

## **Spokane Employees' Retirement System**

First Quarter 2012 Performance Report

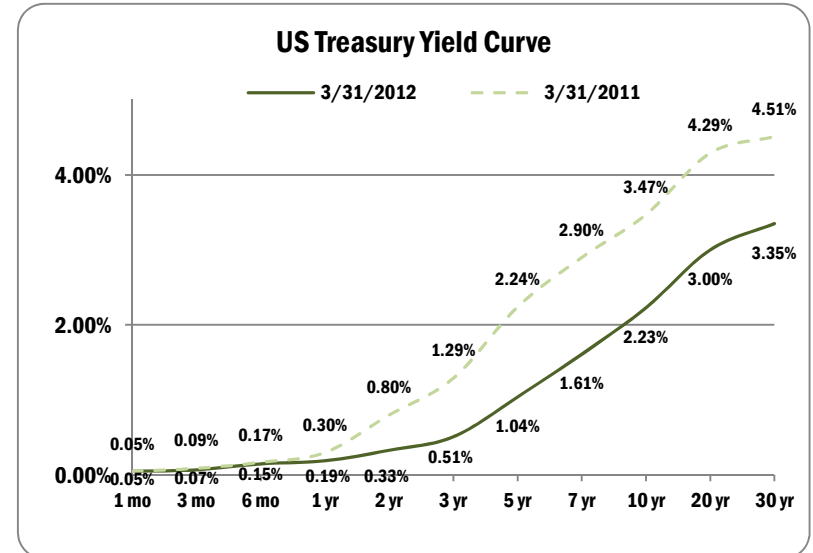
May 2012



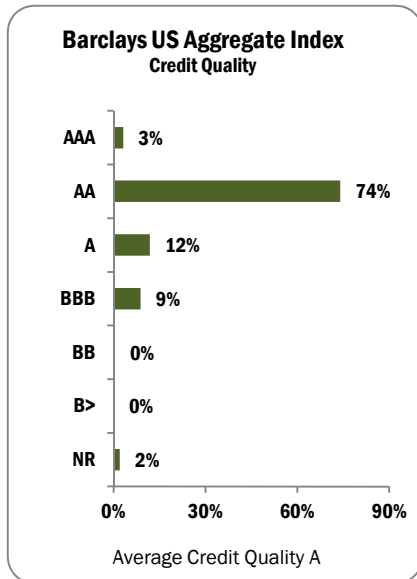
Hyas Group • 108 NW 9<sup>th</sup> Avenue Suite 203 Portland, Oregon 97209 • p: 971.634.1500 f: 971.275.1856  
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# 1Q2012 Bond Market Data

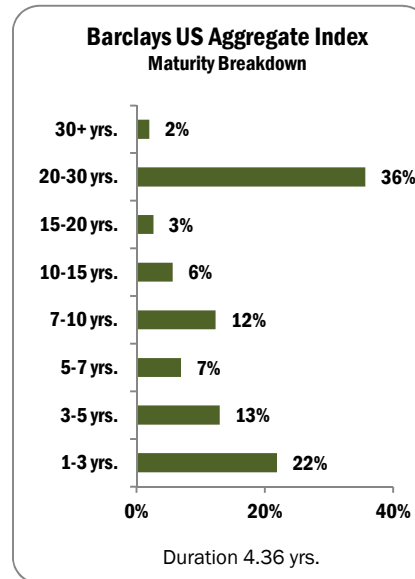
Index	1Q12	YTD	1 yr.	3 yrs.	5 yrs.	10 yrs.
90-Day T-Bill	0.02%	0.02%	0.04%	0.10%	0.98%	1.78%
Barclays US Treasury US TIPS	0.86%	0.86%	12.20%	8.74%	7.60%	7.51%
Barclays US Treasury	-1.29%	-1.29%	8.57%	3.90%	6.23%	5.67%
Barclays US Treasury 1-3 Yr	-0.08%	-0.08%	1.45%	1.51%	3.41%	3.27%
Barclays US Treasury 5-10 Yr	-1.15%	-1.15%	12.03%	5.35%	7.95%	6.71%
Barclays US Govt/ Credit	0.08%	0.08%	8.53%	7.09%	6.26%	5.91%
Barclays 1-3 Yr Govt/ Credit	0.36%	0.36%	1.78%	2.66%	3.77%	3.66%
Barclays US Govt/ Credit 5-10 Yr	0.72%	0.72%	11.07%	9.56%	7.64%	7.01%
Barclays US Aggregate	0.30%	0.30%	7.71%	6.83%	6.25%	5.80%
Barclays US Corp. High Yield	5.34%	5.34%	6.45%	23.87%	8.10%	9.24%
Barclays Global Aggregate	0.87%	0.87%	5.26%	7.52%	6.38%	7.34%
Barclays Municipal	1.75%	1.75%	12.07%	7.70%	5.42%	5.46%
Barclays US Credit	2.04%	2.04%	9.58%	12.32%	6.91%	6.59%



