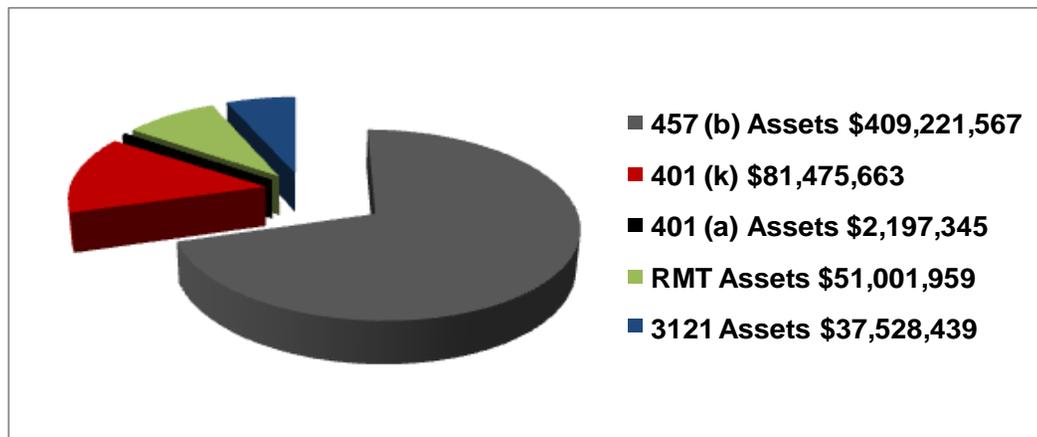


**COUNTY OF SAN BERNARDINO
EXECUTIVE SUMMARY
DEFINED CONTRIBUTION PLANS
2nd QUARTER 2012**

	2ND QUARTER %	1 YEAR %	3 YEAR %	5 YEAR %
457 Plans Performance	-3.71	-1.73	13.62	1.01
Customized Benchmark	-3.33	-0.06	13.85	0.60
DIFFERENCE	-0.38	-1.67	-0.23	0.41
401(k) Plan Performance	-3.73	-1.77	13.69	1.10
Customized Benchmark	-3.27	0.38	14.03	0.91
DIFFERENCE	-0.46	-2.15	-0.34	0.19
Retirement Medical Trust	-3.08	-0.24	14.85	2.55
Customized Benchmark	-2.82	0.92	14.58	2.54
DIFFERENCE	-0.26	-1.16	0.27	0.01

PORTFOLIO COMPOSITION AND ANALYSIS:



The total assets in all of the County of San Bernardino plans have decreased from \$587 million as of March 31, 2012 to \$581 million. The decrease was due to the depreciation of mutual fund assets by almost \$10 million in the 457 Plan and \$2 million in the 401(k). Stable value combined assets of the 457(b), 401(k) and 401(a) total \$170.8 million and represent 34.6% of the combined portfolios.

457 assets in the Ameritrade Self Directed Brokerage Account, (SDBA), are now \$1.7 million; about 3.4% less than the previous quarter. The 401(k) assets in the SDBA declined from \$835,000 as of December 31, 2011 to \$495,000 in the first quarter to \$401,000.



457 PLAN CASH POSITION:

The stable value crediting rate for the first quarter was 2.5% which is the same rate being credited in the second quarter, 2012. For the quarter over \$698,000 transferred from the 457 mutual funds to the fixed interest account. In the previous quarter the amount of transferred assets into the Stabilizer was \$3.26 million. The percentage of assets in the stabilizer increased from 34.82% in the first quarter to 35.54% in the second quarter.

401(k) PLAN CASH POSITION:

The assets in the Stabilizer increased from 28.62% to 30.22%. The increase in percent from the previous quarter was almost entirely from equity depreciation in the mutual funds.

RETIREMENT MEDICAL TRUST CASH POSITION:

There was a small increase in the percentage of assets in the fixed interest account, with 79.34% now in the ING General account, up from 78.94% in the first quarter.

457 PLANS MUTUAL FUNDS POSITION:

The underperformance to the customized benchmark over the one and three year periods is due primarily to the high mutual fund allocation to Growth Fund of America, 19.72% and Columbia Midcap Value with 4.99% of the mutual fund assets.

The Sharpe Ratio is a tool that helps determine if the risk the fund or portfolio is taking to achieve the performance is worthwhile. The Sharpe Ratio for the 457 declined from a first quarter ratio of 1.29 to 0.88. The benchmark is 0.92. Growth Fund of America has a Sharpe Ratio of 0.76 and due to its heavy weight in the portfolio is a key reason for the lower than benchmark Sharpe Ratio.

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 15.78 which is higher than the benchmark of 15.21. Growth Fund of America also influences that statistic as its standard deviation is 16.69. However, the average standard deviation for the large cap growth category is 17.96.

