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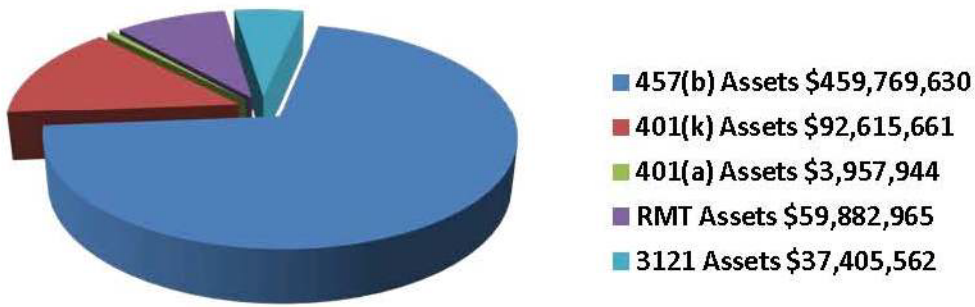
COUNTY OF SAN BERNARDINO
EXECUTIVE SUMMARY
DEFINED CONTRIBUTION PLANS
1st QUARTER 2013

	1ST QUARTER %	1 YEAR %	3 YEAR %	5 YEAR %
457 Plan Performance	8.56	13.85	10.70	5.77
Customized Benchmark	9.23	12.94	12.19	7.04
DIFFERENCE	**-0.66**	**0.91**	**-1.50**	**-1.26**
401(k) Plan Performance	8.47	13.56	10.68	5.92
Customized Benchmark	9.55	13.37	12.77	7.35
DIFFERENCE	**-1.09**	**0.19**	**-2.10**	**-1.43**
Retirement Medical Trust	7.12	12.12	10.65	6.26
Customized Benchmark	8.18	11.58	12.48	8.32
DIFFERENCE	**-1.06**	**0.54**	**-1.83**	**-2.06**

PORTFOLIO COMPOSITION AND ANALYSIS:



The total assets in all of the County of San Bernardino plans have increased from $623 million as of December 31, 2012 to $654 million. The increase was due in part to the appreciation of mutual fund assets by $22.3 million in the 457 plan, $4.6 million in the 401(k) plan and, of course, deferrals and contributions.

457 assets in the Ameritrade Self Directed Brokerage Account (SDBA) are now $1.9 million; almost the same as the previous quarter. The 401(k) assets in the SDBA are $387,000, down from $420,000 in the fourth quarter.

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457 PLAN CASH POSITION:

The stable value crediting rate continues to be 2.5%. In the first quarter $2.3 million transferred into the Stabilizer from the mutual fund portfolio. This follows the fourth quarter where over $5.2 million transferred from the 457 mutual funds to the fixed interest account. Despite the transferred assets the percentage of assets in the stabilizer decreased 35.77% to 33.94%. 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 decreased from 32.53% to 30.89%. Only $402,000 transferred from the mutual funds.

RETIREMENT MEDICAL TRUST CASH POSITION:

There was a decrease in the percentage of assets in the fixed interest account from 76.05% in the ING General account to 73.28%.

457 PLAN MUTUAL FUNDS POSITION:

The underperformance to the customized benchmark over the first quarter is due primarily to the high mutual fund allocation to Growth Fund of America, with 18.85% of the mutual fund assets and Capital World Growth & Income with 11.90% of the assets. The customized index is devoid of expenses while the mutual funds do have an expense structure.

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 fourth quarter ratio of 0.66 to 0.75. The benchmark is much higher at 0.90. That is a significant difference from the portfolio and the portfolio Sharpe Ratio is impacted by the -0.07 Sharpe Ratio for Janus Overseas. Actually, all of the international funds have below average Sharpe Ratios, excluding Janus Overseas, ranging from 0.33 to 0.54.

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 14.87, which is higher than the benchmark of 13.47.

The Alpha, a measurement of the value added by the investment manager is -2.04**.** 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 1.09 (over three years).

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401(k) MUTUAL FUNDS POSITION:

The underperformance to the customized benchmark over the first quarter is due primarily to the high mutual fund allocation to Growth Fund of America, with 18.25% of the mutual fund assets and Capital World with 8.84% of the assets.

The Sharpe Ratio for the 401(k) portfolio is 0.75, which is lower than the benchmark of 0.92 (over three years). The three (3) year Standard Deviation for the portfolio is 14.83; which is higher than the benchmark of 13.71. The Alpha is -2.40 and the Beta is 1.07.

