THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF ASSET MANAGEMENT
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Lawrence Schloss
Deputy Comptroller /
Chief Investment Officer

JOHN C. LIU
COMPTROLLER

MEMORANDUM

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

FROM: Larry Schloss

DATE: December 3, 2010

RE: **Teachers' Retirement System of the City of New York Investment Meeting – December 9, 2010**

Enclosed is a copy of the public agenda for the December 9, 2010 Investment Meeting. The meeting will be held at 55 Water Street, 16th Floor Conference Room (beginning @ 9:30 a.m.)

Please remember to bring your **Quarterly Performance Overview book** with you to the meeting; it has been mailed to you.

If you have questions about any agenda item, please give me a call at 212-669-8318.

THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

John C. Liu
COMPTROLLER

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

INVESTMENT MEETING

DECEMBER 9, 2010

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

INVESTMENT MEETING

DECEMBER 9, 2010

PUBLIC AGENDA

PUBLIC AGENDA

I. Performance Reviews:

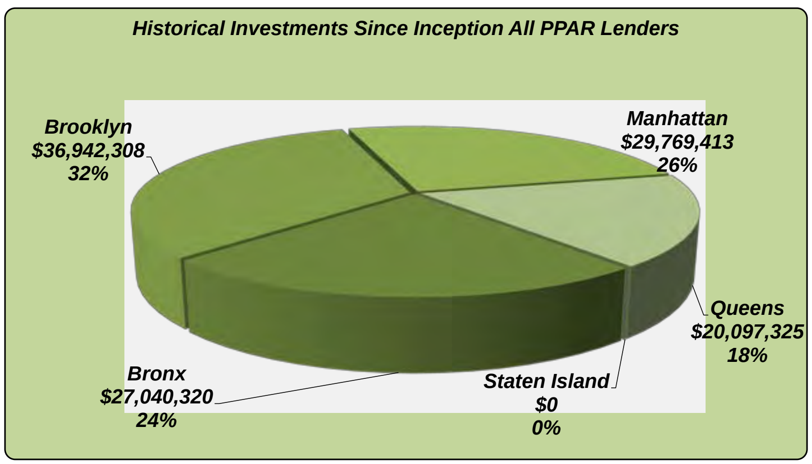
FLASH REPORT
(Handout)

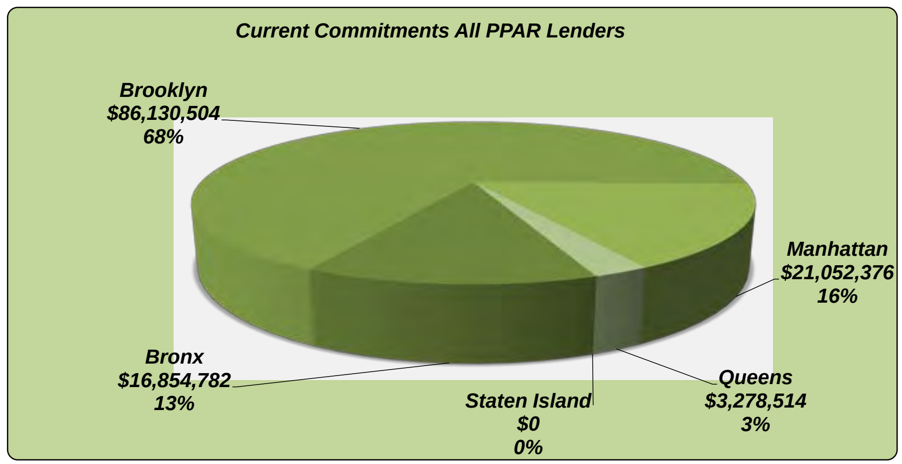
-QUARTERLY REPORTS-

ETI QUARTERLY REPORT

Public/Private Apartment Rehabilitation Program (PPAR)

Lenders*	CPC Dollars	CPC Units	NHS Dollars	NHS Units	CCD Dollars	CCD Units	CCB Dollars	CCB Units	NCBCI Dollars	NCBCI Units	LIIF Dollars	LIIF Units	All Lender Totals Dollars	All Lender Totals Units
Contractual Commitments	$235,000,000	n/a	$5,000,000	n/a	$13,200,000	n/a	$49,500,000	n/a	$8,250,000	n/a	$8,250,000	n/a	$319,200,000	n/a
Current Market Value	$71,163,576	n/a	$595,207	n/a	$1,681,454	n/a	$1,721,881	n/a	$192,517	n/a	$1,739,724	n/a	$77,094,358	n/a
Commitments 3Q 10 (included in total)														
Bronx	$369,250	45	$0	0	$0	0	$0	0	$0	0	$0	0	$369,250	45
Brooklyn	8,851,972	88	0	0	0	0	0	0	0	0	0	0	8,851,972	88
Manhattan	336,000	41	0	0	0	0	0	0	0	0	811,800	47	1,147,800	88
Queens	111,300	16	0	0	0	0	0	0	0	0	0	0	111,300	16
Staten Island	0	0	0	0	0	0	0	0	0	0	0	0	$0	0
Total	$9,668,522	190	$0	0	$0	0	$0	0	$0	0	$811,800	47	$10,480,322	237
Delivered 3Q 10 (included in total)														
Bronx	$175,788	12	$0	0	$0	0	$0	0	$0	0	$0	0	$175,788	12
Brooklyn	2,675,100	101	0	0	0	0	0	0	0	0	0	0	2,675,100	101
Manhattan	1,174,250	59	0	0	0	0	887,700	49	0	0	0	0	2,061,950	108
Queens	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
Total	$4,025,137	172	$0	0	$0	0	$887,700	49	$0	0	$0	0	$4,912,837	221
Total Commitments														
Bronx	$15,972,032	1,087	$0	0	$882,750	76	$0	0	$0	0	$0	0	$16,854,782	1,163
Brooklyn	80,084,320	2,246	0	0	5,398,407	65	0	0	50,457	6	597,320	71	86,130,504	2,388
Manhattan	13,799,896	784	0	0	2,560,939	220	0	0	2,812,436	246	1,879,105	91	21,052,376	1,341
Queens	3,278,514	81	0	0	0	0	0	0	0	0	0	0	3,278,514	81
Staten Island	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	$113,134,762	4,198	$0	0	$8,842,096	361	$0	0	$2,862,892	252	$2,476,426	162	$127,316,176	4,973
Historical Investments														
Bronx	$27,040,320	1,752	$0	0	$0	0	$0	0	$0	0	$0	0	$27,040,320	1,752
Brooklyn	33,596,073	1,421	330,213	7	1,230,570	113	0	0	0	0	1,785,452	174	36,942,308	1,715
Manhattan	27,275,899	1,789	252,445	15	375,120	33	1,667,990	136	197,959	13	0	0	29,769,413	1,986
Queens	20,097,325	828	0	0	0	0	0	0	0	0	0	0	20,097,325	828
Staten Island	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	$108,009,617	5,790	$582,658	22	$1,605,690	146	$1,667,990	136	$197,959	13	$1,785,452	174	$113,849,365	6,281
*Lenders :	The Community Preservation Corporation		Neighborhood Housing Services		CitibankCommunity Development		Carver Federal Savings Bank		NCB Capital Impact		Low Income Investment Fund			





AFL-CIO Housing Investment Trust (HIT)
Market Value $151.9 million*
NYC Community Investment Initiative (NYCCII)

NYCCII PHASE II 2006-2012

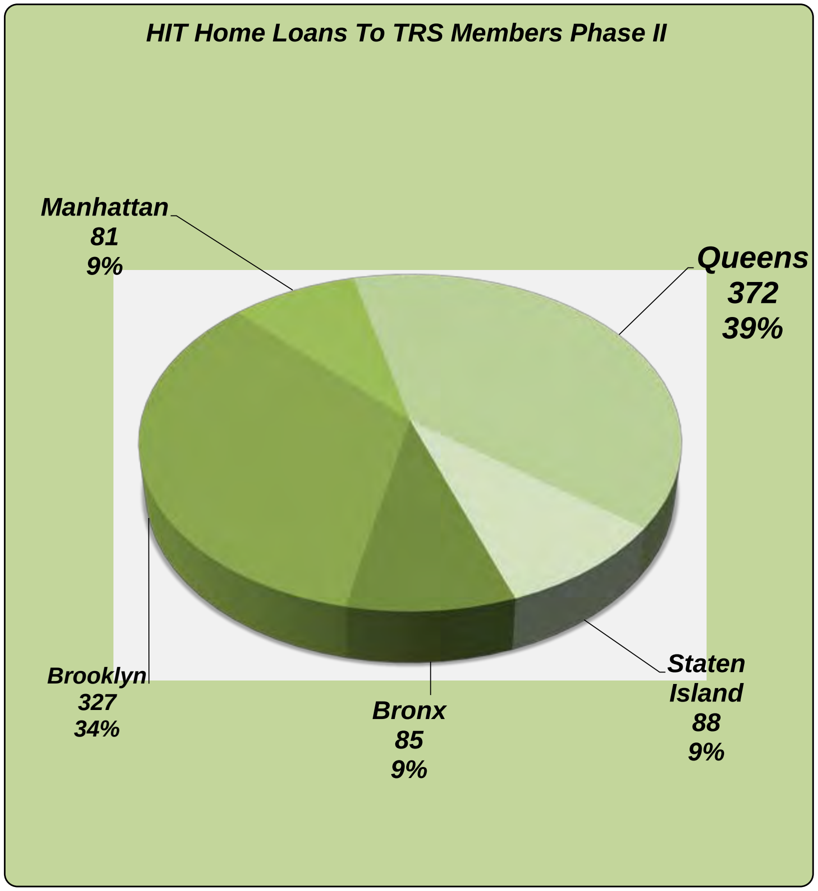
Multifamily Investments Detail

Borough	Dollars	Units
Bronx	$52,827,900	802
Brooklyn	14,890,446	3,033
Manhattan	44,075,200	436
Queens	17,760,000	1,260
Staten Island	6,414,554	693
Total	$135,968,100	6,224

