

**FRANKLIN REGIONAL RETIREMENT SYSTEM**

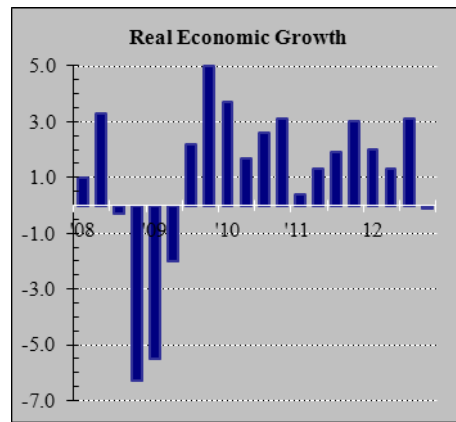
**PERFORMANCE REVIEW  
DECEMBER 2012**



## ECONOMIC ENVIRONMENT

### *Some Good News at Quarter-End Mixed With Surprisingly Weak GDP Figures*

During the fourth quarter, just as the waning Euro crisis improved investor sentiment, pessimism returned thanks to worries over the fiscal cliff stalemate. Economists were expecting a slightly lower GDP growth rate than the third quarter's 3.1% figure, but were shocked when the



BLS figure of -0.1% was announced. The two reasons given for the poor figure was a cut back in defense spending in anticipation of the fiscal cliff and overall reductions in inventory in the manufacturing sectors. Yet there was an abundance of really good economic news: (1) the December jobs report showed a positive pace of new hires; (2) housing prices improved,

exceeding expectations, and continued to provide momentum to that sector of the economy; (3) the Fed resolutely extended its bond purchasing programs to contain short-term and long-term interest rates, promote home buying and further reduce unemployment; (4) manufacturing levels were up as were estimates for GDP growth in 2013; and (5) inflation remained low, helped by falling energy prices. Lastly, with the contentious elections over, almost everyone breathed a sigh of relief.

The unprecedented delay addressing the fiscal cliff hurt 4<sup>th</sup> quarter markets. When Congress finally did act on January 2<sup>nd</sup>, it deferred severe budget cuts, e.g. defense, for a couple months. On the other hand, it approved new tax rules that avoided higher tax rates for most taxpayers. The compromise brought a tax rate hike for individuals earning over \$400,000 and married couples earning more than \$450,000, who will now pay 39.6% on amounts above those levels. The same households will also pay higher tax rates on capital gains, dividends and estates. All other taxpayers will see essentially no change

to the Bush era tax rates. However, the payroll tax withholding rate will increase 2% for all wage earners.

The Bureau of Labor Statistics reported encouraging numbers for December job growth and unemployment. Non-farm payroll rose by 155,000. The biggest job gains came from the construction sector (30,000); manufacturing (25,000); and healthcare (45,000). Unemployment remained at 7.8%, with long-term job seekers representing almost 40% of the total. Although relatively high, current unemployment is decidedly lower than 8.5%, where it stood just one year ago.

As of October, the latest reporting month, the S&P/Case-Shiller Index was highly favorable as home prices had risen 4.3% from a year earlier, based on a 20 major city composite. Overall, the index has rebounded to its autumn 2003 price level! However, prices are still 30% below the July 2006 peak. New construction was another bright spot as housing starts were up 21% from a year earlier.

The Institute for Supply Management (ISM) reported that overall manufacturing activity grew in December for the 43<sup>rd</sup> consecutive month. The New Orders and Production Indices stood at 50.3 and 52.6, respectively, both indicative of growth. Topping the list of expanding industry sectors were: furniture; paper; energy; metals; electronics; and food. The non-manufacturing index (service sector) was more robust still, reaching 56.1 in December and its highest level since last February. Since the service sector is huge, its growth is an indicator for a healthier economy.

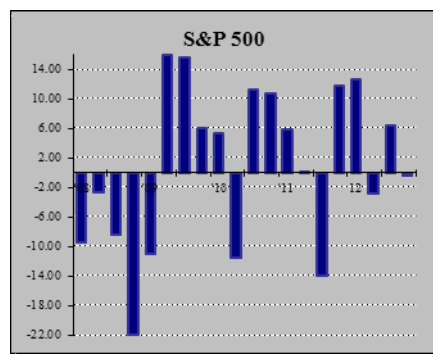
The Federal Reserve has put its full weight toward the recovery. In December, the Fed declared its intention to continue the purchase of Government Agency mortgage-backed securities and longer-maturity Treasuries. The buying program should dampen short-term and long-term interest rates in a bid to spur home-buying and business borrowing, while also lowering the unemployment rate. The two buying programs involve a hefty commitment of \$85 billion per month. The Fed currently has a moderately positive 2013 outlook. It projects a real GDP growth of 2.3% - 3.0%; the unemployment rate falling to between 7.4% and 7.7%; and core inflation in the neighborhood of 1.6% to 1.9%. For reference, the December CPI core inflation rate (excluding food and energy) was a benign 1.9%.

## EQUITY MARKET

### *OK Quarter – Good Year*

There was a great deal of market volatility during the quarter. Stocks slumped initially and then regained momentum, only to fade in late December. Because the year ended just before Congress approved the fiscal bill, it therefore finished on a down note.

Broadly speaking, value performed better than growth and smaller-sized companies moved ahead of their larger counterparts. The bellwether S&P 500 retreated 0.4% and the broader (but also large-cap oriented)



Russell 1000 added a scant 0.1%. Among the Russell growth indices, results varied: the large caps lost 1.3%, while the mid caps gained 1.7% and the small caps eked out a 0.5% return. By comparison, the value indices did measurably better: +1.5% for large-caps; +3.9% for mid-caps; and +3.2% for small-caps.

For the full year, there were only minor differences among the standard indices. The S&P turned in an excellent 16% annual gain. Returns for the other major indices ranged from 14.6% (Russell 2000 Growth) to 19.2% (Russell 2500 Value).

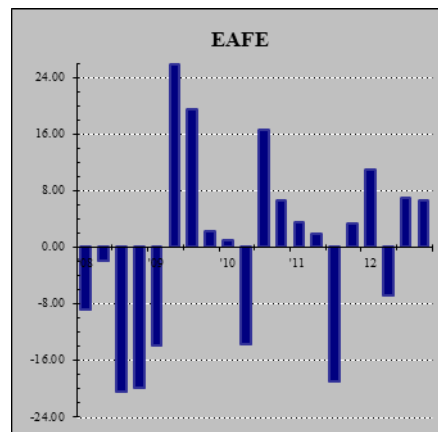
Sector results varied a great deal during the quarter. Consumers stepped up their discretionary spending, leading that sector to an 11.7% advance. Financials, driven by a turnaround in bank profits and partial resolution of the mortgage lending debacle, was up 7%. Energy, hit by falling commodity prices and lagging demand, fell 1.9%. Traditional utilities fared worse still, losing 2.7%.

The S&P dividend rate rose slightly to 2.1%, as some companies declared extra dividends in anticipation of higher taxes in 2013. The S&P P/E ratio fell from 19.1x to 18.4x, due to higher third quarter earnings. As of year-end, 72% of stock holdings had P/E ratios below 20x; arguably, the market is conservatively priced, going into the new year.

## INTERNATIONAL EQUITIES

### *Positive Quarter and Healthy Year*

In the fourth quarter, international investors focused on: central bank easing around the world; reduced anxiety regarding Europe's and China's economies; and low but positive corporate earnings growth during the quarter. This resulted in positive developed market returns across the board and especially among the weaker Euro members. The



EAFE International Index was up 6.6%. EMU country returns climbed 9.7%, fueled by Italy (+9.3%); Spain (+9.9%); Portugal (+10.5%); and Greece (+28%). In return for substantial budget-cutting, Greece benefited disproportionately from its bailout. The economically strongest European countries also performed well. Germany gained 8.5% and France rose 10.9%.

Fourth quarter performance was lower in the Pacific (+5.9%) than in Europe. Japan had a relatively good quarter (+5.8%) after the new Prime Minister promised a weaker Yen to stimulate exports. Australia grew by 6.9%, ahead of New Zealand's 4.7% return. Israel, the newest addition to the index, was the only component in the red (-3.8%); this country market was impacted, not by economic issues, but by Iranian threats and a looming election.

EAFE Index's full-year return was a very healthy 17.9%. The weakest links were the PIIGS: Portugal (5.0%); Italy (13.5%); Ireland (6.3%); Greece (5.7%); and Spain (4.7%). Japan, the largest component of EAFE, failed to get its act together, growing just 8.4%. By comparison, the Pacific ex-Japan component shined, returning almost 25%.

Emerging market fourth quarter returns were mixed, with the overall EM Index adding 5.6%. Stability, or the expectation of more stability, carried several countries into double-digit territory. Leading the pack was Turkey, a NATO ally, surging 18.4%. China, saw a 12.9% return

that reflected renewed political and economic stability after its recent change in leadership. Columbia's 12.6% gain was partially attributable to the headway made against that country's drug lords. The Philippines' rising export economy contributed to an 11.6% gain, the highest in the region. Poland continued to make steady economic progress making it Eastern Europe's top performer (+11.7%).

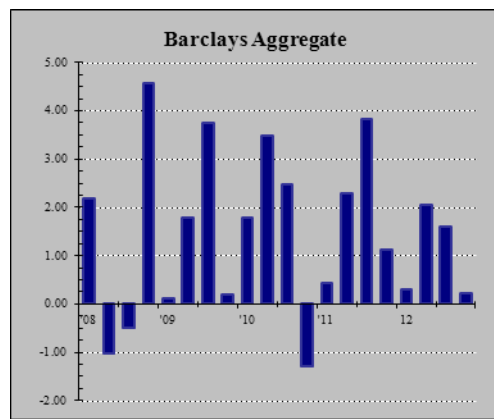
The remaining three BRIC countries performed worse for the quarter. Brazil rose 3.6%; Russia gained 2.5%; and India returned a meager 0.5%. Egypt was the most notable EM disappointment; its 10.8% loss reflected its chaotic political environment and economic difficulties.

Emerging market as a group posted returns for the year that were strong but not spectacular at 18.6%. However, there were five countries where there were spectacular gains: Turkey soared 65%; Egypt and the Philippines, each surged 47%; Poland jumped 41%; and Columbia gained 36%.

## BOND MARKET

### *Marginally Positive Quarter – Surprisingly Positive Year*

The Barclays Aggregate Index offered very little to investors last quarter, inching ahead 0.2%. However, investors who embraced credit risk saw better returns. For example, the Barclays Corporate High Yield Index moved up by 3.3%. It was Treasuries that drove down the index because its paltry -0.1% return was amplified by a substantial 36% weighting within the composite.



Government mortgage-backed debt (MBS), which accounted for 30% of the index, led to another 0.2% loss. The Aggregate posted only 4.2% for the full year, roughly half as much as in 2011. As interest rates hovered at their historic lows, it was very difficult to generate price appreciation.

For the quarter, Treasury performance weakened as maturity lengthened. While short-term Treasuries eked out just +0.1%, twenty-year and longer versions gave back close to one percent. The reason for the difference was simple enough: interest rates backed up during the quarter and mainly impacted longer maturities. GNMA mortgage-backed paper also lost ground, dropping 0.3%. Given the absolutely low interest rates, corporate bonds were in the sweet spot. Unlike 2010 and 2011, the latest year proved lackluster for Treasuries of all stripes. Overall, the average Treasury gain was held to 2%.

Investment grade (BBB and above) corporates gained an average 1.1% for the quarter. The advantage went to the lowest (BBB) credits, as that segment gained 1.7%. By comparison, AAA bonds added only 0.2%. Financials were the best-performing sector (1.9%), reflecting the same investor confidence as on the equity side. Continuing its multi-year advance, commercial mortgage-backed securities (CMBS) returned a relatively high 1.2%. High grade corporates made sense for the full year as well. The composite 2012 performance was 9.8%, with financials gaining an impressive 14.7%. CMBS advanced 9.7%.

At year-end, the Aggregate Index yielded a very low 1.74%, but crept up from September's 1.61% yield. Average maturity was 7-years and the related duration level was 5.1-years. Total market value of assets represented in the index remained near \$17 Trillion.

## CASH EQUIVALENTS

### *Flat Quarter and Year*

As we've reported all year, money market investors earned next to nothing all year. The twelve-month return was between 0.1% and 0.2% for one-year and shorter Treasury bills. Maturities between one and five-years returned only an average 0.9%. In fact, placing cash under the pillow would have provided almost identical results.

**MARKET SUMMARY**

**ECONOMIC STATISTICS**

	<b>CURRENT QTR</b>	<b>LAST QTR</b>
GDP	-0.1	3.1
Unemployment	7.8	7.8
CPI All Items Year/Year	1.74	1.99
Fed Funds Rate	0.25	0.25
Industrial Capacity	78.8	78.4
US Dollars per Euro	1.32	1.29

**MAJOR INDEX QUARTER RETURNS**

<b>INDEX</b>		<b>PERFORMANCE</b>
<b>Russell 3000</b>	<b>0.3</b>	
<b>S&amp;P 500</b>	<b>-0.4</b>	
<b>Russell Mid</b>	<b>2.9</b>	
<b>Russell 2000</b>	<b>1.8</b>	
<b>MSCI EAFE</b>	<b>6.6</b>	
<b>MSCI Emg Mkts</b>	<b>5.6</b>	
<b>NCREIF ODCE</b>	<b>2.3</b>	
<b>Barclays Agg</b>	<b>0.2</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>1.5</b>	<b>0.1</b>	<b>-1.3</b>	<b>17.5</b>	<b>16.4</b>	<b>15.3</b>
<b>MC</b>	<b>3.9</b>	<b>2.9</b>	<b>1.7</b>	<b>18.5</b>	<b>17.3</b>	<b>15.8</b>
<b>SC</b>	<b>3.2</b>	<b>1.8</b>	<b>0.4</b>	<b>18.1</b>	<b>16.3</b>	<b>14.6</b>

**MARKET SUMMARY**

- \* The advance estimate placed 4th quarter GDP at -0.1%.
- \* The US unemployment rate remains at 7.8%
- \* International Equity markets rallied, while Domestic Equity markets trailed behind, with Value outpacing Growth and Mid Cap outpacing Large Cap. The S&P 500 declined by 0.4%.
- \* CPI increased 1.74% year over year.
- \* The US Dollar weakened relative to the Euro.

## **INVESTMENT RETURN**

As of December 31st, 2012, the Franklin Regional Retirement System was valued at \$95,889,703, which represented an increase of \$1,429,891 from the September quarter's ending value of \$94,459,812. Last quarter, the portfolio recorded withdrawals totaling \$1,339,550, which partially offset the fund's net investment return of \$2,769,441. The portfolio's net investment return figure was the result of income receipts totaling \$587,021 and net realized and unrealized capital gains totaling \$2,182,420.

Since December 2007, the portfolio has recorded net contributions totaling \$3.9 million, while recording net investment gains totaling \$12.3 million. For the period since December 2007, if the fund earned a compounded nominal rate of 8.0% it would have been worth \$122.1 million or \$26.2 million more than the actual value as of December 31st, 2012.

## **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 fourth quarter, the Composite portfolio returned 3.0%, which was 1.5% greater than the Franklin Regional Policy Index's return of 1.5% and ranked in the 3rd percentile of the Public Fund universe. Over the trailing twelve-month period, the portfolio returned 13.4%, which was 0.5% above the benchmark's 12.9% performance, ranking in the 39th percentile. Since December 2007, the account returned 2.6% annualized and ranked in the 72nd percentile. The Franklin Regional Policy Index returned an annualized 2.5% over the same period.

### **PRIT Core**

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

For the fourth quarter, the PRIT core segment gained 3.1%, which was 0.7% greater than the Custom Core Index's return of 2.4%. Over the trailing twelve-month period, this segment returned 13.9%, which was 1.1% above the benchmark's 12.8% performance. Since December 2007, this component returned 1.5% on an annualized basis, while the Custom Core Index returned an annualized 2.3% over the same period.

### **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.*

The domestic equity portfolio returned 3.5% last quarter; that return was 2.0% above the Franklin County Equity Index's return of 1.5% and ranked in the 19th percentile of the All Cap universe. Over the trailing year, this component returned 18.3%, 1.7% above the benchmark's 16.6% performance, ranking in the 27th percentile. Since December 2007, this component returned 3.3% annualized and ranked in the 46th percentile. For comparison, the Franklin County Equity Index returned an annualized 3.4% during the same period.

## **Real Estate**

During the fourth quarter, the real estate component returned 4.3%, which was 2.0% greater than the NCREIF NFI-ODCE Index's return of 2.3%. Over the trailing twelve-month period, this segment returned 14.3%, which was 3.4% above the benchmark's 10.9% return. Since December 2007, this component returned -2.1% on an annualized basis, while the NCREIF NFI-ODCE Index returned an annualized -1.1% over the same period.

## **Fixed Income**

During the fourth quarter, the fixed income component returned 0.9%, which was 0.7% above the Barclays Aggregate Index's return of 0.2% and ranked in the 10th percentile of the Core Fixed Income universe. Over the trailing twelve-month period, this segment returned 7.1%, which was 2.9% greater than the benchmark's 4.2% performance, ranking in the 20th percentile. Since December 2007, this component returned 6.8% on an annualized basis and ranked in the 40th percentile. The Barclays Aggregate Index returned an annualized 6.0% during the same time frame.

**Franklin Regional Retirement System**  
**Total Fund Asset Allocation Analysis**  
**As of December 31, 2012**

**Total Fund Assets \$ 95,889,703**

<b>Allocation by Manager</b>						
	PRIT Fund Actual Allocation	FRRS Allocation	Target Allocation	Target Dollars	Actual Dollars	
PRIT Core Fund	100.0%	54.0%	55.0%	\$ 52,739,337	\$ 51,759,033	\$ (980,304)
<b>Domestic Equity</b>	19.5%	10.5%			\$ 10,082,660	
<b>Int'l Equity</b>	17.6%	9.5%			\$ 9,099,238	
<b>E.M. Int'l Equity</b>	7.3%	3.9%			\$ 3,762,882	
<b>Core Fixed Income</b>	12.4%	6.7%			\$ 6,412,944	
<b>Value Added Fixed Income</b>	8.7%	4.7%			\$ 4,508,212	
<b>Real Estate</b>	9.4%	5.1%			\$ 4,875,701	
<b>Timber/Natural Resources</b>	4.0%	2.1%			\$ 2,049,658	
<b>Alternatives-Private Equity</b>	12.0%	6.5%			\$ 6,185,204	
<b>Hedge Funds</b>	9.2%	5.0%			\$ 4,782,535	
<u>Separate Managers</u>		<u>46.0%</u>	<u>45.0%</u>			
<b>Polen Capital</b>		5.8%	6.0%	\$ 5,753,382	\$ 5,580,804	\$ (172,578)
<b>O'Shaughnessy</b>		5.9%	6.0%	\$ 5,753,382	\$ 5,672,078	\$ (81,304)
<b>Seizert</b>		5.5%	5.0%	\$ 4,794,485	\$ 5,291,479	\$ 496,994
<b>Daruma</b>		10.5%	10.0%	\$ 9,588,970	\$ 10,031,482	\$ 442,512
<b>PRIT RE</b>		5.2%	5.0%	\$ 4,794,485	\$ 4,987,174	\$ 192,689
<b>Prudential</b>		0.0%	0.0%	\$ -	\$ 2,502	\$ 2,502
<b>IR&amp;M</b>		12.5%	13.0%	\$ 12,465,661	\$ 12,017,656	\$ (448,005)
<b>Cash</b>		0.6%	0.0%	\$ -	\$ 547,495	\$ 547,495

<b>Allocation by Asset Class</b>						
	Actual Allocation (%)	Target Allocation (%)	+/- Percent	Actual Allocation (\$)	Target Allocation (\$)	+/- Dollars
Franklin County Total Fund						
<b>Domestic Equity</b>	38.2%	40.0%	-1.8%	\$ 36,658,503	\$ 38,355,881	\$ (1,697,379)
<b>Int'l Equity</b>	13.4%	15.0%	-1.6%	\$ 12,862,120	\$ 14,383,455	\$ (1,521,336)
<b>Fixed Income</b>	23.9%	25.0%	-1.1%	\$ 22,938,812	\$ 23,972,426	\$ (1,033,614)
<b>Real Estate</b>	10.3%	10.0%	0.3%	\$ 9,865,377	\$ 9,588,970	\$ 276,407
<b>Timber</b>	2.1%	2.5%	-0.4%	\$ 2,049,658	\$ 2,397,243	\$ (347,585)
<b>Alternatives-Private Equity</b>	6.5%	5.0%	1.5%	\$ 6,185,204	\$ 4,794,485	\$ 1,390,719
<b>Hedge Funds</b>	5.0%	2.5%	2.5%	\$ 4,782,535	\$ 2,397,243	\$ 2,385,292
<b>Cash</b>	<u>0.6%</u>	<u>0.0%</u>	0.6%	\$ 547,495	\$ -	\$ 547,495
	100.0%	100.0%		\$ 95,889,703	\$ 95,889,703	



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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	5 Years
<b>Total Gross/Fees</b>	3.0	13.4	13.4	9.6	2.6
<i>PUBLIC FUND RANK</i>	(3)	(39)	(39)	(16)	(72)
<b>Total Net/Fees</b>	2.8	12.9	12.9	9.0	2.1
POLICY INDEX	1.5	12.9	12.9	9.3	2.5
<b>PRIT Core</b>	3.1	13.9	13.9	9.0	1.5
CUSTOM CORE IDX	2.4	12.8	12.8	8.6	2.3
<b>Domestic Equity</b>	3.5	18.3	18.3	11.6	3.3
<i>ALL CAP RANK</i>	(19)	(27)	(27)	(51)	(46)
CUSTOM EQ INDEX	1.5	16.6	16.6	12.2	3.4
PRIT EQUITY	0.5	16.9	16.9	11.3	-0.6
S&P 500	-0.4	16.0	16.0	10.8	1.6
S&P 400	3.6	17.9	17.9	13.6	5.1
RUSSELL 3000	0.3	16.4	16.4	11.2	2.0
RUSSELL 1000	0.1	16.4	16.4	11.1	1.9
RUSSELL 1000G	-1.3	15.3	15.3	11.4	3.1
RUSSELL 1000V	1.5	17.5	17.5	10.9	0.6
RUSSELL MID	2.9	17.3	17.3	13.1	3.6
RUSSELL 2000	1.8	16.3	16.3	12.2	3.6
<b>Real Estate</b>	4.3	14.3	14.3	16.3	-2.1
NCREIF ODCE	2.3	10.9	10.9	14.4	-1.1
<b>Fixed Income</b>	0.9	7.1	7.1	7.0	6.8
<i>CORE FIXED INCOME RANK</i>	(10)	(20)	(20)	(50)	(40)
BARCLAYS AGG	0.2	4.2	4.2	6.2	6.0
PRIT FIXED	0.9	6.4	6.4	7.3	5.5
GOV/CREDIT	0.4	4.8	4.8	6.7	6.1
INT AGGREGATE	0.2	3.5	3.5	5.2	5.4
INT GOV/CREDIT	0.3	3.9	3.9	5.2	5.2

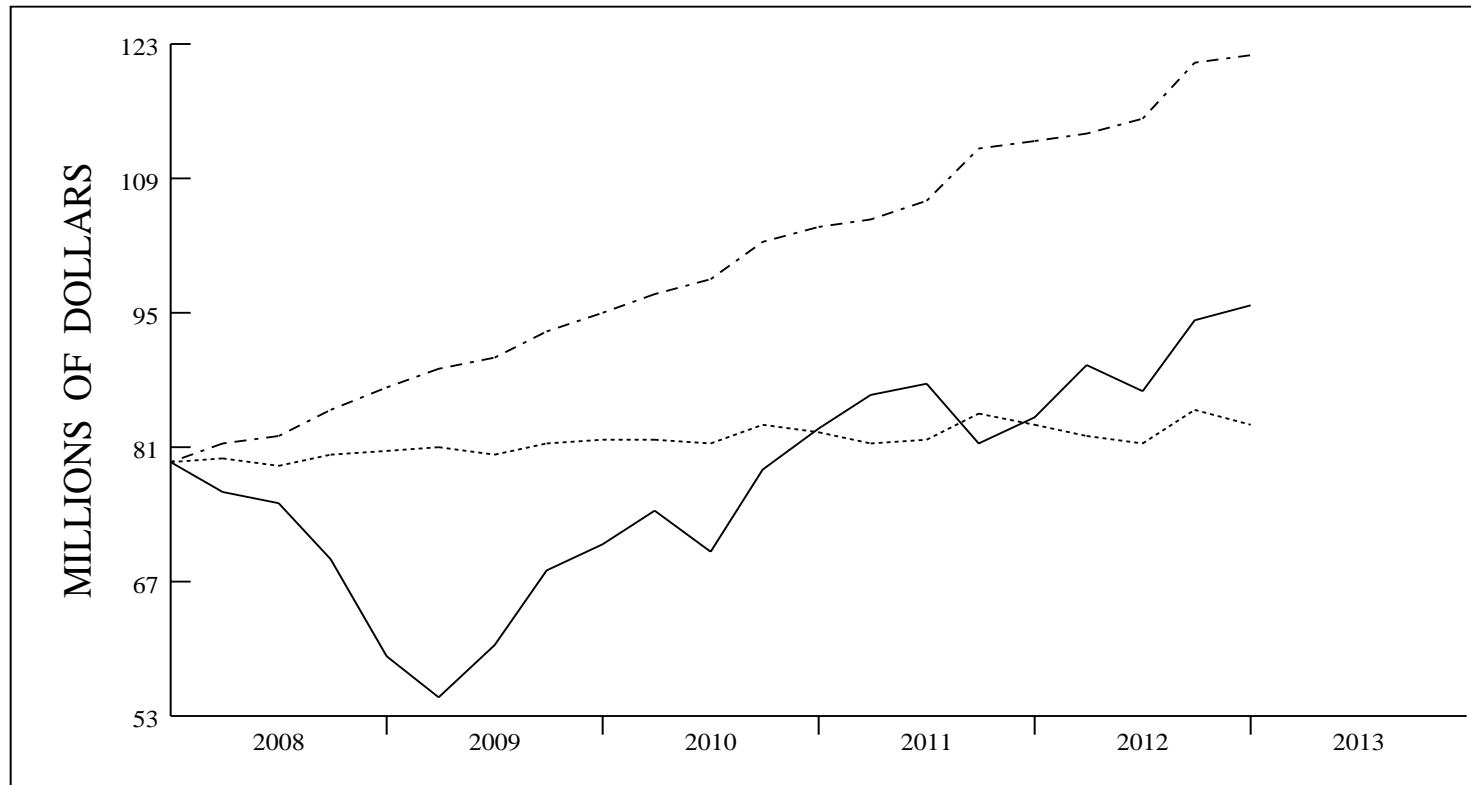
**ASSET ALLOCATION**

PRIT Core	54.0%	\$ 51,759,033
Domestic Equity	26.8%	25,711,685
Real Estate	5.2%	4,989,676
Fixed Income	12.5%	12,017,656
Cash	1.5%	1,411,653
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 95,889,703</b>

**INVESTMENT RETURN**

Market Value 9/2012	\$ 94,459,812
Contribs / Withdrawals	- 1,339,550
Income	587,021
Capital Gains / Losses	2,182,420
Market Value 12/2012	\$ 95,889,703

**INVESTMENT GROWTH**

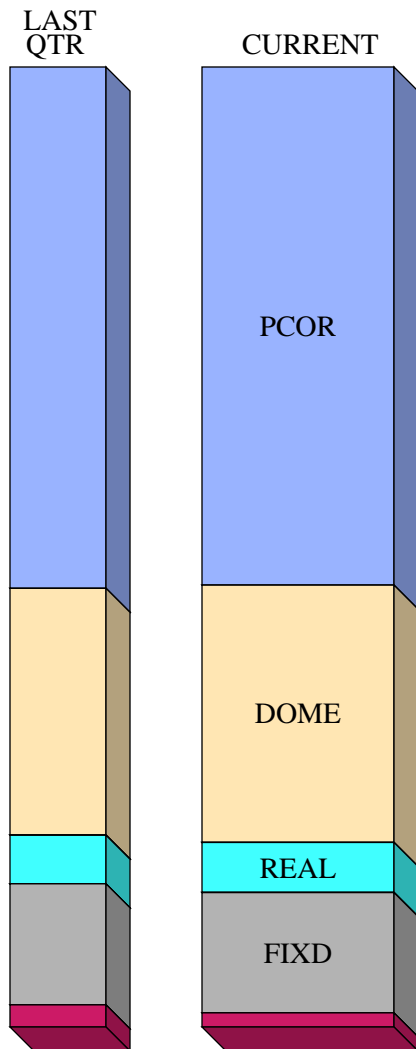


— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

VALUE ASSUMING  
 8.0% RETURN  
 \$ 122,069,790

	LAST QUARTER	PERIOD 12/07 - 12/12
BEGINNING VALUE	\$ 94,459,812	\$ 79,660,882
NET CONTRIBUTIONS	- 1,339,550	3,892,454
<u>INVESTMENT RETURN</u>	<u>2,769,441</u>	<u>12,336,367</u>
ENDING VALUE	\$ 95,889,703	\$ 95,889,703
INCOME	587,021	8,742,137
<u>CAPITAL GAINS (LOSSES)</u>	<u>2,182,420</u>	<u>3,594,230</u>
INVESTMENT RETURN	2,769,441	12,336,367

**ASSET ALLOCATION**











	<u>VALUE</u>	<u>PERCENT</u>	<u>TARGET</u>	<u>DIFFERENCE</u> + / -
PRIT CORE	\$ 51,759,033	54.0%	55.0%	-1.0%
DOMESTIC EQUITY	25,711,685	26.8%	27.0%	-0.2%
REAL ESTATE	4,989,676	5.2%	5.0%	0.2%
FIXED INCOME	12,017,656	12.5%	13.0%	-0.5%
CASH & EQUIVALENT	1,411,653	1.5%	0.0%	1.5%
<u>TOTAL FUND</u>	<u>\$ 95,889,703</u>	<u>100.0%</u>		