RETIREMENT MEDICAL TRUST (RMT) MUTUAL FUNDS POSITION:

The underperformance in all fourth quarter and one (1) year period is due to the high mutual fund allocation to Growth Fund of America with 9.49% of the mutual fund assets.

The Sharpe Ratio for the RMT portfolio is 0.85 which is lower than the benchmark, 0.97. The three (3) year Standard Deviation for the portfolio is 12.83 which is higher than the benchmark of 12.52. The Alpha is -1.37 and the Beta is 1.01.

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PERFORMANCE OF INDEX FUNDS VS. ACTIVELY MANAGED FUNDS:	4TH QTR %	1 YEAR %	3 YEAR %	5 YEAR %
LARGE CAP				
Vanguard Institutional Index	**10.61**	**13.94**	**12.65**	**5.84**
American Funds Growth Fund of America	8.56	14.20	10.29	4.45
TIAA CREF Growth & Income Retirement	9.68	11.52	12.10	6.04
Wells Fargo Advantage Growth Fund	6.83	4.53	17.09	12.05
Main Stay ICAP Select Equity	11.29	14.42	11.60	5.44
Parnassus Equity Income	12.68	20.87	12.04	9.12
Columbia Diversified Equity Income	11.23	14.51	10.54	3.95
MID CAP				
Vanguard MidCap Index Signal	**12.86**	**15.45**	**14.06**	**8.06**
Baron Growth	13.45	21.40	16.15	8.79
ING Mid Cap Opportunities	10.70	10.20	15.27	9.69
Fidelity Adv Leveraged Company Stock	13.52	25.05	15.11	6.07
Columbia MidCap Value	13.36	18.68	12.24	6.05
SMALL CAP				
Vanguard Small Cap Index	**12.85**	**18.10**	**14.83**	**9.78**
Loomis Sayles Small Cap Growth	13.89	12.64	17.15	9.95
Invesco Small Cap Value	15.65	19.25	14.71	11.12
Perkins Small Cap Value	11.23	12.09	8.94	9.20

Eight (8) out of thirteen (13) actively managed funds outperformed their benchmarks in the first quarter and the past one (1) year; this despite averaging higher expenses. This is a good indication of the strength of the portfolio. In only three (3) of nine (9) of the Morningstar asset categories did active management outperform their corresponding index.

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MUTUAL FUNDS OVERVIEW AND NARRATIVE:

LARGE CAP GROWTH:

FUND # 1	AMERICAN GROWTH FUND OF AMERICA									AGTHX
	ASSETS: $ 56,132,724			BEST FIT INDEX: RUSSELL 1000 GROWTH					M* ANALYST RATING:	Bronze

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	14.20	10.29	4.45	8.44	10.86	5.43	**5.76**	**-0.57**	**-0.98**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	27.4	1.17	-0.87	0.70	15.62	0.71%
PEER AVERAGES		6.2	1.08	-2.39	0.70	16.86	1.30%

This fund performance remains in the top 7% of its asset category for the one (1) year comparison period. The five (5) year performance comparison worsened slightly as a stronger quarter dropped off the rolling periods. The performance for the past one (1) year improved in its comparison to the peer group by 56 basis points. The investment strategy of investing in non-growth stocks helped performance. However, the cash holdings which are three (3) times larger than the peer average was a drag on performance.

Also impacting performance was the heavy weight to international stocks. The international equity strategy is based on investing in companies that have a multinational or global footprint. The Sharpe Ratio is equal to the peer group and the standard deviation is lower than the benchmark. The turnover ratio has decreased 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.

In the first quarter $1.6 million transferred out of this fund.

RECOMMENDATION: Remain on Watch List due to performance.

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FUND # 2	TIAA CREF GROWTH & INCOME									TRGIX
	ASSETS: $ 11,670,514			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	11.52	12.10	6.04	8.44	10.86	5.43	**3.08**	**1.24**	**0.61**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	8.1	0.98	-0.50	0.83	15.11	0.72%
PEER AVERAGES		6.2	1.08	-2.39	0.70	16.86	1.30%

This fund continues to lead its peers in all measurable periods. An underweight to the Technology sector and over weights to the Financial and Utility sectors provided this fund with performance advantages in the first quarter. This fund takes low risk to achieve well above average returns. The standard deviation is 11% lower than average and the Sharpe Ratio is 19% higher than average.

RECOMMENDATION: No action at this time.

