

**CITY OF FT. LAUDERDALE
POLICE AND FIRE RETIREMENT SYSTEM**

**PERFORMANCE REVIEW
SEPTEMBER 30, 2012**

TABLE OF CONTENTS

Capital Markets Review	1
Performance Review	
Total Fund	2
Domestic Equity	3
International Equity	4
Fixed Income	5
Alternative Investments	6
Appendix	7
Important Disclaimer Information	8

Index	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Domestic Fixed Income						
3 Month T-Bill	0.03%	0.07%	0.07%	0.09%	0.57%	1.78%
Barclays Capital 1-3 year Gov't	0.26%	0.44%	0.65%	1.49%	2.94%	2.92%
Barclays Capital Intern Gov't	0.62%	1.70%	2.39%	4.09%	5.20%	4.20%
Barclays Capital Intern Credit	2.90%	7.09%	8.30%	7.30%	6.97%	5.77%
Barclays Capital Intern Govt/Cred	1.40%	3.53%	4.40%	5.18%	5.71%	4.76%
Barclays Capital Aggregate Bond	1.59%	3.99%	5.16%	6.19%	6.53%	5.33%
Domestic Equity						
Standard & Poor's 500	6.35%	16.44%	30.20%	13.20%	1.05%	8.01%
Dow Jones Industrial Average	5.02%	12.19%	26.52%	14.45%	2.16%	8.60%
Dow Jones US Total Full Cap	6.08%	16.10%	30.00%	13.30%	1.53%	8.77%
Dow Jones US Select REIT	-0.38%	14.47%	32.06%	20.52%	1.60%	11.28%
Russell 1000 - Large Cap	6.31%	16.28%	30.06%	13.28%	1.23%	8.35%
Russell 1000 Growth - Large Cap	6.11%	16.80%	29.19%	14.73%	3.24%	8.41%
Russell 1000 Value - Large Cap	6.51%	15.75%	30.92%	11.84%	-0.90%	8.17%
Russell Midcap	5.59%	14.00%	28.03%	14.26%	2.24%	11.18%
Russell Midcap Growth	5.35%	13.88%	26.69%	14.73%	2.54%	11.11%
Russell Midcap Value	5.80%	14.03%	29.28%	13.86%	1.74%	10.96%
Russell 2000 - Small Cap	5.25%	14.23%	31.91%	12.99%	2.21%	10.17%
Russell 2000 Growth - Small Cap	4.84%	14.08%	31.18%	14.19%	2.96%	10.55%
Russell 2000 Value - Small Cap	5.67%	14.37%	32.63%	11.72%	1.35%	9.68%
International Equity						
MSCI EAFE	6.92%	10.08%	13.76%	2.12%	-5.24%	8.20%
MSCI World	6.71%	13.01%	21.59%	7.48%	-2.15%	8.04%
MSCI EM	6.97%	9.41%	13.88%	3.13%	-3.61%	14.19%
Blended Benchmarks						
30% S&P 500 / 70% Barclays Agg	3.02%	7.73%	12.67%	8.29%	4.89%	6.13%
40% S&P 500 / 60% Barclays Agg	3.49%	8.97%	15.18%	8.99%	4.34%	6.40%
50% S&P 500 / 50% Barclays Agg	3.97%	10.22%	17.68%	9.70%	3.79%	6.67%
60% S&P 500 / 40% Barclays Agg	4.45%	11.46%	20.18%	10.40%	3.24%	6.94%
70% S&P 500 / 30% Barclays Agg	4.92%	12.71%	22.69%	11.10%	2.69%	7.21%

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Data Sources: Zephyr StyleAdvisor, Barclay's Capital, MSCI Barra & Standard & Poor's

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Capital Markets Overview

Following a disappointing second quarter, the U.S. markets rebounded and returned to positive performance. The major averages closed out the quarter by posting positive returns for the fourth consecutive month. The averages moved higher despite poor investor sentiment, lackluster earnings, modest GDP expansion coupled with below average job growth, high unemployment, and uncertainty surrounding the impending elections.

Investors received Quantitative Easing III (QE3), announced in mid-September, with apprehension. Many question the effectiveness of the Federal Reserve to make any meaningful impact on the economy through another round of easing. This program is, however, different than the previous two bond buying programs. QE3 will see smaller open-ended purchases. Despite investor caution, this announcement did have an immediate positive effect on the markets.

The NASDAQ Composite led the popular indices with a 6.54% return for the quarter, and is up 20.71% for the year. The S&P 500 Index added 2.58% in September, raising its third quarter return to 6.35%, and year-to-date return to 16.44%. The Dow Jones Industrial Average added 2.75% in September and 5.02% in the third quarter, to bring its year-to-date return to 12.19%. Small and mid-cap stocks underperformed large-caps this quarter. The S&P 600 Small- Cap Index gained 5.40% and the S&P 400 Mid-Cap was up 5.44%.

In Europe, concern over the region's debt crisis continued to fade, but most major economies remained sluggish. New ECB stimulus commentary aided Germany's DAX Index and the U.K.'s FTSE (100) as investors speculated that the central bank may implement more aggressive stimulus measures.

