

Spokane Employees' Retirement System

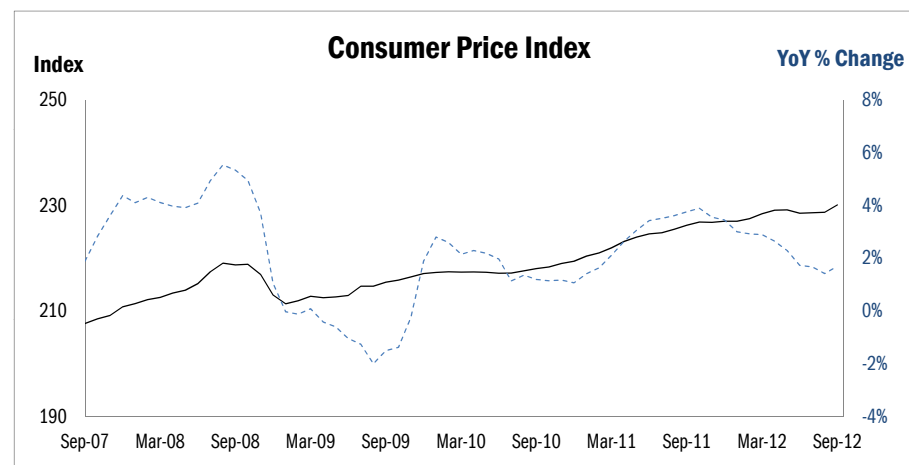
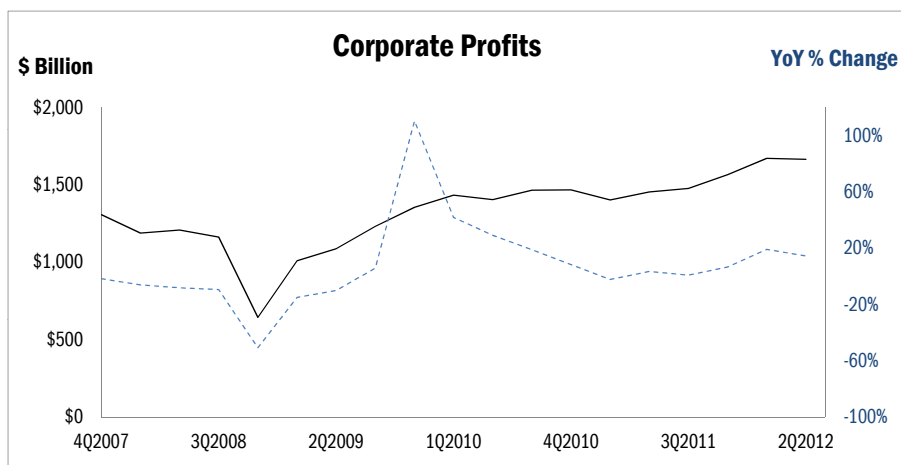
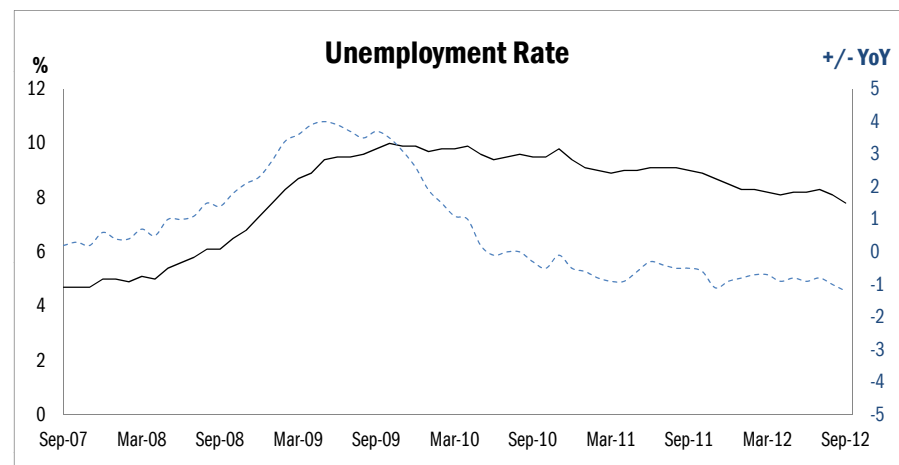
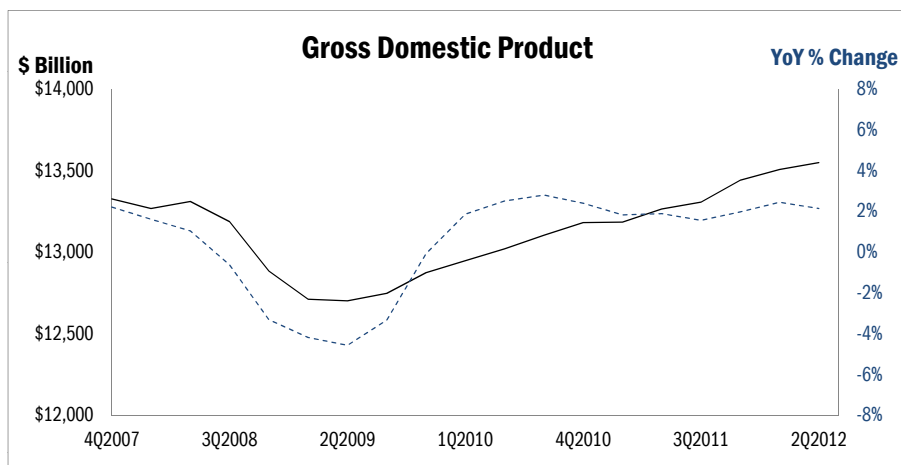
Third Quarter 2012 Performance Report

