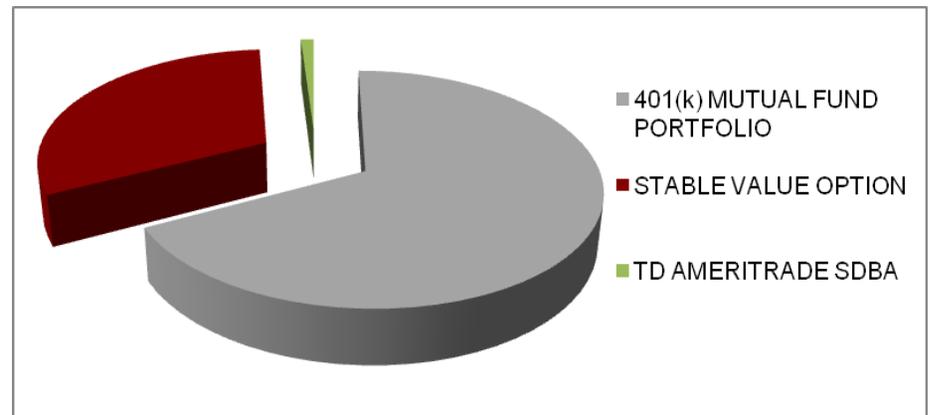
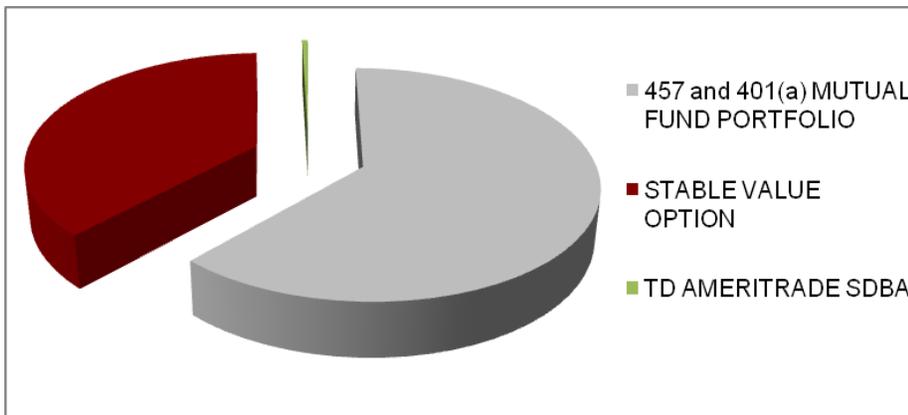


**COUNTY OF SAN BERNARDINO  
EXECUTIVE SUMMARY  
DEFINED CONTRIBUTION PLANS  
4<sup>TH</sup> QUARTER 2011**

	4 <sup>TH</sup> QUARTER %	1 YEAR %	3 YEAR %	5 YEAR %
457 Plans Performance	8.61	-3.96	14.37	1.26
Customized Benchmark	9.23	-1.50	13.62	0.44
<b>DIFFERENCE</b>	<b>-0.63</b>	<b>-2.47</b>	<b>0.75</b>	<b>0.82</b>
401(k) Plan Performance	8.79	-4.31	14.53	1.16
Customized Benchmark	9.31	-1.11	13.59	0.38
<b>DIFFERENCE</b>	<b>-0.52</b>	<b>-3.20</b>	<b>0.94</b>	<b>0.78</b>
Retirement Medical Trust	8.27	-1.89	15.83	2.73
Customized Benchmark	9.31	-0.23	15.37	2.27
<b>DIFFERENCE</b>	<b>-1.04</b>	<b>-1.66</b>	<b>0.47</b>	<b>0.46</b>

**PORTFOLIO COMPOSITION AND ANALYSIS:**



<b>ASSETS:</b>	
457 Assets	\$387,844,032
401(k) Assets	\$78,252,206
401(a) Assets	\$1,750,624
RMT Assets	\$45,540,741
3121 Assets	\$37,596,117
<b>TOTAL ASSETS</b>	<b>\$550,983,720</b>

The total assets in all of the County of San Bernardino plans have increased from \$520 million as of September 30, 2011 to \$550 million as of December 31, 2011. The increase was due to the appreciation of mutual fund assets by almost \$18 million in the 457 Plan and \$4 million in the 401(k), as well as deferrals / contributions.

457 assets in the Ameritrade Self Directed Brokerage Account, (SDBA), are now \$1.84 million, about the same as the previous quarter. The 401(k) assets in the SDBA total \$835 million.

**457 PLAN CASH POSITION:**

The stable value crediting rate for the fourth quarter was 2.5% and that is the same rate being credited in the first quarter, 2012. The average crediting rate for 2011 was 2.31%. For the quarter over \$3.26 million transferred from the 457 mutual funds to the fixed interest account. The percentage of assets in the stabilizer declined from 38.96% in the third quarter to 37.57%. The small decline was due to the appreciation of mutual fund assets.

**401(k) PLAN CASH POSITION:**

The assets in the Stabilizer decreased from 32.33% to 31.42%. For the quarter \$0.68 million transferred from mutual funds to the Stabilizer.

**RETIREMENT MEDICAL TRUST CASH POSITION:**

There was a small decrease in the percentage of assets in the fixed interest account, with 80.69% now in the ING General account, down from 81.82% in the third quarter.

**457 PLANS MUTUAL FUNDS POSITION:**

The underperformance to the customized benchmark is due primarily to the high mutual fund allocation to Growth Fund of America, 20.07% and American Funds Capital World with 10.56% of the assets.

