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COUNTY OF SAN BERNARDINO
EXECUTIVE SUMMARY
DEFINED CONTRIBUTION PLANS
2ND QUARTER 2015

(Revised as of August 17, 2015)

	2ND QUARTER %	1 YEAR %	3 YEAR %	5 YEAR %
457(b) Plan Performance	-0.03	4.83	16.05	15.17
Customized Benchmark	-0.49	6.15	15.57	15.71
DIFFERENCE	0.46	-1.32	0.48	-0.54
401(k) Plan Performance	-0.05	5.10	16.33	15.44
Customized Benchmark	-0.56	6.38	16.24	16.28
DIFFERENCE	0.51	-1.28	0.09	-0.84
Retirement Medical Trust	-0.36	3.78	12.79	12.79
Customized Benchmark	-0.73	4.98	12.63	13.22
DIFFERENCE	0.37	-1.20	0.15	-0.43

This is the first quarterly investment portfolio review since the restructuring of the portfolio with Voya Financial Services this past spring. This plan design reduced mutual fund holdings from 33 funds to 13 funds plus a series of five (5) target date funds. The dollar weighted expense ratio reduced from 0.49% (49 basis points) to 0.29% on the 457(b) portfolio. The entire portfolio has been fee equalized with Voya receiving 0.12% in required revenue plus 0.06% in an Administrative Expense Reimbursement Allowance for the operation of the plan by the County.

PORTFOLIO COMPOSITION AND ANALYSIS

The total assets in the County of San Bernardino's defined contribution plans increased from $817 million as of March 31, 2015 to $822 million, an increase of less than 1%. The 457(b) assets in the Ameritrade Self-Directed Brokerage Account (SDBA) is remaining somewhat constant at $2.1 million and 31 participants. The 401(k) assets in the SDBA are also somewhat constant at $493,000 and 7 participants.

- 457(b) Assets $573,869,443
- 401(k) Assets $115,003,069
- 401(a) Assets $9,745,396
- RMT Assets $85,038,932
- 3121 Assets $38,233,683

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457(b) PLAN CASH POSITION:

The assets in the Stabilizer remain stable and represent 28.3% of the portfolio. The interest crediting rate was reduced from 2.60% to 2.30% effective July 1st. The strategy is Intermediate Aggregate Plus which is designed to make the portfolio more responsive to short term fluctuations in the fixed income space. The Market to Book Value was virtually par at 99.98% as of June 30, 2015.

401(k) PLAN CASH POSITION:

The assets in the Stabilizer decreased slightly from 27.1% to 26.9%.

RETIREMENT MEDICAL TRUST CASH POSITION:

Interest bearing assets in the RMT remained somewhat stable with the percentage of assets in the fixed interest account decreasing slightly from 65.9% in the Voya General account to 65.3%.

457(b) PLAN MUTUAL FUNDS POSITION:

As mentioned above, this portfolio was significantly redesigned in the second quarter of 2015 retaining three (3) domestic actively managed funds, one (1) international actively managed fund and one (1) global actively managed fund. All three actively managed bond funds were retained; an intermediate term bond fund, a world bond fund and a high yield bond fund. All of the other holdings are passively managed index funds.

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(b) increased from 1.51 to 1.90.

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 8.01, which is higher than the benchmark of 7.77.

The Alpha, a measurement of the value added by the investment manager is 0.20. 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 (3) years.

The top 25 stocks in the mutual fund portfolio represent 13.9% of the portfolio led by Amazon.com with 1.21% of assets followed by Apple, Inc. with 1.09% of assets.

The dollar weighted net expense ratio is 0.29%.

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401(k) Mutual Funds Position:

The Sharpe Ratio for the 401(k) portfolio is 1.92. The three (3) year Standard Deviation for the portfolio is 8.07. The Alpha is 0.30 and the Beta is 0.99.

The top 25 stocks in the mutual fund portfolio represent 14.3% of the portfolio led by Amazon.com with 1.29% of assets followed by Apple, Inc. with 1.15% of assets.

The dollar weighted net expense ratio is 0.28%.

Retirement Medical Trust (RMT) Mutual Funds Position:

With the RMT heavily weighted to the Voya General Account, the gains or losses of any one fund has little effect on the total portfolio.

The Sharpe Ratio for the RMT portfolio is 1.84. The three (3) year Standard Deviation for the portfolio is 6.66, which is higher than the benchmark of 6.20. The Alpha is -0.50 and the Beta is 1.06.

