

RUSSELL 2000 INDEX FUND MANAGEMENT

CITY OF NEW YORK DEFERRED COMPENSATION PLAN

MARKET COMMENTARY

The small cap market saw some significant selling pressure for the first time in several years. After hitting another new high in early April (781), the Russell 2000 retraced a good portion of its year to date gains dropping 14% to 671 by mid June. While corporate earnings growth remained intact, investors grew concerned about the appearance of a global central bank tightening process, including the U.S., EU, and perhaps even Japan. As small caps are more dependent on the availability of capital, their performance suffers disproportionately as monetary liquidity is removed from the system. However, these fears gave way in the last two weeks of June. The Russell 2000 recovered to 724, ending the quarter down only 5.03%. Investors were buffeted by a Federal Reserve statement that opened the possibility their long series of rate hikes may be near that end.

PRODUCT PROFILE

Portfolio Benchmark:
Russell 2000 Index

Top Ten Holdings

Company Name	% of Portfolio
Maverick Tube	0.18
Hologic, Inc.	0.18
Jetblue Airways	0.16
Phillips Van Heusen	0.16
Rsa Sec, Inc.	0.16
Formfactor, Inc.	0.16
Alexandria Real Estate	0.16
3com Corporation	0.16
Highwoods Properties	0.15
Post Properties	0.15
Percent of Total Portfolio	1.63%

Sector Breakdown

Company Name	BNY Russell 2000
Consumer Discretionary	18.9%
Health Care	11.5
Other Energy	4.9
Financial Services	23.8
Producer Durables	7.3
Technology	13.7
Materials and Processing	9.2
Autos and Transportation	4.2
Consumer Staples	1.9
Integrated Oils	0.3
Other	0.3
Utilities	4.0
Total	100.0%

Portfolio Characteristics

Capitalization (\$B)	BNY Russell 2000 Index
Total	\$1,280
Mean	0.759
Median	0.604
Largest Company	2.335
Smallest Company	0.083
Exchange Listing	
NYSE	689 Companies 44.4%
NASDAQ	1219 Companies 53.2%
AMEX	81 Companies 2.49%
Fundamental Data	
Yield	1.18%
P/E Ratio	20.00x
Median Share Price	\$20.88
Source: Russell	

Performance History (Gross)

	2Q06	1 Year	3 Years
BNY AM ⁽¹⁾	(5.02%)	14.71%	18.86%
Russell 2000	(5.03%)	14.56%	18.69%

(1) BNY Russell 2000 Index Fund

Performance as of June 30, 2006

Performance data for the BNY Russell 2000 Index Fund is based on the firm's Collective Trust Fund having a market value of \$128 million as of 6/30/06. It includes realized and unrealized capital gains and losses, dividends and interest income and brokerage costs, but does not include the deduction of advisory fees. **Past performance does not guarantee future results.** BNY assumes no responsibility for the accuracy or completeness of the above data and disclaims all expressed or implied warranties in connection therewith. An investor should consider the fund's investment objective, risks, charges and expenses carefully before investing. Material in this publication is for general information only and is not intended to provide specific investment advice or recommendations for any purchase or sale of any security or commodity. Certain information contained herein is based on outside sources believed to be reliable, but their accuracy is not guaranteed. © 2006 The Bank of New York Company, Inc. All rights reserved.