The Sharpe Ratio is a tool that helps determine if the risk the fund or portfolio is taking to achieve the performance is worthwhile. The Sharpe Ratio for the 457 increased from a third quarter ratio of 0.22 to 0.82. The benchmark is 0.80.



The Standard Deviation is a measurement of the volatility of the portfolio's short term return from the average long term return. The three-year Standard Deviation for the portfolio is 18.18 which is higher than the benchmark of 17.83. The three year standard deviation actually improved due to the drop off of the very volatile fourth quarter 2008.

The Alpha, a measurement of the value added by the investment manager is 0.49. 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 1.02, (over three years).

#### **401(k) Mutual Funds Position:**

The underperformance is due to the high mutual fund allocation to Growth Fund of America with 20.11% of the mutual fund assets, American Funds Capital World with 8.28%, Columbia Diversified Equity Income with 9.18% and Columbia MidCap Value with 7.64% of the assets.

The Sharpe Ratio for the 401(k) portfolio was 0.29 and is now 0.82, which is minutely better than the benchmark of 0.80 (over three years). The three-year Standard Deviation for the portfolio is 18.41 which is higher than the benchmark of 17.84. The Alpha is 0.52 and the Beta is 1.03.

#### **Retirement Medical Trust (RMT) Mutual Funds Position:**

The RMT underperformed the customized benchmark due to a high mutual fund allocation to Growth Fund of America, 18.14%, Vanguard Target fund 2020 with 9.00% and Pioneer Global High Yield with 7.39% of the mutual fund assets. What did boost the one year performance over the other plans was a high allocation to ING Mid Cap Opportunities, 10.38%.

The Sharpe Ratio for the RMT portfolio is 0.97 which is higher than the benchmark, 0.94. The three-year Standard Deviation for the portfolio is 16.39 which is minutely lower than the benchmark of 16.55. The Alpha is 0.60 and the Beta is 0.99.



PERFORMANCE OF INDEX FUNDS VS. ACTIVELY MANAGED FUNDS:	4 <sup>TH</sup> QUARTER %	1 YEAR %	3 YEAR %	5 YEAR %
<b>LARGE CAP</b>				
<b>Vanguard Institutional Index</b>	<b>11.81</b>	<b>2.09</b>	<b>14.15</b>	<b>-0.22</b>
American Growth Fund	8.55	-4.89	12.82	-0.59
Columbia Marsico (deleted)	10.02	-12.18	9.56	-2.59
Main Stay ICAP Select Equity	13.15	-1.76	14.28	-0.09
Parnassus Inv Equity Income	11.01	3.13	13.08	4.92
TIAA CREF Growth & Inc Retire (replacement)	11.14	2.79	13.66	2.48
Janus Contrarian ( deleted)	8.84	-15.86	8.62	-4.22
Columbia Div Equity Income	11.10	-4.94	12.23	-1.76
<b>MID CAP</b>				
<b>Vanguard MidCap Index Signal</b>	<b>12.10</b>	<b>-1.99</b>	<b>20.02</b>	<b>1.34</b>
Baron Growth	12.31	1.24	19.01	1.79
ING Mid Cap Opportunities (replacement)	11.38	-0.47	22.51	7.58
Thornburg Core Growth (deleted)	18.54	1.80	17.96	-1.99
Fidelity Adv Leverage Company	14.19	-10.44	21.40	-0.16
Columbia MidCap Value	12.08	-8.02	16.75	-0.32
<b>SMALL CAP</b>				
<b>Vanguard Small Cap Index</b>	<b>15.05</b>	<b>-2.68</b>	<b>19.26</b>	<b>1.91</b>
Royce Value Plus	11.48	-9.79	15.46	-1.20
Perkins Small Cap Value	12.43	-3.43	15.85	4.60
Invesco U.S Small Cap Value	18.16	-8.20	15.53	2.40

The overall domestic equity performance has had a broad based performance and that favors the passively managed index funds. The index funds have an advantage of low cost, and cannot avoid any sector or stock that meets the capitalization boundaries. Also, unlike actively managed funds, index funds are devoid of cash holdings and this factor hurt the index results in some instances..



## MUTUAL FUNDS OVERVIEW AND NARRATIVE:

### LARGE CAP GROWTH:

FUND # 1	AMERICAN GROWTH FUND OF AMERICA						AGTHX		
	ASSETS: \$48,327,994		BEST FIT INDEX: RUSSELL 1000 GROWTH			MARKET CAP: \$32,246 MIL			
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-4.89	12.82	-0.59	-2.44	15.37	0.81	-2.45	-2.55	-1.40
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV		
FUND STATISTICS	3	26.2		0.99	-4.43	0.75	18.09		
PEER AVERAGES		5.9		0.97	1.59	0.83	19.26		

This historically well managed fund with an enviable long term track record was out of style in 2010 and 2011. During that period, large cap growth funds that were comprised similarly to the narrowly-defined Russell 1000 Growth Index did better than this fund. Growth Fund of America takes a broader approach to growth investing and has a small but notable portion of its investments in value, core and international stocks. In fact, during that two year period, the 18% stake in foreign stocks, twice the category average, was a significant drag on performance. The large investment in foreign stocks had previously boosted performance. Also dragging down performance in that two year period was an overweight to the Financial sector, relative to the Russell 1000 Growth Index.

