

**FRANKLIN REGIONAL RETIREMENT SYSTEM**

**PERFORMANCE REVIEW  
JUNE 2011**

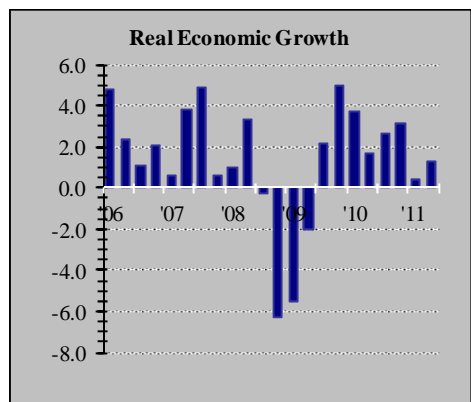


## ECONOMIC ENVIRONMENT

### Still no Jobs

The US economic expansion continued through the first half of the year but at a slower pace than had been experienced in 2010. While the industrial sector continued to expand, housing languished and consumers found themselves spending more on gas and food.

First quarter 2011 GDP (latest available) grew at a 0.4% annual rate, far slower than the prior quarter's 3.1%. The second quarter is predicted to be a bit better, with recent estimates of 2.8% being revised downwards to 1.3%.



Industrial production increased at a 0.8% annualized rate during the quarter. While positive, overall production suffered significantly from the supply chain disruptions in Japan. The Japanese earthquake and tsunami had a decidedly negative effect, hindering new car manufacturing, in particular.

On the plus side, total production was 3.4% above last year's level. Further, capacity utilization was close to 77% or two percentage points above last year's reading. As a result, the overall economy advanced for the 25<sup>th</sup> consecutive month.

The employment situation, however, was another story. After falling to 8.8% last April, the unemployment rate climbed to 9.2% by June. The June report for non-farm new jobs was a very disappointingly low 18,000. This drop compounded the weak May figure of 54,000. The economy needs to add roughly 150,000 new jobs each month to prevent higher unemployment. (The New York Times recently noted that the

“real” unemployment level is over 16% or 14.1 million. This includes those who can only find part-time work as well as those who have stopped looking.) There are three key reasons for the eroding picture: 1) significant layoffs by federal, state and local governments around the country; 2) the fact that small and especially large employers would rather pay for overtime than hire new staff; and 3) further layoffs in the construction, finance and temporary services industries.

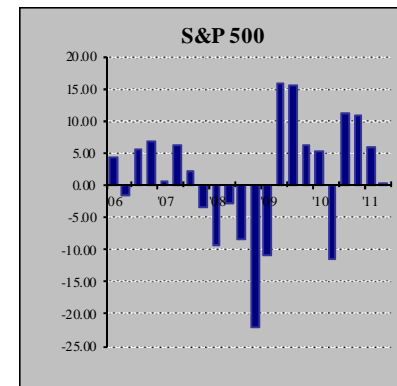
Housing figures offered no promise for relief. The activity levels of existing home sales and new home starts remained historically depressed despite record affordability and absolutely low mortgage rates available to creditworthy borrowers.

Headline CPI fell an annualized 0.2% in June due to lower oil prices and somewhat moderating food costs. By comparison, core CPI (excluding food and energy) increased 0.3% in May and again in June. This brought the 12-month increase to 1.6%.

## EQUITY MARKET

### Back and Forth and Back Again

The US equity markets were essentially flat during the quarter. However, looking closer the markets were up in April, down in May and volatile in June. Three factors contributed to the May pullback: a softening domestic economy, issues concerning the euro (especially in Greece) and a slowing economic pace in China. The range of returns among most indices was narrow. Daily volatility seemed to hinge upon the perception of the likelihood of Greek default and its impact on global banking.



While REITs (effectively small cap value stocks) scored the best returns (+2.9%) in the second quarter, the Russell Microcap Index scored the lowest (-3.5%). In between, the S&P 500 was essentially flat (+0.1%) and the Russell 2000 Index lost 1.6%. Larger-sized companies fared better than their smaller counterparts, as investors sought greater liquidity. Growth bested value as the Russell 1000 Growth Index returned +0.8% and the Russell 1000 Value fell 0.5%. Traditional defensive S&P sectors took the lead after lagging for several quarters. Non-Durable Consumer Goods and Consumer Services gained 7.0% and 5.0%, respectively. The Utility sector surged 4.6%, helped by hefty dividend rates. REITs advanced again, thanks to decent dividends, improving balance sheets and the perception that commercial real estate would outperform its residential counterpart. By contrast, Energy stocks took a 4.7% pounding, followed closely by a 4.5% decline in Finance. Energy names suffered from lower overseas demand and increased supply via the Strategic Reserve. Financial stocks were hampered by fallout from new consumer financial regulations and consumer mortgage suits. Basic industry stocks, including metals and mining, also declined, losing 3.1%.

The S&P dividend rate held steady at 1.8% due mainly to a flat market quarter. Its P/E ratio changed only nominally to 18.6 times for the same reason. 75.3% of the 500 names had P/E ratios below 20, suggesting that the market was not running out of steam.

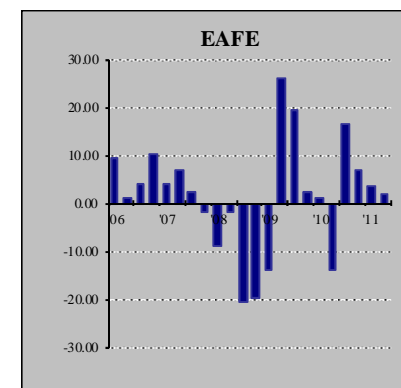
## INTERNATIONAL EQUITIES

### Not Bad Given the Euro Crisis

Overall, offshore market results were much the same as they were in the US. MSCI EAFE Index returned +1.8%. Within Europe, investors decidedly favored countries with solid, growing economies. For example, the Germany index component rose 7.0% and France was up 5.3%. UK results were similar to EAFE, gaining a modest 1.7%. One of the best performers was Switzerland (+7.3%), as the Swiss franc

appreciated relative to the Euro. Three of the five PIIGS also did relatively well. Ireland gained 7.6%, Spain 2.1% and Portugal 1.5%. Arguably, Ireland was already implementing its belt tightening program and both Spain and Portugal appeared to be in better shape than Greece. On the other hand, Italy's finances seemed shaky, helping to cut 1.8% from its stock index. Predictably, the most dramatic decline belonged to Greece, whose index plummeted 16.3%.

In Asia, the Japanese stock market posted a nominal 0.2% return. That figure was a positive surprise was that the return since the country was still dealing with the March earthquake and tsunami. Australia, a large raw materials source for China, lost 0.6% due to drought and reduced Chinese demand for its exports. Hong Kong (China itself is not part of EAFE) dropped 1.0%, while Singapore, an economic powerhouse, added 2.0%.



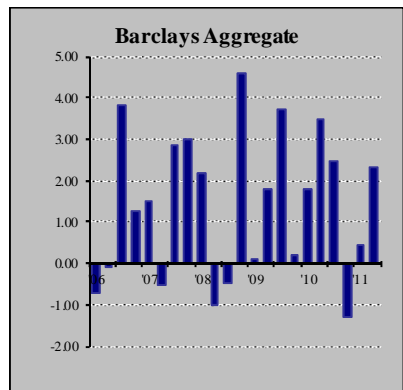
The strongest EAFE sectors mirrored the performance of their domestic equivalents. Investors exhibited a defensive bias sending both consumer staples and consumer discretionary up 7% and healthcare up 9%; the consumer discretionary performance reflected auto demand. Other sectors had close to breakeven performance. The exception was energy, which slid 3%.

Emerging market performance continued its temporary fall from grace after phenomenal 2009-2010 gains. For the quarter, the MSCI EM Index declined 1.0%. Among the disappointments were the BRICs: Brazil lost 4.0%; Russia fell 5.4%; India dropped 3.6%; and that global giant China dipped 1.8%. Rising inflation, oil prices and central bank tightening contributed to investor concerns. Other Asian countries had much better showings. Malaysia was up 3.6%; Indonesia rose 8.0% and the Philippines advanced 3.3%. Korea was in positive territory, but gained a more modest 0.9%.

While not a large segment of the market, Middle East country markets were in play, concurrent with the changes wrought by the “Arab Spring”. Yet the losses were all contained compared to the prior quarter. Turkey lost the most (-3.9%) and Egypt and Morocco were each down 1.2%. South Africa, a partially mining-based economy, lost 2.0%. In Latin America, returns were all over the map. Notably, Peru fell 15.2% due in part to recent election concerns. Mexico declined a modest 0.6%, as its government continues the fight against drug terrorism.

## BOND MARKET

### *A Bright Spot*



The Barclays Aggregate Index advanced a healthy 2.3%, higher than both US and international equities. Unlike recent quarters, Treasury securities stood out favorably. This was attributable to several factors, including a modest flight to quality, reduced inflation concerns, an unchanged Fed Funds’ rate and a downward revision for corporate growth. Ten year

Treasuries led with a 3.6% return. All maturities five-years or longer earned at least 3%. TIPS (Treasury Inflation Protected Securities) returned 3.7%, helped by higher expected long-term inflation.

Other major bond sectors underperformed 10 year Treasuries. The fully guaranteed GNMA mortgage market served up a 2.8% return. Lower homeowner prepayments also enhanced the value of the mortgage sector. Investment grade corporates just matched the overall index. Within corporates, defensive utilities produced 2.8%. Reflecting new regulatory constraints, the more cyclical financial names returned less

(1.9%). The CMBS (commercial mortgage) sector returned an atypically low 1.6%. BAA quality performed best among investment grade issues.

Outside of the U.S., sovereign risk debt among other developed countries produced wide-ranging results. Combined, the World Government Bond Index ex-US gained 3.7%. Emerging market debt performance (+3.4%) was also surprisingly high.

As of June 30<sup>th</sup>, the Aggregate Index yielded 2.83% (yield-to-worst), had an average maturity of 7.4 years, and a modified adjusted duration of 5.19 years. Total assets comprising the Index are currently valued at \$15.2 Trillion.

## CASH EQUIVALENTS

### *Still Not the Place to Be*

Conservative investors might just as well have placed their money under the bed as invested in cash equivalents. Last quarter, one-to-three month Treasury bills returned all of 0.03%.

**MARKET SUMMARY**

**ECONOMIC STATISTICS**

	CURRENT QTR	LAST QTR
GDP	1.3	0.4
Unemployment	9.2	8.8
CPI All Items Year/Year	3.56	2.68
Fed Funds Rate	0.25	0.25
Industrial Capacity	76.7	77.0
US Dollars per Euro	1.45	1.42

**MAJOR INDEX QUARTER RETURNS**

INDEX	PERFORMANCE
Russell 3000	0.0
S&P 500	0.1
Russell Mid	0.4
Russell 2000	-1.6
MSCI EAFE	1.8
MSCI Emg Mkts	-1.0
NCREIF ODCE	4.6
Barclays Agg	2.3
90 Day Tbills	0.0

**EQUITY RETURN DISTRIBUTIONS**

	QUARTER			TRAILING YEAR		
	VAL	COR	GRO	VAL	COR	GRO
LC	-0.5	0.1	0.8	28.9	32.0	35.0
MC	-0.7	0.4	1.6	34.3	38.5	43.2
SC	-2.7	-1.6	-0.6	31.3	37.4	43.5

**MARKET SUMMARY**

- \* GDP growth slowed by more than expected, with revised estimates of 1.3% for the second quarter.
- \* Unemployment climbed back to a 9.2% rate.
- \* The equity markets were generally flat as appetite for risk waned.
- \* Year-over-year CPI increased by 3.56%, the largest increase since 2008.

## **INVESTMENT RETURN**

On June 30th, 2011, the Franklin Regional Retirement System was valued at \$87,704,609, representing an increase of \$1,239,513 from the March quarter's ending value of \$86,465,096. Last quarter, the Fund posted net contributions equaling \$133,475 plus a net investment gain equaling \$1,106,038. Total net investment return was the result of income receipts, which totaled \$578,314 and net realized and unrealized capital gains of \$527,724.

For the cumulative period since December 2005, the fund has recorded net contributions totaling \$3.4 million, and recorded net investment gains of \$22.0 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 \$99.5 million or \$11.8 million more than the actual value as of June 30th, 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 second quarter, the Composite portfolio gained 1.3%, which was 0.1% below the Franklin Regional Policy Index's return of 1.4% and ranked in the 44th percentile of the Public Fund universe. Over the trailing year, the portfolio returned 23.7%, which was 1.0% greater than the benchmark's 22.7% performance, and ranked in the 17th percentile. Since December 2005, the portfolio returned 5.4% on an annualized basis and ranked in the 42nd percentile. For comparison, the Franklin Regional Policy Index returned an annualized 4.5% 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 second quarter, the prit core segment returned 1.7%, which was 0.6% greater than the Custom Core Index's return of 1.1%. Over the trailing twelve-month period, this segment returned 22.5%, which was 1.0% greater than the benchmark's 21.5% 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 second quarter, the domestic equity component returned -0.7%, which was 0.1% greater than the Franklin County Equity Index's return of -0.8% and ranked in the 69th percentile of the All Cap universe. Over the trailing twelve-month period, this component returned 40.4%, which was 4.8% greater than the benchmark's 35.6% return, ranking in the 19th percentile. Since December 2005, this component returned 6.8% per annum and ranked in the 27th percentile. The Franklin County Equity Index returned an annualized 4.7% over the same time frame.

### **Real Estate**

For the second quarter, the real estate component returned 4.3%, which was 0.3% less than the NCREIF NFI-ODCE Index's return of 4.6%. Over the trailing year, this component returned 21.1%, which was 0.6% above the benchmark's 20.5% performance. Since December 2005, this component returned 0.8% per annum, while the NCREIF NFI-ODCE Index returned an annualized 1.4% over the same period.

## Fixed Income

The fixed income portion of the portfolio returned 2.2% during the second quarter; that return was 0.1% less than the Barclays Aggregate Index's return of 2.3% and ranked in the 46th percentile of the Core Fixed Income universe. Over the trailing year, the fixed income portfolio returned 4.5%; that return was 0.6% greater than the benchmark's 3.9% performance, and ranked in the 60th percentile. Since December 2005, this component returned 6.3% per annum and ranked in the 48th percentile. The Barclays Aggregate Index returned an annualized 5.8% over the same period.

## 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	36.8%	\$32,295,075
International Equity	17.0%	\$14,926,600
Fixed Income	22.0%	\$19,252,804
Real Estate	8.8%	\$7,719,386
Timber	2.4%	\$2,118,141
Alternatives - Private Equity	6.4%	\$5,620,413
Absolute Return - Hedge Fund	4.3%	\$3,764,418
Cash	2.3%	\$2,007,772
<b>Total</b>	<b>100.0%</b>	<b>\$87,704,610</b>

## EXECUTIVE SUMMARY

## PERFORMANCE SUMMARY

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2005
<b>Total Portfolio</b>	1.3	6.5	23.7	3.8	5.4
<i>PUBLIC FUND RANK</i>	(44)	(8)	(17)	(74)	(42)
POLICY INDEX	1.4	5.5	22.7	3.4	4.5
<b>PRIT Core</b>	1.7	6.0	22.5	1.8	----
CUSTOM CORE IDX	1.1	4.9	21.5	3.0	5.8
<b>Domestic Equity</b>	-0.7	9.0	40.4	8.9	6.8
<i>ALL CAP RANK</i>	(69)	(18)	(19)	(24)	(27)
CUSTOM EQ INDEX	-0.8	6.7	35.6	6.4	4.7
PRIT EQUITY	0.2	6.6	32.2	0.0	0.9
S&P 500	0.1	6.0	30.7	3.3	3.2
S&P 400	-0.7	8.6	39.4	7.8	6.8
RUSSELL 3000	0.0	6.3	32.4	4.0	3.6
RUSSELL 1000	0.1	6.4	32.0	3.7	3.5
RUSSELL 1000G	0.8	6.8	35.0	5.0	4.7
RUSSELL 1000V	-0.5	5.9	28.9	2.3	2.2
RUSSELL MID	0.4	8.1	38.5	6.5	5.7
RUSSELL 2000	-1.6	6.2	37.4	7.8	5.2
<b>Real Estate</b>	4.3	9.7	21.1	-9.7	0.8
NCREIF ODCE	4.6	8.8	20.5	-7.6	1.4
<b>Fixed Income</b>	2.2	3.0	4.5	7.3	6.3
<i>CORE FIXED INCOME RANK</i>	(46)	(47)	(60)	(47)	(48)
BARCLAYS AGG	2.3	2.7	3.9	6.5	5.8
PRIT FIXED	2.4	3.3	5.5	3.7	5.3
GOV/CREDIT	2.3	2.6	3.7	6.2	5.5
INT AGGREGATE	2.2	2.7	4.0	6.3	5.8
INT GOV/CREDIT	2.1	2.5	3.8	5.8	5.5

## ASSET ALLOCATION

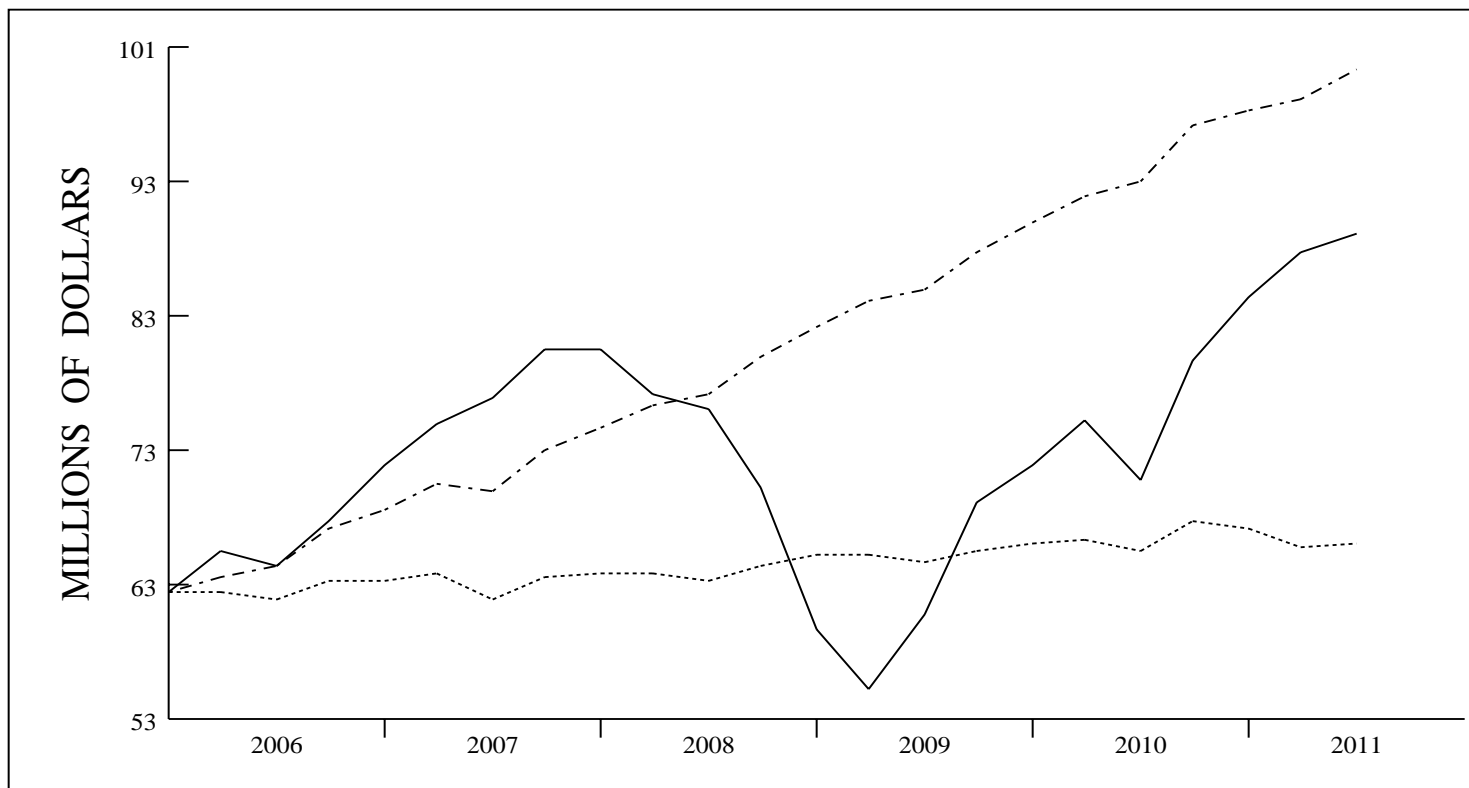
PRIT Core	59.8%	\$ 52,429,225
Domestic Equity	23.5%	20,603,358
Real Estate	4.0%	3,530,291
Fixed Income	10.4%	9,133,964
Cash	2.3%	2,007,772
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 87,704,609</b>

## INVESTMENT RETURN

Market Value 3/2011	\$ 86,465,096
Contribs / Withdrawals	133,475
Income	578,314
Capital Gains / Losses	527,724
Market Value 6/2011	\$ 87,704,609



**INVESTMENT GROWTH**

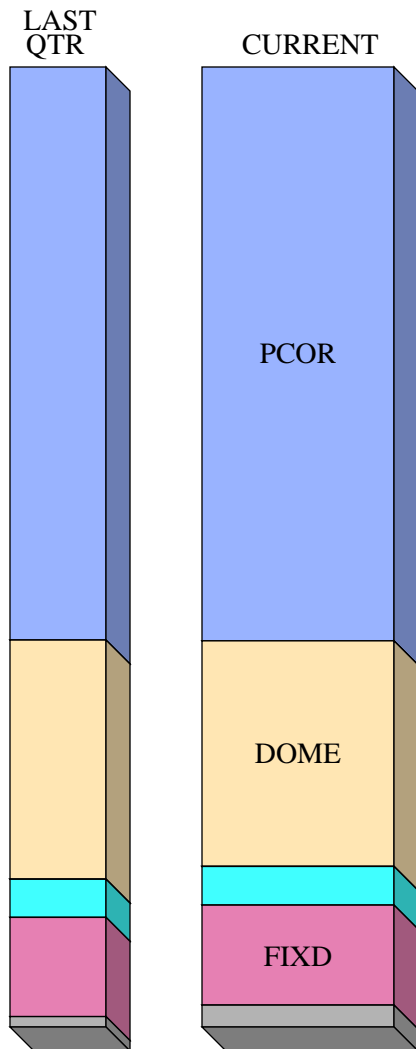


— ACTUAL RETURN  
 - - - 8.0%  
 ..... 0.0%

VALUE ASSUMING  
 8.00% RETURN  
 \$ 99,456,620

	LAST QUARTER	PERIOD 12/05 - 6/11
BEGINNING VALUE	\$ 86,465,096	\$ 62,250,813
NET CONTRIBUTIONS	133,475	3,407,847
<u>INVESTMENT RETURN</u>	<u>1,106,038</u>	<u>22,045,948</u>
ENDING VALUE	\$ 87,704,609	\$ 87,704,609
INCOME	578,314	8,653,455
<u>CAPITAL GAINS (LOSSES)</u>	<u>527,724</u>	<u>13,392,494</u>
INVESTMENT RETURN	1,106,038	22,045,948

**ASSET ALLOCATION**









	<u>VALUE</u>	<u>PERCENT</u>	<u>TARGET</u>	<u>DIFFERENCE</u> <u>+ / -</u>
PRIT CORE	\$ 52, 429, 225	59.8%	60.0%	-0.2%
DOMESTIC EQUITY	20, 603, 358	23.5%	22.5%	1.0%
REAL ESTATE	3, 530, 291	4.0%	5.0%	-1.0%
FIXED INCOME	9, 133, 964	10.4%	12.5%	-2.1%
CASH & EQUIVALENT	2, 007, 772	2.3%	0.0%	2.3%
<u>TOTAL FUND</u>	<u>\$ 87, 704, 609</u>	<u>100.0%</u>		

