SST BENEFITS CONSULTING

COUNTY OF SAN BERNARDINO
ANALYSIS OF STABILIZER
DEFINED CONTRIBUTION PLANS
EXCLUDING RETIREMENT MEDICAL TRUST

3RD QUARTER 2013

	NET DIFFERENCE	ACTUAL PERFORMANCE	BENCHMARK PERFORMANCE
3Q 2012	1.03%	2.61%	1.58%
4Q 2012	0.60%	0.81%	0.21%
1Q 2013	0.32%	0.18%	-0.12%
2Q 2013	-0.35%	-2.67%	-2.32%
3Q 2013	**0.09%**	**0.66%**	**0.57%**
I YEAR	**0.58%**	**-1.10%**	**-1.68%**

The portfolio did have an effective third quarter in comparison to bond benchmarks.

The average credit rating of the portfolio is A1 which is the top tier of "Good." The benchmark is AA2, middle of "Excellent." The lower credit rating is due to the overweight of investment grade (BBB) holdings and the over 12% allocation of below investment grade investments. The BBB rated investments are a total of 23% versus the index of 11%.

The allocation to Emerging Market securities is now 5%. The Mexican securities have added to performance.

The Asset Backed Securities (ABS) investments are concentrated in high quality auto securities, however, ABS did underperform in the third quarter.

Overweights to high yield corporate bonds added 210 basis points to performance as the higher yields offset the negative performance generated by an increase in interest rates. Investment grade corporate bonds added 90 basis points to performance.

The management of the Stabilizer cut exposure to Agency Residential Mortgage Back Securities by 8% and increased exposure to Commercial Mortgage Back Securities by 2%. High Yield and Emerging Markets exposure also increased 1% each.

Market to Book Value Ratio

3RD QUARTER 2013	2ND QUARTER 2013	1TST QUARTER 2013	4TH QUARTER, 2012	3RD QUARTER, 2012
98.78%	98.83%	102.46%	103.18%	103.28%

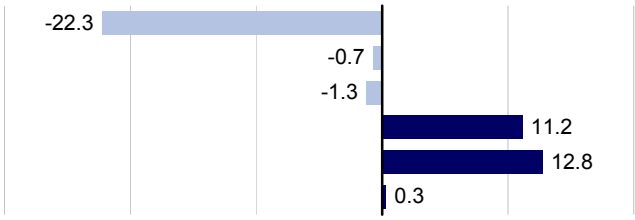
The market value declined in the third quarter. As a reminder, Book Value is the accumulated total of all County of San Bernardino participant assets in the Stable Value Account and Market Value is the value of the underlying investments in the actual portfolio.

Portfolio Characteristics

Quarter Ending September 30, 2013

Quality Rating (%)	Portfolio	BarCap U.S. Agg
AAA	51.5	73.7
AA	3.2	3.9
A	9.6	10.9
BBB	22.6	11.4
<BBB	12.8	0.0
Not Rated	0.4	0.0

Quality Comparison to Benchmark (%)
Overweight/underweight



Characteristics	Portfolio	BarCap U.S. Agg
Effective Duration (Years)	5.07	5.09
Yield to Maturity (%)	3.22	2.18
Average Quality	A1	AA2

Top Ten Credit Exposures	% of Portfolio
Banc Of America	0.88
Verizon Communications Inc	0.87
Future Retail Ltd	0.81
Citigroup Inc	0.77
General Electric Capital Corp	0.69
Goldman Sachs Group Inc/The	0.68
Morgan Stanley	0.54
Hewlett-Packard Co	0.44
Standard Chartered Plc	0.43
American International Group Inc	0.42

See Explanatory Notes Section for footnotes and disclosures.

Bond Sector Comparisons

Quarter Ending September 30, 2013

		Mar 13	June 13	July 13	Aug 13	Sept 13
Asset Group	Barclays Aggregate	SEPCO891	SEPCO891	SEPCO891	SEPCO891	SEPCO891
ABS	0%	1%	5%	5%	5%	5%
Govt related	8%	5%	5%	5%	5%	4%
CMBS	2%	7%	7%	7%	7%	9%
HY	0%	4%	5%	6%	6%	6%
EM	2%	5%	5%	5%	5%	6%
Investment Grade	22%	23%	24%	24%	23%	25%
Agency RMBS	29%	37%	37%	36%	29%	29%
Non-Agency MBS	0%	3%	2%	2%	3%	3%
Non$	0%	3%	0%	0%	0%	0%
Treasuries, Cash and TBA Liab	36%	13%	9%	9%	16%	13%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Allocations may not add to 100% due to rounding.
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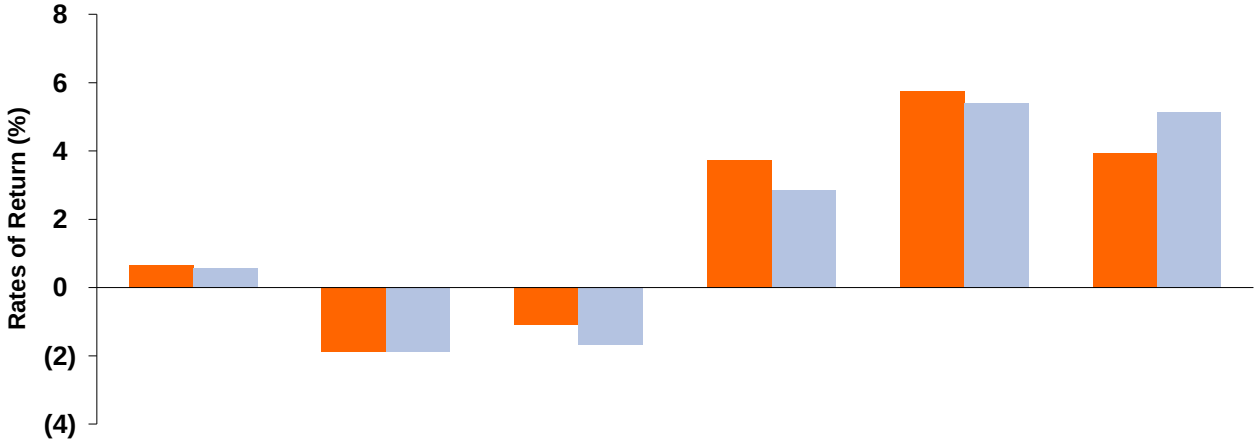
Portfolio Performance

Quarter Ending September 30, 2013



	Quarter	YTD	1 Year	Annualized 3 Year	Annualized 5 Year	Annualized Since Inception
Portfolio	**0.66%**	**(1.90)%**	**(1.10)%**	**3.72%**	**5.74%**	**3.94%**
BarCap U.S. Agg	0.57	(1.89)	(1.68)	2.86	5.41	5.14

Performance measurement inception date: January 17, 2007. Performance is calculated on a time-weighted total return basis and is presented on a "gross" basis (i.e., before the deduction of investment management fees). The returns for the BarCap U.S. Agg Index are time-weighted total return performance results as reported by Barclays Capital.

Account returns are gross returns, which include reinvestment of income and are before deduction of fees. Account inception date is 1/10/2007. It is important to note that the investment has a limited operating history. Performance over a longer period of time may be more meaningful than short-term performance. The Barclays Capital Aggregate Index is an unmanaged index and is composed of securities from the Barclays Capital Government/Corporate Bond Index, Mortgage-Backed Securities Index and the Asset-Backed Securities Index. An index does not reflect the portfolio of any investment. Individuals cannot invest directly in an index.