November 2012



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3Q2012 Economic Data



Banking and Lending (Quarterly)

Category	Recent	5-Yr High	5-Yr Low	5-Yr Avg.	Date
% Loans Non-Performing	4.0%	5.7%	1.0%	3.9%	2Q12
Loss Reserves/Loans	2.5%	3.7%	1.2%	2.7%	2Q12
Total Commercial Banks	6,133	7,200	6,133	6,688	2Q12
% Tightening Lending	-6.9%	83.6%	-21.8%	15.8%	2Q12

Source: Federal Reserve Bank of St. Louis

Other Prices and Indexes (monthly)

Category	Recent	5-Yr High	5-Yr Low	% Off Peak	Date
Gas: Price per Gallon	\$3.86	\$4.05	\$1.72	-4.7%	Sep-12
Spot Oil	\$97.72	\$133.93	\$39.16	-27.0%	Sep-12
Case-Shiller Home Price Index	142.1	195.0	136.6	-27.1%	Jul-12
Medical Care CPI	417.8	417.8	354.5	17.8%*	Aug-12

*% Off Low

3Q2012 Bond Market Data

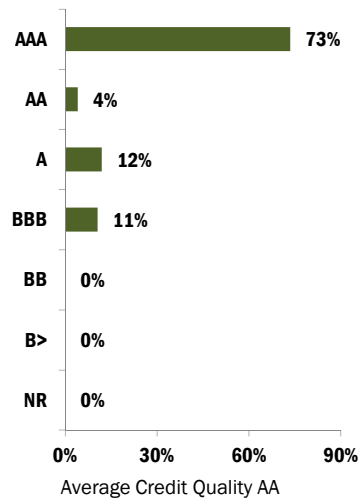
Index	QTR	YTD	1 yr.	3 yrs.	5 yrs.	10 yrs.
90-Day T-Bill	0.02%	0.06%	0.07%	0.09%	0.53%	1.70%
Barclays US Aggregate	1.58%	3.99%	5.16%	6.19%	6.53%	5.32%
Barclays Short US Treasury	0.06%	0.10%	0.14%	0.22%	1.00%	1.94%
Barclays Int. US Treasury	0.62%	1.70%	2.43%	4.29%	5.34%	4.16%
Barclays Long US Treasury	0.20%	4.36%	6.31%	11.97%	11.09%	7.73%
Barclays US TIPS	2.12%	6.25%	9.10%	9.29%	7.93%	6.64%
Barclays US Credit	3.54%	8.25%	10.09%	8.73%	7.89%	6.45%
Barclays US Mortgage-Backed	1.13%	2.80%	3.71%	4.99%	6.35%	5.24%
Barclays US Asset-Backed	1.23%	3.43%	3.67%	5.27%	4.46%	3.97%
Barclays US High Yield	4.53%	12.13%	19.37%	12.90%	9.34%	10.98%
Barclays Global	3.27%	4.82%	5.07%	5.04%	6.22%	6.45%
Barclays International	4.37%	5.18%	4.80%	4.28%	5.98%	7.30%
Barclays Emerging Market	6.77%	14.19%	19.82%	12.17%	9.98%	12.65%