## MANAGER PERFORMANCE SUMMARY







Name	(Universe)	Quarter	YTD	1 Year	3 Years	5 Years
Total Portfolio	(Public Fund)	3.0 (3)	13.4 (39)	13.4 (39)	9.6 (16)	2.6 (72)
<i>Franklin Regional Policy Index</i>		<i>1.5 ----</i>	<i>12.9 ----</i>	<i>12.9 ----</i>	<i>9.3 ----</i>	<i>2.5 ----</i>
PRIT Core Fund		3.1 ----	13.9 ----	13.9 ----	9.0 ----	1.5 ----
<i>Custom Core Index</i>		<i>2.4 ----</i>	<i>12.8 ----</i>	<i>12.8 ----</i>	<i>8.6 ----</i>	<i>2.3 ----</i>
Polen Capital Management	(LC Growth)	-1.0 (61)	---- ----	---- ----	---- ----	---- ----
<i>Russell 1000 Growth</i>		<i>-1.3 ----</i>	<i>15.3 ----</i>	<i>15.3 ----</i>	<i>11.4 ----</i>	<i>3.1 ----</i>
O'Shaughnessy Asset Management	(LC Value)	0.8 (63)	---- ----	---- ----	---- ----	---- ----
<i>Russell 1000 Value</i>		<i>1.5 ----</i>	<i>17.5 ----</i>	<i>17.5 ----</i>	<i>10.9 ----</i>	<i>0.6 ----</i>
Seizert Capital Partners	(Mid Cap)	7.1 (1)	23.2 (3)	23.2 (3)	---- ----	---- ----
<i>Russell Mid Cap</i>		<i>2.9 ----</i>	<i>17.3 ----</i>	<i>17.3 ----</i>	<i>13.1 ----</i>	<i>3.6 ----</i>
Daruma	(Small Cap)	5.7 (7)	20.1 (24)	20.1 (24)	12.6 (66)	5.5 (37)
<i>Russell 2000</i>		<i>1.8 ----</i>	<i>16.3 ----</i>	<i>16.3 ----</i>	<i>12.2 ----</i>	<i>3.6 ----</i>
PRIT Core Real Estate		4.3 ----	14.3 ----	14.3 ----	---- ----	---- ----
<i>NCREIF NFI-ODCE Index</i>		<i>2.3 ----</i>	<i>10.9 ----</i>	<i>10.9 ----</i>	<i>14.4 ----</i>	<i>-1.1 ----</i>
Income Research & Management	(Core Fixed)	0.9 (10)	7.1 (20)	7.1 (20)	7.0 (50)	6.8 (40)
<i>Barclays Aggregate Index</i>		<i>0.2 ----</i>	<i>4.2 ----</i>	<i>4.2 ----</i>	<i>6.2 ----</i>	<i>6.0 ----</i>

## MANAGER VALUE ADDED

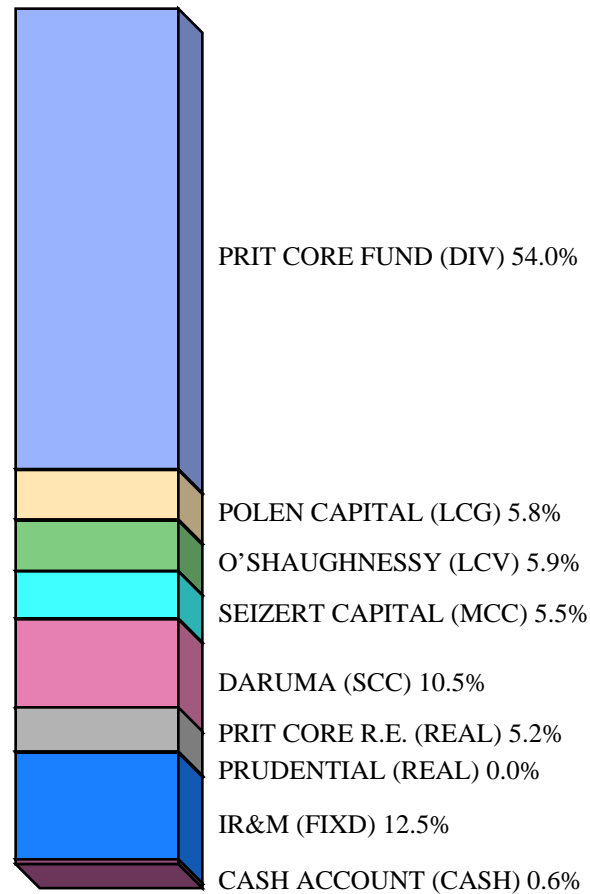
## Most Recent Quarter

Manager	Benchmark	Value Added Vs. Benchmark
PRIT Core Fund	Custom Core Idx	0.7 
Polen Capital	Russell 1000G	0.3 
O'Shaughnessy	Russell 1000V	-0.7 
Seizert Capital	Russell Mid	4.2 
Daruma	Russell 2000	3.9 
PRIT Core R.E.	NCREIF ODCE	1.9 
IR&M	Barclays Agg	0.7 
<b>Total Portfolio</b>	<b>Policy Index</b>	1.5 

## Trailing Twelve Months

Manager	Benchmark	Value Added Vs. Benchmark
PRIT Core Fund	Custom Core Idx	1.1 
Polen Capital	Russell 1000G	N/A
O'Shaughnessy	Russell 1000V	N/A
Seizert Capital	Russell Mid	6.0 
Daruma	Russell 2000	3.8 
PRIT Core R.E.	NCREIF ODCE	3.4 
IR&M	Barclays Agg	2.8 
<b>Total Portfolio</b>	<b>Policy Index</b>	0.5 

**MANAGER ALLOCATION SUMMARY**



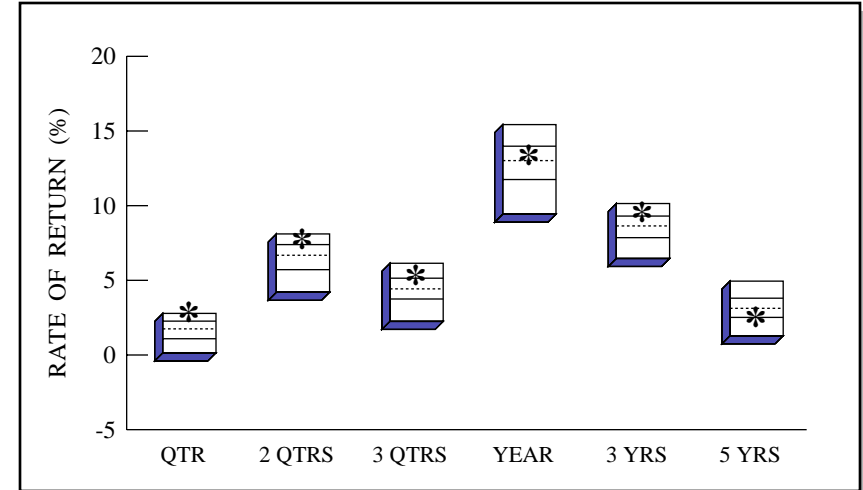
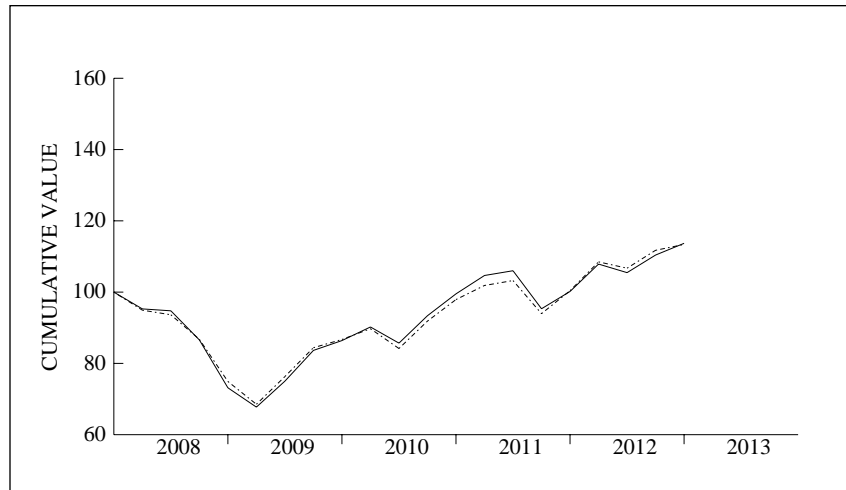
Name	Market Value	Percent	Target
PRIT Core Fund (DIV)	\$51,759,033	54.0	55.0
Polen Capital (LCG)	\$5,580,804	5.8	6.0
O'Shaughnessy (LCV)	\$5,672,078	5.9	6.0
Seizert Capital (MCC)	\$5,291,479	5.5	5.0
Daruma (SCC)	\$10,031,482	10.5	10.0
PRIT Core R.E. (REAL)	\$4,987,174	5.2	5.0
Prudential (REAL)	\$2,502	0.0	0.0
IR&M (FIXD)	\$12,017,656	12.5	13.0
Cash Account (CASH)	\$547,495	0.6	0.0
<b>Total Fund</b>	<b>\$95,889,703</b>	<b>100.0</b>	<b>100.0</b>

---

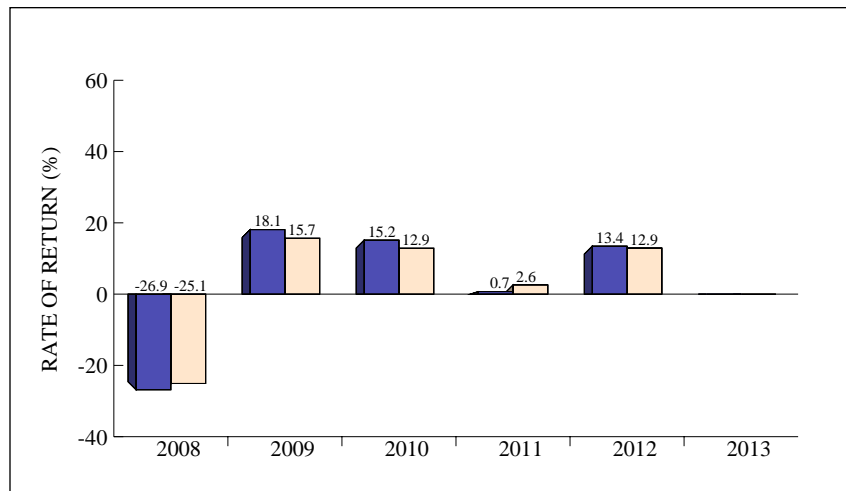
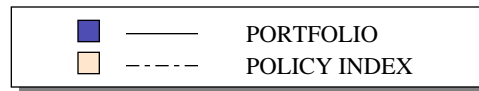
**INVESTMENT RETURN SUMMARY - ONE QUARTER**

Name	Quarter Total Return	Market Value September 30th, 2012	Net Cashflow	Net Investment Return	Market Value December 31st, 2012
PRIT Core Fund (DIV)	3.1	51,303,665	-1,118,627	1,573,995	51,759,033
Polen Capital (LCG)	-1.0	5,638,744	0	-57,940	5,580,804
O'Shaughnessy (LCV)	0.8	5,628,226	-105	43,957	5,672,078
Seizert Capital (MCC)	7.1	4,941,551	0	349,928	5,291,479
Daruma (SCC)	5.7	9,487,072	0	544,410	10,031,482
PRIT Core R.E. (REAL)	4.3	4,788,940	-6,636	204,870	4,987,174
Prudential (REAL)	---	2,502	0	0	2,502
IR&M (FIXD)	0.9	11,907,872	0	109,784	12,017,656
Cash Account (CASH)	---	761,240	-214,182	437	547,495
<b>Total Fund</b>	<b>3.0</b>	<b>94,459,812</b>	<b>-1,339,550</b>	<b>2,769,441</b>	<b>95,889,703</b>

**TOTAL RETURN COMPARISONS**



Public Fund Universe



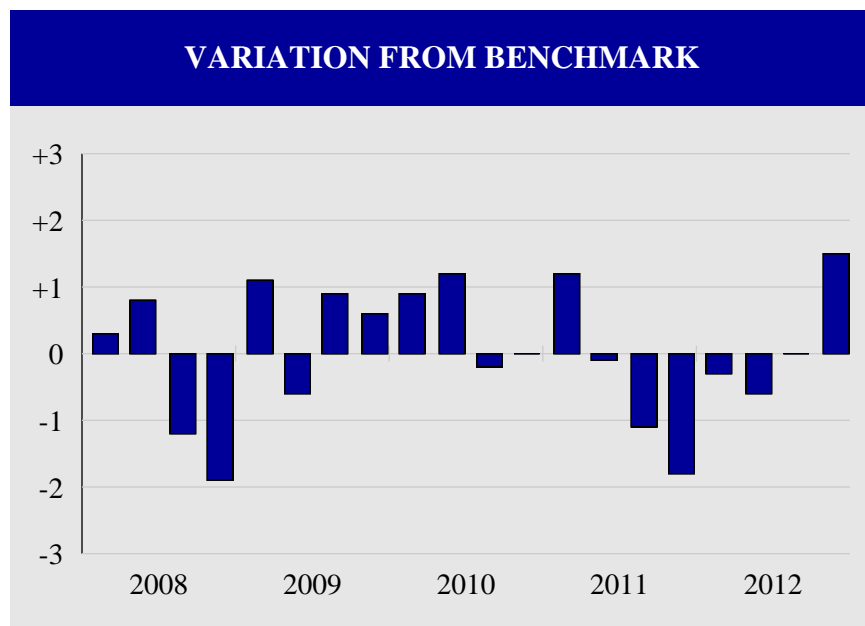
	<u>QTR</u>	<u>2QTRS</u>	<u>3QTRS</u>	<u>YEAR</u>	<u>-----ANNUALIZED-----</u>	
					<u>3 YRS</u>	<u>5 YRS</u>
RETURN	3.0	7.8	5.4	13.4	9.6	2.6
(RANK)	( 3)	(13)	(20)	(39)	(16)	(72)
5TH %ILE	2.8	8.1	6.2	15.4	10.2	4.9
25TH %ILE	2.3	7.4	5.2	14.0	9.3	3.8
MEDIAN	1.8	6.7	4.4	13.0	8.6	3.1
75TH %ILE	1.1	5.7	3.8	11.8	7.9	2.5
95TH %ILE	0.1	4.2	2.3	9.4	6.5	1.3
<i>Policy Idx</i>	<i>1.5</i>	<i>6.3</i>	<i>4.5</i>	<i>12.9</i>	<i>9.3</i>	<i>2.5</i>

Public Fund Universe



**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

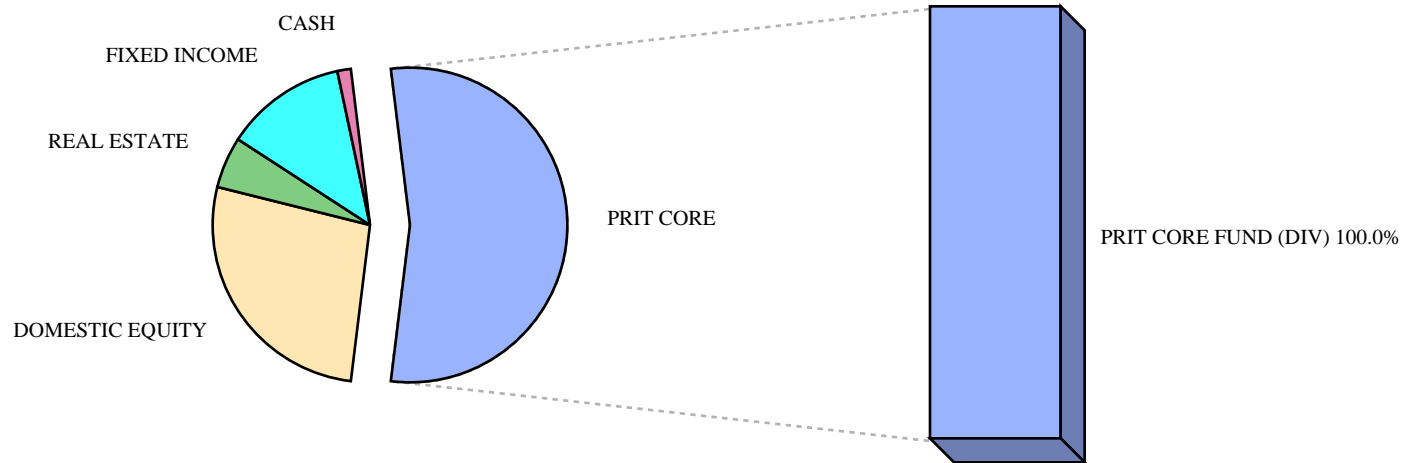
COMPARATIVE BENCHMARK: FRANKLIN REGIONAL POLICY INDEX



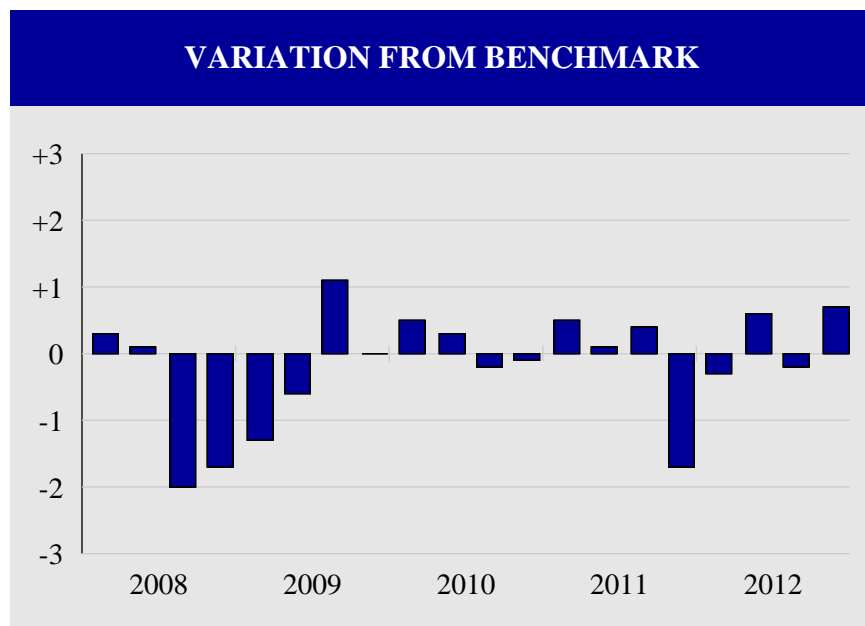
<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>11</b>
<b>Quarters Below the Benchmark</b>	<b>9</b>
<b>Batting Average</b>	<b>.550</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
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

**PRIT CORE MANAGER SUMMARY**



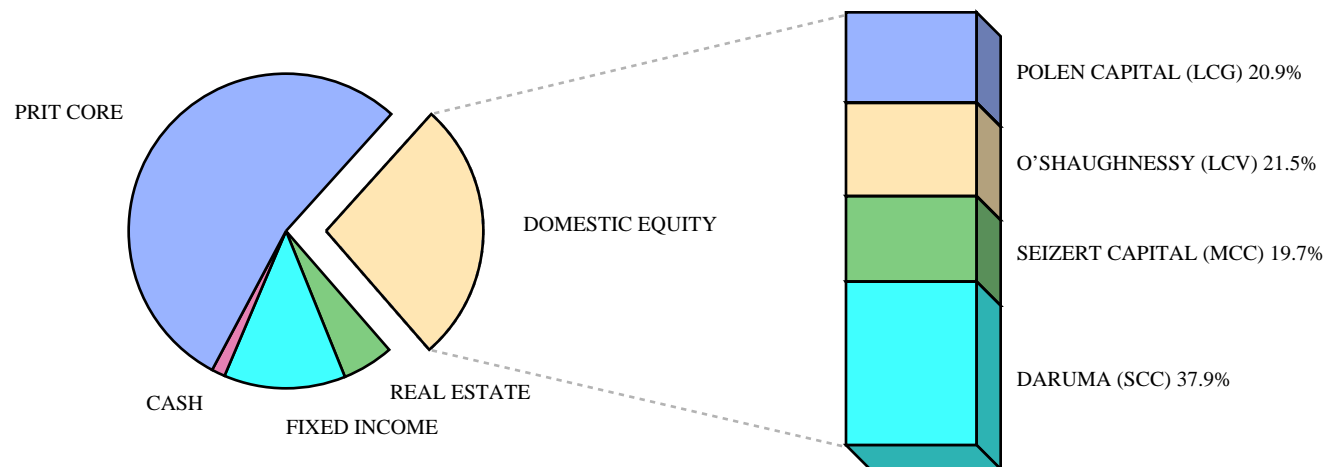
		TOTAL RETURNS AND RANKINGS					
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
PRIT CORE FUND		3.1 ---	13.9 ---	13.9 ---	9.0 ---	1.5 ---	\$51,759,033
<i>Custom Core Index</i>		<i>2.4 ---</i>	<i>12.8 ---</i>	<i>12.8 ---</i>	<i>8.6 ---</i>	<i>2.3 ---</i>	---

**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>

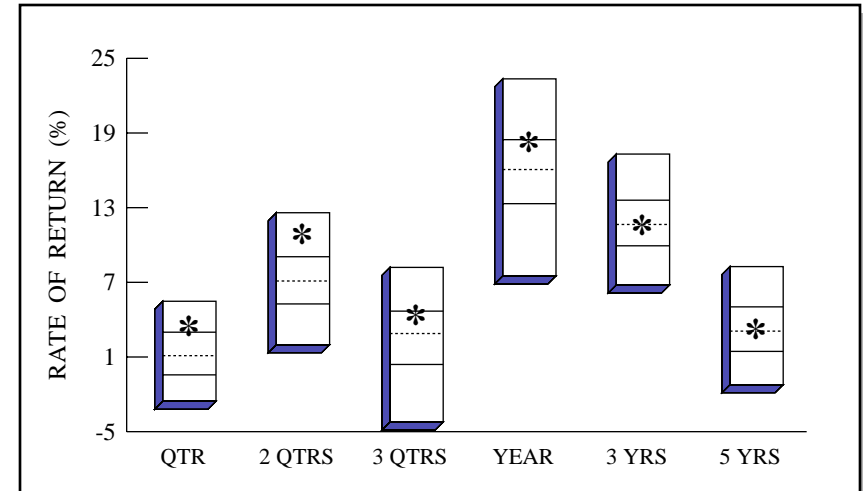
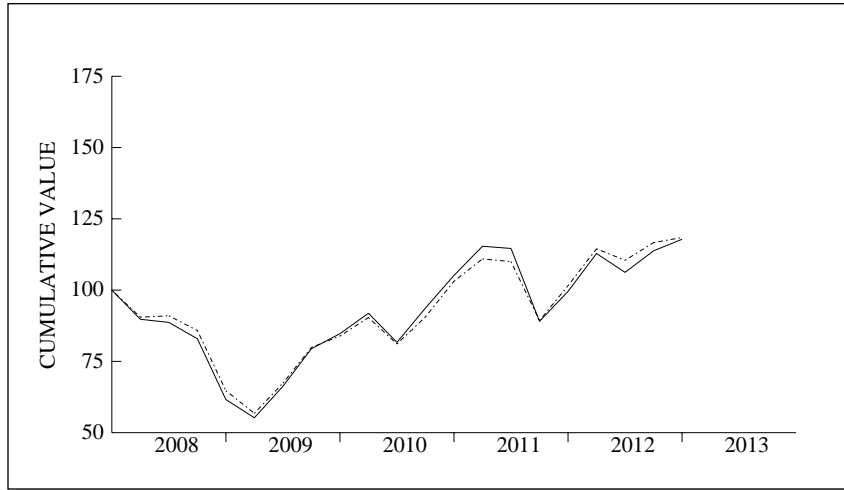
<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/08	-4.4	-4.7	0.3
6/08	-0.5	-0.6	0.1
9/08	-11.4	-9.4	-2.0
12/08	-16.3	-14.6	-1.7
3/09	-8.1	-6.8	-1.3
6/09	11.7	12.3	-0.6
9/09	11.5	10.4	1.1
12/09	2.9	2.9	0.0
3/10	3.5	3.0	0.5
6/10	-5.0	-5.3	0.3
9/10	8.9	9.1	-0.2
12/10	6.1	6.2	-0.1
3/11	4.3	3.8	0.5
6/11	1.7	1.6	0.1
9/11	-9.0	-9.4	0.4
12/11	3.7	5.4	-1.7
3/12	7.3	7.6	-0.3
6/12	-1.5	-2.1	0.6
9/12	4.4	4.6	-0.2
12/12	3.1	2.4	0.7

**DOMESTIC EQUITY MANAGER SUMMARY**

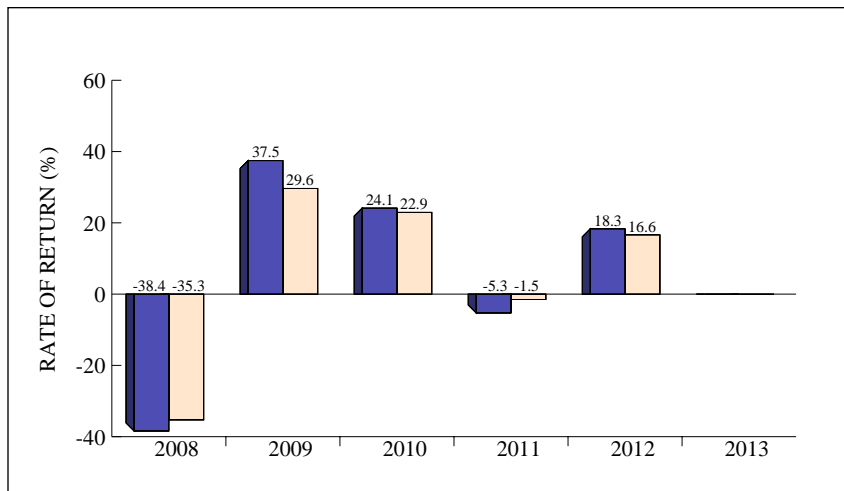


		TOTAL RETURNS AND RANKINGS					
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
POLEN CAPITAL	(Large Cap Growth)	-1.0 (61)	---- ----	---- ----	---- ----	---- ----	\$5,580,804
<i>Russell 1000 Growth</i>		<i>-1.3 ----</i>	<i>15.3 ----</i>	<i>15.3 ----</i>	<i>11.4 ----</i>	<i>3.1 ----</i>	----
O'SHAUGHNESSY	(Large Cap Value)	0.8 (63)	---- ----	---- ----	---- ----	---- ----	\$5,672,078
<i>Russell 1000 Value</i>		<i>1.5 ----</i>	<i>17.5 ----</i>	<i>17.5 ----</i>	<i>10.9 ----</i>	<i>0.6 ----</i>	----
SEIZERT CAPITAL	(Mid Cap)	7.1 (1)	23.2 (3)	23.2 (3)	---- ----	---- ----	\$5,291,479
<i>Russell Mid Cap</i>		<i>2.9 ----</i>	<i>17.3 ----</i>	<i>17.3 ----</i>	<i>13.1 ----</i>	<i>3.6 ----</i>	----
DARUMA	(Small Cap)	5.7 (7)	20.1 (24)	20.1 (24)	12.6 (66)	5.5 (37)	\$10,031,482
<i>Russell 2000</i>		<i>1.8 ----</i>	<i>16.3 ----</i>	<i>16.3 ----</i>	<i>12.2 ----</i>	<i>3.6 ----</i>	----

**DOMESTIC EQUITY RETURN COMPARISONS**



All Cap Universe

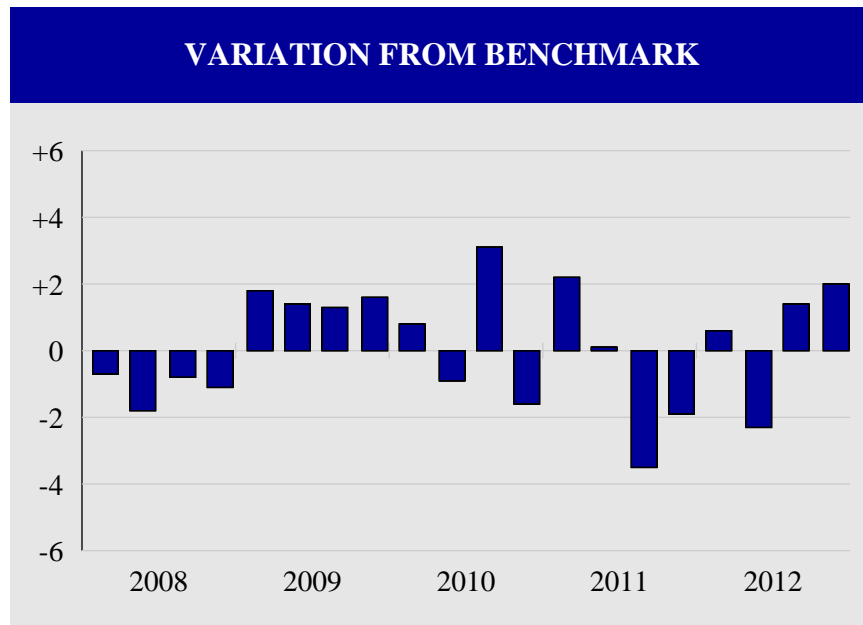


	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	3.5	10.9	4.4	18.3	11.6	3.3
(RANK)	(19)	(12)	(28)	(27)	(51)	(46)
5TH %ILE	5.5	12.6	8.2	23.4	17.3	8.3
25TH %ILE	3.0	9.1	4.7	18.5	13.6	5.0
MEDIAN	1.1	7.1	2.9	16.1	11.7	3.1
75TH %ILE	-0.4	5.3	0.4	13.3	9.9	1.5
95TH %ILE	-2.6	2.0	-4.2	7.5	6.8	-1.2
<b>Equity Index</b>	<b>1.5</b>	<b>7.2</b>	<b>3.4</b>	<b>16.6</b>	<b>12.2</b>	<b>3.4</b>

All Cap Universe

## DOMESTIC EQUITY QUARTERLY PERFORMANCE SUMMARY

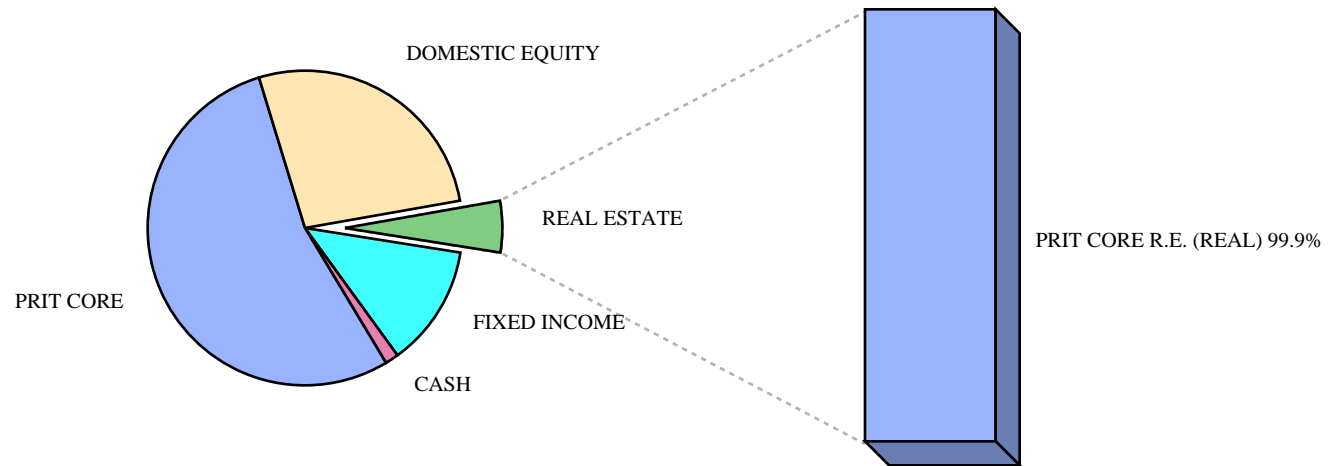
COMPARATIVE BENCHMARK: FRANKLIN COUNTY EQUITY INDEX



RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
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	18.5	1.3
12/09	6.6	5.0	1.6
3/10	8.5	7.7	0.8
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
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