The Alpha, a measurement of the value added by the investment manager is -0.61. The Alpha was negatively impacted by Growth Fund of America with a negative Alpha of -4.81. Growth Fund of America's Alpha actually improved over the last quarter. Beta is a measure of the degree of change in value that can be expected, given a change in value in the comparable index. The Beta is 1.04, (over three years).



401(K) MUTUAL FUNDS POSITION:

The underperformance in the one year period is due to the high mutual fund allocation to Growth Fund of America with 19.49% of the mutual fund assets and Columbia MidCap Value with 6.89% of the assets.

The Sharpe Ratio for the 401(k) portfolio was and is 0.90, which is lower than the benchmark of 0.96 (over three years). The three-year Standard Deviation for the portfolio is 15.60; which is higher than the benchmark of 14.71. The Alpha is -0.99 and the Beta is 1.06.

RETIREMENT MEDICAL TRUST (RMT) MUTUAL FUNDS POSITION:

The underperformance in the one and three year periods is due to the high mutual fund allocation to Growth Fund of America with 15.97% and Pioneer Global High Yield with 6.71% of the mutual fund assets impacted the one year performance difference.

The Sharpe Ratio for the RMT portfolio is 1.02 which is minutely lower than the benchmark, 1.03. The three-year Standard Deviation for the portfolio is 14.53 which is higher than the benchmark of 14.12. The Alpha is -0.06 and the Beta is 1.02. With 9.13% of the assets ING Mid Cap Opportunities and 7.58% of the mutual fund assets in Baron Growth the RMT has a statistical advantage over the other defined contribution funds.



PERFORMANCE OF INDEX FUNDS VS. ACTIVELY MANAGED FUNDS:	2 ND QUARTER %	1 YEAR %	3 YEAR %	5 YEAR %
LARGE CAP				
Vanguard Institutional Index	-2.75	5.43	16.39	0.25
American Funds Growth Fund of America	-4.19	-0.15	12.05	-0.49
Wells Fargo Advantage Growth Fund	-6.66	5.31	25.39	8.22
Main Stay ICAP Select Equity	-5.44	-0.40	13.83	-0.77
Parnassus Inv Equity Income	-0.96	5.23	13.71	4.12
TIAA CREF G/I Ret	-4.10	4.45	15.27	2.23
Columbia Div Equity Income	-3.45	-2.02	14.59	-2.45
MID CAP				
Vanguard MidCap Index Signal	-5.45	-2.77	19.60	0.66
Baron Growth	-1.28	-0.89	17.50	1.92
ING Mid Cap Opportunities	-5.28	-2.00	21.66	6.35
Fidelity Adv Lev Co	-4.00	-4.62	18.26	-1.43
Columbia MidCap Value	-4.99	-6.91	16.62	-1.71
SMALL CAP				
Vanguard Small Cap Index	-3.47	-1.38	19.86	1.88
Royce Value Plus	-7.79	-8.12	11.96	-2.42
Perkins Small Cap Value T	-4.27	-3.86	13.71	3.89
Invesco Van Kampen Small Cap Value	-7.75	-2.37	16.71	2.18

This chart illustrates the difficulty active managers have in trying to beat the low cost, passively managed index funds. On average only one of six large cap actively managed beat the index fund through three years.



MUTUAL FUNDS OVERVIEW AND NARRATIVE:

LARGE CAP GROWTH:

FUND # 1	AMERICAN GROWTH FUND OF AMERICA						AGTHX		
	ASSETS: \$51,101,490		BEST FIT INDEX: RUSSELL 1000 GROWTH			M* ANALYST RATING: 			
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-0.15	12.05	-0.49	0.88	14.91	1.01	-1.03	-2.86	-1.50
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV		
FUND STATISTICS	3	26.7		1.00	-4.81	0.76	16.69		
PEER AVERAGES		6.0		1.08	-2.27	0.86	17.96		

This fund had a strong second quarter and is only trailing its peer group by a little over 100 basis points over the past one year. The current one year underperformance is quite an improvement as it was trailing the peer group at the end of the first quarter by almost 350 basis points. Growth Fund of America beat its peer group by 140 basis points in the second quarter.

The strength of this fund's recent performance is due to underweighting in the growth oriented Technology sector compared to the peer group and overall the higher percentage of value oriented investments. An overweight to the Healthcare sector also added to performance. Higher than average investments in Amazon and Comcast contributed to the recent outperformance; both contributed 40 basis points each to the outperformance over the benchmark. The overweight to foreign stocks did again detract from performance.

In the second quarter participants transferred \$1.1 million out of this fund and assets were primarily transferred to either the TIAA-Cref Growth & Income or the Stabilizer.

