SST BENEFITS CONSULTING

COUNTY OF SAN BERNARDINO
ANALYSIS OF STABILIZER
DEFINED CONTRIBUTION PLANS
EXCLUDING RETIREMENT MEDICAL TRUST

2ND QUARTER 2013

	NET DIFFERENCE	ACTUAL PERFORMANCE	BENCHMARK PERFORMANCE
2Q 2012	-0.52%	1.52%	2.06%
3Q 2012	1.03%	2.61%	1.58%
4Q 2012	0.60%	0.81%	0.21%
1Q 2013	0.32%	0.18%	-0.12%
2Q 2013	**-0.35%**	**-2.67%**	**-2.32%**
I YEAR	**1.51%**	**0.82%**	**-0.69%**

The portfolio did not have an effective second quarter in comparison to bond benchmarks.

The average credit rating of the portfolio is A1, down one category from the previous quarter of Aa3. A1 is the top tier of "Good." The benchmark is AA2, middle of Excellent. The lower credit rating is due to the overweight of investment grade (BBB) holdings and the over 10% allocation of below investment grade investments. The BBB rated investments are a total of 21% versus the index of 10.9%.

The allocation to Emerging Market securities is now 5%. However, the purchase of derivatives in May was timely as it offset losses incurred by the EM securities. The derivatives were sold in July.

The biggest change to the portfolio is the allocation to Asset Backed Securities (ABS). The allocation went from 1% in the first quarter to 5% at the end of the second quarter. The ABS investments are concentrated in high quality auto securities. Overweights to high yield corporate bonds were beneficial to performance as the higher yields offset the negative performance generated by an increase in interest rates.

Agency mortgages had a volatile quarter. Agency mortgages were down about 38 basis points versus duration matched Treasuries. As the portfolio is overweight to Agency mortgages the overweight detracted from performance in the second quarter.

Market to Book Value Ratio:

2ND QUARTER 2013	1ST QUARTER 2013	4TH QUARTER, 2012	3RD QUARTER, 2012	2ND QUARTER, 2012
98.93%	102.46%	103.18%	103.28%	101.54%

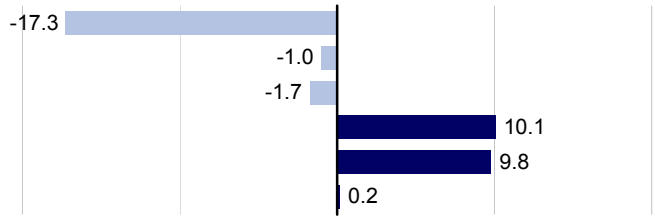
The Market Value fell significantly in June due to the increase in the ten (10) year Treasury. In April, the market value was 103.54%. It fell to 101.32% in May and then dropped below 100% in June to 98.93%. The market value to book value was 98.99% as of July 31st. As a reminder, Book Value is the accumulated totals of all County of San Bernardino participant assets in the Stable Value Account and Market Value is the value of the underlying investments in the actual portfolio.

Portfolio Characteristics

Quarter Ending June 30, 2013

Quality Rating (%)	Portfolio	BarCap U.S. Agg
AAA	56.9	74.2
AA	2.7	3.7
A	9.4	11.1
BBB	21.0	10.9
<BBB	9.8	0.0
Not Rated	0.2	0.1

Quality Comparison to Benchmark (%)
Overweight/underweight



Characteristics	Portfolio	BarCap U.S. Agg
Effective Duration (Years)	5.28	5.11
Yield to Maturity (%)	3.35	2.21
Average Quality	A1	AA2

Top Ten Credit Exposures	% of Portfolio
Banc Of America Funding 2004-2 Trus	1.04
Future Retail Ltd	0.91
General Electric Capital Corp	0.82
Morgan Stanley	0.73
Citigroup Inc	0.70
Goldman Sachs Group Inc/The	0.60
Hewlett-Packard Co	0.44
St Jude Medical Inc	0.41
Verizon Communications Inc	0.40
Fifth Third Bancorp	0.40

See Explanatory Notes Section for footnotes and disclosures.

