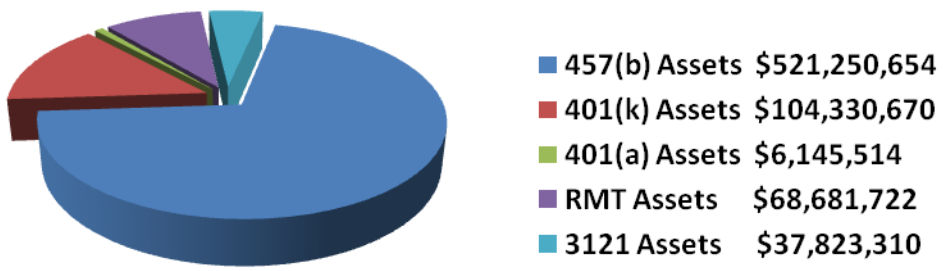
SST BENEFITS CONSULTING

COUNTY OF SAN BERNARDINO
EXECUTIVE SUMMARY
DEFINED CONTRIBUTION PLANS
4th QUARTER 2013

	4TH QUARTER %	1 YEAR %	3 YEAR %	5 YEAR %
457(b) Plan Performance	8.12	28.95	13.59	18.00
Customized Benchmark	7.97	27.21	13.81	17.43
DIFFERENCE	**0.15**	**1.73**	**-0.21**	**0.57**
401(k) Plan Performance	8.13	29.18	13.66	18.25
Customized Benchmark	8.35	28.83	14.57	18.34
DIFFERENCE	**-0.22**	**0.34**	**-0.91**	**-0.09**
Retirement Medical Trust	6.46	22.08	11.62	15.88
Customized Benchmark	6.74	22.49	12.54	15.65
DIFFERENCE	**-0.29**	**-0.41**	**-0.92**	**0.23**

PORTFOLIO COMPOSITION AND ANALYSIS

The total assets in the County of San Bernardino's defined contribution plans increased from $697 million as of September 30, 2013 to $738 million, an increase of 5.9%. The increase was mainly driven by the appreciation of the investments resulting from strong 4th quarter equity performance. The 457 assets in the Ameritrade Self Directed Brokerage Account (SDBA) are now $1.9 million, up from $1.8 million at 3Q13 due to equity growth. The 401(k) assets in the SDBA are now $434,000.



457 PLAN CASH POSITION:

The stable value crediting rate was 2.10% in the fourth quarter. The Committee made the 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. The crediting rate is 1.90% for the first quarter 2014. The percentage of assets in the stabilizer declined from the previous quarter of 32.1% to 30.5% due to the appreciation of the equity mutual funds.

401(k) PLAN CASH POSITION:

The assets in the Stabilizer decreased from 30.1% to 27.7% because of the appreciation of the equity fund growth and outflow of nearly $500,000.

RETIREMENT MEDICAL TRUST CASH POSITION:

There was a decrease in the percentage of assets in the fixed interest account from 71.1% in the ING General account to 69.0%.

457 PLAN MUTUAL FUNDS POSITION:

The slight over performance to the customized benchmark for the fourth quarter is due primarily to the performance of Growth Fund of America. The customized index is devoid of expenses while the mutual funds do have an expense structure, so the out performance in the fourth quarter and the one (1) year period is impressive. Additionally the underperformance of Perkins Small Cap Value, Columbia Diversified Equity Income and Columbia Mid Cap Value contributed to the three (3) year underperformance.

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 remained at 1.08.

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 12.52, which is higher than the benchmark of 11.07.

The Alpha, a measurement of the value added by the investment manager is -1.69**.** 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 1.12 over three (3) years.

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401(k) MUTUAL FUNDS POSITION:

The one (1) year over performance is due to Growth Fund of America. The three (3) year under performance was due to the lower than average performance of Perkins Small Cap Value, Columbia Mid Cap Value and Columbia Diversified.

The Sharpe Ratio for the 401(k) portfolio is 1.08. The three (3) year Standard Deviation for the portfolio is 12.60; which is higher than the benchmark of 11.64. The Alpha is -1.74 and the Beta is 1.07.

RETIREMENT MEDICAL TRUST (RMT) MUTUAL FUNDS POSITION:

With the RMT heavily weighted on 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 1.07. The three (3) year Standard Deviation for the portfolio is 10.78 which is higher than the benchmark of 9.44. The Alpha is -2.31 and the Beta is 1.13.

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PERFORMANCE OF INDEX FUNDS VS. ACTIVELY MANAGED FUNDS	4TH QTR %	1 YEAR %	3 YEAR %	5 YEAR %
LARGE CAP				
Vanguard Institutional Index	**10.50**	**32.35**	**16.15**	**17.95**
American Funds Growth Fund of America	9.51	34.00	15.50	18.42
TIAA CREF Growth & Income Retirement	10.71	34.06	16.96	18.02
Wells Fargo Advantage Growth	7.82	33.62	19.23	26.06
Parnassus Equity Income	9.88	33.97	16.91	17.53
Columbia Diversified Equity Income	10.13	31.01	12.39	15.80
Main Stay ICAP Select Equity	9.08	29.82	13.73	17.45
MID CAP				
Vanguard Mid Cap Index	**8.62**	**35.17**	**15.42**	**22.11**
Baron Growth	8.03	38.69	18.01	22.39
ING Mid Cap Opportunities	6.45	31.57	14.33	22.53
Fidelity Adv Leveraged Company Stock	8.70	36.81	16.69	25.99
Columbia MidCap Value	8.76	35.40	13.92	20.66
SMALL CAP				
Vanguard Small Cap Index	**8.82**	**37.79**	**16.61**	**22.55**
Loomis Sayles Small Cap Growth	5.72	47.71	18.91	23.85
Invesco Small Cap Value	11.11	44.55	17.80	22.52
Perkins Small Cap Value	9.55	29.66	10.96	17.09

In the fourth quarter, five (5) out of thirteen (13) actively managed funds outperformed the lower cost index funds. Nine (9) funds 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: $ 67,481,204	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	34.00	15.50	18.42	33.92	14.87	19.09	**0.08**	**0.63**	**-0.67**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	25.2	1.04	-1.18	1.18	13.13	0.34%
PEER AVERAGES		6.4	1.09	-2.30	1.08	13.88	1.25%

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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	RGAGX	1	1	1	0	0	0	0	0	2	5	5	5	5
		60.6/ 64.6	15.5	96.9	15.4/ 18.7	96.2/ 102.7	-0.63	55	63.5		LCG	LCG	LCG	LCG

GFA has steadily moved more to the upper right corner of the large cap growth style box since the financial crisis, becoming more growth oriented than in the past. There is still an emphasis on healthcare and energy with overweights in both categories relative to the index and peer.

