

**COUNTY OF SAN BERNARDINO
EXECUTIVE SUMMARY
DEFINED CONTRIBUTION PLANS
1st QUARTER 2011**

	1ST QTR	1 YR.	3 YR.	5 YR.
457 Plans Performance	5.00	15.64	3.88	4.59
Customized Benchmark	5.63	17.29	3.31	3.27
DIFFERENCE	-0.49	-1.08	0.57	1.32
401(k) Plan	5.14	16.21	4.07	4.65
Customized Benchmark	5.63	17.29	3.51	3.36
DIFFERENCE	-0.49	-1.08	0.56	1.29
Retirement Medical Trust	5.06	16.27	4.71	4.63
Customized Benchmark	5.39	17.70	5.22	4.45
DIFFERENCE	-0.33	-1.43	-0.51	0.18

PORTFOLIO ANALYSIS:

ASSETS:	
457 Assets	\$402,637,875
401(k) Assets	\$84,048,656
401(a) Assets	\$1,285,602
RMT Assets	\$38,776,093
P/T Assets	\$37,352,915
TOTAL ASSETS	\$564,091,141



Due to the appreciation of mutual fund assets, the total assets in all of the County of San Bernardino plans have increased from \$545 million at the end of the fourth quarter, 2010, to \$564 million at the end of the first quarter, 2011.

The 457 assets in the Ameritrade Self Directed Brokerage Account, (SDBA), are \$1,951,765 and in the 401(k) the assets are \$950,016. While the 457 assets in the SDBA remain unchanged from the previous quarter, there was a small reduction in the 401(k) assets in the SDBA.

457 PLAN CASH POSITION:

The stable value crediting rate for the fourth quarter was 2.00%. The first quarter 2011 crediting rate is 2.00%. The percentage of assets in the fixed interest bearing account continues to decline and is now 34.09% down from 35.13% in the fourth quarter. The reduction was due to the greater appreciation of the mutual funds.

401(k) PLAN CASH POSITION:

The percentage of assets in the fixed interest bearing account changed very little. The assets in the Stabilizer decreased from 26.64% in the fourth quarter, to 26.02% in the first quarter. The reason for the decreased percentage of assets in the Stabilizer was due to the appreciation of mutual fund values.

RETIREMENT MEDICAL TRUST CASH POSITION:

There was a small decrease in the percentage of assets in the fixed interest account, with 80.03% now in the ING General account. The fixed interest account credited an interest rate of 3.30% for the first quarter, 2011. This is a ten basis point change from the fourth quarter 2010 rate of 3.40%.

457 PLANS MUTUAL FUNDS POSITION:

The underperformance is due to the high mutual fund allocation to Growth Fund of America, Perkins Small Cap and Capital World. These three accounts have 38% of the mutual fund assets, led by Growth Fund of America with almost 21% of the mutual fund assets.

The Sharpe Ratio is a tool that helps determine if the risk the fund or portfolio is taking to achieve the performance is worthwhile. The Sharpe Ratio for the 457 portfolio improved from the fourth quarter ratio of 0.06, to 0.26. The benchmark is 0.24.

The Standard Deviation is a measurement of the volatility of the portfolio's short term return from the average long term return. The three-year Standard Deviation for the portfolio is 22.04 which is almost identical to the benchmark of 22.00.



The Alpha, a measurement of the value added by the investment manager is 0.55. Beta is a measure of the degree of change in value that can be expected, given a change in value in the comparable index. The Beta is at 1.00 (over three years).

401(k) MUTUAL FUNDS POSITION:

The underperformance is due to the high mutual fund allocation to Growth Fund of America, Perkins Small Cap and Capital World. These three accounts have 35% of the mutual fund assets, led by Growth Fund of America with over 21% of the mutual fund assets.

The Sharpe Ratio for the 401(k) portfolio 0.07 in the fourth quarter and is now 0.27, which is better than the benchmark of 0.25 (over three years). The three-year Standard Deviation for the portfolio is 22.38 which is higher than the benchmark of 22.08. The Alpha is 0.54 and the Beta is 1.01.

