

# Franklin Regional Retirement System

Performance Review  
June 2017

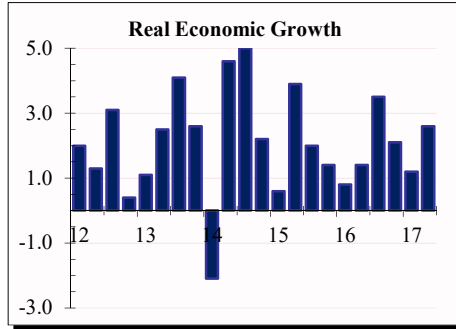


**DAHAB ASSOCIATES**  
New York Massachusetts Pennsylvania Florida

## ECONOMIC ENVIRONMENT

### Mostly Rosy

For another quarter, global economic growth continued, albeit at a slow pace. Several factors contributed to this positive trajectory, ranging from diminished political uncertainty (e.g. Macron's election in France), lower energy prices, surprisingly strong domestic jobs growth, and generally positive corporate earnings. Even the shock of the European terrorist attacks failed to derail market confidence or the global economy.



- Q2 GDP (advance estimate) increased at a 2.6% annual rate, while the first quarter figure was revised down to 1.2%. While GDP increases have been modest, the economic details were encouraging. Corporate and individual fixed investment grew, and exports and personal consumption spending improved. The one major negative was reduced government spending at all levels.
- Second quarter jobs growth was a solid 180,000 per month and the month of June set the pace with 222,000 new hires. Job gains were concentrated in healthcare, finance, social services and mining. The unemployment rate held steady at 4.4%. There was an uptick in hours worked, especially in the manufacturing sector (40.8 hours per week). Further, the average hourly payroll has risen 2.5% year-over-year through June.
- Home prices increased 6.6% year-over-year through May (latest available), with a 1.2% price increase during May. Given the continued price increases and modest personal income gains, home affordability is eluding many potential buyers. Nonetheless, new and existing home sales were robust as the inventory of homes on the market was running at a low 5.3 months.

- Manufacturing activity expanded for the 97<sup>th</sup> consecutive month, as of June as evidenced by June's Production Index of 62.4, a significant 5.3% increase from May.
- Non-manufacturing sectors advanced for the 90<sup>th</sup> straight month through June. The Non-Manufacturing Index registered 57.4%, modestly higher than the prior month.
- The June Consumer Confidence Index now stands at 118.9, up moderately from May. However, the index' Present Situation component increased to 146.3, a 16-year high! The Expectation Index did slip from 102.3 in May to 100.6 in June, but remained upbeat.
- Commodity prices fell again during the past quarter. Energy tumbled 20% led by a decline in natural gas prices of almost 25%! Agricultural prices declined 3.4%, overall. Industrial metals rose in sync with increased manufacturing activity and precious metals climbed 6.3%.
- The virtual absence of CPI inflation continues to haunt the Fed and the June CPI offered no respite. Including food and energy, the monthly level remained unchanged from May and was up only 1.6% for the last 12-months.
- The Federal Reserve Board raised short-term rates again in the second quarter, citing jobs strength and steady economic growth, both domestically and internationally. While there is concern regarding the weak inflation numbers, the Fed expects higher inflation to rear its head sooner rather than later. The new Fed Funds rate as of mid-June is in the 1.0% - 1.25% range.

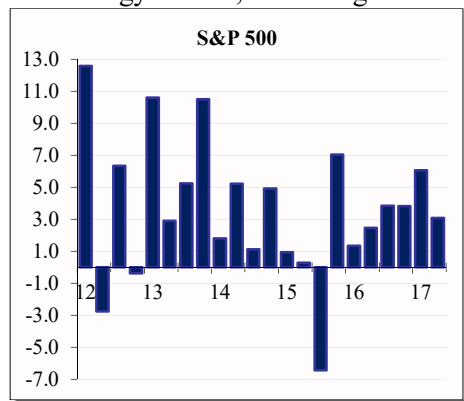
## DOMESTIC EQUITIES

### The Trump Bump Still in Effect

All of the major US stock indices were in the black as investors chose to disregard the political turmoil in the nation's capital. Congress's inability thus far to repeal/replace Obamacare, and to even begin work on infrastructure and tax reform, has not dampened investor enthusiasm.

Investor confidence was reflected in the NASDAQ Composite Index (+4.2%); the DJIA advance (+4.0%); and the S&P 500 (+3.1%). Across all market cap ranges, growth style bested value. For example, the Russell 1000 Growth Stock Index added 4.7% vs. 1.3% for the Russell 1000 Value Index. Similarly, the Russell 2000 Growth Stock Index rose 4.4%, while the Russell 2000 Value Stock Index nudged up 0.7%.

Among S&P sectors, only energy was a performance drag (-5.2%). Technology stocks, including biotech names, gained 8.6%. Consumer service advanced 5.5% and computer technology added 4.6%. Buoyed by rising interest rates, financials grew 4.4%. REITs added a lesser 2.3% and utility stocks were flat, suggesting that investors, for the moment, have moved on from high dividends to more risk-on stock sectors. Notably, almost 60% of the S&P component companies have P/E ratios of 20 or more, indicating a richly priced large-cap market.



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## INTERNATIONAL EQUITIES

### Political Stability Helped Developed Markets

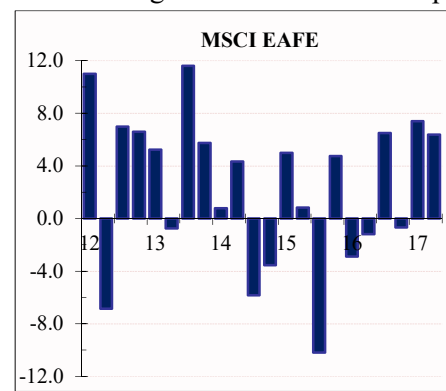
#### EM Benefited from Global Growth and a Weaker Dollar

Investors breathed a sigh of relief as the growing rise of populism was stopped in its tracks with Emmanuel Macron overwhelming election to President of France, over right-wing opponent Marie Le Pen. Europe (euro currency zone) drove the developed markets forward (+8.1%).

The EAFE Index gained 6.4%, substantially higher than US market returns. The French market carried the day, surging almost 10%. Italy was close behind, bolstered by a rising economy and a shoring up of its problematic banking system. Spanish stocks added 8.1%, reflecting reduced unemployment and a 19-year high in manufacturing activity.

Germany, almost always the dominant EU player, posted a 6.9% gain; its GDP remained highly positive and export-oriented. The Ireland component was up 3.8%, impacted by Brexit. The UK, not part of the Eurozone, climbed 4.7%. Even much smaller European economies participated in the gains, reflecting consumer confidence and GDP growth; Austria soared 22%; Denmark climbed 15.4% and Finland was up 14.4%.

Australian shares disappointed (-1.8%) because of slow economic growth and banking sector issues. The Japan Index fared well, gaining 5.2%, largely due to a five-year high in industrial production. The Hong Kong market advanced 7.2%, helped by higher gaming revenue. Supported by an electronics boom, Singapore moved up 5.3%. Combined, Far Eastern markets gained 5.5%. Canadian shares, not part of EAFE, showed weakness (+0.8%) due to low energy prices, which had a negative impact on



its commodity-based economy.

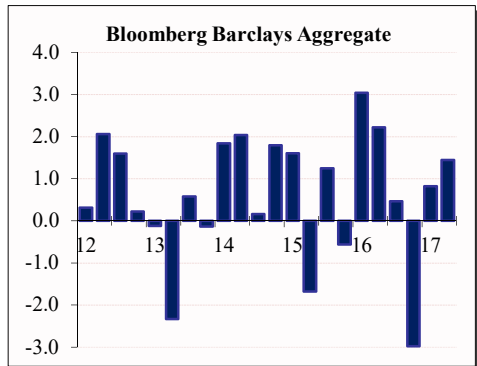
The MSCI Emerging Markets Index (EM) fully kept pace with the EAFE market, posting a 6.4% gain. Brazil lost 6.6% as its elected President has been indicted for corruption. Russia's situation was arguably worse, with a global oil glut and renewed EU sanctions leading to a 9.8% stock market drop. The Indian market was up a moderate 2.9%. The China economy was robust, rising 10.7% due to healthy global demand for its exports and President Xi Jinping's ongoing program to rein in corporate and municipal corruption.

There were many other strong performances across the EM index. Indonesia returned +8.8% and its sovereign credit rating got a boost to investment grade status. Korea shined (+10.3%) due to a construction blitz and tech outperformance. The Philippines was up 7.2%. Turkey posted an extraordinary 19.8%. Mexico gained 7.3%, mostly helped as NAFTA's fate seemed less imperiled. Finally, for the first time in recent memory, the Greek economy was in positive territory with a return of 34%.

## BOND MARKET

### Income plus Varying Appreciation

Bond investors shrugged off a Fed Funds rate increase, political gridlock and a hot stock market. The short end of the Treasury yield curve moved



higher due to the Fed rate hike. The long end, however, actually fell due to subsiding inflation expectations. 1-to-10 year Treasuries returned 0.7%, while Treasuries maturing beyond 10 years earned 4%. Overall, longer maturity investors received both their income payments and a healthy slice of appreciation.

The Barclays Aggregate Index, of which Treasuries comprise 37%, returned slightly more than 1.4%. Investment grade corporates performed well, as recession was nowhere in sight. Utility bonds gained 3.0%, industrials were up 2.7%, and financials rose 2.1%. On the mortgage front, residential mortgage paper (MBS) grew 0.9%, but commercial mortgage bonds (CMBS) earned more (1.3%) in a strong commercial real estate marketplace. Asset-backed securities (ABS) returned a weak 0.6%.

Investors are still hunting for more income in the high yield market, as junk bonds have been on a tear since the Great Recession and have earned close to 13% in the latest 12 months. Still, investors have become a bit wary of a possible junk bond bubble. BB names (credit ratings just below investment grade) returned a robust 2.7%, but lower grades all returned less. For example, true junk credits (rated CC - D) gained 2.4%. The formula, “the higher the risk the greater the return”, simply didn’t apply this time.

G-6 countries’ sovereign debt provided an average 2.2% in US dollars. The French, Italian and German sovereign debt gained 8.3%, 7.8% and 5.4%, respectively. Canada gained 3.0%, and the UK gained 2.5%. Only Japan bonds suffered a loss (-0.8%) as its currency fell against the dollar.

In a reversal from the prior quarter, emerging markets sovereigns turned in a 2.1% average return. Surprisingly, all EM sovereigns added value.

## CASH EQUIVALENTS

### In Sync with Higher Fed Funds Rate

For the second straight quarter, there was an increase in short-term interest rates. Year-to-date, the Fed Funds rate has increased ½%. Accordingly, yields of ultra-short maturity Treasuries also climbed, but savers gained precious little, as the three-month bellwether T-bill returned a meager 0.2%. Even the 5-year Treasury added only 0.7%.

**MARKET SUMMARY**

**ECONOMIC STATISTICS**

	CURRENT QTR	LAST QTR
GDP	2.6	1.2
Unemployment	4.4	4.5
CPI All Items Year/Year	1.60	2.40
Fed Funds Rate	1.25	1.00
Industrial Capacity	76.6	75.8
US Dollars per Euro	1.14	1.07

**MAJOR INDEX QUARTER RETURNS**

INDEX	PERFORMANCE
Russell 3000	3.0
S&P 500	3.1
Russell Mid	2.7
Russell 2000	2.5
MSCI EAFE	6.4
MSCI Emg Mkts	6.4
NCREIF ODCE	1.7
Aggregate Index	1.4
90 Day Tbills	0.2

**EQUITY RETURN DISTRIBUTIONS**

	QUARTER			TRAILING YEAR		
	VAL	COR	GRO	VAL	COR	GRO
LC	1.3	3.1	4.7	15.5	18.0	20.4
MC	1.4	2.7	4.2	15.9	16.5	17.0
SC	0.7	2.5	4.4	24.8	24.6	24.4

**MARKET SUMMARY**

- \* GDP increased by 2.6% in Q2.
- \* Unemployment remained low at 4.4%
- \* CPI increased a modest 1.6% year over year.
- \* The dollar weakened relative to the euro.
- \* Grow style stocks beat their value style cousins across all market capitalizations. Larger names outperformed smaller ones.

## INVESTMENT RETURN

On June 30th, 2017, the Franklin Regional Retirement System was valued at \$134,404,711, representing an increase of \$2,402,414 from the March quarter's ending value of \$132,002,297. Last quarter, the Fund posted withdrawals totaling \$2,122,320, which offset the portfolio's net investment return of \$4,524,734. Income receipts totaling \$918,718 plus net realized and unrealized capital gains of \$3,606,016 combined to produce the portfolio's net investment return.

For the cumulative period since June 2012, the fund has recorded net withdrawals totaling \$9.4 million and posted net investment gains of \$56.8 million. For the period since June 2012, if the total fund had returned a compound annual rate of 7.75% it would have been valued at \$116.3 million or \$18.1 million less than the actual value as of June 30th, 2017.

## RELATIVE PERFORMANCE

### Total Fund

*The Franklin Regional Policy Index is the weighted return of each asset classes' benchmark in proportion to its target allocation.*

In the second quarter, the Composite portfolio gained 3.5%, which was 0.6% above the Franklin Regional Policy Index's return of 2.9% and ranked in the 18th percentile of the Public Fund universe. Over the trailing year, the portfolio returned 14.1%, which was 1.6% greater than the benchmark's 12.5% performance, and ranked in the 15th percentile. Since June 2012, the portfolio returned 10.6% on an annualized basis and ranked in the 5th percentile. For comparison, the Franklin Regional Policy Index returned an annualized 10.3% over the same period.

### PRIT Core

The PRIT core portfolio returned 3.9% in the second quarter, 0.6% greater than the Custom Core Index's return of 3.3% and ranked in the 6th percentile of the Public Fund universe. Over the trailing twelve-month period, the PRIT core portfolio returned 13.4%; that return was 2.0% greater than the benchmark's 11.4% return, and ranked in the 24th percentile. Since June 2012, this component returned 9.9% per annum and ranked in the 16th percentile. The Custom Core Index returned an annualized 8.6% over the same time frame.

### Domestic Equity

*The Custom Equity Index is the weighted return of the S&P 500, S&P 400, and Russell 2000 indices based on the System's equity manager target allocations.*

For the second quarter, the domestic equity segment returned 3.5%, which was 0.9% greater than the Franklin Regional Equity Index's return of 2.6% and ranked in the 36th percentile of the Domestic Equity universe. Over the trailing twelve-month period, this segment's return was 25.3%, which was 4.2% above the benchmark's 21.1% return, ranking in the 17th percentile. Since June 2012, this component returned 16.0% annualized and ranked in the 22nd percentile. The Franklin Regional Equity Index returned an annualized 14.4% during the same period.

### International Equity

The international equity segment returned 6.9% during the second quarter; that return was 0.5% above the MSCI EAFE Index's return of 6.4% and ranked in the 48th percentile of the International Equity universe. Over the trailing twelve months, the international equity portfolio returned 20.2%, 0.6% less than the benchmark's 20.8% performance, ranking in the 62nd percentile.

## **Real Estate**

During the second quarter, the real estate segment returned 2.4%, which was 0.7% greater than the NCREIF NFI-ODCE Index's return of 1.7%. Over the trailing twelve-month period, this component returned 6.8%, which was 1.1% less than the benchmark's 7.9% return. Since June 2012, this component returned 11.4% on an annualized basis, while the NCREIF NFI-ODCE Index returned an annualized 11.8% over the same period.

## **Fixed Income**

During the second quarter, the fixed income component gained 1.7%, which was 0.3% greater than the Bloomberg Barclays Aggregate Index's return of 1.4% and ranked in the 26th percentile of the Core Fixed Income universe. Over the trailing twelve months, the fixed income portfolio returned 0.6%, which was 0.9% above the benchmark's -0.3% performance, ranking in the 35th percentile. Since June 2012, this component returned 3.2% annualized and ranked in the 17th percentile. The Bloomberg Barclays Aggregate Index returned an annualized 2.2% over the same time frame.

## **ASSET ALLOCATION**

On June 30th, 2017, PRIT core comprised 45.6% of the total portfolio (\$61.3 million), while domestic equities totaled 26.3% (\$35.4 million). The account's international equity segment was valued at \$6.5 million, representing 4.8% of the portfolio, while the real estate component's \$13.3 million totaled 9.9%. The portfolio's fixed income represented 12.1% and the remaining 1.2% was comprised of cash & equivalents (\$1.6 million).

Franklin Regional Retirement System  
Total Fund Asset Allocation Analysis  
As of June 30, 2017

Total Fund Assets \$ 134,404,711

Allocation by Manager						
	PRIT Fund Actual Allocation	FRRS Allocation	Target Allocation	Target Dollars	Actual Dollars	+/- Dollars
PRIT Core Fund	100.00%	44.6%	45.0%	\$ 60,482,120	\$ 61,334,253	\$ 852,133
Domestic Equity	20.1%	9.2%			\$ 12,352,719	
Int'l Equity	18.3%	8.3%			\$ 11,199,635	
E.M. Int'l Equity	7.8%	3.5%			\$ 4,765,671	
Core Fixed Income	12.1%	5.5%			\$ 7,390,777	
Value-Added Fixed Income*	8.2%	3.8%			\$ 5,053,942	
Real Estate	8.9%	4.0%			\$ 5,434,215	
Timber	3.8%	1.7%			\$ 2,324,568	
Private Equity	10.6%	4.8%			\$ 6,507,564	
Hedge Funds	8.0%	3.6%			\$ 4,888,340	
Liquidating Portfolio	0.4%	0.2%			\$ 233,070	
Risk Premia	0.9%	0.4%			\$ 545,875	
Cash Overlay	1.0%	0.5%			\$ 637,876	
Separate Accounts		54.4%	55.0%			
Polen Capital		6.2%	6.0%	\$ 8,064,283	\$ 8,269,563	\$ 205,280
O'Shaughnessy		6.2%	6.0%	\$ 8,064,283	\$ 8,281,775	\$ 217,492
Seizert		5.0%	5.0%	\$ 6,720,236	\$ 6,718,921	\$ (1,315)
Aberdeen		4.8%	5.0%	\$ 6,720,236	\$ 6,451,915	\$ (268,321)
Systematic		4.9%	5.0%	\$ 6,720,236	\$ 6,519,159	\$ (201,077)
PRIT International		4.8%	5.0%	\$ 6,720,236	\$ 6,509,019	\$ (211,217)
PRIT RE		9.9%	10.0%	\$ 13,440,471	\$ 13,291,648	\$ (148,823)
IR&M		12.1%	13.0%	\$ 17,472,612	\$ 16,312,710	\$ (1,159,902)
Cash		0.5%	0.0%	\$ -	\$ 715,748	\$ 715,748

\*Includes Distressed Debt

Allocation by Asset Class						
	Actual Allocation (%)	Target Allocation (%)	+/- Percent	Actual Allocation (\$)	Target Allocation (\$)	+/- Dollars
Franklin Regional Total						
Domestic Equity	36.2%	35.0%	1.2%	\$ 48,594,052	\$ 47,041,649	\$ 1,552,403
Int'l Equity	16.7%	15.0%	1.7%	\$ 22,474,325	\$ 20,160,707	\$ 2,313,618
Fixed Income	21.4%	25.0%	-3.6%	\$ 28,757,430	\$ 33,601,178	\$ (4,843,748)
Real Estate	13.9%	14.0%	-0.1%	\$ 18,725,863	\$ 18,816,660	\$ (90,797)
Timber	1.7%	2.0%	-0.3%	\$ 2,324,568	\$ 2,688,094	\$ (363,526)
Private Equity	4.8%	5.0%	-0.2%	\$ 6,507,564	\$ 6,720,236	\$ (212,671)
Hedge Funds	3.6%	4.0%	-0.4%	\$ 4,888,340	\$ 5,376,188	\$ (487,848)
Liquidating Portfolio	0.2%	0.0%	0.2%	\$ 233,070	\$ -	\$ 233,070
Risk Premia	0.4%	0.0%	0.4%	\$ 545,875	\$ -	\$ 545,875
Cash Overlay	0.5%	0.0%	0.5%	\$ 637,876	\$ -	\$ 637,876
Cash	0.5%	0.0%	0.5%	\$ 715,748	\$ -	\$ 715,748
	100.0%	100.0%		\$ 134,404,711	\$ 134,404,711	



## EXECUTIVE SUMMARY

## PERFORMANCE SUMMARY

	Quarter	YTD	1 Year	3 Year	5 Year
<b>Total Portfolio - Gross</b>	3.5	7.7	14.1	6.6	10.6
<i>PUBLIC FUND RANK</i>	(18)	(47)	(15)	(7)	(5)
<b>Total Portfolio - Net</b>	3.3	7.4	13.5	6.0	10.0
<i>POLICY INDEX</i>	2.9	7.3	12.5	6.6	10.3
<b>PRIT Core - Gross</b>	3.9	8.9	13.4	6.4	9.9
<i>PUBLIC FUND RANK</i>	(6)	(11)	(24)	(9)	(16)
<i>CUSTOM CORE IDX</i>	3.3	7.6	11.4	5.4	8.6
<b>Domestic Equity - Gross</b>	3.5	8.4	25.3	8.0	16.0
<i>DOMESTIC EQUITY RANK</i>	(36)	(46)	(17)	(56)	(22)
<i>CUSTOM EQ INDEX</i>	2.6	6.7	21.1	8.5	14.4
<i>PRIT EQUITY</i>	3.0	8.6	18.6	8.8	14.4
<i>S&amp;P 500</i>	3.1	9.3	17.9	9.6	14.6
<i>S&amp;P 400</i>	2.0	6.0	18.6	8.5	14.9
<i>RUSSELL 3000</i>	3.0	8.9	18.5	9.1	14.6
<i>RUSSELL 1000</i>	3.1	9.3	18.0	9.3	14.7
<i>RUSSELL 1000G</i>	4.7	14.0	20.4	11.1	15.3
<i>RUSSELL 1000V</i>	1.3	4.7	15.5	7.4	13.9
<i>RUSSELL MID</i>	2.7	8.0	16.5	7.7	14.7
<i>RUSSELL 2000</i>	2.5	5.0	24.6	7.4	13.7
<b>International Equity - Gross</b>	6.9	14.8	20.2	----	----
<i>INTERNATIONAL EQUITY RANK</i>	(48)	(67)	(62)	----	----
<i>MSCI EAFE</i>	6.4	14.2	20.8	1.6	9.2
<b>Real Estate - Gross</b>	2.4	4.5	6.8	10.3	11.4
<i>NCREIF ODCE</i>	1.7	3.5	7.9	11.3	11.8
<b>Fixed Income - Gross</b>	1.7	2.6	0.6	3.0	3.2
<i>CORE FIXED INCOME RANK</i>	(26)	(39)	(35)	(32)	(17)
<i>AGGREGATE INDEX</i>	1.4	2.3	-0.3	2.5	2.2
<i>PRIT FIXED</i>	1.6	2.9	-4.4	4.7	3.9
<i>GOV/CREDIT</i>	1.7	2.7	-0.4	2.6	2.3
<i>INT AGGREGATE</i>	0.9	1.6	-0.2	2.0	1.9
<i>INT GOV/CREDIT</i>	0.9	1.7	-0.2	1.9	1.8

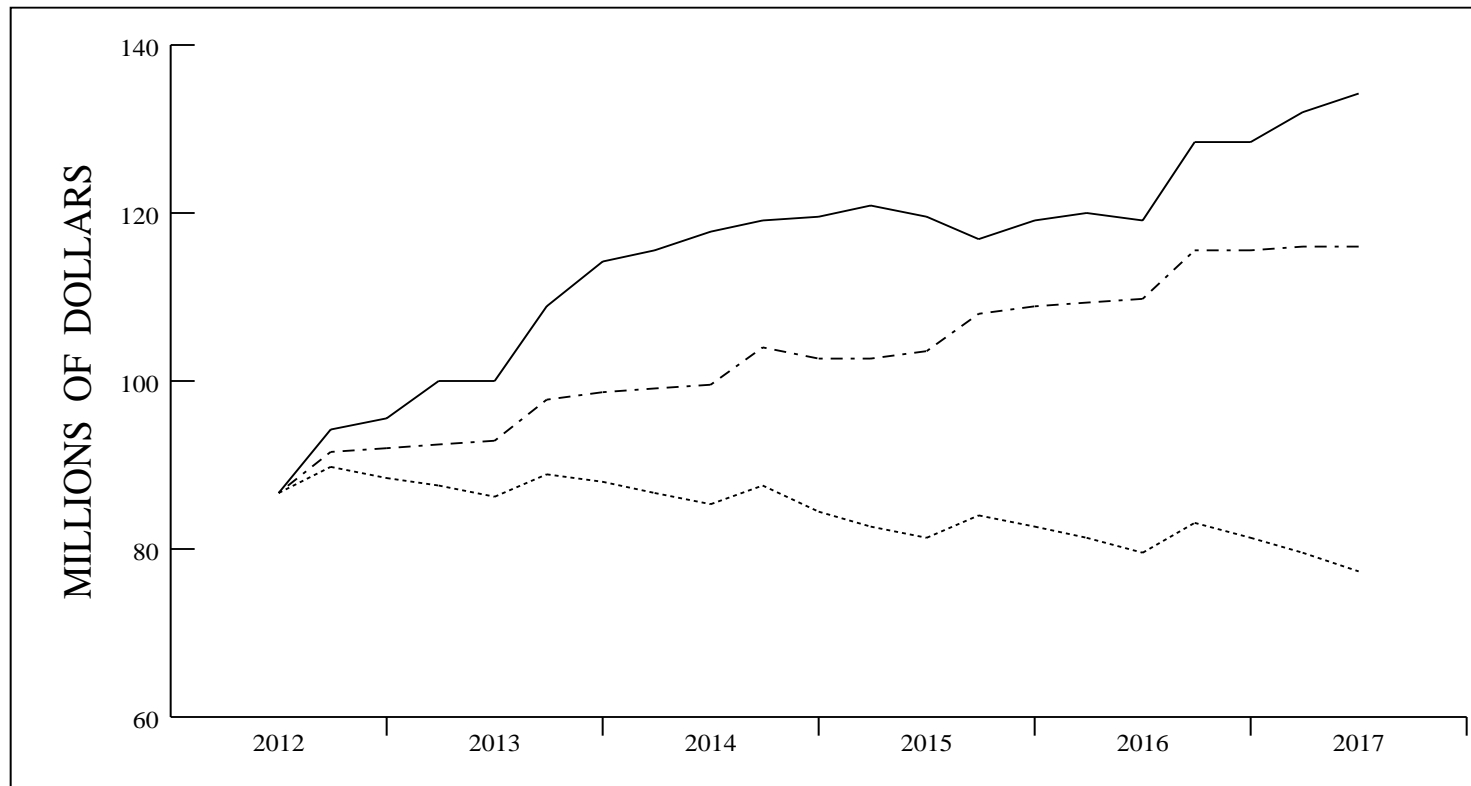
## ASSET ALLOCATION

PRIT Core	45.6%	\$ 61,334,253
Domestic Equity	26.3%	35,370,750
Int'l Equity	4.8%	6,509,019
Real Estate	9.9%	13,291,648
Fixed Income	12.1%	16,312,710
Cash	1.2%	1,586,331
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 134,404,711</b>

## INVESTMENT RETURN

Market Value 3/2017	\$ 132,002,297
Contribs / Withdrawals	-2,122,320
Income	918,718
Capital Gains / Losses	3,606,016
Market Value 6/2017	\$ 134,404,711

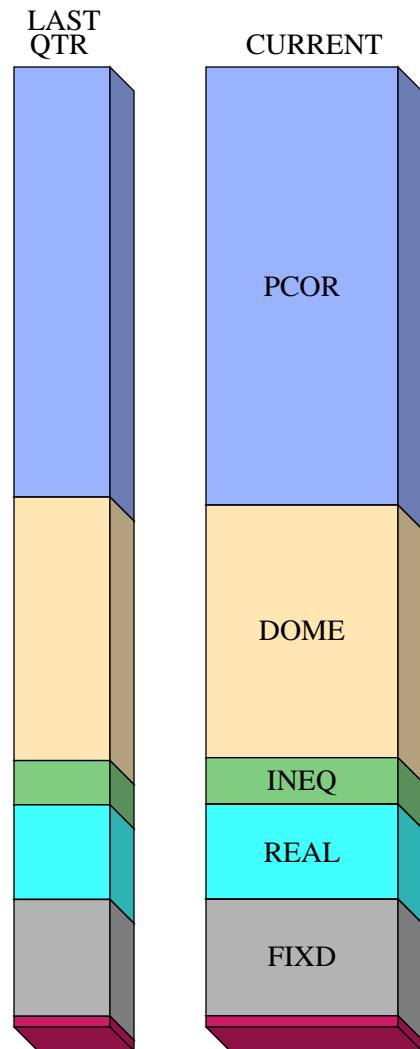
**INVESTMENT GROWTH**



— ACTUAL RETURN  
 - - - 7.75%  
 ..... 0.0%

VALUE ASSUMING  
 7.75% RETURN \$ 116,270,287

	LAST QUARTER	FIVE YEARS
BEGINNING VALUE	\$ 132,002,297	\$ 87,022,833
NET CONTRIBUTIONS	- 2,122,320	- 9,402,198
<u>INVESTMENT RETURN</u>	<u>4,524,734</u>	<u>56,784,076</u>
ENDING VALUE	\$ 134,404,711	\$ 134,404,711
INCOME	918,718	13,361,026
<u>CAPITAL GAINS (LOSSES)</u>	<u>3,606,016</u>	<u>43,423,050</u>
INVESTMENT RETURN	4,524,734	56,784,076




































	<u>VALUE</u>	<u>PERCENT</u>	<u>TARGET</u>	<u>DIFFERENCE</u> <u>+ / -</u>
■ PRIT CORE	\$ 61,334,253	45.6%	45.0%	0.6%
■ DOMESTIC EQUITY	35,370,750	26.3%	27.0%	-0.7%
■ INTERNATIONAL EQUITY	6,509,019	4.8%	5.0%	-0.2%
■ REAL ESTATE	13,291,648	9.9%	10.0%	-0.1%
■ FIXED INCOME	16,312,710	12.1%	13.0%	-0.9%
■ CASH & EQUIVALENT	1,586,331	1.2%	0.0%	1.2%
<u>TOTAL FUND</u>	<u>\$ 134,404,711</u>	<u>100.0%</u>		

## MANAGER PERFORMANCE SUMMARY

Name	(Universe)	Quarter	YTD	1 Year	3 Years	5 Years
Total Portfolio	(Public Fund)	3.5 (18)	7.7 (47)	14.1 (15)	6.6 (7)	10.6 (5)
<i>Franklin Regional Policy Index</i>		<i>2.9 ----</i>	<i>7.3 ----</i>	<i>12.5 ----</i>	<i>6.6 ----</i>	<i>10.3 ----</i>
PRIT Core Fund	(Public Fund)	3.9 (6)	8.9 (11)	13.4 (24)	6.4 (9)	9.9 (16)
<i>Custom Core Index</i>		<i>3.3 ----</i>	<i>7.6 ----</i>	<i>11.4 ----</i>	<i>5.4 ----</i>	<i>8.6 ----</i>
Polen Capital	(LC Growth)	6.9 (16)	16.7 (25)	21.6 (37)	15.5 (2)	15.7 (30)
<i>Russell 1000 Growth</i>		<i>4.7 ----</i>	<i>14.0 ----</i>	<i>20.4 ----</i>	<i>11.1 ----</i>	<i>15.3 ----</i>
O'Shaughnessy	(LC Value)	4.9 (4)	8.1 (26)	24.5 (13)	6.6 (70)	15.1 (29)
<i>Russell 1000 Value</i>		<i>1.3 ----</i>	<i>4.7 ----</i>	<i>15.5 ----</i>	<i>7.4 ----</i>	<i>13.9 ----</i>
Seizert Capital	(Mid Cap)	0.6 (88)	6.9 (60)	32.4 (1)	6.3 (79)	17.9 (2)
<i>Russell Mid Cap</i>		<i>2.7 ----</i>	<i>8.0 ----</i>	<i>16.5 ----</i>	<i>7.7 ----</i>	<i>14.7 ----</i>
Systematic	(Small Cap)	-0.8 (93)	0.2 (86)	19.0 (86)	4.3 (89)	---- ----
<i>Russell 2000</i>		<i>2.5 ----</i>	<i>5.0 ----</i>	<i>24.6 ----</i>	<i>7.4 ----</i>	<i>13.7 ----</i>
PRIT Int'l Eq.	(Intl Eq)	6.9 (48)	14.8 (67)	20.2 (62)	---- ----	---- ----
<i>MSCI EAFE</i>		<i>6.4 ----</i>	<i>14.2 ----</i>	<i>20.8 ----</i>	<i>1.6 ----</i>	<i>9.2 ----</i>
PRIT Core R.E.		2.4 ----	4.5 ----	6.8 ----	10.3 ----	11.4 ----
<i>NCREIF NFI-ODCE Index</i>		<i>1.7 ----</i>	<i>3.5 ----</i>	<i>7.9 ----</i>	<i>11.3 ----</i>	<i>11.8 ----</i>
IR&M	(Core Fixed)	1.7 (26)	2.6 (39)	0.6 (35)	3.0 (32)	3.2 (17)
<i>Bloomberg Barclays Aggregate Index</i>		<i>1.4 ----</i>	<i>2.3 ----</i>	<i>-0.3 ----</i>	<i>2.5 ----</i>	<i>2.2 ----</i>

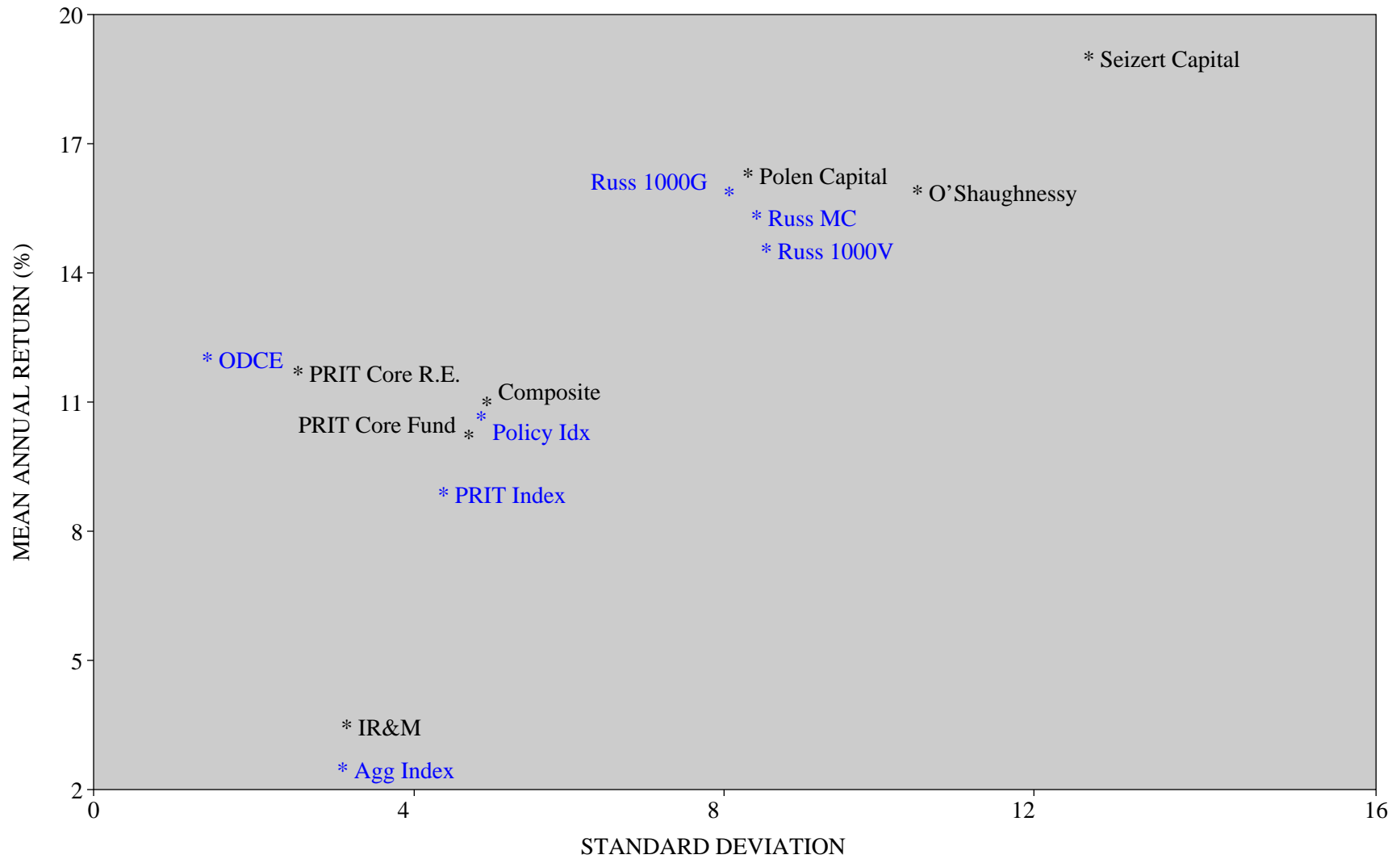
## MANAGER VALUE ADDED

Portfolio	Benchmark	1 Quarter	1 Years	3 Years	5 Years
PRIT Core Fund	Custom Core Idx	0.6 	2.0 	1.0 	1.3 
Polen Capital	Russell 1000G	2.2 	1.2 	4.4 	0.4 
O'Shaughnessy	Russell 1000V	3.6 	9.0 	-0.8 	1.2 
Seizert Capital	Russell Mid	-2.1 	15.9 	-1.4 	3.2 
Systematic	Russell 2000	-3.3 	-5.6 	-3.1 	N/A
PRIT Int'l Eq.	MSCI EAFE	0.5 	-0.6 	N/A	N/A
PRIT Core R.E.	NCREIF ODCE	0.7 	-1.1 	-1.0 	-0.4 
IR&M	Aggregate Index	0.3 	0.9 	0.5 	1.0 
<b>Total Portfolio</b>	<b>Policy Index</b>	<b>0.6</b> 	<b>1.6</b> 	<b>0.0</b> 	<b>0.3</b> 

