

# Franklin Regional Retirement System

Performance Review  
December 2015

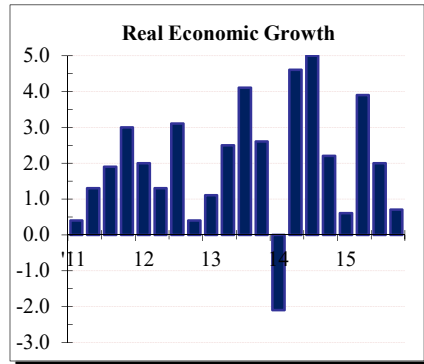


**DAHAB ASSOCIATES**  
New York   Massachusetts   Pennsylvania   Florida

## ECONOMIC ENVIRONMENT

### *More jobs and a rate increase – finally*

The advanced estimate for fourth quarter real GDP was a disappointing 0.7%, a significant drop off from the 2.0% rate in the third quarter. The



economy was robust enough that large numbers of new jobs were added. Buoyed by the job picture and cheap gasoline, consumers should have been more inclined to spend, but did so less than expected. The service sector showed strong growth. Inflation remained tame, as commodity prices declined (energy, metals and grain) and prices of imports fell because of a

strengthening dollar. The housing market continued to recover as well. Giving in to pressure to do so, the Federal Reserve Board raised the Fed Funds rate for the first time in seven years. More specifics follow:

- Q4 advanced-estimate real GDP grew 0.7%, a slowdown from the third quarter's 2.0% gain. Growth was driven by consumer and corporate spending and also state and local government expenditures. On the flip side, lower inventories and rising imports dampened growth. The Federal Reserve Board projects full year GDP at 2.1% and 2016 GDP at 2.4%, as modest, steady growth is the order of the day.
- Job gains could hardly have been better, with 292,000 new hires in December alone. The unemployment rate was unchanged at 5.0%, suggesting that some longer-term unemployed began to look for work again. For the year, 2.7 million new jobs were added to the rolls. Further, the labor force participation rate ticked up to 62.6%. Workers enjoyed an average annual salary bump of 2.5%.
- Home prices rose 6.3% for the year ended November, but still remain 7.3% below their April 2006 peak. Housing has enjoyed 45 consecutive months of price increases, with the current national median price at \$220,000. While the pace has recently subsided overall, the states of Colorado, Hawaii, Montana, and New York continued to post new highs.

- December's ISM Manufacturing Index slowed to 48.2, down slightly from November. Textiles, paper and chemical products, miscellaneous manufacturing and food advanced. The other 12 sectors declined, especially clothing and related. The Non-Manufacturing Index took up the slack, posting 55.3 (50 or higher represents growth). Eleven service sectors reported growth, especially lodging, food, healthcare and social assistance. Wholesale trade, public administration and transportation experienced declines. When all sectors are combined, the overall economy has been advancing for 77 straight months!
- The December Consumer Confidence Index climbed to 96.5 from 92.6 in November, largely due to continuing job growth. The Present Situation component jumped to 115.3 vs. 83.9 for the Expectations Index; this means that workers are happy with their immediate situation, but are far more cautious when looking ahead six months. Still, the optimists outnumbered the pessimists.
- Commodity producers expressed profound unhappiness with plummeting prices, while the consumer was overjoyed with the turn of events. Most commodities were in freefall for the fourth quarter (-4.4%) and the year (-17.5%). Energy was the biggest loser, followed by metals, grains, and animal protein. China's lower appetite for raw materials had a major dampening effect. The only price gains occurred among so-called soft commodities, such as orange juice, sugar, cotton, and coffee, which all gained ground during a record warm and rainy year.
- There was little sign of inflation, given cheap gas, stagnant salaries and competitively-priced imports (due largely to devalued foreign currencies). In December, CPI declined 0.1%. Inflation was tame during the year, at 0.7%.
- After seven long years, the Fed decided that employment had improved and inflation expectations had finally reached the tipping point; so, on December 16th, the Board unanimously voted for a ¼% Fed Funds rate hike. Fed Chair Janet Yellen clearly remained concerned about an inflation rate that was too weak, but was encouraged by at least modest salary increases. She was also pleased by the job gains and easing economic hardship among households. Still, it remains unclear if and when there will be further rate increases during 2016. Until then, the Fed's monetary stance is to watch and wait.

## DOMESTIC EQUITIES

### *Q4 Rally, but a Flat Year*

US stocks led a global rally as economic growth chugged along, the Fed finally acted and several prominent mergers took place. The bellwether S&P 500 rose 7% and the DJIA gained 7.7%. The NASDAQ Composite performed still better (+8.7%), led by Apple, Disney and Google. Real estate kept pace with the Wilshire REIT Index, rising 7.5%. Growth stocks of all sizes bested their value style counterparts for the quarter. For example, the Russell 1000 Growth Index rose 7.3% while the comparable Value Index added 5.6%. Among smaller-sized companies, the Russell 2000 Growth Index gained 4.3% vs. 2.9% for the small value index. The performance gaps were much wider for the full year, again favoring growth; the combined Russell 3000 Growth Index posted a 5.1% positive return vs. a 4.1% decline for value.

In a reversal from the third quarter, every S&P sector turned in positive performance for the fourth quarter. Manufacturing companies took first place by returning over 12%. Computer technology and broader tech firms returned an average of 11.9% and 8.7%, respectively. Reflecting robust 3<sup>rd</sup> quarter earnings, tech giants Microsoft and Alphabet (new parent of Google) soared in price. The broad consumer sector captured more than 7%, as Amazon streaked to a 32% gain and healthcare names shined, too. Financial names also had a strong showing (+6.4%).

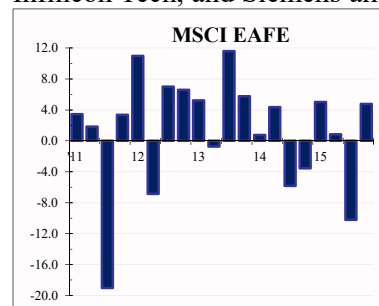
## INTERNATIONAL EQUITIES

### *Developed Markets: Good Fourth Quarter but only a Marginal Year*

### *Emerging Markets: Dismal*

The MSCI EAFE Index advanced 4.75% for the quarter, with most countries contributing. The European component rose, but lagged the index, returning just 2.5%. Within Europe, Belgium was a 13.9% standout; its Anheuser-Busch shares climbed in sync with its takeover bid for SABMiller. Next in the ranking, after Finland, was the German market,

which rose 7.7% despite the enormous refugee influx. German-based SAP, Infineon Tech, and Siemens all advanced smartly. Irish shares rose 7% as



its economy successfully engineered an austerity program. By contrast, Italy failed in that regard and was down 2.3%. Spain, fighting Catalanian secession, fell 2.5%. The French bourse rose only 1.8% and the UK gained even less (+0.7%), exposed to a weaker pound sterling and its own refugee issues.

Australia's banking sector more than offset the continuing rout among commodity firms. All four of its largest banks raised lending rates, while mega-sized BHP Billiton not only suffered in the commodity markets, but also got hit with a Brazilian environmental lawsuit. Overall, the Australian market gained a healthy 10%.

The Pacific Rim scored a 9% increase, mostly driven by the large Japanese market where investors rewarded the Bank of Japan's continuing stimulus program. In addition, shares of Japanese pharma, telecom, and auto companies performed particularly well. Hong Kong added 6%, supported by China's efforts to revive its gambling industry. However, one of that market's few negatives was its slumping real estate development sector. Tiny Israel rose 9.1%, mainly on the strength of its tech industry.

Full year 2015 EAFE returns were similar US returns, declining -0.4%. European shares fell 2.3%, while Australia suffered a commodity-related 9.8% drop. The Pacific Rim fared better, gaining 3.2%.

For a very long time, emerging markets (EM) were investor favorites, historically offering both meaningful diversification and high-flying results, but not last year. Most country participants have issues ranging from commodity fatigue, political and financial turmoil, free-falling currencies and just plain disappointment, e.g. China. For the record, the EM Index did produce slightly positive fourth quarter results (+0.7%). However, the full year result was a stunning 14.6% loss! The biggest EM players are known as the BRIC countries - Brazil, Russia, India, and China. Brazil has every investment problem imaginable, including a legislative attempt to unseat the current President Rousseff. That country's fourth quarter damage was a relatively low 3.2% loss. However, given the

disastrous commodity slide, Brazil's yearly return was a staggering 41.2% loss! Russia lost 4% for the quarter, but gained 5% for the year. In doing so, Russia had to counter a plunge in the ruble. Investors had pinned great hopes on India, based on the business-oriented Prime Minister Modi. However, Indian shares languished, in part because Modi's vaunted reform program has become bogged down. India's fourth quarter return was -0.9% and yearly return, -6.1%. On the China front, the outcome wasn't much worse. The main reason for investor concern was the slowing of its vast economy. Still, China shares gained 4% in the fourth quarter and fell moderately for the year (-7.6%).

The smaller economies had their problems as well:

- Indonesian stocks surged almost 21% for the quarter as the government pressed forward many economic reforms, which resulted in a strengthening of its currency. Nonetheless, that market tumbled 19.1% for the year.
- Korean shares added 5.7% in the fourth quarter, powered by a Samsung share buyback announcement. For the year, Korea lost a moderate 6.3%.
- Turkey was able to stave off market ruin despite the downing of a Russian aircraft, the refugee crisis and a civil war with its Kurdish minority. Turkey's quarterly return was -0.2%; but its full-year 31.6% loss strongly suggested that all of these issues were major concerns for investors.
- South Africa was dealing with several liabilities such as political instability under President Zuma, a sagging rand currency and banking woes. As a result, its shares fell 10.5% for the quarter and more than 25% for the year.
- The Greek stock market seemed irredeemable, as it coped with a new austerity program under re-elected Prime Minister Tsipras. Greece's fourth quarter return was -19% and its 2015 loss of more than 61% was the worst in the index.

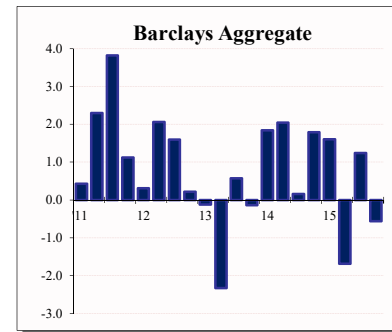
## BOND MARKET

### *Poor Fourth Quarter and Marginal Full Year*

Interest rates rose during the fourth quarter all along the yield curve. Minimal yields coupled with good employment numbers and fourth

quarter strength in the equity market led investors away from the bond market. But the main reason for higher yields was the Fed's decision to finally raise the Fed Funds rate by ¼%. The two-year Treasury yield climbed 42 basis points to 1.05%. Longer maturity Treasuries also climbed, but to a lesser extent; the 10-year rose 23 basis points and the 30-year 17 basis points. Residential mortgage rates ticked up accordingly.

The Barclays Aggregate Index gave back 0.6% during the quarter. Treasuries of all maturities lost 0.9%, while corporates dropped 0.6%. The



best-performing corporate sector (investment grade) was financials (+0.1%), benefiting from higher lending rates. Industrials and utility issues fell 1.0% and 0.7%, respectively. The residential mortgage-backed sector returned a negative 0.1%. By comparison, commercial mortgage-backed issues lost 1.2%. Full year return for the Aggregate Index was a disappointing +0.6%. Actually, that outcome masked a very volatile year for interest rates and was no worse than the broad equity market (+0.5%).

High yield bonds fared worse (-2.1%) than investment grade, especially within the suffering metals, mining and energy sectors. Single B credits fell 2%; CAAs dropped 7.5%; and lowest-rated names (CA-D) tumbled more than 22%! It did not help that a large high yield mutual fund closed its doors and temporarily froze investors' assets. Full-year return for high yields was -4.5%.

For the quarter, the G-6 (G7 x-US) Global Treasury declined 1.1%, roughly equal to US Treasuries. Year 2015 return for the G-6 was -3.6%. Emerging markets sovereign debt offered a pleasant surprise vs. developed markets for the quarter; the EM bond index gained 1.2%.

## CASH EQUIVALENTS

### *Hardly Noticeable Change after the Fed Move*

The ultra-short end of the yield curve didn't move during the quarter. The result was yet another essentially zero return for investors. Even the Fed's ¼% interest rate hike failed to move the cash equivalent market.

**MARKET SUMMARY**

**ECONOMIC STATISTICS**

	CURRENT QTR	LAST QTR
GDP	0.7	2.0
Unemployment	5.0	5.1
CPI All Items Year/Year	0.70	0.00
Fed Funds Rate	0.50	0.25
Industrial Capacity	76.5	77.9
US Dollars per Euro	1.09	1.12

**MAJOR INDEX QUARTER RETURNS**

INDEX	PERFORMANCE
Russell 3000	6.3
S&P 500	7.0
Russell Mid	3.6
Russell 2000	3.6
MSCI EAFE	4.7
MSCI Emg Mkts	0.7
NCREIF ODCE	3.3
Barclays Agg	-0.6
90 Day Tbills	0.0

**EQUITY RETURN DISTRIBUTIONS**

	QUARTER			TRAILING YEAR		
	VAL	COR	GRO	VAL	COR	GRO
LC	5.6	6.5	7.3	-3.8	0.9	5.7
MC	3.1	3.6	4.1	-4.8	-2.4	-0.2
SC	2.9	3.6	4.3	-7.5	-4.4	-1.4

**MARKET SUMMARY**

- \* **Advanced Estimate 4th quarter GDP was a mild 0.7%.**
- \* **Unemployment fell to 5%.**
- \* **CPI increased at a tame 0.7% year over year.**
- \* **Domestic equities made up their 3rd quarter losses. Growth outperformed value across all cap sizes. Large cap stocks outperformed mid and small caps.**
- \* **The US dollar strengthened relative to the Euro.**

## INVESTMENT RETURN

As of December 31st, 2015, the Franklin Regional Retirement Fund was valued at \$119,267,824, representing an increase of \$2,211,292 over the September ending value of \$117,056,532. Over the last three months, the fund posted a net withdrawal of \$1,199,835, which offset the portfolio's net investment gain of \$3,411,127. Income receipts totaling \$611,068 and realized and unrealized capital gains of \$2,800,059 combined to produce last quarter's net investment return.

Since December 2010, the account has recorded net withdrawals totaling \$5.2 million while recording \$41.1 million in net investment gains. Since December 2010, if the account had earned a compounded nominal rate of 8.0% it would have been worth \$116.8 million or \$2.4 million less than the actual value as of December 31st, 2015.

## 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 fourth quarter, the Composite portfolio gained 2.9%, which was 1.1% less than the Franklin Regional Policy Index's return of 4.0% and ranked in the 46th percentile of the Public Fund universe. Over the trailing twelve-month period, this portfolio returned 1.1%, which was 1.1% less than the benchmark's 2.2% performance, and ranked in the 17th percentile. Since December 2010, the portfolio returned 8.4% annualized and ranked in the 8th percentile. For comparison, the Franklin Regional Policy Index returned an annualized 9.0% 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 fourth quarter, the PRIT core segment gained 2.4%, which was 0.2% above the Custom Core Index's return of 2.2% and ranked in the 73rd percentile of the Public Fund universe. Over the trailing twelve months, this segment returned 1.0%, which was 0.3% below the benchmark's 1.3% return, and ranked in the 17th percentile. Since December 2010, this component returned 7.6% on an annualized basis and ranked in the 27th percentile. The Custom Core Index returned an annualized 7.0% over the same period.

### Domestic Equity

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

The domestic equity component gained 4.8% during the fourth quarter, 0.3% greater than the Franklin County Equity Index's return of 4.5% and ranked in the 47th percentile of the Domestic Equity universe. Over the trailing twelve months, this component returned -3.0%; that return was 1.1% less than the benchmark's -1.9% performance, ranking in the 68th percentile. Since December 2010, this component returned 11.0% on an annualized basis and ranked in the 60th percentile. The Franklin County Equity Index returned an annualized 10.7% over the same period.

## **International Equity**

For the fourth quarter, the international equity component gained 5.2%, which was 0.5% above the MSCI EAFE Index's return of 4.7% and ranked in the 38th percentile of the International Equity universe. Over the trailing year, this segment's return was 1.2%, which was 1.6% above the benchmark's -0.4% return, ranking in the 41st percentile.

## **Real Estate**

In the fourth quarter, the real estate portion of the portfolio returned 3.7%, which was 0.4% greater than the NCREIF NFI-ODCE Index's return of 3.3%. Over the trailing twelve-month period, this segment returned 11.9%, which was 3.1% below the benchmark's 15.0% return. Since December 2010, this component returned 13.4% on an annualized basis, while the NCREIF NFI-ODCE Index returned an annualized 13.6% over the same period.

## **Fixed Income**

The fixed income assets returned -0.5% in the fourth quarter; that return was 0.1% greater than the Barclays Aggregate Index's return of -0.6% and ranked in the 57th percentile of the Core Fixed Income universe. Over the trailing twelve months, this segment returned 0.6%; that return was equal to the benchmark's 0.6% return, and ranked in the 70th percentile. Since December 2010, this component returned 4.1% annualized and ranked in the 22nd percentile. The Barclays Aggregate Index returned an annualized 3.3% over the same time frame.

## **ASSET ALLOCATION**

On December 31st, 2015, PRIT core comprised 47.6% of the total portfolio (\$56.8 million), while domestic equities totaled 25.3% (\$30.2 million). The account's international equity segment was valued at \$5.6 million, representing 4.7% of the portfolio, while the real estate component's \$12.7 million totaled 10.7%. The portfolio's fixed income represented 10.7% and the remaining 0.9% was comprised of cash & equivalents (\$1.1 million).

Franklin Regional Retirement System  
Total Fund Asset Allocation Analysis  
As of December 31, 2015

Total Fund Assets \$ 119,267,824

Allocation by Manager						
	PRIT Fund Actual Allocation	FRRS Allocation	Target Allocation	Target Dollars	Actual Dollars	+/- Dollars
<u>PRIT Core Fund</u>	<u>100.0%</u>	<u>47.6%</u>	<u>45.0%</u>	\$ 53,670,521	\$ 56,789,798	\$ 3,119,277
Domestic Equity	19.0%	9.0%			\$ 10,767,346	
Int'l Equity	17.1%	8.1%			\$ 9,688,340	
E.M. Int'l Equity	6.8%	3.3%			\$ 3,884,422	
Core Fixed Income	13.1%	6.2%			\$ 7,411,069	
Value Added Fixed Income*	8.5%	4.0%			\$ 4,798,738	
Real Estate	10.5%	5.0%			\$ 5,957,250	
Timber/Natural Resources	3.2%	1.5%			\$ 1,822,953	
Alternatives-Private Equity	11.4%	5.4%			\$ 6,479,716	
Hedge Funds	8.5%	4.1%			\$ 4,844,170	
Port. Alpha Wind down	1.1%	0.5%			\$ 607,650.84	
Overlay	0.9%	0.4%			\$ 528,145.12	
<u>Separate Accounts</u>		<u>52.4%</u>	<u>55.0%</u>			
Polen Capital		6.7%	6.0%	\$ 7,156,069	\$ 8,019,256	\$ 863,187
O'Shaughnessy		5.6%	6.0%	\$ 7,156,069	\$ 6,662,892	\$ (493,177)
Seizert		4.6%	5.0%	\$ 5,963,391	\$ 5,446,019	\$ (517,372)
Daruma		4.5%	5.0%	\$ 5,963,391	\$ 5,310,656	\$ (652,735)
Systematic		4.5%	5.0%	\$ 5,963,391	\$ 5,411,043	\$ (552,348)
PRIT International		4.7%	5.0%	\$ 5,963,391	\$ 5,587,647	\$ (375,744)
PRIT RE		10.7%	10.0%	\$ 11,926,782	\$ 12,730,489	\$ 803,707
Prudential		0.0%	0.0%	\$ -	\$ 90	\$ 90
IR&M		10.7%	13.0%	\$ 15,504,817	\$ 12,801,913	\$ (2,702,904)
Cash		0.4%	0.0%	\$ -	\$ 508,021	\$ 508,021

\*Includes Distressed Debt

Allocation by Asset Class						
	Actual Allocation	Target Allocation		Actual Allocation	Target Allocation	+/- Dollars
Franklin County Total Fund	(%)	(%)	+/- Percent	(\$)	(\$)	
Domestic Equity	34.9%	35.0%	-0.1%	\$ 41,617,212	\$ 41,743,738	\$ (126,527)
Int'l Equity	16.1%	15.0%	1.1%	\$ 19,160,409	\$ 17,890,174	\$ 1,270,235
Fixed Income	21.0%	25.0%	-4.0%	\$ 25,011,720	\$ 29,816,956	\$ (4,805,236)
Real Estate	15.7%	14.0%	1.7%	\$ 18,687,829	\$ 16,697,495	\$ 1,990,333
Timber	1.5%	2.0%	-0.5%	\$ 1,822,953	\$ 2,385,356	\$ (562,404)
Alternatives-Private Equity	5.4%	5.0%	0.4%	\$ 6,479,716	\$ 5,963,391	\$ 516,325
Hedge Funds	5.0%	4.0%	1.0%	\$ 5,979,966	\$ 4,770,713	\$ 1,209,253
Cash	0.4%	0.0%	0.4%	\$ 508,021	\$ -	\$ 508,021
	100.0%	100.0%		\$ 119,267,824	\$ 119,267,824	



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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Year	5 Years
<b>Total Portfolio - Gross</b>	2.9	1.1	1.1	9.4	8.4
<i>PUBLIC FUND RANK</i>	(46)	(17)	(17)	(9)	(8)
<b>Total Portfolio - Net</b>	2.8	0.5	0.5	8.8	7.8
<i>POLICY INDEX</i>	4.0	2.2	2.2	9.9	9.0
<b>PRIT Core - Gross</b>	2.4	1.0	1.0	8.1	7.6
<i>PUBLIC FUND RANK</i>	(73)	(17)	(17)	(35)	(27)
<i>CUSTOM CORE IDX</i>	2.2	1.3	1.3	7.0	7.0
<b>Domestic Equity - Gross</b>	4.8	-3.0	-3.0	14.6	11.0
<i>DOMESTIC EQUITY RANK</i>	(47)	(68)	(68)	(45)	(60)
<i>CUSTOM EQ INDEX</i>	4.5	-1.9	-1.9	13.1	10.7
<i>PRIT EQUITY</i>	6.1	0.3	0.3	14.4	12.1
<i>S&amp;P 500</i>	7.0	1.4	1.4	15.1	12.6
<i>S&amp;P 400</i>	2.6	-2.2	-2.2	12.8	10.7
<i>RUSSELL 3000</i>	6.3	0.5	0.5	14.7	12.2
<i>RUSSELL 1000</i>	6.5	0.9	0.9	15.0	12.4
<i>RUSSELL 1000G</i>	7.3	5.7	5.7	16.8	13.5
<i>RUSSELL 1000V</i>	5.6	-3.8	-3.8	13.1	11.3
<i>RUSSELL MID</i>	3.6	-2.4	-2.4	14.2	11.4
<i>RUSSELL 2000</i>	3.6	-4.4	-4.4	11.7	9.2
<b>International Equity - Gross</b>	5.2	1.2	1.2	----	----
<i>INTERNATIONAL EQUITY RANK</i>	(38)	(41)	(41)	----	----
<i>MSCI EAFE</i>	4.7	-0.4	-0.4	5.5	4.0
<b>Real Estate - Gross</b>	3.7	11.9	11.9	12.4	13.4
<i>NCREIF ODCE</i>	3.3	15.0	15.0	13.8	13.6
<b>Fixed Income - Gross</b>	-0.5	0.6	0.6	2.1	4.1
<i>CORE FIXED INCOME RANK</i>	(57)	(70)	(70)	(17)	(22)
<i>BARCLAYS AGG</i>	-0.6	0.6	0.6	1.4	3.3
<i>PRIT FIXED</i>	-0.8	-2.0	-2.0	3.2	4.8
<i>GOV/CREDIT</i>	-0.7	0.2	0.2	1.2	3.4
<i>INT AGGREGATE</i>	-0.5	1.2	1.2	1.4	2.7
<i>INT GOV/CREDIT</i>	-0.7	1.1	1.1	1.1	2.6

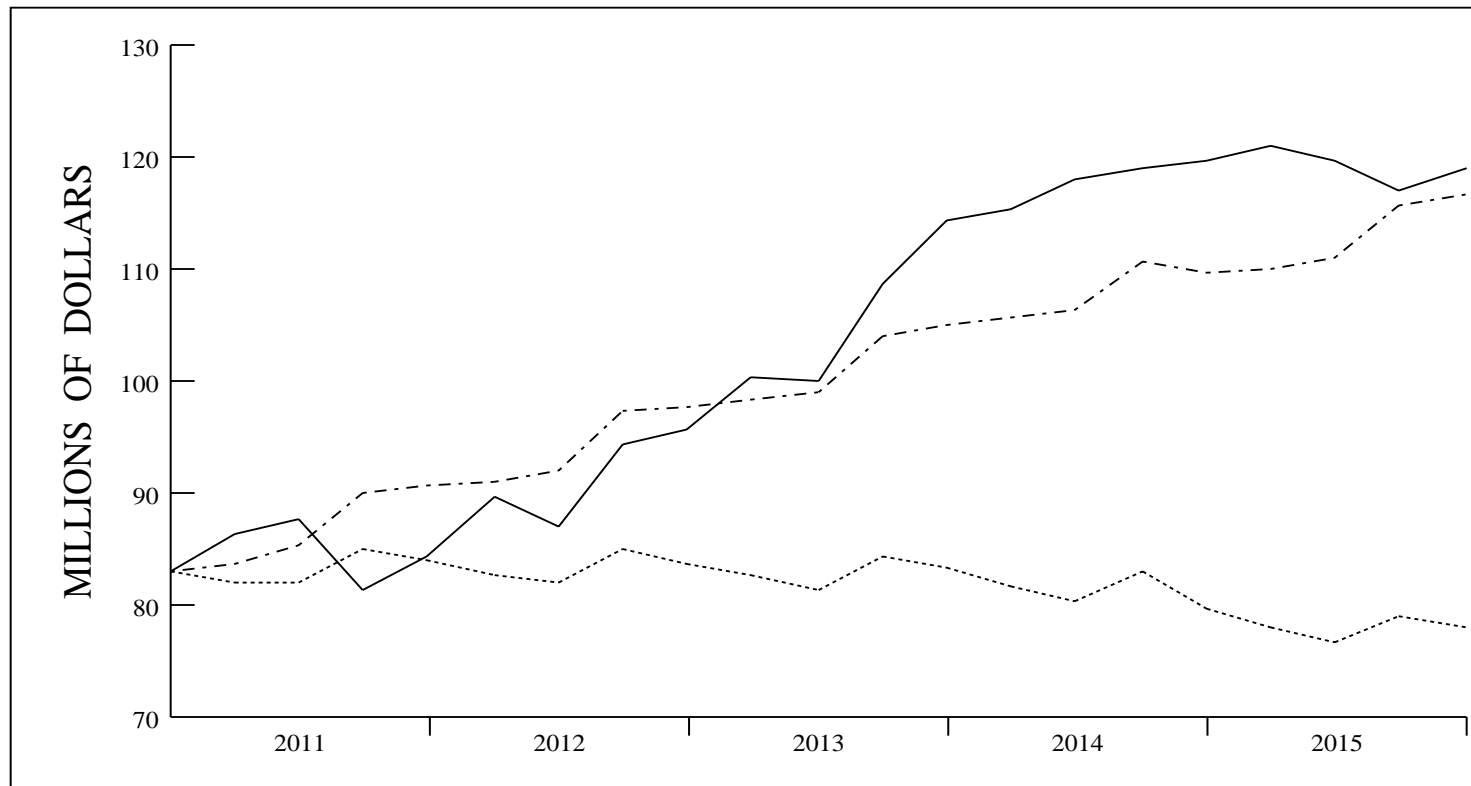
**ASSET ALLOCATION**

PRIT Core	47.6%	\$ 56,789,798
Domestic Equity	25.3%	30,228,185
Int'l Equity	4.7%	5,587,647
Real Estate	10.7%	12,730,579
Fixed Income	10.7%	12,801,913
Cash	0.9%	1,129,702
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 119,267,824</b>

**INVESTMENT RETURN**

Market Value 9/2015	\$ 117,056,532
Contribs / Withdrawals	- 1,199,835
Income	611,068
Capital Gains / Losses	2,800,059
Market Value 12/2015	\$ 119,267,824

**INVESTMENT GROWTH**

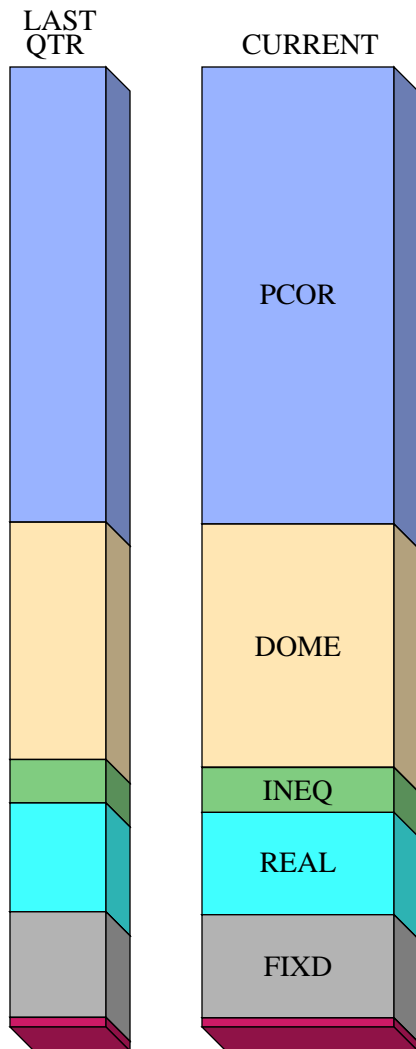


— ACTUAL RETURN  
 - - - 8.0%  
 ..... 0.0%

VALUE ASSUMING  
 8.0% RETURN \$ 116,834,203

	LAST QUARTER	PERIOD 12/10 - 12/15
BEGINNING VALUE	\$ 117,056,532	\$ 83,290,926
NET CONTRIBUTIONS	- 1,199,835	- 5,172,503
<u>INVESTMENT RETURN</u>	<u>3,411,127</u>	<u>41,149,400</u>
ENDING VALUE	\$ 119,267,824	\$ 119,267,824
INCOME	611,068	11,486,301
<u>CAPITAL GAINS (LOSSES)</u>	<u>2,800,059</u>	<u>29,663,100</u>
INVESTMENT RETURN	3,411,127	41,149,400

**ASSET ALLOCATION**




































	<u>VALUE</u>	<u>PERCENT</u>	<u>TARGET</u>	<u>DIFFERENCE</u> + / -
■ PRIT CORE	\$ 56,789,798	47.6%	45.0%	2.6%
■ DOMESTIC EQUITY	30,228,185	25.3%	27.0%	-1.7%
■ INTERNATIONAL EQUITY	5,587,647	4.7%	5.0%	-0.3%
■ REAL ESTATE	12,730,579	10.7%	10.0%	0.7%
■ FIXED INCOME	12,801,913	10.7%	13.0%	-2.3%
■ CASH & EQUIVALENT	1,129,702	0.9%	0.0%	0.9%
<u>TOTAL FUND</u>	<u>\$ 119,267,824</u>	<u>100.0%</u>		

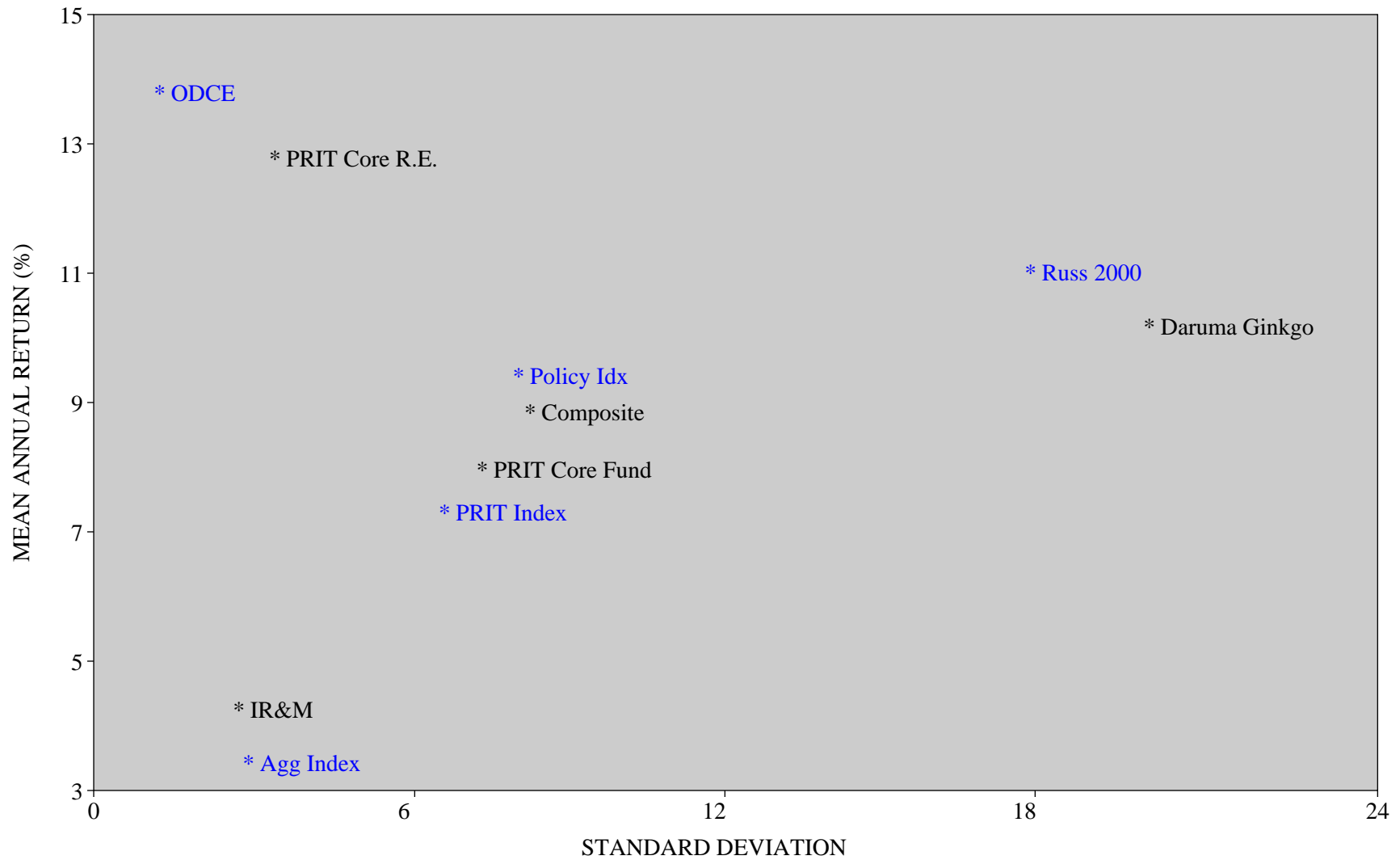
## MANAGER PERFORMANCE SUMMARY

Name	(Universe)	Quarter	YTD	1 Year	3 Years	5 Years
Total Portfolio	(Public Fund)	2.9 (46)	1.1 (17)	1.1 (17)	9.4 (9)	8.4 (8)
<i>Franklin Regional Policy Index</i>		<b>4.0</b> ----	<b>2.2</b> ----	<b>2.2</b> ----	<b>9.9</b> ----	<b>9.0</b> ----
PRIT Core Fund	(Public Fund)	2.4 (73)	1.0 (17)	1.0 (17)	8.1 (35)	7.6 (27)
<i>Custom Core Index</i>		<b>2.2</b> ----	<b>1.3</b> ----	<b>1.3</b> ----	<b>7.0</b> ----	<b>7.0</b> ----
Polen Capital	(LC Growth)	8.0 (31)	15.8 (3)	15.8 (3)	18.9 (16)	---- ----
<i>Russell 1000 Growth</i>		<b>7.3</b> ----	<b>5.7</b> ----	<b>5.7</b> ----	<b>16.8</b> ----	<b>13.5</b> ----
O'Shaughnessy	(LC Value)	2.8 (90)	-7.5 (88)	-7.5 (88)	14.9 (31)	---- ----
<i>Russell 1000 Value</i>		<b>5.6</b> ----	<b>-3.8</b> ----	<b>-3.8</b> ----	<b>13.1</b> ----	<b>11.3</b> ----
Seizert Capital	(Mid Cap)	0.3 (92)	-10.5 (99)	-10.5 (99)	12.5 (78)	---- ----
<i>Russell Mid Cap</i>		<b>3.6</b> ----	<b>-2.4</b> ----	<b>-2.4</b> ----	<b>14.2</b> ----	<b>11.4</b> ----
Daruma Ginkgo	(Small Cap)	8.3 (3)	-5.7 (79)	-5.7 (79)	10.5 (81)	7.8 (87)
Systematic	(Small Cap)	3.5 (39)	-8.7 (91)	-8.7 (91)	---- ----	---- ----
<i>Russell 2000</i>		<b>3.6</b> ----	<b>-4.4</b> ----	<b>-4.4</b> ----	<b>11.7</b> ----	<b>9.2</b> ----
PRIT Int'l Eq.	(Intl Eq)	5.2 (38)	1.2 (41)	1.2 (41)	---- ----	---- ----
<i>MSCI EAFE</i>		<b>4.7</b> ----	<b>-0.4</b> ----	<b>-0.4</b> ----	<b>5.5</b> ----	<b>4.0</b> ----
PRIT Core R.E.		3.7 ----	11.9 ----	11.9 ----	12.4 ----	12.6 ----
<i>NCREIF NFI-ODCE Index</i>		<b>3.3</b> ----	<b>15.0</b> ----	<b>15.0</b> ----	<b>13.8</b> ----	<b>13.6</b> ----
IR&M	(Core Fixed)	-0.5 (57)	0.6 (70)	0.6 (70)	2.1 (17)	4.1 (22)
<i>Barclays Aggregate Index</i>		<b>-0.6</b> ----	<b>0.6</b> ----	<b>0.6</b> ----	<b>1.4</b> ----	<b>3.3</b> ----

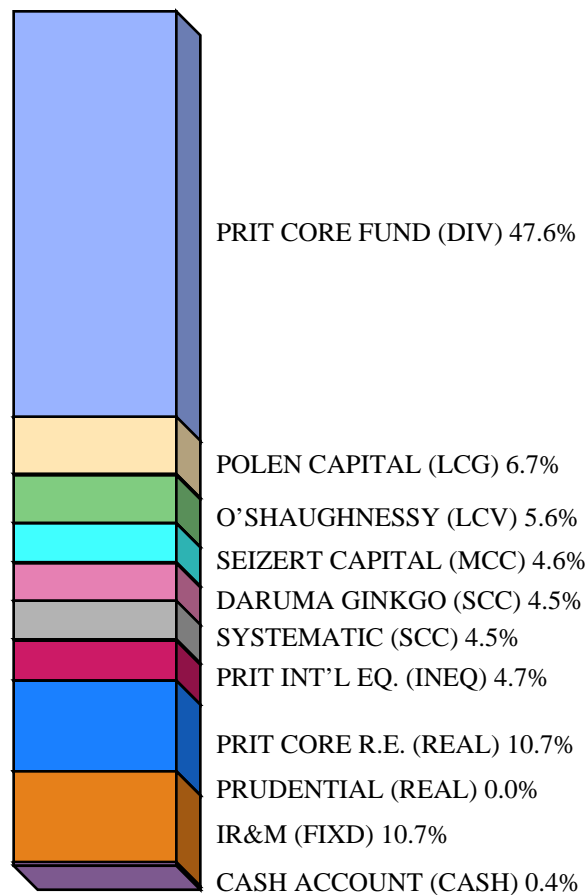
## MANAGER VALUE ADDED

Portfolio	Benchmark	1 Quarter	1 Year	3 Years	5 Years
PRIT Core Fund	Custom Core Idx	0.2 	-0.3 	1.1 	0.6 
Polen Capital	Russell 1000G	0.7 	10.1 	2.1 	N/A
O'Shaughnessy	Russell 1000V	-2.8 	-3.7 	1.8 	N/A
Seizert Capital	Russell Mid	-3.3 	-8.1 	-1.7 	N/A
Daruma Ginkgo	Russell 2000	4.7 	-1.3 	-1.2 	-1.4 
Systematic	Russell 2000	-0.1 	-4.3 	N/A	N/A
PRIT Int'l Eq.	MSCI EAFE	0.5 	1.6 	N/A	N/A
PRIT Core R.E.	NCREIF ODCE	0.4 	-3.1 	-1.4 	-1.0 
IR&M	Barclays Agg	0.1 	0.0 	0.7 	0.8 
<b>Total Portfolio</b>	<b>Policy Index</b>	-1.1 	-1.1 	-0.5 	-0.6 

