MARKET REVIEW
THIRD QUARTER, 2015

INDEX	3RD QUARTER %	1 YEAR %	3 YEAR %	5 YEAR %
Dow Jones Industrial	-6.98	-2.11	9.26	11.38
NASDAQ Composite	-7.09	4.00	15.48	15.66
Standard & Poor's 500	-6.44	-0.61	12.40	13.34
Russell 1000	-6.83	-0.61	12.66	13.42
Russell Midcap	-8.01	-0.25	13.91	13.40
Russell 2000	-11.92	1.25	11.02	11.73
Barclay US Aggregate Bond	1.23	2.94	1.71	3.10
MSCI World ex. US	-10.57	-10.14	4.60	3.42
MSCI Emerging Markets	-17.90	-19.28	-5.27	-3.58
COUNTY OF SAN BERNARDINO 457(b) PLAN PERFORMANCE	**-7.52**	**-1.83**	**10.68**	**10.71**
COUNTY OF SAN BERNARDINO 401(k) PLAN PERFORMANCE	**-7.49**	**-1.63**	**11.00**	**11.03**
COUNTY OF SAN BERNARDINO RMT PLAN PERFORMANCE	**-6.20**	**-1.53**	**8.42**	**9.07**

Volatility rattled the capital markets over the third quarter, sending equities and bond yields lower. Yields on the 10-year Treasury reversed their upward course finishing down 29 basis points ending at 2.06 percent. During the quarter the 10-year Treasury dipped below 2 percent driven by the combination of the Fed holding short-term rates steady and a flight to quality due to global economic uncertainty. Declining rates lifted U.S. fixed income higher resulting in a positive 1.2 percent return for the broad U.S. fixed income market (Barclays Aggregate Bond Index) which swung U.S. fixed income positive for the year. U.S. and international equities, on the other hand, experienced sharp declines over the quarter, leading to negative year-to-date performance numbers as of quarter end. U.S. equity posted a negative 7.2 percent return (Russell 3000 Index) and international equities posted an even larger negative 10.2 percent return (MSCI EAFE). Emerging markets, led by China, drove much of the uncertainty and volatility throughout the quarter.

Emerging markets posted some of the worst returns over the quarter, down 17.8 percent (MSCI EM). China was one of the main culprits, as early in the third quarter China's issues began to permeate throughout the global capital markets. Commodities were a prime example of how issues in China spread to other markets. The slowdown in China, one of the world's largest importers of raw materials, hit commodities hard, sending already low prices tumbling. Many other emerging market economies rely heavily on exporting commodities to China, and were hit hard as a result. Developed economies were still affected, but were better able to withstand the

decline. China's failed attempts to stabilize their markets also worried investors as the government's controls became questioned alongside potentially stronger market forces.

At home, the Federal Reserve took note of the increased global market volatility and held short-term rates steady at their September meeting, delaying what was assumed by many to be their first rate hike since 2006. Rather than comforting the markets, this was viewed as a lack of confidence in the recovery and created more uncertainty among investors, likely contributing to the volatility experienced over the quarter. As more variables come into play with the timing of the Fed's first rate hike, signaling a tighter monetary policy moving forward, uncertainty will remain. Even though investors have enjoyed the benefits of a low rate environment for some time, a rate hike would be a signal that the U.S. economy is on strong enough footing for continued growth. As of the end of the third quarter, the Fed continues to signal that a rate hike is likely before the end of the year.