 **RECOMMENDATION: Watch List due to Performance**



FUND # 2	WELLS FARGO ADVANTAGE GROWTH						SGRKX
	ASSETS: \$3,364,765		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	5.31	25.39	8.22	0.88	14.91	1.01	4.43	10.48	7.21
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	5	10.2	0.93	6.23	1.32	18.45			
PEER AVERAGES		6.0	1.08	-2.27	0.86	17.96			

This fund continues its strong pace. The one year performance is in the top 14% of its category and all other periods are in the top 1% of the category. The Sharpe Ratio is strong at 1.32 while the peer group has an average of 0.86. The only hiccup is that the last three months performance is below average mainly due to Apple's overweighting of 8.3% in the portfolio. Google as the number holding also detracted from the second quarter performance. On the other hand, the incredibly strong first quarter performance, 19.5%, was driven in large part by Apple.

RECOMMENDATION: No action at this time



LARGE BLEND:

FUND # 3	MAINSTAY ICAP SELECT EQUITY	ICSLX
	ASSETS: \$3,861,512	BEST FIT INDEX: RUSSELL 1000
		M* ANALYST RATING: N/A

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-0.40	13.83	-0.77	1.04	14.21	-0.87	-1.44	-0.38	0.10

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	14.6	0.98	-1.44	0.86	16.69
PEER AVERAGES		5.7	1.04	-2.38	0.87	16.98

Until 2011-12 this fund performed in the top quartile in seven of the previous eight years. Since the current management team took over in 1998 this fund has averaged an annualized return of 6.4%. That beats all but 5 of their 132 competitors.

This usually strong performer has hit some headwinds over the past 12 months. A 40% overweight to the Energy sector is part of the second quarter performance issue. The overweighting to the Financial Services sector also impacted performance. JP Morgan Chase, Wells Fargo, and MetLife comprise 10% of the fund's assets and contributed losses over the past one year. Cisco, a top five holding, has suffered losses in 2011 and year to date in 2012, but the management team believes the restructuring efforts will improve the company's performance.

RECOMMENDATION: No action at this time



FUND # 4	PARNASSUS EQUITY INCOME						PRBLX		
	ASSETS: \$7,272,160		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	5.23	13.71	4.12	1.04	14.21	-0.87	4.19	-0.50	4.99
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	5	11.2	0.87	0.10	0.98	14.14			
PEER AVERAGES		5.7	1.04	-2.38	0.87	16.98			

The conservative management of this fund in addition to adding social standards to the investment decisions created a lag on performance in the first quarter, where risk taking paid a premium. That conservative approach paid off in the second quarter as performance was only negative by -0.96% versus the peer group of -4.15%. Further evidence of the conservative nature of this fund is the standard deviation. The three/five year calculations are 14.14/16.72 versus the peer group of 16.98/20.05.

Aiding performance is a significant underweight to the Financial Services sector and an overweight to the Healthcare sector.

RECOMMENDATION: No action at this time



FUND # 5	TIAA-CREF GROWTH & INCOME RETIRE		TRGIX
	ASSETS: \$10,148,632	BEST FIT INDEX: RUSSELL 1000	M* ANALYST RATING: N/A

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	4.45	15.27	2.23	1.04	14.21	-0.87	3.41	1.06	3.10

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	7.3	0.99	-1.05	0.95	16.40
PEER AVERAGES		5.7	1.04	-2.38	0.87	16.98

This consistent performing fund almost seems boring. The fund will make small sector bets and this has historically paid off, currently the fund is overweight Technology and Consumer Defensive, but underweight Industrials and Real Estate. While a new manager was added to the fund to replace a departing one in late 2009, Susan Kempler has been with the fund from the beginning and appears to be guiding it in the right direction. Few funds have been able to accumulate such an enviable track record and Kempler has done so in relative obscurity.

RECOMMENDATION: No action at this time



FUND # 6		VANGUARD INSTITUTIONAL INDEX						VINIX		
		ASSETS: \$14,564,325		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	5.43	16.39	0.25	5.45	16.40	0.22	-0.02	-0.01	0.03	
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	4	11.6		1.00	-0.01	1.02	16.11			
PEER AVERAGES		N/A		N/A	N/A	1.02	16.11			

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

RECOMMENDATION: No action at this time



LARGE VALUE:

FUND # 7	COLUMBIA DIVERSIFIED EQUITY INCOME						RSEDX		
	ASSETS: \$13,487,768			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	-2.02	14.59	-2.45	0.67	13.94	-1.95	-2.69	0.65	-0.50
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	3	8.6	1.06	-2.60	0.86	17.64			
PEER AVERAGES		5.9	1.02	-2.33	0.88	16.70			

This fund does not offer good downside protection, though it has historically snapped back after bad markets as demonstrated by top quartile returns in 2009 and 2010 after a brutal 4th quartile return in 2008. 2011 was a rough year with another 4th quartile performance, but so far the fund has been doing well in 2012. This fund averages less than half the turnover of the peer group and has a very high market capitalization at almost \$54 billion.

