

# Franklin Regional Retirement System

Performance Review  
December 2016



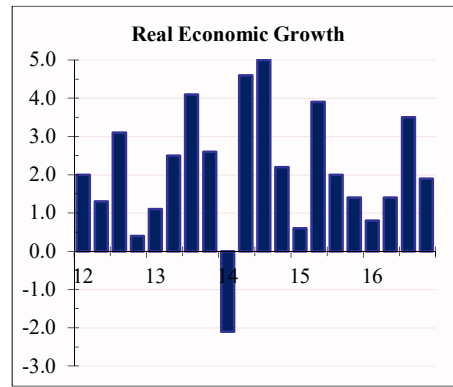
**DAHAB ASSOCIATES**  
New York   Massachusetts   Pennsylvania   Florida

## ECONOMIC ENVIRONMENT

### Good News All Around

The worldwide trend of nationalism over globalism that began with the Brexit vote in the second quarter continued in the fourth quarter of 2016 with the U.S. Presidential election victory of Donald Trump. Long-term economic forecasts are marked by high uncertainty, as no one can confidently predict what changes may come to domestic and global policy, regulations, NAFTA, and even NATO. The only real certainty is that Twitter has suddenly become more important than anyone could have predicted.

While the long-term is uncertain, many economic indicators helped reduce short-term angst. As the Obama Presidency comes to a close, the economic



policies advanced under his administration produced one last solid quarter. The advance estimate from the BEA for fourth quarter GDP was a 1.9% expansion. Third quarter GDP grew a solid 3.5% vs. 1.4% in Q2, reflecting housing, export and inventory investment gains. The jobs market was also favorable, if not as strong as in 2015. Home prices (through November)

continued upward, but at a less inflationary rate. Manufacturing activity was very strong, although services were less so. By December, consumer confidence was near a record high. Commodities came on strong, especially the energy and agricultural categories. Finally, the Fed followed through with its long-expected ¼% rate hike. With essentially all economic signals turning green, bond prices went south and yields rose accordingly, reflecting inflation concerns. Long maturity issues suffered the most. Economic details follow:

- 2016 job growth was 2.2 million, down moderately from 2.7 million in 2015. Q4 monthly job growth was 165,000. Q4 unemployment rate averaged 4.7% with 7.5 million unemployed, down slightly from the third quarter. The long-term unemployed totaled 1.8 million, down a significant 263,000 during the year. However, the jobs participation

rate for the year was unchanged at 62.7%. All told, the job market tightened and wages were up.

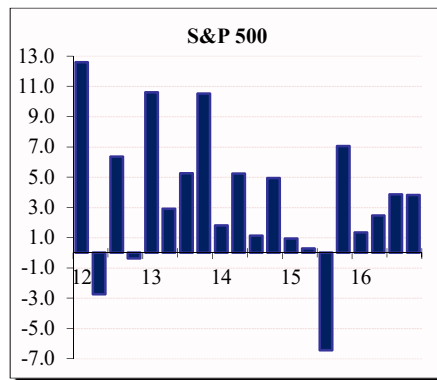
- Year-over-year, home prices have risen 7.1% (through November). This robust sector of the economy has increased for 58 consecutive months, but has settled down to an annualized rate well below 10%. Amidst a blistering housing market, the average single family home is still 4.1% below its April 2006 peak. On the one hand, homes in 14 states have reached new highs – especially Hawaii, New York, Washington, and Oregon. On the other hand, Nevada, Florida, Arizona, and Maryland are furthest away from their respective price peaks.
- December manufacturing activity was a robust 54.7% (a rate above 50% represents growth). New orders jumped from 53% in November to over 60% in December. Major growth sectors included energy, metals, food, and clothing. Among the modestly contracting sectors were plastics, furniture, printing, and textiles. The service sector remained the same in December, but at a 61+% level. However, new service orders rose substantially. The strongest service areas were mining, retail trade, finance, and information. Public administration, wholesale trade, and agriculture were relatively weak.
- As consumers digested the election results, the Consumer Confidence Index increased over 4% to 113.7% (100% is the base). The Index is comprised of two components: the present situation and expectations. The present situation confidence level actually dropped from 132% to 126%, reflecting post-election uncertainty; yet the level was still absolutely high. Just as important, expectations soared from 94.4% to a 13-year high of 105.5%! For the moment, at least, consumers appear very confident.
- Climbing out of the 2015 doldrums, commodities rose 11.8% this past year. Not surprisingly, crude oil was the driving force, with industrial metals not far behind. Crude oil gained 25.4%. Among metals, zinc rose a spectacular 57.5%. Precious metals climbed almost 10% for the year, but lost ground to stocks recently. Livestock did well in Q4, but experienced single-digit losses for the year. The so-called soft commodities, such as coffee and especially wheat, performed poorly for both the quarter and year. As a result, farmers had a difficult time.

- The Federal Reserve Board voted unanimously to raise rates at its December 13-14 meeting. The rationale for the modest ¼% increase was the expanding GDP, continued labor gains and inflation approaching its 2% target. The 2017 outlook was deemed a bit murkier, with only a slow path of rate increases expected. Basically, the Fed will wait and see how the Trump economic initiatives unfold. Meanwhile, the stock and bond markets took the long-expected rate increase in stride.

## DOMESTIC EQUITIES

### What a Quarter and What a Year!

The market fared poorly through November 8<sup>th</sup>, the day of the Presidential election. As the election results unfolded that evening, stock futures plunged as investors predicted an impending global sell-off. The market was actually up on November 9<sup>th</sup> and soared through year-end. For example, the S&P 500 fell 1.1% through November 8<sup>th</sup>, then rose 5.0% for the rest of the quarter. Its full quarter return was a healthy 3.8%. Small-cap names fell more (4.4%) and then climbed more (13.8%) during the same periods for an 8.8% quarter.



Some pundits ascribe the change to extremely favorable investor outlook due to announcements by the new Administration. In particular, companies that stood to gain the most were those that would participate in infrastructure spending and a loosening of regulations as well as favorable tax treatment. The market accommodated them with value stocks besting growth stocks in every size category. The clear winner was small-cap value, gaining a hefty 14.1%. The major indices all advanced, as the S&P rose 3.8%, the NASDAQ pushed up 1.7% and the value-tilted DJIA climbed 8.7%.

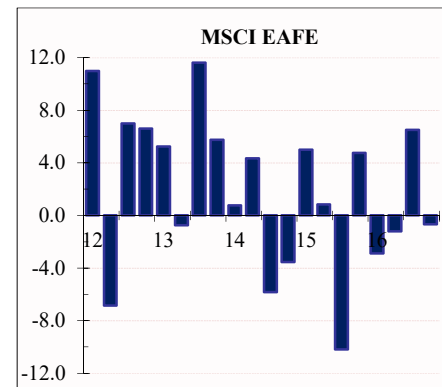
The full year 2016, which began with predictions of a negative or flat return, ended with a very good return. The S&P added 12.0%, the tech-

laden NASDAQ posted 8.9% and the more cyclical DJIA thundered ahead 16.5%. In Q4, financial companies shined as the highest-performer (17.2%) among all S&P sectors. This was expected because of fewer revenue-limiting regulations promised by the new administration. Other beneficiaries of the expected policy changes were transportation (14.0%), energy (8.3%) and basic industries (6.6%). Utilities and REITs suffered from reduced interest in high dividend bond proxies. Health care stocks were down 2.7% as investors digested a likely rise in drug prices and slashing of benefits under Obamacare. The S&P 500's dividend yield held steady at 2.1%. Higher prices led to an increase in the average price/earnings ratio from 22.6 in September to 23.1 at year-end. More than 54% of the S&P stocks have P/E ratios of 20 or more, suggesting that stock prices are relatively rich.

## INTERNATIONAL EQUITIES

### A Poor Quarter and Year

Non-US developed markets encountered tough times in the fourth quarter; the MSCI EAFE Index declined 0.7%. Some country markets did well in



local currency terms, but not when the performance was restated in US dollars. The EU region eked out a 0.3% gain in US dollars. German stocks rose 1.5% as the materials sector offset a general refugee fatigue and resurgence of the political right. French stocks rose a bit more or 3.1% on the strength of higher manufacturing output. The Italian market showed the most strength by far, rising

10.8%. Investors there were encouraged by the likely bailout of Italy's third largest bank Monte dei Paschi di Siena, and by the defeat of a political reform referendum. UK shares dropped back 0.9%, as the economy and investors continued to feel the effects of the late June Brexit surprise. On the other hand, the weaker pound sterling is helping to boost exports.

Australian shares moved up a meager 0.8%, despite rising exports and bank share gains. By comparison, the much smaller New Zealand market

dropped nearly 11%; while its economy was doing well, Prime Minister John Key abruptly stepped down, thereby unsettling investors. The Far East component fell 1.4%. Japan, the biggest regional player, was essentially flat in US dollars. However, in Yen terms, the Japanese market rose substantially. The return difference was due to a 13% drop in the Yen vs. the dollar! Hong Kong, also part of the Far East, swooned 9%, mainly due to poor real estate returns and troubles at insurer AIA. The Israeli market dropped 11.2% as giant generic drug maker Teva stumbled. Canada, technically not part of EAFE, was a relative star, rising 3.4%, fueled by a surge in energy exports.

For the year, EAFE rose a modest 1.5% overall. The EU region was a laggard, adding only 0.8%. The UK market was flat. The Far East region logged a weak but positive 2.6%. Breaking the pattern, commodity-heavy Australia and New Zealand turned in 11.7% and 19.3%, respectively. While portfolio diversification away from domestic equities failed to pay off in 2016, it has rewarded well, longer-term.

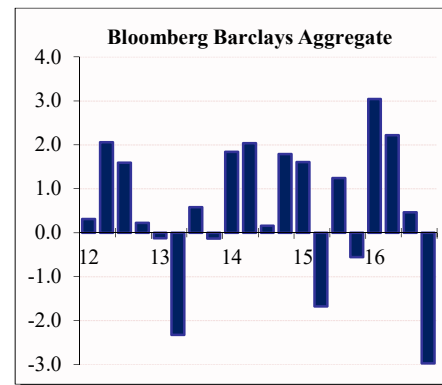
Emerging markets (EM) had a disappointing quarter as the MSCI EM Index fell 4.1%. Performance of the BRIC countries (Brazil, Russia, India, China) ranged from highly negative to quite positive. The **Brazilian** market gained 2.2% on the strength of commodity exports. **Russian** shares soared 18.7% due to a surge in oil prices coupled with an OPEC agreement limiting production. Prime Minister Modi tried his best to attack rampant corruption and tax evasion in **India** during the quarter, but in the end there was an 8% Indian market decline. President Trump has called into question the huge **China**-US trading relationship, and the Chinese market fell a significant 7.1% for the quarter. Elsewhere in the Far East, country after country was in the red, while in Latin America, stock results were mixed. Most EM countries returned double-digit positive returns for the full year, and the EM Index gained 11.6%.

## BOND MARKET

### It's Difficult to Offset Rising Rates

The Trump election, an inflation uptick, and the December Fed-rate hike contributed to a steepened yield curve. From T-bills to the 30-year Treasury bond, Q4 yields rose dramatically, leading the Bloomberg Barclays Aggregate Index to give back 3.0%. The Treasury component lost more (3.8%), with the 30-year issues down a whopping 13.7%.

Investment grade corporate bonds returned -3.0%. The financial bond subset fell a lesser 1.9% because investors had hopes for reduced banking



regulation. Residential mortgage debt (MBS) dropped 2%, while commercial mortgages (CMBS) returned -2.9%. The much shorter maturity asset-backed debt (ABS) fell only 0.7%. High yield/junk bonds with yields of 5% and higher plus low default rates (for the time being) still held allure for investors. BB credits earned a tiny 0.4%, while single B names returned 2%, CCCs were up 4.7%

and CC through D issues (lowest rated) jumped 12.2%. Combined, the high yield sector yielded a +1.8% return. The G-6 developed countries' sovereign debt results were a highly negative 12% on the long maturities of sovereigns and the currency weakness vs. the US dollar. By comparison, emerging market sovereigns lost 4.2%.

Year 2016 bond results were positive, but varied tremendously based on category, maturity and credit rating. The Barclays Aggregate rose 2.7%. The Treasury component added a low 1%. However, investment grade corporates rose 5.6%. Collateralized residential mortgages and asset-backed securities both gained approximately 2% and CMBS added 3.5%. High yield bonds extended their winning streak with a 17.1% advance. The lowest-rated and relatively illiquid credits (CC-D) soared a spectacular 83.1%! Overall, junk bonds were king.

## CASH EQUIVALENTS

### A Glimmer of Hope from the Fed

The hope derived from the Federal Reserve's increase of its (short term) federal funds rate, which increased from ¼% to ½%. As a result, yields increased accordingly on other short-term instruments. Still, being out of the 2016 bond and stock market entirely was a huge tactical mistake.

**MARKET SUMMARY**

**ECONOMIC STATISTICS**

	<b>CURRENT QTR</b>	<b>LAST QTR</b>
GDP	1.9	3.5
Unemployment	4.7	4.9
CPI All Items Year/Year	2.10	1.50
Fed Funds Rate	0.75	0.50
Industrial Capacity	75.5	75.3
US Dollars per Euro	1.06	1.12

**MAJOR INDEX QUARTER RETURNS**

<b>INDEX</b>		<b>PERFORMANCE</b>
<b>Russell 3000</b>	<b>4.2</b>	
<b>S&amp;P 500</b>	<b>3.8</b>	
<b>Russell Mid</b>	<b>3.2</b>	
<b>Russell 2000</b>	<b>8.8</b>	
<b>MSCI EAFE</b>	<b>-0.7</b>	
<b>MSCI Emg Mkts</b>	<b>-4.1</b>	
<b>NCREIF ODCE</b>	<b>2.1</b>	
<b>Aggregate Index</b>	<b>-3.0</b>	
<b>90 Day Tbills</b>	<b>0.1</b>	

**EQUITY RETURN DISTRIBUTIONS**

	<b>QUARTER</b>			<b>TRAILING YEAR</b>		
	<b>VAL</b>	<b>COR</b>	<b>GRO</b>	<b>VAL</b>	<b>COR</b>	<b>GRO</b>
<b>LC</b>	<b>6.7</b>	<b>3.8</b>	<b>1.0</b>	<b>17.3</b>	<b>12.0</b>	<b>7.1</b>
<b>MC</b>	<b>5.5</b>	<b>3.2</b>	<b>0.5</b>	<b>20.0</b>	<b>13.8</b>	<b>7.3</b>
<b>SC</b>	<b>14.1</b>	<b>8.8</b>	<b>3.6</b>	<b>31.7</b>	<b>21.3</b>	<b>11.3</b>

**MARKET SUMMARY**

- \* Q4 GDP grew by 1.9% (advance estimate).
- \* Unemployment dipped to 4.7%.
- \* CPI increased 2.1% year over year.
- \* The dollar strengthened relative to the euro.
- \* Value stocks raced ahead of their growth counterparts last quarter and were also ahead for the year. Smaller cap sizes bested larger ones in Q4. Mid caps joined in the lead with small names in outperforming for the year.

## **INVESTMENT RETURN**

On December 31st, 2016, the Franklin Regional Retirement System was valued at \$128,552,114, a decrease of \$130,820 from the September ending value of \$128,682,934. Last quarter, the account recorded a net withdrawal of \$1,915,837, which overshadowed the fund's net investment return of \$1,785,017. Income receipts totaling \$673,850 and realized and unrealized capital gains of \$1,111,167 combined to produce the portfolio's net investment return.

Since December 2011, the account has recorded net withdrawals totaling \$7.4 million while posting net investment gains totaling \$51.5 million. Since December 2011, if the account earned a compound annual rate of 7.75% it would have been valued at \$114.0 million or \$14.5 million less than the actual value as of December 31st, 2016.

## **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 1.4%, which was equal to the Franklin Regional Policy Index's return of 1.4% and ranked in the 19th percentile of the Public Fund universe. Over the trailing twelve-month period, this portfolio returned 9.1%, which was 1.2% greater than the benchmark's 7.9% performance, and ranked in the 11th percentile. Since December 2011, the portfolio returned 10.1% annualized and ranked in the 6th percentile. The Franklin Regional Policy Index returned an annualized 10.1% over the same time frame.

### **PRIT Core**

In the fourth quarter, the PRIT core portion of the portfolio returned -0.2%, which was equal to the Custom Core Index's return of -0.2% and ranked in the 90th percentile of the Public Fund universe. Over the trailing twelve months, this segment returned 8.1%, which was 0.6% greater than the benchmark's 7.5% return, and ranked in the 30th percentile. Since December 2011, this component returned 9.2% on an annualized basis and ranked in the 24th percentile. For comparison, the Custom Core Index returned an annualized 8.2% during the same period.

### **Domestic Equity**

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

The domestic equity segment returned 7.5% last quarter, 0.6% above the Franklin Regional Equity Index's return of 6.9% and ranked in the 30th percentile of the Domestic Equity universe. Over the trailing year, this segment returned 15.8%, 2.3% less than the benchmark's 18.1% performance, and ranked in the 38th percentile. Since December 2011, this component returned 15.6% on an annualized basis and ranked in the 30th percentile. The Franklin Regional Equity Index returned an annualized 14.8% during the same period.

### **International Equity**

The international equity component lost 1.9% during the fourth quarter, 1.2% below the MSCI EAFE Index's return of -0.7% and ranked in the 39th percentile of the International Equity universe. Over the trailing year, the international equity portfolio returned 1.8%; that return was 0.3% above the benchmark's 1.5% performance, and ranked in the 61st percentile.

## **Real Estate**

During the fourth quarter, the real estate component returned -0.5%, which was 2.6% less than the NCREIF NFI-ODCE Index's return of 2.1%. Over the trailing twelve-month period, this segment returned 7.7%, which was 1.0% less than the benchmark's 8.7% return. Since December 2011, this component returned 11.8% annualized, while the NCREIF NFI-ODCE Index returned an annualized 12.2% over the same time frame.

## **Fixed Income**

In the fourth quarter, the fixed income component returned -2.6%, which was 0.4% greater than the Bloomberg Barclays Aggregate Index's return of -3.0% and ranked in the 25th percentile of the Core Fixed Income universe. Over the trailing twelve-month period, this component returned 3.5%, which was 0.8% above the benchmark's 2.7% return, ranking in the 35th percentile. Since December 2011, this component returned 3.4% annualized and ranked in the 18th percentile. For comparison, the Bloomberg Barclays Aggregate Index returned an annualized 2.2% during the same period.

## **ASSET ALLOCATION**

At the end of the fourth quarter, PRIT core comprised 44.5% of the total portfolio (\$57.2 million), while domestic equities totaled 27.9% (\$35.9 million). The account's international equity segment was valued at \$5.7 million, representing 4.4% of the portfolio, while the real estate component's \$12.7 million totaled 9.9%. The portfolio's fixed income represented 12.4% 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, 2016

Total Fund Assets \$ 128,552,114

Allocation by Manager						
	PRIT Fund Actual Allocation	FRRS Allocation	Target Allocation	Target Dollars	Actual Dollars	+/- Dollars
<u>PRIT Core Fund</u>	<u>100.00%</u>	<u>44.5%</u>	<u>45.0%</u>	<u>\$ 57,848,451</u>	<u>\$ 57,216,393</u>	<u>\$ (632,058)</u>
Domestic Equity	19.8%	8.8%			\$ 11,317,402	
Int'l Equity	17.0%	7.6%			\$ 9,732,508	
E.M. Int'l Equity	6.9%	3.1%			\$ 3,942,209	
Core Fixed Income	12.3%	5.5%			\$ 7,049,060	
Value Added Fixed Income*	8.5%	3.8%			\$ 4,857,672	
Real Estate	9.6%	4.3%			\$ 5,492,774	
Timber/Natural Resources	3.7%	1.6%			\$ 2,105,563	
Alternatives-Private Equity	11.1%	5.0%			\$ 6,373,907	
Hedge Funds	8.5%	3.8%			\$ 4,886,280	
Liquidating Portfolio	0.4%	0.2%			\$ 246,030	
Portfolio Completion	1.1%	0.5%			\$ 652,267	
Overlay	1.0%	0.4%			\$ 560,721	
<u>Separate Accounts</u>		<u>55.5%</u>	<u>55.0%</u>			
Polen Capital		5.8%	6.0%	\$ 7,713,127	\$ 7,431,375	\$ (281,752)
O'Shaughnessy		6.5%	6.0%	\$ 7,713,127	\$ 8,408,215	\$ 695,088
Seizert		5.9%	5.0%	\$ 6,427,606	\$ 7,533,966	\$ 1,106,360
Daruma		4.6%	5.0%	\$ 6,427,606	\$ 5,972,550	\$ (455,056)
Systematic		5.8%	5.0%	\$ 6,427,606	\$ 7,402,944	\$ 975,338
PRIT International		4.4%	5.0%	\$ 6,427,606	\$ 5,677,427	\$ (750,179)
PRIT RE		9.9%	10.0%	\$ 12,855,211	\$ 12,747,887	\$ (107,324)
IR&M		12.4%	13.0%	\$ 16,711,775	\$ 15,900,782	\$ (810,993)
Cash		0.2%	0.0%	\$ -	\$ 260,575	\$ 260,575

\*Includes Distressed Debt

Allocation by Asset Class						
	Actual Allocation (%)	Target Allocation (%)	+/- Percent	Actual Allocation (\$)	Target Allocation (\$)	+/- Dollars
Franklin Regional Total						
Domestic Equity	37.4%	35.0%	2.4%	\$ 48,066,452	\$ 44,993,240	\$ 3,073,212
Int'l Equity	15.1%	15.0%	0.1%	\$ 19,352,145	\$ 19,282,817	\$ 69,328
Fixed Income	21.6%	25.0%	-3.4%	\$ 27,807,513	\$ 32,138,029	\$ (4,330,515)
Real Estate	14.2%	14.0%	0.2%	\$ 18,240,661	\$ 17,997,296	\$ 243,365
Timber	1.6%	2.0%	-0.4%	\$ 2,105,563	\$ 2,571,042	\$ (465,479)
Alternatives-Private Equity	5.0%	5.0%	0.0%	\$ 6,373,907	\$ 6,427,606	\$ (53,699)
Hedge Funds	3.8%	4.0%	-0.2%	\$ 4,886,280	\$ 5,142,085	\$ (255,805)
Portfolio Completion	1.1%	0.0%	1.1%	\$ 1,459,018	\$ -	\$ -
Cash	<u>0.2%</u>	<u>0.0%</u>	<u>0.2%</u>	<u>\$ 260,575</u>	<u>\$ -</u>	<u>\$ 260,575</u>
	100.0%	100.0%		\$ 128,552,114	\$ 128,552,114	



## EXECUTIVE SUMMARY

## PERFORMANCE SUMMARY

	Quarter	YTD	1 Year	3 Year	5 Years
<b>Total Portfolio - Gross</b>	1.4	9.1	9.1	6.0	10.1
<i>PUBLIC FUND RANK</i>	(19)	(11)	(11)	(5)	(6)
<b>Total Portfolio - Net</b>	1.3	8.5	8.5	5.4	9.5
<i>POLICY INDEX</i>	1.4	7.9	7.9	6.1	10.1
<b>PRIT Core - Gross</b>	-0.2	8.1	8.1	5.8	9.2
<i>PUBLIC FUND RANK</i>	(90)	(30)	(30)	(9)	(24)
<i>CUSTOM CORE IDX</i>	-0.2	7.5	7.5	4.9	8.2
<b>Domestic Equity - Gross</b>	7.5	15.8	15.8	6.7	15.6
<i>DOMESTIC EQUITY RANK</i>	(30)	(38)	(38)	(65)	(30)
<i>CUSTOM EQ INDEX</i>	6.9	18.1	18.1	8.1	14.8
<i>PRIT EQUITY</i>	4.3	12.9	12.9	8.1	14.6
<i>S&amp;P 500</i>	3.8	12.0	12.0	8.9	14.7
<i>S&amp;P 400</i>	7.4	20.7	20.7	9.0	15.3
<i>RUSSELL 3000</i>	4.2	12.7	12.7	8.4	14.7
<i>RUSSELL 1000</i>	3.8	12.0	12.0	8.6	14.7
<i>RUSSELL 1000G</i>	1.0	7.1	7.1	8.6	14.5
<i>RUSSELL 1000V</i>	6.7	17.3	17.3	8.6	14.8
<i>RUSSELL MID</i>	3.2	13.8	13.8	7.9	14.7
<i>RUSSELL 2000</i>	8.8	21.3	21.3	6.7	14.5
<b>International Equity - Gross</b>	-1.9	1.8	1.8	----	----
<i>INTERNATIONAL EQUITY RANK</i>	(39)	(61)	(61)	----	----
<i>MSCI EAFE</i>	-0.7	1.5	1.5	-1.2	7.0
<b>Real Estate - Gross</b>	-0.5	7.7	7.7	11.4	11.8
<i>NCREIF ODCE</i>	2.1	8.7	8.7	12.0	12.2
<b>Fixed Income - Gross</b>	-2.6	3.5	3.5	3.7	3.4
<i>CORE FIXED INCOME RANK</i>	(25)	(35)	(35)	(25)	(18)
<i>AGGREGATE INDEX</i>	-3.0	2.7	2.7	3.0	2.2
<i>PRIT FIXED</i>	-8.0	4.0	4.0	5.5	4.0
<i>GOV/CREDIT</i>	-3.4	3.0	3.0	3.0	2.3
<i>INT AGGREGATE</i>	-2.0	2.0	2.0	2.4	1.9
<i>INT GOV/CREDIT</i>	-2.1	2.1	2.1	2.1	1.8

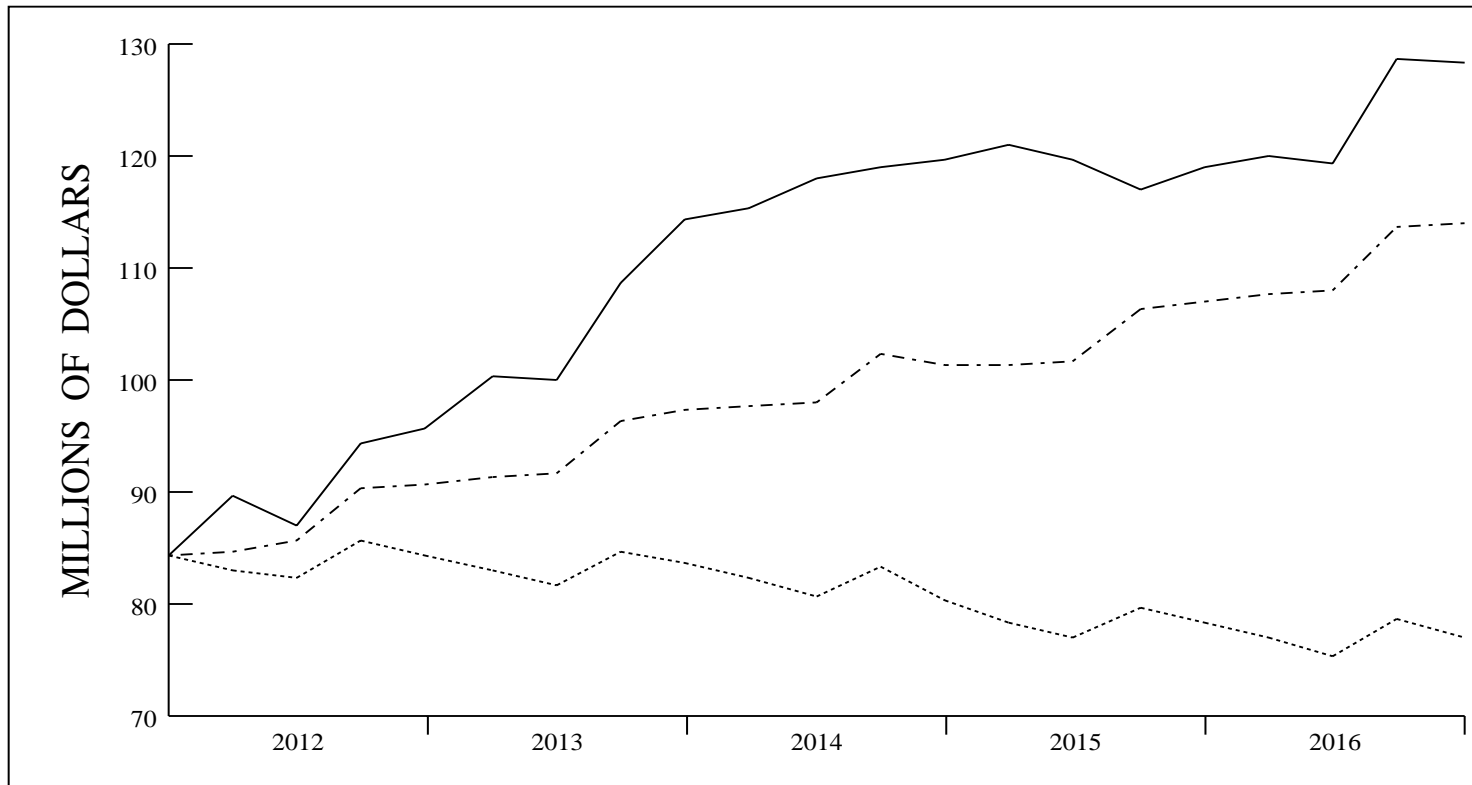
## ASSET ALLOCATION

PRIT Core	44.5%	\$ 57,216,393
Domestic Equity	27.9%	35,908,110
Int'l Equity	4.4%	5,677,427
Real Estate	9.9%	12,747,887
Fixed Income	12.4%	15,900,782
Cash	0.9%	1,101,515
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 128,552,114</b>

