

**COUNTY OF SAN BERNARDINO
EXECUTIVE SUMMARY
DEFINED CONTRIBUTION PLANS
3RD QUARTER 2011**

	3 RD QTR. %	1 YR. %	3 YR. %	5 YR. %
457 Plans Performance	-16.11	-3.90	2.69	0.96
Customized Benchmark	-15.46	-1.93	2.00	-0.40
DIFFERENCE	-0.65	-1.97	0.69	1.36
401(k) Plan	-16.60	-4.08	2.57	0.80
Customized Benchmark	-14.86	-1.34	2.37	0.01
DIFFERENCE	-1.74	-2.75	0.20	0.79
Retirement Medical Trust	-14.75	-1.72	4.44	2.26
Customized Benchmark	-14.57	-0.59	4.00	1.44
DIFFERENCE	-0.18	-1.13	0.44	0.82

PORTFOLIO ANALYSIS:

ASSETS:	
457 Assets	\$365,430,604
401(k) Assets	\$73,473,351
401(a) Assets	\$1,461,043
RMT Assets	\$43,029,689
P/T Assets	\$37,358,268
TOTAL ASSETS	\$520,752,955



The total assets in all of the County of San Bernardino plans have decreased from \$570.7 million as of June 30, 2011 to \$520.75 million as of September 30, 2011. The decline was due to the depreciation of mutual fund assets. Mutual fund assets in the 457 Plan depreciated \$41.1 million in the third quarter; this loss was led by Growth Fund of America (GFA) with a depreciation of \$7 million. Proportionally, that loss is less than the proportion of GFA assets to the total, 20.20%.

457 assets in the Ameritrade Self Directed Brokerage Account (SDBA) are now \$1.8 million versus \$2.1 in the previous quarter and the 401(k) the assets are now \$0.8 million versus \$0.9 million the previous quarter.

457 PLAN CASH POSITION:

The stable value crediting rate for the third quarter was 2.5% which is the same rate being credited in the fourth quarter, 2011. The crediting rate for the second quarter of 2011 was 2.25%, the first quarter rate was 2.00%. Following the equity market decline of 600 points on Monday, August 8, 2011 which was created by the S&P downgrade of the U.S., over \$1 million in 457 mutual fund assets moved from mutual funds to the Stabilizer. For the quarter, over \$5.9 million transferred from the 457 mutual funds to the fixed interest account. The percentage of assets in the Stabilizer increased from 33.77% to 38.96%. Part of that increase was due to the additional assets transferred in from mutual funds and part of the percentage growth was from the depreciation due to under performance of the mutual fund assets.

401(k) PLAN CASH POSITION:

The percentage of assets in the Stabilizer changed significantly, increasing from 25.96% to 32.33%, representing a 25% increase. For the quarter, \$2 million transferred from mutual funds to the Stabilizer.

RETIREMENT MEDICAL TRUST CASH POSITION:

There was a small increase in the percentage of assets in the fixed interest account, with 81.82% now in the ING General account, up from 79.11% in the second quarter.

457 PLAN MUTUAL FUNDS POSITION:

The underperformance is due to the high mutual fund allocation to Growth Fund of America, 20.20% and American Funds Capital World with 10.94% of the 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 declined from a second quarter ratio of 0.30 to 0.22. The benchmark is 0.19.



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 21.20 which is almost identical to the benchmark of 21.35. The three year standard deviation actually improved due to the drop off of the very volatile third quarter 2008.

The Alpha, a measurement of the value added by the investment manager is 0.68. 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 0.99 over three years.

401(k) MUTUAL FUNDS POSITION:

The underperformance is due to the high mutual fund allocation to Growth Fund of America with 20.61% of the mutual fund assets, American Funds Capital World with 8.47%, Columbia Diversified Equity Income with 9.17% and Columbia MidCap Value with 7.54% of the assets.

The Sharpe Ratio for the 401(k) portfolio was 0.29 and is now 0.22, which is minutely better than the benchmark of 0.21 (over three years).

The three-year Standard Deviation for the portfolio is 21.57 which is higher than the benchmark of 20.84.

The Alpha is 0.21 and the Beta is 1.03.

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, 18.16% and Pioneer Global High Yield with 8.29% of the mutual fund assets. What did boost the one year performance over the other plans was a high allocation to ING Mid Cap Opportunities, 9.86%.

