

**FRANKLIN REGIONAL RETIREMENT SYSTEM**

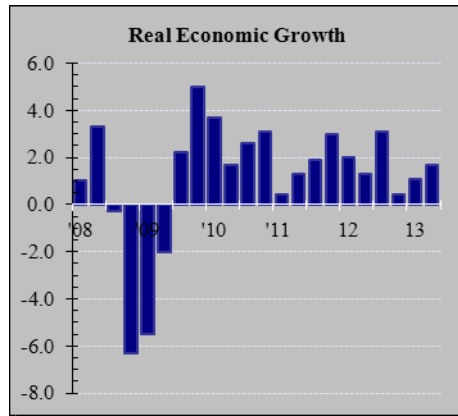
**PERFORMANCE REVIEW  
JUNE 2013**



## ECONOMIC ENVIRONMENT

### Slow Progress Amidst Bernanke's Cryptic Comments

The U.S. economy continued to expand during the second quarter, at a rate of 1.7% (advance estimate), which exceeded analysts' expectations.



This acceleration reflected both an increase in business investment and the level of exports. In spite of real progress on the housing and employment fronts and much improved consumer confidence figures, nervousness over the Federal Sequestration and a possible uptick in interest rates induced manufacturers to

reduce inventories. The big red flag was a change in thinking regarding the Fed's \$85 billion per month (\$1 trillion annual) bond buying program, which the Fed signaled may end sooner than expected. Arguably, that possibility can also be viewed as positive since one can infer that the Fed sees enough economic momentum to ease its unprecedented support.

Below are the quarter's highlights:

- *GDP increased 1.7% in the second quarter, after climbing only 1.1% in the first quarter; the current expectation is close to 2% growth for this calendar year and higher in 2014.*
- *Job growth was uniformly solid, with 195,000 or more monthly gains in April, May and June [after April and May jobs numbers were adjusted upwards].*

- *Housing statistics made everyone happy with a 12.2% price increase in May vs. May 2012, reflecting the 15<sup>th</sup> consecutive month of growth.*
- *June's new orders and production rose 3.1% and 4.8%, respectively.*
- *Consumer confidence reached its highest level since January 2008.*
- *Inflation remains in check.*

On June 19th, in a press conference by Fed Chairman Bernanke, the Fed hinted that it might pare back the latest quantitative easing (QE) program. That press statement precipitated an abrupt rise in interest rates across the yield curve. This, in turn, led investors to anticipate higher inflation down the road. As a result, bank lending rates to businesses and home mortgage rates were directly affected as investors feared that higher rates could dampen both business and housing expansion. Another concern was a slowdown in global growth, with Europe, China and other emerging markets each experiencing lower growth and/or outright recession. US exports are already feeling the effects of the global downturn.

Job gains were consistently positive during the past quarter, averaging close to 200,000 per month. Because the positive job trend led unemployed workers back into the labor market, the newly added job seekers kept the unemployment rate unchanged at 7.6%.

Home prices have made a huge leap in the latest 12-months. Research firm CoreLogic reported that the national price gain has been 12.2% through May (latest available data), but an additional 20+% gain would be necessary to reach the April 2006 price peak. Ninety-seven of the largest cities posted price increases. LA, Phoenix, Riverside CA, Atlanta and Houston/Dallas posted the biggest gains. CoreLogic also noted a 27% drop in housing foreclosures during May – another positive housing indicator.

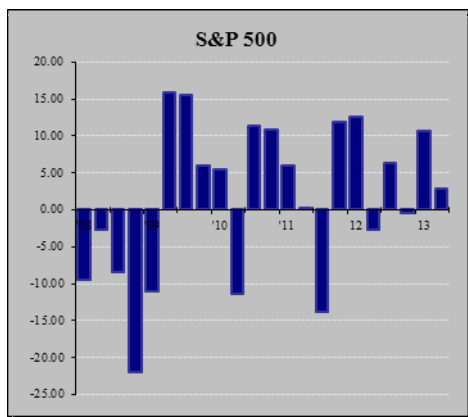
Manufacturing expanded in June, for the 49<sup>th</sup> consecutive month. New orders and production were particularly strong. Within the 18 manufacturing sectors, ten expanded, four were steady, and four declined. The latter included textile mills, transportation equipment, chemicals and electronics. Both exports and imports were higher in June vs. May, with exports rising more.

Consumer confidence was at a near-term high, despite higher payroll deductions and rising interest rates. Confidence increased for the third straight month, reaching its highest level in the last five years – 81.4! Consumers were optimistic regarding current conditions, short-term expectations and outlook for the labor market. In fairness, these measures are volatile and could be impacted by unanticipated events.

## EQUITY MARKET

### *In Like a Lion and then... the Bernanke Hiccup*

All major stock indices gained ground for the quarter. Gains through May extended the momentum from the first quarter. Unfortunately, the party ended in June, when the hint of an early QE pullback made investors feel more sober. While the Fed said that it **might** reduce its



buying program later in the year, that was enough to put the market in a tailspin [with a modest recovery in the last few days of the quarter].

The bellwether S&P 500 and DJIA indices both rose 2.9%, but the NASDAQ tech index gained 4.2%. Small-cap growth stocks added almost as

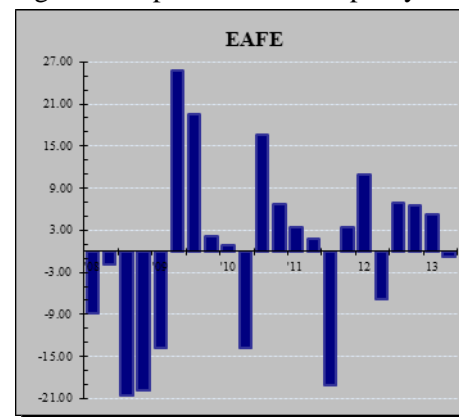
much (3.7%). Large-cap value stocks outperformed their growth counterparts: 3.2% vs. 2.1%. In contrast, mid-cap growth bested mid-cap value: 2.9% vs. 1.7%. The Russell 3000, representing the broad stock market, earned 2.7%. Year-to-date, stock returns were well into the double digits. Small-cap growth trumped all other Russell indices, soaring 17.4% for the first half of the year.

Financial stocks fared best (7.6%) among the eleven S&P market sectors; this reflected improved bank profits, dividend increases and more share buybacks. The consumer discretionary sector was close behind with a 7.1% gain. The basic industry and energy sectors experienced only fractional gains because of tumbling commodity prices. Utility stocks were flat as rising interest rates reduced the benefits from this sector's high dividend rates.

## INTERNATIONAL EQUITIES

### *Developed Markets Bested Emerging Markets, but Mostly Red Ink Everywhere*

The benchmark MSCI EAFE Index lost 0.7% for the quarter, masking a significant performance disparity among the component country and regional indices. European stocks gave back just 0.1%, while Australia plummeted 13.9% and the Far East region gained 2.6%.

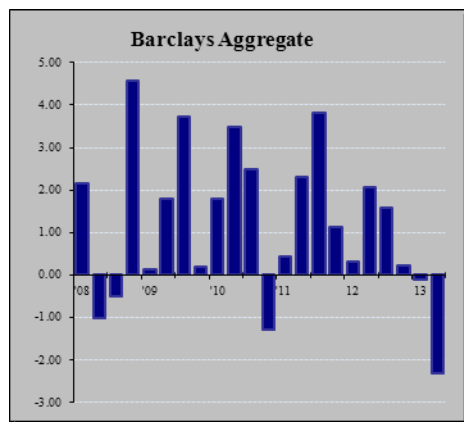


Emerging markets stocks nose-dived; the MSCI Emerging Market Index fell 8%. The Fed's stimulus easing announcement infected most

EM markets, as did declining Chinese demand for raw materials and the sluggish European markets. Emerging markets have always been volatile; unfortunately, the volatility has been negative so far this year. China was front and center, dropping 6.5%. The other BRIC countries suffered, as well. Brazil lost more than 17% due to Chinese weakness, continuing high inflation and a population restive for more infrastructure spending. The Brazilian government's announcement of a bus fare increase was the catalyst for massive strikes that also impacted its economy. Russia's market, driven by oil exports, fell 8.3%. India's market lost 5.6% due to a weak rupee. Turkey, a recent investor's paradise, sank 15.2% during violent street protests against Prime Minister Erdogan. The only notable gains were in Malaysia (+6.2%) and Hungary (+13.2%). Malaysian stocks rose in sync with the election of a new Prime Minister and Hungary benefited from a recent trade surplus and increased business confidence.

## BOND MARKET

### *A Significant Decline, Triggered by QE Policy Change*



Three Treasury bond examples make the point: (1) the 5-year yield

increased from 0.78% in March to 1.39% at quarter-end; (2) the 10-year yield climbed from 1.86% to 2.48%; and (3) the 30-year rose from 3.12% to 3.50%. Based on these dramatic increases, there was no place for active or passive bond managers to hide. The coupon income generated by bonds was simply not enough to offset the dramatic price declines. The Barclays Aggregate Index lost 2.3%.

Given that Treasuries comprise 37% of the index, the loss was no surprise. However, all other major bond sectors gave ground, too. Investment grade corporate bonds dipped 3.4%; residential mortgage-backed issues fell 2%; the asset-backed sector (e.g. securitized credit card debt) eased 0.8%; and commercial MBS dropped 1.4%.

Yields also climbed in the below-investment grade (junk) segment. On average, a bond investor would have had to load up on the very lowest-rated or CA-D credits to eke out a positive return (+1.7%).

The G-6 countries shared the pain among their sovereign risk (local Treasury) issues. Combined, the G-6 names dropped more than 4%. Only Italian sovereigns were positive. Clearly, the Fed pronouncement affected both domestic and global markets.

## CASH EQUIVALENTS

### *Miniscule Return, Even as Interest Rates Rose*

Ultra-short Treasuries and money market funds again provided low fractional returns during the quarter. Still, these defensive investments were shielded from the rise in yields and drop in price of longer maturities.

**MARKET SUMMARY**

**ECONOMIC STATISTICS**

	CURRENT QTR	LAST QTR
GDP	1.7	1.1
Unemployment	7.6	7.6
CPI All Items Year/Year	1.75	1.47
Fed Funds Rate	0.25	0.25
Industrial Capacity	77.8	78.2
US Dollars per Euro	1.30	1.28

**MAJOR INDEX QUARTER RETURNS**

INDEX	PERFORMANCE
Russell 3000	2.7
S&P 500	2.9
Russell Mid	2.2
Russell 2000	3.1
MSCI EAFE	-0.7
MSCI Emg Mkts	-8.0
NCREIF ODCE	3.9
Barclays Agg	-2.3
90 Day Tbills	0.0

**EQUITY RETURN DISTRIBUTIONS**

	QUARTER			TRAILING YEAR		
	VAL	COR	GRO	VAL	COR	GRO
LC	3.2	2.7	2.1	25.3	21.2	17.0
MC	1.7	2.2	2.9	27.6	25.4	22.9
SC	2.5	3.1	3.7	24.8	24.2	23.7

**MARKET SUMMARY**

- \* GDP expanded at a rate of 1.7% in Q2.
- \* Seasonally adjusted unemployment remained at 7.6%.
- \* Domestic equity indices posted positive returns for Q2. Large Cap Value beat Growth, while Mid and Small Cap favored Growth over Value. Int'l stocks lost ground, with developed countries faring better than emerging markets.
- \* CPI increased 1.75% year over year.
- \* The US Dollar weakened relative to the Euro.

## **INVESTMENT RETURN**

On June 30th, 2013, the Franklin Regional Retirement System was valued at \$100,085,299, a decrease of \$283,435 from the March ending value of \$100,368,734. Last quarter, the account recorded a net withdrawal of \$1,400,635, which overshadowed the fund's net investment return of \$1,117,200. Income receipts totaling \$689,000 and realized and unrealized capital gains of \$428,200 combined to produce the portfolio's net investment return.

Since December 2007, the account has recorded net contributions totaling \$1.3 million, and generated net investment gains totaling \$19.1 million. Since December 2007, if the account had earned a compounded nominal rate of 8.0% it would have been valued at \$124.2 million or \$24.2 million more than the actual value as of June 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.*

For the second quarter, the Composite portfolio gained 1.1%, which was 0.1% above the Franklin Regional Policy Index's return of 1.0% and ranked in the 5th percentile of the Public Fund universe. Over the trailing twelve-month period, this portfolio returned 15.4%, which was 1.3% greater than the benchmark's 14.1% performance, and ranked in the 4th percentile. Since December 2007, the portfolio returned 3.6% annualized and ranked in the 59th percentile. The Franklin Regional Policy Index returned an annualized 3.6% over the same time frame.

### **PRIT Core**

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

In the second quarter, the prit core portion of the portfolio returned 0.2%, which was equal to the Custom Core Index's return of 0.2%. Over the trailing twelve-month period, this segment returned 12.8%, which was 0.2% below the benchmark's 13.0% return. Since December 2007, this component returned 2.2% annualized, while the Custom Core Index returned an annualized 3.0% 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.*

In the second quarter, the domestic equity segment gained 4.4%, which was 1.8% above the Franklin County Equity Index's return of 2.6% and ranked in the 23rd percentile of the All Cap universe. Over the trailing twelve-month period, this segment returned 30.3%, which was 7.1% greater than the benchmark's 23.2% performance, and ranked in the 13th percentile. Since December 2007, this component returned 6.1% annualized and ranked in the 42nd percentile. For comparison, the Franklin County Equity Index returned an annualized 6.3% over the same period.

## **Real Estate**

In the second quarter, the real estate portion of the portfolio returned 2.7%, which was 1.2% less than the NCREIF NFI-ODCE Index's return of 3.9%. Over the trailing twelve-month period, this component returned 12.8%, which was 0.6% greater than the benchmark's 12.2% performance. Since December 2007, this component returned -1.0% annualized, while the NCREIF NFI-ODCE Index returned an annualized 0.2% over the same time frame.

## **Fixed Income**

The fixed income portion of the portfolio lost 2.4% in the second quarter; that return was 0.1% less than the Barclays Aggregate Index's return of -2.3% and ranked in the 46th percentile of the Core Fixed Income universe. Over the trailing twelve months, this component returned 1.5%; that return was 2.2% greater than the benchmark's -0.7% performance, ranking in the 14th percentile. Since December 2007, this component returned 5.8% on an annualized basis and ranked in the 38th percentile. The Barclays Aggregate Index returned an annualized 4.9% over the same period.

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

**Total Fund Assets \$ 100,085,299**

<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%	\$ 55,046,914	\$ 54,077,383	\$ (969,531)
<b>Domestic Equity</b>	21.1%	11.4%			\$ 11,388,697	
<b>Int'l Equity</b>	18.1%	9.8%			\$ 9,804,230	
<b>E.M. Int'l Equity</b>	6.5%	3.5%			\$ 3,504,214	
<b>Core Fixed Income</b>	12.7%	6.9%			\$ 6,862,420	
<b>Value Added Fixed Income</b>	6.6%	3.5%			\$ 3,547,476	
<b>Real Estate</b>	7.9%	4.3%			\$ 4,277,521	
<b>Timber/Natural Resources</b>	4.1%	2.2%			\$ 2,200,949	
<b>Alternatives-Private Equity</b>	11.7%	6.3%			\$ 6,348,685	
<b>Hedge Funds</b>	11.4%	6.1%			\$ 6,143,191	
Separate Managers		46.0%	45.0%			
<b>Polen Capital</b>		5.8%	6.0%	\$ 6,005,118	\$ 5,805,472	\$ (199,646)
<b>O'Shaughnessy</b>		6.5%	6.0%	\$ 6,005,118	\$ 6,481,149	\$ 476,031
<b>Seizert</b>		5.4%	5.0%	\$ 5,004,265	\$ 5,437,623	\$ 433,358
<b>Daruma</b>		10.6%	10.0%	\$ 10,008,530	\$ 10,582,778	\$ 574,248
<b>PRIT RE</b>		5.2%	5.0%	\$ 5,004,265	\$ 5,225,204	\$ 220,939
<b>Prudential</b>		0.0%	0.0%	\$ -	\$ 5,042	\$ 5,042
<b>IR&amp;M</b>		11.8%	13.0%	\$ 13,011,089	\$ 11,780,432	\$ (1,230,657)
<b>Cash</b>		0.7%	0.0%	\$ -	\$ 690,216	\$ 690,216

<b>Allocation by Asset Class</b>						
	Actual Allocation (%)	Target Allocation (%)	+/- Percent	Actual Allocation (\$)	Target Allocation (\$)	+/- Dollars
Franklin County Total Fund						
<b>Domestic Equity</b>	39.7%	40.0%	-0.3%	\$ 39,695,719	\$ 40,034,120	\$ (338,401)
<b>Int'l Equity</b>	13.3%	15.0%	-1.7%	\$ 13,308,444	\$ 15,012,795	\$ (1,704,351)
<b>Fixed Income</b>	22.2%	25.0%	-2.8%	\$ 22,190,328	\$ 25,021,325	\$ (2,830,997)
<b>Real Estate</b>	9.5%	10.0%	-0.5%	\$ 9,507,767	\$ 10,008,530	\$ (500,763)
<b>Timber</b>	2.2%	2.5%	-0.3%	\$ 2,200,949	\$ 2,502,132	\$ (301,183)
<b>Alternatives-Private Equity</b>	6.3%	5.0%	1.3%	\$ 6,348,685	\$ 5,004,265	\$ 1,344,420
<b>Hedge Funds</b>	6.1%	2.5%	3.6%	\$ 6,143,191	\$ 2,502,132	\$ 3,641,058
<b>Cash</b>	0.7%	0.0%	0.7%	\$ 690,216	\$ -	\$ 690,216
	100.0%	100.0%		\$ 100,085,299	\$ 100,085,299	



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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2007
<b>Total Gross/Fees</b>	1.1	7.1	15.4	12.4	3.6
<i>PUBLIC FUND RANK</i>	( 5)	(11)	( 4)	(15)	(59)
<b>Total Net/Fees</b>	1.0	6.8	14.8	11.8	3.1
POLICY INDEX	1.0	7.3	14.1	13.1	3.6
<b>PRIT Core</b>	0.2	4.8	12.8	11.4	2.2
CUSTOM CORE IDX	0.2	5.0	13.0	11.5	3.0
<b>Domestic Equity</b>	4.4	17.4	30.3	19.2	6.1
<i>ALL CAP RANK</i>	(23)	(23)	(13)	(43)	(42)
CUSTOM EQ INDEX	2.6	14.9	23.2	18.8	6.3
PRIT EQUITY	2.7	14.3	22.1	18.7	1.9
S&P 500	2.9	13.8	20.6	18.5	3.9
S&P 400	1.0	14.6	25.2	19.4	7.3
RUSSELL 3000	2.7	14.1	21.5	18.6	4.3
RUSSELL 1000	2.7	13.9	21.2	18.6	4.2
RUSSELL 1000G	2.1	11.8	17.0	18.7	4.9
RUSSELL 1000V	3.2	15.9	25.3	18.5	3.3
RUSSELL MID	2.2	15.4	25.4	19.5	6.0
RUSSELL 2000	3.1	15.9	24.2	18.7	6.0
<b>Real Estate</b>	2.7	5.0	12.8	15.3	-1.0
NCREIF ODCE	3.9	6.6	12.2	14.9	0.2
<b>Fixed Income</b>	-2.4	-2.0	1.5	4.5	5.8
<i>CORE FIXED INCOME RANK</i>	(46)	(22)	(14)	(33)	(38)
BARCLAYS AGG	-2.3	-2.4	-0.7	3.5	4.9
PRIT FIXED	-3.5	-3.2	-0.3	4.4	4.4
GOV/CREDIT	-2.5	-2.7	-0.6	3.9	5.0
INT AGGREGATE	-1.8	-1.6	-0.1	3.0	4.6
INT GOV/CREDIT	-1.7	-1.4	0.3	3.1	4.4

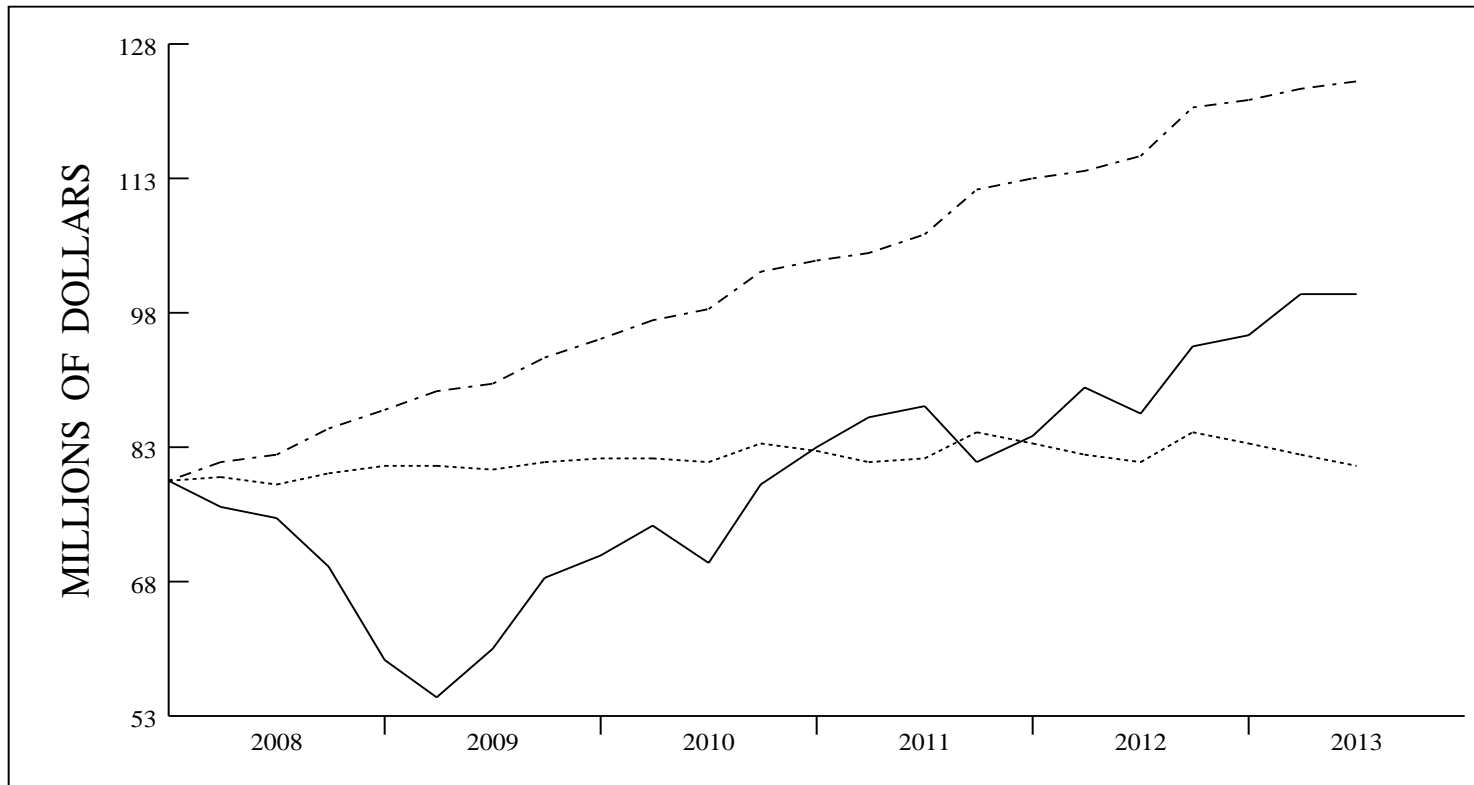
**ASSET ALLOCATION**

PRIT Core	54.0%	\$ 54,077,383
Domestic Equity	27.3%	27,362,865
Real Estate	5.2%	5,230,246
Fixed Income	11.8%	11,780,432
Cash	1.6%	1,634,373
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 100,085,299</b>

**INVESTMENT RETURN**

Market Value 3/2013	\$ 100,368,734
Contribs / Withdrawals	- 1,400,635
Income	689,000
Capital Gains / Losses	428,200
Market Value 6/2013	\$ 100,085,299

**INVESTMENT GROWTH**

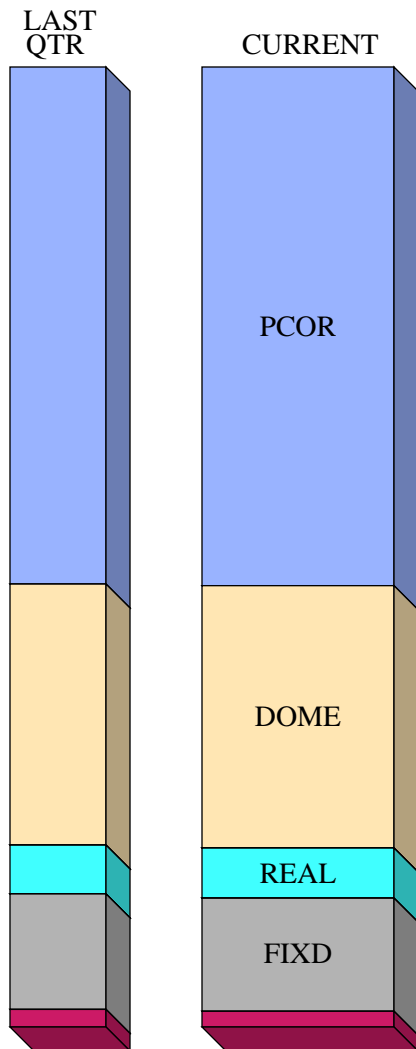


— ACTUAL RETURN  
 - - - 8.0%  
 ..... 0.0%

VALUE ASSUMING  
 8.0% RETURN  
 \$ 124,249,607

	LAST QUARTER	PERIOD 12/07 - 6/13
BEGINNING VALUE	\$ 100,368,734	\$ 79,660,882
NET CONTRIBUTIONS	- 1,400,635	1,328,745
<u>INVESTMENT RETURN</u>	<u>1,117,200</u>	<u>19,095,672</u>
ENDING VALUE	\$ 100,085,299	\$ 100,085,299
INCOME	689,000	9,890,394
CAPITAL GAINS (LOSSES)	<u>428,200</u>	<u>9,205,278</u>
INVESTMENT RETURN	1,117,200	19,095,672

**ASSET ALLOCATION**








	<u>VALUE</u>	<u>PERCENT</u>	<u>TARGET</u>	<u>DIFFERENCE</u> <u>+ / -</u>
PRIT CORE	\$ 54,077,383	54.0%	55.0%	-1.0%
DOMESTIC EQUITY	27,362,865	27.3%	27.0%	0.3%
REAL ESTATE	5,230,246	5.2%	5.0%	0.2%
FIXED INCOME	11,780,432	11.8%	13.0%	-1.2%
CASH & EQUIVALENT	1,634,373	1.6%	0.0%	1.6%
<u>TOTAL FUND</u>	<u>\$ 100,085,299</u>	<u>100.0%</u>		

## MANAGER PERFORMANCE SUMMARY







Name	(Universe)	Quarter	YTD	1 Year	3 Years	5 Years
Total Portfolio	(Public Fund)	1.1 (5)	7.1 (11)	15.4 (4)	12.4 (15)	5.1 (67)
<i>Franklin Regional Policy Index</i>		<i>1.0</i> ----	<i>7.3</i> ----	<i>14.1</i> ----	<i>13.1</i> ----	<i>5.4</i> ----
PRIT Core Fund		0.2 ----	4.8 ----	12.8 ----	11.4 ----	3.5 ----
<i>Custom Core Index</i>		<i>0.2</i> ----	<i>5.0</i> ----	<i>13.0</i> ----	<i>11.5</i> ----	<i>4.5</i> ----
Polen Capital	(LC Growth)	-2.1 (99)	4.0 (99)	8.3 (98)	---- ----	---- ----
<i>Russell 1000 Growth</i>		<i>2.1</i> ----	<i>11.8</i> ----	<i>17.0</i> ----	<i>18.7</i> ----	<i>7.5</i> ----
O'Shaughnessy	(LC Value)	6.8 (5)	19.6 (9)	26.5 (32)	---- ----	---- ----
<i>Russell 1000 Value</i>		<i>3.2</i> ----	<i>15.9</i> ----	<i>25.3</i> ----	<i>18.5</i> ----	<i>6.7</i> ----
Seizert Capital	(Mid Cap)	7.9 (1)	22.7 (1)	46.8 (1)	---- ----	---- ----
<i>Russell Mid Cap</i>		<i>2.2</i> ----	<i>15.4</i> ----	<i>25.4</i> ----	<i>19.5</i> ----	<i>8.3</i> ----
Daruma	(Small Cap)	4.5 (35)	19.4 (25)	33.9 (10)	19.7 (56)	11.9 (30)
<i>Russell 2000</i>		<i>3.1</i> ----	<i>15.9</i> ----	<i>24.2</i> ----	<i>18.7</i> ----	<i>8.8</i> ----
PRIT Core R.E.		2.7 ----	5.0 ----	12.8 ----	---- ----	---- ----
<i>NCREIF NFI-ODCE Index</i>		<i>3.9</i> ----	<i>6.6</i> ----	<i>12.2</i> ----	<i>14.9</i> ----	<i>-0.1</i> ----
IR&M	(Core Fixed)	-2.4 (46)	-2.0 (22)	1.5 (14)	4.5 (33)	6.2 (41)
<i>Barclays Aggregate Index</i>		<i>-2.3</i> ----	<i>-2.4</i> ----	<i>-0.7</i> ----	<i>3.5</i> ----	<i>5.2</i> ----

## MANAGER VALUE ADDED

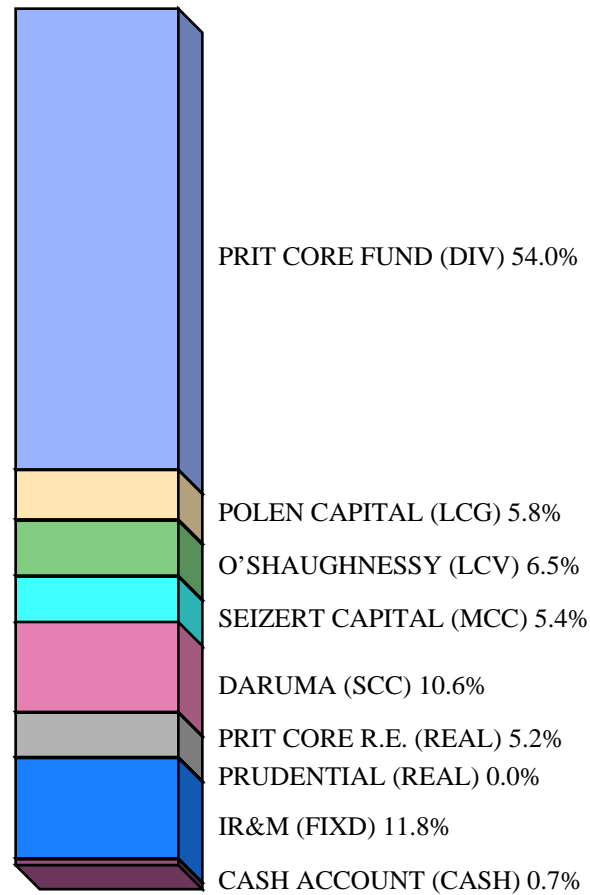
## Most Recent Quarter

Manager	Benchmark	Value Added Vs. Benchmark
PRIT Core Fund	Custom Core Idx	0.0
Polen Capital	Russell 1000G	 -4.2
O'Shaughnessy	Russell 1000V	3.5 
Seizert Capital	Russell Mid	5.7 
Daruma	Russell 2000	1.4 
PRIT Core R.E.	NCREIF ODCE	 -1.1
IR&M	Barclays Agg	-0.1
<b>Total Portfolio</b>	<b>Policy Index</b>	0.1