## MANAGER PERFORMANCE SUMMARY






Name	(Universe)	Quarter	YTD	1 Year	3 Years	5 Years
Total Portfolio	(Public Fund)	1.3 (44)	6.5 (8)	23.7 (17)	3.8 (74)	5.1 (45)
<i>Franklin Regional Policy Index</i>		<i>1.4 ----</i>	<i>5.5 ----</i>	<i>22.7 ----</i>	<i>3.4 ----</i>	<i>4.3 ----</i>
PRIT Core Fund		1.7 ----	6.0 ----	22.5 ----	1.7 ----	---- ----
<i>Custom Core Index</i>		<i>1.1 ----</i>	<i>4.9 ----</i>	<i>21.5 ----</i>	<i>3.0 ----</i>	<i>5.2 ----</i>
RhumbLine	(Large Cap)	0.1 (56)	6.0 (62)	30.6 (65)	3.5 (55)	3.1 (57)
<i>S&amp;P 500</i>		<i>0.1 ----</i>	<i>6.0 ----</i>	<i>30.7 ----</i>	<i>3.3 ----</i>	<i>2.9 ----</i>
Daruma	(Small Cap)	-1.8 (68)	11.0 (14)	47.5 (14)	14.7 (7)	9.9 (4)
<i>Russell 2000</i>		<i>-1.6 ----</i>	<i>6.2 ----</i>	<i>37.4 ----</i>	<i>7.8 ----</i>	<i>4.1 ----</i>
PRIT Core Real Estate		3.4 ----	7.8 ----	---- ----	---- ----	---- ----
Prudential Prisa Fund		4.9 ----	10.7 ----	21.8 ----	-9.5 ----	-1.1 ----
<i>NCREIF NFI-ODCE Index</i>		<i>4.6 ----</i>	<i>8.8 ----</i>	<i>20.5 ----</i>	<i>-7.6 ----</i>	<i>0.0 ----</i>
Income Research & Management	(Core Fixed)	2.2 (46)	3.0 (47)	4.5 (60)	7.3 (48)	7.0 (50)
<i>Barclays Aggregate Index</i>		<i>2.3 ----</i>	<i>2.7 ----</i>	<i>3.9 ----</i>	<i>6.5 ----</i>	<i>6.5 ----</i>

## MANAGER VALUE ADDED

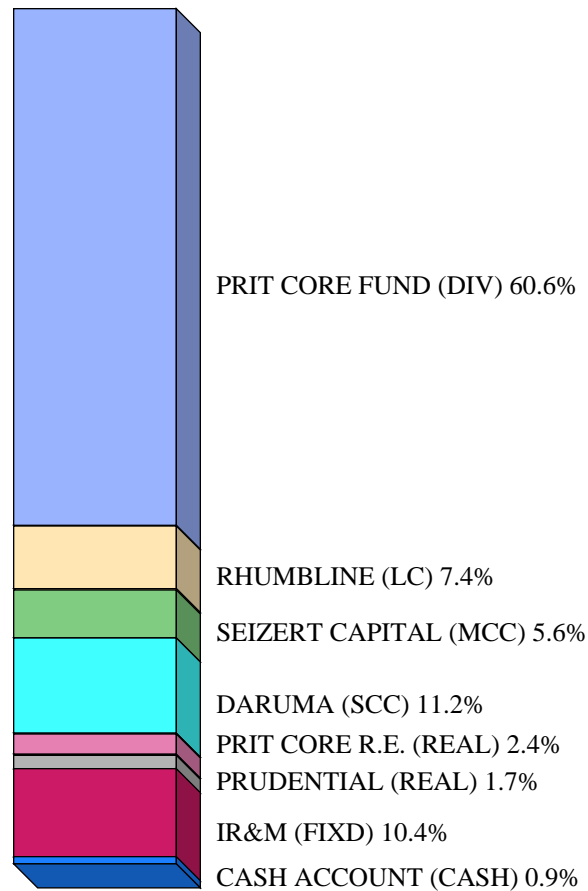
## Most Recent Quarter

Manager	Benchmark	Value Added Vs. Benchmark
PRIT Core Fund	Custom Core Idx	0.6 
RhumbLine	S&P 500	0.0
Daruma	Russell 2000	 -0.2
PRIT Core R.E.	NCREIF ODCE	 -1.2
Prudential	NCREIF ODCE	0.3 
IR&M	Barclays Agg	 -0.1
<b>Total Portfolio</b>	<b>Policy Index</b>	 -0.1

## Trailing Twelve Months

Manager	Benchmark	Value Added Vs. Benchmark
PRIT Core Fund	Custom Core Idx	1.0 
RhumbLine	S&P 500	-0.1
Daruma	Russell 2000	10.1 
PRIT Core R.E.	NCREIF ODCE	N/A
Prudential	NCREIF ODCE	1.3 
IR&M	Barclays Agg	0.5 
<b>Total Portfolio</b>	<b>Policy Index</b>	1.1 

**MANAGER ALLOCATION SUMMARY**

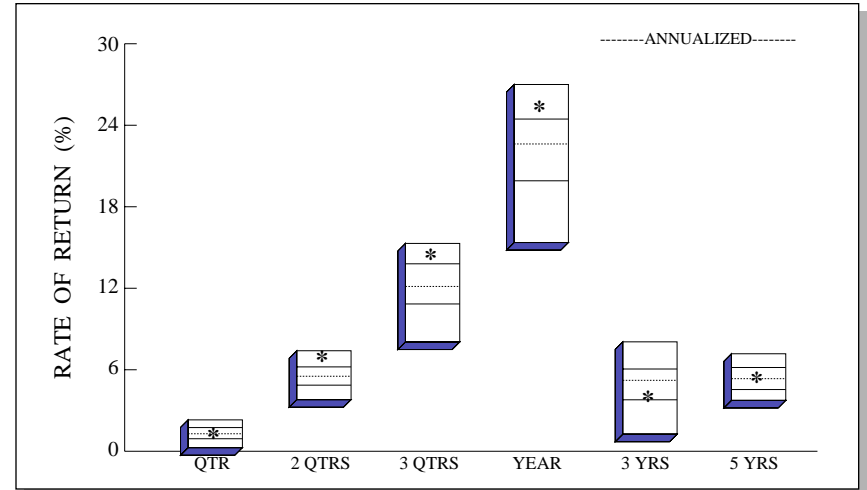
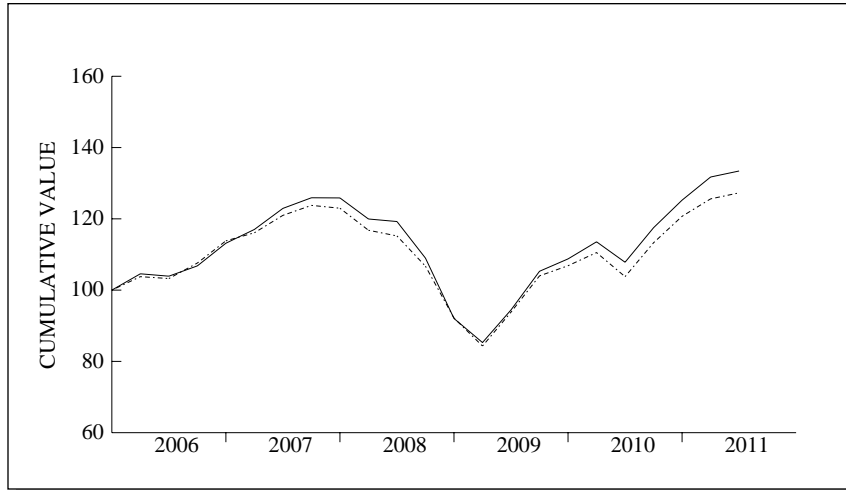


Name	Market Value	Percent
PRIT Core Fund (DIV)	\$53,118,678	60.6
RhumbLine (LC)	\$6,454,204	7.4
Seizert Capital (MCC)	\$4,935,067	5.6
Daruma (SCC)	\$9,784,863	11.2
PRIT Core R.E. (REAL)	\$2,078,472	2.4
Prudential (REAL)	\$1,451,819	1.7
IR&M (FIXD)	\$9,133,964	10.4
Cash Account (CASH)	\$747,542	0.9
<b>Total</b>	<b>\$87,704,609</b>	<b>100.0</b>

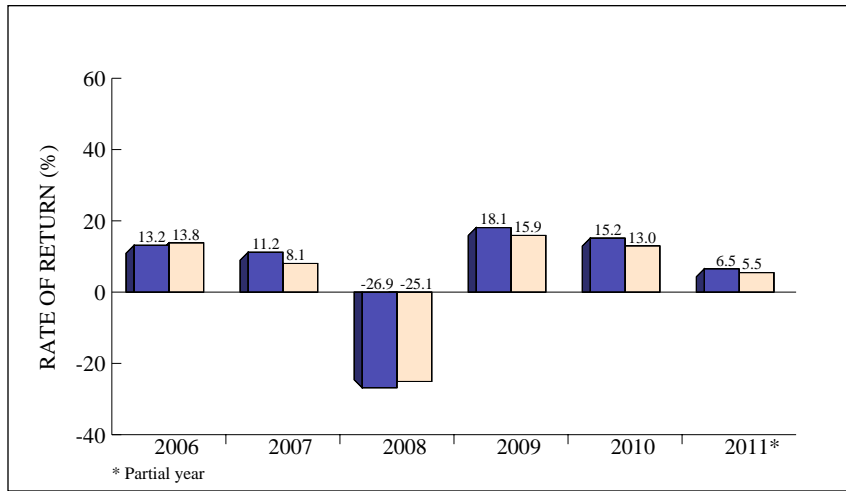
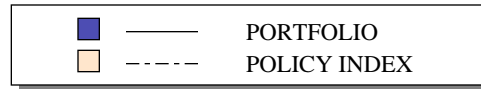
**INVESTMENT RETURN SUMMARY**

<b>Name</b>	<b>Quarter Total Return</b>	<b>Market Value March 31st, 2011</b>	<b>Net Cashflow</b>	<b>Net Investment Return</b>	<b>Market Value June 30th, 2011</b>
PRIT Core Fund (DIV)	1.7	51,616,314	625,081	877,283	53,118,678
RhumbLine (LC)	0.1	6,975,244	-532,000	10,960	6,454,204
Rothschild (MCC)	---	4,906,736	-4,871,522	-35,214	0
Seizert Capital Partners (MCC)	---	0	4,871,522	63,545	4,935,067
Daruma (SCC)	-1.8	10,037,613	-74,000	-178,750	9,784,863
PRIT Core Real Estate (REAL)	3.4	1,361,220	649,121	68,131	2,078,472
Prudential Prisa Fund (REAL)	4.9	2,070,729	-720,083	101,173	1,451,819
Income Research & Management (FIXD)	2.2	8,935,506	0	198,458	9,133,964
Cash Account (CASH)	---	561,734	185,356	452	747,542
<b>Total Fund</b>	<b>1.3</b>	<b>86,465,096</b>	<b>133,475</b>	<b>1,106,038</b>	<b>87,704,609</b>

**TOTAL RETURN COMPARISONS**



Public Fund Universe



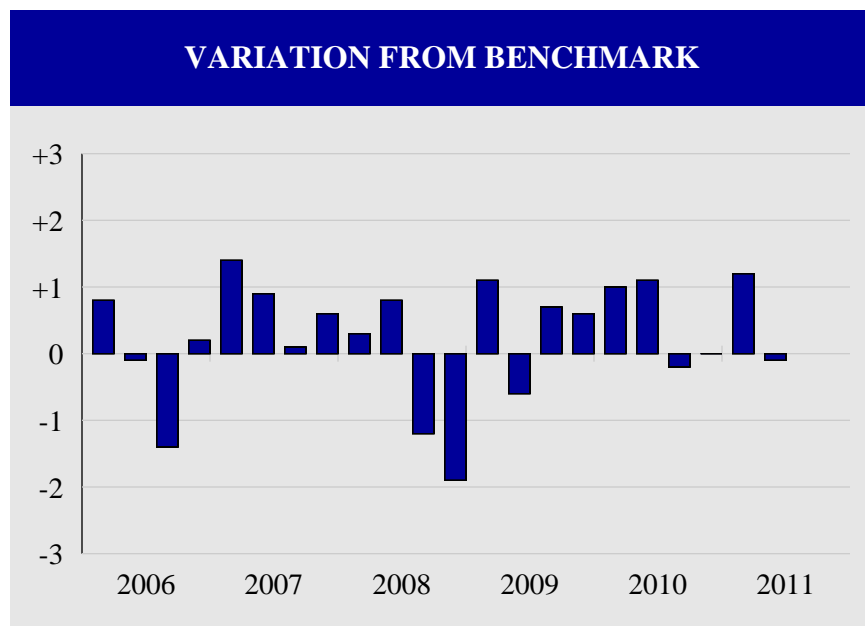
\* Partial year

	<u>QTR</u>	<u>2QTRS</u>	<u>3QTRS</u>	<u>YEAR</u>	<u>3 YRS</u>	<u>5 YRS</u>
RETURN	1.3	6.5	13.5	23.7	3.8	5.1
(RANK)	(44)	(8)	(11)	(17)	(74)	(45)
5TH %ILE	2.2	6.9	14.3	25.2	7.5	6.7
25TH %ILE	1.6	5.8	12.9	22.8	5.7	5.8
MEDIAN	1.2	5.2	11.3	21.1	4.9	5.0
75TH %ILE	0.9	4.5	10.1	18.6	3.5	4.2
95TH %ILE	0.3	3.6	7.5	14.3	1.2	3.5
<b>Policy Idx</b>	<b>1.4</b>	<b>5.5</b>	<b>12.4</b>	<b>22.7</b>	<b>3.4</b>	<b>4.3</b>

Public Fund Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

COMPARATIVE BENCHMARK: FRANKLIN REGIONAL POLICY INDEX

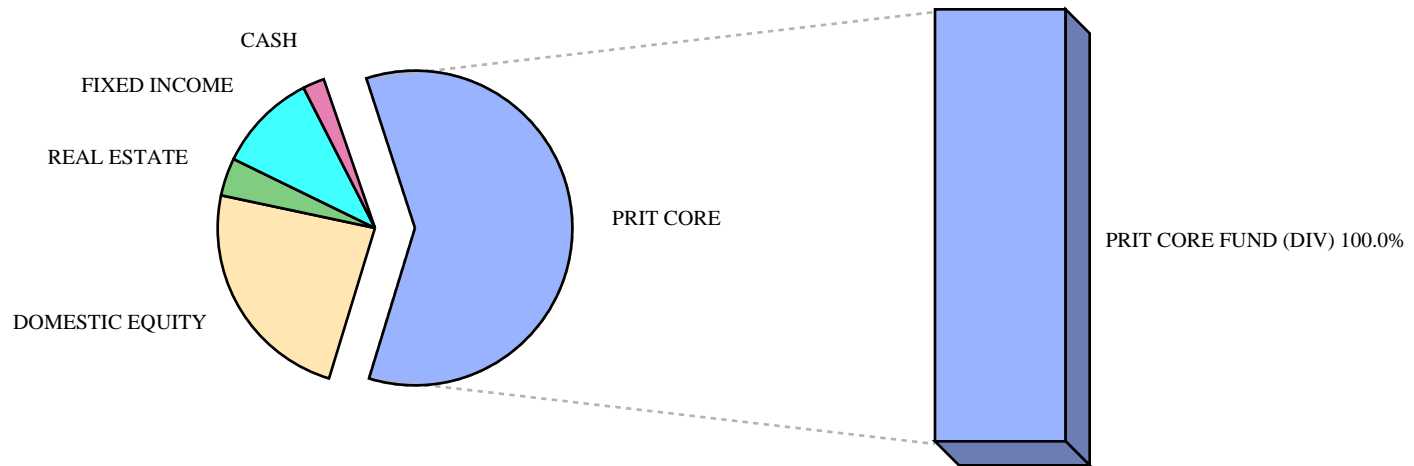


<b>Total Quarters Observed</b>	<b>22</b>
<b>Quarters At or Above the Benchmark</b>	<b>15</b>
<b>Quarters Below the Benchmark</b>	<b>7</b>
<b>Batting Average</b>	<b>.682</b>

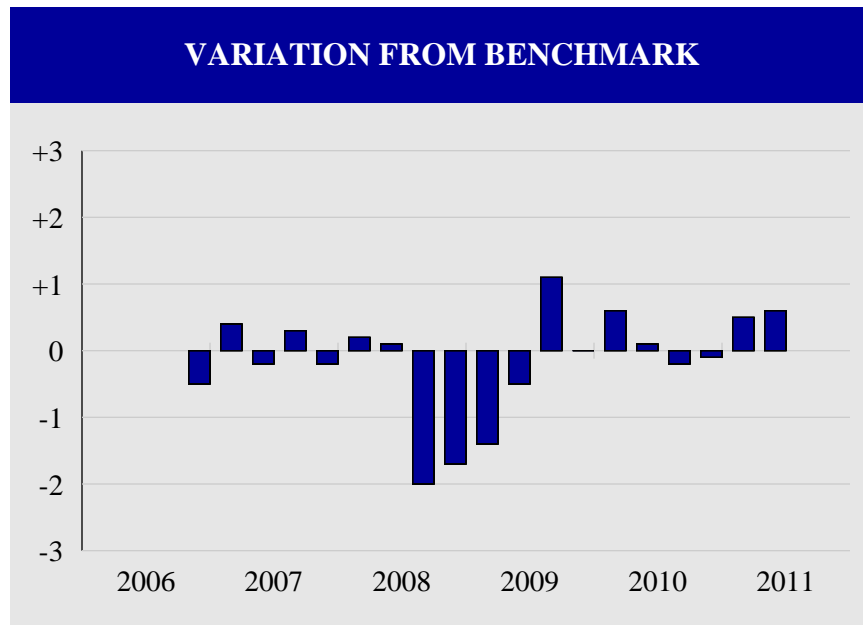
<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/06	4.6	3.8	0.8
6/06	-0.6	-0.5	-0.1
9/06	2.8	4.2	-1.4
12/06	6.0	5.8	0.2
3/07	3.4	2.0	1.4
6/07	5.1	4.2	0.9
9/07	2.4	2.3	0.1
12/07	0.0	-0.6	0.6
3/08	-4.7	-5.0	0.3
6/08	-0.6	-1.4	0.8
9/08	-8.6	-7.4	-1.2
12/08	-15.5	-13.6	-1.9
3/09	-7.4	-8.5	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
6/11	1.3	1.4	-0.1



**PRIT CORE MANAGER SUMMARY**



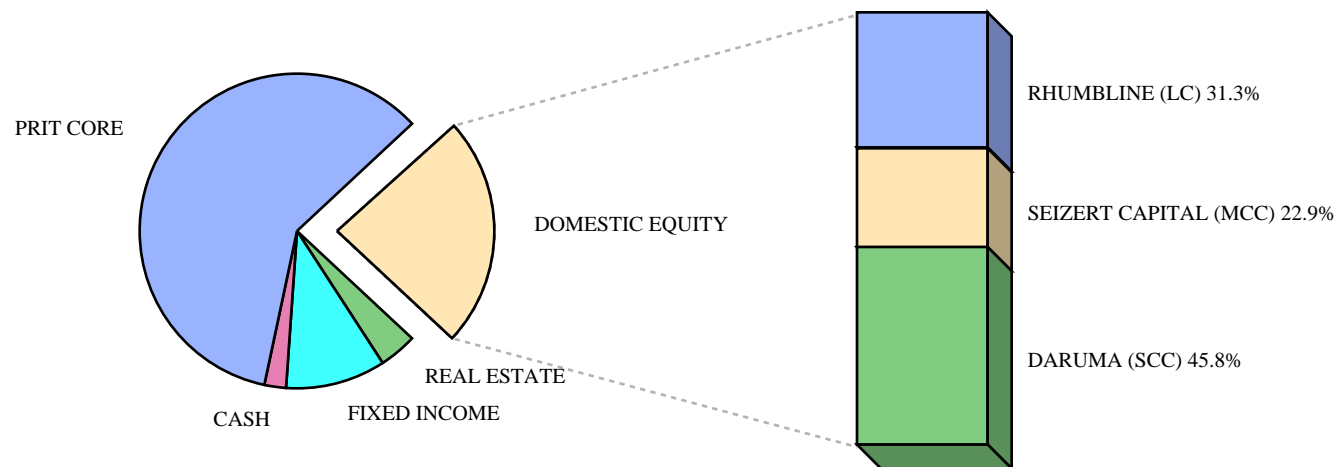
MANAGER	(UNIVERSE)	TOTAL RETURNS AND RANKINGS					MARKET VALUE
		QTR	YTD	1 YEAR	3 YEARS	5 YEARS	
PRIT CORE FUND		1.7 ---	6.0 ---	22.5 ---	1.7 ---	--- ---	\$53,118,678
<i>Custom Core Index</i>		<i>1.1 ---</i>	<i>4.9 ---</i>	<i>21.5 ---</i>	<i>3.0 ---</i>	<i>5.2 ---</i>	---

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

<b>Total Quarters Observed</b>	<b>19</b>
<b>Quarters At or Above the Benchmark</b>	<b>10</b>
<b>Quarters Below the Benchmark</b>	<b>9</b>
<b>Batting Average</b>	<b>.526</b>

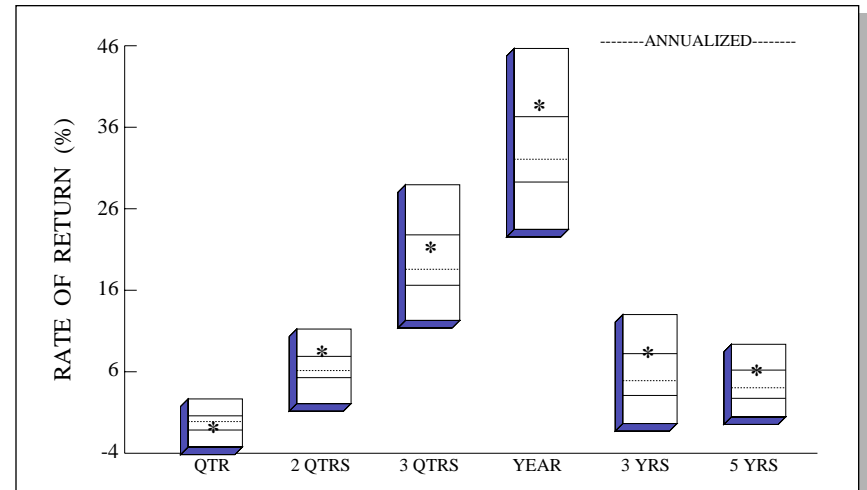
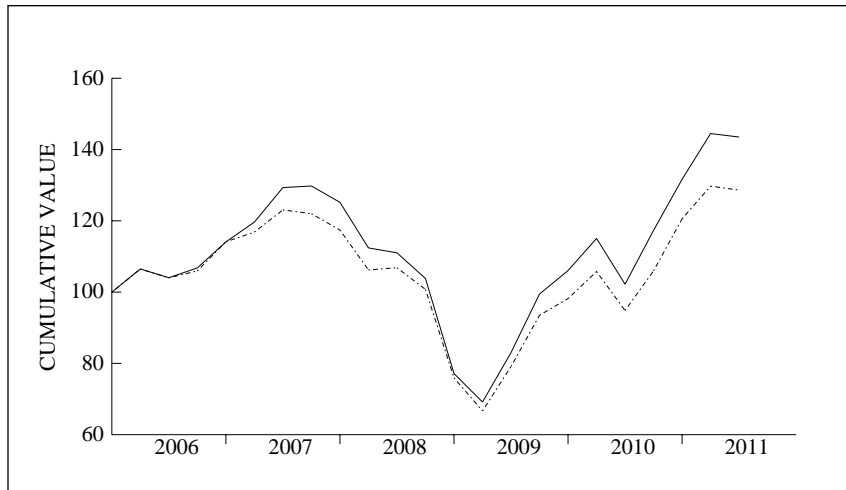
<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
12/06	7.0	7.5	-0.5
3/07	3.3	2.9	0.4
6/07	5.0	5.2	-0.2
9/07	3.0	2.7	0.3
12/07	0.2	0.4	-0.2
3/08	-4.4	-4.6	0.2
6/08	-0.5	-0.6	0.1
9/08	-11.4	-9.4	-2.0
12/08	-16.3	-14.6	-1.7
3/09	-8.1	-6.7	-1.4
6/09	11.8	12.3	-0.5
9/09	11.6	10.5	1.1
12/09	2.9	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	3.8	0.5
6/11	1.7	1.1	0.6

