MARKET REVIEW
FIRST QUARTER, 2015

INDEX	1ST QUARTER %	1 YEAR %	3 YEAR %	5 YEAR %
Dow Jones Industrial	0.33	10.57	13.18	13.23
NASDAQ Composite	3.48	16.72	16.60	15.37
Standard & Poor's 500	0.95	12.73	16.11	14.47
Russell 1000	1.59	12.73	16.45	14.73
Russell Midcap	3.95	13.68	18.10	16.16
Russell 2000	4.32	8.21	16.27	14.57
Barclay US Aggregate Bond	1.61	5.72	3.10	4.41
MSCI World ex. US	3.83	-1.39	8.24	5.72
MSCI Emerging Markets	2.24	0.44	0.31	1.75
COUNTY OF SAN BERNARDINO 457(b) PLAN PERFORMANCE	**2.86**	**8.64**	**14.26**	**12.39**
COUNTY OF SAN BERNARDINO 401(k) PLAN PERFORMANCE	**2.77**	**8.69**	**14.37**	**12.53**
COUNTY OF SAN BERNARDINO RMT PLAN PERFORMANCE	**2.58**	**8.21**	**11.76**	**10.94**

U.S. equities continued to move higher as long-term rates continued to fall. The 10-year Treasury ended the quarter at 1.9 percent, 30 basis points lower from where it started the year. The drop in rates helped U.S. fixed income keep pace with its U.S. equity counterpart for the first quarter of the year. U.S. fixed income posted a positive 1.6 percent return (Barclays Capital Aggregate Bond Index) while U.S. equities posted a positive 1.8 percent return (Russell 3000 Index.) International equities outperformed both by a decent margin, posting a strong positive 5.0 percent return (MSCI EAFE) for the quarter. The strength of the international equity markets was stronger than implied because U.S.-based investors were negatively affected by the sharp drop in foreign currencies relative to the dollar. The Euro, for example, lost over 10 percent for the quarter. When adjusting for the currency affect (hedging to the dollar), international equities were up 10.9 percent (MSCI EAFE Local), meaning investors overseas experienced much larger gains than U.S.-based investors.

International equities, in large part, were buoyed by the European Central Bank's announced quantitative easing program. Very much like the Fed's quantitative easing program that ended last year, the ECB's program is meant to suppress long-term yields through the buying of long-term debt. The ECB will be targeting the sovereign debt held by Eurozone countries. The ECB indicated that the program could run for as long as 18 months and total approximately $1 trillion (U.S. dollars.) Overseas yields immediately began to decline as a

result, leaving some countries at record low yields, and in some cases, making yields negative (debt holders are paying to have their money held). With yields in the U.S. higher than in most other developed countries, overseas investors have helped keep U.S. rates low, as demand for higher yielding investments from overseas has increased. This is one reason why the U.S. dollar has increased relative to other foreign currencies.

At home, the Fed began to lay the groundwork for the eventual tightening of short-term rates. This further tightening of monetary policy, which began with the gradual withdrawal from quantitative easing last year, is expected to happen in the coming months. While the Fed has indicated that their decision would be "data dependent", as a whole the data has been favorable enough to suggest a rate hike will be coming soon. Historically, the Fed has tended to only tighten rates amid a strong and improving economy, so a coming Fed rate hike should not necessarily be a bad thing. Volatility, however, in the global capital markets may increase as the Fed and ECB take divergent paths with their monetary policies.