## Trailing Twelve Months

Manager	Benchmark	Value Added Vs. Benchmark
PRIT Core Fund	Custom Core Idx	-0.2
Polen Capital	Russell 1000G	 -8.7
O'Shaughnessy	Russell 1000V	1.2 
Seizert Capital	Russell Mid	21.4 
Daruma	Russell 2000	9.7 
PRIT Core R.E.	NCREIF ODCE	0.7
IR&M	Barclays Agg	2.1 
<b>Total Portfolio</b>	<b>Policy Index</b>	1.4 

**MANAGER ALLOCATION SUMMARY**



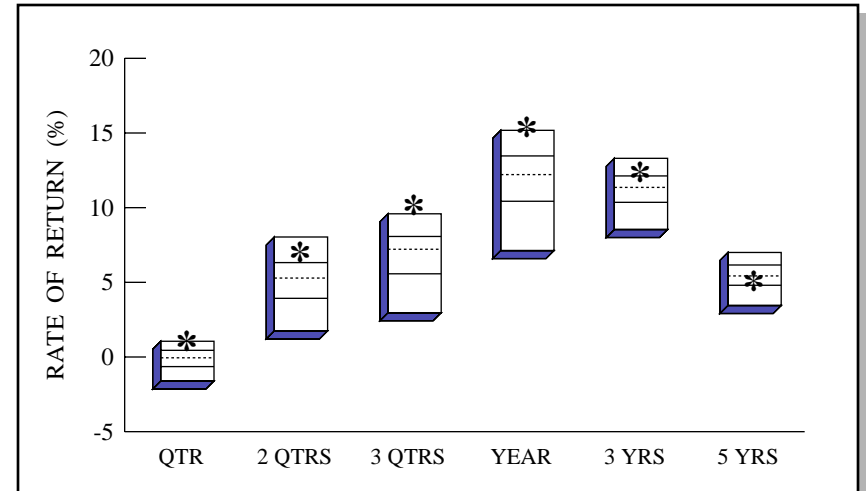
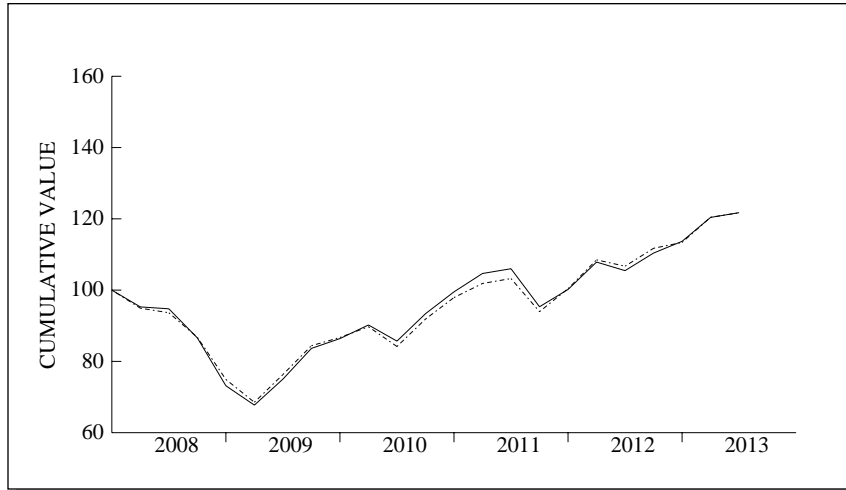
Name	Market Value	Percent	Target
PRIT Core Fund (DIV)	\$54,077,383	54.0	55.0
Polen Capital (LCG)	\$5,805,472	5.8	6.0
O'Shaughnessy (LCV)	\$6,481,149	6.5	6.0
Seizert Capital (MCC)	\$5,437,623	5.4	5.0
Daruma (SCC)	\$10,582,778	10.6	10.0
PRIT Core R.E. (REAL)	\$5,225,204	5.2	5.0
Prudential (REAL)	\$5,042	0.0	0.0
IR&M (FIXD)	\$11,780,432	11.8	13.0
Cash Account (CASH)	\$690,216	0.7	0.0
<b>Total Fund</b>	<b>\$100,085,299</b>	<b>100.0</b>	<b>100.0</b>

---

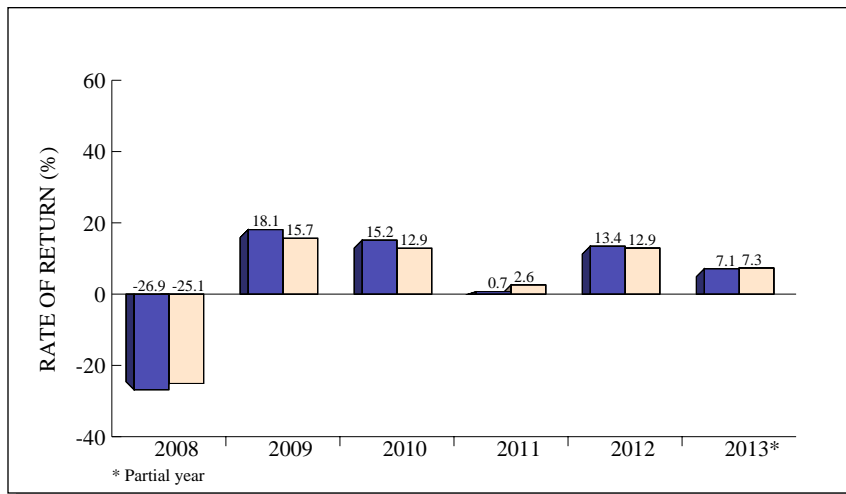
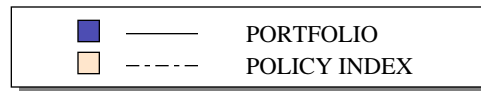
**INVESTMENT RETURN SUMMARY - ONE QUARTER**

Name	Quarter Total Return	Market Value March 31st, 2013	Net Cashflow	Net Investment Return	Market Value June 30th, 2013
PRIT Core Fund (DIV)	0.2	54,058,582	-76,452	95,253	54,077,383
Polen Capital (LCG)	-2.1	5,930,730	0	-125,258	5,805,472
O'Shaughnessy (LCV)	6.8	6,355,359	-300,026	425,816	6,481,149
Seizert Capital (MCC)	7.9	5,334,443	-310,000	413,180	5,437,623
Daruma (SCC)	4.5	10,787,291	-660,000	455,487	10,582,778
PRIT Core R.E. (REAL)	2.7	5,092,515	-6,911	139,600	5,225,204
Prudential (REAL)	---	2,502	0	2,540	5,042
IR&M (FIXD)	-2.4	12,070,121	0	-289,689	11,780,432
Cash Account (CASH)	---	737,191	-47,246	271	690,216
<b>Total Fund</b>	<b>1.1</b>	<b>100,368,734</b>	<b>-1,400,635</b>	<b>1,117,200</b>	<b>100,085,299</b>

**TOTAL RETURN COMPARISONS**



Public Fund Universe



\* Partial year

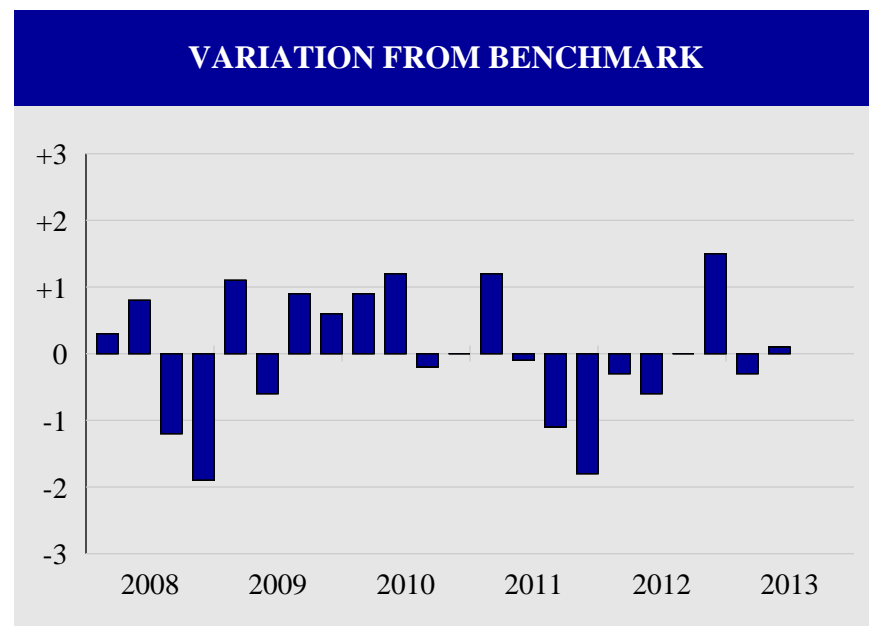
	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	1.1	7.1	10.3	15.4	12.4	5.1
(RANK)	(5)	(11)	(3)	(4)	(15)	(67)
5TH %ILE	1.1	8.0	9.6	15.2	13.3	7.0
25TH %ILE	0.5	6.3	8.1	13.5	12.1	6.2
MEDIAN	-0.1	5.3	7.2	12.2	11.4	5.4
75TH %ILE	-0.6	3.9	5.6	10.4	10.4	4.8
95TH %ILE	-1.6	1.8	3.0	7.1	8.5	3.5
<b>Policy Idx</b>	<b>1.0</b>	<b>7.3</b>	<b>8.9</b>	<b>14.1</b>	<b>13.1</b>	<b>5.4</b>

Public Fund Universe



**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

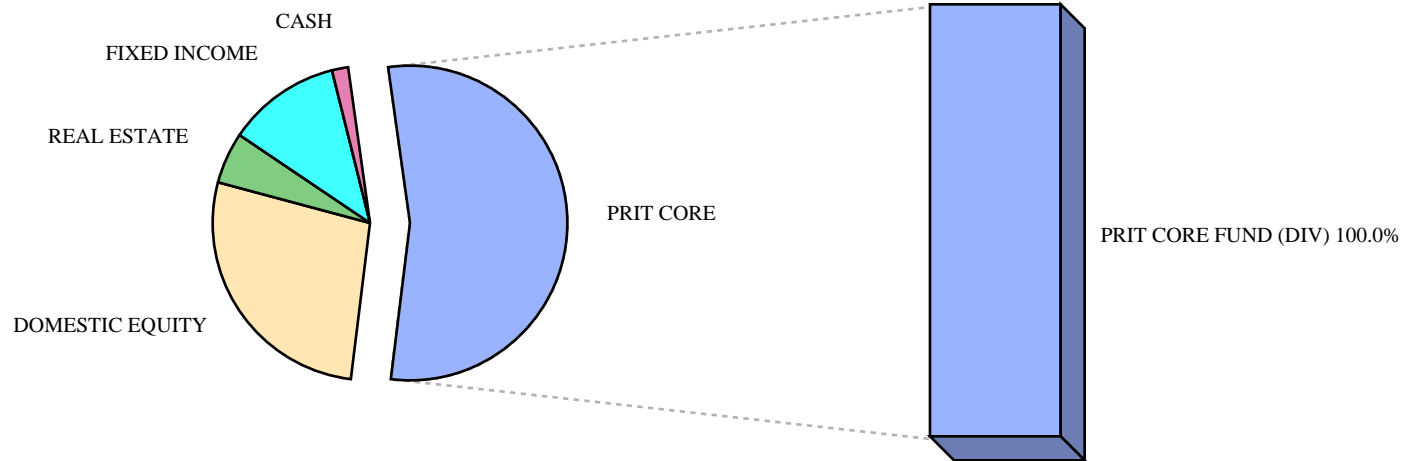
COMPARATIVE BENCHMARK: FRANKLIN REGIONAL POLICY INDEX



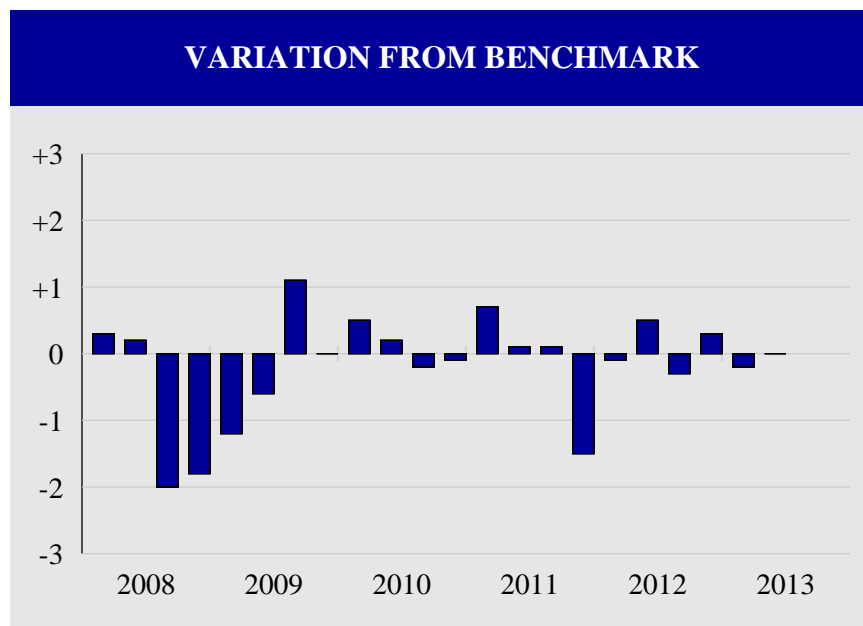
<b>Total Quarters Observed</b>	<b>22</b>
<b>Quarters At or Above the Benchmark</b>	<b>12</b>
<b>Quarters Below the Benchmark</b>	<b>10</b>
<b>Batting Average</b>	<b>.545</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/08	-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

**PRIT CORE MANAGER SUMMARY**



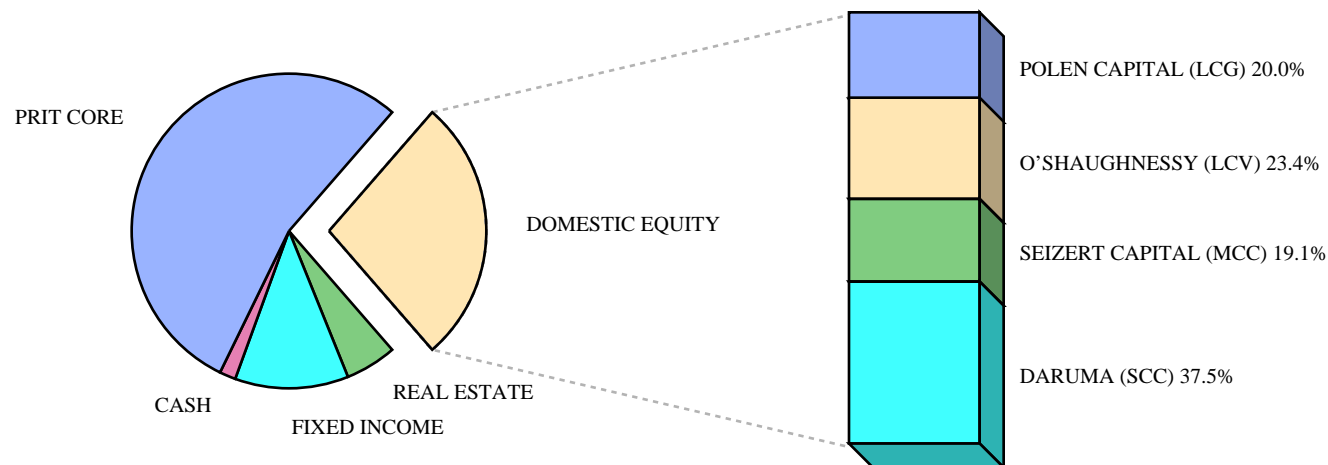
MANAGER	(UNIVERSE)	TOTAL RETURNS AND RANKINGS					MARKET VALUE
		QTR	YTD	1 YEAR	3 YEARS	5 YEARS	
PRIT CORE FUND		0.2 ---	4.8 ---	12.8 ---	11.4 ---	3.5 ---	\$54,077,383
<i>Custom Core Index</i>		<i>0.2 ---</i>	<i>5.0 ---</i>	<i>13.0 ---</i>	<i>11.5 ---</i>	<i>4.5 ---</i>	---

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

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

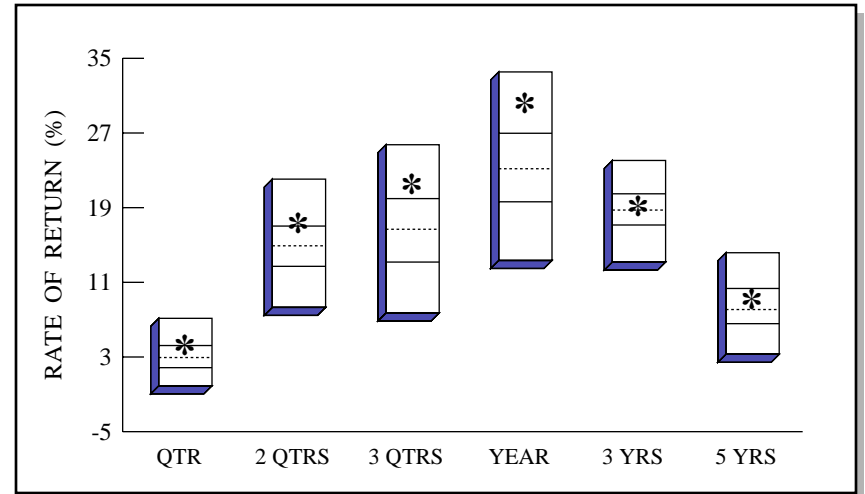
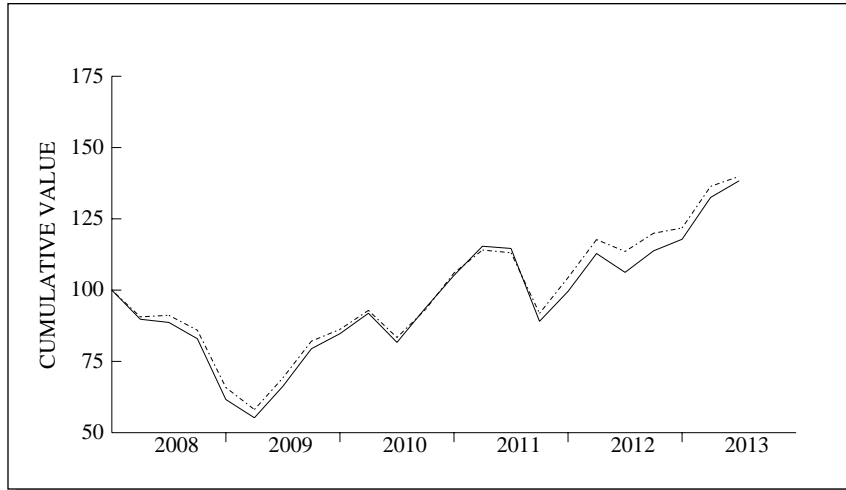
<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/08	-4.4	-4.7	0.3
6/08	-0.5	-0.7	0.2
9/08	-11.4	-9.4	-2.0
12/08	-16.3	-14.5	-1.8
3/09	-8.1	-6.9	-1.2
6/09	11.7	12.3	-0.6
9/09	11.5	10.4	1.1
12/09	2.9	2.9	0.0
3/10	3.5	3.0	0.5
6/10	-5.0	-5.2	0.2
9/10	8.9	9.1	-0.2
12/10	6.1	6.2	-0.1
3/11	4.3	3.6	0.7
6/11	1.7	1.6	0.1
9/11	-9.0	-9.1	0.1
12/11	3.7	5.2	-1.5
3/12	7.3	7.4	-0.1
6/12	-1.5	-2.0	0.5
9/12	4.4	4.7	-0.3
12/12	3.1	2.8	0.3
3/13	4.6	4.8	-0.2
6/13	0.2	0.2	0.0

**DOMESTIC EQUITY MANAGER SUMMARY**

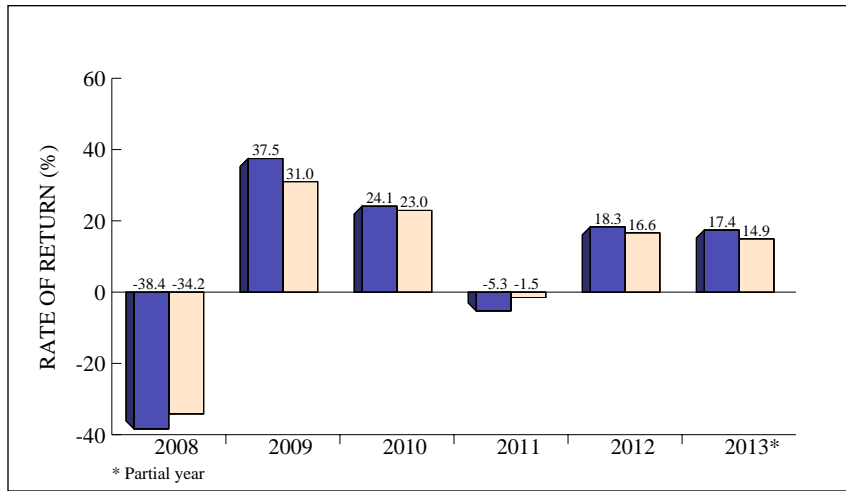


TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
POLEN CAPITAL	(Large Cap Growth)	-2.1 (99)	4.0 (99)	8.3 (98)	---- ----	---- ----	\$5,805,472
<i>Russell 1000 Growth</i>		<i>2.1 ----</i>	<i>11.8 ----</i>	<i>17.0 ----</i>	<i>18.7 ----</i>	<i>7.5 ----</i>	----
O'SHAUGHNESSY	(Large Cap Value)	6.8 (5)	19.6 (9)	26.5 (32)	---- ----	---- ----	\$6,481,149
<i>Russell 1000 Value</i>		<i>3.2 ----</i>	<i>15.9 ----</i>	<i>25.3 ----</i>	<i>18.5 ----</i>	<i>6.7 ----</i>	----
SEIZERT CAPITAL	(Mid Cap)	7.9 (1)	22.7 (1)	46.8 (1)	---- ----	---- ----	\$5,437,623
<i>Russell Mid Cap</i>		<i>2.2 ----</i>	<i>15.4 ----</i>	<i>25.4 ----</i>	<i>19.5 ----</i>	<i>8.3 ----</i>	----
DARUMA	(Small Cap)	4.5 (35)	19.4 (25)	33.9 (10)	19.7 (56)	11.9 (30)	\$10,582,778
<i>Russell 2000</i>		<i>3.1 ----</i>	<i>15.9 ----</i>	<i>24.2 ----</i>	<i>18.7 ----</i>	<i>8.8 ----</i>	----

DOMESTIC EQUITY RETURN COMPARISONS

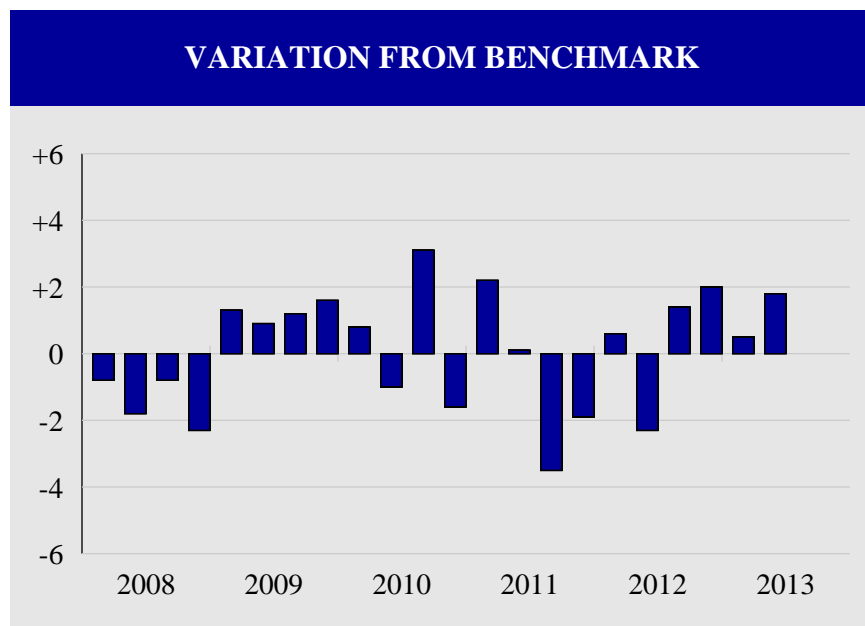


All Cap Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	4.4	17.4	21.6	30.3	19.2	9.3
(RANK)	(23)	(23)	(16)	(13)	(43)	(35)
5TH %ILE	7.2	22.1	25.8	33.5	24.1	14.2
25TH %ILE	4.2	17.0	20.0	27.0	20.5	10.3
MEDIAN	2.9	14.9	16.7	23.2	18.7	8.1
75TH %ILE	1.9	12.7	13.2	19.6	17.2	6.6
95TH %ILE	-0.1	8.3	7.7	13.4	13.2	3.3
<b>Equity Index</b>	<b>2.6</b>	<b>14.9</b>	<b>16.6</b>	<b>23.2</b>	<b>18.8</b>	<b>8.9</b>

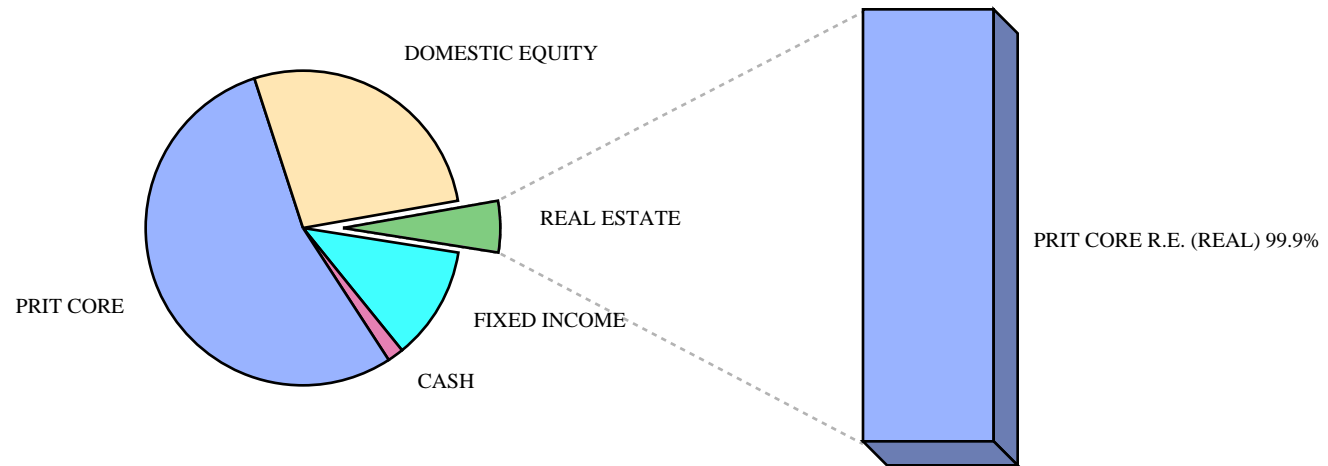
All Cap Universe

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

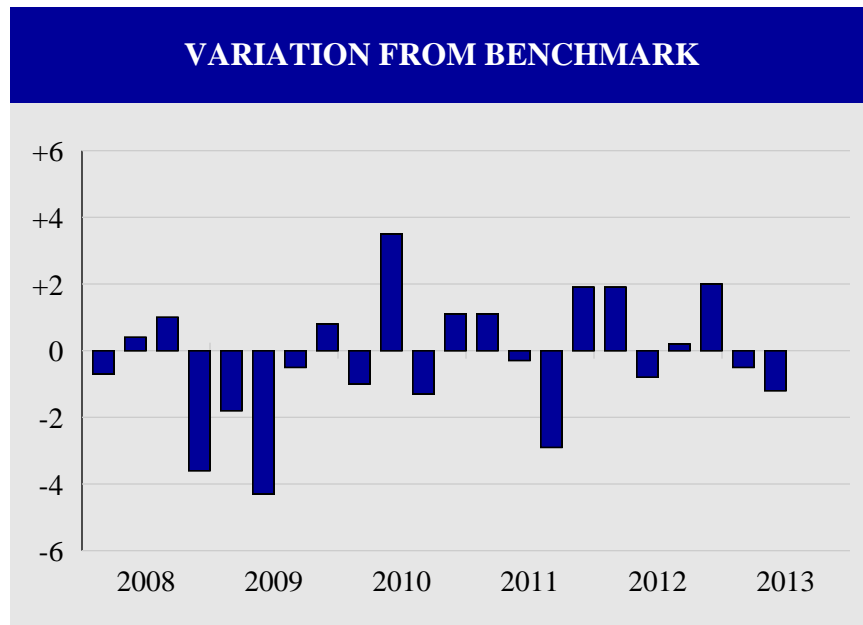
<b>Total Quarters Observed</b>	<b>22</b>
<b>Quarters At or Above the Benchmark</b>	<b>13</b>
<b>Quarters Below the Benchmark</b>	<b>9</b>
<b>Batting Average</b>	<b>.591</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/08	-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

**REAL ESTATE MANAGER SUMMARY**



		TOTAL RETURNS AND RANKINGS						
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE	
PRIT CORE R.E.		2.7 ---	5.0 ---	12.8 ---	---- ---	---- ---	\$5,225,204	
<i>NCREIF NFI-ODCE Index</i>		3.9 ---	6.6 ---	12.2 ---	14.9 ---	-0.1 ---	---	

