.

Small-cap companies outperformed large & mid-cap companies, growth surpassed value, and all ten S&P500 economic sectors were in the black. Top performing sectors included consumer discretionary [up 29.1%], health care [up 28.5%] and industrials [up 23.9%]. Those at the bottom of the list included information technology [up 13.4%], utilities [up 10.1%] and telecommunications services [up 5.7%].

Global sovereign bonds [Citigroup World Government Bond Index] returned -2.9% during this period and non-US sovereign bonds [Citigroup Non-US World Government Bond Index] returned -3.4%. Global high yield bonds [Barclays Global High Yield Bond Index] returned 3.3%. In the US, long government bonds [Barclays Long Government Bond Index] returned -9.8%; whereas long government/credit bonds [Barclays Long-Term Govt./Credit Bond Index] lost 8.7% and intermediate government/credit bonds [Barclays Intermediate Govt./Credit Bond Index] returned -0.8%. US high yield, as represented by the Barclays High Yield Composite Bond Index, returned 3.7%.

Commodities [Dow Jones-UBS Commodity TR Index] lost 8.5% during this period; while the S&P Goldman Sachs Commodity Index, which has a higher exposure to energy, returned -0.90%.

CUNY Long-Term Pool

The Pool returned 7.6% for the first nine months of 2013, bringing the market value to \$209.5 million.

The Total U.S. Equity composite [27.6% of the Pool] returned 19.8%, underperforming the Russell 3000 Index by 150 basis points. This reflects the fact that 95% of this asset class is invested in the S&P500 Index, which provided an index-like return of 19.8%, while the remaining 5% is invested with Boston Trust in an actively-managed SMID-cap portfolio.

Total Fixed Income [14.1% of the Pool] returned -1.0%, above its benchmark by 130 basis points. Of the total bond portfolio, 31.0% is invested in the SSgA U.S. Government/Credit Bond Index and 35% 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 -2.6% or 30 basis points over the Citigroup World Government Bond Index.

Total International Equity [22.1% of the Pool] returned 12.2%, 400 basis points under the MSCI EAFE Index return. This asset class is spread equally amongst four managers [MFS, Walter Scott, Tweedy Browne and IVA Worldwide], all contributing to underperformance.

The Emerging Market Equity composite [9.7% of the Pool] returned -5.8%, under its benchmark by 180 basis points, reflecting the relative underperformance of Aberdeen by 250 basis points, as DFA exceeded the benchmark by 120 basis points.

Finally, our Hedge Fund composite [11.6% of the Pool] returned 7.0%, 140 basis points over the HFRI Fund of Funds Composite Index, while Total Real Assets [14.2% of the Pool] returned -2.0%.

Composite (Inception Date)	Percentage of Portfolio (%)	Assets \$ mil	Total Return (%) CYTD thru September, 2013
Total U.S. Equity (01/01/00)	27.6	57.8	19.8
Russell 3000 Index (01/01/00)			21.3
Value Added			-1.5
Total International Equity (07/02/02)	22.1	46.2	12.2
MSCI EAFE Index (07/02/02)			16.1
Value Added			-4.0
Total Emerging Markets (04/21/09)	9.7	20.3	-5.8
MSCI Emerging Mkt. Index(04/21/09)			-4.1
Value Added			-1.8
Total Hedge Funds (04/30/10)	11.6	24.4	7.0
HFRI Fund of Funds Index (04/30/10)			5.6
Value Added			1.4
Total Real Assets (07/01/09)	14.0	29.5	-2.0
Wellington Benchmark (06/30/09)			0.8
Value Added			-2.8
Total Fixed Income (01/01/00)	14.1	29.5	-1.0
BC Govt/Credit Bond Index (04/20/10)			-2.3
Value Added			1.3
Cash	0.9	1.9	0.1
Total CUNY Assets (09/30/13)		209.5	7.6

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:
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