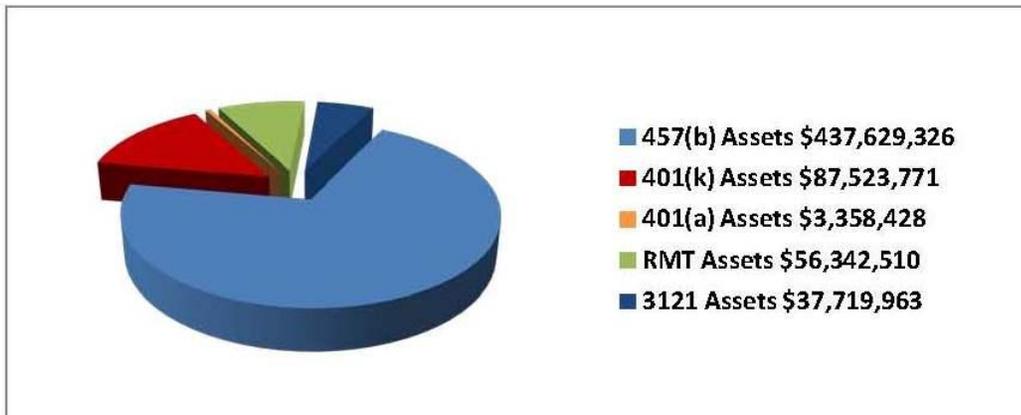


**COUNTY OF SAN BERNARDINO
EXECUTIVE SUMMARY
DEFINED CONTRIBUTION PLANS
4th QUARTER 2012**

	4 TH QUARTER %	1 YEAR %	3 YEAR %	5 YEAR %
457 Plan Performance	2.70	17.09	9.34	2.42
Customized Benchmark	0.87	15.18	11.57	3.63
DIFFERENCE	1.83	1.91	-2.23	-1.21
401(k) Plan Performance	2.72	17.00	9.43	2.59
Customized Benchmark	0.85	14.81	11.51	3.78
DIFFERENCE	1.87	2.19	-2.08	-1.19
Retirement Medical Trust	2.21	15.68	10.01	3.58
Customized Benchmark	0.91	13.02	11.64	5.20
DIFFERENCE	1.31	2.66	-1.62	-1.62

PORTFOLIO COMPOSITION AND ANALYSIS:



The total assets in all of the County of San Bernardino plans have increased from \$606 million as of September 30, 2012 to \$623 million. The increase was due in part to the appreciation of mutual fund assets by almost \$7.2 million in the 457 plan, \$1.5 million in the 401(k) plan and, of course, deferrals and contributions.

457 assets in the Ameritrade Self Directed Brokerage Account (SDBA) are now \$1.8 million; the same as the previous quarter. The 401(k) assets in the SDBA are \$420,000, up minutely from \$419,000 in the third quarter.



457 PLAN CASH POSITION:

The stable value crediting rate continues to be 2.5%. In the fourth quarter almost \$5.2 million transferred into the Stabilizer from the mutual fund portfolio. This follows the third quarter where over \$6.6 million transferred from the 457 mutual funds to the fixed interest account. Despite the transferred assets the percentage of assets in the stabilizer only increased by 0.17% to 35.77%. This is due to the appreciation of the mutual funds, led by Growth Fund of America.

401(k) PLAN CASH POSITION:

The assets in the Stabilizer increased from 29.8% to 32.53%. The increase was due to the transfer of \$2.9 million from the mutual funds.

RETIREMENT MEDICAL TRUST CASH POSITION:

There was a decrease in the percentage of assets in the fixed interest account from 77.6% in the ING General account to 76.05%.

457 PLAN MUTUAL FUNDS POSITION:

The over performance to the customized benchmark over the fourth quarter and the one (1) year period is due primarily to the high mutual fund allocation to Growth Fund of America, with 19.23% of the mutual fund assets and Baron with 5.36% of the assets. The three (3) and five (5) year underperformance is due to the underperformance of Growth Fund of America, Columbia Diversified Equity, 4.40% of assets, Perkins Small cap value with 5.28% and Columbia Midcap Value with 4.99% 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 declined from a third quarter ratio of 0.71 to 0.66. The benchmark is much higher at 0.82. That is a significant difference from the portfolio and the portfolio Sharpe Ratio is impacted by the 0.07 Sharpe Ratio for Janus Overseas.

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 15.10, which is higher than the benchmark of 14.53.

The Alpha, a measurement of the value added by the investment manager is -2.28. The Alpha was impacted by Growth Fund of America with a negative Alpha of -4.25. Growth Fund of America's Alpha actually improved over the last quarter. 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 1.03 (over three years).