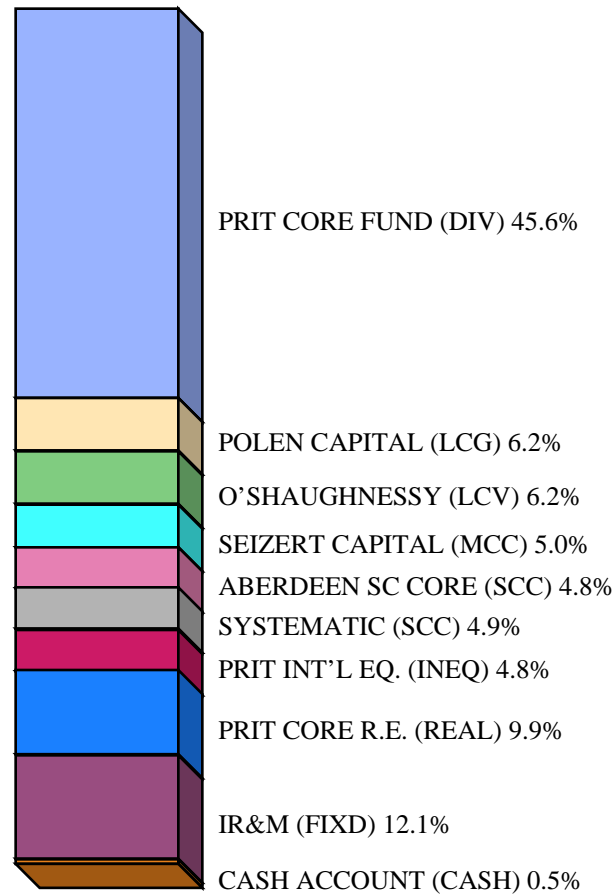
**MANAGER RISK STATISTICS SUMMARY - FIVE-YEAR HISTORY**

Name	Alpha	Batting Average	Sharpe Ratio	Information Ratio	Up Capture	Down Capture
PRIT Core Fund <i>Custom Core Idx</i>	0.85	0.850	2.13	1.59	113.8	98.8
Polen Capital <i>Russell 1000G</i>	3.14	0.500	1.96	0.09	93.2	1.4
O'Shaughnessy <i>Russell 1000V</i>	1.71	0.500	1.52	0.22	102.8	68.6
Seizert Capital <i>Russell Mid</i>	-0.04	0.500	1.51	0.51	126.9	143.0
PRIT Core R.E. <i>NCREIF ODCE</i>	7.40	0.550	4.55	-0.13	97.0	----
IR&M <i>Aggregate Index</i>	1.01	0.850	1.00	1.52	116.2	76.9

**RISK-RETURN SUMMARY - 5 YEAR HISTORY**



**MANAGER ALLOCATION AND TARGET SUMMARY**



Name	Market Value	Percent	Target
PRIT Core Fund (DIV)	\$61,334,253	45.6	45.0
Polen Capital (LCG)	\$8,269,563	6.2	6.0
O'Shaughnessy (LCV)	\$8,281,775	6.2	6.0
Seizert Capital (MCC)	\$6,718,921	5.0	5.0
Aberdeen SC Core (SCC)	\$6,451,915	4.8	5.0
Systematic (SCC)	\$6,519,159	4.9	5.0
PRIT Int'l Eq. (INEQ)	\$6,509,019	4.8	5.0
PRIT Core R.E. (REAL)	\$13,291,648	9.9	10.0
IR&M (FIXD)	\$16,312,710	12.1	13.0
Cash Account (CASH)	\$715,748	0.5	0.0
<b>Total Portfolio</b>	<b>\$134,404,711</b>	<b>100.0</b>	<b>100.0</b>

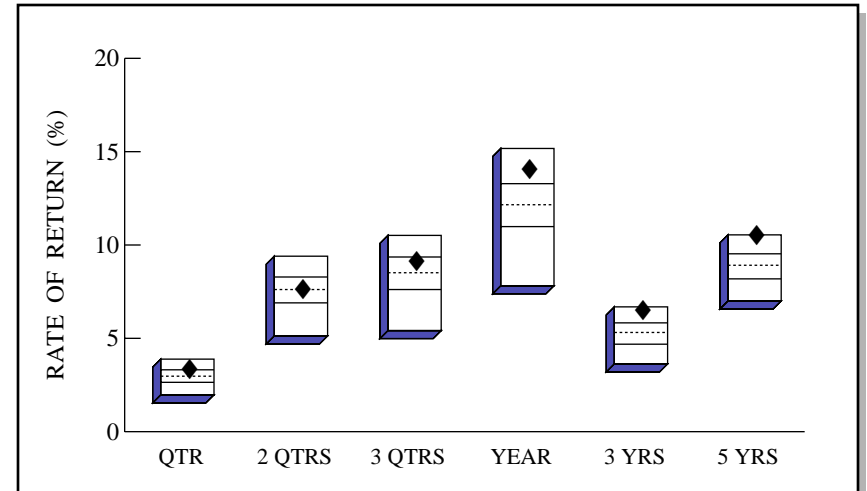
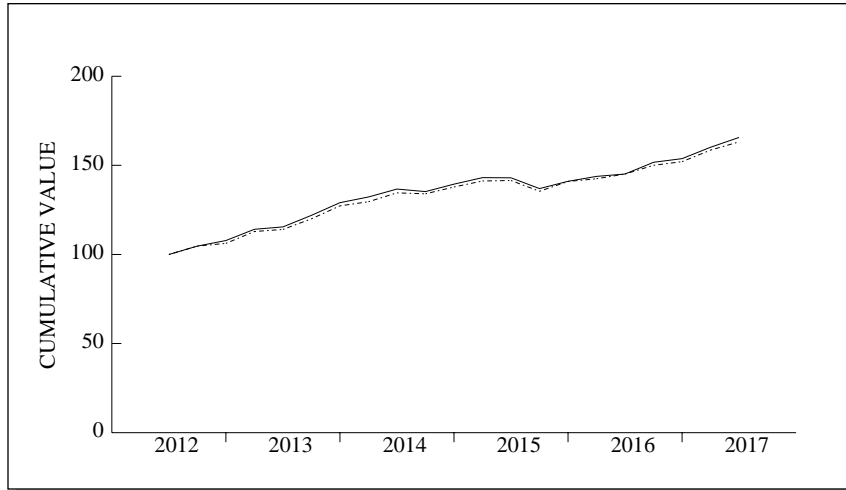


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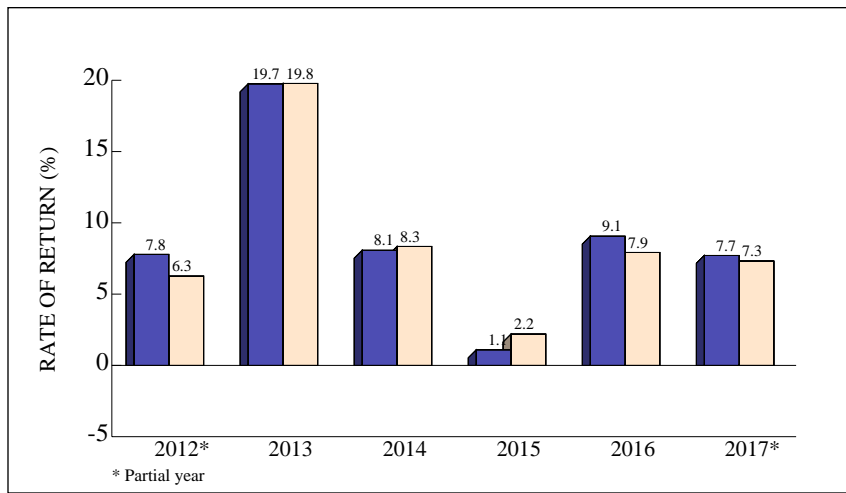
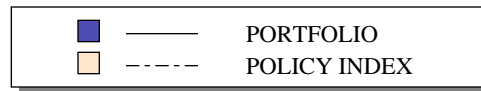
**INVESTMENT RETURN SUMMARY - ONE QUARTER**

Name	Quarter Total Return	Market Value March 31st, 2017	Net Cashflow	Net Investment Return	Market Value June 30th, 2017
PRIT Core Fund (DIV)	3.9	59,144,242	-88,149	2,278,160	61,334,253
Polen Capital (LCG)	6.9	8,115,188	-400,285	554,660	8,269,563
O'Shaughnessy (LCV)	4.9	8,662,693	-790,015	409,097	8,281,775
Seizert Capital (MCC)	0.6	7,369,110	-684,000	33,811	6,718,921
Aberdeen SC Core (SCC)	---	0	6,149,255	302,660	6,451,915
Daruma Ginkgo (SCC)	---	6,149,255	-6,149,255	0	0
Systematic (SCC)	-0.8	6,713,634	-144,000	-50,475	6,519,159
PRIT Int'l Eq. (INEQ)	6.9	6,092,396	-3,482	420,105	6,509,019
PRIT Core R.E. (REAL)	2.4	13,000,748	-17,544	308,444	13,291,648
IR&M (FIXD)	1.7	16,044,615	0	268,095	16,312,710
Cash Account (CASH)	---	710,416	5,155	177	715,748
<b>Total Portfolio</b>	<b>3.5</b>	<b>132,002,297</b>	<b>-2,122,320</b>	<b>4,524,734</b>	<b>134,404,711</b>

**TOTAL RETURN COMPARISONS**



Public Fund Universe

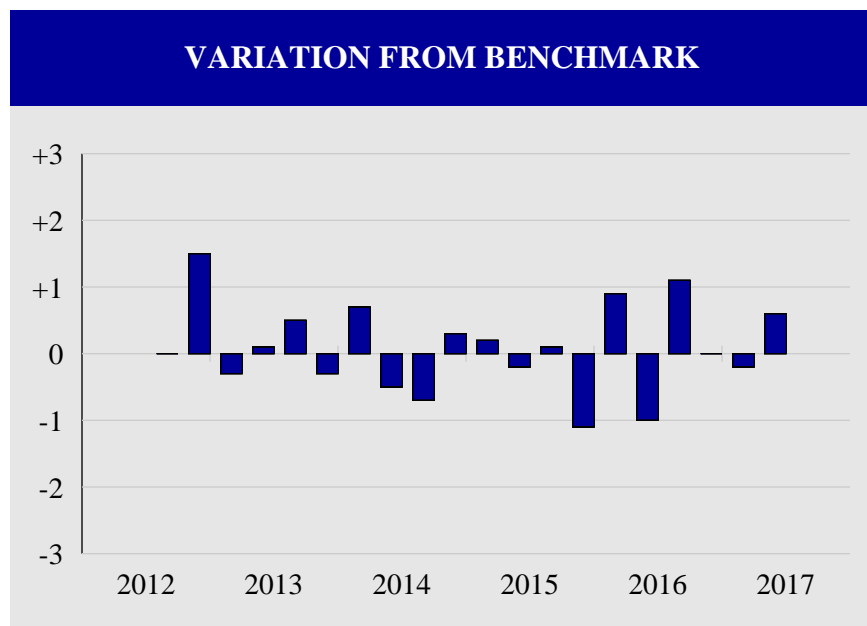


	QTR	2 QTRS	3 QTRS	YEAR	3 YRS	5 YRS
RETURN	3.5	7.7	9.2	14.1	6.6	10.6
(RANK)	(18)	(47)	(28)	(15)	(7)	(5)
5TH %ILE	3.9	9.4	10.5	15.2	6.7	10.5
25TH %ILE	3.3	8.3	9.4	13.3	5.8	9.5
MEDIAN	3.0	7.6	8.5	12.2	5.3	8.9
75TH %ILE	2.6	6.9	7.6	11.0	4.7	8.2
95TH %ILE	2.0	5.1	5.4	7.8	3.6	7.0
<b>Policy Idx</b>	<b>2.9</b>	<b>7.3</b>	<b>8.8</b>	<b>12.5</b>	<b>6.6</b>	<b>10.3</b>

Public Fund Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

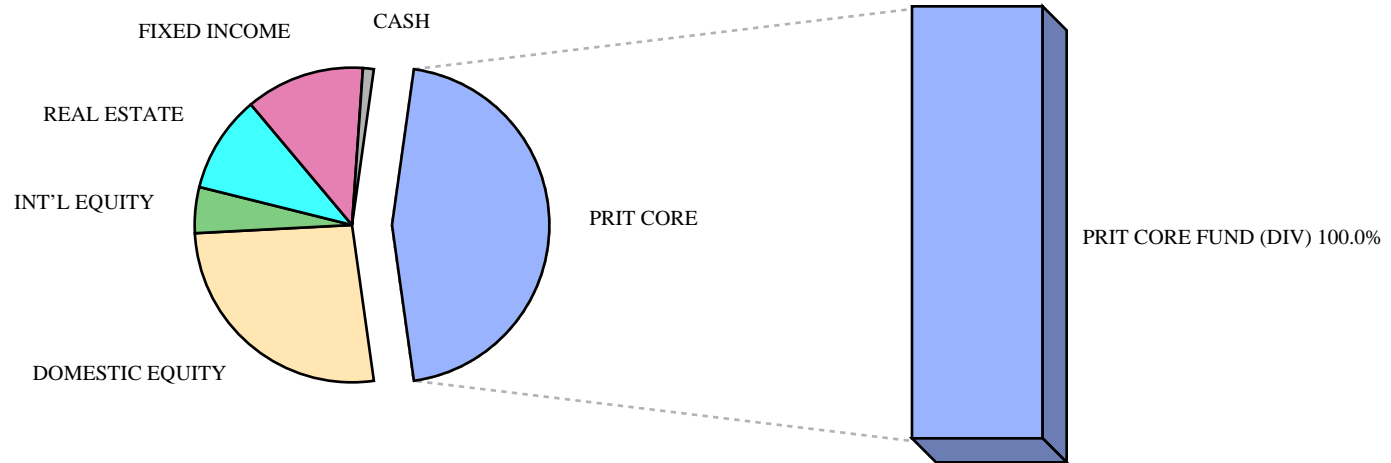
**COMPARATIVE BENCHMARK: FRANKLIN REGIONAL POLICY INDEX**



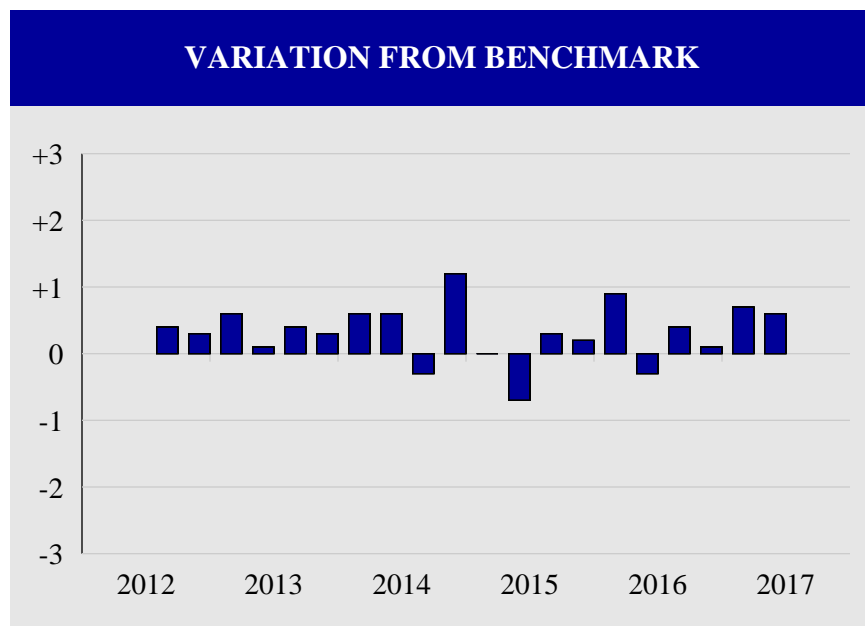
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
9/12	4.7	4.7	0.0
12/12	3.0	1.5	1.5
3/13	5.9	6.2	-0.3
6/13	1.1	1.0	0.1
9/13	5.7	5.2	0.5
12/13	5.8	6.1	-0.3
3/14	2.5	1.8	0.7
6/14	3.3	3.8	-0.5
9/14	-1.1	-0.4	-0.7
12/14	3.1	2.8	0.3
3/15	2.6	2.4	0.2
6/15	0.0	0.2	-0.2
9/15	-4.2	-4.3	0.1
12/15	2.9	4.0	-1.1
3/16	2.0	1.1	0.9
6/16	0.9	1.9	-1.0
9/16	4.5	3.4	1.1
12/16	1.4	1.4	0.0
3/17	4.1	4.3	-0.2
6/17	3.5	2.9	0.6

<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>12</b>
<b>Quarters Below the Benchmark</b>	<b>8</b>
<b>Batting Average</b>	<b>.600</b>

**PRIT CORE MANAGER SUMMARY**



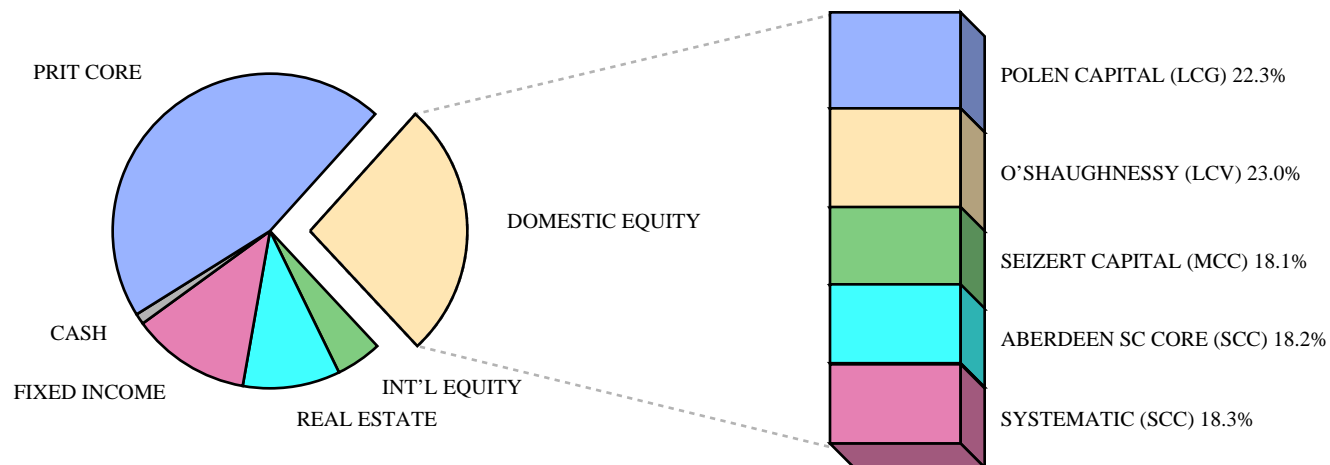
TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
PRIT CORE FUND	(Public Fund)	3.9 (6)	8.9 (11)	13.4 (24)	6.4 (9)	9.9 (16)	\$61,334,253
<i>Custom Core Index</i>		<i>3.3 ---</i>	<i>7.6 ---</i>	<i>11.4 ---</i>	<i>5.4 ---</i>	<i>8.6 ---</i>	<i>---</i>

**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>17</b>
<b>Quarters Below the Benchmark</b>	<b>3</b>
<b>Batting Average</b>	<b>.850</b>

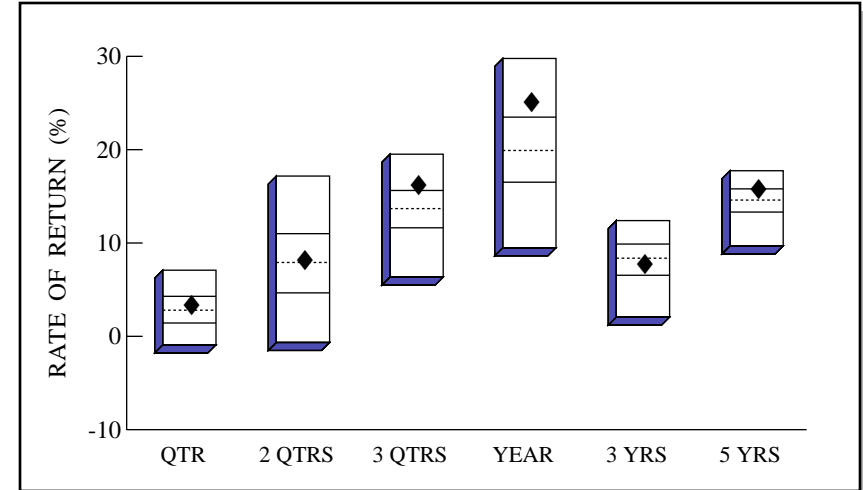
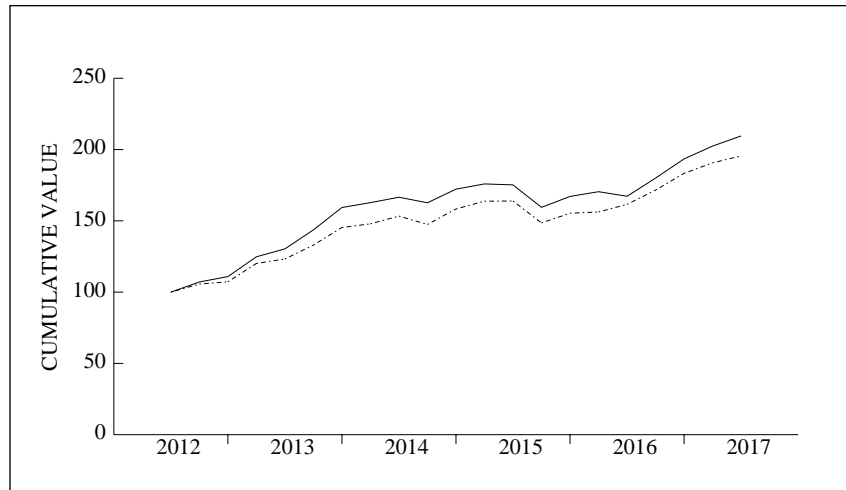
<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
9/12	4.4	4.0	0.4
12/12	3.1	2.8	0.3
3/13	4.6	4.0	0.6
6/13	0.2	0.1	0.1
9/13	5.1	4.7	0.4
12/13	4.9	4.6	0.3
3/14	2.7	2.1	0.6
6/14	4.1	3.5	0.6
9/14	-0.8	-0.5	-0.3
12/14	2.1	0.9	1.2
3/15	2.7	2.7	0.0
6/15	0.0	0.7	-0.7
9/15	-3.9	-4.2	0.3
12/15	2.4	2.2	0.2
3/16	2.0	1.1	0.9
6/16	1.9	2.2	-0.3
9/16	4.3	3.9	0.4
12/16	-0.2	-0.3	0.1
3/17	4.9	4.2	0.7
6/17	3.9	3.3	0.6

**DOMESTIC EQUITY MANAGER SUMMARY**

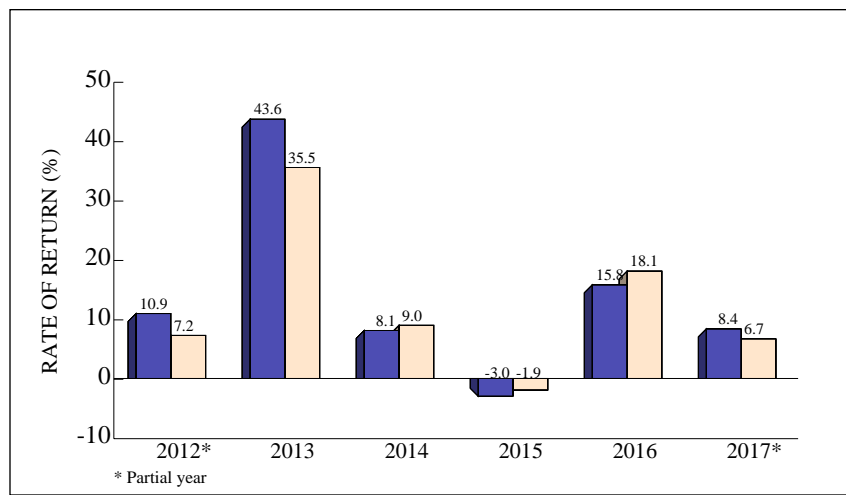


TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
POLEN CAPITAL	(Large Cap Growth)	6.9 (16)	16.7 (25)	21.6 (37)	15.5 (2)	15.7 (30)	\$8,269,563
<i>Russell 1000 Growth</i>		<i>4.7 ---</i>	<i>14.0 ---</i>	<i>20.4 ---</i>	<i>11.1 ---</i>	<i>15.3 ---</i>	<i>---</i>
O'SHAUGHNESSY	(Large Cap Value)	4.9 (4)	8.1 (26)	24.5 (13)	6.6 (70)	15.1 (29)	\$8,281,775
<i>Russell 1000 Value</i>		<i>1.3 ---</i>	<i>4.7 ---</i>	<i>15.5 ---</i>	<i>7.4 ---</i>	<i>13.9 ---</i>	<i>---</i>
SEIZERT CAPITAL	(Mid Cap)	0.6 (88)	6.9 (60)	32.4 (1)	6.3 (79)	17.9 (2)	\$6,718,921
<i>Russell Mid Cap</i>		<i>2.7 ---</i>	<i>8.0 ---</i>	<i>16.5 ---</i>	<i>7.7 ---</i>	<i>14.7 ---</i>	<i>---</i>
ABERDEEN SC CORE	(Small Cap)	--- ---	--- ---	--- ---	--- ---	--- ---	\$6,451,915
SYSTEMATIC	(Small Cap)	-0.8 (93)	0.2 (86)	19.0 (86)	4.3 (89)	--- ---	\$6,519,159
<i>Russell 2000</i>		<i>2.5 ---</i>	<i>5.0 ---</i>	<i>24.6 ---</i>	<i>7.4 ---</i>	<i>13.7 ---</i>	<i>---</i>

### DOMESTIC EQUITY RETURN COMPARISONS



Domestic Equity Universe

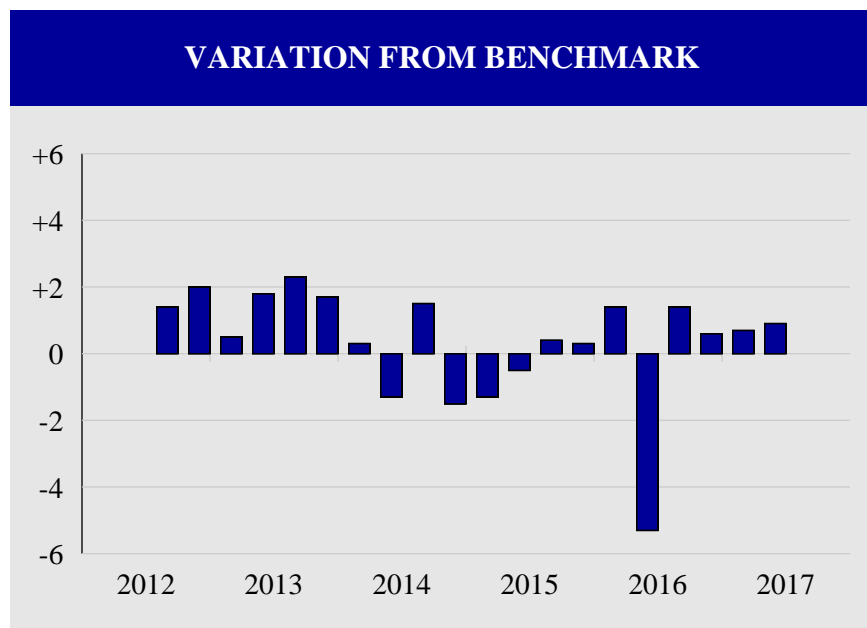


	QTR	2 QTRS	3 QTRS	YEAR	3 YRS	5 YRS
RETURN	3.5	8.4	16.4	25.3	8.0	16.0
(RANK)	(36)	(46)	(18)	(17)	(56)	(22)
5TH %ILE	7.1	17.2	19.5	29.8	12.4	17.7
25TH %ILE	4.3	11.0	15.6	23.5	9.9	15.8
MEDIAN	2.8	7.9	13.7	19.9	8.4	14.6
75TH %ILE	1.4	4.7	11.6	16.5	6.5	13.3
95TH %ILE	-0.9	-0.7	6.3	9.5	2.1	9.7
<b>Equity Index</b>	<b>2.6</b>	<b>6.7</b>	<b>14.0</b>	<b>21.1</b>	<b>8.5</b>	<b>14.4</b>

Domestic Equity Universe

## DOMESTIC EQUITY QUARTERLY PERFORMANCE SUMMARY

COMPARATIVE BENCHMARK: FRANKLIN REGIONAL EQUITY INDEX

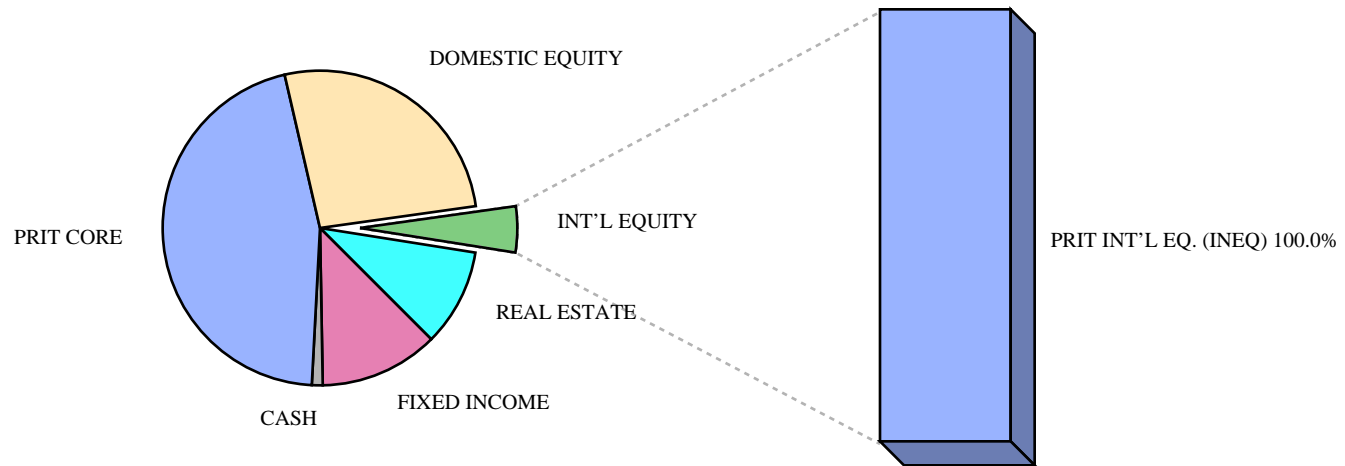


<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>15</b>
<b>Quarters Below the Benchmark</b>	<b>5</b>
<b>Batting Average</b>	<b>.750</b>

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
9/12	7.1	5.7	1.4
12/12	3.5	1.5	2.0
3/13	12.5	12.0	0.5
6/13	4.4	2.6	1.8
9/13	10.3	8.0	2.3
12/13	10.9	9.2	1.7
3/14	2.1	1.8	0.3
6/14	2.3	3.6	-1.3
9/14	-2.3	-3.8	1.5
12/14	5.9	7.4	-1.5
3/15	2.1	3.4	-1.3
6/15	-0.4	0.1	-0.5
9/15	-9.0	-9.4	0.4
12/15	4.8	4.5	0.3
3/16	2.0	0.6	1.4
6/16	-1.9	3.4	-5.3
9/16	7.6	6.2	1.4
12/16	7.5	6.9	0.6
3/17	4.7	4.0	0.7
6/17	3.5	2.6	0.9

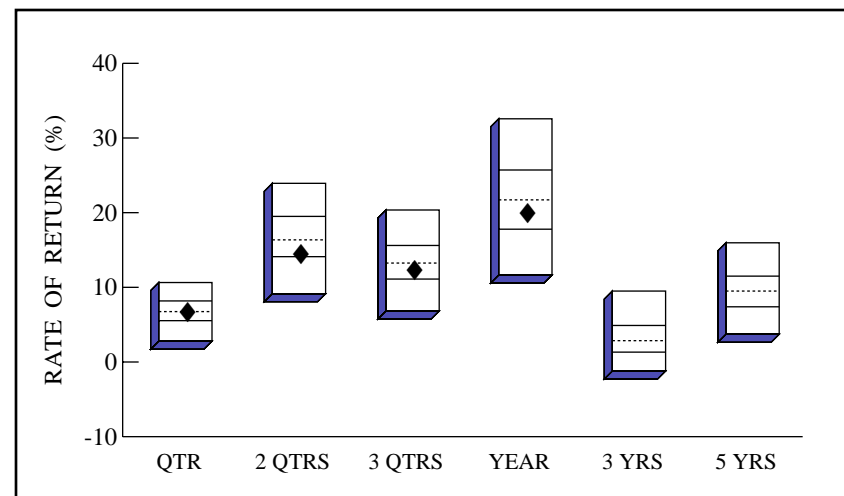
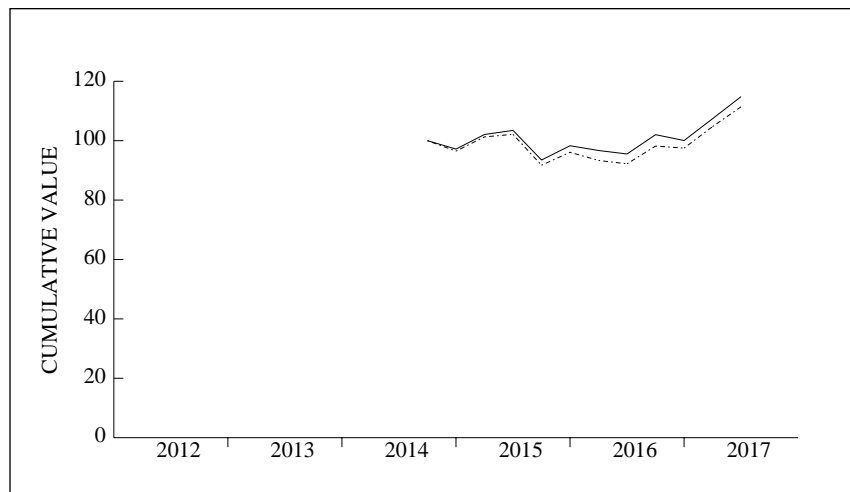


**INTERNATIONAL EQUITY MANAGER SUMMARY**

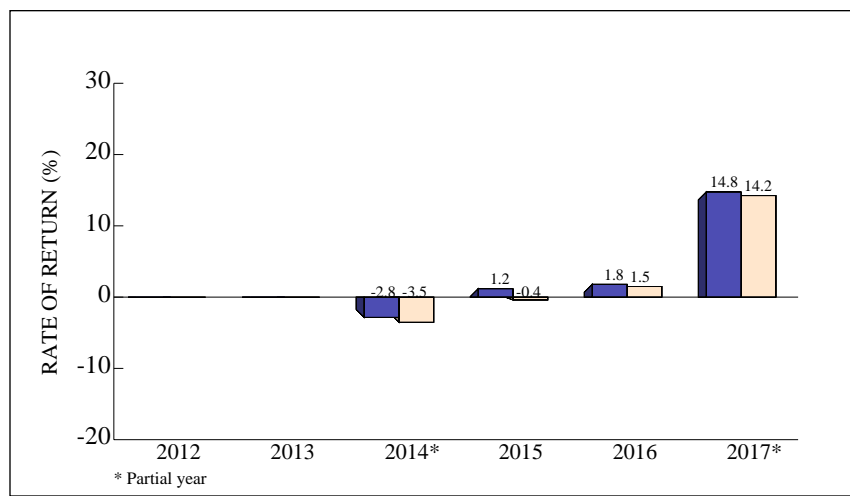


		TOTAL RETURNS AND RANKINGS					
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
PRIT INT'L EQ.	(International Equity)	6.9 (48)	14.8 (67)	20.2 (62)	----	----	\$6,509,019
<i>MSCI EAFE</i>		<i>6.4</i> ----	<i>14.2</i> ----	<i>20.8</i> ----	<i>1.6</i> ----	<i>9.2</i> ----	----

### INTERNATIONAL EQUITY RETURN COMPARISONS



International Equity Universe

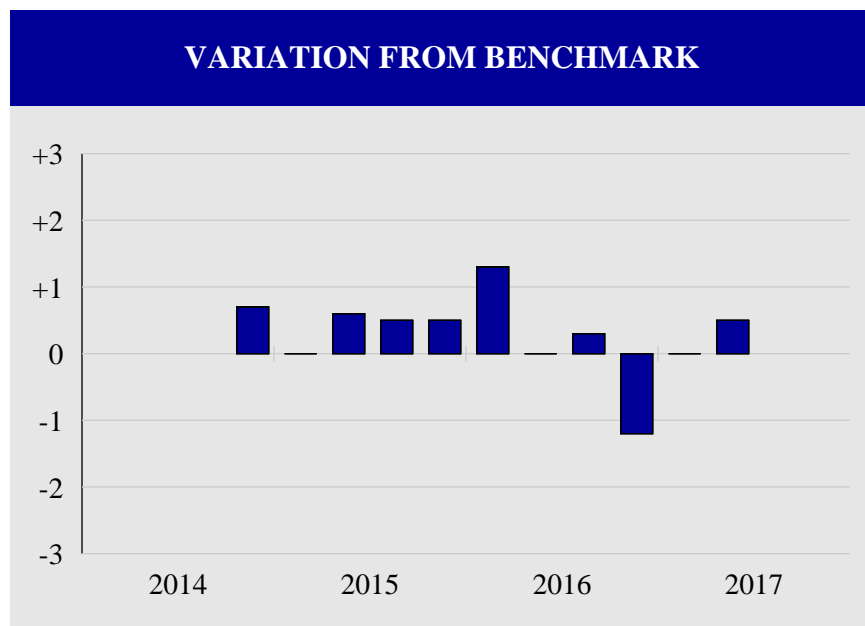


	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	6.9	14.8	12.6	20.2	----	----
(RANK)	(48)	(67)	(59)	(62)	----	----
5TH %ILE	10.6	23.9	20.4	32.6	9.5	16.0
25TH %ILE	8.2	19.5	15.6	25.7	4.9	11.5
MEDIAN	6.8	16.4	13.3	21.7	2.9	9.5
75TH %ILE	5.5	14.1	11.1	17.8	1.3	7.4
95TH %ILE	2.8	9.1	6.8	11.6	-1.2	3.7
<b>MSCI EAFE</b>	<b>6.4</b>	<b>14.2</b>	<b>13.5</b>	<b>20.8</b>	<b>1.6</b>	<b>9.2</b>

International Equity Universe

**INTERNATIONAL EQUITY QUARTERLY PERFORMANCE SUMMARY**

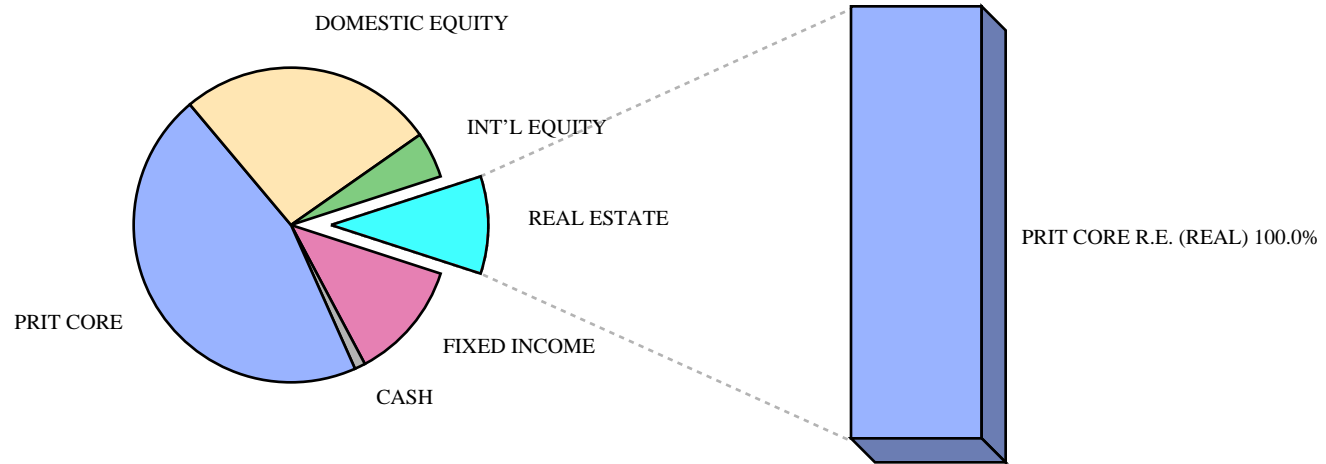
**COMPARATIVE BENCHMARK: MSCI EAFE**



RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
12/14	-2.8	-3.5	0.7
3/15	5.0	5.0	0.0
6/15	1.4	0.8	0.6
9/15	-9.7	-10.2	0.5
12/15	5.2	4.7	0.5
3/16	-1.6	-2.9	1.3
6/16	-1.2	-1.2	0.0
9/16	6.8	6.5	0.3
12/16	-1.9	-0.7	-1.2
3/17	7.4	7.4	0.0
6/17	6.9	6.4	0.5

