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Seema R. Hingorani
Chief Investment Officer

SCOTT M. STRINGER
COMPTROLLER

MEMORANDUM

TO: Trustees
Teachers' Retirement System of the City of New York

FROM: Seema R. Hingorani

DATE: February 27, 2014

RE: **Teachers' Retirement System of the City of New York Investment Meeting – March 6, 2014**

Enclosed is a copy of the **public agenda** for the Thursday, March 6, 2014 Investment Meeting. *The meeting will be held at 55 Water Street – 16th Floor, New York, NY (beginning at 9:30am).*

Please remember to bring your **Quarterly Performance Overview book** with you to the meeting, it will be mailed to you.

If you have questions about any agenda item, please give me a call at 212-669-3679.

THE CITY OF NEW YORK
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Scott M. Stringer
COMPTROLLER

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

INVESTMENT MEETING

MARCH 6, 2014

Location:
55 Water Street, 16th Floor
New York, NY

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

INVESTMENT MEETING

MARCH 6, 2014

PUBLIC AGENDA

PUBLIC AGENDA

I. Performance Reviews/Quarterly Reports:

ETI Quarterly Report

TRS
Economically Targeted Investments Quarterly Report

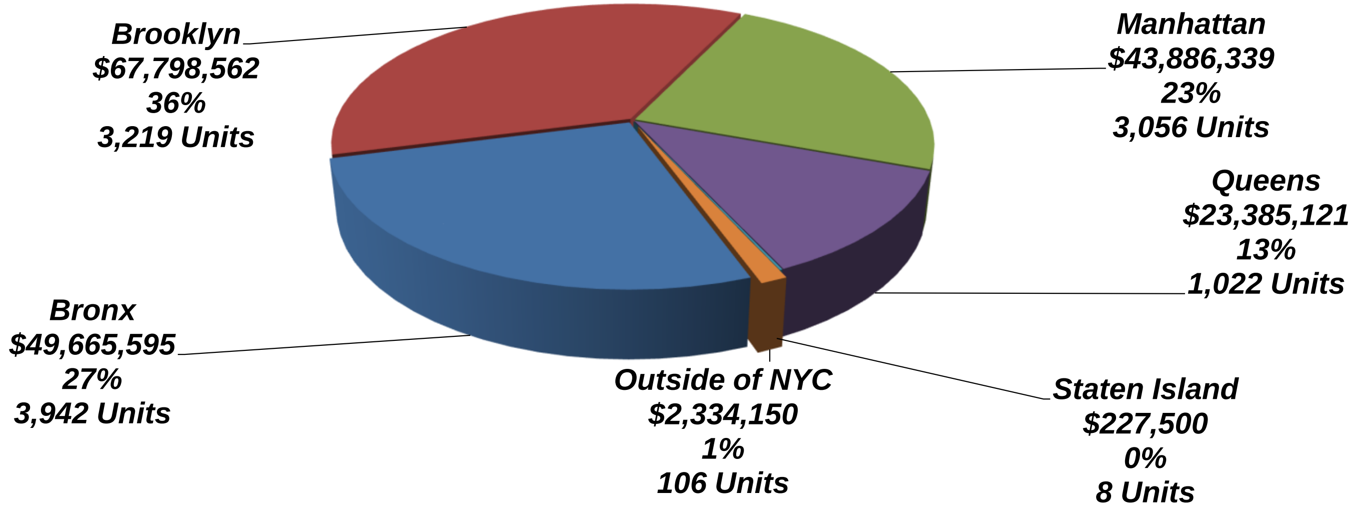
Public/Private Apartment Rehabilitation Program (PPAR)

Lenders*	BOA		CCD		CFSB		CPC		LIIF		NCBCI		NHS		All Lender Totals	
	Dollars	Units	Dollars	Units	Dollars	Units	Dollars	Units	Dollars	Units	Dollars	Units	Dollars	Units	Dollars	Units
Contractual Commitments	$30,000,000	n/a	$40,000,000	n/a	$9,000,000	n/a	$250,000,000	n/a	$25,000,000	n/a	$12,000,000	n/a	$3,000,000	n/a	$369,000,000	n/a
Commitments 4Q 13 (included in total)																
Bronx	$0	0	$0	0	$0	0	$1,793,750	66	$0	0	$0	0	$0	0	$1,793,750	66
Brooklyn	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Manhattan	0	0	688,500	1	0	0	840,430	66	0	0	0	0	0	0	1,528,930	67
Queens	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Staten Island	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Outside of NYC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	$0	0	$688,500	1	$0	0	$2,634,180	132	$0	0	$0	0	$0	0	$3,322,680	133
Delivered 4Q 13 (included in total)																
Bronx	$0	0	$2,360,000	290	$0	0	$967,351	135	$0	0	$0	0	$0	0	$3,327,351	425
Brooklyn	0	0	0	0	0	0	3,131,037	168	0	0	0	0	0	0	3,131,037	168
Manhattan	0	0	0	0	0	0	257,250	9	0	0	0	0	0	0	257,250	9
Queens	600,000	65	0	0	0	0	0	0	0	0	0	0	0	0	600,000	65
Staten Island	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Outside of NYC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	$600,000	65	$2,360,000	290	$0	0	$4,355,638	312	$0	0	$0	0	$0	0	$7,315,638	667
Total Commitments																
Bronx	$1,750,000	60	$2,694,800	86	$0	0	$19,343,569	1,105	$1,604,650	117	$0	0	$0	0	$25,393,019	1,368
Brooklyn	1,856,901	54	2,471,200	128	0	0	$27,067,909	1,317	3,438,784	188	648,158	54	0	0	35,482,953	1,741
Manhattan	4,419,680	174	1,036,500	31	0	0	25,776,196	1,486	4,788,439	280	1,810,712	154	0	0	37,831,527	2,125
Queens	0	0	0	0	0	0	9,860,550	484	0	0	0	0	0	0	9,860,550	484
Staten Island	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Outside of NYC	0	0	0	0	0	0	7,601,650	195	0	0	0	0	0	0	7,601,650	195
Total	$8,026,581	288	$6,202,500	245	$0	0	$89,649,875	4,587	$9,831,873	585	$2,458,870	208	$0	0	$116,169,699	5,913
Historical Investments																
Bronx	$0	0	$3,242,750	366	$0	0	$46,422,845	3,576	$0	0	$0	0	$0	0	$49,665,595	3,942
Brooklyn	0	0	1,338,417	124	0	0	64,344,480	2,914	1,785,452	174	0	0	330,213	7	67,798,562	3,219
Manhattan	0	0	2,198,755	253	2,659,482	197	35,348,680	2,367	1,821,395	101	1,605,582	123	252,445	15	43,886,339	3,056
Queens	600,000	65	660,000	54	0	0	22,125,121	903	0	0	0	0	0	0	23,385,121	1,022
Staten Island	0	0	0	0	0	0	227,500	8	0	0	0	0	0	0	227,500	8
Outside of NYC	0	0	0	0	0	0	2,334,150	106	0	0	0	0	0	0	2,334,150	106
Total	$600,000	65	$7,439,922	797	$2,659,482	197	$170,802,776	9,874	$3,606,847	275	$1,605,582	123	$582,658	22	$187,297,267	11,353
*Lenders :	Bank of America		Citibank Community Development		Carver Federal Savings Bank		The Community Preservation Corporation		Low Income Investment Fund		NCB Capital Impact		Neighborhood Housing Service			

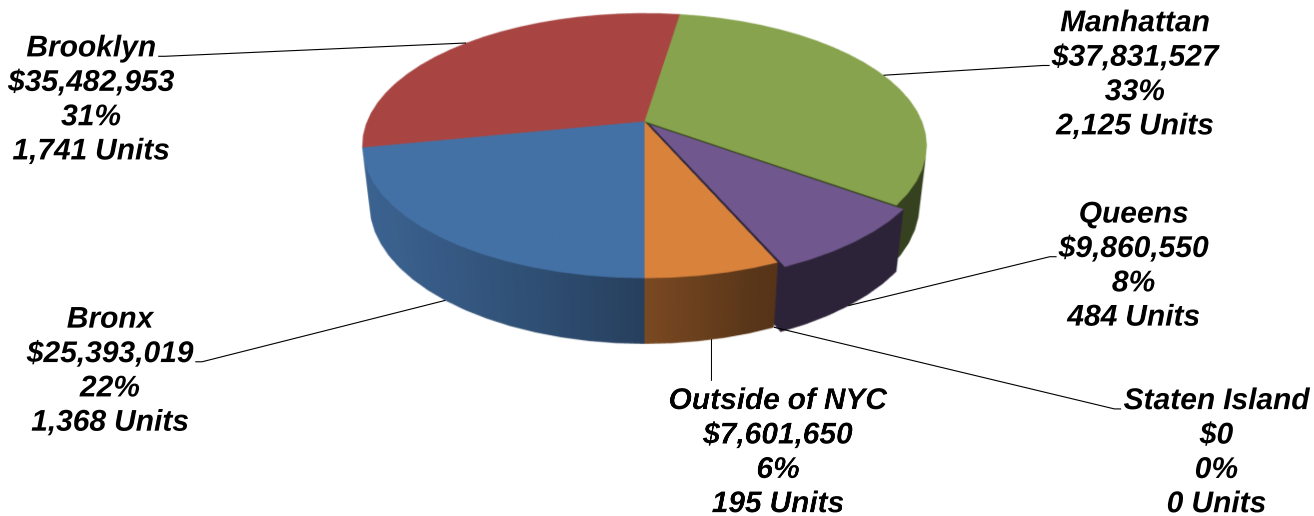
TRS
Economically Targeted Investments Quarterly Report

Public/Private Apartment Rehabilitation Program (PPAR)

Historical Investments Since Inception All PPAR Lenders



Current Commitments All PPAR Lenders



TRS
Economically Targeted Investments Quarterly Report

AFL-CIO Housing Investment Trust (HIT)
Market Value $204 million*
NYC Community Investment Initiative (NYCCII)

NYCCII Phase II 2006-2013
Multifamily Investments Detail

Borough	4 Q Investments	Investments Since Inception	4Q Housing Units	Housing Units Since Inception
Bronx	$0	$52,827,900	0	802
Brooklyn	0	103,890,446	0	5,616
Manhattan	0	174,075,200	0	926
Queens	0	17,760,000	0	1,260
Staten Island	0	6,414,554	0	693
Total	$0	$354,968,100	0	9,297

Grand Total NYCCII Phase II	$354,968,100

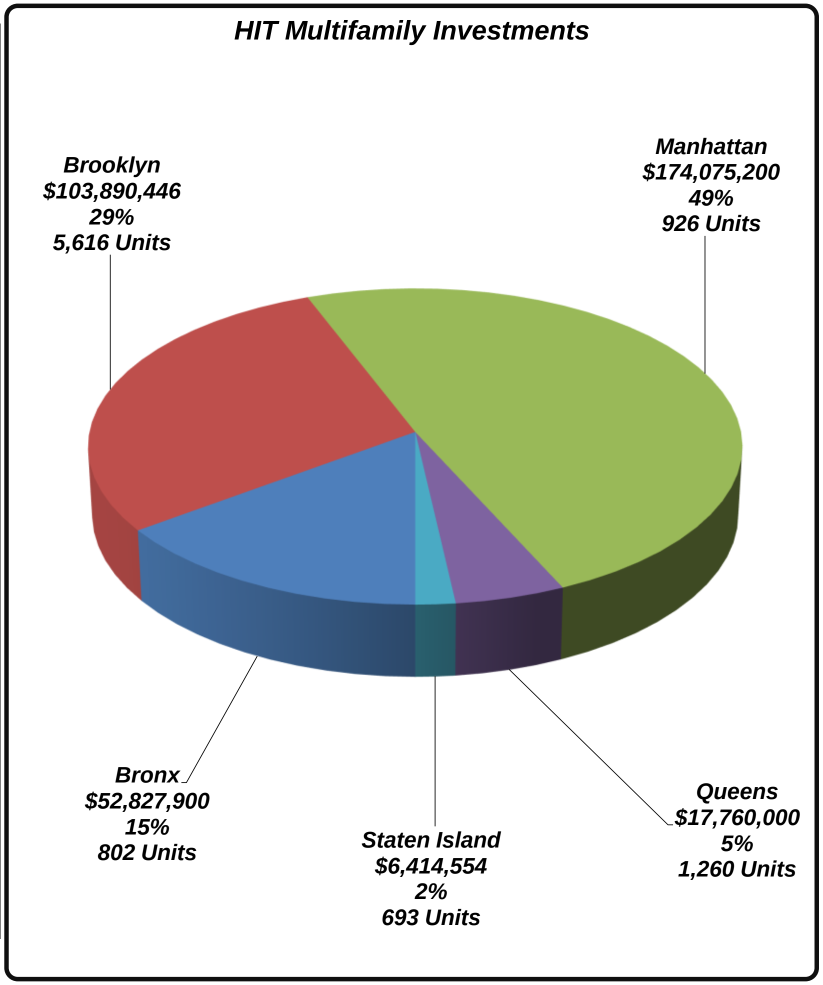
NYCCII Phase I 2002 - 2005

	Dollars	Units	Member Loans	Total All NYC PF's
Multifamily Investments	$249,123,500	12,337	n/a	n/a
HIT Home Investments	348,300,563	n/a	133	446
Total NYCCII Phase I	$597,424,063	12,337	133	446

NYCCII Phases I & II

	Dollars	Units	Member Loans	Total All NYC PF's
Multifamily Investments	$604,091,600	21,634	n/a	n/a
HIT Home Investments	2,899,899,500	n/a	133	446
Grand Total NYCCII Phases I & II	$3,503,991,100	21,634	133	446

*Interest is reinvested

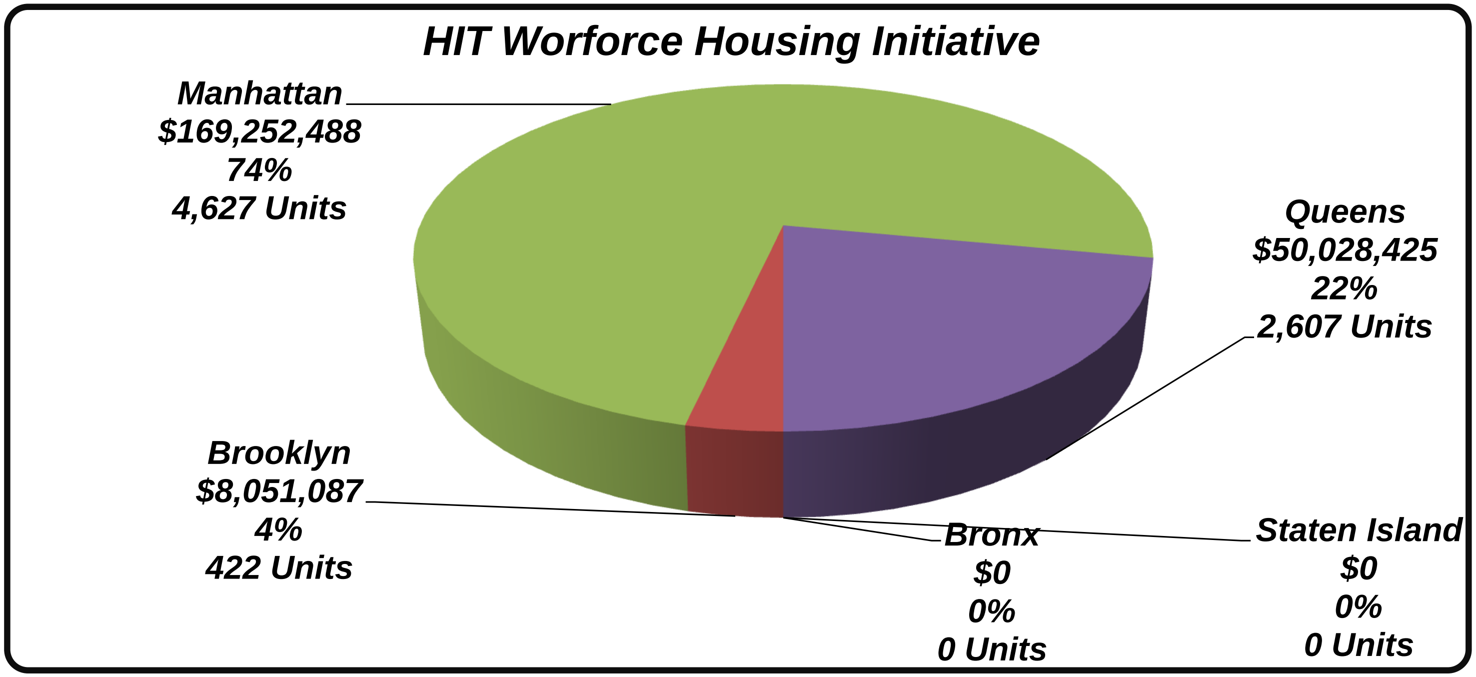


AFL-CIO Housing Investment Trust (HIT)
NYC Workforce Housing Initiative 2009-2014

Investments Through 12/31/2013

Workforce Investments Detail

Borough	4 Q Investments	Investments Since Inception	4Q Housing Units	Housing Units Since Inception
Bronx	$0	$0	0	0
Brooklyn	0	8,051,087	0	422
Manhattan	0	169,252,488	0	4,627
Queens	0	50,028,425	0	2,607
Staten Island	0	0	0	0
Total	$0	$227,332,000	0	7,656



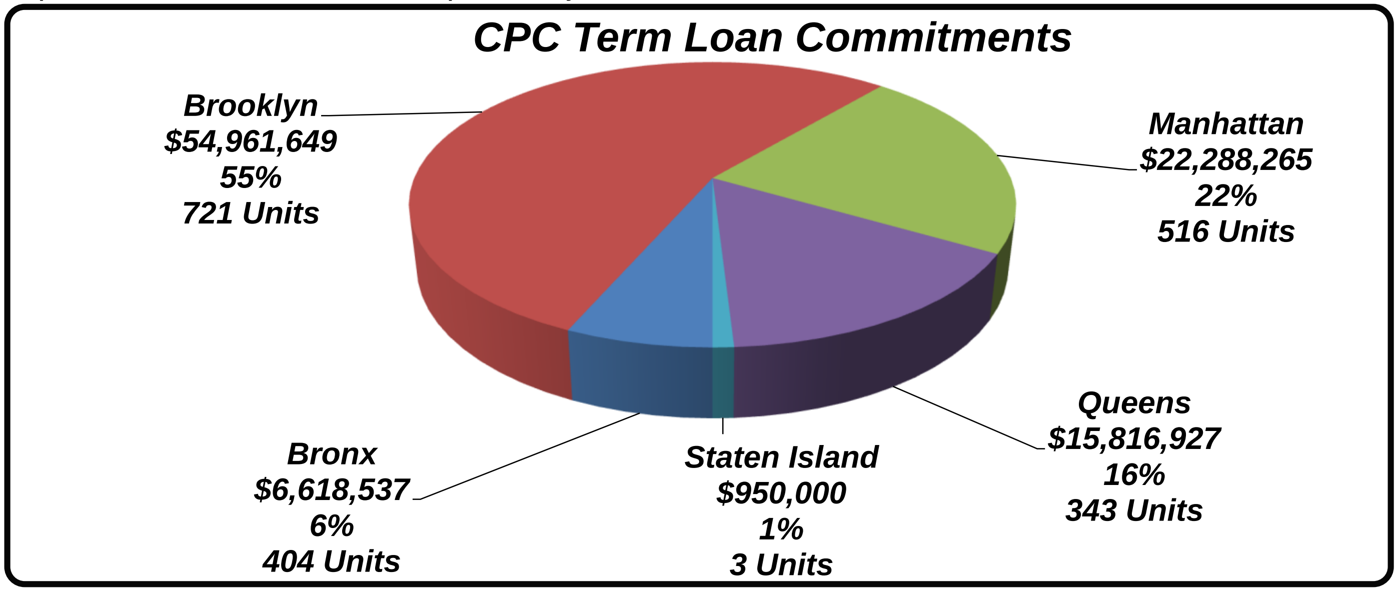
TRS Economically Targeted Investments Quarterly Report

CPC Term Loan	
Commitments All Lenders as of 3Q	$116,445,065
4Q Paydown	-$15,809,688
Commitments All Lenders as of 4Q	$100,635,377

TRS Commitment Share/Market Value* as of 3Q 2013	$9,704,031
4Q Paydown	-$454,031
TRS Commitment Share/Market Value* as of 4Q 2013	$9,250,000

	# Loans		$ Committed (MM)		# Res. Units		# Comm. Units	
	3Q	4Q	3Q	4Q	3Q	4Q	3Q	4Q
Bronx	12	11	$9.3	$6.6	443	404	21	17
Brooklyn	29	23	71.9	55.0	871	721	22	19
Manhattan	24	22	17.9	22.3	548	516	20	17
Queens	5	4	16.4	15.8	78	343	3	3
Staten Island	1	1	1.0	1.0	3	3	0	0
Grand Total NYC	71	61	$116.4	$100.6	1,943	1,987	66	56
Other NY State	25	20	$59.3	$57.6	721	658	15	11

*Equals the amount drawn down. Interest is paid monthly.



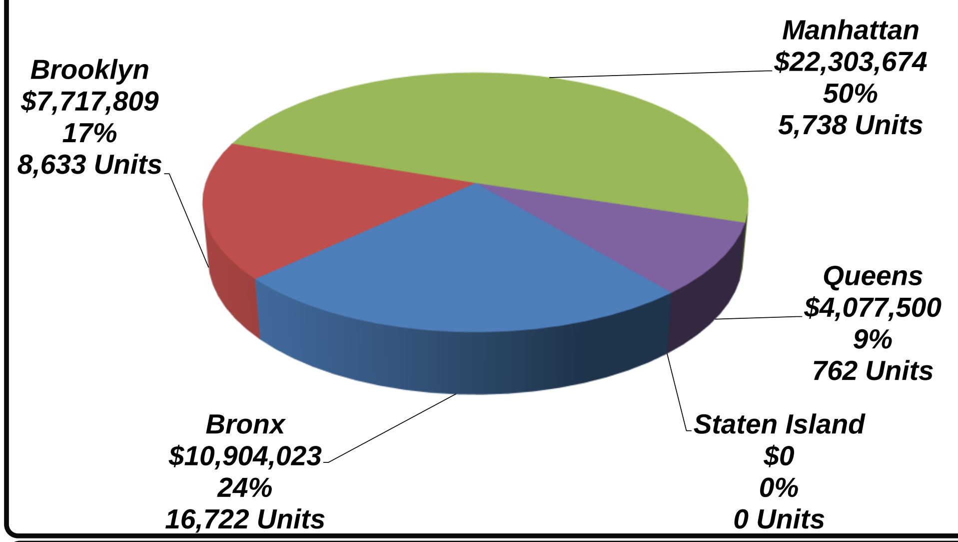
TRS EconomicallyTargeted Investments Quarterly Report

ACCESS CAPITAL STRATEGIES (Since Inception 2/1/07)

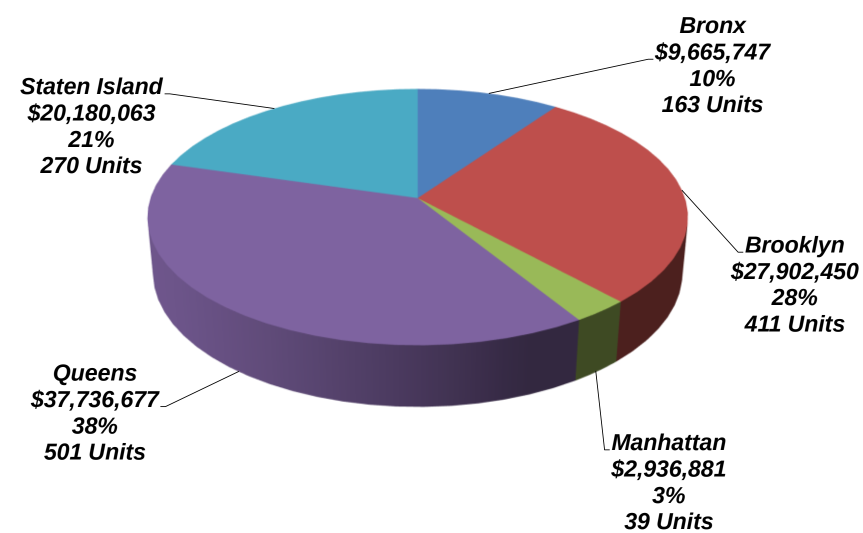
$105.0 million Allocated (35% of total account)
Market Value $78.9 million

Multifamily Investments Detail	4Q $ Invested (MMs)	Total $ Invested (MMs)	4Q Total Units	Total Total Units
Bronx	$0.0	$10.9	0	16,724
Brooklyn	0.0	7.7	0	8,633
Manhattan	0.6	22.3	1,689	5,738
Queens	0.0	4.1	0	762
Staten Island	0.0	0.0	0	0
Total TRS Multifamily Investments	$0.6	$45.0	1,689	31,857
MultifamilyTotal All Systems	$1.8	$128.6	1,689	31,857
Single Family Investments Detail	**4Q $ Invested (MMs)**	**Total $ Invested (MMs)**	**4Q Total Units**	**Total Total Units**
Bronx	$1.8	$9.7	32	163
Brooklyn	3.5	27.9	50	411
Manhattan	0.4	2.9	5	39
Queens	6.8	37.7	86	501
Staten Island	4.6	20.2	56	270
Total TRS Single Family Investments	$17.1	$98.4	229	1,384
Single Family Total All Systems	$49.0	$281.2	229	1,384
Other Investments Detail	**4Q $ Invested (MMs)**	**Total $ Invested (MMs)**	**4Q # of Loans**	**Total # of Loans**
Bronx	$0.0	$0.2	0	1
Brooklyn	0.0	1.9	0	8
Manhattan	0.0	0.9	0	5
Queens	0.0	0.2	0	3
Staten Island	0.0	0.0	0	0
Total TRS Other Investments	$0.0	$3.2	0	17
Other InvestmentsTotal All Systems	$0.0	$9.0	0	17
Grand Total TRS	$17.8	$146.6		
Grand Total All Systems	$50.8	$418.8		

Access Multifamily Investments Since Inception TRS



Access Single Family Investments Since Inception TRS



Private Equity Quarterly Report

Hamilton Lane

SEPTEMBER 30, 2013

ALTERNATIVE INVESTMENT REPORT

Teachers' Retirement System of the City of New York

One Presidential Boulevard, 4th Floor, Bala Cynwyd, PA 19004
www.hamiltonlane.com | P 610.934.2222 | F 610.617.9853

Teachers' Retirement System of the City of New York

Third Quarter 2013 Report

Content

Section 1:

Market Update

The Private Equity Market

Introduction

Macroeconomic themes continue to meaningfully impact the private markets landscape. In the United States GDP has increased over each quarter, unemployment has slowly but steadily decreased to 7.0% as of November 2013, and the S&P 500 has risen over 25% year to date.[1] There have been some issues along the way, such as the government shut down over the fiscal budget as well as what effects the impending tapering of the Federal Reserve's bond buying programs will have but overall, the economy has performed strongly through 2013. The Eurozone has been a different story. The region hasn't sustained any meaningful GDP growth in quite some time; 3Q13 GDP grew just 0.1% over the same period a year ago.[2] Meanwhile, unemployment remains at its highest level in over a decade.

