SST BENEFITS CONSULTING

COUNTY OF SAN BERNARDINO
EXECUTIVE SUMMARY
DEFINED CONTRIBUTION PLANS
2ND QUARTER 2016

	2ND QUARTER %	1 YEAR %	3 YEAR %	5 YEAR %
457(b) Plan Performance	2.24	-0.63	8.72	8.95
Customized Benchmark	2.45	2.40	9.90	10.02
DIFFERENCE	**-0.22**	**-3.02**	**-1.18**	**-1.07**
401(k) Plan Performance	2.29	-0.42	9.05	9.32
Customized Benchmark	2.78	2.18	10.28	10.56
DIFFERENCE	**-0.49**	**-2.60**	**-1.23**	**-1.24**
Retirement Medical Trust	2.04	0.26	7.53	7.58
Customized Benchmark	2.71	3.80	8.81	8.91
DIFFERENCE	**-0.67**	**-3.53**	**-1.29**	**-1.33**

PORTFOLIO COMPOSITION AND ANALYSIS

The total assets in the County of San Bernardino's defined contribution plans increased from $826 million as of March 31, 2016 to $841 million, an increase of 1.8%. The 457(b) assets in the Ameritrade Self-Directed Brokerage Account (SDBA) increased slightly from $1.79 million to $1.8 million with participants at 30. The 401(k) assets in the SDBA increased from $472,000 to $481,000 with 7 participants.

457(b) Assets $581,844,761
401(k) Assets $115,579,439
401(a) Assets $11,723,721
RMT Assets $94,246,509
3121 Assets $38,198,765

457(b) PLAN CASH POSITION:

The assets in the Stabilizer increased as a percentage of total assets from 20.0% to 30.4% of the portfolio. The increase is largely a function of the stagnant market value of the mutual fund portfolio in the quarter. The interest crediting rate remained stable at

2.30% since 3Q15. The strategy is Intermediate Aggregate Plus which is designed to make the portfolio more responsive to short term fluctuations in the fixed income space. The market-to-book value was above par at 101.63, increasing form 100.48% as of March 31, 2016.

401(k) PLAN CASH POSITION:

The assets in the Stabilizer increased from 30.0% to 31.2%.

RETIREMENT MEDICAL TRUST CASH POSITION:

Interest bearing assets in the RMT remained somewhat stable with the percentage of assets in the fixed interest account decreasing slightly from 65.5% in the Voya General account to 65.3%.

457(b) PLAN MUTUAL FUNDS POSITION:

The mutual fund portfolio was negative for the one (1) year period with a loss of -0.63%. The portfolio underperformed the customized benchmark by -3.02%. Continued strong performance from American Funds Growth Fund of America was offset by poor performance from Dodge & Cox International Stock and Invesco Small Cap Value funds.

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(b) increased from 0.80 to 0.83.

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 10.68, which is higher than the benchmark of 9.90.

The Alpha, a measurement of the value added by the investment manager is -1.71. 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 1.07 over three (3) years.

The top 25 stocks in the mutual fund portfolio represent 14.83% of the portfolio led by Amazon.com with 1.55% of assets followed by Microsoft, Inc. with 0.89% of assets.

The dollar weighted net expense ratio remains very low at 0.29%.

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401(k) MUTUAL FUNDS POSITION:

The Sharpe Ratio for the 401(k) portfolio is 0.85. The three (3) year Standard Deviation for the portfolio is 10.86 which is higher than the benchmark of 10.50. The Alpha is -1.36 and the Beta is 1.03.

The top 25 stocks in the mutual fund portfolio represent 15.70% of the portfolio led by Amazon.com with 1.67% of assets followed by Microsoft, Inc. with 0.97% of assets.

The dollar weighted net expense ratio is very low at 0.28%.

RETIREMENT MEDICAL TRUST (RMT) MUTUAL FUNDS POSITION:

With the RMT heavily weighted to the Voya 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 0.87. The three (3) year Standard Deviation for the portfolio is 8.72, which is higher than the benchmark of 7.81. The Alpha is -2.03 and the Beta is 1.10.

The top 25 stocks in the mutual fund portfolio represent 11.05% of the portfolio led by Apple, Inc. with 0.87% of assets followed by Amazon.com with 0.75% of assets.