The fund really seems to struggle when stocks fall, falling more than its peers. Investors must be very patient with this fund. The fund is dividend focused and seems less like a Large Value fund and more like a Large Blend with fully 52% of assets in the Large Blend/Growth category. Longtime manager Warren Spitz left in November 2009 and while the fund did great in 2010, it does not have great rolling 12 month returns since the departure. The managers on the fund are experienced. The underweighting in the Healthcare and Real Estate sectors did impact performance.

RECOMMENDATION: No action at this time



MID CAP GROWTH:

FUND # 8	BARON GROWTH						BGRFX		
	ASSETS: \$13,985,658		BEST FIT INDEX: 61% MID CAP GR 39% R 2000 GR			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	-0.89	17.50	1.92	-3.00	17.21	1.19	2.11	0.29	0.73
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV		
FUND STATISTICS	4	17.6		0.75	2.78	1.02	17.18		
PEER AVERAGES		5.9		1.17	-1.26	0.9	20.23		

Baron Growth had a very successful second quarter and was one of only 19% of the active small cap growth funds to beat the index. The second quarter decline was only -1.28% compared to the small growth peer group with a loss of -5.39% and the midcap growth category with a loss of -6.02%. The underweighting of the Technology sector paid off. Baron's strategy is to hold onto stocks for five years and because of the rapid nature of technological changes and advancements Baron does not think most technology stocks can be retained for three years, let alone five. Turnover is only 14% compared to the peer average of 96%. Low turnover also keeps operating expenses lower than average as well.

 **RECOMMENDATION: Remove from Watch List**



FUND # 9	ING MID CAP OPPORTUNITIES						NMCIX
	ASSETS: \$7,986,911		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	-2.00	21.66	6.35	-4.29	17.08	1.31	2.29	4.58	5.04

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	5	7.0	0.97	2.75	1.14	18.77
PEER AVERAGES		5.8	1.13	-0.92	0.92	19.43

Jeff Bianchi is the lead manager on this fund (since 2005) along with James Hasso. Two new managers were added in April of this year, Kristin Manning and Michael Pytosh. Manning was a long time analyst on this fund and was promoted to assistant portfolio manager. Pytosh was added as co-manager because of his expertise in the Technology sector. This sector comprises 25% of the fund's asset. The lead managers continue in their role but additional support was provided because of the asset growth of one of ING's highest profile funds. The management team has developed a very strong Alpha compared to the peer group, 2.75 versus -0.92.

The fund has been very consistent and is beating its peers over most rolling time periods. Performance is in the top 6th percentile over a three year period and a top 2nd percentile over the recent five year period. The only blip is the second quarter performance that was negative to the benchmark due to the overweighting of the Technology sector.

RECOMMENDATION: No action at this time



MID CAP BLEND:

FUND # 10	FIDELITY ADVISORS LEVERAGED COMPANY STOCK						FLVIX		
	ASSETS: \$3,151,787		BEST FIT INDEX: RUSSELL MID CAP			M* ANALYST RATING: 			
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-4.62	18.25	-1.43	-4.11	16.40	-0.58	-0.51	1.85	-0.85
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV		
FUND STATISTICS	4	9.0		1.22	-6.66	0.82	24.05		
PEER AVERAGES		5.3		1.17	-2.38	0.86	19.86		

Performance continues to improve despite the slowdown in the economy, due in part to low interest rates. Performance in the one (1) year comparison is still negative, but by less than last quarter, (currently only 51 basis points compared to a first quarter underperformance of 288 basis points). The underperformance over the five (5) year period is only 85 basis points. Regardless of the peer group, blend or value, performance year to date is almost twice either peer group. Because of this fund's volatility some investors jump in and out and by doing so they have missed some big upsides. Over the past 10 years this fund has produced an average return of 12.8% but the average investor only received 7.2%. This is a fund for patient investors. The manager looks for companies with catalysts for improvement, such as management changes or a new product launch.

 **RECOMMENDATION: Remove from Watch List**



FUND # 11	VANGUARD MIDCAP INDEX	VMISX
ASSETS: \$4,396,561	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	-2.77	19.60	0.66	-3.15	19.18	0.22	0.38	0.42	0.44

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	14.2	1.01	-0.32	1.03	19.12
PEER AVERAGES		N/A	1.15	0.49	1.00	19.12

This mid cap blend index fund is performing as expected adjusted for expense and tracking error.

