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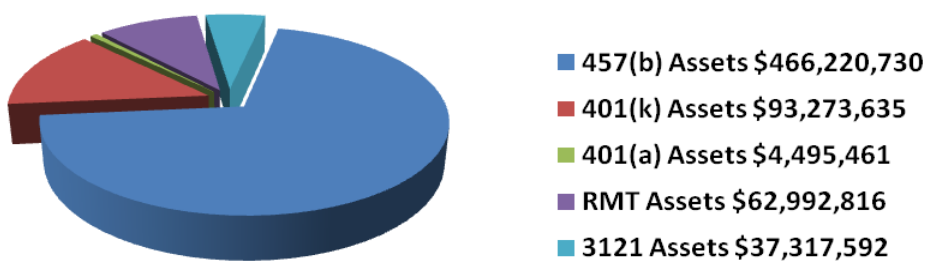
COUNTY OF SAN BERNARDINO
EXECUTIVE SUMMARY
DEFINED CONTRIBUTION PLANS
2nd QUARTER 2013

	2ND QUARTER %	1 YEAR %	3 YEAR %	5 YEAR %
457(b) Plan Performance	1.57	20.21	15.30	6.25
Customized Benchmark	1.99	18.13	15.91	7.11
DIFFERENCE	**-0.42**	**2.07**	**-0.61**	**-0.86**
401(k) Plan Performance	1.56	20.05	15.10	6.30
Customized Benchmark	1.80	18.47	16.71	7.69
DIFFERENCE	**-0.24**	**1.58**	**-1.61**	**-1.39**
Retirement Medical Trust	0.57	16.02	13.93	6.26
Customized Benchmark	1.45	15.89	15.31	8.11
DIFFERENCE	**-0.88**	**0.13**	**-1.38**	**-1.85**

PORTFOLIO COMPOSITION AND ANALYSIS:



The total assets in all of the County of San Bernardino plans have increased from $654 million as of March 31, 2013 to $664 million. The increase was due to deferrals and contributions. The 401(k) portfolio depreciated by $33,000. The depreciation was due mainly to losses incurred in DFA Emerging Markets, Loomis Sayles and Oppenheimer International bond funds.

457 assets in the Ameritrade Self Directed Brokerage Account (SDBA) are now $2.0 million; slightly higher than the previous quarter. The 401(k) assets in the SDBA have continued a downward trend. The assets are down 18% over the last six (6) months.

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457 PLAN CASH POSITION:

The stable value crediting rate continues to be 2.50%. In the second quarter $1.3 million transferred into the Stabilizer from the mutual fund portfolio. Despite the transferred assets the percentage of assets in the stabilizer remained almost the same as the previous quarter; 33.51%

401(k) PLAN CASH POSITION:

The assets in the Stabilizer decreased from 30.89% to 30.32%. Only $395,000 transferred from the mutual funds.

RETIREMENT MEDICAL TRUST CASH POSITION:

There was a decrease in the percentage of assets in the fixed interest account from 73.28% in the ING General account to 72.95%.

457 PLAN MUTUAL FUNDS POSITION:

The underperformance to the customized benchmark over the second quarter is due primarily to the expense ratio of 0.67%. The customized index is devoid of expenses while the mutual funds do have an expense structure. Additionally the underperformance of Growth Fund of America, Perkins Small Cap Value and Columbia Diversified Equity Income contributed to the three (3) and five (5) year underperformance. The one (1) year over performance is due to Growth Fund of America.

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 increased from a first quarter ratio of 0.75 to 1.09.

The Standard Deviation is a measurement of the volatility of the portfolio's short term return from the average long term return. The three (3) year Standard Deviation for the portfolio is 13.85, which is higher than the benchmark of 12.49.

The Alpha, a measurement of the value added by the investment manager is -1.91**.** 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 1.10 over three (3) years.

401(k) MUTUAL FUNDS POSITION:

The underperformance to the customized benchmark over the second quarter is due primarily to the expense ratio of 0.70%. Additionally the underperformance of Growth Fund of America, Perkins Small Cap Value and Columbia Diversified Equity Income contributed to the three (3) and five (5) year underperformance. The one (1) year over performance is due to Growth Fund of America.

The Sharpe Ratio for the 401(k) portfolio is 1.08, which is lower than the benchmark of 1.29 (over three (3) years). The three (3) year Standard Deviation for the portfolio is 13.84; which is higher than the benchmark of 12.55. The Alpha is -2.76 and the Beta is 1.09.

RETIREMENT MEDICAL TRUST (RMT) MUTUAL FUNDS POSITION:

The one (1) year underperformance of the target date funds contributed to the underperformance of the portfolio along with the expense ratio of 0.44%. The three (3) year under performance of Growth Fund of America and DFA Emerging Markets contributed to the three (3) and five (5) year underperformance. Fidelity Leverage also contributed to the five (5) year underperformance.

The Sharpe Ratio for the RMT portfolio is 1.14. The three (3) year Standard Deviation for the portfolio is 12.00 which is nearly the same as the benchmark of 11.97. The Alpha is -1.05 and the Beta is 0.99.