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FUND # 3	WELLS FARGO ADVANTAGE GROWTH									SGRKX
	ASSETS: $ 4,031,354			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	4.53	17.09	12.05	8.44	10.86	5.43	-3.91	6.23	6.62

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	10.9	0.94	3.38	0.99	17.40	0.97%
PEER AVERAGES		6.2	1.08	-2.39	0.70	16.86	1.30%

First quarter performance was well under the peer group average performance. The significant overweight to the Technology and the underweight to the Financial sectors impacted the first quarter performance.

The managers, as typical growth managers, are less concerned with the price than potential appreciation. This strategy has worked on a consistent basis, however, the price to earnings ratio is well above the peer average, 24.9 versus 18.9. The managers all cap strategy is also paying off. Almost 10% of the holdings are small cap and 38% are mid cap stocks. This fund outperforms its rivals in more 70% of rallies. The rankings against the peer group are very high, 2nd, 1st and 1st over the three (3), five (5) and ten (10) year periods.

RECOMMENDATION: No action at this time.

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LARGE BLEND:

FUND # 4	MAINSTAY ICAP SELECT EQUITY			ICSLX
	ASSETS: $ 1,503,015	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	14.42	11.60	5.44	13.01	10.90	4.85	**1.41**	**0.70**	**0.59**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	15.3	1.01	-1.06	0.76	15.90	0.90%
PEER AVERAGES		5.8	1.03	-1.93	0.74	15.81	1.18%

After falling into the third quartile in 2011, the MainStay ICAP Select Equity fund has continued to perform well. This historical large cap value fund has recently drifted into the large cap blend space. This fund is concentrated with only 30 stocks, and as such, the replacement of one (1) or two (2) stocks in the portfolio can create significant style drift. This same concentration can positively, or adversely, affect investment returns if a small number of holdings do well or poorly. The fund has a new co-manager, Tom Cole, that is joining existing managers Jerry Senser and Tom Wenzel, both of which have been with this fund for over 15 years. Cole has vast experience and was the lead of the UBS U.S. equity team since 2002.

RECOMMENDATION: No action at this time.

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FUND # 5	PARNASSUS INV EQUITY INCOME			PRBLX
	ASSETS: $ 8,916,804	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	20.87	12.04	9.12	13.01	10.90	4.85	**7.86**	**1.14**	**4.27**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	11.9	0.95	2.02	0.91	13.45	0.94%
PEER AVERAGES		5.8	1.03	-1.93	0.74	15.81	1.18%

This socially responsible fund has a positive advantage over its large cap blend peers in all measurable periods and its peer group does not apply social standards to their equity selections. Fund performance ranks in the top 2nd percentile for one (1) year and top 3rd percentile over five (5) years. The management team believes that applying the social standards actually screens out riskier companies. The Alpha is positive, 0.95 versus the average of -1.93, meaning that the management team is providing added value. Less than 6% of the active managers beat its index, this fund did by 188 basis points and the index has no expense. A significantly higher allocation to the Defensive Super Sector, 43% versus 25.7%, drove the strong first quarter performance. The strategy is to have at least 75% of its holdings in dividend paying stocks.

RECOMMENDATION: No action at this time.

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FUND # 6	VANGUARD INSTITUTIONAL INDEX									VINIX
	ASSETS: $ 18,830,611			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	13.94	12.65	5.84	13.96	12.67	5.81	-0.02	-0.02	0.03

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	12.3	1.00	-0.02	0.86	15.01	0.04%
PEER AVERAGES		N/A	1.00	0.00	0.84	15.01	N/A

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

RECOMMENDATION: No action at this time.

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LARGE VALUE:

FUND # 7	COLUMBIA DIVERSIFIED EQUITY INCOME		RSEDX
	ASSETS: $ 14,753,093	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	14.51	10.54	3.95	15.01	11.12	4.67	**-0.50**	**-0.58**	**-0.72**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	2	9.3	1.04	-2.76	0.69	16.38	0.68%
PEER AVERAGES		5.8	1.01	-1.49	0.77	15.57	1.20%

Performance in first quarter continued its improvement as this fund outperformed the peer group by 134 basis points. Foreign holdings are almost 50% higher than the peer group and detracted from performance. The holdings in the growth asset category have grown to 19%, while the value holdings are now only 43%. This shift comes at a period where value is outperforming growth. However, the buy and hold strategy does support the increase of assets in the growth category. While the three (3) and five (5) year comparisons are still negative the differential is much smaller and well below one hundred basis points.

A new manager was added to this fund in March and he was also added to four other funds (the same funds the other two managers co-manage).