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



**MANAGER ALLOCATION AND TARGET SUMMARY**



Name	Market Value	Percent	Target
PRIT Core Fund (DIV)	\$56,789,798	47.6	45.0
Polen Capital (LCG)	\$8,019,256	6.7	6.0
O'Shaughnessy (LCV)	\$6,662,892	5.6	6.0
Seizert Capital (MCC)	\$5,446,019	4.6	5.0
Daruma Ginkgo (SCC)	\$5,310,656	4.5	5.0
Systematic (SCC)	\$5,411,043	4.5	5.0
PRIT Int'l Eq. (INEQ)	\$5,587,647	4.7	5.0
PRIT Core R.E. (REAL)	\$12,730,489	10.7	10.0
Prudential (REAL)	\$90	0.0	0.0
IR&M (FIXD)	\$12,801,913	10.7	13.0
Cash Account (CASH)	\$508,021	0.4	0.0
<b>Total Portfolio</b>	<b>\$119,267,824</b>	<b>100.0</b>	<b>100.0</b>

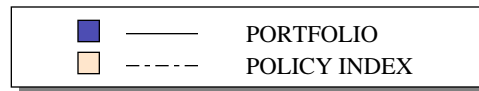
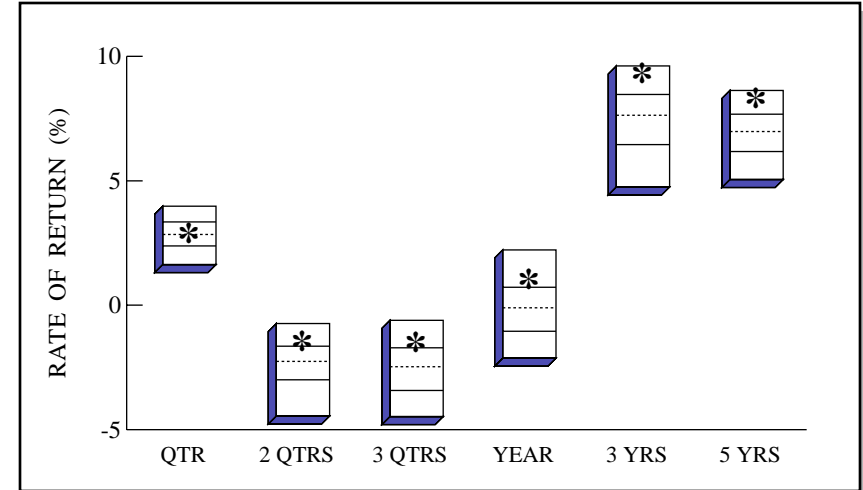
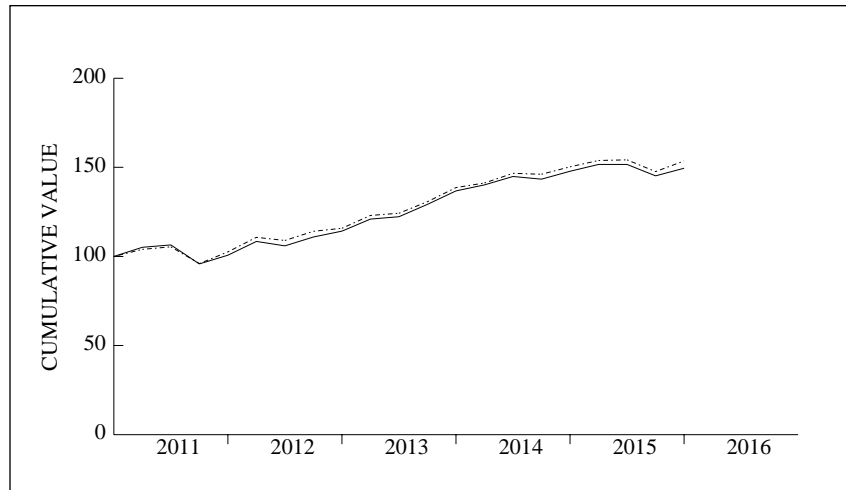
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**INVESTMENT RETURN SUMMARY - ONE QUARTER**

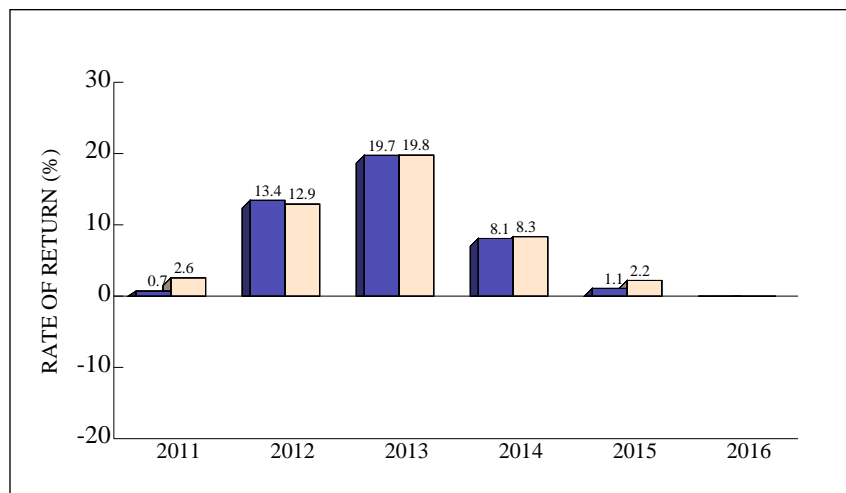
Name	Quarter Total Return	Market Value September 30th, 2015	Net Cashflow	Net Investment Return	Market Value December 31st, 2015
PRIT Core Fund (DIV)	2.4	55,510,973	-75,362	1,354,187	56,789,798
Polen Capital (LCG)	8.0	7,427,474	-31	591,813	8,019,256
O'Shaughnessy (LCV)	2.8	6,484,709	-413	178,596	6,662,892
Seizert Capital (MCC)	0.3	5,429,324	0	16,695	5,446,019
Daruma Ginkgo (SCC)	8.3	4,916,972	-13,056	406,740	5,310,656
Systematic (SCC)	3.5	5,225,782	0	185,261	5,411,043
PRIT Int'l Eq. (INEQ)	5.2	5,316,308	-2,634	273,973	5,587,647
PRIT Core R.E. (REAL)	3.7	13,262,527	-994,976	462,938	12,730,489
Prudential (REAL)	---	90	0	0	90
IR&M (FIXD)	-0.5	12,861,242	0	-59,329	12,801,913
Cash Account (CASH)	---	621,131	-113,363	253	508,021
<b>Total Portfolio</b>	<b>2.9</b>	<b>117,056,532</b>	<b>-1,199,835</b>	<b>3,411,127</b>	<b>119,267,824</b>



**TOTAL RETURN COMPARISONS**



Public Fund Universe

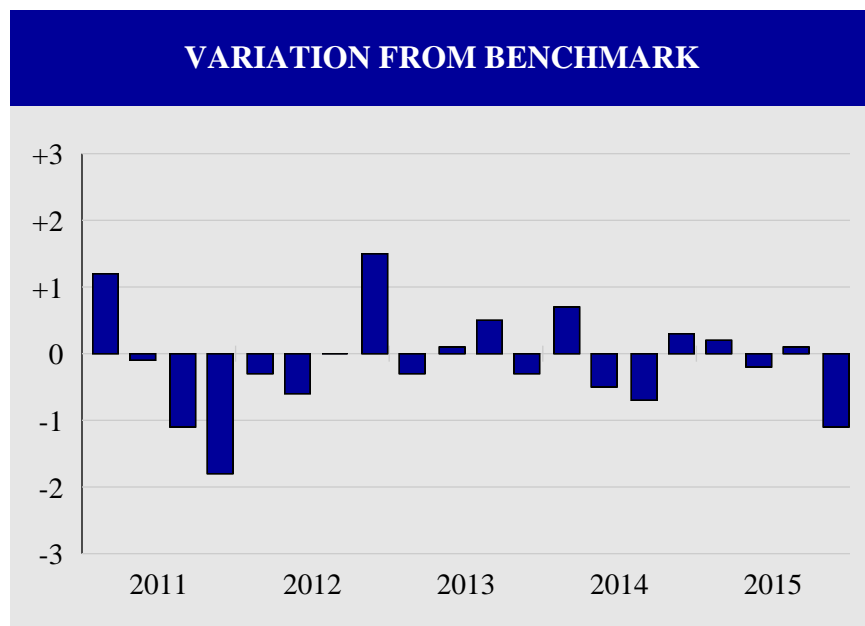


	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	2.9	-1.4	-1.5	1.1	9.4	8.4
(RANK)	(46)	(19)	(18)	(17)	(9)	(8)
5TH %ILE	4.0	-0.7	-0.6	2.2	9.6	8.6
25TH %ILE	3.4	-1.7	-1.7	0.7	8.5	7.7
MEDIAN	2.8	-2.3	-2.5	-0.1	7.6	7.0
75TH %ILE	2.4	-3.0	-3.4	-1.1	6.5	6.2
95TH %ILE	1.6	-4.5	-4.5	-2.1	4.8	5.1
<b>Policy Idx</b>	<b>4.0</b>	<b>-0.4</b>	<b>-0.2</b>	<b>2.2</b>	<b>9.9</b>	<b>9.0</b>

Public Fund Universe

### TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

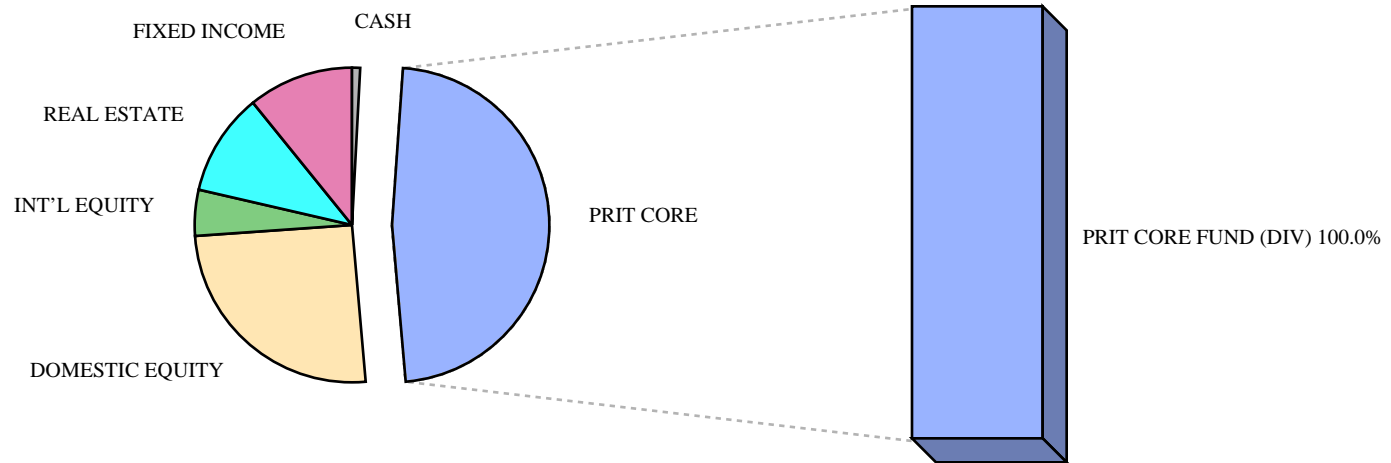
COMPARATIVE BENCHMARK: FRANKLIN REGIONAL POLICY INDEX



<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>9</b>
<b>Quarters Below the Benchmark</b>	<b>11</b>
<b>Batting Average</b>	<b>.450</b>

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
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	-1.1	-0.4	-0.7
12/14	3.1	2.8	0.3
3/15	2.6	2.4	0.2
6/15	0.0	0.2	-0.2
9/15	-4.2	-4.3	0.1
12/15	2.9	4.0	-1.1

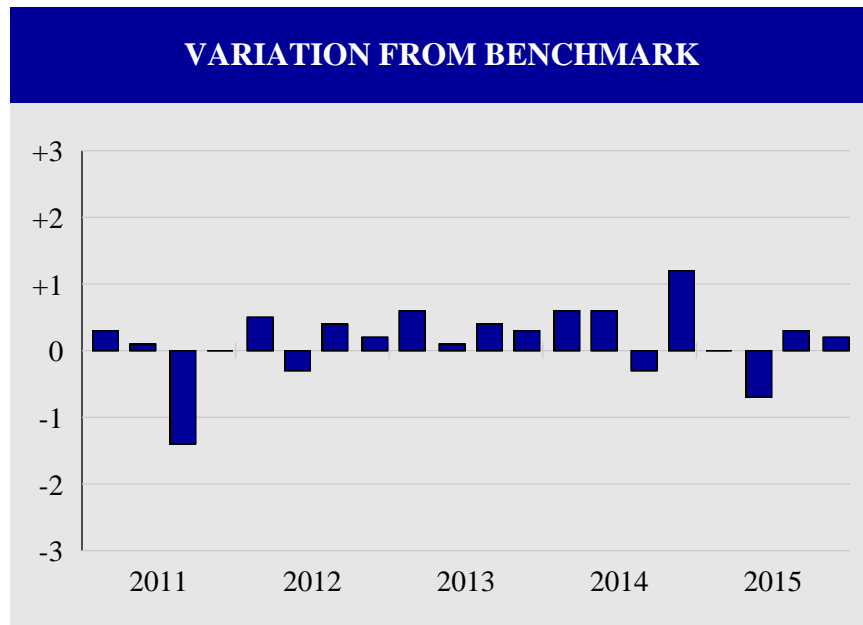
**PRIT CORE MANAGER SUMMARY**



TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
PRIT CORE FUND	(Public Fund)	2.4 (73)	1.0 (17)	1.0 (17)	8.1 (35)	7.6 (27)	\$56,789,798
<i>Custom Core Index</i>		<i>2.2 ---</i>	<i>1.3 ---</i>	<i>1.3 ---</i>	<i>7.0 ---</i>	<i>7.0 ---</i>	<i>---</i>

**PRIT CORE QUARTERLY PERFORMANCE SUMMARY**

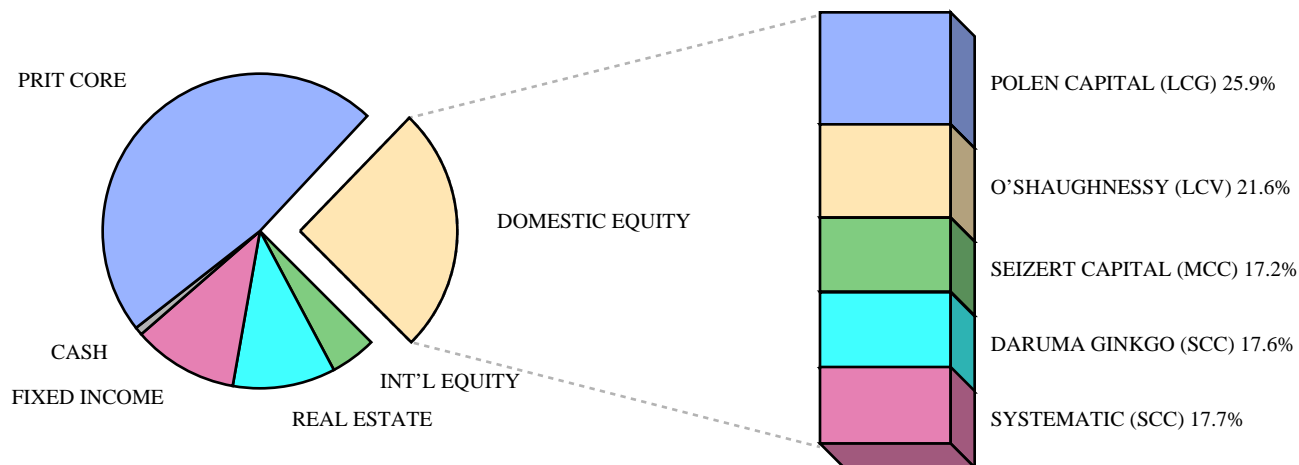
**COMPARATIVE BENCHMARK: CUSTOM CORE INDEX**



<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>16</b>
<b>Quarters Below the Benchmark</b>	<b>4</b>
<b>Batting Average</b>	<b>.800</b>

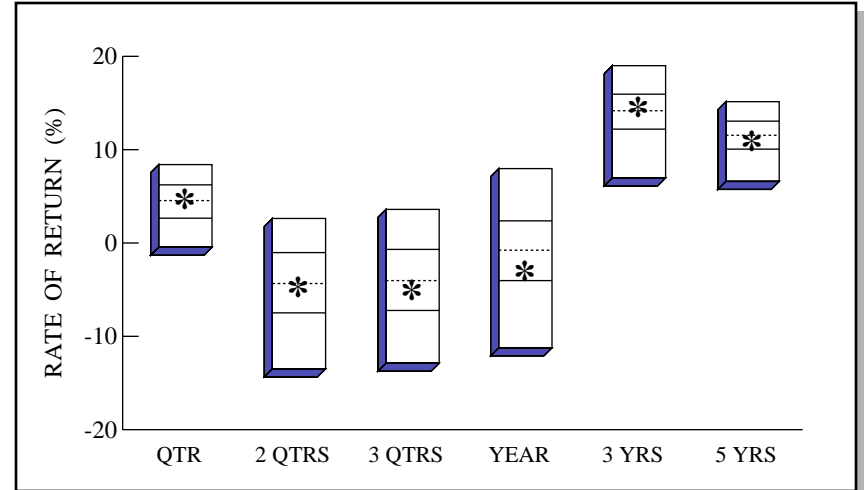
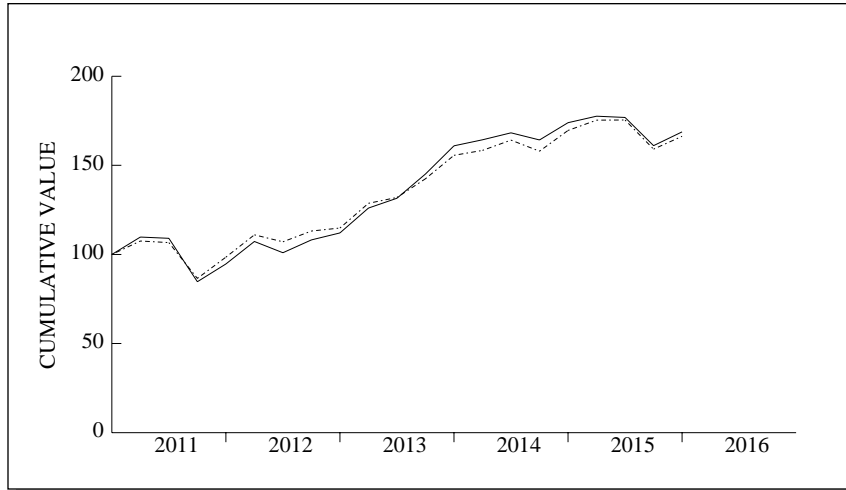
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/11	4.3	4.0	0.3
6/11	1.7	1.6	0.1
9/11	-9.0	-7.6	-1.4
12/11	3.7	3.7	0.0
3/12	7.3	6.8	0.5
6/12	-1.5	-1.2	-0.3
9/12	4.4	4.0	0.4
12/12	3.1	2.9	0.2
3/13	4.6	4.0	0.6
6/13	0.2	0.1	0.1
9/13	5.1	4.7	0.4
12/13	4.9	4.6	0.3
3/14	2.7	2.1	0.6
6/14	4.1	3.5	0.6
9/14	-0.8	-0.5	-0.3
12/14	2.1	0.9	1.2
3/15	2.7	2.7	0.0
6/15	0.0	0.7	-0.7
9/15	-3.9	-4.2	0.3
12/15	2.4	2.2	0.2

**DOMESTIC EQUITY MANAGER SUMMARY**

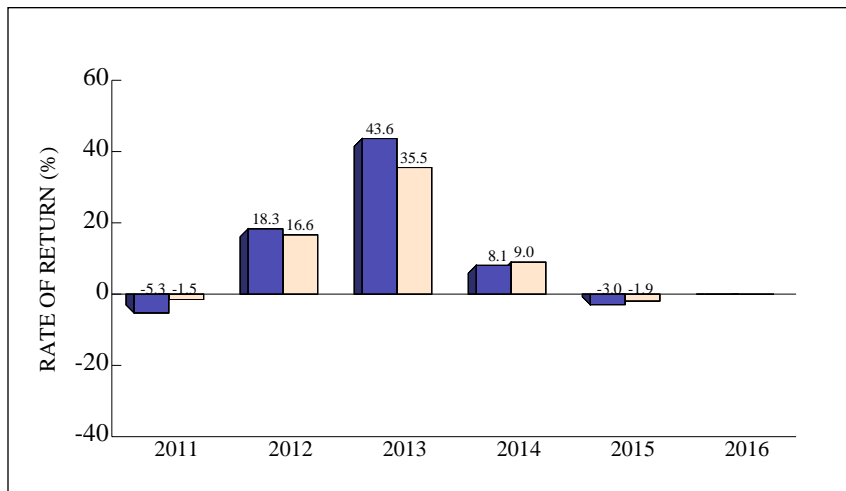


TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
POLEN CAPITAL	(Large Cap Growth)	8.0 (31)	15.8 (3)	15.8 (3)	18.9 (16)	----	\$8,019,256
<i>Russell 1000 Growth</i>		<i>7.3 ----</i>	<i>5.7 ----</i>	<i>5.7 ----</i>	<i>16.8 ----</i>	<i>13.5 ----</i>	----
O'SHAUGHNESSY	(Large Cap Value)	2.8 (90)	-7.5 (88)	-7.5 (88)	14.9 (31)	----	\$6,662,892
<i>Russell 1000 Value</i>		<i>5.6 ----</i>	<i>-3.8 ----</i>	<i>-3.8 ----</i>	<i>13.1 ----</i>	<i>11.3 ----</i>	----
SEIZERT CAPITAL	(Mid Cap)	0.3 (92)	-10.5 (99)	-10.5 (99)	12.5 (78)	----	\$5,446,019
<i>Russell Mid Cap</i>		<i>3.6 ----</i>	<i>-2.4 ----</i>	<i>-2.4 ----</i>	<i>14.2 ----</i>	<i>11.4 ----</i>	----
DARUMA GINKGO	(Small Cap)	8.3 (3)	-5.7 (79)	-5.7 (79)	10.5 (81)	7.8 (87)	\$5,310,656
SYSTEMATIC	(Small Cap)	3.5 (39)	-8.7 (91)	-8.7 (91)	----	----	\$5,411,043
<i>Russell 2000</i>		<i>3.6 ----</i>	<i>-4.4 ----</i>	<i>-4.4 ----</i>	<i>11.7 ----</i>	<i>9.2 ----</i>	----

**DOMESTIC EQUITY RETURN COMPARISONS**



Domestic Equity Universe

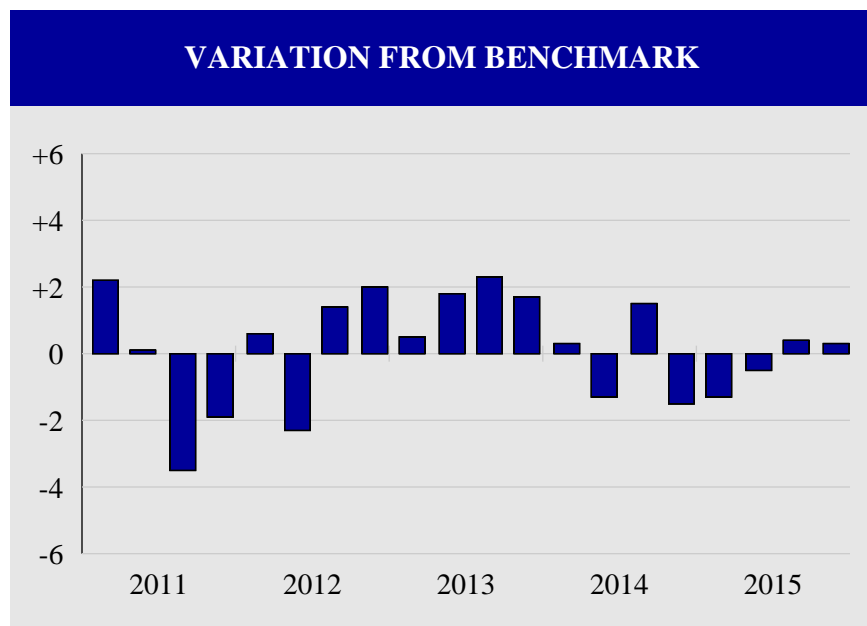


	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	4.8	-4.6	-5.0	-3.0	14.6	11.0
(RANK)	(47)	(52)	(58)	(68)	(45)	(60)
5TH %ILE	8.4	2.6	3.6	8.0	19.0	15.1
25TH %ILE	6.2	-1.0	-0.7	2.4	16.0	13.1
MEDIAN	4.6	-4.4	-4.0	-0.8	14.2	11.6
75TH %ILE	2.7	-7.5	-7.2	-4.0	12.2	10.1
95TH %ILE	-0.5	-13.5	-12.9	-11.2	7.0	6.6
<b>Equity Index</b>	<b>4.5</b>	<b>-5.2</b>	<b>-5.2</b>	<b>-1.9</b>	<b>13.1</b>	<b>10.7</b>

Domestic Equity Universe

## DOMESTIC EQUITY QUARTERLY PERFORMANCE SUMMARY

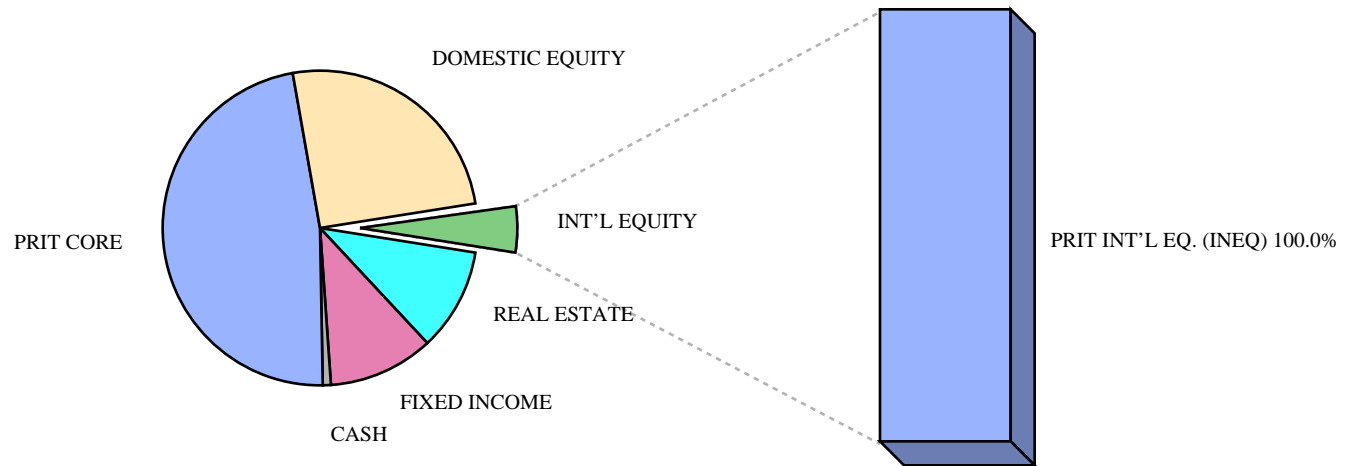
COMPARATIVE BENCHMARK: FRANKLIN COUNTY EQUITY INDEX



<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>13</b>
<b>Quarters Below the Benchmark</b>	<b>7</b>
<b>Batting Average</b>	<b>.650</b>

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
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	-2.3	-3.8	1.5
12/14	5.9	7.4	-1.5
3/15	2.1	3.4	-1.3
6/15	-0.4	0.1	-0.5
9/15	-9.0	-9.4	0.4
12/15	4.8	4.5	0.3

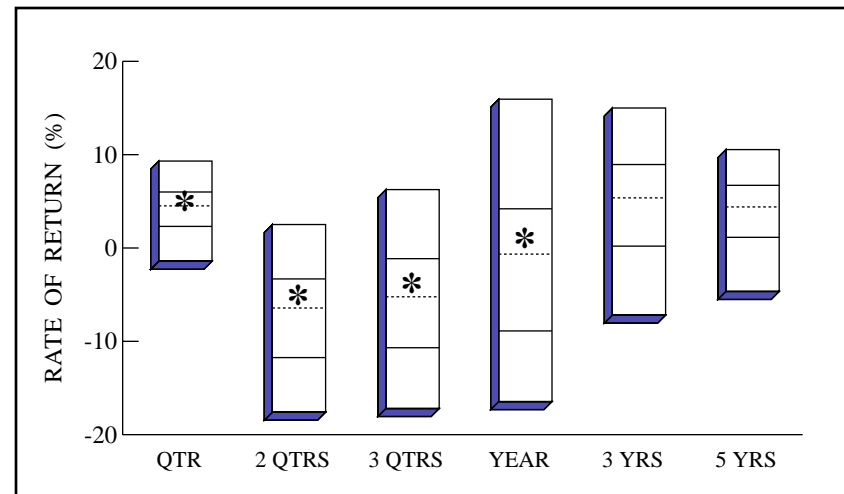
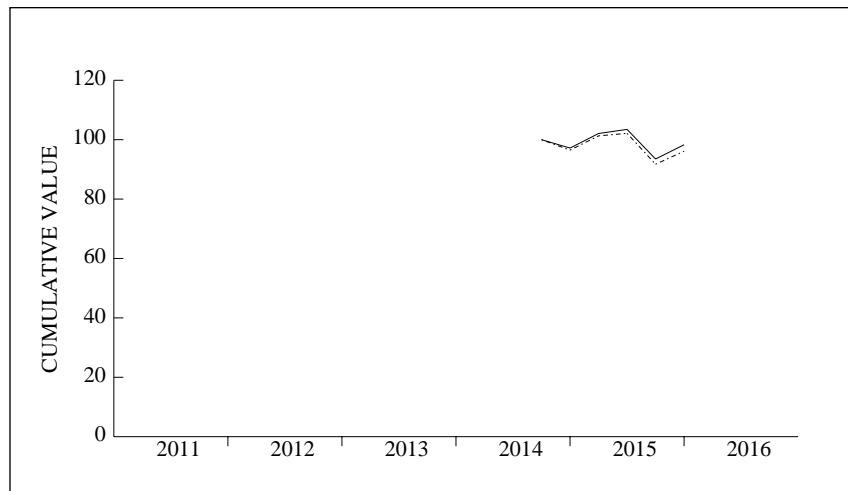
**INTERNATIONAL EQUITY MANAGER SUMMARY**



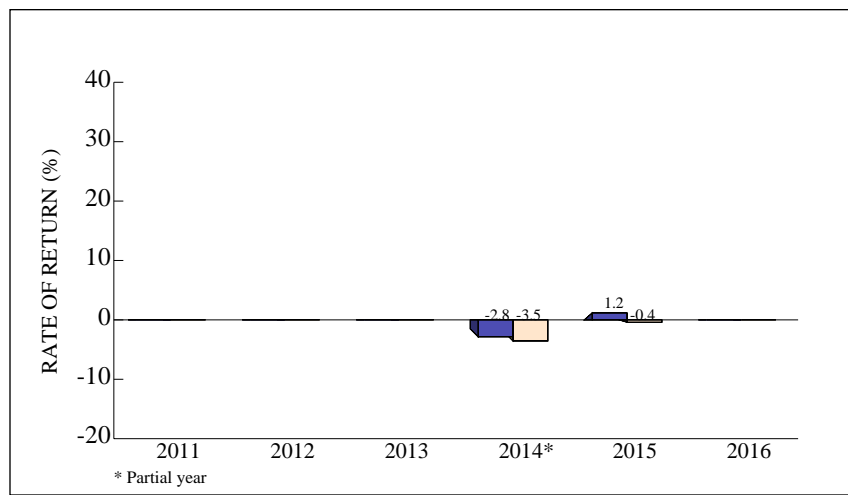
TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
PRIT INT'L EQ.	(International Equity)	5.2 (38)	1.2 (41)	1.2 (41)	----	----	\$5,587,647
<i>MSCI EAFE</i>		4.7 ----	-0.4 ----	-0.4 ----	5.5 ----	4.0 ----	----



### INTERNATIONAL EQUITY RETURN COMPARISONS



International Equity Universe



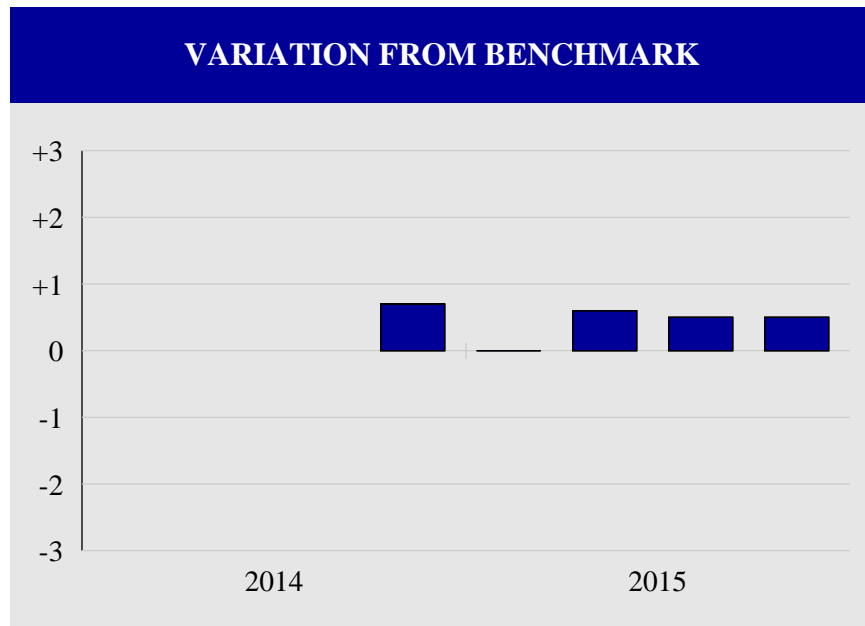
\* Partial year

	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	5.2	-5.0	-3.7	1.2	----	----
(RANK)	(38)	(40)	(41)	(41)	----	----
5TH %ILE	9.3	2.5	6.3	15.9	15.0	10.5
25TH %ILE	6.0	-3.3	-1.1	4.2	8.9	6.7
MEDIAN	4.5	-6.4	-5.2	-0.7	5.4	4.4
75TH %ILE	2.3	-11.7	-10.7	-8.9	0.2	1.1
95TH %ILE	-1.4	-17.6	-17.2	-16.5	-7.2	-4.7
<b>MSCI EAFE</b>	<b>4.7</b>	<b>-5.9</b>	<b>-5.1</b>	<b>-0.4</b>	<b>5.5</b>	<b>4.0</b>

International Equity Universe

**INTERNATIONAL EQUITY QUARTERLY PERFORMANCE SUMMARY**

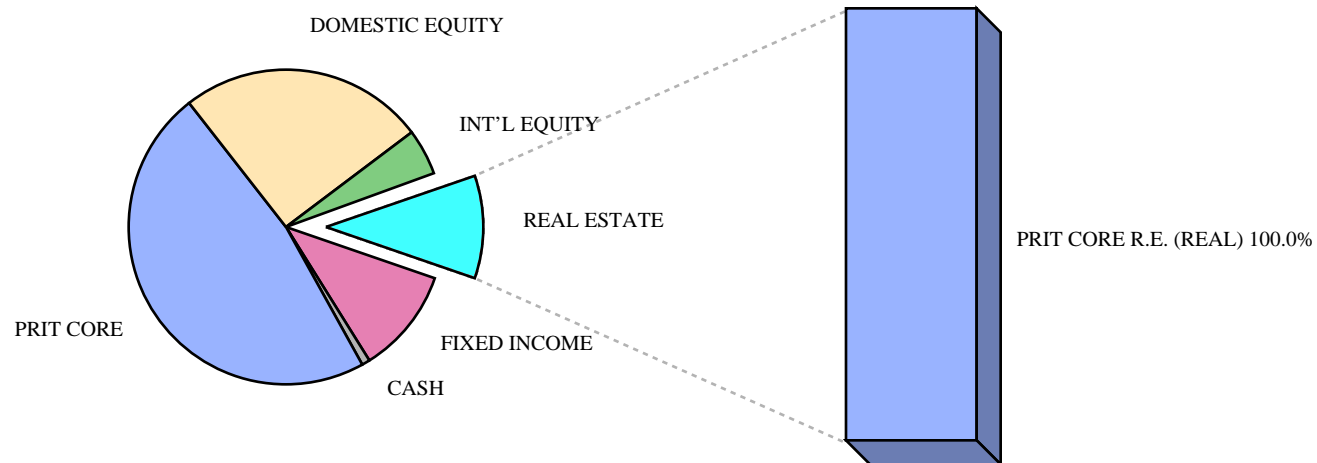
**COMPARATIVE BENCHMARK: MSCI EAFE**



<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
12/14	-2.8	-3.5	0.7
3/15	5.0	5.0	0.0
6/15	1.4	0.8	0.6
9/15	-9.7	-10.2	0.5
12/15	5.2	4.7	0.5

<b>Total Quarters Observed</b>	<b>5</b>
<b>Quarters At or Above the Benchmark</b>	<b>5</b>
<b>Quarters Below the Benchmark</b>	<b>0</b>
<b>Batting Average</b>	<b>1.000</b>

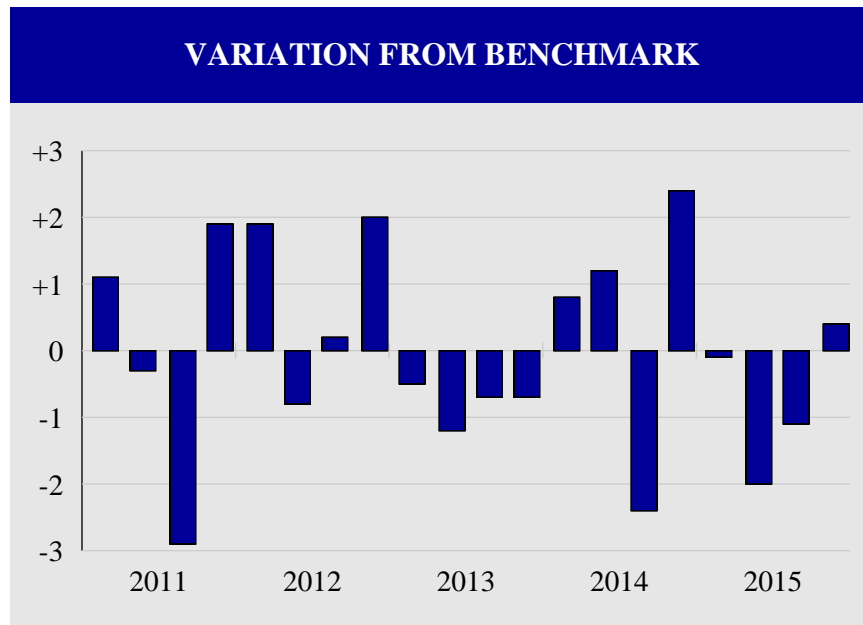
**REAL ESTATE MANAGER SUMMARY**



MANAGER	(UNIVERSE)	TOTAL RETURNS AND RANKINGS					MARKET VALUE
		QTR	YTD	1 YEAR	3 YEARS	5 YEARS	
PRIT CORE R.E.		3.7 ---	11.9 ---	11.9 ---	12.4 ---	12.6 ---	\$12,730,489
<i>NCREIF NFI-ODCE Index</i>		<i>3.3 ---</i>	<i>15.0 ---</i>	<i>15.0 ---</i>	<i>13.8 ---</i>	<i>13.6 ---</i>	---