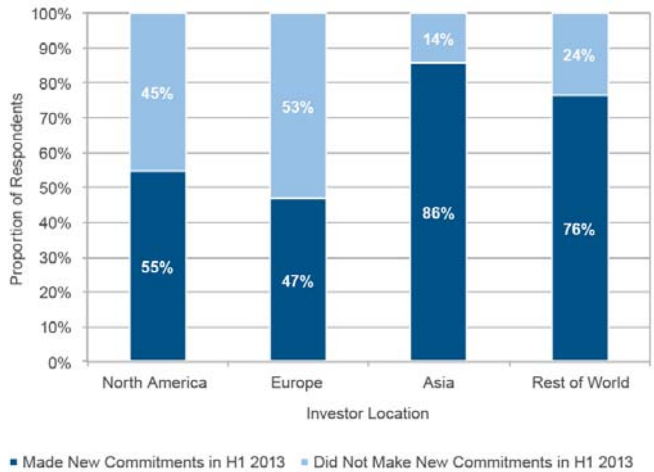
Private equity has had a very strong year. Fundraising, investor allocations, and distributions are all up. Though below the record levels just prior to the Global Financial Crisis, fundraising remains on pace to finish the year above the industry's ten year average. Investors are increasing allocations to the asset class, seeking above average returns over longer time horizons as uncertainty looms as to when the bull market in public equities will end. All the while, general partners are distributing some of the highest levels of cash on record.

In 3Q13, 187 funds held final closes for an aggregate total of $89.0 billion, a decrease of $52.0 billion relative to 2Q13. Despite the decrease, general partners have raised 21% more capital year to date than as of the same quarter end last year and are on pace to have the highest fundraising year following the Global Financial Crisis. Total buyout deal value decreased slightly from 2Q13, totaling $60.6 billion for the quarter. The buyouts of Neiman Marcus Inc. and Hub International Limited were the largest deals completed during 3Q13 whose combined deal size totaled $10.4 billion. Exit activity, after spiking during 2Q13, leveled off totaling $63.0 billion for 3Q13.[3]

Increasing Allocations

Investors have been increasing their allocations to private equity throughout 2013. Investors outside of North America and Europe have been driving these increases. According to a Preqin June 2013 Investor Survey, 86% of Asian investors and 76% of investors outside of North America, Europe, and Asia responded stating they have made new commitments during 2013. Furthermore, 38% of investors from Asia and regions outside of North America, Europe and Asia plan to increase their allocation to private equity in the next twelve months. 33% of North American investors and 25% of European investors plan on doing the same.

Chart 1: Proportion of Investors that made new Private Equity Commitments in H1 2013



Source: Preqin Quarterly Update: Private Equity, Q3 2013

A key driver for the increase in investors' allocations has been the performance of the asset class. Investor sentiment toward private equity returns is the highest it's been in the last four years, with 86% surveyed by Preqin stating their private equity returns either met or exceeded their expectations. With uncertainty looming as to whether the strong performance of the public markets will carry over into 2014, investors are looking for above average long term gains. As a result, they have turned to private equity given its outperformance of public indices over the long term.

The current bull run of the public markets has also been a large driver of increased allocations. Many investors have experienced tremendous gains in the public equity portions of their portfolios over the one-year and three-year time horizons. With these gains, they have had to increase their allocations to other asset classes to maintain their planned levels of diversification. Consequently, private markets have benefited from this portfolio rebalancing.

Private Equity Performance

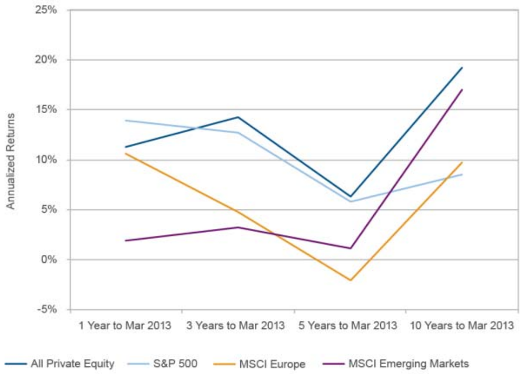
Over the longer time horizons, private equity has continued to provide above average returns with lesser volatility relative to other asset classes. As shown in Chart 2, over the one-year and three-year horizons, public equities have outperformed or been relatively equal given the current bull market the industry has experienced as part of the economic recovery. However, private equity has generated returns above that of the public indices over the five-year and ten-year periods.

[1] Bureau of Labor Statistics
[2] Eurostat November 2013
[3] Preqin Quarterly Update: Private Equity, Q3 2013

Teachers' Retirement System of the City of New York

Third Quarter 2013 Report

Chart 2: Private Equity vs. Public Indices IRRs



Source: Preqin Quarterly Update: Private Equity, Q3 2013

According to the Hamilton Lane Fund Investment Database, private equity as a whole has outperformed the S&P 500 and MSCI World indices by 560 bps and 570 bps, respectively, over the ten-year time horizon. This outperformance has been accompanied with volatility levels 40 bps and 290 bps below that of both indices.

Chart 3: 10 Year Returns and Volatility

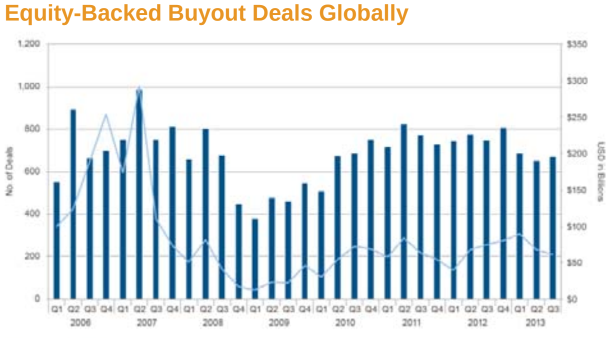
Asset Class	IRR	Volatility*
All Private Equity	12.9%	17.6%
US Buyout	13.8%	16.9%
EU Buyout	14.9%	23.4%
US & EU Venture/Growth	7.5%	13.6%
Credit	12.5%	19.9%
ROW Buyout/Growth	14.0%	28.7%
S&P 500 TR	7.3%	18.0%
MSCI World (TR) Net	7.2%	20.5%

**Using desmoothing process correcting for 1-period autocorrelation*
Source: Hamilton Lane Fund Investment Database (October 2013)
Note: All returns calculated in local fund currency

Deal Activity Remains Slow

The deployment of capital has been slower than the last several years as general partners are more cautious given increases in deal prices and their worry about the macro fundamentals. In 3Q13, 674 deals closed for a total of $60.6 billion representing a slight increase in the number of deals closed, but a decline in total deal value.

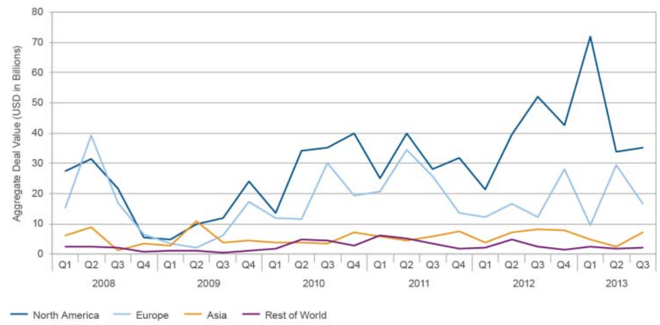
Chart 4: Quarterly Number and Aggregate Value of Private Equity-Backed Buyout Deals Globally



Source: Preqin Quarterly Update: Private Equity, Q3 2013

Geographically, North America has been the primary driver of global buyout deal value having closed on $35.0 billion during 3Q13. However, excluding the large spike of $52.4 billion in total deal value resulting from the buyouts of Dell Inc. and H.J. Heinz Company in 1Q13, North American aggregate buyout deal value has been well below deal value from 2012. Higher purchase multiples have been a big driver of this flat line in activity not only in North America, but globally. Multiples remain above long term averages and it appears that general partners are showing some discipline and trying to avoid overpriced deals.

Chart 5: Quarterly Aggregate Value of Private Equity-Backed Buyout Deals



Source: Preqin Quarterly Update: Private Equity, Q3 2013

Outside of North America, activity has been mixed. The Eurozone still faces great economic uncertainty, and as a result, European deal value has seemingly risen then fallen with each crisis that arises in the region, as displayed above. Asia experienced a slight increase in deal value from 2Q13, while deal value outside of North America, Europe, and Asia has been flat throughout the recovery.

Private Equity Fundraising

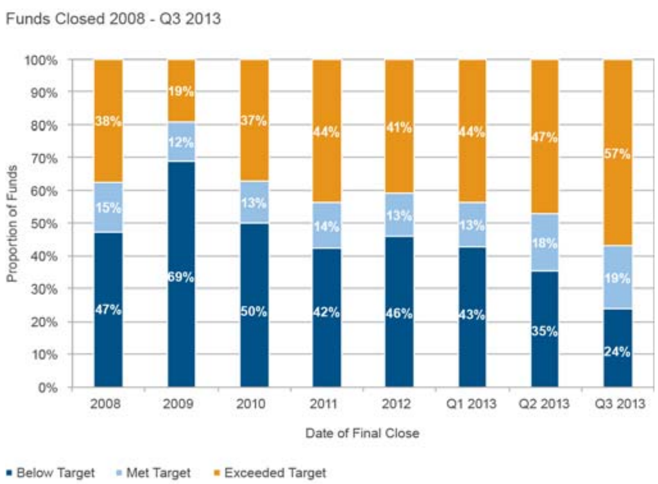
In 3Q13, 187 private equity funds reached a final close raising an aggregate $89.0 billion in capital. Though this is the fewest number of funds to reach a final close in a quarter since 1Q10, 617 funds have held final closes year to date, raising $314.0 billion in capital. This is about 21% greater than the $260.0 billion raised as of the same quarter end in the previous year. The fundraising environment is improving for general partners, but remains challenging. There are a record 1,990 funds in market fundraising in a time where it takes managers an average of over 18 months to close, the longest duration of the recovery. Investors are increasing their allocations, but they are being very selective about which strategies and what markets they invest in. There were also fewer first time funds during the quarter; 35 first time funds closed on $4.3 billion in capital compared to 41 first time funds who closed on $6.9 billion in capital during 2Q13.[4]

The general partners who are fundraising have had better success in reaching their target fund size than in recent years. As shown in Chart 6, of the funds closed in Q3 2013, 76% either met or exceeded their targeted fund size. This is the highest

[4] Preqin Quarterly Update: Private Equity, Q3 2013

percentage of funds to meet or exceed their targeted fund size in the last five years.

Chart 6: Fundraising Success of Closed Private Equity Funds

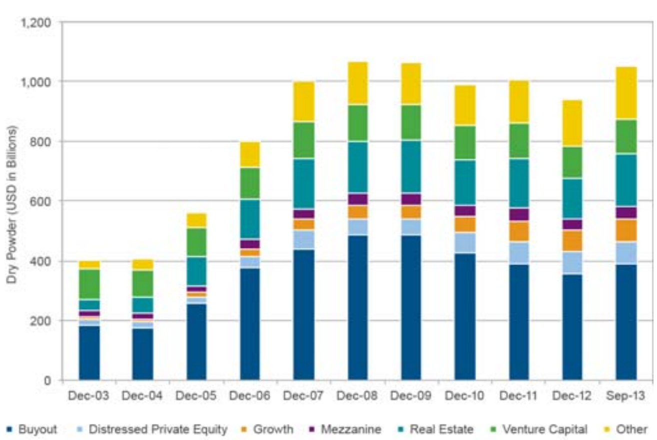


Source: Preqin Quarterly Update: Private Equity, Q3 2013

The Old Overhang Issue

During 3Q13, dry powder in the private industry has risen to levels not seen since the Global Financial Crisis. This is partly attributable to the increases in fundraising, but general partners are also deploying the lowest amounts of capital since the crisis.[5] As shown below, buyout funds are the highest holders of dry powder as of September 30, 2013 having the ability to call $389.0 billion in capital.

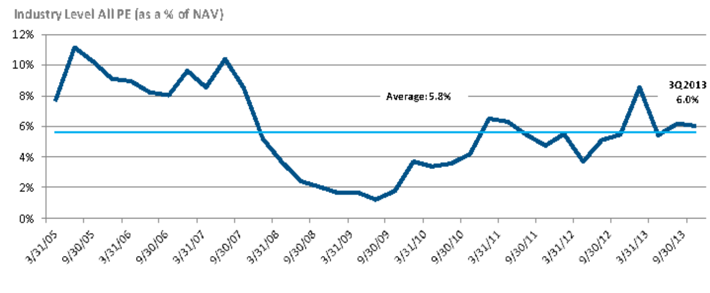
Chart 7: Dry Powder by Fund Type



Source: Preqin Quarterly Update: Private Equity, Q3 2013

The significant NAV overhang of dry powder has not yet had any noticeable effect on returns thus far. General partners have been distributing record levels of cash to investors in 2013, but expressed as a percentage of NAV, distributions are at about their historic average. Obviously, the record levels of distributions are a positive for investors. However, a potential issue may arise if general partners display an inability to turn NAV into cash. Median investment holding time is already at a record high of 5.95 years.[6] If general partners continue to lengthen the time between investment and realization, returns will diminish. As stated last quarter, we believe it's most likely too early to tell whether this will be a positive or negative for investors over the longer term.

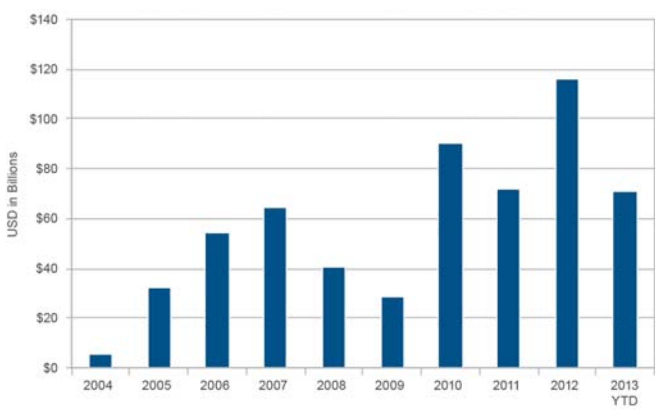
Chart 8: Quarterly Rate of Distributions as a percentage of NAV



Source: Hamilton Lane Fund Investment Database, Preqin (October 2013)
Note: Data is extrapolated up to the industry level based on Hamilton Lane's known sample

Debt Markets

Chart 9: Volume of Sponsored High-Yield Bond Issuances



Source: S&P Capital IQ September 2013/KKR September 2013

High-Yield bond issuances continued their pace toward one of the highest totaling years in the past decade. The majority of 3Q13 issuances went towards dividend recapitalizations, and refinancing as borrowers continued to push out the 2014 maturity wall. As of December 31, 2010, $174.0 billion in loans were due in 2014. Over 93% of this amount has been refinanced to now where only $11.0 billion is due in 2014. The maturities have been pushed out to the years 2017 through 2019 in which over $124.0 billion in loans will be due in each of those years.[7]

[5] Hamilton Lane Investment Database (October 2013)

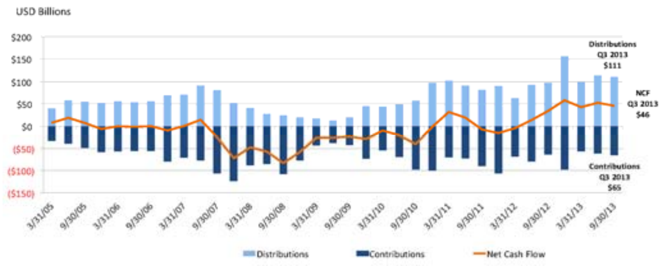
[6] Pitchbook 2H2013

[7] S&P Capital IQ September 2013/KKR September 2013

Drop Off in Exit Activity

Exit activity during 3Q13 dropped off following the large spike during 2Q13. There were 293 private equity backed exits totaling $63.0 billion during 3Q13, representing a 30% decrease in exit value quarter-over-quarter.[8] Despite this fall off, general partners have continued to distribute record levels of cash to investors. Currently, this year's total distributions are on pace to be the highest in the history of the asset class. As shown below, private equity funds distributed $111.0 billion in cash to investors, the third highest quarter ever.

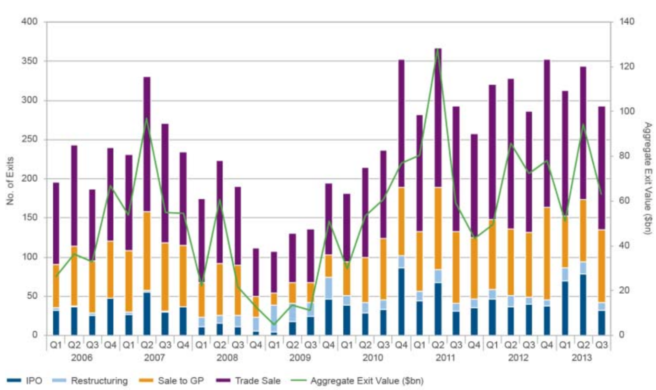
Chart 10: Hamilton Lane Net Cash Flow Chart



Source: Hamilton Lane Fund Investment Database (October 2013)
Note: Data is extrapolated up to the industry level based on Hamilton Lane's known sample

Trade sales and sales to general partners have been the dominant forms of exit for funds. IPOs have also been more popular compared to years past. Year to date, there have been 180 IPOs, which is on pace to be the most in any year following the Global Financial Crisis. The most high profile and anticipated IPO of the year was Twitter, Inc. Shares were first offered at $26.00 a share and as of early December 2013 were trading closer to $50.00 a share. As a result, the early venture capital investors have achieved in excess of a 30.0x return on their Twitter Inc. holdings alone.

Chart 11: Global Number of Private Equity Backed Exits by Type and Aggregate Exit Value



Source: Preqin Quarterly Update: Private Equity, Q3 2013

GP Sentiment

Purchase price multiples have continued to decline during the economic recovery, a trend we noted last quarter as rarely seen in private equity during economic recoveries. Despite the declines, purchase prices multiples still remain above their historical average creating an expensive environment for general partners to find attractive deals.

Chart 12: Average Purchase Price Multiples of All LBOS

Source: S&P LCD M&A Stats September 2013

[8] Preqin Quarterly Update: Private Equity, Q3 2013

Market Spotlight: Student Housing

History and Ownership

Student housing properties first originated as "mom and pop" local operations that were comprised of large houses and smaller apartments scattered in and around university campuses. In the late 1980's and early 1990's, multifamily and military housing developers started entering the market, creating the first "purpose built" off-campus student housing product. In the early 2000's, the industry matured, evolving into higher quality construction, "by the bed" leasing and the inclusion of services and amenities tailored towards students. In the early 2000's, the sector's first REITs started going public and student housing began to draw attention from capital markets. Despite the entrance of sophisticated institutional investors into the sector, it remains large and highly fragmented.

Types of Student Housing

On-campus student housing has traditionally been comprised of dormitory-style, university-owned and managed properties. However, given university budget constraints, some universities are entering into public-private partnerships ("PPPs") with private firms to develop purpose-built student housing properties on campus. For developers, such partnerships can reduce risk and provide access to otherwise unattainable locations. While for the university, a PPP allows it to leverage the developer's expertise and also reduce a project's impact on the university's debt capacity. Conversely, off-campus student housing is generally located no more than five miles away from campus. Properties that are not walking distance from campus often provide transportation to the student via a private or university shuttle. Each type of student housing property has a different price point. Ideally, a university has a variety of options that cater to different demographics and price points, rather than experiencing oversupply in a specific type.

Fundamentals and Unique Characteristics

Student housing units are leased on a per-bed basis, rather than a per-unit basis as with conventional multifamily properties, resulting in many more leases to execute and manage. Leases typically require parental cosigners to guarantee the lease payments and provide security deposits. Lease terms generally vary between 9 to 12 months, while conventional multifamily leases are 12 months. Typically, pre-leasing for the coming school year begins in October and most student housing is leased during a narrow window of time. Pre-leasing before the end of the academic year is crucial, as students are still on campus and un-leased space will likely not be leased until the following year. Therefore, for development projects, accurate delivery timing is very important, or else vacancies may exist until the following academic year. Although unit turnover during the year is low, generally only 30% to 40% of students renew leases. Therefore, constant marketing efforts to new tenants are of high importance.

In terms of location, each university campus has its own perception of what is and what is not close and convenient to campus. This can be based on natural barriers, neighborhood safety or other factors that may not be apparent on a map.

Some student housing types are able to have locations further away from campus and still attract residents with desirable amenities, provided that there are transportation options for getting to and from campus easily and safely.

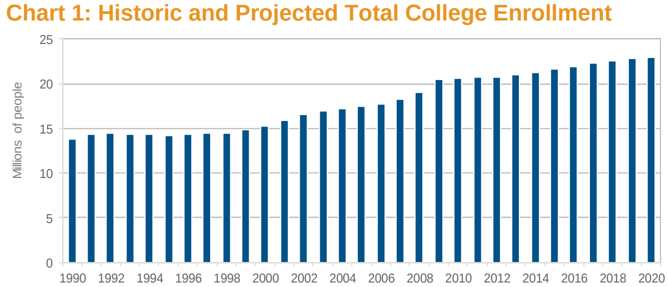
In addition to being fully furnished, many student housing facilities come with cable television, wireless, high-speed internet access, washers and dryers, security, fitness centers, computer centers, study rooms, etc. Typically, students prefer bed-bath-parity (a bathroom for each bed). In addition, ease of communication via technological means is important for things like paying rent and filing maintenance requests.

Student housing property management is often described as a cross between conventional multifamily and resort hotel management. Properties are often inspected monthly; issues must be identified quickly so that damages can be charged to the student's account. Managers also provide social and educational activities to students in order to create a residential and community feel in an off-campus setting. Other factors, such as the importance of pre-leasing / marketing and the high turnover rate, make this sector management-intensive.

Demand and Supply

Increasing university enrollment is helping to drive demand for student housing. In the next five years, a net 2.4 million students are projected to enroll in college. In 2020, a projected 23 million students will be enrolled in college, representing a 50% increase over 2000 and a 12% increase over 2010. The percentage of high school graduates who attend college is also increasing; in 2001 the percentage was 62%, versus 66% in 2012. Since 1990, this percentage has not dropped below 60%. U.S. higher education institutions continue to attract international students and this trend is expected to continue to increase by approximately 4% to 6% over the next few years (Clarion Partners, April 2012).