<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>

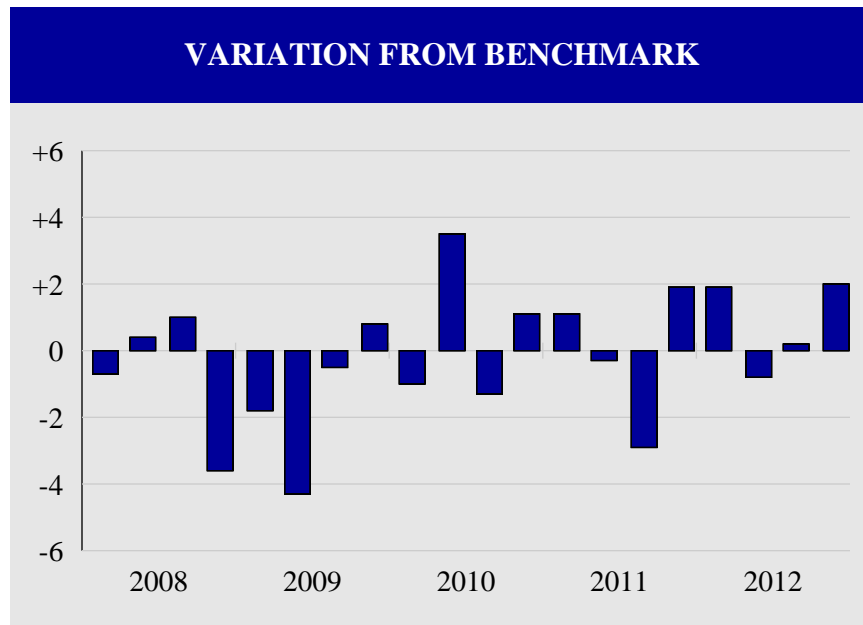
**REAL ESTATE MANAGER SUMMARY**



		TOTAL RETURNS AND RANKINGS						
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE	
PRIT CORE R.E.		4.3 ---	14.3 ---	14.3 ---	---- --	---- --	\$4,987,174	
<i>NCREIF NFI-ODCE Index</i>		<i>2.3 ---</i>	<i>10.9 ---</i>	<i>10.9 ---</i>	<i>14.4 ---</i>	<i>-1.1 ---</i>	---	

**REAL ESTATE QUARTERLY PERFORMANCE SUMMARY**

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

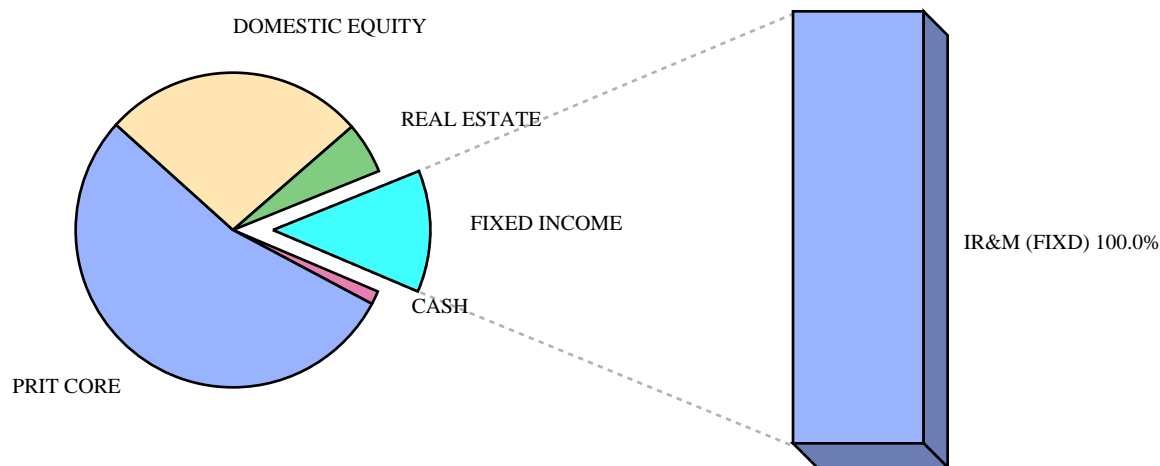


RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/08	0.7	1.4	-0.7
6/08	0.7	0.3	0.4
9/08	0.4	-0.6	1.0
12/08	-14.5	-10.9	-3.6
3/09	-15.5	-13.7	-1.8
6/09	-13.3	-9.0	-4.3
9/09	-7.8	-7.3	-0.5
12/09	-2.7	-3.5	0.8
3/10	-0.2	0.8	-1.0
6/10	7.9	4.4	3.5
9/10	4.1	5.4	-1.3
12/10	6.1	5.0	1.1
3/11	5.1	4.0	1.1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

<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>10</b>
<b>Quarters Below the Benchmark</b>	<b>10</b>
<b>Batting Average</b>	<b>.500</b>

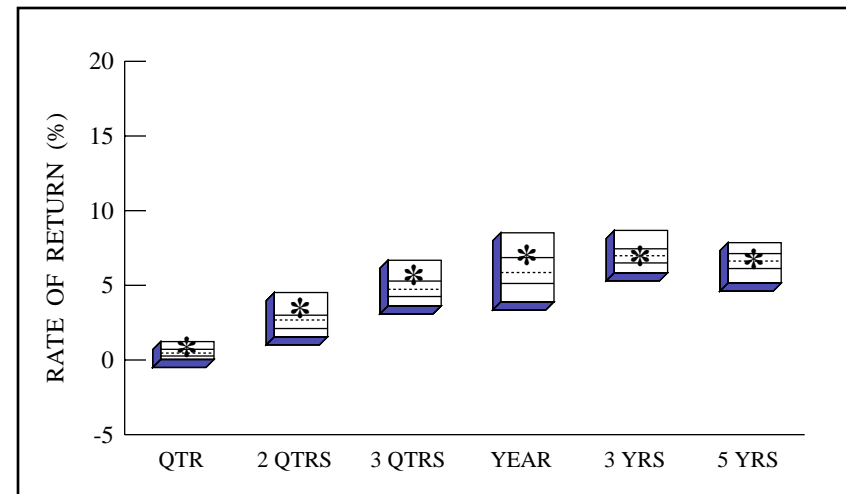
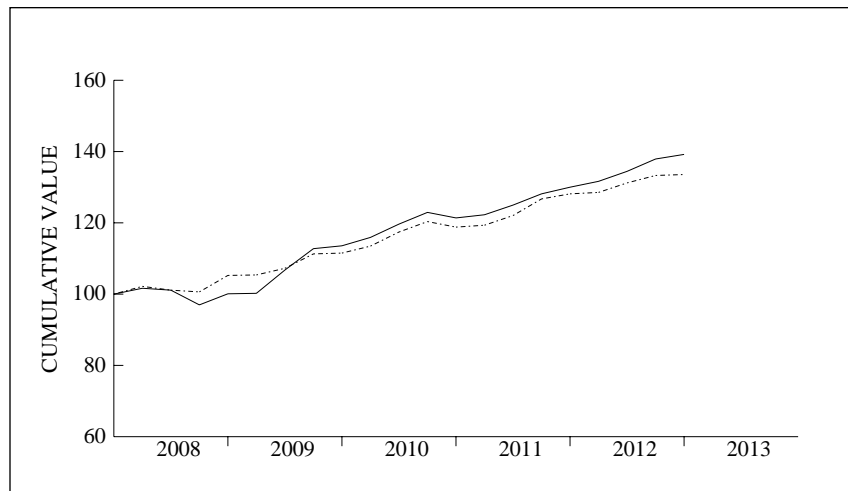


**FIXED INCOME MANAGER SUMMARY**

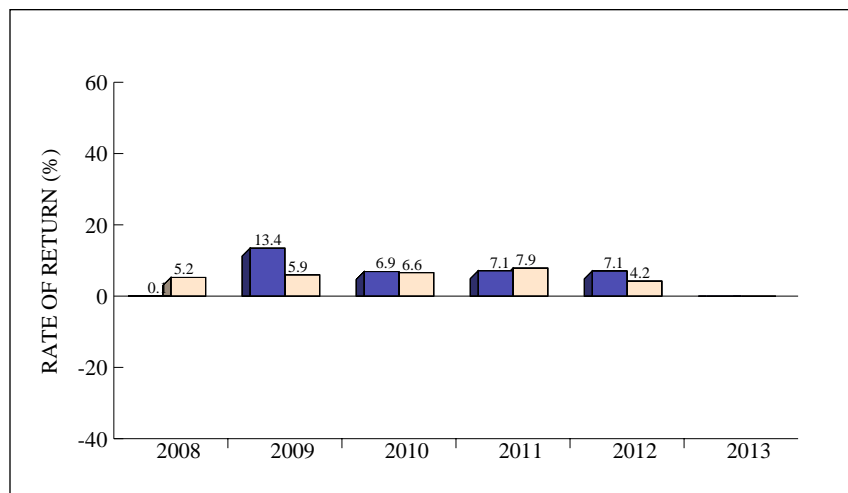


TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
IR&M	(Core Fixed Income)	0.9 (10)	7.1 (20)	7.1 (20)	7.0 (50)	6.8 (40)	\$12,017,656
<i>Barclays Aggregate Index</i>		0.2 ----	4.2 ----	4.2 ----	6.2 ----	6.0 ----	----

**FIXED INCOME RETURN COMPARISONS**

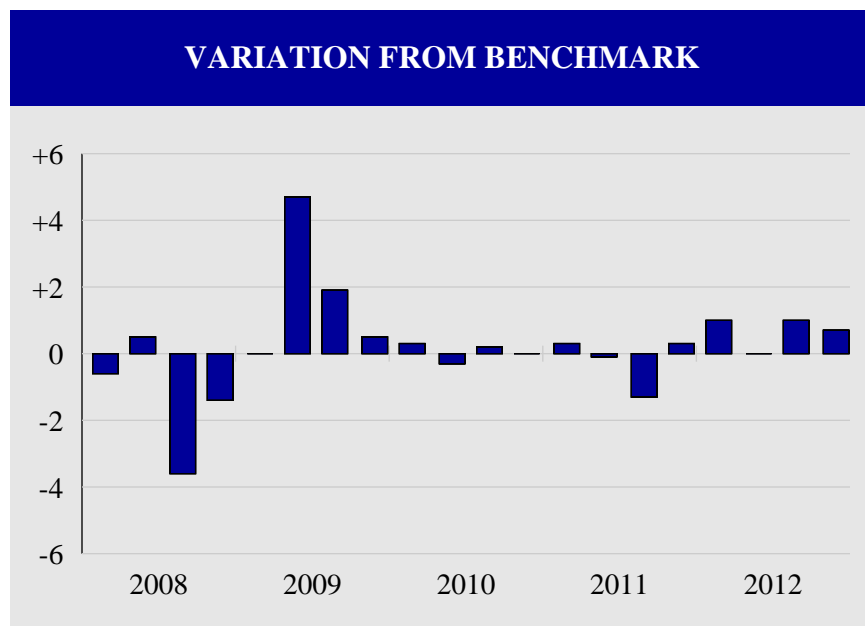


Core Fixed Income Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	0.9	3.5	5.7	7.1	7.0	6.8
(RANK)	(10)	(13)	(17)	(20)	(50)	(40)
5TH %ILE	1.2	4.5	6.7	8.5	8.7	7.9
25TH %ILE	0.7	3.0	5.3	6.9	7.5	7.1
MEDIAN	0.5	2.7	4.7	5.9	7.0	6.6
75TH %ILE	0.3	2.1	4.3	5.1	6.5	6.1
95TH %ILE	0.0	1.6	3.6	3.9	5.8	5.1
<b>Agg Index</b>	<b>0.2</b>	<b>1.8</b>	<b>3.9</b>	<b>4.2</b>	<b>6.2</b>	<b>6.0</b>

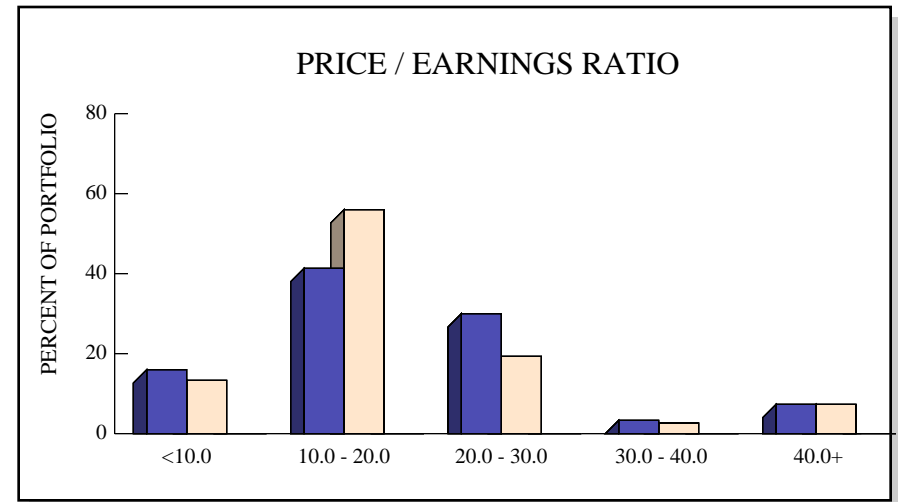
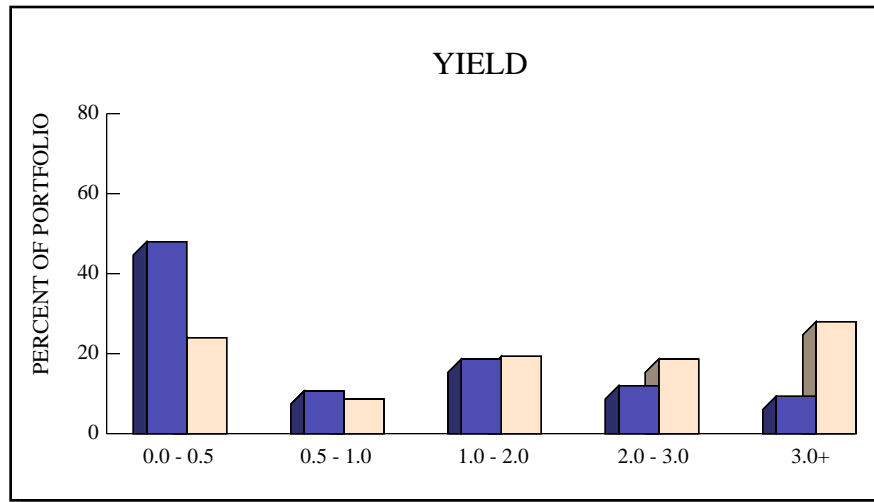
Core Fixed Income Universe

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

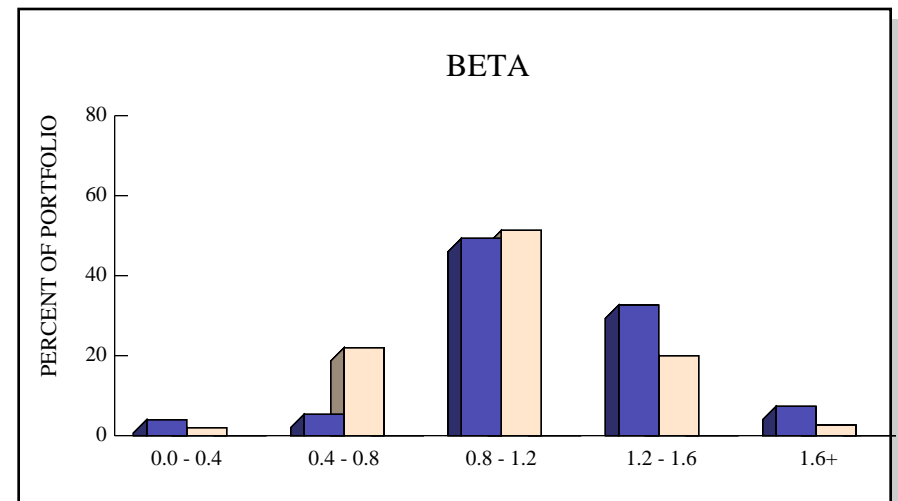
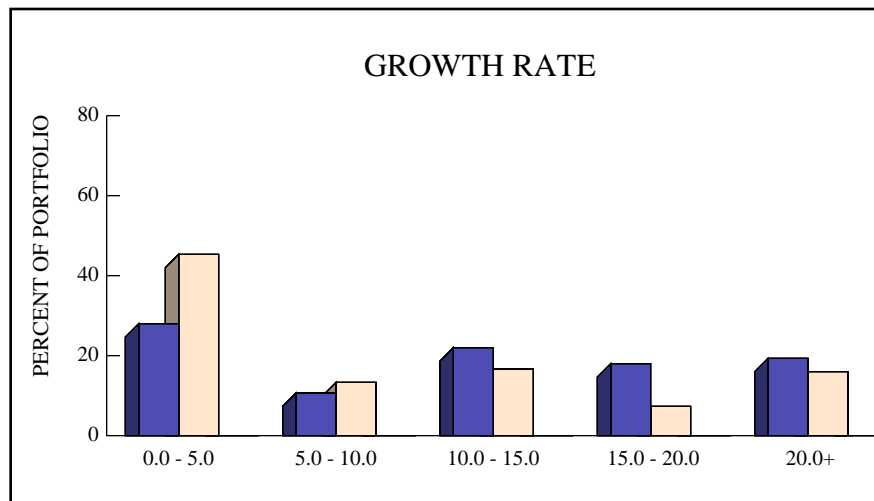
<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>14</b>
<b>Quarters Below the Benchmark</b>	<b>6</b>
<b>Batting Average</b>	<b>.700</b>

<b>RATES OF RETURN</b>			
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

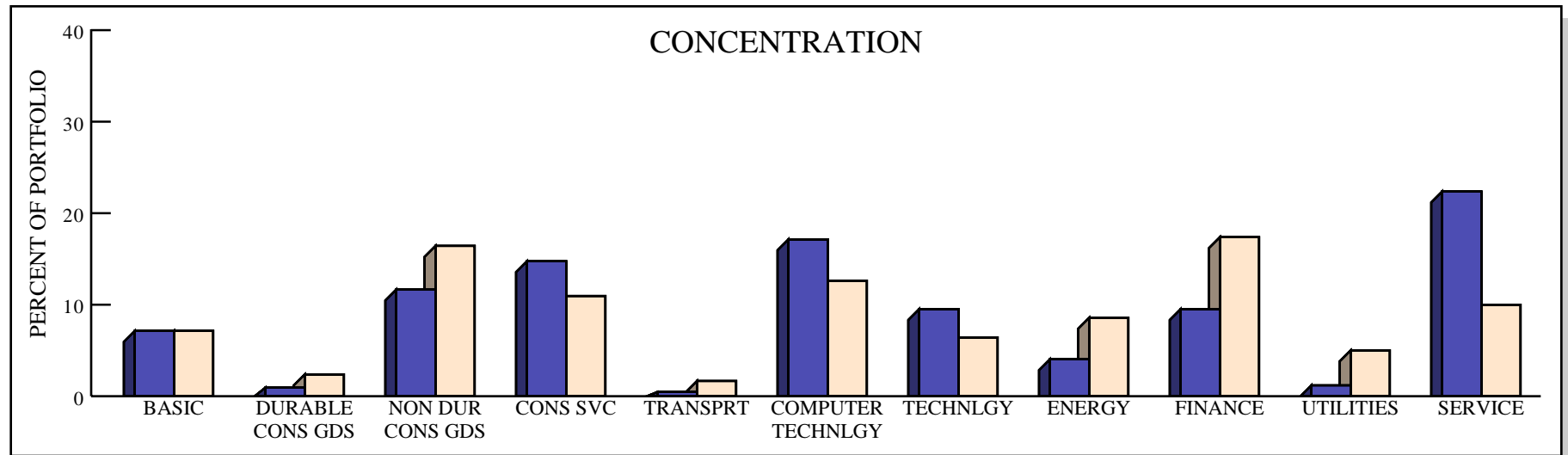
**STOCK CHARACTERISTICS**



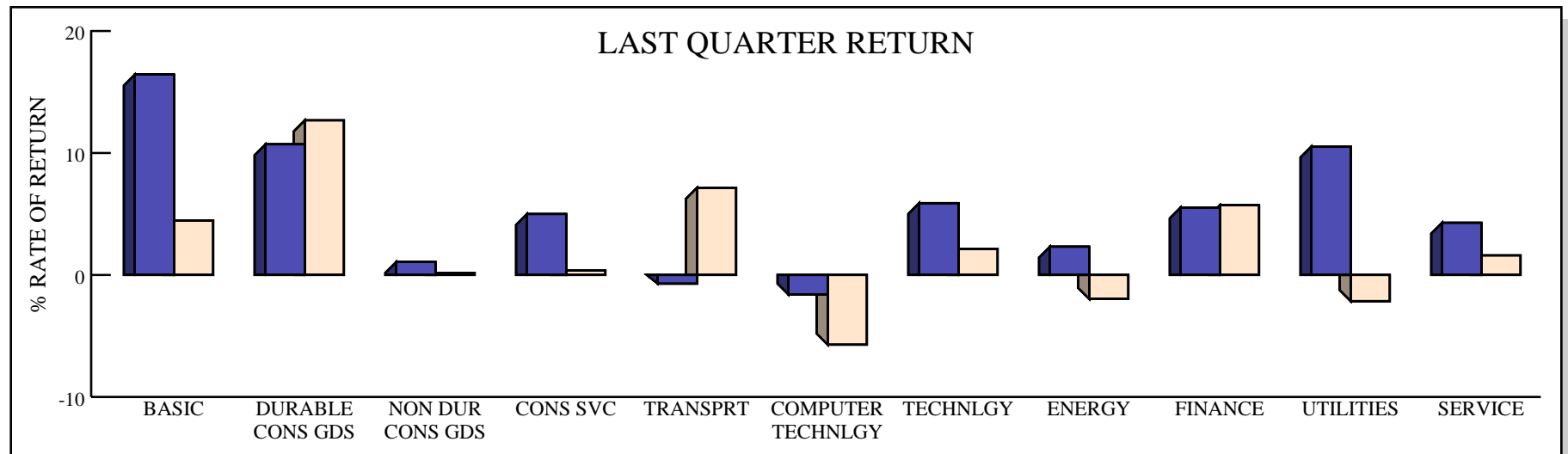
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.3%	11.9%	17.8	1.11
RUSSELL 3000	2.0%	8.2%	18.6	1.00



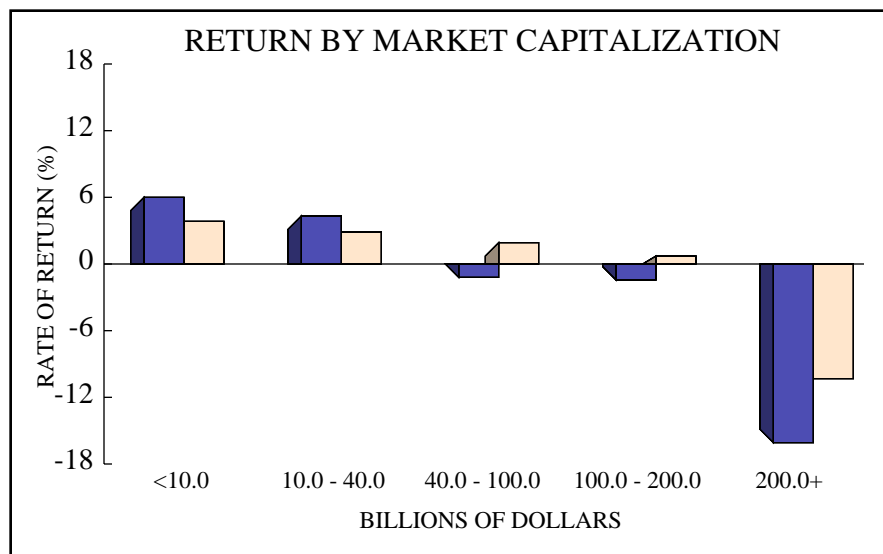
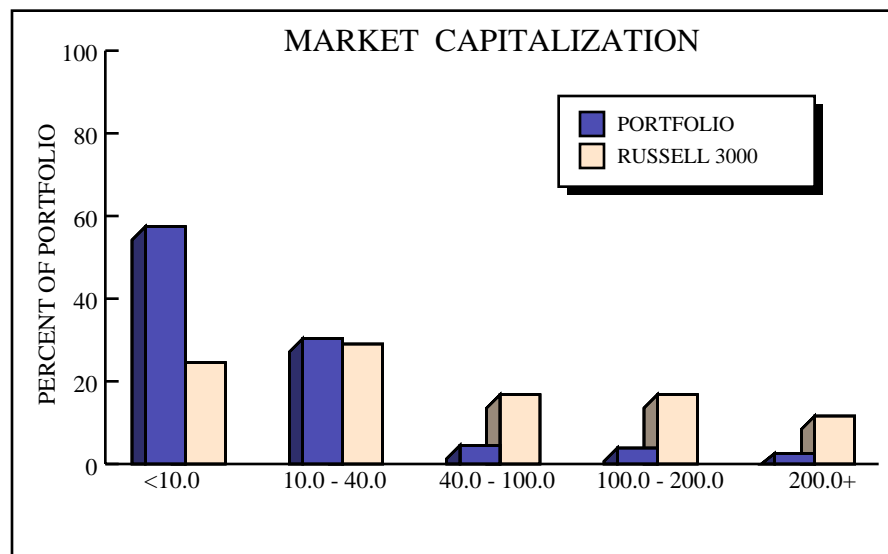
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL 3000



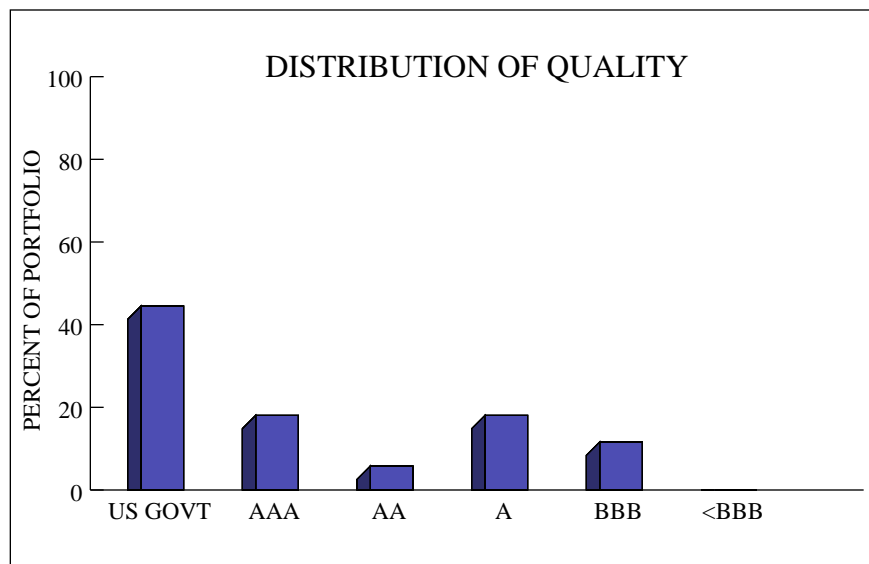
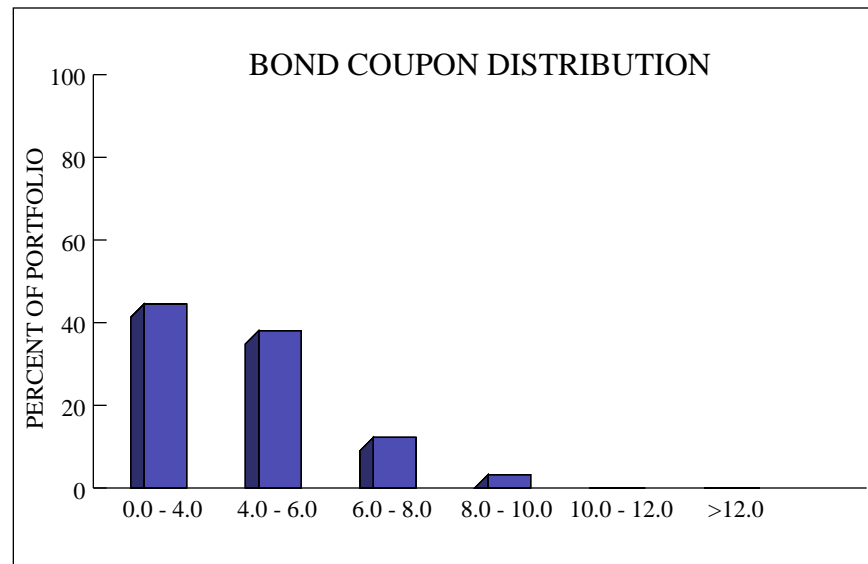
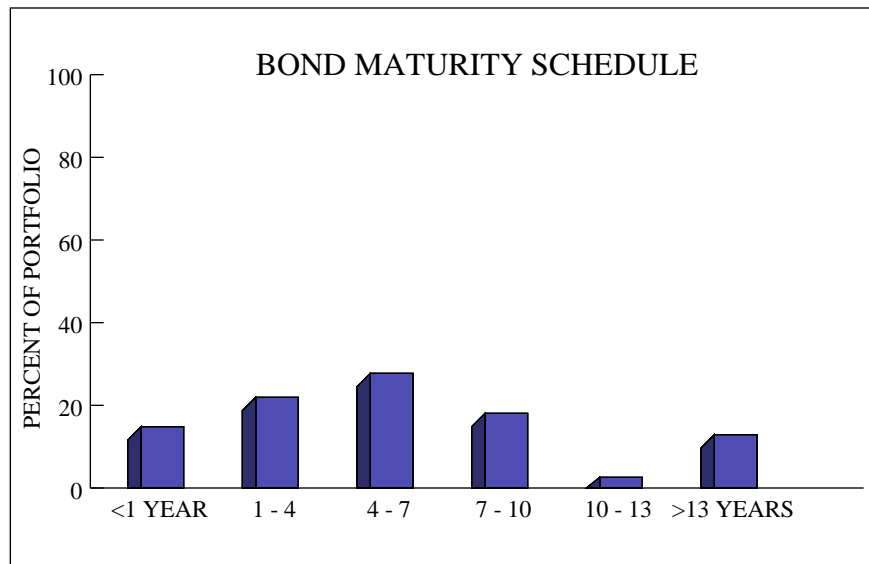
## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	APPLE INC	\$ 456,807	1.78%	-20.0%	Computer Tech	\$ 501.4 B
2	L-3 COMMUNICATIONS HOLDINGS	443,477	1.72%	7.5%	Technology	7.2 B
3	BRUNSWICK CORP	411,158	1.60%	28.6%	Basic	2.6 B
4	WEX INC	406,923	1.58%	8.1%	Service	2.9 B
5	LIBERTY MEDIA CORP - LIBER-A	404,875	1.57%	11.4%	Service	12.8 B
6	COGNIZANT TECH SOLUTIONS-A	398,537	1.55%	5.9%	Computer Tech	22.2 B
7	COSTAR GROUP INC	386,168	1.50%	9.6%	Service	2.5 B
8	MAXIMUS INC	385,136	1.50%	6.0%	Service	2.2 B
9	GOOGLE INC-CL A	383,060	1.49%	-6.0%	Computer Tech	188.0 B
10	QUALCOMM INC	369,639	1.44%	-0.4%	Technology	105.7 B

**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>BARCLAYS AGG</b>
No. of Securities	158	8,079
Duration	6.19	5.06
YTM	6.13	1.74
Average Coupon	4.09	3.57
Avg Maturity / WAL	10.39	6.96
Average Quality	AAA-AA	USG-AAA

## APPENDIX - MAJOR MARKET INDEX RETURNS

<b>Domestic Equity</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Russell 3000	Broad Equity	0.3	16.4	16.4	11.2	2.0
S&P 500	Large Cap Core	-0.4	16.0	16.0	10.8	1.6
Russell 1000	Large Cap Core	0.1	16.4	16.4	11.1	1.9
Russell 1000 Growth	Large Cap Growth	-1.3	15.3	15.3	11.4	3.1
Russell 1000 Value	Large Cap Value	1.5	17.5	17.5	10.9	0.6
Russell Mid Cap	Midcap	2.9	17.3	17.3	13.1	3.6
Russell Mid Cap Growth	Midcap Growth	1.7	15.8	15.8	12.9	3.2
Russell Mid Cap Value	Midcap Value	3.9	18.5	18.5	13.4	3.8
Russell 2000	Small Cap	1.8	16.3	16.3	12.2	3.6
Russell 2000 Growth	Small Cap Growth	0.4	14.6	14.6	12.8	3.5
Russell 2000 Value	Small Cap Value	3.2	18.1	18.1	11.6	3.5
<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	6.6	17.9	17.9	4.0	-3.2
MSCI EAFE Growth	Developed Markets Growth	5.8	17.3	17.3	5.2	-2.7
MSCI EAFE Value	Developed Markets Value	7.4	18.4	18.4	2.8	-3.7
MSCI All Country World Ex US	Foreign Equity	5.9	17.4	17.4	4.3	-2.5
MSCI Emerging Markets	Emerging Markets Equity	5.6	18.6	18.6	5.0	-0.6
<b>Domestic Fixed Income</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Barclays Aggregate Index	Core Fixed Income	0.2	4.2	4.2	6.2	6.0
Barclays Gov/Credit	Gov/Credit	0.4	4.8	4.8	6.7	6.1
Barclays Capital Gov't Bond	Treasuries	-0.1	2.0	2.0	5.5	5.2
Barclays Capital Credit Bond	Corporate Bonds	1.9	10.6	10.6	9.1	8.3
Intermediate Aggregate	Core Intermediate	0.2	3.5	3.5	5.2	5.4
Intermediate Gov/Credit	Gov / Credit Intermediate	0.3	3.9	3.9	5.2	5.2
ML/BoA 1-3 Year Treasury	Short Term Treasuries	0.4	0.7	0.7	1.5	2.4
CSFB High Yield	High Yield Bonds	3.1	14.7	14.7	11.4	9.5
<b>Alternative Assets</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Barclays Global Ex-US	International Treasuries	-2.4	2.3	2.3	1.4	3.6
NCREIF NFI-ODCE Index	Real Estate	2.3	10.9	10.9	14.4	-1.1
HFRI FOF Composite	Hedge Funds	1.3	4.7	4.7	0.8	-1.6
DJCS Tremont Hedge Fund Index	Hedge Funds	0.8	3.4	3.4	2.1	0.4



**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  
DECEMBER 2012

## **INVESTMENT RETURN**

On December 31st, 2012, the Franklin Regional Retirement System's PRIT Core Fund was valued at \$51,759,033, representing an increase of \$455,368 from the September quarter's ending value of \$51,303,665. Last quarter, the Fund posted withdrawals totaling \$1,118,627, which offset the portfolio's net investment return of \$1,573,995. Income receipts totaling \$390,372 plus net realized and unrealized capital gains of \$1,183,623 combined to produce the portfolio's net investment return.