## REAL ESTATE QUARTERLY PERFORMANCE SUMMARY

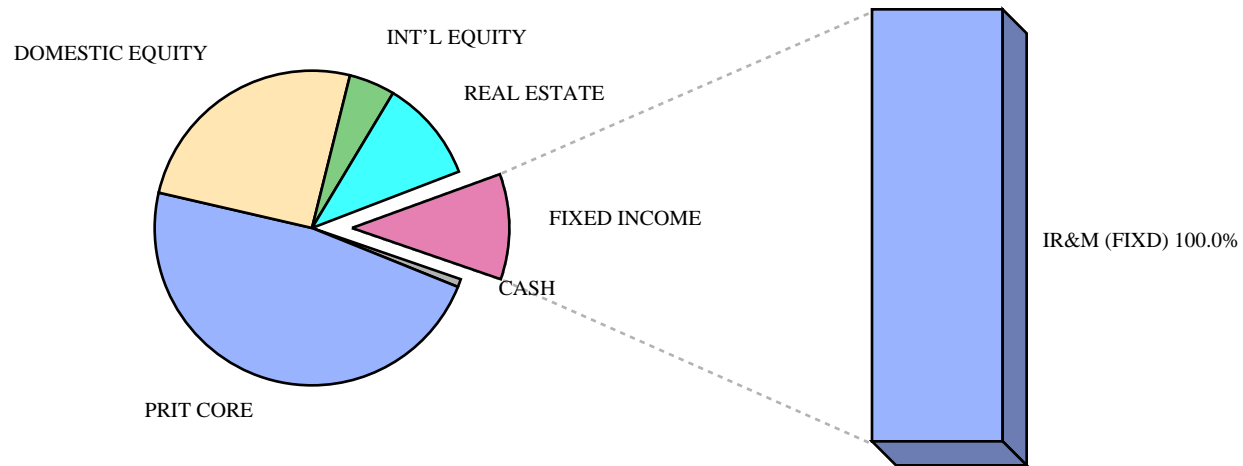
COMPARATIVE BENCHMARK: NCREIF NFI-ODCE INDEX



<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>9</b>
<b>Quarters Below the Benchmark</b>	<b>11</b>
<b>Batting Average</b>	<b>.450</b>

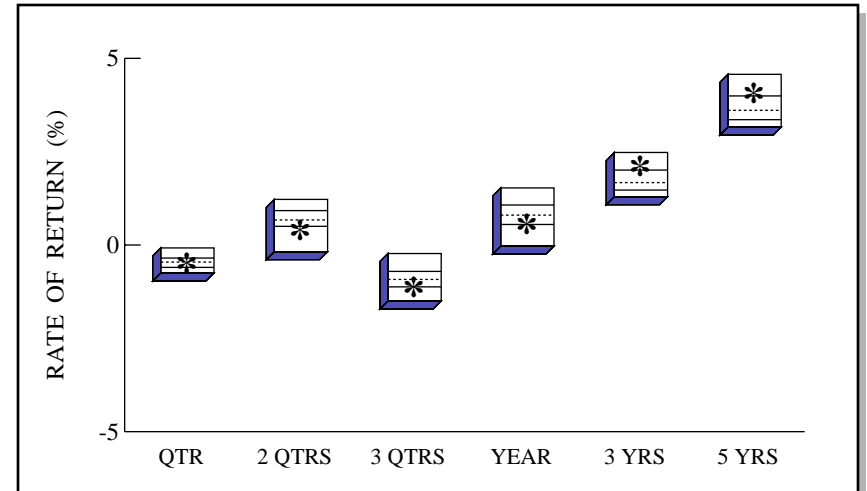
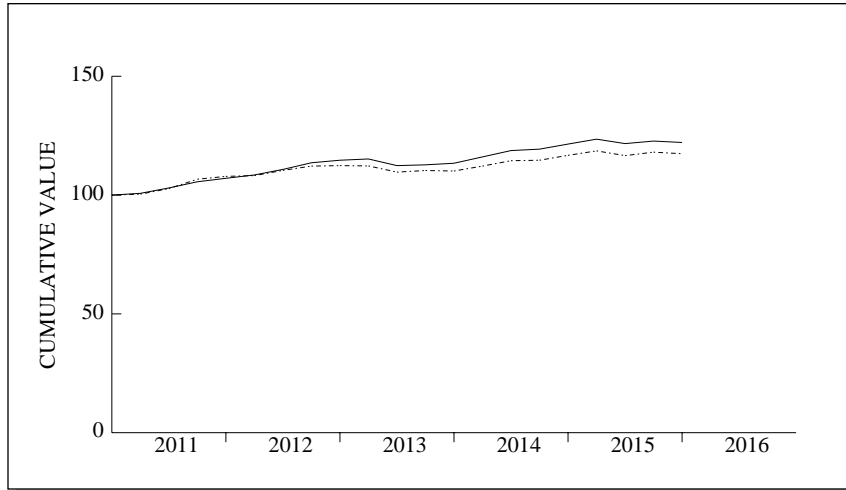
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/11	5.1	4.0	1.1
6/11	4.3	4.6	-0.3
9/11	0.6	3.5	-2.9
12/11	4.9	3.0	1.9
3/12	4.7	2.8	1.9
6/12	1.7	2.5	-0.8
9/12	3.0	2.8	0.2
12/12	4.3	2.3	2.0
3/13	2.2	2.7	-0.5
6/13	2.7	3.9	-1.2
9/13	2.9	3.6	-0.7
12/13	2.5	3.2	-0.7
3/14	3.3	2.5	0.8
6/14	4.1	2.9	1.2
9/14	0.8	3.2	-2.4
12/14	5.7	3.3	2.4
3/15	3.3	3.4	-0.1
6/15	1.8	3.8	-2.0
9/15	2.6	3.7	-1.1
12/15	3.7	3.3	0.4

**FIXED INCOME MANAGER SUMMARY**

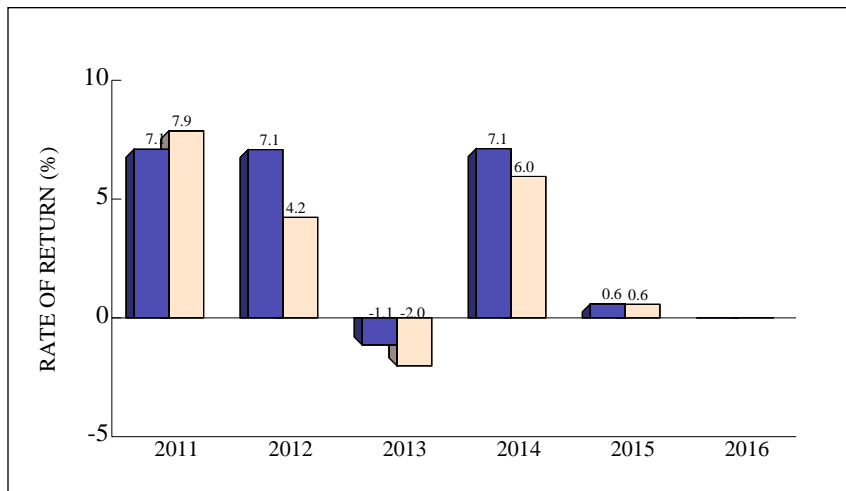
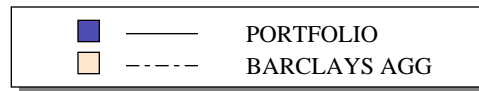


TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
IR&M	(Core Fixed Income)	-0.5 (57)	0.6 (70)	0.6 (70)	2.1 (17)	4.1 (22)	\$12,801,913
<i>Barclays Aggregate Index</i>		-0.6 ----	0.6 ----	0.6 ----	1.4 ----	3.3 ----	----

**FIXED INCOME RETURN COMPARISONS**



Core Fixed Income Universe

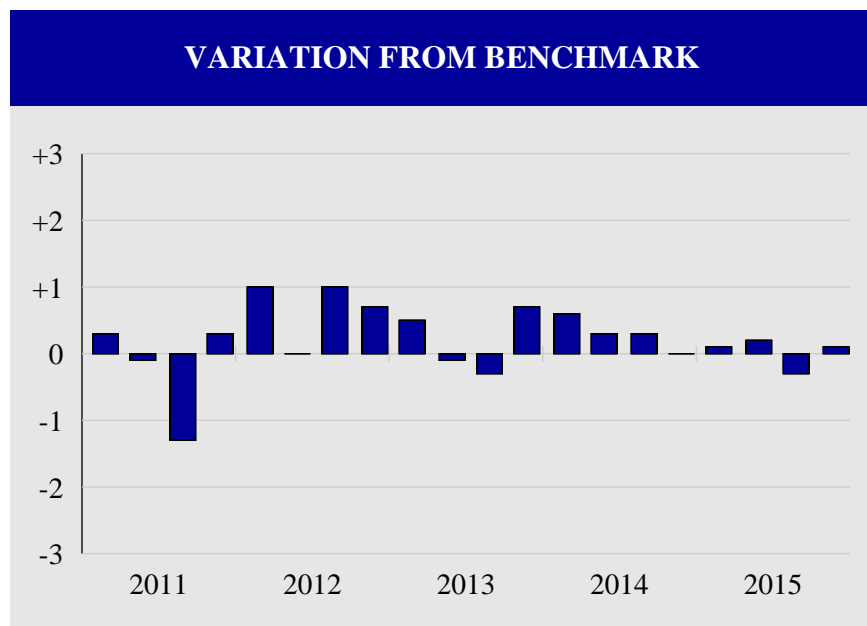


	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	-0.5	0.4	-1.1	0.6	2.1	4.1
(RANK)	(57)	(84)	(75)	(70)	(17)	(22)
5TH %ILE	-0.1	1.2	-0.2	1.5	2.5	4.6
25TH %ILE	-0.4	0.9	-0.7	1.1	2.0	4.0
MEDIAN	-0.5	0.7	-0.9	0.8	1.7	3.6
75TH %ILE	-0.6	0.5	-1.1	0.6	1.5	3.4
95TH %ILE	-0.8	-0.2	-1.5	0.0	1.3	3.2
<b>Agg Index</b>	<b>-0.6</b>	<b>0.7</b>	<b>-1.0</b>	<b>0.6</b>	<b>1.4</b>	<b>3.3</b>

Core Fixed Income Universe

## FIXED INCOME QUARTERLY PERFORMANCE SUMMARY

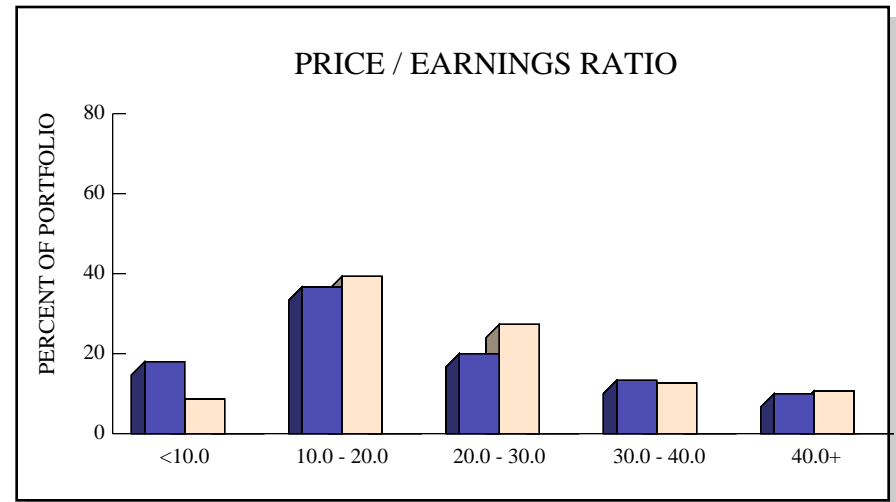
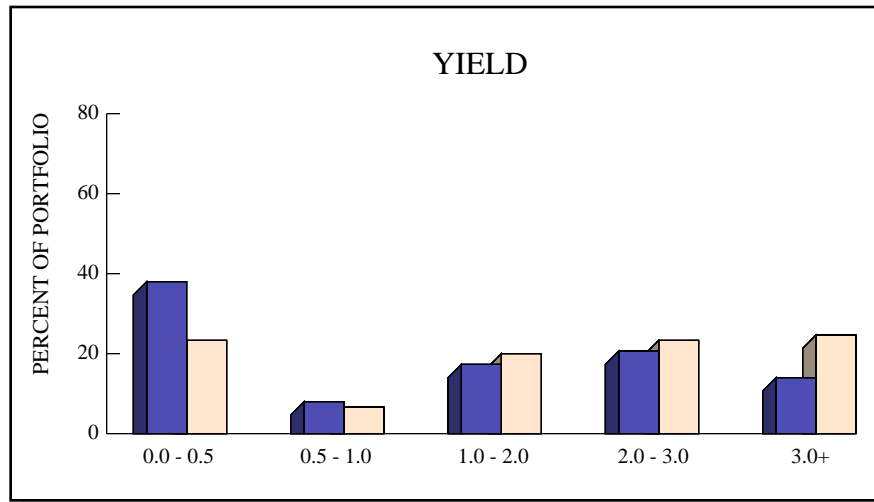
COMPARATIVE BENCHMARK: BARCLAYS AGGREGATE INDEX



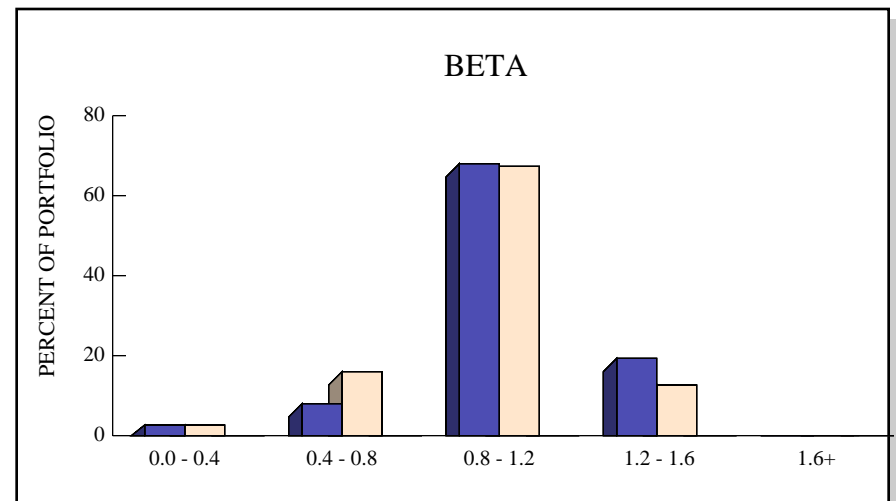
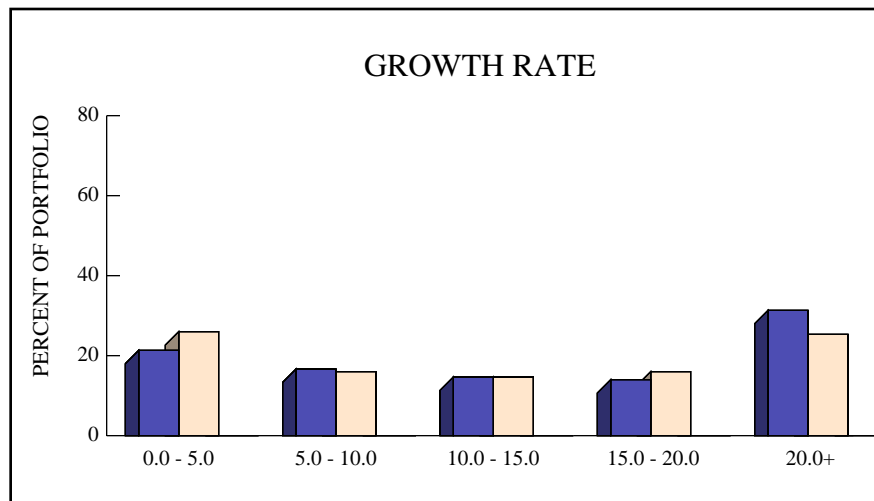
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/11	0.7	0.4	0.3
6/11	2.2	2.3	-0.1
9/11	2.5	3.8	-1.3
12/11	1.4	1.1	0.3
3/12	1.3	0.3	1.0
6/12	2.1	2.1	0.0
9/12	2.6	1.6	1.0
12/12	0.9	0.2	0.7
3/13	0.4	-0.1	0.5
6/13	-2.4	-2.3	-0.1
9/13	0.3	0.6	-0.3
12/13	0.6	-0.1	0.7
3/14	2.4	1.8	0.6
6/14	2.3	2.0	0.3
9/14	0.5	0.2	0.3
12/14	1.8	1.8	0.0
3/15	1.7	1.6	0.1
6/15	-1.5	-1.7	0.2
9/15	0.9	1.2	-0.3
12/15	-0.5	-0.6	0.1

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

**STOCK CHARACTERISTICS**

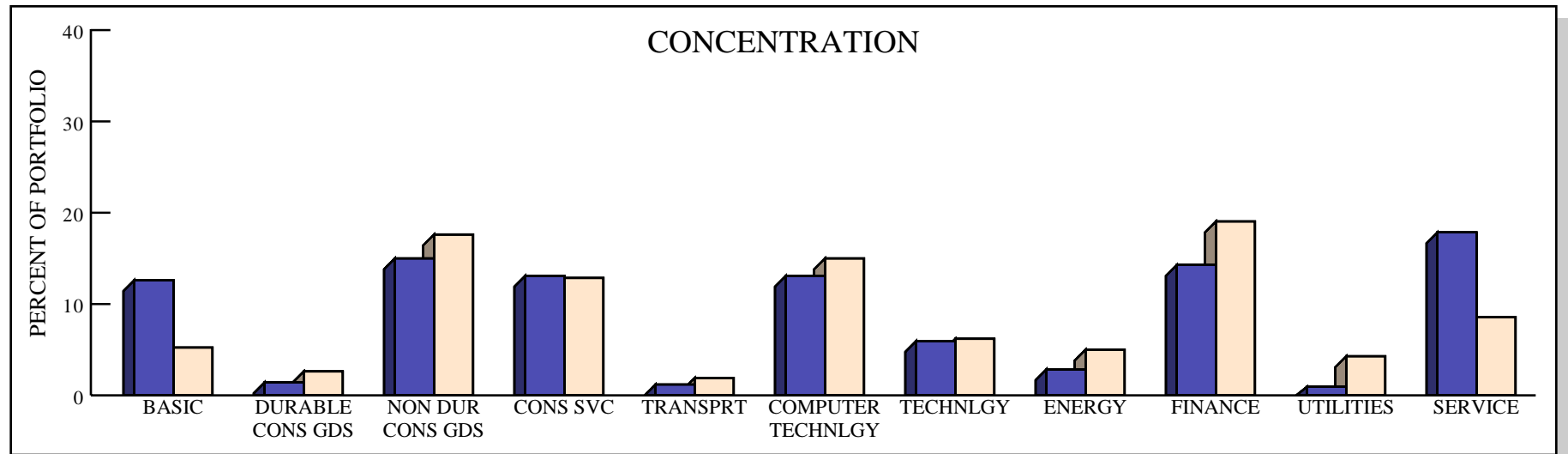


	# HOLDINGS	YIELD	GROWTH	P/E	BETA
PORTFOLIO	422	1.6%	14.9%	21.3	1.02
RUSSELL 3000	3,021	2.0%	13.8%	23.1	0.97

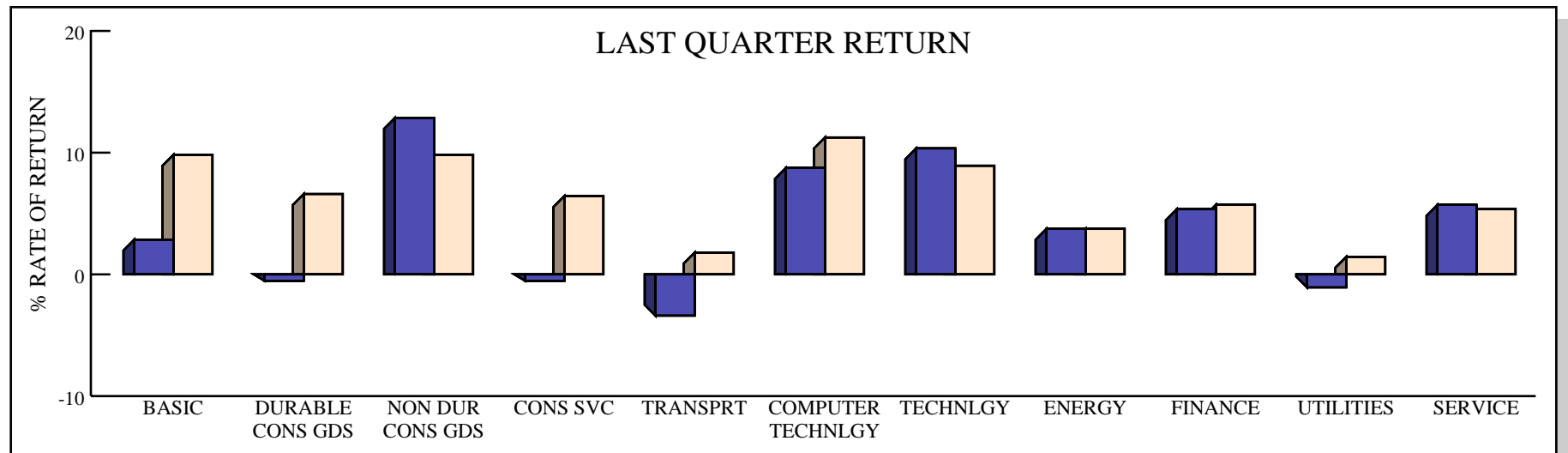




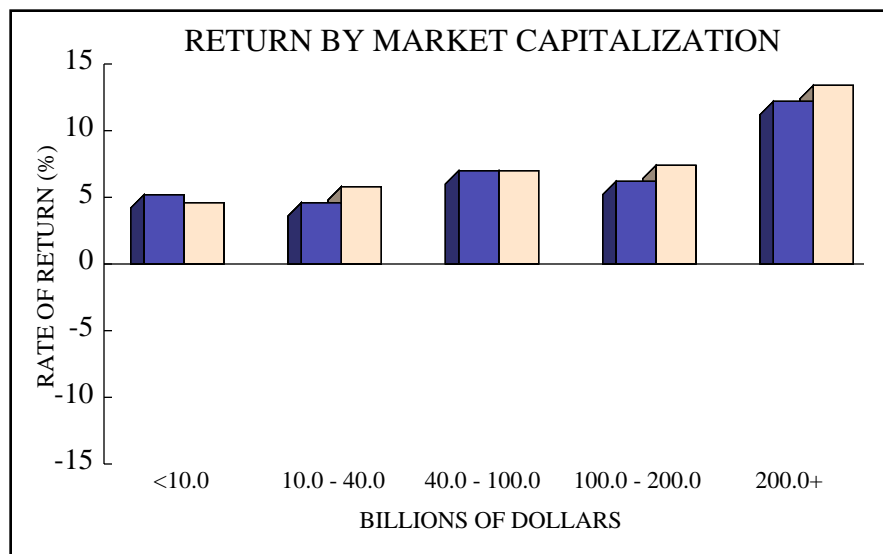
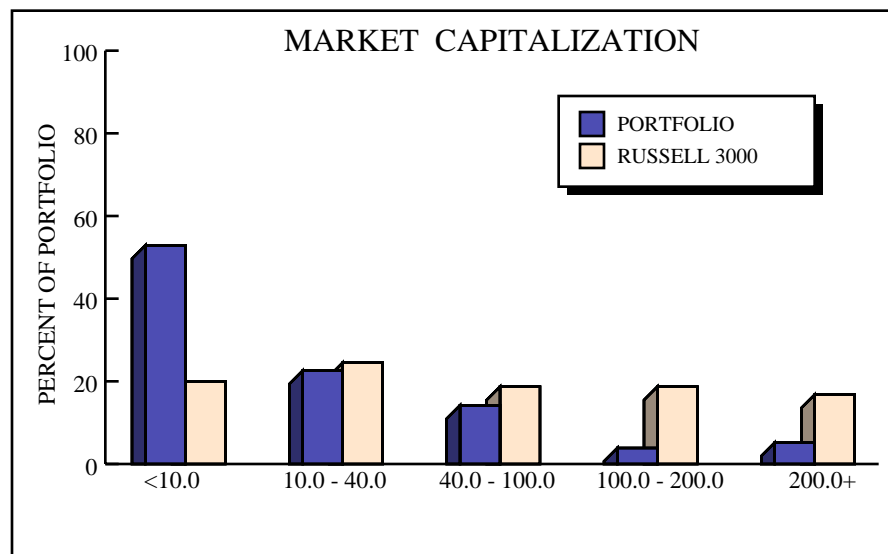
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL 3000



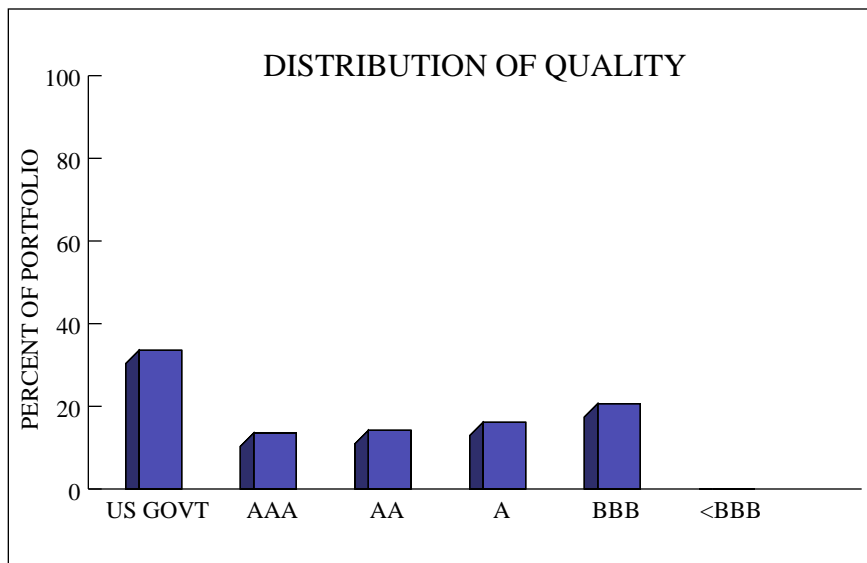
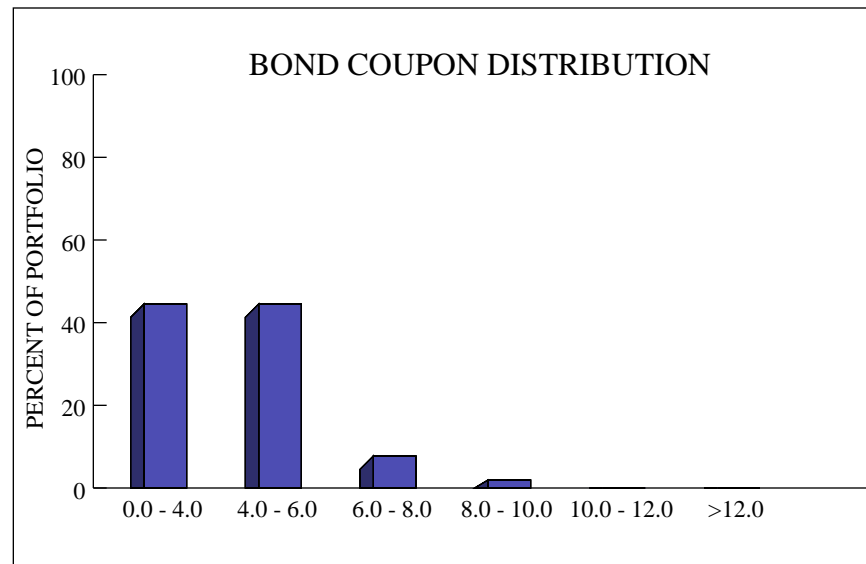
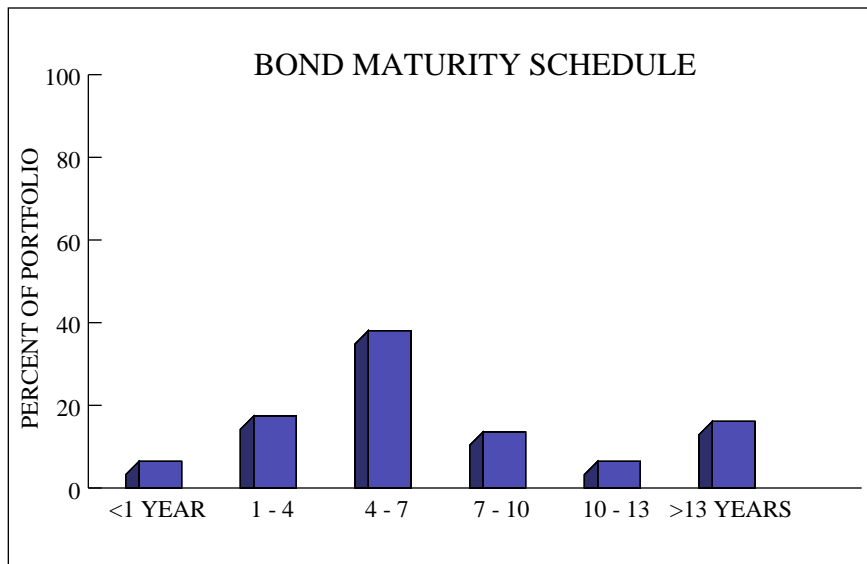
## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	VISA INC-CLASS A SHARES	\$ 619,547	2.05%	11.5%	Finance	\$ 150.1 B
2	NIKE INC -CL B	588,250	1.95%	1.9%	NonDur Cons Goods	84.3 B
3	ALPHABET INC-CL C	517,556	1.71%	24.7%	Computer Tech	262.2 B
4	STARBUCKS CORP	513,317	1.70%	5.9%	Consumer Service	89.1 B
5	ABBOTT LABORATORIES	437,199	1.45%	12.2%	NonDur Cons Goods	67.0 B
6	PRICELINE GROUP INC/THE	424,558	1.40%	3.1%	Service	63.5 B
7	REGENERON PHARMACEUTICALS	414,753	1.37%	16.7%	NonDur Cons Goods	55.5 B
8	TJX COMPANIES INC	391,707	1.30%	-0.4%	Consumer Service	47.5 B
9	ACCENTURE PLC-CL A	379,126	1.25%	6.9%	Service	65.6 B
10	AUTOMATIC DATA PROCESSING	364,127	1.20%	6.0%	Service	39.1 B

**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>BARCLAYS AGG</b>
No. of Securities	234	9,720
Duration	5.92	5.68
YTM	2.91	2.59
Average Coupon	3.99	3.18
Avg Maturity / WAL	8.39	7.94
Average Quality	AA	USG-AAA

**PRIT MANAGER RETURNS AND ALLOCATIONS  
AS OF DECEMBER 31, 2015**

PORTFOLIO	QTR	ANNUALIZED			% Allocation
		1 YEAR	3 YEARS	5 YEARS	
<b>Domestic Equity</b>	<b>6.1</b>	<b>0.3</b>	<b>14.4</b>	<b>12.1</b>	<b>18.7</b>
Intech	6.1	3.1	16.4	13.6	1.2
PIMCO Domestic	7.5	0.7	14.8	13.3	1.5
SSgA S&P 500	7.1	1.2	15.2	---	12.0
Summit Creek	3.6	0.8	---	---	0.3
Frontier	4.2	-0.7	---	---	0.4
Huber	1.3	-13.0	---	---	0.4
RiverBridge	3.4	0.5	---	---	0.3
SouthernSun	-2.5	-12.8	---	---	0.1
SSgA Russell 2500	3.3	-3.0	12.2	---	2.5
<i>S&amp;P 500</i>	<i>7.0</i>	<i>1.4</i>	<i>15.1</i>	<i>12.6</i>	---
<i>Russell 2500</i>	<i>3.3</i>	<i>-2.9</i>	<i>12.5</i>	<i>10.3</i>	---
<b>International Equity</b>	<b>5.2</b>	<b>1.2</b>	<b>6.7</b>	<b>4.9</b>	<b>16.9</b>
SSgA World Ex-US	4.2	-1.6	5.0	3.5	8.4
Marathon Asset Management	5.7	6.9	9.9	7.2	4.1
Baillie Gifford	7.3	2.3	6.7	5.1	3.0
Mondrian	4.5	-0.5	7.3	5.4	1.3
FIS	5.6	3.1	---	---	0.2
<i>MSCI EAFE</i>	<i>4.7</i>	<i>-0.4</i>	<i>5.5</i>	<i>4.1</i>	---
<i>ACWI EX US</i>	<i>3.3</i>	<i>-5.3</i>	<i>1.9</i>	<i>1.5</i>	---
<b>Emerging Markets Equity</b>	<b>1.9</b>	<b>-12.8</b>	<b>-5.4</b>	<b>-3.9</b>	<b>6.8</b>
SSgA Emerging Markets	1.2	-13.3	-5.7	-4.2	1.7
AQR Emerging	0.0	---	---	---	0.9
Baillie Gifford EMM	8.5	---	---	---	1.0
Driehaus Capital	0.6	---	---	---	0.9
Harding Loevner	2.1	---	---	---	0.7
Pzena	-0.6	---	---	---	0.9
Emerging Markets Transition	---	---	---	---	0.0
Acadian	2.7	-6.8	6.5	---	0.2
Wasatch	2.4	-6.8	-1.4	---	0.2
Acadian Frontier	0.6	---	---	---	0.2
City of London	-1.4	---	---	---	0.2
<i>MSCI Emerging Markets</i>	<i>0.7</i>	<i>-14.6</i>	<i>-6.4</i>	<i>-4.5</i>	---

**PRIT MANAGER RETURNS AND ALLOCATIONS  
AS OF DECEMBER 31, 2015**

PORTFOLIO	QTR	ANNUALIZED			% Allocation
		1 YEAR	3 YEARS	5 YEARS	
<b>Core Fixed Income</b>	<b>-0.8</b>	<b>-2.0</b>	<b>3.2</b>	<b>4.8</b>	<b>12.9</b>
Blackrock Passive	-0.6	0.4	1.4	3.3	1.3
PIMCO Core	-0.3	0.2	1.2	3.4	1.3
Loomis Sayles Core	-0.6	1.1	2.5	4.4	1.9
Community Capital Management	-0.3	1.9	2.1	3.5	0.0
AFL - CIO Housing Investment	-0.7	1.3	1.7	3.5	0.2
Access Capital - ETI	0.0	1.9	2.3	3.3	0.2
BlackRock STRIPS	-1.1	-3.7	---	---	4.9
Blackrock TIPS	-0.7	-1.4	-2.3	2.5	1.0
Blackrock ILBs	-0.7	-1.1	0.7	3.9	2.1
<i>Barclays Aggregate</i>	<i>-0.6</i>	<i>0.6</i>	<i>1.5</i>	<i>3.3</i>	<i>---</i>
<i>Barclays STRIPS 20+Yrs</i>	<i>-1.1</i>	<i>-3.7</i>	<i>---</i>	<i>---</i>	<i>---</i>
<i>Barclays US TIPS</i>	<i>-0.6</i>	<i>-1.4</i>	<i>-2.3</i>	<i>2.6</i>	<i>---</i>
<i>Barclays ILB US Hedged</i>	<i>-1.0</i>	<i>-1.1</i>	<i>0.6</i>	<i>3.6</i>	<i>---</i>
<i>Barclays Aggregate A or Better</i>	<i>-0.5</i>	<i>1.1</i>	<i>1.5</i>	<i>3.1</i>	<i>---</i>
<b>Value-Added Fixed Income</b>	<b>-1.4</b>	<b>-4.1</b>	<b>0.7</b>	<b>4.5</b>	<b>8.3</b>
Fidelity	-0.9	-1.3	3.3	6.2	0.5
Loomis Sayles High Yield	-2.2	-4.9	2.3	6.0	0.5
Shenkman	-1.1	-2.1	2.2	4.8	0.5
Eaton Vance	-1.7	-0.3	2.0	3.5	0.8
ING	-1.1	1.4	3.5	4.8	0.8
Ashmore	0.9	1.4	-1.2	4.0	0.7
PIMCO EMD	1.6	-0.5	-1.4	4.1	0.5
Investec	-0.9	-15.6	-9.8	---	0.5
Pictet	0.2	-13.7	-9.8	---	0.8
Stone Harbor	0.3	-14.5	-11.3	---	0.5
Distressed Debt	-3.9	-2.6	9.1	9.8	2.2
<i>ML Master High Yield</i>	<i>-2.2</i>	<i>-4.6</i>	<i>1.7</i>	<i>4.8</i>	<i>---</i>
<i>JPM EMBI</i>	<i>1.3</i>	<i>1.2</i>	<i>1.0</i>	<i>5.4</i>	<i>---</i>

**PRIT MANAGER RETURNS AND ALLOCATIONS  
AS OF DECEMBER 31, 2015**

PORTFOLIO	QTR	ANNUALIZED			% Allocation
		1 YEAR	3 YEARS	5 YEARS	
<b>Private Equity</b>	<b>0.9</b>	<b>16.5</b>	<b>19.2</b>	<b>18.0</b>	<b>11.4</b>
Total Special Equity	0.8	15.1	18.4	17.6	8.3
Total Venture Capital	1.4	23.1	24.4	21.9	2.7
<i>Cambridge Private Equity (Lagged)</i>	<i>-1.8</i>	<i>5.4</i>	<i>13.5</i>	<i>14.2</i>	<i>---</i>
<b>Private Real Estate</b>	<b>3.8</b>	<b>14.6</b>	<b>14.5</b>	<b>14.2</b>	<b>7.9</b>
Invesco Core	7.6	12.9	14.2	13.8	1.8
Lasalle	3.7	13.8	13.5	14.2	2.6
AEW	3.7	14.9	14.3	14.5	1.3
JP Morgan	2.2	11.0	9.4	11.1	1.4
AEW Core Transition	-4.2	---	---	---	-4.2
Non-Core	10.8	24.4	13.2	---	0.7
Canyon Johnson II	12.1	0.1	-1.0	-2.0	0.0
Intercontinental IV	6.6	50.3	27.8	19.4	0.0
New Boston Urban I	2.3	2.8	4.2	5.6	0.0
Portfolio Debt	---	---	---	---	0.9
<i>NCREIF ODCE</i>	<i>3.3</i>	<i>15.0</i>	<i>13.8</i>	<i>13.7</i>	<i>---</i>
<b>REITS</b>	<b>3.9</b>	<b>0.7</b>	<b>6.5</b>	<b>8.2</b>	<b>2.0</b>
Invesco Global REIT	3.5	0.1	6.8	---	0.5
Centersquare Global REIT	4.1	1.1	7.2	---	1.3
Invesco Transition	3.5	0.0	---	---	0.2
<i>NAREIT</i>	<i>7.7</i>	<i>2.8</i>	<i>10.6</i>	<i>11.9</i>	<i>---</i>
<i>FTSE EPRA NAREIT</i>	<i>4.4</i>	<i>-0.1</i>	<i>6.5</i>	<i>8.2</i>	<i>---</i>

**PRIT MANAGER RETURNS AND ALLOCATIONS  
AS OF DECEMBER 31, 2015**

PORTFOLIO	QTR	ANNUALIZED			% Allocation
		1 YEAR	3 YEARS	5 YEARS	
<b>Timber</b>	<b>-2.2</b>	<b>0.0</b>	<b>6.4</b>	<b>5.1</b>	<b>2.8</b>
Forest	-1.1	2.3	6.9	5.7	1.9
The Campbell Group	-2.7	-2.6	6.1	---	1.5
<i>NCREIF Timber</i>	<i>1.9</i>	<i>5.0</i>	<i>8.4</i>	<i>6.8</i>	---
<b>Natural Resources - Public</b>	<b>2.1</b>	<b>-20.9</b>	<b>-7.6</b>	<b>-7.7</b>	<b>0.0</b>
<b>Natural Resources - Private</b>	<b>-10.2</b>	<b>-25.4</b>	<b>-6.7</b>	<b>0.7</b>	<b>0.4</b>
<b>Hedge Funds (Net)</b>	<b>0.2</b>	<b>-1.8</b>	<b>5.3</b>	<b>4.3</b>	<b>9.0</b>
Arden HFOF Liquidation	0.9	0.4	4.8	---	0.1
Ivy Liquidation	6.4	7.6	8.9	4.1	0.0
PAAMCO	-0.2	-2.2	5.9	4.0	1.5
Direct Hedge Funds	0.3	-1.9	5.4	---	7.5
<i>HFRI FOF</i>	<i>0.7</i>	<i>-0.4</i>	<i>3.9</i>	<i>2.1</i>	---
<b>Portable Alpha Wind Down (Net)</b>	<b>-1.8</b>	<b>-10.4</b>	<b>-4.8</b>	<b>-3.9</b>	<b>0.0</b>
Austin Capital	-0.9	-0.3	-11.9	-10.5	0.0
Crestline	-1.5	-14.7	-5.5	-2.6	0.0
Strategic	-2.2	-8.0	-2.2	-3.8	0.0
<i>HFRI FOF</i>	<i>0.7</i>	<i>-0.4</i>	<i>3.9</i>	<i>2.1</i>	---
<b>Overlay</b>	<b>7.3</b>	<b>3.8</b>	---	---	<b>0.9</b>
Clifton	1.7	-3.9	---	---	0.2
Overlay Cash	---	---	---	---	

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

*Source: PRIM Board*

## APPENDIX - MAJOR MARKET INDEX RETURNS

<b>Economic Data</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Consumer Price Index	Economic Data	-0.6	0.7	0.7	1.0	1.6
<b>Domestic Equity</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Russell 3000	Broad Equity	6.3	0.5	0.5	14.7	12.2
S&P 500	Large Cap Core	7.0	1.4	1.4	15.1	12.6
Russell 1000	Large Cap	6.5	0.9	0.9	15.0	12.4
Russell 1000 Growth	Large Cap Growth	7.3	5.7	5.7	16.8	13.5
Russell 1000 Value	Large Cap Value	5.6	-3.8	-3.8	13.1	11.3
Russell Mid Cap	Midcap	3.6	-2.4	-2.4	14.2	11.4
Russell Mid Cap Growth	Midcap Growth	4.1	-0.2	-0.2	14.9	11.5
Russell Mid Cap Value	Midcap Value	3.1	-4.8	-4.8	13.4	11.2
Russell 2000	Small Cap	3.6	-4.4	-4.4	11.7	9.2
Russell 2000 Growth	Small Cap Growth	4.3	-1.4	-1.4	14.3	10.7
Russell 2000 Value	Small Cap Value	2.9	-7.5	-7.5	9.1	7.7
<b>International Equity</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
MSCI All Country World Ex US	Foreign Equity	3.3	-5.3	-5.3	1.9	1.5
MSCI EAFE	Developed Markets Equity	4.7	-0.4	-0.4	5.5	4.0
MSCI EAFE Growth	Developed Markets Growth	6.7	4.5	4.5	7.2	5.0
MSCI EAFE Value	Developed Markets Value	2.7	-5.2	-5.2	3.7	3.1
MSCI Emerging Markets	Emerging Markets Equity	0.7	-14.6	-14.6	-6.4	-4.5
<b>Domestic Fixed Income</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Barclays Aggregate Index	Core Fixed Income	-0.6	0.6	0.6	1.4	3.3
Barclays Capital Gov't Bond	Treasuries	-0.9	0.8	0.8	1.0	2.8
Barclays Capital Credit Bond	Corporate Bonds	-0.5	-0.8	-0.8	1.5	4.4
Intermediate Aggregate	Core Intermediate	-0.5	1.2	1.2	1.4	2.7
ML/BoA 1-3 Year Treasury	Short Term Treasuries	-0.4	0.5	0.5	0.5	0.6
Citi High Yield BB & B Index	High Yield Bonds	-1.7	-4.2	-4.2	1.5	5.0
<b>Alternative Assets</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Barclays Global Ex US	International Treasuries	-1.1	-4.8	-4.8	-4.2	-1.4
NCREIF NFI-ODCE Index	Real Estate	3.3	15.0	15.0	13.8	13.6
HFRI FOF Composite	Hedge Funds	0.6	-0.4	-0.4	3.9	2.1



**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
- \* In July, 2014, the separately managed Daruma portfolio was divested and the proceeds were invested in the commingled Daruma Ginkgo Fund.
- \* Performance for the Cambridge Private Equity Index is unavailable for the current quarter, a flat return of 0% is assumed.
- \* Dahab Associates utilizes data provided by a custodian and other vendors it believes are reliable. However, it cannot assume responsibility for errors and omissions therefrom.
- \* All returns were calculated on a time-weighted basis, and are gross of fees unless otherwise noted.
- \* All returns for periods greater than one year are annualized.
- \* Dahab Associates uses the modified duration measure to present average duration.
- \* All values are in US dollars.

