

## **Spokane Employees' Retirement System**

Third Quarter 2010 Performance Report

December 2010

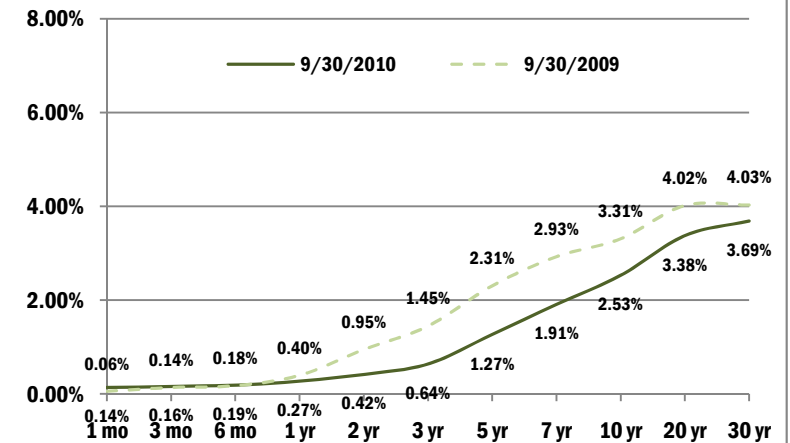


Hyas Group • 108 NW 9<sup>th</sup> Avenue Suite 203 Portland, Oregon 97209 • p: 971.634.1500 f: 971.275.1856  
[www.hyasgroup.com](http://www.hyasgroup.com)

## 3Q2010 Bond Market Data

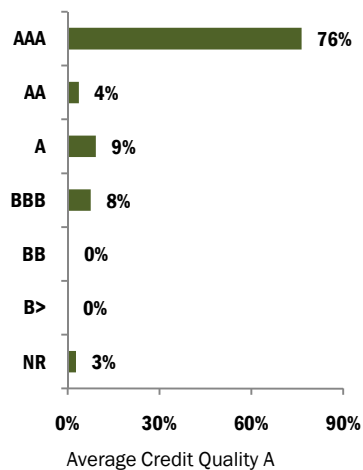
Index	3Q10	YTD	1 yr.	3 yrs.	5 yrs.	10 yrs.
90-Day T-Bill	0.04%	0.11%	0.12%	0.84%	2.36%	2.30%
Barclays US Treasury US TIPS	2.48%	7.00%	8.89%	6.91%	5.49%	7.49%
Barclays US Treasury	2.73%	8.74%	7.32%	7.43%	6.19%	6.21%
Barclays US Treasury 1-3 Yr	0.64%	2.56%	2.59%	4.13%	4.37%	4.24%
Barclays US Treasury 5-10 Yr	4.21%	12.92%	10.96%	9.58%	7.43%	7.12%
Barclays US Govt/ Credit	3.28%	8.95%	8.73%	7.46%	6.15%	6.52%
Barclays 1-3 Yr Govt/ Credit	0.90%	2.87%	3.26%	4.63%	4.68%	4.61%
Barclays US Govt/ Credit 5-10 Yr	4.78%	12.74%	12.80%	9.31%	7.17%	7.53%
Barclays US Aggregate	2.48%	7.94%	8.16%	7.42%	6.20%	6.41%
Barclays US Corp. High Yield	6.71%	11.53%	18.44%	8.75%	8.37%	7.96%
Barclays Global Aggregate	7.30%	6.96%	6.06%	7.37%	6.69%	7.28%
Barclays Municipal	3.40%	6.83%	5.81%	6.04%	5.13%	5.73%
Barclays US Credit	4.65%	10.53%	11.67%	8.30%	6.48%	7.10%