Single Family Investments Detail

	Home Loans	Transactions	Member Loans	Total All NYC PF's
Bronx	$91,257,862	415	85	151
Brooklyn	431,935,929	1,542	327	592
Manhattan	70,943,957	257	81	92
Queens	517,507,954	2,040	372	632
Staten Island	146,480,544	519	88	178
Total	$1,258,126,246	4,773	953	1,645

Grand Total NYCCII Phase II	$1,394,094,346	
Other-NYC Metro Area**	$100,000,000	137



NYCCI Phase I 2002 - 2005

		Units	Member Loans	Total All NYC PFs
Multifamily Investments	$249,123,500	12,337	n/a	na
Single Family Investments	348,300,563	n/a	133	446
Total NYCCII Phase I	$597,424,063	12,337	133	446

NYCCI Phases I & II

		Units	Member Loans	Total All NYC PFs
Multifamily Investments	$385,091,600	18,561	n/a	na
Single Family Investments	1,606,426,809	n/a	1,086	2,091
Grand Total NYCCII Phases I & II	$1,991,518,409	18,561	1,086	2,091

*Interest is reinvested

**This investment is for a pediatric nursing facility in Yonkers, approximately 4 miles from the NYC border. It will finance a replacement facility for the Elizabeth Seton Pediatric Center, currently located in Chelsea, which is “one of only two pediatric nursing facilities in downstate New York, and the only one dedicated to long-term care.” The new facility will have 137 beds and serve children from NYC, Westchester and Putnam Counties.

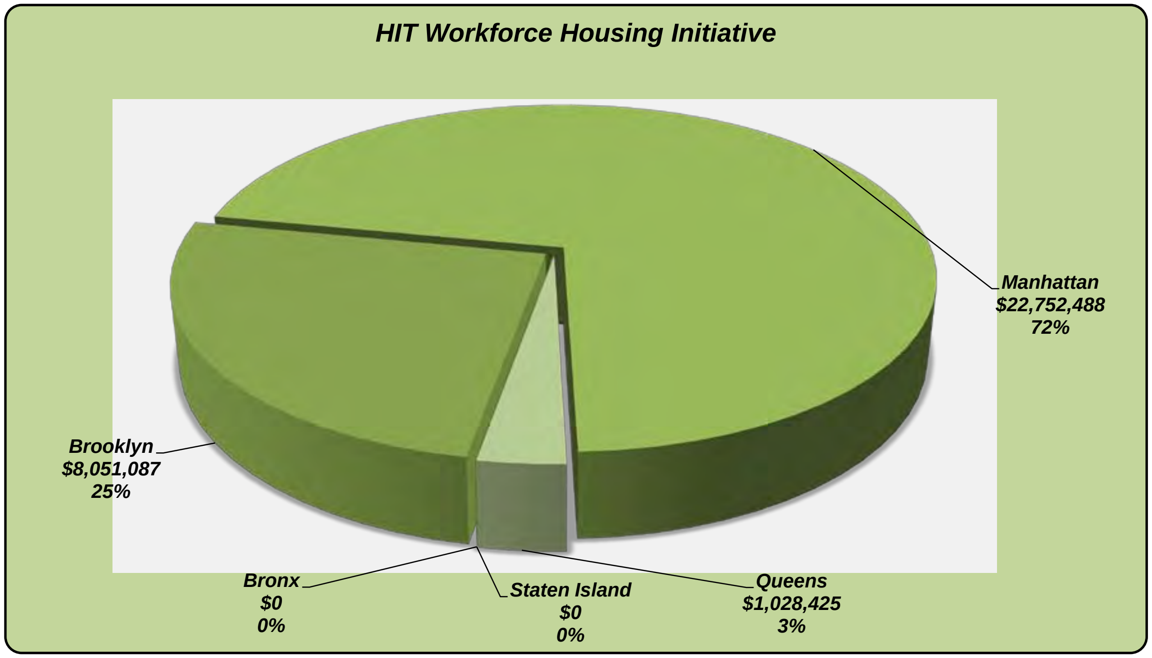
The City of New York - Office of the Comptroller
Bureau of Asset Management
TRS Economically Targeted Investments Quarterly Report
Collateral Benefits as of 9/30/2010

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

Investments Through 9/30/2010

Workforce Investment Detail

Borough	Dollars	Units
Bronx	$0	0
Brooklyn	8,051,087	422
Manhattan	22,752,488	1,692
Queens	1,028,425	208
Staten Island	0	0
Total	$31,832,000	2,322



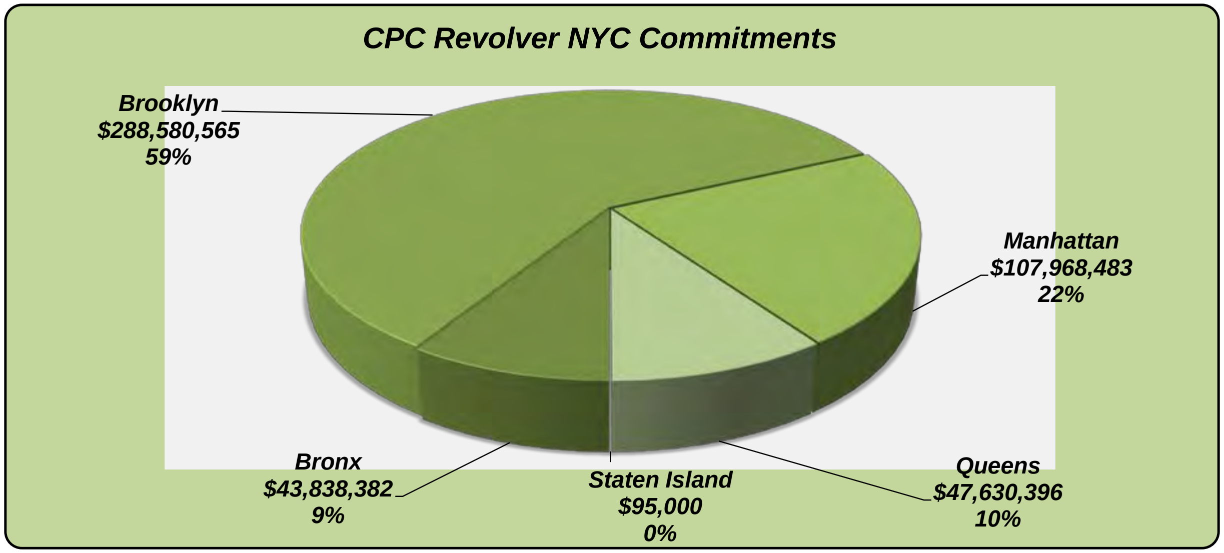
The City of New York -Office of the Comptroller
Bureau of Asset Management
TRS Economically Targeted Investments Quarterly Report
Collateral Benefits as of 9/30/2010

CPC Revolver

Revolver Current Commitments	$488,112,826
TRS Commitment Share	$25,000,000
TRS Current Market Value*	$15,870,183

	# Loans	$ Committed	# Units Residential	# Units Commercial
Bronx	32	$43,838,382	1,314	31
Brooklyn	93	288,580,565	2,990	68
Manhattan	53	107,968,483	1,499	40
Queens	15	47,630,396	372	18
Staten Island	1	95,000	3	0
Grand Total NYC	194	$488,112,826	6,178	157
Other NY State	62	$162,085,787	2,338	50

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



The City of New York - Office of the Comptroller
Bureau of Asset Management
TRS Economically Targeted Investment Quarterly Report
Collateral Benefits as of 9/30/2010

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

Allocated Amount $33 million (33% of total account)
Market Value $40.9 million

Multifamily Investments Detail

Borough	TRS Investment	Total Units	# of LMI* Units
Bronx	$5,775,000	508	508
Brooklyn	4,356,000	404	404
Manhattan	19,821,915	2,949	1,811
Queens	3,844,500	762	762
Staten Island	0	0	0
Total TRS Multifamily Investments	$33,797,415	4,623	3,485
MultifamilyTotal All Systems	$102,416,409	4,623	3,485

Single Family Investments Detail

	TRS Investment	Total Units	# of LMI* Units
Bronx	$3,525,808	63	63
Brooklyn	9,180,273	145	145
Manhattan	888,966	16	16
Queens	11,646,786	183	183
Staten Island	4,777,917	69	69
Total TRS Single Family Investments	$30,019,750	476	476
Single Family Total All Systems	$90,968,940	476	476

