

FRANKLIN REGIONAL RETIREMENT SYSTEM

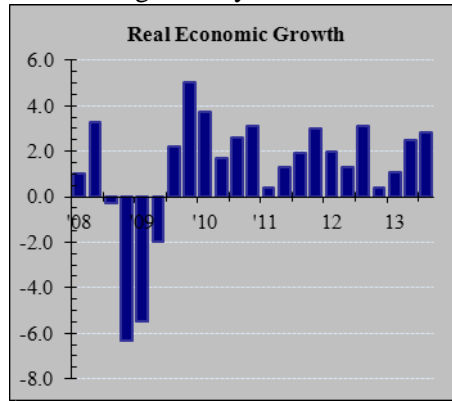
**PERFORMANCE REVIEW
SEPTEMBER 2013**



ECONOMIC ENVIRONMENT

Bernanke Surprises Everyone While Investors Gird for a Shutdown

The furlough of key Federal Government workers began at midnight on September 30th. This action delayed the collection of statistics relating to employment and economic growth. While some of those numbers are still unavailable, other credible sources strongly suggest that the US economy continued to grow, albeit slowly. Housing and manufacturing were the quarter's bright spots, while consumer confidence ebbed slightly.



On September 18th, Fed Chairman Bernanke also had economic growth in mind when he made an announcement that took politicians, investors and economists by surprise. As recently as June, he was giving serious consideration to trimming the Fed's \$85 Billion monthly bond buying program, known as QE3. But, just one quarter later, he announced that the Fed would defer any exit from the program (tapering). This action was taken to stimulate more growth and reduce the still high unemployment level. Financial markets reacted favorably, but there were other storms on the horizon. These included the military show-down with Syria, an October 1st Government shutdown and a looming debt ceiling to be reached on or about October 17th.

The quarter's economic highlights:

- *2nd quarter GNP was a healthy 2.5%, after rising only 1.1% during the first quarter; this meaningful improvement was achieved despite the ongoing sequester. The Fed expects 2% growth for the full year and 3% in 2014 (revised downward*

from 3.3%). Nonetheless, the shutdown and debt ceiling issues could dampen the outcome for this year.

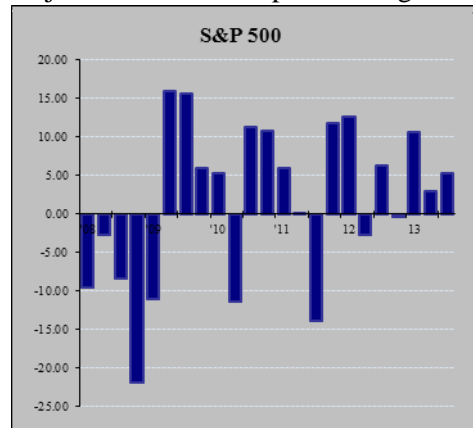
- *Job growth remained positive, albeit sluggish, with non-farm private employment gains averaging over 150,000 throughout the quarter. Small business hiring represented almost half of September's gains. The overall gains managed to keep pace with the growing labor pool, with the unemployment rate dipping slightly to 7.2%*
- *CoreLogic reported that housing prices advanced 12.4% on a year-over-year basis through August. Housing prices have gained traction for 18 consecutive months, contributing to the consumer's sense of economic well-being. Importantly, **no** state experienced price depreciation in the month of August.*
- *The pace of manufacturing rose to its highest level in 12-months, as reported by ISM; those gains have now occurred for 52 consecutive months! The service sector also continued to grow, but at a slower rate, and growth in that sector has been positive for 45 straight months.*
- *The Conference Board's Consumer Confidence Index fell slightly from its August peak of 81.8, but was still high at 79.7 as of September. However, the Expectations Index fell sharply in September amid government shutdown and debt ceiling worries.*
- *Inflation remained low through August, influenced by stubbornly high unemployment, restrained consumer spending and especially by the ongoing QE3.*

Given all of the political, military and economic volatility during the quarter, domestic and international markets successfully climbed many walls of worry.

EQUITY MARKET

A Strong Advance

Price volatility was substantial on a month-to-month basis; however, all major stock indices posted single to double-digit gains for the full quarter. The bellwether S&P 500 rose 5.2% and hit a record high on September 18th, in sync with the Fed's latest announcement. The tech-oriented NASDAQ Composite charged ahead 11.2%.



Among investment styles, small caps beat large caps and growth left value behind. The best performing investment space was **small-cap growth**,

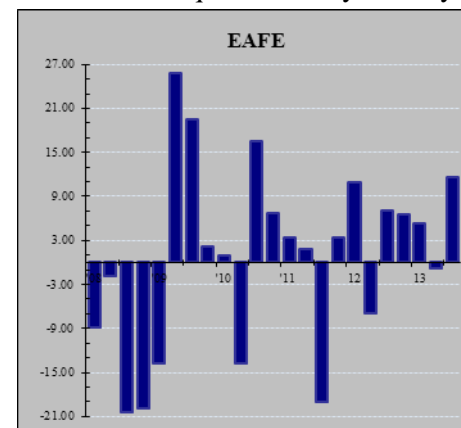
which returned **12.8%**. By comparison, **large-cap value** stocks rose a relatively meager **3.9%**. The largest return spread among similar-sized companies was between small-cap growth and small-cap value, which returned 12.8% and 7.6%, respectively. The Russell 3000, representing the broad stock market, earned 6.4%, with its growth component posting 8.5% and the value segment rising a much lower 4.2%. Year-to-date stock returns looked more like a two-year or even a three-year bull market advance. Small-cap growth was once again the best of the bunch, vaulting 32.5% in nine-months. However, there is lingering concern that Congressional gridlock early in the fourth quarter could lead to a performance give-back.

Technology stocks (+10.6%) fared best among the eleven S&P market sectors, buoyed by Apple's 21% rebound. The consumer discretionary sector was close behind with a 9.7% gain, driven by auto replacement demand. The basic industry and energy sectors earned 8.9% and 6.1%, respectively, due to a rebound in Chinese and European demand. Utility stocks were the only group that lost ground (-0.5%). Overall, cyclical industries shined and interest-sensitive names underperformed.

INTERNATIONAL EQUITIES

Many Developed Markets Soared, Leaving EM in their Wake

The benchmark MSCI EAFE Index turned from red ink to black, adding 11.6% for the quarter. Every country component of the index advanced,



with most rising by double digits. Europe was the best-performing region, as the Eurozone economy officially climbed out of recession.

Within Europe, there were some surprisingly high flyers: Greece (33.6%); Spain (25.8%); Italy (19.8%); and Ireland (17.0%). These are four of the five so-called PIIGS countries that have

been mired in sovereign debt crises since 2008. Investor sentiment turned positive in southern Europe mainly because those economies appeared to be bottoming out and the ECB announced it would maintain low borrowing rates as long as necessary. Heavy hitters' Germany (12.7%) and France (15.5%) also advanced, as re-election activities by Angela Merkel's political party took center stage. The UK officially ended its recession, thereby gaining 12.1%.

Australia saw a strong 12.0% return, reflecting China's renewed appetite for raw materials. Stock prices of Australian-based BHP Billiton and Rio Tinto led the market upward.

Far East stocks turned in mixed results, but were generally lower than those of Europe and Australia. The Japan market rose a respectable 6.7%, helped by the continuing government stimulus and an upwardly-revised second quarter GDP. A strengthening Yen did not hamper results. Hong Kong delivered a higher 8.9% return, as its gambling enterprises saw a spike in business due to an upturn in Chinese tourism; a peaceful legislative election also helped. Singapore was a bit of a

laggard, gaining 4.7% amid a weakening economy. Israeli stocks brought up the rear, advancing just 2.5%.

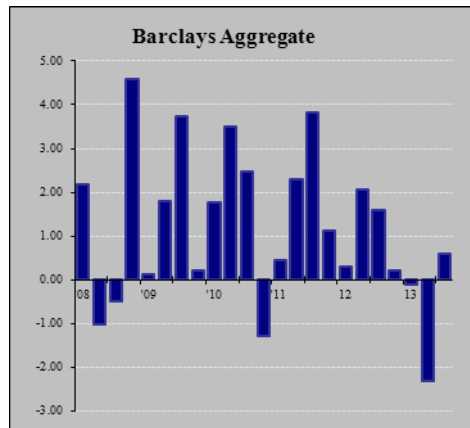
Emerging market stocks collectively earned 5.9%, but with a wide range among country bourses. Gains were concentrated in countries with large Eurozone exposure, a large raw materials export market, or a heavy manufacturing component.

Markets in several Asian countries weakened. India (-5.3%) suffered from slow economic growth, rising inflation and a weakening rupee. Indonesia was the biggest loser (-23.9%) due to a record current account deficit and a collapsing rupiah. Korea's market was the notable exception, up 14.9%, bolstered by that country's solid economic growth. Korean-based Samsung participated with the introduction of a highly-touted "smart" watch.

BOND MARKET

Taper Deferral Led Bond Prices Up, Yields Down

The bond market turned the corner after a dramatic 2.3% second quarter loss.



loss. The Barclays Aggregate Index did move up 0.6%, but was positive only because the Fed Chair announced a tapering deferral. While the 10-Year Treasury earned 12 basis points for the quarter, the yield had moved beyond 3% before the September 18th Fed announcement. Clearly, investors were astonished at the Fed pullback; traders were quick to act after the announcement, driving the 10-year yield below 2.70% by quarter-end. For the full quarter, long maturity yields climbed modestly and short maturity yields declined. As a result, those investors with long portfolio

durations lost out to their shorter-duration counterparts. For reference, Government securities comprise almost 41% of the Aggregate Index and largely determine the direction of returns.

The Treasury component of the index eked out a 0.1% return for the quarter. However, long Treasuries, i.e. 10-Year and longer maturities, fell 2.2% and dropped almost 10%, Y-T-D. By comparison, other major sectors fared better. Residential mortgage paper gained 1% on the strengthening housing market. Commercial MBS performed as well, based on positive economic growth. The investment grade corporate bond market was a third bright spot, gaining 0.8%. However, long maturity corporate results were flat. The relatively small-sized asset-backed sector, which includes auto and credit card securitized debt, added just 0.2%, although it is a short maturity sector. Still, the auto sub-sector earned 0.4%, reflecting high auto sales financing. Overall, investment grade bonds added little to the performance of a broadly diversified portfolio.

Treasury issues of the G-6 countries performed well. Combined, the G-6 sovereigns returned 3.9%. The UK market shined (7.3%), while Canadian debt, which trades closely to the US dollar, fared worst (2.6%). Emerging market bond results varied, but most EM debt rallied after the September 18th Fed announcement. The combined EM Aggregate Index gained 1.4%.

CASH EQUIVALENTS

Wait Until Next Year

Treasuries with maturities of one-year or less again earned low fractional returns during the quarter. Higher nominal returns are not in sight until the Fed raises short-term rates and inflation rears its head.

MARKET SUMMARY

ECONOMIC STATISTICS

	CURRENT QTR	LAST QTR
GDP	2.8	2.5
Unemployment	7.2	7.6
CPI All Items Year/Year	1.18	1.75
Fed Funds Rate	0.25	0.25
Industrial Capacity	78.3	77.9
US Dollars per Euro	1.35	1.30

MAJOR INDEX QUARTER RETURNS

INDEX		PERFORMANCE
Russell 3000	6.4	
S&P 500	5.2	
Russell Mid	7.7	
Russell 2000	10.2	
MSCI EAFE	11.6	
MSCI Emg Mkts	5.9	
NCREIF ODCE	3.6	
Barclays Agg	0.6	
90 Day Tbills	0.0	

EQUITY RETURN DISTRIBUTIONS

	QUARTER			TRAILING YEAR			
	VAL	COR	GRO	VAL	COR	GRO	
LC	3.9	6.0	8.1	LC	22.3	20.9	19.3
MC	5.9	7.7	9.3	MC	27.8	27.9	27.5
SC	7.6	10.2	12.8	SC	27.0	30.0	33.1

MARKET SUMMARY

- * **Third quarter GDP increased by 2.8%, according to the advance estimate from the BEA.**
- * **Seasonally adjusted unemployment fell slightly to 7.2%.**
- * **CPI increased at a rate of 1.2% year over year.**
- * **Domestic Equities posted positive returns, with Growth beating Value and smaller cap sizes fairing better than larger cap sizes.**
- * **The US Dollar weakened relative to the Euro.**

INVESTMENT RETURN

On September 30th, 2013, the Franklin Regional Retirement System was valued at \$108,889,090, representing an increase of \$8,803,791 from the June quarter's ending value of \$100,085,299. Last quarter, the Fund posted net contributions equaling \$2,988,514 plus a net investment gain equaling \$5,815,277. Total net investment return was the result of income receipts, which totaled \$552,265 and net realized and unrealized capital gains of \$5,263,012.

For the cumulative period since December 2007, the fund has recorded net contributions totaling \$4.3 million, and recorded net investment gains of \$24.9 million. For the period since December 2007, if the total fund returned a compounded nominal rate of 8.0% it would have been valued at \$129.7 million or \$20.8 million more than the actual value as of September 30th, 2013.

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 third quarter, the Composite portfolio gained 5.7%, which was 0.5% above the Franklin Regional Policy Index's return of 5.2% and ranked in the 16th percentile of the Public Fund universe. Over the trailing year, the portfolio returned 16.5%, which was 1.9% greater than the benchmark's 14.6% performance, and ranked in the 4th percentile. Since December 2007, the portfolio returned 4.5% on an annualized basis and ranked in the 53rd percentile. For comparison, the Franklin Regional Policy Index returned an annualized 4.4% over the same period.

PRIT Core

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

In the third quarter, the prit core segment returned 5.1%, which was 0.1% less than the Custom Core Index's return of 5.2%. Over the trailing twelve-month period, this segment returned 13.5%, which was 0.5% less than the benchmark's 14.0% performance. Since December 2007, this component returned 3.0% on an annualized basis, while the Custom Core Index returned an annualized 3.9% over the same time frame.

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.

For the third quarter, the domestic equity component returned 10.3%, which was 2.3% greater than the Franklin County Equity Index's return of 8.0% and ranked in the 28th percentile of the All Cap universe. Over the trailing year, this segment returned 34.1%, which was 8.2% above the benchmark's 25.9% performance, and ranked in the 15th percentile. Since December 2007, this component returned 7.6% on an annualized basis and ranked in the 38th percentile. The Franklin County Equity Index returned an annualized 7.4% during the same period.

Real Estate

During the third quarter, the real estate segment gained 2.9%, which was 0.7% below the NCREIF NFI-ODCE Index's return of 3.6%. Over the trailing year, this component returned 12.7%, which was 0.3% below the benchmark's 13.0% return. Since December 2007, this component returned -0.5% per annum, while the NCREIF NFI-ODCE Index returned an annualized 0.8% over the same period.

Fixed Income

The fixed income assets gained 0.3% last quarter, 0.3% less than the Barclays Aggregate Index's return of 0.6% and ranked in the 95th percentile of the Core Fixed Income universe. Over the trailing twelve months, this component returned -0.8%; that return was 0.9% above the benchmark's -1.7% return, and ranked in the 26th percentile. Since December 2007, this component returned 5.6% on an annualized basis and ranked in the 39th percentile. The Barclays Aggregate Index returned an annualized 4.8% over the same period.

Franklin Regional Retirement System
Total Fund Asset Allocation Analysis
As of September 30, 2013

Total Fund Assets \$ 108,889,090

Allocation by Manager						
	PRIT Fund Actual Allocation	FRRS Allocation	Target Allocation	Target Dollars	Actual Dollars	
PRIT Core Fund	100.0%	54.8%	55.0%	\$ 59,889,000	\$ 59,618,533	\$ (270,467)
Domestic Equity	20.8%	11.4%			\$ 12,376,807	
Int'l Equity	18.9%	10.3%			\$ 11,238,093	
E.M. Int'l Equity	7.1%	3.9%			\$ 4,226,954	
Core Fixed Income	12.7%	7.0%			\$ 7,589,439	
Value Added Fixed Income	8.8%	4.8%			\$ 5,234,507	
Real Estate	8.0%	4.4%			\$ 4,751,597	
Timber/Natural Resources	4.0%	2.2%			\$ 2,372,818	
Alternatives-Private Equity	11.5%	6.3%			\$ 6,850,169	
Hedge Funds	8.4%	4.6%			\$ 4,978,148	
<u>Separate Managers</u>		<u>45.2%</u>	<u>45.0%</u>			
Polen Capital		6.1%	6.0%	\$ 6,533,345	\$ 6,593,956	\$ 60,611
O'Shaughnessy		6.4%	6.0%	\$ 6,533,345	\$ 7,014,819	\$ 481,474
Seizert		5.3%	5.0%	\$ 5,444,455	\$ 5,802,114	\$ 357,660
Daruma		10.7%	10.0%	\$ 10,888,909	\$ 11,613,162	\$ 724,253
PRIT RE		4.9%	5.0%	\$ 5,444,455	\$ 5,371,586	\$ (72,869)
Prudential		0.0%	0.0%	\$ -	\$ 95	\$ 95
IR&M		10.8%	13.0%	\$ 14,155,582	\$ 11,811,213	\$ (2,344,369)
Cash		1.0%	0.0%	\$ -	\$ 1,063,612	\$ 1,063,612

Allocation by Asset Class						
	Actual Allocation (%)	Target Allocation (%)	+/- Percent	Actual Allocation (\$)	Target Allocation (\$)	+/- Dollars
Franklin County Total Fund						
Domestic Equity	39.9%	40.0%	-0.1%	\$ 43,400,858	\$ 43,555,636	\$ (154,778)
Int'l Equity	14.2%	15.0%	-0.8%	\$ 15,465,047	\$ 16,333,364	\$ (868,316)
Fixed Income	22.6%	25.0%	-2.4%	\$ 24,635,159	\$ 27,222,273	\$ (2,587,113)
Real Estate	9.3%	10.0%	-0.7%	\$ 10,123,278	\$ 10,888,909	\$ (765,631)
Timber	2.2%	2.5%	-0.3%	\$ 2,372,818	\$ 2,722,227	\$ (349,410)
Alternatives-Private Equity	6.3%	5.0%	1.3%	\$ 6,850,169	\$ 5,444,455	\$ 1,405,715
Hedge Funds	4.6%	2.5%	2.1%	\$ 4,978,148	\$ 2,722,227	\$ 2,255,920
Cash	<u>1.0%</u>	<u>0.0%</u>	1.0%	\$ 1,063,612	\$ -	\$ 1,063,612
	100.0%	100.0%		\$ 108,889,090	\$ 108,889,090	

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2007
Total Gross/Fees	5.7	13.2	16.5	11.3	4.5
<i>PUBLIC FUND RANK</i>	(16)	(8)	(4)	(11)	(53)
Total Net/Fees	5.5	12.7	15.8	10.7	3.9
POLICY INDEX	5.2	12.9	14.6	11.7	4.4
PRIT Core	5.1	10.1	13.5	10.0	3.0
CUSTOM CORE IDX	5.2	10.8	14.0	10.4	3.9
Domestic Equity	10.3	29.5	34.1	17.6	7.6
<i>ALL CAP RANK</i>	(28)	(19)	(15)	(46)	(38)
CUSTOM EQ INDEX	8.0	24.1	25.9	17.5	7.4
PRIT EQUITY	6.4	21.5	22.1	16.9	2.9
S&P 500	5.2	19.8	19.3	16.3	4.7
S&P 400	7.5	23.2	27.7	17.5	8.3
RUSSELL 3000	6.4	21.3	21.6	16.8	5.3
RUSSELL 1000	6.0	20.8	20.9	16.6	5.1
RUSSELL 1000G	8.1	20.9	19.3	16.9	6.2
RUSSELL 1000V	3.9	20.5	22.3	16.2	3.8
RUSSELL MID	7.7	24.3	27.9	17.5	7.1
RUSSELL 2000	10.2	27.7	30.0	18.3	7.6
Real Estate	2.9	8.1	12.7	14.9	-0.5
NCREIF ODCE	3.6	10.4	13.0	14.3	0.8
Fixed Income	0.3	-1.7	-0.8	3.6	5.6
<i>CORE FIXED INCOME RANK</i>	(95)	(47)	(26)	(37)	(39)
BARCLAYS AGG	0.6	-1.9	-1.7	2.9	4.8
PRIT FIXED	0.8	-2.5	-1.6	3.5	4.4
GOV/CREDIT	0.4	-2.3	-1.9	2.9	4.8
INT AGGREGATE	0.8	-0.9	-0.7	2.6	4.5
INT GOV/CREDIT	0.6	-0.8	-0.5	2.4	4.3

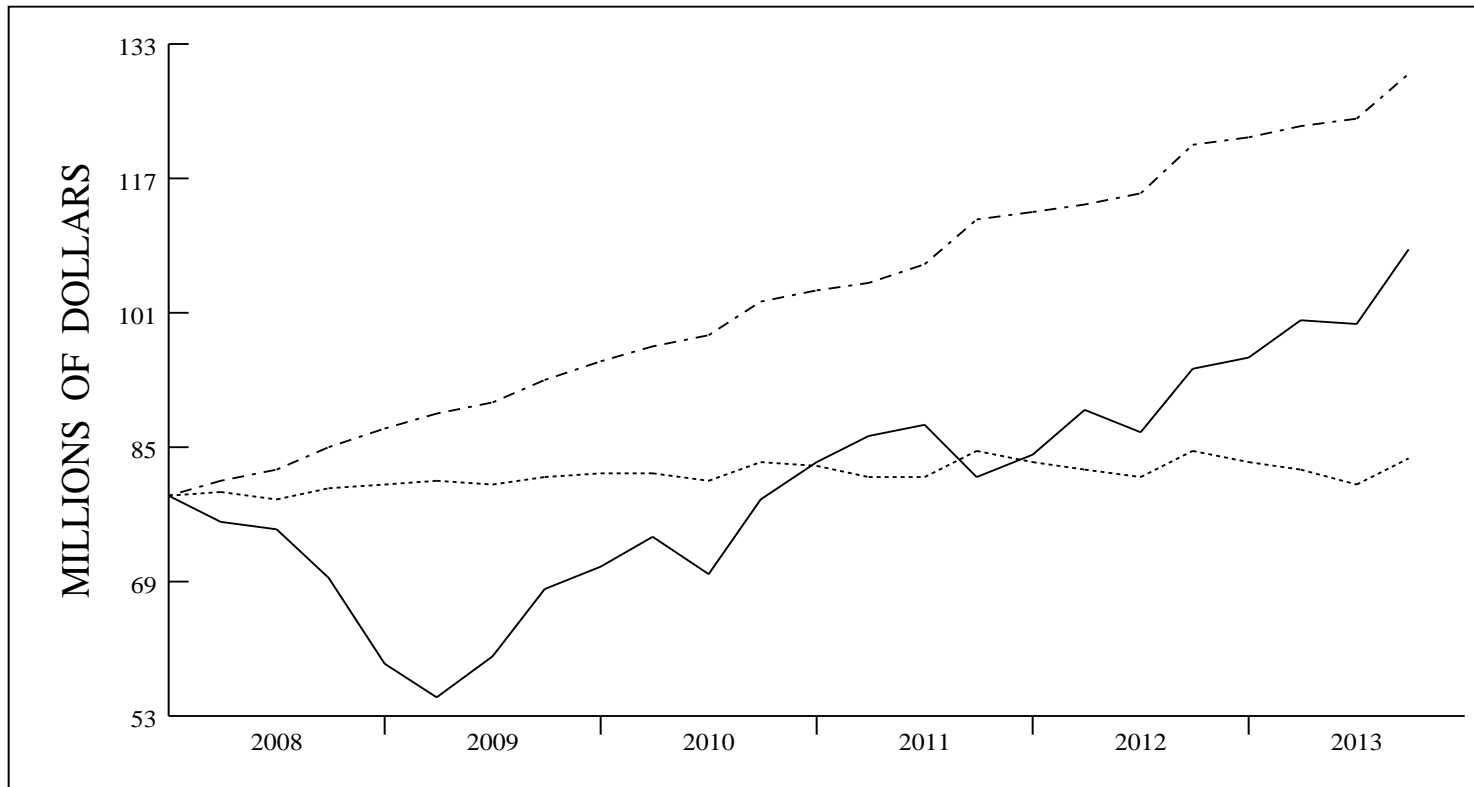
ASSET ALLOCATION

PRIT Core	54.8%	\$ 59,618,533
Domestic Equity	27.5%	29,933,861
Real Estate	4.9%	5,371,681
Fixed Income	10.8%	11,811,213
Cash	2.0%	2,153,802
Total Portfolio	100.0%	\$ 108,889,090

INVESTMENT RETURN

Market Value 6/2013	\$ 100,085,299
Contribs / Withdrawals	2,988,514
Income	552,265
Capital Gains / Losses	5,263,012
Market Value 9/2013	\$ 108,889,090

INVESTMENT GROWTH

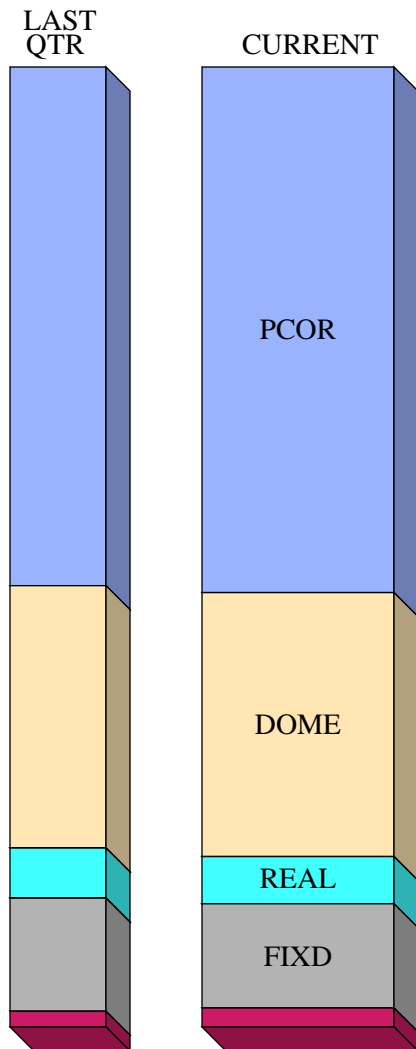


— ACTUAL RETURN
 - - - 8.0%
 . . . 0.0%

VALUE ASSUMING
 8.0% RETURN
 \$ 129,704,829

	LAST QUARTER	PERIOD 12/07 - 9/13
BEGINNING VALUE	\$ 100,085,299	\$ 79,660,882
NET CONTRIBUTIONS	2,988,514	4,317,259
<u>INVESTMENT RETURN</u>	<u>5,815,277</u>	<u>24,910,948</u>
ENDING VALUE	\$ 108,889,090	\$ 108,889,090
INCOME	552,265	10,442,659
<u>CAPITAL GAINS (LOSSES)</u>	<u>5,263,012</u>	<u>14,468,290</u>
INVESTMENT RETURN	5,815,277	24,910,948

ASSET ALLOCATION



	<u>VALUE</u>	<u>PERCENT</u>	<u>TARGET</u>	<u>DIFFERENCE</u> + / -
■ PRIT CORE	\$ 59,618,533	54.8%	55.0%	-0.2%
■ DOMESTIC EQUITY	29,933,861	27.5%	27.0%	0.5%
■ REAL ESTATE	5,371,681	4.9%	5.0%	-0.1%
■ FIXED INCOME	11,811,213	10.8%	13.0%	-2.2%
■ CASH & EQUIVALENT	2,153,802	2.0%	0.0%	2.0%
<u>TOTAL FUND</u>	<u>\$ 108,889,090</u>	<u>100.0%</u>		

MANAGER PERFORMANCE SUMMARY

Name	(Universe)	Quarter	YTD	1 Year	3 Years	5 Years
Total Portfolio	(Public Fund)	5.7 (16)	13.2 (8)	16.5 (4)	11.3 (11)	8.2 (49)
<i>Franklin Regional Policy Index</i>		5.2 ----	12.9 ----	14.6 ----	11.7 ----	8.1 ----
PRIT Core Fund		5.1 ----	10.1 ----	13.5 ----	10.0 ----	7.1 ----
<i>Custom Core Index</i>		5.2 ----	10.8 ----	14.0 ----	10.4 ----	7.5 ----
Polen Capital	(LC Growth)	6.5 (81)	10.8 (99)	9.6 (99)	---- ----	---- ----
<i>Russell 1000 Growth</i>		8.1 ----	20.9 ----	19.3 ----	16.9 ----	12.1 ----
O'Shaughnessy	(LC Value)	10.4 (4)	32.1 (2)	33.1 (6)	---- ----	---- ----
<i>Russell 1000 Value</i>		3.9 ----	20.5 ----	22.3 ----	16.2 ----	8.9 ----
Seizert Capital	(Mid Cap)	9.3 (48)	34.2 (2)	43.7 (1)	---- ----	---- ----
<i>Russell Mid Cap</i>		7.7 ----	24.3 ----	27.9 ----	17.5 ----	13.0 ----
Daruma	(Small Cap)	11.8 (35)	33.4 (26)	41.1 (9)	17.7 (77)	15.0 (32)
<i>Russell 2000</i>		10.2 ----	27.7 ----	30.0 ----	18.3 ----	11.2 ----
PRIT Core R.E.		3.0 ----	8.1 ----	12.8 ----	13.0 ----	---- ----
<i>NCREIF NFI-ODCE Index</i>		3.6 ----	10.4 ----	13.0 ----	14.3 ----	0.7 ----
IR&M	(Core Fixed)	0.3 (95)	-1.7 (47)	-0.8 (26)	3.6 (37)	7.1 (23)
<i>Barclays Aggregate Index</i>		0.6 ----	-1.9 ----	-1.7 ----	2.9 ----	5.4 ----

MANAGER VALUE ADDED

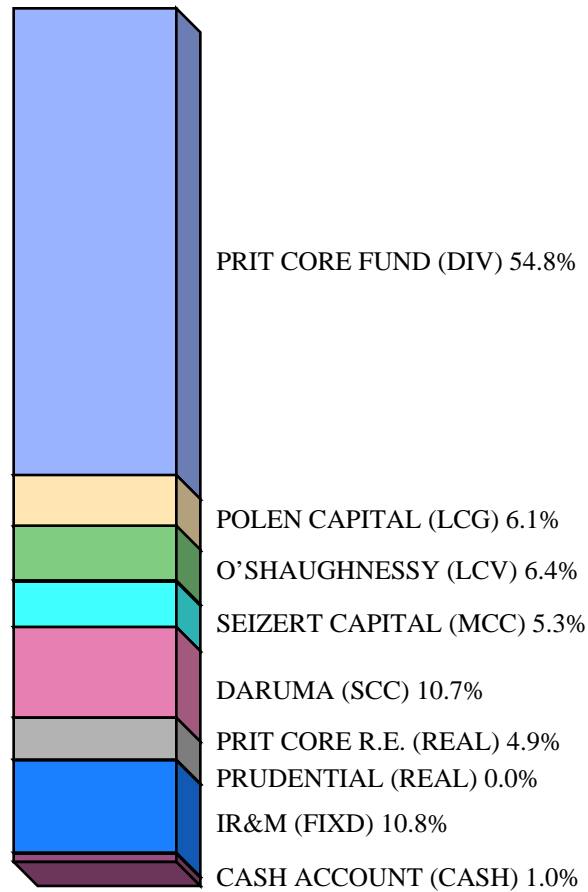
Most Recent Quarter

Manager	Benchmark	Value Added Vs. Benchmark
PRIT Core Fund	Custom Core Idx	-0.1
Polen Capital	Russell 1000G	-1.6
O'Shaughnessy	Russell 1000V	6.5
Seizert Capital	Russell Mid	1.6
Daruma	Russell 2000	1.6
PRIT Core R.E.	NCREIF ODCE	-0.6
IR&M	Barclays Agg	-0.3
Total Portfolio	Policy Index	0.5