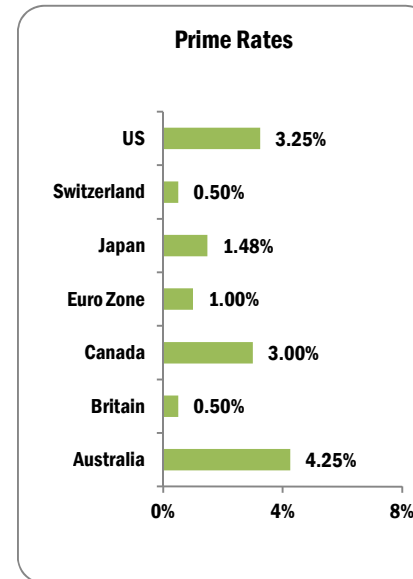
Source: Department of US Treasury



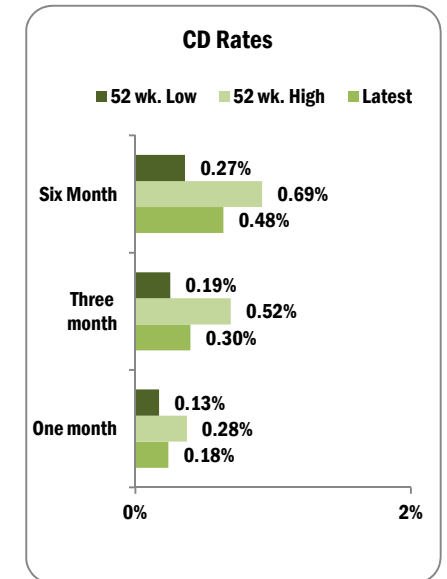
Source: Morningstar



Source: Morningstar



Source: Wall Street Journal



Source: Federal Reserve

# 1Q2012 US Equity Market Data

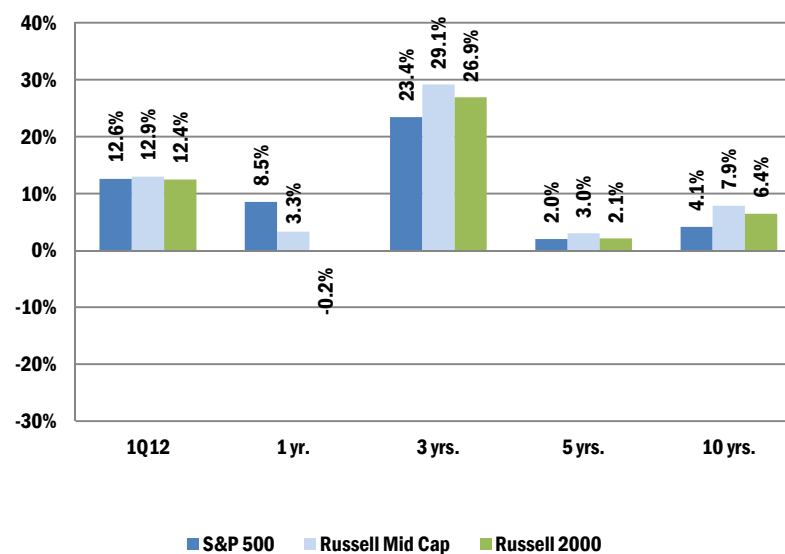
## Sectors Weights/Returns (ranked by quarter performance)