While performance versus the index is still trailing over the three (3) and five (5) year periods, this is not surprising given the difficulty in beating the Russell 1000 Growth. The fund is only slightly underperforming against the large cap growth peer over five (5) years and when adjusted for survivorship bias it is actually outperforming by 0.09% (9 basis points).

With 9.30% in cash & fixed income the potential exists for future underperformance as the fund is not fully invested, but the cash could also serve as a cushion in a downturn and headwind for when valuations are favorable.

Recommendation: No action at this time.

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FUND # 2	TIAA CREF GROWTH & INCOME	TIGRX

IMPLEMENTATION: NOV 2011 ASSETS: $ 14,254,001 BEST FIT INDEX: RUSSELL 1000 GROWTH 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	34.06	16.96	18.02	33.92	14.87	19.09	**0.14**	**2.09**	**-1.07**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	8.8	0.99	1.02	1.35	12.37	0.46%
PEER AVERAGES		6.4	1.09	-2.30	1.08	13.88	1.25%

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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	TIGRX	1	1	1	0	0	0	1	1	2	7	8	7	7
		33.5/ 95	10.5	97.2	15.3/ 18.3	97.1/ 106.7	-0.82	23.5	30		LCG	LCG	LCG	LCG

2013 was the first year this fund was classified as a large cap growth fund by Morningstar®. The fund continues to benchmark itself against the S&P 500, which is probably appropriate. Regardless, performance has been above peer and index in the one (1) and three (3) year periods.

The fund slightly outperforms in risk characteristics as well with better Sharpe and Sortino ratios than the peer and index over three (3) and five (5) years.

Our expectation is that this fund will deliver about the return of the S&P 500 with similar fluctuation and a larger than average possibility of outperforming, but by slim margins.

Recommendation: No action at this time.

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FUND # 3	WELLS FARGO ADV GROWTH			SGRNX
IMPLEMENTATION: FEB 2012	ASSETS: $ 5,116,913	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	33.62	19.23	26.06	33.92	14.87	19.09	-0.30	4.36	6.97

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	11.7	1.08	1.44	1.23	15.30	0.76%
PEER AVERAGES		6.4	1.09	-2.30	1.08	13.88	1.25%

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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	SGRNX	0	1	1	1	1	1	1	1	2	9	9	9	10
		98.3/ 23.4	7.5	90.3	16.6/ 26.1	117.8/ 100.6	1.11	0.5	0.5		LCG	LCG	LCG	LCG

This large cap growth fund holds 43% of assets in the small-mid cap category and maintains a weighted-average market cap of one-third the peer group (less than half the index). Management is not shy in purchasing "growth" stocks and, in fact, Morningstar® sets aside a whole category to the right of the style box called "High Growth" which this fund occupies.

From Chipotle to Apple and Dollar Tree to Amazon, the fund managers have one thing on their mind - growth. Whether that growth comes from small, mid or large companies is not a big concern. If a company is not growing faster than the market expects, they move on. Given the low turnover ratio of 38%, they have been successful in their judgments.

While the allocation to smaller stocks has no doubt helped returns, it doesn't matter what benchmark you compare the fund to. It has outperformed everything from the Russell 2000 to the Russell 3000 by wide margins. The biggest caution is that outperformance on such a level is rarely sustainable and typically goes in cycles.

Recommendation: No action at this time.

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LARGE BLEND:

FUND # 4	PARNASSUS EQUITY INCOME INV			PRILX
IMPLEMENTATION: AUG 2010	ASSETS: $ 10,709,043	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	33.97	16.91	17.53	31.50	14.53	17.12	**2.47**	**2.38**	**0.41**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	12.7	0.84	3.11	1.55	10.50	0.68%
PEER AVERAGES		5.7	1.04	-1.94	1.13	12.94	1.17%

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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	PRILX	1	1	1	1	1	0	1	1	2	9	10	10	10
		-1.3/ 82.9	14.7	92.4	14.0/ 17.7	86.2/ 80.7	-0.2	31	22.5		LCB	LCB	LCB	LCB

This all cap socially conscious fund keeps 75% of assets in stocks that pay dividends and focuses on downside protection. Such characteristics are not always associated with outperformance, yet this fund has accumulated an envious record. This go anywhere fund does tend toward larger stocks, but is not afraid to own smaller fare (over 30% is in small-mid), which brings it a market cap about half that of its index benchmark and almost a quarter of the peer. This could explain some of its outperformance as SMID stocks have generally outperformed.

Recommendation: No action at this time.

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FUND # 5	VANGUARD INSTITUTIONAL INDEX			VINIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 23,914,149	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	32.35	16.15	17.95	32.39	16.18	17.94	-0.04	-0.03	0.01

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	13.1	1.00	-0.02	1.30	12.11	0.04%
PEER AVERAGES		N/A	1.00	0.00	1.33	12.11	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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	VINIX	1	1	1	1	1	1	1	1	2	10	10	10	10
		-8.3/ 98.3	2.2	99.8	0.7	40	1	11	7		LCB-P	LCB-P	LCB-P	LCB-P

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

RECOMMENDATION: No action at this time.

