

**FRANKLIN REGIONAL RETIREMENT SYSTEM**

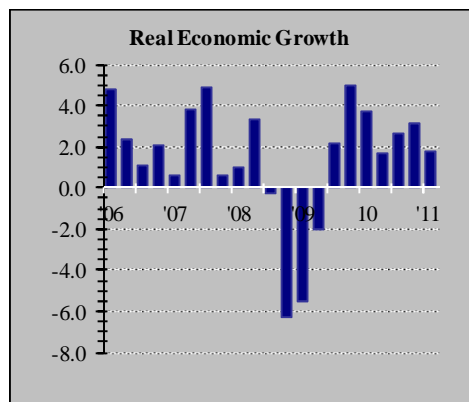
**PERFORMANCE REVIEW  
MARCH 2011**



## ECONOMIC ENVIRONMENT

### *Continuing Slow Growth*

The economic recovery firmed during the first quarter, as manufacturing output expanded, consumers spent a little more, employment rose and CPI remained tame. The final figures for the fourth quarter 2010 GDP confirmed a healthy 3.1% rate, the 6th consecutive quarterly gain. As of year-end, the economy was back to the pre-Recession level of output. First quarter 2011 estimates initially called for a similar advance, but forecasts have been lowered to an annualized pace of about 1.8%. Fewer housing starts, higher commodity prices and a weaker dollar were clear



negatives in the economic mix. Industrial production rose a very strong 0.8% in March, translating to a higher usage of existing capacity (77.4%). A related measure, the Institute for Supply Management (ISM) Manufacturing Index has risen to approximately 6.5% during the latest 12-months. This pace hasn't been equaled since the mid-1990s.

The unemployment rate fell to 8.8% by March. This was the first time in two years that it was below 9%. The decline was not a statistical fluke in that most of the unemployed actively continued to look for work. Still, the economy has lost roughly seven million jobs since late 2007 and the pace of job creation is very low.

Unfortunately, there was no good news on the housing front. Housing starts were locked in the 550,000 per year range, the lowest level in fifty years. In many parts of the country prices of existing homes have not yet stabilized, throwing more cold water on this component of the economy.

The DJ-UBS Commodity Index rose another 4.4% for the quarter and has continued to climb for nine straight months. Fueling the recent rise have been a weaker US dollar, higher manufacturing requirements and an almost insatiable demand for oil and precious metals. Crude oil prices, in particular, soared, hitting a 30-month high of \$106.70/barrel. Gold also reached a new high of \$1,439/ounce on March 31st.

On an annualized basis, headline CPI rose 2.7% in March, the largest increase since late 2009. Three-fourths of the increase reflected higher prices for energy, food and metal commodities. On the other hand, core CPI (excluding food and energy) ticked up only 0.1% in March and just 1.2% on an annualized basis. That rate is actually below the Fed's comfort zone of 2% acceptable inflation.

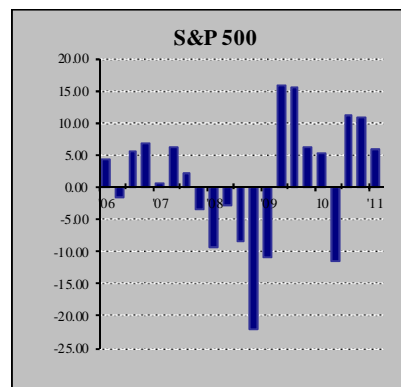
A trip to the supermarket or gas station will explain why consumer sentiment fell in March. Despite high prices, there was a moderate increase in consumer spending. On track are low rates for short term interest and borrowing. However, there may be a tougher stance on the horizon, as economists interpreted the Fed's statement as more hawkish than it was in 2010.

While the domestic economy seemed to be righting itself, world events were undermining investor confidence. The Japanese earthquake, tsunami and nuclear meltdown sent markets reeling for a ten-day period in March. Sovereign defaults or near defaults in Portugal, Greece and Ireland also weighed heavily on the markets. The economic impact of a "democracy spring" in several Middle East/North African countries further worried investors. All things considered, at least geopolitically, it was amazing that most stock markets advanced at all during the past quarter.

## EQUITY MARKET

### *Climbing Many Walls of Worry*

While not as strong as 4th quarter 2010, the latest quarterly figures showed surprising strength. Returns ranged from the S&P's 5.9% to 9.2% for the Russell Small Cap Growth Index. In general, smaller-sized growth stocks fared best. REITs, a real estate subset among small caps, performed well (6.5%), but didn't lead the pack as they did last year. Corporate profits among the best known companies continued to beat analysts' estimates, but didn't lead to top performances for the large-cap stock indices.



The best performing S&P sector was Energy, which gained a hefty 17.0%. Clearly, the latest Mideast political crises led investors to question ongoing supplies. At the same time, improving economic conditions and the expansion of emerging market economies meant that global demand remains high. The result was skyrocketing prices for gasoline and energy stocks. The next best

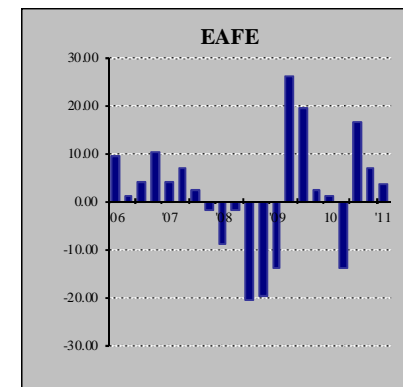
sectors were Technology and Services, each adding approximately 10%. Durable Consumer Goods, Utilities and Financials trailed, advancing approximately 3% to 6%.

The S&P 500 dividend rate dipped to 1.8% during the quarter, driven by price appreciation. The P/E moved up from a multiple of 17.5 to 18.4, reflecting price gains that climbed relatively more than solid earnings. Currently, 60% of the 500 stocks in the index had P/E ratios between 10 and 20 and 30% of the stocks had higher ratios. Historically, a P/E of 20 or more suggests a fully priced market.

## INTERNATIONAL EQUITIES

### *No Longer Leading the Pack*

In 2010, offshore stock markets far outpaced domestic equities. Emerging markets, in particular, were the investment sweethearts. But during the latest quarter, investors lost some of their enthusiasm for international securities. Most developed economies experienced slow economic growth, high unemployment and, in southern Europe, heavy debt levels. The MSCI EAFE Index rose 3.5%, lagging the US stock market. The Euro-market segment performed well (9.9%), considering the debt problems in Greece, Spain, Portugal and Ireland. Remarkably, all five of Europe's debt-laden countries (the PIIGS) posted high single digit gains or better. Portugal rose 8.7% and Ireland was up 9.3%; Italy and Spain both jumped 13.8% and Greece soared 15.2%. The UK market lagged, appreciating just 3.8%. That market was in the throes of its own belt tightening imposed by the new Conservative Party leadership.



The Japanese market fell 4.9% due to the unprecedented earthquake, tsunami and nuclear devastation in its industrial northeast. The loss actually reflected a bounce back in late March from a 17.5% trough immediately after the event. Far East x- Japan performance was a subdued 2.8%, as the economies of Hong Kong (-0.4%) and Singapore (-0.6%) overheated and investors became concerned about the woes of their Japanese trading partner. Canada, which is not an EAFE Index component, rose 7.8%. That market is largely comprised of energy, food, metals and mining companies whose products continue to be in great demand.

On a sector basis, EAFE's cyclical groups were the best performers. Energy, industrials and telecom services led the pack. Utilities and consumer sectors gained little and Japan's electric utilities suffered from the nuclear devastation.

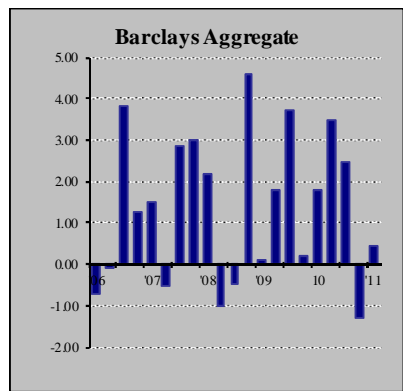
In the face of soaring inflation, several emerging market powerhouse countries, including China, began to put a brake on their economies. The MSCI Emerging Markets Index grew a fairly weak 2.1%. Except for Russia, BRIC country returns were stopped in their tracks. China's performance was 2.9%; India lost 5.1% and Brazil gained only 2.7%. Russia jumped 16.3%, largely due to huge oil demand.

In addition to Brazil, other South American countries also reversed tremendous 2010 gains. Mexico added just 0.6%, while Peru and Chile sank 13.6% and 7.9%, respectively. In the heart of the Middle East, Egypt fell 23.2% after its stock market was closed for several weeks during a rebellion that ended in regime change.

## BOND MARKET

### *Significant Gains Only from Junk Bonds*

The Barclays Aggregate Index rose a modest 0.4%. However, the low return essentially was driven by declining US Treasury prices. The



Treasury component, representing one-third of the Index, fell by 16 basis points. Long maturity Treasuries, in particular, lost ground due to rising inflation expectations. For example, 20-year and longer issues lost a full 1.58%. Because of the very same concerns, Treasury inflation protected Securities (TIPS) made good gains.

Most other bond sectors performed better than treasuries. Mortgage bonds typically added 0.6% or more. Investment grade corporates gained 0.9%. At the high end, the small-sized CMBS (commercial mortgage) sector earned a relatively hefty 2.1%. This segment has made a remarkable turnaround from its early 2008 lows.

Within the credit sector, financial issues scored the biggest gains (+1.4%) compared to industrials (+0.5%) and utility names (+0.6%). Drilling down further, oil service and refining bonds earned an outsized 2.0% and 3.1%. Other basic industry issues added 1.2% and REIT (real estate) bonds gained 2.1%. In summary, fixed income investors favored the cyclicals.

Since March 2009, bond investors with an appetite for higher risk have been amply rewarded. The past quarter was no exception as the lower a bond's credit rating, the higher the return. Starting down from BAA bonds, which earned 1.3%, BA bonds rose 3.4%, B issues gained 3.7% and CAA bonds jumped 4.9%. For the adventurous, CA-D rated issues surged 7.4%.

Treasuries issued by other mature countries turned in mixed results. Investors renewed their interest in troubled Spain (+3.5%) and Italy (+3.1%), while returns were negative for other struggling economies, such as Ireland (-1.7%) and Portugal (-3.8%). Japanese and UK sovereigns both lost 1%.

As of March 31st, the Aggregate Index yielded 3.08% (yield-to-worst), had an average maturity of 7 1/4-years, and a modified adjusted duration of 5.12-years.

## CASH EQUIVALENTS

### *Still Not the Place to Be*









One-to-three-month T-bills (proxy for money markets) returned only four basis points last quarter. Likewise, 90-day T-bills returned a paltry 16 basis points for the trailing year.

**MARKET SUMMARY**

**ECONOMIC STATISTICS**

	CURRENT QTR	LAST QTR
GDP	1.8	3.1
Unemployment	8.8	9.4
CPI Year/Year	2.68	0.34
Fed Funds Rate	0.25	0.25
Industrial Capacity	77.4	76.0
US Dollars per Euro	1.42	1.34

**MAJOR INDEX QUARTER RETURNS**

INDEX	PERFORMANCE
Russell 3000	6.4 
S&P 500	5.9 
Russell Mid	7.6 
Russell 2000	7.9 
MSCI EAFE	3.5 
MSCI Emg Mkts	2.1 
NCREIF ODCE	4.0 
Barclays Agg	0.4 
90 Day Tbills	0.0

**EQUITY RETURN DISTRIBUTIONS**

	QUARTER			TRAILING YEAR		
	VAL	COR	GRO	VAL	COR	GRO
LC	6.5	6.2	6.0	15.1	16.7	18.2
MC	7.4	7.6	7.9	22.3	24.3	26.6
SC	6.6	7.9	9.2	20.6	25.8	31.0

**MARKET SUMMARY**

\* A more modest 1.8% GDP growth rate was reported in the first quarter.

\* Unemployment fell to 8.8%, the lowest in two years.

\* The equity markets continued to rise, led by small and mid cap stocks.

\* Year-over-year March 31 CPI increased by 2.68%, the largest increase since 2008.

## **INVESTMENT RETURN**

On March 31st, 2011, the Franklin Regional Retirement System was valued at \$86,465,096, representing an increase of \$3,174,170 from the December quarter's ending value of \$83,290,926. Last quarter, the Fund posted withdrawals totaling \$1,134,885, which offset the portfolio's net investment return of \$4,309,055. Income receipts totaling \$445,739 plus net realized and unrealized capital gains of \$3,863,316 combined to produce the portfolio's net investment return.

For the cumulative period since December 2005, the fund has recorded net contributions totaling \$3.3 million, and recorded net investment gains of \$20.9 million. For the period since December 2005, if the total fund returned a compounded nominal rate of 8.0% it would have been valued at \$97.4 million or \$11.0 million more than the actual value as of March 31st, 2011.

## **RELATIVE PERFORMANCE**

### **Total Fund**

*The Franklin Regional Policy Index is the weighted return of each asset classes' benchmark in proportion to its target allocation.*

In the first quarter, the Composite portfolio gained 5.2%, which was 1.2% above the Franklin Regional Policy Index's return of 4.0% and ranked in the 3rd percentile of the Total Client universe. Over the trailing year, the portfolio returned 16.0%, which was 2.4% greater than the benchmark's 13.6% performance, and ranked in the 6th percentile. Since December 2005, the portfolio returned 5.4% on an annualized basis and ranked in the 37th percentile. For comparison, the Franklin Regional Policy Index returned an annualized 4.4% over the same period.

### **PRIT Core**

*The Custom Core Index is a target-weighted passive index of the asset classes used in the PRIT Core Fund. Among the indices used is the Cambridge Private Equity Index. A flat return for the quarter was assumed, due to the unavailability of performance.*

In the first quarter, the prit core segment returned 4.3%, which was 1.1% greater than the Custom Core Index's return of 3.2%. Over the trailing twelve-month period, this segment returned 14.5%, which was 1.2% greater than the benchmark's 13.3% performance.

### **Domestic Equity**

*The Custom Equity Index is the weighted return of the S&P 500, S&P 400, and Russell 2000 indices based on the System's equity manager target allocations.*

In the first quarter, the domestic equity component returned 9.8%, which was 2.2% greater than the Franklin County Equity Index's return of 7.6% and ranked in the 11th percentile of the All Cap universe. Over the trailing twelve-month period, this component returned 25.6%, which was 3.0% greater than the benchmark's 22.6% return, ranking in the 30th percentile. Since December 2005, this component returned 7.3% per annum and ranked in the 26th percentile. The Franklin County Equity Index returned an annualized 5.1% over the same time frame.

### **Real Estate**

For the first quarter, the real estate component returned 5.1%, which was 1.1% greater than the NCREIF NFI-ODCE Index's return of 4.0%. Over the trailing year, this component returned 25.3%, which was 5.1% above the benchmark's 20.2% performance. Since December 2005, this component returned 0.0% per annum, while the NCREIF NFI-ODCE Index returned an annualized 0.6% over the same period.

## Fixed Income

Last quarter, the fixed income component gained 0.7%, which was 0.3% greater than the Barclays Aggregate Index's return of 0.4% and ranked in the 50th percentile of the Core Fixed Income universe. Over the trailing twelve-month period, this segment's return was 5.5%, which was 0.4% greater than the benchmark's 5.1% performance, and ranked in the 60th percentile. Since December 2005, this component returned 6.1% on an annualized basis and ranked in the 48th percentile. For comparison, the Barclays Aggregate Index returned an annualized 5.6% during the same time frame.

## ASSET ALLOCATION

The following table represents the Franklin Regional Retirement System's asset allocation, including the asset components of the PRIT fund.

Franklin Regional Asset Allocation		
Domestic Equity	38.6%	\$33,386,251
International Equity	17.1%	\$14,762,266
Fixed Income	21.6%	\$18,670,343
Real Estate	8.5%	\$ 7,375,435
Timber	2.5%	\$ 2,157,562
Alternatives - Private Equity	6.3%	\$ 5,414,551
Absolute Return - Hedge Fund	4.4%	\$ 3,762,829
Cash	1.1%	\$ 935,860
<b>Total</b>	<b>100.0%</b>	<b>\$86,465,096</b>

## EXECUTIVE SUMMARY

## PERFORMANCE SUMMARY

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2005
<b>Total Portfolio</b>	5.2	5.2	16.0	3.2	5.4
<i>TOTAL CLIENT RANK</i>	(3)	(3)	(6)	(67)	(37)
POLICY INDEX	4.0	4.0	13.6	2.5	4.4
<b>PRIT Core</b>	4.3	4.3	14.5	1.1	----
CUSTOM CORE IDX	3.2	3.2	13.3	2.2	5.7
<b>Domestic Equity</b>	9.8	9.8	25.6	8.7	7.3
<i>ALL CAP RANK</i>	(11)	(11)	(30)	(31)	(26)
CUSTOM EQ INDEX	7.6	7.6	22.6	6.9	5.1
PRIT EQUITY	6.4	6.4	17.1	-0.7	0.9
S&P 500	5.9	5.9	15.7	2.4	3.3
RUSSELL MID	7.6	7.6	24.3	7.3	5.9
S&P 400	9.4	9.4	27.0	10.0	7.3
RUSSELL 1000	6.2	6.2	16.7	3.0	3.7
RUSSELL 1000G	6.0	6.0	18.2	5.2	4.7
RUSSELL 1000V	6.5	6.5	15.1	0.6	2.4
RUSSELL 2000	7.9	7.9	25.8	8.6	5.8
RUSSELL 3000	6.4	6.4	17.4	3.4	3.8
<b>Real Estate</b>	5.1	5.1	25.3	-10.8	0.0
NCREIF ODCE	4.0	4.0	20.2	-8.9	0.6
<b>Fixed Income</b>	0.7	0.7	5.5	6.4	6.1
<i>CORE FIXED INCOME RANK</i>	(50)	(50)	(60)	(44)	(48)
BARCLAYS AGG	0.4	0.4	5.1	5.3	5.6
PRIT FIXED	0.9	0.9	6.2	3.4	5.1
GOV/CREDIT	0.3	0.3	5.3	4.8	5.3
INT AGGREGATE	0.5	0.5	4.8	5.2	5.6
INT GOV/CREDIT	0.3	0.3	4.6	4.5	5.3

## ASSET ALLOCATION

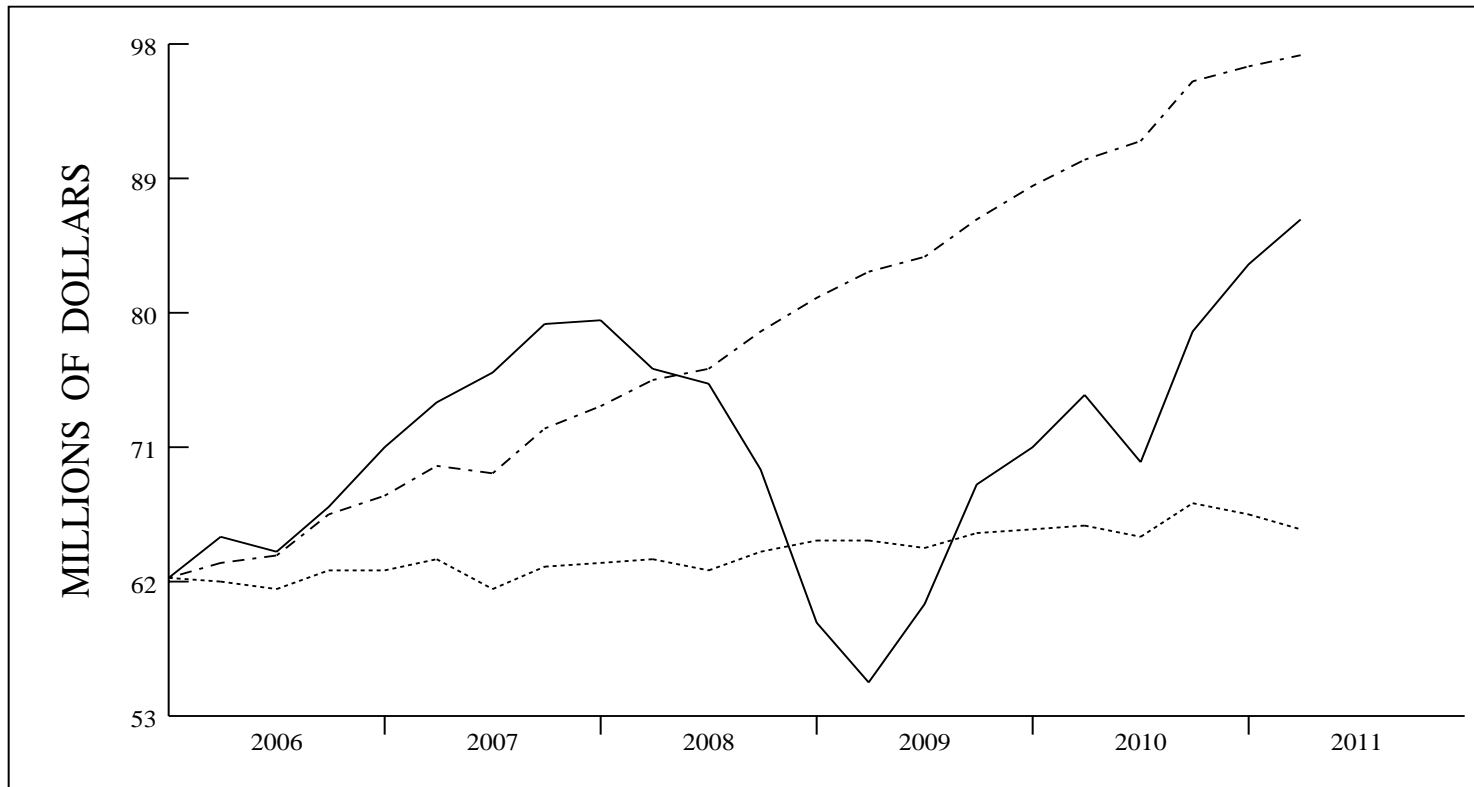
PRIT Core	59.7%	\$ 51,616,314
Domestic Equity	24.9%	21,545,468
Real Estate	4.0%	3,431,949
Fixed Income	10.3%	8,935,506
Cash	1.1%	935,860
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 86,465,096</b>

## INVESTMENT RETURN

Market Value 12/2010	\$ 83,290,926
Contribs / Withdrawals	- 1,134,885
Income	445,739
Capital Gains / Losses	3,863,316
Market Value 3/2011	\$ 86,465,096



**INVESTMENT GROWTH**

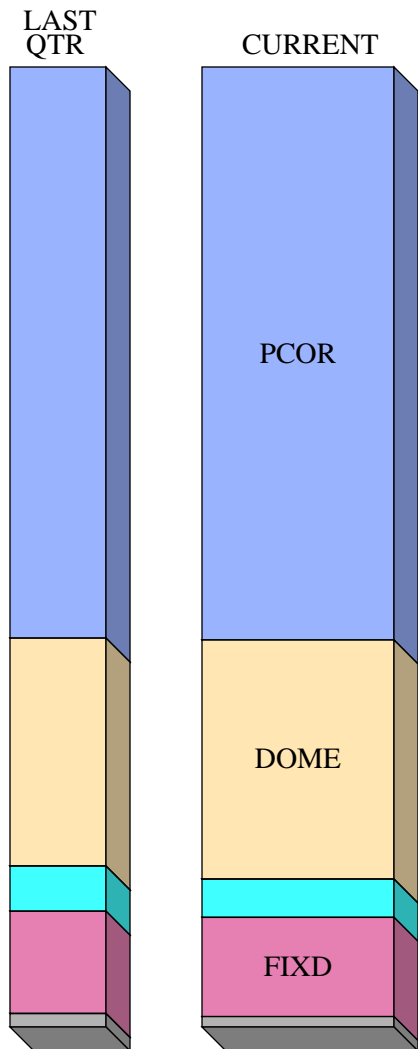


— ACTUAL RETURN  
 - - - 8.0%  
 ..... 0.0%

VALUE ASSUMING  
 8.00% RETURN  
 \$ 97,428,630

	LAST QUARTER	PERIOD 12/05 - 3/11
BEGINNING VALUE	\$ 83,290,926	\$ 62,250,813
NET CONTRIBUTIONS	- 1,134,885	3,274,372
<u>INVESTMENT RETURN</u>	<u>4,309,055</u>	<u>20,939,912</u>
ENDING VALUE	\$ 86,465,096	\$ 86,465,096
INCOME	445,739	8,075,141
<u>CAPITAL GAINS (LOSSES)</u>	<u>3,863,316</u>	<u>12,864,770</u>
INVESTMENT RETURN	4,309,055	20,939,912

**ASSET ALLOCATION**










	<u>VALUE</u>	<u>PERCENT</u>	<u>TARGET</u>	<u>DIFFERENCE</u> <u>+ / -</u>
PRIT CORE	\$ 51,616,314	59.7%	60.0%	-0.3%
DOMESTIC EQUITY	21,545,468	24.9%	22.5%	2.4%
REAL ESTATE	3,431,949	4.0%	5.0%	-1.0%
FIXED INCOME	8,935,506	10.3%	12.5%	-2.2%
CASH & EQUIVALENT	935,860	1.1%	0.0%	1.1%
<u>TOTAL FUND</u>	<u>\$ 86,465,096</u>	<u>100.0%</u>		

## MANAGER PERFORMANCE SUMMARY







Name	(Universe)	Quarter	YTD	1 Year	3 Years	5 Years
Total Portfolio	(Total)	5.2 (3)	5.2 (3)	16.0 (6)	3.2 (67)	4.7 (41)
<i>Franklin Regional Policy Index</i>		<b>4.0</b> ----	<b>4.0</b> ----	<b>13.6</b> ----	<b>2.5</b> ----	<b>3.9</b> ----
PRIT Core Fund		4.3 ----	4.3 ----	14.5 ----	1.0 ----	---- ----
<i>Custom Core Index</i>		<b>3.2</b> ----	<b>3.2</b> ----	<b>13.3</b> ----	<b>2.2</b> ----	<b>4.9</b> ----
RhumbLine	(Large Cap)	5.9 (63)	5.9 (63)	15.6 (58)	2.5 (58)	2.8 (56)
<i>S&amp;P 500</i>		<b>5.9</b> ----	<b>5.9</b> ----	<b>15.7</b> ----	<b>2.4</b> ----	<b>2.6</b> ----
Rothschild	(Mid Cap)	8.2 (55)	8.2 (55)	21.6 (82)	4.7 (91)	3.2 (90)
<i>Russell Mid Cap</i>		<b>7.6</b> ----	<b>7.6</b> ----	<b>24.3</b> ----	<b>7.3</b> ----	<b>4.7</b> ----
Daruma	(Small Cap)	13.0 (6)	13.0 (6)	34.1 (14)	14.8 (9)	9.3 (6)
<i>Russell 2000</i>		<b>7.9</b> ----	<b>7.9</b> ----	<b>25.8</b> ----	<b>8.6</b> ----	<b>3.3</b> ----
PRIT Core Real Estate		4.3 ----	4.3 ----	---- ----	---- ----	---- ----
Prudential Prisa Fund		5.6 ----	5.6 ----	25.3 ----	-10.8 ----	-1.3 ----
<i>NCREIF NFI-ODCE Index</i>		<b>4.0</b> ----	<b>4.0</b> ----	<b>20.2</b> ----	<b>-8.9</b> ----	<b>-0.1</b> ----
Income Research & Management	(Core Fixed)	0.7 (50)	0.7 (50)	5.5 (60)	6.4 (46)	6.5 (48)
<i>Barclays Aggregate Index</i>		<b>0.4</b> ----	<b>0.4</b> ----	<b>5.1</b> ----	<b>5.3</b> ----	<b>6.0</b> ----

## MANAGER VALUE ADDED

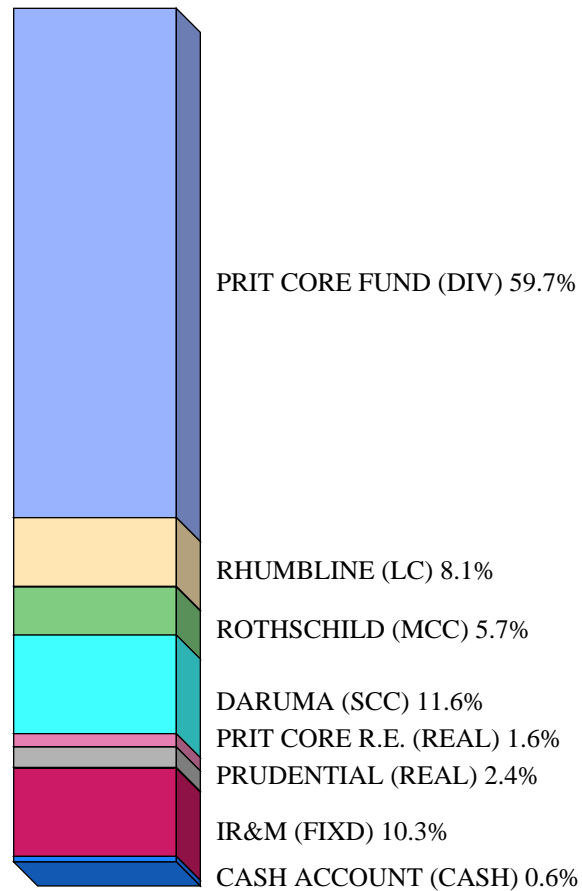
## Most Recent Quarter

Manager	Benchmark	Value Added Vs. Benchmark
PRIT Core Fund	Custom Core Idx	1.1 
RhumbLine	S&P 500	0.0
Rothschild	Russell Mid	0.6 
Daruma	Russell 2000	5.0 
PRIT Core R.E.	NCREIF ODCE	0.3 
Prudential	NCREIF ODCE	1.6 
IR&M	Barclays Agg	0.3 
<b>Total Portfolio</b>	<b>Policy Index</b>	1.1 