RETIREMENT MEDICAL TRUST (RMT) MUTUAL FUNDS POSITION:

The RMT underperformed the customized benchmark due to a high mutual fund allocation to Growth Fund of America and Thornburg Growth, which had underperformed to the benchmark. Thornburg will be replaced in all County of San Bernardino Plans on May 2nd by ING Mid Cap Opportunities. The impact of Thornburg on recent portfolio performance has been significant. The portfolio performance history against the benchmark would improve as illustrated with the following chart:

	I ST QUARTER	I YEAR	3 YEAR	5 YEAR
CURRENT DIFFERENCE	-0.33	-1.43	-0.51	0.18
DIFFERENCE WITH ING MID CAP OPPORTUNITIES	-0.04	0.10	0.42	0.93



PERFORMANCE OF INDEX FUNDS VS. ACTIVELY MANAGED FUNDS:

	QUARTER	1 YEAR	3 YEAR	5 YEAR
LARGE CAP				
Vanguard Institutional Index	5.91	15.61	2.41	2.65
American Growth Fund	5.29	13.48	1.69	2.70
Columbia Marisco	5.55	17.01	0.39	2.44
Janus Contrarian	1.57	4.14	-4.68	1.87
Parnassus Inv Eq	5.24	10.32	6.68	7.18
Main Stay ICAP Select Equity	5.71	16.49	2.98	3.82
Columbia Div Eq Inc	5.98	17.43	1.81	2.52
MID CAP				
Vanguard MidCap Index Signal	8.23	25.15	7.50	4.52
Thornburg Core Gr	4.89	13.93	0.56	0.28
ING Mid Cap Opportunities	8.15	31.71	10.94	8.72
Fidelity Adv Lev Co	8.17	25.12	3.27	5.03
Columbia MidCap Value	7.20	22.46	5.12	4.36
SMALL CAP				
Vanguard Small Cap Index	8.81	26.74	10.01	4.75
Baron Growth	9.37	27.23	7.29	4.15
Royce Value Plus	6.88	22.05	6.07	2.90
Perkins Small Cap Value T	5.97	17.02	12.01	7.74
Invesco U.S Sm Cap Value	6.62	23.97	11.63	8.18

The overall domestic equity performance has had a broad based appreciation and that favors the passively managed index funds. The index funds have an advantage of low cost, and cannot avoid any sector or stock that meets the capitalization boundaries. Also, unlike actively managed funds, index funds are devoid of cash holdings. This is a disadvantage in some markets but can be an advantage in other markets, like the market we are currently experiencing.



MUTUAL FUNDS OVERVIEW AND NARRATIVE:

LARGE CAP GROWTH:

FUND # 1	AMERICAN GROWTH FUND OF AMERICA						AGTHX		
	ASSETS: \$56,072,541		BEST FIT INDEX: RUSSELL 1000 GROWTH			MARKET CAP: \$167,393.00 MIL			
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	13.48	1.69	2.70	16.89	3.57	3.10	-3.41	-1.88	-0.40
	M*	MGR TENURE		BETA	ALPHA		SHARPE		3 YR STD DEV
FUND STATISTICS	3	25.4		0.98	-3.30		0.17		21.58
PEER AVERAGES		5.5		1.00	1.40		0.25		22.85

This fund continues to struggle against both its peers and index, where it trails over all time periods measured with the exception of the five (5) year versus the index. While this is cause for concern, we do not believe the overall philosophy of the fund or management has changed. Higher allocations to stocks not in the index or category along with a penchant for not wanting to overpay for a stock, contribute to the underperformance.

Currently 16% of the portfolio is in non-US stocks, versus the category average of about 7.5%. Non-US stocks have trailed US stocks over past several year periods. In addition, this fund has held more than triple the amount of cash than the category, on average 10%, however it is currently 6%; the category average is 2%. Higher cash, higher international and the ownership of higher quality companies have all led to the lower returns. These are all traits that the American Funds management believes will lead this fund to better returns over the coming decade. We will continue to monitor this fund closely.

The foreign holdings are allocated in order of assets mainly to Canada, United Kingdom and Japan. There are investments in both BMW and Mercedes in Germany as both auto makers have strong sales in China.



RECOMMENDATION: Remain on Watchlist due to performance.