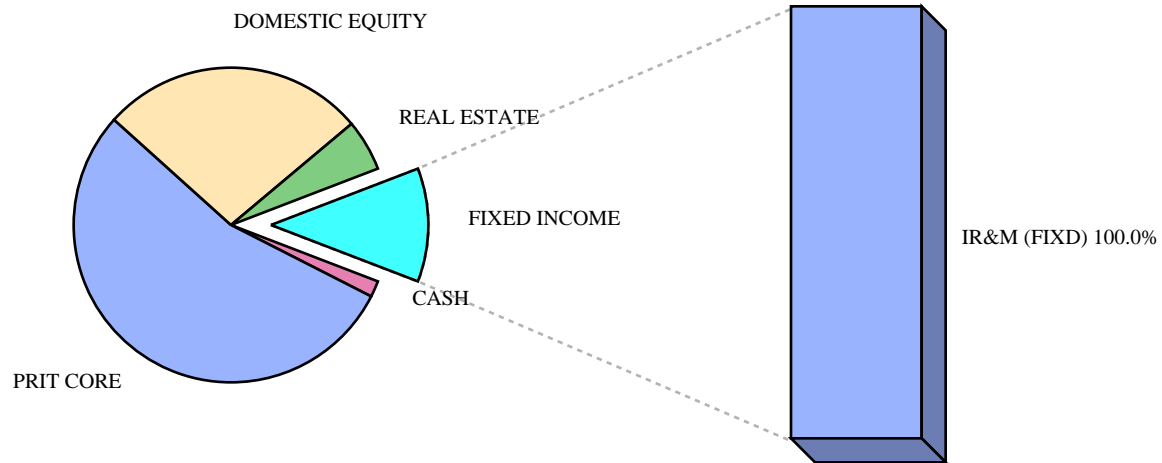
**REAL ESTATE QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: NCREIF NFI-ODCE INDEX**

<b>Total Quarters Observed</b>	<b>22</b>
<b>Quarters At or Above the Benchmark</b>	<b>10</b>
<b>Quarters Below the Benchmark</b>	<b>12</b>
<b>Batting Average</b>	<b>.455</b>

<b>RATES OF RETURN</b>			
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

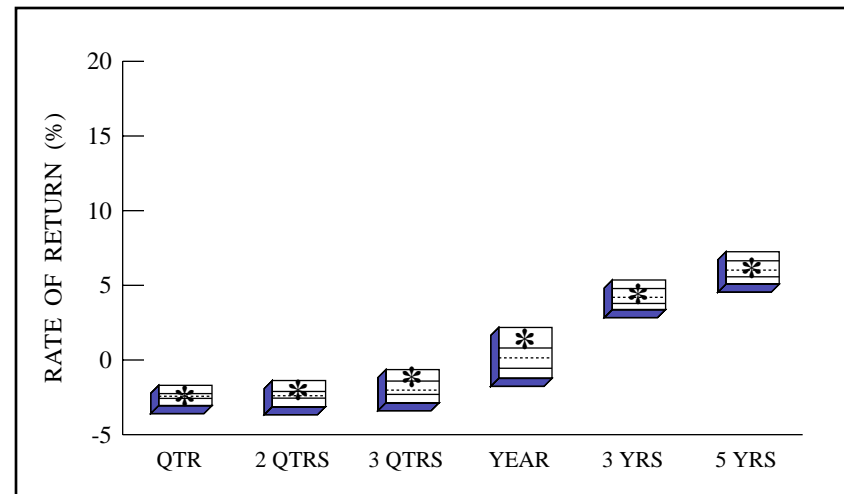
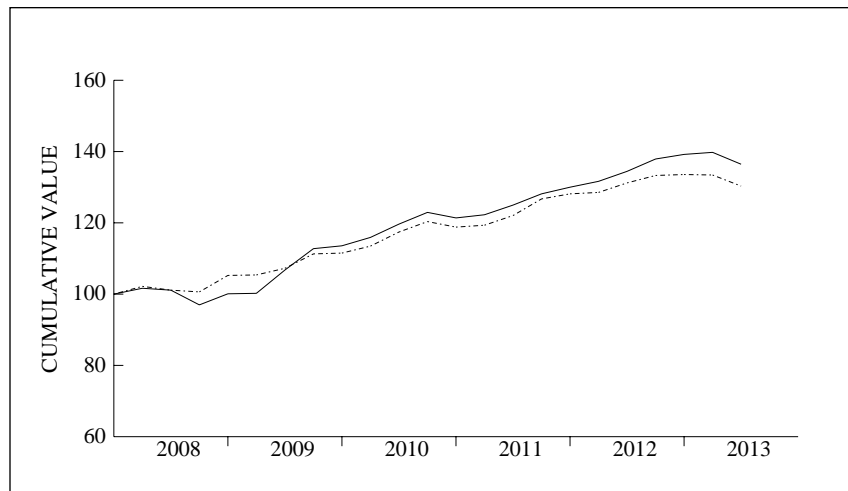


**FIXED INCOME MANAGER SUMMARY**

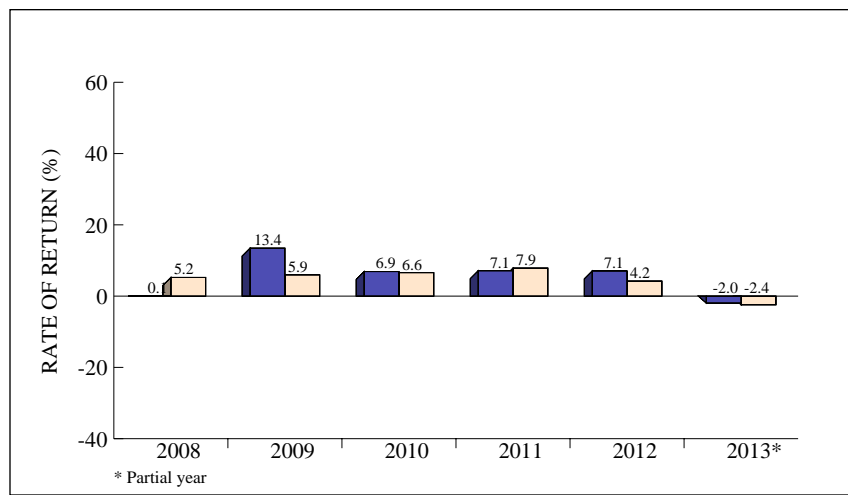


TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
IR&M	(Core Fixed Income)	-2.4 (46)	-2.0 (22)	1.5 (14)	4.5 (33)	6.2 (41)	\$11,780,432
<i>Barclays Aggregate Index</i>		-2.3 ----	-2.4 ----	-0.7 ----	3.5 ----	5.2 ----	----

**FIXED INCOME RETURN COMPARISONS**



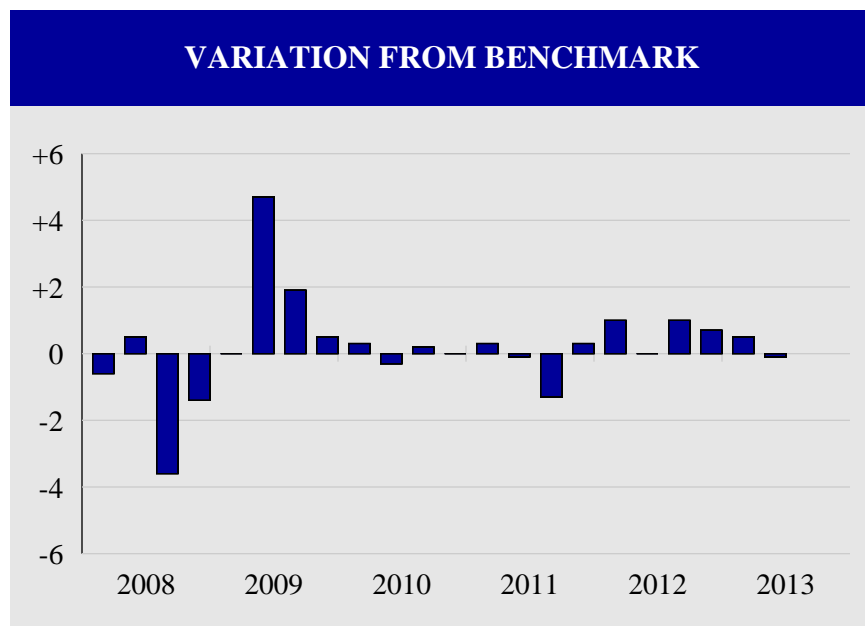
Core Fixed Income Universe



\* Partial year

	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	-2.4	-2.0	-1.1	1.5	4.5	6.2
(RANK)	(46)	(22)	(15)	(14)	(33)	(41)
5TH %ILE	-1.7	-1.4	-0.7	2.2	5.4	7.3
25TH %ILE	-2.3	-2.1	-1.4	0.8	4.8	6.7
MEDIAN	-2.4	-2.4	-2.0	0.1	4.2	6.0
75TH %ILE	-2.6	-2.6	-2.3	-0.6	3.8	5.6
95TH %ILE	-3.1	-3.1	-2.9	-1.2	3.4	5.1
<b>Agg Index</b>	<b>-2.3</b>	<b>-2.4</b>	<b>-2.2</b>	<b>-0.7</b>	<b>3.5</b>	<b>5.2</b>

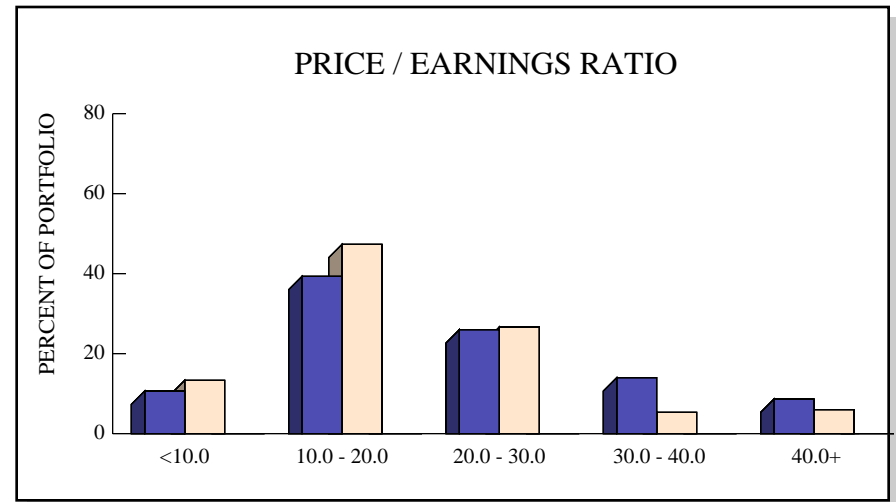
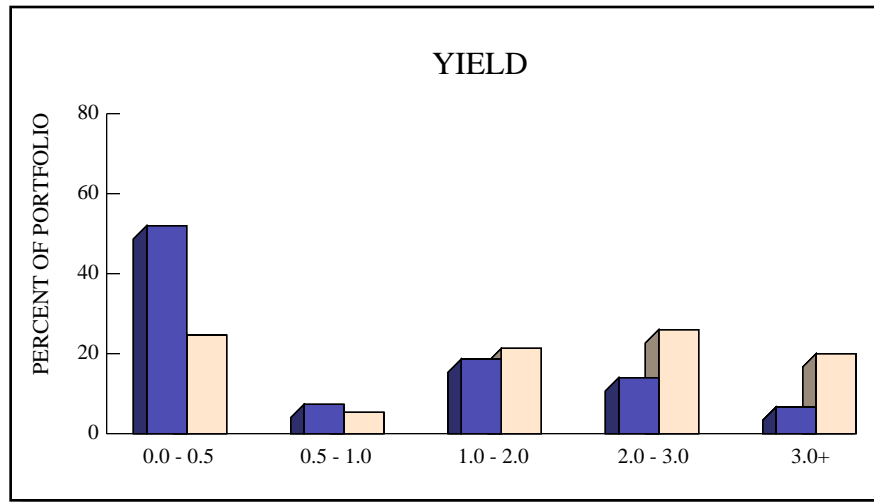
Core Fixed Income Universe

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

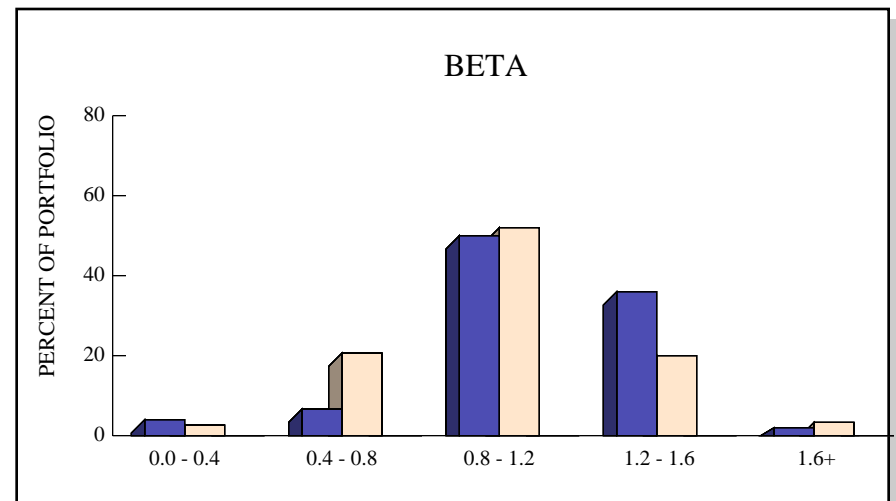
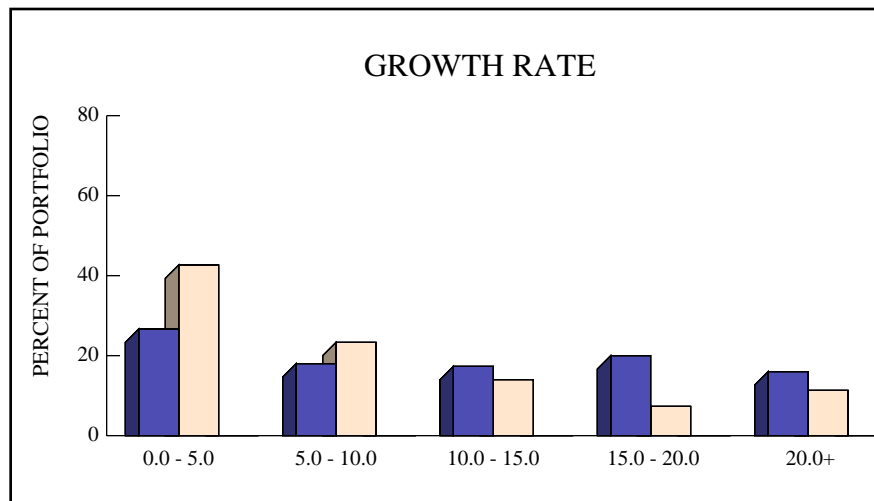
<b>Total Quarters Observed</b>	<b>22</b>
<b>Quarters At or Above the Benchmark</b>	<b>15</b>
<b>Quarters Below the Benchmark</b>	<b>7</b>
<b>Batting Average</b>	<b>.682</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/08	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

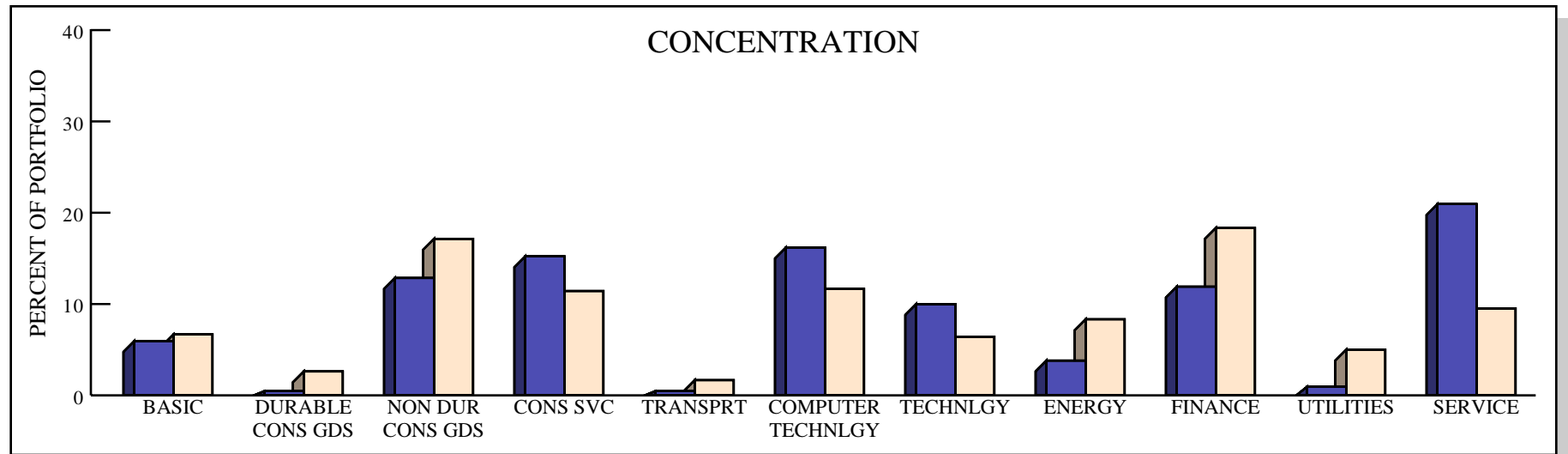
**STOCK CHARACTERISTICS**



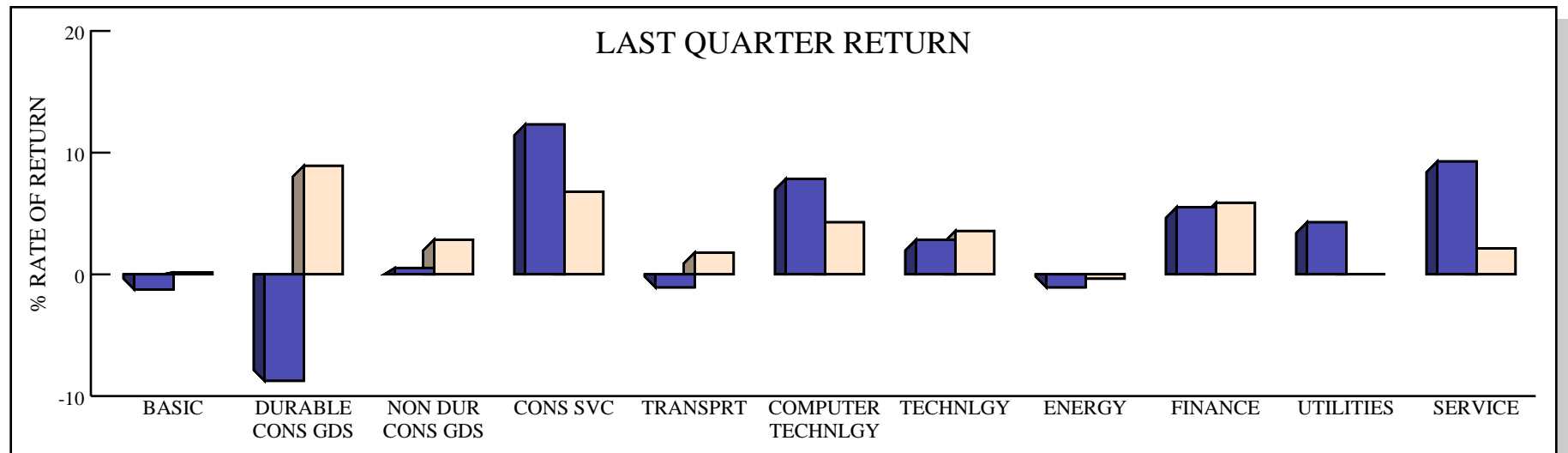
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.0%	9.7%	22.6	1.07
RUSSELL 3000	2.0%	7.1%	19.7	1.00



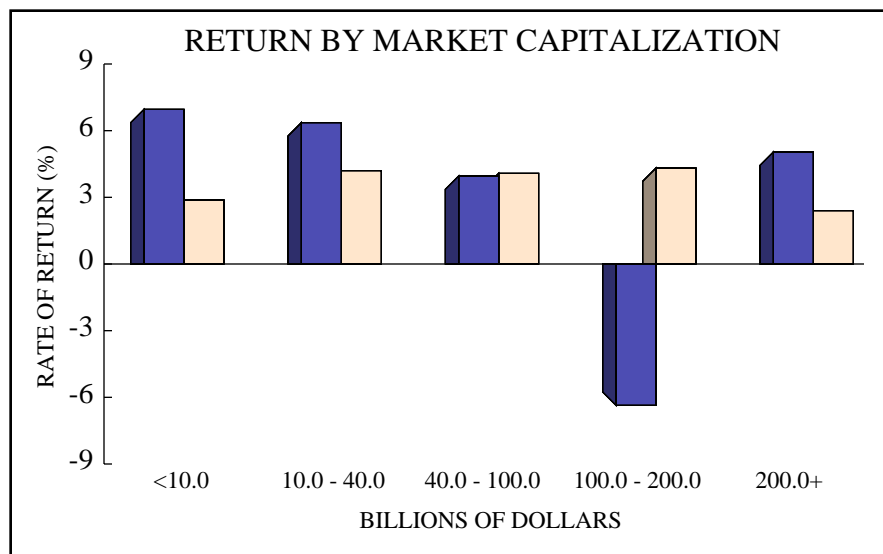
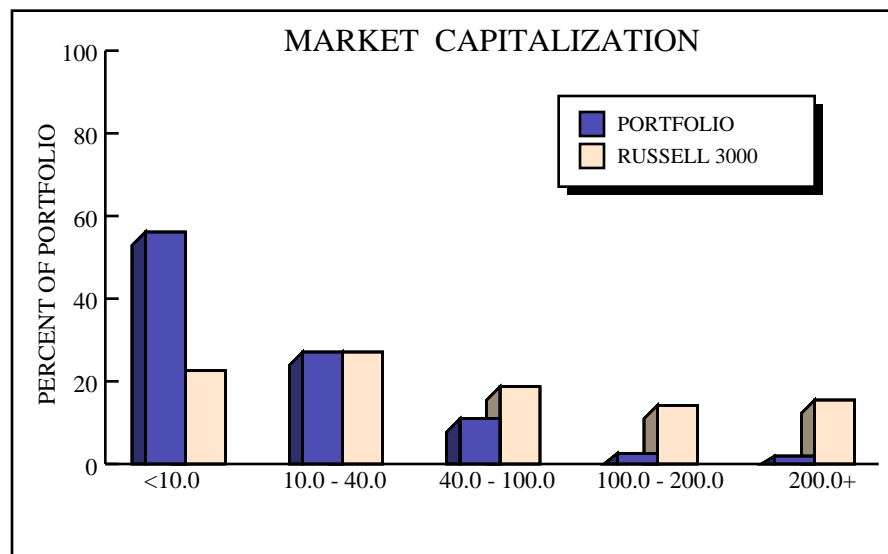
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL 3000



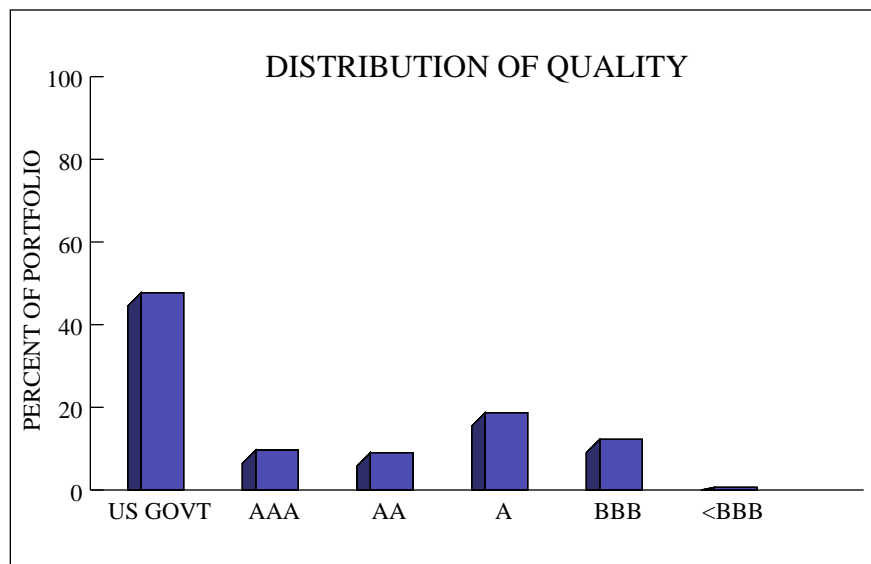
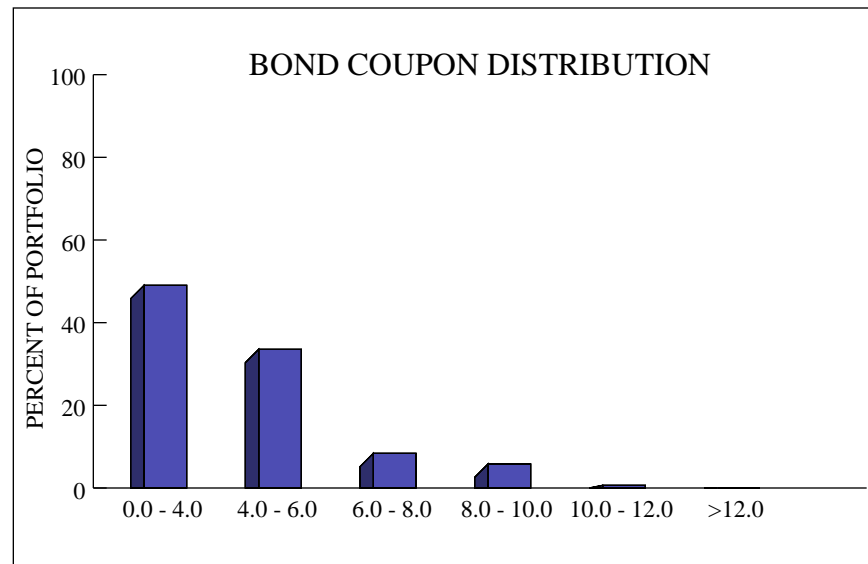
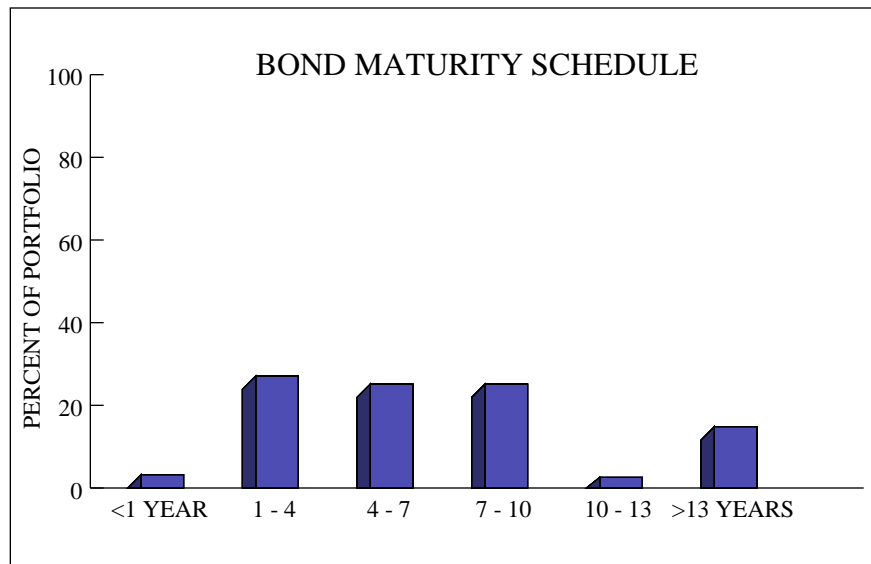
## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	GOOGLE INC-CL A	\$ 475,400	1.74%	10.9%	Computer Tech	\$ 238.7 B
2	L-3 COMMUNICATIONS HOLDINGS	460,252	1.68%	6.5%	Technology	7.7 B
3	COSTAR GROUP INC	457,682	1.67%	17.9%	Service	3.7 B
4	NIKE INC -CL B	442,258	1.62%	8.2%	NonDur Cons Goods	45.6 B
5	SHUTTERFLY INC	430,810	1.57%	26.3%	Service	2.1 B
6	ACXIOM CORP	419,625	1.53%	11.2%	Service	1.7 B
7	VISA INC-CLASS A SHARES	414,660	1.52%	7.8%	Finance	94.7 B
8	DEALERTRACK TECHNOLOGIES INC	408,862	1.49%	20.6%	Computer Tech	1.5 B
9	LIBERTY MEDIA CORP - A	380,407	1.39%	13.6%	Service	14.0 B
10	T ROWE PRICE GROUP INC	380,380	1.39%	-1.5%	Finance	19.0 B

**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>BARCLAYS AGG</b>
No. of Securities	201	8,395
Duration	7.17	5.49
YTM	3.46	2.35
Average Coupon	4.06	3.40
Avg Maturity / WAL	8.90	7.45
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	2.7	14.1	21.5	18.6	7.2
S&P 500	Large Cap Core	2.9	13.8	20.6	18.5	7.0
Russell 1000	Large Cap Core	2.7	13.9	21.2	18.6	7.1
Russell 1000 Growth	Large Cap Growth	2.1	11.8	17.0	18.7	7.5
Russell 1000 Value	Large Cap Value	3.2	15.9	25.3	18.5	6.7
Russell Mid Cap	Midcap	2.2	15.4	25.4	19.5	8.3
Russell Mid Cap Growth	Midcap Growth	2.9	14.7	22.9	19.5	7.6
Russell Mid Cap Value	Midcap Value	1.7	16.1	27.6	19.5	8.9
Russell 2000	Small Cap	3.1	15.9	24.2	18.7	8.8
Russell 2000 Growth	Small Cap Growth	3.7	17.4	23.7	19.9	8.9
Russell 2000 Value	Small Cap Value	2.5	14.4	24.8	17.3	8.6
<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	-0.7	4.5	19.1	10.5	-0.2
MSCI EAFE Growth	Developed Markets Growth	-1.0	5.8	19.1	11.2	0.0
MSCI EAFE Value	Developed Markets Value	-0.5	3.2	19.2	9.8	-0.3
MSCI All Country World Ex US	Foreign Equity	-2.9	0.3	14.1	8.5	-0.3
MSCI Emerging Markets	Emerging Markets Equity	-8.0	-9.4	3.2	3.7	-0.1
<b>Domestic Fixed Income</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Barclays Aggregate Index	Core Fixed Income	-2.3	-2.4	-0.7	3.5	5.2
Barclays Gov/Credit	Gov/Credit	-2.5	-2.7	-0.6	3.9	5.3
Barclays Capital Gov't Bond	Treasuries	-1.9	-2.0	-1.5	2.9	4.4
Barclays Capital Credit Bond	Corporate Bonds	-3.3	-3.4	1.4	5.6	7.5
Intermediate Aggregate	Core Intermediate	-1.8	-1.6	-0.1	3.0	4.8
Intermediate Gov/Credit	Gov / Credit Intermediate	-1.7	-1.4	0.3	3.1	4.6
ML/BoA 1-3 Year Treasury	Short Term Treasuries	-0.1	0.0	-0.2	0.6	1.8
CSFB High Yield	High Yield Bonds	-1.4	1.5	9.2	10.3	10.1
<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	-3.6	-7.4	-5.9	-1.4	1.0
NCREIF NFI-ODCE Index	Real Estate	3.9	6.6	12.2	14.9	-0.1
HFRI FOF Composite	Hedge Funds	0.1	3.5	7.4	3.0	-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:  
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  
JUNE 2013

## **INVESTMENT RETURN**

On June 30th, 2013, the Franklin Regional Retirement System's PRIT portfolio was valued at \$54,077,383, representing an increase of \$18,801 from the March quarter's ending value of \$54,058,582. Last quarter, the Fund posted withdrawals totaling \$76,452, which offset the portfolio's net investment return of \$95,253. Net investment return was a product of income receipts totaling \$531,181 and realized and unrealized capital losses of \$435,928.

