SST BENEFITS CONSULTING

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

## 3RD QUARTER 2017

| | NET DIFFERENCE | ACTUAL PERFORMANCE | BENCHMARK PERFORMANCE |
|---|---|---|---|
| 3Q 2016 | 0.68% | 0.99% | 0.31% |
| 4Q 2016 | 0.29% | (1.76)% | (2.05)% |
| 1Q 2017 | 0.36% | 1.04% | 0.68% |
| 2Q 2017 | 0.41% | 1.33% | 0.92% |
| **3Q 2017** | **0.27%** | **0.99%** | **0.72%** |
| **I YEAR** | **1.34%** | **1.59%** | **0.25%** |

The broad U.S. fixed income market posted a positive 0.8 percent return (Barclays U.S. Aggregate). High yield was the best performing sector, returning a positive 2.0 percent (BC High Yield Corporate Bond). Government bond was the worst performing sector, returning a positive 0.4 percent (BC Government).

The average credit rating of the portfolio improved to AA from AA- the prior quarter. The benchmark is AA+, top tier of "Very Strong". Voya Investment Management (VIM) significantly decreased exposure to Agency Mortgages and Investment Grade Corporates by 10% and 7% respectively and invested in U.S. Treasury & Cash improving the credit quality of the portfolio.

Effective duration decreased from 3.99 years to 3.87 years and average yield to maturity is 2.69%, down from 3.05% at 2Q17. The current crediting interest rate was decreased as of October 1, 2017 from 2.65% to 2.60%.

**Market to Book Value Ratio:**

| **3RD QUARTER 2017** | 2ND QUARTER 2017 | 1ST QUARTER 2017 | 4TH QUARTER 2016 | 3RD QUARTER 2016 |
|---|---|---|---|---|
| 100.57 | 100.36% | 99.77% | 99.41% | 101.91% |

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 securities in the actual portfolio.

Quarter ending September 30, 2017

# Portfolio Review

Prepared for

**County of San Bernardino**

**SA 891**

INVESTMENT MANAGEMENT

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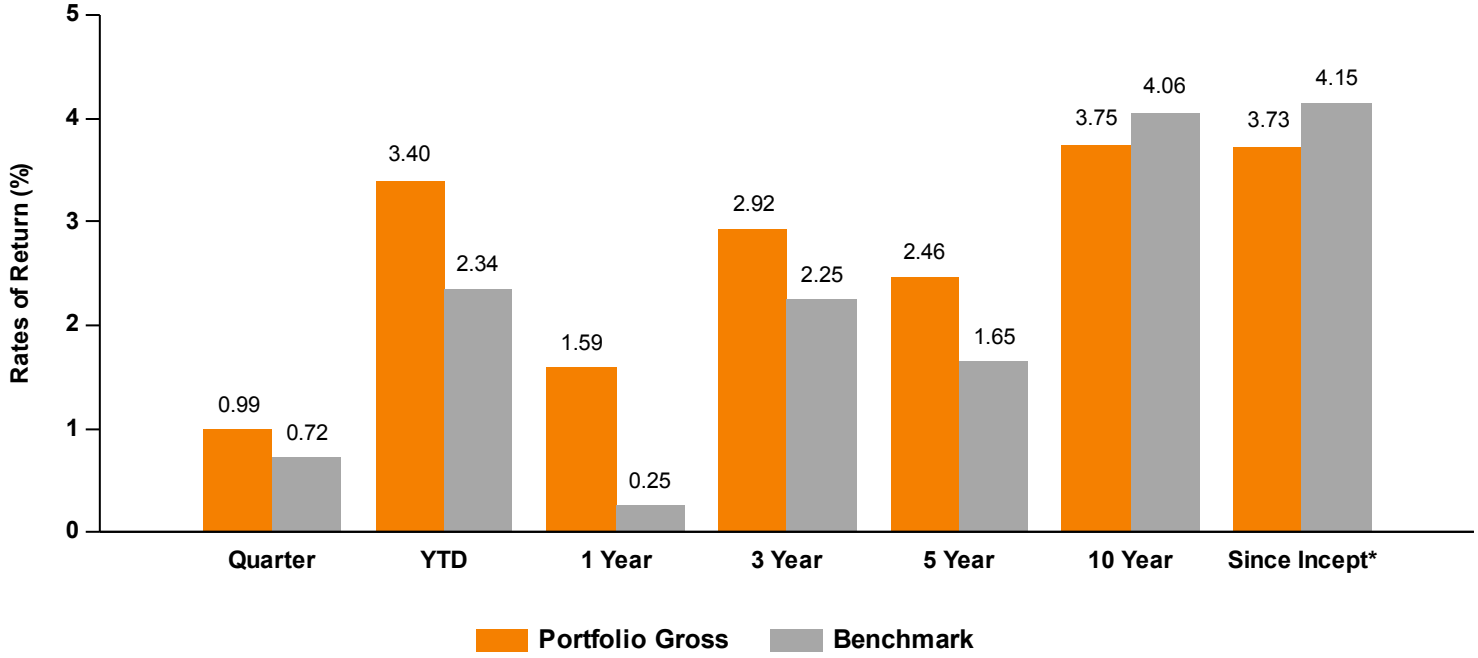
**voyainvestments.com**