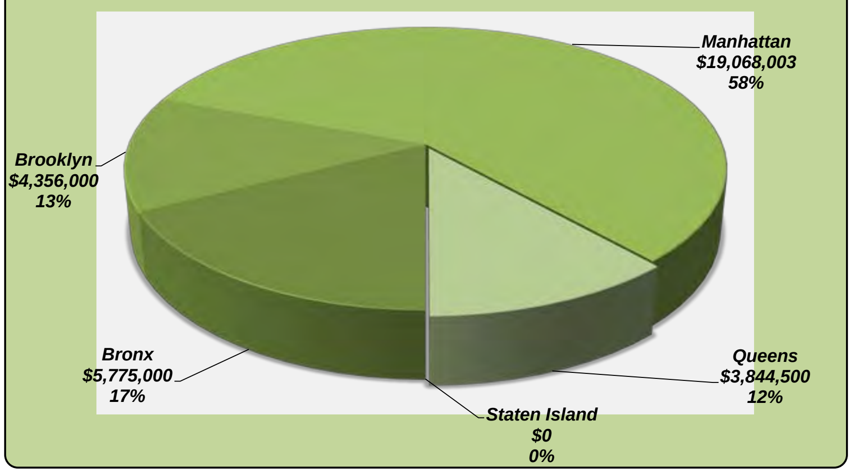
Other Investments Detail

	TRS Investment	# of Loans
Bronx	$222,750	1
Brooklyn	1,778,832	8
Manhattan	802,859	5
Queens	179,333	3
Staten Island	0	0
Total TRS Other Investments	$2,983,774	17
Other InvestmentsTotal All Systems	$9,041,740	17

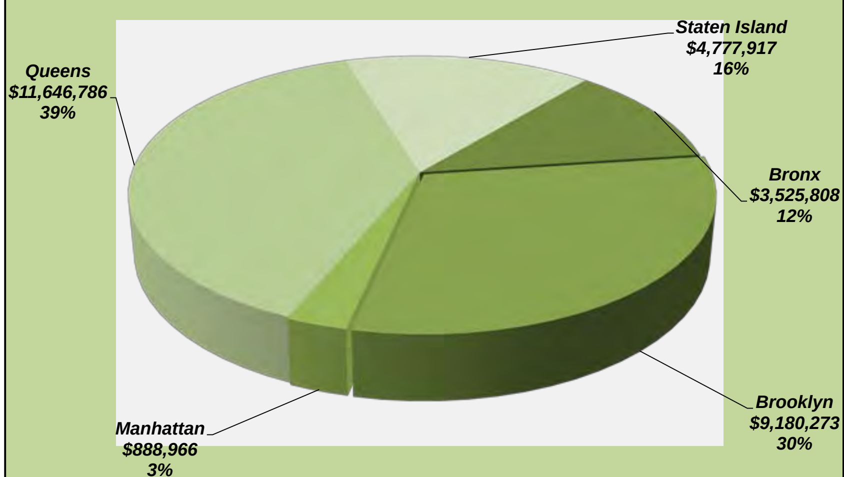
Grand Total TRS	$66,800,939
Grand Total All Systems	$202,427,089

* LMI = Low or Moderate Income

Access Multifamily Investments Since Inception TRS



Access Single Family Investments Since Inception TRS



The City of New York Office of the Comptroller
Bureau of Asset Management
TRS Economically Targeted Investment Quarterly Report
Collateral Benefits as of 9/30/2010

	Assets ($MM)	Trailing 1 Month	Trailing 3 Months	6/30/2007 9/30/2010	Year To Date	Trailing 1 Year	Trailing* 3 Years	Trailing* 5 Years	Trailing* 7 Years	Trailing* 9 Years	Trailing* 10 Years	Trailing* 11 Years	Trailing* 15 Years	Since Inception	Data Start Date
TEACHERS															
AFL-CIO HOUSING INV TRUST	151.92	0.42	2.77	2.77	7.67	7.75	7.43	6.22	5.37	****	****	****	****	5.36	09/30/02
CPC -PPAR	71.16	0.58	-0.23	-0.23	6.30	8.88	9.39	8.32	8.23	****	****	****	****	8.22	10/31/01
ACCESS VOYAGEUR	40.94	0.00	1.33	1.33	5.83	5.54	8.76	****	****	****	****	****	****	7.77	02/28/07
ERASMUS	16.31	****	****	****	****	****	****	****	****	****	****	****	****	****	10/31/05
CPC - REVOLVER	15.87	0.17	0.54	0.54	1.53	2.07	3.44	4.90	****	****	****	****	****	4.80	03/31/04
LIIF	1.74	-0.35	-2.28	-2.28	3.63	5.99	****	****	****	****	****	****	****	6.39	07/31/09
CCB-PPAR	1.72	5.37	5.28	5.28	10.79	13.27	9.62	****	****	****	****	****	****	8.46	09/30/06
CCD-PPAR	1.68	-0.11	0.56	0.56	6.38	8.34	9.42	****	****	****	****	****	****	8.63	11/30/06
NHS-PPAR	0.60	0.30	-1.44	-1.44	7.10	12.00	9.98	****	****	****	****	****	****	9.98	09/30/07
GNMA	0.21	0.72	-2.01	-2.01	1.80	3.85	5.61	7.00	6.71	****	****	****	****	6.58	10/31/01
NCBCI	0.19	0.02	-1.54	-1.54	3.11	5.47	****	****	****	****	****	****	****	5.09	07/31/09
SHORT TERM INVESTMENTS	0.00	0.02	0.05	0.05	0.13	0.16	1.22	2.74	2.60	****	****	****	****	3.16	10/31/01
TOTAL TEACHERS TARGETED (w/cash)**	302.61	0.39	1.63	1.63	6.60	7.21	7.59	6.57	5.96	6.23	6.82	6.72	7.54	10.36	09/30/81
TOTAL TEACHERS TARGETED (w/o cash)**	302.61	0.39	1.65	1.65	6.67	7.30	7.65	6.60	5.98	6.21	6.84	6.77	7.32	9.11	11/30/84
TEACHERS CUSTOM BENCHMARK (no cash)		-0.05	1.84	1.84	6.97	7.27	7.19	6.23	5.50	5.74	6.40	6.58	6.80		
BARCLAYS CAPITAL US AGGREGATE BOND INDEX	****	0.11	2.48	2.48	7.94	8.16	7.42	6.20	5.34	5.71	6.41	6.46	6.43		

*Time periods greater than one year are annualized. Historical returns prior to April 2004 provided by Citigroup.
** Returns are net of fees and exclude Erasmus.

REAL ESTATE QUARTERLY REPORT

Teachers' Retirement System of the City of New York

Performance Measurement Report
Second Quarter 2010

The Townsend Group
Cleveland, OH   Denver, CO   San Francisco, CA   London, UK

Table of Contents

The Townsend Group
Performance Measurement Report

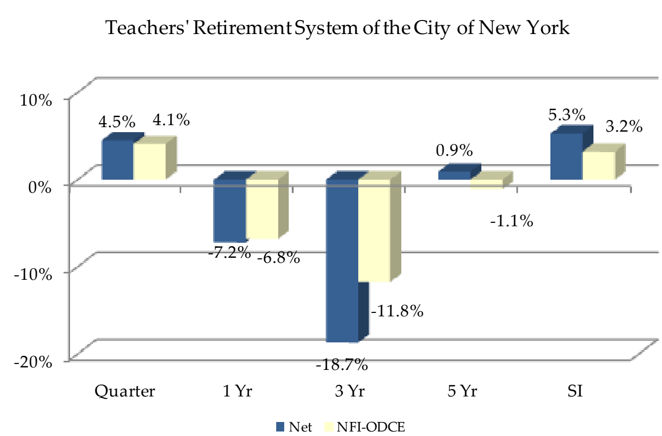
TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