US Treasury Yield Curve



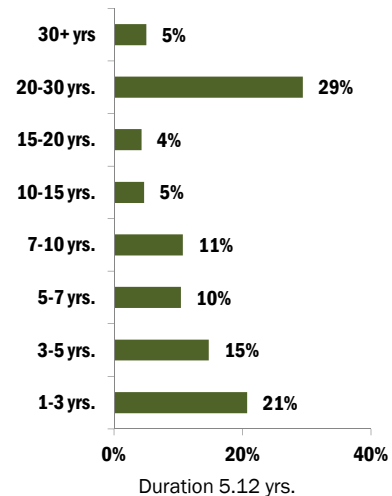
Source: Department of US Treasury

Barclays US Aggregate Index Credit Quality



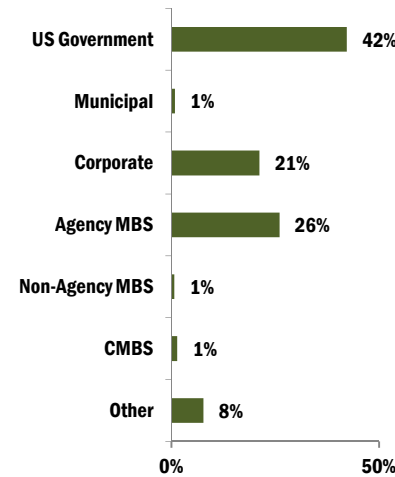
Source: Morningstar

Barclays US Aggregate Index Maturity Breakdown



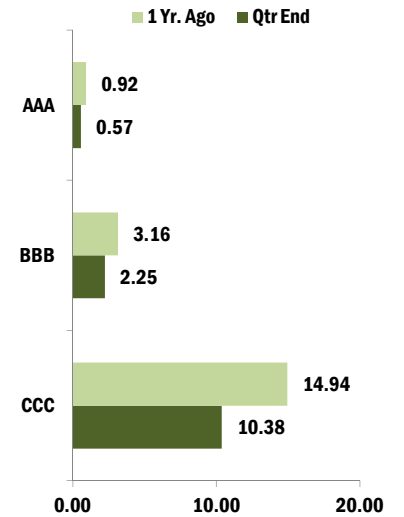
Source: Morningstar

Barclays US Aggregate Index Sector Breakdown



Source: Morningstar

US Corporate Credit Spreads



Source: Federal Reserve / Bank of America

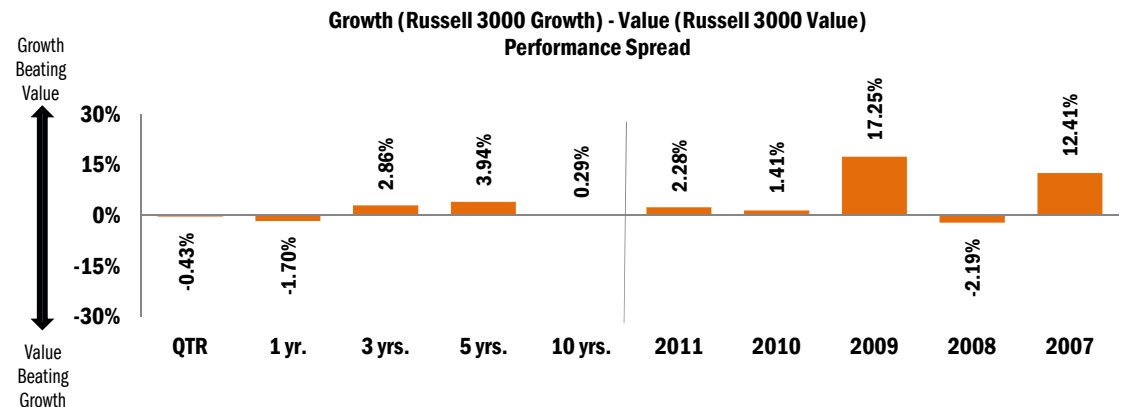
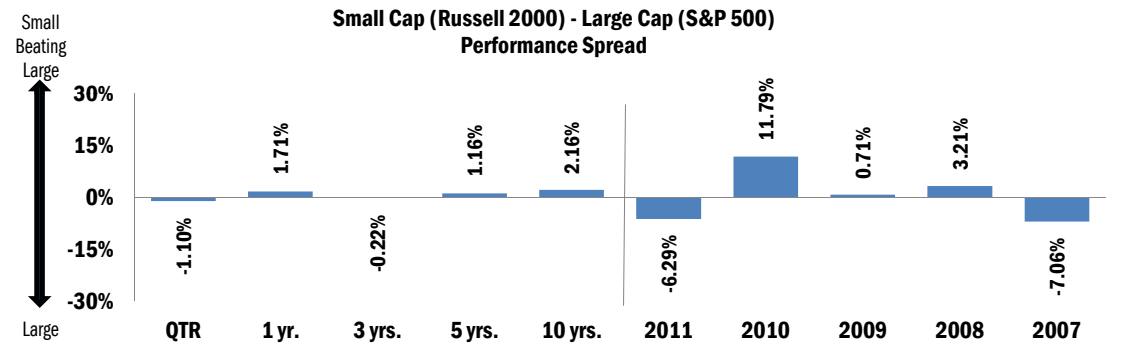
3Q2012 US Equity Market Data

Sectors Weights/Returns (ranked by quarter performance)