The Sharpe Ratio for the RMT portfolio is 0.35 which is the same as the benchmark.

The three-year Standard Deviation for the portfolio is 19.83 which is lower than the benchmark of 20.14.

The Alpha is 0.47 and the Beta declined from 1.03 to 0.98.



PERFORMANCE OF INDEX FUNDS VS. ACTIVELY MANAGED FUNDS:	3 RD QUARTER %	1 YEAR %	3 YEAR %	5 YEAR %
LARGE CAP				
Vanguard Institutional Index	-13.87	1.12	1.28	-1.15
American Growth Fund	-16.21	-3.39	0.57	-0.98
Columbia Marsico	-21.25	-8.05	-3.63	-2.47
Janus Contrarian (to be deleted)	-20.80	-19.04	-5.15	-3.62
TIAA CREF Growth & Inc Retire (replacement)	-14.22	2.31	1.84	1.88
Parnassus Inv Equity Income	-11.06	0.34	1.73	3.55
Main Stay ICAP Select Equity	-17.04	-3.97	0.96	-0.94
Columbia Div Equity Income	-18.42	-3.87	-0.91	-2.37
MID CAP				
Vanguard MidCap Index Signal	-19.12	-0.70	4.69	0.47
Thornburg Core Growth (deleted)				
ING Mid Cap Opportunities (replacement)	-18.99	1.65	8.17	6.41
Fidelity Adv Leverage Company	-26.61	-7.91	-0.59	-1.42
Columbia MidCap Value	-22.89	-6.37	0.87	-1.13
SMALL CAP				
Vanguard Small Cap Index	-21.41	-2.24	2.65	0.72
Baron Growth	-18.00	4.08	3.51	1.55
Royce Value Plus	-22.30	-7.05	-0.63	-1.39
Perkins Small Cap Value	-17.41	-5.35	3.93	3.68
Invesco U.S Small Cap Value	-24.61	-8.93	1.59	1.27

The overall domestic equity performance has had a broad based performance 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 and this factor hurt the index results in some instances

MUTUAL FUNDS OVERVIEW AND NARRATIVE FOLLOWS:



LARGE CAP GROWTH:

FUND # 1	AMERICAN GROWTH FUND OF AMERICA	AGTHX
	ASSETS: \$44,836,751	BEST FIT INDEX: RUSSELL 1000 GROWTH
		MARKET CAP: \$38,040 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	-3.39	0.57	-0.98	-0.36	2.46	0.15	-3.03	-1.89	-1.13

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	3	25.9	0.99	-3.96	0.12	20.84
PEER AVERAGES		5.9	0.99	1.36	0.21	21.88

This large cap fund has historically performed well over a full market cycle. It tends to do well against the peer group in moderate “growth” markets and tends to trail its peers during strong and narrowly defined “growth” markets. Growth Fund of America (GFA) is a growth fund by objective, but it tends to invest more broadly than a stylistically pure growth fund. While the fund has a classic growth bias, it also has the flexibility to invest in non-growth sectors and categories including cyclical or defensive stocks and value stocks.

Currently 15% of the fund’s assets are invested in value stocks including defensive stocks. Also, negatively affecting the comparison is that only 50% of the assets are invested in typical growth stocks, leaving 35% in the blend/core style. Over the last four years, this strategy has been costly in terms of performance; although recently the defensive stocks aided the improvement against the peer group. The diversification of assets has had a negative impact on performance, but, this diversification will be a big driver of solid performance when other styles pick up and the world economies, particularly of developed nations, return to growth.

Also, the peer group averages 7.7% of assets in international stocks and GFA has 19.9 of the assets in international stocks. The foreign large growth peer group was down 20.33% for the quarter while the domestic large cap growth peer group was down 15.60% and the domestic large blend peer group was down 15.79% for the quarter.

The diversification does give GFA a broader upside but, at this time, is negatively affecting performance. Also, Capital Group is renowned for its overseas prowess. *When* the international stocks rebound and a broader base of domestic stocks rebound GFA will also rebound.

Despite the continued negative performance against the peer group, the third quarter comparison for the one (1), three (3) and five (5) year periods improved over the second quarter. The second quarter one year underperformance was **5.53** and the third quarter underperformance for one year is **3.03**.