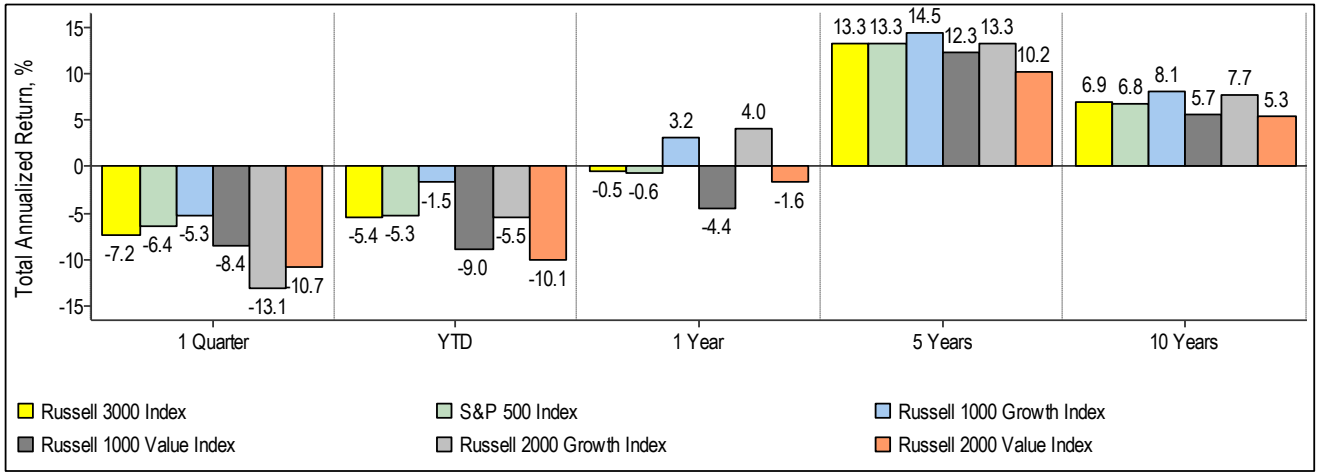
U.S. Equity	International Equity	Fixed Income
U.S. equity posted a negative 7.2 percent return for the quarter (Russell 3000 Index). All U.S. equity styles posted negative returns for the quarter. Large cap growth was the best performing U.S. equity style, posting a negative 5.3 percent return (Russell 1000 Growth). Small cap growth was the worst performing style, posting a negative 13.1 percent return (Russell 2000 Growth).	Developed international equity underperformed U.S. equity over the quarter, returning a negative 10.2 percent (MSCI EAFE). All international equity styles posted negative returns for the quarter. The best performing region for the quarter was Europe ex UK which returned a negative 8.0 percent (MSCI Europe ex UK). Emerging Markets were the worst performing region, returning a negative 17.8 percent (MSCI EM).	The broad U.S. fixed income market posted a gain for the quarter, returning a positive 1.2 percent (Barclays Capital U.S. Aggregate). Government was the best performing sector, returning a positive 1.7 percent (BC Government). High Yield corporate was the worst performing sector, returning a negative 4.9 percent (BC High Yield Corporate). Global fixed income matched the broad U.S. fixed income market, returning a positive 1.2 percent (BofA ML Global Broad Market) for the quarter.

Market Review - 3rd Quarter 2015

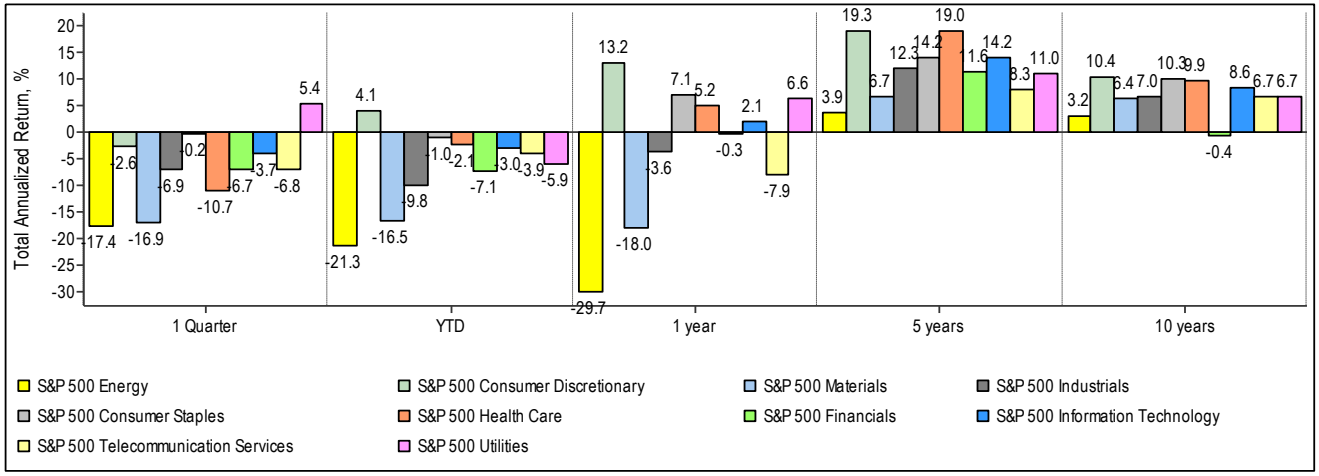
Domestic Equity Overview

- All U.S. equity styles were negative for the quarter
- Large cap outperformed small cap
  - Large growth was the best performing style, down 5.3%
  - Small cap growth was the worst performing style, down 13.1%
- Best performing sectors for the quarter:
  - Utilities, up 5.4%
  - Consumer Staples, down 0.2%
- Worst performing sectors for the quarter:
  - Energy, down 17.4%
  - Materials, down 16.9%