## INVESTMENT RETURN

Market Value 9/2016	\$ 128,682,934
Contribs / Withdrawals	- 1,915,837
Income	673,850
Capital Gains / Losses	1,111,167
Market Value 12/2016	\$ 128,552,114

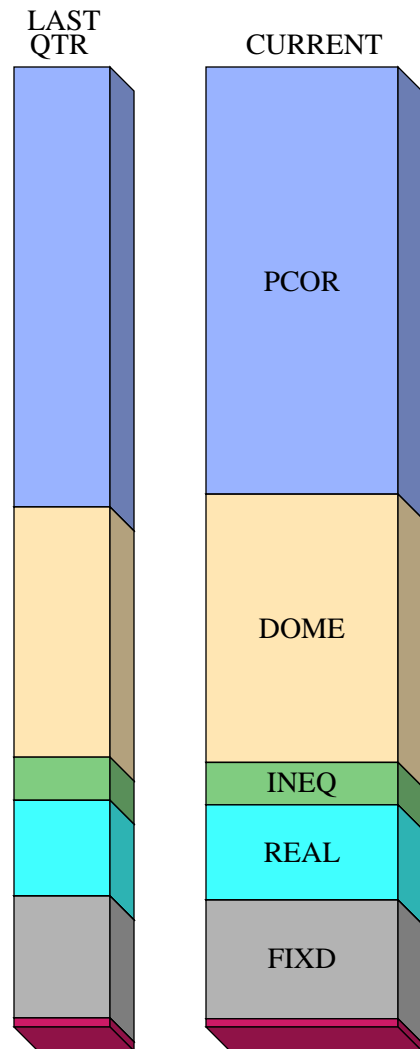
**INVESTMENT GROWTH**



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

VALUE ASSUMING  
 7.75% RETURN \$ 114,024,538

	LAST QUARTER	PERIOD 12/11 - 12/16
BEGINNING VALUE	\$ 128,682,934	\$ 84,471,532
NET CONTRIBUTIONS	- 1,915,837	- 7,408,849
<u>INVESTMENT RETURN</u>	<u>1,785,017</u>	<u>51,489,432</u>
ENDING VALUE	\$ 128,552,114	\$ 128,552,114
INCOME	673,850	12,721,574
<u>CAPITAL GAINS (LOSSES)</u>	<u>1,111,167</u>	<u>38,767,856</u>
INVESTMENT RETURN	1,785,017	51,489,432



	<u>VALUE</u>	<u>PERCENT</u>	<u>TARGET</u>	<u>DIFFERENCE</u> <u>+ / -</u>
■ PRIT CORE	\$ 57,216,393	44.5%	45.0%	-0.5%
■ DOMESTIC EQUITY	35,908,110	27.9%	27.0%	0.9%
■ INTERNATIONAL EQUITY	5,677,427	4.4%	5.0%	-0.6%
■ REAL ESTATE	12,747,887	9.9%	10.0%	-0.1%
■ FIXED INCOME	15,900,782	12.4%	13.0%	-0.6%
■ CASH & EQUIVALENT	1,101,515	0.9%	0.0%	0.9%
<hr/> TOTAL FUND	<hr/> \$ 128,552,114	<hr/> 100.0%		

## MANAGER PERFORMANCE SUMMARY

Name	(Universe)	Quarter	YTD	1 Year	3 Years	5 Years
PRIT Core Fund	(Public Fund)	-0.2 (90)	8.1 (30)	8.1 (30)	5.8 (9)	9.2 (24)
<i>Custom Core Index</i>		<i>-0.2 ----</i>	<i>7.5 ----</i>	<i>7.5 ----</i>	<i>4.9 ----</i>	<i>8.2 ----</i>
Polen Capital	(LC Growth)	-0.6 (62)	1.7 (77)	1.7 (77)	11.4 (3)	---- ----
<i>Russell 1000 Growth</i>		<i>1.0 ----</i>	<i>7.1 ----</i>	<i>7.1 ----</i>	<i>8.6 ----</i>	<i>14.5 ----</i>
O'Shaughnessy	(LC Value)	8.2 (23)	16.3 (32)	16.3 (32)	6.0 (84)	---- ----
<i>Russell 1000 Value</i>		<i>6.7 ----</i>	<i>17.3 ----</i>	<i>17.3 ----</i>	<i>8.6 ----</i>	<i>14.8 ----</i>
Seizert Capital	(Mid Cap)	11.0 (6)	25.3 (4)	25.3 (4)	6.1 (59)	17.0 (11)
<i>Russell Mid Cap</i>		<i>3.2 ----</i>	<i>13.8 ----</i>	<i>13.8 ----</i>	<i>7.9 ----</i>	<i>14.7 ----</i>
Daruma Ginkgo	(Small Cap)	6.8 (67)	13.6 (78)	13.6 (78)	1.9 (91)	13.0 (84)
Systematic	(Small Cap)	11.7 (28)	24.4 (32)	24.4 (32)	---- ----	---- ----
<i>Russell 2000</i>		<i>8.8 ----</i>	<i>21.3 ----</i>	<i>21.3 ----</i>	<i>6.7 ----</i>	<i>14.5 ----</i>
PRIT Int'l Eq.	(Intl Eq)	-1.9 (39)	1.8 (61)	1.8 (61)	---- ----	---- ----
<i>MSCI EAFE</i>		<i>-0.7 ----</i>	<i>1.5 ----</i>	<i>1.5 ----</i>	<i>-1.2 ----</i>	<i>7.0 ----</i>
PRIT Core R.E.		-0.5 ----	7.7 ----	7.7 ----	11.4 ----	11.8 ----
<i>NCREIF NFI-ODCE Index</i>		<i>2.1 ----</i>	<i>8.7 ----</i>	<i>8.7 ----</i>	<i>12.0 ----</i>	<i>12.2 ----</i>
IR&M	(Core Fixed)	-2.6 (25)	3.5 (35)	3.5 (35)	3.7 (25)	3.4 (18)
<i>Bloomberg Barclays Aggregate Index</i>		<i>-3.0 ----</i>	<i>2.7 ----</i>	<i>2.7 ----</i>	<i>3.0 ----</i>	<i>2.2 ----</i>

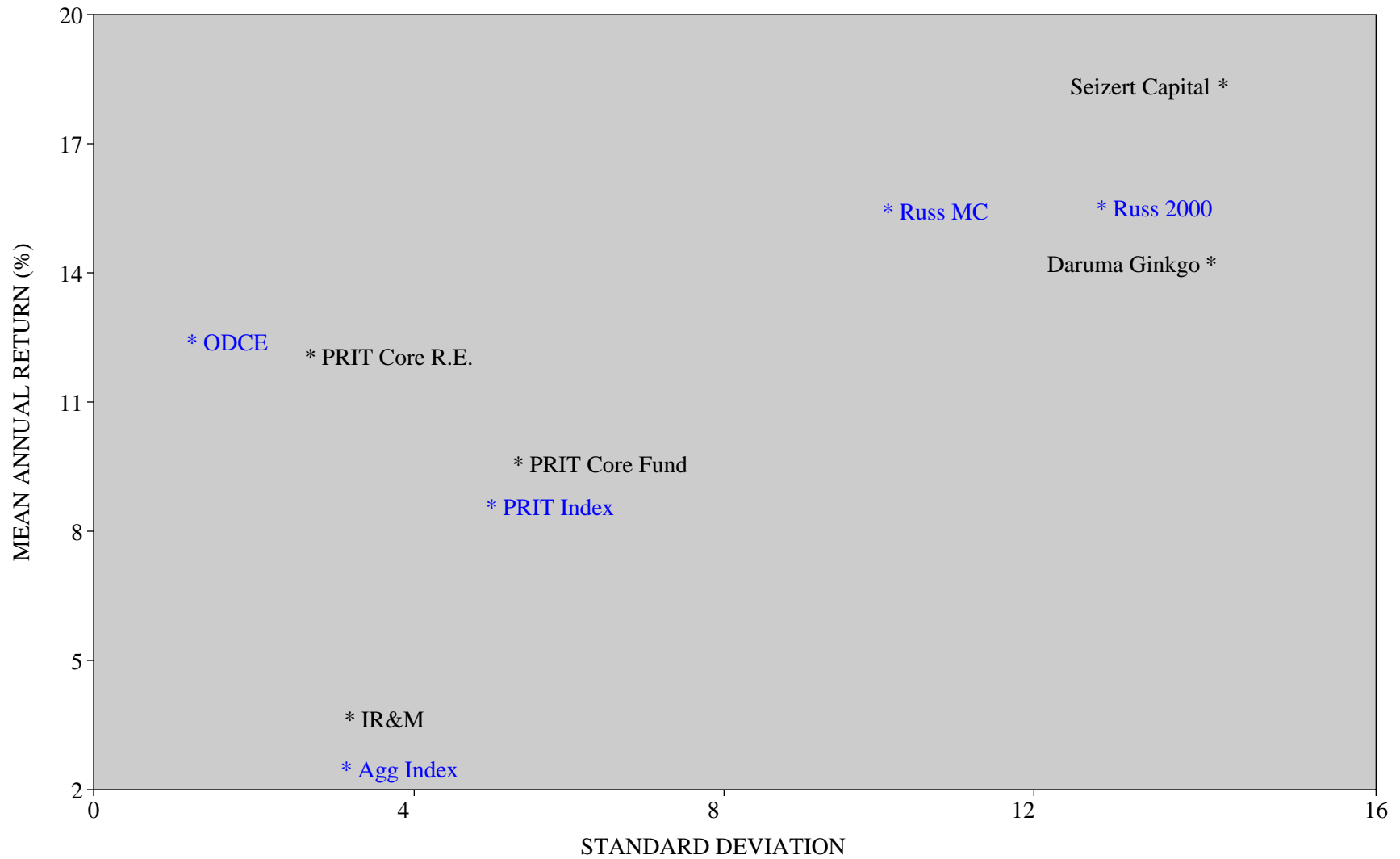
## MANAGER VALUE ADDED

Portfolio	Benchmark	1 Quarter	1 Year	3 Years	5 Years
PRIT Core Fund	Custom Core Idx	0.0	0.6	0.9	1.0
Polen Capital	Russell 1000G	-1.6	-5.4	2.8	N/A
O'Shaughnessy	Russell 1000V	1.5	-1.0	-2.6	N/A
Seizert Capital	Russell Mid	7.8	11.5	-1.8	2.3
Daruma Ginkgo	Russell 2000	-2.0	-7.7	-4.8	-1.5
Systematic	Russell 2000	2.9	3.1	N/A	N/A
PRIT Int'l Eq.	MSCI EAFE	-1.2	0.3	N/A	N/A
PRIT Core R.E.	NCREIF ODCE	-2.6	-1.0	-0.6	-0.4
IR&M	Aggregate Index	0.4	0.8	0.7	1.2
<b>Total Portfolio</b>	<b>Policy Index</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

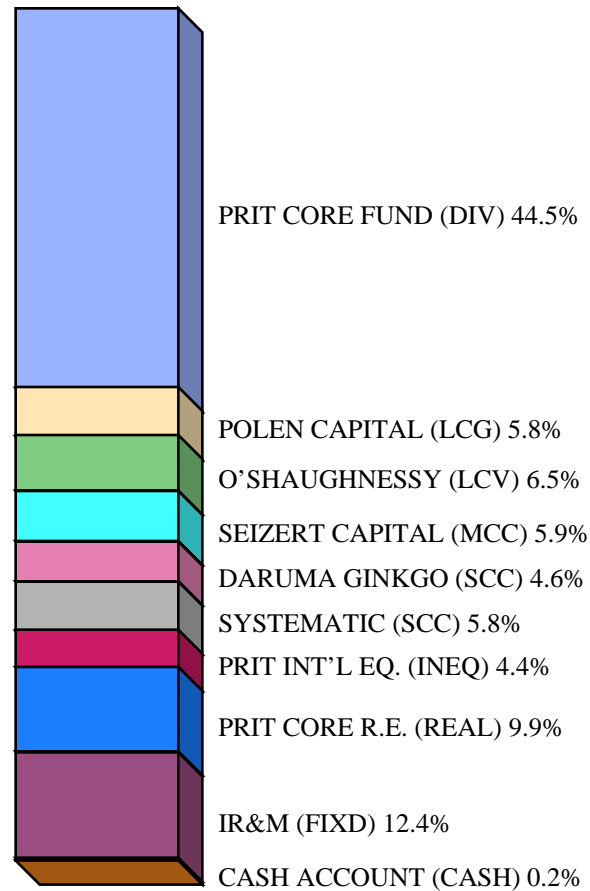
**MANAGER RISK STATISTICS SUMMARY - FIVE-YEAR HISTORY**

Name	Alpha	Batting Average	Sharpe Ratio	Information Ratio	Up Capture	Down Capture
PRIT Core Fund <i>Custom Core Idx</i>	0.54	0.800	1.77	1.21	101.2	99.7
Seizert Capital <i>Russell Mid</i>	-0.58	0.450	1.29	0.39	105.1	90.5
Daruma Ginkgo <i>Russell 2000</i>	-1.65	0.500	1.00	-0.24	98.8	98.5
PRIT Core R.E. <i>NCREIF ODCE</i>	7.76	0.500	4.46	-0.12	99.7	----
IR&M <i>Aggregate Index</i>	1.18	0.850	1.06	1.57	101.1	101.3

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



**MANAGER ALLOCATION AND TARGET SUMMARY**



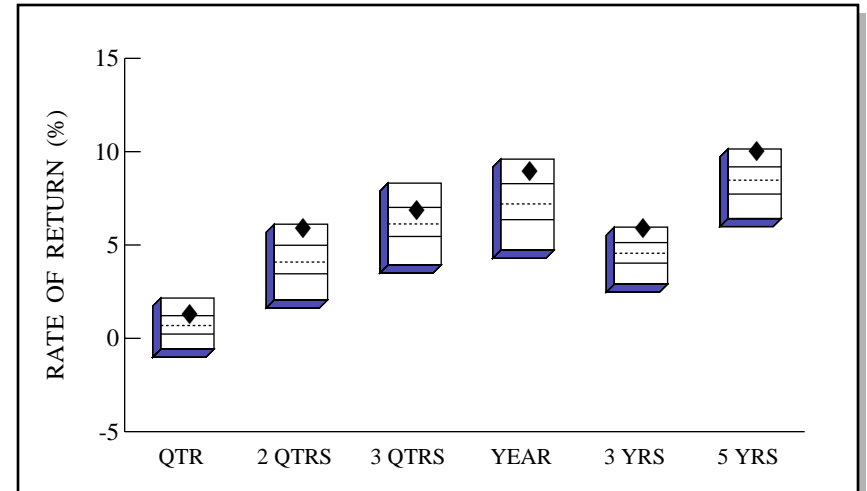
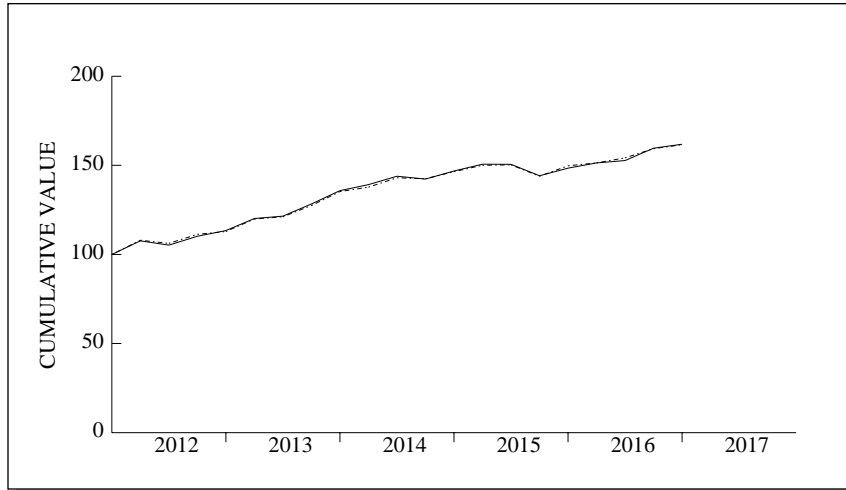
Name	Market Value	Percent	Target
PRIT Core Fund (DIV)	\$57,216,393	44.5	45.0
Polen Capital (LCG)	\$7,431,375	5.8	6.0
O'Shaughnessy (LCV)	\$8,408,215	6.5	6.0
Seizert Capital (MCC)	\$7,533,966	5.9	5.0
Daruma Ginkgo (SCC)	\$5,972,550	4.6	5.0
Systematic (SCC)	\$7,402,944	5.8	5.0
PRIT Int'l Eq. (INEQ)	\$5,677,427	4.4	5.0
PRIT Core R.E. (REAL)	\$12,747,887	9.9	10.0
IR&M (FIXD)	\$15,900,782	12.4	13.0
Cash Account (CASH)	\$260,575	0.2	0.0
<b>Total Portfolio</b>	<b>\$128,552,114</b>	<b>100.0</b>	<b>100.0</b>



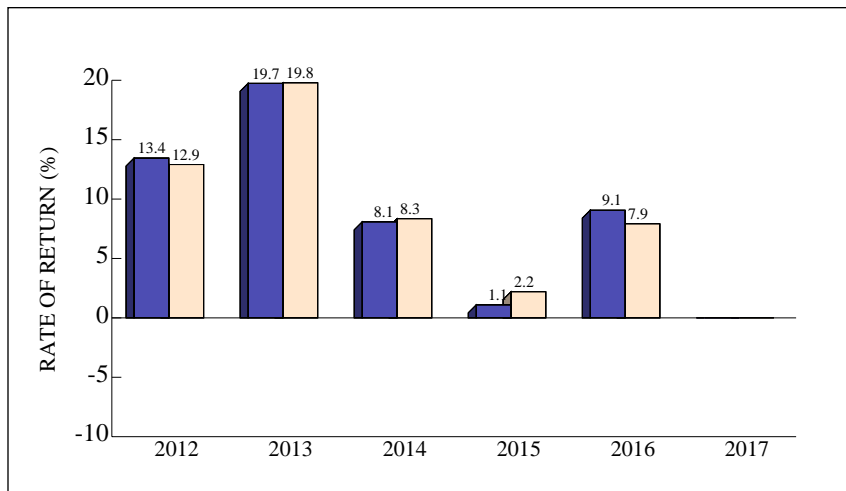
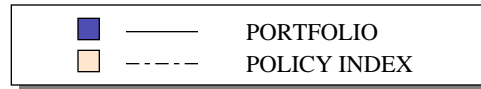
**INVESTMENT RETURN SUMMARY - ONE QUARTER**

<b>Name</b>	<b>Quarter Total Return</b>	<b>Market Value September 30th, 2016</b>	<b>Net Cashflow</b>	<b>Net Investment Return</b>	<b>Market Value December 31st, 2016</b>
PRIT Core Fund (DIV)	-0.2	58,963,783	-1,632,193	-115,197	57,216,393
Polen Capital (LCG)	-0.6	7,479,752	-32	-48,345	7,431,375
O'Shaughnessy (LCV)	8.2	7,769,528	-58	638,745	8,408,215
Seizert Capital (MCC)	11.0	6,788,451	-40	745,555	7,533,966
Daruma Ginkgo (SCC)	6.8	5,604,262	-14,062	382,350	5,972,550
Systematic (SCC)	11.7	6,626,999	0	775,945	7,402,944
PRIT Int'l Eq. (INEQ)	-1.9	5,790,313	-2,709	-110,177	5,677,427
PRIT Core R.E. (REAL)	-0.5	12,822,836	-14,988	-59,961	12,747,887
IR&M (FIXD)	-2.6	16,324,945	0	-424,163	15,900,782
Cash Account (CASH)	---	512,065	-251,755	265	260,575
<b>Total Portfolio</b>	<b>---</b>	<b>128,682,934</b>	<b>-1,915,837</b>	<b>1,785,017</b>	<b>128,552,114</b>

**TOTAL RETURN COMPARISONS**



Public Fund Universe

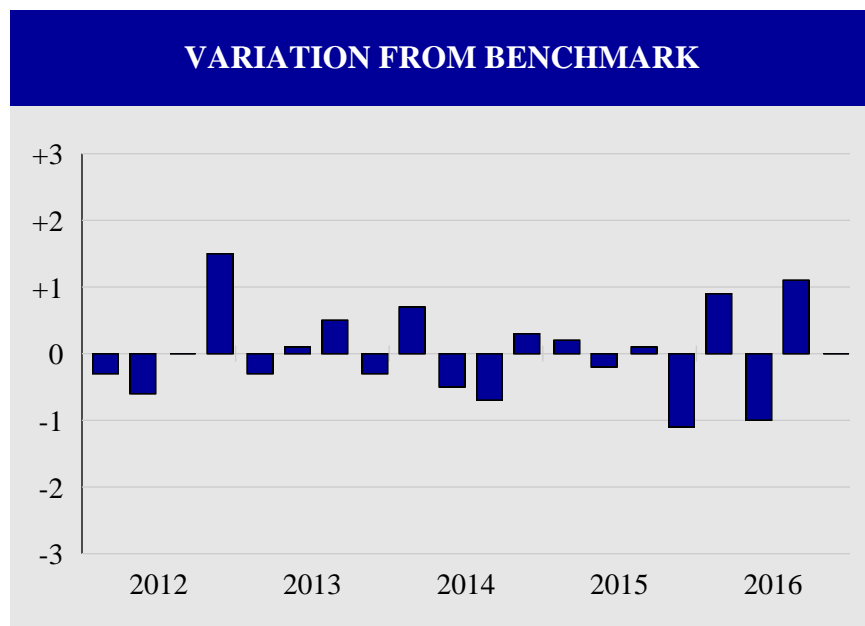


	QTR	2 QTRS	3 QTRS	YEAR	3 YRS	5 YRS
RETURN	1.4	6.0	7.0	9.1	6.0	10.1
(RANK)	(19)	(7)	(26)	(11)	(5)	(6)
5TH %ILE	2.2	6.1	8.3	9.6	6.0	10.1
25TH %ILE	1.2	5.0	7.0	8.3	5.1	9.2
MEDIAN	0.7	4.1	6.1	7.2	4.6	8.5
75TH %ILE	0.2	3.5	5.5	6.4	4.0	7.7
95TH %ILE	-0.6	2.1	3.9	4.7	2.9	6.4
<b>Policy Idx</b>	<b>1.4</b>	<b>4.8</b>	<b>6.7</b>	<b>7.9</b>	<b>6.1</b>	<b>10.1</b>

Public Fund Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

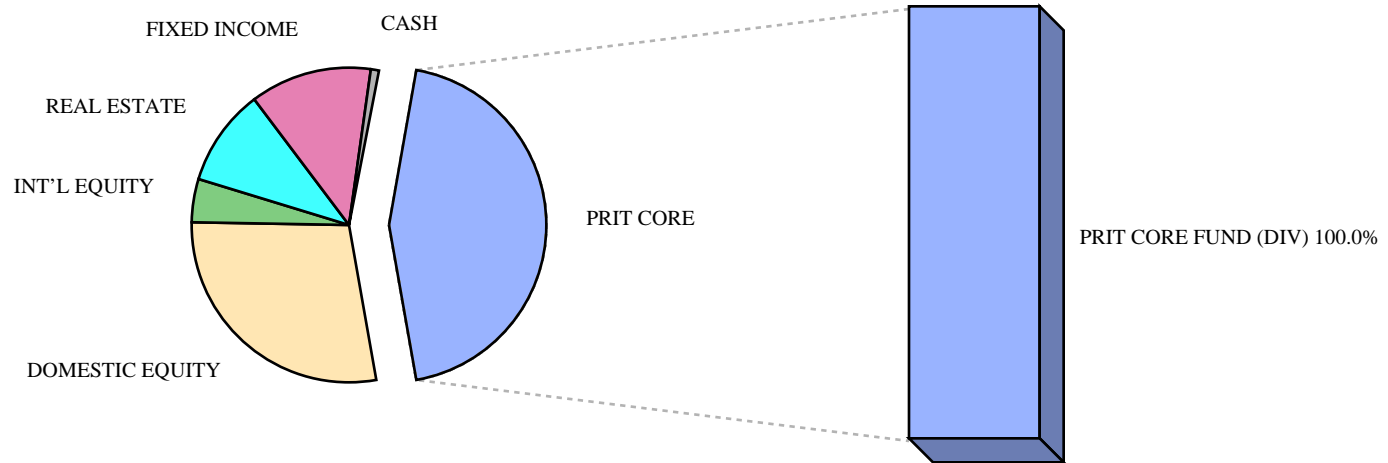
COMPARATIVE BENCHMARK: FRANKLIN REGIONAL POLICY INDEX



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

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/12	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
3/16	2.0	1.1	0.9
6/16	0.9	1.9	-1.0
9/16	4.5	3.4	1.1
12/16	1.4	1.4	0.0

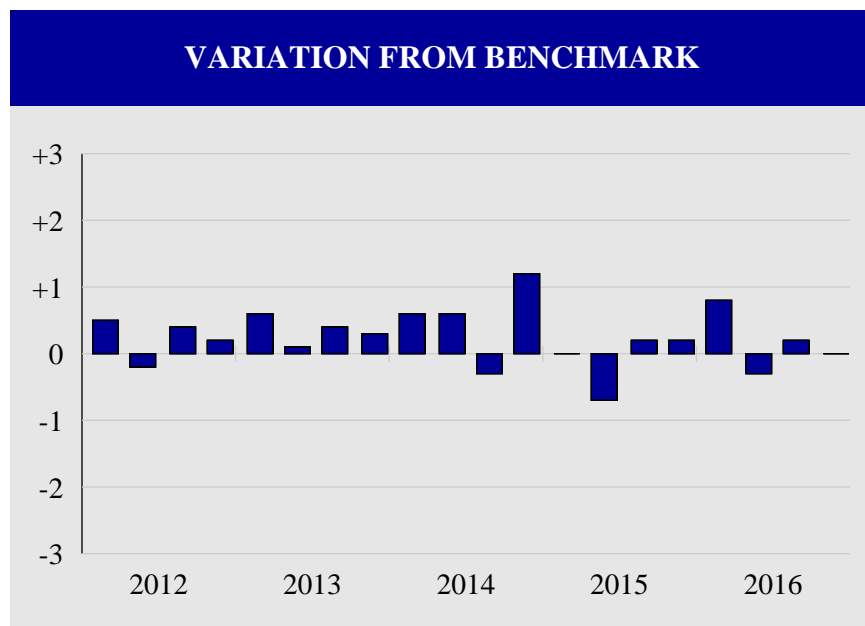
**PRIT CORE MANAGER SUMMARY**



TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
PRIT CORE FUND	(Public Fund)	-0.2 (90)	8.1 (30)	8.1 (30)	5.8 (9)	9.2 (24)	\$57,216,393
<i>Custom Core Index</i>		<i>-0.2 ----</i>	<i>7.5 ----</i>	<i>7.5 ----</i>	<i>4.9 ----</i>	<i>8.2 ----</i>	<i>----</i>

**PRIT CORE QUARTERLY PERFORMANCE SUMMARY**

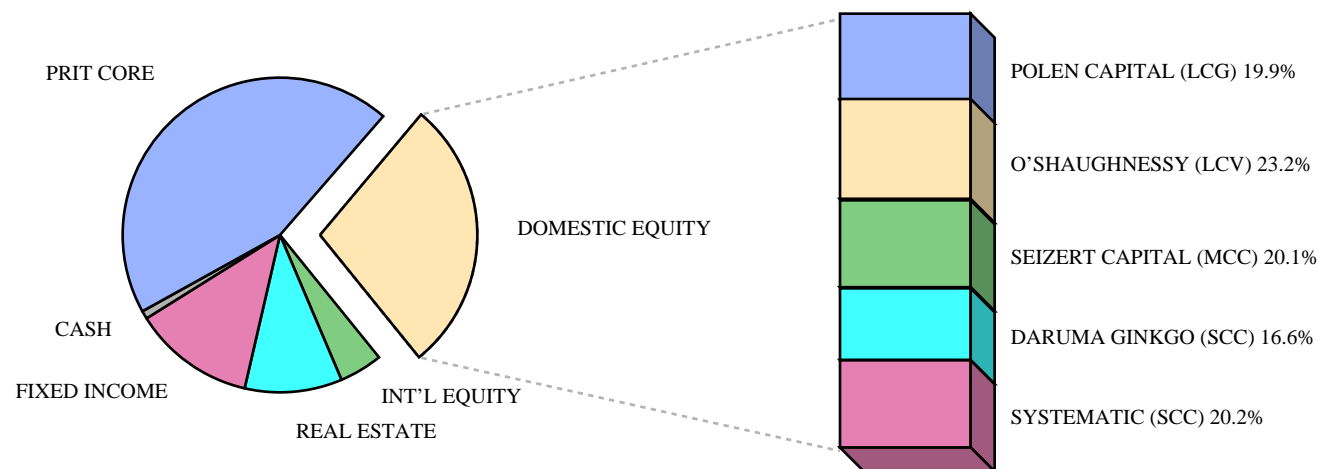
**COMPARATIVE BENCHMARK: CUSTOM CORE INDEX**



