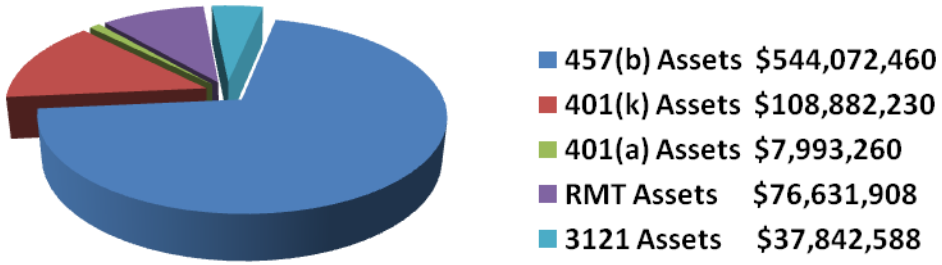
SST BENEFITS CONSULTING

# COUNTY OF SAN BERNARDINO
## EXECUTIVE SUMMARY
## DEFINED CONTRIBUTION PLANS
## 3rd QUARTER 2014

| | 3RD QUARTER % | 1 YEAR % | 3 YEAR % | 5 YEAR % |
|---|---|---|---|---|
| 457(b) Plan Performance | -1.81 | 12.61 | 19.66 | 13.20 |
| Customized Benchmark | -0.62 | 14.35 | 19.28 | 14.01 |
| **DIFFERENCE** | **-1.19** | **-1.74** | **0.39** | **-0.81** |
| 401(k) Plan Performance | -1.91 | 12.60 | 19.88 | 13.41 |
| Customized Benchmark | -0.88 | 14.63 | 20.24 | 14.71 |
| **DIFFERENCE** | **-1.03** | **-2.03** | **-0.36** | **-1.30** |
| Retirement Medical Trust | -1.30 | 11.15 | 16.50 | 11.82 |
| Customized Benchmark | -0.49 | 12.94 | 16.75 | 12.67 |
| **DIFFERENCE** | **-0.81** | **-1.80** | **-0.24** | **-0.84** |

## PORTFOLIO COMPOSITION AND ANALYSIS

The total assets in the County of San Bernardino's defined contribution plans decreased from $780 million as of June 30, 2014 to $775 million, a decrease of 0.55%. The decrease was mainly driven by the depreciation of the mutual fund investments resulting from the 3rd quarter equity performance. The 457 assets in the Ameritrade Self Directed Brokerage Account (SDBA) is remaining constant at $1.9 million. The 401(k) assets in the SDBA are also somewhat constant at $471,000.



**457 PLAN CASH POSITION:**

The stable value crediting rate was increased from 2.10% in the second quarter of 2014 to 2.20% in the third quarter of 2014 with the Committee's decision to reduce the duration of the Stabilizer portfolio, moving from a Core Plus strategy to an Intermediate Aggregate Plus strategy to align the portfolio to be more sensitive to increases in short term interest rates. ING Investment Management (IIM) completed the transition to the Intermediate Aggregate Plus strategy in the first quarter 2014. IIM changed its name to Voya Investment Management (VIM) this past spring. The 457 assets in the Stabilizer increased from 28.7% to 29.1% mostly because of contributions, accumulated earnings and the net effect of the reduced mutual fund portfolio.

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

The assets in the Stabilizer increased from 25.7% to 27.4% mostly because of contributions, accumulated earnings and the net effect of the reduced mutual fund portfolio.

**RETIREMENT MEDICAL TRUST CASH POSITION:**

Interest bearing assets in the RMT remained somewhat stable with the percentage of assets in the fixed interest account from 66.6% in the ING General account to 66.7%.

**457 PLAN MUTUAL FUNDS POSITION:**

The underperformance to the customized benchmark for the one (1) year period is due primarily to the underperformance of Baron Growth (with 3.9% of the mutual fund assets on a loss of 4.73% to peer average) and Columbia Small/Mid Cap Value (also with 3.9% of the mutual fund assets on a loss of 4.32% to peer average). 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 1.07 to 1.75.

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 10.58, which is higher than the benchmark of 9.63.

The Alpha, a measurement of the value added by the investment manager is -1.19**.** 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 (3) years.

The top 25 stocks in the mutual fund portfolio represent 13.4% of the portfolio led by Gilead Sciences with 1.14% of assets followed by Apple, Inc. with 0.97% of assets.

**401(k) MUTUAL FUNDS POSITION:**

The Sharpe Ratio for the 401(k) portfolio is 1.76. The three (3) year Standard Deviation for the portfolio is 10.67; which is higher than the benchmark of 10.11. The Alpha is -1.10 and the Beta is 1.05.

The top 25 stocks in the mutual fund portfolio represent 13.4% of the portfolio led by Gilead Sciences with 1.06% of assets followed by Amazon.com, Inc. with 0.91% of assets.

**RETIREMENT MEDICAL TRUST (RMT) MUTUAL FUNDS POSITION:**

With the RMT heavily weighted to the ING 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 1.72. The three (3) year Standard Deviation for the portfolio is 9.15 which is higher than the benchmark of 8.13. The Alpha is -1.93 and the Beta is 1.11.

The top 25 stocks in the mutual fund portfolio represent 11.5% of the portfolio led by Apple, Inc. with 1.15% of assets followed by Microsoft, Inc. with 0.72% of assets.

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| PERFORMANCE OF INDEX FUNDS VS. ACTIVELY MANAGED FUNDS | 3RD QTR % | 1 YEAR % | 3 YEAR % | 5 YEAR % |
|---|---|---|---|---|
| **LARGE CAP** | | | | |
| **Vanguard Institutional Index** | **1.12** | **19.43** | **22.69** | **15.42** |
| American Funds Growth Fund of America | 0.50 | 16.51 | 23.19 | 14.32 |
| TIAA-CREF Growth & Income | 0.03 | 17.96 | 22.65 | 14.91 |
| Wells Fargo Advantage Growth | -0.57 | 7.03 | 19.54 | 18.75 |
| Parnassus Core Equity | -0.49 | 18.37 | 22.79 | 15.50 |
| Columbia Diversified Equity Income | -0.20 | 18.16 | 21.40 | 13.43 |
| Main Stay ICAP Select Equity | -0.47 | 12.69 | 20.46 | 13.21 |
| **MID CAP** | | | | |
| **Vanguard Mid Cap Index** | **-1.14** | **15.64** | **23.03** | **16.79** |
| Baron Growth | -3.27 | 5.32 | 20.99 | 16.05 |
| Voya Mid Cap Opportunities | -0.41 | 8.14 | 18.87 | 15.98 |
| Fidelity Adv Leveraged Company Stock | -1.83 | 14.13 | 28.91 | 16.88 |
| Columbia Small/Mid Cap Value | -5.84 | 9.24 | 21.76 | 14.15 |
| **SMALL CAP** | | | | |
| **Vanguard Small Cap Index** | **-5.47** | **9.30** | **23.30** | **16.04** |
| Loomis Sayles Small Cap Growth | -5.38 | -1.38 | 19.89 | 17.48 |
| Invesco Small Cap Value | -7.02 | 12.16 | 28.44 | 17.14 |
| Perkins Small Cap Value | -4.65 | 9.73 | 16.80 | 11.27 |