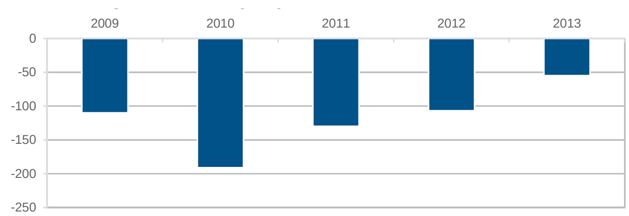
Chart 1: Historic and Projected Total College Enrollment



Source: Clarion Partners and the National Center for Education Statistics, May 2013

Public university budgets are constrained due to state budget deficits stemming from the loss of state tax revenues and many private universities experienced losses in their endowments during the financial crisis. This has affected the ability to renovate or expand student housing facilities to meet student needs given growing enrollment and changing expectations.

Chart 2: State Budget Shortfalls ($bn)



Source: Center on Budget and Policy Priorities, December 2013

In addition, many universities lack available land to provide additional on-campus housing. It is estimated that university-owned housing facilities can accommodate only approximately 30% of today's total enrolled student population, leaving the remainder to seek alternative options (Harrison Street, 2012).

Performance

From a performance perspective, the student housing market has proven to be resilient and recession-resistant in nature. A student's choice to pursue higher education typically occurs regardless of the conditions impacting the greater economy; during a downturn or difficult job market, the importance of higher education is often reinforced. Average student housing "same-store" NOI growth since 2002 has exceeded that of conventional multifamily, with a lower standard deviation, implying lower volatility.

Chart 3: "Same-Store" NOI Growth

Year	Conventional Multifamily	Student Housing	Spread (Student Housing - Conventional Multifamily)
2002	-4.9%	-5.0%	-0.1%
2003	-6.4%	-1.9%	4.5%
2004	-0.8%	0.7%	1.5%
2005	4.3%	11.6%	7.3%
2006	7.8%	1.5%	-6.3%
2007	6.0%	6.7%	0.7%
2008	3.4%	2.2%	-1.2%
2009	-4.7%	3.8%	8.5%
2010	-1.7%	4.6%	6.3%
2011	7.0%	5.2%	-1.8%
2012	7.7%	4.0%	-3.7%
Average	**1.6%**	**3.0%**	**1.4%**
Standard Deviation	**5.5%**	**4.4%**	**-1.1%**

Source: Green Street Advisors, 2013

In addition, one-year, three-year, and five-year returns have exceeded multifamily returns as shown below.

Chart 4: Total Return Comparison

Total Return Comparison			
	NAREIT Apartment Index	Student Housing Index [1]	Spread (Student Housing Index - NAREIT Apartment Index)
One-Year	15.4%	36.4%	21.0%
Three-Year	30.1%	35.1%	5.0%
Five-Year	4.4%	10.3%	5.9%

[1] Constructed using weighted returns of two student housing REITS; American Campus Communities and Education Realty Trust

Source: Clarion Partners and NAREIT as of 12/31/11

Potential Risks

The student housing sector is exposed to several risks. The emergence of online education, or Massive Open Online Courses ("MOOCs"), provides an option to take courses online for a low cost thus potentially reducing the need for on campus accommodations. However, such courses provide a very narrow education and do not have a proven record of leading to enhanced employment opportunities. Thus far, such courses have gained popularity for working professionals who already have a university degree but are looking to learn or brush up on a specific skill. It is unlikely that such courses will replace the desire to receive a higher education degree and to have the university experience.

A weak economy also poses a risk to the sector, but a student's choice to pursue higher education typically occurs regardless of the conditions impacting the greater economy. Higher education degrees continue to enhance long term employment prospects; a lower unemployment rate and higher median weekly earnings are evident as the level of education attained increases. Furthermore, there is an increasing need for a university-level education in today's competitive job market. The unemployment rate for those over the age of 25 possessing a college degree is 3.4%, versus 7.3% for those with only a high school diploma (U.S. Department of Education, November 2013).

Oversupply presents potentially the largest risk to student housing. Private equity firms, REITs and private developers have increased their student housing development and investment activity significantly since 2010. A record 51,000 new off-campus beds are expected to be delivered throughout the U.S. this year (Axiometrics Inc., August 2013). However, it is important to note that much of this oversupply is concentrated in upscale communities. In addition, several developers failed to take into account planned construction activity, expected future enrollment trends and student demographics when building.

Section 2:

Portfolio Update

Portfolio Snapshot

Hamilton Lane was engaged by the Teachers' Retirement System of the City of New York ("TRS") in October 2010 to provide alternative investment consulting services in accordance with the investment objectives of the TRS Private Equity portfolio (the "Portfolio"). This report represents the review by Hamilton Lane of TRS's Portfolio and is based upon information made available to Hamilton Lane by the general partners sponsoring each of the partnership investments in the Portfolio as of June 30, 2013, with highlights through September 30, 2013.

Private Equity Target: TRS has a target allocation of 6.0% to Private Equity. As of June 30, 2013, Private Equity constituted 4.6% of NYCTRS plan (Plan Value as of July 31, 2013).

Performance: As of June 30, 2013, the Portfolio consists of 136 partnerships and 91 underlying fund managers. The Portfolio has generated a since inception internal rate of return ("IRR") of 8.73% and a total value multiple of 1.3x.

Portfolio Summary

$ millions	6/30/2013	9/30/2013	Change
Active Partnerships	136	136	-
Active GP Relationships	91	91	-
Capital Committed [1]	$4,992.1	$5,004.1	$12.0
Commitments Sold	$288.5	$288.5	$0.0
Unfunded Commitment	$2,210.9	$2,160.1	($50.8)
Capital Contributed	$3,473.9	$3,561.0	$87.1
Capital Distributed [2]	$2,157.8	$2,285.9	$128.1
Market Value	$2,298.3	$2,411.1	$112.8
Total Value Multiple	1.3x	1.3x	0.0x
Since Inception IRR	8.74%	9.05%	31 bps
Avg. Age of Active Commitments	5.3 years	5.3 years	0.0 years

(1) The "change" in capital committed from the prior quarter reflects currency adjustments from existing foreign denominated funds.

(2) Distributions are inclusive of receivable amounts from TRS Secondary Sale.

Portfolio Exposures: The Corporate Finance/Buyout strategy represents 58% of the Portfolio's total exposure, Growth Equity accounts for 11%, Venture Capital represents 8%, Special Situations/Turnaround represents 8%, Secondaries represent 8%, Energy represents 4%, Co-Investment represents 2%, and Mezzanine represents the remaining 1%. The Portfolio has significant exposure to North America, with 81% of the underlying company market value based in the region.

Portfolio Overview

Commitments

The table below highlights the funds that have closed during the first half of 2013.

YTD Commitments - 2013			
Closing Date	Partnership	Investment Strategy	Commitment Amount ($ in Millions)
1/31/2013	Landmark Equity Partners XV, L.P.	Secondaries	$113.0
1/31/2013	Landmark Equity Partners XV, L.P. - Side Car	Secondaries	$37.0
3/8/2013	ACON Equity Partners III, L.P.	Corporate Finance/Buyout - Small	$7.0
5/24/2013	Incline Equity Partners III, L.P.	Corporate Finance/Buyout - Small	$9.0
6/14/2013	Grey Mountain Partners III, L.P.	Corporate Finance/Buyout - Small	$6.5
6/14/2013	Olympus Growth Fund VI, L.P.	Growth Equity	$100.0
6/28/2013	Altaris Health Partners III, L.P.	Corporate Finance/Buyout - Small	$11.0
6/28/2013	Apollo Investment Fund VIII, L.P.	Corporate Finance/Buyout - Mega	$200.0
6/28/2013	Capital Partners Private Equity Income Fund II, L.P.	Corporate Finance/Buyout - Small	$8.8
6/28/2013	CVC Capital Partners VI, L.P.	Corporate Finance/Buyout - Mega	$208.0
Total			$700.3

The ten new investments, totaling $700.3 million are detailed below:

Landmark Equity Partners XV, L.P. & Side Car ($113.0/$37.0 million) the fund will focus on negotiated transactions in the secondary market, primarily targeting North American buyout investments entering the harvesting stage of their life cycle.

ACON Equity Partners III, L.P. ($7.0 million) the fund, TRS's second commitment in the Emerging Manager 2012 Program, will target investments in middle-market companies that are domiciled in the U.S.

Incline Equity Partners III, L.P. ($9.0 million) the fund, an Emerging Manager 2012 Program commitment, will pursue control positions in leveraged buyouts of under managed lower-middle market companies located in North America.

Grey Mountain Partners III, L.P. ($6.5 million) the fund, an Emerging Manager 2012 Program commitment, will seek to make control investments in underperforming lower-middle market companies with a focus on U.S. based manufacturing, distribution and business service companies.

Olympus Growth Fund VI, L.P. ($100.0 million) the fund will invest opportunistically across a range of industries including business services, consumer, healthcare, restaurants, and financial services, seeking majority ownership positions within the companies.

Altaris Health Partners III, L.P. ($11.0 million) the fund, an Emerging Manager 2012 Program commitment, will target and invest in growth oriented middle market healthcare companies.

Apollo Investment Fund VIII, L.P. ($200.0 million) the fund will seek investments in mid- and large-cap companies, focusing on distressed investments, corporate carve-outs and opportunistic buyouts.

Capital Partners Private Equity Income Fund II, L.P. ($8.8 million) the fund, an Emerging Manager 2012 Program commitment, will target control buyouts of lower-middle-market companies with a focus on U.S. manufacturing, value-added distribution and business services industries.

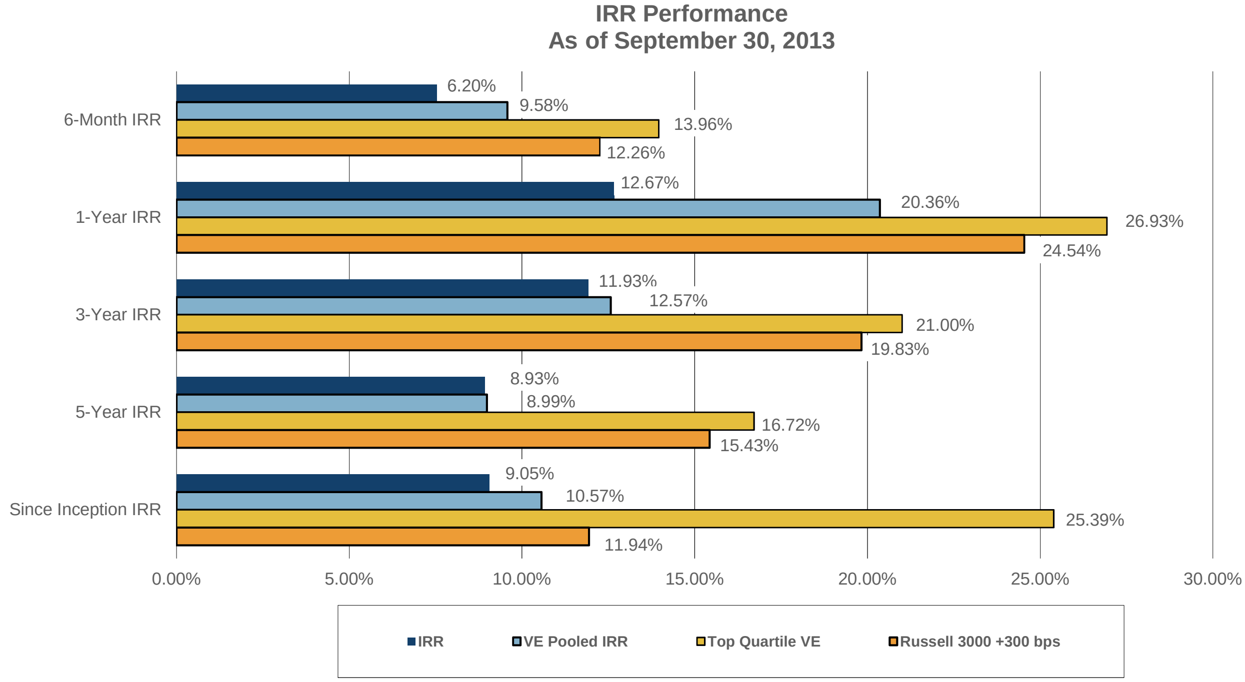
CVC Capital Partners VI, L.P. ($208.0/€153.7 million) the fund predominantly targets businesses headquartered in Europe with global streams of revenue.

Teachers' Retirement System of the City of New York

Third Quarter 2013 Report

Portfolio Performance Summary

The chart below is a graphical depiction of the IRR performance of the Portfolio with respect to 6-Month, 1-Year, 3-Year, 5-Year, and Since Inception time periods. The Portfolio is benchmarked against the VE Pooled IRR, Top Quartile VE and the Russell 3000 plus 300 basis points.



Note: Since Inception IRR for VE benchmarks represent the returns for funds within latest 10 vintage years, the closest available benchmark to the inception date of NYC Teachers Portfolio. The Russell 3000 Total return index incorporates the Long Nickels methodology where the assumption is that the capital is being invested and withdrawn from the index on the days the capital was called and distributed from the underlying fund managers. This calculation includes a 3% premium.

- As private equity is a long term asset class, the most significant time horizon is the since inception time period. Performance on a since inception basis for the second quarter of 2013 increased 19 basis points from the prior quarter, with the Portfolio generating an IRR of 8.73%.
    - Relative to the benchmarks, the since inception IRR is underperforming the VE Pooled IRR by 251 basis points, the Top Quartile VE by 1,970 basis points, and Russell 3000 plus 300 basis points by 256 basis points.
- Performance on a one-year basis for the second quarter 2013 increased 127 basis points from the first quarter 2013, with the Portfolio generating an IRR of 9.46%.
    - Relative to the benchmarks, the one-year IRR is underperforming the VE Pooled IRR by 1,082 basis points, the Top Quartile VE by 1,762 basis points, and Russell 3000 plus 300 basis points by 1,498 basis points.
        - Underperformance to the public benchmark can be attributed to the continue rally of the public markets, which started in 2012 and has carried over into the first half of 2013.

Teachers' Retirement System of the City of New York
Third Quarter 2013 Report

The table below details quarterly performance of the Portfolio for the year ending June 30, 2013.

Portfolio Summary					
	Quarter Ending				Year Ending
in $ millions	**12/31/2012**	**3/31/2013**	**6/30/2013**	**9/30/2013**	**9/30/2013**
Beginning Market Value	$2,229.8	$2,239.3	$2,294.1	$2,298.3	$2,229.8
Paid-in Capital	149.2	93.7	65.0	87.1	395.0
Distributions (1)	(201.0)	(96.8)	(135.6)	(128.1)	(561.5)
Net Value Change	**61.3**	**57.9**	**74.8**	**153.8**	**347.8**
Ending Market Value	$2,239.3	$2,294.1	$2,298.3	$2,411.1	$2,411.1
Unfunded Commitments	**$1,649.5**	**$1,721.6**	**$2,210.9**	**$2,160.1**	**$2,160.1**
Total Exposure	$3,888.8	$4,015.7	$4,509.2	$4,571.2	$4,571.2
Point to Point IRR	1.85%	2.94%	3.23%	4.18%	12.67%
Since Inception IRR	8.39%	8.55%	8.74%	9.05%	9.05%

(1) Distributions are inclusive of receivable amounts from TRS Secondary Sale.

- Over the past twelve months, the Portfolio has experienced a total of $248.0 million in net value appreciation.
    - The one-year IRR of 9.46% represents a 453 basis point increase when compared to the one-year IRR as of June 30, 2012.
    - The since inception IRR of 8.73% represents an increase of 14 basis points when compared to the since inception IRR as of June 30, 2012.

Teachers’ Retirement System of the City of New York

Third Quarter 2013 Report

The table below details IRR performance of the Portfolio with respect to Vintage Year. The Portfolio is benchmarked against the VE Median IRR, Top Quartile VE, and the Russell 3000 plus 300 basis points.

Performance by Vintage Year					
Vintage Year	Capital Commited	IRR	VE Median IRR	Top Quartile VE	Russell 3000 + 300bps
1999	$ 95,000,000	6.92%	2.52%	8.95%	7.72%
2000	83,000,000	7.18%	6.36%	20.97%	6.64%
2001	80,000,000	19.01%	12.34%	21.12%	7.56%
2002	150,000,000	12.91%	10.05%	18.10%	9.05%
2003	85,000,000	20.92%	10.56%	17.00%	12.06%
2004	234,000,000	6.65%	10.47%	17.20%	10.03%
2005	300,746,297	4.68%	7.36%	12.38%	9.48%
2006	579,588,877	7.56%	7.98%	11.49%	9.53%
2007	506,557,970	7.41%	11.91%	15.33%	8.23%
2008	774,773,000	13.29%	14.24%	20.83%	8.25%
2009	42,500,000	8.34%	12.90%	14.74%	20.39%
2010	45,000,000	5.09%	8.08%	14.25%	17.63%
2011	609,968,770	13.46%	5.35%	8.44%	16.80%
2012	592,750,000	4.64%	(7.71%)	7.54%	24.82%
2013	825,232,908	(35.17%)	(36.01%)	28.15%	24.30%

Note: Commitments in the above table do not include liquidated/sold investments.

The table below details IRR performance of the Portfolio with respect to Investment Strategy. The Portfolio is benchmarked against the VE Median IRR, and the Top Quartile VE.

Performance by Investment Strategy				
Investment Strategy	Capital Commited	IRR	VE Median IRR	Top Quartile VE
Corporate Finance/Buyout	$ 2,841,494,929	10.18%	8.13%	15.38%
Corporate Finance/Buyout - Mega	1,059,074,722	11.23%	9.28%	14.82%
Corporate Finance/Buyout - Large	416,520,497	16.30%	9.81%	16.45%
Corporate Finance/Buyout - Mid	844,037,139	9.22%	6.43%	11.81%
Corporate Finance/Buyout - Small	521,862,570	7.53%	4.60%	17.10%
Co-Invest	120,040,947	1.83%	N/A	N/A
Energy	217,500,000	2.20%	N/A	N/A
Growth Equity	520,000,000	15.27%	N/A	N/A
Secondary	403,000,000	14.43%	N/A	N/A
Special Situations/Turnaround	385,000,000	18.05%	12.31%	19.23%
Other	517,081,947	3.04%	1.05%	8.80%
Venture Capital	467,081,947	2.07%	0.16%	8.76%
Mezzanine	50,000,000	13.68%	6.41%	8.79%

Note: Commitments in the above table do not include liquidated/sold investments.

The table below details IRR performance of the Portfolio with respect to Geographic Focus.

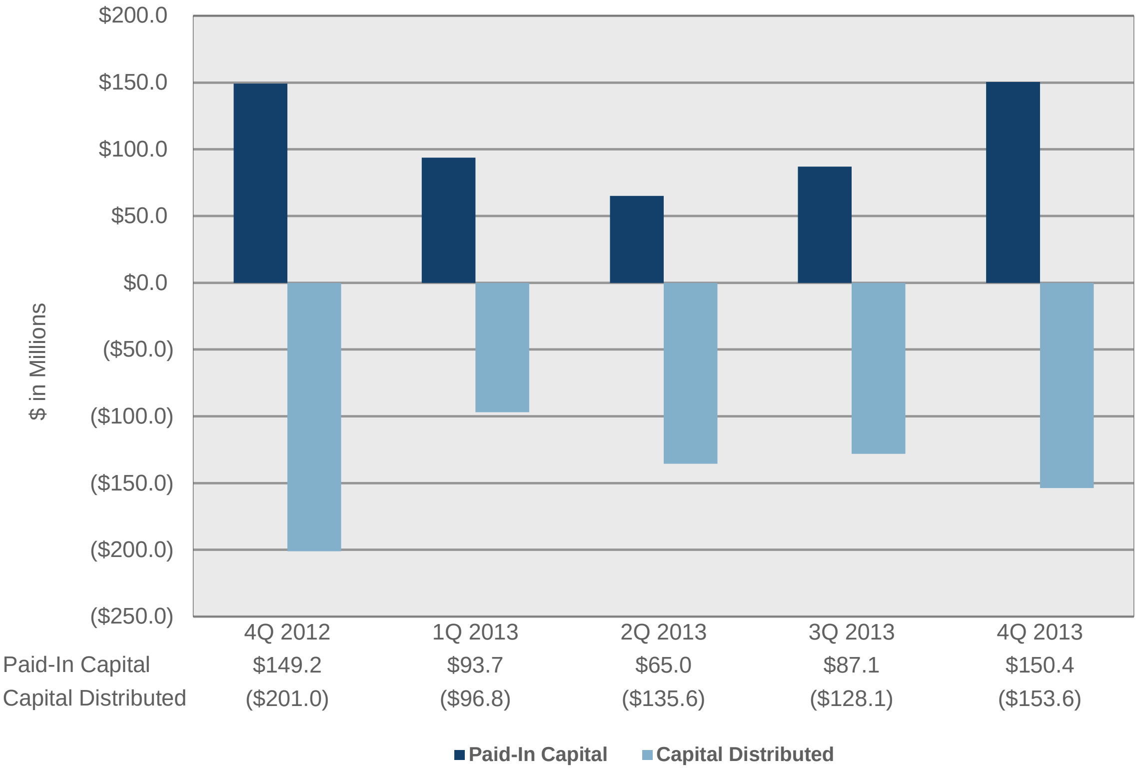
Performance Summary by Region						
Region	Capital Committed	Paid-In Capital	Capital Distributed (1)	Reported Market Value	IRR	Total Value Multiple
North America	$3,002,296,580	$2,428,842,981	$1,494,412,070	$1,645,239,608	8.26%	1.3x
Western Europe	$491,659,904	$234,662,054	$76,196,263	$188,197,501	2.32%	1.1x
Global/Rest of World	$1,510,161,339	$897,507,358	$715,269,744	$577,698,878	13.29%	1.4x
Total	**$5,004,117,823**	**$3,561,012,393**	**$2,285,878,077**	**$2,411,135,987**	**9.05%**	**1.3x**

(1) Distributions are inclusive of receivable amounts from TRS Secondary Sale.

Note: Commitments in the above table do not include liquidated/sold investments.

Cash Flow Drivers

The chart below highlights the cash flows of the Portfolio over the past five quarters ended September 30, 2013.



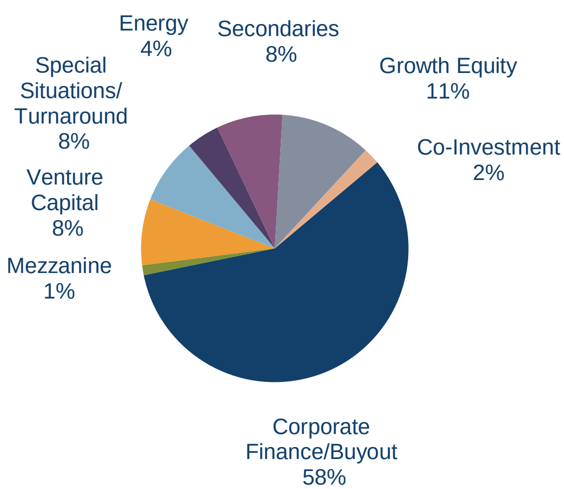
	4Q 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013
Paid-In Capital	$149.2	$93.7	$65.0	$87.1	$150.4
Capital Distributed	($201.0)	($96.8)	($135.6)	($128.1)	($153.6)

Note: Distributions are inclusive of receivable amounts from TRS Secondary Sale.

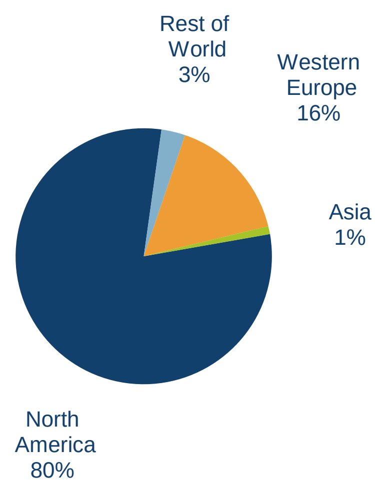
Portfolio Exposures

The pie charts below represent the strategic and geographic diversification of the Portfolio as of June 30, 2013. Strategy is measured by total exposure, which is the sum of the market value and the unfunded commitments and provides a snapshot of the Portfolio's future diversification. Geography is measured by the Portfolio's exposed market value of the underlying portfolio companies.

Strategic Diversification by Total Exposure As of September 30, 2013



Underlying Investment Diversification by Geographic Location As of September 30, 2013



- The Portfolio is focused in the Corporate Finance/Buyout strategy, with 58% of the total exposure attributable to this strategy.
- With respect to geography, the Portfolio is concentrated in North America, with 80% of the Portfolio's underlying market value attributable to this region.
    - The remaining 20% of the Portfolio's exposure is diversified between Western Europe, 'Rest-of-World' and Asia.

