MARKET REVIEW
FIRST QUARTER, 2014

INDEX	1ST QUARTER %	1 YEAR %	3 YEAR %	5 YEAR %
Dow Jones Industrial	-0.15	15.66	13.05	19.85
NASDAQ Composite	0.54	28.51	14.72	22.40
Standard & Poor's 500	1.81	21.86	14.66	21.16
Russell 1000	2.05	22.41	14.75	21.73
Russell Midcap	3.53	23.51	14.39	25.55
Russell 2000	1.12	24.90	13.18	24.31
Barclay US Aggregate Bond	1.84	-0.10	3.75	4.80
MSCI World ex. US	0.75	16.46	6.27	15.88
MSCI Emerging Markets	-0.43	-1.43	-2.86	14.48
COUNTY OF SAN BERNARDINO 457(b) PLAN PERFORMANCE	**1.84**	**20.50**	**12.19**	**20.53**
COUNTY OF SAN BERNARDINO 401(k) PLAN PERFORMANCE	**1.87**	**20.74**	**12.26**	**20.81**
COUNTY OF SAN BERNARDINO RMT PLAN PERFORMANCE	**1.73**	**15.71**	**10.48**	**8.17**

Amid a pick-up in volatility, capital markets managed to edge higher over the quarter. While equities did start the year lower, most major market indices rebounded to finish the quarter in positive territory. In a turn of events from last year fixed income out-performed equities as yields decreased. The 10-year Treasury finished a 2.73 percent by quarter end, 30 basis points lower from where yields ended last year. Domestic fixed income returned a positive 1.8 percent (Barclays Capital Aggregate Bond Index). Equity market performance cooled a bit from last year's record setting pace, but still managed to move higher at the end of the quarter. U.S. equities finished the quarter with a gain of 2.0 percent (Russell 3000 Index) and international equities finished close behind with a gain of 0.8 percent (MSCI EAFE Index).

Equity Markets were pushing up against record high levels at the end of the quarter, which could have been one reason why equity markets advanced at a much slower pace than they had in 2013. But even at such high levels, which can sometimes worry investors, equity market valuations are not far from their historical averages. The price to earnings ratio is a measure of value that is often used when trying to determine if a stock, or stock market, is "expensive" or "cheap". The equity market's current price to earnings ratio suggests that it could be both, depending on the time period being examined. The price to earnings ratio for the S&P 500 Index was 15.2 as of 3/31/14, which was slightly higher than its

10-year average of 13.8, but slightly under its 20-year average of 16.1 (JP Morgan Guide to the Markets 2Q'14). While the comparisons could suggest an equity market that is "expensive" or maybe "cheap", it more likely suggests that equity markets are in a range near "fair value" (neither expensive nor cheap).

Consumer confidence, highlighted in our 4Q'13 quarterly chart, will continue to be an important factor as we proceed deeper into the year. Investors will also be carefully watching the Fed, and the degree to which their tapering plans impact the economy. While the outcome of greater (or less) consumer confidence is relatively clear (greater consumer confidence is better than less), there are still questions about what impact the Fed's tapering will have on the economy and the markets. There has never been such a large monetary stimulus program in place like quantitative easing. Accordingly, there is little precedent for what happens when it goes away. Yields were (and are) expected to rise as a result, but as the First Quarter showed, yields are driven by more than just what the Fed does.

U.S. Equity	International Equity	Fixed Income
All U.S. equity styles posted positive results for the quarter. Large Cap stocks generally outperformed their small cap counterparts. The best performing U.S. equity style was large value, returning a positive 3.0 percent (Russell 1000 Value). The worst performing U.S. equity style was small growth, returning a positive 0.5 percent (Russell 2000 Growth).	Developed international equity under performed U.S. equity, returning a positive 0.8 percent (MSCI EAFE). Small cap stocks generally outperformed their large cap counterparts. Europe ex UK was the best performing region, returning a positive 3.7 percent for the quarter (MSCI Europe ex UK). Japan was the worst performing region, returning a negative 5.5 percent (MSCI Japan).	The broad U.S. fixed income market posted a gain for the quarter, returning a positive 1.8 percent (Barclays Capital U.S. Aggregate). Muni bonds were the best performing sector, returning a positive 3.3 percent (BC Muni). Global fixed income outperformed the broad U.S. fixed income market, returning a positive 2.5 percent (BofA ML Global Broad Market) for the quarter.