RECOMMENDATION: Discuss deletion and replacement due to Performance.



LARGE BLEND:

FUND # 3A	JANUS CONTRARIAN	JSVAX
	ASSETS: \$6,089,657	BEST FIT INDEX: RUSSELL 1000
		MARKET CAP: \$7,075 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	-19.04	-5.15	-3.62	-2.42	1.08	-1.14	-16.62	-6.23	-2.48

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	2	0.3	1.03	-9.74	-0.05	28.51
PEER AVERAGES		5.6	1.02	-0.82	0.12	22.11

This fund was eliminated on November 10, 2010 and replaced with TIAA-CREF Growth & Income. The TIAA-CREF fund is one of the few funds that has had a positive performance over the past one (1) year period through September 30, 2011. The standard deviation is also 20% lower than Janus contrarian. The biggest differences will be the TIAA-CREF fund will not have the outsized performances, both positive and negative, that Janus Contrarian produced.

 **RECOMMENDATION:** Deleted due to Performance and Manager Change.

FUND # 3B	TIAA-CREF GROWTH & INCOME RETIRE USD	TRGIX
	ASSETS: \$0	BEST FIT INDEX: RUSSELL 1000
		MARKET CAP: \$34,822 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	2.31	1.84	1.88	-1.71	0.27	-1.79	4.02	1.57	3.67

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	5	6.6	0.93	0.19	0.18	20.19
PEER AVERAGES		5.6	1.02	-0.82	0.12	22.11



FUND # 4	MAINSTAY ICAP SELECT EQUITY	ICSLX
	ASSETS: \$2,396,568	BEST FIT INDEX: RUSSELL 1000
		MARKET CAP: \$73,031 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	-3.97	0.96	-0.94	-1.71	0.27	1.79	-2.26	0.69	0.85

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	13.8	1.00	-0.22	0.14	21.60
PEER AVERAGES		5.6	1.02	-0.82	0.12	22.11

The managers put forth their best ideas while staying nearly fully invested and do not mirror the index. The portfolio is focused on very big stocks, as demonstrated by its Weighted Average Market Cap in excess of \$73 billion. The overweight in the Financial sector has negatively hit recent performance, although in the third quarter the manager reduced exposure to Financials by 25%. This fund should serve as a core holding in a diversified portfolio. Large cap funds have a more difficult path to outpace the index and its peers because of the rapid information flow and the deep liquidity of the stocks. Overtime, this fund will set itself apart from both the peer group and the index.

RECOMMENDATION: No action at this time.



FUND # 5	PARNASSUS EQUITY INCOME INV USD	PRBLX
	ASSETS: \$6,566,383	BEST FIT INDEX: RUSSELL 1000
		MARKET CAP: \$16,842 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	0.34	1.73	3.56	-1.71	0.27	-1.79	2.05	1.46	5.35

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	5	10.4	0.87	0.01	0.18	19.36
PEER AVERAGES		5.6	1.02	-0.82	0.12	22.11

After a difficult 2010, this fund has rebounded and has had a positive performance over the past one year. There is a dividend focus, although management has a broader mandate, so some investments include growth stocks that do pay a dividend. The fund is over weighted in the Energy sector and that has restrained performance. This fund remains a good choice for socially conscious participants who want stock exposure.

RECOMMENDATION: No action at this time.



FUND # 6	VANGUARD INSTITUTIONAL INDEX	VINIX
	ASSETS: \$12,269,569 BEST FIT INDEX: S&P 500 INDEX	MARKET CAP: \$49,262 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	1.12	1.28	-1.15	1.14	1.23	-1.18	-0.02	0.05	0.03

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	10.8	1.00	0.05	0.16	21.25
PEER AVERAGES		N/a	1.00	0.00	0.05	21.25

The Vanguard Institutional Index fund is performing well within the acceptable parameters of the index, adjusted for the fund expense. Low fees and low turnover contribute to its favorable comparison.

RECOMMENDATION: No action at this time.



LARGE VALUE:

FUND # 7	COLUMBIA DIVERSIFIED EQUITY INCOME	RSEDX
ASSETS: \$12,793,544	BEST FIT INDEX: RUSSELL 1000 VALUE	MARKET CAP: \$43,996 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	-3.87	-0.91	-2.37	-2.27	-0.53	-2.80	-1.60	-0.37	0.43

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	3	7.8	1.09	-2.35	0.08	23.78
PEER AVERAGES		6.1	1.02	-1.63	0.08	22.12

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. Since 2000, the fund's 4.9% annualized return more than tripled the peer group average. However, during the third quarter, performance regressed. Under weights in the Healthcare and Utility sectors affected the performance against the peer group.