<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>

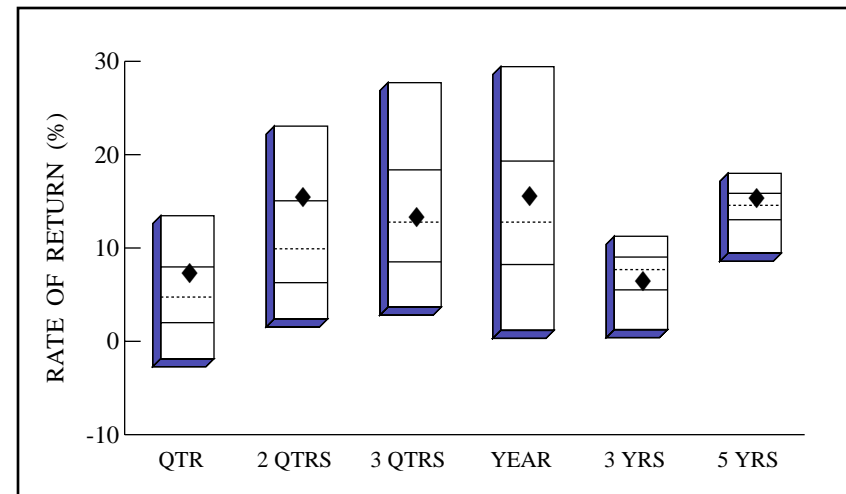
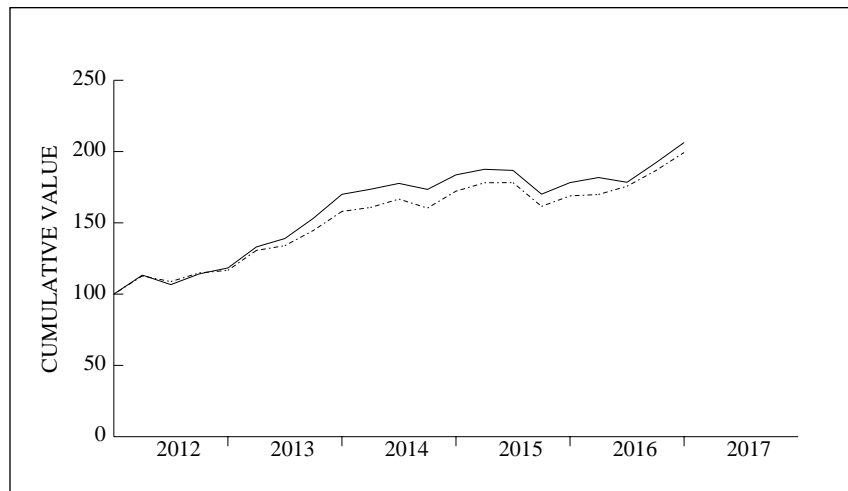
<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/12	7.3	6.8	0.5
6/12	-1.5	-1.3	-0.2
9/12	4.4	4.0	0.4
12/12	3.1	2.9	0.2
3/13	4.6	4.0	0.6
6/13	0.2	0.1	0.1
9/13	5.1	4.7	0.4
12/13	4.9	4.6	0.3
3/14	2.7	2.1	0.6
6/14	4.1	3.5	0.6
9/14	-0.8	-0.5	-0.3
12/14	2.1	0.9	1.2
3/15	2.7	2.7	0.0
6/15	0.0	0.7	-0.7
9/15	-3.9	-4.1	0.2
12/15	2.4	2.2	0.2
3/16	2.0	1.2	0.8
6/16	1.9	2.2	-0.3
9/16	4.3	4.1	0.2
12/16	-0.2	-0.2	0.0

**DOMESTIC EQUITY MANAGER SUMMARY**

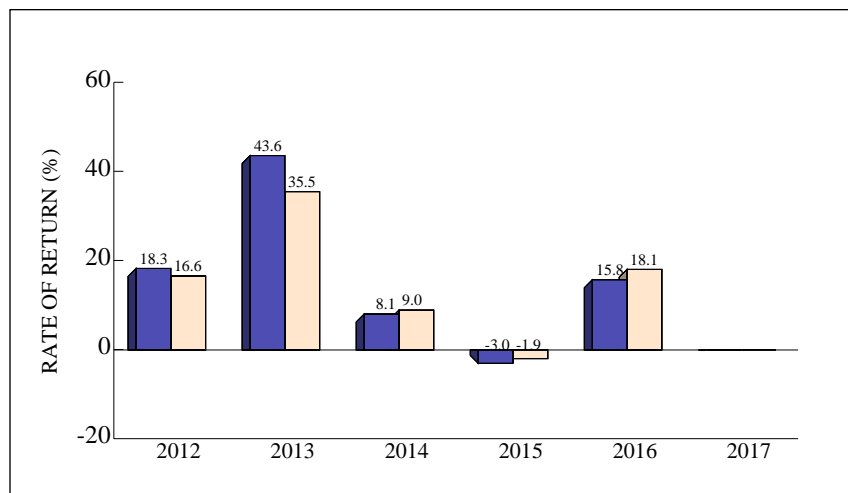
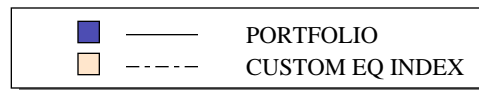


TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
POLEN CAPITAL	(Large Cap Growth)	-0.6 (62)	1.7 (77)	1.7 (77)	11.4 (3)	---- ----	\$7,431,375
<i>Russell 1000 Growth</i>		<i>1.0 ----</i>	<i>7.1 ----</i>	<i>7.1 ----</i>	<i>8.6 ----</i>	<i>14.5 ----</i>	<i>----</i>
O'SHAUGHNESSY	(Large Cap Value)	8.2 (23)	16.3 (32)	16.3 (32)	6.0 (84)	---- ----	\$8,408,215
<i>Russell 1000 Value</i>		<i>6.7 ----</i>	<i>17.3 ----</i>	<i>17.3 ----</i>	<i>8.6 ----</i>	<i>14.8 ----</i>	<i>----</i>
SEIZERT CAPITAL	(Mid Cap)	11.0 (6)	25.3 (4)	25.3 (4)	6.1 (59)	17.0 (11)	\$7,533,966
<i>Russell Mid Cap</i>		<i>3.2 ----</i>	<i>13.8 ----</i>	<i>13.8 ----</i>	<i>7.9 ----</i>	<i>14.7 ----</i>	<i>----</i>
DARUMA GINKGO	(Small Cap)	6.8 (67)	13.6 (78)	13.6 (78)	1.9 (91)	13.0 (84)	\$5,972,550
SYSTEMATIC	(Small Cap)	11.7 (28)	24.4 (32)	24.4 (32)	---- ----	---- ----	\$7,402,944
<i>Russell 2000</i>		<i>8.8 ----</i>	<i>21.3 ----</i>	<i>21.3 ----</i>	<i>6.7 ----</i>	<i>14.5 ----</i>	<i>----</i>

### DOMESTIC EQUITY RETURN COMPARISONS

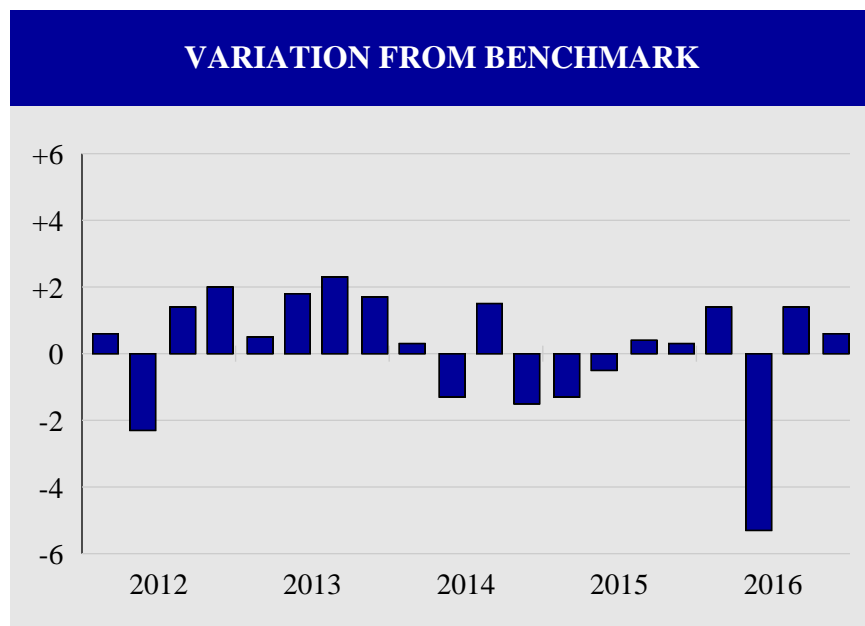


Domestic Equity Universe



	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED----- 3 YRS	5 YRS
RETURN	7.5	15.6	13.5	15.8	6.7	15.6
(RANK)	(30)	(24)	(47)	(38)	(65)	(30)
5TH %ILE	13.5	23.1	27.7	29.4	11.3	18.0
25TH %ILE	8.0	15.1	18.4	19.3	9.0	15.9
MEDIAN	4.8	9.9	12.8	12.8	7.7	14.6
75TH %ILE	2.0	6.3	8.5	8.2	5.5	13.0
95TH %ILE	-1.9	2.4	3.7	1.2	1.3	9.4
<b>Equity Index</b>	<b>6.9</b>	<b>13.5</b>	<b>17.4</b>	<b>18.1</b>	<b>8.1</b>	<b>14.8</b>

Domestic Equity Universe

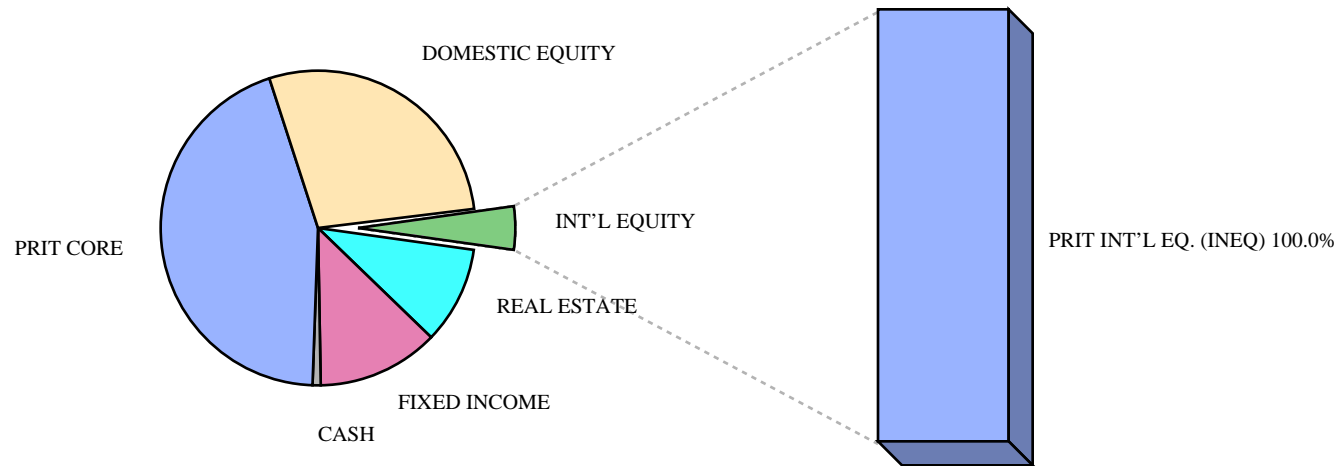
**DOMESTIC EQUITY QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: FRANKLIN REGIONAL EQUITY INDEX**

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

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/12	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
3/16	2.0	0.6	1.4
6/16	-1.9	3.4	-5.3
9/16	7.6	6.2	1.4
12/16	7.5	6.9	0.6

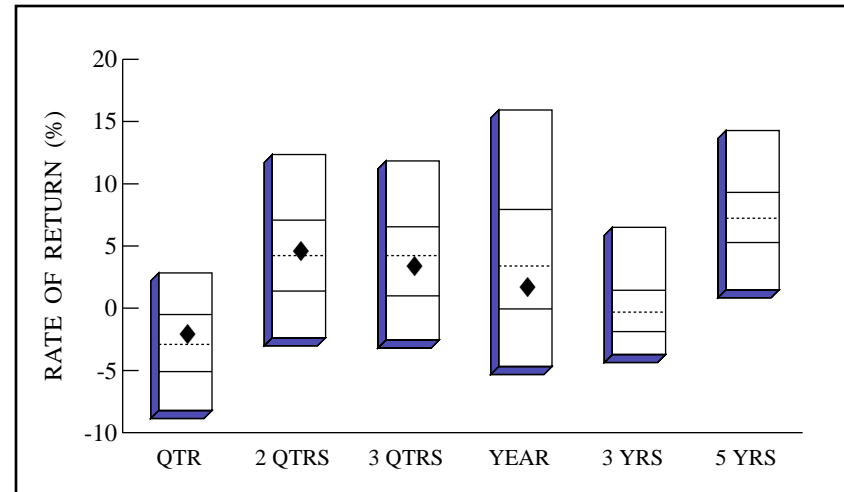
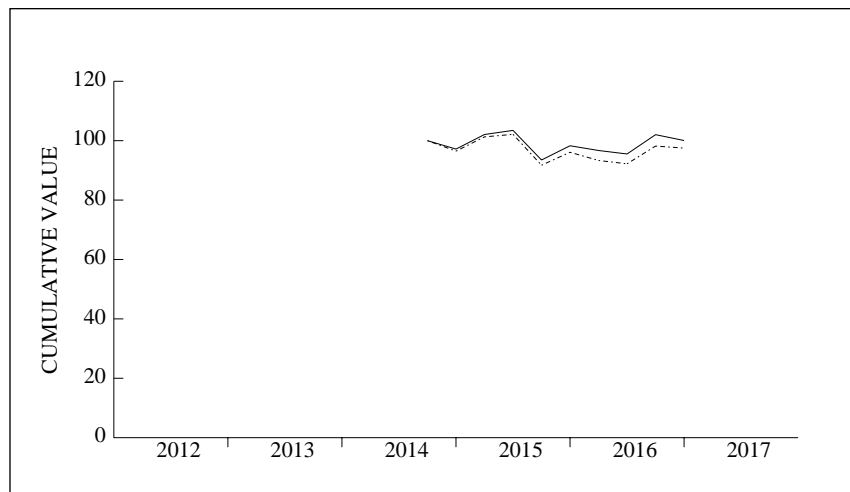


**INTERNATIONAL EQUITY MANAGER SUMMARY**

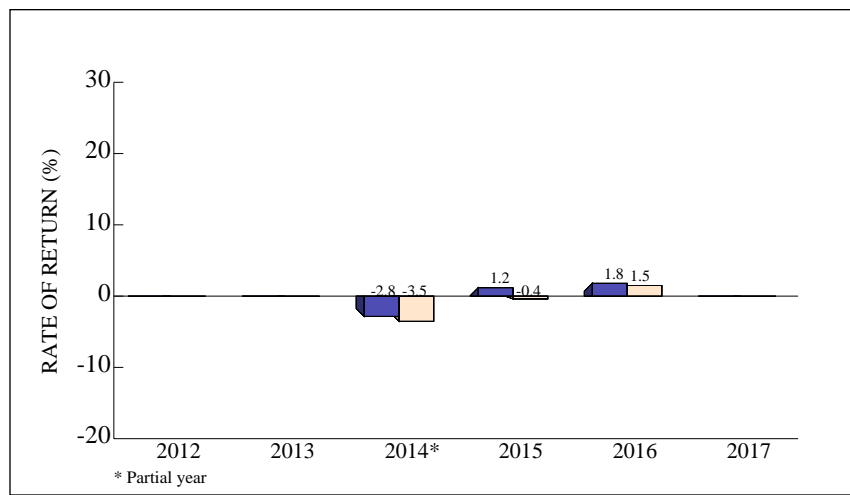


TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
PRIT INT'L EQ.	(International Equity)	-1.9 (39)	1.8 (61)	1.8 (61)	----	----	\$5,677,427
<i>MSCI EAFE</i>		<i>-0.7 ----</i>	<i>1.5 ----</i>	<i>1.5 ----</i>	<i>-1.2 ----</i>	<i>7.0 ----</i>	<i>----</i>

### INTERNATIONAL EQUITY RETURN COMPARISONS



International Equity Universe



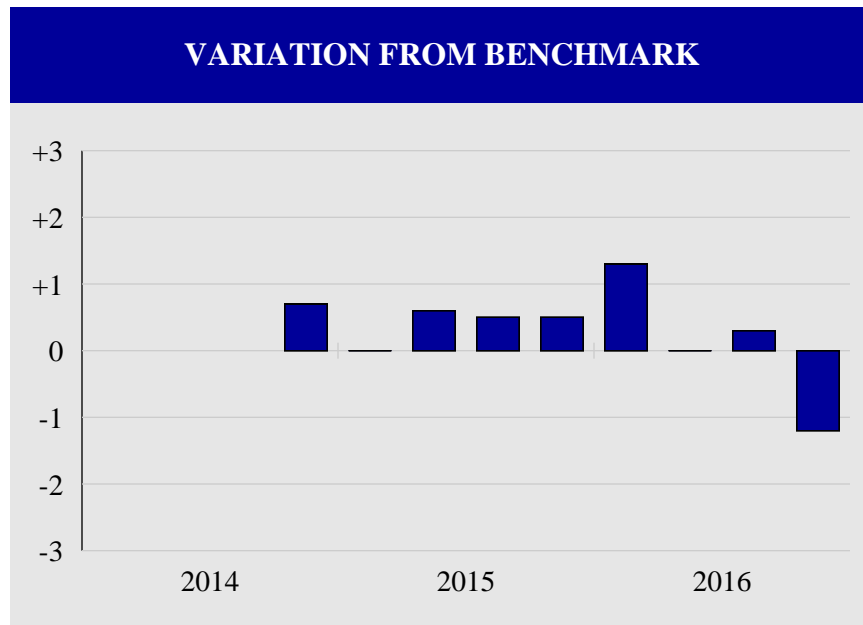
\* Partial year

	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	-1.9	4.8	3.5	1.8	----	----
(RANK)	(39)	(46)	(59)	(61)	----	----
5TH %ILE	2.8	12.4	11.8	15.9	6.5	14.3
25TH %ILE	-0.5	7.1	6.5	7.9	1.5	9.3
MEDIAN	-2.9	4.2	4.2	3.4	-0.3	7.2
75TH %ILE	-5.1	1.4	1.0	-0.1	-1.9	5.3
95TH %ILE	-8.2	-2.4	-2.6	-4.7	-3.7	1.5
<b>MSCI EAFE</b>	<b>-0.7</b>	<b>5.8</b>	<b>4.5</b>	<b>1.5</b>	<b>-1.2</b>	<b>7.0</b>

International Equity Universe

**INTERNATIONAL EQUITY QUARTERLY PERFORMANCE SUMMARY**

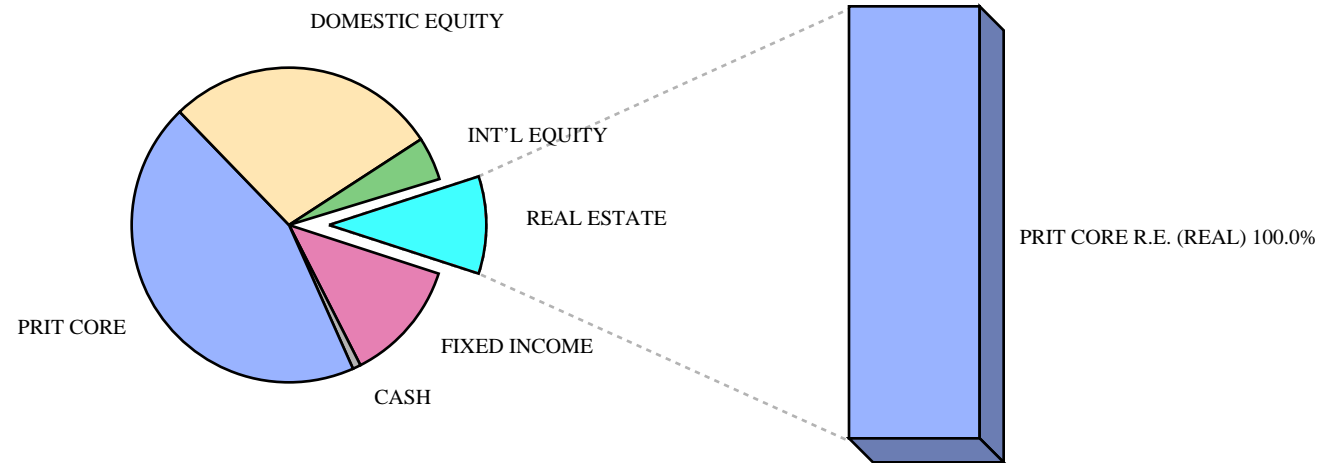
**COMPARATIVE BENCHMARK: MSCI EAFE**



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

<b>Total Quarters Observed</b>	<b>9</b>
<b>Quarters At or Above the Benchmark</b>	<b>8</b>
<b>Quarters Below the Benchmark</b>	<b>1</b>
<b>Batting Average</b>	<b>.889</b>

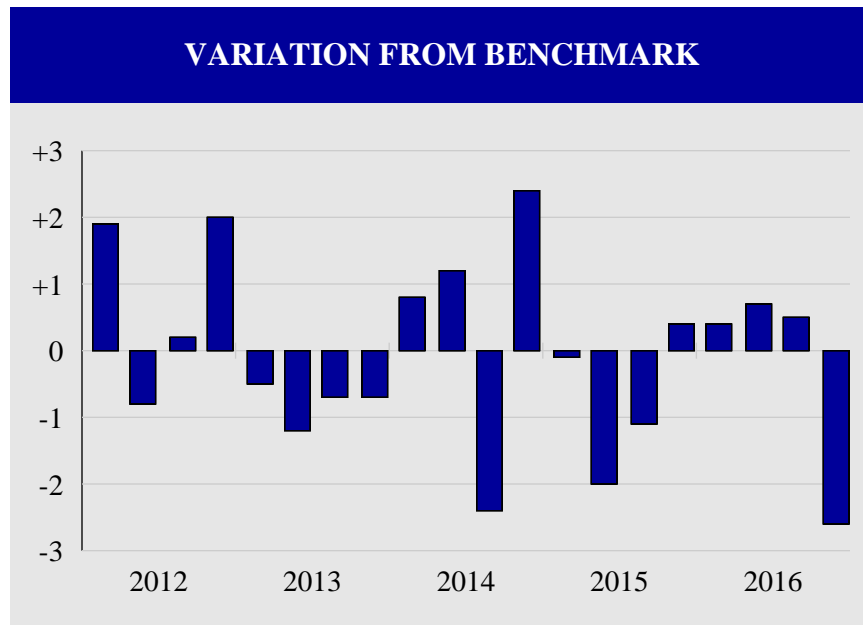
**REAL ESTATE MANAGER SUMMARY**



		TOTAL RETURNS AND RANKINGS					
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
PRIT CORE R.E.		-0.5 ---	7.7 ---	7.7 ---	11.4 ---	11.8 ---	\$12,747,887
<i>NCREIF NFI-ODCE Index</i>		<i>2.1 ---</i>	<i>8.7 ---</i>	<i>8.7 ---</i>	<i>12.0 ---</i>	<i>12.2 ---</i>	---

**REAL ESTATE QUARTERLY PERFORMANCE SUMMARY**

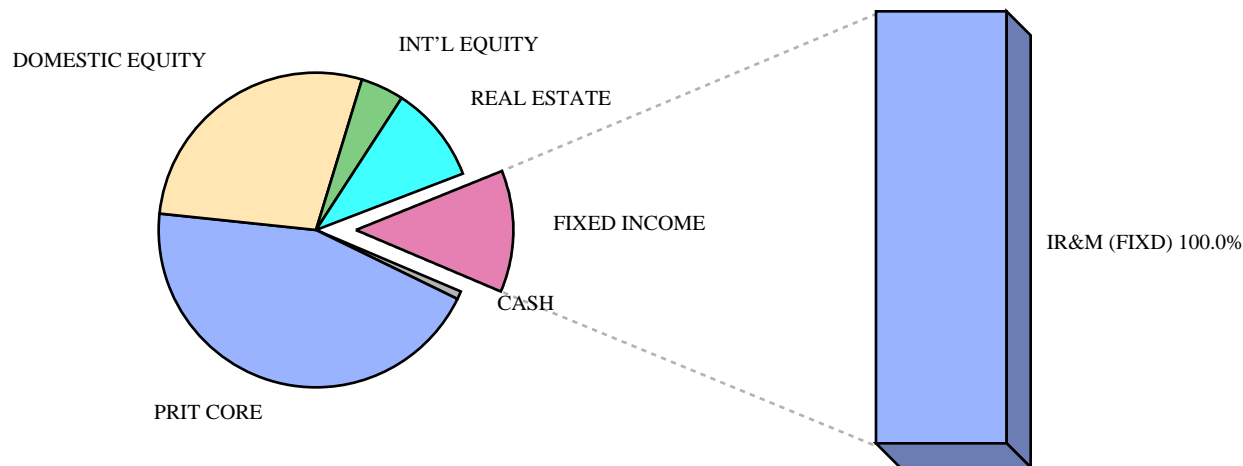
**COMPARATIVE BENCHMARK: NCREIF NFI-ODCE INDEX**



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

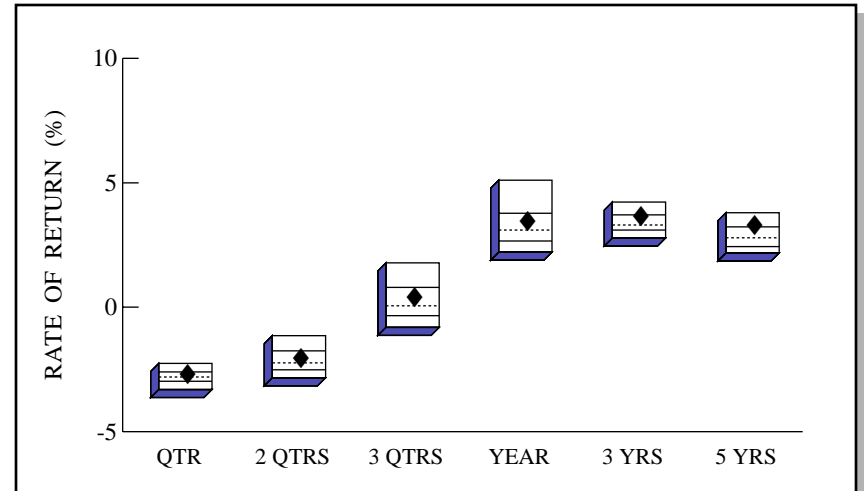
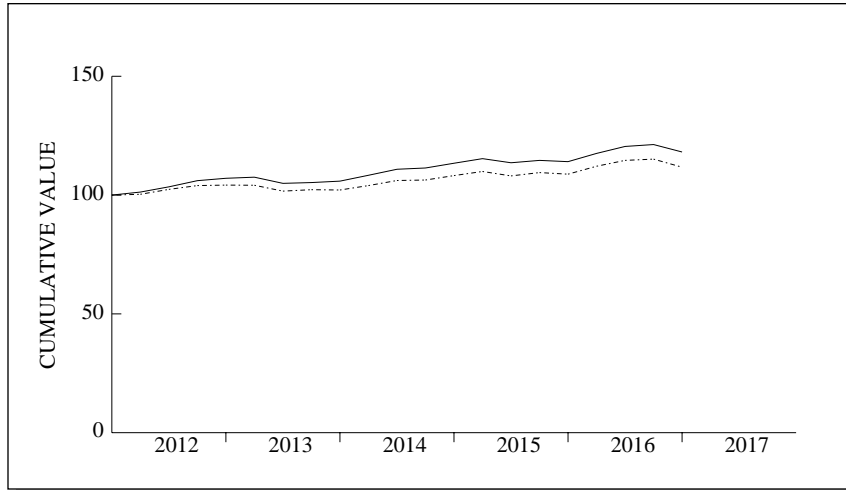
<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/12	4.7	2.8	1.9
6/12	1.7	2.5	-0.8
9/12	3.0	2.8	0.2
12/12	4.3	2.3	2.0
3/13	2.2	2.7	-0.5
6/13	2.7	3.9	-1.2
9/13	2.9	3.6	-0.7
12/13	2.5	3.2	-0.7
3/14	3.3	2.5	0.8
6/14	4.1	2.9	1.2
9/14	0.8	3.2	-2.4
12/14	5.7	3.3	2.4
3/15	3.3	3.4	-0.1
6/15	1.8	3.8	-2.0
9/15	2.6	3.7	-1.1
12/15	3.7	3.3	0.4
3/16	2.6	2.2	0.4
6/16	2.8	2.1	0.7
9/16	2.6	2.1	0.5
12/16	-0.5	2.1	-2.6

**FIXED INCOME MANAGER SUMMARY**

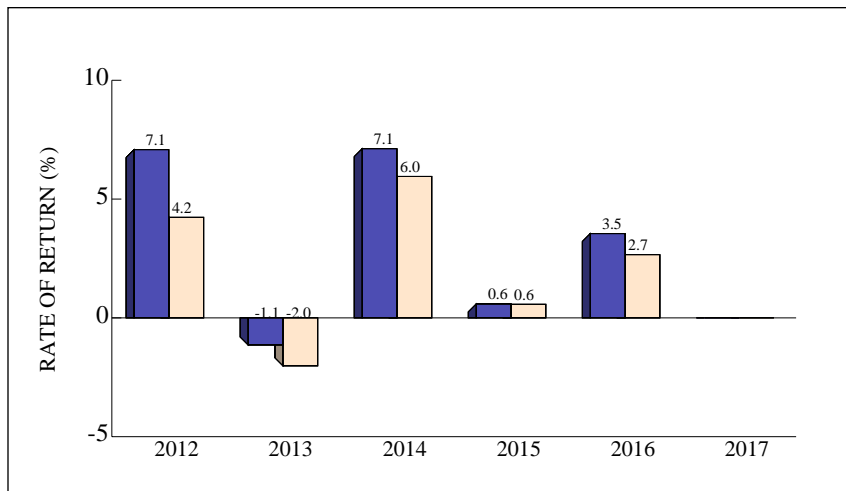


TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
IR&M	(Core Fixed Income)	-2.6 (25)	3.5 (35)	3.5 (35)	3.7 (25)	3.4 (18)	\$15,900,782
	<i>Bloomberg Barclays Aggregate Index</i>	-3.0 ----	2.7 ----	2.7 ----	3.0 ----	2.2 ----	----