Treasury yields ended the third quarter little changed. All sectors of the bond market posted positive returns during the third quarter, with high yield, corporate bonds and preferred securities leading the way. The ten-year Treasury reached an all-time yield low of 1.39% during the quarter, and spreads tightened as investors searched for better yield opportunities.

On the commodity front, precious and industrial metals led commodities. A weakened U.S. dollar and the promise of additional liquidity from the Federal Reserve and European Central Bank drove prices higher.

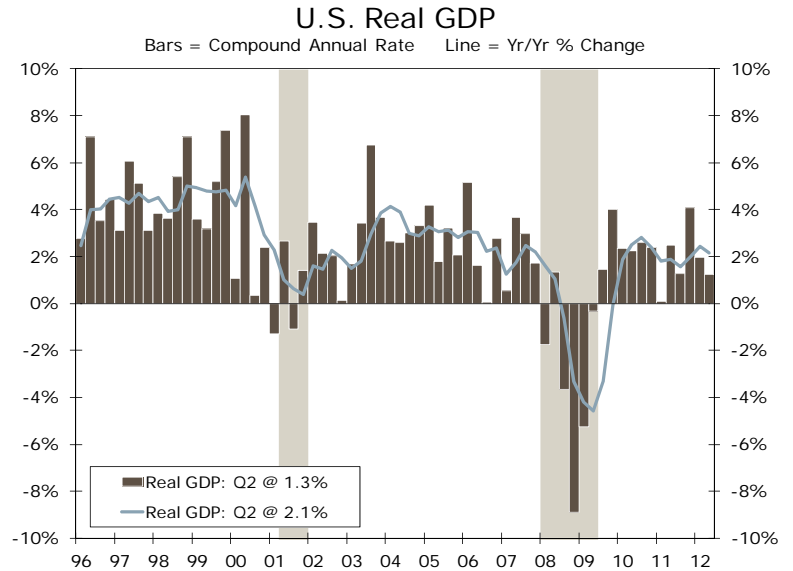
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U.S. markets continue sluggish growth

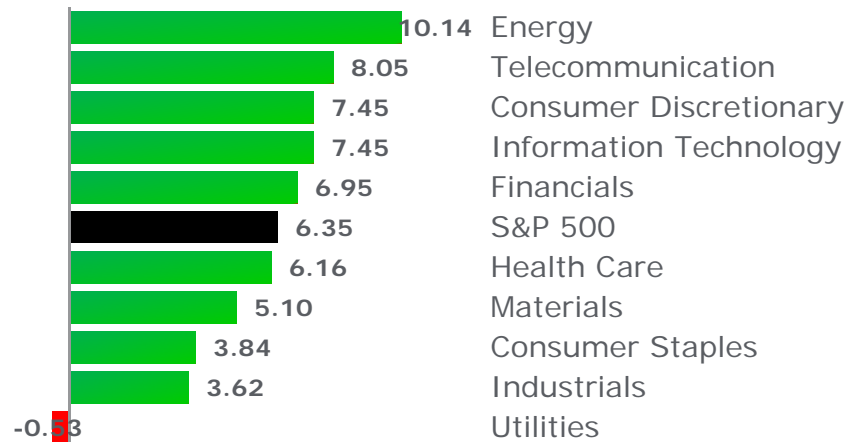
- The U.S. economy continues to grow, but at a below average pace. Job growth has not been supported by expansion in the economy.
- GDP is growing at only half the rate of the past ten recoveries.
- The Federal Reserve announced new stimulus measures during the third quarter.
- Investors and retail consumers share a general lack of confidence in any new measure’s effectiveness to stimulate the economy.



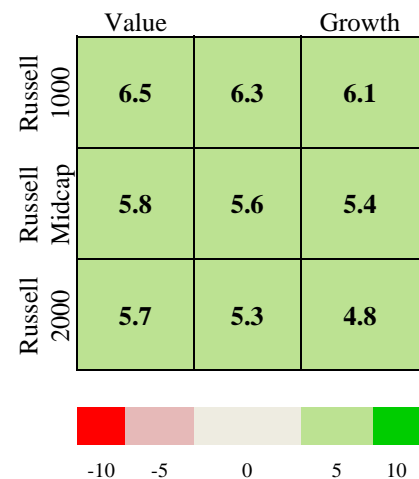
A strong September left nearly all sectors positive for the quarter

- Energy and Telecom were the big winners of the quarter as subsectors in oil and gas refineries and wireless carriers enjoyed double digit gains.
- Utilities were the only negative sector for the quarter as a 4.12% decline in August led to softer performance for the quarter.
- Value outperformed growth as continued concern over the financial sectors in Europe and a slowdown in China tempered investors appetites for growth strategies.