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PERFORMANCE OF INDEX FUNDS VS. ACTIVELY MANAGED FUNDS	2ND QTR %	1 YEAR %	3 YEAR %	5 YEAR %
LARGE CAP				
Vanguard Institutional Index	**2.91**	**20.57**	**18.43**	**7.04**
American Funds Growth Fund of America	3.14	22.94	16.15	4.83
TIAA CREF Growth & Income Retirement	3.12	19.92	18.49	6.97
Wells Fargo Advantage Growth Fund	2.15	14.40	21.44	11.81
Main Stay ICAP Select Equity	1.62	22.95	16.08	6.95
Parnassus Equity Income	1.40	23.76	17.03	8.88
Columbia Diversified Equity Income	3.18	22.37	16.79	4.99
MID CAP				
Vanguard Mid Cap Index	**2.36**	**25.03**	**19.03**	**7.96**
Baron Growth	1.84	25.16	19.65	8.90
ING Mid Cap Opportunities	1.98	18.65	18.94	9.52
Fidelity Adv Leveraged Company Stock	3.16	34.37	21.09	3.37
Columbia MidCap Value	4.24	30.20	19.08	6.88
SMALL CAP				
Vanguard Small Cap Index	**2.77**	**25.74**	**20.04**	**10.15**
Loomis Sayles Small Cap Growth	7.91	27.29	23.15	10.79
Invesco Small Cap Value	3.49	33.78	19.91	12.42
Perkins Small Cap Value	1.15	18.44	11.80	10.38

Seven (7) out of thirteen (13) actively managed funds outperformed the lower cost index funds. Nine (9) funds over the past one (1) year outperformed their benchmarks. This is a good indication of the strength of the portfolio.

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MUTUAL FUNDS OVERVIEW AND NARRATIVE:

LARGE GROWTH:

FUND # 1	AMERICAN FUNDS GROWTH FUND OF AMERICA	AGTHX

ASSETS: $ 56,767,395 BEST FIT INDEX: RUSSELL 1000 GROWTH M* ANALYST RATING: Bronze

	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	22.94	16.15	4.83	17.23	16.51	5.57	**5.71**	**-0.36**	**-0.74**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	27.7	1.00	-2.03	1.11	14.39	0.71%
PEER AVERAGES		6.2	1.10	-3.10	1.07	15.54	1.27%

The one (1) year performance is ranked in the top 9% of its peer group. This follows a top seven (7) percentile ranking in 2012. There are two (2) major drags on performance. The foreign stock holdings are twice the average of the peer group and second, the allocation to cash is three (3) times that of the peer group. Despite the drags on performance, performance in the second quarter was 110 basis points, (1.10%), over the peer group. The underweight to the Technology sector and the overweight to the Healthcare sector drove the second quarter outperformance. Not having Apple in the portfolio was beneficial in comparison to the benchmark.

The three (3) and five (5) year under performance to the peer group improved over the first quarter despite the roll off of the second quarters in 2008 and 2010. Both of those quarters provided positive performance against the peer group.

RECOMMENDATION: Remain on Watch List due to investment performance.

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FUND # 2	TIAA CREF GROWTH & INCOME	TRGIX
	ASSETS: $ 9,825,749 BEST FIT INDEX: RUSSELL 1000 GROWTH	M* ANALYST RATING: 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	19.92	18.49	6.97	17.23	16.51	5.57	**2.69**	**1.98**	**1.40**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	8.3	0.97	0.37	1.32	13.57	0.71%
PEER AVERAGES		6.2	1.10	-3.10	1.07	15.54	1.27%

This fund is doing quite well relative to large cap growth funds and indexes, though is slightly less impressive against large cap blend funds and indexes. G & I occupies the space on the border of growth and blend. This unique space makes it attractive when traditional large cap growth does poorly (an underweight to Apple has helped recently, but hurt when Apple was rising fast), but will still provide a decent return when growth is on an upswing.

It is beating its peers over all time periods (with the exception of one (1) year versus large cap blend) but trailing the blend and growth indexes in two (2) of the three (3) time periods (though by very small margins).

Overall, the strategy has been well executed and the returns have come with lower than expected risk.

RECOMMENDATION: No action at this time

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FUND # 3	WELLS FARGO ADVANTAGE GROWTH									SGRKX
	ASSETS: $ 3,643,837		BEST FIT INDEX: RUSSELL 1000 GROWTH				M* ANALYST RATING:		Bronze	

	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	14.40	21.44	11.81	17.23	16.51	5.57	**-2.83**	**4.93**	**6.24**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	11.2	0.95	3.63	1.26	16.56	0.97%
PEER AVERAGES		6.2	1.10	-3.10	1.07	15.54	1.27%

Until 2013, this was the most consistently strong performer in the large cap growth category. The underweight to the Financial sector has impacted performance, but the biggest detractor from performance is the investment in its top three (3) holding, Apple. This large cap growth fund does invest in some small and mid cap stocks. Three (3) of the top ten (10) holdings are midcap stocks and this fund averages less than half the weighting to giant stocks, (market cap over $56 billion), that the average large cap growth fund holds. Despite the underperformance for the one (1) year period, the three (3) and five (5) year comparisons remain very strong.

RECOMMENDATION: No action at this time.

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LARGE BLEND:

FUND # 4	MAINSTAY ICAP SELECT EQUITY									ICSLX
	ASSETS: $ 1,877,800			BEST FIT INDEX: RUSSELL 1000				M* ANALYST RATING:		Bronze

	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	22.95	16.08	6.95	20.83	16.68	5.83	**2.12**	**-0.60**	**1.12**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	15.6	1.03	-2.51	1.09	14.66	0.90%
PEER AVERAGES		5.8	1.05	-2.23	1.15	14.49	1.18%

This fund continues to be one of the premier large cap value funds. It is slightly underperforming over the current three (3) year period, but we are not worried as 2011 was a blip for this consistently strong performer.

Management focuses on super-large, quality stocks trading at reasonable prices. The portfolio is focused on the highest conviction stock picks and has consistently produced higher returns with lower risk than its peers.

RECOMMENDATION: No action at this time.

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FUND # 5	PARNASSUS EQUITY INCOME INV	PRBLX

ASSETS: $ 8,830,457 BEST FIT INDEX: RUSSELL 1000 M* ANALYST RATING: Silver

	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	23.76	17.03	8.88	20.83	16.68	5.83	**2.93**	**0.35**	**3.05**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	12.2	0.94	2.54	1.36	12.10	0.90%
PEER AVERAGES		5.8	1.05	-2.23	1.15	14.49	1.18%

This socially responsible fund has a positive advantage over its large cap blend peers in all measurable periods and its peer group does not apply social standards to their equity selections. The management team believes that applying the social standards actually screens out riskier companies. The standard deviations are well below normal. There are well above average weightings in the Defensive sectors. The overweight to the Utility sector held back performance in the second quarter.