**FIXED INCOME RETURN COMPARISONS**



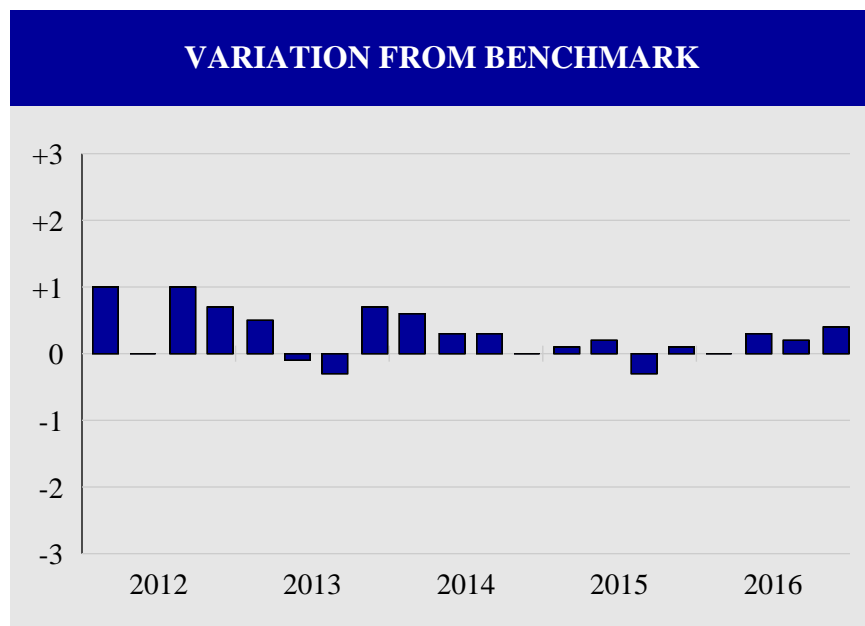
Core Fixed Income Universe



	QTR	2 QTRS	3 QTRS	YEAR	3 YRS	5 YRS
RETURN	-2.6	-2.0	0.5	3.5	3.7	3.4
(RANK)	(25)	(39)	(36)	(35)	(25)	(18)
5TH %ILE	-2.3	-1.1	1.8	5.1	4.2	3.8
25TH %ILE	-2.6	-1.8	0.8	3.8	3.7	3.2
MEDIAN	-2.8	-2.2	0.1	3.1	3.3	2.8
75TH %ILE	-3.0	-2.5	-0.3	2.7	3.1	2.4
95TH %ILE	-3.3	-2.8	-0.8	2.2	2.8	2.2
<b>Agg Index</b>	<b>-3.0</b>	<b>-2.5</b>	<b>-0.4</b>	<b>2.7</b>	<b>3.0</b>	<b>2.2</b>

Core Fixed Income Universe

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



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

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
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
3/16	3.0	3.0	0.0
6/16	2.5	2.2	0.3
9/16	0.7	0.5	0.2
12/16	-2.6	-3.0	0.4



**PRIT MANAGER RETURNS AND ALLOCATIONS  
AS OF DECEMBER 31, 2016**

PORTFOLIO	QTR	ANNUALIZED			% Allocation
		1 YEAR	3 YEARS	5 YEARS	
<b>Domestic Equity</b>	<b>4.3</b>	<b>12.9</b>	<b>8.1</b>	<b>14.6</b>	<b>19.5</b>
SSgA S&P 500	3.9	11.9	8.8	14.7	15.2
Summit Creek	-2.1	0.8	1.0	---	0.4
Frontier	13.5	31.1	11.4	---	0.5
Huber	9.4	18.0	-2.2	---	0.4
RiverBridge	-0.7	8.5	4.3	---	0.3
SSgA Russell 2500	6.2	17.7	6.9	14.4	2.7
<i>S&amp;P 500</i>	<i>3.8</i>	<i>12.0</i>	<i>8.9</i>	<i>14.7</i>	---
<i>Russell 2500</i>	<i>6.1</i>	<i>17.6</i>	<i>6.9</i>	<i>14.5</i>	---
<b>International Equity</b>	<b>-1.9</b>	<b>1.8</b>	<b>-0.2</b>	<b>7.8</b>	<b>16.8</b>
SSgA World Ex-US	-0.5	3.3	-0.8	7.0	8.2
Marathon Asset Management	-1.3	-1.4	0.3	9.1	4.0
Baillie Gifford	-6.6	1.4	0.1	8.3	3.0
Mondrian	-0.8	3.2	1.1	7.0	1.4
FIS	-2.4	0.5	0.1	---	0.2
<i>MSCI EAFE</i>	<i>-0.7</i>	<i>1.5</i>	<i>-1.2</i>	<i>7.0</i>	---
<i>ACWI EX US</i>	<i>-1.2</i>	<i>5.0</i>	<i>-1.3</i>	<i>5.5</i>	---
<b>Emerging Markets Equity</b>	<b>-3.6</b>	<b>11.9</b>	<b>-1.5</b>	<b>2.5</b>	<b>6.9</b>
SSgA Emerging Markets	-4.4	10.2	-1.9	2.0	1.8
AQR Emerging	-1.4	16.3	---	---	0.8
Baillie Gifford EMM	-6.5	3.7	---	---	1.0
Driehaus Capital	-7.2	7.1	---	---	0.9
Harding Loevner	-4.0	15.1	---	---	0.7
Pzena	2.0	23.6	---	---	0.9
Emerging Markets Transition	---	---	---	---	0.0
Acadian	-2.0	8.8	3.8	---	0.2
Wasatch	-12.4	-2.4	-2.5	---	0.1
Acadian Frontier	2.9	24.0	---	---	0.2
City of London	1.8	16.8	---	---	0.2
<i>MSCI Emerging Markets</i>	<i>-4.1</i>	<i>11.6</i>	<i>-2.2</i>	<i>1.6</i>	---

**PRIT MANAGER RETURNS AND ALLOCATIONS  
AS OF DECEMBER 31, 2016**

PORTFOLIO	QTR	ANNUALIZED			% Allocation
		1 YEAR	3 YEARS	5 YEARS	
<b>Core Fixed Income</b>	<b>-8.0</b>	<b>4.0</b>	<b>5.5</b>	<b>4.0</b>	<b>12.3</b>
Blackrock Passive	-3.1	2.5	3.0	2.2	1.8
PIMCO Core	-2.8	3.2	2.9	3.2	1.3
Loomis Sayles Core	-2.5	4.3	4.2	3.8	1.8
Community Capital Management	-2.2	1.7	2.9	2.4	0.0
AFL - CIO Housing Investment	-3.0	2.1	3.2	2.3	0.2
Access Capital - ETI	-1.5	2.3	3.4	2.7	0.2
Progress Mgr of Mgrs	-2.5	3.6	---	---	0.2
BlackRock STRIPS	-16.7	1.5	---	---	3.8
Blackrock TIPS	-2.5	4.8	2.3	0.9	1.0
Blackrock ILBs	-1.8	9.8	5.8	3.7	2.1
<i>Barclays Aggregate</i>	<i>-3.0</i>	<i>2.7</i>	<i>3.0</i>	<i>2.2</i>	<i>---</i>
<i>Barclays STRIPS 20+Yrs</i>	<i>-16.7</i>	<i>1.4</i>	<i>---</i>	<i>---</i>	<i>---</i>
<i>Barclays US TIPS</i>	<i>-2.4</i>	<i>4.7</i>	<i>2.3</i>	<i>0.9</i>	<i>---</i>
<i>Barclays ILB US Hedged</i>	<i>-2.1</i>	<i>10.2</i>	<i>5.9</i>	<i>3.5</i>	<i>---</i>
<i>Barclays Aggregate A or Better</i>	<i>-3.0</i>	<i>1.9</i>	<i>2.8</i>	<i>2.0</i>	<i>---</i>
<b>Value-Added Fixed Income</b>	<b>0.0</b>	<b>10.0</b>	<b>2.8</b>	<b>5.3</b>	<b>8.3</b>
Fidelity	1.8	14.0	4.7	7.9	0.6
Loomis Sayles High Yield	1.0	14.8	5.0	8.2	0.6
Shenkman	1.6	12.5	4.1	6.1	0.5
Eaton Vance	2.4	10.5	3.8	4.9	0.8
Voya	2.1	8.5	4.1	5.9	0.8
Ashmore	-1.9	18.9	6.5	6.5	0.7
PIMCO EMD	-3.0	13.8	5.2	5.3	0.5
Investec	-5.7	8.4	-4.3	---	0.6
Pictet	-5.9	8.9	-3.9	---	0.8
Stone Harbor	-6.0	10.0	-4.6	---	0.5
Distressed Debt	4.4	5.8	5.1	9.9	2.0
<i>ML Master High Yield</i>	<i>1.9</i>	<i>17.5</i>	<i>4.7</i>	<i>7.4</i>	<i>---</i>
<i>JPM EMBI</i>	<i>-4.0</i>	<i>10.2</i>	<i>6.2</i>	<i>5.9</i>	<i>---</i>

**PRIT MANAGER RETURNS AND ALLOCATIONS  
AS OF DECEMBER 31, 2016**

PORTFOLIO	QTR	ANNUALIZED			% Allocation
		1 YEAR	3 YEARS	5 YEARS	
<b>Private Equity</b>	<b>3.7</b>	<b>13.8</b>	<b>16.8</b>	<b>17.4</b>	<b>11.1</b>
Total Special Equity	3.8	15.3	16.4	17.7	7.9
Total Venture Capital	4.0	10.9	20.0	18.4	2.6
<i>Cambridge Private Equity (Lagged)</i>	3.8	8.7	10.8	13.1	---
<b>Private Real Estate</b>	<b>1.0</b>	<b>8.3</b>	<b>12.4</b>	<b>12.4</b>	<b>7.8</b>
Invesco Core	2.2	9.8	12.2	12.6	1.6
Lasalle	1.2	8.0	11.4	12.0	2.7
AEW	2.2	9.4	13.1	12.2	2.2
JP Morgan	-4.1	1.2	7.4	6.9	1.3
AEW Core Transition	-0.9	-0.8	---	---	0.6
PRIM - Core Real estate	---	---	---	---	0.2
Non-Core	2.0	20.7	18.2	15.9	0.7
New Boston Urban I	-5.6	-2.8	0.8	4.4	0.0
Portfolio Debt	---	---	---	---	-1.6
<i>NCREIF ODCE</i>	2.1	8.7	12.0	12.2	---
<b>REITS</b>	<b>-5.1</b>	<b>5.6</b>	<b>7.1</b>	<b>10.4</b>	<b>2.3</b>
Invesco Global REIT	-5.2	3.5	6.5	---	0.4
Centersquare Global REIT	-5.3	5.5	7.5	---	1.3
Presima	-4.5	---	---	---	0.2
Brookfield	-4.7	---	---	---	0.4
Transition	---	---	---	---	0.0
<i>NAREIT</i>	-3.3	8.6	12.7	12.0	---
<i>FTSE EPRA NAREIT</i>	-5.8	4.6	6.1	9.7	---

**PRIT MANAGER RETURNS AND ALLOCATIONS  
AS OF DECEMBER 31, 2016**

PORTFOLIO	QTR	ANNUALIZED			% Allocation
		1 YEAR	3 YEARS	5 YEARS	
<b>Timber</b>	<b>2.9</b>	<b>6.6</b>	<b>5.6</b>	<b>6.7</b>	<b>3.6</b>
Forest	3.0	5.0	5.6	7.0	2.0
The Campbell Group	2.6	8.3	6.1	5.9	1.8
<i>NCREIF Timber</i>	<i>1.2</i>	<i>2.6</i>	<i>6.0</i>	<i>7.1</i>	---
<b>Hedge Funds (Net)</b>	<b>2.5</b>	<b>4.4</b>	<b>2.6</b>	<b>5.7</b>	<b>9.0</b>
PAAMCO	1.3	0.0	0.5	4.9	1.4
Direct Hedge Funds	2.8	5.3	3.2	5.8	7.6
<i>HFRI FOF</i>	<i>1.1</i>	<i>0.7</i>	<i>1.2</i>	<i>3.5</i>	---
<b>Portfolio Completion Strategies</b>	<b>-1.8</b>	<b>0.5</b>	---	---	<b>1.1</b>
<b>Overlay</b>	<b>-2.0</b>	<b>5.9</b>	<b>3.4</b>	---	<b>1.0</b>
Clifton	-2.7	7.2	3.9	---	0.3
Overlay Cash	---	---	---	---	0.7
<b>Portable Alpha Wind Down (Net)</b>	<b>-3.3</b>	<b>-0.5</b>	<b>-4.0</b>	<b>-3.4</b>	<b>0.0</b>
Austin Capital	-0.1	73.7	14.1	1.9	0.0
Crestline	-2.9	-6.3	-6.6	-4.3	0.0
Strategic	-3.8	-2.7	-3.6	-2.9	0.0
<i>HFRI FOF</i>	<i>1.1</i>	<i>0.7</i>	<i>1.2</i>	<i>3.5</i>	---
<b>Natural Resources - Private</b>	<b>5.0</b>	<b>-3.3</b>	---	---	<b>0.3</b>

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

*Source: PRIM Board*

## APPENDIX - MAJOR MARKET INDEX RETURNS

<b>Economic Data</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Consumer Price Index	Economic Data	0.0	2.1	2.1	1.2	1.4
<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	4.2	12.7	12.7	8.4	14.7
S&P 500	Large Cap Core	3.8	12.0	12.0	8.9	14.7
Russell 1000	Large Cap	3.8	12.0	12.0	8.6	14.7
Russell 1000 Growth	Large Cap Growth	1.0	7.1	7.1	8.6	14.5
Russell 1000 Value	Large Cap Value	6.7	17.3	17.3	8.6	14.8
Russell Mid Cap	Midcap	3.2	13.8	13.8	7.9	14.7
Russell Mid Cap Growth	Midcap Growth	0.5	7.3	7.3	6.2	13.5
Russell Mid Cap Value	Midcap Value	5.5	20.0	20.0	9.4	15.7
Russell 2000	Small Cap	8.8	21.3	21.3	6.7	14.5
Russell 2000 Growth	Small Cap Growth	3.6	11.3	11.3	5.0	13.7
Russell 2000 Value	Small Cap Value	14.1	31.7	31.7	8.3	15.1
<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	-1.2	5.0	5.0	-1.3	5.5
MSCI EAFE	Developed Markets Equity	-0.7	1.5	1.5	-1.2	7.0
MSCI EAFE Growth	Developed Markets Growth	-5.5	-2.6	-2.6	-0.8	7.1
MSCI EAFE Value	Developed Markets Value	4.2	5.7	5.7	-1.6	6.9
MSCI Emerging Markets	Emerging Markets Equity	-4.1	11.6	11.6	-2.2	1.6
<b>Domestic Fixed Income</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Bloomberg Barclays Aggregate Index	Core Fixed Income	-3.0	2.7	2.7	3.0	2.2
Bloomberg Barclays Capital Gov't Bond	Treasuries	-3.7	1.0	1.0	2.3	1.2
Bloomberg Barclays Capital Credit Bond	Corporate Bonds	-3.0	5.6	5.6	4.1	3.8
Intermediate Aggregate	Core Intermediate	-2.0	2.0	2.0	2.4	1.9
ML/BoA 1-3 Year Treasury	Short Term Treasuries	-0.4	0.9	0.9	0.7	0.5
Citi High Yield BB & B Index	High Yield Bonds	1.5	15.4	15.4	4.4	6.7
<b>Alternative Assets</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Bloomberg Barclays Global Treasury Ex US	International Treasuries	-11.3	1.9	1.9	-1.9	-1.7
NCREIF NFI-ODCE Index	Real Estate	2.1	8.7	8.7	12.0	12.2
HFRI FOF Composite	Hedge Funds	1.1	0.7	0.7	1.2	3.5

**APPENDIX - DISCLOSURES**

- \* The Policy index is a policy-weighted passive index and was constructed as follows:  
40% Russell 3000 Index / 25% Barclays Aggregate Index / 15% EAFE Index / 10% NCREIF NFI-ODCE/ 2.5% NCREIF Timber / 7.5% S&P 500
- \* The Custom Equity index was constructed as follows:  
44.5% Russell 2000 index / 33.3% S&P 500 index / 22.2% S&P 400 index
- \* The Custom PRIT Core Policy Index is a policy-weighted passive index and was constructed as follows:  
For all periods from January 2011 through July 2011:
- |                          |                    |                                   |
|--------------------------|--------------------|-----------------------------------|
| 24.0% Russell 3000       | 20.0% MSCI EAFE    | 5.0% MSCI Emerging Markets        |
| 13.0% Barclays Aggregate | 6.0% CSFB Hi Yield | 10.0% Cambridge Private Equity    |
| 10.0% NCREIF NFI-ODCE    | 4.0% NCREIF Timber | 8.0% HFRI Fund of Funds Composite |
- For all periods from August 2011 through January 2014:
- |                          |                    |                                    |
|--------------------------|--------------------|------------------------------------|
| 19.0% Russell 3000       | 17.0% MSCI EAFE    | 7.0% MSCI Emerging Markets         |
| 14.0% Barclays Aggregate | 6.0% CSFB Hi Yield | 10.0% Cambridge Private Equity     |
| 10.0% NCREIF NFI-ODCE    | 4.0% NCREIF Timber | 10.0% HFRI Fund of Funds Composite |
| 3.0% Barclays US TIPS    |                    |                                    |
- For all periods from February 2014 through September 2015:
- |                         |                               |                                   |
|-------------------------|-------------------------------|-----------------------------------|
| 18.0% Russell 3000      | 16.0% MSCI EAFE               | 6.0% MSCI Emerging Markets        |
| 4.0% Barclays Aggregate | 6.0% CSFB Hi Yield            | 10.0% Cambridge Private Equity    |
| 10.0% NCREIF NFI-ODCE   | 4.0% NCREIF Timber            | 9.0% HFRI Fund of Funds Composite |
| 3.0% Barclays US TIPS   | 10.0% Barclays 5-10 Year Bond | 4.0% MSCI All Country Ex-US       |
- For all periods since October 2015:
- |                               |                                   |                            |
|-------------------------------|-----------------------------------|----------------------------|
| 18.0% Russell 3000            | 16.0% MSCI EAFE                   | 6.0% MSCI Emerging Markets |
| 6.0% Barclays Aggregate       | 12.0% Cambridge Private Equity    | 10.0% NCREIF NFI-ODCE      |
| 4.0% NCREIF Timber            | 9.0% HFRI Fund of Funds Composite | 5.0% Barclays US TIPS      |
| 10.0% Barclays 5-10 Year Bond | 4.0% MSCI All Country Ex-US       |                            |

**APPENDIX - DISCLOSURES**

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

FRANKLIN REGIONAL RETIREMENT SYSTEM  
PRIT - CORE FUND  
PERFORMANCE REVIEW  
DECEMBER 2016



## **INVESTMENT RETURN**

On December 31st, 2016, the Franklin Regional Retirement System's PRIT Core Fund was valued at \$57,216,393, a decrease of \$1,747,390 from the September ending value of \$58,963,783. Last quarter, the account recorded total net withdrawals of \$1,632,193 in addition to \$115,197 in net investment losses. The fund's net investment loss was a result of income receipts totaling \$387,704 and realized and unrealized capital losses totaling \$502,901.

Since December 2011, the account has recorded net withdrawals totaling \$17.0 million while posting net investment gains totaling \$24.9 million. Since December 2011, if the account earned a compound annual rate of 7.75% it would have been valued at \$51.4 million or \$5.8 million less than the actual value as of December 31st, 2016.

## **RELATIVE PERFORMANCE**

### **Total Portfolio**

For the fourth quarter, the PRIT Core Fund lost 0.2%, which was equal to the Custom Core Index's return of -0.2% and ranked in the 90th percentile of the Public Fund universe. Over the trailing twelve-month period, this portfolio returned 8.1%, which was 0.6% greater than the benchmark's 7.5% performance, and ranked in the 30th percentile. Since December 2011, the portfolio returned 9.2% annualized and ranked in the 24th percentile. The Custom Core Index returned an annualized 8.2% over the same time frame.

### **PRIT Core**

Mixed performance across the PRIT sleeves led the Core portfolio to mirror benchmark performance, returning -0.2% for the quarter. Core Fixed Income (12.3% allocation) and Private Equity (11.1% allocation) reflected this relationship, as the former sleeve closely tracked the benchmark's significant loss (-8.0% vs -8.2%, respectively) while the latter matched the benchmark's gain (+8.2%). Domestic Equity (19.8% allocation) underperformed, returning 4.3%

to the index's 4.6% gain. International Equity, which comprised 16.8% of the portfolio, struggled against the index, returning -1.9% compared to the benchmark's 0.5% loss. The Emerging Markets counterpart fared better, beating the benchmark by 80 basis points, while Hedge Funds (9.0% allocation) outperformed by 150 basis points.

### **PRIT Domestic Equity**

The SSgA S&P 500 index fund (15.2% allocation) comprised nearly 80% of the Domestic Equity sleeve, and returned 3.9%, predictably mirroring the performance of the benchmark on which it is based. Total Small/Smid Cap Equity segment (4.3% allocation) trailed the benchmark's 7.3% return.

Both Frontier and Huber underperformed, returning 13.5% and 9.4%, respectively, compared to the Russell 2000 benchmark's 14.1% gain. The Domestic Equity sleeve returned 4.3% for the quarter, trailing benchmark performance by 30 basis points.

### **PRIT International Equity**

The International Equity sleeve (16.8%) decidedly underperformed the benchmark in the fourth quarter, returning -1.9% against the Custom MSCI EAFE index's 0.5% loss.

SSgA World Ex-US index fund returned -0.5%, and accounted for 8.2% of the total Core portfolio – nearly half of the sleeve - while the negative selection effects of Baillie Gifford's -6.6% return were enlarged by a 3.0% allocation. Marathon, Mondrian, and FIS also underperformed the index, backtracking 1.3%, 0.8%, 2.4%, respectively.

## **PRIT Emerging Markets Equity**

Emerging Markets additionally posted superior returns relative to the benchmark during the quarter (-3.6% vs. -4.4%). For the 1-year period, the sleeve gained 11.9% compared to the benchmark's 9.8% return, 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, returning 1.1%. For comparison, the Hedge Fund sleeve returned 2.5% over the same three-month period. Direct Hedge Funds (7.6% portfolio weight, or 84.4% of the sleeve allocation) gained 2.8% for the quarter, while returning 5.3% and 3.2% in the one- and three-year periods. PAAMCO (1.4% allocation) edged out the benchmark, returning 1.3%.

## **PRIT Real Estate**

The PRIT Real Estate sleeve represented 10.0% of the PRIT portfolio (including 1.6% in debt), and returned -0.5% for the quarter, trailed benchmark performance by 80 basis points. The Private Real Estate component – representing 78.0% of the sleeve – lagged the NCREIF Property index (One quarter lag), due to underperformance from some of the most heavily weighted Core managers: Lasalle (2.7% allocation) returned just 1.2%, while JP Morgan (1.3% weight) and AEW Core Trans (0.6% weight) lost ground, returning -4.1% and -0.9%, respectively.

The sleeve's REIT component (2.3% combined allocation) slightly edged out the performance of the FTSE EPRA NAREIT Developed Net Total Return index (-5.1% vs. -5.4%). Top holding Centersquare (1.4% weight) beat the index by 10 basis points, while the sleeve delivered greater performance surpluses in lesser-owned investments, namely Presima, and Brookfield, which returned -4.5% and -4.7%, respectively.

## **PRIT Fixed Income**

In the fourth quarter, the PRIT Core Fixed Income sleeve posted an 8.0% loss, beating the blended index's return by 20 basis points. The fundamental core elements made up 39.8% of the sleeve, including the PIMCO Core fund, which outperformed the Barclays Aggregate Index by 20 basis points (-2.8% vs. -3.0%).

The BlackRock STRIPS account represented 30.9% of the Core Fixed Income allocation. This component mirrored the performance of the Barclays US Treasury STRIPS 20+ Year Index (-16.7%). Total Inflation-linked Bonds returned -2.0%, besting the index by 20 basis points.

The Value-Added Fixed Income sleeve (8.3% portfolio allocation) put up another weak performance in the fourth quarter, delivering a flat 0.0% return compared to the benchmark's 1.8% gain. Distressed Debt was the primary culprit: While the NYU Salomon Center Combined Defaulted Public Bond & Bank Loan index surged 13.5% in the fourth quarter, the portfolio's Distressed Debt position returned just 4.4%, and its 24.1% sleeve weight enlarged the substantial performance deficit.

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

	Quarter	YTD	1 Year	3 Year	5 Years
<b>Total Portfolio - Gross</b>	-0.2	8.1	8.1	5.8	9.2
<i>PUBLIC FUND RANK</i>	(90)	(30)	(30)	(9)	(24)
<b>Total Portfolio - Net</b>	-0.3	7.6	7.6	5.2	8.7
CUSTOM CORE IDX	-0.2	7.5	7.5	4.9	8.2
<b>PRIT Core - Gross</b>	-0.2	8.1	8.1	5.8	9.2
<i>PUBLIC FUND RANK</i>	(90)	(30)	(30)	(9)	(24)
CUSTOM CORE IDX	-0.2	7.5	7.5	4.9	8.2

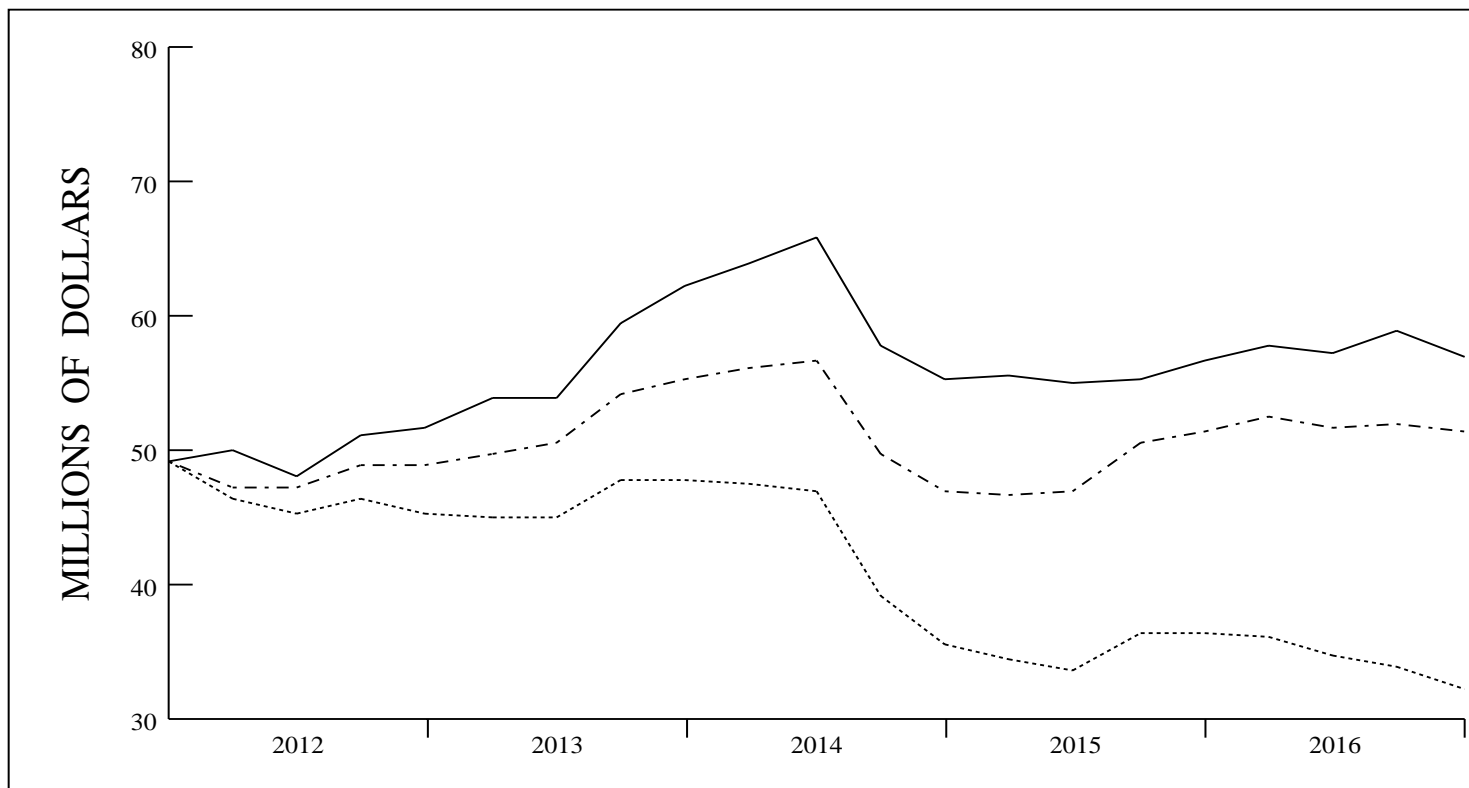
**ASSET ALLOCATION**

PRIT Core	100.0%	\$ 57,216,393
Total Portfolio	100.0%	\$ 57,216,393

**INVESTMENT RETURN**

Market Value 9/2016	\$ 58,963,783
Contribs / Withdrawals	- 1,632,193
Income	387,704
Capital Gains / Losses	-502,901
Market Value 12/2016	\$ 57,216,393