The top 25 stocks in the mutual fund portfolio represent 10.5% of the portfolio led by Apple, Inc. with 1.24% of assets followed by Microsoft, Inc. with 0.62% of assets.

The dollar weighted net expense ratio is 0.22%.

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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	**0.28**	**7.41**	**17.28**	**17.31**
American Funds Growth Fund of America	1.45	8.47	19.34	16.89
MID CAP				
Vanguard Mid Cap Index	**-1.16**	**8.66**	**19.70**	**18.26**
Baron Growth	-1.11	7.51	17.66	17.39
SMALL CAP				
Vanguard Small Cap Index	**-0.56**	**5.25**	**18.74**	**18.17**
Invesco Small Cap Value	-0.42	3.50	22.06	18.69
INTERNATIONAL				
Vanguard Total International Stock Index	**1.30**	**-4.57**	**9.90**	**8.23**
American Funds Capital World Growth & Income	0.34	1.19	14.49	12.96
Dodge & Cox International Stock	-0.30	-3.64	15.44	11.24

In the second quarter, all of the domestic actively managed funds beat their benchmark index albeit with negative returns on the mid cap and small cap asset classes. Both actively managed international/global fund failed to beat the international stock index.

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LARGE GROWTH:

FUND # 1	AMERICAN FUNDS GROWTH FUND OF AMERICA		RGAGX
IMPLEMENTATION: MAR 2003	ASSETS: $ 71,993,389	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	8.47	19.34	16.89	9.39	17.48	16.96	-0.92	1.86	-0.07

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	26.7	0.92	2.42	2.12	8.54	0.33%
PEER AVERAGES		7.0	1.00	0.29	1.71	9.76	1.19%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2015	31-Mar 2015	31-Dec 2014	30-Sep 2014
	RGAGX	1	1	1	0	0	0	1	1	2	7	7	7	7
		84.1/ 61.4	11.5	95.4	12.6/ 16.9	95.5/ 103.8	-0.63	18	16		LCG	LCG	LCG	LCG

Year-to-date returns have been good, though the fund has lagged over the past twelve months. This fund has outperformed the peer group for quite some time since a tough recovery from the financial crisis. Periods of underperformance, sometimes lasting for many quarters are not unusual. Cash is still about 7% of the portfolio and the allocation to foreign stocks is steady at 12%. While the fund has moved steadily towards a more growth oriented portfolio since the crisis we are starting to see a slight movement back toward blend.

Deviations from the index are in the Financial Services (2x) and Energy sectors (nearly 8% versus just 1%) as well as a half weight to Consumer Defense.

While the fund has not beaten the index over the three (3) and five (5) year periods on an absolute basis, the risk-adjusted return beats over three (3) and just misses over five (5); though beats the peer for both.

Manager Bradley Vogt has moved on to different duties at Capital Group. His departure will have little effect on the portfolio (he was one of twelve counselors). Vogt is replaced by longtime tech analyst Lawrence Solomon (tech represents almost 24% of the portfolio).

Recommendation: No action at this time.

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LARGE BLEND:

FUND # 2	VANGUARD INSTITUTIONAL INDEX	VINIX

IMPLEMENTATION: MAY 2008 ASSETS: $ 84,003,228 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	7.41	17.28	17.31	7.42	17.31	17.34	-0.01	-0.03	-0.03

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	14.6	1.00	-0.03	1.91	8.55	0.04%
PEER AVERAGES		N/A	1.00	0.00	2.02	8.55	N/A

Passive	Ticker/ ID	Style				Peer Group				Qual.	Score			
		Style	Style Drift	R^2	Tracking Error	TE Rank	Expense Rank	Return Rank	SR Rank	(2pt. max)	30-Jun 2015	31-Mar 2014=5	31-Dec 2014	30-Sep 2014
	VINIX	1	1	1	1	1	1	1	1	2	10	10	10	10
		-9.5/ 99.3	1.3	99.4	0.7	35	2	12	8		LCB-P	LCB-P	LCB-P	LCB-P

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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MID CAP GROWTH:

FUND # 3	BARON GROWTH			BGRIX
IMPLEMENTATION: MAR 2003	ASSETS: $ 20,257,234	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	7.51	17.66	17.39	8.92	17.53	16.81	-1.41	0.13	0.58