<b>Total Quarters Observed</b>	<b>11</b>
<b>Quarters At or Above the Benchmark</b>	<b>10</b>
<b>Quarters Below the Benchmark</b>	<b>1</b>
<b>Batting Average</b>	<b>.909</b>

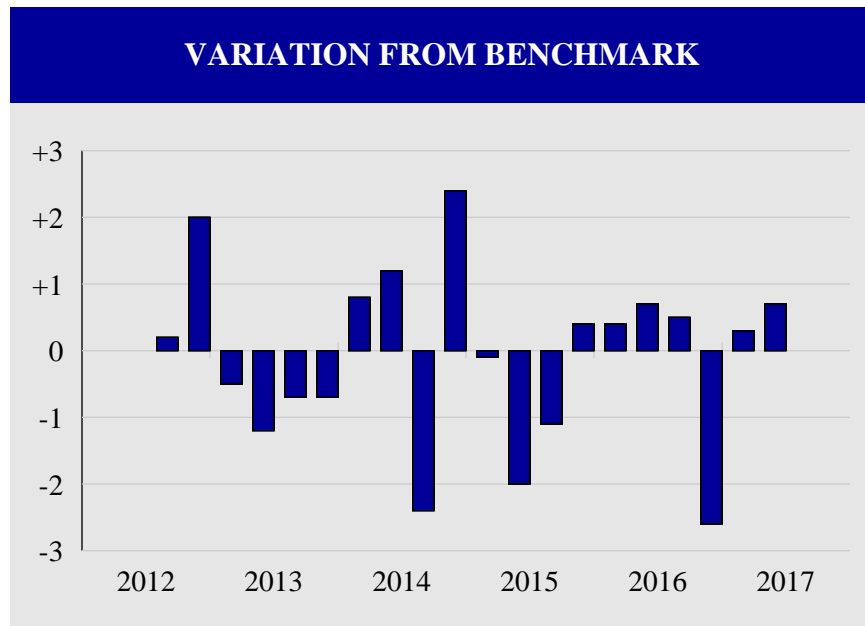
**REAL ESTATE MANAGER SUMMARY**



		TOTAL RETURNS AND RANKINGS					
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
PRIT CORE R.E.		2.4 ---	4.5 ---	6.8 ---	10.3 ---	11.4 ---	\$13,291,648
<i>NCREIF NFI-ODCE Index</i>		<i>1.7 ---</i>	<i>3.5 ---</i>	<i>7.9 ---</i>	<i>11.3 ---</i>	<i>11.8 ---</i>	---

**REAL ESTATE QUARTERLY PERFORMANCE SUMMARY**

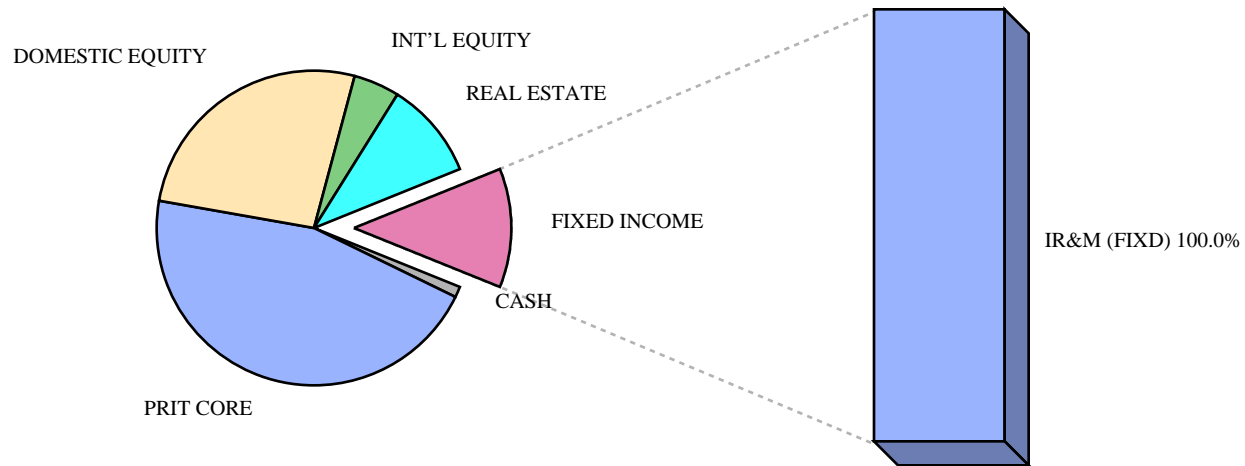
**COMPARATIVE BENCHMARK: NCREIF NFI-ODCE INDEX**



<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>

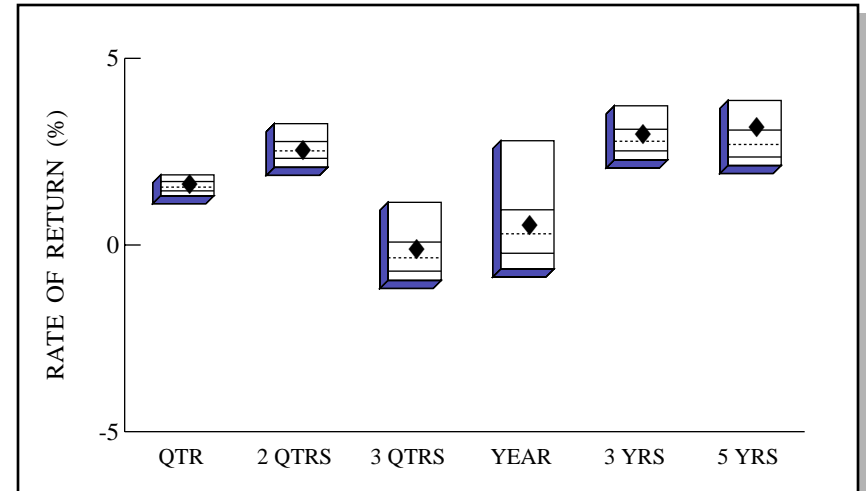
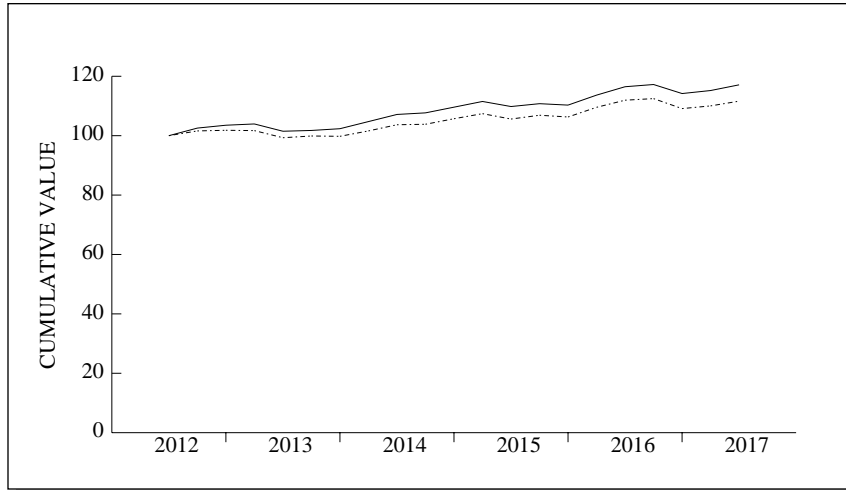
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
9/12	3.0	2.8	0.2
12/12	4.3	2.3	2.0
3/13	2.2	2.7	-0.5
6/13	2.7	3.9	-1.2
9/13	2.9	3.6	-0.7
12/13	2.5	3.2	-0.7
3/14	3.3	2.5	0.8
6/14	4.1	2.9	1.2
9/14	0.8	3.2	-2.4
12/14	5.7	3.3	2.4
3/15	3.3	3.4	-0.1
6/15	1.8	3.8	-2.0
9/15	2.6	3.7	-1.1
12/15	3.7	3.3	0.4
3/16	2.6	2.2	0.4
6/16	2.8	2.1	0.7
9/16	2.6	2.1	0.5
12/16	-0.5	2.1	-2.6
3/17	2.1	1.8	0.3
6/17	2.4	1.7	0.7

**FIXED INCOME MANAGER SUMMARY**

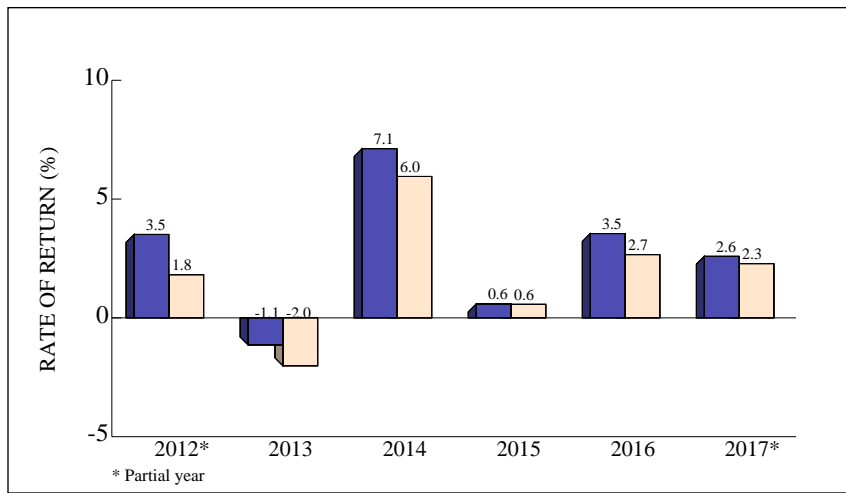


TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
IR&M	(Core Fixed Income)	1.7 (26)	2.6 (39)	0.6 (35)	3.0 (32)	3.2 (17)	\$16,312,710
<i>Bloomberg Barclays Aggregate Index</i>		1.4 ---	2.3 ---	-0.3 ---	2.5 ---	2.2 ---	---

**FIXED INCOME RETURN COMPARISONS**

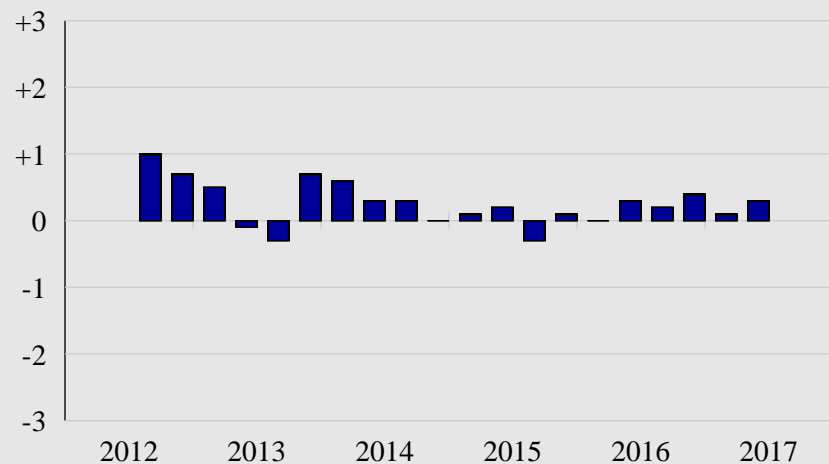


Core Fixed Income Universe



	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	1.7	2.6	-0.1	0.6	3.0	3.2
(RANK)	(26)	(39)	(33)	(35)	(32)	(17)
5TH %ILE	1.9	3.3	1.1	2.8	3.7	3.9
25TH %ILE	1.7	2.8	0.1	0.9	3.1	3.1
MEDIAN	1.6	2.5	-0.3	0.3	2.8	2.7
75TH %ILE	1.5	2.3	-0.7	-0.2	2.5	2.4
95TH %ILE	1.3	2.1	-1.0	-0.6	2.3	2.1
<b>Agg Index</b>	<b>1.4</b>	<b>2.3</b>	<b>-0.8</b>	<b>-0.3</b>	<b>2.5</b>	<b>2.2</b>

Core Fixed Income Universe

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

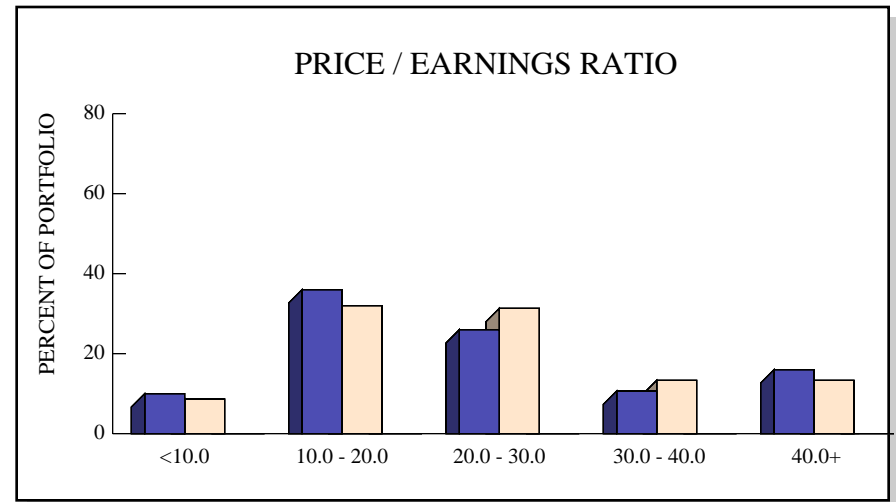
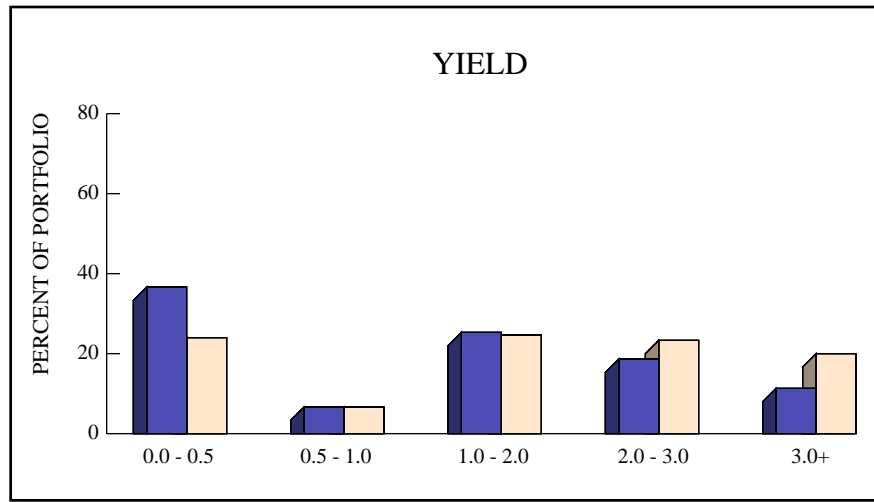
<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>17</b>
<b>Quarters Below the Benchmark</b>	<b>3</b>
<b>Batting Average</b>	<b>.850</b>

**RATES OF RETURN**

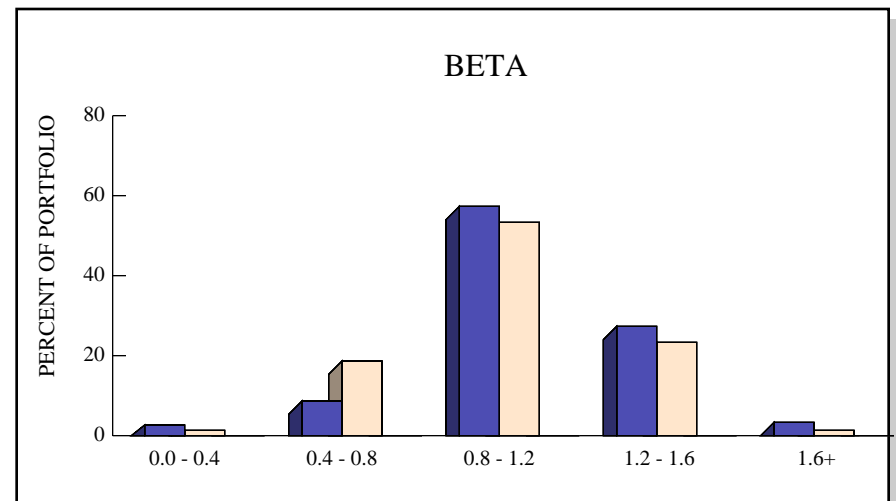
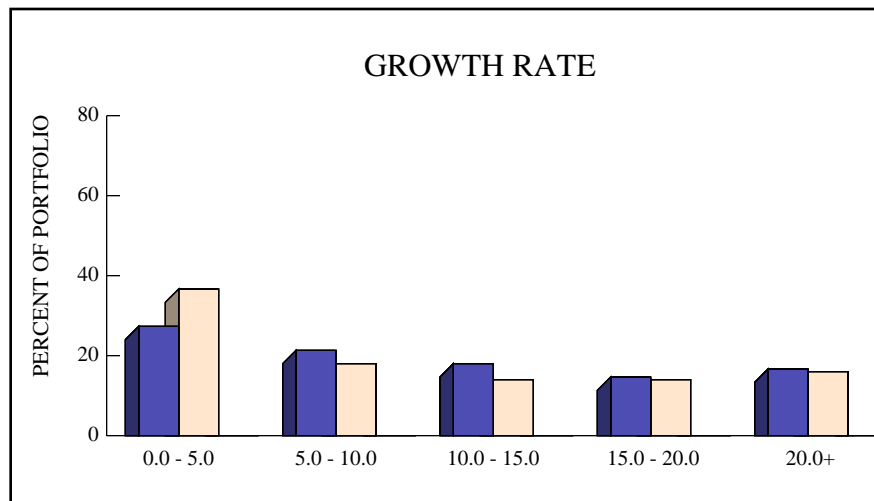
Date	Portfolio	Benchmark	Difference
9/12	2.6	1.6	1.0
12/12	0.9	0.2	0.7
3/13	0.4	-0.1	0.5
6/13	-2.4	-2.3	-0.1
9/13	0.3	0.6	-0.3
12/13	0.6	-0.1	0.7
3/14	2.4	1.8	0.6
6/14	2.3	2.0	0.3
9/14	0.5	0.2	0.3
12/14	1.8	1.8	0.0
3/15	1.7	1.6	0.1
6/15	-1.5	-1.7	0.2
9/15	0.9	1.2	-0.3
12/15	-0.5	-0.6	0.1
3/16	3.0	3.0	0.0
6/16	2.5	2.2	0.3
9/16	0.7	0.5	0.2
12/16	-2.6	-3.0	0.4
3/17	0.9	0.8	0.1
6/17	1.7	1.4	0.3



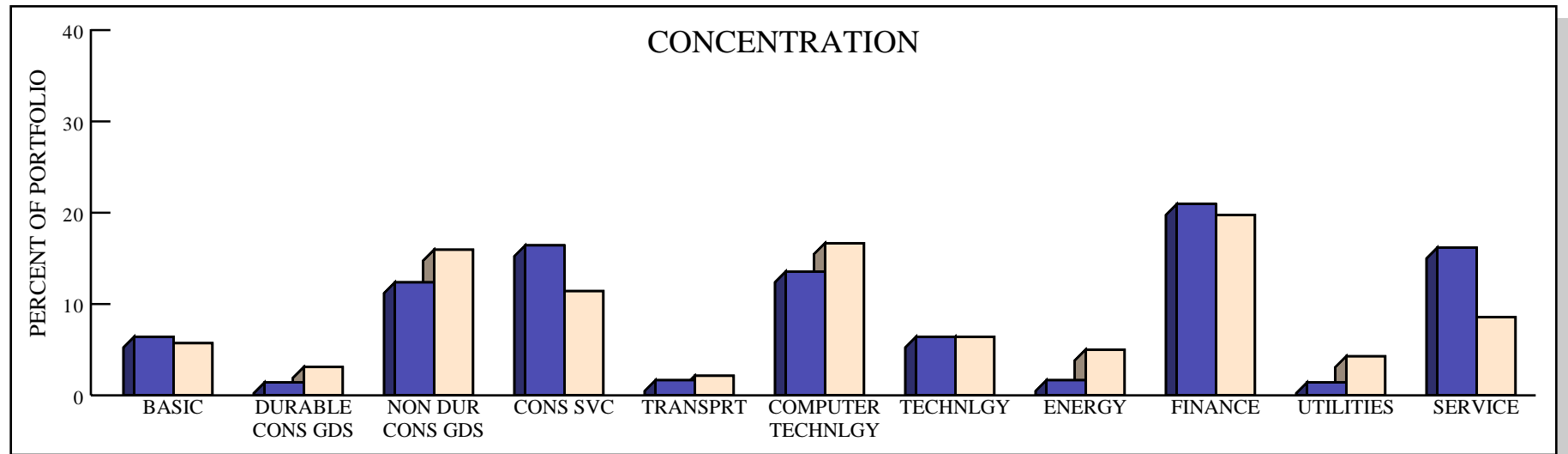
**STOCK CHARACTERISTICS**



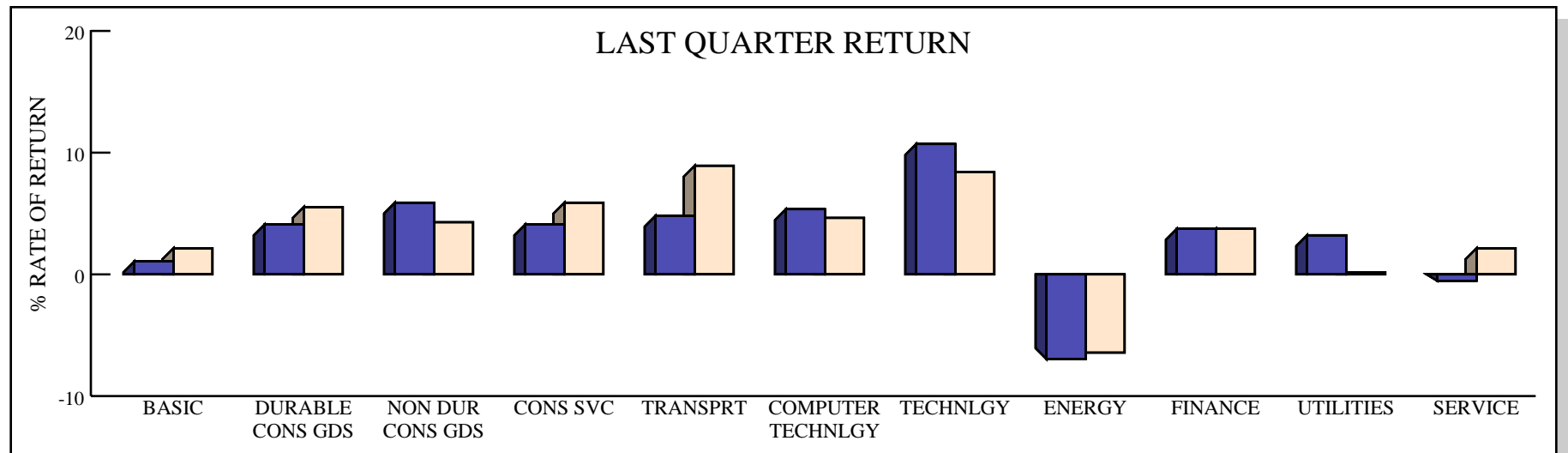
	# HOLDINGS	YIELD	GROWTH	P/E	BETA
PORTFOLIO	399	1.5%	10.8%	24.3	1.07
RUSSELL 3000	3,000	1.9%	9.2%	23.3	1.02



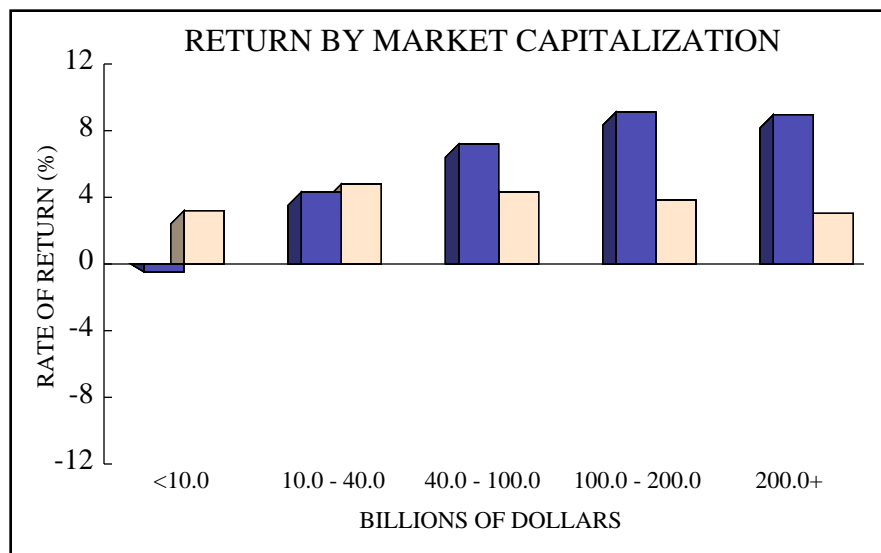
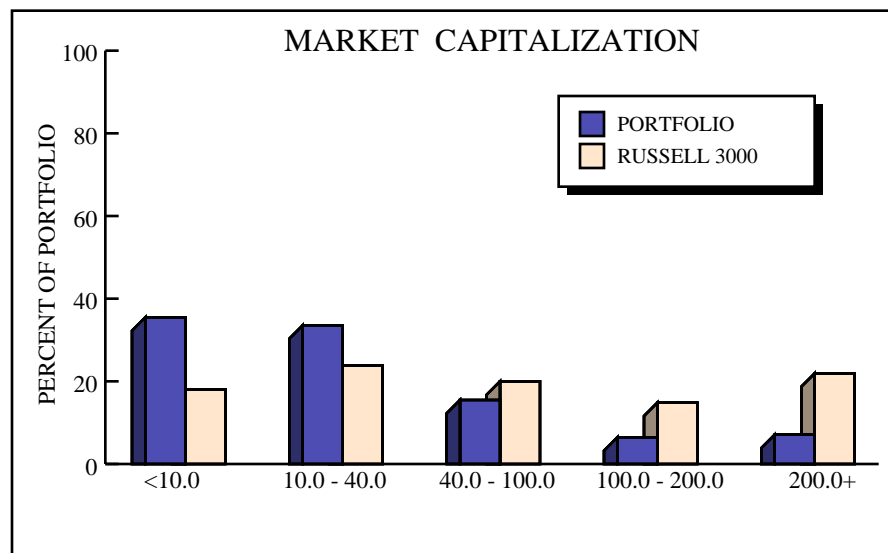
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL 3000



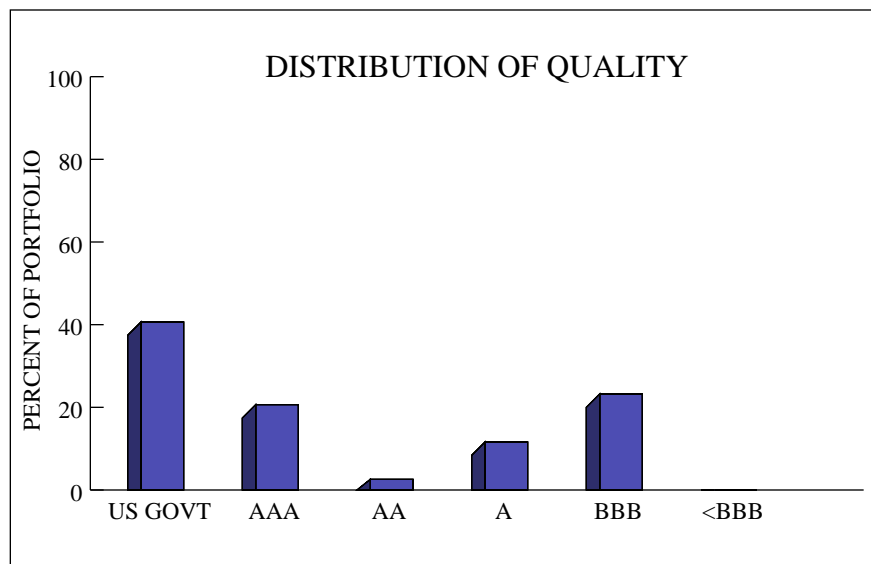
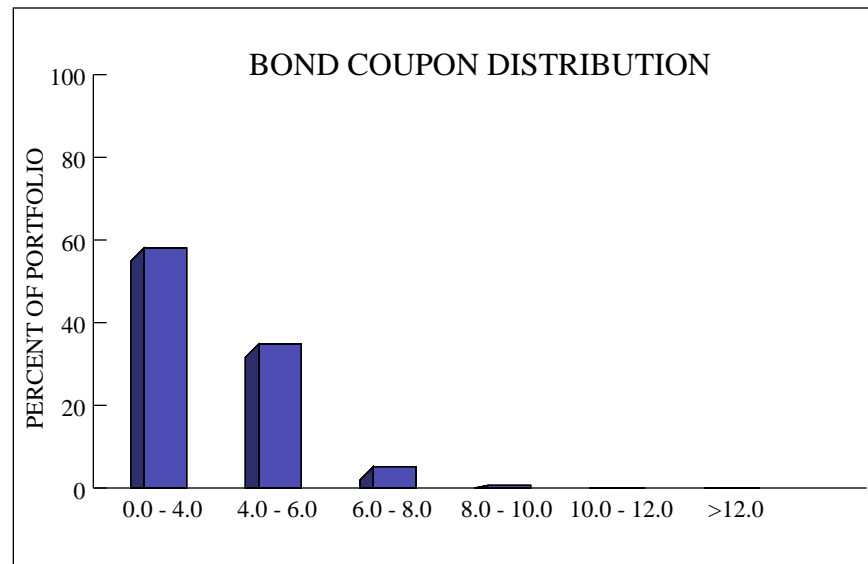
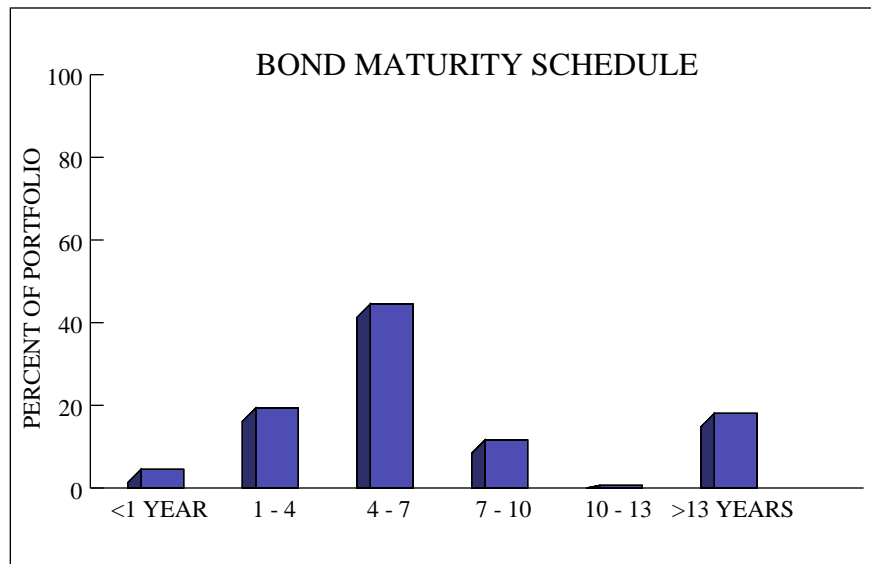
## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	VISA INC-CLASS A SHARES	\$ 654,303	1.85%	5.7%	Finance	\$ 173.1 B
2	FACEBOOK INC-A	585,198	1.65%	6.3%	Computer Tech	357.0 B
3	ADOBE SYSTEMS INC	570,428	1.61%	8.7%	Computer Tech	69.8 B
4	ALPHABET INC-CL C	542,512	1.53%	9.5%	Computer Tech	315.3 B
5	REGENERON PHARMACEUTICALS	534,360	1.51%	26.7%	NonDur Cons Goods	51.3 B
6	NIKE INC -CL B	485,924	1.37%	6.2%	NonDur Cons Goods	78.0 B
7	AUTOMATIC DATA PROCESSING	461,275	1.30%	0.6%	Service	45.8 B
8	CELGENE CORP	447,013	1.26%	4.4%	NonDur Cons Goods	101.4 B
9	STARBUCKS CORP	436,275	1.23%	0.3%	Consumer Service	84.4 B
10	PRICELINE GROUP INC/THE	426,479	1.21%	5.1%	Service	91.9 B

**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>AGGREGATE INDEX</b>
No. of Securities	254	9,355
Duration	6.42	6.01
YTM	2.72	2.55
Average Coupon	3.55	3.06
Avg Maturity / WAL	8.10	8.27
Average Quality	AAA-AA	USG-AAA

Franklin Regional Retirement System  
 Manager Fee Schedules  
 June 30, 2017

Manager	Fee Schedule	Market Value	Fee Estimate
PRIT Core Fund	53 bps on balance	\$ 61,334,253	\$ 303,709
Polen Capital	75 bps on first \$50m	\$ 8,269,563	\$ 53,553
O'Shaughnessy	55 bps on first \$25m	\$ 8,281,775	\$ 36,993
Seizert Capital	75 bps on first \$25m	\$ 6,718,921	\$ 47,880
Aberdeen	N/A	\$ 6,451,915	---
Systematic	75 bps on balance	\$ 6,519,159	\$ 49,630
PRIT Int'l Equity	19 bps on balance	\$ 6,509,019	\$ 10,307
PRIT RE	47 bps on balance	\$ 13,291,648	\$ 62,471
Income Research	45 bps on first \$10m 35 bps on next \$10m	\$ 16,312,710	\$ 60,841
Cash	---	\$ 715,748	---
<b>Average Weighted Fee</b>	<b>61 bps</b>	<b>\$ 134,404,711</b>	<b>\$ 728,935</b>

**PRIT MANAGER RETURNS AND ALLOCATIONS**  
**AS OF JUNE 30, 2017**

PORTFOLIO	QTR	ANNUALIZED			% Allocation
		1 YEAR	3 YEARS	5 YEARS	
<b>Domestic Equity</b>	<b>3.0</b>	<b>18.6</b>	<b>8.8</b>	<b>14.4</b>	<b>19.8</b>
SSgA S&P 500	3.1	18.0	9.5	14.6	15.5
Summit Creek	8.1	20.1	6.7	---	0.4
Frontier	-0.4	21.2	7.7	---	0.5
Huber	3.1	26.4	-2.0	---	0.4
RiverBridge	7.1	21.9	10.1	---	0.3
SSgA Russell 2500	2.1	20.0	7.0	13.9	2.7
<i>S&amp;P 500</i>	<i>3.1</i>	<i>17.9</i>	<i>9.6</i>	<i>14.6</i>	---
<i>Russell 2500</i>	<i>2.1</i>	<i>19.8</i>	<i>6.9</i>	<i>14.0</i>	---
<b>International Equity</b>	<b>6.9</b>	<b>20.2</b>	<b>2.6</b>	<b>9.9</b>	<b>18.0</b>
SSgA World Ex-US	6.2	20.5	1.6	9.2	7.4
Marathon Asset Management	7.6	20.5	3.4	11.0	4.3
Baillie Gifford	9.0	21.2	4.4	10.8	3.4
Mondrian	3.9	15.0	1.5	9.2	1.4
FIS	7.4	16.9	2.7	---	0.2
Timesquare	10.4	---	---	---	0.4
Strategic Global Advisors	7.3	---	---	---	0.2
Acadian Intl Small Cap	6.9	---	---	---	0.5
LMCG	7.2	---	---	---	0.2
AQR Intl Small Cap	8.1	---	---	---	0.2
<i>MSCI EAFE</i>	<i>6.4</i>	<i>20.8</i>	<i>1.6</i>	<i>9.2</i>	---
<i>ACWI EX US</i>	<i>6.0</i>	<i>21.0</i>	<i>1.3</i>	<i>7.7</i>	---
<b>Emerging Markets Equity</b>	<b>7.0</b>	<b>28.2</b>	<b>3.0</b>	<b>5.6</b>	<b>7.9</b>
SSgA Emerging Markets	5.9	23.4	1.6	4.6	2.0
AQR Emerging	7.6	32.4	---	---	0.9
Baillie Gifford EMM	9.5	35.9	---	---	1.2
Driehaus Capital	8.2	21.5	---	---	1.1
Harding Loevner	7.2	24.5	---	---	0.8
Pzena	5.3	34.9	---	---	1.0
Acadian	5.1	31.7	6.0	14.6	0.3
Wasatch	9.4	15.2	2.5	5.1	0.2
Acadian Frontier	5.2	37.0	---	---	0.2
City of London	3.9	26.5	---	---	0.2
<i>MSCI Emerging Markets</i>	<i>6.4</i>	<i>24.2</i>	<i>1.5</i>	<i>4.3</i>	---