**DOMESTIC EQUITY MANAGER SUMMARY**

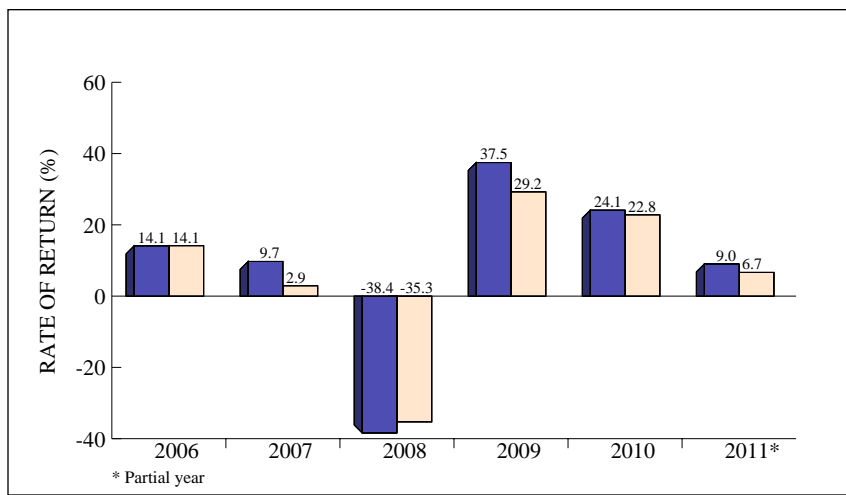


TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
RHUMBLINE	(Large Cap)	0.1 (56)	6.0 (62)	30.6 (65)	3.5 (55)	3.1 (57)	\$6,454,204
<i>S&amp;P 500</i>		<i>0.1 ----</i>	<i>6.0 ----</i>	<i>30.7 ----</i>	<i>3.3 ----</i>	<i>2.9 ----</i>	<i>----</i>
SEIZERT CAPITAL	(Mid Cap)	---- ----	---- ----	---- ----	---- ----	---- ----	\$4,935,067
<i>Russell Mid Cap</i>		<i>0.4 ----</i>	<i>8.1 ----</i>	<i>38.5 ----</i>	<i>6.5 ----</i>	<i>5.3 ----</i>	<i>----</i>
DARUMA	(Small Cap)	-1.8 (68)	11.0 (14)	47.5 (14)	14.7 (7)	9.9 (4)	\$9,784,863
<i>Russell 2000</i>		<i>-1.6 ----</i>	<i>6.2 ----</i>	<i>37.4 ----</i>	<i>7.8 ----</i>	<i>4.1 ----</i>	<i>----</i>

### DOMESTIC EQUITY RETURN COMPARISONS

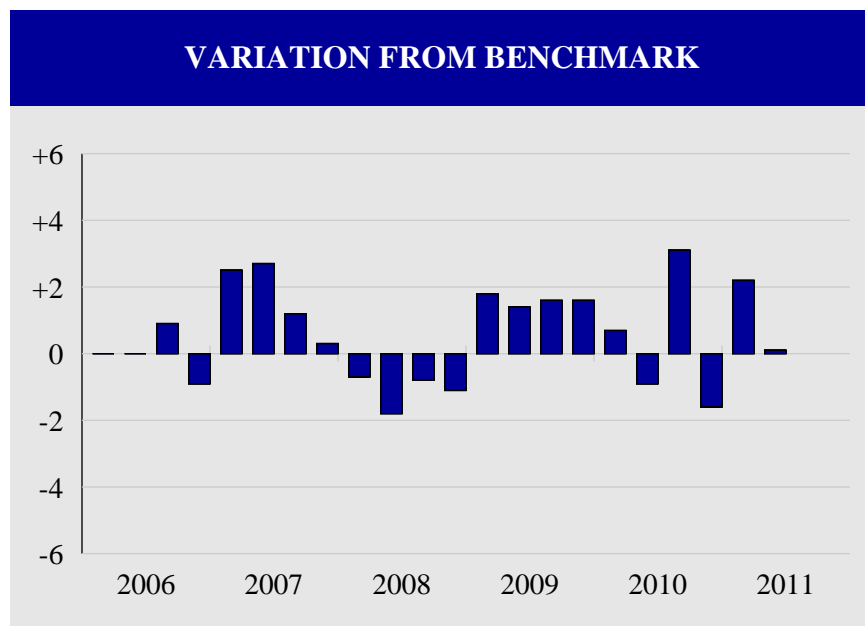


All Cap Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	-0.7	9.0	22.3	40.4	8.9	6.6
(RANK)	(69)	(18)	(36)	(19)	(24)	(25)
5TH %ILE	2.9	11.9	30.3	47.7	13.7	9.9
25TH %ILE	0.8	8.4	23.9	39.0	8.7	6.6
MEDIAN	0.0	6.6	19.5	33.5	5.3	4.4
75TH %ILE	-1.0	5.7	17.4	30.6	3.4	3.0
95TH %ILE	-3.2	2.3	12.9	24.6	-0.2	0.6
<b>Equity Index</b>	<b>-0.8</b>	<b>6.7</b>	<b>21.4</b>	<b>35.6</b>	<b>6.4</b>	<b>4.3</b>

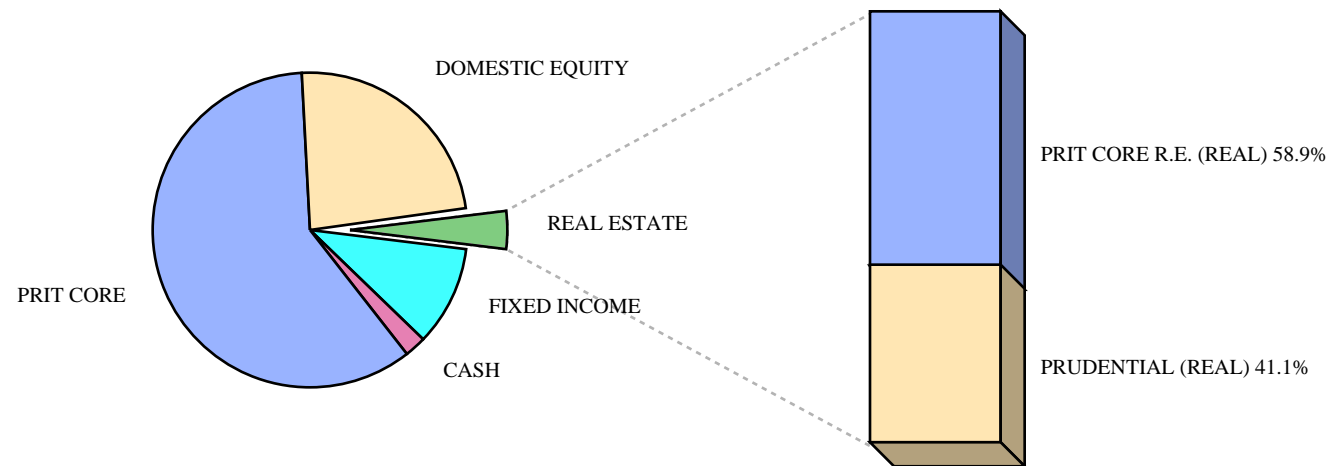
All Cap Universe

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

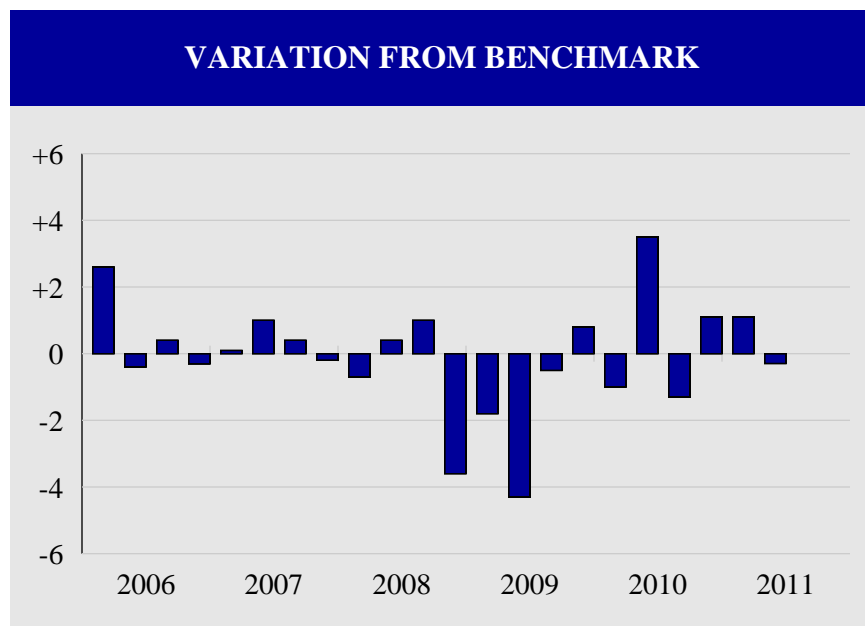
<b>Total Quarters Observed</b>	<b>22</b>
<b>Quarters At or Above the Benchmark</b>	<b>15</b>
<b>Quarters Below the Benchmark</b>	<b>7</b>
<b>Batting Average</b>	<b>.682</b>

<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
6/11	-0.7	-0.8	0.1

**REAL ESTATE MANAGER SUMMARY**



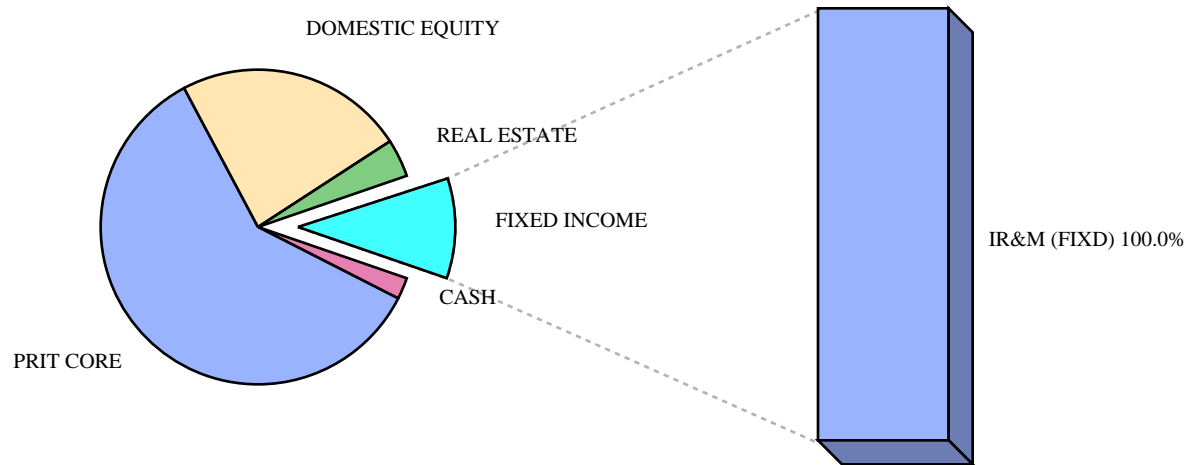
		TOTAL RETURNS AND RANKINGS						
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE	
PRIT CORE R.E.		3.4 ---	7.8 ---	--- ---	--- ---	--- ---	\$2,078,472	
<i>NCREIF NFI-ODCE Index</i>		4.6 ---	8.8 ---	20.5 ---	-7.6 ---	0.0 ---	---	
PRUDENTIAL		4.9 ---	10.7 ---	21.8 ---	-9.5 ---	-1.1 ---	\$1,451,819	
<i>NCREIF NFI-ODCE Index</i>		4.6 ---	8.8 ---	20.5 ---	-7.6 ---	0.0 ---	---	

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

<b>Total Quarters Observed</b>	<b>22</b>
<b>Quarters At or Above the Benchmark</b>	<b>11</b>
<b>Quarters Below the Benchmark</b>	<b>11</b>
<b>Batting Average</b>	<b>.500</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
6/11	4.3	4.6	-0.3

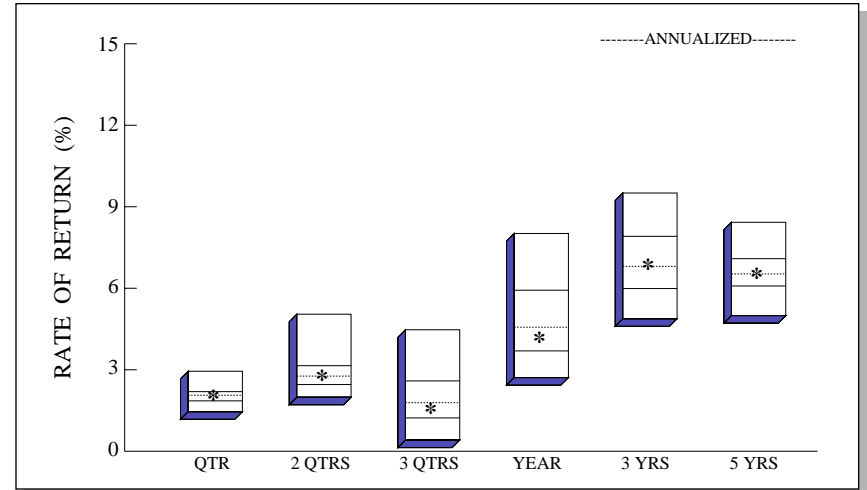
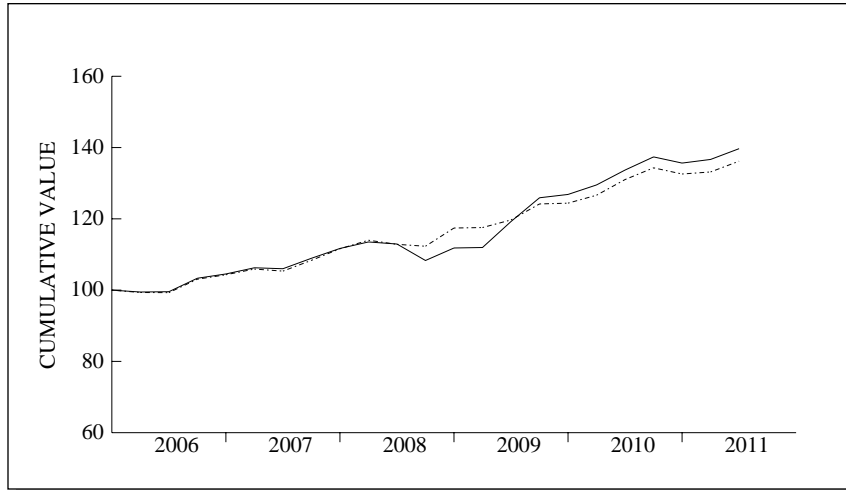
**FIXED INCOME MANAGER SUMMARY**



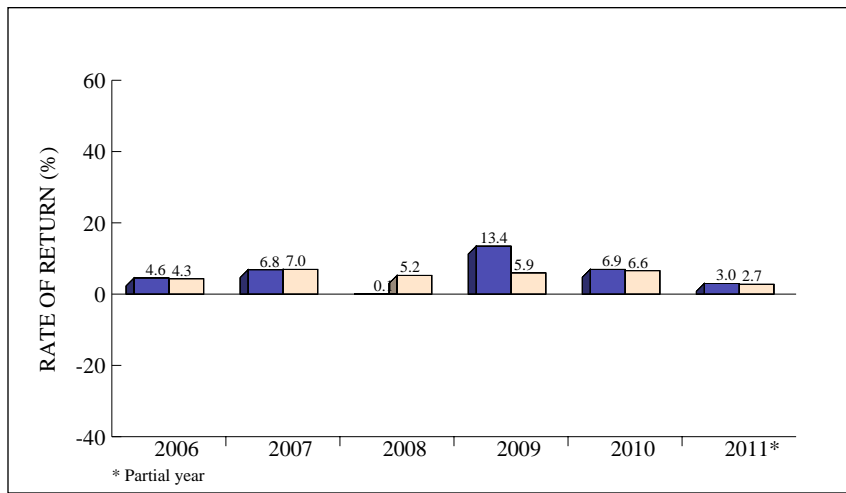
TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
IR&M	(Core Fixed Income)	2.2 (46)	3.0 (47)	4.5 (60)	7.3 (48)	7.0 (50)	\$9,133,964
<i>Barclays Aggregate Index</i>		2.3 ----	2.7 ----	3.9 ----	6.5 ----	6.5 ----	----



**FIXED INCOME RETURN COMPARISONS**

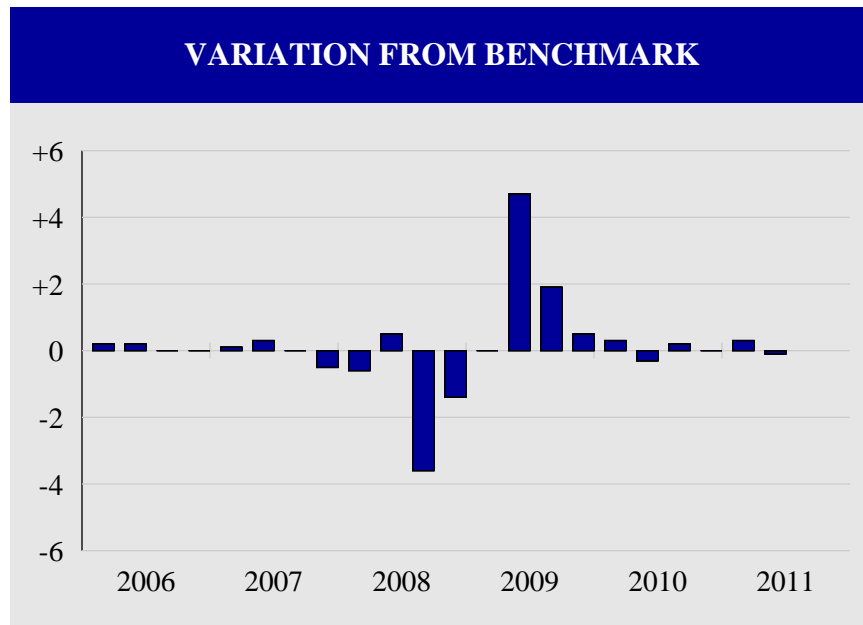


Core Fixed Income Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	2.2	3.0	1.7	4.5	7.3	7.0
(RANK)	(46)	(47)	(57)	(60)	(47)	(48)
5TH %ILE	3.1	5.4	4.8	8.6	10.1	9.0
25TH %ILE	2.3	3.4	2.8	6.3	8.4	7.6
MEDIAN	2.2	3.0	1.9	4.9	7.3	7.0
75TH %ILE	2.0	2.6	1.3	3.9	6.4	6.5
95TH %ILE	1.6	2.1	0.4	2.9	5.2	5.3
<b>Agg Index</b>	<b>2.3</b>	<b>2.7</b>	<b>1.4</b>	<b>3.9</b>	<b>6.5</b>	<b>6.5</b>

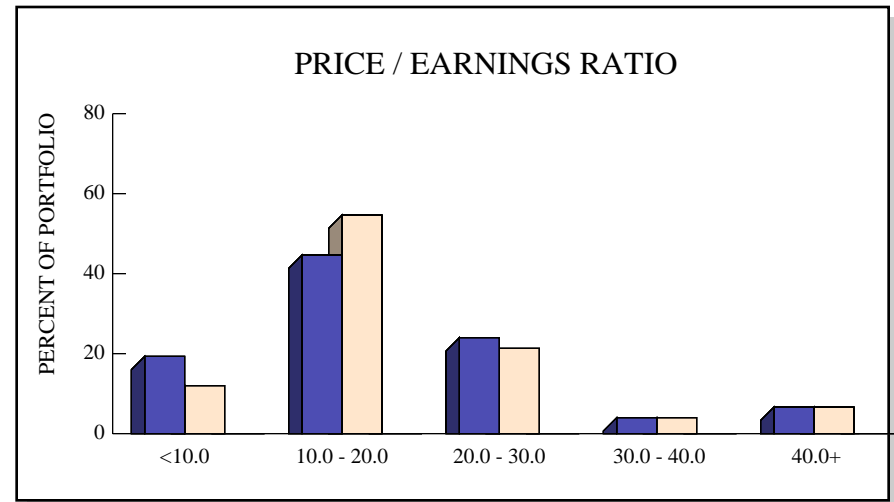
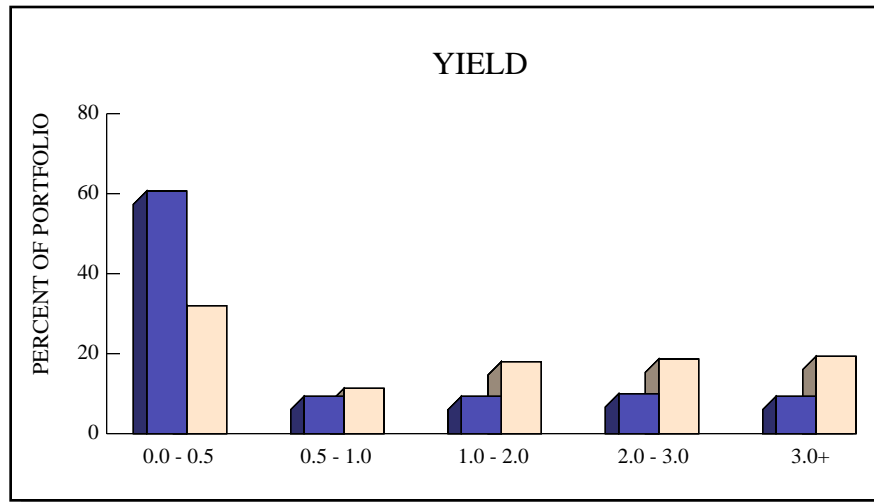
Core Fixed Income Universe

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

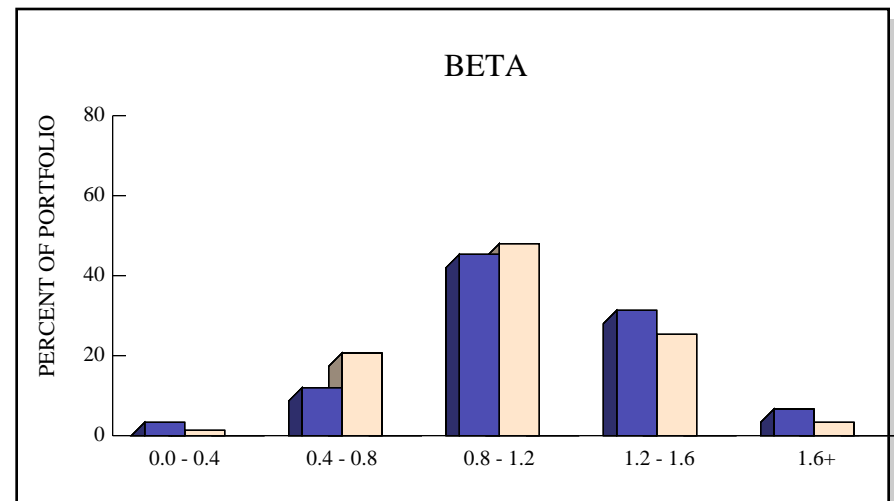
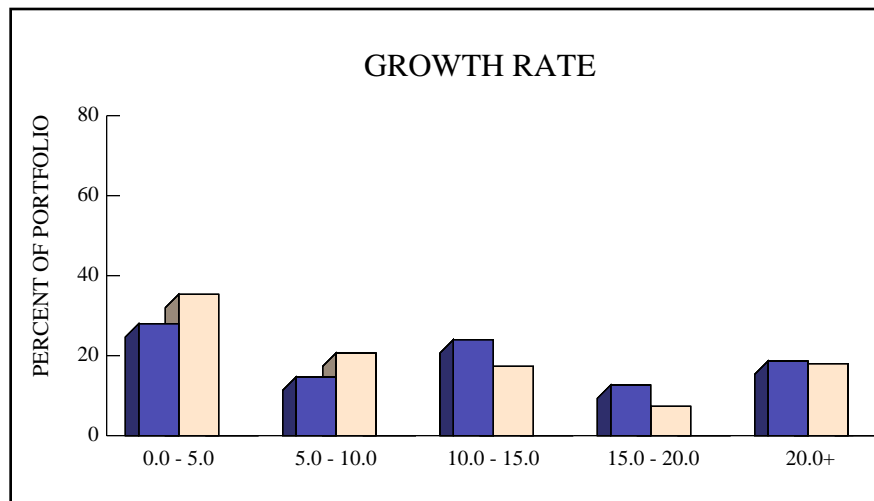
<b>Total Quarters Observed</b>	<b>22</b>
<b>Quarters At or Above the Benchmark</b>	<b>16</b>
<b>Quarters Below the Benchmark</b>	<b>6</b>
<b>Batting Average</b>	<b>.727</b>