## Trailing Twelve Months

Manager	Benchmark	Value Added Vs. Benchmark
PRIT Core Fund	Custom Core Idx	1.2 
RhumbLine	S&P 500	-0.1
Rothschild	Russell Mid	 -2.7
Daruma	Russell 2000	8.3 
PRIT Core R.E.	NCREIF ODCE	N/A
Prudential	NCREIF ODCE	5.1 
IR&M	Barclays Agg	0.3 
<b>Total Portfolio</b>	<b>Policy Index</b>	2.4 

**MANAGER ALLOCATION SUMMARY**

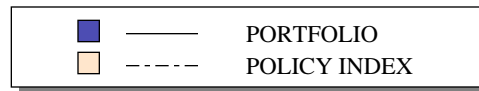
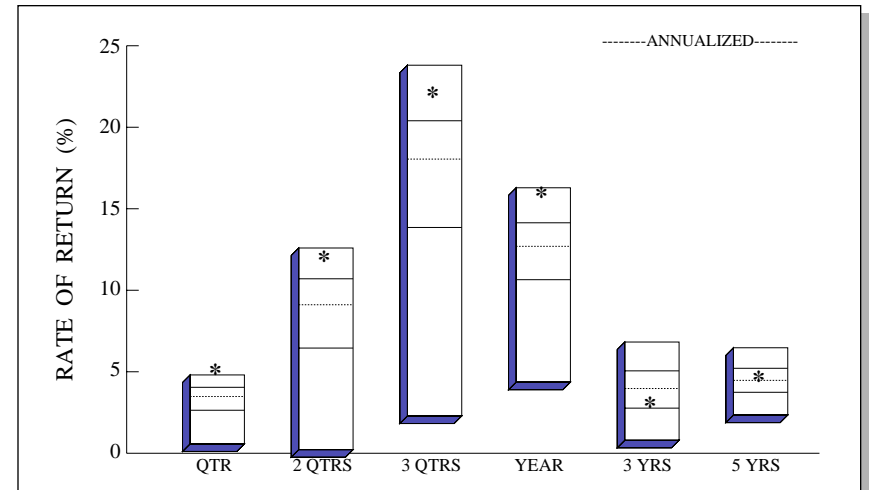
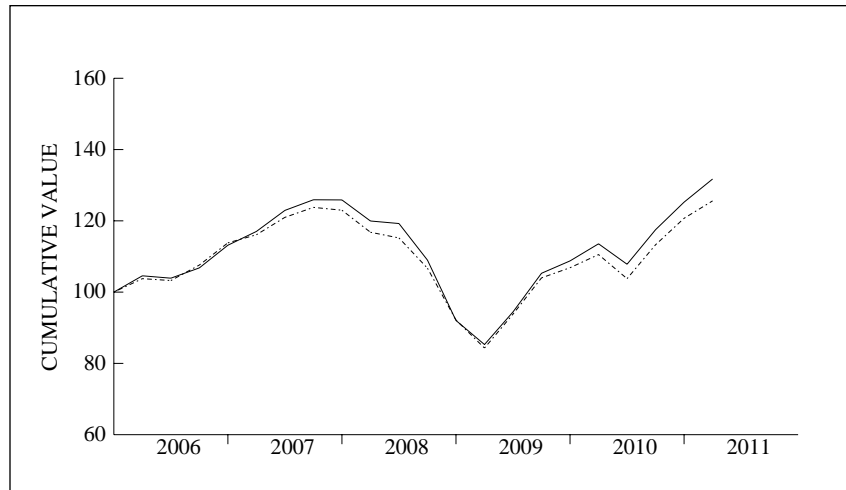


Name	Market Value	Percent
PRIT Core Fund (DIV)	\$51,616,314	59.7
RhumbLine (LC)	\$6,975,244	8.1
Rothschild (MCC)	\$4,906,736	5.7
Daruma (SCC)	\$10,037,613	11.6
PRIT Core R.E. (REAL)	\$1,361,220	1.6
Prudential (REAL)	\$2,070,729	2.4
IR&M (FIXD)	\$8,935,506	10.3
Cash Account (CASH)	\$561,734	0.6
<b>Total</b>	<b>\$86,465,096</b>	<b>100.0</b>

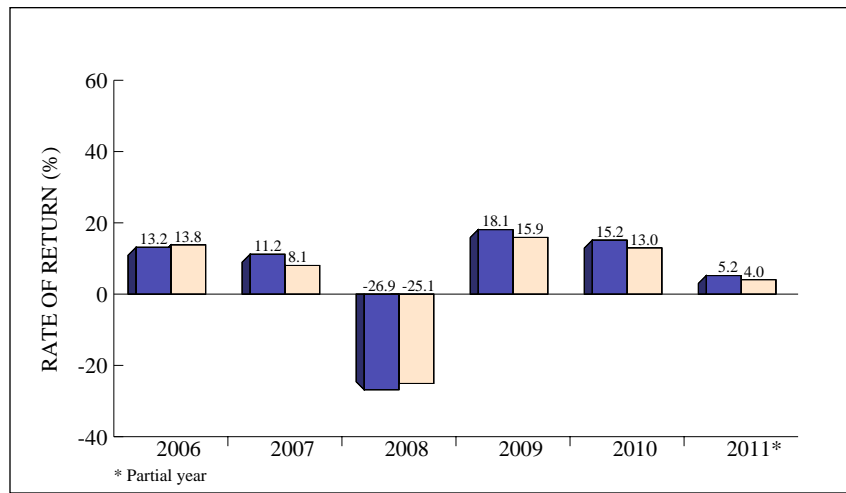
**INVESTMENT RETURN SUMMARY**

<b>Name</b>	<b>Quarter Total Return</b>	<b>Market Value December 31st, 2010</b>	<b>Net Cashflow</b>	<b>Net Investment Return</b>	<b>Market Value March 31st, 2011</b>
PRIT Core Fund (DIV)	4.3	49,563,855	-64,587	2,117,046	51,616,314
RhumbLine (LC)	5.9	6,585,939	0	389,305	6,975,244
Rothschild (MCC)	8.2	4,535,259	0	371,477	4,906,736
Daruma (SCC)	13.0	9,159,433	-285,000	1,163,180	10,037,613
PRIT Core Real Estate (REAL)	4.3	1,307,244	-1,759	55,735	1,361,220
Prudential Prisa Fund (REAL)	5.6	2,609,772	-684,495	145,452	2,070,729
Income Research & Management (FIXD)	0.7	8,869,331	0	66,175	8,935,506
Cash Account (CASH)	---	660,093	-99,044	685	561,734
<b>Total Fund</b>	<b>5.2</b>	<b>83,290,926</b>	<b>-1,134,885</b>	<b>4,309,055</b>	<b>86,465,096</b>

**TOTAL RETURN COMPARISONS**



Total Client Universe

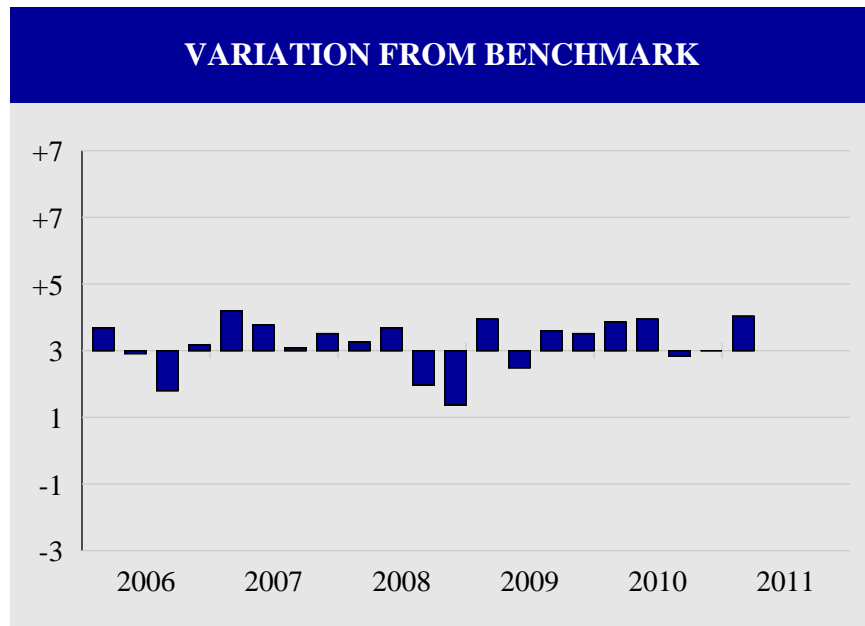


	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	5.2	12.1	22.2	16.0	3.2	4.7
(RANK)	(3)	(9)	(12)	(6)	(67)	(41)
5TH %ILE	4.8	12.6	23.8	16.3	6.8	6.5
25TH %ILE	4.1	10.7	20.4	14.1	5.1	5.2
MEDIAN	3.5	9.1	18.1	12.7	4.0	4.5
75TH %ILE	2.6	6.5	13.9	10.7	2.8	3.7
95TH %ILE	0.6	0.2	2.3	4.4	0.8	2.3
<b>Policy Index</b>	<b>4.0</b>	<b>10.9</b>	<b>21.0</b>	<b>13.6</b>	<b>2.5</b>	<b>3.9</b>

Total Client Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

**COMPARATIVE BENCHMARK: FRANKLIN REGIONAL POLICY INDEX**

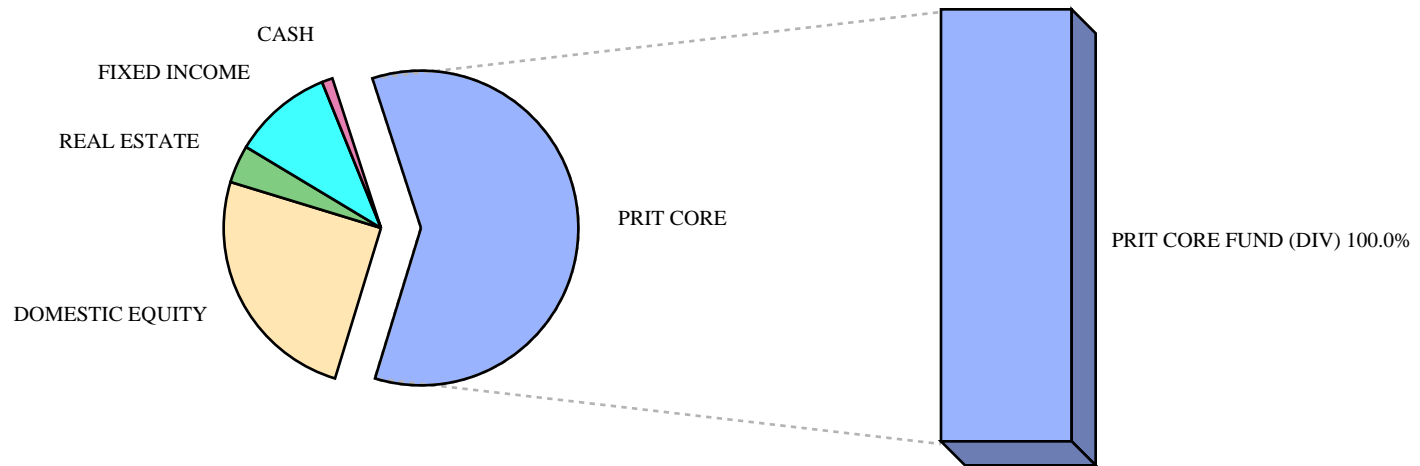


<b>Total Quarters Observed</b>	<b>21</b>
<b>Quarters At or Above the Benchmark</b>	<b>15</b>
<b>Quarters Below the Benchmark</b>	<b>6</b>
<b>Batting Average</b>	<b>.714</b>

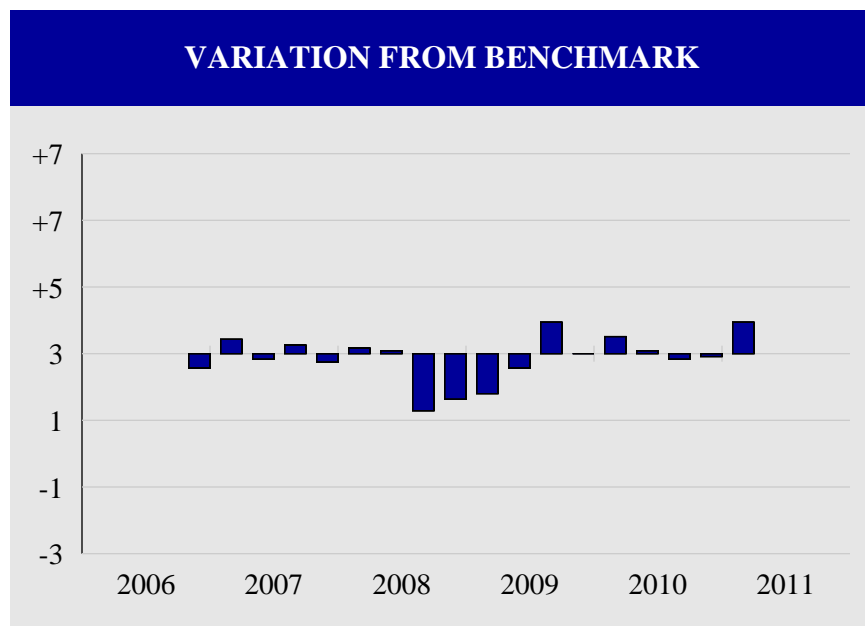
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/06	4.6	3.8	0.8
6/06	-0.6	-0.5	-0.1
9/06	2.8	4.2	-1.4
12/06	6.0	5.8	0.2
3/07	3.4	2.0	1.4
6/07	5.1	4.2	0.9
9/07	2.4	2.3	0.1
12/07	0.0	-0.6	0.6
3/08	-4.7	-5.0	0.3
6/08	-0.6	-1.4	0.8
9/08	-8.6	-7.4	-1.2
12/08	-15.5	-13.6	-1.9
3/09	-7.4	-8.5	1.1
6/09	10.7	11.3	-0.6
9/09	11.5	10.8	0.7
12/09	3.3	2.7	0.6
3/10	4.4	3.4	1.0
6/10	-5.0	-6.1	1.1
9/10	9.0	9.2	-0.2
12/10	6.6	6.6	0.0
3/11	5.2	4.0	1.2



**PRIT CORE MANAGER SUMMARY**



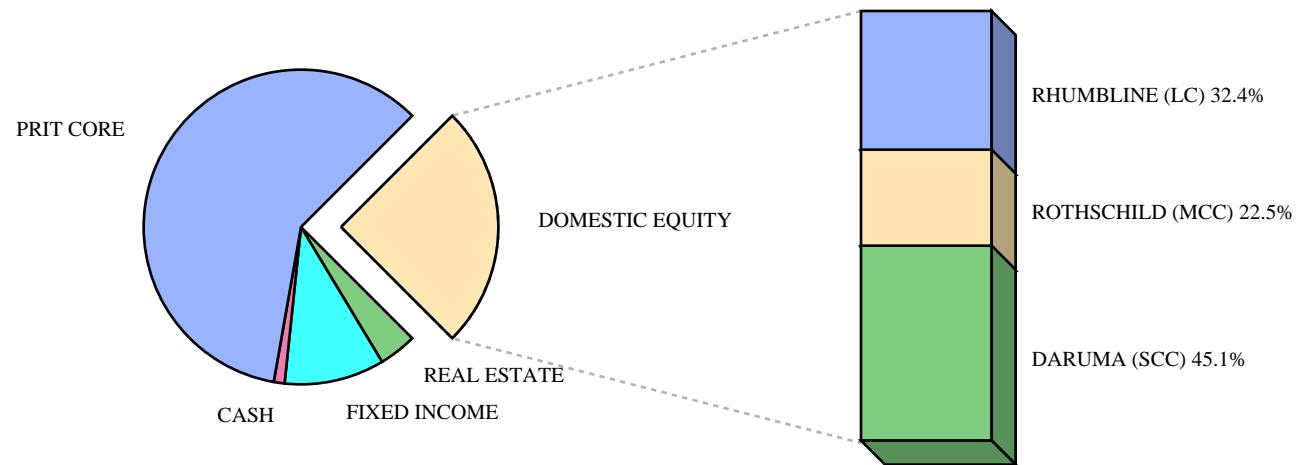
		TOTAL RETURNS AND RANKINGS					
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
PRIT CORE FUND		4.3 ---	4.3 ---	14.5 ---	1.0 ---	----	\$51,616,314
<i>Custom Core Index</i>		<i>3.2 ---</i>	<i>3.2 ---</i>	<i>13.3 ---</i>	<i>2.2 ---</i>	<i>4.9 ---</i>	---

**PRIT CORE QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: CUSTOM CORE INDEX**

<b>Total Quarters Observed</b>	<b>18</b>
<b>Quarters At or Above the Benchmark</b>	<b>9</b>
<b>Quarters Below the Benchmark</b>	<b>9</b>
<b>Batting Average</b>	<b>.500</b>

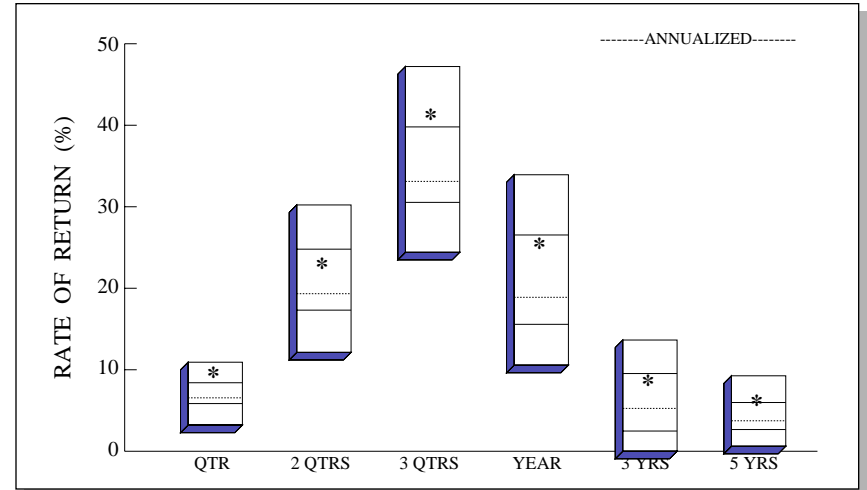
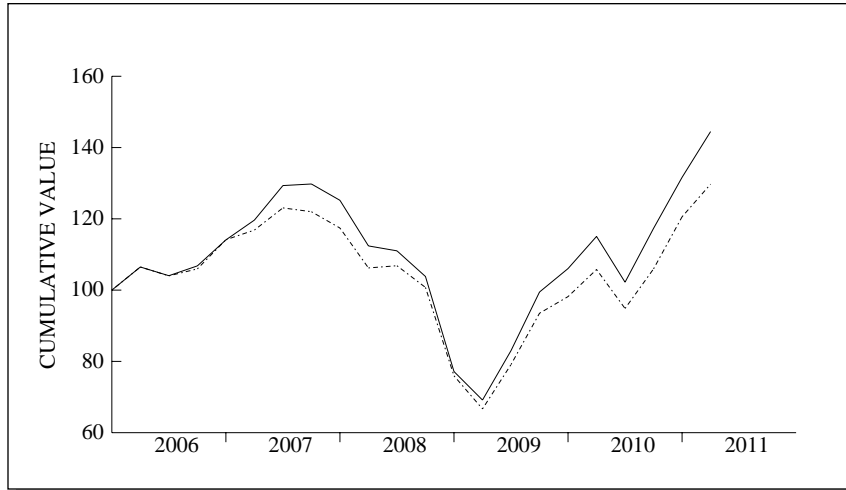
<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
12/06	7.0	7.5	-0.5
3/07	3.3	2.8	0.5
6/07	5.0	5.2	-0.2
9/07	3.0	2.7	0.3
12/07	0.2	0.5	-0.3
3/08	-4.4	-4.6	0.2
6/08	-0.5	-0.6	0.1
9/08	-11.4	-9.4	-2.0
12/08	-16.3	-14.7	-1.6
3/09	-8.1	-6.7	-1.4
6/09	11.8	12.3	-0.5
9/09	11.6	10.5	1.1
12/09	2.9	2.9	0.0
3/10	3.5	2.9	0.6
6/10	-5.0	-5.1	0.1
9/10	8.9	9.1	-0.2
12/10	6.1	6.2	-0.1
3/11	4.3	3.2	1.1

**DOMESTIC EQUITY MANAGER SUMMARY**

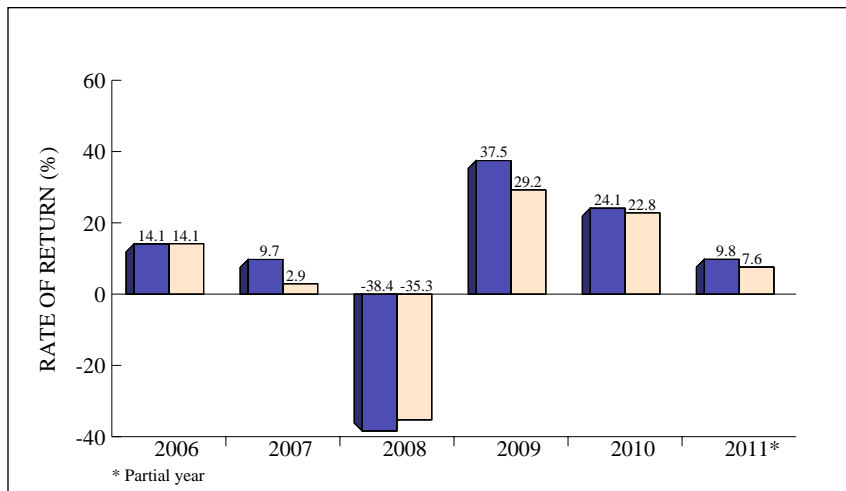


TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
RHUMBLINE	(Large Cap)	5.9 (63)	5.9 (63)	15.6 (58)	2.5 (58)	2.8 (56)	\$6,975,244
<i>S&amp;P 500</i>		5.9 ----	5.9 ----	15.7 ----	2.4 ----	2.6 ----	----
ROTHSCILD	(Mid Cap)	8.2 (55)	8.2 (55)	21.6 (82)	4.7 (91)	3.2 (90)	\$4,906,736
<i>Russell Mid Cap</i>		7.6 ----	7.6 ----	24.3 ----	7.3 ----	4.7 ----	----
DARUMA	(Small Cap)	13.0 (6)	13.0 (6)	34.1 (14)	14.8 (9)	9.3 (6)	\$10,037,613
<i>Russell 2000</i>		7.9 ----	7.9 ----	25.8 ----	8.6 ----	3.3 ----	----

DOMESTIC EQUITY RETURN COMPARISONS

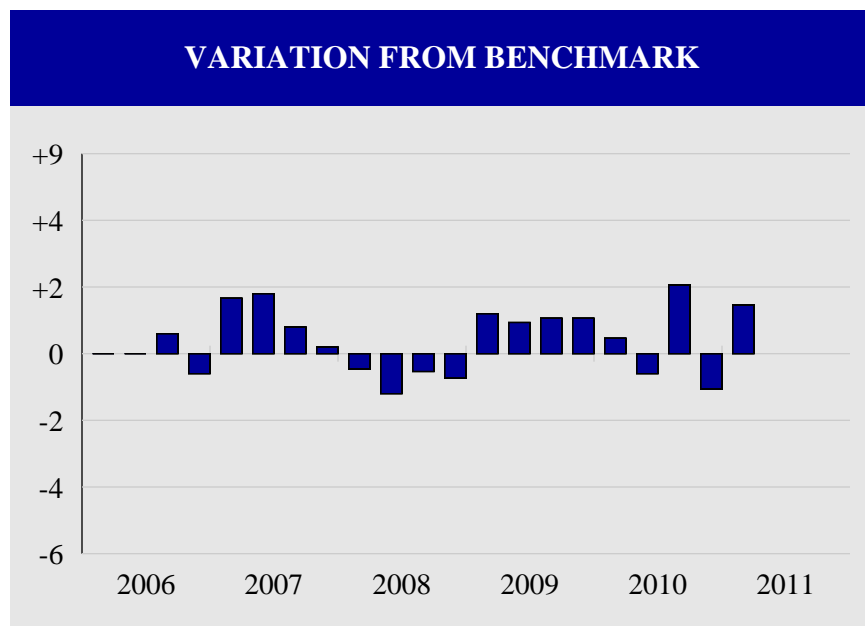


All Cap Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	9.8	23.2	41.3	25.6	8.7	6.3
(RANK)	(11)	(33)	(18)	(30)	(31)	(22)
5TH %ILE	10.9	30.2	47.2	33.9	13.6	9.3
25TH %ILE	8.4	24.8	39.8	26.5	9.5	6.0
MEDIAN	6.6	19.3	33.1	18.9	5.3	3.7
75TH %ILE	5.9	17.3	30.5	15.6	2.5	2.7
95TH %ILE	3.2	12.1	24.4	10.6	0.0	0.6
<i>Custom Eq Index</i>	<i>7.6</i>	<i>22.4</i>	<i>36.8</i>	<i>22.6</i>	<i>6.9</i>	<i>4.0</i>

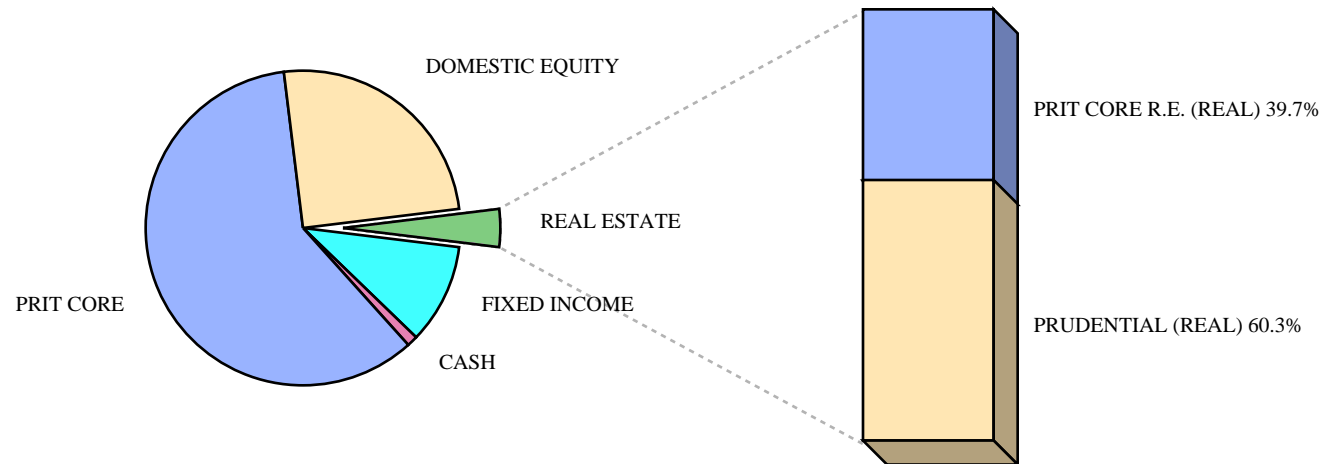
All Cap Universe

**DOMESTIC EQUITY QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: FRANKLIN COUNTY EQUITY INDEX**

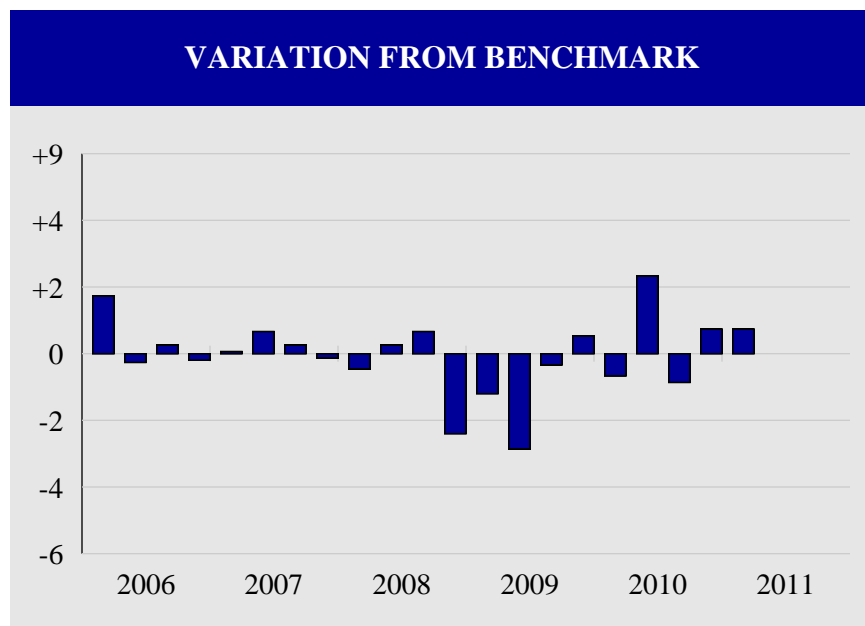
<b>Total Quarters Observed</b>	<b>21</b>
<b>Quarters At or Above the Benchmark</b>	<b>14</b>
<b>Quarters Below the Benchmark</b>	<b>7</b>
<b>Batting Average</b>	<b>.667</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/06	6.5	6.5	0.0
6/06	-2.3	-2.3	0.0
9/06	2.7	1.8	0.9
12/06	6.8	7.7	-0.9
3/07	4.9	2.4	2.5
6/07	8.1	5.4	2.7
9/07	0.3	-0.9	1.2
12/07	-3.5	-3.8	0.3
3/08	-10.2	-9.5	-0.7
6/08	-1.2	0.6	-1.8
9/08	-6.5	-5.7	-0.8
12/08	-25.7	-24.6	-1.1
3/09	-10.4	-12.2	1.8
6/09	20.1	18.7	1.4
9/09	19.8	18.2	1.6
12/09	6.6	5.0	1.6
3/10	8.5	7.8	0.7
6/10	-11.2	-10.3	-0.9
9/10	14.8	11.7	3.1
12/10	12.2	13.8	-1.6
3/11	9.8	7.6	2.2