RECOMMENDATION: No action at this time.



MID CAP GROWTH:

FUND # 8A	ING MID CAP OPPORTUNITIES						NMCIX		
	ASSETS: \$6,578,559			BEST FIT INDEX: RUSSELL MID CAP GROWTH			MARKET CAP: \$7,861 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	1.65	8.17	6.41	-1.11	3.66	1.43	2.76	4.51	4.98
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	5	6.3	0.90	2.46	0.45	22.76			
PEER AVERAGES		5.7	1.08	2.83	0.26	24.41			

ING Mid Cap Opportunities replaced Thornburg Growth on May 2, 2011. The replacement fund has performed well with a one year performance of a positive 1.65%, compared to the Thornburg performance of -3.08%. Performance has benefited from below average holdings in the Financial and Energy sectors.

RECOMMENDATION: No action at this time.

FUND # 8B	THORNBURG CORE GROWTH R5						THGRX		
	ASSETS: \$0			BEST FIT INDEX: RUSSELL MID CAP GROWTH			MARKET CAP: \$8,553 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	-3.08	0.39	-3.59	-1.11	3.66	1.43	-1.97	-3.27	-5.02
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	1	10.8	0.98	-5.21	0.14	24.84			
PEER AVERAGES		5.7	1.08	2.83	0.26	24.41			



MID CAP BLEND:

FUND # 9	FIDELITY ADVISORS LEVERAGED COMPANY STOCK	FLVIX
	ASSETS: \$2,134,421	BEST FIT INDEX: RUSSELL MIDCAP
		MARKET CAP: \$6,722 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	-7.91	-0.59	-1.42	-3.29	2.06	-0.34	-4.62	-2.65	-1.08

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	3	8.3	1.24	-5.15	0.15	33.45
PEER AVERAGES		5.7	1.15	1.42	0.21	25.65

As the world economies border on another recession, this fund struggles. It still sits in the top 1% of funds for the ten-year period ending September 30th, 2011. The three year performance improved from -7.98% to -2.65% with the elimination of the third quarter, 2008 from the calculations. The performance in 2008 was a dismal -53.67.

For those participants looking for a fund that gives them exposure to high beta companies, this fund can provide that. The standard deviation is still high at 33.45, down slightly from the second quarter calculation of 34.78.

 **RECOMMENDATION:** Watch List due to Performance.



FUND # 10	VANGUARD MIDCAP INDEX SIGNAL	VMISX
	ASSETS: \$3,960,950	BEST FIT INDEX: MSCI US MIDCAP 450 USD
		MARKET CAP: \$6,434 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	-0.70	4.69	0.47	-1.98	3.10	-1.01	1.28	1.59	1.48

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	13.4	0.99	0.47	0.30	25.38
PEER AVERAGES		N/A	1.16	2.30	0.12	25.34

The Vanguard MidCap Index fund has beaten its average peer in every rolling five year period since 1998. 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. This is a four star fund which is unusual for an index fund. The performance is particularly impressive as the cash holdings are almost nil.

RECOMMENDATION: No action at this time.

MID CAP VALUE:

FUND # 11	COLUMBIA MID CAP VALUE OPPORTUNITY	RSCMX
ASSETS: \$12,217,410	BEST FIT INDEX: RUSSELL MID CAP VALUE	MARKET CAP: \$6,695 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	-6.37	0.87	-1.13	-4.06	2.07	-1.04	-2.31	-1.20	-0.09

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	2	8.7	1.04	-3.25	0.16	36.83
PEER AVERAGES		5.9	1.16	1.38	0.21	25.63

The fund's performance continues to improve after a rough 2008, although performance deteriorated in the third quarter. Due to the poor returns during the crisis, the three year numbers are still below average. Seven of the top ten holdings in multiple sectors averaged year to date losses of 24.90%.