Over the last 15 years, this fund has performed in the top 10% of its category. In January 2012, performance was stellar for the one month period at 7.18%. This compares favorably to the S&P 500, 4.98% and the Russell 1000, 5.97%. While one month may not be noteworthy, we think the outperformance is significant in terms of the amount of outperformance and where most of the outperformance was derived, financial and foreign stocks. The performance through February 24 is 101 basis points over the Russell 1000 Growth index and 309 basis points over the S&P 500.

One other piece of good news is the addition of Carl Kawaja to the investment team. Kawaja is a co-manager of the highly successful EuroPacific Growth fund. His knowledge and expertise should play a big factor in the return of Growth Fund of America to its prominence as a leader in the large cap asset class.



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

<b>FUND # 2</b>	<b>COLUMBIA MARSICO 21<sup>ST</sup> CENTURY</b>						<b>NMYAX</b>		
	ASSETS: \$2,247,940		BEST FIT INDEX: RUSSELL 1000 GROWTH			MARKET CAP: \$11,491 MIL			
	<b>ACTUAL RETURN</b>			<b>PEER AVERAGE</b>			<b>DIFFERENCE</b>		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
<b>RATES OF RETURN</b>	-12.18	9.56	-2.59	-2.44	15.37	0.81	<b>-9.74</b>	<b>-5.81</b>	<b>-3.40</b>
	<b>M*</b>	<b>MGR TENURE</b>		<b>BETA</b>	<b>ALPHA</b>	<b>SHARPE</b>	<b>3 YR STD DEV</b>		
<b>FUND STATISTICS</b>	3	0.3		1.14	-6.59	0.50	23.18		
<b>PEER AVERAGES</b>		5.9		0.97	1.59	0.83	19.26		

This fund underperformed 97% of the peer group in 2011. Morningstar recently stated that it was unfortunate to see manager Gilchrist leave and be replaced by an untested new manager.

 **RECOMMENDATION: This fund was deleted on February 21, 2012 and replaced with Wells Fargo Advantage Growth.**



<b>FUND # 2 B</b>	WELLS FARGO ADVANTAGE GROWTH		<b>SGRKX</b>
	ASSETS: \$	BEST FIT INDEX: RUSSELL 1000 GROWTH	MARKET CAP: \$11,491 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	8.26	26.61	9.21	-2.44	15.37	0.81	<b>10.70</b>	<b>11.24</b>	<b>8.40</b>

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	5	6.8	0.90	6.48	1.36	18.67
PEER AVERAGES		5.9	0.97	1.59	0.83	19.26

This fund was added to the portfolio on February 21, 2012 as the replacement for Columbia Marsico. Performance in 2011 was in the top 1% of its asset category. Since 2002, the average return has been 8%, compared to an average of 2.7% for the peer group. The investment mandate is to go anywhere for performance, (similar to Columbia Marsico). So there are large investments in small and mid cap stocks. The position in the small and mid cap stocks could put this fund at a disadvantage to the peer group when investors are risk adverse; however, the 2008 performance was in the second quartile and investors were very risk adverse in 2008. While Apple is the number one holding with 6.2% of the assets, all other stocks contain less than 3% of the assets. Foreign stocks comprise only 3.3% of the portfolio. This fund is invested in 101 stocks.

This fund is closed to new clients as of January 31, 2012; but remains open to all participants in the County of San Bernardino Plans.

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



**LARGE BLEND:**

FUND # 3	MAINSTAY ICAP SELECT EQUITY I	ICSLX
	ASSETS: \$2,694,989	BEST FIT INDEX: RUSSELL 1000
		MARKET CAP: \$74,817 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-1.76	14.28	-0.02	-1.15	13.19	-0.94	-0.61	1.09	0.92

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	14.1	1.00	0.23	0.79	19.21
PEER AVERAGES		5.5	1.01	-0.91	0.73	19.61

Performance was unusually low for this fund as it was in the third quartile for only the second time in nine years. The other seven years this fund was in the top quartile. It underperformed by only 0.61%. A top holding, Cisco, contributed to the unusually low performance, as did the financial holdings like JP Morgan Chase, Wells Fargo and MetLife. Since 1998 this fund has an average annualized return of 6.4% and that is the best in its category of 132 funds with the exception of only five funds.

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



FUND # 4	PARNASSUS EQUITY INCOME INV						PRBLX		
	ASSETS: \$7,108,109			BEST FIT INDEX: RUSSELL 1000			MARKET CAP: \$16,817 MIL		
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	3.13	13.07	4.92	-1.15	13.19	-0.94	4.28	-0.12	5.86
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	5	10.7	0.86	0.85	0.81	16.79			
PEER AVERAGES		5.5	1.01	-0.91	0.73	19.61			

This four star fund, three year Morningstar rating, must compete against the peer group large cap blend funds and maintain its socially responsible mandate. The strong dividend focus has aided performance. The three year performance average to the peer group has slipped as the top 2%, performance in 2008 has dropped off.

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



<b>FUND # 5</b>	TIAA-CREF GROWTH & INCOME RETIRE	TRGIX
	ASSETS: \$6,758,383	BEST FIT INDEX: RUSSELL 1000
		MARKET CAP: \$34,295 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	2.79	13.66	2.48	-1.15	13.19	-0.94	<b>3.94</b>	<b>0.47</b>	<b>3.42</b>

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	5	6.8	0.94	-0.23	0.79	18.11
PEER AVERAGES		5.5	1.01	-0.91	0.73	19.61

This fund replaced Janus Contrarian. 2011 performance was in the top quartile. This fund is categorized as having above average performance while taking below average risk. The foreign holdings only comprise 4.3% of the portfolio and with a cash position of only 1.3% it is fully invested in the market. Performance was enhanced by the overweighting the defensive sectors, particularly healthcare stocks. This fund has an R-square of 99 so it does follow the index very closely.

