

FRANKLIN REGIONAL RETIREMENT SYSTEM

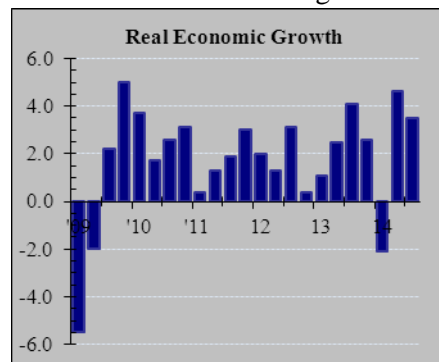
**PERFORMANCE REVIEW
SEPTEMBER 2014**



ECONOMIC ENVIRONMENT

Modest Economic Growth Continues

The third quarter real GDP growth rate of 3.5% was surprisingly good. While it was not as strong as the second quarter's real GDP expansion



of 4.6%, it still exceeded most economists' expectations. There was abundant good news with strong employment gains and higher housing prices. Most manufacturing and service sectors made good progress as well. The CPI remained in check, thanks to falling commodity prices which were linked to great global harvests and to weak

economic news from Europe. After compiling all of this data and taking geopolitical concerns into account, the Fed decided to keep interest rates down. Most analysts were expecting Chairman Yellen to announce the first of several future rate increases; this decision caught them by surprise. All told, the third quarter economic story was constructive.

Below are the third quarter highlights:

- Economists remain confident that GDP expansion should continue to be strong for the rest of 2014 and into 2015. In the third quarter GDP rose 3.5% following the second quarter's 4.6% rate. Robust exports, business purchases and new car sales drove the strong expansion.
- Payroll numbers jumped 248,000 in September, not far below June's near-record 288,000. The unemployment rate fell to 5.9%, which was just a shade below the Fed's comfort level. Year-over-year, job gains have averaged an impressive 213,000 per month, while the unemployment rate has fallen by 1.3% for that period. In September, the number of unemployed fell 329,000 to 9.3 million. However, the number of *long-term* unemployed still hovers near 3 million. In addition, the 62.7% labor participation rate remains near a post WW II low.
- August home prices (latest available) edged up 0.3% from July and rose 6.4% year-over-year. These increases have subsided

from earlier in the current cycle; yet they represent a return to a more balanced picture and away from a housing bubble scenario. The return to normal is also reflected in a dramatic 6.3% bump in housing starts in September to an annualized pace of 1.02 million starts. For the 12-months ended in June, close to 800,000 home equity loans were originated. That's a 21% increase from the prior year and the highest number since the recession. The loan activity suggests that homeowners have become more confident in the strength of the housing recovery.

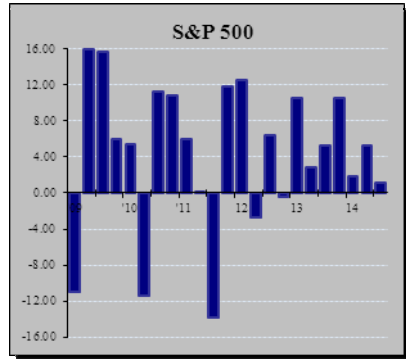
- Growth in both the manufacturing and service sectors showed the diversity of economic gains. The manufacturing sector expanded in September for the 16th straight month; the September ISM Manufacturing Index registered 56.6%. The Production Index was higher still, at 64.6%. Fifteen of the 18 manufacturing industries reported growth. Only machinery, plastics and electrical equipment contracted. The service sector reading was 58.6% in September, with new orders at 61%. Two-thirds of the service industries reported improvement and only entertainment, mining and education softened.
- The DJ-UBS Commodity Index posted its biggest drop (-12%) since the fourth quarter 2008. Component commodity price indices uniformly fell, but for different reasons. Grains were particularly hard hit (-23%), as record harvests led to greater inventories. Energy (-12%) suffered from lower global demand and increased US supplies. Precious metals (-11%) reflected higher US interest rate expectations. Raw materials (-4%) were impacted by an unusually strong US dollar and economic softness in Europe, Japan and China.
- CPI inflation has been very tame lately. Abundant food crops and oil supplies, both key to the index calculation, largely explain the consumer price stability. The CPI was flat for the quarter and expanded by 1.7% year over year as of September 30.
- The Federal Reserve is on track to end its QE3 bond buying program in October, reflecting ongoing economic and job gains. The next major item on the Fed's agenda is the timing of short-term interest rate hikes. At its September 16-17 meeting, the Federal Open Market Committee minutes indicated three major concerns. The dual effects of a stronger dollar and disappointing overseas growth led the Fed to hold down rates for at least several

more months. Geopolitical chaos in the Middle East, Africa and Ukraine also gave many Board members pause. However, the Board recognized that low interest rates have also fueled our stock market and may continue to do so, despite the fact that they contributed very little this past quarter.

DOMESTIC EQUITY MARKET

A Spot of Red Ink for Some Indices

The broad market indices had a roller coaster ride with little to show for it, rising in July and dropping precipitously in August; then, rising again to record levels by mid-September before falling back by quarter-end. When it was all over, gains were quite muted. The bellwether S&P 500



returned a paltry 1.1%. The tech-oriented NASDAQ gained 2.2%. The DJIA gains landed in between the two, moving up 1.9%. The large-caps performed relatively better than the mid-caps, which fared far better than their smaller-sized brethren. The Russell 1000 Index gained a paltry 0.7% and the Russell Mid Cap Index lost 1.7%, but they were both well ahead of the

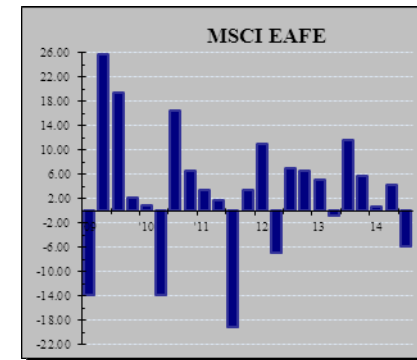
Russell 2000, which fell 7.4%! REITs, typically small-cap in size, lost 2.5%, following a nice run up during the first-half of the year. Results for all value style indices fared worse than comparable growth indices.

S&P sector returns were all over the map. Computer technology was the best performer (+6.4%), reflecting product enhancements from both Apple (iPhone 6) and Microsoft. Non-durable consumer goods added 5.3% on the strength of health care expenditures and FDA clearance for some new drugs. Additionally, finance names were up 2.3%. On the downside, traditional utility companies dipped 1.3%, as the EPA announced new environmental regulations. Basic industry stocks, excluding energy, lost 2.8% and resulted in falling commodity prices. Bringing up the rear was energy, which took an 8.6% tumble amid growing oil supplies and falling demand. At least, it offered a pleasant offset for the consumer.

INTERNATIONAL EQUITIES

Disheartening News Sparked Losses All Over the Globe

With the EU in recession and slow economic growth in most other developed markets, negative MSCI EAFE performance was widely expected.



When the European Central Bank announced a round of limited quantitative easing, the program did little to lift investors' spirits. The EAFE Index was down 5.8% for the quarter. The combined EU market fell a fairly dramatic 7.4%, while the Far East dropped 2.2%. Germany and France, the two giant European markets, lost 11% and 8%, respectively.

Third-ranked Italy gave back 9%. The small Portuguese and Austrian markets were particularly hard hit, each plummeting roughly 25%. With its ties to EU markets, the UK fell 6%.

Australian investors saw their market drop 8% due to falling raw materials prices and a sharply declining currency. Tumbling iron ore prices impacted Australian giant BHP Billiton and the currency decline dragged down the country's bank stocks. By comparison, Japan's 2% loss looked relatively strong, as its export-oriented economy was helped both by a falling Yen and by several Japanese tech stocks that soared. In Hong Kong, casino revenues fell amid the focus on corruption, while pro-democracy demonstrations didn't help the situation; the turmoil nicked prices there by 3%. Market winners were hard to find. Singapore turned in the second best return (-1%) and the tiny Israeli market edged up 0.4%.

Emerging markets also lost ground, but less so than EAFE. The MSCI EM Index declined 3.4%. Stock prices were depressed in the majority of EM countries for several reasons: (1) geopolitical instability; (2) the potential for tighter US Fed policy; (3) several slow growth economies; and (4) falling currencies. There was a 48 percentage point difference between Greece, the worst performer (-20%), and Egypt, the best performer (+28%). For the most part, though, country returns were typically in the single-digit negative to single-digit positive range.

The BRIC Index, comprising the four largest EM economies, fell 3%. **Brazil** lost 8.6%, as it dealt with the uncertain outcome of a looming presidential election, economic stagnation and a 10% decline in the Brazilian Real. **Russian** stocks plunged 15.1% in response to a host of issues including falling energy prices, military forays into Ukraine, economic sanctions, and a falling ruble. **India** made another relatively good showing (+2.3%). Not only did its GDP grow slightly, but, more importantly, investors remained hopeful for pro-business change after Prime Minister Modi's election. **China's** stock market was up 1.5% as investors approved of President Xi Jinping reforming state-owned enterprises, while also cracking down on corruption and balancing economic growth.

The Middle East continued to swirl with military conflicts. Most notably, Turkey is the latest country squeezed by political and military problems on its Syrian border. Adding to the unrest, credit rating agencies have downgraded its debt. Turkey's shares fell 11.8%.

Asian EM markets were modestly negative (-1.4%). Within the region, Thailand (+7.7%), the Philippines (+4.2%) and Indonesia (+3.5%) all gained ground due to more stable political environments. South Korea lost 7.3%, mainly because of sliding tech company prices.

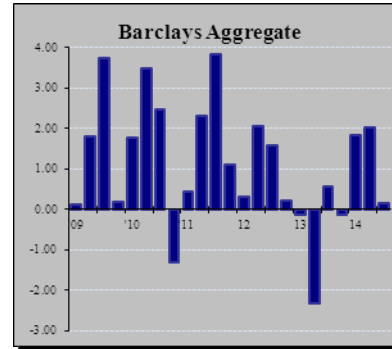
Markets were mostly negative in Latin America as that region's combined return was -5.4%. While most of the smaller-sized countries spilled red ink, Mexico continued to surprise on the upside; its 2.1% appreciation was attributable to solid economic growth, increasing success in capturing drug cartel leadership and ongoing reform efforts.

BOND MARKET

Greater Credit Risk Meant Worse Return

If the global stock market didn't provide Q3 gains, investors found no solace in bonds. Domestically, there was pullback in all sectors and credit ratings. The Barclays Aggregate Index barely edged into positive territory, returning only 0.2%. Junk bonds, which had been riding high since the end of the recession, fell 1.9%. Very long-maturity Treasuries, which gained ground, provided the only real exception, as 20-year-and-longer Treasuries earned 3%. Investors' bond concerns centered around:

(1) likely interest rate increases, sooner or later; (2) the fits and starts of this year's GDP growth; (3) CPI inflation that is too low as opposed to



too high; (4) the dramatic increase in strength of the US dollar vs. all other major currencies; (5) growing US involvement in Middle East conflicts; and (6) the potential economic implications from the growing Ebola threat.

Treasuries were the best-performing component, but only marginally, as the sector inched ahead 0.3%. A

Treasury bond investor would have had to own issues maturing beyond five-years to have gained any ground. In fact, returns from 2-year-to-5-year Treasuries were fractionally negative. However, very long maturity issues performed well; as investors reached for yield, those issues returned 3%.

Investment grade corporates were slightly lower for the quarter (-0.1%); but, higher-yielding utility names were up 0.5%. Mortgage-backed securities (MBS) added just 0.2%. Asset-backed securities (ABS) were flat for the period, while commercial mortgage debt (CMBS) lost 0.2%.

From a credit rating perspective, the lower the credit rating, the poorer the bond performance. Starting with single A names, the return in that space was flat. BAAs lost 0.2%; BAs were down 1.3%; single Bs fell 1.9%; CAAs were lower by 2.7%; and CA-D issues hemorrhaged an astounding 17.2%! AA bonds were the sole exception to the pattern; AAs earned 0.3% vs. AAAs, which added 0.2%.

CASH EQUIVALENTS

Wait Until 2015 (or 2016?)

For some time we have commented that holding cash equivalents was a no-win game. Fed guidance points to a continuing of that for the foreseeable future.

MARKET SUMMARY

ECONOMIC STATISTICS

| | CURRENT QTR | LAST QTR |
|-------------------------|--------------------|-----------------|
| GDP | 3.5 | 4.6 |
| Unemployment | 5.9 | 6.1 |
| CPI All Items Year/Year | 1.70 | 2.10 |
| Fed Funds Rate | 0.25 | 0.25 |
| Industrial Capacity | 79.3 | 79.1 |
| US Dollars per Euro | 1.26 | 1.37 |

MAJOR INDEX QUARTER RETURNS

| INDEX | PERFORMANCE |
|---------------|--------------------|
| Russell 3000 | 0.0 |
| S&P 500 | 1.1 |
| Russell Mid | -1.7 |
| Russell 2000 | -7.4 |
| MSCI EAFE | -5.8 |
| MSCI Emg Mkts | -3.4 |
| NCREIF ODCE | 3.2 |
| Barclays Agg | 0.2 |
| 90 Day Tbills | 0.0 |

EQUITY RETURN DISTRIBUTIONS

| | QUARTER | | | TRAILING YEAR | | |
|----|----------------|------------|------------|----------------------|------------|------------|
| | VAL | COR | GRO | VAL | COR | GRO |
| LC | -0.2 | 0.7 | 1.5 | 18.9 | 19.0 | 19.1 |
| MC | -2.6 | -1.7 | -0.7 | 17.4 | 15.8 | 14.4 |
| SC | -8.6 | -7.4 | -6.1 | 4.1 | 3.9 | 3.8 |

MARKET SUMMARY

- * GDP expanded at a rate of 3.5% in Q3.
- * Unemployment continued to fall to 5.9%.
- * CPI was flat over Q3 and grew by 1.7% year over year.
- * Domestic markets were volatile, resulting in weak returns for large cap stocks and steep losses for small cap stocks. Mid cap stocks fell in between. Growth style indices beat their value counterparts for the quarter.
- * The US Dollar strengthened relative to the Euro.

INVESTMENT RETURN

On September 30th, 2014, the Franklin Regional Retirement System's Composite portfolio was valued at \$113,925,953, a decrease of \$4,087,083 from the June ending value of \$118,013,036. Last quarter, the account recorded total net withdrawals of \$3,295,041 in addition to \$792,042 in net investment losses. The fund's net investment loss was a result of income receipts totaling \$632,027 and realized and unrealized capital losses totaling \$1,424,069.

Since December 2008, the account has recorded net withdrawals totaling \$4.2 million while posting net investment gains totaling \$58.6 million. Since December 2008, if the account earned a compounded nominal rate of 8.0% it would have been valued at \$89.2 million or \$24.7 million less than the actual value as of September 30th, 2014.

RELATIVE PERFORMANCE

Total Fund

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

For the third quarter, the Composite portfolio lost 0.6%, which was 0.2% below the Franklin Regional Policy Index's return of -0.4% and ranked in the 17th percentile of the Public Fund universe. Over the trailing twelve-month period, this portfolio returned 11.5%, which was 0.2% less than the benchmark's 11.7% performance, and ranked in the 20th percentile. Since December 2008, the portfolio returned 12.4% annualized and ranked in the 18th percentile. The Franklin Regional Policy Index returned an annualized 11.9% over the same time frame.

PRIT Core

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

In the third quarter, the PRIT Core portion of the portfolio returned -0.8%, which was 0.3% less than the Custom Core Index's return of -0.5% and ranked in the 29th percentile of the Public Fund universe. Over the trailing twelve months, this segment returned 11.2%, which was 1.3% greater than the benchmark's 9.9% return, and ranked in the 25th percentile. Since December 2008, this component returned 11.5% on an annualized basis and ranked in the 51st percentile. For comparison, the Custom Core Index returned an annualized 10.7% during the same period.

Domestic Equity

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

The domestic equity segment returned -0.8% last quarter, 3.0% above the Franklin County Equity Index's return of -3.8% and ranked in the 45th percentile of the All Cap universe. Over the trailing year, this segment returned 15.0%, 4.2% greater than the benchmark's 10.8% performance, and ranked in the 49th percentile. Since December 2008, this component returned 20.0% on an annualized basis and ranked in the 28th percentile. The Franklin County Equity Index returned an annualized 17.6% during the same period.

Real Estate

During the third quarter, the real estate component returned 0.8%, which was 2.4% below the NCREIF NFI-ODCE Index's return of 3.2%. Over the trailing twelve-month period, this component returned 11.1%, which was 1.3% less than the benchmark's 12.4% performance. Since December 2008, this component returned 3.8% annualized, while the NCREIF NFI-ODCE Index returned an annualized 4.8% over the same time frame.

Fixed Income

The fixed income segment gained 0.5% during the third quarter; that return was 0.3% greater than the Barclays Aggregate Index's return of 0.2% and ranked in the 5th percentile of the Core Fixed Income universe. Over the trailing year, this component returned 5.8%, 1.9% greater than the benchmark's 3.9% return, and ranked in the 7th percentile. Since December 2008, this component returned 6.6% annualized and ranked in the 22nd percentile. The Barclays Aggregate Index returned an annualized 4.6% during the same period.

Franklin Regional Retirement System
Total Fund Asset Allocation Analysis
As of September 30, 2014

Total Fund Assets \$ 113,925,953

| Allocation by Manager | | | | | | |
|-----------------------------|-----------------------------------|--------------------|----------------------|----------------|----------------|----------------|
| | PRIT Fund Actual Allocation | FRRS Allocation | Target Allocation | Target Dollars | Actual Dollars | |
| PRIT Core Fund | 100.0% | 50.4% | 50.0% | \$ 56,962,977 | \$ 57,883,205 | \$ 920,229 |
| Domestic Equity | 19.3% | 9.8% | | | \$ 11,188,824 | |
| Int'l Equity | 16.4% | 8.4% | | | \$ 9,515,999 | |
| E.M. Int'l Equity | 6.9% | 3.5% | | | \$ 3,982,365 | |
| Core Fixed Income | 15.1% | 7.6% | | | \$ 8,711,422 | |
| Value Added Fixed Income | 8.7% | 4.4% | | | \$ 5,053,204 | |
| Real Estate | 8.3% | 4.2% | | | \$ 4,792,729 | |
| Timber/Natural Resources | 4.1% | 2.1% | | | \$ 2,390,576 | |
| Alternatives-Private Equity | 11.3% | 5.8% | | | \$ 6,558,167 | |
| Hedge Funds | 9.0% | 4.6% | | | \$ 5,190,966 | |
| Port. Alpha Wind down | 0.1% | 0.0% | | | \$ 47,464.23 | |
| Overlay | 0.8% | 0.1% | | | \$ 451,489.00 | |
| Separate Accounts | | 49.2% | 50.0% | | | |
| Polen Capital | | 6.6% | 6.0% | \$ 6,835,557 | \$ 7,518,453 | \$ 682,896 |
| O'Shaughnessy | | 6.2% | 6.0% | \$ 6,835,557 | \$ 7,079,452 | \$ 243,895 |
| Seizert | | 5.1% | 5.0% | \$ 5,696,298 | \$ 5,863,771 | \$ 167,473 |
| Systematic | | 4.9% | 5.0% | \$ 5,696,298 | \$ 5,585,395 | \$ (110,903) |
| PRIT International | | 4.9% | 5.0% | \$ 5,696,298 | \$ 5,542,830 | \$ (153,468) |
| PRIT RE | | 10.3% | 10.0% | \$ 11,392,595 | \$ 11,698,788 | \$ 306,193 |
| Prudential | | 0.0% | 0.0% | \$ - | \$ 92 | \$ 92 |
| IR&M | | 11.0% | 13.0% | \$ 14,810,374 | \$ 12,501,879 | \$ (2,308,495) |
| Cash | | 0.2% | 0.0% | \$ - | \$ 252,088 | \$ 252,088 |

| Allocation by Asset Class | | | | | | |
|-----------------------------|-----------------------------|-----------------------------|-------------|---------------------------|---------------------------|----------------|
| | Actual Allocation (%) | Target Allocation (%) | +/- Percent | Actual Allocation (\$) | Target Allocation (\$) | +/- Dollars |
| Franklin County Total Fund | | | | | | |
| Domestic Equity | 32.7% | 40.0% | -7.3% | \$ 37,235,895 | \$ 45,570,381 | \$ (8,334,487) |
| Int'l Equity | 16.7% | 15.0% | 1.7% | \$ 19,041,193 | \$ 17,088,893 | \$ 1,952,300 |
| Fixed Income | 23.1% | 25.0% | -1.9% | \$ 26,266,505 | \$ 28,481,488 | \$ (2,214,983) |
| Real Estate | 14.5% | 10.0% | 4.5% | \$ 16,491,609 | \$ 11,392,595 | \$ 5,099,014 |
| Timber | 2.1% | 2.5% | -0.4% | \$ 2,390,576 | \$ 2,848,149 | \$ (457,572) |
| Alternatives-Private Equity | 5.8% | 5.0% | 0.8% | \$ 6,558,167 | \$ 5,696,298 | \$ 861,869 |
| Hedge Funds | 4.7% | 2.5% | 2.2% | \$ 5,689,919 | \$ 2,848,149 | \$ 2,841,770 |
| Cash | 0.2% | 0.0% | 0.2% | \$ 252,088 | \$ - | \$ 252,088 |
| | 100.0% | 100.0% | | \$ 113,925,953 | \$ 113,925,953 | |

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

| | Quarter | YTD | -----Annualized----- | | |
|-------------------------------|---------|------|----------------------|---------|-------------|
| | | | 1 Year | 3 Years | Since 12/08 |
| Total Gross/Fees | -0.6 | 5.3 | 11.5 | 14.6 | 12.4 |
| <i>PUBLIC FUND RANK</i> | (17) | (20) | (20) | (20) | (18) |
| Total Net/Fees | -0.7 | 4.9 | 10.8 | 13.9 | 11.8 |
| POLICY INDEX | -0.4 | 5.3 | 11.7 | 15.0 | 11.9 |
| PRIT Core | -0.8 | 6.0 | 11.2 | 13.1 | 11.5 |
| <i>PUBLIC FUND RANK</i> | (29) | (10) | (25) | (58) | (51) |
| CUSTOM CORE IDX | -0.5 | 5.1 | 9.9 | 11.9 | 10.7 |
| Domestic Equity | -0.8 | 3.7 | 15.0 | 25.4 | 20.0 |
| <i>ALL CAP RANK</i> | (45) | (56) | (49) | (22) | (28) |
| CUSTOM EQ INDEX | -3.8 | 1.5 | 10.8 | 22.2 | 17.6 |
| PRIT EQUITY | -0.4 | 6.2 | 17.0 | 22.9 | 16.9 |
| S&P 500 | 1.1 | 8.3 | 19.7 | 23.0 | 17.0 |
| S&P 400 | -4.0 | 3.2 | 11.8 | 22.4 | 19.4 |
| RUSSELL 3000 | 0.0 | 7.0 | 17.8 | 23.1 | 17.5 |
| RUSSELL 1000 | 0.7 | 8.0 | 19.0 | 23.2 | 17.5 |
| RUSSELL 1000G | 1.5 | 7.9 | 19.1 | 22.4 | 19.1 |
| RUSSELL 1000V | -0.2 | 8.1 | 18.9 | 23.9 | 15.9 |
| RUSSELL MID | -1.7 | 6.9 | 15.8 | 23.8 | 20.6 |
| RUSSELL 2000 | -7.4 | -4.4 | 3.9 | 21.3 | 16.3 |
| Real Estate | 0.8 | 8.4 | 11.1 | 12.9 | 3.8 |
| NCREIF ODCE | 3.2 | 8.9 | 12.4 | 12.3 | 4.8 |
| Fixed Income | 0.5 | 5.2 | 5.8 | 4.2 | 6.6 |
| <i>CORE FIXED INCOME RANK</i> | (5) | (11) | (7) | (11) | (22) |
| BARCLAYS AGG | 0.2 | 4.1 | 3.9 | 2.4 | 4.6 |
| PRIT FIXED | 1.7 | 7.2 | 6.8 | 4.1 | 6.5 |
| GOV/CREDIT | 0.2 | 4.1 | 4.1 | 2.5 | 4.5 |
| INT AGGREGATE | 0.0 | 2.9 | 2.7 | 2.1 | 4.1 |
| INT GOV/CREDIT | 0.0 | 2.2 | 2.2 | 2.0 | 3.8 |

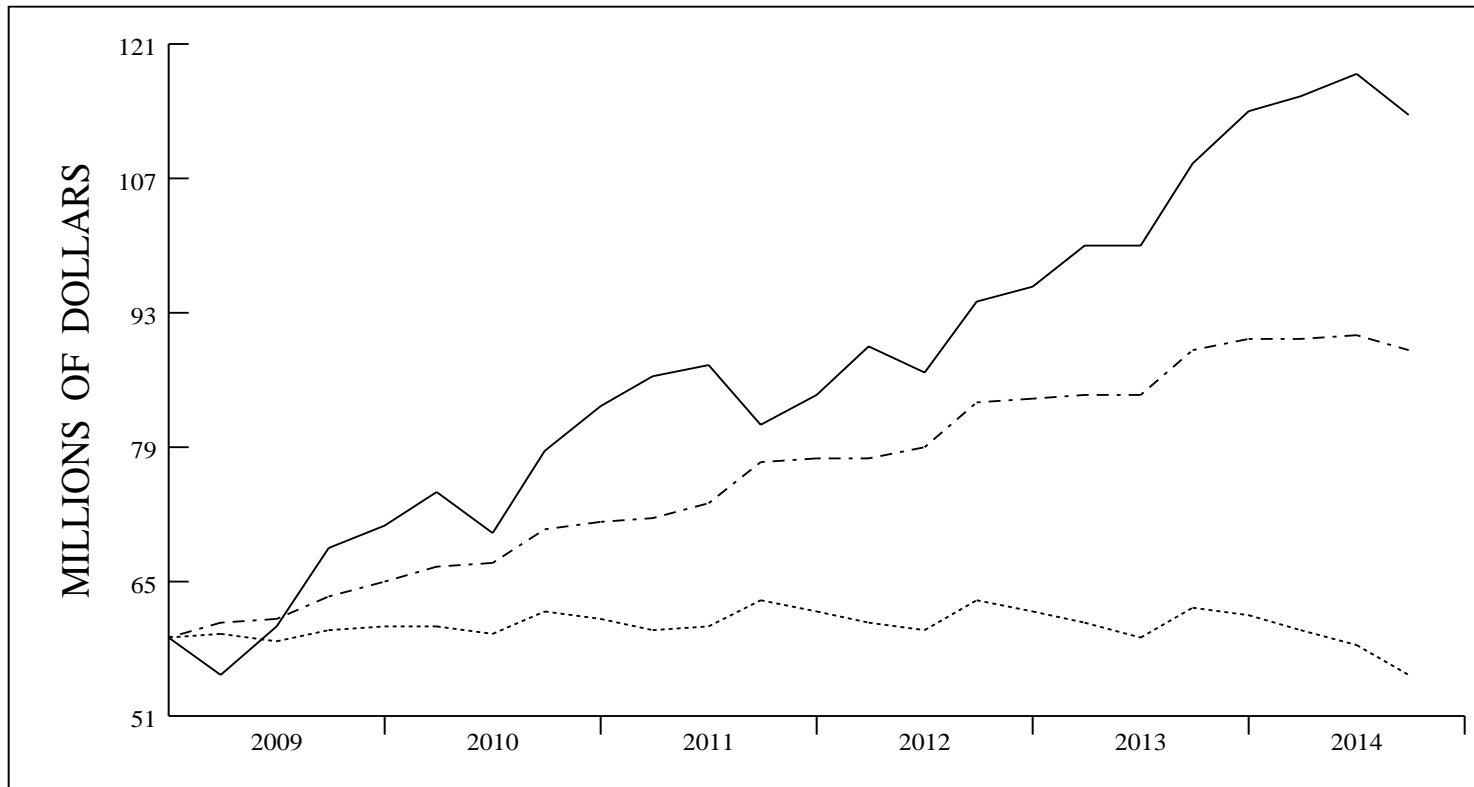
ASSET ALLOCATION

| | | |
|------------------------|---------------|-----------------------|
| PRIT Core | 50.8% | \$ 57,883,205 |
| Domestic Equity | 22.2% | 25,326,555 |
| Int'l Equity | 4.9% | 5,542,830 |
| Real Estate | 10.3% | 11,698,880 |
| Fixed Income | 11.0% | 12,501,879 |
| Cash | 0.9% | 972,604 |
| Total Portfolio | 100.0% | \$ 113,925,953 |

INVESTMENT RETURN

| | |
|------------------------|----------------|
| Market Value 6/2014 | \$ 118,013,036 |
| Contribs / Withdrawals | - 3,295,041 |
| Income | 632,027 |
| Capital Gains / Losses | - 1,424,069 |
| Market Value 9/2014 | \$ 113,925,953 |

INVESTMENT GROWTH

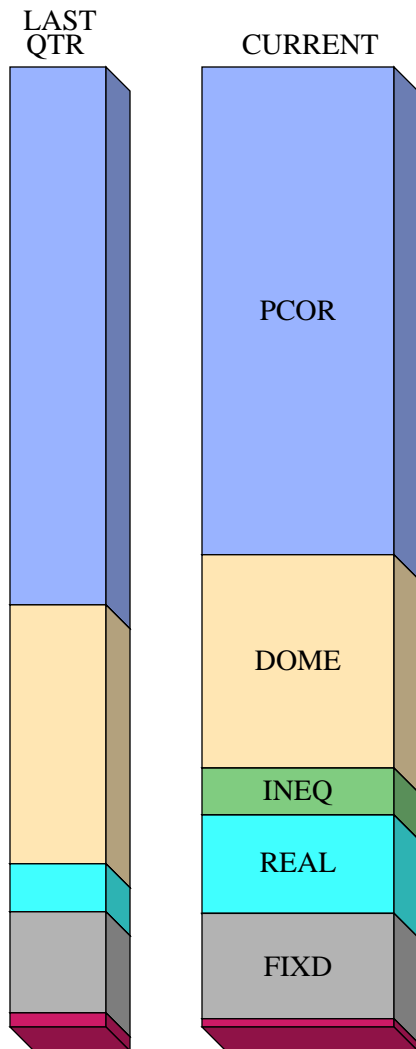


— ACTUAL RETURN
 - - - 8.0%
 0.0%

VALUE ASSUMING
 8.0% RETURN
 \$ 89,212,244

| | LAST QUARTER | PERIOD 12/08 - 9/14 |
|-------------------------------|--------------------|------------------------|
| BEGINNING VALUE | \$ 118,013,036 | \$ 59,462,940 |
| NET CONTRIBUTIONS | - 3,295,041 | - 4,155,237 |
| <u>INVESTMENT RETURN</u> | <u>-792,042</u> | <u>58,618,248</u> |
| ENDING VALUE | \$ 113,925,953 | \$ 113,925,953 |
| INCOME | 632,027 | 11,277,884 |
| <u>CAPITAL GAINS (LOSSES)</u> | <u>- 1,424,069</u> | <u>47,340,368</u> |
| INVESTMENT RETURN | -792,042 | 58,618,248 |

ASSET ALLOCATION



| | <u>VALUE</u> | <u>PERCENT</u> | <u>TARGET</u> | <u>DIFFERENCE</u> <u>+ / -</u> |
|------------------------|-----------------------|----------------|---------------|-----------------------------------|
| ■ PRIT CORE | \$ 57,883,205 | 50.8% | 50.0% | 0.8% |
| ■ DOMESTIC EQUITY | 25,326,555 | 22.2% | 22.0% | 0.2% |
| ■ INTERNATIONAL EQUITY | 5,542,830 | 4.9% | 5.0% | -0.1% |
| ■ REAL ESTATE | 11,698,880 | 10.3% | 10.0% | 0.3% |
| ■ FIXED INCOME | 12,501,879 | 11.0% | 13.0% | -2.0% |
| ■ CASH & EQUIVALENT | 972,604 | 0.9% | 0.0% | 0.9% |
| <u>TOTAL FUND</u> | <u>\$ 113,925,953</u> | <u>100.0%</u> | | |

MANAGER PERFORMANCE SUMMARY

| Name | (Universe) | Quarter | YTD | 1 Year | 3 Years | 5 Years |
|---------------------------------------|---------------|------------------|------------------|------------------|------------------|------------------|
| Total Portfolio | (Public Fund) | -0.6 (17) | 5.3 (20) | 11.5 (20) | 14.6 (20) | 11.4 (7) |
| <i>Franklin Regional Policy Index</i> | | <i>-0.4 ----</i> | <i>5.3 ----</i> | <i>11.7 ----</i> | <i>15.0 ----</i> | <i>11.1 ----</i> |
| PRIT Core Fund | (Public Fund) | -0.8 (29) | 6.0 (10) | 11.2 (25) | 13.1 (58) | 10.3 (41) |
| <i>Custom Core Index</i> | | <i>-0.5 ----</i> | <i>5.1 ----</i> | <i>9.9 ----</i> | <i>11.9 ----</i> | <i>9.7 ----</i> |
| Polen Capital | (LC Growth) | 1.8 (33) | 6.6 (47) | 18.9 (39) | ---- ---- | ---- ---- |
| <i>Russell 1000 Growth</i> | | <i>1.5 ----</i> | <i>7.9 ----</i> | <i>19.1 ----</i> | <i>22.4 ----</i> | <i>16.5 ----</i> |
| O'Shaughnessy | (LC Value) | 2.4 (4) | 8.7 (24) | 22.1 (12) | ---- ---- | ---- ---- |
| <i>Russell 1000 Value</i> | | <i>-0.2 ----</i> | <i>8.1 ----</i> | <i>18.9 ----</i> | <i>23.9 ----</i> | <i>15.3 ----</i> |
| Seizert Capital | (Mid Cap) | -3.4 (74) | 2.7 (66) | 14.2 (45) | 28.4 (4) | ---- ---- |
| <i>Russell Mid Cap</i> | | <i>-1.7 ----</i> | <i>6.9 ----</i> | <i>15.8 ----</i> | <i>23.8 ----</i> | <i>17.2 ----</i> |
| Systematic | (SC Value) | -6.1 (35) | ---- ---- | ---- ---- | ---- ---- | ---- ---- |
| <i>Russell 2000 Value</i> | | <i>-8.6 ----</i> | <i>-4.7 ----</i> | <i>4.1 ----</i> | <i>20.6 ----</i> | <i>13.0 ----</i> |
| PRIT Core R.E. | | 0.8 ---- | 8.4 ---- | 11.1 ---- | 13.1 ---- | ---- ---- |
| <i>NCREIF NFI-ODCE Index</i> | | <i>3.2 ----</i> | <i>8.9 ----</i> | <i>12.4 ----</i> | <i>12.3 ----</i> | <i>12.4 ----</i> |
| IR&M | (Core Fixed) | 0.5 (5) | 5.2 (11) | 5.8 (7) | 4.2 (11) | 5.1 (28) |
| <i>Barclays Aggregate Index</i> | | <i>0.2 ----</i> | <i>4.1 ----</i> | <i>3.9 ----</i> | <i>2.4 ----</i> | <i>4.1 ----</i> |