 **RECOMMENDATION:** Add to Watch List due to performance.



SMALL GROWTH:

FUND # 12	BARON GROWTH RETAIL	BGRFX
	ASSETS: \$12,525,226	BEST FIT INDEX: MSCI US SM & MID 2200 GR
		MARKET CAP: \$2,457 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	4.08	3.51	1.55	-0.87	2.58	0.46	4.95	0.93	1.09

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	16.8	0.79	1.22	0.26	23.91
PEER AVERAGES		5.6	1.16	2.07	0.22	26.71

Regardless of what index or peer group we use for comparison, Baron's third quarter performance wins big. The small cap growth peer group had a negative third quarter return of -22.30 and the mid cap growth peer group had a negative return of -19.60. Baron has "only" a loss of -18.00%. The number one holding is a utility company, ITC Holdings Corp., and the return year to date is 26.58%.



RECOMMENDATION: Remove from Watch List.



FUND # 13	ROYCE VALUE PLUS	RVPHX
	ASSETS: \$263,568	BEST FIT INDEX: RUSSELL 2000 GROWTH
		MARKET CAP: \$1,945 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	-7.05	-0.63	-1.39	-0.87	2.58	0.46	-6.18	-3.21	-1.85

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	2	10.3	1.06	-6.36	0.11	26.79
PEER AVERAGES		5.6	1.16	2.07	0.22	26.71

Over weight in the Financial sector hindered performance. The Financial sector is 66% higher in this fund than the benchmark. Foreign exposure is almost three times the peer group. The assets in the Financial sector and in the foreign asset class have driven the underperformance. The good news is that the underperformance of 13.52% in the second quarter has been reduced to 6.18%.

 **RECOMMENDATION:** Remain on Watch List due to Performance.



SMALL BLEND:

FUND # 14	PERKINS SMALL CAP VALUE	JSCVX
	ASSETS: \$12,407,651	BEST FIT INDEX: RUSSELL 2000
		MARKET CAP: \$1,578 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	-5.35	3.93	3.68	-3.69	0.72	-1.03	-1.66	3.21	4.71

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	26.7	0.75	1.54	0.28	22.66
PEER AVERAGES		5.5	1.24	0.38	0.16	27.97

Year to date this fund is now in the 13th percentile of its asset category due to a strong third quarter. This fund will move between value and growth and underperforms both peer groups, but not by a significant margin. In fact this fund underperformed the peer group in the second quarter by 14.10 and is now trailing the peer group by only 1.66. Overweighting in the defensive sectors boosted performance in the third quarter.

RECOMMENDATION: No action at this time.



FUND # 15 **VANGUARD SMALL CAP INDEX** **vsix**

ASSETS: \$1,662,426 BEST FIT INDEX: MSCI US SMALL CAP 1750 USD MARKET CAP: \$1,549 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	-2.24	2.65	0.72	-3.53	1.06	-0.75	1.29	1.59	1.47

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	19.8	1.00	-0.38	0.23	28.70
PEER AVERAGES		N/A	1.29	0.73	0.03	28.66

Like the midcap index fund, this fund has a four star rating and a positive return against the index. The performance is particularly impressive as the cash holdings are almost nil.

RECOMMENDATION: No action at this time.



SMALL VALUE:

FUND # 16	INVESCO VAN KAMPEN SMALL CAP VALUE A	VSCAX
ASSETS: \$1,660,168	BEST FIT INDEX: RUSSELL 2000 VALUE	MARKET CAP: \$1,573 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	-8.93	1.59	1.27	-5.21	0.79	-1.19	-3.72	0.80	2.46

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	3	1.3	0.93	1.75	0.19	26.63
PEER AVERAGES		5.8	1.27	0.55	0.17	28.72

This fund underperformed to the peer group by 3.72 in the one year comparison. This was due to the substantial underweighting of defensive sectors which had performed well. This fund has only 5.9% of the assets in defensive stocks compared to 16.4% in the peer group. This runs contrary to the deep value strategy we expected.

The new lead manager has left the family, however, the remaining managers have experience managing other funds and at some time in the future, this fund will merge with the other funds managed by the current team.

To contain asset growth, this fund is now closed to new investors, (outside of the County of San Bernardino employees). Other changes include growing the portfolio to approximately 90 stocks, up from 72. The former lead manager looked for stocks selling at low prices, the new lead manager looks for stocks selling at big discounts, therefore providing the potential for big gains.

