

**FRANKLIN REGIONAL RETIREMENT SYSTEM**

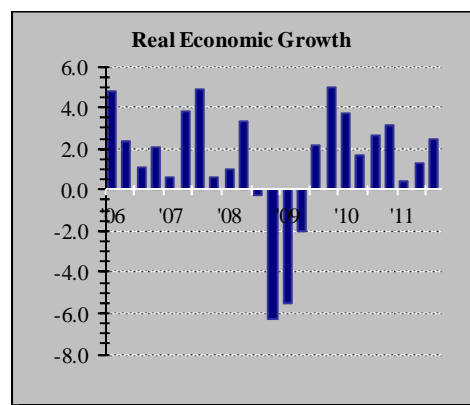
**PERFORMANCE REVIEW  
SEPTEMBER 2011**



## ECONOMIC ENVIRONMENT

### *A Bit Better, But Still Tough Times*

After a rough first half of 2011, domestic economic progress improved a bit in the third quarter. Manufacturing output increased, employment remained fairly steady, housing bottomed out, and consumers finally got a break at the gas pump. Inflation as measured by the CPI (up 1.2% for the quarter) was up significantly, but did not pose an immediate threat to the Fed's plans to keep interest rates low.



The advance estimate for third quarter GDP growth was 2.5%, up from the second quarter's GDP 1.3% annual rate. While not spectacular, a gain is still a gain. Corporate, federal government and personal spending were all up. Offsetting these positives were higher imports and lower government spending at the

state and local levels. There were more positives to report.

For September, the manufacturing sector had expanded 0.4%, bringing output to a level that was 3.9% over last September. Retail sales rebounded 1.1% in September, approximately 8.0% above last year.

The jury is still out on any real employment turnaround. Importantly, the overall employment picture didn't deteriorate. There were some private sector employment gains, but layoffs in the public sector offset most of those gains. The unemployment rate has held at 9.1% since July. The latest payroll data is mildly encouraging as non-farm employment edged up by 103,000 in September, which included the return to work of 45,000 striking Verizon workers.

Housing remained in the doldrums as prices fell slightly and foreclosures increased. Despite record low mortgage rates new mortgages go begging: lenders largely demand excellent credit ratings, and many potential home seekers who do qualify are having difficulties in getting high enough appraisals for the homes they wish to purchase. Yet others are waiting for still better deals.

The Goldman Sachs Commodity Index (GSCI) fell an extraordinary 11.7% during the quarter. The macro explanation was slowing global growth, with the most striking example related to copper prices. Chinese demand represents 40% of total demand for the metal, thus a big drop off in Chinese demand was the key factor contributing to its 25.8% price decline. Wholesale food prices generally declined as much as 10%, more a reflection of weather than falling demand. Livestock prices climbed as they are less prone to weather and changing consumer demand.

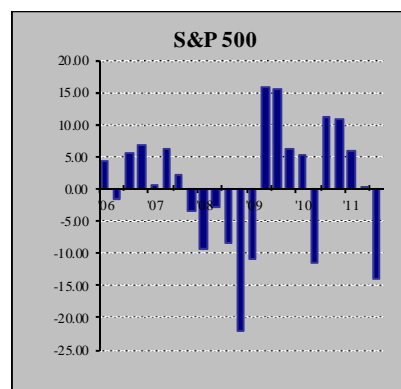
The Federal Reserve was highly active during the quarter. First, Chairman Bernanke announced that the Fed would hold lending rates to an absolutely low level, at least through mid-2013. This was an effort to induce bank lending, to spur home sales and to encourage corporate borrowers to seek new project financing. While this was certainly innovative, it simply extended an effort that was already in place.

The Fed also introduced Operation Twist, a federal purchasing program intended to bring down long term interest rates. (The last time a Twist program was used by the Fed was in the 1960's when the dance of the same name was in vogue, hence the name.) Under this program, the Fed would take the proceeds from its maturing short-term Treasuries and reinvest them in long-maturity Treasuries (6-year and longer). Results occurred quickly as the Treasury yield curve sharply contracted on the long end. Bernanke and the Treasury Secretary also encouraged their Eurozone counterparts to create more permanent umbrella financing in an effort to forestall any Euro country and commercial bank defaults. Led by Germany and France, progress was made on a Euro 440 Billion European Financial Stability Fund (EFSF).

## EQUITY MARKET

### *Nowhere to run, nowhere to hide*

Returns last quarter were simply awful. In general, every major index fell more than 10% and most indices fell far more. The bellwether S&P 500 index fell 13.9%. Growth stocks bested value stocks and large-cap names performed better than small-caps, but only on a relative basis. The Russell 3000 (total market) Growth Index fell 13.9% and the Russell 3000 Value Index slumped 16.6%. The large-cap Russell 1000 Index fell 14.7%, while the small-cap Russell 2000 plummeted 21.9%.



Sector-wise, there was almost nowhere to hide. Traditional utility stocks resisted the rout by losing only 1.2%. Utilities fared better due because of their high, reinvested cash dividends. The consumer durable sector saw the greatest decline (26.5%) as employed and unemployed Americans pulled back on discretionary spending. Not too far behind were the basic industries,

financials and energy sectors, which fell 22.5%, 20.0% and 18.1%, respectively. Lower demand accounted for most of the basic industry and energy declines. Banking problems in the mortgage and underwriting areas accounted for the flight from that sector. Consumer non-durable spending was up and helped mitigate the decline (4.9%) in that sector and in the computer technology sector, which was down 4.2%.

The S&P dividend rate rose 0.4% to 2.2%, due mainly to the collapse in the prices of underlying stocks. For the same reason, its P/E ratio also fell significantly from 18.6 times to 16.6. Of the 500 names, 61.6% had moderate P/E ratios between 10 and 20 and close to 20% were trading at

10 times or less, suggesting that the market is reasonably priced, if not cheap.

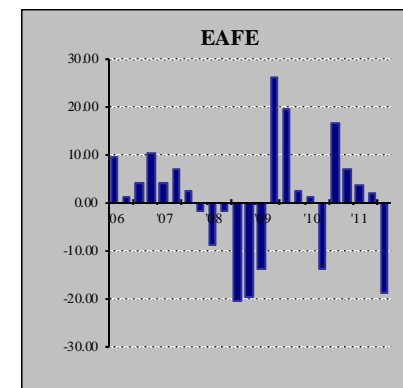
## INTERNATIONAL EQUITIES

### *Overseas Diversification Didn't Help*

Offshore markets fared just as poorly as they did at home. The MSCI EAFE Index, representing developed markets, dropped 19%. Not unexpectedly, the Eurozone countries as a group dropped 28%. Germany's 31% plunge looked good compared to Greece's 46.6% falloff. Greece, with its small-sized 11 million population, produced only 2% of Eurozone GDP, and was the tipping point for the debt crisis

Australia, part of the EAFE equation, declined 20.1%. However, the Far East portion of the Index lost far less (8.7%). The key to the better performance was Japan's rebound after its tragic March hurricane and tsunami. Since Japan's stock market is a major component of the Index, its 6.4% loss cushioned overall Far East results. By comparison, Hong Kong lost 19.9% and Singapore dropped 18.2%. EAFE sectors again mirrored the performance of their domestic equivalents.

The MSCI Emerging Market Index (EM) dropped more than EAFE. EM lost 22.5% vs. EAFE's 19.0% loss. The severe drop-off among the BRIC countries best exemplifies the lack of investor confidence. Brazil lost 26.9%; Russia fell a full 31%; India sank 19.9%; China gave back 25.2%. The only relative safe havens in EM space were three micro-sized markets in the Far East, Middle East and South America, specifically, the Philippines (-6.9%); Peru (-4.7%); and Morocco (-9.2%).

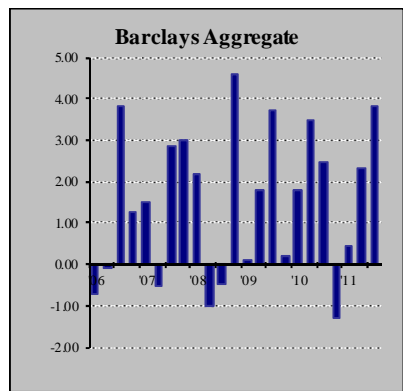


Whether an investor's portfolio included the US, EAFE, EM or any combination of the three major global market segments, there was one commonality: red ink.

## BOND MARKET

### *Long Treasuries, by a Landslide*

The Barclays Aggregate Index advanced a healthy 3.8% last quarter. Partially hidden within the combined index return was the long Treasury bond's phenomenal return, up 29.2%, for those with 20-year-or-longer maturities. Five-year-or-longer Treasuries earned at least 6%. Given that Treasuries of all maturities constitute 34% of the Index, Treasuries were THE performance driver. There were two components of this spectacular rise. First, equity investors fled the market and moved assets to their traditional stalwart, old-fashioned US Government instruments. The downgrading of the U.S. Treasuries by S&P had no effect on the overall perception of safety in the Treasury's ability to pay its bills. Second, Operation Twist indeed twisted the yield curve downward and long duration investors benefited directly.



The Barclays (corporate) Credit Index also gained ground, advancing 3.0%. Long maturity credits soared 9.1%, in sync with Operation Twist. Within the credit component, utilities led the pack (+7.1%). Industrial names were a distant second (+4.9%). But financial debt was in the negative camp, losing 1.4%. Money Center banks suffered from higher capital requirements, mortgage foreclosures that just wouldn't go away and from lower profits in the investment banking sector.

Residential mortgage bonds gained 2.4%. By comparison, commercial mortgage debt (CMBS) lost 0.9%. Investors were more sensitive to the persistently high unemployment rate, which would impact commercial property, especially office occupancy.

Corporate high yield bonds with credit ratings of BA or lower fared poorly, reflecting the struggle by highly leveraged companies to survive current, near recession conditions. The Barclays High Yield Index dropped 6.1%. Returns were progressively more negative for bonds with lower credit ratings. Single B bonds averaged a negative 5.2% return, but CA-D credits collapsed 25%!

As of September 30<sup>th</sup>, the Aggregate Index yielded 2.35% (yield-to-worst), had an average maturity of 7.2-years, and a modified adjusted duration of 5.0-years. Total assets comprising the Index are currently valued at \$15.8 Trillion. For reference, the yield, maturity and duration declined and the Index value grew from the prior quarter due to the very favorable return of long maturity (investment grade) bonds.

## CASH EQUIVALENTS

### *Zero was Good*

Last quarter, one-to-three-month Treasury Bills earned 0.01%, or essentially zero. The 3-month Treasury Bill is earning "double" that or two basis points. The six-month Treasury Bill is only earning eight basis points.

**MARKET SUMMARY**

**ECONOMIC STATISTICS**

	<b>CURRENT QTR</b>	<b>LAST QTR</b>
GDP	2.5	1.3
Unemployment	9.1	9.2
CPI All Items Year/Year	3.87	3.56
Fed Funds Rate	0.25	0.25
Industrial Capacity	77.4	76.6
US Dollars per Euro	1.36	1.45

**MAJOR INDEX QUARTER RETURNS**

<b>INDEX</b>		<b>PERFORMANCE</b>
<b>Russell 3000</b>	<b>-15.3</b>	
<b>S&amp;P 500</b>	<b>-13.9</b>	
<b>Russell Mid</b>	<b>-18.9</b>	
<b>Russell 2000</b>	<b>-21.9</b>	
<b>MSCI EAFE</b>	<b>-19.0</b>	
<b>MSCI Emg Mkts</b>	<b>-22.5</b>	
<b>NCREIF ODCE</b>	<b>3.6</b>	
<b>Barclays Agg</b>	<b>3.8</b>	
<b>90 Day Tbills</b>	<b>0.0</b>	

**EQUITY RETURN DISTRIBUTIONS**

	<b>QUARTER</b>			<b>TRAILING YEAR</b>			
	<b>VAL</b>	<b>COR</b>	<b>GRO</b>	<b>VAL</b>	<b>COR</b>	<b>GRO</b>	
<b>LC</b>	<b>-16.2</b>	<b>-14.7</b>	<b>-13.1</b>	<b>LC</b>	<b>-1.9</b>	<b>0.9</b>	<b>3.8</b>
<b>MC</b>	<b>-18.5</b>	<b>-18.9</b>	<b>-19.3</b>	<b>MC</b>	<b>-2.4</b>	<b>-0.9</b>	<b>0.8</b>
<b>SC</b>	<b>-21.5</b>	<b>-21.9</b>	<b>-22.3</b>	<b>SC</b>	<b>-6.0</b>	<b>-3.5</b>	<b>-1.1</b>

**MARKET SUMMARY**

- \* GDP growth was 2.5%, reflecting increases in corporate, federal, and personal spending.
- \* Modest private sector job gains were offset by public sector layoffs, leaving the unemployment rate unchanged.
- \* Most equity markets declined sharply on fears of European debt default contagion.
- \* Year-over-year CPI increased by 3.87%.
- \* The US dollar strengthened relative to the euro.

## **INVESTMENT RETURN**

On September 30th, 2011, the Franklin Regional Retirement System was valued at \$81,510,885, a decrease of \$6,193,724 from the June ending value of \$87,704,609. Last quarter, the account recorded total net contributions of \$2,979,532, which partially offset the account's \$9,173,256 net investment loss for the period. The fund's net investment loss was a result of income receipts totaling \$401,732 and realized and unrealized capital losses totaling \$9,574,988.

Since December 2005, the account has recorded net contributions totaling \$6.4 million, and generated net investment gains totaling \$12.9 million. Since December 2005, if the account had earned a compounded nominal rate of 8.0% it would have been valued at \$104.4 million or \$22.9 million more than the actual value as of September 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.*

For the third quarter, the Composite portfolio lost 10.1%, which was 1.1% below the Franklin Regional Policy Index's return of -9.0% and ranked in the 71st percentile of the Public Fund universe. Over the trailing twelve-month period, this portfolio returned 2.1%, which was 0.2% less than the benchmark's 2.3% performance, and ranked in the 37th percentile. Since December 2005, the portfolio returned 3.2% annualized and ranked in the 47th percentile. The Franklin Regional Policy Index returned an annualized 2.6% over the same time frame.

### **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 third quarter, the prit core portion of the portfolio returned -9.0%, which was equal to the Custom Core Index's return of -9.0%. Over the trailing twelve-month period, this segment returned 2.4%, which was 0.5% above the benchmark's 1.9% return.

### **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.*

During the third quarter, the domestic equity segment returned -22.3%, which was 3.5% less than the Franklin County Equity Index's return of -18.8% and ranked in the 90th percentile of the All Cap universe. Over the trailing twelve-month period, this segment returned -5.0%, which was 3.6% below the benchmark's -1.4% return, ranking in the 87th percentile. Since December 2005, this component returned 1.9% on an annualized basis and ranked in the 39th percentile. The Franklin County Equity Index returned an annualized 0.8% during the same period.

### **Real Estate**

For the third quarter, the real estate segment gained 0.6%, which was 2.9% below the NCREIF NFI-ODCE Index's return of 3.5%. Over the trailing twelve-month period, this segment returned 17.0%, which was 1.3% less than the benchmark's 18.3% performance. Since December 2005, this component returned 0.8% on an annualized basis, while the NCREIF NFI-ODCE Index returned an annualized 2.0% over the same time frame.

## **Fixed Income**

The fixed income segment gained 2.5% in the third quarter, 1.3% below the Barclays Aggregate Index's return of 3.8% and ranked in the 63rd percentile of the Core Fixed Income universe. Over the trailing twelve months, this segment returned 4.2%; that return was 1.1% less than the benchmark's 5.3% performance, ranking in the 69th percentile. Since December 2005, this component returned 6.4% per annum and ranked in the 56th percentile. The Barclays Aggregate Index returned an annualized 6.2% over the same time frame.

Franklin Regional Retirement System  
Total Fund Asset Allocation Analysis  
As of September 30, 2011

Total Fund Assets \$ 81,510,885

Allocation by Manager						
	PRIT Fund Actual Allocation	FRRS Allocation	Target Allocation	Target Dollars	Actual Dollars	
PRIT Core Fund	100.0%	59.4%	60.0%	\$ 48,906,531	\$ 48,400,581	\$ (505,950)
Domestic Equity	20.9%	12.4%			\$ 10,106,041	
Int'l Equity	19.3%	11.4%			\$ 9,321,952	
E.M. Int'l Equity	5.7%	3.4%			\$ 2,739,473	
Core Fixed Income	15.2%	9.0%			\$ 7,332,688	
Value Added Fixed Income	6.6%	3.9%			\$ 3,179,918	
Real Estate	8.9%	5.3%			\$ 4,297,972	
Timber/Natural Resources	4.0%	2.4%			\$ 1,940,863	
Alternatives-Private Equity	12.5%	7.4%			\$ 6,069,433	
Hedge Funds	7.1%	4.2%			\$ 3,412,241	
Separate Managers		40.6%	40.0%			
Rhumblin		8.4%	7.5%	\$ 6,113,316	\$ 6,865,162	\$ 751,846
Seizert		4.7%	5.0%	\$ 4,075,544	\$ 3,826,800	\$ (248,744)
Daruma		8.8%	10.0%	\$ 8,151,089	\$ 7,158,526	\$ (992,563)
IR&M		13.5%	12.5%	\$ 10,188,861	\$ 10,971,059	\$ 782,198
Prudential		0.9%	0.0%	\$ -	\$ 762,854	\$ 762,854
PRIT RE		3.3%	5.0%	\$ 4,075,544	\$ 2,712,047	\$ (1,363,497)
Cash		1.0%	0.0%	\$ -	\$ 813,856	\$ 813,856

Allocation by Asset Class						
	Actual Allocation (%)	Target Allocation (%)	+/- Percent	Target Allocation (\$)	Actual Allocation (\$)	+/- Dollars
Franklin County Total Fund						
Domestic Equity	34.3%	40.0%	-5.7%	\$ 32,604,354	\$ 27,956,529	\$ (4,647,825)
Int'l Equity	14.8%	15.0%	-0.2%	\$ 12,226,633	\$ 12,061,425	\$ (165,208)
Fixed Income	26.4%	25.0%	1.4%	\$ 20,377,721	\$ 21,483,665	\$ 1,105,944
Real Estate	9.5%	10.0%	-0.5%	\$ 8,151,089	\$ 7,772,873	\$ (378,216)
Timber	2.4%	2.5%	-0.1%	\$ 2,037,772	\$ 1,940,863	\$ (96,909)
Alternatives-Private Equity	7.4%	5.0%	2.4%	\$ 4,075,544	\$ 6,069,433	\$ 1,993,889
Hedge Funds	4.2%	2.5%	1.7%	\$ 2,037,772	\$ 3,412,241	\$ 1,374,469
Cash	1.0%	0.0%	1.0%	\$ -	\$ 813,856	\$ 813,856
	100.0%	100.0%		\$ 81,510,885	\$ 81,510,885	



## EXECUTIVE SUMMARY

## PERFORMANCE SUMMARY

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2005
<b>Total Portfolio</b>	-10.1	-4.2	2.1	3.3	3.2
<i>PUBLIC FUND RANK</i>	(71)	(55)	(37)	(72)	(47)
POLICY INDEX	-9.0	-4.0	2.3	2.8	2.6
<b>PRIT Core</b>	-9.0	-3.5	2.4	2.7	----
CUSTOM CORE IDX	-9.0	-4.0	1.9	3.3	3.9
<b>Domestic Equity</b>	-22.3	-15.3	-5.0	2.4	1.9
<i>ALL CAP RANK</i>	(90)	(79)	(87)	(45)	(39)
CUSTOM EQ INDEX	-18.8	-13.4	-1.4	1.2	0.8
PRIT EQUITY	-15.2	-9.6	0.6	-0.7	-2.0
S&P 500	-13.9	-8.7	1.2	1.2	0.4
S&P 400	-19.9	-13.0	-1.3	4.1	2.5
RUSSELL 3000	-15.3	-9.9	0.5	1.4	0.5
RUSSELL 1000	-14.7	-9.2	0.9	1.6	0.5
RUSSELL 1000G	-13.1	-7.2	3.8	4.7	1.9
RUSSELL 1000V	-16.2	-11.3	-1.9	-1.5	-1.0
RUSSELL MID	-18.9	-12.4	-0.9	4.0	1.7
RUSSELL 2000	-21.9	-17.0	-3.5	-0.4	0.6
<b>Real Estate</b>	0.6	10.3	17.0	-9.6	0.8
NCREIF ODCE	3.5	12.6	18.3	-6.4	2.0
<b>Fixed Income</b>	2.5	5.6	4.2	9.8	6.4
<i>CORE FIXED INCOME RANK</i>	(63)	(61)	(69)	(36)	(56)
BARCLAYS AGG	3.8	6.7	5.3	8.0	6.2
PRIT FIXED	2.9	6.2	5.1	7.6	5.6
GOV/CREDIT	4.7	7.5	5.1	8.4	6.1
INT AGGREGATE	2.3	5.0	4.2	7.1	5.9
INT GOV/CREDIT	2.4	4.9	3.4	7.0	5.7

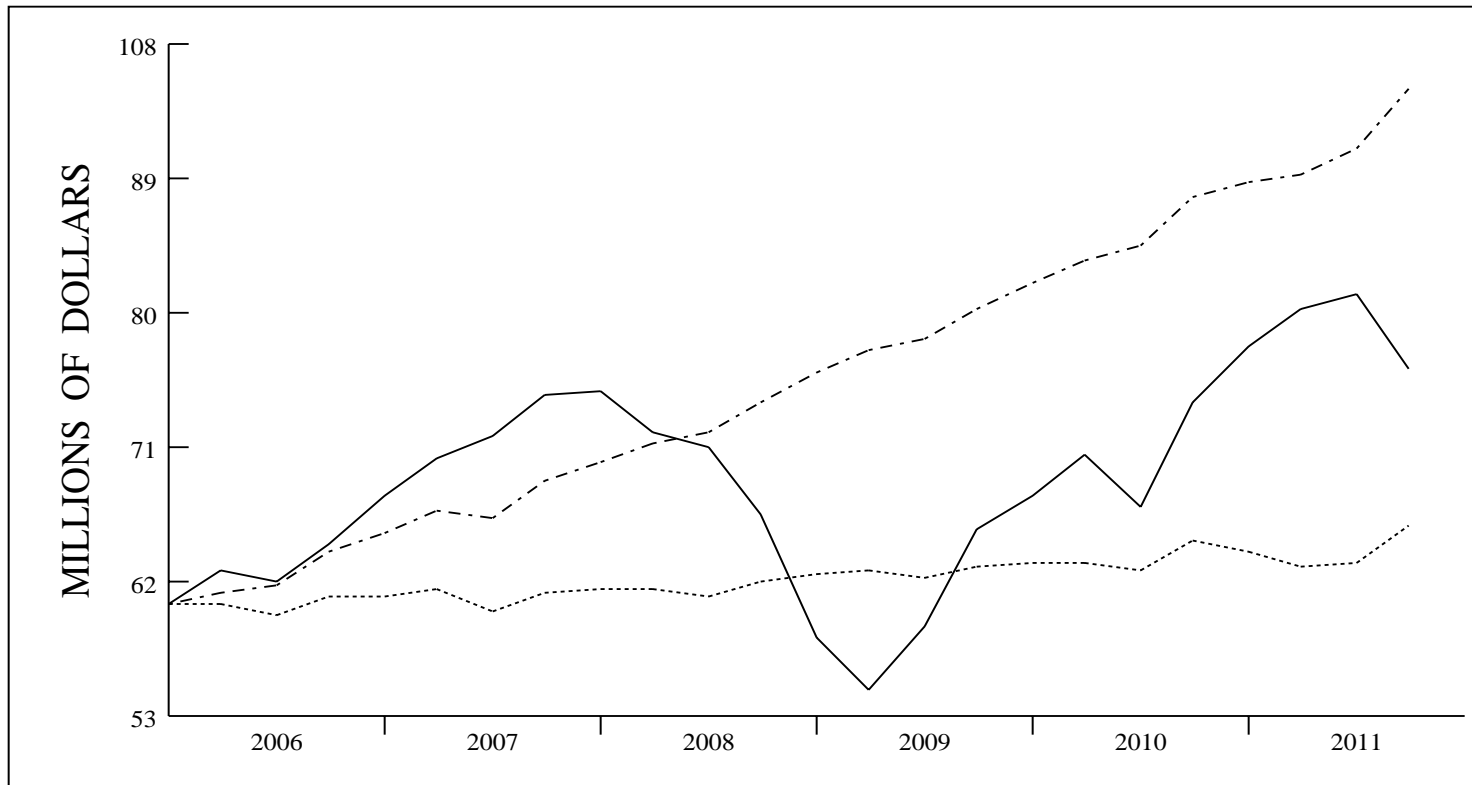
## ASSET ALLOCATION

PRIT Core	58.5%	\$ 47,675,857
Domestic Equity	21.4%	17,415,751
Real Estate	4.3%	3,474,901
Fixed Income	13.5%	10,971,059
Cash	2.4%	1,973,318
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 81,510,885</b>

## INVESTMENT RETURN

Market Value 6/2011	\$ 87,704,609
Contribs / Withdrawals	2,979,532
Income	401,732
Capital Gains / Losses	-9,574,988
Market Value 9/2011	\$ 81,510,885

**INVESTMENT GROWTH**

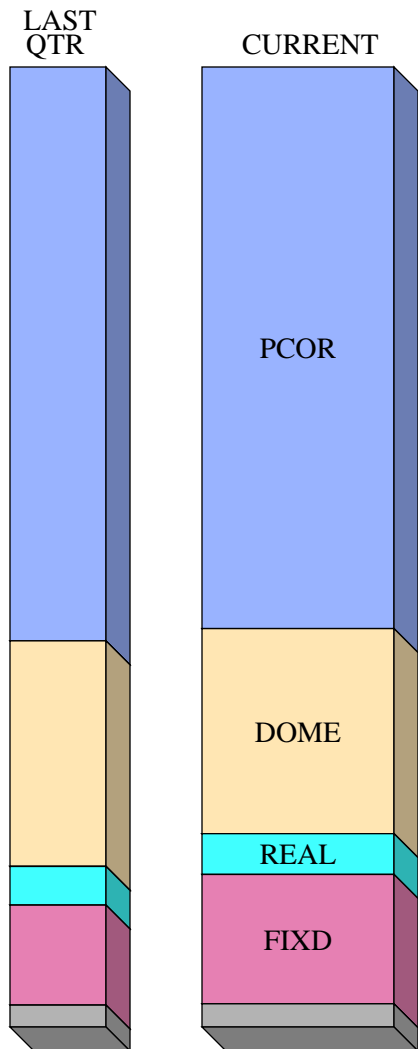


— ACTUAL RETURN  
 - - - 8.0%  
 ..... 0.0%

VALUE ASSUMING  
 8.0% RETURN  
 \$ 104,418,240

	LAST QUARTER	PERIOD 12/05 - 9/11
BEGINNING VALUE	\$ 87,704,609	\$ 62,250,813
NET CONTRIBUTIONS	2,979,532	6,387,379
<u>INVESTMENT RETURN</u>	<u>-9,173,256</u>	<u>12,872,693</u>
ENDING VALUE	\$ 81,510,885	\$ 81,510,885
INCOME	401,732	9,055,187
<u>CAPITAL GAINS (LOSSES)</u>	<u>-9,574,988</u>	<u>3,817,506</u>
INVESTMENT RETURN	-9,173,256	12,872,693

**ASSET ALLOCATION**









	<u>VALUE</u>	<u>PERCENT</u>	<u>TARGET</u>	<u>DIFFERENCE</u> + / -
PRIT CORE	\$ 47,675,857	58.5%	60.0%	-1.5%
DOMESTIC EQUITY	17,415,751	21.4%	22.5%	-1.1%
REAL ESTATE	3,474,901	4.3%	5.0%	-0.7%
FIXED INCOME	10,971,059	13.5%	12.5%	1.0%
CASH & EQUIVALENT	1,973,318	2.4%	0.0%	2.4%
<u>TOTAL FUND</u>	<u>\$ 81,510,885</u>	<u>100.0%</u>		