	Wgt.	Sector	QTR	1 Yr.
S&P 500 Index	11%	Energy	10.14%	27.14%
	3%	Telecom Services	8.05%	35.84%
	11%	Consumer Discretionary	7.45%	36.64%
	20%	Information Technology	7.45%	32.41%
	15%	Financials	6.95%	34.77%
	12%	Health Care	6.16%	29.54%
	4%	Materials	5.10%	29.19%
	11%	Consumer Staples	3.84%	24.30%
	10%	Industrials	3.62%	29.60%
	4%	Utilities	-0.53%	12.90%
S&P Midcap 400 Index	6%	Energy	10.98%	12.17%
	10%	Health Care	10.16%	36.29%
	14%	Consumer Discretionary	8.47%	37.82%
	1%	Telecom Services	8.27%	47.52%
	7%	Materials	7.06%	37.98%
	16%	Industrials	5.06%	35.08%
	16%	Information Technology	3.33%	21.57%
	5%	Utilities	3.09%	18.09%
	22%	Financials	2.96%	32.36%
	3%	Consumer Staples	-1.29%	-1.98%
S&P Smallcap 600 Index	1%	Telecom Services	16.73%	24.80%
	6%	Materials	9.68%	35.22%
	16%	Consumer Discretionary	9.37%	40.93%
	4%	Energy	8.62%	27.80%
	16%	Industrials	6.29%	32.33%
	20%	Financials	3.86%	37.65%
	18%	Information Technology	3.66%	29.77%
	4%	Utilities	3.39%	16.83%
	5%	Consumer Staples	2.69%	26.29%
	11%	Health Care	2.41%	34.64%

Index Performance Data

Index	QTR	YTD	1 yr.	Annualized		
				3 yrs.	5 yrs.	10 yrs.
S&P 500	6.35%	16.44%	30.20%	13.20%	1.05%	8.01%
Russell 1000 Value	6.51%	15.75%	30.92%	11.84%	-0.90%	8.17%
Russell 1000 Growth	6.11%	16.80%	29.19%	14.73%	3.24%	8.41%
Russell Mid Cap	5.59%	14.00%	28.03%	14.26%	2.24%	11.18%
Russell Mid Cap Value	5.80%	14.03%	29.28%	13.86%	1.73%	10.96%
Russell Mid Cap Growth	5.35%	13.88%	26.69%	14.73%	2.54%	11.11%
Russell 2000	5.25%	14.23%	31.91%	12.99%	2.21%	10.17%
Russell 2000 Value	5.67%	14.37%	32.63%	11.72%	1.35%	9.68%
Russell 2000 Growth	4.84%	14.08%	31.18%	14.19%	2.96%	10.55%
Russell 3000	6.23%	16.13%	30.20%	13.26%	1.30%	8.49%
DJ US Select REIT	-0.38%	14.47%	32.06%	20.52%	1.60%	11.28%

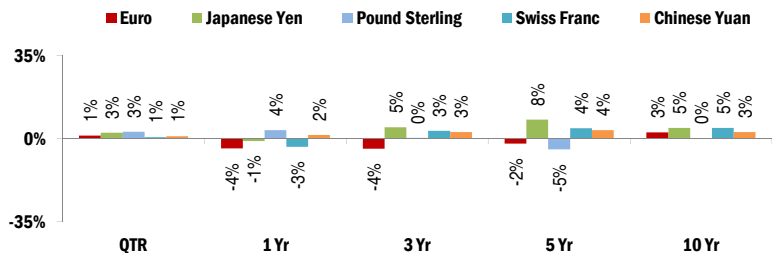


3Q2012 International Market Data

Index Performance Data (net)

Index (US\$)	QTR	YTD	1 yr.	3 yrs.	5 yrs.	10 yrs.
MSCI ACWI ex-US	7.40%	10.38%	14.48%	3.17%	-4.12%	9.84%
MSCI EAFE	6.92%	10.08%	13.75%	2.12%	-5.24%	8.20%
Europe	8.70%	11.31%	17.31%	2.02%	-5.72%	8.76%
United Kingdom	7.05%	10.64%	20.71%	7.84%	-3.26%	8.51%
Germany	13.93%	20.64%	25.40%	3.07%	-5.27%	12.00%
France	7.19%	9.44%	12.36%	-3.79%	-8.06%	7.58%
Pacific	3.73%	8.05%	7.73%	2.64%	-4.04%	7.02%
Japan	-0.84%	2.27%	-1.68%	-0.56%	-6.50%	3.73%
Hong Kong	12.54%	21.40%	29.04%	9.18%	1.01%	13.16%
Australia	10.47%	14.25%	22.78%	6.92%	-0.57%	15.11%
Canada	10.43%	8.37%	13.82%	6.16%	-0.65%	14.52%
MSCI EM	7.74%	11.98%	16.93%	5.63%	-1.28%	17.00%
MSCI EM Latin America	4.69%	4.19%	13.27%	2.70%	0.40%	24.54%
MSCI EM Asia	8.67%	14.07%	17.79%	6.15%	-1.72%	14.69%
MSCI EM Eur/Mid East	9.59%	16.82%	17.34%	5.06%	-5.16%	14.58%
MSCI ACWI Value ex-US	7.64%	9.88%	13.53%	1.69%	-4.53%	10.48%
MSCI ACWI Growth ex-US	7.16%	10.83%	15.40%	4.64%	-3.76%	9.15%
MSCI AC World Sm Cap ex-US	8.54%	12.98%	13.44%	5.93%	-2.19%	13.15%