RECOMMENDATION: No action at this time.

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FUND # 6	VANGUARD INSTITUTIONAL INDEX									VINIX
	ASSETS: $ 22,734,854			BEST FIT INDEX: S&P 500				M* ANALYST RATING:		Gold

	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	20.57	18.43	7.04	20.60	18.45	7.01	-0.03	-0.02	0.03

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	12.6	1.00	-0.02	1.32	13.57	0.04%
PEER AVERAGES		N/A	1.00	0.00	1.35	13.57	N/A

This large cap blend index is performing as expected adjusted for expense and tracking error.

RECOMMENDATION: No action at this time.

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LARGE VALUE:

FUND # 7	COLUMBIA DIVERSIFIED EQUITY INCOME		RSEDX
	ASSETS: $ 15,467,285	BEST FIT INDEX: RUSSELL 1000 VALUE	M* ANALYST RATING: 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	22.37	16.79	4.99	23.02	16.90	6.03	**-0.65**	**-0.11**	**-1.04**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	2	9.6	1.05	-2.37	1.10	15.09	0.68%
PEER AVERAGES		6.0	1.01	-1.40	1.20	14.15	1.19%

The decision to hire former Putnam Fund for Growth & Income (7/1996 - 5/2006) manager Hugh Mullin and fire the existing team of managers is bizarre. Mullin's record at G&I was subpar, rarely beating the index or peer group over any three (3), five (5) or ten (10) year period.

Performance of this fund has been uneven, but year to date, performance was almost even with the peer group. So bringing in a new manager who has not run money publicly in seven (7) years has us shaking our heads.

RECOMMENDATION: Delete due to investment performance and manager change.

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MID CAP GROWTH:

FUND # 8	BARON GROWTH		BGRIX
	ASSETS: $ 16,560,000	BEST FIT INDEX: RUSSELL MID CAP GROWTH	M* ANALYST RATING: Bronze

	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	25.16	19.65	8.90	19.79	17.01	6.07	**5.37**	**2.64**	**2.83**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	18.6	0.79	4.32	1.24	15.51	1.06%
PEER AVERAGES		6.4	1.16	-3.70	1.02	16.89	1.38%

Performance in the second quarter trailed the peer group by a small margin due to higher than average holdings in the Utility sector and below average holdings in the Healthcare sector. Despite the small sector quarter blip, performance remains well ahead of the peer group for the one (1), three (3) and five (5) year comparison periods. Baron has a buy and hold strategy and turnover is only 14% compared to the peer average of 86%. The fund's top 10 holdings underscore the buy and hold strategy as the most recent addition to the top 10 was first purchased in 2009. Baron has added some technology stocks to the portfolio as the stake in that sector has grown from 4% to 14%.

RECOMMENDATION: No action at this time.

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FUND # 9	ING MID CAP OPPORTUNITIES		NMCIX
	ASSETS: $ 8,493,708	BEST FIT INDEX: RUSSELL MID CAP GROWTH	M* ANALYST RATING: 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	18.65	18.94	9.52	19.79	17.01	6.07	**-1.14**	**1.93**	**3.45**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	8.0	0.98	-0.06	1.15	16.27	0.91%
PEER AVERAGES		6.4	1.16	-3.70	1.02	16.89	1.38%

Despite short-term underperformance against peer and index, the absolute performance was great and still captured 94% of the return of the peer over the past year. Longer term performance has been stellar, though two (2) of the three (3) managers had very little to do with it (Jeff Bianchi was the sole manager on the fund since 2005, Manning and Pytosh were added in April 2012).

RECOMMENDATION: No action at this time.

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MID CAP BLEND:

FUND # 10	FIDELITY ADVISORS LEVERAGED COMPANY STOCK	FLVIX
	ASSETS: $ 5,200,881 BEST FIT INDEX: RUSSELL MID CAP	M* ANALYST RATING: Silver

	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	34.37	21.09	3.37	25.89	17.51	7.49	**8.48**	**3.58**	**-4.12**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	10.0	1.28	-3.26	1.02	20.86	0.86%
PEER AVERAGES		5.4	1.20	-3.85	1.04	17.12	1.28%

This fund is performing very well in the current economic environment and has a top four (4) percentile ranking for the past one (1) year and had a top two (2) percentile ranking for 2012. The number one holding with 7% of the assets is LyndellBasell Industries and their stock has appreciated 68% this past year. LyndellBasell is domiciled in Rotterdam, Netherlands and specializes in producing chemicals and polymers. This is a company that emerged from Chapter 11 Bankruptcy in 2010.

The fund does great in liquidity driven, high beta environments, but when investors become risk adversed and cash is tight, Leveraged Stock underperforms.

RECOMMENDATION: No action at this time.

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FUND # 11	VANGUARD MID CAP INDEX									VMCIX
	ASSETS: $ 6,559,175			BEST FIT INDEX: CRSP US MID CAP INDEX				M* ANALYST RATING:		Gold

	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	25.03	19.03	7.96	24.81	19.42	7.71	0.22	-0.39	0.25

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	15.2	1.01	-0.55	1.17	16.05	0.08%
PEER AVERAGES		N/A	N/A	N/A	N/A	N/A	N/A

This mid cap blend index is performing as expected adjusted for expense and tracking error.

RECOMMENDATION: No action at this time.