FRANKLIN REGIONAL RETIREMENT SYSTEM  
PRIT - CORE FUND  
PERFORMANCE REVIEW  
DECEMBER 2015

## **INVESTMENT RETURN**

On December 31st, 2015, the Franklin Regional Retirement System's PRIT Core Fund was valued at \$56,789,798, representing an increase of \$1,278,825 from the September quarter's ending value of \$55,510,973. Last quarter, the Fund posted withdrawals totaling \$75,362, which partially offset the portfolio's net investment return of \$1,354,187. Income receipts totaling \$327,097 plus net realized and unrealized capital gains of \$1,027,090 combined to produce the portfolio's net investment return.

For the cumulative period since December 2010, the fund has recorded net withdrawals totaling \$13.2 million and posted net investment gains of \$20.4 million. For the period since December 2010, if the total fund returned a compounded nominal rate of 8.25% it would have been valued at \$58.2 million or \$1.5 million more than the actual value as of December 31st, 2015.

## **RELATIVE PERFORMANCE**

### **Total Portfolio**

In the fourth quarter, the PRIT Core Fund gained 2.4%, which was 0.2% above the Custom Core Index's return of 2.2% and ranked in the 73rd percentile of the Public Fund universe. Over the trailing year, the portfolio returned 1.0%, which was 0.3% less than the benchmark's 1.3% performance, and ranked in the 17th percentile. Since December 2010, the portfolio returned 7.6% on an annualized basis and ranked in the 27th percentile. For comparison, the Custom Core Index returned an annualized 7.0% over the same period.

### **PRIT Core**

Performance was primarily favorable across the PRIT sleeves in the fourth quarter, resulting in a 20 basis point lead by the end of the three-month period. Though Domestic Equity trailed the benchmark by 20 basis points, the International Equity sleeve (16.9% allocation) surpassed the blended index by 80 basis points. Core Fixed Income dropped 0.8%, which matched the benchmark, while Value-added

Fixed Income (8.3% allocation) posted a -1.4% return, superior to the index by 420 basis points. Real Estate (10.9%) outpaced the index by 30 basis points (3.7% vs. 3.4%). However, the Hedge Funds sleeve returned 0.2% return compared to the benchmark's 0.7% performance.

### **PRIT Domestic Equity**

Large Cap managers (14.7% allocation) accounted for more than two-thirds of the segment, and matched the 7.0% return of the index. The SSgA S&P 500 index fund (12.0% allocation) returned 7.1%, mirroring the index on which it's based. Intech (1.2% allocation; 6.1% return) trailed the benchmark, while PIMCO Domestic outperformed.

Summit Creek (Small Cap Growth) posted a 3.6% return compared to the Russell 2000 Growth index's 4.3% gain. Total Small/Smid Cap Equity segment (4.0% allocation) underperformed, delivering a 2.9% return compared to the 3.3% gain of the benchmark.

### **PRIT International Equity**

The International Equity sleeve (16.9%) bested the benchmark in the fourth quarter, gaining 5.2% against the blended index's 4.4% return.

SSgA World Ex-US index fund returned 4.2%, and accounted for 8.4% of the total Core portfolio – roughly half of the sleeve - while Marathon Asset Management rose 5.7%, whose positive selection effects were compounded by a 4.1% allocation.

### **PRIT Emerging Markets Equity**

Emerging Markets also posted superior returns relative to the benchmark in the fourth quarter (1.9% vs. 0.9%). For the 1-year period, the sleeve lost 12.8% compared to the benchmark's 13.7% drop, while the 3- and 5-year periods also outperformed.

## **PRIT Hedge Funds**

The HFRI Fund of Funds benchmark continued to offer a low performance hurdle in the fourth quarter, gaining just 0.7%. However, the Hedge Fund sleeve sustained a 50 basis point deficit. Direct Hedge Funds (7.5% PRIT weight, or 83.3% of the sleeve allocation) gained just 0.3% for the quarter, while returning -1.9% and 5.4% in the one- and three-year periods. PAAMCO (1.5% allocation) also trailed the benchmark, returning -0.2%.

## **PRIT Real Estate**

The PRIT Real Estate sleeve represented 10.9% of the PRIT portfolio (including 1.7% in debt), and returned 3.7% for the quarter, exceeding benchmark performance by 30 basis points. The Private Real Estate component – representing 72.5% of the sleeve – beat the NCREIF Property index (One quarter lag), despite core managers' composite underperformance. Invesco Core (1.8% allocation) returned 7.6%, while Lasalle, AEW, JP Morgan, and AEW Core Trans (1.8% allocation) gained 3.7%, 3.7%, 2.2%, and -4.2%, respectively. However, Total Leveraged Separate Accounts posted a benchmark-beating 3.3% gain when accounting for the -1.7% debt allocation.

The sleeve's Reitmanagers (2.0% combined allocation) underperformed the FTSE EPRA NAREIT Developed Net Total Return index by 50 basis points (3.9% vs. 4.4%). Invesco Global, Centersquare, and Invesco Transition returned 3.5%, 4.1%, and 3.5%.

## **PRIT Fixed Income**

In the fourth quarter, the PRIT Core Fixed Income sleeve posted -0.8 return, matching the loss of the hybrid index. The fundamental core elements made up 38.8% of the sleeve, including the Loomis Sayles Core manager, which delivered a 0.6% loss, mirroring the Barclays Aggregate.

The BlackRock STRIPS account represented 38.0% of the Core Fixed Income allocation. This component expectedly matched the performance of the Barclays US Treasury STRIPS 20+ Year Index, returning -1.1% for the quarter. Total Inflation-linked Bonds dipped 0.7%, and comprised 24.0% of the sleeve, trailing the hybrid index by 20 basis points.

The Value-Added Fixed Income significantly outperformed the blended index, returning -1.4% for the quarter compared to the benchmark's 5.6% loss. Distressed Debt represented 26.5% of the sleeve and returned -3.9%, which was 13.9% greater than the NYU Salomon Center Combined Defaulted Public Bond & Bank Loan index.

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Year	5 Years
<b>Total Portfolio - Gross</b>	2.4	1.0	1.0	8.1	7.6
<i>PUBLIC FUND RANK</i>	(73)	(17)	(17)	(35)	(27)
<b>Total Portfolio - Net</b>	2.3	0.5	0.5	7.5	7.0
CUSTOM CORE IDX	2.2	1.3	1.3	7.0	7.0
<b>PRIT Core - Gross</b>	2.4	1.0	1.0	8.1	7.6
<i>PUBLIC FUND RANK</i>	(73)	(17)	(17)	(35)	(27)
CUSTOM CORE IDX	2.2	1.3	1.3	7.0	7.0

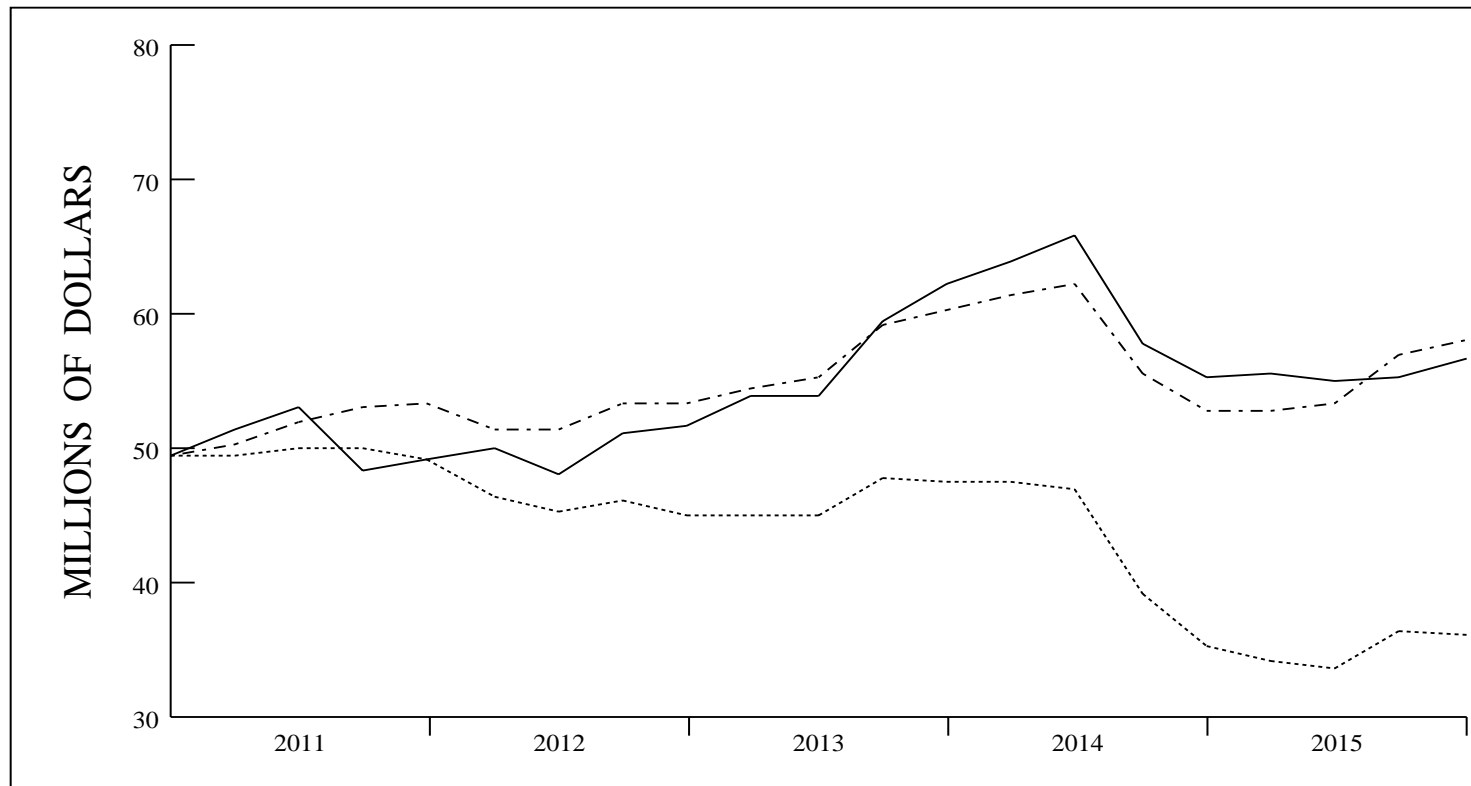
**ASSET ALLOCATION**

PRIT Core	100.0%	\$ 56,789,798
Total Portfolio	100.0%	\$ 56,789,798

**INVESTMENT RETURN**

Market Value 9/2015	\$ 55,510,973
Contribs / Withdrawals	- 75,362
Income	327,097
Capital Gains / Losses	1,027,090
Market Value 12/2015	\$ 56,789,798

**INVESTMENT GROWTH**

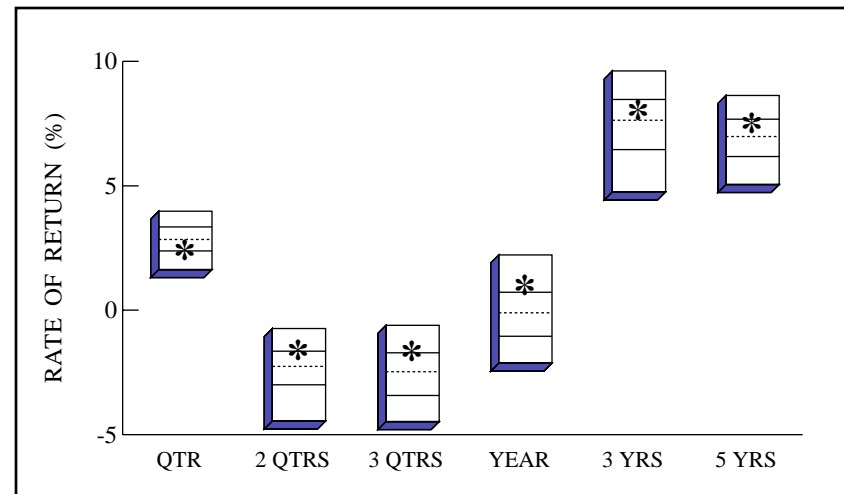
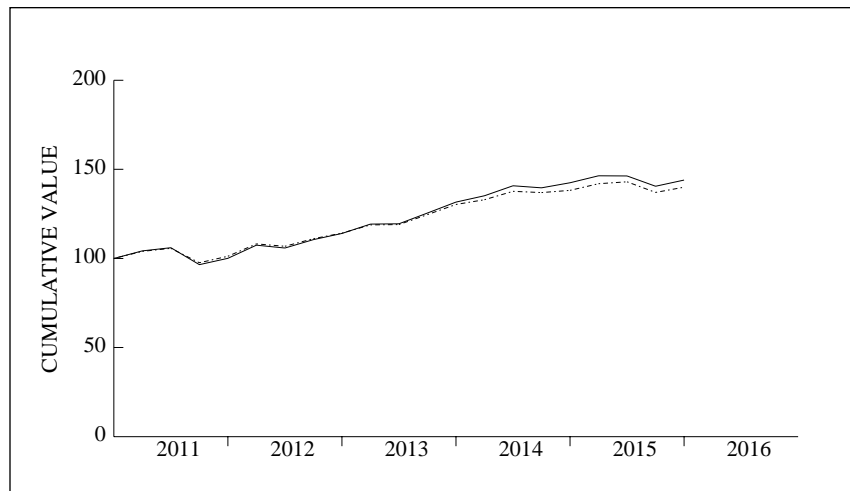


— ACTUAL RETURN  
 - - - 8.25%  
 . . . 0.0%

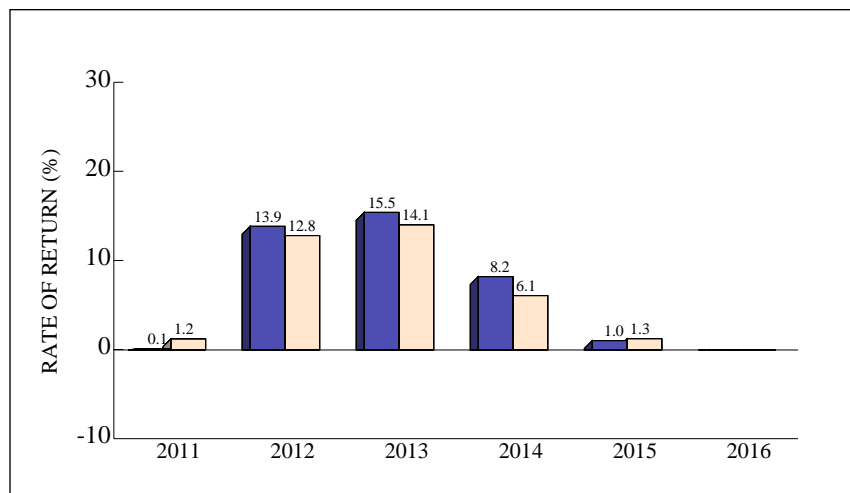
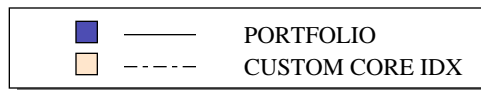
VALUE ASSUMING  
 8.25% RETURN \$ 58,242,146

	LAST QUARTER	PERIOD 12/10 - 12/15
BEGINNING VALUE	\$ 55,510,973	\$ 49,563,855
NET CONTRIBUTIONS	- 75,362	- 13,190,845
<u>INVESTMENT RETURN</u>	<u>1,354,187</u>	<u>20,416,788</u>
ENDING VALUE	\$ 56,789,798	\$ 56,789,798
INCOME	327,097	7,919,361
<u>CAPITAL GAINS (LOSSES)</u>	<u>1,027,090</u>	<u>12,497,427</u>
INVESTMENT RETURN	1,354,187	20,416,788

**TOTAL RETURN COMPARISONS**



Public Fund Universe

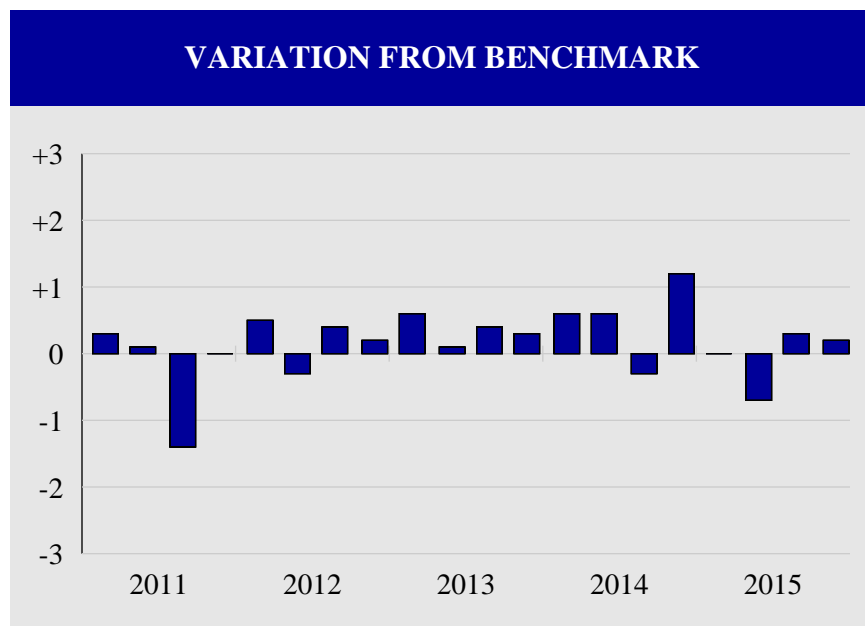


	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	2.4	-1.6	-1.6	1.0	8.1	7.6
(RANK)	(73)	(22)	(22)	(17)	(35)	(27)
5TH %ILE	4.0	-0.7	-0.6	2.2	9.6	8.6
25TH %ILE	3.4	-1.7	-1.7	0.7	8.5	7.7
MEDIAN	2.8	-2.3	-2.5	-0.1	7.6	7.0
75TH %ILE	2.4	-3.0	-3.4	-1.1	6.5	6.2
95TH %ILE	1.6	-4.5	-4.5	-2.1	4.8	5.1
<b>PRIT Index</b>	<b>2.2</b>	<b>-2.1</b>	<b>-1.4</b>	<b>1.3</b>	<b>7.0</b>	<b>7.0</b>

Public Fund Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

**COMPARATIVE BENCHMARK: CUSTOM CORE INDEX**



RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
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	2.9	0.2
3/13	4.6	4.0	0.6
6/13	0.2	0.1	0.1
9/13	5.1	4.7	0.4
12/13	4.9	4.6	0.3
3/14	2.7	2.1	0.6
6/14	4.1	3.5	0.6
9/14	-0.8	-0.5	-0.3
12/14	2.1	0.9	1.2
3/15	2.7	2.7	0.0
6/15	0.0	0.7	-0.7
9/15	-3.9	-4.2	0.3
12/15	2.4	2.2	0.2

<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>16</b>
<b>Quarters Below the Benchmark</b>	<b>4</b>
<b>Batting Average</b>	<b>.800</b>



FRANKLIN REGIONAL RETIREMENT SYSTEM  
POLEN CAPITAL MANAGEMENT - LARGE CAP GROWTH FUND  
PERFORMANCE REVIEW  
DECEMBER 2015

## **INVESTMENT RETURN**

On December 31st, 2015, the Franklin Regional Retirement System's Polen Capital Management Large Cap Growth Fund was valued at \$8,019,256, representing an increase of \$591,782 from the September quarter's ending value of \$7,427,474. Last quarter, the Fund posted withdrawals totaling \$31, which partially offset the portfolio's net investment return of \$591,813. Income receipts totaling \$18,526 plus net realized and unrealized capital gains of \$573,287 combined to produce the portfolio's net investment return.

For the cumulative period since March 2012, the fund has recorded net withdrawals totaling \$824,319 and posted net investment gains of \$3.6 million. For the period since March 2012, if the total fund had returned a compounded nominal rate of 9.0% it would have been valued at \$6.6 million or \$1.5 million less than the actual value as of December 31st, 2015.

## **RELATIVE PERFORMANCE**

In the fourth quarter, the Polen Capital Management Large Cap Growth Fund gained 8.0%, which was 0.7% above the Russell 1000 Growth Index's return of 7.3% and ranked in the 31st percentile of the Large Cap Growth universe. Over the trailing year, the portfolio returned 15.8%, which was 10.1% greater than the benchmark's 5.7% performance, and ranked in the 3rd percentile. Since March 2012, the portfolio returned 13.8% on an annualized basis and ranked in the 34th percentile. For comparison, the Russell 1000 Growth returned an annualized 13.4% over the same period.

## **ASSET ALLOCATION**

On December 31st, 2015, domestic equities comprised 97.7% of the total portfolio (\$7.8 million), while cash & equivalents totaled 2.3% (\$187,891).

## **ANALYSIS**

By quarter's end, the portfolio was concentrated in five of the eleven industry sectors in the analysis. It was overweight in each sector: Nondurable Consumer Goods, Consumer Service, Computer Technology, Finance, and Service. Although the index featured allocations in all eleven sectors, its greatest concentrations were in the sectors invested in by the portfolio.

Success was mixed across the five sectors. Nondurable Consumer Goods and Consumer Service underperformed, while Computer Technology and Finance outperformed. Service matched the return of the benchmark, each gaining 5.2%.

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Year	Since 03/12
<b>Total Portfolio - Gross</b>	8.0	15.8	15.8	18.9	13.8
<i>LARGE CAP GROWTH RANK</i>	(31)	(3)	(3)	(16)	(34)
<b>Total Portfolio - Net</b>	7.8	14.9	14.9	18.0	13.1
RUSSELL 1000G	7.3	5.7	5.7	16.8	13.4
RUSSELL 1000	6.5	0.9	0.9	15.0	12.8
S&P 500	7.0	1.4	1.4	15.1	12.8
<b>Domestic Equity - Gross</b>	8.2	16.4	16.4	19.8	14.5
<i>LARGE CAP GROWTH RANK</i>	(24)	(2)	(2)	(10)	(23)
RUSSELL 1000G	7.3	5.7	5.7	16.8	13.4

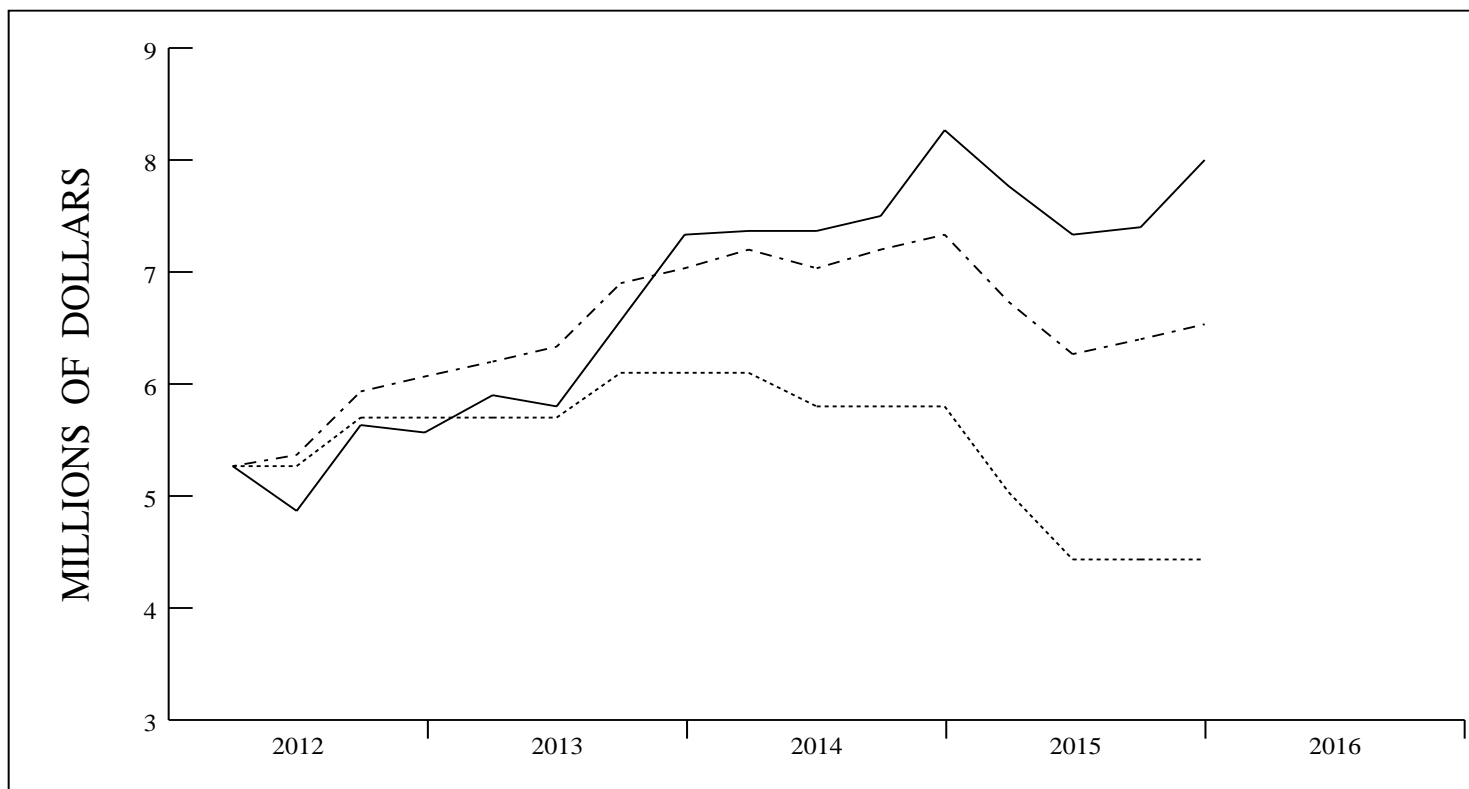
**ASSET ALLOCATION**

Domestic Equity	97.7%	\$ 7,831,365
Cash	2.3%	187,891
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 8,019,256</b>

**INVESTMENT RETURN**

Market Value 9/2015	\$ 7,427,474
Contribs / Withdrawals	- 31
Income	18,526
Capital Gains / Losses	573,287
Market Value 12/2015	\$ 8,019,256

**INVESTMENT GROWTH**

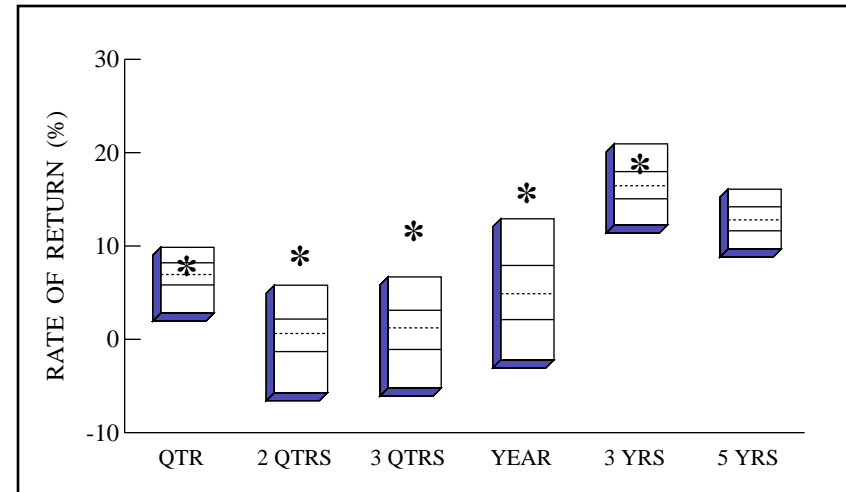
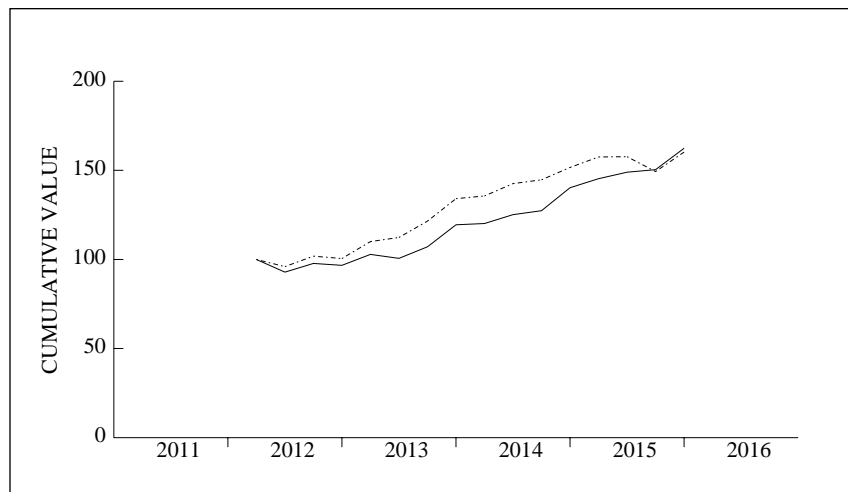


—	ACTUAL RETURN
- - -	9.0%
.....	0.0%

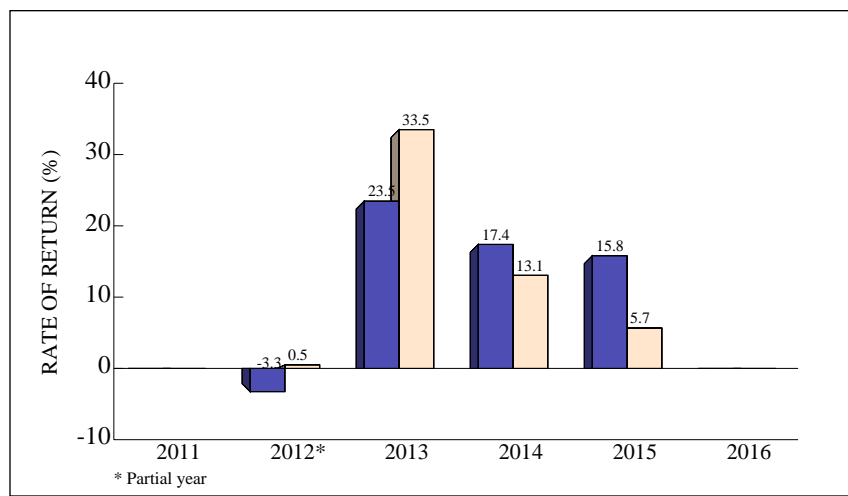
VALUE ASSUMING	
9.0% RETURN	\$ 6,555,918

	LAST QUARTER	PERIOD 3/12 - 12/15
BEGINNING VALUE	\$ 7,427,474	\$ 5,273,154
NET CONTRIBUTIONS	- 31	-824,319
INVESTMENT RETURN	591,813	3,570,421
ENDING VALUE	\$ 8,019,256	\$ 8,019,256
INCOME	18,526	277,815
CAPITAL GAINS (LOSSES)	573,287	3,292,606
INVESTMENT RETURN	591,813	3,570,421

**TOTAL RETURN COMPARISONS**

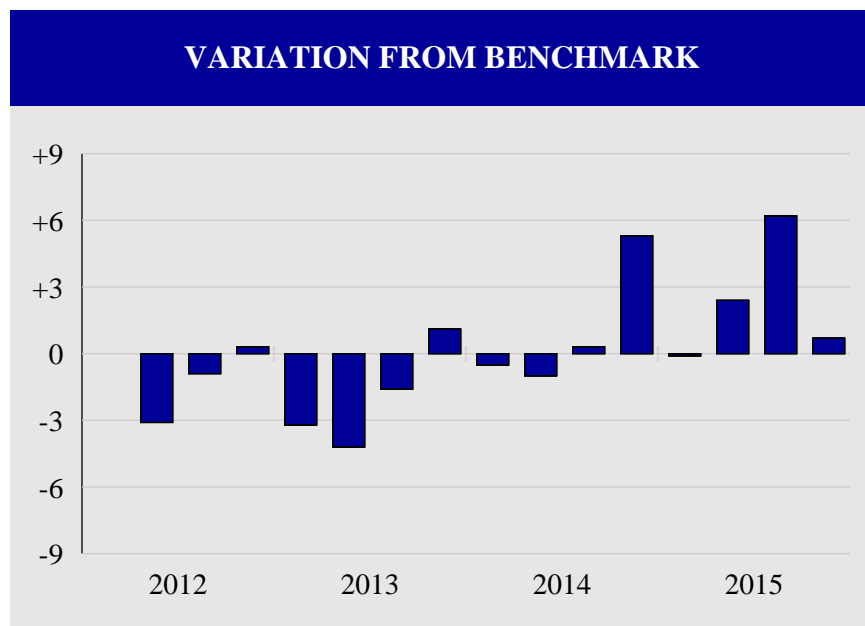


Large Cap Growth Universe



	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	8.0	9.0	11.7	15.8	18.9	---
(RANK)	(31)	(2)	(1)	(3)	(16)	---
5TH %ILE	9.9	5.8	6.7	12.9	21.0	16.1
25TH %ILE	8.2	2.2	3.1	7.9	18.0	14.2
MEDIAN	6.9	0.6	1.2	4.9	16.5	12.8
75TH %ILE	5.8	-1.3	-1.1	2.1	15.1	11.6
95TH %ILE	2.8	-5.7	-5.2	-2.2	12.3	9.7
<b>Russ 1000G</b>	<b>7.3</b>	<b>1.6</b>	<b>1.8</b>	<b>5.7</b>	<b>16.8</b>	<b>13.5</b>

Large Cap Growth Universe

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

<b>Total Quarters Observed</b>	<b>15</b>
<b>Quarters At or Above the Benchmark</b>	<b>7</b>
<b>Quarters Below the Benchmark</b>	<b>8</b>
<b>Batting Average</b>	<b>.467</b>

<b>RATES OF RETURN</b>			
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
12/14	10.1	4.8	5.3
3/15	3.7	3.8	-0.1
6/15	2.5	0.1	2.4
9/15	0.9	-5.3	6.2
12/15	8.0	7.3	0.7

FRANKLIN REGIONAL RETIREMENT SYSTEM  
O'SHAUGHNESSY ASSET MANAGEMENT - MARKET LEADERS VALUE  
PERFORMANCE REVIEW  
DECEMBER 2015

## **INVESTMENT RETURN**

On December 31st, 2015, the Franklin Regional Retirement System's O'Shaughnessy Asset Management Market Leaders Value portfolio was valued at \$6,662,892, representing an increase of \$178,183 from the September quarter's ending value of \$6,484,709. Last quarter, the Fund posted withdrawals totaling \$413, which partially offset the portfolio's net investment return of \$178,596. Income receipts totaling \$37,059 plus net realized and unrealized capital gains of \$141,537 combined to produce the portfolio's net investment return.

For the cumulative period since March 2012, the fund has recorded net withdrawals totaling \$1.4 million and posted net investment gains of \$3.0 million. For the period since March 2012, if the total fund had returned a compounded nominal rate of 9.0% it would have been valued at \$5.4 million or \$1.2 million less than the actual value as of December 31st, 2015.