U.S. Equity Index Performance



U.S. Equity Sector Performance

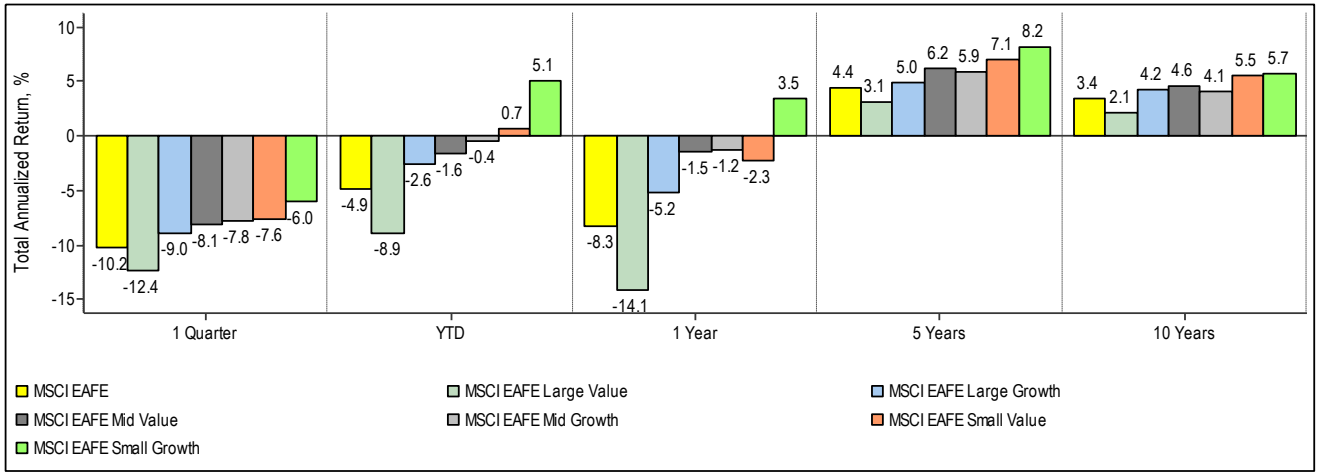


Market Review - 3rd Quarter 2015

International Equity Overview

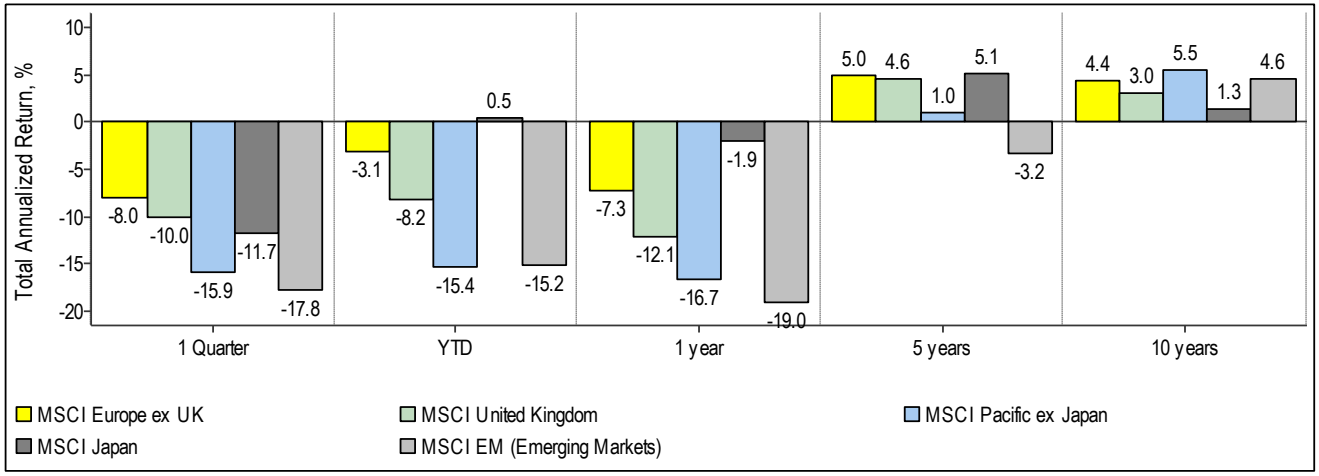
- All international equity styles posted negative returns for the quarter
- The best performing international equity style for the quarter:
  - Small growth, down 6.0%
- The worst performing style for the quarter:
  - Large value, down 12.4%