Trailing Twelve Months

Manager	Benchmark	Value Added Vs. Benchmark
PRIT Core Fund	Custom Core Idx	-0.5
Polen Capital	Russell 1000G	-9.6
O'Shaughnessy	Russell 1000V	10.8
Seizert Capital	Russell Mid	15.7
Daruma	Russell 2000	11.0
PRIT Core R.E.	NCREIF ODCE	-0.3
IR&M	Barclays Agg	0.9
Total Portfolio	Policy Index	1.9

MANAGER ALLOCATION SUMMARY

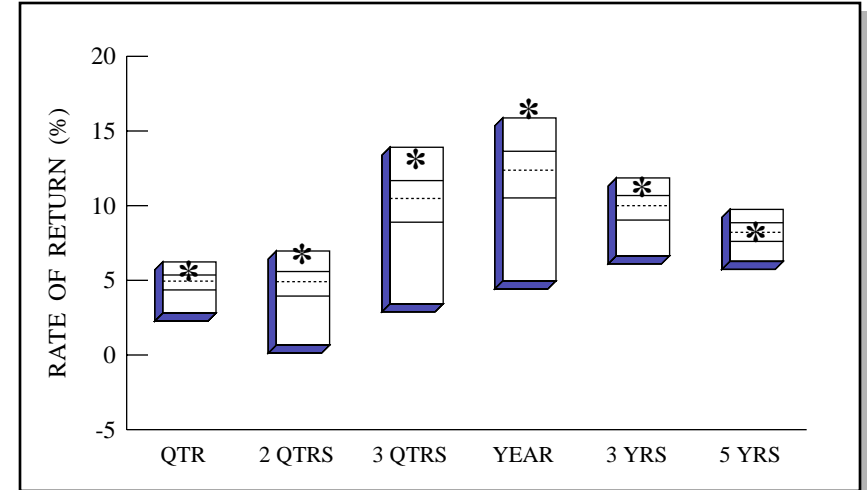
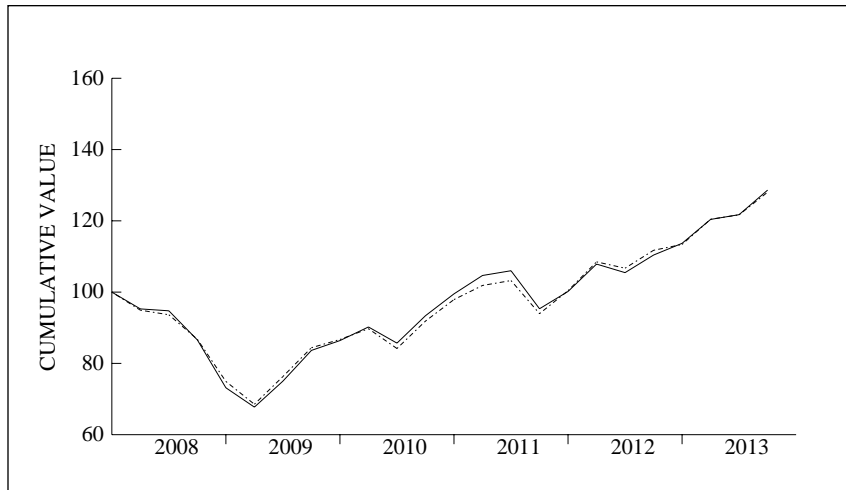


Name	Market Value	Percent	Target
PRIT Core Fund (DIV)	\$59,618,533	54.8	55.0
Polen Capital (LCG)	\$6,593,956	6.1	6.0
O'Shaughnessy (LCV)	\$7,014,819	6.4	6.0
Seizert Capital (MCC)	\$5,802,114	5.3	5.0
Daruma (SCC)	\$11,613,162	10.7	10.0
PRIT Core R.E. (REAL)	\$5,371,586	4.9	5.0
Prudential (REAL)	\$95	0.0	0.0
IR&M (FIXD)	\$11,811,213	10.8	13.0
Cash Account (CASH)	\$1,063,612	1.0	0.0
Total Fund	\$108,889,090	100.0	100.0

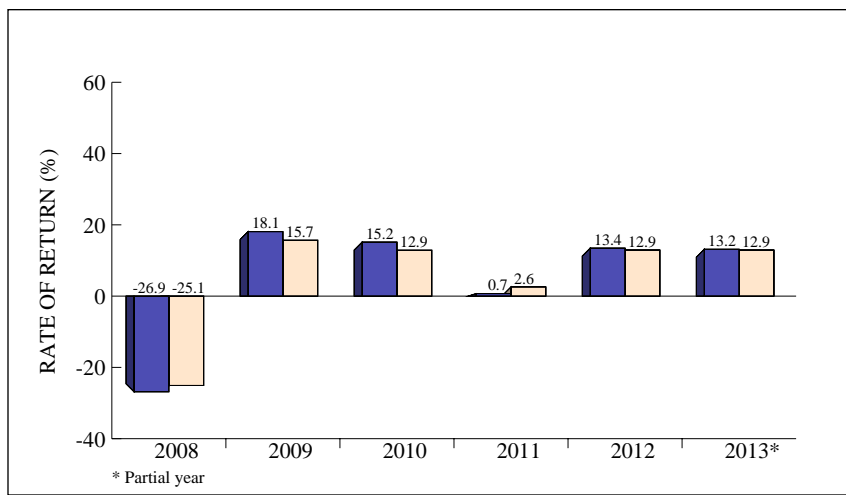
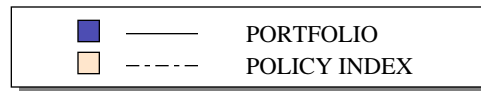
INVESTMENT RETURN SUMMARY - ONE QUARTER

Name	Quarter Total Return	Market Value June 30th, 2013	Net Cashflow	Net Investment Return	Market Value September 30th, 2013
PRIT Core Fund (DIV)	5.1	54,077,383	2,718,651	2,822,499	59,618,533
Polen Capital (LCG)	6.5	5,805,472	400,000	388,484	6,593,956
O'Shaughnessy (LCV)	10.4	6,481,149	-140,440	674,110	7,014,819
Seizert Capital (MCC)	9.3	5,437,623	-140,000	504,491	5,802,114
Daruma (SCC)	11.8	10,582,778	-210,000	1,240,384	11,613,162
PRIT Core R.E. (REAL)	3.0	5,225,204	-7,789	154,171	5,371,586
Prudential (REAL)	---	5,042	-4,987	40	95
IR&M (FIXD)	0.3	11,780,432	0	30,781	11,811,213
Cash Account (CASH)	---	690,216	373,079	317	1,063,612
Total Fund	5.7	100,085,299	2,988,514	5,815,277	108,889,090

TOTAL RETURN COMPARISONS



Public Fund Universe

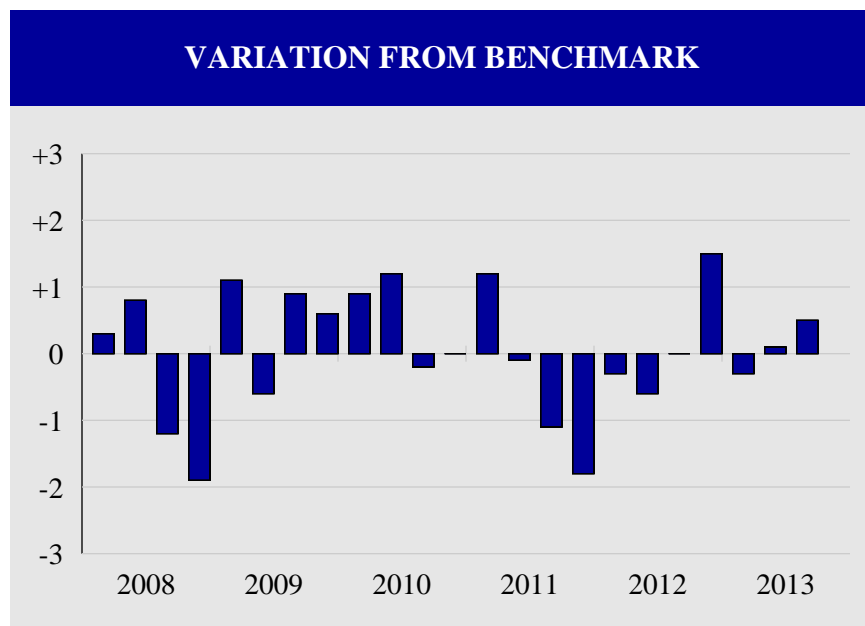


	<u>QTR</u>	<u>2QTRS</u>	<u>3QTRS</u>	<u>YEAR</u>	-----ANNUALIZED-----	
					<u>3 YRS</u>	<u>5 YRS</u>
RETURN	5.7	6.8	13.2	16.5	11.3	8.2
(RANK)	(16)	(7)	(8)	(4)	(11)	(49)
5TH %ILE	6.2	7.0	13.9	15.9	11.9	9.8
25TH %ILE	5.4	5.6	11.7	13.6	10.7	8.9
MEDIAN	4.9	4.9	10.5	12.4	10.0	8.2
75TH %ILE	4.4	4.0	8.9	10.5	9.0	7.6
95TH %ILE	2.8	0.7	3.4	5.0	6.6	6.3
Policy Idx	5.2	6.3	12.9	14.6	11.7	8.1

Public Fund Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

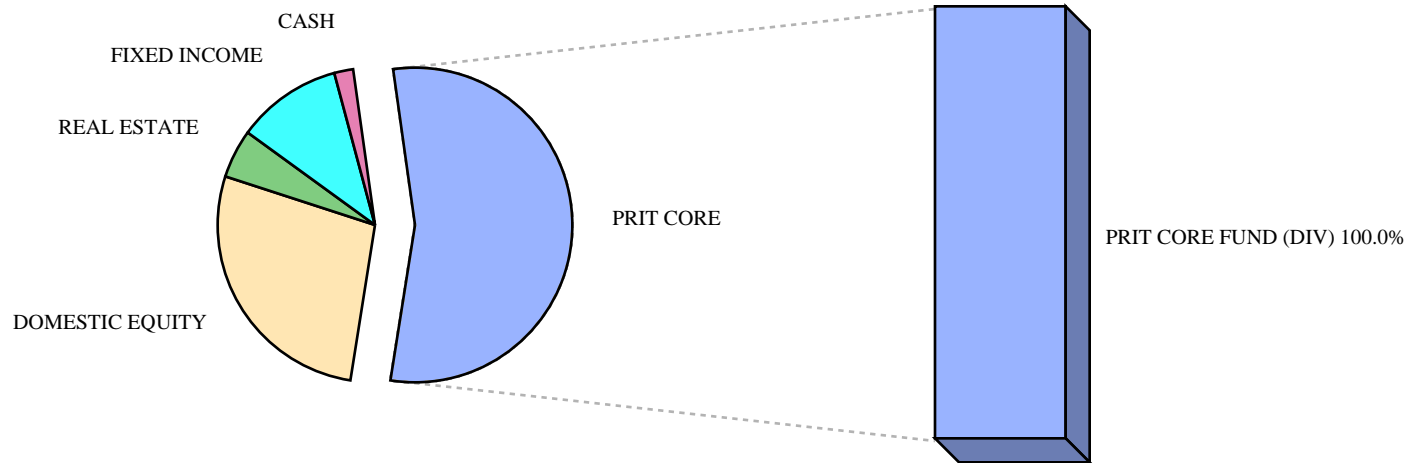
COMPARATIVE BENCHMARK: FRANKLIN REGIONAL POLICY INDEX



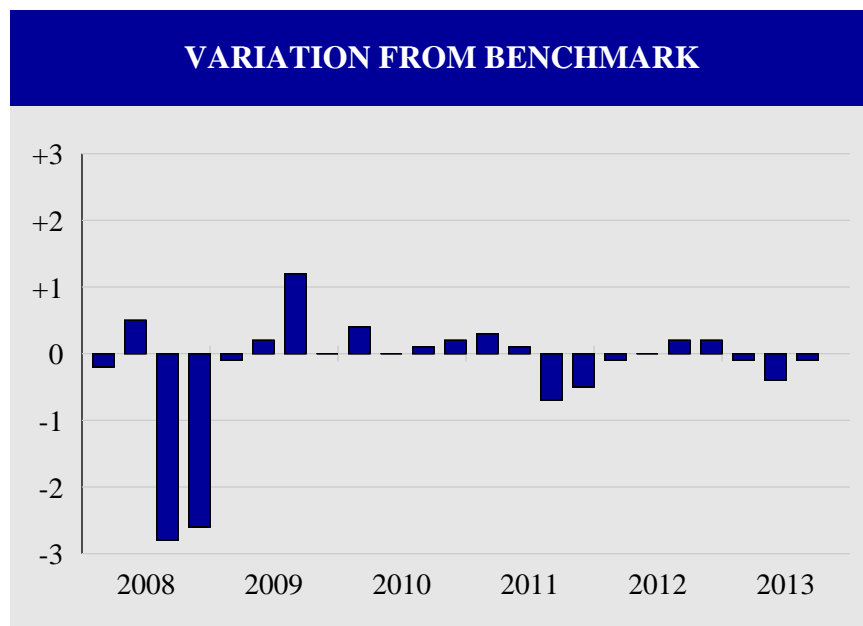
Total Quarters Observed	23
Quarters At or Above the Benchmark	13
Quarters Below the Benchmark	10
Batting Average	.565

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
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	10.6	0.9
12/09	3.3	2.7	0.6
3/10	4.4	3.5	0.9
6/10	-5.0	-6.2	1.2
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
12/11	5.1	6.9	-1.8
3/12	7.7	8.0	-0.3
6/12	-2.2	-1.6	-0.6
9/12	4.7	4.7	0.0
12/12	3.0	1.5	1.5
3/13	5.9	6.2	-0.3
6/13	1.1	1.0	0.1
9/13	5.7	5.2	0.5

PRIT CORE MANAGER SUMMARY



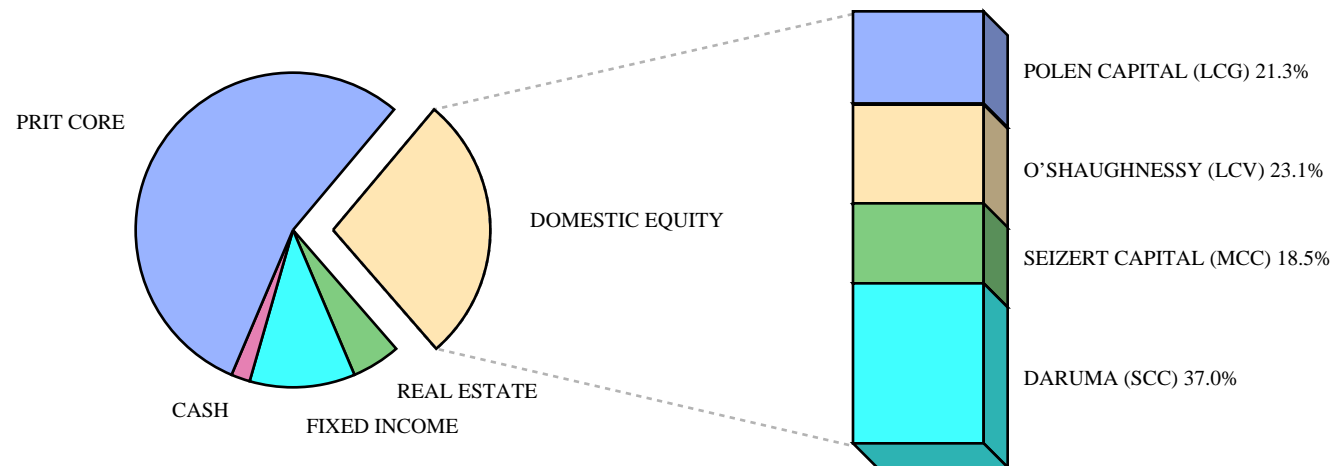
MANAGER	(UNIVERSE)	TOTAL RETURNS AND RANKINGS					MARKET VALUE
		QTR	YTD	1 YEAR	3 YEARS	5 YEARS	
PRIT CORE FUND		5.1 ---	10.1 ---	13.5 ---	10.0 ---	7.1 ---	\$59,618,533
<i>Custom Core Index</i>		<i>5.2 ---</i>	<i>10.8 ---</i>	<i>14.0 ---</i>	<i>10.4 ---</i>	<i>7.5 ---</i>	---

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

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

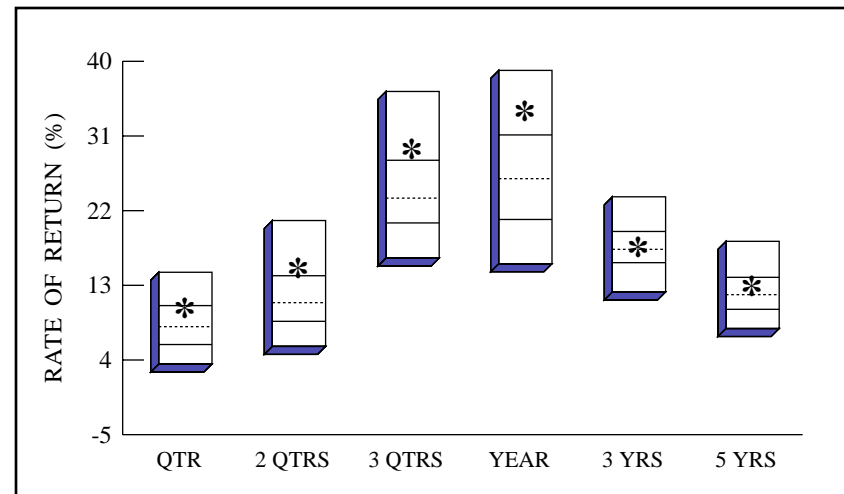
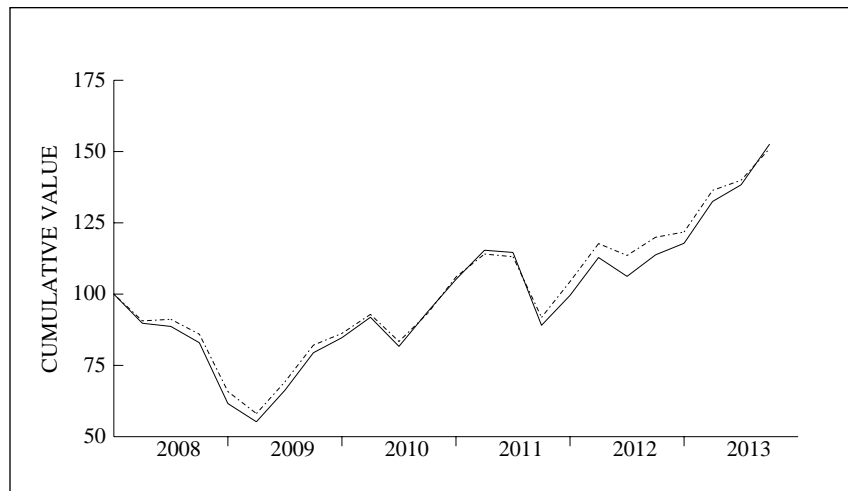
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/08	-4.4	-4.2	-0.2
6/08	-0.5	-1.0	0.5
9/08	-11.4	-8.6	-2.8
12/08	-16.3	-13.7	-2.6
3/09	-8.1	-8.0	-0.1
6/09	11.7	11.5	0.2
9/09	11.5	10.3	1.2
12/09	2.9	2.9	0.0
3/10	3.5	3.1	0.4
6/10	-5.0	-5.0	0.0
9/10	8.9	8.8	0.1
12/10	6.1	5.9	0.2
3/11	4.3	4.0	0.3
6/11	1.7	1.6	0.1
9/11	-9.0	-8.3	-0.7
12/11	3.7	4.2	-0.5
3/12	7.3	7.4	-0.1
6/12	-1.5	-1.5	0.0
9/12	4.4	4.2	0.2
12/12	3.1	2.9	0.2
3/13	4.6	4.7	-0.1
6/13	0.2	0.6	-0.4
9/13	5.1	5.2	-0.1

DOMESTIC EQUITY MANAGER SUMMARY

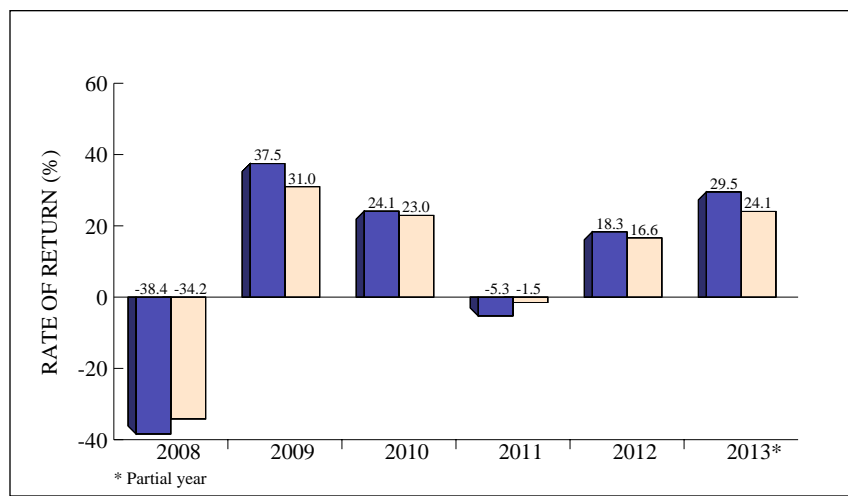
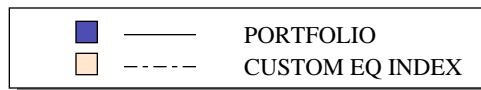


TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
POLEN CAPITAL	(Large Cap Growth)	6.5 (81)	10.8 (99)	9.6 (99)	---- ----	---- ----	\$6,593,956
<i>Russell 1000 Growth</i>		<i>8.1 ----</i>	<i>20.9 ----</i>	<i>19.3 ----</i>	<i>16.9 ----</i>	<i>12.1 ----</i>	----
O'SHAUGHNESSY	(Large Cap Value)	10.4 (4)	32.1 (2)	33.1 (6)	---- ----	---- ----	\$7,014,819
<i>Russell 1000 Value</i>		<i>3.9 ----</i>	<i>20.5 ----</i>	<i>22.3 ----</i>	<i>16.2 ----</i>	<i>8.9 ----</i>	----
SEIZERT CAPITAL	(Mid Cap)	9.3 (48)	34.2 (2)	43.7 (1)	---- ----	---- ----	\$5,802,114
<i>Russell Mid Cap</i>		<i>7.7 ----</i>	<i>24.3 ----</i>	<i>27.9 ----</i>	<i>17.5 ----</i>	<i>13.0 ----</i>	----
DARUMA	(Small Cap)	11.8 (35)	33.4 (26)	41.1 (9)	17.7 (77)	15.0 (32)	\$11,613,162
<i>Russell 2000</i>		<i>10.2 ----</i>	<i>27.7 ----</i>	<i>30.0 ----</i>	<i>18.3 ----</i>	<i>11.2 ----</i>	----

DOMESTIC EQUITY RETURN COMPARISONS



All Cap Universe

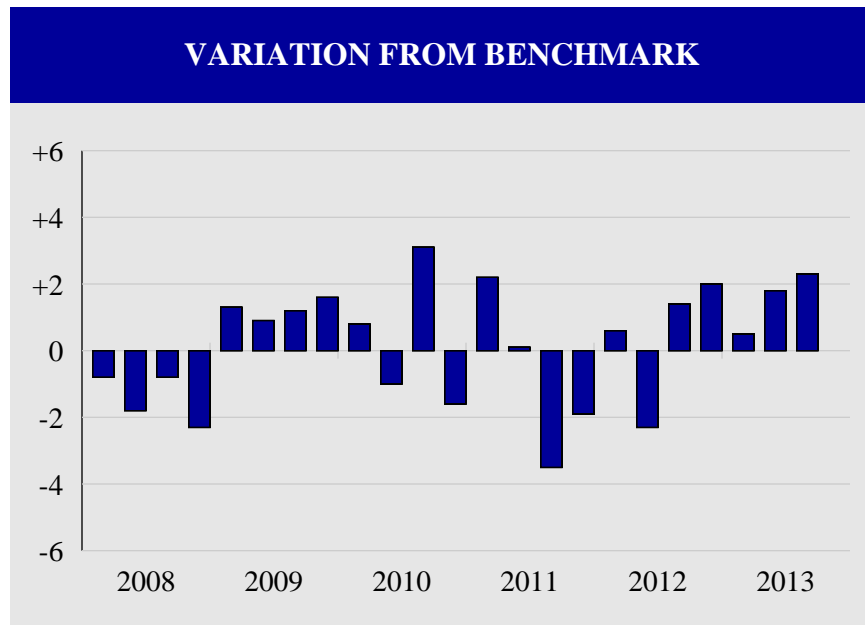


	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	10.3	15.1	29.5	34.1	17.6	13.0
(RANK)	(28)	(20)	(19)	(15)	(46)	(35)
5TH %ILE	14.6	20.8	36.4	38.9	23.7	18.3
25TH %ILE	10.6	14.2	28.1	31.1	19.5	14.0
MEDIAN	8.0	10.9	23.5	25.9	17.4	11.9
75TH %ILE	5.9	8.7	20.5	20.9	15.7	10.1
95TH %ILE	3.5	5.6	16.3	15.6	12.2	7.8
Equity Index	8.0	10.7	24.1	25.9	17.5	11.9

All Cap Universe

DOMESTIC EQUITY QUARTERLY PERFORMANCE SUMMARY

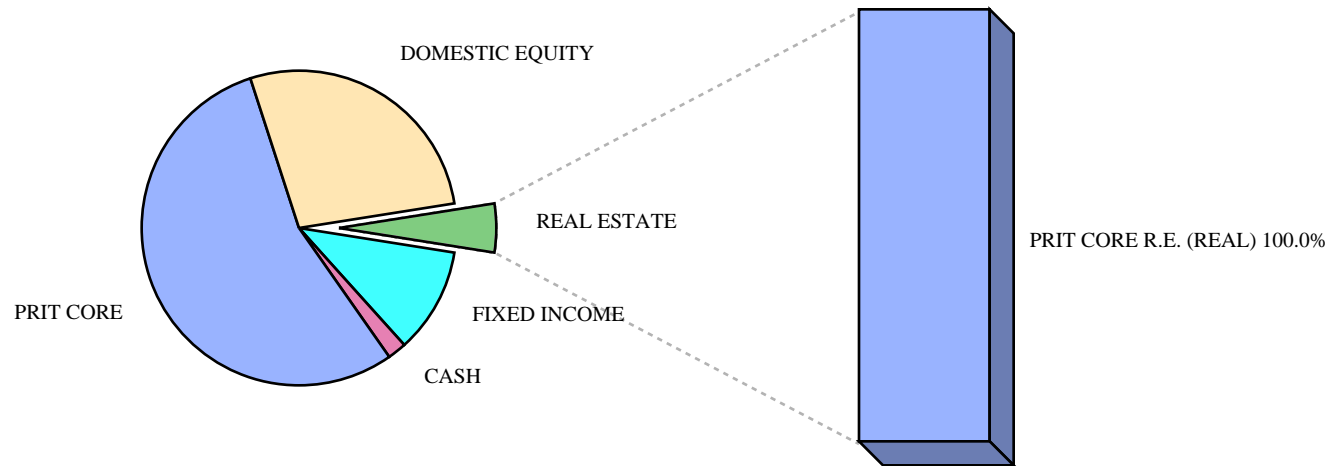
COMPARATIVE BENCHMARK: FRANKLIN COUNTY EQUITY INDEX



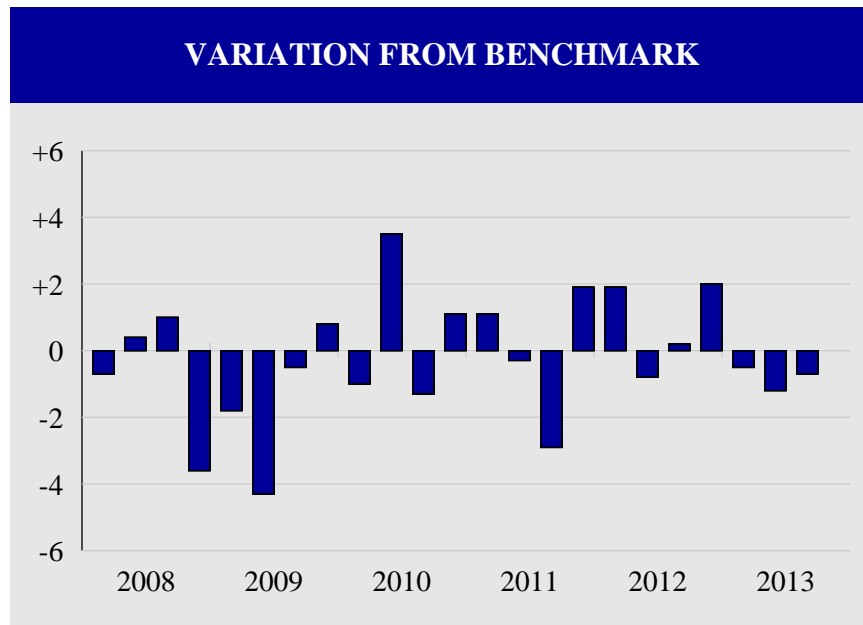
Total Quarters Observed	23
Quarters At or Above the Benchmark	14
Quarters Below the Benchmark	9
Batting Average	.609

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/08	-10.2	-9.4	-0.8
6/08	-1.2	0.6	-1.8
9/08	-6.5	-5.7	-0.8
12/08	-25.7	-23.4	-2.3
3/09	-10.4	-11.7	1.3
6/09	20.1	19.2	0.9
9/09	19.8	18.6	1.2
12/09	6.6	5.0	1.6
3/10	8.5	7.7	0.8
6/10	-11.2	-10.2	-1.0
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
12/11	11.8	13.7	-1.9
3/12	13.3	12.7	0.6
6/12	-5.9	-3.6	-2.3
9/12	7.1	5.7	1.4
12/12	3.5	1.5	2.0
3/13	12.5	12.0	0.5
6/13	4.4	2.6	1.8
9/13	10.3	8.0	2.3