401(k) MUTUAL FUNDS POSITION:

The over performance to the customized benchmark over the fourth quarter and the one (1) year period is due primarily to the high mutual fund allocation to Growth Fund of America, with 19.26% of the mutual fund assets and Baron with 4.87% of the assets. The three (3) and five (5) year underperformance is due to the underperformance of Growth Fund of America, Diversified Equity, 8.19% of assets, Perkins Small cap value with 4.76% and Columbia Midcap Value with 6.85% of the mutual fund assets.

The Sharpe Ratio for the 401(k) portfolio is 0.67, which is lower than the benchmark of 0.85 (over three years). The three (3) year Standard Deviation for the portfolio is 14.88; which is higher than the benchmark of 13.83. The Alpha is -2.51 and the Beta is 1.06.

RETIREMENT MEDICAL TRUST (RMT) MUTUAL FUNDS POSITION:

The substantial over performance in all fourth quarter and one (1) year period is due to the high mutual fund allocation to Fidelity Leverage Company Stock with 3.07% of the mutual fund assets.

The Sharpe Ratio for the RMT portfolio is 0.78 which is lower than the benchmark, 0.92. The three (3) year Standard Deviation for the portfolio is 13.16 which is higher than the benchmark of 12.76. The Alpha is -1.62 and the Beta increased from 0.96 to 1.02.



PERFORMANCE OF INDEX FUNDS VS. ACTIVELY MANAGED FUNDS:	4TH QTR %	1 YEAR %	3 YEAR %	5 YEAR %
LARGE CAP				
Vanguard Institutional Index	-0.39	15.98	10.85	1.69
American Funds Growth Fund of America	2.28	20.54	8.78	1.07
TIAA CREF Growth & Income Retirement	-0.75	16.17	10.47	2.05
Wells Fargo Advantage Growth Fund	-2.40	16.89	17.01	7.24
Main Stay ICAP Select Equity	1.60	15.35	10.08	1.50
Parnassus Equity Income	1.21	15.43	9.03	5.15
Columbia Diversified Equity Income	1.56	15.28	8.54	-0.52
MID CAP				
Vanguard MidCap Index Signal	2.84	16.02	12.62	3.15
Baron Growth	2.12	16.74	13.79	3.79
ING Mid Cap Opportunities	0.23	14.14	14.03	5.50
Fidelity Adv Leveraged Company Stock	6.54	29.68	13.15	1.45
Columbia MidCap Value	4.99	18.69	10.39	1.10
SMALL CAP				
Vanguard Small Cap Index	2.78	18.25	13.74	5.12
Loomis Sayles Small Cap Growth	-1.62	10.29	14.36	3.50
Invesco Small Cap Value	5.77	22.50	13.36	6.70
Perkins Small Cap Value	2.59	8.99	7.45	5.80

This chart illustrates that despite the difficulty active managers have in trying to beat the low cost, passively managed index funds, it can be done. In the fourth quarter three (3) of five (5) active managers beat the S&P 500 Index fund and 75% of the active midcap manager beat the MidCap Index fund over the past twelve months. Another point is that even consistently strong performing funds will hit headwind periodically, i.e. Wells Fargo Advantage and ING Mid Cap Opportunities.



MUTUAL FUNDS OVERVIEW AND NARRATIVE:

LARGE CAP GROWTH:

FUND # 1	AMERICAN GROWTH FUND OF AMERICA						AGTHX		
	ASSETS: \$ 53,151,810		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	20.54	8.78	1.07	15.34	9.33	1.16	5.20	-0.55	-0.09
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV		
FUND STATISTICS	3	27.2		1.17	-1.28	0.60	16.04		
PEER AVERAGES		6.1		1.09	-2.14	0.60	17.34		

This fund performed in the top 7% of its asset category. This is a significant rebound from the 2010 and 2011 performance years where the fund had an average ranking of 75. There are significant drivers in this turnaround. One is the overweight to foreign stocks, 17.6% compared to 6.8% for the peer group. While this overweight was a drag on performance in 2010-11, it provided a boost in 2012. GFA's foreign strategy is to invest in companies that have more of a global, multinational footprint.

Another big driver in the fourth quarter and overall 2012 success was the overweight to value stocks. This diversion from the large cap growth category had been a drag on performance since the peer group was more pure growth and the growth category had significantly outperformed value. Value stocks had a clear performance advantage over growth in 2012 and this provided the more diversified GFA a performance advantage. Only 64% of the assets in GFA are categorized as growth.