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LARGE VALUE:

FUND # 6	COLUMBIA DIVERSIFIED EQUITY INCOME		CDEYX
IMPLEMENTATION: MAY 2008	ASSETS: $ 17,207,480	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	31.01	12.39	15.80	31.18	14.60	16.24	**-0.17**	**-2.21**	**-0.44**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	0.5	N/A	N/A	0.96	13.23	0.66%
PEER AVERAGES		6.1	1.01	-1.53	1.16	12.69	1.17%

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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	CDEYX	1	1	1	0	0	0	0	0	0	3	3	5	5
		-37.4/ 85.8	12.2	96.6	17.4/ 16.1	97.5/ 99	-0.19	68	69.5	T	LCV	LCV	LCV	LCV

SST has attended two conference calls with current co-manager Hugh Mullin and while we find him engaging and intelligent, there is no evidence that we can cite that warrants a belief that this fund will outperform with him at the helm.

Since those calls, a second manager has been added (a third could be added at any time and Columbia has not been forthcoming with the total number they plan to add). The new manager is a former analyst and has never before managed a mutual fund.

When asked on the conference call about expected outperformance Mr. Mullin stated that he could "outperform by 200 basis points per year, consistently." While we appreciate Mr. Mullin's confidence, the probabilities are stacked against him and if he somehow manages such a feat, he will become a legend in the industry. Study after study demonstrates that few managers outperform by more than the fees they charge and the

ones that do rarely achieve 200 bps of outperformance (http://www.nerdwallet.com/blog/investing/2013/active-mutual-fund-managers-beat-market-index/).

When hiring an investment manager there should be overwhelming evidence that the probability exists the manager will outperform an index or peer, otherwise, why hire them. Mullin and Bloomfield may go on to produce excellent returns, however, we have no basis to support this possibility and, in fact, we have sufficient evidence to believe the opposite will occur.

Recommendation: Delete and replace this fund due to investment performance and manager tenure.

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FUND # 7	MAINSTAY ICAP SEL EQUITY			ICSLX
IMPLEMENTATION: MAY 2008	ASSETS: $ 1,792,781	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	29.82	13.73	17.45	31.18	14.60	16.24	-1.36	-0.87	1.21

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	16.1	1.01	-2.12	1.04	13.20	0.90%
PEER AVERAGES		6.1	1.01	-1.53	1.16	12.69	1.17%

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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	ICSLX	1	1	1	1	1	1	1	0	2	9	10	10	10
		-59.8/ 78.9	12.3	95.1	16.2/ 17.5	95.1/ 89.1	0.2	48.5	53.5		LCV	LCV	LCV	LCV

In September 2012 a new manager was added to the team, Thomas Cole. Cole spent the past eleven years at UBS where he was the head of U.S. equities before joining Institutional Capital in April 2012.

The fund is very concentrated (typically 30 stocks or less) and generally invests in sizable capitalization companies. 51% of the portfolio is invested in mega cap stocks, with the remainder in large cap. The weighted-average market capitalization is nearly 50% higher than the Russell 1000 Value.

Short-term performance has not kept up with the index or the peer group, however over longer periods of time the fund has consistently delivered above average results. Select Equity has not experienced a five (5) year period of underperformance versus the peer group in its history and has only eight five (5) year periods of underperformance versus the index, of which only one exceeded 0.50%. Even the best funds underperform over long stretches. We see nothing that would cause us concern at this point in time.

Recommendation: No action at this time.

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MID CAP GROWTH:

FUND # 8	BARON GROWTH			BGRIX
IMPLEMENTATION: MAR 2003	ASSETS: $ 20,276,822	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	38.69	18.01	22.39	34.89	14.09	20.86	**3.80**	**3.92**	**1.53**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	19.1	0.87	3.92	1.28	13.65	1.06%
PEER AVERAGES		6.5	1.17	-4.10	0.95	15.31	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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	BGRIX	0	0	1	1	1	0	1	1	2	7	8	8	8
		19.7/ -34.8	30.1	91.9	16.8/ 22.4	91.5/ 89	-0.2	14.5	15.5		MCG	MCG	MCG	MCG

Assets have grown 33% in the past several years to $8 billion. Baron Growth has a turnover ratio of 14%, which is low relative to the category. While the fund is technically a small cap offering, the manager tends to hold onto his stocks for many years and as they grow which raises the weighted-average market cap (currently about $4 billion, half the mid cap category).

The fund is handily beating the category over all time periods and only falls short against the indexes over the three (3) year period (but by only 0.19%). In risk terms the Sharpe and Sortino ratios beat against peer and index over all time periods measured.

Recommendation: No action at this time.

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FUND # 9	ING MID CAP OPPORTUNITIES		NMCIX
IMPLEMENTATION: MAY 2011	ASSETS: $ 9,551,213	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	31.57	14.33	22.53	34.89	14.09	20.86	-3.32	0.24	1.67

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	8.5	0.98	-0.89	0.98	14.71	0.97%
PEER AVERAGES		6.5	1.17	-4.10	0.95	15.31	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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	NMCIX	1	1	1	1	0	0	1	1	2	8	10	10	10
		87.6/ -4.4	11.6	96.5	17.0/ 22.5	96.5/ 97.7	-0.26	14	9.5		MCG	MCG	MCG	MCG

Despite relatively high turnover rate of 81%, this fund has allocations that track closely with the Russell Mid Cap Growth Index. Returns have weakened in 2013 against the peer group, though the fund is still beating over three (3) and five (5) year periods. Over the one (1), three (3) and five (5) year periods the fund trails the index. The fund is doing reasonably well versus its peers in both risk and return, but does not distinguish itself well from the index.

Recommendation: No action at this time.