## MANAGER PERFORMANCE SUMMARY






Name	(Universe)	Quarter	YTD	1 Year	3 Years	5 Years
Total Portfolio	(Public Fund)	-10.1 (71)	-4.2 (55)	2.1 (37)	3.3 (72)	2.4 (42)
<i>Franklin Regional Policy Index</i>		<b>-9.0 ----</b>	<b>-4.0 ----</b>	<b>2.3 ----</b>	<b>2.8 ----</b>	<b>1.5 ----</b>
PRIT Core Fund		-9.0 ----	-3.5 ----	2.4 ----	2.6 ----	1.8 ----
<i>Custom Core Index</i>		<b>-9.0 ----</b>	<b>-4.0 ----</b>	<b>1.9 ----</b>	<b>3.3 ----</b>	<b>2.6 ----</b>
RhumbLine	(Large Cap)	-13.8 (24)	-8.6 (33)	1.1 (42)	1.4 (50)	-1.0 (56)
<i>S&amp;P 500</i>		<b>-13.9 ----</b>	<b>-8.7 ----</b>	<b>1.2 ----</b>	<b>1.2 ----</b>	<b>-1.2 ----</b>
Seizert Capital Partners	(Mid Cap)	-22.5 (82)	---- ----	---- ----	---- ----	---- ----
<i>Russell Mid Cap</i>		<b>-18.9 ----</b>	<b>-12.4 ----</b>	<b>-0.9 ----</b>	<b>4.0 ----</b>	<b>0.6 ----</b>
Daruma	(Small Cap)	-26.8 (97)	-18.8 (81)	-8.2 (93)	4.1 (30)	3.6 (18)
<i>Russell 2000</i>		<b>-21.9 ----</b>	<b>-17.0 ----</b>	<b>-3.5 ----</b>	<b>-0.4 ----</b>	<b>-1.0 ----</b>
PRIT Core Real Estate		-1.9 ----	5.8 ----	11.0 ----	---- ----	---- ----
Prudential Prisa Fund		4.1 ----	15.3 ----	23.0 ----	-8.4 ----	-0.9 ----
<i>NCREIF NFI-ODCE Index</i>		<b>3.5 ----</b>	<b>12.6 ----</b>	<b>18.3 ----</b>	<b>-6.4 ----</b>	<b>0.0 ----</b>
Income Research & Management	(Core Fixed)	2.5 (63)	5.6 (61)	4.2 (69)	9.7 (36)	6.7 (59)
<i>Barclays Aggregate Index</i>		<b>3.8 ----</b>	<b>6.7 ----</b>	<b>5.3 ----</b>	<b>8.0 ----</b>	<b>6.5 ----</b>

## MANAGER VALUE ADDED

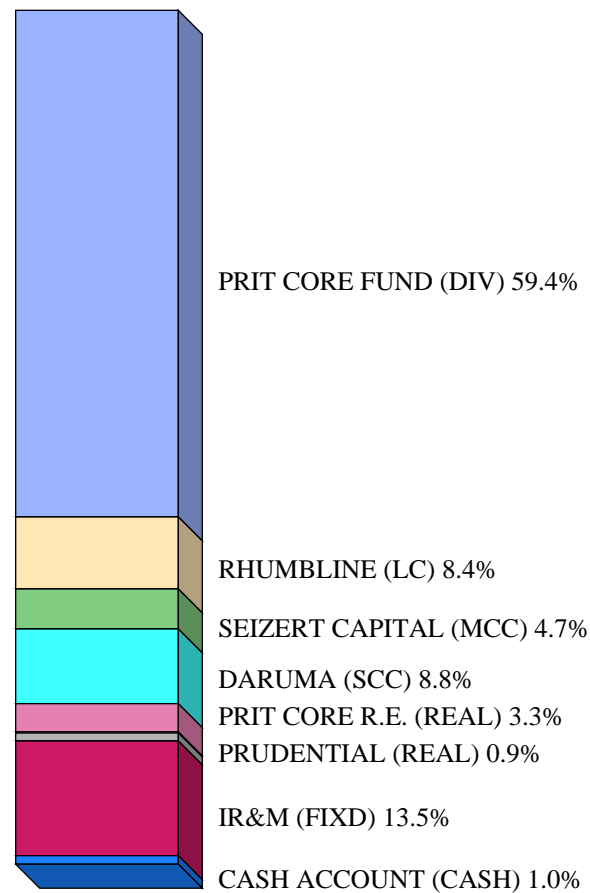
## Most Recent Quarter

Manager	Benchmark	Value Added Vs. Benchmark
PRIT Core Fund	Custom Core Idx	0.0
RhumbLine	S&P 500	0.1
Seizert Capital	Russell Mid	 -3.6
Daruma	Russell 2000	 -5.0
PRIT Core R.E.	NCREIF ODCE	 -5.4
Prudential	NCREIF ODCE	0.6 
IR&M	Barclays Agg	 -1.3
<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	0.5 
RhumbLine	S&P 500	0.0
Seizert Capital	Russell Mid	N/A
Daruma	Russell 2000	 -4.7
PRIT Core R.E.	NCREIF ODCE	 -7.3
Prudential	NCREIF ODCE	4.7 
IR&M	Barclays Agg	 -1.0
<b>Total Portfolio</b>	<b>Policy Index</b>	-0.2

**MANAGER ALLOCATION SUMMARY**

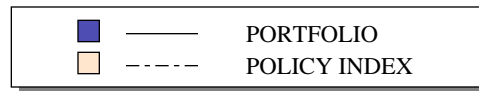
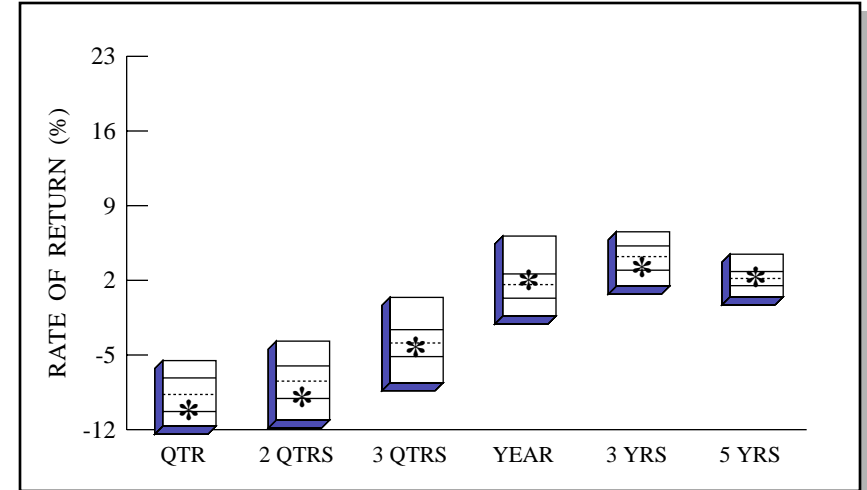
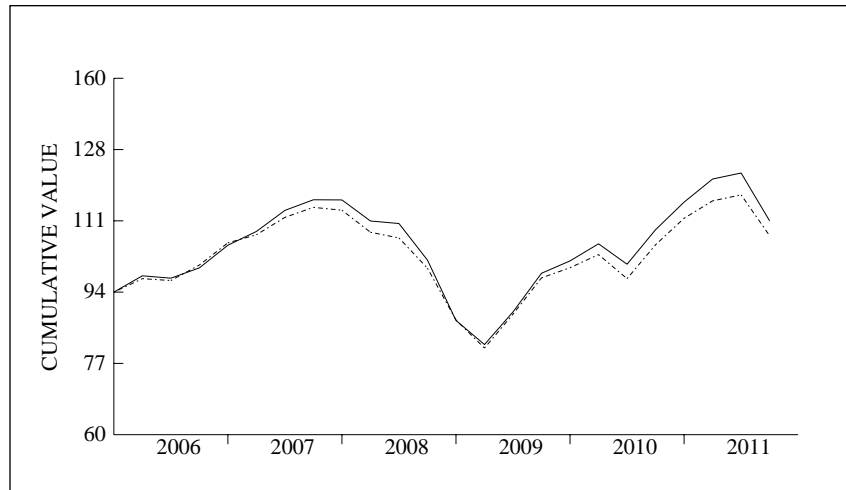


Name	Market Value	Percent
PRIT Core Fund (DIV)	\$48,400,581	59.4
RhumbLine (LC)	\$6,865,162	8.4
Seizert Capital (MCC)	\$3,826,800	4.7
Daruma (SCC)	\$7,158,526	8.8
PRIT Core R.E. (REAL)	\$2,712,047	3.3
Prudential (REAL)	\$762,854	0.9
IR&M (FIXD)	\$10,971,059	13.5
Cash Account (CASH)	\$813,856	1.0
<b>Total</b>	<b>\$81,510,885</b>	<b>100.0</b>

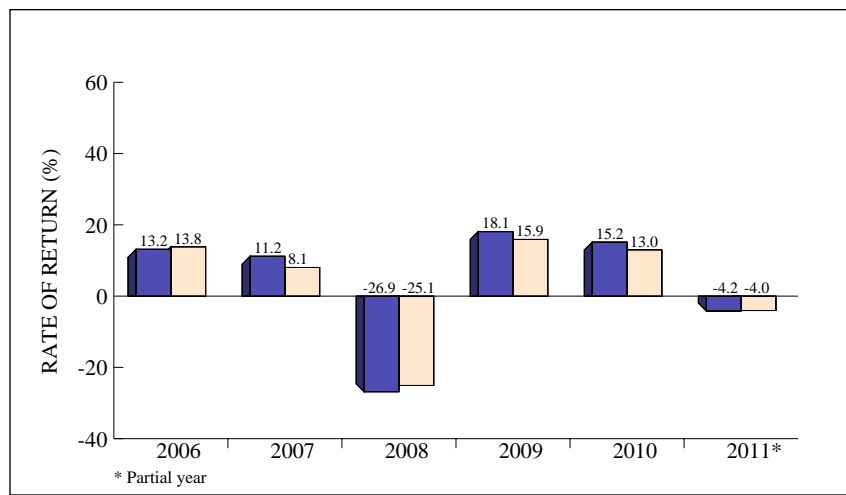
**INVESTMENT RETURN SUMMARY**

<b>Name</b>	<b>Quarter Total Return</b>	<b>Market Value June 30th, 2011</b>	<b>Net Cashflow</b>	<b>Net Investment Return</b>	<b>Market Value September 30th, 2011</b>
PRIT Core Fund (DIV)	-9.0	53,118,678	-22,464	-4,695,633	48,400,581
RhumbLine (LC)	-13.8	6,454,204	1,400,000	-989,042	6,865,162
Seizert Capital Partners (MCC)	-22.5	4,935,067	0	-1,108,267	3,826,800
Daruma (SCC)	-26.8	9,784,863	0	-2,626,337	7,158,526
PRIT Core Real Estate (REAL)	-1.9	2,078,472	685,933	-52,358	2,712,047
Prudential Prisa Fund (REAL)	4.1	1,451,819	-748,513	59,548	762,854
Income Research & Management (FIXD)	2.5	9,133,964	1,600,000	237,095	10,971,059
Cash Account (CASH)	---	747,542	64,576	1,738	813,856
<b>Total Fund</b>	<b>-10.1</b>	<b>87,704,609</b>	<b>2,979,532</b>	<b>-9,173,256</b>	<b>81,510,885</b>

**TOTAL RETURN COMPARISONS**



Public Fund Universe



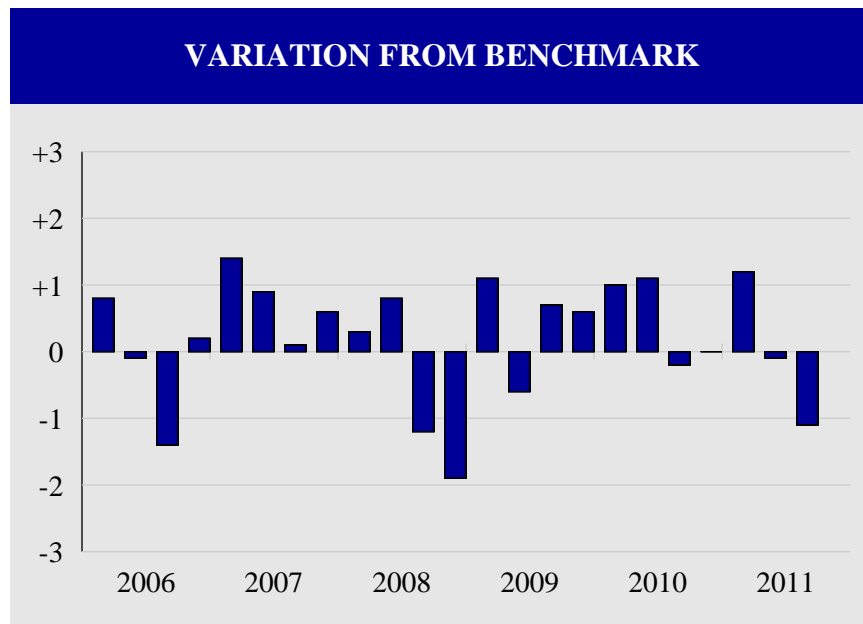
	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	-10.1	-8.9	-4.2	2.1	3.3	2.4
(RANK)	(71)	(72)	(55)	(37)	(72)	(42)
5TH %ILE	-5.5	-3.7	0.4	6.1	6.5	4.5
25TH %ILE	-7.1	-6.0	-2.6	2.6	5.2	2.8
MEDIAN	-8.7	-7.4	-3.9	1.6	4.2	2.2
75TH %ILE	-10.3	-9.1	-5.2	0.3	3.0	1.5
95TH %ILE	-11.7	-11.1	-7.6	-1.4	1.5	0.4
<b>Policy Idx</b>	<b>-9.0</b>	<b>-7.8</b>	<b>-4.0</b>	<b>2.3</b>	<b>2.8</b>	<b>1.5</b>

Public Fund Universe



**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

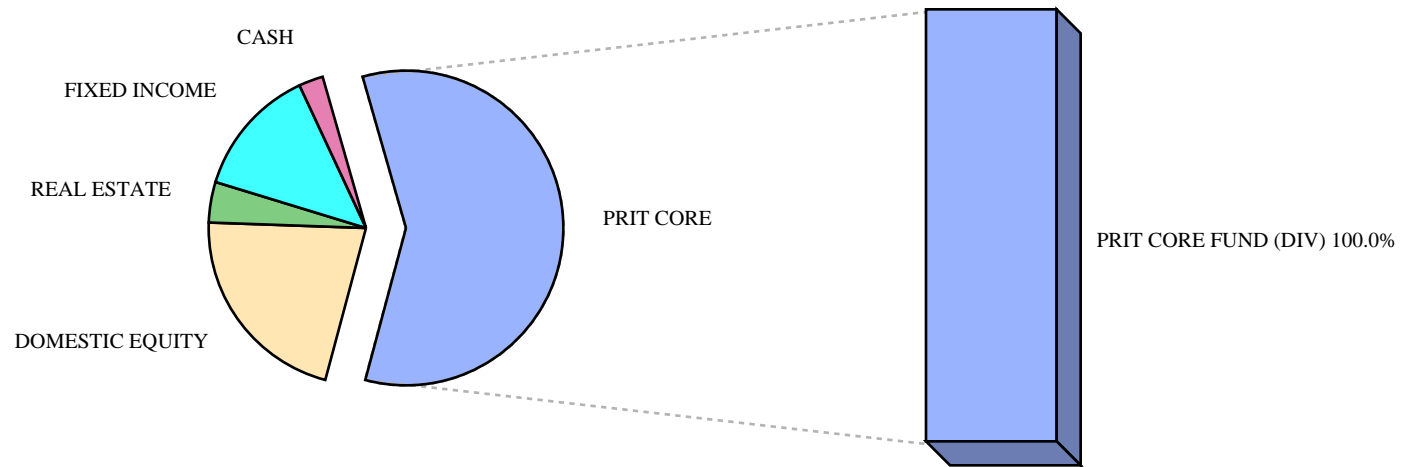
COMPARATIVE BENCHMARK: FRANKLIN REGIONAL POLICY INDEX



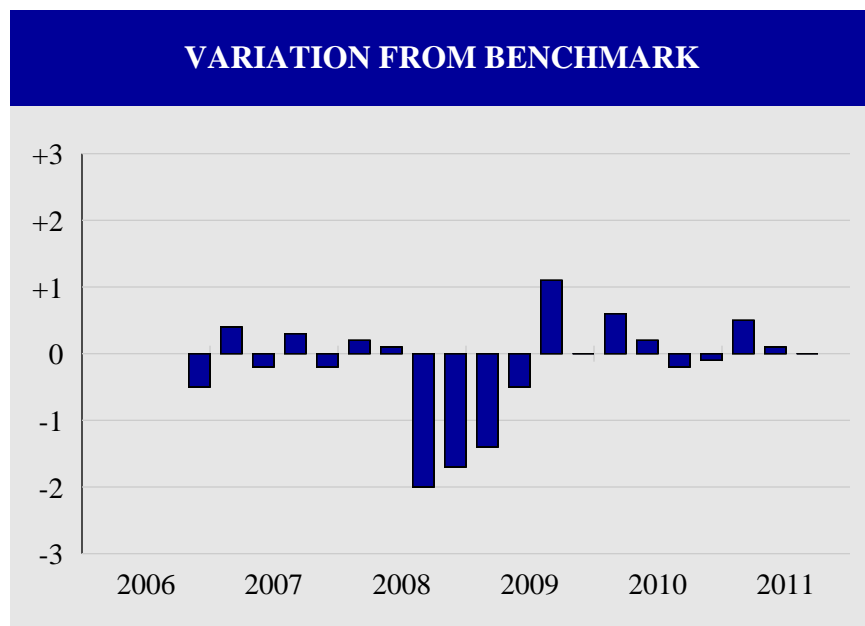
<b>Total Quarters Observed</b>	<b>23</b>
<b>Quarters At or Above the Benchmark</b>	<b>15</b>
<b>Quarters Below the Benchmark</b>	<b>8</b>
<b>Batting Average</b>	<b>.652</b>

<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
9/11	-10.1	-9.0	-1.1

**PRIT CORE MANAGER SUMMARY**



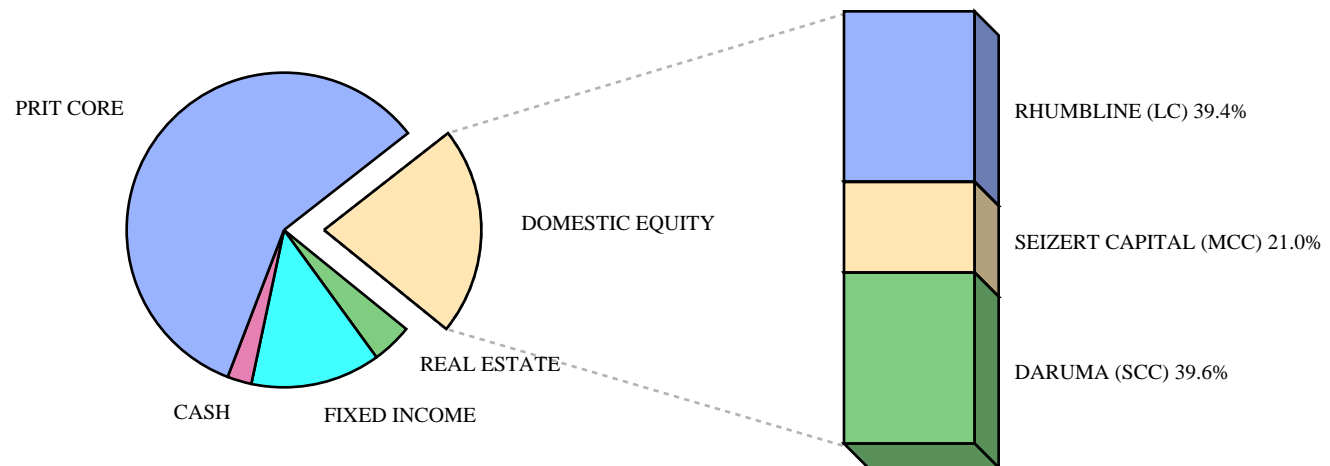
MANAGER	(UNIVERSE)	TOTAL RETURNS AND RANKINGS					MARKET VALUE
		QTR	YTD	1 YEAR	3 YEARS	5 YEARS	
PRIT CORE FUND		-9.0 ---	-3.5 ---	2.4 ---	2.6 ---	1.8 ---	\$48,400,581
<i>Custom Core Index</i>		-9.0 ---	-4.0 ---	1.9 ---	3.3 ---	2.6 ---	---

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

<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>11</b>
<b>Quarters Below the Benchmark</b>	<b>9</b>
<b>Batting Average</b>	<b>.550</b>

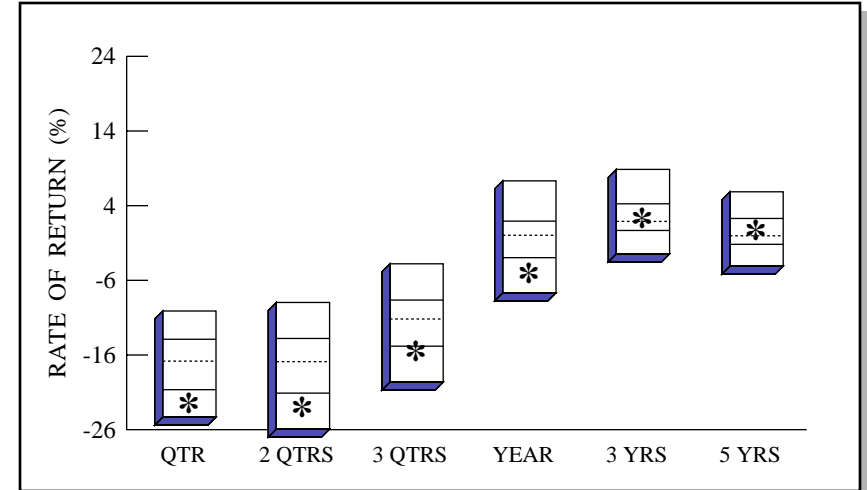
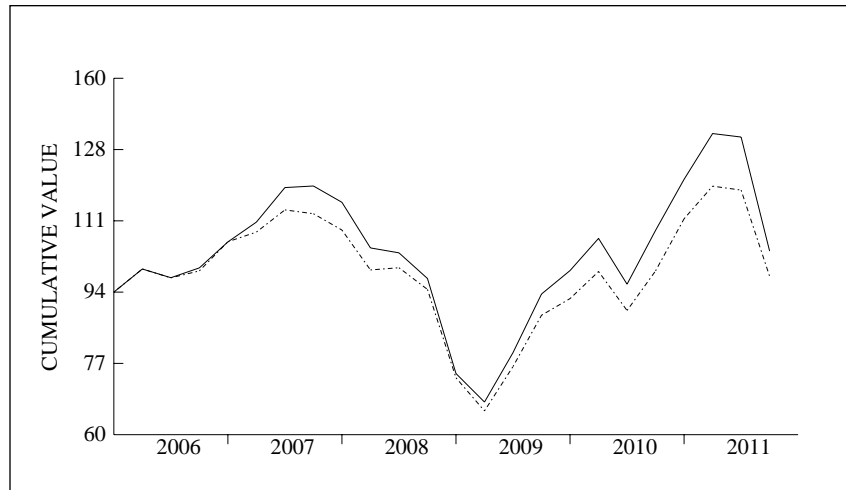
<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
12/06	7.0	7.5	-0.5
3/07	3.3	2.9	0.4
6/07	5.0	5.2	-0.2
9/07	3.0	2.7	0.3
12/07	0.2	0.4	-0.2
3/08	-4.4	-4.6	0.2
6/08	-0.5	-0.6	0.1
9/08	-11.4	-9.4	-2.0
12/08	-16.3	-14.6	-1.7
3/09	-8.1	-6.7	-1.4
6/09	11.8	12.3	-0.5
9/09	11.6	10.5	1.1
12/09	2.9	2.9	0.0
3/10	3.5	2.9	0.6
6/10	-5.0	-5.2	0.2
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	1.6	0.1
9/11	-9.0	-9.0	0.0

**DOMESTIC EQUITY MANAGER SUMMARY**



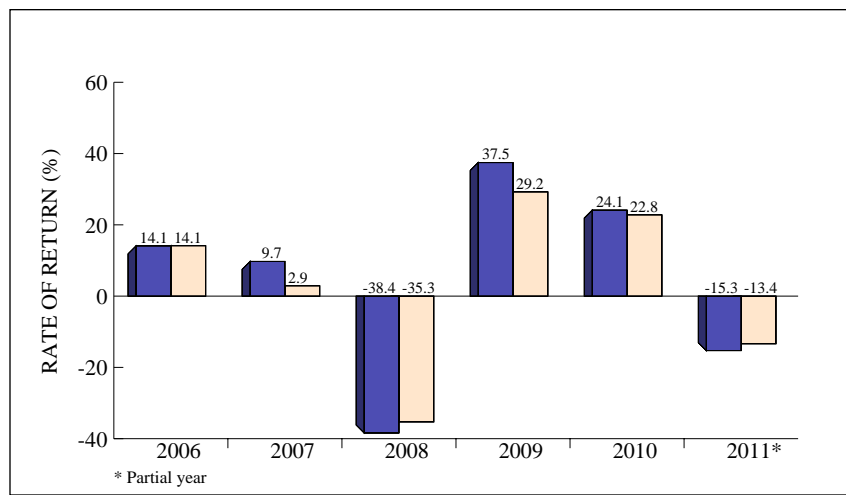
TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
RHUMBLINE	(Large Cap)	-13.8 (24)	-8.6 (33)	1.1 (42)	1.4 (50)	-1.0 (56)	\$6,865,162
<i>S&amp;P 500</i>		<i>-13.9 ----</i>	<i>-8.7 ----</i>	<i>1.2 ----</i>	<i>1.2 ----</i>	<i>-1.2 ----</i>	<i>----</i>
SEIZERT CAPITAL	(Mid Cap)	-22.5 (82)	---- ----	---- ----	---- ----	---- ----	\$3,826,800
<i>Russell Mid Cap</i>		<i>-18.9 ----</i>	<i>-12.4 ----</i>	<i>-0.9 ----</i>	<i>4.0 ----</i>	<i>0.6 ----</i>	<i>----</i>
DARUMA	(Small Cap)	-26.8 (97)	-18.8 (81)	-8.2 (93)	4.1 (30)	3.6 (18)	\$7,158,526
<i>Russell 2000</i>		<i>-21.9 ----</i>	<i>-17.0 ----</i>	<i>-3.5 ----</i>	<i>-0.4 ----</i>	<i>-1.0 ----</i>	<i>----</i>

### DOMESTIC EQUITY RETURN COMPARISONS



■ ——— PORTFOLIO  
■ - - - - CUSTOM EQ INDEX

All Cap Universe

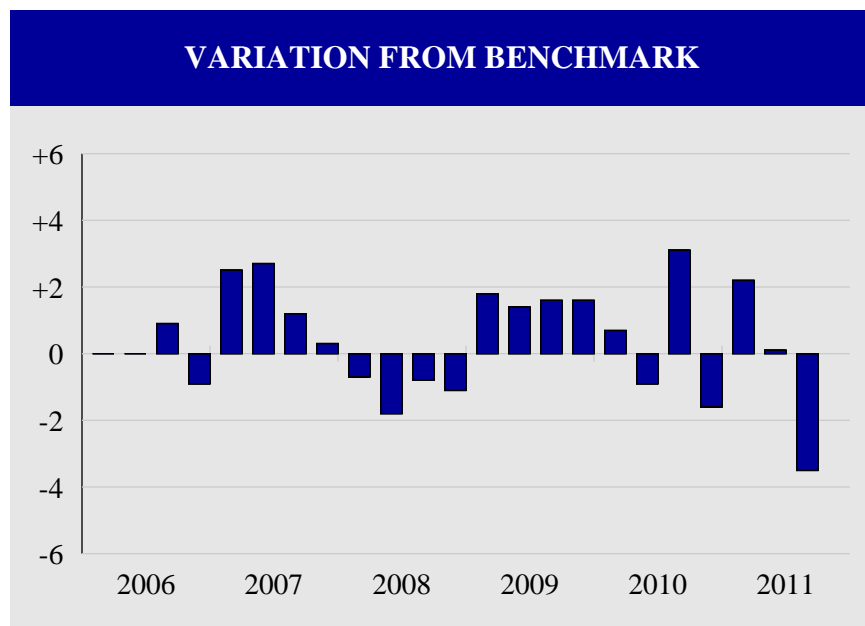


	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	-22.3	-22.8	-15.3	-5.0	2.4	0.9
(RANK)	(90)	(85)	(79)	(87)	(45)	(39)
5TH %ILE	-10.1	-9.0	-3.8	7.3	8.9	5.9
25TH %ILE	-13.9	-13.8	-8.6	1.9	4.3	2.3
MEDIAN	-16.8	-16.9	-11.2	0.1	1.9	-0.1
75TH %ILE	-20.6	-21.1	-14.8	-3.0	0.7	-1.2
95TH %ILE	-24.3	-25.9	-19.7	-7.7	-2.5	-4.1
<b>Equity Index</b>	<b>-18.8</b>	<b>-19.5</b>	<b>-13.4</b>	<b>-1.4</b>	<b>1.2</b>	<b>-0.3</b>