MANAGER VALUE ADDED

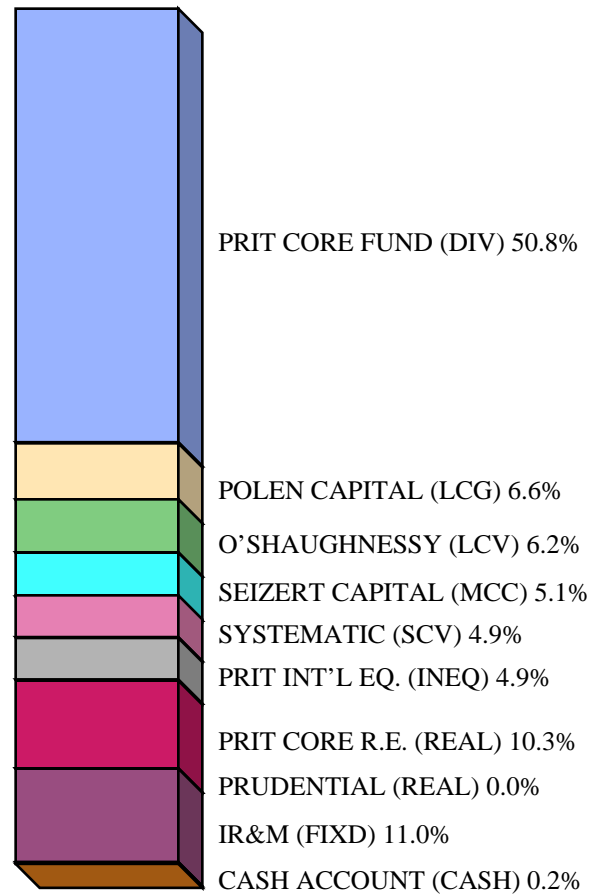
Most Recent Quarter

| Manager | Benchmark | Value Added Vs. Benchmark |
|------------------------|---------------------|---------------------------|
| PRIT Core Fund | Custom Core Idx | -0.3 |
| Polen Capital | Russell 1000G | 0.3 |
| O'Shaughnessy | Russell 1000V | 2.6 |
| Seizert Capital | Russell Mid | -1.8 |
| Systematic | Russell 2000V | 2.5 |
| PRIT Core R.E. | NCREIF ODCE | -2.5 |
| IR&M | Barclays Agg | 0.3 |
| Total Portfolio | Policy Index | -0.2 |

Trailing Twelve Months

| Manager | Benchmark | Value Added Vs. Benchmark |
|------------------------|---------------------|---------------------------|
| PRIT Core Fund | Custom Core Idx | 1.3 |
| Polen Capital | Russell 1000G | -0.3 |
| O'Shaughnessy | Russell 1000V | 3.2 |
| Seizert Capital | Russell Mid | -1.7 |
| Systematic | Russell 2000V | N/A |
| PRIT Core R.E. | NCREIF ODCE | -1.3 |
| IR&M | Barclays Agg | 1.9 |
| Total Portfolio | Policy Index | -0.3 |

MANAGER ALLOCATION SUMMARY

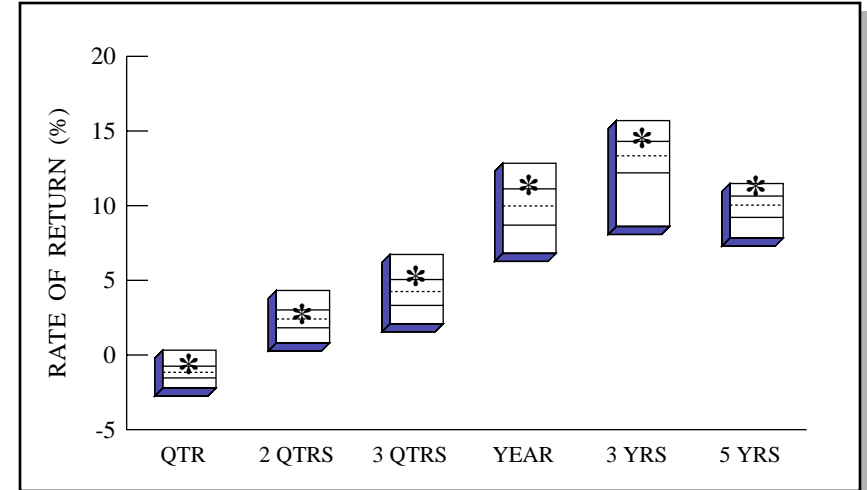
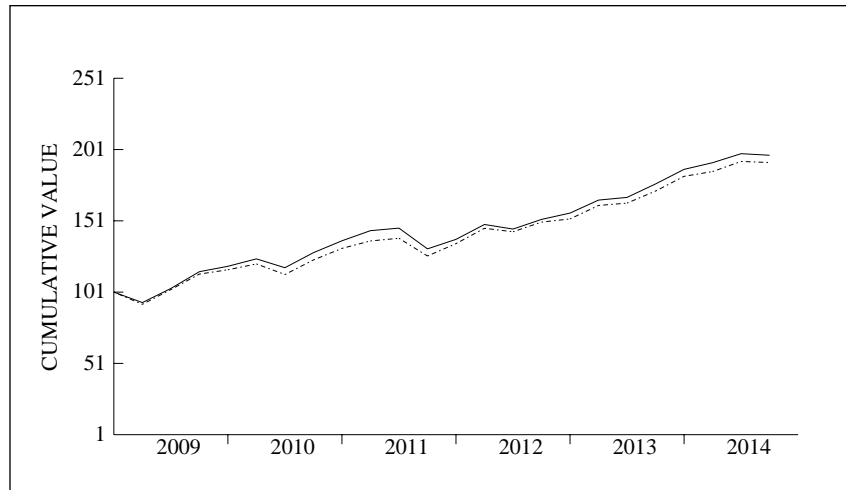


| Name | Market Value | Percent | Target |
|-----------------------|----------------------|--------------|--------------|
| PRIT Core Fund (DIV) | \$57,883,205 | 50.8 | 50.0 |
| Polen Capital (LCG) | \$7,518,453 | 6.6 | 6.0 |
| O'Shaughnessy (LCV) | \$7,079,452 | 6.2 | 6.0 |
| Seizert Capital (MCC) | \$5,863,771 | 5.1 | 5.0 |
| Systematic (SCV) | \$5,585,395 | 4.9 | 5.0 |
| PRIT Int'l Eq. (INEQ) | \$5,542,830 | 4.9 | 5.0 |
| PRIT Core R.E. (REAL) | \$11,698,788 | 10.3 | 10.0 |
| Prudential (REAL) | \$92 | 0.0 | 0.0 |
| IR&M (FIXD) | \$12,501,879 | 11.0 | 13.0 |
| Cash Account (CASH) | \$252,088 | 0.2 | 0.0 |
| Total Fund | \$113,925,953 | 100.0 | 100.0 |

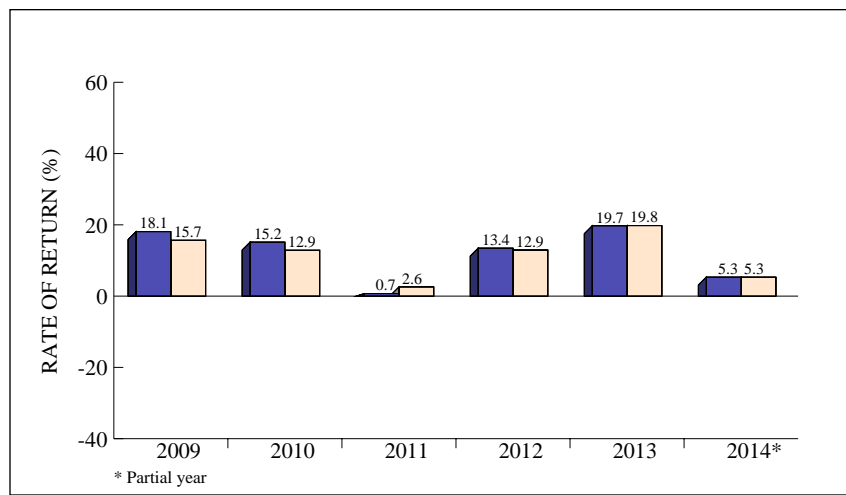
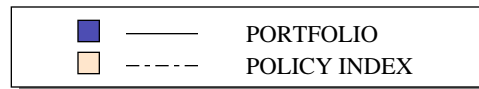
INVESTMENT RETURN SUMMARY - ONE QUARTER

| Name | Quarter Total Return | Market Value June 30th, 2014 | Net Cashflow | Net Investment Return | Market Value September 30th, 2014 |
|-----------------------|----------------------------|------------------------------------|-------------------|-----------------------------|-----------------------------------------|
| PRIT Core Fund (DIV) | -0.8 | 66,110,382 | -7,877,610 | -349,567 | 57,883,205 |
| Polen Capital (LCG) | 1.8 | 7,388,299 | 0 | 130,154 | 7,518,453 |
| O'Shaughnessy (LCV) | 2.4 | 7,454,117 | -550,062 | 175,397 | 7,079,452 |
| Seizert Capital (MCC) | -3.4 | 6,072,128 | 0 | -208,357 | 5,863,771 |
| Daruma (SCC) | --- | 5,849,411 | -5,848,641 | -770 | 0 |
| Systematic (SCV) | -6.1 | 5,945,950 | -1 | -360,554 | 5,585,395 |
| PRIT Int'l Eq. (INEQ) | --- | 0 | 5,799,131 | -256,301 | 5,542,830 |
| PRIT Core R.E. (REAL) | 0.8 | 5,899,759 | 5,783,486 | 15,543 | 11,698,788 |
| Prudential (REAL) | --- | 93 | 0 | -1 | 92 |
| IR&M (FIXD) | 0.5 | 12,439,881 | 0 | 61,998 | 12,501,879 |
| Cash (CASH) | --- | 0 | -12 | 12 | 0 |
| Cash Account (CASH) | --- | 853,016 | -601,344 | 416 | 252,088 |
| Total Fund | -0.6 | 118,013,036 | -3,295,041 | -792,042 | 113,925,953 |

TOTAL RETURN COMPARISONS



Public Fund Universe

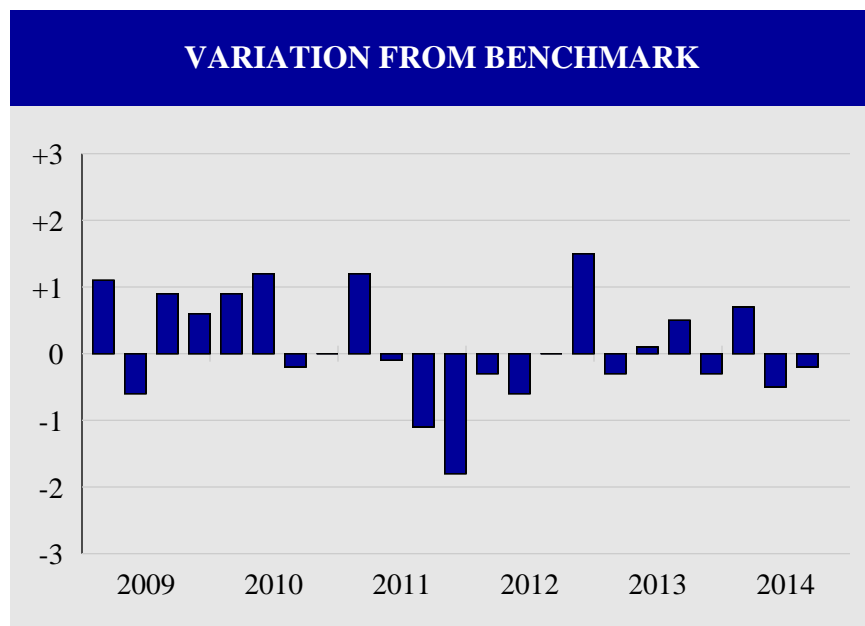


| | QTR | 2QTRS | 3QTRS | YEAR | -----ANNUALIZED----- | |
|-------------------|-------------|------------|------------|-------------|----------------------|-------------|
| | | | | | 3 YRS | 5 YRS |
| RETURN | -0.6 | 2.8 | 5.3 | 11.5 | 14.6 | 11.4 |
| (RANK) | (17) | (36) | (20) | (20) | (20) | (7) |
| 5TH %ILE | 0.3 | 4.3 | 6.7 | 12.8 | 15.7 | 11.5 |
| 25TH %ILE | -0.8 | 3.0 | 5.1 | 11.1 | 14.3 | 10.6 |
| MEDIAN | -1.2 | 2.4 | 4.3 | 10.0 | 13.3 | 10.0 |
| 75TH %ILE | -1.5 | 1.8 | 3.3 | 8.7 | 12.2 | 9.2 |
| 95TH %ILE | -2.2 | 0.8 | 2.1 | 6.8 | 8.6 | 7.8 |
| Policy Idx | -0.4 | 3.4 | 5.3 | 11.7 | 15.0 | 11.1 |

Public Fund Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

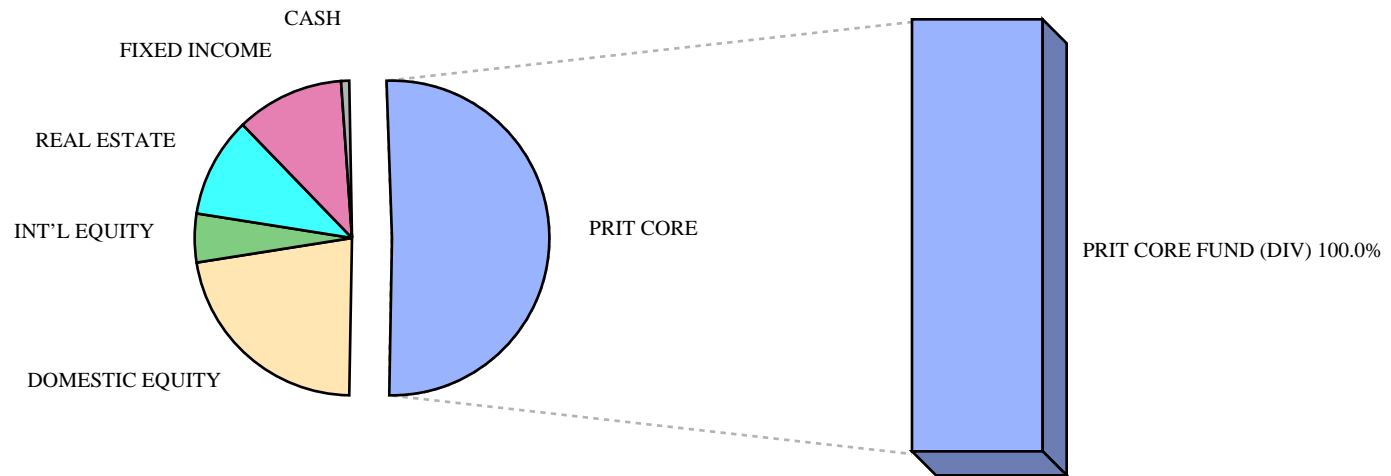
COMPARATIVE BENCHMARK: FRANKLIN REGIONAL POLICY INDEX



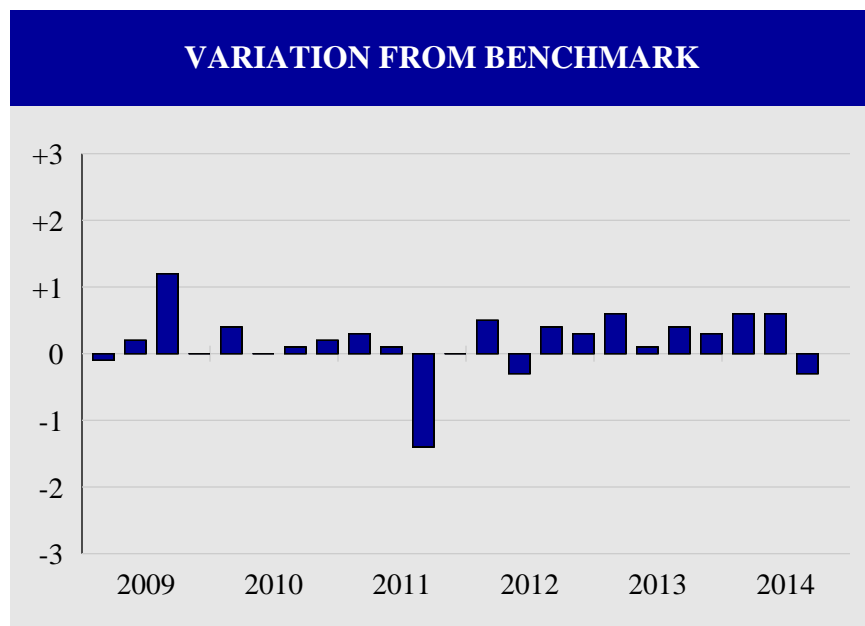
| | |
|-------------------------------------------|-------------|
| Total Quarters Observed | 23 |
| Quarters At or Above the Benchmark | 12 |
| Quarters Below the Benchmark | 11 |
| Batting Average | .522 |

| RATES OF RETURN | | | |
|------------------------|-----------|-----------|------------|
| Date | Portfolio | Benchmark | Difference |
| 3/09 | -7.4 | -8.5 | 1.1 |
| 6/09 | 10.7 | 11.3 | -0.6 |
| 9/09 | 11.5 | 10.6 | 0.9 |
| 12/09 | 3.3 | 2.7 | 0.6 |
| 3/10 | 4.4 | 3.5 | 0.9 |
| 6/10 | -5.0 | -6.2 | 1.2 |
| 9/10 | 9.0 | 9.2 | -0.2 |
| 12/10 | 6.6 | 6.6 | 0.0 |
| 3/11 | 5.2 | 4.0 | 1.2 |
| 6/11 | 1.3 | 1.4 | -0.1 |
| 9/11 | -10.1 | -9.0 | -1.1 |
| 12/11 | 5.1 | 6.9 | -1.8 |
| 3/12 | 7.7 | 8.0 | -0.3 |
| 6/12 | -2.2 | -1.6 | -0.6 |
| 9/12 | 4.7 | 4.7 | 0.0 |
| 12/12 | 3.0 | 1.5 | 1.5 |
| 3/13 | 5.9 | 6.2 | -0.3 |
| 6/13 | 1.1 | 1.0 | 0.1 |
| 9/13 | 5.7 | 5.2 | 0.5 |
| 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 | -0.6 | -0.4 | -0.2 |

PRIT CORE MANAGER SUMMARY



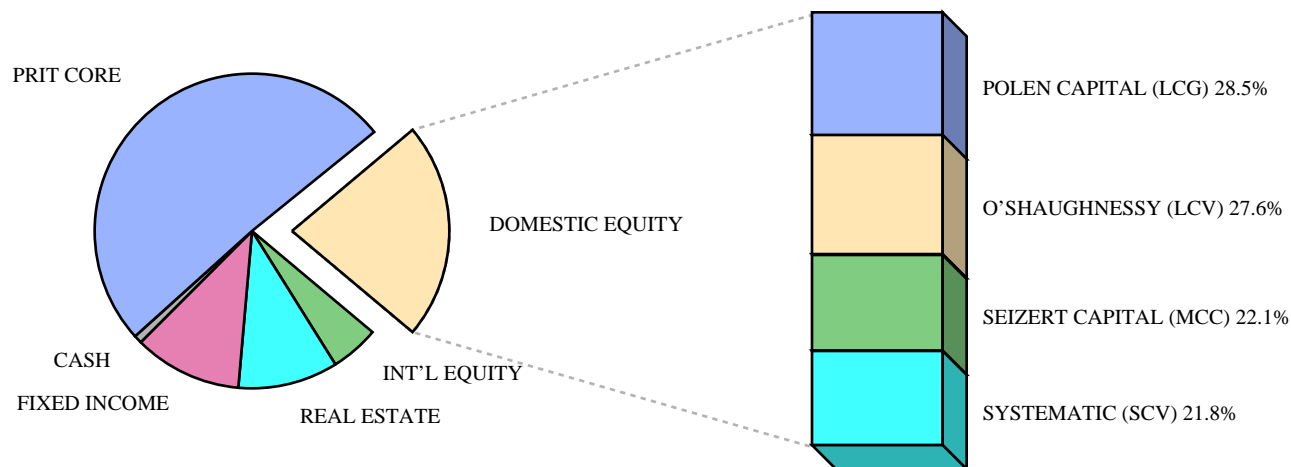
| TOTAL RETURNS AND RANKINGS | | | | | | | |
|----------------------------|---------------|-----------------|----------------|----------------|-----------------|----------------|--------------|
| MANAGER | (UNIVERSE) | QTR | YTD | 1 YEAR | 3 YEARS | 5 YEARS | MARKET VALUE |
| PRIT CORE FUND | (Public Fund) | -0.8 (29) | 6.0 (10) | 11.2 (25) | 13.1 (58) | 10.3 (41) | \$57,883,205 |
| <i>Custom Core Index</i> | | <i>-0.5 ---</i> | <i>5.1 ---</i> | <i>9.9 ---</i> | <i>11.9 ---</i> | <i>9.7 ---</i> | <i>---</i> |

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

| | |
|-------------------------------------------|-------------|
| Total Quarters Observed | 23 |
| Quarters At or Above the Benchmark | 19 |
| Quarters Below the Benchmark | 4 |
| Batting Average | .826 |

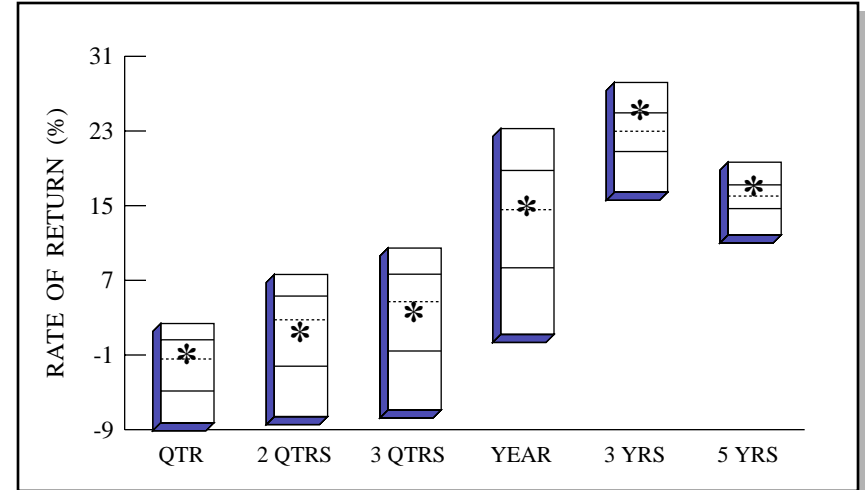
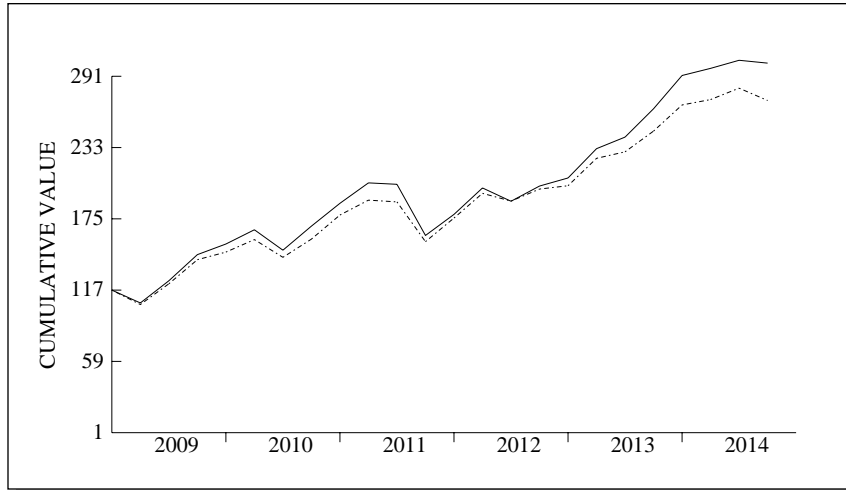
| RATES OF RETURN | | | |
|------------------------|-----------|-----------|------------|
| Date | Portfolio | Benchmark | Difference |
| 3/09 | -8.1 | -8.0 | -0.1 |
| 6/09 | 11.7 | 11.5 | 0.2 |
| 9/09 | 11.5 | 10.3 | 1.2 |
| 12/09 | 2.9 | 2.9 | 0.0 |
| 3/10 | 3.5 | 3.1 | 0.4 |
| 6/10 | -5.0 | -5.0 | 0.0 |
| 9/10 | 8.9 | 8.8 | 0.1 |
| 12/10 | 6.1 | 5.9 | 0.2 |
| 3/11 | 4.3 | 4.0 | 0.3 |
| 6/11 | 1.7 | 1.6 | 0.1 |
| 9/11 | -9.0 | -7.6 | -1.4 |
| 12/11 | 3.7 | 3.7 | 0.0 |
| 3/12 | 7.3 | 6.8 | 0.5 |
| 6/12 | -1.5 | -1.2 | -0.3 |
| 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 |

DOMESTIC EQUITY MANAGER SUMMARY



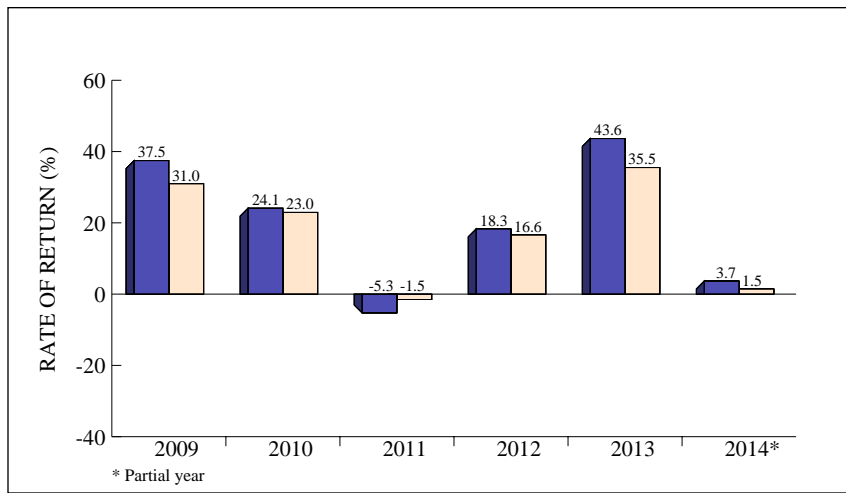
| TOTAL RETURNS AND RANKINGS | | | | | | | |
|----------------------------|--------------------|------------------|------------------|------------------|------------------|------------------|--------------|
| MANAGER | (UNIVERSE) | QTR | YTD | 1 YEAR | 3 YEARS | 5 YEARS | MARKET VALUE |
| POLEN CAPITAL | (Large Cap Growth) | 1.8 (33) | 6.6 (47) | 18.9 (39) | ---- | ---- | \$7,518,453 |
| <i>Russell 1000 Growth</i> | | <i>1.5</i> ---- | <i>7.9</i> ---- | <i>19.1</i> ---- | <i>22.4</i> ---- | <i>16.5</i> ---- | ---- |
| O'SHAUGHNESSY | (Large Cap Value) | 2.4 (4) | 8.7 (24) | 22.1 (12) | ---- | ---- | \$7,079,452 |
| <i>Russell 1000 Value</i> | | <i>-0.2</i> ---- | <i>8.1</i> ---- | <i>18.9</i> ---- | <i>23.9</i> ---- | <i>15.3</i> ---- | ---- |
| SEIZERT CAPITAL | (Mid Cap) | -3.4 (74) | 2.7 (66) | 14.2 (45) | 28.4 (4) | ---- | \$5,863,771 |
| <i>Russell Mid Cap</i> | | <i>-1.7</i> ---- | <i>6.9</i> ---- | <i>15.8</i> ---- | <i>23.8</i> ---- | <i>17.2</i> ---- | ---- |
| SYSTEMATIC | (Small Cap Value) | -6.1 (35) | ---- | ---- | ---- | ---- | \$5,585,395 |
| <i>Russell 2000 Value</i> | | <i>-8.6</i> ---- | <i>-4.7</i> ---- | <i>4.1</i> ---- | <i>20.6</i> ---- | <i>13.0</i> ---- | ---- |

DOMESTIC EQUITY RETURN COMPARISONS



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

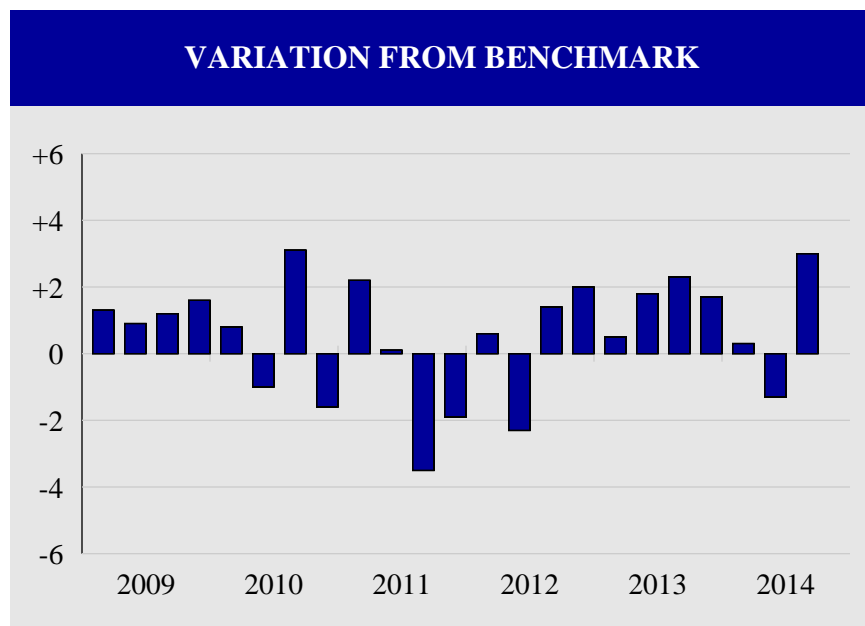
All Cap Universe



* Partial year

| | QTR | 2QTRS | 3QTRS | YEAR | 3 YRS | 5 YRS |
|---------------------|-------------|-------------|------------|-------------|-------------|-------------|
| RETURN | -0.8 | 1.5 | 3.7 | 15.0 | 25.4 | 17.2 |
| (RANK) | (45) | (57) | (56) | (49) | (22) | (27) |
| 5TH %ILE | 2.4 | 7.6 | 10.5 | 23.3 | 28.2 | 19.7 |
| 25TH %ILE | 0.6 | 5.3 | 7.7 | 18.8 | 25.0 | 17.2 |
| MEDIAN | -1.4 | 2.8 | 4.7 | 14.6 | 23.0 | 16.0 |
| 75TH %ILE | -4.9 | -2.2 | -0.6 | 8.3 | 20.8 | 14.7 |
| 95TH %ILE | -8.3 | -7.6 | -6.9 | 1.2 | 16.4 | 11.9 |
| Equity Index | -3.8 | -0.3 | 1.5 | 10.8 | 22.2 | 15.3 |

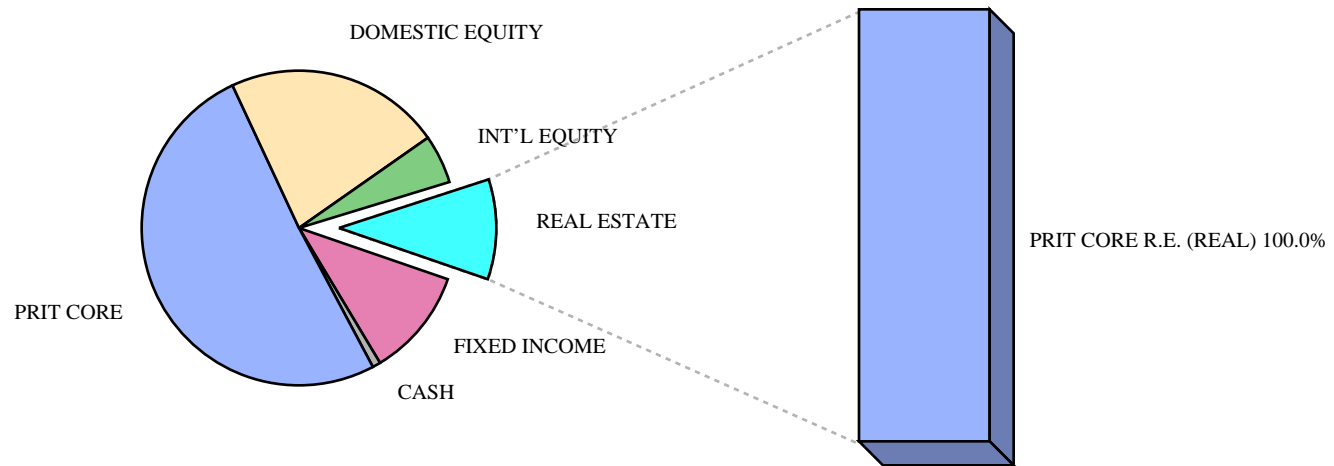
All Cap Universe

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

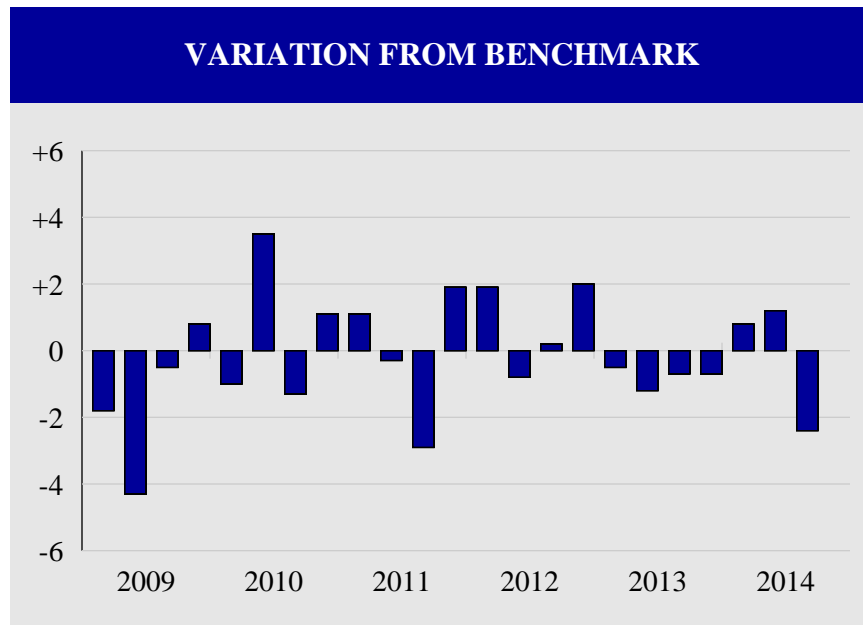
| | |
|-------------------------------------------|-------------|
| Total Quarters Observed | 23 |
| Quarters At or Above the Benchmark | 17 |
| Quarters Below the Benchmark | 6 |
| Batting Average | .739 |

| RATES OF RETURN | | | |
|------------------------|-----------|-----------|------------|
| Date | Portfolio | Benchmark | Difference |
| 3/09 | -10.4 | -11.7 | 1.3 |
| 6/09 | 20.1 | 19.2 | 0.9 |
| 9/09 | 19.8 | 18.6 | 1.2 |
| 12/09 | 6.6 | 5.0 | 1.6 |
| 3/10 | 8.5 | 7.7 | 0.8 |
| 6/10 | -11.2 | -10.2 | -1.0 |
| 9/10 | 14.8 | 11.7 | 3.1 |
| 12/10 | 12.2 | 13.8 | -1.6 |
| 3/11 | 9.8 | 7.6 | 2.2 |
| 6/11 | -0.7 | -0.8 | 0.1 |
| 9/11 | -22.3 | -18.8 | -3.5 |
| 12/11 | 11.8 | 13.7 | -1.9 |
| 3/12 | 13.3 | 12.7 | 0.6 |
| 6/12 | -5.9 | -3.6 | -2.3 |
| 9/12 | 7.1 | 5.7 | 1.4 |
| 12/12 | 3.5 | 1.5 | 2.0 |
| 3/13 | 12.5 | 12.0 | 0.5 |
| 6/13 | 4.4 | 2.6 | 1.8 |
| 9/13 | 10.3 | 8.0 | 2.3 |
| 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 | -0.8 | -3.8 | 3.0 |