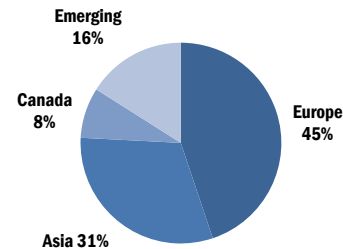
Foreign Currency v. US\$ Returns



Exchange Rates	3Q12	2Q12	1Q12	4Q11	3Q11	2Q11
Japanese yen	77.80	79.79	82.30	76.94	77.08	80.76
Euro	0.78	0.79	0.75	0.77	0.75	0.69
British pound	0.62	0.64	0.63	0.64	0.64	0.62
Swiss franc	0.94	0.95	0.90	0.94	0.91	0.84
Chinese Yuan	6.28	6.35	6.30	6.29	6.39	6.46

Regional Exposure

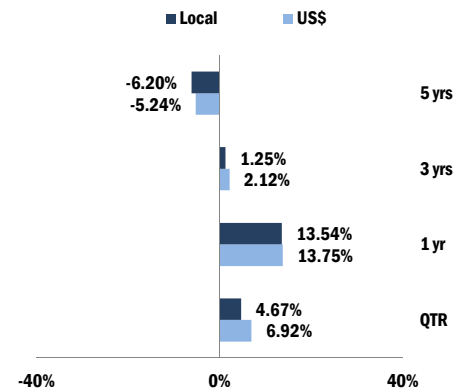
MSCI ACWI ex-USA



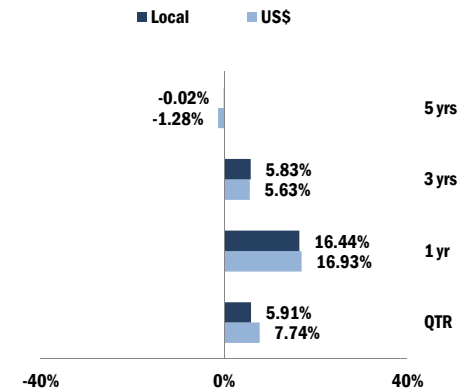
Top 10 Countries (MSCI AC World ex-USA)

UK	16%
Japan	14%
Canada	7%
Australia	7%
France	6%
Germany	6%
Switzerland	6%
China	4%
South Korea	4%
Hong Kong	3%