All Cap Universe

**DOMESTIC EQUITY QUARTERLY PERFORMANCE SUMMARY**

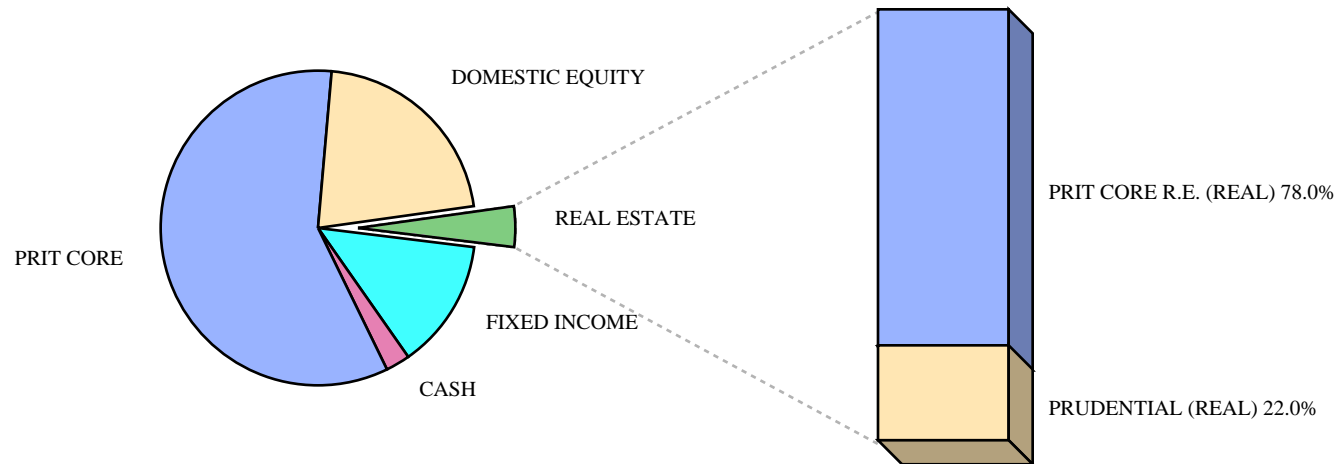
COMPARATIVE BENCHMARK: FRANKLIN COUNTY EQUITY INDEX



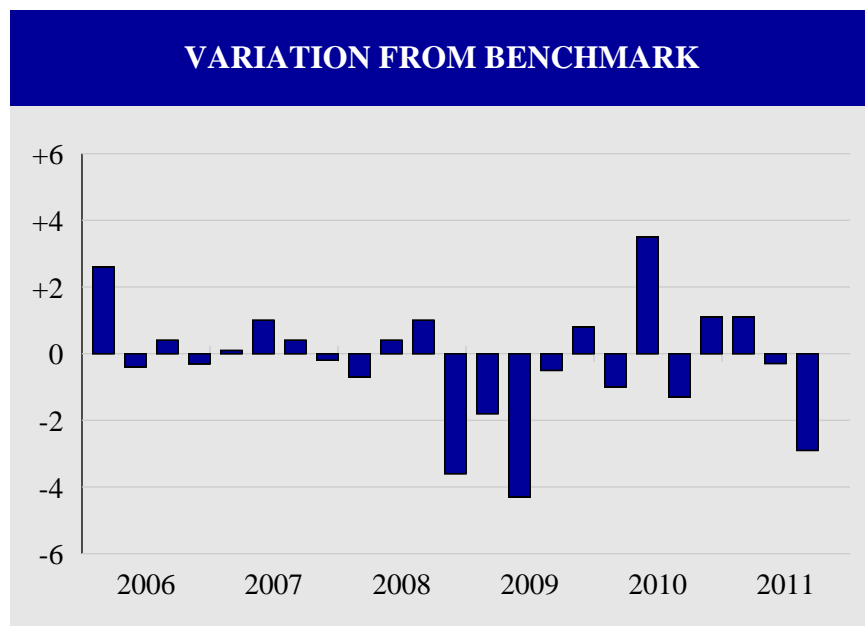
<b>Total Quarters Observed</b>	<b>23</b>
<b>Quarters At or Above the Benchmark</b>	<b>15</b>
<b>Quarters Below the Benchmark</b>	<b>8</b>
<b>Batting Average</b>	<b>.652</b>

<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
9/11	-22.3	-18.8	-3.5

**REAL ESTATE MANAGER SUMMARY**



		TOTAL RETURNS AND RANKINGS						
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE	
PRIT CORE R.E.		-1.9 ---	5.8 ---	11.0 ---	---- ---	---- ---	\$2,712,047	
PRUDENTIAL		4.1 ----	15.3 ----	23.0 ----	-8.4 ----	-0.9 ----	\$762,854	
<i>NCREIF NFI-ODCE Index</i>		<i>3.5 ---</i>	<i>12.6 ---</i>	<i>18.3 ---</i>	<i>-6.4 ---</i>	<i>0.0 ---</i>	<i>---</i>	

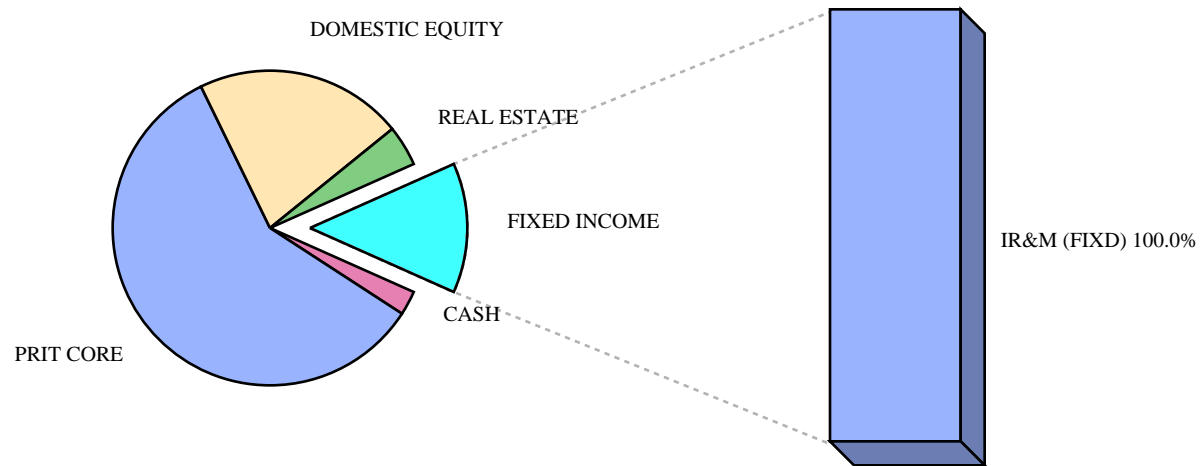
**REAL ESTATE QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: NCREIF NFI-ODCE INDEX**

<b>Total Quarters Observed</b>	<b>23</b>
<b>Quarters At or Above the Benchmark</b>	<b>11</b>
<b>Quarters Below the Benchmark</b>	<b>12</b>
<b>Batting Average</b>	<b>.478</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
9/11	0.6	3.5	-2.9

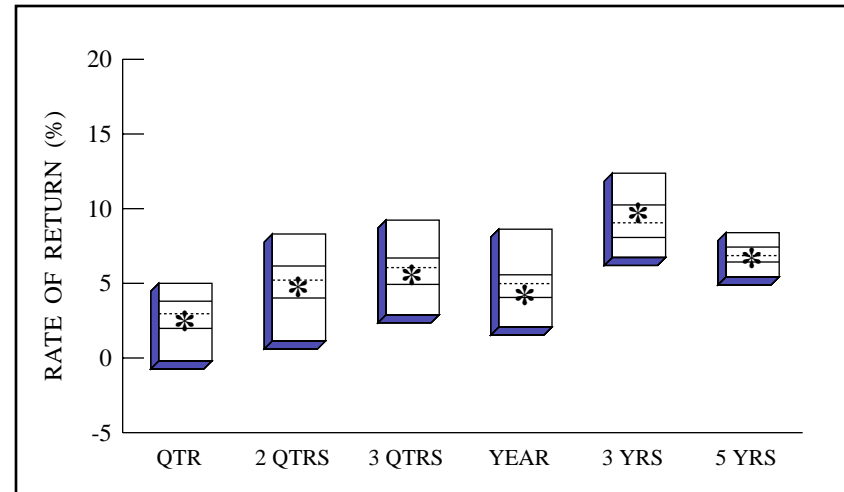
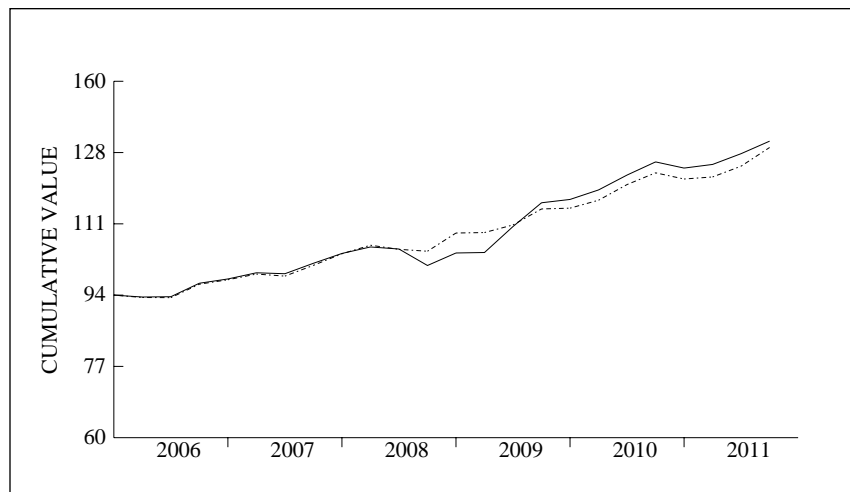


**FIXED INCOME MANAGER SUMMARY**

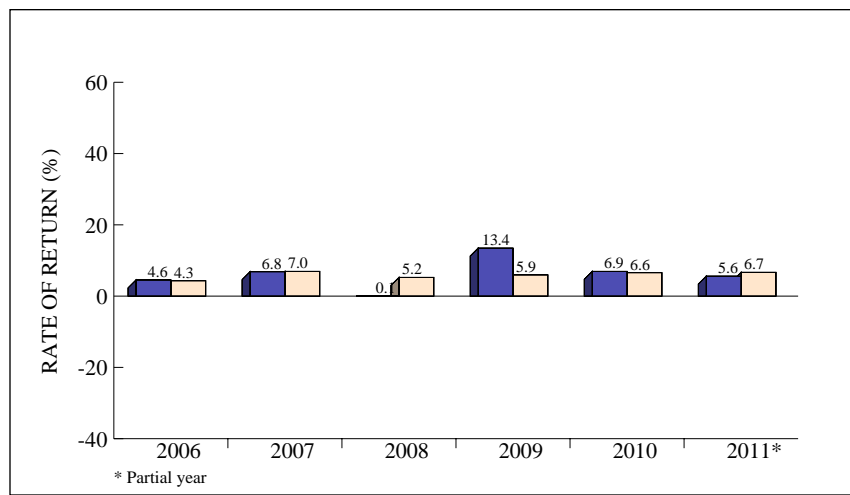
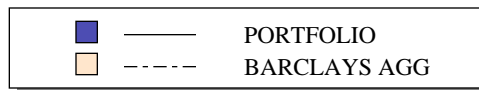


TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
IR&M	(Core Fixed Income)	2.5 (63)	5.6 (61)	4.2 (69)	9.7 (36)	6.7 (59)	\$10,971,059
<i>Barclays Aggregate Index</i>		3.8 ----	6.7 ----	5.3 ----	8.0 ----	6.5 ----	----

**FIXED INCOME RETURN COMPARISONS**



Core Fixed Income Universe

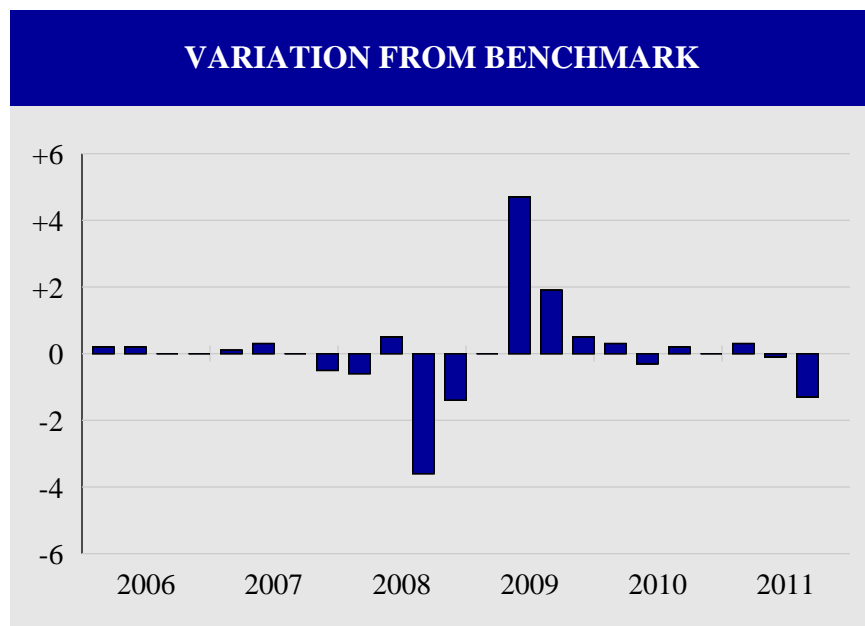


	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	2.5	4.8	5.6	4.2	9.8	6.7
(RANK)	(63)	(62)	(61)	(69)	(36)	(57)
5TH %ILE	5.0	8.3	9.2	8.6	12.4	8.4
25TH %ILE	3.8	6.2	6.7	5.6	10.3	7.4
MEDIAN	3.0	5.2	6.1	5.0	9.1	6.9
75TH %ILE	2.0	4.0	4.9	4.1	8.1	6.4
95TH %ILE	-0.2	1.2	2.9	2.1	6.7	5.4
<b>Agg Index</b>	<b>3.8</b>	<b>6.2</b>	<b>6.7</b>	<b>5.3</b>	<b>8.0</b>	<b>6.5</b>

Core Fixed Income Universe

**FIXED INCOME QUARTERLY PERFORMANCE SUMMARY**

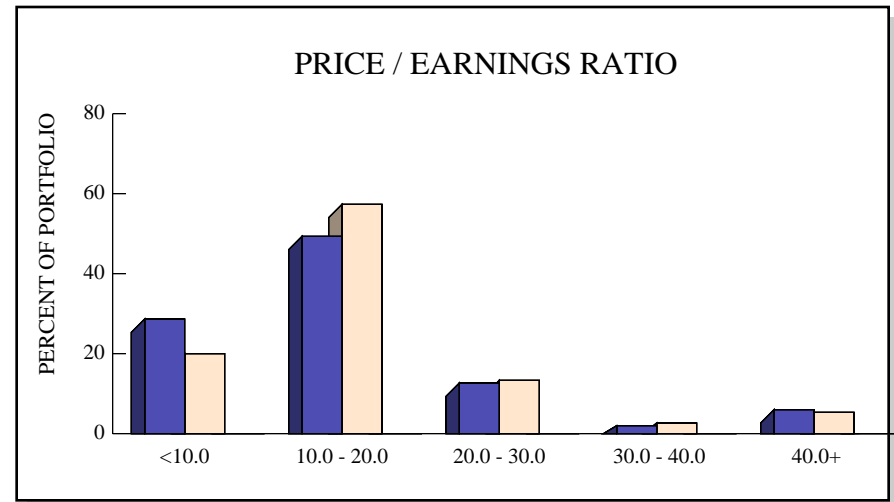
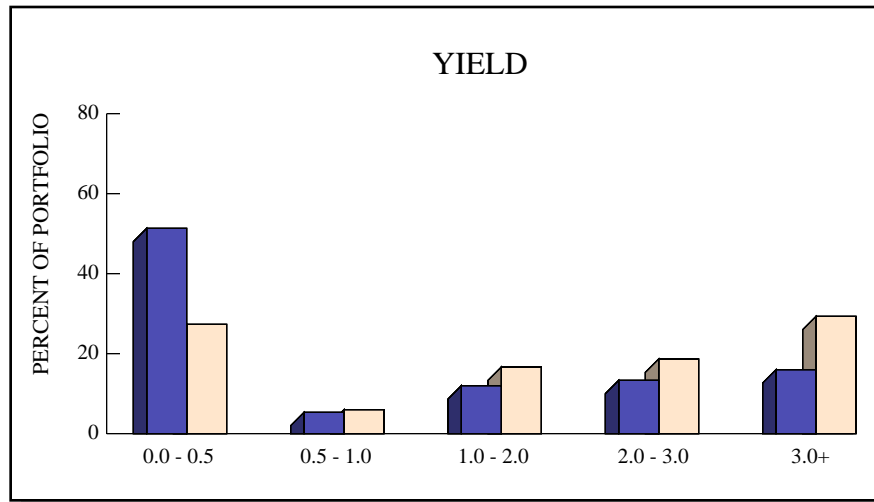
COMPARATIVE BENCHMARK: BARCLAYS AGGREGATE INDEX



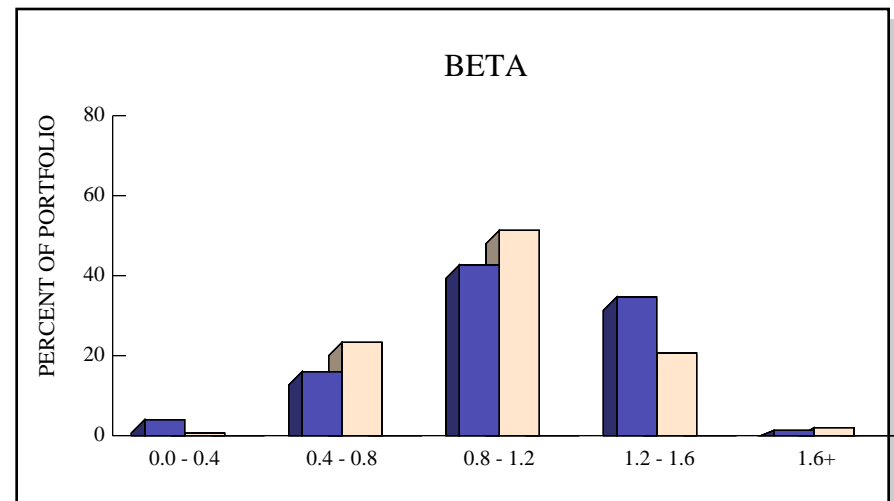
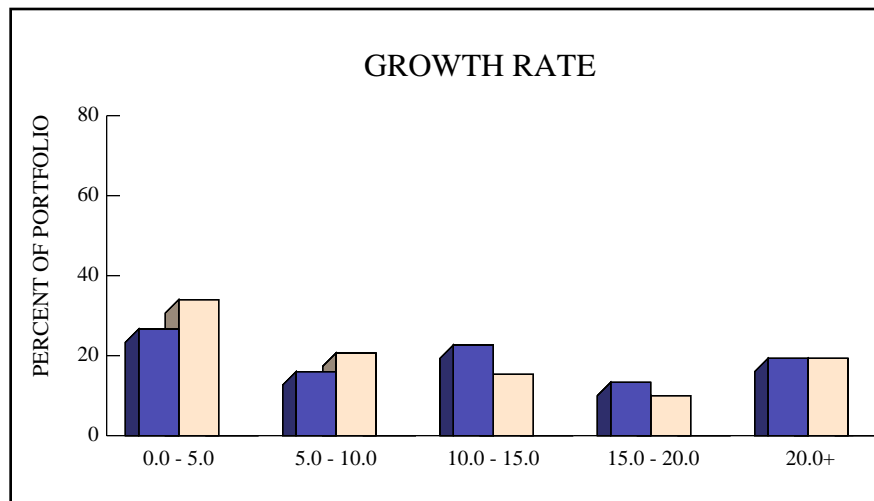
<b>Total Quarters Observed</b>	<b>23</b>
<b>Quarters At or Above the Benchmark</b>	<b>16</b>
<b>Quarters Below the Benchmark</b>	<b>7</b>
<b>Batting Average</b>	<b>.696</b>

<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
9/11	2.5	3.8	-1.3

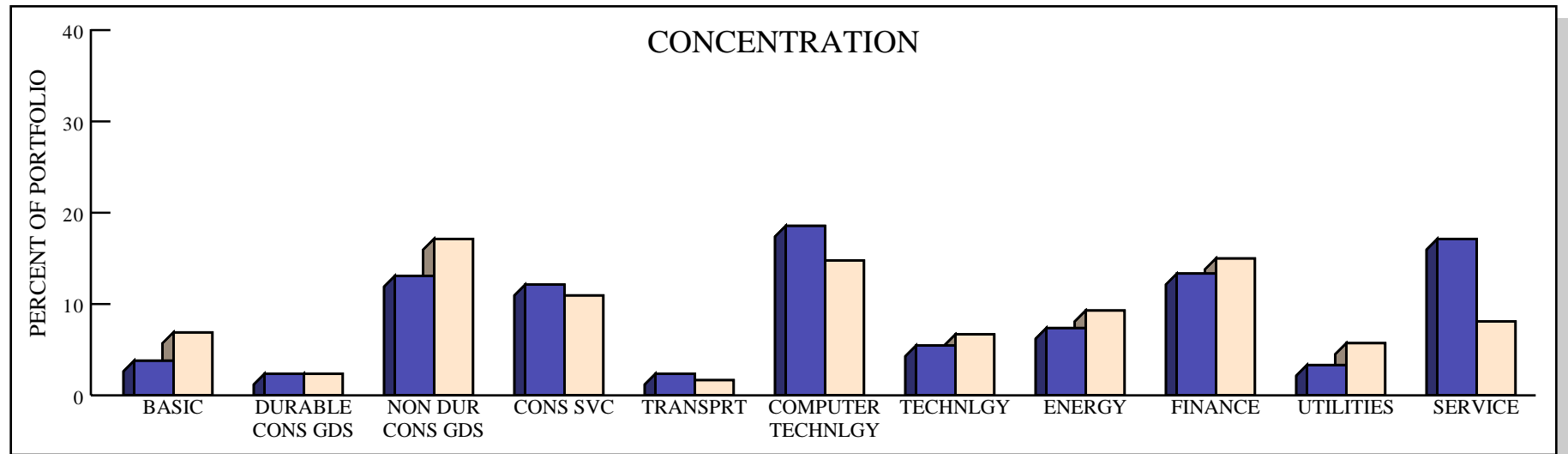
**STOCK CHARACTERISTICS**



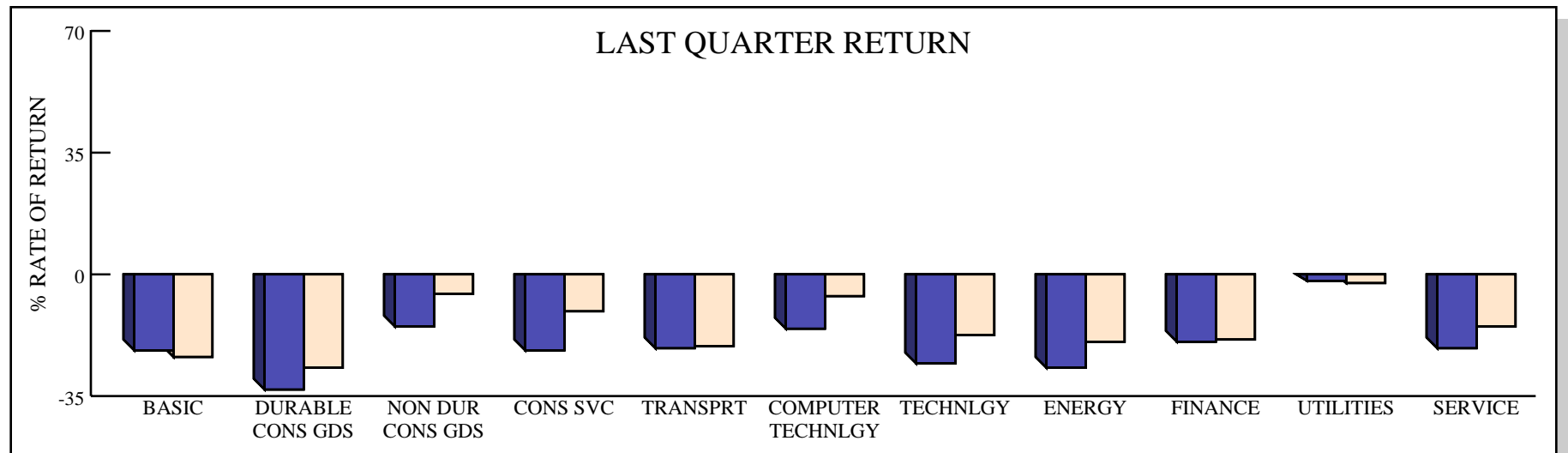
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.4%	11.9%	16.4	1.05
RUSSELL 3000	2.1%	10.3%	16.6	1.00



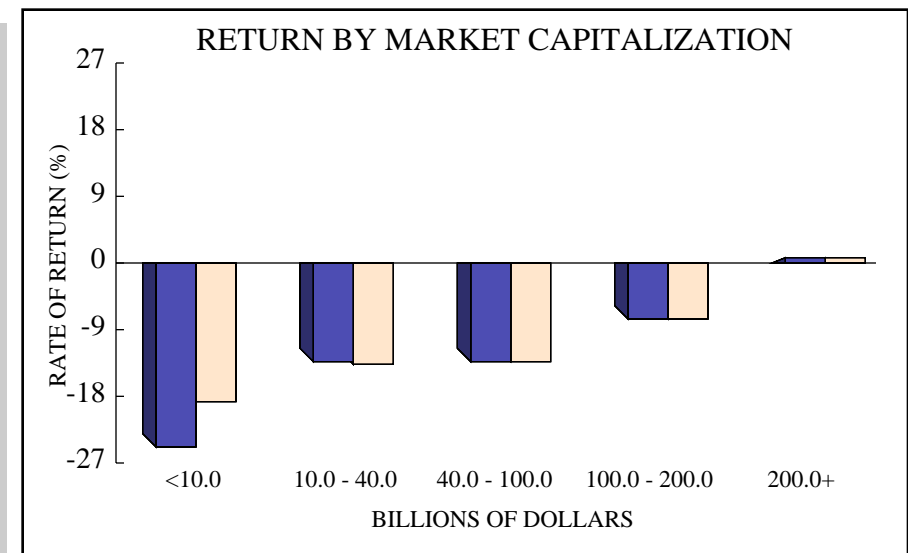
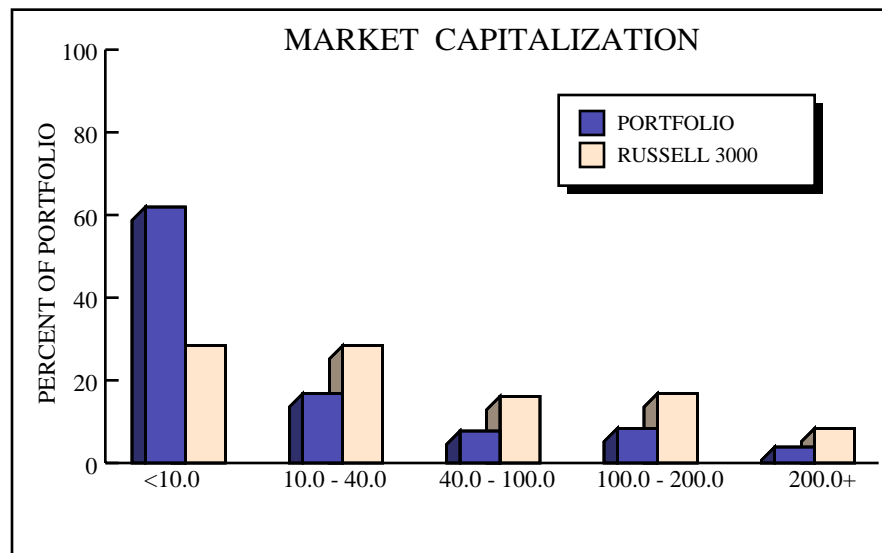
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL 3000