RECOMMENDATION: **No action at this time**



FUND DELETED	JANUS CONTRARIAN						JSVAX		
	ASSETS: \$0			BEST FIT INDEX: RUSSELL 1000			MARKET CAP: \$ MIL		
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-15.86	8.62	-4.22	-2.30	15.17	-0.29	<b>-13.56</b>	<b>-6.55</b>	<b>-3.93</b>
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	3	0.6	1.78	10.93	0.46	23.80			
PEER AVERAGES		5.5	1.01	-0.91	0.73	19.61			

This fund was deleted on November 10, 2010 and replaced with TIAA-CREF Growth and Income.



FUND # 6		VANGUARD INSTITUTIONAL INDEX						VINIX		
		ASSETS: \$13,515,072			BEST FIT INDEX: S&P 500			MARKET CAP: \$44,989 MIL		
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE			
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	
RATES OF RETURN	2.09	14.15	-0.22	2.11	14.11	-0.25	-0.02	0.04	0.03	
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	3	11.1		1.00	0.03	0.79	18.97			
PEER AVERAGES		N/A		1.00	0.00	0.74	18.97			

This is a well performing index fund that outperforms the index over many periods. Most index funds under perform the index by at least the expense ratio.

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



**LARGE VALUE:**

<b>FUND # 7</b>	<b>COLUMBIA DIVERSIFIED EQUITY INCOME</b>		<b>RSEDX</b>
	ASSETS: \$14,182,900	BEST FIT INDEX: RUSSELL 1000 VALUE	MARKET CAP: \$46,137 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-4.94	12.23	-1.73	-0.58	11.90	-1.91	<b>-4.36</b>	<b>0.33</b>	<b>0.18</b>

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	3	8.1	1.09	-3.26	0.65	21.09
PEER AVERAGES		6.1	1.03	-2.17	0.67	19.88

This fund looks for companies trading cheaply and dividend paying companies are a priority. This fund does make sector bets that have led to above average risk. Turnover is only 36% and that helps keep the hidden cost of trading down. With a buy and hold strategy and over weights to the economically Sensitive Super Sector and underweights to the Defensive Super Sector. While this strategy paid off in the fourth quarter, it had a significant backlash overall for 2011. The Sensitive Super Sector had an annual return of 1.62%, while the Defensive Super Sector has an overall annual return of 13.5%.

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



**MID CAP GROWTH:**

FUND # 8	BARON GROWTH RETAIL						BGRFX		
	ASSETS: \$14,086,971			BEST FIT INDEX: RUSSELL MID CAP GROWTH			MARKET CAP: \$2,457 MIL		
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	1.24	19.01	1.79	-3.93	18.62	2.11	5.17	0.39	-0.32
	M*	MGR TENURE		BETA	ALPHA		SHARPE	3 YR STD DEV	
FUND STATISTICS	4	17.1		0.76	3.33		0.95	20.56	
PEER AVERAGES		5.7		1.03	3.87		0.91	21.11	

In terms of assets under management, this is one of the largest mid/small growth funds in those categories. Ron Baron only buys stocks that he feels comfortable retaining for at least three and preferably, five years. This strategy leads to very low turnover, which is currently at 14%. This low turnover has led to style drift to the midcap asset class. While the fund holds approximately 100 stocks, no holding has more than 3.23% of the assets. The significant overweight to the real estate sector boosted returns in 2011. The real estate sector was the third best performing sector in 2011 and fourth best for the fourth quarter.

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



<b>FUND # 9</b>	<b>ING MID CAP OPPORTUNITIES</b>	<b>NMCIX</b>
	ASSETS: \$7,622,907	BEST FIT INDEX: RUSSELL MID CAP GROWTH
		MARKET CAP: \$6,226 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-0.47	22.51	7.59	-3.93	18.62	2.11	3.46	3.89	5.48

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	6.5	0.94	1.63	1.11	20.07
PEER AVERAGES		5.7	1.03	3.87	0.91	21.11

This fund is a consistent performer over time. It will not have outsized performance. The standard deviation is below average and the Sharpe Ratio is 22% higher than average. Overweight to the Real Estate sector boosted performance in 2011.

RECOMMENDATION: No action at this time.

<b>FUND DELETED</b>	<b>THORNBURG CORE GROWTH R5</b>	<b>THGRX</b>
	ASSETS: \$0	BEST FIT INDEX: RUSSELL MID CAP GROWTH
		MARKET CAP: \$MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	1.80	17.96	-1.99	-3.93	18.62	2.11	5.73	-0.66	-4.10

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS						
PEER AVERAGES						

This fund was deleted on May 2, 2011 and replaced by ING Mid Cap Opportunities.



**MID CAP BLEND:**

FUND # 10	FIDELITY ADVISORS LEVERAGED COMPANY STOCK						FLVIX		
	ASSETS: \$2,385,763		BEST FIT INDEX: RUSSELL MIDCAP			MARKET CAP: \$8,102 MIL			
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-10.44	21.41	-0.15	-3.71	17.58	0.50	<b>-6.73</b>	<b>3.83</b>	<b>-0.65</b>
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	4	8.5	1.23	-3.75	0.82	28.45			
PEER AVERAGES		5.8	1.10	2.09	0.84	22.19			

Bottom quartile performance in 2008 and then again in 2011 have brought the one (1) year and five (5) year performance below peer group averages. This fund takes significantly more risk than peers and is much more volatile as evidenced by the five (5) year standard deviation at 31.01 compared to peer average at 22.96. The beta is also significantly higher at 1.25 vs. peers at 1.10. Consequently, investors in this fund will likely perform better in bull markets and worse in bear markets. The ten (10) year performance is one of the best at 12.18%.