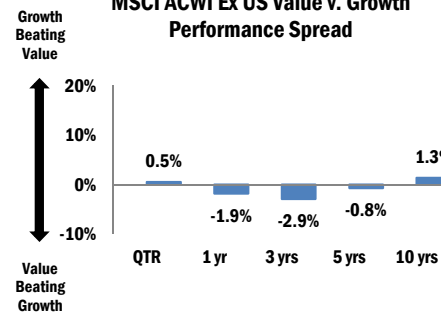
MSCI EAFE Index Return



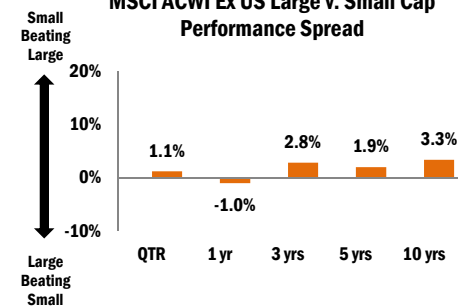
MSCI Emerging Index Return



MSCI ACWI Ex US Value v. Growth Performance Spread



MSCI ACWI Ex US Large v. Small Cap Performance Spread



Historical Market Returns

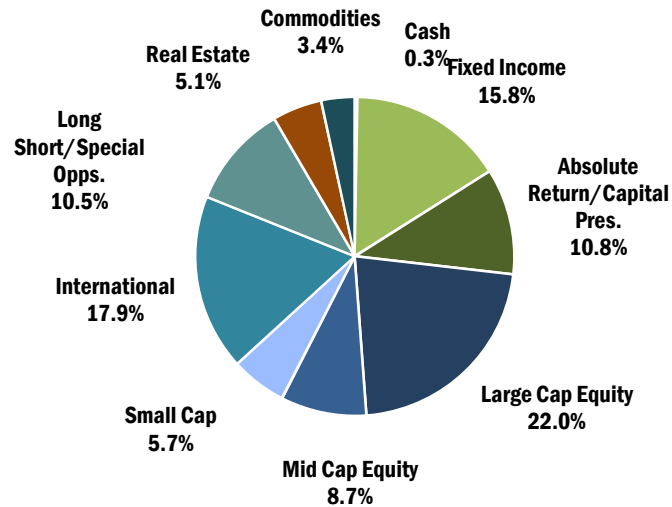
Ranked by Performance

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	3Q12	YTD
Emerging Markets 66.49%	Commod. 31.84%	US Bonds 8.44%	Commod. 25.91%	Emerging Markets 55.82%	Emerging Markets 25.55%	Emerging Markets 34.00%	Emerging Markets 32.14%	Emerging Markets 39.42%	US Bonds 5.24%	Emerging Markets 78.51%	Small Cap 26.85%	Core Real Estate 14.96%	Commod. 9.69%	Large Cap 16.44%
Intl 30.63%	TIPS 13.18%	TIPS 7.90%	TIPS 16.57%	Small Cap 47.25%	Intl 20.91%	Commod. 21.36%	Intl 26.65%	Intl 16.65%	Global Bonds 4.79%	High Yield 58.21%	Mid Cap 25.48%	TIPS 13.56%	Emerging Markets 7.74%	Small Cap 14.23%
Commod. 24.35%	Core Real Estate 13.17%	High Yield 5.28%	Global Bonds 16.52%	Intl 40.83%	Mid Cap 20.22%	Core Real Estate 20.15%	Small Cap 18.37%	Commod. 16.23%	Cash 1.39%	Intl 41.45%	Emerging Markets 18.88%	US Bonds 7.84%	Intl 7.40%	Mid Cap 14.00%
Small Cap 21.26%	US Bonds 11.63%	Core Real Estate 4.61%	US Bonds 10.26%	Mid Cap 40.06%	Small Cap 18.33%	Intl 16.62%	Large Cap 15.79%	Core Real Estate 14.84%	TIPS -2.35%	Mid Cap 40.48%	Commod. 16.83%	Global Bonds 5.64%	Large Cap 6.35%	High Yield 12.13%
Large Cap 21.04%	Mid Cap 8.25%	Cash 3.34%	Core Real Estate 4.58%	High Yield 28.97%	Global Balanced 12.18%	Mid Cap 12.65%	Core Real Estate 15.27%	TIPS 11.64%	Core Real Estate -10.70%	Small Cap 27.17%	Core Real Estate 15.26%	High Yield 4.98%	Mid Cap 5.59%	Emerging Markets 11.98%
Mid Cap 18.23%	Cash 5.98%	Small Cap 2.49%	Cash 1.63%	Large Cap 28.68%	Core Real Estate 12.00%	Large Cap 4.91%	Mid Cap 15.26%	Global Bonds 9.48%	Global Balanced -24.51%	Large Cap 26.46%	High Yield 15.12%	Large Cap 2.11%	Small Cap 5.25%	Intl 10.38%
Global Balanced 12.98%	Global Bonds 3.17%	Global Bonds 1.57%	High Yield -1.41%	Global Balanced 24.27%	High Yield 11.13%	Small Cap 4.55%	Global Balanced 14.53%	Global Balanced 9.07%	High Yield -26.16%	Global Balanced 20.49%	Large Cap 15.06%	Cash 0.06%	Global Balanced 5.17%	Global Balanced 9.61%
Core Real Estate 12.05%	Small Cap -3.02%	Emerging Markets -2.62%	Emerging Markets -6.17%	Commod. 23.93%	Large Cap 10.88%	Global Balanced 4.16%	High Yield 11.85%	US Bonds 6.97%	Small Cap -33.79%	Commod. 18.91%	Intl 11.15%	Global Balanced -0.97%	High Yield 4.53%	Core Real Estate 7.49%
Cash 4.78%	High Yield -5.86%	Mid Cap -5.62%	Global Balanced -6.58%	Global Bonds 12.51%	Global Bonds 9.27%	Cash 3.25%	Global Bonds 6.64%	Mid Cap 5.60%	Commod. -35.65%	TIPS 11.41%	Global Balanced 9.40%	Mid Cap -1.55%	Global Bonds 3.27%	TIPS 6.25%
High Yield 2.39%	Global Balanced -6.70%	Global Balanced -9.04%	Intl -14.95%	TIPS 8.40%	Commod. 9.15%	TIPS 2.84%	Cash 4.85%	Large Cap 5.49%	Large Cap -37.00%	Global Bonds 6.93%	US Bonds 6.54%	Small Cap -4.18%	Core Real Estate 2.47%	Commod. 5.63%
TIPS 2.39%	Large Cap -9.10%	Large Cap -11.89%	Mid Cap -16.19%	Core Real Estate 8.28%	TIPS 8.46%	High Yield 2.74%	US Bonds 4.33%	Cash 4.44%	Mid Cap -41.46%	US Bonds 5.93%	TIPS 6.31%	Commod. -13.32%	TIPS 2.12%	Global Bonds 4.82%
US Bonds -0.82%	Intl -15.31%	Commod. -19.51%	Small Cap -20.48%	US Bonds 4.10%	US Bonds 4.34%	US Bonds 2.43%	Commod. 2.07%	High Yield 1.87%	Intl -45.53%	Cash 0.16%	Global Bonds 5.54%	Intl -13.71%	US Bonds 1.58%	US Bonds 3.99%
Global Bonds -5.17%	Emerging Markets -30.83%	Intl -19.73%	Large Cap -22.10%	Cash 1.03%	Cash 1.44%	Global Bonds -4.49%	TIPS 0.41%	Small Cap -1.57%	Emerging Markets -53.33%	Core Real Estate -30.40%	Cash 0.15%	Emerging Markets -18.42%	Cash 0.02%	Cash 0.06%

