MARKET REVIEW
SECOND QUARTER, 2014

INDEX	2ND QUARTER %	1 YEAR %	3 YEAR %	5 YEAR %
Dow Jones Industrial	2.83	15.56	13.56	17.83
NASDAQ Composite	4.98	29.53	16.70	19.16
Standard & Poor's 500	5.23	24.61	16.58	18.83
Russell 1000	5.12	25.35	16.63	19.25
Russell Midcap	4.97	26.85	16.09	22.07
Russell 2000	2.05	23.64	14.57	20.21
Barclay US Aggregate Bond	2.04	4.37	3.66	4.85
MSCI World ex. US	4.62	23.83	7.58	11.67
MSCI Emerging Markets	6.60	14.31	-0.39	9.24
COUNTY OF SAN BERNARDINO 457(b) PLAN PERFORMANCE	**4.18**	**23.31**	**13.60**	**17.23**
COUNTY OF SAN BERNARDINO 401(k) PLAN PERFORMANCE	**4.11**	**23.25**	**13.69**	**17.48**
COUNTY OF SAN BERNARDINO RMT PLAN PERFORMANCE	**3.99**	**19.60**	**11.65**	**15.35**

Capital markets continued to move higher over the second quarter. U.S. equities finished the second quarter with a gain of 4.9 percent (Russell 3000 Index) and international equities finished with a gain of 4.3 percent (MSCI EAFE Index). Fixed income also performed well as long-term rates declined. The 10-year Treasury, a proxy for long-term interest rates decreased from 2.73 percent at the end of the first quarter to 2.52 percent. As a result, domestic fixed income returned a positive total return of 2.0 percent for the second quarter (Barclays Capital Aggregate Bond Index). As yields declined, the Fed continued to pull back on its quantitative easing program. In June, the Fed tapered another $10 billion in bond purchases per month, putting its total bond purchases at $35 billion per month. At this rate of tapering, the Fed will be out of the long-term bond market (as a buyer) by October.

While the Fed has pulled away from the bond markets, it has been counterintuitive to see rates decline rather than increase. The Fed, however, is not the only buyer of long-term bonds. Yields in the U.S. have been higher than of those in other developed countries, resulting in more foreign interest, and, accordingly, greater foreign investment. Additionally, U.S.-based investors have increasingly shown an interest in U.S. bonds. This has been made evident by the mutual fund flows that are tracked by the Investment Company Institute (ICI). Over the four week period ending July 2, 2014, the ICI has estimated that bond fund inflows have totaled around $12.5 billion. This is in stark contrast to the negative stock fund

outflows over that same time period, estimated at $7.6 billion by the ICI. It appears that some investors are seeing recent stock market highs as an opportunity to rebalance out of stocks and into bonds.

The Fed's actions are consistent with an improving economy. Unemployment, a key Fed objective and an important consideration that has been driving the Fed's recent monetary policy, is now back to its fifty year average. Inflation, another key Fed objective, is still well within the Fed's ranges, albeit on the low end. This has allowed, at least until now, a slow and gradual approach to raising rates and tightening monetary policy to more normal levels. Rates as they stand today are still very low compared to historical levels. It is interesting to note that while the Fed has been tightening monetary policy in the U.S., overseas, the European Central Bank (ECB) has taken the opposite approach. In June, the ECB eased monetary policy to address weakening economic conditions and concerns about deflation in the Eurozone.

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. Large cap growth and value stocks performed in-line with each other over the quarter, both at 5.1 percent (Russell 100 Growth and Value). The worst performing U.S. equity style was small growth, returning a positive 1.7 percent (Russell 2000 Growth).	Developed international equity under performed U.S. equity, returning a positive 4.3 percent (MSCI EAFE). Large cap stocks generally outperformed their small cap counterparts. Emerging markets and Japan were the best performing regions, returning a positive 6.7 percent for the quarter (MSCI EM and Japan). Europe ex UK was the worst performing region, returning a positive 2.6 percent (MSCI Europe ex UK).	The broad U.S. fixed income market posted a gain for the quarter, returning a positive 2.0 percent (Barclays Capital U.S. Aggregate). TIPS were the best performing sector, returning a positive 3.8 percent (BC TIPS). Global fixed income outperformed the broad U.S. fixed income market, returning a positive 2.4 percent (BofA ML Global Broad Market) for the quarter.