<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
6/11	2.2	2.3	-0.1

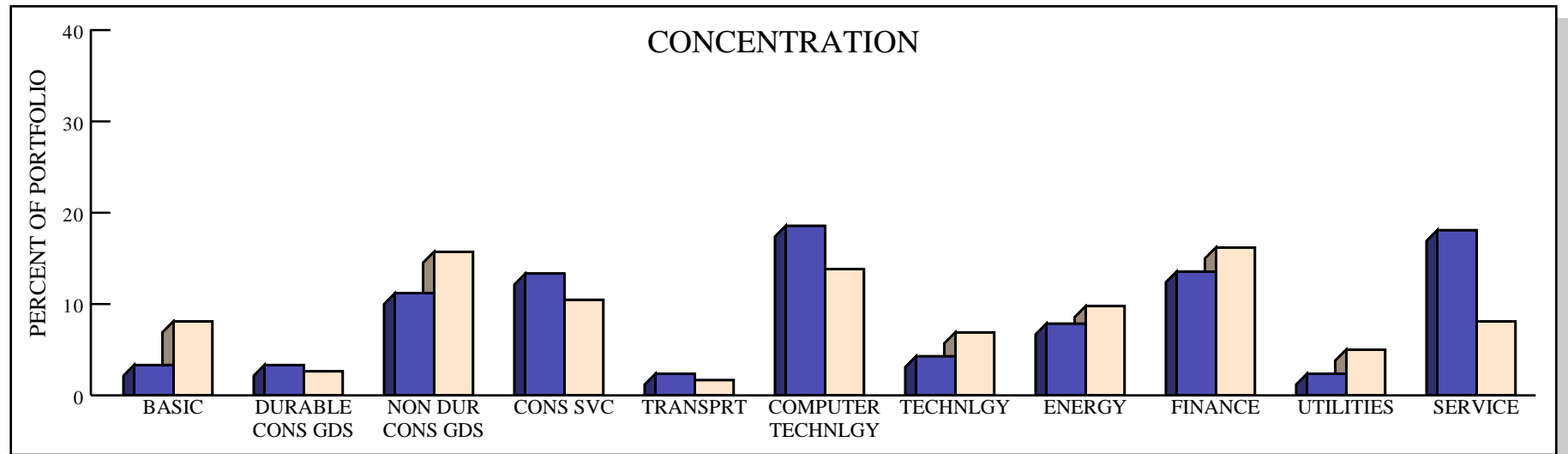
**STOCK CHARACTERISTICS**



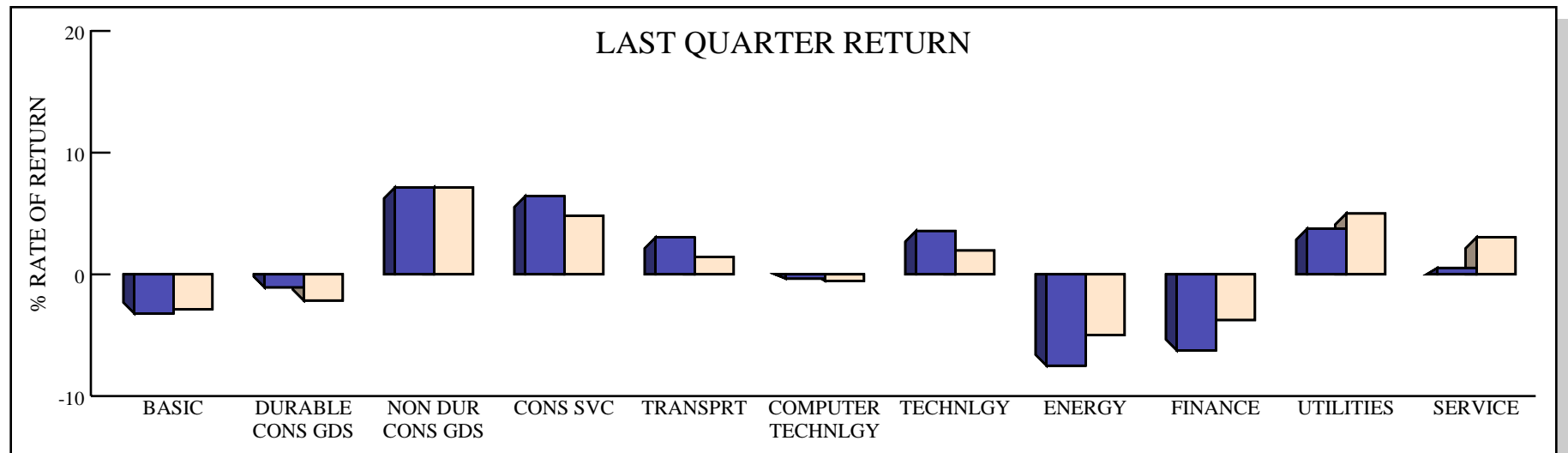
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.0%	12.2%	18.0	1.10
RUSSELL 3000	1.7%	9.6%	18.9	1.03



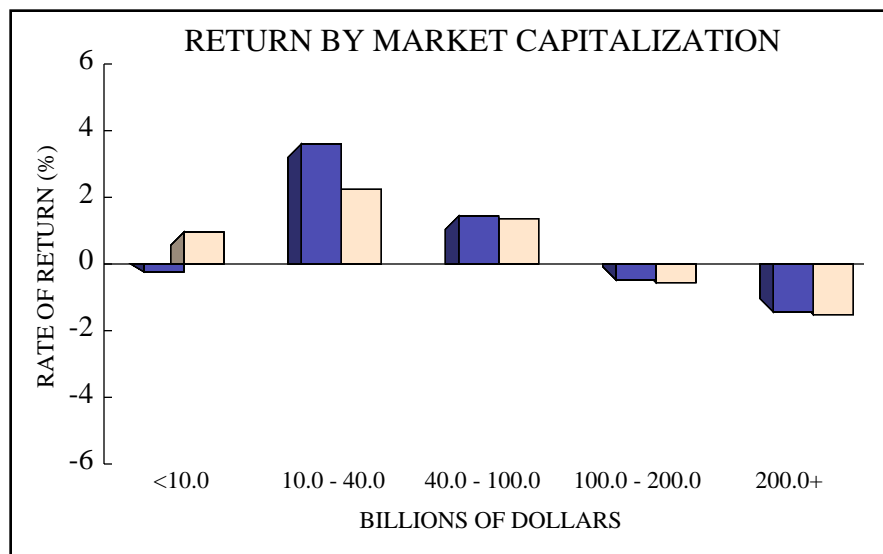
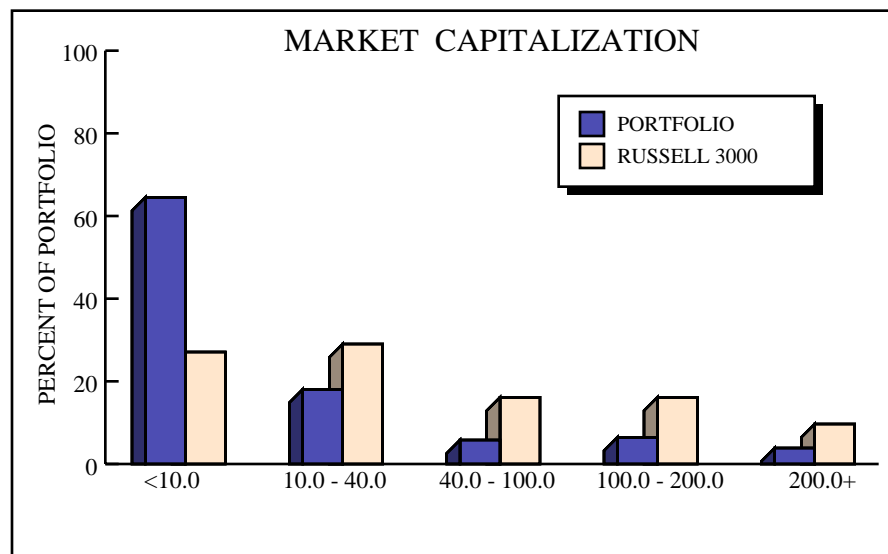
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL 3000



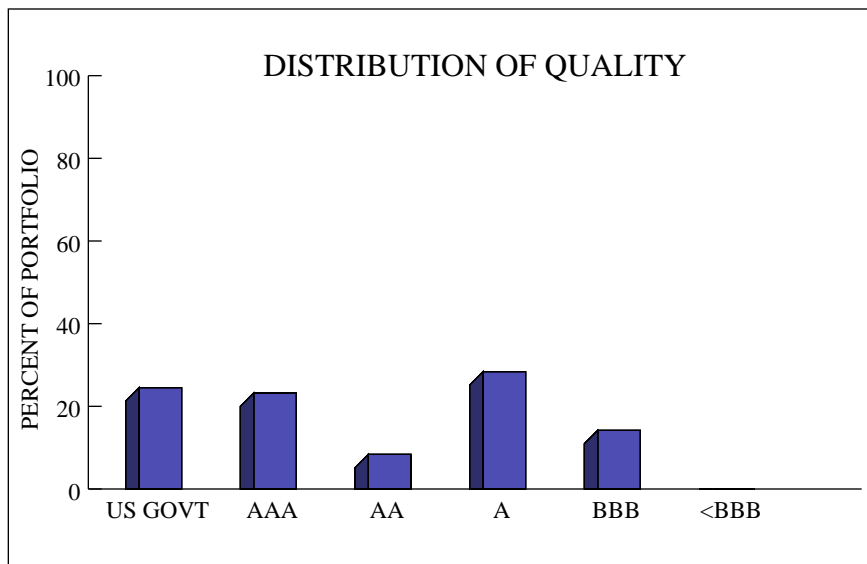
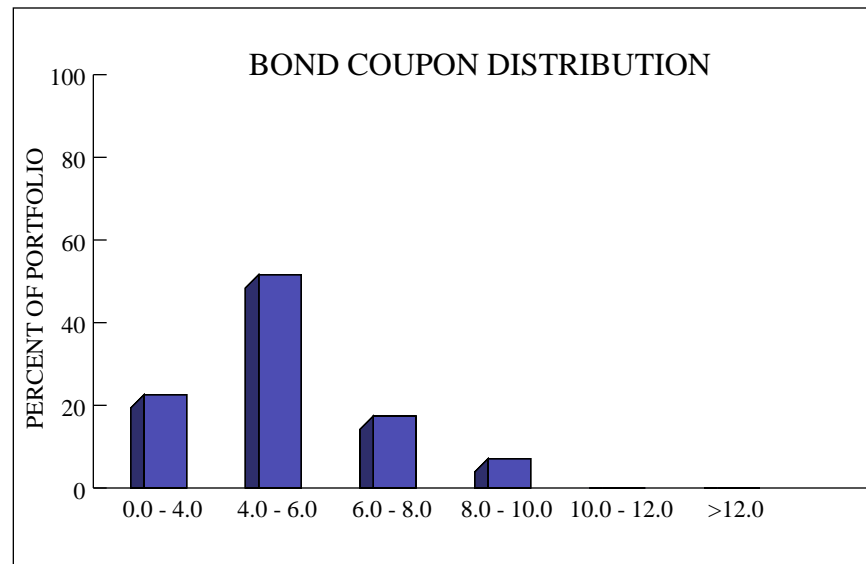
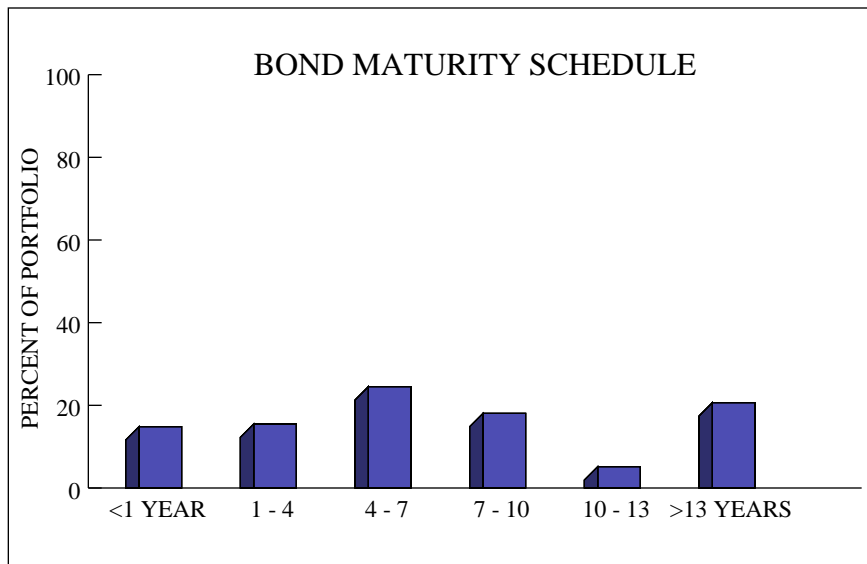
## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	SHUTTERFLY INC	\$ 401,366	1.95%	9.7%	Service	\$ 1.9 B
2	WRIGHT EXPRESS CORP	386,359	1.88%	0.4%	Service	2.0 B
3	INTERFACE INC-CLASS A	354,665	1.72%	4.9%	NonDur Cons Goods	1.1 B
4	MAXIMUS INC	345,811	1.68%	2.1%	Service	1.4 B
5	HEALTHSOUTH CORP	340,725	1.65%	5.1%	Consumer Service	2.5 B
6	CADENCE DESIGN SYS INC	335,597	1.63%	8.3%	Computer Tech	2.8 B
7	LUMBER LIQUIDATORS HOLDINGS	320,040	1.55%	1.6%	Consumer Service	0.7 B
8	COSTAR GROUP INC	308,256	1.50%	-5.4%	Service	1.5 B
9	KNOLL INC	306,268	1.49%	-4.1%	Durable Cons Goods	1.0 B
10	WABTEC CORP	293,111	1.42%	-3.1%	Basic	3.2 B

**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>BARCLAYS AGG</b>
No. of Securities	145	7,912
Duration	6.73	5.19
YTM	4.61	2.83
Average Coupon	5.04	4.19
Avg Maturity / WAL	11.10	7.40
Average Quality	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	0.0	6.3	32.4	4.0	3.4
S&P 500	Large Cap Core	0.1	6.0	30.7	3.3	2.9
Russell 1000	Large Cap Core	0.1	6.4	32.0	3.7	3.3
Russell 1000 Growth	Large Cap Growth	0.8	6.8	35.0	5.0	5.3
Russell 1000 Value	Large Cap Value	-0.5	5.9	28.9	2.3	1.2
Russell Mid Cap	Midcap	0.4	8.1	38.5	6.5	5.3
Russell Mid Cap Growth	Midcap Growth	1.6	9.6	43.2	6.6	6.3
Russell Mid Cap Value	Midcap Value	-0.7	6.7	34.3	6.4	4.0
Russell 2000	Small Cap	-1.6	6.2	37.4	7.8	4.1
Russell 2000 Growth	Small Cap Growth	-0.6	8.6	43.5	8.3	5.8
Russell 2000 Value	Small Cap Value	-2.7	3.8	31.3	7.1	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 Equity	1.8	5.3	30.9	-1.3	2.0
MSCI EAFE Growth	Developed Markets Growth	2.3	4.7	31.7	-1.5	2.9
MSCI EAFE Value	Developed Markets Value	1.3	6.0	30.1	-1.1	1.0
MSCI All Country World Ex US	Foreign Equity	0.6	4.1	30.3	0.1	4.1
MSCI Emerging Markets	Emerging Markets Equity	-1.0	1.0	28.1	4.5	11.7
<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	2.3	2.7	3.9	6.5	6.5
Barclays Gov/Credit	Gov/Credit	2.3	2.6	3.7	6.2	6.3
Barclays Capital Gov't Bond	Treasuries	2.2	2.1	2.3	5.1	6.1
Barclays Capital Credit Bond	Corporate Bonds	2.3	3.2	6.0	8.9	7.4
Intermediate Aggregate	Core Intermediate	2.2	2.7	4.0	6.3	6.4
Intermediate Gov/Credit	Gov / Credit Intermediate	2.1	2.5	3.8	5.8	6.1
ML/BoA 1-3 Year Treasury	Short Term Treasuries	0.8	0.9	1.3	2.8	4.1
CSFB High Yield	High Yield Bonds	1.0	4.8	14.6	11.4	8.7
<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	3.7	4.7	2.3	3.8	6.4
NCREIF NFI-ODCE Index	Real Estate	4.6	8.8	20.5	-7.6	0.0
HFRI FOF Composite	Hedge Funds	-1.3	-0.4	6.6	-0.9	2.1
HFRI FOF Conservative Index	Hedge Funds - Conservative	-0.9	0.6	6.3	-0.2	2.0

**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 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  
JUNE 2011

## **INVESTMENT RETURN**

On June 30th, 2011, the Franklin Regional Retirement System's PRIT Core Fund was valued at \$53,118,678, representing an increase of \$1,502,364 from the March quarter's ending value of \$51,616,314. Last quarter, the Fund posted net contributions equaling \$625,081 plus a net investment gain equaling \$877,283. Total net investment return was the result of income receipts, which totaled \$494,037 and net realized and unrealized capital gains of \$383,246.

For the cumulative period since September 2006, the fund has recorded net contributions totaling \$5.0 million, and recorded net investment gains of \$9.0 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 \$62.1 million or \$8.9 million more than the actual value as of June 30th, 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 second quarter, the PRIT Core Fund gained 1.7%, which was 0.6% greater than the Custom Core Index's return of 1.1%. Over the trailing twelve-month period, the portfolio returned 22.5%, which was 1.0% above the benchmark's 21.5% return. Since September 2006, the account returned 3.9% on an annualized basis, while the Custom Core Index returned an annualized 4.7% 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>	1.7	6.0	22.5	1.7	3.9
CUSTOM CORE IDX	1.1	4.9	21.5	3.0	4.7
<b>PRIT Core</b>	1.7	6.0	22.5	1.8	4.0
CUSTOM CORE IDX	1.1	4.9	21.5	3.0	4.7

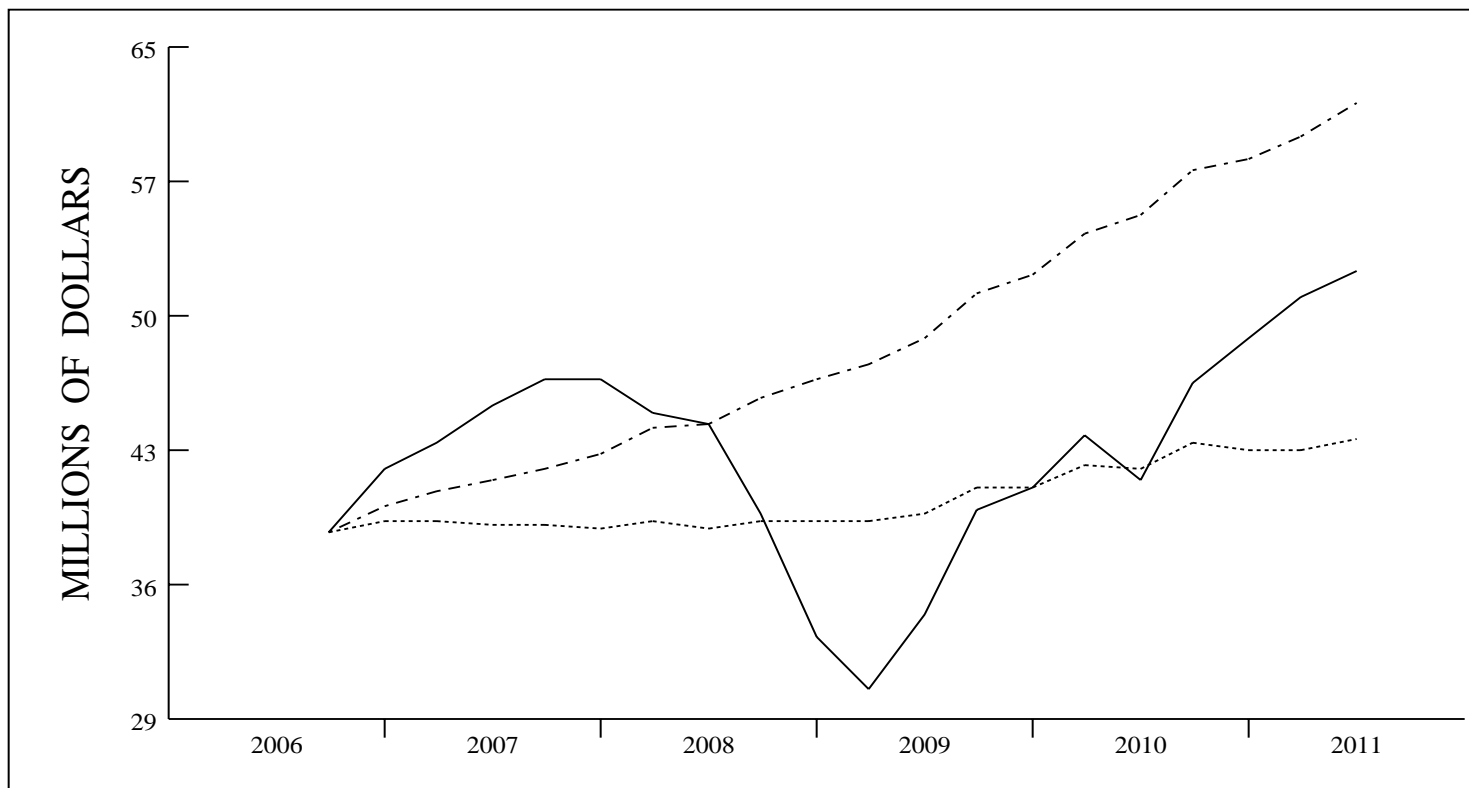
**ASSET ALLOCATION**

PRIT Core	98.7%	\$ 52,429,225
Cash	1.3%	689,453
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 53,118,678</b>

**INVESTMENT RETURN**

Market Value 3/2011	\$ 51,616,314
Contribs / Withdrawals	625,081
Income	494,037
Capital Gains / Losses	383,246
Market Value 6/2011	\$ 53,118,678

**INVESTMENT GROWTH**



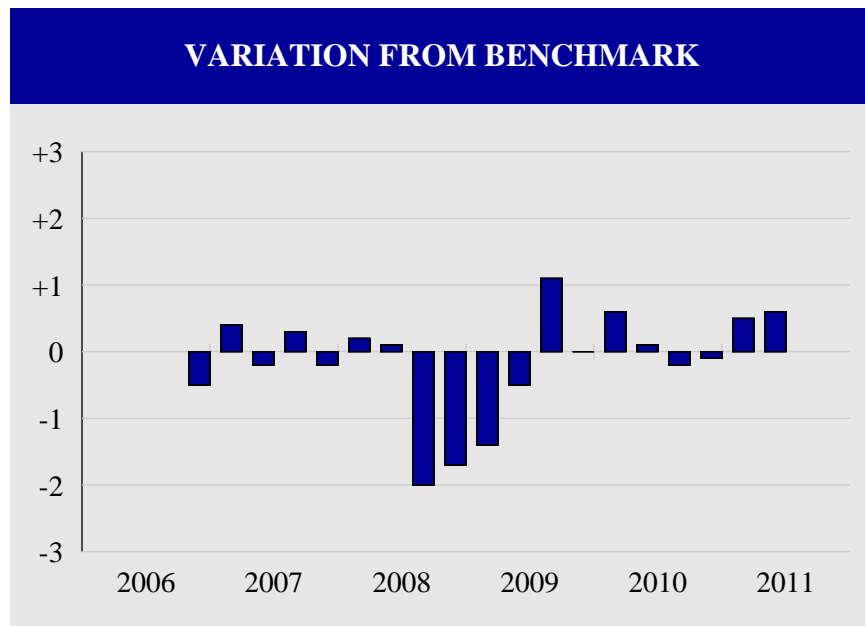
— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

VALUE ASSUMING  
 8.00% RETURN  
 \$ 62,054,600

	LAST QUARTER	PERIOD 9/06 - 6/11
BEGINNING VALUE	\$ 51,616,314	\$ 39,087,560
NET CONTRIBUTIONS	625,081	4,990,541
<u>INVESTMENT RETURN</u>	<u>877,283</u>	<u>9,040,577</u>
ENDING VALUE	\$ 53,118,678	\$ 53,118,678
INCOME	494,037	6,617,895
CAPITAL GAINS (LOSSES)	<u>383,246</u>	<u>2,422,682</u>
INVESTMENT RETURN	877,283	9,040,577

**PRIT CORE QUARTERLY PERFORMANCE SUMMARY**

**COMPARATIVE BENCHMARK: CUSTOM CORE INDEX**



<b>Total Quarters Observed</b>	<b>19</b>
<b>Quarters At or Above the Benchmark</b>	<b>10</b>
<b>Quarters Below the Benchmark</b>	<b>9</b>
<b>Batting Average</b>	<b>.526</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
12/06	7.0	7.5	-0.5
3/07	3.3	2.9	0.4
6/07	5.0	5.2	-0.2
9/07	3.0	2.7	0.3
12/07	0.2	0.4	-0.2
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	-14.6	-1.7
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	3.8	0.5
6/11	1.7	1.1	0.6

FRANKLIN REGIONAL RETIREMENT SYSTEM  
RHUMBLINE  
PERFORMANCE REVIEW  
JUNE 2011

## **INVESTMENT RETURN**

On June 30th, 2011, the Franklin Regional Retirement System's RhumbLine portfolio was valued at \$6,454,204, a decrease of \$521,040 from the March ending value of \$6,975,244. Last quarter, the account recorded a net withdrawal of \$532,000, which overshadowed the fund's net investment return of \$10,960. Barring income receipts during the second quarter, the portfolio's net investment return figure was the product of \$10,960 in realized and unrealized capital gains.