SECOND QUARTER 2010

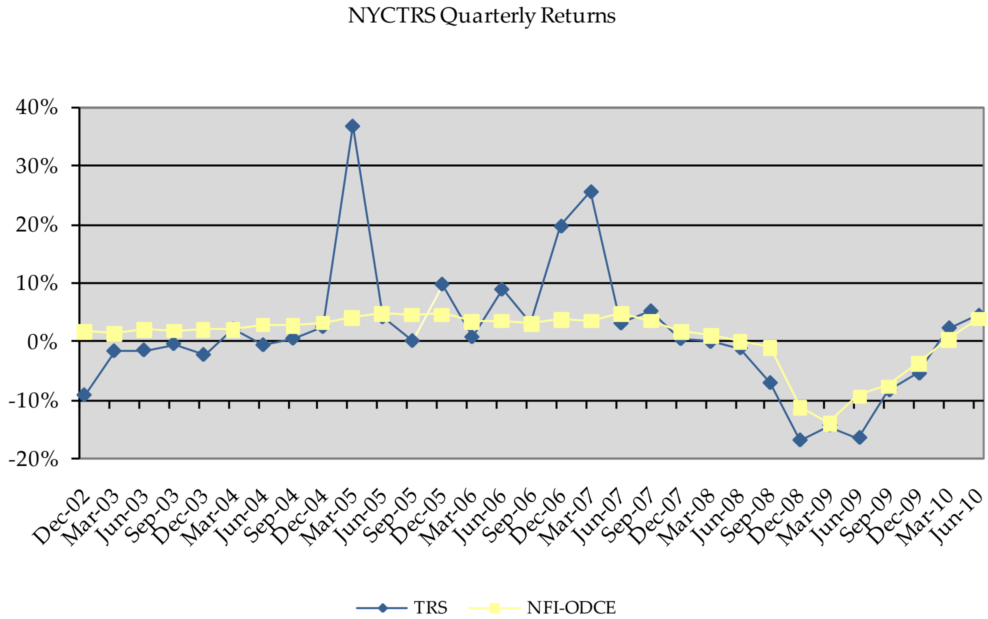
I. Performance Summary

At the end of the Second Quarter 2010, ("Quarter") The Teachers' Retirement System of the City of New York ("NYCTRS") Real Estate Portfolio ("Portfolio") had a cumulative market value of $407 million. Total market value plus unfunded commitments was $768 million, or 44.3% of the real estate allocation. During the Quarter, the Portfolio achieved a total gross return of 5.4% which was comprised of 1.1% income and 4.3% appreciation. The NCREIF Open-end Diversified Core Equity Index ("NFI-ODCE") reported a total net return of 4.1%. In addition, the Portfolio achieved a total net return of 4.5%.

The following chart reflects the total net returns for the NYCTRS' Portfolio compared to the NFI-ODCE. Real estate fundamentals appear to have bottomed and are showing signs of a gradual recovery. The limited supply, in all sectors, over the next three years is expected to drive down vacancy, more rapidly in multi-family and retail, with industrial and office occupancy reaching to inflection points for new development in 24 to 36 months. Growth is expected to return in net operating incomes over the next one to two years. We anticipate transaction underwriting for the near term to include the potential for roll-downs in rents in some markets based on leases signed at market peak expiring over the next several years. Additionally, credit markets are opening for high quality borrowers with stable assets, although significant refinancing risk still exists. The improved availability and pricing of financing has led to increased transaction activity. Property values are being written up as more transactions occur and the outlook continues to improve. Interest rates are low, making levered core strategies attractive in the current environment with stable, long-duration cash flows. Distress will continue to materialize, consistent with a long deleveraging process aimed at preserving asset values where possible. Historical data suggests that periods following major downturns are opportune times to pursue new investments on a selective basis. The benchmark established for the Portfolio is the NFI-ODCE net over rolling five-year periods.



The graph below shows the total net returns for the Portfolio by quarter since inception. NFI-ODCE total net return performance is also included. It is important to note the effects of the "J-curve" whereby fees on committed capital exceed distributions to the Portfolio due to minimal invested capital and the early stages of the value-added/opportunistic process in the underlying investments.



The table below reflects the returns for the Portfolio and the NFI-ODCE during pertinent time periods and segments these returns by their components: income, appreciation, and total return. The Portfolio's objective is to generate a total net return that exceeds the NFI-ODCE total net return measured over rolling five-year periods.

	Quarter				1 Year				3 Year		5 Year		Inception	
	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Teachers' Retirement System of the City of New York	1.1%	4.3%	5.4%	4.5%	3.3%	-7.8%	-4.8%	-7.2%	-18.1%	-18.7%	4.3%	0.9%	10.9%	5.3%
NFI-ODCE	1.7%	2.6%	4.3%	4.1%	6.8%	-12.1%	-6.0%	-6.8%	-11.0%	-11.8%	-0.2%	-1.1%	4.2%	3.2%

II. Portfolio Composition

New York City Teachers Retirement System			
Total Plan Assets	06/30/10	$	34,710
Real Estate Allocation (%)			5.0%
Real Estate Allocation ($)		$	1,736
Style Sector Allocation			
Core/Core Plus	40%	$	694
Non Core	55%	$	955
Non Core Emerging Manager	greater of $85 million, or 5%	$	87
Uncommitted Core		$	423
Uncommitted Non Core		$	496
Uncommitted Non Core Emerging Manager		$	48
Funded and Committed Statistics			
Core/Core Plus			35.3%
Non Core			59.6%
Non Core Emerging Manager			5.1%
$ Committed		$	768
% Committed on Real Estate Allocation			44.3%
% Committed on Total Plan Assets			2.2%
Funded Statistics			
% Funded of Total Plan Assets			1.2%
% Funded of Total Real Estate Allocation			23.5%

Teachers

Investment Cash Flow Summary		
	Quarter	To Date
Contributions	$26.2	$743.5
Distributions	-$2.3	-$253.6
Withdrawls	-$0.1	-$52.0

Contributions: Includes actual cash funded to the investment for acquisition and capital items during the quarter.

Distributions: Includes actual cash returned during the quarter from the investments which represents distributions of income from operations and profit.

Withdrawals: Includes cash returned from the investment as a result of return of capital.

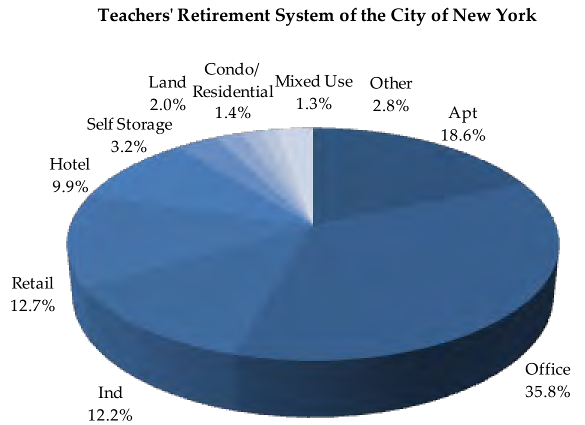
III. Portfolio Compliance

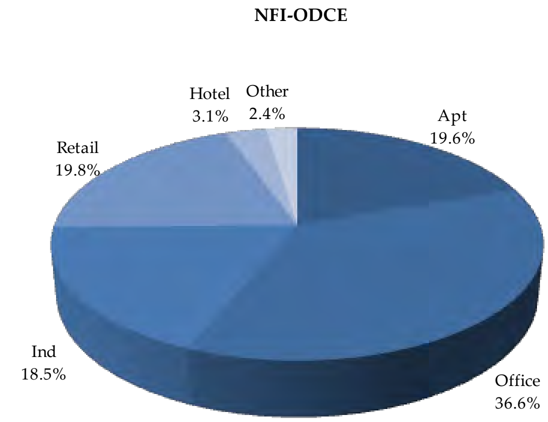
Category	Requirement	Portfolio Status
Benchmark	NFI-ODCE (net) over rolling five-year periods	*Portfolio returns in excess of benchmark.*
Portfolio Composition	Core/Core Plus (minimum of 40%) Non Core (minimum of 40%) Non Core Emerging (greater of $85 million or 5% of the total real estate allocation)	*The portfolio is committed at 44.3% of real estate allocation with a portfolio composition of 35.3% core, 59.6% non-core, and 5.1% emerging (strictly on commitments to date).*
Real Estate Allocation	Target of 5.0% Currently Funded at 1.2%	*Funded and committed dollars place the portfolio at 2.2% of total plan assets.*
Diversification	± 30% of NFI-ODCE Other property type (0%-15%)	*All property types and geographic locations are in compliance.*
LTV	50%	*Portfolio is in early stages of funding, but is out of compliance (59.9%).*
Manager Exposure	0%-25% of real estate allocation	*Manager exposure is within compliance ranges.*

IV. Portfolio Diversification

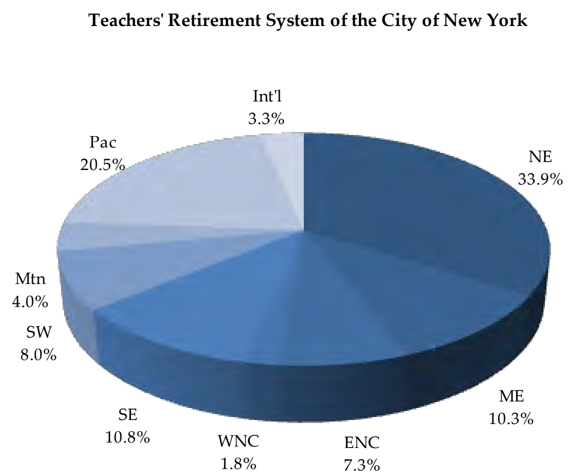
The Investment Policy Statement (IPS) establishes ranges for diversification by property type and geographic region. These ranges are broad based and allow for investment in all major property types and all geographic regions. The diversification of the current portfolio by property type and geographic region is shown below and compared to diversification of the NFI-ODCE at the end of the Quarter.