In the third quarter, only three (3) out of thirteen (13) actively managed funds outperformed the lower cost index funds. Only two (2) fund over the past one (1) year outperformed their benchmarks.

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**LARGE GROWTH:**

| FUND # 1 | AMERICAN FUNDS GROWTH FUND OF AMERICA | RGAGX |
|---|---|---|

IMPLEMENTATION: MAR 2003 ASSETS: $ 68,228,692 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** | 16.51 | 23.19 | 14.32 | 16.24 | 21.28 | 14.60 | **0.27** | **1.91** | **-0.28** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 3 | 25.9 | 0.85 | 3.69 | 1.93 | 11.32 | 0.34% |
| **PEER AVERAGES** | | | 1.09 | -3.07 | 1.62 | 12.48 | 1.24% |

| 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | RGAGX | 1 | 1 | 1 | 0 | 0 | 0 | 1 | 1 | 2 | 7 | 7 | 5 | 5 |
| | | 79.2/ 60.1 | 13.1 | 96.5 | 13.9/ 14.6 | 95.9/ 105.1 | -0.74 | 37.5 | 41 | | LCG | LCG | LCG | LCG |

This fund continues to be overweight in Health Care, Financial Services and Energy while underweight Consumer Defensive and Industrials. The holdings have consistently moved further and further to the upper right of the large growth style box. The fund has also been reducing what has historically been a significant foreign stake; it is now only 8% (half of the 2010 - 2012 average). While GFA is trailing the index over the one (1) and five (5) year period, its Sharpe Ratio is better over three (3) years, just a tad lower over five (5) and even over ten.

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

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| FUND # 2 | TIAA-CREF GROWTH & INCOME | TIGRX |
|---|---|---|

IMPLEMENTATION: NOV 2011 ASSETS: $ 13,054,817 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** | 17.96 | 22.65 | 14.91 | 16.24 | 21.28 | 14.60 | **1.72** | **1.37** | **0.31** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 4 | 9.6 | 1.00 | 0.51 | 1.91 | 11.20 | 0.45% |
| **PEER AVERAGES** | | | 1.09 | -3.07 | 1.62 | 12.48 | 1.24% |

| 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | TIGRX | 1 | 1 | 1 | 1 | 0 | 0 | 1 | 1 | 2 | 8 | 8 | 8 | 7 |
| | | 52.1/ 86 | 11.9 | 97.2 | 13.6/ 15.2 | 97.8/ 104.8 | -0.58 | 18 | 15 | | LCG | LCG | LCG | LCG |

This historically large blend style fund has moved into the large growth category over the past two (2) years. The growth bent is more pronounced than in the past, but certainly could not be labeled a solid large growth fund. We expect management will toggle the line between blend and growth over time, but end up on the blend side more often than not.

Long-time manager Susan Kempler has established a reliable and consistent record at the helm and routinely posts risk-adjusted returns in line with the index and peer, sometimes better.

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

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| FUND # 3 | WELLS FARGO ADV GROWTH | | | SGRNX |
|---|---|---|---|---|
| IMPLEMENTATION: FEB 2012 | ASSETS: $ 4,642,878 | 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** | 7.03 | 19.54 | 18.75 | 16.24 | 21.28 | 14.60 | **-9.21** | **-1.74** | **4.15** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 4 | 12.4 | 1.16 | -5.74 | 1.27 | 15.08 | 0.75% |
| **PEER AVERAGES** | | | 1.09 | -3.07 | 1.62 | 12.48 | 1.24% |

| 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | SGRNX | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 9 | 9 | 9 | 9 |
| | | 99.8/ 14.4 | 12.2 | 87.1 | 16.2/ 18.8 | 116.0/ 113.6 | 0.39 | 2.5 | 4.5 | | LCG | LCG | LCG | LCG |

While this fund is classified as a large cap growth fund, it is more of an all-cap growth fund. The weighted-average market cap is $19 billion versus the index and peers at $52 billion and $69 billion, respectively, a significant difference (the fund is half the size of the Russell 3000 Growth). One thing is for sure, this fund invests in high growth stocks, not just growth stocks.

The significant small-mid bias causes this fund to outperform when such stocks are doing better relative to large cap stocks (as was the case prior to 2014). When small-mid stocks are doing poorly relative to large stocks this fund will suffer. Suffer it has. So far this year the fund is ranked in the bottom 2% while it's in the top 2% for the prior five (5) years.

A careful analysis of the returns show that the best fit index is the Russell 2500 Growth index (a small-mid cap index), which the fund is essentially matching for the year. While Morningstar and the fund company classify it as a Large Growth fund, it is not a Large Growth fund. The fund is currently overweight the Healthcare sector and Financial Services sector.

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

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**LARGE BLEND:**

| FUND # 4 | PARNASSUS CORE EQUITY | | | PRILX |
|---|---|---|---|---|
| IMPLEMENTATION: AUG 2010 | ASSETS: $ 11,560,355 | BEST FIT INDEX: RUSSELL 1000 | 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** | 18.37 | 22.79 | 15.50 | 16.84 | 21.59 | 14.10 | **1.53** | **1.20** | **1.40** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 5 | 13.4 | 0.82 | 3.62 | 2.27 | 9.33 | 0.69% |
| **PEER AVERAGES** | | | 1.03 | -1.83 | 1.80 | 11.28 | 1.16% |

| 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | PRILX | 1 | 1 | 1 | 1 | 1 | 0 | 1 | 1 | 2 | 9 | 9 | 9 | 9 |
| | | -12.8/ 85.4 | 10.5 | 91.7 | 12.1/ 15.6 | 90.0/ 83.5 | -0.07 | 23 | 20 | | LCB | LCB | LCB | LCB |

With low turnover and a go anywhere style, this fund should provide participants with wide exposure to socially screened stocks across the style and size spectrum. The weighted-average market cap is lower than both the Russell 2500 and 3000, but the fund manages to still have 65% of assets in large and giant size stocks. Across the style spectrum we see 27% in value, 42% in blend and 31% in growth.