Section 3:

Portfolio Assessment

Teachers' Retirement System of the City of New York
Private Equity Portfolio
As of September 30, 2013 (in USD)

Vintage Year	Investment	First Drawdown	Committed Capital	Paid-In Capital	Distributed Capital	Market Value	Multiple	IRR
Active Investments								
1999	Cypress Merchant Banking Partners II, LP	7/8/1999	$ 50,000,000	$ 53,874,600	$ 43,453,284	$ 4,272,305	0.89x	(2.54%)
1999	FdG Capital Partners, L.P.	6/2/1999	30,000,000	34,452,711	51,025,646	6,203,423	1.66x	14.87%
1999	Lincolnshire Equity Fund II, L.P.	2/26/2001	15,000,000	14,446,100	27,179,141	1,615,341	1.99x	24.87%
2000	Carlyle Partners III, L.P.	12/22/2000	30,000,000	33,979,261	71,996,891	47,110	2.12x	23.33%
2000	SCP Private Equity Partners II, L.P.	1/19/2001	20,000,000	22,168,428	6,465,475	7,363,112	0.62x	(6.53%)
2000	Solera Partners, L.P.	7/8/2002	15,000,000	19,378,883	25,272,373	13,544,871	2.00x	10.81%
2001	Apollo Investment Fund V, L.P.	8/23/2001	30,000,000	46,725,243	89,603,309	3,539,364	1.99x	38.89%
2001	New Mountain Partners, L.P.	7/20/2001	15,000,000	12,977,661	17,328,376	1,420,092	1.44x	12.51%
2001	Ripplewood Partners II, L.P.	6/30/2002	15,000,000	16,863,655	12,487,111	8,446,804	1.24x	5.67%
2001	RRE Ventures III, L.P.	6/13/2002	20,000,000	25,919,337	29,542,919	7,691,747	1.44x	6.84%
2002	BDCM Opportunity Fund, L.P.	11/10/2003	25,000,000	54,685,000	89,537,115	1,918,994	1.67x	23.11%
2002	Coller International Partnership IV, L.P.	11/6/2002	35,000,000	31,184,164	36,485,739	8,010,468	1.43x	13.33%
2002	Landmark Equity Partners XI, L.P.	9/15/2004	20,000,000	21,226,636	27,830,984	3,437,206	1.47x	24.07%
2002	Thomas McNerney & Partners, L.P.	11/26/2002	15,000,000	14,475,000	5,252,354	6,222,642	0.79x	(5.05%)
2002	Yucaipa American Alliance Fund I, L.P.	10/1/2004	55,000,000	80,828,995	59,739,039	42,904,426	1.27x	7.92%
2003	Ares Corporate Opportunities Fund, L.P.	5/4/2004	15,000,000	18,004,666	24,792,009	2,709,940	1.53x	13.88%
2003	Blackstone Capital Partners IV L.P.	1/10/2003	30,000,000	30,689,961	63,408,508	12,489,751	2.47x	38.30%
2003	FS Equity Partners V, L.P.	5/30/2003	25,000,000	21,605,884	36,512,224	9,699,043	2.14x	17.27%
2003	Leeds Weld Equity Partners IV, L.P.	12/13/2004	15,000,000	15,312,120	10,301,532	9,758,078	1.31x	4.97%
2004	Aurora Equity Partners III, L.P.	5/19/2005	20,000,000	21,695,963	19,809,668	15,743,812	1.64x	14.11%
2004	Celtic Pharmaceutical Holdings, L.P.	7/10/2006	15,000,000	15,241,256	241,256	13,818,472	0.92x	(1.30%)
2004	FdG Capital Partners II, L.P.	8/30/2004	35,000,000	36,877,350	28,119,095	10,307,724	1.04x	0.88%
2004	Lincolnshire Equity Fund III, L.P.	12/23/2004	25,000,000	23,626,020	28,023,953	15,561,697	1.84x	34.29%
2004	Markstone Capital Partners, L.P.	7/21/2004	35,000,000	36,535,942	16,852,082	14,314,143	0.85x	(4.11%)
2004	New York/Fairview Emerging Managers (Tranche A), L.P.	10/21/2004	24,000,000	22,200,000	6,801,054	16,039,819	1.03x	0.66%
2004	Paladin Homeland Security Fund (NY), L.P	10/1/2004	15,000,000	16,055,336	2,709,367	7,384,935	0.63x	(7.48%)
2004	Trilantic Capital Partners III (fka LBMB III), L.P.	9/22/2005	30,000,000	23,385,062	34,517,760	1,497,022	1.54x	12.91%
2005	Blackstone Mezzanine Partners II, L.P.	5/26/2006	20,000,000	19,267,323	20,524,862	4,607,953	1.30x	7.76%
2005	Bridgepoint Europe III, L.P.	12/6/2005	31,520,497	26,996,441	15,641,577	17,009,500	1.21x	3.58%
2005	Erasmus New York City Growth Fund, L.P.	8/16/2005	30,000,000	26,117,536	18,531,083	4,323,329	0.88x	(2.82%)
2005	GI Partners Fund II, L.P.	6/19/2006	25,000,000	25,227,520	24,587,633	13,383,863	1.51x	7.65%
2005	JP Morgan Fleming (Tranche A), L.P.	12/21/2005	31,000,000	28,204,630	12,079,027	21,621,799	1.19x	5.23%
2005	New Mountain Partners II, L.P.	1/12/2005	23,225,800	21,131,670	30,362,444	9,119,027	1.87x	13.56%
2005	Palladium Equity Partners III, L.P.	8/10/2005	35,000,000	35,641,015	28,590,233	34,082,464	1.76x	17.31%
2005	Prism Venture Partners V-A, L.P.	7/14/2005	20,000,000	20,622,939	8,306,204	8,866,943	0.83x	(4.54%)
2005	Psilos Group Partners III, L.P.	10/17/2007	25,000,000	25,450,585	12,820,541	20,879,481	1.32x	7.54%
2005	Quadrangle Capital Partners II, L.P.	2/28/2006	35,000,000	29,463,742	19,561,180	16,518,971	1.22x	4.85%
2005	Snow Phipps Group, L.P.	8/2/2007	15,000,000	15,974,910	10,492,786	9,864,099	1.27x	8.41%
2005	USPF II Institutional Fund, L.P.	11/23/2005	35,000,000	46,164,567	25,024,175	30,876,000	1.21x	5.10%
2005	VSS Communications Partners IV, L.P.	6/2/2006	10,000,000	10,728,575	2,856,874	5,540,914	0.78x	(5.02%)
2006	Aisling Capital II, L.P.	1/12/2006	4,500,000	4,524,103	1,704,340	3,122,826	1.07x	1.61%
2006	Ampersand 2006, L.P.	7/6/2007	15,000,000	15,000,000	7,399,318	13,719,709	1.41x	9.28%
2006	Apollo Investment Fund VI, L.P.	5/10/2006	35,000,000	43,587,607	36,646,490	31,366,582	1.56x	11.25%
2006	Ares Corporate Opportunities Fund II, L.P.	5/23/2006	30,000,000	32,729,187	42,119,992	12,256,370	1.66x	14.09%
2006	Arsenal Capital Partners II, L.P.	12/19/2006	13,500,000	15,547,700	5,423,097	15,247,550	1.33x	8.81%
2006	Avista Capital Partners, L.P.	8/11/2006	30,000,000	37,946,126	27,755,550	23,780,212	1.36x	7.98%
2006	BDCM Opportunity Fund II, L.P.	12/28/2006	25,000,000	32,431,295	15,739,151	37,436,105	1.64x	16.56%
2006	Blackstone Capital Partners V, L.P.	4/13/2006	75,600,000	74,971,662	26,878,320	72,647,957	1.33x	5.92%
2006	Catterton Partners VI, L.P.	12/14/2006	30,000,000	32,226,296	22,336,615	38,342,978	1.88x	15.78%
2006	CCMP Capital Investors II, L.P.	5/22/2007	20,000,000	21,510,478	13,267,548	19,241,920	1.51x	14.56%
2006	Cinven Fourth Fund	1/22/2007	44,918,138	44,133,971	22,836,916	39,757,302	1.42x	8.73%
2006	Fairview Ventures Fund III, L.P.	7/13/2007	20,000,000	17,549,472	5,166,540	18,878,067	1.37x	11.69%
2006	First Reserve Fund XI, L.P.	12/22/2006	30,000,000	34,046,996	16,052,095	23,630,394	1.17x	4.31%
2006	GF Capital Private Equity Fund, L.P.	3/20/2008	15,000,000	15,006,255	10,422,392	12,591,742	1.53x	16.07%
2006	GSC Recovery III, L.P.	5/4/2006	10,000,000	11,087,300	8,152,810	3,858,801	1.08x	2.36%
2006	InterMedia Partners VII, L.P.	6/8/2006	25,000,000	27,837,279	3,541,720	37,117,776	1.46x	7.57%
2006	Landmark Equity Partners XIII, L.P.	5/15/2006	25,000,000	22,806,674	14,392,303	12,525,961	1.18x	4.35%
2006	MidOcean Partners III, L.P.	6/19/2007	40,000,000	40,285,243	9,278,604	40,090,658	1.23x	6.03%
2006	Perseus Partners VII, L.P.	8/6/2007	20,000,000	22,242,325	5,418,341	4,845,950	0.46x	(21.88%)
2006	RRE Ventures IV, L.P.	10/25/2006	25,000,000	27,786,527	4,769,059	35,016,354	1.43x	10.10%
2006	Terra Firma Capital Partners III, L.P.	2/26/2007	31,070,739	29,691,273	662,055	16,897,102	0.59x	(12.56%)
2006	Thomas, McNerney & Partners II, L.P.	11/30/2006	15,000,000	12,862,500	4,072,248	9,571,378	1.06x	1.66%
2007	Carlyle Partners V, L.P.	9/28/2007	50,000,000	46,007,123	19,210,395	43,811,824	1.37x	11.48%
2007	Co-Investment Partners Europe, L.P.	12/5/2008	26,664,684	28,006,878	6,023,982	26,722,715	1.17x	5.30%
2007	Constellation Ventures III, L.P.	11/20/2008	15,000,000	14,933,426	359,698	12,025,477	0.83x	(5.91%)
2007	Craton Equity Investors I, L.P.	3/11/2008	10,000,000	9,166,471	6,094	6,562,092	0.72x	(9.52%)
2007	FTVentures III, L.P.	3/1/2007	14,081,947	14,634,065	8,549,226	16,268,734	1.70x	15.35%
2007	GSO Capital Opportunities Fund, L.P.	8/15/2008	30,000,000	42,439,846	47,012,768	13,758,100	1.43x	19.13%
2007	Halyard Capital Fund II, L.P.	11/2/2007	15,000,000	11,495,133	2,989,255	7,959,438	0.95x	(1.31%)
2007	Montreux Equity Partners IV, L.P.	3/27/2007	15,000,000	14,690,059	7,889,117	13,415,470	1.45x	13.33%
2007	Nautic Partners VI, L.P.	6/30/2008	20,000,000	19,400,963	4,801,409	20,146,618	1.29x	8.15%
2007	New Mountain Partners III, L.P.	9/25/2007	35,000,000	34,113,611	10,141,654	32,134,891	1.24x	8.89%
2007	PCG Clean Energy & Technology Fund East, L.P.	4/25/2008	60,000,000	48,226,829	3,352,781	29,373,682	0.68x	(12.06%)
2007	Pegasus Partners IV, L.P.	10/9/2007	20,000,000	22,791,305	10,753,842	17,971,548	1.26x	6.97%
2007	Pine Brook Capital Partners, L.P.	4/7/2008	22,500,000	19,945,789	10,971,722	17,657,874	1.44x	16.86%
2007	Quaker BioVentures II, L.P.	4/18/2008	15,000,000	11,743,332	2,589,159	8,127,527	0.91x	(3.44%)
2007	RLJ Equity Partners Fund I, L.P.	4/14/2009	15,000,000	9,391,912	1,685,496	9,498,071	1.19x	6.54%
2007	SCP Vitalife Partners II, L.P.	1/10/2008	15,000,000	13,499,774	1,184	10,578,080	0.78x	(8.10%)
2007	StarVest Partners II, L.P.	12/8/2008	20,000,000	15,279,987	12,547	10,292,973	0.67x	(14.70%)
2007	Trilantic Capital Partners IV L.P.	10/22/2007	53,311,339	52,288,634	40,131,166	47,453,447	1.68x	20.61%
2007	USPF III Institutional Fund, L.P.	7/10/2007	30,000,000	29,984,326	9,996,208	22,100,215	1.07x	1.98%
2007	Vista Equity Partners Fund III, L.P.	11/30/2007	25,000,000	24,564,812	35,465,583	27,437,991	2.56x	30.79%

Teachers' Retirement System of the City of New York
Private Equity Portfolio
As of September 30, 2013 (in USD)

Vintage Year	Investment	First Drawdown	Committed Capital	Paid-In Capital	Distributed Capital	Market Value	Multiple	IRR
2008	Aisling Capital III, L.P.	11/20/2008	10,500,000	7,409,274	2,954,411	6,475,537	1.27x	15.64%
2008	Apollo Investment Fund VII, L.P.	4/16/2008	50,000,000	55,072,863	53,748,779	38,203,432	1.67x	27.05%
2008	Ares Corporate Opportunities Fund III, L.P.	7/30/2008	60,000,000	62,102,245	50,880,358	44,587,540	1.54x	22.89%
2008	Avista Capital Partners II, L.P.	12/31/2008	50,000,000	54,903,266	31,786,657	47,695,226	1.45x	16.05%
2008	Blue Wolf Capital Fund II, L.P.	11/14/2008	20,000,000	20,210,836	7,984,160	16,356,270	1.20x	11.89%
2008	Bridgepoint Europe IV, L.P.	9/30/2008	27,034,167	21,688,524	1,702,943	24,615,387	1.21x	9.22%
2008	Carpenter Community BancFund-A, L.P.	6/5/2008	15,000,000	14,181,319	174,916	18,130,967	1.29x	7.61%
2008	CS TRSCNY Emerging Manager Co-Investment Fund, L.P.	8/22/2008	12,626,263	7,020,557	3,732,657	6,250,154	1.42x	11.19%
2008	CS TRSCNY Emerging Manager Fund, L.P.	8/22/2008	59,373,737	39,628,432	10,001,666	31,615,264	1.05x	2.92%
2008	First Reserve Fund XII, L.P.	11/14/2008	30,000,000	24,968,112	4,232,657	22,735,351	1.08x	2.64%
2008	GI Partners III, L.P.	7/29/2008	30,000,000	31,286,054	20,336,827	22,829,347	1.38x	15.23%
2008	Landmark Equity Partners XIV, L.P.	9/19/2008	50,000,000	34,653,389	14,412,733	30,348,711	1.29x	18.16%
2008	Lee Equity Partners, L.P.	4/23/2008	30,000,000	26,569,651	4,751,082	25,390,795	1.13x	5.48%
2008	Leeds Equity Partners V, L.P.	7/28/2008	40,000,000	27,640,475	7,936,328	26,460,198	1.24x	11.71%
2008	Levine Leichtman Capital Partners IV, L.P.	9/22/2008	25,000,000	24,228,360	14,995,262	22,576,806	1.55x	23.15%
2008	New York/Fairview Emerging Managers (Tranche B), L.P.	5/28/2008	35,000,000	19,964,000	4,376,035	20,142,333	1.23x	9.69%
2008	NGN BioMed Opportunity II, L.P.	10/31/2008	15,000,000	11,888,866	2,572,112	6,994,850	0.80x	(6.73%)
2008	Onex Partners III, L.P.	3/31/2009	40,000,000	37,792,475	7,837,691	35,061,206	1.14x	7.68%
2008	Paladin III (HR), L.P.	1/8/2008	20,000,000	16,273,913	5,415,870	12,927,583	1.13x	4.48%
2008	Relativity Fund, L.P.	1/17/2008	15,000,000	8,036,854	601,963	2,625,301	0.40x	(25.88%)
2008	Riverstone/Carlyle Global Energy & Power Fund IV	9/29/2008	32,500,000	28,657,402	17,574,364	22,720,488	1.41x	13.69%
2008	Yucaipa American Alliance Fund II, L.P.	3/28/2008	75,000,000	93,783,431	51,464,766	101,153,005	1.63x	19.93%
2008	Yucaipa Corporate Initiatives Fund II, L.P.	6/23/2008	32,738,833	31,433,170	3,655,520	20,989,998	0.78x	(9.68%)
2009	Lincolnshire Equity Fund IV, L.P.	8/7/2009	12,500,000	6,810,480	350,042	5,492,718	0.86x	(8.32%)
2009	Welsh, Carson, Anderson & Stowe XI, L.P.	2/10/2009	30,000,000	23,585,075	4,984,910	25,896,346	1.31x	13.28%
2010	JP Morgan Fleming (Tranche B), L.P.	3/31/2008	10,000,000	6,303,870	479,348	6,192,715	1.06x	3.43%
2010	Trident V, L.P.	12/30/2010	35,000,000	22,570,197	1,958,193	22,384,736	1.08x	5.67%
2011	Ampersand 2011, L.P.	3/31/2009	17,500,000	13,650,000	-	15,401,559	1.13x	8.82%
2011	Blackstone Capital Partners VI, L.P.	1/24/2011	60,000,000	14,992,332	863,840	15,883,732	1.12x	8.61%
2011	EQT VI, L.P.	8/1/2011	51,031,857	17,927,060	250,515	15,162,951	0.86x	(13.41%)
2011	BC European Capital IX, L.P.	9/19/2011	71,436,913	33,174,680	3,478,109	35,232,649	1.17x	18.46%
2011	AXA Secondary Fund V L.P.	8/11/2011	160,000,000	63,484,793	7,851,038	73,396,198	1.28x	21.07%
2011	Pegasus Partners V, L.P.	8/16/2011	50,000,000	9,301,252	990	8,283,833	0.89x	(8.01%)
2011	Green Equity Investors VI, L.P.	10/28/2011	100,000,000	15,877,083	254,129	14,512,306	0.93x	(10.23%)
2011	Vista Equity Partners IV, L.P.	10/27/2011	100,000,000	51,601,506	3,273,738	53,637,117	1.10x	9.60%
2011	American Securities Partners VI, L.P.	12/21/2011	100,000,000	32,580,437	11,167,867	30,766,550	1.29x	22.38%
2012	Ares Corporate Opportunities Fund IV, L.P.	4/20/2012	105,000,000	13,319,415	-	12,173,577	0.91x	(24.11%)
2012	Warburg Pincus Private Equity XI, L.P.	5/9/2012	175,000,000	23,484,988	838,613	25,981,617	1.14x	11.67%
2012	Trilantic Capital Partners V, L.P.	7/31/2012	70,000,000	8,236,062	46,673	6,621,667	0.81x	(34.82%)
2012	Platinum Equity Capital Partners III, L.P.	12/28/2012	115,000,000	31,089,041	19,596,654	15,200,161	1.12x	23.83%
2012	NYCTRS - 2012 Emerging Manager Program*	11/16/2012	175,000,000	11,420,109	2,270,755	7,629,508	0.87x	(30.34%)
2013	Carlyle Partners VI, L.P.	N/A	125,000,000	860,531	-	334,301	0.39x	(61.2%)
2013	Carlyle Partners VI, L.P. - Side Car	N/A	13,750,000	-	-	-	0.00x	N/A
2013	Landmark Equity Partners XV, L.P.	N/A	113,000,000	-	-	-	0.00x	N/A
2013	Landmark Equity Partners XV, L.P. - Side Car	N/A	37,000,000	-	-	-	0.00x	N/A
2013	Olympus Growth Fund VI, L.P.	N/A	100,000,000	-	-	-	0.00x	N/A
2013	Apollo Investment Fund VIII, L.P.	N/A	200,000,000	-	-	-	0.00x	N/A
2013	CVC Capital Partners VI, L.P.	N/A	207,982,908	-	-	-	0.00x	N/A
Total Portfolio[1]			**$ 5,122,867,823**	**$ 3,561,012,393**	**$ 2,229,845,907**	**$ 2,354,967,135**	**1.29x**	**9.05%**

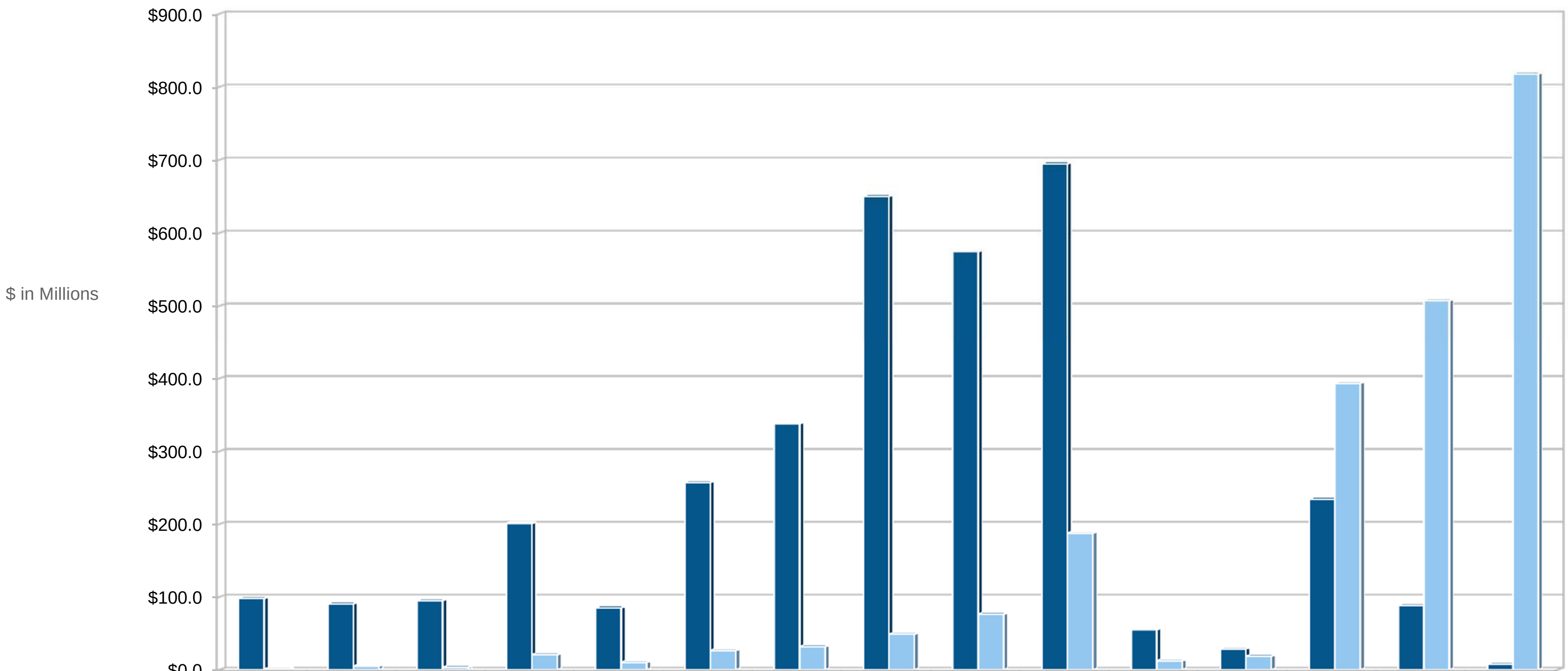
Vintage Year	Investment	First Drawdown	Committed Capital	Net Contributed Capital	Net Distributed Capital	Market Value	Multiple	IRR
Commitments Closed Subsequent to as of Date								
2014	Vista Foundation Fund II, L.P.	N/A	$ 17,500,000	$ -	$ -	$ -	N/A	N/A
2014	FTV IV, L.P.	N/A	17,500,000	-	-	-	N/A	N/A
Total Commitments Closed Subsequent to as of Date			**$ 35,000,000**	**$ -**	**$ -**	**$ -**	**N/A**	**N/A**

*Please note that the NYCTRS - 2012 Emerging Manager Program total commitment amount includes the full amount allocated to the Program, of which $56.3 million has been committed as of September 30, 2013

[1]Please note that the Total Portfolio is inclusive of liquidated investments in the TRS Portfolio and include sales proceeds from the 2012 Secondary Sale Partnerships

Note: Where available, September 30, 2013 reported valuations were used. In the absense of September 30, 2013 reported values, market values have been adjusted forward using interim cashflows through September 30, 2013. The IRR calculated in the early years of a fund is not meaningful given the j-curve effect. The aggregate portfolio performance figures for IRR and multiple are as of September 30, 2013.