S&P 500 Third Quarter 2012 Sector Returns



Third Quarter Domestic Equity Returns

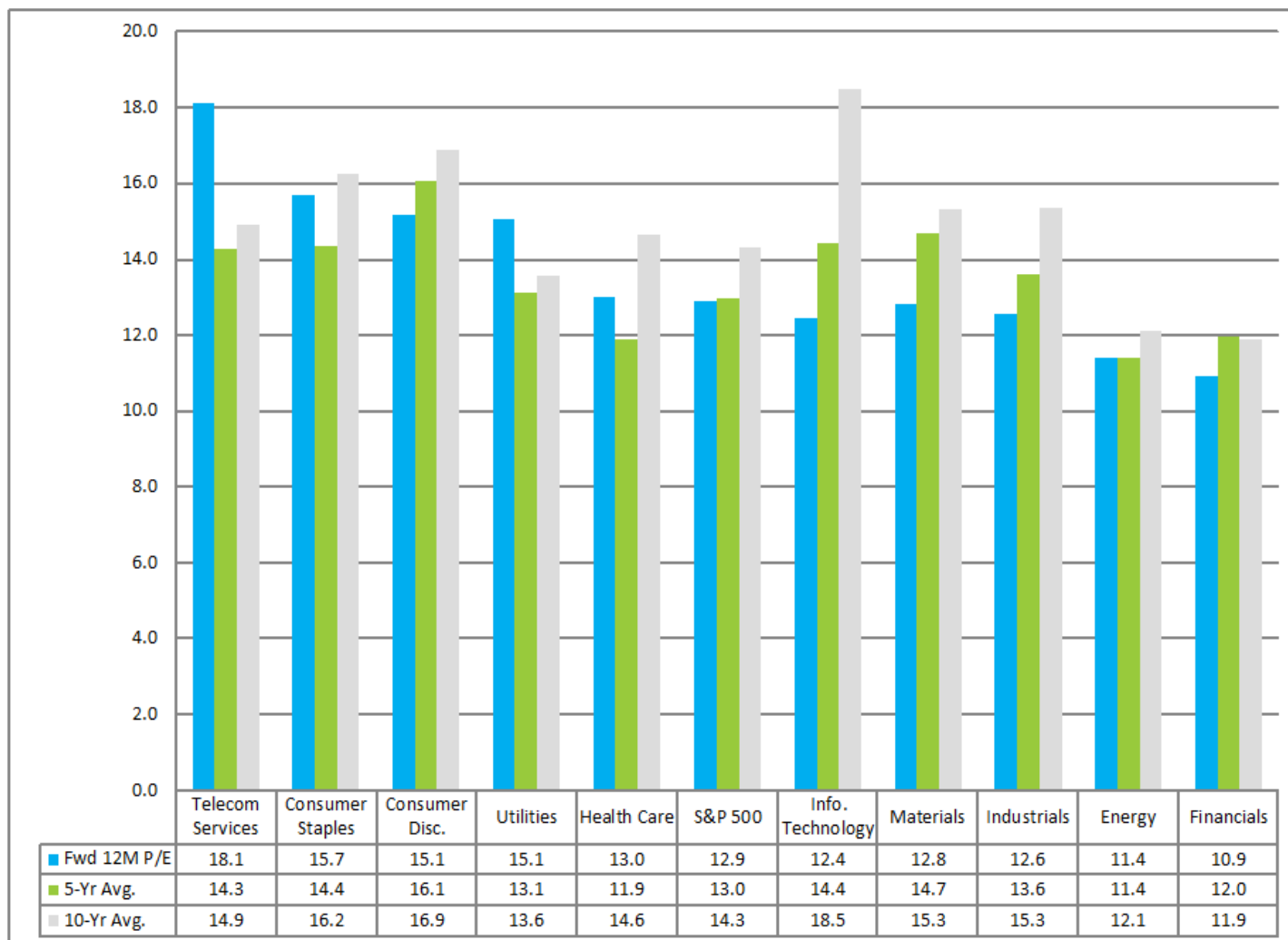


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Sector Level Price/ Earnings Ratio

- Forward Price/Earnings Ratios for Telecom and Utilities are currently above historical 5 and 10-year averages.
- Consumer Discretionary, Information Technology, Materials, Industrials, Energy and Financials forward P/E ratios remain below historical levels, as does the S&P 500 Composite.



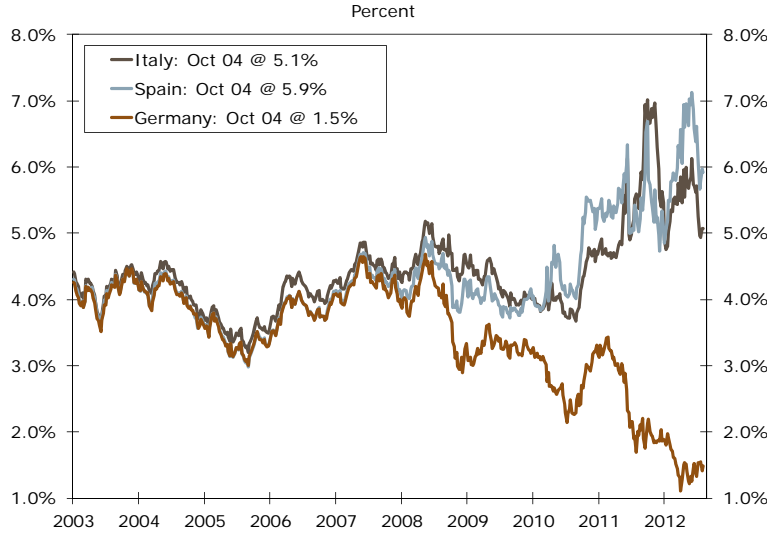
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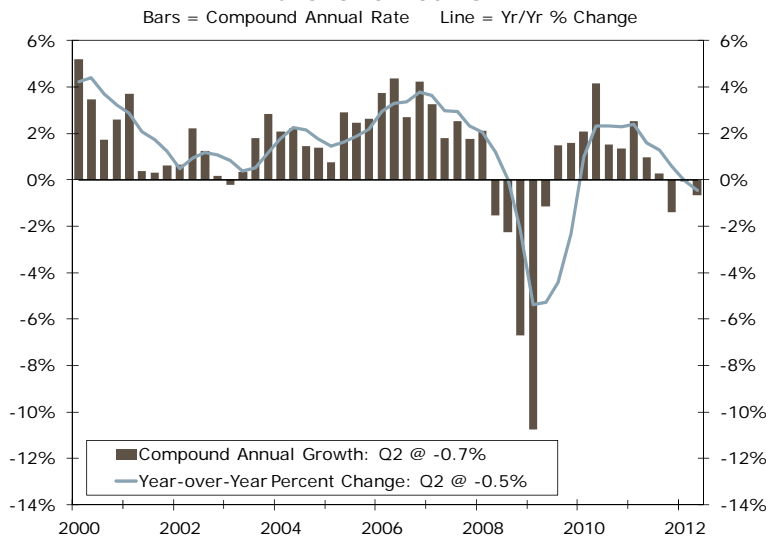
International markets present a mixed bag of news