For the cumulative period since December 2007, the fund has recorded net withdrawals totaling \$154,908 and posted net investment gains of \$4.7 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 \$70.2 million or \$18.4 million more than the actual value as of December 31st, 2012.

## **RELATIVE PERFORMANCE**

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

In the fourth quarter, the PRIT Core Fund gained 3.1%, which was 0.7% greater than the Custom Core Index's return of 2.4%. Over the trailing twelve-month period, the portfolio returned 13.9%, which was 1.1% above the benchmark's 12.8% return. Since December 2007, the account returned 1.5% on an annualized basis, while the Custom Core Index returned an annualized 2.3% over the same time frame.

## **ASSET ALLOCATION**

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

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	5 Years
<b>Total Gross/Fees</b>	3.1	13.9	13.9	9.0	1.5
<b>Total Net/Fees</b>	3.0	13.3	13.3	8.5	1.0
CUSTOM CORE IDX	2.4	12.8	12.8	8.6	2.3
<b>PRIT Core</b>	3.1	13.9	13.9	9.0	1.5
CUSTOM CORE IDX	2.4	12.8	12.8	8.6	2.3

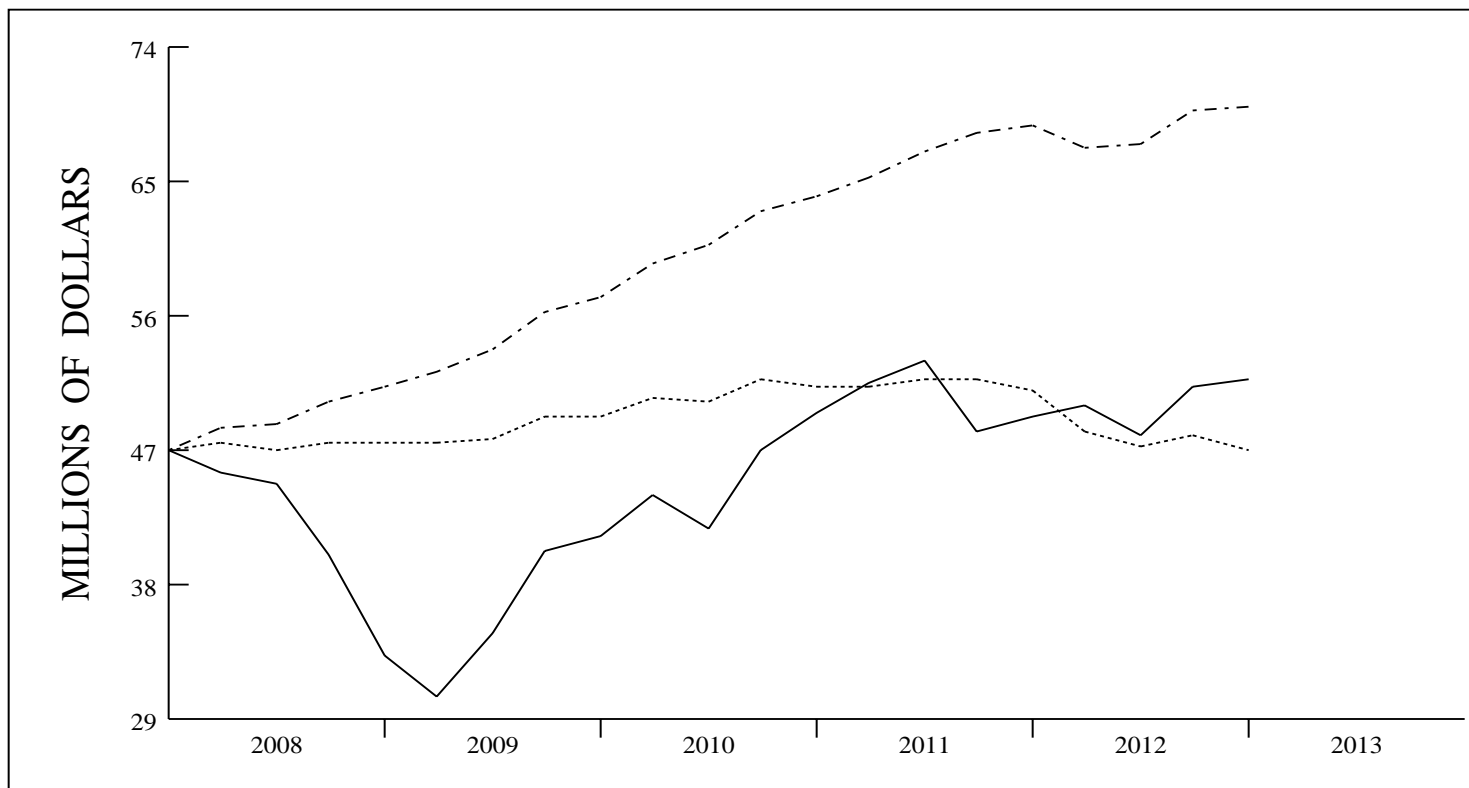
**ASSET ALLOCATION**

PRIT Core	100.0%	\$ 51,759,033
Total Portfolio	100.0%	\$ 51,759,033

**INVESTMENT RETURN**

Market Value 9/2012	\$ 51,303,665
Contribs / Withdrawals	- 1,118,627
Income	390,372
Capital Gains / Losses	1,183,623
Market Value 12/2012	\$ 51,759,033

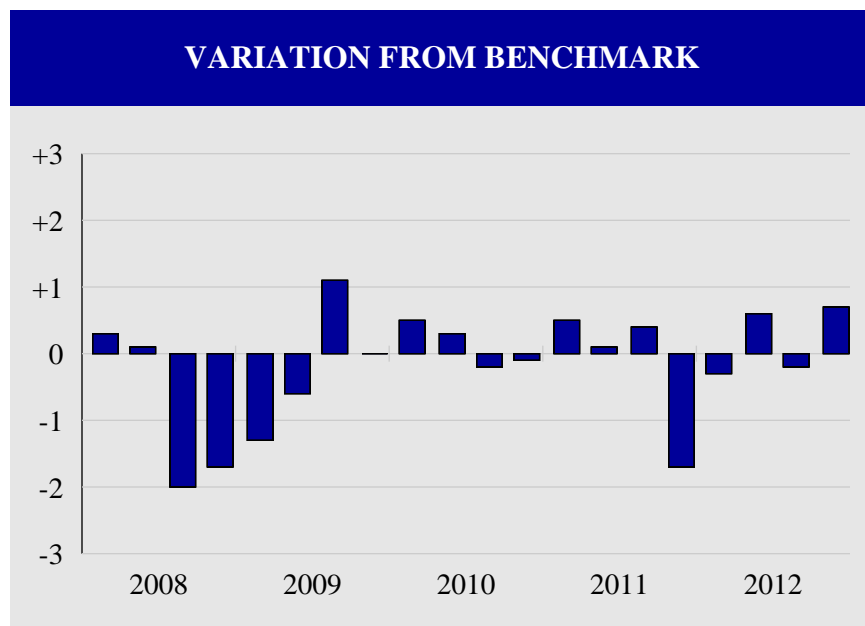
**INVESTMENT GROWTH**



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

VALUE ASSUMING  
 8.0% RETURN  
 \$ 70,206,294

	LAST QUARTER	PERIOD 12/07 - 12/12
BEGINNING VALUE	\$ 51,303,665	\$ 47,236,061
NET CONTRIBUTIONS	- 1,118,627	- 154,908
<u>INVESTMENT RETURN</u>	<u>1,573,995</u>	<u>4,677,880</u>
ENDING VALUE	\$ 51,759,033	\$ 51,759,033
INCOME	390,372	6,930,763
<u>CAPITAL GAINS (LOSSES)</u>	<u>1,183,623</u>	<u>- 2,252,883</u>
INVESTMENT RETURN	1,573,995	4,677,880

**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
3/08	-4.4	-4.7	0.3
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	-6.8	-1.3
6/09	11.7	12.3	-0.6
9/09	11.5	10.4	1.1
12/09	2.9	2.9	0.0
3/10	3.5	3.0	0.5
6/10	-5.0	-5.3	0.3
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	-9.4	0.4
12/11	3.7	5.4	-1.7
3/12	7.3	7.6	-0.3
6/12	-1.5	-2.1	0.6
9/12	4.4	4.6	-0.2
12/12	3.1	2.4	0.7

FRANKLIN REGIONAL RETIREMENT SYSTEM  
POLEN CAPITAL MANAGEMENT  
PERFORMANCE REVIEW  
DECEMBER 2012

## **INVESTMENT RETURN**

On December 31st, 2012, the Franklin Regional Retirement System's Polen Capital Management portfolio was valued at \$5,580,804, a decrease of \$57,940 from the September ending value of \$5,638,744. Last quarter, the account recorded no net contributions or withdrawals, while recording a net investment loss for the quarter of \$57,940. Net investment loss was composed of income receipts totaling \$29,418 and \$87,358 in net realized and unrealized capital losses.

For the cumulative period since March 2012, the account has recorded net contributions totaling \$450,000, in contrast to net investment losses of \$142,350. Since March 2012, if the total account earned a compounded nominal rate of 8.0% it would have been worth \$6.0 million or \$468,858 more than the actual value as of December 31st, 2012.

## **RELATIVE PERFORMANCE**

During the fourth quarter, the Polen Capital Management portfolio lost 1.0%, which was 0.3% above the Russell 1000 Growth Index's return of -1.3% and ranked in the 61st percentile of the Large Cap Growth universe.

## **ASSET ALLOCATION**

At the end of the fourth quarter, domestic equities comprised 96.1% of the total portfolio (\$5.4 million), while cash & equivalents comprised the remaining 3.9% (\$216,791).

## **ANALYSIS**

The Polen portfolio was highly concentrated in the Computer Technology sector last quarter. The Technology sector was also overweight, to a lesser extent. The allocation to the Finance sector was in line with the benchmark. The Non-Durable Goods, Consumer Service, and Service sectors were underweight, while the remaining five sectors were vacant.

Benchmark beating returns in four of the six utilized sectors drove total performance 30 basis points above the Russell 1000 Growth. The sectors to fall below their respective index counterparts were the Finance and Service sectors; these effects were minimal due to the small representation within the portfolio.



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

	Quarter	YTD	1 Year	3 Years*	Since 3/2012
<b>Total Gross/Fees</b>	-1.0	----	----	----	-3.3
<i>LARGE CAP GROWTH RANK</i>	(61)	----	----	----	(88)
<b>Total Net/Fees</b>	-1.2	----	----	----	-3.7
RUSSELL 1000G	-1.3	15.3	15.3	11.4	0.5
<b>Domestic Equity</b>	-1.1	----	----	----	-3.4
<i>LARGE CAP GROWTH RANK</i>	(62)	----	----	----	(91)
RUSSELL 1000G	-1.3	15.3	15.3	11.4	0.5

\* Annualized Return

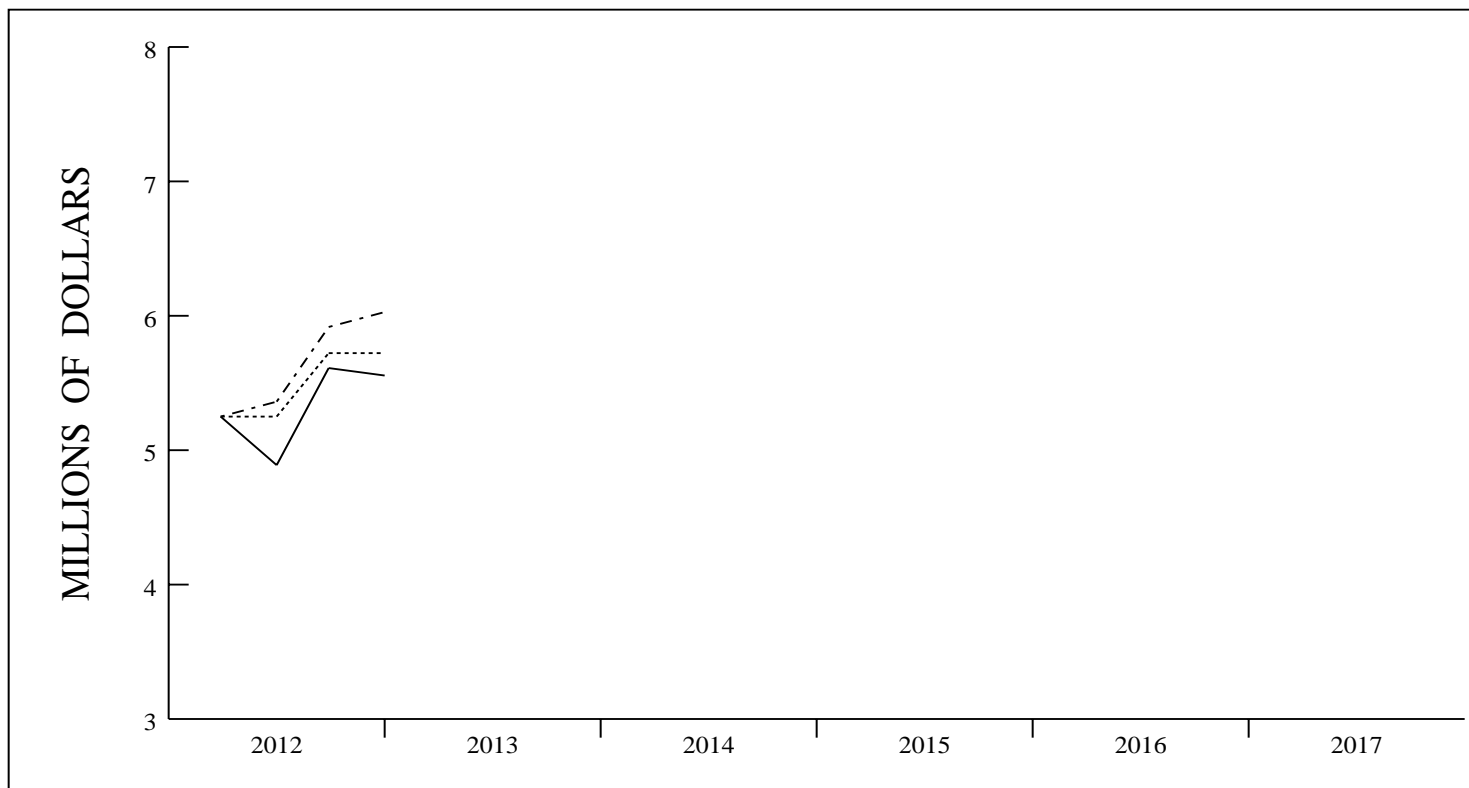
**ASSET ALLOCATION**

Domestic Equity	96.1%	\$ 5,364,013
Cash	3.9%	216,791
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 5,580,804</b>

**INVESTMENT RETURN**

Market Value 9/2012	\$ 5,638,744
Contribs / Withdrawals	0
Income	29,418
Capital Gains / Losses	- 87,358
Market Value 12/2012	\$ 5,580,804

**INVESTMENT GROWTH**

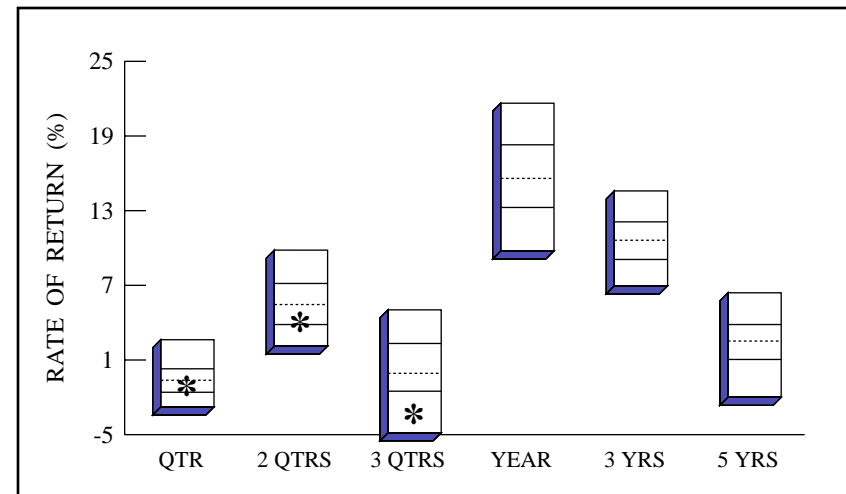
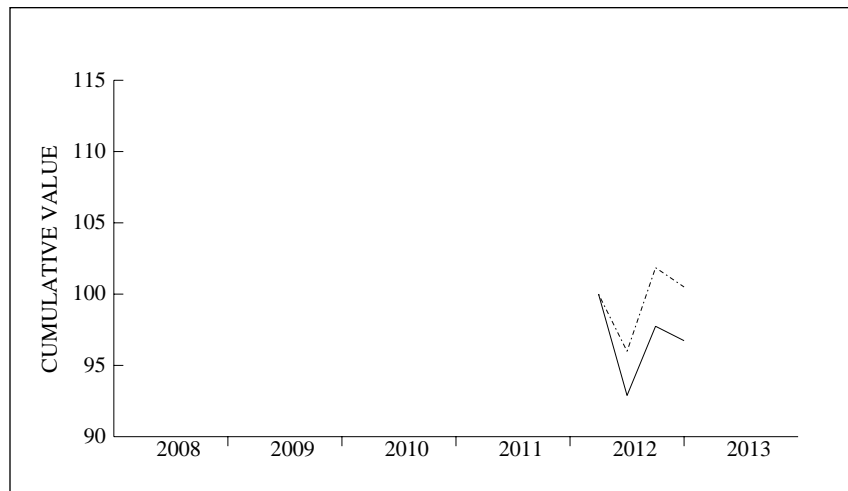


—	ACTUAL RETURN
- - -	8.0%
· · ·	0.0%

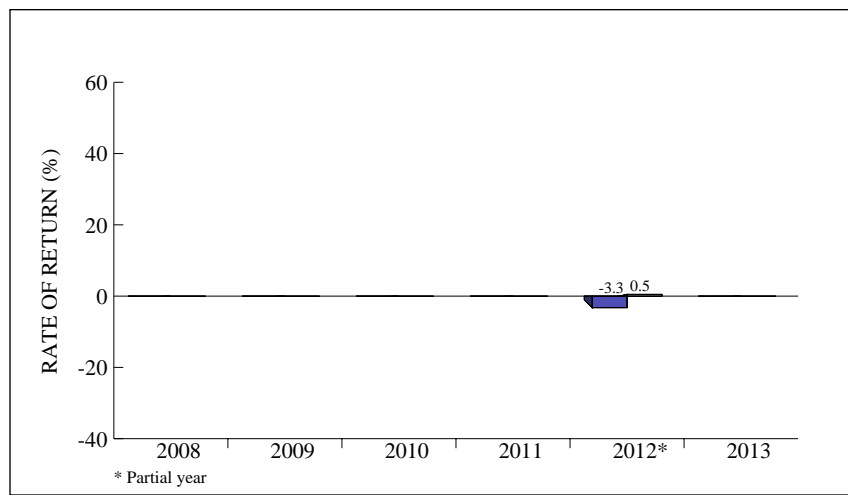
VALUE ASSUMING 8.0% RETURN
\$ 6,049,662

	LAST QUARTER	PERIOD 3/12 - 12/12
BEGINNING VALUE	\$ 5,638,744	\$ 5,273,154
NET CONTRIBUTIONS	0	450,000
INVESTMENT RETURN	- 57,940	-142,350
ENDING VALUE	\$ 5,580,804	\$ 5,580,804
INCOME	29,418	56,987
CAPITAL GAINS (LOSSES)	- 87,358	-199,337
INVESTMENT RETURN	- 57,940	-142,350

**TOTAL RETURN COMPARISONS**



Large Cap Growth Universe

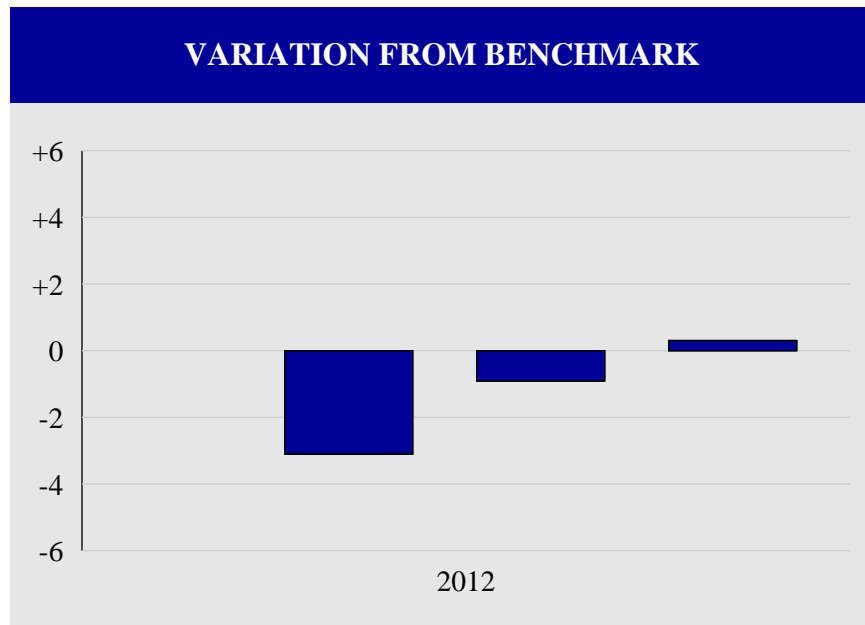


	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	-1.0	4.1	-3.3	----	----	----
(RANK)	(61)	(70)	(88)	----	----	----
5TH %ILE	2.6	9.8	5.0	21.6	14.6	6.4
25TH %ILE	0.3	7.2	2.3	18.3	12.1	3.9
MEDIAN	-0.6	5.5	-0.1	15.6	10.6	2.5
75TH %ILE	-1.6	3.9	-1.5	13.3	9.1	1.1
95TH %ILE	-2.8	2.1	-4.9	9.8	7.0	-2.0
<b>Russ 1000G</b>	<b>-1.3</b>	<b>4.7</b>	<b>0.5</b>	<b>15.3</b>	<b>11.4</b>	<b>3.1</b>

Large Cap Growth Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

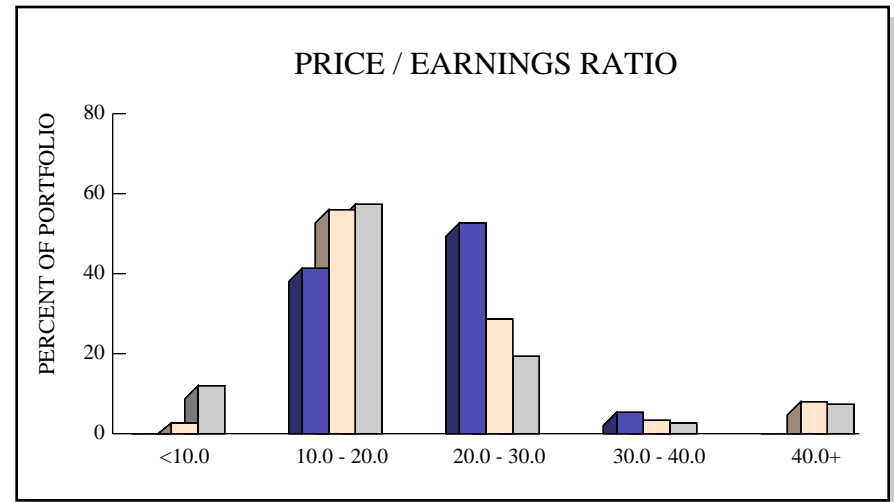
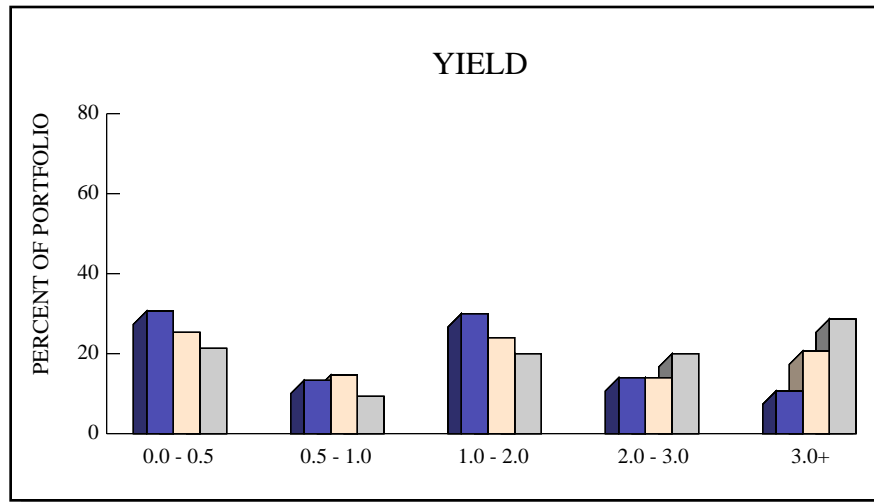
**COMPARATIVE BENCHMARK: RUSSELL 1000 GROWTH**



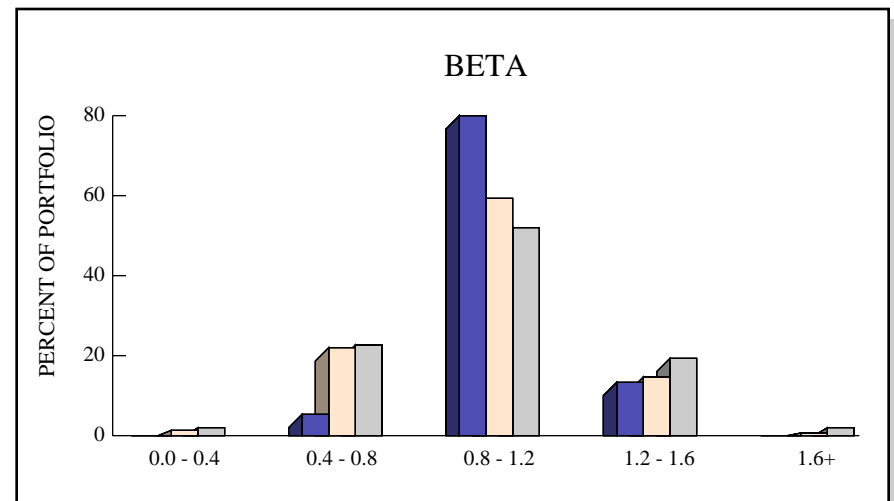
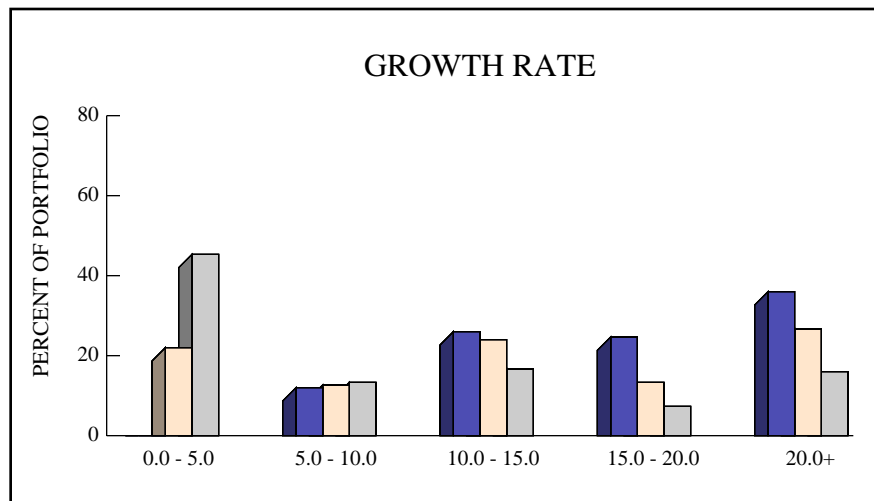
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
6/12	-7.1	-4.0	-3.1
9/12	5.2	6.1	-0.9
12/12	-1.0	-1.3	0.3