Teachers' Retirement System of the City of New York
Commitments By Vintage Year
As of September 30, 2013

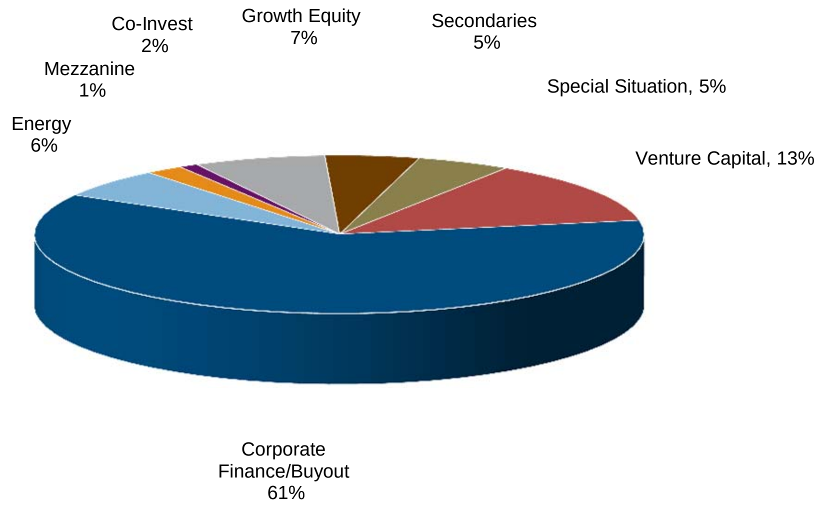


	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Funded Commitments	$97.8	$90.6	$95.0	$200.9	$85.0	$257.3	$338.0	$650.1	$574.4	$694.6	$55.0	$28.8	$234.2	$88.5	$7.4
Unfunded Commitments	$0.9	$5.0	$3.3	$20.7	$10.1	$26.5	$31.7	$48.8	$76.3	$187.7	$12.3	$18.6	$393.3	$507.2	$817.8

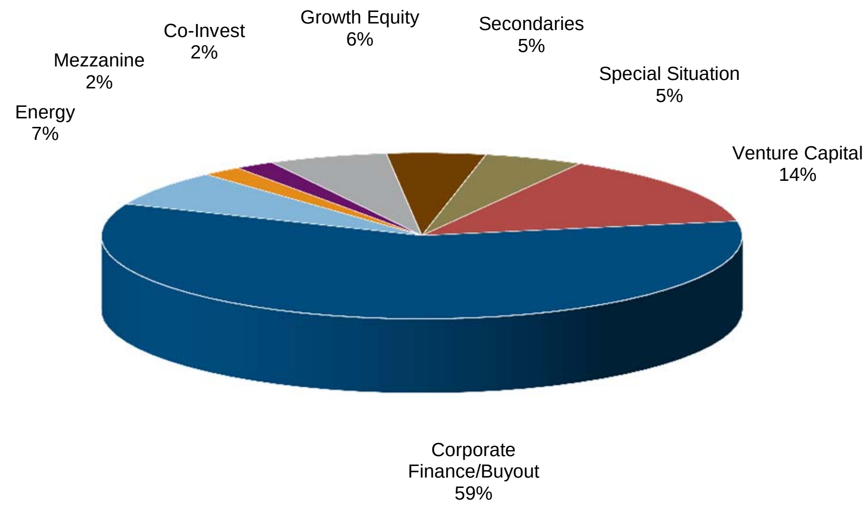
Funded Commitments exclude additional fees.
Unfunded Commitments include recallable returns of capital.

Teachers' Retirement System of the City of New York
Portfolio Strategic Diversification As
Measured By Reported Market Value

As of September 30, 2013



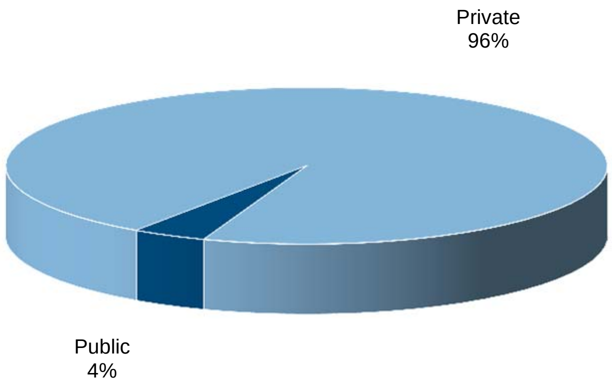
As of September 30, 2012



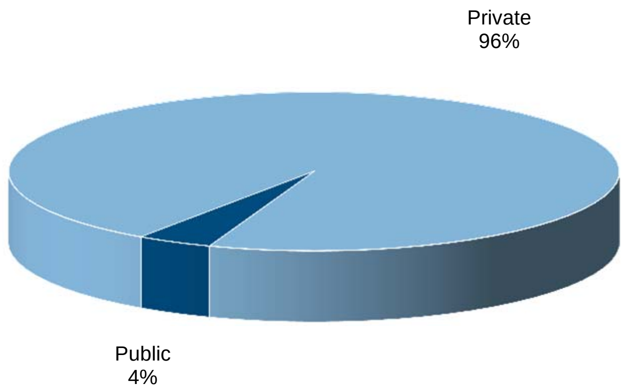
Note: The September 30, 2013 financial statement for Allegra Capital Partners IV, L.P., Celtic Pharmaceuticals Holdings, L.P., Erasmus New York City Growth Fund, L.P., and FdG Capital Partners, L.P. was not available from the general partner at the time of completion of this report. The remaining market value is based upon the last reported market value and adjusted forward for net cash flows.

Teachers' Retirement System of the City of New York
Public Vs. Private Holdings
As of September 30, 2013

Based on Number of Companies (1)



Based on Reported Market Value (1)



(1) Portfolio Company information as of September 30, 2013 for Allegra Capital Partners IV, L.P., Celtic Pharmaceuticals Holdings, L.P., CS TRSCNY Emerging Manager Co-Investment Fund, L.P., CS TRSCNY Emerging Manager Fund, L.P., Erasmus New York City Growth Fund, L.P., Fdg Capital Partners, L.P., and Lincolnshire Equity Fund II, L.P. was not available at the time of this analysis. Market values for underlying holdings have been carried forward from last quarter.

Appendix A:

Glossary of Terms

Teachers’ Retirement System of the City of New York

Third Quarter 2013 Report

Additional Fees: The amount of capital an investor pays into a fund/investment that does not count against the investors’ commitment. Additional fees typically consist of management fees or late-closing interest expense.

Capital Committed: An investor’s financial obligation to provide a set amount of capital to the investment.

Capital Contributed: Capital contributed from an investor’s capital commitment to fund partnership investments, organizational expenses and management fees.

Capital Distributed: Cash or stock disbursed to the investors of an investment.

Co/Direct Investment: A direct investment is a purchased interest of an operating company. A co-investment is a direct investment made alongside a partnership.

Corporate Finance/Buyout: Funds seeking to make controlling and non-controlling investments in established companies which have the potential to achieve greater value through improved performance.

Cost Basis: Capital contributions less return of principal.

Fund-of-Funds: An investment vehicle which invests in other private equity partnerships.

Fund/Investment Size: The total amount of capital committed by investors to a fund.

Investment Category: Used to identify investments in one of the following categories: co/direct investments, fund-of-funds, primary funds, secondary fund-of-funds or secondary purchases.

Investment Strategy: A sub-classification of a partnership’s investment type, such as Co/Direct Investment, Corporate Finance/Buyout, Mezzanine, Real Estate, Special Situation, Venture Capital.

Life Cycle Period: The current stage of a partnership depending on the percentage contributed to date. Life cycle periods are investment and realization.

Mezzanine: An investment strategy involving the purchase of subordinated debt. These securities exist between the senior debt and equity of a holding’s capital structure. Subordinated debt carries a lower level of risk than pure equity structures because they generate current income and have a more senior position in the company's capital structure.

Net Internal Rate Of Return (“IRR”): The discount rate that equates the net present value of the partnership’s cash outflows with its inflows and residual value at the time of calculation. The calculation is net of management fees and the general partner’s carried interest.

Originator: The institution responsible for recommending a client commit to an investment.

Ownership Percentage: The investor’s percent of ownership as measured by capital committed divided by fund/investment size.

Paid-In Capital: The amount of capital an investor has contributed to a partnership, which includes capital contributions and additional fees.

Teachers' Retirement System of the City of New York

Third Quarter 2013 Report

Pooled Average IRR: An IRR calculation which aggregates cash flows (paid-in capital and capital distributed) and the reported market values of each investment within a portfolio to create one portfolio investment and return.

Portfolio Holding Exposure: The limited partner's pro rata allocation to an underlying investment based on the ownership percentage of the partnership.

Primary Fund: Defines when the investor acquired an interest in the partnership. Primary fund is the investment category when an investor participates in a closing at the inception of the partnership.

Private Equity Partnership: A professionally managed pool of capital that generally invests in unlisted companies or securities. Common investment strategies include corporate finance/buyout, mezzanine, special situations and venture capital.

Realized Multiple: Ratio of cumulative distributions to paid-in capital.

Return On Investment ("ROI"): A calculation based on the total value (market value plus distributions) divided by paid-in capital for an investment.

Reported Market Value: The investment's capital account balance at quarter end, which includes the general partner's reported value of the underlying holdings and other assets and liabilities.

Secondary Fund-of-Funds: A private equity vehicle formed to purchase active partnership interests from an investor.

Secondary Purchase: A purchase of an existing partnership interest or pool of partnership interests from an investor.

Special Situation: Partnerships that invest using a unique strategy. Examples include distressed and turnaround, industry focused and multi-stage partnerships.

Total Exposure: Calculated by the summation of market value and unfunded commitments.

Venture Capital: An investment strategy that provides start-up or growth capital to companies in the early stages of development. Venture investments generally involve a greater degree of risk, but have the potential for higher returns.

Vintage Year: The year in which a partnership makes its first capital call for an investment into a portfolio company/holding.

Appendix B:

Disclosure Statements

Teachers’ Retirement System of the City of New York

Third Quarter 2013 Report

The information contained in this report may include forward-looking statements regarding the funds presented or their portfolio companies. Forward-looking statements include a number of risks, uncertainties and other factors beyond the control of the funds or the portfolio companies, which may result in material differences in actual results, performance or other expectations. The information presented is not a complete analysis of every material fact concerning each fund or each company. The opinions, estimates and analyses reflect our current judgment, which may change in the future.

All opinions, estimates and forecasts of future performance or other events contained herein are based on information available to Hamilton Lane as of the date of this presentation and are subject to change. Past performance of the investments described herein is not indicative of future results. Certain of the information included in this presentation has not been reviewed or audited by independent public accountants. Certain information included herein has been obtained from sources that Hamilton Lane believes to be reliable but the accuracy of such information cannot be guaranteed.

The past performance information contained in this report is not necessarily indicative of future results and there is no assurance that the funds will achieve comparable results or that they will be able to implement their investment strategy or achieve their investment objectives. The actual realized value of currently unrealized investments will depend on a variety of factors, including future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions and circumstances on which the current unrealized valuations are based.

Any tables, graphs or charts relating to past performance included in this report are intended only to illustrate the performance of the funds or the portfolio companies referred to for the historical periods shown. Such tables, graphs and charts are not intended to predict future performance and should not be used as the basis for an investment decision.

Real Estate Quarterly Report

Portfolio Profile

The Teachers' Retirement System of the City of New York has allocated 6.0% (+/- 2%) of the total plan to Real Assets. Real Estate investments are categorized under Real Assets. The Real Estate Portfolio's objective is to generate a total net return that exceeds the NFI-ODCE +100 bps total net return measured over full market cycles.

Portfolio Statistics (September 30, 2013)

Total Plan Assets	$51.8 billion
Target Real Assets Allocation (%)	6%
Target Real Assets Allocation ($)	$3.1 billion
Total Real Estate Market Value	$1.1 billion
Real Estate Unfunded Commitments	$730.2 million
Total Real Estate Exposure	$1.9 billion
Number of Investments	40
Number of Managers	32

Net Returns (as of September 30, 2013)

3Q13 Time-Weighted Net Return:	2.8%
1 Year Time Weighted Net Return:	11.3%
3 Year Time Weighted Net Return:	15.8%
Inception-to-Date (ITD) Time-Weighted:	8.7%
ITD Net IRR:	7.7%
ITD Net Equity Multiple:	1.2x

Investment Guidelines

Style Sector:	Target •40-60% Core/Core Plus •40-60% Non-Core
Benchmark	NFI-ODCE Index +100 bps net over full market cycles
Region Diversification	Maximum 25% Int'l
Investment Diversification	Limit 15% to a single investment
Manager Diversification	Limit 15% to a single manager
Leverage	65%

Third Quarter Investment Activity

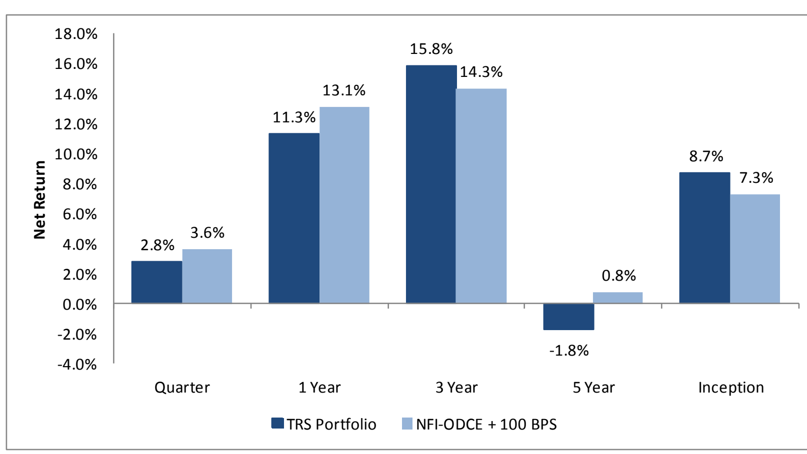
During the Quarter, the Board made a $25.0 million commitment to DivcoWest IV and a $190.0 million commitment to Lone Star III. Subsequent to Quarter-end, both deals closed.

OVERVIEW

During the Third Quarter of 2013 the global real estate market experienced $140 billion in transaction volume, 41% higher than the same period in 2012. Property markets continue to recover, although there still remains a gap between valuations of primary and secondary assets. However, yield compression for prime assets has compelled investors to target secondary market opportunities further along the risk spectrum.

In the United States, private sector balance sheets remain strong and investors continue to pursue opportunities in secondary and suburban markets in search for yield. Despite uncertainties regarding domestic policy, the outlook on the region remains strong. In Europe, sentiment has turned cautiously optimistic, given that the major issues appear to have been identified. Investors priced out of core assets in primary cities continue to track secondary markets and value-add opportunities which offer significantly higher yields than core assets in primary markets. In the Asia Pacific region, domestic and international investors continue to pursue investments in logistics, as there remains a shortage of quality supply . The Market Update section of this report provides additional information on global real estate conditions.

The Teachers' Retirement System of the City of New York ("NYCTRS") Real Estate Portfolio is, and has been, well positioned to take advantage of conditions in the real estate marketplace. NYCTRS has been an active global investor in both the Core/Core Plus space and Non-core space. Since the economic downturn, NYCTRS has committed to 17 investments totaling $1.5 billion of commitments. Post economic downturn, in the period reflected in the rolling three-year returns, NYCTRS performance exceeds benchmark by 153 basis points. At the end of the Third Quarter 2013, the Portfolio achieved a total gross return of 3.3% which was comprised of 1.2% income and 2.1% appreciation. The net return for the Quarter was 2.8%. A detailed analysis of NYCTRS' real estate performance is found later in this Executive Summary.



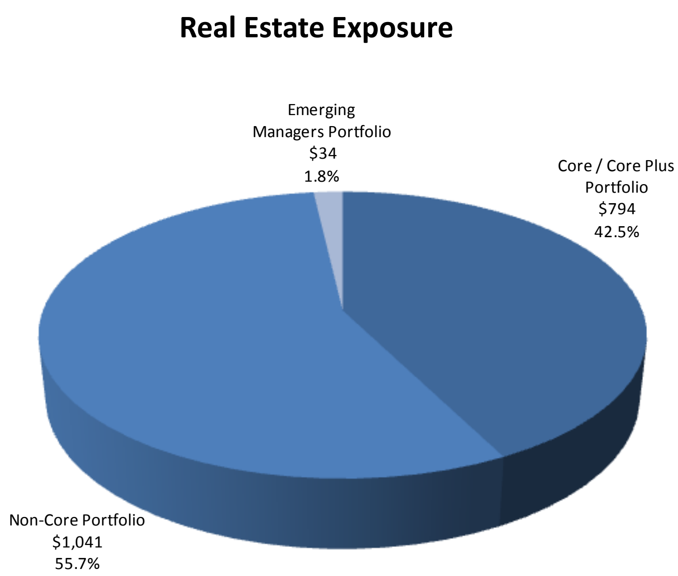
FUNDING AND COMPOSITION

At the end of the Third Quarter, the Portfolio was funded at $1.1 billion, or 2.2% of total plan assets. A total of $730 million in unfunded commitments are still outstanding. Unfunded commitments are up from just over $531 million as of Second Quarter 2013. However, new commitment activity has accelerated over the past several months and the trend will continue into 2014.

New contributions for the Quarter totaled $54.1 million, offset by just over $25.1 million in distributions and withdrawals. Distributions were weighted to the non-core sector.

Shown in the pie chart to the right is the current risk sector exposure calculated by Market Values + Unfunded Commitments. The Core/ Core Plus component accounts for 42.5% of the Portfolio exposure during the Quarter. The Non-Core component accounts for 55.7% of the Portfolio exposure. The Emerging Manager component accounts for 1.8% of the Portfolio exposure.

A more detailed break-down of the Portfolio Composition is shown in the table below. Attached as Exhibit A is a matrix which demonstrates compliance with various Investment Policy Statement guidelines.



Teachers' Retirement System of the City of New York		
Total Plan Assets	9/30/2013	$51,849
Real Asset Allocation (%)		6.0%
Real Asset Allocation ($)		$3,111
Style Sector Allocation		
Core / Core Plus Portfolio	40.0%	$1,244
Non-Core Portfolio	55.0%	$1,711
Emerging Managers Portfolio	5.0%	$156
Funded (Market Value) and Committed Statistics		
Core / Core Plus Portfolio		42.5%
Non-Core Portfolio		55.7%
Emerging Managers Portfolio		1.8%
$ Committed		$1,868
% Committed on Real Asset Allocation		60.0%
% Committed on Total Plan Assets		3.6%
Funded (Market Value) Statistics		
% Funded (Market Value) of Total Plan Assets		2.2%
% Funded (Market Value) of Total Real Asset Allocation		36.6%

PERFORMANCE

During the Quarter under review, the NYCTRS Real Estate Portfolio produced a 3.3% total gross return. The total net return for the Quarter was 2.8%. On a rolling one-year basis the total gross return of 13.4% was recorded. On a net basis the total return was 11.3%. On a gross basis the NYCTRS Portfolio exceeds the NFI-ODCE over the one-year, three-year and since inception periods. The benchmark return contemplates a 100 bps premium over the ODCE net return over full market cycles. This benchmark is exceeded over the three-year and inception time periods. The various components of the Portfolio returns are depicted in the chart below.

<u>Core/Core Plus</u>

As of September 30, 2013 the market value of the Core/ Core Plus Portfolio was $568 million, or 50.0% on an invested basis. On a funded and committed basis, the Core/ Core Plus Portfolio totaled $794 million, or 42.5% of the total Portfolio. The Core/ Core plus Portfolio generated a 3.5% total gross return for the Quarter comprised of 1.3% in income and 2.2% in appreciation. The total net return for the Quarter was 3.2%.

The most significant contributor to the Quarterly return for the Core/Core Plus Portfolio was JP Morgan Strategic Property Fund, which added 0.17% to the total return. The largest detractor from the Core/Core Plus Portfolio was UBS Trumbull Property Fund, which detracted (0.23)% from the total net return. It is important to note that while UBS may have underperformed it still maintained positive performance with a 2.5% total net return for the Quarter.

Post economic downturn, the Core/Core Plus Portfolio achieved a 13.6% net return over the three-year period ending September 30, 2013. Of the 13 Core/Core Plus Funds, PRISA II was the largest contributor, adding 0.47% to the overall performance of the Portfolio. UBS Trumbull Property Fund was the largest detractor, taking away (0.69)% from the overall performance of the Core/Core Plus Portfolio , however, with its low leverage target, UBS historically outperforms during down cycles.

<u>Non-Core</u>

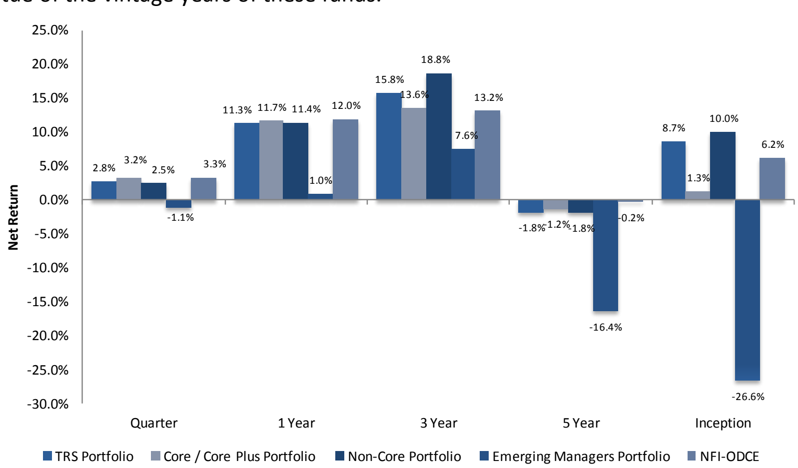
As of September 30, 2013 the market value of the Non- Core Portfolio was $544 million, or 47.8% on an invested basis. On a funded and committed basis, the Non-Core Portfolio totaled $1.0 billion, or 55.7% of the total Portfolio. The Non-Core Portfolio generated a 3.4% total gross return for the Quarter comprised of 1.1% in income and 2.3% in appreciation. The total net return for the Quarter was 2.5%.

Of the 22 Non-Core Funds that contributed to the Quarterly return, Carlyle Realty Partners VI contributed the most, adding 0.42%. Tishman Speyer was the largest detractor for the Quarter, taking away (0.77)% from the overall performance of the Non-Core Portfolio.

The Non-Core Portfolio generated a three-year net return of 18.8%. Of the 23 non-core Funds that contributed to the three-year performance of the Portfolio, The City Investment Fund I was the largest contributor, adding 2.99%. The largest detractor among these Funds was Canyon Johnson Urban Fund II, which took away (1.51)% from overall Non-Core performance.

<u>Emerging Managers</u>

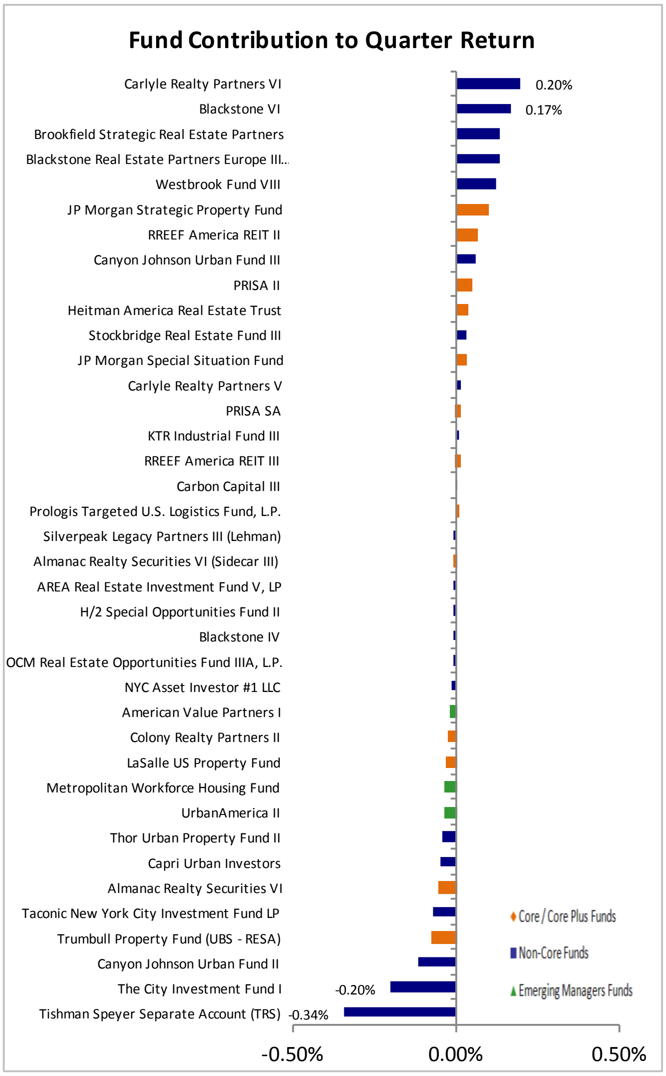
As of September 30, 2013 the market value of the Emerging Managers Portfolio was $26 million, or 2.3% on an invested basis. On a funded and committed basis, the Emerging Managers Portfolio totaled $34 million, or 1.8% of the total Portfolio. The Emerging Managers Portfolio generated a (0.7)% total gross return for the Quarter comprised of 2.4% in income and (3.1)% in appreciation. The total net return for the Quarter was (1.1)%. The Emerging Managers Portfolio has underperformed for a number of reasons including the fact that performance has been adversely impacted by virtue of the vintage years of these funds.



