

NRRIT

National Railroad Retirement Investment Trust

JULY 2009

QUARTERLY UPDATE FOR THE PERIOD ENDING JUNE 30, 2009

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 June 30, 2009. 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 June 30, 2009, 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 June 30, 2009, the Trust continued to transfer monies back 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 \$7.5 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, and 2008, 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.

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William Sparrow
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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 Annual Management Report for Fiscal Year 2008.

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 for the Quarter ended June 30, 2009	
Trust-Managed Assets:	12.18%
Strategic Policy Benchmark:	16.20%

Market Value of Assets (Asset values are in billions of dollars)	
Trust-managed assets	
As of March 31, 2009	\$19.1
As of June 30, 2009	\$21.0
Change for quarter ended June 30, 2009	\$ 1.9
Trust-managed assets and RRB assets held in reserve	
As of March 31, 2009	\$20.5
As of June 30, 2009	\$22.4
Change for quarter ended June 30, 2009	\$ 1.9
As of February 1, 2002 (Trust inception)	\$20.7
Transfers back to the Treasury	\$-7.5
Total change in assets since inception	\$ 9.2
As of June 30, 2009	\$22.4

Recent 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 recently. As part of this diversification process, the Trust holds tens of thousands of different securities selected by its investment managers for its portfolio. During the past 12 months, volatile financial markets have had a significant impact on the Trust's market values. The Trust's returns reflect the volatility of the financial markets as a whole over this period. The Trust's Board and its investment staff continue to monitor the activities of the Trust's investment managers carefully in this most complex time. The investment staff is in regular contact with the Trust's investment managers and continues to diligently assess the situation.

In this difficult investment environment, the Trust has taken prudent steps to ensure sufficient liquidity to meet all Trust needs. Trustees and staff continue to examine and implement strategies for weathering these storms. While it is hard to predict how long the current market volatility will persist, 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 its retirees. As a long-term investor, the Trust expects to benefit from the long-term recovery of financial markets from current very depressed levels.

Annual Report

The Trust's Annual Management Report for Fiscal Year 2008, 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>.