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

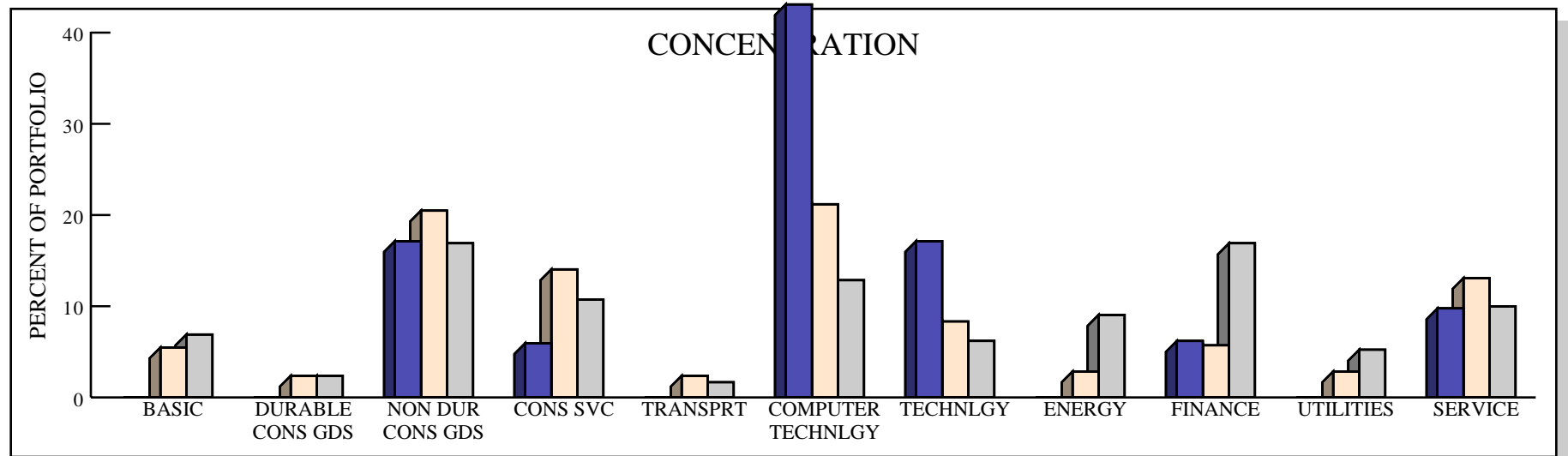
**STOCK CHARACTERISTICS**



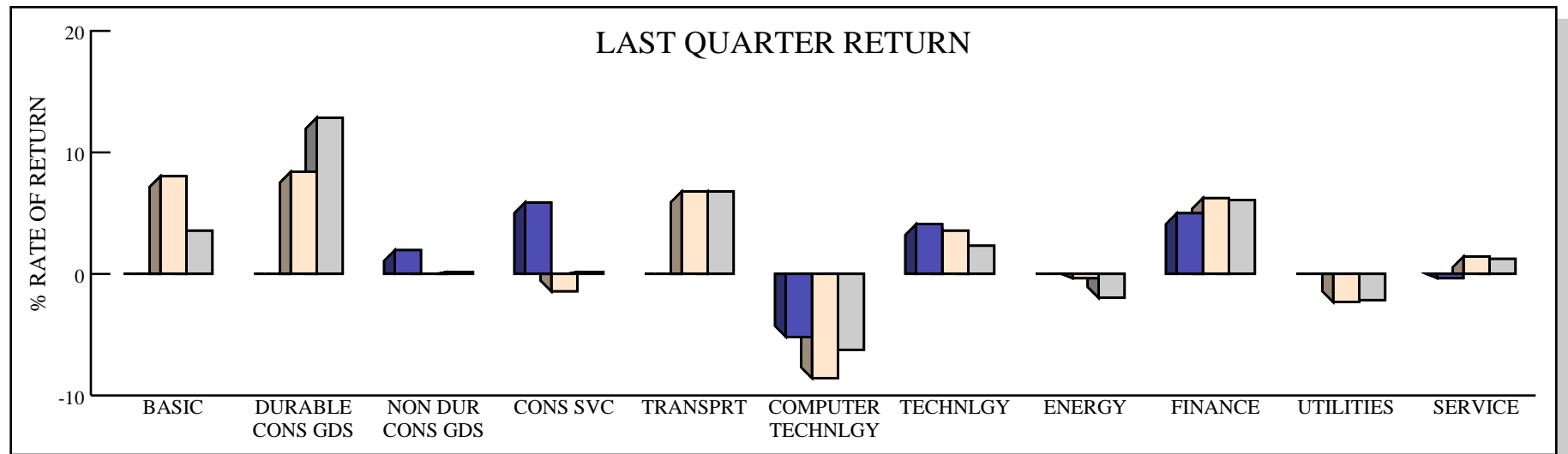
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.3%	21.9%	21.1	1.00
RUSSELL 1000G	1.7%	16.0%	21.4	0.96
RUSSELL 1000	2.1%	8.3%	18.8	0.99



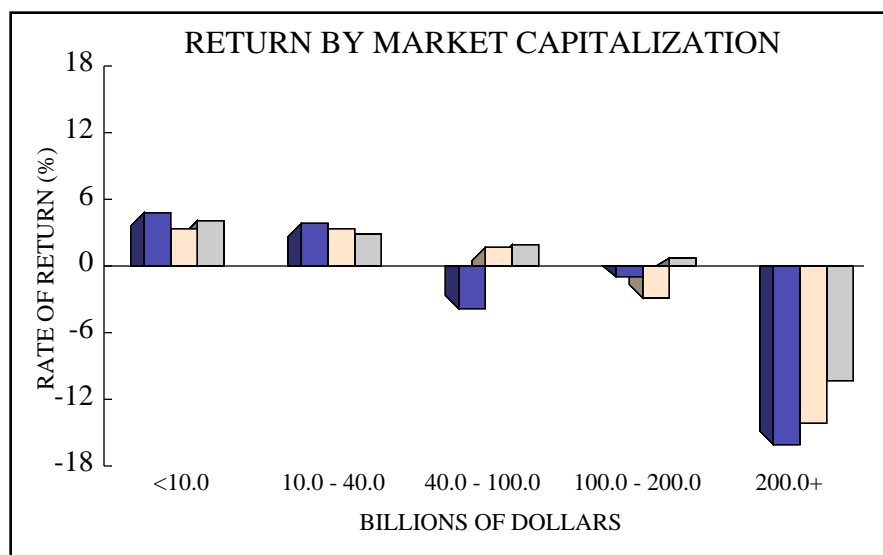
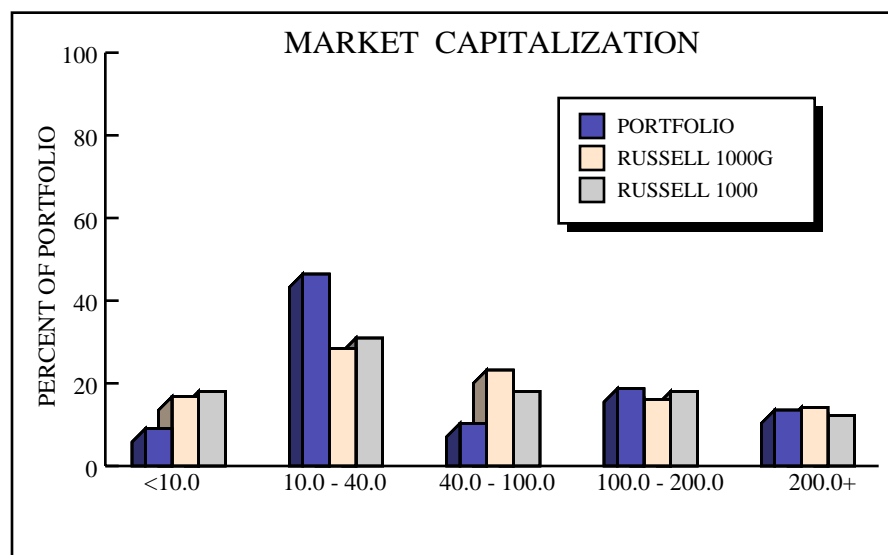
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO    
 ■ RUSSELL 1000 GROWTH    
 ■ RUSSELL 1000



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	APPLE INC	\$ 456,807	8.52%	-20.0%	Computer Tech	\$ 501.4 B
2	COGNIZANT TECH SOLUTIONS-A	398,537	7.43%	5.9%	Computer Tech	22.2 B
3	GOOGLE INC-CL A	383,060	7.14%	-6.0%	Computer Tech	188.0 B
4	QUALCOMM INC	369,639	6.89%	-0.4%	Technology	105.7 B
5	T ROWE PRICE GROUP INC	338,676	6.31%	5.0%	Finance	16.6 B
6	STARBUCKS CORP	326,010	6.08%	6.0%	Consumer Service	39.9 B
7	ALLERGAN INC	316,469	5.90%	0.2%	NonDur Cons Goods	28.2 B
8	ABBOTT LABORATORIES	311,977	5.82%	-2.9%	NonDur Cons Goods	49.5 B
9	NIKE INC -CL B	292,159	5.45%	9.1%	NonDur Cons Goods	37.2 B
10	INTUITIVE SURGICAL INC	289,318	5.39%	-1.1%	Technology	19.5 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
O'SHAUGHNESSY ASSET MANAGEMENT  
PERFORMANCE REVIEW  
DECEMBER 2012



## **INVESTMENT RETURN**

On December 31st, 2012, the Franklin Regional Retirement System's O'Shaughnessy Asset Management portfolio was valued at \$5,672,078, representing an increase of \$43,852 from the September quarter's ending value of \$5,628,226. Last quarter, the Fund posted withdrawals totaling \$105, which partially offset the portfolio's net investment return of \$43,957. Net investment return was a product of income receipts totaling \$60,637 and realized and unrealized capital losses of \$16,680.

For the cumulative period since March 2012, the fund has recorded net contributions totaling \$399,483, and recorded net investment gains of \$169,483. For the period since March 2012, if the total fund returned a compounded nominal rate of 8.0% it would have been valued at \$5.8 million or \$145,443 more than the actual value as of December 31st, 2012.

## **RELATIVE PERFORMANCE**

### **Total Fund**

In the fourth quarter, the O'Shaughnessy Asset Management portfolio gained 0.8%, which was 0.7% below the Russell 1000 Value Index's return of 1.5% and ranked in the 63rd percentile of the Large Cap Value universe.

## **ASSET ALLOCATION**

On December 31st, 2012, domestic equities comprised 97.6% of the total portfolio (\$5.5 million), while cash & equivalents comprised the remaining 2.4% (\$133,452).

## **STOCK ANALYSIS**

At the end of the quarter, the portfolio was diversified across ten of the eleven industry sectors in our analysis. Relative to the Russell 1000 Value, the portfolio maintained notably higher concentrations in the Consumer Service, Technology, and Service sectors. In contrast, the portfolio's Non-durable Consumer Goods, Energy, Finance and Utilities sectors were the most notably under-weighted. The Durable Consumer Goods sector was vacant of holdings.

The portfolio struggled with stock selection during the fourth quarter – it fell behind the benchmark in four of the ten utilized sectors. Steep losses were recorded in Computer Technology sector, while the Transportation recorded a decline in contrast to the respective sector-gain for the index. The strong returns from the Utilities sector provided some relief, unfortunately it was not enough to overcome the losses seen elsewhere in the portfolio.

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

	Quarter	YTD	1 Year	3 Years*	Since 3/2012
<b>Total Gross/Fees</b>	0.8	----	----	----	2.7
<i>LARGE CAP VALUE RANK</i>	(63)	----	----	----	(71)
<b>Total Net/Fees</b>	0.7	----	----	----	2.3
RUSSELL 1000V	1.5	17.5	17.5	10.9	5.7
<b>Domestic Equity</b>	0.8	----	----	----	2.8
<i>LARGE CAP VALUE RANK</i>	(63)	----	----	----	(70)
RUSSELL 1000V	1.5	17.5	17.5	10.9	5.7

\* Annualized Return

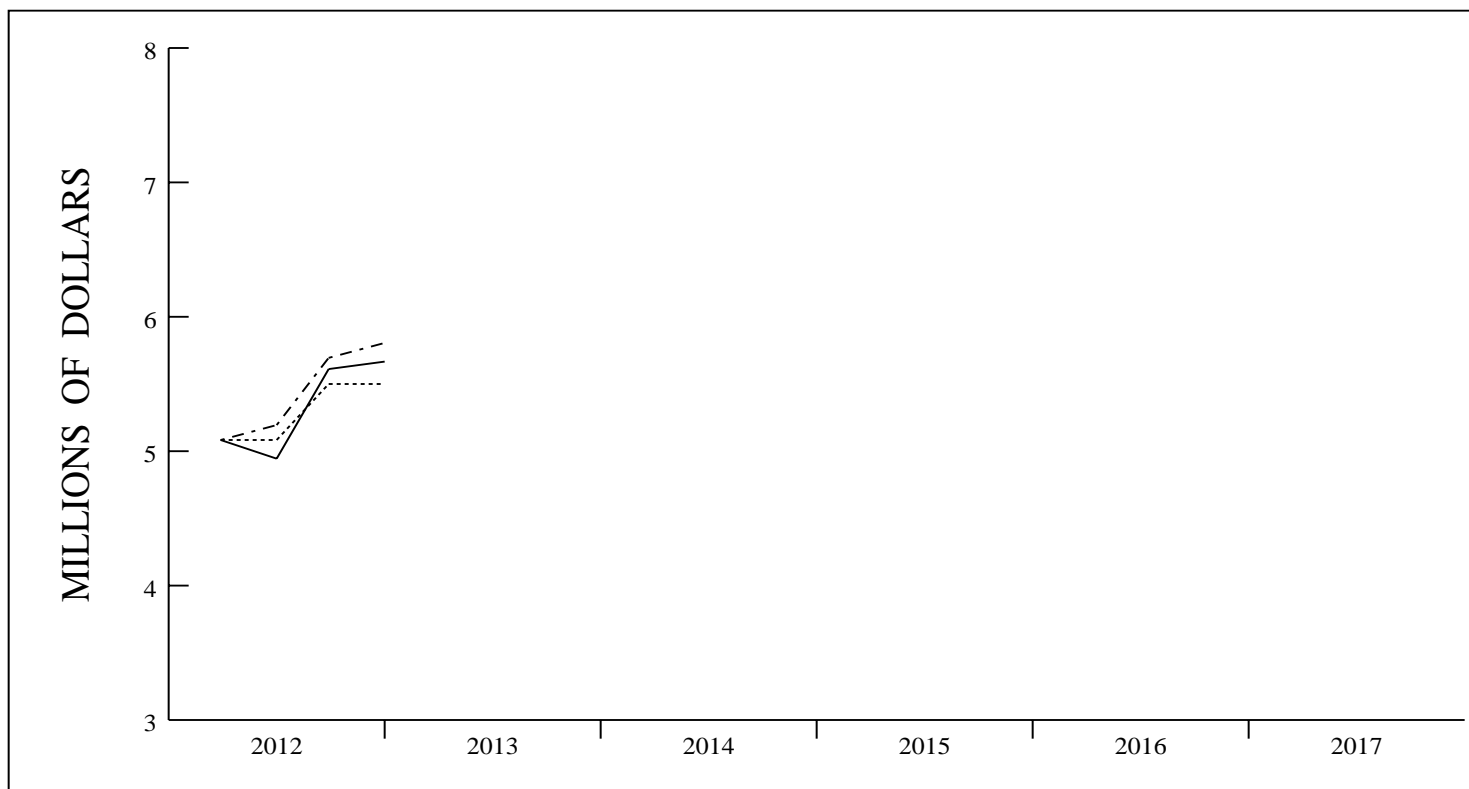
**ASSET ALLOCATION**

Domestic Equity	97.6%	\$ 5,538,626
Cash	2.4%	133,452
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 5,672,078</b>

**INVESTMENT RETURN**

Market Value 9/2012	\$ 5,628,226
Contribs / Withdrawals	-105
Income	60,637
Capital Gains / Losses	- 16,680
Market Value 12/2012	\$ 5,672,078

**INVESTMENT GROWTH**

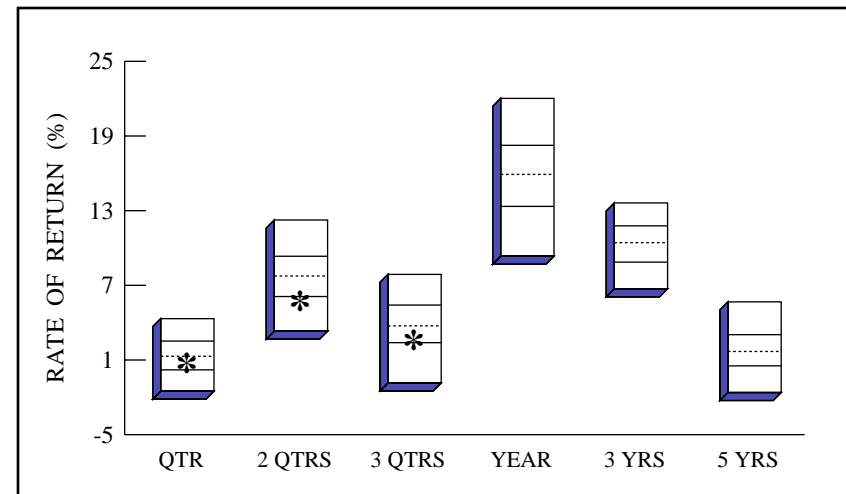
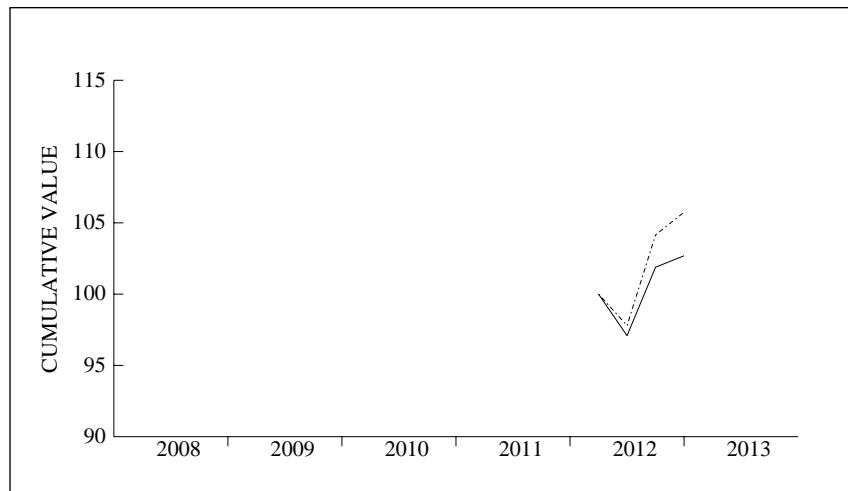


————	ACTUAL RETURN
-----	8.0%
.....	0.0%

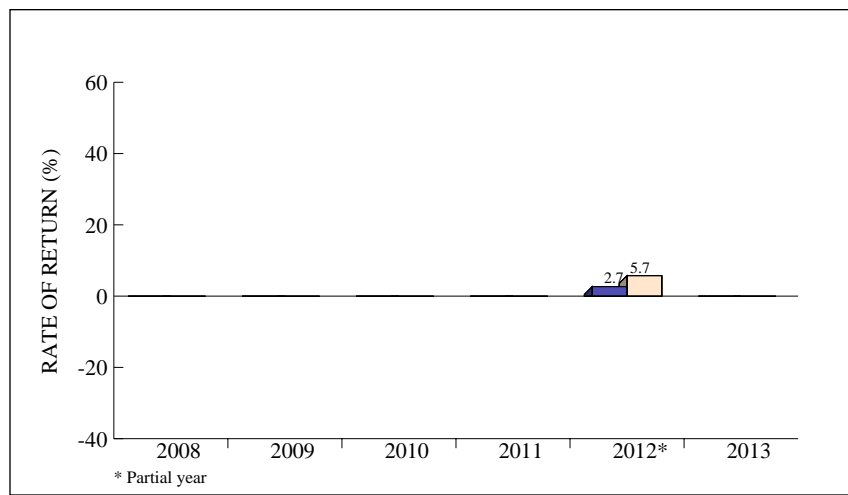
VALUE ASSUMING 8.0% RETURN
\$ 5,817,521

	LAST QUARTER	PERIOD 3/12 - 12/12
BEGINNING VALUE	\$ 5,628,226	\$ 5,103,112
NET CONTRIBUTIONS	-105	399,483
<u>INVESTMENT RETURN</u>	<u>43,957</u>	<u>169,483</u>
ENDING VALUE	\$ 5,672,078	\$ 5,672,078
INCOME	60,637	159,886
CAPITAL GAINS (LOSSES)	<u>- 16,680</u>	<u>9,597</u>
INVESTMENT RETURN	43,957	169,483

**TOTAL RETURN COMPARISONS**



Large Cap Value Universe

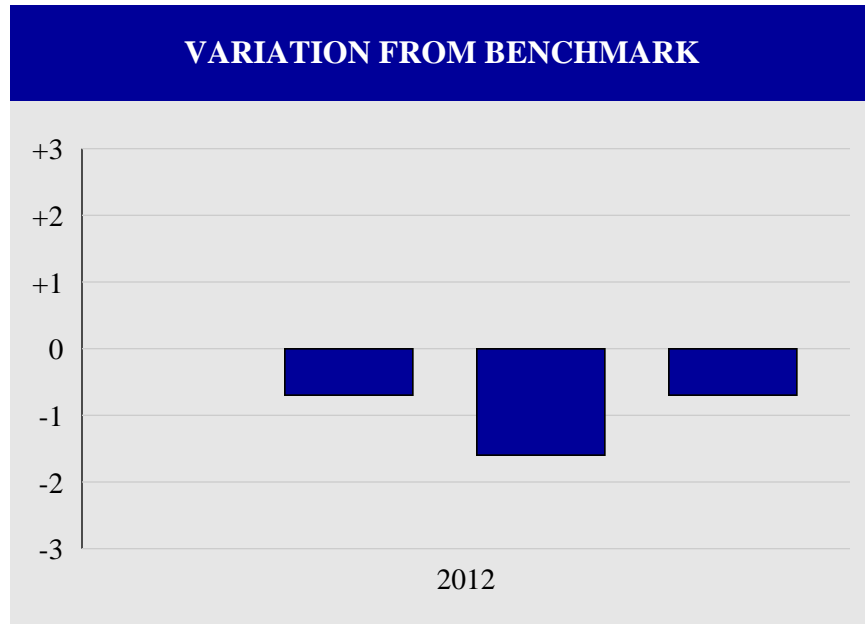


	<u>QTR</u>	<u>2QTRS</u>	<u>3QTRS</u>	<u>YEAR</u>	<u>-----ANNUALIZED-----</u> <u>3 YRS</u>	<u>5 YRS</u>
RETURN	0.8	5.8	2.7	----	----	----
(RANK)	(63)	(80)	(71)	----	----	----
5TH %ILE	4.3	12.3	7.9	22.0	13.6	5.7
25TH %ILE	2.5	9.3	5.4	18.3	11.8	3.0
MEDIAN	1.3	7.8	3.7	15.9	10.4	1.7
75TH %ILE	0.2	6.1	2.4	13.4	8.9	0.5
95TH %ILE	-1.5	3.3	-0.9	9.3	6.7	-1.6
<b>Russ 1000V</b>	<b>1.5</b>	<b>8.1</b>	<b>5.7</b>	<b>17.5</b>	<b>10.9</b>	<b>0.6</b>

Large Cap Value Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

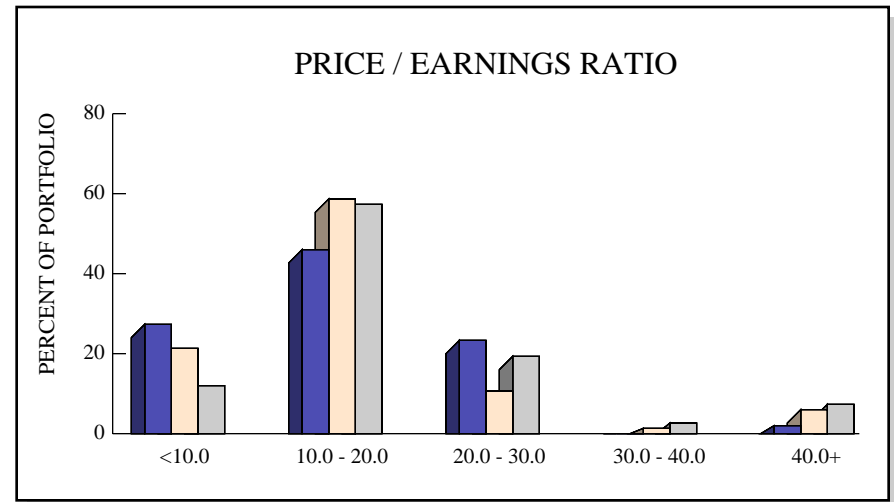
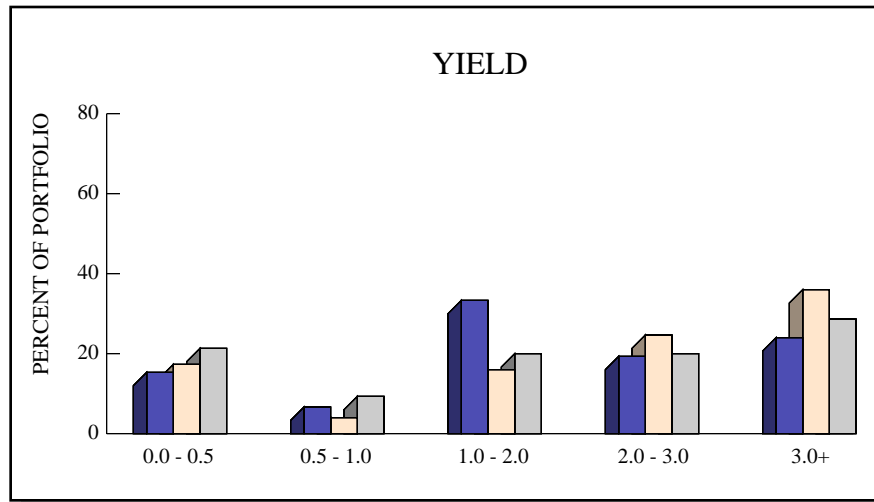
**COMPARATIVE BENCHMARK: RUSSELL 1000 VALUE**



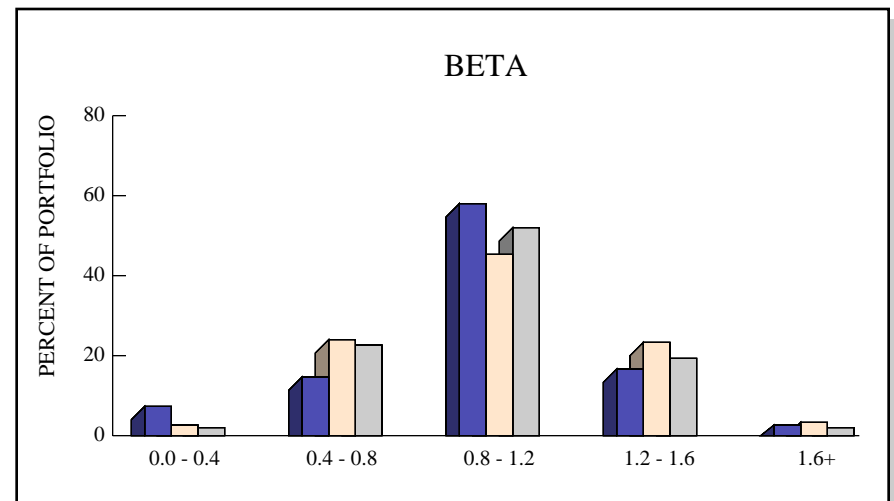
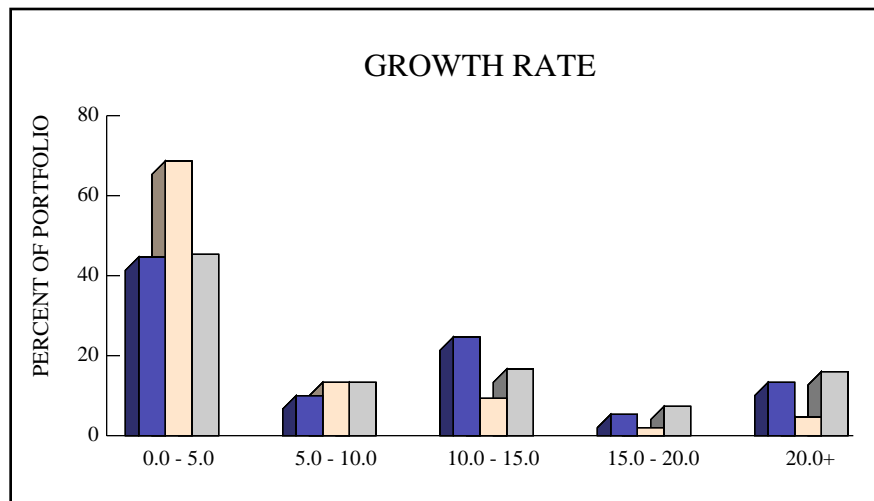
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
6/12	-2.9	-2.2	-0.7
9/12	4.9	6.5	-1.6
12/12	0.8	1.5	-0.7

<b>Total Quarters Observed</b>	<b>3</b>
<b>Quarters At or Above the Benchmark</b>	<b>0</b>
<b>Quarters Below the Benchmark</b>	<b>3</b>
<b>Batting Average</b>	<b>.000</b>