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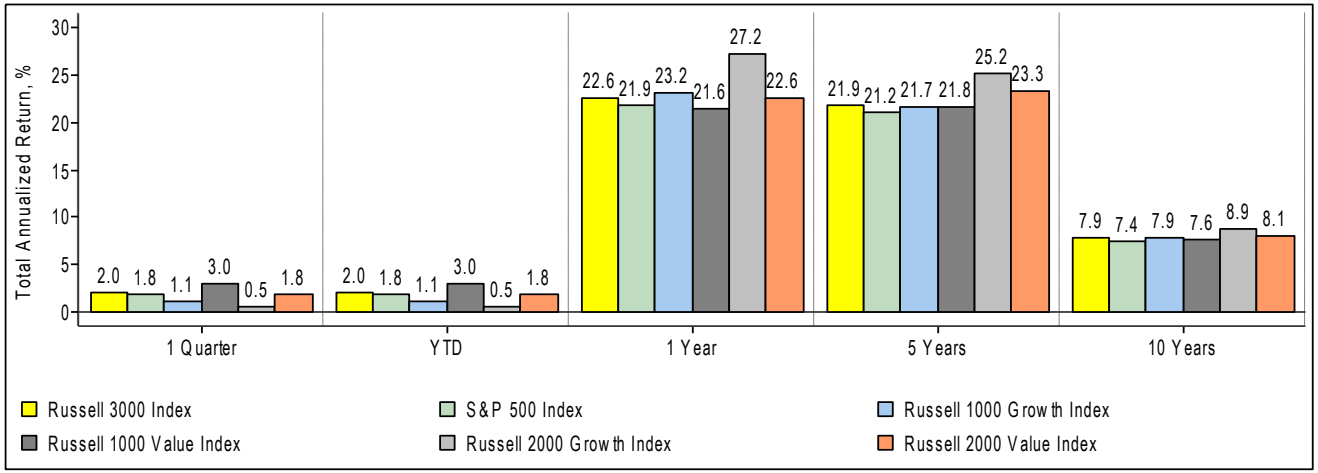
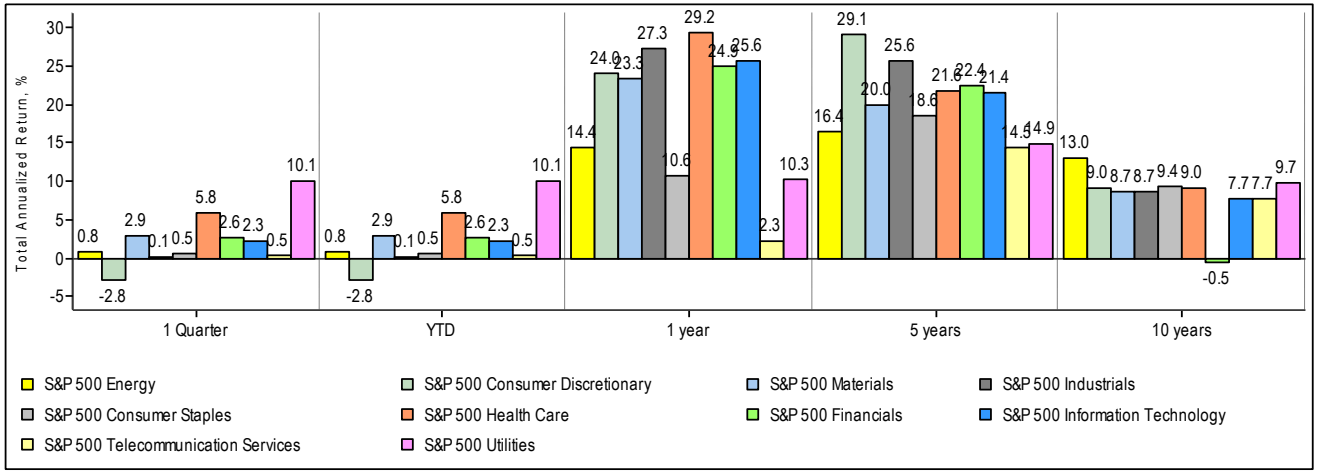
Domestic Equity Overview