**PRIT MANAGER RETURNS AND ALLOCATIONS  
AS OF JUNE 30, 2017**

PORTFOLIO	QTR	ANNUALIZED			% Allocation
		1 YEAR	3 YEARS	5 YEARS	
<b>Core Fixed Income</b>	<b>1.6</b>	<b>-4.4</b>	<b>4.7</b>	<b>3.9</b>	<b>12.0</b>
Blackrock Passive	1.4	-0.5	2.4	2.2	1.7
PIMCO Core	1.7	1.5	2.8	2.8	1.3
Loomis Sayles Core	1.7	1.3	3.6	3.7	1.7
Community Capital Management	1.2	-0.2	2.4	2.3	0.0
AFL - CIO Housing Investment	1.4	-0.2	2.5	2.2	0.2
Access Capital - ETI	0.9	0.6	2.6	2.5	0.2
Progress Mgr of Mgrs	1.6	1.1	---	---	0.2
BlackRock STRIPS	6.1	-10.1	8.4	---	2.0
Blackrock TIPS	-0.4	-0.7	0.6	0.3	2.7
Blackrock ILBs	-0.5	2.2	3.9	3.1	2.0
<i>Barclays Aggregate</i>	<i>1.4</i>	<i>-0.3</i>	<i>2.5</i>	<i>2.2</i>	<i>---</i>
<i>Barclays STRIPS 20+Yrs</i>	<i>6.1</i>	<i>-10.3</i>	<i>8.3</i>	<i>---</i>	<i>---</i>
<i>Barclays US TIPS</i>	<i>-0.4</i>	<i>-0.6</i>	<i>0.6</i>	<i>0.3</i>	<i>---</i>
<i>Barclays ILB US Hedged</i>	<i>-0.4</i>	<i>1.9</i>	<i>4.2</i>	<i>3.0</i>	<i>---</i>
<i>Barclays Aggregate A or Better</i>	<i>1.3</i>	<i>-0.9</i>	<i>2.3</i>	<i>1.9</i>	<i>---</i>
<b>Value-Added Fixed Income</b>	<b>2.2</b>	<b>10.3</b>	<b>2.8</b>	<b>5.1</b>	<b>8.1</b>
Fidelity	2.1	11.3	4.3	7.2	0.5
Loomis Sayles High Yield	2.2	12.2	4.3	7.6	0.6
Shenkman	2.1	10.3	3.9	5.8	0.5
Eaton Vance	1.0	7.9	4.0	4.6	1.2
Voya	0.6	6.3	3.9	5.2	1.2
Ashmore	2.8	12.3	6.0	6.3	0.7
PIMCO EMD	2.0	7.9	4.4	5.1	0.5
Investec	3.8	7.6	-2.7	-0.4	0.3
Pictet	3.4	5.0	-2.7	-1.0	0.5
Stone Harbor	3.5	7.5	-3.1	-1.5	0.2
Distressed Debt	2.9	17.8	5.0	9.5	1.8
<i>ML Master High Yield</i>	<i>2.1</i>	<i>12.8</i>	<i>4.5</i>	<i>6.9</i>	<i>---</i>
<i>JPM EMBI</i>	<i>2.2</i>	<i>6.0</i>	<i>5.4</i>	<i>5.7</i>	<i>---</i>

**PRIT MANAGER RETURNS AND ALLOCATIONS  
AS OF JUNE 30, 2017**

PORTFOLIO	QTR	ANNUALIZED			% Allocation
		1 YEAR	3 YEARS	5 YEARS	
<b>Private Equity</b>	<b>6.3</b>	<b>21.3</b>	<b>16.3</b>	<b>17.9</b>	<b>10.6</b>
Total Special Equity	7.2	24.8	17.1	18.4	7.7
Total Venture Capital	4.4	13.7	15.5	18.2	2.5
<i>Cambridge Private Equity (Lagged)</i>	4.2	17.6	10.3	12.5	---
<b>Private Real Estate</b>	<b>2.3</b>	<b>8.6</b>	<b>11.8</b>	<b>12.4</b>	<b>6.7</b>
Invesco Core	2.2	9.1	12.6	12.9	1.5
Lasalle	1.8	7.8	10.7	11.8	2.6
AEW	2.0	8.2	12.5	12.4	2.2
JP Morgan	2.3	2.0	6.8	7.4	1.0
AEW Core Transition	3.0	0.6	---	---	0.5
PRIM - Core Real estate	-0.7	---	---	---	0.1
Non-Core	2.9	17.8	19.3	17.9	0.7
New Boston Urban I	0.1	-3.7	0.7	2.6	0.0
Portfolio Debt	---	---	---	---	-1.8
<i>NCREIF ODCE</i>	1.7	7.9	11.3	11.8	---
<b>REITS</b>	<b>2.6</b>	<b>1.3</b>	<b>4.9</b>	<b>8.4</b>	<b>2.3</b>
Invesco Global REIT	28.9	27.1	12.3	13.3	0.0
Centersquare Global REIT	2.8	0.7	5.3	8.8	1.3
Presima	2.8	0.8	---	---	0.2
Brookfield	2.7	4.3	---	---	0.8
Transition	---	---	---	---	0.0
<i>NAREIT</i>	2.3	0.2	8.9	9.9	---
<i>FTSE EPRA NAREIT</i>	3.7	3.1	4.8	8.1	---



**PRIT MANAGER RETURNS AND ALLOCATIONS  
AS OF JUNE 30, 2017**

PORTFOLIO	QTR	ANNUALIZED			% Allocation
		1 YEAR	3 YEARS	5 YEARS	
<b>Timber</b>	<b>2.3</b>	<b>8.3</b>	<b>6.1</b>	<b>7.4</b>	<b>3.7</b>
Forest	0.4	5.3	5.6	7.2	1.9
The Campbell Group	4.4	11.5	6.5	7.2	1.8
<i>NCREIF Timber</i>	<i>0.7</i>	<i>3.4</i>	<i>5.5</i>	<i>7.2</i>	<i>---</i>
<b>Hedge Funds (Net)</b>	<b>1.4</b>	<b>9.4</b>	<b>2.4</b>	<b>6.0</b>	<b>8.4</b>
PAAMCO	1.0	7.0	-0.1	5.3	1.4
Direct Hedge Funds	1.4	9.9	3.0	6.1	7.0
<i>HFRI FOF</i>	<i>0.6</i>	<i>6.3</i>	<i>1.5</i>	<i>3.8</i>	<i>---</i>
<b>Risk Premia</b>	<b>-2.3</b>	<b>-7.2</b>	<b>---</b>	<b>---</b>	<b>0.9</b>
<b>Real Assets</b>	<b>1.1</b>	<b>13.7</b>	<b>---</b>	<b>---</b>	<b>0.2</b>
<b>Overlay</b>	<b>2.1</b>	<b>6.8</b>	<b>3.5</b>	<b>---</b>	<b>1.0</b>
Clifton	3.3	10.3	4.2	---	0.4
Overlay Cash	---	---	---	---	0.6
<b>Portable Alpha Wind Down (Net)</b>	<b>19.6</b>	<b>17.7</b>	<b>2.0</b>	<b>0.4</b>	<b>0.0</b>
Austin Capital	1.2	73.8	20.7	3.6	0.0
Crestline	97.1	89.7	17.9	10.0	0.0
Strategic	-1.9	-7.5	-5.6	-2.9	0.0
<i>HFRI FOF</i>	<i>0.6</i>	<i>6.3</i>	<i>1.5</i>	<i>3.8</i>	<i>---</i>
<b>Natural Resources - Private</b>	<b>-3.0</b>	<b>20.2</b>	<b>---</b>	<b>---</b>	<b>0.3</b>

*All sleeve-level returns include cash allocations; the sum of the manager allocations may not add up to the total.*

*Source: PRIM Board*

## APPENDIX - MAJOR MARKET INDEX RETURNS

<b>Economic Data</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Consumer Price Index	Economic Data	0.5	1.5	1.6	0.9	1.3
<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	3.0	8.9	18.5	9.1	14.6
S&P 500	Large Cap Core	3.1	9.3	17.9	9.6	14.6
Russell 1000	Large Cap	3.1	9.3	18.0	9.3	14.7
Russell 1000 Growth	Large Cap Growth	4.7	14.0	20.4	11.1	15.3
Russell 1000 Value	Large Cap Value	1.3	4.7	15.5	7.4	13.9
Russell Mid Cap	Midcap	2.7	8.0	16.5	7.7	14.7
Russell Mid Cap Growth	Midcap Growth	4.2	11.4	17.0	7.8	14.2
Russell Mid Cap Value	Midcap Value	1.4	5.2	15.9	7.5	15.1
Russell 2000	Small Cap	2.5	5.0	24.6	7.4	13.7
Russell 2000 Growth	Small Cap Growth	4.4	10.0	24.4	7.6	14.0
Russell 2000 Value	Small Cap Value	0.7	0.5	24.8	7.0	13.4
<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 All Country World Ex US	Foreign Equity	6.0	14.5	21.0	1.3	7.7
MSCI EAFE	Developed Markets Equity	6.4	14.2	20.8	1.6	9.2
MSCI EAFE Growth	Developed Markets Growth	7.7	17.0	16.1	3.2	9.6
MSCI EAFE Value	Developed Markets Value	5.1	11.6	25.7	0.0	8.7
MSCI Emerging Markets	Emerging Markets Equity	6.4	18.6	24.2	1.5	4.3
<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>
Bloomberg Barclays Aggregate Index	Core Fixed Income	1.4	2.3	-0.3	2.5	2.2
Bloomberg Barclays Capital Gov't Bond	Treasuries	1.2	1.9	-2.2	2.0	1.3
Bloomberg Barclays Capital Credit Bond	Corporate Bonds	2.4	3.7	1.8	3.4	3.7
Intermediate Aggregate	Core Intermediate	0.9	1.6	-0.2	2.0	1.9
ML/BoA 1-3 Year Treasury	Short Term Treasuries	0.2	0.4	-0.1	0.7	0.5
Citi High Yield BB & B Index	High Yield Bonds	2.1	4.4	11.4	4.1	6.2
<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>
Bloomberg Barclays Global Treasury Ex US	International Treasuries	2.8	5.5	-5.8	-2.1	-0.8
NCREIF NFI-ODCE Index	Real Estate	1.7	3.5	7.9	11.3	11.8
HFRI FOF Composite	Hedge Funds	0.7	3.1	6.4	1.5	3.8

**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 from January 2011 through July 2011:
 

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

  
 For all periods from August 2011 through January 2014:
 

19.0% Russell 3000	17.0% MSCI EAFE	7.0% MSCI Emerging Markets
14.0% Barclays Aggregate	6.0% CSFB Hi Yield	10.0% Cambridge Private Equity
10.0% NCREIF NFI-ODCE	4.0% NCREIF Timber	10.0% HFRI Fund of Funds Composite
3.0% Barclays US TIPS		

  
 For all periods from February 2014 through September 2015:
 

18.0% Russell 3000	16.0% MSCI EAFE	6.0% MSCI Emerging Markets
4.0% Barclays Aggregate	6.0% CSFB Hi Yield	10.0% Cambridge Private Equity
10.0% NCREIF NFI-ODCE	4.0% NCREIF Timber	9.0% HFRI Fund of Funds Composite
3.0% Barclays US TIPS	10.0% Barclays 5-10 Year Bond	4.0% MSCI All Country Ex-US

  
 For all periods since October 2015:
 

18.0% Russell 3000	16.0% MSCI EAFE	6.0% MSCI Emerging Markets
6.0% Barclays Aggregate	12.0% Cambridge Private Equity	10.0% NCREIF NFI-ODCE
4.0% NCREIF Timber	9.0% HFRI Fund of Funds Composite	5.0% Barclays US TIPS
10.0% Barclays 5-10 Year Bond	4.0% MSCI All Country Ex-US	

**APPENDIX - DISCLOSURES**

- \* In July, 2014, the separately managed Daruma portfolio was divested and the proceeds were invested in the commingled Daruma Ginkgo Fund.
- \* 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.
- \* Dahab Associates uses the modified duration measure to present average duration.
- \* All values are in US dollars.

FRANKLIN REGIONAL RETIREMENT SYSTEM  
PRIT - CORE FUND  
PERFORMANCE REVIEW  
JUNE 2017

## **INVESTMENT RETURN**

On June 30th, 2017, the Franklin Regional Retirement System's PRIT Core Fund was valued at \$61,334,253, representing an increase of \$2,190,011 from the March quarter's ending value of \$59,144,242. Last quarter, the Fund posted withdrawals totaling \$88,149, which partially offset the portfolio's net investment return of \$2,278,160. Income receipts totaling \$528,930 plus net realized and unrealized capital gains of \$1,749,230 combined to produce the portfolio's net investment return.

For the cumulative period since June 2012, the fund has recorded net withdrawals totaling \$14.1 million and posted net investment gains of \$27.2 million. For the period since June 2012, if the total fund had returned a compound annual rate of 7.75% it would have been valued at \$53.7 million or \$7.7 million less than the actual value as of June 30th, 2017.

## **RELATIVE PERFORMANCE**

### **Total Portfolio**

In the second quarter, the PRIT Core Fund gained 3.9%, which was 0.6% above the Custom Core Index's return of 3.3% and ranked in the 6th percentile of the Public Fund universe. Over the trailing year, the portfolio returned 13.4%, which was 2.0% greater than the benchmark's 11.4% performance, and ranked in the 24th percentile. Since June 2012, the portfolio returned 9.9% on an annualized basis and ranked in the 16th percentile. For comparison, the Custom Core Index returned an annualized 8.6% over the same period.

### **PRIT Core**

The Core portfolio outperformed the benchmark in most of the invested sleeves in the second quarter, returning 3.9% compared to the benchmark's gain of 3.3%. International Equity holdings, which comprised 18.0% of the Core portfolio, returned 6.9%, or 70 basis points greater than the benchmark's 6.2% return. The Emerging

Markets, Hedge Funds, and Real Estate sleeves mirrored this margin of outperformance, beating their index counterparts by 0.9%, 0.8%, and 0.6%, respectively. Domestic Equity (19.8% allocation) – which represented the portfolio's most heavily weighted sleeve – edged out the benchmark by 10 basis points. The Core Fixed Income sleeve, conversely, underperformed by 10 basis points.

### **PRIT Domestic Equity**

The SSgA S&P 500 index fund (15.5% allocation) comprised more than three-quarters of the Domestic Equity sleeve, and returned 3.1%, predictably mirroring the performance of the benchmark on which it is based. Total Small/Smid Cap Equity segment (4.3% allocation) returned 2.8%, which was 60 basis points above the index's 2.2% gain.

Growth managers Summit Creek and Riverbridge delivered strong gains during the quarter, returning 8.1% and 7.1%, respectively. Frontier, one of the sleeve's Small Cap Value holdings, fared less well, losing 0.4%. The SSGA Russell 2500 index fund, which comprised 13.6% of the sleeve, gained 2.1%.

### **PRIT International Equity**

The International Equity sleeve (18.0%) outpaced the benchmark in the second quarter, gaining 6.9% against the custom index's 6.2% return. The sleeve returned 20.2%, 2.6%, and 9.9% for the one, three, and five-year periods.

The SSgA World Ex-US index fund – which comprised 41.1% of the sleeve – returned 6.2%, which was 30 basis points above the benchmark. International Equity Core holdings fared even better. Baillie Gifford (3.4% allocation) returned 9.0%, or 280 basis points ahead of the index, while Marathon-London returned 7.6%.

### **PRIT Emerging Markets Equity**

The Core segment of Emerging Markets managers was an area of great strength for the sleeve, as it gained 7.6% against the benchmark's 6.5% return. Baillie Gifford EMM rose 9.5%, and represented 15.2% of the sleeve's allocation, enlarging the positive effects. AQR and Driehaus also outperformed, gaining 7.6% and 8.2%, respectively. The SSgA Emerging Markets fund (25.3% sleeve weight) returned 5.9%, 10 basis points less than the benchmark.

For the one-year period, the sleeve gained 28.2% compared to the benchmark's 23.4% return, while the three- and five-year periods also outperformed.

### **PRIT Hedge Funds**

The HFRI Fund of Funds benchmark continued to offer a low performance hurdle in the second quarter, returning just 0.6%. For comparison, the Hedge Fund sleeve returned 1.4% over the same three-month period. Direct Hedge Funds (7.0% portfolio weight, or 83.3% of the sleeve) gained 1.4% for the quarter, and its significant allocation made it the determining factor of the sleeve's outperformance.

### **PRIT Real Estate**

The PRIT Real Estate sleeve represented 9.1% of the PRIT portfolio (including 1.8% in debt), and returned 2.4% for the quarter, beating benchmark performance by 60 basis points. The Private Real Estate component – representing 73.6% of the sleeve – outpaced the NCREIF Property index (One quarter lag) by 70 basis points (2.3% vs. 1.6%), benefitting from a combination of outsized gains by Core and Non-Core positions. Invesco Core (1.5% allocation) returned 2.2%, which was 60 basis points higher than the index counterpart, while Lasalle (2.6% allocation) gained 1.8%. The Non-Core position was up 2.9%.

The sleeve's REIT component (2.3% combined allocation) underperformed the FTSE EPRA NAREIT Developed Net Total Return index (2.6% vs. 2.9%). For the one, three, and five-year periods, the REIT segment returned 1.3%, 4.9%, and 8.4%, outperforming the benchmark in each period.

### **PRIT Fixed Income**

In the second quarter, the PRIT Core Fixed Income sleeve posted a 1.6% return, which was 10 basis points below the custom benchmark. Inflation-linked Bonds matched the custom index's 0.4% loss, and their 39.2% combined allocation made the segment a major tailwind to sleeve performance.

The sleeve's aggregate elements fared better, returning 1.6%, or 10 basis points greater than the Barclays Aggregate Index. The BlackRock STRIPS account, which represented 16.7% of the Core Fixed Income allocation, returned 6.1%, expectedly matching the Barclays US Treasury STRIPS 20+ Year Index for the quarter.

The Value-Added Fixed Income sleeve (8.1% portfolio allocation) delivered a strong performance in the second quarter, delivering a 2.1% gain compared to the benchmark's 1.0% return. Distressed Debt was the primary driver of outperformance: While the NYU Salomon Center Combined Defaulted Public Bond & Bank Loan index returned -2.3% in the second quarter, the portfolio's Distressed Debt position returned 2.8%, and its 22.2% sleeve weight enlarged the substantial performance surplus.

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

	Quarter	YTD	1 Year	3 Year	5 Year
<b>Total Portfolio - Gross</b>	3.9	8.9	13.4	6.4	9.9
<i>PUBLIC FUND RANK</i>	(6)	(11)	(24)	(9)	(16)
<b>Total Portfolio - Net</b>	3.7	8.6	12.8	5.9	9.3
CUSTOM CORE IDX	3.3	7.6	11.4	5.4	8.6
<b>PRIT Core - Gross</b>	3.9	8.9	13.4	6.4	9.9
<i>PUBLIC FUND RANK</i>	(6)	(11)	(24)	(9)	(16)
CUSTOM CORE IDX	3.3	7.6	11.4	5.4	8.6

**ASSET ALLOCATION**

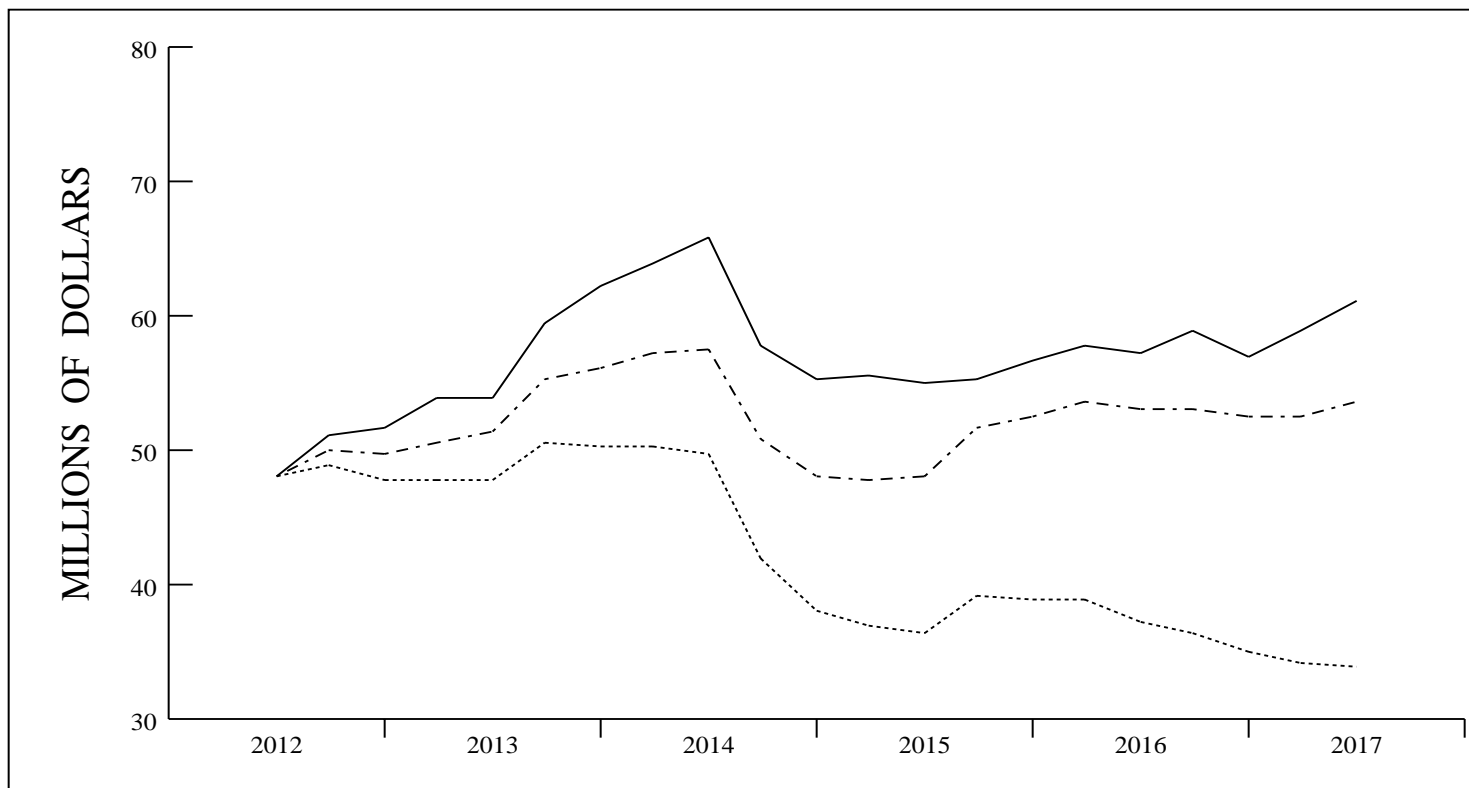
PRIT Core	100.0%	\$ 61,334,253
Total Portfolio	100.0%	\$ 61,334,253

**INVESTMENT RETURN**

Market Value 3/2017	\$ 59,144,242
Contribs / Withdrawals	- 88,149
Income	528,930
Capital Gains / Losses	1,749,230
Market Value 6/2017	\$ 61,334,253



**INVESTMENT GROWTH**

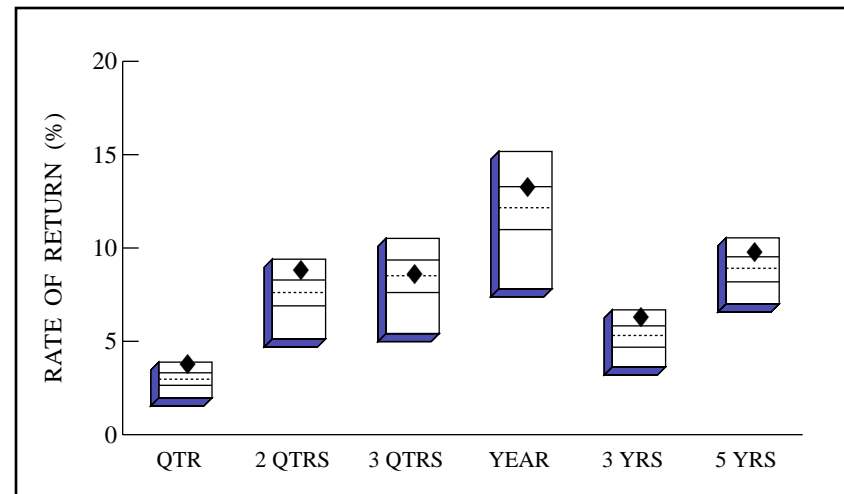
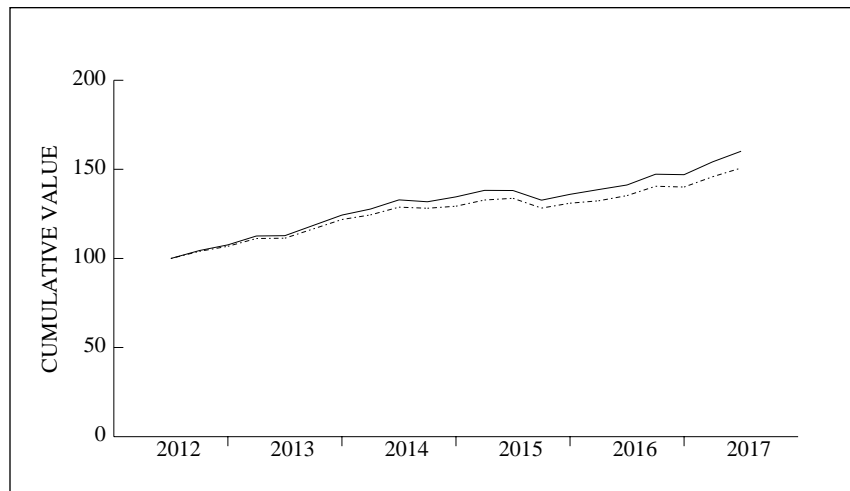


— ACTUAL RETURN  
 - - - 7.75%  
 . . . 0.0%

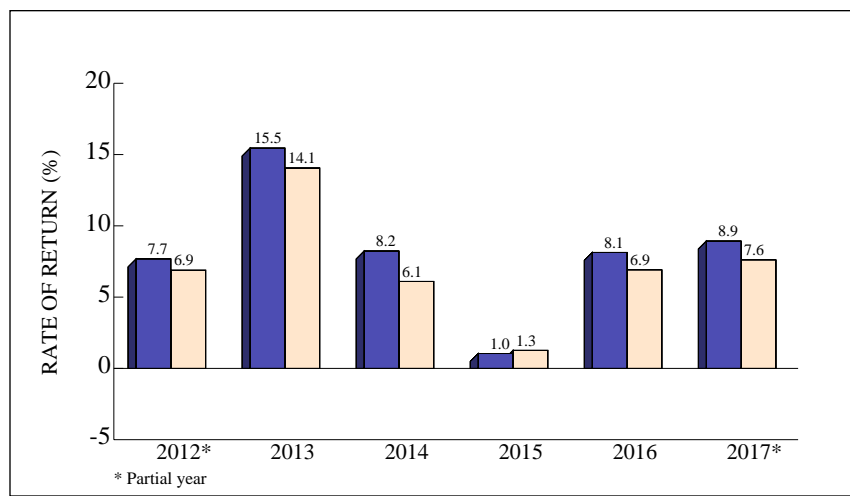
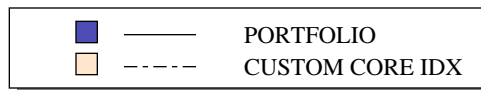
VALUE ASSUMING  
 7.75% RETURN \$ 53,673,184

	LAST QUARTER	FIVE YEARS
BEGINNING VALUE	\$ 59,144,242	\$ 48,173,258
NET CONTRIBUTIONS	- 88,149	- 14,071,431
<u>INVESTMENT RETURN</u>	<u>2,278,160</u>	<u>27,232,426</u>
ENDING VALUE	\$ 61,334,253	\$ 61,334,253
INCOME	528,930	8,219,070
<u>CAPITAL GAINS (LOSSES)</u>	<u>1,749,230</u>	<u>19,013,356</u>
INVESTMENT RETURN	2,278,160	27,232,426

**TOTAL RETURN COMPARISONS**

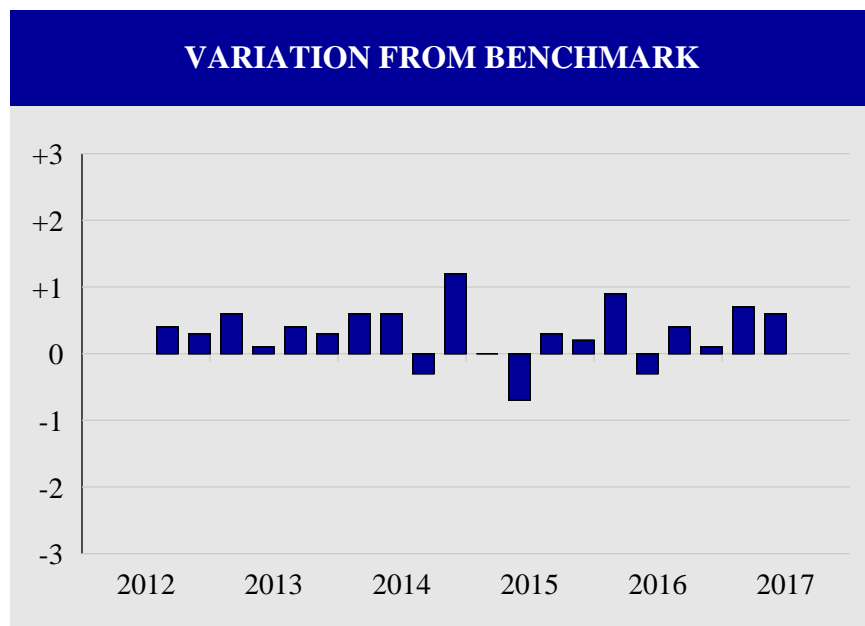


Public Fund Universe



	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	3.9	8.9	8.7	13.4	6.4	9.9
(RANK)	(6)	(11)	(41)	(24)	(9)	(16)
5TH %ILE	3.9	9.4	10.5	15.2	6.7	10.5
25TH %ILE	3.3	8.3	9.4	13.3	5.8	9.5
MEDIAN	3.0	7.6	8.5	12.2	5.3	8.9
75TH %ILE	2.6	6.9	7.6	11.0	4.7	8.2
95TH %ILE	2.0	5.1	5.4	7.8	3.6	7.0
<b>PRIT Index</b>	<b>3.3</b>	<b>7.6</b>	<b>7.3</b>	<b>11.4</b>	<b>5.4</b>	<b>8.6</b>

Public Fund Universe

**TOTAL PORTFOLIO 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>17</b>
<b>Quarters Below the Benchmark</b>	<b>3</b>
<b>Batting Average</b>	<b>.850</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
9/12	4.4	4.0	0.4
12/12	3.1	2.8	0.3
3/13	4.6	4.0	0.6
6/13	0.2	0.1	0.1
9/13	5.1	4.7	0.4
12/13	4.9	4.6	0.3
3/14	2.7	2.1	0.6
6/14	4.1	3.5	0.6
9/14	-0.8	-0.5	-0.3
12/14	2.1	0.9	1.2
3/15	2.7	2.7	0.0
6/15	0.0	0.7	-0.7
9/15	-3.9	-4.2	0.3
12/15	2.4	2.2	0.2
3/16	2.0	1.1	0.9
6/16	1.9	2.2	-0.3
9/16	4.3	3.9	0.4
12/16	-0.2	-0.3	0.1
3/17	4.9	4.2	0.7
6/17	3.9	3.3	0.6

FRANKLIN REGIONAL RETIREMENT SYSTEM  
POLEN CAPITAL - LARGE CAP GROWTH FUND  
PERFORMANCE REVIEW  
JUNE 2017

## **INVESTMENT RETURN**

On June 30th, 2017, the Franklin Regional Retirement System's Polen Capital Large Cap Growth Fund was valued at \$8,269,563, representing an increase of \$154,375 from the March quarter's ending value of \$8,115,188. Last quarter, the Fund posted withdrawals totaling \$400,285, which offset the portfolio's net investment return of \$554,660. Income receipts totaling \$25,252 plus net realized and unrealized capital gains of \$529,408 combined to produce the portfolio's net investment return.

For the cumulative period since June 2012, the fund has recorded net withdrawals totaling \$1.9 million and posted net investment gains of \$5.3 million. For the period since June 2012, if the total fund had returned a compound annual rate of 9.0% it would have been valued at \$5.5 million or \$2.7 million less than the actual value as of June 30th, 2017.

## **RELATIVE PERFORMANCE**

In the second quarter, the Polen Capital Large Cap Growth Fund gained 6.9%, which was 2.2% above the Russell 1000 Growth Index's return of 4.7% and ranked in the 16th percentile of the Large Cap Growth universe. Over the trailing year, the portfolio returned 21.6%, which was 1.2% greater than the benchmark's 20.4% performance, and ranked in the 37th percentile. Since June 2012, the portfolio returned 15.7% on an annualized basis and ranked in the 30th percentile. For comparison, the Russell 1000 Growth returned an annualized 15.3% over the same period.

## **ASSET ALLOCATION**

On June 30th, 2017, domestic equities comprised 95.3% of the total portfolio (\$7.9 million), while cash & equivalents totaled 4.7% (\$388,964).

## **ANALYSIS**

At the end of the quarter, the Polen Capital portfolio was concentrated in six of the eleven industry sectors in our industry analysis. With respect to the Russell 1000 Growth index, the portfolio was overweight in the Nondurable Consumer Goods, Consumer Service, Finance, and Service sectors, while underweight in Technology. Computer Technology was the most heavily allocated sector in the portfolio, and mirrored the benchmark's weight. Basic, Durable Consumer Goods, Transportation, Energy, and Utilities were left unfunded.

While returns were mixed on a per-sector basis, the quality of the surpluses in key sectors led to a 220 basis point outperformance in the second quarter. The overweight Nondurable Consumer Goods sector (23.1% portfolio allocation) more than doubled the return of the benchmark, while the heavily weighted Computer Technology sector (29.2% allocation) outpaced the market by 3.4%. Consumer Service served up a weak performance, returning just 0.8% compared to the benchmark's 6.6% gain. But the Technology sector, though underweight, nearly tripled index performance, returning 30.9%.

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

	Quarter	YTD	1 Year	3 Year	5 Year
<b>Total Portfolio - Gross</b>	6.9	16.7	21.6	15.5	15.7
<i>LARGE CAP GROWTH RANK</i>	(16)	(25)	(37)	( 2)	(30)
<b>Total Portfolio - Net</b>	6.7	16.3	20.7	14.6	14.9
RUSSELL 1000G	4.7	14.0	20.4	11.1	15.3
RUSSELL 1000	3.1	9.3	18.0	9.3	14.7
S&P 500	3.1	9.3	17.9	9.6	14.6
<b>Domestic Equity - Gross</b>	7.2	17.4	22.4	16.1	16.5
<i>LARGE CAP GROWTH RANK</i>	(13)	(21)	(28)	( 2)	(18)
RUSSELL 1000G	4.7	14.0	20.4	11.1	15.3

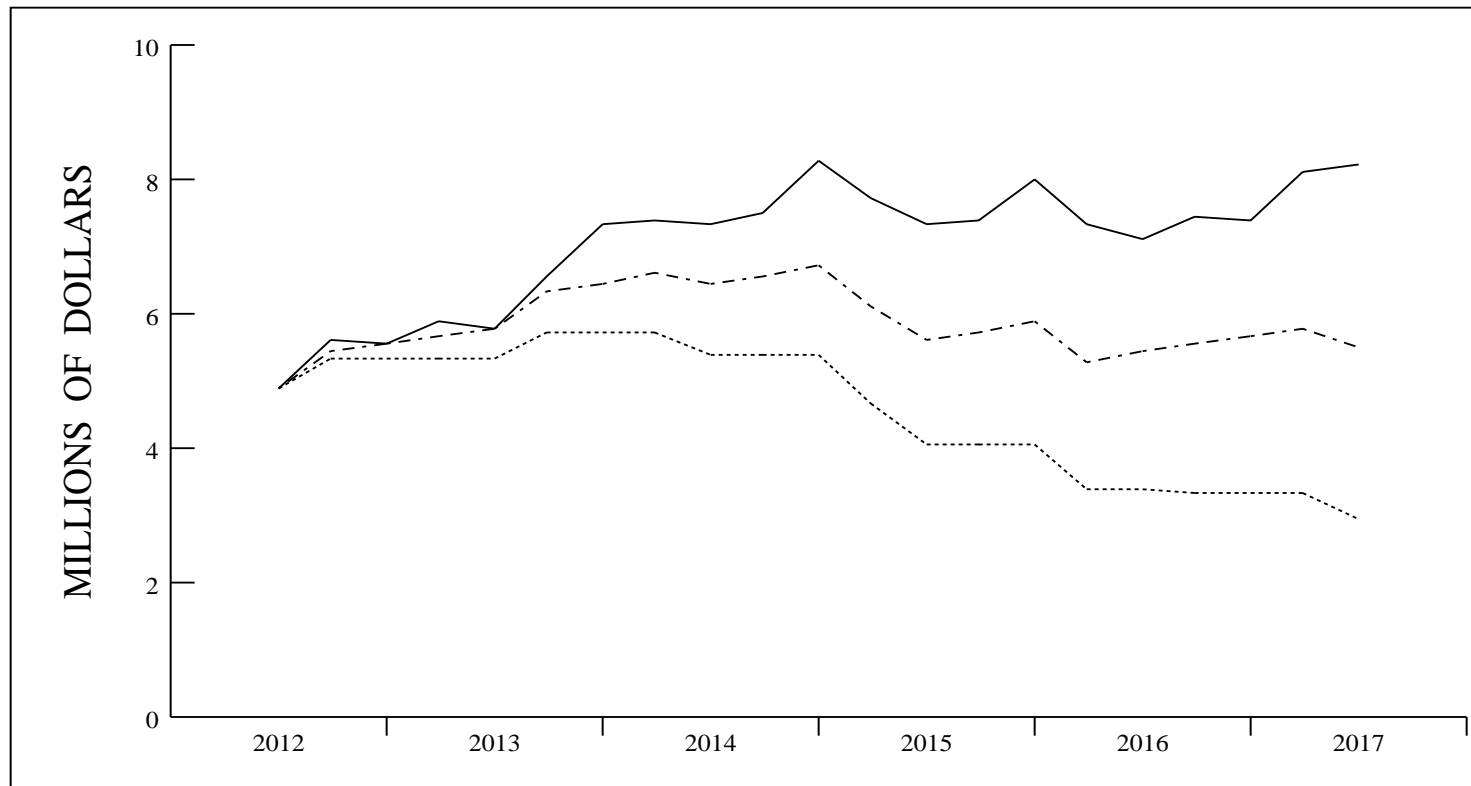
**ASSET ALLOCATION**

Domestic Equity	95.3%	\$ 7,880,599
Cash	4.7%	388,964
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 8,269,563</b>

**INVESTMENT RETURN**

Market Value 3/2017	\$ 8,115,188
Contribs / Withdrawals	-400,285
Income	25,252
Capital Gains / Losses	529,408
Market Value 6/2017	\$ 8,269,563