PERFORMANCE

Portfolio Performance

At the end of the Third Quarter 2013, the Portfolio had a cumulative market value of $1.1 billion. Total market value plus unfunded commitments was $1.9 billion, or 60.0% of the real estate allocation. During the Quarter, the Portfolio achieved a total gross return of 3.3% which was comprised of 1.2% in income and 2.1% in appreciation. The Portfolio achieved a total net return of 2.8%. Since inception, the Portfolio has a net IRR of 7.7% and an equity multiple of 1.2x as of September 30, 2013. Note, attached as Exhibit B are performance metrics relating to each investment within the Portfolio.



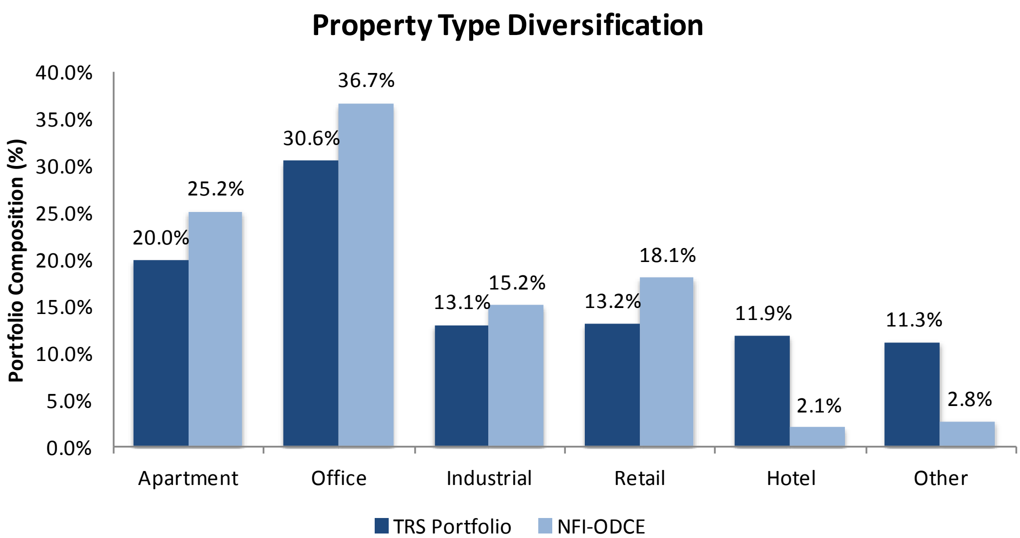
The Quarterly return was driven by Carlyle Realty Partners VI, which contributed 0.20% to the overall performance. In addition, Blackstone VI had a substantial impact on the Portfolio, contributing 0.17%. The primary laggards in the Portfolio were Tishman Speyer TRS and The City Investment Fund I, detracting (0.34)% and (0.20)%, respectively. Brief reviews of Funds making positive contributions to performance during the Quarter are found below. Note, that attached as Exhibit C are charts relating to fund contributions to returns during different relevant periods.

Carlyle Realty Partners VI (Carlyle VI). Carlyle VI had a total gross return of 9.7% comprised of 4.5% in income and 5.2% in appreciation. The net return after fees was 7.6%. As of September 30, 2013, Carlyle VI has closed on 87 investments requiring approximately $1.5 billion of Fund equity. Subsequent to Quarter end, Carlyle placed under contract or closed on an additional 21 investments, bringing the total equity commitment amount to approximately $1.7 billion. The Fund has fully realized eight investments and partially realized one, resulting in a gross IRR of 69% and a 2.1x gross equity multiple.

Blackstone Real Estate Partners VI (BREP VI). BREP VI produced a total gross return during the Quarter of 6.2%, comprised of 0.2% in income and 6.0% in appreciation. The net return after fees was 4.8%. During the Quarter, the valuation of the portfolio increased by $813.0 million, or 6.0%. The increase in valuation was due to improved demand in the office, hotel, retail and industrial sectors, which continue to be underpinned by limited new supply. These factors contribute to increases to several of the Fund's major investments. During the Quarter, the Fund completed the sale of 6,861 apartment units located a international multi-family portfolio. Based on this sale, and the value of the remaining holdings (7,918 units), the overall transaction is expected to generate more than 1.7x the original invested equity of $57.0 million. Additionally, the Fund sold five office properties from an office portfolio, generating $500.0 million in proceeds, which was used to pay down debt. The Fund is working on a number of public offerings that will likely file in the fourth quarter.

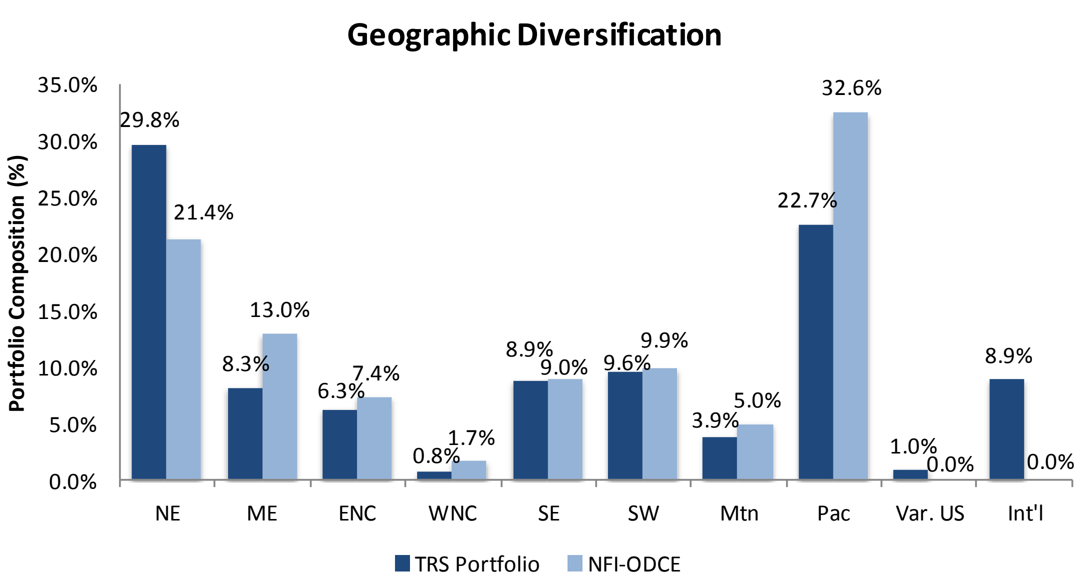
PROPERTY TYPE DIVERSIFICATION

The diversification of the current Portfolio by property type is shown below and compared to the diversification of the NCREIF-ODCE at the end of the Quarter. Relative to the ODCE, the Portfolio is still underweight to all property sectors (excluding hotels) due to TRS' allocation to other property types such as For Sale Residential, Self Storage, Land , Health Care, Medical Office, Senior Living and Student Housing.



GEOGRAPHIC DIVERSIFICATION

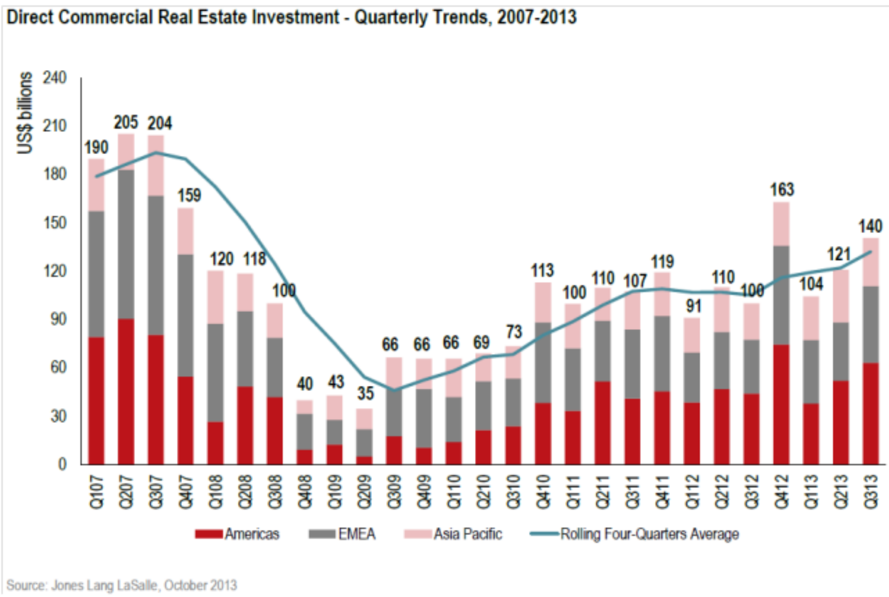
The diversification of the current funded Portfolio by geographic region is shown below and compared to the diversification of the NFI-ODCE at the end of the Quarter. The ODCE is a US-only index. The domestic portion of the Portfolio is well diversified relative to the ODCE with a slight overweight to the Northeast and a slight underweight to the Mid East, East North Central and Pacific. The 8.9% international exposure is appropriate for the risk and return profile of TRS and consistent with our long-term target.



MARKET UPDATE

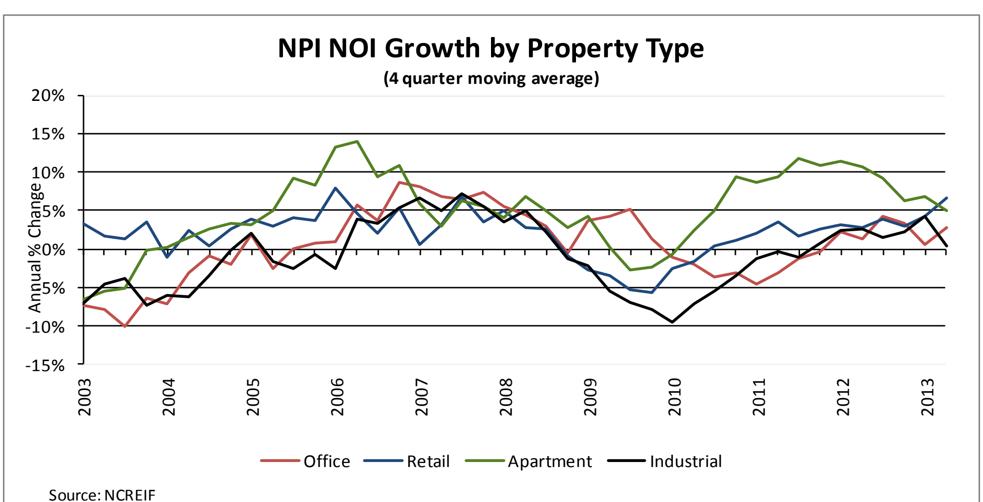
General Market Overview

The commercial real estate market experienced transaction volume of $140 billion during the third quarter, 16% higher than second quarter 2013, and 41% higher than third quarter 2012. Liquidity across all sectors seems to be improving, as sales volumes for the full-year are expected to be between 525-$575 billion (20-25% lower than the peak in 2007). Albeit concerns regarding the U.S. government shutdown, the global commercial real estate outlook remains positive.



Across the world, increasing investor confidence and competition for core assets in prime markets is pushing yields down and driving investors up the risk spectrum. Investors who have been priced out of primary/CBD markets continue to search for yield in secondary/suburban markets. This theme ties to the macro trend of urbanization and the emergence of new CBD locations in secondary and suburban markets.

Real Estate NOI Growth has been healthy over the last few years, and is expected to do so until capped by macro-economic outlook and a resurgence of new supply. Of the main property types, apartments and retail have exhibited the most growth; however, growth rate differentials between all of the property types are expected to narrow over time. The chart below depicts property level NOI growth over the past ten years.



MARKET UPDATE cont.

Direct Commercial Real Estate Volumes, 2012-2013

$ US Billions	2Q13	3Q13	% Change 2Q13 - 3Q13	3Q12	% Change 3Q12 - 3Q13	YTD 2012	YTD 2013	% Change YTD 2012 - YTD 2013
Americas	52	63	21%	44	43%	129	153	18%
EMEA	36	47	31%	33	42%	100	123	23%
Asia Pacific	33	30	-8%	22	33%	72	90	25%
Total	121	140	16%	99	41%	301	366	21%

Source: Jones Lang LaSalle, October 2013

The United States

The Americas experienced $63 billion in transaction volume during the Quarter, up 43% from Third Quarter 2012. Of these transactions, $55.0 billion is attributable to the United States. This is the first time since 2007 that the US has seen transaction volumes surpass $50.0 billion (ignoring 4Q12, which was driven by circumstances linked to changing tax rules for transactions). The government shutdown infused uncertainty into the recovery, pushed October consumer confidence to its lowest point in nine months, and is expected to temper GDP Growth. Furthermore, market uncertainty over when the Fed will taper its $85 billion monthly bond buying program persists. Albeit uncertainties about domestic policy implications, the underlying outlook on the region has remained unchanged

Private sector balance sheets remain strong and growth is expected to continue into the foreseeable future, non-core investments remain attractive due to positive spreads over core assets, and investors priced out of primary/CBD markets continue to search for yield in secondary/suburban markets.

Europe

Townsend's view toward the European commercial real estate market has turned cautiously optimistic, given that the major issues in the region appear to have been identified. Recent interventions from European Central Bank have helped stabilize borrowing costs, and economic fundamentals are improving across the entire region. The United Kingdom is leading the region's economic recovery with other countries such as Sweden, Germany and even Spain exhibiting positive signs for growth.

The majority of the transactions that took place during the Quarter were core assets in primary cities; primarily within the United Kingdom, Germany, and France. However, investors have shown growing interest in secondary markets and value add opportunities which offer significantly higher yields than core assets in primary markets. As a result, markets such as Poland, Spain and the Netherlands, which have seen limited investment action over the past few years, are beginning to see an influx of capital from investors.

Asia

The Asian Pacific real estate market experienced $30 billion in transaction volume during the Quarter, up 33% from Third Quarter 2012. Transaction volume has slowed in the second half of the year as investors are becoming more concerned that rising interest rates will lead to higher property yields, resulting in reduced property values. Nonetheless, 2013 is set to become a record year for transaction volumes in the region. It is important to note that although the region has exhibited positive signs in terms of growth, investors should remain cautious regarding the regions interest rate environment and longer-term cap rate outlook.

In Japan, logistics development opportunities continue to generate solid risk-adjusted returns due to the shortage of quality supply in the region. Chinese retail and logistics sectors continue to be of interest due to strong fundamental trends such as urbanization, income growth and supportive government policies. India continues to battle with macro-economic issues that present a less attractive investment environment. The Australian market presents attractive core opportunities with high absolute unleveraged yields (6.25% to 8.0%) and with spreads to government bonds that are at, or near, historic highs.

EXHIBIT A: COMPLIANCE MATRIX

Category	Requirement	Portfolio Status
Benchmark	NFI-ODCE (net) +100 bps over full market cycles	*Portfolio returns outperform the benchmark.*
Portfolio Composition	Core/Core Plus (minimum of 40%)	*The portfolio is funded (market value) and committed at 60.0 % of real asset allocation with a portfolio composition of 42.5% core, 55.7% non-core, and 1.8% emerging.*
	Non Core (minimum of 40%)	
	Non Core Emerging (greater of $93 million or 5% of the total real estate allocation)	
Real Asset Allocation	Target of 6.0%	*Funded (market value) and committed dollars place the portfolio at 3.6 % of total plan assets.*
	Currently Funded at 2.2%	
Property Type Diversification	Up to 40% Mutlifamily Up to 35% Industrial Up to 45% Office Up to 35% Retail Up to 25% Hotel Up to 20% Other	*All property type locations are in compliance.*
Geographic Diversification	Diversified geographically Max 25% Ex-US	*All geographic type locations are in compliance*
LTV	65%	*Portfolio is in early stages of funding, but is in compliance (39.4%).*
Manager Exposure	15% of real estate allocation	*Manager exposure is within compliance ranges.*

EXHIBIT B: FOIL

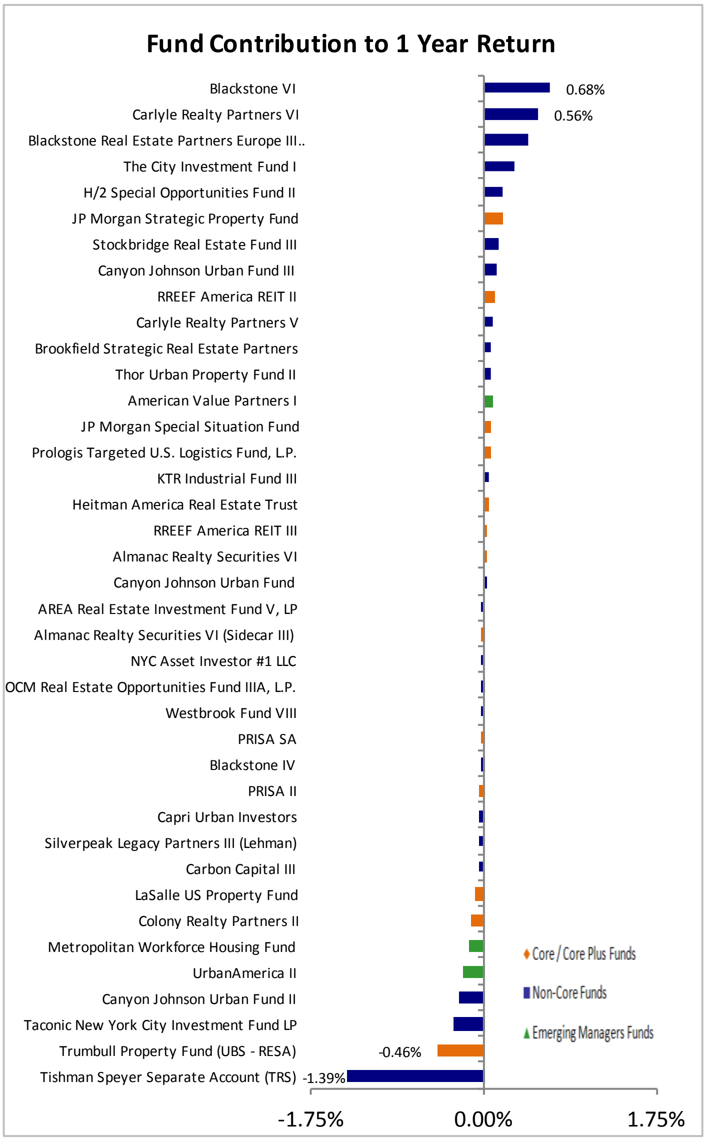
The Townsend Group®

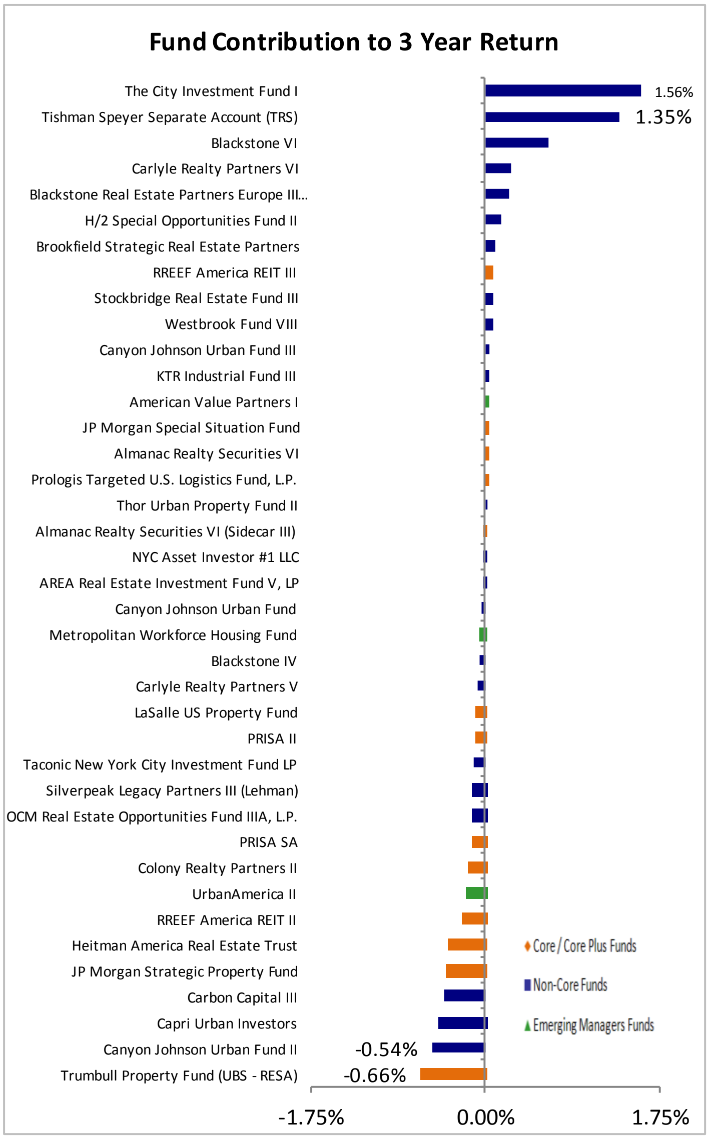
Teachers' Retirement System of the City of New York

Vintage Year	Fund Name	First Draw Down	Capital Committed	Contributions	Distributions	Market Value	Equity Multiple	Net IRR
2006	UBS Trumbull Property Fund ("UBS-TPF")	9/28/2006	$106,000,000	$121,921,782	($12,562,273)	$131,528,397	1.2	5.2%
2006	RREEF America REIT II	10/1/2006	$36,000,000	$47,527,452	($16,114,524)	$37,893,283	1.1	2.4%
2006	PRISA SA	9/29/2006	$36,000,000	$37,915,072	($4,858,819)	$36,985,685	1.1	1.5%
2006	Prologis Targeted U.S. Logistics Fund	10/1/2006	$10,000,000	$11,859,707	($1,949,374)	$8,611,735	0.9	-2.0%
2007	JP Morgan Strategic Property Fund	12/4/2006	$86,000,000	$89,898,004	$0	$118,397,530	1.3	6.4%
2007	Heitman HART	3/29/2007	$48,000,000	$58,261,878	($10,261,878)	$64,349,226	1.3	6.0%
2007	PRISA II	6/30/2007	$63,374,139	$65,861,280	($6,169,802)	$62,956,559	1.0	1.0%
2007	JP Morgan Special Situation Property Fund	1/2/2007	$15,000,000	$16,427,010	($2,530,033)	$13,683,144	1.0	-0.2%
2007	Colony Realty Partners II	12/20/2006	$15,000,000	$16,065,058	($499,580)	$6,067,700	0.4	-14.2%
2007	RREEF America REIT III - 1410	10/1/2007	$15,000,000	$14,836,751	($1,732,525)	$5,150,479	0.5	-12.1%
2010	LaSalle Property Fund	7/1/2010	$50,000,000	$42,935,223	($3,177,522)	$48,759,262	1.2	12.2%
2012	Almanac Realty Securities VI	6/6/2012	$100,000,000	$32,333,586	($6,035,947)	$28,564,247	1.1	10.1%
2012	Almanac Realty Securities VI (Sidecar III)	7/31/2012	$35,000,000	$3,056,275	($213,563)	$3,130,346	1.1	12.2%
2013	NYC Asset Investor #2 LLC	7/9/2013	$145,000,000	$2,474,355	$0	$2,299,232	0.9	-27.6%
	Core / Core Plus Portfolio		**$760,374,139**	**$561,373,432**	**($66,105,840)**	**$568,376,825**	**1.1**	**3.0%**
2003	OCM Real Estate Opportunities Fund IIIA	5/30/2003	$15,000,000	$15,000,000	($22,657,038)	$1,947,022	1.6	10.7%
2003	Canyon Johnson Urban Fund	12/6/2002	$15,000,000	$13,590,364	($15,874,432)	$0	1.2	10.2%
2004	Tishman Speyer Separate Account (TRS)	8/5/2004	$100,000,000	$72,402,952	($185,099,124)	$65,787,180	3.5	57.9%
2004	The City Investment Fund I	3/16/2004	$120,000,000	$118,337,757	($76,206,040)	$52,148,682	1.1	2.1%
2004	Blackstone Fund IV	5/10/2004	$25,000,000	$32,033,922	($28,230,013)	$14,723,569	1.3	11.3%
2005	Canyon Johnson Urban Fund II	5/11/2005	$30,000,000	$26,966,112	($2,181,860)	$12,078,601	0.5	-10.3%
2006	AREA Real Estate Investment Fund V, LP	6/15/2006	$5,000,000	$5,000,001	($1,389,386)	$2,257,264	0.7	-6.8%
2007	Blackstone Real Estate Partners VI	9/27/2007	$50,000,000	$52,341,678	($14,808,735)	$63,748,183	1.5	11.2%
2007	Metropolitan Workforce Housing Fund	7/13/2007	$10,500,000	$10,509,770	($746,539)	$9,764,545	1.0	0.0%
2007	Carlyle Realty Partners V	8/27/2007	$15,000,000	$17,935,410	($16,149,371)	$6,781,576	1.3	7.8%
2007	UrbanAmerica II	1/30/2007	$11,000,000	$10,218,031	$0	$4,597,365	0.4	-13.7%
2008	Capri Urban Investors	6/3/2008	$40,000,000	$39,987,138	$0	$28,722,837	0.7	-9.3%
2008	Stockbridge Real Estate Fund III	9/9/2008	$22,500,000	$21,904,458	$0	$23,849,806	1.1	3.0%
2008	American Value Partners Fund I	10/18/2007	$25,000,000	$17,724,584	($5,583,586)	$11,568,631	1.0	-1.2%
2008	Silverpeak Legacy Partners III (Lehman)	5/28/2008	$30,000,000	$11,748,148	($2,819,519)	$3,048,199	0.5	-19.2%
2009	Carbon Capital III	7/2/2009	$40,000,000	$43,757,162	($38,817,612)	$13,609,143	1.2	8.4%
2009	Thor Urban Property Fund II	10/30/2008	$12,500,000	$16,173,958	($5,552,254)	$10,364,747	1.0	-1.1%
2009	JP Morgan Urban Renaissance Property Fund	12/18/2008	$16,360,625	$4,206,523	($4,206,523)	$0	1.0	0.0%
2010	Blackstone Real Estate Partners Europe III (USD Vehicle)	10/24/2008	$50,000,000	$43,856,156	($4,641,036)	$49,864,992	1.2	17.5%
2010	Westbrook Real Estate Fund VIII	12/28/2009	$50,000,000	$58,300,126	($23,301,072)	$46,855,617	1.2	14.4%
2010	Canyon Johnson Urban Fund III	3/29/2010	$25,000,000	$21,480,877	($7,561,247)	$17,775,942	1.2	9.8%
2011	Carlyle Realty Partners VI	9/14/2011	$70,000,000	$29,562,284	($2,695,294)	$35,682,855	1.3	24.6%
2011	H/2 Special Opportunities Fund II	1/31/2011	$40,000,000	$21,236,906	($2,608,956)	$24,745,054	1.3	24.2%
2012	Brookfield Strategic Real Estate Partners	9/20/2012	$125,000,000	$31,449,482	$0	$34,207,553	1.1	17.1%
2012	Taconic New York City Investment Fund LP	7/5/2012	$70,000,000	$21,159,091	$0	$20,315,668	1.0	-3.9%
2013	KTR Industrial Fund III	6/28/2013	$70,000,000	$9,589,081	$0	$9,798,078	1.0	12.6%
2013	NYC Asset Investor #1 LLC	6/25/2013	$60,000,000	$4,550,566	$0	$4,489,704	1.0	-4.9%
2013	NYC Asset Investor #3 LLC	9/20/2013	$96,000,000	$749,700	$0	$740,236	1.0	-37.1%
	Non Core and Emerging Manager Portfolio		**$1,238,860,625**	**$771,772,238**	**($461,129,638)**	**$569,473,049**	**1.3**	**13.8%**
	Non Core and Emerging Manager Portfolio W/O Tishman SA		**$1,138,860,625**	**$699,369,286**	**($276,030,514)**	**$503,685,869**	**1.1**	**4.2%**
	Teachers' Retirement System of the City of New York W/O Tishman SA		**$1,899,234,764**	**$1,260,742,718**	**($342,136,355)**	**$1,072,062,694**	**1.1**	**3.5%**
	Teachers' Retirement System of the City of New York		**$1,999,234,764**	**$1,333,145,670**	**($527,235,479)**	**$1,137,849,874**	**1.2**	**7.7%**