- All U.S. equity styles posted positive returns for the quarter
- Large value was the best performing style:
  - Up 3.0% for the quarter
- Small growth was the worst performing style:
  - Up 0.5% for the quarter
- Best performing sectors for the quarter:
  - Utilities, up 10.1%
  - Healthcare, up 5.8%
- Worst performing sectors for the quarter:
  - Consumer Disc, down 2.8%
  - Industrials, up 0.1%

U.S. Equity Index Performance



U.S. Equity Sector Performance



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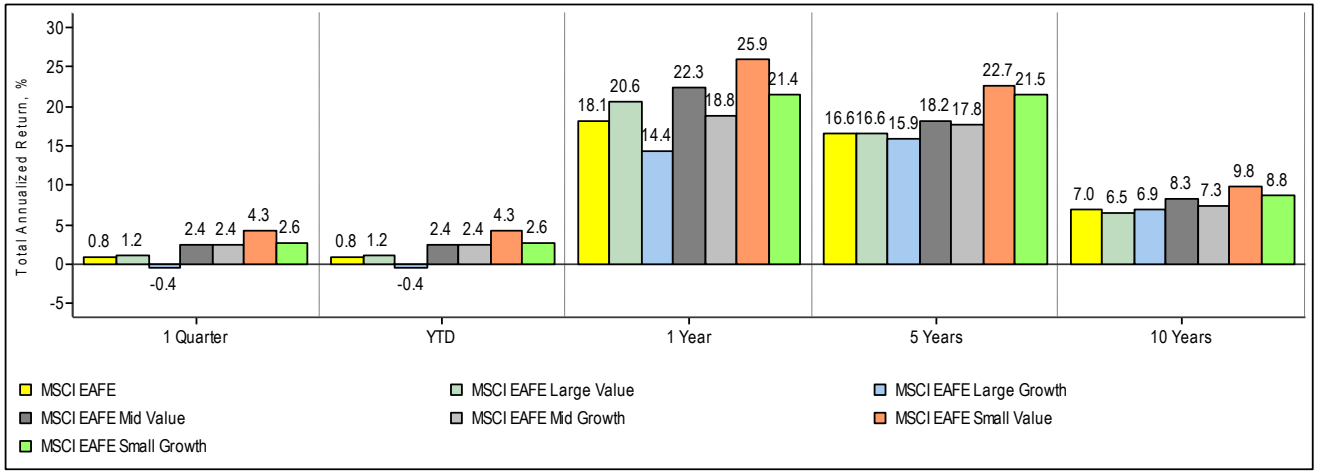
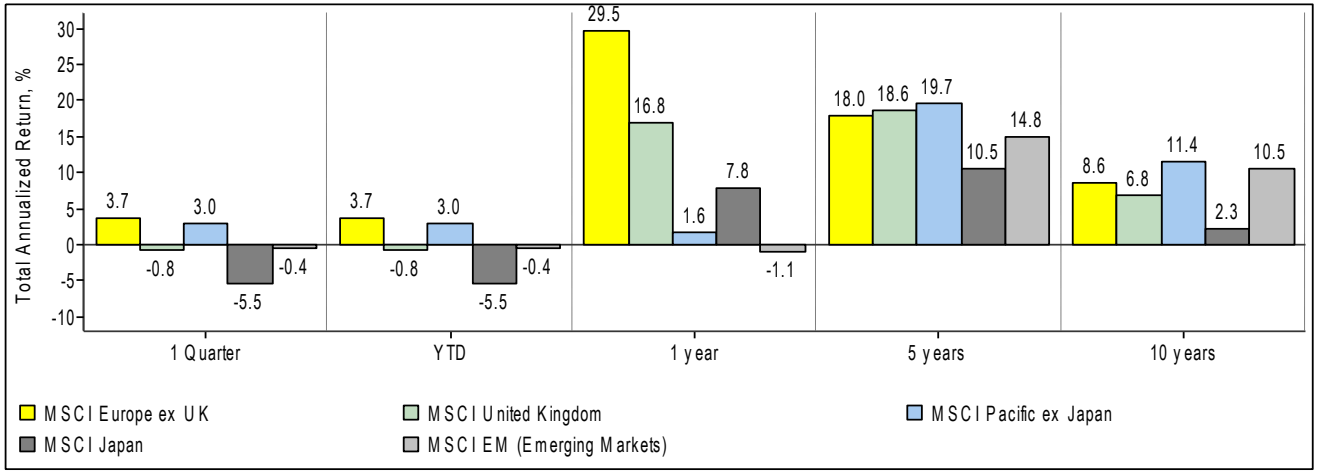
International Equity Overview