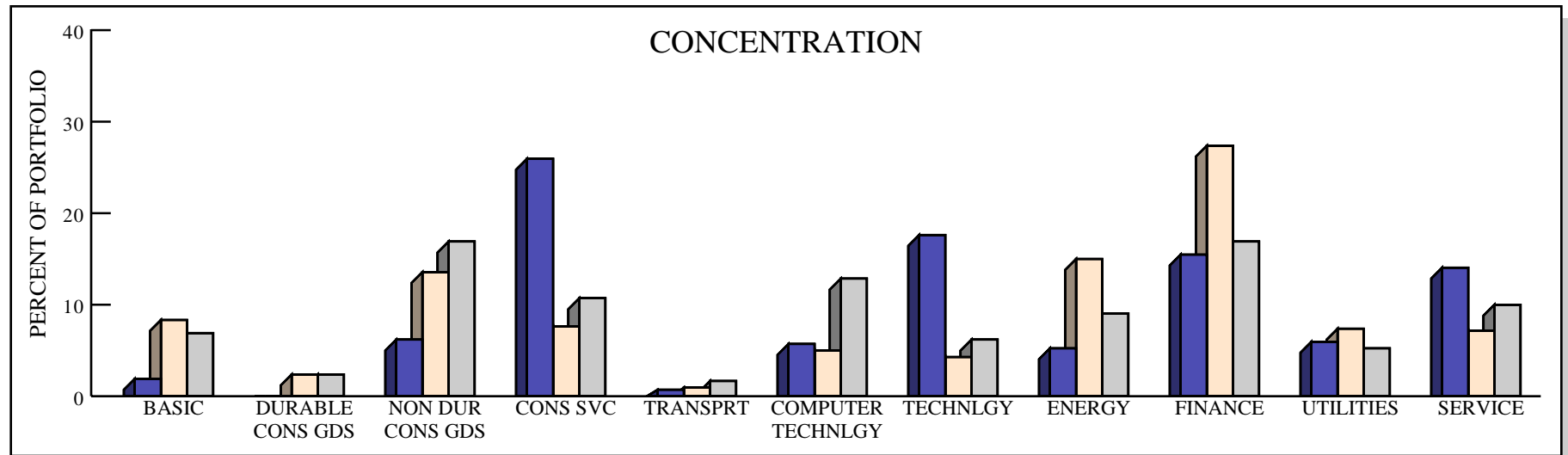
**STOCK CHARACTERISTICS**



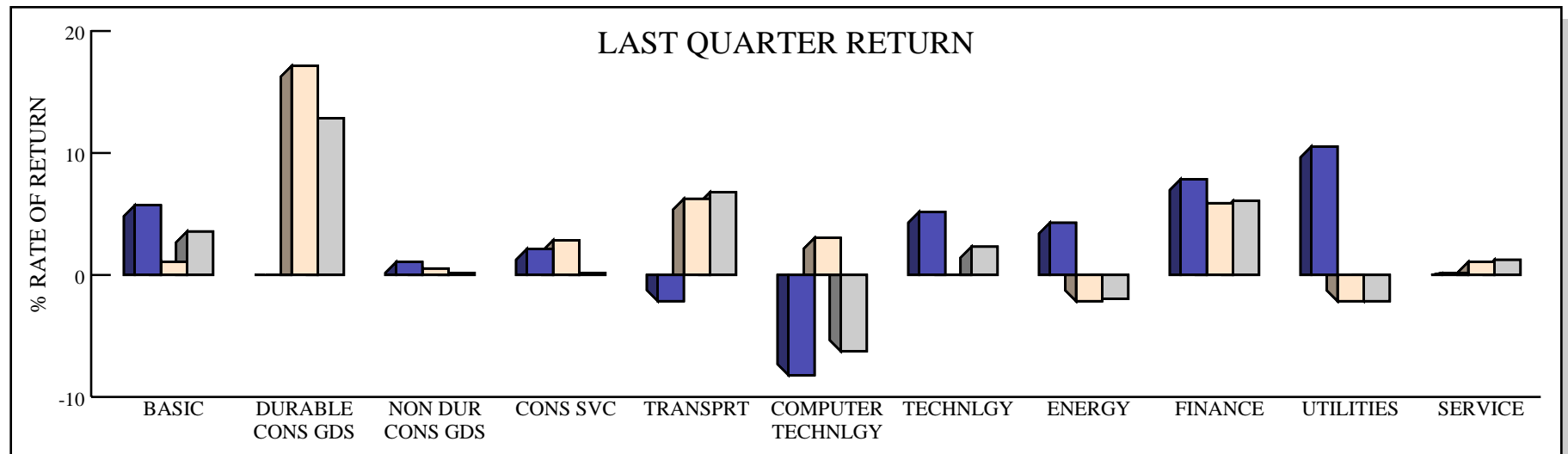
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	2.2%	5.8%	15.9	0.93
RUSSELL 1000V	2.4%	0.5%	16.2	1.02
RUSSELL 1000	2.1%	8.3%	18.8	0.99



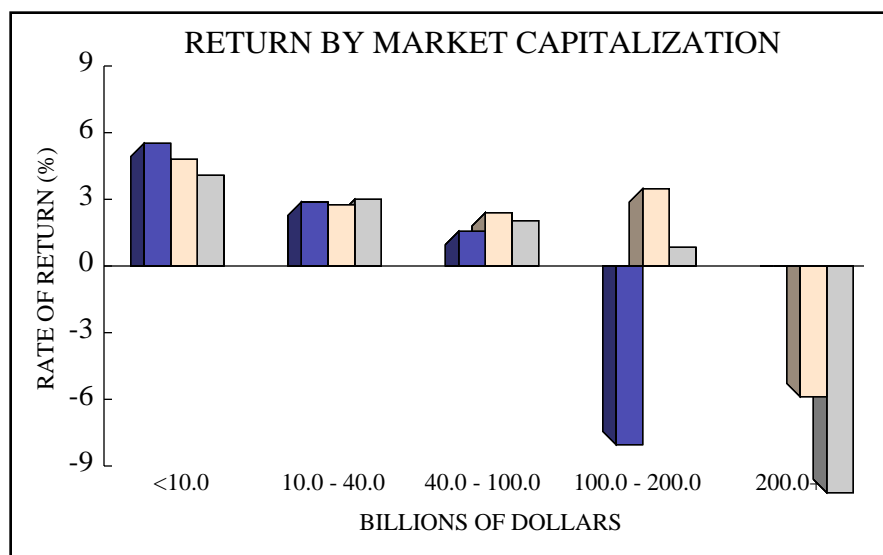
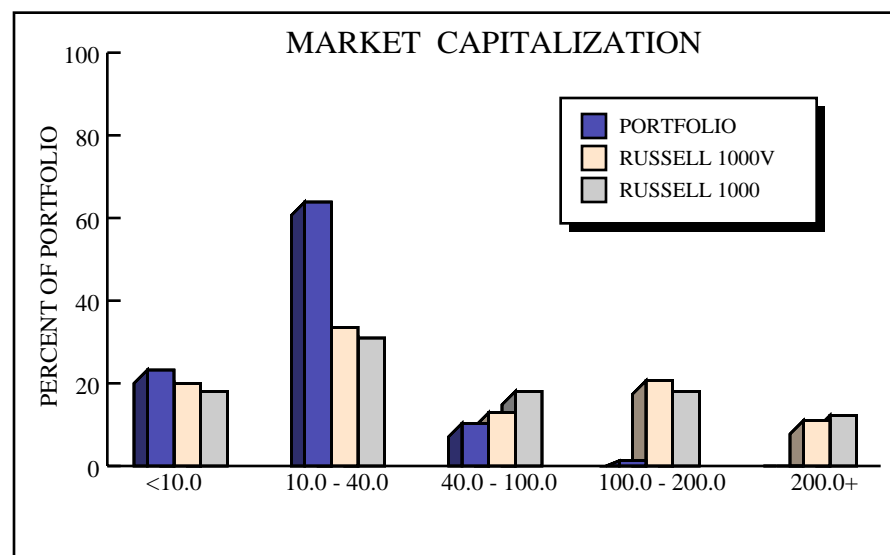
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO     
 ■ RUSSELL 1000 VALUE     
 ■ RUSSELL 1000



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	AMERIPRISE FINANCIAL INC	\$ 241,501	4.36%	11.0%	Finance	\$ 12.9 B
2	CONOCOPHILLIPS	241,354	4.36%	2.6%	Energy	70.4 B
3	L-3 COMMUNICATIONS HOLDINGS	235,070	4.24%	7.5%	Technology	7.2 B
4	DIRECTV	229,382	4.14%	-4.4%	Service	30.3 B
5	TRAVELERS COS INC/THE	222,139	4.01%	5.8%	Finance	27.4 B
6	GAP INC/THE	218,646	3.95%	-12.9%	Consumer Service	14.9 B
7	WYNN RESORTS LTD	214,181	3.87%	5.5%	Consumer Service	11.3 B
8	VIACOM INC-CLASS B	204,578	3.69%	-1.1%	Service	23.8 B
9	VIRGIN MEDIA INC	196,025	3.54%	25.0%	Utilities	9.9 B
10	TIME WARNER CABLE	193,117	3.49%	2.8%	Service	29.3 B



FRANKLIN REGIONAL RETIREMENT SYSTEM  
SEIZERT CAPITAL PARTNERS  
PERFORMANCE REVIEW  
DECEMBER 2012

## **INVESTMENT RETURN**

On December 31st, 2012, the Franklin Regional Retirement System's Seizert Capital Partners portfolio was valued at \$5,291,479, representing an increase of \$349,928 from the September quarter's ending value of \$4,941,551. Last quarter, the Fund posted no net contributions or withdrawals, while posting \$349,928 in net investment returns. Income receipts totaling \$28,190 plus net realized and unrealized capital gains of \$321,738 combined to produce the portfolio's net investment return figure.

For the cumulative period since June 2011, the account has recorded net withdrawals totaling \$33,000 and net investment gains of \$389,412. Since June 2011, if the total account earned a compounded nominal rate of 8.0% it would have been worth \$5.5 million or \$195,648 more than the actual value as of December 31st, 2012.

## **RELATIVE PERFORMANCE**

During the fourth quarter, the Seizert Capital Partners portfolio gained 7.1%, which was 4.2% above the Russell Mid Cap's return of 2.9% and ranked in the 1st percentile of the Mid Cap universe. Over the trailing year, the portfolio returned 23.2%, which was 5.9% above the benchmark's 17.3% performance, ranking in the 3rd percentile. Since June 2011, the account returned 4.7% on an annualized basis and ranked in the 33rd percentile. For comparison, the Russell Mid Cap returned an annualized 4.5% over the same period.

## **ASSET ALLOCATION**

On December 31st, 2012, domestic equities comprised 95.9% of the total portfolio (\$5.1 million), while cash & equivalents totaled 4.1% (\$214,374).

## **STOCK ANALYSIS**

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

The Seizert portfolio benefitted from its overweight allocations to the Computer Technology, Energy and Finance sectors; these sectors outperformed their benchmark counterparts. In addition, the manager utilized strong stock selection from the Basic, Consumer Service, and Technology sectors to produce last quarters strong performance.

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 6/2011
<b>Total Gross/Fees</b>	7.1	23.2	23.2	----	4.7
<i>MID CAP RANK</i>	(1)	(3)	(3)	----	(33)
<b>Total Net/Fees</b>	6.9	22.5	22.5	----	4.0
RUSSELL MID	2.9	17.3	17.3	13.1	4.5
<b>Domestic Equity</b>	7.4	24.2	24.2	----	4.9
<i>MID CAP RANK</i>	(1)	(3)	(3)	----	(31)
RUSSELL MID	2.9	17.3	17.3	13.1	4.5

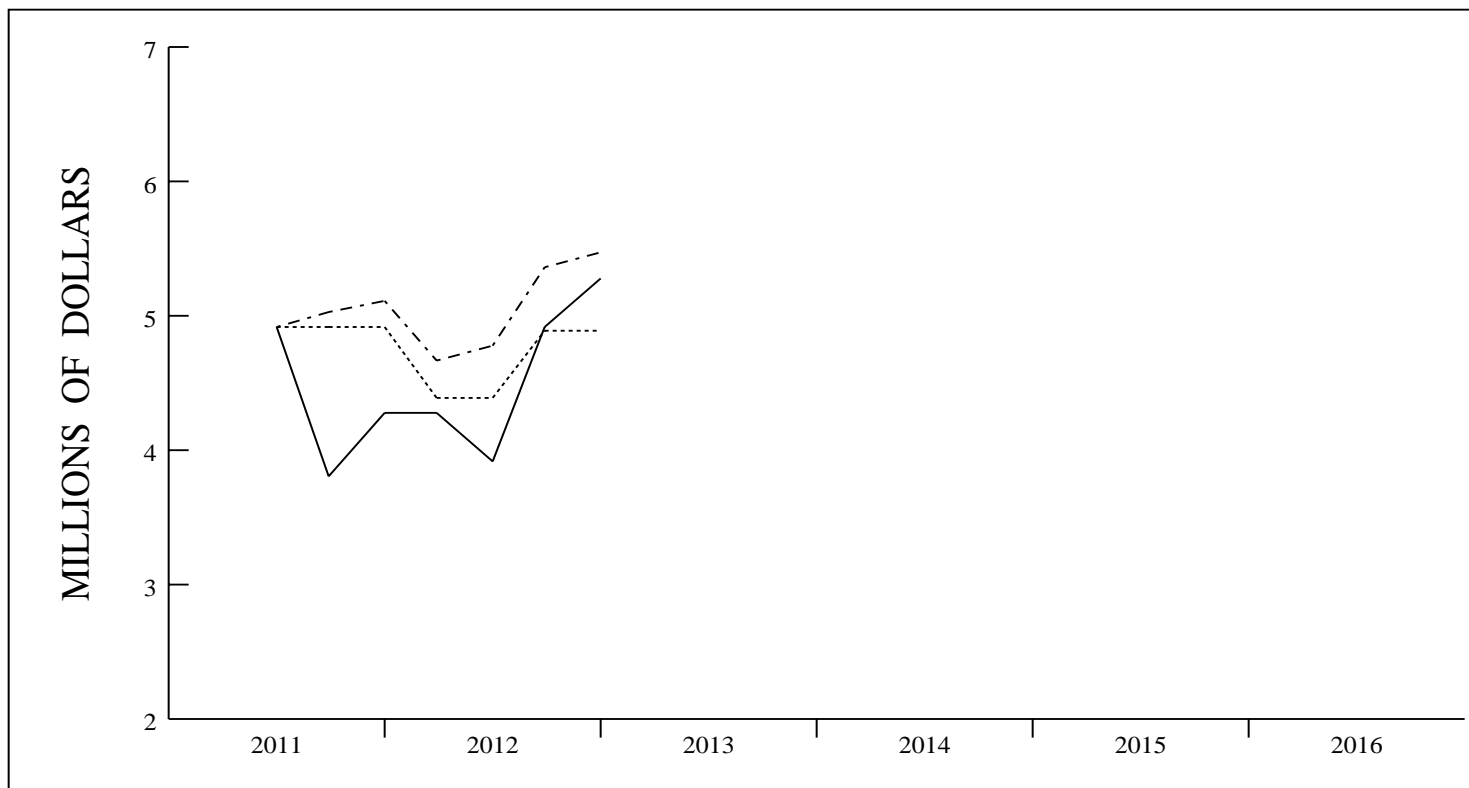
**ASSET ALLOCATION**

Domestic Equity	95.9%	\$ 5,077,105
Cash	4.1%	214,374
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 5,291,479</b>

**INVESTMENT RETURN**

Market Value 9/2012	\$ 4,941,551
Contribs / Withdrawals	0
Income	28,190
Capital Gains / Losses	321,738
Market Value 12/2012	\$ 5,291,479

**INVESTMENT GROWTH**

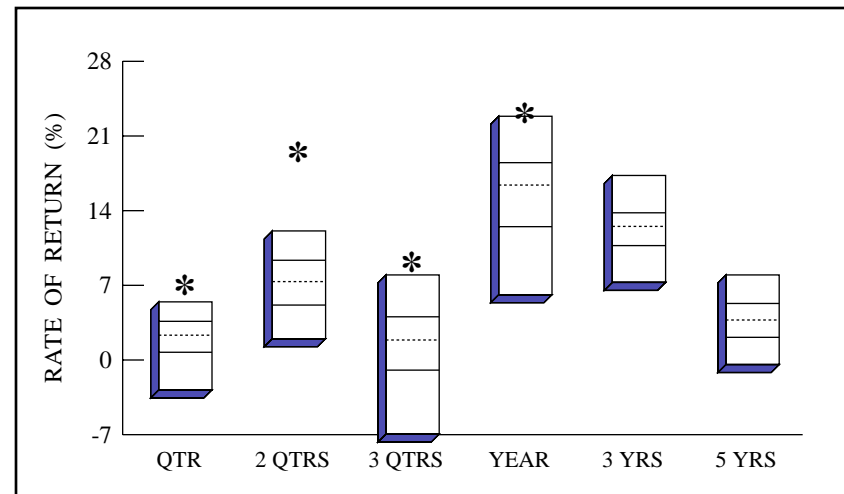
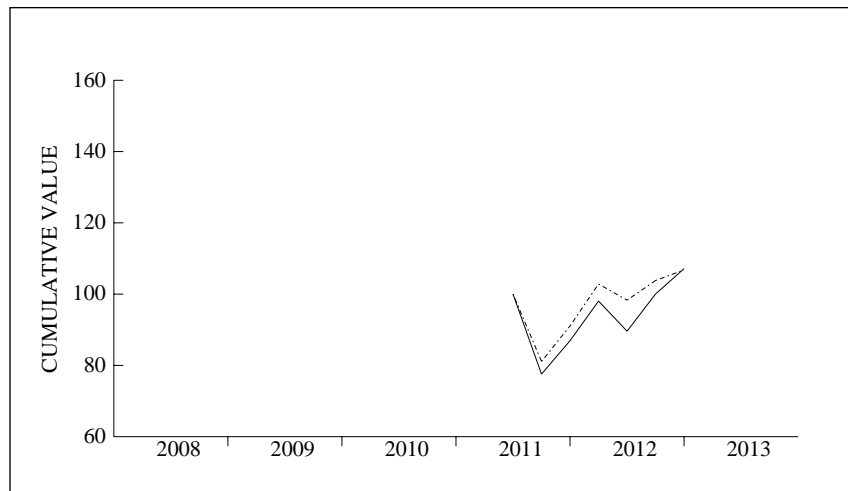


—	ACTUAL RETURN
- - -	8.0%
· · ·	0.0%

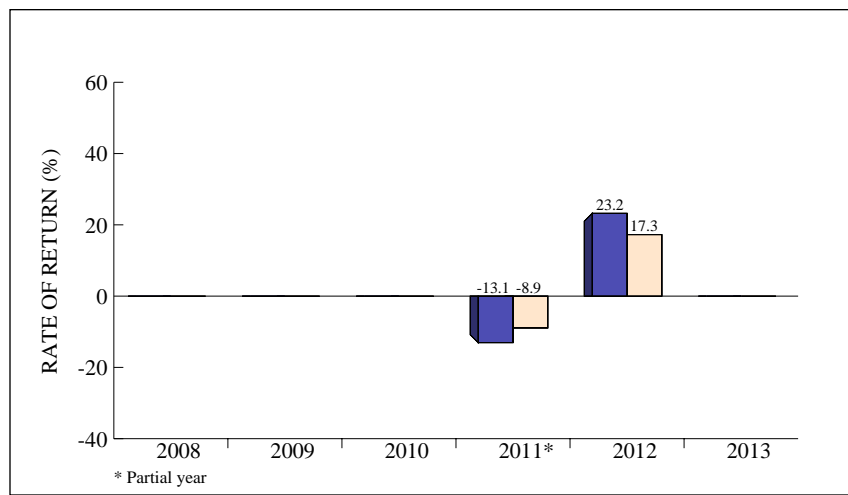
VALUE ASSUMING 8.0% RETURN
\$ 5,487,127

	LAST QUARTER	PERIOD 6/11 - 12/12
BEGINNING VALUE	\$ 4,941,551	\$ 4,935,067
NET CONTRIBUTIONS	0	- 33,000
<u>INVESTMENT RETURN</u>	<u>349,928</u>	<u>389,412</u>
ENDING VALUE	\$ 5,291,479	\$ 5,291,479
INCOME	28,190	107,400
CAPITAL GAINS (LOSSES)	<u>321,738</u>	<u>282,012</u>
INVESTMENT RETURN	349,928	389,412

**TOTAL RETURN COMPARISONS**



Mid Cap Universe

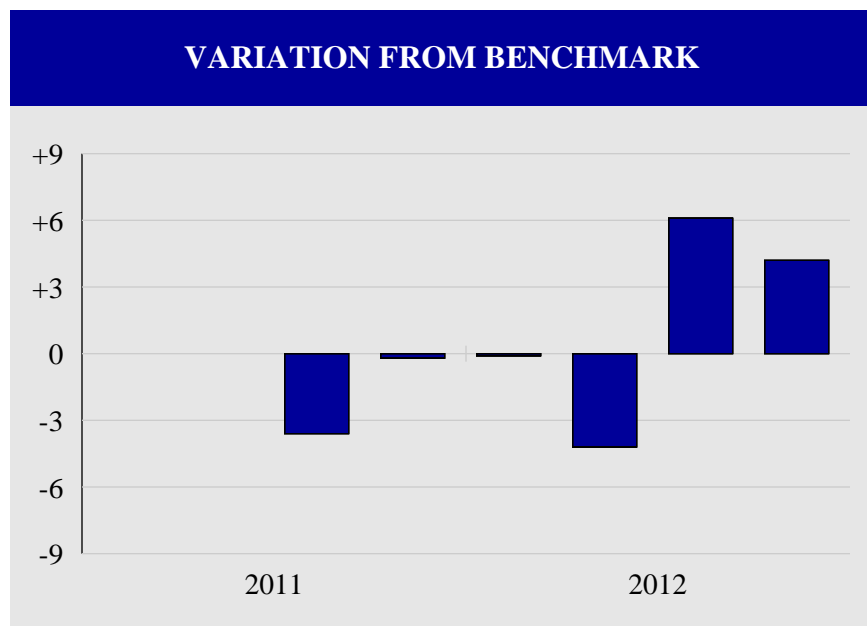


	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	7.1	19.6	9.3	23.2	----	----
(RANK)	(1)	(1)	(2)	(3)	----	----
5TH %ILE	5.5	12.1	8.0	22.9	17.3	8.0
25TH %ILE	3.6	9.4	4.1	18.5	13.8	5.3
MEDIAN	2.3	7.3	1.9	16.4	12.5	3.8
75TH %ILE	0.7	5.2	-0.9	12.5	10.7	2.1
95TH %ILE	-2.8	2.0	-7.0	6.1	7.3	-0.4
<b>Russ MC</b>	<b>2.9</b>	<b>8.6</b>	<b>3.8</b>	<b>17.3</b>	<b>13.1</b>	<b>3.6</b>

Mid Cap Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

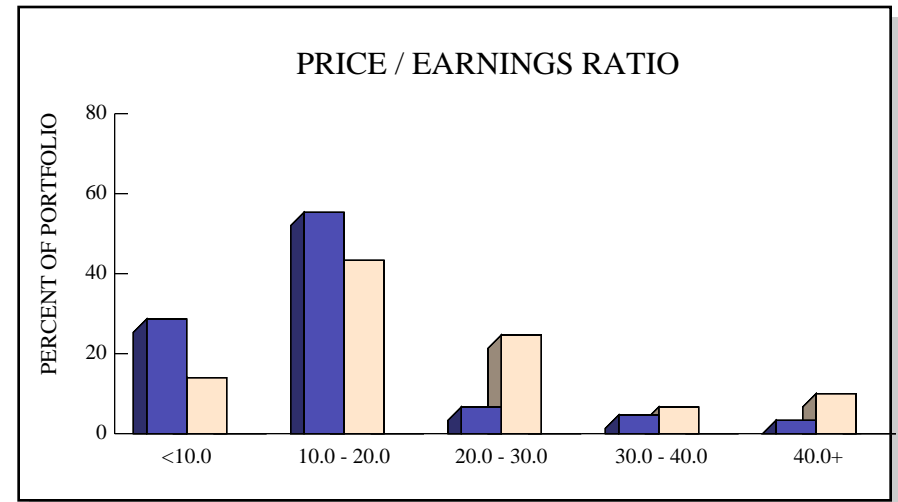
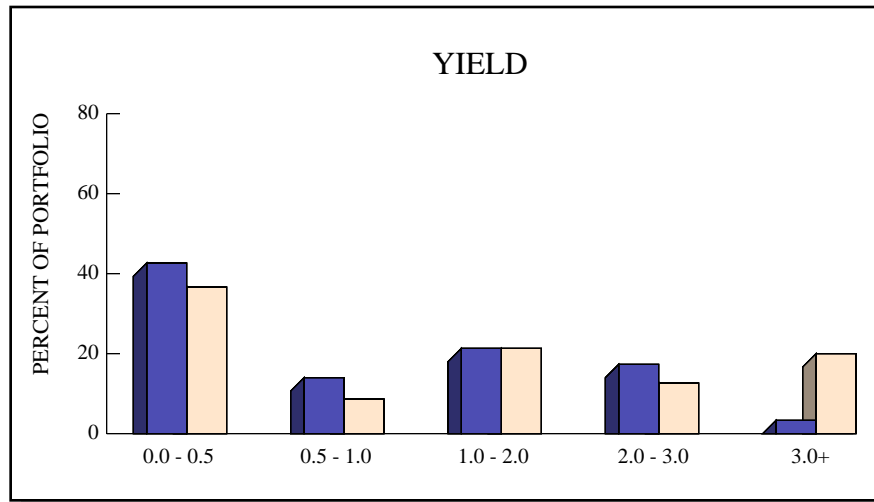
**COMPARATIVE BENCHMARK: RUSSELL MID CAP**



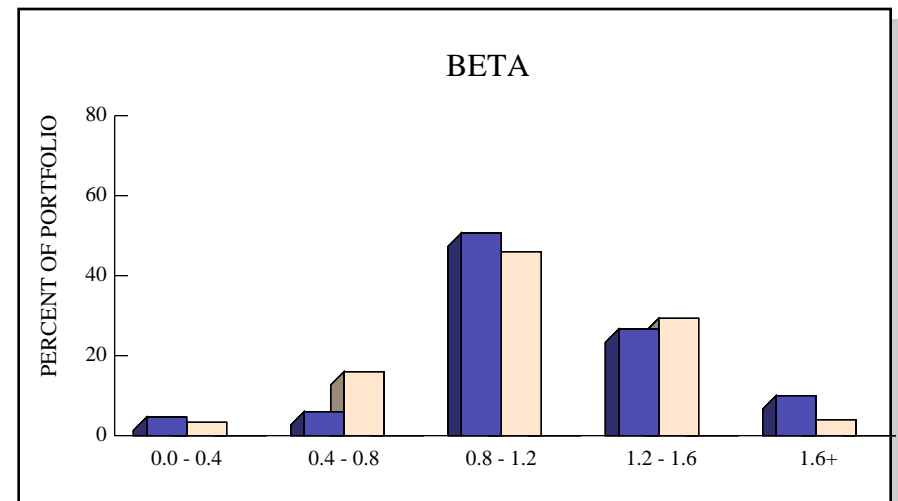
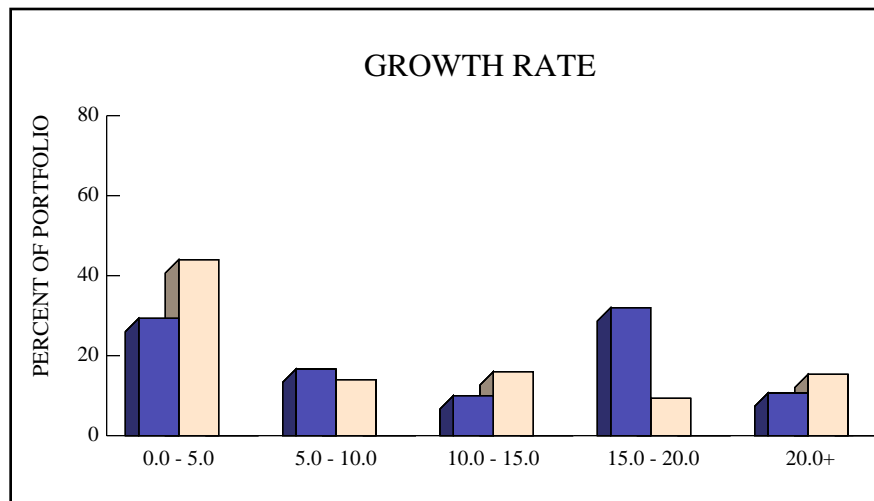
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
9/11	-22.5	-18.9	-3.6
12/11	12.1	12.3	-0.2
3/12	12.8	12.9	-0.1
6/12	-8.6	-4.4	-4.2
9/12	11.7	5.6	6.1
12/12	7.1	2.9	4.2

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

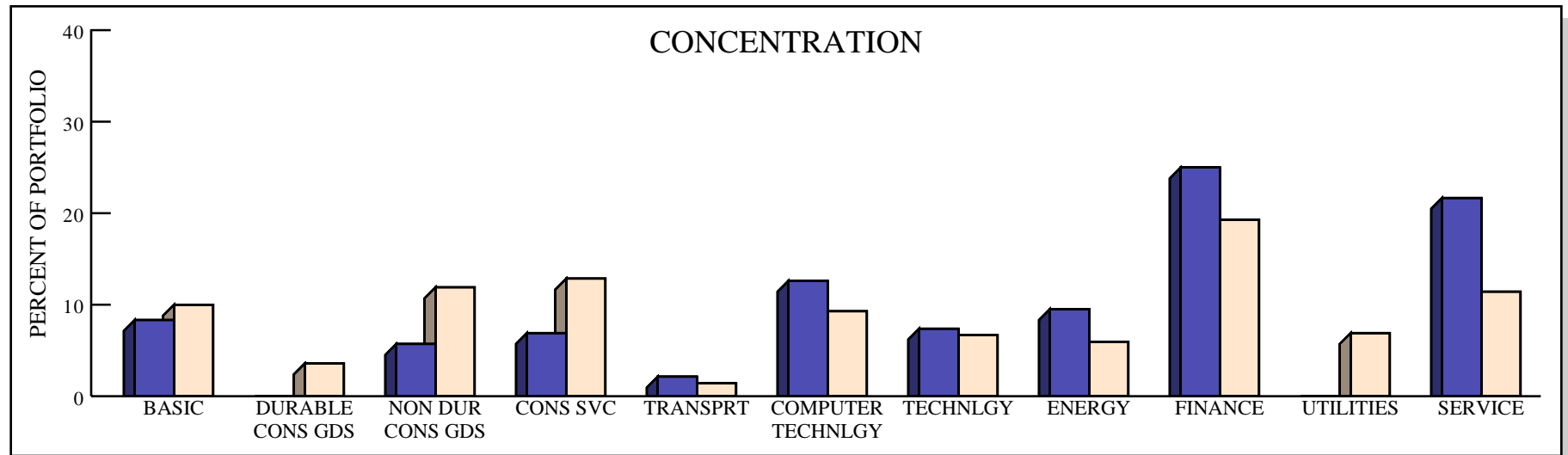
**STOCK CHARACTERISTICS**



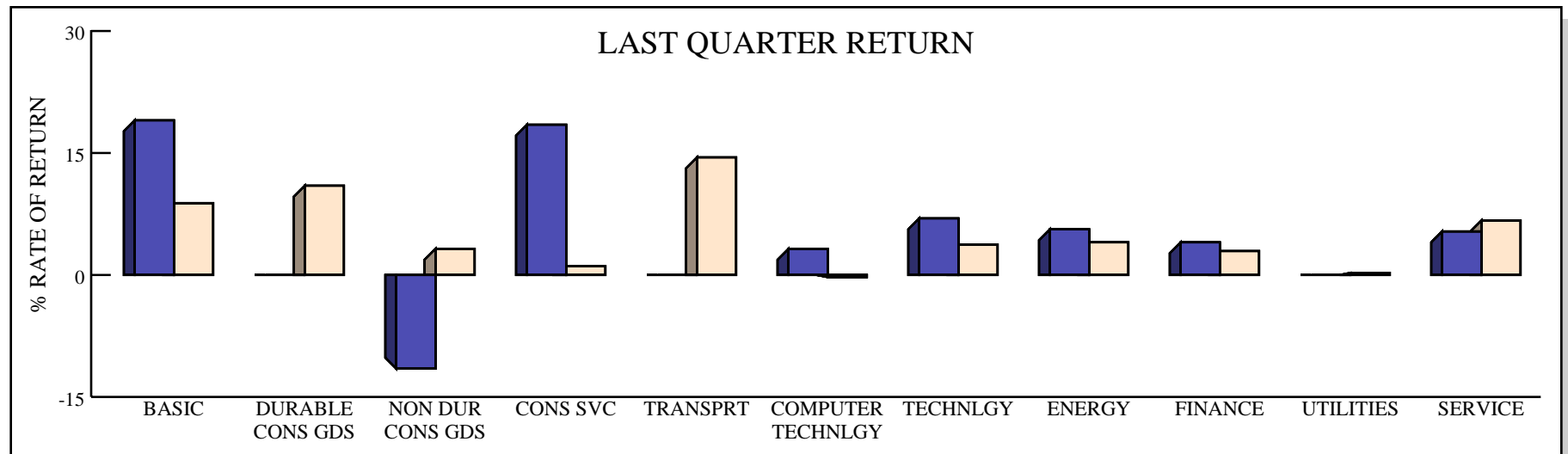
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.1%	10.1%	11.3	1.10
RUSSELL MID	1.7%	6.4%	20.7	1.05