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	20.6	0.82	2.77	1.65	10.23	1.04%
PEER AVERAGES		7.2	1.01	0.17	1.58	10.68	1.30%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2015	31-Mar 2015	31-Dec 2014	30-Sep 2014
	BGRIX	1	1	1	1	0	0	1	1	2	8	9	9	9
		23.3/ -30	14	88.6	13.9/ 17.4	92.1/ 92.7	-0.27	13	13		MCG	MCG	MCG	MCG

The fund slipped by a point from last quarter to an 8. The fund barely missed a point for information ratio and up/down capture which would have given it a 10. While the score looks good we expect some further deterioration over the coming quarters as poor performance in 2014 gets factored in. The fund struggled versus the Russell Mid Cap Growth index, while doing relatively well versus the Russell 2000 Growth. Short term underperformance is not new with Baron, holding on during the tough times has historically been a winning strategy.

The Sharpe and Sortino ratios continue to be better than all the indexes and peer groups with the exception of the Russell Mid Cap Growth (which is only slightly better).

Recommendation: No action at this time.

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MID CAP BLEND:

FUND # 4	VANGUARD MID CAP INDEX		VMCIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 48,747,984	BEST FIT INDEX: SPLICED 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	8.66	19.70	18.26	8.68	19.74	18.31	-0.02	-0.04	-0.05

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	17.2	0.97	0.55	1.98	9.33	0.08%
PEER AVERAGES		N/A	1.00	N/A	2.10	9.36	N/A

Passive	Ticker/ ID	Style				Peer Group				Qual.	Score			
		Style	Style Drift	R^2	Tracking Error	TE Rank	Expense Rank	Return Rank	SR Rank	(2pt. max)	30-Jun 2015	31-Mar 2014=5	31-Dec 2014	30-Sep 2014
	VMCIX	1	0	1	1	1	1	1	1	2	9	9	9	9
		24.2/ 5.7	8	99.1	0.9	16	5	2	0		MCB-P	MCB-P	MCB-P	MCB-P

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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SMALL BLEND:

FUND # 5	VANGUARD SMALL CAP INDEX			VSCIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 29,407,624	BEST FIT INDEX: SPLICED 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	5.25	18.74	18.17	5.21	18.71	18.11	0.04	0.03	0.06

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	23.6	0.94	1.64	1.62	11.01	0.08%
PEER AVERAGES		N/A	1.00	N/A	1.73	11.03	N/A

Passive	Ticker/ ID	Style				Peer Group				Qual.	Score			
		Style	Style Drift	R^2	Tracking Error	TE Rank	Expense Rank	Return Rank	SR Rank	(2pt. max)	30-Jun 2015	31-Mar 2014=5	31-Dec 2014	30-Sep 2014
	VSCIX	1	0	1	1	0	1	1	1	2	8	8	8	9
		-4.2/ -55.1	10.4	95.8	2.8	88	4	5	2		SCB-P	SCB-P	SCB-P	SCB-P

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 # 6	INVESCO SMALL CAP VALUE			VSMIX
IMPLEMENTATION: MAY 2011	ASSETS: $ 6,563,521	BEST FIT INDEX: RUSSELL 2000 VALUE	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	3.50	22.06	18.69	0.51	16.06	14.76	2.99	6.00	3.93

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	5.1	1.06	2.68	1.52	13.80	0.87%
PEER AVERAGES		6.8	1.10	-2.37	1.33	11.88	1.34%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2015	31-Mar 2015	31-Dec 2014	30-Sep 2014
	VSMIX	0	0	1	1	1	1	1	1	2	8	8	8	8
		18.1/ -54.7	40.5	88.3	19.7/ 18.7	121.0/ 111.1	0.54	1	12		SCV	SCV	SCV	SCV

The management team has been in place since 2010 and is looking for stocks in the $300 million to $6.5 billion market cap range. This is a pretty wide range and allows for both smaller mid-cap holdings and for the more successful picks to grow larger than other small cap funds with a lower upper threshold. While the team will allow stocks to run past the $6 billion mark they will sell once the position hits $10 billion.

This market cap flexibility has led to the fund moving between the small and mid-classifications and losing two points for style purity. We've also seen the fund move between value, blend and growth over the years. What we can say about this fund is that the pond it fishes in is not as limited as others and the managers hope this extra flexibility will lead to excess returns over the long term. For those looking for a fund that is "style pure" they'll need to look elsewhere. Given that the portfolio rarely exceeds 70 stocks, patience will be required by investors who want to reap the potential longer term rewards.