- European problems persist. European Union economies remain in recession. Spain is on the verge of joining the list of EU countries that have asked for a bailout.
- ECB moves toward the direct purchase of sovereign debt. This will lower borrowing costs. However, this assistance is not unconditional. In return for ECB support, countries in need will have to commit to even deeper cuts and substantial fiscal reforms.
- A German constitutional court upheld the validity of the proposed European Stability Mechanism (ESM – provides emergency lending). This signals that stronger support from Bundesbank (the German central bank) for ESM’s next course of action is forthcoming.

10-Year Government Bond Yields



Eurozone Real GDP

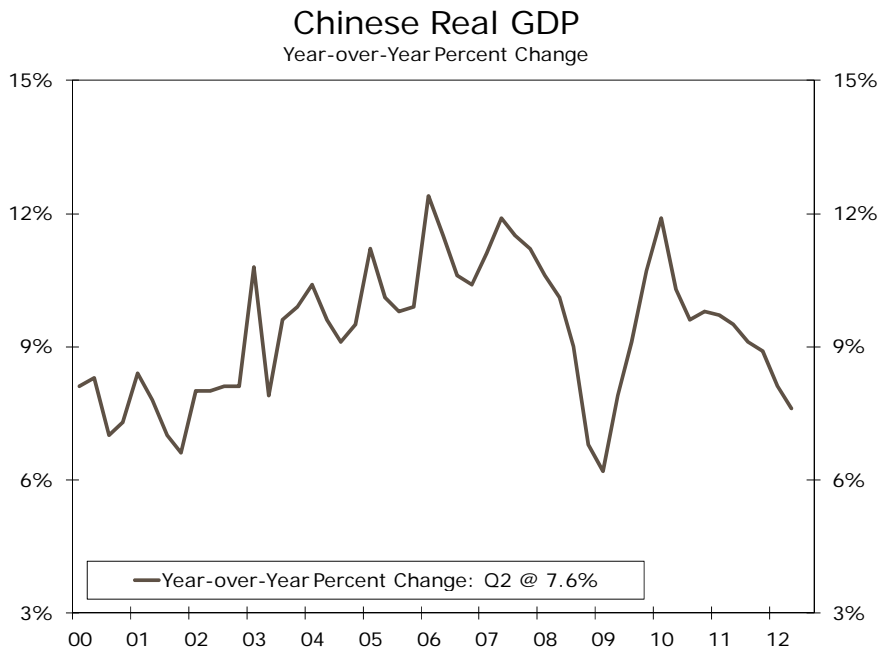


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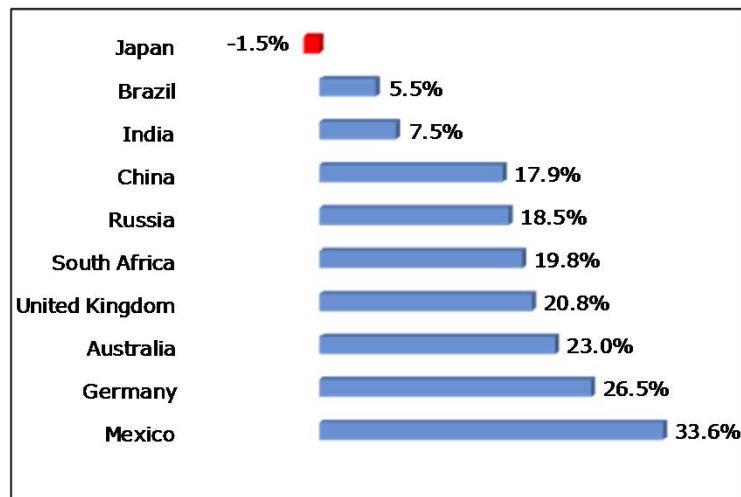
*Data Sources: U.S. Department of Commerce, Bloomberg LP and Wells Fargo Securities, LLC
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International markets improving despite continued slowdown in China

- Policymakers in China believe that their long-term economic success is likely to come from consumer spending rather than investment spending. Therefore, China did not indicate a willingness to provide additional stimulus measures.
- International markets have rallied in the past four months on positive catalysts such as stimulative actions undertaken by U.S., European and Japanese central banks.