S&P 500 Index	Wgt.	Sector	1Q12	1 Yr.
	14%	Financials	22.05%	-1.76%
	20%	Information Technology	21.46%	20.21%
	11%	Consumer Discretionary	15.96%	17.53%
	11%	Industrials	11.31%	1.75%
	4%	Materials	11.19%	-4.01%
	11%	Health Care	9.06%	16.41%
	11%	Consumer Staples	5.54%	17.34%
	12%	Energy	3.88%	-6.86%
	3%	Telecom Services	2.08%	3.46%
	3%	Utilities	-1.62%	14.82%
S&P Midcap 400 Index	Wgt.	Sector	1Q12	1 Yr.
	16%	Information Technology	21.13%	-1.13%
	10%	Health Care	16.32%	5.16%
	13%	Consumer Discretionary	16.20%	10.61%
	17%	Industrials	15.12%	2.77%
	6%	Materials	13.28%	3.50%
	20%	Financials	13.18%	2.36%
	4%	Consumer Staples	7.50%	13.18%
	0%	Telecom Services	7.08%	-4.64%
	7%	Energy	1.86%	-22.75%
	5%	Utilities	-2.13%	3.89%
S&P Smallcap 600 Index	Wgt.	Sector	1Q12	1 Yr.
	15%	Consumer Discretionary	18.30%	13.71%
	20%	Information Technology	13.05%	-1.54%
	5%	Materials	12.73%	-3.18%
	16%	Industrials	11.95%	-0.47%
	11%	Health Care	11.75%	12.48%
	20%	Financials	11.07%	9.04%
	5%	Energy	9.24%	-10.14%
	4%	Consumer Staples	8.67%	11.08%
	1%	Telecom Services	4.97%	-1.38%
	4%	Utilities	-2.49%	10.65%

## Index Performance Data

Index	1Q12	YTD	1 yr.	Annualized		
				3 yrs.	5 yrs.	10 yrs.
<b>S&amp;P 500</b>	12.59%	12.59%	8.54%	23.42%	2.01%	4.12%
<b>Russell 1000 Value</b>	11.12%	11.12%	4.79%	22.82%	-0.81%	4.58%
<b>Russell 1000 Growth</b>	14.69%	14.69%	11.02%	25.28%	5.10%	4.28%
<b>Russell Mid Cap</b>	12.94%	12.94%	3.31%	29.13%	3.03%	7.85%
<b>Russell Mid Cap Value</b>	11.41%	11.41%	2.28%	29.18%	1.26%	8.02%
<b>Russell Mid Cap Growth</b>	14.52%	14.52%	4.43%	29.16%	4.44%	6.92%
<b>Russell 2000</b>	12.44%	12.44%	-0.18%	26.90%	2.13%	6.45%
<b>Russell 2000 Value</b>	11.59%	11.59%	-1.07%	25.36%	0.01%	6.59%
<b>Russell 2000 Growth</b>	13.28%	13.28%	0.68%	28.36%	4.15%	6.00%
<b>DJ US Select REIT</b>	10.76%	10.76%	13.53%	44.48%	-0.75%	10.36%