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



INTERNATIONAL STOCK:

FUND # 17	AMERICAN FUNDS CAPITAL WORLD GROWTH & INCOME	RWIEX
	ASSETS: \$22,971,256	BEST FIT INDEX: MSCI WORLD NR
		MARKET CAP: \$44,806 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	-9.06	-0.17	-0.55	-6.46	1.16	-1.41	-2.60	-1.33	0.86

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	18.6	0.83	0.47	0.10	23.44
PEER AVERAGES		4.0	0.90	2.17	0.17	24.24

This fund's performance further declined in the third quarter. This was due to the unusually large investment in international stocks at 70%. The peer group has 56% of the investments in international stocks. The MSCI index was down 19.58% for the third quarter compared to 14.9% for the domestic stocks and 13.14% for domestic large cap stocks.

Capital World also tends to buy more Emerging Markets stocks. The allocation of Capital World to Large Value and Blend is 72% versus the peer group of 50%. These differences will lead to periods of under and out-performance against the index and benchmark.

The fund's low turnover, focus on high-quality stocks and relatively high-dividend yield along with the American funds management and long-term focus make this fund a winner over time.

RECOMMENDATION: No action at this time.



FUND # 18	DFA INTERNATIONAL SMALL COMPANY	DFISX
	ASSETS: \$10,198,783 BEST FIT INDEX: MSCI EAFE SM CAP	MARKET CAP: \$1,135 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	-6.51	4.30	-0.82	-7.38	3.99	-0.78	0.87	0.31	-0.04

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	12.8	1.02	4.52	0.31	27.10
PEER AVERAGES		4.4	1.04	5.72	0.29	27.72

This four star fund is designed to provide the return of small-mid international stocks. This fund is a compelling hybrid between an index and an actively managed fund. The fund's trading strategy, while active, maintains low transactions costs. The high number of holdings gives international investors a broad foreign exposure, and helps to offset country specific risk. This fund provides some downside protection while providing an above average upside.

RECOMMENDATION: No action at this time.



FUND # 19	DODGE & COX INTERNATIONAL STOCK	DODFX
	ASSETS: \$6,297,446 BEST FIT INDEX: MSCI WORLD EX US	MARKET CAP: \$40,334 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	-12.96	-0.02	-2.16	-11.61	-1.80	-3.54	-1.35	1.78	1.38

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	10.4	1.15	0.05	0.15	30.35
PEER AVERAGES		4.7	1.02	-0.43	0.06	26.50

This value based international fund has hit a rough patch this year. The good news is that the three and five year comparisons are still solid. Driving down the current performance is the performance of several big holdings. Nokia, the 14th largest holding has fallen 40%, Phillips, a Netherland based conglomerate, has tumbled 38% and is the 11th largest holding and five other stocks in the top 25 have suffered losses of 20% or more.

RECOMMENDATION: No action at this time.



FUND # 20 **JANUS ASPEN OVERSEAS** **JAIGX**

ASSETS: \$3,379,064 BEST FIT INDEX: MSCI EAFE GROWTH MARKET CAP: \$14,635 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	-27.56	3.79	1.96	-10.30	0.61	-1.80	-17.29	3.18	3.76

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	10.8	0.93	-1.94	0.27	30.03
PEER AVERAGES		4.6	1.05	-0.92	0.04	27.02

The performance has dropped from the top 1% in 2009 and top 5% in 2010 to the 95th percentile in 2011. This abrupt change has created a significant under performance to the one year comparison. The seventh largest holding in this portfolio is Bank of America and that stock has fallen 40% in 2011. Overall, this fund has 71% more holdings in the Financial sector than the peer group. Manager Brent Lynn does not shy away from taking risks, he has big stakes in the volatile emerging markets and smaller company stocks. Lynn's conviction that the portfolio has the correct stocks for strong growth may lead to some additional short term losses.

Since Lynn took over the management of this fund in 2003, the fund has gained 14.1% on an annualized basis and beaten every other foreign large cap fund.

Risk adverse investors will not want to make this fund their sole fund; but its long term performance makes it an attractive addition to a portfolio.

RECOMMENDATION: No action at this time.