REAL ESTATE MANAGER SUMMARY



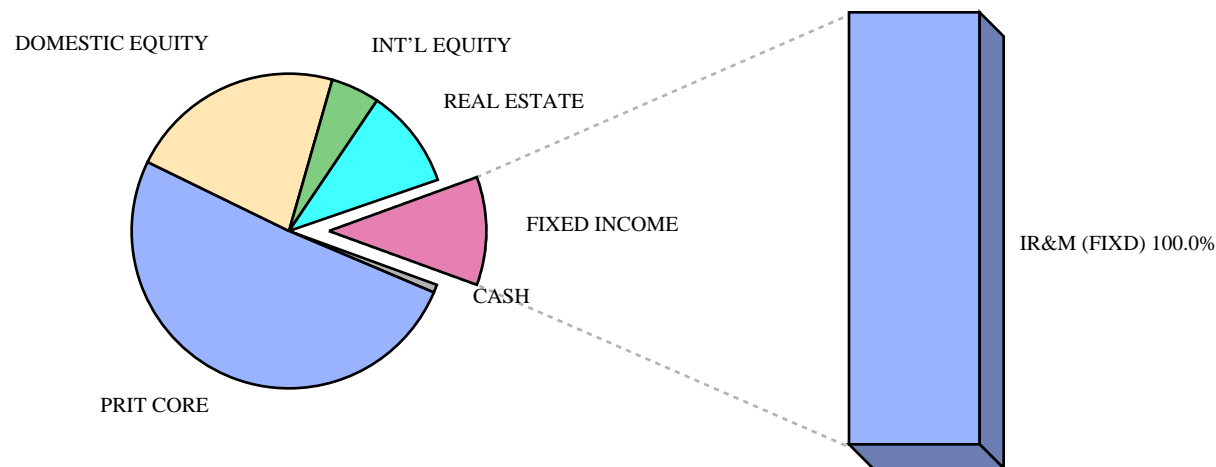
| | | TOTAL RETURNS AND RANKINGS | | | | | | |
|------------------------------|------------|----------------------------|----------------|-----------------|-----------------|-----------------|--------------|--|
| MANAGER | (UNIVERSE) | QTR | YTD | 1 YEAR | 3 YEARS | 5 YEARS | MARKET VALUE | |
| PRIT CORE R.E. | | 0.8 --- | 8.4 --- | 11.1 --- | 13.1 --- | ---- --- | \$11,698,788 | |
| <i>NCREIF NFI-ODCE Index</i> | | <i>3.2 ---</i> | <i>8.9 ---</i> | <i>12.4 ---</i> | <i>12.3 ---</i> | <i>12.4 ---</i> | --- | |

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

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

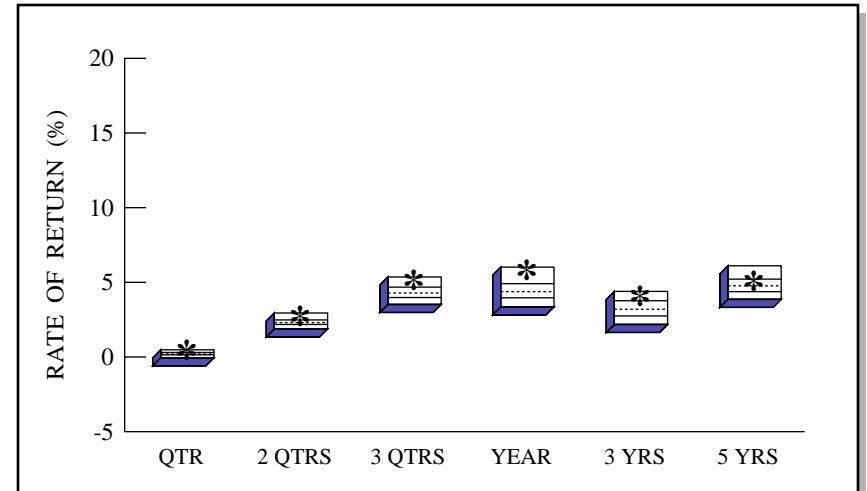
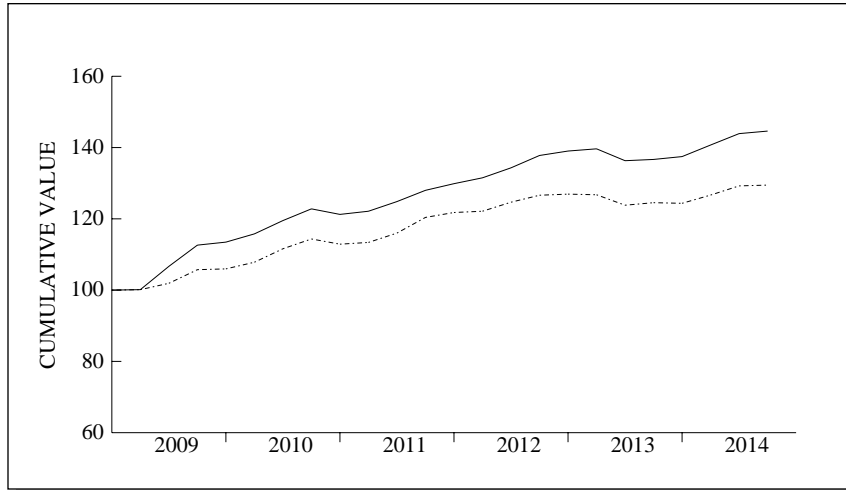
| RATES OF RETURN | | | |
|------------------------|-----------|-----------|------------|
| Date | Portfolio | Benchmark | Difference |
| 3/09 | -15.5 | -13.7 | -1.8 |
| 6/09 | -13.3 | -9.0 | -4.3 |
| 9/09 | -7.8 | -7.3 | -0.5 |
| 12/09 | -2.7 | -3.5 | 0.8 |
| 3/10 | -0.2 | 0.8 | -1.0 |
| 6/10 | 7.9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

FIXED INCOME MANAGER SUMMARY

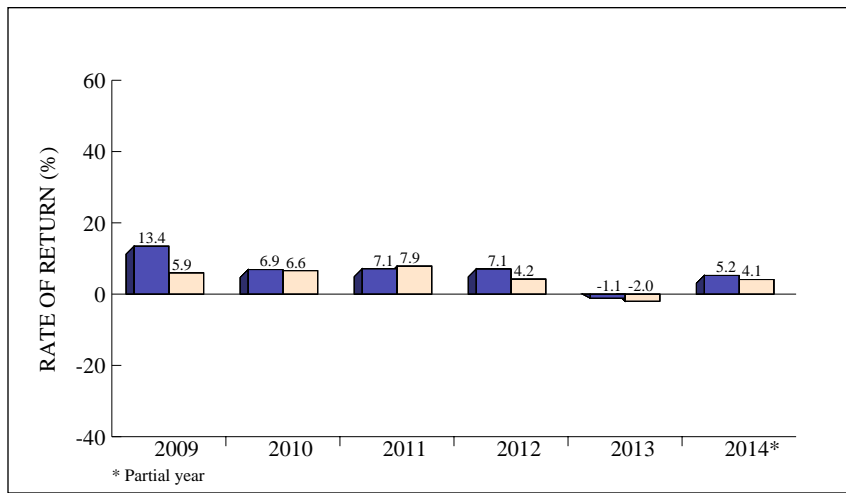


| TOTAL RETURNS AND RANKINGS | | | | | | | |
|---------------------------------|---------------------|----------|----------|----------|----------|----------|--------------|
| MANAGER | (UNIVERSE) | QTR | YTD | 1 YEAR | 3 YEARS | 5 YEARS | MARKET VALUE |
| IR&M | (Core Fixed Income) | 0.5 (5) | 5.2 (11) | 5.8 (7) | 4.2 (11) | 5.1 (28) | \$12,501,879 |
| <i>Barclays Aggregate Index</i> | | 0.2 ---- | 4.1 ---- | 3.9 ---- | 2.4 ---- | 4.1 ---- | ---- |

FIXED INCOME RETURN COMPARISONS

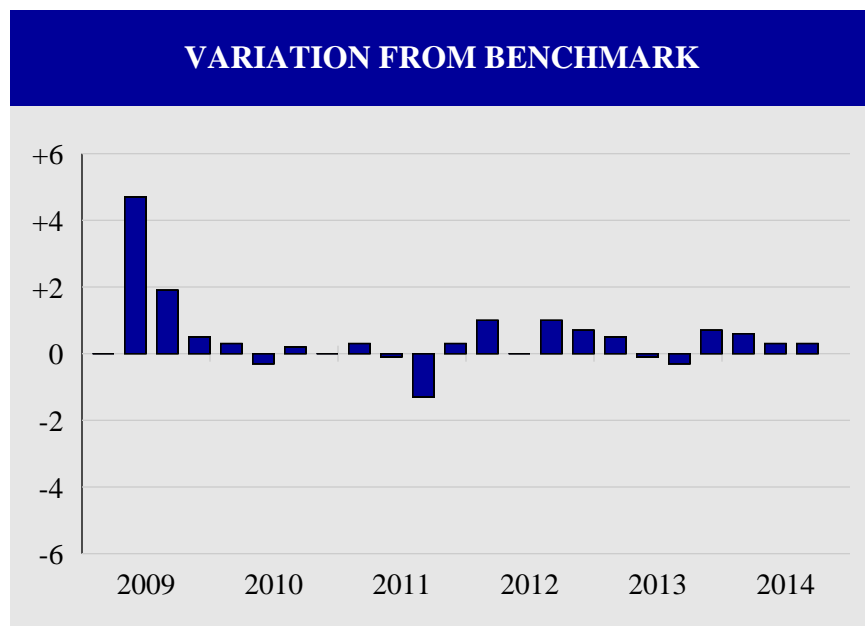


Core Fixed Income Universe



| | QTR | 2QTRS | 3QTRS | YEAR | 3 YRS | 5 YRS |
|------------------|------------|------------|------------|------------|------------|------------|
| RETURN | 0.5 | 2.8 | 5.2 | 5.8 | 4.2 | 5.1 |
| (RANK) | (5) | (7) | (11) | (7) | (11) | (28) |
| 5TH %ILE | 0.5 | 3.0 | 5.4 | 6.0 | 4.4 | 6.1 |
| 25TH %ILE | 0.3 | 2.5 | 4.7 | 4.9 | 3.8 | 5.2 |
| MEDIAN | 0.2 | 2.3 | 4.3 | 4.4 | 3.2 | 4.8 |
| 75TH %ILE | 0.1 | 2.2 | 4.0 | 4.0 | 2.8 | 4.4 |
| 95TH %ILE | -0.1 | 1.9 | 3.5 | 3.4 | 2.2 | 3.9 |
| Agg Index | 0.2 | 2.2 | 4.1 | 3.9 | 2.4 | 4.1 |

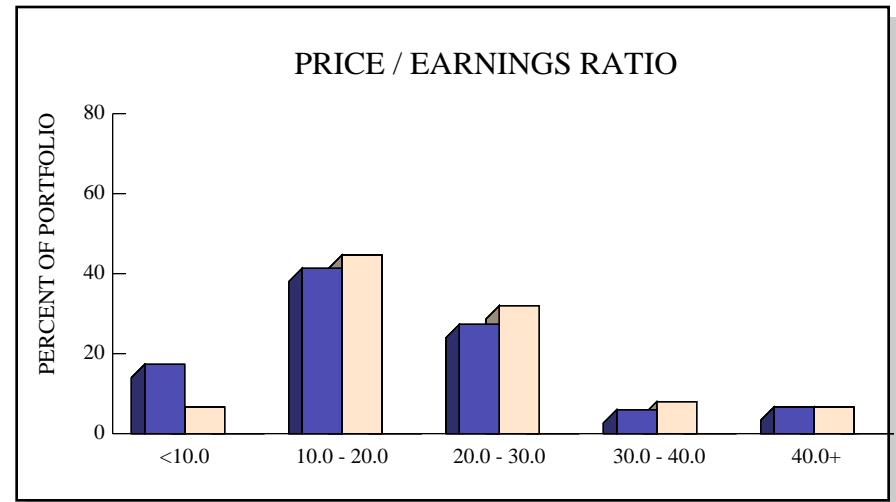
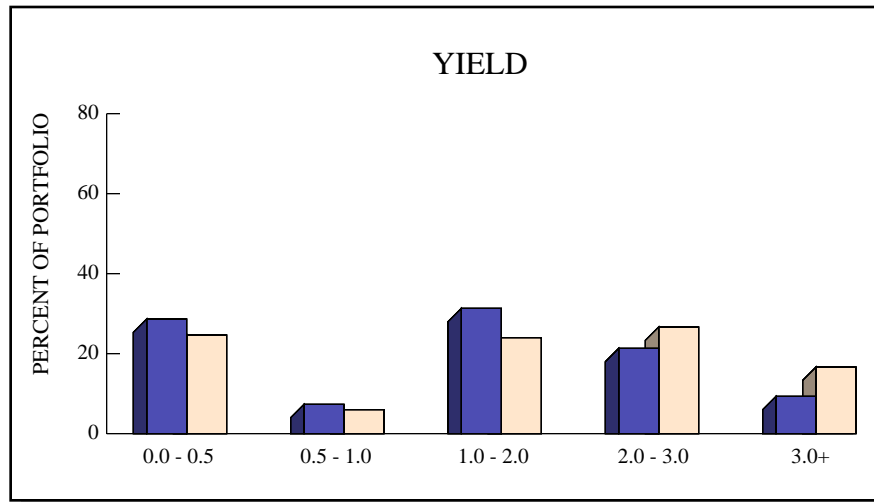
Core Fixed Income Universe

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

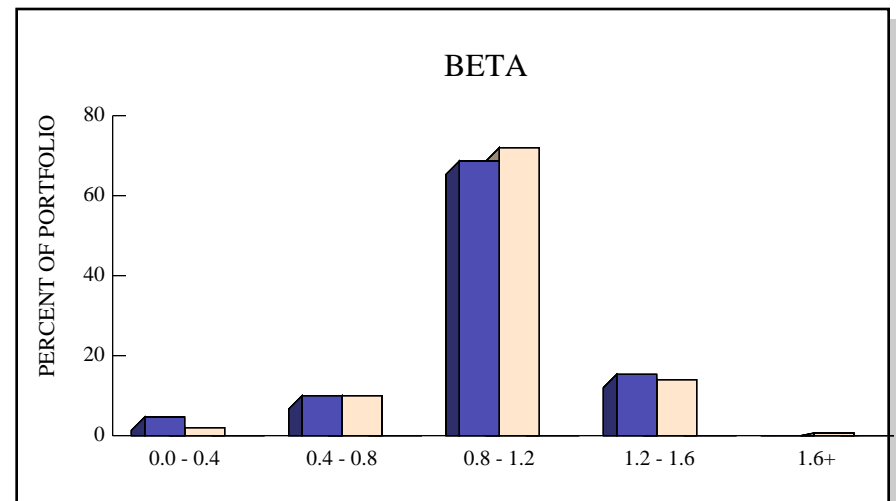
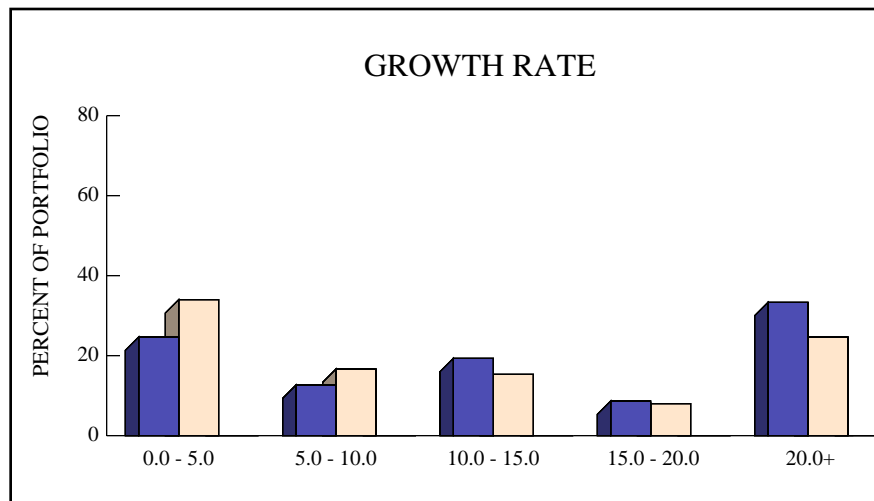
| | |
|-------------------------------------------|-------------|
| Total Quarters Observed | 23 |
| Quarters At or Above the Benchmark | 18 |
| Quarters Below the Benchmark | 5 |
| Batting Average | .783 |

| RATES OF RETURN | | | |
|------------------------|-----------|-----------|------------|
| Date | Portfolio | Benchmark | Difference |
| 3/09 | 0.1 | 0.1 | 0.0 |
| 6/09 | 6.5 | 1.8 | 4.7 |
| 9/09 | 5.6 | 3.7 | 1.9 |
| 12/09 | 0.7 | 0.2 | 0.5 |
| 3/10 | 2.1 | 1.8 | 0.3 |
| 6/10 | 3.2 | 3.5 | -0.3 |
| 9/10 | 2.7 | 2.5 | 0.2 |
| 12/10 | -1.3 | -1.3 | 0.0 |
| 3/11 | 0.7 | 0.4 | 0.3 |
| 6/11 | 2.2 | 2.3 | -0.1 |
| 9/11 | 2.5 | 3.8 | -1.3 |
| 12/11 | 1.4 | 1.1 | 0.3 |
| 3/12 | 1.3 | 0.3 | 1.0 |
| 6/12 | 2.1 | 2.1 | 0.0 |
| 9/12 | 2.6 | 1.6 | 1.0 |
| 12/12 | 0.9 | 0.2 | 0.7 |
| 3/13 | 0.4 | -0.1 | 0.5 |
| 6/13 | -2.4 | -2.3 | -0.1 |
| 9/13 | 0.3 | 0.6 | -0.3 |
| 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 |

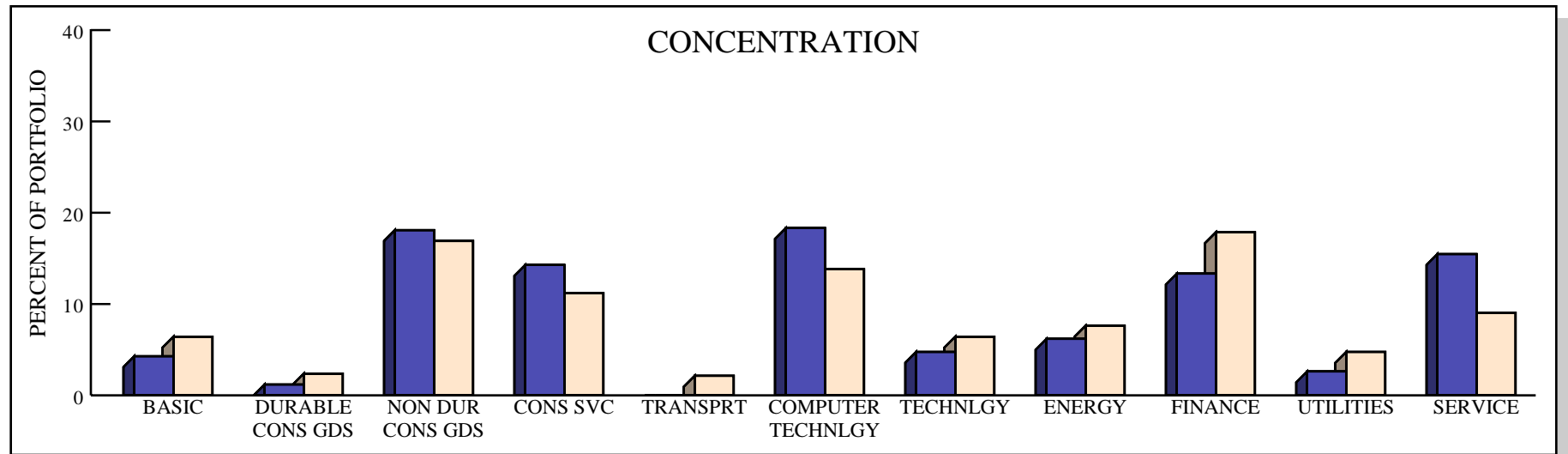
STOCK CHARACTERISTICS



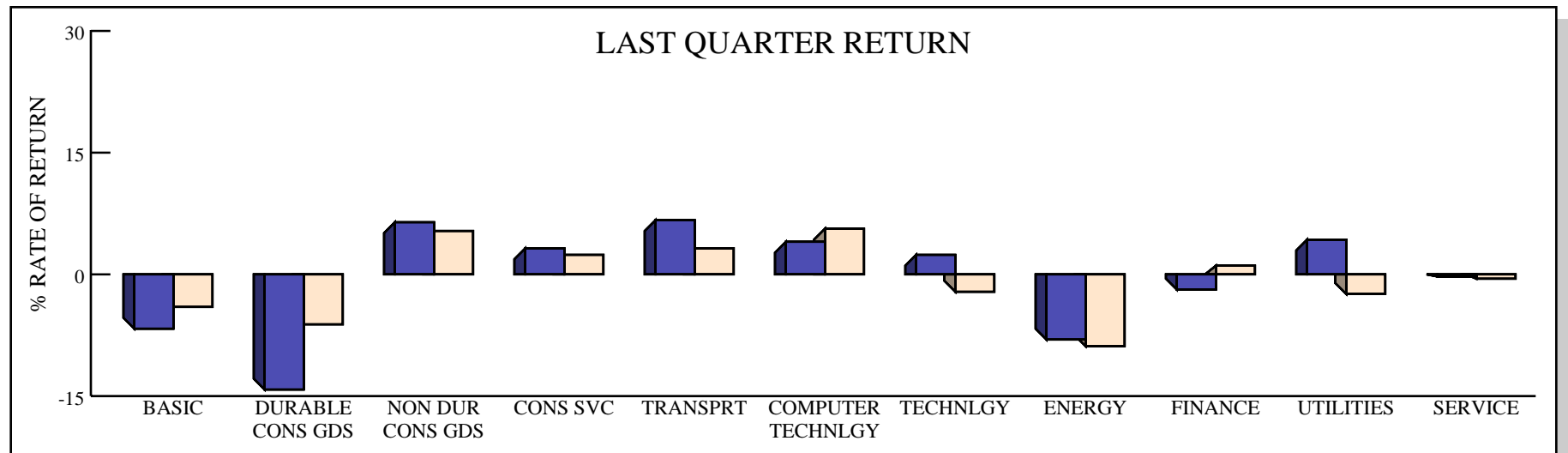
| | # HOLDINGS | YIELD | GROWTH | P/E | BETA |
|--------------|------------|-------|--------|------|------|
| PORTFOLIO | 105 | 1.7% | 16.6% | 20.7 | 0.97 |
| RUSSELL 3000 | 2,983 | 1.8% | 11.6% | 21.2 | 0.99 |



STOCK INDUSTRY ANALYSIS



■ PORTFOLIO ■ RUSSELL 3000



APPENDIX - MAJOR MARKET INDEX RETURNS

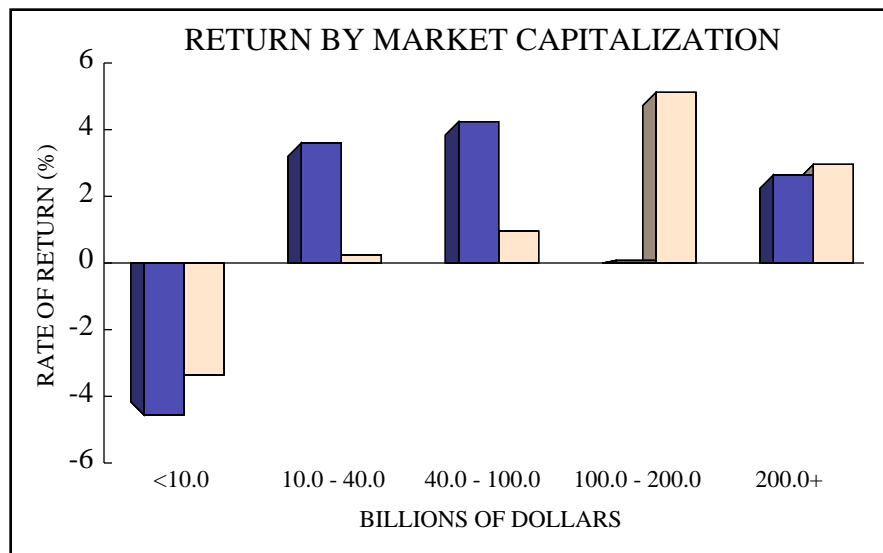
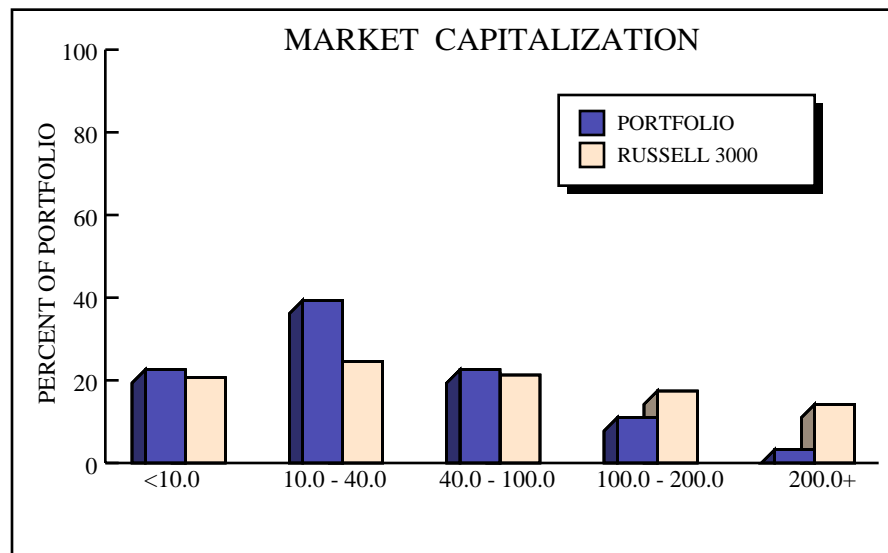
| Domestic Equity | Style | QTR | YTD | 1 Year | 3 years | 5 Years |
|------------------------|------------------|------------|------------|---------------|----------------|----------------|
| Russell 3000 | Broad Equity | 0.0 | 7.0 | 17.8 | 23.1 | 15.8 |
| S&P 500 | Large Cap Core | 1.1 | 8.3 | 19.7 | 23.0 | 15.7 |
| Russell 1000 | Large Cap Core | 0.7 | 8.0 | 19.0 | 23.2 | 15.9 |
| Russell 1000 Growth | Large Cap Growth | 1.5 | 7.9 | 19.1 | 22.4 | 16.5 |
| Russell 1000 Value | Large Cap Value | -0.2 | 8.1 | 18.9 | 23.9 | 15.3 |
| Russell Mid Cap | Midcap | -1.7 | 6.9 | 15.8 | 23.8 | 17.2 |
| Russell Mid Cap Growth | Midcap Growth | -0.7 | 5.7 | 14.4 | 22.7 | 17.1 |
| Russell Mid Cap Value | Midcap Value | -2.6 | 8.2 | 17.4 | 24.7 | 17.2 |
| Russell 2000 | Small Cap | -7.4 | -4.4 | 3.9 | 21.3 | 14.3 |
| Russell 2000 Growth | Small Cap Growth | -6.1 | -4.0 | 3.8 | 21.9 | 15.5 |
| Russell 2000 Value | Small Cap Value | -8.6 | -4.7 | 4.1 | 20.6 | 13.0 |

| International Equity | Style | QTR | YTD | 1 Year | 3 years | 5 Years |
|------------------------------|--------------------------|------------|------------|---------------|----------------|----------------|
| MSCI EAFE | Developed Markets Equity | -5.8 | -1.0 | 4.7 | 14.2 | 7.0 |
| MSCI EAFE Growth | Developed Markets Growth | -5.5 | -1.9 | 3.2 | 13.7 | 7.9 |
| MSCI EAFE Value | Developed Markets Value | -6.1 | -0.1 | 6.2 | 14.6 | 6.1 |
| MSCI All Country World Ex US | Foreign Equity | -5.2 | 0.4 | 5.2 | 12.3 | 6.5 |
| MSCI Emerging Markets | Emerging Markets Equity | -3.4 | 2.7 | 4.6 | 7.5 | 4.7 |

| Domestic Fixed Income | Style | QTR | YTD | 1 Year | 3 years | 5 Years |
|------------------------------|---------------------------|------------|------------|---------------|----------------|----------------|
| Barclays Aggregate Index | Core Fixed Income | 0.2 | 4.1 | 3.9 | 2.4 | 4.1 |
| Barclays Gov/Credit | Gov/Credit | 0.2 | 4.1 | 4.1 | 2.5 | 4.3 |
| Barclays Capital Gov't Bond | Treasuries | 0.3 | 3.0 | 2.3 | 1.1 | 3.1 |
| Barclays Capital Credit Bond | Corporate Bonds | -0.1 | 5.6 | 6.8 | 5.2 | 6.2 |
| Intermediate Aggregate | Core Intermediate | 0.0 | 2.9 | 2.7 | 2.1 | 3.6 |
| Intermediate Gov/Credit | Gov / Credit Intermediate | 0.0 | 2.2 | 2.2 | 2.0 | 3.4 |
| ML/BoA 1-3 Year Treasury | Short Term Treasuries | 0.0 | 0.4 | 0.5 | 0.3 | 0.9 |
| CSFB High Yield | High Yield Bonds | -1.9 | 3.5 | 7.1 | 10.6 | 10.4 |

| Alternative Assets | Style | QTR | YTD | 1 Year | 3 years | 5 Years |
|---------------------------|--------------------------|------------|------------|---------------|----------------|----------------|
| Barclays Global Ex US | International Treasuries | -5.3 | 0.3 | -1.1 | -0.9 | -0.5 |
| NCREIF NFI-ODCE Index | Real Estate | 3.2 | 8.9 | 12.4 | 12.3 | 12.4 |
| HFRI FOF Composite | Hedge Funds | 0.3 | 2.4 | 6.2 | 5.2 | 3.0 |

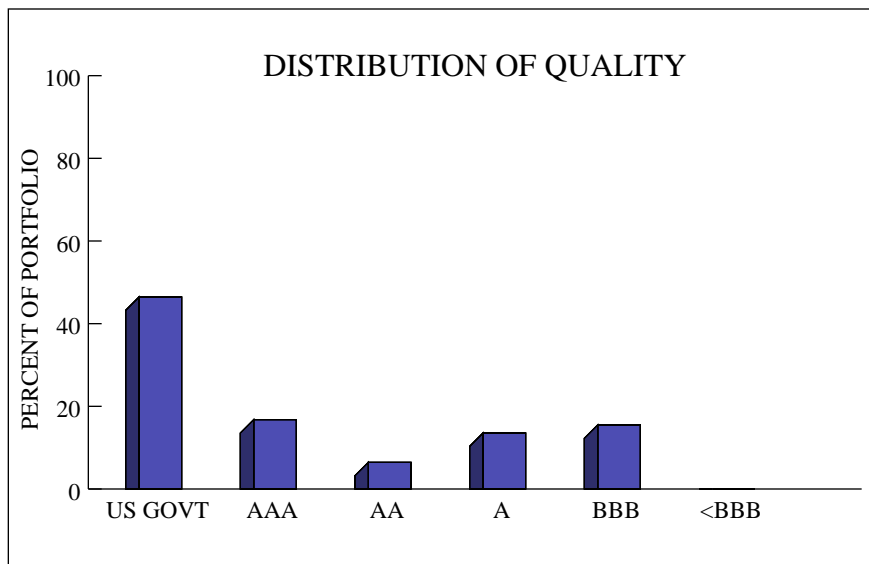
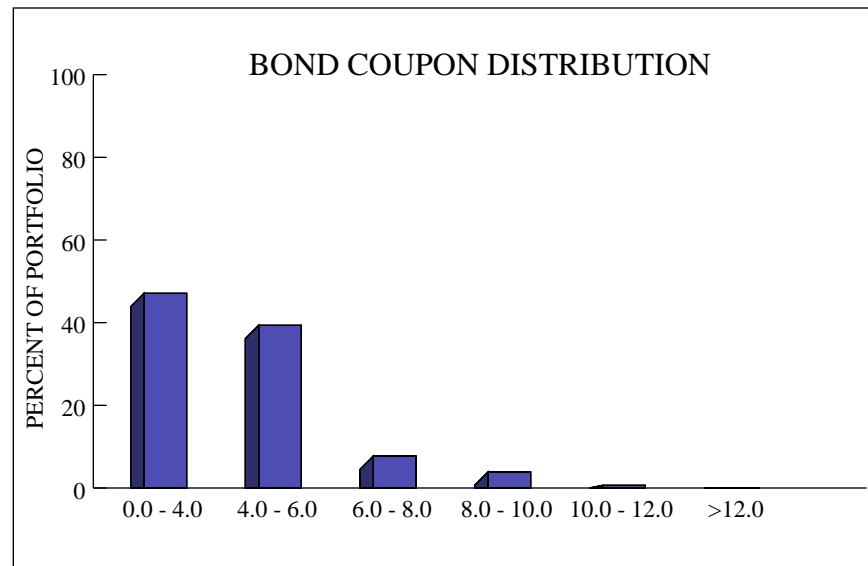
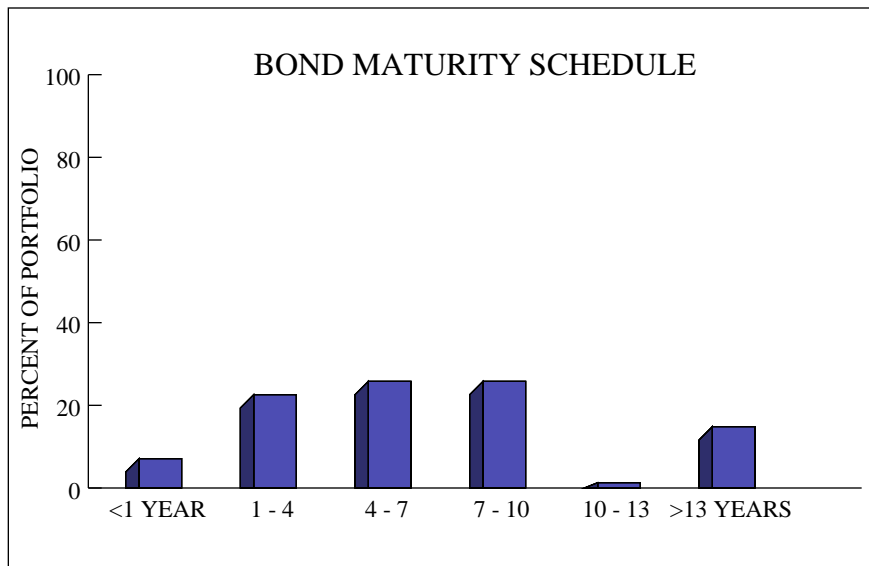
TOP TEN HOLDINGS



TOP TEN EQUITY HOLDINGS

| RANK | NAME | VALUE | % EQUITY | RETURN | INDUSTRY SECTOR | MKT CAP |
|------|-------------------------|------------|----------|--------|-------------------|-----------|
| 1 | ALLERGAN INC | \$ 700,643 | 2.77% | 5.3% | NonDur Cons Goods | \$ 53.0 B |
| 2 | VISA INC-CLASS A SHARES | 492,671 | 1.95% | 1.5% | Finance | 105.6 B |
| 3 | NIKE INC -CL B | 486,586 | 1.92% | 15.3% | NonDur Cons Goods | 61.6 B |
| 4 | ABBOTT LABORATORIES | 470,383 | 1.86% | 2.1% | NonDur Cons Goods | 62.5 B |
| 5 | ORACLE CORP | 433,521 | 1.71% | -5.2% | Computer Tech | 169.6 B |
| 6 | APPLE INC | 388,895 | 1.54% | 8.9% | Computer Tech | 603.3 B |
| 7 | STARBUCKS CORP | 376,470 | 1.49% | -2.1% | Consumer Service | 56.7 B |
| 8 | TJX COMPANIES INC | 374,191 | 1.48% | 11.6% | Consumer Service | 41.0 B |
| 9 | NETAPP INC | 372,936 | 1.47% | 18.0% | Computer Tech | 13.7 B |
| 10 | ACCENTURE PLC-CL A | 343,821 | 1.36% | 1.2% | Service | 51.1 B |

BOND CHARACTERISTICS



| | PORTFOLIO | BARCLAYS AGG |
|--------------------|------------------|---------------------|
| No. of Securities | 243 | 8,876 |
| Duration | 6.02 | 5.62 |
| YTM | 2.62 | 2.33 |
| Average Coupon | 3.97 | 3.30 |
| Avg Maturity / WAL | 8.25 | 7.74 |
| Average Quality | AAA-AA | USG-AAA |

APPENDIX - DISCLOSURES

- * The Policy index is a policy-weighted passive index and was constructed as follows:
40% Russell 3000 Index / 25% Barclays Aggregate Index / 15% EAFE Index / 10% NCREIF NFI-ODCE/ 2.5% NCREIF Timber / 7.5% S&P 500
- * The Custom Equity index was constructed as follows:
44.5% Russell 2000 index / 33.3% S&P 500 index / 22.2% S&P 400 index
- * The Custom PRIT Core Policy Index is a policy-weighted passive index and was constructed as follows:
For all periods through December 2010:

| | | |
|--------------------------|--------------------|-----------------------------------|
| 26.0% Russell 3000 | 20.0% MSCI EAFE | 5.0% MSCI Emerging Markets |
| 15.0% Barclays Aggregate | 5.0% CSFB Hi Yield | 10.0% Cambridge Private Equity |
| 10.0% NCREIF NFI-ODCE | 4.0% NCREIF Timber | 5.0% HFRI Fund of Funds Composite |

 For all periods Since December 2010:

| | | |
|--------------------------|--------------------|-----------------------------------|
| 24.0% Russell 3000 | 20.0% MSCI EAFE | 5.0% MSCI Emerging Markets |
| 13.0% Barclays Aggregate | 6.0% CSFB Hi Yield | 10.0% Cambridge Private Equity |
| 10.0% NCREIF NFI-ODCE | 4.0% NCREIF Timber | 8.0% HFRI Fund of Funds Composite |
- * Performance for the Cambridge Private Equity Index is unavailable for the current quarter, a flat return of 0% is assumed.
- * Dahab Associates utilizes data provided by a custodian and other vendors it believes are reliable. However, it cannot assume responsibility for errors and omissions therefrom.
- * All returns were calculated on a time-weighted basis, and are gross of fees unless otherwise noted.
- * All returns for periods greater than one year are annualized.
- * All values are in US dollars.