- All international styles except for large growth posted positive returns for the quarter
- The best performing style for the quarter:
  - Small value, up 4.3%
- The worst performing style for the quarter:
  - Large growth, down 0.4%
- Best performing region (Qtr)
  - Europe ex UK, up 3.7%
- Worst performing region (Qtr)
  - Japan, down 5.5%

International Index Performance by Style and Capitalization



International Index Performance by Region



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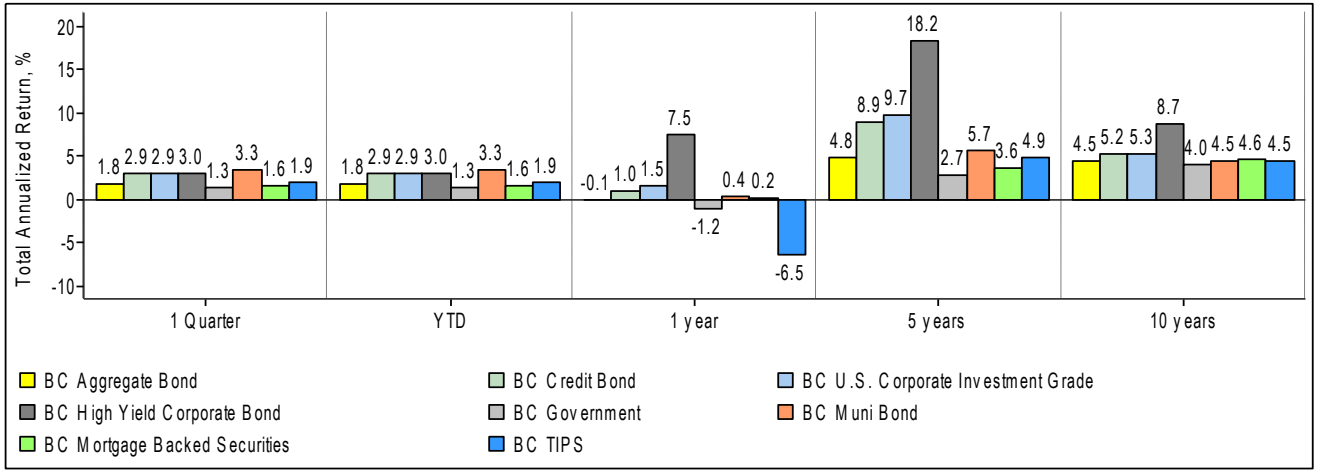
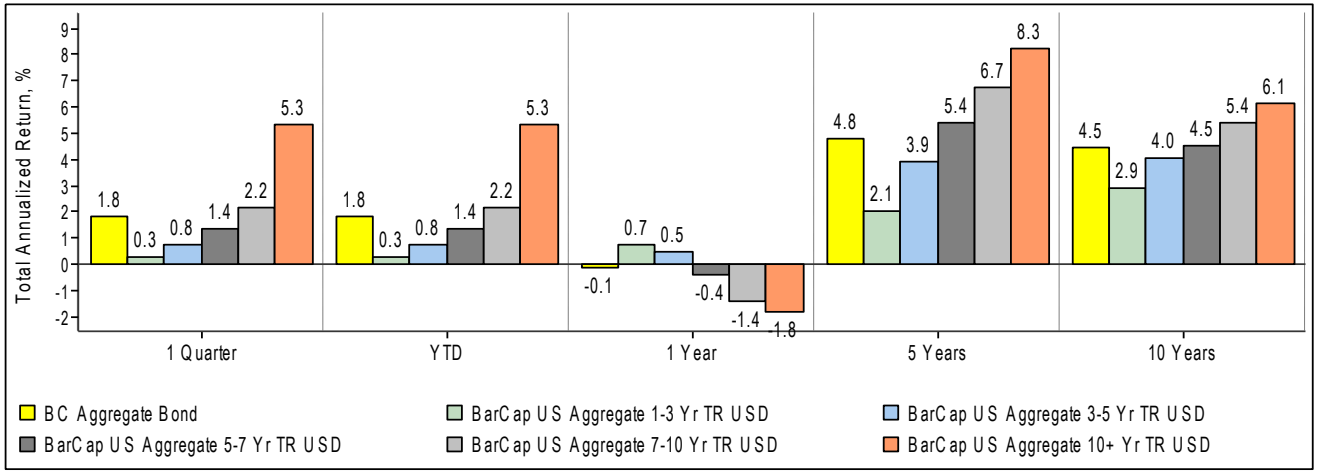
Fixed Income Overview

- Fixed income performance was strong across all sectors
- Credit sensitive fixed income generally outperformed most other fixed income sectors
- The best performing sector for the quarter:
  - Muni bond, up 3.3%
- The worst performing sector for the quarter:
  - Government, up 1.3%
- Yields decreased over the quarter, which allowed all maturities to post positive returns

Fixed Income Sector Performance



Fixed Income Performance by Maturity



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Annualized Style Box Performance

1 Quarter (%)			
Value	Blend	Growth	
2.11	1.39	0.68	Large
5.22	3.53	2.04	Mid
1.78	1.12	0.48	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
0.77	1.26	1.84	0.01

3 Year (Annualized %)			
Value	Blend	Growth	
14.63	14.89	15.16	Large