**One Year International (Gross) Returns
As Of September 30, 2012**



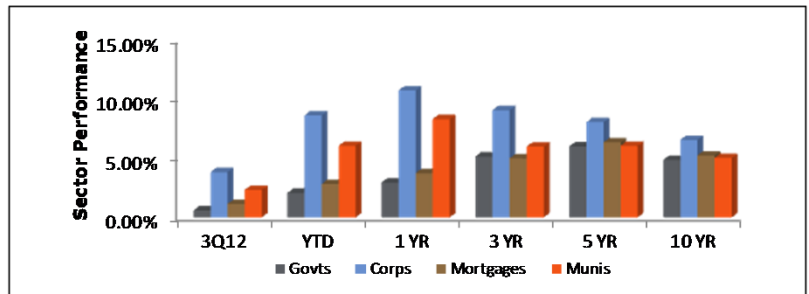
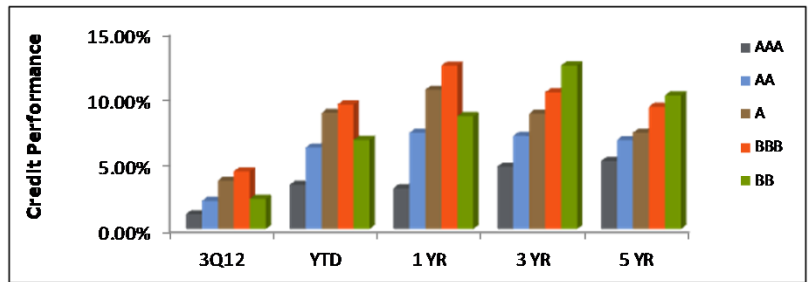
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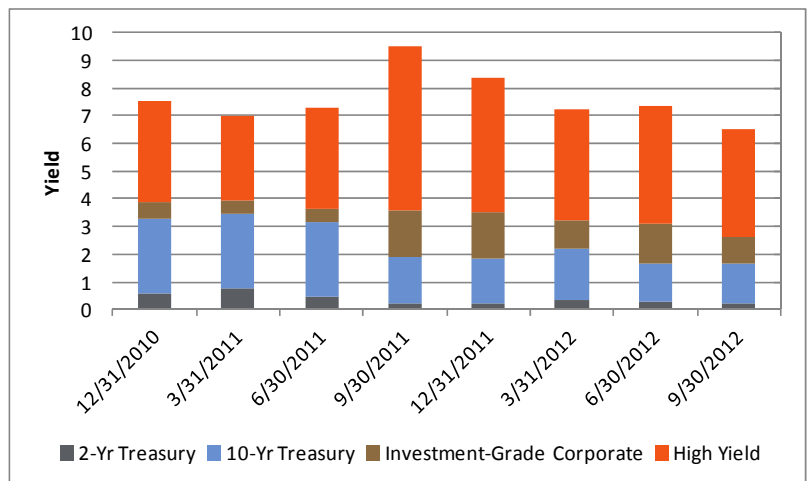
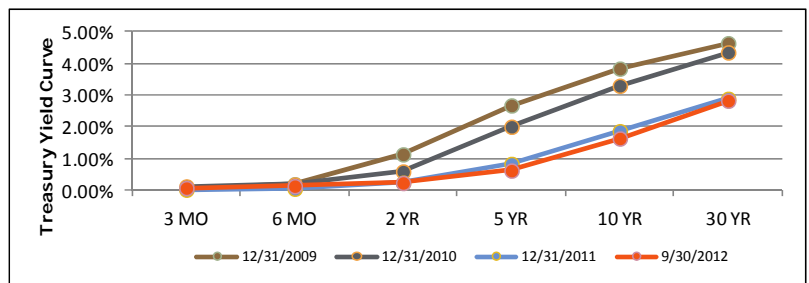
Active monetary policy introduces volatility to fixed income markets

- Despite the ups and downs, all sectors of the bond market posted positive returns during the third quarter, with high yield, corporate bonds and preferred securities leading the way.
- Corporate bonds led fixed income sectors with a 3.83% return for the quarter followed by municipal bonds with a 2.32% return, compared to the Barclays Aggregate return of 1.58%.



Treasury yields end third quarter little changed

- The Fed announcement of QE3 sent Treasury yields immediately higher, although they quickly returned to near previous levels.
- Investment grade credit spreads, or the excess yield investors demand over Treasuries, were 46 basis points tighter for intermediate term securities from the previous quarter.
- The biggest recent development for fixed income investors was the expansion of the Fed’s balance sheet and the Fed statement that they would keep the federal funds rate at exceptionally low levels through mid-2015.