## **RELATIVE PERFORMANCE**

### **Total Fund**

In the fourth quarter, the O'Shaughnessy Asset Management Market Leaders Value portfolio gained 2.8%, which was 2.8% below the Russell 1000 Value Index's return of 5.6% and ranked in the 90th percentile of the Large Cap Value universe. Over the trailing year, the portfolio returned -7.5%, which was 3.7% less than the benchmark's -3.8% performance, and ranked in the 88th percentile. Since March 2012, the portfolio returned 12.6% on an annualized basis and ranked in the 40th percentile. For comparison, the Russell 1000 Value returned an annualized 12.0% over the same period.

## **ASSET ALLOCATION**

On December 31st, 2015, domestic equities comprised 98.1% of the total portfolio (\$6.5 million), while cash & equivalents totaled 1.9% (\$129,891).

## **STOCK ANALYSIS**

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

Negative selection effects pervaded the portfolio in the fourth quarter. Most notably, the significantly overweight Basic and Consumer Service sectors vastly underperformed the index. The overallocated Technology and Service sectors additionally fell short of the benchmark. Transportation, Energy, and Utilities outperformed, but relatively lightweight allocations checked gains.



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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Year	Since 03/12
<b>Total Portfolio - Gross</b>	2.8	-7.5	-7.5	14.9	12.6
<i>LARGE CAP VALUE RANK</i>	(90)	(88)	(88)	(31)	(40)
<b>Total Portfolio - Net</b>	2.6	-8.1	-8.1	14.3	12.0
RUSSELL 1000V	5.6	-3.8	-3.8	13.1	12.0
RUSSELL 1000	6.5	0.9	0.9	15.0	12.8
S&P 500	7.0	1.4	1.4	15.1	12.8
<b>Domestic Equity - Gross</b>	2.8	-7.7	-7.7	15.2	12.8
<i>LARGE CAP VALUE RANK</i>	(89)	(88)	(88)	(27)	(36)
RUSSELL 1000V	5.6	-3.8	-3.8	13.1	12.0

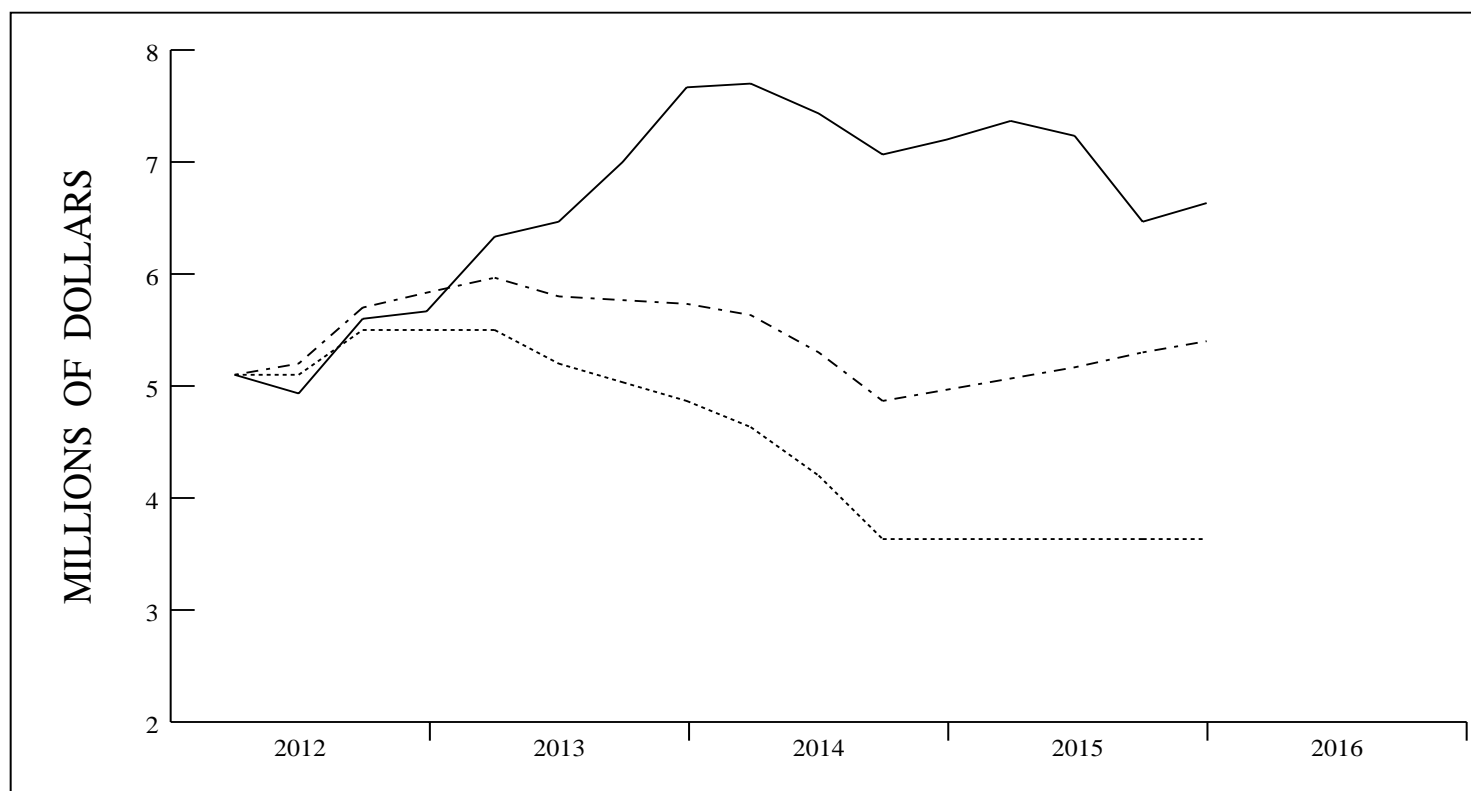
**ASSET ALLOCATION**

Domestic Equity	98.1%	\$ 6,533,001
Cash	1.9%	129,891
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 6,662,892</b>

**INVESTMENT RETURN**

Market Value 9/2015	\$ 6,484,709
Contribs / Withdrawals	-413
Income	37,059
Capital Gains / Losses	141,537
Market Value 12/2015	\$ 6,662,892

**INVESTMENT GROWTH**

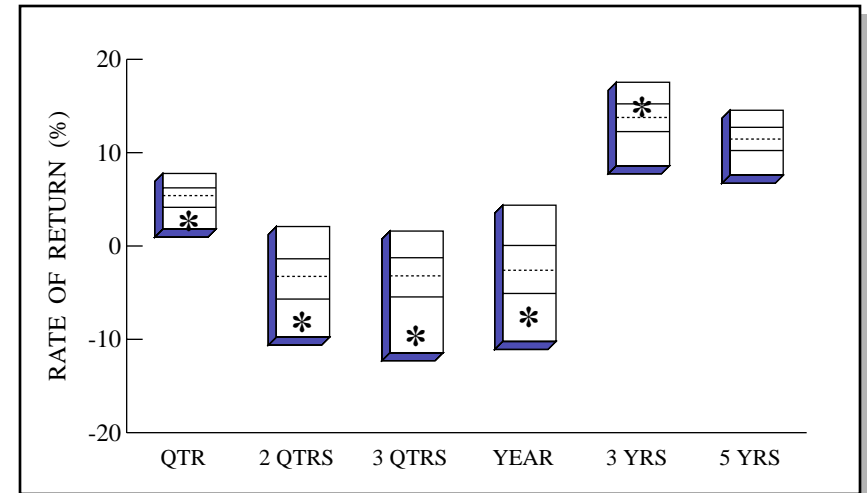
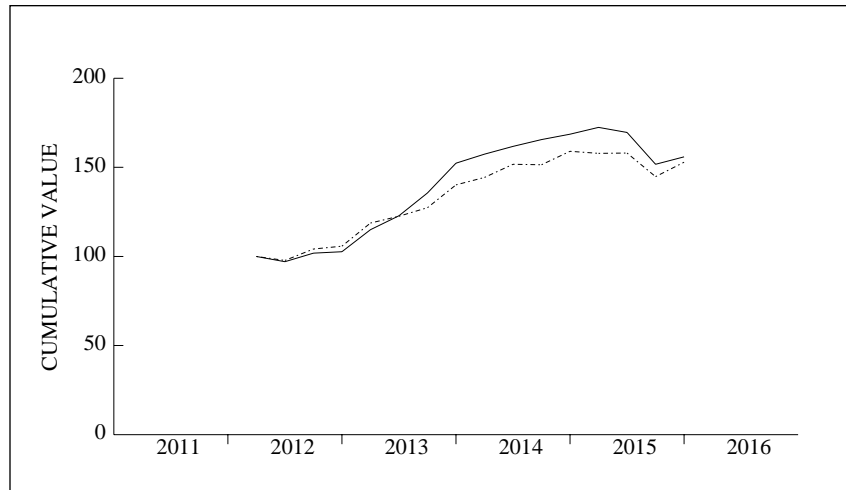


—	ACTUAL RETURN
- - -	9.0%
.....	0.0%

VALUE ASSUMING	
9.0% RETURN	\$ 5,424,187

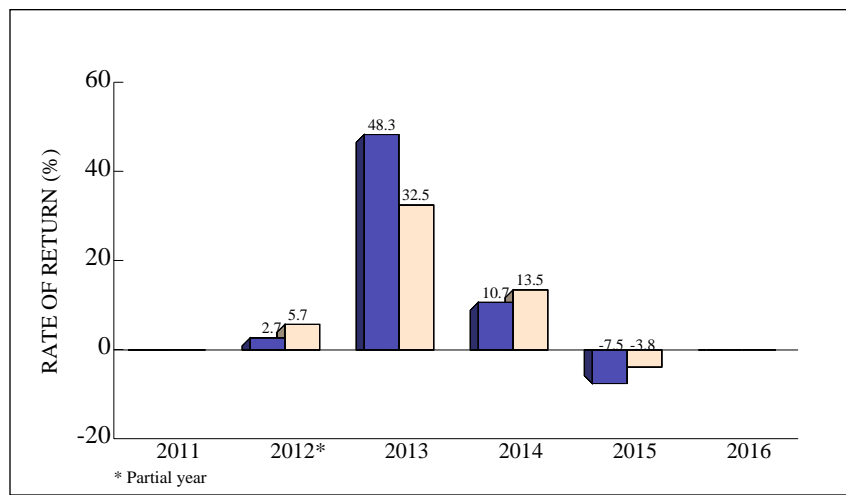
	LAST QUARTER	PERIOD 3/12 - 12/15
BEGINNING VALUE	\$ 6,484,709	\$ 5,103,112
NET CONTRIBUTIONS	-413	-1,443,751
<u>INVESTMENT RETURN</u>	<u>178,596</u>	<u>3,003,531</u>
ENDING VALUE	\$ 6,662,892	\$ 6,662,892
INCOME	37,059	653,404
<u>CAPITAL GAINS (LOSSES)</u>	<u>141,537</u>	<u>2,350,127</u>
INVESTMENT RETURN	178,596	3,003,531

**TOTAL RETURN COMPARISONS**



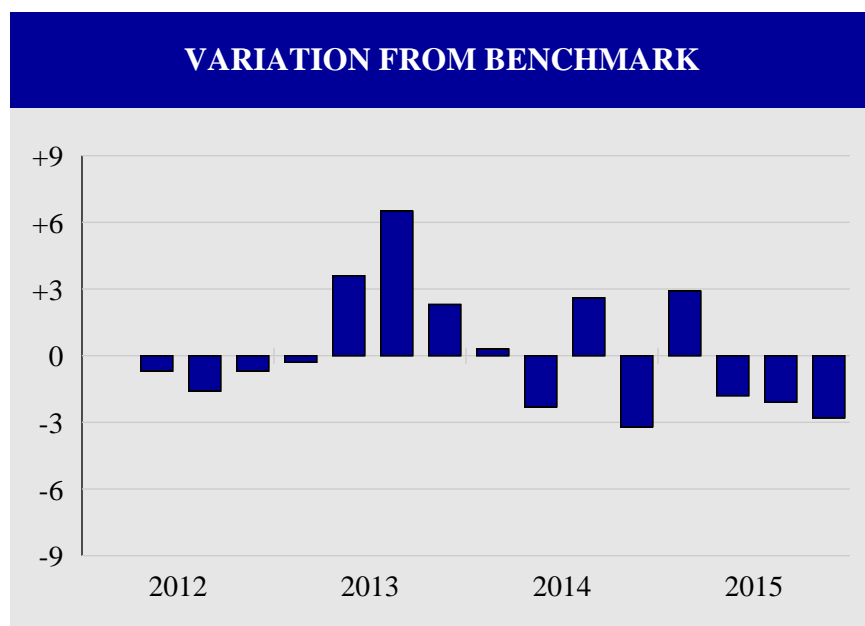
■ ——— PORTFOLIO  
■ - - - - RUSSELL 1000V

Large Cap Value Universe



	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED----- 3 YRS	5 YRS
RETURN	2.8	-8.0	-9.6	-7.5	14.9	----
(RANK)	(90)	(89)	(92)	(88)	(31)	----
5TH %ILE	7.8	2.1	1.6	4.4	17.5	14.5
25TH %ILE	6.2	-1.4	-1.3	0.1	15.2	12.7
MEDIAN	5.4	-3.3	-3.2	-2.6	13.8	11.5
75TH %ILE	4.1	-5.7	-5.5	-5.1	12.3	10.2
95TH %ILE	1.8	-9.8	-11.4	-10.2	8.6	7.6
<b>Russ 1000V</b>	<b>5.6</b>	<b>-3.2</b>	<b>-3.1</b>	<b>-3.8</b>	<b>13.1</b>	<b>11.3</b>

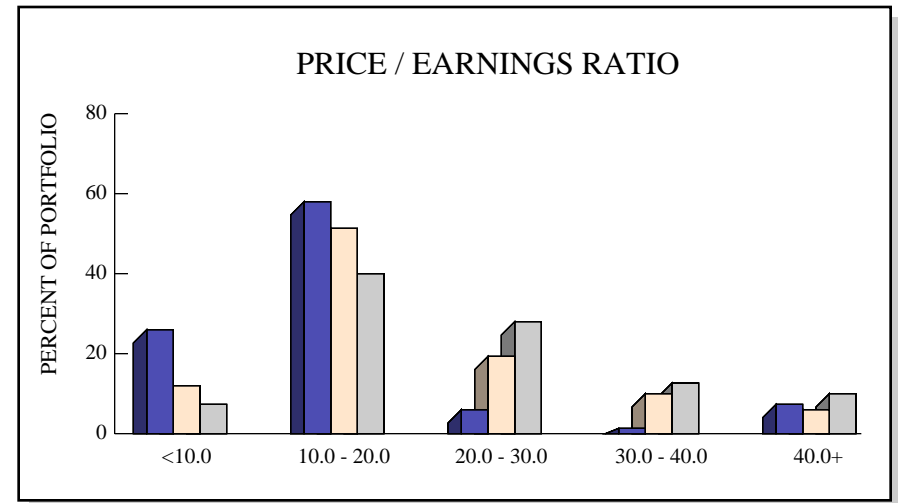
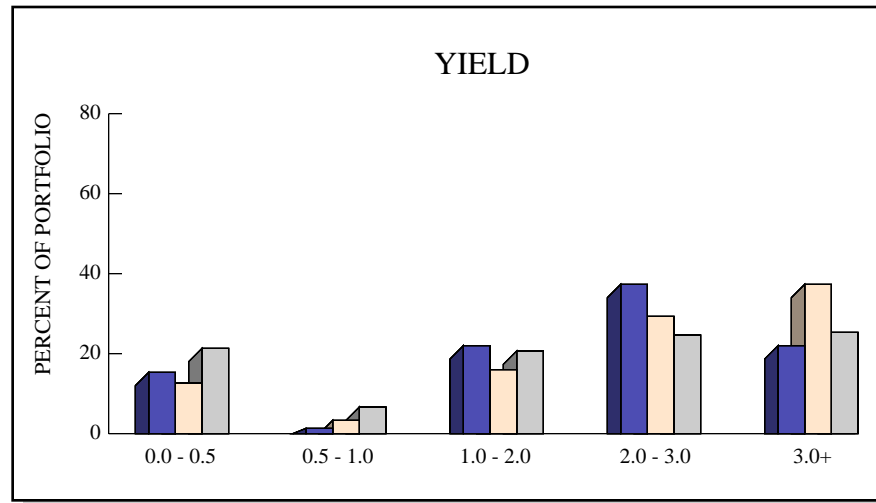
Large Cap Value Universe

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

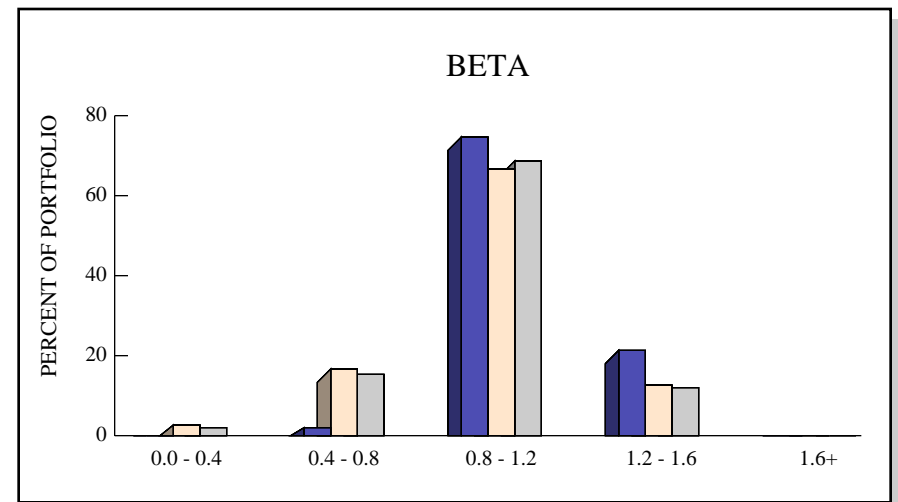
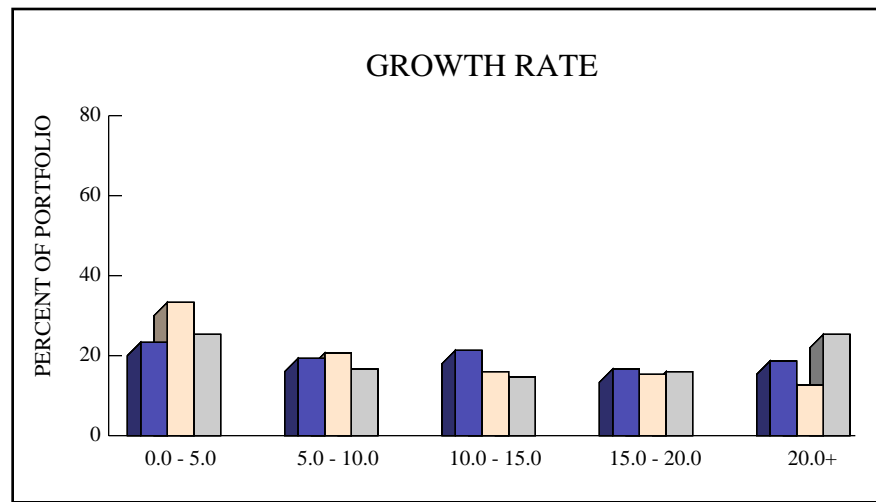
<b>Total Quarters Observed</b>	<b>15</b>
<b>Quarters At or Above the Benchmark</b>	<b>6</b>
<b>Quarters Below the Benchmark</b>	<b>9</b>
<b>Batting Average</b>	<b>.400</b>

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

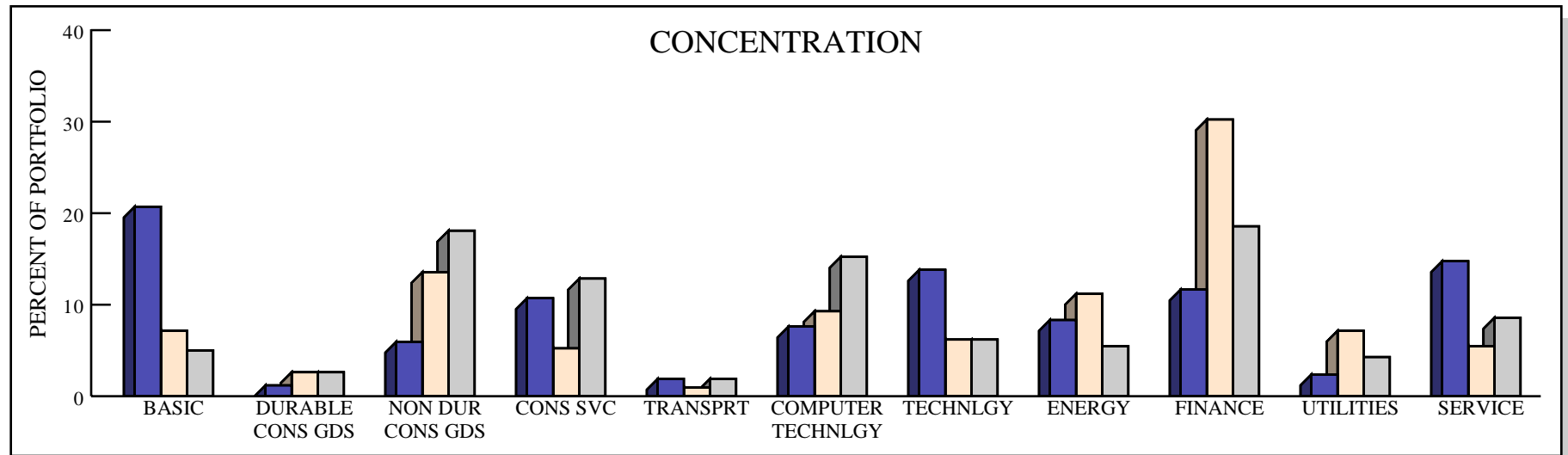
**STOCK CHARACTERISTICS**



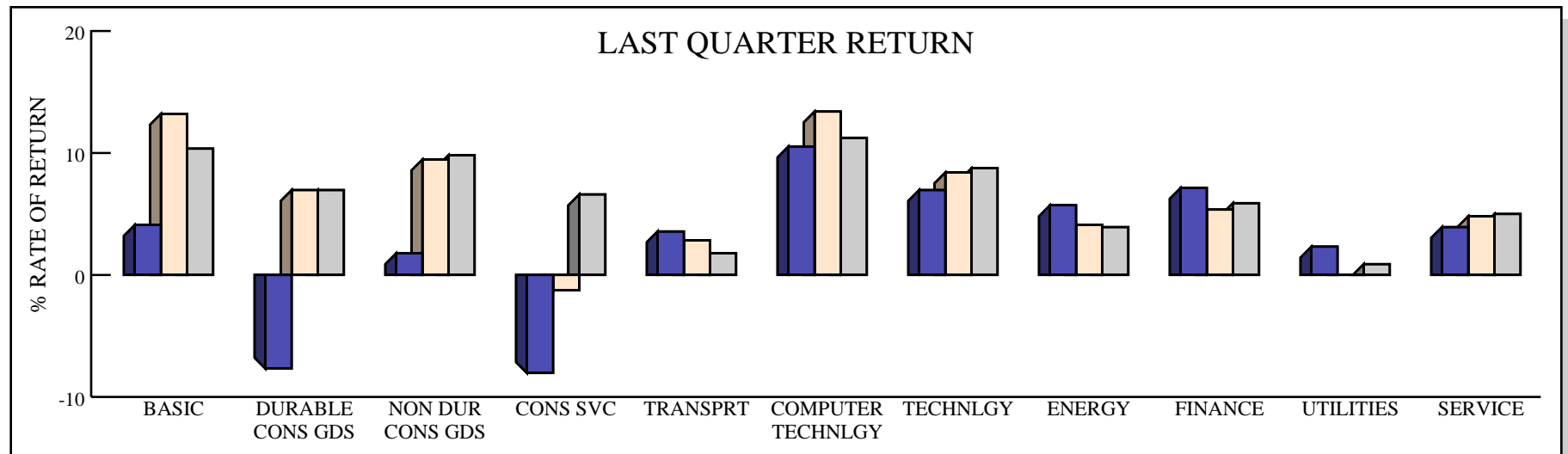
	# HOLDINGS	YIELD	GROWTH	P/E	BETA
PORTFOLIO	58	2.3%	13.0%	15.0	1.07
RUSSELL 1000V	691	2.6%	9.6%	19.2	0.97
RUSSELL 1000	1,033	2.1%	13.9%	23.3	0.97



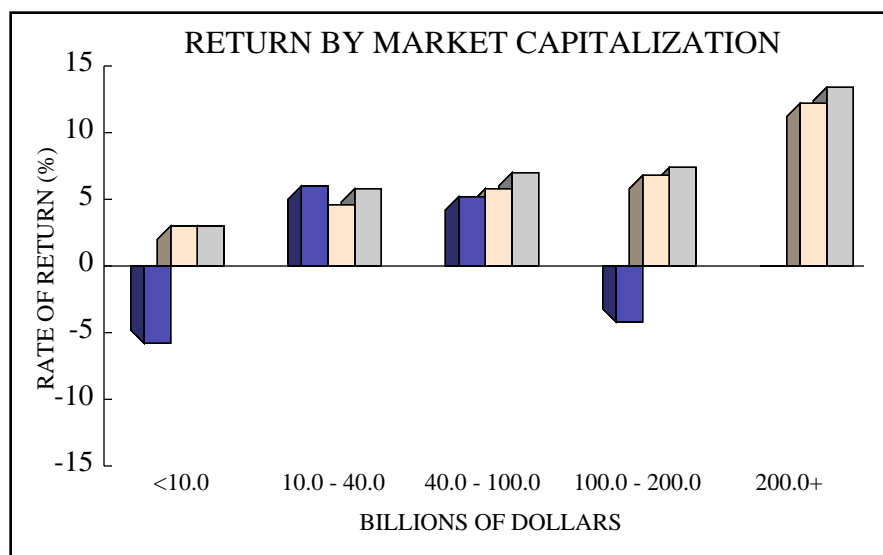
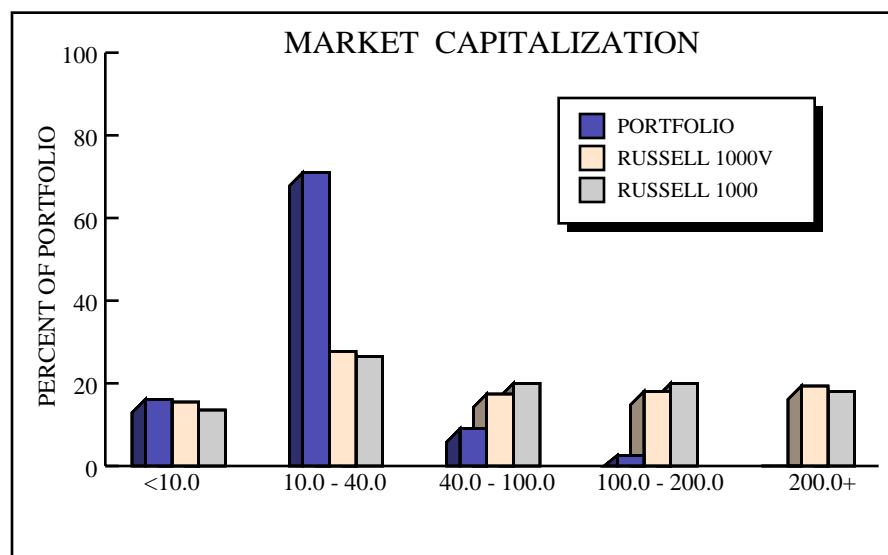
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO     
 ■ RUSSELL 1000 VALUE     
 ■ RUSSELL 1000



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	KONINKLIJKE PHILIPS NVR- NY	\$ 348,640	5.34%	8.5%	Technology	\$ 23.7 B
2	TRAVELERS COS INC/THE	303,029	4.64%	13.9%	Finance	34.3 B
3	NORTHROP GRUMMAN CORP	302,096	4.62%	14.2%	Technology	34.4 B
4	COCA-COLA ENTERPRISES	298,247	4.57%	2.4%	NonDur Cons Goods	11.2 B
5	ILLINOIS TOOL WORKS	291,108	4.46%	13.1%	Basic	33.7 B
6	LYONDELLBASELL INDU-CL A	276,950	4.24%	5.1%	Basic	39.1 B
7	BED BATH & BEYOND INC	219,682	3.36%	-15.4%	Consumer Service	8.1 B
8	MOSAIC CO/THE	195,668	3.00%	-10.4%	Basic	9.3 B
9	HESS CORP	191,060	2.92%	-2.6%	Energy	13.9 B
10	CORNING INC	190,734	2.92%	7.4%	Basic	21.6 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
SEIZERT CAPITAL PARTNERS  
PERFORMANCE REVIEW  
DECEMBER 2015



## **INVESTMENT RETURN**

On December 31st, 2015, the Franklin Regional Retirement System's Seizert Capital Partners portfolio was valued at \$5,446,019, representing an increase of \$16,695 from the September quarter's ending value of \$5,429,324. Last quarter, the Fund posted no net contributions or withdrawals, while posting \$16,695 in net investment returns. Net investment return was composed of income receipts totaling \$29,072 and \$12,377 in net realized and unrealized capital losses.

For the cumulative period since June 2011, the account has recorded net withdrawals totaling \$1.9 million and net investment gains of \$2.4 million. Since June 2011, if the total account had earned a compounded nominal rate of 10.0% it would have been worth \$5.2 million or \$234,967 less than the actual value as of December 31st, 2015.

## **RELATIVE PERFORMANCE**

During the fourth quarter, the Seizert Capital Partners portfolio gained 0.3%, which was 3.3% below the Russell Mid Cap's return of 3.6% and ranked in the 92nd percentile of the Mid Cap universe. Over the trailing year, the portfolio returned -10.5%, which was 8.1% below the benchmark's -2.4% performance, ranking in the 99th percentile. Since June 2011, the account returned 9.8% on an annualized basis and ranked in the 67th percentile. For comparison, the Russell Mid Cap returned an annualized 10.9% over the same period.

## **ASSET ALLOCATION**

On December 31st, 2015, domestic equities comprised 95.3% of the total portfolio (\$5.2 million), while cash & equivalents totaled 4.7% (\$254,602).

## **STOCK ANALYSIS**

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

The portfolio underperformed the index in seven of eight invested sectors. Basic, Computer Technology, Finance, and Service combined for an 85.0% portfolio allocation, and each sector failed to outpace market performance. These underperformances determined the portfolio's 330 basis point deficit.

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Year	Since 06/11
<b>Total Portfolio - Gross</b>	0.3	-10.5	-10.5	12.5	9.8
<i>MID CAP RANK</i>	(92)	(99)	(99)	(78)	(67)
<b>Total Portfolio - Net</b>	0.1	-11.1	-11.1	11.7	9.1
RUSSELL MID	3.6	-2.4	-2.4	14.2	10.9
S&P 400	2.6	-2.2	-2.2	12.8	9.9
RUSSELL MID	3.6	-2.4	-2.4	14.2	10.9
<b>Domestic Equity - Gross</b>	0.3	-10.9	-10.9	13.0	10.3
<i>MID CAP RANK</i>	(92)	(99)	(99)	(65)	(52)
RUSSELL MID	3.6	-2.4	-2.4	14.2	10.9

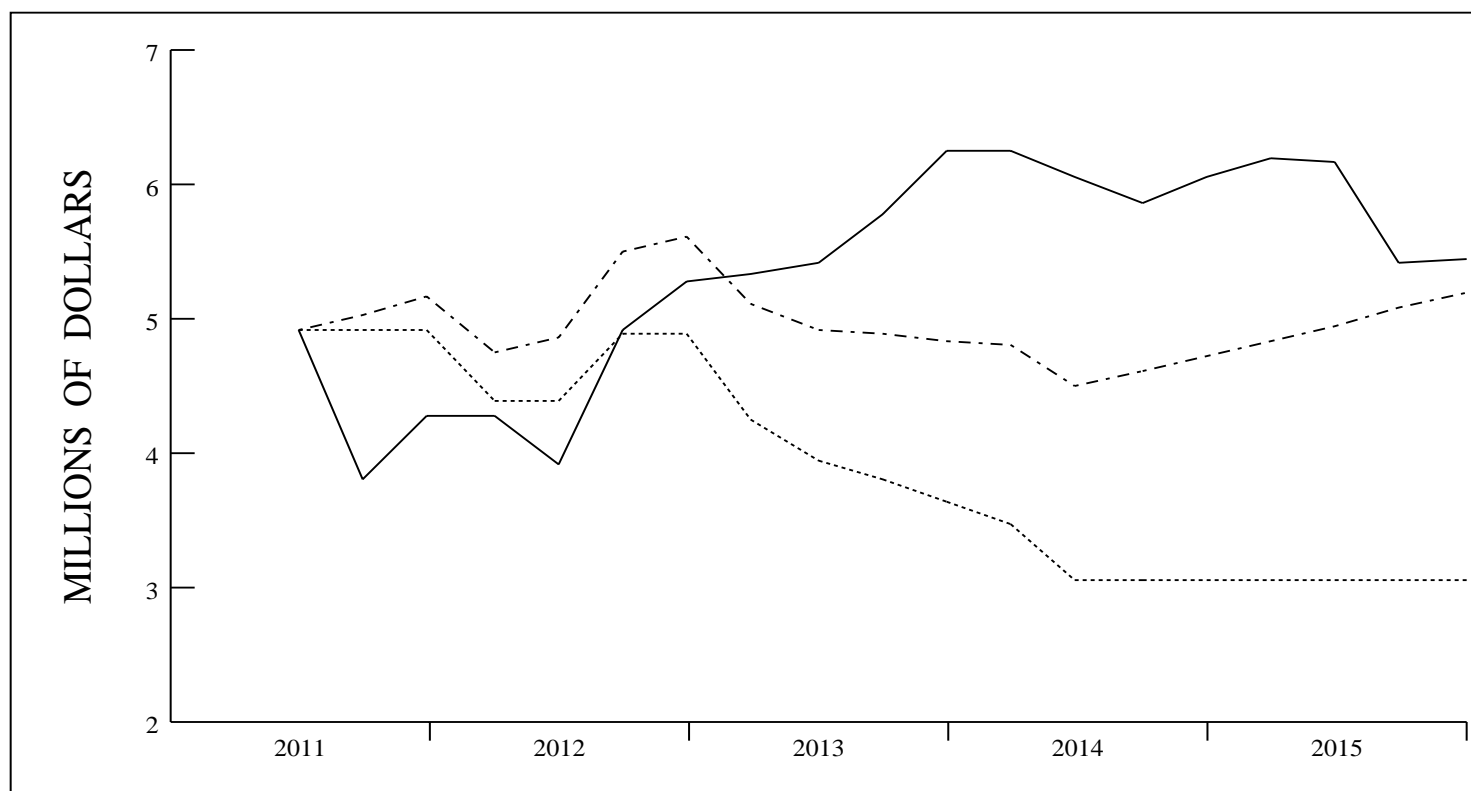
**ASSET ALLOCATION**

Domestic Equity	95.3%	\$ 5,191,417
Cash	4.7%	254,602
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 5,446,019</b>

**INVESTMENT RETURN**

Market Value 9/2015	\$ 5,429,324
Contribs / Withdrawals	0
Income	29,072
Capital Gains / Losses	- 12,377
Market Value 12/2015	\$ 5,446,019

**INVESTMENT GROWTH**

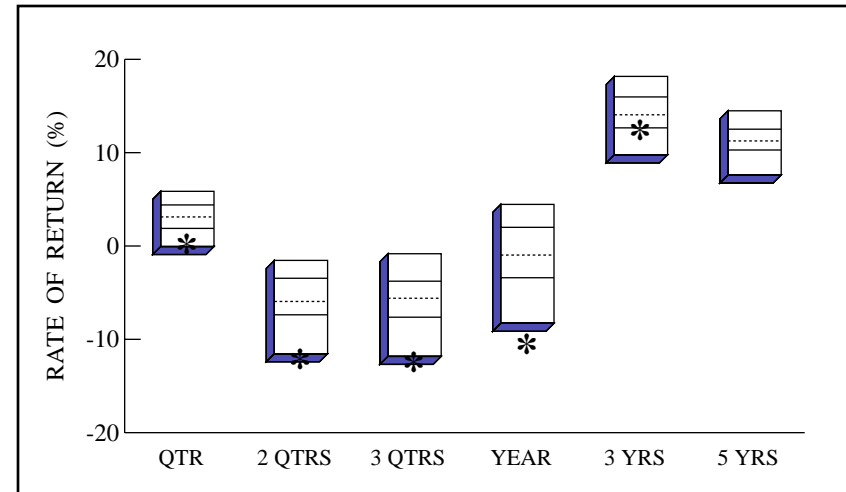
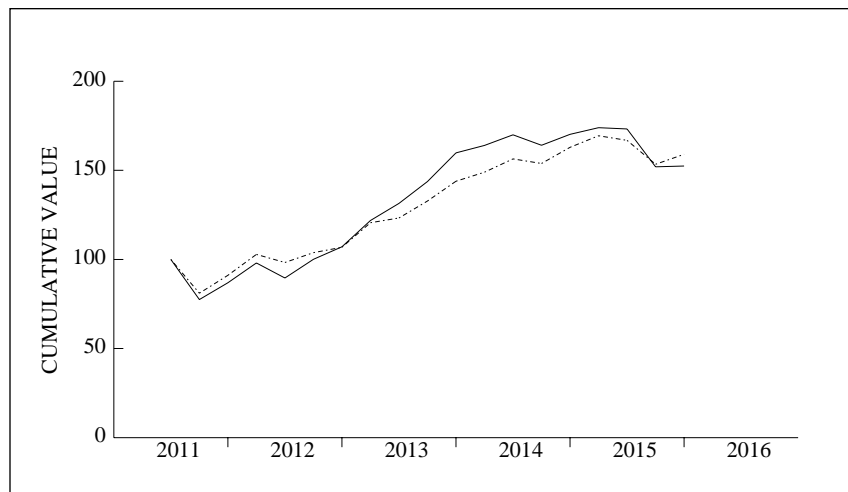


— ACTUAL RETURN  
 - - - 10.0%  
 . . . 0.0%

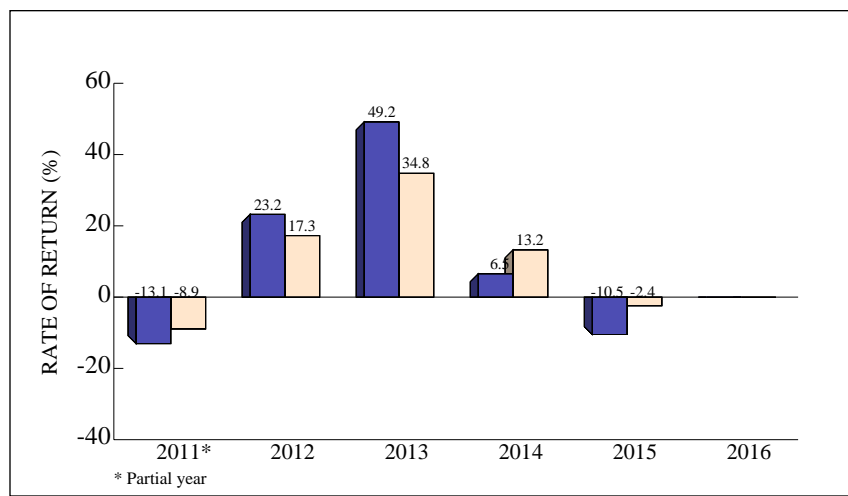
VALUE ASSUMING  
 10.0% RETURN \$ 5,211,052

	LAST QUARTER	PERIOD 6/11 - 12/15
BEGINNING VALUE	\$ 5,429,324	\$ 4,935,067
NET CONTRIBUTIONS	0	- 1,861,022
<u>INVESTMENT RETURN</u>	<u>16,695</u>	<u>2,371,974</u>
ENDING VALUE	\$ 5,446,019	\$ 5,446,019
INCOME	29,072	385,511
<u>CAPITAL GAINS (LOSSES)</u>	<u>- 12,377</u>	<u>1,986,463</u>
INVESTMENT RETURN	16,695	2,371,974