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MID CAP BLEND:

FUND # 10	FIDELITY ADV LEV CO STOCK	FLVIX

IMPLEMENTATION: MAY 2008 ASSETS: $ 6,137,841 BEST FIT INDEX: 50 MIDCAP VALUE / RUSS 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	36.81	16.69	25.99	33.93	15.20	20.70	**2.88**	**1.49**	**5.29**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	10.5	1.25	-3.32	0.92	18.73	0.84%
PEER AVERAGES		5.3	1.19	-4.10	0.98	15.31	1.26%

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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	FLVIX	0	0	1	1	1	1	1	1	2	8	7	5	5
		-7.7/ -70.1	35.6	92.2	23.3/ 26	123.9/ 122.9	0.47	12	12.5		MCB	MCB	MCB	MCB

As great as the performance has been in this fund, when adjusted for risk, it is not as impressive. The absolute returns have trumped both the index and category over all time periods, but this performance has been achieved with much greater risk (The 10 year upside/downside capture is 148/142 vs 122/115 for the index).

Leveraged Stock has lower Sharpe and Sortino ratios than the index over all periods measured (though not by a huge margin), but beats the category by a small margin over five (5) and ten (10) year periods. This high-beta fund is best utilized (like most other funds) as part of a diversified portfolio.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

FUND # 11	VANGUARD MID CAP INDEX			VMCIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 6,947,847	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	35.17	15.42	22.11	35.21	15.46	22.13	-0.04	-0.04	-0.02

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	15.7	0.99	-0.86	1.06	14.54	0.08%
PEER AVERAGES		N/A	N/A	N/A	N/A	N/A	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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	VMCIX	1	1	1	1	1	1	1	1	2	10	9	9	9
		14.6/ -0.1	4.5	99.7	0.8	10	3	28	10		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 MID CAP VALUE OPPORTUNITY		RSCMX
IMPLEMENTATION: MAY 2008	ASSETS: $ 21,597,544	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	35.40	13.92	20.66	35.15	14.90	20.32	**0.25**	**-0.98**	**0.34**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	0.3	1.03	-2.60	0.93	15.31	0.85%
PEER AVERAGES		6.1	1.15	-3.21	1.03	14.75	1.31%

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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	RSCMX	0	1	1	0	0	0	0	0	0	2	2	4	4
		-9.3/ -3.5	17.7	96.2	19.2/ 20.7	99.3/ 101	-0.13	60.5	53.5	T	MCV	MCV	MCV	MCV

There have been many manager changes at Columbia these days. This fund was originally led by Warren Spitz who had a good track record. When Spitz moved up in the firm he was replaced with a team of managers who had middling returns. In September 2013, the management team was changed again (one manager removed had only been on the fund six months) to the current members (David Hoffman, Jarl Ginsberg and Dr. Christian Stadlinger). All three managers have experience working with other Columbia funds (Stadlinger and Ginsberg have worked together since 2003 on Columbia Small Cap Value II). Unlike Columbia Diversified Equity Income, we have some track record to look to. Hoffman's time with Columbia Mid Cap Value has resulted in a decent record (though he was not the sole manager which makes it difficult to truly analyze), but not outstanding. Stadlinger and Ginsberg have worked together for a decade and have a good record (though assets just passed $1 billion in 2009). While this team has never worked together and two of the members have never managed a mid-cap fund, there is some evidence that they are experienced in running a mutual fund.

Recommendation: Remain on Watch List due to management change.

SST BENEFITS CONSULTING

SMALL GROWTH:

FUND # 13	LOOMIS SAYLES SMALL CAP GROWTH		LSSIX
IMPLEMENTATION: DEC 2012	ASSETS: $ 3,234,430	BEST FIT INDEX: RUSSELL 2000 GROWTH	M* ANALYST RATING: N/A

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	47.71	18.91	23.85	40.99	15.95	22.28	**6.72**	**2.96**	**1.57**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	9.0	0.96	2.25	1.18	15.74	0.95%
PEER AVERAGES		6.4	1.28	-3.88	0.97	16.97	1.46%

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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	LSSIX	1	1	1	1	1	1	1	1	2	10	10	10	10
		82.2/ -76.9	8	95.2	17.7/ 23.9	88.9/ 77.9	0.25	11.5	12.5		SCG	SCG	SCG	SCG

The fund returned nearly 48% in 2013. Returns have been good across all time periods and risk measures. This fund's long streak of outperformance is impressive. In rolling 12-month periods since the management team took over in January 2005 they have trailed the peer group only 16 times out of 96 potential periods. The Information Ratio is high across all periods and in comparison to the peer group.

Consistency of this magnitude is almost unheard of in the mutual fund industry, but proper context is necessary. The success of this fund is impressive. It should be noted that this fund didn't pass the $100 million in assets mark until 2008 and the year it outperformed the peer group by nearly 17% (2007) the assets in this fund strategy were around $60 million. The fund has almost doubled in size each year since 2010, surpassing the $1 billion mark in 2013. The fund has more than ten (10) times the amount of assets it had in 2008.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

SMALL BLEND:

FUND # 14	VANGUARD SMALL CAP INDEX			VSISX
IMPLEMENTATION: MAY 2008	ASSETS: $ 6,927,154	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	37.79	16.61	22.55	37.77	16.56	22.48	0.02	0.05	0.07

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	22.1	1.01	0.33	1.02	16.30	0.10%
PEER AVERAGES		N/A	N/A	N/A	N/A	N/A	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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	VSISX	1	0	1	1	1	1	1	1	2	9	9	9	9
		6.1/ -64.1	11.4	98.9	1.8	66	4	29	31		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: $ 4,544,182	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	44.55	17.80	22.52	36.31	14.36	20.25	**8.24**	**3.44**	**2.27**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	3.6	1.27	-1.99	0.88	20.99	0.90%
PEER AVERAGES		6.5	1.25	-5.03	0.91	16.37	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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	VSMIX	0	0	1	1	1	1	1	1	2	8	7	7	7
		66.1/ -95.7	22	89.2	22.1/ 22.5	110.6/ 97	0.67	9	25		SCV	SCV	SCV	SCV

Not much has changed since last quarter. The managers continue to march to their own drum with allocations that are substantially different than the index. One example is the Real Estate sector, which Invesco SCV has a 0% allocation versus 12.40% for the index and 5.44% for the peer group. Another example is the 28% allocation to technology versus the index of 11% and peer group of 14.5%.