The dollar weighted net expense ratio is extremely low at 0.19%.

The entire portfolio has been fee equalized with Voya receiving 0.12% in required revenue plus 0.06% in an Administrative Expense Reimbursement Allowance for the operation of the plan by the County.

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PERFORMANCE OF INDEX FUNDS VS. ACTIVELY MANAGED FUNDS	2ND QTR %	1 YEAR %	3 YEAR %	5 YEAR %
LARGE CAP				
Vanguard Institutional Index	**2.45**	**3.97**	**11.63**	**12.07**
American Funds Growth Fund of America	2.96	1.11	11.68	11.49
MID CAP				
Vanguard Mid Cap Index	**2.32**	**-0.89**	**10.78**	**10.57**
Baron Growth	3.38	-3.96	7.72	9.22
SMALL CAP				
Vanguard Small Cap Index	**3.98**	**-2.88**	**8.95**	**9.91**
Invesco Small Cap Value	-5.12	-17.52	3.80	7.98
INTERNATIONAL				
Vanguard Total International Stock Index	**0.24**	**-9.10**	**2.03**	**0.61**
American Funds Capital World Growth & Income	1.44	-3.09	6.70	6.55
Dodge & Cox International Stock	-1.20	-18.86	0.37	1.02

In the second quarter, three (3) out five (5) actively managed funds outperformed their benchmark index.

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LARGE GROWTH:

FUND # 1	**AMERICAN FUNDS GROWTH FUND OF AMERICA**		**RGAGX**
IMPLEMENTATION: MAR 2003	ASSETS: $71,277,492	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	1.11	11.68	11.49	-2.33	10.58	9.98	**3.44**	**1.10**	**1.51**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	22.7	0.98	-0.55	0.98	11.91	0.33%
PEER AVERAGES		7.2	1.04	-1.25	0.85	12.71	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)	30-Jun 2016	31-Mar 2016	31-Dec 2015	30-Sep 2015
	RGAGX	1	1	1	0	0	0	1	1	2	7	7	7	7
		79.0/ 65.5	14.9	94.8	13.0/ 11.5	99.0/ 104.6	-0.29	18	16		LCG	LCG	LCG	LCG

Growth Fund of America (GFA) maintains a weighted-average market cap (WAMC) similar to the index, but substantially smaller than the peer. While the peer group WAMC is over $83 billion, GFA's stands at $57 billion. The difference is that the peer owns a higher percentage of "Giant" cap stocks. International is also still at about 11%, down slightly from 2015, but still twice the peer group. The portfolio continues to hold a significant, but not out of character, amount of cash and equivalents at 9%. The index and peer have a minor allocation to Energy, but GFA is approaching 11%.

Despite the headwind of cash and an underperforming international component, the fund is beating over all time periods and year-to-date versus the peer. It continues to trail the index. Amazon remains the top holding at 7%, a relatively aggressive position for a fund that rarely exceeds a 3% weighting to any company.

Recommendation: No action at this time.

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LARGE BLEND:

FUND # 2	VANGUARD INSTITUTIONAL INDEX	VINIX

IMPLEMENTATION: MAY 2008 ASSETS: $ 81,733,828 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	3.97	11.63	12.07	3.99	11.66	12.10	-0.02	-0.03	-0.03

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	15.6	1.00	-0.03	1.03	11.25	0.04%
PEER AVERAGES		N/A	1.00	0.00	1.03	11.25	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-Jun 2016	31-Mar 2016	31-Dec 2015	30-Sep 2015
	VINIX	1	0	1	1	1	1	1	1	2	9	10	10	10
		4.5/ 99.3	5.7	99.6	0.7	33	3	2	2		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.