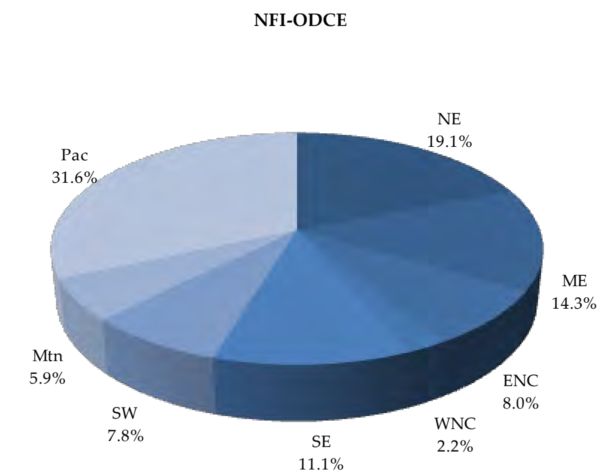
Property Type Diversification





Geographic Diversification





PRIVATE EQUITY QUARTERLY REPORT

Hamilton Lane

JUNE 30, 2010

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

Second Quarter 2010 Report

Content

Section 1:

Market Update

Second Quarter 2010 - Market Update

During the first half of 2010, the global markets have been mired in divergent headlines. Early in the year, there was significant positive news, with major U.S. indices rebounding, corporate earnings stabilizing, and low interest rates combined with government incentives driving up demand in the U.S. housing market. The IPO market, particularly in the U.S., began showing signs of volume increases as well.

However, the second quarter produced less than promising results. While Greece was the first EU nation to fall victim to default worries on its sovereign debt, many other developed European countries, namely the other members of the ‘PIIGS’ (Portugal, Ireland, Italy and Spain), subsequently experienced their own difficulties in terms of refinancing their debt. The initial resolution was swift, with nearly $1 trillion in comprehensive financial aid provided to prevent sovereign default across the nations; however, significant austerity measures that were put in place in each country to prevent further issues led to widespread unrest and discontent. Along with the yet-to-be-resolved debt crisis, the Deepwater Horizon oil spill in the Gulf of Mexico and the fallout at BP sent ripple effects around the globe, heightening environmental awareness and causing greater concern over the long-term viability of resources and current extraction methods. High unemployment and slower-than-expected GDP recovery across the world has brought renewed volatility to the global markets, as the U.S. and foreign stock markets pulled back sharply during the second quarter, giving up much of the gains captured during the previous rally over the past year. Public markets remain volatile, as no single trend or indicator has come to the forefront to give bulls or bears the confidence to lead the way.

Teachers' Retirement System of the City of New York

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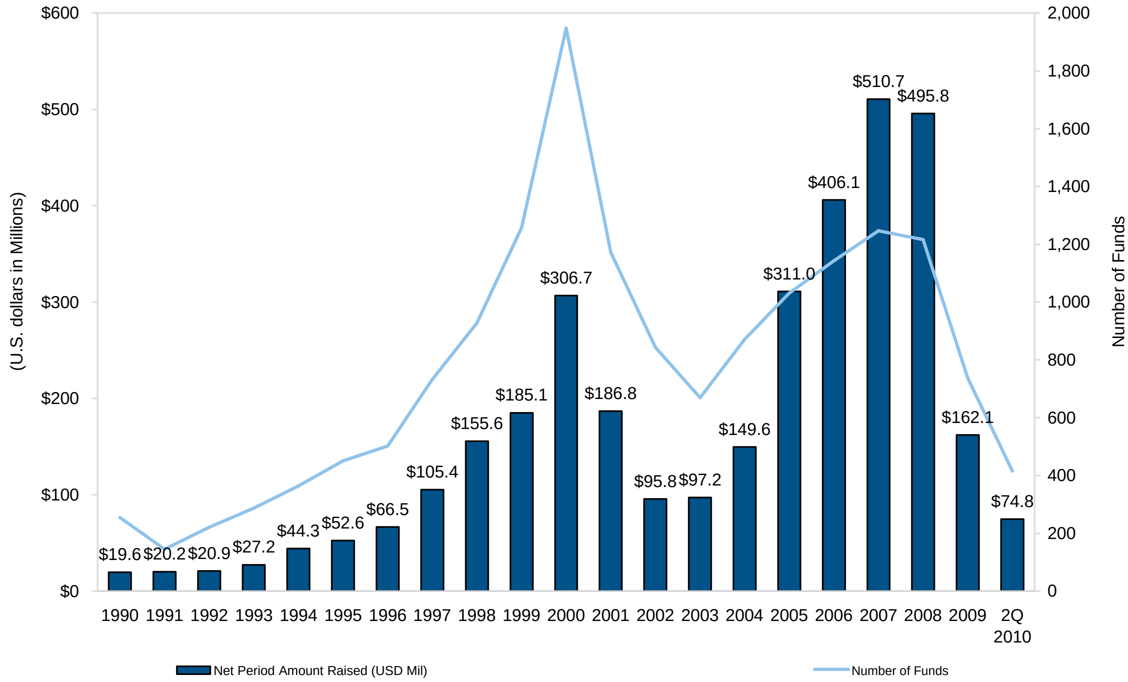
Fundraising

Fundraising through the first half of 2010 is on par with levels in 2009, which is not surprising given the sizable amount of uninvested 'dry powder' that many of the largest funds have remaining. Several notable groups completed their fundraising during the second quarter, raising smaller funds than they initially targeted. The absence of true mega-funds in the market has dampened the aggregate fundraising total in 2010; however, as many of those managers near the end of their investment periods for the most recent funds, these numbers may see a dramatic increase. Further, while fundraising numbers are down relative to the record levels during the boom years, the current pace indicates that fundraising will exceed levels in 2002 and 2003 and may be in line with the 2004 fundraising total by year-end, exceeding the level of capital raised in all '90s vintages with the exception of the late internet bubble-fueled 1988 and 1999.

Global Fundraising



Source: Thomson Financial

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Transaction Volume

While the lack of credit availability hampered general partners' ability to complete transactions of size during the last twelve months, recent news is indicating that the market may be more receptive to such transactions. Global LBO volume during the second quarter nearly returned to 2008 levels, with announcements in Q3 2010 already showing an uptick. Several noteworthy acquisitions continue to charge toward the finish line, led by Apollo's roughly $1 billion takeover of CKE Restaurants, the parent company of restaurant chains Carl's Jr. and Hardee's, and Silver Lake and Warburg Pincus's acquisition of Interactive Data Corporation (NYSE: IDC), a leading provider of financial market data, analytics and related solutions, for $3.1 billion. Of particular note with respect to the IDC transaction is the staple financing offered by Goldman Sachs, which may signal a further loosening of the credit markets, and could support further increases in volume. In fact, when year-to-date transaction levels are annualized, this volume exceeds that which was witnessed annually from 1999 to 2003; a surprising statistic given the widespread uncertainty that the current markets are facing. This anticipated spike in volume is a product of a confluence of events: record fundraising in the 2006/2007 time frame; an inability to secure financing for transactions during the last twelve months; and quickly diminishing investment periods for many of the funds raised during that period.

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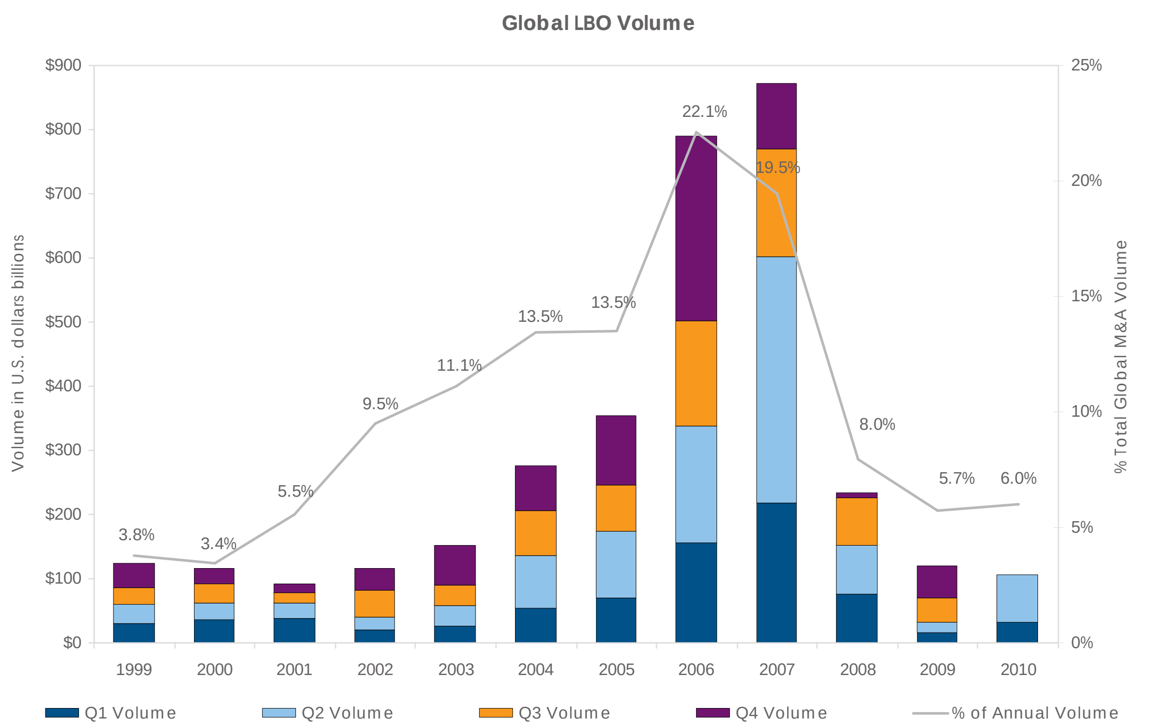