BONDS:

FUND # 21	LOOMIS SAYLES INV GRADE BOND Y	LSIIX
	ASSETS: \$12,992,463	BEST FIT INDEX: CREDIT TR USD

	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	3.81	11.94	7.85	0.93	9.40	5.33	2.88	2.54	2.52

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	5	14.8	1.27	-2.58	1.16	10.05
PEER AVERAGES		4.5	0.77	3.46	1.05	-9.60

Despite the poor performance of lower grade bonds in August, this fund posted improved returns over the second quarter for all measurable periods. The experienced management team reduced the below grade investments and added to the BBB holdings. There is a high exposure to other currencies as the management team is betting against the U.S dollar. Nearly 65% of the exposure to foreign currencies is in Canadian dollar dominated securities.

RECOMMENDATION: No action at this time.



FUND # 23	PIONEER GLOBAL HIGH YIELD Y	GHYYX
	ASSETS: \$5,223,781	BEST FIT INDEX: CREDIT SUISSE HY
		MARKET CAP: \$9,004 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	-1.50	9.14	4.96	0.79	9.81	4.91	-2.29	-0.67	0.05

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	2	10.2	1.17	-4.56	0.55	19.11
PEER AVERAGES		5.3	0.66	5.36	0.73	14.95

The high allocation to lower quality bonds was costly in the third quarter and performance suffered with negative returns for the quarter which were large enough to take the one year performance into the minus territory. The high allocation to below B investments took some big hits as the economies of the world came close to another recession.

This fund recovered well from the disastrous 2008.

RECOMMENDATION: No action at this time.



BALANCED ALLOCATION:

FUND # 24	AMERICAN FUNDS INCOME FUND OF AMERICA	RIDEX
	ASSETS: \$5,134,105	BEST FIT INDEX: MORNINGSTAR MODERATE
		MARKET CAP: \$36,925 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	2.09	4.60	1.21	-0.43	3.53	1.09	2.52	1.07	0.12

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	3	37.9	0.94	-0.25	0.36	15.74
PEER AVERAGES		5.0	1.05	-1.35	0.30	15.17

This fund has a higher risk profile than its peer group, which is unusual for an American fund. It holds more foreign and fewer domestic stocks than the average Moderate Allocation fund and has a lower bond credit profile, as the bond assets have an average credit rating of BB. The equity holdings are 62% of the portfolio compared to 58% for the peer group. The bigger difference is that 28% of the equity holdings are in foreign stocks compared with 12% for the peer group. Despite the poor performance of foreign and domestic stocks in the third quarter, this fund improved the one year performance against the peer group. Year to date this fund ranks in the top 6% of its asset class.

RECOMMENDATION: No action at this time.



TARGET FUNDS:

FUND # 25	VANGUARD TARGET RETIREMENT INCOME	VTINX
ASSETS: \$2,530,287	BEST FIT INDEX: MORNINGSTAR CONS INC	MARKET CAP: \$24,768 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	3.60	6.04	4.50	2.57	5.34	3.61	1.03	0.70	0.89

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	8.0	0.86	1.22	0.74	8.36
PEER AVERAGES		3.7	0.93	-0.20	0.40	13.46

Target Date fund review summary follows fund number 29.

FUND # 26	VANGUARD TARGET RETIREMENT 2020	VTWNX
ASSETS: \$2,391,761	BEST FIT INDEX: MORNINGSTAR MODERATE 2020	MARKET CAP: \$24,780 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	0.43	3.81	1.66	-0.34	2.53	0.50	0.77	1.28	1.16

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	5.3	0.85	-0.09	0.31	15.96
PEER AVERAGES		3.5	1.15	-1.84	0.28	16.60

Target Date fund review summary follows fund number 29.



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

ASSETS: \$1,469,604 BEST FIT INDEX: MORNINGSTAR MODERATE 2030 MARKET CAP: \$24,778 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	-0.93	2.52	0.34	-1.41	1.43	-0.74	0.48	1.09	1.08

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	5.3	1.03	-0.94	0.22	19.31
PEER AVERAGES		3.5	1.38	-3.70	0.20	19.78

Target Date fund review summary follows fund number 29.

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

ASSETS: \$1,382,367 BEST FIT INDEX: MORNINGSTAR MODERATE 2040 MARKET CAP: \$24,778 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	-1.97	1.99	-0.14	-2.10	0.75	-1.48	0.13	1.24	1.34

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	5.3	1.11	-1.55	0.20	20.73
PEER AVERAGES		3.3	1.49	-4.64	0.17	21.37

Target Date fund review summary follows fund number 29.