The fund is significantly underweight the Cyclical Super Sector, specifically a half weighting in Consumer Cyclical and a third weighting in Financial Services (and no allocation to Real Estate). Conversely the fund overweights the Defensive Super Sector. This may explain its reasonable performance this year despite an allocation to small and mid cap stocks.

The fund has been very consistent in producing market and peer beating returns in absolute and risk-adjusted returns across all time periods and currently is in the top 1% of funds for the most current quarter end 15 year period and 2% for the quarter end 10 year period.

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

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| FUND # 5 | VANGUARD INSTITUTIONAL INDEX | VINIX |
|---|---|---|

IMPLEMENTATION: MAY 2008 ASSETS: $ 27,320,329 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** | 19.43 | 22.69 | 15.42 | 19.73 | 22.99 | 15.70 | -0.30 | -0.30 | -0.28 |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 4 | 13.8 | 1.00 | -0.03 | 2.02 | 10.57 | 0.04% |
| **PEER AVERAGES** | | | 1.00 | 0.00 | 2.17 | 10.57 | 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | VINIX | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 10 | 10 | 10 | 10 |
| | | -7.9/ 98.5 | 2.3 | 99.6 | 0.7 | 39 | 2 | 12 | 5 | | LCB-P | LCB-P | LCB-P | LCB-P |

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

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

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**LARGE VALUE:**

| FUND # 6 | COLUMBIA DIVERSIFIED EQUITY INCOME | | CDEYX |
|---|---|---|---|
| IMPLEMENTATION: MAY 2008 | ASSETS: $ 18,074,523 | BEST FIT INDEX: RUSSELL 1000 VALUE | 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** | 18.16 | 21.40 | 13.43 | 16.35 | 21.41 | 13.69 | **1.81** | **-0.01** | **-0.26** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 3 | 1.3 | N/A | N/A | 1.87 | 10.82 | 0.66% |
| **PEER AVERAGES** | | | 1.00 | -1.29 | 1.83 | 11.05 | 1.16% |

| 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | CDEYX | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 3 | 3 | 3 |
| | | -49.3/ 85.1 | 11.3 | 96.5 | 14.2/ 13.7 | 96.5/ 103.7 | -0.59 | 75 | 81 | T | LCV | LCV | LCV | LCV |

New manager Hugh Mullin took over the fund on 7/8/2013 and the fund for the one (1) year period ranks in the top 20% for its category. While the fund has beaten the category it is not beating the index (either the Russell 1000 or S & P 500) over the same period and certainly not by 200 basis points (the claim the manager made on a previous call). During the September/October stock market drop the fund fell further than the index and peer, but recovered with the index and peer when the market came back. We still do not see any indication that the manager will outperform on an absolute or risk-adjusted basis.

**Recommendation: Remain on Watch List due to investment performance and fund manager tenure.**

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| FUND # 7 | MAINSTAY ICAP SEL EQUITY | | | ICSLX |
|---|---|---|---|---|
| IMPLEMENTATION: MAY 2008 | ASSETS: $ 3,852,749 | BEST FIT INDEX: RUSSELL 1000 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** | 12.69 | 20.46 | 13.21 | 16.35 | 21.41 | 13.69 | **-3.66** | **-0.95** | **-0.48** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 4 | 16.8 | 1.00 | -2.73 | 1.72 | 11.27 | 0.90% |
| **PEER AVERAGES** | | | 1.00 | -1.29 | 1.83 | 11.05 | 1.16% |

| 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | ICSLX | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 2 | 6 | 6 | 6 | 9 |
| | | -60.3/ 84.3 | 10.6 | 96.4 | 13.7/ 13.3 | 92.7/ 99.6 | -0.75 | 70.5 | 76.5 | | LCV | LCV | LCV | LCV |

This fund used to be known for its consistency, but a rough 2013 and a poor start to 2014 has called that into question. Management turnover hasn't helped either. The fund has entered its seventh month in a row of underperformance over a five (5) year rolling period against the peer. With that said, the worst five (5) year versus peer was -0.67% and previous to these last seven (7) months the fund had beaten the peer over every five (5) year period since December 2002. We are hard pressed to recommend anything other than Watch List for this manager.

**Recommendation: Remain on Watch List due to investment performance.**

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**MID CAP GROWTH:**

| FUND # 8 | BARON GROWTH | | | BGRIX |
|---|---|---|---|---|
| IMPLEMENTATION: MAR 2003 | ASSETS: $ 18,450,248 | 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** | 5.32 | 20.99 | 16.05 | 10.05 | 20.14 | 14.82 | **-4.73** | **0.85** | **1.23** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 4 | 19.8 | 0.82 | 2.43 | 1.59 | 12.52 | 1.05% |
| **PEER AVERAGES** | | | 1.16 | -5.42 | 1.42 | 13.80 | 1.35% |

| 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | BGRIX | 1 | 1 | 1 | 1 | 1 | 0 | 1 | 1 | 2 | 9 | 9 | 8 | 7 |
| | | 28.6/ -29.7 | 19.3 | 90.3 | 14.9/ 16.1 | 90.7/ 89.8 | -0.2 | 14 | 14.5 | | MCG | MCG | MCG | MCG |

While Morningstar® classifies this fund as a mid cap growth fund we have always viewed it as a small-mid (or SMID) fund and more of a small cap with a mid cap bias. Baron buys small companies but doesn't sell them when they start to cross into mid cap territory. Even with this mid-cap bias the weighted average market cap is only about $4 billion, half the peer group and just 35% the size of the mid growth index. The fund is certainly larger than the Russell 2000 Growth and the small cap growth peer (about twice as large). The size finds this fund in the middle of the two categories. It has an r-squared of 91 against the small cap index.