International Index Performance by Style and Capitalization



- Best performing region for the quarter:
  - Europe ex UK, down 8.0%
- Worst performing region for the quarter:
  - Emerging Markets, down 17.8%

International Index Performance by Region

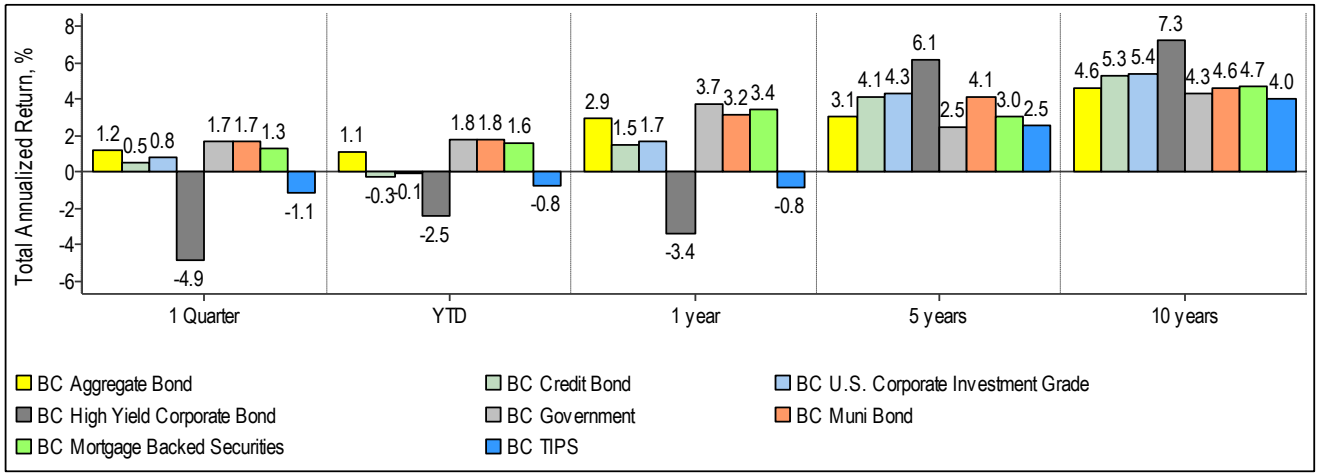


Market Review - 3rd Quarter 2015

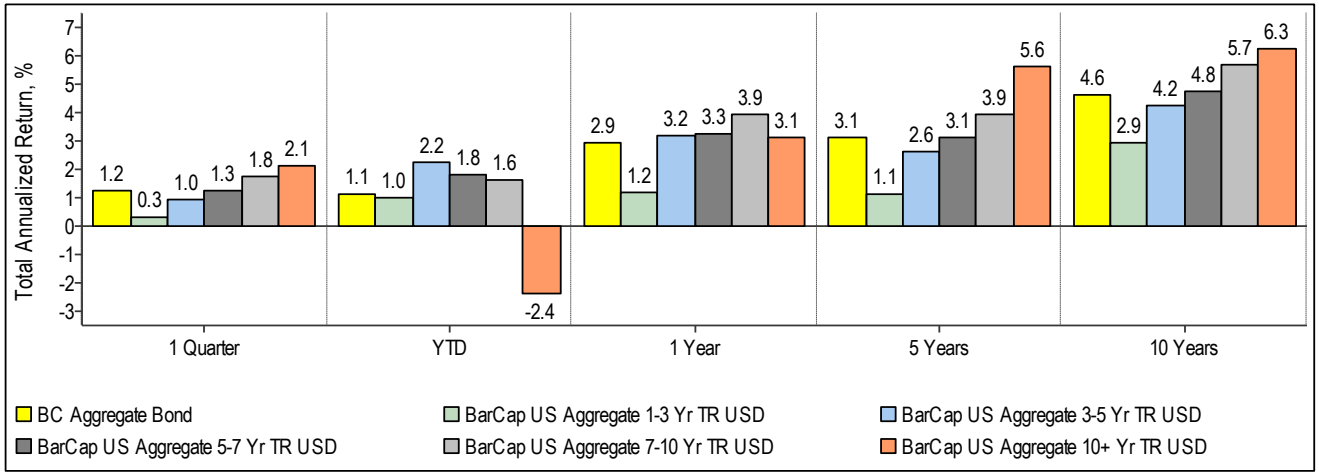
Fixed Income Overview

- Fixed income performance was positive for all sectors except for High Yield and TIPS
- The best performing sector for the quarter:
  - Government, up 1.7%
- The worst performing sector for the quarter:
  - High Yield corporate, down 4.9%
- Yields declined over the quarter, benefitting long-term bonds the most