Market Returns

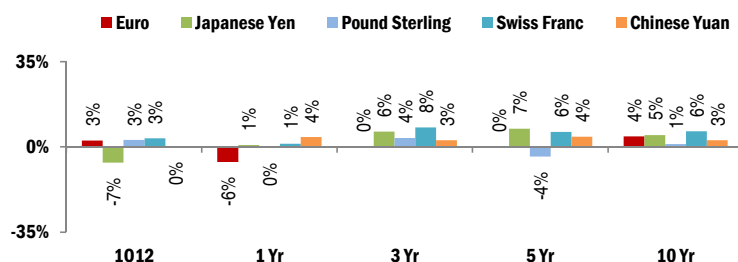


# 1Q2012 International Market Data

## Index Performance Data (net)

Index (US\$)	1Q12	YTD	1 yr.	3 yrs.	5 yrs.	10 yrs.
MSCI ACWI ex-US	11.2%	11.2%	-7.2%	19.1%	-1.6%	7.3%
MSCI EAFE	10.9%	10.9%	-5.8%	17.1%	-3.5%	5.7%
Europe	10.7%	10.7%	-7.5%	17.6%	-4.0%	5.4%
United Kingdom	7.6%	7.6%	1.1%	22.3%	-2.3%	5.6%
Germany	20.9%	20.9%	-7.8%	18.7%	-1.6%	6.3%
France	12.2%	12.2%	-15.6%	12.0%	-5.9%	4.0%
Pacific	11.3%	11.3%	-2.0%	16.6%	-2.4%	6.4%
Japan	11.3%	11.3%	0.3%	11.9%	-5.2%	3.9%
Hong Kong	13.4%	13.4%	-4.4%	23.6%	5.2%	10.0%
Australia	8.9%	8.9%	-7.1%	25.8%	2.6%	13.3%
Canada	6.4%	6.4%	-13.7%	21.9%	3.6%	11.6%
MSCI EM	14.1%	14.1%	-8.8%	25.1%	4.7%	14.1%
MSCI EM Latin America	14.6%	14.6%	-8.4%	27.2%	8.3%	19.4%
MSCI EM Asia	13.3%	13.3%	-7.9%	23.9%	5.1%	11.9%
MSCI EM Eur/Mid East	19.3%	19.3%	-18.5%	25.6%	-2.0%	12.9%
MSCI ACWI Value ex-US	10.7%	10.7%	-8.1%	19.4%	-2.4%	7.8%
MSCI ACWI Growth ex-US	11.8%	11.8%	-6.3%	18.9%	-0.8%	6.7%
MSCI AC World Sm Cap ex-US	14.3%	14.3%	-8.6%	26.7%	-0.5%	11.4%

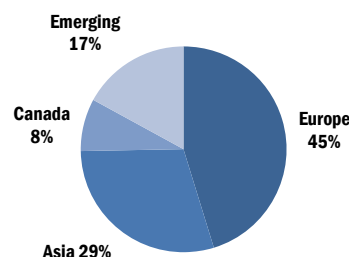
## Foreign Currency v. US\$ Returns



Exchange Rates	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12
Japanese yen	81.11	82.88	80.76	77.08	76.94	82.30
Euro	0.75	0.70	0.69	0.75	0.77	0.75
British pound	0.64	0.62	0.62	0.64	0.64	0.63
Swiss franc	0.93	0.91	0.84	0.91	0.94	0.90
Chinese Yuan	6.59	6.55	6.46	6.39	6.29	6.30