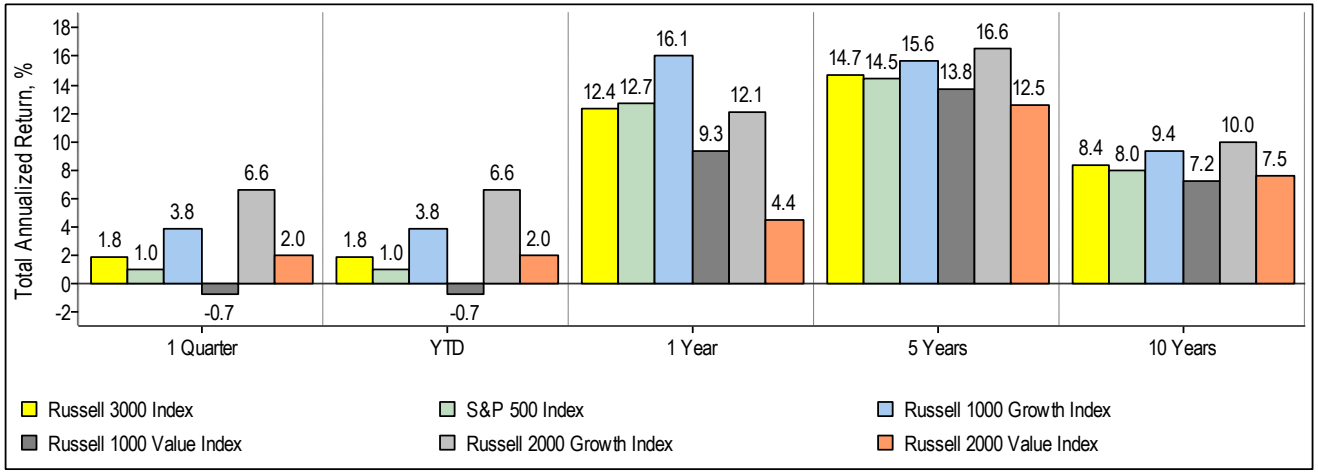
U.S. Equity	International Equity	Fixed Income
U.S. equity posted a positive 1.8 percent return for the quarter (Russell 3000 Index). All U.S. equity styles posted positive returns for the quarter except for large cap value. Growth generally outperformed value. Small cap growth continued to be the best performing U.S. equity style, posting a positive 6.6 percent return (Russell 2000 Growth). Large value was the worst performing style, posting a negative 0.7 percent return (Russell 1000 Value).	Developed international equity outperformed U.S. equity over the quarter, returning a positive 5.0 percent (MSCI EAFE). All international equity styles posted strong positive returns for the quarter. The best performing region for the quarter was Japan, which returned a positive 10.3 percent (MSCI Japan). The United Kingdom was the worst performing region, returning a negative 0.9 percent (MSCI United Kingdom).	The broad U.S. fixed income market posted healthy gain for the quarter, returning a positive 1.6 percent (BC High Yield). Muni bonds were the worst performing sector, returning a positive 1.0 percent (BC Muni Bond). Global fixed income underperformed the broad U.S. fixed income market, returning a negative 1.7 percent (BofA ML Global Broad Market) for the quarter.