RECOMMENDATION: No action at this time



MID CAP VALUE:

FUND # 12	COLUMBIA MID CAP VALUE OPPORTUNITY						RSCMX		
	ASSETS: \$13,716,841		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	-6.91	16.62	-1.71	-3.31	16.75	-0.52	-3.60	-0.13	-1.19
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	2	9.4	1.04	-3.32	0.87	19.91			
PEER AVERAGES		6.1	1.13	-1.40	0.92	19.07			

This fund has the same management team as Columbia Diversified Equity-Income and performs similar, thus the following review is nearly identical.

This fund does not offer good downside protection, though it has historically snapped back after bad markets as demonstrated by top quartile returns in 2009 and 2010 after a brutal 4th quartile return in 2008. 2011 was a rough year with another 4th quartile performance, but so far the fund has been doing well in 2012 ahead of the peer group by about 18%. The fund is dividend focused and has drifted into the Mid Blend category. Longtime manager Warren Spitz left in November 2009 and while the fund performed great in 2010, it does not have great rolling 12 month returns since his departure. The managers of the fund are experienced and have been co-managers on this fund for over eight years.



RECOMMENDATION: Remain on the Watch List due to performance



SMALL GROWTH:

FUND # 13	ROYCE VALUE PLUS						RVPHX		
	ASSETS: \$968,515			BEST FIT INDEX: 60% R 2000 GR, 40% R 2000			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	-8.06	11.96	-2.42	-4.45	17.34	0.47	-3.61	-5.38	-2.89
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV		
FUND STATISTICS	2	11.1		1.09	-7.86	0.62	21.72		
PEER AVERAGES		5.8		1.20	-2.03	0.86	20.84		

This two star, neutral rated fund has been on the Watch List since the fourth quarter, 2010. While we like the management of this fund we are disappointed that the performance in the second quarter was negative 7.79% while the peer group was negative 5.39% and the pure growth index had a quarterly performance of -3.94%. Royce also trailed the midcap growth index as well.

Royce has a similar investment characteristic to Growth Fund of America in that this is not a pure growth fund. Rather it has 46% of the assets in the blend and value categories and 43% of the assets are in the midcap and large asset classes. The disappointment with performance in the second quarter is because value oriented stocks performed better than growth stocks and unlike Growth Fund of America; this fund should not have trailed its growth peer group or the pure growth index by such a large margin.

Between all the defined contribution plans there are 483 participants investing in this fund.



RECOMMENDATION: Delete from Portfolio due to performance



SMALL BLEND:

FUND # 14	PERKINS SMALL CAP VALUE						JSCVX		
	ASSETS: \$14,000,508			BEST FIT INDEX: RUSSELL 2000			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	-3.86	13.71	3.89	-3.67	17.23	-0.32	-0.19	-3.52	4.21
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV		
FUND STATISTICS	4	27.4		0.73	-0.16	0.86	16.33		
PEER AVERAGES		5.9		1.25	-2.34	0.85	21.67		

This fund has been struggling lately. Perkins is one of the few investment firms that focus and have an expertise in analyzing companies and their financial statements. This has paid off with good long term returns, but sometimes their valuation conscious choices (they won't buy stocks unless stringent criteria are met) will cause the fund to hold large amounts of cash, which currently is running at 15%. This creates a tremendous drag on returns during rallies, but should cushion on the downside.

For those looking for a fund that is always fully invested, this is not that fund. The team is willing to hold large cash positions so that it can deploy the capital more aggressively when they see bargains. Typically the larger the cash position, the less the firm sees bargains and the more overvalued small caps might be. But sometimes Perkins is "early" or doesn't hold the speculative stocks the market prefers at times, this creates periods of under-performance. The good news is that patient investors who understand and are familiar with Perkins style have historically been rewarded.

Despite the short term performance issues, we believe this fund should be retained.

RECOMMENDATION: No action at this time



FUND # 15		VANGUARD SMALL CAP INDEX						VSISX		
		ASSETS: \$1,872,654		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	-1.38	19.86	1.88	-1.85	19.32	1.32	0.47	0.54	0.56	
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	4	20.6		1.01	-0.38	0.94	21.62			
PEER AVERAGES		N/A		1.27	-0.93	0.89	21.59			

This small cap blend index fund is performing as expected adjusted for expense and tracking error.

RECOMMENDATION: No action at this time



SMALL VALUE:

FUND # 16	INVESCO VAN KAMPEN SMALL CAP VALUE						VSCAX		
	ASSETS: \$2,309,246		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	-2.37	16.71	2.18	-2.58	17.23	-0.02	0.21	-0.52	2.20
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	3	2.1	1.07	-1.71	0.76	24.03			
PEER AVERAGES		5.9	1.23	-2.03	0.86	21.27			

This fund might be better described as a small cap blend fund that leans toward value stocks. Management just completed their second full year on the fund with the ending of the second quarter of 2012. The fund is very focused for a small-cap fund (only 66 names).