FRANKLIN REGIONAL RETIREMENT SYSTEM
PRIT - CORE FUND
PERFORMANCE REVIEW
SEPTEMBER 2014

INVESTMENT RETURN

On September 30th, 2014, the Franklin Regional Retirement System's PRIT Core Fund was valued at \$57,883,205, a decrease of \$8,227,177 from the June ending value of \$66,110,382. Last quarter, the account recorded total net withdrawals of \$7,877,610 in addition to \$349,567 in net investment losses. The fund's net investment loss was a result of income receipts totaling \$406,236 and realized and unrealized capital losses totaling \$755,803.

Since December 2008, the account has recorded net withdrawals totaling \$6.6 million while posting net investment gains totaling \$30.9 million. Since December 2008, if the account earned a compounded nominal rate of 8.0% it would have been valued at \$46.6 million or \$11.3 million less than the actual value as of September 30th, 2014.

RELATIVE PERFORMANCE

Total Portfolio

For the third quarter, the PRIT Core Fund lost 0.8%, which was 0.3% below the Custom Core Index's return of -0.5% and ranked in the 27th percentile of the Public Fund universe. Over the trailing twelve-month period, the portfolio returned 11.1%, which was 1.2% above the benchmark's 9.9% return, ranking in the 25th percentile. Since March 2010, the account returned 10.0% per annum and ranked in the 28th percentile. The Custom Core Index returned an annualized 9.4% over the same time frame.

PRIT Core

Performance was mixed across the PRIT Core sleeves last quarter. Global Equity dipped below the benchmark (-3.2 vs. -3.0). This sleeve carried a 42.2% allocation, representing the most heavily weighted PRIT position. Both Core Fixed Income and Value-Added Fixed Income bested their benchmarks, returning 1.7% and -1.4%, respectively.

Private Equity matched the index's returns with a 3.7% gain, while total Real Estate underperformed (0.8% vs. 1.5%). Portable Alpha Wind Down outpaced the benchmark last quarter, but its positive impact was mitigated by its relatively light weight. The PRIT Core portfolio trailed the benchmark by 30 basis points.

PRIT Domestic Equity

64.0% of the overall Domestic Equity sleeve was passively managed within the SSGA S&P 500 index fund, and an additional 12.4% was held in the SSGA Russell 2500 index fund, giving the sleeve a notably passive flavor.

Active management in the large cap and smid cap segments yielded benchmark-like performance. The small cap value managers performed particularly well, while the small cap growth manager, Riverbridge, fell short by the most. Combined, the Domestic Equity component more or less matched benchmark performance.

PRIT International Equity

In the third quarter, the PRIT International Equity sleeve represented 16.3% of the PRIT portfolio and fell 6.1%, which was 0.3% below the -5.8% return of the Custom MSCI EAFE Standard Index Net Dividends. All managers of the sleeve underperformed, while the -6.0% return of the passively managed SSGA World Ex-US index fund incurred the smallest deficit against the Custom World Ex-US IMI Net Dividends index.

The SSGA fund, in addition to the active management positions with Marathon and Baillie Gifford comprised 14.9% of the total Core portfolio, and 91.0% of the international equity sleeve.

Despite across-the-board shortfalls during the quarter, the SSGA World Ex-US fund, in addition to Marathon and Baillie Gifford, surpassed their respective benchmarks for the three- and five-year periods.

PRIT Hedge Funds

The hedge fund benchmark offered a low hurdle for a second consecutive quarter, but the sleeve's managers collectively fell short, returning -0.1%, compared to the HFRI Fund of Funds 0.3% gain.

The hedge fund sleeve's weighty 9.5% allocation served to negatively impact on the portfolio's overall relative performance. Over the trailing twelve months, the PRIT account's total hedge fund positions gained 8.7%, compared to the benchmark's 6.1% return. For the 3-year and 5-year periods, the sleeve returned 8.7% and 6.2%, respectively. For comparison, the index returned 5.5% and 3.3% over the same date ranges.

Direct Hedge Fund holdings composed of 73.2% of the hedge fund sleeve, and matched the benchmark's 0.3% performance. For the 1-year period, the segment advanced at an 8.6% clip, exceeding its index counterpart by 250 basis points. While Direct Hedge Funds carried substantial weight in the sleeve, PAAMCO's 1.4% loss dragged down total performance, while gaining 10.2%, 9.7%, and 6.6% over the trailing 1-, 3-, and 5-year periods.

PRIT Real Estate

By the end of the quarter, the PRIT Real Estate sleeve returned 0.8% and represented 8.7% of the total portfolio. For comparison, the custom benchmark, a blend comprised of 80% NCREIF Property index and 20% FTSE EPRA NAREIT Developed Total Return index, 1.5%, as the sleeve underperformed by 70 basis points.

Total Private Real Estate, representing 72.0% of the sleeve, advanced 3.0%, 10 basis points ahead of the NCREIF Property index for the quarter. Lasalle gained 3.6% last quarter, while gaining 13.6% and 13.1% over the trailing three- and five-year periods. Each of these period returns exceeded the NCREIF Property Index.

While the collective performance of all REIT holdings matched the benchmark of the FTSE EPRA NAREIT Developed Net Total

Return index (-4.5%), the segment's 27.6% weight in the Real Estate sleeve served to drag down performance.

Centersquare Global REITs finished the third quarter with a -4.1% return, greater than the NAREIT index by 0.4% but below the sleeve's benchmark by 5.6%. Over the trailing twelve months, the Centersquare account did not fare much better, gaining 7.1% relative to the sleeve benchmark's 10.4% return.

PRIT Fixed Income

In the third quarter, the PRIT Core Fixed Income sleeve gained 1.7%, 10 basis points better than the sleeve's hybrid benchmark. The fundamental core elements made up 40.1% of the sleeve, including the Loomis Sayles Core manager, which posted returns of 0.3%, inching ahead of the Barclays Aggregate index's 10 basis points. The PIMCO Core fund (2.3% total allocation, 14.7 sleeve allocation) matched said Barclays index.

The BlackRock STRIPS represented 36.8% of the sleeve and expectedly neared the Barclays US Treasury STRIPS 20+ Year index, falling 5.0% compared to the index's 5.1% return. The substantial allocation served to enhance the overall sleeve's outperformance.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

| | Quarter | YTD | 1 Year | -----Annualized----- | |
|-------------------------|---------|------|--------|----------------------|-------------|
| | | | | 3 Years | Since 12/08 |
| Total Gross/Fees | -0.8 | 6.0 | 11.2 | 13.1 | 11.5 |
| <i>PUBLIC FUND RANK</i> | (29) | (10) | (25) | (58) | (51) |
| Total Net/Fees | -0.9 | 5.6 | 10.6 | 12.5 | 10.9 |
| CUSTOM CORE IDX | -0.5 | 5.1 | 9.9 | 11.9 | 10.7 |
| PRIT Core | -0.8 | 6.0 | 11.2 | 13.1 | 11.5 |
| <i>PUBLIC FUND RANK</i> | (29) | (10) | (25) | (58) | (51) |
| CUSTOM CORE IDX | -0.5 | 5.1 | 9.9 | 11.9 | 10.7 |

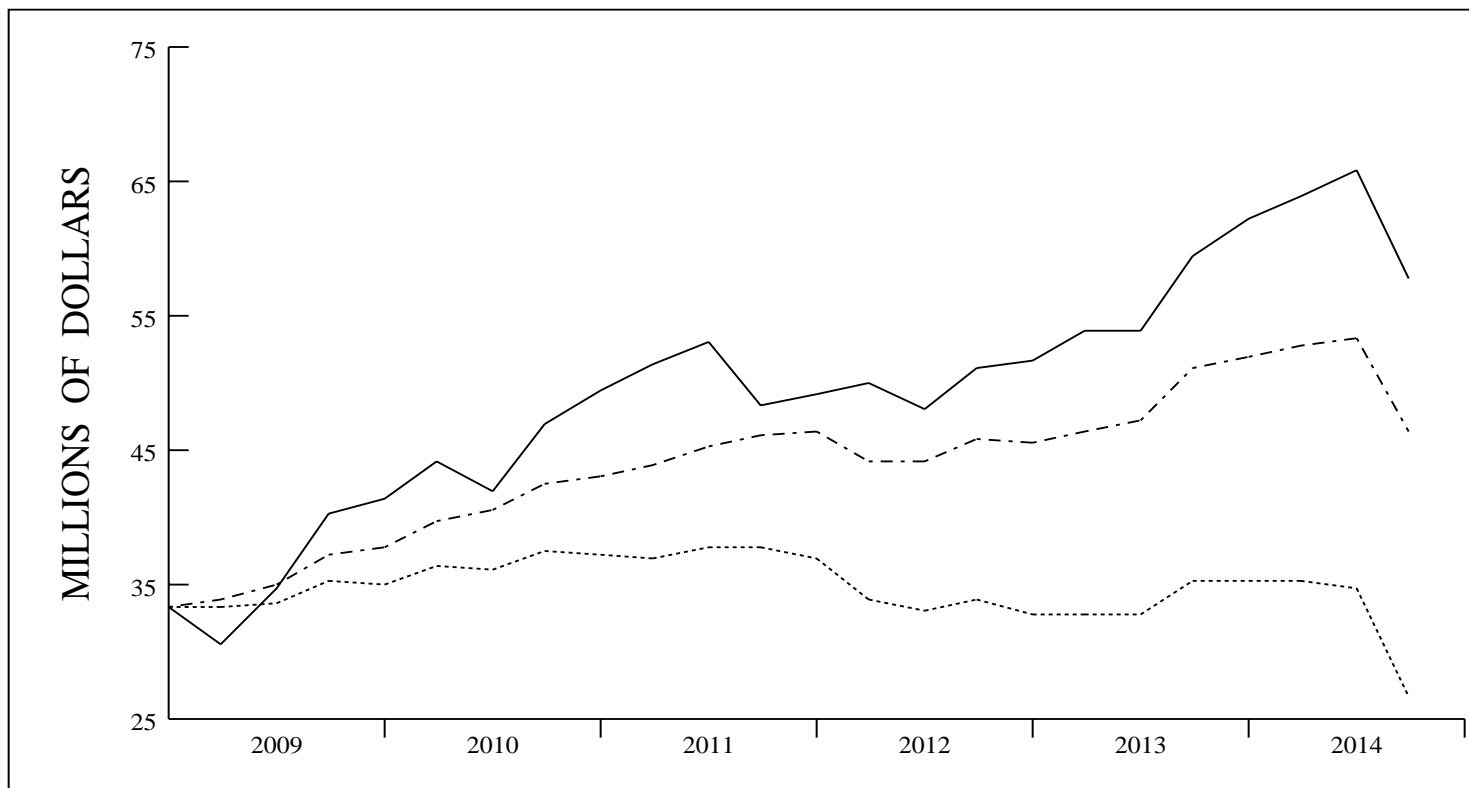
ASSET ALLOCATION

| | | |
|-----------------|--------|---------------|
| PRIT Core | 100.0% | \$ 57,883,205 |
| Total Portfolio | 100.0% | \$ 57,883,205 |

INVESTMENT RETURN

| | |
|------------------------|---------------|
| Market Value 6/2014 | \$ 66,110,382 |
| Contribs / Withdrawals | - 7,877,610 |
| Income | 406,236 |
| Capital Gains / Losses | -755,803 |
| Market Value 9/2014 | \$ 57,883,205 |

INVESTMENT GROWTH

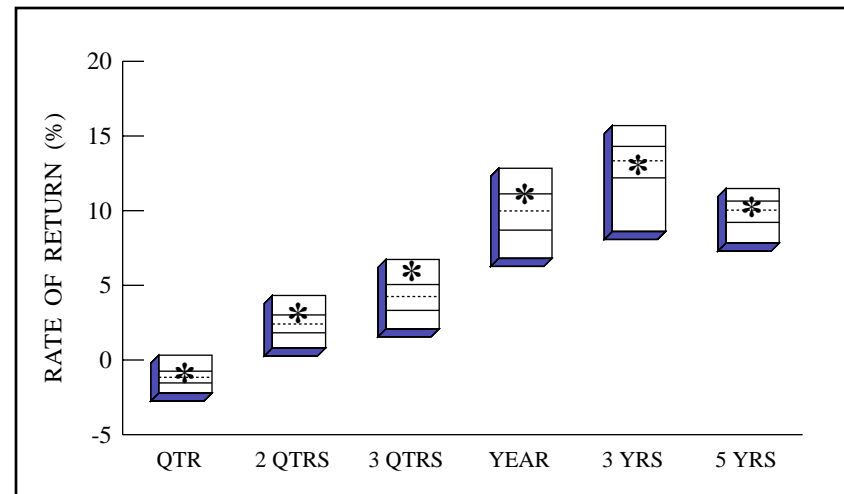
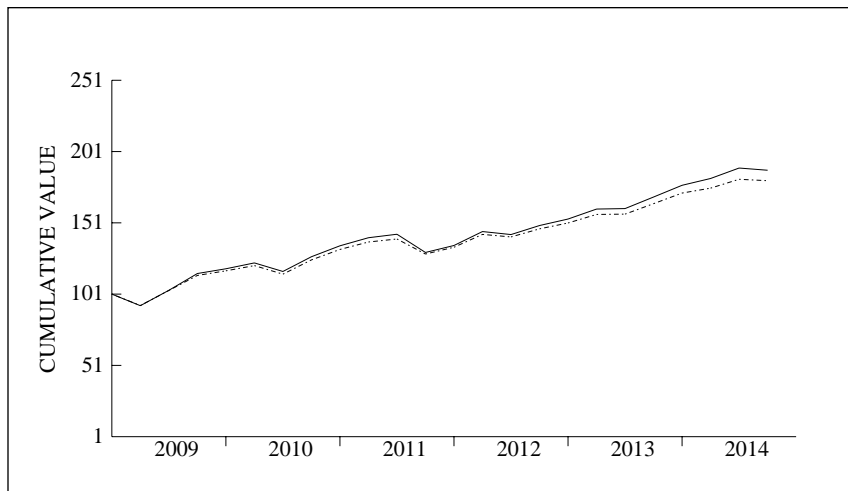


— ACTUAL RETURN
 - - - 8.0%
 0.0%

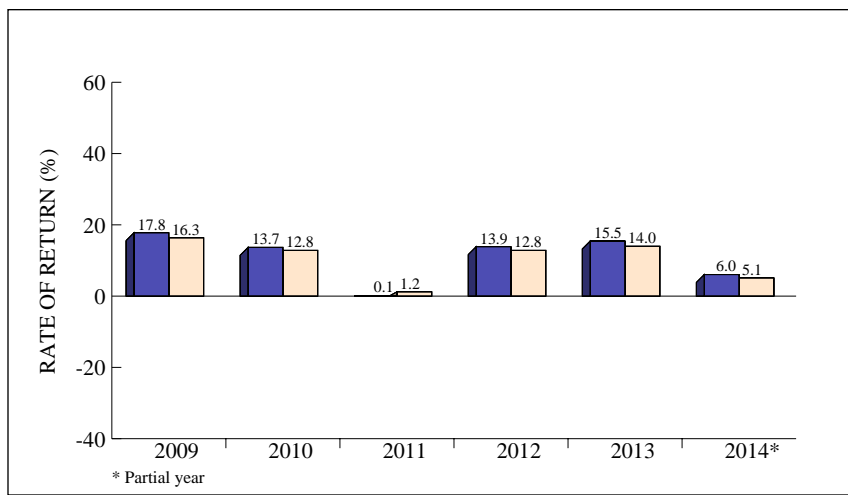
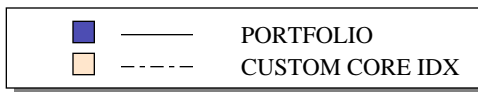
VALUE ASSUMING
 8.0% RETURN
 \$ 46,600,546

| | LAST QUARTER | PERIOD 12/08 - 9/14 |
|--------------------------|-----------------|------------------------|
| BEGINNING VALUE | \$ 66,110,382 | \$ 33,492,695 |
| NET CONTRIBUTIONS | - 7,877,610 | - 6,556,119 |
| <u>INVESTMENT RETURN</u> | <u>-349,567</u> | <u>30,946,628</u> |
| ENDING VALUE | \$ 57,883,205 | \$ 57,883,205 |
| INCOME | 406,236 | 8,624,567 |
| CAPITAL GAINS (LOSSES) | <u>-755,803</u> | <u>22,322,062</u> |
| INVESTMENT RETURN | -349,567 | 30,946,628 |

TOTAL RETURN COMPARISONS



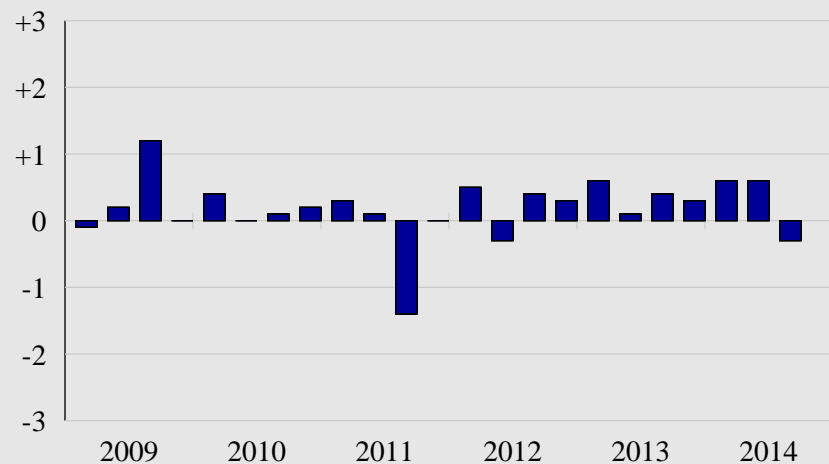
Public Fund Universe



* Partial year

| | QTR | 2QTRS | 3QTRS | YEAR | -----ANNUALIZED----- | |
|-------------------|-------------|------------|------------|------------|----------------------|------------|
| | | | | | 3 YRS | 5 YRS |
| RETURN | -0.8 | 3.2 | 6.0 | 11.2 | 13.1 | 10.3 |
| (RANK) | (29) | (18) | (10) | (25) | (58) | (41) |
| 5TH %ILE | 0.3 | 4.3 | 6.7 | 12.8 | 15.7 | 11.5 |
| 25TH %ILE | -0.8 | 3.0 | 5.1 | 11.1 | 14.3 | 10.6 |
| MEDIAN | -1.2 | 2.4 | 4.3 | 10.0 | 13.3 | 10.0 |
| 75TH %ILE | -1.5 | 1.8 | 3.3 | 8.7 | 12.2 | 9.2 |
| 95TH %ILE | -2.2 | 0.8 | 2.1 | 6.8 | 8.6 | 7.8 |
| PRIT Index | -0.5 | 3.0 | 5.1 | 9.9 | 11.9 | 9.7 |

Public Fund Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**COMPARATIVE BENCHMARK: CUSTOM CORE INDEX****VARIATION FROM BENCHMARK**

| | |
|-------------------------------------------|-------------|
| Total Quarters Observed | 23 |
| Quarters At or Above the Benchmark | 19 |
| Quarters Below the Benchmark | 4 |
| Batting Average | .826 |

RATES OF RETURN

| Date | Portfolio | Benchmark | Difference |
|-------|-----------|-----------|------------|
| 3/09 | -8.1 | -8.0 | -0.1 |
| 6/09 | 11.7 | 11.5 | 0.2 |
| 9/09 | 11.5 | 10.3 | 1.2 |
| 12/09 | 2.9 | 2.9 | 0.0 |
| 3/10 | 3.5 | 3.1 | 0.4 |
| 6/10 | -5.0 | -5.0 | 0.0 |
| 9/10 | 8.9 | 8.8 | 0.1 |
| 12/10 | 6.1 | 5.9 | 0.2 |
| 3/11 | 4.3 | 4.0 | 0.3 |
| 6/11 | 1.7 | 1.6 | 0.1 |
| 9/11 | -9.0 | -7.6 | -1.4 |
| 12/11 | 3.7 | 3.7 | 0.0 |
| 3/12 | 7.3 | 6.8 | 0.5 |
| 6/12 | -1.5 | -1.2 | -0.3 |
| 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 |

PRIT MANAGER RETURNS AND ALLOCATIONS
AS OF SEPTEMBER 30, 2014

| PORTFOLIO | QTR | ANNUALIZED | | | % Allocation |
|--------------------------------|-------------|-------------|-------------|-------------|--------------|
| | | 1 YEAR | 3 YEARS | 5 YEARS | |
| Domestic Equity | -0.4 | 17.0 | 22.9 | 15.6 | 19.1 |
| Intech | 1.2 | 20.4 | 23.1 | 16.2 | 1.5 |
| PIMCO Domestic | 1.0 | 19.7 | 24.6 | 17.3 | 1.5 |
| SSgA S&P 500 | 1.1 | 19.7 | --- | --- | 12.2 |
| Summit Creek | -4.8 | 1.7 | --- | --- | 0.3 |
| Frontier | -8.7 | 8.9 | --- | --- | 0.3 |
| Huber | -10.4 | -0.1 | --- | --- | 0.4 |
| RiverBridge | -3.8 | 1.4 | --- | --- | 0.2 |
| SouthernSun | -5.2 | 10.7 | --- | --- | 0.3 |
| SSgA Russell 2500 | -5.4 | 9.0 | --- | --- | 2.4 |
| <i>S&P 500</i> | <i>1.1</i> | <i>19.7</i> | <i>23.0</i> | <i>15.7</i> | --- |
| <i>Russell 2500</i> | <i>-5.4</i> | <i>9.0</i> | <i>22.8</i> | <i>16.0</i> | --- |
| International Equity | -6.1 | 5.2 | 14.3 | 8.2 | 16.3 |
| SSgA World Ex-US | -6.0 | 5.3 | 13.9 | 7.3 | 8.1 |
| Marathon Asset Management | -6.2 | 5.7 | 15.6 | 9.8 | 3.9 |
| Baillie Gifford | -6.5 | 2.8 | 14.2 | 9.1 | 2.9 |
| Mondrian | -5.7 | 10.0 | 13.2 | 7.1 | 1.3 |
| FIS | -7.5 | 3.6 | --- | --- | 0.2 |
| <i>MSCI EAFE</i> | <i>-5.8</i> | <i>4.7</i> | <i>14.2</i> | <i>7.0</i> | --- |
| <i>ACWI EX US</i> | <i>-5.2</i> | <i>5.2</i> | <i>12.3</i> | <i>6.5</i> | --- |
| Emerging Markets Equity | -3.7 | 4.3 | 7.6 | 4.9 | 6.9 |
| SSgA Emerging Markets | -3.1 | 5.1 | 7.9 | --- | 3.5 |
| Ashmore - EMM | -6.8 | 1.0 | 6.1 | 3.7 | 0.9 |
| GMO | -5.3 | -0.4 | 4.8 | 3.6 | 1.0 |
| T. Rowe Price EM | -2.6 | 7.1 | 8.9 | 5.9 | 1.0 |
| Acadian | 0.9 | 15.5 | --- | --- | 0.2 |
| Wasatch | -0.7 | 7.0 | --- | --- | 0.2 |
| <i>MSCI Emerging Markets</i> | <i>-3.4</i> | <i>4.6</i> | <i>7.5</i> | <i>4.7</i> | --- |

PRIT MANAGER RETURNS AND ALLOCATIONS
AS OF SEPTEMBER 30, 2014

| PORTFOLIO | QTR | ANNUALIZED | | | % Allocation |
|---------------------------------------|-------------|------------|-------------|-------------|--------------|
| | | 1 YEAR | 3 YEARS | 5 YEARS | |
| Core Fixed Income | 1.7 | 6.8 | 4.1 | 5.4 | 14.9 |
| Blackrock Passive | 0.2 | 4.1 | 2.5 | 4.2 | 1.5 |
| PIMCO Core | 0.1 | 3.2 | 4.0 | 4.9 | 2.3 |
| Loomis Sayles Core | 0.3 | 5.7 | 4.4 | 5.8 | 2.2 |
| BlackRock STRIPS | 5.0 | --- | --- | --- | 5.5 |
| Blackrock TIPS | -2.1 | 1.6 | 1.3 | 4.5 | 1.0 |
| Blackrock ILBs | 0.9 | 5.1 | 3.7 | 5.1 | 2.0 |
| Access Capital - ETI | 0.5 | 4.4 | 2.8 | 3.8 | 0.2 |
| Community Capital Management | 1.0 | 4.6 | 3.0 | 3.9 | 0.0 |
| AFL - CIO Housing Investment | 0.2 | 4.6 | 2.7 | 4.2 | 0.2 |
| <i>Barclays Aggregate</i> | <i>0.2</i> | <i>3.9</i> | <i>2.4</i> | <i>4.1</i> | <i>---</i> |
| <i>Barclays STRIPS 20+Yrs</i> | <i>5.1</i> | <i>---</i> | <i>---</i> | <i>---</i> | <i>---</i> |
| <i>Barclays US TIPS</i> | <i>-2.0</i> | <i>1.6</i> | <i>1.3</i> | <i>4.5</i> | <i>---</i> |
| <i>Barclays ILB US Hedged</i> | <i>0.9</i> | <i>4.8</i> | <i>3.0</i> | <i>4.7</i> | <i>---</i> |
| <i>Barclays Aggregate A or Better</i> | <i>0.2</i> | <i>3.4</i> | <i>2.0</i> | <i>3.8</i> | <i>---</i> |
| Value-Added Fixed Income | -1.4 | 6.7 | 7.7 | 10.6 | 8.6 |
| Fidelity | -2.6 | 5.7 | 11.7 | 11.5 | 0.5 |
| Loomis Sayles High Yield | -1.5 | 9.6 | 12.6 | 12.3 | 0.5 |
| Shenkman | -1.9 | 6.4 | 9.4 | 8.8 | 0.5 |
| Eaton Vance | -0.3 | 3.0 | 5.9 | 6.0 | 0.8 |
| ING | -0.1 | 4.1 | 7.6 | 6.9 | 0.8 |
| Ashmore | -3.8 | 6.7 | 7.2 | 8.8 | 0.8 |
| PIMCO EMD | -2.2 | 7.0 | 7.7 | 8.0 | 0.5 |
| Investec | -5.3 | -0.7 | --- | --- | 0.5 |
| Pictet | -5.3 | -2.0 | --- | --- | 0.8 |
| Stone Harbor | -6.0 | -2.7 | --- | --- | 0.5 |
| Distressed Debt | 3.1 | 16.3 | 13.1 | 17.4 | 2.3 |
| <i>ML Master High Yield</i> | <i>-1.9</i> | <i>7.2</i> | <i>11.0</i> | <i>10.4</i> | <i>---</i> |
| <i>JPM EMBI</i> | <i>-0.6</i> | <i>9.7</i> | <i>8.0</i> | <i>8.0</i> | <i>---</i> |

PRIT MANAGER RETURNS AND ALLOCATIONS
AS OF SEPTEMBER 30, 2014

| PORTFOLIO | QTR | ANNUALIZED | | | % Allocation |
|------------------------------------------|-------------|-------------|-------------|-------------|--------------|
| | | 1 YEAR | 3 YEARS | 5 YEARS | |
| Private Equity | 3.7 | 24.9 | 17.3 | 18.9 | 11.2 |
| Total Special Equity | 3.8 | 23.8 | 17.3 | 19.3 | 8.7 |
| Total Venture Capital | 3.6 | 32.6 | 19.3 | 20.0 | 2.3 |
| <i>Cambridge Private Equity (Lagged)</i> | <i>5.6</i> | <i>22.0</i> | <i>14.6</i> | <i>17.6</i> | --- |
| Private Real Estate | 3.0 | 13.0 | 13.0 | 11.5 | 6.3 |
| Investco Core | 3.4 | 11.2 | 12.6 | 13.7 | 1.3 |
| Lasalle | 3.6 | 13.0 | 13.7 | 13.1 | 2.2 |
| AEW | 3.2 | 13.1 | 12.4 | --- | 0.9 |
| JP Morgan | -1.6 | 5.3 | 8.0 | 11.0 | 1.1 |
| TA Associates | 2.3 | 13.5 | 10.9 | 7.7 | 1.6 |
| Non-Core | 2.7 | 6.3 | --- | --- | 0.8 |
| Canyon Johnson II | 4.6 | -5.2 | -3.2 | -7.2 | 0.0 |
| Intercontinental IV | 2.7 | 15.9 | 6.3 | 3.5 | 0.0 |
| New Boston Urban I | 1.6 | 3.9 | 7.3 | 9.7 | 0.0 |
| Portfolio Debt | --- | --- | --- | --- | -1.6 |
| <i>NCREIF ODCE</i> | <i>3.2</i> | <i>12.4</i> | <i>12.3</i> | <i>12.4</i> | --- |
| REITS | -4.5 | 6.6 | 15.2 | 12.0 | 2.4 |
| Investco Global REIT | -3.8 | 7.6 | --- | --- | 0.4 |
| Centersquare Global REIT | -4.1 | 7.1 | --- | --- | 1.2 |
| Investco Transition | --- | --- | --- | --- | 0.8 |
| <i>NAREIT</i> | <i>-2.5</i> | <i>13.1</i> | <i>17.2</i> | <i>16.2</i> | --- |
| <i>FTSE EPRA NAREIT</i> | <i>-3.8</i> | <i>6.0</i> | <i>15.0</i> | <i>10.3</i> | --- |

PRIT MANAGER RETURNS AND ALLOCATIONS
AS OF SEPTEMBER 30, 2014

| PORTFOLIO | QTR | ANNUALIZED | | | % Allocation |
|---------------------------------------|--------------|-------------|-------------|------------|--------------|
| | | 1 YEAR | 3 YEARS | 5 YEARS | |
| Timber | 2.1 | 11.5 | 5.8 | 1.4 | 2.6 |
| Forest | 1.3 | 10.1 | 5.7 | 1.3 | 1.8 |
| The Campbell Group | 3.8 | 14.7 | --- | --- | 0.8 |
| <i>NCREIF Timber</i> | <i>1.5</i> | <i>10.4</i> | <i>7.4</i> | <i>3.6</i> | --- |
| Natural Resources - Public | -10.0 | 8.2 | 11.1 | 7.1 | 0.9 |
| Jennison | -12.0 | 4.8 | 9.0 | 6.2 | 0.4 |
| T. Rowe Price NR | -7.7 | 12.2 | 13.1 | 7.8 | 0.4 |
| <i>Lipper NR Global Fund Index</i> | <i>-10.4</i> | <i>4.1</i> | <i>9.0</i> | <i>4.2</i> | --- |
| Natural Resources - Private | 5.4 | 7.0 | 3.4 | 6.6 | 0.6 |
| Hedge Funds (Net) | -0.1 | 8.7 | 8.7 | 6.2 | 9.5 |
| Arden HFOF Liquidation | 0.9 | 8.2 | --- | --- | 0.2 |
| Ivy Liquidation | 8.1 | 13.8 | 5.1 | 1.6 | 0.0 |
| PAAMCO | -1.4 | 10.2 | 9.7 | 6.6 | 2.4 |
| Direct Hedge Funds | 0.3 | 8.6 | --- | --- | 6.9 |
| <i>HFRI FOF</i> | <i>0.3</i> | <i>6.1</i> | <i>5.2</i> | <i>3.0</i> | --- |
| Portable Alpha Wind Down (Net) | 1.0 | -4.2 | -2.8 | 0.1 | 0.1 |
| Austin Capital | -1.7 | -30.3 | -16.5 | -11.4 | 0.0 |
| Crestline | 4.0 | -2.8 | -0.3 | 3.2 | 0.0 |
| Strategic | -1.0 | 1.5 | -2.3 | 0.1 | 0.0 |
| <i>HFRI FOF</i> | <i>0.3</i> | <i>6.1</i> | <i>5.2</i> | <i>3.0</i> | --- |
| Overlay | -1.1 | 8.3 | --- | --- | 0.8 |
| Clifton | -2.2 | 9.8 | --- | --- | 0.3 |

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

Source: PRIM Board

FRANKLIN REGIONAL RETIREMENT SYSTEM
POLEN CAPITAL MANAGEMENT - LARGE CAP GROWTH FUND
PERFORMANCE REVIEW
SEPTEMBER 2014

INVESTMENT RETURN

On September 30th, 2014, the Franklin Regional Retirement System's Polen Capital Management Large Cap Growth Fund was valued at \$7,518,453, representing an increase of \$130,154 from the June quarter's ending value of \$7,388,299. Last quarter, the Fund posted no net contributions or withdrawals, while posting \$130,154 in net investment returns. Income receipts totaling \$16,188 plus net realized and unrealized capital gains of \$113,966 combined to produce the portfolio's net investment return figure.