VOYA

# Performance Summary

## Quarter Ending September 30, 2017




| | Quarter | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception* |
|---|---|---|---|---|---|---|---|
| Portfolio Gross (%) | 0.99 | 3.40 | 1.59 | 2.92 | 2.46 | 3.75 | 3.73 |
| Benchmark (%) | 0.72 | 2.34 | 0.25 | 2.25 | 1.65 | 4.06 | 4.15 |
| Relative to Gross (%) | 0.27 | 1.06 | 1.34 | 0.67 | 0.81 | (0.31) | (0.42) |

The benchmark from inception through Feb 28, 2014 was the Barclay's Capital US Aggregate. On Mar 1, 2014 the benchmark was changed to the Barclays Capital Intermediate US Aggregate.

*Performance inception date is 1/17/2007. Benchmark: Bloomberg Barclays U.S. Intermediate Aggregate

Performance returns for time periods greater than 1 year are annualized. Past performance does not guarantee future results.

See Explanatory Notes Section for footnotes and disclosures.

# Portfolio Characteristics

## Quarter Ending September 30, 2017

| Top Credit Exposures | % of Portfolio |
|---|---|
| ENERGY TRANSFER PARTNERS LP | 0.59 |
| COOPERATIEVE RABOBANK UA | 0.52 |
| AT+T INC | 0.49 |
| BANK OF AMERICA CORP | 0.49 |
| ANHEUSER-BUSCH INBEV SA/NV | 0.43 |
| WELLS FARGO + CO | 0.42 |
| MORGAN STANLEY | 0.38 |
| APPLE INC | 0.37 |
| TEVA PHARMACEUTICAL INDUSTRIES LTD | 0.37 |
| CHARTER COMMUNICATIONS INC | 0.37 |

| Holdings-Based Characteristics | Portfolio | Benchmark |
|---|---|---|
| Effective Duration (Years) | 3.87 | 4.13 |
| Yield to Maturity (%) | 2.69 | 2.34 |
| Average Quality | AA | AA+ |
| Yield to Worst (%) | 2.67 | 2.34 |

| Performance Attribution | Q1 | Q2 | Q3 | YTD |
|---|---|---|---|---|
| Duration/Curve | -6 | -5 | 2 | -9 |
| Currency | -1 | -2 | -2 | -6 |
| Asset Allocation | 24 | 36 | 13 | 75 |
| Security Selection | 19 | 12 | 14 | 45 |
| **Total** | 36 | 41 | 27 | 106 |

Past performance does not guarantee future results. The returns-based statistics presented are based on the gross-of-fee composite returns.