Bond Sector Comparisons

Quarter Ending June 30, 2013

		Sept 12	Dec 12	Mar 13	April 13	May 13	June 13
Asset Group	Barclays Aggregate	SEPCO891	SEPCO891	SEPCO891	SEPCO891	SEPCO891	SEPCO891
ABS	0%	1%	1%	1%	1%	4%	5%
Govt related	8%	6%	5%	5%	5%	5%	5%
CMBS	2%	7%	7%	7%	7%	7%	7%
HY	0%	4%	5%	4%	5%	5%	5%
EM	2%	4%	6%	5%	5%	6%	5%
Investment Grade	21%	22%	27%	23%	23%	24%	24%
Agency RMBS	29%	33%	38%	37%	37%	37%	37%
Non-Agency MBS	0%	3%	3%	3%	3%	3%	2%
Non$	0%	2%	1%	3%	2%	2%	0%
Treasuries, Cash and TBA Liab	37%	18%	8%	13%	13%	7%	9%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Allocations may not add to 100% due to rounding.
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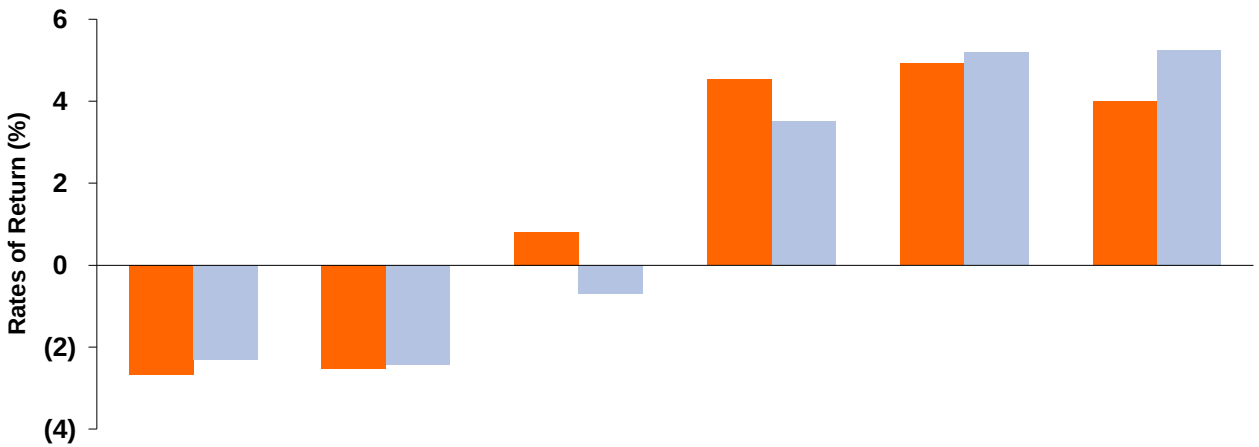
Portfolio Performance

Quarter Ending June 30, 2013



	Quarter	YTD	1 Year	Annualized 3 Year	Annualized 5 Year	Annualized Since Inception
Portfolio	**(2.67)%**	**(2.54)%**	**0.82%**	**4.53%**	**4.92%**	**3.99%**
BarCap U.S. Agg	(2.32)	(2.44)	(0.69)	3.51	5.19	5.26

Performance measurement inception date: January 17, 2007. Performance is calculated on a time-weighted total return basis and is presented on a "gross" basis (i.e., before the deduction of investment management fees). The returns for the BarCap U.S. Agg Index are time-weighted total return performance results as reported by Barclays Capital.

Account returns are gross returns, which include reinvestment of income and are before deduction of fees. Account inception date is 1/10/2007. It is important to note that the investment has a limited operating history. Performance over a longer period of time may be more meaningful than short-term performance. The Barclays Capital Aggregate Index is an unmanaged index and is composed of securities from the Barclays Capital Government/Corporate Bond Index, Mortgage-Backed Securities Index and the Asset-Backed Securities Index. An index does not reflect the portfolio of any investment. Individuals cannot invest directly in an index.