**REAL ESTATE MANAGER SUMMARY**



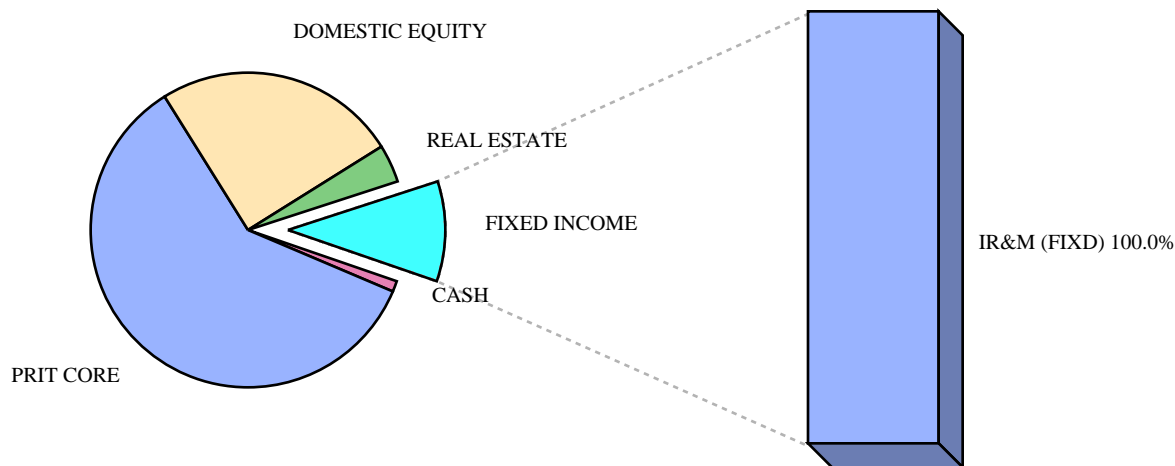
MANAGER	(UNIVERSE)	TOTAL RETURNS AND RANKINGS					MARKET VALUE
		QTR	YTD	1 YEAR	3 YEARS	5 YEARS	
PRIT CORE R.E.		4.3 ---	4.3 ---	--- ---	--- ---	--- ---	\$1,361,220
<i>NCREIF NFI-ODCE Index</i>		4.0 ---	4.0 ---	20.2 ---	-8.9 ---	-0.1 ---	---
PRUDENTIAL		5.6 ---	5.6 ---	25.3 ---	-10.8 ---	-1.3 ---	\$2,070,729
<i>NCREIF NFI-ODCE Index</i>		4.0 ---	4.0 ---	20.2 ---	-8.9 ---	-0.1 ---	---

**REAL ESTATE QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: NCREIF NFI-ODCE INDEX**

<b>Total Quarters Observed</b>	<b>21</b>
<b>Quarters At or Above the Benchmark</b>	<b>11</b>
<b>Quarters Below the Benchmark</b>	<b>10</b>
<b>Batting Average</b>	<b>.524</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/06	6.4	3.8	2.6
6/06	3.6	4.0	-0.4
9/06	3.9	3.5	0.4
12/06	3.8	4.1	-0.3
3/07	4.0	3.9	0.1
6/07	6.1	5.1	1.0
9/07	4.4	4.0	0.4
12/07	1.9	2.1	-0.2
3/08	0.7	1.4	-0.7
6/08	0.7	0.3	0.4
9/08	0.4	-0.6	1.0
12/08	-14.5	-10.9	-3.6
3/09	-15.5	-13.7	-1.8
6/09	-13.3	-9.0	-4.3
9/09	-7.8	-7.3	-0.5
12/09	-2.7	-3.5	0.8
3/10	-0.2	0.8	-1.0
6/10	7.9	4.4	3.5
9/10	4.1	5.4	-1.3
12/10	6.1	5.0	1.1
3/11	5.1	4.0	1.1

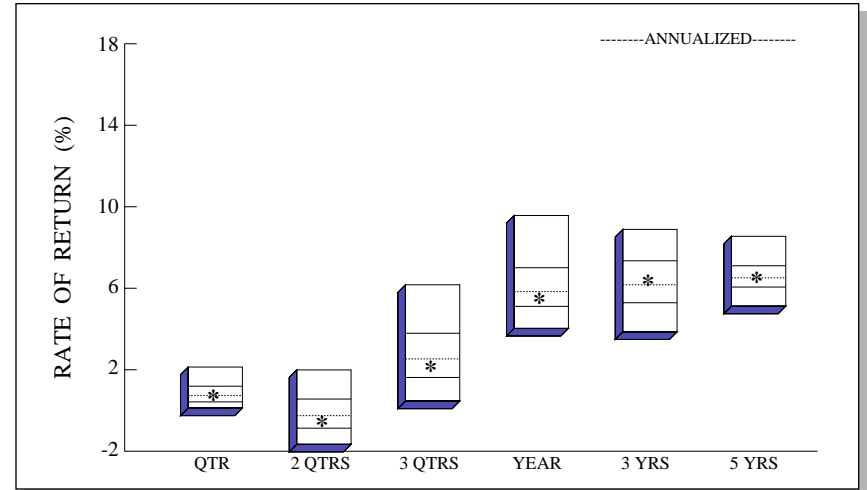
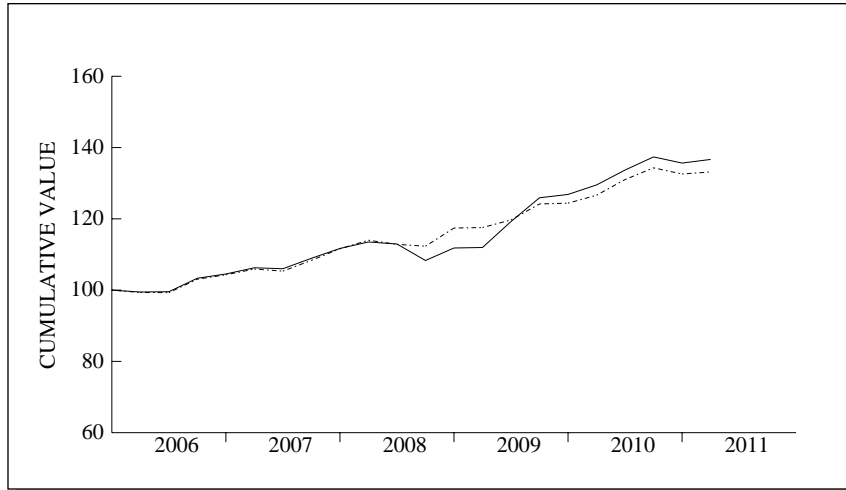
**FIXED INCOME MANAGER SUMMARY**



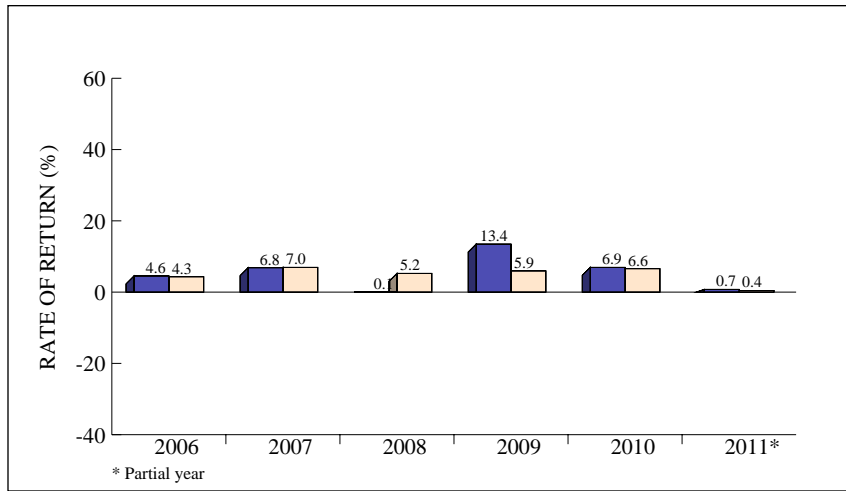
TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
IR&M	(Core Fixed Income)	0.7 (50)	0.7 (50)	5.5 (60)	6.4 (46)	6.5 (48)	\$8,935,506
<i>Barclays Aggregate Index</i>		0.4 ---	0.4 ---	5.1 ---	5.3 ---	6.0 ---	---



**FIXED INCOME RETURN COMPARISONS**

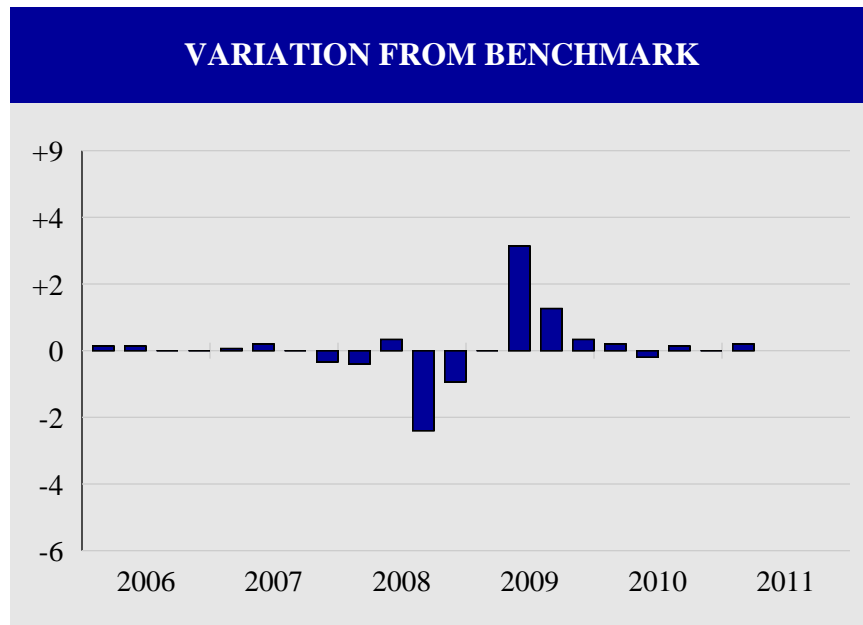


Core Fixed Income Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	0.7	-0.5	2.2	5.5	6.4	6.6
(RANK)	(50)	(58)	(61)	(60)	(44)	(47)
5TH %ILE	2.1	2.0	6.2	9.6	8.9	8.6
25TH %ILE	1.2	0.6	3.8	7.0	7.4	7.1
MEDIAN	0.7	-0.3	2.5	5.8	6.2	6.5
75TH %ILE	0.4	-0.9	1.6	5.1	5.3	6.1
95TH %ILE	0.1	-1.7	0.5	4.0	3.9	5.1
<b>Barclays Agg</b>	<b>0.4</b>	<b>-0.9</b>	<b>1.6</b>	<b>5.1</b>	<b>5.3</b>	<b>6.0</b>

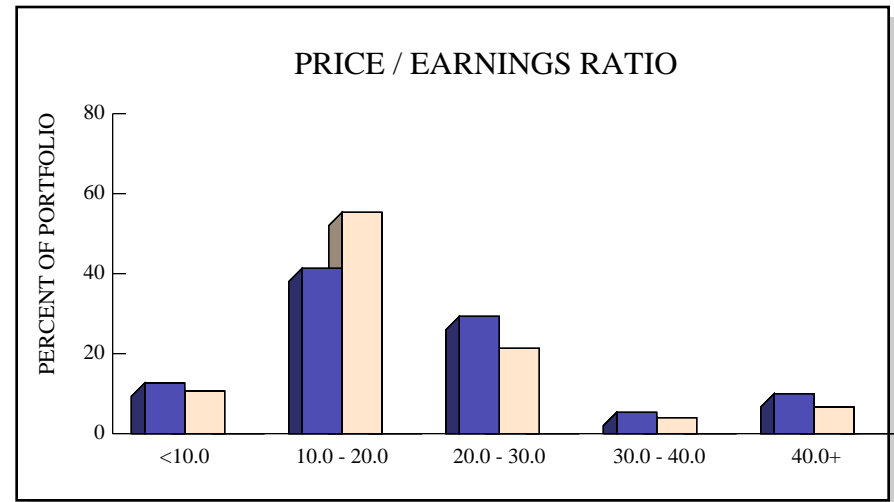
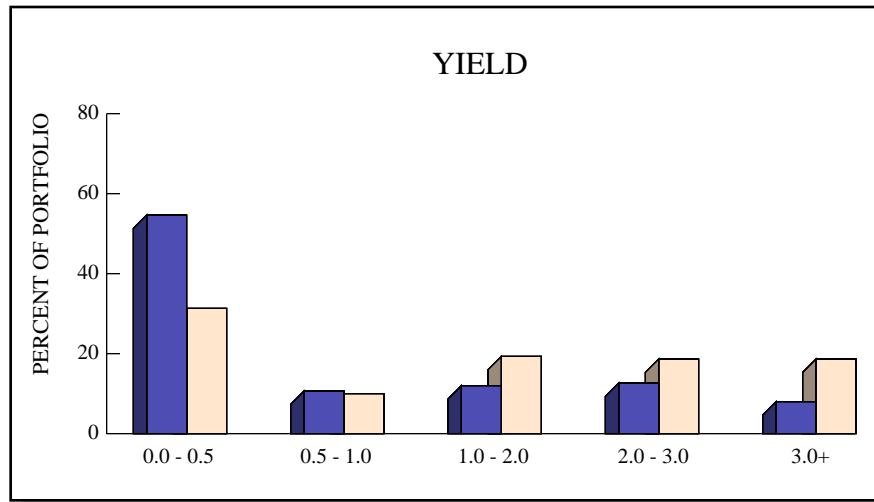
Core Fixed Income Universe

**FIXED INCOME QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: BARCLAYS AGGREGATE INDEX**

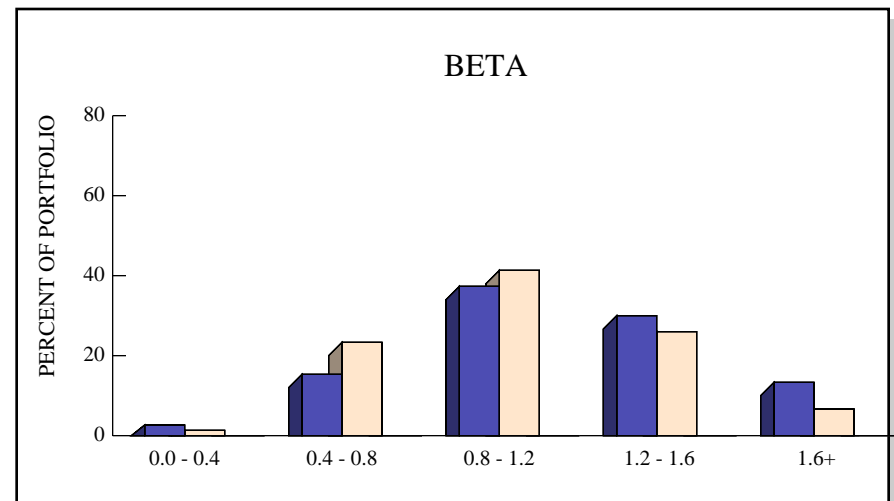
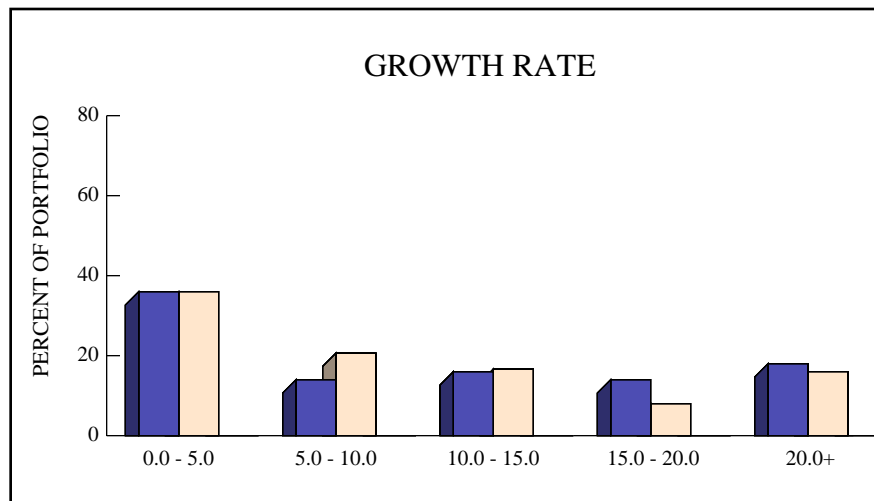
<b>Total Quarters Observed</b>	<b>21</b>
<b>Quarters At or Above the Benchmark</b>	<b>16</b>
<b>Quarters Below the Benchmark</b>	<b>5</b>
<b>Batting Average</b>	<b>.762</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/06	-0.5	-0.7	0.2
6/06	0.1	-0.1	0.2
9/06	3.8	3.8	0.0
12/06	1.2	1.2	0.0
3/07	1.6	1.5	0.1
6/07	-0.2	-0.5	0.3
9/07	2.8	2.8	0.0
12/07	2.5	3.0	-0.5
3/08	1.6	2.2	-0.6
6/08	-0.5	-1.0	0.5
9/08	-4.1	-0.5	-3.6
12/08	3.2	4.6	-1.4
3/09	0.1	0.1	0.0
6/09	6.5	1.8	4.7
9/09	5.6	3.7	1.9
12/09	0.7	0.2	0.5
3/10	2.1	1.8	0.3
6/10	3.2	3.5	-0.3
9/10	2.7	2.5	0.2
12/10	-1.3	-1.3	0.0
3/11	0.7	0.4	0.3

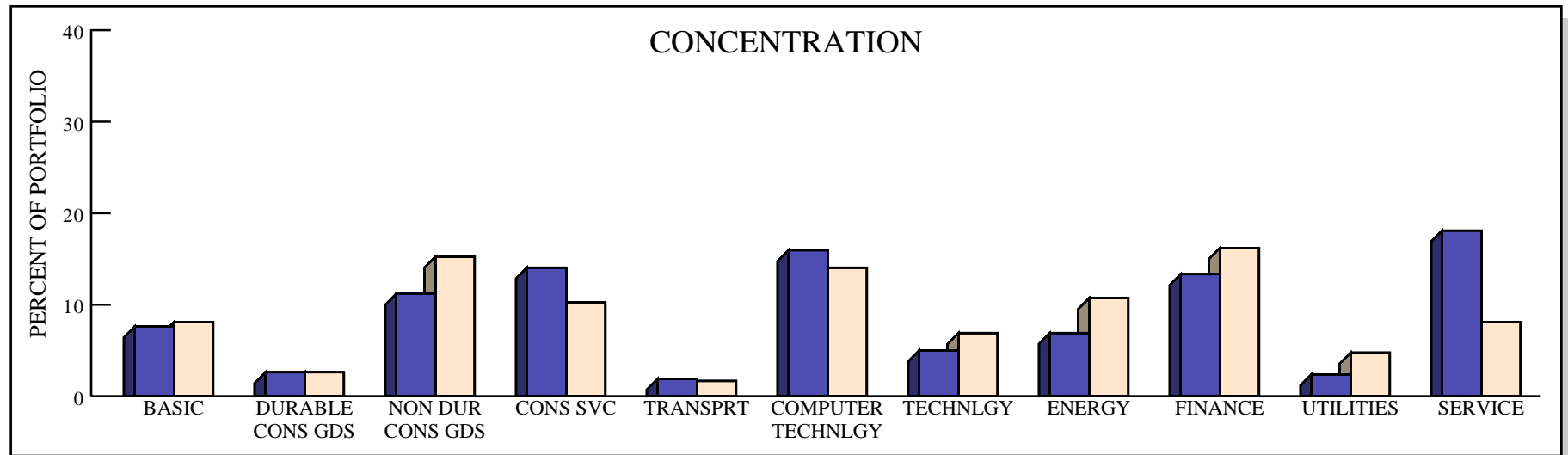
**STOCK CHARACTERISTICS**



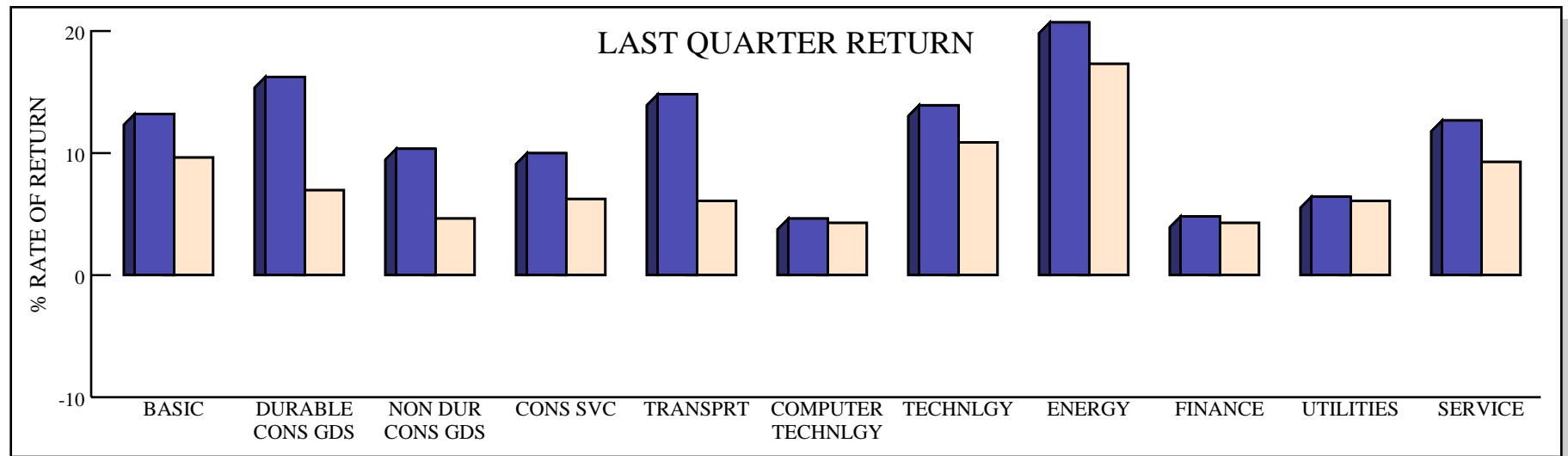
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.0%	11.0%	21.2	1.15
RUSSELL 3000	1.7%	9.3%	18.9	1.06



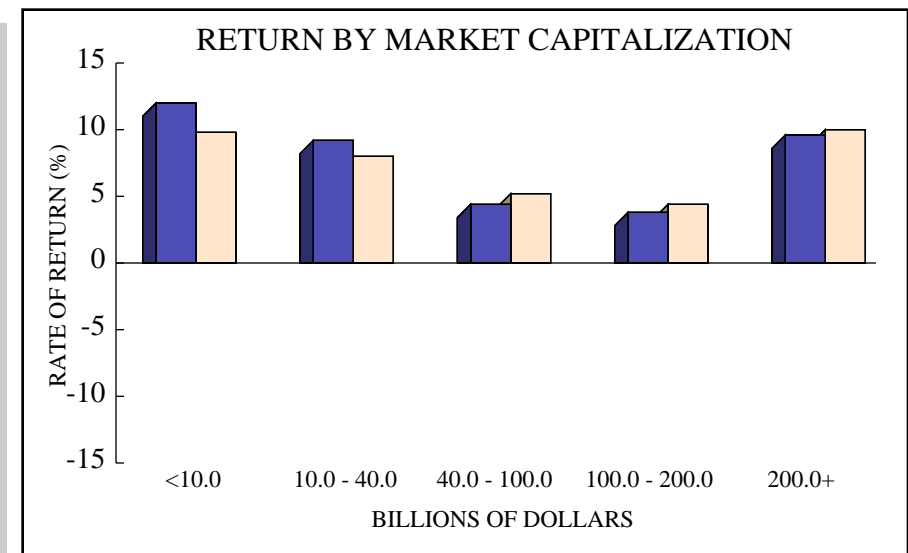
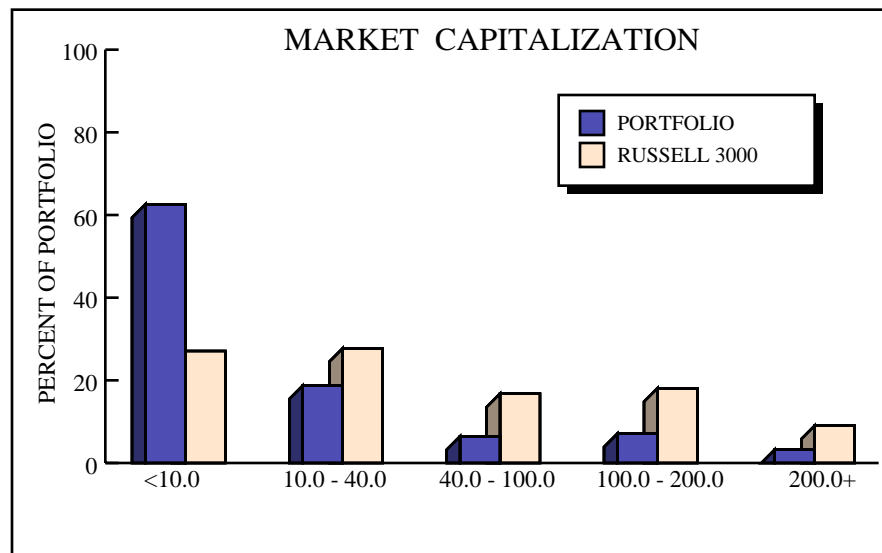
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL 3000



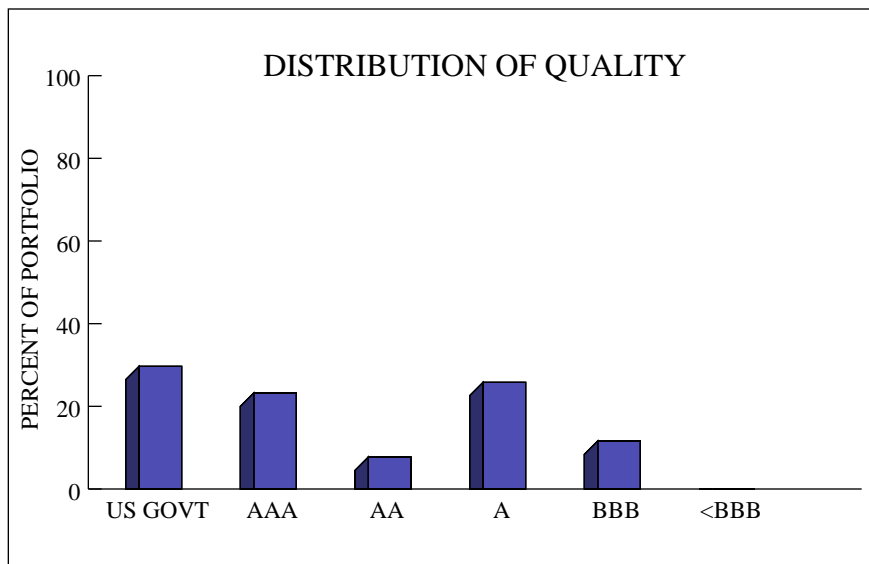
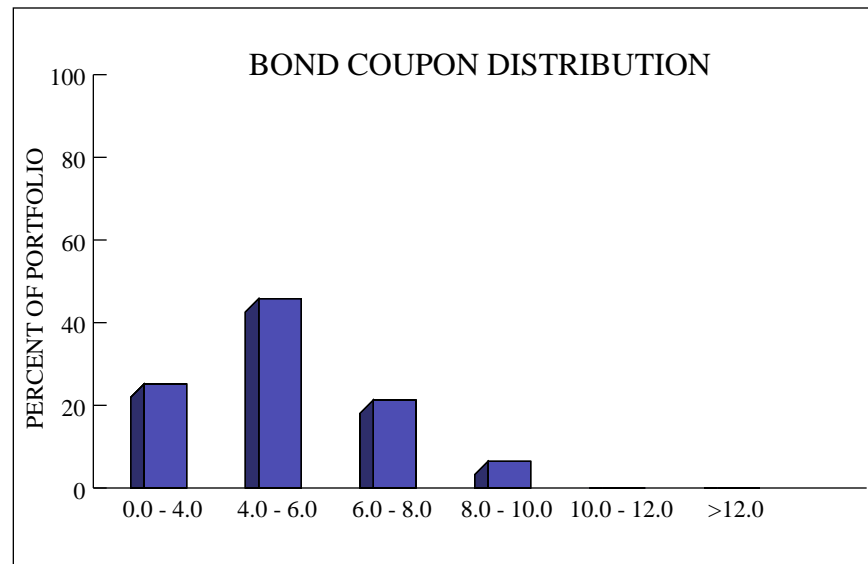
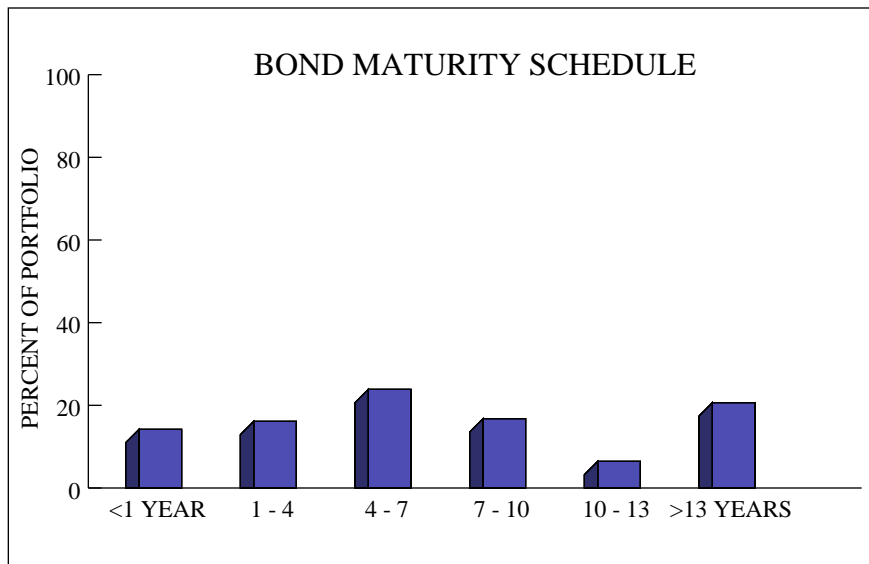
## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	SHUTTERFLY INC	\$ 440,348	2.04%	49.5%	Service	\$ 1.5 B
2	WRIGHT EXPRESS CORP	385,690	1.79%	12.7%	Service	2.0 B
3	INTERFACE INC-CLASS A	381,818	1.77%	18.2%	NonDur Cons Goods	1.1 B
4	MGIC INVESTMENT CORP	350,168	1.63%	-12.8%	Finance	1.8 B
5	FIRST AMERICAN FINANCIAL	349,965	1.62%	10.7%	Finance	1.7 B
6	MAXIMUS INC	340,914	1.58%	24.0%	Service	1.4 B
7	PROGRESS SOFTWARE CORP	331,917	1.54%	3.1%	Computer Tech	1.9 B
8	COSTAR GROUP INC	329,070	1.53%	8.9%	Service	1.3 B
9	AMERIGROUP CORP	325,748	1.51%	46.3%	Consumer Service	3.2 B
10	HEALTHSOUTH CORP	323,741	1.50%	20.6%	Consumer Service	2.3 B