For the cumulative period since December 2007, the fund has recorded net withdrawals totaling \$302,440 and posted net investment gains of \$7.1 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 \$72.8 million or \$18.7 million more than the actual value as of June 30th, 2013.

## **RELATIVE PERFORMANCE**

In the second quarter, the PRIT portfolio gained 0.2%, which was equal to the Custom Core Index's return of 0.2%. Over the trailing twelve-month period, the portfolio returned 12.8%, which was 0.2% below the benchmark's 13.0% return. Since December 2007, the account returned 2.2% on an annualized basis, while the Custom Core Index returned an annualized 3.0% 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
<b>Total Gross/Fees</b>	0.2	4.8	12.8	11.4	2.2
<b>Total Net/Fees</b>	0.0	4.5	12.2	10.8	1.7
CUSTOM CORE IDX	0.2	5.0	13.0	11.5	3.0
<b>PRIT Core</b>	0.2	4.8	12.8	11.4	2.2
CUSTOM CORE IDX	0.2	5.0	13.0	11.5	3.0

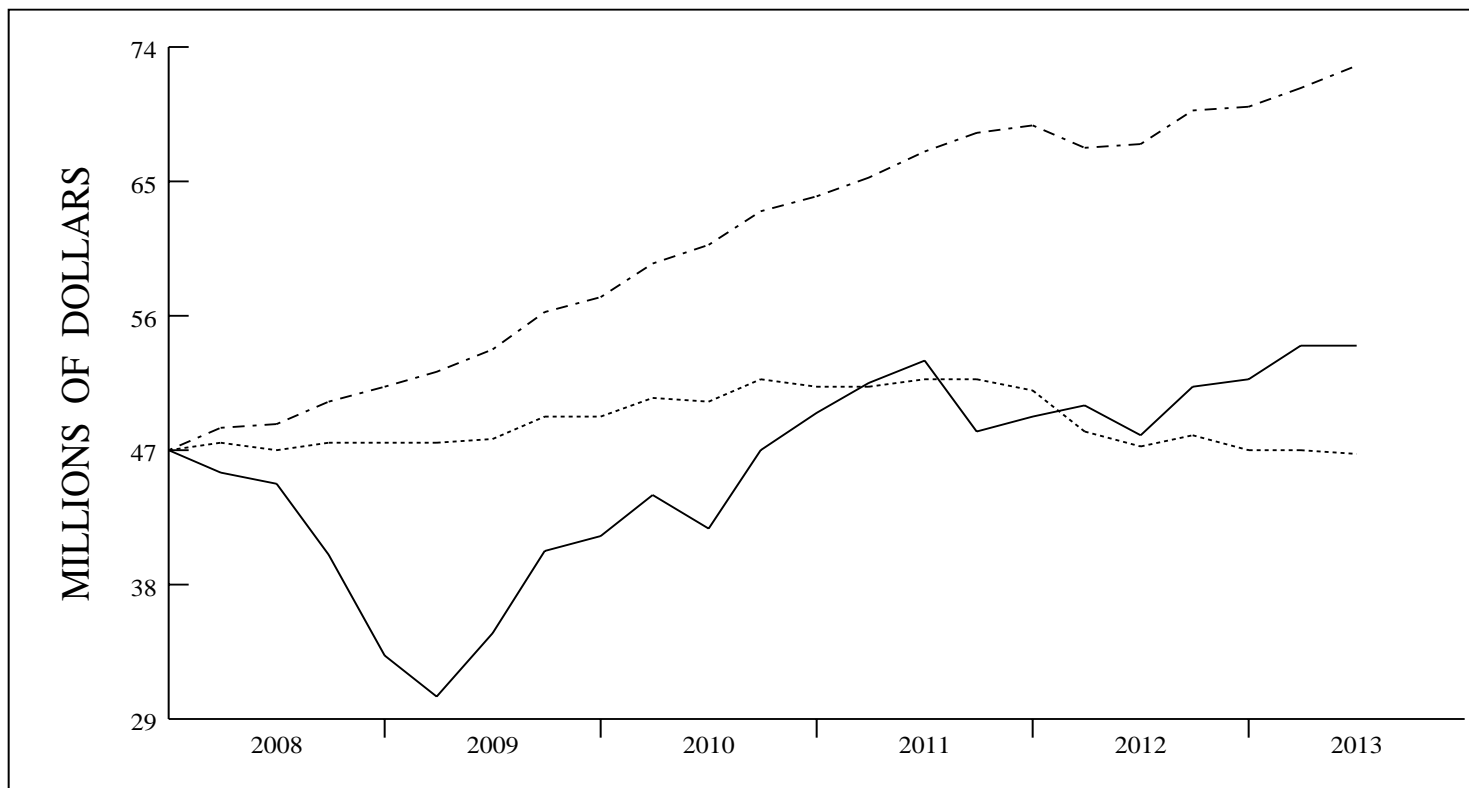
**ASSET ALLOCATION**

PRIT Core	100.0%	\$ 54,077,383
Total Portfolio	100.0%	\$ 54,077,383

**INVESTMENT RETURN**

Market Value 3/2013	\$ 54,058,582
Contribs / Withdrawals	- 76,452
Income	531,181
Capital Gains / Losses	-435,928
Market Value 6/2013	\$ 54,077,383

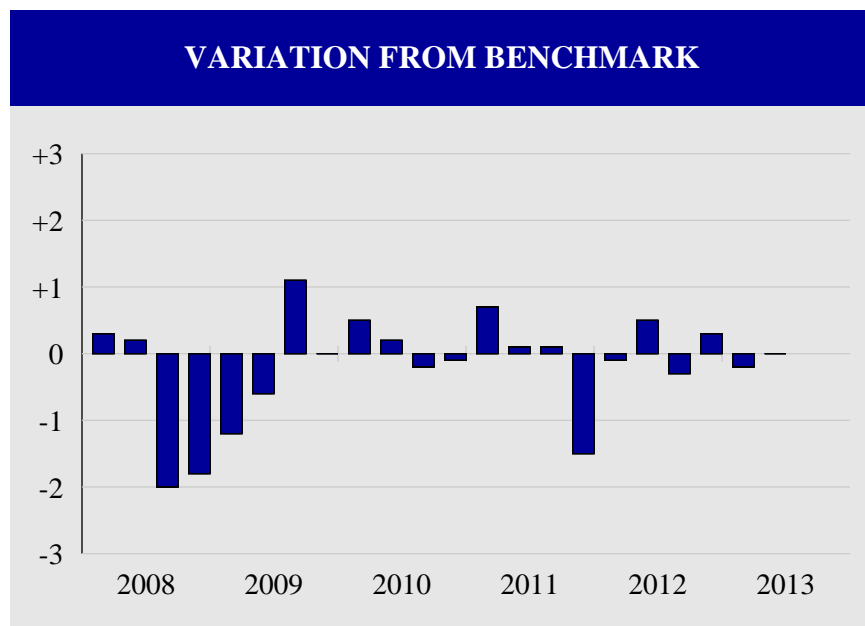
**INVESTMENT GROWTH**



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

VALUE ASSUMING  
 8.0% RETURN  
 \$ 72,810,862

	LAST QUARTER	PERIOD 12/07 - 6/13
BEGINNING VALUE	\$ 54,058,582	\$ 47,236,061
NET CONTRIBUTIONS	- 76,452	-302,440
<u>INVESTMENT RETURN</u>	<u>95,253</u>	<u>7,143,762</u>
ENDING VALUE	\$ 54,077,383	\$ 54,077,383
INCOME	531,181	7,804,448
CAPITAL GAINS (LOSSES)	-435,928	-660,686
<u>INVESTMENT RETURN</u>	<u>95,253</u>	<u>7,143,762</u>

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

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

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/08	-4.4	-4.7	0.3
6/08	-0.5	-0.7	0.2
9/08	-11.4	-9.4	-2.0
12/08	-16.3	-14.5	-1.8
3/09	-8.1	-6.9	-1.2
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	-5.2	0.2
9/10	8.9	9.1	-0.2
12/10	6.1	6.2	-0.1
3/11	4.3	3.6	0.7
6/11	1.7	1.6	0.1
9/11	-9.0	-9.1	0.1
12/11	3.7	5.2	-1.5
3/12	7.3	7.4	-0.1
6/12	-1.5	-2.0	0.5
9/12	4.4	4.7	-0.3
12/12	3.1	2.8	0.3
3/13	4.6	4.8	-0.2
6/13	0.2	0.2	0.0

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

## **INVESTMENT RETURN**

On June 30th, 2013, the Franklin Regional Retirement System's Polen Capital Management portfolio was valued at \$5,805,472, a decrease of \$125,258 from the March ending value of \$5,930,730. Last quarter, the account recorded no net contributions or withdrawals, while recording a net investment loss for the quarter of \$125,258. Net investment loss was composed of income receipts totaling \$17,315 and \$142,573 in net realized and unrealized capital losses.

For the cumulative period since March 2012, the account has recorded net contributions totaling \$450,000, and has recorded net investment gains of \$82,318. Since March 2012, if the total account earned a compounded nominal rate of 8.0% it would have been worth \$6.3 million or \$481,523 more than the actual value as of June 30th, 2013.

## **RELATIVE PERFORMANCE**

During the second quarter, the Polen Capital Management portfolio lost 2.1%, which was 4.2% below the Russell 1000 Growth Index's return of 2.1% and ranked in the 99th percentile of the Large Cap Growth universe. Over the trailing year, the portfolio returned 8.3%, which was 8.7% below the benchmark's 17.0% performance, ranking in the 98th percentile. Since March 2012, the account returned 0.5% on an annualized basis and ranked in the 99th percentile. For comparison, the Russell 1000 Growth returned an annualized 9.8% over the same period.

## **ASSET ALLOCATION**

On June 30th, 2013, domestic equities comprised 94.2% of the total portfolio (\$5.5 million), while cash & equivalents totaled 5.8% (\$334,619).

## **ANALYSIS**

Last quarter, the Polen Capital Management portfolio was diversified across six of the eleven sectors utilized in our analysis. Relative to the Russell 1000 Growth Index, the portfolio was noticeably overweight in the Computer Technology, Technology, Finance, and Service sectors, while it was underweight in the Non-Durable Consumer Goods and Consumer Service sectors. The remaining five sectors were vacant.

The portfolio underperformed against the benchmark in four sectors, including the highly concentrated Computer Technology sector. It also incurred losses in the Non-Durable Consumer Goods, Technology, and Service sectors. While the Consumer Service sector performed well, it held the lowest concentration in the portfolio. Overall gains could have been higher had the portfolio held positions in the Durable Consumer Goods sector, as it was the highest returning index sector. At the end of the quarter, the Polen portfolio returned 4.2% below its benchmark.



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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 3/2012
<b>Total Gross/Fees</b>	-2.1	4.0	8.3	----	0.5
<i>LARGE CAP GROWTH RANK</i>	(99)	(99)	(98)	----	(99)
<b>Total Net/Fees</b>	-2.3	3.7	7.7	----	-0.1
RUSSELL 1000G	2.1	11.8	17.0	18.7	9.8
<b>Domestic Equity</b>	-2.3	4.3	9.0	----	0.6
<i>LARGE CAP GROWTH RANK</i>	(99)	(99)	(97)	----	(99)
RUSSELL 1000G	2.1	11.8	17.0	18.7	9.8

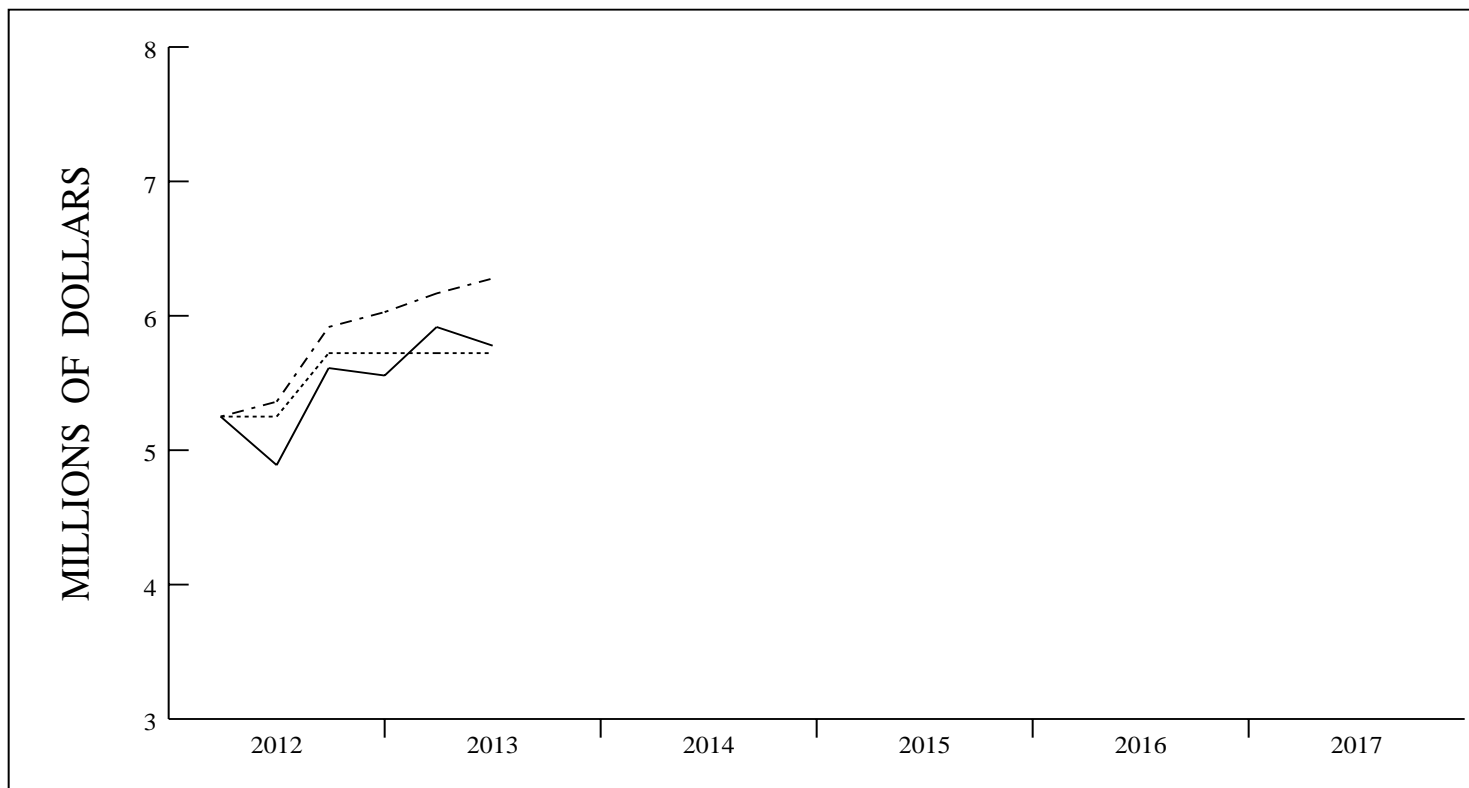
**ASSET ALLOCATION**

Domestic Equity	94.2%	\$ 5,470,853
Cash	5.8%	334,619
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 5,805,472</b>

**INVESTMENT RETURN**

Market Value 3/2013	\$ 5,930,730
Contribs / Withdrawals	0
Income	17,315
Capital Gains / Losses	-142,573
Market Value 6/2013	\$ 5,805,472

**INVESTMENT GROWTH**

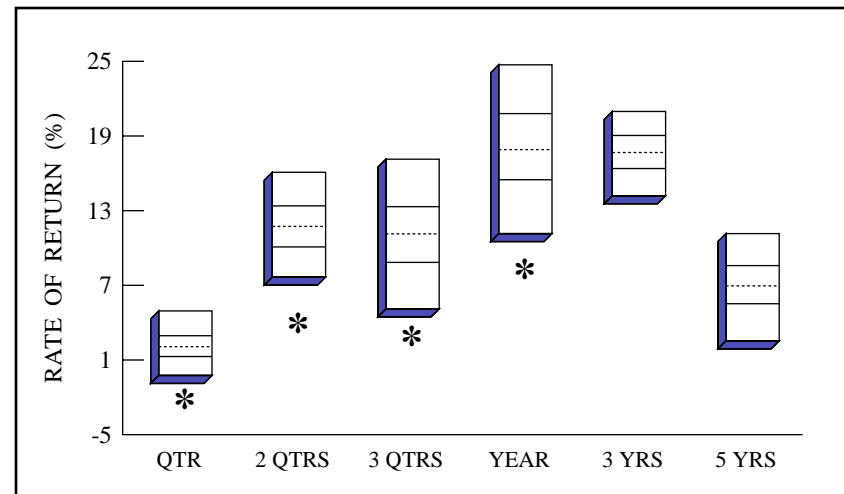
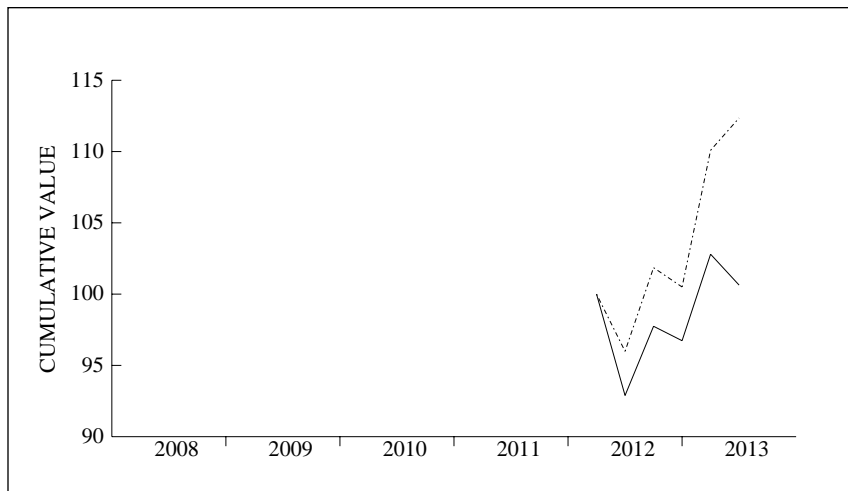


— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

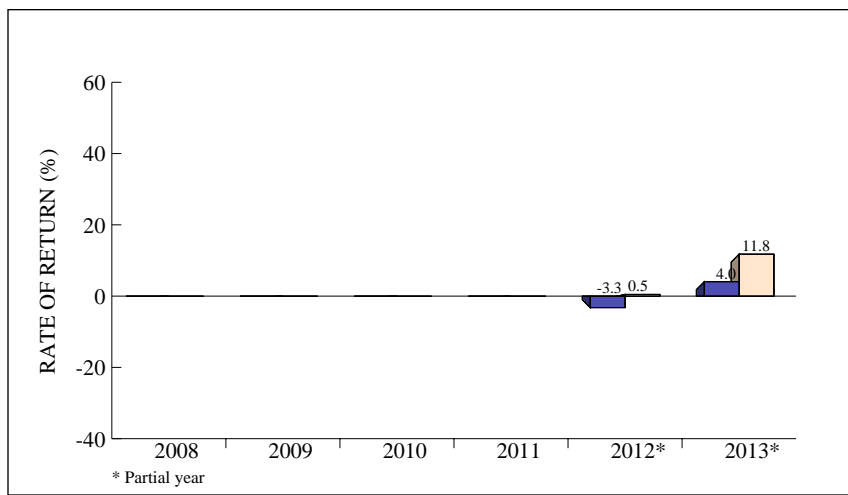
VALUE ASSUMING  
 8.0% RETURN  
 \$ 6,286,995

	LAST QUARTER	PERIOD 3/12 - 6/13
BEGINNING VALUE	\$ 5,930,730	\$ 5,273,154
NET CONTRIBUTIONS	0	450,000
<u>INVESTMENT RETURN</u>	<u>-125,258</u>	<u>82,318</u>
ENDING VALUE	\$ 5,805,472	\$ 5,805,472
INCOME	17,315	84,999
<u>CAPITAL GAINS (LOSSES)</u>	<u>-142,573</u>	<u>-2,681</u>
INVESTMENT RETURN	-125,258	82,318

**TOTAL RETURN COMPARISONS**



Large Cap Growth Universe



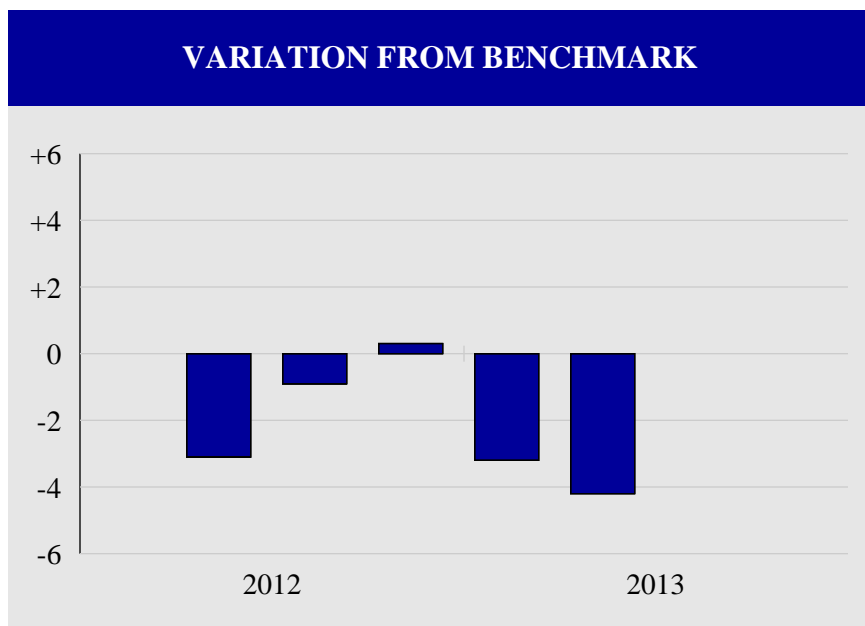
\* Partial year

	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	-2.1	4.0	3.0	8.3	----	----
(RANK)	(99)	(99)	(99)	(98)	----	----
5TH %ILE	5.0	16.1	17.1	24.7	21.0	11.2
25TH %ILE	3.0	13.4	13.3	20.8	19.0	8.6
MEDIAN	2.1	11.7	11.1	17.9	17.7	7.0
75TH %ILE	1.3	10.1	8.9	15.5	16.4	5.5
95TH %ILE	-0.3	7.7	5.1	11.2	14.2	2.5
<b>Russ 1000G</b>	<b>2.1</b>	<b>11.8</b>	<b>10.3</b>	<b>17.0</b>	<b>18.7</b>	<b>7.5</b>

Large Cap Growth Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

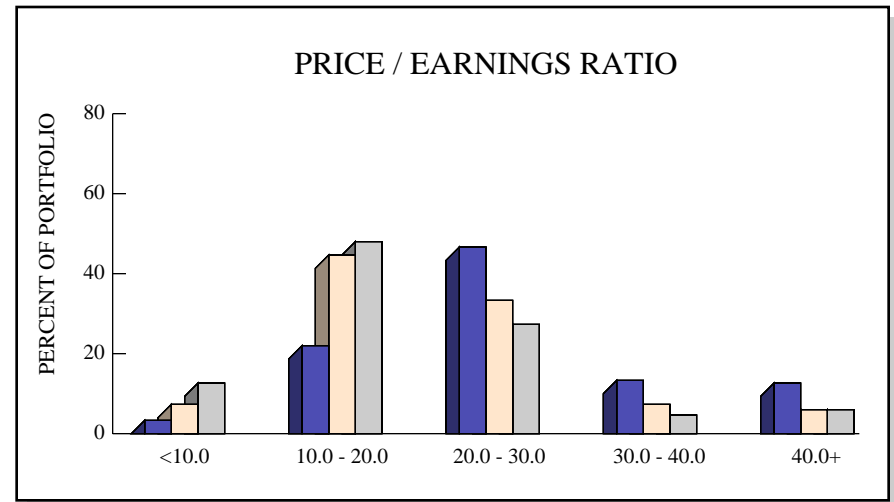
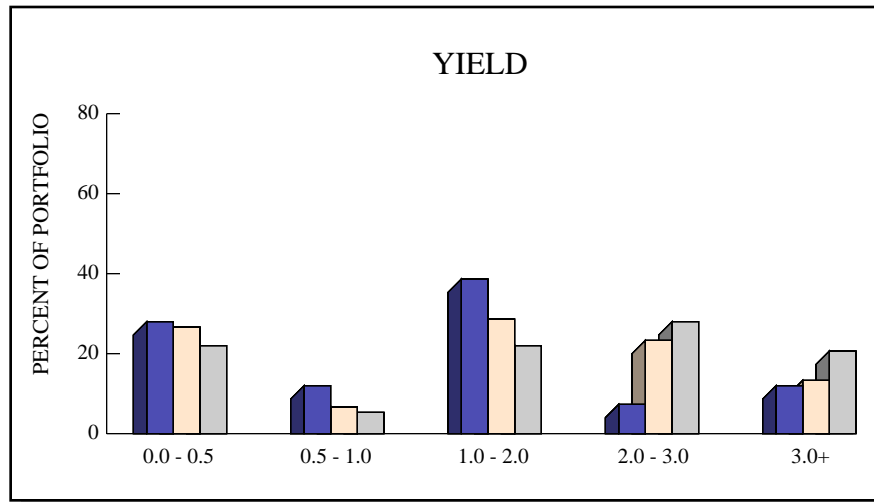
**COMPARATIVE BENCHMARK: RUSSELL 1000 GROWTH**



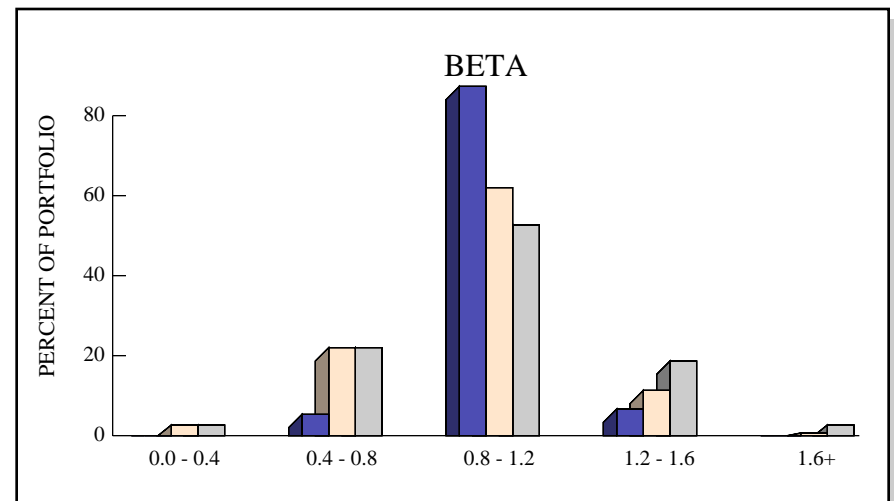
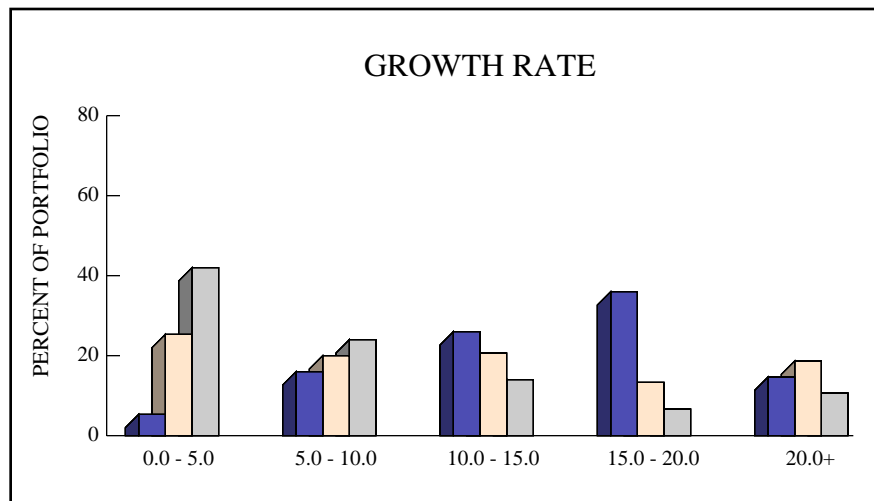
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
6/12	-7.1	-4.0	-3.1
9/12	5.2	6.1	-0.9
12/12	-1.0	-1.3	0.3
3/13	6.3	9.5	-3.2
6/13	-2.1	2.1	-4.2

<b>Total Quarters Observed</b>	<b>5</b>
<b>Quarters At or Above the Benchmark</b>	<b>1</b>
<b>Quarters Below the Benchmark</b>	<b>4</b>
<b>Batting Average</b>	<b>.200</b>