15.17	14.39	13.52	Mid
12.74	13.18	13.61	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
7.72	10.23	3.75	0.08

Year to Date (%)			
Value	Blend	Growth	
2.11	1.39	0.68	Large
5.22	3.53	2.04	Mid
1.78	1.12	0.48	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
0.77	1.26	1.84	0.01

5 Year (Annualized %)			
Value	Blend	Growth	
19.89	20.25	20.61	Large
26.35	25.55	24.73	Mid
23.33	24.31	25.24	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
16.56	18.28	4.80	0.12

1 Year (%)			
Value	Blend	Growth	
21.07	21.92	22.80	Large
22.95	23.51	24.22	Mid
22.65	24.90	27.19	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
18.06	19.07	-0.10	0.07

10 Year (Annualized %)			
Value	Blend	Growth	
6.47	6.92	7.35	Large
10.24	10.05	9.47	Mid
8.07	8.53	8.87	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
7.01	6.83	4.46	1.65

Performance as of March 31, 2014. Data is for informational purposes only and cannot be guaranteed. Past performance does not guarantee future results. Russell Top 200, Top 200 Growth, and Top 200 Value used for Large Blend, Large Growth and Large Value categories. Russell Mid-cap, Mid-cap Growth and Mid-Cap Value used for Mid Blend, Mid Value and Mid Growth categories. Russell 2000, 2000 Growth and 2000 Value used for Small Blend, Small Growth and Small Value categories. MSCI EAFE used for International Equity category. MSCI Global used for World equity category.