RECOMMENDATION: No action at this time.

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INTERNATIONAL STOCK:

FUND # 7	AMERICAN FUNDS CAPITAL WORLD GROWTH & INCOME		RWIGX
IMPLEMENTATION: MAY 2008	ASSETS: $ 34,680,566	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	1.19	14.49	12.96	0.60	13.46	12.29	0.59	1.03	0.67

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	22.3	0.92	2.29	1.68	8.29	0.44%
PEER AVERAGES		4.6	0.75	5.94	1.40	9.39	1.30%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2015	31-Mar 2015	31-Dec 2014	30-Sep 2014
	RWIGX	1	1	1	1	1	0	1	1	2	9	9	7	7
		8.4/ 68.8	12.5	95.8	13.3/ 13	96.9/ 95.8	-0.05	28	25		GE	GE	GE	GE

Rising from a 7 at year end to a near perfect 10 (it missed the information ratio by .05) this quarter CWGI has steadily improved from what we already saw as great performance. This fund has always had an allocation that is closer to the MSCI ACWI than most global funds and the extra non-US allocation hurt returns, though not by as much as we would have expected.

Good returns lead to asset flows which can lead to bloat. Capital Group has responded by restructuring the management responsibilities. The $90 billion fund will see its assets split between Capital Research Global Investors (CRGI) and Capital International Investors (CII) in order to break it into easier to manage chunks. The current team (8 counselors) will continue to manage the majority of assets while the CII side will begin seeing larger allocations over the next few years.

James Terrile joined the fund in early 2015 after Jeanne Carroll retired in 2014. The fund is still underweight MSCI ACWI with a 40% US allocation versus 50% for the index. This has helped returns in 2015.

RECOMMENDATION: No action at this time.

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FUND # 8	DODGE & COX INTERNATIONAL STOCK			DODFX
IMPLEMENTATION: MAY 2008	ASSETS: $ 13,499,441	BEST FIT INDEX: MSCI WORLD EX US 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	-3.64	15.44	11.24	-3.28	10.83	8.91	-0.36	4.61	2.33

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	14.2	1.01	4.64	1.35	11.14	0.64%
PEER AVERAGES		5.0	0.94	1.87	1.05	10.36	1.18%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2015	31-Mar 2015	31-Dec 2014	30-Sep 2014
	DODFX	1	1	1	1	1	1	1	1	2	10	10	10	10
		-8.4/ 65.1	22.2	95.4	16.7/ 11.2	105.0/ 97.8	0.47	8	7		ILCB	ILCB	ILCB	ILCB

Dodge & Cox International has spread its holdings across the large cap spectrum holding almost one-third in each value, blend and growth. The weighted-average market cap is about a third higher than the index and 15% greater than the peer. In other words, it is very focused on large and giant stocks. From an emerging markets perspective the fund continues to be overweight compared to the index and has three (3) times the amount as the peer. We would have expected the large EM position to hurt the fund versus the peer, yet international outperformed by a wide margin in 2014, though is slightly underperforming year-to-date.

From a Scorecard perspective this fund continues to receive a perfect 10 and we expect it to continue to score high points for several more quarters.

Recommendation: No action at this time.

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FUND # 9	VANGUARD TOTAL INTERNATIONAL STOCK MARKET INDEX	VTSNX

IMPLEMENTATION: APRIL 2015 ASSETS: $ 18,110,205 BEST FIT INDEX: SPLICED INTERNATIONAL 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	-4.57	9.90	8.23	-4.49	10.06	N/A	-0.08	-0.16	N/A

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	6.9	1.01	0.37	0.94	10.54	0.12%
PEER AVERAGES		N/A	1.02	N/A	0.98	10.29	N/A

Passive	Ticker/ ID	Style				Peer Group				Qual.	Score			
		Style	Style Drift	R^2	Tracking Error	TE Rank	Expense Rank	Return Rank	SR Rank	(2pt. max)	30-Jun 2015	31-Mar 2014=5	31-Dec 2014	30-Sep 2014
	VTSNX	1	1	0	1	0	1	1	1	2	8	8	7	6
		-18.6/ 60.4	17.8	93.8	2.7	88	8	72	70		ILCB-P	ILCB-P	ILCB-P	ILCB-P

This international/global index is performing as expected adjusted for expense and tracking error.