For the cumulative period since December 2005, the fund has recorded net withdrawals totaling \$15.9 million and posted net investment gains of \$1.7 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 \$8.4 million or \$2.0 million more than the actual value as of June 30th, 2011.

## **RELATIVE PERFORMANCE**

In the second quarter, the RhumbLine portfolio gained 0.1%, which was equal to the S&P 500 Index's return of 0.1% and ranked in the 56th percentile of the Large Cap universe. Over the trailing year, the portfolio returned 30.6%, which was 0.1% less than the benchmark's 30.7% performance, and ranked in the 65th percentile. Since December 2005, the portfolio returned 3.3% on an annualized basis and ranked in the 59th percentile. For comparison, the S&P 500 returned an annualized 3.2% over the same period.

## **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>	0.1	6.0	30.6	3.5	3.3
<i>LARGE CAP RANK</i>	(56)	(62)	(65)	(55)	(59)
S&P 500	0.1	6.0	30.7	3.3	3.2
<b>Domestic Equity</b>	0.1	6.0	30.6	3.5	3.3
<i>LARGE CAP RANK</i>	(56)	(62)	(65)	(55)	(59)
S&P 500	0.1	6.0	30.7	3.3	3.2
RUSSELL 1000G	0.8	6.8	35.0	5.0	4.7
RUSSELL 1000V	-0.5	5.9	28.9	2.3	2.2

**ASSET ALLOCATION**

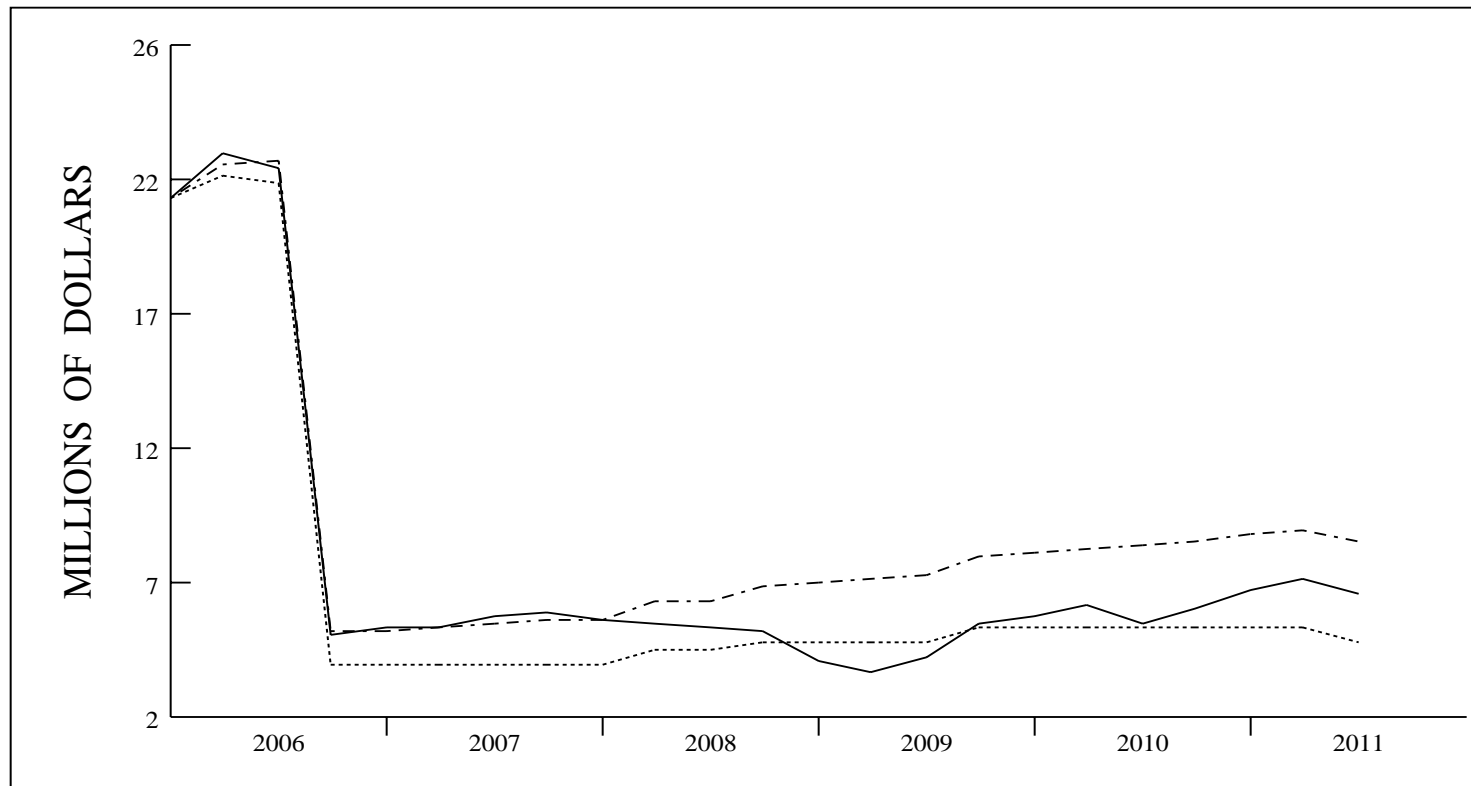
Domestic Equity	100.0%	\$ 6,454,204
Total Portfolio	100.0%	\$ 6,454,204

**INVESTMENT RETURN**

Market Value 3/2011	\$ 6,975,244
Contribs / Withdrawals	-532,000
Income	0
Capital Gains / Losses	10,960
Market Value 6/2011	\$ 6,454,204



**INVESTMENT GROWTH**

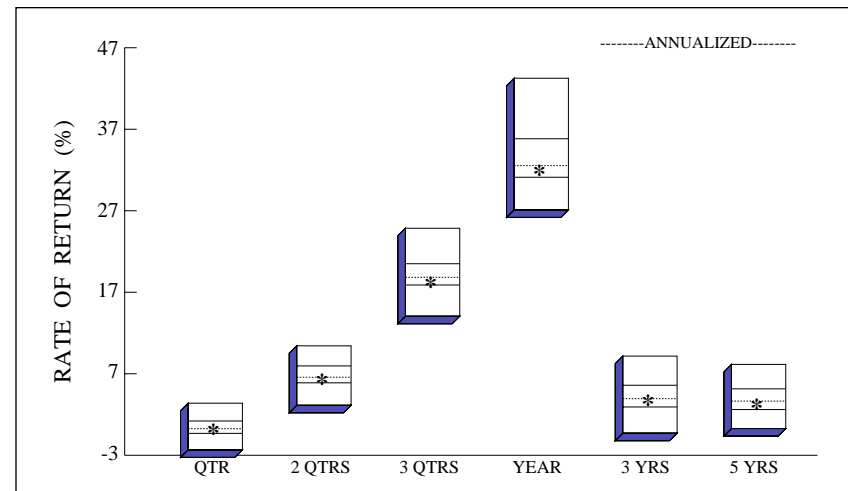
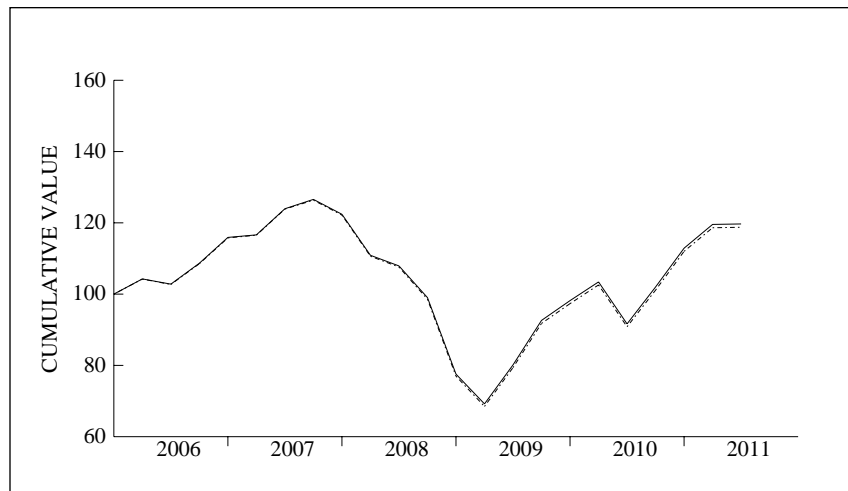


— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

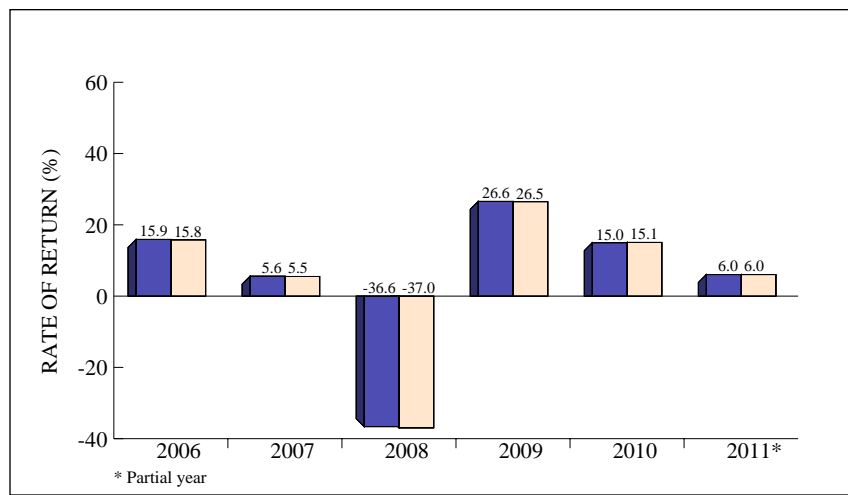
VALUE ASSUMING  
 8.00% RETURN  
 \$ 8,431,992

	LAST QUARTER	PERIOD 12/05 - 6/11
BEGINNING VALUE	\$ 6,975,244	\$ 20,623,601
NET CONTRIBUTIONS	-532,000	- 15,878,792
<u>INVESTMENT RETURN</u>	<u>10,960</u>	<u>1,709,395</u>
ENDING VALUE	\$ 6,454,204	\$ 6,454,204
INCOME	0	0
<u>CAPITAL GAINS (LOSSES)</u>	<u>10,960</u>	<u>1,709,395</u>
INVESTMENT RETURN	10,960	1,709,395

**TOTAL RETURN COMPARISONS**

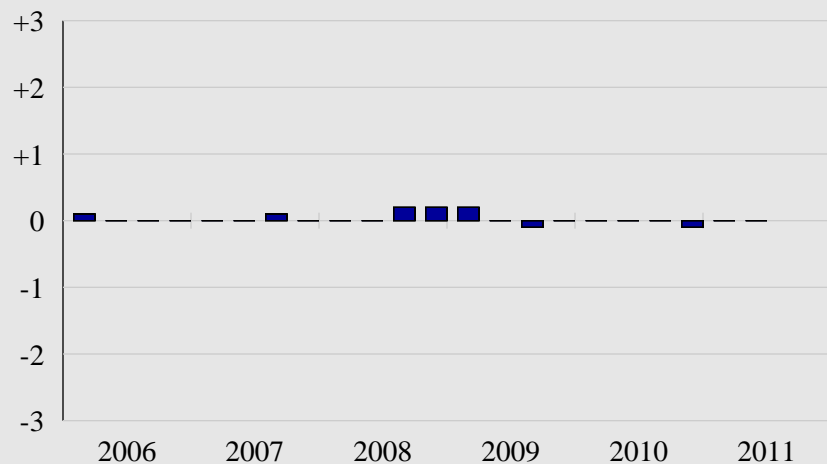


Large Cap Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	0.1	6.0	17.4	30.6	3.5	3.1
(RANK)	(56)	(62)	(69)	(65)	(55)	(57)
5TH %ILE	3.1	9.9	23.7	41.4	8.7	7.7
25TH %ILE	1.0	7.5	19.6	34.3	5.3	4.8
MEDIAN	0.1	6.2	18.0	31.1	3.7	3.4
75TH %ILE	-0.4	5.5	17.1	29.7	2.7	2.4
95TH %ILE	-2.4	2.9	13.4	25.9	-0.4	0.1
<b>S&amp;P 500</b>	<b>0.1</b>	<b>6.0</b>	<b>17.4</b>	<b>30.7</b>	<b>3.3</b>	<b>2.9</b>

Large Cap Universe

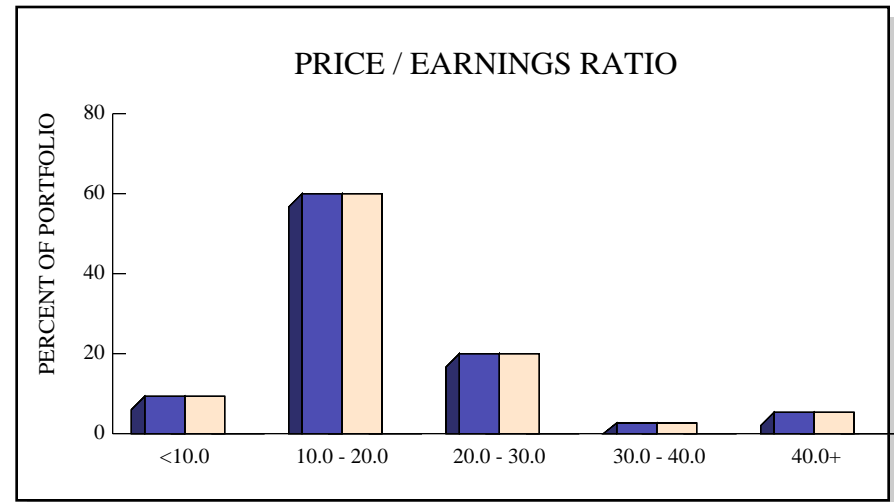
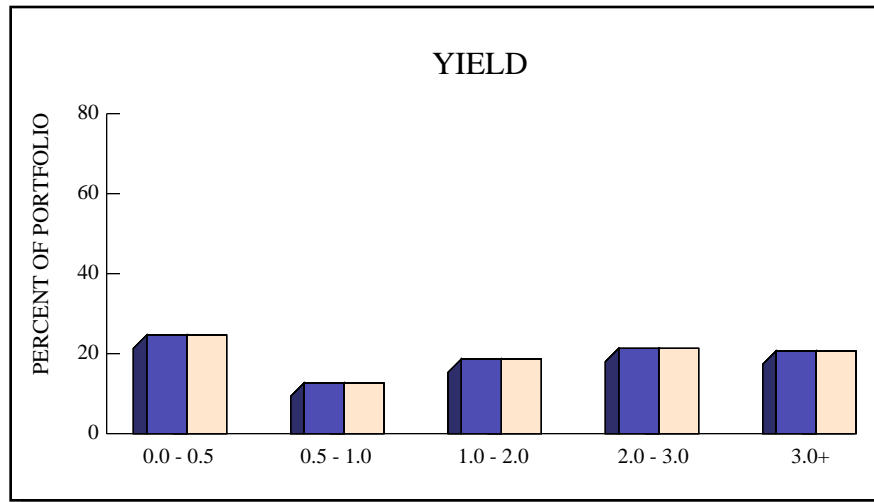
**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: S&P 500****VARIATION FROM BENCHMARK**

<b>Total Quarters Observed</b>	<b>22</b>
<b>Quarters At or Above the Benchmark</b>	<b>20</b>
<b>Quarters Below the Benchmark</b>	<b>2</b>
<b>Batting Average</b>	<b>.909</b>

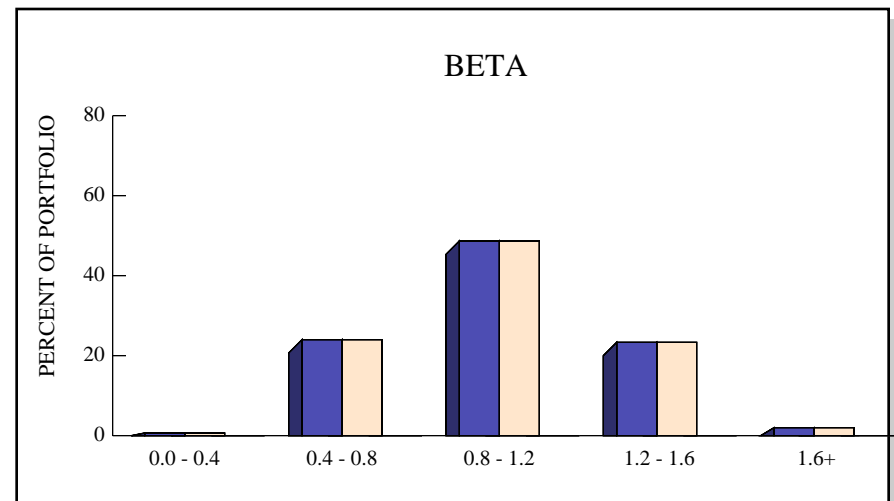
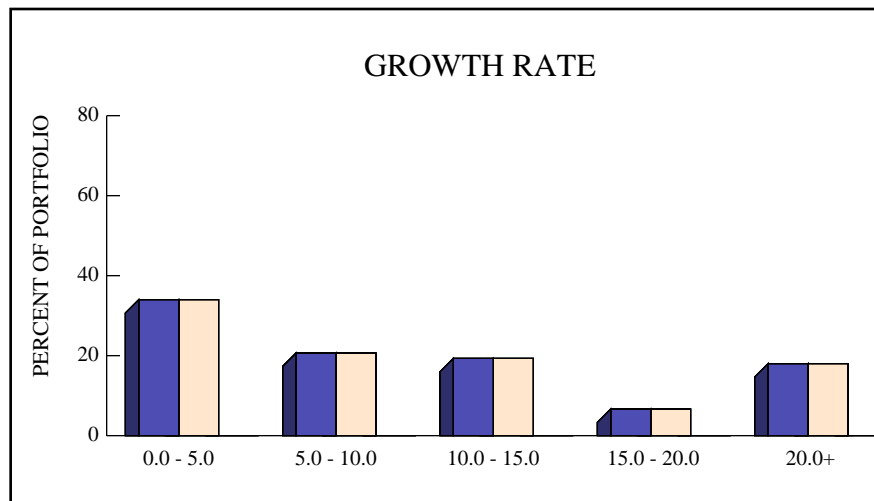
**RATES OF RETURN**

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
6/11	0.1	0.1	0.0

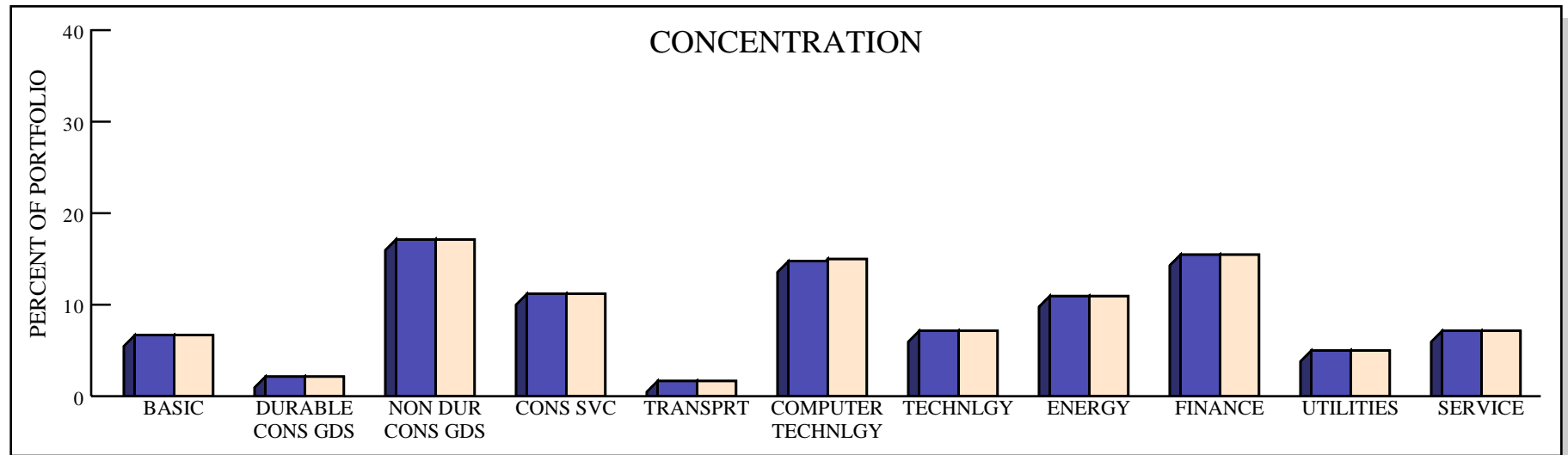
**STOCK CHARACTERISTICS**



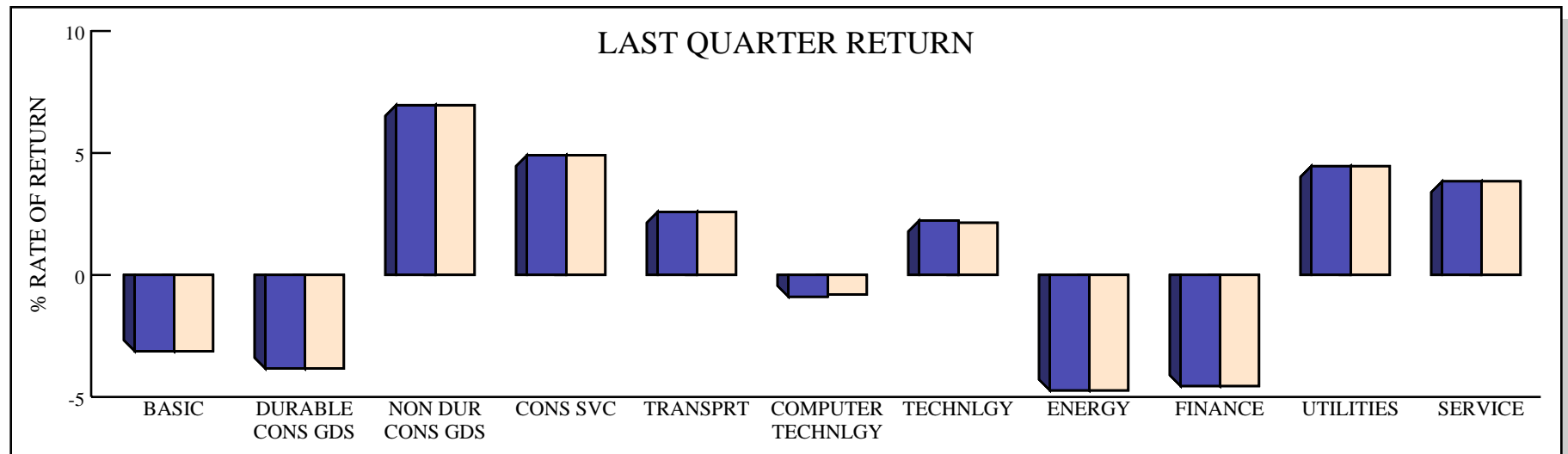
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.8%	9.7%	18.6	1.01
S&P 500	1.8%	9.7%	18.6	1.00