While the Investment Policy Statement directs Watch List for failure to meet Peer Averages for three (3) and five (5) year periods, our recommendation is to keep this fund on the Watch List due to volatility.

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



<b>FUND # 11</b>	<b>VANGUARD MIDCAP INDEX SIGNAL</b>	<b>VMISX</b>
	ASSETS: \$4,505,104	BEST FIT INDEX: MSCI US MIDCAP 450 USD
		MARKET CAP: \$5,301 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-1.99	20.02	1.34	-3.30	18.31	-0.16	1.31	1.71	1.50

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	13.7	0.98	0.44	0.95	21.68
PEER AVERAGES		N/A	1.11	2.59	0.84	21.67

This is a well performing index fund that outperforms the index. Most index funds under perform the index by at least the expense ratio.

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



**MID CAP VALUE:**

FUND # 12	COLUMBIA MID CAP VALUE OPPORTUNITY						RSCMX		
	ASSETS: \$13,583,707		BEST FIT INDEX: RUSSELL MID CAP VALUE			MARKET CAP: \$6,629 MIL			
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-8.02	16.75	-0.32	-3.78	16.67	-0.10	-4.24	0.08	-0.22
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	3	8.9	1.05	-3.48	0.77	23.43			
PEER AVERAGES		5.9	1.13	0.99	0.80	22.37			

After strong performances in 2009 and 2010, this fund finished in the bottom quartile in 2011. This fund also makes sector bets and has double the exposure to the Basic Materials sector compared to the peer group. That sector was the second worst performing sector of the eleven major sectors. That sector has a negative return of 14.12%. The management team expected greater growth in infrastructure stocks. On the positive side, this fund has outpaced its benchmark in 44 of 51 of the most recent rolling three year periods.

 **3/12/2012 REVISED RECOMMENDATION: Remain on Watch List due to performance.**



**SMALL GROWTH:**

<b>FUND # 13</b>	<b>ROYCE VALUE PLUS</b>						<b>RVPHX</b>		
	ASSETS: \$361,632		BEST FIT INDEX: RUSSELL 2000 GROWTH			MARKET CAP: \$1,503 MIL			
	<b>ACTUAL RETURN</b>			<b>PEER AVERAGE</b>			<b>DIFFERENCE</b>		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
<b>RATES OF RETURN</b>	-9.79	15.46	-1.20	-3.54	18.52	1.45	<b>-6.25</b>	<b>-3.06</b>	<b>-2.65</b>
	<b>M*</b>	<b>MGR TENURE</b>	<b>BETA</b>	<b>ALPHA</b>	<b>SHARPE</b>	<b>3 YR STD DEV</b>			
<b>FUND STATISTICS</b>	2	10.6	1.09	-7.03	0.72	23.45			
<b>PEER AVERAGES</b>		5.7	1.13	2.74	0.84	23.54			

Unlike most Royce funds, this fund has struggled mightily. Despite applying the same consistent philosophy to picking stocks, the past three years have hurt due to missteps and a portfolio that is vastly different than index and peers. Strong long term returns in this fund and a tried and true consistent approach by experienced managers should bring this fund back from its depths. The fund focused on small bank stocks, expecting a recovery and the recovery never came. The allocation to a small sector that didn't participate as much in the rally of 2009 - 2010 is responsible for much of the underperformance. The fund is not entirely different than Royce Premier, but returns in Premier have been much better. While it is rare that we would stick with a two-star fund, we don't see anything fundamentally wrong with this fund. We think a little more time is warranted.

Over 20% of the assets are invested in micro stocks and micro stocks performed worse than the larger small cap fare that comprise the Russell 2000 indexes. The peer group averages only 2.5% of assets in micro stocks.

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



**SMALL BLEND:**

FUND # 14	PERKINS SMALL CAP VALUE						JSCVX		
	ASSETS: \$13,881,307			BEST FIT INDEX: RUSSELL 2000			MARKET CAP: \$1,437 MIL		
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-3.43	15.85	4.60	-4.07	16.84	0.23	0.64	-0.99	4.37
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV		
FUND STATISTICS	4	26.9		0.78	0.35	0.80	20.85		
PEER AVERAGES		5.6		1.24	0.14	0.74	25.17		

After several years of shifting into the small cap blend territory, the Perkins Small Cap Value fund has transitioned back into the value space. This fund has moved between value and blend, with growth securities in the mix. Overweighting in Financial Service and Healthcare sectors with strong financials and earnings has kept the performance of this fund ahead of peer averages.

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



<b>FUND # 15</b>	<b>VANGUARD SMALL CAP INDEX</b>	<b>VSIX</b>
ASSETS: \$2,051,591	BEST FIT INDEX: MSCI US SMALL CAP 1750 USD	MARKET CAP: \$1,253 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-2.68	19.26	1.91	-4.04	17.52	0.39	<b>1.36</b>	<b>1.74</b>	<b>1.52</b>

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	20.1	1.00	-0.53	0.81	25.61
PEER AVERAGES		N/A	1.28	0.18	0.68	25.57

This is a well performing index fund that performs well within its tracking error. Most index funds under perform the index by at least the expense ratio.