Fixed Income Sector Performance



Fixed Income Performance by Maturity



Market Review - 3rd Quarter 2015

Annualized Style Box Performance

1 Quarter (%)			
Value	Blend	Growth	
-8.55	-6.31	-4.13	Large
-8.04	-8.01	-7.99	Mid
-10.73	-11.92	-13.06	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
-10.19	-8.45	1.23	0.01

3 Year (Annualized %)			
Value	Blend	Growth	
10.70	12.15	13.53	Large
13.69	13.91	13.98	Mid
9.18	11.02	12.85	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
6.08	8.58	1.71	0.06

Year to Date (%)			
Value	Blend	Growth	
-9.53	-4.99	-0.42	Large
-7.66	-5.84	-4.15	Mid
-10.06	-7.73	-5.47	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
-4.91	-6.04	1.13	0.02

5 Year (Annualized %)			
Value	Blend	Growth	
11.88	13.42	14.93	Large
13.15	13.40	13.58	Mid
10.17	11.73	13.26	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
4.45	8.29	3.10	0.08

1 Year (%)			
Value	Blend	Growth	
-5.44	-0.79	3.87	Large
-2.07	-0.25	1.45	Mid
-1.60	1.25	4.04	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
-8.27	-5.09	2.94	0.02

10 Year (Annualized %)			
Value	Blend	Growth	
5.01	6.60	8.17	Large
7.42	7.87	8.09	Mid
5.35	6.55	7.67	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
3.44	4.73	4.64	1.33

Performance as of September 30, 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 - 3rd 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	1.13 BarCap US Agg
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	-1.54 Russell 1000 Growth
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*	-2.70 Balanced Index*
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	-4.91 MSCI EAFE USD
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	-5.47 Russell 2000 Growth
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	-8.96 Russell 1000 Value
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	-10.06 Russell 2000 Value

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

Market Volatility

Market volatility is often expressed as a decline in the stock market. Depending on the size and duration, stock market declines can be very unpleasant for investors and often a cause for concern. They are, however, a natural part of the stock market and have not been uncommon over the course of stock market history. The below table provides some historical perspective into the size and frequency of U.S. stock market declines from 1928 to 2013. A decline of at least 10%, similar to what occurred over the third quarter happens quite frequently at once every eleven months.

Decline of at least...	10%	15%	20%	30%	50%
Frequency	89 times	41 times	21 times	9 times	3 times
Average occurrence: Once every...	11 months	2 years	4 years	10 years	30 years

Past results are not predictive of future results.

Source: Motleyfool.com
http://newsletters.fool.com/1062/coverage/2015/08/27/how-to-earn-stock-market-returns-with-less-risk.aspx?source=isesitlnk0000001&mrr=0.14

Market Review - 3rd 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.

General Disclosure:

Any reproduction of this information, in whole or in part, is prohibited. The information contained herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or to participate in any trading strategy. All data presented herein is unaudited, subject to revision by your advisor and is provided solely as a guide to current expectations. This document is only made available to persons of a kind to whom may lawfully be promoted.

Market indexes are included in this report only as context reflecting general market results during the period. Your advisor may provide research on funds that are not represented by such market indexes. Accordingly, no representations are made that the performance or volatility of any fund where your advisor provides research will track or reflect any particular index. Market index performance calculations are gross of management fees.

Research/Outlook Disclosure:

This document and the opinions expressed are as of the date of writing and are subject to change. This proprietary research is analysis of global markets and investing. The information and/or analysis contained in this material have been compiled or arrived at from sources believed to be reliable, however your advisor does not make any representation as to their accuracy or completeness and does not accept liability for any loss arising from the use hereof. Some internally generated information may be considered theoretical in nature and is subject to inherent limitations associated therein. The reader should not assume that any investments in sectors and markets identified or described were or will be profitable. Investing entails risks, including possible loss of principal. The use of tools cannot guarantee performance. Past performance is no guarantee of future results. The information in this material may contain projections or other forward-looking statements regarding future events, targets or expectations, and is only current as of the date indicated. There is no assurance that such events or targets will be achieved, and may be significantly different than that shown here. The information in this material, including statements concerning financial market trends, is based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons.

ACR#159177 10/16