Of the three managers who began managing the fund in June 2010, only one had prior experience managing a mutual fund. In the three (3) years of managing this fund together the returns have bested the index and peer group but with more fluctuation. With that said the Sharpe ratio is very close to that of the index and peer while the Sortino beats both slightly. In the 12-month rolling periods since the group took over the fund they have failed to beat the peer in only 8 of those 34 periods. The fund has beaten the peer group over all eight (8) of the three (3) year periods by at least 2.60% annualized. It appears that this young group is off to a great start, but the committee should be prepared for times when the strategy utilized falls out of favor.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

FUND # 16	PERKINS SMALL CAP VALUE		JDSNX
IMPLEMENTATION: NOV 2010	ASSETS: $ 17,586,374	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	29.66	10.96	17.09	36.31	14.36	20.25	**-6.65**	**-3.40**	**-3.16**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	28.9	N/A	N/A	0.86	13.27	0.79%
PEER AVERAGES		6.5	1.25	-5.03	0.91	16.37	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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	JDSNX	1	1	1	1	1	0	0	0	2	7	7	7	7
		-34.9/ -47.3	18.9	94.2	17.2/ 17.4	80.6/ 74.4	-0.05	90	87		SCV	SCV	SCV	SCV

Significant periods of underperformance followed by significant periods of outperformance characterize the investment performance of this Perkins fund. From October 1985 to June 1991 the fund underperformed the peer group over every five (5) year rolling period. Then the fund's strategy was back in favor and from July 1991 to November 2004 it outperformed in every five (5) year rolling period (by very large margins). The fund would not have another five (5) year winning streak versus the peer group until February 2003 which it maintain until August of 2013. This fund did particularly well during the financial crisis (relatively speaking) and as those relative excess returns have dropped off, we are left with five (5) year rolling numbers that look poor and aren't likely to improve significantly soon.

Nothing with Perkins investment strategy has changed, but the future heir apparent and long-time co-manager Todd Perkins (son of founder and current lead manager Robert Perkins) left the company suddenly in 2013. The record under the father-son combination was the envy of the industry and with the son now gone and the father near retirement age there are concerns about the future of this and other Perkins funds.

We would feel more comfortable with the underperformance had there not been a change in management; now we are less confident in the future of Perkins and this currently underperforming strategy. With that said, if most measures of valuation for small cap stocks turn out to be correct, this fund may be getting ready for its next period of outperformance.

Recommendation: Remain on Watch List due to investment performance and management change.

SST BENEFITS CONSULTING

INTERNATIONAL STOCK:

FUND # 17	**AMERICAN FUNDS CAPITAL WORLD G/I**			**RWIGX**
IMPLEMENTATION: MAY 2008	ASSETS: $ 34,812,218	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	25.00	11.17	14.40	25.18	10.34	15.72	**-0.18**	**0.83**	**-1.32**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	20.8	0.94	2.26	0.88	13.38	0.45%
PEER AVERAGES		4.2	0.81	5.69	0.78	14.48	1.44%

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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	RWIGX	1	1	1	1	0	0	0	0	2	6	5	6	6
		-0.9/ 79.8	15.9	96.8	17.2/ 14.8	96.3/ 98.9	-0.3	60.5	71.5		GE	GE	GE	GE

While this fund is trailing its peers over five (5) years, when adjusted for survivorship bias (and non-management fees) it is doing so only by about 0.30% (30 basis points). Despite holding more cash than peers, the fund performance nearly matched the peer group over one (1) year and beating the peer over three (3) year period. The fund has a significantly lower allocation to U.S. stocks (which outperformed International by over 18% in 2013) and having almost no allocation to International SMID (the peer group had 22% and SMID stocks outperformed the average large international stock by 13% in 2013). CWGI has accomplished these results with higher Sharpe and Sortino ratios than the index and peer over three (3) years and about the same over five (5) years.

Recommendation: Remove from Watch List due to improved investment performance.

SST BENEFITS CONSULTING

FUND # 18	DFA INTERNATIONAL SMALL COMPANY			DFISX
IMPLEMENTATION: AUG 2009	ASSETS: $ 14,106,532	BEST FIT INDEX: MSCI EAFE SMALL 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	27.25	8.48	17.22	25.60	9.14	18.15	**1.65**	**-0.66**	**-0.93**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	15.1	0.96	3.53	0.59	16.34	0.56%
PEER AVERAGES		5.1	0.90	4.26	0.66	15.62	1.46%

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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	DFISX	1	1	1	1	1	1	0	0	2	8	8	8	8
		29.5/ -99.9	5.9	98.1	19.8/ 17.7	100.3/ 95	0.48	63.5	57.5		ISMB	ISMB	ISMB	ISMB

While this fund is not technically an index fund, it functions in a very similar manner.

The managers do not actively manage the fund, instead it is passively managed but with flexibility. When a stock moves in or out of the index the fund does not have to purchase it immediately, instead it is given the flexibility to time those purchase and sells so that there is less impact on the portfolio. This strategy has led to superior returns over time, but with tracking error to the index.

Given the passive nature of the fund it is not entirely appropriate to compare the fund to peers as it is not attempting to provide more return than the index (technically it is via its trading strategy). With that said, if you compare the fund to its peers there have been several periods of out and underperformance (as we would expect).

However, the peer group of Foreign Small/Mid Blend has many issues that don't allow an accurate comparison. First, the peer group has not been in existence for very long (Morningstar® just created the category within the past few years). Second, the funds that make up the category either do not have a long track record, are not open to new investors, have very high minimums or small asset bases. Of the 27 funds in the category, fully 14 have asset bases below $100 million. Only ten (10) funds have been opened for more than seven (7) years (25% of the category opened for trading in the past three years). Only nine (9) of the funds have an average manager tenure greater than five (5) years. Of the eight (8) funds that beat DFA International Small over five (5) years, three (3) of them are closed to new investors or have a minimum investment of $10 million. Nine (9) of the funds in the peer don't even have a five (5) year record.