The Alpha and the Beta are virtually equal to the peer group. The turnover ratio has decrease from 34% to 18% thus validating the managers' belief that they had invested in the right stocks. The turnover ratio is well below the average of 73% and a lower turnover results in lower expense.

A planned retirement of one of the many fund managers for GFA took place in 2012. Gordon Crawford retired and, to minimize the impact of his departure American Funds, had not been allocating new assets to him for investment. Rather, they added Carl Kawaja to the portfolio in



2011. Carl is a seasoned investment manager with American Funds and provides an additional expertise in foreign stocks. We do not recommend that this fund be on the Watch List for a manager change as Crawford was one of many investment managers, his role had been scaled back and his replacement has been in place for two years.

In the fourth quarter \$1.2 million transferred out of this fund.



RECOMMENDATION: Remain on the Watch List due to Investment Performance.



FUND # 2	TIAA CREF GROWTH & INCOME									TRGIX
	ASSETS: \$ 9,102,256			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	16.17	10.47	2.05	15.34	9.33	1.16	0.83	1.14	0.89	
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	5	7.8		0.99	-0.45	0.71	15.53			
PEER AVERAGES		6.1		1.09	-2.14	0.60	17.34			

This large cap blend fund has drifted into the growth category. Regardless of the large cap asset category this fund continues to lead its peers in all measurable periods. An underweight to the Technology sector and an overweight to the Financial sector provided this fund with performance advantages in 2012. This fund takes low risk to achieve well above average returns.

RECOMMENDATION: No action at this time.



FUND # 3	WELLS FARGO ADVANTAGE GROWTH	SGRKX
	ASSETS: \$ 3,229,322	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	16.89	17.01	7.24	15.34	9.33	1.16	1.55	7.68	6.08
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	5	10.7	0.96	3.95	0.95	18.21			
PEER AVERAGES		6.1	1.09	-2.14	0.60	17.34			

Over the past one (1) year this fund continues its consistent record of outperformance. However, other funds categorized as large cap growth but also having investments in other asset categories, e.g. GFA, outperformed this fund in the fourth quarter by an average of 174 basis points. Also dragging down performance in the fourth quarter is an almost 30% underweighting to foreign stocks. GFA outperformed this fund in the fourth quarter by 468 basis points.

RECOMMENDATION: No action at this time.



LARGE BLEND:

FUND # 4	MAINSTAY ICAP SELECT EQUITY						ICSLX		
	ASSETS: \$2,479,547			BEST FIT INDEX: RUSSELL 1000			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	15.35	10.08	1.50	14.91	9.09	0.73	0.44	0.99	0.77
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	5	15.1	1.00	-0.71	0.68	15.98			
PEER AVERAGES		5.8	1.03	-1.88	0.62	16.06			

This is a concentrated fund that, even in the very few poor performing years, only missed the peer group average by a small difference. Excluding the top two holdings, Pfizer and Time Warner, assets are equally split among the other 28 stocks. The biggest sector contributing to this fund's performance is Healthcare with a 78% overweight.

RECOMMENDATION: No action at this time.



FUND # 5	PARNASSUS INV EQUITY INCOME						PRBLX		
	ASSETS: \$7,657,396		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	15.43	9.03	5.15	14.91	9.09	0.73	0.52	-0.06	4.42
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV		
FUND STATISTICS	5	11.7		0.87	-0.12	0.70	13.46		
PEER AVERAGES		5.8		1.03	-1.88	0.62	16.06		

This socially responsible fund has a positive advantage over their large cap blend peers in all measurable periods except in the three (3) year calculation where it trails the peer group by six (0.06%) basis points. Performance in 2012 was impressive as the sector allocations did not match up well to the peer group. Underweighting the Financial sector and overweighting the Technology and Utilities sectors could have led to a substantial underperformance for 2012. This fund had a very strong fourth quarter due to the heavier than usual dividend distribution.

RECOMMENDATION: No action at this time.



FUND # 6	VANGUARD INSTITUTIONAL INDEX						VINIX		
	ASSETS: \$18,857,697			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	15.98	10.85	1.69	16.00	10.87	1.66	-0.02	-0.02	0.03
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV		
FUND STATISTICS	4	12.1		1.00	-0.02	0.74	15.30		
PEER AVERAGES		N/A		1.00	0.00	0.70	15.30		

This index fund performs well against the benchmark despite the expense.

RECOMMENDATION: No action at this time.