For the cumulative period since March 2012, the account has recorded net contributions totaling \$545,000, and has recorded net investment gains of \$1.7 million. Since March 2012, if the total account had earned a compounded nominal rate of 8.0% it would have been worth \$7.0 million or \$475,666 less than the actual value as of September 30th, 2014.

RELATIVE PERFORMANCE

During the third quarter, the Polen Capital Management Large Cap Growth Fund gained 1.8%, which was 0.3% above the Russell 1000 Growth Index's return of 1.5% and ranked in the 33rd percentile of the Large Cap Growth universe. Over the trailing year, the portfolio returned 18.9%, which was 0.2% below the benchmark's 19.1% performance, ranking in the 39th percentile. Since March 2012, the account returned 10.2% on an annualized basis and ranked in the 98th percentile. For comparison, the Russell 1000 Growth returned an annualized 15.9% over the same period.

ASSET ALLOCATION

On September 30th, 2014, domestic equities comprised 95.9% of the total portfolio (\$7.2 million), while cash & equivalents totaled 4.1% (\$310,518).

ANALYSIS

The Polen Capital account was concentrated in just five sectors utilized in our analysis. With regard to the Russell 1000 Growth index, the portfolio was overweight in each case. These sectors include the Nondurable Consumer Goods, Consumer Service, Computer Technology, Finance, and Service sectors. The remaining sectors were left unfunded, most notably the Basic and Technology sectors, where the index deployed a combined 12.0% allocation.

Despite mixed quality of stock selection across the five invested industry sectors, the portfolio surpassed the benchmark 30 basis points. The performance advantage can largely be attributed to positive allocation effects, as the portfolio did not invest in any of the index's negatively performing sectors, save Finance, where the portfolio in fact paced upward at a 1.3% clip. Additionally, the heavily overweight and highly concentrated Nondurable Consumer Goods sector beat the benchmark, enlarging overall outperformance. The market decidedly favored the index in the Computer Technology sector, but the Polen account ultimately exceeded market performance.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

| | Quarter | YTD | 1 Year | -----Annualized----- | |
|------------------------------|---------|------|--------|----------------------|-------------|
| | | | | 3 Years | Since 03/12 |
| Total Gross/Fees | 1.8 | 6.6 | 18.9 | ---- | 10.2 |
| <i>LARGE CAP GROWTH RANK</i> | (33) | (47) | (39) | ---- | (98) |
| Total Net/Fees | 1.6 | 6.1 | 18.0 | ---- | 9.5 |
| RUSSELL 1000G | 1.5 | 7.9 | 19.1 | 22.4 | 15.9 |
| Domestic Equity | 1.8 | 6.9 | 20.0 | ---- | 10.7 |
| <i>LARGE CAP GROWTH RANK</i> | (31) | (43) | (29) | ---- | (97) |
| RUSSELL 1000G | 1.5 | 7.9 | 19.1 | 22.4 | 15.9 |

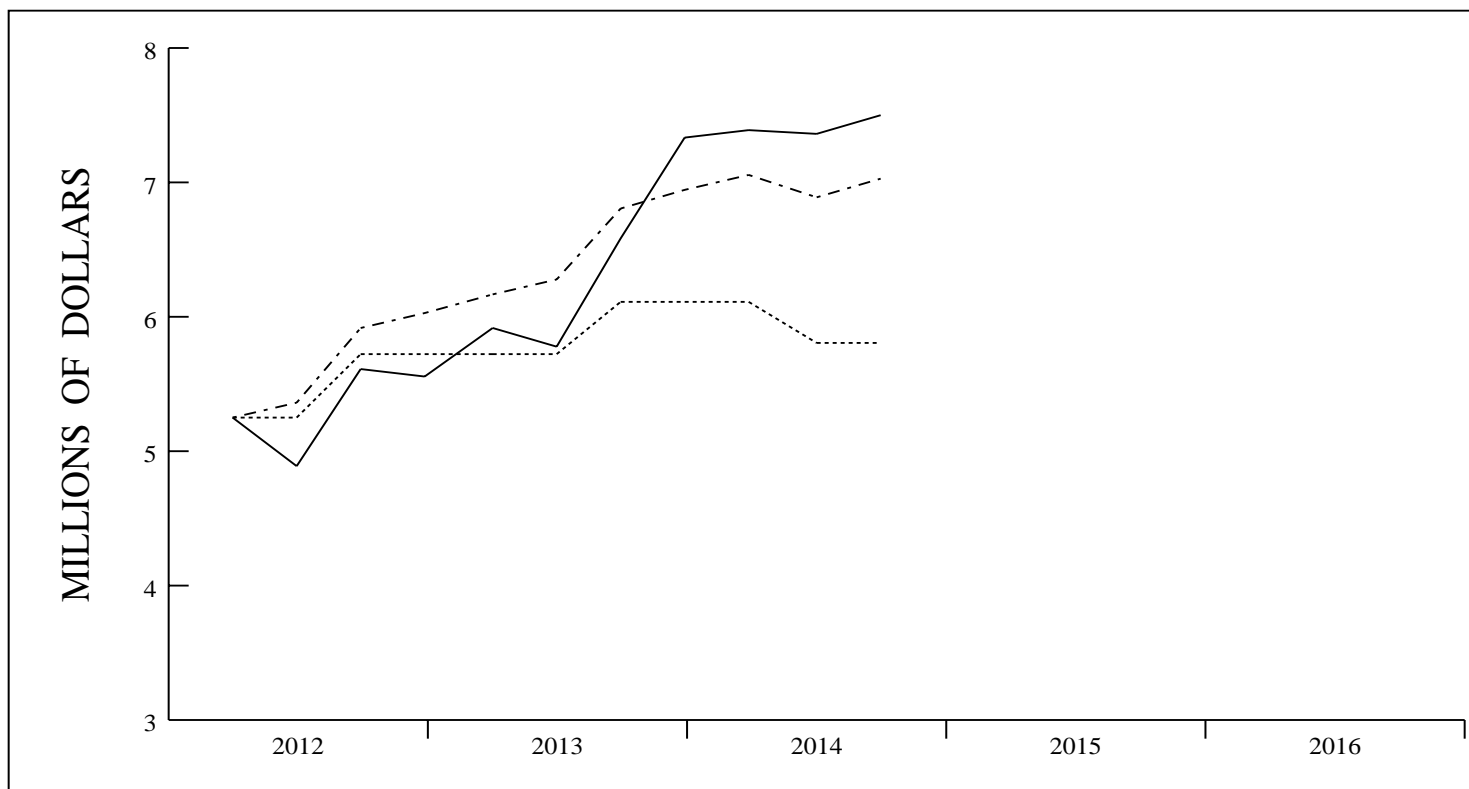
ASSET ALLOCATION

| | | |
|------------------------|---------------|---------------------|
| Domestic Equity | 95.9% | \$ 7,207,935 |
| Cash | 4.1% | 310,518 |
| Total Portfolio | 100.0% | \$ 7,518,453 |

INVESTMENT RETURN

| | |
|------------------------|--------------|
| Market Value 6/2014 | \$ 7,388,299 |
| Contribs / Withdrawals | 0 |
| Income | 16,188 |
| Capital Gains / Losses | 113,966 |
| Market Value 9/2014 | \$ 7,518,453 |

INVESTMENT GROWTH

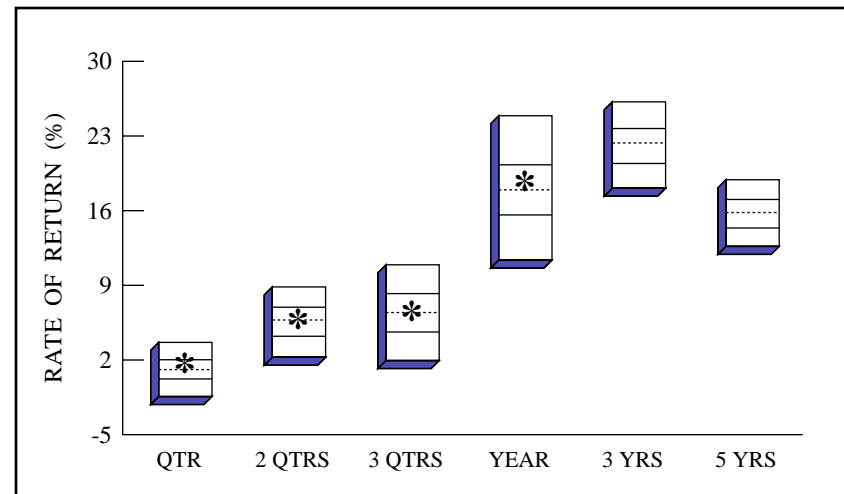
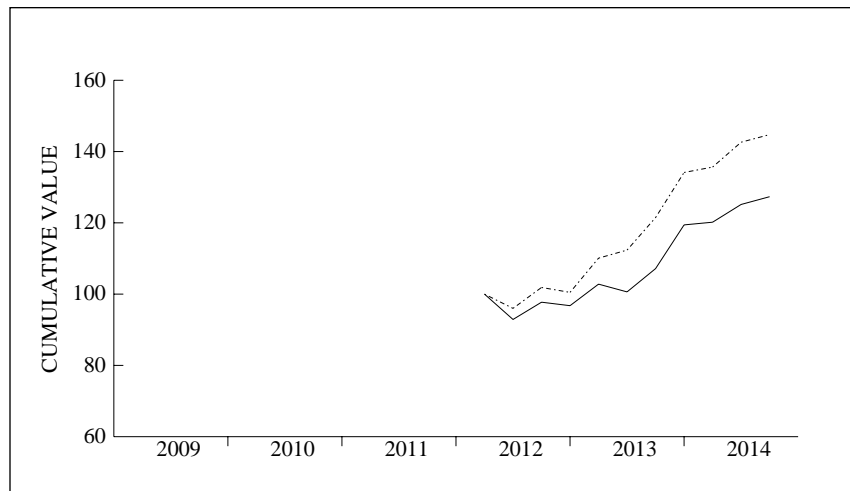


— ACTUAL RETURN
 - - - 8.0%
 . . . 0.0%

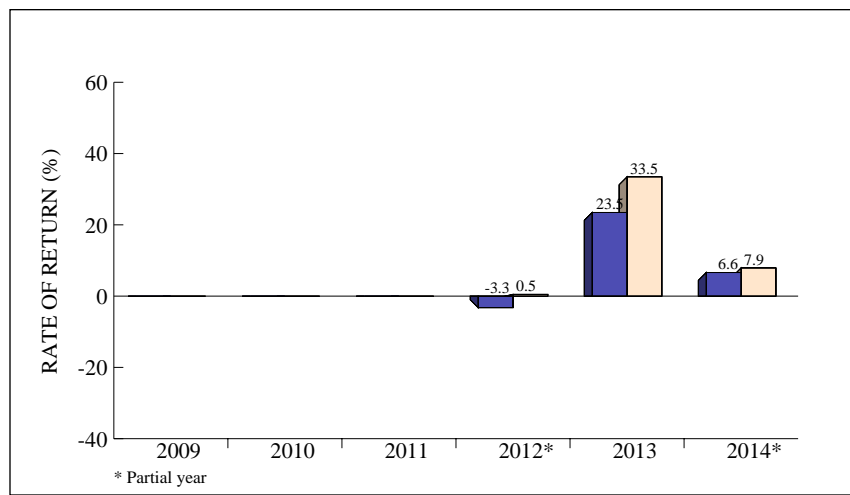
VALUE ASSUMING
 8.0% RETURN
 \$ 7,042,787

| | LAST QUARTER | PERIOD 3/12 - 9/14 |
|------------------------|-----------------|-----------------------|
| BEGINNING VALUE | \$ 7,388,299 | \$ 5,273,154 |
| NET CONTRIBUTIONS | 0 | 545,000 |
| INVESTMENT RETURN | 130,154 | 1,700,299 |
| ENDING VALUE | \$ 7,518,453 | \$ 7,518,453 |
| INCOME | 16,188 | 180,898 |
| CAPITAL GAINS (LOSSES) | 113,966 | 1,519,401 |
| INVESTMENT RETURN | 130,154 | 1,700,299 |

TOTAL RETURN COMPARISONS

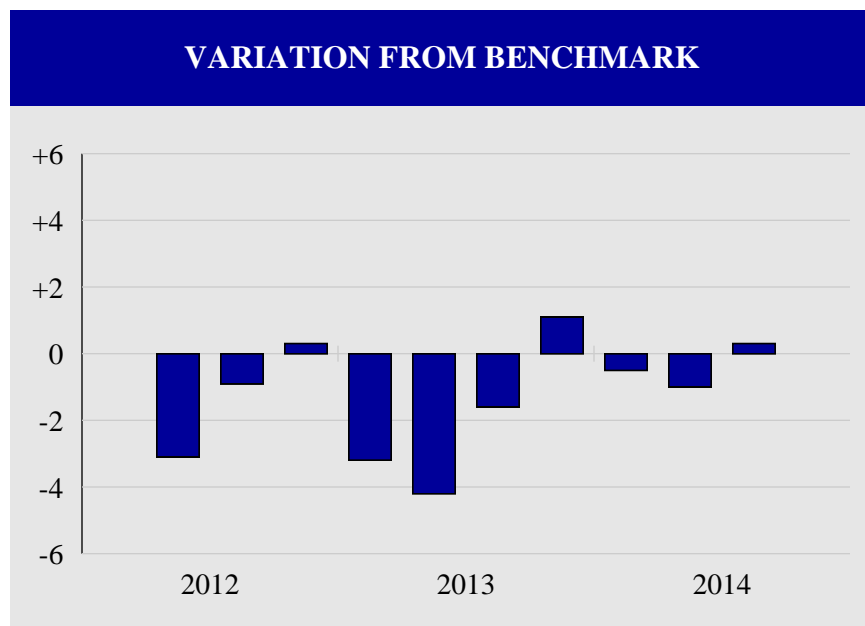


Large Cap Growth Universe



| | QTR | 2QTRS | 3QTRS | YEAR | -----ANNUALIZED----- | |
|-------------------|------------|------------|------------|-------------|----------------------|-------------|
| | | | | | 3 YRS | 5 YRS |
| RETURN | 1.8 | 6.0 | 6.6 | 18.9 | ---- | ---- |
| (RANK) | (33) | (46) | (47) | (39) | ---- | ---- |
| 5TH %ILE | 3.6 | 8.9 | 10.9 | 24.9 | 26.2 | 18.9 |
| 25TH %ILE | 2.0 | 6.9 | 8.2 | 20.3 | 23.7 | 17.0 |
| MEDIAN | 1.1 | 5.8 | 6.4 | 18.0 | 22.4 | 15.8 |
| 75TH %ILE | 0.2 | 4.2 | 4.6 | 15.6 | 20.4 | 14.4 |
| 95TH %ILE | -1.4 | 2.2 | 1.9 | 11.4 | 18.1 | 12.6 |
| Russ 1000G | 1.5 | 6.7 | 7.9 | 19.1 | 22.4 | 16.5 |

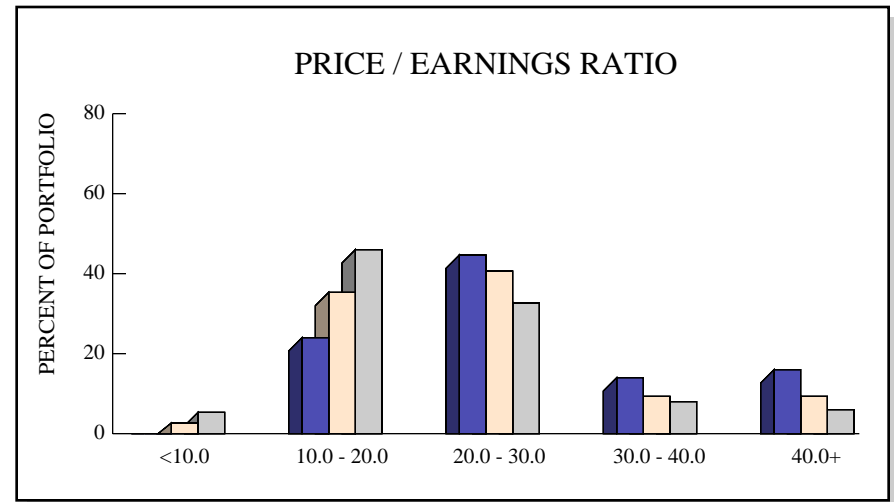
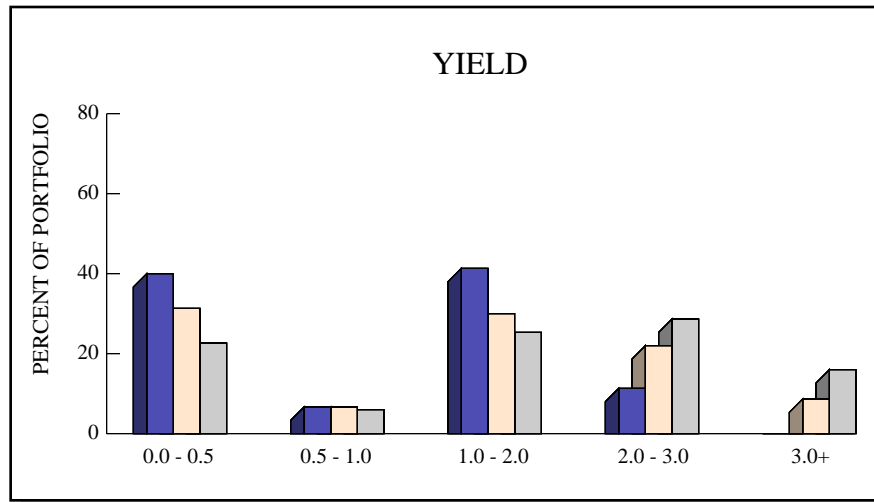
Large Cap Growth Universe

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

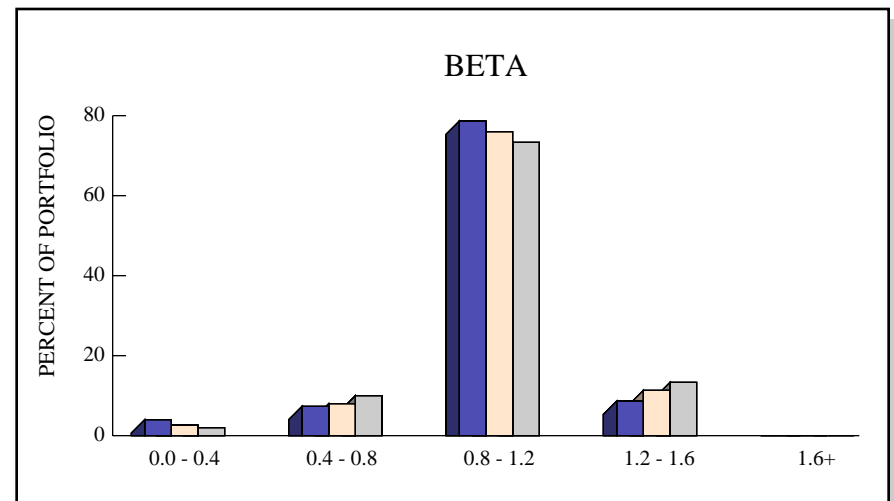
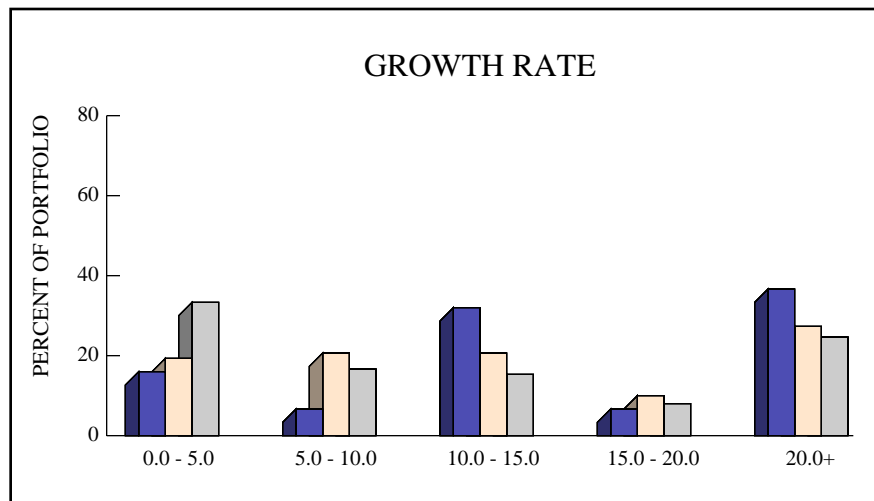
| RATES OF RETURN | | | |
|------------------------|-----------|-----------|------------|
| Date | Portfolio | Benchmark | Difference |
| 6/12 | -7.1 | -4.0 | -3.1 |
| 9/12 | 5.2 | 6.1 | -0.9 |
| 12/12 | -1.0 | -1.3 | 0.3 |
| 3/13 | 6.3 | 9.5 | -3.2 |
| 6/13 | -2.1 | 2.1 | -4.2 |
| 9/13 | 6.5 | 8.1 |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

| | |
|-------------------------------------------|-------------|
| Total Quarters Observed | 10 |
| Quarters At or Above the Benchmark | 3 |
| Quarters Below the Benchmark | 7 |
| Batting Average | .300 |

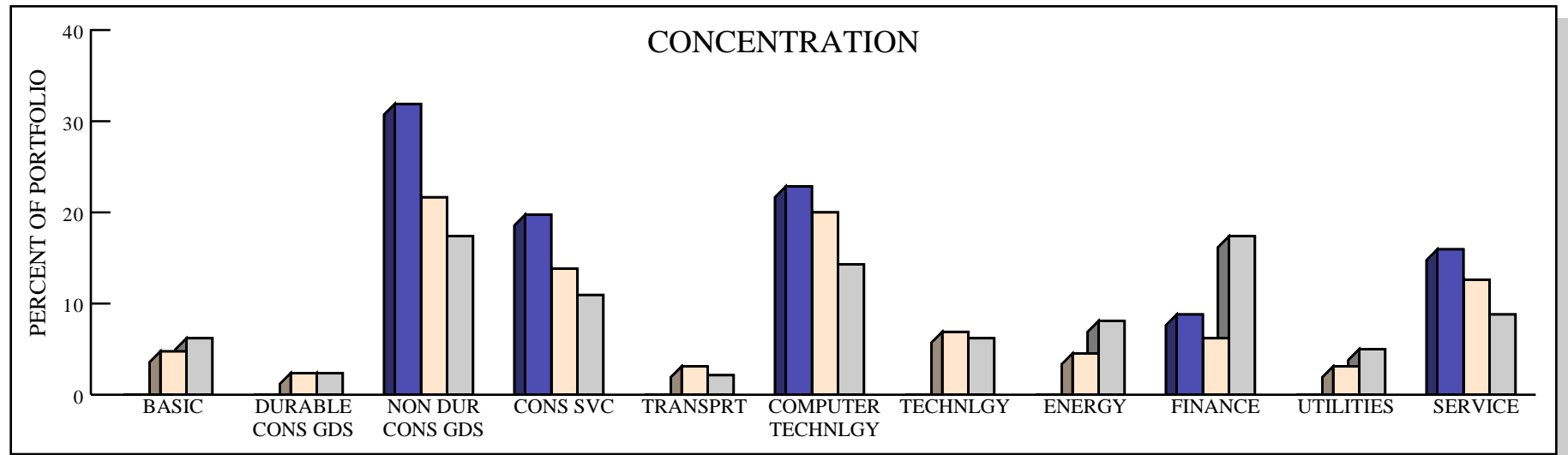
STOCK CHARACTERISTICS



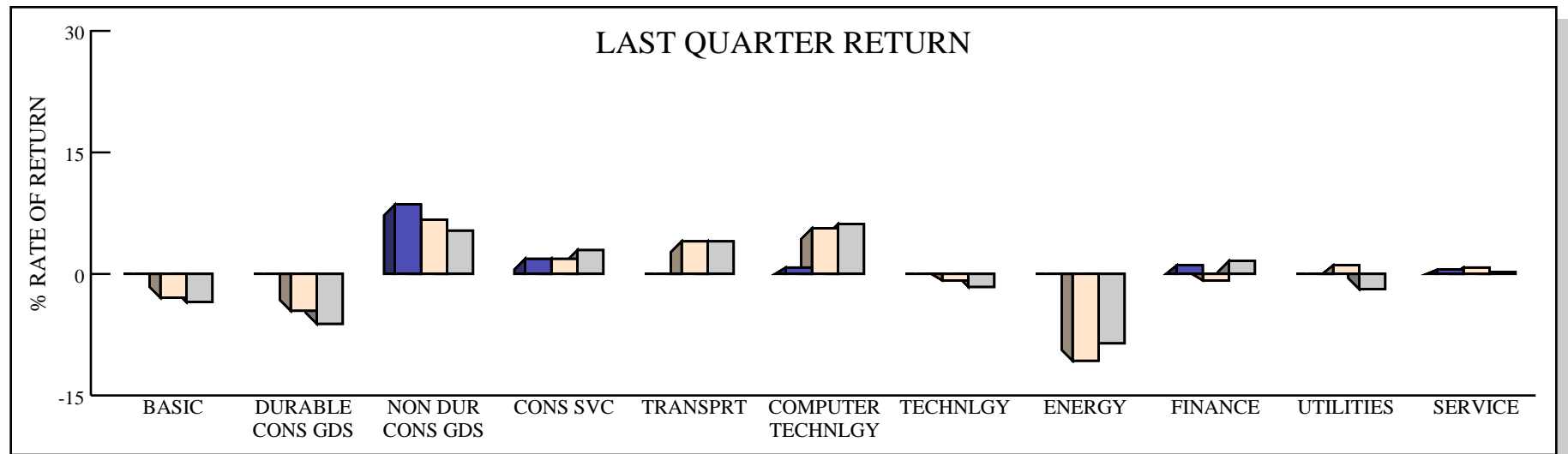
| | # HOLDINGS | YIELD | GROWTH | P/E | BETA |
|---------------|------------|-------|--------|------|------|
| PORTFOLIO | 21 | 0.9% | 18.3% | 31.3 | 0.99 |
| RUSSELL 1000G | 674 | 1.4% | 14.8% | 24.1 | 0.98 |
| RUSSELL 1000 | 1,032 | 1.9% | 11.7% | 21.4 | 0.99 |



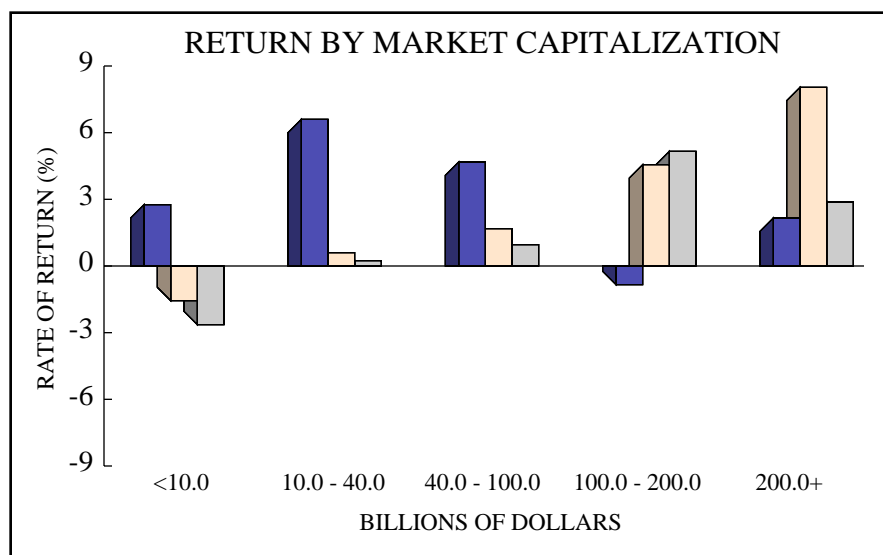
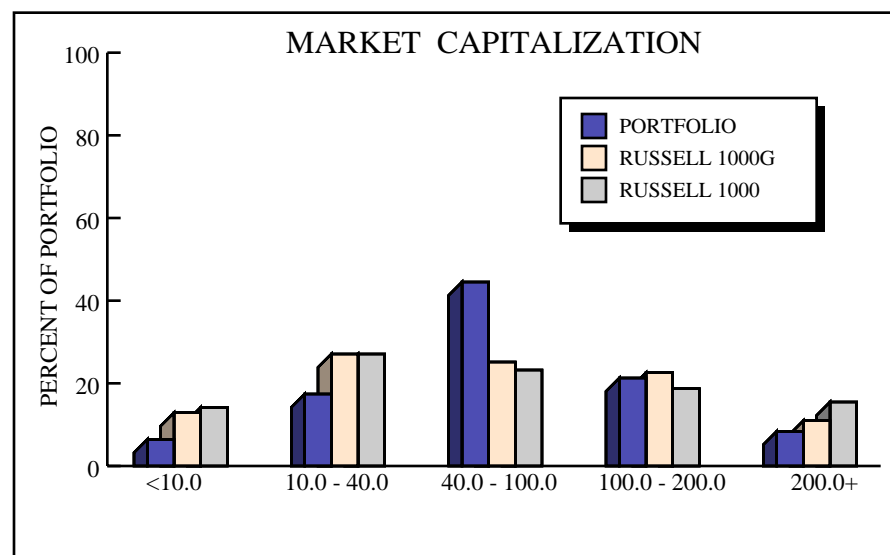
STOCK INDUSTRY ANALYSIS



■ PORTFOLIO
 ■ RUSSELL 1000 GROWTH
 ■ RUSSELL 1000



TOP TEN HOLDINGS



TOP TEN EQUITY HOLDINGS

| RANK | NAME | VALUE | % EQUITY | RETURN | INDUSTRY SECTOR | MKT CAP |
|------|---------------------------|------------|----------|--------|-------------------|-----------|
| 1 | ALLERGAN INC | \$ 700,643 | 9.72% | 5.3% | NonDur Cons Goods | \$ 53.0 B |
| 2 | VISA INC-CLASS A SHARES | 492,671 | 6.84% | 1.5% | Finance | 105.6 B |
| 3 | NIKE INC -CL B | 486,586 | 6.75% | 15.3% | NonDur Cons Goods | 61.6 B |
| 4 | ABBOTT LABORATORIES | 470,383 | 6.53% | 2.1% | NonDur Cons Goods | 62.5 B |
| 5 | ORACLE CORP | 433,521 | 6.01% | -5.2% | Computer Tech | 169.6 B |
| 6 | STARBUCKS CORP | 376,470 | 5.22% | -2.1% | Consumer Service | 56.7 B |
| 7 | TJX COMPANIES INC | 374,191 | 5.19% | 11.6% | Consumer Service | 41.0 B |
| 8 | ACCENTURE PLC-CL A | 343,821 | 4.77% | 1.2% | Service | 51.1 B |
| 9 | APPLE INC | 333,583 | 4.63% | 8.9% | Computer Tech | 603.3 B |
| 10 | REGENERON PHARMACEUTICALS | 327,352 | 4.54% | 27.6% | NonDur Cons Goods | 35.7 B |

FRANKLIN REGIONAL RETIREMENT SYSTEM
O'SHAUGHNESSY ASSET MANAGEMENT - MARKET LEADERS VALUE
PERFORMANCE REVIEW
SEPTEMBER 2014

INVESTMENT RETURN

As of September 30th, 2014, the Franklin Regional Retirement System's O'Shaughnessy Asset Management Market Leaders Value account was valued at \$7,079,452, a decrease of \$374,665 from the June quarter's ending value of \$7,454,117. Last quarter, the fund posted a net withdrawal of \$550,062, which overshadowed the fund's net investment return of \$175,397. The account's net investment return figure was the sum of income receipts, which totaled \$40,290 and \$135,107 in net realized and unrealized capital gains.

For the cumulative period since March 2012, the fund has posted net withdrawals totaling \$1.4 million in addition to net investment gains of \$3.4 million. Since March 2012, if the total portfolio had returned a compounded nominal rate of 8.0% it would have been worth \$4.7 million or \$2.4 million less than its actual value as of September 30th, 2014.

RELATIVE PERFORMANCE

Total Fund

For the third quarter, the O'Shaughnessy Asset Management Market Leaders Value portfolio gained 2.4%, which was 2.6% above the Russell 1000 Value Index's return of -0.2% and ranked in the 4th percentile of the Large Cap Value universe. Over the trailing year, the portfolio returned 22.1%, which was 3.2% greater than the benchmark's 18.9% performance, ranking in the 12th percentile. Since March 2012, the account returned 22.4% annualized and ranked in the 5th percentile. For comparison, the Russell 1000 Value returned an annualized 18.1% over the same time frame.

ASSET ALLOCATION

On September 30th, 2014, domestic equities comprised 98.8% of the total portfolio (\$7.0 million), while cash & equivalents totaled 1.2% (\$86,775).

STOCK ANALYSIS

Last quarter, the O'Shaughnessy portfolio was diversified across all eleven industry sectors utilized in our data analysis. Compared to the Russell 1000 Value index, the portfolio was overweight in the Consumer Service, Computer Technology, Technology, and Service sectors, while underweight in the Basic, Durable Consumer Goods, Transportation, and Finance sectors.