Market Review - 1st Quarter 2015

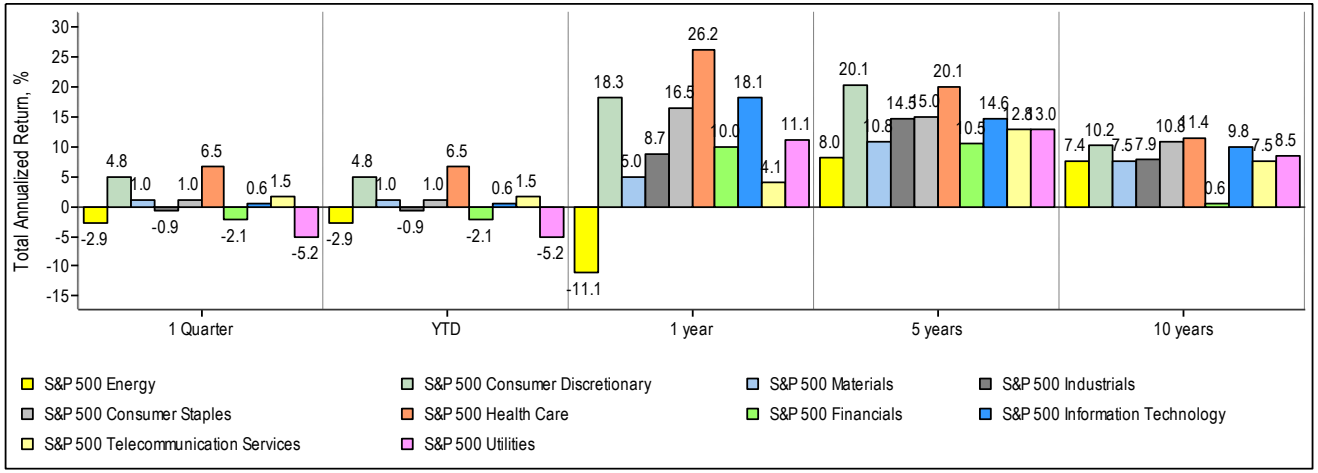
Domestic Equity Overview

- All U.S. equity styles were positive except large cap value
- Growth outperformed value
  - Small cap growth was the best performing style, up 6.6%
  - Large value was the worst performing style, down 0.7%
- Best performing sectors for the quarter:
  - Health care, up 6.5%
  - Consumer Discretionary, up 4.8%
- Worst performing sectors for the quarter:
  - Utilities, down 5.2%
  - Energy, down 2.9%