The fund has underperformed the index over five (5) year rolling periods only four (4) times in its history (unfortunately it is the last four five (5) year periods), though two times only by more than the expense ratio. The Sharpe and Sortino ratios are superior to the index over long periods.

Recommendation: Remain on Watch List due to investment performance.

SST BENEFITS CONSULTING

FUND # 19	DODGE & COX INTERNATIONAL STOCK			DODFX
IMPLEMENTATION: MAY 2008	ASSETS: $ 86,549,942	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	26.31	8.71	16.58	19.40	6.69	12.37	**6.91**	**2.02**	**4.21**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	12.7	1.05	1.04	0.56	17.43	0.64%
PEER AVERAGES		5.2	0.97	1.66	0.48	16.42	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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	DODFX	1	1	1	1	1	1	1	1	2	10	10	10	9
		7.9/ 16	23	96.1	22.5/ 16.6	117.4/ 107	0.72	28	26		ILCB	ILCB	ILCB	ILCB

This fund continues to deliver returns beyond expectations. If there were a year that we would have predicted this fund to struggle, 2013 would have been it. Emerging Markets (EM) struggled, returning -2.60% for the year. Yet, International Stock which has a double weighting of EM relative to the peer group outperformed by nearly 700 basis points. A triple overweight to Technology didn't hurt.

Management is willing to look different than the index and peer group. This gives International Stock the opportunity for such blowout returns. Significant deviations from the index and peer can also lead to long periods of tracking error in the wrong direction, which must be kept in mind when the style at this fund goes out of favor (as all styles do at times).

Recommendation: No action at this time.

SST BENEFITS CONSULTING

FUND # 20	OPPENHEIMER INTERNATIONAL GROWTH		OIGIX
IMPLEMENTATION: AUG 2013	ASSETS: $ 4,939,905	BEST FIT INDEX: MSCI WORLD EX US 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	25.44	12.07	17.23	18.61	7.31	13.71	**6.83**	**4.76**	**3.52**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	17.8	N/A	N/A	0.85	15.06	0.74%
PEER AVERAGES		5.5	0.92	2.43	0.52	15.93	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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	OIGIX	0	1	1	1	1	1	1	1	2	9	9	9	9
		92.6/ -37.2	11.7	94.7	18.1/ 17.5	106.2/ 88.7	1.08	6.5	4		ILCG	ILCG	ILCG	ILCG

This fund has continued its dominance of the index and peer. Since the inception of this fund in 1996 (the manager has been with the fund since the beginning) there have been only six five (5) year rolling periods of underperformance versus the peer group, only one by more than 0.50%.

Manager George Evans is more than willing to look different from the category and index. The current portfolio makeup looks very different from either the EAFE or ACWI ex-US, which undoubtedly is the key to outperformance (it is difficult to outperform an index by mimicking it).

This willingness to look different is the edge, but it can also be a double-edged sword. There will inevitably be times where this fund underperforms as the manager's style waxes and wanes. The key for participants is patience during those rough times.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

BONDS:

FUND # 21	**LOOMIS SAYLES INV GRADE BOND**			**LSIIX**
IMPLEMENTATION: MAY 2008	ASSETS: $ 12,602,437	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	1.36	6.14	11.16	1.95	5.68	11.51	-0.59	0.46	-0.35

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	17.1	0.77	-0.81	1.11	5.44	0.59%
PEER AVERAGES		5.4	0.59	3.69	1.16	4.92	1.19%

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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	LSIIX	1	1	0	1	1	1	1	1	1	8	8	7	7
		-1.1/ -12	7	25	6.1/ 11.2	193.0/ 79.5	1.27	6.5	40.5	S	CFI	CFI	CFI	CFI

Lead Manager Dan Fuss has an enviable track record at this fund. It is in the top 1% of its peers for the ten (10) and fifteen (15) year periods, top 3% for five (5) years, 4% for three (3) years and top 10% for the past year. This doesn't mean the fund will always be at the top. Funds that tend toward extremes in their categories usually grace both sides of those extremes at some point. In other words, don't be surprised if this fund ranks at the bottom of its category in the future. Taking risk in bonds will not always be rewarded as was demonstrated during the financial crisis. Participants holding this fund should realize that just because they are investing in a bond fund, it does not mean they can't or won't lose money.

Despite losing a key manager at this fund, Loomis has a deep fixed income bench and longtime manager Daniel Fuss is still at the helm. The fund has a great track record, but its Sharpe and Sortino ratios relative to the category are about the same as the peer over the past three (3) and five (5) years.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

FUND # 22	OPPENHEIMER INTERNATIONAL BOND		OIBIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 3,837,067	BEST FIT INDEX: MORNINGSTAR X US GOV 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	-4.11	1.95	5.17	-2.49	2.86	6.08	**-1.62**	**-0.91**	**-0.91**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	9.8	N/A	N/A	0.32	7.45	0.57%
PEER AVERAGES		4.7	1.04	-0.39	0.59	5.85	1.10%

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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	OIBIX	1	0	0	1	1	1	0	0	2	6	7	7	7
		62.8/ 11.7	27.3	79.1	9.0/ 5.4	142.2/ 141.3	0.29	56.5	62.5		GFI	GFI	GFI	GFI

This fund has struggled in 2013 as the Emerging Market (EM) bond exposure has hurt performance versus its peers (the same exposure that helped it in 2012). While foreign currency exposure has dropped in this fund, nearly 50% of assets are invested in EM bonds, of which a majority are denominated in the local currency.

The fund is not doing anything different than what we would expect given its objectives, but since long time manager Art Steinmetz stepped aside the portfolio has struggled.

Recommendation: Remain on Watch List due to investment performance.