Across-the-board positive allocation and selection effects largely defined the portfolio's 240 basis point advantage by the end of last quarter. In the Technology, Utilities, and Service sectors, the portfolio reported gains, while the index sustained losses in each of the three sectors. The account posted losses in just two sectors compared to six turned in by the index, and in each of the two cases the portfolio more effectively curbed negative returns. O'Shaughnessy underperformed the benchmark in just two sectors, though only narrowly: Nondurable Consumer Goods and Computer Technology.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

| | Quarter | YTD | 1 Year | -----Annualized----- | |
|-----------------------------|---------|------|--------|----------------------|-------------|
| | | | | 3 Years | Since 03/12 |
| Total Gross/Fees | 2.4 | 8.7 | 22.1 | ---- | 22.4 |
| <i>LARGE CAP VALUE RANK</i> | (4) | (24) | (12) | ---- | (5) |
| Total Net/Fees | 2.2 | 8.3 | 21.5 | ---- | 21.7 |
| RUSSELL 1000V | -0.2 | 8.1 | 18.9 | 23.9 | 18.1 |
| Domestic Equity | 2.4 | 8.9 | 22.5 | ---- | 22.8 |
| <i>LARGE CAP VALUE RANK</i> | (4) | (22) | (10) | ---- | (3) |
| RUSSELL 1000V | -0.2 | 8.1 | 18.9 | 23.9 | 18.1 |

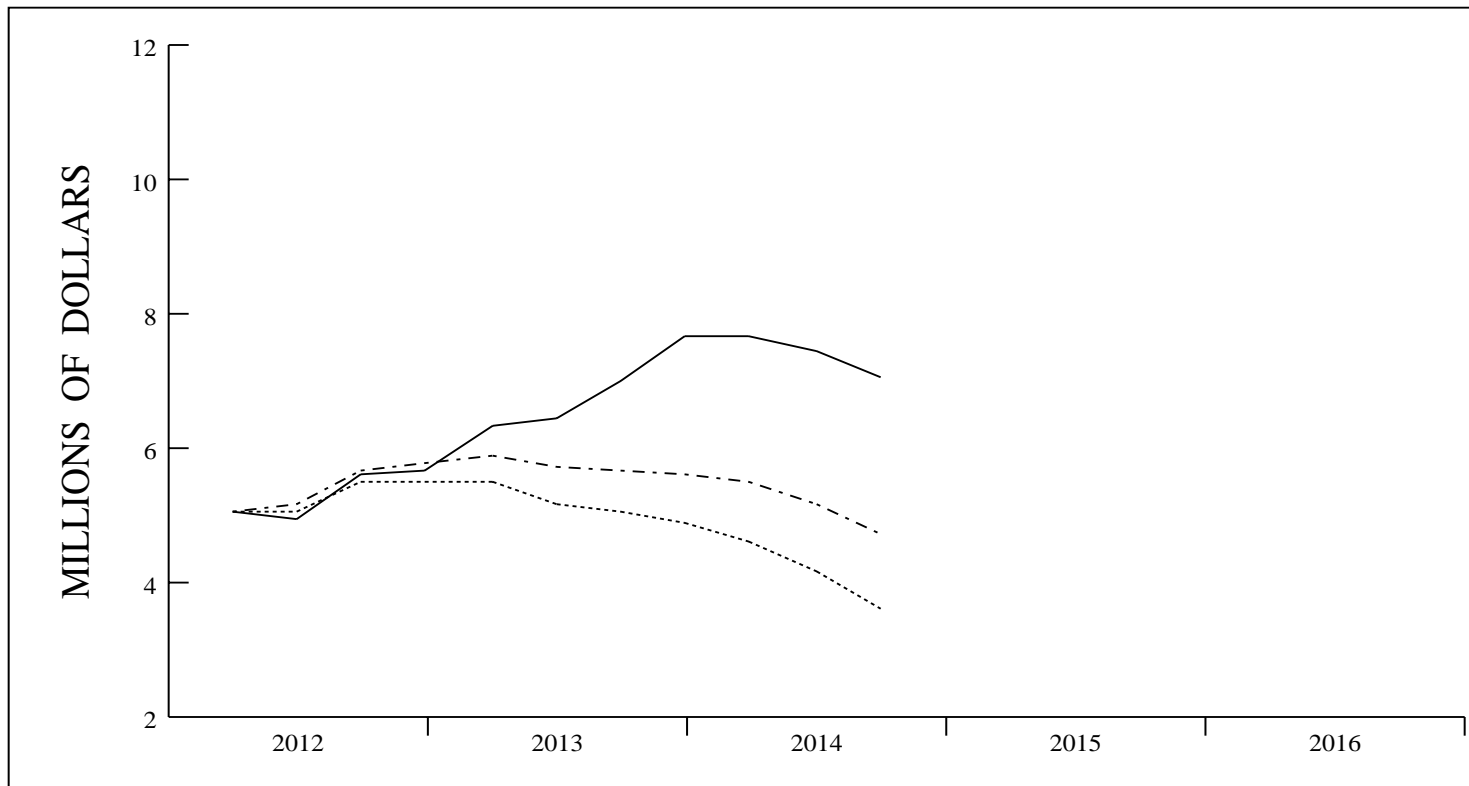
ASSET ALLOCATION

| | | |
|------------------------|---------------|---------------------|
| Domestic Equity | 98.8% | \$ 6,992,677 |
| Cash | 1.2% | 86,775 |
| Total Portfolio | 100.0% | \$ 7,079,452 |

INVESTMENT RETURN

| | |
|------------------------|--------------|
| Market Value 6/2014 | \$ 7,454,117 |
| Contribs / Withdrawals | -550,062 |
| Income | 40,290 |
| Capital Gains / Losses | 135,107 |
| Market Value 9/2014 | \$ 7,079,452 |

INVESTMENT GROWTH

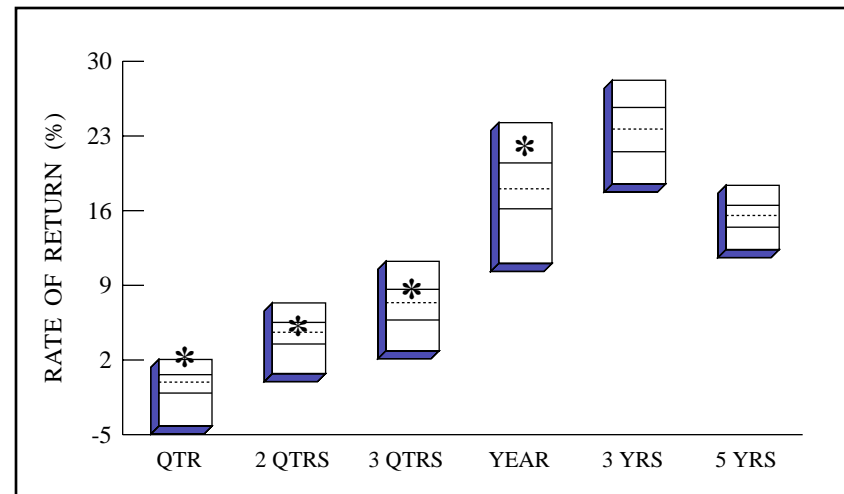
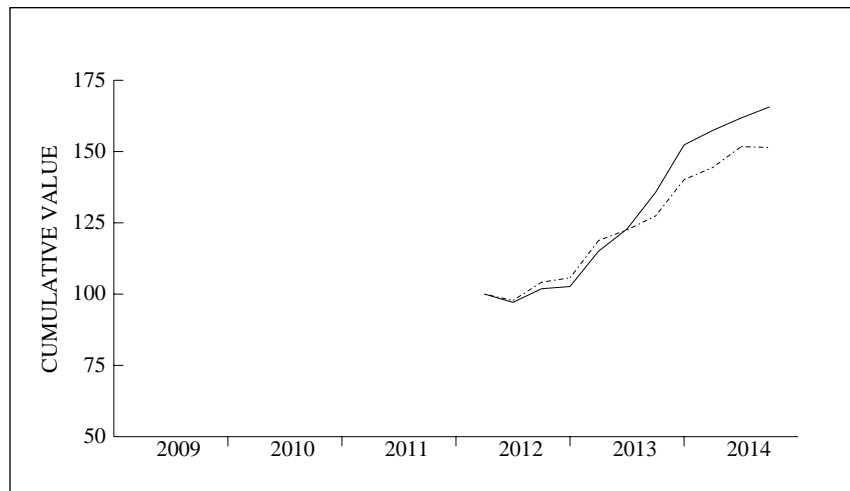


— ACTUAL RETURN
 - - - 8.0%
 0.0%

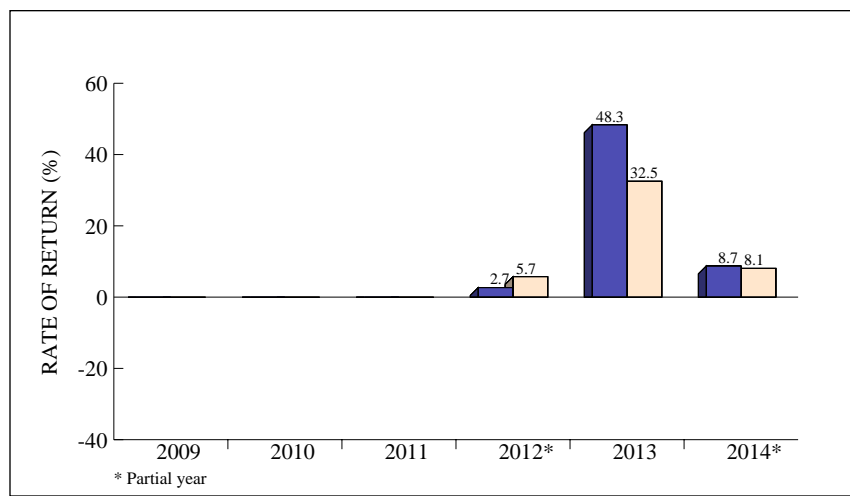
VALUE ASSUMING
 8.0% RETURN
 \$ 4,728,541

| | LAST QUARTER | PERIOD 3/12 - 9/14 |
|------------------------|-----------------|-----------------------|
| BEGINNING VALUE | \$ 7,454,117 | \$ 5,103,112 |
| NET CONTRIBUTIONS | -550,062 | - 1,442,588 |
| INVESTMENT RETURN | 175,397 | 3,418,928 |
| ENDING VALUE | \$ 7,079,452 | \$ 7,079,452 |
| INCOME | 40,290 | 448,768 |
| CAPITAL GAINS (LOSSES) | 135,107 | 2,970,160 |
| INVESTMENT RETURN | 175,397 | 3,418,928 |

TOTAL RETURN COMPARISONS

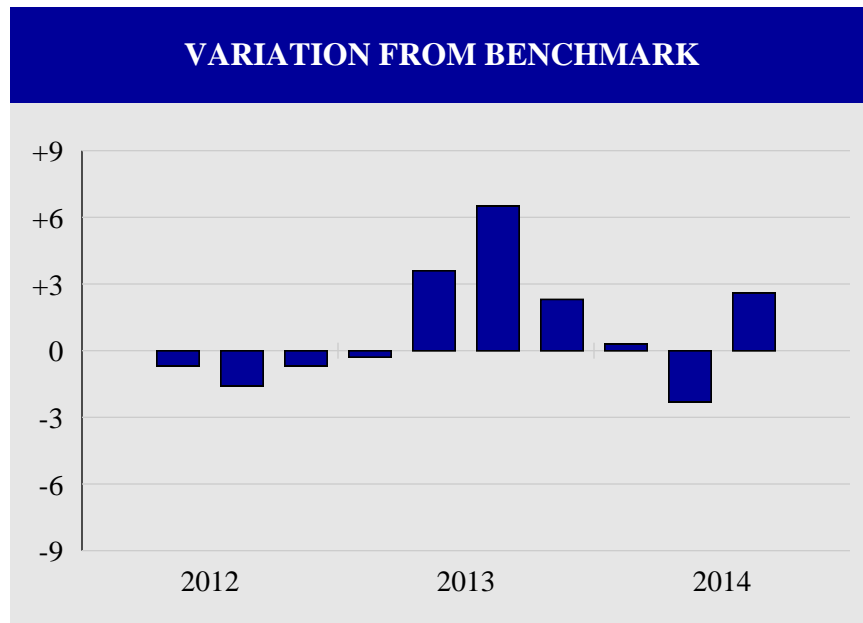


Large Cap Value Universe



| | QTR | 2QTRS | 3QTRS | YEAR | -----ANNUALIZED----- | |
|-------------------|-------------|------------|------------|-------------|----------------------|-------------|
| | | | | | 3 YRS | 5 YRS |
| RETURN | 2.4 | 5.2 | 8.7 | 22.1 | ---- | ---- |
| (RANK) | (4) | (34) | (24) | (12) | ---- | ---- |
| 5TH %ILE | 2.1 | 7.4 | 11.2 | 24.2 | 28.2 | 18.4 |
| 25TH %ILE | 0.6 | 5.5 | 8.6 | 20.5 | 25.7 | 16.5 |
| MEDIAN | -0.1 | 4.6 | 7.4 | 18.1 | 23.7 | 15.6 |
| 75TH %ILE | -1.1 | 3.5 | 5.7 | 16.2 | 21.5 | 14.5 |
| 95TH %ILE | -4.2 | 0.7 | 2.9 | 11.1 | 18.5 | 12.3 |
| Russ 1000V | -0.2 | 4.9 | 8.1 | 18.9 | 23.9 | 15.3 |

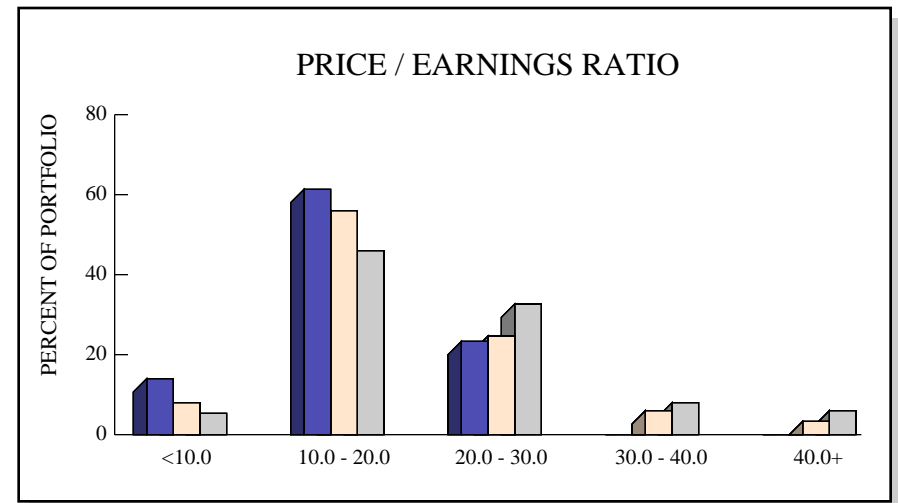
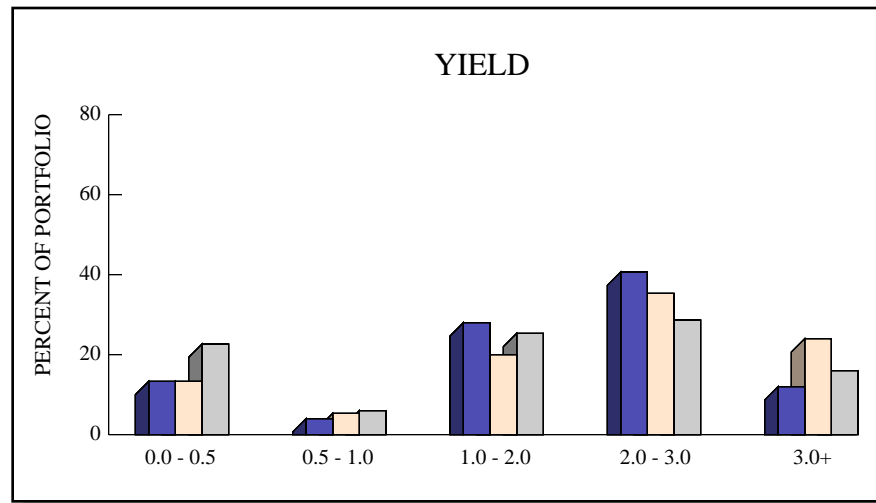
Large Cap Value Universe

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

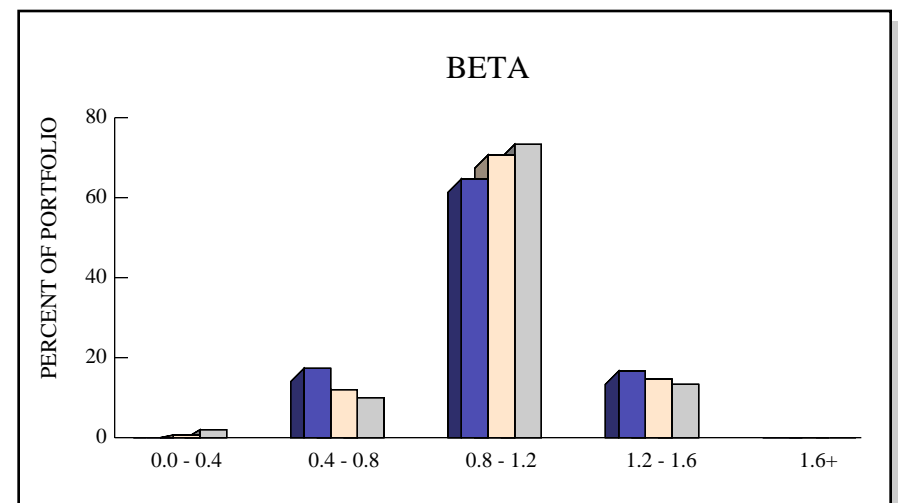
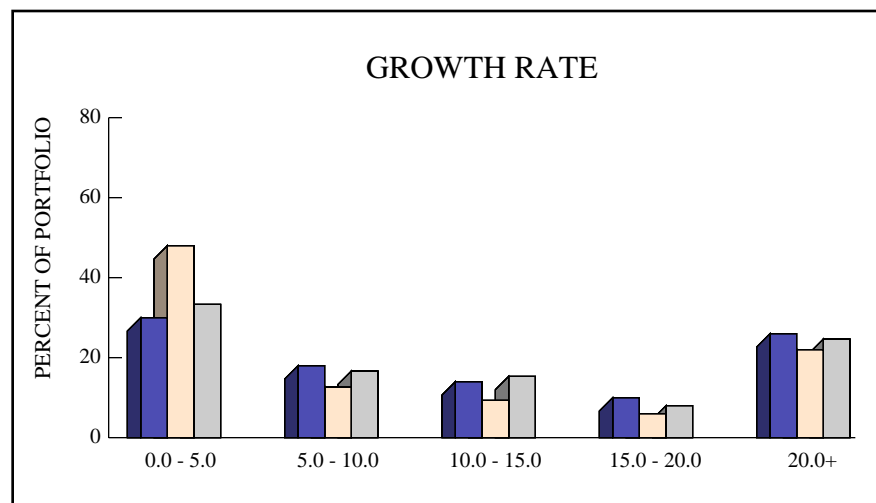
| RATES OF RETURN | | | |
|------------------------|-----------|-----------|------------|
| Date | Portfolio | Benchmark | Difference |
| 6/12 | -2.9 | -2.2 | -0.7 |
| 9/12 | 4.9 | 6.5 | -1.6 |
| 12/12 | 0.8 | 1.5 | -0.7 |
| 3/13 | 12.0 | 12.3 | -0.3 |
| 6/13 | 6.8 | 3.2 | 3.6 |
| 9/13 | 10.4 | 3.9 |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

| | |
|-------------------------------------------|-------------|
| Total Quarters Observed | 10 |
| Quarters At or Above the Benchmark | 5 |
| Quarters Below the Benchmark | 5 |
| Batting Average | .500 |

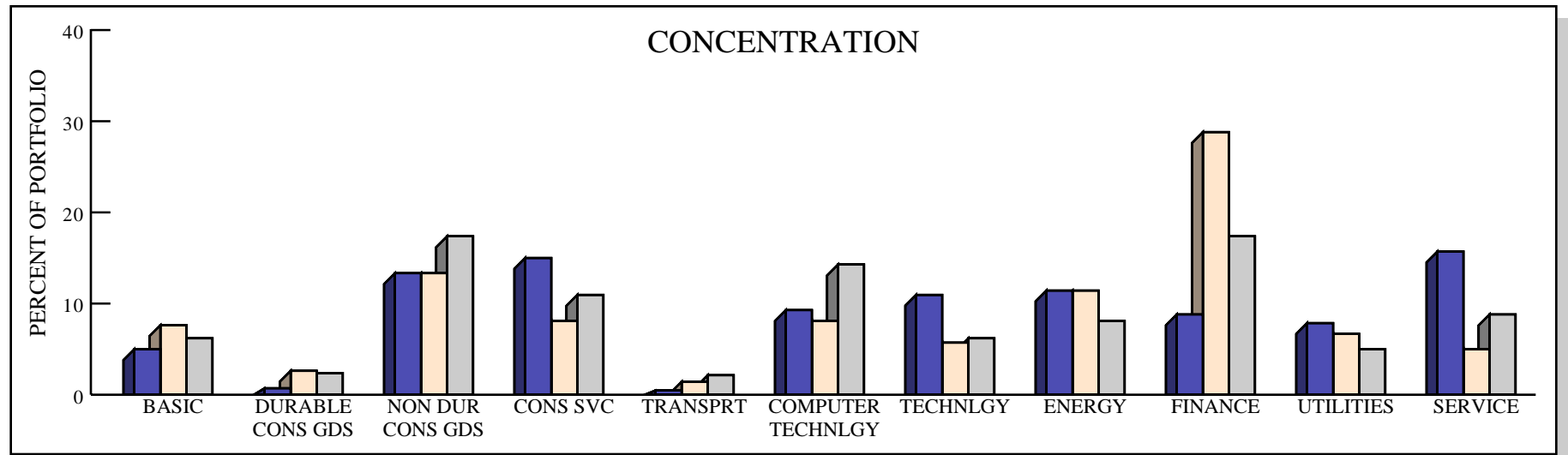
STOCK CHARACTERISTICS



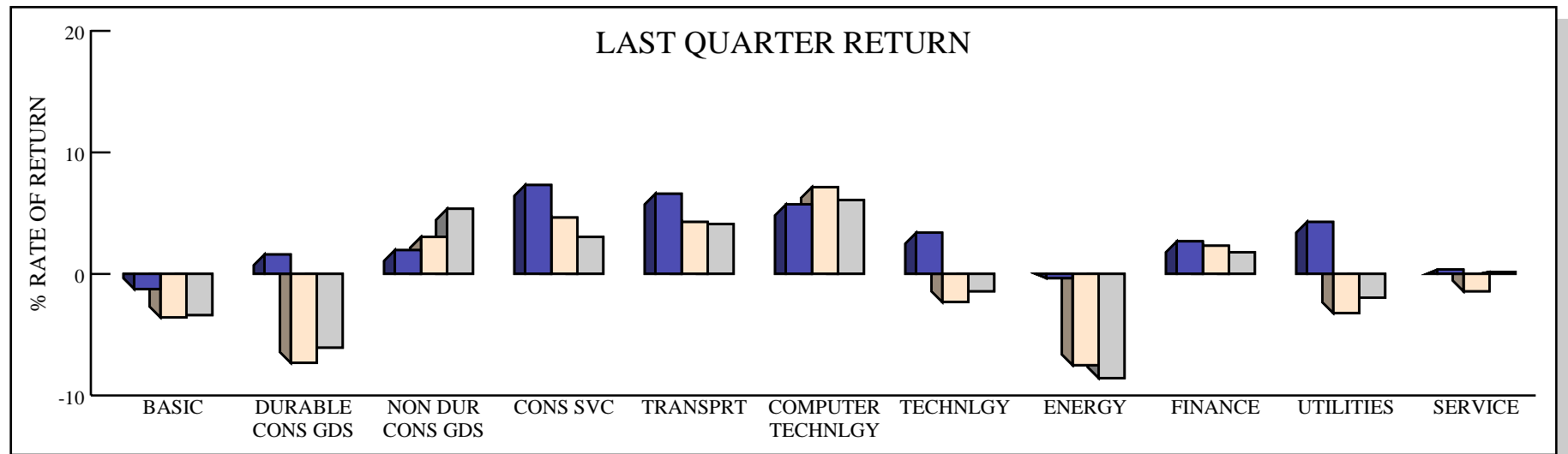
| | # HOLDINGS | YIELD | GROWTH | P/E | BETA |
|---------------|------------|-------|--------|------|------|
| PORTFOLIO | 61 | 2.4% | 14.6% | 15.9 | 1.00 |
| RUSSELL 1000V | 690 | 2.3% | 8.3% | 18.8 | 1.00 |
| RUSSELL 1000 | 1,032 | 1.9% | 11.7% | 21.4 | 0.99 |



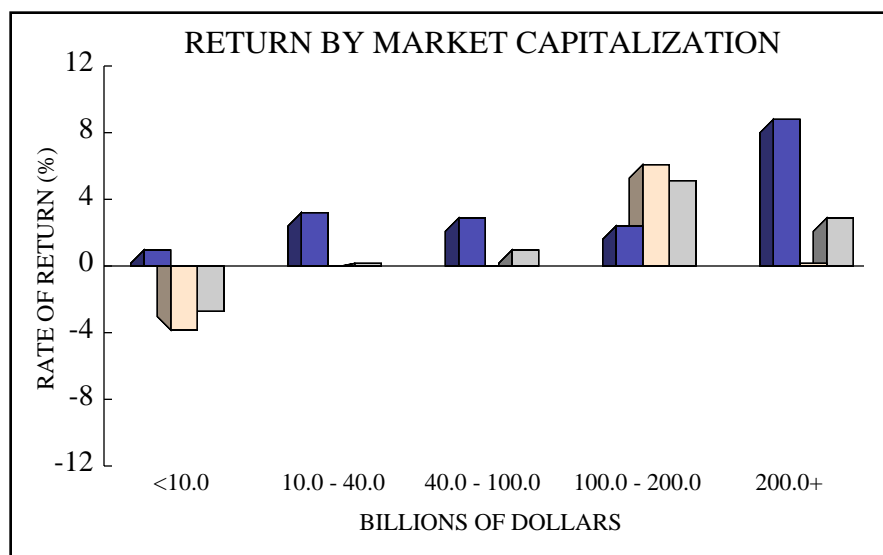
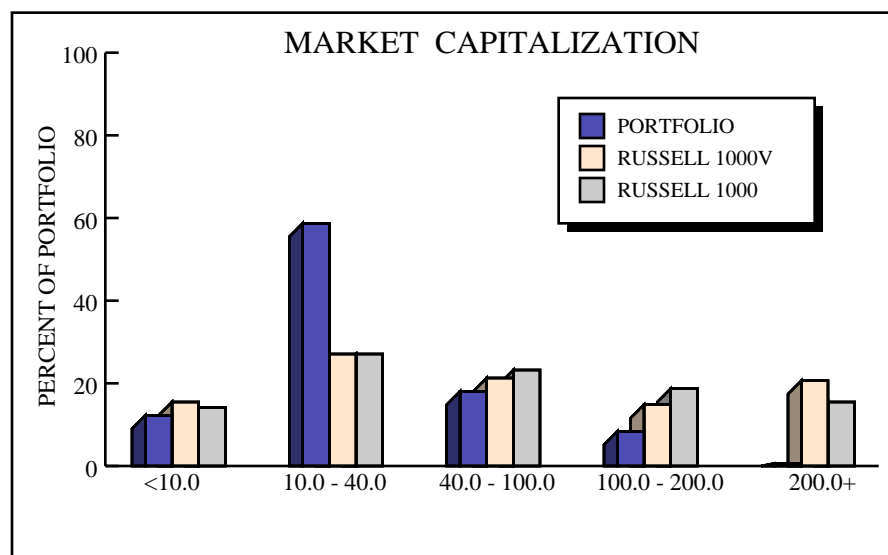
STOCK INDUSTRY ANALYSIS



■ PORTFOLIO ■ RUSSELL 1000 VALUE ■ RUSSELL 1000



TOP TEN HOLDINGS



TOP TEN EQUITY HOLDINGS

| RANK | NAME | VALUE | % EQUITY | RETURN | INDUSTRY SECTOR | MKT CAP |
|------|----------------------------|------------|----------|--------|-------------------|-----------|
| 1 | NORTHROP GRUMMAN CORP | \$ 320,177 | 4.58% | 10.6% | Technology | \$ 27.4 B |
| 2 | COCA-COLA ENTERPRISES | 293,353 | 4.20% | -6.6% | NonDur Cons Goods | 10.9 B |
| 3 | MARATHON PETROLEUM CORP | 292,196 | 4.18% | 9.0% | Energy | 24.0 B |
| 4 | CF INDUSTRIES HOLDINGS INC | 285,921 | 4.09% | 16.4% | NonDur Cons Goods | 13.9 B |
| 5 | SEAGATE TECHNOLOGY | 272,433 | 3.90% | 1.5% | Computer Tech | 18.7 B |
| 6 | CENTURYLINK INC | 260,837 | 3.73% | 14.3% | Utilities | 23.3 B |
| 7 | VIACOM INC-CLASS B | 223,357 | 3.19% | -10.9% | Service | 28.6 B |
| 8 | HALLIBURTON CO | 219,850 | 3.14% | -8.9% | Energy | 54.9 B |
| 9 | TRAVELERS COS INC/THE | 216,720 | 3.10% | 0.4% | Finance | 31.9 B |
| 10 | PFIZER INC | 210,479 | 3.01% | 0.5% | NonDur Cons Goods | 187.5 B |

FRANKLIN REGIONAL RETIREMENT SYSTEM
SEIZERT CAPITAL PARTNERS
PERFORMANCE REVIEW
SEPTEMBER 2014

INVESTMENT RETURN

On September 30th, 2014, the Franklin Regional Retirement System's Seizert Capital Partners account was valued at \$5,863,771, a decrease of \$208,357 from the June quarter's ending value of \$6,072,128. Over the last three months, the fund recorded no net contributions or withdrawals, with a net investment loss for the period of \$208,357. The fund's net investment loss was comprised of \$25,359 in income receipts and realized and unrealized capital losses totaling \$233,716.

Since June 2011, the portfolio has recorded net withdrawals totaling \$1.9 million and net investment gains of \$2.8 million. Since June 2011, if the total fund earned a compounded nominal rate of 8.0% it would have been valued at \$4.3 million or \$1.6 million less than the actual value as of September 30th, 2014.

RELATIVE PERFORMANCE

For the third quarter, the Seizert Capital Partners portfolio returned -3.4%, which was 1.7% below the Russell Mid Cap's return of -1.7% and ranked in the 74th percentile of the Mid Cap universe. Over the trailing twelve-month period, this portfolio returned 14.2%, which was 1.6% less than the benchmark's 15.8% return, and ranked in the 45th percentile. Since June 2011, the account returned 16.5% per annum and ranked in the 12th percentile. For comparison, the Russell Mid Cap returned an annualized 14.2% over the same time frame.

ASSET ALLOCATION

On September 30th, 2014, domestic equities comprised 95.7% of the total portfolio (\$5.6 million), while cash & equivalents totaled 4.3% (\$254,731).

STOCK ANALYSIS

By quarter's end, the Seizert Capital portfolio was invested across nine of the eleven sectors utilized in our analysis. Relative to the Russell Mid Cap index, the portfolio was most notably overweight in the Computer Technology, Energy, Finance, and Service sectors, while underweight in the Nondurable Consumer Goods, Consumer Service, and Technology. Transportation and Utilities were left vacant.

Negative selection effects pervaded the Seizert Capital portfolio last quarter, as it underperformed the benchmark in six of the nine invested sectors. Included in the six sectors, Basic, Durable Consumer Goods, Energy, and Finance sustained losses that exceeded those of the benchmark, while Consumer Service tracked lower at a rate of -4.0% while the index posted a 3.1% gain. The portfolio's heavily overweight Computer Technology position nearly tripled the performance of the benchmark (7.8% vs. 2.8%), but excessive losses in the similarly overweight Finance and Service sectors more than offset the quality gains. The Seizert Capital account fell 340 basis points by the end of the quarter, 170 basis points below the index.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

| | Quarter | YTD | 1 Year | -----Annualized----- | |
|-------------------------|---------|------|--------|----------------------|-------------|
| | | | | 3 Years | Since 06/11 |
| Total Gross/Fees | -3.4 | 2.7 | 14.2 | 28.4 | 16.5 |
| <i>MID CAP RANK</i> | (74) | (66) | (45) | (4) | (12) |
| Total Net/Fees | -3.6 | 2.1 | 13.4 | 27.6 | 15.7 |
| RUSSELL MID | -1.7 | 6.9 | 15.8 | 23.8 | 14.2 |
| Domestic Equity | -3.6 | 2.8 | 14.8 | 29.8 | 17.2 |
| <i>MID CAP RANK</i> | (77) | (65) | (40) | (1) | (8) |
| RUSSELL MID | -1.7 | 6.9 | 15.8 | 23.8 | 14.2 |

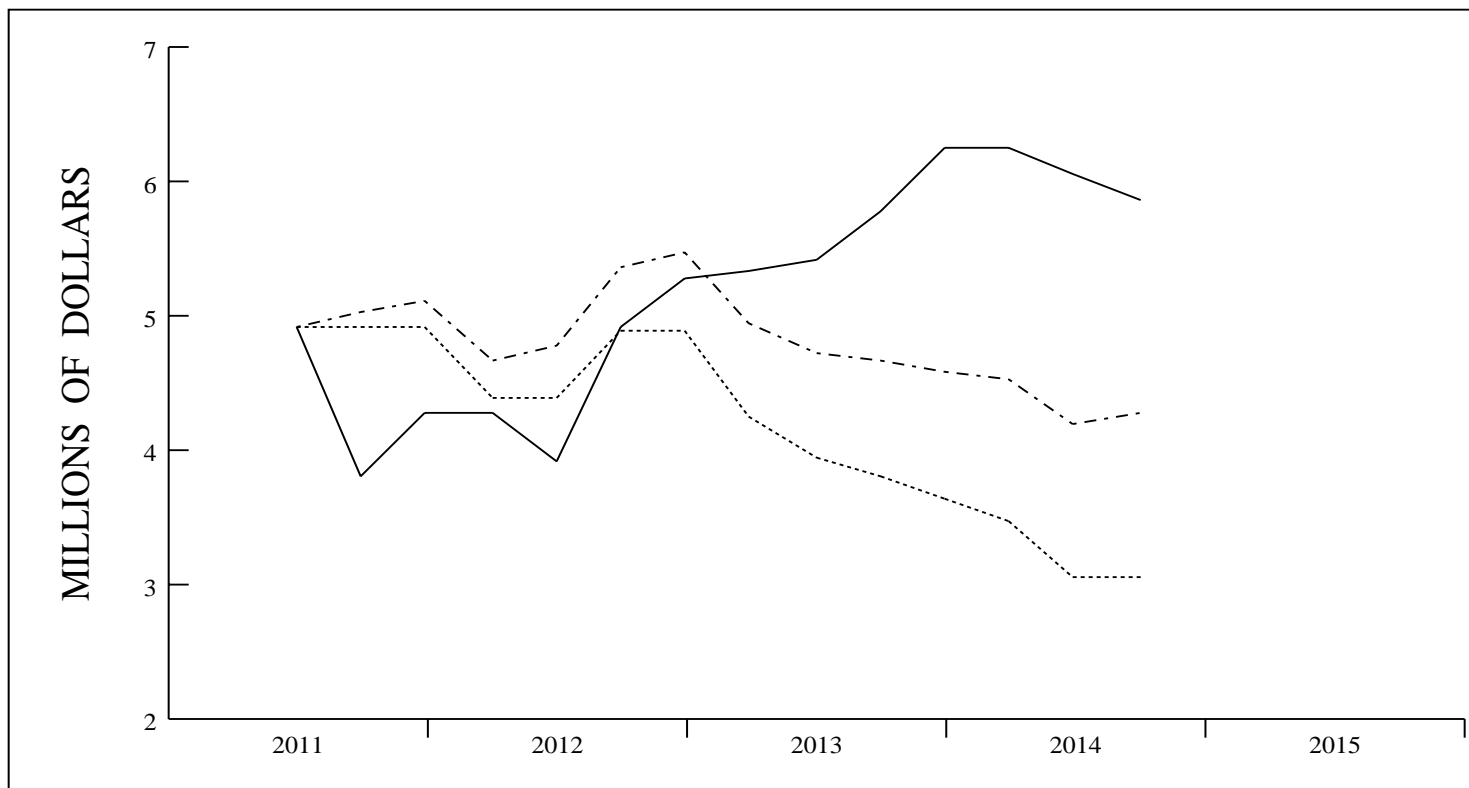
ASSET ALLOCATION

| | | |
|------------------------|---------------|---------------------|
| Domestic Equity | 95.7% | \$ 5,609,040 |
| Cash | 4.3% | 254,731 |
| Total Portfolio | 100.0% | \$ 5,863,771 |

INVESTMENT RETURN

| | |
|------------------------|--------------|
| Market Value 6/2014 | \$ 6,072,128 |
| Contribs / Withdrawals | 0 |
| Income | 25,359 |
| Capital Gains / Losses | -233,716 |
| Market Value 9/2014 | \$ 5,863,771 |