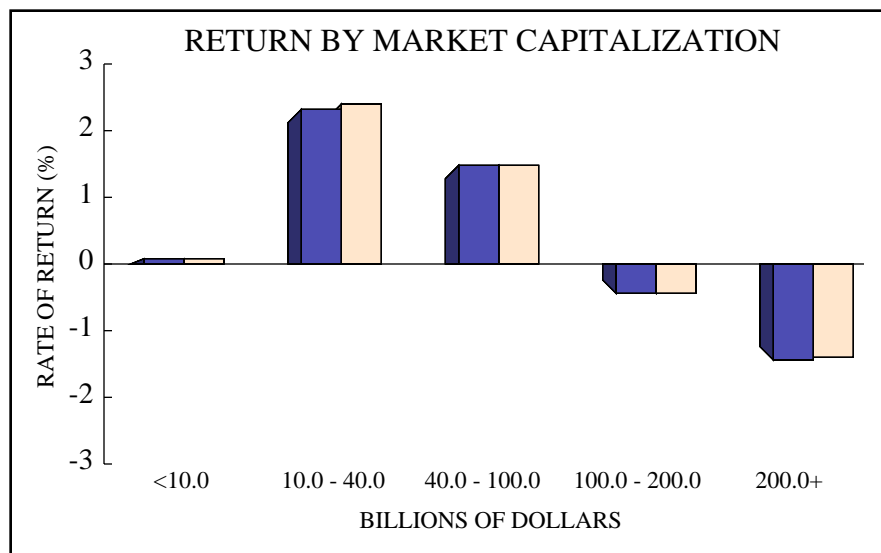
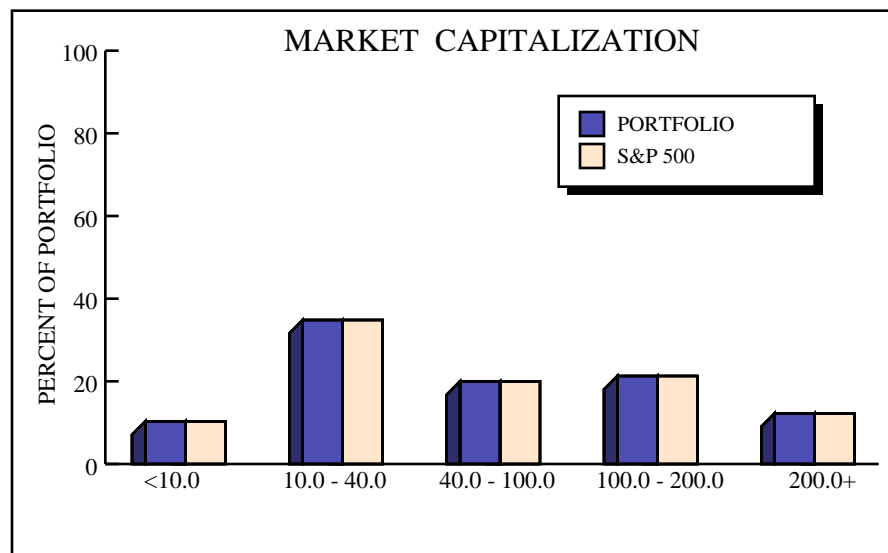
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ S&P 500



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	EXXON MOBIL CORP	\$ 209,391	3.24%	-2.8%	Energy	\$ 400.9 B
2	APPLE INC	162,129	2.51%	-3.7%	Computer Tech	310.4 B
3	MICROSOFT CORP	114,504	1.77%	3.1%	Computer Tech	219.3 B
4	INTL BUSINESS MACHINES CORP	108,591	1.68%	5.6%	Computer Tech	207.8 B
5	CHEVRON CORP	107,982	1.67%	-3.6%	Energy	206.7 B
6	GENERAL ELECTRIC CO	104,447	1.62%	-5.3%	Basic	200.0 B
7	AT&T INC	97,151	1.51%	4.0%	Service	186.0 B
8	WAL-MART STORES INC	96,343	1.49%	2.1%	Consumer Service	184.5 B
9	JOHNSON & JOHNSON	95,257	1.48%	13.2%	NonDur Cons Goods	182.3 B
10	PROCTER & GAMBLE CO/THE	92,685	1.44%	4.0%	NonDur Cons Goods	177.4 B

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

## **INVESTMENT RETURN**

On June 30th, 2011, the Franklin Regional Retirement System's PRIT Core Real Estate portfolio was valued at \$2,078,472, representing an increase of \$717,252 from the March quarter's ending value of \$1,361,220. Last quarter, the Fund posted net contributions equaling \$649,121 plus a net investment gain equaling \$68,131. Total net investment return was the result of income receipts, which totaled \$27,771 and net realized and unrealized capital gains of \$40,360.

For the cumulative period since September 2010, the fund has recorded net contributions totaling \$645,664, and recorded net investment gains of \$185,236. 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 \$2.0 million or \$102,803 less than the actual value as of June 30th, 2011.

## **RELATIVE PERFORMANCE**

In the second quarter, the PRIT Core Real Estate portfolio gained 3.4%, which was 1.2% less than the NCREIF NFI-ODCE Index's return of 4.6%.

## **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>	3.4	7.8	----	----	13.1
NCREIF ODCE	4.6	8.8	20.5	-7.6	14.2
<b>Real Estate</b>	3.4	7.8	----	----	13.1
NCREIF ODCE	4.6	8.8	20.5	-7.6	14.2

\* Annualized Return

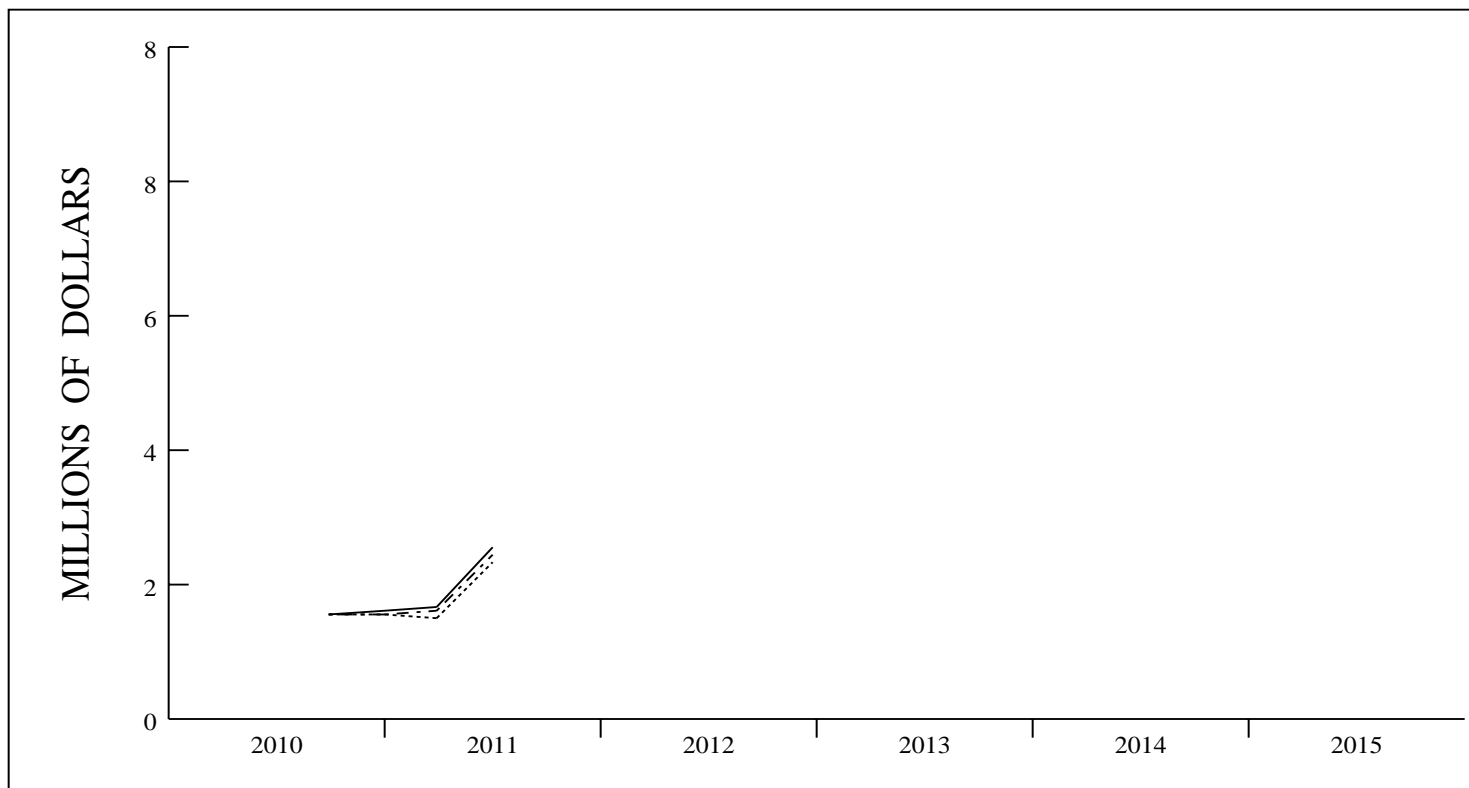
**ASSET ALLOCATION**

Real Estate	100.0%	\$ 2,078,472
Total Portfolio	100.0%	\$ 2,078,472

**INVESTMENT RETURN**

Market Value 3/2011	\$ 1,361,220
Contribs / Withdrawals	649,121
Income	27,771
Capital Gains / Losses	40,360
Market Value 6/2011	\$ 2,078,472

**INVESTMENT GROWTH**



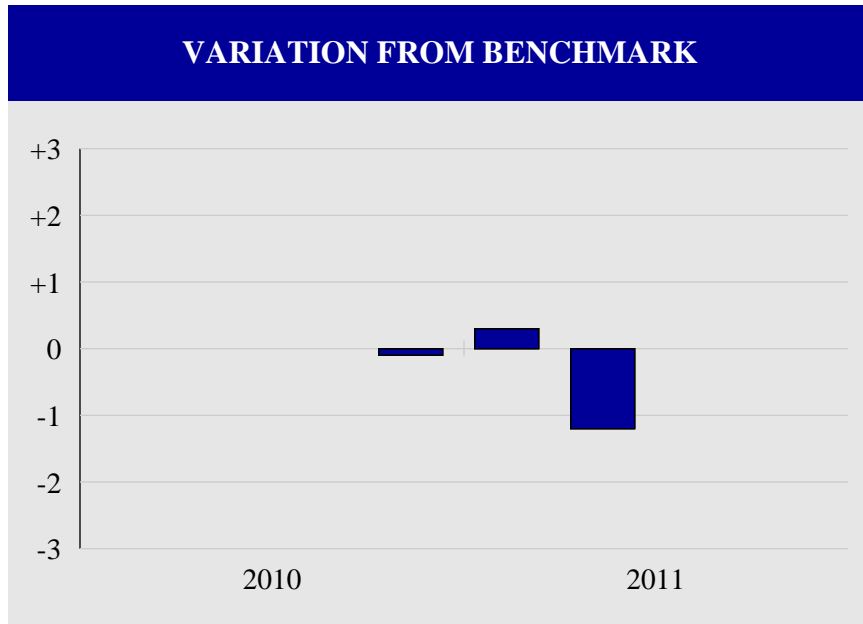
— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

VALUE ASSUMING  
 8.00% RETURN  
 \$ 1,975,669

	LAST QUARTER	PERIOD 9/10 - 6/11
BEGINNING VALUE	\$ 1,361,220	\$ 1,247,572
NET CONTRIBUTIONS	649,121	645,664
<u>INVESTMENT RETURN</u>	<u>68,131</u>	<u>185,236</u>
ENDING VALUE	\$ 2,078,472	\$ 2,078,472
INCOME	27,771	64,418
CAPITAL GAINS (LOSSES)	<u>40,360</u>	<u>120,818</u>
INVESTMENT RETURN	68,131	185,236

**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
6/11	3.4	4.6	-1.2

<b>Total Quarters Observed</b>	<b>3</b>
<b>Quarters At or Above the Benchmark</b>	<b>1</b>
<b>Quarters Below the Benchmark</b>	<b>2</b>
<b>Batting Average</b>	<b>.333</b>

FRANKLIN REGIONAL RETIREMENT SYSTEM  
DARUMA  
PERFORMANCE REVIEW  
JUNE 2011

## **INVESTMENT RETURN**

On June 30th, 2011, the Franklin Regional Retirement System's Daruma portfolio was valued at \$9,784,863, a decrease of \$252,750 from the March ending value of \$10,037,613. Last quarter, the account recorded total net withdrawals of \$74,000 in addition to \$178,750 in net investment losses. The fund's net investment loss was a result of income receipts totaling \$8,478 and realized and unrealized capital losses totaling \$187,228.

Since December 2005, the account has recorded net withdrawals totaling \$819,000 while posting net investment gains totaling \$4.6 million. Since December 2005, if the account earned a compounded nominal rate of 8.0% it would have been valued at \$8.5 million or \$1.3 million less than the actual value as of June 30th, 2011.

## **RELATIVE PERFORMANCE**

For the second quarter, the Daruma portfolio lost 1.8%, which was 0.2% below the Russell 2000 Index's return of -1.6% and ranked in the 68th percentile of the Small Cap universe. Over the trailing twelve-month period, this portfolio returned 47.5%, which was 10.1% greater than the benchmark's 37.4% performance, and ranked in the 14th percentile. Since December 2005, the portfolio returned 10.4% annualized and ranked in the 9th percentile. The Russell 2000 returned an annualized 5.2% over the same time frame.

## **ASSET ALLOCATION**

On June 30th, 2011, domestic equities comprised 96.4% of the total portfolio (\$9.4 million), while cash & equivalents comprised the remaining 3.6% (\$355,023).

## **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.

The portfolio's mild underperformance compared to the Russell 2000 was primarily due to stock selection. Six out of the ten invested sectors returned less than the benchmark. The portfolio was able to add value in the Transportation sector with a return of 11.1% compared with a negative 2.5% from its benchmark counterpart. The overweight Computer Technology sector was also able to add value with a slight gain compared to the index counterpart's loss. Overall the Daruma portfolio finished the quarter 20 basis points below the benchmark.

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2005
<b>Total Portfolio</b>	-1.8	11.0	47.5	14.7	10.4
<i>SMALL CAP RANK</i>	(68)	(14)	(14)	( 7)	( 9)
RUSSELL 2000	-1.6	6.2	37.4	7.8	5.2
<b>Domestic Equity</b>	-1.9	11.4	49.6	15.2	10.6
<i>SMALL CAP RANK</i>	(70)	(13)	(11)	( 5)	( 8)
RUSSELL 2000	-1.6	6.2	37.4	7.8	5.2
RUSSELL 2000G	-0.6	8.6	43.5	8.3	6.4
RUSSELL 2000V	-2.7	3.8	31.3	7.1	3.9

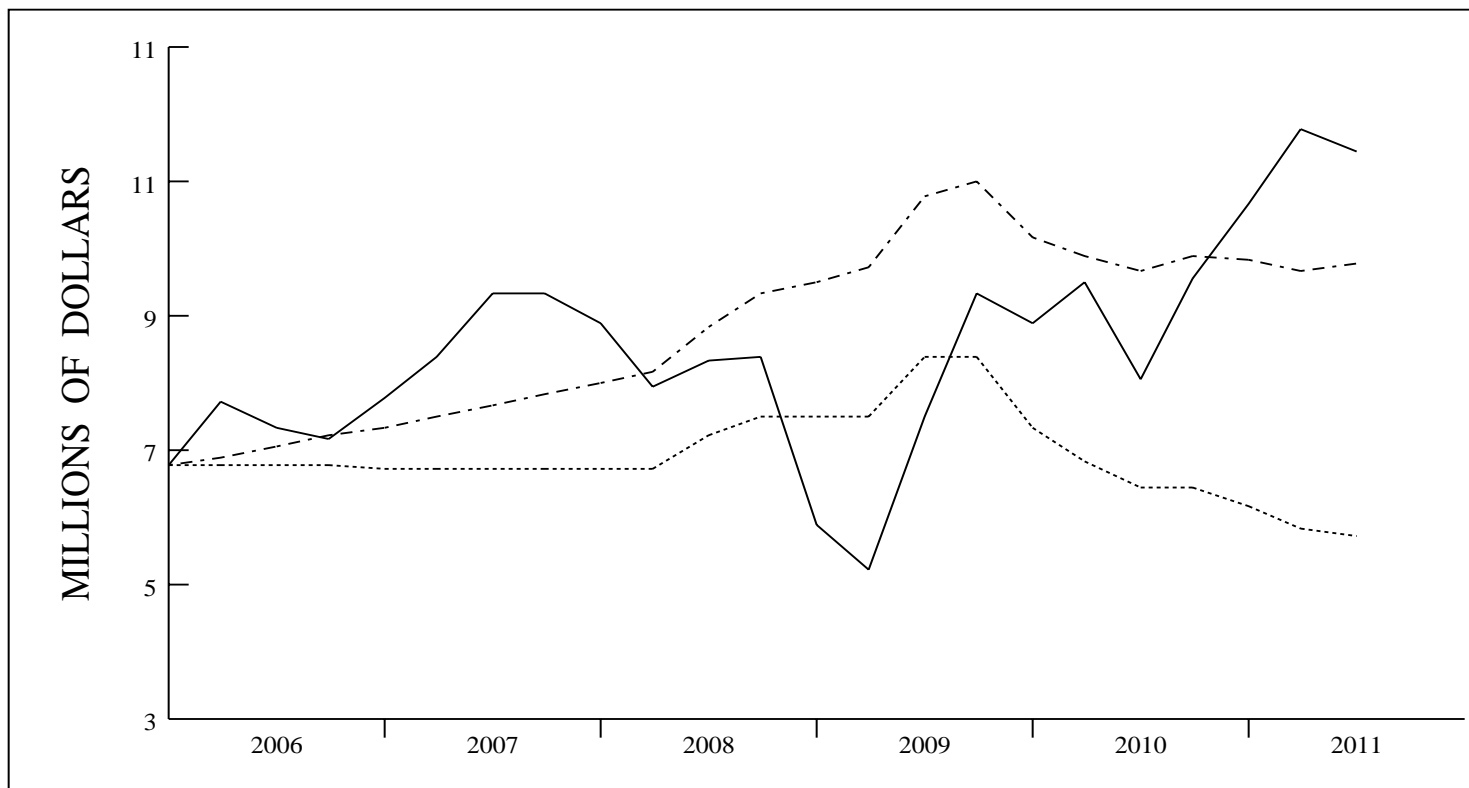
**ASSET ALLOCATION**

Domestic Equity	96.4%	\$ 9,429,840
Cash	3.6%	355,023
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 9,784,863</b>

**INVESTMENT RETURN**

Market Value 3/2011	\$ 10,037,613
Contribs / Withdrawals	- 74,000
Income	8,478
Capital Gains / Losses	-187,228
Market Value 6/2011	\$ 9,784,863

**INVESTMENT GROWTH**

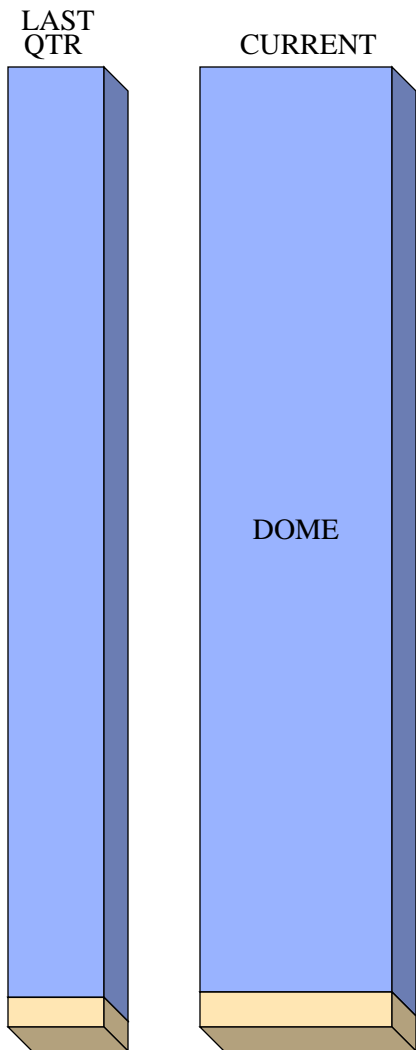


— ACTUAL RETURN  
 - - - 8.0%  
 ..... 0.0%

VALUE ASSUMING  
 8.00% RETURN  
 \$ 8,455,419

	LAST QUARTER	PERIOD 12/05 - 6/11
BEGINNING VALUE	\$ 10,037,613	\$ 6,026,015
NET CONTRIBUTIONS	- 74,000	-819,000
INVESTMENT RETURN	-178,750	4,577,848
<b>ENDING VALUE</b>	<b>\$ 9,784,863</b>	<b>\$ 9,784,863</b>
INCOME	8,478	246,109
CAPITAL GAINS (LOSSES)	-187,228	4,331,739
INVESTMENT RETURN	-178,750	4,577,848