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



**SMALL VALUE:**

FUND # 16	INVESCO VAN KAMPEN SMALL CAP VALUE						VSCAX		
	ASSETS: \$1,941,126		BEST FIT INDEX: RUSSELL 2000 VALUE			MARKET CAP: \$1,101 MIL			
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-8.20	15.53	2.40	-4.41	16.81	0.30	<b>-3.79</b>	<b>-1.28</b>	<b>2.10</b>
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV		
FUND STATISTICS	3	1.6		0.99	0.21	0.69	25.62		
PEER AVERAGES		5.7		1.27	-0.19	0.73	25.83		

The Invesco Van Kampen Small Cap Value fund struggled against peer group averages in 2011. This was due to the heavy underweighting of the defensive sectors that were strong performers in 2011. An avoidance of investments in the Energy and Real Estate sectors also underscored the poor performance in 2011. Through February performance is stellar for 2012 with a return of almost 17%, almost double the peer group average.

The lead manager left in 2010 and the new fund management team that has now been operating the fund for about 21 months. The managers run a deeper value portfolio. The turnover ratio remains at an incredible low 5%.

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



**INTERNATIONAL STOCK:**

FUND # 17	AMERICAN FUNDS CAPITAL WORLD GROWTH & INCOME						RWIEX		
	ASSETS: \$24,190,006			BEST FIT INDEX: MSCI WORLD NR			MARKET CAP: \$37,129 MIL		
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-7.55	9.62	-0.96	-7.96	12.46	-1.80	0.41	-2.84	0.84
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	3	18.8	0.79	1.49	0.54	20.56			
PEER AVERAGES		4.0	0.87	5.28	0.66	21.11			

This global or world equity fund has improved its competitive position from a poor 2010 performance to a second quartile ranking in 2011, despite foreign investments that totaled 13% more than the peer group average. However, the managers have reduced their foreign holdings from 67% a year earlier to 60%. The high emerging markets stake is 17% and despite the dismal performance of this asset category, performance in 2011 was better than the peer group, but weaker than the best fit index.

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



FUND # 18	DFA INTERNATIONAL SMALL COMPANY						DFISX		
	ASSETS: \$10,286,090		BEST FIT INDEX: MSCI EAFE SM CAP			MARKET CAP: \$9,99 MIL			
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-15.56	13.48	-2.92	-14.70	14.68	-2.80	<b>-0.83</b>	<b>-1.20</b>	<b>-0.12</b>
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	3	13.1	0.99	5.30	0.69	22.92			
PEER AVERAGES		3	4.3	0.97	6.78	0.71			

This fund is a compelling hybrid between an index fund and an actively managed fund. While this fund has an active trading strategy they are successful at keeping trading costs down. The managers utilize large volume block trades and make almost 80% of the trades via direct market access. The fund is highly diversified with investments in 23 countries and holds about 4,500 stocks. Together this modifies the risk profile against country and region and sector risk.

This fund holds up well in down markets as over the past decade it only captured 82% of the losses that the benchmark suffered. During rallies it captured 103% of the gains. These results indicate that it will not participate in achieving outsized gains or losses. Through 2011, this fund had a three star rating and through the first month of 2012 the star rating increased to four.

Performance is below peer average, albeit not by much. Underweighting in healthcare and overweighting in financials affected performance.

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



FUND # 19	DODGE & COX INTERNATIONAL STOCK						DODFX		
	ASSETS: \$6,766,294		BEST FIT INDEX: MSCI WORLD EX US			MARKET CAP: \$28,165 MIL			
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-15.97	12.10	-3.45	-13.95	7.83	-4.63	-2.02	4.27	1.18
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	4	10.7	1.14	0.30	0.56	26.57			
PEER AVERAGES		5.0	1.00	0.29	0.43	23.31			

The Dodge & Cox International Stock fund had been a good portfolio performer for many years until the bump in 2011, particularly the fallout in the third quarter, where it declined by 21.7%.. With a turnover of only 15%, holding on to stocks that plummeted cost the fund against its peers. Some emerging market holdings also suffered. That being said, this management team is seasoned and has a long track record of solid performance and, as such, remains a good international core holding for investors.

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



FUND # 20	JANUS ASPEN OVERSEAS						JAIGX		
	ASSETS: \$3,530,500		BEST FIT INDEX: MSCI EAFE GROWTH			MARKET CAP: \$11,144 MIL			
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-32.17	15.13	-1.28	-12.28	11.59	-2.46	<b>-19.89</b>	<b>3.54</b>	<b>1.18</b>
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	4	11.0	0.91	-5.13	0.65	27.18			
PEER AVERAGES		4.6	1.03	-0.71	0.39	23.88			

After two years of performance in the top one and five percentiles, 2011 performance was in the 96<sup>th</sup> percentile. Performance was impacted by large stakes in emerging markets like India, 12% of the assets, Hong Kong, 14%, Brazil, 11% and China, 7%. The number one holding with almost 8% of the assets, U & Fong Ltd. lost 35% in 2011. Another large holding in India with 4% of the assets lost 21%. Despite the heavy loss in 2011 the three year average remains above the peer group.

Since 2003, this fund has beaten every other large cap international blend fund. As noted in 2011, the risk profile will cause outsized returns and losses. In January, 2012 this fund returned over 16% to investors.