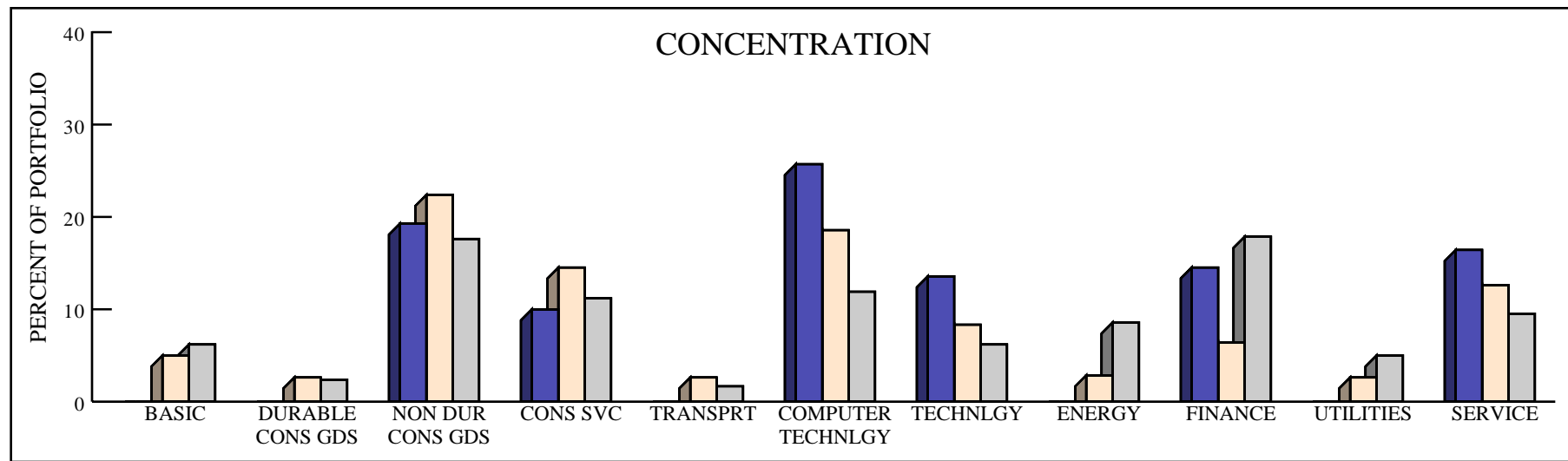
**STOCK CHARACTERISTICS**



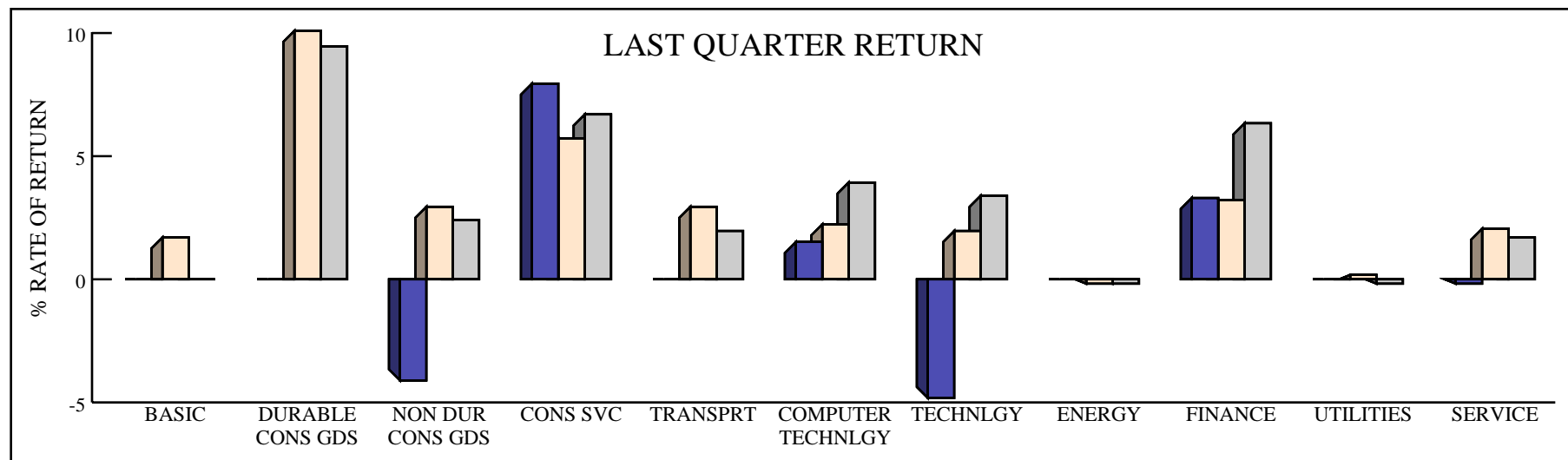
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.2%	15.5%	29.6	0.98
RUSSELL 1000G	1.7%	13.0%	22.2	0.94
RUSSELL 1000	2.0%	7.2%	19.8	0.99



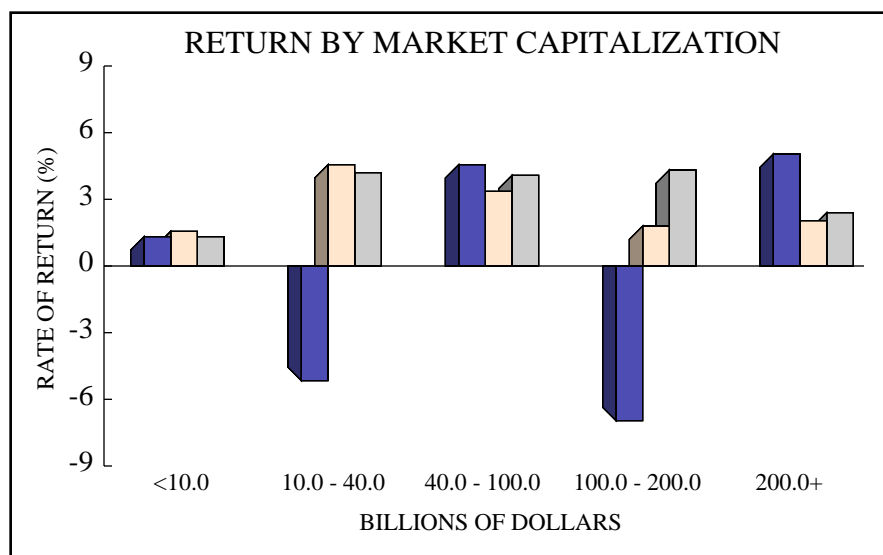
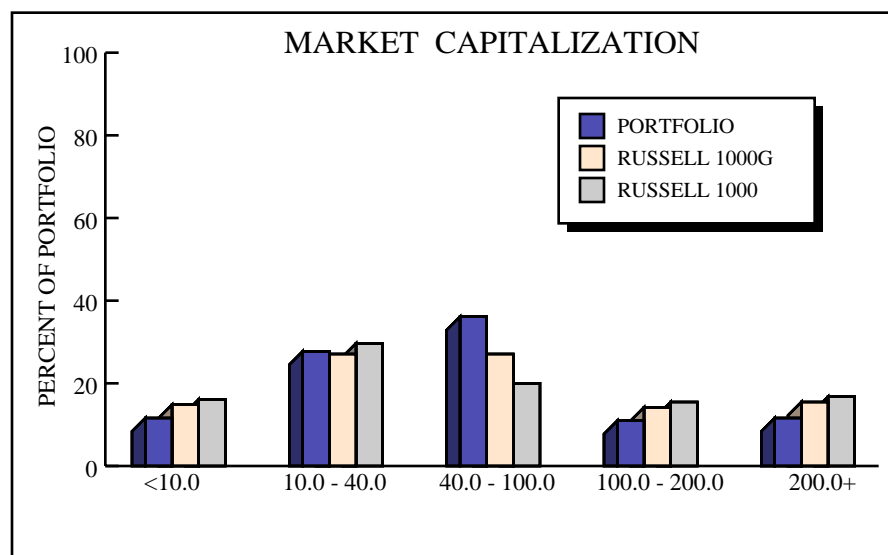
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO     
 ■ RUSSELL 1000 GROWTH     
 ■ RUSSELL 1000



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	GOOGLE INC-CL A	\$ 475,400	8.69%	10.9%	Computer Tech	\$ 238.7 B
2	NIKE INC -CL B	442,258	8.08%	8.2%	NonDur Cons Goods	45.6 B
3	VISA INC-CLASS A SHARES	414,660	7.58%	7.8%	Finance	94.7 B
4	T ROWE PRICE GROUP INC	380,380	6.95%	-1.5%	Finance	19.0 B
5	QUALCOMM INC	364,037	6.65%	-8.4%	Technology	105.5 B
6	ALLERGAN INC	321,965	5.89%	-24.5%	NonDur Cons Goods	25.0 B
7	STARBUCKS CORP	321,490	5.88%	15.3%	Consumer Service	49.1 B
8	ABBOTT LABORATORIES	299,166	5.47%	-0.3%	NonDur Cons Goods	54.4 B
9	ACCENTURE PLC-CL A	295,612	5.40%	-4.7%	Service	47.3 B
10	INTUIT INC	293,859	5.37%	-6.8%	Computer Tech	18.1 B

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



## **INVESTMENT RETURN**

On June 30th, 2013, the Franklin Regional Retirement System's O'Shaughnessy Asset Management portfolio was valued at \$6,481,149, representing an increase of \$125,790 from the March quarter's ending value of \$6,355,359. Last quarter, the Fund posted withdrawals totaling \$300,026, which offset the portfolio's net investment return of \$425,816. Income receipts totaling \$37,084 plus net realized and unrealized capital gains of \$388,732 combined to produce the portfolio's net investment return.

For the cumulative period since March 2012, the fund has recorded net contributions totaling \$99,457, and recorded net investment gains of \$1.3 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 \$736,393 less than the actual value as of June 30th, 2013.

## **RELATIVE PERFORMANCE**

### **Total Fund**

In the second quarter, the O'Shaughnessy Asset Management portfolio gained 6.8%, which was 3.6% above the Russell 1000 Value Index's return of 3.2% and ranked in the 5th percentile of the Large Cap Value universe. Over the trailing year, the portfolio returned 26.5%, which was 1.2% greater than the benchmark's 25.3% performance, and ranked in the 32nd percentile. Since March 2012, the portfolio returned 17.9% on an annualized basis and ranked in the 26th percentile. For comparison, the Russell 1000 Value returned an annualized 17.7% over the same period.

## **ASSET ALLOCATION**

On June 30th, 2013, domestic equities comprised 98.9% of the total portfolio (\$6.4 million), while cash & equivalents totaled 1.1% (\$68,909).

## **STOCK ANALYSIS**

Last quarter, the O'Shaughnessy portfolio was invested across all 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.

At the end of the quarter, the portfolio beat its benchmark in six sectors. The significantly overweight Consumer Service, Computer Technology, and Service sectors performed well against their index counterparts. Returns of 23.3% at top equity hold Seagate Technology led the Computer Technology sector. While the portfolio suffered losses in the Basic, Non-Durable Consumer Goods, Transportation, and Energy sectors, their combined concentration was too low to have a significant impact on overall returns. The O'Shaughnessy portfolio finished the quarter 3.6% above the benchmark.

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 3/2012
<b>Total Gross/Fees</b>	6.8	19.6	26.5	----	17.9
<i>LARGE CAP VALUE RANK</i>	( 5)	( 9)	(32)	----	(26)
<b>Total Net/Fees</b>	6.6	19.3	25.9	----	17.3
RUSSELL 1000V	3.2	15.9	25.3	18.5	17.7
<b>Domestic Equity</b>	6.9	20.0	27.0	----	18.2
<i>LARGE CAP VALUE RANK</i>	( 5)	( 9)	(27)	----	(24)
RUSSELL 1000V	3.2	15.9	25.3	18.5	17.7

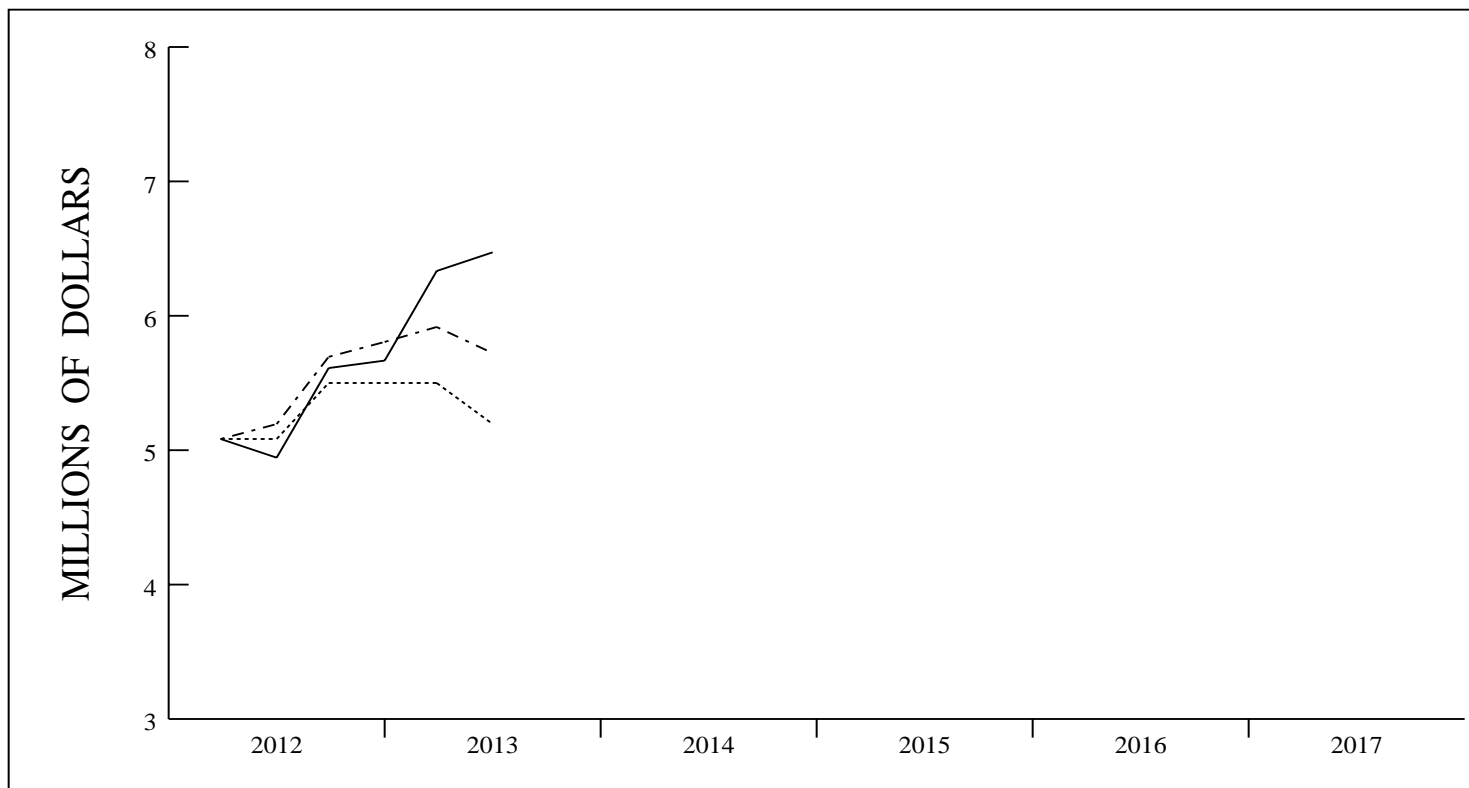
**ASSET ALLOCATION**

Domestic Equity	98.9%	\$ 6,412,240
Cash	1.1%	68,909
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 6,481,149</b>

**INVESTMENT RETURN**

Market Value 3/2013	\$ 6,355,359
Contribs / Withdrawals	-300,026
Income	37,084
Capital Gains / Losses	388,732
Market Value 6/2013	\$ 6,481,149

**INVESTMENT GROWTH**

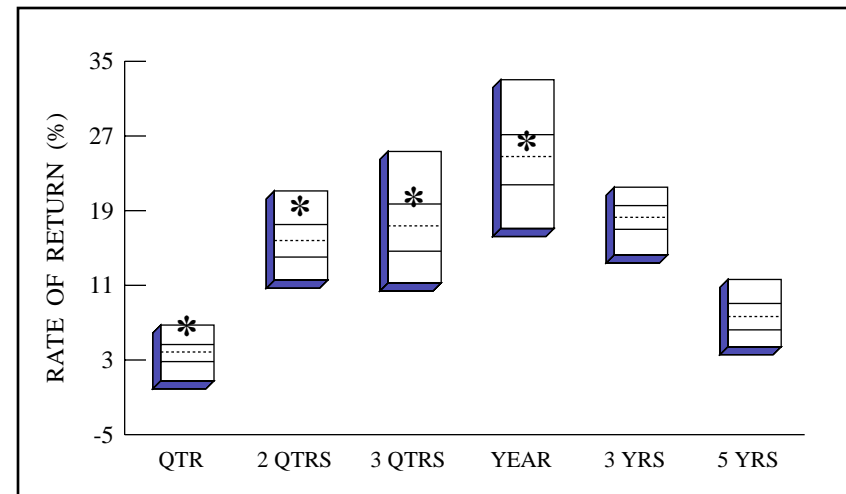
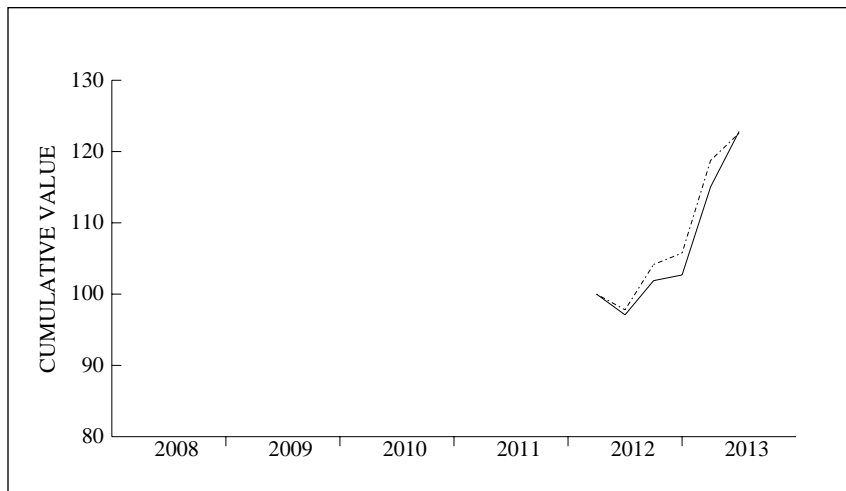


— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

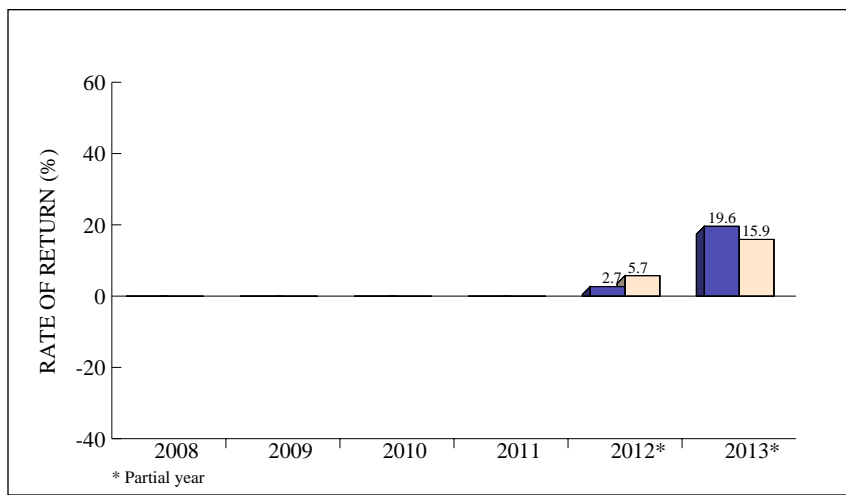
VALUE ASSUMING  
 8.0% RETURN  
 \$ 5,744,756

	LAST QUARTER	PERIOD 3/12 - 6/13
BEGINNING VALUE	\$ 6,355,359	\$ 5,103,112
NET CONTRIBUTIONS	-300,026	99,457
<u>INVESTMENT RETURN</u>	<u>425,816</u>	<u>1,278,580</u>
ENDING VALUE	\$ 6,481,149	\$ 6,481,149
INCOME	37,084	233,875
CAPITAL GAINS (LOSSES)	<u>388,732</u>	<u>1,044,705</u>
INVESTMENT RETURN	425,816	1,278,580

**TOTAL RETURN COMPARISONS**



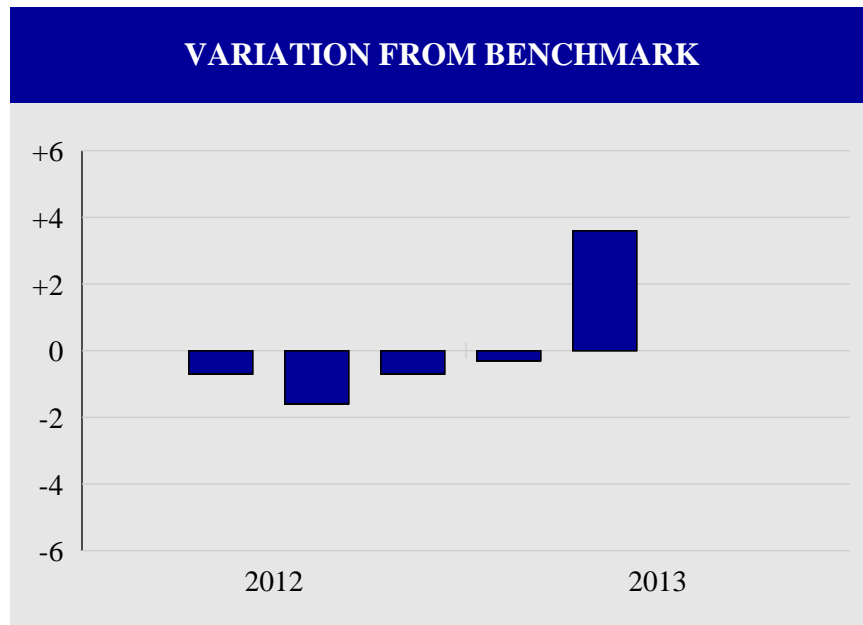
Large Cap Value Universe



\* Partial year

	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	6.8	19.6	20.5	26.5	----	----
(RANK)	( 5)	( 9)	(20)	(32)	----	----
5TH %ILE	6.7	21.1	25.3	33.0	21.5	11.6
25TH %ILE	4.7	17.5	19.7	27.2	19.6	9.1
MEDIAN	3.9	15.8	17.4	24.8	18.3	7.7
75TH %ILE	2.8	14.0	14.7	21.8	17.0	6.2
95TH %ILE	0.8	11.6	11.3	17.1	14.3	4.4
<b>Russ 1000V</b>	<b>3.2</b>	<b>15.9</b>	<b>17.7</b>	<b>25.3</b>	<b>18.5</b>	<b>6.7</b>

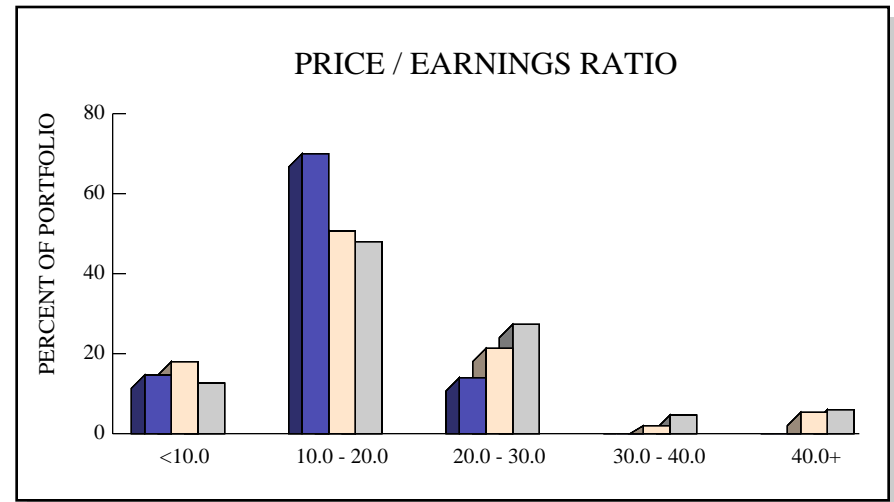
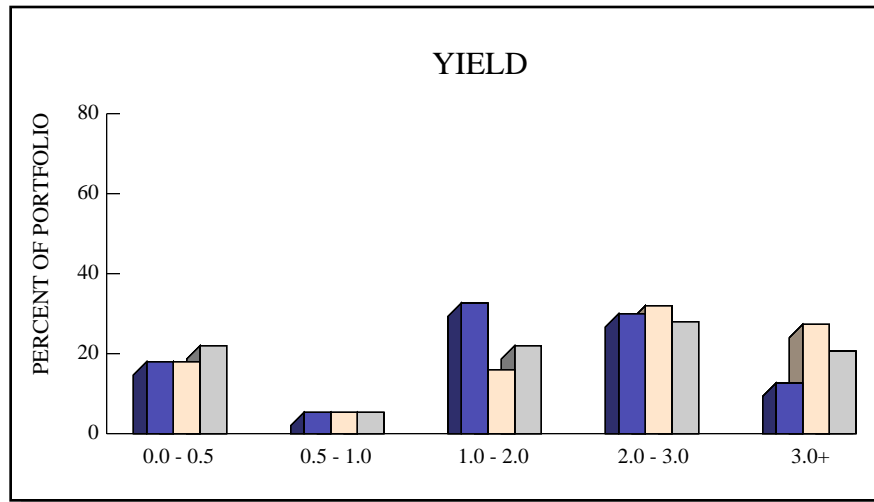
Large Cap Value Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: RUSSELL 1000 VALUE**

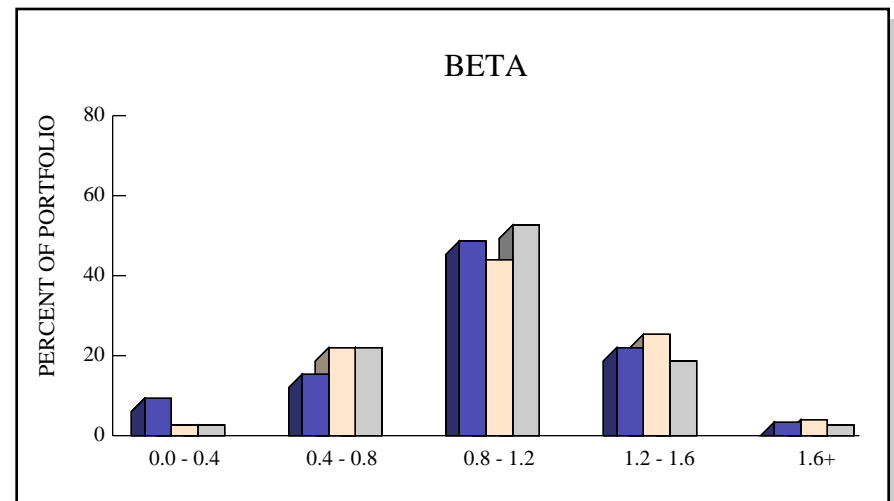
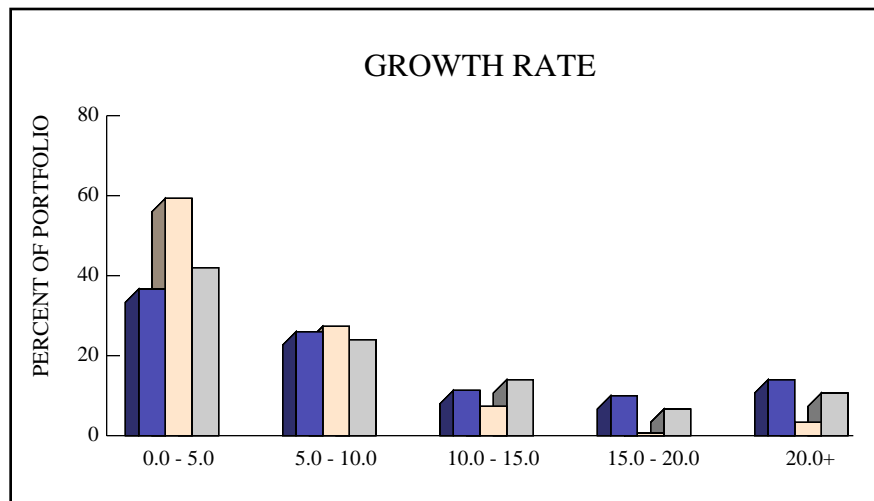
<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
6/12	-2.9	-2.2	-0.7
9/12	4.9	6.5	-1.6
12/12	0.8	1.5	-0.7
3/13	12.0	12.3	-0.3
6/13	6.8	3.2	3.6

<b>Total Quarters Observed</b>	<b>5</b>
<b>Quarters At or Above the Benchmark</b>	<b>1</b>
<b>Quarters Below the Benchmark</b>	<b>4</b>
<b>Batting Average</b>	<b>.200</b>