FUND # 2 **COLUMBIA MARISCO 21ST CENTURY Z** **NMYAX**

ASSETS: \$1,000,853 BEST FIT INDEX: RUSSELL 1000 GROWTH MARKET CAP: \$3,659.55MIL

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	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	17.01	0.39	2.44	16.89	3.57	3.10	0.12	-3.18	-0.66
	M*	MGR TENURE		BETA	ALPHA		SHARPE	3 YR STD DEV	
FUND STATISTICS	3	8.2		1.11	-3.21		0.17	25.81	
PEER AVERAGES		5.5		1.00	1.40		0.25	22.85	

With a weighted-average market cap of only \$16 billion, this fund buys stocks that are significantly below its category average of \$46 billion. This combination should have produced outsized returns as mid-cap stocks beat out large cap; instead the fund has recently been trading water. The below average performance is due to the heavy exposure to financial stocks. This fund has almost four times the exposure to financial stocks compared to the peer average. The fund is in the top 1% of funds for the ten year period and it has shown improvement over the past one year period. Its concentrated style leads to greater risk and potentially greater reward. This fund is a good fit within the very diversified, high stock holdings of Growth Fund of America.

 **RECOMMENDATION:** Watchlist due to performance.



LARGE BLEND:

FUND # 3	JANUS CONTRARIAN	JSVAX
	ASSETS: \$8,475,377	BEST FIT INDEX: RUSSELL 1000
		MARKET CAP: \$4,125,.48 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	4.14	-4.68	1.87	19.35	4.31	3.19	-15.21	-8.99	-1.32

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	3	14.3	0.88	-2.84	-0.03	29.12
PEER AVERAGES		5.2	1.01	-0.21	0.18	22.61

Janus Contrarian is a “go-anywhere” fund that is extremely difficult to benchmark to any style box. Fund manager, David Decker, truly takes a contrarian view and tends to go to out of favor stocks that have paid off over the long haul, but can be extremely volatile with high turnover of 104% and can sometimes have painful results such as its 48% loss in 2008. The fund currently has over 34% of its holdings in non-U.S. stocks with a hefty 18% in India alone. Over time this fund has been a winner as it has returned 5.7% annually since its inception in March 2000.

 **RECOMMENDATION:** Watchlist due to performance.



FUND # 4 **PARNASSUS INV EQUITY INC** **PRBLX**

ASSETS: \$8,460,608 BEST FIT INDEX: RUSSELL 1000 MARKET CAP: \$3,912.93 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	10.32	6.68	7.18	14.65	1.99	2.17	-4.33	4.69	5.01

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	5	9.9	0.83	2.90	0.41	19.35
PEER AVERAGES		5.2	1.01	-0.21	0.18	22.61

Despite a tough 2010, this fund has a great record. The mandate is very constraining, but the manager has still managed to add value over the long run. This fund remains a good choice for socially conscious participants who want stock exposure.

FUND # 5 **VANGUARD INSTITUTIONAL INDEX** **VINIX**

OF PARTICIPANTS: ASSETS: \$12,463,553 BEST FIT INDEX: S&P 500 MARKET CAP: \$95,994.62 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	15.61	2.41	2.65	15.65	2.35	2.62	-0.04	0.06	0.03

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	3	6.0	1.00	0.06	0.20	21.88
PEER AVERAGES			1.00	0.00	0.09	21.89

The Vanguard Institutional Index fund is performing well within the acceptable parameters of the index adjusted for the fund expense and tracking error.



FUND # 6
MAINSTAY ICAP SEL EQ I
ICSLX

ASSETS: \$16,563,966

BEST FIT INDEX: RUSSELL 1000 VALUE

MARKET CAP: \$4,890.06 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	16.49	2.98	3.82	14.30	1.41	1.76	2.19	1.57	2.07
	M*	MGR TENURE		BETA	ALPHA		SHARPE		3 YR STD DEV
FUND STATISTICS	3	0.2		1.07	-1.07		.18		24.16
PEER AVERAGES		5.5		1.01	-0.78		.016		22.63

With a weighted-average market cap of nearly \$70 billion, this fund buys the largest of large stocks. It also traditionally has been a “value” manager, but has moved into “growth” and “blend” stocks and sits in the “blend” category. The portfolio is very concentrated with just 30 names. The managers have done something that most have not been able to do, buy extremely large cap names that tend to be high-quality and yet still outperform; which is no doubt due to the concentrated nature and good stock-picking. This is a good core holding for participants who want equity exposure. Given that the largest, highest quality firms have not rallied as much as the rest of the stock market, this fund may have more relative outperformance going forward. The 6% overweight to the Financial sector has had a small drag on performance.