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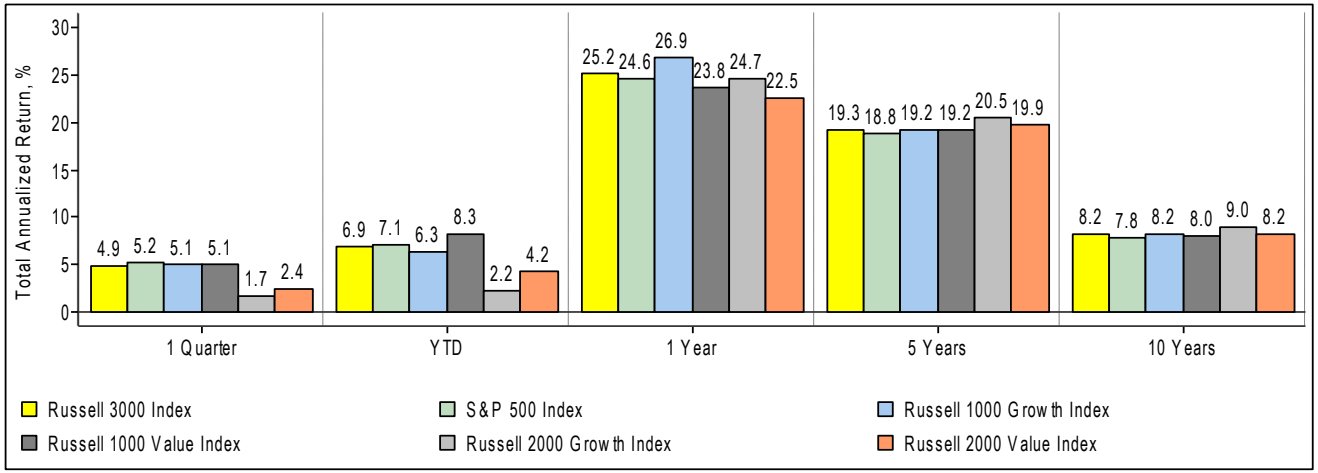
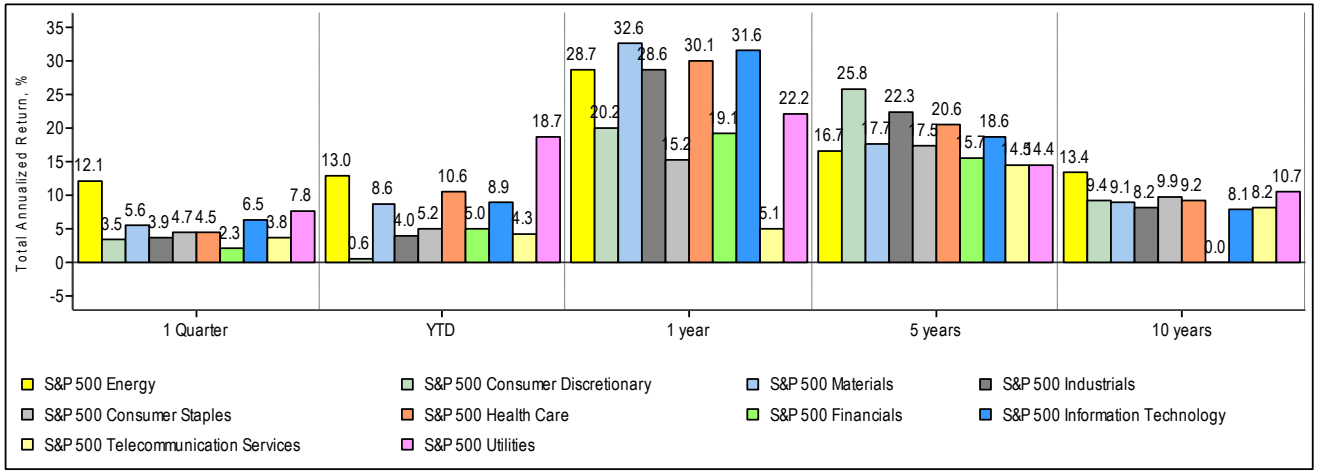
Domestic Equity Overview

- All U.S. equity styles posted positive returns for the quarter
- Large cap stocks were the best performing styles:
  - Up 5.1% for the quarter (growth and value styles)
- Small growth was the worst performing style:
  - Up 1.7% for the quarter
- Best performing sectors for the quarter:
  - Energy, up 12.1%
  - Utilities, up 7.8%
- Worst performing sectors for the quarter:
  - Financials, up 2.3%
  - Consumer Disc., up 3.5%