REAL ESTATE MANAGER SUMMARY



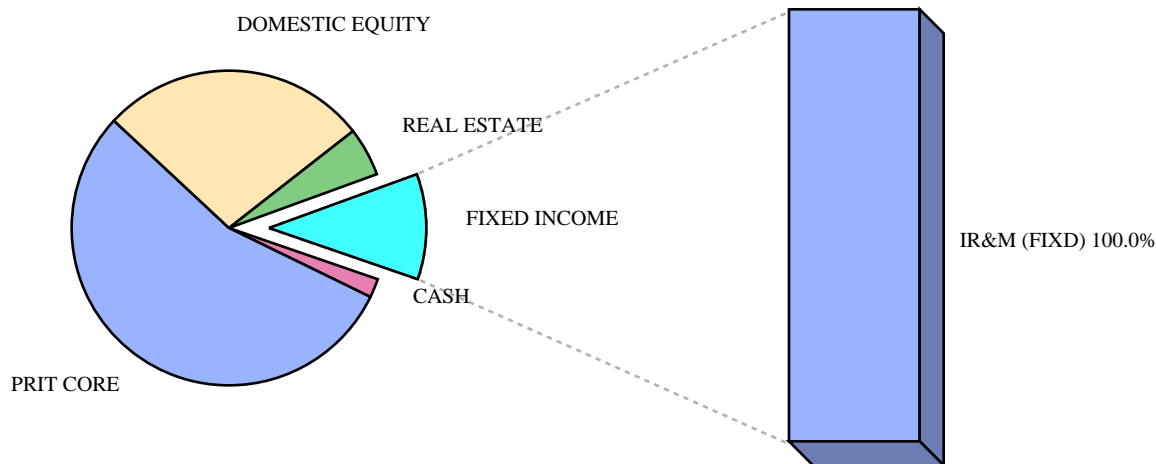
		TOTAL RETURNS AND RANKINGS					
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
PRIT CORE R.E.		3.0 ---	8.1 ---	12.8 ---	13.0 ---	---- ---	\$5,371,586
<i>NCREIF NFI-ODCE Index</i>		<i>3.6 ---</i>	<i>10.4 ---</i>	<i>13.0 ---</i>	<i>14.3 ---</i>	<i>0.7 ---</i>	---

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

Total Quarters Observed	23
Quarters At or Above the Benchmark	10
Quarters Below the Benchmark	13
Batting Average	.435

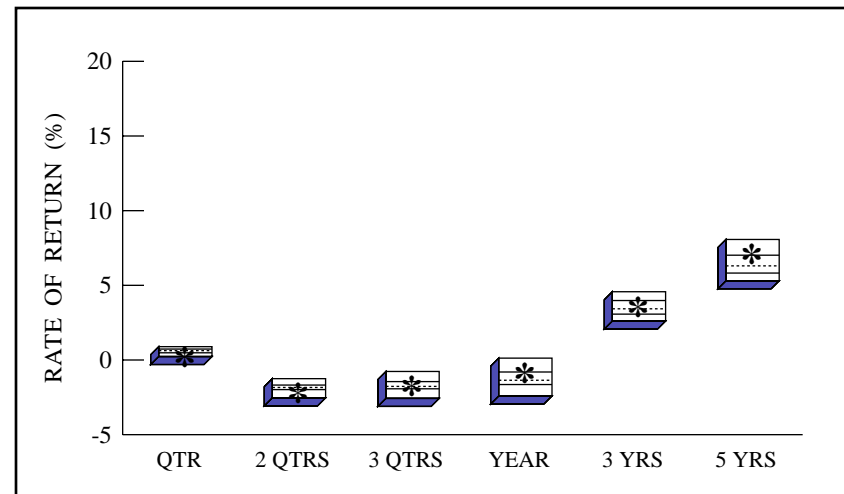
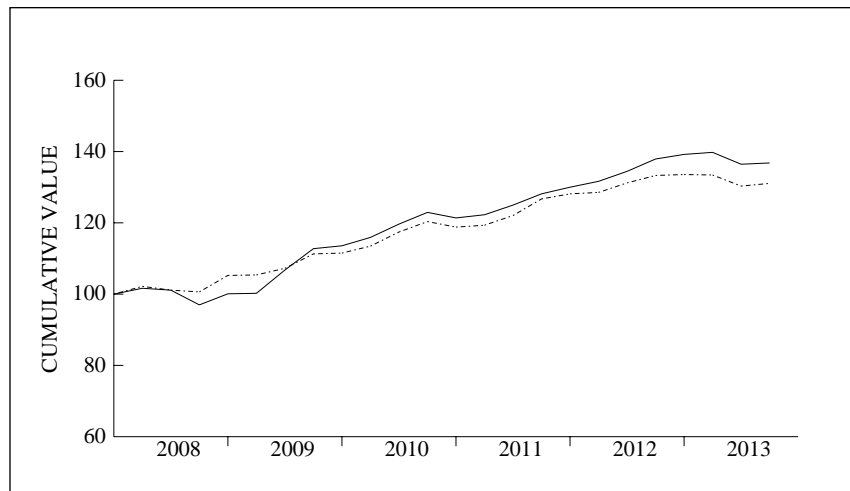
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/08	0.7	1.4	-0.7
6/08	0.7	0.3	0.4
9/08	0.4	-0.6	1.0
12/08	-14.5	-10.9	-3.6
3/09	-15.5	-13.7	-1.8
6/09	-13.3	-9.0	-4.3
9/09	-7.8	-7.3	-0.5
12/09	-2.7	-3.5	0.8
3/10	-0.2	0.8	-1.0
6/10	7.9	4.4	3.5
9/10	4.1	5.4	-1.3
12/10	6.1	5.0	1.1
3/11	5.1	4.0	1.1
6/11	4.3	4.6	-0.3
9/11	0.6	3.5	-2.9
12/11	4.9	3.0	1.9
3/12	4.7	2.8	1.9
6/12	1.7	2.5	-0.8
9/12	3.0	2.8	0.2
12/12	4.3	2.3	2.0
3/13	2.2	2.7	-0.5
6/13	2.7	3.9	-1.2
9/13	2.9	3.6	-0.7

FIXED INCOME MANAGER SUMMARY

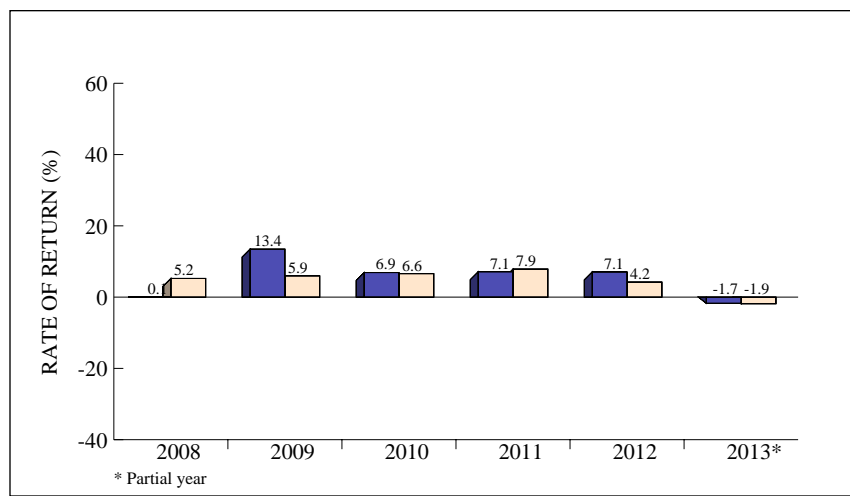
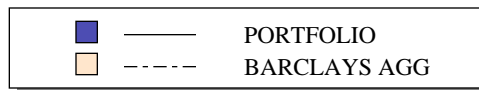


TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
IR&M	(Core Fixed Income)	0.3 (95)	-1.7 (47)	-0.8 (26)	3.6 (37)	7.1 (23)	\$11,811,213
<i>Barclays Aggregate Index</i>		0.6 ----	-1.9 ----	-1.7 ----	2.9 ----	5.4 ----	----

FIXED INCOME RETURN COMPARISONS

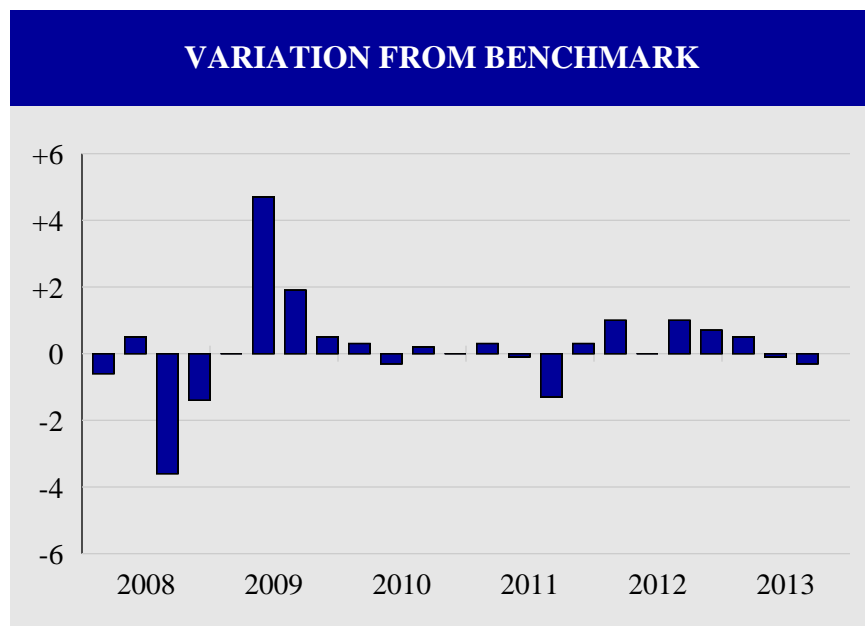


Core Fixed Income Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	0.3	-2.1	-1.7	-0.8	3.6	7.1
(RANK)	(95)	(88)	(47)	(26)	(37)	(23)
5TH %ILE	0.9	-1.3	-0.8	0.1	4.6	8.1
25TH %ILE	0.7	-1.7	-1.4	-0.8	4.0	7.0
MEDIAN	0.6	-1.8	-1.8	-1.4	3.4	6.3
75TH %ILE	0.5	-2.0	-1.9	-1.7	3.1	5.8
95TH %ILE	0.2	-2.5	-2.6	-2.4	2.6	5.3
Agg Index	0.6	-1.8	-1.9	-1.7	2.9	5.4

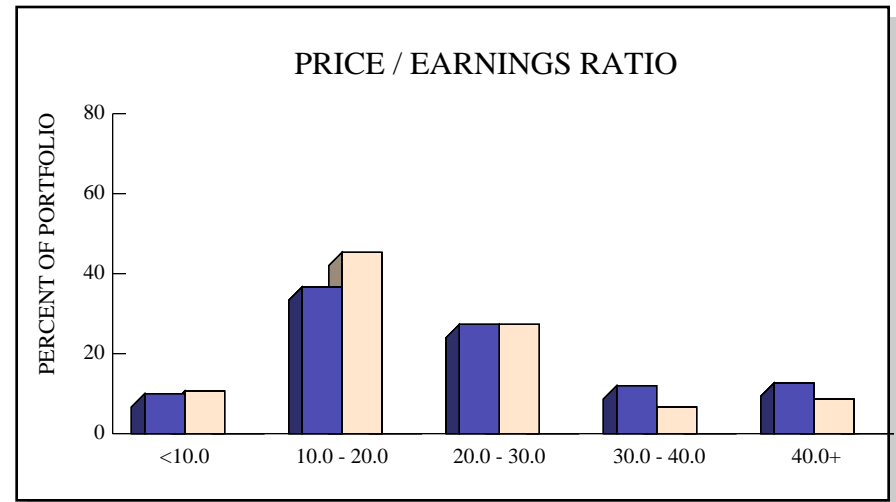
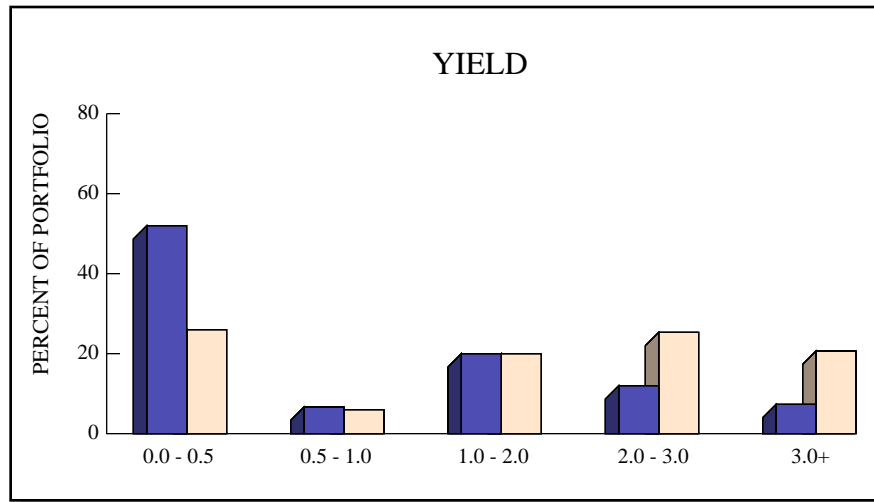
Core Fixed Income Universe

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

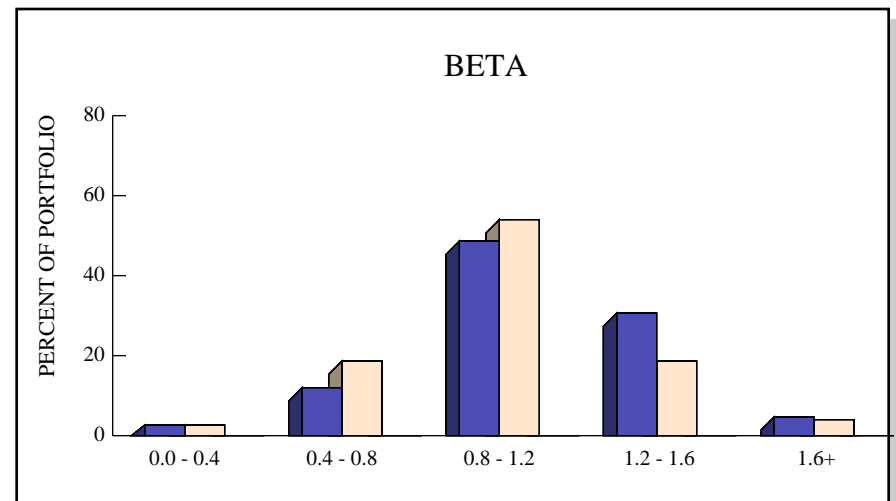
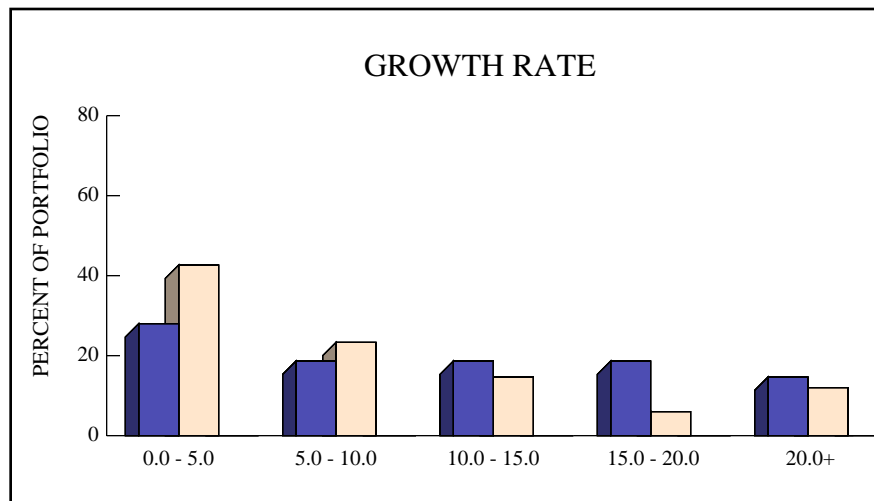
Total Quarters Observed	23
Quarters At or Above the Benchmark	15
Quarters Below the Benchmark	8
Batting Average	.652

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
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
12/11	1.4	1.1	0.3
3/12	1.3	0.3	1.0
6/12	2.1	2.1	0.0
9/12	2.6	1.6	1.0
12/12	0.9	0.2	0.7
3/13	0.4	-0.1	0.5
6/13	-2.4	-2.3	-0.1
9/13	0.3	0.6	-0.3

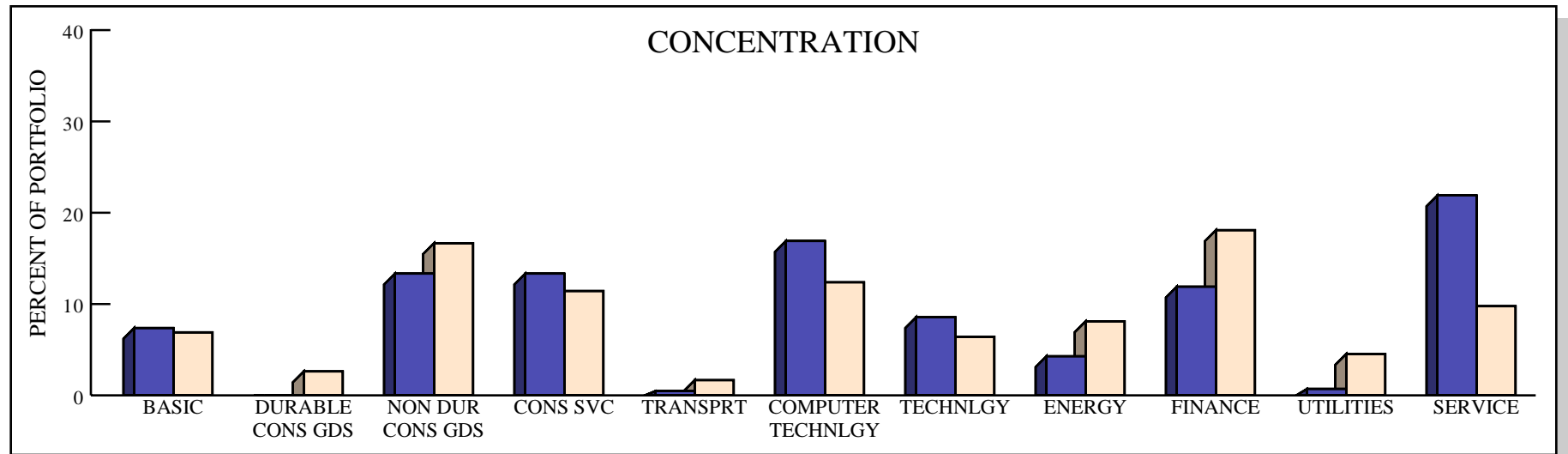
STOCK CHARACTERISTICS



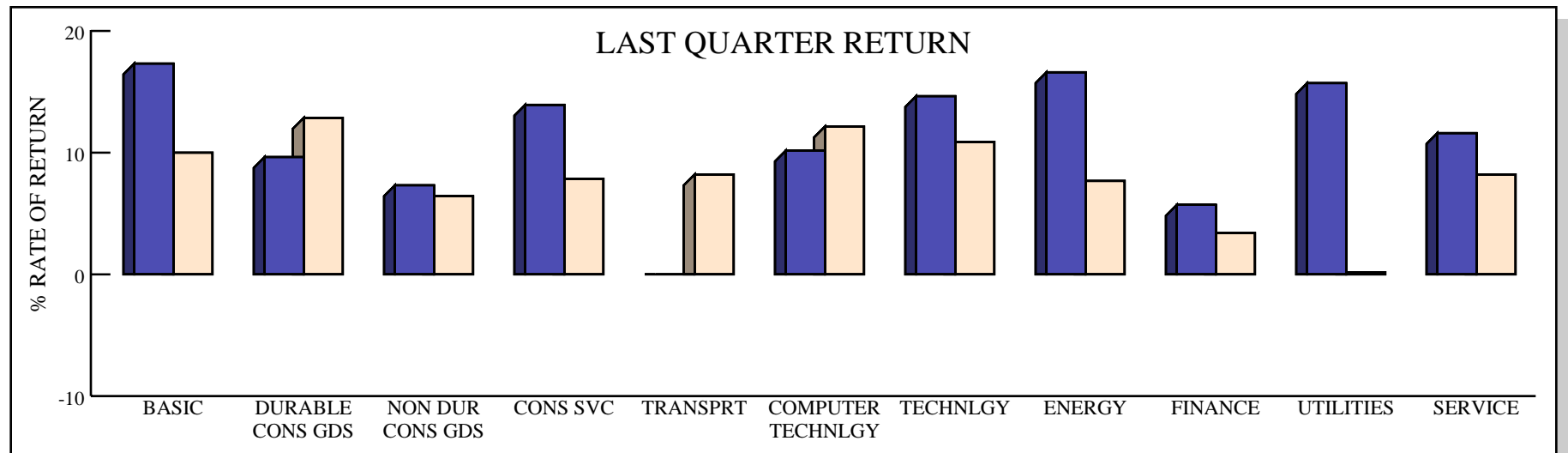
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.0%	9.2%	24.7	1.07
RUSSELL 3000	1.9%	7.3%	20.9	1.01



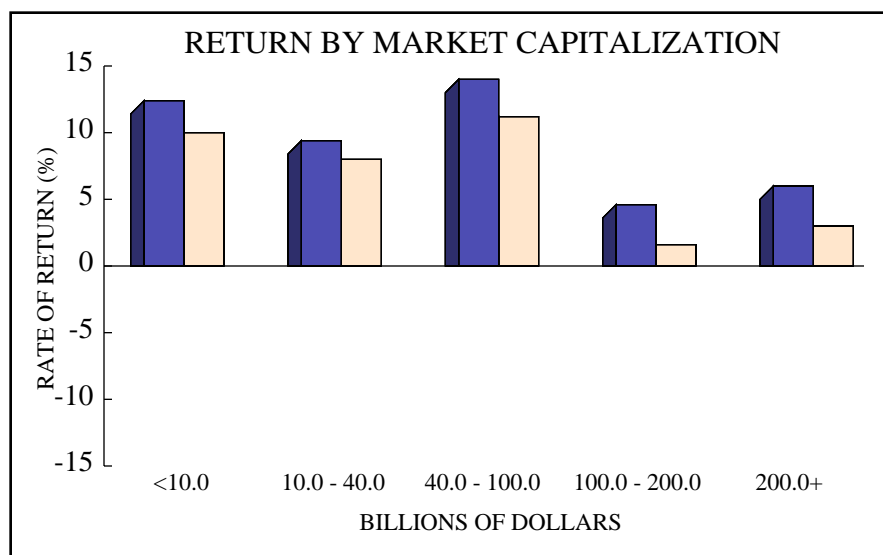
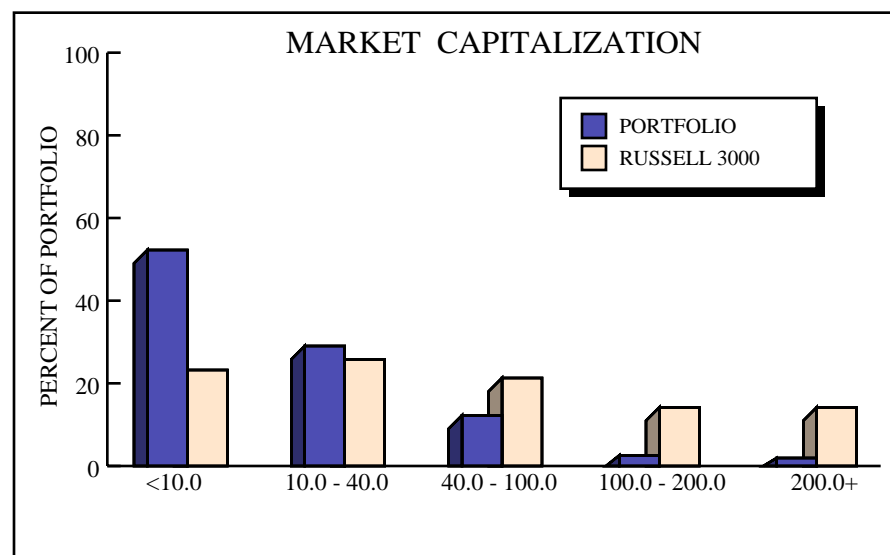
STOCK INDUSTRY ANALYSIS



■ PORTFOLIO ■ RUSSELL 3000



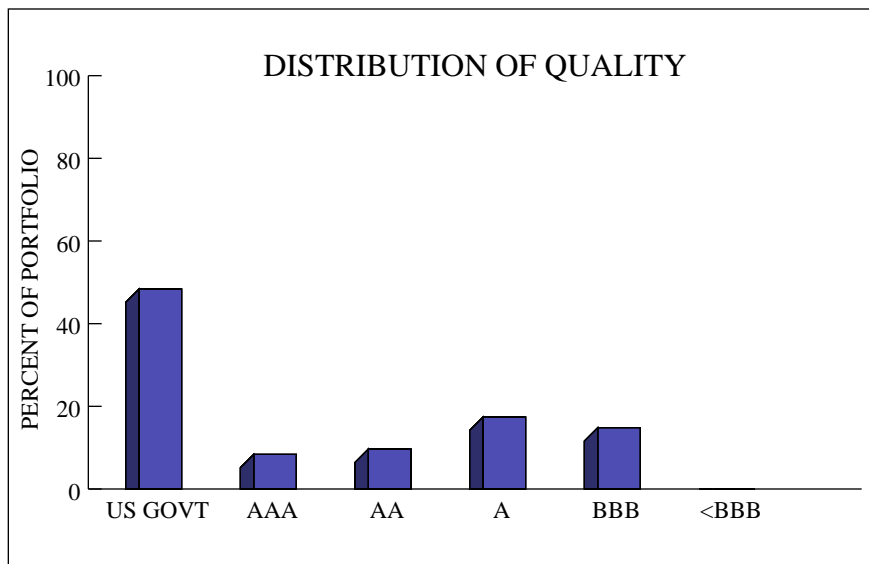
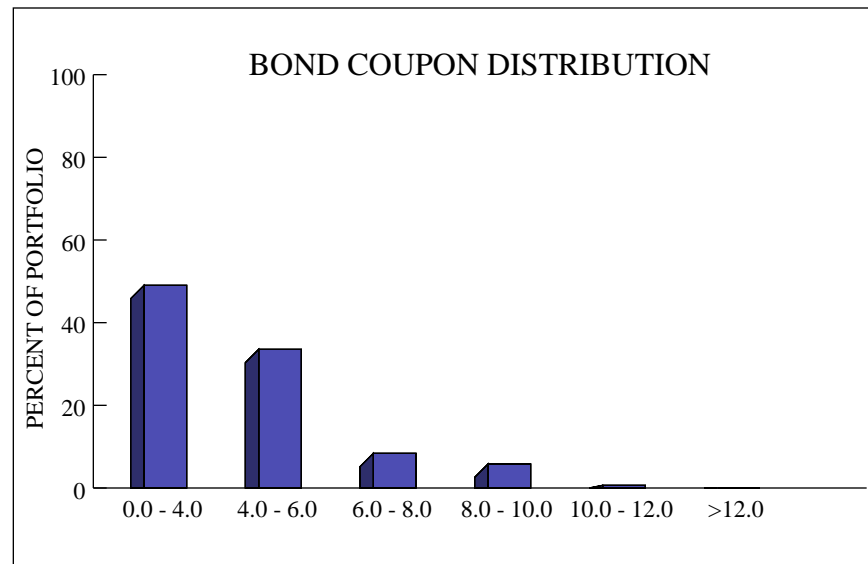
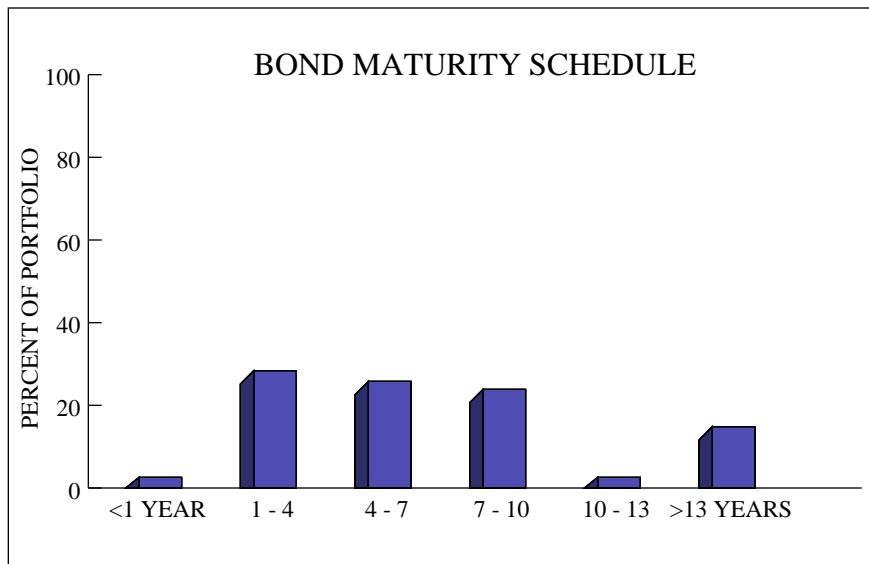
TOP TEN HOLDINGS



TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	NIKE INC -CL B	\$ 540,078	1.80%	14.4%	NonDur Cons Goods	\$ 51.7 B
2	GOOGLE INC-CL A	499,269	1.67%	-0.5%	Computer Tech	239.9 B
3	L-3 COMMUNICATIONS HOLDINGS	498,110	1.66%	10.8%	Technology	8.5 B
4	ACXIOM CORP	478,258	1.60%	25.2%	Service	2.1 B
5	DEALERTRACK TECHNOLOGIES INC	472,525	1.58%	20.9%	Computer Tech	1.9 B
6	COSTAR GROUP INC	469,952	1.57%	30.1%	Service	4.8 B
7	VISA INC-CLASS A SHARES	458,449	1.53%	4.7%	Finance	98.3 B
8	LIBERTY MEDIA CORP - A	431,297	1.44%	16.1%	Service	16.3 B
9	QUALCOMM INC	429,083	1.43%	10.7%	Technology	115.6 B
10	WESTERN UNION CO	420,578	1.41%	9.7%	Service	10.3 B

BOND CHARACTERISTICS



	PORTFOLIO	BARCLAYS AGG
No. of Securities	201	8,577
Duration	7.16	5.52
YTM	3.23	2.34
Average Coupon	4.06	3.36
Avg Maturity / WAL	8.82	7.50
Average Quality	AAA-AA	USG-AAA

APPENDIX - MAJOR MARKET INDEX RETURNS

Domestic Equity	Style	QTR	YTD	1 Year	3 years	5 Years
Russell 3000	Broad Equity	6.4	21.3	21.6	16.8	10.6
S&P 500	Large Cap Core	5.2	19.8	19.3	16.3	10.0
Russell 1000	Large Cap Core	6.0	20.8	20.9	16.6	10.5
Russell 1000 Growth	Large Cap Growth	8.1	20.9	19.3	16.9	12.1
Russell 1000 Value	Large Cap Value	3.9	20.5	22.3	16.2	8.9
Russell Mid Cap	Midcap	7.7	24.3	27.9	17.5	13.0
Russell Mid Cap Growth	Midcap Growth	9.3	25.4	27.5	17.6	13.9
Russell Mid Cap Value	Midcap Value	5.9	22.9	27.8	17.3	11.9
Russell 2000	Small Cap	10.2	27.7	30.0	18.3	11.2
Russell 2000 Growth	Small Cap Growth	12.8	32.5	33.1	19.9	13.2
Russell 2000 Value	Small Cap Value	7.6	23.1	27.0	16.6	9.1

International Equity	Style	QTR	YTD	1 Year	3 years	5 Years
MSCI EAFE	Developed Markets Equity	11.6	16.6	24.3	9.0	6.8
MSCI EAFE Growth	Developed Markets Growth	10.5	16.9	23.7	9.3	7.2
MSCI EAFE Value	Developed Markets Value	12.7	16.3	24.9	8.6	6.5
MSCI All Country World Ex US	Foreign Equity	10.2	10.5	17.0	6.4	6.7
MSCI Emerging Markets	Emerging Markets Equity	5.9	-4.1	1.3	0.0	7.5

Domestic Fixed Income	Style	QTR	YTD	1 Year	3 years	5 Years
Barclays Aggregate Index	Core Fixed Income	0.6	-1.9	-1.7	2.9	5.4
Barclays Gov/Credit	Gov/Credit	0.4	-2.3	-1.9	2.9	5.7
Barclays Capital Gov't Bond	Treasuries	0.1	-1.9	-2.0	2.1	4.0
Barclays Capital Credit Bond	Corporate Bonds	0.8	-2.6	-1.6	4.3	9.1
Intermediate Aggregate	Core Intermediate	0.8	-0.9	-0.7	2.6	4.9
Intermediate Gov/Credit	Gov / Credit Intermediate	0.6	-0.8	-0.5	2.4	5.0
ML/BoA 1-3 Year Treasury	Short Term Treasuries	0.3	0.3	-0.1	0.5	1.5
CSFB High Yield	High Yield Bonds	2.4	3.9	7.2	9.1	12.5

Alternative Assets	Style	QTR	YTD	1 Year	3 years	5 Years
Barclays Global Ex-US	International Treasuries	4.1	-3.5	-5.8	-0.7	2.7
NCREIF NFI-ODCE Index	Real Estate	3.6	10.4	13.0	14.3	0.7
HFRI FOF Composite	Hedge Funds	1.6	5.1	6.4	2.4	1.9

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:
For all periods through December 2010:

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

 For all periods Since December 2010:

24.0% Russell 3000	20.0% MSCI EAFE	5.0% MSCI Emerging Markets
13.0% Barclays Aggregate	6.0% CSFB Hi Yield	10.0% Cambridge Private Equity
10.0% NCREIF NFI-ODCE	4.0% NCREIF Timber	8.0% 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 2013

INVESTMENT RETURN

On September 30th, 2013, the Franklin Regional Retirement System's PRIT portfolio was valued at \$59,618,533, representing an increase of \$5,541,150 from the June quarter's ending value of \$54,077,383. Last quarter, the Fund posted net contributions equaling \$2,718,651 plus a net investment gain equaling \$2,822,499. Total net investment return was the result of income receipts, which totaled \$413,358 and net realized and unrealized capital gains of \$2,409,141.

