

PUBLIC FUNDS FINISH THIRD QUARTER IN NEGATIVE TERRITORY



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After four consecutive quarterly gains, Public Funds stumbled in the third quarter of 2011. The median plan lost 9.0% in the quarter as plans maintained a large allocation to a poorly performing global equity market. Even with the large third quarter loss, the median public fund still showed positive longer-period results. The one-, three- and five-year returns were 2.0%, 4.4% and 2.2%, respectively.

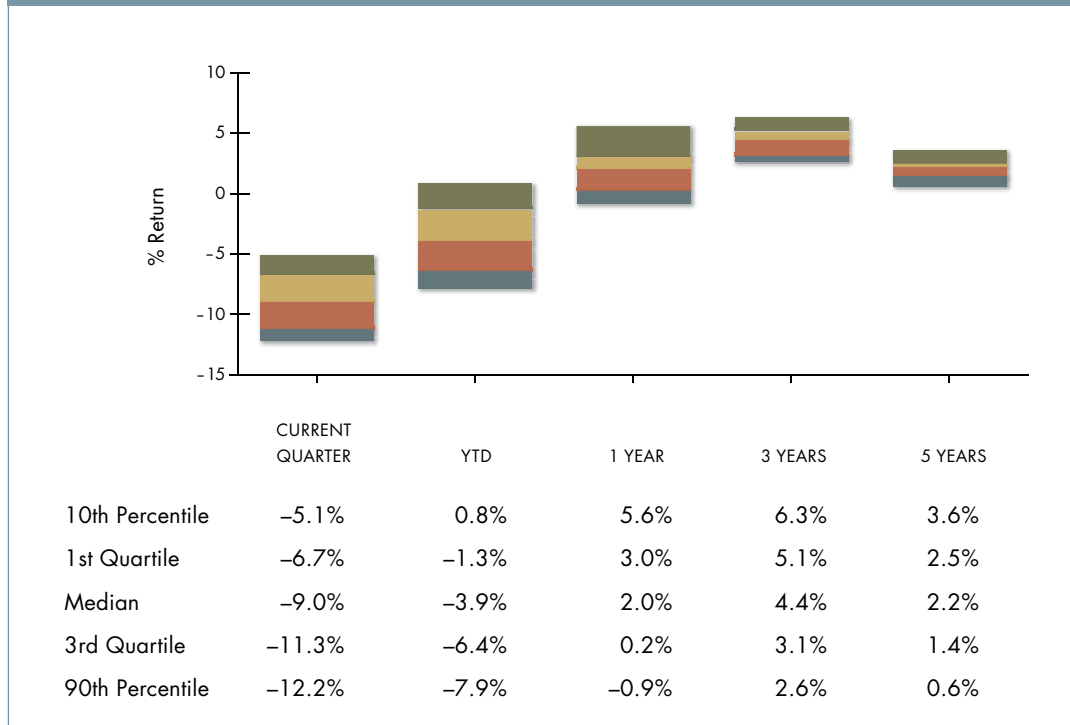
Within the Public Funds Universe, domestic equities comprise the largest allocation, at 30.8%, as of September 30, 2011. U.S. equities tumbled in the third quarter as policy makers wrestled with the European debt crisis and the U.S. debt ceiling. Broad-based domestic equity indexes such as the S&P 500 and Russell 3000 both posted double-digit declines of 13.9% and 15.3%, respectively. Large cap stocks

significantly outperformed small cap stocks in the third quarter. The Russell 1000 declined 14.7% while the Russell 2000 declined 21.9%.

The third quarter global sell-off led to double-digit declines in international markets as well. The MSCI EAFE and MSCI ACWI ex-U.S. indexes returned -19.0% and -19.8%, respectively. Emerging markets produced the largest decline since the fourth quarter of 2008, with the MSCI Emerging Markets index losing 22.5% for the quarter. As of September 30, 2011 the Public Funds composite allocation to international equities was 18.5%.

The domestic and foreign fixed income allocations within the Public Funds universe were 24.6% and 5.5%, respectively, at the end of the third quarter. Plans with significant exposure to fixed income benefitted during

PUBLIC FUNDS – TOTAL RETURNS SEPTEMBER 30, 2011



the quarter as fixed income significantly outpaced equities. Domestic fixed income, represented by the Barclays Capital U.S. Aggregate Index, posted a gain of 3.8% in the quarter. Foreign fixed income, represented by the Citi-Group WGBI ex-U.S. index, posted a gain of 2.4%.

Real estate and private equity allocations within the Public Funds composite were 3.9% and 5.8%, respectively, at the end of the third quarter. Real estate investments

stumbled in the third quarter, with the Wilshire REIT index losing 14.69%. This is a reversal of the recent trend of four positive quarters for REIT investments.

With a 9% loss in the third quarter, Public Funds were reminded of the heavy losses suffered in 2008 when many plans were badly wounded and remain underfunded. Investor fears of a double-dip recession and high volatility are not a welcome sight to many Public Fund plan sponsors.

COMPOSITE ASSET ALLOCATION – PUBLIC FUNDS				
	Current	1 Year Ago	3 Years Ago	5 Years Ago
U.S. Equity	31%	34%	36%	42%
Global/Non-U.S. Equity	18%	20%	18%	20%
U.S. Fixed Income	25%	25%	24%	25%
Global/Non-U.S. Bonds	5%	5%	5%	3%
Private Equity/Hedge Funds	9%	8%	8%	4%
Cash & Other	12%	10%	10%	5%

ABOUT NORTHERN TRUST UNIVERSES

Northern Trust Universes represent the performance results of about 300 large institutional investment plans that subscribe to Northern Trust performance measurement services. These plans, with a combined asset value of approximately \$612 billion, represent a broad snapshot of overall institutional investment plan performance within the U.S. market.

If you would like to participate in our universe analysis and receive more in-depth information, please contact your relationship manager.

Returns are shown gross of fees. Index returns assume reinvestment of dividends and earnings and do not reflect the deduction of any trading costs or other expenses. It is not possible to invest directly in an index. Periods greater than one year are annualized. Past performance does not indicate future results.