## Regional Exposure

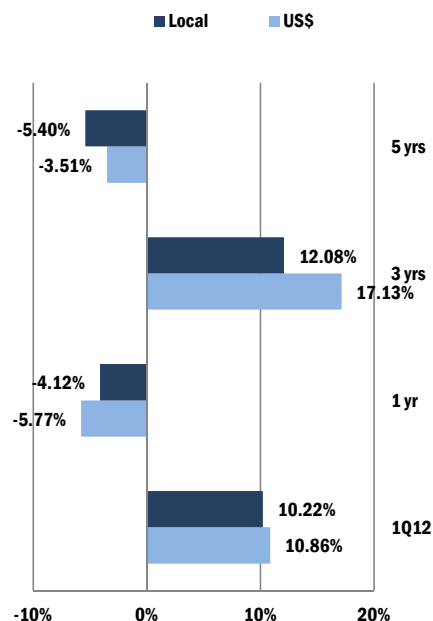
MSCI ACWI ex-USA



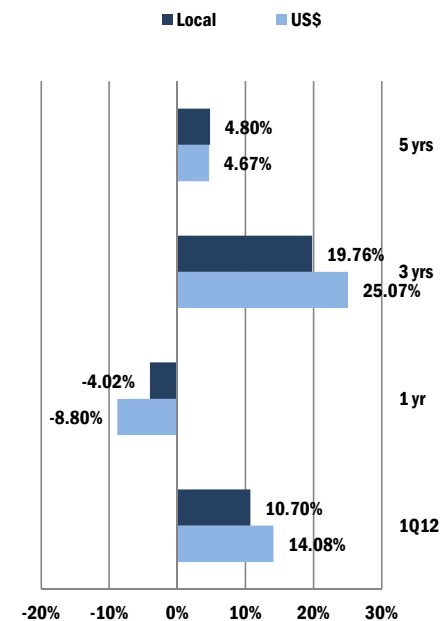
## Top 10 Countries (MSCI AC World ex-USA)

UK	16%
Japan	15%
Canada	7%
France	7%
Australia	6%
Germany	6%
Switzerland	6%
China	4%
South Korea	3%
Brazil	3%