**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>BARCLAYS AGG</b>
No. of Securities	165	7,989
Duration	6.35	5.12
YTM	4.22	3.08
Average Coupon	4.96	4.20
Avg Maturity / WAL	10.96	7.25
Average Quality	AAA-AA	USG-AAA

## APPENDIX - MAJOR MARKET INDEX RETURNS

<b>Domestic Equity</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Russell 3000	Broad Equity	6.4	6.4	17.4	3.4	2.9
S&P 500	Large Cap Core	5.9	5.9	15.7	2.4	2.6
Russell 1000	Large Cap Core	6.2	6.2	16.7	3.0	2.9
Russell 1000 Growth	Large Cap Growth	6.0	6.0	18.2	5.2	4.3
Russell 1000 Value	Large Cap Value	6.5	6.5	15.1	0.6	1.4
Russell Mid Cap	Midcap	7.6	7.6	24.3	7.3	4.7
Russell Mid Cap Growth	Midcap Growth	7.9	7.9	26.6	7.6	4.9
Russell Mid Cap Value	Midcap Value	7.4	7.4	22.3	6.6	4.0
Russell 2000	Small Cap	7.9	7.9	25.8	8.6	3.3
Russell 2000 Growth	Small Cap Growth	9.2	9.2	31.0	10.2	4.3
Russell 2000 Value	Small Cap Value	6.6	6.6	20.6	6.8	2.2
<b>International Equity</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
MSCI EAFE	Developed Markets	3.5	3.5	10.9	-2.5	1.8
MSCI EAFE Growth	Developed Markets Growth	2.3	2.3	12.9	-2.2	2.5
MSCI EAFE Value	Developed Markets Value	4.6	4.6	8.8	-3.0	1.0
MSCI Emerging Markets	Emerging Markets	2.1	2.1	18.8	4.6	11.0
<b>Domestic Fixed Income</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Barclays Aggregate Index	Core Fixed Income	0.4	0.4	5.1	5.3	6.0
Barclays Gov/Credit	Gov/Credit	0.3	0.3	5.3	4.8	5.8
Barclays Capital Gov't Bond	Treasuries	-0.1	-0.1	4.3	3.7	5.6
Barclays Capital Credit Bond	Corporate Bonds	0.9	0.9	7.0	7.8	6.9
Intermediate Aggregate	Core Intermediate	0.5	0.5	4.8	5.2	6.0
Intermediate Gov/Credit	Gov / Credit Intermediate	0.3	0.3	4.6	4.5	5.7
ML/BoA 1-3 Year Treasury	Short Term Treasuries	0.0	0.0	1.7	2.2	4.1
CSFB High Yield	High Yield Bonds	3.8	3.8	13.6	11.7	8.5
<b>Alternative Assets</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Global Ex-US	International Treasuries	1.0	1.0	1.1	0.9	6.4
NCREIF NFI-ODCE Index	Real Estate	4.0	4.0	20.2	-8.9	-0.1
HFRI FOF Composite	Hedge Funds	0.9	0.9	5.2	0.1	2.2
HFRI FOF Conservative Index	Hedge Funds - Conservative	1.5	1.5	5.7	0.6	2.3

**APPENDIX - DISCLOSURES**

- \* The Policy index is a policy-weighted passive index and was constructed as follows:  
40% Russell 3000 Index / 25% Barclays Aggregate Index / 15% EAFE Index / 10% NCREIF NFI-ODCE/ 2.5% NCREIF Timber / 7.5% S&P 500
- \* The Custom Equity index was constructed as follows:  
44.5% Russell 2000 index / 33.3% S&P 500 index / 22.2% S&P 400 index
- \* The Custom PRIT Core Policy Index is a policy-weighted passive index and was constructed as follows:  
26.0% Russell 3000                      20.0% MSCI EAFE                      5.0% MSCI Emerging Markets  
15.0% Barclays Aggregate              5.0% CSFB Hi Yield                      10.0% Cambridge Private Equity  
10.0% NCREIF NFI-ODCE              4.0% NCREIF Timber                      5.0% HFRI Fund of Funds Composite
- \* Performance for the Cambridge Private Equity Index and NCREIF Timber Index is unavailable for the current quarter.  
A flat return of 0% is assumed.
- \* Dahab Associates utilizes data provided by a custodian and other vendors it believes are reliable. However, it cannot assume responsibility for errors and omissions therefrom.
- \* All returns were calculated on a time-weighted basis, and are gross of fees unless otherwise noted.
- \* All returns for periods greater than one year are annualized.
- \* All values are in US dollars.



FRANKLIN REGIONAL RETIREMENT SYSTEM  
PRIT CORE FUND  
PERFORMANCE REVIEW  
MARCH 2011

## **INVESTMENT RETURN**

On March 31st, 2011, the Franklin Regional Retirement System's PRIT Core Fund was valued at \$51,616,314, representing an increase of \$2,052,459 from the December quarter's ending value of \$49,563,855. Last quarter, the Fund posted withdrawals totaling \$64,587, which partially offset the portfolio's net investment return of \$2,117,046. Income receipts totaling \$371,700 plus net realized and unrealized capital gains of \$1,745,346 combined to produce the portfolio's net investment return.

For the cumulative period since September 2006, the fund has recorded net contributions totaling \$4.4 million, and recorded net investment gains of \$8.2 million. For the period since September 2006, if the total fund returned a compounded nominal rate of 8.0% it would have been valued at \$60.3 million or \$8.6 million more than the actual value as of March 31st, 2011.

## **RELATIVE PERFORMANCE**

*The Custom Core Index is a target-weighted passive index of the asset classes used in the PRIT Core Fund. Among the indices used was the Cambridge Private Equity Index, which had to assume a flat return for the quarter due to the unavailability of its data.*

In the first quarter, the PRIT Core Fund gained 4.3%, which was 1.1% greater than the Custom Core Index's return of 3.2%. Over the trailing twelve-month period, the portfolio returned 14.5%, which was 1.2% above the benchmark's 13.3% return. Since September 2006, the account returned 3.8% on an annualized basis, while the Custom Core Index returned an annualized 4.5% over the same time frame.

## **ASSET ALLOCATION**

This portfolio was fully invested in the PRIT Core Fund at the end of the quarter.

**EXECUTIVE SUMMARY****PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 9/2006
<b>Total Portfolio</b>	4.3	4.3	14.5	1.0	3.8
CUSTOM CORE IDX	3.2	3.2	13.3	2.2	4.5
<b>PRIT Core</b>	4.3	4.3	14.5	1.1	3.8
CUSTOM CORE IDX	3.2	3.2	13.3	2.2	4.5

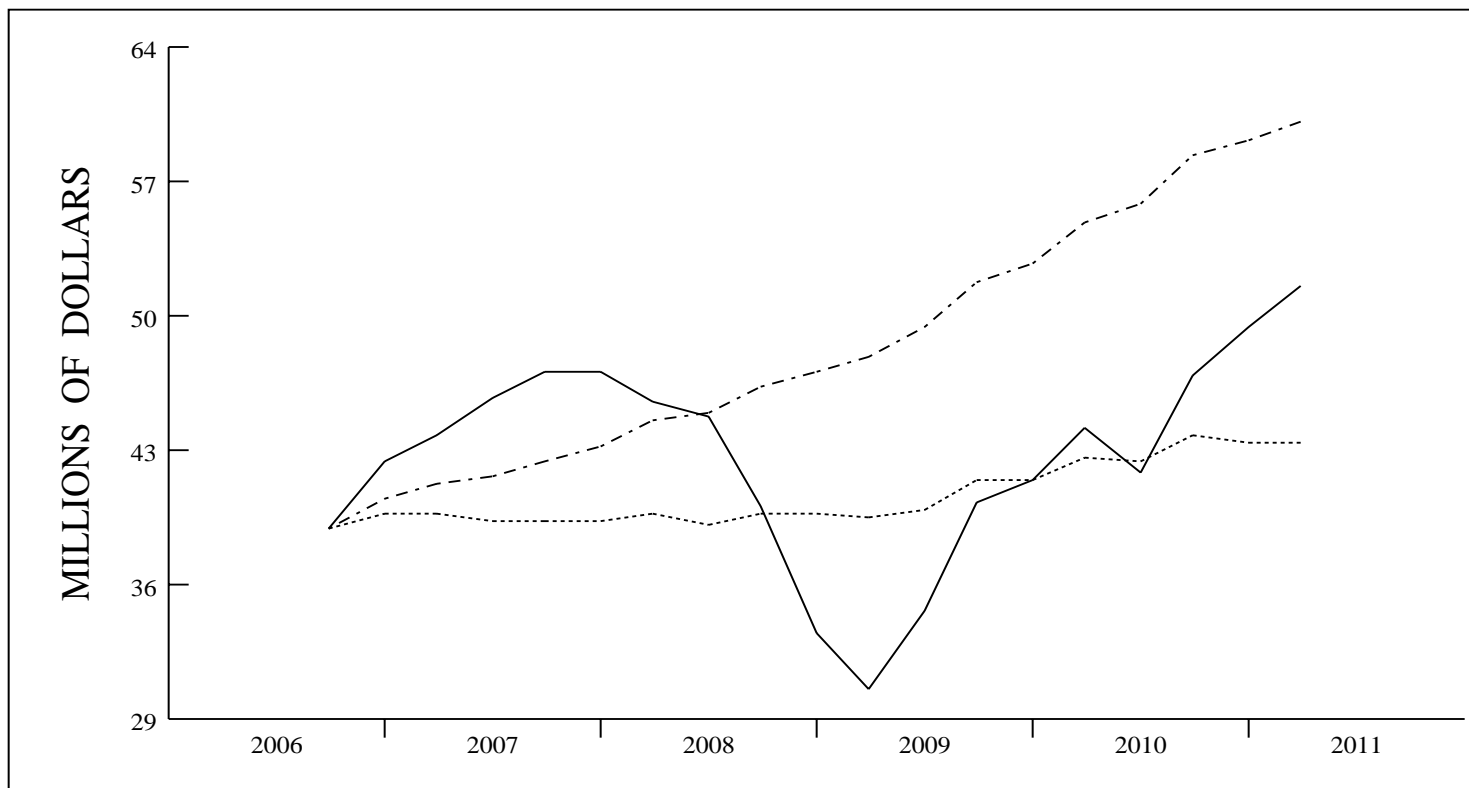
**ASSET ALLOCATION**

PRIT Core	100.0%	\$ 51,616,314
Total Portfolio	100.0%	\$ 51,616,314

**INVESTMENT RETURN**

Market Value 12/2010	\$ 49,563,855
Contribs / Withdrawals	- 64,587
Income	371,700
Capital Gains / Losses	1,745,346
Market Value 3/2011	\$ 51,616,314

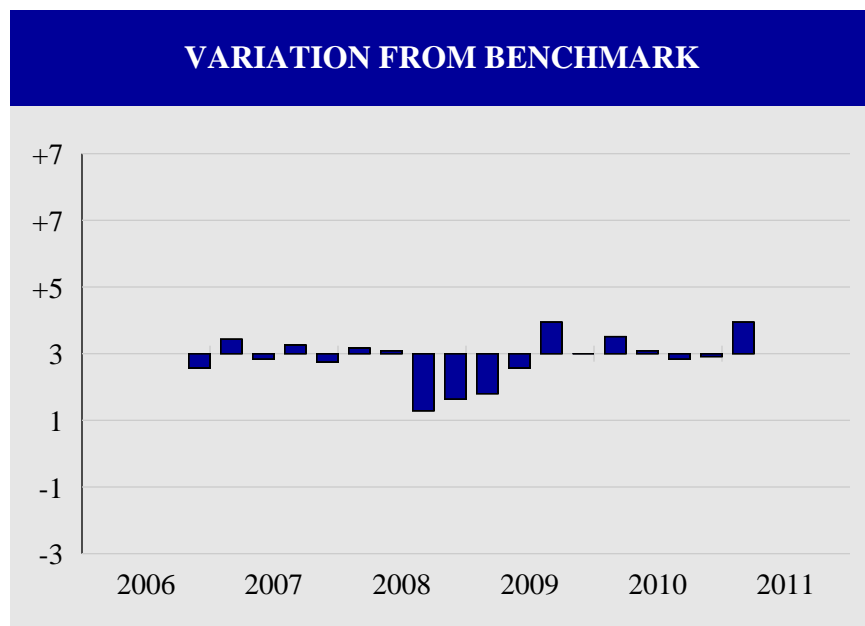
**INVESTMENT GROWTH**



— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

VALUE ASSUMING  
 8.00% RETURN  
 \$ 60,259,040

	LAST QUARTER	PERIOD 9/06 - 3/11
BEGINNING VALUE	\$ 49,563,855	\$ 39,087,560
NET CONTRIBUTIONS	- 64,587	4,365,460
<u>INVESTMENT RETURN</u>	<u>2,117,046</u>	<u>8,163,294</u>
ENDING VALUE	\$ 51,616,314	\$ 51,616,314
INCOME	371,700	6,123,858
<u>CAPITAL GAINS (LOSSES)</u>	<u>1,745,346</u>	<u>2,039,436</u>
INVESTMENT RETURN	2,117,046	8,163,294

**PRIT CORE QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: CUSTOM CORE INDEX**

<b>Total Quarters Observed</b>	<b>18</b>
<b>Quarters At or Above the Benchmark</b>	<b>9</b>
<b>Quarters Below the Benchmark</b>	<b>9</b>
<b>Batting Average</b>	<b>.500</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
12/06	7.0	7.5	-0.5
3/07	3.3	2.8	0.5
6/07	5.0	5.2	-0.2
9/07	3.0	2.7	0.3
12/07	0.2	0.5	-0.3
3/08	-4.4	-4.6	0.2
6/08	-0.5	-0.6	0.1
9/08	-11.4	-9.4	-2.0
12/08	-16.3	-14.7	-1.6
3/09	-8.1	-6.7	-1.4
6/09	11.8	12.3	-0.5
9/09	11.6	10.5	1.1
12/09	2.9	2.9	0.0
3/10	3.5	2.9	0.6
6/10	-5.0	-5.1	0.1
9/10	8.9	9.1	-0.2
12/10	6.1	6.2	-0.1
3/11	4.3	3.2	1.1

FRANKLIN REGIONAL RETIREMENT SYSTEM  
RHUMBLINE  
PERFORMANCE REVIEW  
MARCH 2011

## **INVESTMENT RETURN**

On March 31st, 2011, the Franklin Regional Retirement System's RhumbLine portfolio was valued at \$6,975,244, representing an increase of \$389,305 from the December quarter's ending value of \$6,585,939. Last quarter, the Fund posted no net contributions or withdrawals, while posting \$389,305 in net investment returns. Since there were no income receipts for the first quarter, the portfolio's net investment return was the result of net realized and unrealized capital gains totaling \$389,305.

For the cumulative period since December 2005, the portfolio has posted net withdrawals totaling \$15.3 million and recorded net investment gains totaling \$1.7 million. For the period since December 2005, if the fund had returned a compounded nominal rate of 8.0% it would have been valued at \$8.8 million or \$1.8 million more than the actual value as of March 31st, 2011.

## **RELATIVE PERFORMANCE**

For the first quarter, the RhumbLine portfolio returned 5.9%, which was equal to the S&P 500 Index's return of 5.9% and ranked in the 63rd percentile of the Large Cap universe. Over the trailing year, this portfolio returned 15.6%, which was 0.1% below the benchmark's 15.7% return, ranking in the 58th percentile. Since December 2005, the account returned 3.5% on an annualized basis and ranked in the 60th percentile. For comparison, the S&P 500 returned an annualized 3.3% over the same time frame.

## **ASSET ALLOCATION**

The portfolio was fully invested in the S&P 500 Pooled Index Fund at the end of the quarter.

**EXECUTIVE SUMMARY****PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2005
<b>Total Portfolio</b>	5.9	5.9	15.6	2.5	3.5
<i>LARGE CAP RANK</i>	(63)	(63)	(58)	(58)	(60)
S&P 500	5.9	5.9	15.7	2.4	3.3
<b>Domestic Equity</b>	5.9	5.9	15.6	2.5	3.5
<i>LARGE CAP RANK</i>	(63)	(63)	(58)	(58)	(60)
S&P 500	5.9	5.9	15.7	2.4	3.3
RUSSELL 1000G	6.0	6.0	18.2	5.2	4.7
RUSSELL 1000V	6.5	6.5	15.1	0.6	2.4

**ASSET ALLOCATION**

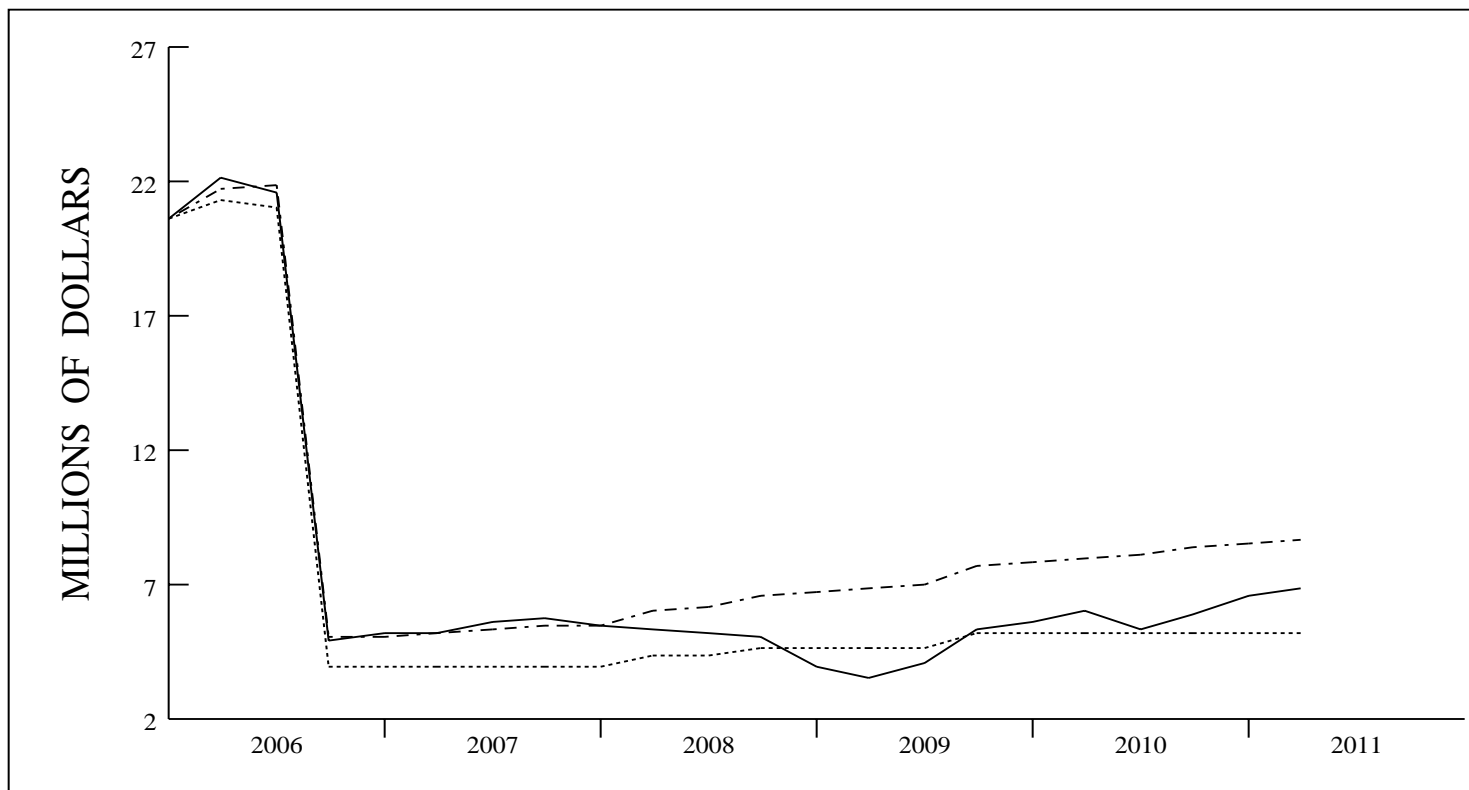
Domestic Equity	100.0%	\$ 6,975,244
Total Portfolio	100.0%	\$ 6,975,244

**INVESTMENT RETURN**

Market Value 12/2010	\$ 6,585,939
Contribs / Withdrawals	0
Income	0
Capital Gains / Losses	389,305
Market Value 3/2011	\$ 6,975,244



**INVESTMENT GROWTH**

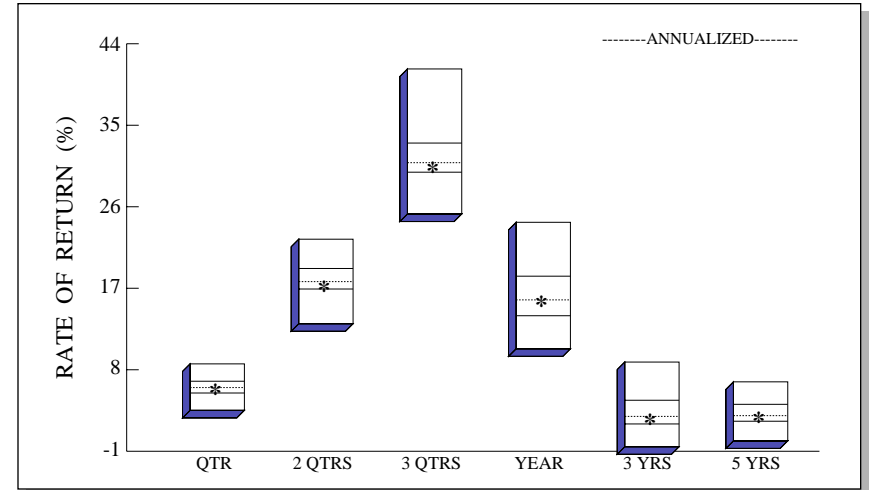
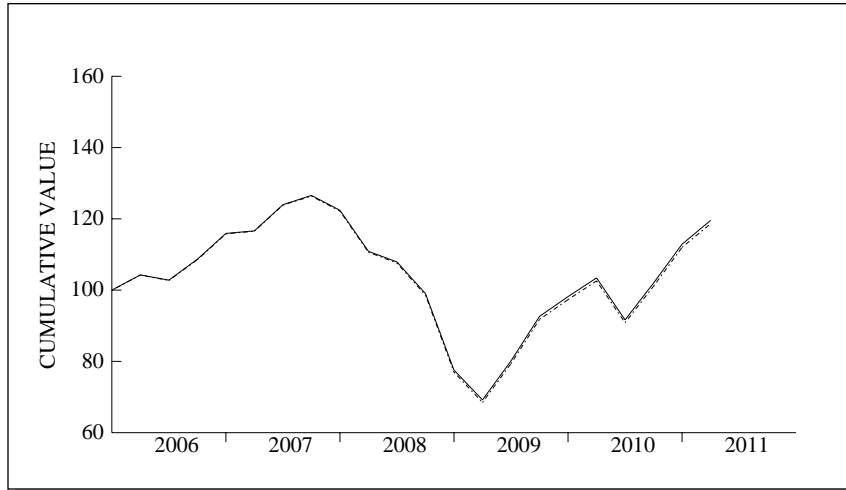


— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

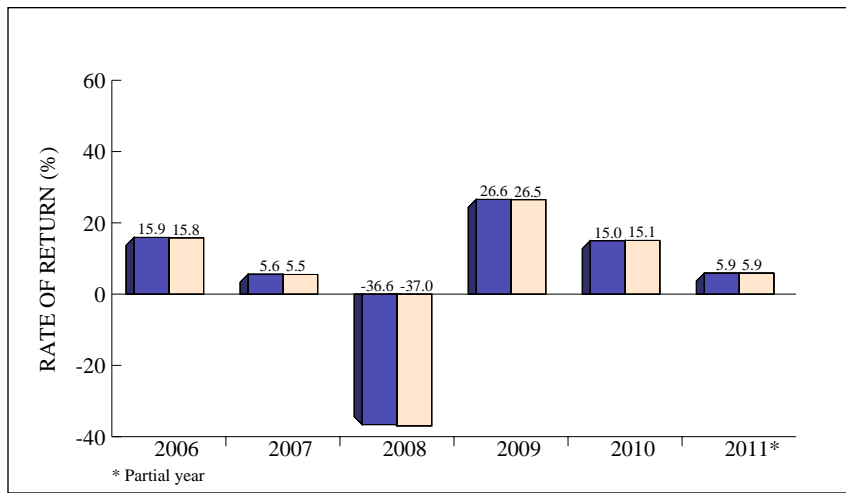
VALUE ASSUMING  
 8.00% RETURN  
 \$ 8,799,907

	LAST QUARTER	PERIOD 12/05 - 3/11
BEGINNING VALUE	\$ 6,585,939	\$ 20,623,601
NET CONTRIBUTIONS	0	- 15,346,792
INVESTMENT RETURN	389,305	1,698,435
ENDING VALUE	\$ 6,975,244	\$ 6,975,244
INCOME	0	0
CAPITAL GAINS (LOSSES)	389,305	1,698,435
INVESTMENT RETURN	389,305	1,698,435

**TOTAL RETURN COMPARISONS**



Large Cap Universe

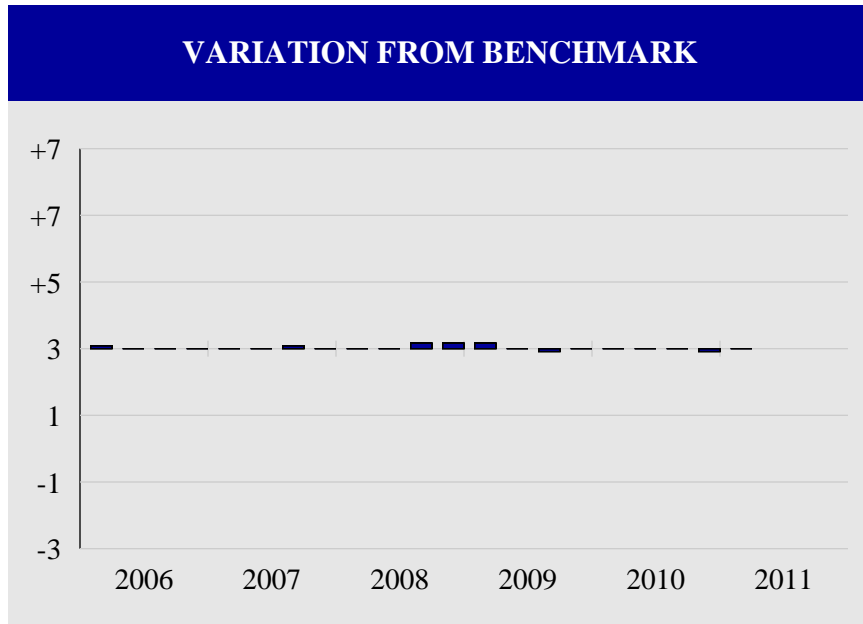


	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	5.9	17.2	30.4	15.6	2.5	2.8
(RANK)	(63)	(70)	(67)	(58)	(58)	(56)
5TH %ILE	8.7	22.4	41.2	24.3	8.9	6.7
25TH %ILE	6.7	19.2	33.0	18.3	4.6	4.2
MEDIAN	6.0	17.7	30.9	15.7	2.9	2.9
75TH %ILE	5.4	16.9	29.8	14.0	2.0	2.3
95TH %ILE	3.5	13.1	25.2	10.3	-0.5	0.2
<b>S&amp;P 500</b>	<b>5.9</b>	<b>17.3</b>	<b>30.6</b>	<b>15.7</b>	<b>2.4</b>	<b>2.6</b>