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New demand seen for commodities

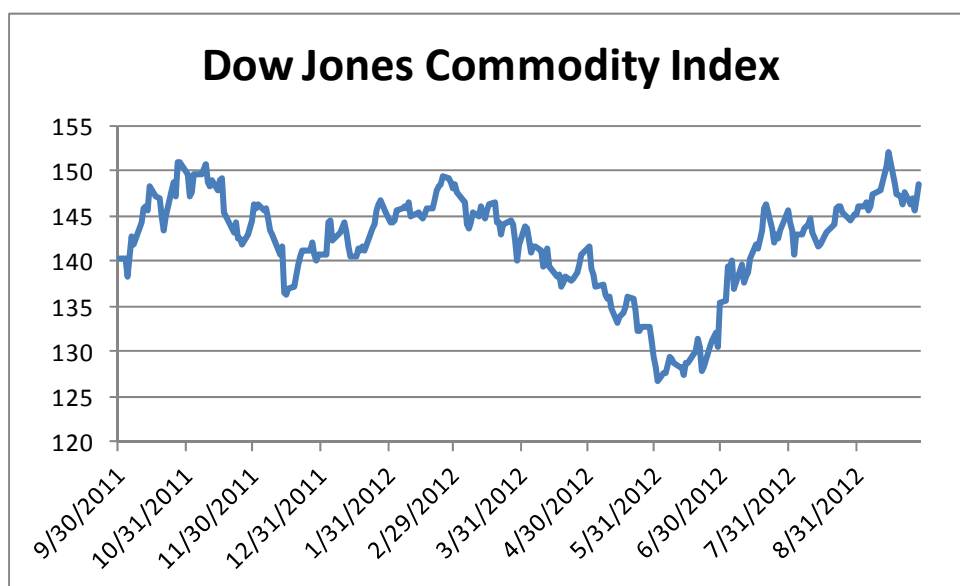
- Precious and industrial metals rebounded sharply to the promise of additional liquidity from the ECB.
- Perceived stabilization in Europe led to a decline in the U.S. dollar and aided in the broad rise in commodities this quarter.

	Current	3 Mth Ago*	1 Yr Ago**
United States Dollar Index	79.94	81.63	78.55
U.S. Dollar per Euro	1.29	1.27	1.34
Japanese Yen per U.S. Dollar	77.80	79.79	77.08
U.S. Dollar per British Pounds	1.61	1.57	1.56

	Current	3 Mth Ago*	1 Yr Ago**
NY Gold (NYM \$/ozt)	1771.10	1603.50	1620.40
WTI Crude Oil (\$/bbl)	92.19	84.96	79.20
Copper (NYM \$/lbs)	3.77	3.49	3.15

Source: FactSet, Wells Fargo Advisors

*3 month ago as of June 30, 2012 **1 year ago as of September 28, 2011



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CAPITAL MARKETS REVIEW – SEPTEMBER 30, 2012