For the cumulative period since December 2007, the fund has recorded net contributions totaling \$2.4 million, and recorded net investment gains of \$10.0 million. For the period since December 2007, if the total fund returned a compounded nominal rate of 8.0% it would have been valued at \$77.0 million or \$17.4 million more than the actual value as of September 30th, 2013.

RELATIVE PERFORMANCE

In the third quarter, the PRIT portfolio gained 5.1%, which was 0.1% less than the Custom Core Index's return of 5.2%. Over the trailing twelve-month period, the portfolio returned 13.5%, which was 0.5% below the benchmark's 14.0% return. Since December 2007, the account returned 3.0% on an annualized basis, while the Custom Core Index returned an annualized 3.9% over the same time frame.

ASSET ALLOCATION

The 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 12/2007
Total Gross/Fees	5.1	10.1	13.5	10.0	3.0
Total Net/Fees	4.9	9.6	12.9	9.5	2.5
CUSTOM CORE IDX	5.2	10.8	14.0	10.4	3.9
PRIT Core	5.1	10.1	13.5	10.0	3.0
CUSTOM CORE IDX	5.2	10.8	14.0	10.4	3.9

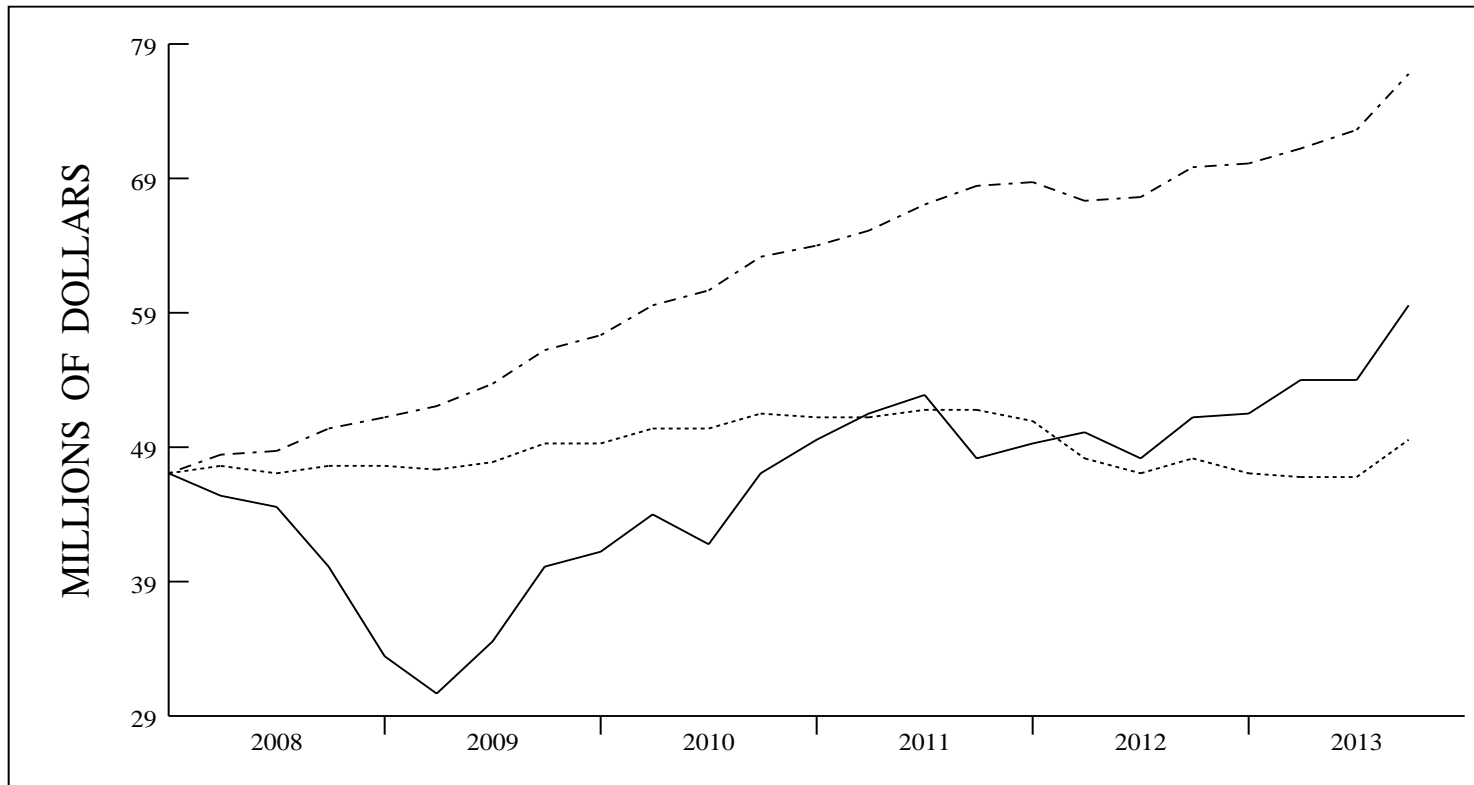
ASSET ALLOCATION

PRIT Core	100.0%	\$ 59,618,533
Total Portfolio	100.0%	\$ 59,618,533

INVESTMENT RETURN

Market Value 6/2013	\$ 54,077,383
Contribs / Withdrawals	2,718,651
Income	413,358
Capital Gains / Losses	2,409,141
Market Value 9/2013	\$ 59,618,533

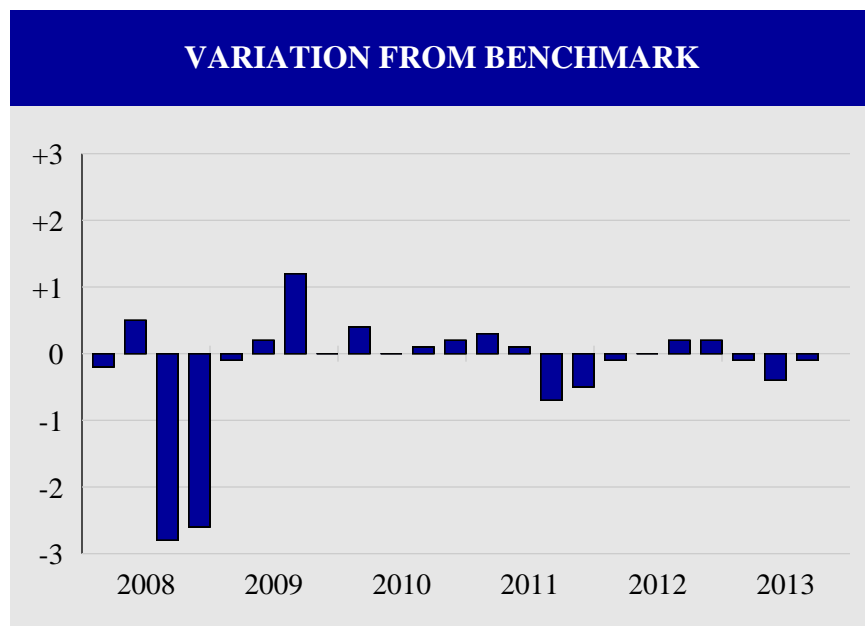
INVESTMENT GROWTH



— ACTUAL RETURN
 - - - 8.0%
 0.0%

VALUE ASSUMING
 8.0% RETURN
 \$ 76,970,662

	LAST QUARTER	PERIOD 12/07 - 9/13
BEGINNING VALUE	\$ 54,077,383	\$ 47,236,061
NET CONTRIBUTIONS	2,718,651	2,416,211
<u>INVESTMENT RETURN</u>	<u>2,822,499</u>	<u>9,966,261</u>
ENDING VALUE	\$ 59,618,533	\$ 59,618,533
INCOME	413,358	8,217,806
<u>CAPITAL GAINS (LOSSES)</u>	<u>2,409,141</u>	<u>1,748,455</u>
INVESTMENT RETURN	2,822,499	9,966,261

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

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

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/08	-4.4	-4.2	-0.2
6/08	-0.5	-1.0	0.5
9/08	-11.4	-8.6	-2.8
12/08	-16.3	-13.7	-2.6
3/09	-8.1	-8.0	-0.1
6/09	11.7	11.5	0.2
9/09	11.5	10.3	1.2
12/09	2.9	2.9	0.0
3/10	3.5	3.1	0.4
6/10	-5.0	-5.0	0.0
9/10	8.9	8.8	0.1
12/10	6.1	5.9	0.2
3/11	4.3	4.0	0.3
6/11	1.7	1.6	0.1
9/11	-9.0	-8.3	-0.7
12/11	3.7	4.2	-0.5
3/12	7.3	7.4	-0.1
6/12	-1.5	-1.5	0.0
9/12	4.4	4.2	0.2
12/12	3.1	2.9	0.2
3/13	4.6	4.7	-0.1
6/13	0.2	0.6	-0.4
9/13	5.1	5.2	-0.1

FRANKLIN REGIONAL RETIREMENT SYSTEM
POLEN CAPITAL MANAGEMENT - LARGE CAP GROWTH FUND
PERFORMANCE REVIEW
SEPTEMBER 2013

INVESTMENT RETURN

On September 30th, 2013, the Franklin Regional Retirement System's Polen Capital Management portfolio was valued at \$6,593,956, representing an increase of \$788,484 from the June quarter's ending value of \$5,805,472. Last quarter, the Fund posted net contributions equaling \$400,000 plus a net investment gain equaling \$388,484. Total net investment return was the result of income receipts, which totaled \$15,623 and net realized and unrealized capital gains of \$372,861.

For the cumulative period since March 2012, the fund has recorded net contributions totaling \$850,000, and recorded net investment gains of \$470,802. For the period since March 2012, if the total fund returned a compounded nominal rate of 8.0% it would have been valued at \$6.8 million or \$219,043 more than the actual value as of September 30th, 2013.

RELATIVE PERFORMANCE

In the third quarter, the Polen Capital Management portfolio gained 6.5%, which was 1.6% below the Russell 1000 Growth Index's return of 8.1% and ranked in the 81st percentile of the Large Cap Growth universe. Over the trailing year, the portfolio returned 9.6%, which was 9.7% less than the benchmark's 19.3% performance, and ranked in the 99th percentile. Since March 2012, the portfolio returned 4.7% on an annualized basis and ranked in the 99th percentile. For comparison, the Russell 1000 Growth returned an annualized 13.8% over the same period.

ASSET ALLOCATION

On September 30th, 2013, domestic equities comprised 96.9% of the total portfolio (\$6.4 million), while cash & equivalents totaled 3.1% (\$207,442).

ANALYSIS

At the end of the third quarter, the Polen portfolio was allocated across six of the eleven sectors used in the analysis. When compared to the Russell 1000 Growth Index, the portfolio was noticeably overweight in the Computer Technology, Finance, and Service sectors. Meanwhile, the portfolio was underweight in the Non-Durable Consumer Goods, Consumer Service and Technology sectors, while it was absent from the remaining sectors.

The portfolio beat the Russell 1000 Growth in four of the six utilized sectors. The Computer Technology sector added significant value with its heavy allocation and index beating return. Facebook, Apple, and Intuit helped drive this sector with their stellar returns; Facebook returned 102% for the third quarter. Unfortunately, the Finance and Service sectors, with their combined allocation of nearly 36% of the portfolio, did not outperform the index. The portfolio also missed opportunities in the Energy, Durable Consumer Goods, and Basic sectors as they yielded strong returns for the benchmark. Overall, Polen trailed the Russell 1000 Growth by 160 basis points.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 3/2012
Total Gross/Fees	6.5	10.8	9.6	----	4.7
<i>LARGE CAP GROWTH RANK</i>	(81)	(99)	(99)	----	(99)
Total Net/Fees	6.3	10.3	9.0	----	4.1
RUSSELL 1000G	8.1	20.9	19.3	16.9	13.8
Domestic Equity	6.8	11.4	10.2	----	5.0
<i>LARGE CAP GROWTH RANK</i>	(72)	(99)	(99)	----	(99)
RUSSELL 1000G	8.1	20.9	19.3	16.9	13.8

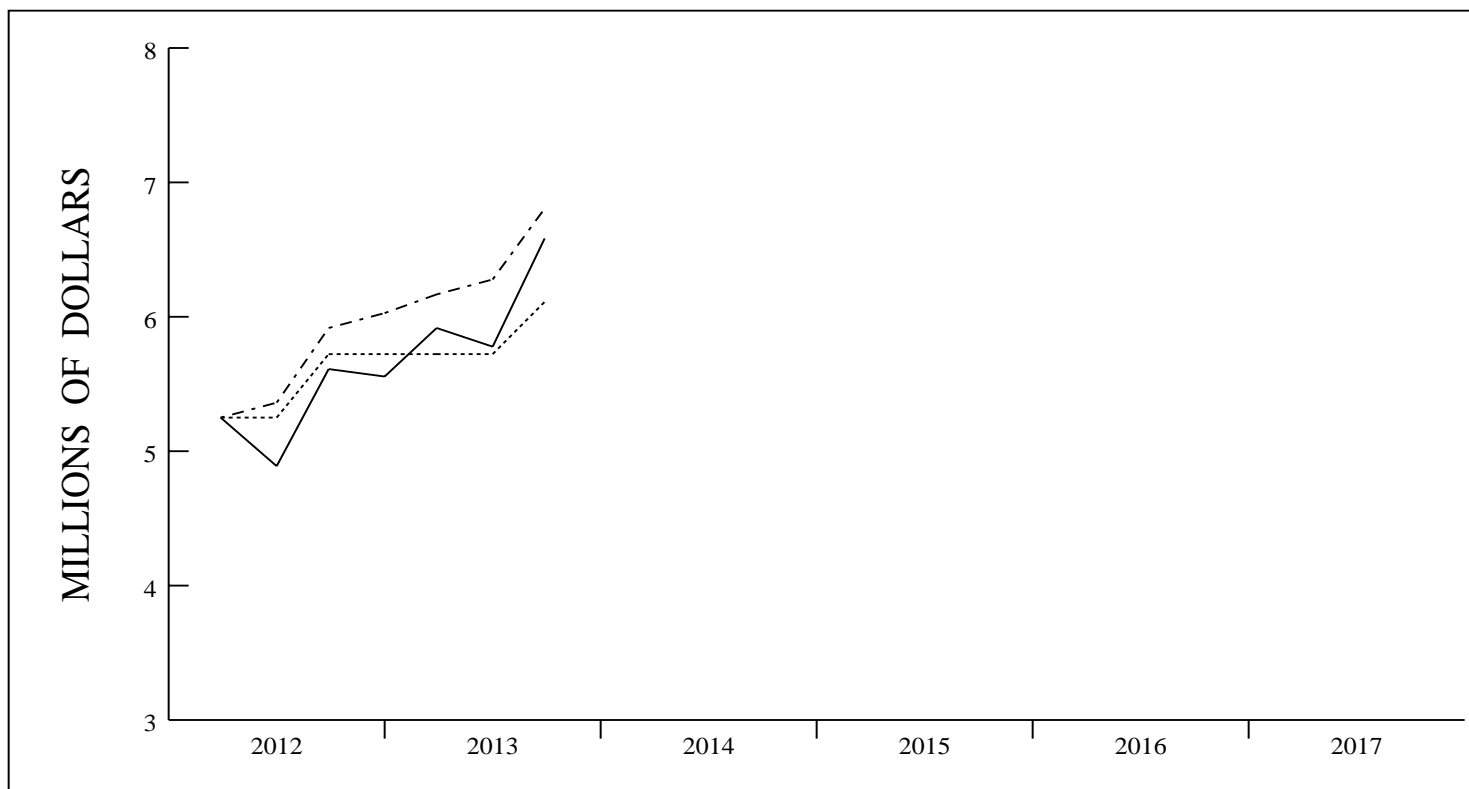
ASSET ALLOCATION

Domestic Equity	96.9%	\$ 6,386,514
Cash	3.1%	207,442
Total Portfolio	100.0%	\$ 6,593,956

INVESTMENT RETURN

Market Value 6/2013	\$ 5,805,472
Contribs / Withdrawals	400,000
Income	15,623
Capital Gains / Losses	372,861
Market Value 9/2013	\$ 6,593,956

INVESTMENT GROWTH

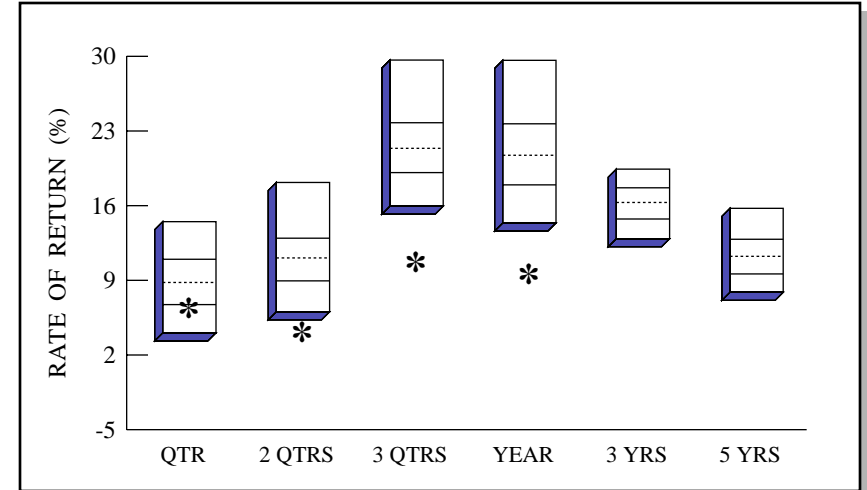
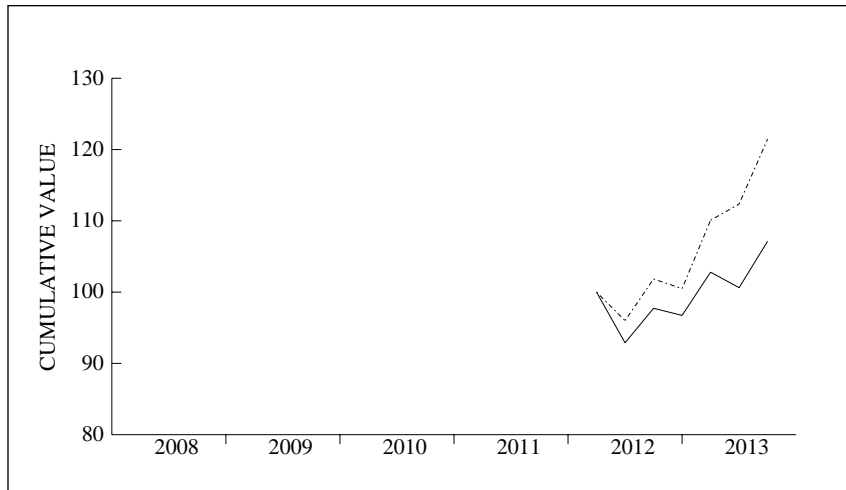


— ACTUAL RETURN
 - - - 8.0%
 . . . 0.0%

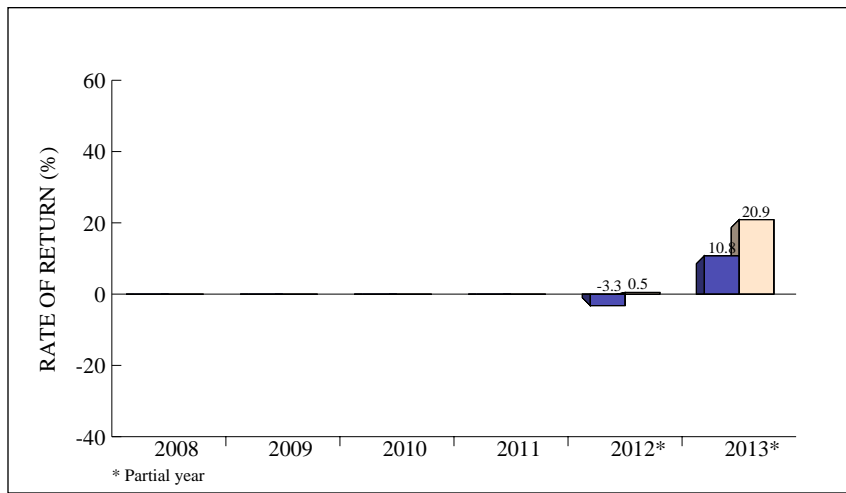
VALUE ASSUMING
 8.0% RETURN
 \$ 6,812,999

	LAST QUARTER	PERIOD 3/12 - 9/13
BEGINNING VALUE	\$ 5,805,472	\$ 5,273,154
NET CONTRIBUTIONS	400,000	850,000
<u>INVESTMENT RETURN</u>	<u>388,484</u>	<u>470,802</u>
ENDING VALUE	\$ 6,593,956	\$ 6,593,956
INCOME	15,623	100,622
CAPITAL GAINS (LOSSES)	<u>372,861</u>	<u>370,180</u>
INVESTMENT RETURN	388,484	470,802

TOTAL RETURN COMPARISONS



Large Cap Growth Universe



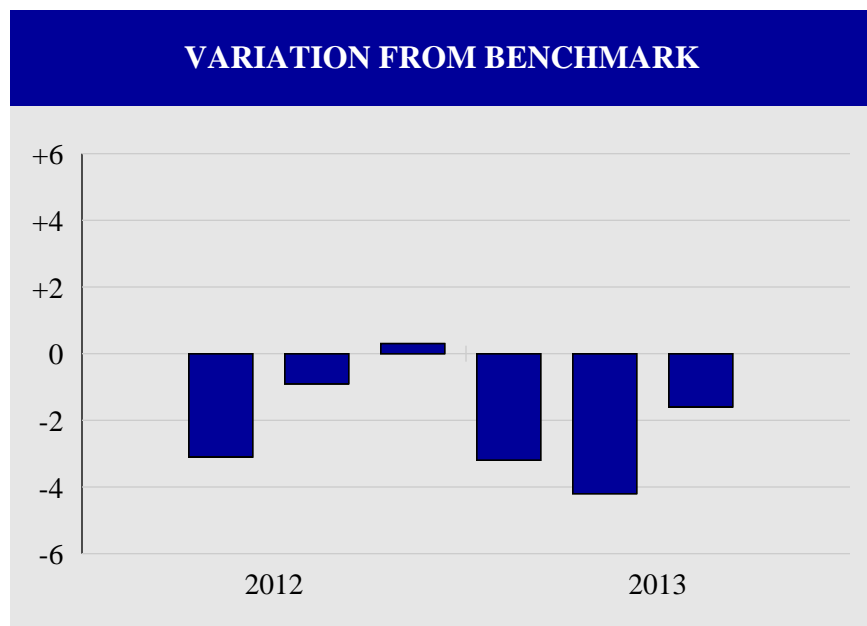
* Partial year

	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	6.5	4.2	10.8	9.6	----	----
(RANK)	(81)	(99)	(99)	(99)	----	----
5TH %ILE	14.5	18.2	29.7	29.6	19.4	15.8
25TH %ILE	11.0	13.0	23.8	23.7	17.7	12.8
MEDIAN	8.8	11.1	21.4	20.7	16.3	11.2
75TH %ILE	6.7	9.0	19.1	18.0	14.8	9.6
95TH %ILE	4.1	6.1	16.0	14.4	12.9	7.9
Russ 1000G	8.1	10.3	20.9	19.3	16.9	12.1

Large Cap Growth Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

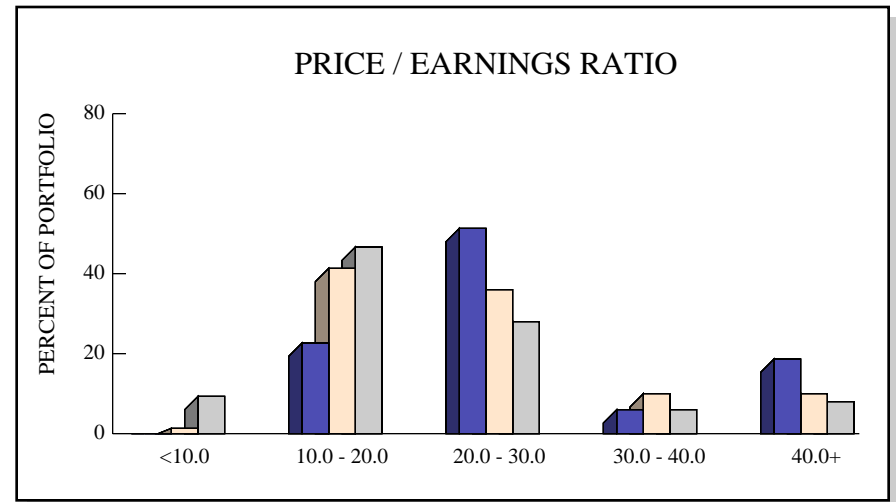
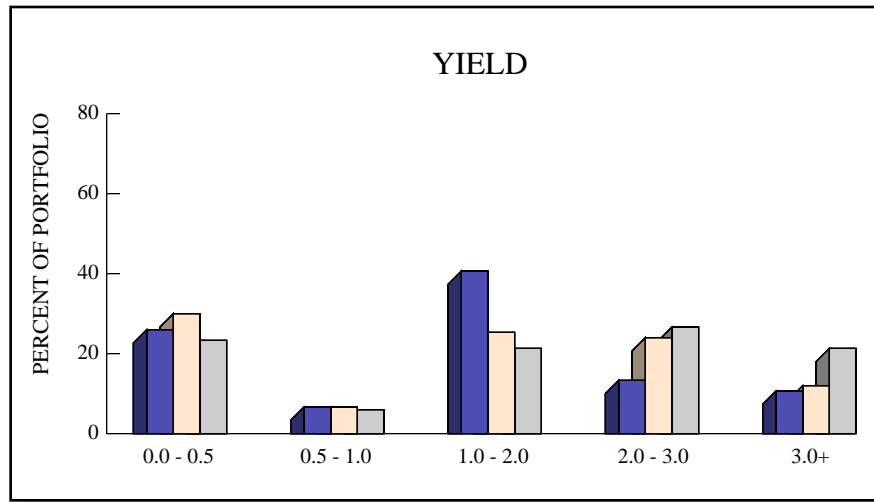
COMPARATIVE BENCHMARK: RUSSELL 1000 GROWTH



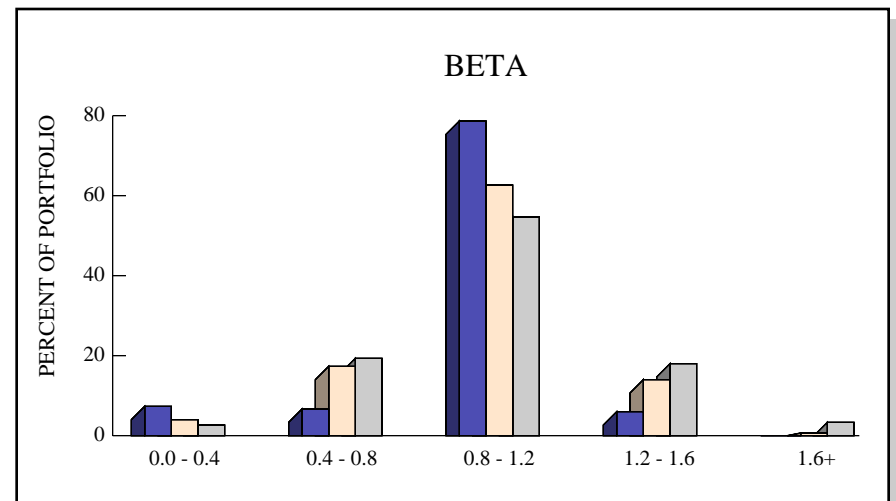
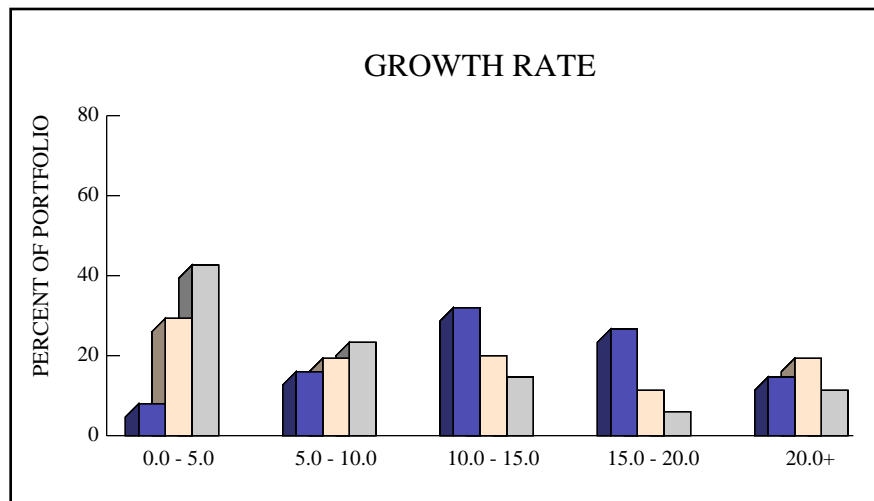
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
6/12	-7.1	-4.0	-3.1
9/12	5.2	6.1	-0.9
12/12	-1.0	-1.3	0.3
3/13	6.3	9.5	-3.2
6/13	-2.1	2.1	-4.2
9/13	6.5	8.1	-1.6