## MSCI EAFE Index Return



## MSCI Emerging Index Return



# Historical Market Returns

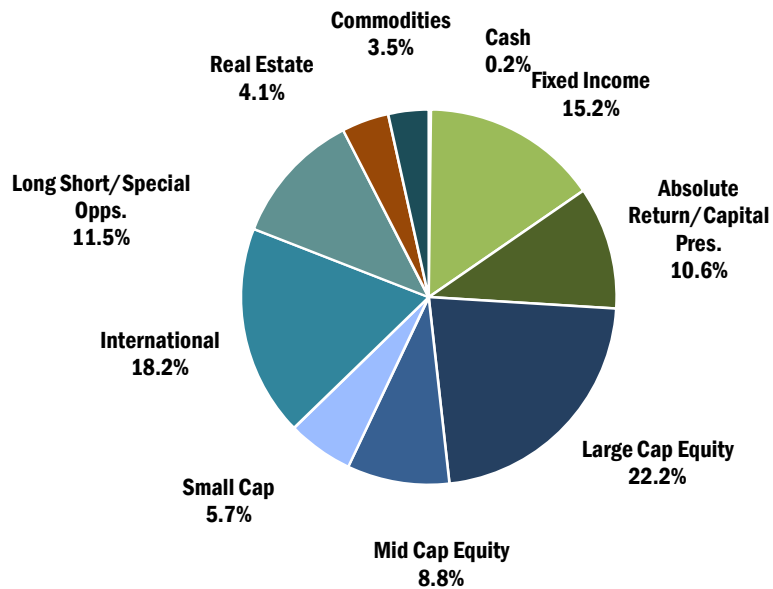
Ranked by Performance

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	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%	Small Cap Growth 29.09%	US Bonds 7.84%	Large Cap Growth 14.69%
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%	Mid Cap Growth 26.38%	Global Bonds 5.64%	Mid Cap Growth 14.52%
Small Cap Value 21.37%	Small Cap Value 31.78%	Global Balanced 20.67%	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%	Global Balanced -24.51%	Large Cap Growth 37.21%	Mid Cap Value 24.75%	Large Cap Growth 2.64%	Emerging Mkt. 14.08%
Mid Cap Value 20.26%	Large Cap Growth 30.49%	Intl. Value 18.09%	Large Cap Growth 33.16%	Large Cap Value 7.01%	Global Bonds 1.57%	Global Balanced -6.58%	Intl. Value 45.96%	Small Cap Value 22.25%	Mid Cap Value 12.65%	Intl. Growth 22.69%	Mid Cap Growth 11.43%	Small Cap Value -28.92%	Intl. Value 35.06%	Small Cap Value 24.50%	Large Cap Value 0.39%	Small Cap Growth 13.28%
Mid Cap Growth 17.48%	Mid Cap Growth 22.54%	Mid Cap Growth 17.86%	Intl. Growth 29.71%	Global Bonds 3.17%	Emerging Mkt. -2.37%	Mid Cap Value -9.64%	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 Value -36.85%	Small Cap Growth 34.47%	Emerging Mkt. 18.88%	Global Balanced -0.97%	Intl. Growth 11.75%
Small Cap Growth 11.26%	Small Cap Growth 12.95%	Large Cap Value 15.63%	Intl. Value 24.54%	Intl. Value -2.82%	Large Cap Value -5.59%	Small Cap Value -11.43%	Mid Cap Value 38.07%	Intl. Growth 16.48%	Large Cap Value 7.05%	Mid Cap Value 20.22%	Global Balanced 9.07%	Large Cap Growth -38.44%	Mid Cap Value 34.21%	Large Cap Growth 16.71%	Mid Cap Value -1.38%	Small Cap Value 11.59%
Global Balanced 10.03%	Global Balanced 11.09%	Global Bonds 13.71%	Global Balanced 12.98%	Global Balanced -6.70%	Global Balanced -9.04%	Large Cap Value -15.52%	Intl. Growth 32.49%	Mid Cap Growth 15.48%	Large Cap Growth 5.26%	Global Balanced 14.53%	Small Cap Growth 7.05%	Mid Cap Value -38.44%	Intl. Growth 29.91%	Large Cap Value 15.51%	Mid Cap Growth -1.65%	Mid Cap Value 11.41%
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%	Large Cap Value 30.03%	Small Cap Growth 14.31%	Small Cap Value 4.71%	Small Cap Growth 13.35%	US Bonds 6.97%	Small Cap Growth -38.54%	Small Cap Value 20.58%	Intl. Growth 12.60%	Small Cap Growth -2.91%	Large Cap Value 11.12%
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 Growth 29.75%	Global Balanced 12.18%	Global Balanced 4.16%	Mid Cap Growth 10.66%	Intl. Value 6.49%	Intl. Growth -42.46%	Global Balanced 20.49%	Global Balanced 9.40%	Small Cap Value -5.50%	Intl. Value 10.71%
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%	Global Balanced 24.27%	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%	US Bonds 6.54%	Intl. Value -13.20%	Global Balanced 7.25%
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 5.54%	Intl. Growth -14.21%	Global Bonds 0.87%
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%	Intl. Value 3.81%	Emerging Mkt. -18.42%	US Bonds 0.30%

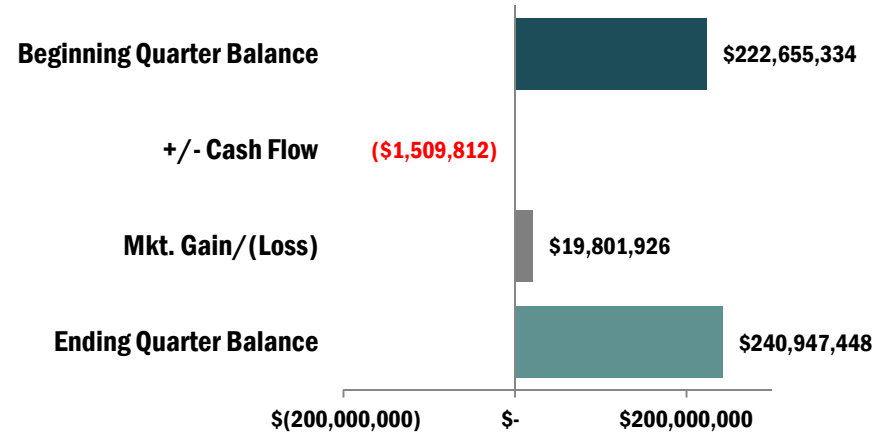
Global Balanced is composed of 60% MSCI World Stock Index, 35% Barclays Global Aggregate Bond Index, and 5% US 90-Day T-Bills.