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

**BONDS:**

FUND # 21	LOOMIS SAYLES INV GRADE BOND Y						LSIIX		
	ASSETS: \$13,613,940			BEST FIT INDEX: BARCAP US GOVT / CREDIT TR USD			MARKET CAP: N/A		
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	5.08	14.25	7.75	3.41	14.46	5.68	1.67	-0.21	2.07
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	5	15.1	0.50	2.60	2.05	6.57			
PEER AVERAGES		5.5	0.41	10.97	2.05	6.81			

This fund underperformed in 2011 due to its focus on building a portfolio that defends against rising rates. Rates fell in 2011 and higher rates are unlikely for many years. Loomis has an excellent history of managing money but appears to have fallen for the same trap Bill Gross fell into, that of believing in a weak dollar and inevitable rising rates. The portfolio is buying non-US Government bonds.

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



<b>FUND # 22</b>	<b>OPPENHEIMER INTERNATIONAL BOND Y</b>	<b>OIBYX</b>
	ASSETS: \$4,700,630	BEST FIT INDEX: CITI WGBI NON USD
		MARKET CAP: N/A

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-0.20	7.01	6.85	3.33	7.83	6.12	-3.53	-0.82	0.73

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	7.8	0.97	2.19	0.69	10.41
PEER AVERAGES		4.9	1.28	-0.59	1.16	7.76

This bond fund has 16% of the portfolio invested in below grade bonds and 18% are non-rated. This allocation to lower quality bonds was costly in the third quarter 2011 and performance suffered with negative returns for the quarter, which were large enough to take the one and three year performances into the red. In fact, the market's flight to quality in August and September led a third quarter loss of 5.72%. However, long term performance of this fund has been excellent. While it does take greater risk with the low grade bonds, it has produced average investment return for participants.

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

<b>FUND # 23</b>	<b>PIONEER GLOBAL HIGH YIELD Y</b>						<b>GHYYX</b>		
	ASSETS: \$5,294,456			BEST FIT INDEX: CREDIT SUISSE HY			MARKET CAP: \$5,770 MIL		
	<b>ACTUAL RETURN</b>			<b>PEER AVERAGE</b>			<b>DIFFERENCE</b>		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-1.99	23.90	4.77	2.87	19.69	5.23	-4.86	4.21	-0.46
	<b>M*</b>	<b>MGR TENURE</b>		<b>BETA</b>	<b>ALPHA</b>		<b>SHARPE</b>	<b>3 YR STD DEV</b>	
FUND STATISTICS	3	10.4		1.03	-0.42		1.77	12.61	
PEER AVERAGES		5.4		-0.17	19.57		1.84	10.21	

As this fund’s name implies, high yield or “junk” bonds are the crux of holdings. High yield also means high risk. As the “global” in the name implies, holdings of up to 30% to 40% can be in emerging markets. Recent performance has been hampered by the currency valuations compared to the U.S Dollar. This fund, when provided in concert with investment grade bond funds can be a good, albeit small, diversifier in an investment portfolio.

The benchmark averages almost 22% of assets in investment grade investments while this fund has directed only 7% to investment grade investments.

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

**BALANCED ALLOCATION:**

FUND # 24	AMERICAN FUNDS INCOME FUND OF AMERICA						RIDEX		
	ASSETS: \$5,654,896		BEST FIT INDEX: MORNINGSTAR MODERATE			MARKET CAP: \$33,240 MIL			
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	5.51	13.70	1.60	-0.10	11.55	1.42	<b>5.61</b>	<b>2.15</b>	<b>0.18</b>
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	3	38.2	1.07	0.71	1.05	12.90			
PEER AVERAGES		5.1	1.03	0.01	0.91	12.91			

In 2011 this fund's performance was in the top five percentile for its asset class. This follows middling performance over the previous three years. Two sectors were particularly responsible for this strong performance, telecommunications and utilities. The investment style of the managers clearly worked in 2011. Their first investment screen is dividend yield. They rarely buy stocks that have less than a 3% yield. This mandate has kept the managers from buying many bank stocks as they have not yet returned to their history of paying robust dividends. This fund has an average dividend yield of 4.08%.



The bond portfolio is more aggressive with an average credit rating of BB, (below investment grade). 34% of the bond investments are below grade and 36% are rated AAA.

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

**TARGET FUNDS:**

FUND # 25	VANGUARD TARGET RETIREMENT INCOME						VTINX		
	ASSETS: \$2,755,100		BEST FIT INDEX: CUSTOM			MARKET CAP: \$24,619 MIL			
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	5.14	9.47	4.75	5.35	8.56	5.59	-0.21	0.91	-0.84
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV		
FUND STATISTICS	4	8.3		0.84	1.28	1.41	6.60		
PEER AVERAGES		3.9		0.86	1.27	1.06	10.73		

Target Date fund review summary follows fund number 29.

FUND # 26	VANGUARD TARGET RETIREMENT 2020						VTWNX
	ASSETS: \$2,716,530		BEST FIT INDEX: CUSTOM			MARKET CAP: \$24,617 MIL	

**ACTUAL RETURN**

**PEER AVERAGE**

**DIFFERENCE**



	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	0.50	11.78	1.81	1.75	12.92	3.10	-1.25	-1.14	-1.29

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	5.6	1.13	-0.63	0.88	13.79
PEER AVERAGES		3.4	1.08	0.01	0.93	13.42

 Target Date fund review summary follows fund number 29.