When compared to mid growth index the fund doesn't look great recently (but performs just fine against the peer), but when compared to small growth it looks great against the peer and index. In terms of risk-adjusted return the fund is either slightly under or beating all the possible indexes we compare it against across all time periods and more often it is beating. Overall, the weakness against a pure mid cap benchmark in the recent data is not cause for concern.

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

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| FUND # 9 | VOYA MID CAP OPPORTUNITIES | | IMOZX |
|---|---|---|---|
| IMPLEMENTATION: | ASSETS: $ 9,257,715 | 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** | 8.14 | 18.87 | 15.98 | 10.05 | 20.14 | 14.82 | **-1.91** | **-1.27** | **1.16** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 4 | 9.3 | N/A | N/A | 1.40 | 13.18 | 0.88% |
| **PEER AVERAGES** | | | 1.16 | -5.42 | 1.42 | 13.80 | 1.35% |

| 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | IMOZX | 1 | 1 | 1 | 1 | 0 | 0 | 1 | 0 | 2 | 7 | 8 | 8 | 8 |
| | | 93.9/ -3.2 | 6.8 | 97.3 | 15.7/ 16.2 | 96.9/ 99.6 | -0.34 | 48 | 67 | | MCG | MCG | MCG | MCG |

This fund hews pretty close to the index sector weightings, yet is trailing significantly against the index over the past 12 months and three (3) years. It is doing better against the peer, but not by a lot. Year to date returns in 2014 have been quite good. On a risk-adjusted basis the fund beats the peer, but tends to trail the index, though not by a lot.

Against the peer Opportunities has not had a five (5) year period where it hasn't beat the peer since November 2007, though it has underperformed over three (3) year periods for the last nine (9) months. The fund had a four (4) year stretch between 2002 and 2006 where it underperformed over all three (3) year periods measured (same for the five (5) year rolling), so it's not immune to long stretches of underperformance. Against the index the fund has not outperformed over a five (5) year rolling period since the period ending 9/30/2013 and its rolling three (3) year performance against the index is progressively worse since 3/31/2013.

We would point out that this time period does include a period where small and mid cap stocks had significant returns. The risk-adjusted performance points to a portfolio that isn't performing poorly, just taking less risk than the index.

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

SST BENEFITS CONSULTING

**MID CAP BLEND:**

| **FUND # 10** | **FIDELITY ADV LEV CO STOCK** | | | **FLVIX** |
|---|---|---|---|---|
| IMPLEMENTATION: MAY 2008 | ASSETS: $ 6,767,545 | BEST FIT INDEX: RUSSELL MIDCAP | 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** | 14.13 | 28.91 | 16.88 | 12.88 | 22.36 | 14.96 | **1.25** | **6.55** | **1.92** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 3 | 11.3 | 1.08 | 2.33 | 1.84 | 14.46 | 0.84% |
| **PEER AVERAGES** | | | 1.14 | -3.64 | 1.59 | 13.18 | 1.27% |

| 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | FLVIX | 0 | 0 | 1 | 0 | 0 | 0 | 1 | 1 | 2 | 5 | 7 | 7 | 8 |
| | | -15.2/ -45.1 | 34 | 94 | 19.0/ 16.9 | 114.0/ 124.4 | -0.05 | 13.5 | 16 | | MCB | MCB | MCB | MCB |

While this fund is classified as a mid-cap blend fund, it has turned into an all-cap, all-style go anywhere investment option. The current size breakdown is: Giant 19%, Large 34%, Medium 37%, Small 8% and Micro 2%. The current style breakdown is: Growth 22%, Blend 48% and Value 29%. If you want a fund that adheres to a style box, Leveraged Stock is not for you.

In 2014 the allocation to foreign stocks has dropped by 75% to just under 3%.

No matter which peer or index we compare Leveraged Stock to, it has outperformed it over most time periods measured. When adjusted for risk, however, the performance is not substantial and in fact there are periods where it underperforms. It slightly outperformed the mid-cap blend index over three (3) years (1.84 vs 1.81) but over five (5) years is lower (.92 vs 1.12). Overall the fund generates returns, but doesn't generate those returns with the same or lower risk as the index or peer.

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

SST BENEFITS CONSULTING

| FUND # 11 | VANGUARD MID CAP INDEX | | | VMCIX |
|---|---|---|---|---|
| IMPLEMENTATION: MAY 2008 | ASSETS: $ 10,364,576 | 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** | 15.64 | 23.06 | 16.79 | 15.94 | 23.37 | 17.10 | -0.30 | -0.31 | -0.31 |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 5 | 16.4 | 0.98 | -0.01 | 1.75 | 12.49 | 0.08% |
| **PEER AVERAGES** | | | 1.00 | N/A | 1.54 | 13.45 | 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | VMCIX | 1 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 9 | 9 | 9 | 10 |
| | | 15.7/ 5.8 | 7 | 99.6 | 0.9 | 13 | 7 | 17 | 9 | | 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.**

SST BENEFITS CONSULTING

**MID CAP VALUE:**

| FUND # 12 | COLUMBIA SMALL/MID CAP VALUE | RSCMX |
|---|---|---|

IMPLEMENTATION: MAY 2008 ASSETS: $ 19,574,849 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** | 9.24 | 21.76 | 14.15 | 13.56 | 22.86 | 15.01 | **-4.32** | **-1.10** | **-0.86** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 3 | 1.1 | 0.95 | 0.56 | 1.60 | 12.98 | 0.85% |
| **PEER AVERAGES** | | | 1.12 | -2.46 | 1.69 | 12.74 | 1.27% |

| 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | RSCMX | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 2 | 2 | 2 |
| | | -24.7/ -16.9 | 20.1 | 95.2 | 16.3/ 14.3 | 97.2/ 111.8 | -0.8 | 67.5 | 61 | T | MCV | MCV | MCV | MCV |

It was voted that this fund be deleted and replaced with the Vanguard Mid Cap Value Index.