LARGE VALUE:

FUND # 7	COLUMBIA DIVERSIFIED EQUITY INC	RSEDX
ASSETS: \$2,966,431	BEST FIT INDEX: RUSSELL 1000 VALUE	MARKET CAP: \$3,502.87 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	17.43	1.81	2.52	14.30	1.41	1.76	3.13	0.40	0.76

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	13.3	0.99	0.65	0.22	21.84
PEER AVERAGES			1.00	0.00	0.09	21.89

This fund was renamed to Columbia after Ameriprise bought Columbia and merged the Riversource name away. The managers continue to add value while holding relatively high quality stocks. The market cap is similar to that of its index benchmark with similar characteristics, but the returns have consistently been better. Excess returns rarely continue, so expect that a reversion to the mean could produce poorer results in the future, but the management has a proven record of outperformance over longer periods.



MID CAP GROWTH:

FUND # 8	THORNBURG CORE GROWTH R5	THGRX
	ASSETS: \$6,029,257	BEST FIT INDEX: CUSTOMIZED
		MARKET CAP: \$1,191.66 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	13.93	0.56	0.28	23.40	6.95	4.51	-9.47	-6.39	-4.23

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	2	10.3	0.95	-6.52	0.13	25.34
PEER AVERAGES		5.2	1.08	4.67	0.37	25.32

This fund has been struggling significantly against both its peers and index across all measured time periods and was replaced on May 2, 2011. The replacement fund, **ING Mid Cap Opportunities**, has performed well with a first quarter performance of 11.44% compared to Thornburg's 4.89%.

 **RECOMMENDATION:** Delete due to performance.



MID CAP BLEND:

FUND # 9	FIDELITY ADVISORS LEV CO STL I	FLVIX
	ASSETS: \$3,467,922	BEST FIT INDEX: RUSSELL MIDCAP
		MARKET CAP: \$4,170.63 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	25.12	3.27	5.03	23.04	6.57	4.07	2.08	-3.30	0.96

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	3	7.8	1.29	-4.23	0.26	35.41
PEER AVERAGES		5.7	1.13	4.61	0.36	26.12

Could this be the best 1 star fund around? Morningstar ranks this fund as 1 star for the three (3) year period and just 2 for the five (5) year period; but the manager, Soviero, was just crowned the Manager of the Decade with the best 10 year record in the U.S. The fund is ranked 5 stars for the ten year period. So how can a fund be 1 star and 5 stars at the same time? 2008 was disastrous and the fund fell 64% and ranked in the 96th percentile. In 2003, this fund returned almost 92%, which started a five (5) year double-digit return run. In six of nine years this fund was in the top 7% of its category. As the Federal Reserve has boosted the markets, the riskier assets have had the biggest run.



FUND # 10
VANGUARD MIDCAP INDEX SIGNAL
VMISX

ASSETS: \$4,708,604

BEST FIT INDEX: MSCI US MIDCAP 450 USD

MARKET CAP: \$29,167.07 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	25.15	7.50	4.52	23.57	5.82	2.99	1.58	1.68	1.58
	M*	MGR TENURE		BETA	ALPHA		SHARPE	3 YR STD DEV	
FUND STATISTICS	3	12.9		0.99	-0.10		0.39	26.19	
PEER AVERAGES				1.16	3.74		0.21	26.15	

The Vanguard MidCap Index fund is slightly outperforming the MSCI US MidCap 450, including the low expense ratio of 0.14%. The performance is generated by holding approximately 92% of the index, with the balance in buffer zones, thus reducing the impact of stocks entering and leaving the index, which therefore reduces trading costs.



MID CAP VALUE:

FUND # 11	COLUMBIA MID CAP VALUE OPP R5	RSCMX
	ASSETS: \$16,767,092	BEST FIT INDEX: RUSSELL MID CAP VALUE
		MARKET CAP: \$2,382.25 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	22.46	5.12	4.36	20.53	6.42	3.86	1.93	-1.30	0.50
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	2	0.2	1.03	-2.46	0.31	27.21			
PEER AVERAGES		5.3	1.14	4.36	0.36	26.07			

The managers do a fine job, but rarely outperform by a significant margin. Although this fund has outpaced its benchmark in 44 of 51 rolling three year periods, it is fairly well diversified and stays consistent in terms of style. The managers will be make sector bets which could lead to underperformance when either wrong or early. Like Columbia Diversified Equity, this fund is now owned by Ameriprise.