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MID CAP VALUE:

FUND # 12	COLUMBIA MID CAP VALUE OPPORTUNITY		RSCMX
	ASSETS: $ 18,201,472	BEST FIT INDEX: RUSSELL MID CAP VALUE	M* ANALYST RATING: 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	30.20	19.08	6.88	26.71	17.61	8.29	**3.49**	**1.47**	**-1.41**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	10.4	1.05	-1.16	1.11	16.97	0.83%
PEER AVERAGES		6.1	1.14	-2.88	1.09	16.21	1.32%

While there appears to be a lot going on behind the scenes at Columbia in general, this fund in particular has performed well. Year to date performance has been very strong, second quarter performance was 1.37% (137 basis points) better than the peer group. The large over weighting to the Financial sector finally paid off. The underweighting to the Real Estate sector also provided an advantage over the peer group.

We have some concerns with Columbia as a financial firm, but this fund is demonstrating stronger results.

RECOMMENDATION: Remove from Watch List due to improved investment performance.

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SMALL GROWTH:

FUND # 13	LOOMIS SAYLES SMALL CAP GROWTH		LSSIX
	ASSETS: $ 1,076,898	BEST FIT INDEX: RUSSELL 2000 GROWTH	M* ANALYST RATING: 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	27.29	23.15	10.79	22.25	18.57	8.23	**5.04**	**4.58**	**2.56**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	8.5	0.94	3.34	1.29	17.41	0.95%
PEER AVERAGES		6.4	1.28	-4.03	1.01	18.81	1.47%

After a rough 2012, this fund is back on top. It is tough to find another small cap growth fund that is as small or “growth” oriented as this one or that is so style consistent. The management team has been together since 2005 and though they go through rough patches, they have come out of them each time looking even stronger. An underweight in the Basic Materials sector has been beneficial in 2013.

The standard deviation is lower than the benchmark and the Sharpe Ratio is 28% higher than the benchmark.

RECOMMENDATION: No action at this time.

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SMALL BLEND:

FUND # 14	VANGUARD SMALL CAP INDEX									VSISX
	ASSETS: $ 4,741,151			BEST FIT INDEX: CRSP US SMALL CAP INDEX				M* ANALYST RATING:		Gold

	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	25.74	20.04	10.15	25.65	19.97	10.03	0.09	0.07	0.12

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	21.6	1.00	0.56	1.10	18.12	0.10%
PEER AVERAGES		N/A	N/A	N/A	N/A	N/A	N/A

This small cap blend index is performing as expected adjusted for expense and tracking error.

RECOMMENDATION: No action at this time.

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SMALL VALUE:

FUND # 15	INVESCO SMALL CAP VALUE		VSCAX
	ASSETS: $ 3,185,370	BEST FIT INDEX: RUSSELL 2000 VALUE	M* ANALYST RATING: 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	33.78	19.91	12.42	25.62	16.70	9.31	**8.16**	**3.21**	**3.11**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	3.1	1.23	-2.95	0.91	22.69	1.17%
PEER AVERAGES		6.4	1.24	-4.97	0.96	17.92	1.43%

This small cap value fund continues to shine; the one (1), three (3), five (5) and ten (10) average ranking is six (6). The outperformance is significant despite a lower than average second quarter performance. Overweighting the Technology sector and underweighting the Financial sector retarded the second quarter performance. However, the underperformance was only 0.88% (88 basis points). Underweighting the Financial sector has driven the previous strong results against the peer average.

RECOMMENDATION: No action at this time.

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FUND # 16	PERKINS SMALL CAP VALUE	JSCVX

ASSETS: $ 15,894,123 BEST FIT INDEX: RUSSELL 2000 VALUE M* ANALYST RATING: Gold

	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	18.44	11.80	10.38	25.62	16.70	9.31	-7.18	-4.90	1.07

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	28.4	0.78	-3.00	0.85	14.29	1.05%
PEER AVERAGES		6.4	1.24	-4.97	0.96	17.92	1.43%

The cash position is twice that of the peer group, but is down by one third from the first quarter. The high cash position inhibits returns and the comparison against the peer group during rallies.

Todd Perkins, the heir apparent at Perkins, has left the company. Todd co-managed the fund with his father, Bob since 2004. Bob is still firmly in control of the fund, but the departure does cast a shadow over the fund given its recent severe underperformance.

Poor performance is not exactly new at Perkins, the fund and firm have always been value investors who are quite patient with a large focus on protection on the downside. With that said, this stretch is concerning and made even more so by the departure of the man most thought would continue the tradition.

We have encouraged patience with this fund in the past and we do have confidence in Bob Perkins as a money manager, but at this point we are concerned. Participants who are concerned about the downside should feel comfortable with this fund and with several forecasters expecting much lower returns from small stocks, the focus on downside may come in handy.

RECOMMENDATION: Remain on Watch List due to manager change.

SST BENEFITS CONSULTING

INTERNATIONAL STOCK:

FUND # 17	AMERICAN FUNDS CAPITAL WORLD GROWTH & INCOME	RWIEX
	ASSETS: $ 30,738,923 BEST FIT INDEX: MSCI WORLD NR	M* ANALYST RATING: Gold

	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	19.28	13.24	2.90	18.01	12.72	3.26	**1.27**	**0.52**	**-0.36**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	20.3	0.96	1.22	0.88	15.53	0.80%
PEER AVERAGES		4.1	0.81	4.10	0.84	16.20	1.44%

CWGI is beating both the MSCI World and MSCI ACWI global benchmark indexes over the one (1), three (3) and five (5) year periods (ACWI includes Emerging Markets, World is Developed only). It is trailing the World Stock peer by a small margin over the five (5) year period by only 36 basis points, 0.36%.

Given that CWGI is underweight the United States, we would expect the fund to underperform, (U.S. stocks have consistently beaten Non-U.S.), but once again we see performance beating the benchmark and peers.

Participants looking for broadly diversified global stock fund that is mostly focused on very large companies will find a nice home with this fund.