U.S. Equity Index Performance



U.S. Equity Sector Performance

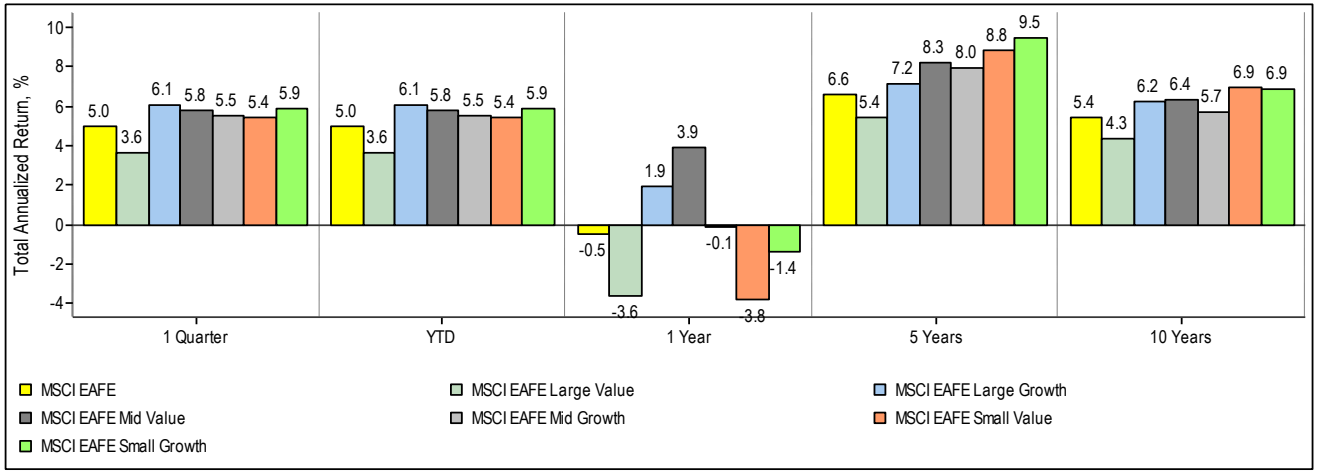


Market Review - 1st Quarter 2015

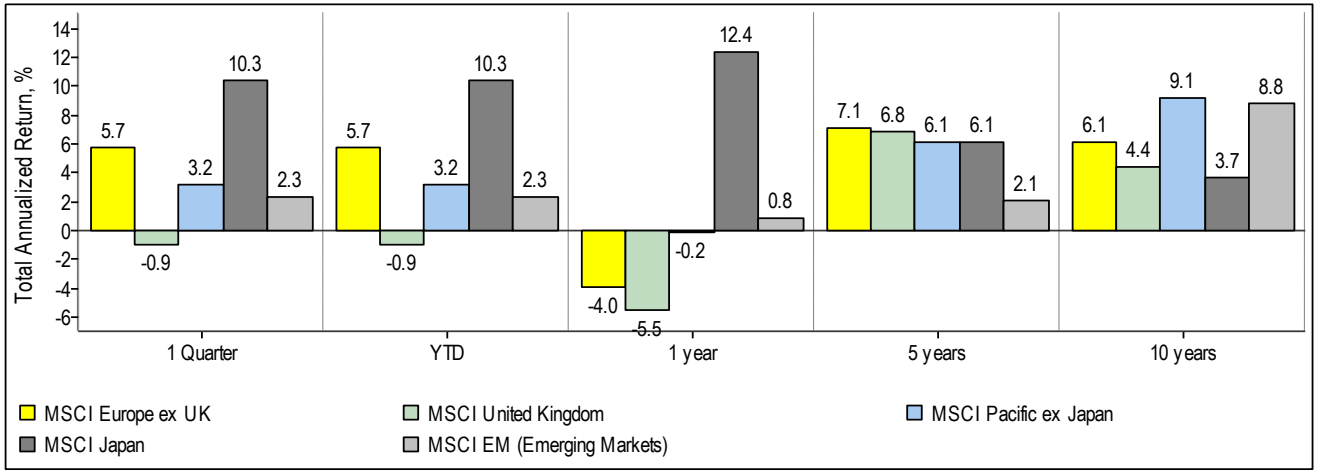
International Equity Overview

- All international styles posted strong positive returns for the quarter
- The best performing style for the quarter:
  - Large growth, up 6.1%
- The worst performing style for the quarter:
  - Large value, up 3.6%
- Best performing region for the quarter:
  - Japan, up 10.3%
- Worst performing region for the quarter:
  - United Kingdom, down 0.9%

International Index Performance by Style and Capitalization



International Index Performance by Region



Market Review - 1st Quarter 2015

Fixed Income Overview

- Fixed income performance was positive across all sectors as rates continued to decline

- The best performing sector for the quarter:

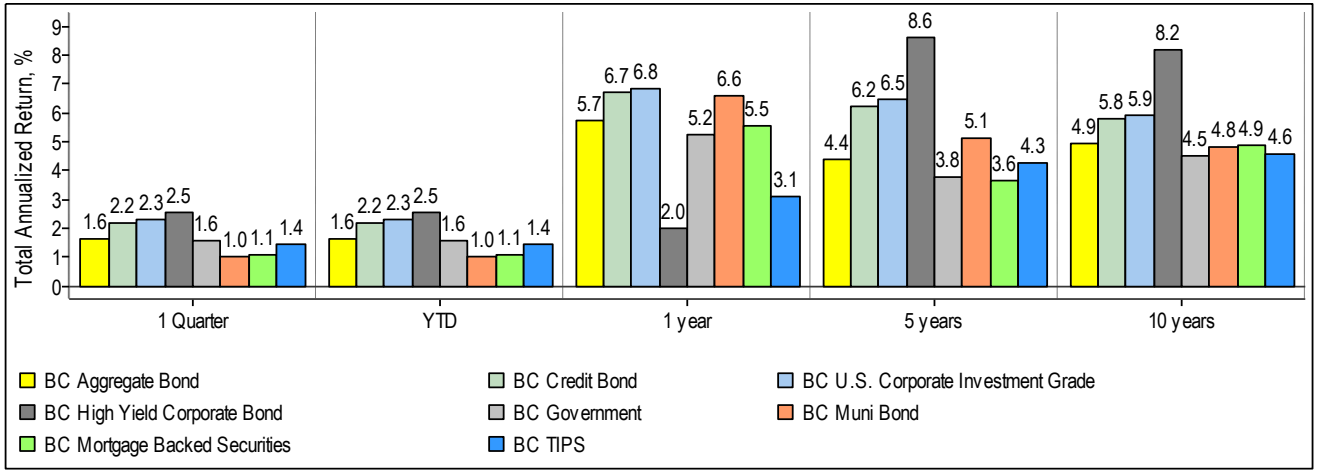
  - High yield, up 2.5%

- The worst performing sector for the quarter:

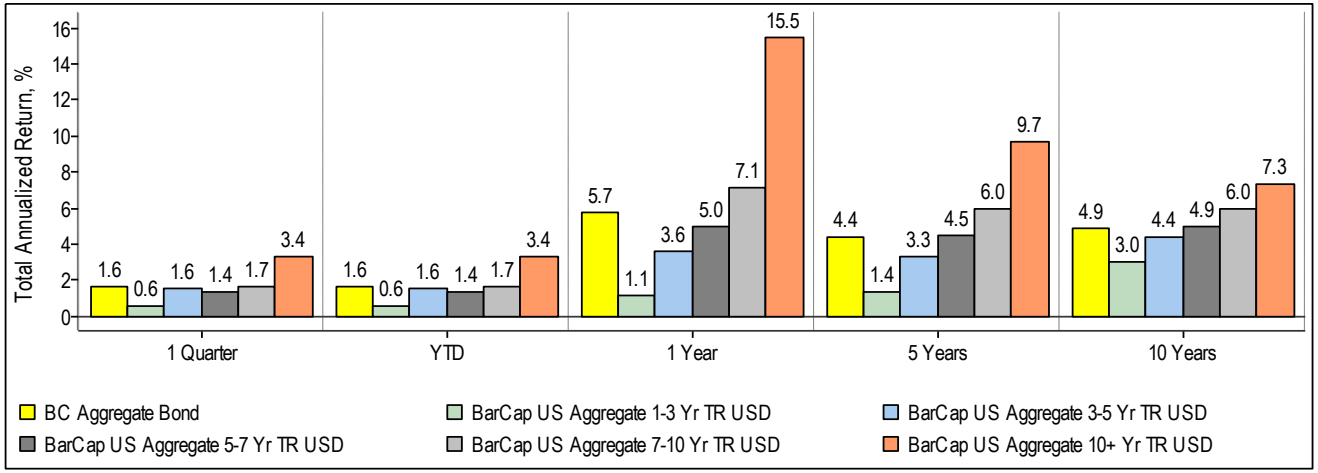
  - Muni bonds, up 1.0%

- As long term yields continued to decline, longer term maturities continued to outperform their short and mid-term maturitiy counterparts

Fixed Income Sector Performance



Fixed Income Performance by Maturity



Market Review - 1st Quarter 2015

Annualized Style Box Performance

1 Quarter (%)			
Value	Blend	Growth	
-2.08	0.54	3.13	Large
2.42	3.95	5.38	Mid
1.98	4.32	6.63	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
5.00	2.31	1.61	0.00

3 Year (Annualized %)			
Value	Blend	Growth	
15.49	15.73	15.93	Large
18.60	18.10	17.41	Mid
14.79	16.27	17.74	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
9.52	12.19	3.10	0.07

Year to Date (%)			
Value	Blend	Growth	
-2.08	0.54	3.13	Large
2.42	3.95	5.38	Mid
1.98	4.32	6.63	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
5.00	2.31	1.61	0.00

5 Year (Annualized %)			
Value	Blend	Growth	
12.82	14.12	15.39	Large
15.84	16.16	16.43	Mid
12.54	14.57	16.58	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
6.64	10.01	4.41	0.09

1 Year (%)			
Value	Blend	Growth	
8.29	12.30	16.34	Large
11.70	13.68	15.56	Mid
4.43	8.21	12.06	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
-0.48	6.03	5.72	0.03

10 Year (Annualized %)			
Value	Blend	Growth	
6.22	7.67	9.10	Large
9.61	10.02	10.19	Mid
7.53	8.82	10.02	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
5.43	6.39	4.93	1.49

Performance as of March 31, 2015. 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.

Market Review - 1st Quarter 2015

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.