Recommendation: No action at this time.

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BONDS:

FUND # 10	LOOMIS SAYLES INVESTMENT GRADE BOND			LSIIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 14,299,604	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	-3.85	3.51	5.45	-0.65	4.10	5.74	-3.20	-0.59	-0.29

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	18.6	1.53	-1.28	0.77	4.55	0.59%
PEER AVERAGES		5.4	0.82	2.56	1.08	3.82	1.04%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2015	31-Mar 2015	31-Dec 2014	30-Sep 2014
	LSIIX	0	1	0	1	1	1	1	1	0	6	6	6	6
		25.1/ -43.2	16.7	21.6	5.0/ 5.5	138.8/ 104.6	0.47	5	36	S	CFI	CFI	CFI	CFI

Though this fund only receives a 6 on the scorecard, the entire reduction in points is due to not following a benchmark closely. The fund loses for style and r-squared which causes it to lose 2 points for Strength of Statistics. Given that the fund was chosen for its ability to eschew a benchmark and find value where it can within Investment Grade bonds, we are not concerned about the loss of points.

This fund also employs currency strategies which further sets it apart from the index and peers, leading to periods of significant outperformance, but also periods where it lags. 2014 was a tough year for non-dollar strategies. Currently the fund has 14% in the Canadian Dollar and another 15% in non-dollar holdings. Loomis likes to benchmark to the Barclays US Government/Credit Index and outperformed that index during the prior quarter but has underperformed year-to-date.

While this fund scores a 6, we understand and are comfortable with the fund management's strategy and benchmarking.

Recommendation: Remain on Watch List due to investment performance.

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FUND # 11	OPPENHEIMER INTERNATIONAL BOND		OIBIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 3,405,758	BEST FIT INDEX: MSTAR GLOBAL EX US GOV BOND	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	-3.89	1.01	2.99	-5.26	0.71	2.81	1.37	0.30	0.18

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	2.5	0.65	-1.26	0.21	5.09	0.56%
PEER AVERAGES		4.9	0.92	-0.92	0.27	4.65	1.04%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2015	31-Mar 2015	31-Dec 2014	30-Sep 2014
	OIBIX	0	0	0	1	1	1	1	0	0	4	2	3	3
		-33.4/ -12.7	38.8	70.8	7.4/ 3	127.2/ 121.9	0.18	47	51	T/S	GFI	GFI	GFI	GFI

This fund's score doubled from 2 to 4 this past quarter based upon stronger returns versus the index. While the fund is not up much, the Citi WGBI Non-US index is down nearly 6%. Currently, 35% of developed market assets are invested in Europe and 30% of Emerging Market assets are in the Americas. The top country holdings are Mexico, the UK and Brazil.

Oppenheimer breaks their strategies within this fund into four categories, as follows:

Global Core Rates FX – 49%	Credit – 31%
Global Tactical Rates/FX – 16%	Cash – 4%

Currently over 50% of the portfolio is BBB or below. The duration is about 5.5 years. While this fund scores a 4, fund managers do not follow the benchmark provided. As such, this fund should score a 7.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

FUND # 12	PIONEER GLOBAL HIGH YIELD			GHYYX
IMPLEMENTATION: MAY 2008	ASSETS: $ 4,339,452	BEST FIT INDEX: BARCLAYS GLOBAL HY		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	-4.20	5.49	6.63	-1.12	6.02	7.61	-3.08	-0.53	-0.98

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	2	13.9	1.01	-1.31	1.08	5.00	0.84%
PEER AVERAGES		5.9	0.59	4.84	1.41	4.35	1.07%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2015	31-Mar 2015	31-Dec 2014	30-Sep 2014
	GHYYX	1	1	1	0	0	0	0	0	2	5	5	5	5
		99.1/ -99.1	2	88.5	7.1/ 6.6	97.8/ 127.1	-0.71	89	58		HY	HY	HY	HY

This fund receives low marks from the Scorecard though this is mainly because the index used is domestic only. As domestic high yield has outperformed international, this has affected the score. Under a more global index the score would be higher. When comparing to the Barclays Global High Yield index the fund has underperformed the last two (2) years, but is beating year-to-date. The index contains both developed and emerging markets high yield bonds, providing a reasonable comparison.

From a diversification standpoint this fund is a nice solution for those looking to add risky bonds with an international flair. While we expect this fund to outperform a more staid bond index over long periods, the short term can be very volatile.