Large Cap Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

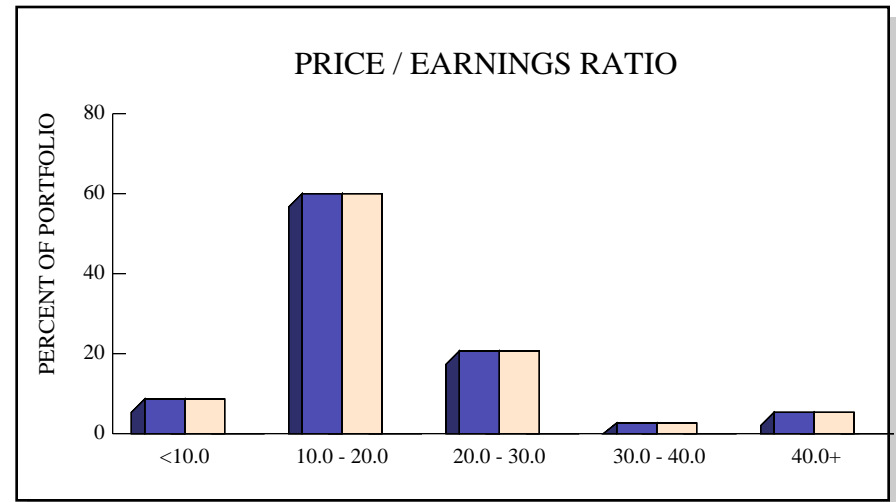
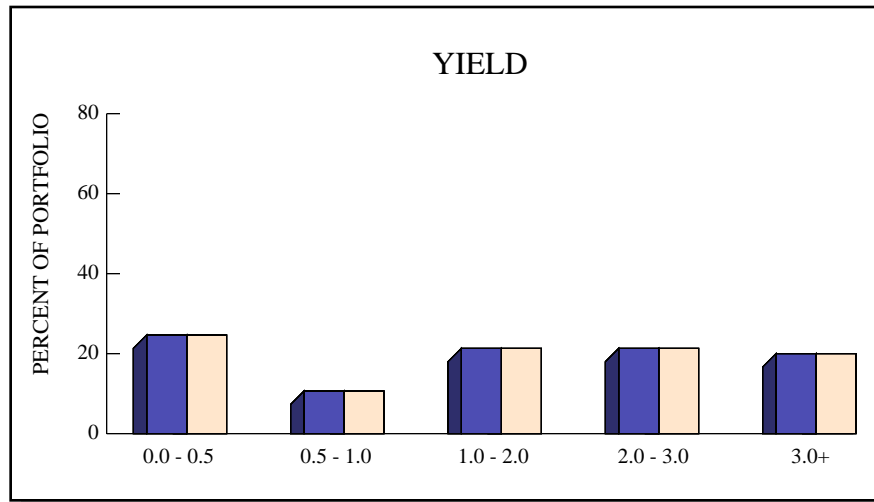
**COMPARATIVE BENCHMARK: S&P 500**



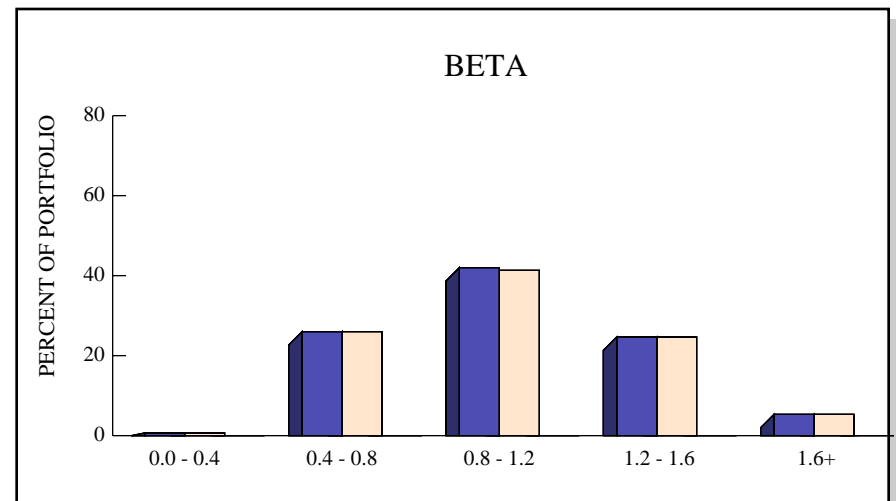
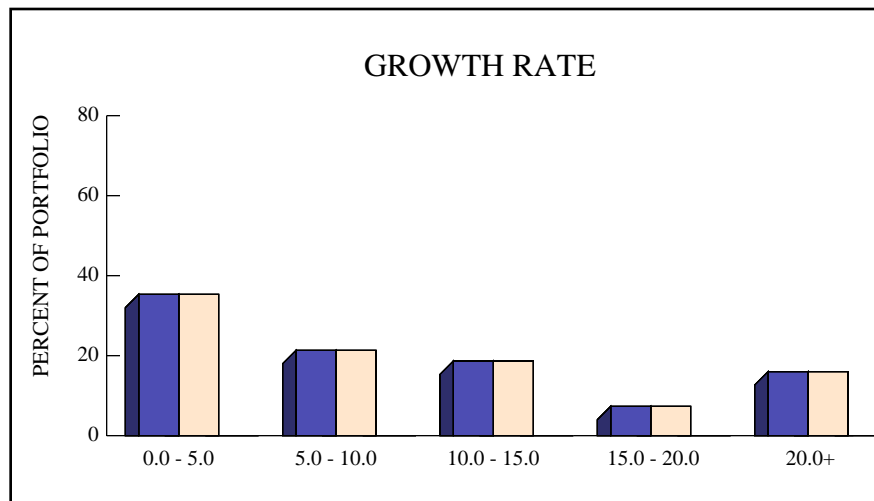
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/06	4.3	4.2	0.1
6/06	-1.4	-1.4	0.0
9/06	5.7	5.7	0.0
12/06	6.7	6.7	0.0
3/07	0.6	0.6	0.0
6/07	6.3	6.3	0.0
9/07	2.1	2.0	0.1
12/07	-3.3	-3.3	0.0
3/08	-9.4	-9.4	0.0
6/08	-2.7	-2.7	0.0
9/08	-8.2	-8.4	0.2
12/08	-21.7	-21.9	0.2
3/09	-10.8	-11.0	0.2
6/09	15.9	15.9	0.0
9/09	15.5	15.6	-0.1
12/09	6.0	6.0	0.0
3/10	5.4	5.4	0.0
6/10	-11.4	-11.4	0.0
9/10	11.3	11.3	0.0
12/10	10.7	10.8	-0.1
3/11	5.9	5.9	0.0

<b>Total Quarters Observed</b>	<b>21</b>
<b>Quarters At or Above the Benchmark</b>	<b>19</b>
<b>Quarters Below the Benchmark</b>	<b>2</b>
<b>Batting Average</b>	<b>.905</b>

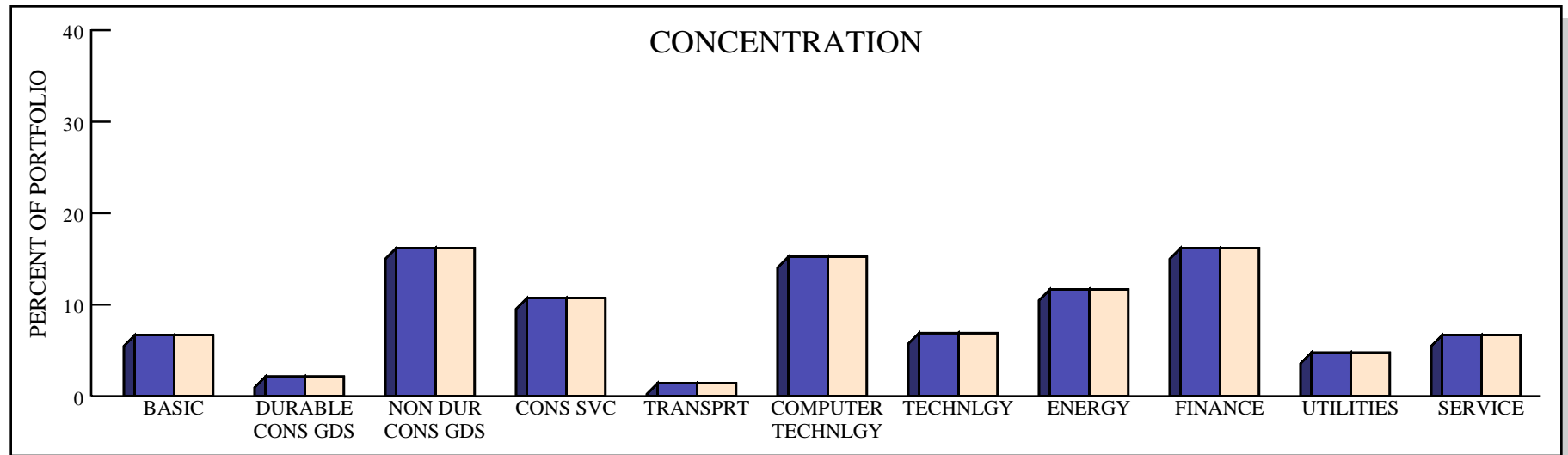
**STOCK CHARACTERISTICS**



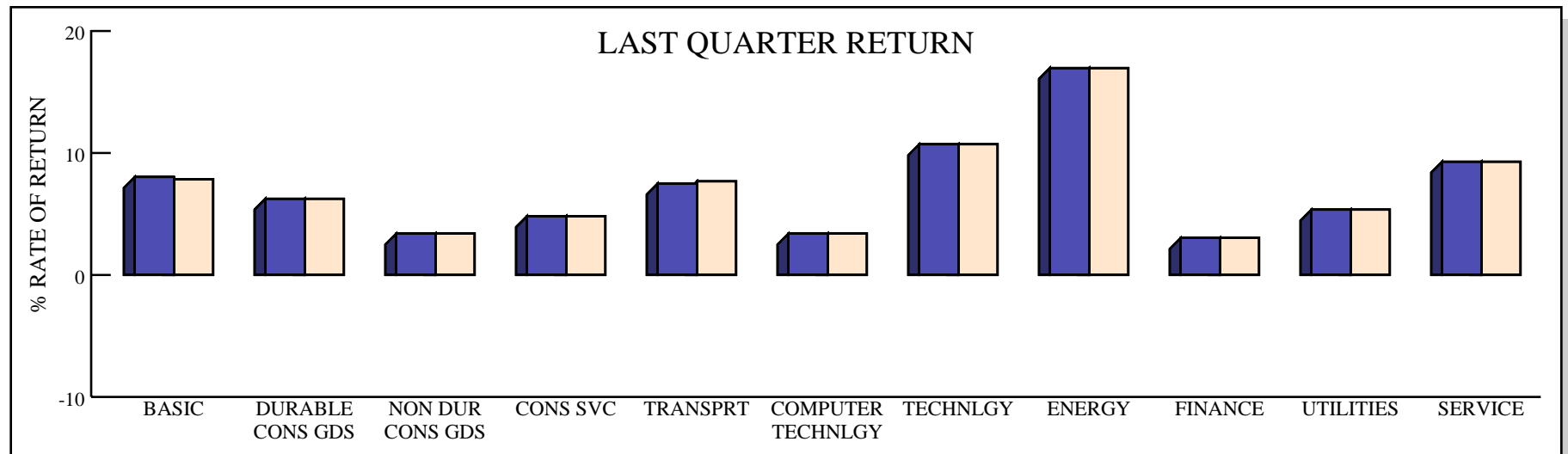
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.8%	9.4%	18.4	1.04
S&P 500	1.8%	9.4%	18.4	1.00



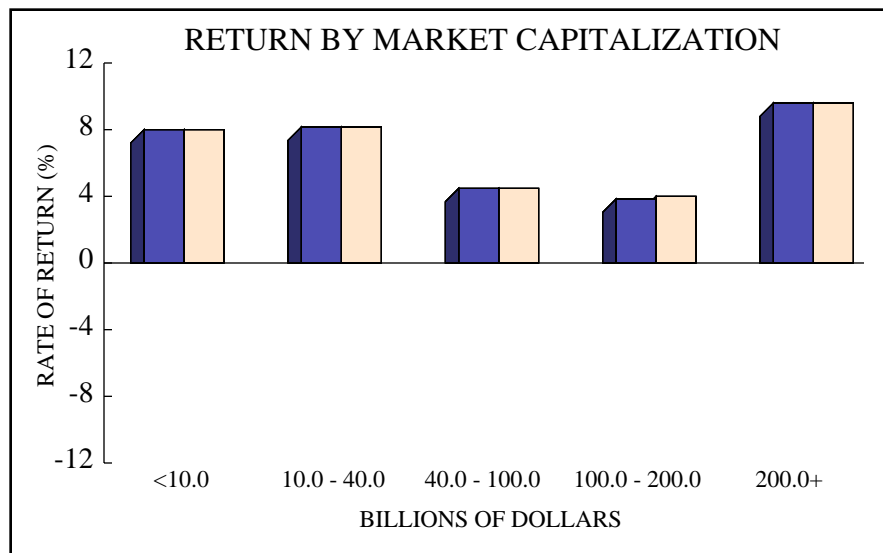
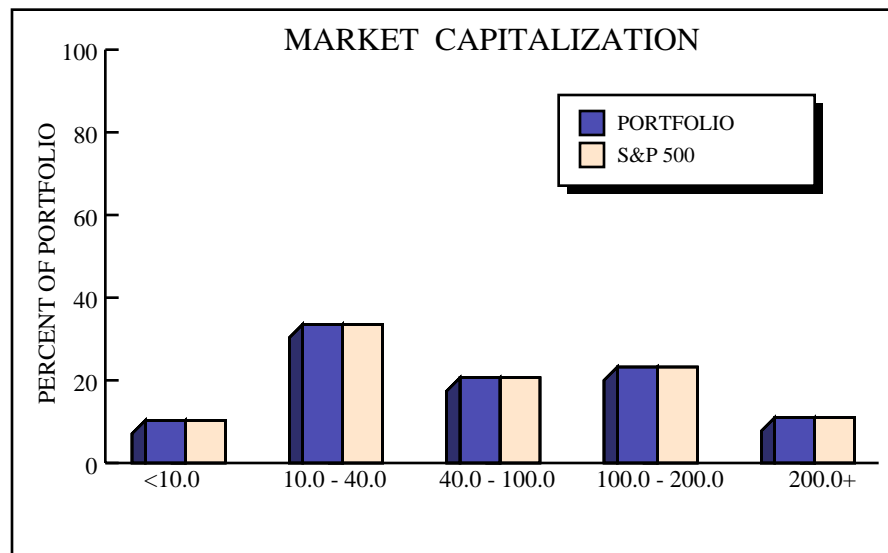
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ S&P 500



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	EXXON MOBIL CORP	\$ 235,312	3.37%	15.7%	Energy	\$ 417.2 B
2	APPLE INC	181,194	2.60%	8.0%	Computer Tech	321.0 B
3	CHEVRON CORP	121,611	1.74%	18.5%	Energy	215.7 B
4	MICROSOFT CORP	120,206	1.72%	-8.7%	Computer Tech	213.1 B
5	GENERAL ELECTRIC CO	120,099	1.72%	10.3%	Basic	212.9 B
6	INTL BUSINESS MACHINES CORP	112,192	1.61%	11.5%	Computer Tech	198.9 B
7	JPMORGAN CHASE & CO	103,587	1.49%	8.8%	Finance	183.6 B
8	WAL-MART STORES INC	102,486	1.47%	-3.1%	Consumer Service	181.7 B
9	AT&T INC	102,051	1.46%	5.6%	Service	180.9 B
10	PROCTER & GAMBLE CO/THE	97,328	1.40%	-3.5%	NonDur Cons Goods	172.5 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
ROTHSCHILD  
PERFORMANCE REVIEW  
MARCH 2011

## **INVESTMENT RETURN**

On March 31st, 2011, the Franklin Regional Retirement System's Rothschild portfolio was valued at \$4,906,736, representing an increase of \$371,477 from the December quarter's ending value of \$4,535,259. Last quarter, the Fund posted no net contributions or withdrawals, while posting \$371,477 in net investment returns. Income receipts totaling \$13,573 plus net realized and unrealized capital gains of \$357,904 combined to produce the portfolio's net investment return figure.

For the cumulative period since December 2005, the account has recorded net contributions totaling \$756,345, and has recorded net investment gains of \$1.2 million. Since December 2005, if the total account earned a compounded nominal rate of 8.0% it would have been worth \$5.3 million or \$441,090 more than the actual value as of March 31st, 2011.

## **RELATIVE PERFORMANCE**

During the first quarter, the Rothschild portfolio gained 8.2%, which was 0.6% above the Russell Mid Cap's return of 7.6% and ranked in the 55th percentile of the Mid Cap universe. Over the trailing year, the portfolio returned 21.6%, which was 2.7% below the benchmark's 24.3% performance, ranking in the 82nd percentile. Since December 2005, the account returned 4.7% on an annualized basis and ranked in the 91st percentile. For comparison, the Russell Mid Cap returned an annualized 5.9% over the same period.

## **ASSET ALLOCATION**

On March 31st, 2011, domestic equities comprised 98.7% of the total portfolio (\$4.8 million), while cash & equivalents totaled 1.3% (\$63,354).

## **ANALYSIS**

Last quarter, the Rothschild portfolio was invested across all eleven of the industry sectors shown in our analysis. Relative to the Russell Mid Cap index, the portfolio was overweight in the Basic, Consumer Service, Technology, and Service sectors, while being lighter in the Non-Durable Consumer Goods, Finance, and Utilities sectors.

The lead that the Rothschild portfolio was able to achieve during the first quarter can mainly be attributed to stock selection. Of the eleven utilized sectors, seven sectors were able to significantly surpass their respective index counterparts. The remaining four sectors placed a slight drag on the total performance, but was not enough to cause a deficit. Overall, the Rothschild portfolio surpassed the Russell Mid Cap by 60 basis points.



**EXECUTIVE SUMMARY****PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2005
<b>Total Portfolio</b>	8.2	8.2	21.6	4.7	4.7
<i>MID CAP RANK</i>	(55)	(55)	(82)	(91)	(91)
RUSSELL MID	7.6	7.6	24.3	7.3	5.9
<b>Domestic Equity</b>	8.3	8.3	22.0	5.0	4.8
<i>MID CAP RANK</i>	(54)	(54)	(80)	(91)	(91)
RUSSELL MID	7.6	7.6	24.3	7.3	5.9
S&P 400	9.4	9.4	27.0	10.0	7.3

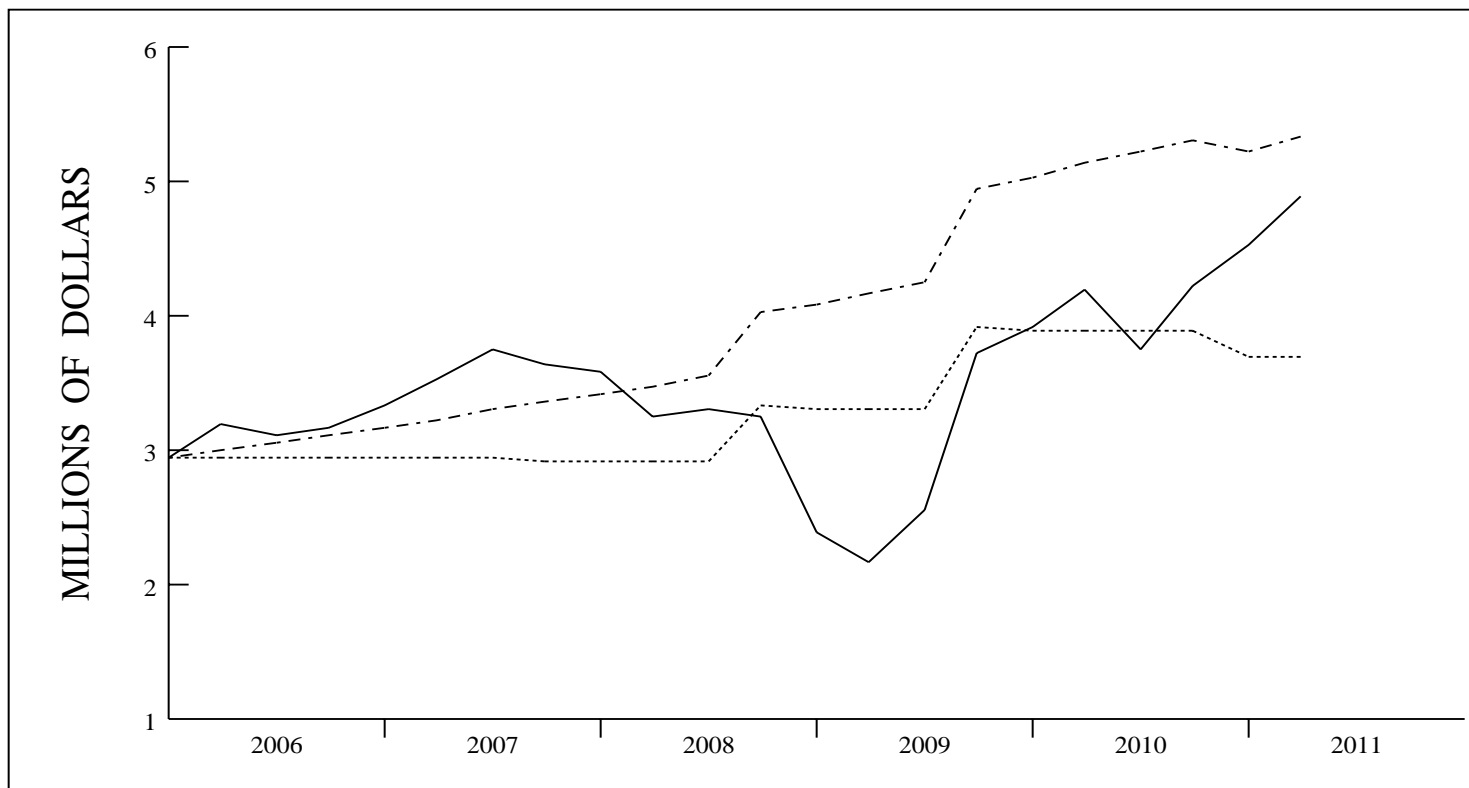
**ASSET ALLOCATION**

Domestic Equity	98.7%	\$ 4,843,383
Cash	1.3%	63,354
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 4,906,736</b>

**INVESTMENT RETURN**

Market Value 12/2010	\$ 4,535,259
Contribs / Withdrawals	0
Income	13,573
Capital Gains / Losses	357,904
Market Value 3/2011	\$ 4,906,736

**INVESTMENT GROWTH**

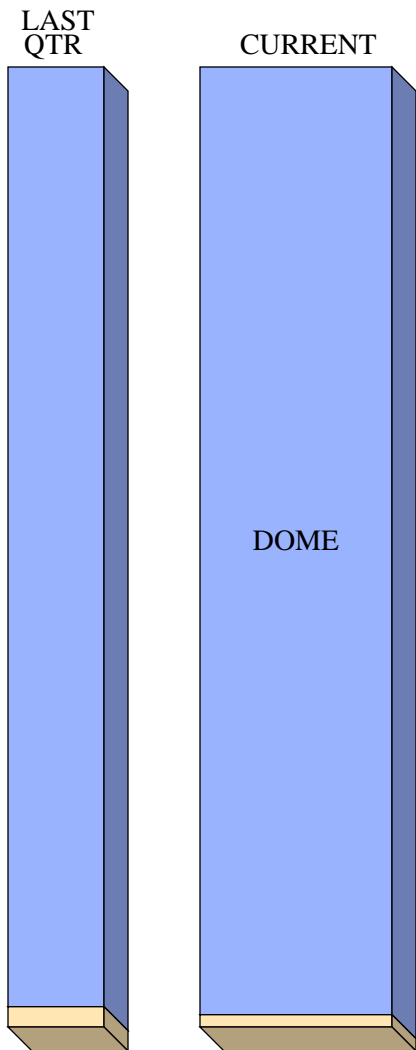


— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

VALUE ASSUMING  
 8.00% RETURN  
 \$ 5,347,826

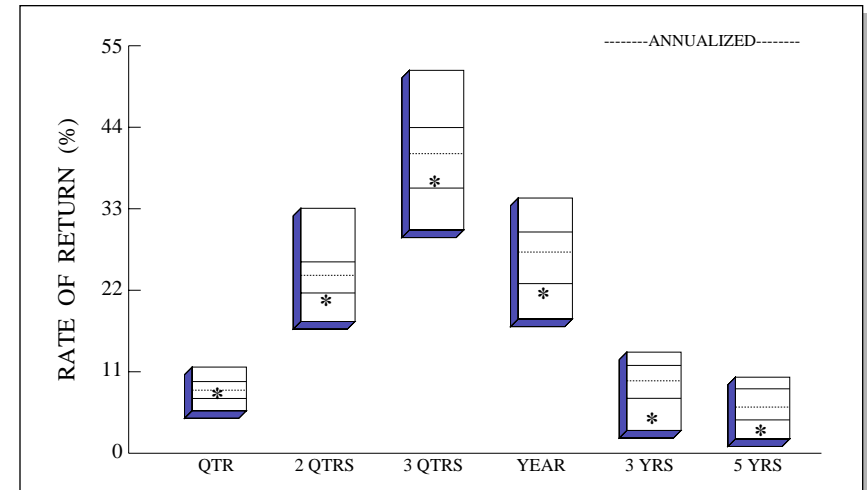
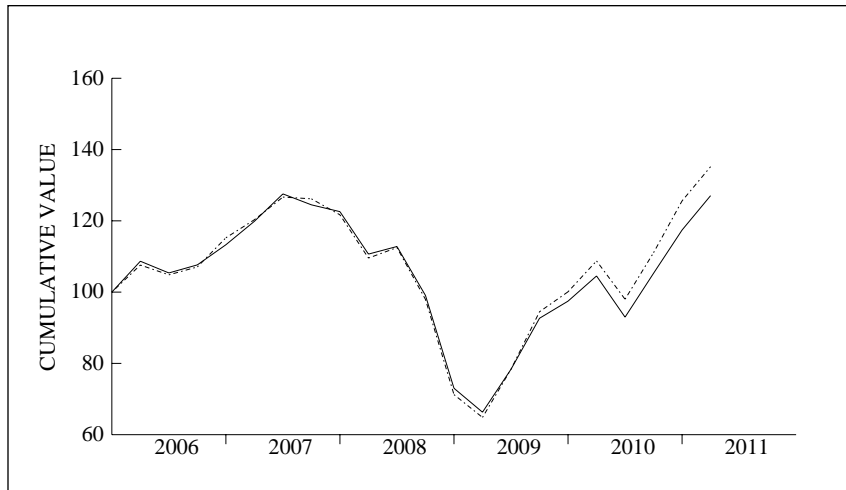
	LAST QUARTER	PERIOD 12/05 - 3/11
BEGINNING VALUE	\$ 4,535,259	\$ 2,962,463
NET CONTRIBUTIONS	0	756,345
<u>INVESTMENT RETURN</u>	<u>371,477</u>	<u>1,187,928</u>
ENDING VALUE	\$ 4,906,736	\$ 4,906,736
INCOME	13,573	275,539
CAPITAL GAINS (LOSSES)	<u>357,904</u>	<u>912,389</u>
INVESTMENT RETURN	371,477	1,187,928

**ASSET ALLOCATION**



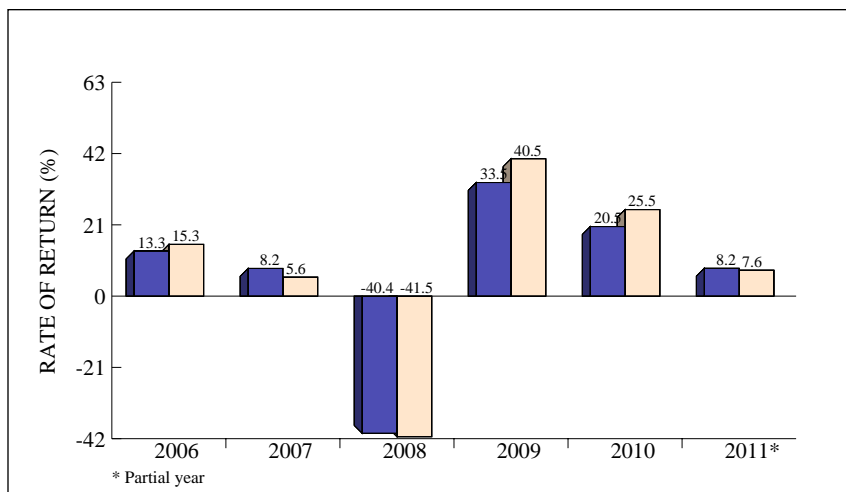
	<u>VALUE</u>	<u>PERCENT</u>
DOMESTIC EQUITY	\$ 4,843,383	98.7%
CASH & EQUIVALENT	63,354	1.3%
<u>TOTAL FUND</u>	<u>\$ 4,906,736</u>	<u>100.0%</u>