 **RECOMMENDATION:** Watch List due to ownership change.



SMALL GROWTH:

FUND # 12	BARON GROWTH	BGRFX
	ASSETS: \$15,953,295	BEST FIT INDEX: MSCI US SMALL & MID 2200 GR
		MARKET CAP: \$6,711.07 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	27.23	7.29	4.15	29.18	8.83	3.70	-1.95	-1.54	0.45

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	16.3	0.92	-1.93	0.40	24.19
PEER AVERAGES		5.2	1.12	6.77	0.44	26.60

This fund has clearly made the jump from Small Cap to Small-Mid Cap, with the majority of the assets in the Mid Cap category as measured by Morningstar. Having said that, the weighted-average market is only a tad above \$3 billion, which puts it at the lower end of the mid range (which ranges from about \$2 - 8 billion). With only a turnover rate of 16% due to the mandate that quality investments will be retained for five year, it is easy to understand the drift into midcap stocks. The fund is trailing against its peers over the one and three year period, but still winning over five. This is due to the larger profile of the fund (its size constrains the amount of small cap stocks it can buy) and the valuation conscious model Ron Baron pursues.



SMALL BLEND:

FUND # 14	PERKINS SMALL CAP VALUE T	JSCVX
	ASSETS: \$15,786,377	BEST FIT INDEX: RUSSELL 2000
		MARKET CAP: \$3,454.00 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	17.02	12.01	7.74	25.47	8.11	3.29	-8.45	3.90	4.45

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	5	26.2	0.72	2.96	0.60	22.52
PEER AVERAGES		5.3	1.18	6.19	0.41	27.60

This fund is trailing its peer group and index benchmark over the past twelve months, but we are not concerned as its longer term performance is among the best in its category. The reason for the under-performance is the focus on valuations and financial quality as well as the fact that the fund will not buy highly leveraged stocks (at least relative to their peers).

The fund fell less in the crash and is significantly less volatile than its peers and index over all time periods. On May 6th, the day of the “Flash Crash,” the fund fell 4.47% while the peer group and benchmark index fell 5.84% and 6.64% respectively. This fund doesn’t need to participate fully in “risk” rallies as it hasn’t fallen as much during the crashes.



FUND # 15
VANGUARD SMALL CAP INDEX
NAESX

ASSETS: \$1,879,182

BEST FIT INDEX: MSCI US SMALL CAP 1750 USD

MARKET CAP: \$26,602.93 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	26.74	10.01	4.75	25.30	8.42	3.34	1.44	1.59	1.41
	M*	MGR TENURE		BETA	ALPHA		SHARPE	3 YR STD DEV	
FUND STATISTICS	3	19.3		1.00	-0.49		0.46	28.59	
PEER AVERAGES				1.25	6.42		0.28	28.54	

The Vanguard Small Cap Index continues to slightly outperform the MSCI US Small Cap 1750 Index including its expense ratio of 0.38% in the 457, 401(k) and 401(a) and 0.53% in the RMT. Effective May 20, Vanguard dropped the management fee by 0.10% and ING also deleted 0.10% on their add-on charge, so the expense will be 0.18% for the three defined contributions funds. The expense for this fund in the RMT will decline by 0.25% to 0.28% as in addition to Vanguard's expense reduction ING dropped their add-on from 0.25% to 0.10%. Performance is enhanced by investing in buffer zones which enables the fund to take advantage of stocks doing well and growing toward the midcap space.



FUND # 16
INVESCO US SMALL CAP VALUE
MCVAX

ASSETS: \$2,549,588

BEST FIT INDEX: RUSSELL 2000 VALUE

MARKET CAP: \$893.74 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	23.97	11.63	8.18	22.53	8.83	3.56	1.44	2.80	4.62
	M*	MGR TENURE		BETA	ALPHA		SHARPE	3 YR STD DEV	
FUND STATISTICS	4	0.8		0.92	3.24		0.54	26.09	
PEER AVERAGES		5.7		1.21	6.94		0.43	28.52	

Big changes are occurring at this fund. Invesco was sold to Van Kampen and in December, Van Kampen replaced the management team of this fund and announced that it would be merged into the Invesco Van Kampen Small Cap Value Fund. The new management team has experience running other asset classes, but expects to implement a slightly different, “deep value” strategy. A substantial underweight to the Energy sector caused a third quarter under performance.