**Recommendation: This fund is scheduled to be deleted.**

SST BENEFITS CONSULTING

**SMALL GROWTH:**

| FUND # 13 | LOOMIS SAYLES SMALL CAP GROWTH | | | LSSIX |
|---|---|---|---|---|
| IMPLEMENTATION: DEC 2012 | ASSETS: $ 2,574,431 | BEST FIT INDEX: RUSSELL 2000 GROWTH | 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** | -1.38 | 19.89 | 17.48 | 2.78 | 20.06 | 14.84 | **-4.16** | **-0.17** | **2.64** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 5 | 9.8 | 0.89 | 0.49 | 1.28 | 15.12 | 0.94% |
| **PEER AVERAGES** | | | 1.25 | -7.12 | 1.26 | 15.61 | 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | LSSIX | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 10 | 10 | 10 | 10 |
| | | 86.9/ -82.6 | 10.9 | 93.8 | 17.4/ 17.6 | 92.3/ 81.8 | 0.42 | 21 | 20 | | SCG | SCG | SCG | SCG |

This fund had a huge 2013 after a rough 2012, but the momentum has not carried into 2014. Falling more than the index and peer, performance has fallen to the 3rd quartile for the year and fourth for the one (1) year period. Returns still look good for longer time frames though. Sector weightings are generally pretty tight with the index as management attempts to generate better returns through superior stock selection within the sectors. Style consistency and relatively low turnover are two traits we like, though the expense ratio seems a tad high.

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

SST BENEFITS CONSULTING

**SMALL BLEND:**

| FUND # 14 | VANGUARD SMALL CAP INDEX | | | VSCIX |
|---|---|---|---|---|
| IMPLEMENTATION: MAY 2008 | ASSETS: $ 5,411,982 | 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** | 9.30 | 23.30 | 16.04 | 9.56 | 23.54 | 16.23 | -0.26 | -0.24 | -0.19 |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 4 | 22.8 | 0.99 | 1.20 | 1.55 | 14.37 | 0.08% |
| **PEER AVERAGES** | | | 1.00 | N/A | 1.37 | 15.44 | 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | VSCIX | 1 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 9 | 9 | 9 | 9 |
| | | -10.0/ -61.6 | 9.6 | 98.5 | 2 | 61 | 4 | 2 | 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.**

SST BENEFITS CONSULTING

**SMALL VALUE:**

| FUND # 15 | INVESCO SMALL CAP VALUE | | | VSMIX |
|---|---|---|---|---|
| IMPLEMENTATION: MAY 2011 | ASSETS: $ 5,462,331 | 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 | 12.16 | 28.44 | 17.14 | 6.31 | 20.98 | 13.57 | **5.85** | **7.46** | **3.57** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 4 | 4.3 | 1.21 | 0.83 | 1.45 | 18.51 | 0.90% |
| **PEER AVERAGES** | | | 1.24 | -6.23 | 1.38 | 14.65 | 1.38% |

| 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | VSMIX | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 8 | 8 | 8 | 8 |
| | | 27.4/ -87 | 51.8 | 90.1 | 20.3/ 17.1 | 115.0/ 102.1 | 0.64 | 7.5 | 25.5 | | SCV | SCV | SCV | SCV |

The weighted-average market cap for this fund is twice the benchmark, though at least half the assets can still be considered small cap. In addition to straying somewhat from its stated size, the style is not purely value. Currently only 26% of assets are classified as value stocks, the rest are blend (52%) and growth (24%). This transition has happened slowly over the past three (3) years. Returns have been great, but buoyed somewhat in at least the last year and year-to-date by holdings outside the category. Measuring on a risk-adjusted basis the fund is outperforming.

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

SST BENEFITS CONSULTING

| FUND # 16 | PERKINS SMALL CAP VALUE | | JDSNX |
|---|---|---|---|
| IMPLEMENTATION: NOV 2010 | ASSETS: $ 18,484,378 | 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** | 9.73 | 16.80 | 11.27 | 6.31 | 20.98 | 13.57 | **3.42** | **-4.18** | **-2.30** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 4 | 29.7 | N/A | N/A | 1.40 | 11.80 | 0.60% |
| **PEER AVERAGES** | | | 1.24 | -6.23 | 1.38 | 14.65 | 1.38% |

| 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | JDSNX | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 2 | 7 | 5 | 6 | 7 |
| | | -40.8/ -45.1 | 18.3 | 94.6 | 13.7/ 11.5 | 77.3/ 76.2 | -0.26 | 92.5 | 89 | | SCV | SCV | SCV | SCV |

It was voted that this fund be deleted and replaced with the Vanguard Small Cap Value Index.

**Recommendation: This fund is scheduled to be deleted.**

SST BENEFITS CONSULTING

**INTERNATIONAL STOCK:**

| FUND # 17 | AMERICAN FUNDS CAPITAL WORLD G/I | | | RWIGX |
|---|---|---|---|---|
| IMPLEMENTATION: MAY 2008 | ASSETS: $ 34,193,170 | 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** | 12.19 | 18.22 | 9.95 | 9.78 | 16.68 | 10.46 | **2.41** | **1.54** | **-0.51** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 3 | 21.6 | 0.93 | 1.78 | 1.61 | 11.03 | 0.45% |
| **PEER AVERAGES** | | | 0.78 | 6.73 | 1.32 | 12.49 | 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | RWIGX | 1 | 1 | 1 | 0 | 0 | 0 | 1 | 1 | 2 | 7 | 6 | 5 | 6 |
| | | 2.7/ 74.4 | 13 | 96.8 | 14.6/ 10.3 | 94.9/ 99.5 | -0.45 | 42.5 | 50 | | GE | GE | GE | GE |

This world or global stock fund invests more heavily in Greater Europe than its peers which has been somewhat of a headwind the past several years because of the poor performance of European stocks compared to domestic stocks. That being said, performance continues to be better than expected. The fund currently has 225 stock and 25 bond holdings and turnover is extremely low at 24% versus peers at 63%. Participants looking for a fund with global stock exposure should find solace long term with CWGI.

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

SST BENEFITS CONSULTING

| FUND # 18 | DFA INTERNATIONAL SMALL COMPANY | DFISX |
|---|---|---|

IMPLEMENTATION: AUG 2009 ASSETS: $ 12,994,235 BEST FIT INDEX: MSCI EAFE SM CAP NR 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** | 4.20 | 14.28 | 9.15 | 4.44 | 14.95 | 9.66 | **-0.24** | **-0.67** | **-0.51** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 3 | 15.8 | 0.96 | 1.71 | 1.02 | 14.29 | 0.54% |
| **PEER AVERAGES** | | | 0.87 | 4.30 | 1.13 | 13.46 | 1.45% |

| 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | DFISX | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 2 | 8 | 8 | 8 | 8 |
| | | 26.4/ -100 | 4.5 | 97.6 | 16.9/ 9.3 | 100.4/ 95.7 | 0.38 | 59.5 | 58.5 | | ISMB | ISMB | ISMB | ISMB |

This is a passively managed option that is performing as we expect. While not officially an index fund it serves the same function.