RECOMMENDATION: **No Action at this time.**

SST BENEFITS CONSULTING

FUND # 18	DFA INTERNATIONAL SMALL COMPANY	DFISX

ASSETS: $ 12,050,554 BEST FIT INDEX: MSCI EAFE SMALL CAP NR M* ANALYST RATING: Silver

	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	18.69	11.06	1.91	20.89	12.35	3.11	**-2.20**	**-1.29**	**-1.20**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	14.6	0.98	3.17	0.67	18.41	0.71%
PEER AVERAGES		5.1	0.90	3.27	0.78	17.52	1.44%

Appearances can be deceiving. This fund's peer group is outperforming over the three (3) and five (5) year periods, yet the peer group is probably not the best indicator of whether this fund is accomplishing its goals, at least in this case.

The Foreign Small/Mid Blend category is a very new category and includes very few funds, even fewer that have been around for even a five (5) year period. In addition, some of the funds in the peer cannot be invested in as their asset size is below requirements or are quite expensive and concentrated (Oakmark).

The peer also suffers from survivorship bias. There are only five (5) funds in this category that have been in existence since 1995. Designed to be a passive option the goal is slight outperformance through better structure and smarter trading. Over full market cycles this fund usually offers an advantage over the peer group.

This fund is underweighted in North American stocks and well over weighted in stocks in the United Kingdom. When measured against the index (MSCI World ex USA Small Cap NR USD), the fund has performed quite well over all time periods. For the price, consistency and history of capturing market returns, this fund should remain in the portfolio.

RECOMMENDATION: Remain on Watch List due to investment performance.

SST BENEFITS CONSULTING

FUND # 19	DODGE & COX INTERNATIONAL STOCK	DODFX

ASSETS: $ 8,760,796 BEST FIT INDEX: MSCI WORLD EX US NR USD M* ANALYST RATING: Gold

	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	23.47	10.99	1.61	16.25	9.27	-0.93	**7.22**	**1.72**	**2.54**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	12.2	1.06	1.07	0.63	19.36	0.64%
PEER AVERAGES		5.1	0.97	-0.33	0.58	18.32	1.39%

The fund is beating both the indexes and its peer group handily. The allocation to Emerging Markets should be dragging the returns on this fund down against the index and peer, after all EM is down nearly 10% through the first half of 2013 while the MSCI World, ex U.S. is up 3%. EM is trailing Developed by almost 15% over the one (1) year period and over 6% for the three (3) year period. Dodge & Cox International Stock should be trailing both its peers (who are lighter on EM) and the World, ex U.S. index, instead it is trouncing them. The EM position did take its toll during the last 45 days before of the 2nd quarter. We expect this allocation to have more of an effect versus the peer and index in coming quarters (either positive or negative).

Traditionally this fund has been in the Foreign Value category, but moved steadily over the past few years into Foreign Blend. It has recently begun moving back toward Value, though can still be categorized as Blend (with a value tilt).

Performance has been stellar on both an absolute and relative basis. We would caution that such outperformance is not normally sustainable and that reversion to the mean is likely. The fund struggles during market events (4th quartile performance in 2008 and 2011), but typically recovers quickly. Participants with a long time frame who can handle fluctuation should find this fund a good core international holding.

RECOMMENDATION: No action at this time.

SST BENEFITS CONSULTING

FUND # 20A	JANUS ASPEN OVERSEAS	JAIGX

ASSETS: $ 3,174,170 BEST FIT INDEX: MSCI WORLD EX US NR USD M* ANALYST RATING: Silver

	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	10.21	-1.61	-1.63	16.25	9.27	-0.93	**-6.04**	**-10.88**	**-0.70**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	2	12.5	0.93	-0.05	0.05	24.13	0.49%
PEER AVERAGES		5.1	0.97	-0.33	0.58	18.32	1.40%

With a 35% stake in Emerging Markets performance continues to be well below the peer group. The number one holding with an outsized 6.75% of the assets is Li & Fong, a Hong Kong based company specializes in exporting consumer products. Li & Fong's stock price is down 34.6% over the past one (1) year period. The number 2 holding, Delta Airlines, has outperformed its rivals year to date and the manger has reduced the holdings in this fund. A significant overweight to the Technology and Energy sectors also contributed to the poor performance. The manager has been reluctant to change strategies.

RECOMMENDATION: Deleted due to investment performance.

SST BENEFITS CONSULTING

FUND # 20B	OPPENHEIMER INTERNATIONAL GROWTH	OIGYX
	ASSETS: $ 0 BEST FIT INDEX: MSCI WORLD EX US GROWTH	M* ANALYST RATING: 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	22.63	14.28	4.39	14.49	9.88	0.39	**8.14**	**4.40**	**4.00**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	17.3	N/A	N/A	0.85	17.39	0.74%
PEER AVERAGES		5.1	0.97	-0.33	0.58	18.32	1.40%

This new fund to the portfolio replaces the more volatile Janus Overseas fund. Performance rankings remain very high, 4th, 2nd, 1st and 2nd over the one (1), three (3), five (5) and ten (10) year periods. While primarily a large cap international fund, this fund has 39% of its assets in midcap stocks. The two lead managers look for stocks that have a competitive advantage or limited competition. The country selection is heavily weighted toward the United Kingdom, Germany and Switzerland.

Stock picking is a strength and turnover is only 15%. The managers do not overweight any particular stock, but does over and underweight sectors. The managers overweight foreign technology companies and underweight financial companies. Outside of the U.S., these weightings provide enhanced performance.

RECOMMENDATION: No action at this time.