When we compare the fund against peer and indexes for value and blend, the fund is about average, falling more during downturns, but rising more in rallies. It has had only two standout quarters and those happen to be the last two. The fund had a huge first quarter, outperforming 635 - 720 basis points depending on the selected index/peer. The fund fell harder than its peers though during the second quarter, but remains year to date about 46% ahead of its peer group.

RECOMMENDATION: No action at this time



INTERNATIONAL STOCK:

FUND # 17	AMERICAN FUNDS CAPITAL WORLD GROWTH & INCOME						RWIEX		
	ASSETS: \$25,023,900		BEST FIT INDEX: MSCI WORLD NR			M* ANALYST RATING:			
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-5.90	9.67	-1.73	-7.50	10.82	-2.61	1.60	-1.15	0.88
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV		
FUND STATISTICS	4	19.3		0.99	-0.87	0.59	18.28		
PEER AVERAGES		4.0		0.85	5.30	0.65	18.76		

This fund focuses on Developed Markets but also maintains a 9% allocation to Emerging Markets.

The last 18 months have had such convergence with domestic stocks significantly outperforming international. We would expect CWGI to underperform in this environment, yet it hasn't. The peer group also tends toward more domestic stocks and thus we would expect CWGI to underperform, it has not done so significantly. The three year average performance is impacted due to the significant overweighting to foreign stocks for most of that period. This fund had a 70% exposure to foreign stocks when the peer group only held 55% of its assets in foreign stocks.

The fund continues to do well even in a very difficult environment and represents a good core domestic/International holding for participants who want both developed and emerging market exposure. Despite a current overweight to foreign stocks of 14% this fund had a strong year to date performance that has it beating its peer group by 34%. The return to strength of the smaller emerging markets has boosted performance this year.

RECOMMENDATION: No action at this time



FUND # 18	DFA INTERNATIONAL SMALL COMPANY	DFISX
ASSETS: \$10,597,709	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	-15.63	9.35	-4.69	-14.24	9.55	-3.94	-1.39	-0.20	-0.75
	M*	MGR TENURE		BETA	ALPHA		SHARPE	3 YR STD DEV	
FUND STATISTICS	3	13.6		0.97	2.73		0.55	20.50	
PEER AVERAGES		4.9		0.90	3.93		0.58	19.47	

This essentially passively managed international small-mid fund is a great compliment to any plan lineup who has participants who like to fine-tune their portfolio. There are few funds available in this category and this fund does a great job of allowing participants to capture the return of this little used category. The fund invests solely in “developed” countries.

Participants transferred \$1.1 million out of this fund in the second quarter.



RECOMMENDATION: Remain on the Watch List



FUND # 19		DODGE & COX INTERNATIONAL STOCK						DODFX		
		ASSETS: \$8,008,634		BEST FIT INDEX: MSCI WORLD EX US VALUE 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	-15.71	7.83	-5.00	-13.86	6.41	-5.64	-1.85	1.42	0.64	
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	4	11.2		1.09	1.23	0.45	22.21			
PEER AVERAGES		5.0		0.98	0.60	0.40	20.62			

This fund's 19% exposure to emerging markets created an underperformance in 2011. Additionally, some contrarian bets like Nokia and Hewlett Packard fared badly in 2011. Overweighting to the Financial Services and Technology sectors and an underweighting to the Utility sector retarded performance in the second quarter. The 2012 performance to date is exceeding the index but trailing the peer group.

\$850,000 in assets transferred into this fund in the second quarter.

RECOMMENDATION: No action at this time



FUND # 20	JANUS ASPEN OVERSEAS			JAIGX		
	ASSETS: \$3,018,122	BEST FIT INDEX: MSCI WORLD EX US GR USD			M* ANALYST RATING: N/A	

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-26.55	2.15	-3.88	-13.86	6.41	-5.64	-12.69	-4.26	1.76

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	3	11.5	1.02	-6.97	0.20	25.15
PEER AVERAGES		5.0	0.98	0.60	0.40	20.62

After suffering through a very poor 2011, 2012 is not looking much better. Longtime manager, Brent Lynn reevaluated the stocks that detracted from performance and is sticking with them. His conviction has contributed to the poor performance in 2012. His strategy has usually been correct as this fund has produced an average annual return of 14.1% since he took the helm in 2003. That return is the best in the foreign large cap asset category. This fund took a big hit in the 2008 financial crisis and recovered well in 2009-10.

The 17% stake in Europe and the 39% stake in emerging markets have had a major drain on recent performance. Participants have transferred \$1.34 million out of this fund in the second quarter.