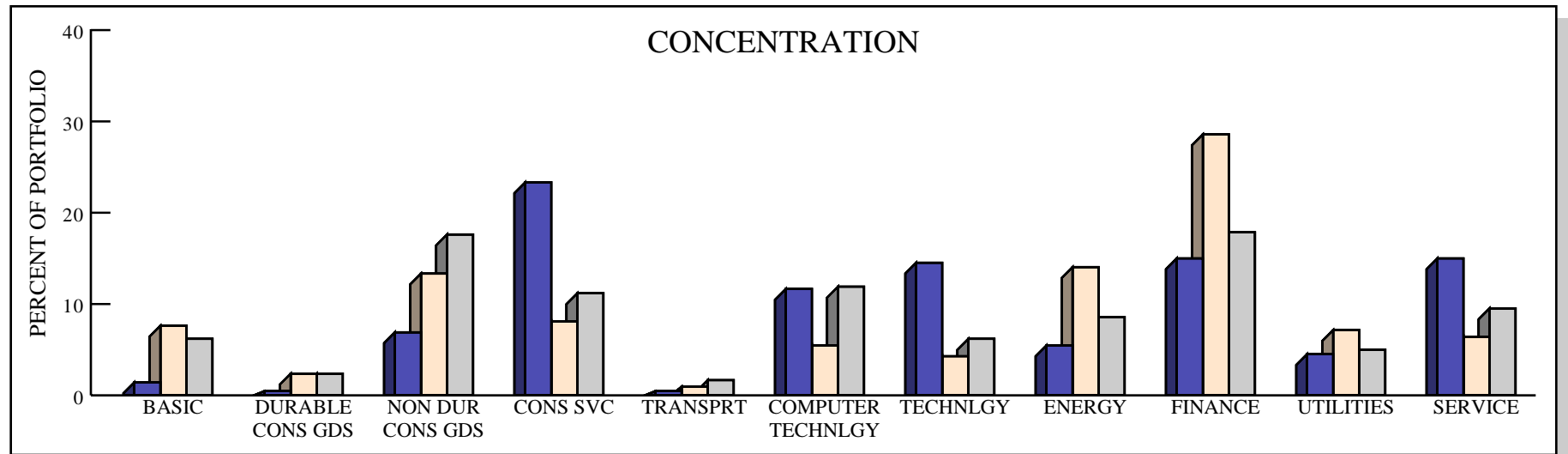
**STOCK CHARACTERISTICS**



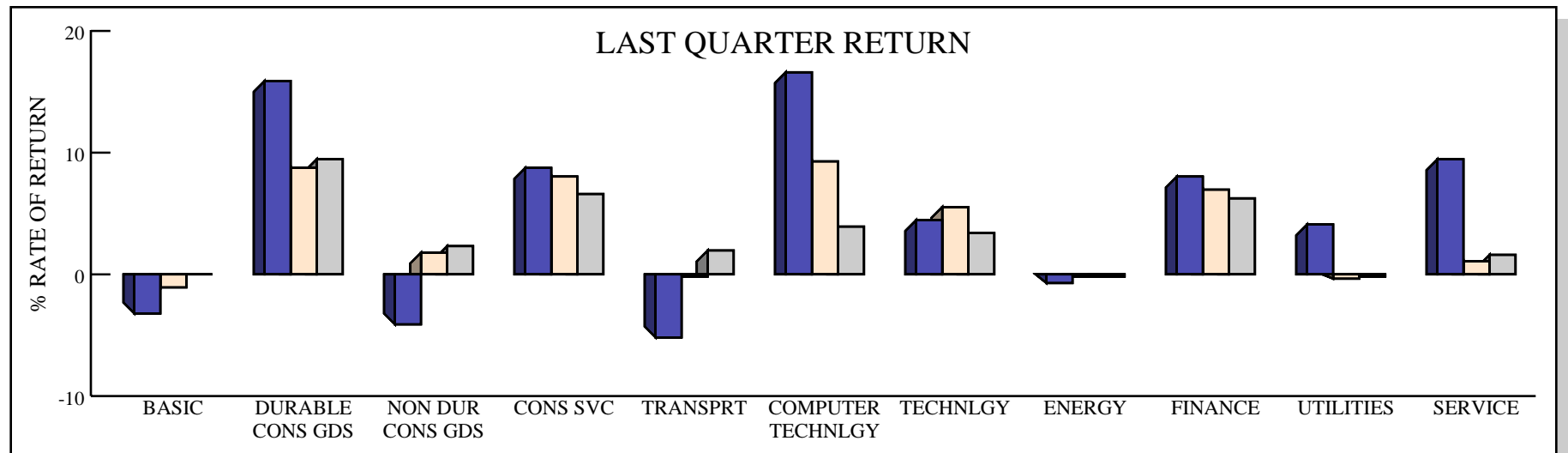
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	2.1%	7.3%	14.9	0.94
RUSSELL 1000V	2.3%	1.4%	17.6	1.03
RUSSELL 1000	2.0%	7.2%	19.8	0.99



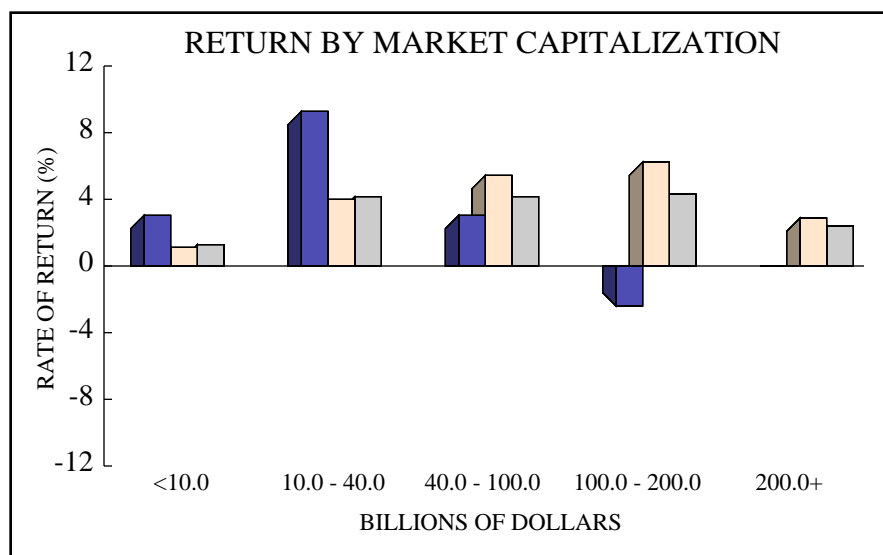
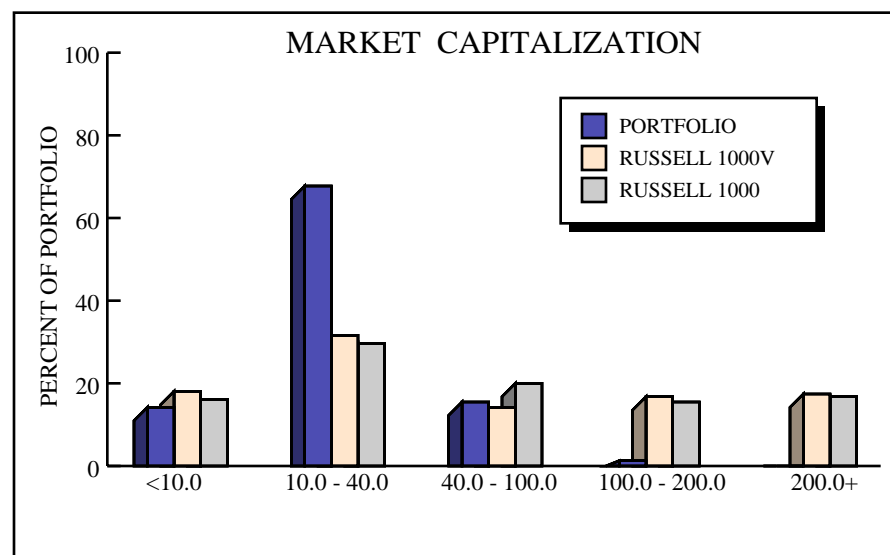
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL 1000 VALUE      ■ RUSSELL 1000



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	SEAGATE TECHNOLOGY	\$ 300,989	4.69%	23.3%	Computer Tech	\$ 16.1 B
2	AMERIPRISE FINANCIAL INC	289,227	4.51%	10.3%	Finance	16.3 B
3	DIRECTV	281,788	4.39%	8.9%	Service	34.4 B
4	SLM CORP	267,096	4.17%	12.2%	Finance	10.2 B
5	VIACOM INC-CLASS B	266,620	4.16%	10.9%	Service	29.5 B
6	L-3 COMMUNICATIONS HOLDINGS	263,050	4.10%	6.5%	Technology	7.7 B
7	CONOCOPHILLIPS	253,253	3.95%	2.6%	Energy	74.0 B
8	KOHL'S CORP	224,466	3.50%	10.1%	Consumer Service	11.2 B
9	NORTHROP GRUMMAN CORP	218,758	3.41%	18.7%	Technology	19.5 B
10	CA INC	217,445	3.39%	14.6%	Computer Tech	13.0 B



FRANKLIN REGIONAL RETIREMENT SYSTEM  
SEIZERT CAPITAL PARTNERS  
PERFORMANCE REVIEW  
JUNE 2013

## **INVESTMENT RETURN**

On June 30th, 2013, the Franklin Regional Retirement System's Seizert Capital Partners portfolio was valued at \$5,437,623, representing an increase of \$103,180 from the March quarter's ending value of \$5,334,443. Last quarter, the Fund posted withdrawals totaling \$310,000, which offset the portfolio's net investment return of \$413,180. Income receipts totaling \$19,554 plus net realized and unrealized capital gains of \$393,626 combined to produce the portfolio's net investment return.

For the cumulative period since June 2011, the fund has recorded net withdrawals totaling \$985,000 and posted net investment gains of \$1.5 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 \$708,593 less than the actual value as of June 30th, 2013.

## **RELATIVE PERFORMANCE**

In the second quarter, the Seizert Capital Partners portfolio gained 7.9%, which was 5.7% above the Russell Mid Cap's return of 2.2% and ranked in the 1st percentile of the Mid Cap universe. Over the trailing year, the portfolio returned 46.8%, which was 21.4% greater than the benchmark's 25.4% performance, and ranked in the 1st percentile. Since June 2011, the portfolio returned 14.7% on an annualized basis and ranked in the 5th percentile. For comparison, the Russell Mid Cap returned an annualized 11.0% over the same period.

## **ASSET ALLOCATION**

On June 30th, 2013, domestic equities comprised 96.2% of the total portfolio (\$5.2 million), while cash & equivalents totaled 3.8% (\$208,811).

## **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 Basic, 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 Technology, Finance and Service sectors; these sectors outperformed their benchmark counterparts. In addition, the manager utilized strong stock selection from the Basic, Non-durable Consumer Goods and Consumer Service sectors to produce last quarter's benchmark beating performance.

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 6/2011
<b>Total Gross/Fees</b>	7.9	22.7	46.8	----	14.7
<i>MID CAP RANK</i>	(1)	(1)	(1)	----	(5)
<b>Total Net/Fees</b>	7.8	22.4	45.9	----	13.9
RUSSELL MID	2.2	15.4	25.4	19.5	11.0
<b>Domestic Equity</b>	8.3	23.8	49.0	----	15.3
<i>MID CAP RANK</i>	(1)	(1)	(1)	----	(4)
RUSSELL MID	2.2	15.4	25.4	19.5	11.0

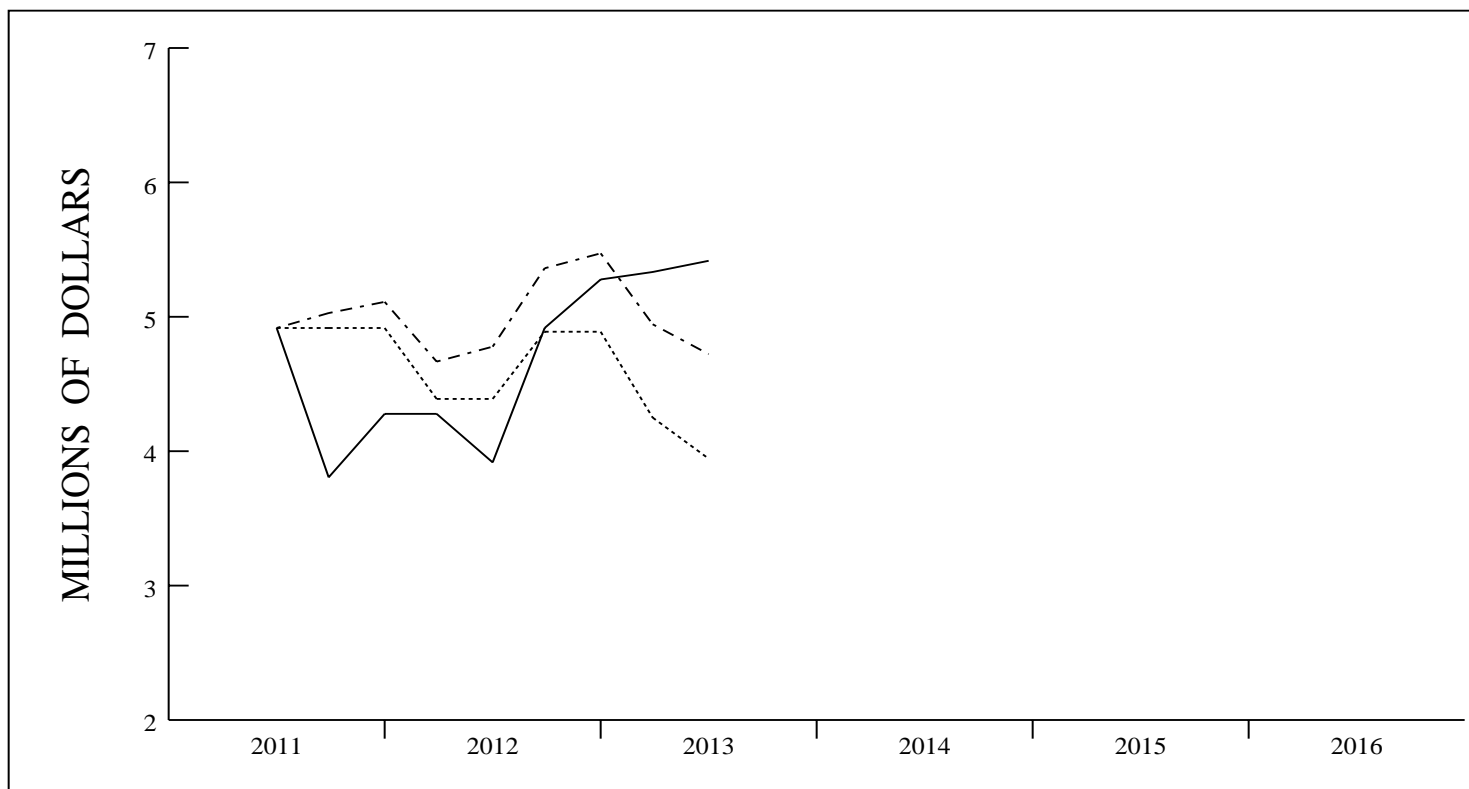
**ASSET ALLOCATION**

Domestic Equity	96.2%	\$ 5,228,812
Cash	3.8%	208,811
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 5,437,623</b>

**INVESTMENT RETURN**

Market Value 3/2013	\$ 5,334,443
Contribs / Withdrawals	-310,000
Income	19,554
Capital Gains / Losses	393,626
Market Value 6/2013	\$ 5,437,623

**INVESTMENT GROWTH**

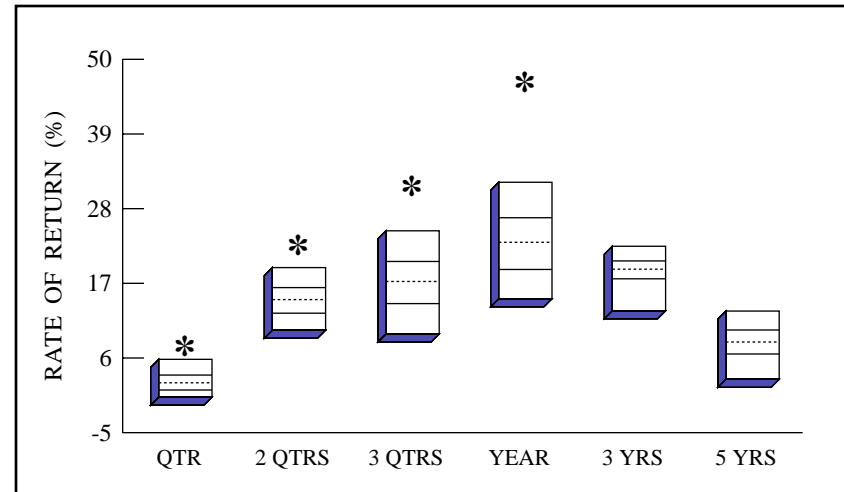
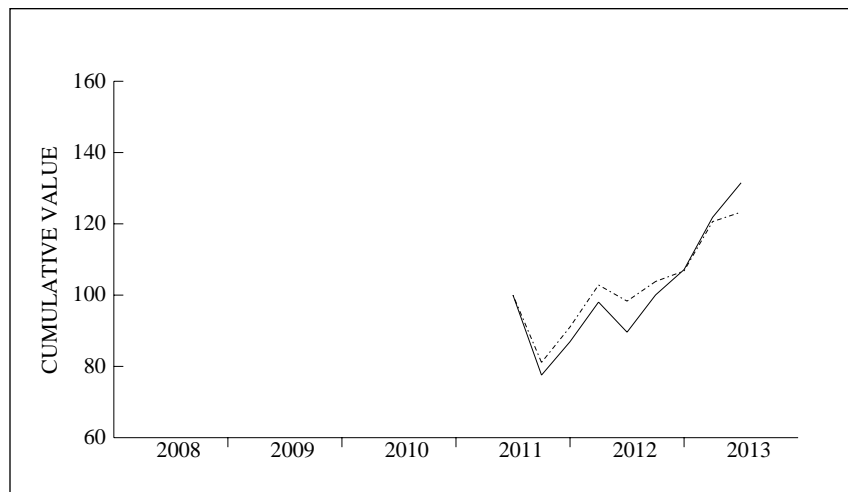


— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

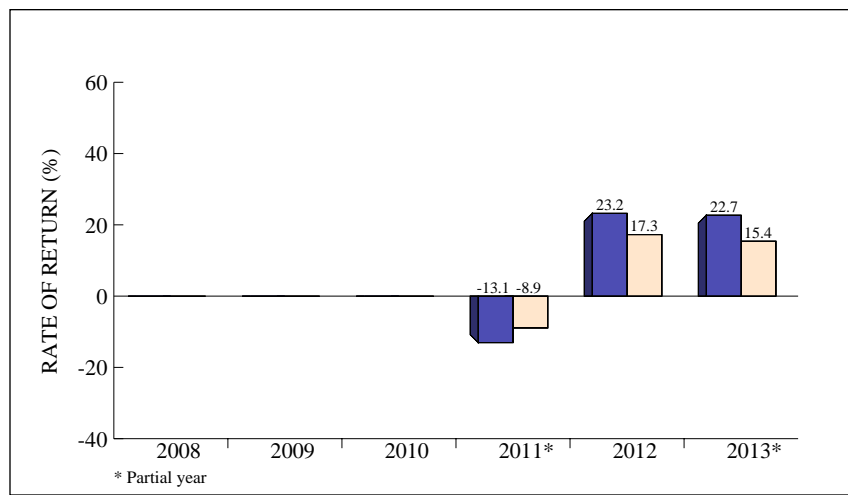
VALUE ASSUMING  
 8.0% RETURN  
 \$ 4,729,030

	LAST QUARTER	PERIOD 6/11 - 6/13
BEGINNING VALUE	\$ 5,334,443	\$ 4,935,067
NET CONTRIBUTIONS	-310,000	-985,000
INVESTMENT RETURN	413,180	1,487,556
ENDING VALUE	\$ 5,437,623	\$ 5,437,623
INCOME	19,554	141,389
CAPITAL GAINS (LOSSES)	393,626	1,346,167
INVESTMENT RETURN	413,180	1,487,556

**TOTAL RETURN COMPARISONS**

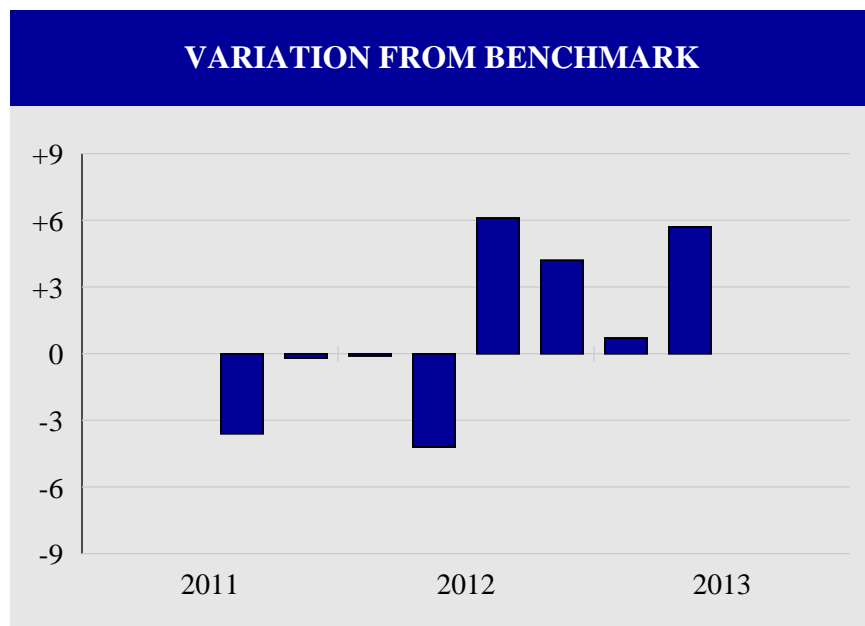


Mid Cap Universe



	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	7.9	22.7	31.4	46.8	----	----
(RANK)	(1)	(1)	(1)	(1)	----	----
5TH %ILE	5.8	19.3	24.7	31.9	22.5	12.9
25TH %ILE	3.5	16.4	20.2	26.7	20.3	10.1
MEDIAN	2.4	14.6	17.3	23.1	19.1	8.4
75TH %ILE	1.3	12.6	14.0	19.1	17.7	6.6
95TH %ILE	0.2	10.1	9.5	14.7	13.0	2.9
<b>Russ MC</b>	<b>2.2</b>	<b>15.4</b>	<b>18.8</b>	<b>25.4</b>	<b>19.5</b>	<b>8.3</b>

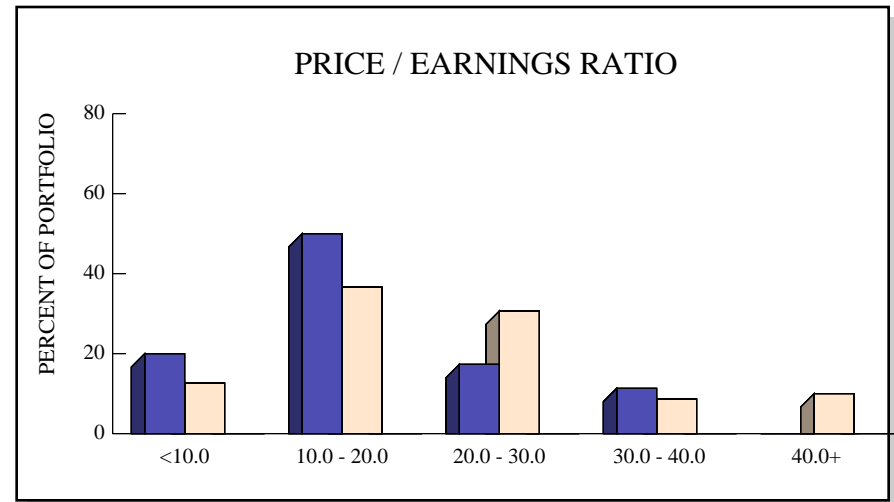
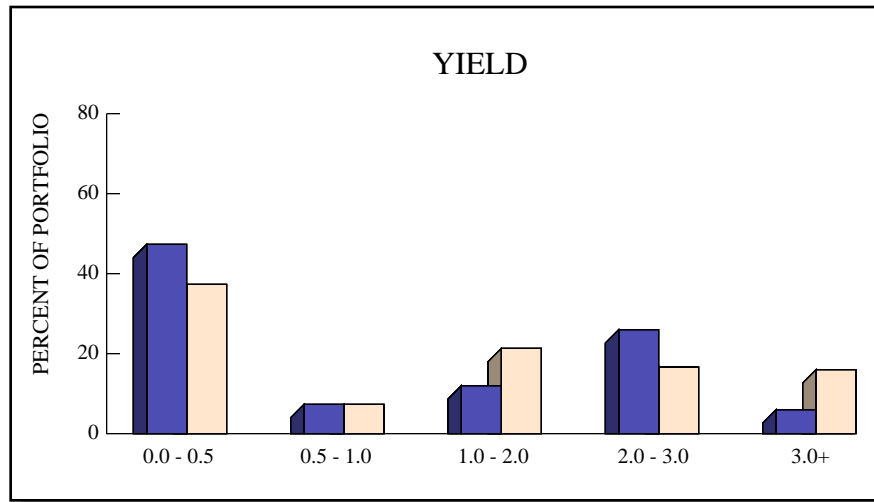
Mid Cap Universe

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

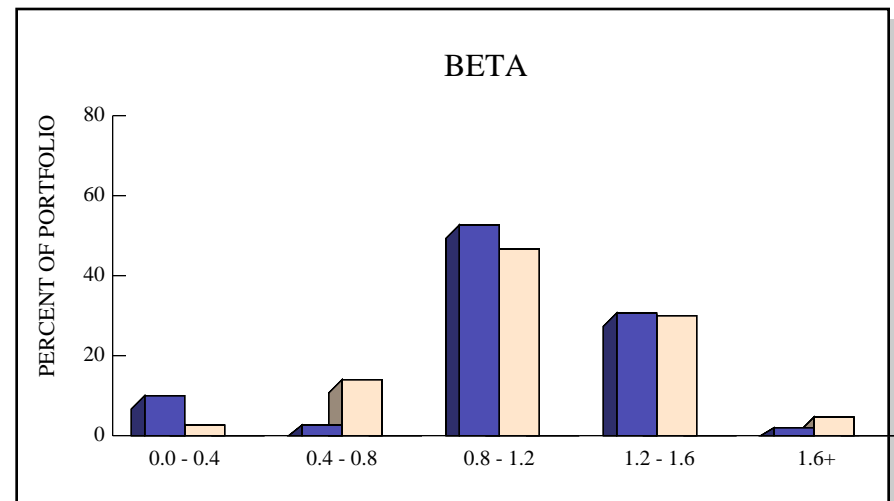
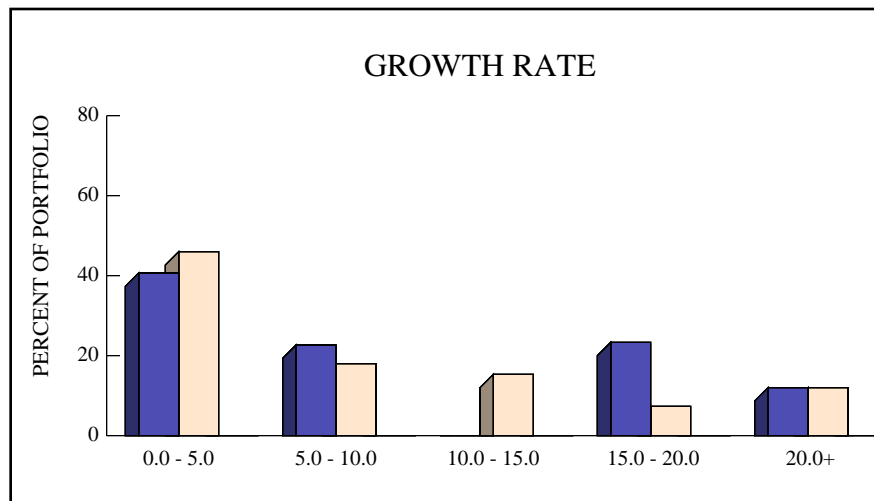
<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
9/11	-22.5	-18.9	-3.6
12/11	12.1	12.3	-0.2
3/12	12.8	12.9	-0.1
6/12	-8.6	-4.4	-4.2
9/12	11.7	5.6	6.1
12/12	7.1	2.9	4.2
3/13	13.7	13.0	0.7
6/13	7.9	2.2	5.7

<b>Total Quarters Observed</b>	<b>8</b>
<b>Quarters At or Above the Benchmark</b>	<b>4</b>
<b>Quarters Below the Benchmark</b>	<b>4</b>
<b>Batting Average</b>	<b>.500</b>

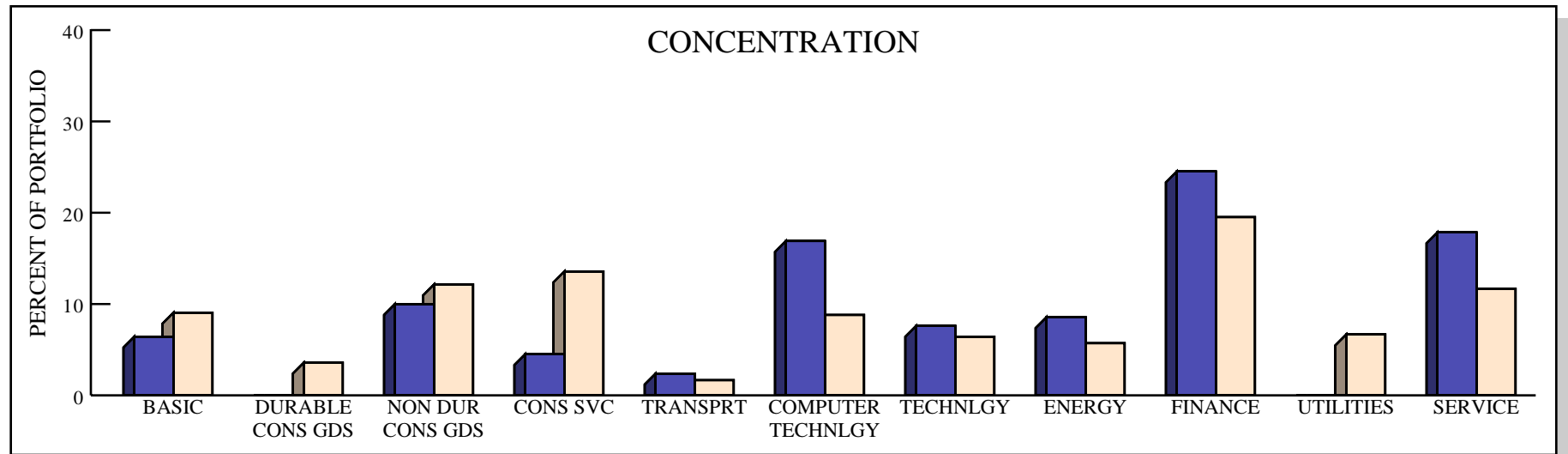
**STOCK CHARACTERISTICS**



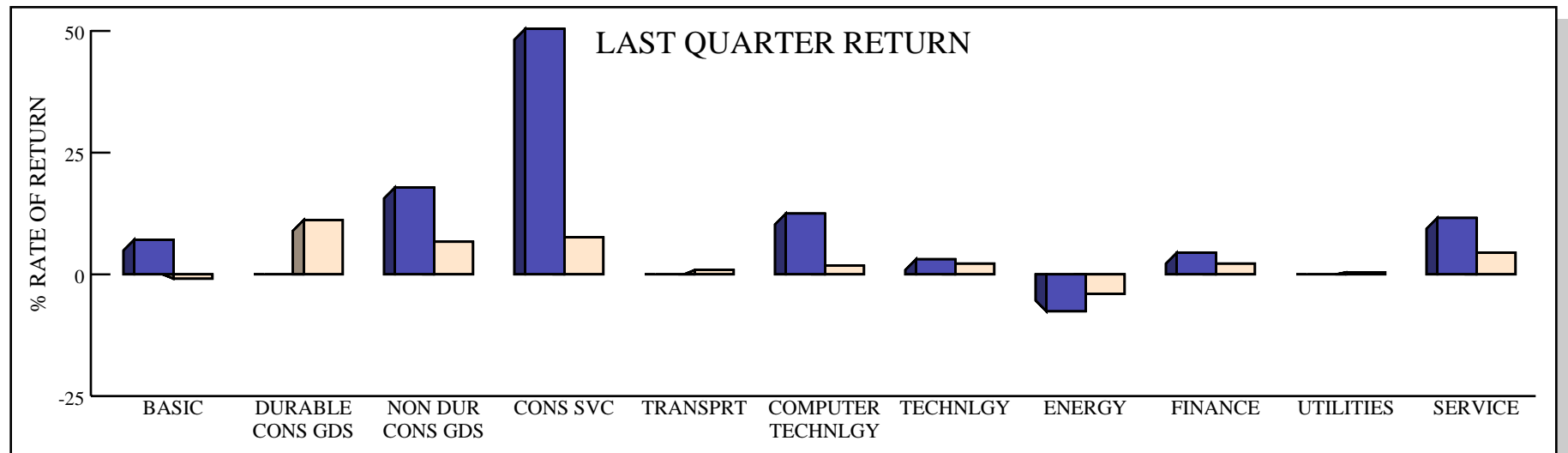
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.2%	7.3%	12.2	1.03
RUSSELL MID	1.6%	5.8%	21.0	1.06