SST BENEFITS CONSULTING

MID CAP GROWTH:

FUND # 3	**BARON GROWTH**			**BGRIX**
IMPLEMENTATION: MAR 2003	ASSETS: $ 18,632,444	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	-3.96	7.72	9.22	-6.43	8.21	7.93	**2.47**	**-0.49**	**1.29**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	21.6	0.75	1.43	0.66	12.34	1.04%
PEER AVERAGES		7.4	1.03	-3.22	0.66	13.45	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-Jun 2016	31-Mar 2016	31-Dec 2015	30-Sep 2015
	BGRIX	1	1	1	1	0	0	1	1	2	8	8	8	9
		33.0/ -30.9	11.5	90.2	13.5/ 9.2	88.9/ 89	-0.17	45	40		MCG	MCG	MCG	MCG

Baron Growth is light on Defensive stocks and heavy on Cyclical. The fund has a 12% allocation to both Financial Services and Real Estate, more than double the index (and a peer overweight as well).

After two years stuck in the third quartile, this fund is in the top quartile year-to-date. The fund is beating both the small and mid-cap growth peer and indexes over the last 12 months. While it trails slightly over three (3) it is mostly beating both the peer and indexes over five (5) years.

We continue to call this a SMID offering (Small-Mid Cap), though the market cap is below $5 billion (which is large for a small cap, but small for a mid-cap). With a turnover rate that is only 7% and steady management, this fund is a keeper for those looking for long term exposure to a mix of small and mid-cap stocks.

Recommendation: No action at this time.

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MID CAP BLEND:

FUND # 4	**VANGUARD MID CAP INDEX**		**VMCIX**
IMPLEMENTATION: MAY 2008	ASSETS: $ 45,235,089	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	-0.89	10.78	10.57	-0.87	10.82	10.61	-0.02	-0.04	-0.04

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	18.2	0.99	-0.21	0.91	12.01	0.08%
PEER AVERAGES		N/A	1.00	N/A	0.86	12.08	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-Jun 2016	31-Mar 2016	31-Dec 2015	30-Sep 2015
	VMCIX	0	0	1	1	1	1	1	1	2	8	8	8	9
		38.8/ -1.2	8.1	99.1	1.1	11	4	1	1		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.

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SMALL BLEND:

FUND # 5	**VANGUARD SMALL CAP INDEX**			**VSCIX**
IMPLEMENTATION: MAY 2008	ASSETS: $ 27,079,294	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	-2.88	8.95	9.91	-2.91	8.93	9.87	0.03	0.02	0.04

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	0.3	0.95	0.88	0.69	13.64	0.08%
PEER AVERAGES		N/A	1.00	N/A	0.62	13.68	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-Jun 2016	31-Mar 2016	31-Dec 2015	30-Sep 2015
	VSCIX	1	0	1	1	0	1	1	1	2	8	8	8	8
		-6.5/ -52.5	6.9	96.8	3	92	4	22	19		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.

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SMALL VALUE:

FUND # 6	**INVESCO SMALL CAP VALUE**			**VSMIX**
IMPLEMENTATION: MAY 2011	ASSETS: $ 5,911,104	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	-17.52	3.80	7.98	-4.30	5.92	7.67	**-13.22**	**-2.12**	**0.31**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	6.1	1.14	-5.05	0.29	17.80	0.89%
PEER AVERAGES		6.8	1.02	-5.23	0.49	14.17	1.33%

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-Jun 2016	31-Mar 2016	31-Dec 2015	30-Sep 2015
	VSMIX	0	0	1	0	0	0	1	1	2	5	8	9	8
		-19.0/ -62.3	22.6	86.1	20.5/ 8	115.3/ 117.8	-0.02	1	14		SCV	SCV	SCV	SCV

Unlike Baron Growth, Invesco Small Cap Value has a significant under-weight to Real Estate at less than 2% versus 14% for the index and 8% for the peer. With that said, the fund has historically not held real estate in any significant amount, so this actually represents a recent accumulation. It also maintains significant over-weights to Industrials and Technology as well as Consumer Cyclicals. We have also noticed a significant uptick in the allocation to foreign stocks, now nearly 13%, a 50% increase over last year and double the historical average.

2015 was a rough year for the fund, but it only underperformed by a small margin, 2016 is a different story. The fund is not only underperforming it also has a negative return while both small and mid-value index and peer groups are all positive. It is underperforming by about 11% placing the fund in the bottom 2% of small cap value funds for the year.

This focused fund has several top picks that are down 30% or more in 2016, but its top holding is up more than 50%. 40 of the fund's 65 holdings are up for the year, but of the 25 that are down, all but 6 are down by 10% or more.