(Source: Thomson Financial)

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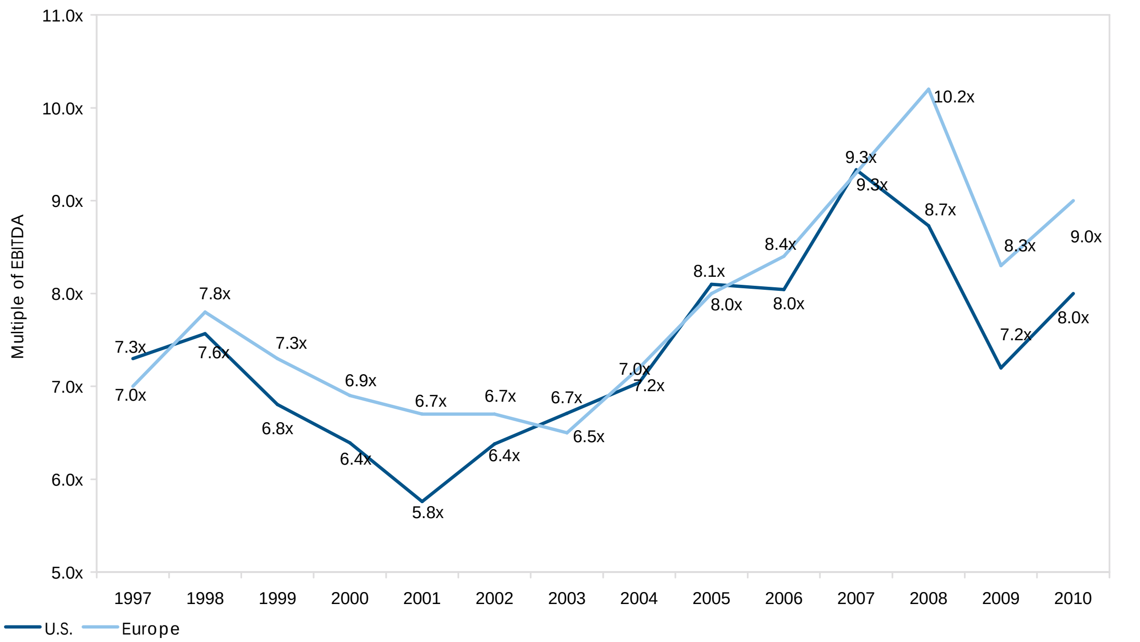
As noted, GPs are pushing toward completing more and more transactions in 2010, partly in an effort to deploy the roughly $1.1 trillion in capital overhang, according to Preqin. Of particular worry for many GPs is the fast-approaching end to investment periods, which could result in either a return of uninvested capital to LPs, or more likely, an investment period extension coupled with a renegotiation of terms in the LPs favor. It may be this pressure that is driving up transaction volume in the near-term, as it is unusual that this increase should occur during a period where transaction multiples have crept up beyond levels seen during the 1999-2004 time period. This period of escalating prices coupled with the need to deploy capital will surely create a delicate buying environment that will require GPs to act with prudence.

Average Purchase Price Multiples of all LBOs



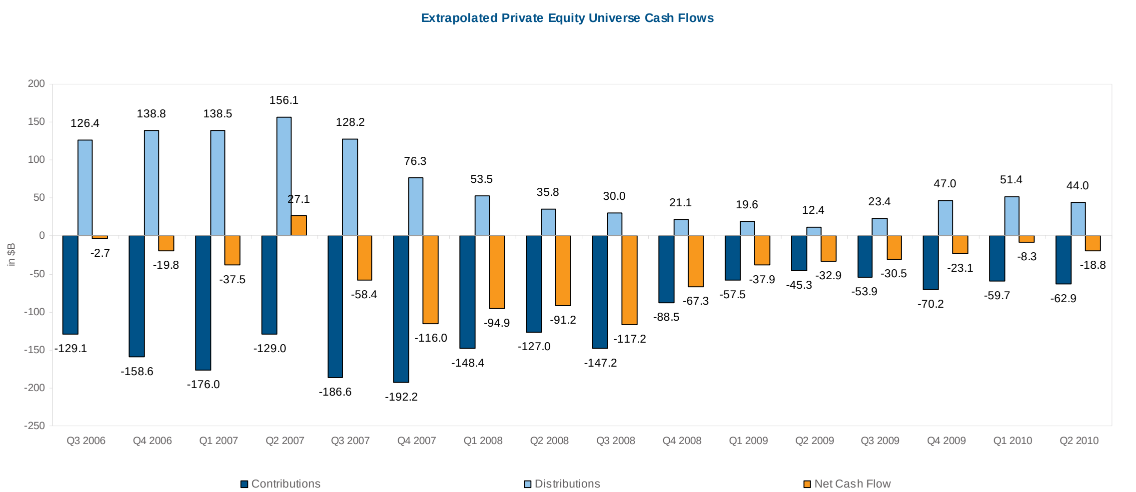
(Source: S&P LCD)
*2010 data represents LTM through 6/30/2010 for US and 3/31/2010 for Europe

Teachers' Retirement System of the City of New York

Second Quarter 2010 Report

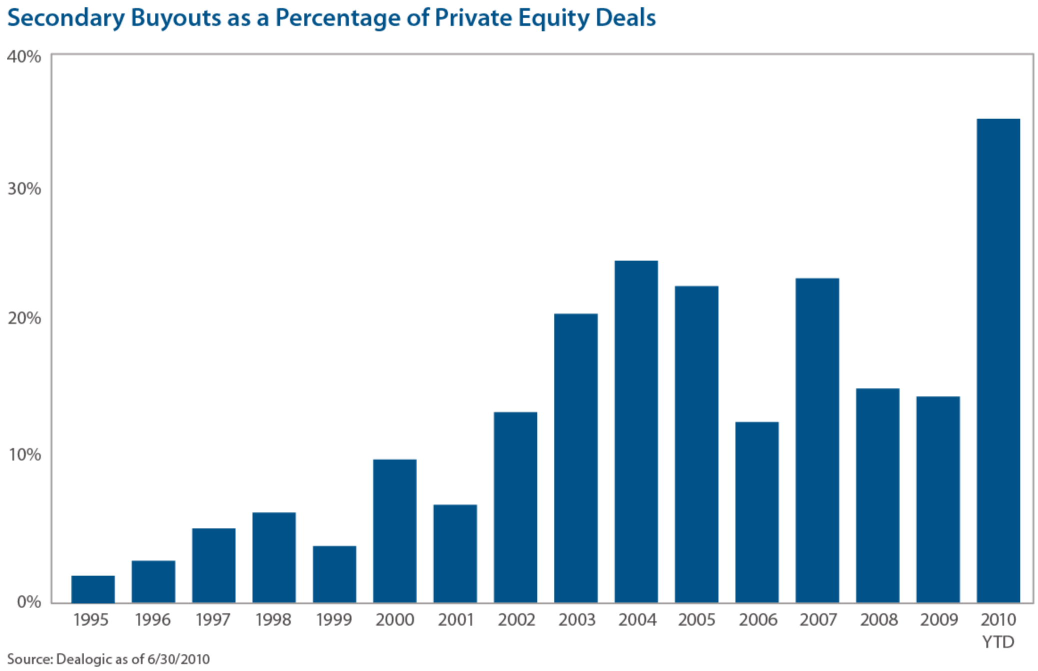
Cash Flow Trends

The increase in LBO volume during the past quarter is supported by the increase in contributions shown in the following chart of quarterly cash flow activity. With respect to distribution activity, while a stark improvement from one year prior, the quarterly total still remains more than 66% off the 2006/2007 average and has been flat relative to the prior quarter. While there have been 62 private equity backed IPOs through the first half of 2010, proceeds from these have been used to refinance debt and have not generated much liquidity for LPs. Rumors continue to proliferate regarding some very large and high-profile IPOs in the coming months, notably HCA, Toys R Us, and Nielsen. While this is a positive sign in terms of the opening of the IPO market, the time when IPOs will provide distributions to LPs still appears to be at least a few quarters off.



**Fund level cash flow data of all funds in Hamilton Lane database (as of August 9, 2010) grouped by vintage year, then multiplied by the ratio of total PE commitments by vintage year (from ThomsonOne) over Hamilton Lane's commitments to generate a proxy for the PE universe*

While rising purchase price multiples do not make for an ideal investment environment, thoughtful GPs are taking advantage of the environment and exiting well-performing portfolio companies. Some of these exits are through sales to another group of GPs who have significant dry powder and the impending investment period issue in mind. The following chart highlights the spike in secondary buyouts (GP to GP sales) as a percentage of total private equity deals over the first half of 2010; more than 10% higher than any prior year. Further, the GPs have an added incentive resulting from the recently passed Dodd-Frank Act which, in just a few short months, unfavorably shifts the taxation of carried interest. With this dynamic, it is likely that LPs can anticipate liquidity from these types of sales in the near term.