Total Quarters Observed	6
Quarters At or Above the Benchmark	1
Quarters Below the Benchmark	5
Batting Average	.167

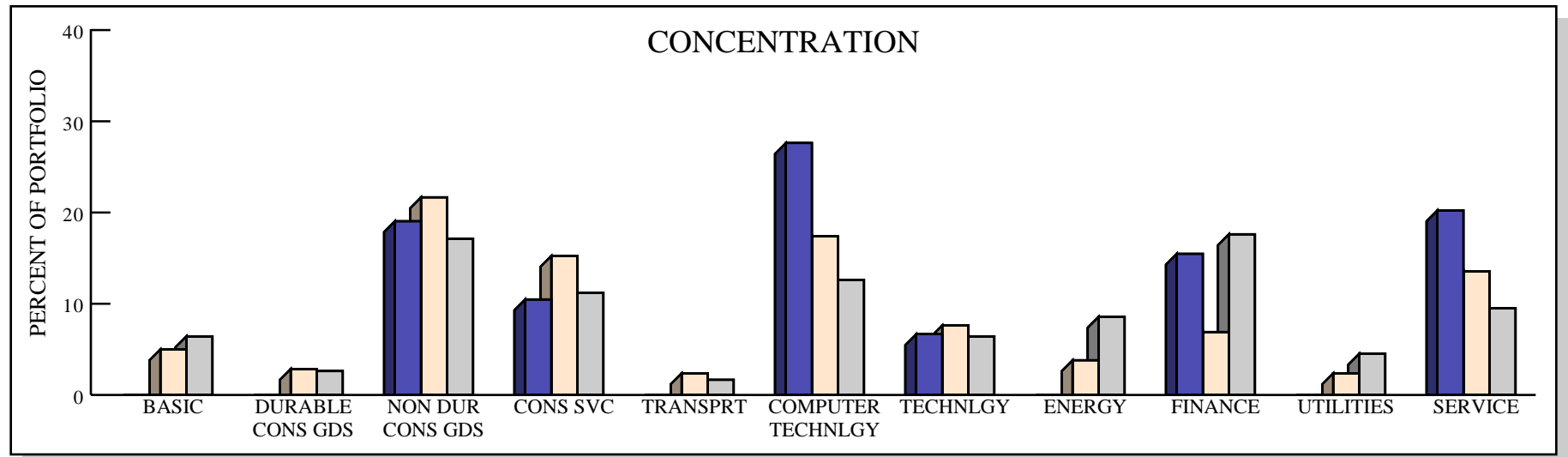
STOCK CHARACTERISTICS



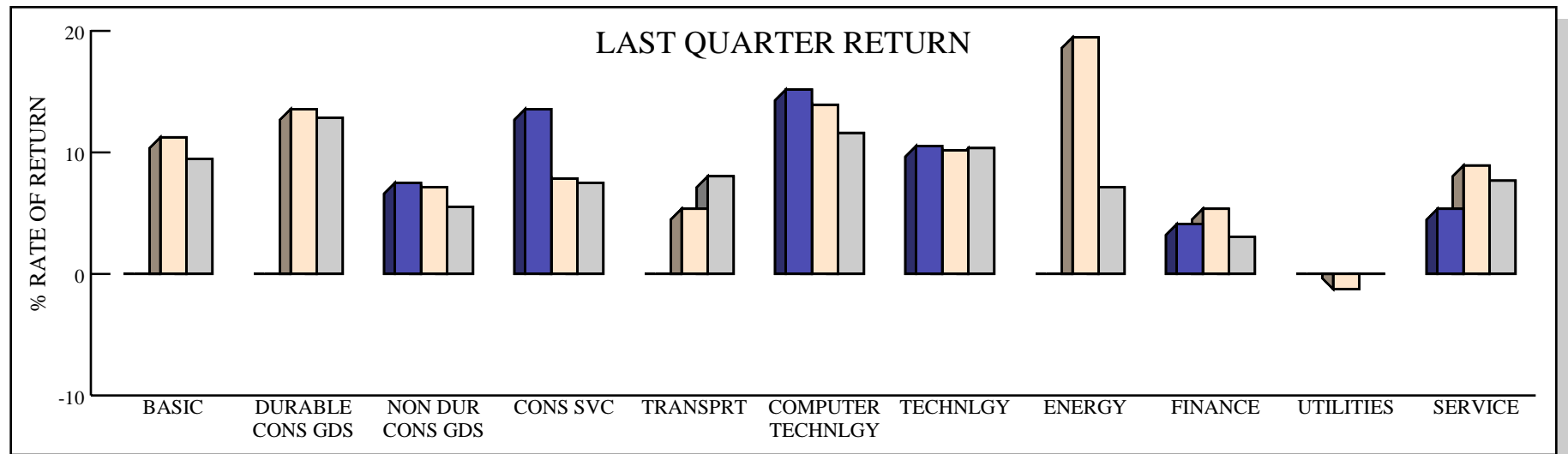
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.3%	15.3%	30.4	0.89
RUSSELL 1000G	1.6%	12.2%	23.9	0.94
RUSSELL 1000	2.0%	7.3%	21.1	1.00



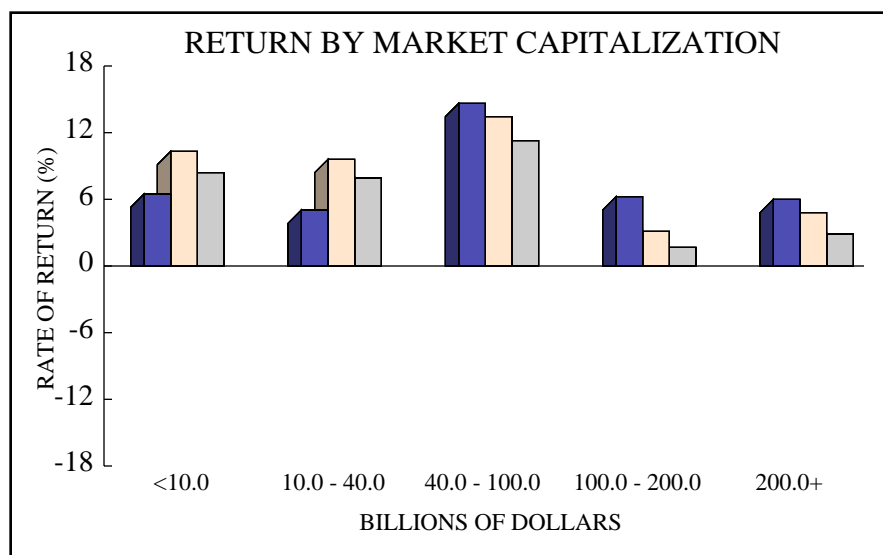
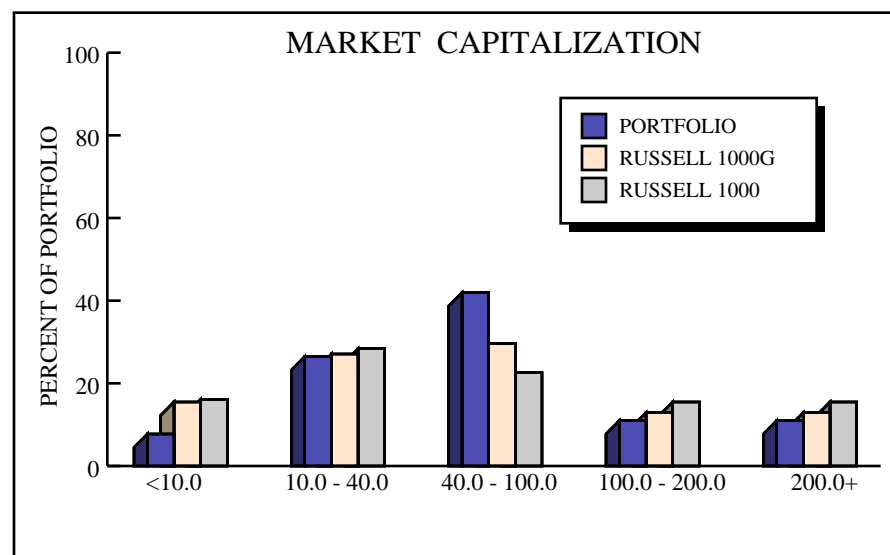
STOCK INDUSTRY ANALYSIS



■ PORTFOLIO
 ■ RUSSELL 1000 GROWTH
 ■ RUSSELL 1000



TOP TEN HOLDINGS



TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	NIKE INC -CL B	\$ 540,078	8.46%	14.4%	NonDur Cons Goods	\$ 51.7 B
2	GOOGLE INC-CL A	499,269	7.82%	-0.5%	Computer Tech	239.9 B
3	VISA INC-CLASS A SHARES	458,449	7.18%	4.7%	Finance	98.3 B
4	QUALCOMM INC	429,083	6.72%	10.7%	Technology	115.6 B
5	T ROWE PRICE GROUP INC	400,290	6.27%	-0.8%	Finance	18.7 B
6	STARBUCKS CORP	399,397	6.25%	17.8%	Consumer Service	57.8 B
7	ALLERGAN INC	370,121	5.80%	7.4%	NonDur Cons Goods	26.9 B
8	EBAY INC	365,425	5.72%	7.9%	Service	72.2 B
9	INTUIT INC	343,817	5.38%	8.9%	Computer Tech	18.7 B
10	ACCENTURE PLC-CL A	323,869	5.07%	2.9%	Service	46.8 B

FRANKLIN REGIONAL RETIREMENT SYSTEM
O'SHAUGHNESSY ASSET MANAGEMENT - MARKET LEADERS VALUE
PERFORMANCE REVIEW
SEPTEMBER 2013

INVESTMENT RETURN

On September 30th, 2013, the Franklin Regional Retirement System's O'Shaughnessy Asset Management portfolio was valued at \$7,014,819, representing an increase of \$533,670 from the June quarter's ending value of \$6,481,149. Last quarter, the Fund posted withdrawals totaling \$140,440, which offset the portfolio's net investment return of \$674,110. Income receipts totaling \$41,047 plus net realized and unrealized capital gains of \$633,063 combined to produce the portfolio's net investment return.

For the cumulative period since March 2012, the fund has recorded net withdrawals totaling \$40,983 and posted net investment gains of \$2.0 million. For the period since March 2012, if the total fund had returned a compounded nominal rate of 8.0% it would have been valued at \$5.7 million or \$1.3 million less than the actual value as of September 30th, 2013.

RELATIVE PERFORMANCE

Total Fund

In the third quarter, the O'Shaughnessy Asset Management portfolio gained 10.4%, which was 6.5% above the Russell 1000 Value Index's return of 3.9% and ranked in the 4th percentile of the Large Cap Value universe. Over the trailing year, the portfolio returned 33.1%, which was 10.8% greater than the benchmark's 22.3% performance, and ranked in the 6th percentile. Since March 2012, the portfolio returned 22.5% on an annualized basis and ranked in the 4th percentile. For comparison, the Russell 1000 Value returned an annualized 17.5% over the same period.

ASSET ALLOCATION

On September 30th, 2013, domestic equities comprised 98.6% of the total portfolio (\$6.9 million), while cash & equivalents totaled 1.4% (\$95,923).

STOCK ANALYSIS

Last quarter, the O'Shaughnessy portfolio was invested across ten of the eleven of the sectors used in our analysis. When compared to the Russell 1000 Value Index, the Consumer Service, Computer Technology, Technology, and Service sectors were overweight. In contrast, the Basic, Non-Durable Consumer Goods, Energy, and Finance sectors were underweight. The Transportation sector was void of holdings.

At the end of the quarter, the portfolio beat its benchmark in nine of the ten represented sectors. The significantly overweight Consumer Service, Computer Technology, and Service sectors performed well against their index counterparts. The only sector to underperform was the Durable Consumer Goods; Luckily, its concentration was too low to have a significant impact on overall returns. The O'Shaughnessy portfolio finished the quarter 6.5% above the benchmark.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 3/2012
Total Gross/Fees	10.4	32.1	33.1	----	22.5
<i>LARGE CAP VALUE RANK</i>	(4)	(2)	(6)	----	(4)
Total Net/Fees	10.3	31.6	32.5	----	21.9
RUSSELL 1000V	3.9	20.5	22.3	16.2	17.5
Domestic Equity	10.6	32.7	33.7	----	22.9
<i>LARGE CAP VALUE RANK</i>	(2)	(2)	(5)	----	(3)
RUSSELL 1000V	3.9	20.5	22.3	16.2	17.5

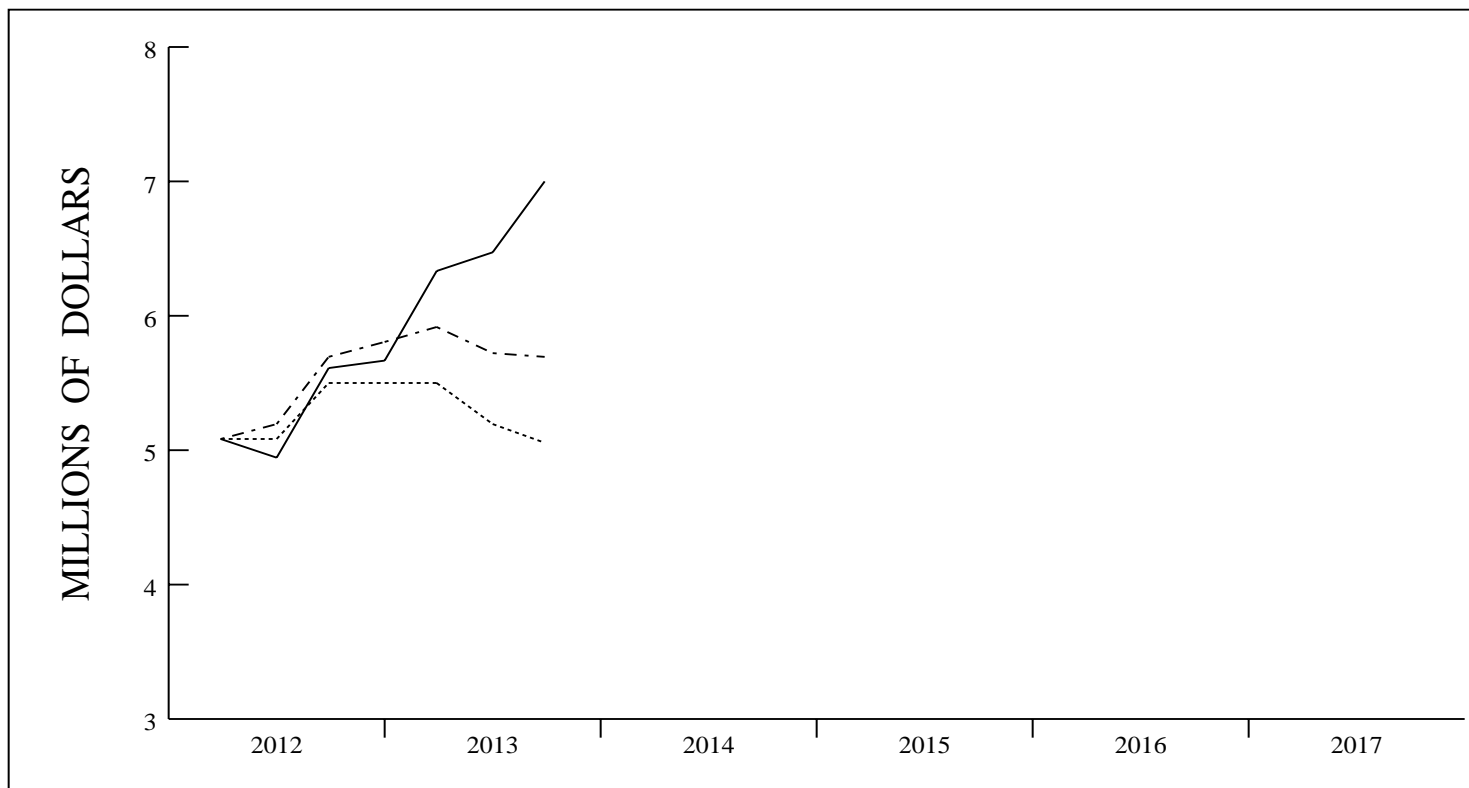
ASSET ALLOCATION

Domestic Equity	98.6%	\$ 6,918,896
Cash	1.4%	95,923
Total Portfolio	100.0%	\$ 7,014,819

INVESTMENT RETURN

Market Value 6/2013	\$ 6,481,149
Contribs / Withdrawals	-140,440
Income	41,047
Capital Gains / Losses	633,063
Market Value 9/2013	\$ 7,014,819

INVESTMENT GROWTH

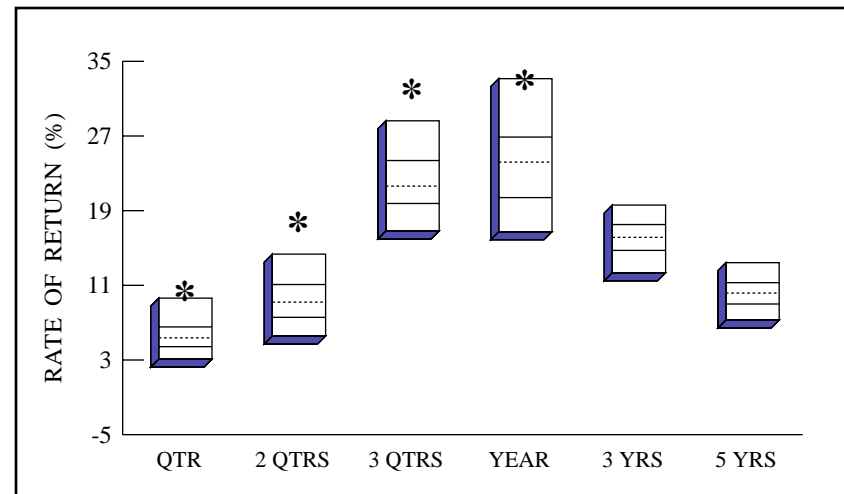
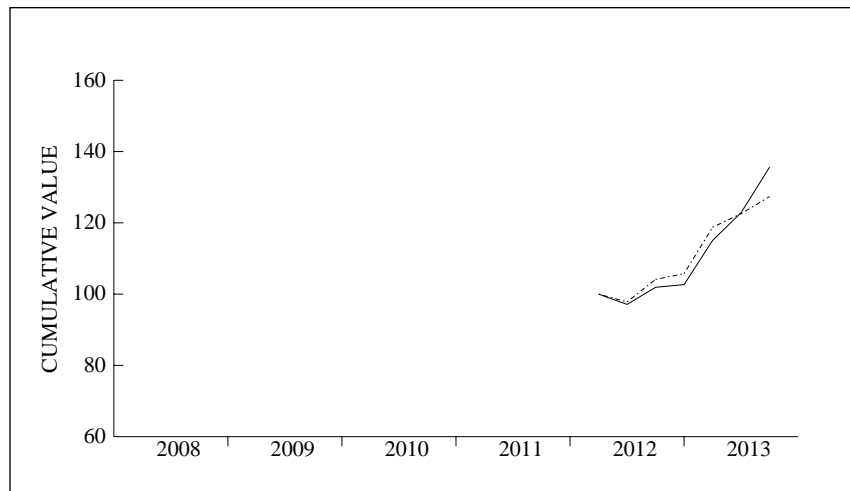


————	ACTUAL RETURN
- - - - -	8.0%
.....	0.0%

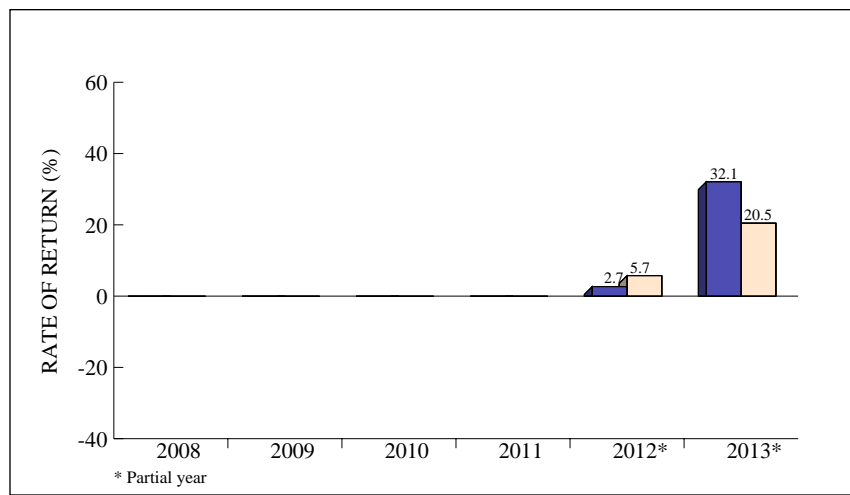
VALUE ASSUMING 8.0% RETURN
\$ 5,715,460

	LAST QUARTER	PERIOD 3/12 - 9/13
BEGINNING VALUE	\$ 6,481,149	\$ 5,103,112
NET CONTRIBUTIONS	-140,440	- 40,983
<u>INVESTMENT RETURN</u>	<u>674,110</u>	<u>1,952,690</u>
ENDING VALUE	\$ 7,014,819	\$ 7,014,819
INCOME	41,047	274,922
CAPITAL GAINS (LOSSES)	<u>633,063</u>	<u>1,677,768</u>
INVESTMENT RETURN	674,110	1,952,690

TOTAL RETURN COMPARISONS



Large Cap Value Universe



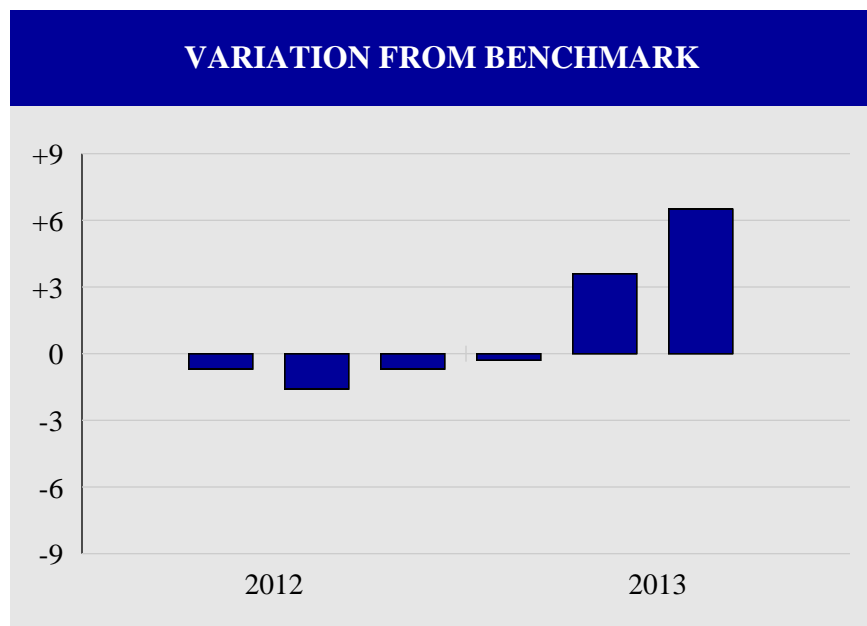
* Partial year

	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	10.4	17.9	32.1	33.1	----	----
(RANK)	(4)	(2)	(2)	(6)	----	----
5TH %ILE	9.6	14.4	28.6	33.1	19.6	13.4
25TH %ILE	6.5	11.1	24.4	26.9	17.5	11.3
MEDIAN	5.4	9.2	21.6	24.2	16.1	10.2
75TH %ILE	4.4	7.6	19.8	20.4	14.7	9.0
95TH %ILE	3.1	5.6	16.8	16.8	12.3	7.3
Russ 1000V	3.9	7.3	20.5	22.3	16.2	8.9

Large Cap Value Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

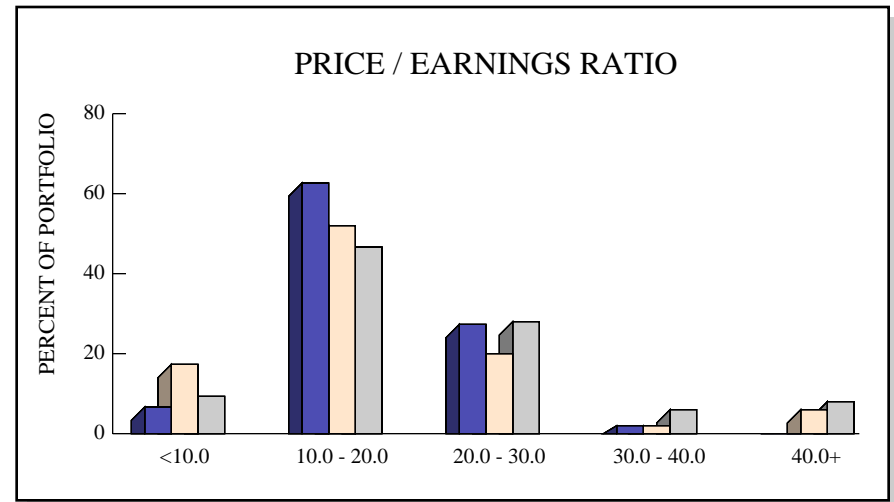
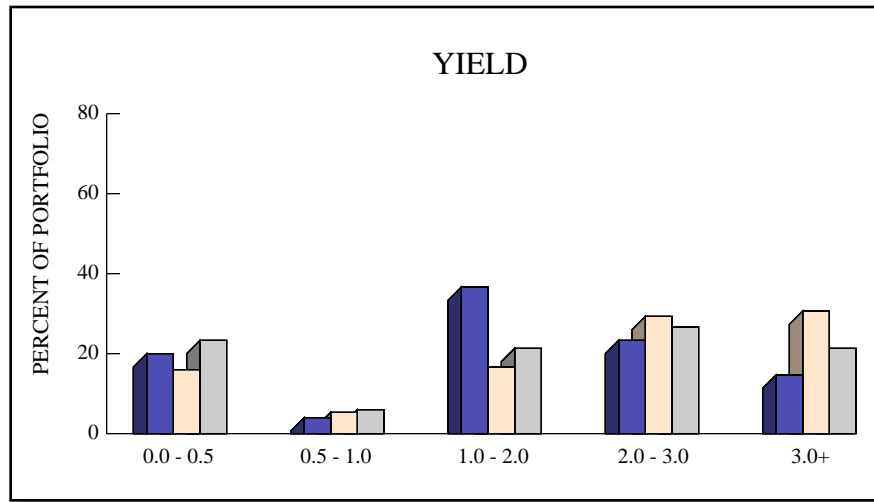
COMPARATIVE BENCHMARK: RUSSELL 1000 VALUE



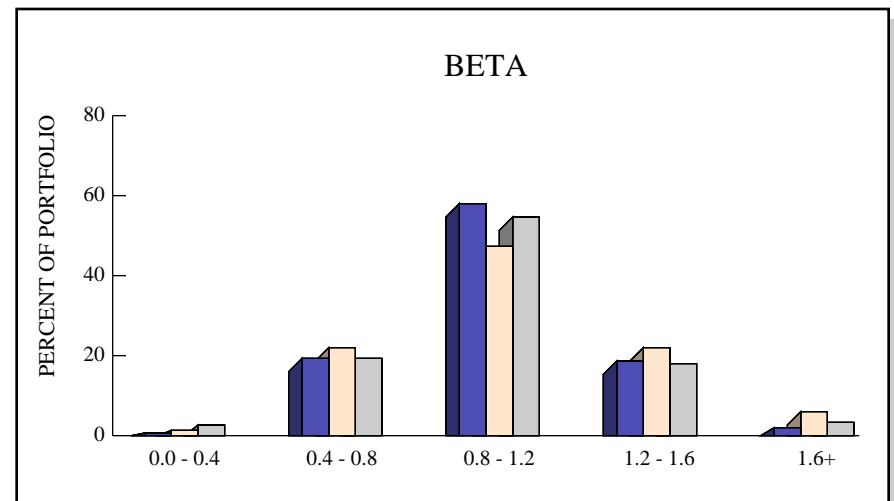
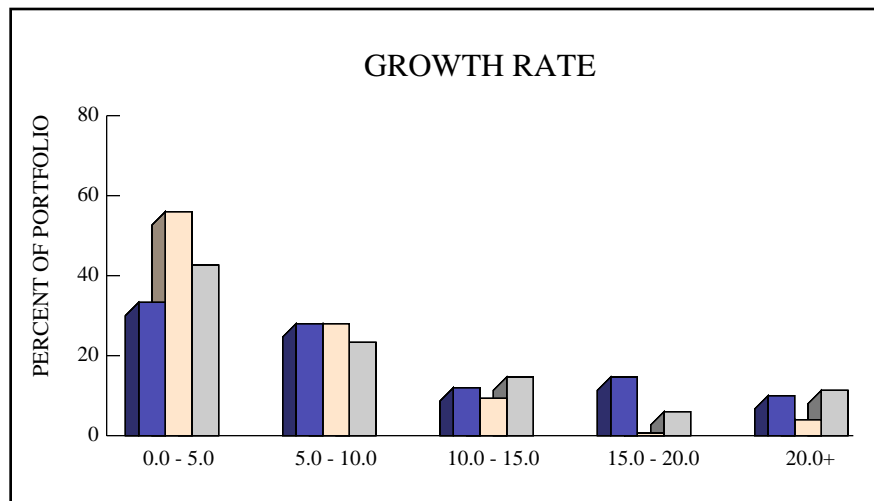
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
6/12	-2.9	-2.2	-0.7
9/12	4.9	6.5	-1.6
12/12	0.8	1.5	-0.7
3/13	12.0	12.3	-0.3
6/13	6.8	3.2	3.6
9/13	10.4	3.9	6.5

Total Quarters Observed	6
Quarters At or Above the Benchmark	2
Quarters Below the Benchmark	4
Batting Average	.333

