

## INSTITUTIONAL PLAN SPONSORS ENJOYED ANOTHER POSITIVE QUARTER



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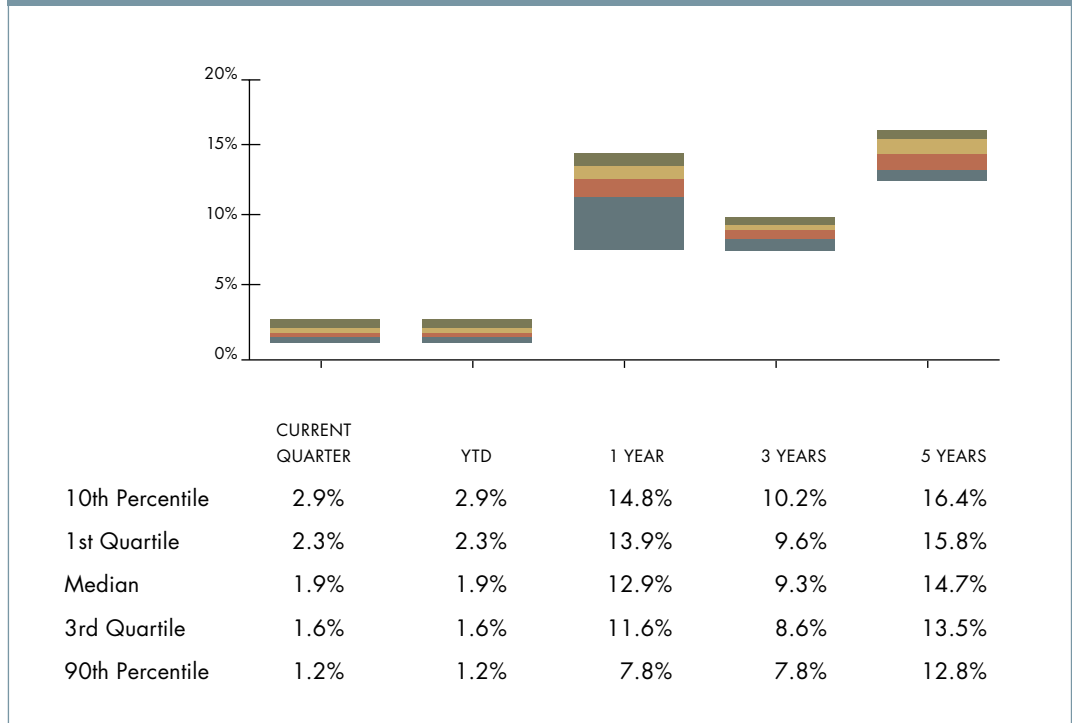
Public Funds posted another quarterly gain in the first quarter of 2014, with the median plan returning 1.9%. This is the seventh consecutive quarter that public funds have produced positive results, boosting longer-period returns. The one-, three- and five-year returns were 12.9%, 9.3% and 14.7%, respectively.

Within the Public Funds universe, domestic equities comprise the largest allocation, at 32.7%, as of March 31, 2014. Despite a tough winter, lackluster U.S. employment growth and an unclear monetary policy, domestic equities produced gains in the first quarter. Broad-based domestic equity indexes such as the S&P 500 and Russell 3000 posted modest gains of 1.8% and 2.0%, respectively. Value

stocks outperformed growth stocks across all market capitalizations. Midcap value was the top performing sub-asset class in U.S. Equity with the Russell Midcap Value index returning 5.22%.

International equity markets had their own headwinds to deal with. Ukraine's collapse and sanctions in Russia as well as China's first-ever corporate bond default left investors jittery. The MSCI EAFE and MSCI ACWI ex US indexes finished the quarter with small gains of 0.8% and 0.6%, respectively. Emerging market equities struggled in the quarter with Russia and China being the biggest detractors. The MSCI Emerging Markets index posted a slight loss of 0.4%. As of March 31, the

PUBLIC FUNDS – TOTAL RETURNS MARCH 31, 2014



Public Funds composite allocation to international equities was 22.9%.

The domestic and foreign fixed income allocations within the Public Funds universe were 19.6% and 4.0%, respectively, at the end of the first quarter. Domestic fixed income, represented by the Barclays Capital US Aggregate Index, posted a gain of 1.8% for the quarter. Foreign fixed income, represented by the Citi-Group WGBI ex US index, also showed a gain in the quarter of 3.2%.

Real estate and private equity allocations within the Public Funds composite were 4.5% and 6.3%, respectively, at the end of the quarter. After three consecutive quarterly declines, real estate markets recovered nicely with the Wilshire REIT index returning 10.1%.

After seven straight quarterly gains, public funds are happy to see their longer-period returns much closer to or even exceeding their long-term return assumptions.

COMPOSITE ASSET ALLOCATION – PUBLIC FUNDS				
	Current	1 Year Ago	3 Years Ago	5 Years Ago
<b>U.S. Equity</b>	33%	32%	35%	31%
<b>Global/Non-U.S. Equity</b>	23%	23%	20%	15%
<b>U.S. Fixed Income</b>	20%	21%	22%	28%
<b>Global/Non-U.S. Bonds</b>	4%	5%	5%	4%
<b>Private Equity/Hedge Funds</b>	10%	9%	7%	8%
<b>Cash &amp; Other</b>	11%	11%	10%	14%

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Returns are shown gross of fees. Index returns assume reinvestment of dividends and earnings and do not reflect the deduction of any trading costs or other expenses. It is not possible to invest directly in an index. Periods greater than one year are annualized. Past performance does not indicate future results.