RECOMMENDATION: No action at this time



BONDS:

FUND # 21	LOOMIS SAYLES INV GRADE BOND						LSIIX		
	ASSETS: \$15,953,090		BEST FIT INDEX: BAR CAP US GOVT/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	5.67	11.63	8.23	4.57	11.39	6.43	1.10	0.24	1.80
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV		
FUND STATISTICS	5	15.6		0.64	1.42	1.94	5.74		
PEER AVERAGES		5.5		0.32	8.77	1.93	5.82		

As of February 12, 2012 this fund can now hold up to 10% of its assets in equities, with a limit of 5% in common stocks. While this appears to add a new element of risk to the portfolio, we believe it is an extension of the current policy to invest in convertible bonds.

This fund holds about 8% of below investment grade securities compared to the peer average of 6.5% and a lower percentage of AAA securities, 34% versus 48%. Aiding performance are significant overweighting to foreign bonds and currencies, particularly Canadian government bonds and the Canadian dollar.

Performance has been very strong, 9th percentile over the last three years and 12th over five years. This fund has more flexibility than many of its peers to navigate a rising interest rate environment, even though the duration does provide some headwinds.

RECOMMENDATION: No action at this time



FUND # 22	OPPENHEIMER INTERNATIONAL BOND						OIBYX		
	ASSETS: \$4,929,715		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	-1.17	6.84	6.69	2.12	7.06	6.51	-3.29	-0.22	0.18
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	3	8.3	0.95	1.97	0.75	9.36			
PEER AVERAGES		5.0	0.99	0.41	1.16	6.93			

This strong performing international bond fund had a very poor 2011 due to the poor performance of the emerging countries and the risk adverse investment environment, particularly in September, 2011. However, this fund has rebounded well in 2012 and is almost 400 basis point ahead of its peer group.. The emerging markets comprise about 50% of the fund's holdings and the overall credit quality is BB, below investment grade.

RECOMMENDATION: No action at this time



FUND # 23	PIONEER GLOBAL HIGH YIELD						GHYYX		
	ASSETS: \$4,735,334			BEST FIT INDEX: BARCAP GLOBAL HY TR USD			M* ANALYST RATING: N/A		
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-0.59	15.99	4.86	5.17	14.38	5.97	-5.76	1.61	-1.11
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	2	10.9	1.18	-2.79	1.51	10.17			
PEER AVERAGES		5.6	-0.12	14.53	1.70	8.27			

After a strong first quarter, performance receded in the second quarter. First quarter performance was driven by a stronger U.S economy, but the second quarter performance declined due to the slowing economy in the U.S. and globally. This high yield fund has a higher than average exposure to high yield low grade bonds, the average credit rating is B. This fund performs very well when investors have an appetite for risk, i.e. 2009-10. Last September this fund took a big hit when investors became ultra conservative.

RECOMMENDATION: No action at this time



BALANCED ALLOCATION:

FUND # 24	AMERICAN FUNDS INCOME FUND OF AMERICA						RIDEX		
	ASSETS: \$6,540,962		BEST FIT INDEX: MORNINGSTAR MODERATE			M* ANALYST RATING: 			
	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	4.87	14.51	1.37	0.90	11.27	1.48	3.97	3.24	-0.11
	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	4	38.7	0.58	7.19	1.33	10.63			
PEER AVERAGES		4.8	1.04	-0.28	1.01	11.20			

This moderate allocation balance fund continues to excel. The equity component is managed in a “value” style focusing in on stocks that pay dividends. This criterion has kept the fund running strong in the past year compared to peer averages, particularly by underweighting to Financial Services (because they are not paying dividends). The fixed income component is high yield with an average credit quality of BB.

RECOMMENDATION: No action at this time.



TARGET FUNDS:

FUND # 25		VANGUARD TARGET RETIREMENT INCOME						VTINX		
		ASSETS: \$4,004,609		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	5.51	9.49	4.93	3.41	9.48	3.50	2.10	0.01	1.43	
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	4	8.8		0.78	1.91	1.77	5.22			
PEER AVERAGES		4.0		0.82	0.96	1.18	8.86			

Target Date fund review summary follows fund number 29.

FUND # 26		VANGUARD TARGET RETIREMENT 2020						VTWNX		
		ASSETS: \$3,382,958		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	1.65	12.06	1.74	0.16	10.67	0.71	1.49	1.39	1.03	
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	4	6.1		0.80	1.77	1.05	11.48			
PEER AVERAGES		3.6		1.03	-0.02	1.06	11.13			

Target Date fund review summary follows fund number 29.



FUND # 27	VANGUARD TARGET RETIREMENT 2030	VTHR
ASSETS: \$2,099,978	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	0.06	12.97	0.40	-1.28	11.24	-0.55	1.34	1.73	0.95

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	6.1	1.00	0.44	0.93	14.24
PEER AVERAGES		3.6	1.30	-1.95	0.92	13.94

Target Date fund review summary follows fund number 29.