**INVESTMENT GROWTH**

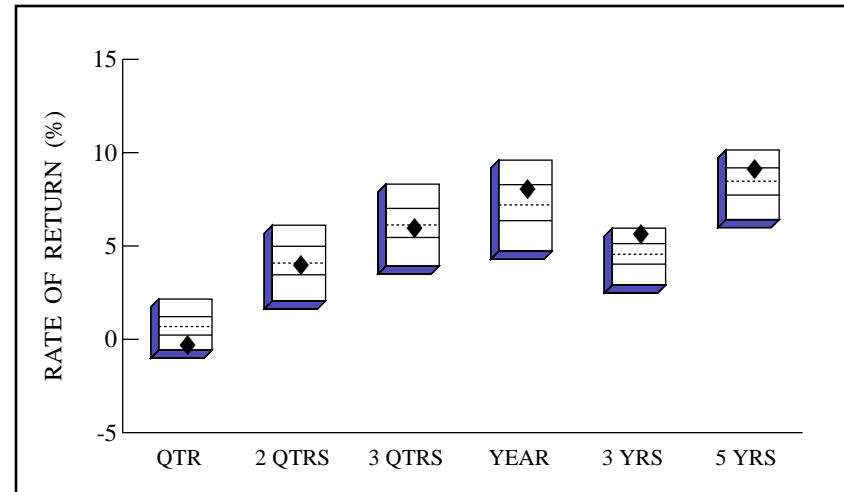
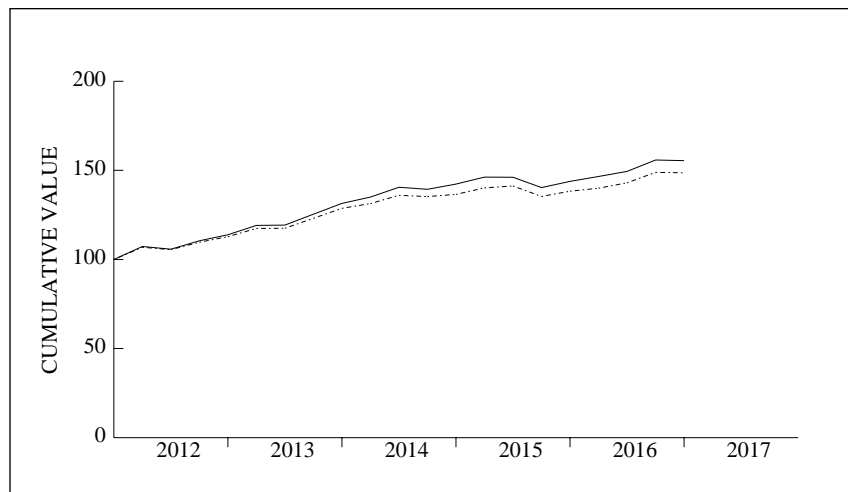


— ACTUAL RETURN  
 - - - 7.75%  
 ..... 0.0%

VALUE ASSUMING  
 7.75% RETURN \$ 51,422,310

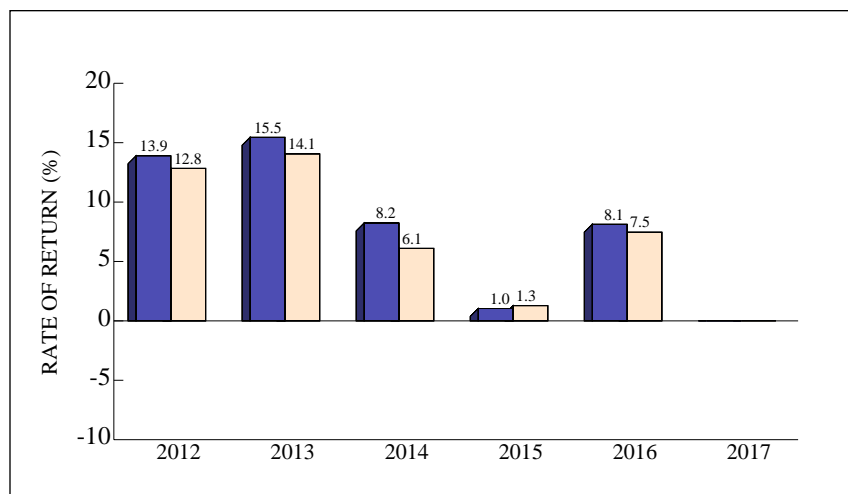
	LAST QUARTER	PERIOD 12/11 - 12/16
BEGINNING VALUE	\$ 58,963,783	\$ 49,402,580
NET CONTRIBUTIONS	- 1,632,193	- 17,040,923
INVESTMENT RETURN	<u>-115,197</u>	<u>24,854,736</u>
ENDING VALUE	\$ 57,216,393	\$ 57,216,393
INCOME	387,704	8,044,739
CAPITAL GAINS (LOSSES)	<u>-502,901</u>	<u>16,809,998</u>
INVESTMENT RETURN	-115,197	24,854,736

**TOTAL RETURN COMPARISONS**



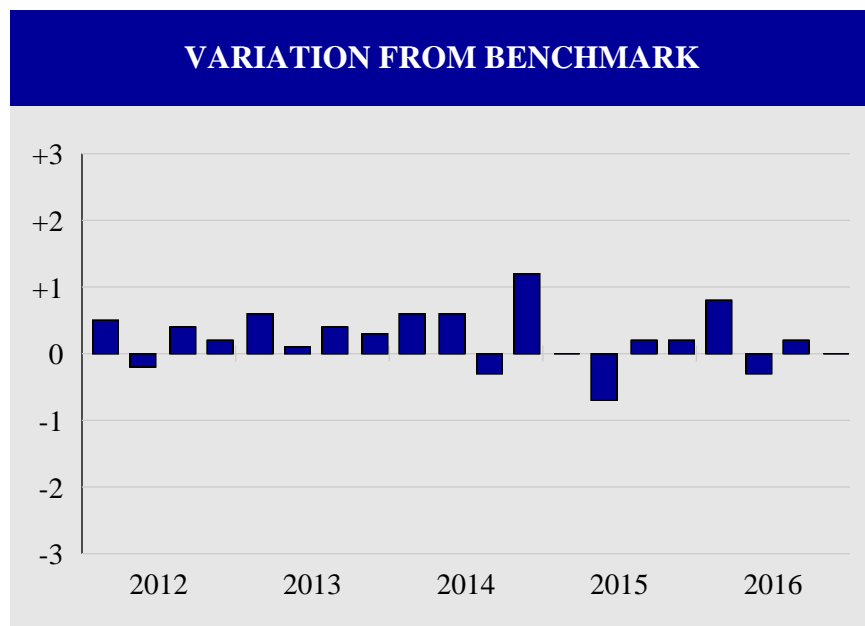
■ ——— PORTFOLIO  
■ - - - - - CUSTOM CORE IDX

Public Fund Universe



	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	-0.2	4.1	6.1	8.1	5.8	9.2
(RANK)	(90)	(51)	(52)	(30)	(9)	(24)
5TH %ILE	2.2	6.1	8.3	9.6	6.0	10.1
25TH %ILE	1.2	5.0	7.0	8.3	5.1	9.2
MEDIAN	0.7	4.1	6.1	7.2	4.6	8.5
75TH %ILE	0.2	3.5	5.5	6.4	4.0	7.7
95TH %ILE	-0.6	2.1	3.9	4.7	2.9	6.4
<b>PRIT Index</b>	<b>-0.2</b>	<b>3.9</b>	<b>6.2</b>	<b>7.5</b>	<b>4.9</b>	<b>8.2</b>

Public Fund Universe

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

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

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/12	7.3	6.8	0.5
6/12	-1.5	-1.3	-0.2
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	-4.1	0.2
12/15	2.4	2.2	0.2
3/16	2.0	1.2	0.8
6/16	1.9	2.2	-0.3
9/16	4.3	4.1	0.2
12/16	-0.2	-0.2	0.0

FRANKLIN REGIONAL RETIREMENT SYSTEM  
POLEN CAPITAL - LARGE CAP GROWTH FUND  
PERFORMANCE REVIEW  
DECEMBER 2016

## **INVESTMENT RETURN**

On December 31st, 2016, the Franklin Regional Retirement System's Polen Capital Large Cap Growth Fund was valued at \$7,431,375, a decrease of \$48,377 from the September ending value of \$7,479,752. Last quarter, the account recorded total net withdrawals of \$32 in addition to \$48,345 in net investment losses. The fund's net investment loss was a result of income receipts totaling \$15,407 and realized and unrealized capital losses totaling \$63,752.

Since March 2012, the account has recorded net withdrawals totaling \$1.5 million while posting net investment gains totaling \$3.7 million. Since March 2012, if the account earned a compound annual rate of 9.0% it would have been valued at \$6.4 million or \$1.0 million less than the actual value as of December 31st, 2016.

## **RELATIVE PERFORMANCE**

For the fourth quarter, the Polen Capital Large Cap Growth Fund lost 0.6%, which was 1.6% below the Russell 1000 Growth Index's return of 1.0% and ranked in the 62nd percentile of the Large Cap Growth universe. Over the trailing twelve-month period, this portfolio returned 1.7%, which was 5.4% less than the benchmark's 7.1% performance, and ranked in the 77th percentile. Since March 2012, the portfolio returned 11.1% annualized and ranked in the 56th percentile. The Russell 1000 Growth returned an annualized 12.0% over the same time frame.

## **ASSET ALLOCATION**

On December 31st, 2016, domestic equities comprised 96.2% of the total portfolio (\$7.2 million), while cash & equivalents comprised the remaining 3.8% (\$281,341).

## **ANALYSIS**

By quarter's end, the portfolio was concentrated in six of the eleven industry sectors in the analysis. It was overweight in the Nondurable Consumer Goods, Consumer Service, Computer Technology, and Finance sectors, while Technology and Service were underweight. Basic, Durable Consumer Goods, Transportation, Energy, and Utilities were unfunded.

The Polen portfolio experienced a negative combination of poor stock selection in heavily weighted sectors and missed opportunities in strong markets. The Computer Technology and Finance sectors – which comprised roughly one-third of the total portfolio – returned losses compared to the benchmark's gain, and their overweight positions enlarged the negative selection effects. Additionally, the Basic, Durable Consumer Goods, and Transportation sectors – where the portfolio was not invested – posted substantial returns for the index,



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

	Quarter	YTD	1 Year	3 Year	Since 03/12
<b>Total Portfolio - Gross</b>	-0.6	1.7	1.7	11.4	11.1
<i>LARGE CAP GROWTH RANK</i>	(62)	(77)	(77)	( 3)	(56)
<b>Total Portfolio - Net</b>	-0.8	0.9	0.9	10.6	10.4
RUSSELL 1000G	1.0	7.1	7.1	8.6	12.0
RUSSELL 1000	3.8	12.0	12.0	8.6	12.6
S&P 500	3.8	12.0	12.0	8.9	12.6
<b>Domestic Equity - Gross</b>	-0.7	1.6	1.6	11.8	11.7
<i>LARGE CAP GROWTH RANK</i>	(63)	(77)	(77)	( 2)	(43)
RUSSELL 1000G	1.0	7.1	7.1	8.6	12.0

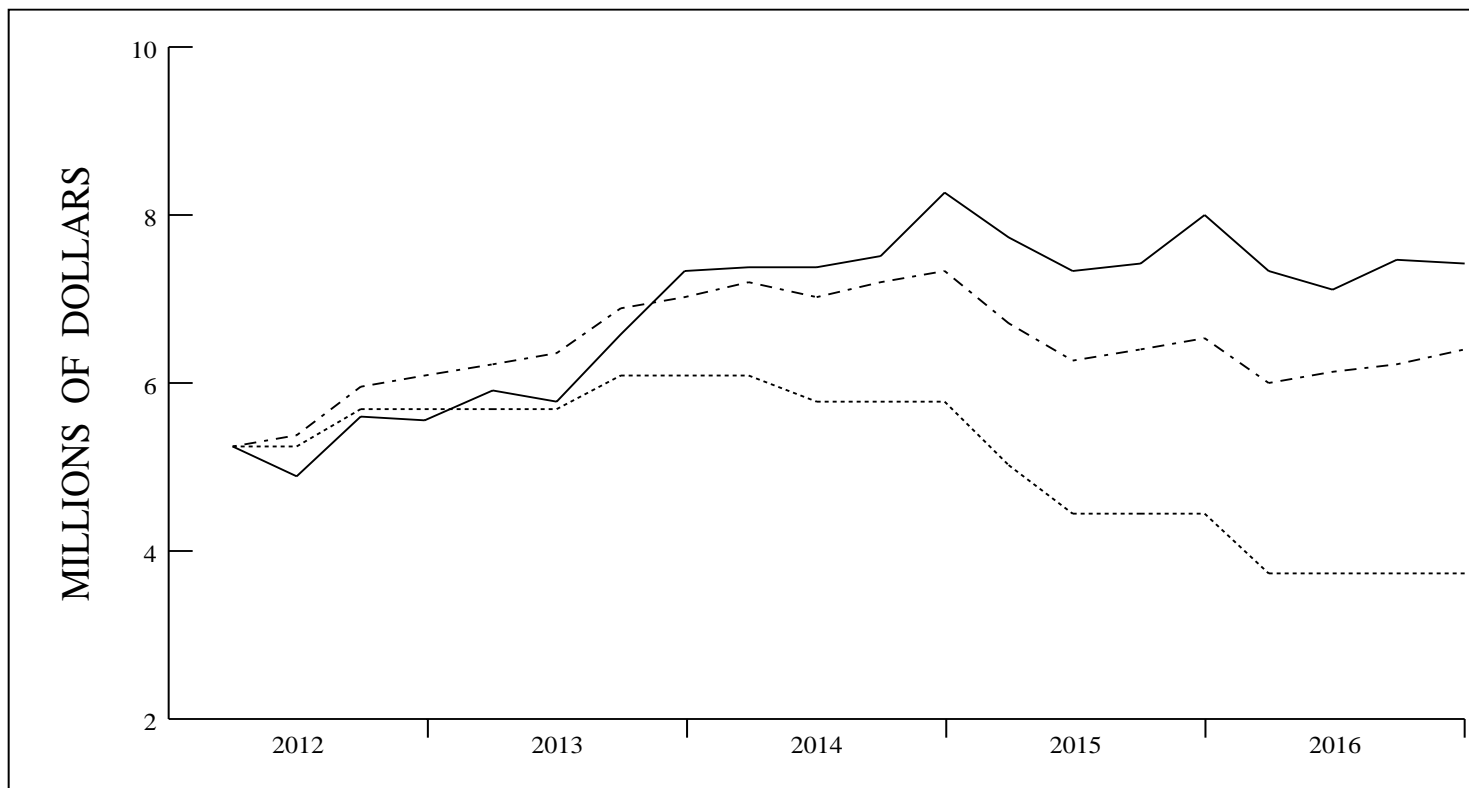
**ASSET ALLOCATION**

Domestic Equity	96.2%	\$ 7,150,034
Cash	3.8%	281,341
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 7,431,375</b>

**INVESTMENT RETURN**

Market Value 9/2016	\$ 7,479,752
Contribs / Withdrawals	- 32
Income	15,407
Capital Gains / Losses	- 63,752
Market Value 12/2016	\$ 7,431,375

**INVESTMENT GROWTH**

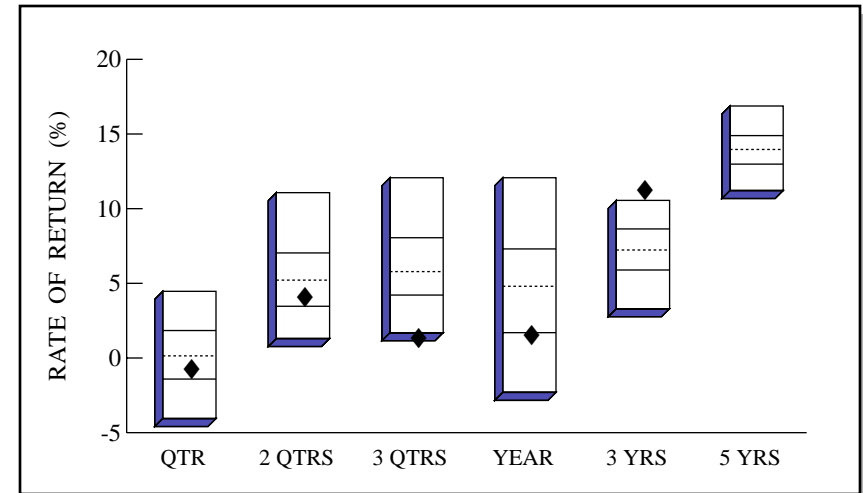
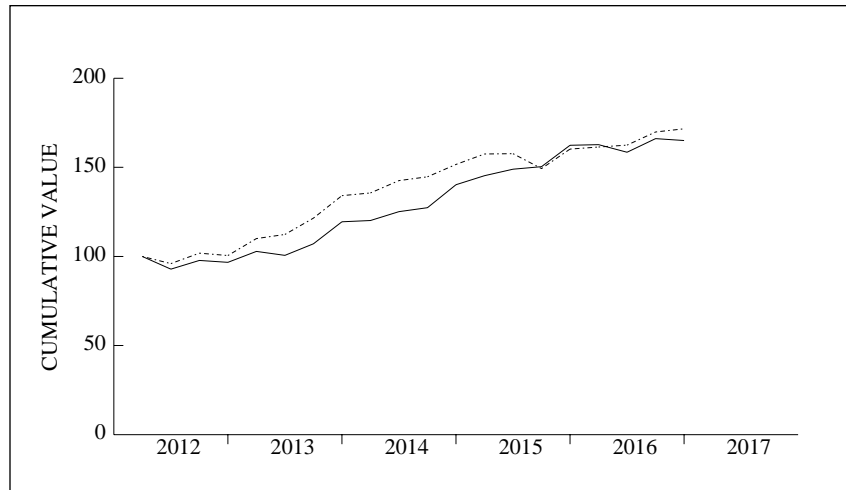


— ACTUAL RETURN  
 - - - 9.0%  
 ..... 0.0%

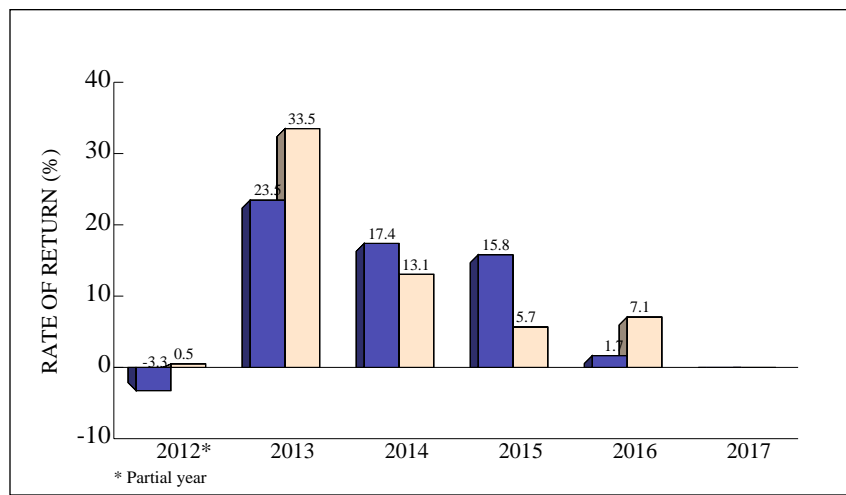
VALUE ASSUMING  
 9.0% RETURN \$ 6,401,955

	LAST QUARTER	PERIOD 3/12 - 12/16
BEGINNING VALUE	\$ 7,479,752	\$ 5,273,154
NET CONTRIBUTIONS	- 32	- 1,509,599
INVESTMENT RETURN	- 48,345	3,667,820
ENDING VALUE	\$ 7,431,375	\$ 7,431,375
INCOME	15,407	347,678
CAPITAL GAINS (LOSSES)	- 63,752	3,320,142
INVESTMENT RETURN	- 48,345	3,667,820

**TOTAL RETURN COMPARISONS**



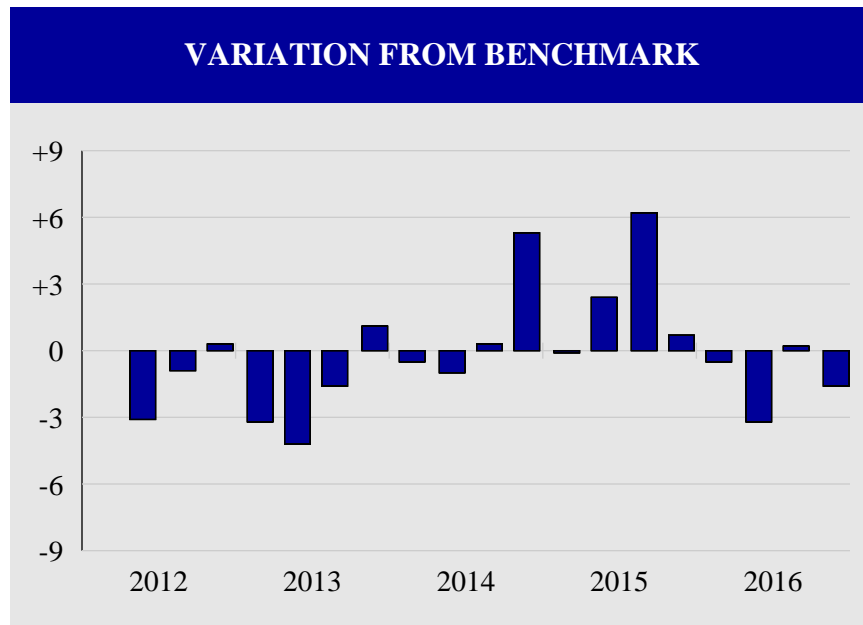
Large Cap Growth Universe



\* Partial year

	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	-0.6	4.2	1.5	1.7	11.4	---
(RANK)	(62)	(65)	(96)	(77)	(3)	---
5TH %ILE	4.5	11.1	12.1	12.1	10.6	16.9
25TH %ILE	1.8	7.0	8.1	7.3	8.7	14.9
MEDIAN	0.2	5.2	5.8	4.8	7.2	14.0
75TH %ILE	-1.4	3.5	4.2	1.7	5.9	13.0
95TH %ILE	-4.1	1.3	1.7	-2.3	3.3	11.2
<b>Russ 1000G</b>	<b>1.0</b>	<b>5.6</b>	<b>6.3</b>	<b>7.1</b>	<b>8.6</b>	<b>14.5</b>

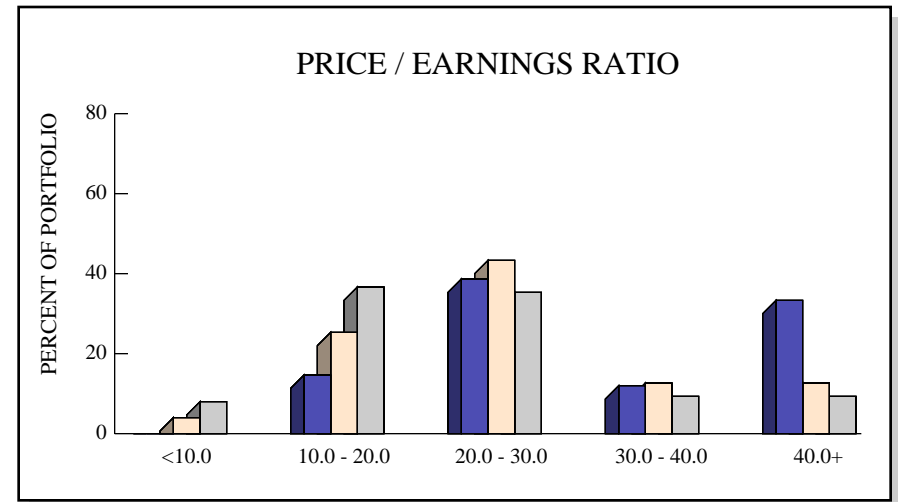
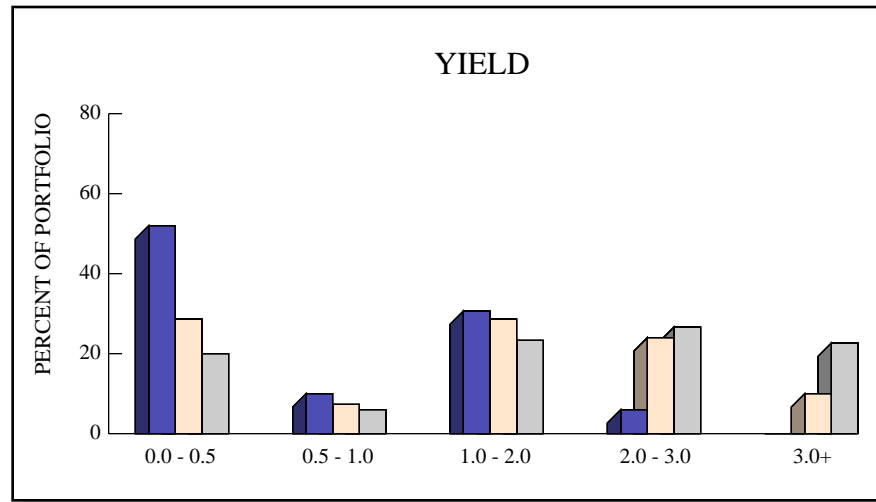
Large Cap Growth Universe

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

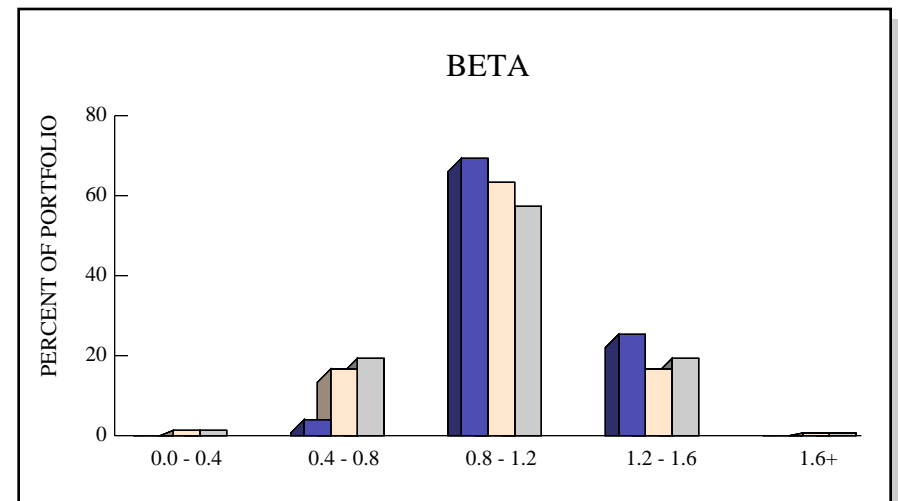
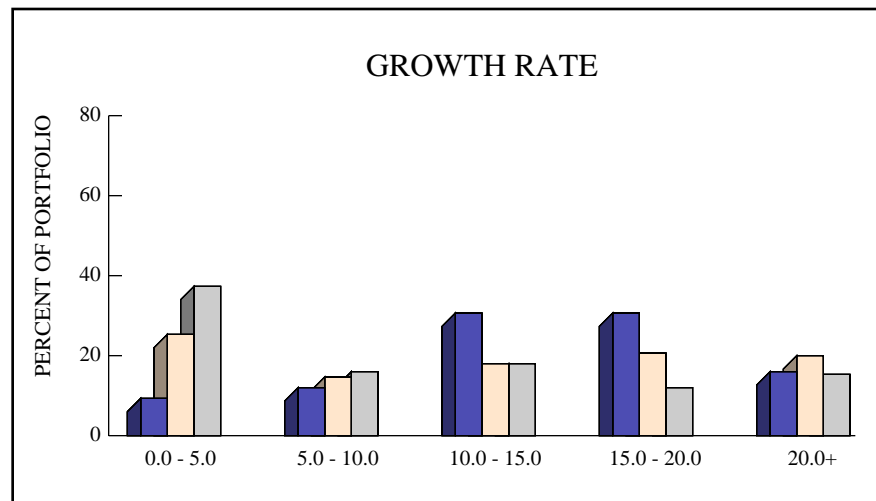
<b>Total Quarters Observed</b>	<b>19</b>
<b>Quarters At or Above the Benchmark</b>	<b>8</b>
<b>Quarters Below the Benchmark</b>	<b>11</b>
<b>Batting Average</b>	<b>.421</b>

<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
3/16	0.2	0.7	-0.5
6/16	-2.6	0.6	-3.2
9/16	4.8	4.6	0.2
12/16	-0.6	1.0	-1.6