Source: PCG historical cash flow data. TTG cash flow data from Fund Managers, effective 2005. Note: The equity multiples and IRRs contained in this report are interim calculations based upon information provided by the investment managers of the New York City Retirement Systems, including cash flows and quarterly unaudited, or audited, valuations. The IRR calculated in early years of a fund life is not meaningful given the J-curve effect and can be significantly impacted by the timing of cash flows, investment strategy, investment pacing, and fund life. The calculations are not necessarily indicative of total fund performance, which can only be determined after the fund is liquidated and all capital contributed and earnings have been distributed to the investor. All data supplied is as of September 30, 2013. Note: The General Partner of the JPMorgan Urban Renaissance Fund terminated the Fund on February 23, 2010 and all capital contributed, including management fees, was returned to investors.

EXHIBIT C : ATTRIBUTION





II. January Monthly Performance Review (**Handout**):

III. Risk Presentation:

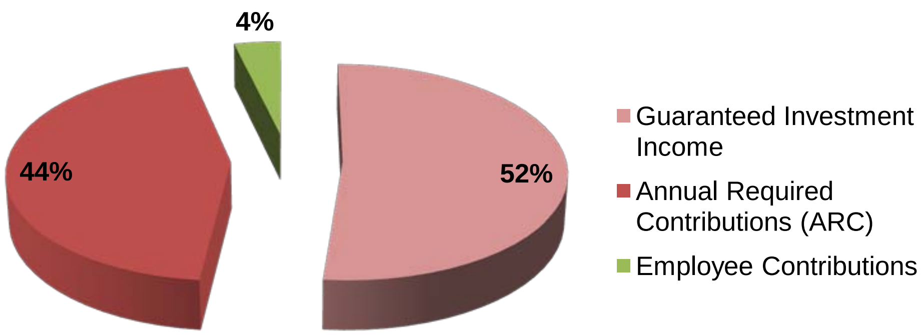
The Pension Balance Sheet: A Risk Manager's Perspective

THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BAM Risk Management

February 19, 2014

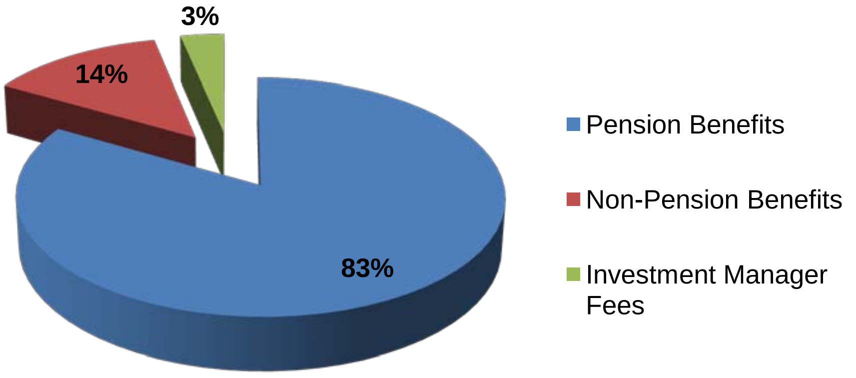
Annual Income

- $11.0B Guaranteed Annual Investment Income
- $9.5B Annual Required Contributions (ARC)
- $0.8B Employee Contributions
- $21.3B Total Income



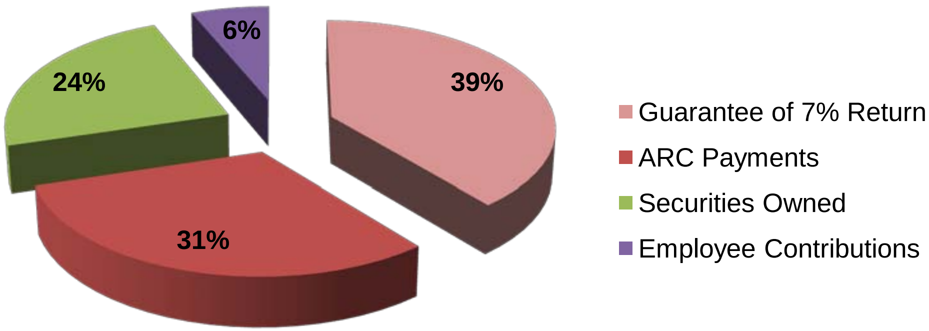
Annual Disbursements

- $10.0B Pension Benefits
- $1.6B Non-Pension Benefits
- $0.4B Investment Management Fees
- <u>$12.0B </u>Total Disbursements



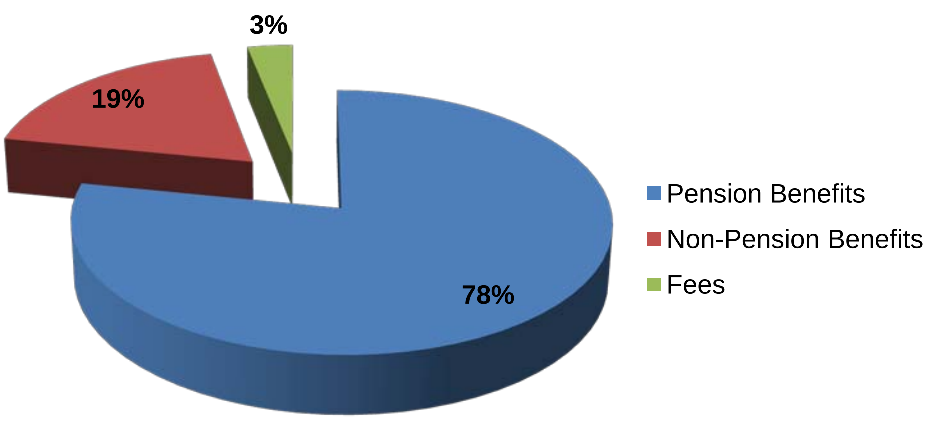
Market Value of Assets

- $250B Guarantee of 7% Return
- $200B ARC Payments
- $150B Securities Owned
- $40B Employee Contributions
- $640B Total Assets



Market Value of Liabilities

- $500B Pension Benefits
- $120B Non-Pension Benefits
- $20B Investment Management Fees
- <u>$640B </u>Total Liabilities



IV. EM Debt Education:

Emerging Markets Debt Discussion

March 6, 2014

Introduction

- At the June 2011 Investment Meeting, the Board approved a 3% allocation to emerging market debt (EMD) representing approximately $1.6 billion based upon December 31, 2013 assets in the TRS Pension.

- BAM is now ready to implement this allocation. Implementation considerations for EMD include:
    - How much U.S. Dollar versus local currency exposure to target and how much flexibility to allow the investment managers
    - How much emerging market corporate debt to allow
  - Currency exposure will generally be unhedged
  - Active management versus passive

- These considerations will be central to defining a benchmark for the program.

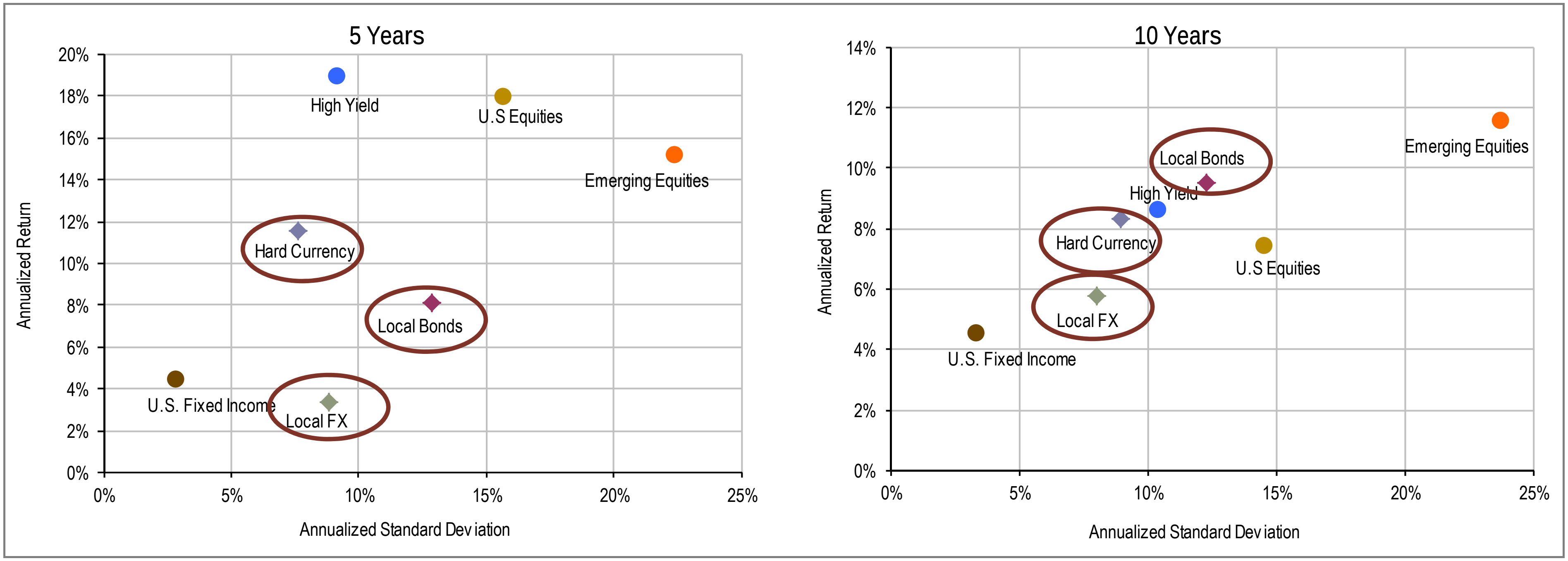
Glossary of Terms

- **External debt/hard currency debt**: Debt of sovereign nations defined by the World Bank as "middle income" or below, denominated in a developed nation currency (typically USD but also Euro, Yen, Swiss Franc)
- **Local currency debt**: Debt of sovereign nations defined by the World Bank as "middle income" or below, denominated in that nation's currency (e.g. Mexican bonds denominated in Mexican Pesos, Brazilian bonds denominated in Real)
- **Foreign exchange**: Emerging nations' currency
- **Quasi sovereign**: A partially or wholly state owned corporation (examples include PEMEX in Mexico, Gazprom in Russia and Petrobras in Brazil)
- **Corporate debt**: Predominantly U.S. dollar denominated debt of corporations domiciled in emerging markets typically issued with legal jurisdiction in London or New York

Asset Class Overview

- Remarkable evolution in the asset class over the last 25 years
- Return expectations have changed dramatically during that time as spreads have narrowed in response to consistent improvements in credit quality
- More recently, fundamentals have deteriorated in some key countries
- Arguably 3 asset classes: external debt, local currency debt and corporate debt. All three can be combined in one portfolio or individually through dedicated mandates
- External debt has significant interest rate risk but meaningful spread advantage versus similar rated domestic fixed income
- Investing in emerging market corporate and quasi-sovereign bonds can offer additional spread and diversification
- Local currency debt can be volatile, is concentrated in a smaller number of countries and varies in liquidity
- Local currency debt may provide a hedge against U.S. dollar weakness, has a growing opportunity set but is vulnerable to periods of U.S. dollar strength
- Although the asset classes offer reasonable relative value, emerging nations have had a strong run in the last 10-15 years and headwinds may produce greater volatility such as in May/June 2013

EMD Opportunity Set Total Returns



- Emerging debt outperformed most other asset classes on both an absolute and a risk adjusted basis over the past 10 years.
- This strong performance reflects a period of gradual and significant improvement after a wave of emerging market crises.
- More recently, performance has been challenged, relative to other asset classes, as worries over a potential slowdown in growth and capital flows have hurt performance.

Legend

Asset Class	**Index Proxy**
Hard Currency	JPM EMBIG
Local FX	JPM ELMI+
Local Bonds	JPM GBI-EMGD
U.S Equities	S&P 500
Emerging Equities	MSCI EM
High Yield	BC HY
U.S. Fixed Income	BC Agg

Sources: JPMorgan, Bloomberg, Rocaton

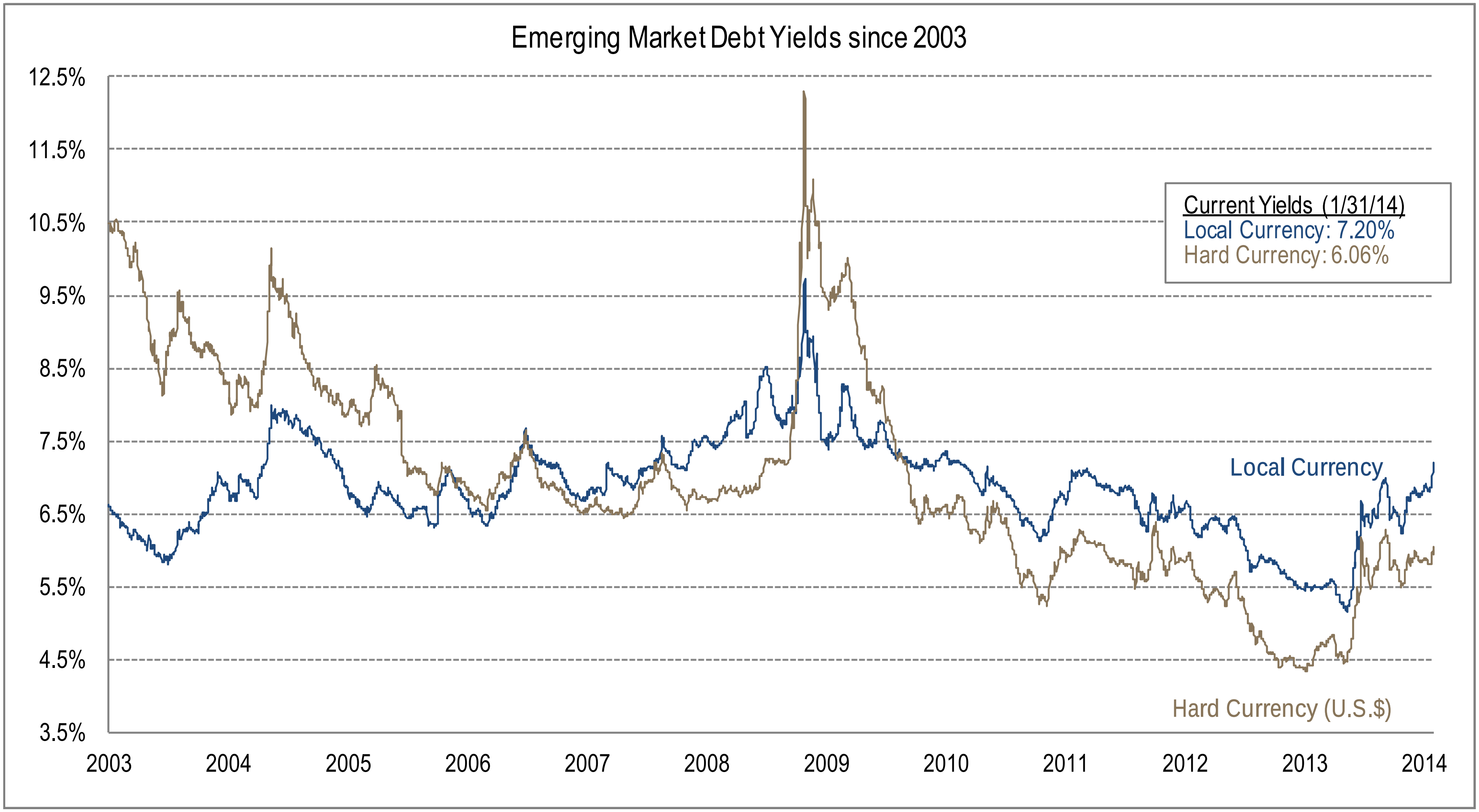
Rocaton Asset Class Outlooks – January 31, 2014

Asset Class	3-Year Total Return Outlook	Expected Next 10 Year Compound Return	Expected Equilibrium Compound Return	Expected Annual Risk (STDEV)
Fixed Income				
Cash	↓↓	2.1%	3.1%	1.2%
U.S. Inflation-Linked Bonds	↓	3.5%	4.8%	6.7%
Core U.S. Fixed Income	↓↓	3.7%	5.2%	4.5%
Bank Loans	↓	4.5%	5.2%	8.8%
High Yield Fixed Income	↓↓	4.4%	6.6%	10.0%
Emerging Markets Debt (Hard Currency)	↓	5.4%	6.3%	9.7%
Emerging Markets Debt (Local Currency)	—	6.3%	6.8%	11.9%
Convertibles	—	6.5%	6.7%	17.2%
Long U.S. Treasuries	↓↓	3.6%	5.5%	12.8%
Long Corporate Bonds	↓↓	4.6%	6.5%	10.9%
Equity				
U.S. Equity	—	6.8%	7.3%	21.9%
Non-U.S. Developed Equity (Unhedged)	—	8.1%	7.3%	22.0%
Emerging Markets Equity	↑	9.8%	8.3%	27.5%
Global REITS	—	6.8%	7.3%	22.0%
Other				
Commodities	—	2.6%	3.1%	15.8%
Illiquids				
Private Equity – Buyout	N/A - Illiquid	8.1%	8.6%	28.1%
Private Equity – Venture	N/A - Illiquid	9.9%	10.3%	37.0%
Private Real Estate	N/A - Illiquid	6.3%	6.5%	12.5%
Funds-of-Hedge-Funds	N/A - Illiquid	6.1%	6.1%	8.9%

Strongly Negative	Negative	Neutral	Positive	Strongly Positive
↓↓	↓	—	↑	↑↑

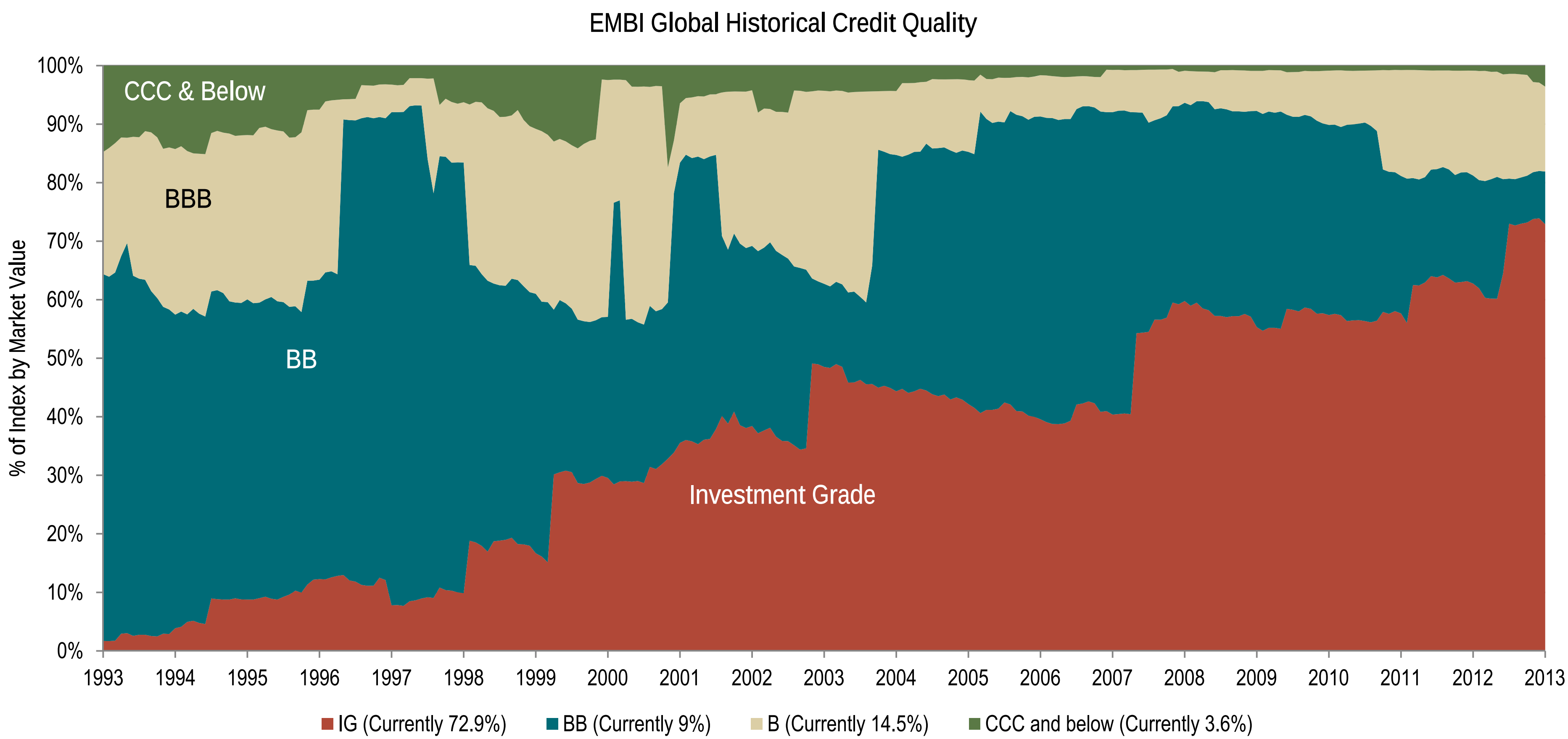
Based on Rocaton's December 31, 2013 Capital Market Assumptions. Expected returns are shown on a pre-tax, net of fee basis and assume passive implementation for public markets. These are long-term forward looking expectations and there is no guarantee these will be realized.

Historical Hard and Local Yields



Source: Bloomberg, Rocaton. Updated through January 31, 2014.

EMBI Global Diversified - Historical Credit Quality



- Improving fundamentals have led to improved credit quality of the emerging debt index over the past several years.
- Investment grade credit represented less than 2% of the index at inception and represented over 70% as of 2013.
- Arguably, the rating agencies have been much more conservative in EMD than in areas such as structured finance.