Benchmark: Bloomberg Barclays U.S. Intermediate Aggregate

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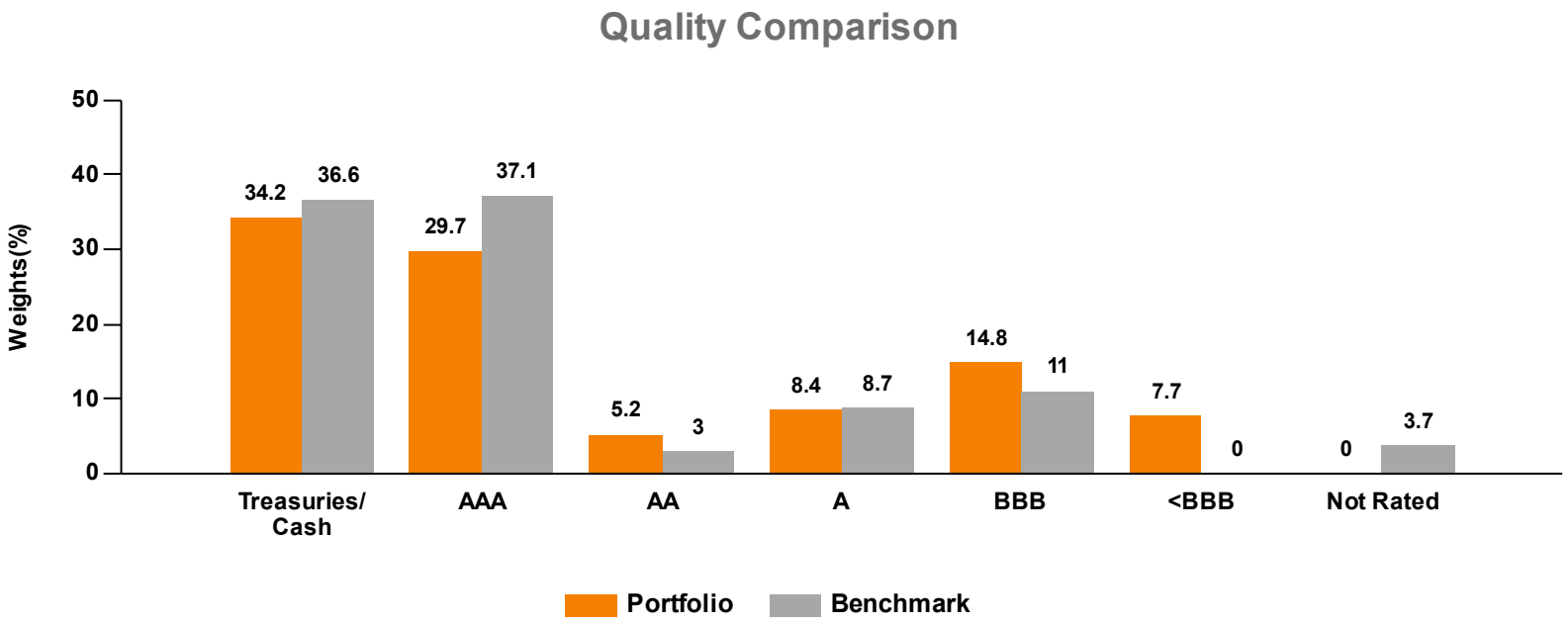
# Portfolio Characteristics

## Quarter Ending September 30, 2017




| Key Rate Durations | Effective Duration | 3 Month | 1 Year | 2 Year | 3 Year | 5 Year | 7 Year | 10 Year | 15 Year | 20 Year | 25 Year | 30 Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Portfolio | 3.87 | 0.02 | 0.09 | 0.47 | 0.50 | 1.08 | 0.76 | 0.50 | 0.15 | 0.04 | -0.01 | 0.26 |
| Benchmark | 4.13 | 0.02 | 0.16 | 0.35 | 0.66 | 0.90 | 0.95 | 0.65 | 0.22 | 0.16 | 0.06 | -0.02 |
| Relative to Benchmark | -0.25 | 0.00 | -0.07 | 0.12 | -0.16 | 0.17 | -0.19 | -0.15 | -0.07 | -0.12 | -0.07 | 0.28 |