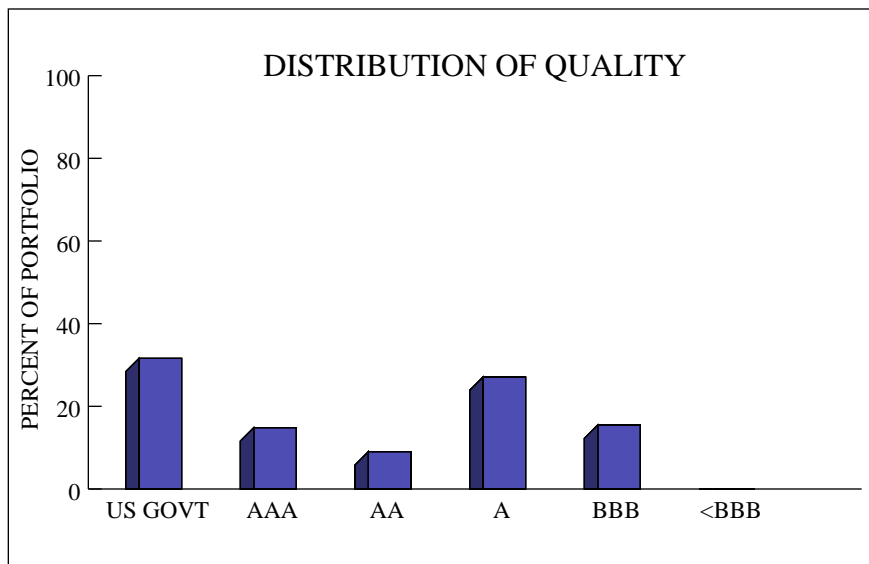
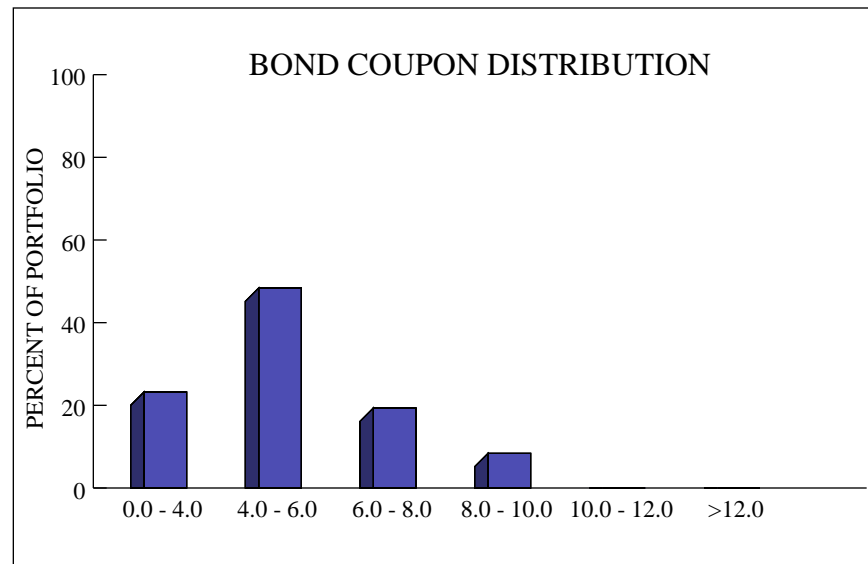
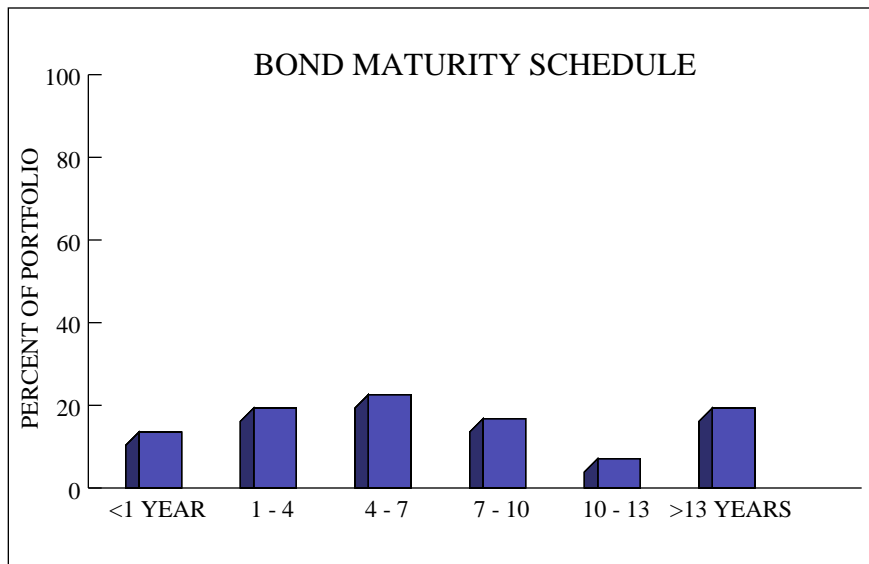
## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	CADENCE DESIGN SYS INC	\$ 293,647	1.69%	-12.5%	Computer Tech	\$ 2.5 B
2	MAXIMUS INC	280,596	1.61%	-15.3%	Service	1.2 B
3	COSTAR GROUP INC	270,244	1.55%	-12.3%	Service	1.3 B
4	WABTEC CORP	268,051	1.54%	-19.5%	Basic	2.6 B
5	SHUTTERFLY INC	261,905	1.50%	-28.3%	Service	1.4 B
6	ALLSCRIPTS HEALTHCARE SOLUTI	243,558	1.40%	-7.2%	Computer Tech	3.4 B
7	LIFE TIME FITNESS INC	237,314	1.36%	-7.7%	Consumer Service	1.6 B
8	EXXON MOBIL CORP	229,511	1.32%	-10.1%	Energy	353.1 B
9	APPLE INC	229,470	1.32%	13.6%	Computer Tech	353.4 B
10	PMC - SIERRA INC	227,001	1.30%	-21.0%	Computer Tech	1.4 B

**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>BARCLAYS AGG</b>
No. of Securities	162	7,833
Duration	6.57	4.96
YTM	5.87	2.35
Average Coupon	5.04	4.11
Avg Maturity / WAL	11.90	7.16
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	-15.3	-9.9	0.5	1.4	-0.9
S&P 500	Large Cap Core	-13.9	-8.7	1.2	1.2	-1.2
Russell 1000	Large Cap Core	-14.7	-9.2	0.9	1.6	-0.9
Russell 1000 Growth	Large Cap Growth	-13.1	-7.2	3.8	4.7	1.6
Russell 1000 Value	Large Cap Value	-16.2	-11.3	-1.9	-1.5	-3.5
Russell Mid Cap	Midcap	-18.9	-12.4	-0.9	4.0	0.6
Russell Mid Cap Growth	Midcap Growth	-19.3	-11.6	0.8	5.9	1.6
Russell Mid Cap Value	Midcap Value	-18.5	-13.0	-2.4	2.0	-0.8
Russell 2000	Small Cap	-21.9	-17.0	-3.5	-0.4	-1.0
Russell 2000 Growth	Small Cap Growth	-22.3	-15.6	-1.1	2.1	1.0
Russell 2000 Value	Small Cap Value	-21.5	-18.5	-6.0	-2.8	-3.1
<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	-19.0	-14.7	-9.0	-0.7	-3.0
MSCI EAFE Growth	Developed Markets Growth	-18.9	-15.2	-8.5	-0.3	-1.8
MSCI EAFE Value	Developed Markets Value	-19.0	-14.1	-9.5	-1.1	-4.3
MSCI All Country World Ex US	Foreign Equity	-19.8	-16.5	-10.4	1.0	-1.1
MSCI Emerging Markets	Emerging Markets Equity	-22.5	-21.7	-15.9	6.6	5.2
<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	3.8	6.7	5.3	8.0	6.5
Barclays Gov/Credit	Gov/Credit	4.7	7.5	5.1	8.4	6.5
Barclays Capital Gov't Bond	Treasuries	5.8	8.1	5.6	6.4	6.6
Barclays Capital Credit Bond	Corporate Bonds	2.9	6.1	4.2	12.4	7.1
Intermediate Aggregate	Core Intermediate	2.3	5.0	4.2	7.1	6.2
Intermediate Gov/Credit	Gov / Credit Intermediate	2.4	4.9	3.4	7.0	5.9
ML/BoA 1-3 Year Treasury	Short Term Treasuries	0.5	1.4	1.2	2.4	3.8
CSFB High Yield	High Yield Bonds	-5.1	-0.5	2.6	12.5	6.8
<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>
Barclays Global Ex-US	International Treasuries	-0.7	3.9	-0.4	5.0	6.0
NCREIF NFI-ODCE Index	Real Estate	3.5	12.6	18.3	-6.4	0.0
HFRI FOF Composite	Hedge Funds	-4.7	-5.0	-1.6	0.2	0.6
HFRI FOF Conservative Index	Hedge Funds - Conservative	-3.7	-3.4	-0.9	0.7	0.9



**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  
SEPTEMBER 2011

## **INVESTMENT RETURN**

On September 30th, 2011, the Franklin Regional Retirement System's PRIT Core Fund was valued at \$48,400,581, a decrease of \$4,718,097 from the June ending value of \$53,118,678. Last quarter, the account recorded total net withdrawals of \$22,464 in addition to \$4,695,633 in net investment losses. The fund's net investment loss was a result of income receipts totaling \$340,195 and realized and unrealized capital losses totaling \$5,035,828.

Since September 2006, the account has recorded net contributions totaling \$5.0 million, and generated net investment gains totaling \$4.3 million. Since September 2006, if the account had earned a compounded nominal rate of 8.0% it would have been valued at \$63.2 million or \$14.8 million more than the actual value as of September 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.*

For the third quarter, the PRIT Core Fund returned -9.0%, which was equal to the Custom Core Index's return of -9.0%. Over the trailing year, the portfolio returned 2.4%, which was 0.5% above the benchmark's 1.9% return. Since September 2006, the portfolio returned 1.8% on an annualized basis, while the Custom Core Index returned an annualized 2.6% over the same period.

## **ASSET ALLOCATION**

On September 30th, 2011, the PRIT Core Fund comprised 98.5% of the total portfolio (\$47.7 million), while cash & equivalents totaled 1.5% (\$724,724).

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	5 Years
<b>Total Portfolio</b>	-9.0	-3.5	2.4	2.6	1.8
CUSTOM CORE IDX	-9.0	-4.0	1.9	3.3	2.6
<b>PRIT Core</b>	-9.0	-3.5	2.4	2.7	1.8
CUSTOM CORE IDX	-9.0	-4.0	1.9	3.3	2.6

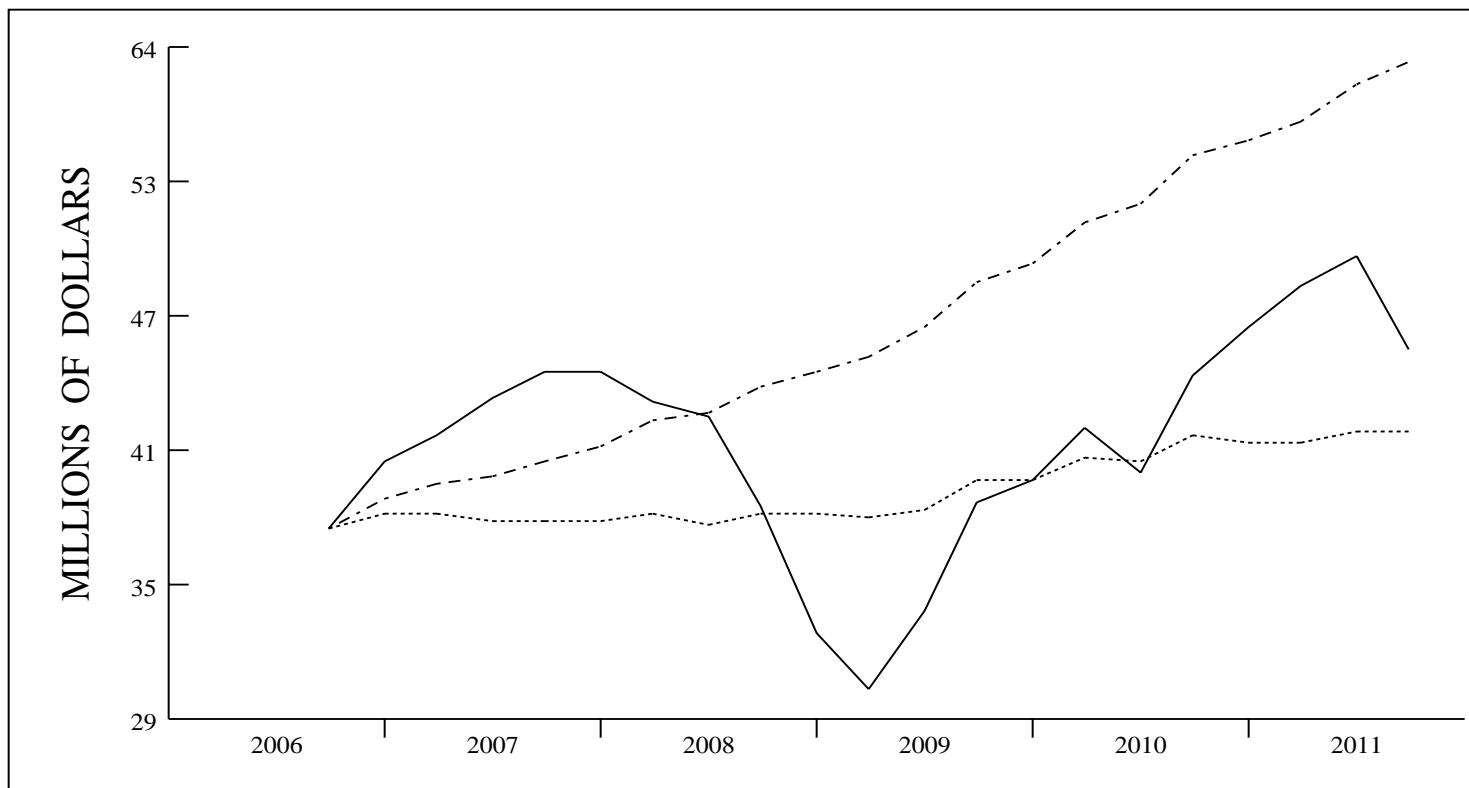
**ASSET ALLOCATION**

PRIT Core	98.5%	\$ 47,675,857
Cash	1.5%	724,724
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 48,400,581</b>

**INVESTMENT RETURN**

Market Value 6/2011	\$ 53,118,678
Contribs / Withdrawals	- 22,464
Income	340,195
Capital Gains / Losses	- 5,035,828
Market Value 9/2011	\$ 48,400,581

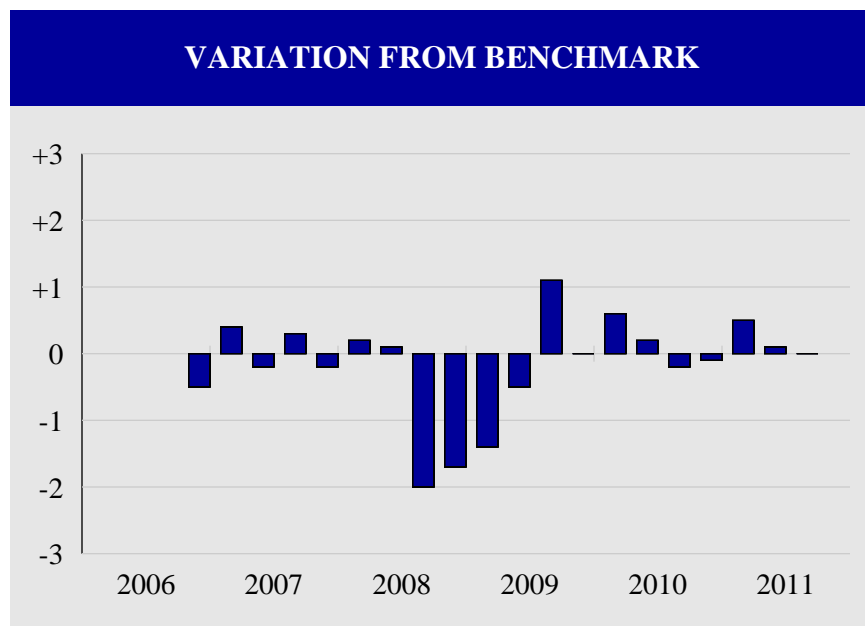
**INVESTMENT GROWTH**



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

VALUE ASSUMING  
 8.0% RETURN  
 \$ 63,228,627

	LAST QUARTER	PERIOD 9/06 - 9/11
BEGINNING VALUE	\$ 53,118,678	\$ 39,087,560
NET CONTRIBUTIONS	- 22,464	4,968,077
<u>INVESTMENT RETURN</u>	<u>- 4,695,633</u>	<u>4,344,944</u>
ENDING VALUE	\$ 48,400,581	\$ 48,400,581
INCOME	340,195	6,958,090
CAPITAL GAINS (LOSSES)	<u>- 5,035,828</u>	<u>- 2,613,146</u>
INVESTMENT RETURN	- 4,695,633	4,344,944

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

<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>11</b>
<b>Quarters Below the Benchmark</b>	<b>9</b>
<b>Batting Average</b>	<b>.550</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	-5.2	0.2
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	1.6	0.1
9/11	-9.0	-9.0	0.0

FRANKLIN REGIONAL RETIREMENT SYSTEM  
RHUMBLINE  
PERFORMANCE REVIEW  
SEPTEMBER 2011

## **INVESTMENT RETURN**

On September 30th, 2011, the Franklin Regional Retirement System's RhumbLine portfolio was valued at \$6,865,162, representing a \$410,958 increase over the June quarter's ending value of \$6,454,204. During the last three months, the portfolio posted net contributions of \$1,400,000, which overshadowed the account's \$989,042 net investment loss for the period. Since there were no income receipts for the period, the portfolio's net investment losses were the result of capital losses (realized and unrealized).

Since December 2005, the account has recorded net withdrawals totaling \$14.5 million while recording net investment gains totaling \$720,353. Since December 2005, if the fund had returned a compounded nominal rate of 8.0% it would have been worth \$10.0 million or \$3.1 million more than the actual value as of September 30th, 2011.

## **RELATIVE PERFORMANCE**

In the third quarter, the RhumbLine portfolio lost 13.8%, which was 0.1% above the S&P 500 Index's return of -13.9% and ranked in the 24th percentile of the Large Cap universe. Over the trailing year, this portfolio returned 1.1%, which was 0.1% less than the benchmark's 1.2% return, and ranked in the 42nd percentile. Since December 2005, the portfolio returned 0.5% annualized and ranked in the 53rd percentile. For comparison, the S&P 500 returned an annualized 0.4% 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>	-13.8	-8.6	1.1	1.4	0.5
<i>LARGE CAP RANK</i>	(24)	(33)	(42)	(50)	(53)
S&P 500	-13.9	-8.7	1.2	1.2	0.4
<b>Domestic Equity</b>	-13.8	-8.6	1.1	1.4	0.5
<i>LARGE CAP RANK</i>	(24)	(33)	(42)	(50)	(53)
S&P 500	-13.9	-8.7	1.2	1.2	0.4
RUSSELL 1000G	-13.1	-7.2	3.8	4.7	1.9
RUSSELL 1000V	-16.2	-11.3	-1.9	-1.5	-1.0

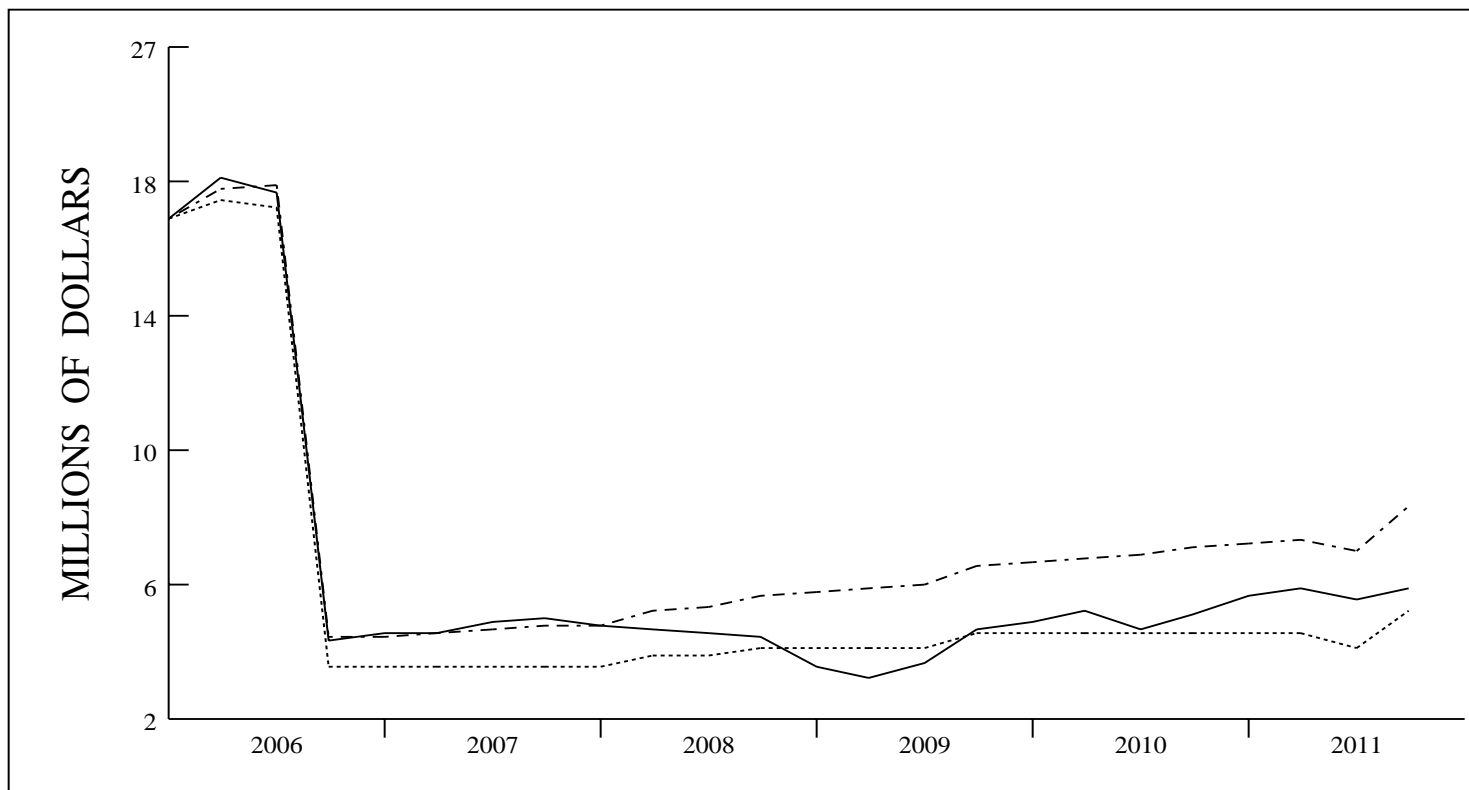
**ASSET ALLOCATION**

Domestic Equity	100.0%	\$ 6,865,162
Total Portfolio	100.0%	\$ 6,865,162

**INVESTMENT RETURN**

Market Value 6/2011	\$ 6,454,204
Contribs / Withdrawals	1,400,000
Income	0
Capital Gains / Losses	-989,042
Market Value 9/2011	\$ 6,865,162

**INVESTMENT GROWTH**

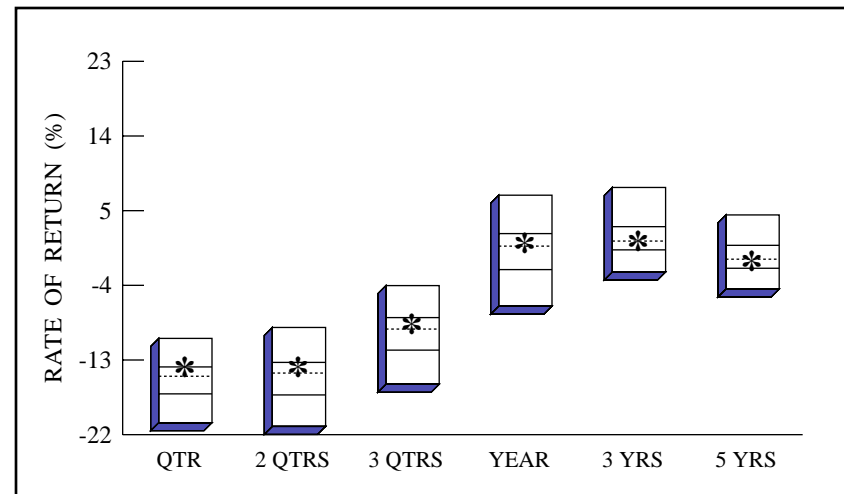
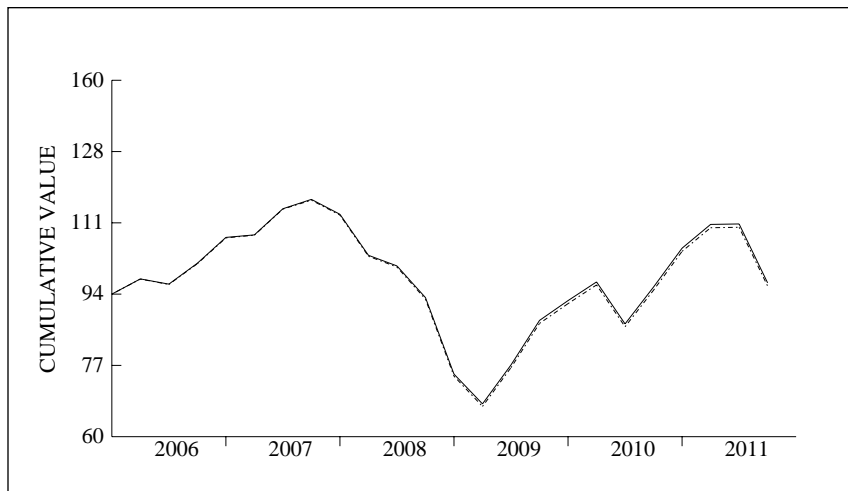


— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

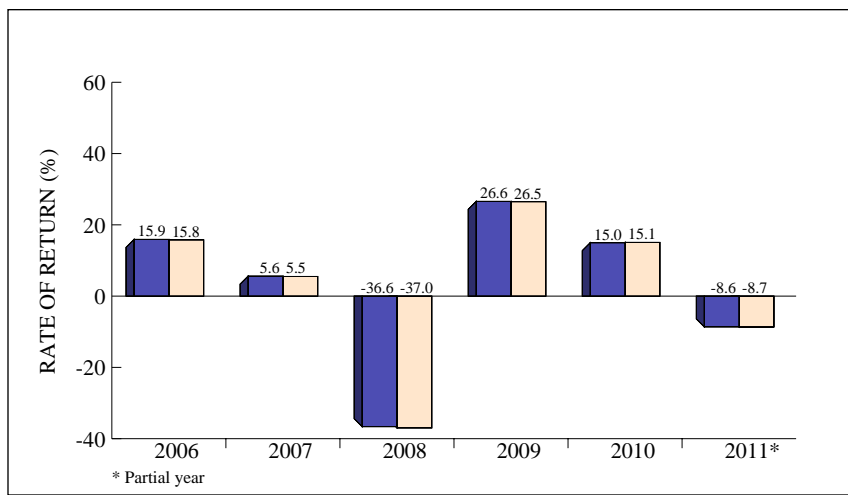
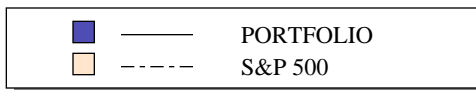
VALUE ASSUMING  
 8.0% RETURN  
 \$ 10,004,806

	LAST QUARTER	PERIOD 12/05 - 9/11
BEGINNING VALUE	\$ 6,454,204	\$ 20,623,601
NET CONTRIBUTIONS	1,400,000	- 14,478,792
INVESTMENT RETURN	-989,042	720,353
ENDING VALUE	\$ 6,865,162	\$ 6,865,162
INCOME	0	0
CAPITAL GAINS (LOSSES)	-989,042	720,353
INVESTMENT RETURN	-989,042	720,353

**TOTAL RETURN COMPARISONS**



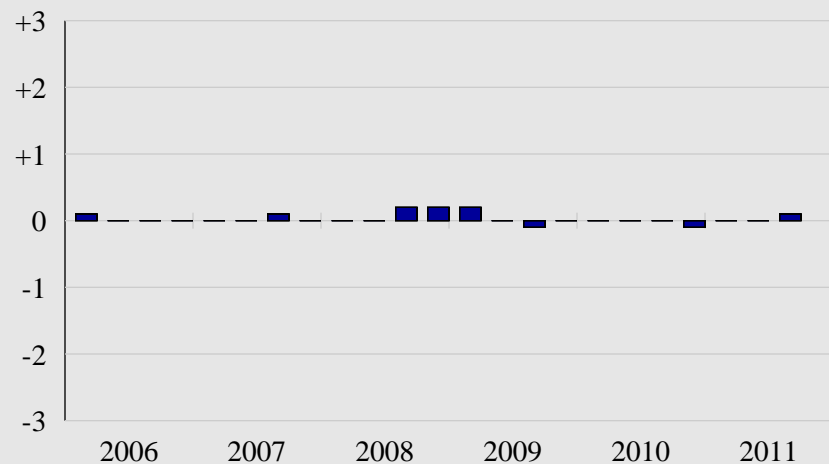
Large Cap Universe



\* Partial year

	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	-13.8	-13.7	-8.6	1.1	1.4	-1.0
(RANK)	(24)	(30)	(33)	(42)	(50)	(56)
5TH %ILE	-10.4	-9.1	-4.0	6.9	7.8	4.5
25TH %ILE	-13.9	-13.3	-7.9	2.3	3.1	0.8
MEDIAN	-15.0	-14.6	-9.3	0.7	1.4	-0.9
75TH %ILE	-17.1	-17.2	-11.8	-2.1	0.3	-1.9
95TH %ILE	-20.6	-21.0	-15.9	-6.5	-2.4	-4.5
<b>S&amp;P 500</b>	<b>-13.9</b>	<b>-13.8</b>	<b>-8.7</b>	<b>1.2</b>	<b>1.2</b>	<b>-1.2</b>

Large Cap Universe

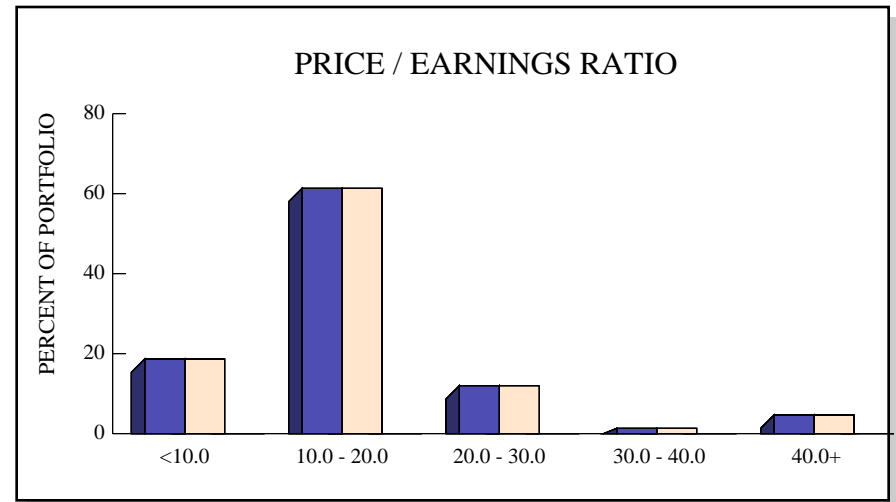
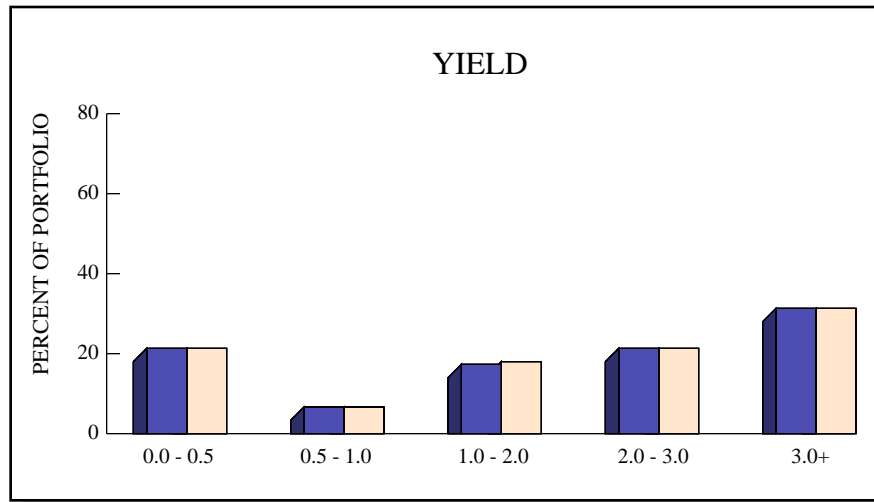
**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: S&P 500****VARIATION FROM BENCHMARK**

<b>Total Quarters Observed</b>	<b>23</b>
<b>Quarters At or Above the Benchmark</b>	<b>21</b>
<b>Quarters Below the Benchmark</b>	<b>2</b>
<b>Batting Average</b>	<b>.913</b>

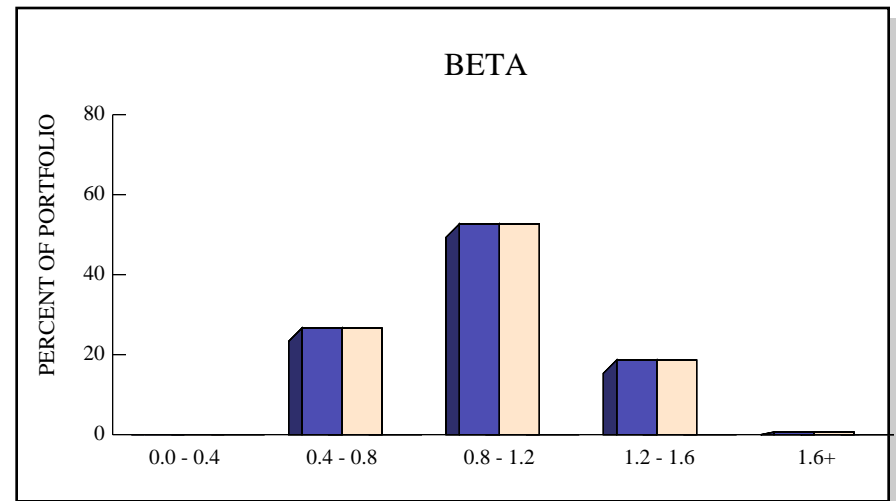
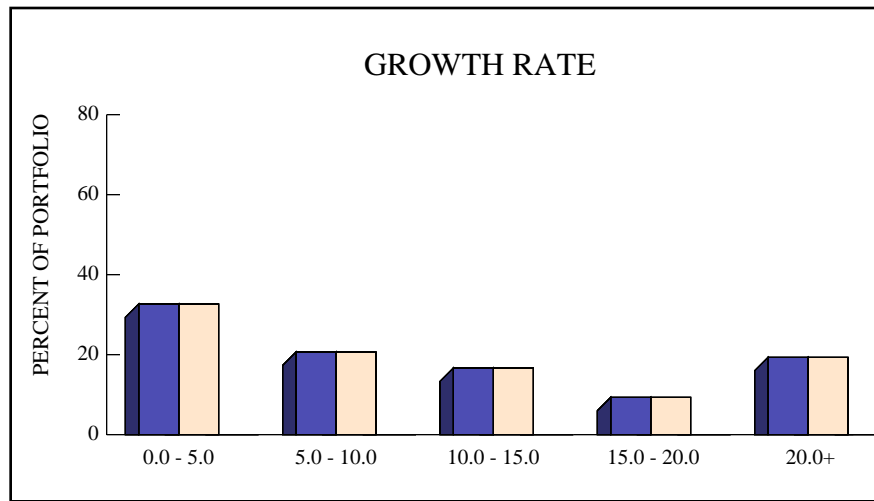
**RATES OF RETURN**

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
9/11	-13.8	-13.9	0.1

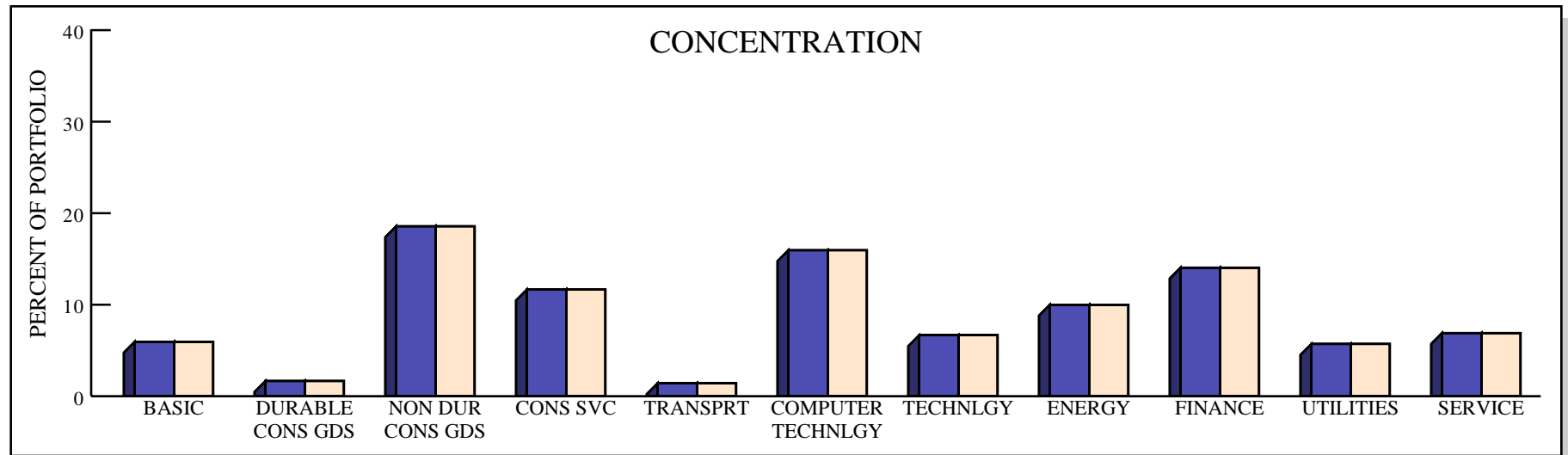
**STOCK CHARACTERISTICS**



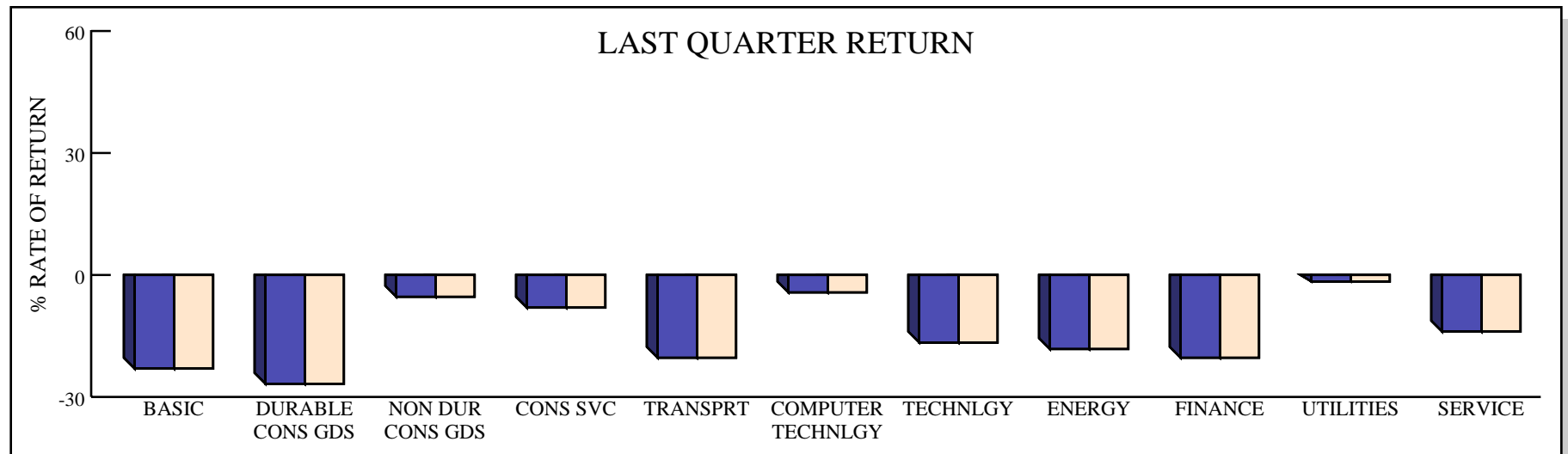
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	2.2%	10.5%	16.6	1.00
S&P 500	2.2%	10.5%	16.6	1.00



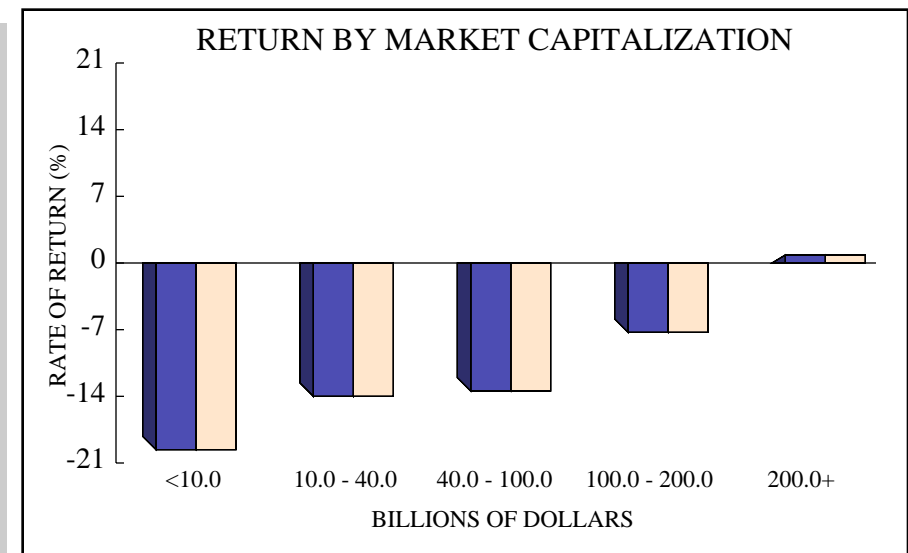
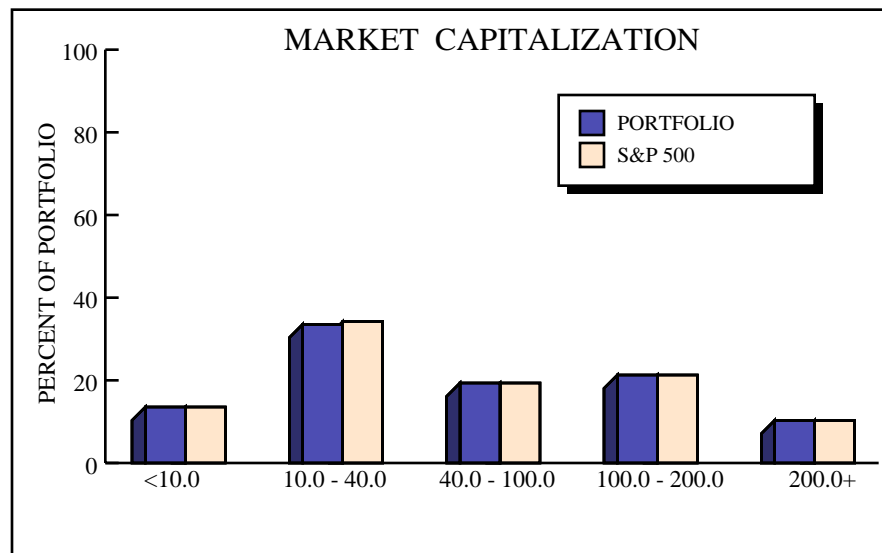
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ S&P 500



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	EXXON MOBIL CORP	\$ 229,511	3.34%	-10.1%	Energy	\$ 353.1 B
2	APPLE INC	229,470	3.34%	13.6%	Computer Tech	353.4 B
3	INTL BUSINESS MACHINES CORP	135,823	1.98%	2.4%	Computer Tech	209.0 B
4	MICROSOFT CORP	135,526	1.97%	-3.6%	Computer Tech	208.5 B
5	CHEVRON CORP	120,461	1.75%	-9.2%	Energy	185.3 B
6	WAL-MART STORES INC	116,256	1.69%	-2.3%	Consumer Service	178.9 B
7	JOHNSON & JOHNSON	113,468	1.65%	-3.4%	NonDur Cons Goods	174.6 B
8	PROCTER & GAMBLE CO/THE	112,839	1.64%	0.2%	NonDur Cons Goods	173.6 B
9	AT&T INC	109,831	1.60%	-7.7%	Service	169.0 B
10	GENERAL ELECTRIC CO	104,988	1.53%	-18.3%	Basic	161.5 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
SEIZERT CAPITAL PARTNERS  
PERFORMANCE REVIEW  
SEPTEMBER 2011



## **INVESTMENT RETURN**

On September 30th, 2011, the Franklin Regional Retirement System's Seizert Capital Partners portfolio was valued at \$3,826,800, a decrease of \$1,108,267 from the June ending value of \$4,935,067. Last quarter, the account recorded no net contributions or withdrawals, while recording a net investment loss for the quarter of \$1,108,267. Net investment loss was composed of income receipts totaling \$17,128 and \$1,125,395 in net realized and unrealized capital losses.

## **RELATIVE PERFORMANCE**

For the third quarter, the Seizert Capital Partners portfolio lost 22.5%, which was 3.6% below the Russell Mid Cap's return of -18.9% and ranked in the 82nd percentile of the Mid Cap universe.

## **ASSET ALLOCATION**

At the end of the third quarter, domestic equities comprised 95.6% of the total portfolio (\$3.7 million), while cash & equivalents comprised the remaining 4.4% (\$169,136).

## **ANALYSIS**

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

Sector performance throughout the portfolio lagged the benchmark during the quarter. Of the ten utilized sectors, seven sectors fell short of their respective index counterparts. The portfolio was able to find value in the Utilities sector, but the lack of representation made this effect minimal. Overall, the Seizert portfolio fell short of the Russell Mid Cap by 360 basis points.

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

	Quarter	YTD	1 Year	3 Years*	Since 6/2011
<b>Total Portfolio</b>	-22.5	----	----	----	-22.5
<i>MID CAP RANK</i>	(82)	----	----	----	(82)
RUSSELL MID	-18.9	-12.4	-0.9	4.0	-18.9
<b>Domestic Equity</b>	-23.2	----	----	----	-23.2
<i>MID CAP RANK</i>	(90)	----	----	----	(90)
RUSSELL MID	-18.9	-12.4	-0.9	4.0	-18.9

\* Annualized Return

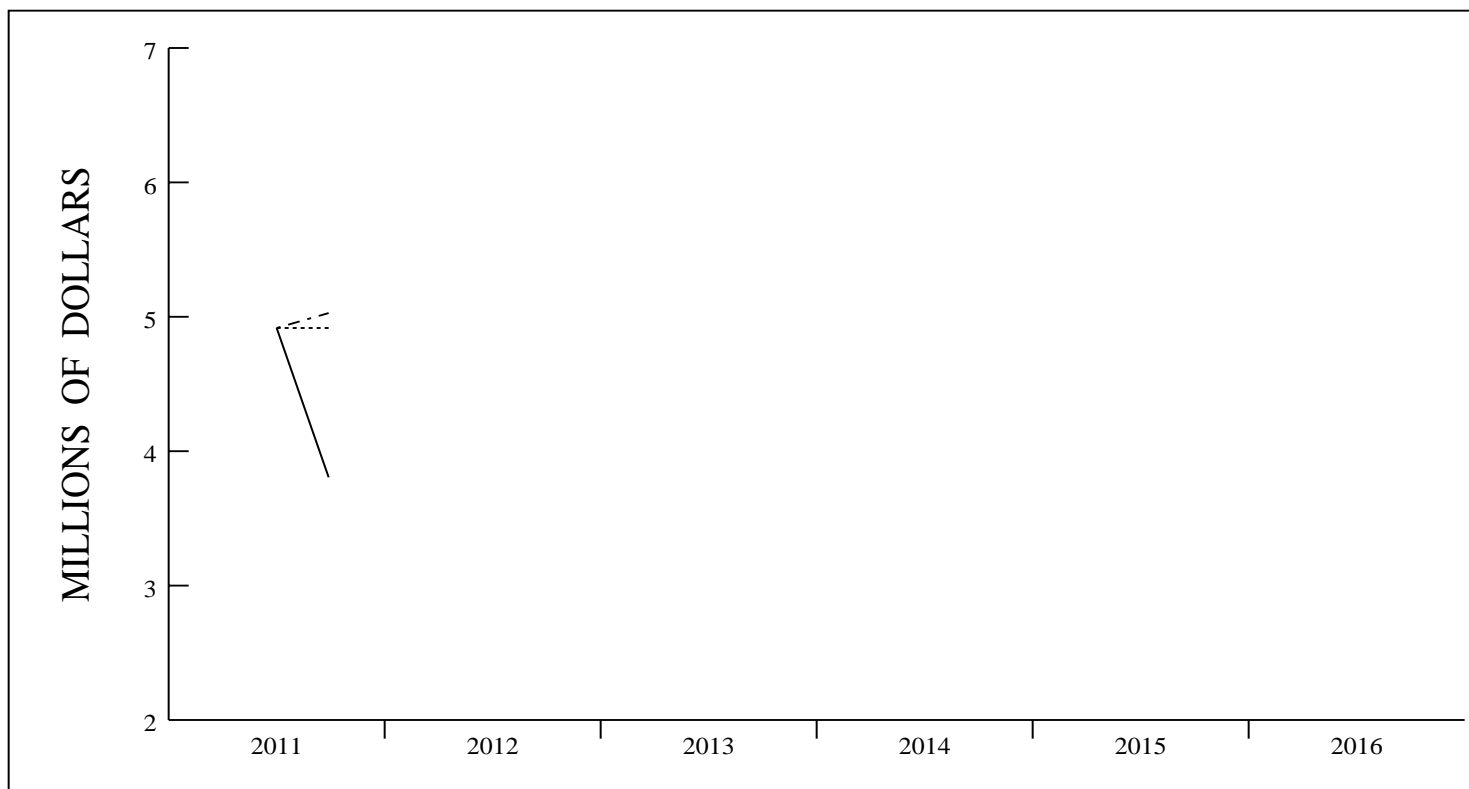
**ASSET ALLOCATION**

Domestic Equity	95.6%	\$ 3,657,664
Cash	4.4%	169,136
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 3,826,800</b>

**INVESTMENT RETURN**

Market Value 6/2011	\$ 4,935,067
Contribs / Withdrawals	0
Income	17,128
Capital Gains / Losses	- 1,125,395
Market Value 9/2011	\$ 3,826,800

**INVESTMENT GROWTH**

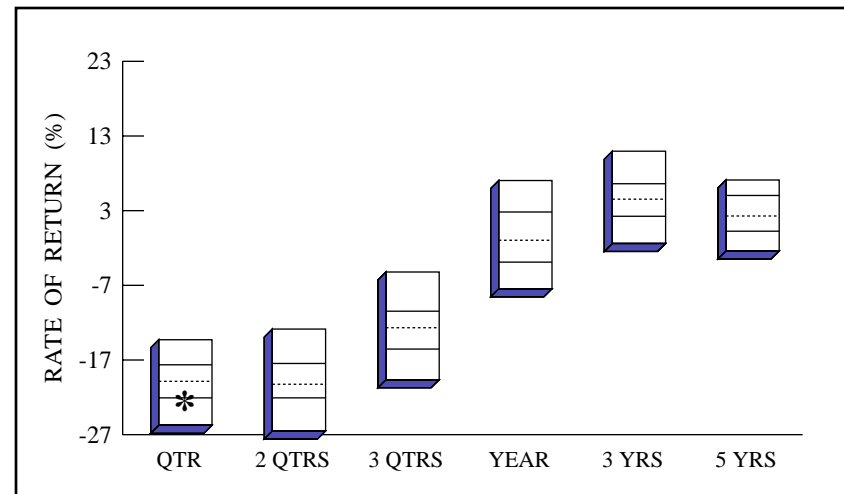
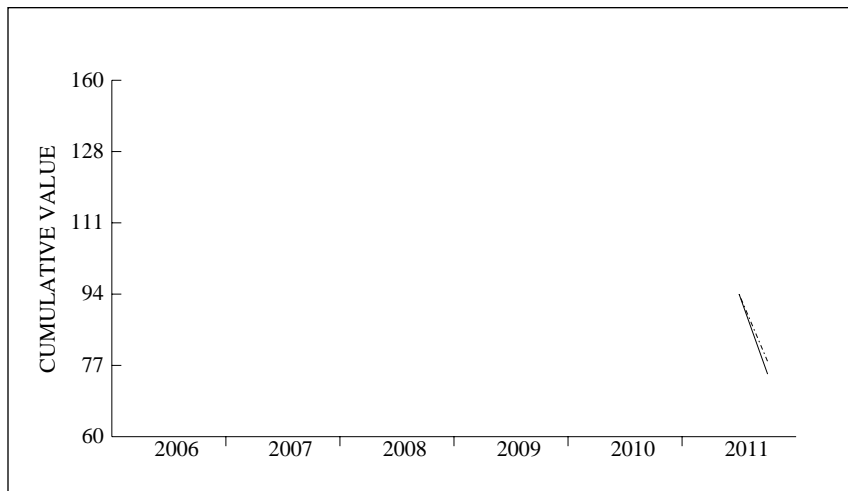


— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

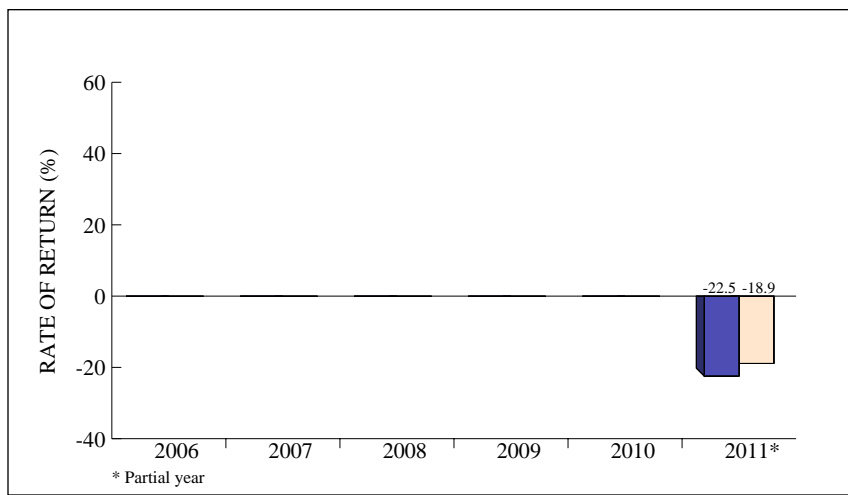
VALUE ASSUMING  
 8.0% RETURN  
 \$ 5,030,939

	LAST QUARTER	PERIOD 6/11 - 9/11
BEGINNING VALUE	\$ 4,935,067	\$ 4,935,067
NET CONTRIBUTIONS	0	0
<u>INVESTMENT RETURN</u>	<u>- 1,108,267</u>	<u>- 1,108,267</u>
ENDING VALUE	\$ 3,826,800	\$ 3,826,800
INCOME	17,128	17,128
<u>CAPITAL GAINS (LOSSES)</u>	<u>- 1,125,395</u>	<u>- 1,125,395</u>
INVESTMENT RETURN	- 1,108,267	- 1,108,267

**TOTAL RETURN COMPARISONS**



Mid Cap Universe

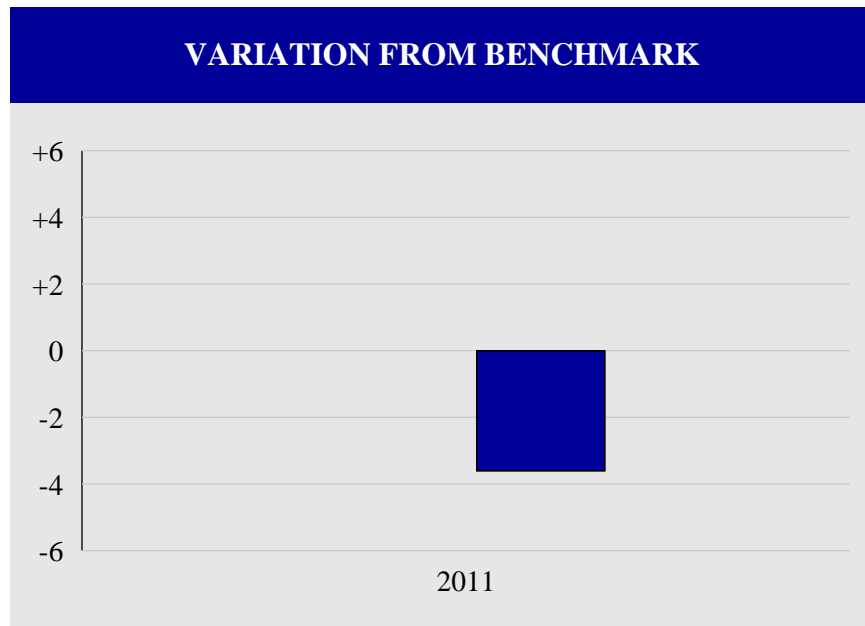


	<u>QTR</u>	<u>2QTRS</u>	<u>3QTRS</u>	<u>YEAR</u>	<u>-----ANNUALIZED-----</u> <u>3 YRS</u>	<u>5 YRS</u>
RETURN	-22.5	---	---	---	---	---
(RANK)	(82)	---	---	---	---	---
5TH %ILE	-14.3	-12.9	-5.2	7.0	11.0	7.1
25TH %ILE	-17.6	-17.5	-10.5	2.8	6.6	5.0
MEDIAN	-19.8	-20.2	-12.7	-1.0	4.6	2.3
75TH %ILE	-22.1	-22.1	-15.6	-3.9	2.3	0.3
95TH %ILE	-25.7	-26.5	-19.7	-7.5	-1.4	-2.4
<b>Russ MC</b>	<b>-18.9</b>	<b>-18.6</b>	<b>-12.4</b>	<b>-0.9</b>	<b>4.0</b>	<b>0.6</b>

Mid Cap Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

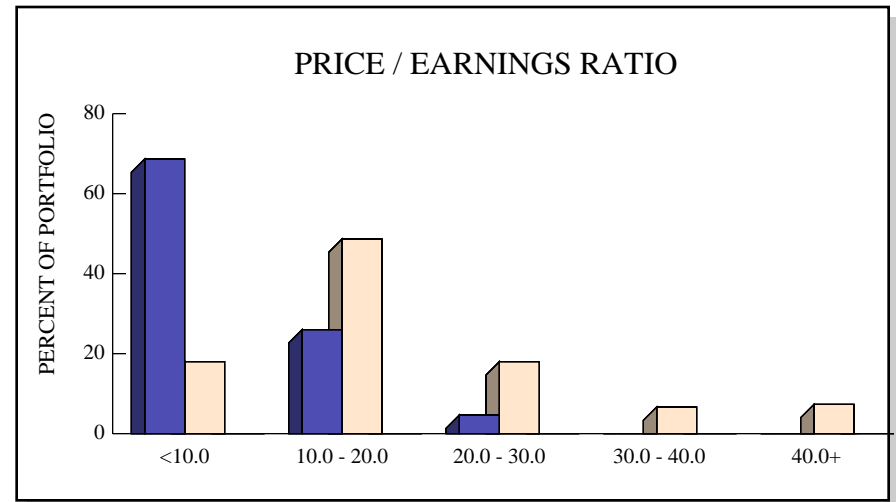
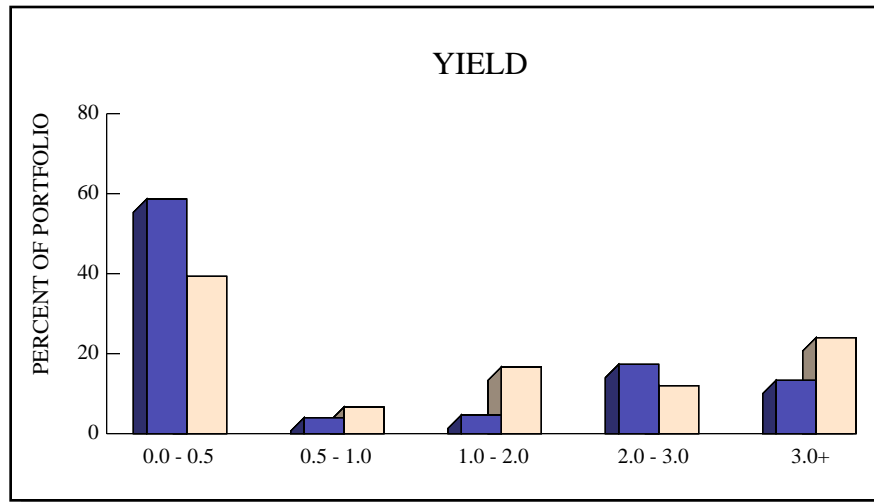
**COMPARATIVE BENCHMARK: RUSSELL MID CAP**



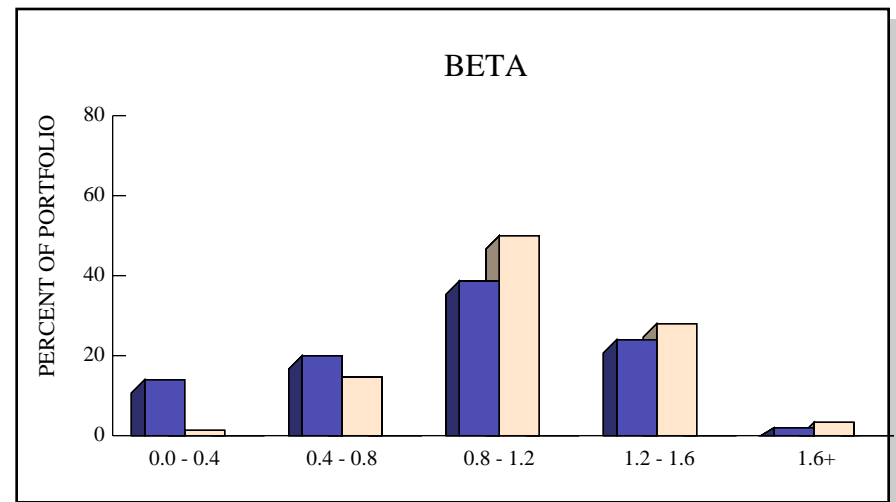
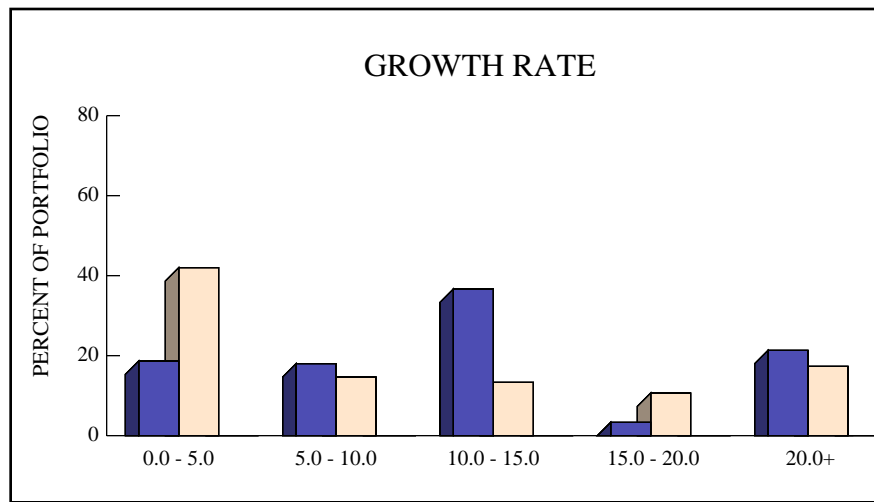
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
9/11	-22.5	-18.9	-3.6

<b>Total Quarters Observed</b>	<b>1</b>
<b>Quarters At or Above the Benchmark</b>	<b>0</b>
<b>Quarters Below the Benchmark</b>	<b>1</b>
<b>Batting Average</b>	<b>.000</b>

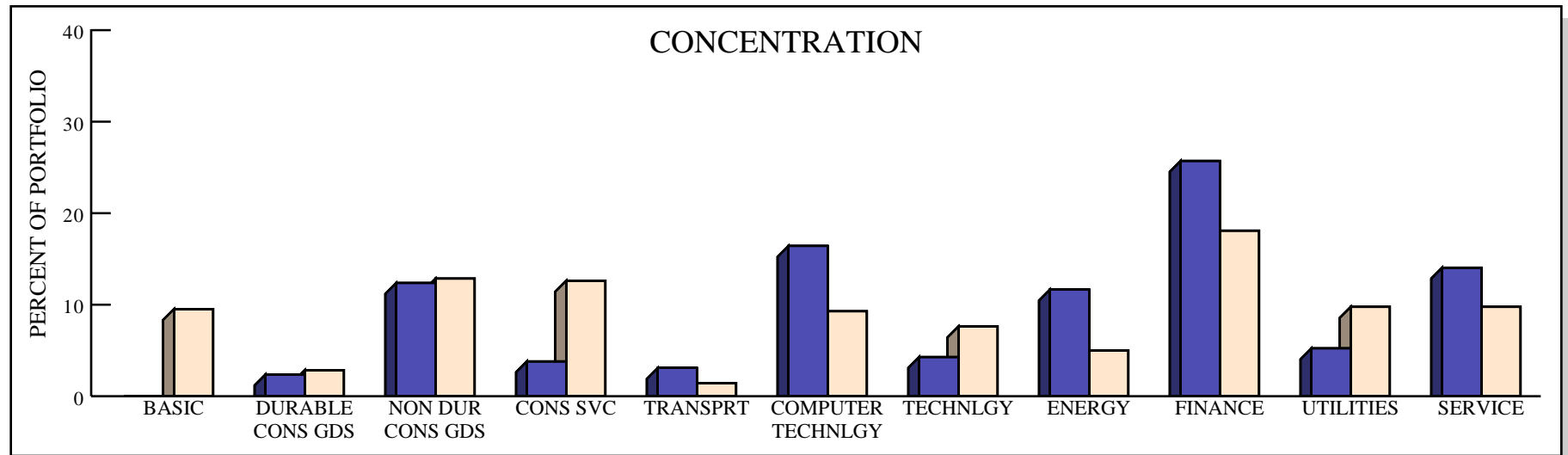
**STOCK CHARACTERISTICS**



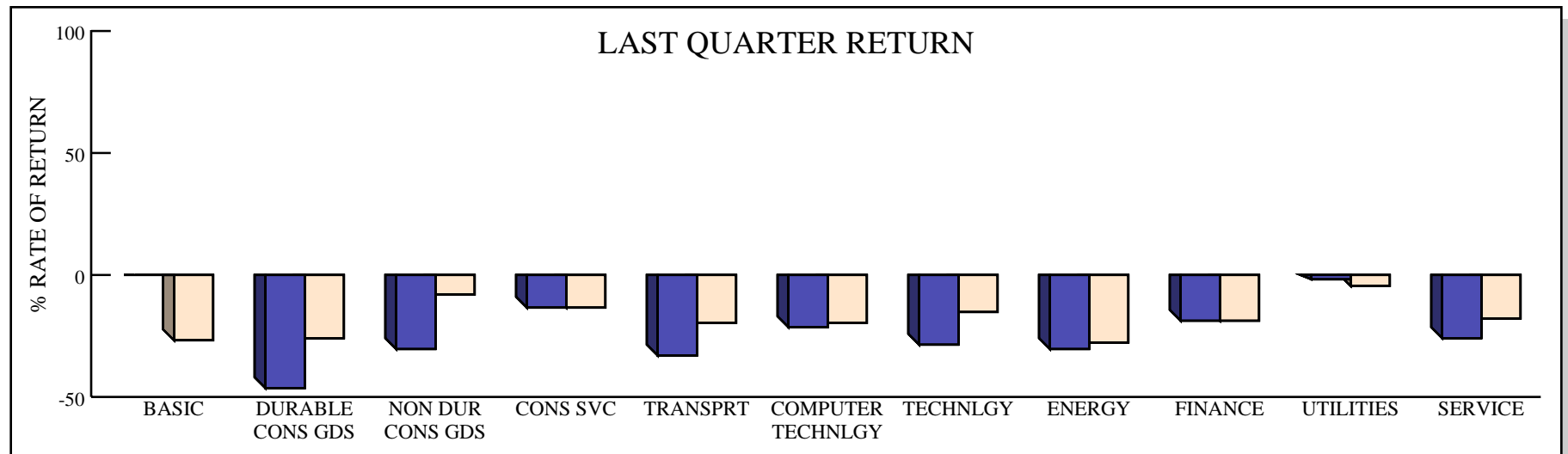
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.7%	11.8%	8.7	0.91
RUSSELL MID	1.9%	7.8%	18.6	1.07



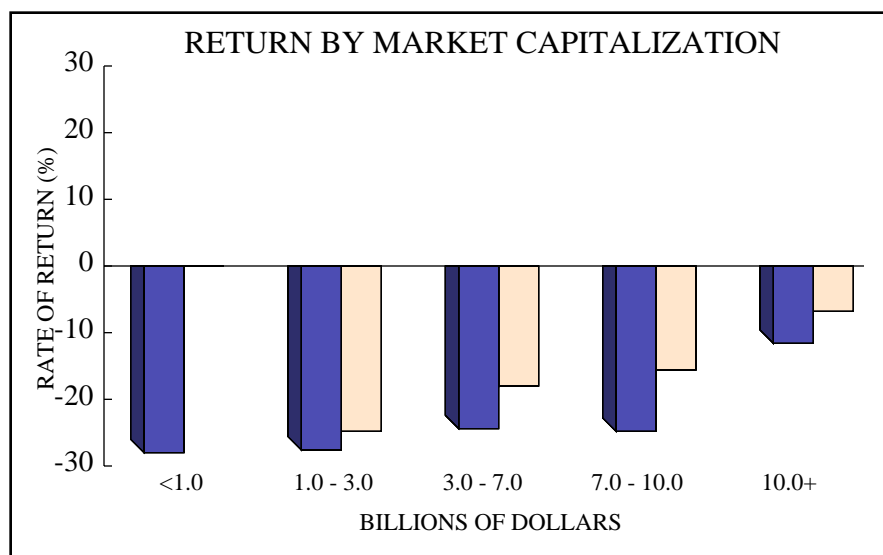
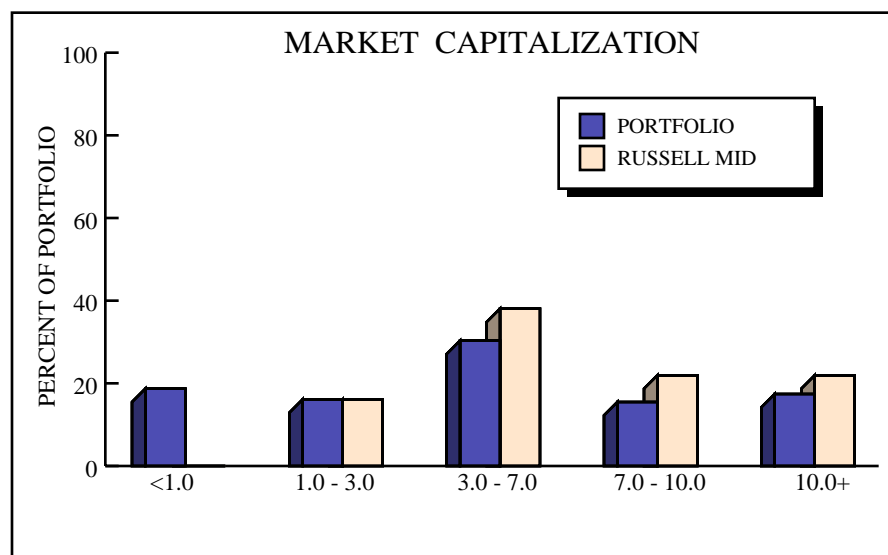
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL MID CAP



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	LIBERTY MEDIA CORP - LIBER-B	\$ 203,220	5.56%	-22.9%	Service	\$ 0.5 B
2	ENERGY CORP	194,230	5.31%	-1.7%	Utilities	11.7 B
3	LIBERTY MEDIA CORP - LIBER-A	181,499	4.96%	-22.9%	Service	4.9 B
4	EVEREST RE GROUP LTD	174,636	4.77%	-2.3%	Finance	4.3 B
5	ENDO PHARMACEUT HLDGS INC	171,439	4.69%	-30.3%	NonDur Cons Goods	3.3 B
6	LOEWS CORP	163,421	4.47%	-17.7%	Finance	14.0 B
7	SYMANTEC CORP	159,006	4.35%	-17.3%	Computer Tech	12.2 B
8	L-3 COMMUNICATIONS HOLDINGS	158,333	4.33%	-28.4%	Technology	6.5 B
9	VISTEON CORP	149,640	4.09%	-37.1%	NonDur Cons Goods	2.2 B
10	HCC INSURANCE HOLDINGS INC	149,045	4.07%	-13.5%	Finance	3.0 B



FRANKLIN REGIONAL RETIREMENT SYSTEM  
DARUMA  
PERFORMANCE REVIEW  
SEPTEMBER 2011

## **INVESTMENT RETURN**

On September 30th, 2011, the Franklin Regional Retirement System's Daruma portfolio was valued at \$7,158,526, a decrease of \$2,626,337 from the June ending value of \$9,784,863. Last quarter, the account recorded no net contributions or withdrawals, while recording a net investment loss for the quarter of \$2,626,337. Net investment loss was composed of income receipts totaling \$8,899 and \$2,635,236 in net realized and unrealized capital losses.

For the cumulative period since December 2005, the account has recorded net withdrawals totaling \$819,000 and net investment gains of \$2.0 million. Since December 2005, if the total account earned a compounded nominal rate of 8.0% it would have been worth \$8.6 million or \$1.5 million more than the actual value as of September 30th, 2011.

## **RELATIVE PERFORMANCE**

During the third quarter, the Daruma portfolio lost 26.8%, which was 4.9% below the Russell 2000 Index's return of -21.9% and ranked in the 97th percentile of the Small Cap universe. Over the trailing year, the portfolio returned -8.2%, which was 4.7% below the benchmark's -3.5% performance, ranking in the 93rd percentile. Since December 2005, the account returned 4.1% on an annualized basis and ranked in the 22nd percentile. For comparison, the Russell 2000 returned an annualized 0.6% over the same period.

## **ASSET ALLOCATION**

On September 30th, 2011, domestic equities comprised 96.3% of the total portfolio (\$6.9 million), while cash & equivalents totaled 3.7% (\$265,602).

## **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 sector was vacant of holdings.

Stock selection lagged the benchmark during the third quarter, which resulted in the portfolio's 490 basis point deficit in return. In all, eight of the ten utilized sectors underperformed, including the over-weighted Consumer Service, Computer Technology, and Service sectors. The only two sectors to out-perform the benchmark were the Basic and Transportation sectors, and both of these sectors represented very small segments of the overall portfolio.

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2005
<b>Total Portfolio</b>	-26.8	-18.8	-8.2	4.1	4.1
<i>SMALL CAP RANK</i>	(97)	(81)	(93)	(30)	(22)
RUSSELL 2000	-21.9	-17.0	-3.5	-0.4	0.6
<b>Domestic Equity</b>	-27.7	-19.4	-8.5	4.2	4.0
<i>SMALL CAP RANK</i>	(98)	(84)	(94)	(29)	(24)
RUSSELL 2000	-21.9	-17.0	-3.5	-0.4	0.6
RUSSELL 2000G	-22.3	-15.6	-1.1	2.1	1.6
RUSSELL 2000V	-21.5	-18.5	-6.0	-2.8	-0.6

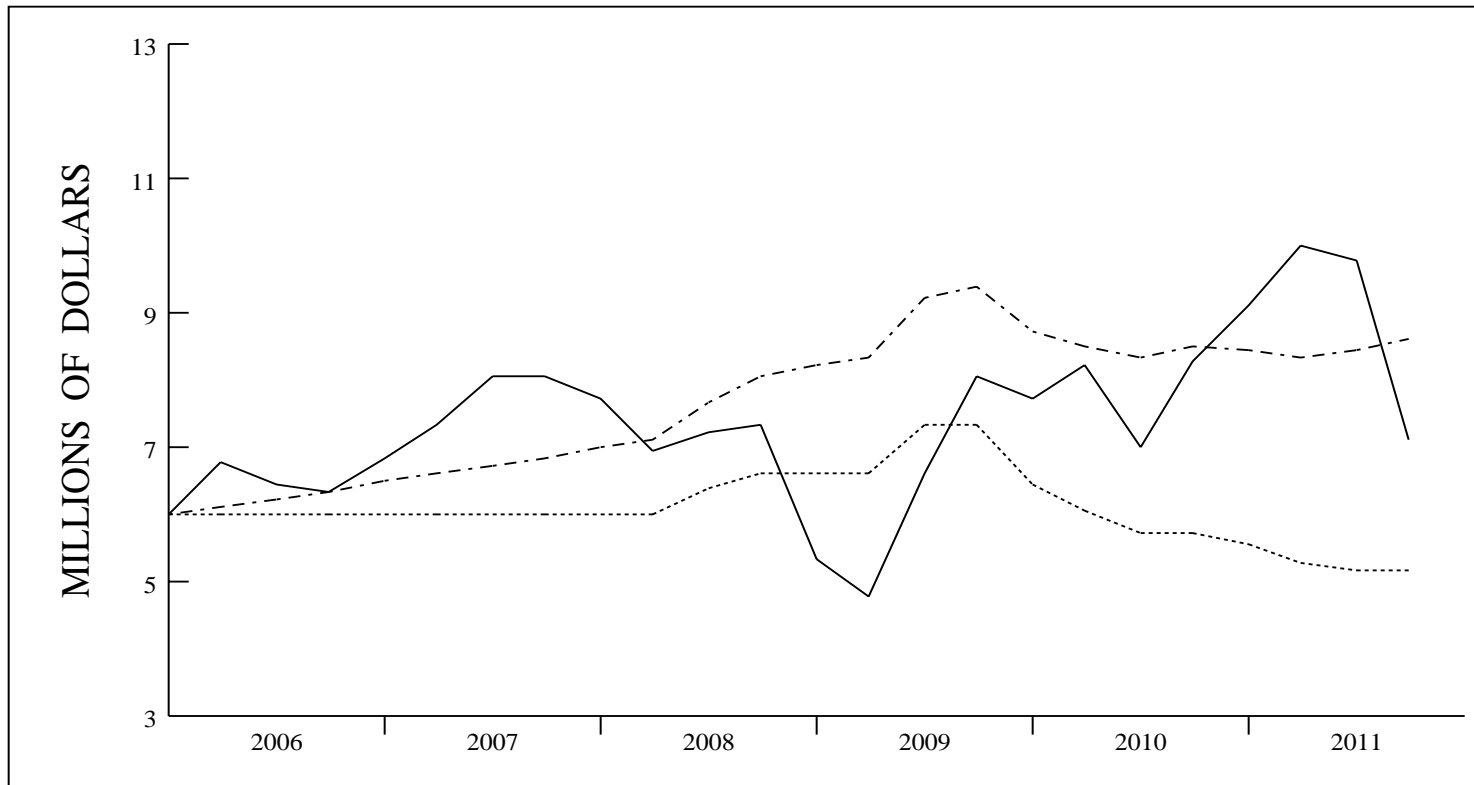
**ASSET ALLOCATION**

Domestic Equity	96.3%	\$ 6,892,925
Cash	3.7%	265,602
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 7,158,526</b>

**INVESTMENT RETURN**

Market Value 6/2011	\$ 9,784,863
Contribs / Withdrawals	0
Income	8,899
Capital Gains / Losses	-2,635,236
Market Value 9/2011	\$ 7,158,526

**INVESTMENT GROWTH**

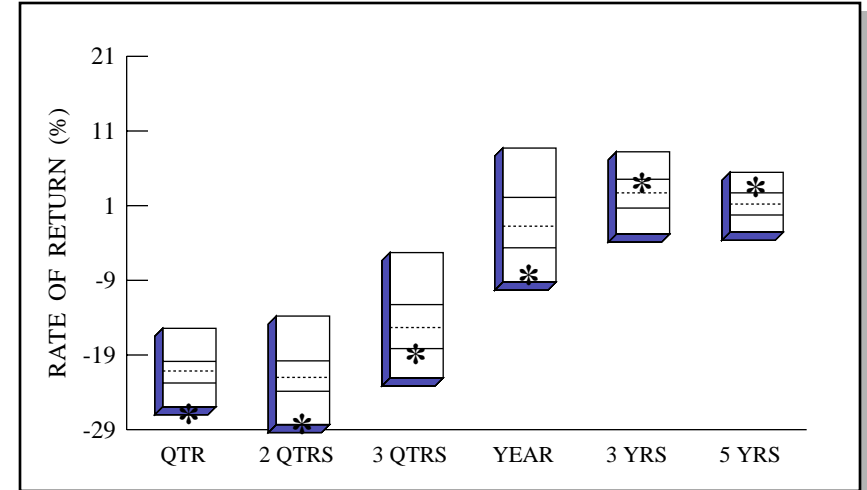
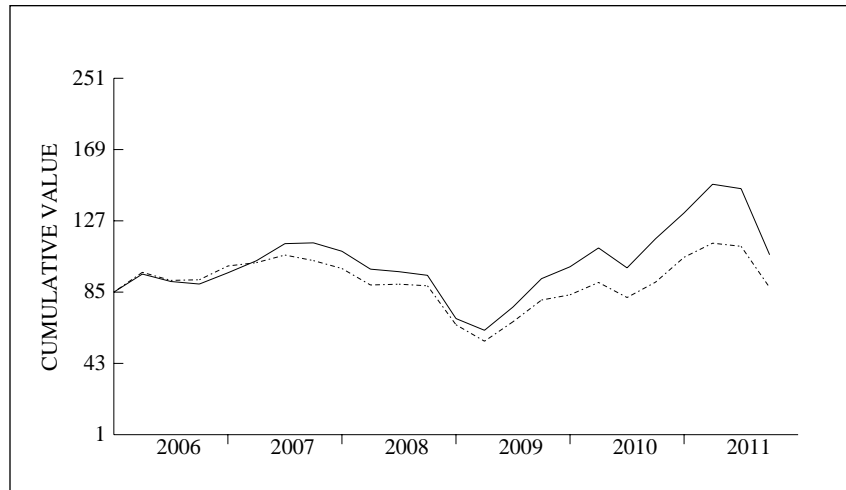


— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

VALUE ASSUMING  
 8.0% RETURN  
 \$ 8,619,680

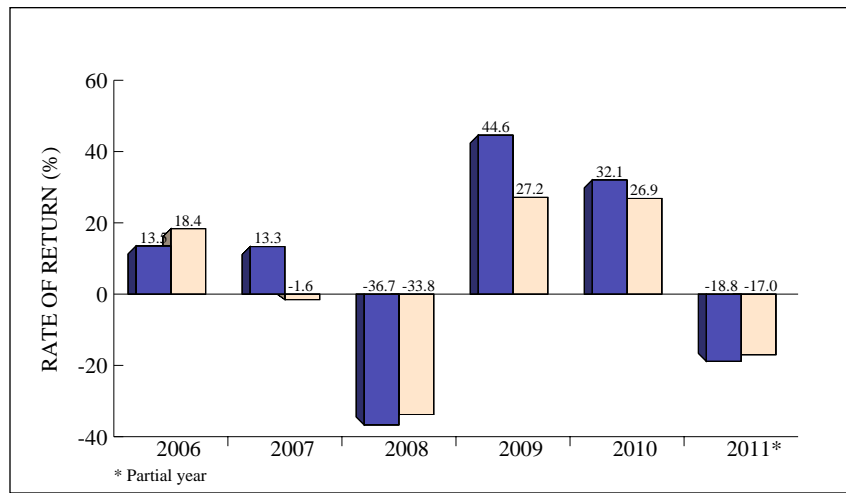
	LAST QUARTER	PERIOD 12/05 - 9/11
BEGINNING VALUE	\$ 9,784,863	\$ 6,026,015
NET CONTRIBUTIONS	0	-819,000
<u>INVESTMENT RETURN</u>	<u>-2,626,337</u>	<u>1,951,511</u>
ENDING VALUE	\$ 7,158,526	\$ 7,158,526
INCOME	8,899	255,008
<u>CAPITAL GAINS (LOSSES)</u>	<u>-2,635,236</u>	<u>1,696,503</u>
INVESTMENT RETURN	-2,626,337	1,951,511

**TOTAL RETURN COMPARISONS**



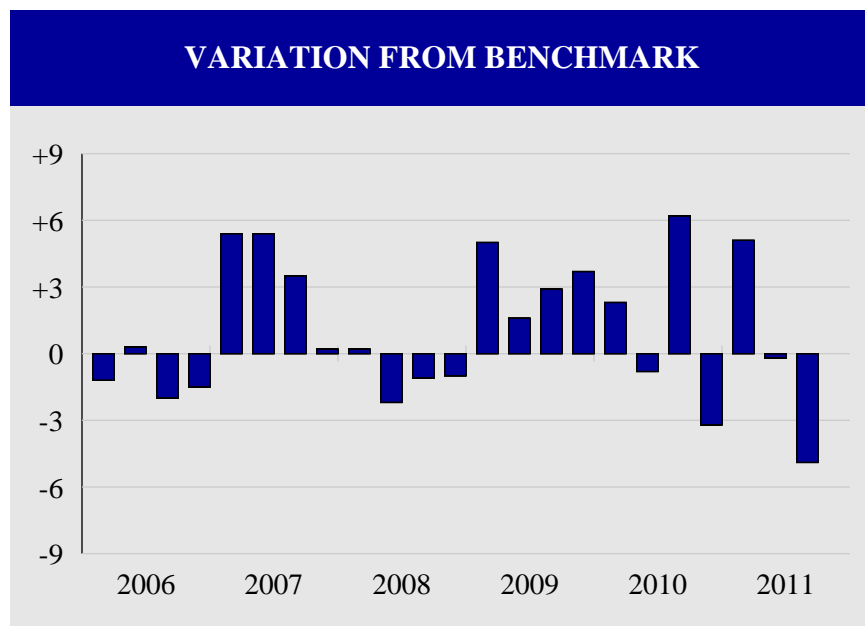
■ ——— PORTFOLIO  
■ - - - - RUSSELL 2000

Small Cap Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	-26.8	-28.1	-18.8	-8.2	4.1	3.6
(RANK)	(97)	(95)	(81)	(93)	(30)	(18)
5TH %ILE	-15.4	-13.8	-5.3	8.7	8.2	5.5
25TH %ILE	-19.8	-19.8	-12.3	2.1	4.5	2.7
MEDIAN	-21.1	-22.0	-15.3	-1.7	2.7	1.2
75TH %ILE	-22.7	-23.9	-18.2	-4.6	0.7	-0.2
95TH %ILE	-25.9	-28.3	-22.1	-9.3	-2.8	-2.6
<b>Russ 2000</b>	<b>-21.9</b>	<b>-23.1</b>	<b>-17.0</b>	<b>-3.5</b>	<b>-0.4</b>	<b>-1.0</b>

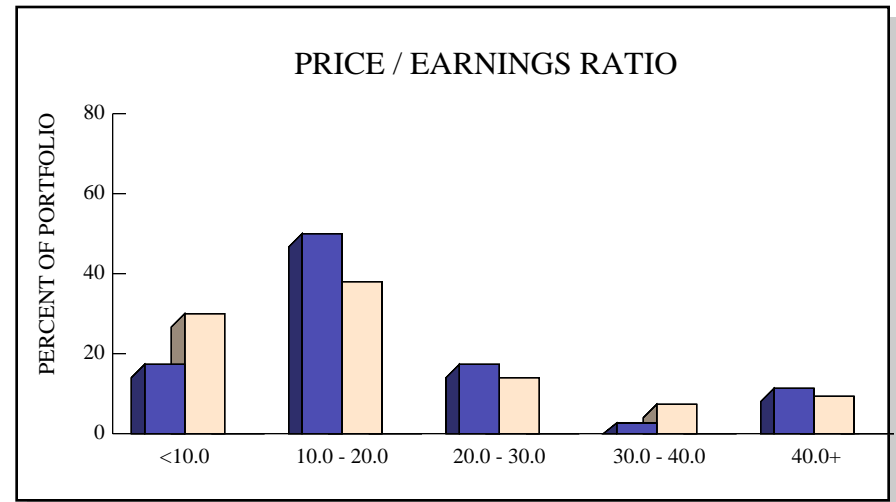
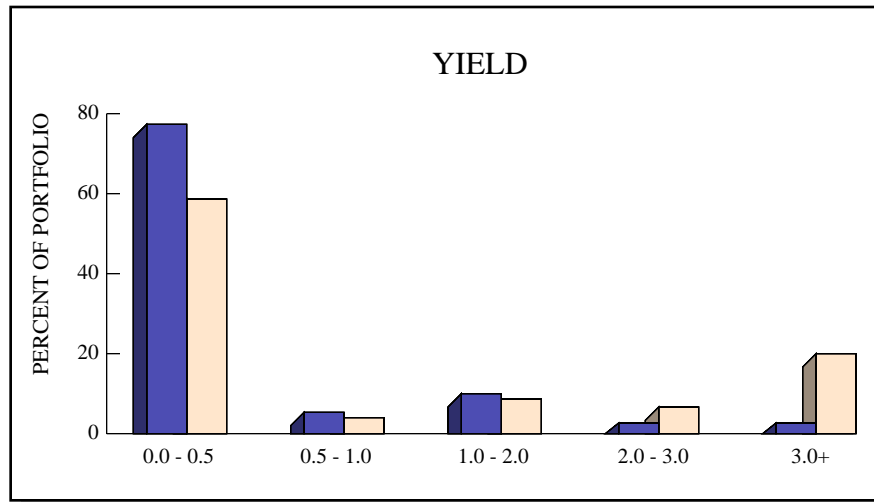
Small Cap Universe

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

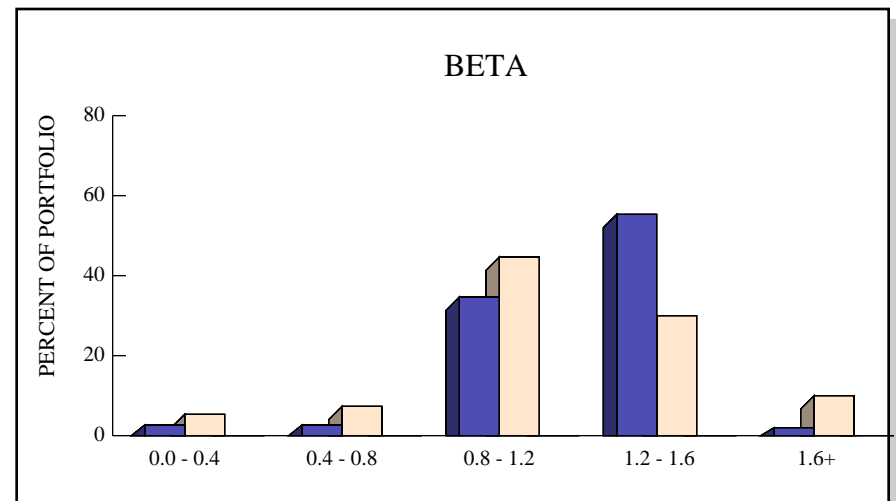
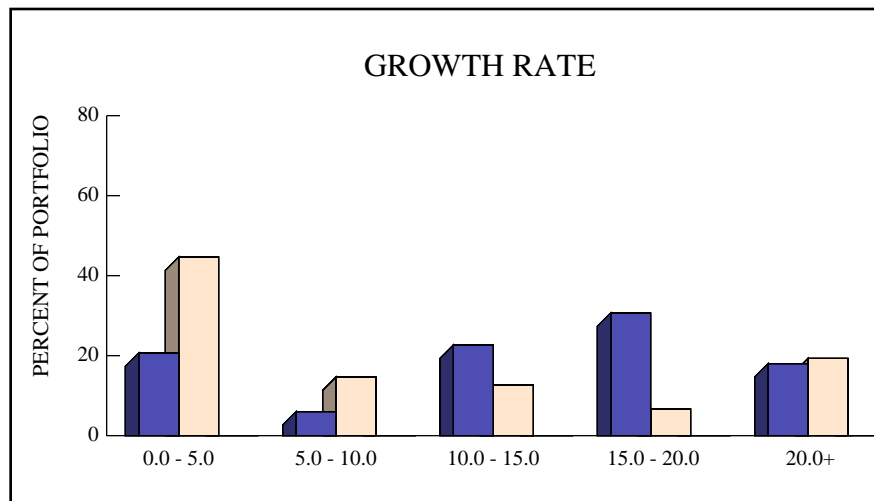
<b>Total Quarters Observed</b>	<b>23</b>
<b>Quarters At or Above the Benchmark</b>	<b>13</b>
<b>Quarters Below the Benchmark</b>	<b>10</b>
<b>Batting Average</b>	<b>.565</b>

<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
9/11	-26.8	-21.9	-4.9

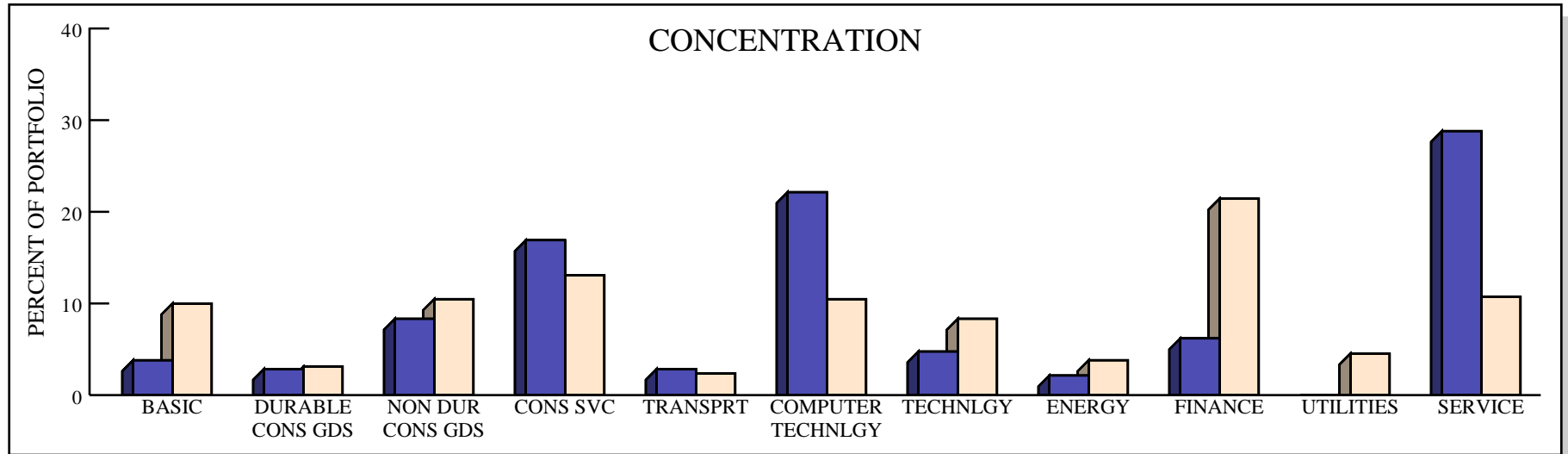
**STOCK CHARACTERISTICS**



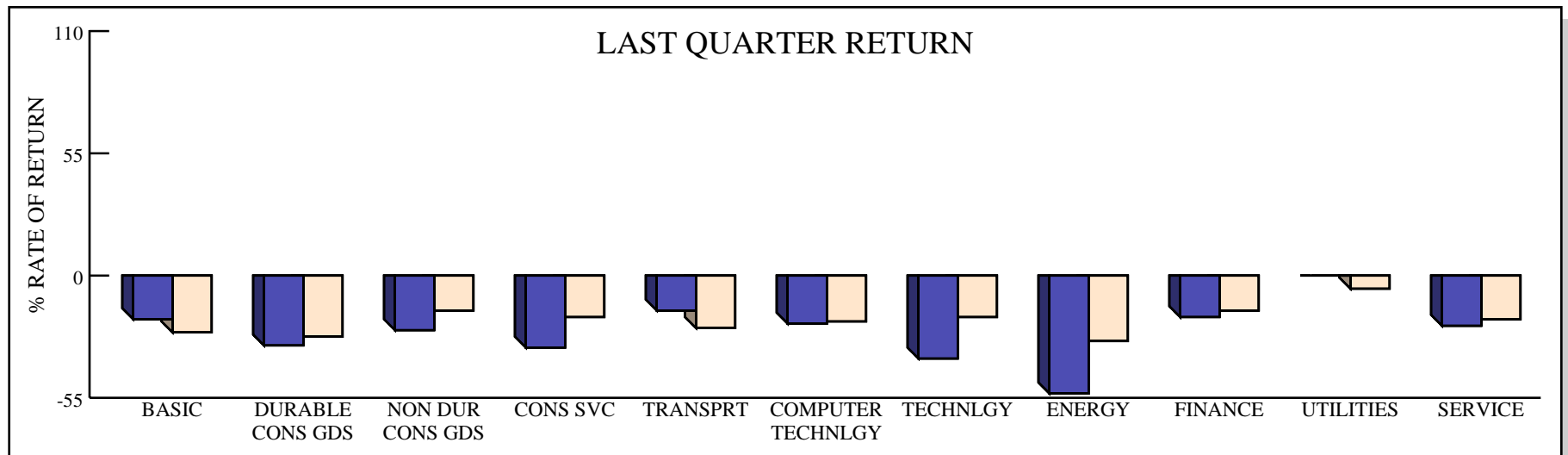
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	0.4%	14.7%	20.4	1.21
RUSSELL 2000	1.6%	7.0%	15.9	1.11



**STOCK INDUSTRY ANALYSIS**

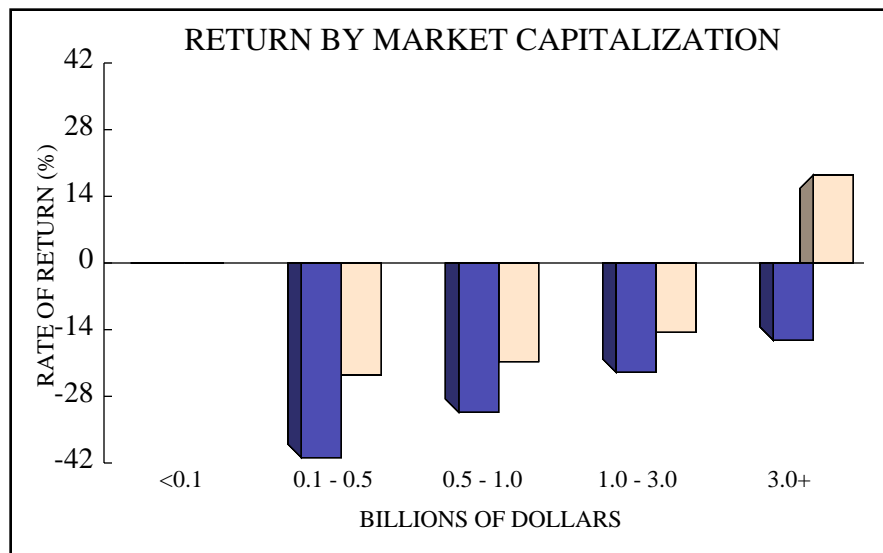
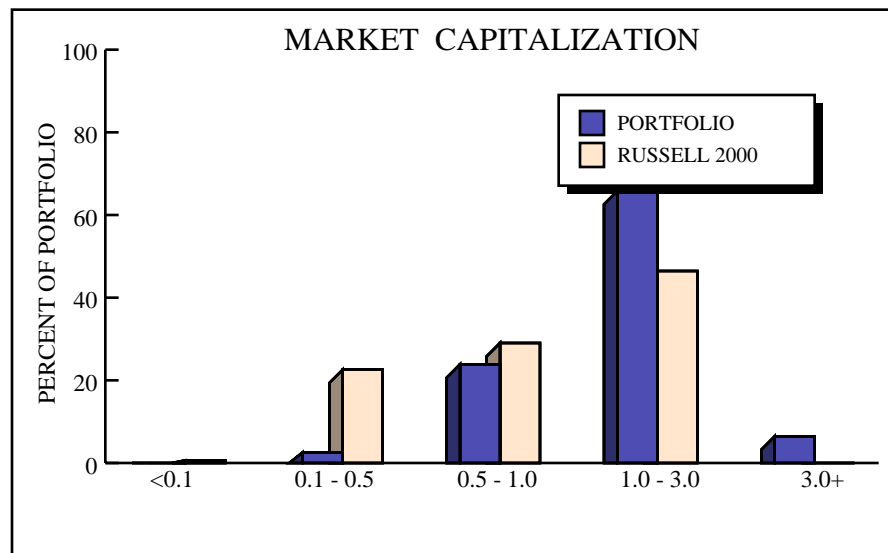


■ PORTFOLIO      ■ RUSSELL 2000





## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	CADENCE DESIGN SYS INC	\$ 293,647	4.26%	-12.5%	Computer Tech	\$ 2.5 B
2	MAXIMUS INC	280,596	4.07%	-15.3%	Service	1.2 B
3	COSTAR GROUP INC	270,244	3.92%	-12.3%	Service	1.3 B
4	WABTEC CORP	268,051	3.89%	-19.5%	Basic	2.6 B
5	SHUTTERFLY INC	261,905	3.80%	-28.3%	Service	1.4 B
6	ALLSCRIPTS HEALTHCARE SOLUTI	243,558	3.53%	-7.2%	Computer Tech	3.4 B
7	LIFE TIME FITNESS INC	237,314	3.44%	-7.7%	Consumer Service	1.6 B
8	PMC - SIERRA INC	227,001	3.29%	-21.0%	Computer Tech	1.4 B
9	ROVI CORP	223,496	3.24%	-25.1%	Service	4.8 B
10	VALIDUS HOLDINGS LTD	221,290	3.21%	-18.5%	Finance	2.5 B

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

## **INVESTMENT RETURN**

On September 30th, 2011, the Franklin Regional Retirement System's PRIT Core Real Estate portfolio was valued at \$2,712,047, representing an increase of \$633,575 from the June quarter's ending value of \$2,078,472. Last quarter, the Fund posted net contributions totaling \$685,933, which overshadowed the account's \$52,358 net investment loss that was sustained during the quarter. The fund's net investment loss was a result of income receipts totaling \$33,771 and realized and unrealized capital losses totaling \$86,129.

Since September 2010, the account has recorded net contributions totaling \$1.3 million, and generated net investment gains totaling \$132,878. Since September 2010, if the account earned a compounded nominal rate of 8.0% it would have been valued at \$2.7 million or \$3,169 less than the actual value as of September 30th, 2011.

## **RELATIVE PERFORMANCE**

For the third quarter, the PRIT Core Real Estate portfolio returned -1.9%, which was 5.4% below the NCREIF NFI-ODCE Index's return of 3.5%. Over the trailing year, the portfolio returned 11.0%, which was 7.3% below the benchmark's 18.3% return.

## **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>	-1.9	5.8	11.0	----	11.0
NCREIF ODCE	3.5	12.6	18.3	-6.4	18.3
<b>Real Estate</b>	-1.9	5.8	11.0	----	11.0
NCREIF ODCE	3.5	12.6	18.3	-6.4	18.3

\* Annualized Return

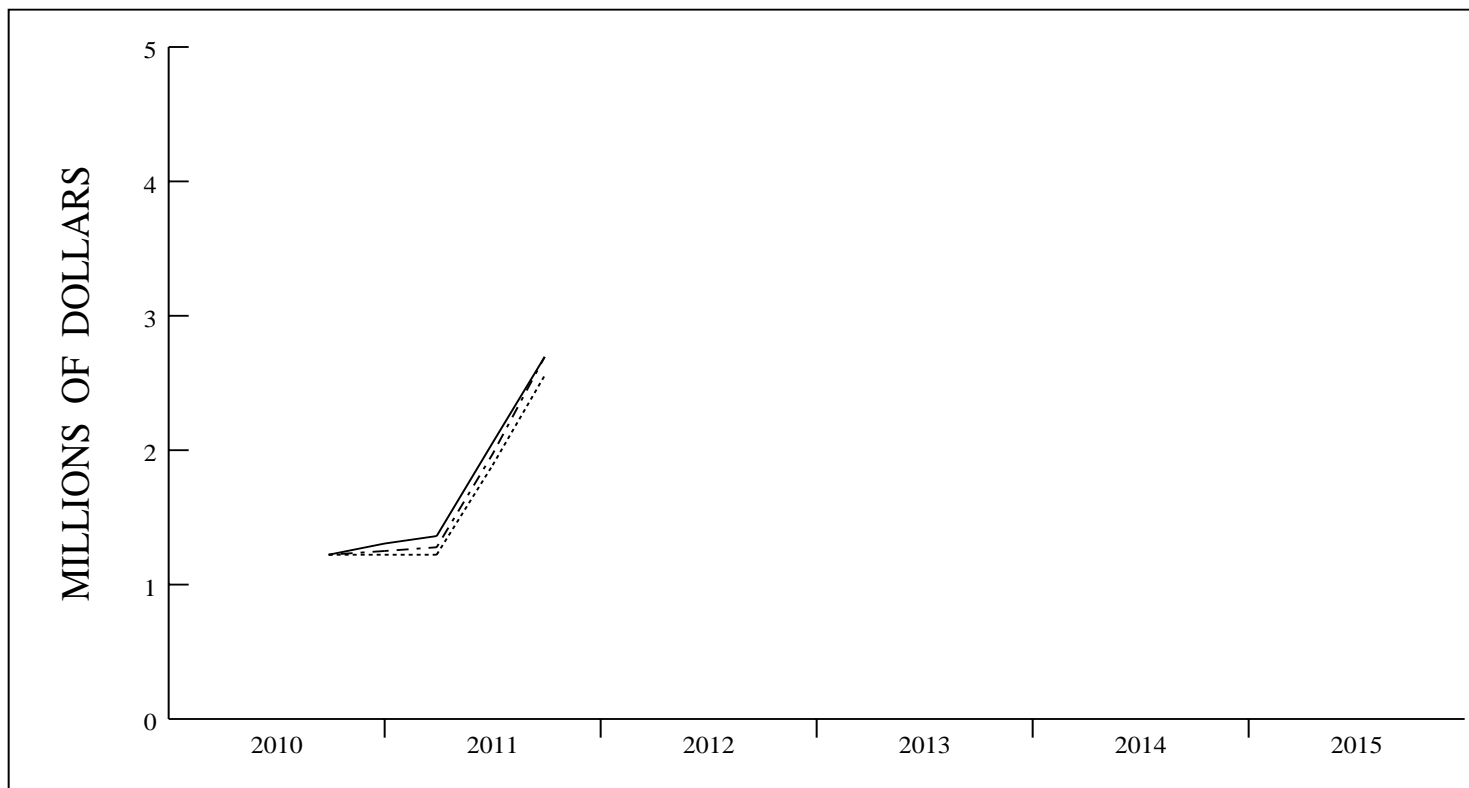
**ASSET ALLOCATION**

Real Estate	100.0%	\$ 2,712,047
Total Portfolio	100.0%	\$ 2,712,047

**INVESTMENT RETURN**

Market Value 6/2011	\$ 2,078,472
Contribs / Withdrawals	685,933
Income	33,771
Capital Gains / Losses	- 86,129
Market Value 9/2011	\$ 2,712,047

**INVESTMENT GROWTH**



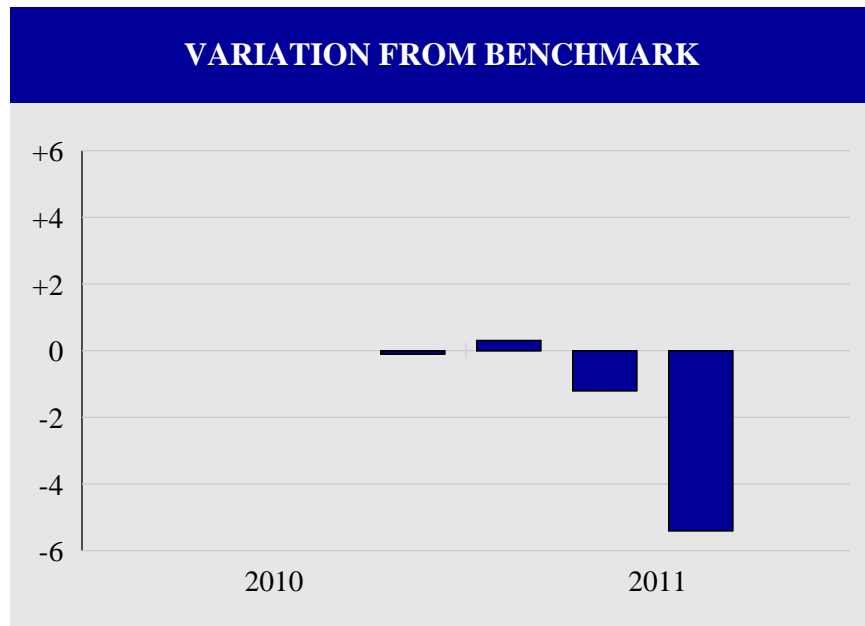
————	ACTUAL RETURN
- - - - -	8.0%
.....	0.0%

VALUE ASSUMING 8.0% RETURN
\$ 2,708,878

	LAST QUARTER	PERIOD 9/10 - 9/11
BEGINNING VALUE	\$ 2,078,472	\$ 1,247,572
NET CONTRIBUTIONS	685,933	1,331,597
<u>INVESTMENT RETURN</u>	<u>- 52,358</u>	<u>132,878</u>
ENDING VALUE	\$ 2,712,047	\$ 2,712,047
INCOME	33,771	98,189
<u>CAPITAL GAINS (LOSSES)</u>	<u>- 86,129</u>	<u>34,689</u>
INVESTMENT RETURN	- 52,358	132,878

**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
9/11	-1.9	3.5	-5.4

<b>Total Quarters Observed</b>	<b>4</b>
<b>Quarters At or Above the Benchmark</b>	<b>1</b>
<b>Quarters Below the Benchmark</b>	<b>3</b>
<b>Batting Average</b>	<b>.250</b>

FRANKLIN REGIONAL RETIREMENT SYSTEM  
PRUDENTIAL PRISA FUND  
PERFORMANCE REVIEW  
SEPTEMBER 2011

## **INVESTMENT RETURN**

On September 30th, 2011, the Franklin Regional Retirement System's Prudential Prisa Fund was valued at \$762,854, a decrease of \$688,965 from the June ending value of \$1,451,819. Last quarter, the account recorded a net withdrawal of \$748,513, which overshadowed the fund's net investment return of \$59,548. Barring income receipts during the third quarter, the portfolio's net investment return figure was the product of \$59,548 in realized and unrealized capital gains.