**TOTAL RETURN COMPARISONS**



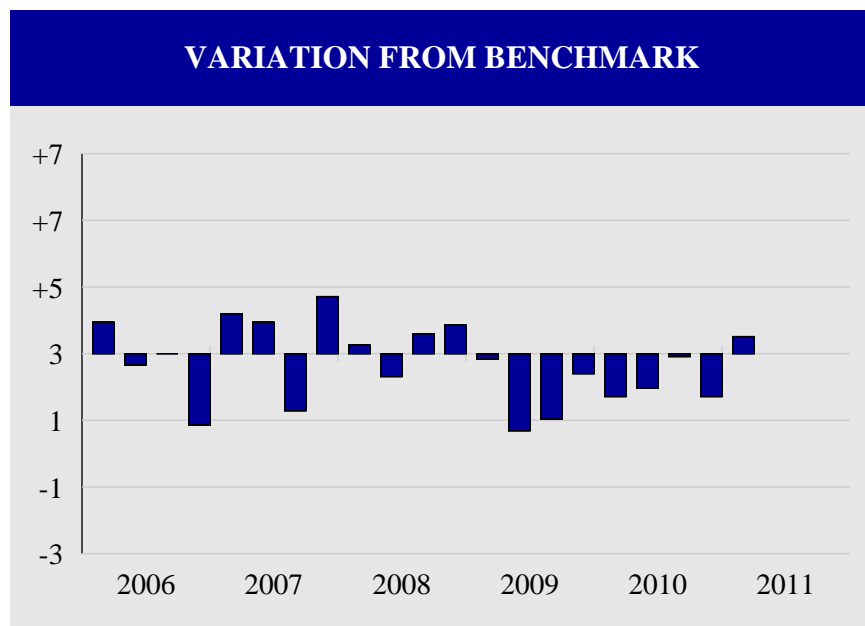
■ ——— PORTFOLIO  
■ - - - - RUSSELL MID

Mid Cap Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	8.2	20.7	36.7	21.6	4.7	3.2
(RANK)	(55)	(81)	(71)	(82)	(91)	(90)
5TH %ILE	11.6	33.1	51.7	34.5	13.6	10.3
25TH %ILE	9.7	25.8	44.0	29.9	11.9	8.7
MEDIAN	8.5	24.0	40.4	27.2	9.8	6.2
75TH %ILE	7.4	21.6	35.8	22.9	7.4	4.5
95TH %ILE	5.7	17.8	30.1	18.1	3.1	1.9
<b>Russell Mid</b>	<b>7.6</b>	<b>21.7</b>	<b>37.9</b>	<b>24.3</b>	<b>7.3</b>	<b>4.7</b>

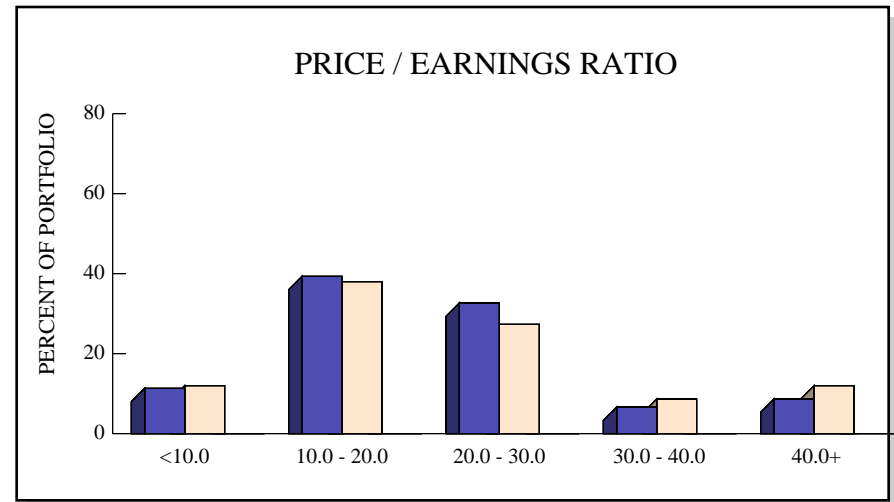
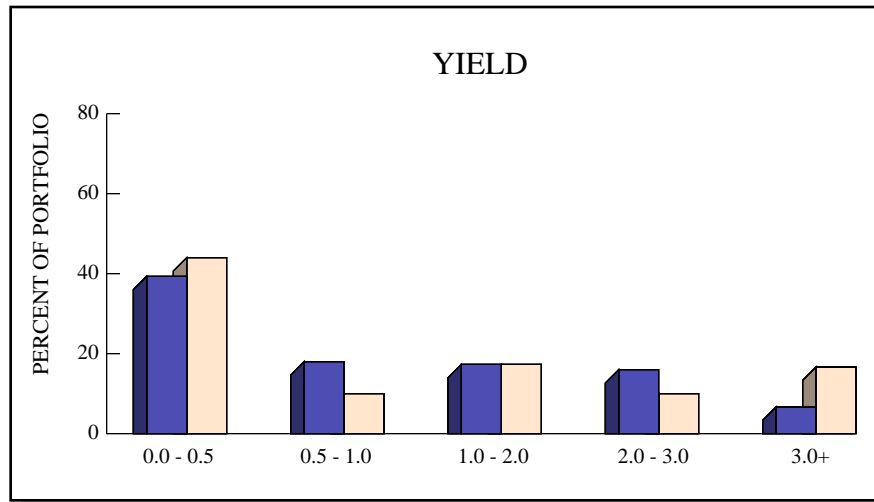
Mid Cap Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: RUSSELL MID CAP**

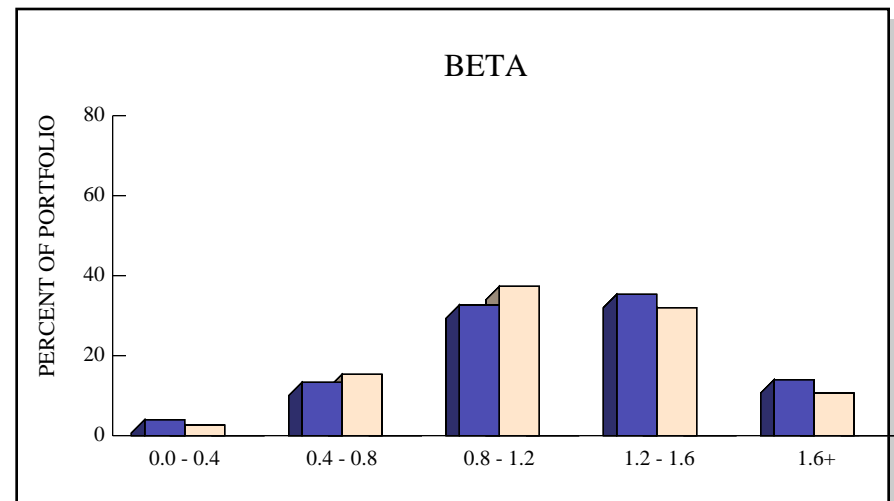
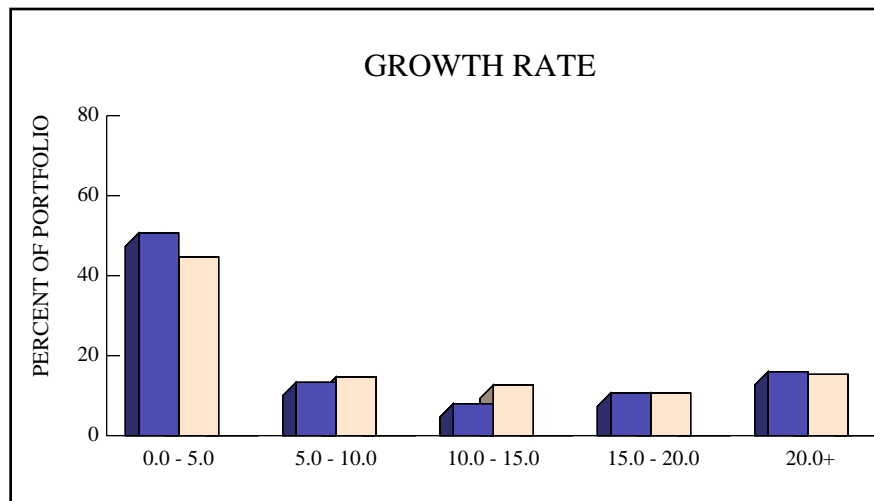
<b>Total Quarters Observed</b>	<b>21</b>
<b>Quarters At or Above the Benchmark</b>	<b>9</b>
<b>Quarters Below the Benchmark</b>	<b>12</b>
<b>Batting Average</b>	<b>.429</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/06	8.7	7.6	1.1
6/06	-3.0	-2.6	-0.4
9/06	2.1	2.1	0.0
12/06	5.2	7.7	-2.5
3/07	5.8	4.4	1.4
6/07	6.4	5.3	1.1
9/07	-2.4	-0.4	-2.0
12/07	-1.5	-3.5	2.0
3/08	-9.7	-10.0	0.3
6/08	1.9	2.7	-0.8
9/08	-12.2	-12.9	0.7
12/08	-26.3	-27.3	1.0
3/09	-9.2	-9.0	-0.2
6/09	18.1	20.8	-2.7
9/09	18.3	20.6	-2.3
12/09	5.2	5.9	-0.7
3/10	7.2	8.7	-1.5
6/10	-11.1	-9.9	-1.2
9/10	13.2	13.3	-0.1
12/10	11.6	13.1	-1.5
3/11	8.2	7.6	0.6

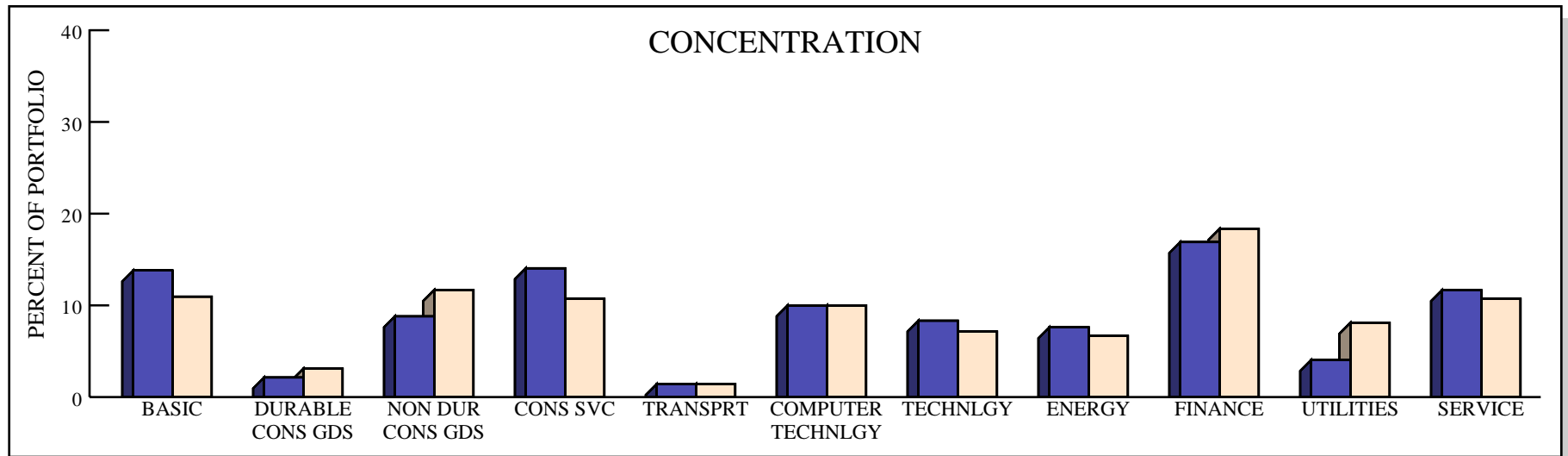
**STOCK CHARACTERISTICS**



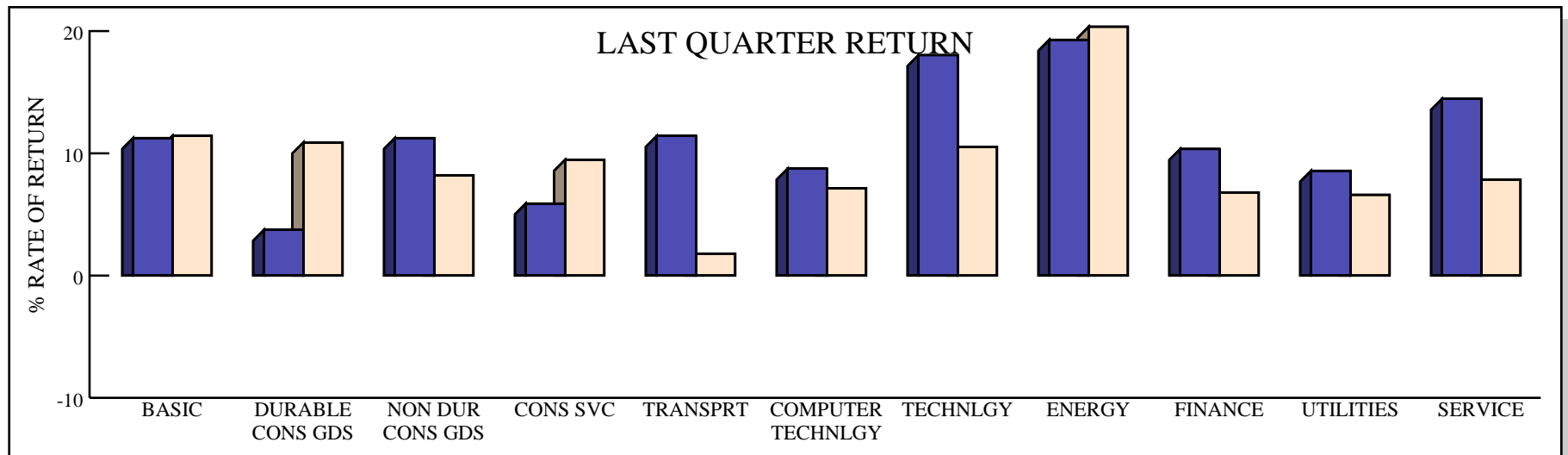
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.2%	9.0%	20.1	1.18
RUSSELL MID	1.5%	7.1%	22.6	1.14



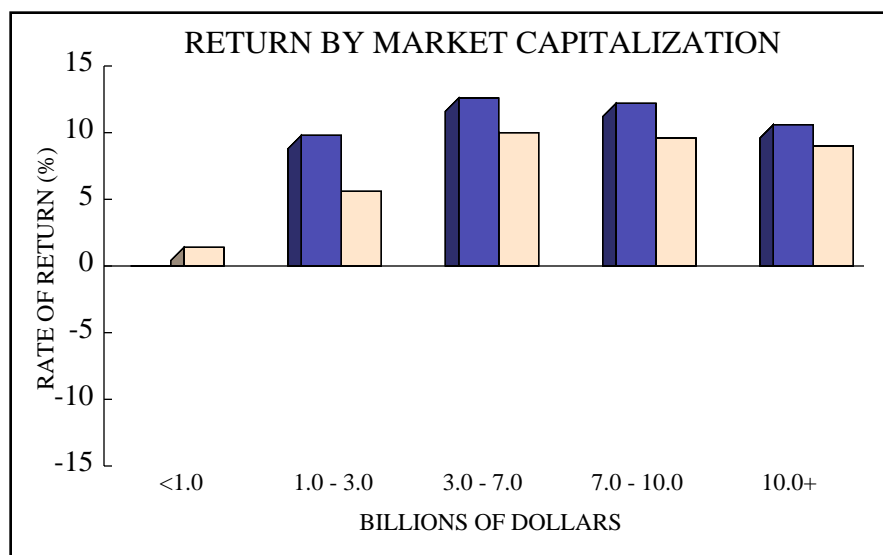
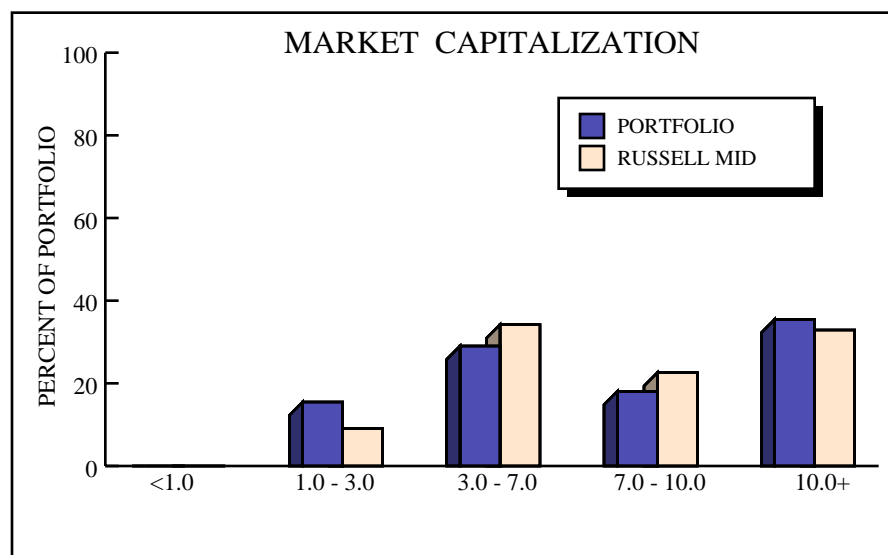
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL MID CAP



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	HUMANA INC	\$ 84,488	1.74%	27.8%	Consumer Service	\$ 11.8 B
2	HELMERICH & PAYNE	84,351	1.74%	41.8%	Energy	7.3 B
3	NOBLE ENERGY INC	79,156	1.63%	12.5%	Energy	17.0 B
4	FACTSET RESEARCH SYSTEMS INC	78,443	1.62%	11.9%	Computer Tech	4.9 B
5	EATON CORP	78,170	1.61%	9.8%	Basic	18.7 B
6	ROSS STORES INC	78,019	1.61%	12.6%	Consumer Service	8.4 B
7	AMERIPRISE FINANCIAL INC	75,739	1.56%	6.4%	Finance	15.1 B
8	RAYMOND JAMES FINANCIAL INC	75,142	1.55%	17.3%	Finance	4.8 B
9	CA INC	74,740	1.54%	-0.9%	Computer Tech	12.3 B
10	METROPCS COMMUNICATIONS INC	74,493	1.54%	28.6%	Service	5.8 B



FRANKLIN REGIONAL RETIREMENT SYSTEM  
DARUMA  
PERFORMANCE REVIEW  
MARCH 2011

## **INVESTMENT RETURN**

On March 31st, 2011, the Franklin Regional Retirement System's Daruma portfolio was valued at \$10,037,613, representing an increase of \$878,180 from the December quarter's ending value of \$9,159,433. Last quarter, the Fund posted withdrawals totaling \$285,000, which offset the portfolio's net investment return of \$1,163,180. Income receipts totaling \$7,272 plus net realized and unrealized capital gains of \$1,155,908 combined to produce the portfolio's net investment return.

For the cumulative period since December 2005, the fund has recorded net withdrawals totaling \$745,000 and posted net investment gains of \$4.8 million. For the period since December 2005, if the total fund had returned a compounded nominal rate of 8.0% it would have been valued at \$8.4 million or \$1.7 million less than the actual value as of March 31st, 2011.

## **RELATIVE PERFORMANCE**

In the first quarter, the Daruma portfolio gained 13.0%, which was 5.1% above the Russell 2000 Index's return of 7.9% and ranked in the 6th percentile of the Small Cap universe. Over the trailing year, the portfolio returned 34.1%, which was 8.3% greater than the benchmark's 25.8% performance, and ranked in the 14th percentile. Since December 2005, the portfolio returned 11.3% on an annualized basis and ranked in the 5th percentile. For comparison, the Russell 2000 returned an annualized 5.8% over the same period.

## **ASSET ALLOCATION**

On March 31st, 2011, domestic equities comprised 96.9% of the total portfolio (\$9.7 million), while cash & equivalents totaled 3.1% (\$310,772).

## **ANALYSIS**

At the end of the quarter, the Daruma portfolio was invested in ten of the eleven industry sectors in our analysis. Relative to the Russell 2000, the portfolio placed much greater emphasis into the Consumer Service, Computer Technology, and Service sectors. In contrast, the portfolio's weightings in the Basic, Technology, and Finance sectors were the most notably light, while the Utilities sectors were vacant of holdings.

Superior sector performance was the main cause for the surplus the Daruma portfolio achieved for the quarter. The only sectors to detract from the total performance were the Computer Technology and Finance sectors, but the effect of this underperformance was minimal. The remaining eight sectors achieved large gains relative to their index counterparts, which led to the 510 basis surplus the Daruma portfolio achieved over the Russell 2000.

**EXECUTIVE SUMMARY****PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2005
<b>Total Portfolio</b>	13.0	13.0	34.1	14.8	11.3
<i>SMALL CAP RANK</i>	( 6)	( 6)	(14)	( 9)	( 5)
RUSSELL 2000	7.9	7.9	25.8	8.6	5.8
<b>Domestic Equity</b>	13.5	13.5	35.7	15.3	11.5
<i>SMALL CAP RANK</i>	( 5)	( 5)	(12)	( 5)	( 4)
RUSSELL 2000	7.9	7.9	25.8	8.6	5.8
RUSSELL 2000G	9.2	9.2	31.0	10.2	6.8
RUSSELL 2000V	6.6	6.6	20.6	6.8	4.6

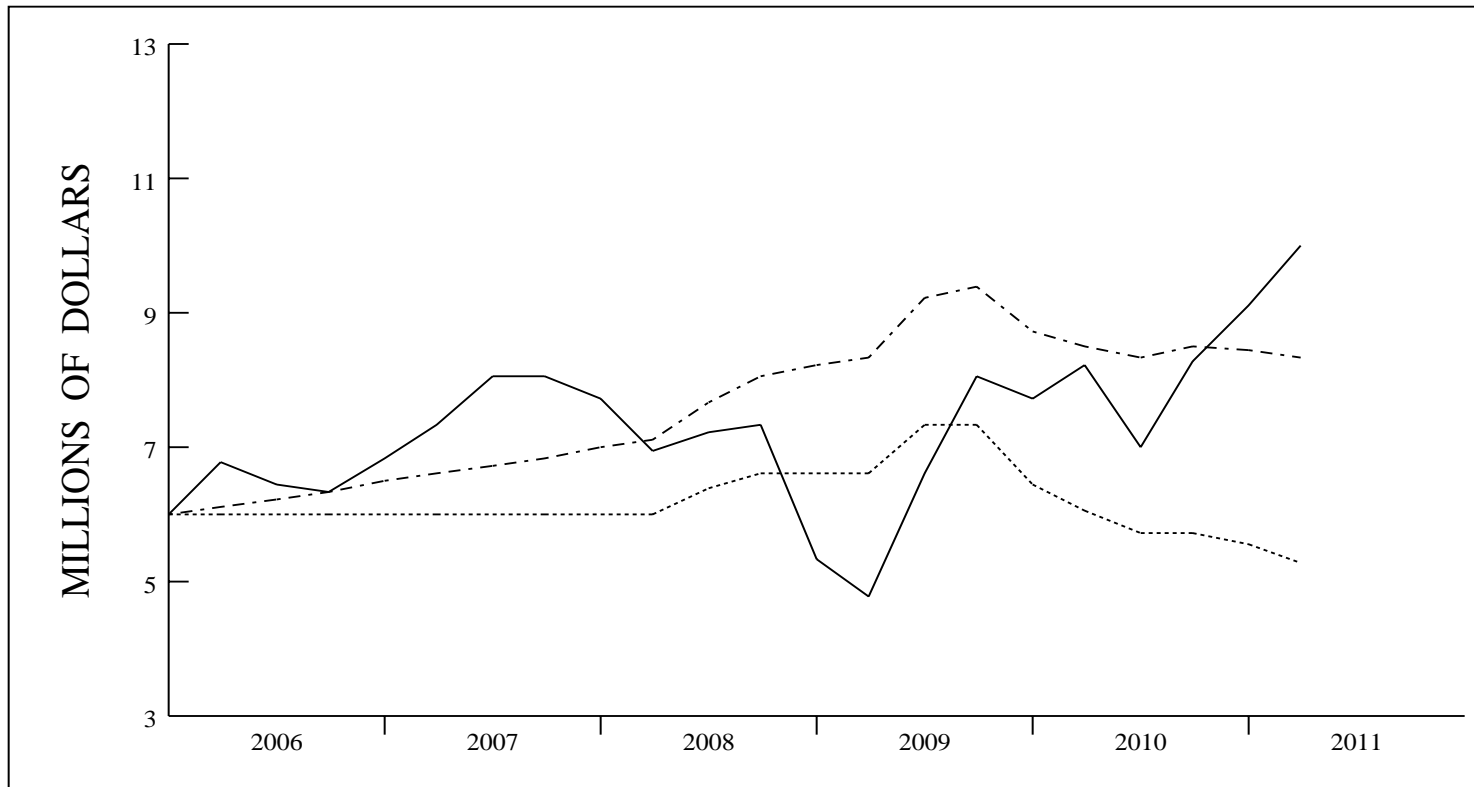
**ASSET ALLOCATION**

Domestic Equity	96.9%	\$ 9,726,841
Cash	3.1%	310,772
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 10,037,613</b>

**INVESTMENT RETURN**

Market Value 12/2010	\$ 9,159,433
Contribs / Withdrawals	-285,000
Income	7,272
Capital Gains / Losses	1,155,908
Market Value 3/2011	\$ 10,037,613

**INVESTMENT GROWTH**

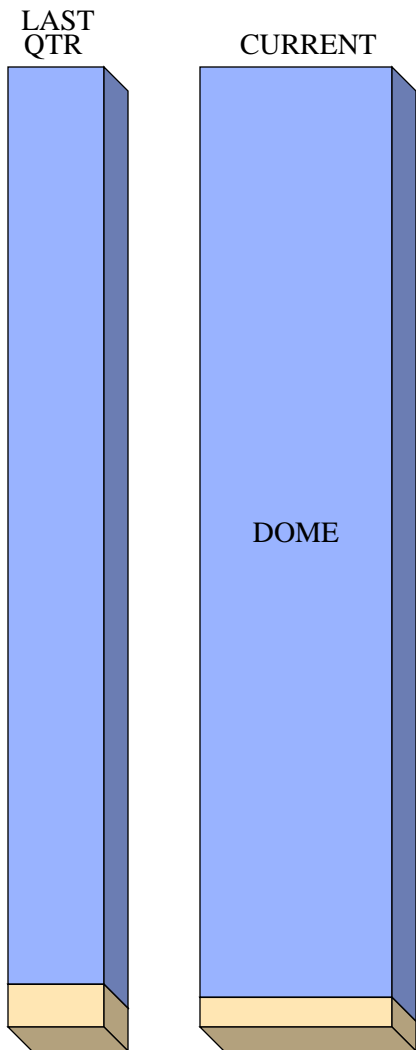


— ACTUAL RETURN  
 - - - 8.0%  
 ..... 0.0%

VALUE ASSUMING  
 8.00% RETURN  
 \$ 8,367,345

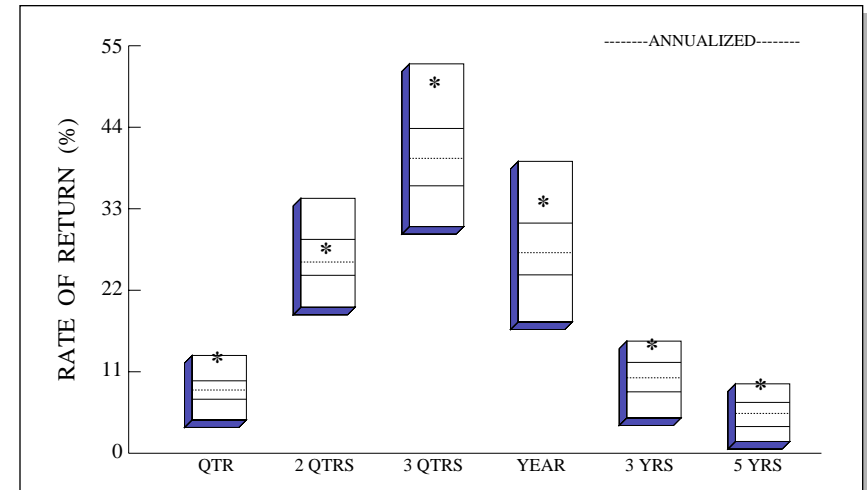
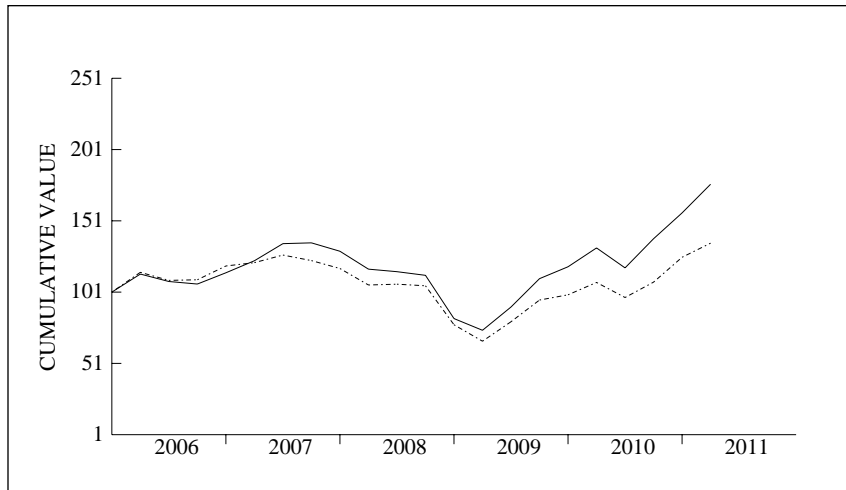
	LAST QUARTER	PERIOD 12/05 - 3/11
BEGINNING VALUE	\$ 9,159,433	\$ 6,026,015
NET CONTRIBUTIONS	-285,000	-745,000
<u>INVESTMENT RETURN</u>	<u>1,163,180</u>	<u>4,756,598</u>
ENDING VALUE	\$ 10,037,613	\$ 10,037,613
INCOME	7,272	237,631
CAPITAL GAINS (LOSSES)	<u>1,155,908</u>	<u>4,518,967</u>
INVESTMENT RETURN	1,163,180	4,756,598