**INVESTMENT GROWTH**

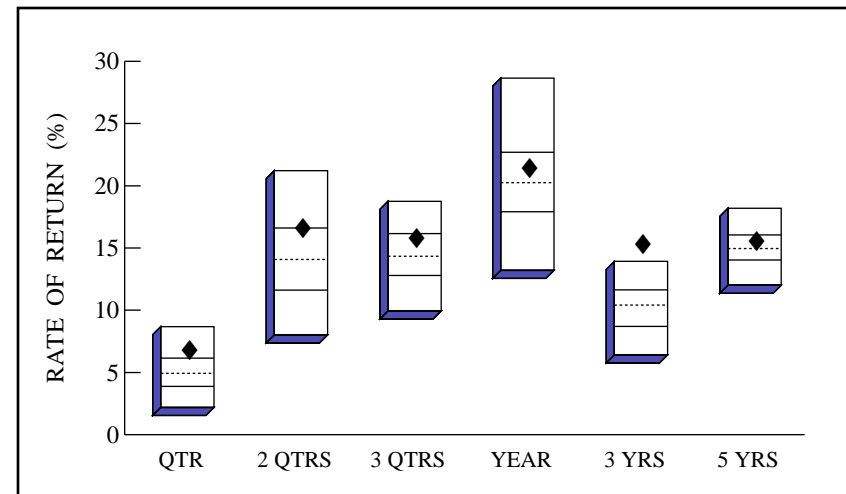
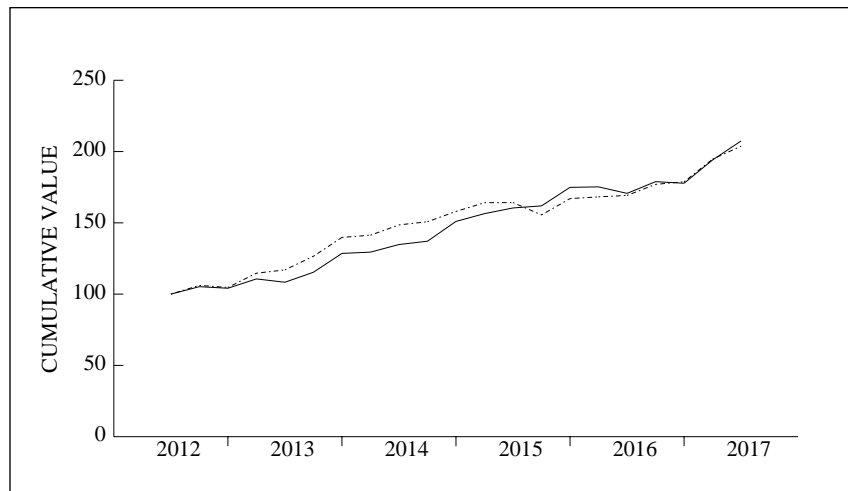


— ACTUAL RETURN  
 - - - 9.0%  
 ..... 0.0%

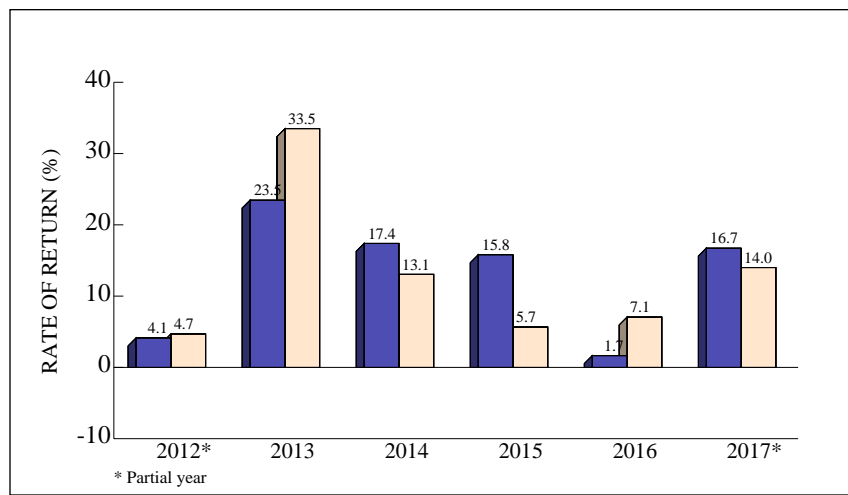
VALUE ASSUMING  
 9.0% RETURN    \$ 5,528,557

	LAST QUARTER	FIVE YEARS
BEGINNING VALUE	\$ 8,115,188	\$ 4,898,237
NET CONTRIBUTIONS	-400,285	-1,909,884
INVESTMENT RETURN	<u>554,660</u>	<u>5,281,210</u>
ENDING VALUE	\$ 8,269,563	\$ 8,269,563
INCOME	25,252	371,961
CAPITAL GAINS (LOSSES)	<u>529,408</u>	<u>4,909,249</u>
INVESTMENT RETURN	554,660	5,281,210

**TOTAL RETURN COMPARISONS**



Large Cap Growth Universe

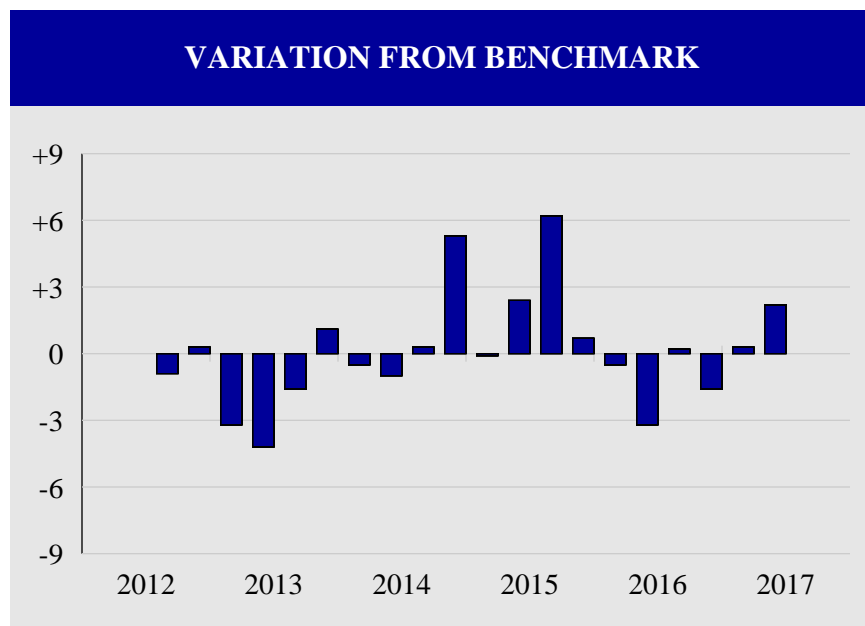


\* Partial year

	QTR	2 QTRS	3 QTRS	YEAR	3 YRS	5 YRS
RETURN	6.9	16.7	16.0	21.6	15.5	15.7
(RANK)	(16)	(25)	(28)	(37)	(2)	(30)
5TH %ILE	8.7	21.2	18.8	28.6	13.9	18.2
25TH %ILE	6.2	16.6	16.2	22.7	11.6	16.1
MEDIAN	4.9	14.1	14.3	20.3	10.4	15.0
75TH %ILE	3.9	11.6	12.8	17.9	8.7	14.0
95TH %ILE	2.2	8.0	9.9	13.2	6.4	12.0
<b>Russ 1000G</b>	<b>4.7</b>	<b>14.0</b>	<b>15.1</b>	<b>20.4</b>	<b>11.1</b>	<b>15.3</b>

Large Cap Growth Universe

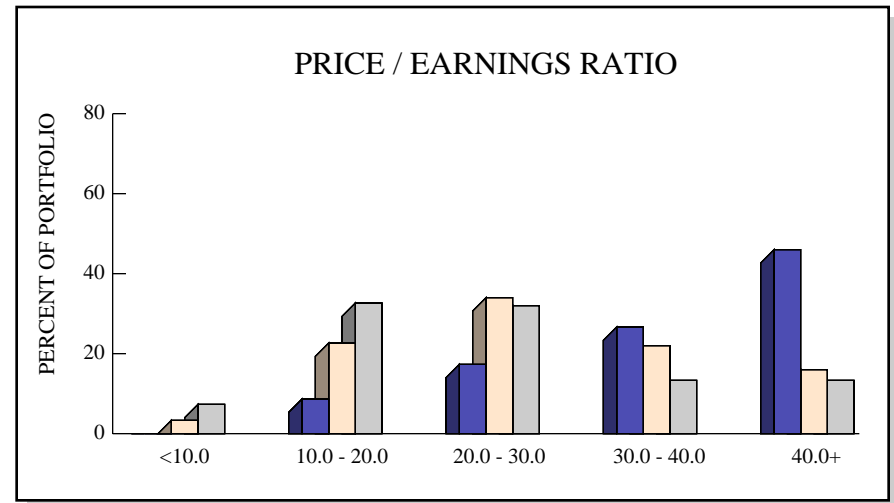
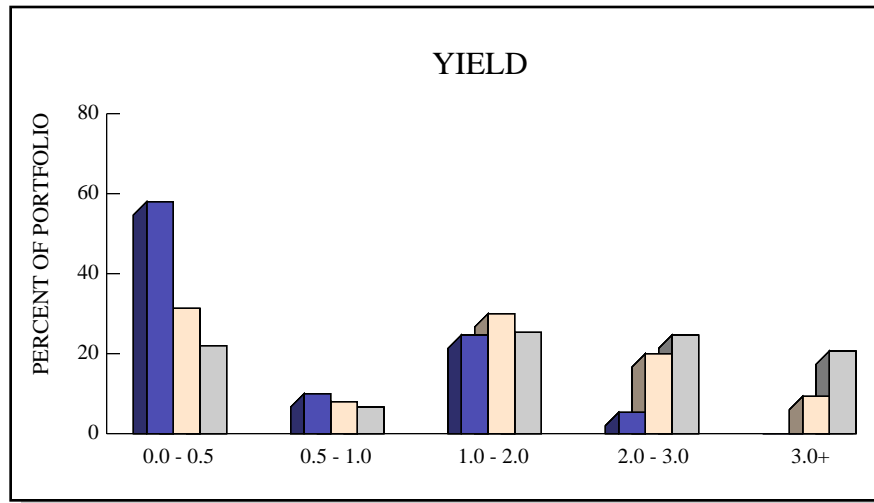


**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: RUSSELL 1000 GROWTH**

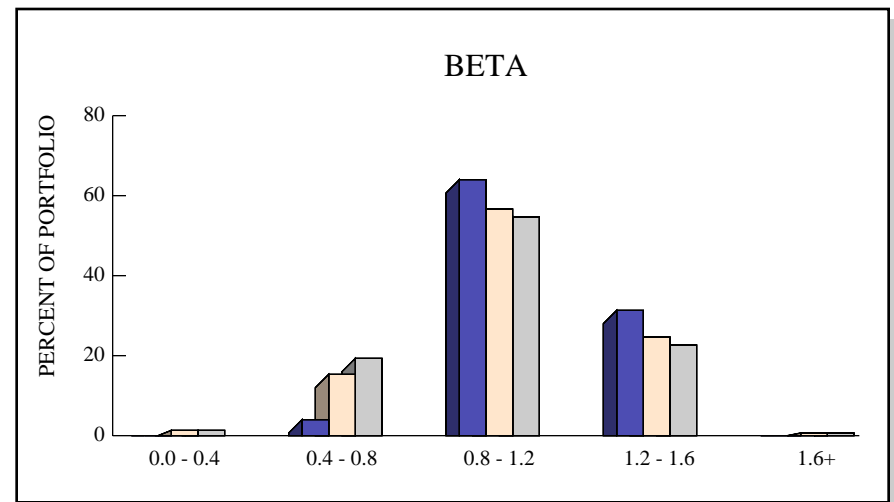
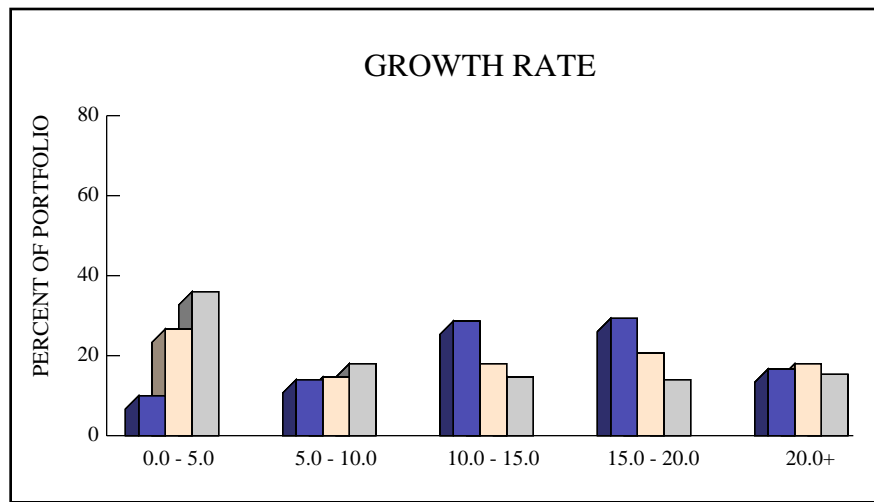
<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>10</b>
<b>Quarters Below the Benchmark</b>	<b>10</b>
<b>Batting Average</b>	<b>.500</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
9/12	5.2	6.1	-0.9
12/12	-1.0	-1.3	0.3
3/13	6.3	9.5	-3.2
6/13	-2.1	2.1	-4.2
9/13	6.5	8.1	-1.6
12/13	11.5	10.4	1.1
3/14	0.6	1.1	-0.5
6/14	4.1	5.1	-1.0
9/14	1.8	1.5	0.3
12/14	10.1	4.8	5.3
3/15	3.7	3.8	-0.1
6/15	2.5	0.1	2.4
9/15	0.9	-5.3	6.2
12/15	8.0	7.3	0.7
3/16	0.2	0.7	-0.5
6/16	-2.6	0.6	-3.2
9/16	4.8	4.6	0.2
12/16	-0.6	1.0	-1.6
3/17	9.2	8.9	0.3
6/17	6.9	4.7	2.2

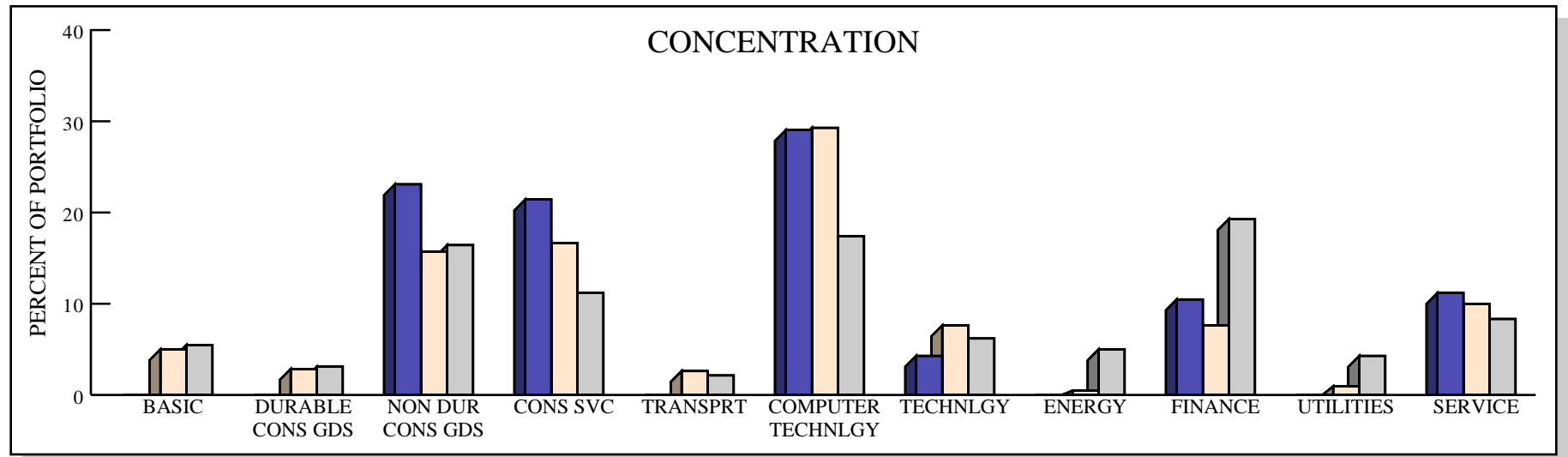
**STOCK CHARACTERISTICS**



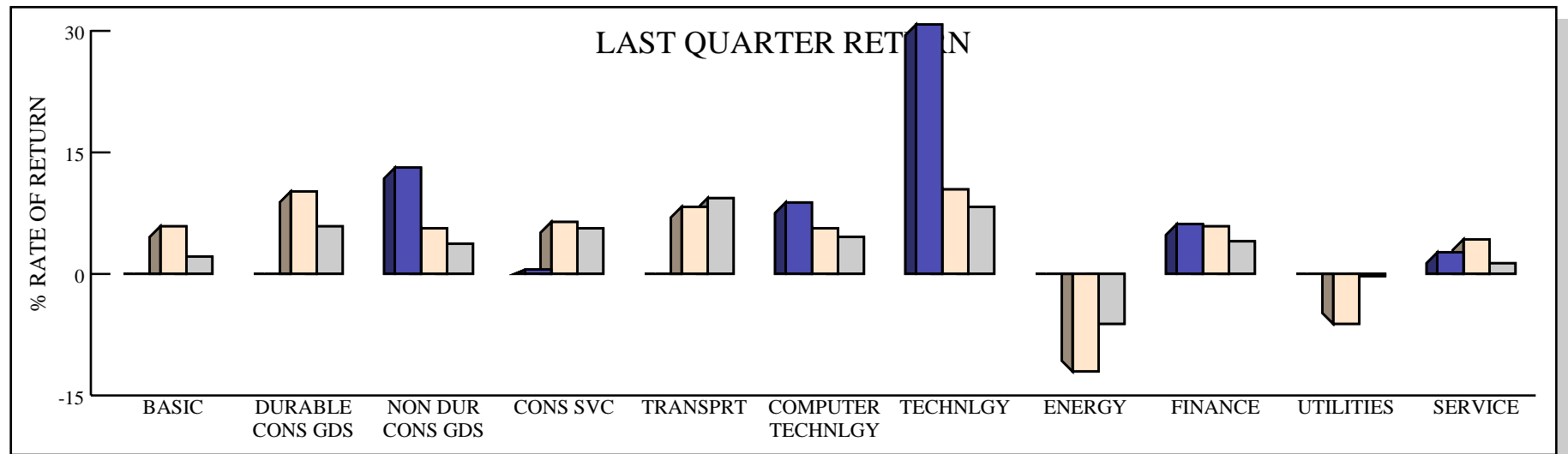
	# HOLDINGS	YIELD	GROWTH	P/E	BETA
<span style="color: blue;">■</span> PORTFOLIO	19	0.6%	15.4%	38.6	1.07
<span style="color: orange;">■</span> RUSSELL 1000G	557	1.4%	12.6%	27.0	1.03
<span style="color: gray;">■</span> RUSSELL 1000	990	1.9%	9.2%	23.6	1.00



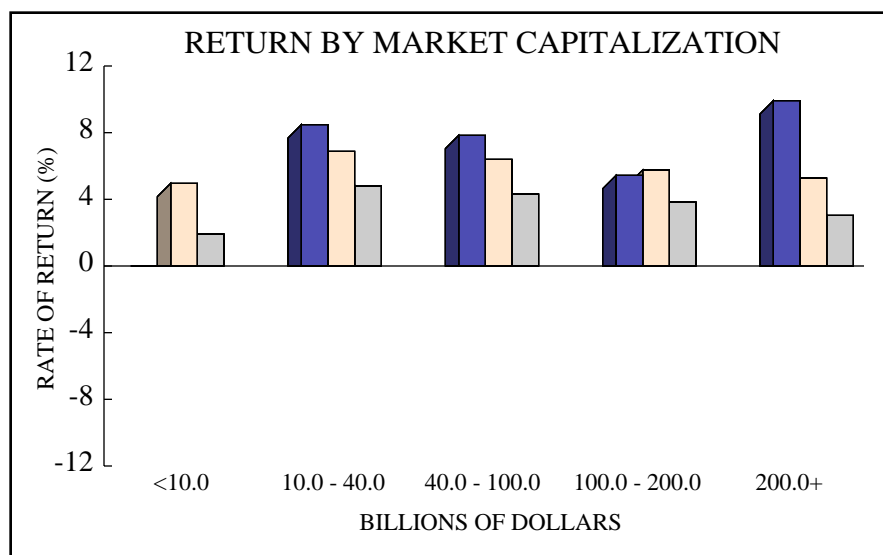
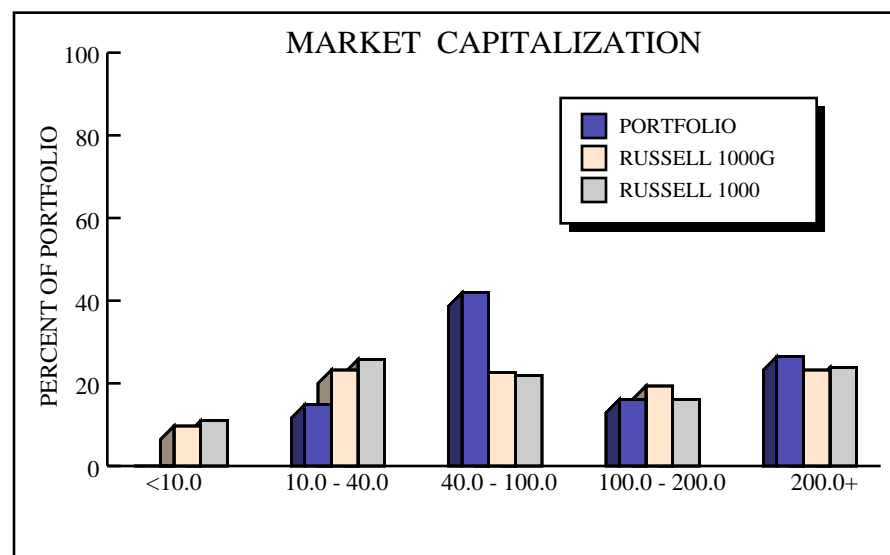
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO     
 ■ RUSSELL 1000 GROWTH     
 ■ RUSSELL 1000



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	VISA INC-CLASS A SHARES	\$ 654,303	8.30%	5.7%	Finance	\$ 173.1 B
2	FACEBOOK INC-A	585,198	7.43%	6.3%	Computer Tech	357.0 B
3	ADOBE SYSTEMS INC	570,428	7.24%	8.7%	Computer Tech	69.8 B
4	ALPHABET INC-CL C	542,512	6.88%	9.5%	Computer Tech	315.3 B
5	REGENERON PHARMACEUTICALS	534,360	6.78%	26.7%	NonDur Cons Goods	51.3 B
6	NIKE INC -CL B	485,924	6.17%	6.2%	NonDur Cons Goods	78.0 B
7	AUTOMATIC DATA PROCESSING	461,275	5.85%	0.6%	Service	45.8 B
8	CELGENE CORP	447,013	5.67%	4.4%	NonDur Cons Goods	101.4 B
9	STARBUCKS CORP	436,275	5.54%	0.3%	Consumer Service	84.4 B
10	PRICELINE GROUP INC/THE	426,479	5.41%	5.1%	Service	91.9 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
O'SHAUGHNESSY - MARKET LEADERS VALUE  
PERFORMANCE REVIEW  
JUNE 2017

## **INVESTMENT RETURN**

On June 30th, 2017, the Franklin Regional Retirement System's O'Shaughnessy Market Leaders Value portfolio was valued at \$8,281,775, a decrease of \$380,918 from the March ending value of \$8,662,693. Last quarter, the account recorded a net withdrawal of \$790,015, which overshadowed the fund's net investment return of \$409,097. Income receipts totaling \$57,695 and realized and unrealized capital gains of \$351,402 combined to produce the portfolio's net investment return.

Since June 2012, the account has recorded net withdrawals totaling \$1.6 million while posting net investment gains totaling \$5.0 million. Since June 2012, if the account earned a compound annual rate of 9.0% it would have been valued at \$5.6 million or \$2.7 million less than the actual value as of June 30th, 2017.

## **RELATIVE PERFORMANCE**

### **Total Fund**

For the second quarter, the O'Shaughnessy Market Leaders Value portfolio gained 4.9%, which was 3.6% above the Russell 1000 Value Index's return of 1.3% and ranked in the 4th percentile of the Large Cap Value universe. Over the trailing twelve-month period, this portfolio returned 24.5%, which was 9.0% greater than the benchmark's 15.5% performance, and ranked in the 13th percentile. Since June 2012, the portfolio returned 15.1% annualized and ranked in the 29th percentile. The Russell 1000 Value returned an annualized 13.9% over the same time frame.

## **ASSET ALLOCATION**

On June 30th, 2017, domestic equities comprised 98.3% of the total portfolio (\$8.1 million), while cash & equivalents comprised the remaining 1.7% (\$137,805).

## **STOCK ANALYSIS**

By quarter's end, the O'Shaughnessy portfolio was diversified across all eleven industry sectors in our data analysis. Compared to the Russell 1000 Value index, the portfolio was overweight in the Consumer Service, Transportation, Technology, and Service sectors, while underweight in Basic, Nondurable Consumer Goods, Energy, Finance, and Utilities.

The portfolio outperformed the benchmark in seven of the eleven invested sectors, including some of the most heavily weighted areas, leading to a 360 basis point performance surplus. Most notably, Consumer Service – which alone comprised more than one-fifth of the total portfolio – more than doubled the return of the index, while the likewise overweight Technology sector outperformed the market as well. Selection effects also favored the Basic and Energy sectors by large margins, as each sector posted positive returns compared to the benchmark's losses.

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

	Quarter	YTD	1 Year	3 Year	5 Year
<b>Total Portfolio - Gross</b>	4.9	8.1	24.5	6.6	15.1
<i>LARGE CAP VALUE RANK</i>	( 4)	(26)	(13)	(70)	(29)
<b>Total Portfolio - Net</b>	4.8	7.8	23.8	6.0	14.5
RUSSELL 1000V	1.3	4.7	15.5	7.4	13.9
RUSSELL 1000	3.1	9.3	18.0	9.3	14.7
S&P 500	3.1	9.3	17.9	9.6	14.6
<b>Domestic Equity - Gross</b>	5.0	8.2	24.8	6.7	15.3
<i>LARGE CAP VALUE RANK</i>	( 4)	(25)	(12)	(68)	(26)
RUSSELL 1000V	1.3	4.7	15.5	7.4	13.9

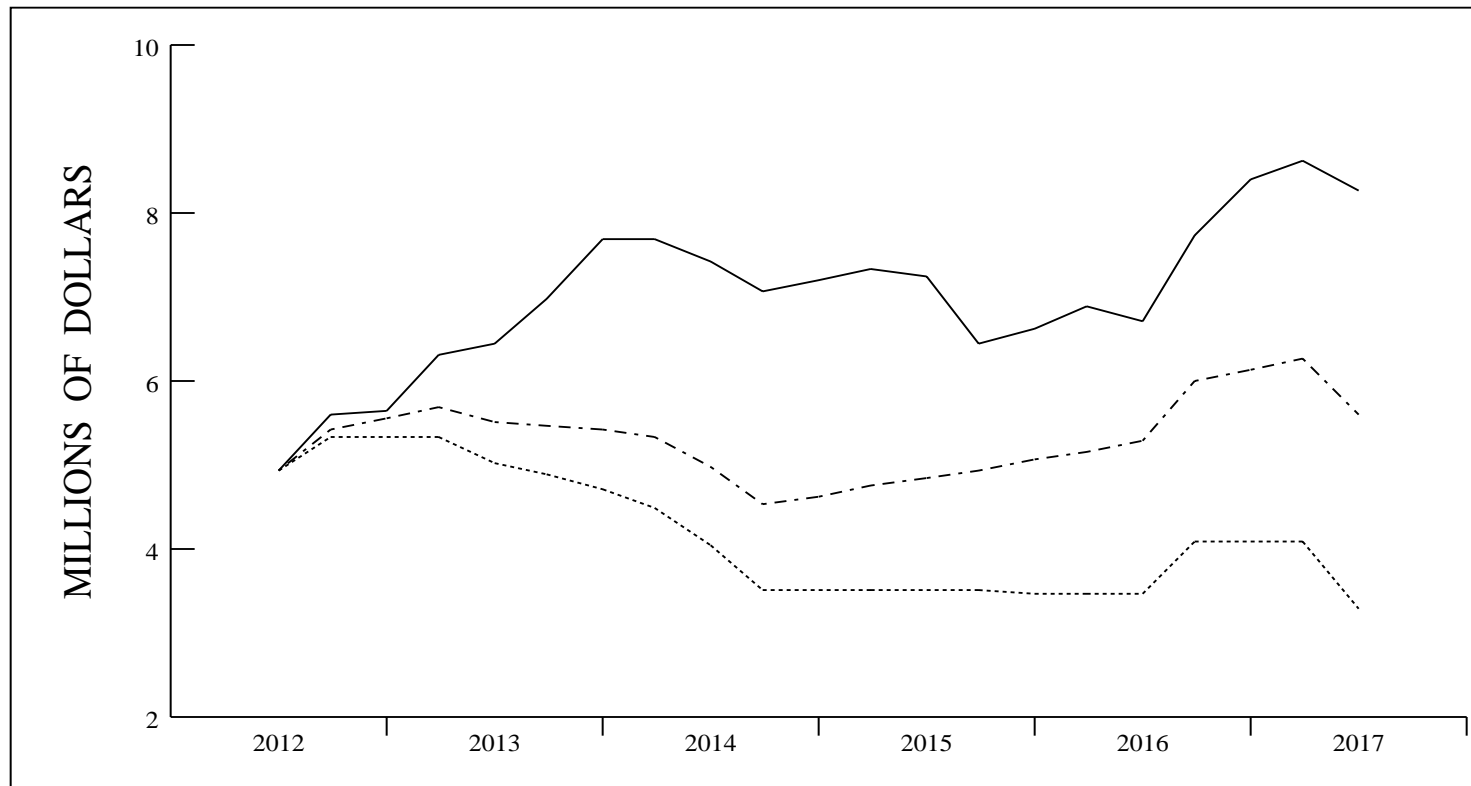
**ASSET ALLOCATION**

Domestic Equity	98.3%	\$ 8,143,970
Cash	1.7%	137,805
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 8,281,775</b>

**INVESTMENT RETURN**

Market Value 3/2017	\$ 8,662,693
Contribs / Withdrawals	-790,015
Income	57,695
Capital Gains / Losses	351,402
Market Value 6/2017	\$ 8,281,775

**INVESTMENT GROWTH**



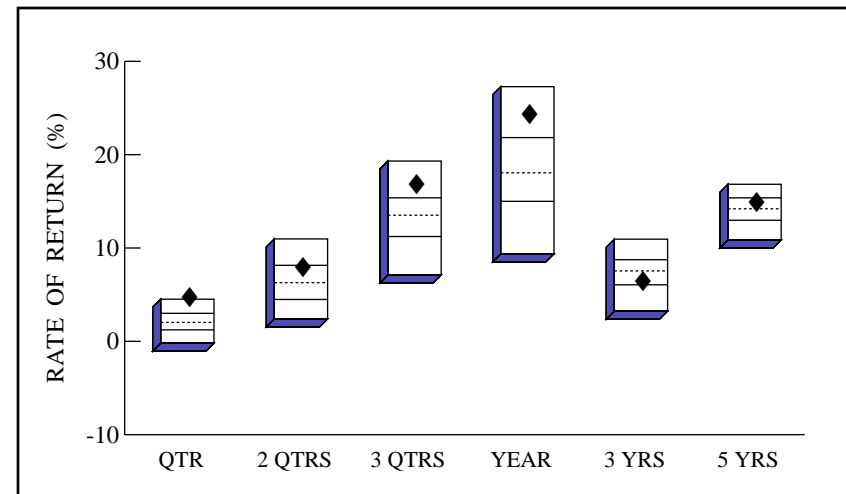
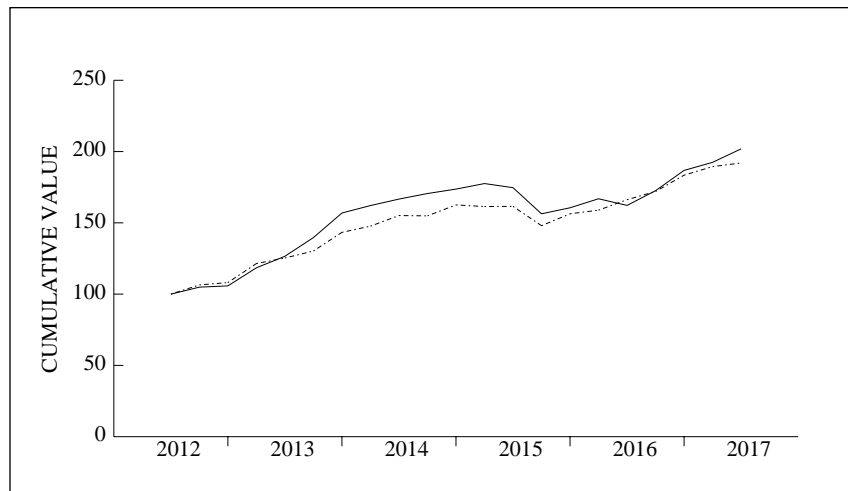
— ACTUAL RETURN  
 - - - 9.0%  
 ..... 0.0%

VALUE ASSUMING  
 9.0% RETURN \$ 5,625,693

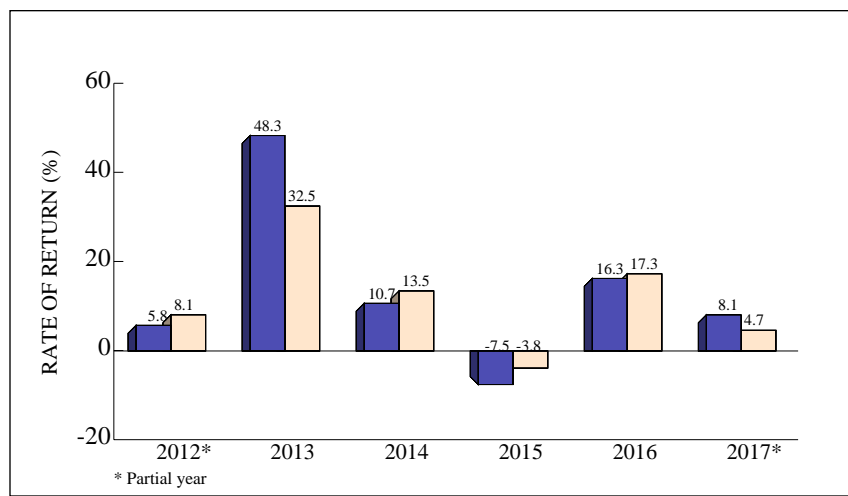
	LAST QUARTER	FIVE YEARS
BEGINNING VALUE	\$ 8,662,693	\$ 4,954,662
NET CONTRIBUTIONS	-790,015	-1,634,435
<u>INVESTMENT RETURN</u>	<u>409,097</u>	<u>4,961,548</u>
ENDING VALUE	\$ 8,281,775	\$ 8,281,775
INCOME	57,695	902,338
<u>CAPITAL GAINS (LOSSES)</u>	<u>351,402</u>	<u>4,059,210</u>
INVESTMENT RETURN	409,097	4,961,548



**TOTAL RETURN COMPARISONS**



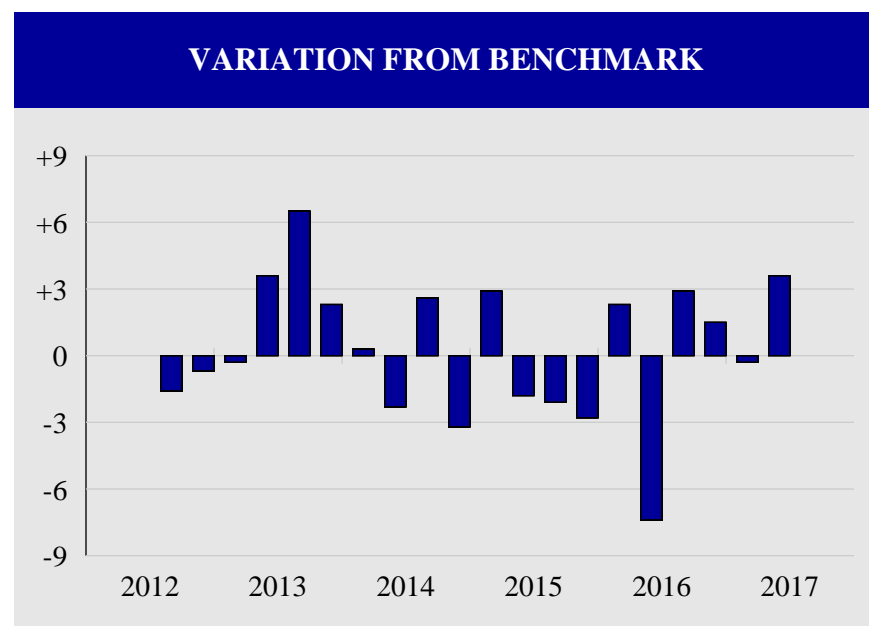
Large Cap Value Universe



\* Partial year

	QTR	2 QTRS	3 QTRS	YEAR	3 YRS	5 YRS
RETURN	4.9	8.1	17.0	24.5	6.6	15.1
(RANK)	(4)	(26)	(14)	(13)	(70)	(29)
5TH %ILE	4.5	11.0	19.3	27.3	10.9	16.8
25TH %ILE	3.0	8.1	15.4	21.8	8.7	15.4
MEDIAN	2.0	6.3	13.5	18.1	7.5	14.2
75TH %ILE	1.2	4.5	11.2	15.0	6.1	13.0
95TH %ILE	-0.2	2.4	7.1	9.4	3.2	10.9
<b>Russ 1000V</b>	<b>1.3</b>	<b>4.7</b>	<b>11.6</b>	<b>15.5</b>	<b>7.4</b>	<b>13.9</b>

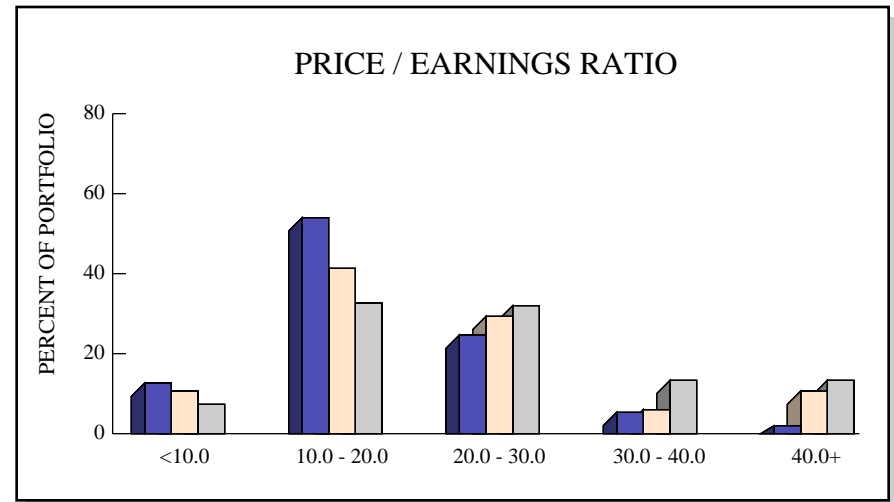
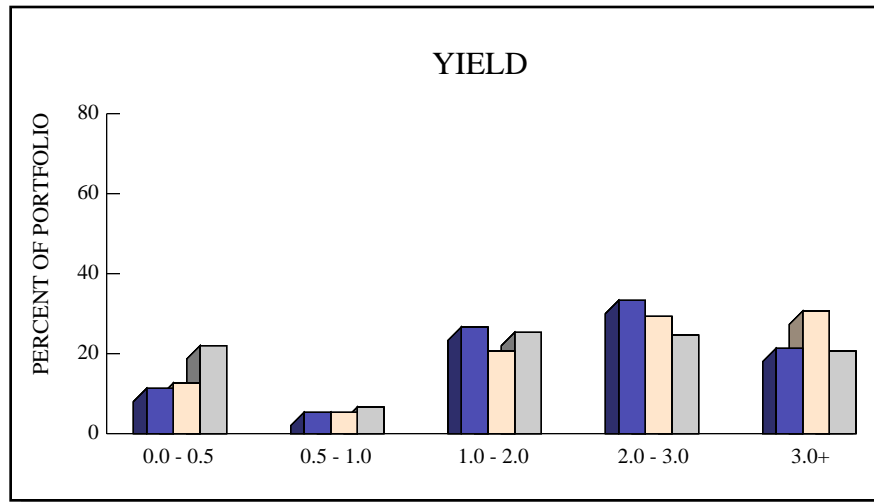
Large Cap Value Universe