SST BENEFITS CONSULTING

BONDS:

FUND # 21	LOOMIS SAYLES INV GRADE BOND	LSIIX
	ASSETS: $ 13,181,484 BEST FIT INDEX: BARCLAYS US CREDIT TR USD	M* ANALYST RATING: Gold

	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	4.25	7.01	7.77	5.29	7.01	7.40	-1.04	0.00	0.37

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	16.6	0.76	-0.73	1.24	5.52	0.59%
PEER AVERAGES		5.1	0.54	4.99	1.35	5.20	1.21%

The Fed's "tapering" talks hit this fund harder than the peer and index, but that is not a surprise. This fund is designed to take on more risk in an attempt to earn a higher rate of return in fixed income. It has always been more volatile than both its peers and index, but has also been superior in terms of return.

As mentioned in prior quarterly reports, a former key co-manager of this fund, Kathleen Gafney, departed from Loomis in October of 2012. Lead manager Dan Fuss has been with this fund from inception in 1996, and has two (2) supporting fund managers that have been with the fund since 2006.

As we have said in the past, this fund is for those participants who are looking to take more risk in the fixed income category in order to earn a higher return and who are comfortable with fluctuation in their portfolio. Those looking for a steady return from a bond fund should look elsewhere.

RECOMMENDATION: Remain on Watch List due to manager change.

SST BENEFITS CONSULTING

FUND # 22	OPPENHEIMER INTERNATIONAL BOND		OIBYX
	ASSETS: $ 4,668,737	BEST FIT INDEX: CITI WGBI NON USD	M* ANALYST RATING: NEUTRAL

	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	1.06	4.52	4.29	0.15	4.05	4.45	**0.91**	**0.47**	**-0.16**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	9.3	0.97	2.06	0.53	9.00	0.75%
PEER AVERAGES		5.3	1.05	0.61	0.69	6.64	1.09%

Non-Dollar Emerging Market Bond exposure hurt this fund after the Federal Reserve set off a global rise in interest rates with its “tapering” talk. Combined with unrest in Brazil, the portfolio took a beating.

Management believes the fundamentals still justify the dollar and non-dollar Emerging Market exposure. As we have stated in the past, mutual funds with currency exposure like this one can certainly add to diversification, but also come with their own risks. Oppenheimer commented recently regarding the portfolio’s allocations:

“We remain overweight EM and underweight DM although the portfolio has around a 65% U.S. dollar exposure after hedging. We look to add high grade EM sovereign debt at the expense of high yield sovereign debt, and we look to add to European credit opportunistically after the selloff this quarter...Overall, the Fund is focused on diversified sources of risk-adjusted carry, or additional yield, by maintaining positions that can potentially boost income above that of the benchmark - a strategy that may reap rewards in a low or moderate volatility environment..”

RECOMMENDATION: No action at this time.

SST BENEFITS CONSULTING

FUND # 23	PIONEER GLOBAL HIGH YIELD		GHYYX
	ASSETS: $ 4,681,009	BEST FIT INDEX: BARCLAYS GLOBAL HY	M* ANALYST RATING: NEUTRAL

	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	10.96	9.22	7.64	9.04	9.65	8.65	**1.92**	**-0.43**	**-1.01**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	2	11.9	1.17	-2.70	1.09	8.31	0.80%
PEER AVERAGES		5.8	0.22	8.66	1.40	6.91	1.15%

High Yield got hit with the Federal Reserve “tapering” comments and global high yield got hit harder, specifically Emerging Markets bonds (both dollar and local currency) which this fund holds. The fund has struggled against peers and benchmark partially due to its different composition which makes it difficult to benchmark and partially due to poor decisions.

Participants looking for a global high yield fund that can invest in developed and Emerging Markets, as well as dollar and non-dollar denominated bonds, might find this fund attractive from a diversification standpoint. These participants should expect volatility.

RECOMMENDATION: Remain on Watch List Due to investment performance.

SST BENEFITS CONSULTING

BALANCED ALLOCATION:

FUND # 24	AMERICAN FUNDS INCOME FUND OF AMERICA	RIDEX
	ASSETS: $ 7,812,962 BEST FIT INDEX: MORNINGSTAR MODERATE	M* ANALYST RATING: Silver

	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	13.82	13.67	6.64	12.22	11.11	5.06	**1.60**	**2.56**	**1.58**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	21.5	0.54	5.57	1.51	8.75	0.65%
PEER AVERAGES		5.1	1.04	-0.10	1.14	9.74	1.34%

This fund is beating its peer and index handily over every period measured. This should not be a surprise as it has a much higher allocation to stocks than its peer and index and stocks have generally outperformed bonds.

An “income” fund with nearly 70% in stocks may sound like an oxymoron, however, this fund has a primary focus on generating income - but not primarily from bonds. While the stocks it buys are less aggressive and generally of higher quality than its peers, the portfolio is not without risks.

Our view is that the fund is appropriate and well managed for the participant who is looking for a high-quality, globally diversified portfolio that has a focus on generating income and is comfortable with fluctuation.

RECOMMENDATION: No action at this time.

SST BENEFITS CONSULTING

TARGET FUNDS:

FUND # 25	VANGUARD TARGET RETIREMENT INCOME	VTINX
	ASSETS: $ 4,156,485 BEST FIT INDEX: MORNINGSTAR CONSERVATIVE INC M* ANALYST RATING: Gold	

	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	4.42	7.32	5.26	6.48	7.04	4.65	-2.06	0.28	0.61

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	0.4	0.78	1.01	1.55	4.65	0.26%
PEER AVERAGES		4.7	0.76	-0.25	1.13	7.10	0.98%

Target Date fund review summary follows fund #29.

FUND # 26	VANGUARD TARGET RETIREMENT 2020	VTWNX
	ASSETS: $ 6,258,794 BEST FIT INDEX: MORNINGSTAR MODERATE 2020 M* ANALYST RATING: Gold	

	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	11.37	11.37	5.32	12.60	10.56	4.28	-1.23	0.81	1.04

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	0.4	0.76	0.83	1.17	9.69	0.26%
PEER AVERAGES		4.1	0.98	-0.80	1.06	9.19	1.05%

Target Date fund review summary follows fund #29.