**Recommendation: Place on Watch List due to investment performance.**

SST BENEFITS CONSULTING

| FUND # 19 | DODGE & COX INTERNATIONAL STOCK | DODFX |
|---|---|---|

IMPLEMENTATION: MAY 2008 ASSETS: $ 13,391,828 BEST FIT INDEX: MSCI WORLD EX US NR 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** | 13.05 | 18.56 | 9.25 | 3.75 | 13.05 | 6.22 | **9.30** | **5.51** | **3.03** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 5 | 13.4 | 1.02 | 4.66 | 1.24 | 14.77 | 0.64% |
| **PEER AVERAGES** | | | 0.93 | 1.92 | 0.96 | 13.89 | 1.36% |

| 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | DODFX | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 10 | 10 | 10 | 10 |
| | | 8.6/ 43 | 21.2 | 95.7 | 17.8/ 9.4 | 109.5/ 99.9 | 0.62 | 22.5 | 22.5 | | ILCB | ILCB | ILCB | ILCB |

International Stock sets itself apart from the pack by making bold moves. These bold moves have a history of paying off, but have in a few instances also led to significantly more volatility than its peers. Management is very big on the Technology sector right now with a 26% allocation versus just 8% for the index and peer. Healthcare is also double the index and a 20% stake in emerging markets gives the fund an edge that, while close to the index, is four (4) times the peer group. These bold moves have paid off in a big way with the fund in the top 5% of the peer group year-to-date and for the one (1), three (3) and five (5) year periods it lands in the top 10% for ten years.

While we expected the fund to drop more during the most recent blip in the markets, instead the fund did better than the peer and index. We hate to sound like a broken record, but this type of outperformance is rare and unlikely to be sustained.

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

SST BENEFITS CONSULTING

| FUND # 20 | OPPENHEIMER INTERNATIONAL GROWTH | | | OIGIX |
|---|---|---|---|---|
| IMPLEMENTATION: AUG 2013 | ASSETS: $ 4,884,049 | BEST FIT INDEX: MSCI WORLD EX US GROWTH | 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** | -0.28 | 14.57 | 9.21 | 3.24 | 13.18 | 7.37 | **-3.52** | **1.39** | **1.84** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 5 | 18.6 | N/A | N/A | 1.08 | 13.66 | 0.71% |
| **PEER AVERAGES** | | | 0.90 | 2.36 | 0.98 | 13.66 | 1.42% |

| 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | OIGIX | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 9 | 9 | 9 | 9 |
| | | 96.9/ -13.6 | 10.5 | 93.9 | 16.3/ 9.5 | 102.4/ 95.4 | 0.38 | 5 | 3 | | ILCG | ILCG | ILCG | ILCG |

2014 has been a tough year for this fund, though its longer term record is very good. Risk-adjusted returns look good as well. Management is not afraid to look different than the index or peer. Currently the fund has significant overweight to Consumer Cyclicals balanced by a significant underweight to Financial Services.

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

SST BENEFITS CONSULTING

**BONDS:**

| FUND # 21 | LOOMIS SAYLES INV GRADE BOND | LSIIX |
|---|---|---|

IMPLEMENTATION: MAY 2008 ASSETS: $ 14,957,614 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** | 6.23 | 6.48 | 7.29 | 5.81 | 6.56 | 7.18 | **0.42** | **-0.08** | **0.11** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 5 | 17.8 | 0.90 | -2.75 | 1.22 | 5.29 | 0.58% |
| **PEER AVERAGES** | | | 0.92 | 4.21 | 1.49 | 4.40 | 1.16% |

| 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | LSIIX | 0 | 1 | 0 | 1 | 1 | 1 | 1 | 1 | 0 | 6 | 6 | 6 | 8 |
| | | 19.8/ -27.6 | 14 | 24.1 | 5.1/ 7.4 | 148.4/ 92.2 | 0.73 | 5 | 41 | S | CFI | CFI | CFI | CFI |

This fund has a long and admirable track record, but it can also be more volatile than its peers. While its Sharpe ratio is generally superior, this is achieved by taking more risk, which leads the fund to be more volatile. It can hold a small portion of assets in stocks as well as non-US offerings (over a quarter of bond assets). This ability to hold more exotic fare can add to return over time (if managed well), but also adds additional downside risk.

Participants who want to take risks with bonds in an attempt to gain a higher return than a principal protected portfolio, which is the target of this fund, and for those participants who can handle the fluctuation and have a reasonable time frame have a good probability of ending up satisfied.

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

SST BENEFITS CONSULTING

| FUND # 22 | OPPENHEIMER INTERNATIONAL BOND | | OIBIX |
|---|---|---|---|
| IMPLEMENTATION: MAY 2008 | ASSETS: $ 3,791,923 | BEST FIT INDEX: MSTAR GLOBAL EX US GOVT BOND | 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** | 2.10 | 2.91 | 2.82 | 3.43 | 3.17 | 3.95 | **-1.33** | **-0.26** | **-1.13** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 3 | 5.5 | N/A | N/A | 0.54 | 5.92 | 0.56% |
| **PEER AVERAGES** | | | 1.12 | 0.51 | 0.76 | 4.95 | 1.08% |

| 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | OIBIX | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 1 | 3 | 3 | 5 | 6 |
| | | 17.3/ -15.6 | 38.9 | 71.4 | 7.9/ 3.1 | 125.1/ 130.7 | 0.05 | 60 | 63 | S | GFI | GFI | GFI | GFI |

Returns continue to be mediocre on both an absolute and risk-adjusted basis. This globally diversified bond fund used to be led by Art Steinmetz, but he has moved onto the role of Chief Investment Officer and left the fund in the hands of co-manager Sara Zervos.

While it is tough to compare foreign bond funds due to the shear vastness of the investing universe (and different styles used to navigate), there are other offerings with better records through various markets and even an index from Vanguard.