For the cumulative period since December 2005, the fund has recorded net withdrawals totaling \$2.3 million and posted net investment gains of \$70,704. For the period since December 2005, if the total fund returned a compounded nominal rate of 8.0% it would have been valued at \$2.3 million or \$1.5 million more than the actual value as of September 30th, 2011.

## **RELATIVE PERFORMANCE**

In the third quarter, the Prudential Prisa Fund gained 4.1%, which was 0.6% greater than the NCREIF NFI-ODCE Index's return of 3.5%. Over the trailing twelve-month period, the portfolio returned 23.0%, which was 4.7% above the benchmark's 18.3% return. Since December 2005, the account returned 1.1% on an annualized basis, while the NCREIF NFI-ODCE Index returned an annualized 2.0% over the same time frame.

## **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>	4.1	15.3	23.0	-8.4	1.1
NCREIF ODCE	3.5	12.6	18.3	-6.4	2.0
<b>Real Estate</b>	4.1	15.3	23.0	-8.4	1.1
NCREIF ODCE	3.5	12.6	18.3	-6.4	2.0

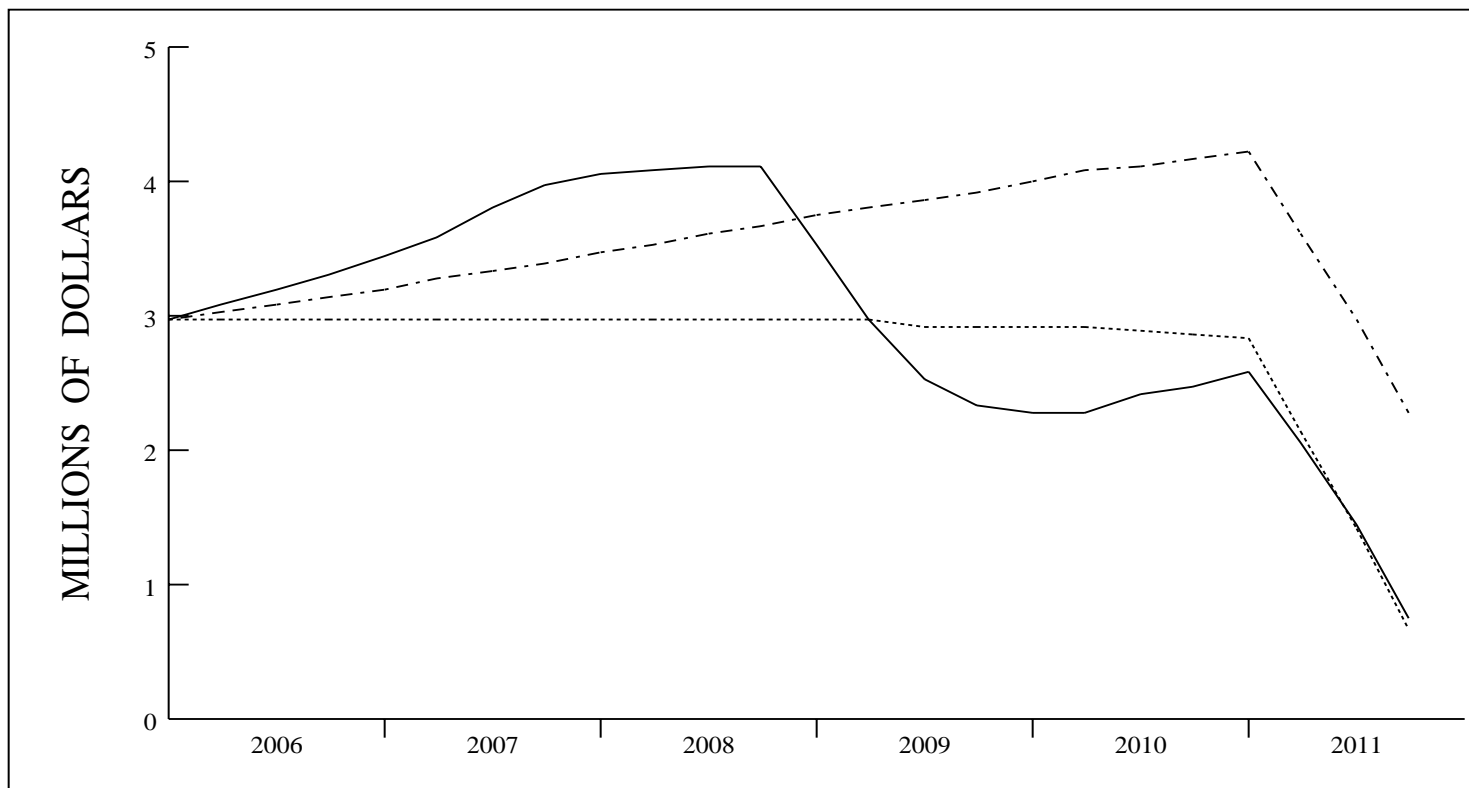
**ASSET ALLOCATION**

Real Estate	100.0%	\$ 762,854
Total Portfolio	100.0%	\$ 762,854

**INVESTMENT RETURN**

Market Value 6/2011	\$ 1,451,819
Contribs / Withdrawals	-748,513
Income	0
Capital Gains / Losses	59,548
Market Value 9/2011	\$ 762,854

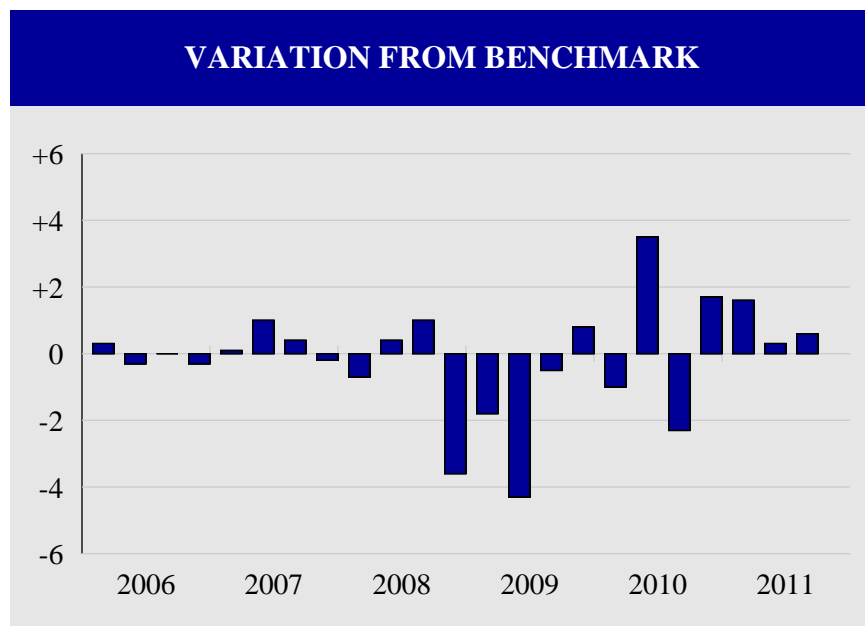
**INVESTMENT GROWTH**



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

VALUE ASSUMING  
 8.0% RETURN  
 \$ 2,295,426

	LAST QUARTER	PERIOD 12/05 - 9/11
BEGINNING VALUE	\$ 1,451,819	\$ 2,982,079
NET CONTRIBUTIONS	-748,513	-2,289,929
INVESTMENT RETURN	59,548	70,704
ENDING VALUE	\$ 762,854	\$ 762,854
INCOME	0	847,747
CAPITAL GAINS (LOSSES)	59,548	-777,043
INVESTMENT RETURN	59,548	70,704

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

<b>Total Quarters Observed</b>	<b>23</b>
<b>Quarters At or Above the Benchmark</b>	<b>13</b>
<b>Quarters Below the Benchmark</b>	<b>10</b>
<b>Batting Average</b>	<b>.565</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
9/11	4.1	3.5	0.6

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

## **INVESTMENT RETURN**

As of September 30th, 2011, the Franklin Regional Retirement System's Income Research & Management portfolio was valued at \$10,971,059, which represented an increase of \$1,837,095 over the June quarter's ending value of \$9,133,964. Over the last three months, the fund posted net contributions totaling \$1,600,000 in addition to net investment gains of \$237,095. In the absence of income receipts during the quarter, the portfolio's net investment return figure was the product of realized and unrealized capital gains.

Since December 2005, the fund has recorded net withdrawals totaling \$3.8 million and recorded net investment gains totaling \$3.2 million. Since December 2005, if the portfolio returned a compounded nominal rate of 8.0% it would have been worth \$12.3 million or \$1.4 million more than the actual value as of September 30th, 2011.

## **RELATIVE PERFORMANCE**

For the third quarter, the Income Research & Management portfolio gained 2.5%, which was 1.3% less than the Barclays Aggregate Index's return of 3.8% and ranked in the 63rd percentile of the Core Fixed Income universe. Over the trailing twelve-month period, this portfolio returned 4.2%, which was 1.1% less than the benchmark's 5.3% return, ranking in the 69th percentile. Since December 2005, the portfolio returned 6.4% per annum and ranked in the 57th percentile. The Barclays Aggregate Index returned an annualized 6.2% 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, approximately 30% of the total bond portfolio was comprised of USG quality securities. Corporate securities, rated AAA through BBB made up the remainder, giving the portfolio an overall average quality rating of AA. The average maturity of the portfolio was 11.9 years, significantly longer than the Barclays Aggregate Index's 7.2-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>	2.5	5.6	4.2	9.7	6.4
<i>CORE FIXED INCOME RANK</i>	(63)	(61)	(69)	(36)	(57)
BARCLAYS AGG	3.8	6.7	5.3	8.0	6.2
<b>Fixed Income</b>	2.5	5.6	4.2	9.8	6.5
<i>CORE FIXED INCOME RANK</i>	(63)	(61)	(69)	(36)	(55)
BARCLAYS AGG	3.8	6.7	5.3	8.0	6.2
GOV/CREDIT	4.7	7.5	5.1	8.4	6.1

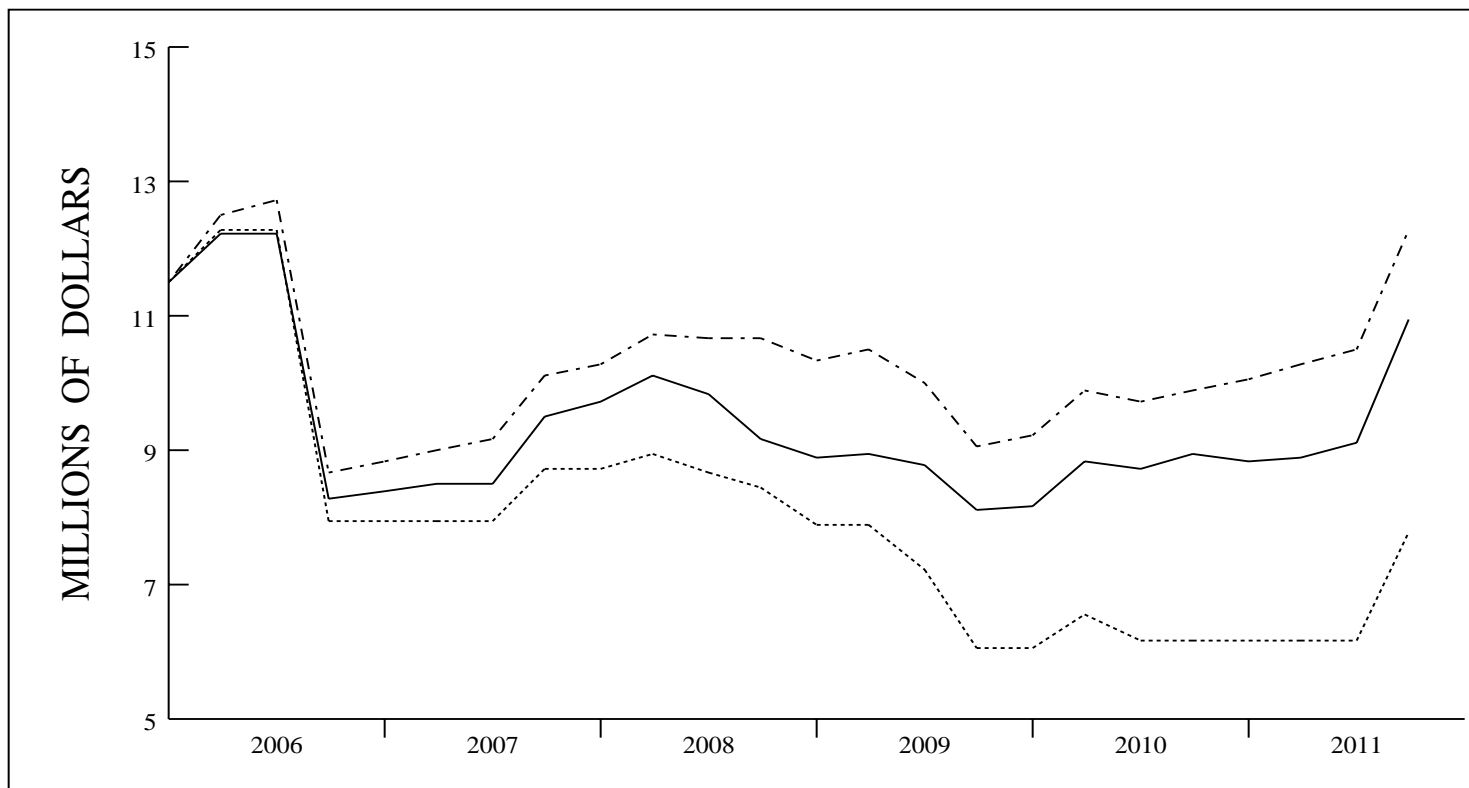
**ASSET ALLOCATION**

Fixed Income	100.0%	\$ 10,971,059
Total Portfolio	100.0%	\$ 10,971,059

**INVESTMENT RETURN**

Market Value 6/2011	\$ 9,133,964
Contribs / Withdrawals	1,600,000
Income	0
Capital Gains / Losses	237,095
Market Value 9/2011	\$ 10,971,059

**INVESTMENT GROWTH**

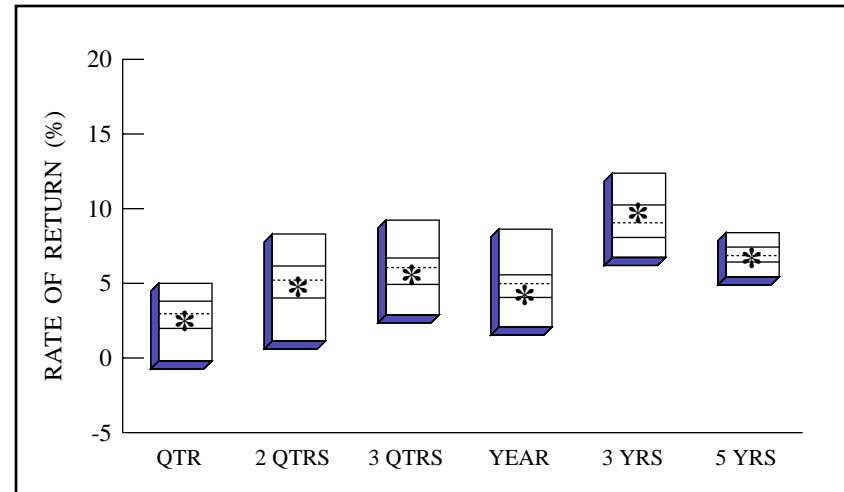
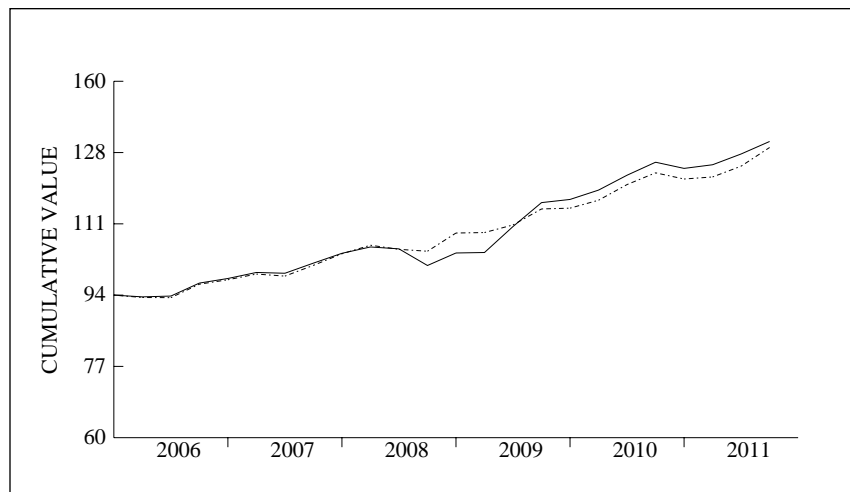


— ACTUAL RETURN  
 - - - 8.0%  
 ..... 0.0%

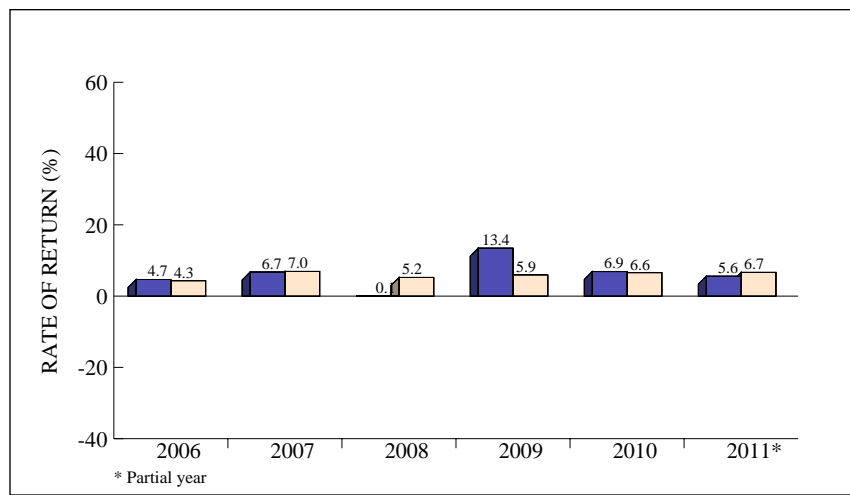
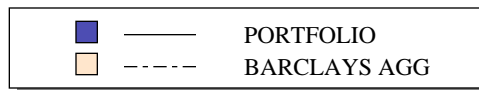
VALUE ASSUMING  
 8.0% RETURN  
 \$ 12,333,280

	LAST QUARTER	PERIOD 12/05 - 9/11
BEGINNING VALUE	\$ 9,133,964	\$ 11,549,490
NET CONTRIBUTIONS	1,600,000	- 3,759,000
<u>INVESTMENT RETURN</u>	<u>237,095</u>	<u>3,180,569</u>
ENDING VALUE	\$ 10,971,059	\$ 10,971,059
INCOME	0	121
<u>CAPITAL GAINS (LOSSES)</u>	<u>237,095</u>	<u>3,180,448</u>
INVESTMENT RETURN	237,095	3,180,569

**TOTAL RETURN COMPARISONS**



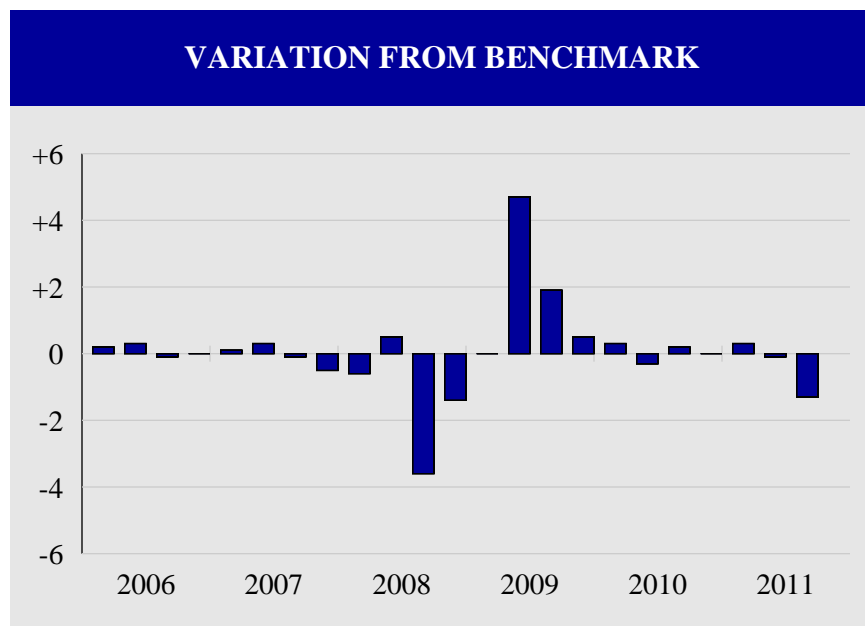
Core Fixed Income Universe



	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED----- 3 YRS	5 YRS
RETURN	2.5	4.8	5.6	4.2	9.7	6.7
(RANK)	(63)	(62)	(61)	(69)	(36)	(59)
5TH %ILE	5.0	8.3	9.2	8.6	12.4	8.4
25TH %ILE	3.8	6.2	6.7	5.6	10.3	7.4
MEDIAN	3.0	5.2	6.1	5.0	9.1	6.9
75TH %ILE	2.0	4.0	4.9	4.1	8.1	6.4
95TH %ILE	-0.2	1.2	2.9	2.1	6.7	5.4
<b>Agg Index</b>	<b>3.8</b>	<b>6.2</b>	<b>6.7</b>	<b>5.3</b>	<b>8.0</b>	<b>6.5</b>

Core Fixed Income Universe

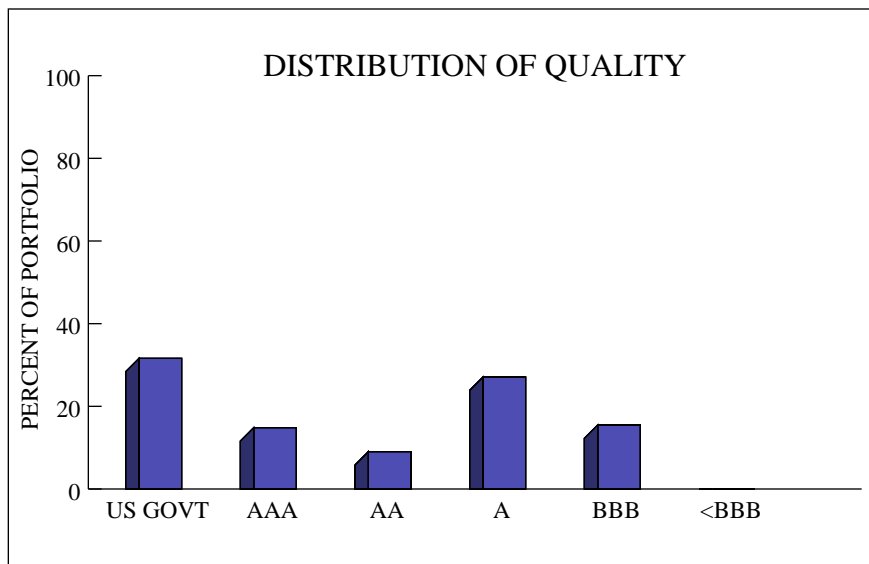
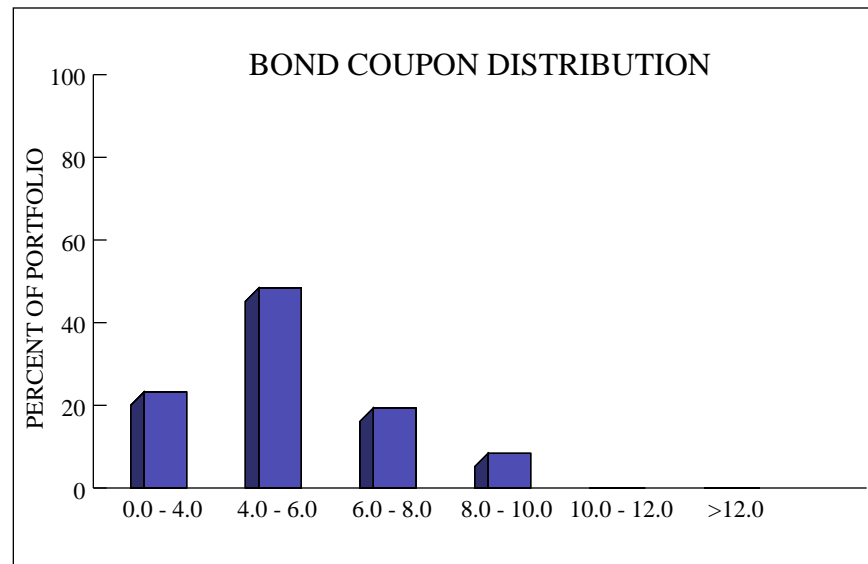
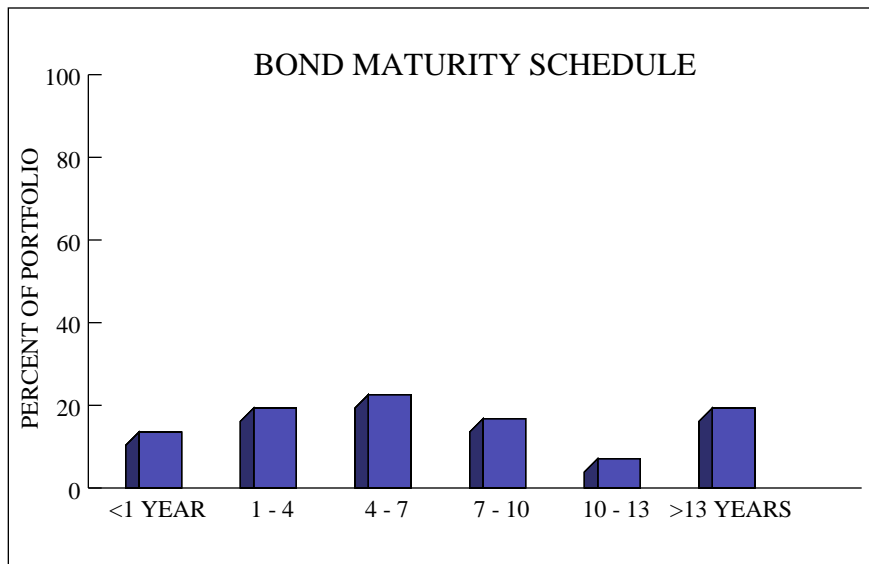


**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: BARCLAYS AGGREGATE INDEX**

<b>Total Quarters Observed</b>	<b>23</b>
<b>Quarters At or Above the Benchmark</b>	<b>14</b>
<b>Quarters Below the Benchmark</b>	<b>9</b>
<b>Batting Average</b>	<b>.609</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
9/11	2.5	3.8	-1.3

**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>BARCLAYS AGG</b>
No. of Securities	162	7,833
Duration	6.57	4.96
YTM	5.87	2.35
Average Coupon	5.04	4.11
Avg Maturity / WAL	11.90	7.16
Average Quality	AA	USG-AAA