SST BENEFITS CONSULTING

FUND # 27	VANGUARD TARGET RETIREMENT 2030	VTHRX

ASSETS: $ 5,226,933 BEST FIT INDEX: MORNINGSTAR MODERATE 2030 M* ANALYST RATING: Gold

	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	14.44	13.12	5.14	15.20	12.03	4.05	-0.76	1.09	1.09

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	0.4	0.98	0.42	1.09	12.06	0.27%
PEER AVERAGES		4.0	1.26	-1.85	0.99	11.71	1.09%

Target Date fund review summary follows fund #29.

FUND # 28	VANGUARD TARGET RETIREMENT 2040	VFORX

ASSETS: $ 4,268,611 BEST FIT INDEX: MORNINGSTAR MODERATE 2040 M* ANALYST RATING: Gold

	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	16.75	14.18	5.37	17.50	13.33	3.91	-0.75	0.85	1.46

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	0.4	1.10	0.01	1.05	13.52	0.28%
PEER AVERAGES		4.1	1.42	-2.50	0.96	13.24	1.12%

Target Date fund review summary follows fund #29.

SST BENEFITS CONSULTING

FUND # 29	VANGUARD TARGET RETIREMENT 2050	VFIFX

ASSETS: $ 2,009,437 BEST FIT INDEX: MORNINGSTAR MODERATE 2050 M* ANALYST RATING: Gold

	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	16.73	14.19	5.36	17.40	13.25	3.89	-0.67	0.94	1.47

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	0.4	1.10	0.02	1.05	13.53	0.28%
PEER AVERAGES		3.6	1.46	-2.72	0.94	13.67	1.12%

Vanguard has made some changes to the underlying asset allocation of their target date suite. Vanguard International Bond has been added to the allocation and Vanguard Short-Term TIPS has replaced the Vanguard TIPS fund. A real estate component was also added and that also detracted from recent performance. Both of these changes are aimed at reducing volatility and increasing return over the life of the glidepath. Neither will have a significant impact on the suite as the overall allocation to stocks versus bonds has not changed.

If the committee is happy with the aggressive glidepath that Vanguard offers then we can't think of a better funding vehicle than the low-cost Vanguard Indexes. This suite of funds gives participants exposure to the returns of the market at a very low cost and in a very diversified manner. Over time it will be tough for other funds to compete. Our one concern is the glidepath is among the more aggressive in the marketplace and participants should be cognizant of the risks they are taking.

RECOMMENDATION: No action at this time.

SST BENEFITS CONSULTING

SPECIALTY:

FUND # 30	ING GLOBAL REAL ESTATE	IGLIX

ASSETS: $ 4,004,293 BEST FIT INDEX: S&P DEVELOPED PROPERTY M* ANALYST RATING: Silver

	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	11.93	14.43	4.12	14.74	14.00	3.31	**-2.81**	**0.43**	**0.81**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	11.7	0.97	-0.47	0.86	17.39	1.00%
PEER AVERAGES		4.8	1.06	-0.05	0.81	18.51	1.49%

Short-term underperformance is to be expected in any fund and Global Real Estate has never been immune to it. Over longer periods management tends to get it right. The fund tends to lag in big REIT rallies and compensates when things turn down, usually falling less than its peer. The process and philosophy at Clarion is attractive as is the diversification outside of purely North American real estate.

RECOMMENDATION: No action at this time.

SST BENEFITS CONSULTING

ASSET ALLOCATION:

FUND # 31	ASSET ALLOCATION FUNDS AGGRESSIVE		
	ASSETS: $ 27,926,622	BEST FIT INDEX: MORNINGSTAR AGGRESSIVE	M* ANALYST RATING: 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	17.23	14.58	6.37	16.81	13.56	5.22	**0.42**	**1.02**	**1.15**

Asset Allocation fund review summary follows fund #33.

FUND # 32	ASSET ALLOCATION FUNDS MODERATE		
	ASSETS: $ 40,577,418	BEST FIT INDEX: MORNINGSTAR MODERATE	M* ANALYST RATING: 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	13.65	12.30	6.02	13.02	10.44	4.78	**0.63**	**1.86**	**1.24**

Asset Allocation fund review summary follows fund #33.

SST BENEFITS CONSULTING

FUND # 33	ASSET ALLOCATION FUNDS CONSERVATIVE	
	ASSETS: $ 14,413,057 BEST FIT INDEX: MORNINGSTAR CONSERVATIVE	M* ANALYST RATING: 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	8.59	7.75	4.88	7.52	6.53	3.92	**1.07**	**1.22**	**0.96**

For the first quarter in quite some time all three (3) asset allocation funds are positive in all measurable periods.

RECOMMENDATION: No action at this time.

SST BENEFITS CONSULTING

WATCH LIST:

The Watch List contains funds that did not meet the criteria outlined in the County of San Bernardino's Investment Policy. Specifically, "if a fund does not meet or exceed the designated benchmark for both the three (3) and five (5) year periods it must be placed on the Watch List." There are other reasons for a fund to be placed on the Watch List including ownership or manager change.