**STOCK INDUSTRY ANALYSIS**

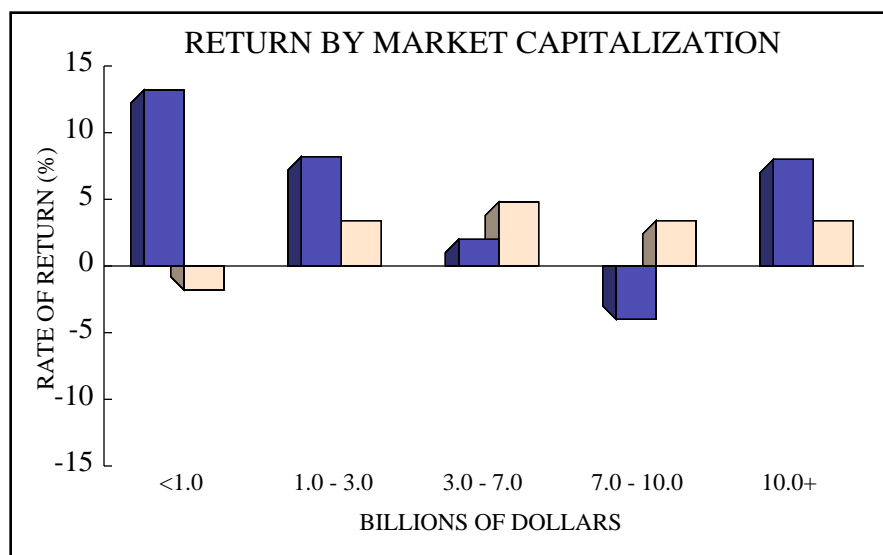
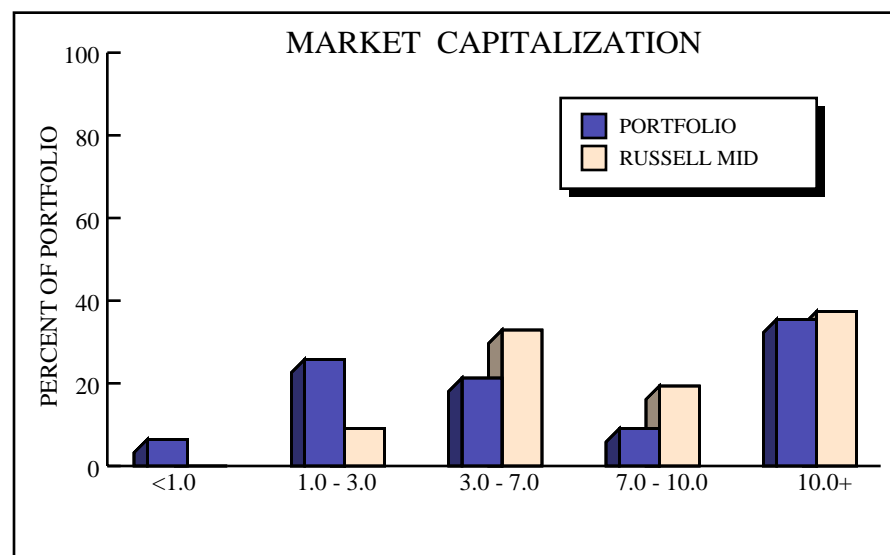


■ PORTFOLIO      ■ RUSSELL MID CAP





## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	LIBERTY MEDIA CORP - LIBER-A	\$ 381,673	7.52%	11.4%	Service	\$ 12.8 B
2	VISTEON CORP	236,270	4.65%	21.1%	Basic	2.8 B
3	FOSTER WHEELER AG	217,421	4.28%	1.5%	Service	2.6 B
4	TESSERA TECHNOLOGIES INC	213,132	4.20%	20.6%	Computer Tech	0.9 B
5	MURPHY OIL CORP	210,628	4.15%	16.5%	Energy	11.6 B
6	SOHU.COM INC	210,190	4.14%	12.5%	Service	1.8 B
7	LOEWS CORP	208,436	4.11%	-1.1%	Finance	16.0 B
8	L-3 COMMUNICATIONS HOLDINGS	208,406	4.10%	7.5%	Technology	7.2 B
9	REGIONS FINANCIAL CORP	205,056	4.04%	-1.1%	Finance	10.1 B
10	ITT CORP	192,489	3.79%	16.8%	Basic	2.2 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
DARUMA  
PERFORMANCE REVIEW  
DECEMBER 2012

## **INVESTMENT RETURN**

On December 31st, 2012, the Franklin Regional Retirement System's Daruma portfolio was valued at \$10,031,482, representing an increase of \$544,410 from the September quarter's ending value of \$9,487,072. Last quarter, the Fund posted no net contributions or withdrawals, while posting \$544,410 in net investment returns. Income receipts totaling \$9,302 plus net realized and unrealized capital gains of \$535,108 combined to produce the portfolio's net investment return figure.

For the cumulative period since December 2007, the account has recorded net withdrawals totaling \$361,000 and net investment gains of \$2.6 million. Since December 2007, if the total account earned a compounded nominal rate of 8.0% it would have been worth \$11.0 million or \$982,218 more than the actual value as of December 31st, 2012.

## **RELATIVE PERFORMANCE**

### **Total Fund**

During the fourth quarter, the Daruma portfolio gained 5.7%, which was 3.9% above the Russell 2000 Index's return of 1.8% and ranked in the 7th percentile of the Small Cap universe. Over the trailing year, the portfolio returned 20.1%, which was 3.8% above the benchmark's 16.3% performance, ranking in the 24th percentile. Since December 2007, the account returned 5.5% on an annualized basis and ranked in the 37th percentile. For comparison, the Russell 2000 returned an annualized 3.6% over the same period.

## **ASSET ALLOCATION**

On December 31st, 2012, domestic equities comprised 97.0% of the total portfolio (\$9.7 million), while cash & equivalents totaled 3.0% (\$299,541).

## **HOLDINGS ANALYSIS**

At the end of the fourth 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 Durable Consumer Goods, Technology and Energy sectors were the most notably light, while the Transportation, Utilities and Finance sectors were vacant of holdings.

Positive allocations effects were the main cause for the Daruma portfolio's strong lead over the Russell 2000 for the quarter. Allocation deviations from the benchmark in the Basic, Non-durable Consumer Goods, Consumer Service, Computer Technology and Service sectors amplified the surpluses achieved throughout these sectors. The Durable Consumer Goods and Energy sectors fell below their respective index counterparts, but were not enough to offset the positive effects from the sectors mentioned above and allowed the portfolio to beat the index by 390 basis points.

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	5 Years
<b>Total Gross/Fees</b>	5.7	20.1	20.1	12.6	5.5
<i>SMALL CAP RANK</i>	( 7)	(24)	(24)	(66)	(37)
<b>Total Net/Fees</b>	5.5	19.0	19.0	11.5	4.4
RUSSELL 2000	1.8	16.3	16.3	12.2	3.6
<b>Domestic Equity</b>	5.9	21.2	21.2	13.1	5.5
<i>SMALL CAP RANK</i>	( 6)	(18)	(18)	(59)	(37)
RUSSELL 2000	1.8	16.3	16.3	12.2	3.6
RUSSELL 2000G	0.4	14.6	14.6	12.8	3.5
RUSSELL 2000V	3.2	18.1	18.1	11.6	3.5

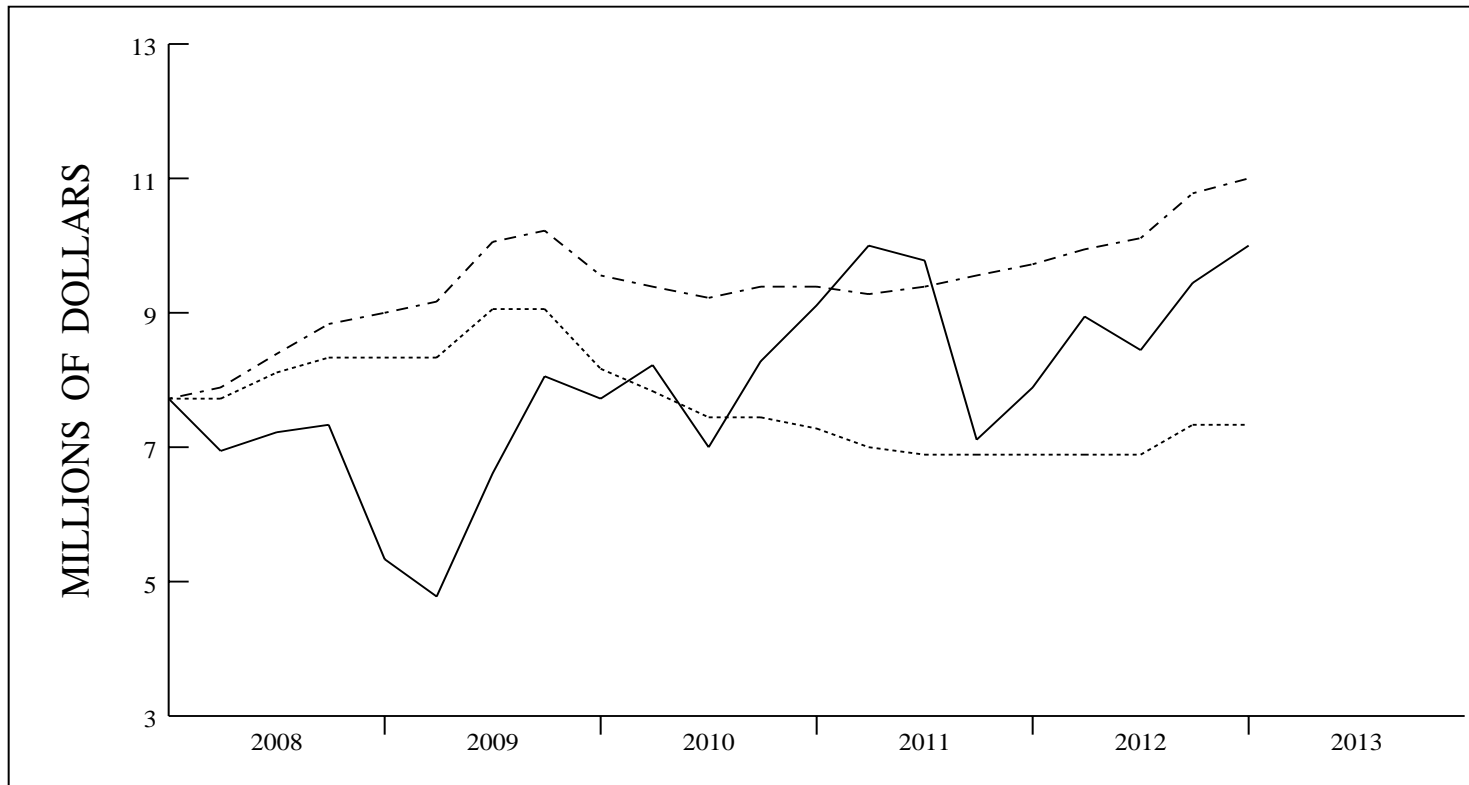
**ASSET ALLOCATION**

Domestic Equity	97.0%	\$ 9,731,941
Cash	3.0%	299,541
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 10,031,482</b>

**INVESTMENT RETURN**

Market Value 9/2012	\$ 9,487,072
Contribs / Withdrawals	0
Income	9,302
Capital Gains / Losses	535,108
Market Value 12/2012	\$ 10,031,482

**INVESTMENT GROWTH**

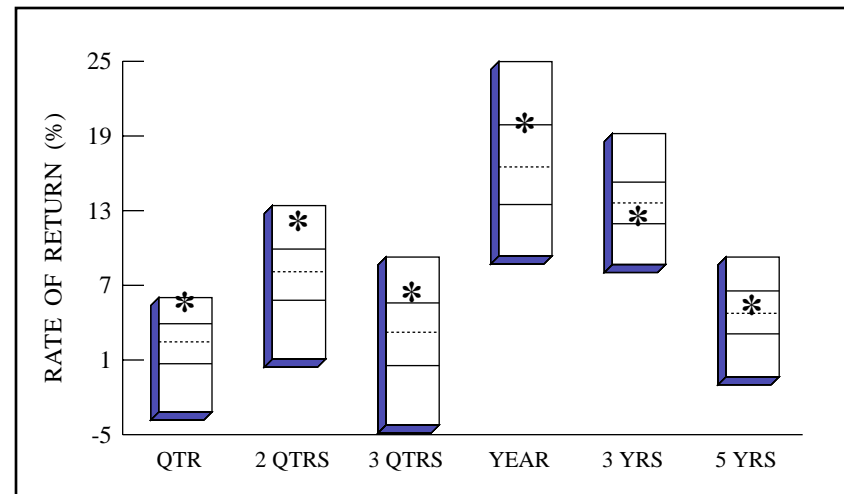
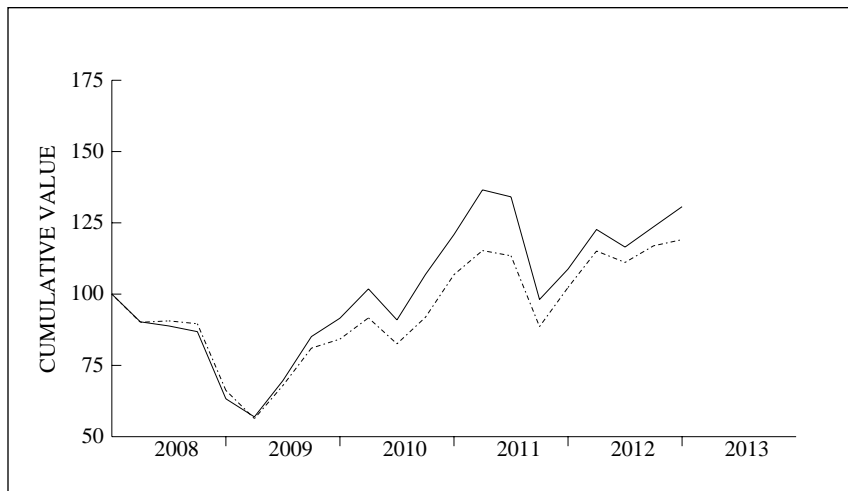


— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

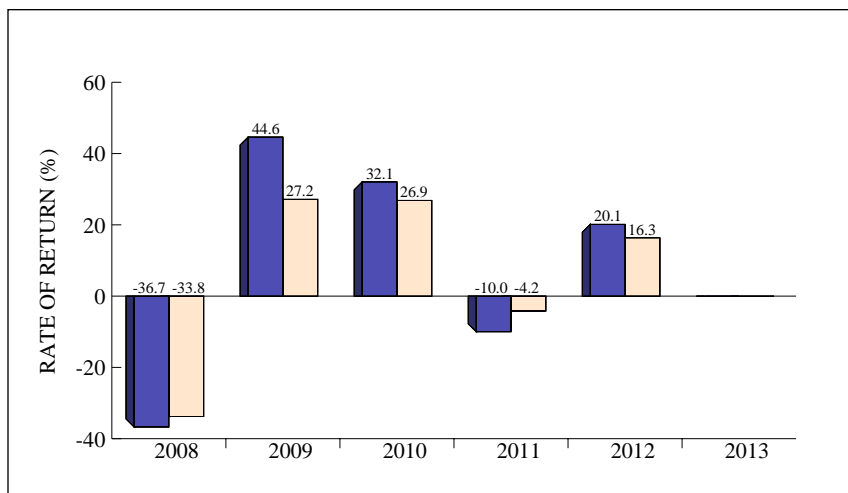
VALUE ASSUMING  
 8.0% RETURN  
 \$ 11,013,700

	LAST QUARTER	PERIOD 12/07 - 12/12
BEGINNING VALUE	\$ 9,487,072	\$ 7,743,803
NET CONTRIBUTIONS	0	-361,000
<u>INVESTMENT RETURN</u>	<u>544,410</u>	<u>2,648,679</u>
ENDING VALUE	\$ 10,031,482	\$ 10,031,482
INCOME	9,302	223,755
<u>CAPITAL GAINS (LOSSES)</u>	<u>535,108</u>	<u>2,424,924</u>
INVESTMENT RETURN	544,410	2,648,679

**TOTAL RETURN COMPARISONS**

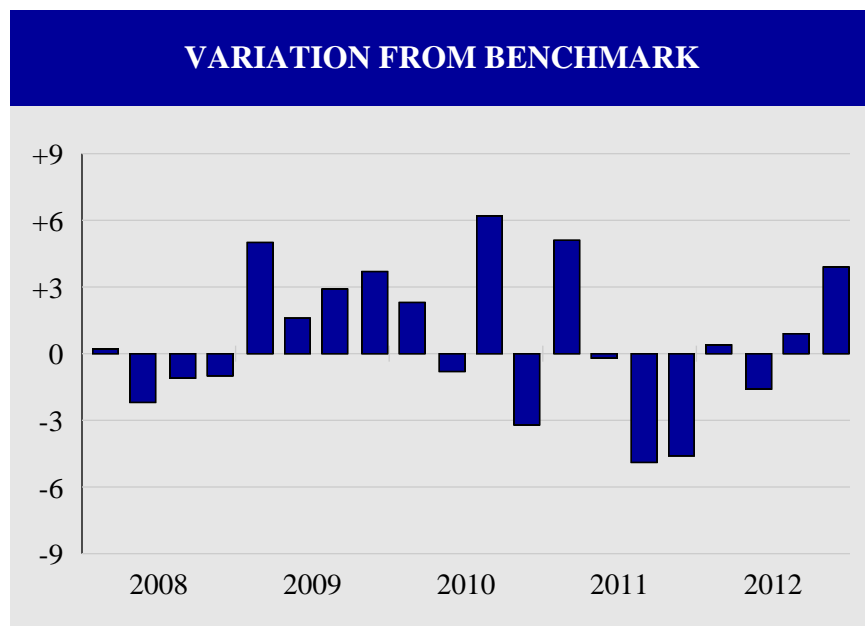


Small Cap Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	5.7	12.2	6.5	20.1	12.6	5.5
(RANK)	(7)	(10)	(17)	(24)	(66)	(37)
5TH %ILE	6.0	13.4	9.3	25.0	19.2	9.3
25TH %ILE	3.9	9.9	5.6	19.9	15.3	6.5
MEDIAN	2.5	8.1	3.2	16.5	13.6	4.8
75TH %ILE	0.7	5.8	0.6	13.5	12.0	3.1
95TH %ILE	-3.2	1.1	-4.2	9.4	8.7	-0.3
<b>Russ 2000</b>	<b>1.8</b>	<b>7.2</b>	<b>3.5</b>	<b>16.3</b>	<b>12.2</b>	<b>3.6</b>

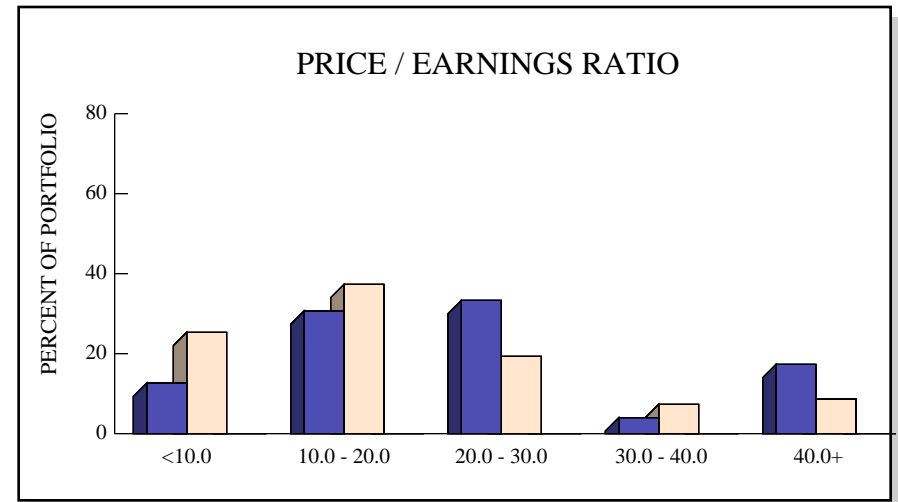
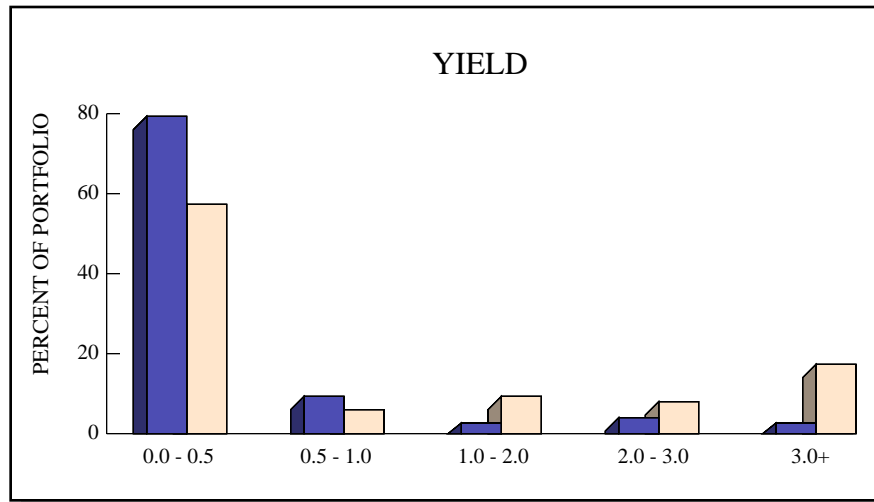
Small Cap Universe

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

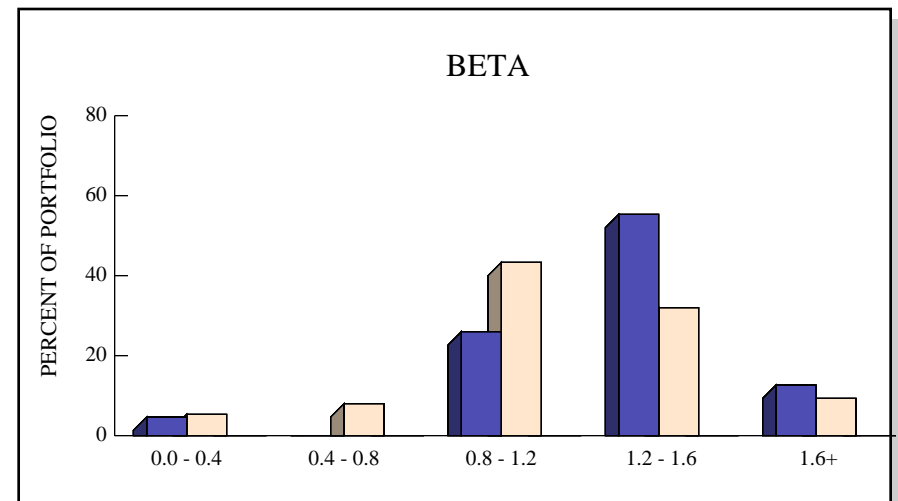
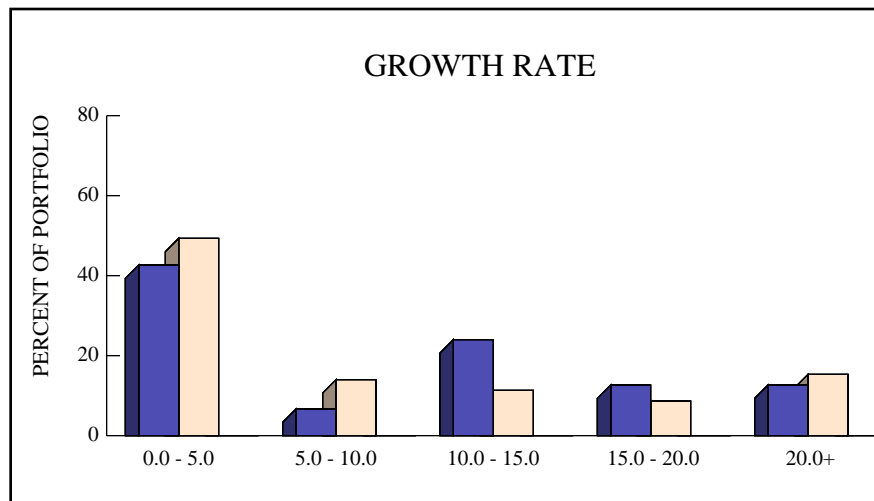
<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>11</b>
<b>Quarters Below the Benchmark</b>	<b>9</b>
<b>Batting Average</b>	<b>.550</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
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

**STOCK CHARACTERISTICS**

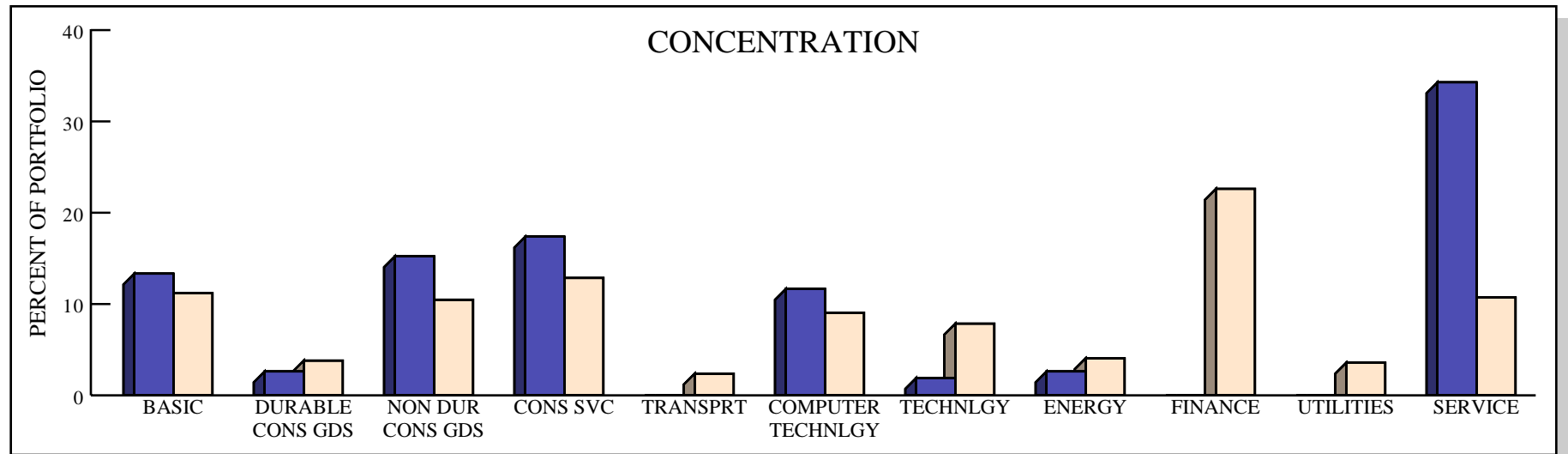


	YIELD	GROWTH	P/E	BETA
PORTFOLIO	0.8%	7.9%	20.4	1.28
RUSSELL 2000	1.4%	5.4%	16.5	1.12

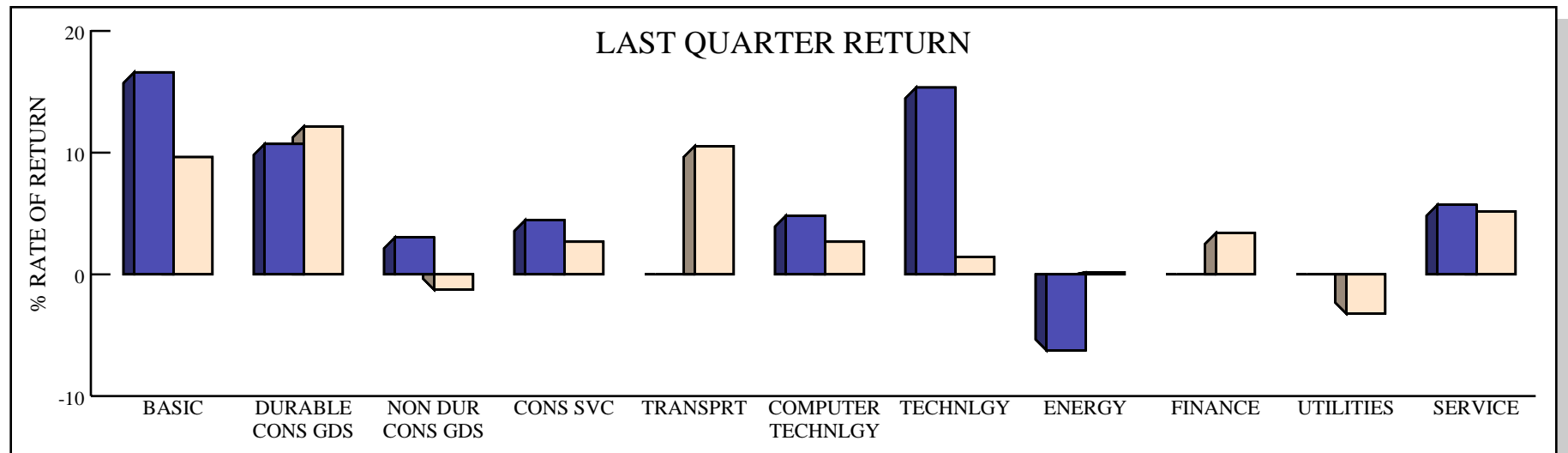




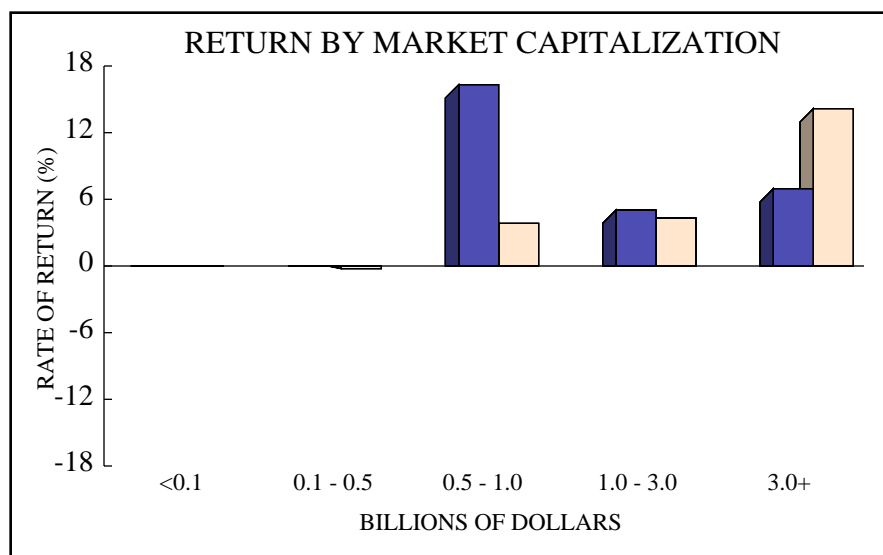
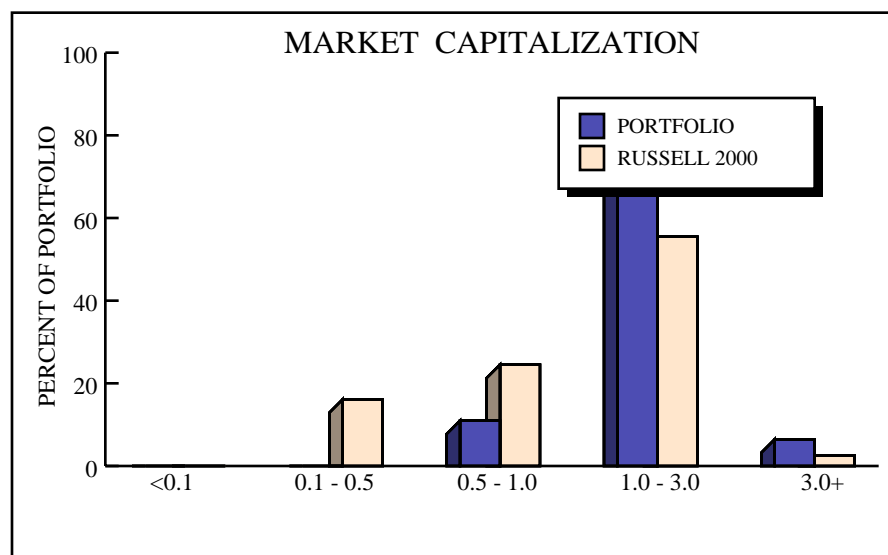
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL 2000



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	BRUNSWICK CORP	\$ 411,158	4.22%	28.6%	Basic	\$ 2.6 B
2	WEX INC	406,923	4.18%	8.1%	Service	2.9 B
3	COSTAR GROUP INC	386,168	3.97%	9.6%	Service	2.5 B
4	MAXIMUS INC	385,136	3.96%	6.0%	Service	2.2 B
5	LUMBER LIQUIDATORS HOLDINGS	357,923	3.68%	4.2%	Consumer Service	1.4 B
6	ACXIOM CORP	354,578	3.64%	-4.4%	Service	1.3 B
7	CADENCE DESIGN SYS INC	341,587	3.51%	5.0%	Computer Tech	3.8 B
8	SHUTTERFLY INC	338,815	3.48%	-4.0%	Service	1.1 B
9	WABTEC CORP	324,773	3.34%	9.1%	Basic	4.2 B
10	CROCS INC	323,228	3.32%	-11.2%	NonDur Cons Goods	1.3 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
PRIT CORE REAL ESTATE  
PERFORMANCE REVIEW  
DECEMBER 2012

## **INVESTMENT RETURN**

On December 31st, 2012, the Franklin Regional Retirement System's PRIT Core Real Estate portfolio was valued at \$4,987,174, representing an increase of \$198,234 from the September quarter's ending value of \$4,788,940. Last quarter, the Fund posted withdrawals totaling \$6,636, which partially offset the portfolio's net investment return of \$204,870. Income receipts totaling \$68,661 plus net realized and unrealized capital gains of \$136,209 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 \$941,392. 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 \$4.6 million or \$399,936 less than the actual value as of December 31st, 2012.