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Kaleidoscope: Changing Leadership

The following chart exhibits the volatility of asset class returns from year to year by ranking certain key indices in order of performance. Also included in the chart is a balanced index, which represents a mix of U.S. equity, international equity and fixed income indices. The chart graphically displays the volatility of asset class returns from year to year, highlighting the importance of diversification. Top-performing asset classes in a given year do not tend to repeat their stellar performance in subsequent years. Accordingly, the worst performing asset classes in a given year often tend to outperform in future years. Said differently, past performance is not a good indicator of future performance. Diversification, demonstrated by the balanced index, helps reduce return volatility and the uncertainty that accompanies trying to pick the best asset class (or avoid the worst) in any given year.

2003	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*YTD*
48.54 Russell 2000 Growth	22.25 Russell 2000 Value	14.02 MSCI EAFE USD	26.86 MSCI EAFE USD	11.81 Russell 1000 Growth	5.24 BarCap US Agg	37.21 Russell 1000 Growth	29.09 Russell 2000 Growth	7.84 BarCap US Agg	18.05 Russell 2000 Value	43.30 Russell 2000 Growth	3.02 Russell 1000 Value
46.03 Russell 2000 Value	20.70 MSCI EAFE USD	7.05 Russell 1000 Value	23.48 Russell 2000 Value	11.63 MSCI EAFE USD	-22.48 Balanced Index*	34.47 Russell 2000 Growth	24.50 Russell 2000 Value	3.04 Balanced Index*	17.90 MSCI EAFE USD	34.52 Russell 2000 Value	1.84 BarCap US Agg
39.17 MSCI EAFE USD	16.49 Russell 1000 Value	5.45 Balanced Index*	22.25 Russell 1000 Value	7.05 Russell 2000 Growth	-28.92 Russell 2000 Value	32.46 MSCI EAFE USD	16.71 Russell 1000 Growth	2.64 Russell 1000 Growth	17.51 Russell 1000 Value	33.48 Russell 1000 Growth	1.80 Balanced Index*
30.03 Russell 1000 Value	14.31 Russell 2000 Growth	5.26 Russell 1000 Growth	13.35 Russell 2000 Growth	6.97 BarCap US Agg	-36.85 Russell 1000 Value	20.58 Russell 2000 Value	15.51 Russell 1000 Value	0.39 Russell 1000 Value	15.26 Russell 1000 Growth	32.53 Russell 1000 Value	1.78 Russell 2000 Value
29.75 Russell 1000 Growth	9.84 Balanced Index*	4.71 Russell 2000 Value	12.17 Balanced Index*	6.61 Balanced Index*	-38.44 Russell 1000 Growth	20.05 Balanced Index*	12.47 Balanced Index*	-2.91 Russell 2000 Growth	14.59 Russell 2000 Growth	23.29 MSCI EAFE USD	1.12 Russell 1000 Growth
20.80 Balanced Index*	6.30 Russell 1000 Growth	4.15 Russell 2000 Growth	9.07 Russell 1000 Growth	-0.17 Russell 1000 Value	-38.54 Russell 2000 Growth	19.69 Russell 1000 Value	8.21 MSCI EAFE USD	-5.50 Russell 2000 Value	11.79 Balanced Index*	17.42 Balanced Index*	0.77 MSCI EAFE USD
4.10 BarCap US Agg	4.34 BarCap US Agg	2.43 BarCap US Agg	4.33 BarCap US Agg	-9.78 Russell 2000 Value	-43.06 MSCI EAFE USD	5.93 BarCap US Agg	6.54 BarCap US Agg	-11.73 MSCI EAFE USD	4.22 BarCap US Agg	-2.02 BarCap US Agg	0.48 Russell 2000 Growth