Recommendation: Remain on Watch List due to investment performance.

SST BENEFITS CONSULTING

TARGET FUNDS:

FUND # 13	VANGUARD TARGET RETIREMENT INCOME			VTINX
IMPLEMENTATION: DEC 2009	ASSETS: $ 4,322,800	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	1.94	5.35	6.76	2.13	5.57	6.91	-0.19	-0.22	-0.15

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	2.4	1.16	1.58	1.57	3.33	0.16%
PEER AVERAGES		N/A	1.01	N/A	2.02	3.17	0.53%

Target Date fund review summary follows fund #17.

FUND # 14	VANGUARD TARGET RETIREMENT 2020			VTWNX
IMPLEMENTATION: DEC 2009	ASSETS: $ 14,771,372	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	3.03	10.19	10.70	3.23	10.46	10.94	-0.20	-0.27	-0.24

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	2.4	0.90	0.97	1.81	5.45	0.16%
PEER AVERAGES		N/A	1.01	N/A	2.28	5.32	0.51%

Target Date fund review summary follows fund #17.

SST BENEFITS CONSULTING

FUND # 15	VANGUARD TARGET RETIREMENT 2030			VTHRX
IMPLEMENTATION: DEC 2009	ASSETS: $ 13,536,827	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	3.19	12.20	12.35	3.41	12.49	12.58	-0.22	-0.29	-0.23

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	2.4	0.89	0.98	1.77	6.63	0.17%
PEER AVERAGES		N/A	1.01	N/A	2.21	6.53	0.51%

Target Date fund review summary follows fund #17.

FUND # 16	VANGUARD TARGET RETIREMENT 2040			VFORX
IMPLEMENTATION: DEC 2009	ASSETS: $ 10,336,178	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	3.28	13.82	13.50	3.59	14.14	13.76	-0.31	-0.32	-0.26

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	2.4	0.99	0.88	1.71	7.74	0.18%
PEER AVERAGES		N/A	1.01	N/A	2.15	7.61	0.51%

Target Date fund review summary follows fund #17.

SST BENEFITS CONSULTING

FUND # 17	VANGUARD TARGET RETIREMENT 2050			VFIFX
IMPLEMENTATION: DEC 2009	ASSETS: $ 5,227,980	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	3.29	13.81	13.51	3.59	14.14	13.76	-0.30	-0.33	-0.25

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	2.4	0.99	0.89	1.71	7.73	0.18%
PEER AVERAGES		N/A	1.01	N/A	2.15	7.61	0.49%

Vanguard Target Risk and Target Date funds continue to be fully invested, index based portfolios with a global allocation primarily focused on the US, but with a greater allocation to foreign stocks than in the past. Vanguard recently announced an agreement with China to add Chinese stocks to the international allocation and expects this to be complete by year-end. The Chinese shares will be added to the Emerging Market Index.

China's markets have experienced substantial volatility (not long after the Vanguard announcement and after large gains in prior years) and has fallen by over 30% in the past few months. While this seems scary, it is actually preferable as Vanguard will be buying at much lower prices.

Vanguard will be buying the China A-Shares, which are the local securities offered by Chinese companies listed on the Shanghai and Shenzhen exchanges. Baron's reported that "until recently, regulations made it nearly impossible for foreign investors to deal in mainland Chinese stocks. Chinese authorities are taking steps to loosen rules that control the flow of funds in and out of the country, though large investors are still allotted quotas that control the amount of shares they can buy, among other restrictions."

FTSE (the index provider for Vanguard's Emerging Markets Index) says that A-shares will eventually represent 32% of its Emerging Markets Index, a fundamental shift. Vanguard says that the weighting for China A-shares in the current index would be about 5.6%, we are working to better understand the longer term targets. In addition to the Emerging Markets Index changes, which will now also include some small cap stocks, the Developed Markets Index will be adding exposure to Canada and to smaller cap stocks. These changes will begin in Q3 and Q4 2015.