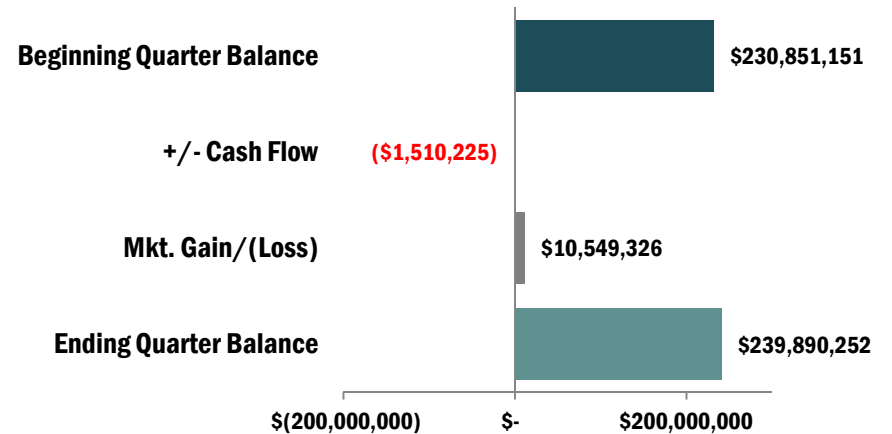
Global Balanced is composed of 60% MSCI World Stock Index, 35% Barclays Global Aggregate Bond Index, and 5% US 90-Day T-Bills.

Spokane Employees' Retirement System

Current Allocation

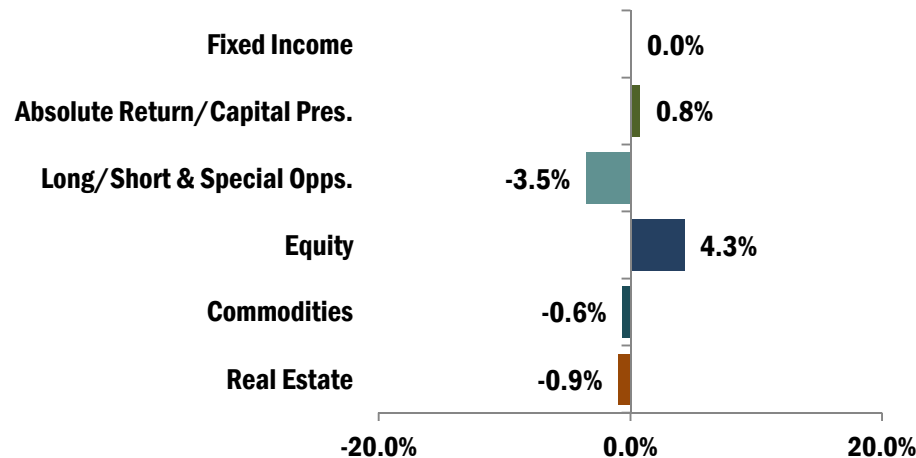


Account Balance



Policy Target Allocation

(underweight/overweight)



Policy Index*

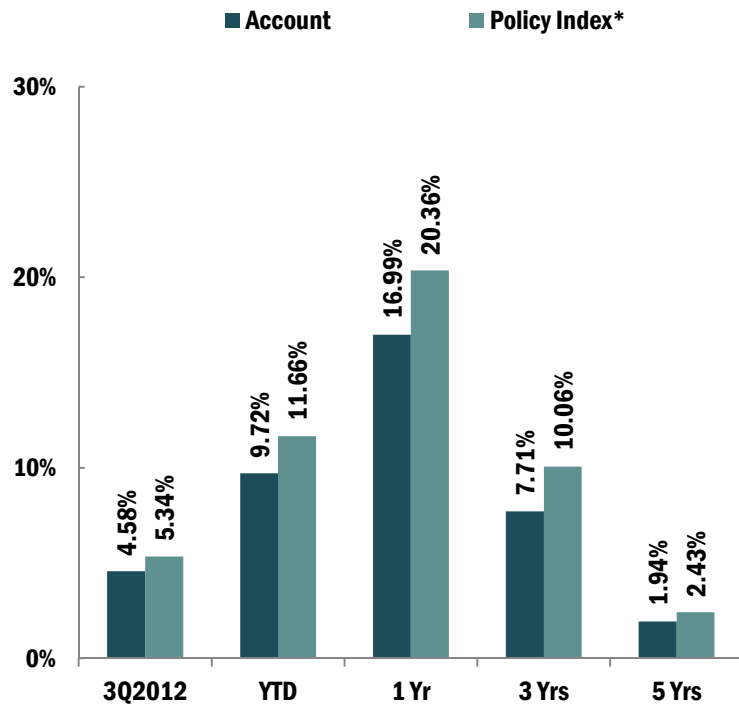
Index	Weight
US 90 Day T-Bill	1%
Barclays US Aggregate Bond Index	15%
Barclays Corporate High Yield Index	5%
Barclays Global Aggregate Bond Index	5%
S&P 500 Index	34%
Russell Mid Cap Index	8%
Russell 2000 Index	5%
MSCI ACWI ex-US	17%
S&P GSCI Index	4%
NAREIT Composite	3%
NCREIF Property Index	3%