**Recommendation: Remain on Watch List due to investment performance.**

SST BENEFITS CONSULTING

| FUND # 23 | PIONEER GLOBAL HIGH YIELD | | GHYYX |
|---|---|---|---|
| IMPLEMENTATION: MAY 2008 | ASSETS: $ 5,138,848 | 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** | 5.98 | 9.64 | 9.46 | 6.00 | 9.98 | 9.39 | **-0.02** | **-0.34** | **0.07** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 3 | 13.2 | 1.02 | -1.41 | 1.52 | 6.15 | 0.82% |
| **PEER AVERAGES** | | | 0.86 | 7.58 | 1.77 | 5.57 | 1.12% |

| 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-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | GHYYX | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 2 | 5 | 5 | 8 | 6 |
| | | 98.2/ -98.2 | 4.8 | 90.5 | 7.4/ 9.4 | 102.9/ 125.3 | -0.4 | 82 | 55.5 | | HY | HY | HY | HY |

Management is currently allocated to a short-intermediate term maturity with equal amounts (about 25%) allocated to the 3-5, 5-7 and 7-10 year periods. This brings the effective duration to just under four (4) years with an average credit quality of B.

This is a category with few peers to compare it to and the peer group used by Morningstar® only contains funds investing mainly in domestic high yield. Against the Barclays Global High Yield index the fund underperforms on an absolute basis and on a risk-adjusted basis. On a risk adjusted basis the underperformance is minor.

This is a tough asset class to gain exposure as there are few funds and no investable index (other than an exchange traded fund).

**Recommendation: No action at this time**

SST BENEFITS CONSULTING

**BALANCED ALLOCATION:**

| FUND # 24 | AMERICAN FUNDS INCOME FUND OF AMERICA | | | RIDGX |
|---|---|---|---|---|
| IMPLEMENTATION: MAY 2008 | ASSETS: $ 11,066,517 | 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** | 12.78 | 15.23 | 12.01 | 9.80 | 13.26 | 9.75 | **2.98** | **1.97** | **2.26** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 5 | 22.8 | 0.92 | 4.05 | 2.06 | 7.13 | 0.29% |
| **PEER AVERAGES** | | | 1.02 | 0.92 | 1.66 | 7.73 | 1.30% |

| Asset Allocation | Ticker/ ID | Style | | | Risk/Return | | | Peer Group | | Qual. | Score | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Risk Level | Style Diversity | $R^2$ | Risk / Return | Up / Down | Info Ratio | Return Rank | SR Rank | (2pt. max) | 30-Sep 2014 | 30-Jun 2014 | 31-Mar 2014 | 31-Dec 2013 |
| | RIDGX | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 10 | 10 | 10 | 10 |
| | | 8.6 | 64.8/ 35.2 | 93.5 | 8.6/ 12.3 | 102.8/ 84.8 | 0.85 | 4 | 3 | | MOD | MOD | MOD | MOD |

Normally a fund with “income” in the name would be focused more on bonds, not IFA. This fund is focused on generating income while also maintaining a large allocation to stocks. That stock allocation now exceeds 70%. While the stocks the fund tends to buy are of the low volatility nature, an allocation of 70% certainly brings with it downside risk. Amazingly, the standard deviation on this fund is lower than both the index and peer, which translates into a higher Sharpe ratio over all time periods. While we think participants entering this fund should be wary of the high stock allocation, history has shown the managers still have good risk control.

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

SST BENEFITS CONSULTING

**TARGET FUNDS:**

| FUND # 25 | VANGUARD TARGET RETIREMENT INCOME | | | VTINX |
|---|---|---|---|---|
| IMPLEMENTATION: DEC 2009 | ASSETS: $ 3,985,198 | 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** | 6.31 | 7.27 | 6.84 | 6.73 | 7.55 | 7.08 | -0.42 | -0.28 | -0.24 |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 4 | 1.7 | 0.83 | 1.04 | 1.77 | 4.05 | 0.16% |
| **PEER AVERAGES** | | | 1.00 | N/A | 1.86 | 4.04 | 0.91% |

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

| FUND # 26 | VANGUARD TARGET RETIREMENT 2020 | | | VTWNX |
|---|---|---|---|---|
| IMPLEMENTATION: DEC 2009 | ASSETS: $ 10,714,408 | 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** | 9.97 | 13.19 | 9.87 | 10.45 | 13.56 | 10.26 | -0.48 | -0.37 | -0.39 |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 5 | 1.7 | 0.77 | 1.25 | 1.71 | 7.46 | 0.16% |
| **PEER AVERAGES** | | | 0.99 | N/A | 1.81 | 7.49 | 0.99% |

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

SST BENEFITS CONSULTING

| FUND # 27 | VANGUARD TARGET RETIREMENT 2030 | | | VTHRX |
|---|---|---|---|---|
| IMPLEMENTATION: DEC 2009 | ASSETS: $ 10,729,078 | 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** | 11.34 | 15.79 | 11.11 | 11.86 | 16.14 | 11.50 | -0.52 | -0.35 | -0.39 |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 4 | 1.7 | 0.88 | 1.21 | 1.66 | 9.15 | 0.17% |
| **PEER AVERAGES** | | | 1.00 | N/A | 1.75 | 9.18 | 1.03% |

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

| FUND # 28 | VANGUARD TARGET RETIREMENT 2040 | | | VFORX |
|---|---|---|---|---|
| IMPLEMENTATION: DEC 2009 | ASSETS: $ 8,093,890 | 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** | 12.50 | 17.73 | 11.99 | 13.04 | 18.10 | 12.41 | -0.54 | -0.37 | -0.42 |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 4 | 1.7 | 0.96 | 1.31 | 1.64 | 10.40 | 0.18% |
| **PEER AVERAGES** | | | 0.99 | N/A | 1.73 | 10.44 | 1.05% |

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

SST BENEFITS CONSULTING

| FUND # 29 | VANGUARD TARGET RETIREMENT 2050 | | | VFIFX |
|---|---|---|---|---|
| IMPLEMENTATION: DEC 2009 | ASSETS: $ 4,056,306 | 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** | 12.52 | 17.74 | 12.00 | 13.04 | 18.10 | 12.41 | -0.52 | -0.36 | -0.41 |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 4 | 1.7 | 0.96 | 1.34 | 1.64 | 10.39 | 0.18% |
| **PEER AVERAGES** | | | 0.99 | N/A | 1.73 | 10.44 | 1.05% |

This target date series is performing as expected adjusted for expense and tracking error. The equity portion is well diversified with 74% large cap, 19% mid cap and 7% small cap exposure. The bond portion has an average credit quality of AA, no holdings below investment grade and has an average effective duration of 5.83 years. The glidepath is “to” and levels off at five (5) years after the “zero” year.