U.S. Equity Index Performance



U.S. Equity Sector Performance



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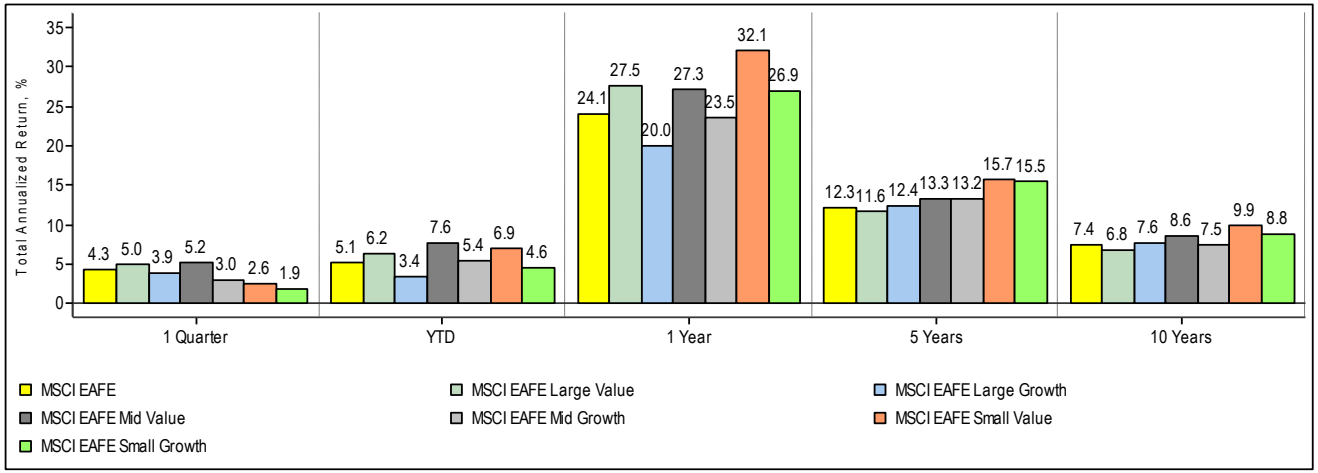
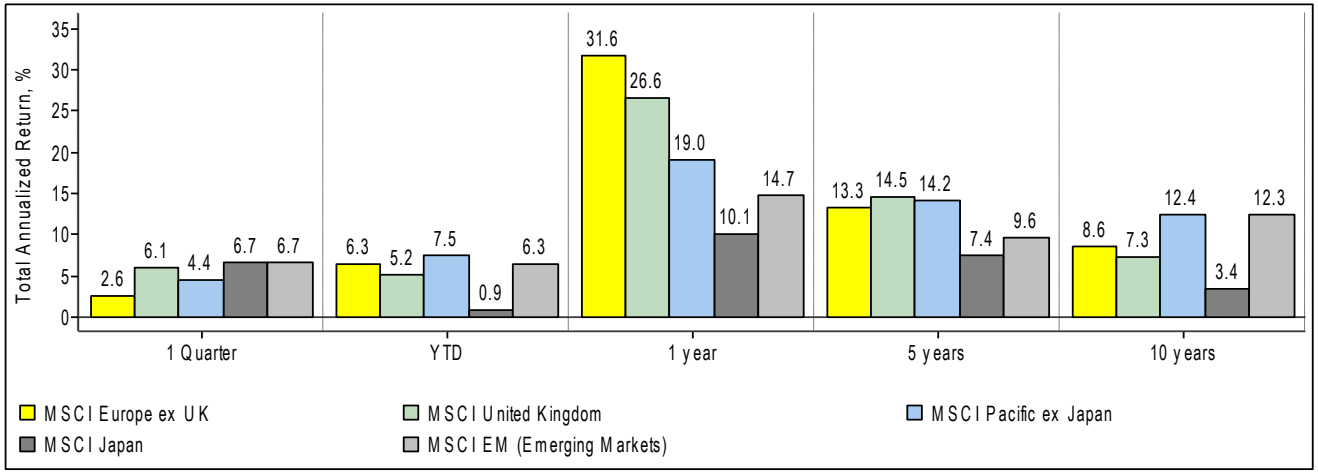
International Equity Overview

- All international styles posted positive returns for the quarter
- The best performing style for the quarter:
  - Mid value, up 5.2%
- The worst performing style for the quarter:
  - Small growth, up 1.9%
- Best performing regions for the quarter:
  - Emerging Markets, up 6.7%
  - Japan, up 6.7%
- Worst performing region (Qtr)
  - Europe ex UK, up 2.6%