SPECIALTY:

FUND # 30	ING GLOBAL REAL ESTATE	IRGIX
ASSETS: \$1,983,488	BEST FIT INDEX: MSCI WORLD REAL ESTATE	MARKET CAP: \$9,091 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	-6.48	-1.10	-3.18	-10.90	-1.75	-5.78	4.40	0.65	2.60

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	5	5.8	0.98	0.08	0.13	30.22
PEER AVERAGES		3.8	1.14	0.71	0.09	30.81

Performance against the peer group was very strong over the past months with a negative performance of -0.90% versus the peer group performance of -6.64%. This was despite a poorer showing during the third quarter, -17.03 compared to the peer group return of -14.92.

Despite the third quarter performance, this fund is in the top 10% for the one year and actually improved its competitive advantage in terms of performance. In the second quarter, the one year return was 0.38 better than the peer group and is now 4.40 better.

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



ASSET ALLOCATION:

FUND # 31	ASSET ALLOCATION FUNDS AGGRESSIVE		
	ASSETS: \$18,514,748	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	-6.22	3.11	-0.20	-2.97	2.31	-0.27	-3.25	0.80	0.07

Asset Allocation fund review summary follows fund number 33.

FUND # 32	ASSET ALLOCATION FUNDS MODERATE		
	ASSETS: \$27,496,679	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	-1.89	4.23	1.95	-0.43	3.53	1.09	-1.46	0.70	0.86

Asset Allocation fund review summary follows fund number 33.



FUND # 33

ASSET ALLOCATION FUNDS CONSERVATIVE

ASSETS: \$11,428,417

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	0.58	4.84	3.43	0.76	5.29	2.64	-0.18	-0.45	0.79

The asset allocation funds performed well during the recent volatile three year period. The conservative asset allocation trailed the three year benchmark due to holding 50% of its assets in fixed interest versus the benchmark which contains 12.4% of the assets in cash / fixed interest. That same issue is why the one year performance, while still negative, improved over the second quarter.

The overall negative performance in the one year comparison is due to the negative performance of several funds that comprise the asset allocation.

RECOMMENDATION: No action at this time.



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 listed on the following page are recommended to either remain on or be removed from the Watch List, along with funds that we recommend be removed and replaced in the portfolio:

ACTION	FUND #	TICKER	FUND NAME	INVESTMENT POLICY	QUARTER ADDED
	1	AGTHX	GROWTH FUND OF AMERICA	1, 3 and 5 year performance below standards. This fund has underperformed to the benchmark in 10 of the last 13 quarters. The 3 / 5 year Information Ratios are (0.17) / 0.05	4 Q 2010
	2	NMYAX	COLUMBIA MARSICO 21 ST CENTURY V	1, 3 and 5 year performance below standards. This fund has underperformed the benchmark in 9 of the last 13 quarters. The 3 / 5 year Information Ratios are (0.59) / (0.16). There has been a manager change.	1 Q 2011
	3A	JSVAX	JANUS CONTRARIAN	Deleted and Replaced	
	8B	THGRX	THORNBURG CORE GROWTH	Deleted and Replaced	
	9	FLVIX	FIDELITY ADVISORS LEVERAGED CO STOCK	1, 3 and 5 year performance below standards. The Information Ratios are (0.12) / (0.02)	3 Q 2011
	11	RSCMX	COLUMBIA MIDCAP VALUE R5	Remain on Watch List due to substandard performance. The Information Ratios are (0.05) / 0.01	1 Q 2011
	12	BGRFX	BARON GROWTH	Remove from the Watch List	
	13	RVPHX	ROYCE VALUE PLUS INVT	1, 3 and 5 year performance below standards. This fund has underperformed the benchmark in 6 of the last 13 qtrs. The 3 / 5 year Information Ratios are (0.18) / (0.02)	4 Q 2010
	16	VSCAX	INVESCO U. S. SMALL CAP VALUE	Due to manager change and ownership change	3 Q 2010
	30	IRGIX	ING GLOBAL REAL ESTATE	Remain on Watch List die to ownership and manager change	1 Q 2010



SST WATCH LIST COMMENTARY

ACTION	FUND #	COMMENTS
	1	
	2	
	3A	
	8B	
	9	
	11	
	13	
	16	
	30	