FUND # 28	VANGUARD TARGET RETIREMENT 2040	VFOR
ASSETS: \$2,230,180	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	-1.01	13.29	0.07	-2.43	11.52	-1.45	1.42	1.77	1.52

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	4	6.1	1.11	-0.46	0.87	15.81
PEER AVERAGES		3.5	1.46	-3.18	0.85	15.62

Target Date fund review summary follows fund number 29.



FUND # 29		VANGUARD TARGET RETIREMENT 2050						VFIFX		
		ASSETS: \$1,077,995		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	-0.95	13.29	0.05	-2.43	11.52	-1.45	1.48	1.77	1.50	
	M*	MGR TENURE		BETA	ALPHA	SHARPE	3 YR STD DEV			
FUND STATISTICS	4	6.1		1.11	-0.45	0.87	15.80			
PEER AVERAGES		3.1		1.49	-3.36	0.85	16.11			

Given that the underlying funds are broad based indexes, there is little analysis that needs to be undertaken in terms of the portfolio. The Glide Path is the real focus of this suite of funds and if the Committee thinks it is appropriate, this fund should remain part of the lineup. The Glide Path is among the more aggressive ones in the industry, but not the most aggressive. However, the most conservative of the Vanguard target funds, Vanguard Total Retirement Income, has a more conservative equity allocation than most of the peer group with 30% allocated to stocks.

RECOMMENDATION: No action at this time



SPECIALTY:

FUND # 30	ING GLOBAL REAL ESTATE	IRGIX
ASSETS: \$2,659,726	BEST FIT INDEX: MSCI WORLD REAL ESTATE 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	0.65	17.16	-1.66	-1.90	15.70	-4.32	2.55	1.46	2.66

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV
FUND STATISTICS	5	6.5	1.02	0.19	0.94	19.40
PEER AVERAGES		4.5	1.06	3.98	0.84	20.33

This fund continues to provide a well managed and diversified approach to global real estate. Currently the fund has a larger allocation to non-U.S. than U.S. The fund has consistently ranked in the top half of its peers, despite spending 2009 and 2010 in the bottom half. 2012 has not been favorable to this fund, but we expect that this fund won't fall as much (relatively speaking) in volatile markets, which could help during the coming quarters.

RECOMMENDATION: No action at this time



ASSET ALLOCATION:

FUND # 31	ASSET ALLOCATION FUNDS AGGRESSIVE								
	ASSETS: \$23,207,677			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	-4.39	12.59	-0.42	-2.25	11.92	-0.26	-2.14	0.67	-0.16

Asset Allocation fund review summary follows fund number 33.

FUND # 32	ASSET ALLOCATION FUNDS MODERATE								
	ASSETS: \$32,959,047			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	0.57	10.54	2.09	0.90	11.27	1.48	-1.47	-0.73	0.61

Asset Allocation fund review summary follows fund number 33.



FUND # 33

ASSET ALLOCATION FUNDS CONSERVATIVE

ASSETS: \$13,856,986

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	2.05	7.70	3.41	2.34	9.83	3.10	-0.29	-2.13	0.31

In the Aggressive and Moderate Asset Allocation funds the one year performance was hampered by the underperformance of Growth Fund of America and Columbia Diversified Equity Income. The Conservative Asset Allocation fund underperformed in the one year comparison due to the 50% weighting of the fixed interest account.

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	Remain on Watch List due to performance. One (1), three (3) and five (5) year performance below standards. This fund has underperformed to the benchmark in 12 of the last 15 quarters. The 3 / 5 year Information Ratios are (1.44) / (0.16).	4 Q 2010
	8	BGRFX	BARON GROWTH	Remove from Watch List due to improved performance. The 3 / 5 year Information Ratios are 0.17 / 0.25.	1Q 2012
	10	FLVIX	FIDELITY ADVISORS LEVERAGED CO STOCK	Remove from Watch List due to improved performance. The 3 / 5 year Information Ratios are 0.19 / (0.10).	3Q 2011
	12	RSCMX	COLUMBIA MIDCAP VALUE	Remain on the Watch List due to performance. The 3 / 5 year Information Ratios are (0.28) / 0.45.	1Q 2012
	13	RVPHX	ROYCE VALUE PLUS	Delete due to performance. This fund has underperformed in seven (7) of the last 14 quarters. The 3 / 5 year Information Ratios are (0.46) / (0.27).	4 Q 2010
	18	DFISX	DFA INTERNATIONAL SMALL COMPANY	Remain on Watch List due to performance. One (1), three (3) and five (5) year performance below standards. The Information Ratios are 0.68 / 0.31.	4 Q 2011