US Treasury Yield Curve



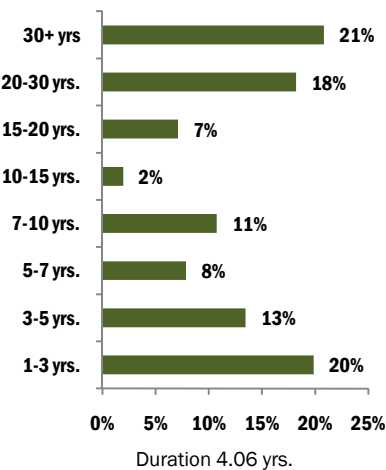
Source: Department of US Treasury

Barclays US Aggregate Index  
Credit Quality



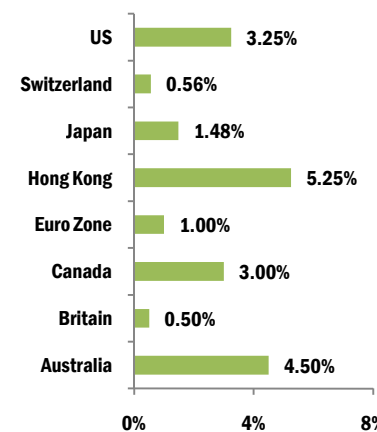
Source: Morningstar

Barclays Aggregate Index  
Maturity Breakdown



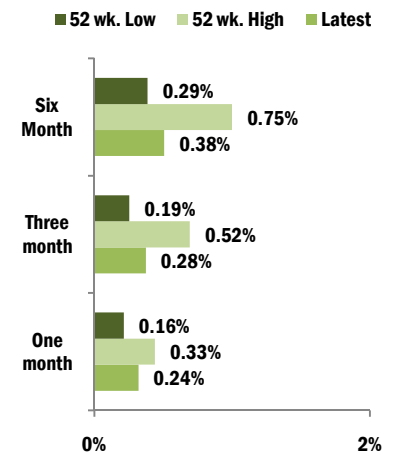
Source: Morningstar

Prime Rates



Source: Wall Street Journal

CD Rates



Source: Federal Reserve

## 3Q2010 US Equity Market Data

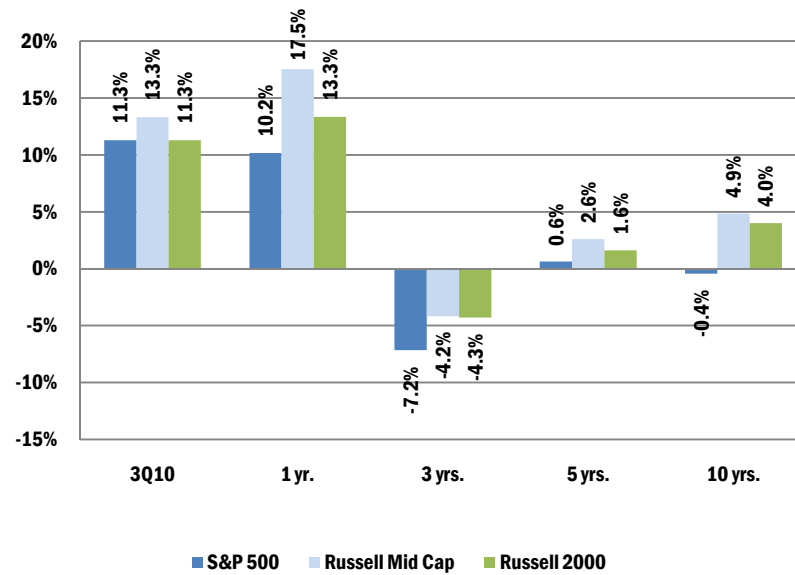
### Sectors Weights/Returns (ranked by quarter performance)