 **RECOMMENDATION:** Remain on the Watch List due to manager change and ownership change.



INTERNATIONAL STOCK:

FUND # 17	AMERICAN FUNDS CAP WORLD GROWTH & INCOME R4	RWIEX
ASSETS: \$28,670,720	BEST FIT INDEX: MSCI WORLD NDTR D	MARKET CAP: \$82,841.20 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	11.42	-0.50	4.24	14.86	0.94	2.85	-3.44	-1.44	1.39

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	18.1	0.83	1.27	0.08	23.72
PEER AVERAGES		3.8	0.90	3.53	0.14	24.72

This fund, like several funds from the American Funds, has suffered versus the peer group; however, it should be noted that the peer group (World Stock) has a profile that differs widely from Growth & Income. This fund has a greater stake in Europe and buys larger and higher-quality names, precisely the types of stocks that have not kept up with the recent rally. This isn't to say that the fund has dramatically underperformed, it hasn't. Nothing has changed in the way this fund operates; it seeks good global companies with strong balance sheets and is patient. This fund continues to be a good choice for those looking for global stock exposure in one fund.



FUND # 18
DFA INTERNATIONAL SMALL CO I
DFISX

ASSETS: \$13,059,416

BEST FIT INDEX: MSCI WLD EX USA SM

MARKET CAP: \$6,661.84 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	22.20	2.08	3.58	20.04	1.14	3.33	2.16	0.94	0.25
FUND STATISTICS	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
PEER AVERAGES	4	12.3	1.04	5.35	0.22	27.76			

This fund is a passively managed fund designed to provide the return of small-mid international stocks. It has been achieving that objective.

FUND # 19
DODGE & COX INTERNATIONAL STOCK
DODFX

ASSETS: \$8,024,646

BEST FIT INDEX: MSCI WORLD EX US VAL

MARKET CAP: \$445,918.31 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	12.39	0.89	3.58	10.64	-3.10	1.07	1.75	3.99	2.51
FUND STATISTICS	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
PEER AVERAGES	3	9.9	1.13	2.51	0.17	30.82			
		5.0	0.99	2.07	0.07	26.91			

This fund continues to hit on all cylinders. After losing 60% during the financial crisis many thought this fund had lost its magic. Unlike many other funds that never came back, this fund came back with a vengeance in 2009 & 2010. The experienced management team has found a way to win in the up markets, but what is unclear is how this fund will perform if we experience another crisis. Volatility is about 10% higher than the peer average. With that volatility there is a need for patience. The fund's management practices patience as turnover is only 15% while the peer average is 63%. This is one international fund that has a positive three performance while the benchmark remains negative.



FUND # 20 **JANUS ASPEN OVERSEAS INSTL** **JAIGX**
 ASSETS: \$5,518,982 BEST FIT INDEX: MSCI EAFE GROWTH MARKET CAP: \$2,568.96 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	14.36	5.49	10.91	14.65	-1.19	2.75	-0.29	6.68	8.16
	M*	MGR TENURE		BETA	ALPHA		SHARPE	3 YR STD DEV	
FUND STATISTICS	5	10.3		0.96	1.54		0.31	32.36	
PEER AVERAGES		4.6		1.03	0.24		0.04	27.55	

Fund manager, Brent Lynn, has routinely invested up to 40% of this fund in emerging markets and has performed well overall since taking over the fund in 2003. However, he has recently reduced the emerging market holdings to 25% because of the run-up in those stocks in the recent period. This fund tends to be more volatile than its peers because of the manager's willingness to buy stocks of fast growing companies, but the stock bets have yielded greater returns.

The manager is currently buying stocks from companies in Japan and Europe with an emphasis on financials.



BONDS:

FUND # 21	LOOMIS SAYLES INV GR BOND Y	LSIIX
	ASSETS: \$13,208,281	BEST FIT INDEX: BARCAP US GOVT
		MARKET CAP: \$9,037.11 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	9.62	8.61	8.71	9.29	8.02	6.67	0.33	0.59	2.04

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	5	14.3	1.19	0.47	0.78	10.75
PEER AVERAGES		4.6	1.10	2.56	0.82	10.21

Despite a disastrous 2008, when the fund fell nearly 20%, this fund has been one of the top performing bond funds in the country. This is not a typical bond fund. “Unconstrained” may be a better moniker as the managers do not limit themselves to U.S. Corporate bonds. Instead, they look for credits that are beaten down but that have potential. This strategy can produce excellent excess returns. A current example is the position in currencies and in Irish bonds. This is the same manager who purchased a large position in Ford when his competitors were predicting bankruptcy.

On the other hand, the manager has a strong position in government bonds of Norway, a model country in terms of its financial shape.