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

SST BENEFITS CONSULTING

**SPECIALTY:**

| FUND # 30 | VOYA GLOBAL REAL ESTATE | | | IGLIX |
|---|---|---|---|---|
| IMPLEMENTATION: MAY 2008 | ASSETS: $ 5,806,982 | 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** | 6.84 | 14.10 | 9.51 | 5.75 | 15.02 | 9.64 | **1.09** | **-0.92** | **-0.13** |

| | M* | MGR TENURE | BETA | ALPHA | SHARPE | 3 YR STD DEV | EXP RATIO |
|---|---|---|---|---|---|---|---|
| **FUND STATISTICS** | 3 | 12.9 | 0.95 | 0.34 | 0.99 | 14.28 | 0.97% |
| **PEER AVERAGES** | | | 0.97 | -0.58 | 1.05 | 14.46 | 1.42% |

While performance doesn't look great against the peer over the three (3) and five (5) year periods, the peer represents a small group. Against the index the fund has struggled recently as well, but that is likely due to a smaller exposure to US REITs relative to the index which have generally outperformed international. Overall, management has been consistent and does a good job of providing a balanced approach to real estate both in the U.S. and outside. The fund has struggled a bit over the past three (3) and five (5) year periods, but is only trailing the peer by a small margin over five (5) years (.13%).

**Recommendation: Place on Watch List due to investment performance.**

SST BENEFITS CONSULTING

**ASSET ALLOCATION:**

| FUND # 31 | ASSET ALLOCATION FUNDS AGGRESSIVE | | |
|---|---|---|---|
| IMPLEMENTATION: MAY 2008 | ASSETS: $ 35,948,603 | 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** | 9.75 | 17.28 | 11.03 | 9.44 | 17.80 | 11.82 | **0.31** | **-0.52** | **-0.79** |

| FUND # 32 | ASSET ALLOCATION FUNDS MODERATE | | |
|---|---|---|---|
| IMPLEMENTATION: MAY 2008 | ASSETS: $ 49,484,789 | 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** | 8.98 | 13.96 | 9.65 | 8.45 | 13.05 | 9.18 | **0.53** | **0.91** | **0.47** |

| FUND # 33 | ASSET ALLOCATION FUNDS CONSERVATIVE | | |
|---|---|---|---|
| IMPLEMENTATION: MAY 2008 | ASSETS: $ 20,993,531 | 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** | 6.17 | 8.69 | 6.74 | 5.40 | 7.54 | 5.83 | **0.77** | **1.15** | **0.91** |

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, "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 |
|---|---|---|---|---|---|
| | 6 | CDEYX | COLUMBIA DIVERSIFIED EQUITY INC | Remain on Watch List due to investment performance and fund manager tenure. The 3 / 5 year Information Ratios have changed from (1.07) / (0.50) to (0.62) / (0.79) | 3Q 2012 |
| | 7 | ICSLX | MAINSTAY ICAP SELECT EQUITY | Remain on Watch List due to investment performance. The 3 / 5 year Information Ratios have changed from (1.07) / (0.75) to (0.87) / (0.85) | 1Q 2014 |
| | 12 | RSCMX | COLUMBIA SMALL/MID CAP VALUE | It has been voted that this fund be deleted and replaced with Vanguard Mid Cap Value Index | 3Q 2013 |
| | 16 | JDSNX | PERKINS SMALL CAP VALUE | It has been voted that this fund be deleted and replaced with Vanguard Small Cap Value Index | 1Q 2013 |
| | 18 | DFISX | DFA INTERNATIONAL SMALL CO | Place on Watch List due to investment performance. The 3/5 Information Ratios are 0.54 / 0.71 | 3Q 2014 |
| | 22 | OIBIX | OPPENHEIMER INTERNATIONAL BOND | Remain on Watch List due to investment performance. The 3 / 5 Information Ratios have changed from (0.27) / 0.06 to 0.15 / (0.15) | 3Q 2013 |
| | 30 | IGLIX | VOYA GLOBAL REAL ESTATE | Place on Watch List due to investment performance. The 3 / 5 Information Ratios are (0.29) / (0.07) | 3Q 2014 |

SST BENEFITS CONSULTING

# COUNTY OF SAN BERNARDINO
# INVESTMENT OPTIONS SPECTRUM

| TARGET ALLOCATION | ASSET ALLOCATION | SPECIALTY | BONDS | BALANCED ALLOCATION |
|---|---|---|---|---|
| Vanguard Ret Inc | Aggressive Allocation | Voya Global Real Est | Loomis Sayles Inv | AmFunds Inc |
| Vanguard Ret 2020 | Moderate Allocation | | Oppenheimer Intl | |
| Vanguard Ret 2030 | Conservative Allocation | | Pioneer Global HY | |
| Vanguard Ret 2040 | | | | |
| Vanguard Ret 2050 | | | | |

| DOMESTIC EQUITY | | | INTERNATIONAL - GLOBAL EQUITY |
|---|---|---|---|
| **LARGE VALUE** | **LARGE BLEND** | **LARGE GROWTH** | AmFunds Cap World |
| Columbia Div Equity Inc | Parnassus Core Equity | AmFunds Growth Fund | DFA Intl Sm Company |
| MainStay ICAP Sel Equity | Vanguard Institutional Idx | TIAA-CREF G/I | Dodge & Cox Intl |
| | | Wells Fargo Adv Growth | Oppenheimer Intl Gr |
| **MID CAP VALUE** | **MID CAP BLEND** | **MID CAP GROWTH** | |
| Columbia Sm/Mid Cap Value | Fidelity Adv Lev Co Stk | Baron Growth | |
| | Vanguard Mid Cap Idx | Voya Mid Cap Opp | |
| **SMALL VALUE** | **SMALL BLEND** | **SMALL GROWTH** | |
| Invesco SmCap Value | Vanguard SmCap Index | Loomis Sayles SmCap | |
| Perkins SmCap Value | | | |

*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.