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

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MID CAP GROWTH:

FUND # 8	BARON GROWTH			BGRIX
	ASSETS: $ 16,383,481	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	21.40	16.15	8.79	10.41	12.52	6.67	**10.99**	**3.63**	**2.12**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	18.3	0.83	3.45	0.98	16.57	1.06%
PEER AVERAGES		6.2	1.12	-1.28	0.75	17.98	1.38%

Baron Growth's performance has improved even over the stellar fourth quarter performance. The below average holdings in the Technology sector boosted performance against the peer group. This fund has outperformed the midcap growth peer group by almost 26% and the small cap peer group by 10%. Turnover is only 14% versus the peer group turnover of 87%; this keeps the trading expenses to a minimum. This buy and hold philosophy allows Ron Baron to build positions gradually. Baron looks for companies with steady growth and high quality management. However, due to the asset appreciation this formally small cap fund now has only 39% of its total assets in small cap stocks. Ron continues to buy stocks with a capitalization of less than $2.5 billion.

RECOMMENDATION: No action at this time.

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FUND # 9	ING MID CAP OPPORTUNITIES		NMCIX
	ASSETS: $ 8,377,430	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	10.20	15.27	9.69	10.41	12.52	6.67	**-0.21**	**2.75**	**3.02**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	7.8	0.96	1.38	0.91	17.25	0.91%
PEER AVERAGES		6.2	1.12	-1.28	0.75	17.98	1.38%

Underperformance was due to unfavorable stock selection within the information technology sector. Two (2) key growth stocks that were market leaders were not included in the portfolio, Netflix and Linkedin. The three (3) and five (5) year comparisons to the peer group are still strong.

RECOMMENDATION: No action at this time.

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MID CAP BLEND:

FUND # 10	FIDELITY ADVISORS LEVERAGED COMPANY STOCK	FLVIX
	ASSETS: $ 5,001,030 BEST FIT INDEX: RUSSELL MID CAP	M* ANALYST RATING: Silver

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	25.05	15.11	6.07	16.56	12.35	7.25	**8.49**	**2.76**	**-1.18**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	9.8	1.29	-3.01	0.73	22.61	0.86%
PEER AVERAGES		5.4	1.17	-1.91	0.73	18.45	1.29%

This midcap blend fund continues to outperform its peer group and is now positive against the peer group in the one (1) and three (3) year periods. Turnover is only 30% so now the large cap holdings represent 43% of the portfolio. The fund's rankings are quite impressive as the one (1), three (3) and ten (10) year periods have rankings of 9, 11 and 1. The five (5) year ranking is 69th due to the poor 2008 performance of -54%. The outsized volatility causes investors to jump in and out of the fund and then they miss some significant upside. In the trailing ten (10) year period through October, this fund's 16% annualized gain trumps all other domestic stock funds.

RECOMMENDATION: No action at this time.

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FUND # 11	VANGUARD MID CAP INDEX			VMISX
	ASSETS: $ 5,535,864	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	15.45	14.06	8.06	15.38	13.78	7.67	0.07	0.28	0.39

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	14.9	1.01	-0.72	0.84	17.41	0.10%
PEER AVERAGES		N/A	1.13	-0.33	0.79	17.42	N/A

This low cost index fund continues to outperform its benchmark. The benchmark will change in April to CRSP.

RECOMMENDATION: No action at this time.

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MID CAP VALUE:

FUND # 12	COLUMBIA MID CAP VALUE OPPORTUNITY		RSCMX
	ASSETS: $ 16,192,860	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	18.68	12.24	6.05	17.25	12.34	7.52	**1.43**	**-0.10**	**-1.47**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	2	10.2	1.04	-2.75	0.72	18.31	0.83%
PEER AVERAGES		6.0	1.13	-1.52	0.75	17.58	1.33%

The good news is that the three (3) and five (5) year negative performance to the peer group has improved. Underweighting the Utility sector held down performance against the index and the peer group. Despite this, the first quarter performance exceeded the peer group. Driving performance was the now underweight to the Technology sector. Over the last three (3) months management has reduced holdings in this growth sector by 29%.

RECOMMENDATION: Remain on the Watch List due to performance.

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SMALL GROWTH:

FUND # 13	LOOMIS SAYLES SMALL CAP GROWTH		LSSIX
	ASSETS: $ 470,811	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	12.64	17.15	9.95	11.64	13.56	8.27	**1.00**	**3.59**	**1.68**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	8.3	0.92	2.76	0.96	18.08	0.98%
PEER AVERAGES		6.6	1.24	-1.49	0.74	19.90	1.48%

After a strong first quarter performance, this small cap growth fund is back in the “green” for all measurable periods. The overweights to the Healthcare and Financial sectors boosted performance.