**Balanced Index comprised of 50% Russell 3000, 10% MSCI EAFE and 40% Barclays Capital U.S. Aggregate, rebalanced quarterly.*

U.S. Equity: current vs. historical P/E ratios

The price to earnings ratio is one measure of value that can indicate if a stock, or stock market, is "over valued" or "under valued" based on its value today versus its historical average(s). The tables below illustrate the U.S. equity market's current P/E and historical 20-year average P/E ratios for the different U.S. equity market styles. The S&P 500 index represents the large blend category and the Russell style indices represent the other style categories. The tables below show that some U.S equity styles are currently "over valued" (over 100%) while others are currently "under valued" (below 100%).

Current P/E vs. 20-year avg. P/E

	Value	Blend	Growth
Large	14.3 / 13.9	15.2 / 16.1	18.3 / 20.9
Mid	16.4 / 14.1	18.2 / 16.4	20.1 / 21.8
Small	16.7 / 14.3	18.9 / 17.2	21.3 / 21.4

Current P/E as % of 20-year avg. P/E

E.g.: Large Cap Blend stocks are 5.7% cheaper than their historical average.

	Value	Blend	Growth
Large	102.4%	94.3%	87.5%
Mid	117.0%	111.2%	91.9%
Small	116.7%	109.9%	99.7%

Source: JP Morgan 1Q'14 Guide to the Markets

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Disclosures

Performance of indexes reflects the unmanaged result for the market segment the selected stocks represent. Indexes are unmanaged and not available for direct investment.
Citigroup Corporate Bond is an index which serves as a benchmark for corporate bond performance. You cannot invest directly in an index.

Citigroup Mortgage Master is an index which serves as a benchmark for U.S. mortgage-backed securities performance.

Citigroup WGBI Index is an index which serves as a benchmark for global bond performance, including 22 different government bond markets.

Credit Suisse High Yield Index is an unmanaged, trader priced index constructed to mirror the characteristics of the high yield bond market.

BC (Barclays Capital) U.S. Aggregate Bond Index represents securities that are U. S., domestic, taxable, and dollar denominated. The index covers the U. S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

BC Credit Bond Index includes publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

BC U.S. Corporate Investment Grade represents investment grade corporate securities that are U. S., domestic, taxable, and dollar denominated.

BC High Yield Corporate Bond represents below investment grade corporate securities that are U. S., domestic, taxable, and dollar denominated.

BC TIPS Index includes publicly issued U.S. government treasury inflation protected securities that meet the specified maturity, liquidity and other requirements.

BC Mortgage Backed Securities covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARMs) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

BC Muni Bond covers the USD-denominated long term tax exempt bond market with four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.

BC Government Index includes publicly issued U.S. government securities that meet the specified maturity, liquidity and other requirements.

BarCap U.S. Aggregate 1-3 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 1 to 3 years.

BarCap U.S. Aggregate 3-5 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 3 to 5 years.

BarCap U.S. Aggregate 5-7 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 5-7 years.

BarCap U.S. Aggregate 7-10 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 7 to 10 years.

BarCap U.S. Aggregate 10+ Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over 10 years.

DJW 5000 (Full Cap) Index measures the performance of all U.S. common equity securities, and serves as an index of all stock trades in the United States.

MSCI FI Emerging Markets is a rules-based index which serves as a benchmark for emerging country fixed income performance.

MSCI FI EAFE International is a rules-based index which serves as a benchmark for developed international country fixed income performance.

MSCI EAFE Index is listed for foreign stock funds (EAFE refers to Europe, Australia, and Far East). Widely accepted as a benchmark for international stock performance, it is an aggregate of 21 individual country indexes.