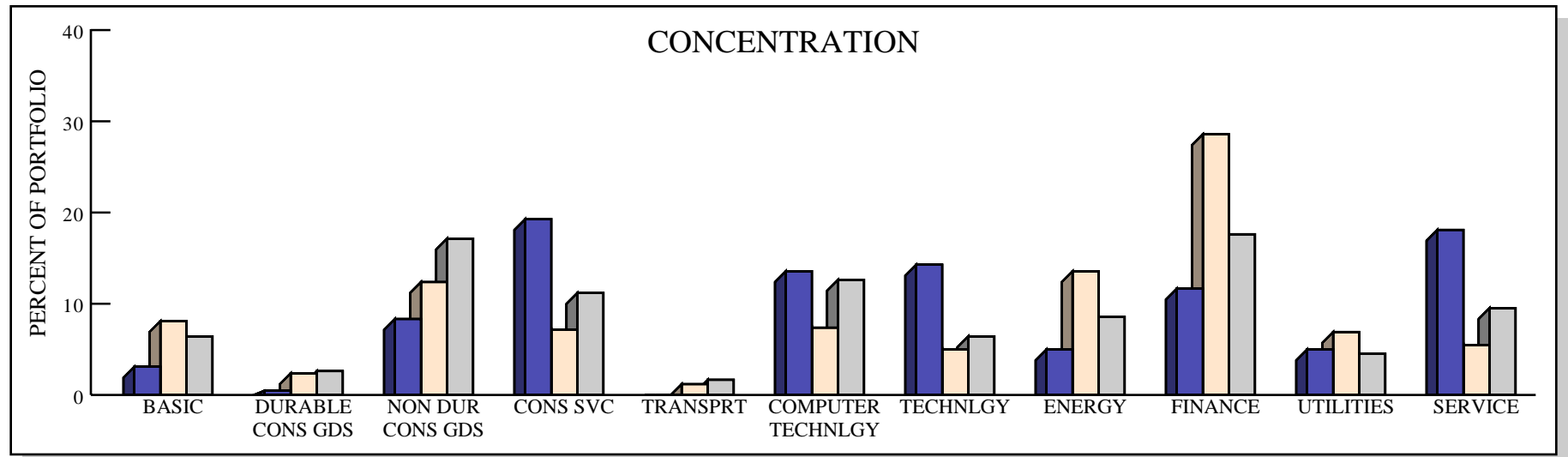
STOCK CHARACTERISTICS



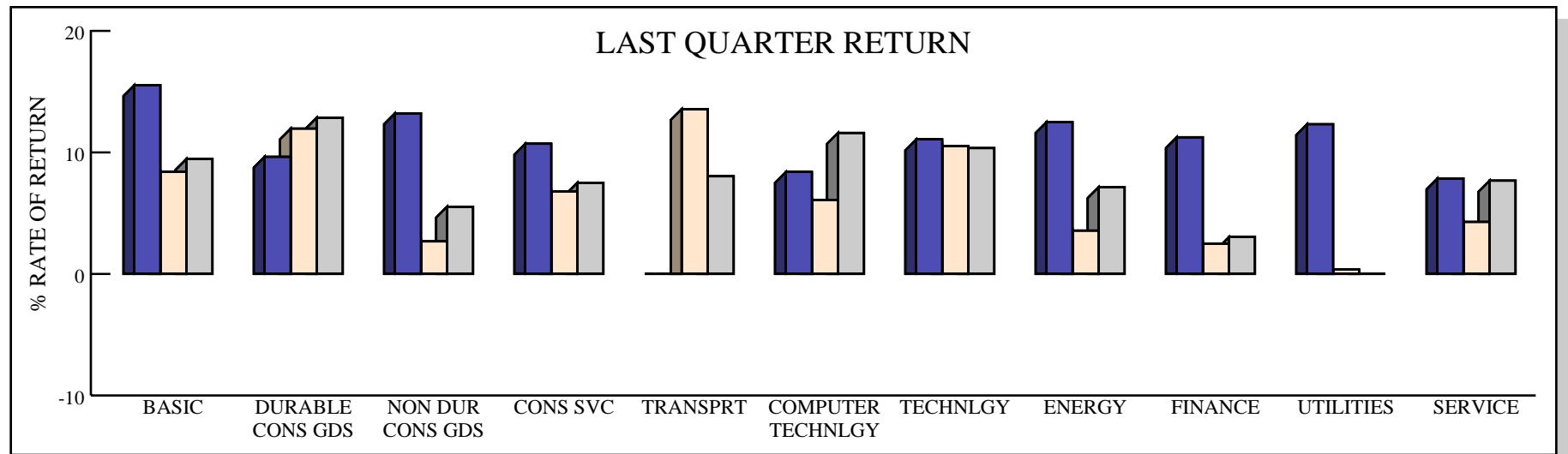
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.8%	7.1%	17.1	1.00
RUSSELL 1000V	2.3%	2.2%	18.2	1.05
RUSSELL 1000	2.0%	7.3%	21.1	1.00



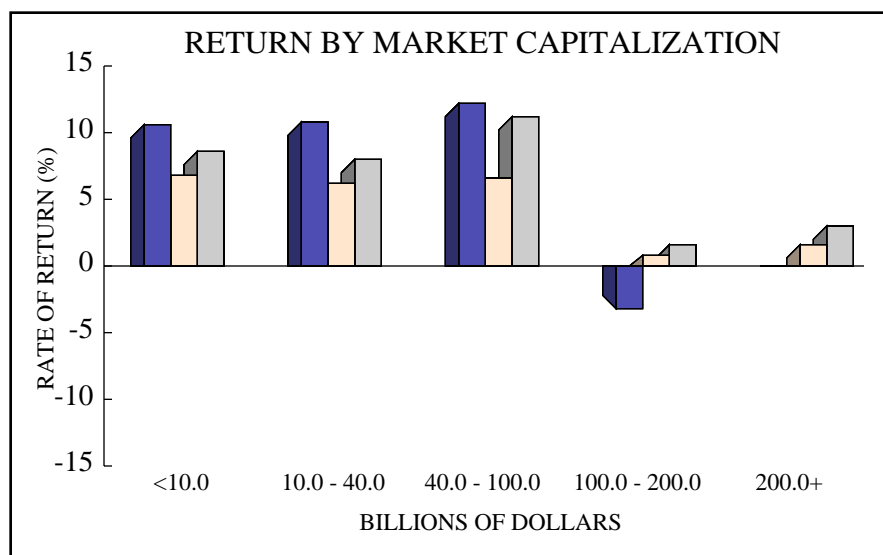
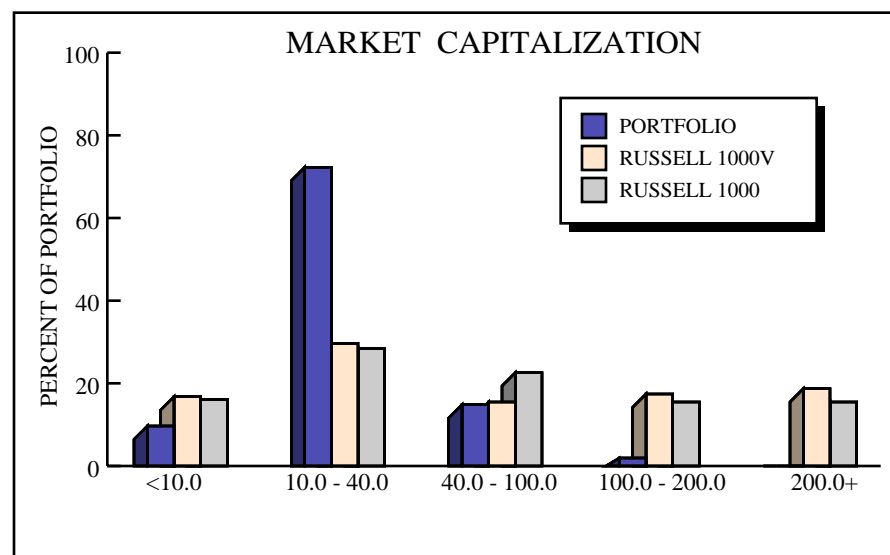
STOCK INDUSTRY ANALYSIS



■ PORTFOLIO
 ■ RUSSELL 1000 VALUE
 ■ RUSSELL 1000



TOP TEN HOLDINGS



TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	VIACOM INC-CLASS B	\$ 315,765	4.56%	23.2%	Service	\$ 35.6 B
2	AMERIPRISE FINANCIAL INC	310,127	4.48%	13.1%	Finance	18.0 B
3	SEAGATE TECHNOLOGY	287,634	4.16%	-1.6%	Computer Tech	15.6 B
4	L-3 COMMUNICATIONS HOLDINGS	285,957	4.13%	10.8%	Technology	8.5 B
5	SLM CORP	283,561	4.10%	9.5%	Finance	10.9 B
6	DIRECTV	273,237	3.95%	-3.0%	Service	32.8 B
7	NORTHROP GRUMMAN CORP	251,677	3.64%	15.7%	Technology	21.9 B
8	LOWE'S COS INC	245,906	3.55%	16.8%	Consumer Service	50.1 B
9	O'REILLY AUTOMOTIVE INC	239,104	3.46%	13.3%	Consumer Service	13.9 B
10	COCA-COLA ENTERPRISES	237,681	3.44%	14.8%	NonDur Cons Goods	10.8 B

FRANKLIN REGIONAL RETIREMENT SYSTEM
SEIZERT CAPITAL PARTNERS
PERFORMANCE REVIEW
SEPTEMBER 2013

INVESTMENT RETURN

On September 30th, 2013, the Franklin Regional Retirement System's Seizert Capital Partners portfolio was valued at \$5,802,114, representing an increase of \$364,491 from the June quarter's ending value of \$5,437,623. Last quarter, the Fund posted withdrawals totaling \$140,000, which offset the portfolio's net investment return of \$504,491. Income receipts totaling \$15,035 plus net realized and unrealized capital gains of \$489,456 combined to produce the portfolio's net investment return.

For the cumulative period since June 2011, the fund has recorded net withdrawals totaling \$1.1 million and posted net investment gains of \$2.0 million. For the period since June 2011, if the total fund had returned a compounded nominal rate of 8.0% it would have been valued at \$4.7 million or \$1.1 million less than the actual value as of September 30th, 2013.

RELATIVE PERFORMANCE

In the third quarter, the Seizert Capital Partners portfolio gained 9.3%, which was 1.6% above the Russell Mid Cap's return of 7.7% and ranked in the 48th percentile of the Mid Cap universe. Over the trailing year, the portfolio returned 43.7%, which was 15.8% greater than the benchmark's 27.9% performance, and ranked in the 1st percentile. Since June 2011, the portfolio returned 17.5% on an annualized basis and ranked in the 3rd percentile. For comparison, the Russell Mid Cap returned an annualized 13.4% over the same period.

ASSET ALLOCATION

On September 30th, 2013, domestic equities comprised 95.6% of the total portfolio (\$5.5 million), while cash & equivalents totaled 4.4% (\$253,189).

STOCK ANALYSIS

At the end of the quarter, the Seizert portfolio was invested in eight of the eleven industry sectors in our analysis. Relative to the Russell Mid Cap, the portfolio placed more emphasis into the Basic, Computer Technology, Technology, Energy, Finance, and Service sectors. In contrast, the portfolio's weight in the Consumer Goods Nondurable and the Durable Consumer Goods, Consumer Service and Utilities sectors were vacant of holdings.

The Seizert portfolio benefitted from its overweight allocations to the Technology, Finance and Service sectors; these sectors outperformed their benchmark counterparts. In addition, the manager utilized strong stock selection from the Non-durable Consumer Goods sectors to produce last quarter's benchmark beating performance.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 6/2011
Total Gross/Fees	9.3	34.2	43.7	----	17.5
<i>MID CAP RANK</i>	(48)	(2)	(1)	----	(3)
Total Net/Fees	9.2	33.6	42.8	----	16.8
RUSSELL MID	7.7	24.3	27.9	17.5	13.4
Domestic Equity	9.8	35.9	46.0	----	18.3
<i>MID CAP RANK</i>	(38)	(2)	(1)	----	(2)
RUSSELL MID	7.7	24.3	27.9	17.5	13.4

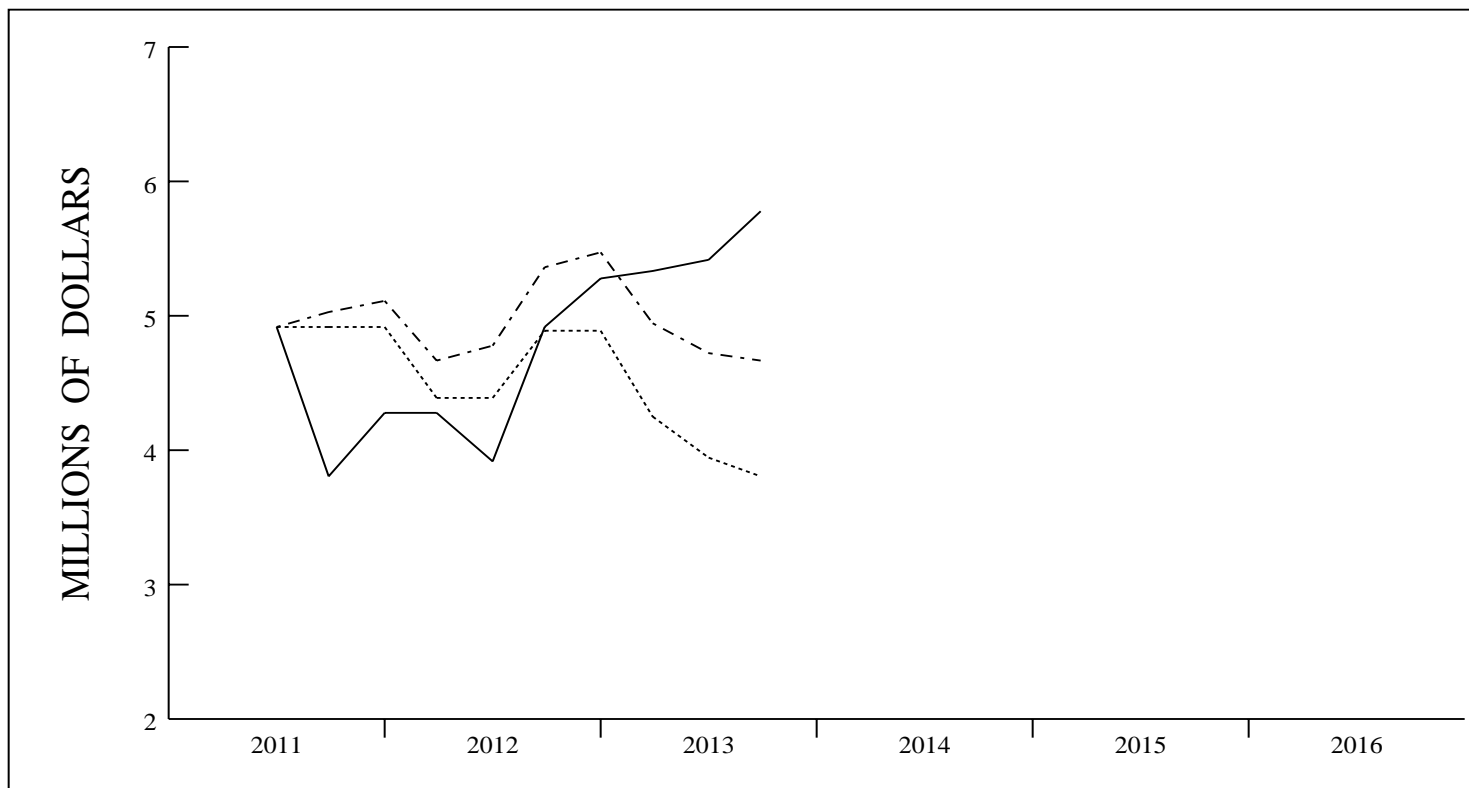
ASSET ALLOCATION

Domestic Equity	95.6%	\$ 5,548,925
Cash	4.4%	253,189
Total Portfolio	100.0%	\$ 5,802,114

INVESTMENT RETURN

Market Value 6/2013	\$ 5,437,623
Contribs / Withdrawals	-140,000
Income	15,035
Capital Gains / Losses	489,456
Market Value 9/2013	\$ 5,802,114

INVESTMENT GROWTH

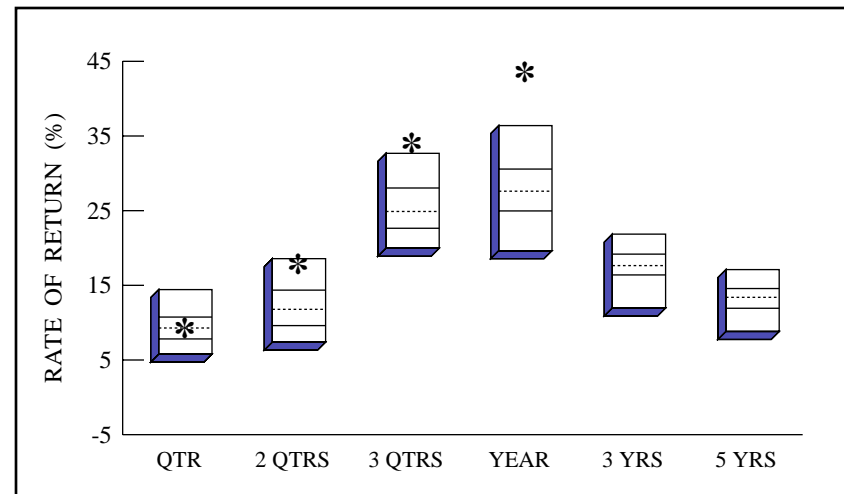
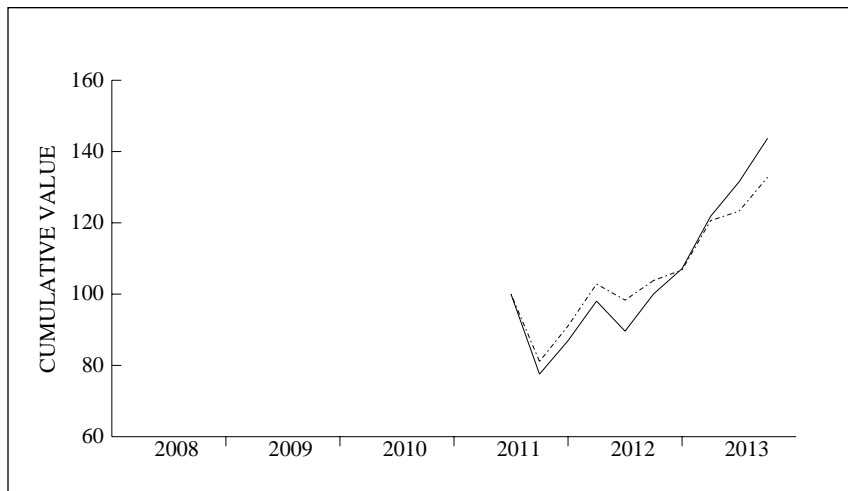


— ACTUAL RETURN
 - - - 8.0%
 0.0%

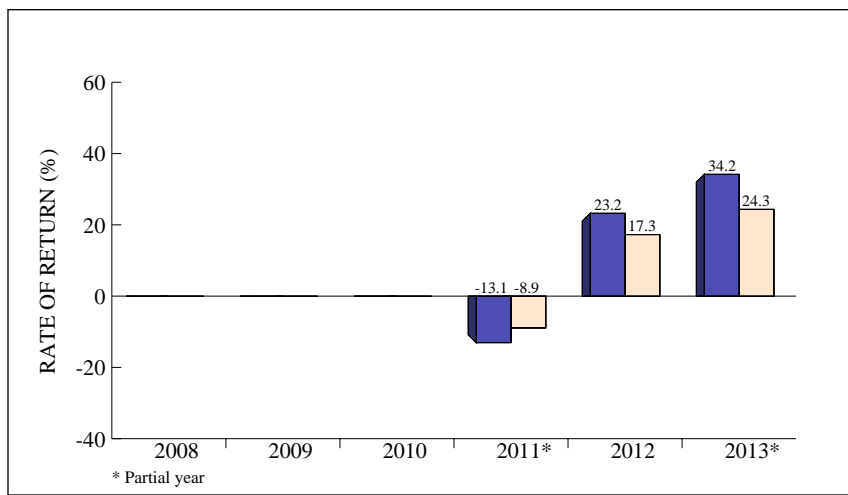
VALUE ASSUMING
 8.0% RETURN
 \$ 4,680,449

	LAST QUARTER	PERIOD 6/11 - 9/13
BEGINNING VALUE	\$ 5,437,623	\$ 4,935,067
NET CONTRIBUTIONS	-140,000	- 1,125,000
<u>INVESTMENT RETURN</u>	<u>504,491</u>	<u>1,992,047</u>
ENDING VALUE	\$ 5,802,114	\$ 5,802,114
INCOME	15,035	156,424
<u>CAPITAL GAINS (LOSSES)</u>	<u>489,456</u>	<u>1,835,623</u>
INVESTMENT RETURN	504,491	1,992,047

TOTAL RETURN COMPARISONS



Mid Cap Universe

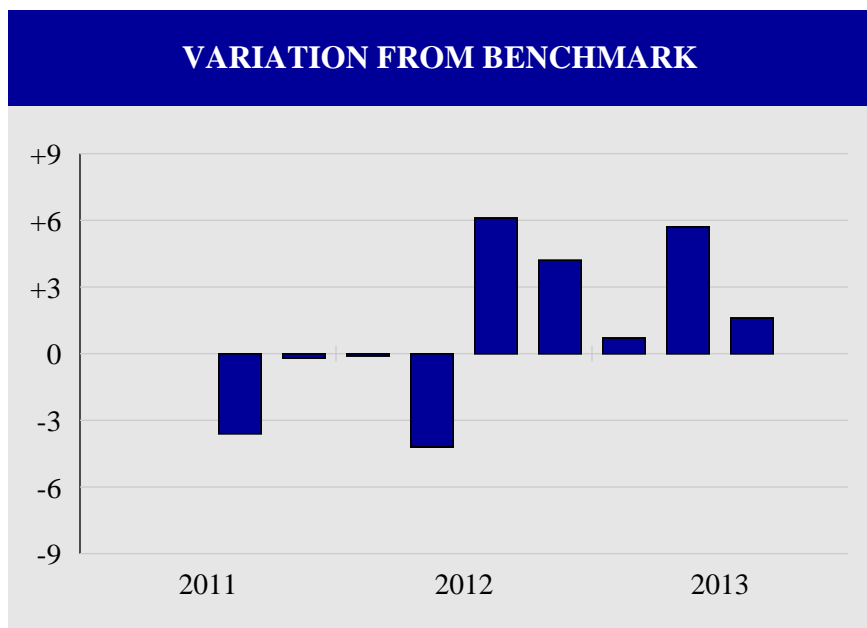


	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	9.3	18.0	34.2	43.7	----	----
(RANK)	(48)	(8)	(2)	(1)	----	----
5TH %ILE	14.4	18.6	32.7	36.4	21.9	17.1
25TH %ILE	10.7	14.4	28.0	30.6	19.2	14.6
MEDIAN	9.3	11.8	24.9	27.6	17.6	13.4
75TH %ILE	7.8	9.6	22.6	25.0	16.4	11.9
95TH %ILE	5.8	7.4	20.0	19.7	12.0	8.8
Russ MC	7.7	10.1	24.3	27.9	17.5	13.0

Mid Cap Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

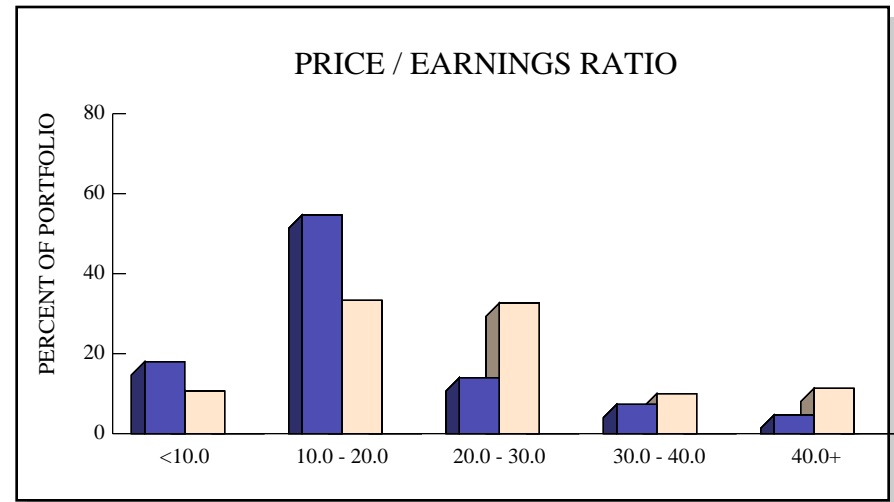
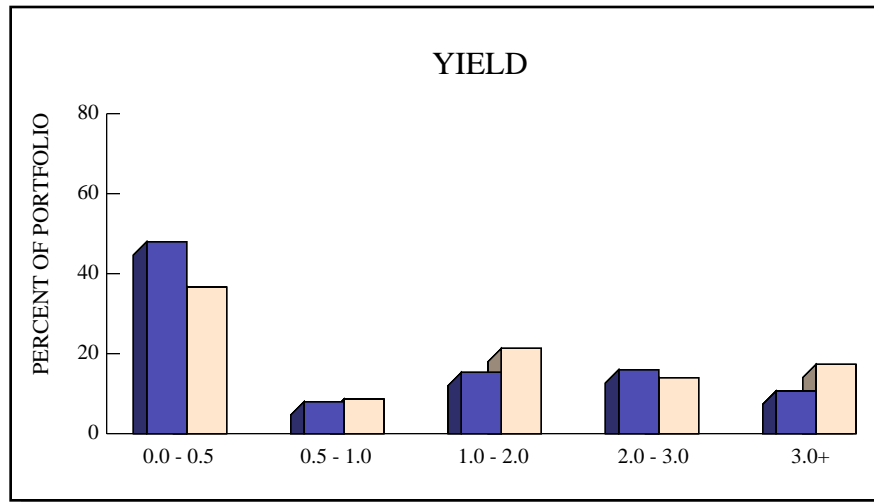
COMPARATIVE BENCHMARK: RUSSELL MID CAP



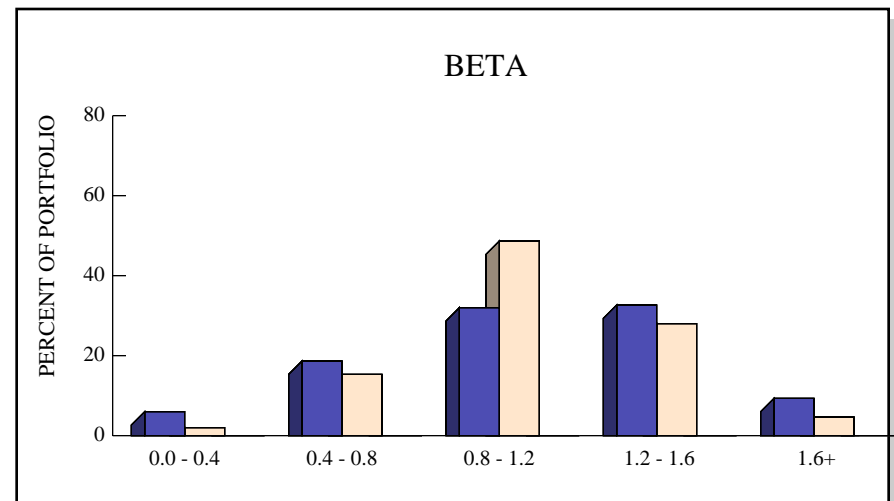
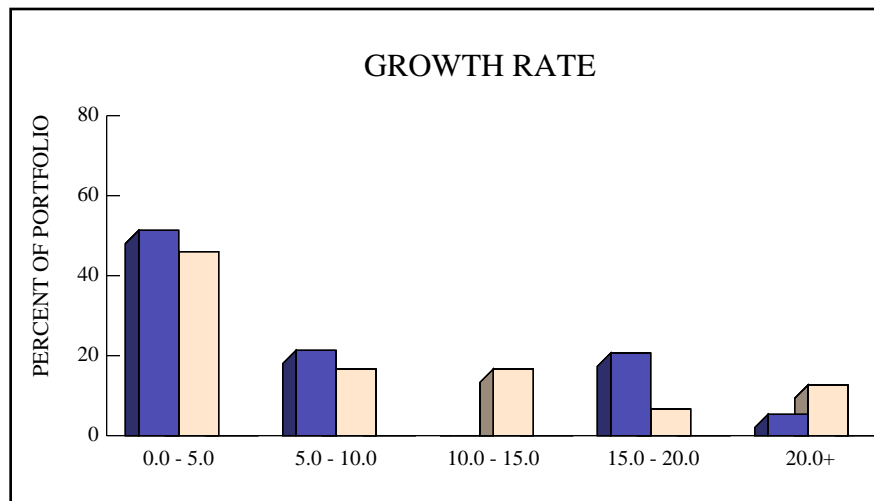
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
9/11	-22.5	-18.9	-3.6
12/11	12.1	12.3	-0.2
3/12	12.8	12.9	-0.1
6/12	-8.6	-4.4	-4.2
9/12	11.7	5.6	6.1
12/12	7.1	2.9	4.2
3/13	13.7	13.0	0.7
6/13	7.9	2.2	5.7
9/13	9.3	7.7	1.6

Total Quarters Observed	9
Quarters At or Above the Benchmark	5
Quarters Below the Benchmark	4
Batting Average	.556

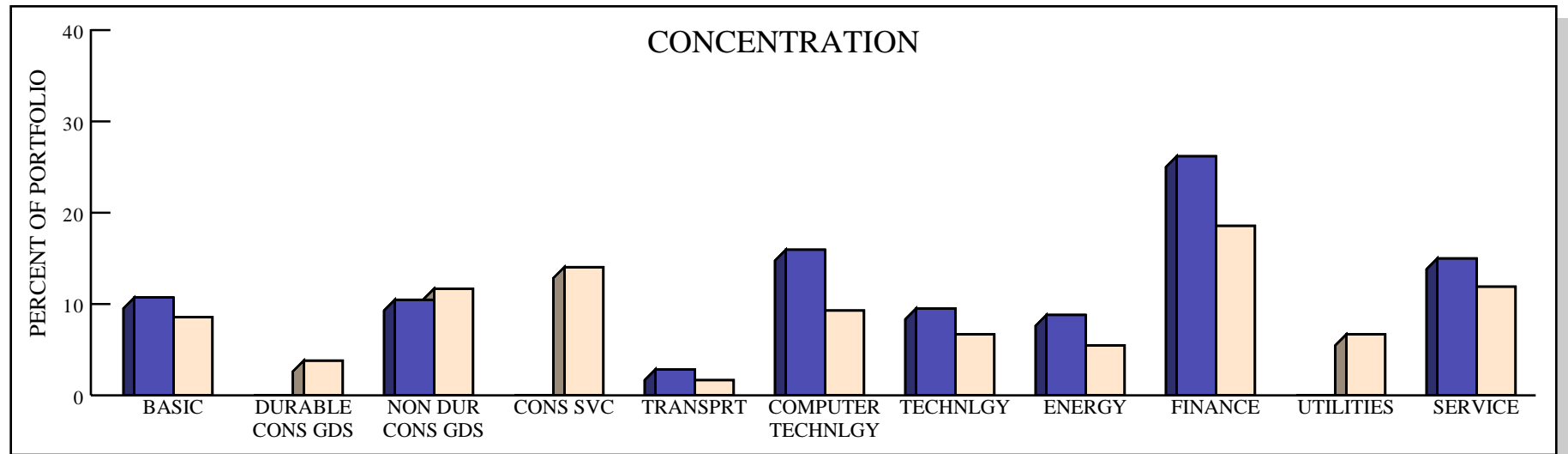
STOCK CHARACTERISTICS



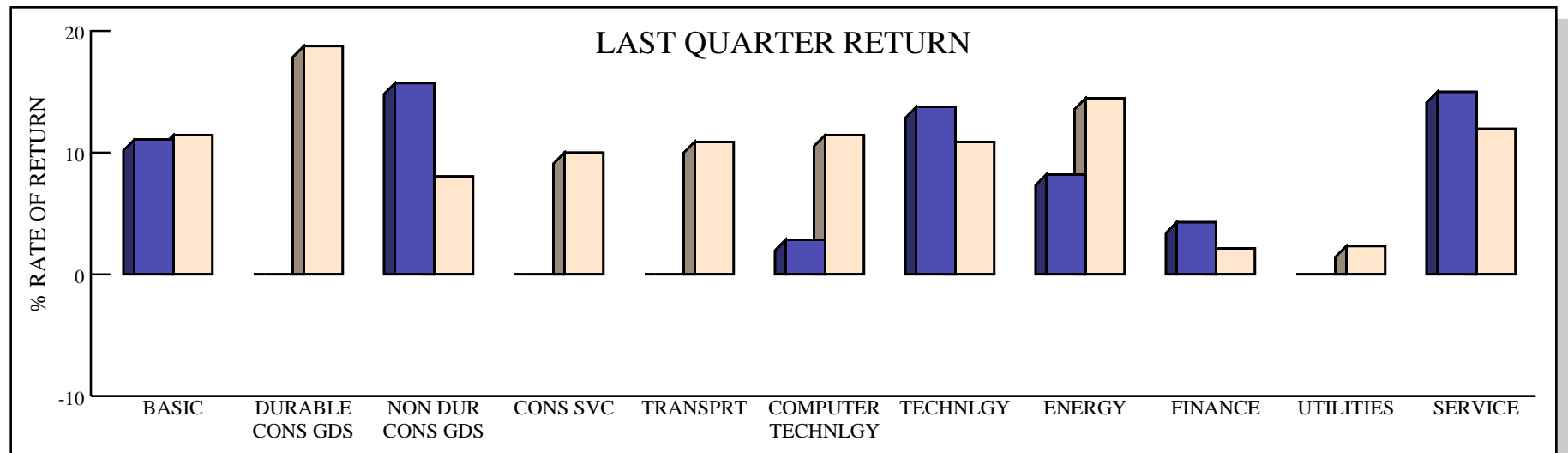
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.2%	3.7%	14.3	1.09
RUSSELL MID	1.6%	5.7%	22.5	1.05