SST BENEFITS CONSULTING

FUND # 23	PIONEER GLOBAL HIGH YIELD		GHYYX
IMPLEMENTATION: MAY 2008	ASSETS: $ 4,677,247	BEST FIT INDEX: BARCLAYS GLOBAL HY	M* ANALYST RATING: NEUTRAL

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	5.07	6.30	18.50	6.87	8.03	16.07	-1.80	-1.73	2.43

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	12.4	1.15	-3.80	0.81	7.83	0.80%
PEER AVERAGES		5.7	0.30	6.92	1.26	6.51	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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	GHYYX	1	1	1	0	0	0	0	1	2	6	7	7	7
		100.0/ -100	0	86.3	10.5/ 18.4	104.6/ 121.6	-0.06	59.5	36.5		HY	HY	HY	HY

With a 20% allocation to Emerging Markets (EM) this fund has stumbled against its peers. International High Yield beat Domestic High Yield by over 500 bps, but EM trailed International by 1700 bps depending on which index you are measuring. Brazil has a large allocation in this portfolio and when the Fed began taper talks last year EM bonds felt the brunt of it. As the Fed continues its taper, this fund will be affected negatively. Holding EM bonds versus the prospectus benchmark didn't necessarily hurt the fund versus its index (as the index holds EM bonds), but a lack of "global high yield" funds means no Morningstar® category and thus a comparison to domestic high yield funds.

Recommendation: Remain on Watch List due to investment performance.

SST BENEFITS CONSULTING

BALANCED ALLOCATION:

FUND # 24	AMERICAN FUNDS INCOME FUND OF AMERICA		RIDGX
IMPLEMENTATION: MAY 2008	ASSETS: $ 10,208,193	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	18.27	11.88	14.30	16.38	9.19	12.88	**1.89**	**2.69**	**1.42**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	22.0	0.92	3.70	1.48	7.92	0.29%
PEER AVERAGES		5.2	1.03	0.08	1.06	8.74	1.32%

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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	RIDGX	1	1	1	1	1	1	1	1	2	10	10	10	10
		10.8	64.5/ 35.5	94.9	10.8/ 14.6	102.4/ 90	0.69	2.5	6		MOD	MOD	MOD	MOD

Even though this fund has a higher allocation to stocks than its peer and index, it has a lower or equal standard deviation and tends to do better on the downside, defying all expectations. Nearly 70% of the portfolio is invested in stocks versus the peer group of 59%, yet the returns have been substantially higher. The Sharpe and Sortino ratios are superior over all periods. This defiance of the odds is accomplished through smart stock picking, but also through a focus on income and stocks that tend to have lower betas. Participants in this fund should still be ready to whether a downturn. A 70% allocation to stocks, even if invested in conservative stocks will still fall in times of crisis. Those who are patient and can handle fluctuation will find this moderately aggressive balanced portfolio a reasonable long-term choice.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

TARGET FUNDS:

FUND # 25	VANGUARD TARGET RETIREMENT INCOME			VTINX
IMPLEMENTATION: DEC 2009	ASSETS: $ 3,696,546	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	5.67	6.33	8.45	8.50	6.72	9.30	**-2.83**	**-0.39**	**0.85**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	0.9	0.81	1.18	1.44	4.36	0.16%
PEER AVERAGES		4.3	0.75	-0.41	1.00	6.34	0.96%

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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	VTINX	1	1	1	1	0	0	1	1	0	6	4	5	5
		5.6	30.1/ 69.9	96.8	5.6/ 8.6	101.4/ 104	-0.01	36	6	T	MC	MC	MC	MC

Target Date fund review summary follows fund #29.

SST BENEFITS CONSULTING

FUND # 26	VANGUARD TARGET RETIREMENT 2020			VTWNX
IMPLEMENTATION: DEC 2009	ASSETS: $ 8,186,815	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	15.73	9.29	12.65	19.01	10.26	13.00	-3.28	-0.97	-0.35

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	0.9	1.05	0.15	1.08	8.60	0.16%
PEER AVERAGES		4.0	0.98	-0.91	0.93	8.26	1.02%

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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	VTWNX	1	1	1	1	0	0	1	1	0	6	5	5	5
		11.4	68.5/ 31.5	99.5	11.4/ 12.8	95.8/ 98.7	-1.01	42	15.5	T	MA	MOD	MOD	MA

Target Date fund review summary follows fund #29.

SST BENEFITS CONSULTING

FUND # 27	VANGUARD TARGET RETIREMENT 2030			VTHRX
IMPLEMENTATION: DEC 2009	ASSETS: $ 7,263,088	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	20.37	10.65	14.42	24.11	11.95	14.74	-3.74	-1.30	-0.32

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	0.9	0.97	0.57	1.01	10.68	0.17%
PEER AVERAGES		4.0	1.25	-1.68	0.88	10.48	1.06%

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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	VTHRX	1	1	1	1	0	0	1	1	0	6	5	6	5
		14	83.8/ 16.2	99.6	14.0/ 14.5	95.9/ 99	-1.04	18	48.5	T	MA	MA	MA	MA

Target Date fund review summary follows fund #29.

SST BENEFITS CONSULTING

FUND # 28	VANGUARD TARGET RETIREMENT 2040			VFORX
IMPLEMENTATION: DEC 2009	ASSETS: $ 5,971,866	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	24.25	11.77	15.55	28.14	13.30	16.08	-3.89	-1.53	-0.53

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	0.9	1.10	0.42	0.99	12.06	0.18%
PEER AVERAGES		4.0	1.41	-2.15	0.86	11.88	1.09%

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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	VFORX	1	1	1	0	0	0	1	1	0	5	5	5	5
		15.3	90.6/ 9.4	99.6	15.3/ 15.7	98.2/ 100.7	-0.72	16	15.5	T	AGG	AGG	AGG	AGG

Target Date fund review summary follows fund #29.