S&P 500 Index	Wgt.	Sector	3Q10	1 Yr.
	3%	Telecom Services	20.96%	19.07%
	3%	Materials	17.84%	10.22%
	10%	Consumer Discretionary	15.17%	23.63%
	10%	Industrials	14.31%	19.44%
	11%	Energy	12.95%	4.70%
	4%	Utilities	12.35%	11.90%
	19%	Information Technology	11.78%	10.66%
	11%	Consumer Staples	10.63%	12.94%
	12%	Health Care	8.86%	8.31%
	17%	Financials	4.33%	-2.84%
S&P Midcap 400 Index	Wgt.	Sector	3Q10	1 Yr.
	15%	Information Technology	18.90%	20.20%
	4%	Consumer Staples	18.40%	17.10%
	14%	Consumer Discretionary	16.80%	20.20%
	15%	Industrials	15.10%	16.60%
	6%	Energy	13.50%	11.30%
	7%	Materials	13.50%	23.00%
	6%	Utilities	11.10%	17.90%
	21%	Financials	9.60%	15.50%
	1%	Telecom Services	8.20%	10.60%
	12%	Health Care	5.00%	18.00%
S&P Smallcap 600 Index	Wgt.	Sector	3Q10	1 Yr.
	4%	Materials	15.64%	10.80%
	4%	Utilities	12.49%	19.75%
	5%	Energy	11.85%	14.24%
	19%	Information Technology	11.75%	8.73%
	0%	Telecom Services	11.68%	-3.78%
	16%	Consumer Discretionary	9.36%	19.35%
	13%	Health Care	9.17%	17.99%
	16%	Industrials	9.02%	13.03%
	4%	Consumer Staples	8.79%	21.42%
	19%	Financials	6.31%	12.16%

### Index Performance Data

Index	3Q10	YTD	1 yr.	Annualized		
				3 yrs.	5 yrs.	10 yrs.
<b>S&amp;P 500</b>	11.29%	3.89%	10.16%	-7.16%	0.64%	-0.43%
<b>Russell 1000 Value</b>	10.13%	4.49%	8.90%	-9.39%	-0.48%	2.59%
<b>Russell 1000 Growth</b>	13.00%	4.36%	12.65%	-4.36%	2.06%	-3.44%
<b>Russell Mid Cap</b>	13.31%	10.97%	17.54%	-4.16%	2.60%	4.86%
<b>Russell Mid Cap Value</b>	12.13%	11.15%	16.93%	-4.78%	1.97%	7.80%
<b>Russell Mid Cap Growth</b>	14.65%	10.85%	18.27%	-3.90%	2.86%	-0.88%
<b>Russell 2000</b>	11.29%	9.12%	13.35%	-4.29%	1.60%	4.00%
<b>Russell 2000 Value</b>	9.72%	7.92%	11.84%	-4.99%	0.73%	7.72%
<b>Russell 2000 Growth</b>	12.83%	10.23%	14.79%	-3.75%	2.35%	-0.13%
<b>DJ US Select REIT</b>	13.22%	19.19%	30.14%	-6.98%	1.36%	10.12%

Market Returns



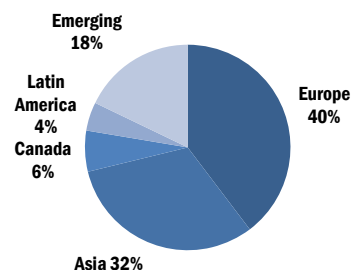
## 3Q2010 International Market Data

### Index Performance Data (net)

Index (US\$)	3Q10	YTD	1 yr.	3 yrs.	5 yrs.	10 yrs.
MSCI ACWI ex-US	16.6%	3.7%	7.6%	-7.4%	4.3%	4.3%
MSCI EAFE	16.5%	1.1%	3.3%	-9.5%	2.0%	2.6%
Europe	19.4%	-0.6%	2.6%	-10.4%	2.3%	3.0%
United Kingdom	19.8%	2.6%	9.7%	-9.5%	1.5%	3.0%
Germany	16.7%	-1.0%	1.2%	-11.0%	5.2%	3.1%
France	20.8%	-5.8%	-3.8%	-10.8%	1.6%	1.9%
Pacific	11.5%	4.8%	4.9%	-7.6%	1.2%	1.6%
Japan	5.8%	3.0%	0.1%	-10.1%	-2.5%	-1.8%
Hong Kong	21.9%	17.6%	21.8%	-0.5%	10.4%	7.7%
Australia	23.6%	4.3%	9.4%	-4.5%	8.7%	13.1%
Canada	13.2%	7.4%	12.8%	-3.0%	7.3%	7.1%
MSCI EM	18.0%	10.8%	20.2%	-1.5%	12.7%	0.0%
MSCI EM Latin America	21.0%	8.2%	21.6%	4.6%	19.0%	19.5%
MSCI EM Asia	15.8%	11.2%	18.7%	-3.1%	13.1%	12.0%
MSCI EM Eur/Mid East	20.1%	8.7%	19.9%	-7.4%	4.4%	9.3%
MSCI ACWI Value ex-US	16.1%	1.5%	3.8%	-7.8%	3.9%	6.0%
MSCI ACWI Growth ex-US	17.1%	5.8%	11.4%	-7.1%	4.6%	2.5%
MSCI World Small Cap ex-US	15.4%	11.3%	15.7%	-3.4%	4.9%	7.1%