The Alpha is very high at 2.76 compared to the peer group of negative -1.49. Sharpe ratio is high and the standard deviation is below average. The market capitalization is lower than the peer average. No one stock has a weighting of more than 1.67% of the portfolio.

RECOMMENDATION: No action at this time.

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SMALL BLEND:

FUND # 14	VANGUARD SMALL CAP INDEX			VSISX
	ASSETS: $ 4,767,912	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	18.10	14.83	9.78	17.39	14.24	9.16	0.71	0.59	0.62

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	21.3	1.01	0.06	0.80	19.69	0.16%
PEER AVERAGES		N/A	1.26	-1.24	0.72	19.66	N/A

This low cost index fund continues to outperform its benchmark. The benchmark will change in April to CRSP.

RECOMMENDATION: No action at this time.

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SMALL VALUE:

FUND # 15	INVESCO VAN KAMPEN SMALL CAP VALUE		VSCAX
	ASSETS: $ 2,617,982	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	19.25	14.71	11.12	16.39	12.01	8.33	**2.86**	**2.70**	**2.79**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	2.8	1.17	-1.79	0.70	23.43	1.17%
PEER AVERAGES		6.2	1.22	-2.74	0.68	19.54	1.44%

This small cap value fund hit significant headwind in 2011 performing in the 85th percentile of peer averages. That being said, performance for the one (1), three (3) and five (5) year periods have outperformed its category by an average of 2.75%, ranking 14th, 11th and 10th percentile in the respective periods. The fund takes average risk and generates above average returns. This fund takes significant sector bets, but the management team that has been in place since June, 2010, has continued the winning tradition.

RECOMMENDATION: No action at this time.

SST BENEFITS CONSULTING

FUND # 16	PERKINS SMALL CAP VALUE									JSCVX
	ASSETS: $ 15,452,751			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	12.09	8.94	9.20	16.39	12.01	8.33	-4.30	-3.07	0.87

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	28.2	0.74	-1.51	0.63	15.33	1.05%
PEER AVERAGES		6.2	1.22	-2.74	0.68	19.54	1.44%

Sector bets that have not generated expected results have brought this fund below peer averages in the one (1) and three (3) year periods. The fund family and management are strong and well respected in the industry and Morningstar® Analyst Rating is gold. The fund takes well below average risk generating average investment returns. Holdings have solid financial statements which help this fund in a declining market, but are a headwind in bull markets. Significant holdings in cash (10.2%) also place a drag in improving markets.

This fund is co-managed by several investment managers. Todd Perkins has decided to retire and Tom Reynolds has been brought into the fund to help take over Todd's positions. Because of this new manager and unknown tract record, we suggest that the fund be put on Watch List for tighter scrutiny.

RECOMMENDATION: Add to Watch List due to manager change.

SST BENEFITS CONSULTING

INTERNATIONAL STOCK:

FUND # 17	AMERICAN FUNDS CAPITAL WORLD GROWTH & INCOME	RWIEX
	ASSETS: $ 33,642,335 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	14.06	8.03	2.19	10.56	8.00	2.64	**3.50**	**0.03**	**-0.45**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	20.1	0.97	0.45	0.54	16.74	0.80%
PEER AVERAGES		4.1	0.84	3.53	0.55	17.34	1.45%

While trailing slightly over five (5) year period against the peer group, CWGI is beating its index over all time periods. The fund has an allocation to U.S. stocks 10% lower than the peer and index and a 6% holding in cash. Given the macro allocation of the fund it is surprising it is doing so well. The lower U.S. allocation and cash position detract from return, but the stock picking and sector selection have overcome the country selection to keep this fund performing well.

Participants looking for an international focused fund primarily invested in very large companies and a small amount of emerging markets will find CWGI a good home.

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

SST BENEFITS CONSULTING

FUND # 18	DFA INTERNATIONAL SMALL COMPANY		DFISX
	ASSETS: $ 12,086,074	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	10.14	7.77	1.77	11.28	7.94	2.11	**-1.14**	**-0.17**	**-0.34**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	14.3	1.01	3.43	0.48	19.66	0.70%
PEER AVERAGES		4.7	0.90	3.27	0.53	18.76	1.47%

While this small cap international fund has been landing just below peer average returns for the past five (5) years, it basically has been performing much like an index as it literally mirrors peer averages when adjusted for expense. Supporting the index analogy, the fund currently holds 4,388 stocks. This fund did get hit harder than most in the market downturn in 2008, which continues to hurt five (5) year performance numbers.