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

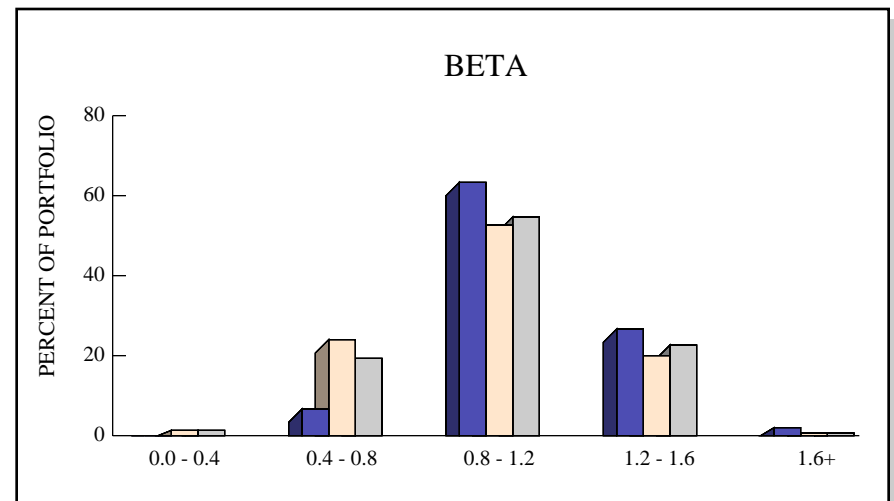
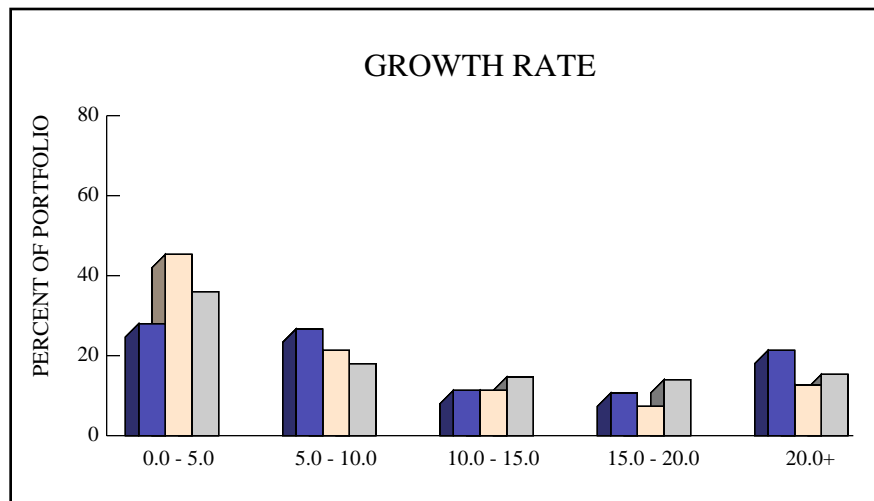
<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>10</b>
<b>Quarters Below the Benchmark</b>	<b>10</b>
<b>Batting Average</b>	<b>.500</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
9/12	4.9	6.5	-1.6
12/12	0.8	1.5	-0.7
3/13	12.0	12.3	-0.3
6/13	6.8	3.2	3.6
9/13	10.4	3.9	6.5
12/13	12.3	10.0	2.3
3/14	3.3	3.0	0.3
6/14	2.8	5.1	-2.3
9/14	2.4	-0.2	2.6
12/14	1.8	5.0	-3.2
3/15	2.2	-0.7	2.9
6/15	-1.7	0.1	-1.8
9/15	-10.5	-8.4	-2.1
12/15	2.8	5.6	-2.8
3/16	3.9	1.6	2.3
6/16	-2.8	4.6	-7.4
9/16	6.4	3.5	2.9
12/16	8.2	6.7	1.5
3/17	3.0	3.3	-0.3
6/17	4.9	1.3	3.6

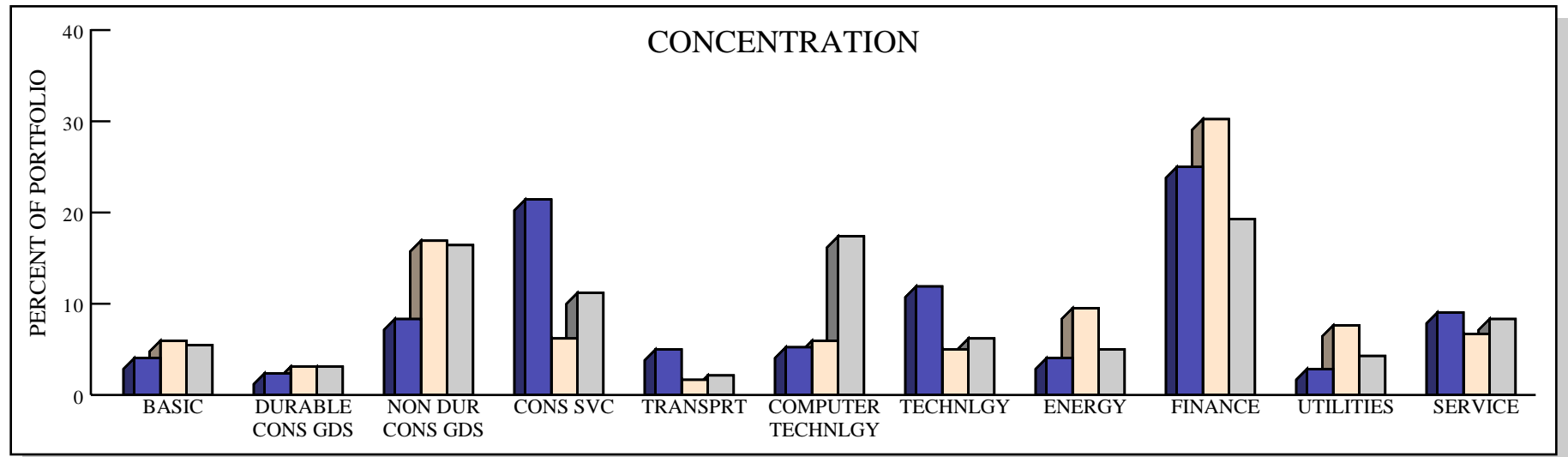
**STOCK CHARACTERISTICS**



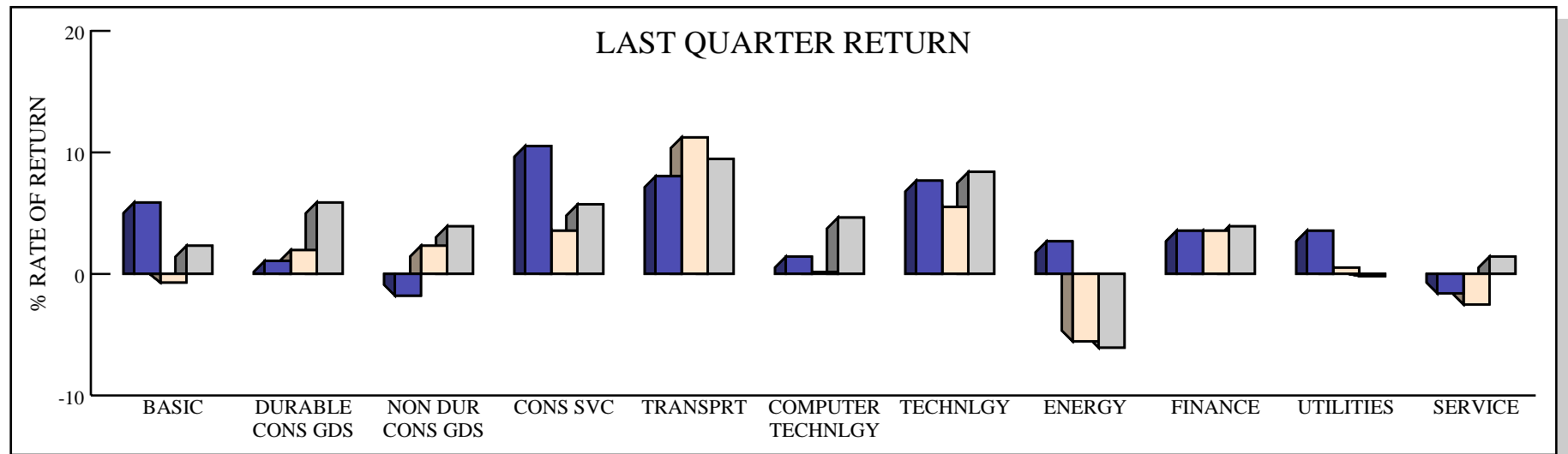
	# HOLDINGS	YIELD	GROWTH	P/E	BETA
PORTFOLIO	61	2.4%	11.8%	18.1	1.09
RUSSELL 1000V	719	2.4%	5.8%	20.5	0.98
RUSSELL 1000	990	1.9%	9.2%	23.6	1.00



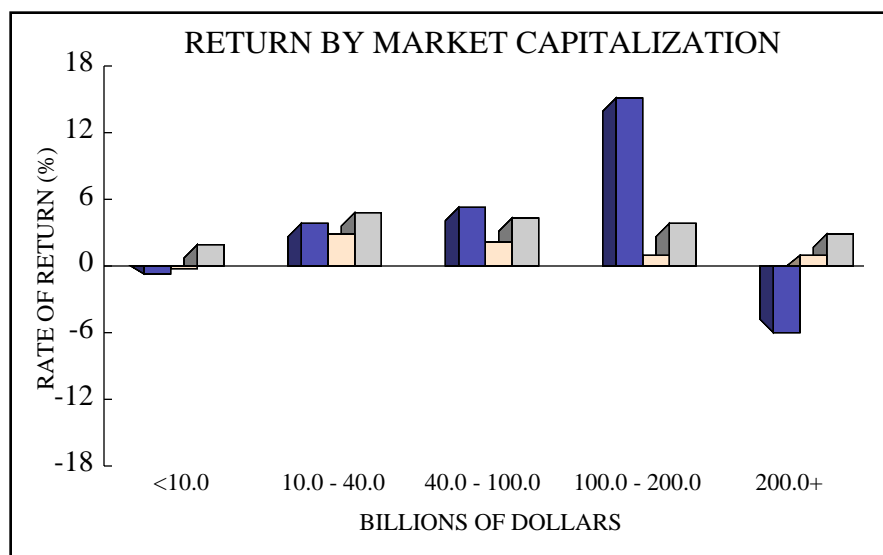
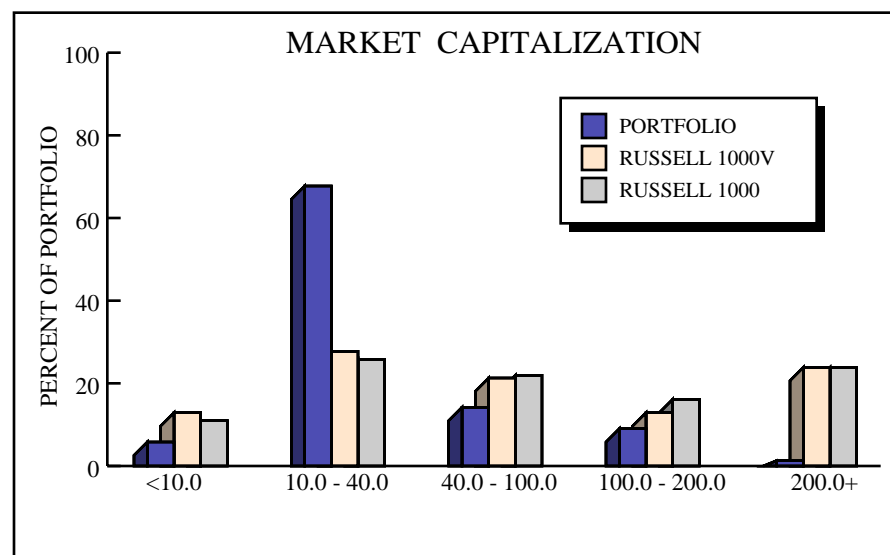
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL 1000 VALUE      ■ RUSSELL 1000



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	BOEING CO/THE	\$ 384,228	4.72%	12.4%	Technology	\$ 119.4 B
2	AMERIPRISE FINANCIAL INC	362,649	4.45%	-1.3%	Finance	19.4 B
3	UNITED CONTINENTAL HOLDINGS	359,244	4.41%	6.5%	Transportation	23.7 B
4	MCDONALD'S CORP	338,943	4.16%	18.8%	Consumer Service	124.8 B
5	VALERO ENERGY CORP	332,308	4.08%	2.7%	Energy	30.2 B
6	LYONDELLBASELL INDU-CL A	321,188	3.94%	-6.5%	NonDur Cons Goods	34.0 B
7	WYNDHAM WORLDWIDE CORP	311,271	3.82%	19.6%	Consumer Service	10.5 B
8	GILEAD SCIENCES INC	281,421	3.46%	4.9%	NonDur Cons Goods	92.5 B
9	TE CONNECTIVITY LTD	277,032	3.40%	6.0%	Technology	27.9 B
10	BEST BUY CO INC	265,610	3.26%	17.4%	Consumer Service	17.5 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
SEIZERT CAPITAL PARTNERS  
PERFORMANCE REVIEW  
JUNE 2017

## **INVESTMENT RETURN**

As of June 30th, 2017, the Franklin Regional Retirement System's Seizert Capital Partners account was valued at \$6,718,921, a decrease of \$650,189 from the March ending value of \$7,369,110. Over the last three months, the fund posted a net withdrawal of \$684,000, which overshadowed the portfolio's net investment gain of \$33,811. Total net investment return was comprised of income receipts totaling \$24,801 plus \$9,010 in net realized and unrealized capital gains.

Since June 2012, the account has recorded net withdrawals totaling \$2.0 million while recording \$4.8 million in net investment gains. Since June 2012, if the account had earned a compound annual rate of 10.0% it would have been worth \$3.8 million or \$2.9 million less than the actual value as of June 30th, 2017.

## **RELATIVE PERFORMANCE**

For the second quarter, the Seizert Capital Partners portfolio gained 0.6%, which was 2.1% less than the Russell Mid Cap's return of 2.7% and ranked in the 88th percentile of the Mid Cap universe. Over the trailing twelve-month period, this portfolio returned 32.4%, which was 15.9% greater than the benchmark's 16.5% performance, and ranked in the 1st percentile. Since June 2012, the portfolio returned 17.9% annualized and ranked in the 2nd percentile. For comparison, the Russell Mid Cap returned an annualized 14.7% over the same time frame.

## **ASSET ALLOCATION**

On June 30th, 2017, domestic equities comprised 95.4% of the total portfolio (\$6.4 million), while cash & equivalents totaled 4.6% (\$308,491).

## **STOCK ANALYSIS**

By quarter's end, the Seizert portfolio was invested in six of eleven industry sectors. Compared to the Russell Mid Cap index, the portfolio was overweight in the Basic, Computer Technology, Finance, and Service sectors, while underweight in Nondurable Consumer Goods and Consumer Service. The Durable Consumer Goods, Transportation, Technology, Energy, and Utilities sectors were unfunded.

The Seizert portfolio's strategy of deploying high concentrations of funds across just a few market sectors has been successful for this account on an historical basis. However, last quarter the portfolio struggled with negative selection effects in some of its most heavily weighted positions. The Service sector – which comprised more than one-third of the total portfolio – delivered a loss compared to the benchmark's gain. Basic and Computer Technology, which had a combined allocation of 26.3%, similarly underperformed. The heavily weighted Finance sector was the main tailwind to performance, as its significant allocation magnified the positive selection effects.

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

	Quarter	YTD	1 Year	3 Year	5 Year
<b>Total Portfolio - Gross</b>	0.6	6.9	32.4	6.3	17.9
<i>MID CAP RANK</i>	(88)	(60)	( 1)	(79)	( 2)
<b>Total Portfolio - Net</b>	0.4	6.5	31.4	5.5	17.1
RUSSELL MID	2.7	8.0	16.5	7.7	14.7
S&P 400	2.0	6.0	18.6	8.5	14.9
RUSSELL MID	2.7	8.0	16.5	7.7	14.7
<b>Domestic Equity - Gross</b>	0.6	7.1	33.9	6.6	18.7
<i>MID CAP RANK</i>	(88)	(59)	( 1)	(73)	( 1)
RUSSELL MID	2.7	8.0	16.5	7.7	14.7

**ASSET ALLOCATION**

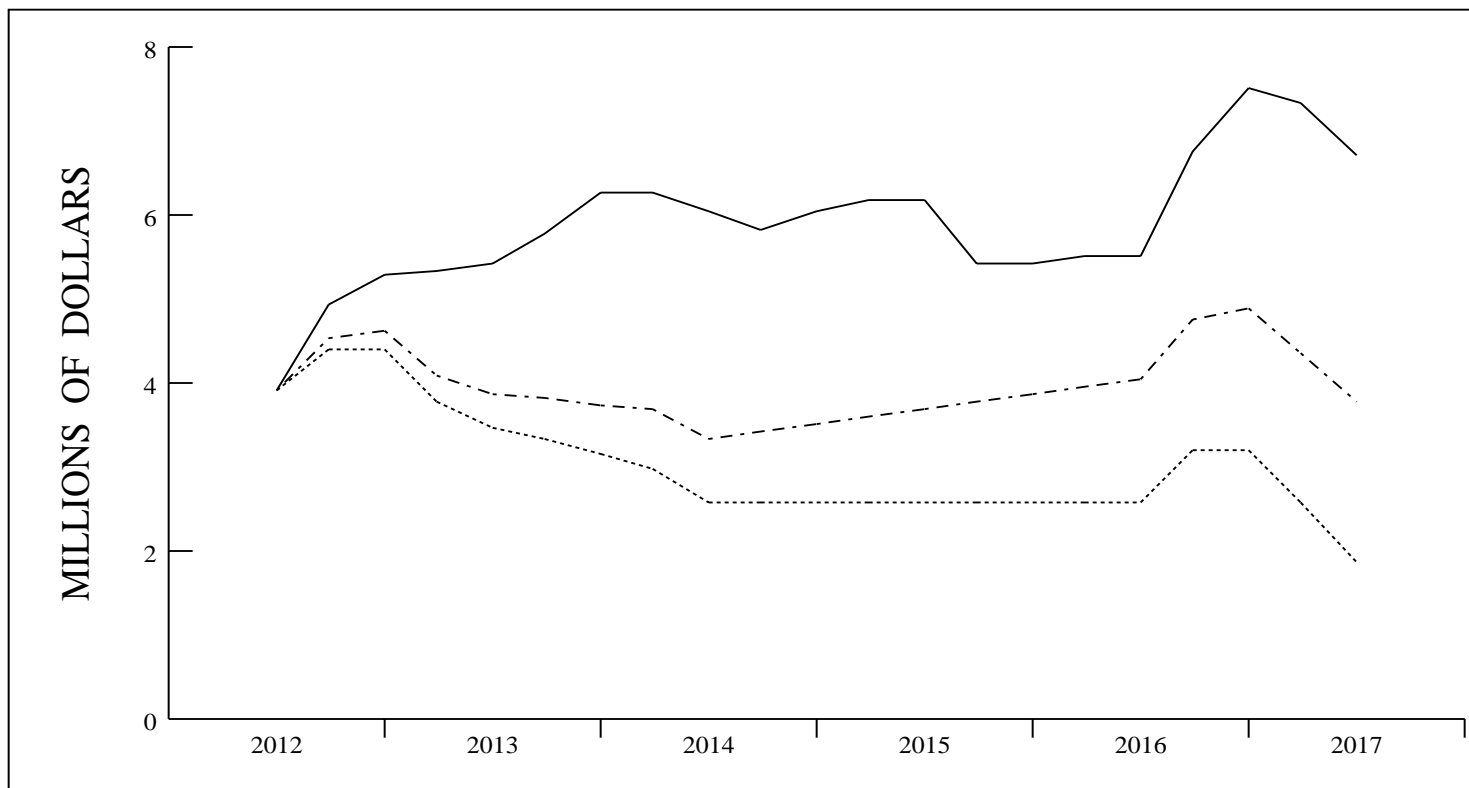
Domestic Equity	95.4%	\$ 6,410,430
Cash	4.6%	308,491
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 6,718,921</b>

**INVESTMENT RETURN**

Market Value 3/2017	\$ 7,369,110
Contribs / Withdrawals	-684,000
Income	24,801
Capital Gains / Losses	9,010
Market Value 6/2017	\$ 6,718,921



**INVESTMENT GROWTH**

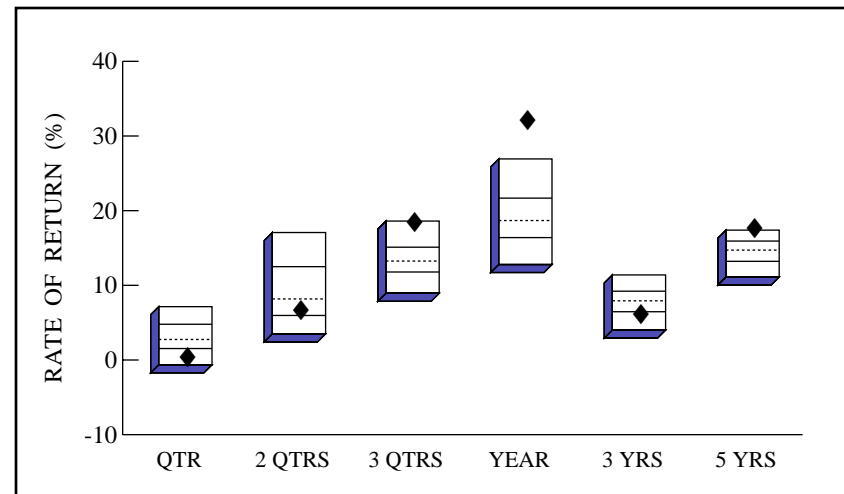
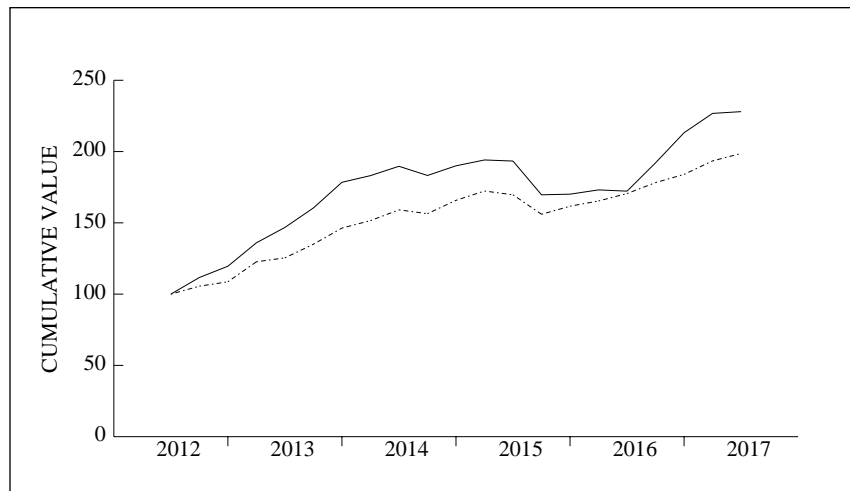


— ACTUAL RETURN  
 - - - 10.0%  
 . . . 0.0%

VALUE ASSUMING  
 10.0% RETURN \$ 3,802,950

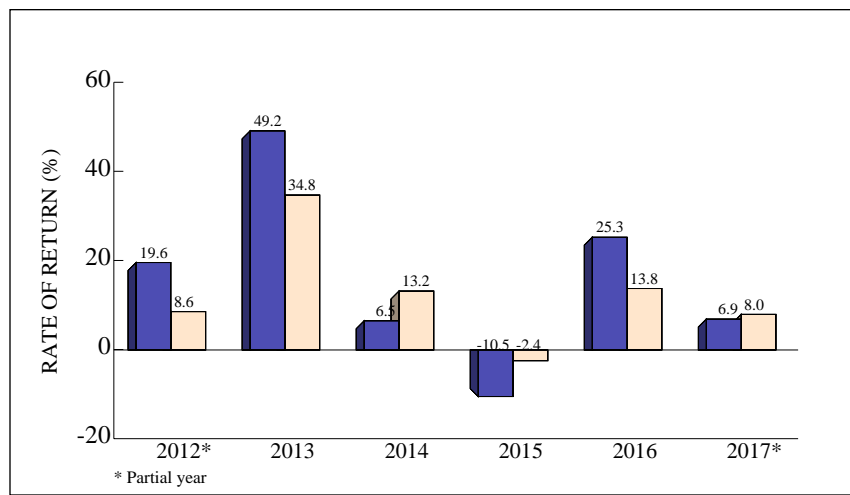
	LAST QUARTER	FIVE YEARS
BEGINNING VALUE	\$ 7,369,110	\$ 3,932,980
NET CONTRIBUTIONS	-684,000	-2,035,141
<u>INVESTMENT RETURN</u>	<u>33,811</u>	<u>4,821,082</u>
ENDING VALUE	\$ 6,718,921	\$ 6,718,921
INCOME	24,801	644,385
<u>CAPITAL GAINS (LOSSES)</u>	<u>9,010</u>	<u>4,176,697</u>
INVESTMENT RETURN	33,811	4,821,082

**TOTAL RETURN COMPARISONS**



■ ——— PORTFOLIO  
■ - - - - RUSSELL MID

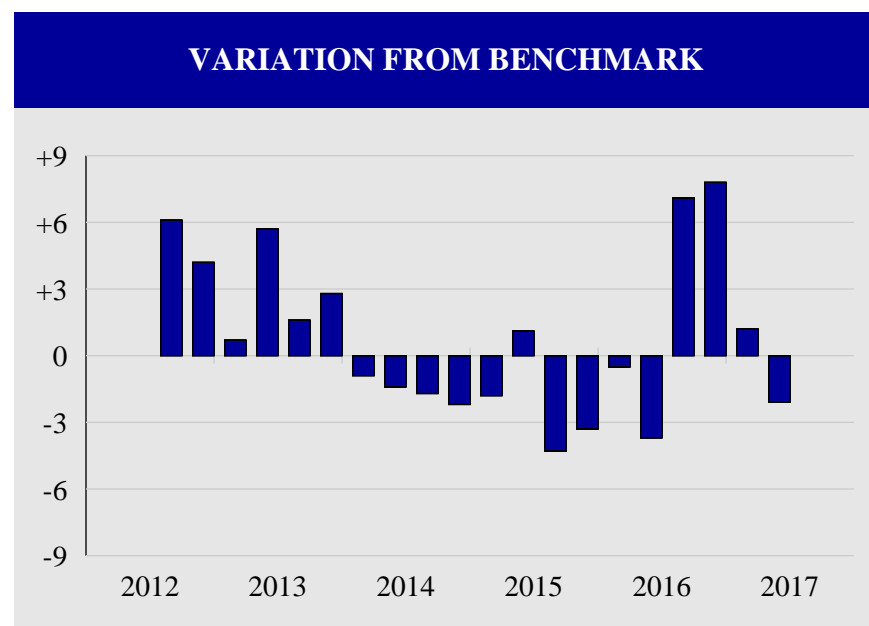
Mid Cap Universe



\* Partial year

	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	0.6	6.9	18.7	32.4	6.3	17.9
(RANK)	(88)	(60)	(5)	(1)	(79)	(2)
5TH %ILE	7.1	17.1	18.6	26.9	11.4	17.4
25TH %ILE	4.8	12.5	15.1	21.7	9.2	15.9
MEDIAN	2.8	8.2	13.3	18.7	7.9	14.7
75TH %ILE	1.6	6.0	11.8	16.4	6.5	13.2
95TH %ILE	-0.6	3.5	8.9	12.8	4.0	11.1
<b>Russ MC</b>	<b>2.7</b>	<b>8.0</b>	<b>11.4</b>	<b>16.5</b>	<b>7.7</b>	<b>14.7</b>

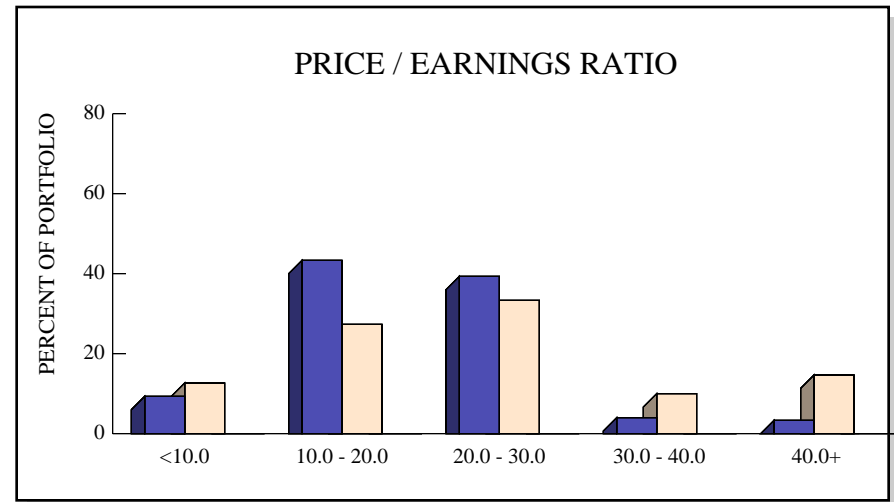
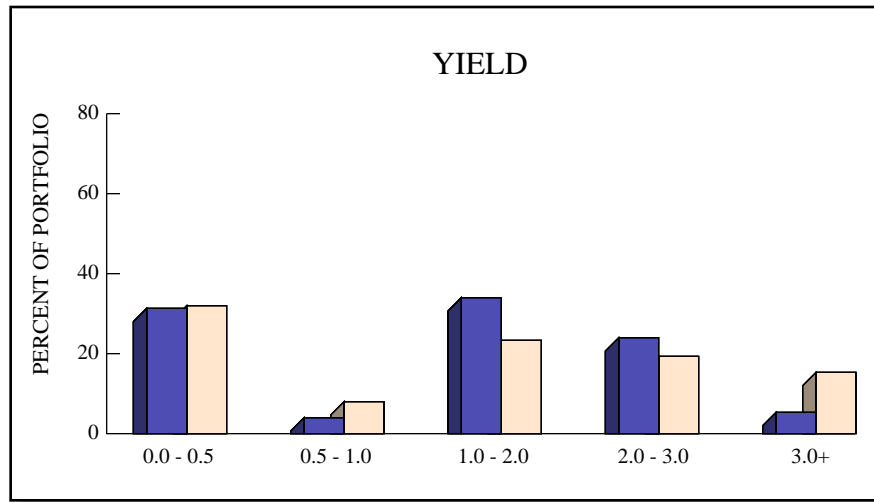
Mid Cap Universe

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

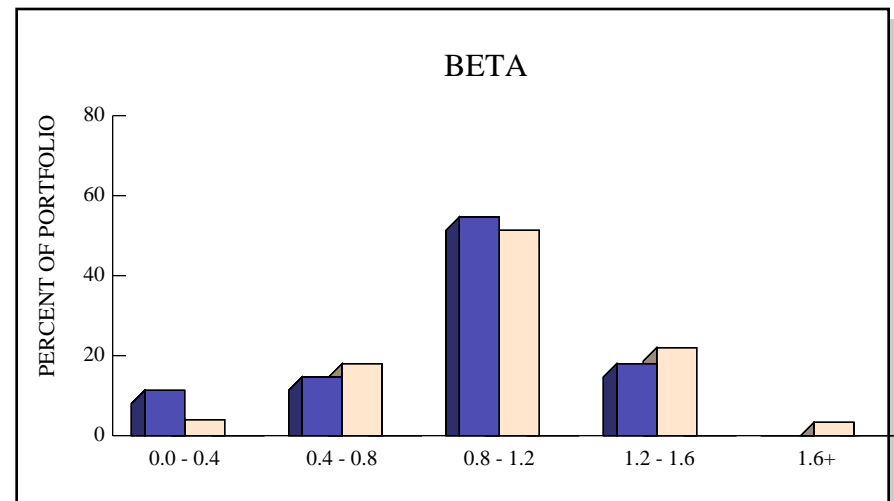
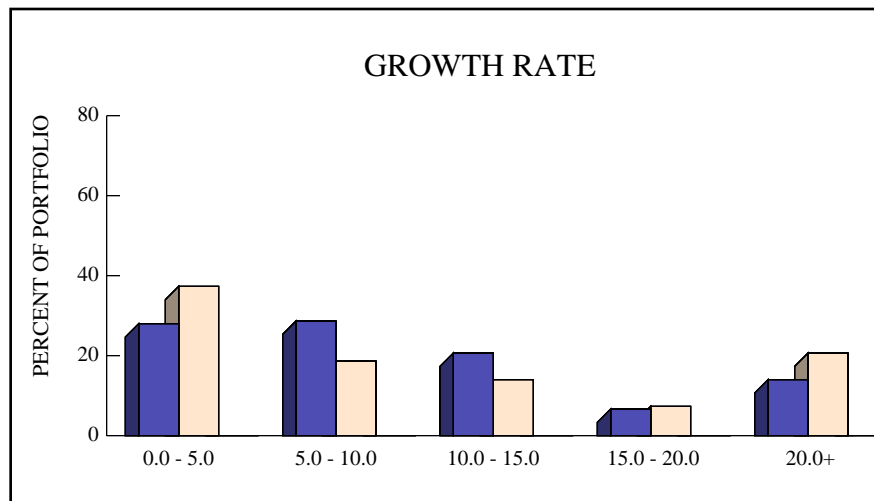
<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>10</b>
<b>Quarters Below the Benchmark</b>	<b>10</b>
<b>Batting Average</b>	<b>.500</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
9/12	11.7	5.6	6.1
12/12	7.1	2.9	4.2
3/13	13.7	13.0	0.7
6/13	7.9	2.2	5.7
9/13	9.3	7.7	1.6
12/13	11.2	8.4	2.8
3/14	2.6	3.5	-0.9
6/14	3.6	5.0	-1.4
9/14	-3.4	-1.7	-1.7
12/14	3.7	5.9	-2.2
3/15	2.2	4.0	-1.8
6/15	-0.4	-1.5	1.1
9/15	-12.3	-8.0	-4.3
12/15	0.3	3.6	-3.3
3/16	1.7	2.2	-0.5
6/16	-0.5	3.2	-3.7
9/16	11.6	4.5	7.1
12/16	11.0	3.2	7.8
3/17	6.3	5.1	1.2
6/17	0.6	2.7	-2.1

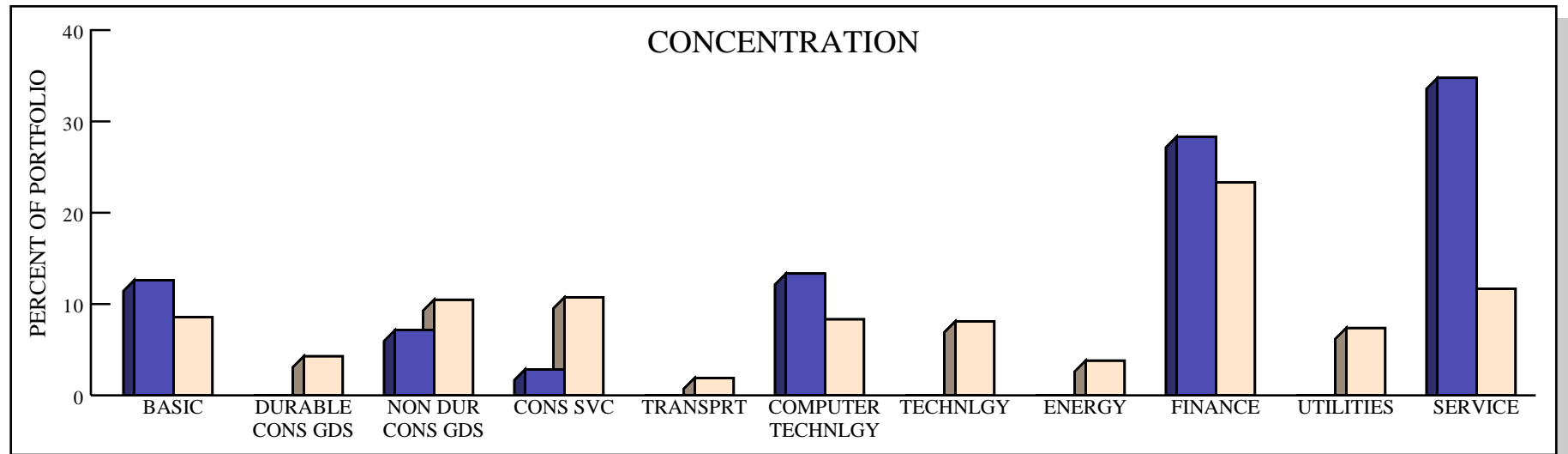
**STOCK CHARACTERISTICS**



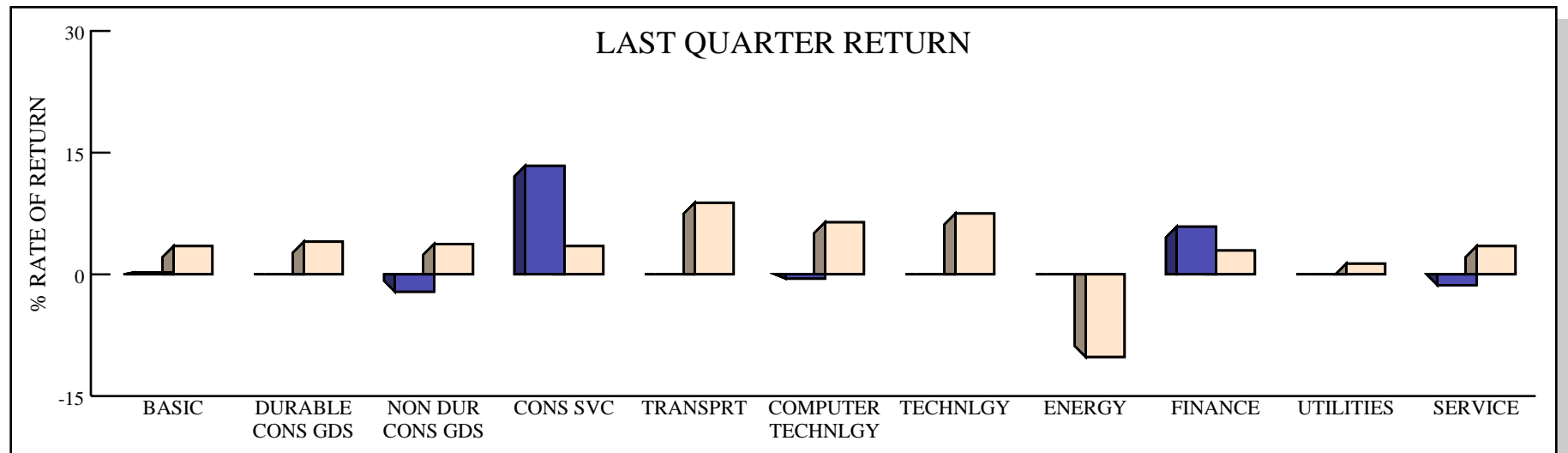
	# HOLDINGS	YIELD	GROWTH	P/E	BETA
PORTFOLIO	26	1.4%	7.9%	21.1	0.90
RUSSELL MID	791	1.7%	9.8%	23.3	1.00



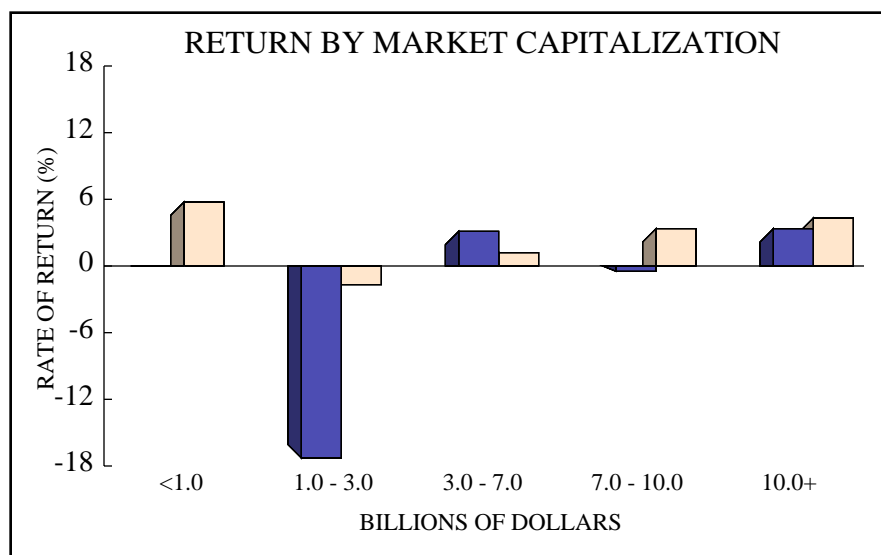
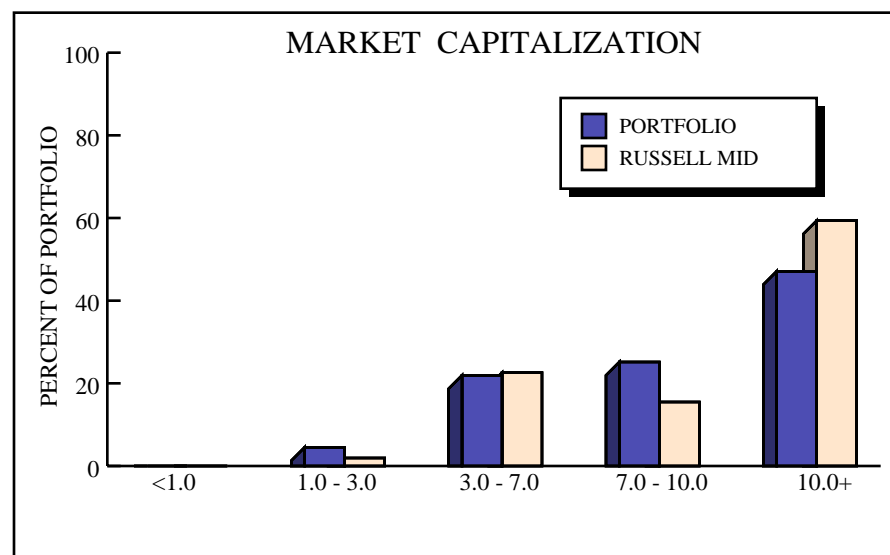
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL MID CAP



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	LIBERTY MEDIA COR-SIRIUSXM C	\$ 380,930	5.94%	7.5%	Service	\$ 9.3 B
2	LIBERTY MEDIA CORP-LIBERTY-C	357,411	5.58%	7.2%	Service	6.8 B
3	ASSURED GUARANTY LTD	341,016	5.32%	12.8%	Finance	5.1 B
4	LIBERTY BROADBAND-C	332,166	5.18%	0.4%	Service	13.3 B
5	ZIONS BANCORPORATION	296,480	4.62%	4.7%	Finance	8.9 B
6	AMERISOURCEBERGEN CORP	282,550	4.41%	7.2%	Service	20.6 B
7	HOWARD HUGHES CORP/THE	277,373	4.33%	4.8%	Finance	5.0 B
8	REGIONS FINANCIAL CORP	276,725	4.32%	1.2%	Finance	17.6 B
9	FIFTH THIRD BANCORP	266,090	4.15%	2.7%	Finance	19.5 B
10	DISCOVERY COMMUNICATIONS-C	261,226	4.08%	-11.0%	Service	5.7 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
SYSTEMATIC FINANCIAL  
PERFORMANCE REVIEW  
JUNE 2017

## **INVESTMENT RETURN**

On June 30th, 2017, the Franklin Regional Retirement System's Systematic Financial portfolio was valued at \$6,519,159, a decrease of \$194,475 from the March ending value of \$6,713,634. Last quarter, the account recorded total net withdrawals of \$144,000 in addition to \$50,475 in net investment losses. The fund's net investment loss was a result of income receipts totaling \$29,069 and realized and unrealized capital losses totaling \$79,544.