### Regional Exposure

MSCI ACWI ex-USA

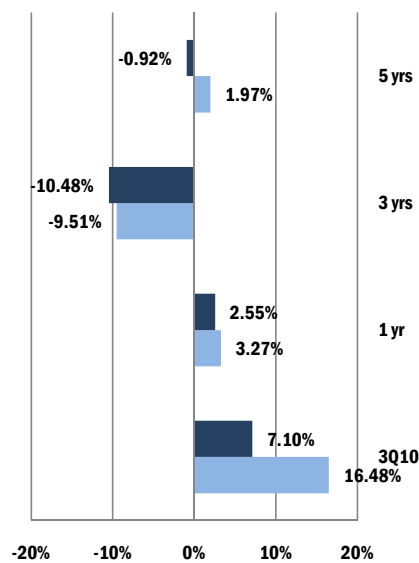


### Top 10 Countries (MSCI AC World ex-USA)

Japan	16%
UK	14%
Canada	8%
France	6%
Australia	6%
Switzerland	6%
Germany	5%
China	4%
Brazil	4%
South Korea	3%

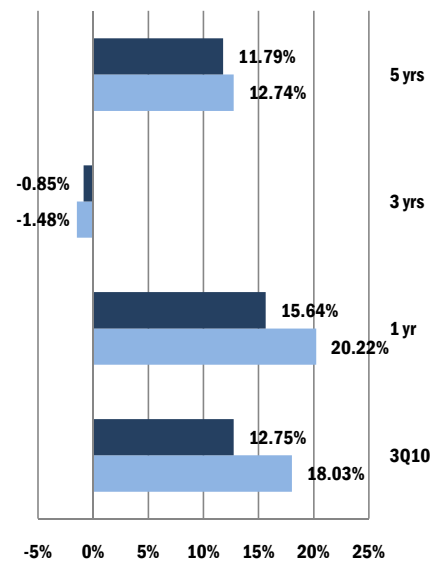
### MSCI EAFE Index Return

Local US\$

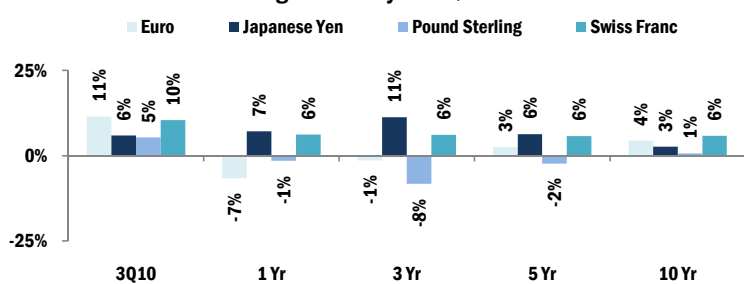


### MSCI Emerging Index Return

Local US\$



### Foreign Currency v. US\$ Returns



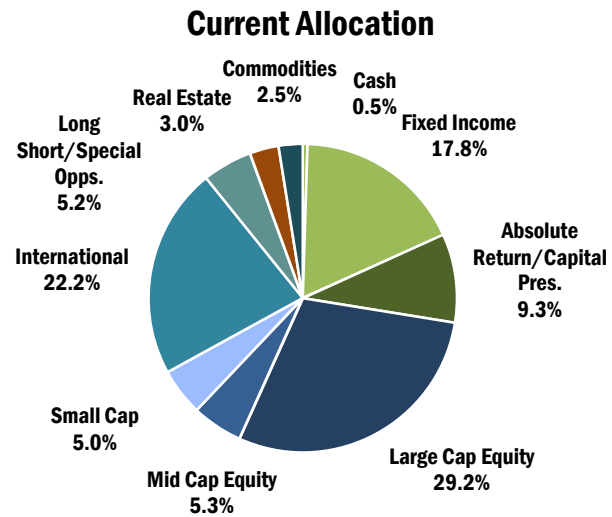
Exchange Rates	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10
Japanese yen	95.54	89.97	92.24	92.70	88.40	83.54
Euro	0.71	0.69	0.70	0.74	0.82	0.73
British pound	0.61	0.63	0.63	0.66	0.66	0.63
Swiss franc	1.09	1.04	1.04	1.06	1.08	0.98
US dollar	1.00	1.00	1.00	1.00	1.00	1.00