Source: JPMorgan. Updated through December 31, 2013.

Why External Debt Benchmark?

- Since the mid-1990's, EMD portfolios have incorporated varying proportions of hard currency debt, local currency debt, foreign exchange, corporate bonds and quasi-sovereign bonds
- Choosing an external debt benchmark such as the JPM EMBI Global anchors the allocation in US dollar denominated assets but does not preclude investing in non-benchmark sectors on a tactical basis
- Potential US dollar strength, deteriorating fundamentals in some emerging nations, headwinds for emerging corporates undermine the benefits of embedding corporate debt or local currency bonds in a strategic benchmark

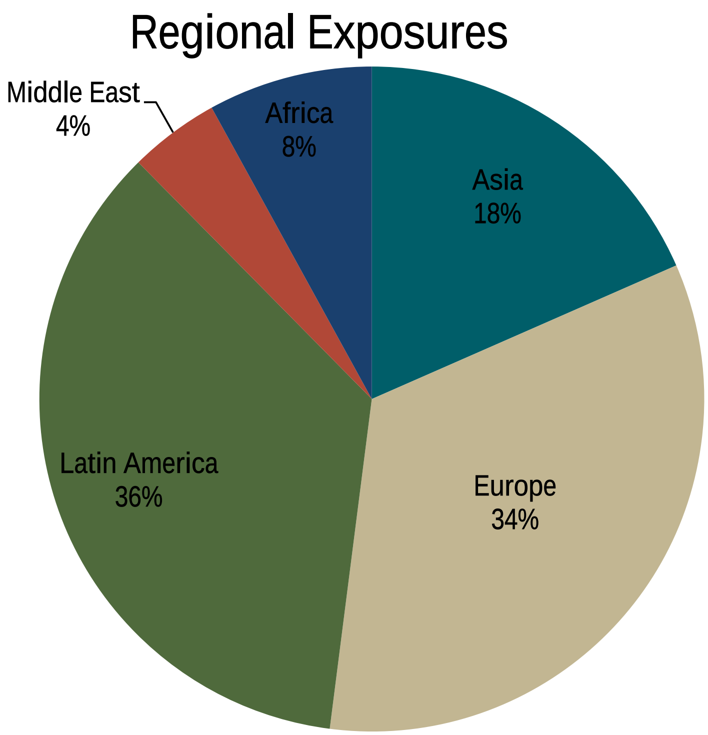
Implementation Recommendations

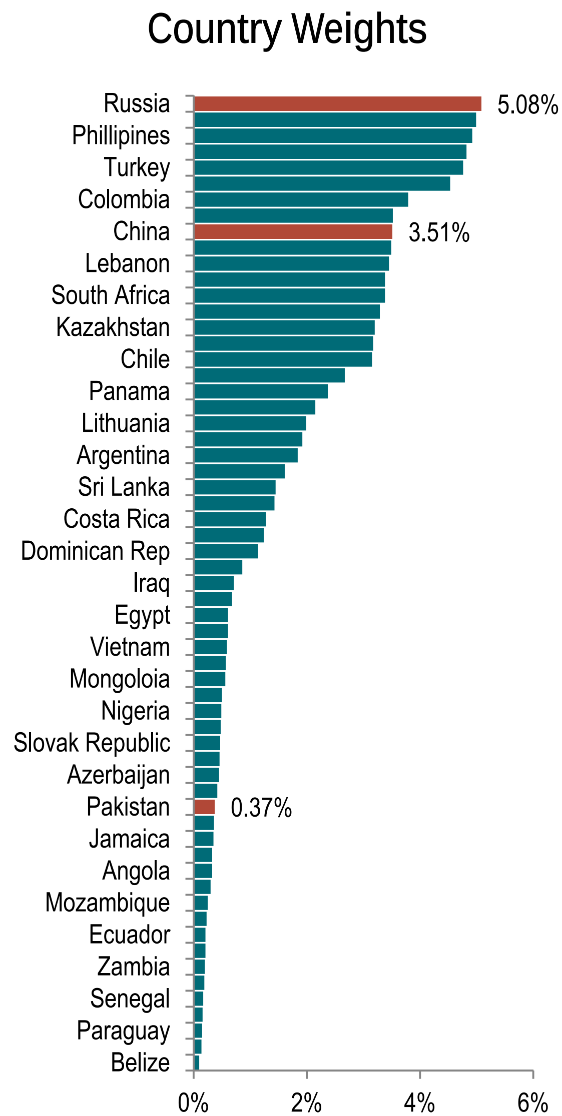
Implementation Consideration	Recommendation	Rationale/Considerations
Program Benchmark	• J.P. Morgan Emerging Markets Bond Index Global Diversified	• Contains only US dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds. • Conscious decision **not** to embed local currency and corporate issues in the benchmark • Includes TRS country restrictions of Russia, China, Pakistan
Local Currency	• No explicit target to Local Currency • 50% max. allocation to local currency issues	• Weak technical backdrop • Generally deteriorating fundamental environment • Lack of proficient investors focused on local currency
Corporate	• 35% max. allocation to corporate issuers • Treat quasi sovereigns as corporates	• Broadens the opportunity set and offers increased returns
Foreign Currency Hedging Policy	• Non-dollar exposures will generally be unhedged but hedging will be left to managers' discretion	• Seek additional return and diversification by tactically adding local denominated interest rate exposure or foreign currency exposure
Active vs. Passive	• 100% Active	• Poor options for passive implementation • Median active performance has outperformed index after fees • Multiple exploitable opportunities for active managers

Appendix

J.P. Morgan Emerging Markets Bond Index Global Diversified

- **Description:** The EMBI Global Diversified tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds. Currently, the EMBI Global Diversified covers 221 instruments across 39 countries; the "Diversified" designation for this index refers to benchmark's 10% issuer cap.





Source: JPMorgan. Returns are expressed as percentages. Updated through December 31, 2013.

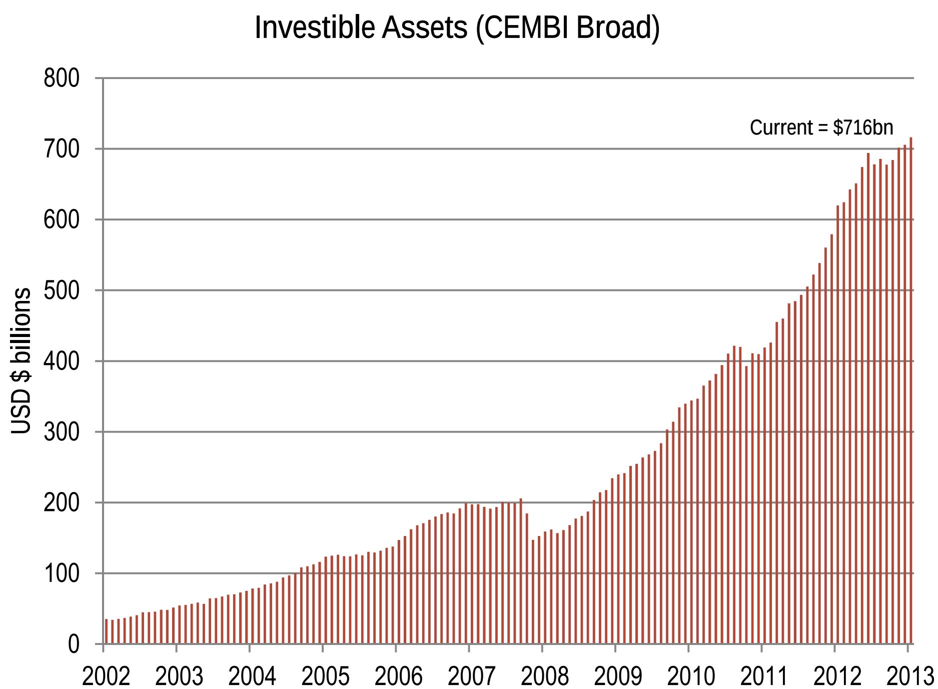
Rationale for Tactical Allocations to Local Currency Bonds

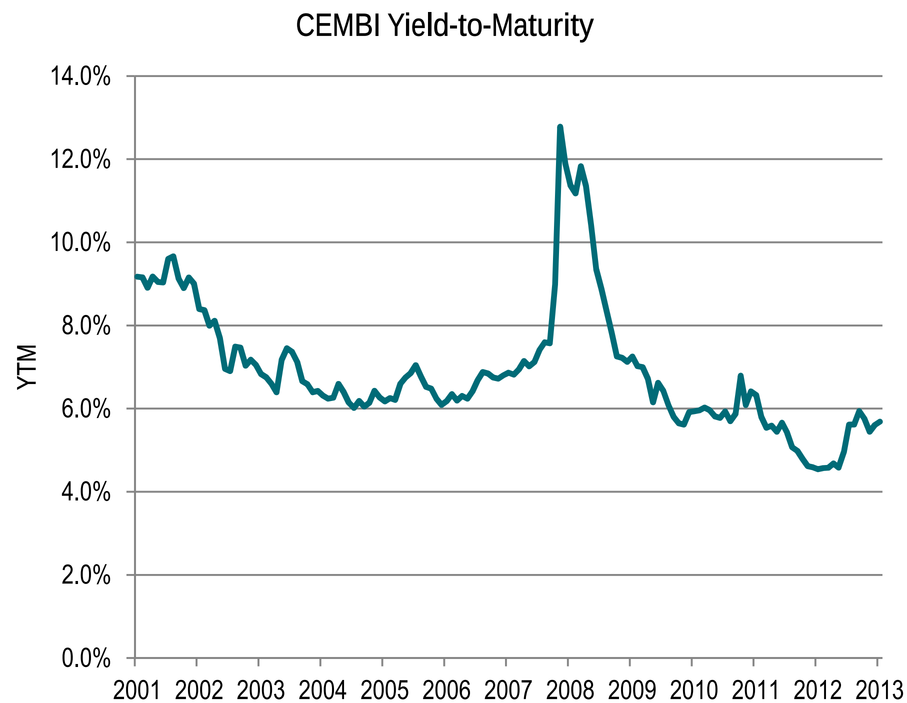
- Local currency bonds incorporate two distinct exposures: foreign exchange of the issuer country and interest rate exposure within that country's bond market
- Over the last 15-20 years, many emerging nations have developed local bond markets and market participants have generally been rewarded for taking risk in foreign exchange and local rates
- Local rates and foreign exchange can be diversifying exposures for a hard currency portfolio.
- Active portfolio managers can choose to take the risk of both local interest rates and foreign exchange or each one individually
- Local currency bonds typically have greater volatility than hard currency bonds
- Investment managers are generally given the flexibility to hedge local currency exposure if they choose to but utilize that flexibility only tactically

Rationale for Tactical Allocations to Corporate Bonds

- Corporate bonds issued by countries domiciled in emerging markets can add diversification and additional return to hard currency EMD portfolios
- There has been significant issuance in this market in the last few years broadening the opportunity set
- Emerging market corporates are predominantly issued in US dollars and typically issued with London or NY law jurisdiction (in the event of a default, bondholders go to court in NY not in Caracas)
- Recent turbulence in emerging markets has not reached the EM corporate bond market yet. We expect that this will not persist and that EM corporates will have to weather higher borrowing costs, slowing economic growth resulting in pressure on revenues and profits

Corporate EMD Opportunity Set

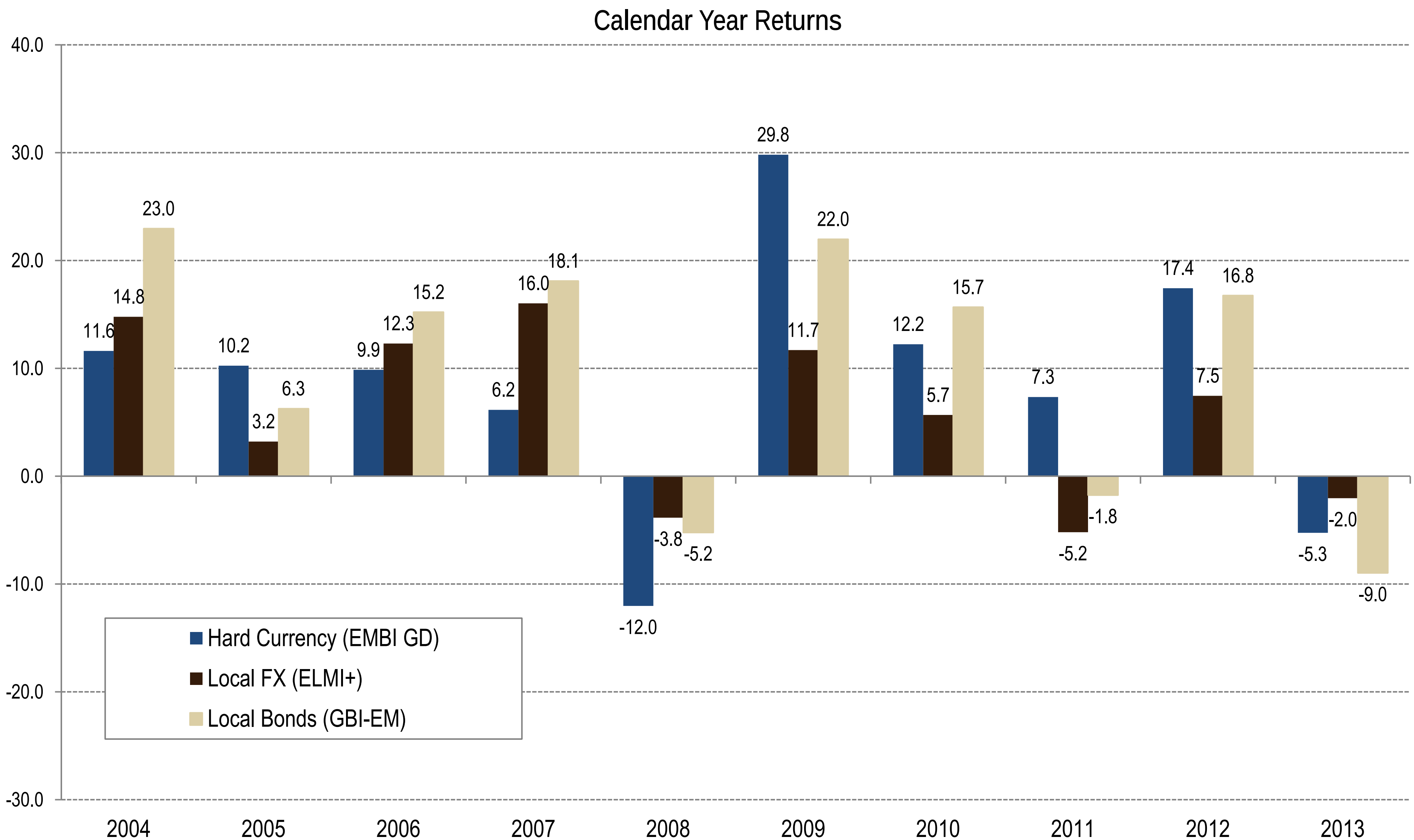




- Investible corporate EMD assets have grown significantly over the past decade ($30bn to over $700bn)
- Yields on corporate EMD have rallied significantly and are now at a record low (sub-6%).
- Further, corporate EM bonds are susceptible to risk-off sentiment in broader credit markets, with the 2008-2009 period seeing a spike in yields similar to domestic high yield bond markets.
- Investor rights and corporate transparency remain problems despite legal jurisdictions being NY and London
- The CEMBI index is predominantly investment grade (70+%) and is dominated by the financials, energy, and metals & mining sectors (32%, 17%, and 9% respectively as of April 2013)

Source: JPMorgan. Updated through December 31, 2013.

Currency Hedging



Source: JPMorgan. Returns are expressed as percentages. Updated through December 31, 2013.

Opportunities for Active Management

- Emerging markets debt is a segmented and inefficient asset class, which offers opportunities for active management
- Some of the major active management opportunities arise in exploiting the following:
  - Difficulty of evaluating sovereign fundamental dynamics
  - Periodic fund flows from crossover investors, which tend to arrive when times are good and disappear when volatility spikes
  - Opportunities in more illiquid and esoteric securities
  - Default and restructuring plays
  - Quasi-sovereign and corporate opportunities
  - FX opportunities
  - External and local yield curve positioning

Opportunity Set vs. Indices

	JPMorgan Index Family						
	EMBIG & Euro EMBIG	CEMBI	Regional Indices	GBI-EM	ELMI+	Typical Manager Opportunity Set	"Opportunistic" Manager Opportunity Set
External Debt							
Brady Bonds	✓	-	-	-	-	✓	✓
Sovereign Global/Eurobonds	✓	-	✓		-	✓	✓
Paris Club & Other Loans	✓	-	-	-	-	-	✓
Quasi-Sovereigns (Explicit Sovereign Backing)	✓	-	✓	-	-	✓	✓
Quasi-Sovereigns (Implicit Sovereign Backing)	-	✓	✓	-	-	✓	✓
Corporate Debt	-	✓	✓	-	-	✓	✓
Distressed/Unrestructured Debt	-	-	-	-	-	-	✓
Credit Derivatives	-	-	-	-	-	✓	✓
Private Investments	-	-	-	-	-	-	✓
Local Debt & Currency							
Sovereign Nominal Bonds	-	-	-	✓	-	✓	✓
Sovereign Inflation-Linked Bonds	-	-	-	-	-	-	✓
Sukuks/Islamic Bonds	-	-	-	-	-	-	✓
Corporate Debt	-	-	-	-	-	-	-
FX	-	-	-	-	✓	✓	✓

- While a number of emerging debt indices exist (with JPMorgan publishing the most widely-used ones), none capture the full opportunity set exploited by a typical manager

Sources: JPMorgan, Rocaton. For index definitions, please consult the appendix.

JPMorgan Index definitions

- **Emerging Markets Bond Index Global (EMBI Global):** The EMBI Global tracks total returns for US dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds. Currently, the EMBI Global covers 221 instruments across 39 countries.
- **EURO Emerging Markets Bond Index Global (EURO EMBIG):** The EURO Emerging Markets Bond Index Global (EURO EMBIG) tracks total returns for euro-denominated, straight fixed coupon instruments issued by emerging market sovereign and quasi-sovereign entities. The EURO EMBI Global currently covers 52 instruments across 16 countries.
- **Corporate Emerging Markets Bond Index (CEMBI):** The CEMBI tracks total returns of US dollar-denominated debt instruments issued by corporate entities in Emerging Markets countries. Two variations are available: CEMBI Broad and CEMBI. The CEMBI Broad is the most comprehensive corporate benchmark followed by the CEMBI, which consists of an investable universe of corporate bonds. Both indices are also available in Diversified versions.
- **Government Bond Index-Emerging Markets (GBI-EM):** The GBI-EM is the first comprehensive, global local Emerging Markets index, and consists of regularly traded, liquid fixed-rate, domestic currency government bonds to which international investors can gain exposure. Variations of the index are available to allow investors to select the most appropriate benchmark for their objectives.
- **Emerging Local Markets Index Plus (ELMI+):** The ELMI+ tracks total returns for local currency-denominated money market instruments in 23 Emerging Markets.
- **JPMorgan Regional Indices Include:** Latin Eurobond Index (LEI, sovereigns/quasi-sovereigns and corporates), Russia Bond Index (RUBI CORP, corporates only), Central America and Caribbean Index (CACI, sovereigns/quasi-sovereigns and corporates), and Asia Credit Index (JACI, sovereigns/quasi-sovereigns and corporates).

Source: JPMorgan

Disclosures

Performance Information and Return Expectations

- The analysis contained in this document may include projections of long-term return and risk expectations. There is no guarantee that the projected returns or risk will be realized. The projections are based in part on historical performance of various asset classes, and past performance is no guarantee of future performance. The projections include assumptions, including those regarding risk and return. These assumptions are used for modeling purposes only and may not be realized. The analysis is based on historical performance of various markets and does not generally reflect the use of active management or the additional risk of active management (i.e., the risk that a selected manager may underperform its benchmark or peers). The analysis contained in this document may contain historical information which may not be indicative of future experience. Because the analysis is based on assumptions and projections, there can be no warranties or guarantees.

- Any Rocaton views or analyses may change over time. Past performance of a manager is no guarantee of future performance of that manager.

- Rocaton is registered as an investment adviser with the U.S. Securities and Exchange Commission.

- Rocaton's Form ADV Part 2 is available from the SEC's website and upon request.

APPENDICES:

Basket Clause

TRS - BASKET/NON BASKET SUMMARY

As of December 31st, 2013	Adjusted Fund Policy			Fund Actual (PE & RE on an invested basis)		
Equity	**Non Basket***	**Basket***	**Total**	**Non Basket***	**Basket***	**Total**
Domestic Equity	35.0%	0.0%	35.0%	42.5%	0.0%	42.5%
Non-U.S. Equity	10.0%	7.8%	17.8%	10.0%	7.9%	17.9%
Private Equity	0.0%	4.6%	4.6%	0.0%	4.6%	4.6%
Real Assets	2.2%	0.0%	2.2%	2.2%	0.0%	2.2%
REITS	2.8%	0.2%	3.0%	3.0%	0.2%	3.2%
Total Equity	50.0%	12.5%	62.5%	57.6%	12.6%	70.2%
Fixed Income						
Core+5	19.4%	0.5%	19.9%	14.8%	0.5%	15.3%
U.S. Gov't Sector	*3.6%*	*0.0%*	*3.6%*	*1.9%*	*0.0%*	*1.9%*
Mortgage Sector	*7.8%*	*0.0%*	*7.8%*	*6.3%*	*0.0%*	*6.3%*
Credit Sector	*8.0%*	*0.5%*	*8.5%*	*6.4%*	*0.5%*	*6.9%*
High Yield	4.4%	0.9%	5.4%	3.8%	0.9%	4.7%
Bank Loans	0.0%	2.7%	2.7%	0.0%	2.7%	2.7%
TIPS	3.6%	0.4%	4.0%	2.2%	0.2%	2.5%
Convertibles	2.4%	0.6%	3.0%	1.2%	0.3%	1.5%
Opportunistic Fixed Income	0.0%	1.8%	1.8%	0.0%	1.8%	1.8%
Other Fixed Income	0.8%	0.0%	0.8%	1.4%	0.0%	1.4%
Total Fixed Income	30.6%	6.9%	37.5%	23.3%	6.5%	29.8%
Total Fund	80.6%	19.4%	100.0%	80.9%	19.1%	100.0%
Remaining Capacity		5.6%			5.9%	

* Note: Basket amounts are estimates

Liquidity Analysis

TRS Liquidity Profile - Static Analysis

2/5/14

AUM as of December 31, 2013

		Liquid Assets		
	Current MV	**Today**	**1 Year**	**2 Years**
Domestic Equity	$23,124	$23,124	$23,124	$23,124
International Equity	5,356	5,356	5,356	5,356
Emerging Markets	4,369	4,369	4,369	4,369
REITS	1,716	1,716	1,716	1,716
Private Equity	2,481	0	0	0
Private Real Estate	1,199	0	0	0
Core + 5	8,310	8,310	8,310	8,310
TIPS	1,338	1,338	1,338	1,338
Opportunistic Fixed Income	995	746	995	995
Enhanced Yield	2,558	2,558	2,558	2,558
Bank Loans	1,447	1,447	1,447	1,447
Convertible Bonds	843	843	843	843
ETI	418	63	234	234
Cash	320	320	320	320
Total Assets	**$54,474**	**$50,190**	**$50,610**	**$50,610**
Total Illiquid $		$4,284	$3,864	$3,864
Total Illiquid %		7.9%	7.1%	7.1%

Unfunded PE Commitments	$2,014
Unfunded RE Commitments	$624
Unfunded OFI Commitments	$557
Total commitments $	$3,196
Total commitments %	5.9%

TRS Liquidity Profile - Static Analysis

2/5/14

AUM as of December 31, 2013

Denominator Effect - Decrease AUM by One-Third			
Total Illiquid $	$4,284	$3,864	$3,864
Total Illiquid %	11.8%	10.6%	10.6%

Note: Assumes zero realizations, no new commitments and a five-year investment period; funded out of liquids

		Liquid Assets		
	Current MV	**Today**	**1 Year**	**2 Years**
Total Assets	**$54,474**	**$50,190**	**$50,610**	**$50,610**

Private Equity, Real Estate and Opportunistic Fixed Income Stress Case		
Unfunded PE Commitments Drawn	$403	$806
Unfunded RE Commitments Drawn	125	250
Unfunded OFI Commitments Drawn	279	0
Total commitments $	**$806**	**$1,056**
Total commitments %	1.5%	1.9%
Total Illiquid $	$4,671	$4,920
Total Illiquid %	8.6%	9.0%

Note: Assumes zero realizations, no new commitments and a five-year investment period; funded out of liquids

Denominator Effect - Decrease AUM by One-Third			
Total Illiquid $	$4,284	$4,671	$4,920
Total Illiquid %	11.8%	12.9%	13.5%

Note: Assumes zero realizations, no new commitments and a five-year investment period; funded out of liquids