LARGE VALUE:

FUND # 7	COLUMBIA DIVERSIFIED EQUITY INCOME						RSEDX		
	ASSETS: \$13,828,604		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	15.28	8.54	-0.52	14.56	9.16	0.49	0.72	-0.62	-1.01
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	2	9.1	1.03	-2.83	0.57	16.52			
PEER AVERAGES		5.9	1.00	-1.54	0.65	15.70			

Performance in the fourth quarter improved as this fund outperformed the peer group by 63 basis points. Standard deviation is above average and the portfolio follows the index more closely than the peer group. However, the foreign holdings are almost 40% higher than the peer group and while that provided the extra boost in the fourth quarter, it is also the reason for the drag on performance over the last three (3) years. The holdings in the growth asset category have grown to 16%, while the value holdings are now only 46%. This shift comes at a period where value is outperforming growth.

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



MID CAP GROWTH:

FUND # 8	BARON GROWTH						BGRIX		
	ASSETS: \$14,687,032			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	16.74	13.79	3.79	14.08	11.08	1.80	2.66	2.71	1.99
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV		
FUND STATISTICS	4	18.1		0.78	3.48	0.84	16.67		
PEER AVERAGES		6.0		1.13	-0.85	0.66	18.46		

Baron Growth's performance has improved even over the stellar third quarter performance. The below average holdings in the negative performing Technology sector boosted performance against the peer group. Turnover is only 14% versus the peer group turnover of 91%; this keeps the trading expenses to a minimum. Baron looks for companies with steady growth and high quality management. Ron Baron is a very good stock picker. However, due to the asset growth in this formally small cap fund now has only 39% of its total assets in small cap stocks. It is difficult for Baron to invest in small cap stocks without becoming one of the largest stockholders.

RECOMMENDATION: No action at this time.



FUND # 9	ING MID CAP OPPORTUNITIES	NMCIX
ASSETS: \$7,503,206	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	14.14	14.03	5.50	14.08	11.08	1.80	0.06	2.95	3.70
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	5	7.5	0.98	1.24	0.82	17.99			
PEER AVERAGES		6.0	1.13	-0.85	0.66	18.46			

This fund continues its run of outperformance, however, in the fourth quarter this fund underperformed its peer group by 96 basis points. Over weights to the Technology and Consumer Defensive sectors and underweight to the Financial sector impacted performance in the later part of 2012. This fund does a good job of sticking to its mandate and has performed well against its peers and index.

RECOMMENDATION: No action at this time.



MID CAP BLEND:

FUND # 10	FIDELITY ADVISORS LEVERAGED COMPANY STOCK			FLVIX
	ASSETS: \$4,063,858	BEST FIT INDEX: 50% MIDCAP BLEND / 50% MIDCAP VALUE / RUSSELL MIDCAP	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	29.68	13.15	1.45	16.36	10.86	2.65	13.32	2.29	-1.20

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	9.5	1.06	0.20	0.66	22.56
PEER AVERAGES		5.3	1.16	-1.21	0.65	18.70

When rebounds are ranked, we place Fidelity Leveraged at the top of the list. In 2011 this fund ranked in the 89th percentile. In 2012 it ranked in the 2nd percentile. Since 2001 this fund has finished in the top quartile in 9 of the 12 years. Over the last 10 years this fund is ranked in the top one percentile in its asset category. This fund is a buy and hold fund as its performance can hit deep pot holes, but over time it outperforms in a significant way. The first quarter performance was the catalyst for the one (1) year return of 17.73%.

The manager, Tom Soviero, draws on his experience from managing a high yield bond fund and equity experiences to assemble the portfolio. The tailwind for this fund is the low interest rate environment as access to capital has been easier. In 2008 this fund declined by almost 54% because lower quality companies access to capital was severely constricted. Lower quality companies with below investment grade credit ratings are more susceptible to defaults. Soviero favors lower quality companies that have prospects for improvement through management change or a new product launch.

RECOMMENDATION: No action at this time.



FUND # 11	VANGUARD MID CAP INDEX	VMISX
ASSETS: \$4,991,824	BEST FIT INDEX: MSCI US MID CAP 450 USD 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	16.02	12.62	3.15	15.47	12.19	2.70	0.55	0.43	0.45

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	3	14.7	1.01	-0.60	0.75	17.72
PEER AVERAGES		N/A	1.13	0.13	0.68	17.71

This mid cap blend index is performing as expected adjusted for expense and tracking error. We expect the benchmark to change in the second quarter, 2013.

RECOMMENDATION: No action at this time.

MID CAP VALUE:

FUND # 12	COLUMBIA MID CAP VALUE OPPORTUNITY						RSCMX		
	ASSETS: \$14,565,443		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	18.69	10.39	1.10	16.54	10.84	2.89	2.15	-0.45	-1.79
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	2	9.9	1.04	-2.92	0.62	18.56			
PEER AVERAGES		6.5	1.11	-0.94	0.67	17.75			

This value fund has a 20% greater holding in technology stocks than the peer group. This was a drag on performance in 2012 and it had the worst sector performance in the fourth quarter. However, a 24% overweight to the financial stocks provided a much stronger performance in the fourth quarter offset by holdings in the Technology sector. The Financial sector had the best fourth quarter performance of all sectors and the second highest sector performance for the year.