## **RELATIVE PERFORMANCE**

In the fourth quarter, the PRIT Core Real Estate portfolio gained 4.3%, which was 2.0% greater than the NCREIF NFI-ODCE Index's return of 2.3%. Over the trailing twelve-month period, the portfolio returned 14.3%, which was 3.4% above the benchmark's 10.9% return. Since September 2010, the account returned 13.7% 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
<b>Total Gross/Fees</b>	4.3	14.3	14.3	----	13.7
<b>Total Net/Fees</b>	4.1	13.8	13.8	----	13.1
NCREIF ODCE	2.3	10.9	10.9	14.4	14.3
<b>Real Estate</b>	4.3	14.3	14.3	----	13.7
NCREIF ODCE	2.3	10.9	10.9	14.4	14.3

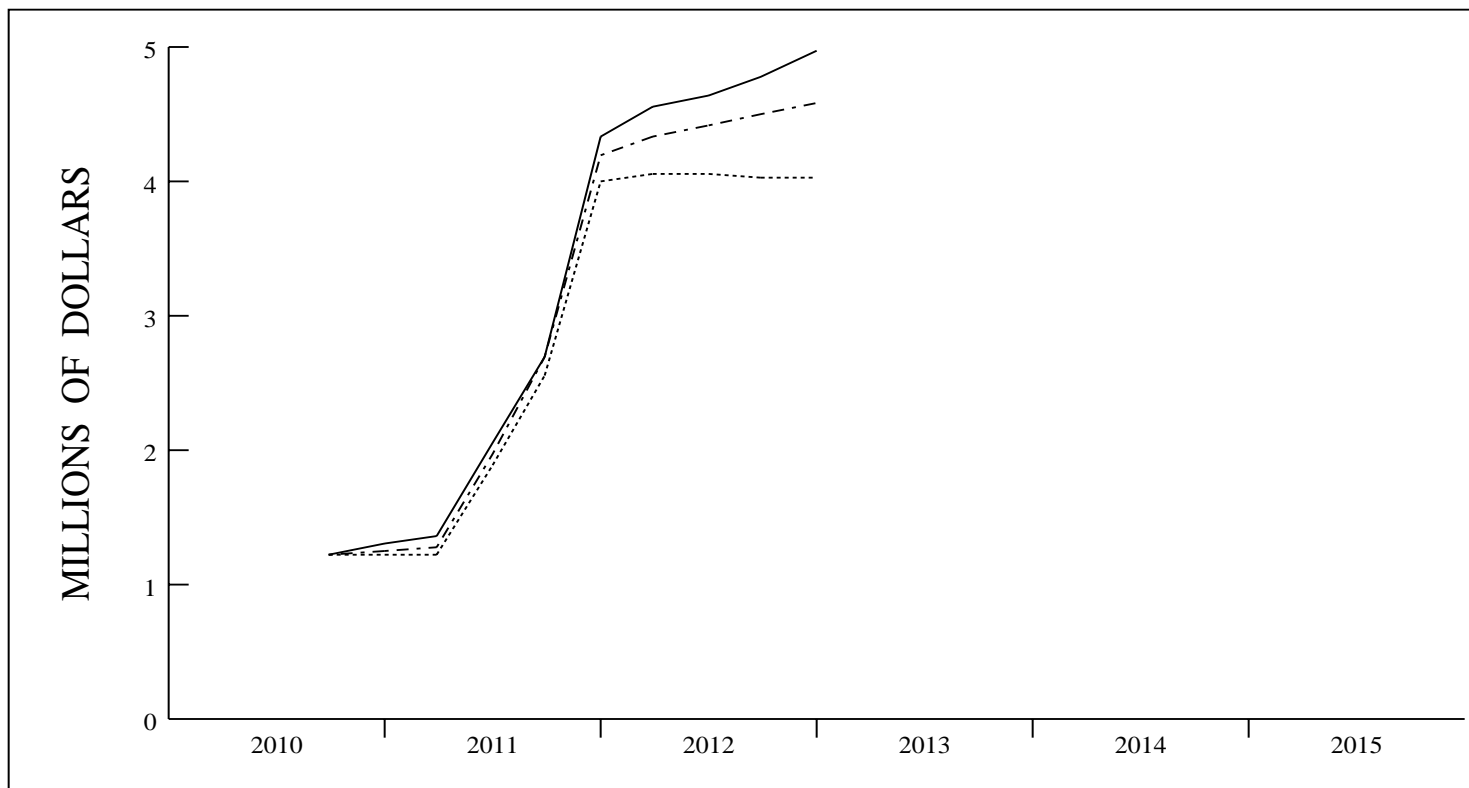
**ASSET ALLOCATION**

Real Estate	100.0%	\$ 4,987,174
Total Portfolio	100.0%	\$ 4,987,174

**INVESTMENT RETURN**

Market Value 9/2012	\$ 4,788,940
Contribs / Withdrawals	- 6,636
Income	68,661
Capital Gains / Losses	136,209
Market Value 12/2012	\$ 4,987,174

**INVESTMENT GROWTH**



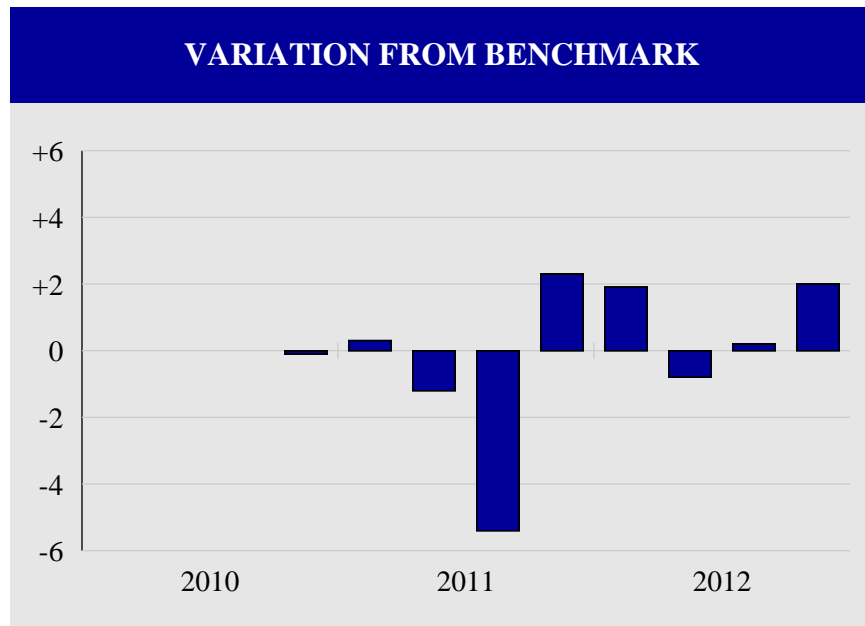
— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

VALUE ASSUMING  
 8.0% RETURN  
 \$ 4,587,238

	LAST QUARTER	PERIOD 9/10 - 12/12
BEGINNING VALUE	\$ 4,788,940	\$ 1,247,572
NET CONTRIBUTIONS	- 6,636	2,798,210
INVESTMENT RETURN	204,870	941,392
ENDING VALUE	\$ 4,987,174	\$ 4,987,174
INCOME	68,661	386,469
CAPITAL GAINS (LOSSES)	136,209	554,923
INVESTMENT RETURN	204,870	941,392

**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

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

FRANKLIN REGIONAL RETIREMENT SYSTEM  
INCOME RESEARCH & MANAGEMENT  
PERFORMANCE REVIEW  
DECEMBER 2012



## **INVESTMENT RETURN**

On December 31st, 2012, the Franklin Regional Retirement System's Income Research & Management portfolio was valued at \$12,017,656, representing an increase of \$109,784 from the September quarter's ending value of \$11,907,872. Last quarter, the Fund posted no net contributions or withdrawals, while posting \$109,784 in net investment returns. Since there were no income receipts for the fourth quarter, the portfolio's net investment return was the result of net realized and unrealized capital gains totaling \$109,784.

For the cumulative period since December 2007, the portfolio has posted net withdrawals totaling \$837,000 and recorded net investment gains totaling \$3.1 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 \$12.8 million or \$820,413 more than the actual value as of December 31st, 2012.

## **RELATIVE PERFORMANCE**

For the fourth quarter, the Income Research & Management portfolio returned 0.9%, which was 0.7% greater than the Barclays Aggregate Index's return of 0.2% and ranked in the 10th percentile of the Core Fixed Income universe. Over the trailing year, this portfolio returned 7.1%, which was 2.9% above the benchmark's 4.2% return, ranking in the 20th percentile. Since December 2007, the account returned 6.8% on an annualized basis and ranked in the 40th percentile. For comparison, the Barclays Aggregate Index returned an annualized 6.0% over the same time frame.

## **ASSET ALLOCATION**

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

## **ANALYSIS**

At the end of the quarter, USG rated securities comprised approximately 45% of the bond portfolio, while corporate securities, rated AAA through less than BBB, made up the remainder, giving the bond portfolio an overall average quality rating of AAA-AA. The average maturity of the portfolio was 10.4 years, significantly longer than the Barclays Aggregate Index's 7.0-year maturity. The average coupon was 4.1%.

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	5 Years
<b>Total Gross/Fees</b>	0.9	7.1	7.1	7.0	6.8
<i>CORE FIXED INCOME RANK</i>	(10)	(20)	(20)	(50)	(40)
<b>Total Net/Fees</b>	0.8	6.7	6.7	6.6	6.5
BARCLAYS AGG	0.2	4.2	4.2	6.2	6.0
<b>Fixed Income</b>	0.9	7.1	7.1	7.0	6.8
<i>CORE FIXED INCOME RANK</i>	(10)	(20)	(20)	(50)	(40)
BARCLAYS AGG	0.2	4.2	4.2	6.2	6.0
GOV/CREDIT	0.4	4.8	4.8	6.7	6.1

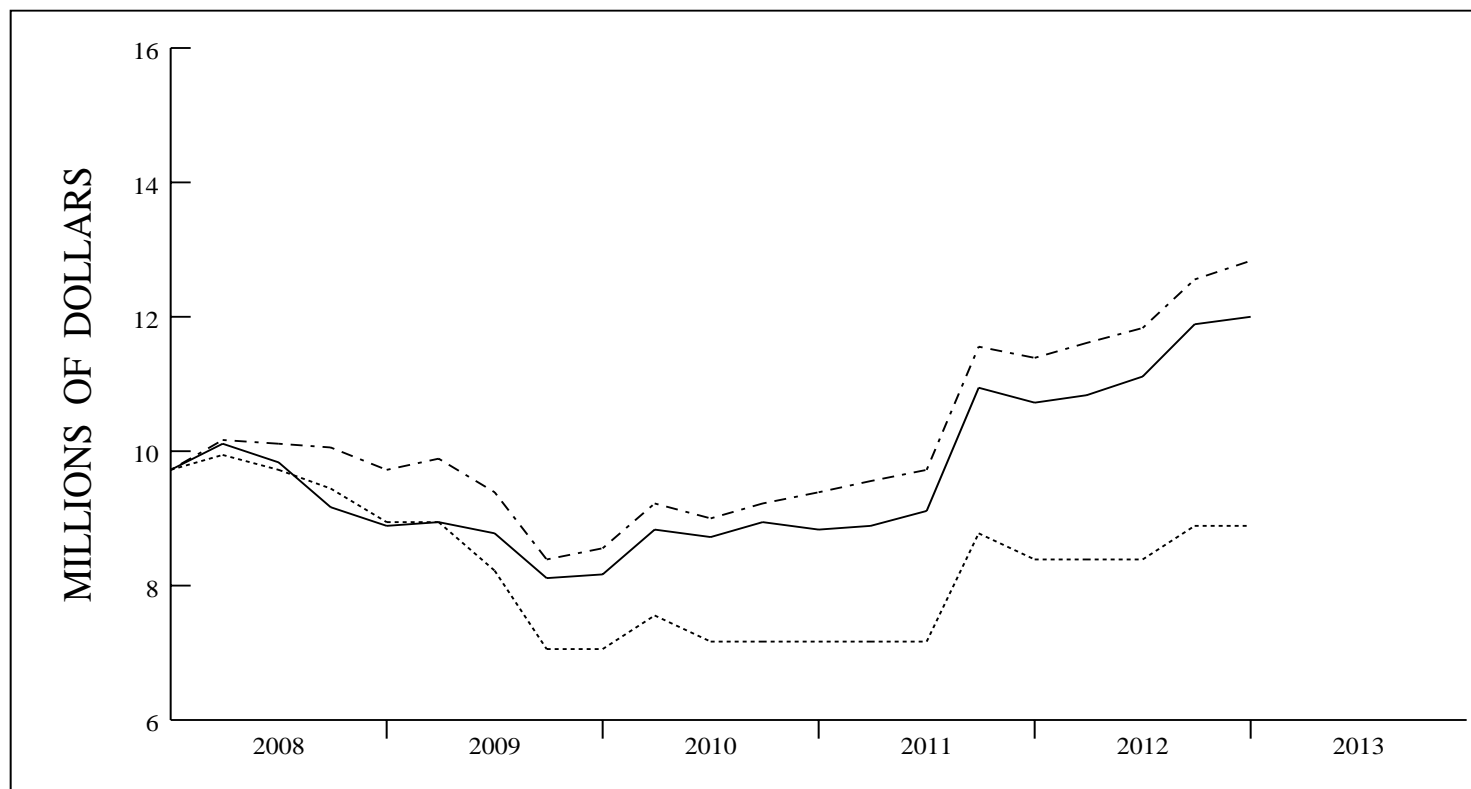
**ASSET ALLOCATION**

Fixed Income	100.0%	\$ 12,017,656
Total Portfolio	100.0%	\$ 12,017,656

**INVESTMENT RETURN**

Market Value 9/2012	\$ 11,907,872
Contribs / Withdrawals	0
Income	0
Capital Gains / Losses	109,784
Market Value 12/2012	\$ 12,017,656

**INVESTMENT GROWTH**

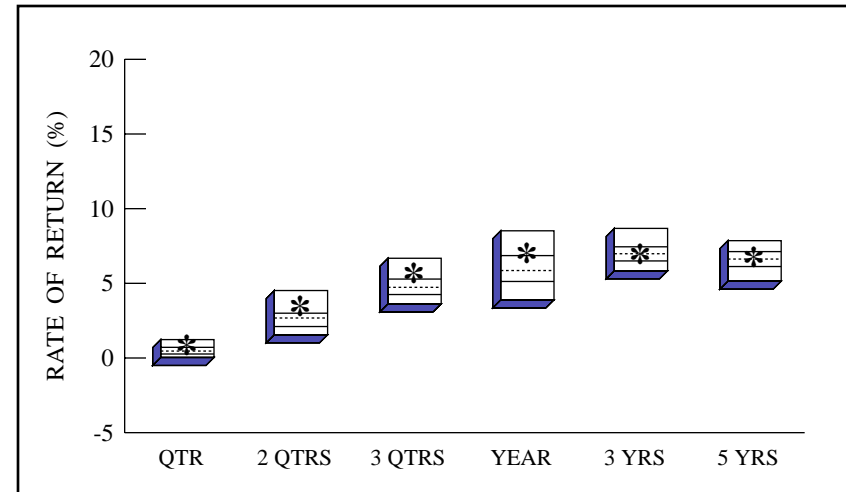
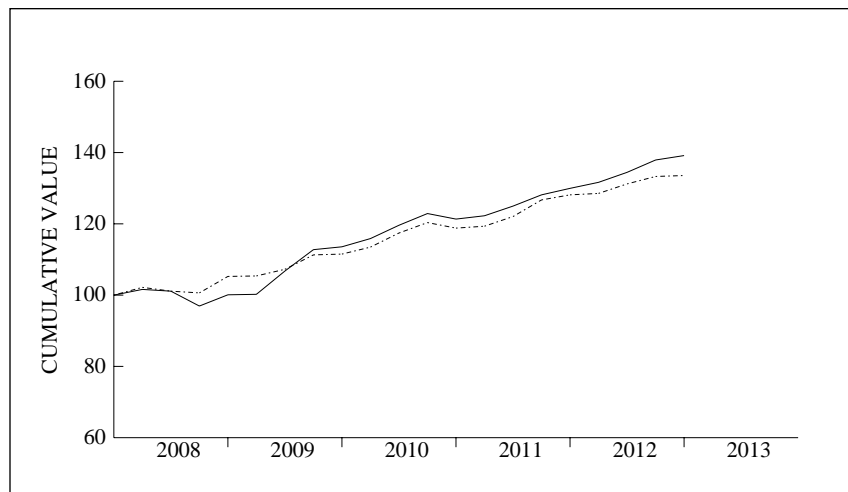


— ACTUAL RETURN  
 - - - 8.0%  
 ..... 0.0%

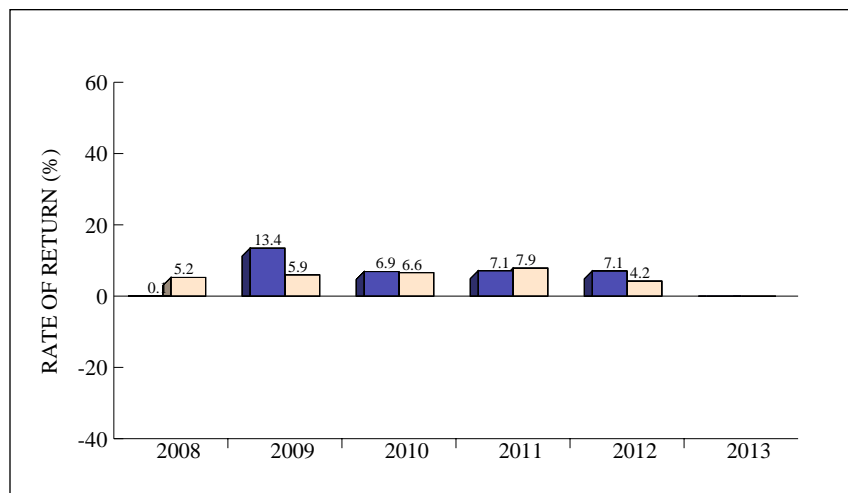
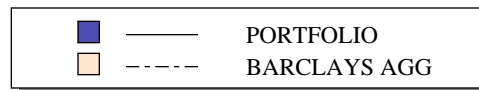
VALUE ASSUMING  
 8.0% RETURN  
 \$ 12,838,069

	LAST QUARTER	PERIOD 12/07 - 12/12
BEGINNING VALUE	\$ 11,907,872	\$ 9,763,999
NET CONTRIBUTIONS	0	-837,000
<u>INVESTMENT RETURN</u>	<u>109,784</u>	<u>3,090,657</u>
ENDING VALUE	\$ 12,017,656	\$ 12,017,656
INCOME	0	5
<u>CAPITAL GAINS (LOSSES)</u>	<u>109,784</u>	<u>3,090,652</u>
INVESTMENT RETURN	109,784	3,090,657

**TOTAL RETURN COMPARISONS**

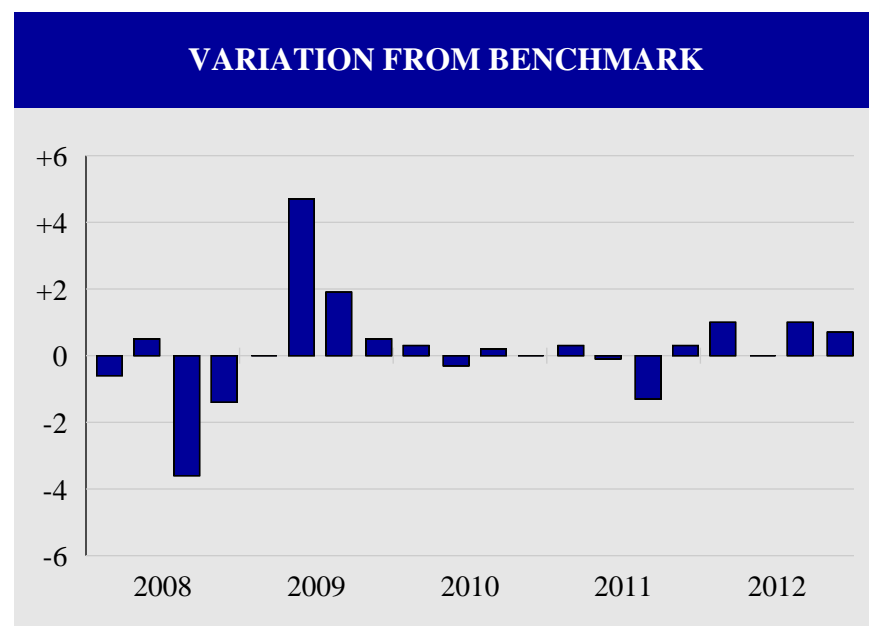


Core Fixed Income Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	0.9	3.5	5.7	7.1	7.0	6.8
(RANK)	(10)	(13)	(17)	(20)	(50)	(40)
5TH %ILE	1.2	4.5	6.7	8.5	8.7	7.9
25TH %ILE	0.7	3.0	5.3	6.9	7.5	7.1
MEDIAN	0.5	2.7	4.7	5.9	7.0	6.6
75TH %ILE	0.3	2.1	4.3	5.1	6.5	6.1
95TH %ILE	0.0	1.6	3.6	3.9	5.8	5.1
<b>Agg Index</b>	<b>0.2</b>	<b>1.8</b>	<b>3.9</b>	<b>4.2</b>	<b>6.2</b>	<b>6.0</b>

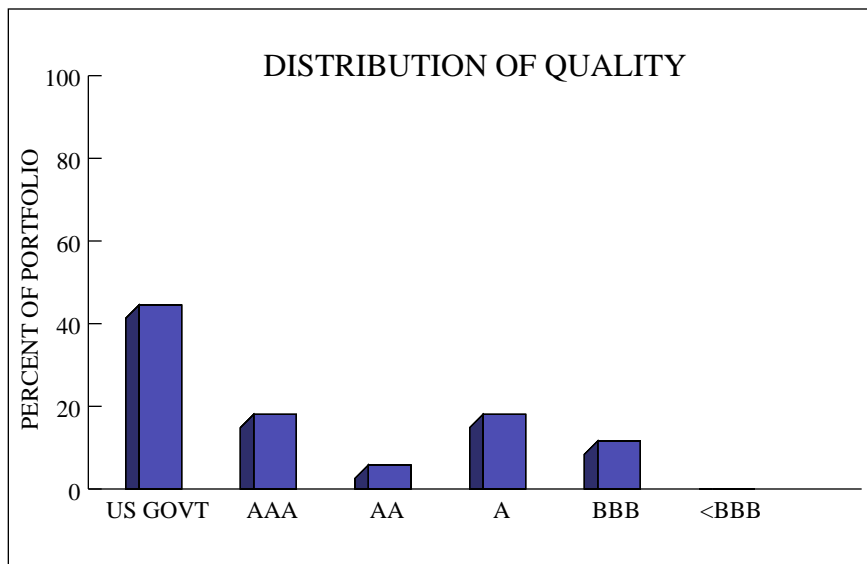
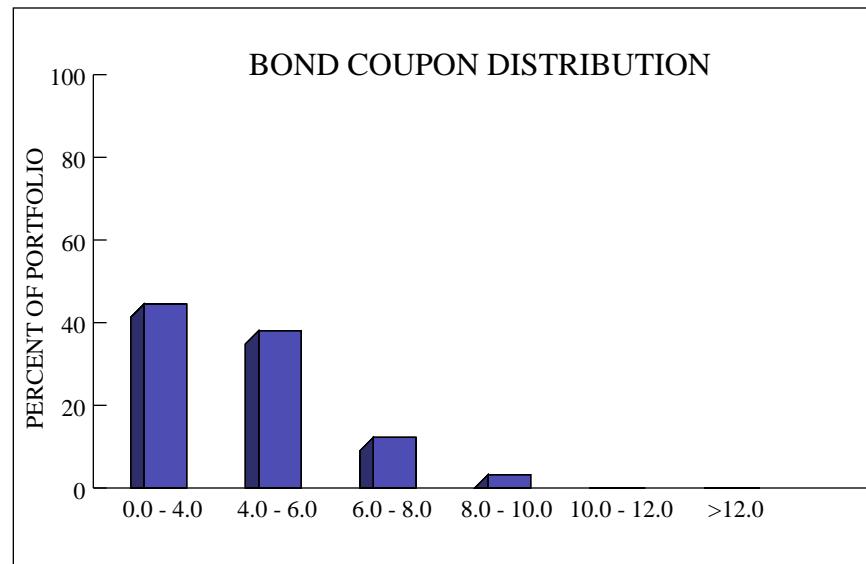
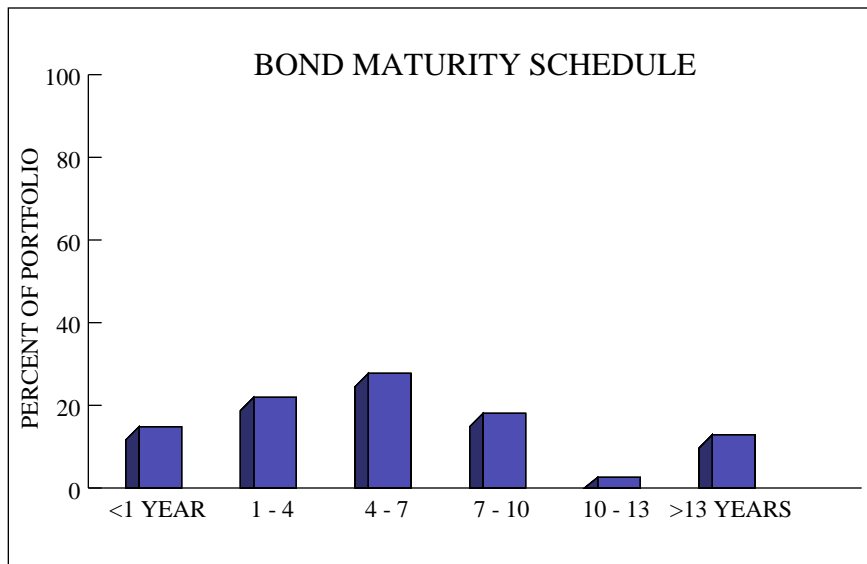
Core Fixed Income Universe

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

<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>14</b>
<b>Quarters Below the Benchmark</b>	<b>6</b>
<b>Batting Average</b>	<b>.700</b>

<b>RATES OF RETURN</b>			
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

**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>BARCLAYS AGG</b>
No. of Securities	158	8,079
Duration	6.19	5.06
YTM	6.13	1.74
Average Coupon	4.09	3.57
Avg Maturity / WAL	10.39	6.96
Average Quality	AAA-AA	USG-AAA