Recommendation: Place on Watch List due to style and risk/return characteristics.

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INTERNATIONAL STOCK:

FUND # 7	AMERICAN FUNDS CAPITAL WORLD GROWTH & INCOME		RWIGX
IMPLEMENTATION: MAY 2008	ASSETS: $ 35,426,203	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	-3.09	6.70	6.55	-4.17	5.63	5.33	**1.08**	**1.07**	**1.22**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	23.3	0.94	0.99	0.63	11.23	0.45%
PEER AVERAGES		4.8	0.82	4.53	0.51	12.14	1.28%

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-Jun 2016	31-Mar 2016	31-Dec 2015	30-Sep 2015
	RWIGX	1	1	1	1	1	0	1	1	2	9	10	8	8
		15.3/ 68.3	8.4	97.3	12.7/ 6.6	95.9/ 95.5	-0.04	27	30		GE	GE	GE	GE

In 2012 the U.S. portion of this fund represented 34% and today stands at 43%. Despite the under-weight to domestic stocks, the fund beat the MSCI ACWI and peer over all time periods, but trailed MSCI World."

Recommendation: No action at this time.

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FUND # 8	DODGE & COX INTERNATIONAL STOCK			DODFX
IMPLEMENTATION: MAY 2008	ASSETS: $ 10,875,414	BEST FIT INDEX: MSCI WORLD EX US 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	-18.86	0.37	1.02	-9.94	1.68	1.10	**-8.92**	**-1.31**	**-0.08**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	15.2	1.14	-0.73	0.09	15.60	0.64%
PEER AVERAGES		5.0	0.91	0.61	0.20	12.73	1.23%

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-Jun 2016	31-Mar 2016	31-Dec 2015	30-Sep 2015
	DODFX	0	1	1	0	0	0	1	1	2	6	6	7	10
		-38.6/ 84.2	19.9	93.5	17.0/ 1	104.7/ 106.9	-0.15	8	7		ILCB	ILCB	ILCB	ILCB

Dodge & Cox International has doubled their domestic stock allocation since 2012, now standing at nearly 11%. It has also moved steadily from large cap blend to large cap value (sort of a return to its roots). 2015 was the worst year for this fund in recent history, placing in the bottom 2% of the peer group. While the first two quarters of 2016 were also bleak, the fund has had a tremendous July and now ranks among the top third of funds in its category.

We don't think the fund is out of the woods yet, but the recent short term problems are not new to this fund. Those who are patient have traditionally been rewarded for sticking around.

Recommendation: Remain on Watch List due to risk/return characteristics.

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FUND # 9	VANGUARD TOTAL INTERNATIONAL STOCK INDEX			VTSNX
IMPLEMENTATION: APRIL 2015	ASSETS: $ 14,996,170	BEST FIT INDEX: SPLICED INTERNATIONAL 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	-9.10	2.03	0.61	-9.44	1.95	0.57	0.34	0.08	0.04

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	7.9	0.96	0.88	0.21	12.85	0.10%
PEER AVERAGES		N/A	0.97	N/A	0.07	13.32	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-Jun 2016	31-Mar 2016	31-Dec 2015	30-Sep 2015
	VTSNX	1	0	0	1	0	1	1	1	2	7	6	4	4
		-7.9/ 27	30.9	92.9	3.5	83	9	19	19		ILCB-P	ILCB-P	ILCB-P	ILCB-P

This international/global index is performing as expected adjusted for expense and tracking error.

Recommendation: No action at this time.

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BONDS:

FUND # 10	LOOMIS SAYLES INVESTMENT GRADE BOND		LSIIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 17,005,579	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	3.00	3.10	3.84	2.16	3.35	4.00	**0.84**	**-0.25**	**-0.16**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	19.6	1.46	-1.94	0.65	4.71	0.58%
PEER AVERAGES		5.0	0.62	0.85	0.91	3.99	1.02%

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-Jun 2016	31-Mar 2016	31-Dec 2015	30-Sep 2015
	LSIIX	0	1	0	1	0	1	1	1	0	5	5	5	6
		20.3/ -32.3	18.3	18.5	5.2/ 3.8	113.4/ 131.4	0.02	25	45	S	CFI	CFI	CFI	CFI

In 2013 this fund had 3.70% in cash, today it is close to 17%. The fund continues to have exposure to foreign governments and has bounced back from a rough 2015 to rise to the top 7% of funds in its category in 2016. This movement between bottom of the pile to top of the pile in a short time period is emblematic of the way this fund has performed in the past.