RECOMMENDATION: Add to Watch List due to performance.

SST BENEFITS CONSULTING

FUND # 19	DODGE & COX INTERNATIONAL STOCK			DODFX
	ASSETS: $ 8,301,651	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	11.28	4.93	1.09	9.59	4.72	-0.95	**1.69**	**0.21**	**2.04**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	11.9	1.07	0.00	0.33	20.49	0.64%
PEER AVERAGES		5.3	0.97	-0.09	0.34	19.24	1.39%

The allocation to Emerging Markets is level with the index, but double the peer group. Even with emerging markets not performing well as of late this fund has continued to beat the peer and index.

The allocation to Giant, Large and Mid size stock almost mirrors the peer and index, but management excels in picking the right countries, sectors and stocks within each. The fund is currently heavily overweighted in Greater Europe and underweight Greater Asia. A trend toward more Value type stocks has been in place for several quarters, indicating management's belief that there are some bargains to be had.

The fund is likely to experience more volatility than its peers during downturns, but has made up for the downside with big recoveries.

RECOMMENDATION: No action at this time.

SST BENEFITS CONSULTING

FUND # 20	JANUS ASPEN OVERSEAS									JAIGX
	ASSETS: $ 3,348,769			BEST FIT INDEX: MSCI WORLD EX US GR USD				M* ANALYST RATING:		Silver

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-6.15	-4.33	-2.11	9.59	4.72	-0.95	**-15.74**	**-9.05**	**-1.16**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	2	12.3	0.97	-4.10	-0.07	24.29	0.66%
PEER AVERAGES		5.3	0.97	-0.09	0.34	19.24	1.42%

With a 35% stake in emerging markets performance again deteriorated. The performance over the past one (1) year period deteriorated substantially from the fourth quarter to the first quarter, 2013. The one (1) year underperformance went from -4.83 in the fourth quarter to a -15.74 in the first quarter. The Alpha deteriorated from negative -4.08 to negative -8.85. The number one holding with an outsized 8.65% of the assets is Li & Fong, a Hong Kong based company specializes in exporting consumer products. Li & Fong's stock price is down 39.77% over the past one (1) year period. A significant overweight to the Technology sector also contributed to the poor performance.

RECOMMENDATION: Delete due to performance.

SST BENEFITS CONSULTING

BONDS:

FUND # 21	LOOMIS SAYLES INV GRADE BOND			LSIIX
	ASSETS: $ 13,699,970	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	8.45	8.53	8.36	8.85	8.06	7.85	-0.40	0.47	0.51

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	16.3	0.62	1.75	1.66	4.95	0.56%
PEER AVERAGES		5.0	0.12	7.17	1.65	4.99	1.20%

Long time co-manager Kathleen Gafney left the fund last year (Eaton Vance), but Dan Fuss is still there along with the solid team that has led this fund to great returns.

While technically a “fixed income” fund, the approach is more for investors looking to take risks in credit markets. Loomis looks for value in fixed income categories both domestic and international, providing liquidity for a price and passing that on to clients in the form of higher interest and capital gains. 76% of the investments are investment grade, including 41% that are rated AAA.

Fund performance continues to outshine the peer group. There is an overweight to Canadian Government bonds with interest rates ranging from 2.50% to 4.25% and those investments help drive the consistently strong returns for this fund. There is also an allocation to convertible bonds and in one (1) instance the bond was converted to a stock.

RECOMMENDATION: Remain on Watch List due to manager change.

SST BENEFITS CONSULTING

FUND # 22	OPPENHEIMER INTERNATIONAL BOND									OIBYX
	ASSETS: $ 5,462,421			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	7.56	5.75	4.82	4.42	5.29	4.63	**3.14**	**0.46**	**0.19**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	9.0	0.99	2.43	0.67	8.72	0.73%
PEER AVERAGES		5.0	0.63	1.89	0.99	6.34	1.12%

Fund performance continues to outpace the competition. While most international funds hold some assets in emerging markets debt this fund has nearly half of its assets in emerging markets debt. Management believes that emerging markets have better fundamentals than most developed countries. Management strategy has paid off over time as its trailing 10 year return is 9.5% annualized; best of all but one of its peers.

RECOMMENDATION: No action at this time.