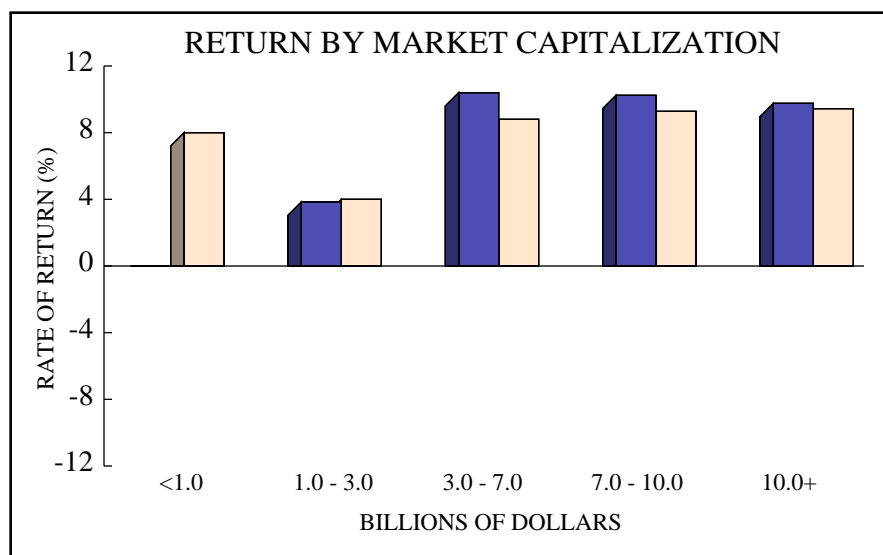
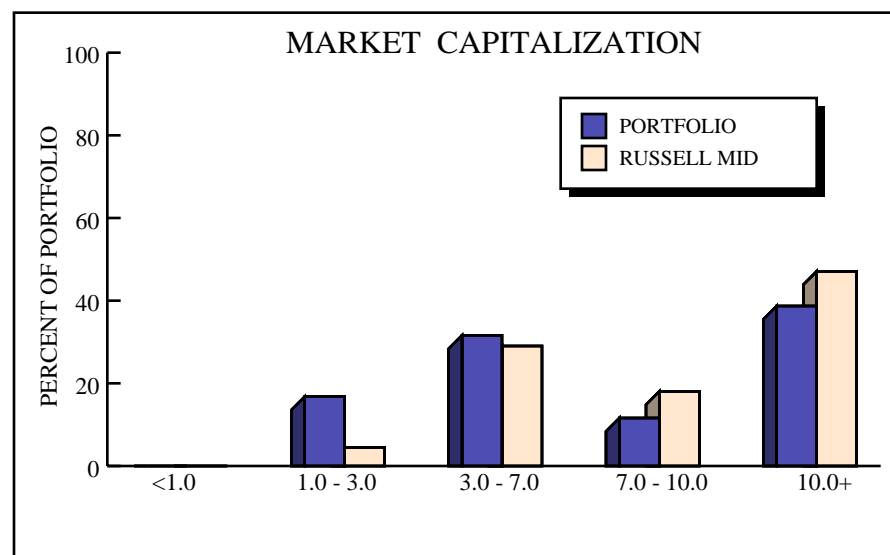
STOCK INDUSTRY ANALYSIS



■ PORTFOLIO ■ RUSSELL MID CAP



TOP TEN HOLDINGS



TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	LIBERTY MEDIA CORP - A	\$ 398,776	7.19%	16.1%	Service	\$ 16.3 B
2	ENDO HEALTH SOLUTIONS INC	277,866	5.01%	23.5%	NonDur Cons Goods	5.2 B
3	CHECK POINT SOFTWARE TECH	270,640	4.88%	13.9%	Computer Tech	11.3 B
4	WESTERN UNION CO	264,692	4.77%	9.7%	Service	10.3 B
5	VISTEON CORP	248,856	4.48%	19.8%	Basic	3.8 B
6	MARVELL TECHNOLOGY GROUP LTD	231,495	4.17%	-1.3%	Computer Tech	5.7 B
7	LOEWS CORP	229,727	4.14%	5.4%	Finance	18.1 B
8	REGIONS FINANCIAL CORP	219,601	3.96%	-2.7%	Finance	12.9 B
9	L-3 COMMUNICATIONS HOLDINGS	212,153	3.82%	10.8%	Technology	8.5 B
10	TESSERA TECHNOLOGIES INC	206,852	3.73%	-6.1%	Computer Tech	1.0 B

FRANKLIN REGIONAL RETIREMENT SYSTEM
DARUMA
PERFORMANCE REVIEW
SEPTEMBER 2013

INVESTMENT RETURN

On September 30th, 2013, the Franklin Regional Retirement System's Daruma portfolio was valued at \$11,613,162, representing an increase of \$1,030,384 from the June quarter's ending value of \$10,582,778. Last quarter, the Fund posted withdrawals totaling \$210,000, which partially offset the portfolio's net investment return of \$1,240,384. Income receipts totaling \$4,332 plus net realized and unrealized capital gains of \$1,236,052 combined to produce the portfolio's net investment return.

For the cumulative period since December 2007, the fund has recorded net withdrawals totaling \$1.9 million and posted net investment gains of \$5.7 million. For the period since December 2007, if the total fund had returned a compounded nominal rate of 8.0% it would have been valued at \$10.1 million or \$1.5 million less than the actual value as of September 30th, 2013.

RELATIVE PERFORMANCE

Total Fund

In the third quarter, the Daruma portfolio gained 11.8%, which was 1.6% above the Russell 2000 Index's return of 10.2% and ranked in the 35th percentile of the Small Cap universe. Over the trailing year, the portfolio returned 41.1%, which was 11.1% greater than the benchmark's 30.0% performance, and ranked in the 9th percentile. Since December 2007, the portfolio returned 10.2% on an annualized basis and ranked in the 31st percentile. For comparison, the Russell 2000 returned an annualized 7.6% over the same period.

ASSET ALLOCATION

On September 30th, 2013, domestic equities comprised 95.4% of the total portfolio (\$11.1 million), while cash & equivalents totaled 4.6% (\$533,636).

HOLDINGS ANALYSIS

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

Positive allocation effects were the main cause for the Daruma portfolio's slight lead over the Russell 2000 for the quarter. Significant allocation deviation from the benchmark in the Service sector amplified the surplus achieved throughout this sector.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2007
Total Gross/Fees	11.8	33.4	41.1	17.7	10.2
<i>SMALL CAP RANK</i>	(35)	(26)	(9)	(77)	(31)
Total Net/Fees	11.5	32.5	39.8	16.6	9.0
RUSSELL 2000	10.2	27.7	30.0	18.3	7.6
Domestic Equity	12.3	35.1	43.1	18.5	10.4
<i>SMALL CAP RANK</i>	(28)	(21)	(7)	(69)	(29)
RUSSELL 2000	10.2	27.7	30.0	18.3	7.6
RUSSELL 2000G	12.8	32.5	33.1	19.9	8.2
RUSSELL 2000V	7.6	23.1	27.0	16.6	6.9

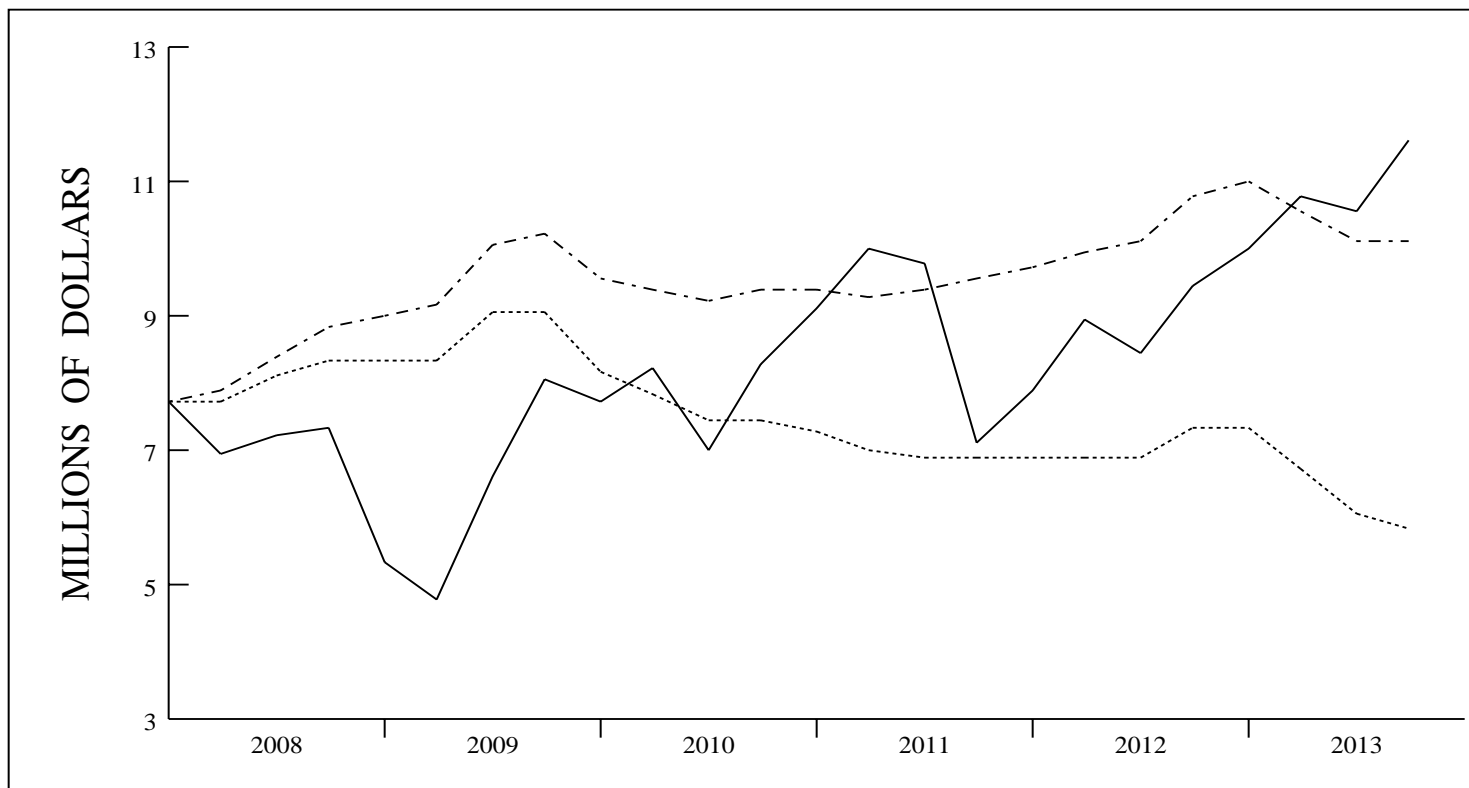
ASSET ALLOCATION

Domestic Equity	95.4%	\$ 11,079,526
Cash	4.6%	533,636
Total Portfolio	100.0%	\$ 11,613,162

INVESTMENT RETURN

Market Value 6/2013	\$ 10,582,778
Contribs / Withdrawals	-210,000
Income	4,332
Capital Gains / Losses	1,236,052
Market Value 9/2013	\$ 11,613,162

INVESTMENT GROWTH

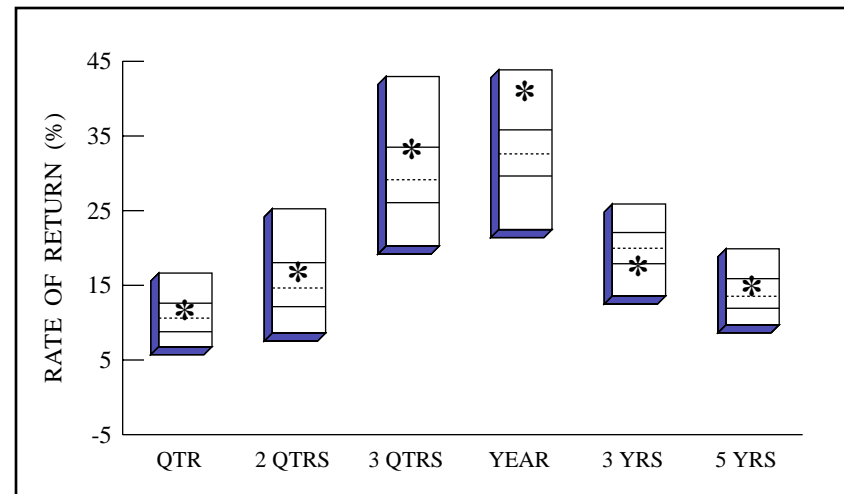
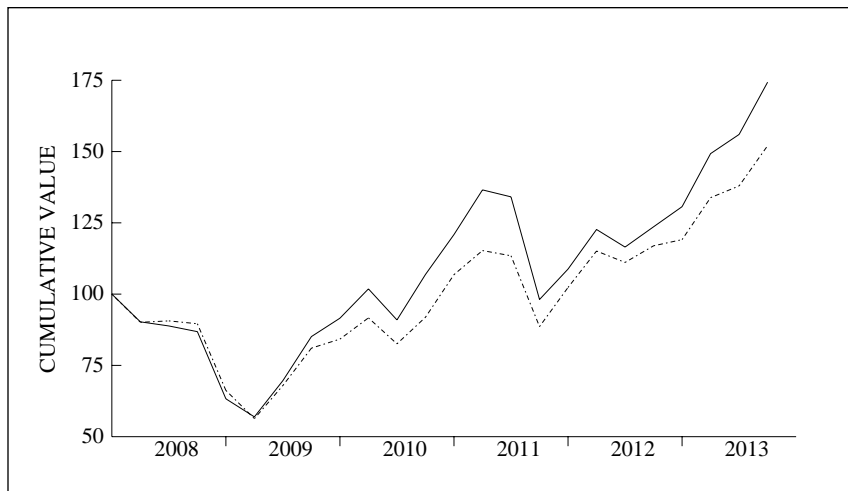


— ACTUAL RETURN
 - - - 8.0%
 . . . 0.0%

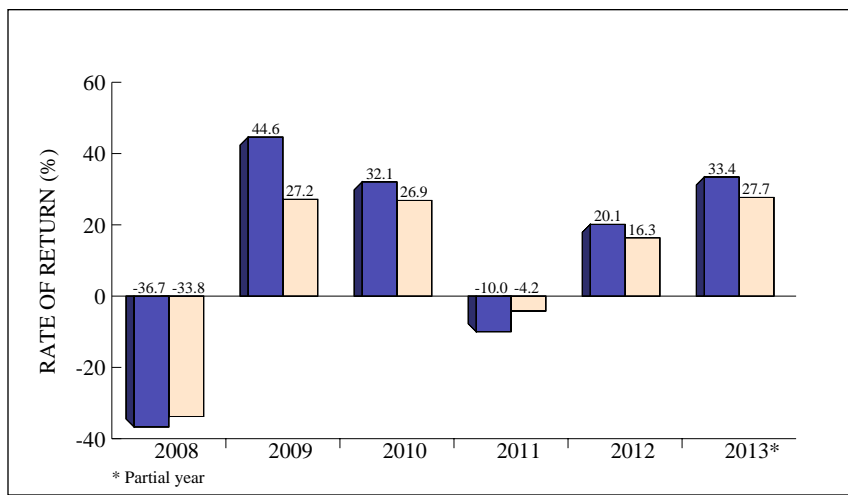
VALUE ASSUMING
 8.0% RETURN
 \$ 10,111,662

	LAST QUARTER	PERIOD 12/07 - 9/13
BEGINNING VALUE	\$ 10,582,778	\$ 7,743,803
NET CONTRIBUTIONS	-210,000	-1,865,000
<u>INVESTMENT RETURN</u>	<u>1,240,384</u>	<u>5,734,359</u>
ENDING VALUE	\$ 11,613,162	\$ 11,613,162
INCOME	4,332	238,087
<u>CAPITAL GAINS (LOSSES)</u>	<u>1,236,052</u>	<u>5,496,272</u>
INVESTMENT RETURN	1,240,384	5,734,359

TOTAL RETURN COMPARISONS

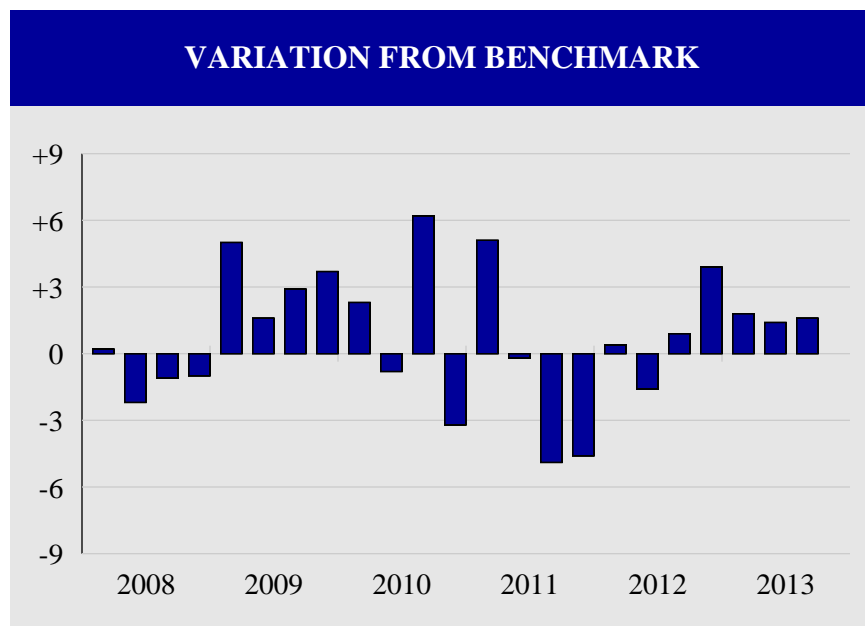


Small Cap Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	11.8	16.8	33.4	41.1	17.7	15.0
(RANK)	(35)	(32)	(26)	(9)	(77)	(32)
5TH %ILE	16.6	25.3	43.0	43.9	25.9	19.9
25TH %ILE	12.6	18.1	33.5	35.8	22.1	15.9
MEDIAN	10.6	14.7	29.1	32.6	20.0	13.5
75TH %ILE	8.8	12.2	26.1	29.7	17.9	11.9
95TH %ILE	6.8	8.6	20.3	22.5	13.6	9.7
Russ 2000	10.2	13.6	27.7	30.0	18.3	11.2

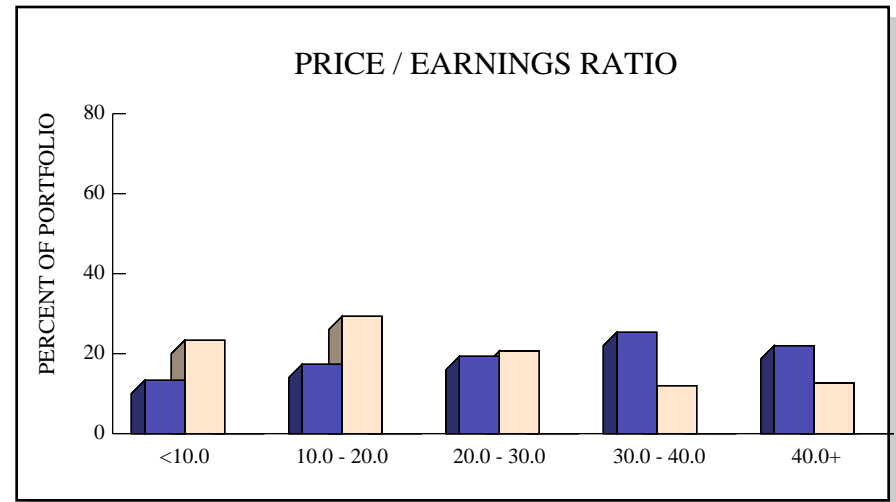
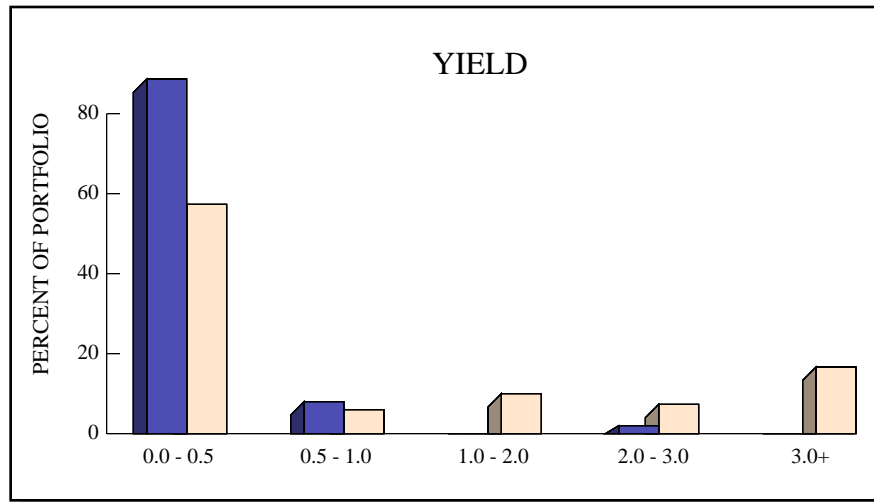
Small Cap Universe

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

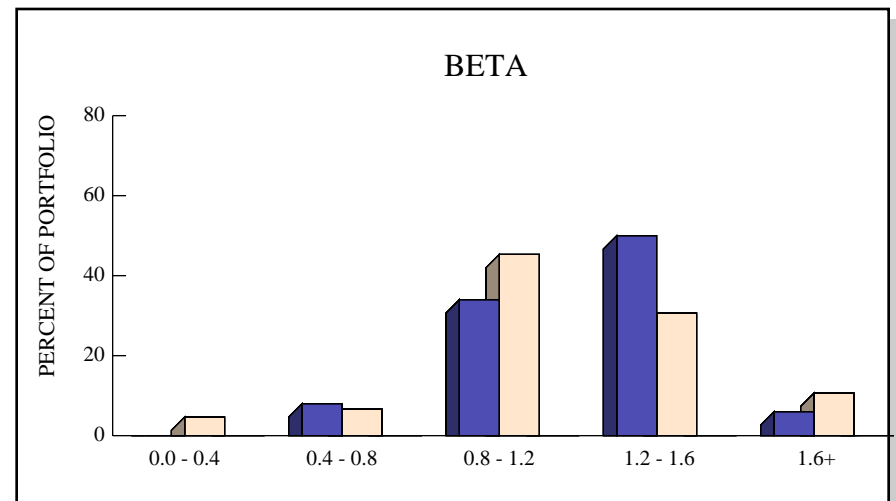
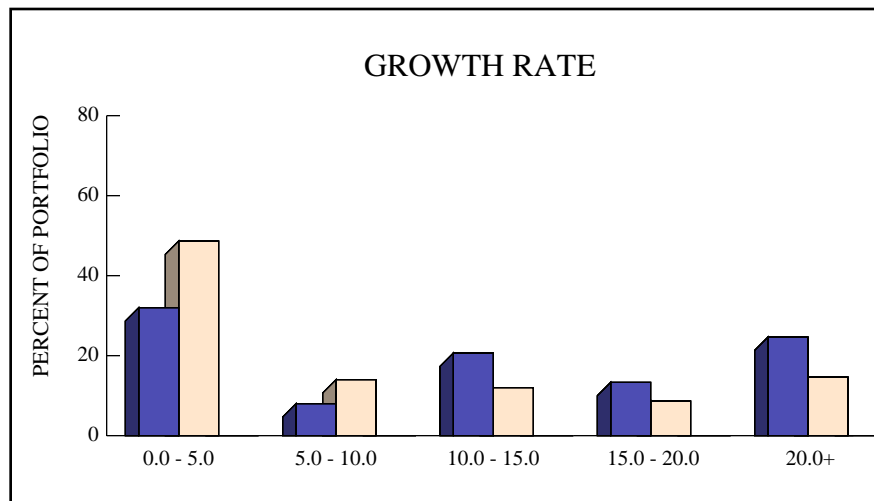
Total Quarters Observed	23
Quarters At or Above the Benchmark	14
Quarters Below the Benchmark	9
Batting Average	.609

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
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
12/11	10.9	15.5	-4.6
3/12	12.8	12.4	0.4
6/12	-5.1	-3.5	-1.6
9/12	6.1	5.2	0.9
12/12	5.7	1.8	3.9
3/13	14.2	12.4	1.8
6/13	4.5	3.1	1.4
9/13	11.8	10.2	1.6

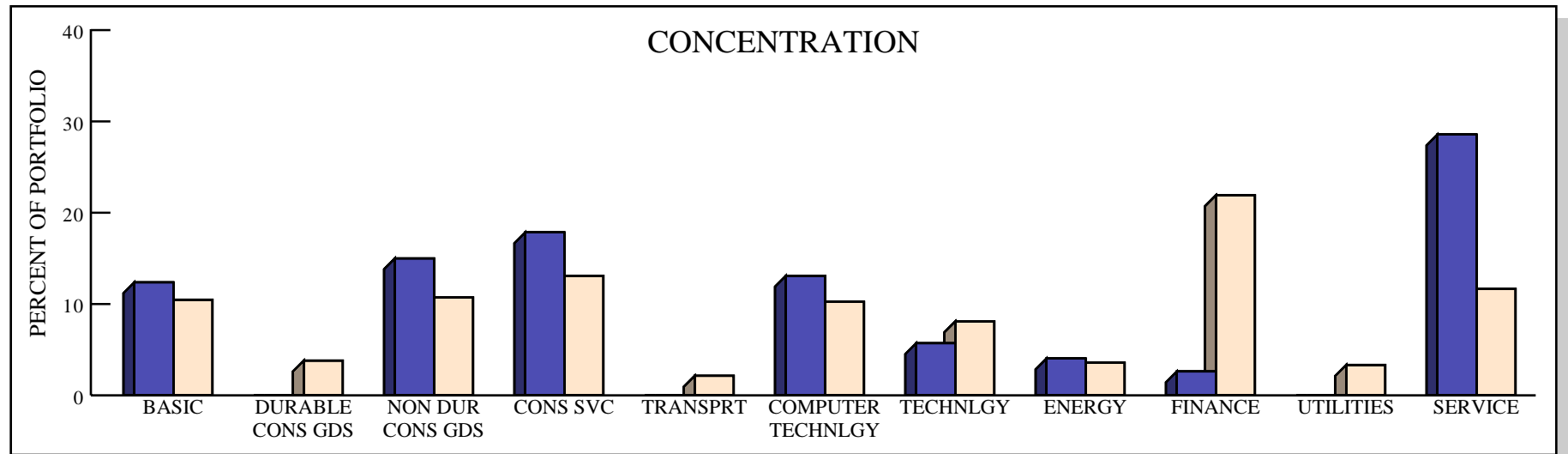
STOCK CHARACTERISTICS



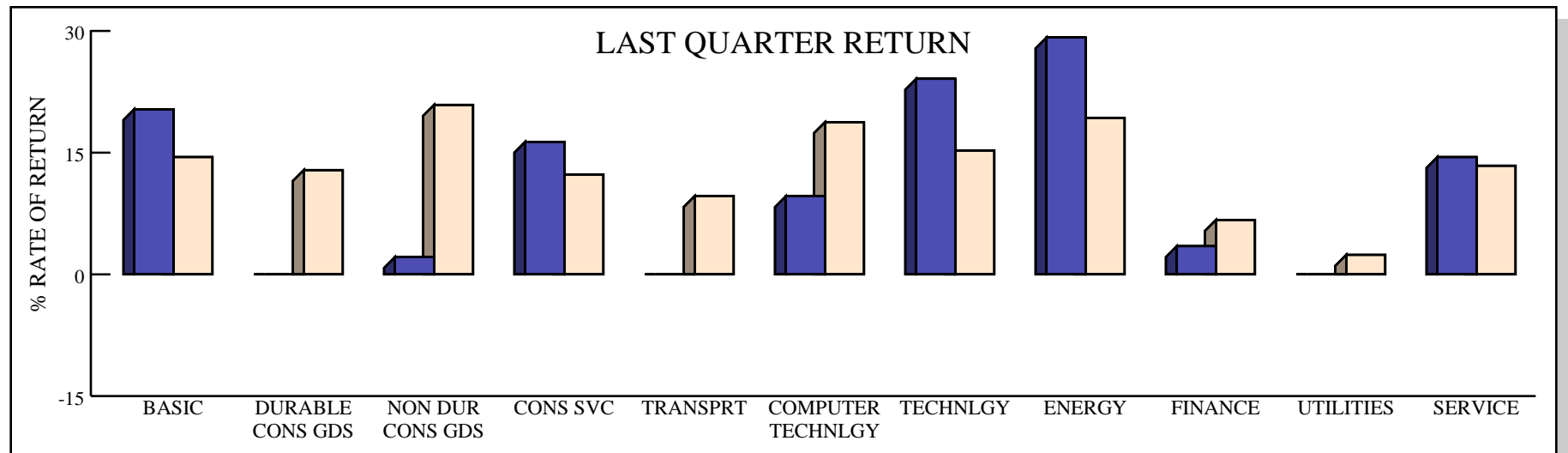
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	0.1%	7.7%	31.9	1.21
RUSSELL 2000	1.4%	5.9%	19.7	1.13



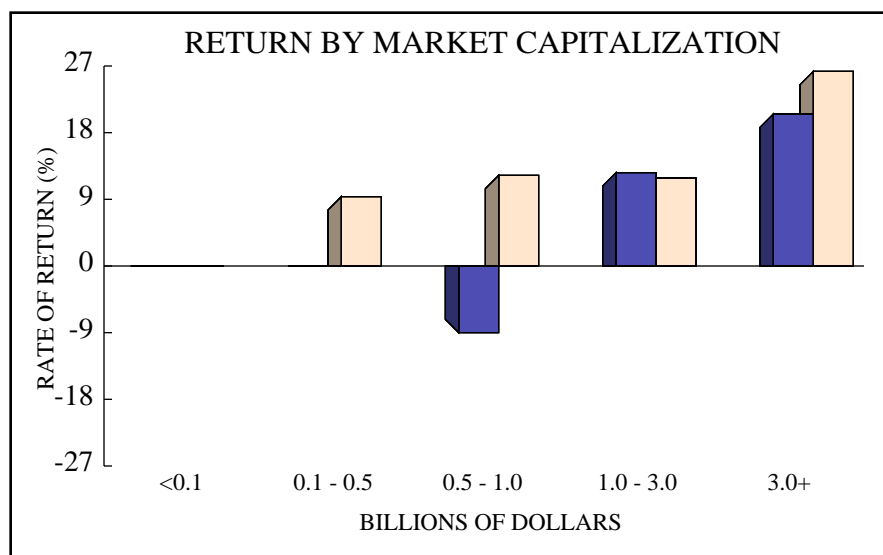
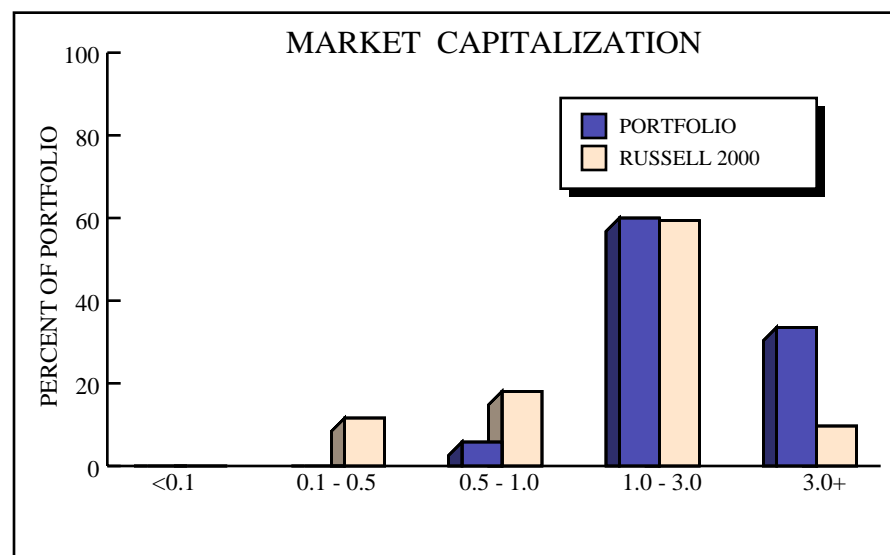
STOCK INDUSTRY ANALYSIS



■ PORTFOLIO ■ RUSSELL 2000



TOP TEN HOLDINGS



TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	ACXIOM CORP	\$ 478,258	4.32%	25.2%	Service	\$ 2.1 B
2	DEALERTRACK TECHNOLOGIES INC	472,525	4.26%	20.9%	Computer Tech	1.9 B
3	COSTAR GROUP INC	469,952	4.24%	30.1%	Service	4.8 B
4	HEALTHSOUTH CORP	415,863	3.75%	19.7%	Consumer Service	3.0 B
5	BRUNSWICK CORP	408,080	3.68%	24.9%	Basic	3.6 B
6	WELLCARE HEALTH PLANS INC	395,705	3.57%	25.5%	Consumer Service	3.0 B
7	WEX INC	392,067	3.54%	14.4%	Service	3.4 B
8	MAXIMUS INC	391,533	3.53%	21.0%	Service	3.1 B
9	WABTEC CORP	390,360	3.52%	17.7%	Basic	6.1 B
10	SHUTTERFLY INC	380,096	3.43%	0.2%	Service	2.1 B

FRANKLIN REGIONAL RETIREMENT SYSTEM
PRIT - CORE REAL ESTATE ACCOUNT
PERFORMANCE REVIEW
SEPTEMBER 2013

INVESTMENT RETURN

On September 30th, 2013, the Franklin Regional Retirement System's PRIT portfolio was valued at \$5,371,586, representing an increase of \$146,382 from the June quarter's ending value of \$5,225,204. Last quarter, the Fund posted withdrawals totaling \$7,789, which partially offset the portfolio's net investment return of \$154,171. Income receipts totaling \$62,554 plus net realized and unrealized capital gains of \$91,617 combined to produce the portfolio's net investment return.