FUND # 27	VANGUARD TARGET RETIREMENT 2030	VTHRFX
	ASSETS: \$1,531,031	BEST FIT INDEX: CUSTOM
		MARKET CAP: \$24,617 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-1.37	12.60	0.54	-1.23	14.10	1.56	-0.14	-1.50	-1.02

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	5.6	1.03	-0.43	0.79	16.84
PEER AVERAGES		3.4	1.33	-1.81	0.81	16.50

 Target Date fund review summary follows fund number 29.

FUND # 28	VANGUARD TARGET RETIREMENT 2040	VFORX
	ASSETS: \$1,639,516	BEST FIT INDEX: CUSTOM
		MARKET CAP: \$24,614 MIL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR



RATES OF RETURN	-2.64	12.82	0.17	-2.85	14.33	1.03	0.21	-1.51	-0.86
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	4	5.6	1.12	-1.18	0.75	18.31			
PEER AVERAGES		3.3	1.47	-2.87	0.76	18.27			

 **Target Date fund review summary follows fund number 29.**

FUND # 29	VANGUARD TARGET RETIREMENT 2050						VFIFX		
	ASSETS: \$793,933		BEST FIT INDEX: CUSTOM			MARKET CAP: \$24,597 MIL			
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-2.64	12.83	0.15	-3.47	14.38	0.96	0.83	-1.55	-0.81
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	4	5.6	1.12	-1.16	0.75	18.29			
PEER AVERAGES		2.4	1.52	-3.23	0.75	18.98			

The beauty of these portfolios is their simplicity. Three funds make up the entire portfolio, the Total Stock Market, The Total International Stock Market and the Total Bond Market. By definition participants will receive “market” returns and at a very low cost. It is hard to go wrong with Vanguard. The bond portfolio has an average credit rating of AA, higher than the benchmark.

Overweighting to foreign stocks affected performance against the index. However, using a customized benchmark as the “Best Fit” demonstrates positive comparisons for this family of target funds.

Our only issue with this set of funds is the aggressiveness of the glide path at all points. While the glide path is not out of line with the industry, the industry tends to be rather aggressive.



 **Recommendation: 2020, 2030, 2040 and 2050 on the Watch List due to performance.**

**SPECIALTY:**

FUND # 30	ING GLOBAL REAL ESTATE						IRGIX		
	ASSETS: \$2,272,558		BEST FIT INDEX: MSCI WORLD REAL ESTATE			MARKET CAP: \$8,351 MIL			
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-5.32	13.46	-4.33	-10.34	12.64	-6.75	5.02	0.82	2.42
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV		
FUND STATISTICS	4	6.0		0.99	0.06	0.63	25.77		
PEER AVERAGES		4.1		1.07	4.69	0.59	26.12		

This fund provides diversified exposure to REIT and REIT-like stocks. The fund is global, but has a low exposure to Europe. The fund is diversified across all sectors and has relatively low turnover. This specialty category performed very well in 2011 and while the competition was strong this fund performed in the top 12% of the category. This was one of the top performing sectors and therefore difficult to compete against, yet the one year performance was outstanding.

 **RECOMMENDATION: Remove from Watch List.**





	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-2.38	12.06	2.19	-0.10	11.55	1.42	<b>-2.28</b>	<b>0.51</b>	<b>0.77</b>

Asset Allocation fund review summary follows fund number 33.

FUND # 33		ASSET ALLOCATION FUNDS CONSERVATIVE							
		ASSETS: \$11,890,701			BEST FIT INDEX: MORNINGSTAR CONSERVATIVE			MARKET CAP: N/A	
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	0.85	8.55	3.47	1.71	10.59	2.85	<b>-0.86</b>	<b>-2.04</b>	<b>0.62</b>

The Asset Allocation Funds are a fund of funds approach and, as such, actions on the underlying funds affect the portfolio returns.

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



**WATCH LIST:**

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

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

ACTION	FUND #	TICKER	FUND NAME	INVESTMENT POLICY	QUARTER ADDED
	1	AGTHX	GROWTH FUND OF AMERICA	1, 3 and 5 year performance below standards. This fund has underperformed to the benchmark in 11 of the last 14 qtrs. The 3 / 5 year Information Ratios are (0.32) / (0.08)	4 Q 2010
	2	NMYAX	COLUMBIA MARSICO 21 <sup>ST</sup> CENTURY V	Deleted February 21, 2012 and Replaced with Wells Fargo Advantage	
	10	FLVIX	FIDELITY ADVISORS LEVERAGED CO STOCK	1 and 5 year performance below standards. The Information ratios are 0.56 / 0.01	3Q 2011
	12	RSCMX	COLUMBIA MID CAP VALUE R5	Remain on Watch List due to performance	1 Q 2011



	13	RVPHX	ROYCE VALUE PLUS INVT	1, 3 and 5 year performance below standards. This fund has underperformed the benchmark in 6 of the last 13 quarters. The 3 / 5 year Information Ratios are 0.14 / (0.10)	4 Q 2010
	16	VSCAX	INVESCO U. S. SMALL CAP VALUE	Due to manager change and ownership change	3 Q 2010
	18	DFISX	DFA INTERNATIONAL SMALL COMPANY	1, 3 and 5 year performance below standards. The Information Ratios are 1.29 / 0.39	4 Q 2011
	26-29		VANGUARD TARGET DATE FUNDS	Performance is below standards compared to the indexes. The average Information Ratios are 0.30 / (0.49)	4 Q 2011
	30	IRGIX	ING GLOBAL REAL ESTATE	Remove from Watch List due to continued strong performance in light of ownership change	