Benchmark: Bloomberg Barclays U.S. Intermediate Aggregate

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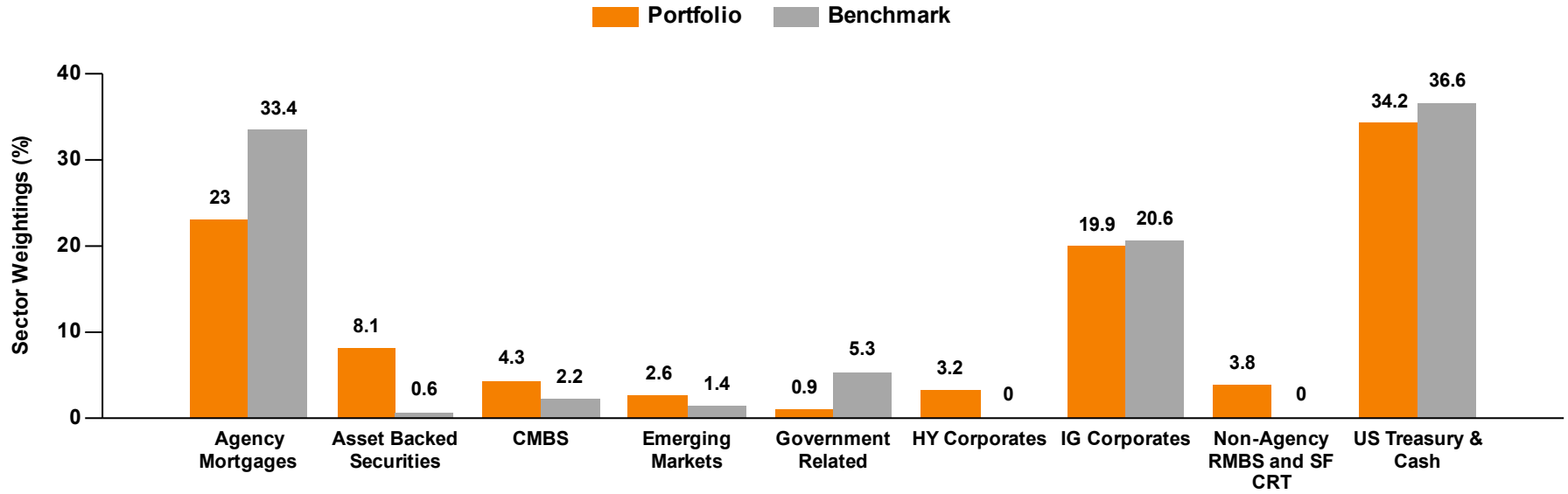
# Asset Allocation

## Quarter Ending September 30, 2017




| | 12/31/2016 | 3/312017 | 6/30/2017 | 7/31/2017 | 8/31/2017 | 9/30/2017 | | | Change from prior quarter |
|---|---|---|---|---|---|---|---|---|---|
| Asset Group | Portfolio | Portfolio | Portfolio | Portfolio | Portfolio | Portfolio | Index | Active | Portfolio |
| Agency Mortgages | 30% | 33% | 33% | 32% | 32% | 23% | 33% | -10% | -10% |
| Asset Backed Securities | 9% | 8% | 8% | 8% | 8% | 8% | 1% | 8% | 0% |
| CMBS | 6% | 6% | 5% | 5% | 4% | 4% | 2% | 2% | -1% |
| Emerging Markets | 3% | 3% | 4% | 4% | 3% | 3% | 1% | 1% | -1% |
| Government Related | 1% | 1% | 1% | 1% | 1% | 1% | 5% | -4% | 0% |
| HY Corporates | 2% | 3% | 4% | 4% | 3% | 3% | 0% | 3% | 0% |
| IG Corporates | 29% | 25% | 26% | 28% | 22% | 20% | 21% | -1% | -7% |
| Non-Agency RMBS and SF CRT | 5% | 5% | 5% | 5% | 4% | 4% | 0% | 4% | -1% |
| US Treasury & Cash | 16% | 16% | 15% | 14% | 24% | 34% | 37% | -2% | 19% |
| **Total** | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 0% | 0% |

Benchmark: Bloomberg Barclays U.S. Intermediate Aggregate
Allocations may not add to 100% due to rounding.
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