For the cumulative period since September 2010, the fund has recorded net contributions totaling \$2.8 million, and recorded net investment gains of \$1.3 million. 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 \$4.8 million or \$532,277 less than the actual value as of September 30th, 2013.

RELATIVE PERFORMANCE

In the third quarter, the PRIT portfolio gained 3.0%, which was 0.6% less than the NCREIF NFI-ODCE Index's return of 3.6%. Over the trailing twelve-month period, the portfolio returned 12.8%, which was 0.2% below the benchmark's 13.0% return. Since September 2010, the account returned 13.0% on an annualized basis, while the NCREIF NFI-ODCE Index returned an annualized 14.3% over the same time frame.

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	-----Annualized-----	
				3 Years	Since 9/2010
Total Gross/Fees	3.0	8.1	12.8	13.0	13.0
Total Net/Fees	2.8	7.7	12.2	12.5	12.5
NCREIF ODCE	3.6	10.4	13.0	14.3	14.3
Real Estate	3.0	8.1	12.8	13.0	13.0
NCREIF ODCE	3.6	10.4	13.0	14.3	14.3

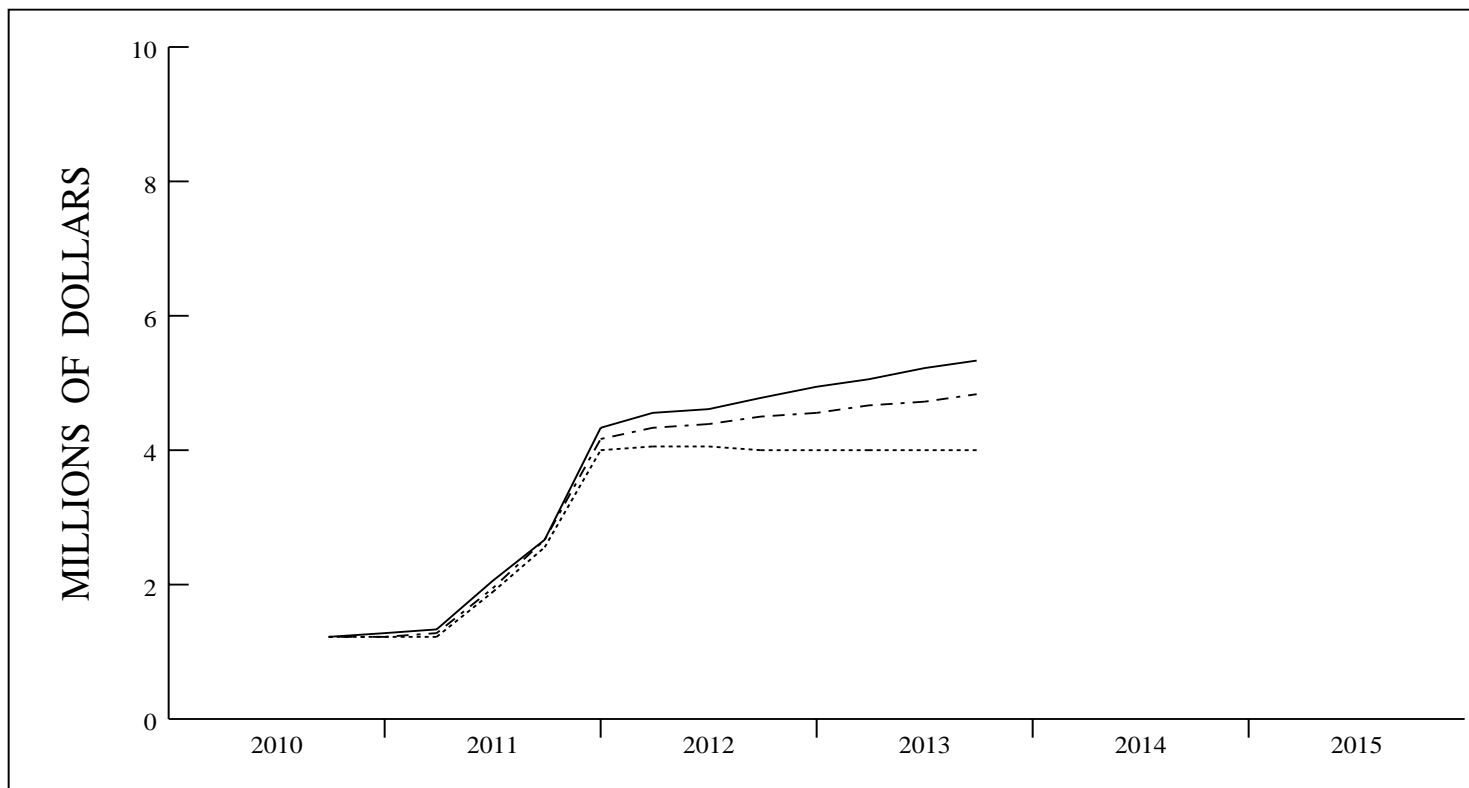
ASSET ALLOCATION

Real Estate	100.0%	\$ 5,371,586
Total Portfolio	100.0%	\$ 5,371,586

INVESTMENT RETURN

Market Value 6/2013	\$ 5,225,204
Contribs / Withdrawals	- 7,789
Income	62,554
Capital Gains / Losses	91,617
Market Value 9/2013	\$ 5,371,586

INVESTMENT GROWTH



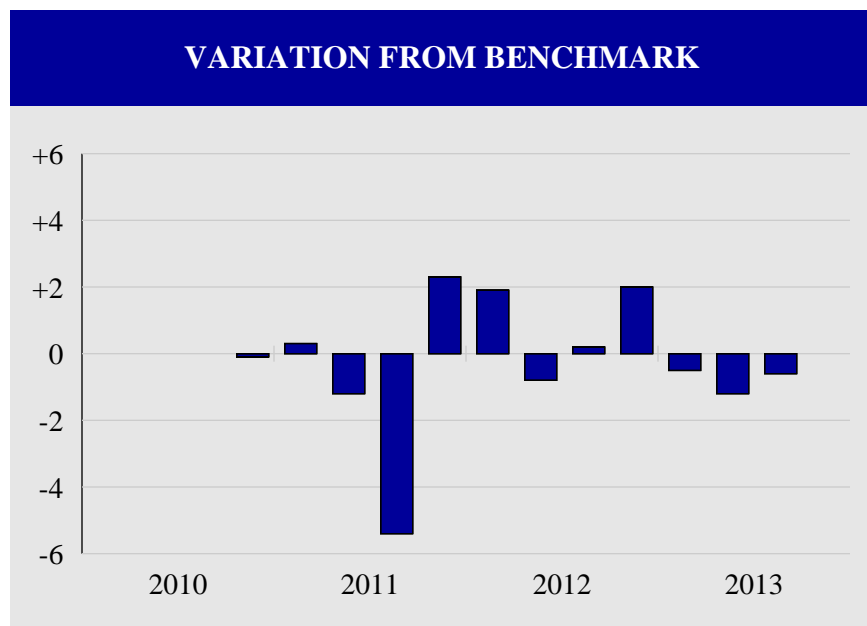
— ACTUAL RETURN
 - - - 8.0%
 . . . 0.0%

VALUE ASSUMING
 8.0% RETURN
 \$ 4,839,309

	LAST QUARTER	PERIOD 9/10 - 9/13
BEGINNING VALUE	\$ 5,225,204	\$ 1,247,572
NET CONTRIBUTIONS	- 7,789	2,778,146
INVESTMENT RETURN	154,171	1,345,868
ENDING VALUE	\$ 5,371,586	\$ 5,371,586
INCOME	62,554	574,469
CAPITAL GAINS (LOSSES)	91,617	771,399
INVESTMENT RETURN	154,171	1,345,868

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
12/11	5.3	3.0	2.3
3/12	4.7	2.8	1.9
6/12	1.7	2.5	-0.8
9/12	3.0	2.8	0.2
12/12	4.3	2.3	2.0
3/13	2.2	2.7	-0.5
6/13	2.7	3.9	-1.2
9/13	3.0	3.6	-0.6

Total Quarters Observed	12
Quarters At or Above the Benchmark	5
Quarters Below the Benchmark	7
Batting Average	.417

FRANKLIN REGIONAL RETIREMENT SYSTEM
INCOME RESEARCH & MANAGEMENT - CORE BOND FUND
PERFORMANCE REVIEW
SEPTEMBER 2013

INVESTMENT RETURN

On September 30th, 2013, the Franklin Regional Retirement System's Income Research & Management portfolio was valued at \$11,811,213, representing an increase of \$30,781 from the June quarter's ending value of \$11,780,432. Last quarter, the Fund posted no net contributions or withdrawals, while posting \$30,781 in net investment returns. Since there were no income receipts for the third quarter, the portfolio's net investment return was the result of net realized and unrealized capital gains totaling \$30,781.

For the cumulative period since December 2007, the portfolio has posted net withdrawals totaling \$837,000 and recorded net investment gains totaling \$2.9 million. For the period since December 2007, if the fund had returned a compounded nominal rate of 8.0% it would have been valued at \$13.6 million or \$1.8 million more than the actual value as of September 30th, 2013.

RELATIVE PERFORMANCE

For the third quarter, the Income Research & Management portfolio returned 0.3%, which was 0.3% less than the Barclays Aggregate Index's return of 0.6% and ranked in the 95th percentile of the Core Fixed Income universe. Over the trailing year, this portfolio returned -0.8%, which was 0.9% above the benchmark's -1.7% return, ranking in the 26th percentile. Since December 2007, the account returned 5.6% on an annualized basis and ranked in the 39th percentile. For comparison, the Barclays Aggregate Index returned an annualized 4.8% 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, USG rated securities comprised nearly 50% of the bond portfolio, while corporate securities, rated AAA through BBB, made up the remainder, giving the bond portfolio an overall average quality rating of AAA-AA. The average maturity of the portfolio was 8.8 years, longer than the Barclays Aggregate Index's 7.5-year maturity. The average coupon was 4.1%.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2007
Total Gross/Fees	0.3	-1.7	-0.8	3.6	5.6
<i>CORE FIXED INCOME RANK</i>	(95)	(47)	(26)	(37)	(39)
Total Net/Fees	0.2	-2.0	-1.2	3.3	5.2
BARCLAYS AGG	0.6	-1.9	-1.7	2.9	4.8
Fixed Income	0.3	-1.7	-0.8	3.6	5.6
<i>CORE FIXED INCOME RANK</i>	(95)	(47)	(26)	(37)	(39)
BARCLAYS AGG	0.6	-1.9	-1.7	2.9	4.8
GOV/CREDIT	0.4	-2.3	-1.9	2.9	4.8

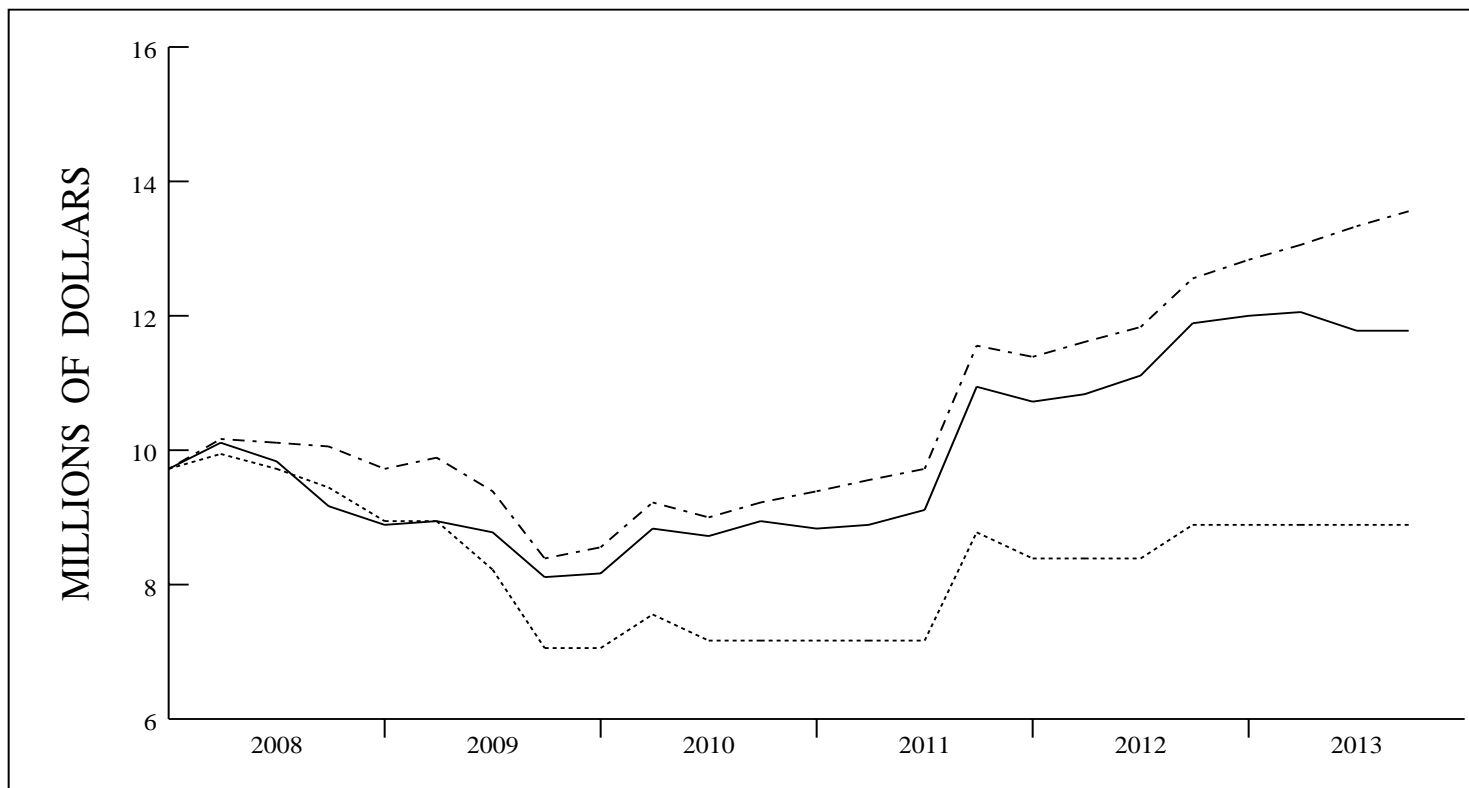
ASSET ALLOCATION

Fixed Income	100.0%	\$ 11,811,213
Total Portfolio	100.0%	\$ 11,811,213

INVESTMENT RETURN

Market Value 6/2013	\$ 11,780,432
Contribs / Withdrawals	0
Income	0
Capital Gains / Losses	30,781
Market Value 9/2013	\$ 11,811,213

INVESTMENT GROWTH

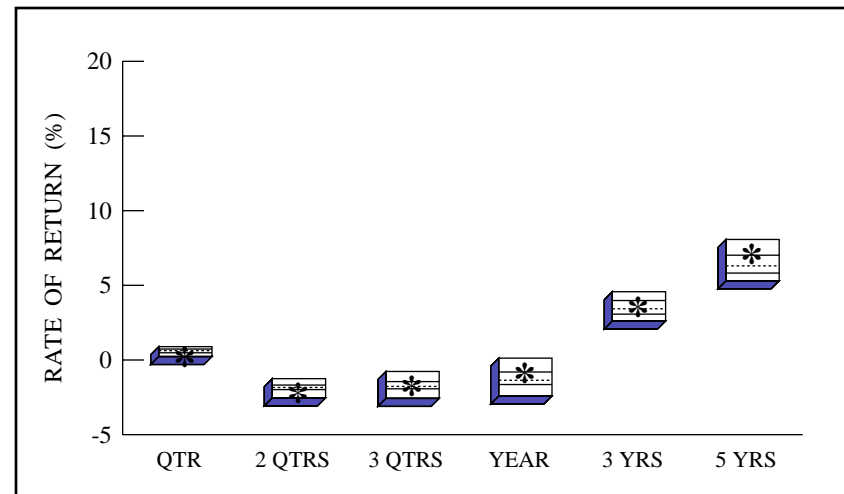
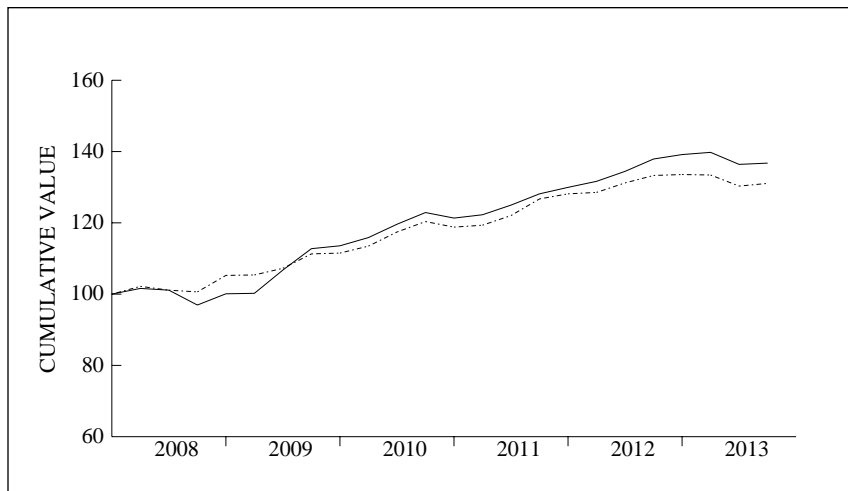


— ACTUAL RETURN
 - - - 8.0%
 ····· 0.0%

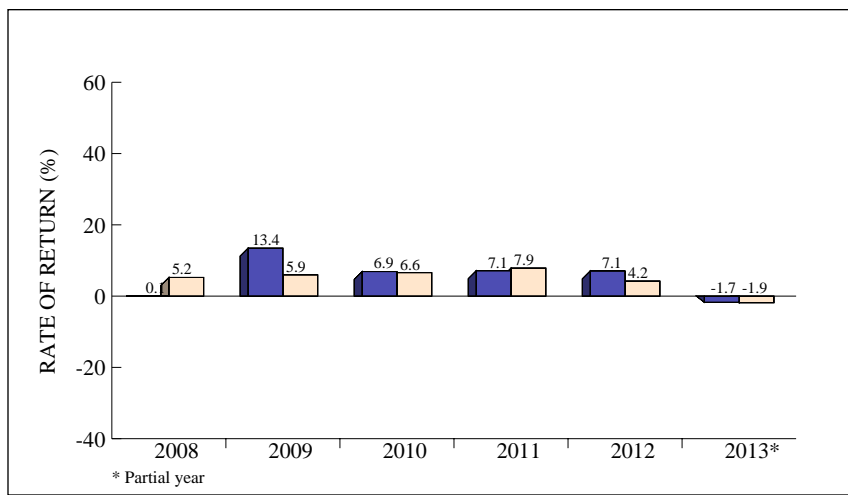
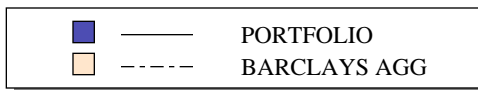
VALUE ASSUMING
 8.0% RETURN
 \$ 13,600,902

	LAST QUARTER	PERIOD 12/07 - 9/13
BEGINNING VALUE	\$ 11,780,432	\$ 9,763,999
NET CONTRIBUTIONS	0	-837,000
<u>INVESTMENT RETURN</u>	<u>30,781</u>	<u>2,884,214</u>
ENDING VALUE	\$ 11,811,213	\$ 11,811,213
INCOME	0	5
<u>CAPITAL GAINS (LOSSES)</u>	<u>30,781</u>	<u>2,884,209</u>
INVESTMENT RETURN	30,781	2,884,214

TOTAL RETURN COMPARISONS

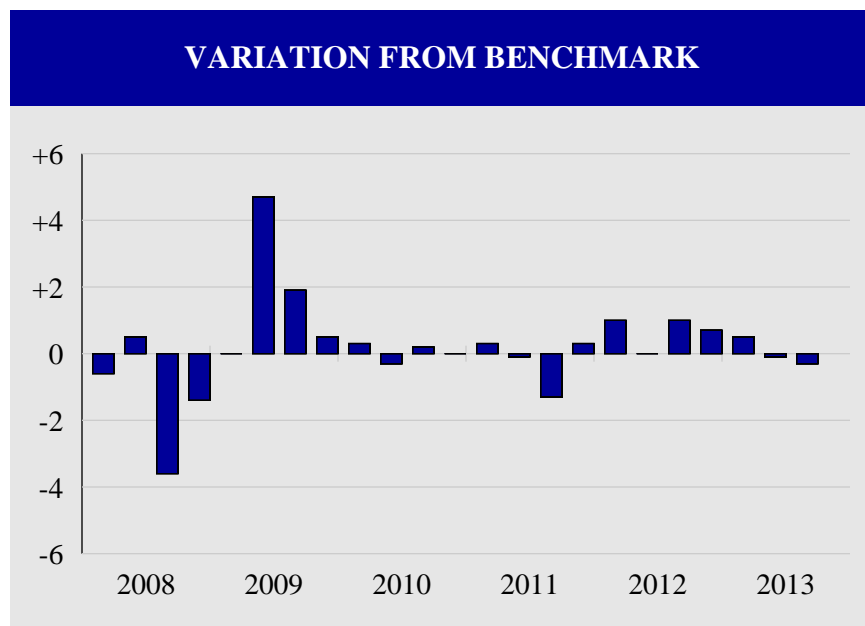


Core Fixed Income Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	0.3	-2.1	-1.7	-0.8	3.6	7.1
(RANK)	(95)	(88)	(47)	(26)	(37)	(23)
5TH %ILE	0.9	-1.3	-0.8	0.1	4.6	8.1
25TH %ILE	0.7	-1.7	-1.4	-0.8	4.0	7.0
MEDIAN	0.6	-1.8	-1.8	-1.4	3.4	6.3
75TH %ILE	0.5	-2.0	-1.9	-1.7	3.1	5.8
95TH %ILE	0.2	-2.5	-2.6	-2.4	2.6	5.3
Agg Index	0.6	-1.8	-1.9	-1.7	2.9	5.4

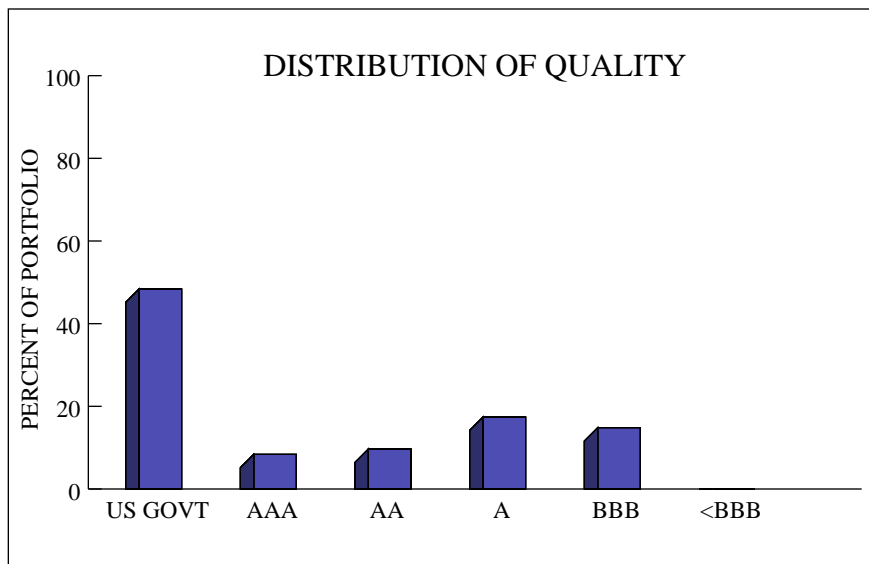
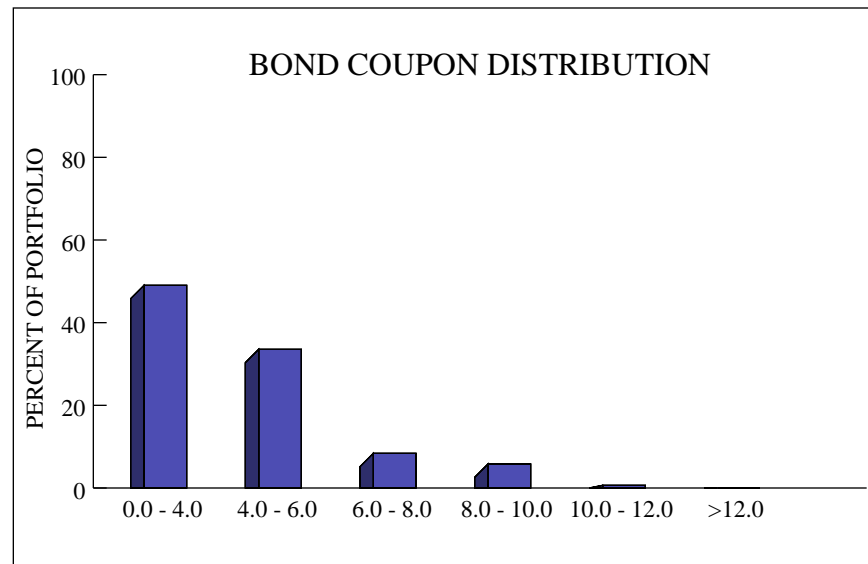
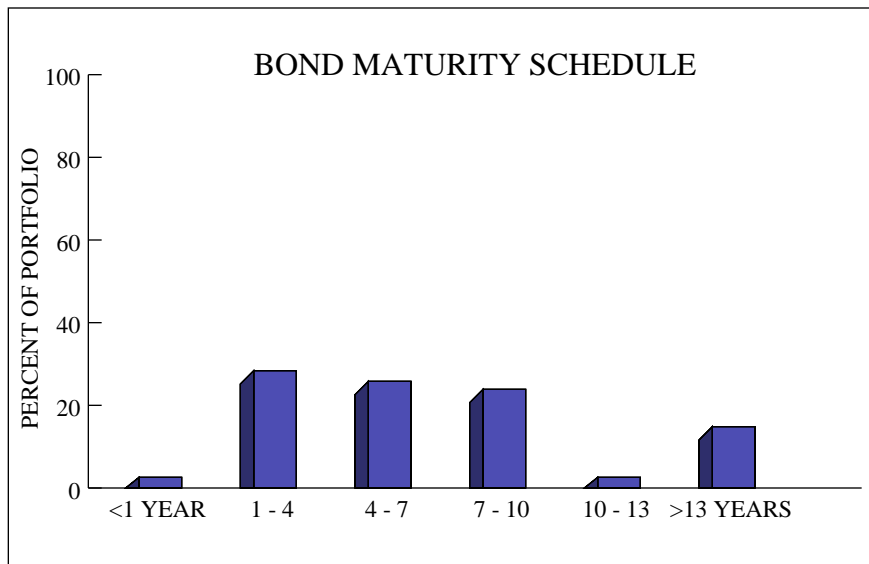
Core Fixed Income Universe

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

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

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
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
12/11	1.4	1.1	0.3
3/12	1.3	0.3	1.0
6/12	2.1	2.1	0.0
9/12	2.6	1.6	1.0
12/12	0.9	0.2	0.7
3/13	0.4	-0.1	0.5
6/13	-2.4	-2.3	-0.1
9/13	0.3	0.6	-0.3

BOND CHARACTERISTICS



	PORTFOLIO	BARCLAYS AGG
No. of Securities	201	8,577
Duration	7.16	5.52
YTM	3.23	2.34
Average Coupon	4.06	3.36
Avg Maturity / WAL	8.82	7.50
Average Quality	AAA-AA	USG-AAA