Since June 2014, the account has recorded net withdrawals totaling \$303,325 while posting net investment gains totaling \$876,534. Since June 2014, if the account had earned a compound annual rate of 8.0% it would have been valued at \$7.2 million or \$695,808 more than the actual value as of June 30th, 2017.

## **RELATIVE PERFORMANCE**

For the second quarter, the Systematic Financial portfolio lost 0.8%, which was 3.3% below the Russell 2000 Index's return of 2.5% and ranked in the 93rd percentile of the Small Cap universe. Over the trailing twelve-month period, this portfolio returned 19.0%, which was 5.6% less than the benchmark's 24.6% performance, and ranked in the 86th percentile. Since June 2014, the portfolio returned 4.3% annualized and ranked in the 89th percentile. The Russell 2000 returned an annualized 7.4% over the same time frame.

## **ASSET ALLOCATION**

On June 30th, 2017, domestic equities comprised 99.5% of the total portfolio (\$6.5 million), while cash & equivalents comprised the remaining 0.5% (\$35,323).

## **STOCK ANALYSIS**

All eleven industry sectors were funded at the end of the quarter. Compared to the Russell 2000 index, the Systematic portfolio was overweight in the Basic, Consumer Service, Technology, and Service sectors, while underweight in Nondurable Consumer Goods, Computer Technology, and Finance.

Negative selection effects pervaded the Systematic portfolio in the second quarter, including the four most heavily concentrated sectors. Basic, Consumer Service, and Service – together comprising 42.2% of the total portfolio – put up losses where the benchmark's posted gains, deficits that were magnified by the heft of the allocations. Finance stocks, which made more than one-fifth of the total portfolio, similarly underperformed. Positive effects in the Durable Consumer Goods sector were checked by limited weight.



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

	Quarter	YTD	1 Year	3 Year	5 Year
<b>Total Portfolio - Gross</b>	-0.8	0.2	19.0	4.3	----
<i>SMALL CAP RANK</i>	(93)	(86)	(86)	(89)	----
<b>Total Portfolio - Net</b>	-0.9	-0.2	18.1	3.5	----
RUSSELL 2000	2.5	5.0	24.6	7.4	13.7
RUSSELL 2000G	4.4	10.0	24.4	7.6	14.0
RUSSELL 2000V	0.7	0.5	24.8	7.0	13.4
<b>Domestic Equity - Gross</b>	-0.8	0.2	19.3	4.3	----
<i>SMALL CAP RANK</i>	(93)	(86)	(84)	(89)	----
RUSSELL 2000	2.5	5.0	24.6	7.4	13.7

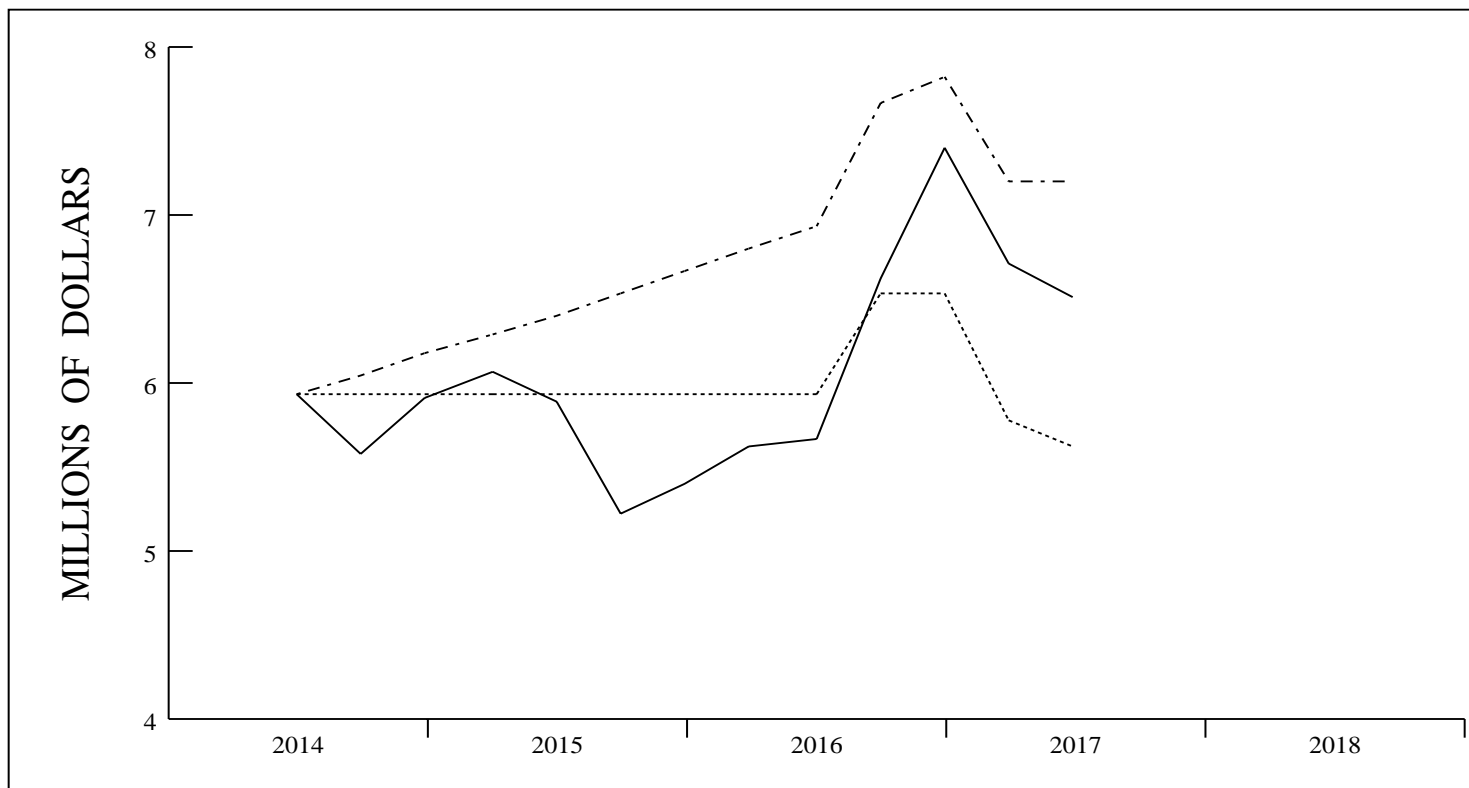
**ASSET ALLOCATION**

Domestic Equity	99.5%	\$ 6,483,836
Cash	0.5%	35,323
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 6,519,159</b>

**INVESTMENT RETURN**

Market Value 3/2017	\$ 6,713,634
Contribs / Withdrawals	-144,000
Income	29,069
Capital Gains / Losses	- 79,544
Market Value 6/2017	\$ 6,519,159

**INVESTMENT GROWTH**

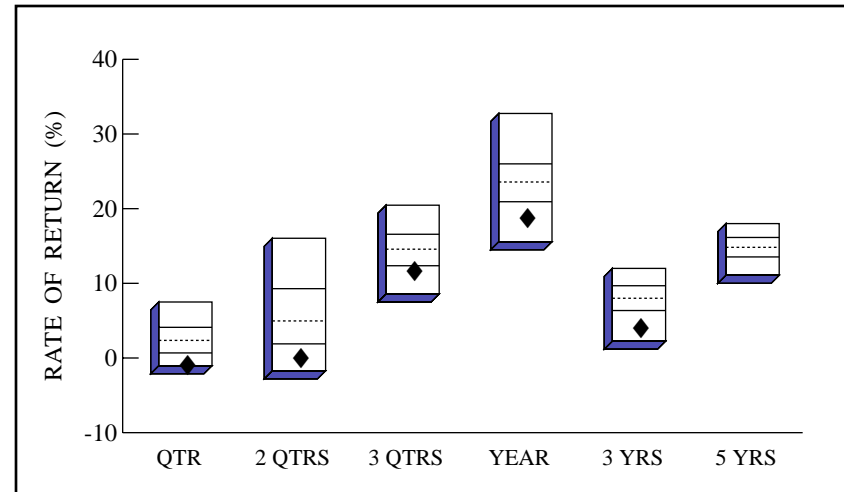
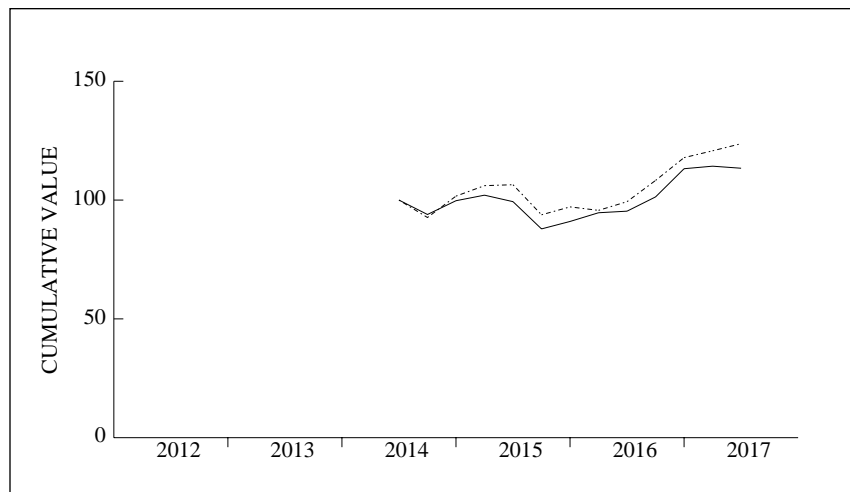


— ACTUAL RETURN  
 - - - 8.0%  
 ..... 0.0%

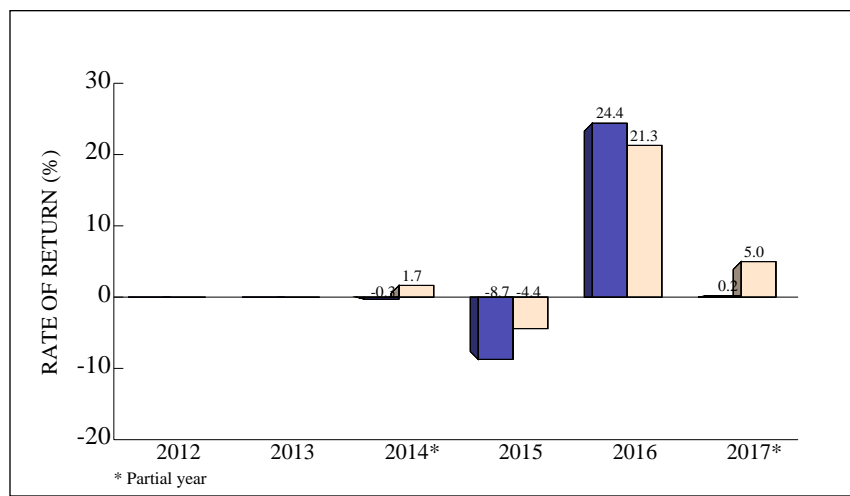
VALUE ASSUMING  
 8.0% RETURN    \$ 7,214,967

	LAST QUARTER	THREE YEARS
BEGINNING VALUE	\$ 6,713,634	\$ 5,945,950
NET CONTRIBUTIONS	-144,000	-303,325
INVESTMENT RETURN	- 50,475	876,534
ENDING VALUE	\$ 6,519,159	\$ 6,519,159
INCOME	29,069	345,762
CAPITAL GAINS (LOSSES)	- 79,544	530,772
INVESTMENT RETURN	- 50,475	876,534

**TOTAL RETURN COMPARISONS**



Small Cap Universe

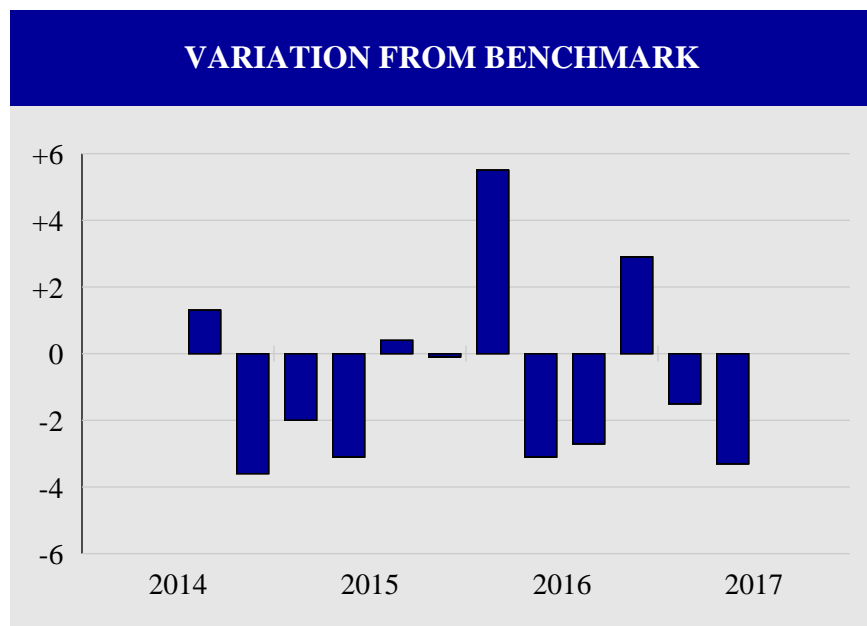


	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	-0.8	0.2	11.9	19.0	4.3	---
(RANK)	(93)	(86)	(79)	(86)	(89)	---
5TH %ILE	7.5	16.0	20.5	32.8	12.0	18.0
25TH %ILE	4.1	9.3	16.6	26.0	9.7	16.2
MEDIAN	2.4	5.0	14.6	23.6	8.0	14.8
75TH %ILE	0.7	1.9	12.4	20.9	6.3	13.6
95TH %ILE	-1.0	-1.7	8.6	15.6	2.3	11.1
<b>Russ 2000</b>	<b>2.5</b>	<b>5.0</b>	<b>14.2</b>	<b>24.6</b>	<b>7.4</b>	<b>13.7</b>

Small Cap Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

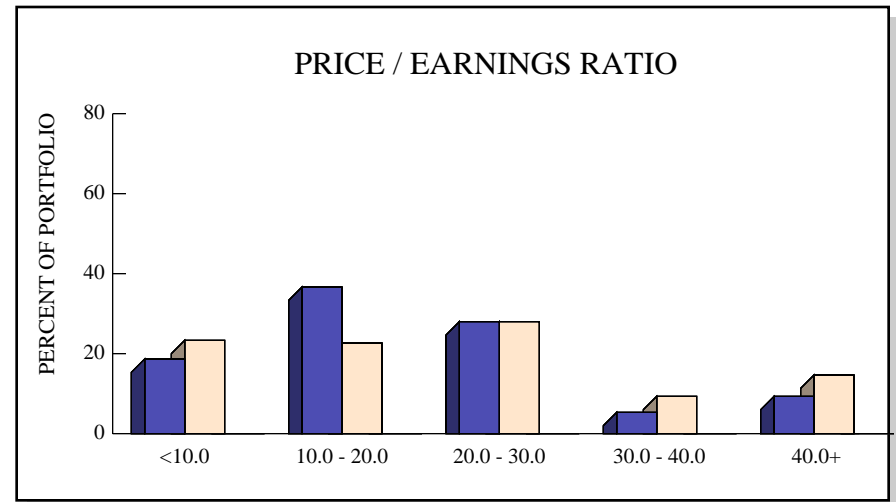
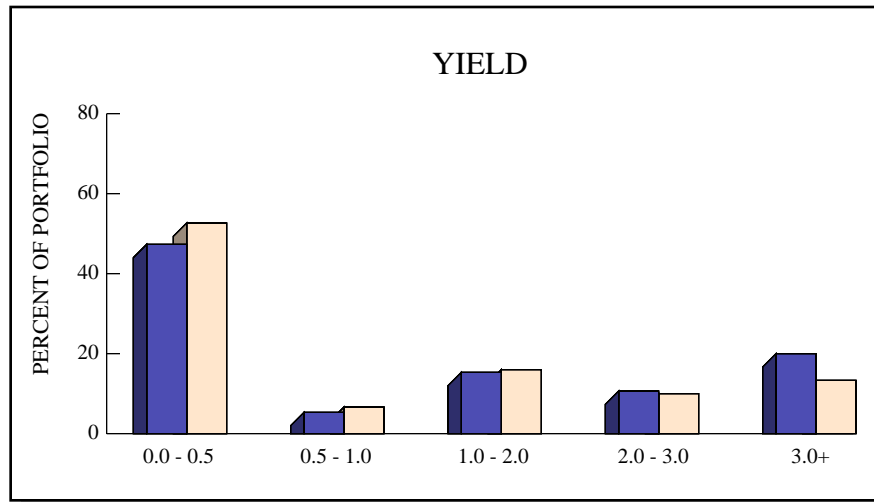
**COMPARATIVE BENCHMARK: RUSSELL 2000**



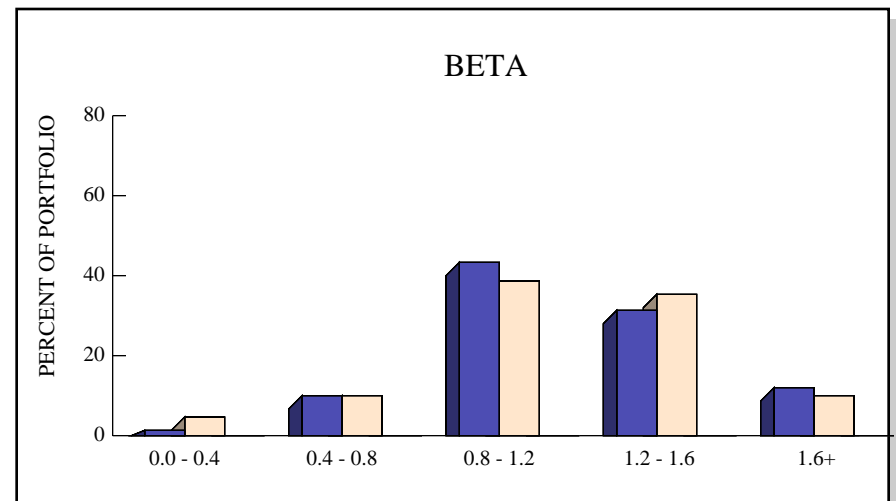
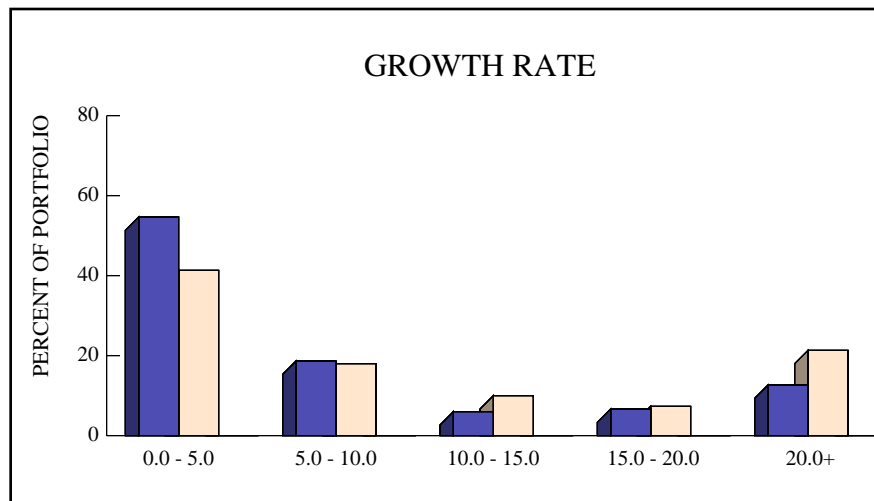
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
9/14	-6.1	-7.4	1.3
12/14	6.1	9.7	-3.6
3/15	2.3	4.3	-2.0
6/15	-2.7	0.4	-3.1
9/15	-11.5	-11.9	0.4
12/15	3.5	3.6	-0.1
3/16	4.0	-1.5	5.5
6/16	0.7	3.8	-3.1
9/16	6.3	9.0	-2.7
12/16	11.7	8.8	2.9
3/17	1.0	2.5	-1.5
6/17	-0.8	2.5	-3.3

<b>Total Quarters Observed</b>	<b>12</b>
<b>Quarters At or Above the Benchmark</b>	<b>4</b>
<b>Quarters Below the Benchmark</b>	<b>8</b>
<b>Batting Average</b>	<b>.333</b>

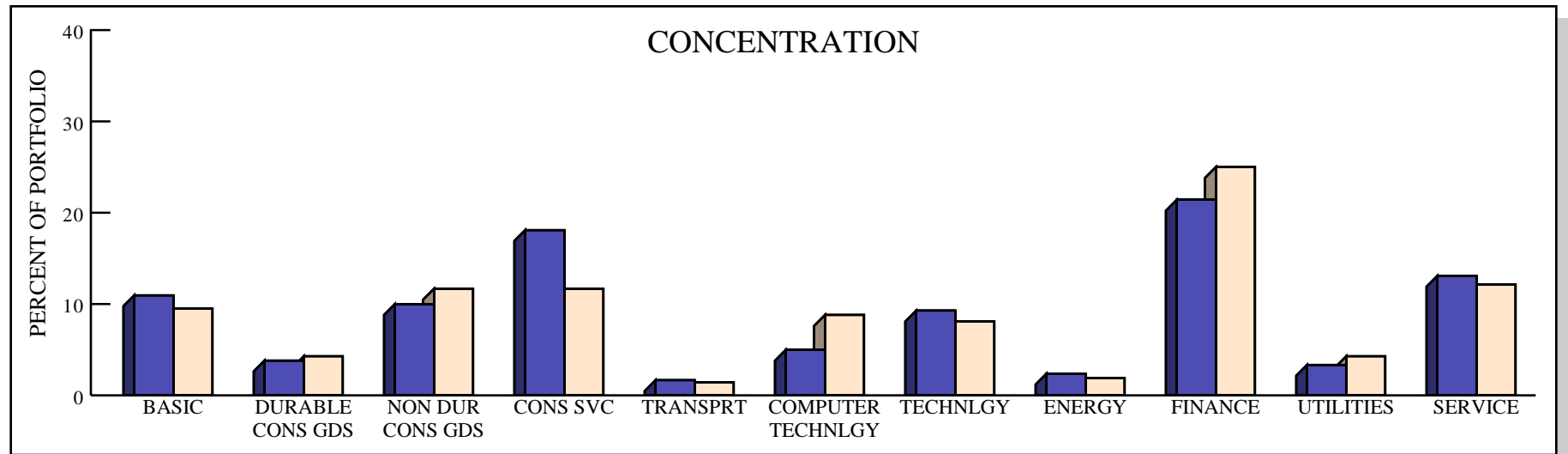
**STOCK CHARACTERISTICS**



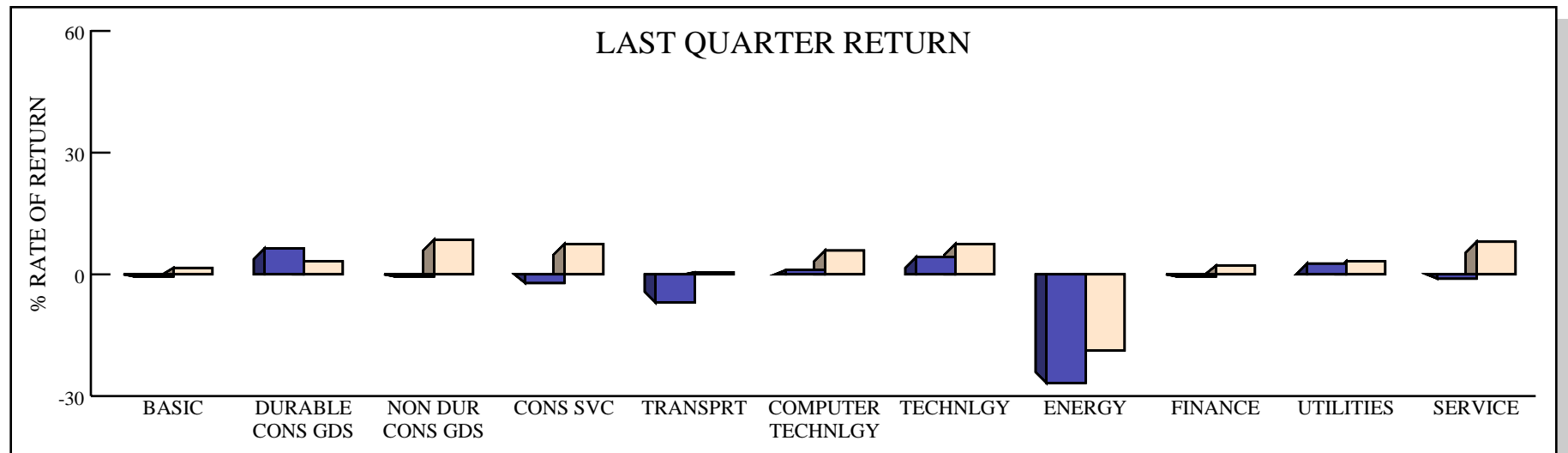
	# HOLDINGS	YIELD	GROWTH	P/E	BETA
PORTFOLIO	298	1.7%	4.3%	18.9	1.19
RUSSELL 2000	2,010	1.3%	9.8%	20.0	1.14



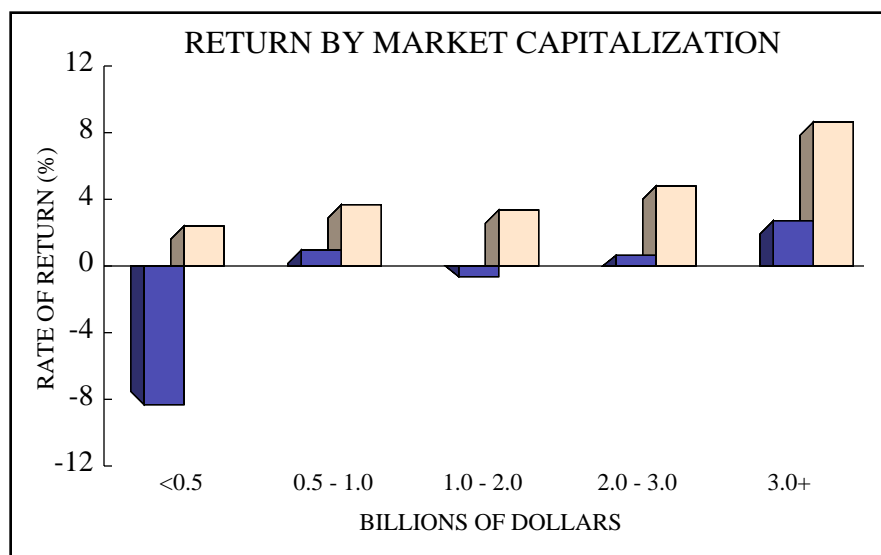
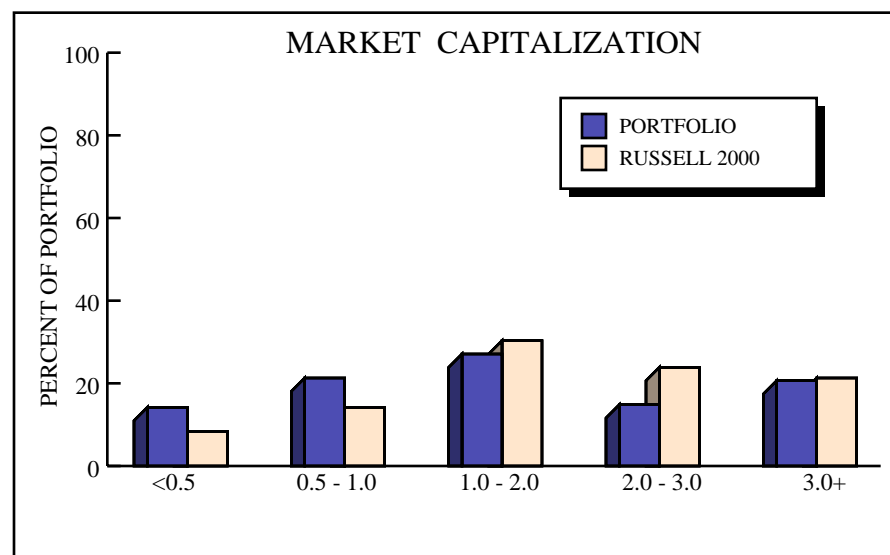
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL 2000



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	ICON PLC	\$ 27,381	.42%	22.7%	Consumer Service	\$ 5.3 B
2	ORASURE TECHNOLOGIES INC	25,890	.40%	33.5%	Technology	1.0 B
3	WORTHINGTON INDUSTRIES	25,863	.40%	11.8%	Basic	3.2 B
4	LA-Z-BOY INC	25,838	.40%	20.7%	Durable Cons Goods	1.6 B
5	NU SKIN ENTERPRISES INC - A	25,764	.40%	14.1%	Service	3.3 B
6	TECH DATA CORP	25,755	.40%	7.6%	Service	3.9 B
7	WESCO AIRCRAFT HOLDINGS INC	25,552	.39%	-4.8%	Service	1.1 B
8	LHC GROUP INC	25,459	.39%	26.0%	Consumer Service	1.2 B
9	BANKRATE INC	25,379	.39%	33.2%	Service	1.2 B
10	ORTHOFIX INTERNATIONAL NV	25,332	.39%	21.8%	Technology	0.8 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
PRIT - INT'L EQUITY  
PERFORMANCE REVIEW  
JUNE 2017



## **INVESTMENT RETURN**

On June 30th, 2017, the Franklin Regional Retirement System's PRIT International Equity portfolio was valued at \$6,509,019, representing an increase of \$416,623 from the March quarter's ending value of \$6,092,396. Last quarter, the Fund posted withdrawals totaling \$3,482, which partially offset the portfolio's net investment return of \$420,105. Income receipts totaling \$68,136 plus net realized and unrealized capital gains of \$351,969 combined to produce the portfolio's net investment return.

For the cumulative period since September 2014, the fund has recorded net contributions totaling \$130,348, and recorded net investment gains of \$835,841. For the period since September 2014, if the total fund returned a compound annual rate of 9.0% it would have been valued at \$7.2 million or \$673,565 more than the actual value as of June 30th, 2017.

## **RELATIVE PERFORMANCE**

In the second quarter, the PRIT International Equity portfolio gained 6.9%, which was 0.5% above the MSCI EAFE Index's return of 6.4% and ranked in the 48th percentile of the International Equity universe. Over the trailing year, the portfolio returned 20.2%, which was 0.6% less than the benchmark's 20.8% performance, and ranked in the 62nd percentile. Since September 2014, the portfolio returned 5.2% on an annualized basis and ranked in the 47th percentile. For comparison, the MSCI EAFE Index returned an annualized 4.0% over the same period.

## **ASSET ALLOCATION**

This portfolio was fully invested in the PRIT International Equity portfolio at the end of the quarter.