# Historical Market Returns

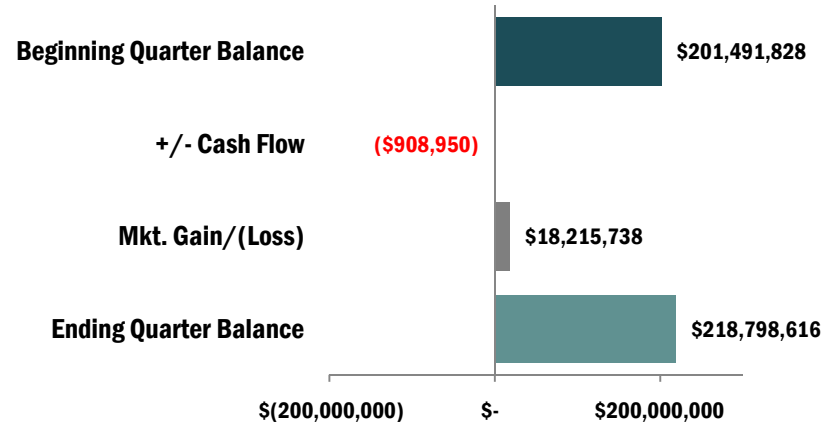
Ranked by Performance

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	3Q10	YTD
Large Cap Growth 23.12%	Large Cap Value 35.18%	Large Cap Growth 38.71%	Emerging Mkt. 66.64%	Small Cap Value 22.83%	Small Cap Value 14.02%	Global Bonds 16.52%	Emerging Mkt. 56.28%	Emerging Mkt. 25.95%	Emerging Mkt. 34.54%	Emerging Mkt. 32.59%	Emerging Mkt. 39.78%	US Bonds 5.24%	Emerging Mkt. 79.02%	Emerging Mkt. 18.16%	Mid Cap Value 11.15%
Large Cap Value 21.64%	Mid Cap Value 34.37%	Intl. Growth 22.47%	Mid Cap Growth 51.29%	Mid Cap Value 19.18%	US Bonds 8.44%	US Bonds 10.25%	Small Cap Growth 48.54%	Intl. Value 24.88%	Intl. Value 14.39%	Intl. Value 31.05%	Intl. Growth 16.84%	Global Bonds 4.79%	Mid Cap Growth 46.29%	Intl. Growth 16.62%	Emerging Mkt. 11.02%
Small Cap Value 21.37%	Small Cap Value 31.78%	Intl. Value 18.09%	Small Cap Growth 43.09%	US Bonds 11.63%	Mid Cap Value 2.33%	Emerging Mkt. -6.00%	Small Cap Value 46.03%	Mid Cap Value 23.71%	Intl. Growth 13.64%	Small Cap Value 23.48%	Large Cap Growth 11.81%	Small Cap Value -28.92%	Large Cap Growth 37.21%	Intl. Value 16.43%	Mid Cap Growth 10.85%
Mid Cap Value 20.26%	Large Cap Growth 30.49%	Mid Cap Growth 17.86%	Large Cap Growth 33.16%	Large Cap Value 7.01%	Global Bonds 1.57%	Mid Cap Value -9.64%	Intl. Value 45.96%	Small Cap Value 22.25%	Mid Cap Value 12.65%	Intl. Growth 22.69%	Mid Cap Growth 11.43%	Large Cap Value -36.85%	Intl. Value 35.06%	Mid Cap Growth 14.65%	Small Cap Growth 10.23%
Mid Cap Growth 17.48%	Mid Cap Growth 22.54%	Large Cap Value 15.63%	Intl. Growth 29.71%	Global Bonds 3.17%	Emerging Mkt. -2.37%	Small Cap Value -11.43%	Mid Cap Growth 42.71%	Large Cap Value 16.49%	Mid Cap Growth 12.10%	Large Cap Value 22.25%	Global Bonds 9.48%	Large Cap Growth -38.44%	Small Cap Growth 34.47%	Large Cap Growth 13.00%	US Bonds 7.94%