Outlook

As the global markets worked through a variety of economic headwinds over the past six months, private equity investors have been left with a bit of duality. The recovery and stabilization of corporate earnings and banks' resumed willingness to lend for transactions of scale may usher in a new 'normal' investment environment in private equity. Investment activity is likely to remain strong during the year, but the general partners' desire to put capital to work may cloud the landscape amidst rising transaction multiples. While this may not be the most desirable market dynamic from an investment perspective, it may benefit GPs who are seeking to exit companies before new taxation legislation comes into effect. These complementary dynamics should provide an intriguing backdrop as cash flow activity, both outflows and inflows, will be the focal point of the next six months.

Section 2:

Portfolio Update

Portfolio Snapshot

Hamilton Lane was engaged by the Teachers' Retirement System of the City of New York 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 well as PCG Asset Management, LLC and is as of June 30, 2010, with highlights through September 30, 2010.

Private Equity Target: TRS has a target of 4% to Private Equity for 2010.

Investment Pacing/Commitments: Based on the initial scenarios of the Hamilton Lane Horizon Model, TRS should commit $350 million annually to maintain a target allocation of 4% to Private Equity.

Performance: As of June 30, 2010, the Portfolio consists of 125 partnerships and 84 underlying fund managers. The Portfolio has generated a since inception internal rate of return ("IRR") of 5.83% and a total value multiple of 1.1x.

Portfolio Summary

$ millions	3/31/2010	6/30/2010	Change
Active Partnerships	125	125	-
Active GP Relationships	84	84	-
Capital Committed [1]	$3,382.8	$3,372.8	($10.0)
Unfunded Commitment	$1,505.8	$1,430.7	($75.1)
Capital Contributed	$2,117.6	$2,206.3	$88.7
Capital Distributed	$781.9	$827.9	$46.0
Market Value	$1,629.7	$1,658.2	$28.5
Total Value Multiple	1.1x	1.1x	-
Since Inception IRR	6.58%	5.83%	(75 bps)
Avg. Age of Active Commitments	3.5 years	3.8 years	0.3 years

[1] The "change" in capital committed from the prior year reflects currency adjustments from existing foreign denominated funds.

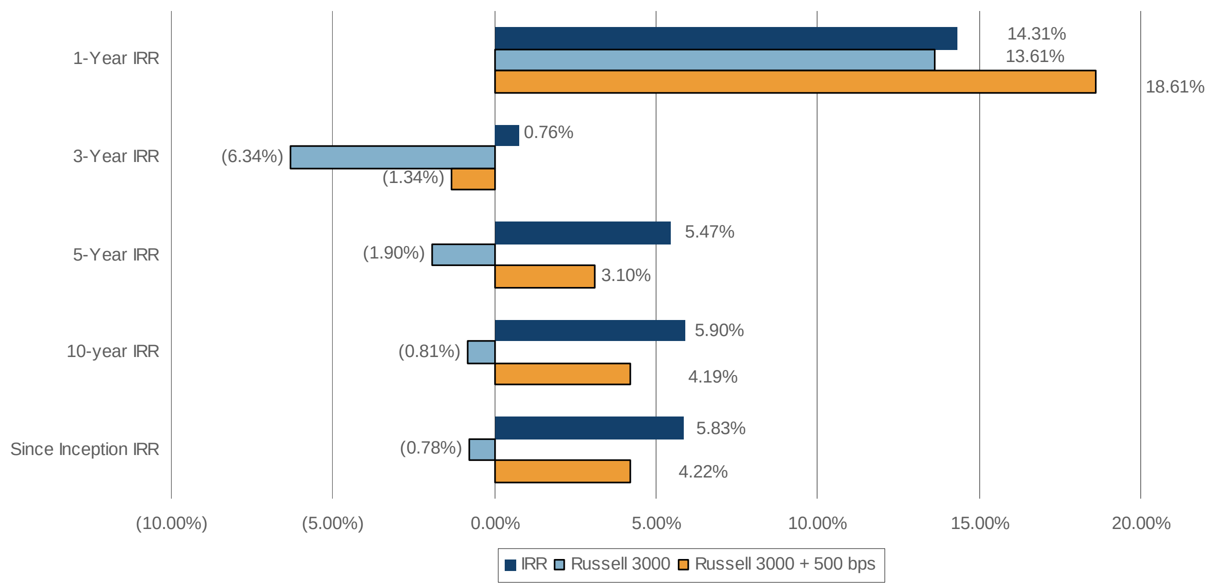
Portfolio Exposures: The Corporate Finance/Buyout strategy represents 71% of the Portfolio's total exposure, Venture Capital accounts for 13%, Special Situation represents 11%, Distressed Debt represents 2%, Mezzanine also represents 2% and Secondaries account for the remaining 1%. The Portfolio has significant exposure to North America; 81% of the underlying company market value based in the region.

Portfolio Overview

Performance

The chart below is a graphical depiction of the IRR performance of the Portfolio with respect to 1-, 3-, 5-, and since-inception time periods. The Portfolio is benchmarked against the Russell 3000 plus 500 basis points.

IRR Performance
As of June 30, 2010



- As private equity is a long-term asset class, the most significant time horizons are the ten year and since inception time periods.
    - Performance on a since-inception basis for the second quarter of 2010 decreased by 75 basis points, with the Portfolio generating an IRR of 5.83%. Performance for the one-year time horizon was 14.31%.
        - The market rebound during the second half of 2009 was mostly responsible for the one-year IRR, as the first half of 2010 has experienced nearly flat performance.

- The three year IRR is the worst-performing time horizon on an absolute basis. The poor performance associated with this time period is largely affected by the world economic downturn experienced from 2007 into the beginning of 2009.

Performance

The table below details quarterly performance of the Portfolio for the year ending June 30, 2010.

Portfolio Summary					
	Quarter Ending				Year Ending
in $ millions	9/30/2009	12/31/2009	3/31/2010	6/30/2010	6/30/2010
Beginning Market Value	$1,271.0	$1,399.4	$1,532.0	$1,629.7	$1,271.0
Paid-in Capital	75.7	102.7	66.5	88.7	333.6
Distributions	(21.7)	(39.7)	(36.2)	(46.0)	(143.6)
Net Value Change	**74.4**	**69.6**	**67.4**	**(14.2)**	**197.2**
Ending Market Value	$1,399.4	$1,532.0	$1,629.7	$1,658.2	$1,658.2
Unfunded Commitments	**$1,634.9**	**$1,555.4**	**$1,505.8**	**$1,430.7**	**$1,430.7**
Total Exposure	$3,034.3	$3,087.4	$3,135.5	$3,088.9	$3,088.9
Point to Point IRR	5.72%	4.85%	4.34%	(0.86%)	14.31%
Since Inception IRR	4.41%	5.65%	6.58%	5.83%	5.83%

- Over the past twelve months, the Portfolio has generated an IRR of 14.31% and has experienced a total of $197.2 million in net value gain.

- Blackstone V was the top performing partnership for the year ended June 30, 2010, generating a net value increase of $13.3 million and a point-to-point IRR of 33.47%. Blackstone V distributed $2.5 million during the year to the Portfolio, mostly related to the distribution of proceeds from Stiefel Laboratories, Michael's Stores, Allied Barton, Alliance Data and Bayview.

    - Blackstone V called $6.9 million for the year ending June 30, 2010 in capital, for both new and follow-on investments.

- Markstone Capital Partners was worst performing partnership for the year within the Portfolio, generating $2.8 million in net value loss for the year ended, June 30, 2010. The partnership generated a point-to-point IRR of (11.54)% for the one year period. The partnership had minimal distributions and called just over $2.0 million over the one-year period for follow-on investments in PRS, Tomcar and AMFIC.

Value Drivers

The table below displays the Portfolio's top five performance drivers by net value change for the quarter ending June 30, 2010.

Top Five Performing Investments for the Quarter Ending June 30, 2010				
Investment Name	**Vintage Year**	**Net Value Change ($ Millions)**	**Point-to-Point IRR**	**Since Inception IRR**
Blackstone Capital Partners V, L.P.	2006	$2.5	4.65%	(2.08%)
Catterton Partners VI, L.P.	2006	2.2	10.51%	5.18%
Carlyle Partners V, L.P.	2007	1.9	13.50%	(0.29%)
Thomas McNerney & Partners, L.P.	2002	1.8	24.20%	2.37%
Vista Equity Partners Fund III, L.P.	2007	1.7	6.89%	23.37%

- The above five partnerships generated a net value increase of $10.1 million in the second quarter 2010.

- Blackstone V, a 2006 buyout partnership, was the top performing driver for the quarter, generating a net value change of $2.5 million for the quarter. Of the 48 underlying portfolio companies currently held in the partnership, 29 companies were either held at cost or written-up in value, while the remaining 18 companies experienced modest write-downs. Capital was called for a new investment in ICS Group during the second quarter. ICS is a healthcare equipment and services provider in the United Kingdom.