**ASSET ALLOCATION**



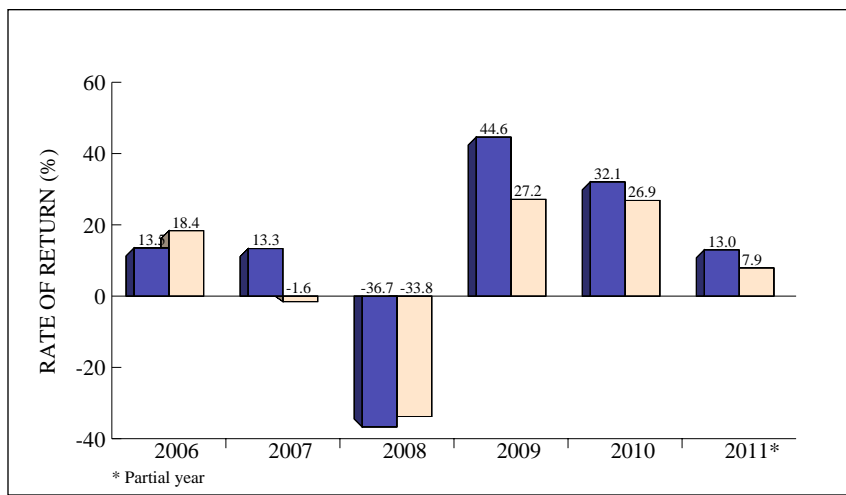
	<u>VALUE</u>	<u>PERCENT</u>
DOMESTIC EQUITY	\$ 9,726,841	96.9%
CASH & EQUIVALENT	310,772	3.1%
<u>TOTAL FUND</u>	<u>\$ 10,037,613</u>	<u>100.0%</u>

**TOTAL RETURN COMPARISONS**



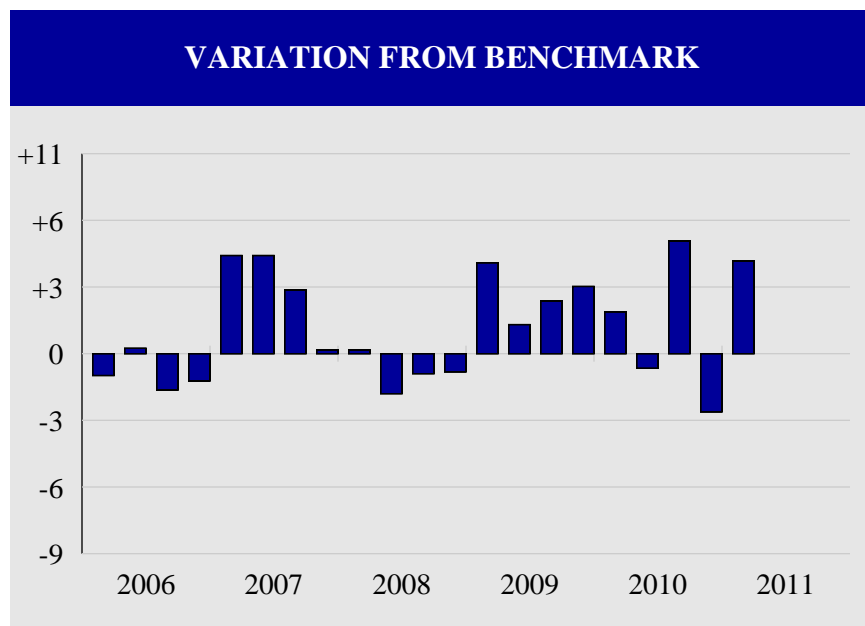
■ ——— PORTFOLIO  
■ - - - - RUSSELL 2000

Small Cap Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	13.0	27.8	50.2	34.1	14.8	9.3
(RANK)	(6)	(34)	(9)	(14)	(9)	(6)
5TH %ILE	13.2	34.4	52.6	39.4	15.1	9.4
25TH %ILE	9.8	28.9	43.8	31.1	12.3	6.9
MEDIAN	8.5	25.8	39.8	27.1	10.2	5.4
75TH %ILE	7.3	24.0	36.1	24.1	8.3	3.6
95TH %ILE	4.5	19.7	30.6	17.7	4.8	1.6
<b>Russell 2000</b>	<b>7.9</b>	<b>25.5</b>	<b>39.6</b>	<b>25.8</b>	<b>8.6</b>	<b>3.3</b>

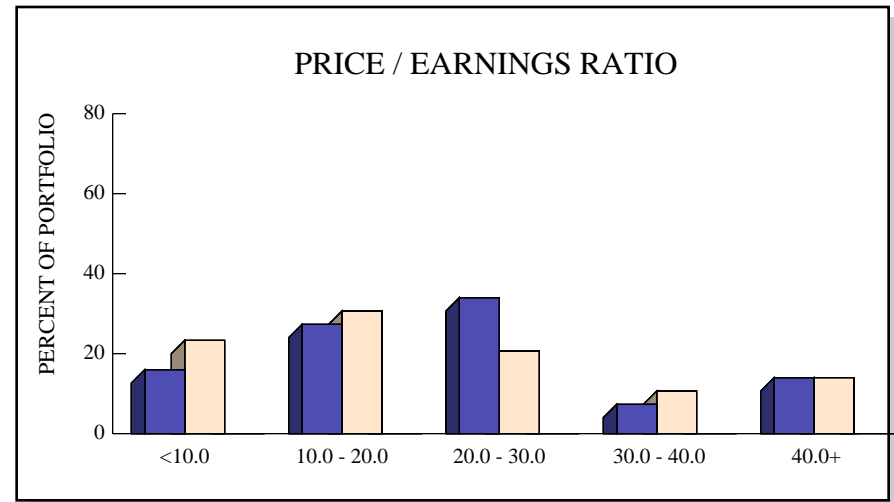
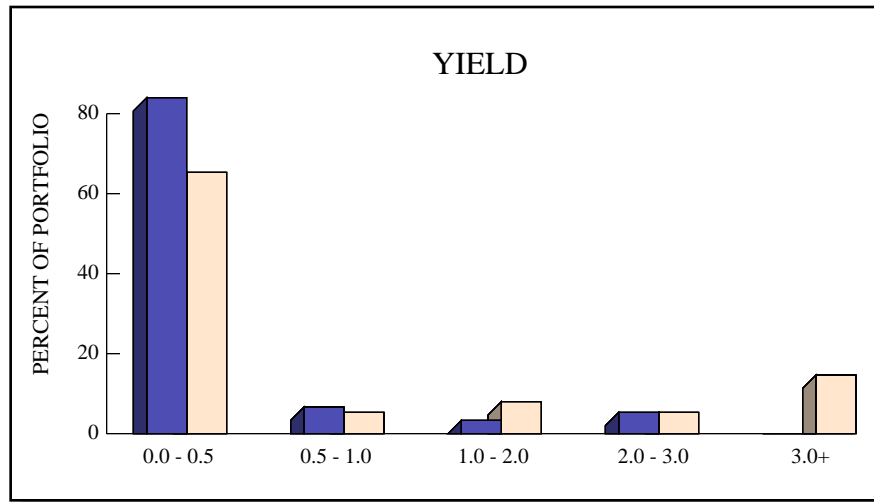
Small Cap Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: RUSSELL 2000**

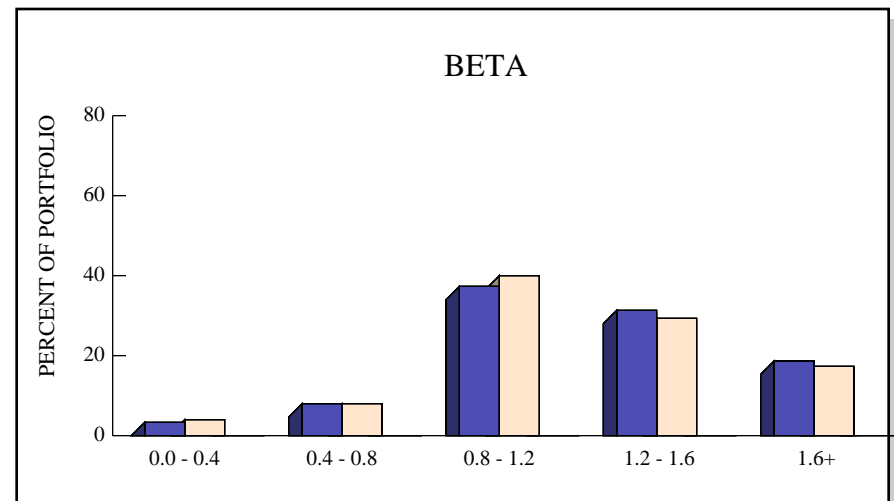
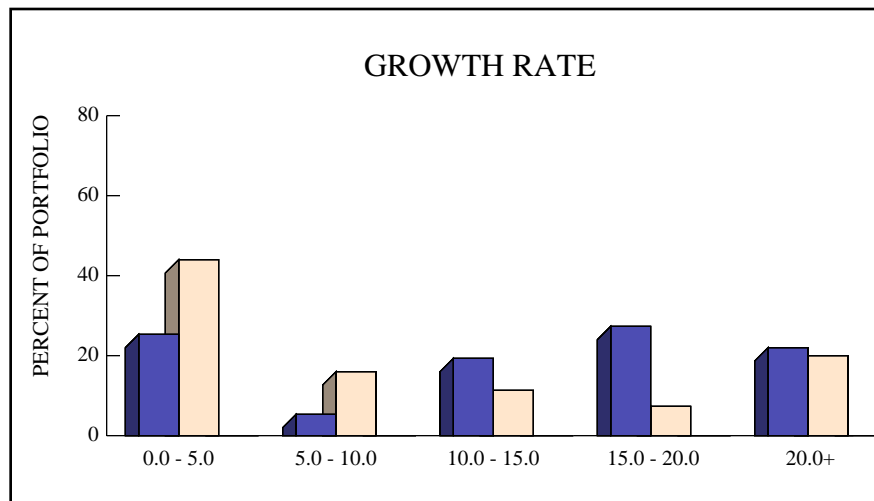
<b>Total Quarters Observed</b>	<b>21</b>
<b>Quarters At or Above the Benchmark</b>	<b>13</b>
<b>Quarters Below the Benchmark</b>	<b>8</b>
<b>Batting Average</b>	<b>.619</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/06	12.7	13.9	-1.2
6/06	-4.7	-5.0	0.3
9/06	-1.6	0.4	-2.0
12/06	7.4	8.9	-1.5
3/07	7.4	2.0	5.4
6/07	9.8	4.4	5.4
9/07	0.4	-3.1	3.5
12/07	-4.4	-4.6	0.2
3/08	-9.7	-9.9	0.2
6/08	-1.6	0.6	-2.2
9/08	-2.2	-1.1	-1.1
12/08	-27.1	-26.1	-1.0
3/09	-10.0	-15.0	5.0
6/09	22.3	20.7	1.6
9/09	22.2	19.3	2.9
12/09	7.6	3.9	3.7
3/10	11.2	8.9	2.3
6/10	-10.7	-9.9	-0.8
9/10	17.5	11.3	6.2
12/10	13.1	16.3	-3.2
3/11	13.0	7.9	5.1

**STOCK CHARACTERISTICS**

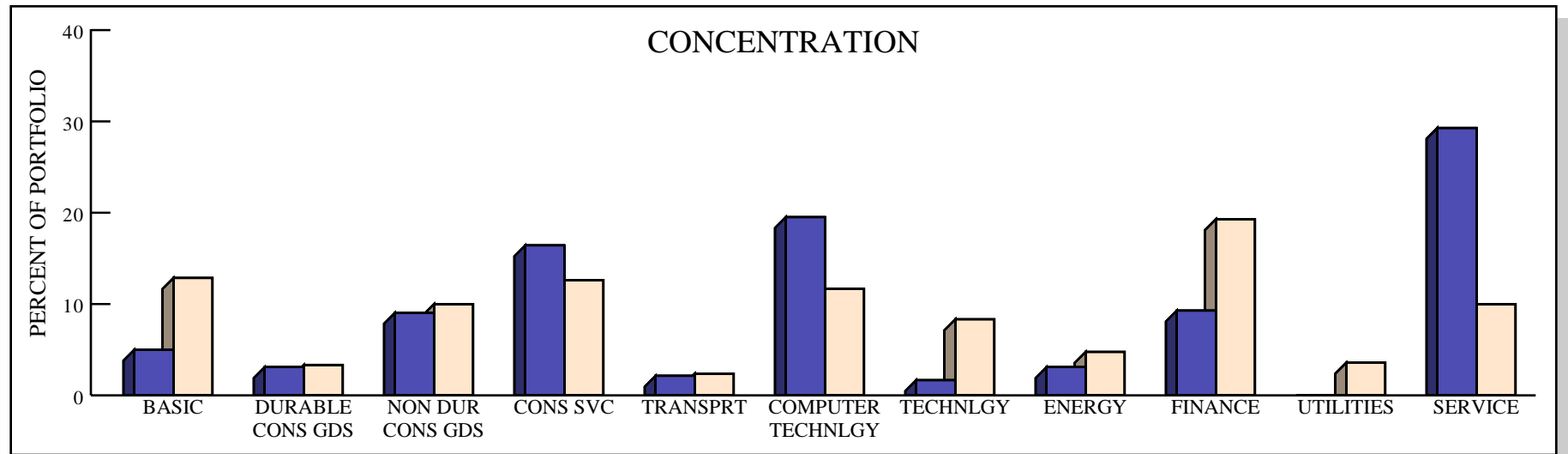


	YIELD	GROWTH	P/E	BETA
PORTFOLIO	0.3%	14.7%	24.0	1.22
RUSSELL 2000	1.2%	6.4%	19.6	1.22

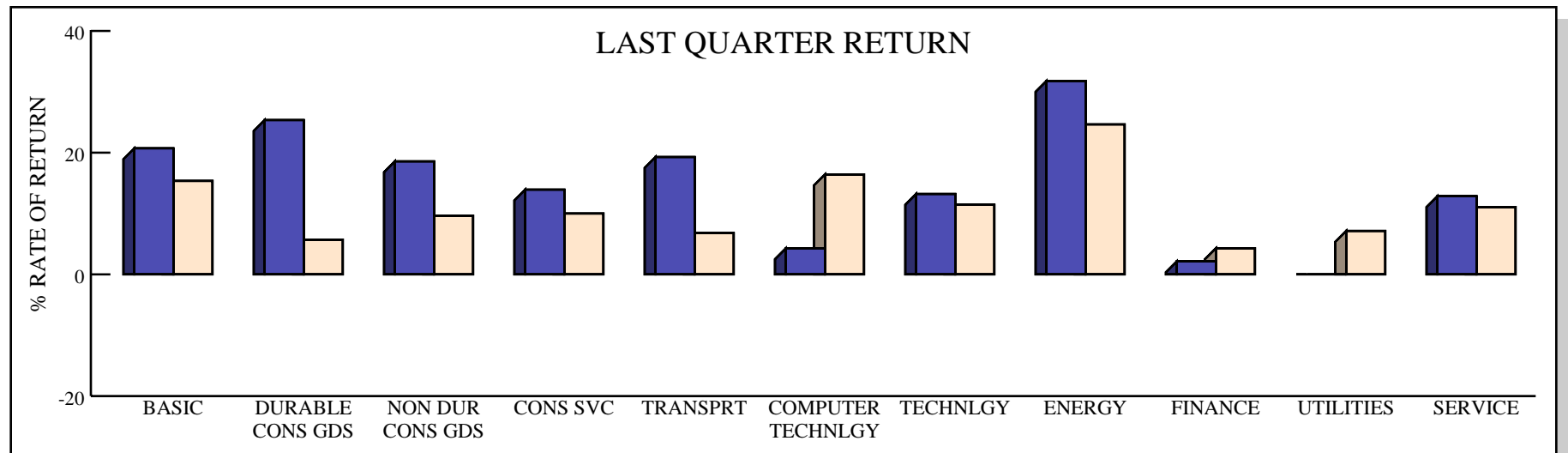




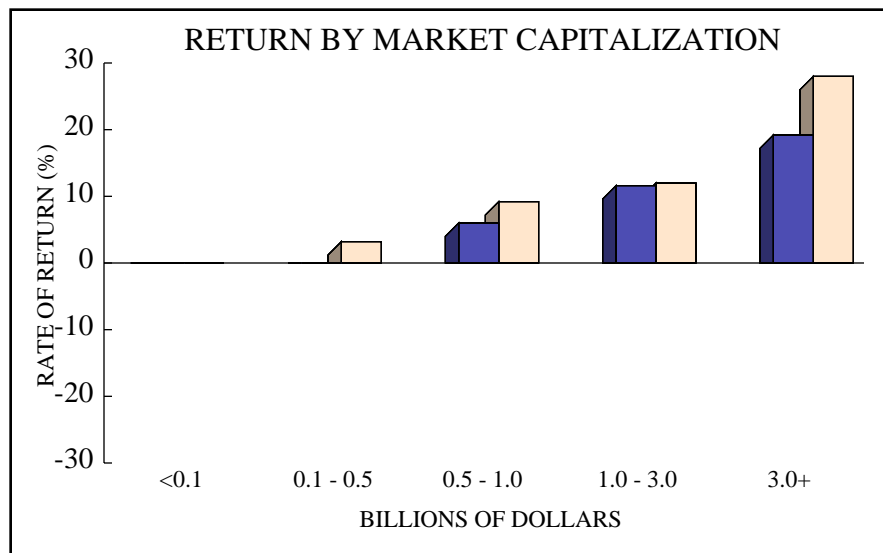
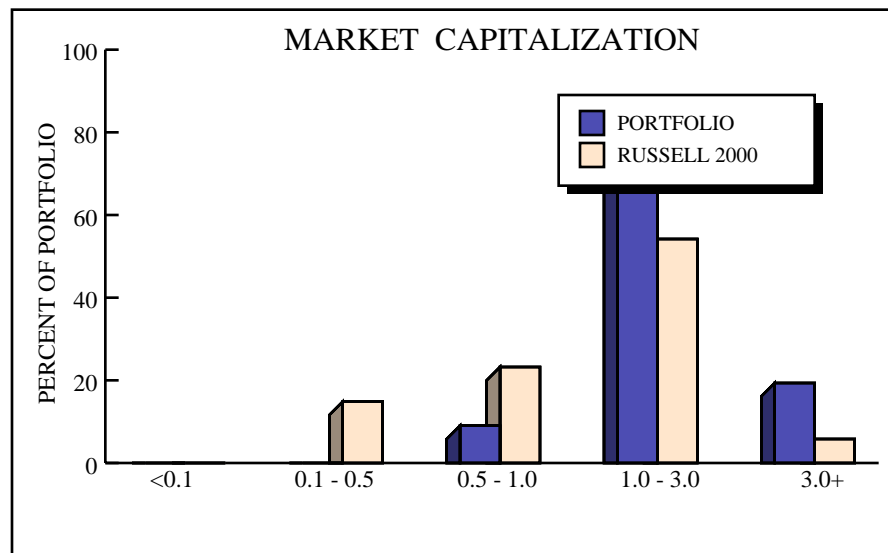
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL 2000



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	SHUTTERFLY INC	\$ 440,348	4.53%	49.5%	Service	\$ 1.5 B
2	WRIGHT EXPRESS CORP	385,690	3.97%	12.7%	Service	2.0 B
3	INTERFACE INC-CLASS A	381,818	3.93%	18.2%	NonDur Cons Goods	1.1 B
4	FIRST AMERICAN FINANCIAL	349,965	3.60%	10.7%	Finance	1.7 B
5	MAXIMUS INC	340,914	3.50%	24.0%	Service	1.4 B
6	PROGRESS SOFTWARE CORP	331,917	3.41%	3.1%	Computer Tech	1.9 B
7	COSTAR GROUP INC	329,070	3.38%	8.9%	Service	1.3 B
8	AMERIGROUP CORP	325,748	3.35%	46.3%	Consumer Service	3.2 B
9	HEALTHSOUTH CORP	323,741	3.33%	20.6%	Consumer Service	2.3 B
10	KNOLL INC	319,221	3.28%	25.5%	Durable Cons Goods	1.0 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
PRIT CORE REAL ESTATE  
PERFORMANCE REVIEW  
MARCH 2011

## **INVESTMENT RETURN**

On March 31st, 2011, the Franklin Regional Retirement System's PRIT Core Real Estate portfolio was valued at \$1,361,220, representing an increase of \$53,976 from the December quarter's ending value of \$1,307,244. Last quarter, the Fund posted withdrawals totaling \$1,759, which partially offset the portfolio's net investment return of \$55,735. Income receipts totaling \$16,943 plus net realized and unrealized capital gains of \$38,792 combined to produce the portfolio's net investment return.

For the cumulative period since September 2010, the fund has recorded net withdrawals totaling \$3,457 and posted net investment gains of \$117,105. For the period since September 2010, if the total fund had returned a compounded nominal rate of 8.0% it would have been valued at \$1.3 million or \$68,201 less than the actual value as of March 31st, 2011.

## **RELATIVE PERFORMANCE**

In the first quarter, the PRIT Core Real Estate portfolio gained 4.3%, which was 0.3% greater than the NCREIF NFI-ODCE Index's return of 4.0%.

## **ASSET ALLOCATION**

This portfolio was fully invested in the PRIT Core Real Estate Fund at the end of the quarter.

**EXECUTIVE SUMMARY****PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	3 Years*	Since 9/2010
<b>Total Portfolio</b>	4.3	4.3	----	----	9.4
NCREIF ODCE	4.0	4.0	20.2	-8.9	9.2
<b>Real Estate</b>	4.3	4.3	----	----	9.4
NCREIF ODCE	4.0	4.0	20.2	-8.9	9.2

\* Annualized Return

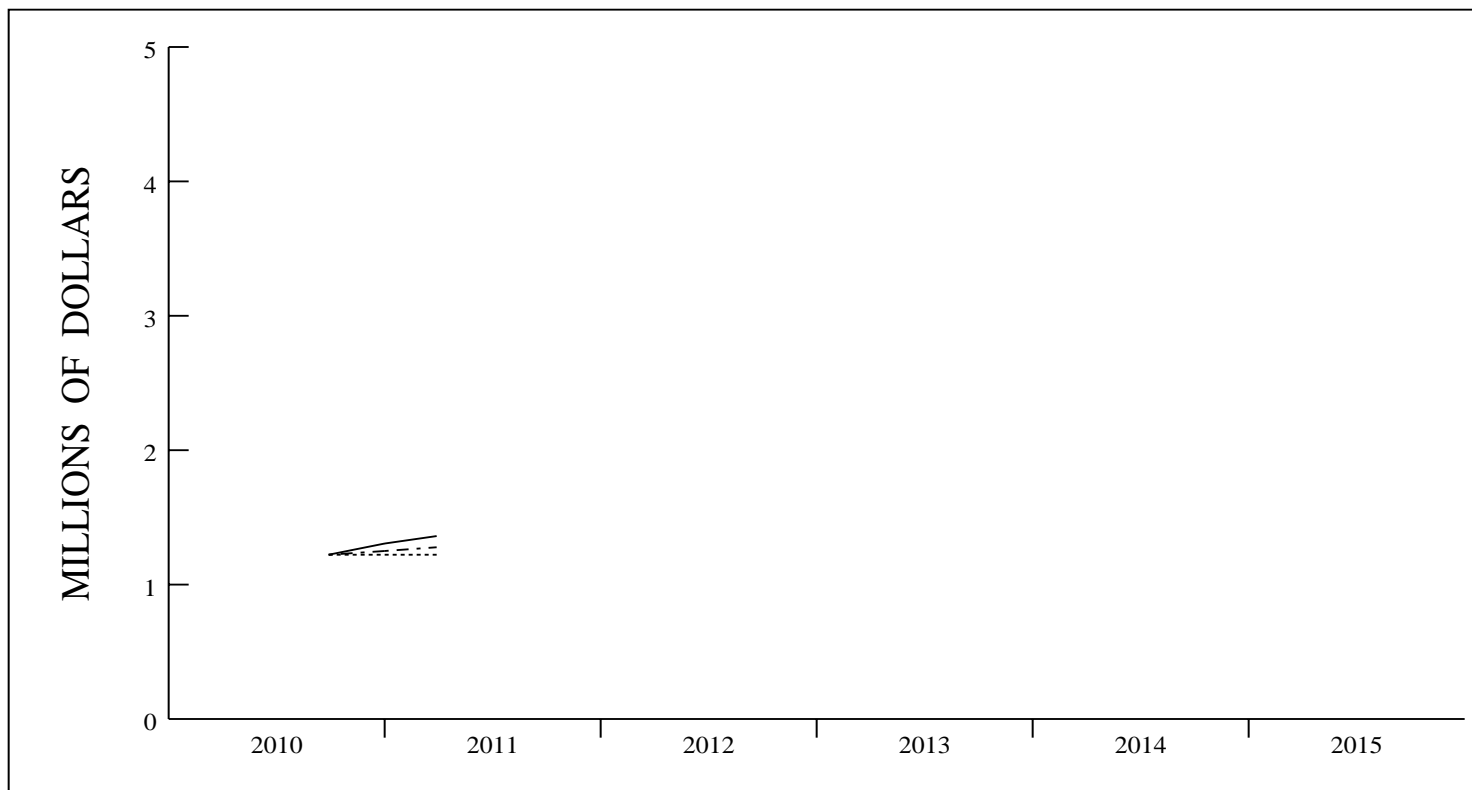
**ASSET ALLOCATION**

Real Estate	100.0%	\$ 1,361,220
Total Portfolio	100.0%	\$ 1,361,220

**INVESTMENT RETURN**

Market Value 12/2010	\$ 1,307,244
Contribs / Withdrawals	- 1,759
Income	16,943
Capital Gains / Losses	38,792
Market Value 3/2011	\$ 1,361,220

**INVESTMENT GROWTH**



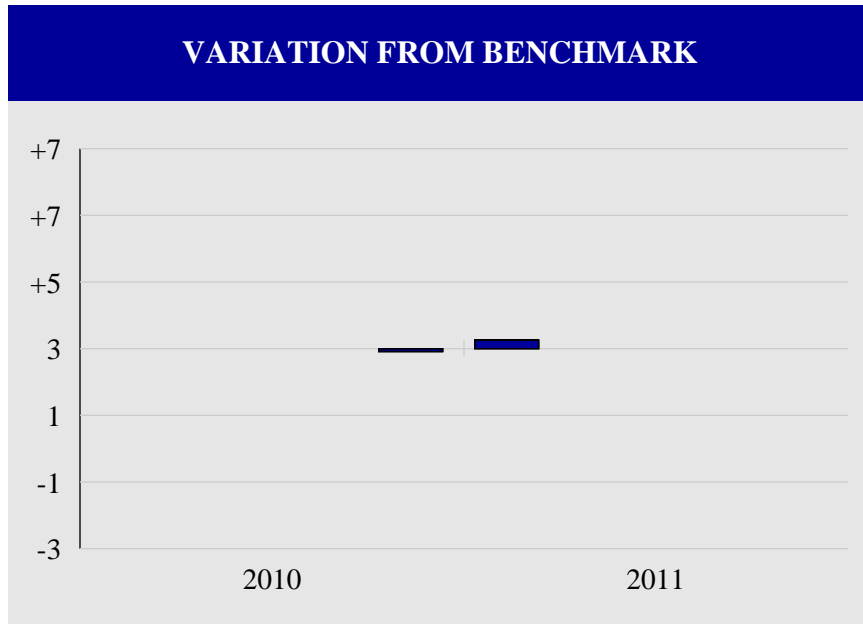
————	ACTUAL RETURN
-----	8.0%
.....	0.0%

VALUE ASSUMING 8.00% RETURN
\$ 1,293,019

	LAST QUARTER	PERIOD 9/10 - 3/11
BEGINNING VALUE	\$ 1,307,244	\$ 1,247,572
NET CONTRIBUTIONS	- 1,759	- 3,457
INVESTMENT RETURN	55,735	117,105
ENDING VALUE	\$ 1,361,220	\$ 1,361,220
INCOME	16,943	36,647
CAPITAL GAINS (LOSSES)	38,792	80,458
INVESTMENT RETURN	55,735	117,105

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

**COMPARATIVE BENCHMARK: NCREIF NFI-ODCE INDEX**



RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
12/10	4.9	5.0	-0.1
3/11	4.3	4.0	0.3

<b>Total Quarters Observed</b>	<b>2</b>
<b>Quarters At or Above the Benchmark</b>	<b>1</b>
<b>Quarters Below the Benchmark</b>	<b>1</b>
<b>Batting Average</b>	<b>.500</b>

FRANKLIN REGIONAL RETIREMENT SYSTEM  
PRUDENTIAL PRISA FUND  
PERFORMANCE REVIEW  
MARCH 2011



## **INVESTMENT RETURN**

On March 31st, 2011, the Franklin Regional Retirement System's Prudential Prisa Fund was valued at \$2,070,729, a decrease of \$539,043 from the December ending value of \$2,609,772. Last quarter, the account recorded a net withdrawal of \$684,495, which overshadowed the fund's net investment return of \$145,452. Income receipts totaling \$35,566 and realized and unrealized capital gains of \$109,886 combined to produce the portfolio's net investment return.