The one (1) year performance improved over the one (1) year period ending September 30 by 266 basis points.

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



SMALL GROWTH:

FUND # 13	LOOMIS SAYLES SMALL CAP GROWTH						LSSIX		
	ASSETS: \$386,281			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	10.29	14.36	3.50	13.24	11.83	2.56	-2.95	2.53	0.94
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	4	8.0	0.92	1.17	0.81	18.60			
PEER AVERAGES		6.5	1.25	-1.07	0.65	20.36			

Timing is everything. In 2012 this fund had its worst competitive performance since 2002, led by a fourth quarter underperformance of 160 basis points. Performance was impacted by below average holdings in the Consumer Cyclical sector, the third best performing sector in the fourth quarter and the second best sector in 2012. Also impacting performance is the over weighting to the Technology sector and finally, a 64% overweighting to cash in a quarter where cash held down performance.

Though this fund has struggled in 2012, the longer term record is solid. There are few small growth funds that manage to maintain an adherence to the category as style drift is common, but not with this fund. There are very few funds this consistent. Since these managers took over they have not underperformed against the index or benchmark over any three (3) or five (5) year rolling period with the exception of four months.

RECOMMENDATION: No action at this time.



SMALL BLEND:

FUND # 14	VANGUARD SMALL CAP INDEX						VSISX		
	ASSETS: \$3,369,037		BEST FIT INDEX: MSCI US SM CAP 1750 USD 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	18.25	13.74	5.12	17.48	13.16	4.51	0.77	0.58	0.61
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV		
FUND STATISTICS	3	21.1		1.01	0.22	0.74	20.07		
PEER AVERAGES		N/A		1.26	-2.18	0.65	20.88		

This small cap blend index is performing as expected adjusted for expense and tracking error. We expect the benchmark to change in the second quarter, 2013.

RECOMMENDATION: No action at this time.



SMALL VALUE:

FUND # 15	INVESCO VAN KAMPEN SMALL CAP VALUE	VSCAX
	ASSETS: \$1,622,540	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	22.50	13.36	6.70	16.07	11.08	4.30	6.43	2.28	2.40

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	2.6	1.15	-1.44	0.65	23.49
PEER AVERAGES		6.2	1.21	-1.48	0.63	19.80

Performance ranks in the top 8th, 14th, 7th and 9th percentiles for the one (1), three (3), five (5) and ten (10) year periods. With 68 stocks in the portfolio this fund has consistently strong performances with infrequent lapses, i.e. 2011. This fund does not follow the sector weightings of the peer group. This fund has twice the percentage of holdings in the Healthcare and Technology sectors and is well underweight in the Real Estate and Financial sectors. The fourth quarter performance was 55% better than the peer group.

RECOMMENDATION: No action at this time.



FUND # 16		PERKINS SMALL CAP VALUE						JSCVX		
		ASSETS: \$14,194,174		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	8.99	7.45	5.80	16.07	11.08	4.30	-7.08	-3.63	1.50	
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	4	27.9		0.73	-1.78	0.54	15.32			
PEER AVERAGES		6.2		1.21	-1.48	0.63	19.80			

This fund has struggled in the near term as their vision of what constitutes a value stock has become passé in a market that is determined to rise at any cost. Perkins has a history of underperformance during intense periods of what hindsight would show was overvaluation. This focus on protecting capital and working for a reasonable return over the full market cycle lead it to periods of dramatic under and over performance versus the peers and index. Over the last five (5) years Perkins has outperformed the peer group and their comparable index. In 2008 Perkins was in the top three percentile.

In the current market with stocks appreciating in both domestic and foreign markets the heavy overweight to cash, 17% versus the peer group with 5%, holds back appreciation. Also, the allocation to foreign stocks is less than a third of the peer group and that underweighting also retarded appreciation in 2012.

RECOMMENDATION: No action at this time.