We are in the process of researching these changes and talking with Vanguard and will continue to update the committee with additional details.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

SPECIALTY:

FUND # 18	VOYA GLOBAL REAL ESTATE			IGLIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 6,570,677	BEST FIT INDEX: S&P DEVELOPED PROPERTY	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	-1.66	8.20	11.14	0.03	9.17	11.13	-1.69	-0.97	0.01

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	13.7	0.94	-0.48	0.72	11.87	0.98%
PEER AVERAGES		5.9	0.76	-0.21	0.84	11.41	1.41%

Active	Ticker/ ID	Style			Risk/Return			Peer Group		Qual.	Score			
		Style	Style Drift	R^2	Risk / Return	Up / Down	Info Ratio	Return Rank	Info Ratio Rank	(2pt. max)	30-Jun 2015	31-Mar 2015	31-Dec 2014	30-Sep 2014
	IGLIX	1	1	1	0	0	0	1	0	2	6	6	-	-
		12.8/ 96.2	5.9	93.5	15.2/ 11.1	91.7/ 95.7	-0.36	46	61		GRE	GRE	-	-

This fund loses quite a few points due to the index holding a higher percentage of US stocks than this fund is designed to hold. Voya Global Real Estate is about 50% US stocks while the index the Scorecard uses is 70%. The large outperformance of US over Foreign REITs over the past several years is the reason for the lower score. 2015 has been very different for REIT investors as Foreign REITs have outperformed. This has been a boon for this fund as even though it is down for the year, it is doing much better than a US only portfolio, precisely the reason we chose a "global" REIT over a pure domestic one.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

ASSET ALLOCATION:

FUND # 19	ASSET ALLOCATION FUNDS AGGRESSIVE		
IMPLEMENTATION: MAY 2008	ASSETS: $ 39,579,885	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	1.45	13.43	12.29	0.84	11.98	11.21	0.61	1.45	1.08

FUND # 20	ASSET ALLOCATION FUNDS MODERATE		
IMPLEMENTATION: MAY 2008	ASSETS: $ 64,076,515	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	2.98	11.20	10.57	1.20	8.69	8.81	1.78	2.51	1.76

FUND # 21	ASSET ALLOCATION FUNDS CONSERVATIVE		
IMPLEMENTATION: MAY 2008	ASSETS: $ 21,569,359	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	1.70	6.88	6.90	1.52	5.07	6.02	0.18	1.81	0.88

The asset allocation models are performing as expected.

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, "A quarterly investment review report shall be evaluated by the DC Committee to ensure that fund performance complies with the objectives outlined in this Policy. Tools and metrics shall be included within the report to assist the committee in the evaluation process. These tools include, but are not limited to, the following:

a. Scorecard System for actively managed funds (see addendum)
b. One, three and five year performance and benchmarking
c. Glide path suitability for Target-Date (age based) funds

The foregoing investment monitoring criteria shall not, under any circumstances, be taken as definitive, conclusive, or controlling for removal, termination, or continuation of an investment option. All determinations should be made by the DC Committee, in accordance with Plan objectives, taking into consideration all relevant facts and circumstances."

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
⚠	10	LSIIX	LOOMIS SAYLES INV GRADE BOND	Remain on Watch List due to investment performance. The 3 / 5 Information Ratios have changed from 0.32 / 0.35 to 0.46 / 0.47.	1Q 2015
⚠	12	GHYYX	PIONEER GLOBAL HIGH YIELD	Remain on Watch List due to investment performance. The 3 / 5 Information Ratios have changed from 0.24 / 0.19 to 0.69 / 0.43.	4Q 2014

SST BENEFITS CONSULTING

COUNTY OF SAN BERNARDINO
INVESTMENT OPTIONS SPECTRUM

TARGET ALLOCATION	ASSET ALLOCATION	SPECIALTY	BONDS	BALANCED ALLOCATION	DOMESTIC EQUITY			INTERNATIONAL - GLOBAL EQUITY
					LARGE VALUE	LARGE BLEND	LARGE GROWTH	
Vanguard Ret Inc	Aggressive Allocation	Voya Global Real Est	Loomis Sayles Inv					AmFunds Cap World
Vanguard Ret 2020	Moderate Allocation		Oppenheimer Intl			Vanguard Institutional Idx	AmFunds Growth Fund	Dodge & Cox Intl
Vanguard Ret 2030	Conservative Allocation		Pioneer Global HY					Vanguard Total Intl
Vanguard Ret 2040								
Vanguard Ret 2050								
					MID CAP VALUE	MID CAP BLEND	MID CAP GROWTH	
						Vanguard Mid Cap Idx	Baron Growth	
					SMALL VALUE	SMALL BLEND	SMALL GROWTH	
					Invesco SmCap Value	Vanguard SmCap Index		

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.