**TOTAL RETURN COMPARISONS**



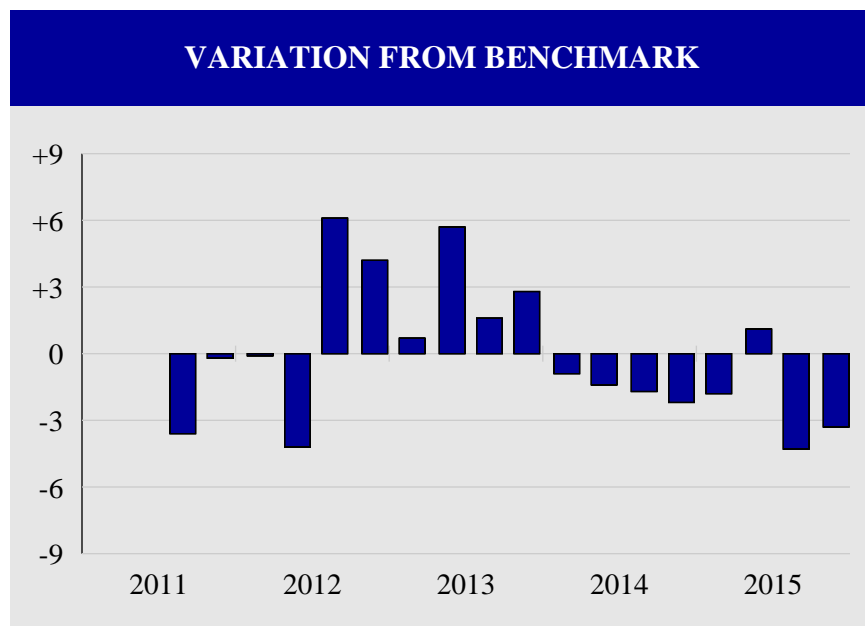
Mid Cap Universe



\* Partial year

	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	0.3	-12.0	-12.4	-10.5	12.5	----
(RANK)	(92)	(98)	(98)	(99)	(78)	----
5TH %ILE	5.9	-1.5	-0.8	4.5	18.2	14.5
25TH %ILE	4.4	-3.5	-3.8	2.0	16.0	12.5
MEDIAN	3.1	-5.9	-5.6	-1.0	14.1	11.3
75TH %ILE	1.9	-7.4	-7.6	-3.4	12.7	10.3
95TH %ILE	-0.1	-11.6	-11.8	-8.3	9.8	7.6
<b>Russ MC</b>	<b>3.6</b>	<b>-4.7</b>	<b>-6.1</b>	<b>-2.4</b>	<b>14.2</b>	<b>11.4</b>

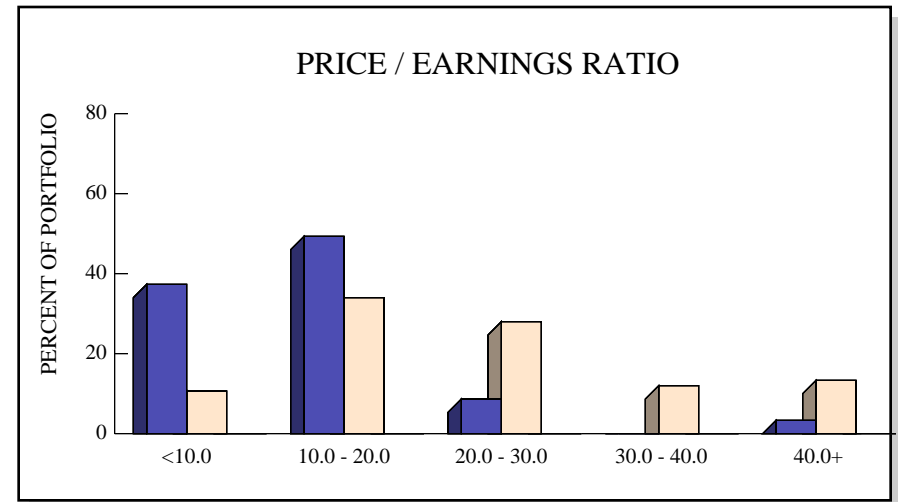
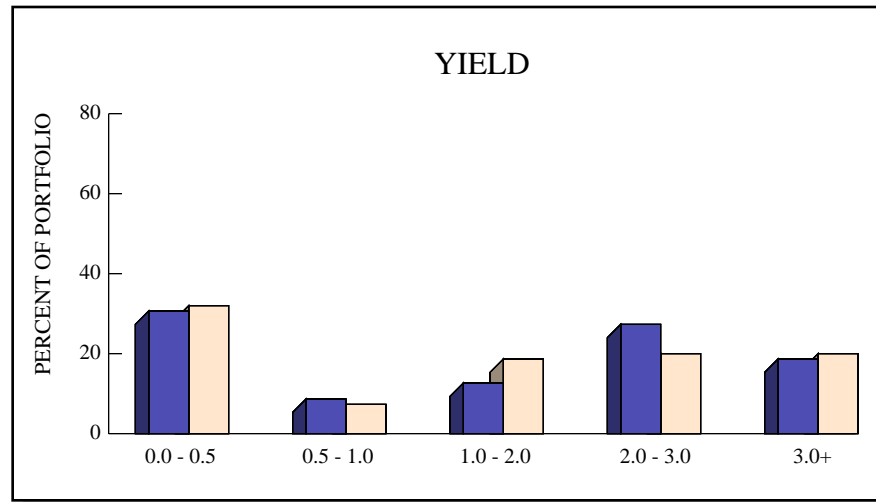
Mid Cap Universe

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

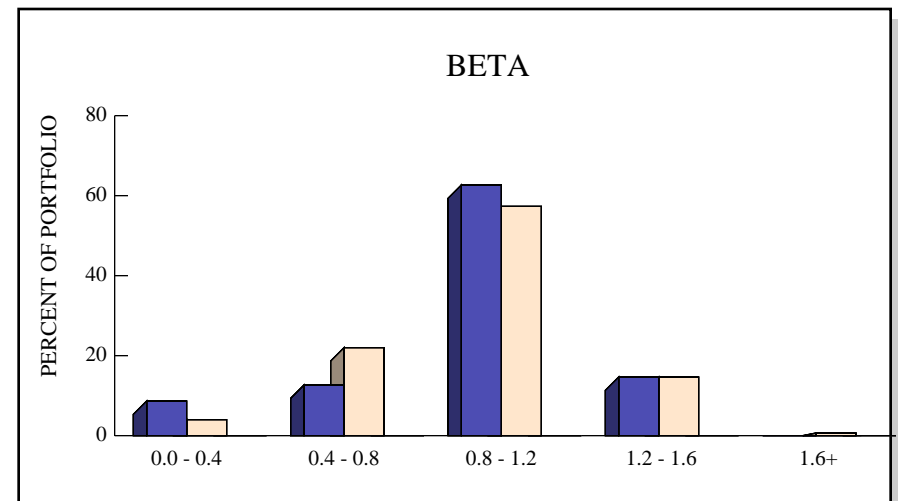
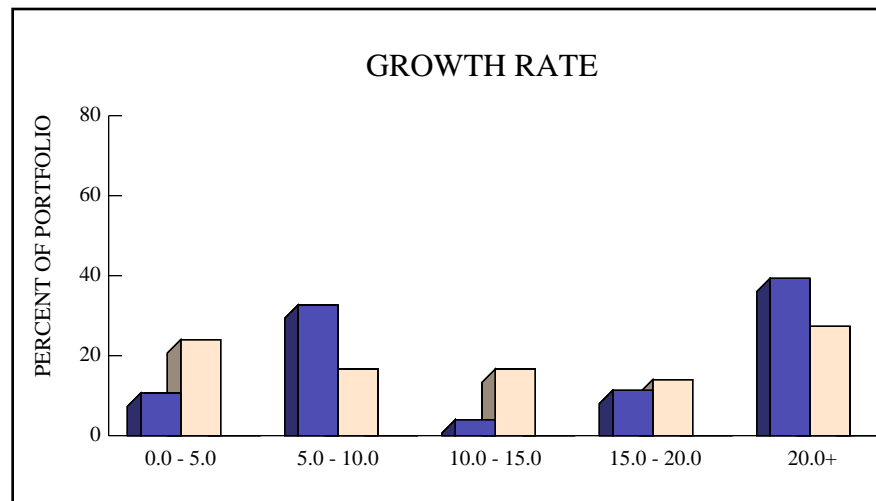
<b>Total Quarters Observed</b>	<b>18</b>
<b>Quarters At or Above the Benchmark</b>	<b>7</b>
<b>Quarters Below the Benchmark</b>	<b>11</b>
<b>Batting Average</b>	<b>.389</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
9/11	-22.5	-18.9	-3.6
12/11	12.1	12.3	-0.2
3/12	12.8	12.9	-0.1
6/12	-8.6	-4.4	-4.2
9/12	11.7	5.6	6.1
12/12	7.1	2.9	4.2
3/13	13.7	13.0	0.7
6/13	7.9	2.2	5.7
9/13	9.3	7.7	1.6
12/13	11.2	8.4	2.8
3/14	2.6	3.5	-0.9
6/14	3.6	5.0	-1.4
9/14	-3.4	-1.7	-1.7
12/14	3.7	5.9	-2.2
3/15	2.2	4.0	-1.8
6/15	-0.4	-1.5	1.1
9/15	-12.3	-8.0	-4.3
12/15	0.3	3.6	-3.3

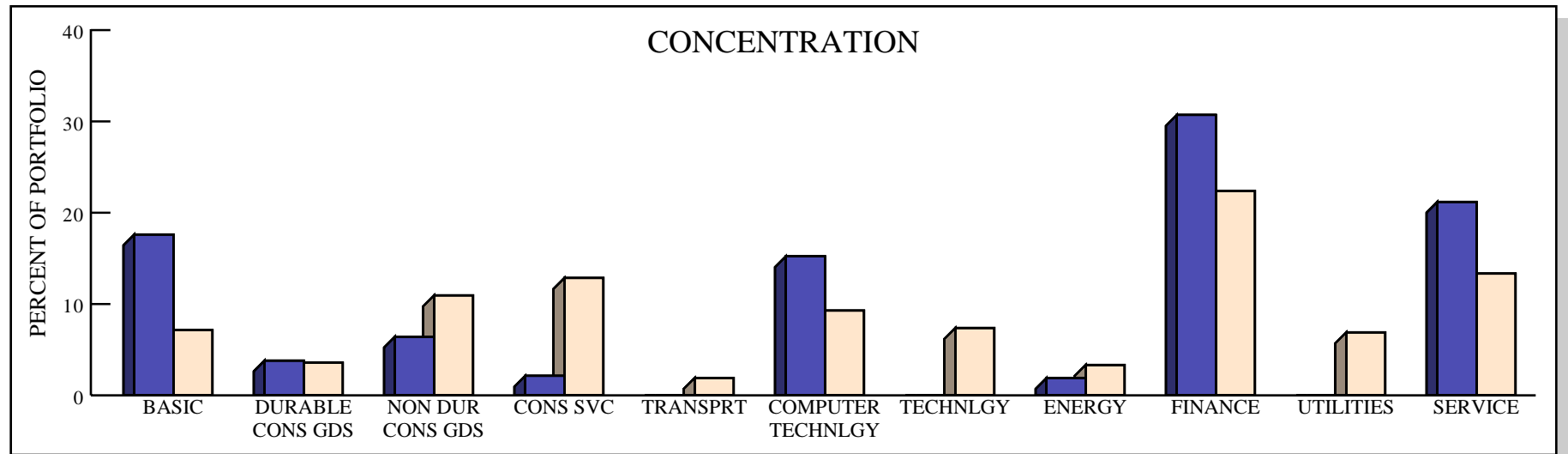
**STOCK CHARACTERISTICS**



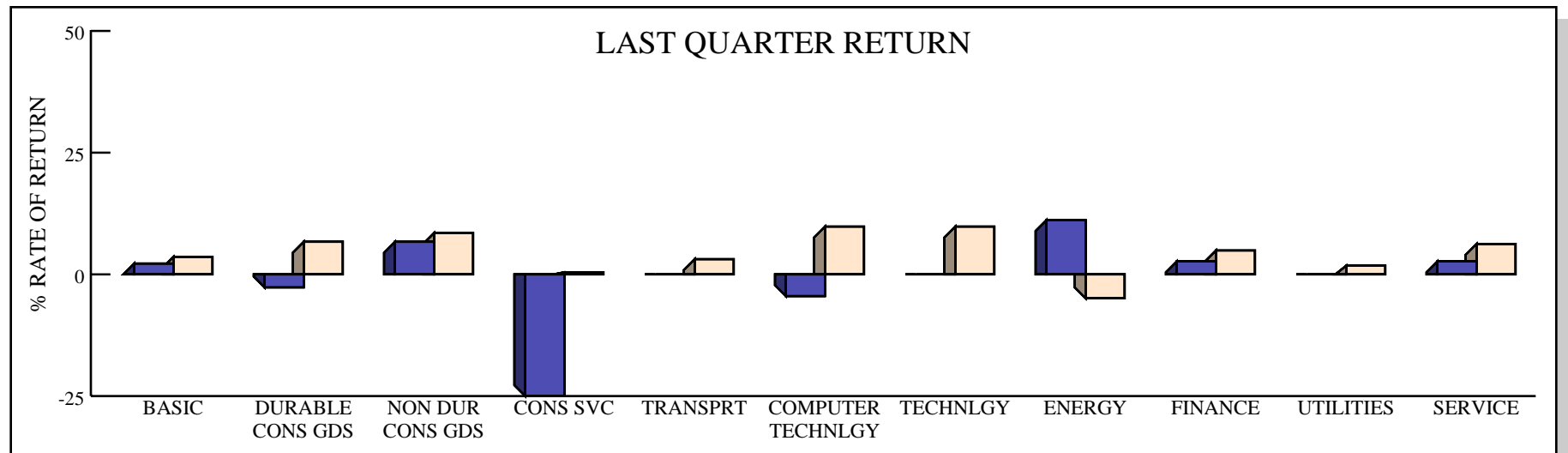
	# HOLDINGS	YIELD	GROWTH	P/E	BETA
PORTFOLIO	26	2.2%	18.6%	11.1	0.96
RUSSELL MID	831	1.9%	15.0%	23.7	0.93



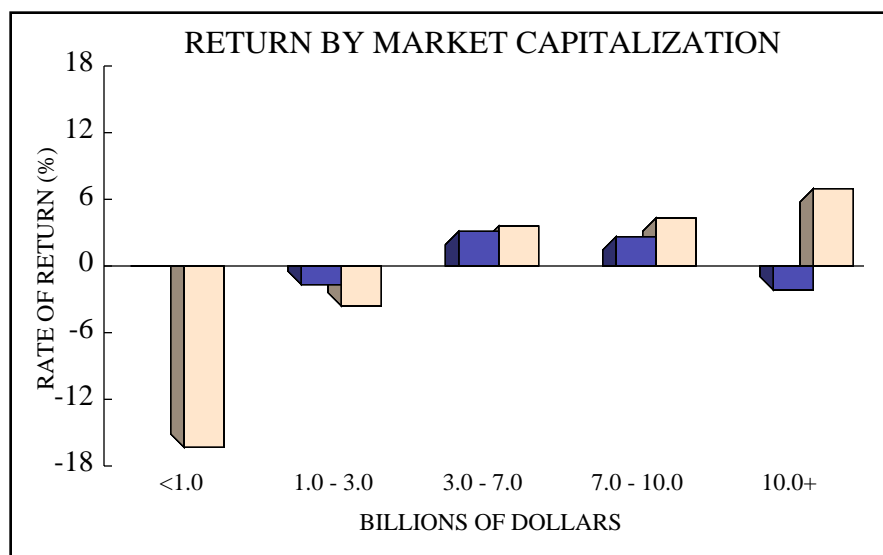
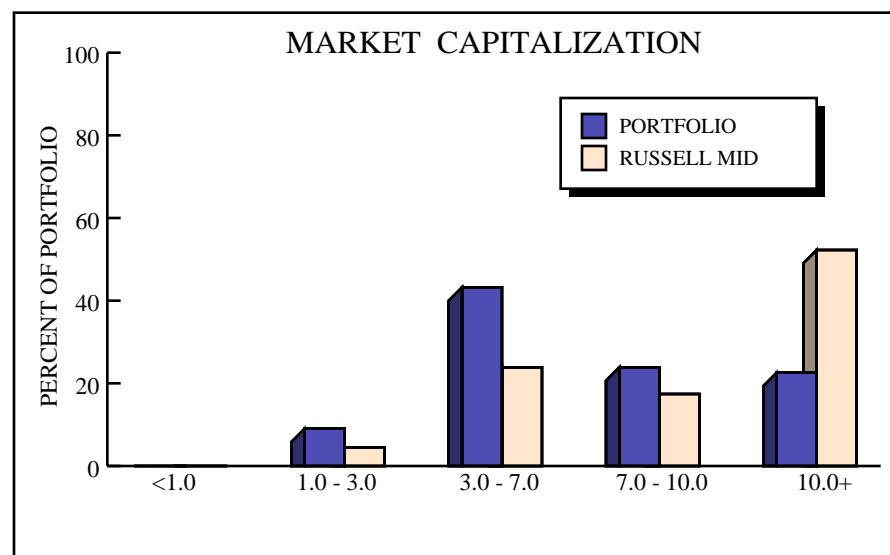
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL MID CAP



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	SYMANTEC CORP	\$ 288,897	5.56%	8.6%	Computer Tech	\$ 14.2 B
2	ASSURED GUARANTY LTD	281,347	5.42%	6.2%	Finance	3.7 B
3	LIBERTY MEDIA CORP - C	269,644	5.19%	10.5%	Service	8.5 B
4	CHICAGO BRIDGE & IRON CO NV	269,265	5.19%	-1.5%	Basic	4.1 B
5	VISTEON CORP	258,427	4.98%	13.1%	Basic	4.7 B
6	DISCOVERY COMMUNICATIONS-C	244,382	4.71%	3.8%	Service	6.9 B
7	FIFTH THIRD BANCORP	227,633	4.38%	7.0%	Finance	16.0 B
8	MALLINCKRODT PLC	224,039	4.32%	16.7%	NonDur Cons Goods	8.7 B
9	REGIONS FINANCIAL CORP	223,546	4.31%	7.1%	Finance	12.5 B
10	WESTERN UNION CO	217,087	4.18%	-1.6%	Service	9.1 B



FRANKLIN REGIONAL RETIREMENT SYSTEM  
DARUMA ASSET MANAGEMENT - GINKGO FUND  
PERFORMANCE REVIEW  
DECEMBER 2015

## **INVESTMENT RETURN**

On December 31st, 2015, the Franklin Regional Retirement System's Daruma Asset Management Ginkgo Fund was valued at \$5,310,656, representing an increase of \$393,684 from the September quarter's ending value of \$4,916,972. Last quarter, the Fund posted withdrawals totaling \$13,056, which partially offset the portfolio's net investment return of \$406,740. Since there were no income receipts for the fourth quarter, the portfolio's net investment return figure was the product of net realized and unrealized capital gains totaling \$406,740.

For the cumulative period since December 2010, the account has posted net withdrawals totaling \$8.4 million and recorded net investment gains totaling \$4.6 million. Since December 2010, if the portfolio had returned a compounded nominal rate of 10.0% it would have been valued at \$4.6 million or \$724,408 less than its actual value as of December 31st, 2015.

## **RELATIVE PERFORMANCE**

*In July, 2014, the separately managed Daruma portfolio was divested and the proceeds were invested in the Daruma Ginkgo Fund. The domestic equity return will not match the total return on a historical basis due to the cash allocation in the separately managed Daruma portfolio.*

For the fourth quarter, the Daruma Asset Management Ginkgo Fund returned 8.3%, which was 4.7% greater than the Russell 2000 Index's return of 3.6% and ranked in the 3rd percentile of the Small Cap universe. Over the trailing year, the portfolio returned -5.7%, which was 1.3% below the benchmark's -4.4% performance, ranking in the 79th percentile. Since December 2010, the account returned 7.8% on an annualized basis and ranked in the 87th percentile. For comparison, the Russell 2000 returned an annualized 9.2% over the same period.

## **EQUITY ANALYSIS**

By the end of the quarter, the Daruma portfolio was invested in nine of the eleven industry sectors. Compared to the index, the portfolio was overweight in the Basic, Nondurable Consumer Goods, and Service sectors, while underweight in Consumer Service, Computer Technology, Technology, and Finance. Durable Consumer Goods and Utilities were left unfunded.

The Nondurable Consumer Goods and Service sectors combined for a 51.6% allocation, and each bested the index. Moreover, the Technology sector nearly doubled the return of the benchmark. The overweight Basic sector underperformed, but negative stock selection there were more than offset by positive effects experienced elsewhere.

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Year	5 Years
<b>Total Portfolio - Gross</b>	8.3	-5.7	-5.7	10.5	7.8
<i>SMALL CAP RANK</i>	( 3)	(79)	(79)	(81)	(87)
<b>Total Portfolio - Net</b>	8.0	-6.7	-6.7	9.4	6.8
RUSSELL 2000	3.6	-4.4	-4.4	11.7	9.2
<b>Domestic Equity - Gross</b>	8.3	-5.7	-5.7	11.0	8.2
<i>SMALL CAP RANK</i>	( 3)	(79)	(79)	(77)	(84)
RUSSELL 2000	3.6	-4.4	-4.4	11.7	9.2
RUSSELL 2000G	4.3	-1.4	-1.4	14.3	10.7
RUSSELL 2000V	2.9	-7.5	-7.5	9.1	7.7

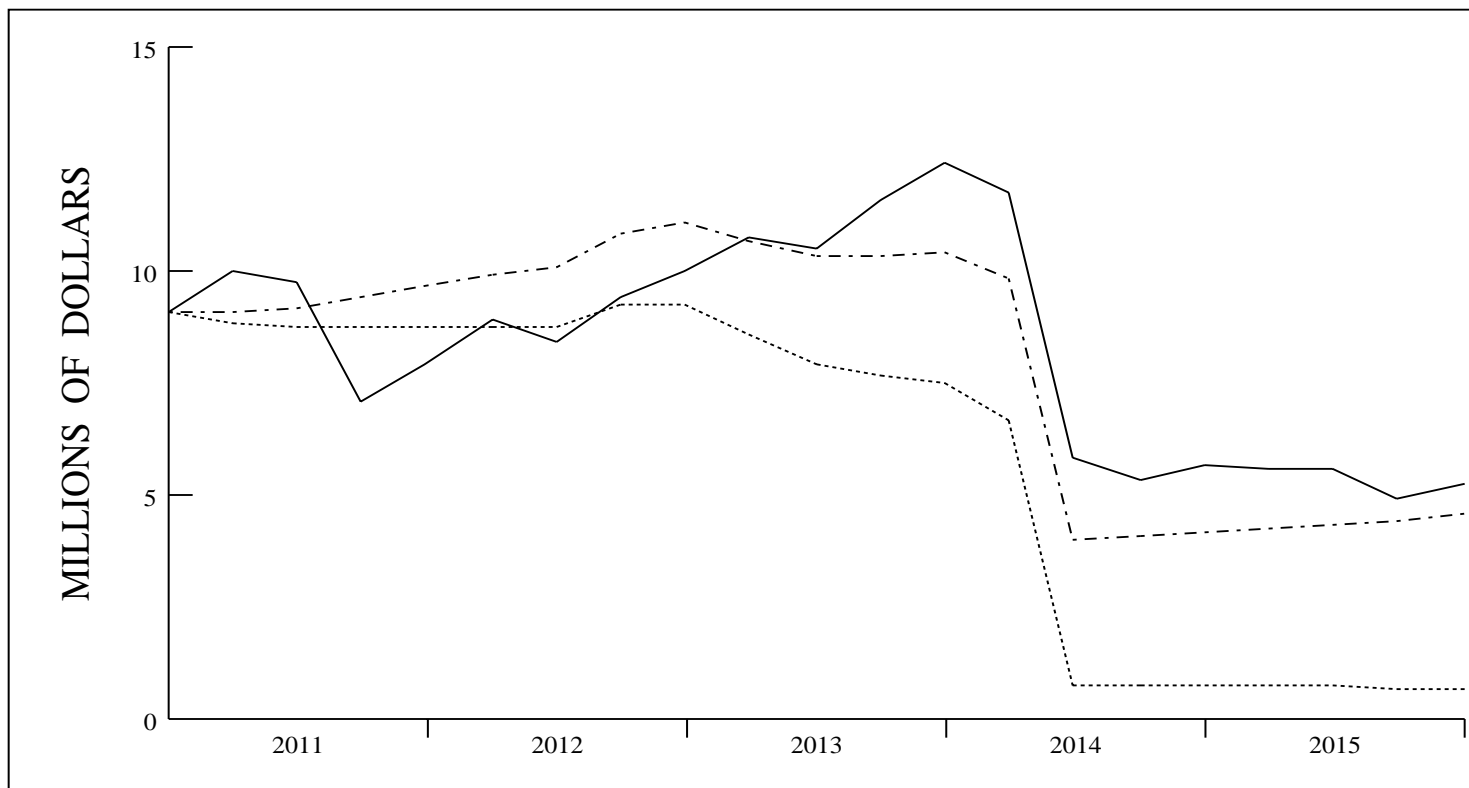
**ASSET ALLOCATION**

Domestic Equity	100.0%	\$ 5,310,656
Total Portfolio	100.0%	\$ 5,310,656

**INVESTMENT RETURN**

Market Value 9/2015	\$ 4,916,972
Contribs / Withdrawals	- 13,056
Income	0
Capital Gains / Losses	406,740
Market Value 12/2015	\$ 5,310,656

**INVESTMENT GROWTH**

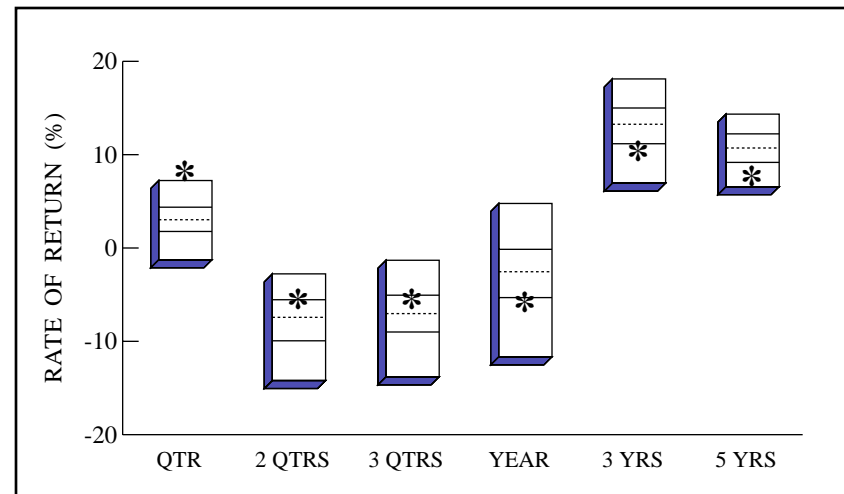
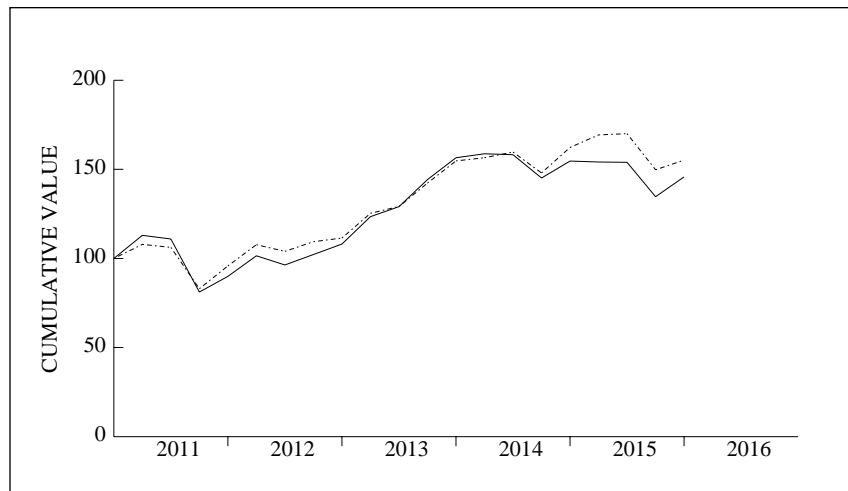


— ACTUAL RETURN  
 - - - 10.0%  
 . . . 0.0%

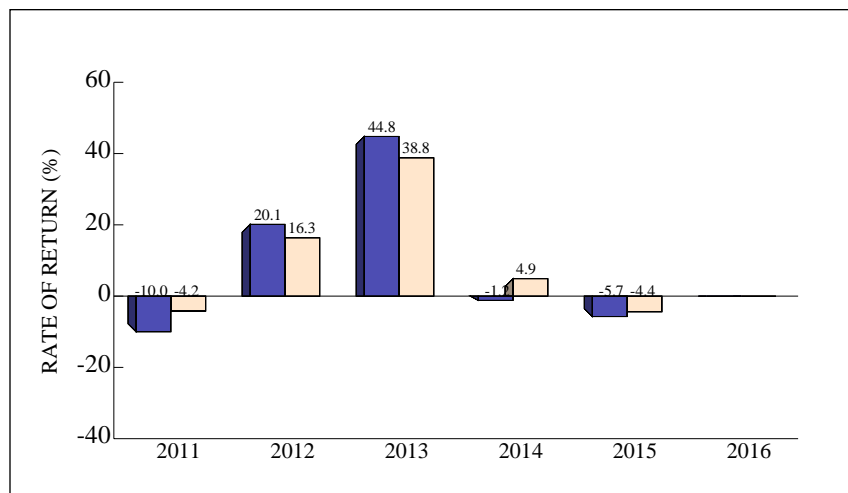
VALUE ASSUMING  
 10.0% RETURN \$ 4,586,248

	LAST QUARTER	PERIOD 12/10 - 12/15
BEGINNING VALUE	\$ 4,916,972	\$ 9,159,433
NET CONTRIBUTIONS	- 13,056	- 8,427,875
<u>INVESTMENT RETURN</u>	<u>406,740</u>	<u>4,579,098</u>
ENDING VALUE	\$ 5,310,656	\$ 5,310,656
INCOME	0	149,151
<u>CAPITAL GAINS (LOSSES)</u>	<u>406,740</u>	<u>4,429,947</u>
INVESTMENT RETURN	406,740	4,579,098

**TOTAL RETURN COMPARISONS**

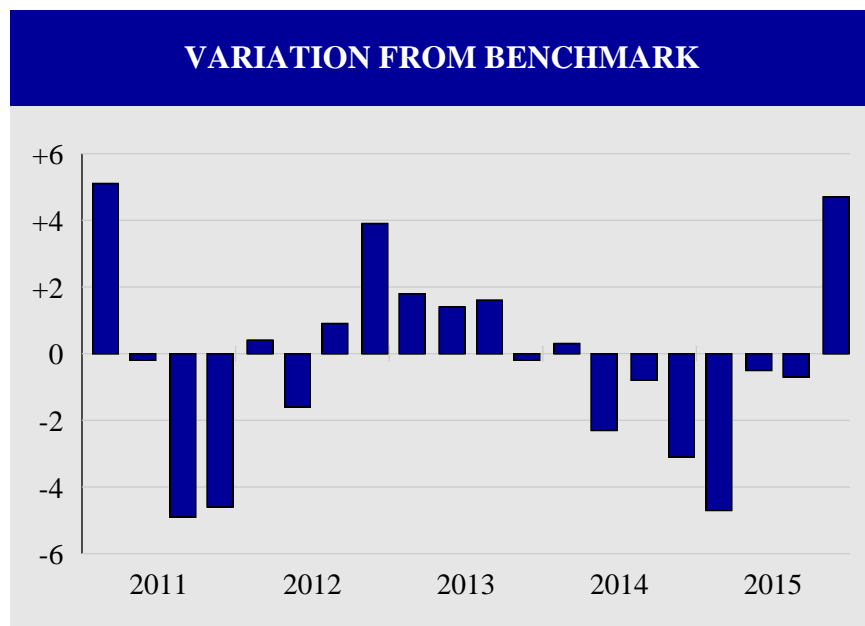


Small Cap Universe



	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED----- 3 YRS	5 YRS
RETURN	8.3	-5.3	-5.4	-5.7	10.5	7.8
(RANK)	( 3)	(22)	(30)	(79)	(81)	(87)
5TH %ILE	7.2	-2.8	-1.3	4.8	18.1	14.3
25TH %ILE	4.4	-5.6	-5.1	-0.1	15.0	12.2
MEDIAN	3.0	-7.4	-7.0	-2.5	13.3	10.7
75TH %ILE	1.8	-9.9	-9.0	-5.3	11.2	9.2
95TH %ILE	-1.3	-14.2	-13.8	-11.7	6.9	6.6
<b>Russ 2000</b>	<b>3.6</b>	<b>-8.8</b>	<b>-8.4</b>	<b>-4.4</b>	<b>11.7</b>	<b>9.2</b>

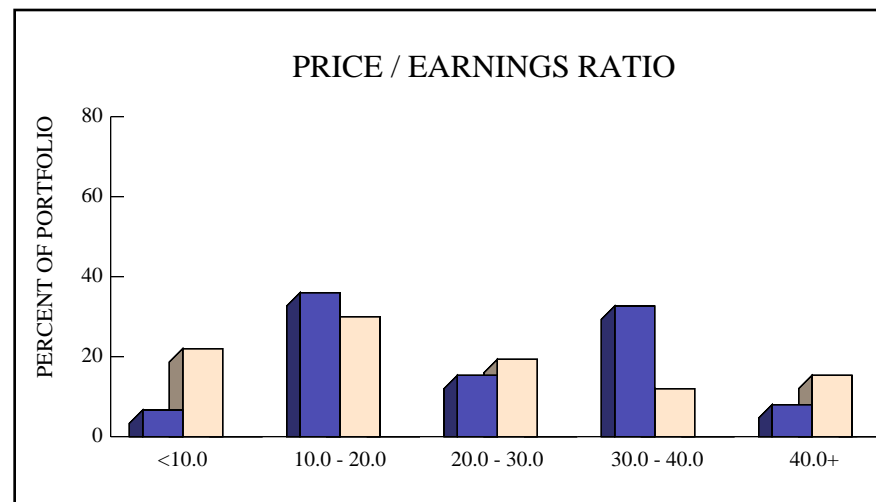
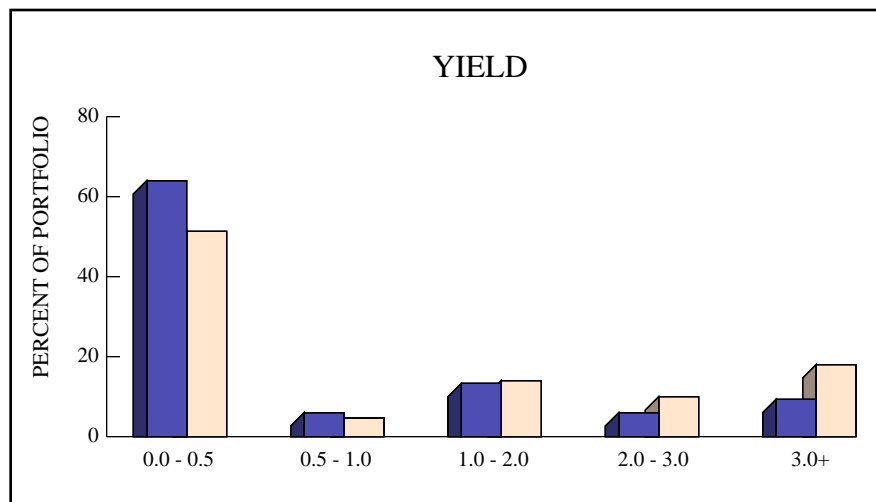
Small Cap Universe

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

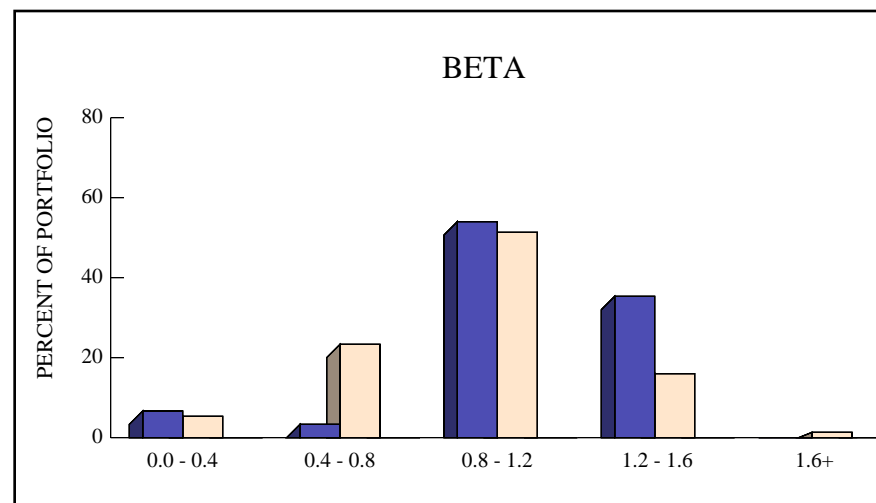
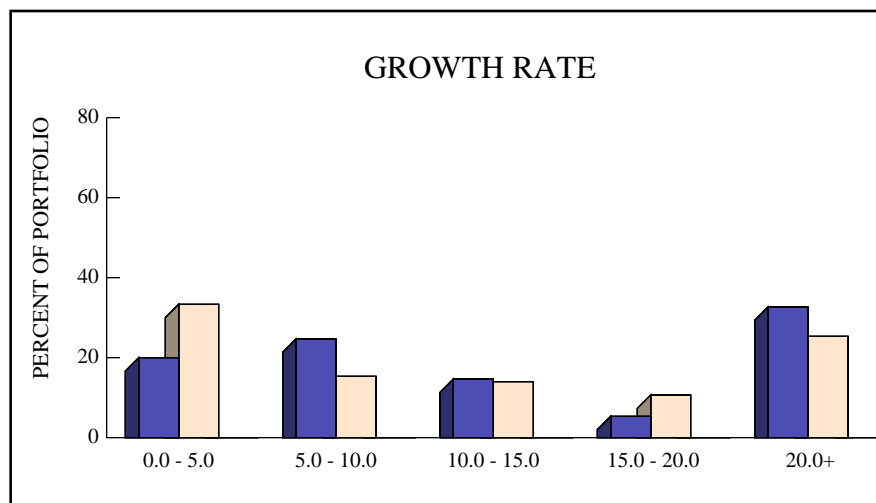
<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>9</b>
<b>Quarters Below the Benchmark</b>	<b>11</b>
<b>Batting Average</b>	<b>.450</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/11	13.0	7.9	5.1
6/11	-1.8	-1.6	-0.2
9/11	-26.8	-21.9	-4.9
12/11	10.9	15.5	-4.6
3/12	12.8	12.4	0.4
6/12	-5.1	-3.5	-1.6
9/12	6.1	5.2	0.9
12/12	5.7	1.8	3.9
3/13	14.2	12.4	1.8
6/13	4.5	3.1	1.4
9/13	11.8	10.2	1.6
12/13	8.5	8.7	-0.2
3/14	1.4	1.1	0.3
6/14	-0.3	2.0	-2.3
9/14	-8.2	-7.4	-0.8
12/14	6.6	9.7	-3.1
3/15	-0.4	4.3	-4.7
6/15	-0.1	0.4	-0.5
9/15	-12.6	-11.9	-0.7
12/15	8.3	3.6	4.7