INTERNATIONAL STOCK:

FUND # 17		AMERICAN FUNDS CAPITAL WORLD GROWTH & INCOME						RWIEX		
		ASSETS: \$30,299,861		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	19.12	5.86	-0.68	15.84	6.71	-0.74	3.28	-0.85	0.06	
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV				
FUND STATISTICS	4	19.8	0.76	2.36	0.41	17.26				
PEER AVERAGES		4.1	0.84	3.48	0.47	17.68				

Performance was very strong in 2012 for a variety of reasons. One is that value stocks outperformed growth and this fund invests primarily in value / core stocks. Second, stocks in both developed and emerging markets demonstrated strong rallies in the later part of 2012. This fund has overtime reduced its overweight to foreign stocks, which is now 8.5% more than the peer group average of 15%. The three (3) year average performance is negative to the peer group because this fund does not hold Apple and Apple soared in 2010-11. The fourth quarter performance was 60 basis points better than the peer group due in part to not holding Apple.

This fund focuses on investing in dividend paying stocks and Apple did not pay dividends. Typical of American Funds, turnover is less than half the peer group average.

RECOMMENDATION: No action at this time.



FUND # 18	DFA INTERNATIONAL SMALL COMPANY	DFISX
ASSETS: \$12,068,235	BEST FIT INDEX: MSCI EAFE SMALL CAP NR	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	18.85	7.63	-0.36	19.00	7.32	-0.90	-0.15	0.31	0.54
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	3	14.1	0.99	3.70	0.46	19.94			
PEER AVERAGES		4.6	0.90	3.92	0.48	18.89			

This fund combines passive management with active management. Performance significantly improved in the fourth quarter as foreign stocks had a strong rally. Performance is now positive in the three (3) and five (5) year comparisons. The one (1) year comparison improved by 218 basis points.

 **RECOMMENDATION: Remove from the Watch List due to Improved Performance.**



FUND # 19		DODGE & COX INTERNATIONAL STOCK						DODFX		
		ASSETS: \$8,071,349		BEST FIT INDEX: MSCI WORLD EX US 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	21.03	4.96	-1.89	18.30	3.96	-3.56	2.73	1.00	1.67	
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	4	11.7		1.08	1.19	0.33	21.00			
PEER AVERAGES		5.1		0.98	0.50	0.29	19.71			

The fund's higher than average exposure to emerging markets was a drain in 2011 but a big boom to performance in 2012. The one (1) year performance improved by 304 basis points over the one (1) year performance ending September 30. The managers look for funds that have a wide competitive advantage in their industry. The performance in emerging markets and the overweight to financial stocks were strong enough to offset the very high exposure to technology stocks. However, in the fourth quarter, the managers did reduce the overweight to technology stocks by about 25%.

RECOMMENDATION: No action at this time.



FUND # 20	JANUS ASPEN OVERSEAS			JAIGX		
	ASSETS: \$3,395,121		BEST FIT INDEX: MSCI WORLD EX US GR USD			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	13.47	-1.20	-3.67	18.30	3.96	-3.56	-4.83	-5.16	-0.11

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	2	12.0	0.93	-1.17	0.07	24.57
PEER AVERAGES		5.1	0.98	0.50	0.29	19.71

The primary reason for the underperformance in 2011 is the same reason for the rebound in the fourth quarter, 2012. The driver in both years is the high investment in emerging markets, about 35%. The performance improved dramatically in the fourth quarter as the fund outperformed the peer group by 96%. The longtime manager Brent Lynn does invest a larger percentage of assets in the top holdings. The top six holdings, out of a total of 82 stocks, contain 33% of the assets. Currently the fund has less than half the assets in Europe and 33% more assets in Asia than the peer group.

In the third quarter, 2012, this fund trailed its peer group over the one (1) year period by 12.52%; that one (1) year difference is now only 4.85%. Despite the significant improvement the fund trails its peer group for the one (1), three (3) and five (5) year periods.

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



BONDS:

FUND # 21	LOOMIS SAYLES INV GRADE BOND	LSIIX
ASSETS: \$13,275,982	BEST FIT INDEX: BARCLAYS 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	12.25	9.57	8.20	11.76	8.85	7.33	0.49	0.72	0.87

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	5	16.1	0.61	2.42	1.85	4.97
PEER AVERAGES		5.2	0.09	7.97	1.76	5.09

Performance continues to be a leader in the multi sector bond category with a top five percentile ranking in 2012, despite an underperformance in the fourth quarter. Performance suffered in the fourth quarter due to an overweight to the most conservative investment, Treasuries.

Fund manager, Kathleen Gaffney, is no longer one of the top managers of this fund. She has moved to a competitor after being passed up for a team leader position. Gaffney was once considered the successor to the lead manager.