Recommendation: Remain on Watch List due to investment performance.

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FUND # 11	OPPENHEIMER INTERNATIONAL BOND		OIBIX
IMPLEMENTATION: MAY 2008	ASSETS: $ 4,093,618	BEST FIT INDEX: MSTAR GLOBAL EX US GOV BOND	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	5.04	2.19	1.31	4.77	2.08	1.91	**0.27**	**0.11**	**-0.60**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	3	3.5	1.35	-2.45	0.47	4.72	0.57%
PEER AVERAGES		5.6	0.83	-1.17	0.60	4.74	1.03%

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-Jun 2016	31-Mar 2016	31-Dec 2015	30-Sep 2015
	OIBIX	1	0	0	0	0	0	1	1	1	4	4	4	2
		-55.5/ -15.7	30.8	53	6.3/ 1.3	96.5/ 109.4	-0.17	44	44	T	GFI	GFI	GFI	GFI

We continue to be happy with the improvements in this fund. Returns in 2016 have been impressive and are beating the category (though the category is not a perfect proxy). As we have discussed in the past, funds in this category have very different strategies and are tough to compare to each other. This fund focuses on a mix of different credit, country and currency related strategies both in developed and emerging markets. The top holdings currently are in the United Kingdom (UK) and this led to a volatile quarter of which the trend has turned up over the past six weeks. The managers believe there are still opportunities in the UK even after the Brexit vote. Time will tell. It should be noted that because of the known characteristics of this fund, the score card of 4 is not a concern.

Recommendation: Remain from Watch List due to style, risk/return characteristics and management structure changes.

SST BENEFITS CONSULTING

FUND # 12	PIONEER GLOBAL HIGH YIELD		GHYYX
IMPLEMENTATION: MAY 2008	ASSETS: $ 4,327,655	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	-2.91	0.90	2.52	-0.46	2.92	4.58	**-2.45**	**-2.02**	**-2.06**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	1	14.9	0.96	-3.02	0.16	6.14	0.87%
PEER AVERAGES		6.1	0.43	1.24	0.60	6.51	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-Jun 2016	31-Mar 2016	31-Dec 2015	30-Sep 2015
	GHYYX	1	1	1	0	0	0	0	0	2	5	5	5	5
		97.3/ -97.3	3	89.4	7.5/ 2.5	88.5/ 123.8	-1.29	93	64		HY	HY	HY	HY

While this fund is not shooting the lights out, it is doing better this year amid a big rally in high yield bonds globally.

Currently, U.S. High Yield equals roughly 39% of assets while Emerging Markets are about 25%. 11% is in International High Yield and the remaining assets are spread across a variety of fixed income categories such as Event Linked, Bank Loans, Convertibles, Preferreds and CMBS; so not your typical high yield offering.

While we are not unhappy with the fund, it is a non-traditional way of gaining high yield exposure. 12% of the assets are unrated and 13% are rated CCC or below.

Recommendation: Remain on Watch List due to investment performance.

SST BENEFITS CONSULTING

TARGET FUNDS:

FUND # 13	VANGUARD TARGET RETIREMENT INCOME			VTINX
IMPLEMENTATION: DEC 2009	ASSETS: $ 4,736,932	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	3.28	4.93	4.98	3.42	5.13	5.13	-0.14	-0.20	-0.15

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	3.4	0.73	1.14	1.25	3.85	0.14%
PEER AVERAGES		N/A	0.99	N/A	1.04	4.00	0.38%

Target Date fund review summary follows fund #17.