CAPITAL MARKET INDEX RETURNS

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
BEST T	MSCI EAFE	MSCI EAFE	Russell 1000 Value	DJ Wilshire REIT	Russell 1000 Value	Russell 1000 Growth	Russell 2000 Growth	DJ Wilshire REIT	Russell 2000 Value	Barclays Agg Bond	Russell 2000 Growth	DJ Wilshire REIT	DJ Wilshire REIT	DJ Wilshire REIT	Russell 1000 Growth	Barclays Agg Bond	Russell 1000 Growth	Russell 2000 Growth	DJ Wilshire REIT	Russell 1000 Growth	
	32.94%	8.06%	38.35%	37.04%	35.18%	38.71%	43.09%	31.04%	13.96%	10.27%	48.53%	33.14%	14.00%	36.13%	11.81%	5.24%	37.21%	29.09%	9.37%	16.80%	
	Russell 2000 Value	Russell 1000 Growth	S&P 500	Russell 1000 Growth	S&P 500	S&P 500	Russell 1000 Growth	Russell 2000 Value	DJ Wilshire REIT	DJ Wilshire REIT	Russell 2000 Value	Russell 2000 Value	MSCI EAFE	MSCI EAFE	MSCI EAFE	Russell 2000 Value	Russell 2000 Growth	DJ Wilshire REIT	Barclays Agg Bond	S&P 500	
	23.84%	2.66%	37.53%	23.12%	33.35%	28.57%	33.16%	22.83%	12.36%	3.60%	46.02%	22.25%	13.54%	26.34%	11.17%	-28.92%	34.47%	28.07%	7.84%	16.44%	
	Russell 1000 Value	DJ Wilshire REIT	Russell 1000 Growth	S&P 500	Russell 2000 Value	MSCI EAFE	MSCI EAFE	MSCI Agg Bond	Barclays Agg Bond	Russell 2000 Value	MSCI EAFE	MSCI EAFE	Russell 1000 Value	Russell 2000 Value	Russell 2000 Growth	Russell 1000 Value	MSCI EAFE	MSCI EAFE	Russell 2000 Value	Russell 1000 Growth	Russell 1000 Value
	18.12%	2.66%	37.49%	22.94%	31.78%	20.33%	27.30%	11.63%	8.44%	-11.42%	39.16%	20.25%	7.05%	23.48%	7.05%	-36.85%	31.78%	24.50%	2.64%	15.75%	
	DJ Wilshire REIT	S&P 500	Russell 2000 Growth	Russell 1000 Value	Russell 1000 Growth	Russell 1000 Value	S&P 500	Russell 1000 Value	Russell 1000 Value	Russell 1000 Value	DJ Wilshire REIT	Russell 1000 Value	Russell 1000 Value	Russell 1000 Growth	Russell 1000 Value	Barclays Agg Bond	S&P 500	DJ Wilshire REIT	Russell 1000 Growth	S&P 500	DJ Wilshire REIT
	15.14%	1.31%	31.04%	21.64%	30.49%	15.63%	21.04%	7.01%	-5.59%	-15.52%	36.06%	16.49%	5.26%	22.25%	6.97%	-37.00%	28.46%	16.71%	2.11%	14.47%	
	Russell 2000 Growth	Russell 2000 Value	Russell 2000 Value	Russell 2000 Value	DJ Wilshire REIT	Barclays Agg Bond	Russell 1000 Value	S&P 500	Russell 2000 Growth	MSCI EAFE	Russell 1000 Value	Russell 2000 Value	Russell 2000 Growth	S&P 500	S&P 500	S&P 500	Russell 1000 Growth	S&P 500	Russell 1000 Value	Russell 1000 Value	Russell 2000 Value
	13.37%	-1.55%	25.75%	21.37%	19.67%	8.67%	7.35%	-9.10%	-9.22%	-15.94%	30.03%	14.31%	4.91%	15.79%	5.49%	-38.44%	26.46%	15.51%	0.39%	14.37%	
S&P 500	Russell 1000 Value	Barclays Agg Bond	Russell 2000 Growth	Russell 2000 Growth	Russell 2000 Growth	DJ Wilshire REIT	MSCI EAFE	S&P 500	S&P 500	Russell 1000 Growth	S&P 500	Russell 2000 Value	Russell 2000 Growth	Russell 1000 Value	Russell 2000 Growth	Russell 2000 Value	Russell 2000 Value	S&P 500	Russell 2000 Growth	Russell 2000 Growth	
10.06%	-1.99%	18.48%	11.26%	12.95%	12.3%	-2.57%	-13.96%	-11.88%	-22.09%	29.76%	10.87%	4.71%	13.35%	-0.17%	-38.54%	20.58%	15.06%	-2.91%	14.08%		
Barclays Agg Bond	Russell 2000 Growth	DJ Wilshire REIT	MSCI EAFE	Barclays Agg Bond	Russell 2000 Value	Barclays Agg Bond	Russell 1000 Growth	Russell 1000 Growth	Russell 1000 Growth	S&P 500	Russell 1000 Growth	Russell 1000 Growth	Russell 2000 Growth	Russell 1000 Growth	Russell 2000 Value	DJ Wilshire REIT	Russell 1000 Value	MSCI EAFE	Russell 2000 Value	MSCI EAFE	
9.75%	-2.44%	12.24%	6.36%	9.68%	-6.46%	-0.83%	-22.42%	-20.42%	-27.89%	28.67%	6.30%	4.15%	9.07%	-9.78%	-39.20%	19.69%	7.75%	-5.50%	10.08%		
Russell 1000 Growth	Barclays Agg Bond	MSCI EAFE	Barclays Agg Bond	MSCI EAFE	DJ Wilshire REIT	Russell 2000 Value	Russell 2000 Growth	MSCI EAFE	Russell 2000 Growth	Barclays Agg Bond	Barclays Agg Bond	Barclays Agg Bond	Barclays Agg Bond	DJ Wilshire REIT	MSCI EAFE	Barclays Agg Bond	Barclays Agg Bond	MSCI EAFE	Barclays Agg Bond	Barclays Agg Bond	
2.90%	-2.92%	11.55%	3.61%	2.06%	-17.00%	-1.49%	-22.43%	-22.00%	-30.27%	4.11%	4.34%	2.43%	4.33%	-17.56%	-45.09%	5.93%	6.54%	-12.14%	3.99%		



Russell 1000 Value contains those Russell 1000 (larger capitalization) securities with a less-than-average growth orientation. Securities in this index generally have lower price-to-book and price-to-earnings ratios, higher dividend yields, and lower forecasted growth rates.



Russell 1000 Growth contains those Russell 1000 (larger capitalization) securities with a greater-than-average growth orientation. Securities in this index generally have higher price-to-book and price-to-earnings ratios, lower dividend yields, and higher forecasted growth rates.



Russell 2000 Value contains those Russell 2000 (smaller capitalization) securities with a less-than-average growth orientation. Securities in this index generally have lower price-to-book and price-to-earnings ratios than those in the Russell 2000 Growth Index.



Russell 2000 Growth contains those Russell 2000 (smaller capitalization) securities with a greater-than-average growth orientation. Securities in this index generally have higher price-to-book and price-to-earnings ratios than those in the Russell 2000 Value Index.



MSCI EAFE is the Morgan Stanley Capital International Europe, Australia, Far East Index designed to measure the performance of developed stock markets in these areas.



Barclays Agg Bond is the Lehman Brothers Aggregate Bond Index. This index includes U.S. government, corporate and mortgage-backed securities rated investment grade or higher with maturities up to 30 years.



S&P 500 is a representative sample of 500 leading companies in leading industries of the U.S. economy.