 **RECOMMENDATION: Remain on the Watch List due to Manager Change.**



FUND # 22	OPPENHEIMER INTERNATIONAL BOND	OIBYX
ASSETS: \$5,314,851	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	11.24	6.30	6.32	8.17	6.10	6.05	3.07	0.20	0.27

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	3	8.8	0.99	2.41	0.74	8.71
PEER AVERAGES		4.9	0.58	2.56	1.12	6.29

Longtime manager Art Steinmetz has become the Chief Investment Office, leaving manager Sara Zervos in charge. She has been involved as co-manager since 2009.

This fund is designed to get non-dollar exposure, but unlike other funds, much of it comes from emerging markets. Foreign currency exposure in a portfolio can add diversity, but like all foreign investing participants should be aware of the additional currency risks involved.

RECOMMENDATION: No action at this time.



FUND # 23	PIONEER GLOBAL HIGH YIELD						GHYYX		
	ASSETS: \$5,160,084			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	16.57	10.63	7.35	14.63	10.49	8.10	1.94	0.14	-0.75
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	2	11.4	1.18	-2.81	1.19	8.75			
PEER AVERAGES		5.6	-0.35	12.25	1.46	7.18			

The following paragraph comes from Morningstar:

“The fund invests globally and will hold sizable allocations to emerging-markets corporate debt, equity-linked securities such as convertible bonds and preferred stock, and foreign currency exposure. As of June 30, 2012, the fund held close to half of its assets in non-U.S. securities compared with its average peer's 15%, including hefty stakes in emerging-markets corporates (21%) and international high-yield corporates (13%), and modest exposure to foreign currencies (8%).”

It acts more like an asset allocation fund for global credit markets. This strategy will certainly provide diversification and is likely to produce higher returns over time, but it will also expose holders to fluctuation. On the other hand, fluctuation is to be expected in a high yield bond fund.

RECOMMENDATION: No action at this time.



BALANCED ALLOCATION:

FUND # 24	AMERICAN FUNDS INCOME FUND OF AMERICA						RIDEX		
	ASSETS: \$7,770,873		BEST FIT INDEX: MORNINGSTAR MODERATE			M* ANALYST RATING: 			
	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	11.90	9.73	3.13	11.72	7.69	2.41	0.18	2.04	0.72
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV		
FUND STATISTICS	4	21.0		0.55	5.24	1.00	9.70		
PEER AVERAGES		5.0		1.05	-0.63	0.74	10.71		

Performance was strong in all measurable periods. There are only 9.5% of the bond assets in Below Grade Investments. The high quality bond portfolio provides a lower yield than the peer group. The equity portion of the fund is higher than the average moderate balanced fund with 66% in stocks compared to an average of 58%. The percentage held in cash is below average and the bond portfolio is 6% percentage points less than average.

The equity portfolio is more conservative than average with an emphasis on defensive stocks and stocks that regularly pay dividends. The investment in the Utility sector is almost three times the peer group average. That investment paid off in 2010-11 but held performance back in 2012.

RECOMMENDATION: No action at this time.



TARGET FUNDS:

FUND # 25		VANGUARD TARGET RETIREMENT INCOME						VTINX		
		ASSETS: \$4,135,219		BEST FIT INDEX: MORNINGSTAR CONSERVATIVE INC			M* ANALYST RATING:  Gold			
RATES OF RETURN	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE			
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	
	8.12	7.50	4.77	9.96	7.17	3.83	-1.84	0.33	0.94	
FUND STATISTICS		M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
		5	9.3	0.75	1.77	1.57	4.71			
PEER AVERAGES			4.6	0.78	0.53	0.92	7.89			

Target Date fund review summary follows fund number 29.

FUND # 26		VANGUARD TARGET RETIREMENT 2020						VTWNX		
		ASSETS: \$4,864,791		BEST FIT INDEX: MORNINGSTAR MODERATE 2020			M* ANALYST RATING:  Gold			
RATES OF RETURN	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE			
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	
	12.24	8.43	2.70	12.90	7.35	1.51	-0.66	1.08	1.19	
FUND STATISTICS		M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
		4	6.6	0.79	1.34	0.81	10.71			
PEER AVERAGES			3.9	0.99	-0.18	0.84	10.07			

Target Date fund review summary follows fund number 29.



FUND # 27	VANGUARD TARGET RETIREMENT 2030	VTHR
ASSETS: \$3,328,849	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	14.13	8.77	1.78	14.12	7.40	0.55	0.01	1.37	1.23

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	6.6	0.99	0.13	0.70	13.40
PEER AVERAGES		3.9	1.27	-1.91	0.71	12.85

Target Date fund review summary follows fund number 29.

FUND # 28	VANGUARD TARGET RETIREMENT 2040	VFORX
ASSETS: \$2,987,543	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	15.44	8.95	1.63	15.15	7.46	-0.26	0.29	1.49	1.89

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	6.6	1.11	-0.56	0.65	14.95
PEER AVERAGES		3.9	1.44	-2.97	0.65	14.54

Target Date fund review summary follows fund number 29.