**STOCK INDUSTRY ANALYSIS**

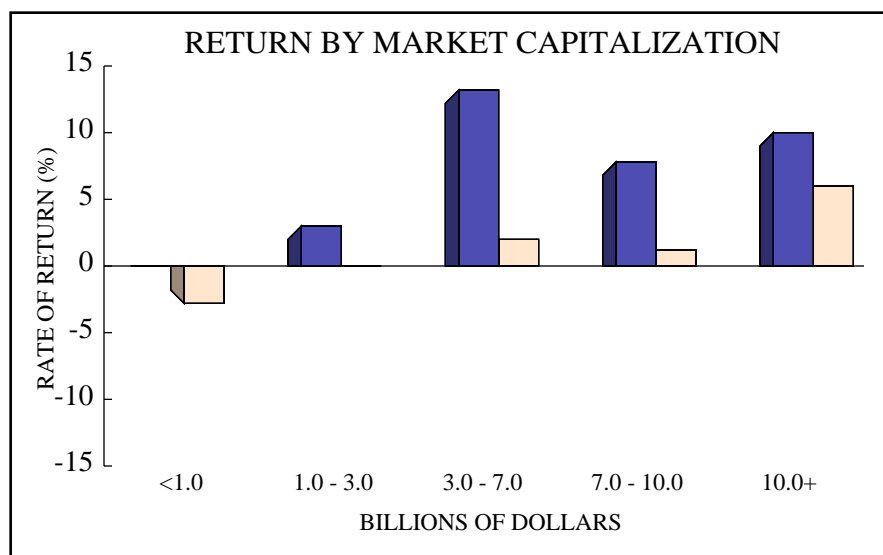
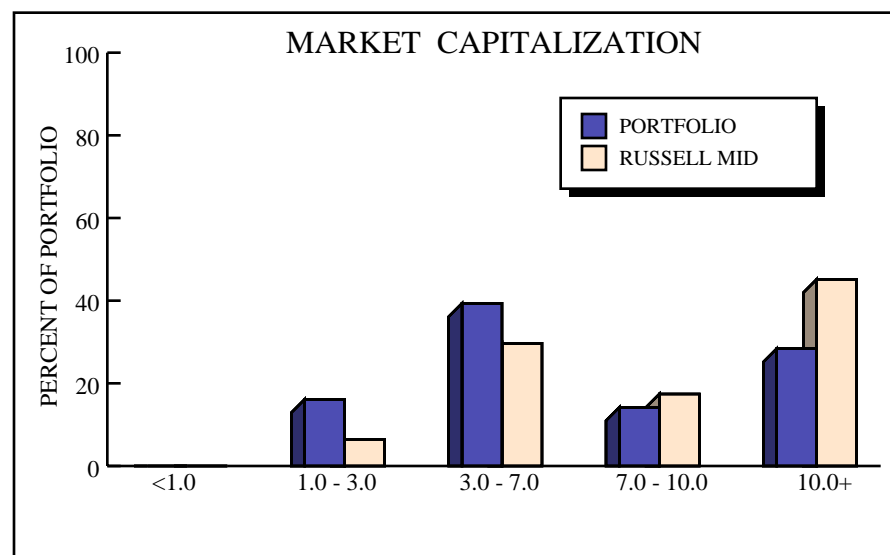


■ PORTFOLIO      ■ RUSSELL MID CAP





## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	LIBERTY MEDIA CORP - A	\$ 352,393	6.74%	13.6%	Service	\$ 14.0 B
2	WESTERN UNION CO	248,865	4.76%	14.4%	Service	9.5 B
3	CHECK POINT SOFTWARE TECH	243,680	4.66%	5.7%	Computer Tech	9.9 B
4	MARVELL TECHNOLOGY GROUP LTD	241,694	4.62%	11.2%	Computer Tech	5.8 B
5	GAMESTOP CORP-CLASS A	237,890	4.55%	50.8%	Consumer Service	4.9 B
6	REGIONS FINANCIAL CORP	231,770	4.43%	16.5%	Finance	13.5 B
7	ENDO HEALTH SOLUTIONS INC	230,673	4.41%	19.6%	NonDur Cons Goods	4.1 B
8	TESSERA TECHNOLOGIES INC	227,968	4.36%	13.2%	Computer Tech	1.1 B
9	VISTEON CORP	213,030	4.07%	9.4%	Basic	3.1 B
10	LOEWS CORP	207,348	3.97%	0.9%	Finance	17.3 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
DARUMA  
PERFORMANCE REVIEW  
JUNE 2013

## **INVESTMENT RETURN**

On June 30th, 2013, the Franklin Regional Retirement System's Daruma portfolio was valued at \$10,582,778, a decrease of \$204,513 from the March ending value of \$10,787,291. Last quarter, the account recorded a net withdrawal of \$660,000, which overshadowed the fund's net investment return of \$455,487. Income receipts totaling \$5,921 and realized and unrealized capital gains of \$449,566 combined to produce the portfolio's net investment return.

Since December 2007, the account has recorded net withdrawals totaling \$1.7 million while posting net investment gains totaling \$4.5 million. Since December 2007, if the account earned a compounded nominal rate of 8.0% it would have been valued at \$10.1 million or \$457,148 less than the actual value as of June 30th, 2013.

## **RELATIVE PERFORMANCE**

### **Total Fund**

For the second quarter, the Daruma portfolio gained 4.5%, which was 1.4% above the Russell 2000 Index's return of 3.1% and ranked in the 35th percentile of the Small Cap universe. Over the trailing twelve-month period, this portfolio returned 33.9%, which was 9.7% greater than the benchmark's 24.2% performance, and ranked in the 10th percentile. Since December 2007, the portfolio returned 8.4% annualized and ranked in the 33rd percentile. The Russell 2000 returned an annualized 6.0% over the same time frame.

## **ASSET ALLOCATION**

On June 30th, 2013, domestic equities comprised 96.9% of the total portfolio (\$10.3 million), while cash & equivalents comprised the remaining 3.1% (\$331,818).

## **HOLDINGS ANALYSIS**

At the end of the first quarter, the Daruma portfolio was invested in nine 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, Energy and Finance sectors were the most notably light, while the 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
<b>Total Gross/Fees</b>	4.5	19.4	33.9	19.7	8.4
<i>SMALL CAP RANK</i>	(35)	(25)	(10)	(56)	(33)
<b>Total Net/Fees</b>	4.3	18.8	32.7	18.5	7.3
RUSSELL 2000	3.1	15.9	24.2	18.7	6.0
<b>Domestic Equity</b>	4.8	20.3	35.5	20.6	8.5
<i>SMALL CAP RANK</i>	(31)	(19)	( 6)	(43)	(33)
RUSSELL 2000	3.1	15.9	24.2	18.7	6.0
RUSSELL 2000G	3.7	17.4	23.7	19.9	6.2
RUSSELL 2000V	2.5	14.4	24.8	17.3	5.8

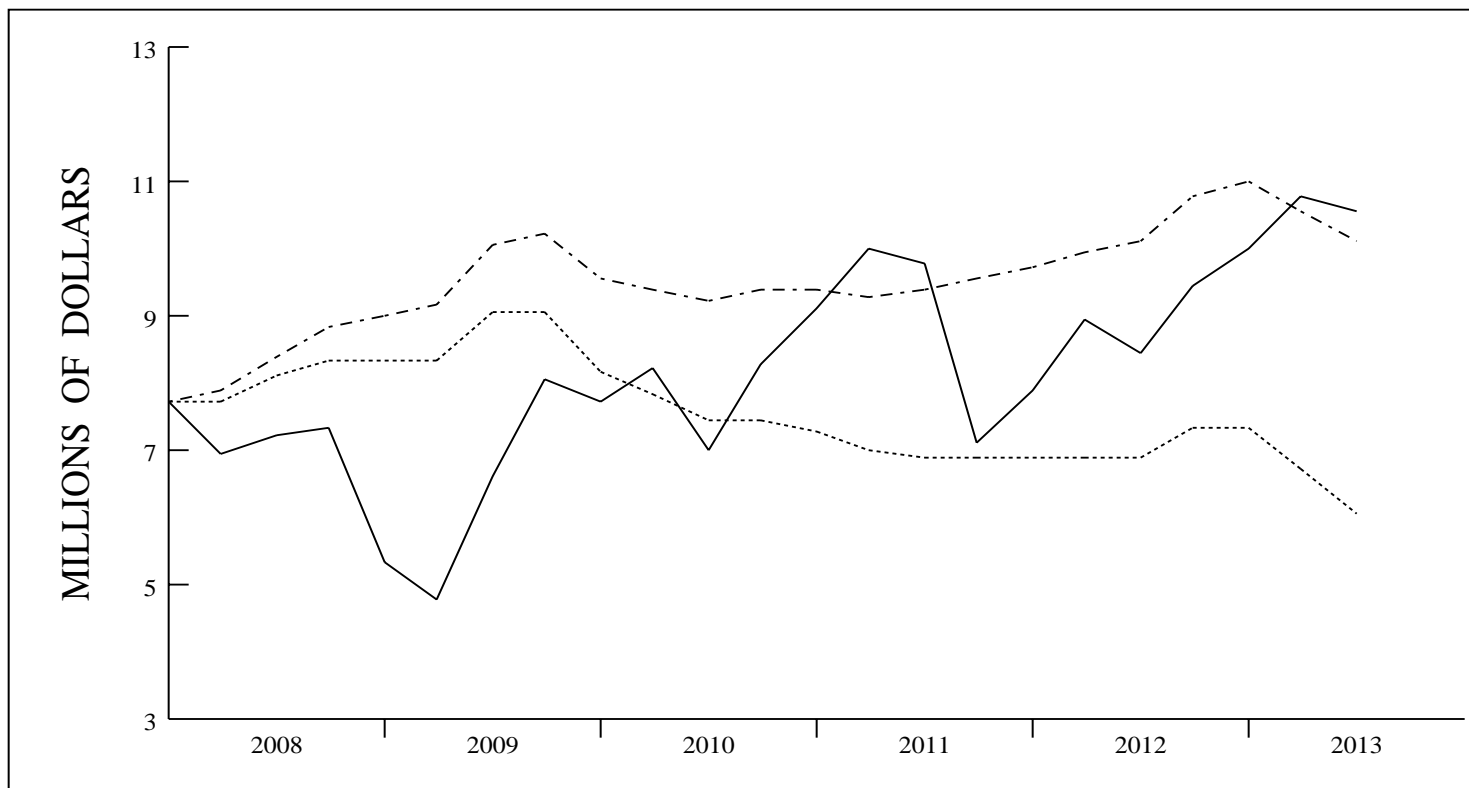
**ASSET ALLOCATION**

Domestic Equity	96.9%	\$ 10,250,960
Cash	3.1%	331,818
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 10,582,778</b>

**INVESTMENT RETURN**

Market Value 3/2013	\$ 10,787,291
Contribs / Withdrawals	-660,000
Income	5,921
Capital Gains / Losses	449,566
Market Value 6/2013	\$ 10,582,778

**INVESTMENT GROWTH**

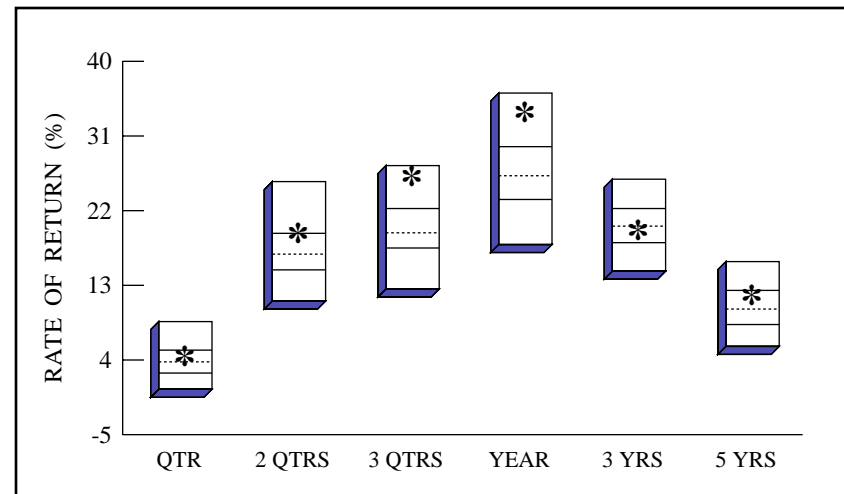
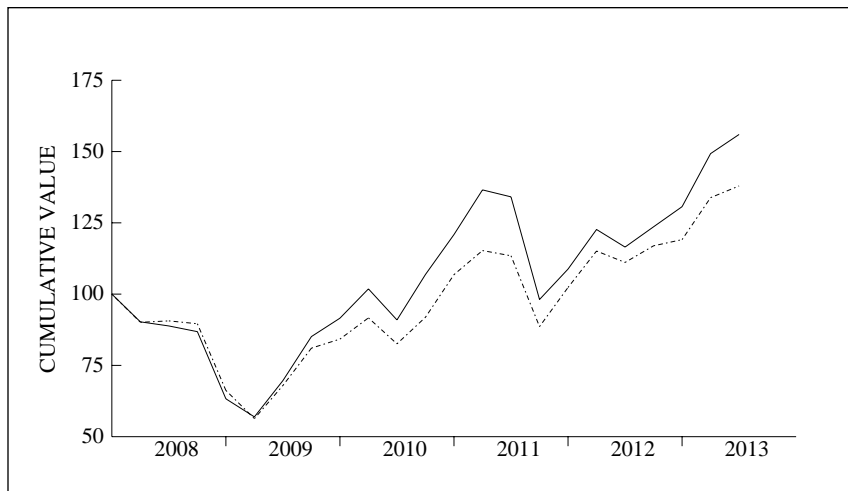


— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

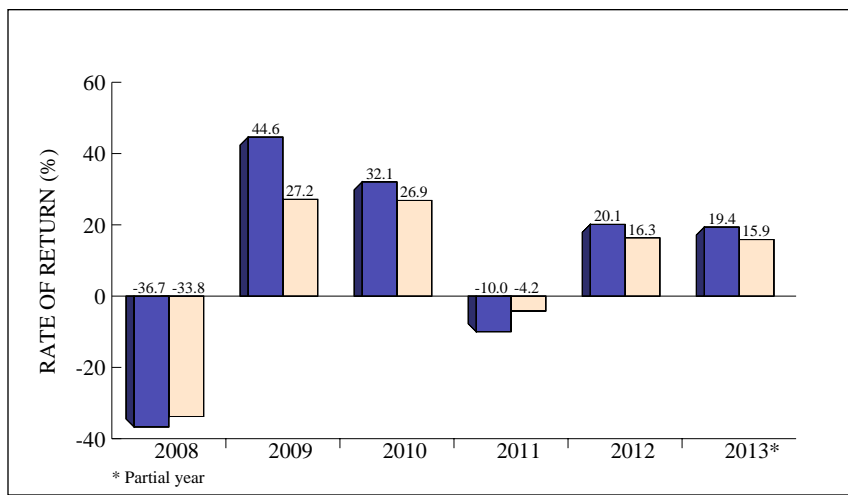
VALUE ASSUMING  
 8.0% RETURN  
 \$ 10,125,630

	LAST QUARTER	PERIOD 12/07 - 6/13
BEGINNING VALUE	\$ 10,787,291	\$ 7,743,803
NET CONTRIBUTIONS	-660,000	-1,655,000
<u>INVESTMENT RETURN</u>	<u>455,487</u>	<u>4,493,975</u>
ENDING VALUE	\$ 10,582,778	\$ 10,582,778
INCOME	5,921	233,755
<u>CAPITAL GAINS (LOSSES)</u>	<u>449,566</u>	<u>4,260,220</u>
INVESTMENT RETURN	455,487	4,493,975

**TOTAL RETURN COMPARISONS**

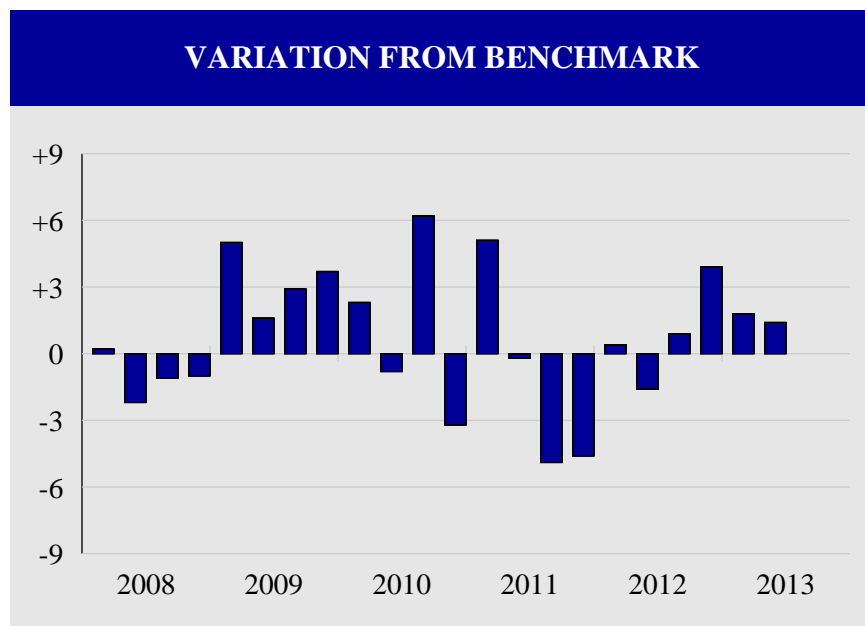


Small Cap Universe



	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED----- 3 YRS	5 YRS
RETURN	4.5	19.4	26.2	33.9	19.7	11.9
(RANK)	(35)	(25)	(9)	(10)	(56)	(30)
5TH %ILE	8.6	25.5	27.4	36.2	25.8	15.9
25TH %ILE	5.2	19.3	22.3	29.7	22.3	12.4
MEDIAN	3.8	16.8	19.3	26.2	20.1	10.1
75TH %ILE	2.4	14.9	17.5	23.4	18.1	8.3
95TH %ILE	0.5	11.1	12.6	17.9	14.7	5.6
<b>Russ 2000</b>	<b>3.1</b>	<b>15.9</b>	<b>18.0</b>	<b>24.2</b>	<b>18.7</b>	<b>8.8</b>

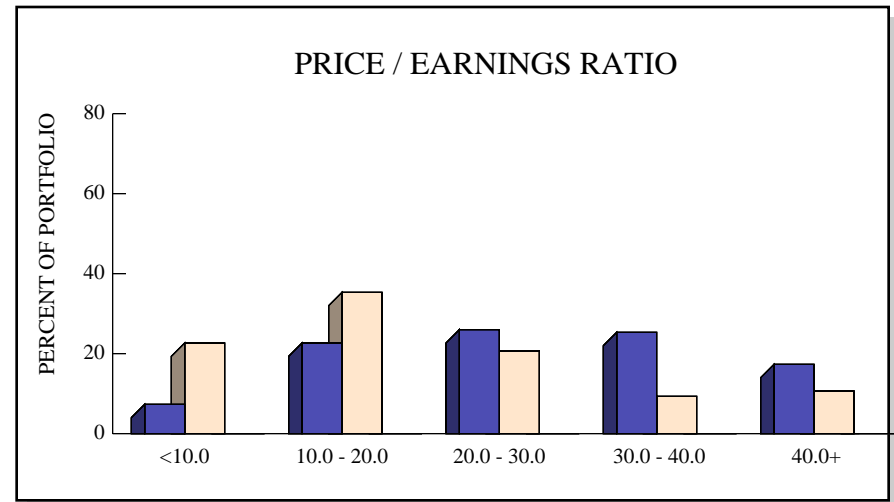
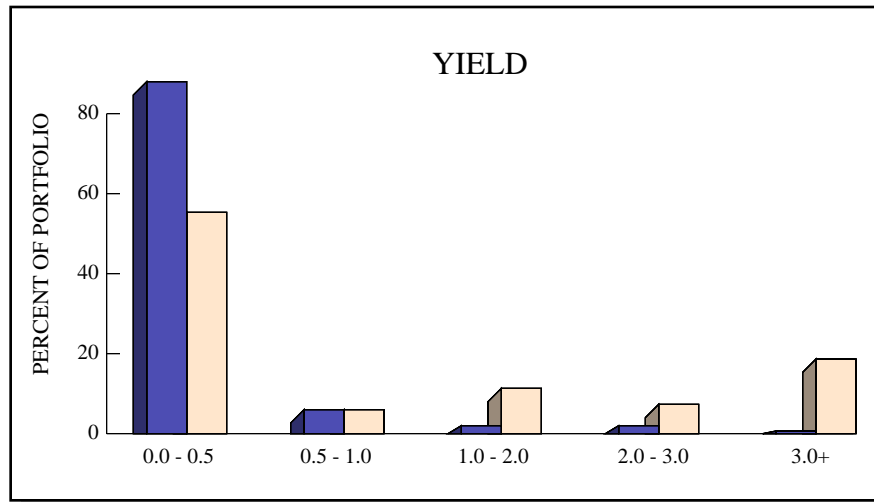
Small Cap Universe

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

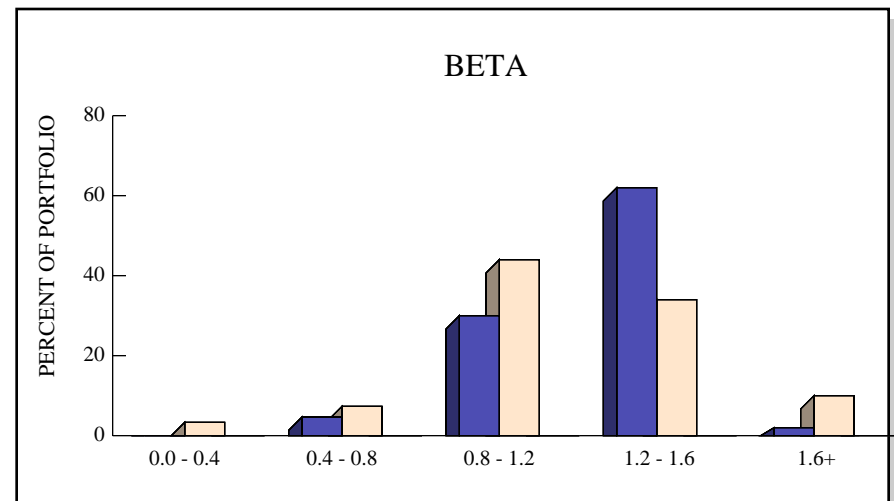
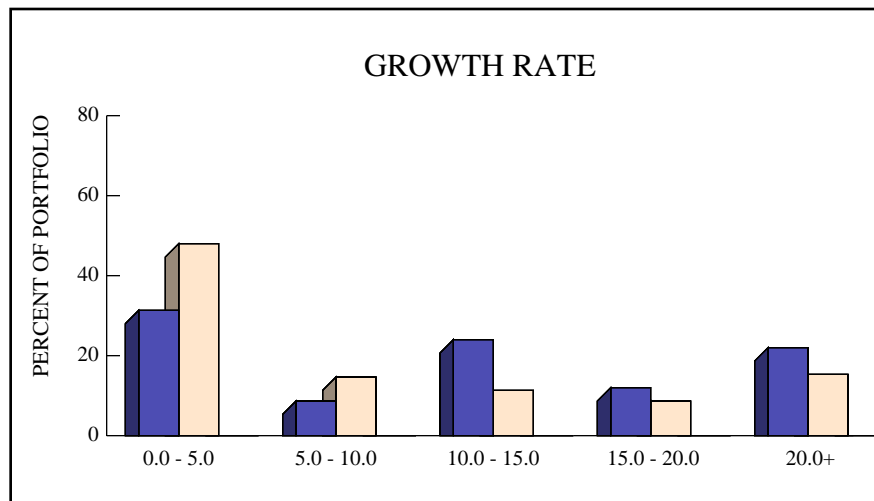
<b>Total Quarters Observed</b>	<b>22</b>
<b>Quarters At or Above the Benchmark</b>	<b>13</b>
<b>Quarters Below the Benchmark</b>	<b>9</b>
<b>Batting Average</b>	<b>.591</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/08	-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

**STOCK CHARACTERISTICS**

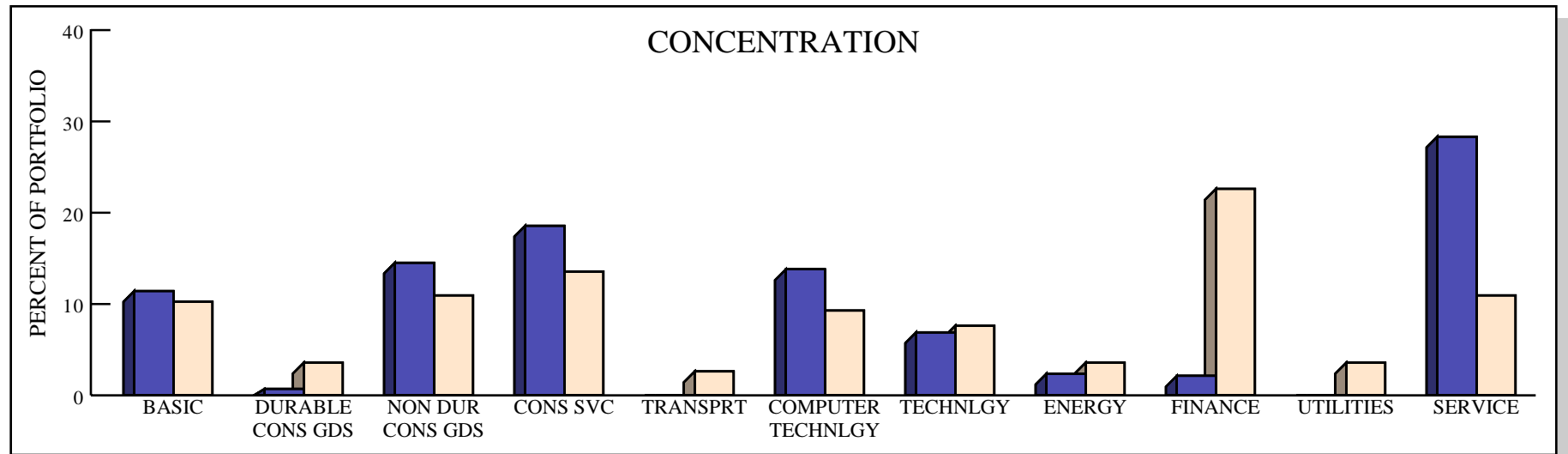


	YIELD	GROWTH	P/E	BETA
PORTFOLIO	0.2%	7.5%	29.5	1.22
RUSSELL 2000	1.5%	6.1%	18.3	1.15

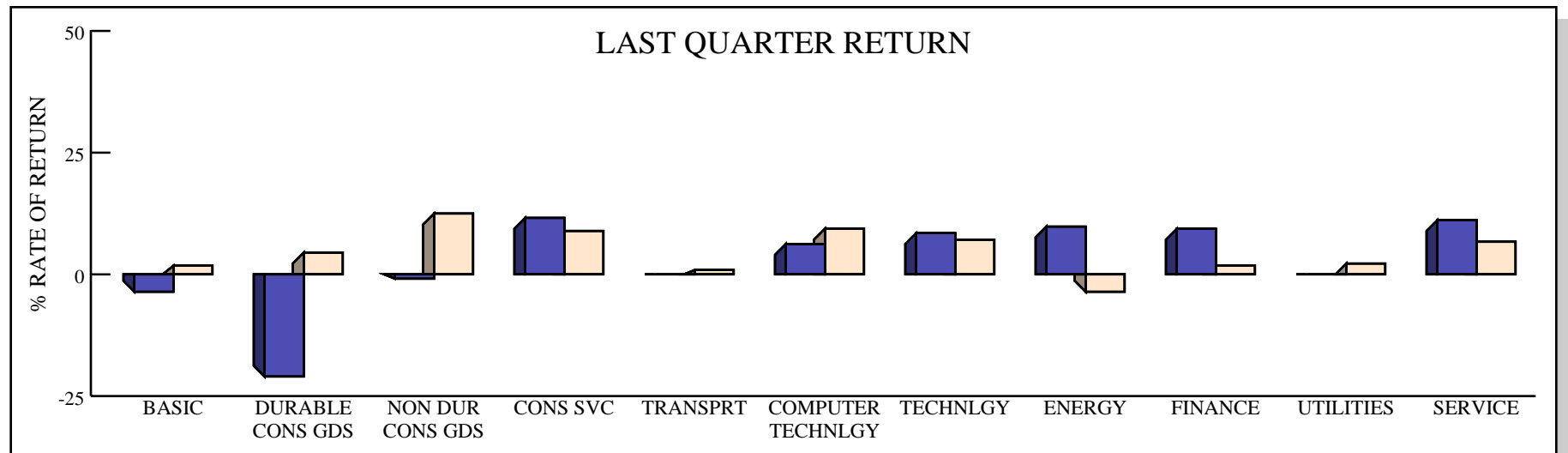




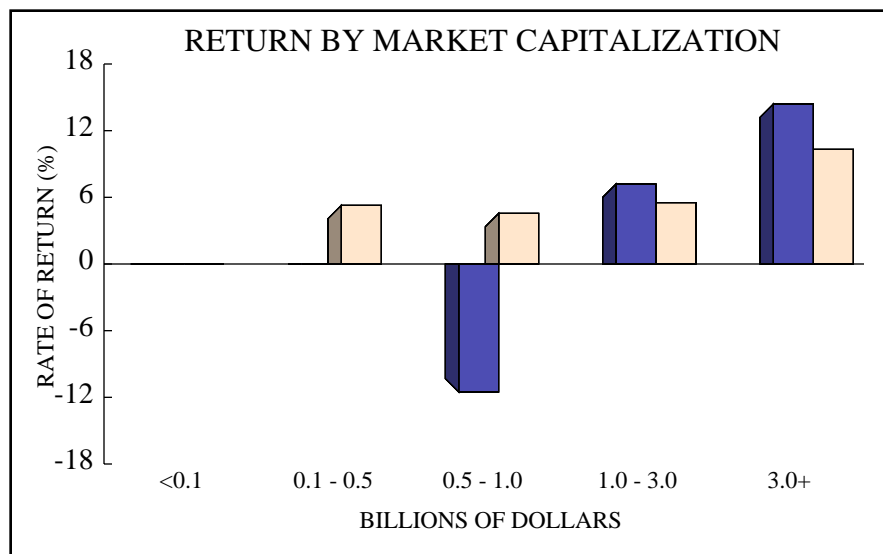
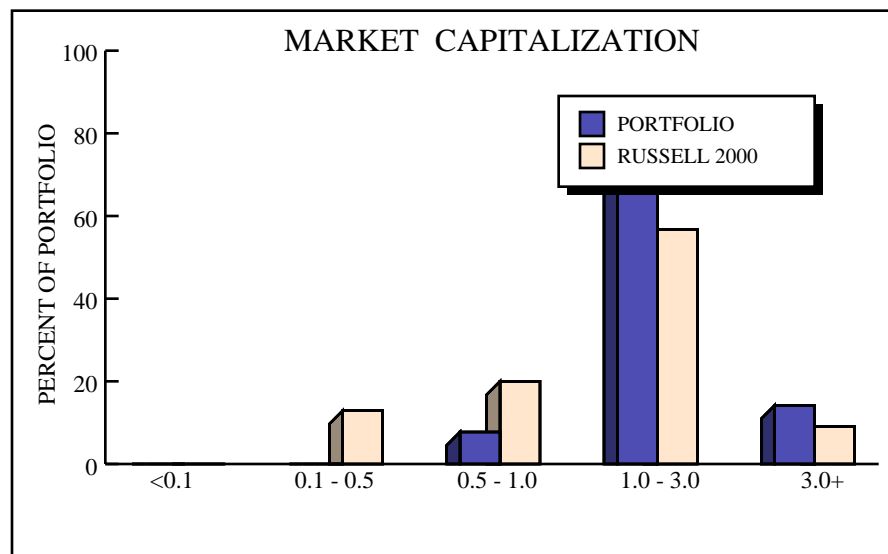
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL 2000



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	COSTAR GROUP INC	\$ 457,682	4.46%	17.9%	Service	\$ 3.7 B
2	SHUTTERFLY INC	430,810	4.20%	26.3%	Service	2.1 B
3	ACXIOM CORP	419,625	4.09%	11.2%	Service	1.7 B
4	DEALERTRACK TECHNOLOGIES INC	408,862	3.99%	20.6%	Computer Tech	1.5 B
5	MICROSEMI CORP	367,981	3.59%	-1.8%	Computer Tech	2.1 B
6	HEALTHSOUTH CORP	363,427	3.55%	9.2%	Consumer Service	2.5 B
7	PANDORA MEDIA INC	360,622	3.52%	29.9%	Service	3.2 B
8	WELLCARE HEALTH PLANS INC	360,242	3.51%	-4.2%	Consumer Service	2.4 B
9	WEX INC	358,572	3.50%	-2.3%	Service	3.0 B
10	FRANDESCAS HOLDINGS CORP	355,351	3.47%	-3.0%	NonDur Cons Goods	1.2 B

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

## **INVESTMENT RETURN**

On June 30th, 2013, the Franklin Regional Retirement System's PRIT portfolio was valued at \$5,225,204, representing an increase of \$132,689 from the March quarter's ending value of \$5,092,515. Last quarter, the Fund posted withdrawals totaling \$6,911, which partially offset the portfolio's net investment return of \$139,600. Income receipts totaling \$75,134 plus net realized and unrealized capital gains of \$64,466 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 \$1.2 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 \$470,442 less than the actual value as of June 30th, 2013.