FUND # 22
OPPENHEIMER INTERNATIONAL BOND Y
OIBYX

ASSETS: \$4,198,740

BEST FIT INDEX: CITI WGBI NON USD

MARKET CAP: \$13,098.79 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	7.61	4.80	8.47	7.26	4.77	6.62	0.35	0.03	1.85
	M*	MGR TENURE		BETA	ALPHA		SHARPE	3 YR STD DEV	
FUND STATISTICS	4	7.0		0.96	1.72		0.43	11.49	
PEER AVERAGES		4.6		1.45	-2.33		0.59	9.29	

This currency fund is not afraid to make bets and the investors have been rewarded with excess returns. This fund has been a consistent performer. Investing in emerging markets bonds and bonds of countries with major debt problems can lead to fluctuations and missteps. In fact, 19% of the holdings are rated BB or lower compared to the peer group average of 12%. Performance has been great, but participants should not over-allocate to this fund if they are risk adverse.



RECOMMENDATION: Remove from Watchlist – manager tenure.



FUND # 23
PIONEER GLOBAL HIGH YIELD Y
GHYYX

ASSETS: \$5,701,628

BEST FIT INDEX: CREDIT SUISSE HY

MARKET CAP: \$3,036.21 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	16.20	10.56	8.07	13.56	9.79	6.94	2.64	0.77	1.13
	M*	MGR TENURE		BETA	ALPHA		SHARPE	3 YR STD DEV	
FUND STATISTICS	3	9.7		1.13	-1.87		0.60	19.12	
PEER AVERAGES		5.1		1.03	5.14		0.69	15.36	

This fund continues to fulfill its mandate of buying high yield bonds in both the U.S. and abroad. This high yield fund is more risky than its typical peer due to the additional credit and country risk it takes. Participants can expect significant fluctuation. It dropped 37% during the crisis, but then rebounded 64% in 2009. First quarter performance is running 26% ahead of the peer group.



BALANCED ALLOCATION:

FUND # 24	AMERICAN FUNDS INC R4						RIDEX		
	ASSETS: \$5,405,830			BEST FIT INDEX: MORNINGSTAR MODERATE			MARKET CAP: \$70,787.21 MIL		
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	14.09	3.58	4.26	11.97	3.63	3.66	2.12	-0.05	0.60
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	3	37.4	0.80	-0.12	0.28	15.73			
PEER AVERAGES		4.5	1.05	-1.16	0.28	15.65			

This fund has a higher risk profile than its peer group which is unusual for an American fund. It holds more foreign and less domestic stocks than the average Moderate Allocation fund and has a slightly lower credit profile. This is a fine balanced fund, though it is not designed to be an investment that seeks to diversify across many different asset classes. Despite the investment style the standard deviation is very close to the peer group



TARGET FUNDS:

FUND # 25	VANGUARD TARGET RETIREMENT INC	VTINX
ASSETS: \$2,243,317	BEST FIT INDEX: MORNINGSTAR CONS INC	MARKET CAP: \$4,320.06 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	8.95	4.52	5.38	8.14	3.74	4.65	0.81	0.78	0.73

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	7.5	0.87	0.47	0.51	8.69
PEER AVERAGES		3.4	0.93	-1.29	0.28	13.77

Target Date fund review summary follows fund number 29.

FUND # 26	VANGUARD TARGET RETIREMENT 2020	VTWNX
ASSETS: \$2,059,196	BEST FIT INDEX: MORNINGSTAR MODERATE 2020	MARKET CAP: \$11,415.40 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	12.58	3.78	N/A	11.24	2.25	3.30	1.34	1.53	N/A

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	4.8	0.86	-0.20	0.29	16.47
PEER AVERAGES		3.2	1.16	-2.37	0.22	17.08

Target Date fund review summary follows fund number 29.

FUND # 27 **VANGUARD TARGET RETIREMENT 2030** **VTHR**

ASSETS: \$1,371,301 BEST FIT INDEX: MORNINGSTAR MODERATE 2030 MARKET CAP: \$8,659.44 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	14.18	3.16	N/A	12.58	1.51	2.66	1.60	1.65	N/A

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	4.8	1.04	-1.19	0.24	19.79
PEER AVERAGES		3.3	1.37	-3.36	0.19	20.25

Target Date fund review summary follows fund number 29.