SST BENEFITS CONSULTING

FUND # 29	VANGUARD TARGET RETIREMENT 2050			VFIFX
IMPLEMENTATION: DEC 2009	ASSETS: $ 2,844,054	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	24.22	11.78	15.55	28.14	13.30	16.08	-3.92	-1.52	-0.53

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	0.9	1.10	0.41	0.99	12.07	0.18%
PEER AVERAGES		3.6	1.46	-2.26	0.85	12.30	1.10%

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)	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
	VFIFX	1	1	1	0	0	0	1	1	0	5	5	5	5
		15.3	90.6/ 9.4	99.7	15.3/ 15.7	98.1/ 100.5	-0.73	16	14.5	T	AGG	AGG	AGG	AGG

Vanguard added International Bonds to the portfolios in 2013 and they switched out Intermediate-Long Term TIPS for the Short-Term TIPS offering (brand new in 2012) in the Retirement portfolio. The Vanguard Target date offerings are built upon a very broad index strategy and allocates among the following Vanguard funds (but not in a tactical manner):

Vanguard Total Stock Market
Vanguard Total International Stock Market
Vanguard Total Bond Market
Vanguard Total International Bond Market
Vanguard Short-Term Inflation Protected Securities (only in Retirement)

The split among Domestic and International is maintained at about 70/30.

The glide path is one of the more aggressive paths in the industry with an allocation to stocks of around 63% for someone in the 2020 fund (6 years from retirement). The target allocation in the "zero" year is roughly 50%/50% in stocks/bonds and five (5) years after "zero" year allocations are 30%/70% in stocks/bonds. After the fifth year, the glidepath remains fixed (or "to") at 30%/70%.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

SPECIALTY:

FUND # 30	ING GLOBAL REAL ESTATE			IGLIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 4,174,179	BEST FIT INDEX: S&P DEVELOPED PROPERTY	M* ANALYST RATING:	Silver

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	3.90	7.31	13.78	2.98	6.52	14.21	**0.92**	**0.79**	**-0.43**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	12.2	0.97	0.41	0.51	16.35	1.00%
PEER AVERAGES		5.0	1.05	-3.04	0.46	17.35	1.47%

Minor underperformance over the five (5) year period shouldn't tarnish this well run offering from ING. The international diversification this fund offers helps moderate some of the extremes that can occur in REIT type stocks and that has played a part in this funds success. It doesn't dominate internationally or domestically, instead it provides a good mix of both and helps moderate volatility. Lastly, with a global pool to choose from the fund is not as concentrated as its domestic peers.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

ASSET ALLOCATION:

FUND # 31	ASSET ALLOCATION FUNDS AGGRESSIVE		
IMPLEMENTATION: MAY 2008	ASSETS: $ 32,682,305	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	23.19	10.24	17.16	22.89	11.18	16.15	**0.30**	**-0.94**	**1.01**

FUND # 32	ASSET ALLOCATION FUNDS MODERATE		
IMPLEMENTATION: MAY 2008	ASSETS: $ 46,503,493	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	18.84	9.42	13.53	18.83	9.01	12.41	**0.01**	**0.41**	**1.12**

FUND # 33	ASSET ALLOCATION FUNDS CONSERVATIVE		
IMPLEMENTATION: MAY 2008	ASSETS: $ 16,447,964	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	10.53	6.64	8.97	9.91	5.55	7.76	**0.62**	**1.09**	**1.21**

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	Delete this fund due to investment performance and manager tenure. The 3 / 5 year Information Ratios have changed from (0.97) / (0.55) to (1.32) / (0.61).	3Q 2012
	12	RSCMX	COLUMBIA MIDCAP VALUE	Remain on Watch List due to management change. The 3 / 5 year Information Ratios have changed from to (0.09) / 0.18 to (0.40) / 0.44.	3Q 2013
	16	JDSNX	PERKINS SMALL CAP VALUE	Remain on the Watch List due to investment performance and management change. The 3 / 5 Information Ratios have changed from (1.12) / 0.04 to (1.18) / (0.10).	1Q 2013
	17	RWIGX	AMERICAN FUNDS CAP WORLD G/I	Remove from Watch List due to improved investment performance. The 3 / 5 Information Ratios have changed from 0.99 / 0.41 to 1.37 / 0.40.	3Q 2013
	18	DFISX	DFA INTERNATIONAL SMALL COMPANY	Remain on the Watch List due to investment performance. The 3 / 5 Information Ratios have changed from 1.00 / 0.93 to 0.83 / 1.05.	1Q 2013
	22	OIBIX	OPPENHEIMER INTERNATIONAL BOND	Remain on Watch List due to investment performance. The 3 / 5 Information Ratios have changed from (0.19) / 0.05 to (0.16) / 0.12.	3Q 2013
	23	GHYYX	PIONEER GLOBAL HIGH YIELD	Remain on the Watch List due to investment performance. The 3 / 5 Information Ratios have changed from 0.48 / 0.31 to 0.37 / 1.33.	1Q 2013

SST BENEFITS CONSULTING

COUNTY OF SAN BERNARDINO
INVESTMENT OPTIONS SPECTRUM

TARGET ALLOCATION	ASSET ALLOCATION	SPECIALTY	BONDS	BALANCED ALLOCATION
Vanguard Ret Inc	Aggressive Allocation	ING Global Real Est	Loomis Sayles Inv	Amer Funds Inc
Vanguard Ret 2020	Moderate Allocation		Oppenheimer Intl	
Vanguard Ret 2030	Conservative Allocation		Pioneer Global	
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 Equity Inc	AmFunds Growth Fund	DFA Intl Sm Company
MainStay ICAP Sel Equity	Vanguard Institutional Idx	TIAA CREF G/I Ret	Dodge & Cox Intl
		Wells Fargo Adv Gr	Oppenheimer Intl Gr
MID CAP VALUE	MID CAP BLEND	MID CAP GROWTH	
Columbia MidCap Value	Fidelity Adv Lev Co Stk	Baron Growth	
	Vanguard MidCap Idx	ING MidCap Opp	
SMALL VALUE	SMALL BLEND	SMALL GROWTH	
Invesco SmCap Val	Vanguard SmCap Index	Loomis Sayles SmCap	
Perkins SmCap Val			

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.