Since December 2005, the account has recorded net withdrawals totaling \$821,333, while posting net investment losses totaling \$90,017. Since December 2005, if the account had earned a compounded nominal rate of 8.0% it would have been valued at \$3.6 million or \$1.6 million more than the actual value as of March 31st, 2011.

## **RELATIVE PERFORMANCE**

For the first quarter, the Prudential Prisa Fund returned 5.6%, which was 1.6% above the NCREIF NFI-ODCE Index's return of 4.0%. Over the trailing year, the portfolio returned 25.3%, which was 5.1% above the benchmark's 20.2% return. Since December 2005, the portfolio returned -0.5% on an annualized basis, while the NCREIF NFI-ODCE Index returned an annualized 0.6% over the same period.

## **ASSET ALLOCATION**

This account was fully invested in the PRISA fund.

**EXECUTIVE SUMMARY****PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2005
<b>Total Portfolio</b>	5.6	5.6	25.3	-10.8	-0.5
NCREIF ODCE	4.0	4.0	20.2	-8.9	0.6
<b>Real Estate</b>	5.6	5.6	25.3	-10.8	-0.5
NCREIF ODCE	4.0	4.0	20.2	-8.9	0.6

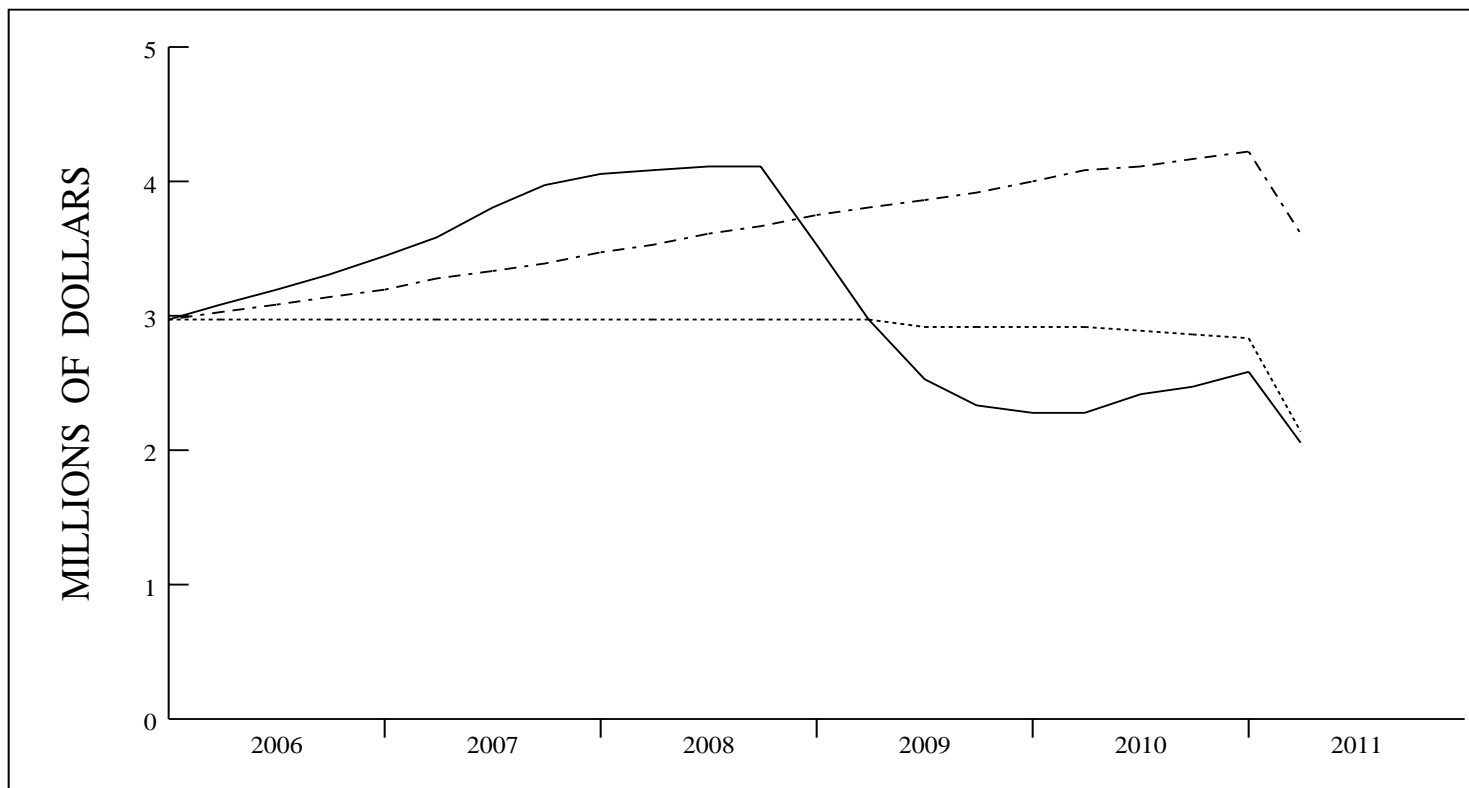
**ASSET ALLOCATION**

Real Estate	100.0%	\$ 2,070,729
Total Portfolio	100.0%	\$ 2,070,729

**INVESTMENT RETURN**

Market Value 12/2010	\$ 2,609,772
Contribs / Withdrawals	-684,495
Income	35,566
Capital Gains / Losses	109,886
Market Value 3/2011	\$ 2,070,729

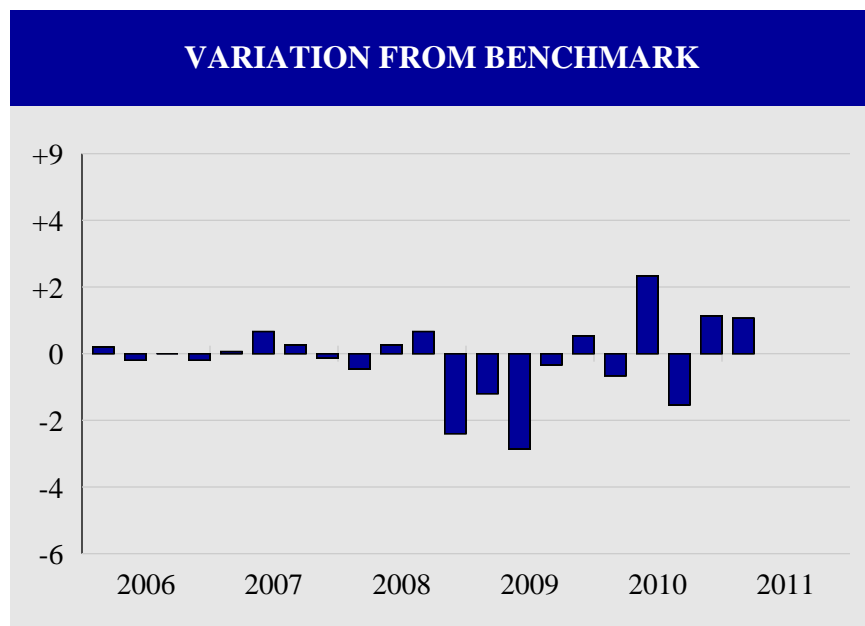
**INVESTMENT GROWTH**



— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

VALUE ASSUMING  
 8.00% RETURN  
 \$ 3,635,391

	LAST QUARTER	PERIOD 12/05 - 3/11
BEGINNING VALUE	\$ 2,609,772	\$ 2,982,079
NET CONTRIBUTIONS	-684,495	-821,333
INVESTMENT RETURN	145,452	-90,017
ENDING VALUE	\$ 2,070,729	\$ 2,070,729
INCOME	35,566	819,215
CAPITAL GAINS (LOSSES)	109,886	-909,232
INVESTMENT RETURN	145,452	-90,017

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: NCREIF NFI-ODCE INDEX**

<b>Total Quarters Observed</b>	<b>21</b>
<b>Quarters At or Above the Benchmark</b>	<b>11</b>
<b>Quarters Below the Benchmark</b>	<b>10</b>
<b>Batting Average</b>	<b>.524</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/06	4.1	3.8	0.3
6/06	3.7	4.0	-0.3
9/06	3.5	3.5	0.0
12/06	3.8	4.1	-0.3
3/07	4.0	3.9	0.1
6/07	6.1	5.1	1.0
9/07	4.4	4.0	0.4
12/07	1.9	2.1	-0.2
3/08	0.7	1.4	-0.7
6/08	0.7	0.3	0.4
9/08	0.4	-0.6	1.0
12/08	-14.5	-10.9	-3.6
3/09	-15.5	-13.7	-1.8
6/09	-13.3	-9.0	-4.3
9/09	-7.8	-7.3	-0.5
12/09	-2.7	-3.5	0.8
3/10	-0.2	0.8	-1.0
6/10	7.9	4.4	3.5
9/10	3.1	5.4	-2.3
12/10	6.7	5.0	1.7
3/11	5.6	4.0	1.6

FRANKLIN REGIONAL RETIREMENT SYSTEM  
INCOME RESEARCH & MANAGEMENT  
PERFORMANCE REVIEW  
MARCH 2011

## **INVESTMENT RETURN**

On March 31st, 2011, the Franklin Regional Retirement System's Income Research & Management portfolio was valued at \$8,935,506, representing an increase of \$66,175 from the December quarter's ending value of \$8,869,331. Last quarter, the Fund posted no net contributions or withdrawals, while posting \$66,175 in net investment returns. Since there were no income receipts for the first quarter, the portfolio's net investment return was the result of net realized and unrealized capital gains totaling \$66,175.

For the cumulative period since December 2005, the portfolio has posted net withdrawals totaling \$5.4 million and recorded net investment gains totaling \$2.7 million. For the period since December 2005, if the fund had returned a compounded nominal rate of 8.0% it would have been valued at \$10.3 million or \$1.4 million more than the actual value as of March 31st, 2011.

## **RELATIVE PERFORMANCE**

For the first quarter, the Income Research & Management portfolio returned 0.7%, which was 0.3% greater than the Barclays Aggregate Index's return of 0.4% and ranked in the 50th percentile of the Core Fixed Income universe. Over the trailing year, this portfolio returned 5.5%, which was 0.4% above the benchmark's 5.1% return, ranking in the 60th percentile. Since December 2005, the account returned 6.1% on an annualized basis and ranked in the 49th percentile. For comparison, the Barclays Aggregate Index returned an annualized 5.6% over the same time frame.

## **ASSET ALLOCATION**

The portfolio was fully invested in the IR&M Core Bond Fund at the end of the quarter.

## **ANALYSIS**

At the end of the quarter, USG rated securities comprised approximately 30% of the bond portfolio, while corporate securities, rated AAA through BBB, made up the remainder, giving the bond portfolio an overall average quality rating of AAA-AA. The average maturity of the portfolio was 11.0 years, significantly longer than the Barclays Aggregate Index's 7.3-year maturity. The average coupon was 5.0%.

**EXECUTIVE SUMMARY****PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2005
<b>Total Portfolio</b>	0.7	0.7	5.5	6.4	6.1
<i>CORE FIXED INCOME RANK</i>	(50)	(50)	(60)	(46)	(49)
BARCLAYS AGG	0.4	0.4	5.1	5.3	5.6
<b>Fixed Income</b>	0.7	0.7	5.5	6.4	6.1
<i>CORE FIXED INCOME RANK</i>	(50)	(50)	(60)	(44)	(46)
BARCLAYS AGG	0.4	0.4	5.1	5.3	5.6
GOV/CREDIT	0.3	0.3	5.3	4.8	5.3

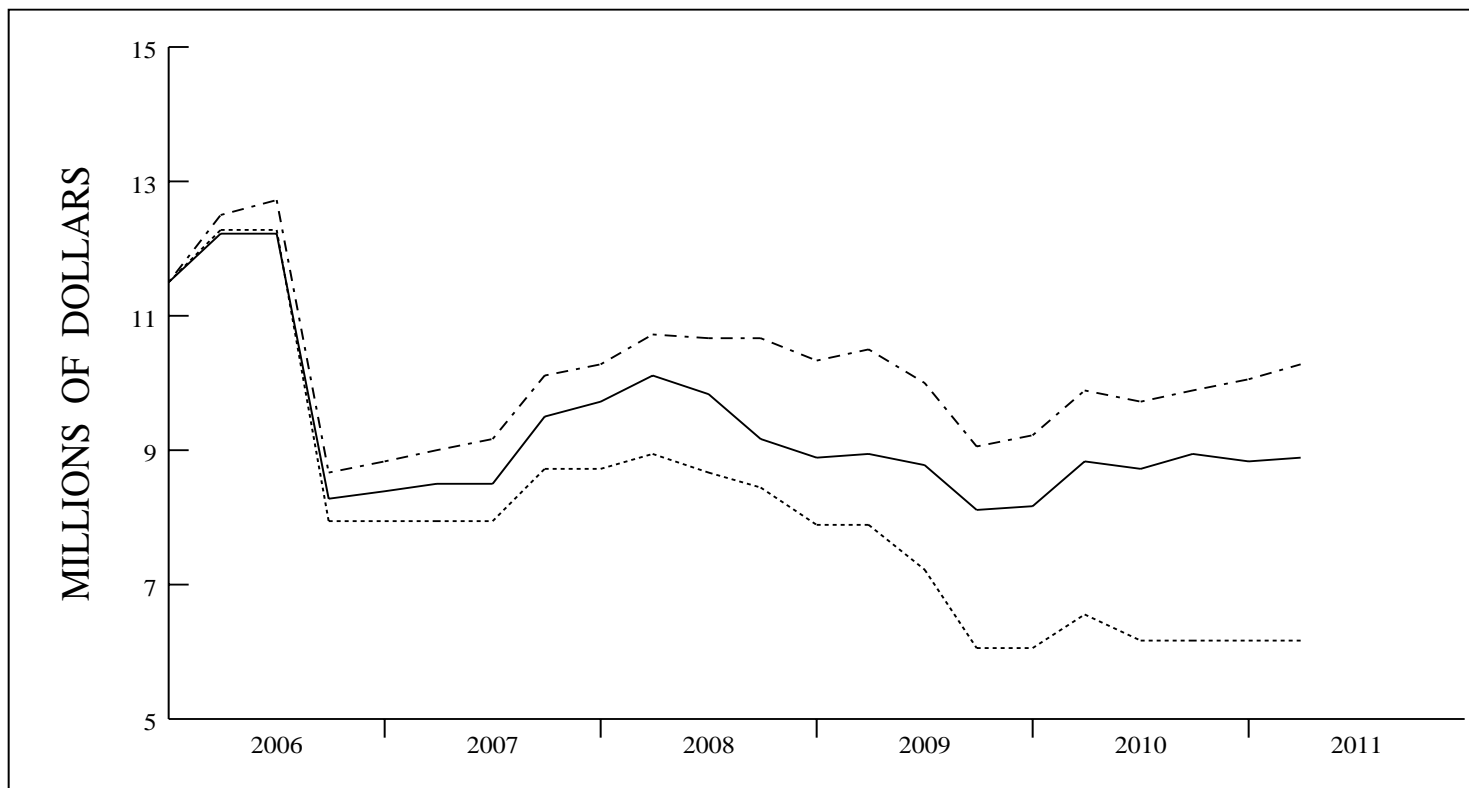
**ASSET ALLOCATION**

Fixed Income	100.0%	\$ 8,935,506
Total Portfolio	100.0%	\$ 8,935,506

**INVESTMENT RETURN**

Market Value 12/2010	\$ 8,869,331
Contribs / Withdrawals	0
Income	0
Capital Gains / Losses	66,175
Market Value 3/2011	\$ 8,935,506

**INVESTMENT GROWTH**



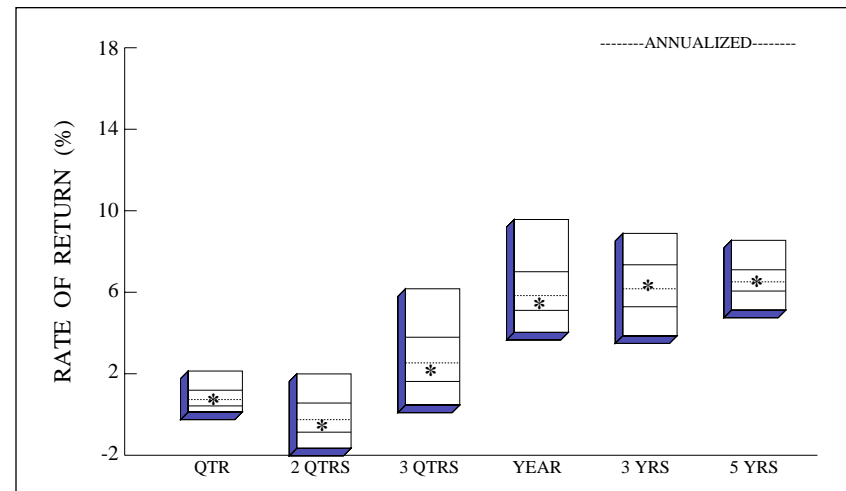
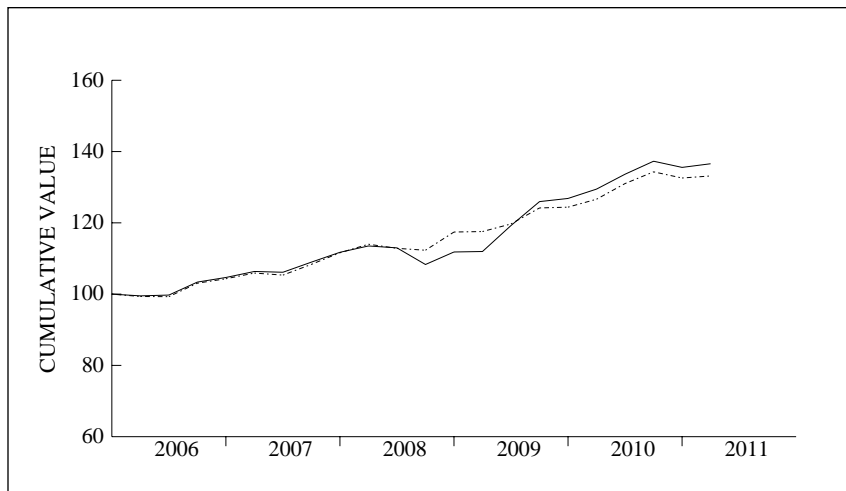
— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

VALUE ASSUMING  
 8.00% RETURN  
 \$ 10,328,100

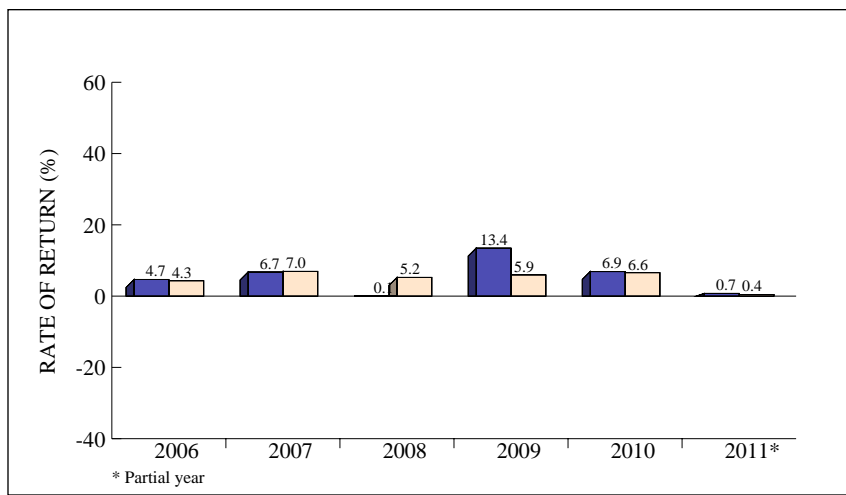
	LAST QUARTER	PERIOD 12/05 - 3/11
BEGINNING VALUE	\$ 8,869,331	\$ 11,549,490
NET CONTRIBUTIONS	0	- 5,359,000
<u>INVESTMENT RETURN</u>	<u>66,175</u>	<u>2,745,016</u>
ENDING VALUE	\$ 8,935,506	\$ 8,935,506
INCOME	0	121
<u>CAPITAL GAINS (LOSSES)</u>	<u>66,175</u>	<u>2,744,895</u>
INVESTMENT RETURN	66,175	2,745,016



**TOTAL RETURN COMPARISONS**

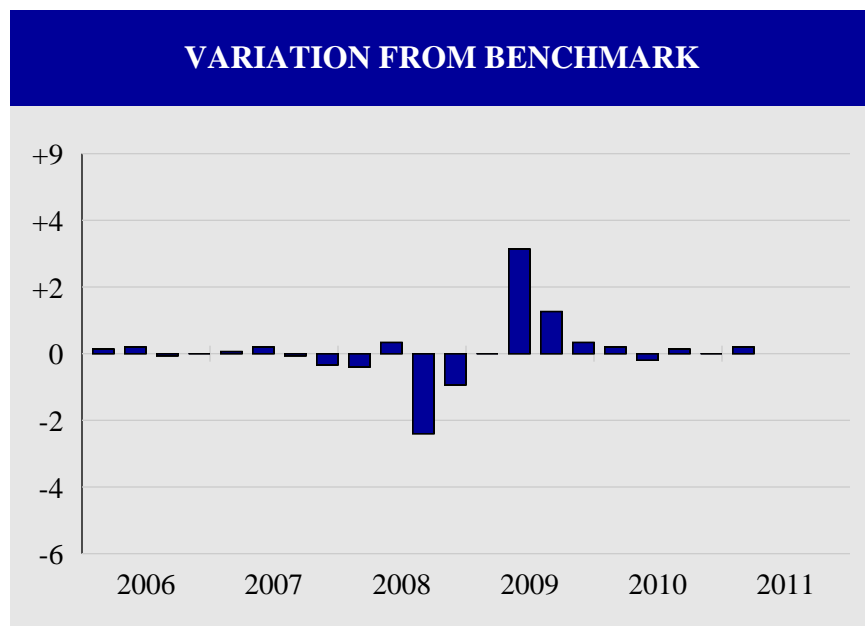


Core Fixed Income Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	0.7	-0.5	2.2	5.5	6.4	6.5
(RANK)	(50)	(58)	(61)	(60)	(46)	(48)
5TH %ILE	2.1	2.0	6.2	9.6	8.9	8.6
25TH %ILE	1.2	0.6	3.8	7.0	7.4	7.1
MEDIAN	0.7	-0.3	2.5	5.8	6.2	6.5
75TH %ILE	0.4	-0.9	1.6	5.1	5.3	6.1
95TH %ILE	0.1	-1.7	0.5	4.0	3.9	5.1
<b>Barclays Agg</b>	<b>0.4</b>	<b>-0.9</b>	<b>1.6</b>	<b>5.1</b>	<b>5.3</b>	<b>6.0</b>

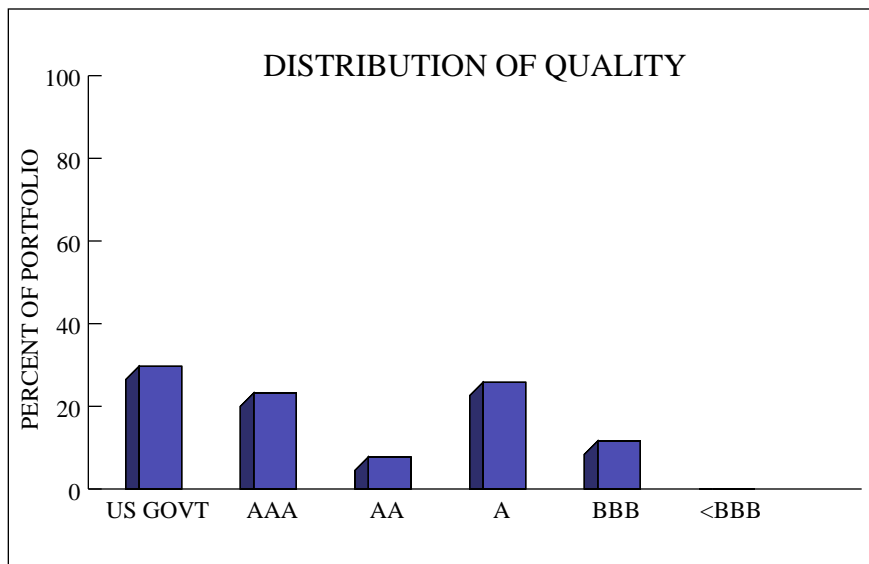
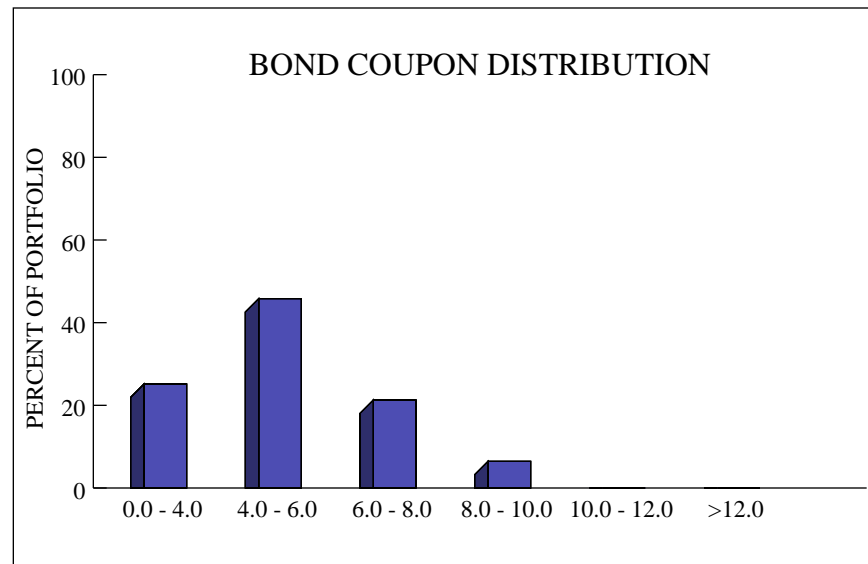
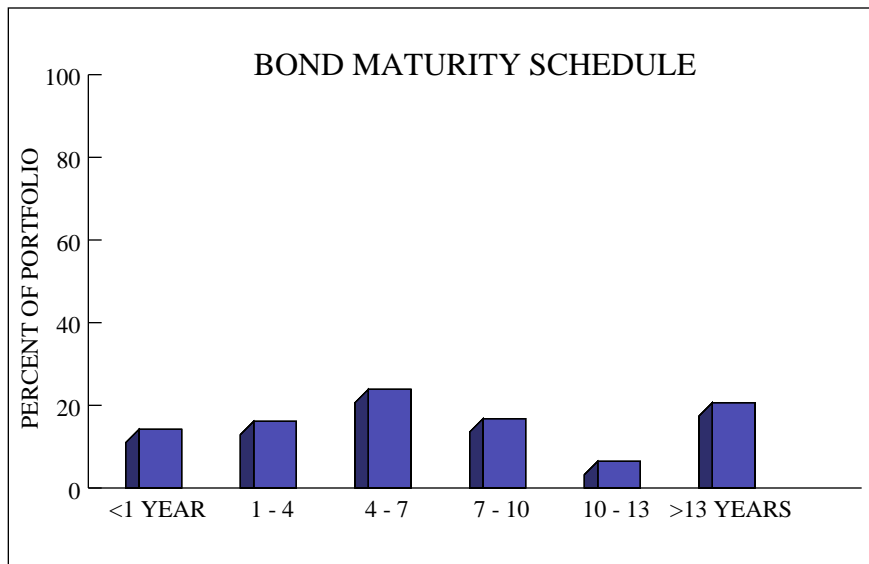
Core Fixed Income Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: BARCLAYS AGGREGATE INDEX**

<b>Total Quarters Observed</b>	<b>21</b>
<b>Quarters At or Above the Benchmark</b>	<b>14</b>
<b>Quarters Below the Benchmark</b>	<b>7</b>
<b>Batting Average</b>	<b>.667</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/06	-0.5	-0.7	0.2
6/06	0.2	-0.1	0.3
9/06	3.7	3.8	-0.1
12/06	1.2	1.2	0.0
3/07	1.6	1.5	0.1
6/07	-0.2	-0.5	0.3
9/07	2.7	2.8	-0.1
12/07	2.5	3.0	-0.5
3/08	1.6	2.2	-0.6
6/08	-0.5	-1.0	0.5
9/08	-4.1	-0.5	-3.6
12/08	3.2	4.6	-1.4
3/09	0.1	0.1	0.0
6/09	6.5	1.8	4.7
9/09	5.6	3.7	1.9
12/09	0.7	0.2	0.5
3/10	2.1	1.8	0.3
6/10	3.2	3.5	-0.3
9/10	2.7	2.5	0.2
12/10	-1.3	-1.3	0.0
3/11	0.7	0.4	0.3

**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>BARCLAYS AGG</b>
No. of Securities	165	7,989
Duration	6.35	5.12
YTM	4.22	3.08
Average Coupon	4.96	4.20
Avg Maturity / WAL	10.96	7.25
Average Quality	AAA-AA	USG-AAA