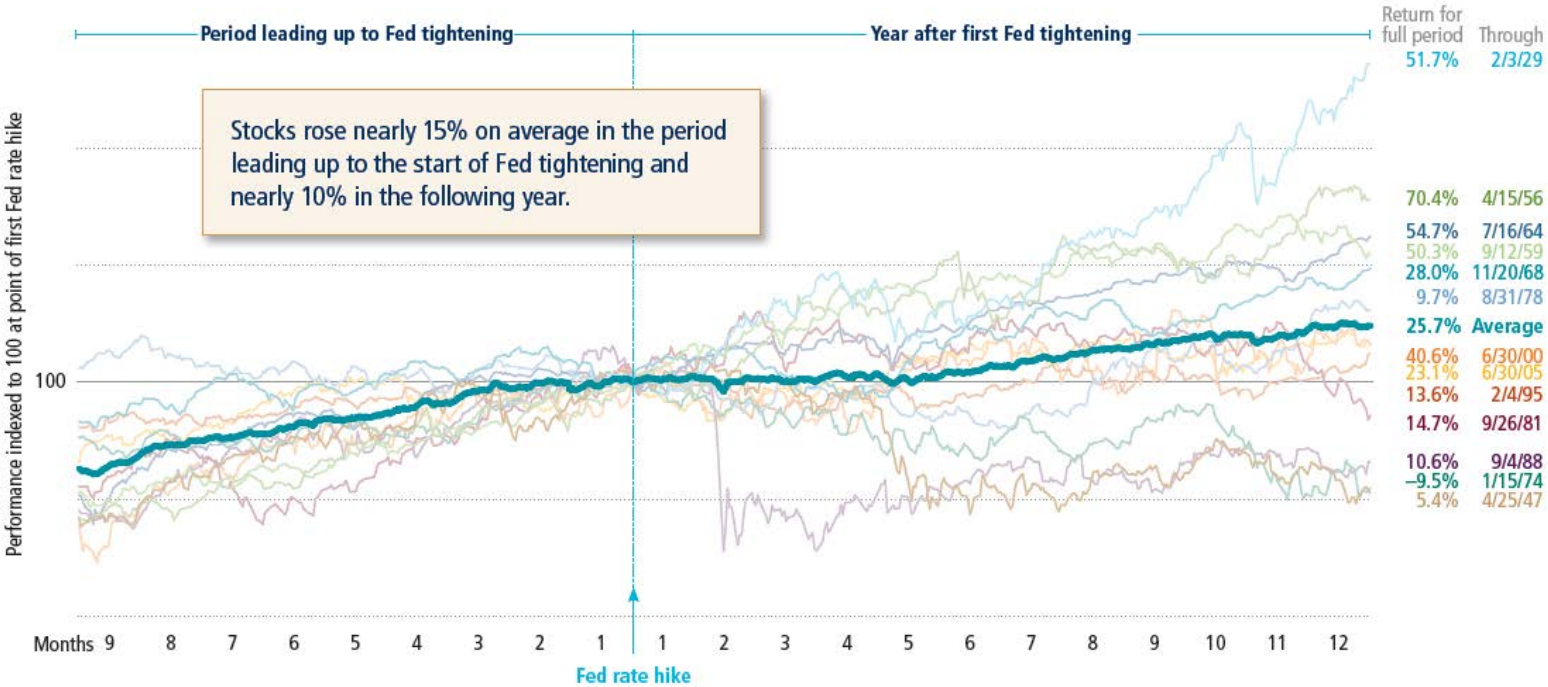
2004	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*YTD*
22.25 Russell 2000 Value	14.02 MSCI EAFE USD	26.86 MSCI EAFE USD	11.81 Russell 1000 Growth	5.24 BarCap US Agg	37.21 Russell 1000 Growth	29.09 Russell 2000 Growth	7.84 BarCap US Agg	18.05 Russell 2000 Value	43.30 Russell 2000 Growth	13.45 Russell 1000 Value	6.63 Russell 2000 Growth
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	13.05 Russell 1000 Growth	5.00 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	8.15 Balanced Index*	3.84 Russell 1000 Growth
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	5.97 BarCap US Agg	2.04 Balanced Index*
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	5.60 Russell 2000 Growth	1.98 Russell 2000 Value
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*	4.22 Russell 2000 Value	1.61 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	-4.48 MSCI EAFE USD	-0.72 Russell 1000 Value

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

Rising Rates and Stock Market Performance

The Federal Reserve (Fed) is widely expected to raise the federal funds rate in the coming months, potentially as soon as June. Historically, stock market performance has faired well leading up to and after the first federal funds rate hike. One reason for this is because the Fed typically begins to increase rates amid good and improving economic data.

In 12 of the past 13 tightening cycles since 1928, stocks produced gains over the period surrounding the first rate hike (S&P 500 Index,[1] 1928–2004)



Source: Ned Davis Research, as of 9/30/14.
1 The S&P 500 Index tracks the performance of 500 of the largest publicly traded companies in the United States. It is not possible to invest directly in an index. Past performance does not guarantee future results.

Source: John Hancock Market Intelligence Book Q4 2014.

Market Review - 1st Quarter 2015

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.

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