International Index Performance by Style and Capitalization



International Index Performance by Region



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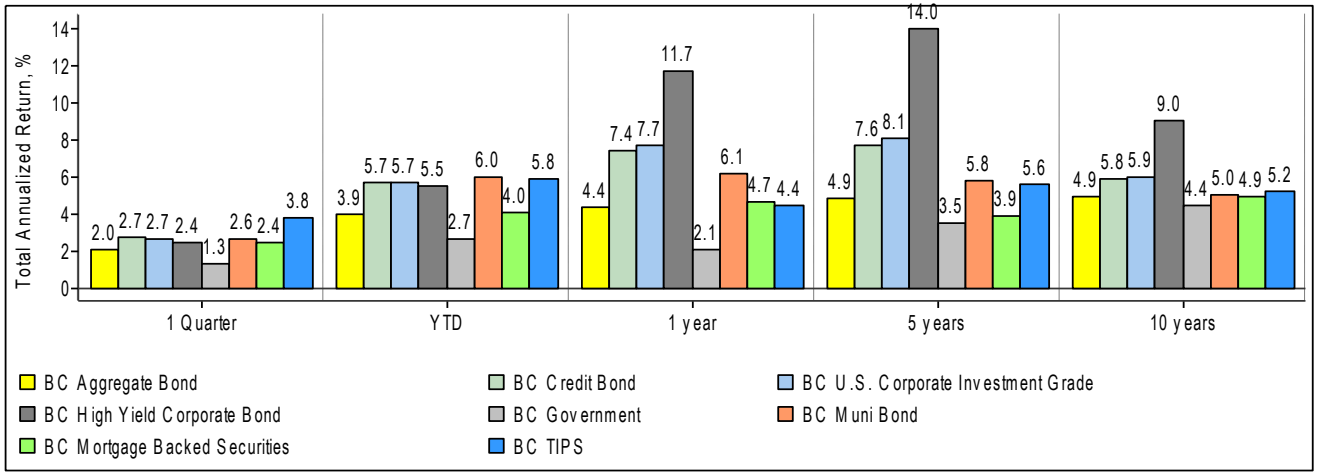
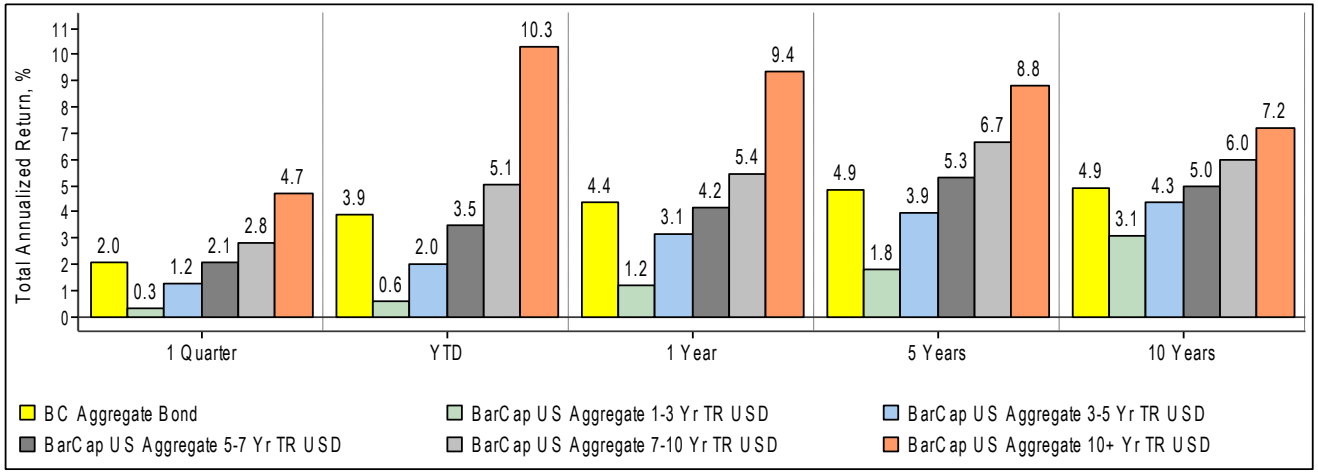
Fixed Income Overview

- Fixed income performance was strong across all sectors
- Yields decreased over the quarter, contributing to positive returns in fixed income
- The best performing sector for the quarter:
  - TIPS, up 3.8%
- The worst performing sector for the quarter:
  - Government, up 1.3%
- Longer term maturities outperformed their shorter term maturity counterparts