FUND # 14	VANGUARD TARGET RETIREMENT 2020			VTWNX
IMPLEMENTATION: DEC 2009	ASSETS: $ 15,994,369	BEST FIT INDEX: MORNINGSTAR MODERATE 2020	M* ANALYST RATING:	Gold

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	1.44	6.76	6.67	1.58	6.98	6.92	-0.14	-0.22	-0.25

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	5	3.4	0.79	1.24	0.96	6.98	0.14%
PEER AVERAGES		N/A	1.00	N/A	1.02	4.64	0.45%

Target Date fund review summary follows fund #17.

SST BENEFITS CONSULTING

FUND # 15	VANGUARD TARGET RETIREMENT 2030			VTHRX
IMPLEMENTATION: DEC 2009	ASSETS: $ 16,835,267	BEST FIT INDEX: MORNINGSTAR MODERATE 2030	M* ANALYST RATING:	Gold

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	0.11	7.27	7.21	0.19	7.47	7.46	-0.08	-0.20	-0.25

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	3.4	0.88	1.06	0.85	8.65	0.15%
PEER AVERAGES		N/A	0.99	N/A	0.75	8.87	0.45%

Target Date fund review summary follows fund #17.

FUND # 16	VANGUARD TARGET RETIREMENT 2040			VFORX
IMPLEMENTATION: DEC 2009	ASSETS: $ 13,301,285	BEST FIT INDEX: MORNINGSTAR MODERATE 2040	M* ANALYST RATING:	Gold

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	-1.44	7.54	7.57	-1.29	7.78	7.86	-0.15	-0.24	-0.29

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	3.4	0.94	1.06	0.75	10.32	0.16%
PEER AVERAGES		N/A	0.99	N/A	0.67	10.51	0.45%

Target Date fund review summary follows fund #17.

SST BENEFITS CONSULTING

FUND # 17	VANGUARD TARGET RETIREMENT 2050			VFIFX
IMPLEMENTATION: DEC 2009	ASSETS: $ 6,494,432	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	-1.48	7.52	7.56	-1.35	7.76	7.85	-0.13	-0.24	-0.29

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	3.4	0.94	1.02	0.74	10.36	0.16%
PEER AVERAGES		N/A	0.99	N/A	0.67	10.56	0.43%

Vanguard's Target Date funds have gone through several changes over the years, but the one thing that remains the same is the simplicity of its underlying holdings. There are essentially (with small exception) two categories and within those two categories two sub-categories and broad based index funds are used to fill them. The main categories are Stocks and Bonds and these are further divided into Domestic and International. Vanguard utilizes their "Total Stock" indexes (for bond and stock) to implement. This keeps the funds very broadly invested and keeps costs low. Generally, the allocation is 40% to International (both stock and bond side). The bond side that is exposed to International holdings is fully hedged back to U.S. Dollars, thus there is no additional currency exposure.

The glide path is aggressive in an absolute sense, but mostly mainstream when compared to its peers.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

SPECIALTY:

FUND # 18	**VOYA GLOBAL REAL ESTATE**			**IGLIX**
IMPLEMENTATION: MAY 2008	ASSETS: $ 7,484,697	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	8.67	7.14	6.74	6.62	6.39	6.32	**2.05**	**0.75**	**0.42**

	M*	MGR TENURE	BETA	ALPHA	SHARPE	3 YR STD DEV	EXP RATIO
FUND STATISTICS	4	14.7	0.94	-3.14	0.61	12.51	0.99%
PEER AVERAGES		6.2	0.72	2.18	0.57	12.07	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-Jun 2016	31-Mar 2016	31-Dec 2015	30-Sep 2015
	IGLIX	1	1	1	0	0	0	1	0	2	6	6	6	6
		5.1/ 96.6	9.8	93.4	15.1/ 6.7	87.3/ 98.2	-0.69	49	62		GRE	GRE	GRE	GRE

The number of holdings has dropped over the past few years, but the fund remains well diversified globally. The fund continues to perform well versus the category, though is trailing the index slightly over most time periods.

Overall, for those looking for global exposure, there are few funds that do a better job.

Recommendation: No action at this time.