Small Cap Growth 11.26%	Small Cap Growth 12.95%	Global Bonds 13.71%	Intl. Value 24.54%	Intl. Value -2.82%	Large Cap Value -5.59%	Large Cap Value -15.52%	Mid Cap Value 38.07%	Intl. Growth 16.48%	Large Cap Value 7.05%	Mid Cap Value 20.22%	Small Cap Growth 7.05%	Mid Cap Value -38.44%	Mid Cap Value 34.21%	Small Cap Growth 12.83%	Small Cap Value 7.92%
Intl. Value 9.22%	US Bonds 9.65%	US Bonds 8.69%	Large Cap Value 7.35%	Mid Cap Growth -11.75%	Small Cap Growth -9.23%	Intl. Value -15.60%	Intl. Growth 32.49%	Mid Cap Growth 15.48%	Large Cap Growth 5.26%	Small Cap Growth 13.35%	US Bonds 6.97%	Small Cap Growth -38.54%	Intl. Growth 29.91%	Mid Cap Value 12.13%	Global Bonds 6.96%
Emerging Mkt. 6.03%	Global Bonds 3.78%	Mid Cap Value 5.08%	Mid Cap Value -0.11%	Large Cap Growth -22.42%	Intl. Value -18.22%	Intl. Growth -15.76%	Large Cap Value 30.03%	Small Cap Growth 14.31%	Small Cap Value 4.71%	Mid Cap Growth 10.66%	Intl. Value 6.49%	Intl. Growth -42.46%	Small Cap Value 20.58%	Large Cap Value 10.13%	Large Cap Value 4.49%
Global Bonds 4.91%	Intl. Growth 2.33%	Small Cap Growth 1.23%	US Bonds -0.82%	Small Cap Growth -22.43%	Mid Cap Growth -20.15%	Mid Cap Growth -27.41%	Large Cap Growth 29.75%	Global Bonds 9.27%	Small Cap Growth 4.15%	Large Cap Growth 9.07%	Large Cap Value -0.17%	Intl. Value -43.68%	Large Cap Value 19.69%	Small Cap Value 9.72%	Intl. Growth 4.39%
Intl. Growth 3.70%	Intl. Value 1.82%	Small Cap Value -6.45%	Small Cap Value -1.49%	Intl. Growth -24.40%	Large Cap Growth -20.42%	Large Cap Growth -27.88%	Global Bonds 12.51%	Large Cap Growth 6.30%	US Bonds 2.43%	Global Bonds 6.64%	Mid Cap Value -1.42%	Mid Cap Growth -44.32%	Global Bonds 6.93%	Global Bonds 7.30%	Large Cap Growth 4.36%
US Bonds 3.63%	Emerging Mkt. -11.59%	Emerging Mkt. -25.34%	Global Bonds -5.17%	Emerging Mkt. -30.71%	Intl. Growth -24.41%	Small Cap Growth -30.26%	US Bonds 4.10%	US Bonds 4.34%	Global Bonds -4.49%	US Bonds 4.33%	Small Cap Value -9.78%	Emerging Mkt. -53.18%	US Bonds 5.93%	US Bonds 2.48%	Intl. Value -1.48%