FUND # 29	VANGUARD TARGET RETIREMENT 2050	VFIFX
ASSETS: \$1,505,984	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	15.47	8.97	1.61	15.09	7.48	-0.21	0.38	1.49	1.82
	M*	MGR TENURE		BETA	ALPHA		SHARPE	3 YR STD DEV	
FUND STATISTICS	4	6.6		1.11	-0.55		0.65	14.96	
PEER AVERAGES		3.5		1.47	-3.11		0.65	14.89	

With the exception of the one (1) year performance of the Retirement Today fund and the 2020 Fund the performance has been acceptable. The underperformance of the Retirement Today and the 2020 Fund is due to their more conservative investment philosophy during a period when risk taking was rewarded.

RECOMMENDATION: No action at this time.

SPECIALTY:

FUND # 30	ING GLOBAL REAL ESTATE	IGLIX
ASSETS: \$3,303,892	BEST FIT INDEX: S&P DEVELOPED PROPERTY	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	25.63	11.08	1.50	32.00	11.38	0.18	-6.37	-0.30	1.32

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	9.4	0.99	-1.50	0.67	17.99
PEER AVERAGES		4.8	1.03	4.22	0.68	19.08

This real estate fund takes below average risk and usually obtains above average performance; not so in 2012. In 2012 a new frontier developed. That frontier includes real estate in some countries in Africa, Vietnam and other countries new to the commercial real estate market. Clarion Global is taking a wait and see position before investing in these new entrants. The new frontier countries led the real estate market in 2012.

ING Clarion Global Real Estate has a 50% overweight to the U.S. The U.S. market, particularly apartments, under performed to the international markets. Only Europe, excluding France and England, performed worse than the U.S. market. The overweight to apartments in the U.S. was the biggest detractor to performance. The overweight to the Japanese market helped performance as in December alone the Japanese market returned 11%. In January the managers sold off some of the Japanese holdings to take some significant profit taking.

RECOMMENDATION: No action at this time.



ASSET ALLOCATION:

FUND # 31	ASSET ALLOCATION FUNDS AGGRESSIVE								
	ASSETS: \$25,365,906			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	17.53	8.56	1.55	13.42	7.84	1.01	4.11	0.72	0.54

Performance was strong based on the current mutual fund allocation. That allocation will change in the first quarter of 2013.

RECOMMENDATION: No action at this time.

FUND # 32	ASSET ALLOCATION FUNDS MODERATE								
	ASSETS: \$35,615,472			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	13.08	7.67	3.27	11.72	7.69	2.41	1.36	-0.02	0.86

Only the three (3) year allocation is under performing by only two basis points, 0.02%, and that is due primarily to the impact of the Stabilizer.

RECOMMENDATION: No action at this time.



FUND # 33

ASSET ALLOCATION FUNDS CONSERVATIVE

ASSETS: \$13,426,009

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	8.85	6.03	3.95	9.36	6.95	3.74	-0.51	-0.92	0.21

The Conservative Asset Allocation fund is under performing in the one (1) and three (3) year periods due to the impact of the Stabilizer.

RECOMMENDATION: No action at this time.



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 13 of the last 17 quarters, but had significant outperformance in the fourth quarter, 2012. The 3 / 5 year Information Ratios have improved to (0.67) / (0.13) from the third quarter ratios of (1.08) / (0.23).	4Q 2010
	7	RSEDX	COLUMBIA DIVERSIFIED EQUITY INCOME	Remain on Watch List due to performance. The 3 / 5 year Information Ratios are improved to (0.83) / (0.65) from (0.1.10) / (0.81).	3Q 2012
	12	RSCMX	COLUMBIA MIDCAP VALUE	Remain on the Watch List due to performance. The 3 / 5 year Information Ratios have improved to (0.08) / (0.08) from (0.39) / (0.23).	1Q 2012
	18	DFISX	DFA INTERNATIONAL SMALL COMPANY	Remove from the Watch List due to improved performance. The 3 / 5 Information Ratios are 0.74 / 0.65	4Q 2011
	20	JAIGX	JANUS ASPEN OVERSEAS	Remain on Watch List due to performance. The 3 / 5 year Information Ratios have minutely improved to (0.37) / 0.00 from (0.38) / (0.01).	3Q 2012
	21	LSIIX	LOOMIS SAYLES INVESTMENT GRADE	Remain on Watch List for manager change. The 3 / 5 year Information Ratios are 0.67 / 0.31.	3Q 2012