## Spokane Employees' Retirement System

### Current Allocation



### Account Balance



### Policy Index\*

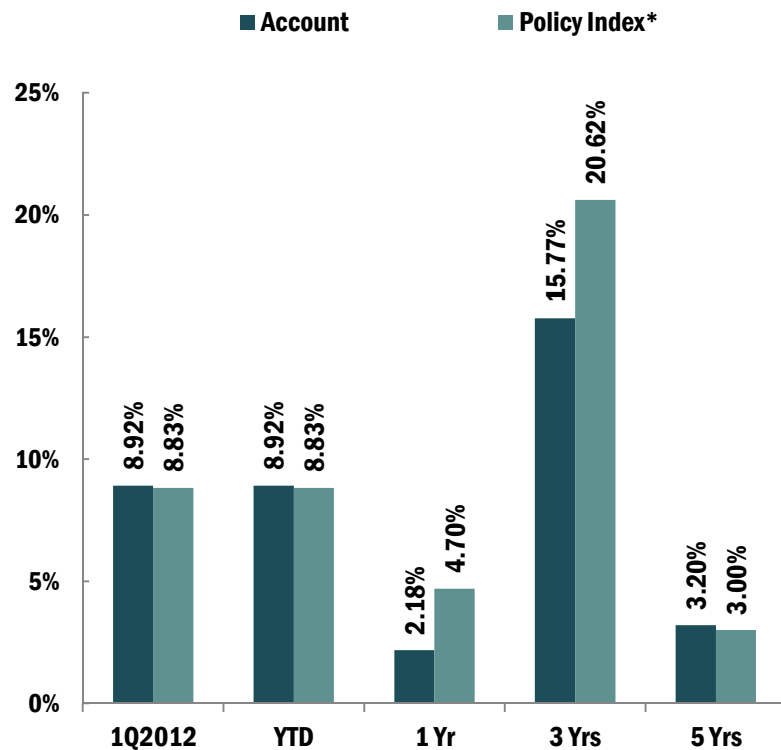
Index	Weight
US 90 Day T-Bill	1%
Barclays US Aggregate Bond Index	15%
Barclays Corporate High Yield Index	5%
Barclays Global Aggregate Bond Index	5%
S&P 500 Index	34%
Russell Mid Cap Index	8%
Russell 2000 Index	5%
MSCI ACWI ex-US	17%
S&P GSCI Index	4%
NAREIT Composite	3%
NCREIF Property Index	3%