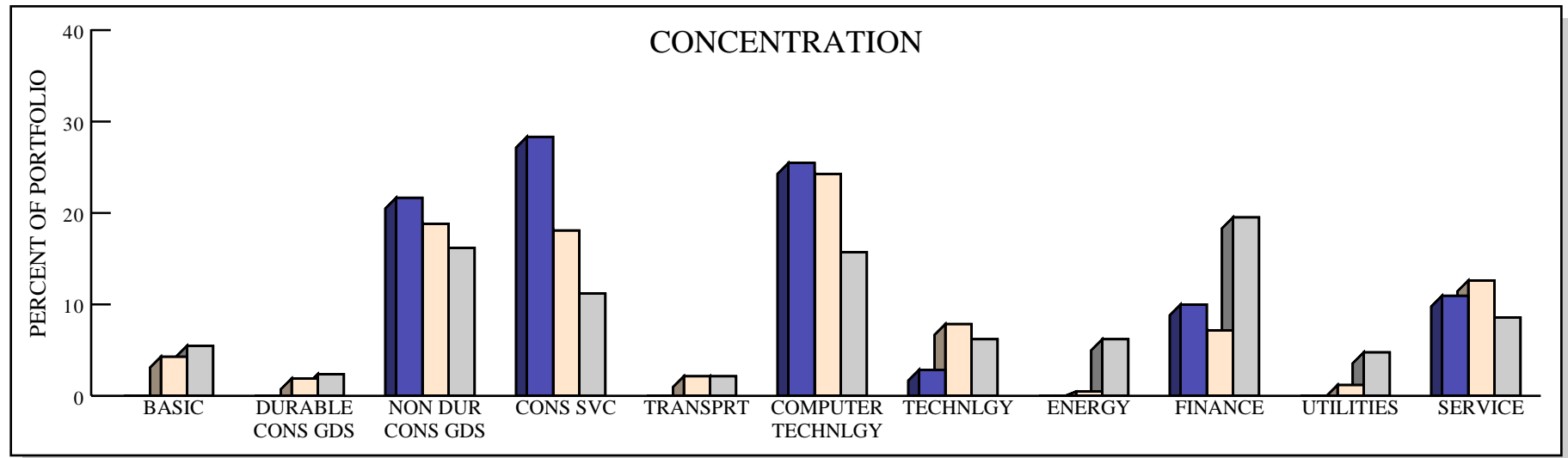
**STOCK CHARACTERISTICS**



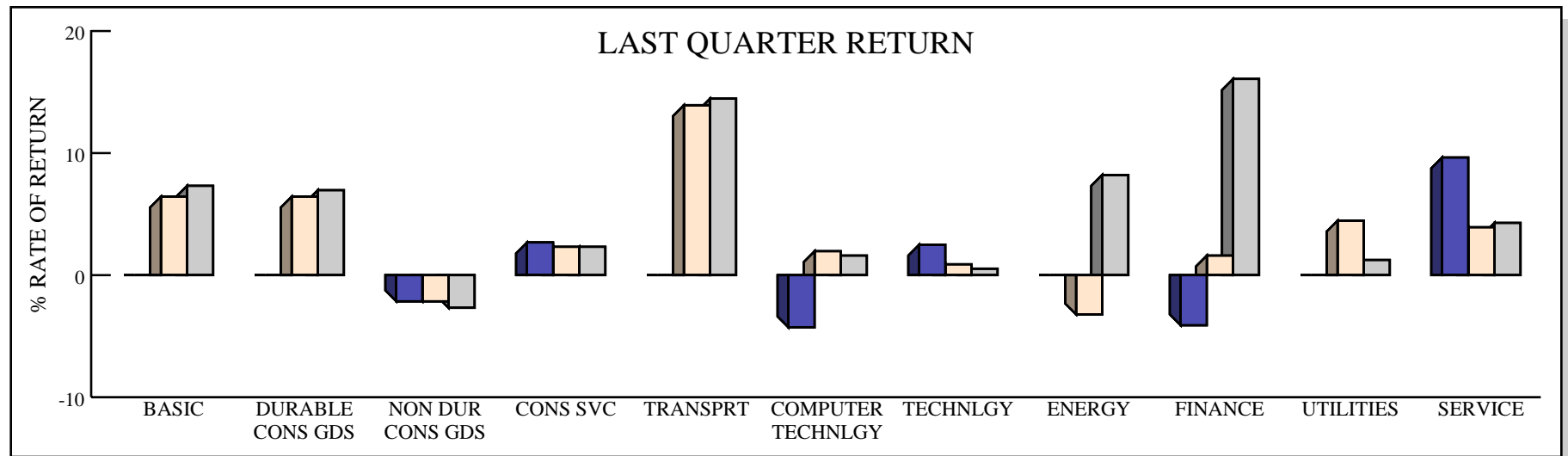
	# HOLDINGS	YIELD	GROWTH	P/E	BETA
PORTFOLIO	20	0.7%	14.3%	37.5	1.05
RUSSELL 1000G	606	1.5%	12.1%	27.0	1.01
RUSSELL 1000	999	2.0%	8.9%	22.9	1.00



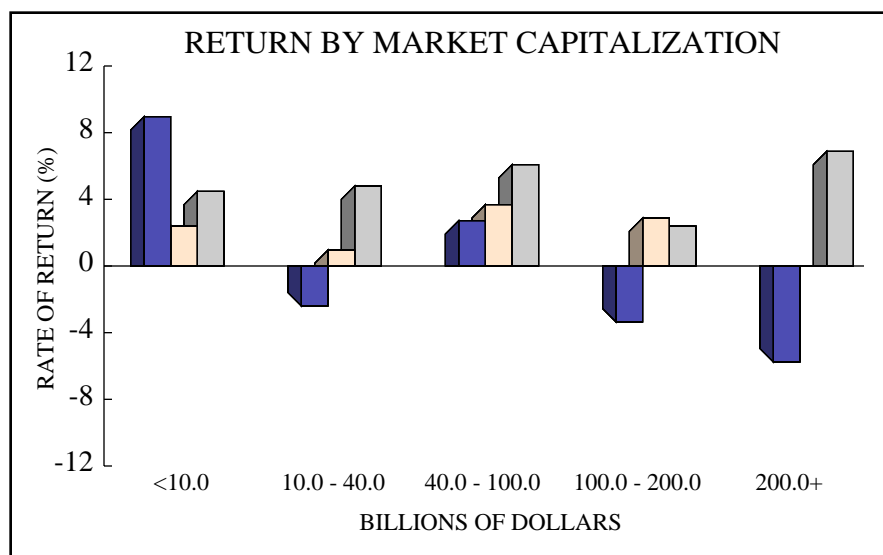
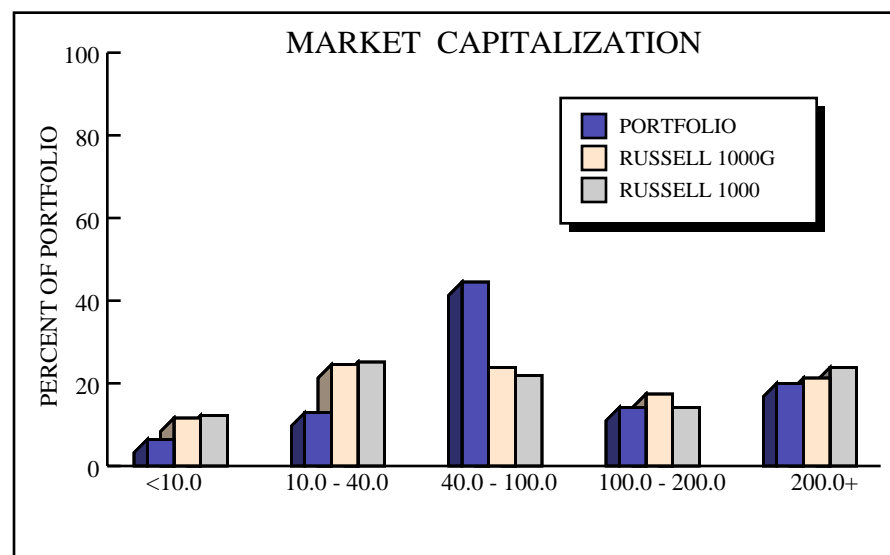
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO     
 ■ RUSSELL 1000 GROWTH     
 ■ RUSSELL 1000



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	VISA INC-CLASS A SHARES	\$ 567,127	7.93%	-5.5%	Finance	\$ 144.7 B
2	ALPHABET INC-CL C	480,072	6.71%	-0.7%	Computer Tech	266.3 B
3	FACEBOOK INC-A	457,209	6.39%	-10.3%	Computer Tech	269.3 B
4	AUTOMATIC DATA PROCESSING	454,699	6.36%	17.1%	Service	46.4 B
5	NIKE INC -CL B	436,223	6.10%	-3.1%	NonDur Cons Goods	67.9 B
6	STARBUCKS CORP	432,834	6.05%	2.9%	Consumer Service	80.8 B
7	CELGENE CORP	414,269	5.79%	10.7%	NonDur Cons Goods	89.7 B
8	REGENERON PHARMACEUTICALS	403,799	5.65%	-8.7%	NonDur Cons Goods	38.0 B
9	ACCENTURE PLC-CL A	386,880	5.41%	-3.6%	Consumer Service	72.9 B
10	TJX COMPANIES INC	378,580	5.29%	0.8%	Consumer Service	49.0 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
O'SHAUGHNESSY - MARKET LEADERS VALUE  
PERFORMANCE REVIEW  
DECEMBER 2016



## **INVESTMENT RETURN**

On December 31st, 2016, the Franklin Regional Retirement System's O'Shaughnessy Market Leaders Value portfolio was valued at \$8,408,215, representing an increase of \$638,687 from the September quarter's ending value of \$7,769,528. Last quarter, the Fund posted withdrawals totaling \$58, which partially offset the portfolio's net investment return of \$638,745. Income receipts totaling \$56,868 plus net realized and unrealized capital gains of \$581,877 combined to produce the portfolio's net investment return.

For the cumulative period since March 2012, the fund has recorded net withdrawals totaling \$844,419 and posted net investment gains of \$4.1 million. For the period since March 2012, if the total fund had returned a compound annual rate of 9.0% it would have been valued at \$6.5 million or \$1.9 million less than the actual value as of December 31st, 2016.

## **RELATIVE PERFORMANCE**

### **Total Fund**

In the fourth quarter, the O'Shaughnessy Market Leaders Value portfolio gained 8.2%, which was 1.5% above the Russell 1000 Value Index's return of 6.7% and ranked in the 23rd percentile of the Large Cap Value universe. Over the trailing year, the portfolio returned 16.3%, which was 1.0% less than the benchmark's 17.3% performance, and ranked in the 32nd percentile. Since March 2012, the portfolio returned 13.3% on an annualized basis and ranked in the 30th percentile. For comparison, the Russell 1000 Value returned an annualized 13.1% over the same period.

## **ASSET ALLOCATION**

On December 31st, 2016, domestic equities comprised 98.9% of the total portfolio (\$8.3 million), while cash & equivalents totaled 1.1% (\$92,771).

## **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, Transportation, and Technology sectors, while underweight in Nondurable Consumer Goods, Energy, Finance, and Utilities.

Of the portfolio's four overweight sectors, three outperformed, including the heavily overallocated Consumer Service, Transportation, and Technology sectors, which greatly outstripped market returns. Moreover, the Computer Technology and Service sectors both more than doubled benchmark performance. Negative selection effects in the Basic, Finance, and Utilities sectors kept the portfolio from a larger overall outperformance.

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

	Quarter	YTD	1 Year	3 Year	Since 03/12
<b>Total Portfolio - Gross</b>	8.2	16.3	16.3	6.0	13.3
<i>LARGE CAP VALUE RANK</i>	(23)	(32)	(32)	(84)	(30)
<b>Total Portfolio - Net</b>	8.1	15.7	15.7	5.4	12.7
RUSSELL 1000V	6.7	17.3	17.3	8.6	13.1
RUSSELL 1000	3.8	12.0	12.0	8.6	12.6
S&P 500	3.8	12.0	12.0	8.9	12.6
<b>Domestic Equity - Gross</b>	8.3	16.5	16.5	6.1	13.6
<i>LARGE CAP VALUE RANK</i>	(22)	(30)	(30)	(84)	(26)
RUSSELL 1000V	6.7	17.3	17.3	8.6	13.1

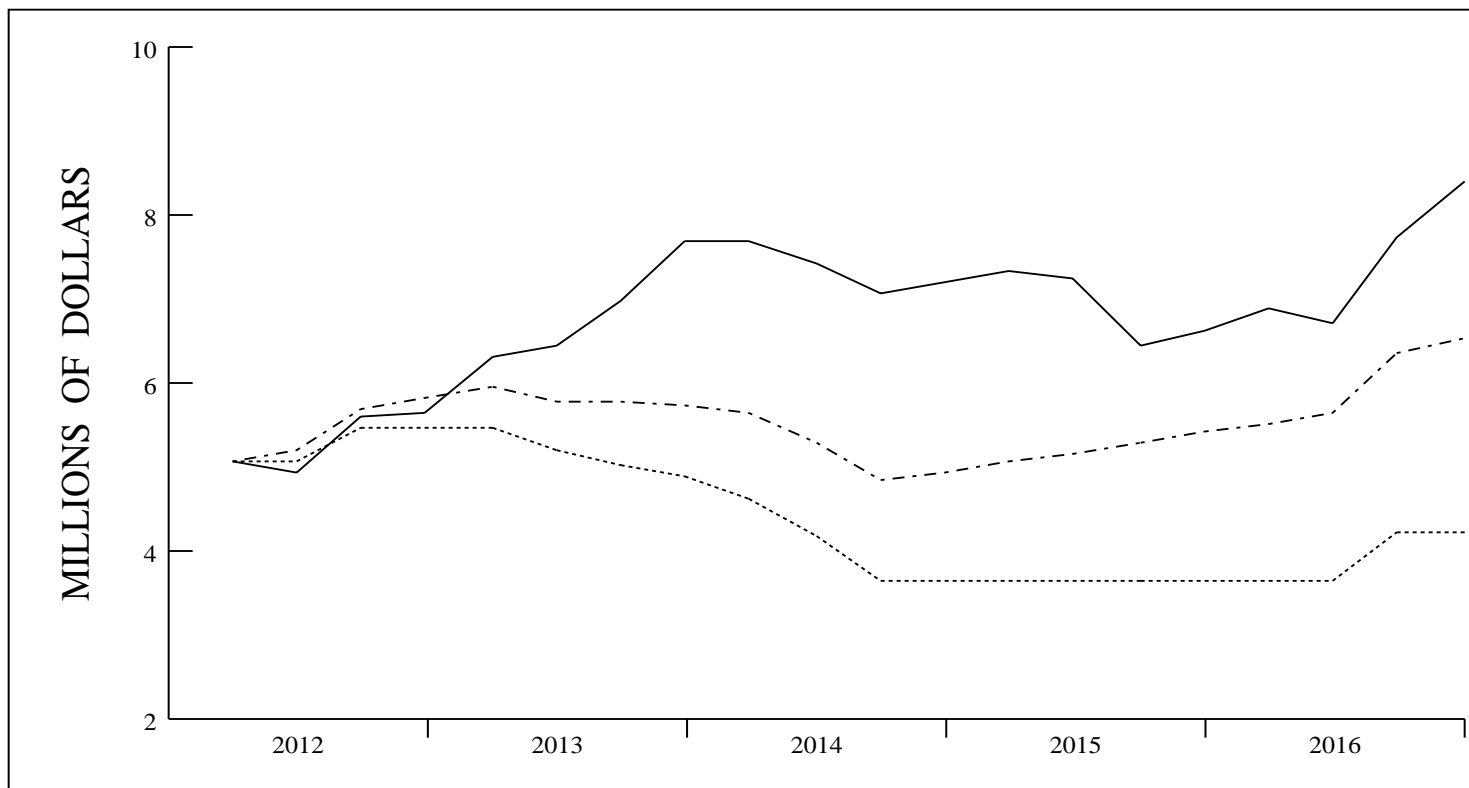
**ASSET ALLOCATION**

Domestic Equity	98.9%	\$ 8,315,444
Cash	1.1%	92,771
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 8,408,215</b>

**INVESTMENT RETURN**

Market Value 9/2016	\$ 7,769,528
Contribs / Withdrawals	- 58
Income	56,868
Capital Gains / Losses	581,877
Market Value 12/2016	\$ 8,408,215

**INVESTMENT GROWTH**

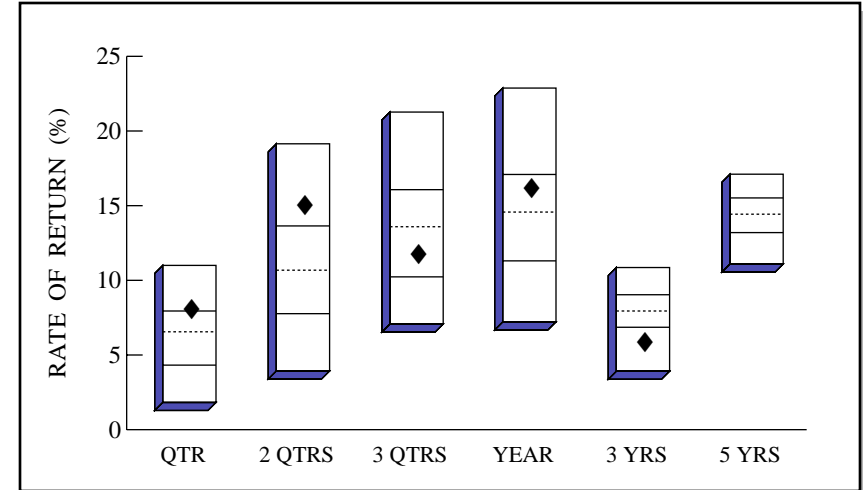
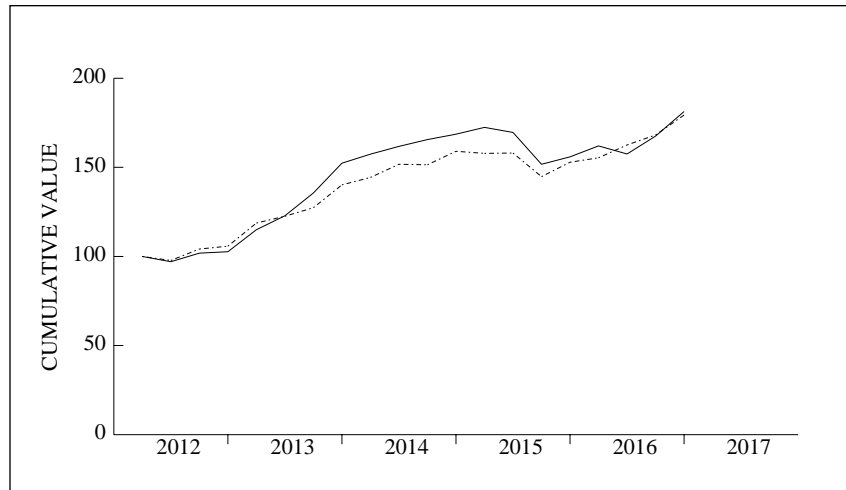


— ACTUAL RETURN  
 - - - 9.0%  
 ..... 0.0%

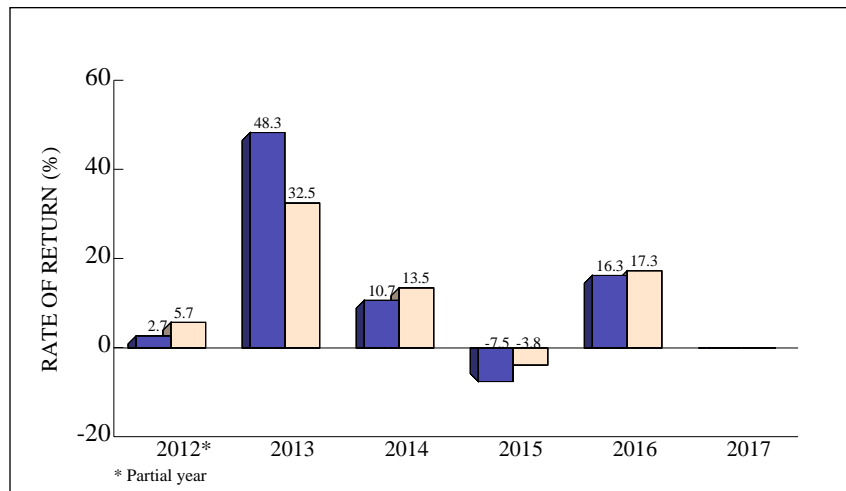
**VALUE ASSUMING**  
 9.0% RETURN    \$ 6,535,841

	LAST QUARTER	PERIOD 3/12 - 12/16
BEGINNING VALUE	\$ 7,769,528	\$ 5,103,112
NET CONTRIBUTIONS	- 58	-844,419
INVESTMENT RETURN	638,745	4,149,522
<b>ENDING VALUE</b>	<b>\$ 8,408,215</b>	<b>\$ 8,408,215</b>
INCOME	56,868	846,902
CAPITAL GAINS (LOSSES)	581,877	3,302,620
INVESTMENT RETURN	638,745	4,149,522

**TOTAL RETURN COMPARISONS**



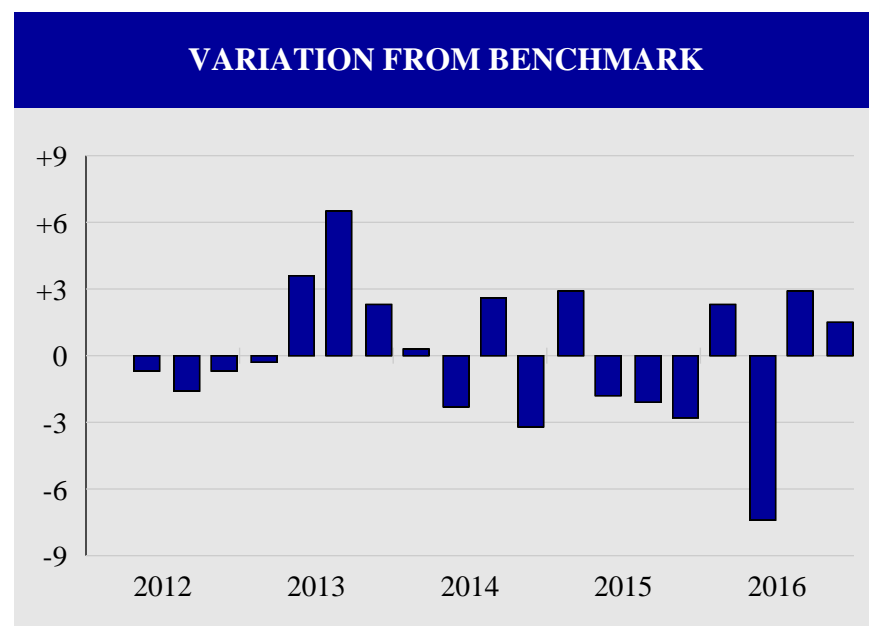
Large Cap Value Universe



\* Partial year

	QTR	2 QTRS	3 QTRS	YEAR	3 YRS	5 YRS
RETURN	8.2	15.1	11.9	16.3	6.0	---
(RANK)	(23)	(18)	(65)	(32)	(84)	---
5TH %ILE	11.0	19.1	21.3	22.9	10.9	17.1
25TH %ILE	7.9	13.6	16.1	17.1	9.0	15.5
MEDIAN	6.6	10.7	13.6	14.6	7.9	14.4
75TH %ILE	4.3	7.8	10.2	11.3	6.9	13.2
95TH %ILE	1.8	3.9	7.1	7.2	3.9	11.1
<b>Russ 1000V</b>	<b>6.7</b>	<b>10.4</b>	<b>15.4</b>	<b>17.3</b>	<b>8.6</b>	<b>14.8</b>

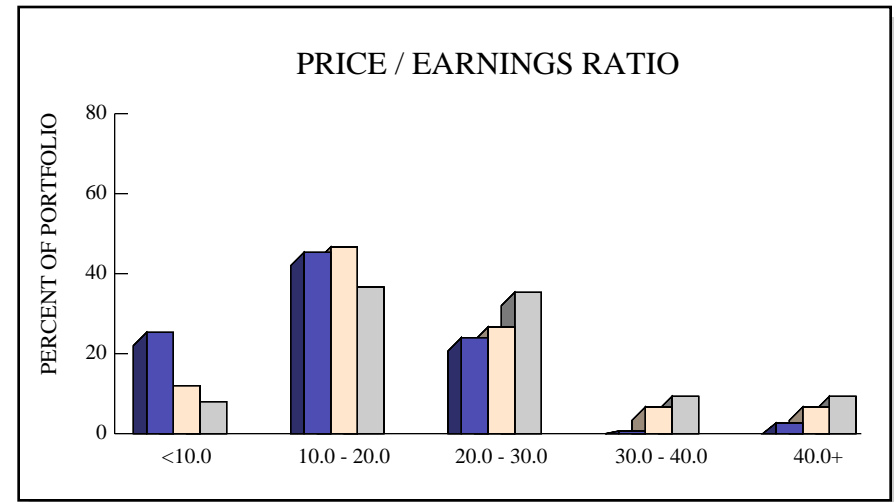
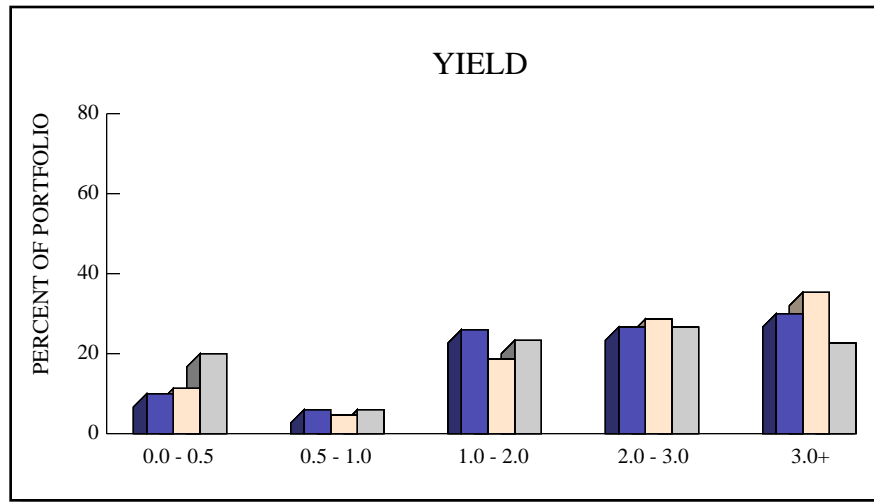
Large Cap Value Universe

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

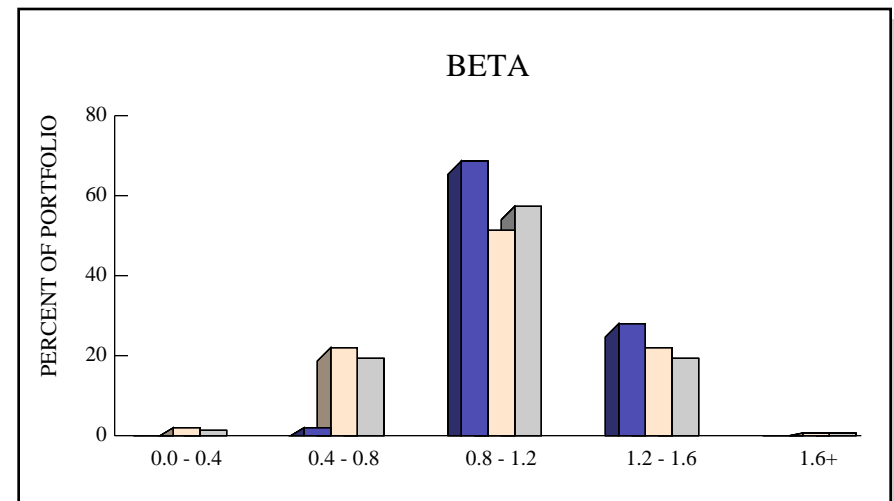
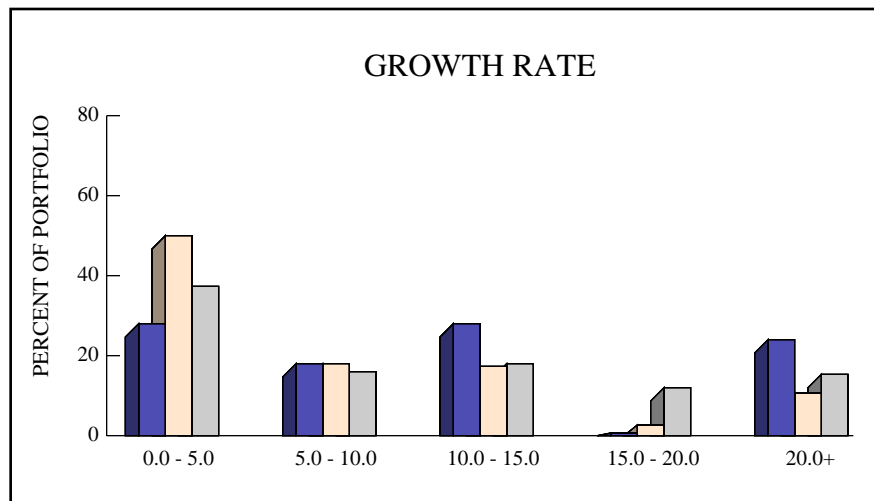
<b>Total Quarters Observed</b>	<b>19</b>
<b>Quarters At or Above the Benchmark</b>	<b>9</b>
<b>Quarters Below the Benchmark</b>	<b>10</b>
<b>Batting Average</b>	<b>.474</b>

<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
3/16	3.9	1.6	2.3
6/16	-2.8	4.6	-7.4
9/16	6.4	3.5	2.9
12/16	8.2	6.7	1.5