## **RELATIVE PERFORMANCE**

In the second quarter, the PRIT portfolio gained 2.7%, which was 1.2% less than the NCREIF NFI-ODCE Index's return of 3.9%. Over the trailing twelve-month period, the portfolio returned 12.8%, which was 0.6% above the benchmark's 12.2% return. Since September 2010, the account returned 13.1% on an annualized basis, while the NCREIF NFI-ODCE Index returned an annualized 14.2% 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>	2.7	5.0	12.8	----	13.1
<b>Total Net/Fees</b>	2.6	4.8	12.3	----	12.5
NCREIF ODCE	3.9	6.6	12.2	14.9	14.2
<b>Real Estate</b>	2.7	5.0	12.8	----	13.1
NCREIF ODCE	3.9	6.6	12.2	14.9	14.2

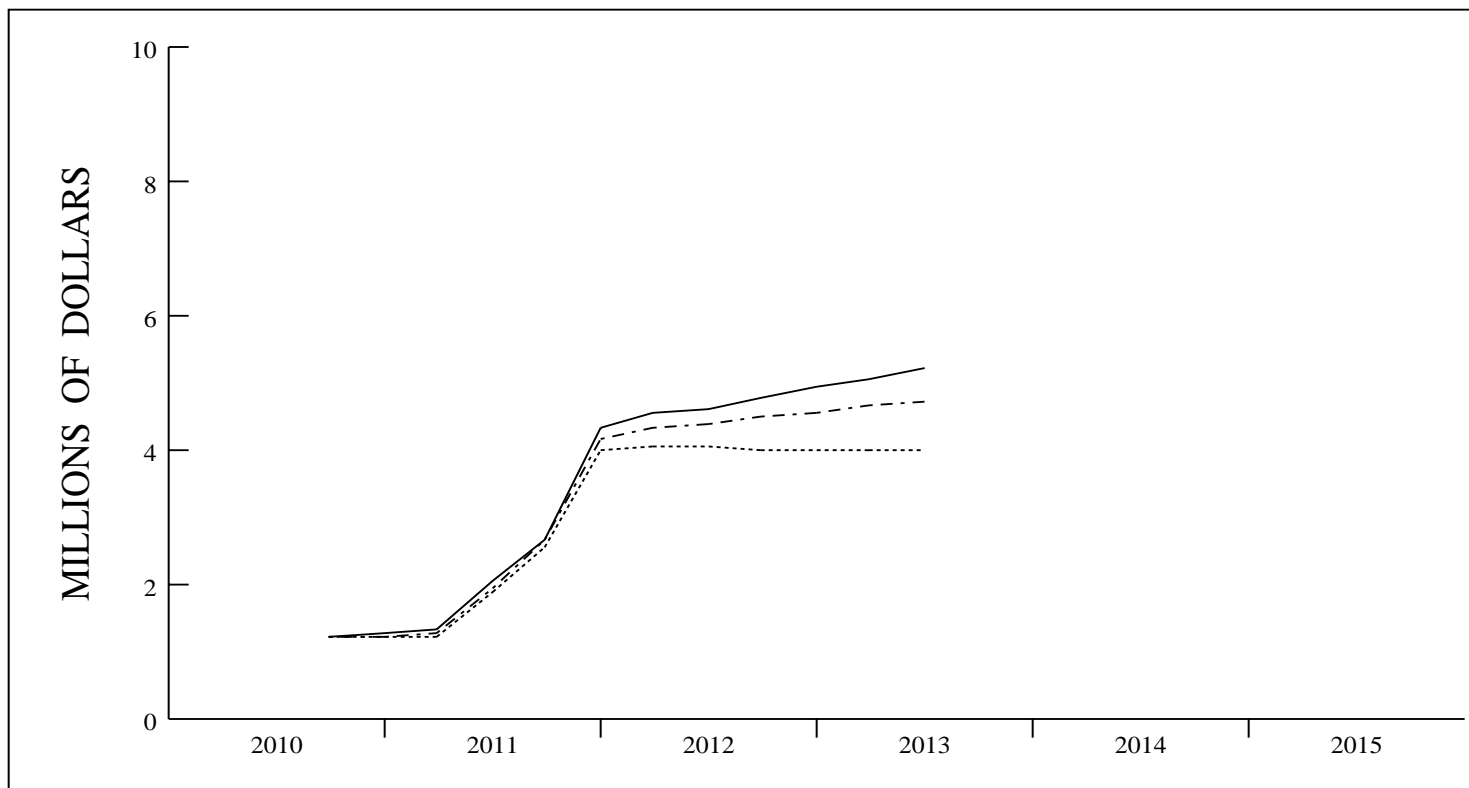
**ASSET ALLOCATION**

Real Estate	100.0%	\$ 5,225,204
Total Portfolio	100.0%	\$ 5,225,204

**INVESTMENT RETURN**

Market Value 3/2013	\$ 5,092,515
Contribs / Withdrawals	- 6,911
Income	75,134
Capital Gains / Losses	64,466
Market Value 6/2013	\$ 5,225,204

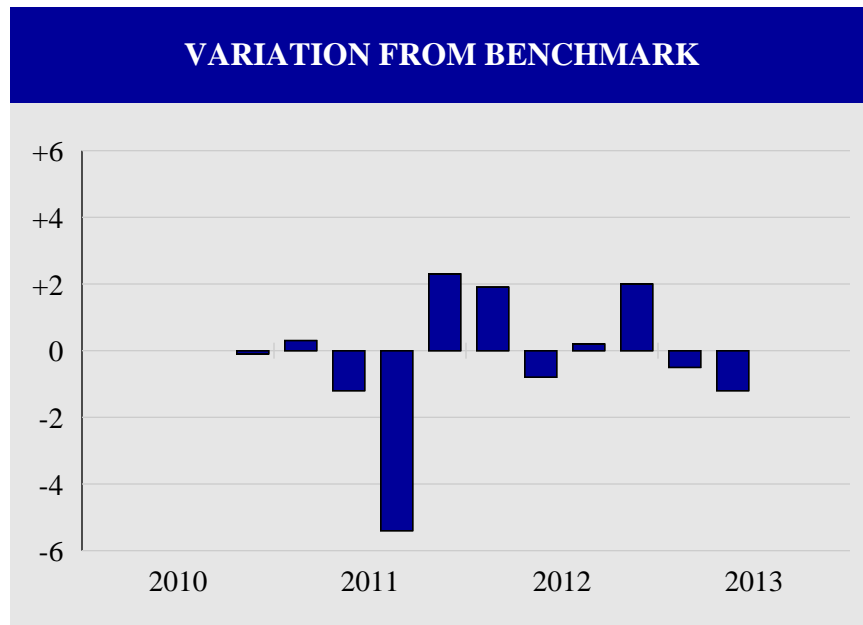
**INVESTMENT GROWTH**



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

VALUE ASSUMING 8.0% RETURN
\$ 4,754,762

	LAST QUARTER	PERIOD 9/10 - 6/13
BEGINNING VALUE	\$ 5,092,515	\$ 1,247,572
NET CONTRIBUTIONS	- 6,911	2,785,935
<u>INVESTMENT RETURN</u>	<u>139,600</u>	<u>1,191,697</u>
ENDING VALUE	\$ 5,225,204	\$ 5,225,204
INCOME	75,134	511,915
CAPITAL GAINS (LOSSES)	<u>64,466</u>	<u>679,782</u>
INVESTMENT RETURN	139,600	1,191,697

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

<b>RATES OF RETURN</b>			
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

<b>Total Quarters Observed</b>	<b>11</b>
<b>Quarters At or Above the Benchmark</b>	<b>5</b>
<b>Quarters Below the Benchmark</b>	<b>6</b>
<b>Batting Average</b>	<b>.455</b>

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



## **INVESTMENT RETURN**

On June 30th, 2013, the Franklin Regional Retirement System's Income Research & Management portfolio was valued at \$11,780,432, a decrease of \$289,689 from the March ending value of \$12,070,121. Last quarter, the account recorded no net contributions or withdrawals, while recording a net investment loss for the quarter of \$289,689. Since there were no income receipts for the second quarter, net investment losses were the result of capital losses (realized and unrealized).

Since December 2007, the account has recorded net withdrawals totaling \$837,000 while posting net investment gains totaling \$2.9 million. Since December 2007, if the account had earned a compounded nominal rate of 8.0% it would have been valued at \$13.3 million or \$1.6 million more than the actual value as of June 30th, 2013.

## **RELATIVE PERFORMANCE**

For the second quarter, the Income Research & Management portfolio lost 2.4%, which was 0.1% below the Barclays Aggregate Index's return of -2.3% and ranked in the 46th percentile of the Core Fixed Income universe. Over the trailing twelve-month period, this portfolio returned 1.5%, which was 2.2% greater than the benchmark's -0.7% performance, and ranked in the 14th percentile. Since December 2007, the portfolio returned 5.8% annualized and ranked in the 38th percentile. The Barclays Aggregate Index returned an annualized 4.9% 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 less than BBB, comprised the remainder, giving the portfolio an overall average quality rating of AAA-AA. The average maturity of the portfolio was 8.9 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
<b>Total Gross/Fees</b>	-2.4	-2.0	1.5	4.5	5.8
<i>CORE FIXED INCOME RANK</i>	(46)	(22)	(14)	(33)	(38)
<b>Total Net/Fees</b>	-2.5	-2.2	1.1	4.1	5.4
BARCLAYS AGG	-2.3	-2.4	-0.7	3.5	4.9
<b>Fixed Income</b>	-2.4	-2.0	1.5	4.5	5.8
<i>CORE FIXED INCOME RANK</i>	(46)	(22)	(14)	(33)	(38)
BARCLAYS AGG	-2.3	-2.4	-0.7	3.5	4.9
GOV/CREDIT	-2.5	-2.7	-0.6	3.9	5.0

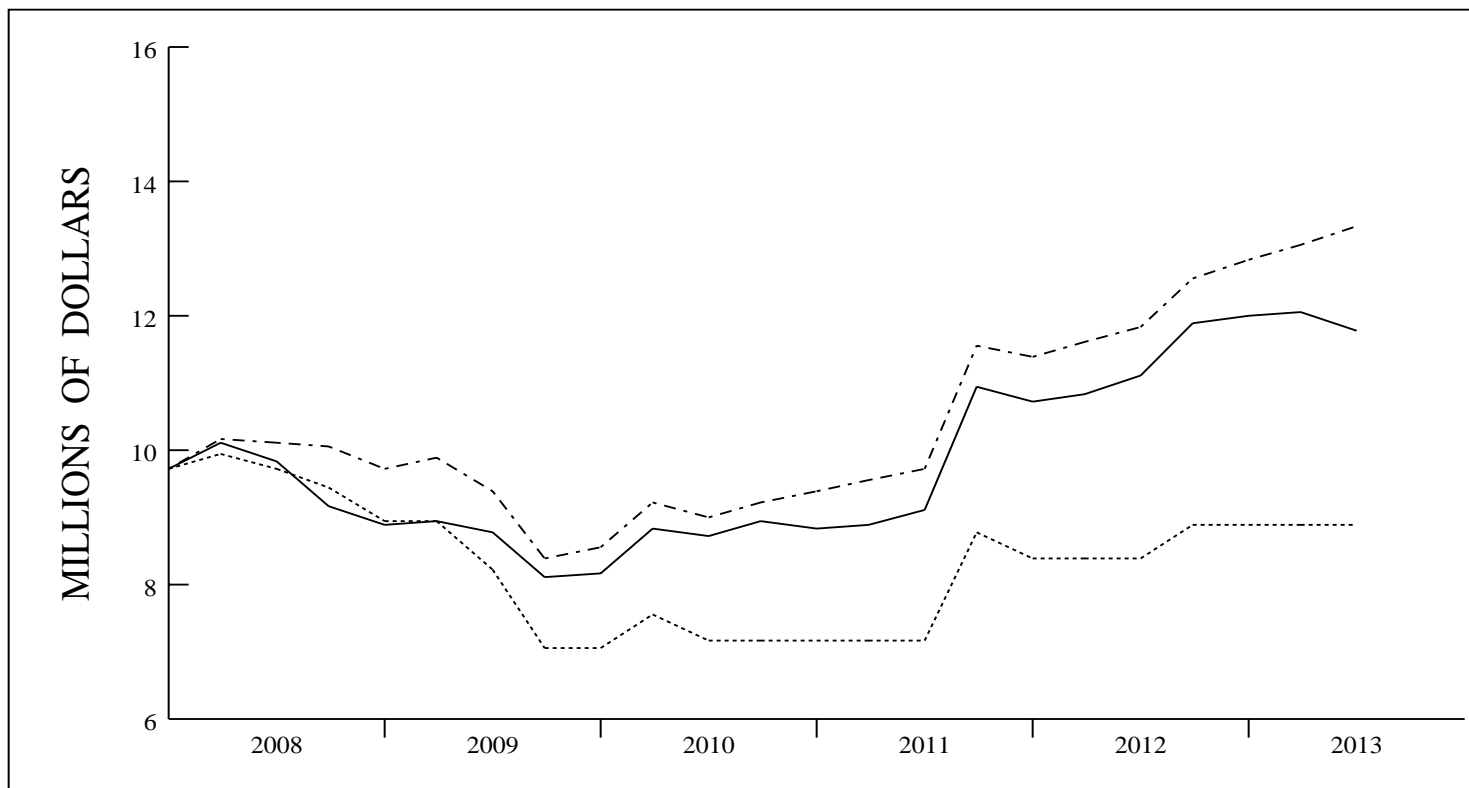
**ASSET ALLOCATION**

Fixed Income	100.0%	\$ 11,780,432
Total Portfolio	100.0%	\$ 11,780,432

**INVESTMENT RETURN**

Market Value 3/2013	\$ 12,070,121
Contribs / Withdrawals	0
Income	0
Capital Gains / Losses	-289,689
Market Value 6/2013	\$ 11,780,432

**INVESTMENT GROWTH**

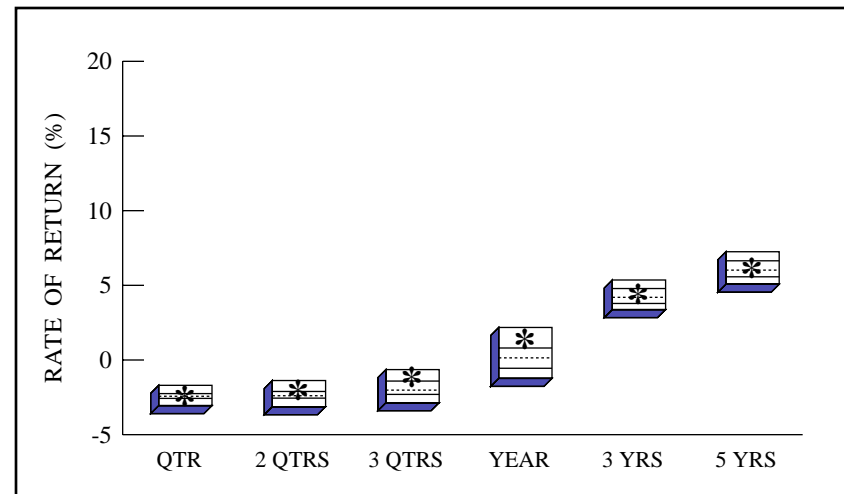
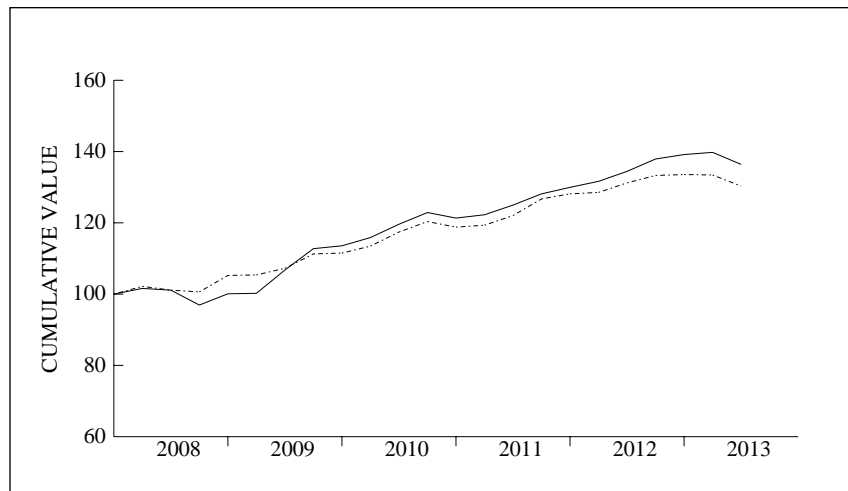


— ACTUAL RETURN  
 - - - 8.0%  
 ····· 0.0%

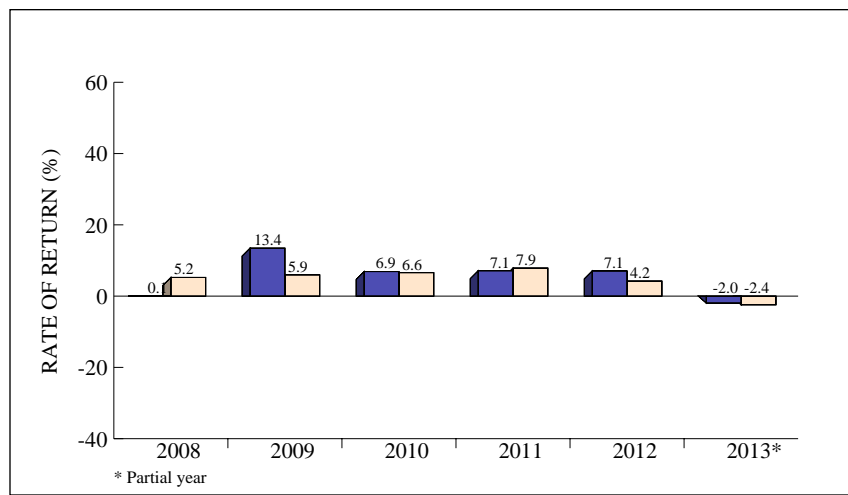
VALUE ASSUMING  
 8.0% RETURN  
 \$ 13,341,717

	LAST QUARTER	PERIOD 12/07 - 6/13
BEGINNING VALUE	\$ 12,070,121	\$ 9,763,999
NET CONTRIBUTIONS	0	-837,000
<u>INVESTMENT RETURN</u>	<u>-289,689</u>	<u>2,853,433</u>
ENDING VALUE	\$ 11,780,432	\$ 11,780,432
INCOME	0	5
<u>CAPITAL GAINS (LOSSES)</u>	<u>-289,689</u>	<u>2,853,428</u>
INVESTMENT RETURN	-289,689	2,853,433

**TOTAL RETURN COMPARISONS**

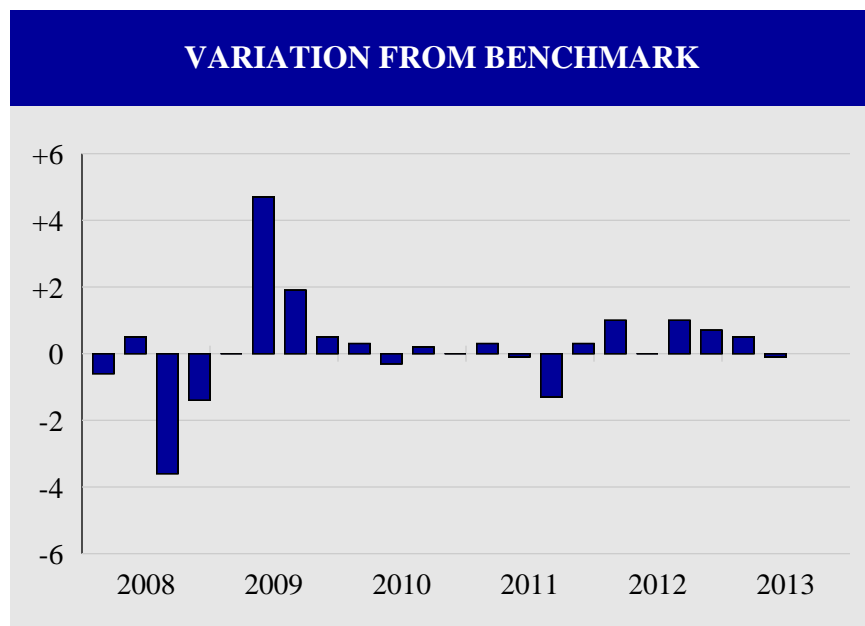


Core Fixed Income Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	-2.4	-2.0	-1.1	1.5	4.5	6.2
(RANK)	(46)	(22)	(15)	(14)	(33)	(41)
5TH %ILE	-1.7	-1.4	-0.7	2.2	5.4	7.3
25TH %ILE	-2.3	-2.1	-1.4	0.8	4.8	6.7
MEDIAN	-2.4	-2.4	-2.0	0.1	4.2	6.0
75TH %ILE	-2.6	-2.6	-2.3	-0.6	3.8	5.6
95TH %ILE	-3.1	-3.1	-2.9	-1.2	3.4	5.1
<b>Agg Index</b>	<b>-2.3</b>	<b>-2.4</b>	<b>-2.2</b>	<b>-0.7</b>	<b>3.5</b>	<b>5.2</b>

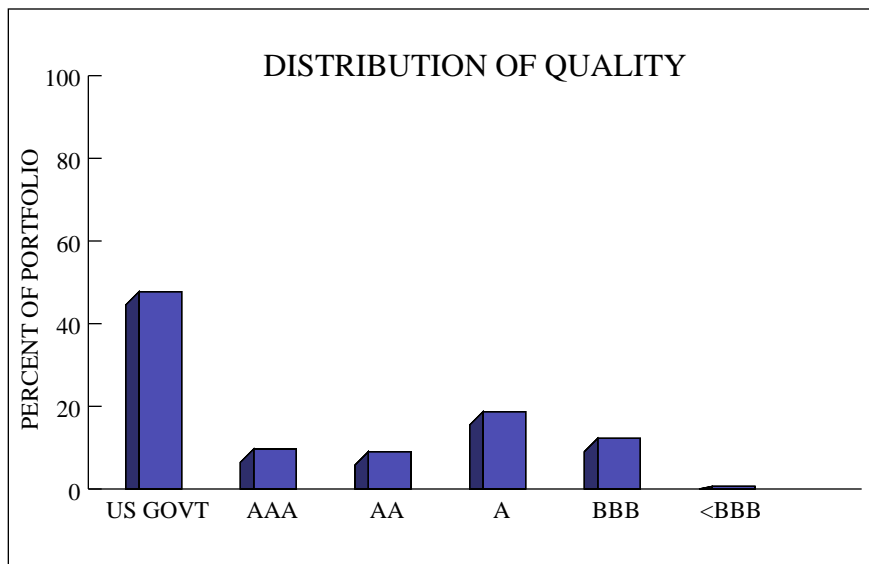
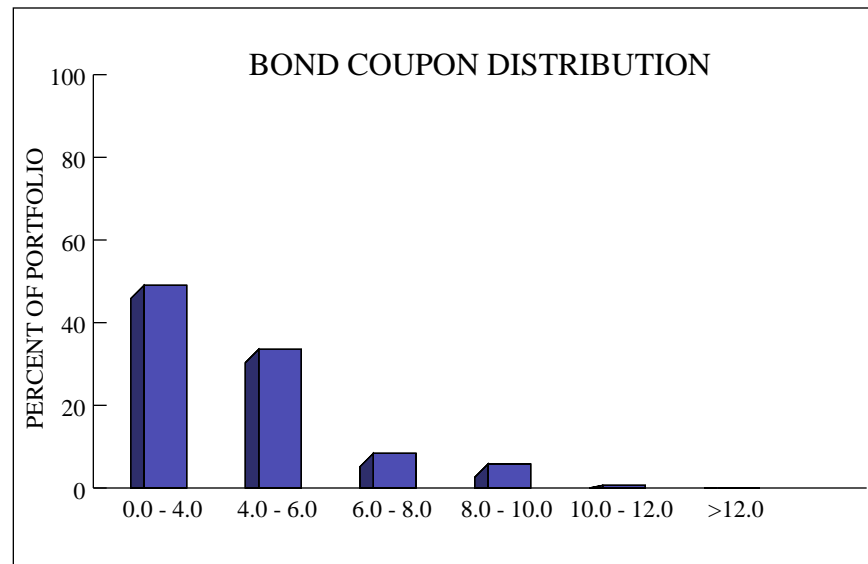
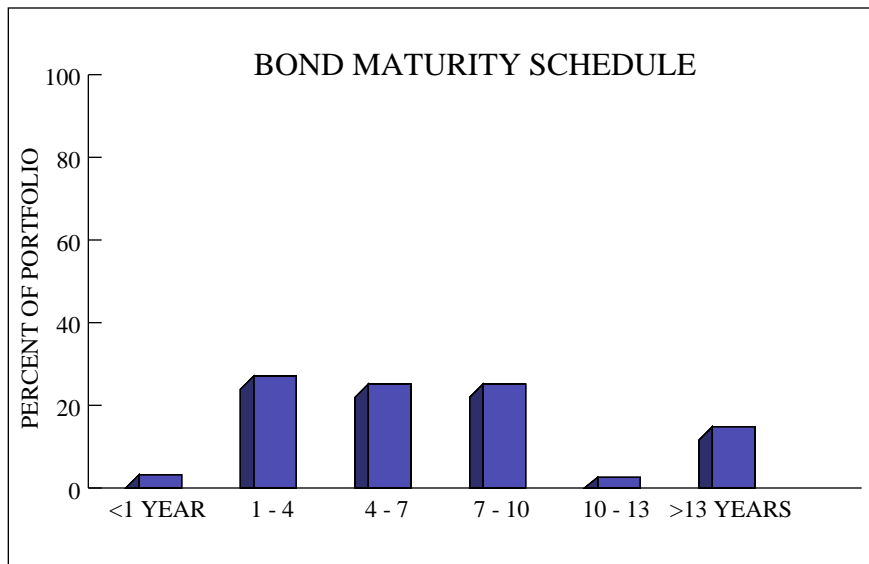
Core Fixed Income Universe

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

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

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/08	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

**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>BARCLAYS AGG</b>
No. of Securities	201	8,395
Duration	7.17	5.49
YTM	3.46	2.35
Average Coupon	4.06	3.40
Avg Maturity / WAL	8.89	7.45
Average Quality	AAA-AA	USG-AAA