FUND # 28 **VANGUARD TARGET RETIREMENT 2040** **VFOR**

ASSETS: \$1,329,892 BEST FIT INDEX: MORNINGSTAR MODERATE 2040 MARKET CAP: \$5,266.31 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	15.18	3.27	N/A	13.31	1.12	2.12	1.87	2.15	N/A

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	4.8	1.10	-1.20	0.24	21.08
PEER AVERAGES		3.2	1.49	-3.77	0.18	21.93

Target Date fund review summary follows fund number 29.



SPECIALTY:

FUND # 30	ING GLOBAL REAL ESTATE I	IRGIX
	ASSETS: \$1,963,247	BEST FIT INDEX: MSCI WORLD REAL ESTATE NR
		MARKET CAP: \$424.45 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	15.93	-1.24	1.14	17.26	-2.81	-0.61	-1.33	1.57	1.75

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	1.0	1.18	0.11	-0.97	30.13
PEER AVERAGES		3.5	1.10	1.63	0.05	31.03

This fund has about 13% of assets in Japan, there has been no statement issued as to exposure to the earthquake, tsunami or subsequent nuclear disaster. In addition, the fund invests 21% of assets in Developed Asia. Overall the fund continues to perform well and provide exposure to the global real estate market while maintaining adequate diversification and there is an experienced management team in place. This fund may act as a good diversifier in a portfolio, but given its very specific mission, it is subject to fluctuation.

 **RECOMMENDATION:** Remain on watch list due to ownership change.

ASSET ALLOCATION:

FUND # 31	ASSET ALLOCATION FUNDS AGGRESSIVE					
	ASSETS: \$21,550,316		BEST FIT INDEX: MORNINGSTAR AGGRESSIVE			MARKET CAP: N/A

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	16.11	4.40	3.53	14.05	2.93	3.17	2.06	1.47	0.36

FUND STATISTICS	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
PEER AVERAGES		5.2	1.33	-2.57	0.22	19.66

Asset Allocation fund review summary follows fund number 33.

FUND # 32	ASSET ALLOCATION FUNDS MODERATE					
	ASSETS: \$31,187,754		BEST FIT INDEX: MORNINGSTAR MODERATE			MARKET CAP: N/A

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	12.65	5.40	4.63	11.97	3.63	3.66	0.68	1.77	0.97

FUND STATISTICS	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
PEER AVERAGES		4.5	1.05	-1.16	0.28	15.65

Asset Allocation fund review summary follows fund number 33.



FUND # 33 ASSET ALLOCATION FUNDS CONSERVATIVE

ASSETS: \$12,401,457

BEST FIT INDEX: MORNINGSTAR CONSERVATIVE

MARKET CAP: N/A

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	8.02	5.13	4.85	9.87	4.32	4.18	-1.85	0.81	0.67

FUND STATISTICS	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
PEER AVERAGES		4.4	0.73	0.64	0.40	11.19

The funds performed well during the recent volatile three year period. The conservative asset allocation trailed the one year benchmark due to holding 50% of its assets in fixed interest versus the benchmark that contains 12.4% of the assets in cash / fixed interest.



WATCH LIST:

The Watch List contains funds that did not meet the criteria outlined in the San Bernardino County’s Investment Policy. Specifically, “if a fund does not meet or exceed the designated benchmark for both the three and five year periods it must be placed on the Watch List.” There are other reasons to be placed on the Watch List including ownership or manager change.

The funds that are on the Watch List or are recommended for deletion as indicated:

FUND #	FUND NAME	INVESTMENT POLICY	QUARTER ADDED
1	GROWTH FUND OF AMERICA	1 year, 3 year and 5 year performance below standards	4 th Quarter 2010
2	COLUMBIA MARISCO 21 ST CENTURY V	Added due to substandard performance	1 st Quarter 2011
3	JANUS CONTRARIAN	Added due to substandard performance	1 st Quarter 2011
 8	THORNBURG CORE GROWTH R5	Deleted effective 5/2/11 due to performance	3 rd Quarter 2010
11	COLUMBIA MIDCAP VALUE R5	Added due to substandard performance	1 st Quarter 2011
13	ROYCE VALUE PLUS INVT	1 year, 3 year and 5 year performance below standards	4 th Quarter 2010
16	INVESCO U. S. SMALL CAP VALUE	Due to manager change and ownership change	3 rd Quarter 2010
 22	OPPENHEIMER INTERNATIONAL BOND Y	Manager Tenure	4 th Quarter 2010
30	ING GLOBAL REAL ESTATE	Due to ownership change and manager change	1 st Quarter 2010