INVESTMENT GROWTH

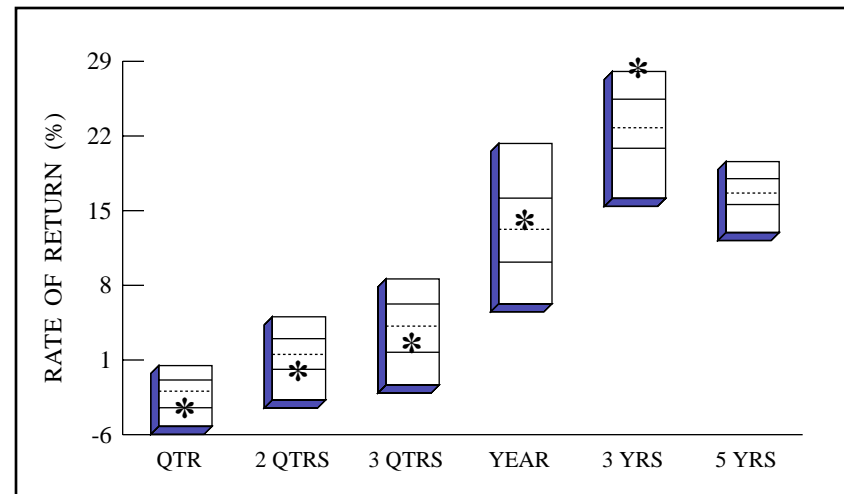
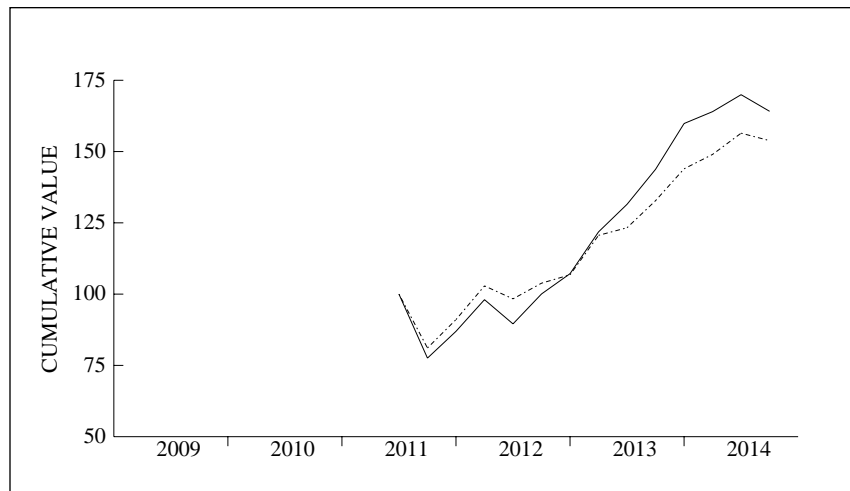


— ACTUAL RETURN
 - - - 8.0%
 0.0%

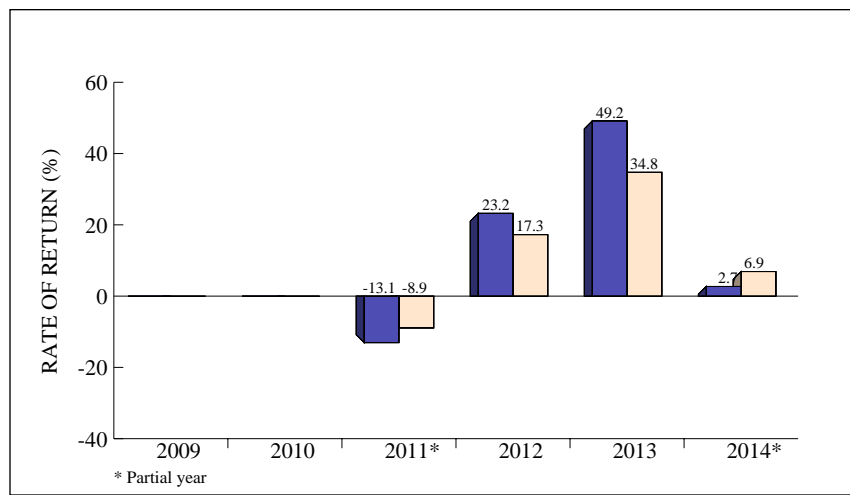
VALUE ASSUMING
 8.0% RETURN
 \$ 4,285,699

| | LAST QUARTER | PERIOD 6/11 - 9/14 |
|------------------------|-----------------|-----------------------|
| BEGINNING VALUE | \$ 6,072,128 | \$ 4,935,067 |
| NET CONTRIBUTIONS | 0 | - 1,861,000 |
| INVESTMENT RETURN | -208,357 | 2,789,704 |
| ENDING VALUE | \$ 5,863,771 | \$ 5,863,771 |
| INCOME | 25,359 | 254,820 |
| CAPITAL GAINS (LOSSES) | -233,716 | 2,534,884 |
| INVESTMENT RETURN | -208,357 | 2,789,704 |

TOTAL RETURN COMPARISONS

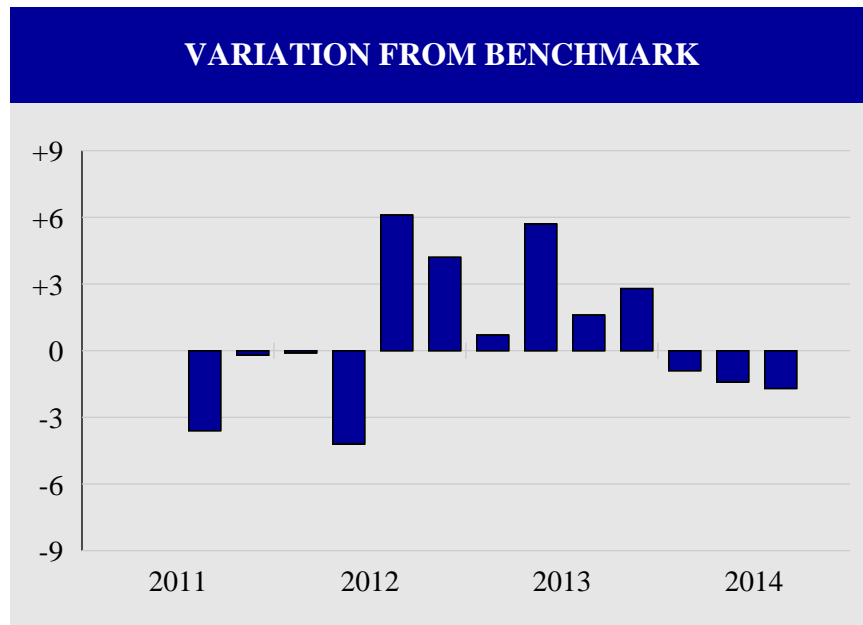


Mid Cap Universe



| | QTR | 2QTRS | 3QTRS | YEAR | -----ANNUALIZED----- 3 YRS | 5 YRS |
|----------------|-------------|------------|------------|-------------|-------------------------------|-------------|
| RETURN | -3.4 | 0.1 | 2.7 | 14.2 | 28.4 | ---- |
| (RANK) | (74) | (76) | (66) | (45) | (4) | ---- |
| 5TH %ILE | 0.5 | 5.1 | 8.6 | 21.3 | 28.1 | 19.6 |
| 25TH %ILE | -0.9 | 3.0 | 6.2 | 16.2 | 25.5 | 18.0 |
| MEDIAN | -1.9 | 1.5 | 4.2 | 13.3 | 22.8 | 16.7 |
| 75TH %ILE | -3.5 | 0.1 | 1.7 | 10.2 | 20.9 | 15.6 |
| 95TH %ILE | -5.2 | -2.8 | -1.4 | 6.3 | 16.1 | 13.0 |
| Russ MC | -1.7 | 3.2 | 6.9 | 15.8 | 23.8 | 17.2 |

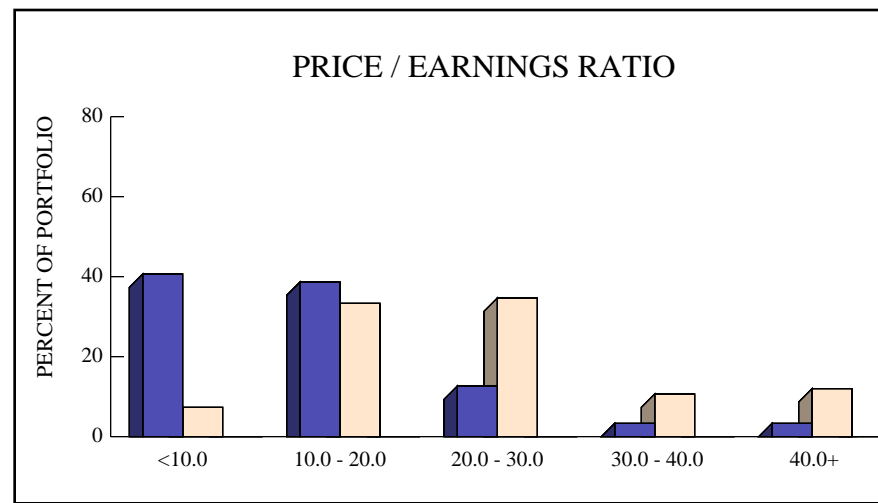
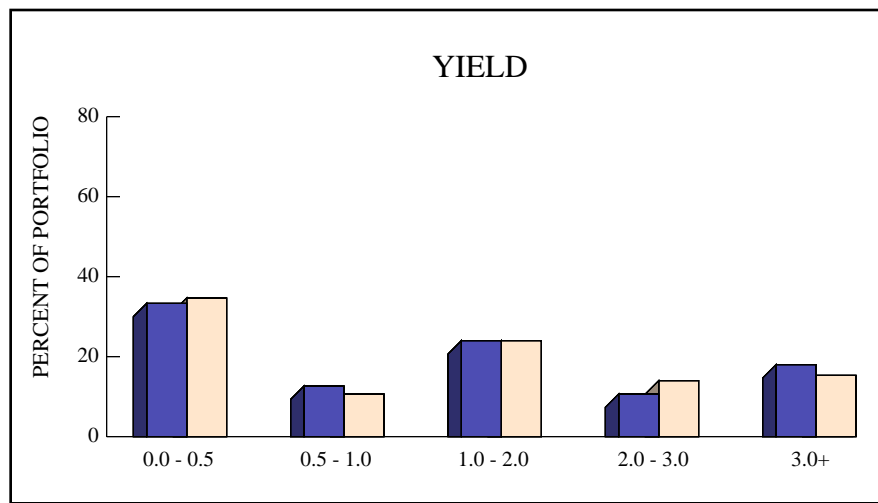
Mid Cap Universe

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

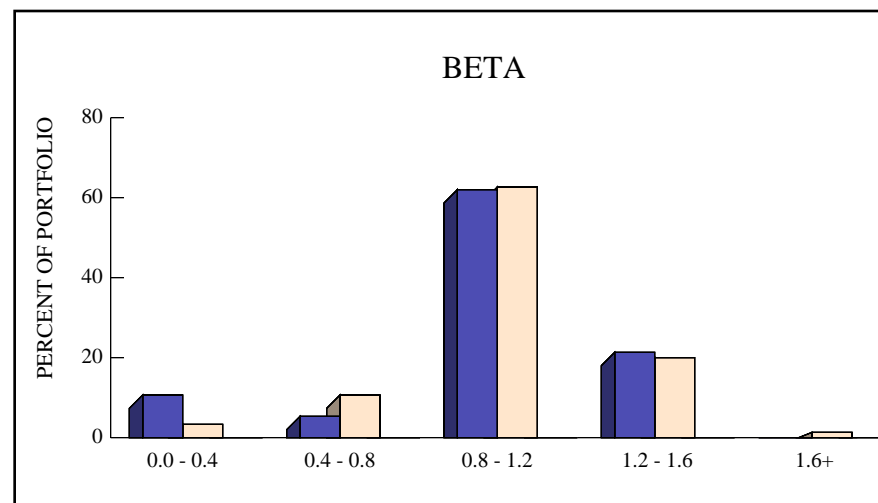
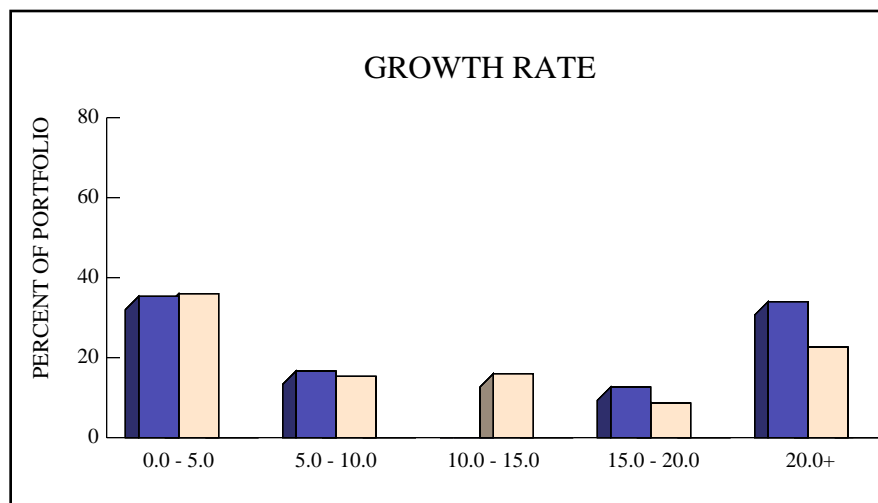
| | |
|-------------------------------------------|-------------|
| Total Quarters Observed | 13 |
| Quarters At or Above the Benchmark | 6 |
| Quarters Below the Benchmark | 7 |
| Batting Average | .462 |

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

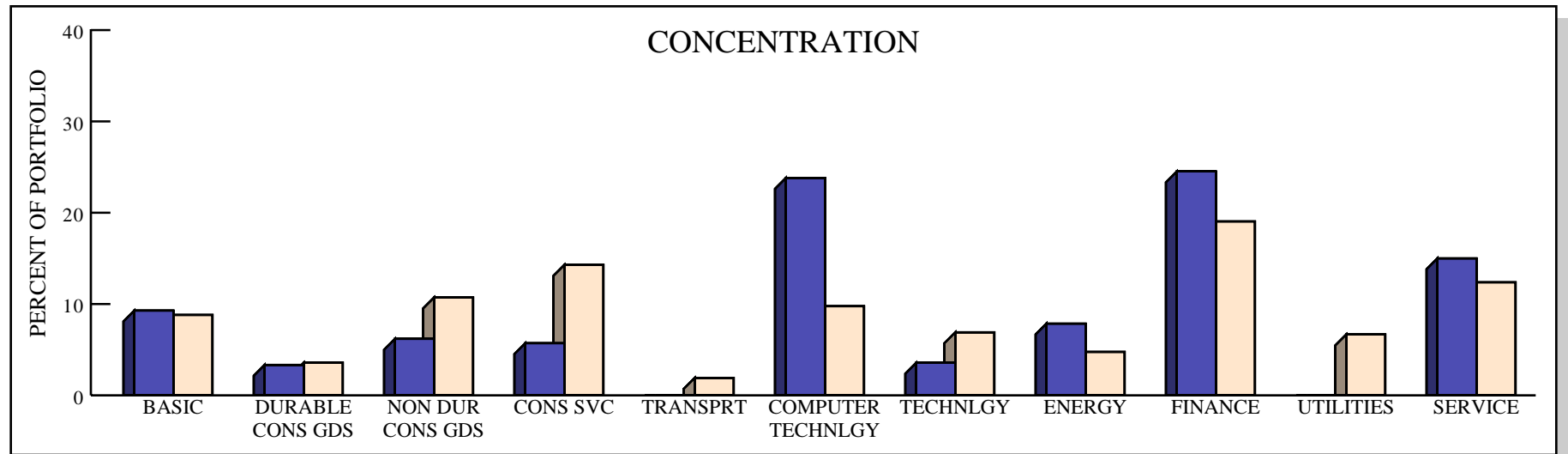
STOCK CHARACTERISTICS



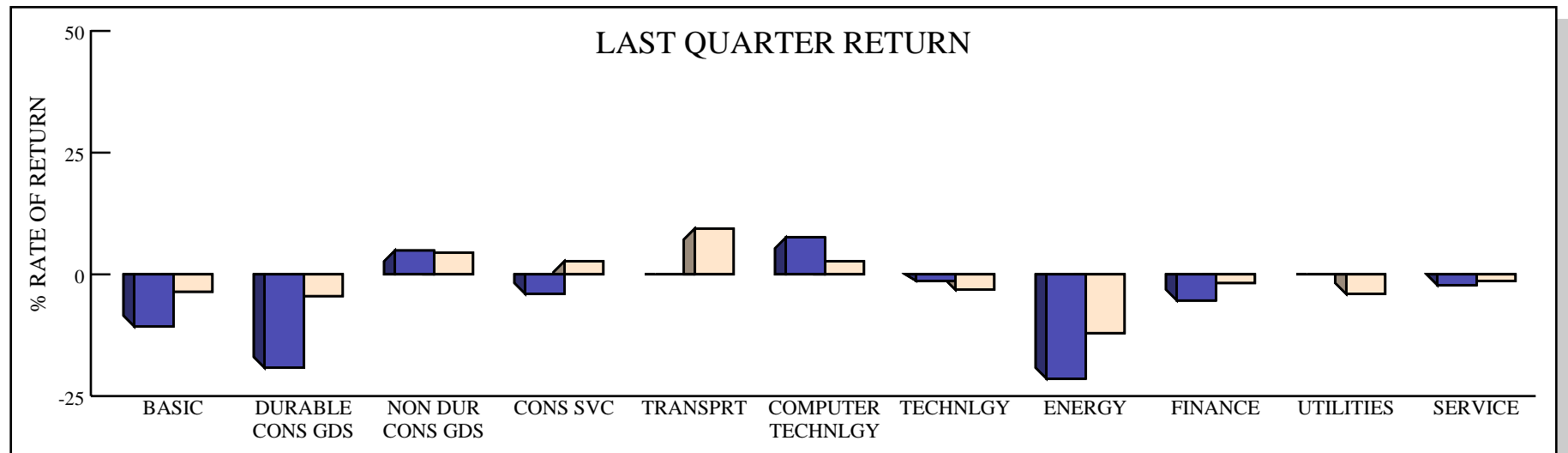
| | # HOLDINGS | YIELD | GROWTH | P/E | BETA |
|-------------|------------|-------|--------|------|------|
| PORTFOLIO | 29 | 1.9% | 15.5% | 14.0 | 0.92 |
| RUSSELL MID | 838 | 1.5% | 11.0% | 24.6 | 1.01 |



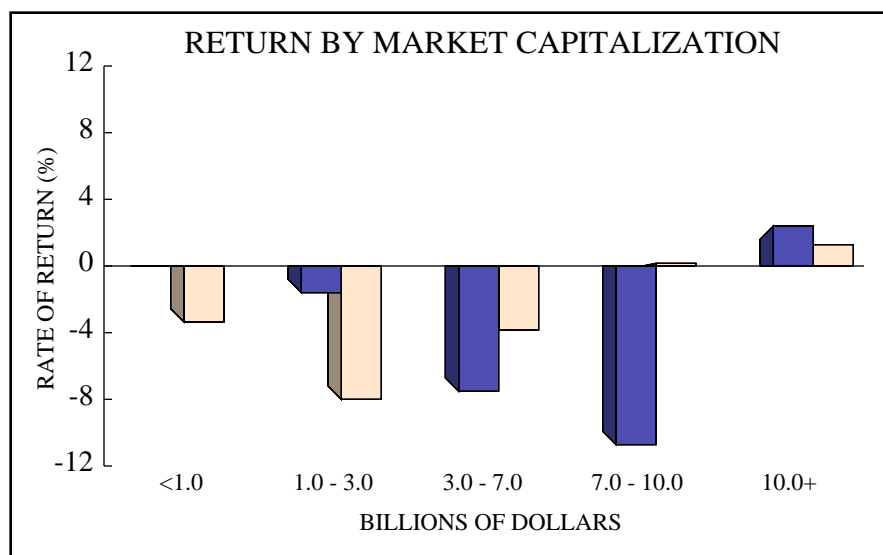
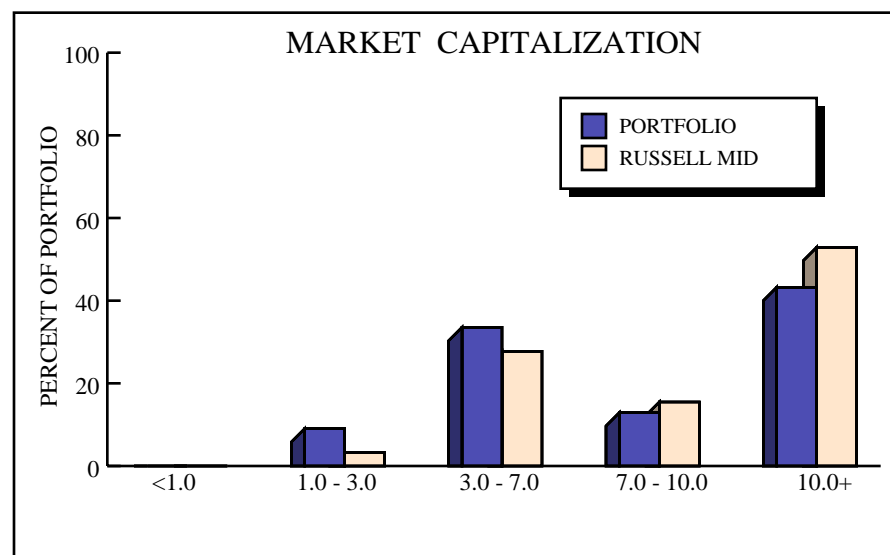
STOCK INDUSTRY ANALYSIS



■ PORTFOLIO ■ RUSSELL MID CAP



TOP TEN HOLDINGS



TOP TEN EQUITY HOLDINGS

| RANK | NAME | VALUE | % EQUITY | RETURN | INDUSTRY SECTOR | MKT CAP |
|------|------------------------------|------------|----------|--------|-----------------|-----------|
| 1 | LIBERTY MEDIA CORP - C | \$ 281,470 | 5.02% | 0.0% | Service | \$ 10.7 B |
| 2 | VISTEON CORP | 237,290 | 4.23% | 0.3% | Basic | 4.3 B |
| 3 | TESSERA TECHNOLOGIES INC | 236,695 | 4.22% | 21.3% | Computer Tech | 1.4 B |
| 4 | CHECK POINT SOFTWARE TECH | 236,455 | 4.22% | 3.3% | Computer Tech | 13.2 B |
| 5 | NETAPP INC | 233,917 | 4.17% | 18.0% | Computer Tech | 13.7 B |
| 6 | MARVELL TECHNOLOGY GROUP LTD | 233,541 | 4.16% | -5.5% | Computer Tech | 6.9 B |
| 7 | ENSCO PLC-CL A | 233,484 | 4.16% | -24.0% | Energy | 9.7 B |
| 8 | ASSURED GUARANTY LTD | 233,411 | 4.16% | -9.1% | Finance | 3.8 B |
| 9 | WESTERN UNION CO | 231,457 | 4.13% | -6.7% | Service | 8.5 B |
| 10 | SYMANTEC CORP | 225,814 | 4.03% | 3.3% | Computer Tech | 16.2 B |

FRANKLIN REGIONAL RETIREMENT SYSTEM
SYSTEMATIC FINANCIAL
PERFORMANCE REVIEW
SEPTEMBER 2014

INVESTMENT RETURN

On September 30th, 2014, the Franklin Regional Retirement System's Systematic Financial portfolio was valued at \$5,585,395, a decrease of \$360,555 from the June ending value of \$5,945,950. Last quarter, the account recorded no net contributions or withdrawals, while recording a net investment loss for the quarter of \$360,555. Net investment loss was composed of income receipts totaling \$24,628 and \$385,183 in net realized and unrealized capital losses.

RELATIVE PERFORMANCE

For the third quarter, the Systematic Financial portfolio lost 6.1%, which was 2.5% above the Russell 2000 Value Index's return of -8.6% and ranked in the 35th percentile of the Small Cap Value universe.

ASSET ALLOCATION

At the end of the third quarter, domestic equities comprised 98.8% of the total portfolio (\$5.5 million), while cash & equivalents comprised the remaining 1.2% (\$68,492).

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

| | Quarter | YTD | 1 Year | 3 Years | Since 06/14 |
|-----------------------------|---------|------|--------|---------|-------------|
| Total Gross/Fees | -6.1 | ---- | ---- | ---- | -6.1 |
| <i>SMALL CAP VALUE RANK</i> | (35) | ---- | ---- | ---- | (35) |
| Total Net/Fees | -6.3 | ---- | ---- | ---- | -6.3 |
| RUSSELL 2000V | -8.6 | -4.7 | 4.1 | 20.6 | -8.6 |
| Domestic Equity | -6.2 | ---- | ---- | ---- | -6.2 |
| <i>SMALL CAP VALUE RANK</i> | (36) | ---- | ---- | ---- | (36) |
| RUSSELL 2000V | -8.6 | -4.7 | 4.1 | 20.6 | -8.6 |

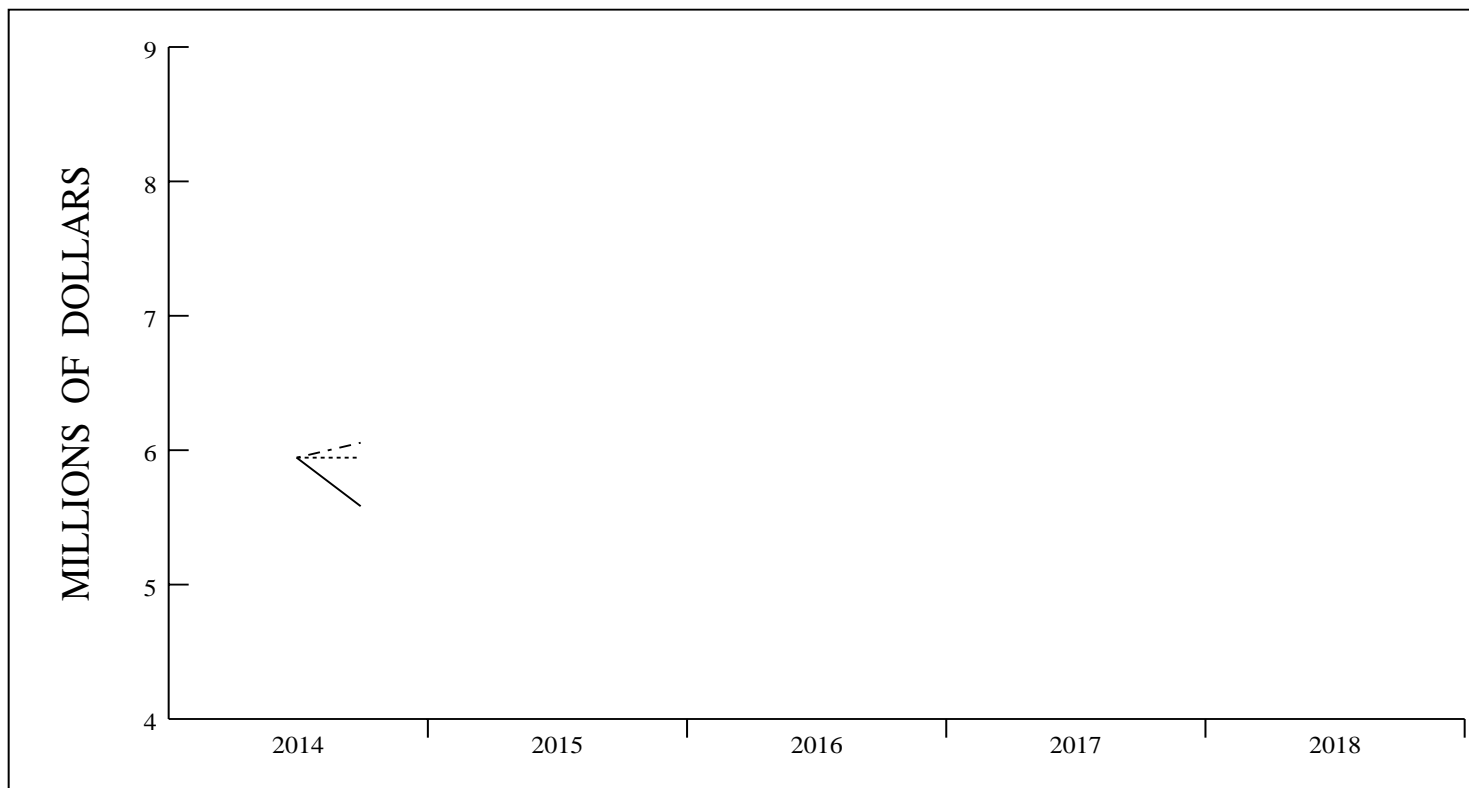
ASSET ALLOCATION

| | | |
|------------------------|---------------|---------------------|
| Domestic Equity | 98.8% | \$ 5,516,903 |
| Cash | 1.2% | 68,492 |
| Total Portfolio | 100.0% | \$ 5,585,395 |

INVESTMENT RETURN

| | |
|------------------------|--------------|
| Market Value 6/2014 | \$ 5,945,950 |
| Contribs / Withdrawals | 0 |
| Income | 24,628 |
| Capital Gains / Losses | -385,183 |
| Market Value 9/2014 | \$ 5,585,395 |

INVESTMENT GROWTH

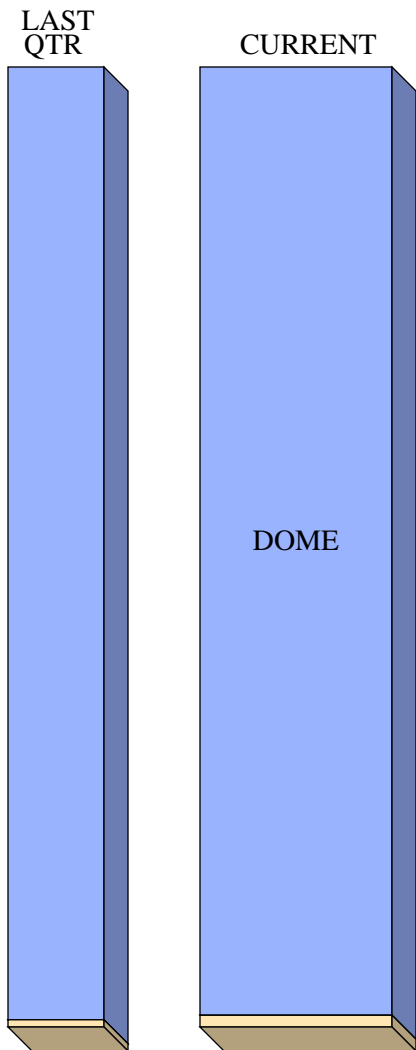


| | |
|-----------|---------------|
| ———— | ACTUAL RETURN |
| - - - - - | 8.0% |
| | 0.0% |

| |
|-------------------------------|
| VALUE ASSUMING 8.0% RETURN |
| \$ 6,061,460 |

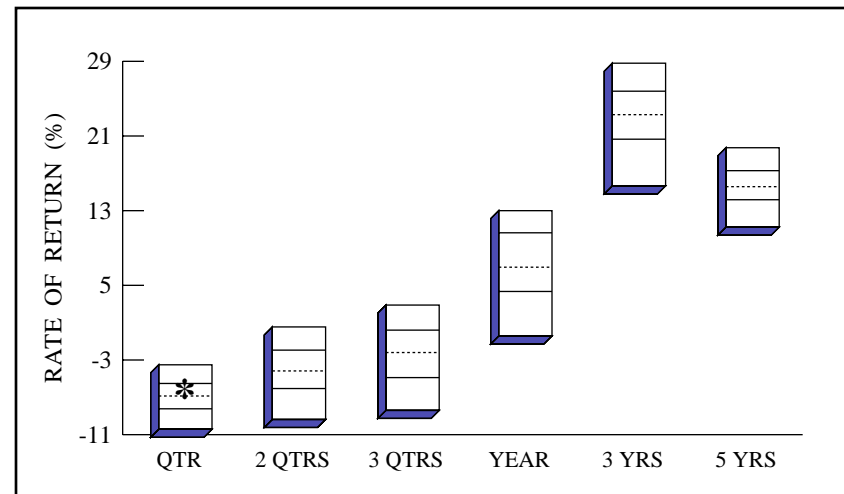
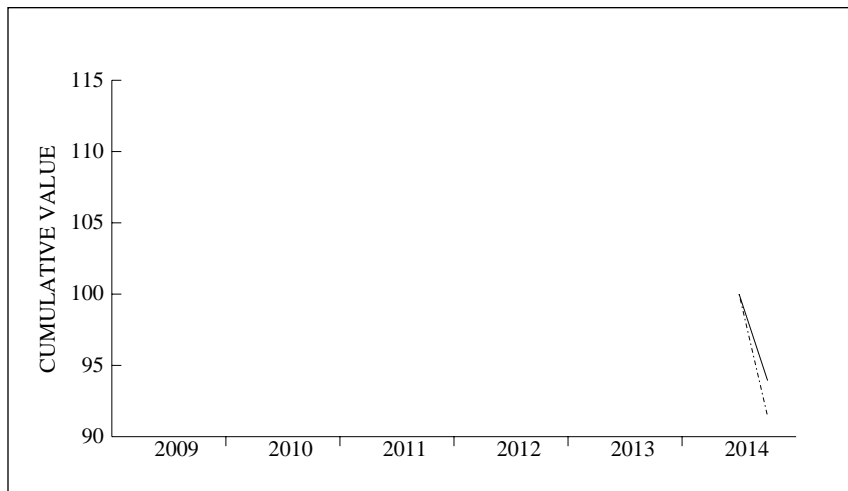
| | LAST QUARTER | PERIOD 6/14 - 9/14 |
|------------------------|-----------------|-----------------------|
| BEGINNING VALUE | \$ 5,945,950 | \$ 5,945,950 |
| NET CONTRIBUTIONS | 0 | 0 |
| INVESTMENT RETURN | <u>-360,555</u> | <u>-360,555</u> |
| ENDING VALUE | \$ 5,585,395 | \$ 5,585,395 |
| INCOME | 24,628 | 24,628 |
| CAPITAL GAINS (LOSSES) | <u>-385,183</u> | <u>-385,183</u> |
| INVESTMENT RETURN | -360,555 | -360,555 |

ASSET ALLOCATION

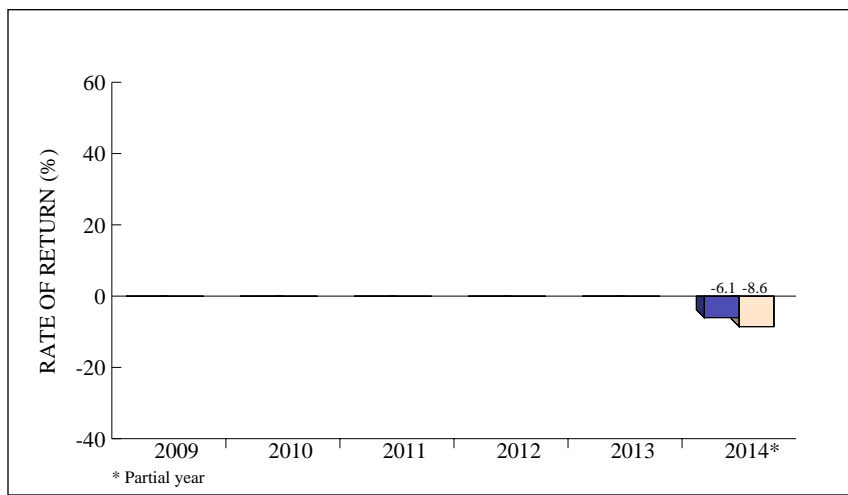


| | <u>VALUE</u> | <u>PERCENT</u> |
|---------------------|----------------|----------------|
| ■ DOMESTIC EQUITY | \$ 5, 516, 903 | 98.8% |
| ■ CASH & EQUIVALENT | 68, 492 | 1.2% |
| TOTAL FUND | \$ 5, 585, 395 | 100.0% |

TOTAL RETURN COMPARISONS



Small Cap Value Universe

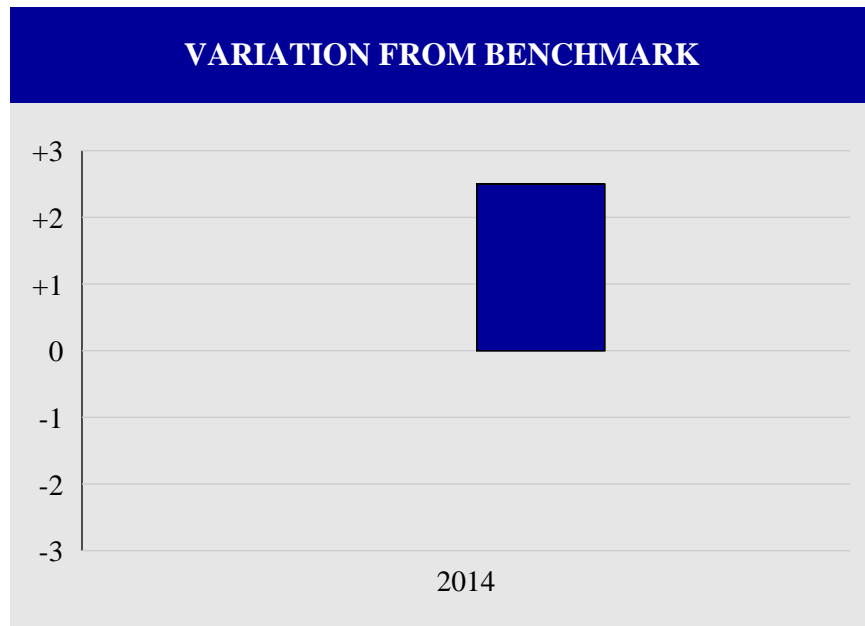


| | <u>QTR</u> | <u>2QTRS</u> | <u>3QTRS</u> | <u>YEAR</u> | -----ANNUALIZED----- | |
|-------------------|-------------|--------------|--------------|-------------|----------------------|--------------|
| | | | | | <u>3 YRS</u> | <u>5 YRS</u> |
| RETURN | -6.1 | --- | --- | --- | --- | --- |
| (RANK) | (35) | --- | --- | --- | --- | --- |
| 5TH %ILE | -3.5 | 0.6 | 2.9 | 13.0 | 28.8 | 19.7 |
| 25TH %ILE | -5.5 | -1.9 | 0.2 | 10.6 | 25.8 | 17.3 |
| MEDIAN | -6.9 | -4.2 | -2.2 | 6.9 | 23.3 | 15.6 |
| 75TH %ILE | -8.2 | -6.1 | -4.9 | 4.3 | 20.7 | 14.2 |
| 95TH %ILE | -10.4 | -9.4 | -8.4 | -0.4 | 15.7 | 11.2 |
| Russ 2000V | -8.6 | -6.4 | -4.7 | 4.1 | 20.6 | 13.0 |

Small Cap Value Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

COMPARATIVE BENCHMARK: RUSSELL 2000 VALUE



| RATES OF RETURN | | | |
|-----------------|-----------|-----------|------------|
| Date | Portfolio | Benchmark | Difference |
| 9/14 | -6.1 | -8.6 | 2.5 |

| | |
|-------------------------------------------|--------------|
| Total Quarters Observed | 1 |
| Quarters At or Above the Benchmark | 1 |
| Quarters Below the Benchmark | 0 |
| Batting Average | 1.000 |

FRANKLIN REGIONAL RETIREMENT SYSTEM
PRIT - CORE REAL ESTATE ACCOUNT
PERFORMANCE REVIEW
SEPTEMBER 2014

INVESTMENT RETURN

On September 30th, 2014, the Franklin Regional Retirement System's PRIT Core Real Estate Account portfolio was valued at \$11,698,788, representing an increase of \$5,799,029 from the June quarter's ending value of \$5,899,759. Last quarter, the Fund posted net contributions equaling \$5,783,486 plus a net investment gain equaling \$15,543. Net investment return was a result of \$102,784 in income receipts and \$87,241 in net realized and unrealized capital losses.