Fixed Income Sector Performance



Fixed Income Performance by Maturity



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Annualized Style Box Performance

1 Quarter (%)

Value	Blend	Growth	
4.88	5.18	5.48	Large
5.62	4.97	4.37	Mid
2.38	2.05	1.72	Small

Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
4.34	4.86	2.04	0.01

3 Year (Annualized %)

Value	Blend	Growth	
16.63	16.84	17.06	Large
17.56	16.09	14.54	Mid
14.65	14.57	14.49	Small

Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
8.59	11.81	3.66	0.07

Year to Date (%)

Value	Blend	Growth	
7.10	6.64	6.21	Large
11.14	8.67	6.51	Mid
4.20	3.19	2.22	Small

Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
5.14	6.18	3.93	0.02

5 Year (Annualized %)

Value	Blend	Growth	
17.67	18.14	18.60	Large
22.97	22.07	21.16	Mid
19.88	20.21	20.50	Small

Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
12.27	14.99	4.85	0.11

1 Year (%)

Value	Blend	Growth	
22.19	24.69	27.33	Large
27.76	26.85	26.04	Mid
22.54	23.64	24.73	Small

Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
24.09	24.05	4.37	0.05

10 Year (Annualized %)

Value	Blend	Growth	
6.92	7.31	7.69	Large
10.66	10.43	9.83	Mid
8.24	8.70	9.04	Small

Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
7.42	7.25	4.93	1.63

Performance as of June 30, 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

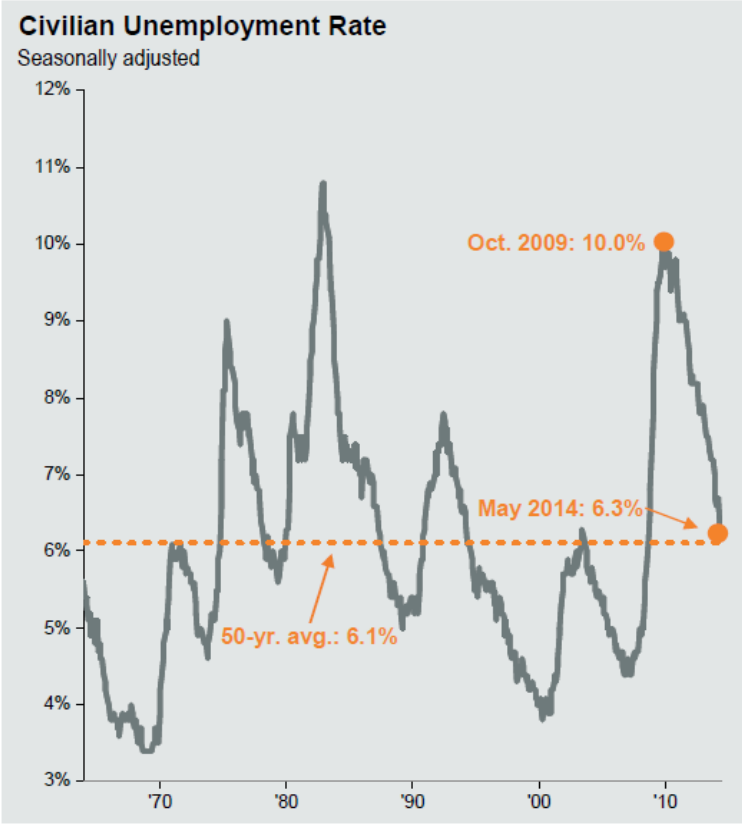
The following chart exhibits the volatility of asset class returns from year to year by ranking certain key indices in order of performance. Also included in the chart is a balanced index, which represents a mix of U.S. equity, international equity and fixed income indices. The chart graphically displays 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	8.28 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	6.31 Russell 1000 Growth
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	5.56 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	5.14 MSCI EAFE USD
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	4.20 Russell 2000 Value
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*	3.93 BarCap US Agg
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	2.22 Russell 2000 Growth

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

The Unemployment Rate

The unemployment rate represents the number of people unemployed as a percentage of the labor force. The statistic is calculated by the Bureau of Labor Statistics (BLS), who conducts the survey every month. There are about 60,000 households in the sample for this survey. The unemployment rate, which has been trending downward since 2009, stood at 6.3 percent in May. In June, it decreased to 6.1 percent, meaning we are now back to the historical 50-year average unemployment rate, which is also 6.1 percent.



Source: BLS, FactSet, J.P. Morgan Asset Management.
Guide to the Markets – U.S.
Data are as of 6/30/14.

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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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