MSCI EAFE Large Value represents the large cap value stocks within the MSCI EAFE Index.

MSCI EAFE Large Growth represents the large cap growth stocks within the MSCI EAFE Index.

MSCI EAFE Mid Value represents the mid cap value stocks within the MSCI EAFE Index.

MSCI EAFE Mid Growth represents the mid cap growth stocks within the MSCI EAFE Index.

MSCI EAFE Small Value represents the small cap value stocks within the MSCI EAFE Index.

MSCI EAFE Small Growth represents the small cap growth stocks within the MSCI EAFE Index.

MSCI EM (Emerging Markets) Index serves as a benchmark for each emerging country. The average size of these companies is (U.S.) $400 million, as compared with $300 billion for those companies in the World index.

MSCI World Index is a rules-based index that serves as a benchmark for the developed global equity markets.

MSCI Europe ex UK Index is a rules-based index that serves as a benchmark for the Europe's equity markets, excluding the United Kingdom.

MSCI Pacific ex Japan Index is a rules-based index that serves as a benchmark for Asia Pacific's equity markets, excluding Japan.

MSCI United Kingdom Index is a rules-based index that serves as a benchmark for the United Kindgom's equity markets.

MSCI Japan is a rules-based index that serves as a benchmark for Japan's equity markets.

Nareit All Reit Index includes all tax-qualified REITs with common shares that trade on the New York Stock Exchange, the American Stock Exchange or the NASDAQ National Market List.

3-Month T-bills (90 Day T-Bill Index) are government-backed short-term investments considered to be risk-free and as good as cash because the maturity is only three months.

Russell 1000 Growth Index is a market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index is a market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.

Russell Top 200 Growth Index is a market-capitalization weighted index of those firms in the Russell Top 200 with higher price-to-book ratios and higher forecasted growth values.

Russell Top 200 Value Index is a market-capitalization weighted index of those firms in the Russell Top 200 with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Growth Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratio and higher forecasted growth values.

Russell 2000 Index consists of the smallest 2000 companies in the Russell 3000 Index, representing approximately 7% of the Russell 3000 total market capitalization.

Russell 2000 Value Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values.

Russell MidCap Growth Index is a market-weighted total return index that measures the performance of companies within the Russell MidCap Index having higher price-to-book ratios and higher forecasted growth values.

Russell Mid-Cap Index includes firms 201 through 1000, based on market capitalization, from the Russell 3000 Index.

Russell MidCap Value Index is a market-weighted total return index that measures the performance of companies within the Russell MidCap index having lower price-to-book ratios and lower forecasted growth values.

Russell Top 200 Index consists of the 200 largest securities in the Russell 3000 Index.

Russell 3000 Index is a market-capitalization weighted index, consisting of 3,000 U.S. common equity securities, reflective of the broad U.S. equity market.

Salomo n 1-10 Yr. Governments is an index which serves as a benchmark for U.S. Government bonds with maturities ranging from 1 to 10 years.

S&P 500 Index measures the performance of the largest 500 U.S. common equity securities, and serves as an index of large cap stocks traded in the United States.

S&P 500 Energy Index measures the performance of the energy sector in the S&P 500 Index.

S&P 500 Industrials measures the performance of the industrial sector in the S&P 500 Index.

S&P 500 Financials measures the performance of the financials sector in the S&P 500 Index.

S&P 500 Utilities measures the performance of the utilities sector in the S&P 500 Index.

S&P 500 Consumer Discretionary Index measures the performance of the consumer discretionary sector in the S&P 500 Index.

S&P 500 Consumer Staples Index measures the performance of the consumer staples sector in the S&P 500 Index.

S&P 500 Information Technology measures the performance of the information technology sector in the S&P 500 Index.

S&P 500 Materials measures the performance of the materials sector in the S&P 500 Index.

S&P 500 Health Care measures the performance of the health care sector in the S&P 500 Index.

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