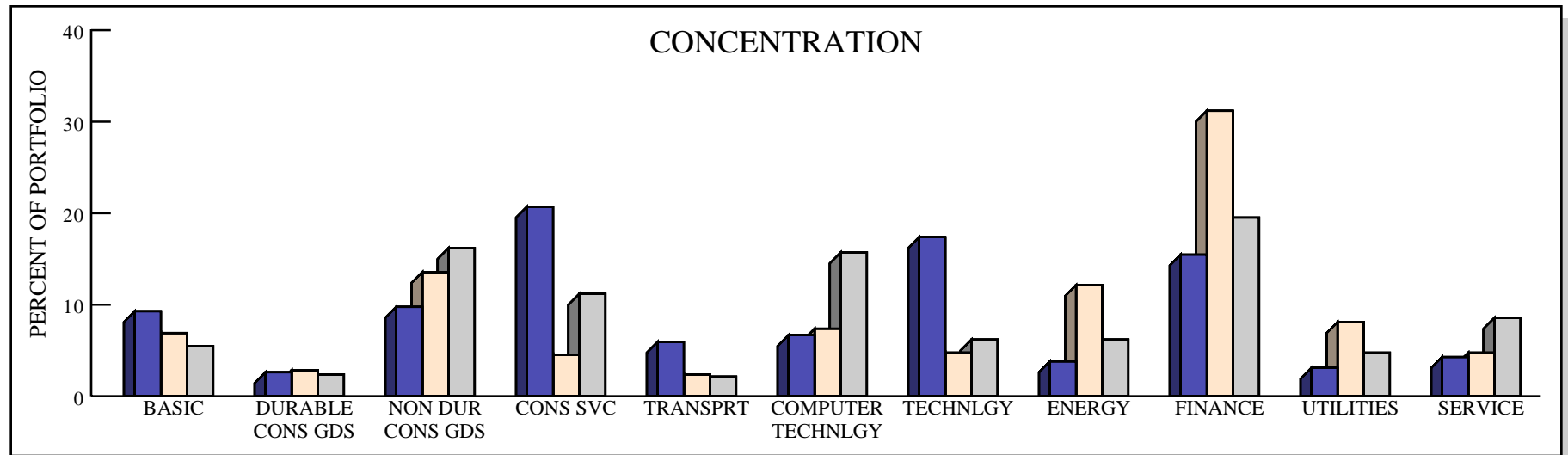
**STOCK CHARACTERISTICS**



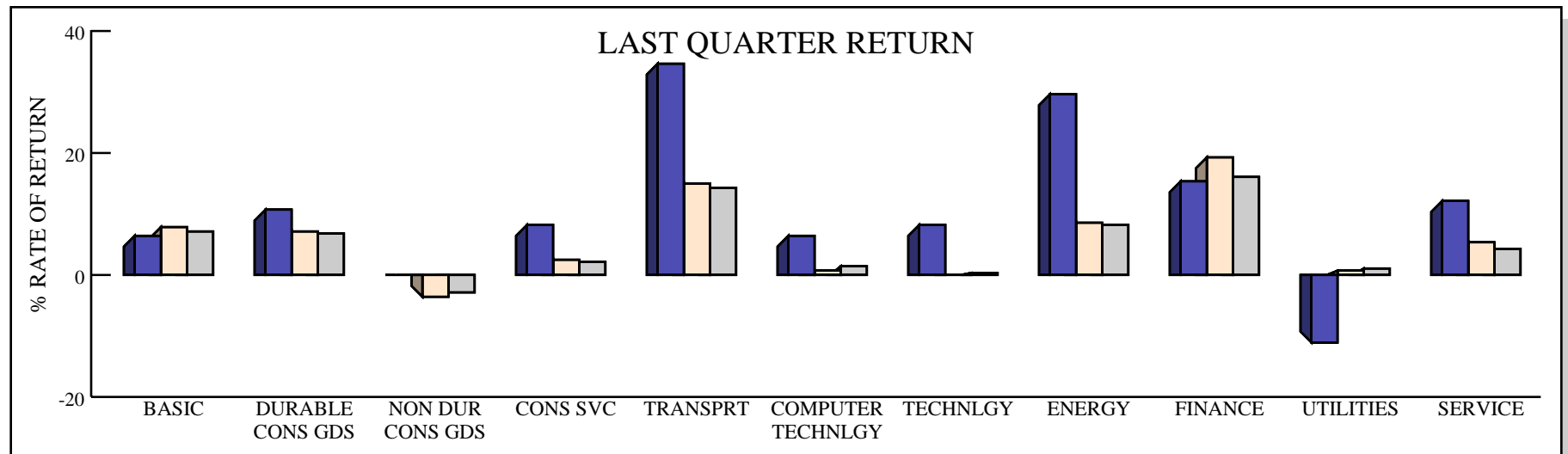
	# HOLDINGS	YIELD	GROWTH	P/E	BETA
PORTFOLIO	60	2.5%	15.1%	15.5	1.09
RUSSELL 1000V	696	2.5%	5.7%	19.1	0.99
RUSSELL 1000	999	2.0%	8.9%	22.9	1.00



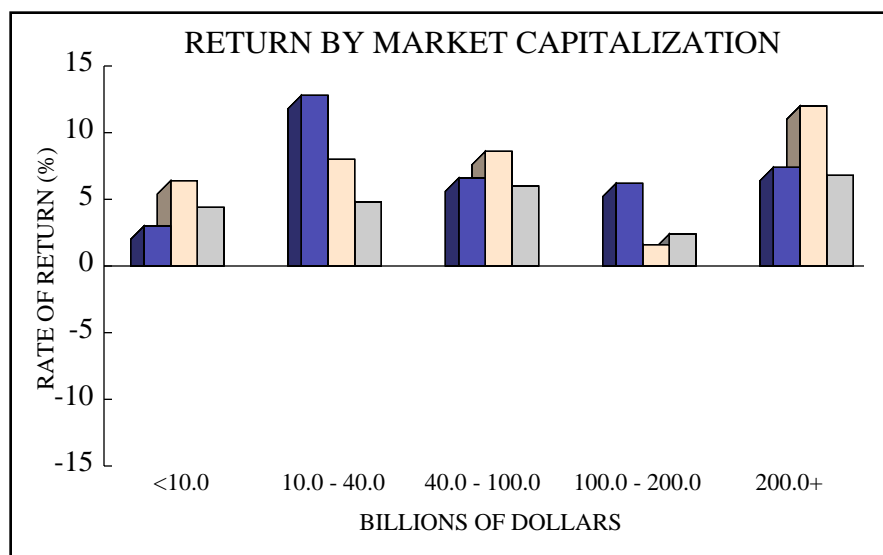
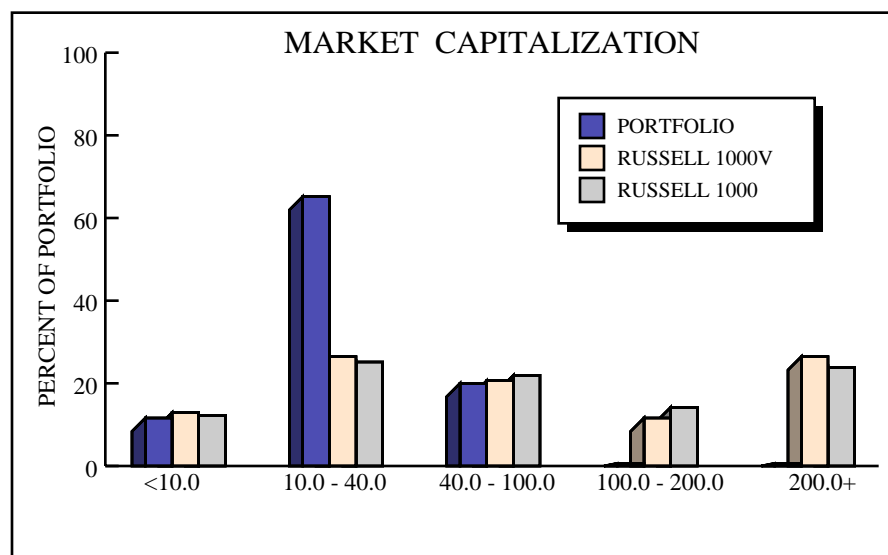
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO     
 ■ RUSSELL 1000 VALUE     
 ■ RUSSELL 1000



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	TRAVELERS COS INC/THE	\$ 344,980	4.15%	7.4%	Finance	\$ 34.8 B
2	LYONDELLBASELL INDU-CL A	322,533	3.88%	7.3%	NonDur Cons Goods	35.0 B
3	VALERO ENERGY CORP	320,557	3.85%	29.8%	Energy	30.9 B
4	UNITED CONTINENTAL HOLDINGS	308,647	3.71%	38.9%	Transportation	23.1 B
5	AMERIPRISE FINANCIAL INC	288,333	3.47%	11.8%	Finance	17.5 B
6	BOEING CO/THE	284,739	3.42%	18.8%	Technology	96.1 B
7	TE CONNECTIVITY LTD	280,168	3.37%	8.1%	Technology	24.6 B
8	CENTURYLINK INC	261,390	3.14%	-11.0%	Utilities	13.0 B
9	MARRIOTT INTERNATIONAL -CL A	257,796	3.10%	23.1%	Consumer Service	32.3 B
10	BEST BUY CO INC	252,308	3.03%	12.9%	Consumer Service	13.4 B



FRANKLIN REGIONAL RETIREMENT SYSTEM  
SEIZERT CAPITAL PARTNERS  
PERFORMANCE REVIEW  
DECEMBER 2016

## **INVESTMENT RETURN**

On December 31st, 2016, the Franklin Regional Retirement System's Seizert Capital Partners portfolio was valued at \$7,533,966, representing an increase of \$745,515 from the September quarter's ending value of \$6,788,451. Last quarter, the Fund posted withdrawals totaling \$40, which partially offset the portfolio's net investment return of \$745,555. Income receipts totaling \$27,771 plus net realized and unrealized capital gains of \$717,784 combined to produce the portfolio's net investment return.

For the cumulative period since December 2011, the fund has recorded net withdrawals totaling \$1.3 million and posted net investment gains of \$4.5 million. For the period since December 2011, if the total fund had returned a compound annual rate of 10.0% it would have been valued at \$4.9 million or \$2.6 million less than the actual value as of December 31st, 2016.

## **RELATIVE PERFORMANCE**

In the fourth quarter, the Seizert Capital Partners portfolio gained 11.0%, which was 7.8% above the Russell Mid Cap's return of 3.2% and ranked in the 6th percentile of the Mid Cap universe. Over the trailing year, the portfolio returned 25.3%, which was 11.5% greater than the benchmark's 13.8% performance, and ranked in the 4th percentile. Since December 2011, the portfolio returned 17.0% on an annualized basis and ranked in the 11th percentile. For comparison, the Russell Mid Cap returned an annualized 14.7% over the same period.

## **ASSET ALLOCATION**

On December 31st, 2016, domestic equities comprised 95.8% of the total portfolio (\$7.2 million), while cash & equivalents totaled 4.2% (\$315,630).

## **STOCK ANALYSIS**

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

Positive selection effects in overweight sectors contributed to the portfolio's substantial gains over the benchmark in the fourth quarter. The Computer Technology, Finance, and Service sectors most notably reflected this success, as each sector combined superior performance with substantial allocation, enlarging positive effects. The Durable Consumer Goods and Technology sectors additionally outstripped the index by wide margins. While Nondurable Consumer Goods dropped nearly 15%, lightweight allocation checked negative effects.

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

	Quarter	YTD	1 Year	3 Year	5 Years
<b>Total Portfolio - Gross</b>	11.0	25.3	25.3	6.1	17.0
<i>MID CAP RANK</i>	( 6)	( 4)	( 4)	(59)	(11)
<b>Total Portfolio - Net</b>	10.8	24.4	24.4	5.4	16.3
RUSSELL MID	3.2	13.8	13.8	7.9	14.7
S&P 400	7.4	20.7	20.7	9.0	15.3
RUSSELL MID	3.2	13.8	13.8	7.9	14.7
<b>Domestic Equity - Gross</b>	11.5	26.6	26.6	6.4	17.8
<i>MID CAP RANK</i>	( 3)	( 3)	( 3)	(56)	( 6)
RUSSELL MID	3.2	13.8	13.8	7.9	14.7

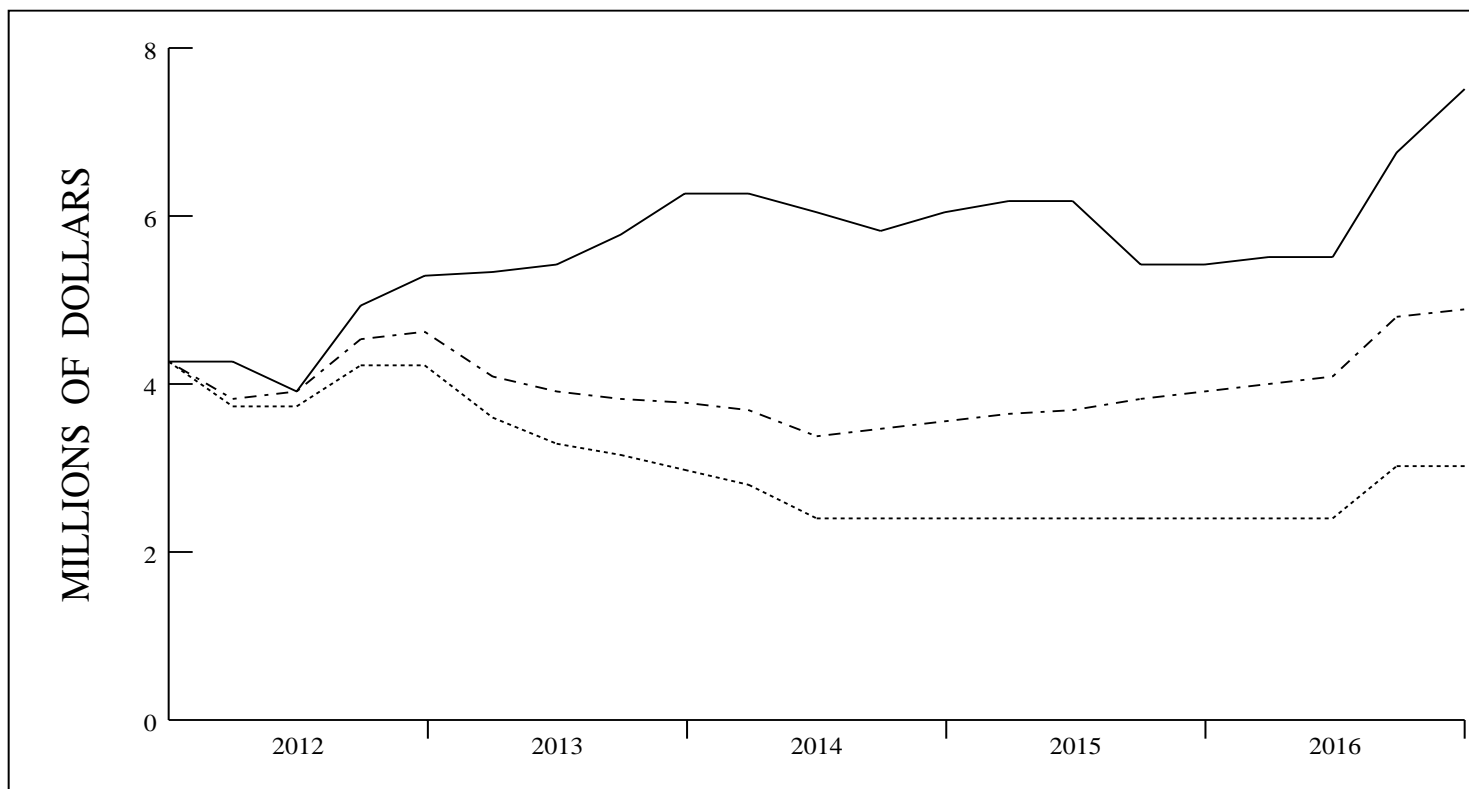
**ASSET ALLOCATION**

Domestic Equity	95.8%	\$ 7,218,336
Cash	4.2%	315,630
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 7,533,966</b>

**INVESTMENT RETURN**

Market Value 9/2016	\$ 6,788,451
Contribs / Withdrawals	- 40
Income	27,771
Capital Gains / Losses	717,784
Market Value 12/2016	\$ 7,533,966

**INVESTMENT GROWTH**

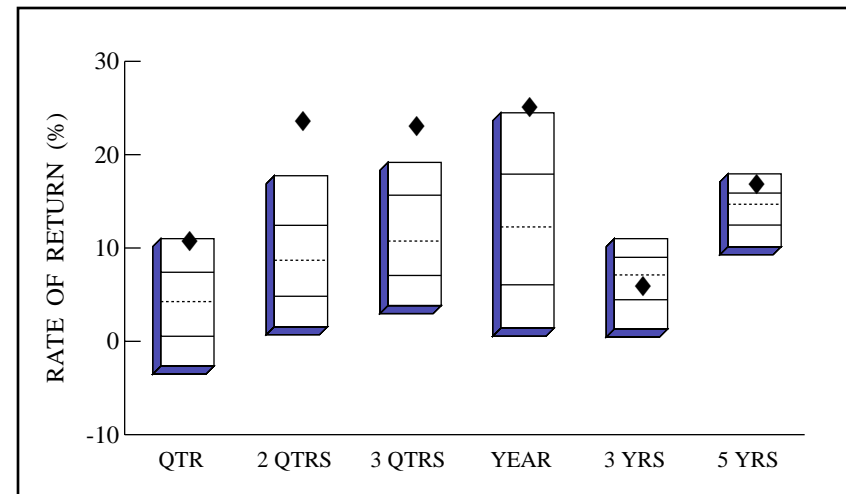
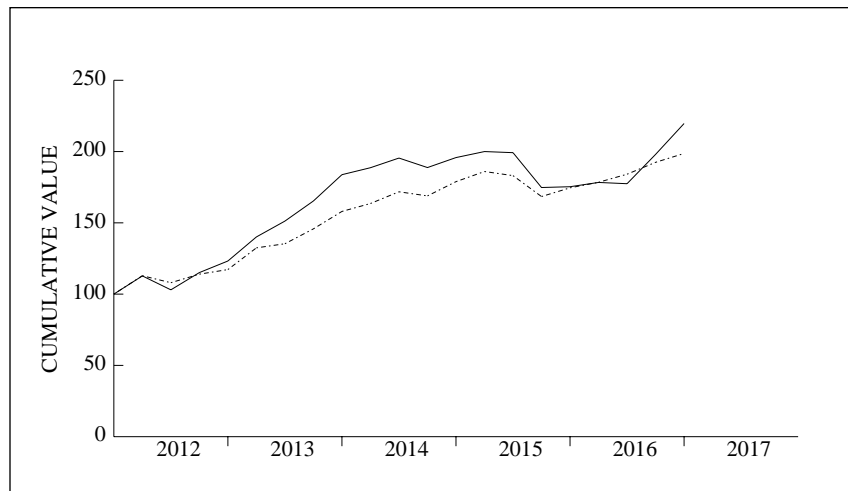


— ACTUAL RETURN  
 - - - 10.0%  
 ..... 0.0%

VALUE ASSUMING  
 10.0% RETURN \$ 4,933,244

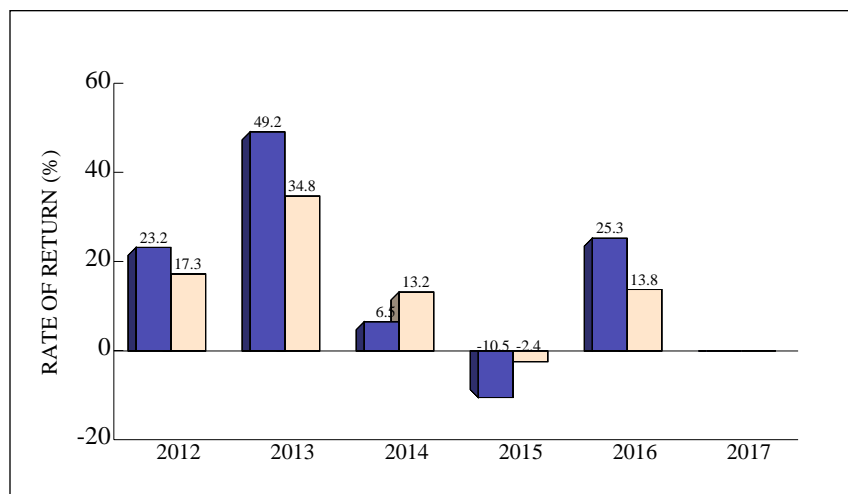
	LAST QUARTER	PERIOD 12/11 - 12/16
BEGINNING VALUE	\$ 6,788,451	\$ 4,290,766
NET CONTRIBUTIONS	- 40	- 1,261,141
<u>INVESTMENT RETURN</u>	<u>745,555</u>	<u>4,504,341</u>
ENDING VALUE	\$ 7,533,966	\$ 7,533,966
INCOME	27,771	618,254
<u>CAPITAL GAINS (LOSSES)</u>	<u>717,784</u>	<u>3,886,087</u>
INVESTMENT RETURN	745,555	4,504,341

**TOTAL RETURN COMPARISONS**



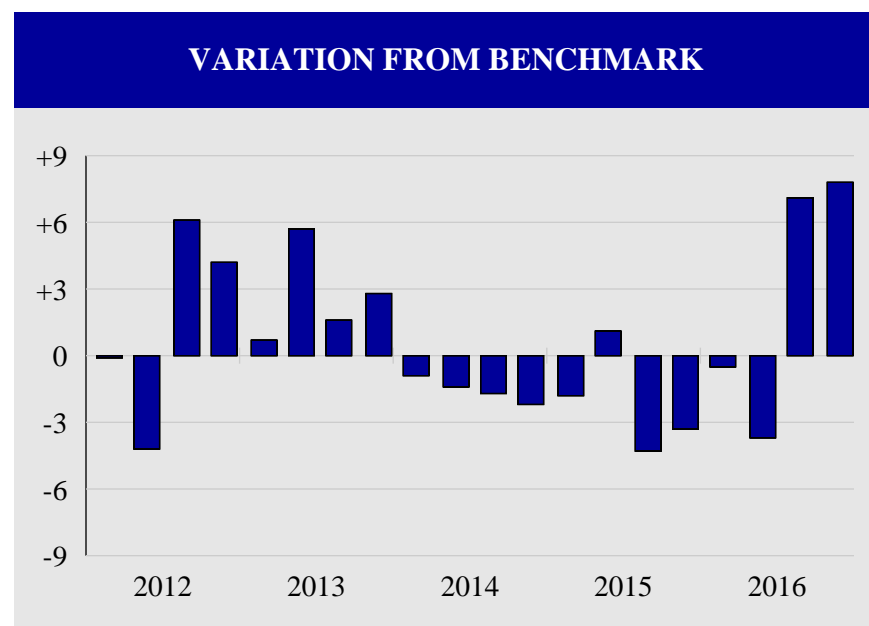
■ ——— PORTFOLIO  
■ - - - - RUSSELL MID

Mid Cap Universe



	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	11.0	23.8	23.2	25.3	6.1	17.0
(RANK)	(6)	(2)	(1)	(4)	(59)	(11)
5TH %ILE	11.0	17.7	19.2	24.5	11.0	18.0
25TH %ILE	7.4	12.4	15.7	17.9	9.0	15.9
MEDIAN	4.3	8.7	10.8	12.3	7.1	14.7
75TH %ILE	0.5	4.8	7.1	6.1	4.5	12.5
95TH %ILE	-2.7	1.6	3.8	1.4	1.3	10.1
<b>Russ MC</b>	<b>3.2</b>	<b>7.9</b>	<b>11.3</b>	<b>13.8</b>	<b>7.9</b>	<b>14.7</b>

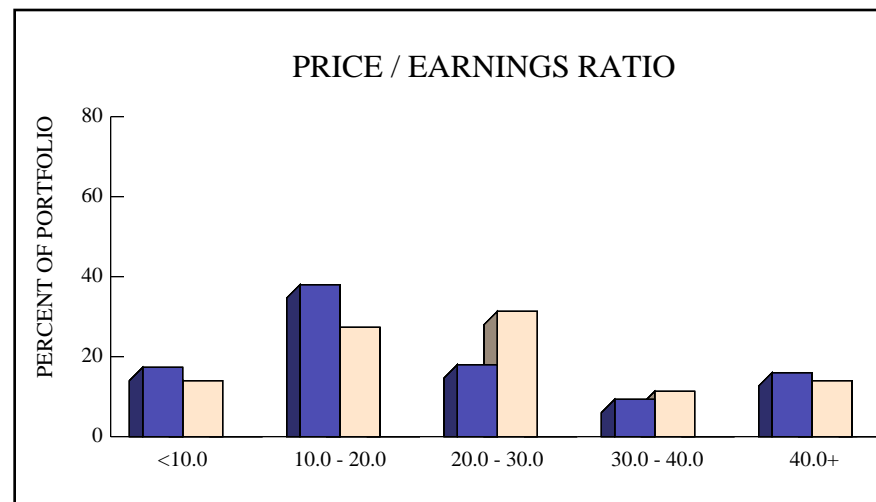
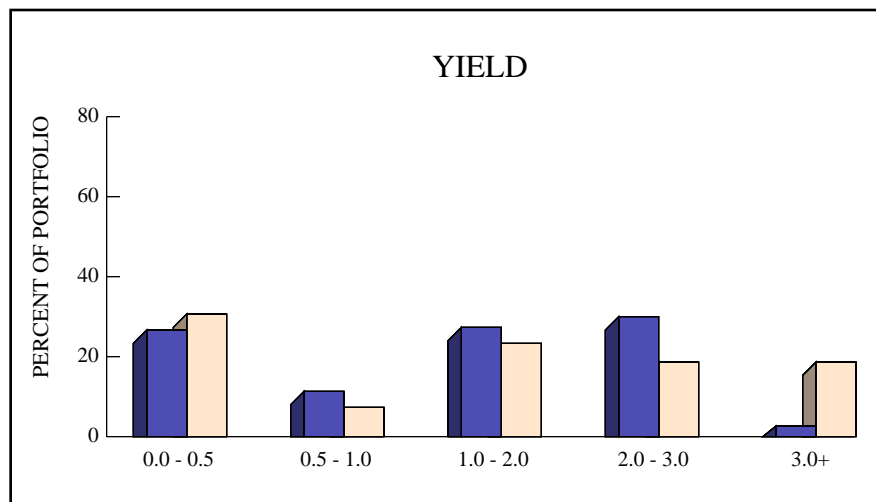
Mid Cap Universe

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

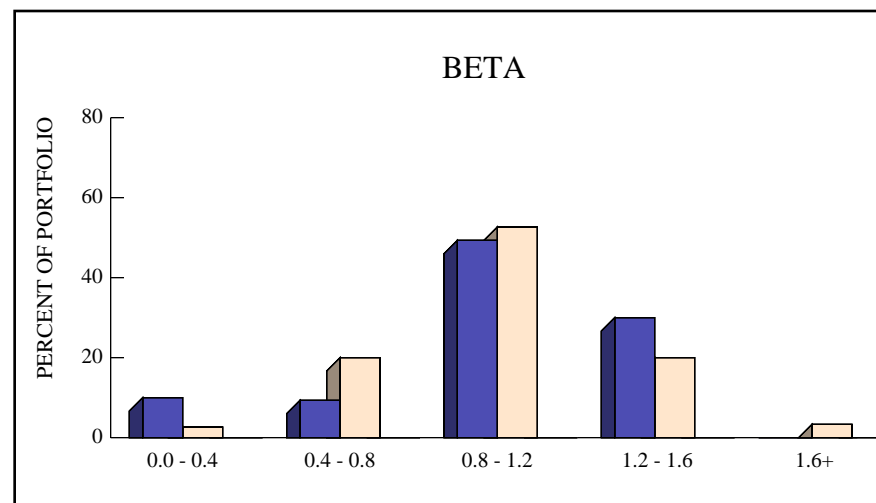
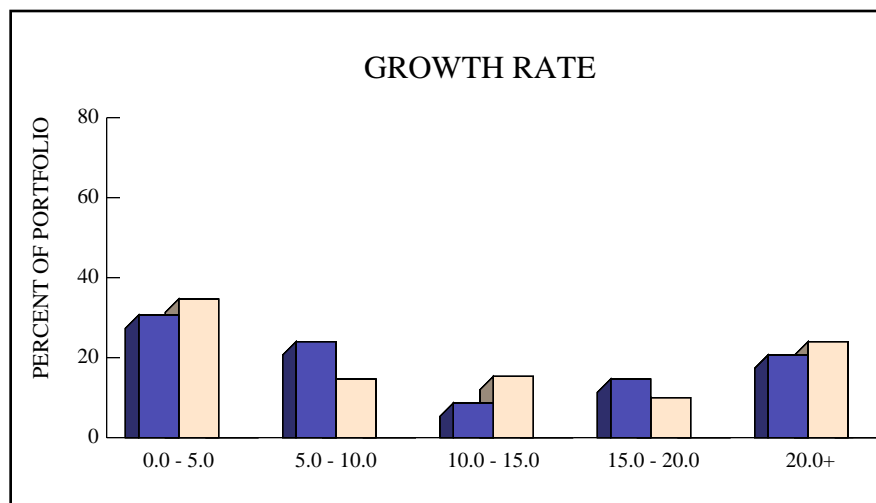
<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>9</b>
<b>Quarters Below the Benchmark</b>	<b>11</b>
<b>Batting Average</b>	<b>.450</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/12	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
3/16	1.7	2.2	-0.5
6/16	-0.5	3.2	-3.7
9/16	11.6	4.5	7.1
12/16	11.0	3.2	7.8