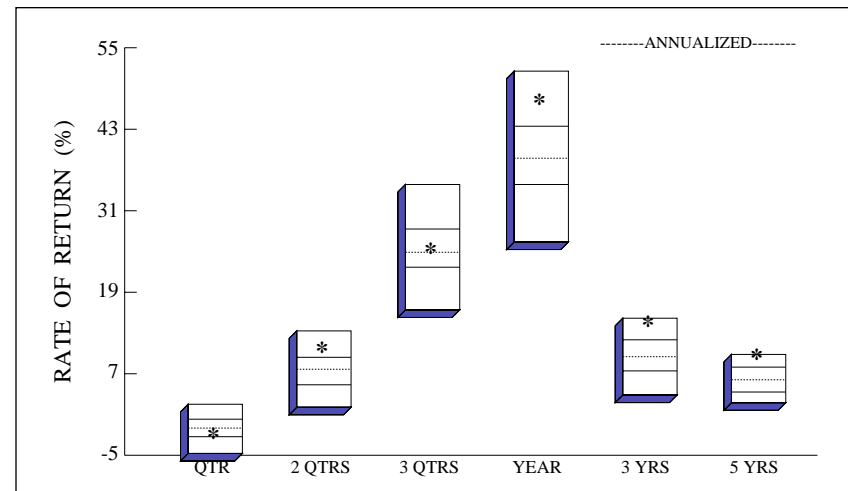
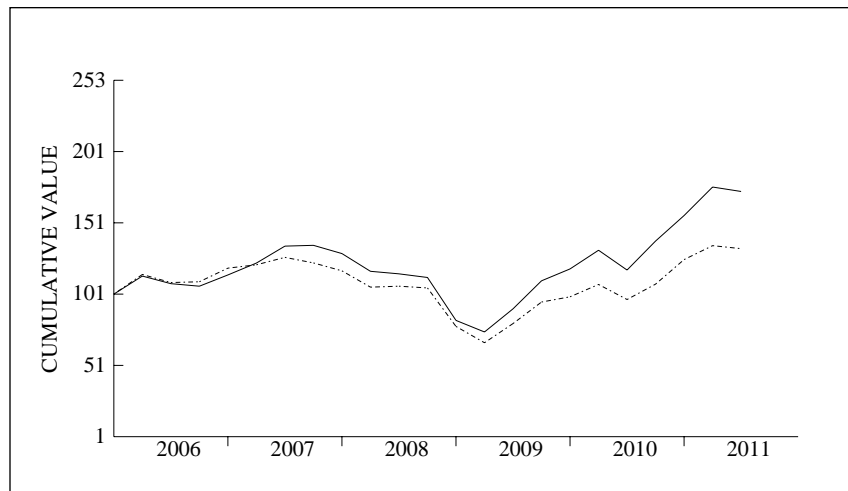
**ASSET ALLOCATION**



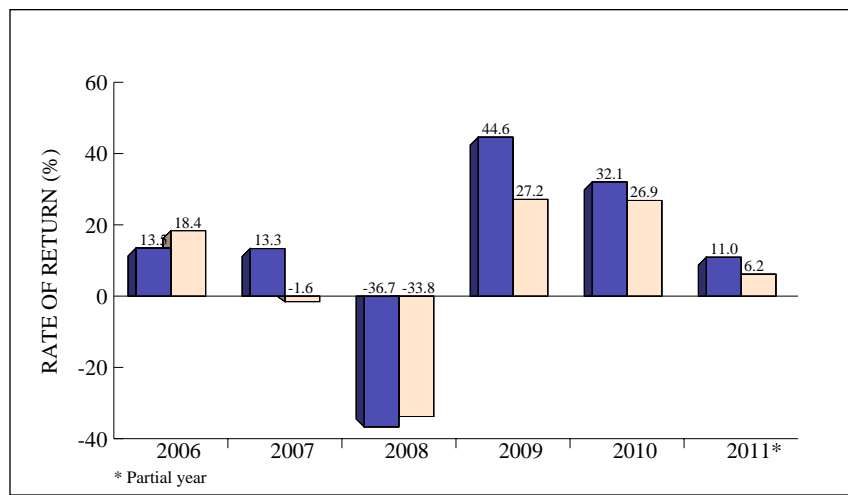
	<u>VALUE</u>	<u>PERCENT</u>
DOMESTIC EQUITY	\$ 9,429,840	96.4%
CASH & EQUIVALENT	355,023	3.6%
<u>TOTAL FUND</u>	<u>\$ 9,784,863</u>	<u>100.0%</u>



**TOTAL RETURN COMPARISONS**

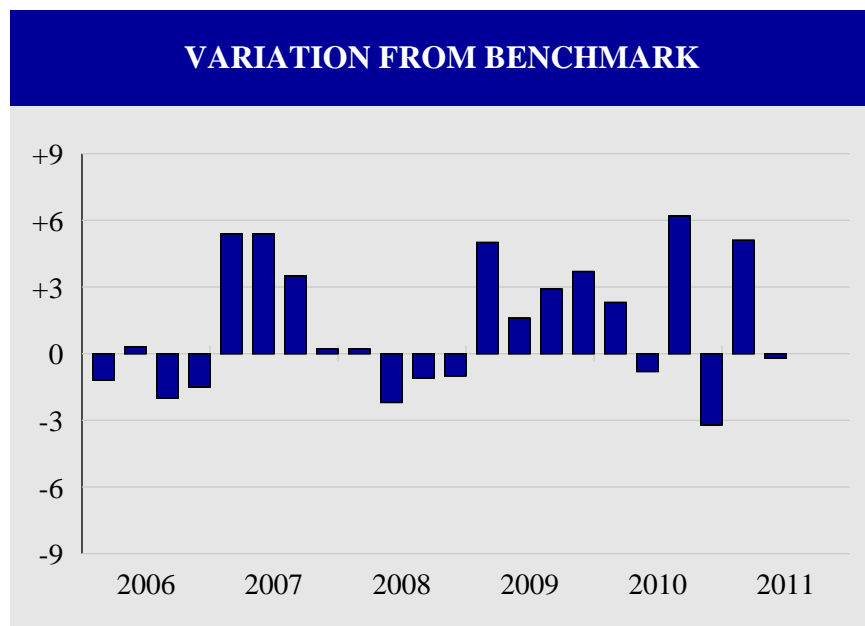


Small Cap Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	-1.8	11.0	25.5	47.5	14.7	9.9
(RANK)	(68)	(14)	(44)	(14)	(7)	(4)
5TH %ILE	2.5	13.3	34.9	51.6	15.2	9.8
25TH %ILE	0.3	9.4	28.3	43.4	12.0	8.0
MEDIAN	-1.0	7.7	24.9	38.7	9.5	6.1
75TH %ILE	-2.3	5.4	22.7	34.9	7.4	4.3
95TH %ILE	-4.7	2.1	16.4	26.4	3.9	2.7
<b>Russ 2000</b>	<b>-1.6</b>	<b>6.2</b>	<b>23.5</b>	<b>37.4</b>	<b>7.8</b>	<b>4.1</b>

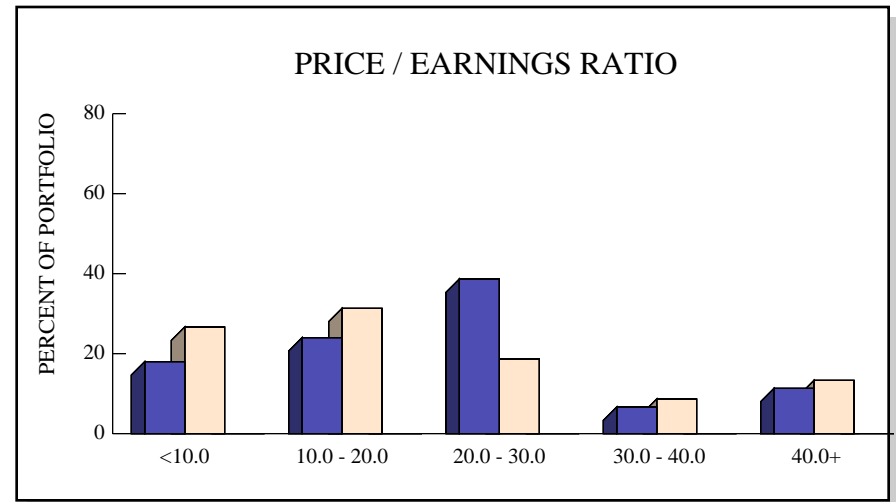
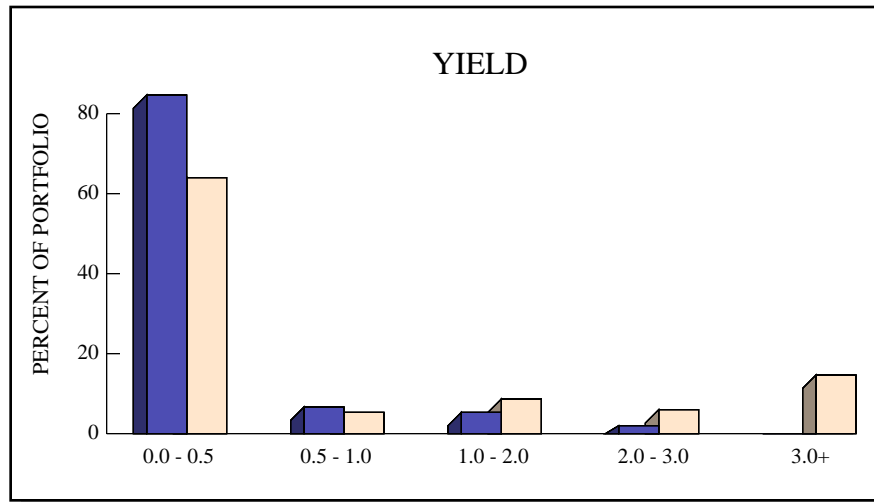
Small Cap Universe

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

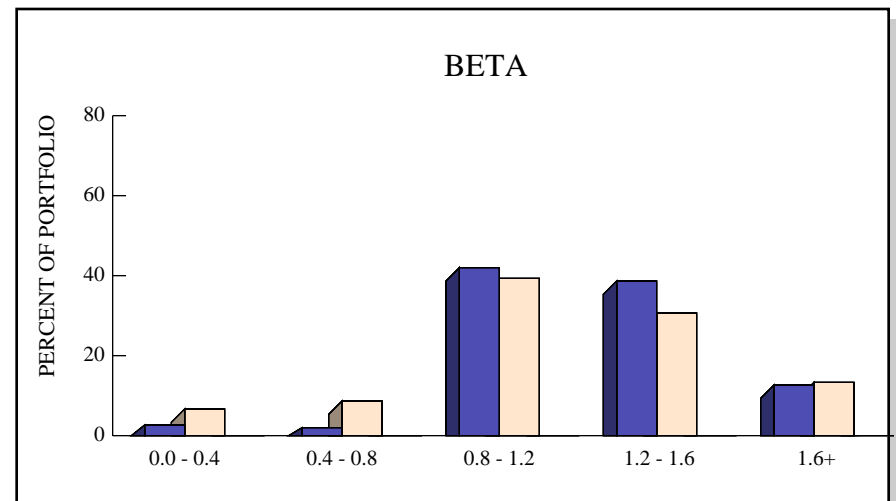
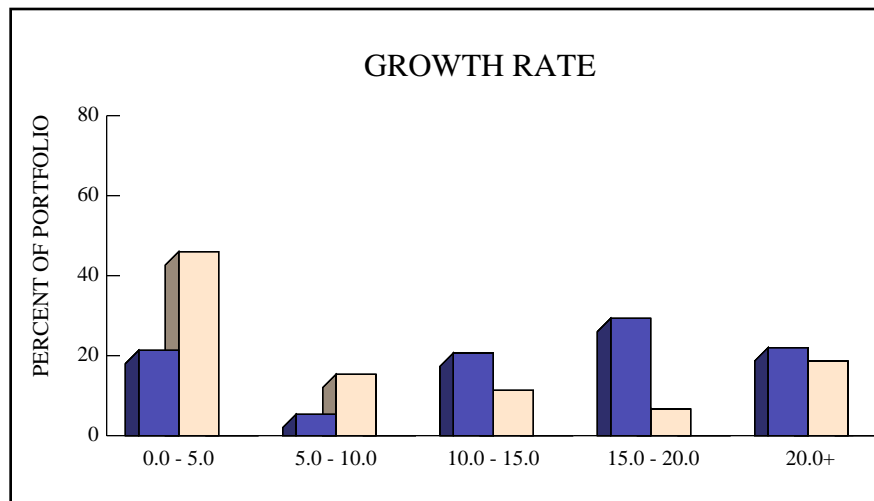
<b>Total Quarters Observed</b>	<b>22</b>
<b>Quarters At or Above the Benchmark</b>	<b>13</b>
<b>Quarters Below the Benchmark</b>	<b>9</b>
<b>Batting Average</b>	<b>.591</b>

<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
6/11	-1.8	-1.6	-0.2

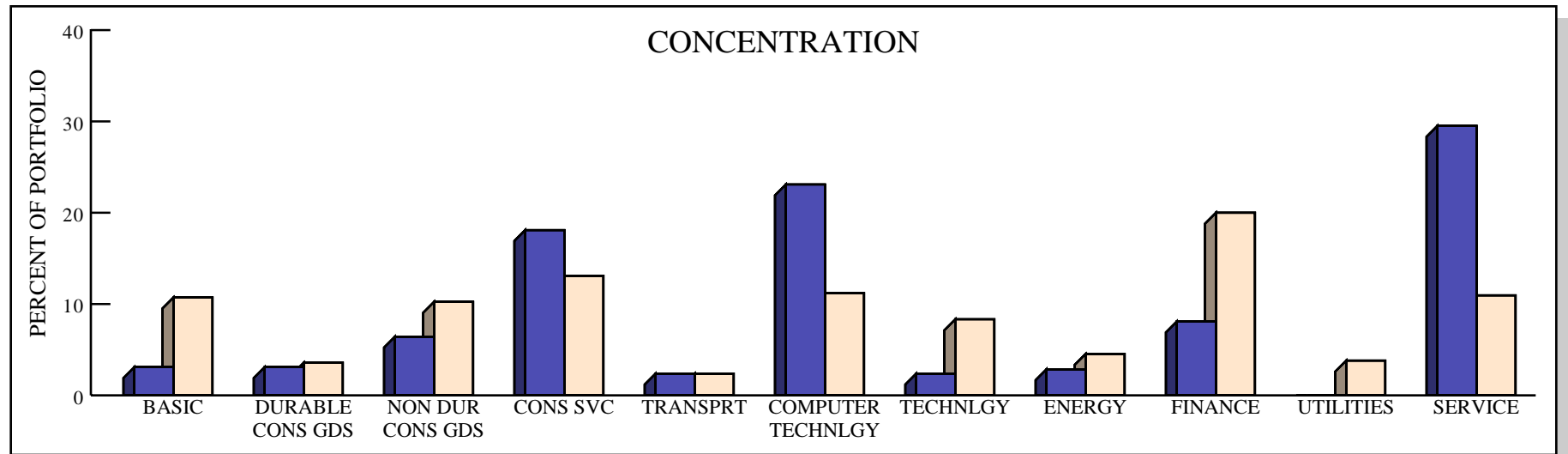
**STOCK CHARACTERISTICS**



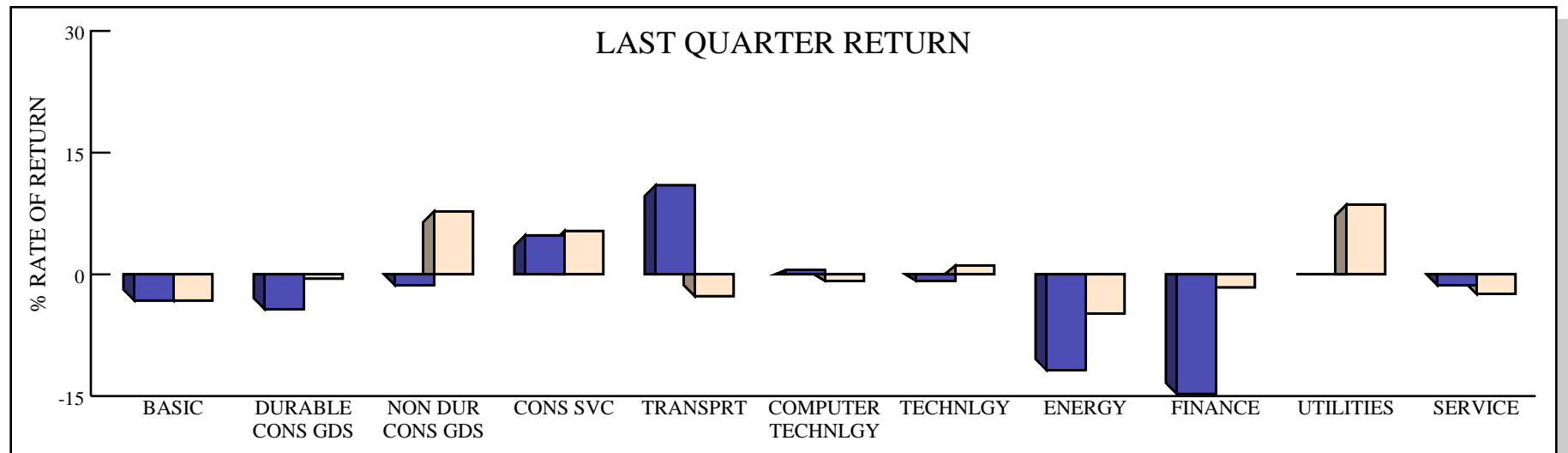
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	0.2%	15.4%	21.5	1.24
RUSSELL 2000	1.2%	6.0%	17.9	1.14



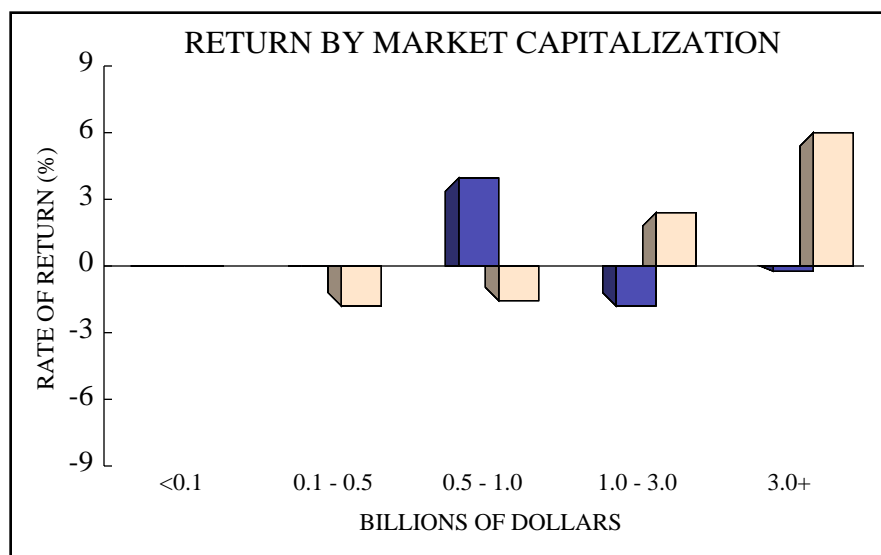
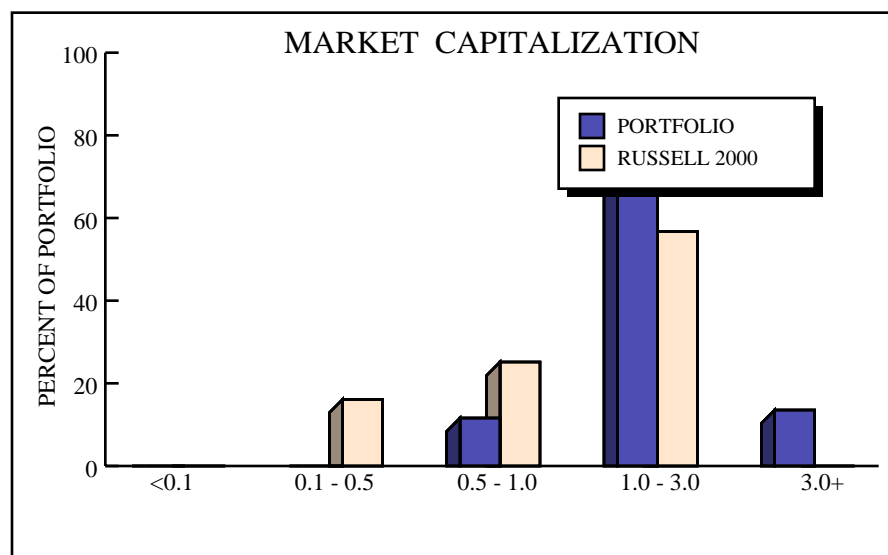
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL 2000



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	SHUTTERFLY INC	\$ 401,366	4.26%	9.7%	Service	\$ 1.9 B
2	WRIGHT EXPRESS CORP	386,359	4.10%	0.4%	Service	2.0 B
3	INTERFACE INC-CLASS A	354,665	3.76%	4.9%	NonDur Cons Goods	1.1 B
4	MAXIMUS INC	345,811	3.67%	2.1%	Service	1.4 B
5	HEALTHSOUTH CORP	340,725	3.61%	5.1%	Consumer Service	2.5 B
6	CADENCE DESIGN SYS INC	335,597	3.56%	8.3%	Computer Tech	2.8 B
7	LUMBER LIQUIDATORS HOLDINGS	320,040	3.39%	1.6%	Consumer Service	0.7 B
8	COSTAR GROUP INC	308,256	3.27%	-5.4%	Service	1.5 B
9	KNOLL INC	306,268	3.25%	-4.1%	Durable Cons Goods	1.0 B
10	WABTEC CORP	293,111	3.11%	-3.1%	Basic	3.2 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
PRUDENTIAL PRISA FUND  
PERFORMANCE REVIEW  
JUNE 2011

## **INVESTMENT RETURN**

On June 30th, 2011, the Franklin Regional Retirement System's Prudential Prisa Fund was valued at \$1,451,819, a decrease of \$618,910 from the March ending value of \$2,070,729. Last quarter, the account recorded a net withdrawal of \$720,083, which overshadowed the fund's net investment return of \$101,173. Income receipts totaling \$28,532 and realized and unrealized capital gains of \$72,641 combined to produce the portfolio's net investment return.

Since December 2005, the account has recorded net withdrawals totaling \$1.5 million while posting net investment gains totaling \$11,156. Since December 2005, if the account had earned a compounded nominal rate of 8.0% it would have been valued at \$3.0 million or \$1.5 million more than the actual value as of June 30th, 2011.