SST BENEFITS CONSULTING

ASSET ALLOCATION:

FUND # 19	ASSET ALLOCATION FUNDS AGGRESSIVE		
IMPLEMENTATION: MAY 2008	ASSETS: $ 39,416,460	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	-1.23	6.86	6.63	-0.21	7.10	7.08	**-1.02**	**-0.24**	**-0.45**

FUND # 20	ASSET ALLOCATION FUNDS MODERATE		
IMPLEMENTATION: MAY 2008	ASSETS: $ 61,360,508	BEST FIT INDEX: MORNINGSTAR MODERATE	M* ANALYST RATING: N/A

	ACTUAL RETURN			PEER AVERAGE			DIFFERENCE		
	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR	1 YR	3 YR	5 YR
RATES OF RETURN	0.75	6.68	6.62	2.18	7.14	7.17	**-1.43**	**-0.46**	**-0.55**

FUND # 21	ASSET ALLOCATION FUNDS CONSERVATIVE		
IMPLEMENTATION: MAY 2008	ASSETS: $ 20,545,228	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	1.06	4.42	4.72	3.34	5.26	5.16	**-2.28**	**-0.84**	**-0.44**

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, "A quarterly investment review report shall be evaluated by the DC Committee to ensure that fund performance complies with the objectives outlined in this Policy. Tools and metrics shall be included within the report to assist the committee in the evaluation process. These tools include, but are not limited to, the following:

a. Scorecard System for actively managed funds (see addendum)
b. One, three and five year performance and benchmarking
c. Glide path suitability for Target-Date (age based) funds

The foregoing investment monitoring criteria shall not, under any circumstances, be taken as definitive, conclusive, or controlling for removal, termination, or continuation of an investment option. All determinations should be made by the DC Committee, in accordance with Plan objectives, taking into consideration all relevant facts and circumstances."

It is recommended that the following funds be added or remain on the Watch List:

SST BENEFITS CONSULTING

ACTION	FUND #	TICKER	FUND NAME	INVESTMENT POLICY	QUARTER ADDED
⚠	**6**	**VSMIX**	INVESCO SMALL CAP VALUE	Place on Watch List due to style and risk/return characteristics. The 3 /5 Information Ratios are -0.73 / -0.36.	2Q 2016
⚠	**8**	**DODFX**	DODGE & COX INTERNATIONAL	Remain on Watch List due to risk/return characteristics. The 3 / 5 Information Ratios have changed from 0.22 / 0.26 to -0.18 / 0.22.	1Q 2016
⚠	**10**	**LSIIX**	LOOMIS SAYLES INV GRADE BOND	Remain on Watch List due to investment performance. The 3 / 5 Information Ratios have changed from -0.30 / 0.02 to -0.22 / 0.02.	1Q 2015
⚠	**11**	**OIBIX**	OPPENHEIMER INTL BOND	Remain on Watch List due to style, risk/return characteristics and management structure changes. The 3 / 5 Information Ratios have changed from -0.77 / -0.40 to -0.46 / -0.43.	2Q 2015
⚠	**12**	**GHYYX**	PIONEER GLOBAL HIGH YIELD	Remain on Watch List due to investment performance. The 3 / 5 Information Ratios have changed from -0.60 / -0.27 to -0.49 / -0.16.	4Q 2014

SST BENEFITS CONSULTING

COUNTY OF SAN BERNARDINO
INVESTMENT OPTIONS SPECTRUM

TARGET ALLOCATION	ASSET ALLOCATION	SPECIALTY	BONDS	BALANCED ALLOCATION	DOMESTIC EQUITY			INTERNATIONAL - GLOBAL EQUITY
					LARGE VALUE	LARGE BLEND	LARGE GROWTH	
Vanguard Ret Inc	Aggressive Allocation	Voya Global Real Est	Loomis Sayles Inv					AmFunds Cap World
Vanguard Ret 2020	Moderate Allocation		Oppenheimer Intl			Vanguard Institutional Idx	AmFunds Growth Fund	Dodge & Cox Intl
Vanguard Ret 2030	Conservative Allocation		Pioneer Global HY					Vanguard Total Intl
Vanguard Ret 2040								
Vanguard Ret 2050								
					MID CAP VALUE	MID CAP BLEND	MID CAP GROWTH	
						Vanguard Mid Cap Idx	Baron Growth	
					SMALL VALUE	SMALL BLEND	SMALL GROWTH	
					Invesco SmCap Value	Vanguard SmCap Index		

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.