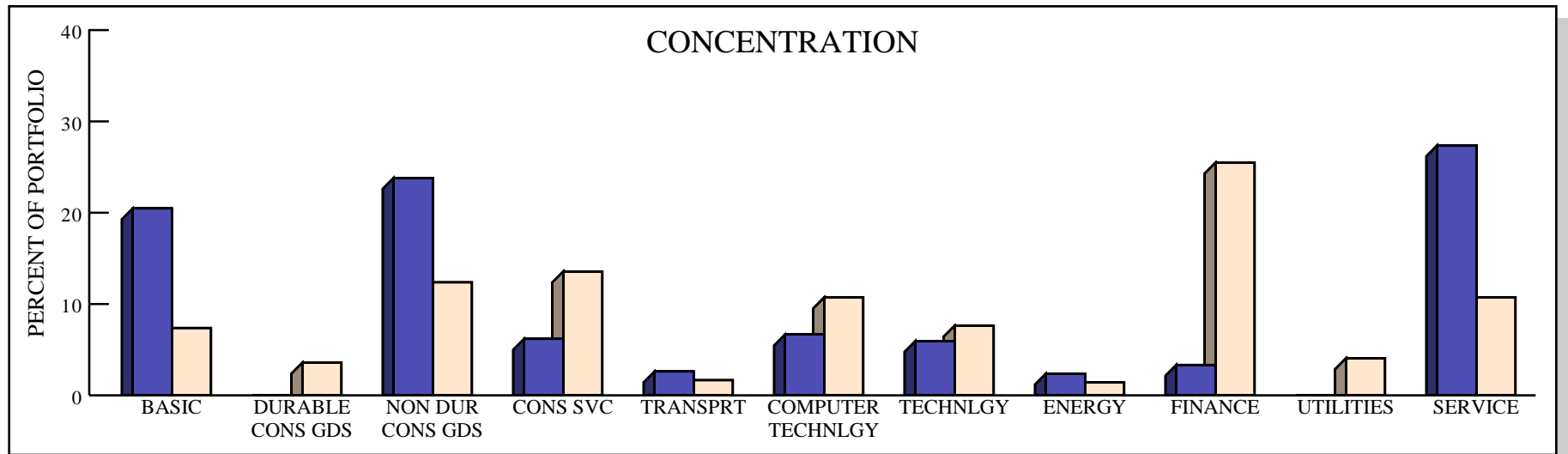
**STOCK CHARACTERISTICS**



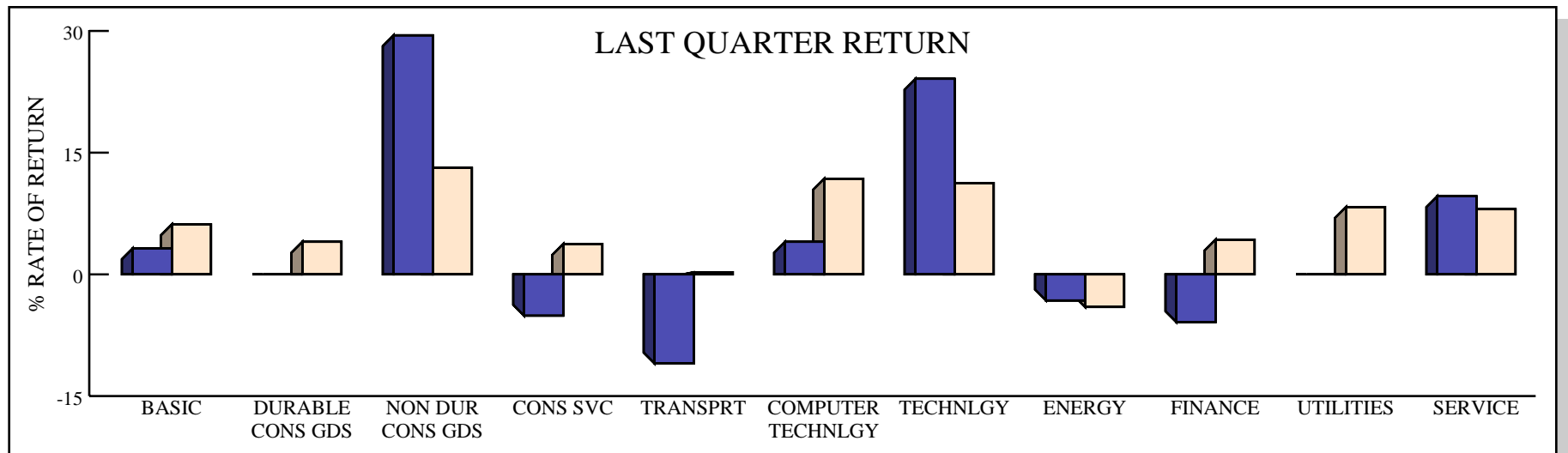
	# HOLDINGS	YIELD	GROWTH	P/E	BETA
PORTFOLIO	30	0.8%	16.1%	25.5	1.05
RUSSELL 2000	1,988	1.5%	12.6%	20.3	0.93



**STOCK INDUSTRY ANALYSIS**

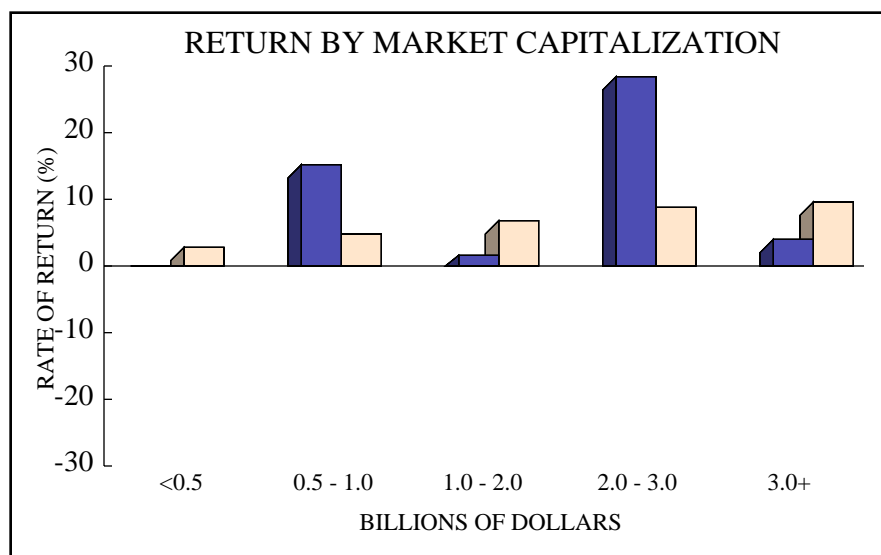
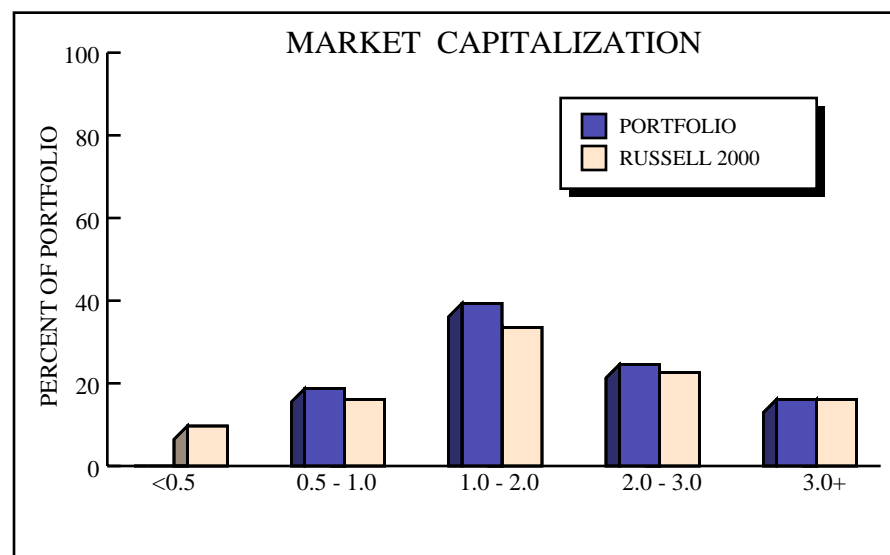


■ PORTFOLIO      ■ RUSSELL 2000





## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	PACIRA PHARMACEUTICALS INC	\$ 229,832	4.33%	86.8%	NonDur Cons Goods	\$ 2.8 B
2	BEACON ROOFING SUPPLY INC	226,861	4.27%	26.8%	Service	2.4 B
3	ACXIOM CORP	214,723	4.04%	5.9%	Service	1.6 B
4	BABCOCK & WILCOX ENTERPR	211,893	3.99%	24.2%	Basic	1.1 B
5	BRUNSWICK CORP	207,040	3.90%	5.7%	Basic	4.6 B
6	ENTEGRIS INC	190,730	3.59%	0.6%	NonDur Cons Goods	1.9 B
7	VERA BRADLEY INC	189,971	3.58%	25.0%	NonDur Cons Goods	0.6 B
8	CADENCE DESIGN SYS INC	188,393	3.55%	0.6%	Computer Tech	6.2 B
9	DIEBOLD INC	186,708	3.52%	2.1%	Basic	2.0 B
10	FORWARD AIR CORP	185,330	3.49%	3.9%	Service	1.3 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
SYSTEMATIC FINANCIAL  
PERFORMANCE REVIEW  
DECEMBER 2015

## **INVESTMENT RETURN**

On December 31st, 2015, the Franklin Regional Retirement System's Systematic Financial portfolio was valued at \$5,411,043, representing an increase of \$185,261 from the September quarter's ending value of \$5,225,782. Last quarter, the Fund posted no net contributions or withdrawals, while posting \$185,261 in net investment returns. Income receipts totaling \$28,728 plus net realized and unrealized capital gains of \$156,533 combined to produce the portfolio's net investment return figure.

For the cumulative period since June 2014, the account has recorded net withdrawals totaling \$9, compared to net investment losses of \$534,898. Since June 2014, if the total account earned a compounded nominal rate of 8.0% it would have been worth \$6.7 million or \$1.3 million more than the actual value as of December 31st, 2015.

## **RELATIVE PERFORMANCE**

During the fourth quarter, the Systematic Financial portfolio gained 3.5%, which was 0.1% below the Russell 2000 Index's return of 3.6% and ranked in the 39th percentile of the Small Cap universe. Over the trailing year, the portfolio returned -8.7%, which was 4.3% below the benchmark's -4.4% performance, ranking in the 91st percentile. Since June 2014, the account returned -6.1% on an annualized basis and ranked in the 90th percentile. For comparison, the Russell 2000 returned an annualized -1.9% over the same period.

## **ASSET ALLOCATION**

On December 31st, 2015, domestic equities comprised 99.1% of the total portfolio (\$5.4 million), while cash & equivalents totaled 0.9% (\$49,297).

## **STOCK ANALYSIS**

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

Selection effects were mixed in the fourth quarter. The overweight Basic, Consumer Service, Technology, and Service sectors underperformed. On the other hand, the Computer Technology sector surged in performance, besting the index by 5.2%. The heavily weighted Finance sector edged out the benchmark as well.

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Year	Since 06/14
<b>Total Portfolio - Gross</b>	3.5	-8.7	-8.7	----	-6.1
<i>SMALL CAP RANK</i>	(39)	(91)	(91)	----	(90)
<b>Total Portfolio - Net</b>	3.4	-9.4	-9.4	----	-6.8
RUSSELL 2000	3.6	-4.4	-4.4	11.7	-1.9
RUSSELL 2000G	4.3	-1.4	-1.4	14.3	1.3
RUSSELL 2000V	2.9	-7.5	-7.5	9.1	-5.0
<b>Domestic Equity - Gross</b>	3.6	-8.8	-8.8	----	-6.2
<i>SMALL CAP RANK</i>	(38)	(91)	(91)	----	(90)
RUSSELL 2000	3.6	-4.4	-4.4	11.7	-1.9

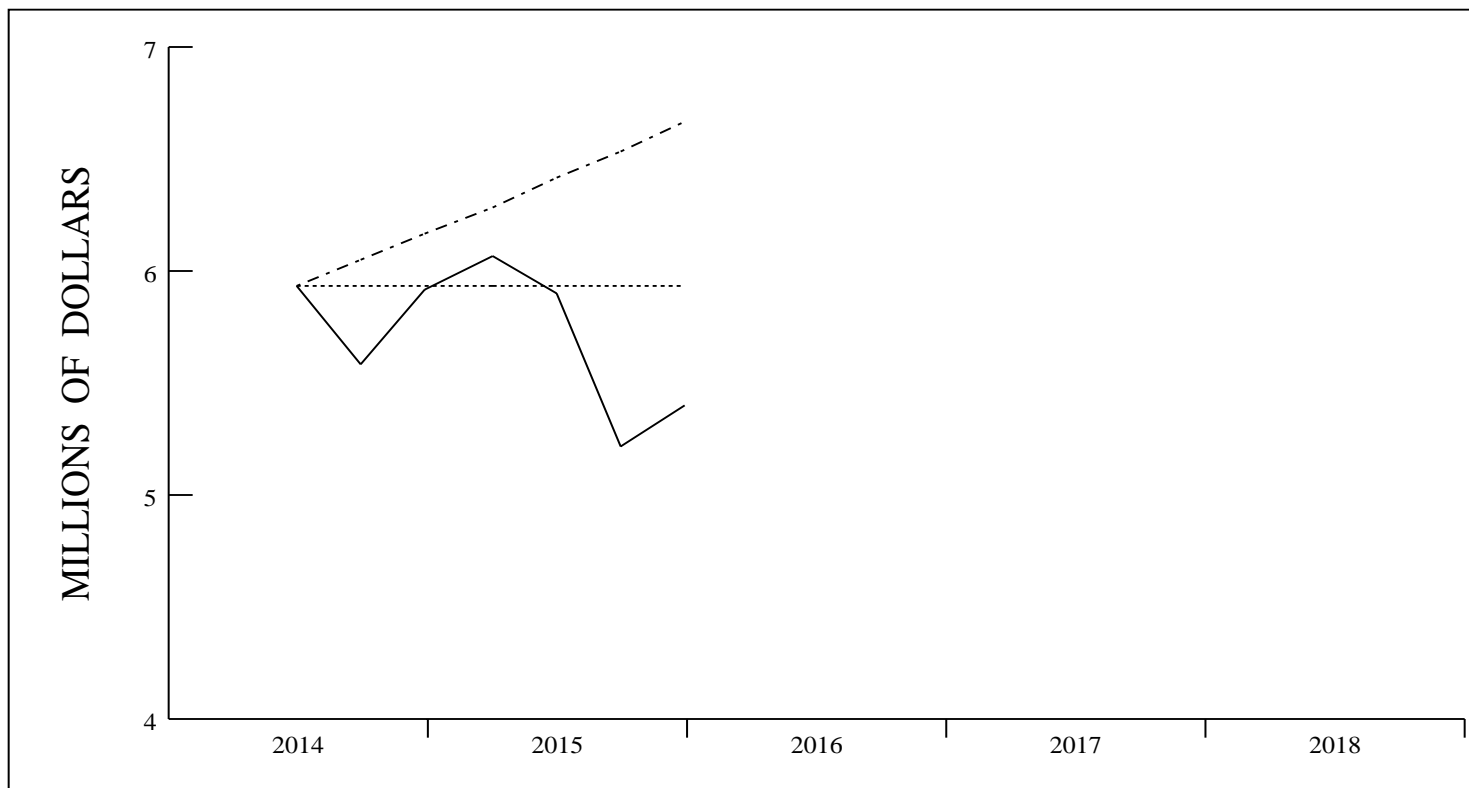
**ASSET ALLOCATION**

Domestic Equity	99.1%	\$ 5,361,746
Cash	0.9%	49,297
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 5,411,043</b>

**INVESTMENT RETURN**

Market Value 9/2015	\$ 5,225,782
Contribs / Withdrawals	0
Income	28,728
Capital Gains / Losses	156,533
Market Value 12/2015	\$ 5,411,043

**INVESTMENT GROWTH**

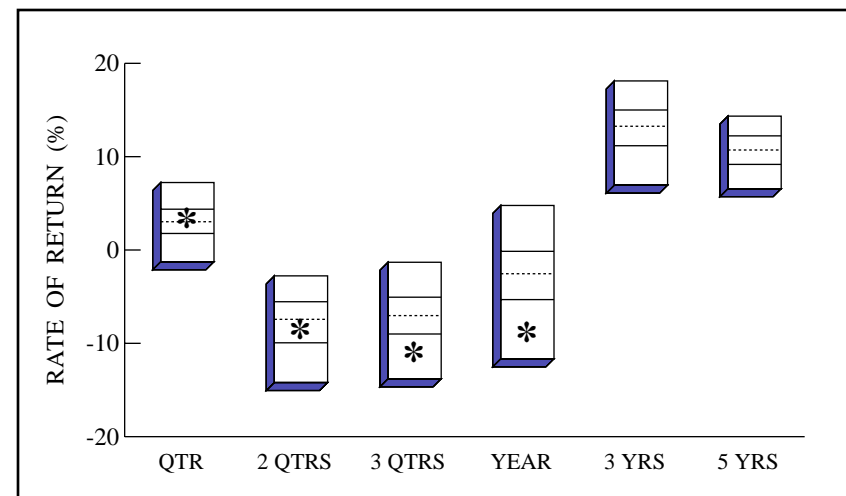
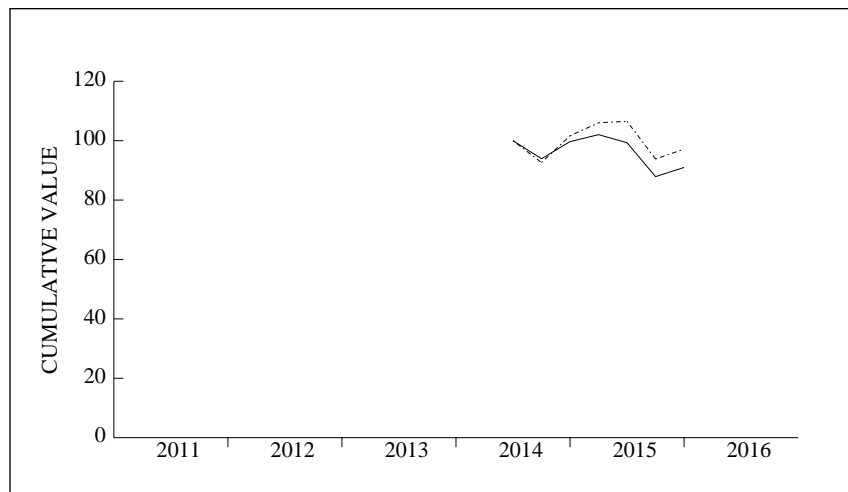


— ACTUAL RETURN  
 - - - 8.0%  
 ..... 0.0%

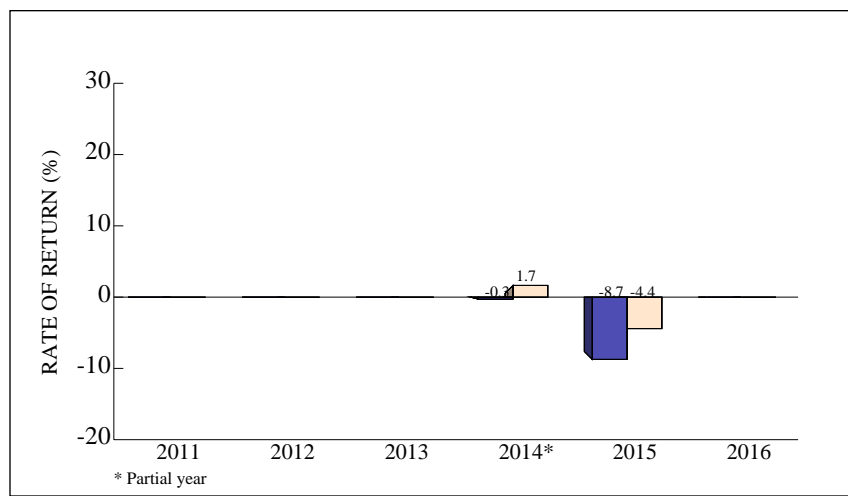
VALUE ASSUMING  
 8.0% RETURN    \$ 6,673,540

	LAST QUARTER	PERIOD 6/14 - 12/15
BEGINNING VALUE	\$ 5,225,782	\$ 5,945,950
NET CONTRIBUTIONS	0	- 9
INVESTMENT RETURN	185,261	-534,898
ENDING VALUE	\$ 5,411,043	\$ 5,411,043
INCOME	28,728	164,545
CAPITAL GAINS (LOSSES)	156,533	-699,443
INVESTMENT RETURN	185,261	-534,898

**TOTAL RETURN COMPARISONS**



Small Cap Universe



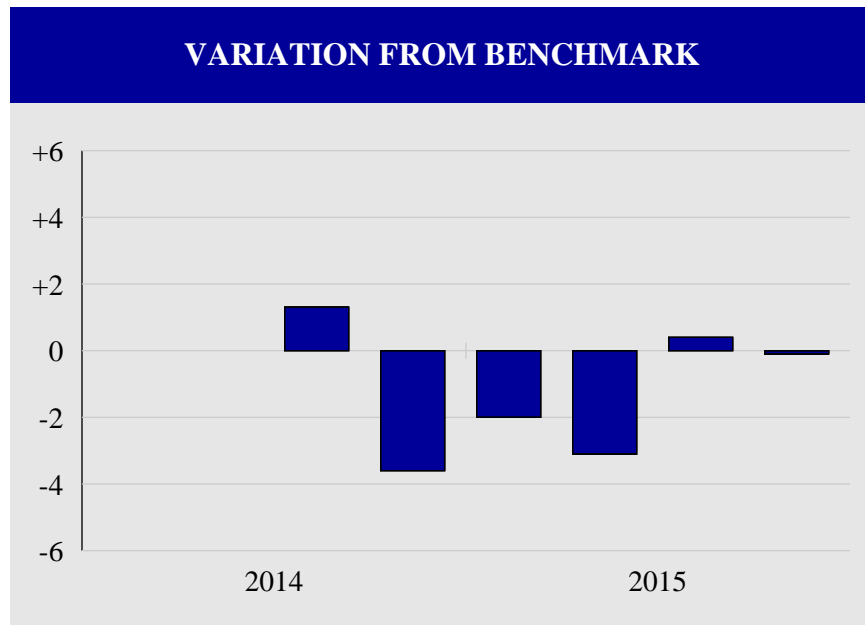
\* Partial year

	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	3.5	-8.4	-10.8	-8.7	----	----
(RANK)	(39)	(61)	(88)	(91)	----	----
5TH %ILE	7.2	-2.8	-1.3	4.8	18.1	14.3
25TH %ILE	4.4	-5.6	-5.1	-0.1	15.0	12.2
MEDIAN	3.0	-7.4	-7.0	-2.5	13.3	10.7
75TH %ILE	1.8	-9.9	-9.0	-5.3	11.2	9.2
95TH %ILE	-1.3	-14.2	-13.8	-11.7	6.9	6.6
<b>Russ 2000</b>	<b>3.6</b>	<b>-8.8</b>	<b>-8.4</b>	<b>-4.4</b>	<b>11.7</b>	<b>9.2</b>

Small Cap Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

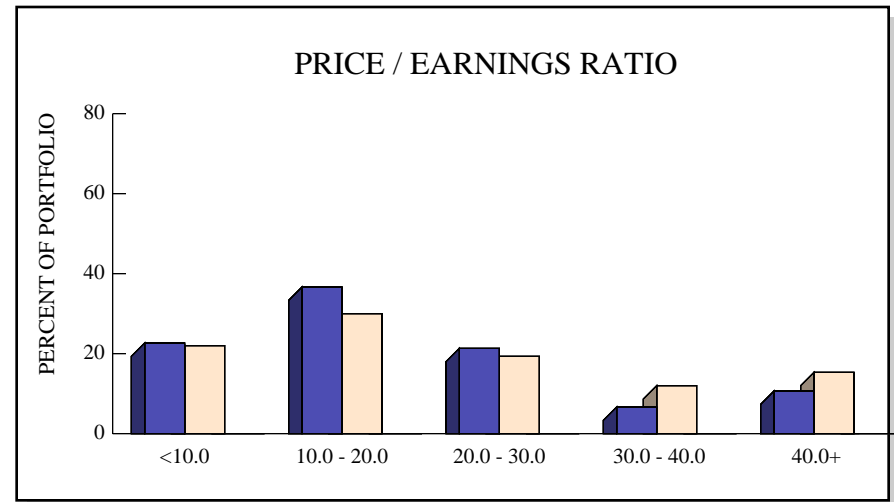
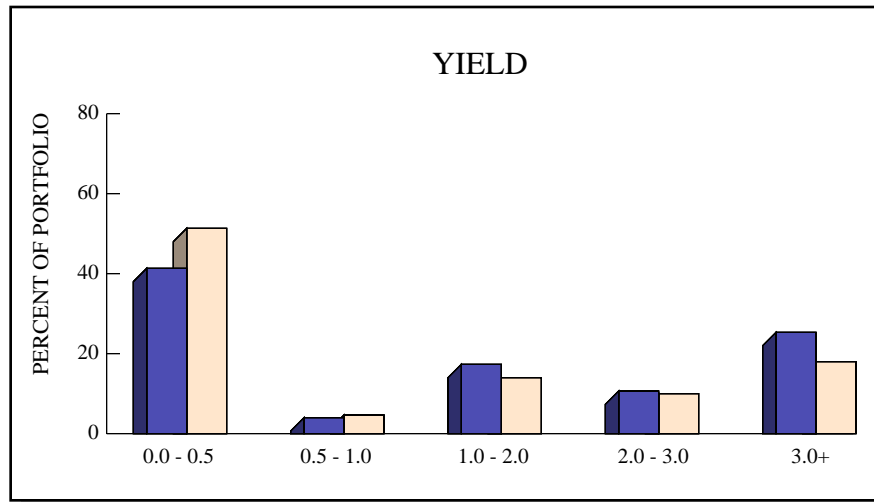
**COMPARATIVE BENCHMARK: RUSSELL 2000**



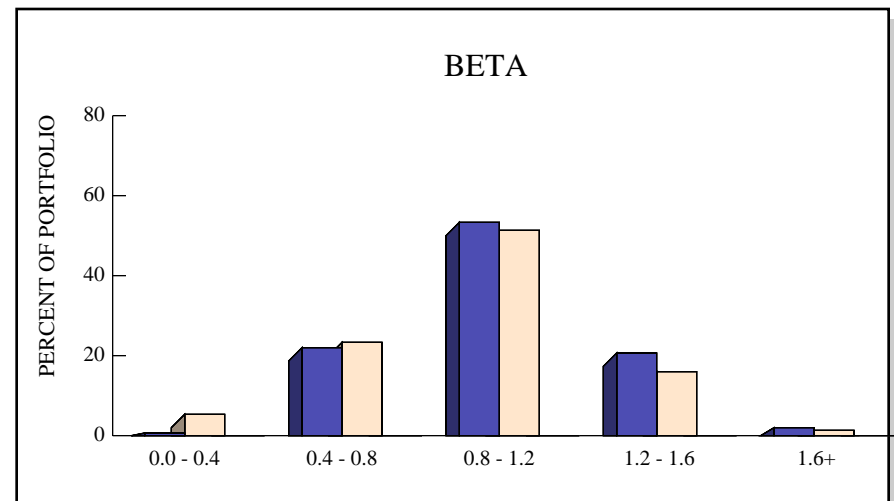
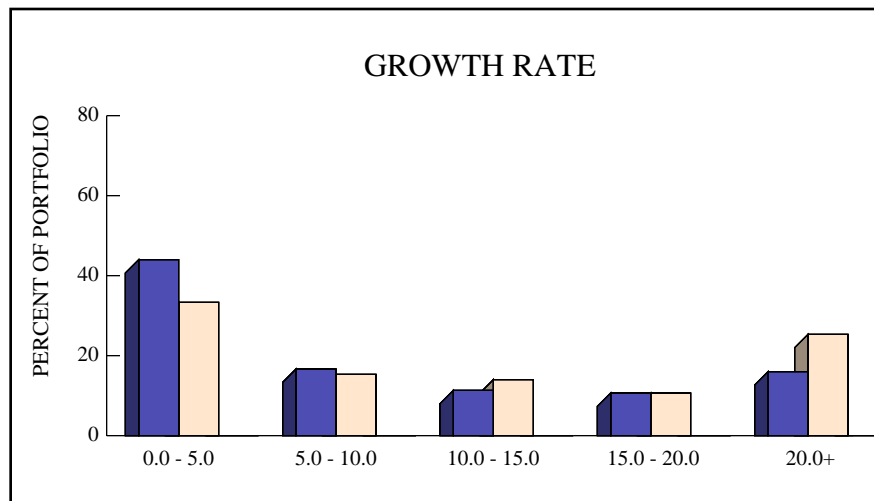
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
9/14	-6.1	-7.4	1.3
12/14	6.1	9.7	-3.6
3/15	2.3	4.3	-2.0
6/15	-2.7	0.4	-3.1
9/15	-11.5	-11.9	0.4
12/15	3.5	3.6	-0.1

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

**STOCK CHARACTERISTICS**

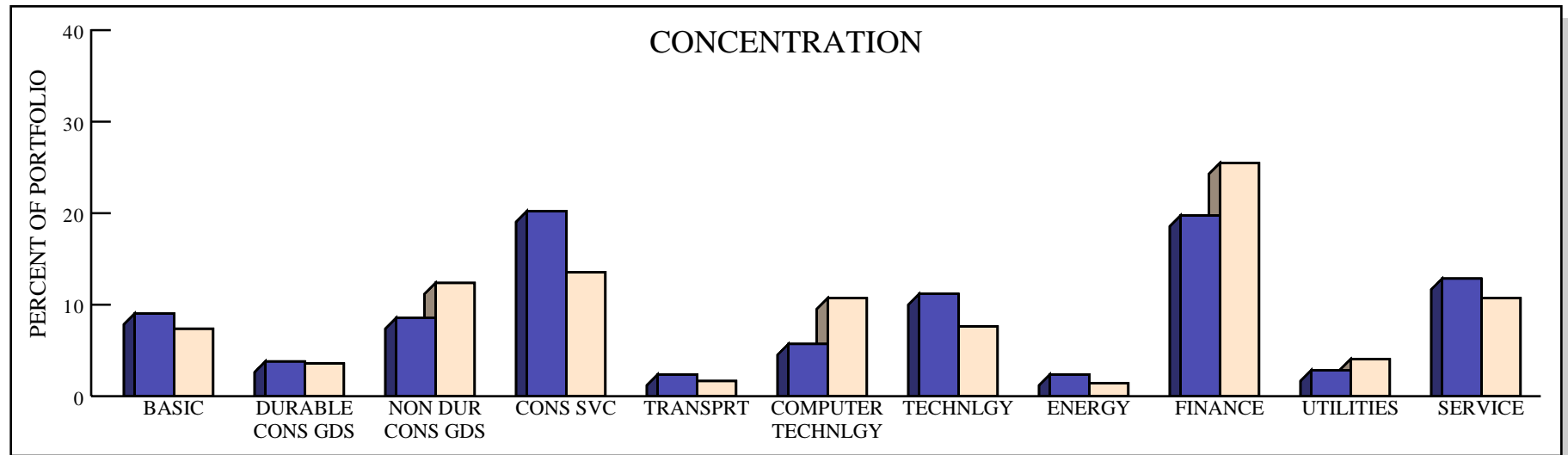


	# HOLDINGS	YIELD	GROWTH	P/E	BETA
PORTFOLIO	294	2.2%	7.0%	18.5	0.99
RUSSELL 2000	1,988	1.5%	12.6%	20.3	0.93

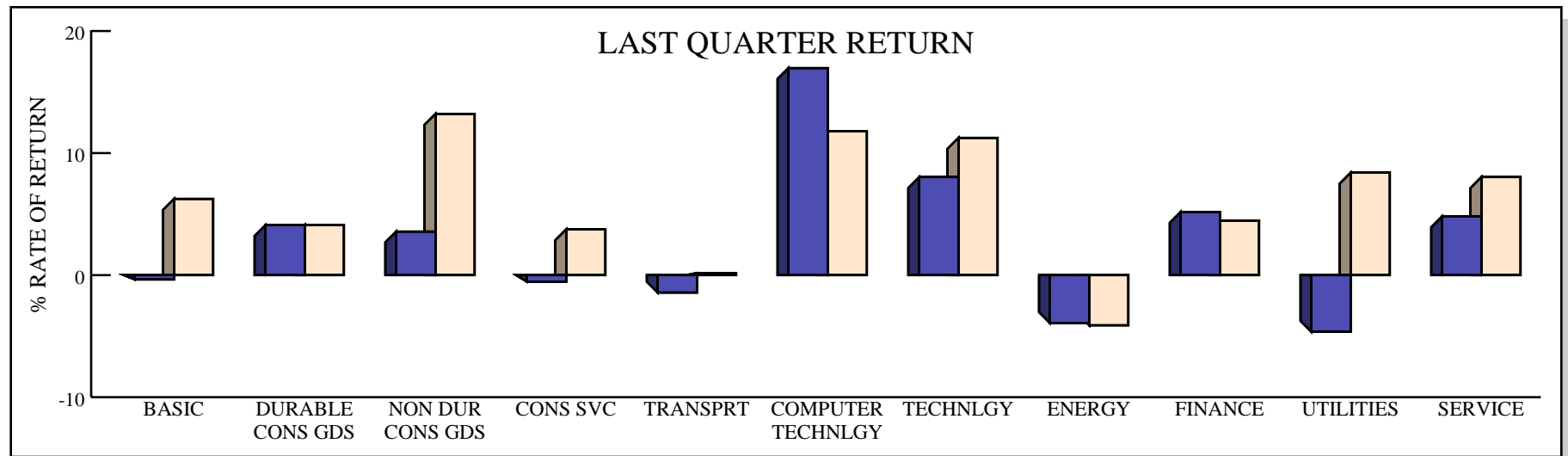




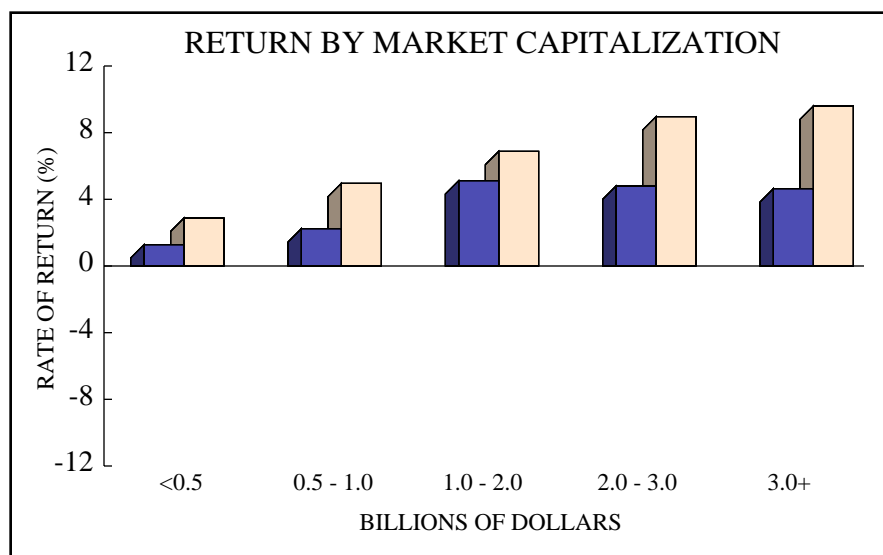
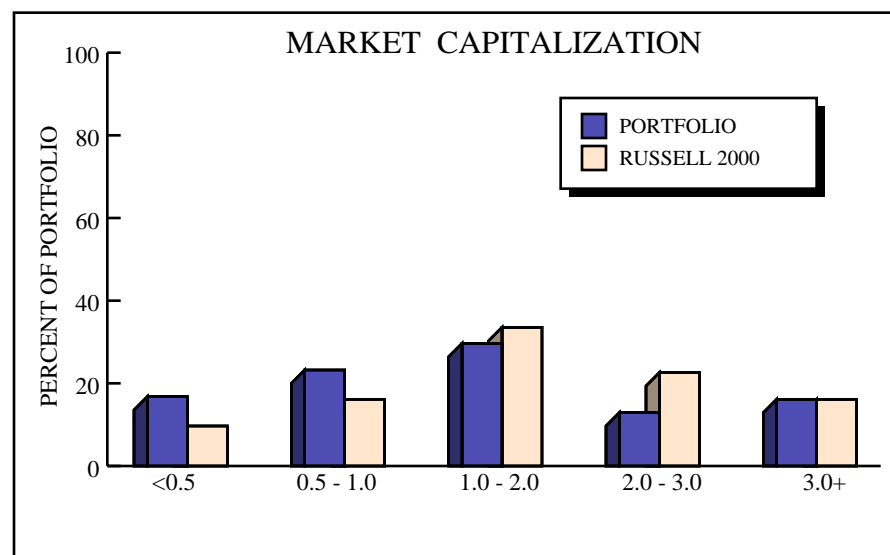
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL 2000



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	ROVI CORP	\$ 26,739	.50%	58.8%	Service	\$ 1.4 B
2	MAGELLAN HEALTH INC	23,739	.44%	11.2%	Consumer Service	1.6 B
3	PHARMERICA CORP	22,750	.42%	22.9%	Consumer Service	1.1 B
4	MACK-CALI REALTY CORP	22,299	.42%	24.3%	Finance	2.1 B
5	WEBMD HEALTH CORP	21,976	.41%	21.2%	Service	1.8 B
6	LANCASTER COLONY CORP	21,937	.41%	24.2%	NonDur Cons Goods	3.2 B
7	QUALITY SYSTEMS INC	21,762	.41%	30.2%	Computer Tech	1.0 B
8	HEALTHWAYS INC	21,750	.41%	15.7%	Consumer Service	0.5 B
9	VISHAY INTERTECHNOLOGY INC	21,630	.40%	24.9%	Technology	1.6 B
10	CSG SYSTEMS INTL INC	21,588	.40%	17.3%	Service	1.2 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
PRIT - INT'L EQUITY  
PERFORMANCE REVIEW  
DECEMBER 2015

## **INVESTMENT RETURN**

On December 31st, 2015, the Franklin Regional Retirement System's PRIT International Equity portfolio was valued at \$5,587,647, representing an increase of \$271,339 from the September quarter's ending value of \$5,316,308. Last quarter, the Fund posted withdrawals totaling \$2,634, which partially offset the portfolio's net investment return of \$273,973. Income receipts totaling \$20,310 plus net realized and unrealized capital gains of \$253,663 combined to produce the portfolio's net investment return.

For the cumulative period since September 2014, the fund has recorded net contributions totaling \$146,982 and recorded net investment losses of \$102,165. For the period since September 2014, if the total fund returned a compounded nominal rate of 9.0% it would have been valued at \$6.3 million or \$739,520 more than the actual value as of December 31st, 2015.

## **RELATIVE PERFORMANCE**

In the fourth quarter, the PRIT International Equity portfolio gained 5.2%, which was 0.5% above the MSCI EAFE Index's return of 4.7% and ranked in the 38th percentile of the International Equity universe. Over the trailing year, the portfolio returned 1.2%, which was 1.6% greater than the benchmark's -0.4% performance, and ranked in the 41st percentile. Since September 2014, the portfolio returned -1.4% on an annualized basis and ranked in the 42nd percentile. For comparison, the MSCI EAFE Index returned an annualized -3.1% over the same period.