It is recommended that the following funds remain on, or be removed from, the Watch List:

ACTION	FUND #	TICKER	FUND NAME	INVESTMENT POLICY	QUARTER ADDED
	1	AGTHX	GROWTH FUND OF AMERICA	Remain on Watch List due to performance. This fund has underperformed to the benchmark in 14 of the last 18 quarters. The 3 / 5 year Information Ratios have changed from the first quarter ratios of (0.76) / (0.32) to (0.75) / (0.53). This is due to the elimination of two rolling quarters that were beneficial to GFA.	4Q 2010
	7	RSEDX	COLUMBIA DIVERSIFIED EQUITY INC	Delete due to investment performance and manager change.	3Q 2012
	12	RSCMX	COLUMBIA MIDCAP VALUE	Remove from the Watch List due to improved performance. The 3 / 5 year Information Ratios have changed from (0.07) / 0.03 to 0.11 / (0.02)	1Q 2012
	16	JSCVX	PERKINS SMALL CAP VALUE	Remain on the Watch List due to manager change. The 3 / 5 Information Ratios have changed from (0.76) / 0.48 to (1.43) / 0.47	1Q 2013
	18	DFISX	DFA INTERNATIONAL SMALL COMPANY	Remain on the Watch List due to investment performance. The 3 / 5 Information Ratios have changed from 0.55 / 0.56 to 0.23 / 0.55	1Q 2013
	20A	JAIGX	JANUS ASPEN OVERSEAS	Deleted due to investment performance.	3Q 2012
	21	LSIIX	LOOMIS SAYLES INVESTMENT GRADE	Remain on Watch List due to manager change. The 3 / 5 year Information Ratios have changed from 0.60 / 0.39 to 0.72 / 0.35	3Q 2012
	23	GHYYX	PIONEER GLOBAL HIGH YIELD	Remain on the Watch List due to investment performance. The 3 / 5 Information Ratios have changed from 0.42 / 0.22 to 0.65 / 0.16	1Q 2013

SST BENEFITS CONSULTING

COUNTY OF SAN BERNARDINO
INVESTMENT OPTIONS SPECTRUM

TARGET ALLOCATION	ASSET ALLOCATION	SPECIALTY	BONDS	BALANCED ALLOCATION
Vanguard Ret Inc	Aggressive Allocation	ING Global Real Est	Loomis Sayles Inv	Amer Funds Inc
Vanguard Ret 2020	Moderate Allocation		Oppenheimer Intl	
Vanguard Ret 2030	Conservative Allocation		Pioneer Global	
Vanguard Ret 2040				
Vanguard Ret 2050				

DOMESTIC EQUITY			INTERNATIONAL - GLOBAL EQUITY
LARGE VALUE	LARGE BLEND	LARGE GROWTH	AmFunds Cap World
Columbia Div Equity	MainStay ICAP Sel Equity	AmFunds Growth Fund	DFA Intl Sm Company
	Parnassus Equity Inc	TIAA CREF G/I Ret	Dodge & Cox Intl
	Vanguard Institutional Idx	Wells Fargo Adv Gr	Janus Aspen
			Oppenheimer Intl Gr
MID CAP VALUE	MID CAP BLEND	MID CAP GROWTH	
Columbia MidCap	Fidelity Adv Lev Co Stk	Baron Growth	
	Vanguard Mid Cap Idx	ING Mid Cap Opp	
SMALL VALUE	SMALL BLEND	SMALL GROWTH	
Invesco SmCap Val	Vanguard Sm Cap Index	Loomis Sayles SmCap	
Perkins SmCap Val			

Funds to the left have potentially more inflation risk and less investment risk

Funds to the right have potentially less inflation risk and more investment risk

MUTUAL FUND FORWARD LOOKING RATING SCALE

As mutual fund investors, we have received quantitative and qualitative analysis that provides investors with a look back at how and why a mutual fund performed as it did. Morningstar® is a dominant player in mutual fund analytics. Their quantitative star rating for funds is a backward looking achievement test. The star system takes into account performance category peers after adjusting for risk and sales charges over three (3), five (5) and ten (10) year periods with the greatest weight on the ten (10) year achievement.

Morningstar® has developed a more qualitative approach to evaluating the potential for funds to outperform their benchmarks and peer groups. This is a forward looking approach that uses a methodology based on five qualitative and numeric factors or pillars.

The five pillars are:

1. **PROCESS**
2. **PERFORMANCE**
3. **PEOPLE**
4. **PARENT**
5. **PRICE**

Performance is viewed in the context of risk taken, with a focus on downside risk. The Morningstar® analysts consider that the fundamentals and risks of a fund's holdings are as important as past performance, perhaps more so.

Morningstar® assigns three medal ratings, Gold, Silver and Bronze, along with a Neutral and Negative rating. Morningstar® has only completed 500-600 mutual fund assessments with this new process. So many funds will have an "N/A" instead of one of the five ratings. We expect that nearly all funds will have a rating by the end of 2012.

The ratings should be interpreted as follows:

GOLD Gold

A Gold rating indicates an expectation that the fund will outperform its relative performance benchmark and peer group within the context of the level of risk taken over the long term, (usually five years or a full market cycle). To earn a Gold rating a fund must distinguish itself across the five pillars.

SILVER Silver

Funds in this category have notable advantages across most, but perhaps not all of the five pillars. Funds that have a high price may be the reason for the Silver rating.

BRONZE Bronze

Funds with a Bronze rating have advantages that outweigh any disadvantages across the five pillars. Like Silver, Bronze rated funds may be working their way up or down the scale.

NEUTRAL

These are funds where the Morningstar analysts do not have a strong positive or negative conviction. For example, a fund that combines an overly benchmark conscious strategy with competitive fees could receive this rating because the strategy lends itself to average performance.

NEGATIVE

These funds have at least one major flaw that is likely to hamper future performance. For example, a fund that combines an overly benchmark conscious strategy with high fees could receive this rating because its strategy lends itself to underperformance.

N/A

Morningstar® analysts have not completed their evaluation of this particular fund.

CONCLUSION

- One caution is that a fund with a Gold rating is not necessarily suitable for all investors.
- The People pillar is more critical in concentrated funds whose success is tied to stock picking.
- The expense is a critical factor in all funds, but particularly index funds.
- This rating system does not replace the Morningstar® star system but rather supplements it.
- Finally, there are skeptics of this rating system. We think it may take some time to evaluate the effectiveness of this forward rating system.