    - Hilton Hotels, a leading global hospitality company, was written up 59% from the prior quarter and is currently being held at 0.8x cost.

    - Summit Materials, a leading provider of heavy-side building materials, was written up 25% from the prior quarter and is currently being held at 1.25x cost.

- Catterton Partners VI, a 2006 buyout partnership, was the second best performing partnership for second quarter, generating $2.2 million in net value change. Of the 10 underlying portfolio companies currently held in the partnership, 9 companies were either held at cost or written-up in value. Capital was called for a new investment in Mid-Atlantic Convenience Stores, an owner and operator of convenience stores which engage in ExxonMobil as a fuel marketer, during the second quarter.

    - Restoration Hardware, a home furnishings store, was written up 48% from the prior quarter and is currently being held at 1.19x cost.

    - Heartland Recreational Vehicles, a manufacturer of luxury fifth-wheel recreational vehicles, was written up 12% from the prior quarter and is currently being held at 2.28x cost.

The table below shows the Portfolio's bottom five performance drivers by net value change for the quarter ending June 30, 2010

Bottom Five Performing Investments for the Quarter Ending June 30, 2010				
Investment Name	**Vintage Year**	**Net Value Change ($ Millions)**	**Point-to-Point IRR**	**Since Inception IRR**
Avenue Europe Special Situation Fund, L.P.	2008	($4.0)	(12.29%)	13.27%
First Reserve Fund XI, L.P.	2006	(3.9)	(16.88%)	(5.83%)
Yucaipa American Alliance Fund II, L.P.	2008	(3.8)	(7.51%)	20.61%
RRE Ventures III, L.P.	2001	(3.6)	(14.05%)	6.46%
Avista Capital Partners II, L.P.	2008	(3.1)	(11.54%)	10.15%

- The above five partnerships generated a net value decrease of $18.4 million in the second quarter 2010.

- Avenue Europe Special Situation Fund, a 2008 Special Situations partnership, was the worst performing partnership in the second quarter 2010, generating ($2.2 million) in net value loss. There was no distribution or capital call activity in the second quarter. The partnership's market value decreased from $32.7 million in the first quarter to $28.6 million in the second quarter.

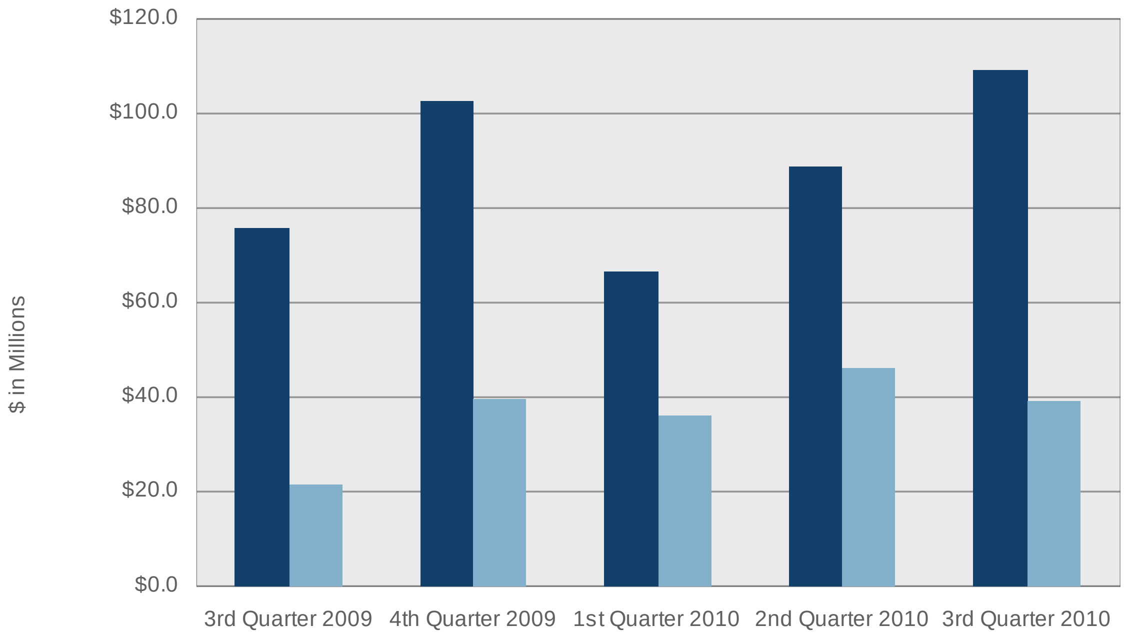
- First Reserve XI, a 2006 energy-focused buyout fund, was the second bottom performing partnership for the quarter, experiencing a net value loss of ($3.9 million). Of the 19 underlying portfolio companies currently held in the partnership, 9 companies were either held at cost or written-up in value, while the remaining 10 were written down.

    - Cobalt International Energy, a provider of oil and gas exploration and production in the Deepwater Gulf of Mexico, was written down 42% from the prior quarter and is currently being held at 1.52x cost.

    - Osage Bioenergy Holdings, an operator of an ethanol and feeds manufacturing company, was written down 63% from the prior quarter and is currently being held at 0.33x cost.

Cash Flow Drivers

The chart below highlights the cash flows of the Portfolio over the past five quarters ended September 30, 2010.



	3rd Quarter 2009	4th Quarter 2009	1st Quarter 2010	2nd Quarter 2010	3rd Quarter 2010
Paid-In Capital	$75.7	$102.7	$66.5	$88.7	$109.2
Capital Distributed	$21.7	$39.7	$36.2	$46.0	$39.4

■ Paid-In Capital ■ Capital Distributed

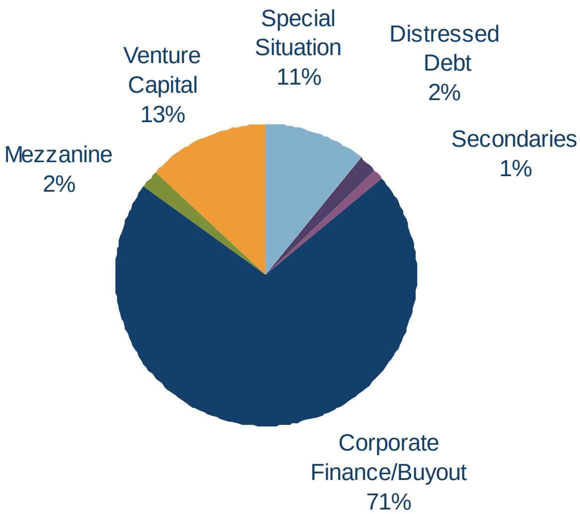
- For the year ended June 30, 2010, the Portfolio was cash flow negative with contributions outpacing distributions by $190.0 million. While contribution and distribution activity slowed in the first quarter of 2010, they have begun to steadily increase over the second and third quarters of 2010.
  - During the second quarter, Lincolnshire Equity Fund III distributed $7.3 million which represented the largest amount received by the Portfolio.
    - This distribution was a result of proceeds from an investment in Trailer Investments, a financial holding company.
  - Avista Capital Partners II called the most capital during the second quarter, calling $7.6 million as of June 30, 2010.
    - This capital was called for investments in ACP II Marcellus, ConvaTec, Enduring Resources, Frontier, Hansa Hydrocarbons, Laredo Energy IV, and Royal Offshore.

- During the third quarter of 2010, capital contributions increased by 23%, while distributions decreased by approximately 15%.
    - During the third quarter, Avista Capital Partners II distributed $7.3 million which represented the largest amount received by the Portfolio.
        - This distribution was a result of proceeds from FDR Holdings, a supplier of drilling and production services for the oil industry and ACP Marcellus, an energy and utilities company.
    - GI Partners III called the most capital, calling $10.2 million for the quarter ending September 30, 2010.
        - This capital was called for investments in ViaWest, First Republic Bank, Alconbury Airfield, SoftLayer Technologies, Flatiron Crossing and GI-STAG.

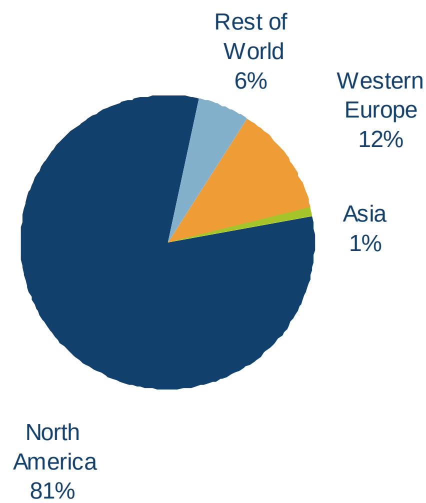
Portfolio Exposures

The pie charts below represent the strategic and geographic diversification of the Portfolio as of June 30, 2010. 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 June 30, 2010



Underlying Investment Diversification by Geographic Location As of June 30, 2010



- The Portfolio is focused in the Corporate Finance/Buyout strategy, with 71% of the total exposure attributable to this strategy.
- With respect to geography, the Portfolio is concentrated in North America, with 81% of the Portfolio's underlying market value attributable to this region.
    - The remaining 19% of the Portfolio's exposure is diversified between Western Europe, Asia and 'Rest-of-World.'