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

## Spokane Employees' Retirement System

### Total Account Performance

March 31, 2012

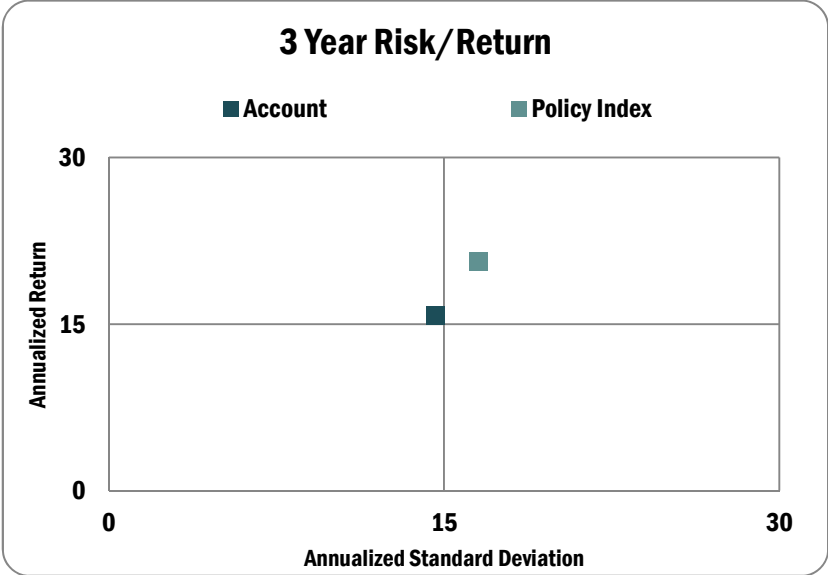


\*As of 3Q2010 SERS adjusted the Fund's target asset allocation and policy index.

### Asset Class Performance

	1Q12	1 Yr	2 Yrs	3 Yrs	5 Yrs
<b>Fixed Income</b>	<b>2.49%</b>	<b>4.45%</b>	<b>4.91%</b>	<b>7.18%</b>	<b>6.33%</b>
Barclays US Agg. Bond Index	0.30%	7.71%	6.41%	6.83%	6.25%
<b>Absolute Return/Capital Pres.</b>	<b>4.13%</b>	<b>6.19%</b>	<b>4.06%</b>	<b>1.73%</b>	<b>-</b>
Barclays US Agg. Bond Index	0.30%	7.71%	6.41%	6.83%	-
<b>Large Cap Equity</b>	<b>13.52%</b>	<b>7.16%</b>	<b>11.10%</b>	<b>22.72%</b>	<b>2.85%</b>
S&P 500 Index	12.59%	8.54%	12.04%	23.42%	2.01%
<b>Mid Cap Equity</b>	<b>14.17%</b>	<b>1.83%</b>	<b>12.37%</b>	<b>26.81%</b>	<b>5.15%</b>
Russell Mid Cap Index	12.94%	3.31%	13.31%	29.13%	3.03%
<b>Small Cap</b>	<b>11.44%</b>	<b>-0.53%</b>	<b>13.19%</b>	<b>24.47%</b>	<b>0.11%</b>
Russell 2000 Index	12.44%	-0.18%	12.05%	26.90%	2.13%
<b>International</b>	<b>11.75%</b>	<b>-5.28%</b>	<b>4.79%</b>	<b>20.21%</b>	<b>1.49%</b>
MSCI AC World Ex USA (net)	11.23%	-7.18%	2.48%	19.12%	-1.56%
<b>Commodities</b>	<b>4.08%</b>	<b>-8.09%</b>	<b>4.96%</b>	<b>-</b>	<b>-</b>
S&P GSCI	5.88%	-6.21%	7.29%	-	-
<b>Long Short/Special Opps.</b>	<b>5.25%</b>	<b>-1.27%</b>	<b>1.58%</b>	<b>7.90%</b>	<b>-</b>
S&P 500 Index	12.59%	8.54%	12.04%	23.42%	-
<b>Real Estate</b>	<b>8.33%</b>	<b>14.50%</b>	<b>16.11%</b>	<b>31.19%</b>	<b>-1.06%</b>
FTSE NAREIT Composite	10.36%	10.69%	17.48%	40.15%	-0.70%

Spokane Employees' Retirement System



Risk / Return Table			
	3 Yrs.	5 Yrs.	10 Yrs.
Account			
Risk*	14.59	15.34	NA
Return	15.77	3.20	NA
Policy Index			
Risk*	16.54	18.08	NA
Return	20.62	3.00	NA

\*"Risk" is defined as the trailing annualized standard deviation of returns (ASD), and is based on quarterly performance data. ASD measures the degree to which performance has fluctuated around its historical average for the measured period.