## **ASSET ALLOCATION**

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

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Year	Since 09/14
<b>Total Portfolio - Gross</b>	5.2	1.2	1.2	----	-1.4
<i>INTERNATIONAL EQUITY RANK</i> (38)		(41)	(41)	----	(42)
<b>Total Portfolio - Net</b>	5.1	1.0	1.0	----	-1.6
MSCI EAFE	4.7	-0.4	-0.4	5.5	-3.1
ACWI EX US	3.3	-5.3	-5.3	1.9	-7.2
MSCI EMG MKTS	0.7	-14.6	-14.6	-6.4	-15.0
<b>International Equity - Gross</b>	5.2	1.2	1.2	----	-1.4
<i>INTERNATIONAL EQUITY RANK</i> (38)		(41)	(41)	----	(42)
MSCI EAFE	4.7	-0.4	-0.4	5.5	-3.1

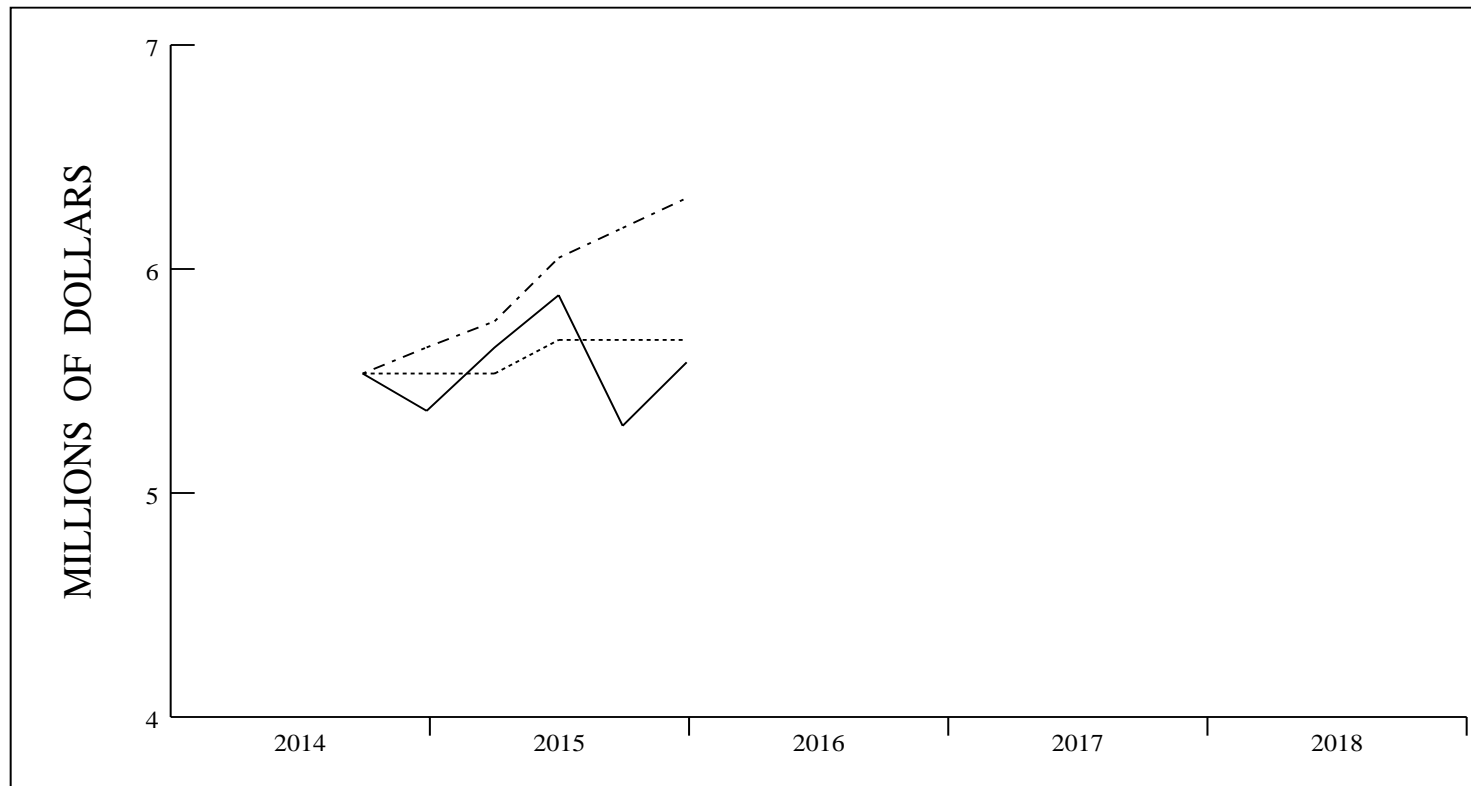
**ASSET ALLOCATION**

Int'l Equity	100.0%	\$ 5,587,647
Total Portfolio	100.0%	\$ 5,587,647

**INVESTMENT RETURN**

Market Value 9/2015	\$ 5,316,308
Contribs / Withdrawals	-2,634
Income	20,310
Capital Gains / Losses	253,663
Market Value 12/2015	\$ 5,587,647

**INVESTMENT GROWTH**

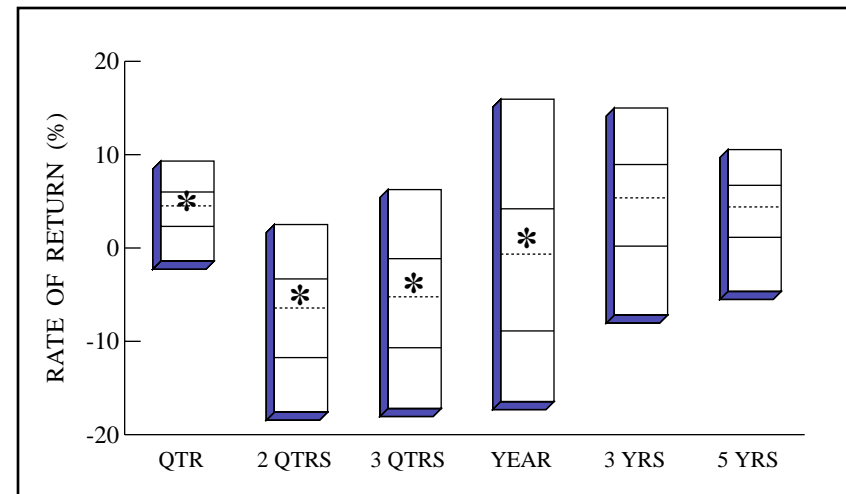
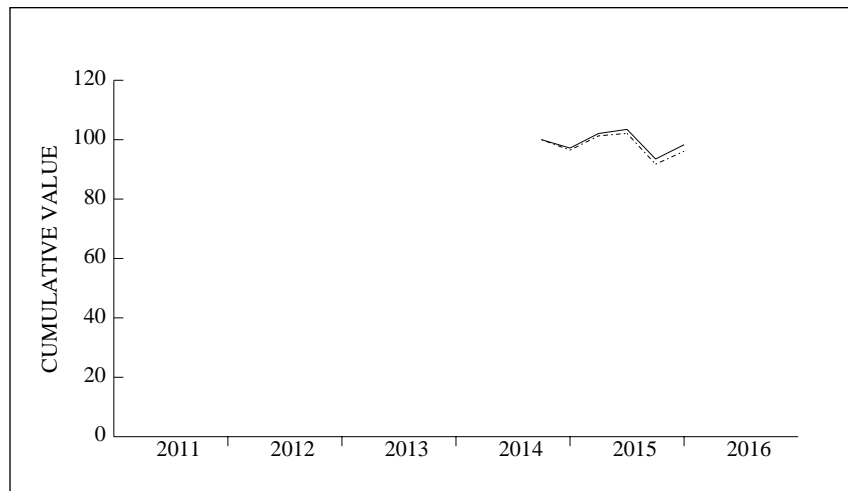


—	ACTUAL RETURN
- - - - -	9.0%
.....	0.0%

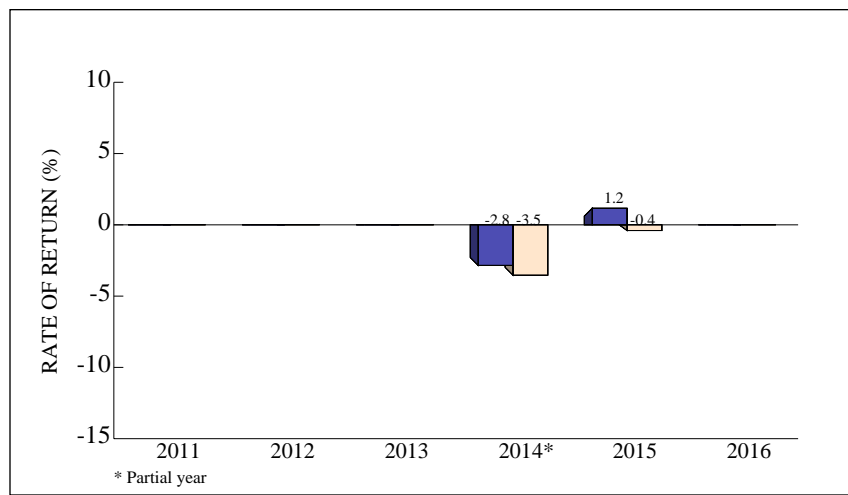
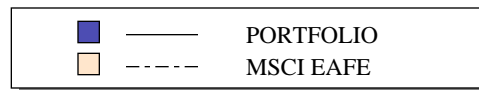
VALUE ASSUMING	
9.0% RETURN	\$ 6,327,167

	LAST QUARTER	PERIOD 9/14 - 12/15
BEGINNING VALUE	\$ 5,316,308	\$ 5,542,830
NET CONTRIBUTIONS	- 2,634	146,982
INVESTMENT RETURN	273,973	-102,165
ENDING VALUE	\$ 5,587,647	\$ 5,587,647
INCOME	20,310	179,936
CAPITAL GAINS (LOSSES)	253,663	-282,101
INVESTMENT RETURN	273,973	-102,165

**TOTAL RETURN COMPARISONS**



International Equity Universe



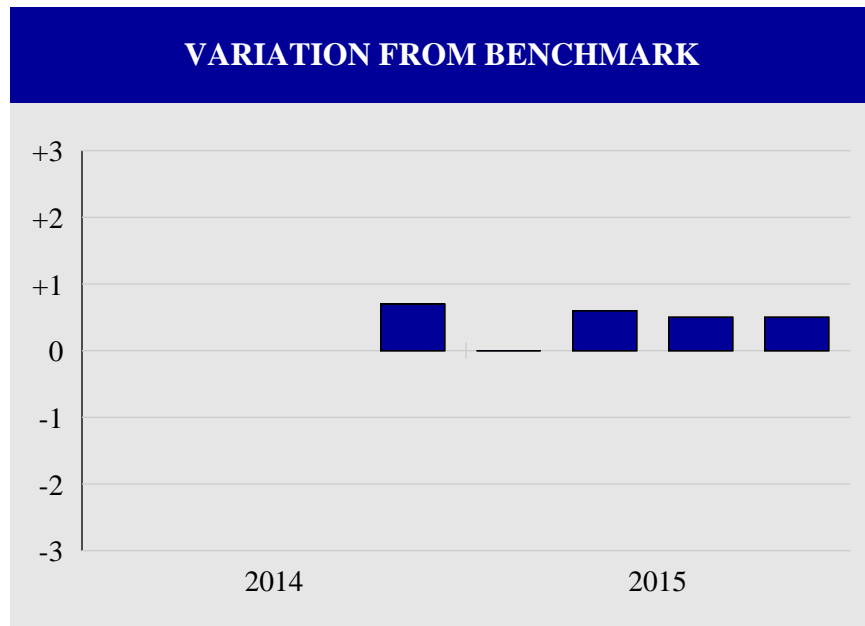
\* Partial year

	<u>QTR</u>	<u>2QTRS</u>	<u>3QTRS</u>	<u>YEAR</u>	-----ANNUALIZED-----	
					<u>3 YRS</u>	<u>5 YRS</u>
RETURN	5.2	-5.0	-3.7	1.2	----	----
(RANK)	(38)	(40)	(41)	(41)	----	----
5TH %ILE	9.3	2.5	6.3	15.9	15.0	10.5
25TH %ILE	6.0	-3.3	-1.1	4.2	8.9	6.7
MEDIAN	4.5	-6.4	-5.2	-0.7	5.4	4.4
75TH %ILE	2.3	-11.7	-10.7	-8.9	0.2	1.1
95TH %ILE	-1.4	-17.6	-17.2	-16.5	-7.2	-4.7
<b>MSCI EAFE</b>	<b>4.7</b>	<b>-5.9</b>	<b>-5.1</b>	<b>-0.4</b>	<b>5.5</b>	<b>4.0</b>

International Equity Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

**COMPARATIVE BENCHMARK: MSCI EAFE**



<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
12/14	-2.8	-3.5	0.7
3/15	5.0	5.0	0.0
6/15	1.4	0.8	0.6
9/15	-9.7	-10.2	0.5
12/15	5.2	4.7	0.5

<b>Total Quarters Observed</b>	<b>5</b>
<b>Quarters At or Above the Benchmark</b>	<b>5</b>
<b>Quarters Below the Benchmark</b>	<b>0</b>
<b>Batting Average</b>	<b>1.000</b>



FRANKLIN REGIONAL RETIREMENT SYSTEM  
PRIT - CORE REAL ESTATE ACCOUNT  
PERFORMANCE REVIEW  
DECEMBER 2015

## **INVESTMENT RETURN**

On December 31st, 2015, the Franklin Regional Retirement System's PRIT Core Real Estate Account portfolio was valued at \$12,730,489, a decrease of \$532,038 from the September ending value of \$13,262,527. Last quarter, the account recorded a net withdrawal of \$994,976, which overshadowed the fund's net investment return of \$462,938. Income receipts totaling \$150,022 and realized and unrealized capital gains of \$312,916 combined to produce the portfolio's net investment return.

Since December 2010, the account has recorded net contributions totaling \$7.5 million, and generated net investment gains totaling \$4.0 million. Since December 2010, if the account earned a compounded nominal rate of 8.25% it would have been valued at \$11.2 million or \$1.6 million less than the actual value as of December 31st, 2015.

## **RELATIVE PERFORMANCE**

For the fourth quarter, the PRIT Core Real Estate Account portfolio returned 3.7%, which was 0.4% above the NCREIF NFI-ODCE Index's return of 3.3%. Over the trailing year, the portfolio returned 11.9%, which was 3.1% below the benchmark's 15.0% return. Since December 2010, the portfolio returned 12.6% on an annualized basis, while the NCREIF NFI-ODCE Index returned an annualized 13.6% over the same period.

## **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 Year	5 Years
<b>Total Portfolio - Gross</b>	3.7	11.9	11.9	12.4	12.6
<b>Total Portfolio - Net</b>	3.6	11.3	11.3	11.8	12.0
NCREIF ODCE	3.3	15.0	15.0	13.8	13.6
<b>Real Estate - Gross</b>	3.7	11.9	11.9	12.4	12.6
NCREIF ODCE	3.3	15.0	15.0	13.8	13.6

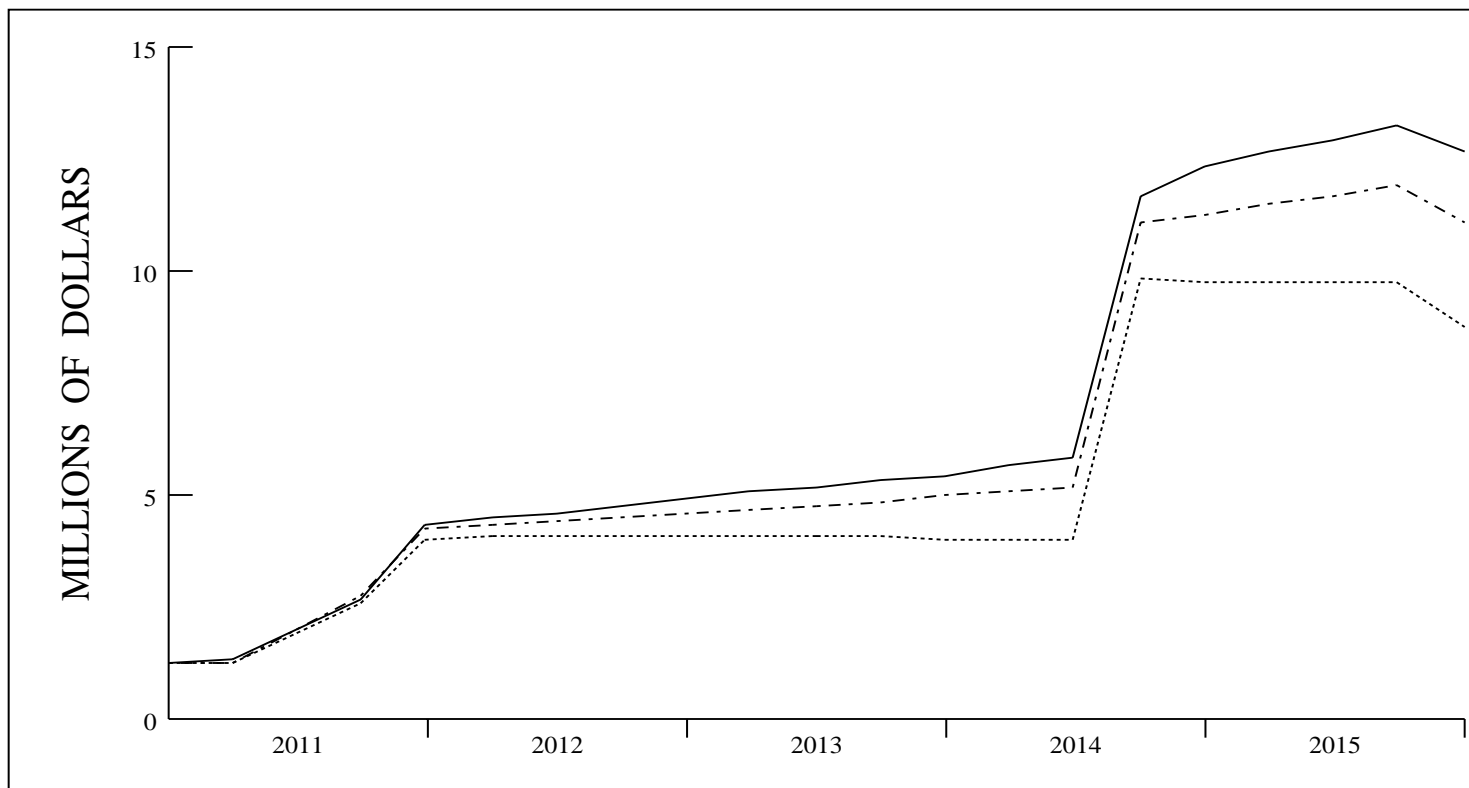
**ASSET ALLOCATION**

Real Estate	100.0%	\$ 12,730,489
Total Portfolio	100.0%	\$ 12,730,489

**INVESTMENT RETURN**

Market Value 9/2015	\$ 13,262,527
Contribs / Withdrawals	-994,976
Income	150,022
Capital Gains / Losses	312,916
Market Value 12/2015	\$ 12,730,489

**INVESTMENT GROWTH**



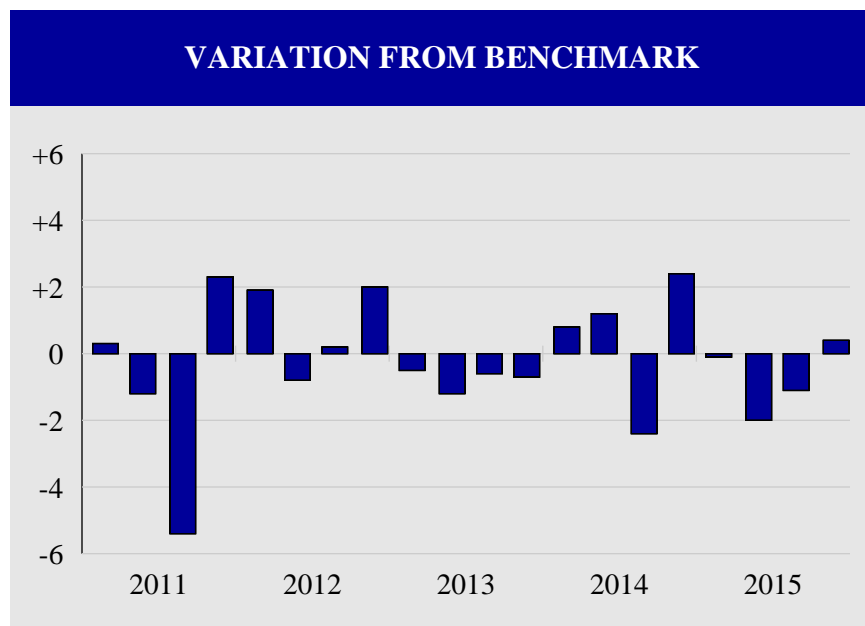
— ACTUAL RETURN  
 - - - 8.25%  
 ..... 0.0%

VALUE ASSUMING  
 8.25% RETURN \$ 11,158,586

	LAST QUARTER	PERIOD 12/10 - 12/15
BEGINNING VALUE	\$ 13,262,527	\$ 1,307,244
NET CONTRIBUTIONS	-994,976	7,465,853
<u>INVESTMENT RETURN</u>	<u>462,938</u>	<u>3,957,392</u>
ENDING VALUE	\$ 12,730,489	\$ 12,730,489
INCOME	150,022	1,606,338
<u>CAPITAL GAINS (LOSSES)</u>	<u>312,916</u>	<u>2,351,054</u>
INVESTMENT RETURN	462,938	3,957,392

### TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

COMPARATIVE BENCHMARK: NCREIF NFI-ODCE INDEX



<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>9</b>
<b>Quarters Below the Benchmark</b>	<b>11</b>
<b>Batting Average</b>	<b>.450</b>

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
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
12/14	5.7	3.3	2.4
3/15	3.3	3.4	-0.1
6/15	1.8	3.8	-2.0
9/15	2.6	3.7	-1.1
12/15	3.7	3.3	0.4

FRANKLIN REGIONAL RETIREMENT SYSTEM  
INCOME RESEARCH & MANAGEMENT - CORE BOND FUND  
PERFORMANCE REVIEW  
DECEMBER 2015

## **INVESTMENT RETURN**

On December 31st, 2015, the Franklin Regional Retirement System's Income Research & Management Core Bond Fund was valued at \$12,801,913, a decrease of \$59,329 from the September ending value of \$12,861,242. Last quarter, the account recorded no net contributions or withdrawals, while recording a net investment loss for the quarter of \$59,329. Since there were no income receipts for the fourth quarter, net investment losses were the result of capital losses (realized and unrealized).

Since December 2010, the account has recorded net contributions totaling \$1.7 million, and generated net investment gains totaling \$2.2 million. Since December 2010, if the account had earned a compounded nominal rate of 6.0% it would have been valued at \$14.1 million or \$1.2 million more than the actual value as of December 31st, 2015.

## **RELATIVE PERFORMANCE**

For the fourth quarter, the Income Research & Management Core Bond Fund lost 0.5%, which was 0.1% above the Barclays Aggregate Index's return of -0.6% and ranked in the 57th percentile of the Core Fixed Income universe. Over the trailing twelve-month period, this portfolio returned 0.6%, which was equal to the benchmark's 0.6% performance, and ranked in the 70th percentile. Since December 2010, the portfolio returned 4.1% annualized and ranked in the 22nd percentile. The Barclays Aggregate Index returned an annualized 3.3% 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, nearly 35% of the total bond portfolio was comprised of USG quality securities. The remainder of the portfolio consisted of corporate securities, rated AAA through less than BBB, giving the portfolio an overall average quality rating of AA. The average maturity of the portfolio was 8.39 years, longer than the Barclays Aggregate Index's 7.94-year maturity. The average coupon was 3.99%.

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Year	5 Years
<b>Total Portfolio - Gross</b>	-0.5	0.6	0.6	2.1	4.1
<i>CORE FIXED INCOME RANK</i>	(57)	(70)	(70)	(17)	(22)
<b>Total Portfolio - Net</b>	-0.6	0.2	0.2	1.7	3.7
BARCLAYS AGG	-0.6	0.6	0.6	1.4	3.3
<b>Fixed Income - Gross</b>	-0.5	0.6	0.6	2.1	4.1
<i>CORE FIXED INCOME RANK</i>	(57)	(70)	(70)	(17)	(22)
BARCLAYS AGG	-0.6	0.6	0.6	1.4	3.3
GOV/CREDIT	-0.7	0.2	0.2	1.2	3.4

**ASSET ALLOCATION**

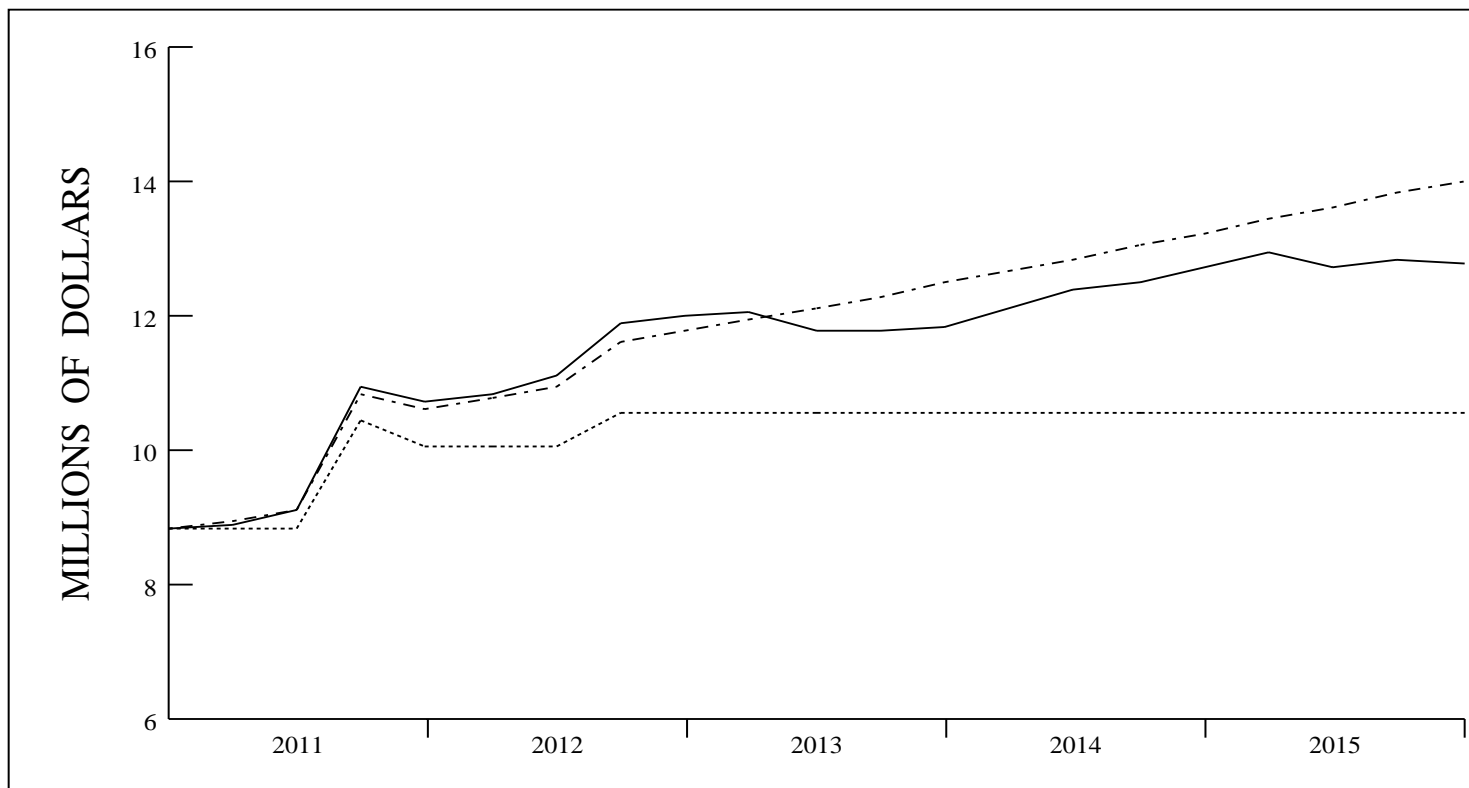
Fixed Income	100.0%	\$ 12,801,913
Total Portfolio	100.0%	\$ 12,801,913

**INVESTMENT RETURN**

Market Value 9/2015	\$ 12,861,242
Contribs / Withdrawals	0
Income	0
Capital Gains / Losses	- 59,329
Market Value 12/2015	\$ 12,801,913



**INVESTMENT GROWTH**

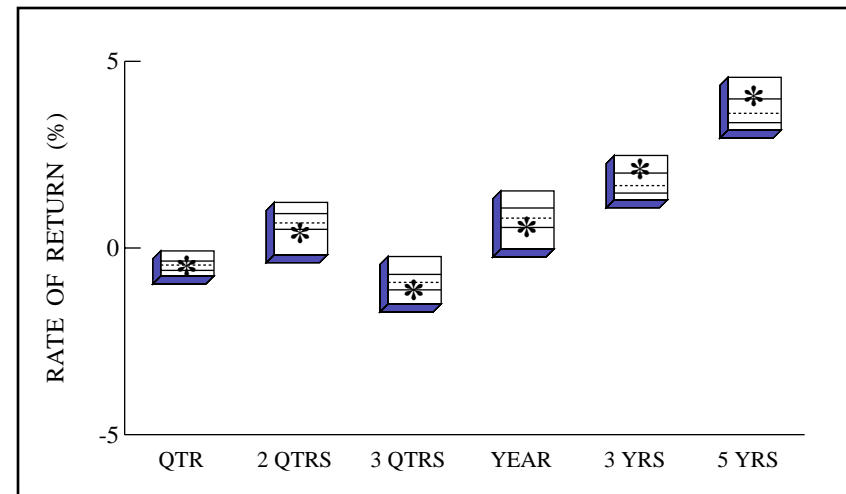
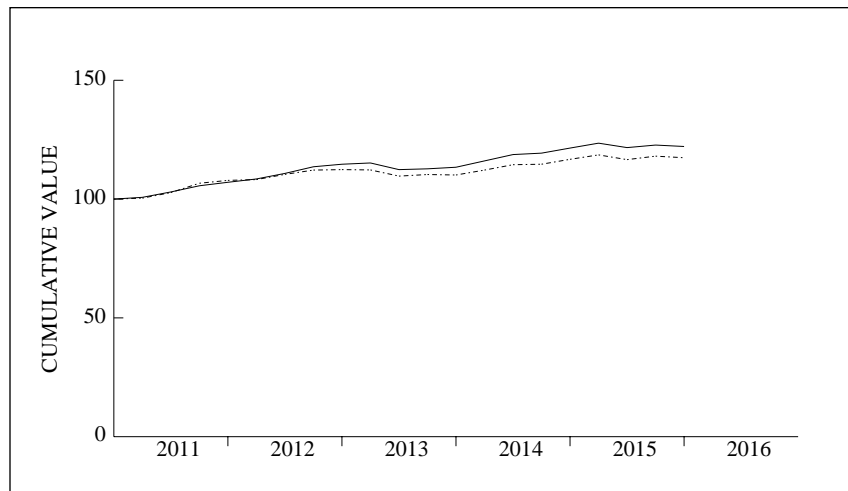


— ACTUAL RETURN  
 - - - 6.0%  
 ..... 0.0%

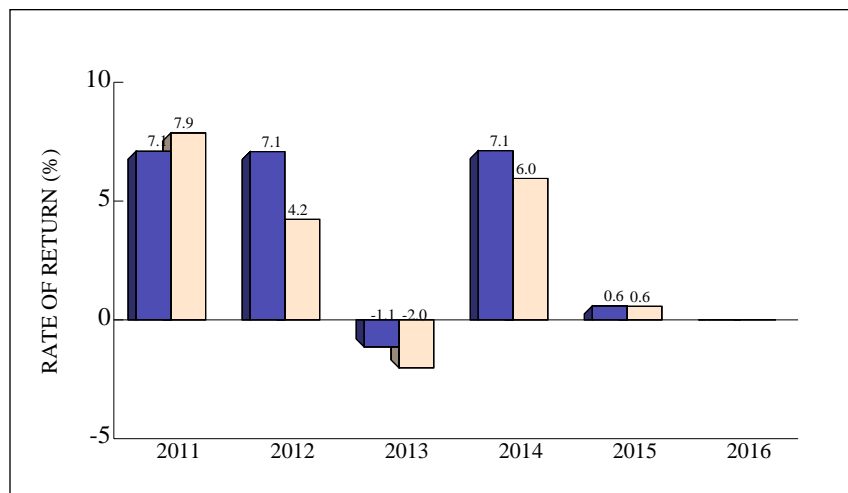
VALUE ASSUMING  
 6.0% RETURN \$ 14,051,717

	LAST QUARTER	PERIOD 12/10 - 12/15
BEGINNING VALUE	\$ 12,861,242	\$ 8,869,331
NET CONTRIBUTIONS	0	1,722,000
INVESTMENT RETURN	- 59,329	2,210,582
ENDING VALUE	\$ 12,801,913	\$ 12,801,913
INCOME	0	0
CAPITAL GAINS (LOSSES)	- 59,329	2,210,582
INVESTMENT RETURN	- 59,329	2,210,582

**TOTAL RETURN COMPARISONS**

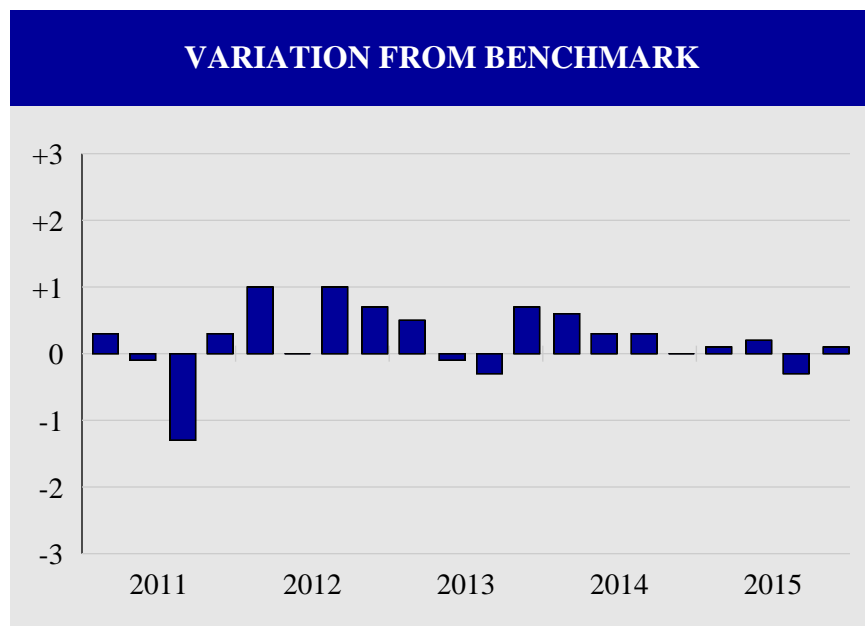


Core Fixed Income Universe



	QTR	2 QTRS	3 QTRS	YEAR	3 YRS	5 YRS
RETURN	-0.5	0.4	-1.1	0.6	2.1	4.1
(RANK)	(57)	(84)	(75)	(70)	(17)	(22)
5TH %ILE	-0.1	1.2	-0.2	1.5	2.5	4.6
25TH %ILE	-0.4	0.9	-0.7	1.1	2.0	4.0
MEDIAN	-0.5	0.7	-0.9	0.8	1.7	3.6
75TH %ILE	-0.6	0.5	-1.1	0.6	1.5	3.4
95TH %ILE	-0.8	-0.2	-1.5	0.0	1.3	3.2
<b>Agg Index</b>	<b>-0.6</b>	<b>0.7</b>	<b>-1.0</b>	<b>0.6</b>	<b>1.4</b>	<b>3.3</b>

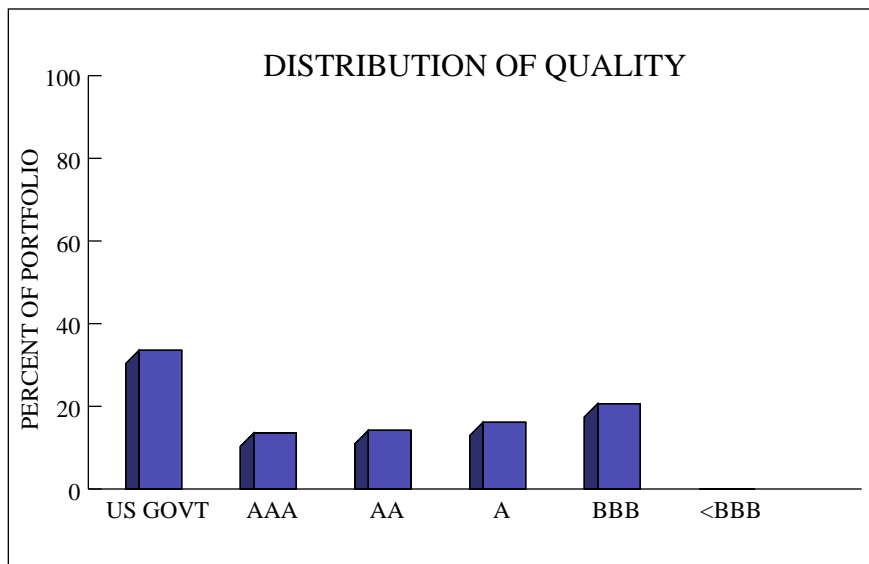
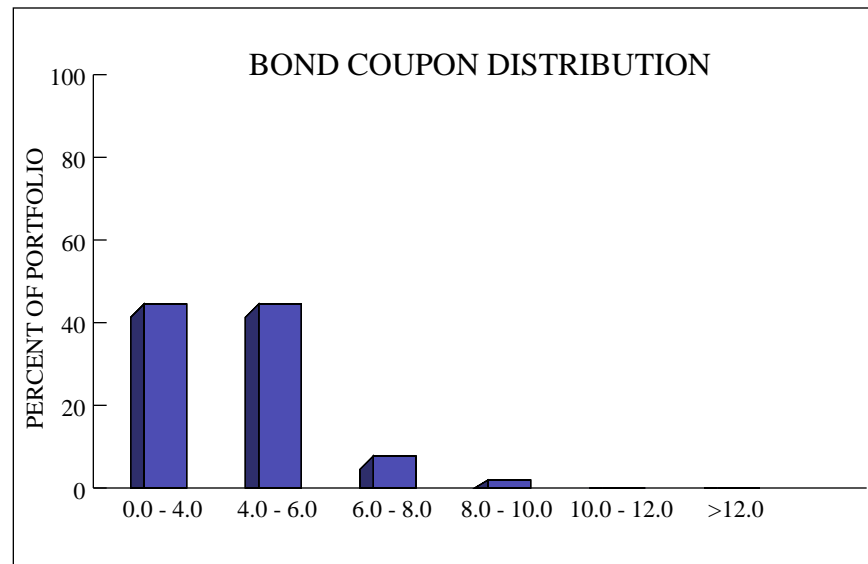
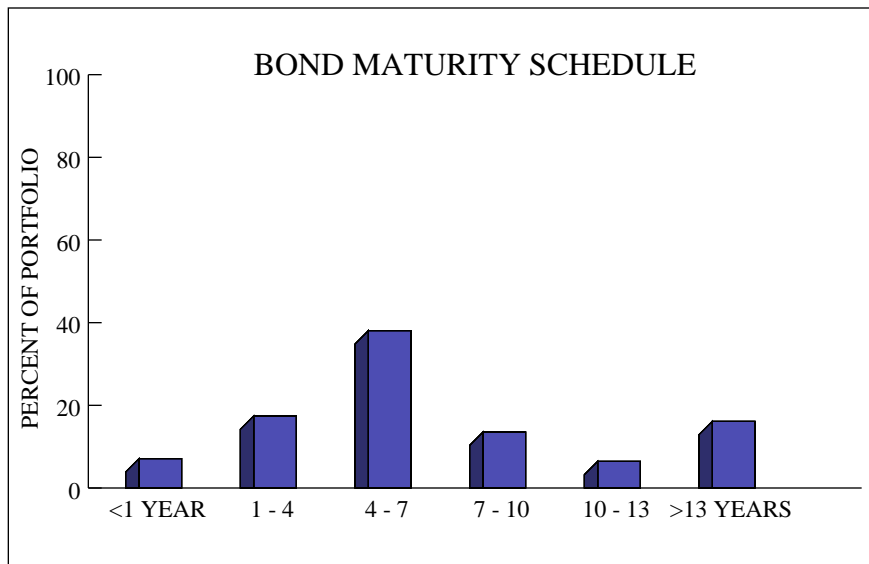
Core Fixed Income Universe

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

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

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
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
12/14	1.8	1.8	0.0
3/15	1.7	1.6	0.1
6/15	-1.5	-1.7	0.2
9/15	0.9	1.2	-0.3
12/15	-0.5	-0.6	0.1

**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>BARCLAYS AGG</b>
No. of Securities	234	9,720
Duration	5.92	5.68
YTM	2.91	2.59
Average Coupon	3.99	3.18
Avg Maturity / WAL	8.39	7.94
Average Quality	AA	USG-AAA