SST BENEFITS CONSULTING

FUND # 23	PIONEER GLOBAL HIGH YIELD		GHYYX
	ASSETS: $ 5,505,044	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	12.38	9.50	8.84	11.78	9.97	9.44	**0.60**	**-0.47**	**-0.60**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	2	11.7	1.18	-3.12	1.09	8.59	0.74%
PEER AVERAGES		5.5	-0.34	11.49	1.42	7.06	1.15%

Performance over the past one (1) year has been better than the benchmark. This is a good rebound following 2011 when in September lower quality bonds took a major hit. In five (5) of the last seven (7) years performance has averaged a ranking of 13. This is a fund that depends on the investor's appetite for risk to succeed.

RECOMMENDATION: Add to Watch List Due to performance.

SST BENEFITS CONSULTING

BALANCED ALLOCATION:

FUND # 24	AMERICAN FUNDS INCOME FUND OF AMERICA			RIDEX
	ASSETS: $ 7,751,098	BEST FIT INDEX: MORNINGSTAR MODERATE	M* ANALYST RATING:	Silver

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	13.21	10.98	5.90	9.22	8.40	4.89	**3.99**	**2.58**	**1.01**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	21.3	0.62	3.44	1.14	9.50	0.65%
PEER AVERAGES		5.0	1.05	-0.78	0.82	10.48	1.34%

This balance fund had a better than average first quarter. The equity investments are mainly in large cap dividend paying stocks. However, to maintain above average performance during all market conditions, the managers do invest in all sectors. One drag on the performance is the large allocation to foreign stocks; it is 38% higher than the peer group. On the bond side of the portfolio their goal is to balance risk with income rewards. So, while the equity holdings are less aggressive the bond holdings are more aggressive. About 30% of the bond holdings are classified as BB or lower. The lower quality has boosted yield. The managers have reduced their exposure to lower quality bonds by about 5% and increased equity exposure to moderate the risk of stretching for yield from bonds.

RECOMMENDATION: No action at this time.

SST BENEFITS CONSULTING

TARGET FUNDS:

FUND # 25	VANGUARD TARGET RETIREMENT INCOME			VTINX
	ASSETS: $ 4,049,418	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	6.67	7.54	5.44	7.15	6.59	4.71	-0.48	0.95	0.73

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	0.2	0.75	1.53	1.59	4.65	0.27%
PEER AVERAGES		4.7	0.78	0.13	0.95	7.69	0.98%

Target Date fund review summary follows fund number 29.

FUND # 26	VANGUARD TARGET RETIREMENT 2020			VTWNX
	ASSETS: $ 5,820,730	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	9.34	8.88	5.09	9.50	7.80	3.98	-0.16	1.08	1.11

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	0.2	0.79	1.11	0.87	10.45	0.27%
PEER AVERAGES		4.0	0.98	-0.49	0.88	9.81	1.07%

Target Date fund review summary follows fund number 29.

SST BENEFITS CONSULTING

FUND # 27	VANGUARD TARGET RETIREMENT 2030									VTHRX
	ASSETS: $ 4,258,022			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	10.64	9.50	4.77	10.48	8.28	3.60	**0.16**	**1.22**	**1.17**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	0.2	0.99	-0.03	0.76	13.07	0.28%
PEER AVERAGES		4.0	1.26	-2.08	0.77	12.52	1.10%

Target Date fund review summary follows fund number 29.

FUND # 28	VANGUARD TARGET RETIREMENT 2040									VFORX
	ASSETS: $ 3,725,017			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	11.67	9.96	4.92	11.23	8.63	3.31	**0.44**	**1.33**	**1.61**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	0.2	1.10	-0.58	0.72	14.63	0.29%
PEER AVERAGES		4.0	1.43	-3.03	0.72	14.18	1.13%

Target Date fund review summary follows fund number 29.

SST BENEFITS CONSULTING

FUND # 29	VANGUARD TARGET RETIREMENT 2050									VFIFX
	ASSETS: $ 1,736,537			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	11.68	9.96	4.90	11.23	8.63	3.31	**0.45**	**1.33**	**1.59**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	0.2	1.10	-0.58	0.72	14.63	0.29%
PEER AVERAGES		3.5	1.46	-3.15	0.73	14.52	1.13%

The low cost Vanguard Target Date funds performed as expected in the current environment. As expected, only the Retirement Income and the 2020 fund underperformed over the past one (1) year. The major components of the two underperforming Vanguard funds, (Total Bond Market, Total Stock Market, Total International and Inflation Protected Securities indexes), all trailed their benchmarks for the first quarter by small margins.