For the cumulative period since September 2010, the portfolio has posted net contributions totaling \$8.5 million, and recorded net investment gains totaling \$1.9 million. For the period since September 2010, if the fund returned a compounded nominal rate of 8.0% it would have been valued at \$11.0 million or \$694,230 less than the actual value as of September 30th, 2014.

RELATIVE PERFORMANCE

For the third quarter, the PRIT Core Real Estate Account account gained 0.8%, which was 2.4% below the NCREIF NFI-ODCE Index's return of 3.2%. Over the trailing year, the account returned 11.1%, which was 1.3% less than the benchmark's 12.4% performance. Since September 2010, the PRIT Core Real Estate Account portfolio returned 12.6% annualized, while the NCREIF NFI-ODCE Index returned an annualized 13.8% 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 | -----Annualized----- | |
|-------------------------|---------|-----|--------|----------------------|-------------|
| | | | | 3 Years | Since 09/10 |
| Total Gross/Fees | 0.8 | 8.4 | 11.1 | 13.1 | 12.6 |
| Total Net/Fees | 0.6 | 7.9 | 10.5 | 12.5 | 12.0 |
| NCREIF ODCE | 3.2 | 8.9 | 12.4 | 12.3 | 13.8 |
| Real Estate | 0.8 | 8.4 | 11.1 | 13.1 | 12.6 |
| NCREIF ODCE | 3.2 | 8.9 | 12.4 | 12.3 | 13.8 |

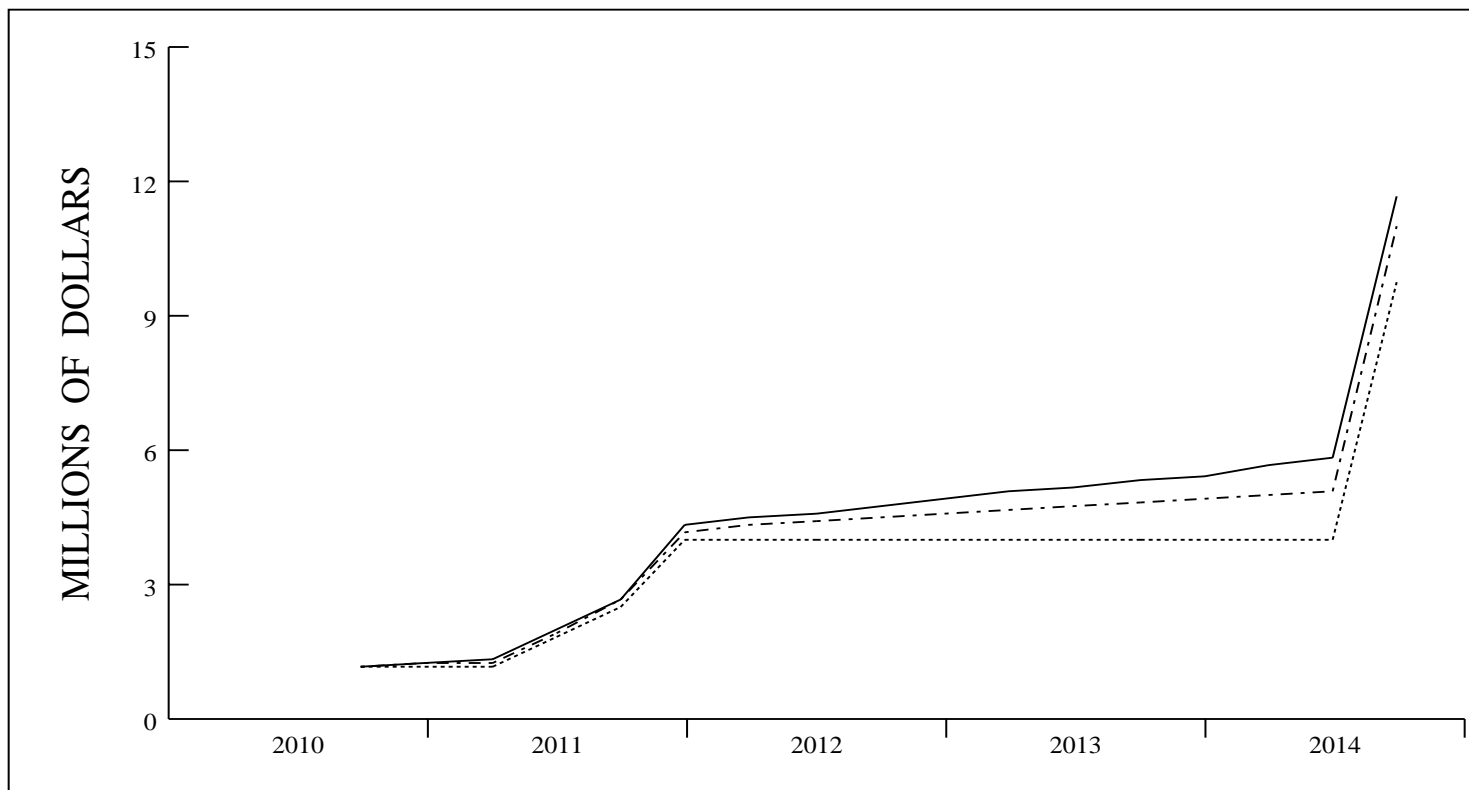
ASSET ALLOCATION

| | | |
|-----------------|--------|---------------|
| Real Estate | 100.0% | \$ 11,698,788 |
| Total Portfolio | 100.0% | \$ 11,698,788 |

INVESTMENT RETURN

| | |
|------------------------|---------------|
| Market Value 6/2014 | \$ 5,899,759 |
| Contribs / Withdrawals | 5,783,486 |
| Income | 102,784 |
| Capital Gains / Losses | - 87,241 |
| Market Value 9/2014 | \$ 11,698,788 |

INVESTMENT GROWTH



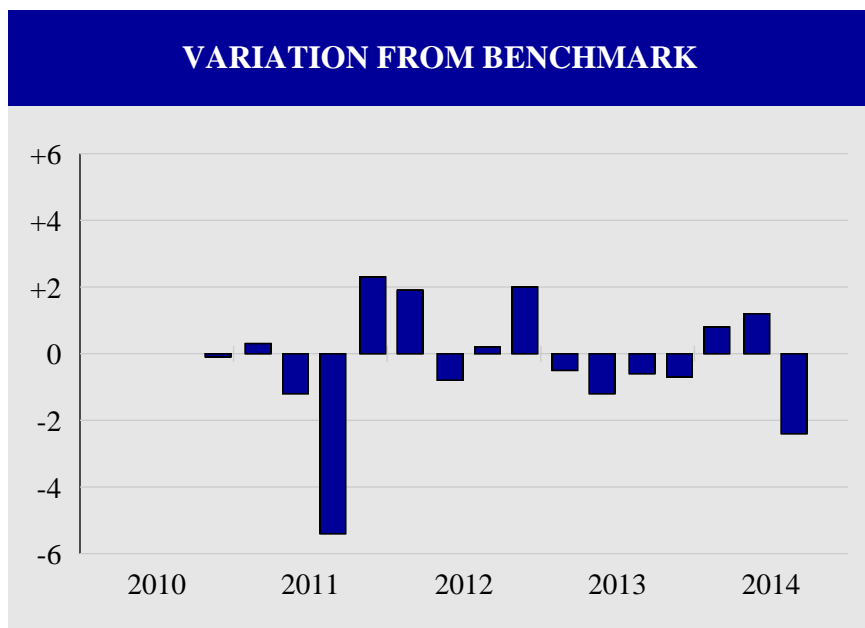
— ACTUAL RETURN
 - - - 8.0%
 . . . 0.0%

VALUE ASSUMING
 8.0% RETURN
 \$ 11,004,558

| | LAST QUARTER | PERIOD 9/10 - 9/14 |
|--------------------------|-----------------|-----------------------|
| BEGINNING VALUE | \$ 5,899,759 | \$ 1,247,572 |
| NET CONTRIBUTIONS | 5,783,486 | 8,538,659 |
| <u>INVESTMENT RETURN</u> | <u>15,543</u> | <u>1,912,557</u> |
| ENDING VALUE | \$ 11,698,788 | \$ 11,698,788 |
| INCOME | 102,784 | 904,438 |
| CAPITAL GAINS (LOSSES) | <u>- 87,241</u> | <u>1,008,119</u> |
| INVESTMENT RETURN | 15,543 | 1,912,557 |

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

COMPARATIVE BENCHMARK: NCREIF NFI-ODCE INDEX



| RATES OF RETURN | | | |
|-----------------|-----------|-----------|------------|
| Date | Portfolio | Benchmark | Difference |
| 12/10 | 4.9 | 5.0 | -0.1 |
| 3/11 | 4.3 | 4.0 | 0.3 |
| 6/11 | 3.4 | 4.6 | -1.2 |
| 9/11 | -1.9 | 3.5 | -5.4 |
| 12/11 | 5.3 | 3.0 | 2.3 |
| 3/12 | 4.7 | 2.8 | 1.9 |
| 6/12 | 1.7 | 2.5 | -0.8 |
| 9/12 | 3.0 | 2.8 | 0.2 |
| 12/12 | 4.3 | 2.3 | 2.0 |
| 3/13 | 2.2 | 2.7 | -0.5 |
| 6/13 | 2.7 | 3.9 | -1.2 |
| 9/13 | 3.0 | 3.6 | -0.6 |
| 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 |

| | |
|-------------------------------------------|-------------|
| Total Quarters Observed | 16 |
| Quarters At or Above the Benchmark | 7 |
| Quarters Below the Benchmark | 9 |
| Batting Average | .438 |

FRANKLIN REGIONAL RETIREMENT SYSTEM
INCOME RESEARCH & MANAGEMENT - CORE BOND FUND
PERFORMANCE REVIEW
SEPTEMBER 2014

INVESTMENT RETURN

On September 30th, 2014, the Franklin Regional Retirement System's Income Research & Management Core Bond Fund was valued at \$12,501,879, representing an increase of \$61,998 from the June quarter's ending value of \$12,439,881. Last quarter, the Fund posted no net contributions or withdrawals, while posting \$61,998 in net investment returns. Since there were no income receipts for the third quarter, the portfolio's net investment return was the result of net realized and unrealized capital gains totaling \$61,998.

For the cumulative period since December 2008, the portfolio has posted net withdrawals totaling \$28,000 and recorded net investment gains totaling \$3.6 million. For the period since December 2008, if the fund had returned a compounded nominal rate of 8.0% it would have been valued at \$13.4 million or \$947,734 more than the actual value as of September 30th, 2014.

RELATIVE PERFORMANCE

For the third quarter, the Income Research & Management Core Bond Fund returned 0.5%, which was 0.3% greater than the Barclays Aggregate Index's return of 0.2% and ranked in the 5th percentile of the Core Fixed Income universe. Over the trailing year, this portfolio returned 5.8%, which was 1.9% above the benchmark's 3.9% return, ranking in the 7th percentile. Since December 2008, the account returned 6.6% on an annualized basis and ranked in the 22nd percentile. For comparison, the Barclays Aggregate Index returned an annualized 4.6% over the same time frame.

ASSET ALLOCATION

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

ANALYSIS

At the end of the quarter, USG rated securities comprised approximately 45% of the bond portfolio, while corporate securities, rated AAA through BBB, comprised the remainder, giving the bond portfolio an overall average quality rating of AAA-AA. The average maturity of the portfolio was 8.3 years, longer than the Barclays Aggregate Index's 7.7-year maturity. The average coupon was 4.0%.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

| | Quarter | YTD | 1 Year | -----Annualized----- | |
|-------------------------------|---------|------|--------|----------------------|-------------|
| | | | | 3 Years | Since 12/08 |
| Total Gross/Fees | 0.5 | 5.2 | 5.8 | 4.2 | 6.6 |
| <i>CORE FIXED INCOME RANK</i> | (5) | (11) | (7) | (11) | (22) |
| Total Net/Fees | 0.4 | 4.9 | 5.4 | 3.8 | 6.3 |
| BARCLAYS AGG | 0.2 | 4.1 | 3.9 | 2.4 | 4.6 |
| Fixed Income | 0.5 | 5.2 | 5.8 | 4.2 | 6.6 |
| <i>CORE FIXED INCOME RANK</i> | (5) | (11) | (7) | (11) | (22) |
| BARCLAYS AGG | 0.2 | 4.1 | 3.9 | 2.4 | 4.6 |
| GOV/CREDIT | 0.2 | 4.1 | 4.1 | 2.5 | 4.5 |

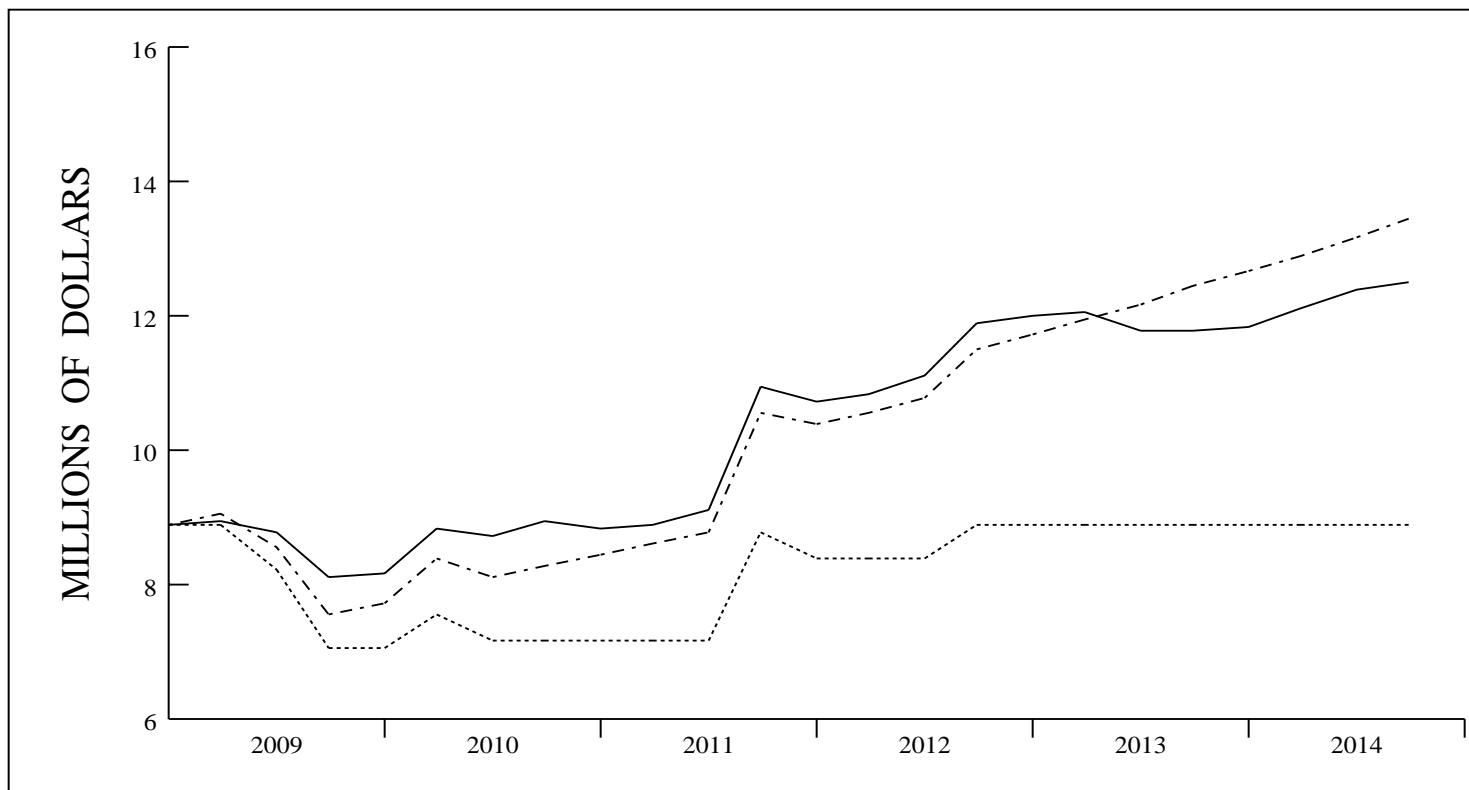
ASSET ALLOCATION

| | | |
|-----------------|--------|---------------|
| Fixed Income | 100.0% | \$ 12,501,879 |
| Total Portfolio | 100.0% | \$ 12,501,879 |

INVESTMENT RETURN

| | |
|------------------------|---------------|
| Market Value 6/2014 | \$ 12,439,881 |
| Contribs / Withdrawals | 0 |
| Income | 0 |
| Capital Gains / Losses | 61,998 |
| Market Value 9/2014 | \$ 12,501,879 |

INVESTMENT GROWTH

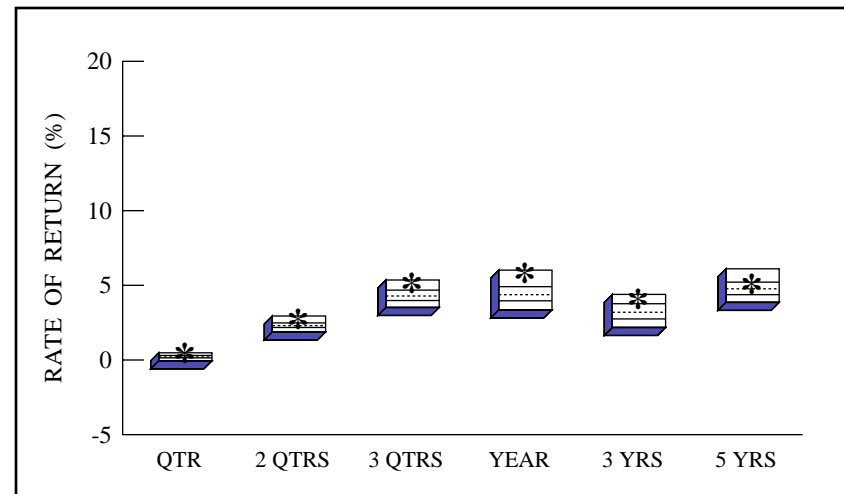
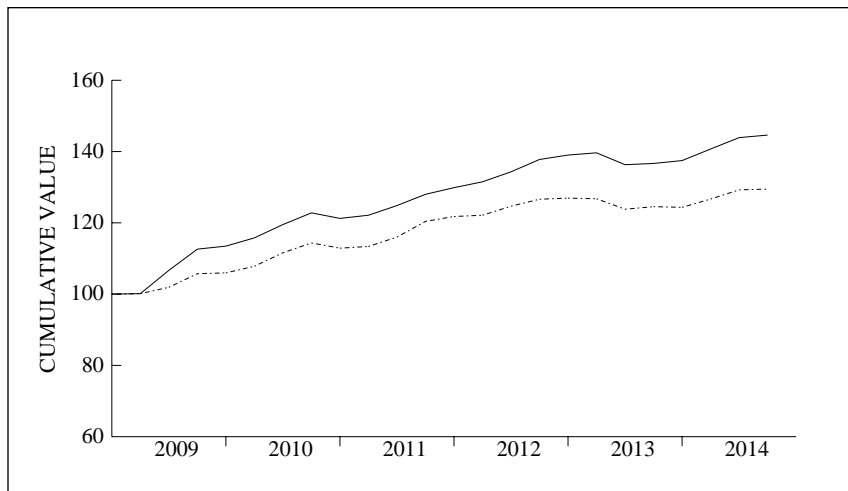


— ACTUAL RETURN
 - - - 8.0%
 0.0%

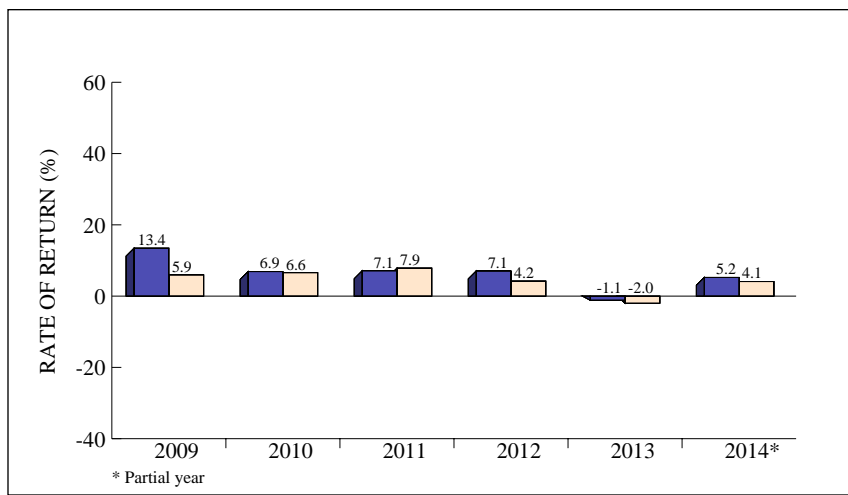
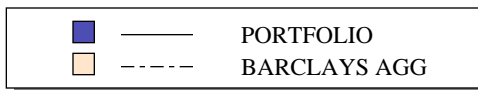
VALUE ASSUMING
 8.0% RETURN
 \$ 13,449,613

| | LAST QUARTER | PERIOD 12/08 - 9/14 |
|-------------------------------|-----------------|------------------------|
| BEGINNING VALUE | \$ 12,439,881 | \$ 8,937,353 |
| NET CONTRIBUTIONS | 0 | - 28,000 |
| <u>INVESTMENT RETURN</u> | <u>61,998</u> | <u>3,592,526</u> |
| ENDING VALUE | \$ 12,501,879 | \$ 12,501,879 |
| INCOME | 0 | 5 |
| <u>CAPITAL GAINS (LOSSES)</u> | <u>61,998</u> | <u>3,592,521</u> |
| INVESTMENT RETURN | 61,998 | 3,592,526 |

TOTAL RETURN COMPARISONS

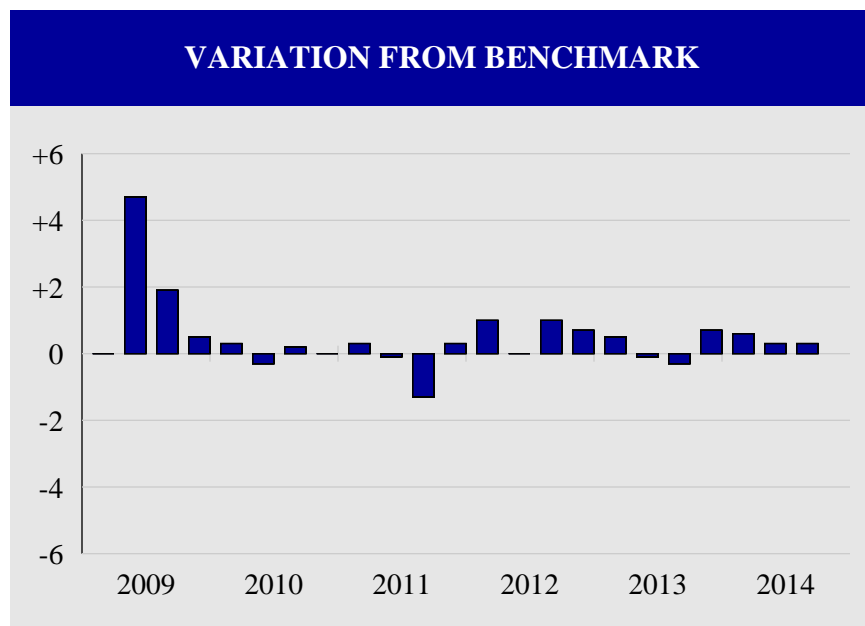


Core Fixed Income Universe



| | QTR | 2QTRS | 3QTRS | YEAR | 3 YRS | 5 YRS |
|------------------|------------|------------|------------|------------|------------|------------|
| RETURN | 0.5 | 2.8 | 5.2 | 5.8 | 4.2 | 5.1 |
| (RANK) | (5) | (7) | (11) | (7) | (11) | (28) |
| 5TH %ILE | 0.5 | 3.0 | 5.4 | 6.0 | 4.4 | 6.1 |
| 25TH %ILE | 0.3 | 2.5 | 4.7 | 4.9 | 3.8 | 5.2 |
| MEDIAN | 0.2 | 2.3 | 4.3 | 4.4 | 3.2 | 4.8 |
| 75TH %ILE | 0.1 | 2.2 | 4.0 | 4.0 | 2.8 | 4.4 |
| 95TH %ILE | -0.1 | 1.9 | 3.5 | 3.4 | 2.2 | 3.9 |
| Agg Index | 0.2 | 2.2 | 4.1 | 3.9 | 2.4 | 4.1 |

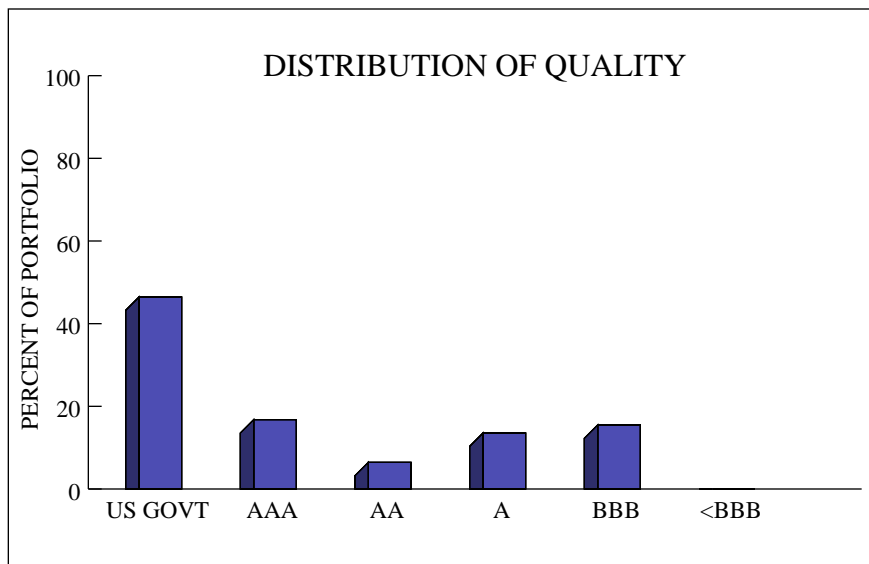
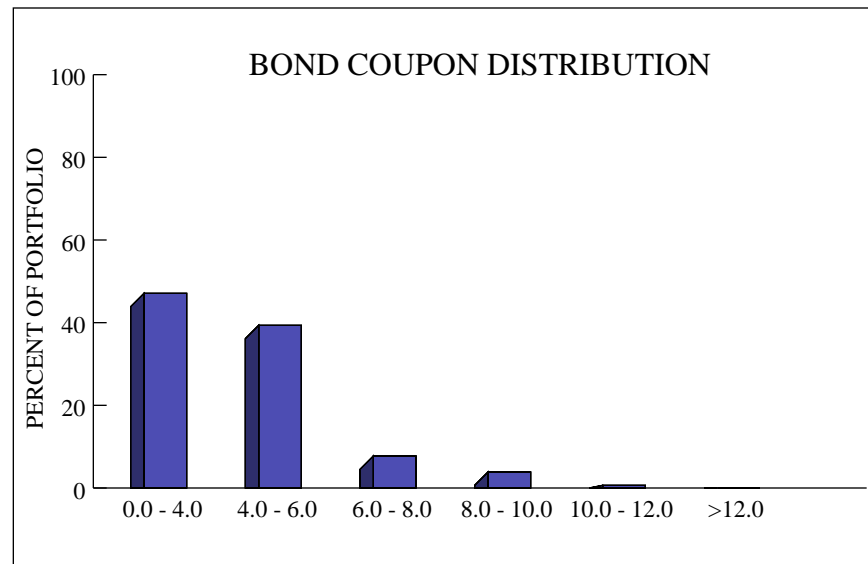
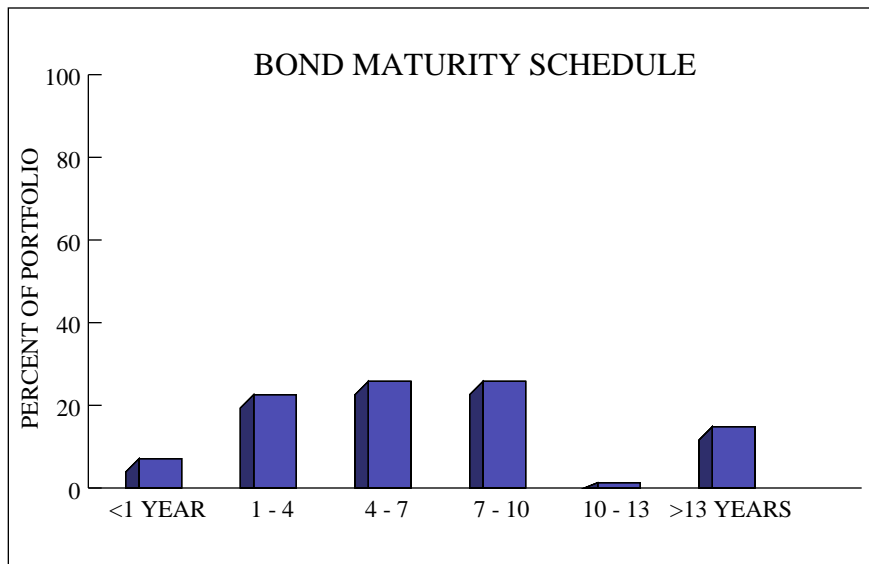
Core Fixed Income Universe

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

| | |
|-------------------------------------------|-------------|
| Total Quarters Observed | 23 |
| Quarters At or Above the Benchmark | 18 |
| Quarters Below the Benchmark | 5 |
| Batting Average | .783 |

| RATES OF RETURN | | | |
|------------------------|-----------|-----------|------------|
| Date | Portfolio | Benchmark | Difference |
| 3/09 | 0.1 | 0.1 | 0.0 |
| 6/09 | 6.5 | 1.8 | 4.7 |
| 9/09 | 5.6 | 3.7 | 1.9 |
| 12/09 | 0.7 | 0.2 | 0.5 |
| 3/10 | 2.1 | 1.8 | 0.3 |
| 6/10 | 3.2 | 3.5 | -0.3 |
| 9/10 | 2.7 | 2.5 | 0.2 |
| 12/10 | -1.3 | -1.3 | 0.0 |
| 3/11 | 0.7 | 0.4 | 0.3 |
| 6/11 | 2.2 | 2.3 | -0.1 |
| 9/11 | 2.5 | 3.8 | -1.3 |
| 12/11 | 1.4 | 1.1 | 0.3 |
| 3/12 | 1.3 | 0.3 | 1.0 |
| 6/12 | 2.1 | 2.1 | 0.0 |
| 9/12 | 2.6 | 1.6 | 1.0 |
| 12/12 | 0.9 | 0.2 | 0.7 |
| 3/13 | 0.4 | -0.1 | 0.5 |
| 6/13 | -2.4 | -2.3 | -0.1 |
| 9/13 | 0.3 | 0.6 | -0.3 |
| 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 |

BOND CHARACTERISTICS



| | PORTFOLIO | BARCLAYS AGG |
|--------------------|------------------|---------------------|
| No. of Securities | 243 | 8,876 |
| Duration | 6.02 | 5.62 |
| YTM | 2.62 | 2.33 |
| Average Coupon | 3.97 | 3.30 |
| Avg Maturity / WAL | 8.25 | 7.74 |
| Average Quality | AAA-AA | USG-AAA |