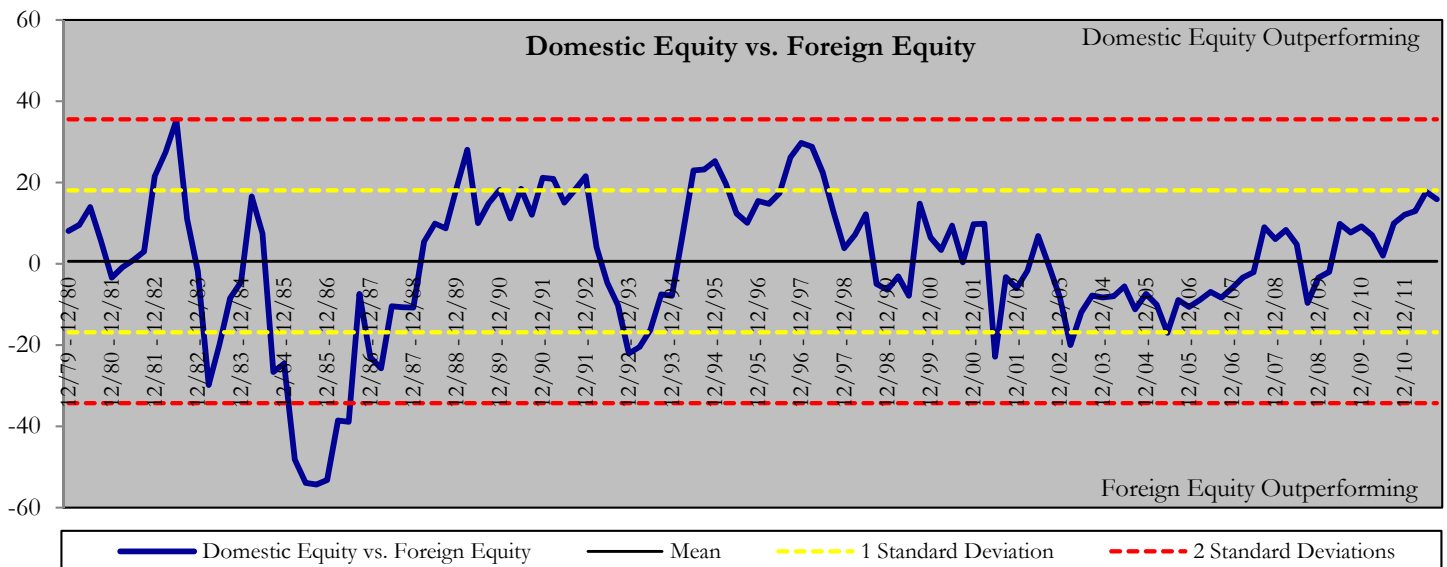
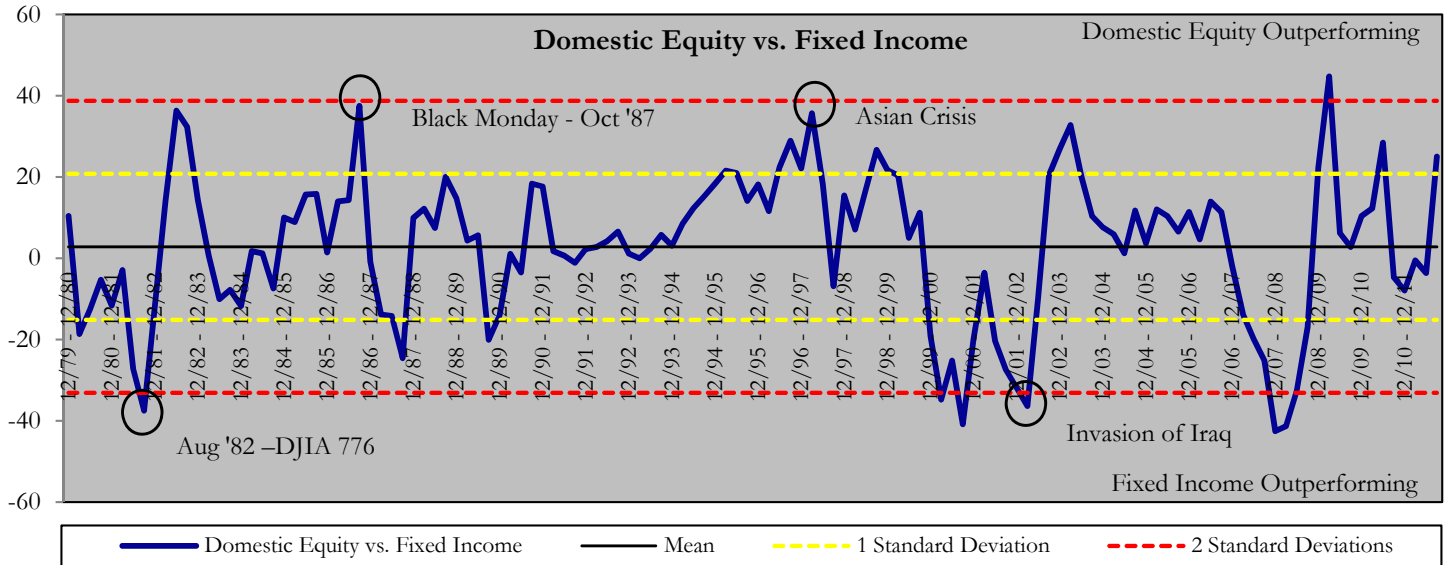


DJ Wilshire REIT is intended as a broad measure of the performance of publicly traded real estate equity. The index is comprised of companies whose charter is the equity ownership and operation of commercial real estate.

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