

NRRIT

National Railroad Retirement Investment Trust

OCTOBER 2014

QUARTERLY UPDATE FOR THE PERIOD ENDING SEPTEMBER 30, 2014

The National Railroad Retirement Investment Trust (the "Trust") issues a Quarterly Update to provide current information on the Trust's operations and activities relating to its investment operations. This update reports on the Trust's activities for the quarter ending September 30, 2014. Copies of the Trust's Annual Management Report and each Quarterly Update are available on the website of the Railroad Retirement Board ("RRB"), <http://www.rrb.gov>.

As of September 30, 2014, the Trust had received a total of \$21.3 billion from the Treasury for investment. Most of this amount was transferred to the Trust periodically during the first six months of its 2003 fiscal year beginning in October 2002. No transfers were received in the fiscal quarter just ended. In the quarter ended September 30, 2014, the Trust continued to transfer monies to the Treasury to help fund benefit payments and administrative expenses of the Railroad Retirement Account ("RRA"). Transfers to the Treasury during the quarter amounted to \$421 million. Since the Trust's inception, it has transferred a total of \$16.6 billion to the Treasury.

Investment Objectives

The Trust's primary investment objectives are to establish a portfolio that will achieve a long-term rate-of-return on assets sufficient to enhance the financial strength of the railroad retirement system and to do so in a diversified manner that minimizes the risk of large losses. Achievement of these objectives will facilitate the payment of benefits by the Railroad Retirement Board and the United States Treasury. To further these objectives the Trust has established an asset allocation policy and will seek to add value by obtaining returns that are in the aggregate greater than the returns of its strategic policy benchmark for this asset allocation. In addition, the Trust takes other appropriate steps to manage investment risk and volatility effectively.

In 2002, the Trust conducted its first comprehensive asset allocation study for the purpose of analyzing alternative asset allocation strategies for the Trust. The study analyzed the long-term expected return, risk, and return correlation of various asset classes, as well as the expected return and risk of various portfolios of these asset classes. In 2004, 2006, 2008, 2009, 2011 and 2014 the Trust took steps to review and update its asset allocation. As a result of these reviews, the Trustees have refined periodically the Trust's asset allocation policy and strategic policy benchmark.

TRUSTEES:

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William C. Walpert
National Secretary-Treasurer
Brotherhood of Locomotive Engineers and
Trainmen

The Trust's current asset allocation policy and strategic policy benchmark are contained in its Investment Guidelines which are included as Appendix B of the Trust's Annual Management Report.

The investment performance for the Trust, and the change in market value of Trust-managed and RRB-held assets for the most recent quarter are summarized below.

Investment Performance – Net of Fees for the Quarter ended September 30, 2014	
Trust-Managed Assets:	-1.20%
Strategic Policy Benchmark:	-1.90%

Market Value of Assets (Asset values are in billions of dollars)	
Trust-managed assets	
As of June 30, 2014	\$26.8
As of September 30, 2014	\$26.1
Change for quarter ended September 30, 2014	\$- 0.7
Trust-managed assets and RRB assets held in reserve	
As of June 30, 2014	\$28.5
As of September 30, 2014	\$27.8
Change for quarter ended September 30, 2014	\$- 0.7
As of February 1, 2002 (Trust inception)	\$20.7
Transfers to the Treasury	\$-16.6
Total change in assets since inception	\$23.7
As of September 30, 2014	\$27.8

Financial Market Volatility

The Trust originally deployed assets received from Treasury into a diversified and balanced portfolio of US and non-US equity and US fixed income securities. Over time, the Trust has furthered that diversification by allocating a percentage of the portfolio to non-US fixed income securities, private equity, real estate, and commodities. As mandated by its statute, the Trust has avoided undue concentration of investment in any asset class, type of security, or market sector. This policy of broad diversification is intended to serve the Trust well in strong markets and to protect its assets from disproportionate market shocks in volatile periods such as have been experienced in recent years. As part of this diversification process, the Trust holds tens of thousands of different securities selected by its investment managers for its portfolio.

In this volatile investment environment, Trustees and investment staff continue to monitor carefully the Trust's existing investments, and examine ways to refine its strategies to invest Trust assets in the most effective and prudent manner. The Board of Trustees will continue to manage the assets of the Trust as a patient, long-term investor, recognizing its responsibilities to the railroad retirement system, its workers and retirees. As a long-term investor, the Trust expects to benefit from the long-term recovery of financial markets.

Annual Report

The Trust's Annual Management Report contains additional information regarding the Trust's investment activities as well as other financial information. This report can be found on the Railroad Retirement Board's website at <http://www.rrb.gov>.