RECOMMENDATION: No action at this time.

SST BENEFITS CONSULTING

SPECIALTY:

FUND # 30	ING GLOBAL REAL ESTATE			IGLIX
	ASSETS: $ 3,657,411	BEST FIT INDEX: S&P DEVELOPED PROPERTY	M* ANALYST RATING:	Silver

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	17.39	12.09	3.20	21.39	12.20	2.27	**-4.00**	**-0.11**	**0.93**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	11.4	0.99	-1.41	0.75	17.17	0.99%
PEER AVERAGES		4.9	1.01	3.67	0.74	18.44	1.47%

Performance was negative to the benchmark in the one (1) and three (3) year periods. This fund has lower than average exposure to emerging markets and in real estate that market was a performance leader due to providing higher yields than developed market properties. As in other asset classes the greater appetite for risk took investors to lower quality fare. This fund does not invest in lower quality companies. It is overweight in apartments in the U.S. and malls internationally. Apartments in the U.S. underperformed. The number two holding, Simon Property Group, performed well and its concentration on malls in the U.S. added to performance.

RECOMMENDATION: No action at this time.

SST BENEFITS CONSULTING

ASSET ALLOCATION:

FUND # 31	ASSET ALLOCATION FUNDS AGGRESSIVE		
	ASSETS: $ 27,323,111	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	12.58	9.28	5.04	11.98	9.85	4.89	**0.60**	**-0.57**	**0.15**

Asset Allocation fund review summary follows fund number 33.

FUND # 32	ASSET ALLOCATION FUNDS MODERATE		
	ASSETS: $ 39,021,893	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	10.09	8.34	5.74	8.72	7.86	4.47	**1.37**	**0.48**	**1.27**

Asset Allocation fund review summary follows fund number 33.

SST BENEFITS CONSULTING

FUND # 33	ASSET ALLOCATION FUNDS CONSERVATIVE		
	ASSETS: $ 14,073,424	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	6.75	6.16	5.18	5.74	5.36	3.68	**1.01**	**0.80**	**1.50**

With the change in the Investment Policy the benchmarking is now more apropos to the structure of the asset allocations funds. Both the Conservative and Moderate risk based asset allocation funds beat the appropriate benchmark. The Aggressive fund only trailed the benchmark in the three (3) year comparison due to the three year under performance of several funds in portfolio, led by Janus Overseas. The underperformance is only – 0.57%, 57 basis points. Janus Overseas has a negative three (3) year performance of -9.05.

RECOMMENDATION: No action at this time.

SST BENEFITS CONSULTING

WATCH LIST:

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

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

ACTION	FUND #	TICKER	FUND NAME	INVESTMENT POLICY	QUARTER ADDED
	1	AGTHX	GROWTH FUND OF AMERICA	Remain on Watch List due to performance. This fund has underperformed to the benchmark in 14 of the last 18 quarters. The 3 / 5 year Information Ratios have worsened from the fourth quarter ratios of (0.67) / (0.13) to (0.76) / (0.32)	4Q 2010
	7	RSEDX	COLUMBIA DIVERSIFIED EQUITY INCOME	Remain on Watch List due to performance. The 3 / 5 year Information Ratios worsened from (0.83) / (0.65) to ((0.75) / (0.55)	3Q 2012
	12	RSCMX	COLUMBIA MIDCAP VALUE	Remain on the Watch List due to performance. The 3 / 5 year Information Ratios have improved from (0.08) / (0.08) to (0.07) / 0.03	1Q 2012
	16	JSCVX	PERKINS SMALL CAP VALUE	Add to the Watch List due to manager change. The 3 / 5 Information Ratios are (0.76) / 0.48.	1Q 2013
	18	DFISX	DFA INTERNATIONAL SMALL COMPANY	Add to the Watch List due to performance. The 3 / 5 Information Ratios are 0.55 / 0.56	1Q 2013
	20	JAIGX	JANUS ASPEN OVERSEAS	Delete due to performance. The 3 / 5 year Information Ratios have worsened from (0.37) / 0.00 to (0.750 / (0.09).	3Q 2012
	21	LSIIX	LOOMIS SAYLES INVESTMENT GRADE	Remain on Watch List due to manager change. The 3 / 5 year Information Ratios are 0.60 / 0.39.	3Q 2012
	23	GHYYX	PIONEER GLOBAL HIGH YIELD	Add to the Watch List due to performance. The 3 / 5 Information Ratios are 0.42 / 0.22.	1Q 2013