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

	Quarter	YTD	1 Year	3 Year	5 Year	Since 09/14
<b>Total Portfolio - Gross</b>	6.9	14.8	20.2	----	----	5.2
<i>INTERNATIONAL EQUITY RANK</i>	(48)	(67)	(62)	----	----	(47)
<b>Total Portfolio - Net</b>	6.8	14.7	20.0	----	----	5.0
MSCI EAFE	6.4	14.2	20.8	1.6	9.2	4.0
ACWI EX US	6.0	14.5	21.0	1.3	7.7	3.4
MSCI EMG MKTS	6.4	18.6	24.2	1.5	4.3	2.9
<b>International Equity - Gross</b>	6.9	14.8	20.2	----	----	5.2
<i>INTERNATIONAL EQUITY RANK</i>	(48)	(67)	(62)	----	----	(47)
MSCI EAFE	6.4	14.2	20.8	1.6	9.2	4.0

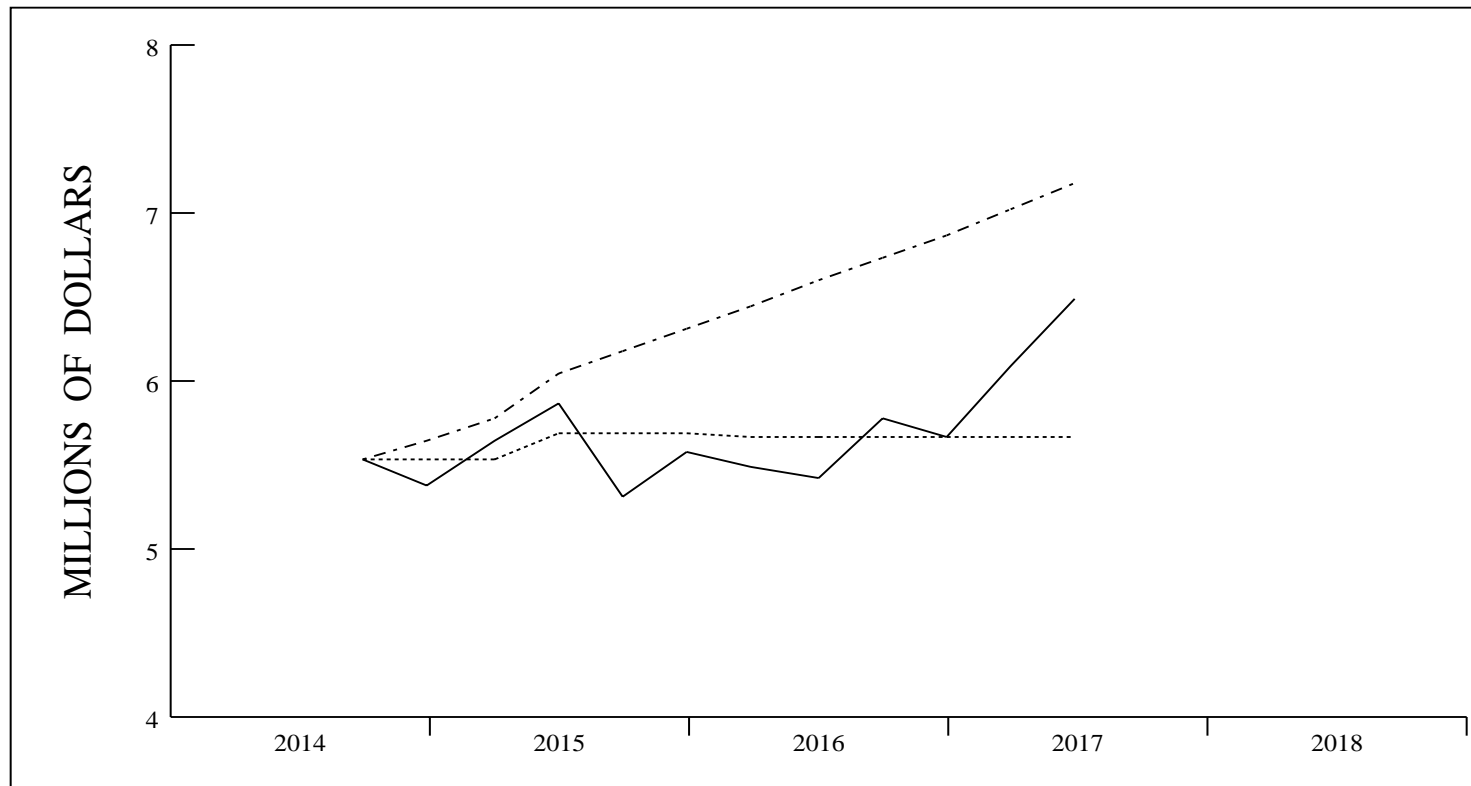
**ASSET ALLOCATION**

Int'l Equity	100.0%	\$ 6,509,019
Total Portfolio	100.0%	\$ 6,509,019

**INVESTMENT RETURN**

Market Value 3/2017	\$ 6,092,396
Contribs / Withdrawals	- 3,482
Income	68,136
Capital Gains / Losses	351,969
Market Value 6/2017	\$ 6,509,019

**INVESTMENT GROWTH**

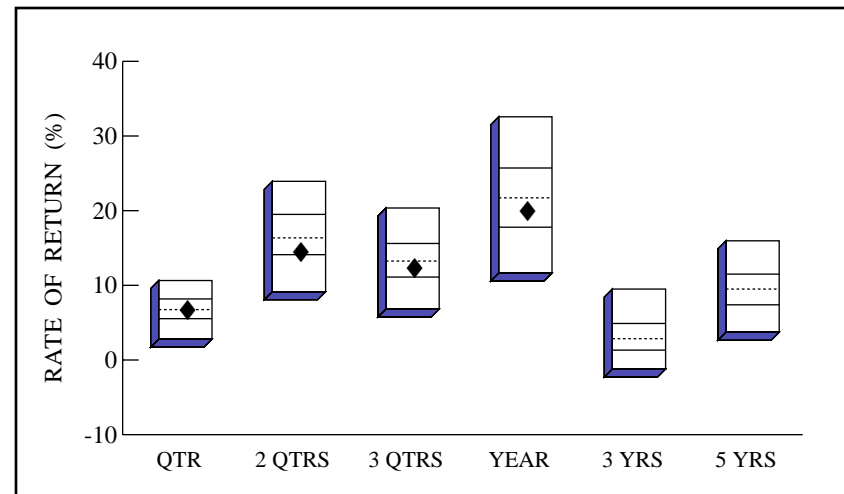
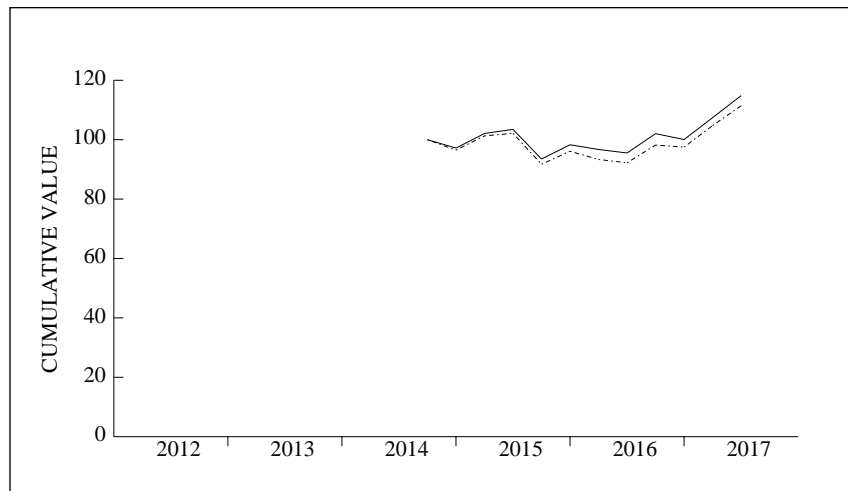


— ACTUAL RETURN  
 - - - 9.0%  
 . . . 0.0%

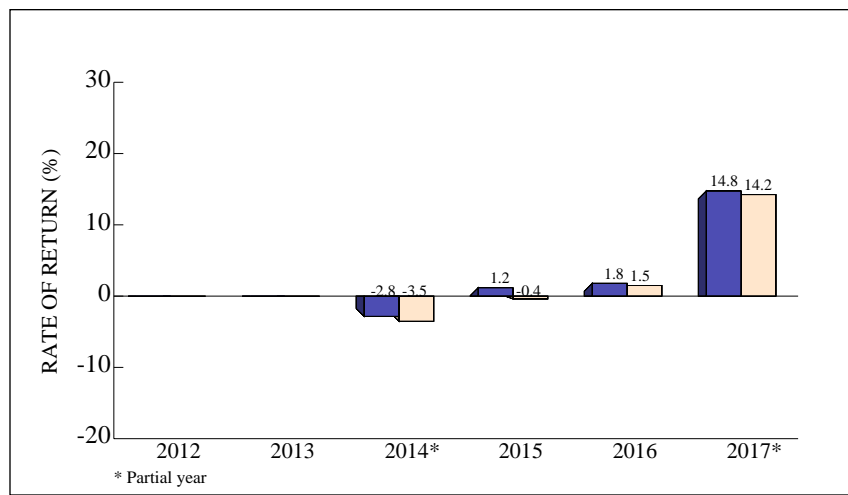
VALUE ASSUMING  
 9.0% RETURN    \$ 7,182,584

	LAST QUARTER	PERIOD 9/14 - 6/17
BEGINNING VALUE	\$ 6,092,396	\$ 5,542,830
NET CONTRIBUTIONS	- 3,482	130,348
INVESTMENT RETURN	420,105	835,841
ENDING VALUE	\$ 6,509,019	\$ 6,509,019
INCOME	68,136	456,761
CAPITAL GAINS (LOSSES)	351,969	379,080
INVESTMENT RETURN	420,105	835,841

**TOTAL RETURN COMPARISONS**



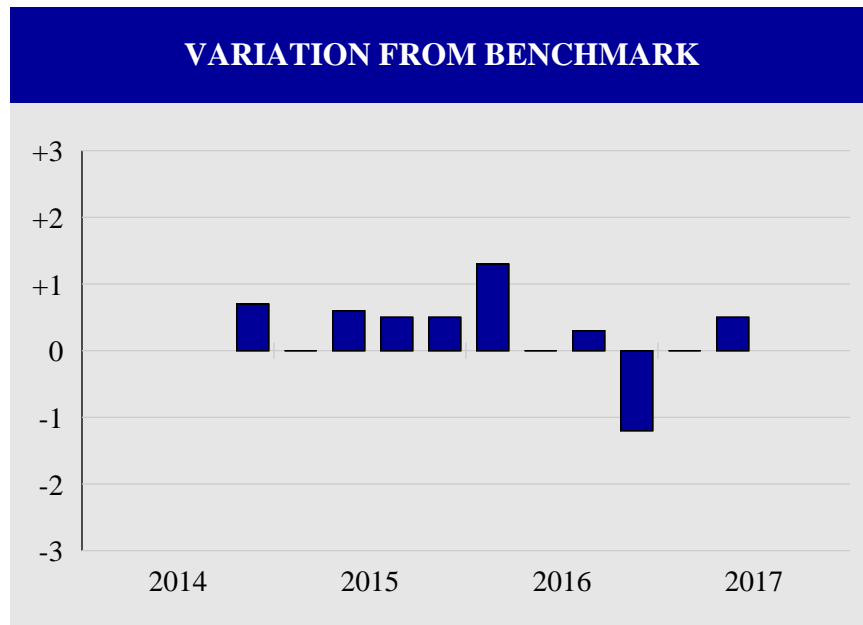
International Equity Universe



\* Partial year

	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	6.9	14.8	12.6	20.2	----	----
(RANK)	(48)	(67)	(59)	(62)	----	----
5TH %ILE	10.6	23.9	20.4	32.6	9.5	16.0
25TH %ILE	8.2	19.5	15.6	25.7	4.9	11.5
MEDIAN	6.8	16.4	13.3	21.7	2.9	9.5
75TH %ILE	5.5	14.1	11.1	17.8	1.3	7.4
95TH %ILE	2.8	9.1	6.8	11.6	-1.2	3.7
<b>MSCI EAFE</b>	<b>6.4</b>	<b>14.2</b>	<b>13.5</b>	<b>20.8</b>	<b>1.6</b>	<b>9.2</b>

International Equity Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: MSCI EAFE**

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
12/14	-2.8	-3.5	0.7
3/15	5.0	5.0	0.0
6/15	1.4	0.8	0.6
9/15	-9.7	-10.2	0.5
12/15	5.2	4.7	0.5
3/16	-1.6	-2.9	1.3
6/16	-1.2	-1.2	0.0
9/16	6.8	6.5	0.3
12/16	-1.9	-0.7	-1.2
3/17	7.4	7.4	0.0
6/17	6.9	6.4	0.5

<b>Total Quarters Observed</b>	<b>11</b>
<b>Quarters At or Above the Benchmark</b>	<b>10</b>
<b>Quarters Below the Benchmark</b>	<b>1</b>
<b>Batting Average</b>	<b>.909</b>

FRANKLIN REGIONAL RETIREMENT SYSTEM  
PRIT - CORE REAL ESTATE ACCOUNT  
PERFORMANCE REVIEW  
JUNE 2017

## **INVESTMENT RETURN**

On June 30th, 2017, the Franklin Regional Retirement System's PRIT Core Real Estate Account portfolio was valued at \$13,291,648, representing an increase of \$290,900 from the March quarter's ending value of \$13,000,748. Last quarter, the Fund posted withdrawals totaling \$17,544, which partially offset the portfolio's net investment return of \$308,444. Income receipts totaling \$170,885 plus net realized and unrealized capital gains of \$137,559 combined to produce the portfolio's net investment return.

For the cumulative period since June 2012, the fund has recorded net contributions totaling \$3.7 million, and recorded net investment gains of \$4.9 million. For the period since June 2012, if the total fund had returned a compound annual rate of 8.25% it would have been valued at \$11.8 million or \$1.5 million less than the actual value as of June 30th, 2017.

## **RELATIVE PERFORMANCE**

In the second quarter, the PRIT Core Real Estate Account portfolio gained 2.4%, which was 0.7% greater than the NCREIF NFI-ODCE Index's return of 1.7%. Over the trailing twelve-month period, the portfolio returned 6.8%, which was 1.1% below the benchmark's 7.9% return. Since June 2012, the account returned 11.4% on an annualized basis, while the NCREIF NFI-ODCE Index returned an annualized 11.8% 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	3 Year	5 Year
<b>Total Portfolio - Gross</b>	2.4	4.5	6.8	10.3	11.4
<b>Total Portfolio - Net</b>	2.2	4.3	6.3	9.7	10.8
NCREIF ODCE	1.7	3.5	7.9	11.3	11.8
<b>Real Estate - Gross</b>	2.4	4.5	6.8	10.3	11.4
NCREIF ODCE	1.7	3.5	7.9	11.3	11.8

**ASSET ALLOCATION**

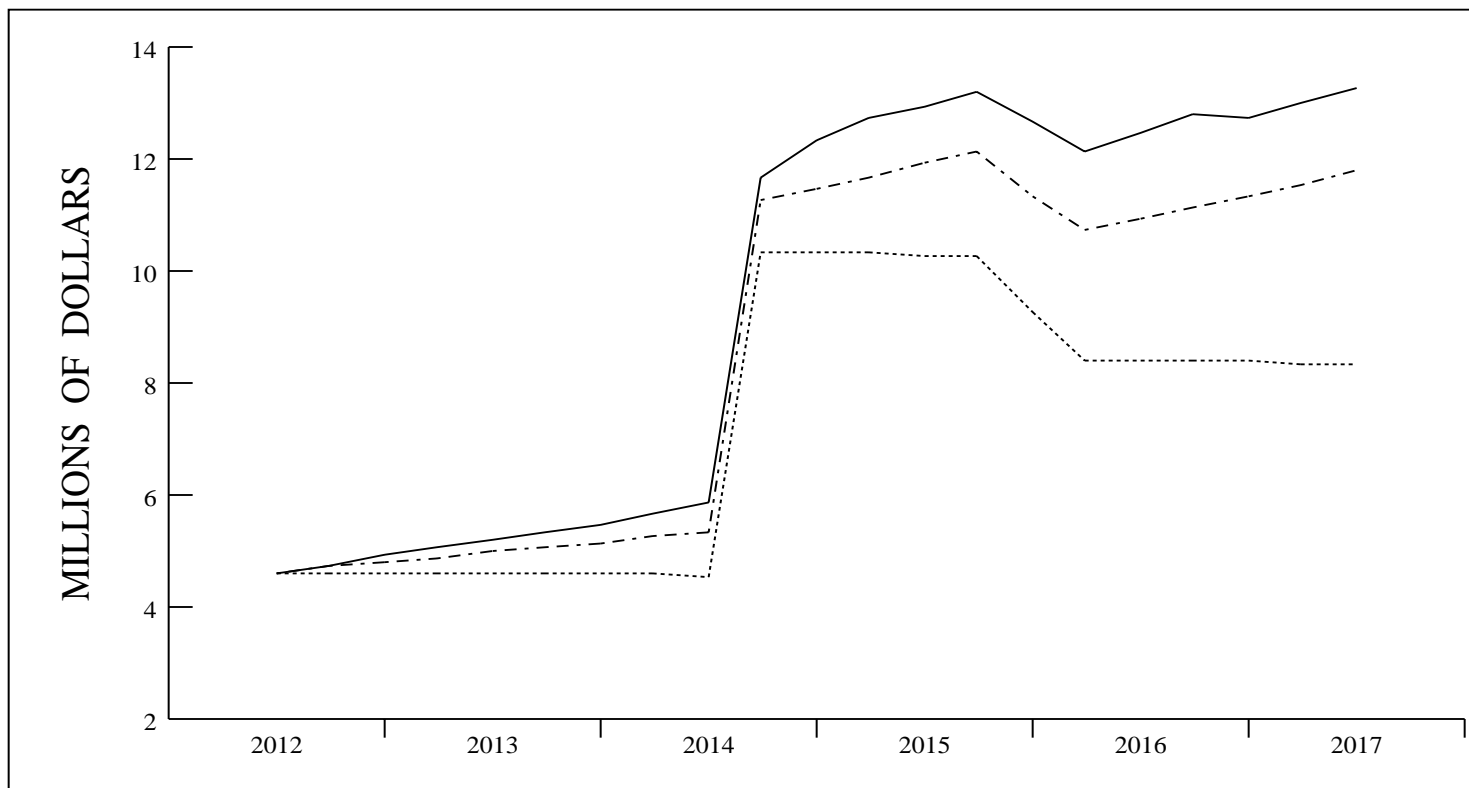
Real Estate	100.0%	\$ 13,291,648
Total Portfolio	100.0%	\$ 13,291,648

**INVESTMENT RETURN**

Market Value 3/2017	\$ 13,000,748
Contribs / Withdrawals	- 17,544
Income	170,885
Capital Gains / Losses	137,559
Market Value 6/2017	\$ 13,291,648



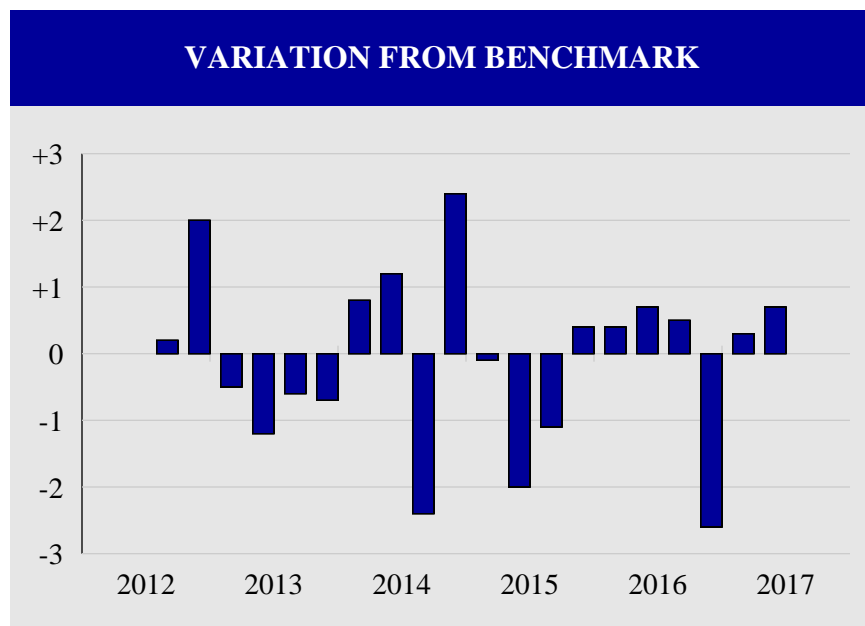
**INVESTMENT GROWTH**



— ACTUAL RETURN  
 - - - 8.25%  
 . . . 0.0%

VALUE ASSUMING  
 8.25% RETURN \$ 11,800,984

	LAST QUARTER	FIVE YEARS
BEGINNING VALUE	\$ 13,000,748	\$ 4,653,499
NET CONTRIBUTIONS	- 17,544	3,724,653
<u>INVESTMENT RETURN</u>	<u>308,444</u>	<u>4,913,496</u>
ENDING VALUE	\$ 13,291,648	\$ 13,291,648
INCOME	170,885	2,300,927
<u>CAPITAL GAINS (LOSSES)</u>	<u>137,559</u>	<u>2,612,569</u>
INVESTMENT RETURN	308,444	4,913,496

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: NCREIF NFI-ODCE 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
9/12	3.0	2.8	0.2
12/12	4.3	2.3	2.0
3/13	2.2	2.7	-0.5
6/13	2.7	3.9	-1.2
9/13	3.0	3.6	-0.6
12/13	2.5	3.2	-0.7
3/14	3.3	2.5	0.8
6/14	4.1	2.9	1.2
9/14	0.8	3.2	-2.4
12/14	5.7	3.3	2.4
3/15	3.3	3.4	-0.1
6/15	1.8	3.8	-2.0
9/15	2.6	3.7	-1.1
12/15	3.7	3.3	0.4
3/16	2.6	2.2	0.4
6/16	2.8	2.1	0.7
9/16	2.6	2.1	0.5
12/16	-0.5	2.1	-2.6
3/17	2.1	1.8	0.3
6/17	2.4	1.7	0.7

FRANKLIN REGIONAL RETIREMENT SYSTEM  
INCOME RESEARCH & MANAGEMENT - CORE BOND FUND  
PERFORMANCE REVIEW  
JUNE 2017

## **INVESTMENT RETURN**

On June 30th, 2017, the Franklin Regional Retirement System's Income Research & Management Core Bond Fund was valued at \$16,312,710, representing an increase of \$268,095 from the March quarter's ending value of \$16,044,615. Last quarter, the Fund posted no net contributions or withdrawals, while posting \$268,095 in net investment returns. Since there were no income receipts for the second quarter, the portfolio's net investment return was the result of net realized and unrealized capital gains totaling \$268,095.

For the cumulative period since June 2012, the portfolio has posted net contributions totaling \$3.2 million, and recorded net investment gains totaling \$2.0 million. For the period since June 2012, if the fund had returned a compound annual rate of 6.0% it would have been valued at \$18.4 million or \$2.1 million more than the actual value as of June 30th, 2017.

## **RELATIVE PERFORMANCE**

For the second quarter, the Income Research & Management Core Bond Fund returned 1.7%, which was 0.3% greater than the Bloomberg Barclays Aggregate Index's return of 1.4% and ranked in the 26th percentile of the Core Fixed Income universe. Over the trailing year, this portfolio returned 0.6%, which was 0.9% above the benchmark's -0.3% return, ranking in the 35th percentile. Since June 2012, the account returned 3.2% on an annualized basis and ranked in the 17th percentile. For comparison, the Bloomberg Barclays Aggregate Index returned an annualized 2.2% over the same time frame.

## **ASSET ALLOCATION**

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

## **ANALYSIS**

At the end of the quarter, USG rated securities comprised approximately 40% of the bond portfolio, while corporate securities, rated AAA through BBB, made up the remainder, giving the bond portfolio an overall average quality rating of AAA-AA. The average maturity of the portfolio was 8.11 years, less than the Bloomberg Barclays Aggregate Index's 8.27-year maturity. The average coupon was 3.66%.

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

	Quarter	YTD	1 Year	3 Year	5 Year
<b>Total Portfolio - Gross</b>	1.7	2.6	0.6	3.0	3.2
<i>CORE FIXED INCOME RANK</i>	(26)	(39)	(35)	(32)	(17)
<b>Total Portfolio - Net</b>	1.6	2.4	0.2	2.6	2.8
AGGREGATE INDEX	1.4	2.3	-0.3	2.5	2.2
<b>Fixed Income - Gross</b>	1.7	2.6	0.6	3.0	3.2
<i>CORE FIXED INCOME RANK</i>	(26)	(39)	(35)	(32)	(17)
AGGREGATE INDEX	1.4	2.3	-0.3	2.5	2.2
GOV/CREDIT	1.7	2.7	-0.4	2.6	2.3

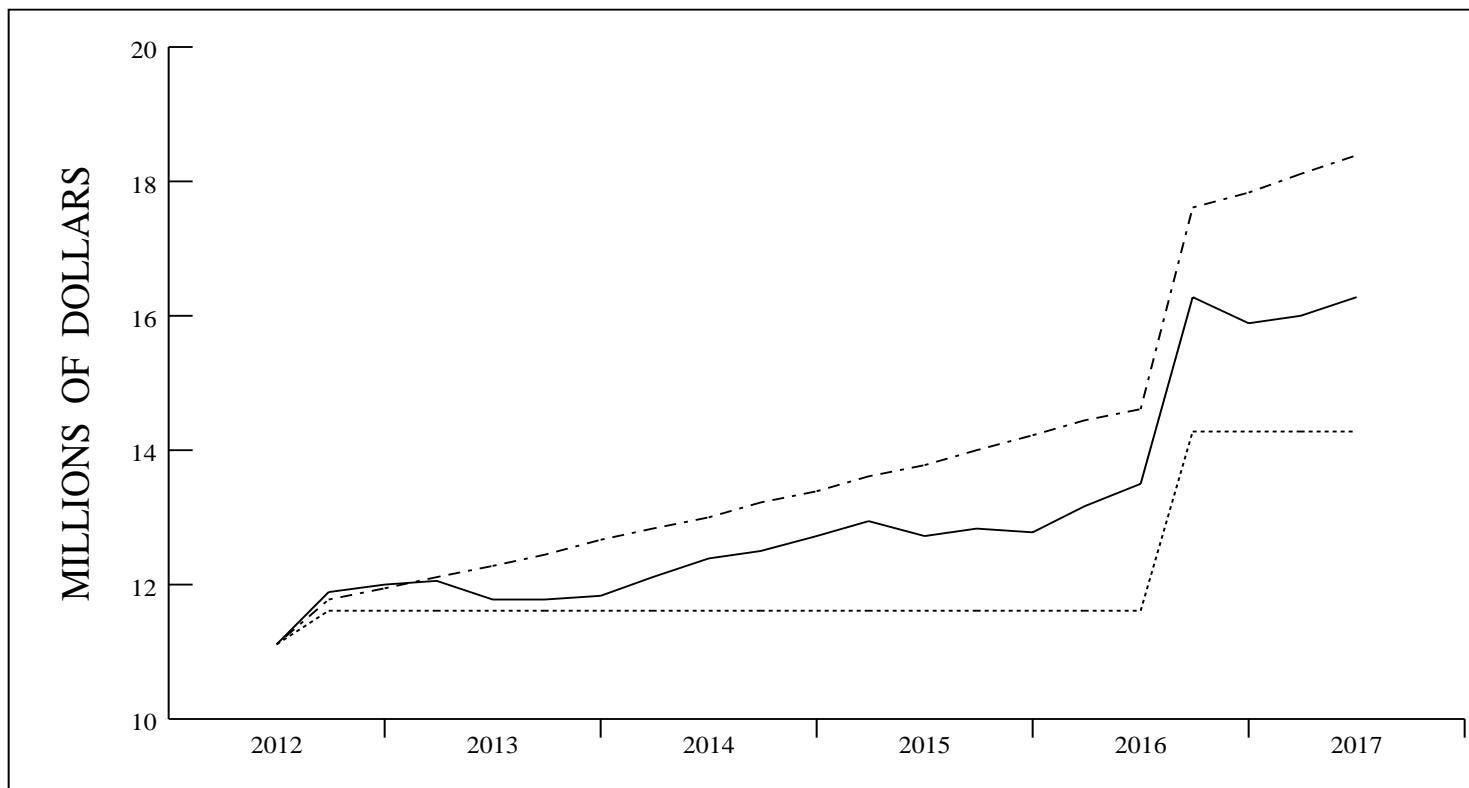
**ASSET ALLOCATION**

Fixed Income	100.0%	\$ 16,312,710
Total Portfolio	100.0%	\$ 16,312,710

**INVESTMENT RETURN**

Market Value 3/2017	\$ 16,044,615
Contribs / Withdrawals	0
Income	0
Capital Gains / Losses	268,095
Market Value 6/2017	\$ 16,312,710

**INVESTMENT GROWTH**

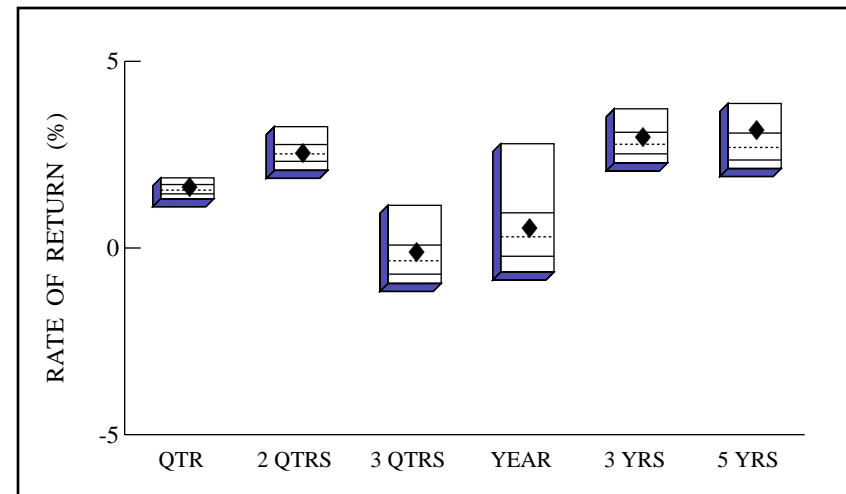
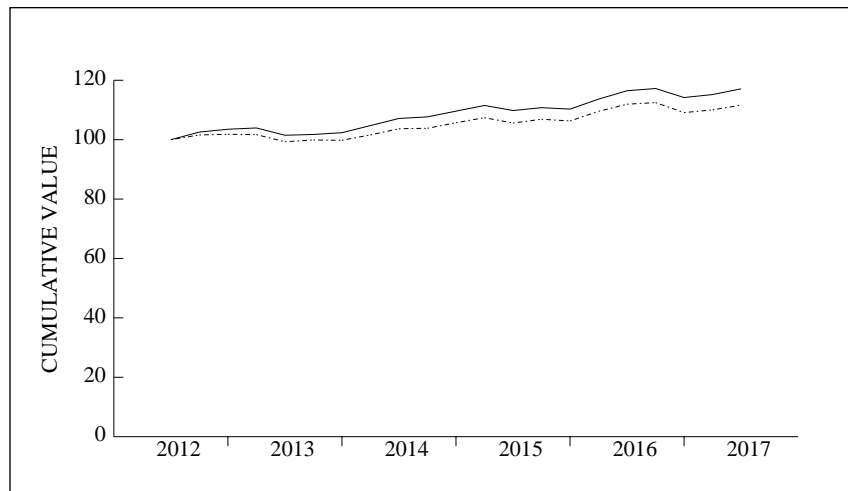


— ACTUAL RETURN  
 - - - 6.0%  
 ..... 0.0%

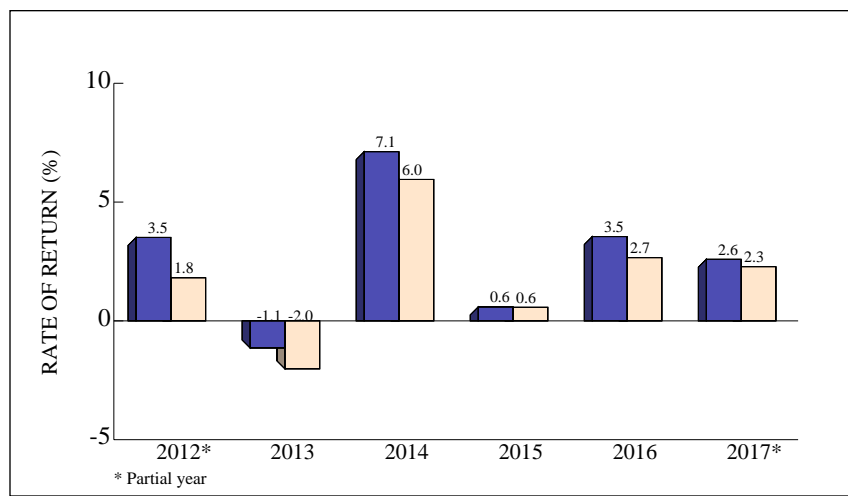
VALUE ASSUMING  
 6.0% RETURN \$ 18,404,484

	LAST QUARTER	FIVE YEARS
BEGINNING VALUE	\$ 16,044,615	\$ 11,117,913
NET CONTRIBUTIONS	0	3,206,508
INVESTMENT RETURN	268,095	1,988,289
ENDING VALUE	\$ 16,312,710	\$ 16,312,710
INCOME	0	0
CAPITAL GAINS (LOSSES)	268,095	1,988,289
INVESTMENT RETURN	268,095	1,988,289

**TOTAL RETURN COMPARISONS**

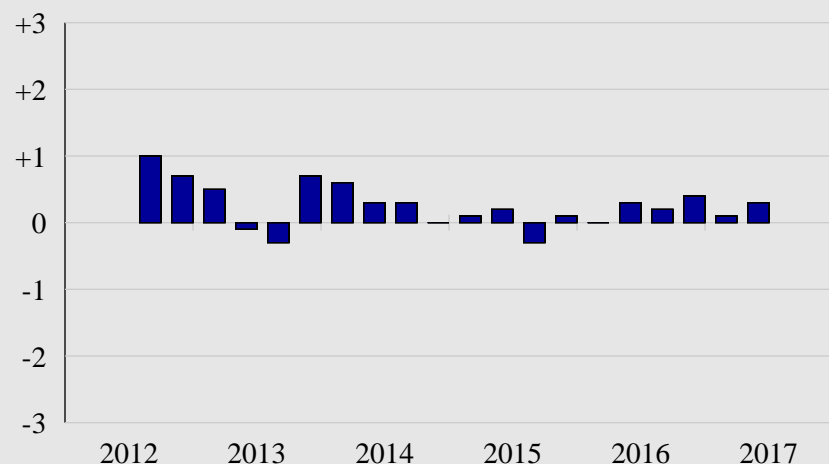


Core Fixed Income Universe



	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	1.7	2.6	-0.1	0.6	3.0	3.2
(RANK)	(26)	(39)	(33)	(35)	(32)	(17)
5TH %ILE	1.9	3.3	1.1	2.8	3.7	3.9
25TH %ILE	1.7	2.8	0.1	0.9	3.1	3.1
MEDIAN	1.6	2.5	-0.3	0.3	2.8	2.7
75TH %ILE	1.5	2.3	-0.7	-0.2	2.5	2.4
95TH %ILE	1.3	2.1	-1.0	-0.6	2.3	2.1
<b>Agg Index</b>	<b>1.4</b>	<b>2.3</b>	<b>-0.8</b>	<b>-0.3</b>	<b>2.5</b>	<b>2.2</b>

Core Fixed Income Universe

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

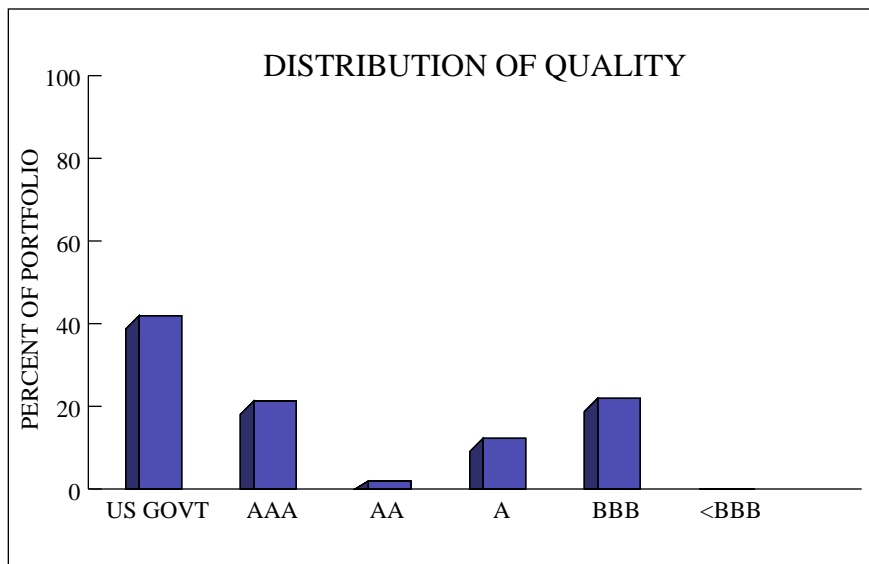
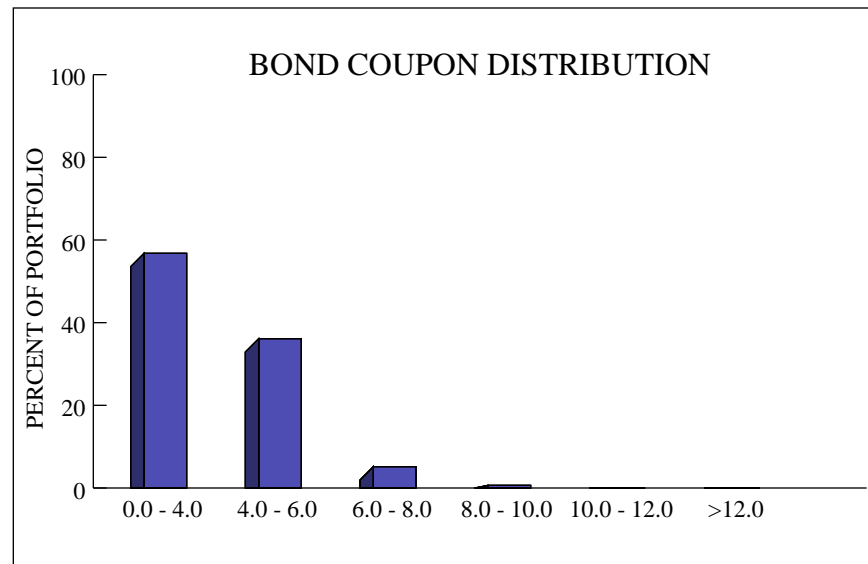
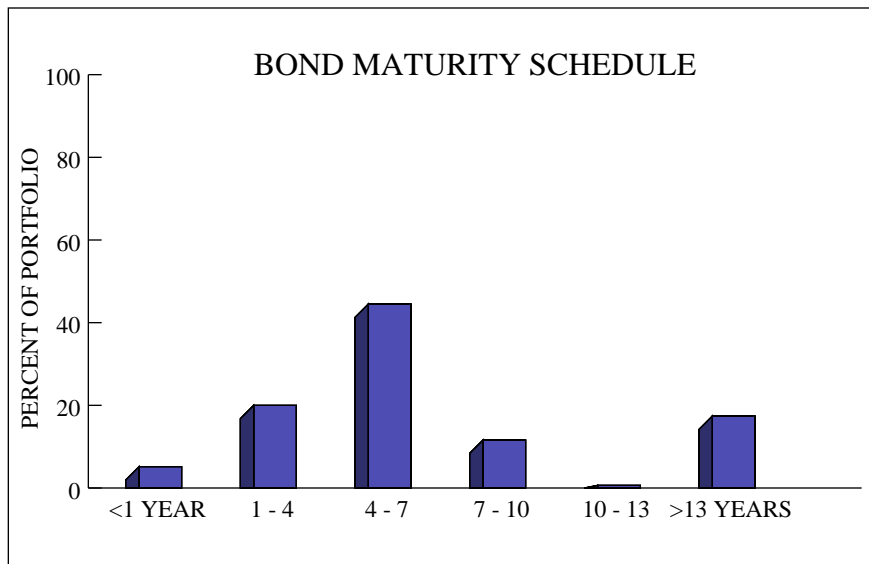
<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>17</b>
<b>Quarters Below the Benchmark</b>	<b>3</b>
<b>Batting Average</b>	<b>.850</b>

**RATES OF RETURN**

Date	Portfolio	Benchmark	Difference
9/12	2.6	1.6	1.0
12/12	0.9	0.2	0.7
3/13	0.4	-0.1	0.5
6/13	-2.4	-2.3	-0.1
9/13	0.3	0.6	-0.3
12/13	0.6	-0.1	0.7
3/14	2.4	1.8	0.6
6/14	2.3	2.0	0.3
9/14	0.5	0.2	0.3
12/14	1.8	1.8	0.0
3/15	1.7	1.6	0.1
6/15	-1.5	-1.7	0.2
9/15	0.9	1.2	-0.3
12/15	-0.5	-0.6	0.1
3/16	3.0	3.0	0.0
6/16	2.5	2.2	0.3
9/16	0.7	0.5	0.2
12/16	-2.6	-3.0	0.4
3/17	0.9	0.8	0.1
6/17	1.7	1.4	0.3



**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>AGGREGATE INDEX</b>
No. of Securities	254	9,355
Duration	6.37	6.01
YTM	2.70	2.55
Average Coupon	3.66	3.06
Avg Maturity / WAL	8.11	8.27
Average Quality	AAA-AA	USG-AAA