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

Spokane Employees' Retirement System

Total Account Performance

September 30, 2012



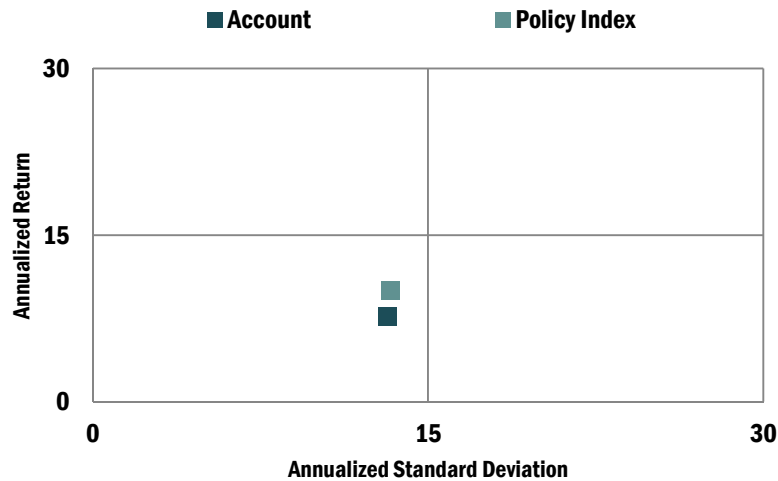
*As of 3Q2010 SERS adjusted the Fund's target asset allocation and policy index.

Asset Class Performance

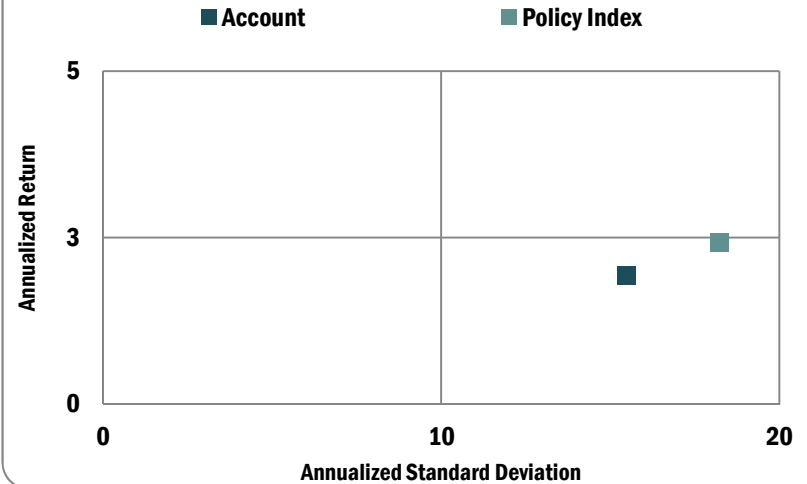
	3Q12	YTD	1 Yr	3 Yrs	5 Yrs
Fixed Income	3.38%	6.78%	8.73%	5.83%	6.74%
Barclays US Agg. Bond Index	1.58%	3.99%	5.16%	6.19%	6.53%
Absolute Return/Capital Pres.	1.49%	5.36%	7.68%	2.18%	-
Barclays US Agg. Bond Index	1.58%	3.99%	5.16%	6.19%	-
HFRI FOF Conservative	1.64%	2.35%	2.41%	1.59%	-
Large Cap Equity	5.82%	15.11%	28.61%	11.59%	0.83%
S&P 500 Index	6.35%	16.44%	30.20%	13.20%	1.05%
Mid Cap Equity	4.44%	11.89%	26.41%	11.94%	2.87%
Russell Mid Cap Index	5.59%	14.00%	28.03%	14.26%	2.24%
Small Cap	4.01%	10.97%	26.71%	11.74%	-0.90%
Russell 2000 Index	5.25%	14.23%	31.91%	12.99%	2.21%
International	7.92%	12.28%	15.59%	5.41%	-0.81%
MSCI AC World Ex USA (net)	7.40%	10.38%	14.48%	3.17%	-4.12%
Commodities	11.03%	1.15%	10.50%	3.97%	-
S&P GSCI	11.54%	3.47%	12.74%	6.52%	-
Long Short/Special Opps.	2.77%	3.40%	2.70%	2.35%	-
S&P 500 Index	6.35%	16.44%	30.20%	13.20%	-
HFRI FOF Comp	2.37%	3.38%	2.89%	1.49%	-
Real Estate	-0.49%	10.97%	27.81%	17.34%	1.08%
FTSE NAREIT Composite	1.79%	17.35%	33.84%	20.33%	2.33%

Spokane Employees' Retirement System

3 Year Risk/Return



5 Year Risk/Return



Risk / Return Table

	3 Yrs.	5 Yrs.	10 Yrs.
Account			
Risk*	13.17	15.48	NA
Return	7.71	1.94	NA
Policy Index			
Risk*	13.30	18.23	NA
Return	10.05	2.43	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.

Sharpe Ratio