## **RELATIVE PERFORMANCE**

For the second quarter, the Prudential Prisa Fund returned 4.9%, which was 0.3% above the NCREIF NFI-ODCE Index's return of 4.6%. Over the trailing year, the portfolio returned 21.8%, which was 1.3% above the benchmark's 20.5% return. Since December 2005, the portfolio returned 0.4% on an annualized basis, while the NCREIF NFI-ODCE Index returned an annualized 1.4% 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>	4.9	10.7	21.8	-9.5	0.4
NCREIF ODCE	4.6	8.8	20.5	-7.6	1.4
<b>Real Estate</b>	4.9	10.7	21.8	-9.5	0.4
NCREIF ODCE	4.6	8.8	20.5	-7.6	1.4

**ASSET ALLOCATION**

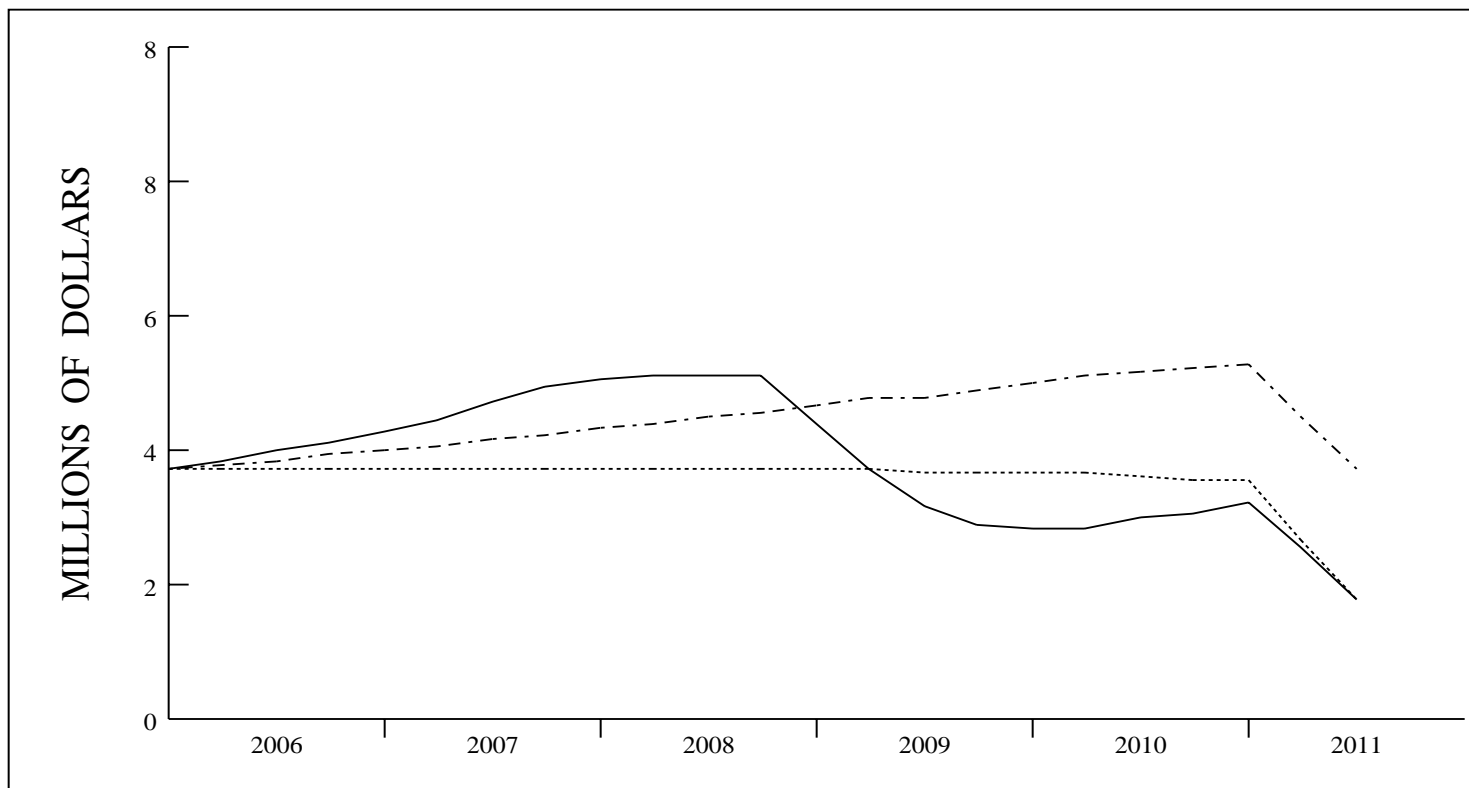
Real Estate	100.0%	\$ 1,451,819
Total Portfolio	100.0%	\$ 1,451,819

**INVESTMENT RETURN**

Market Value 3/2011	\$ 2,070,729
Contribs / Withdrawals	-720,083
Income	28,532
Capital Gains / Losses	72,641
Market Value 6/2011	\$ 1,451,819



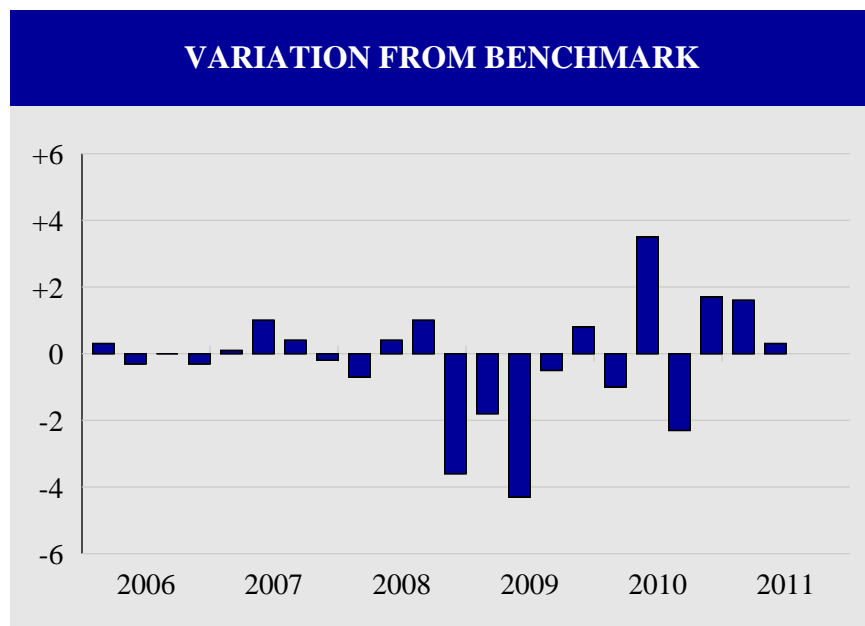
**INVESTMENT GROWTH**



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

VALUE ASSUMING  
 8.00% RETURN  
 \$ 2,985,932

	LAST QUARTER	PERIOD 12/05 - 6/11
BEGINNING VALUE	\$ 2,070,729	\$ 2,982,079
NET CONTRIBUTIONS	-720,083	-1,541,416
<u>INVESTMENT RETURN</u>	<u>101,173</u>	<u>11,156</u>
ENDING VALUE	\$ 1,451,819	\$ 1,451,819
INCOME	28,532	847,747
CAPITAL GAINS (LOSSES)	<u>72,641</u>	<u>-836,591</u>
INVESTMENT RETURN	101,173	11,156

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

<b>Total Quarters Observed</b>	<b>22</b>
<b>Quarters At or Above the Benchmark</b>	<b>12</b>
<b>Quarters Below the Benchmark</b>	<b>10</b>
<b>Batting Average</b>	<b>.545</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
6/11	4.9	4.6	0.3

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

## **INVESTMENT RETURN**

On June 30th, 2011, the Franklin Regional Retirement System's Income Research & Management portfolio was valued at \$9,133,964, representing an increase of \$198,458 from the March quarter's ending value of \$8,935,506. Last quarter, the Fund posted no net contributions or withdrawals. Since there were no income receipts for the second quarter, the portfolio's entire net investment return was the result of net realized and unrealized capital gains.

For the cumulative period since December 2005, the portfolio has posted net withdrawals totaling \$5.4 million and recorded net investment gains totaling \$2.9 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 \$10.5 million or \$1.4 million more than the actual value as of June 30th, 2011.

## **RELATIVE PERFORMANCE**

For the second quarter, the Income Research & Management portfolio returned 2.2%, which was 0.1% less than the Barclays Aggregate Index's return of 2.3% and ranked in the 46th percentile of the Core Fixed Income universe. Over the trailing year, this portfolio returned 4.5%, which was 0.6% above the benchmark's 3.9% return, ranking in the 60th percentile. Since December 2005, the account returned 6.3% on an annualized basis and ranked in the 49th percentile. For comparison, the Barclays Aggregate Index returned an annualized 5.8% 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, nearly 25% of the total bond portfolio was comprised of USG quality securities. The remainder of the portfolio consisted of corporate securities, rated AAA through BBB, giving the portfolio an overall average quality rating of AA. The average maturity of the portfolio was 11.1 years, significantly longer than the Barclays Aggregate Index's 7.4-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>	2.2	3.0	4.5	7.3	6.3
<i>CORE FIXED INCOME RANK</i>	(46)	(47)	(60)	(48)	(49)
BARCLAYS AGG	2.3	2.7	3.9	6.5	5.8
<b>Fixed Income</b>	2.2	3.0	4.5	7.3	6.3
<i>CORE FIXED INCOME RANK</i>	(46)	(47)	(60)	(47)	(47)
BARCLAYS AGG	2.3	2.7	3.9	6.5	5.8
GOV/CREDIT	2.3	2.6	3.7	6.2	5.5

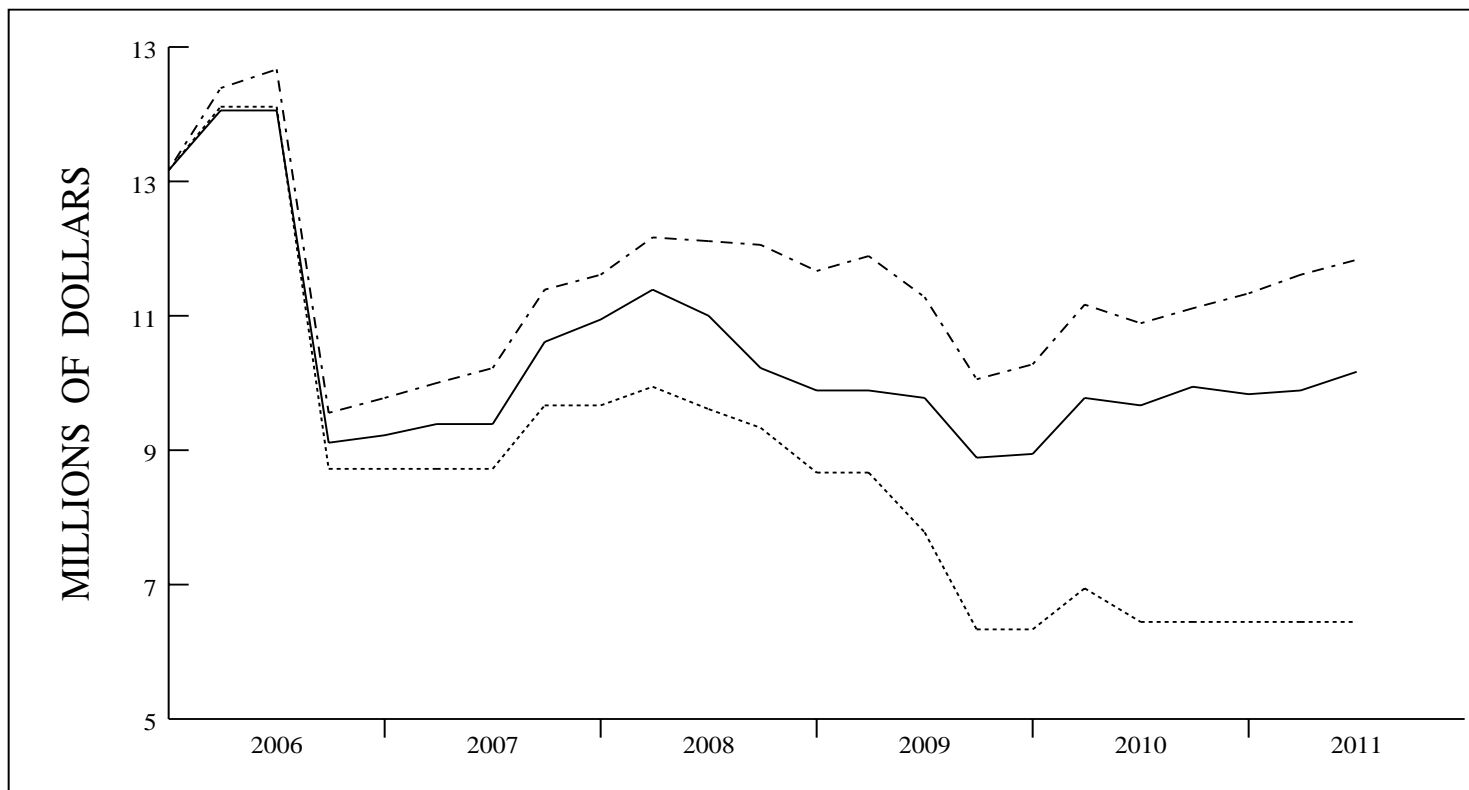
**ASSET ALLOCATION**

Fixed Income	100.0%	\$ 9,133,964
Total Portfolio	100.0%	\$ 9,133,964

**INVESTMENT RETURN**

Market Value 3/2011	\$ 8,935,506
Contribs / Withdrawals	0
Income	0
Capital Gains / Losses	198,458
Market Value 6/2011	\$ 9,133,964

**INVESTMENT GROWTH**

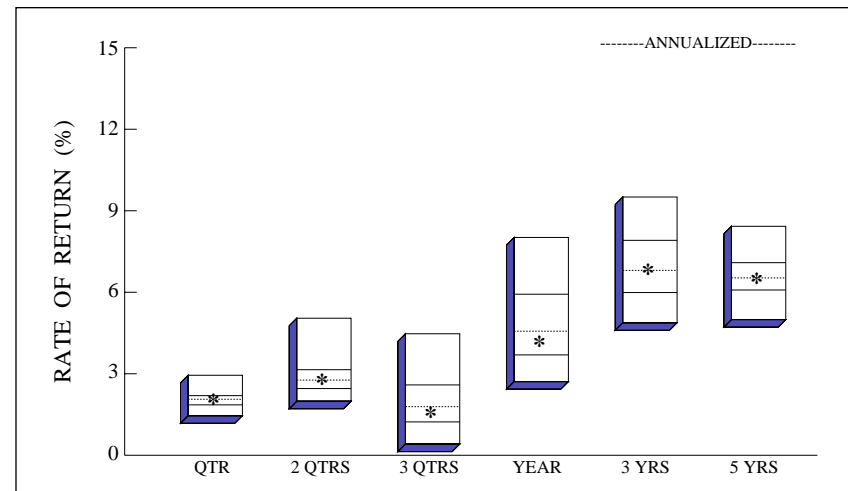
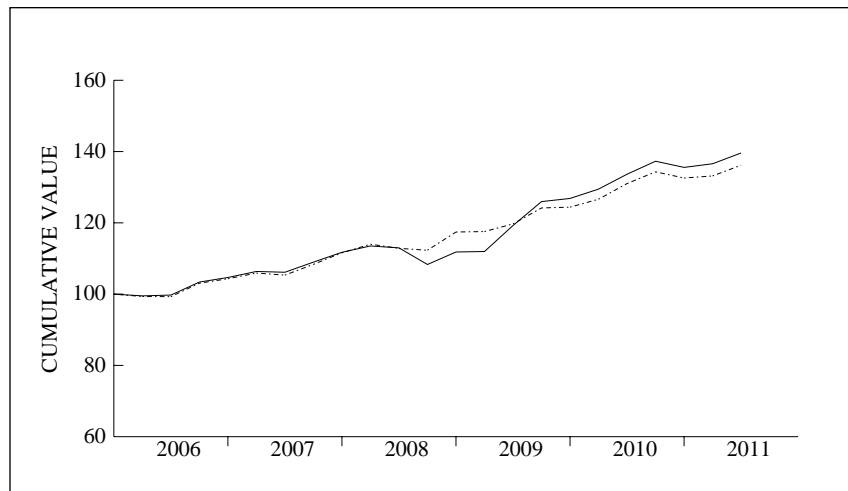


— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

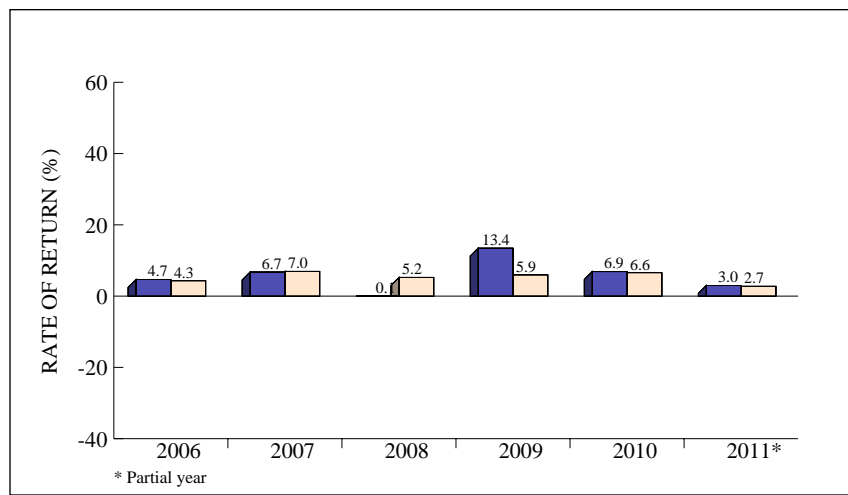
VALUE ASSUMING  
 8.00% RETURN  
 \$ 10,528,740

	LAST QUARTER	PERIOD 12/05 - 6/11
BEGINNING VALUE	\$ 8,935,506	\$ 11,549,490
NET CONTRIBUTIONS	0	- 5,359,000
INVESTMENT RETURN	198,458	2,943,474
ENDING VALUE	\$ 9,133,964	\$ 9,133,964
INCOME	0	121
CAPITAL GAINS (LOSSES)	198,458	2,943,353
INVESTMENT RETURN	198,458	2,943,474

**TOTAL RETURN COMPARISONS**

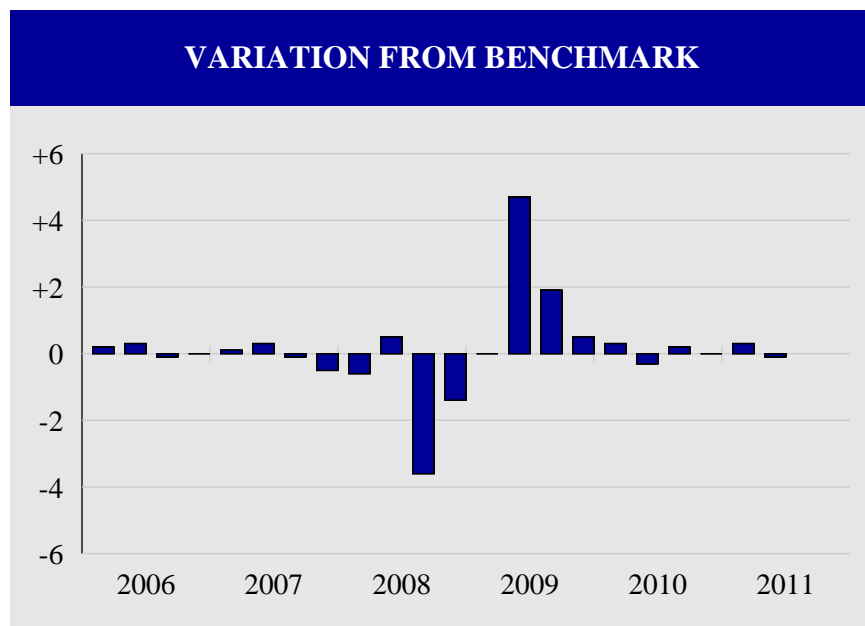


Core Fixed Income Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	2.2	3.0	1.7	4.5	7.3	7.0
(RANK)	(46)	(47)	(57)	(60)	(48)	(50)
5TH %ILE	3.1	5.4	4.8	8.6	10.1	9.0
25TH %ILE	2.3	3.4	2.8	6.3	8.4	7.6
MEDIAN	2.2	3.0	1.9	4.9	7.3	7.0
75TH %ILE	2.0	2.6	1.3	3.9	6.4	6.5
95TH %ILE	1.6	2.1	0.4	2.9	5.2	5.3
<b>Agg Index</b>	<b>2.3</b>	<b>2.7</b>	<b>1.4</b>	<b>3.9</b>	<b>6.5</b>	<b>6.5</b>

Core Fixed Income Universe

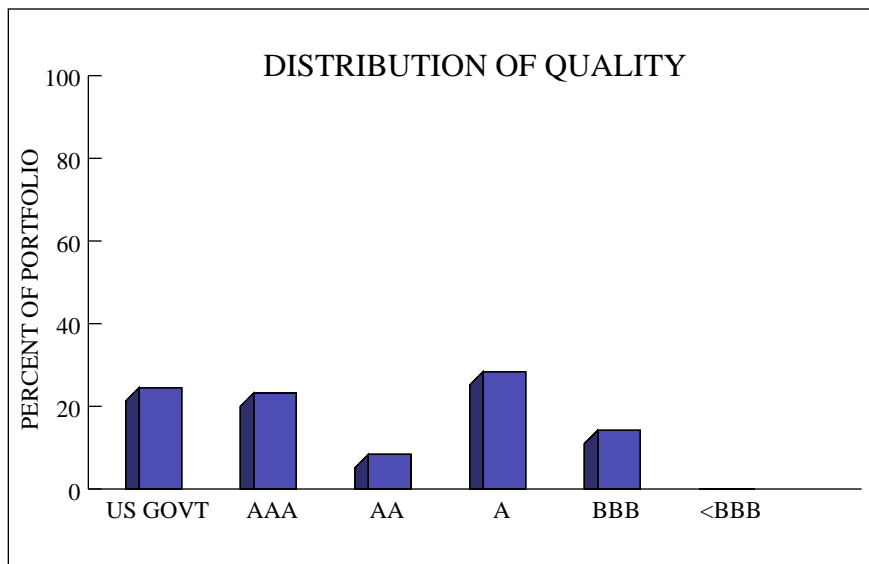
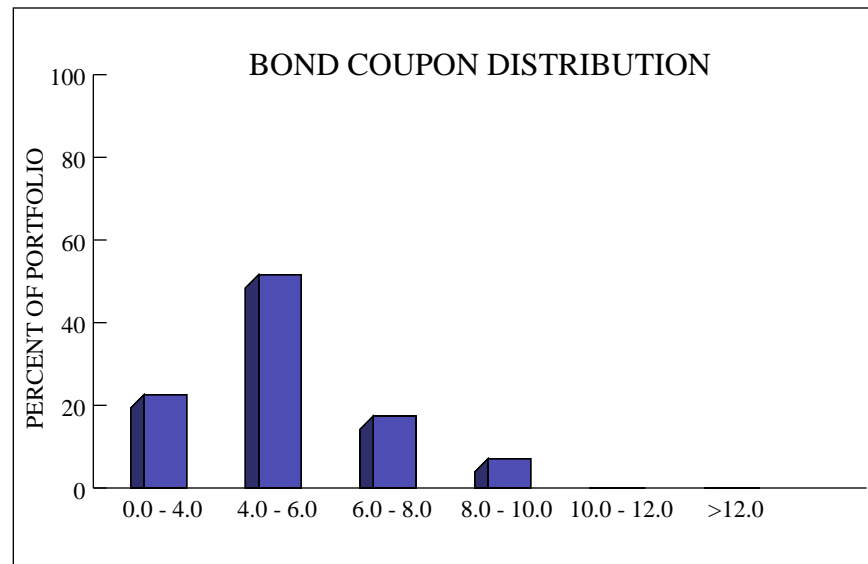
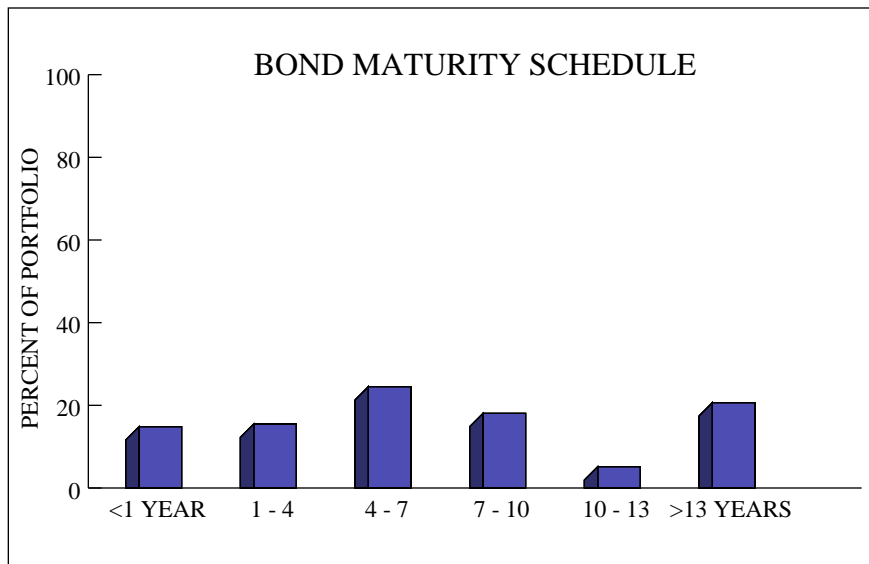
**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: BARCLAYS AGGREGATE INDEX**

<b>Total Quarters Observed</b>	<b>22</b>
<b>Quarters At or Above the Benchmark</b>	<b>14</b>
<b>Quarters Below the Benchmark</b>	<b>8</b>
<b>Batting Average</b>	<b>.636</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
6/11	2.2	2.3	-0.1



**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>BARCLAYS AGG</b>
No. of Securities	145	7,912
Duration	6.73	5.19
YTM	4.61	2.83
Average Coupon	5.04	4.19
Avg Maturity / WAL	11.10	7.40
Average Quality	AA	USG-AAA