## Spokane Employees' Retirement System



### Account Balance



### Policy Index\*

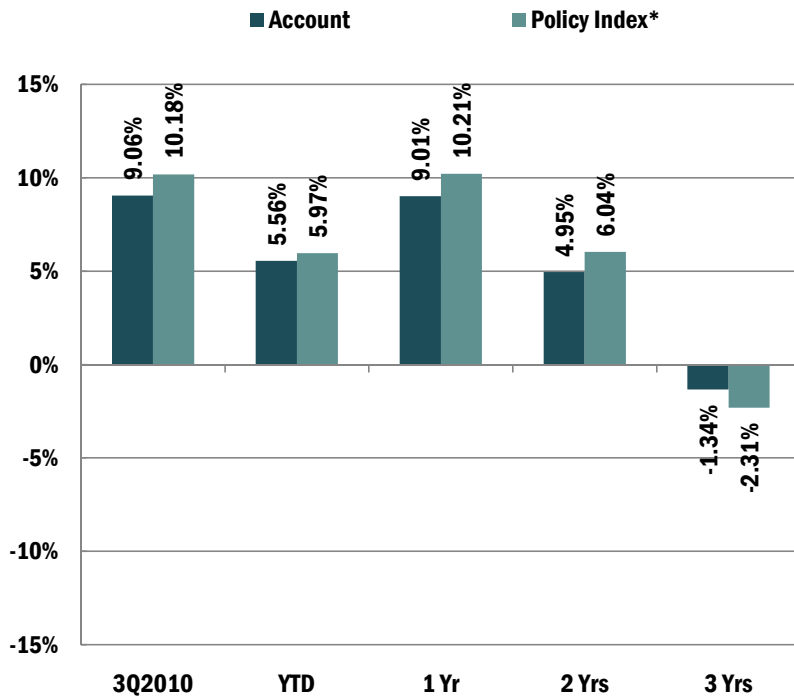
Index	Weight
US 90 Day T-Bill	1%
Barclays US Aggregate Bond Index	15%
Barclays Corporate High Yield Index	5%
Barclays Global Aggregate Bond Index	5%
S&P 500 Index	34%
Russell Mid Cap Index	8%
Russell 2000 Index	5%
MSCI ACWI ex-US	17%
S&P GSCI Index	4%
NAREIT Composite	3%
NCREIF Property Index	3%

\*As of 3Q2010 SERS adjusted the Fund's target asset allocation and policy index.

## Spokane Employees' Retirement System

### Total Account Performance

September 30, 2010



### Asset Class Performance

	3Q2010	1 Yr	2 Yrs	3 Yrs
<b>Fixed Income</b>	<b>2.26%</b>	<b>6.72%</b>	<b>9.19%</b>	<b>7.65%</b>
Barclays US Aggregate Bond Index	2.48%	8.16%	9.35%	7.42%
<b>Absolute Return/Capital Pres.</b>	<b>-0.19%</b>	<b>-2.53%</b>	<b>-3.72%</b>	<b>-</b>
Barclays US Aggregate Bond Index	2.48%	8.16%	9.35%	-
<b>Large Cap Equity</b>	<b>11.53%</b>	<b>9.43%</b>	<b>1.55%</b>	<b>-6.37%</b>
S&P 500 Index	11.29%	10.16%	1.27%	-7.16%
<b>Mid Cap Equity</b>	<b>13.82%</b>	<b>15.42%</b>	<b>5.28%</b>	<b>-1.77%</b>
Russell Mid Cap Index	13.31%	17.54%	6.48%	-4.16%
<b>Small Cap</b>	<b>10.81%</b>	<b>11.16%</b>	<b>-0.61%</b>	<b>-8.67%</b>
Russell 2000 Index	11.29%	13.35%	1.26%	-4.29%
<b>International</b>	<b>16.16%</b>	<b>11.75%</b>	<b>8.08%</b>	<b>-2.88%</b>
MSCI AC World Ex USA (net)	16.58%	7.56%	6.72%	-7.42%
<b>Commodities</b>	<b>7.99%</b>	<b>1.11%</b>	<b>-</b>	<b>-</b>
S&P GSCI	8.27%	4.22%	-	-
<b>Long Short/Special Opps.</b>	<b>2.62%</b>	<b>5.72%</b>	<b>4.74%</b>	<b>-</b>
S&P 500 Index	11.29%	10.16%	1.27%	-
<b>Real Estate</b>	<b>13.98%</b>	<b>26.65%</b>	<b>-5.43%</b>	<b>-6.13%</b>
FTSE NAREIT Composite	12.35%	28.50%	-2.23%	-6.11%

\*As of 3Q2010 SERS adjusted the Fund's target asset allocation and policy index.