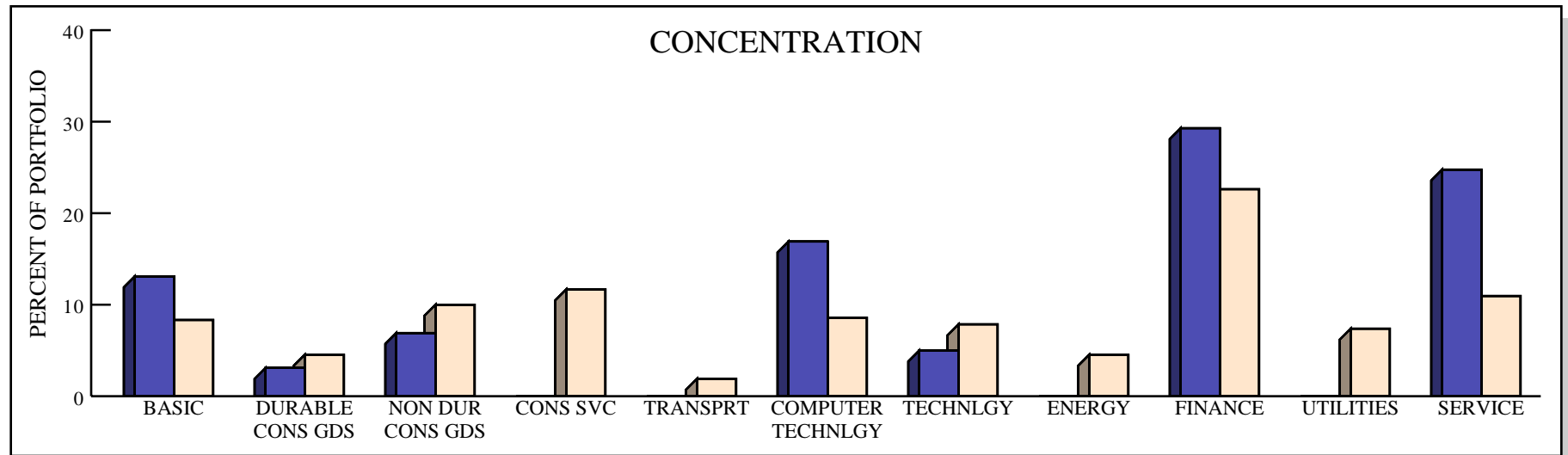
**STOCK CHARACTERISTICS**



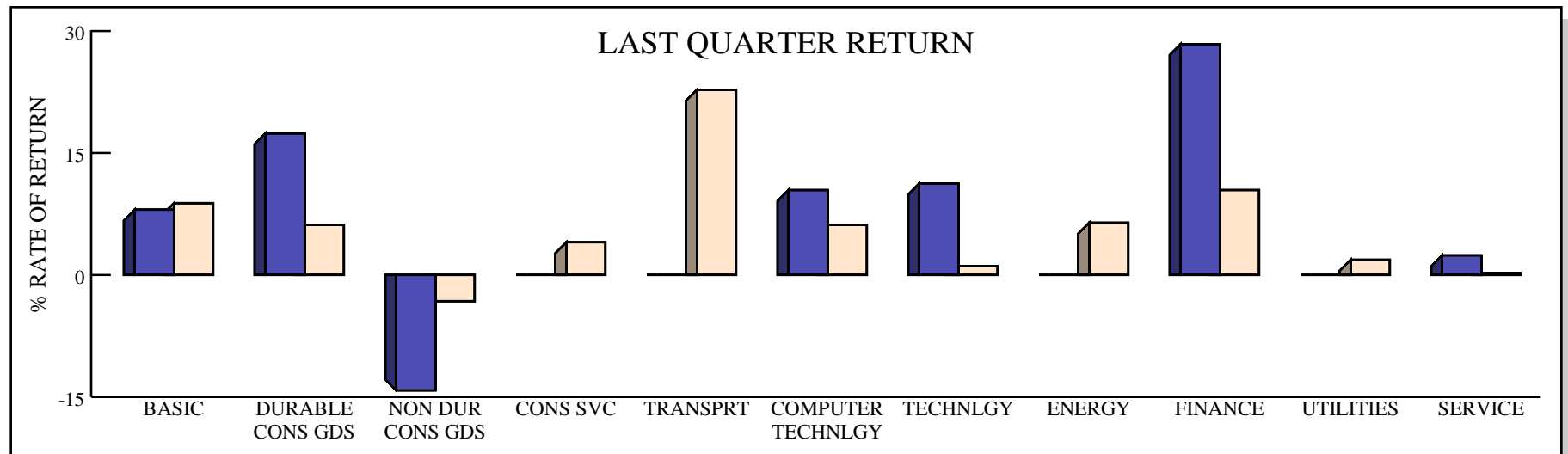
	# HOLDINGS	YIELD	GROWTH	P/E	BETA
PORTFOLIO	26	1.5%	6.6%	24.9	0.96
RUSSELL MID	796	1.8%	10.9%	23.0	1.00



**STOCK INDUSTRY ANALYSIS**

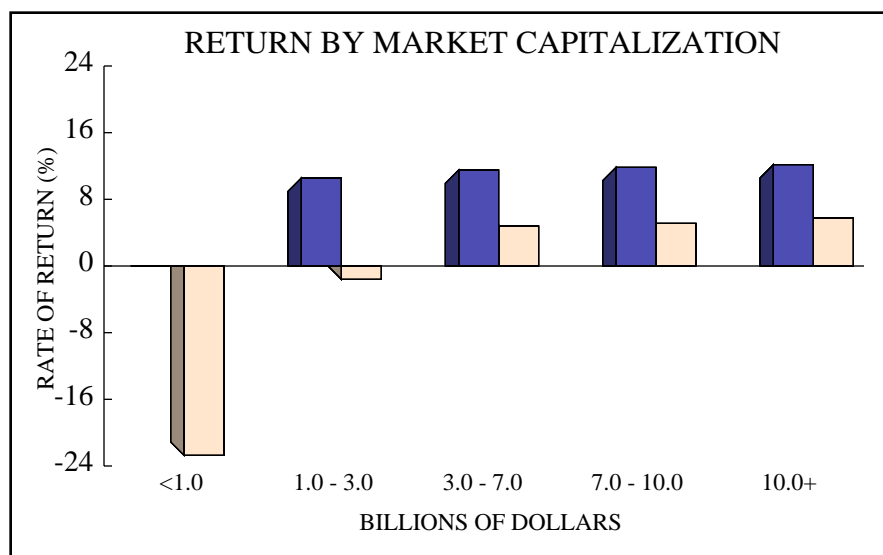
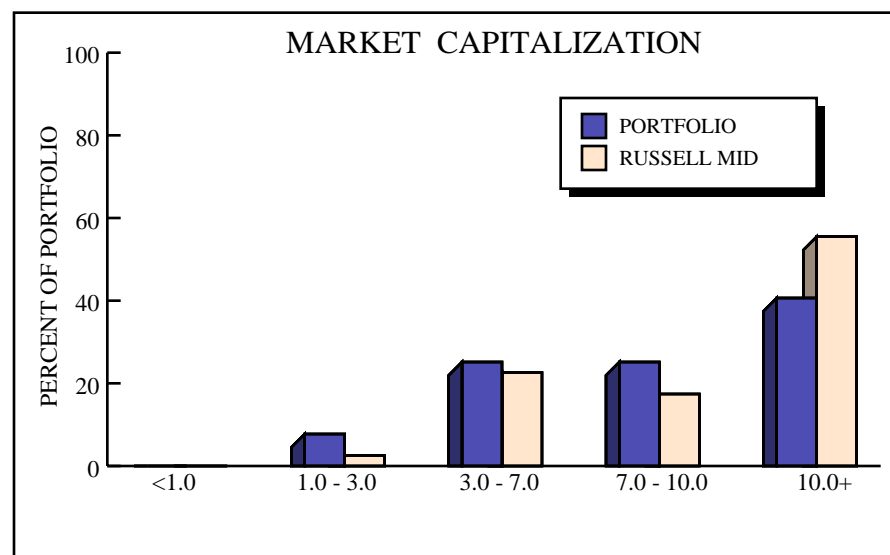


■ PORTFOLIO      ■ RUSSELL MID CAP





## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	WESTERN DIGITAL CORP	\$ 536,601	7.43%	17.0%	Computer Tech	\$ 19.4 B
2	ASSURED GUARANTY LTD	445,724	6.17%	36.4%	Finance	4.9 B
3	LIBERTY MEDIA COR-SIRIUSXM C	369,796	5.12%	1.5%	Service	7.6 B
4	LIBERTY MEDIA CORP-MEDIA C	364,901	5.06%	11.3%	Technology	1.7 B
5	ZIONS BANCORPORATION	347,376	4.81%	38.9%	Finance	8.8 B
6	LIBERTY BROADBAND-C	338,426	4.69%	3.6%	Service	11.3 B
7	FIFTH THIRD BANCORP	330,436	4.58%	32.3%	Finance	20.4 B
8	REGIONS FINANCIAL CORP	324,450	4.49%	45.9%	Finance	17.7 B
9	WESTERN UNION CO	291,852	4.04%	5.1%	Service	10.5 B
10	DISCOVERY COMMUNICATIONS-C	287,698	3.99%	1.8%	Service	6.3 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
DARUMA ASSET MANAGEMENT - GINKGO FUND  
PERFORMANCE REVIEW  
DECEMBER 2016

## **INVESTMENT RETURN**

On December 31st, 2016, the Franklin Regional Retirement System's Daruma Asset Management Ginkgo Fund was valued at \$5,972,550, representing an increase of \$368,288 from the September quarter's ending value of \$5,604,262. Last quarter, the Fund posted withdrawals totaling \$14,062, which partially offset the portfolio's net investment return of \$382,350. 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 \$382,350.

For the cumulative period since December 2011, the account has posted net withdrawals totaling \$8.1 million and recorded net investment gains totaling \$6.2 million. Since December 2011, if the portfolio had returned a compound annual rate of 10.0% it would have been valued at \$2.2 million or \$3.8 million less than its actual value as of December 31st, 2016.

## **RELATIVE PERFORMANCE**

### **Total Fund**

For the fourth quarter, the Daruma Asset Management Ginkgo Fund returned 6.8%, which was 2.0% less than the Russell 2000 Index's return of 8.8% and ranked in the 67th percentile of the Small Cap universe. Over the trailing year, the portfolio returned 13.6%, which was 7.7% below the benchmark's 21.3% performance, ranking in the 78th percentile. Since December 2011, the account returned 13.0% on an annualized basis and ranked in the 84th percentile. For comparison, the Russell 2000 returned an annualized 14.5% over the same period.

## **ASSET ALLOCATION**

The portfolio was fully invested in the Daruma Asset Management Ginkgo Fund.

## **STOCK ANALYSIS**

At the end of the quarter, the Daruma portfolio was invested in eight of the eleven sectors represented in our data analysis. Compared to the Russell 2000 index, the portfolio was overweight in the Basic, Nondurable Consumer Goods, and Service sector, which comprised roughly two-thirds of the portfolio. Conversely, the portfolio was underweight in Consumer Service, Computer Technology, Technology, and Finance, while Durable Consumer Goods and Utilities were unfunded.

Underperformances in the Basic, Nondurable Consumer Goods, and Service sectors led the Daruma to a 200 basis point deficit in the fourth quarter, as the combination of heavy allocation and negative selection effects magnified the negative effect of the shortfalls. The overweight Energy sector struggled significantly as well, dropping 8.1% compared to the index's 22.8% surge. While the Finance sector posted a significant gain, the positive performance was uncharacteristic of the overall portfolio.

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

	Quarter	YTD	1 Year	3 Year	5 Years
<b>Total Portfolio - Gross</b>	6.8	13.6	13.6	1.9	13.0
<i>SMALL CAP RANK</i>	(67)	(78)	(78)	(91)	(84)
<b>Total Portfolio - Net</b>	6.6	12.5	12.5	0.9	11.9
RUSSELL 2000	8.8	21.3	21.3	6.7	14.5
<b>Domestic Equity - Gross</b>	6.8	13.6	13.6	1.9	13.5
<i>SMALL CAP RANK</i>	(67)	(78)	(78)	(92)	(78)
RUSSELL 2000	8.8	21.3	21.3	6.7	14.5
RUSSELL 2000G	3.6	11.3	11.3	5.0	13.7
RUSSELL 2000V	14.1	31.7	31.7	8.3	15.1

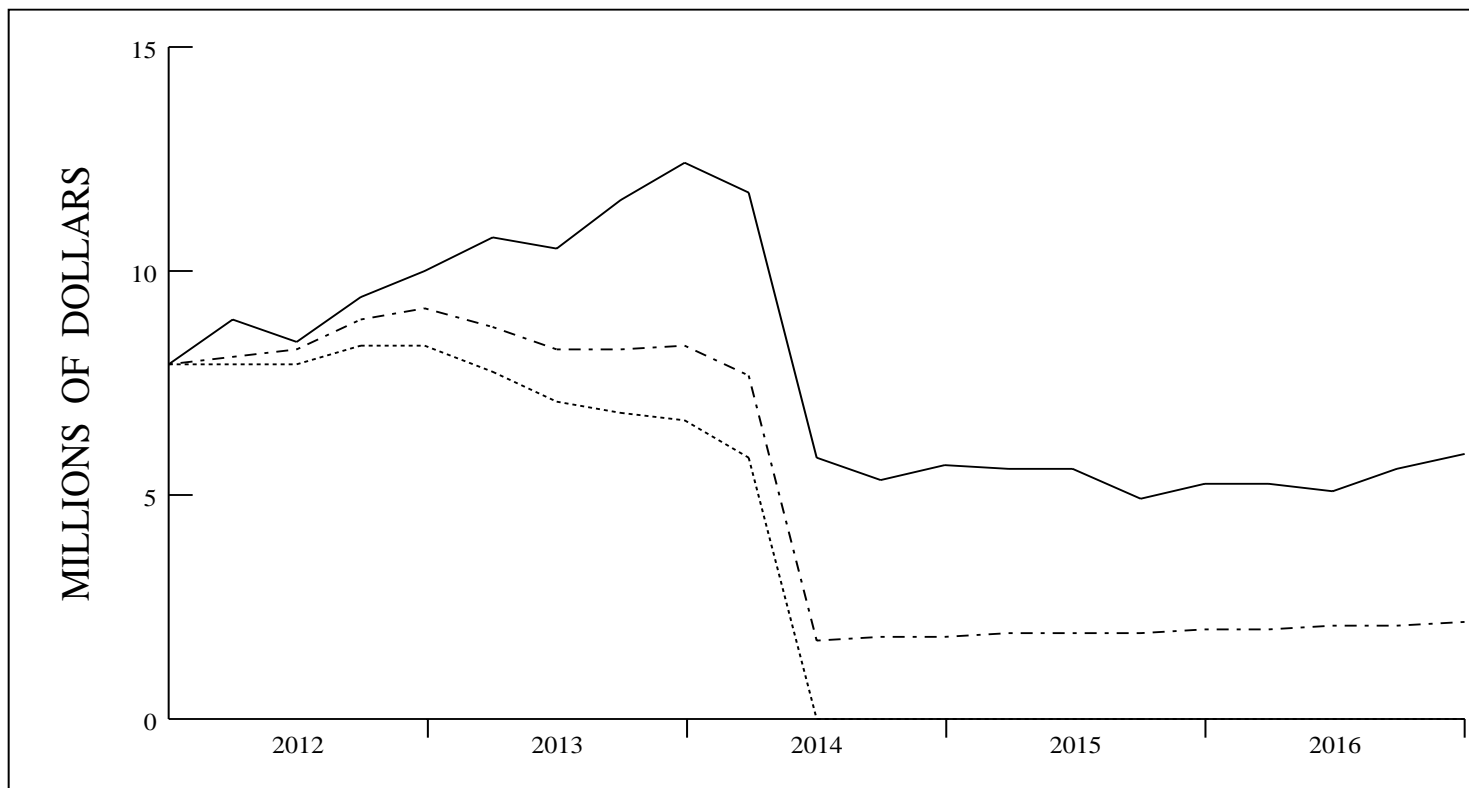
**ASSET ALLOCATION**

Domestic Equity	100.0%	\$ 5,972,550
Total Portfolio	100.0%	\$ 5,972,550

**INVESTMENT RETURN**

Market Value 9/2016	\$ 5,604,262
Contribs / Withdrawals	- 14,062
Income	0
Capital Gains / Losses	382,350
Market Value 12/2016	\$ 5,972,550

**INVESTMENT GROWTH**

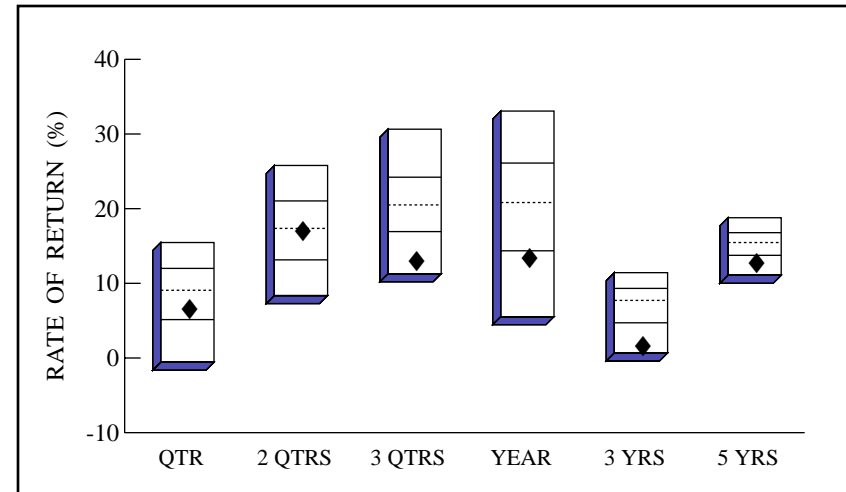
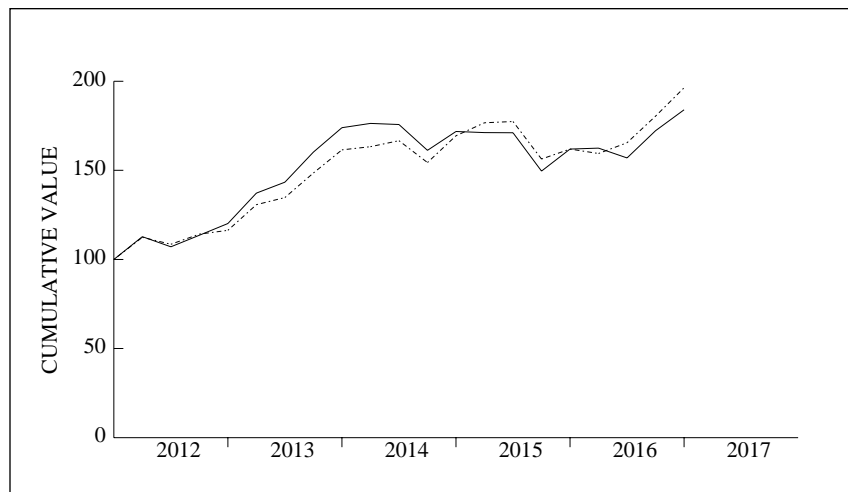


— ACTUAL RETURN  
 - - - 10.0%  
 . . . 0.0%

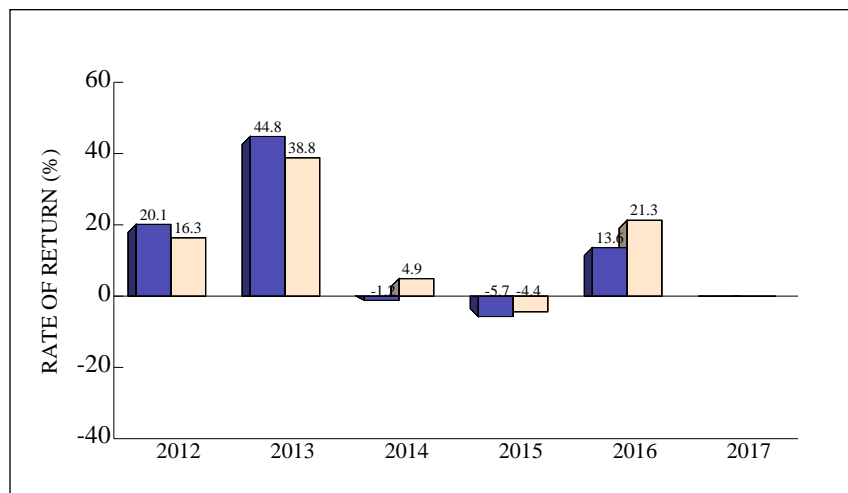
VALUE ASSUMING  
 10.0% RETURN \$ 2,170,509

	LAST QUARTER	PERIOD 12/11 - 12/16
BEGINNING VALUE	\$ 5,604,262	\$ 7,937,070
NET CONTRIBUTIONS	- 14,062	- 8,122,317
<u>INVESTMENT RETURN</u>	<u>382,350</u>	<u>6,157,797</u>
ENDING VALUE	\$ 5,972,550	\$ 5,972,550
INCOME	0	114,935
<u>CAPITAL GAINS (LOSSES)</u>	<u>382,350</u>	<u>6,042,862</u>
INVESTMENT RETURN	382,350	6,157,797

**TOTAL RETURN COMPARISONS**

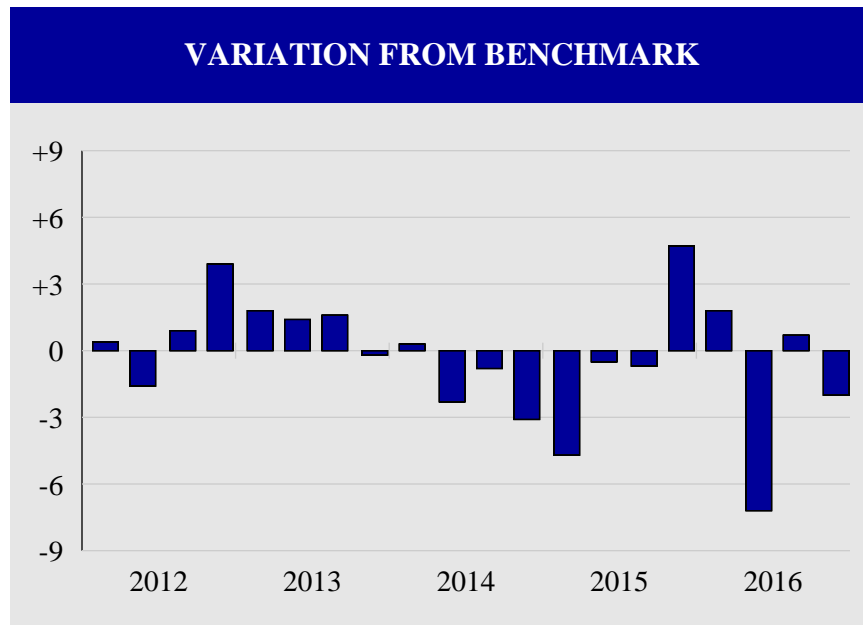


Small Cap Universe



	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED----- 3 YRS	5 YRS
RETURN	6.8	17.2	13.2	13.6	1.9	13.0
(RANK)	(67)	(51)	(91)	(78)	(91)	(84)
5TH %ILE	15.5	25.8	30.7	33.1	11.4	18.8
25TH %ILE	12.0	21.0	24.2	26.1	9.3	16.8
MEDIAN	9.1	17.4	20.5	20.8	7.7	15.5
75TH %ILE	5.2	13.2	16.9	14.4	4.7	13.7
95TH %ILE	-0.6	8.3	11.3	5.5	0.7	11.1
<b>Russ 2000</b>	<b>8.8</b>	<b>18.7</b>	<b>23.2</b>	<b>21.3</b>	<b>6.7</b>	<b>14.5</b>

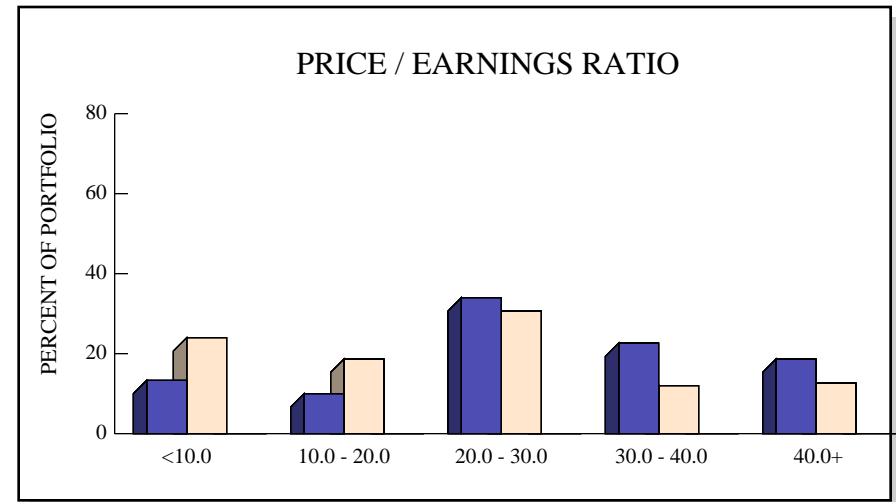
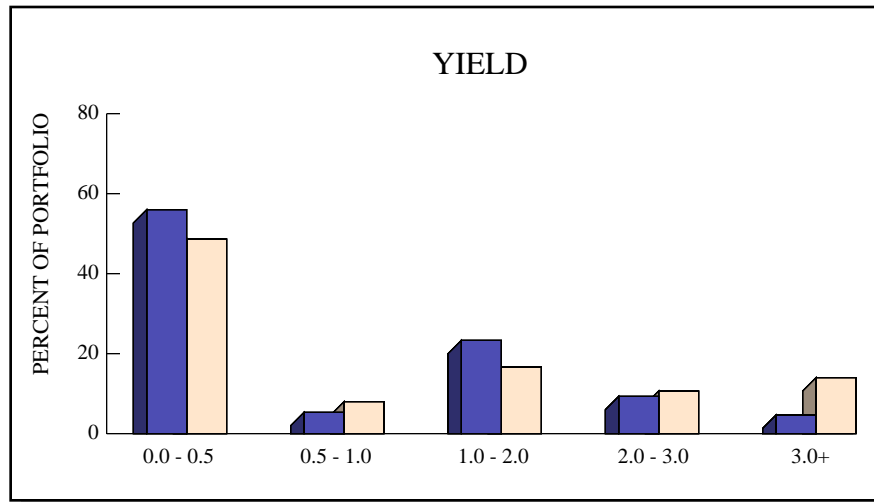
Small Cap Universe

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

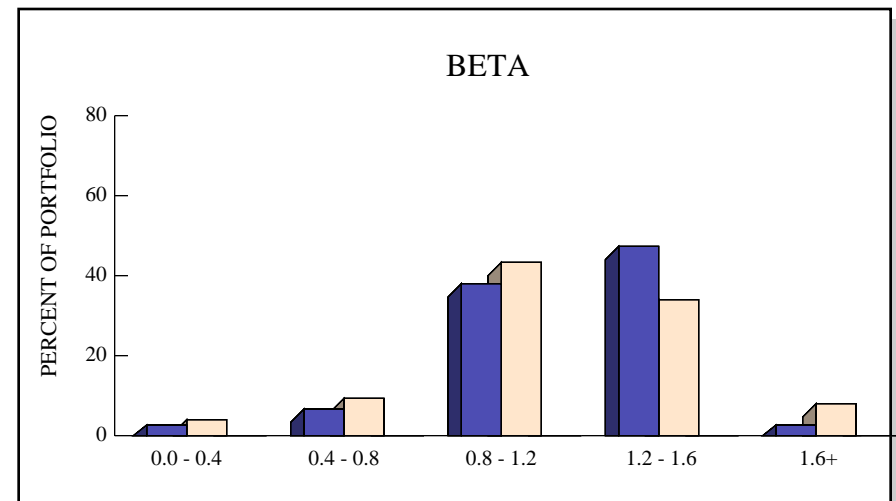
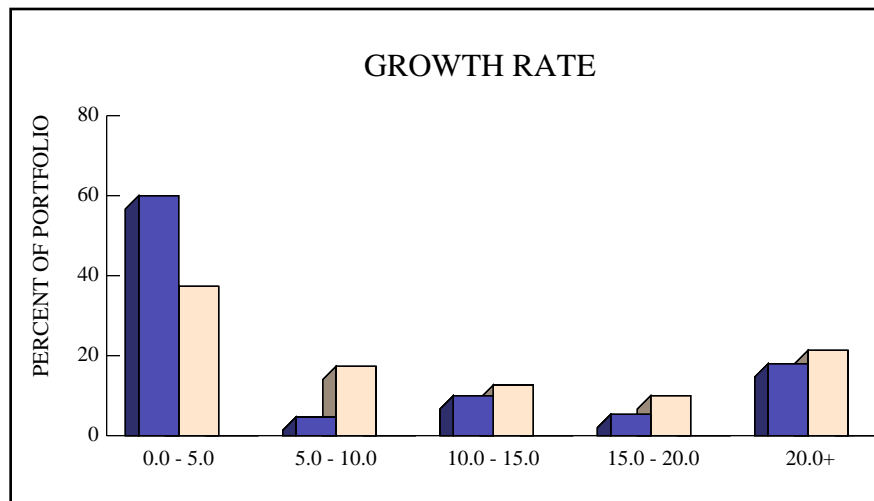
<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>10</b>
<b>Quarters Below the Benchmark</b>	<b>10</b>
<b>Batting Average</b>	<b>.500</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
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
3/16	0.3	-1.5	1.8
6/16	-3.4	3.8	-7.2
9/16	9.7	9.0	0.7
12/16	6.8	8.8	-2.0

**STOCK CHARACTERISTICS**

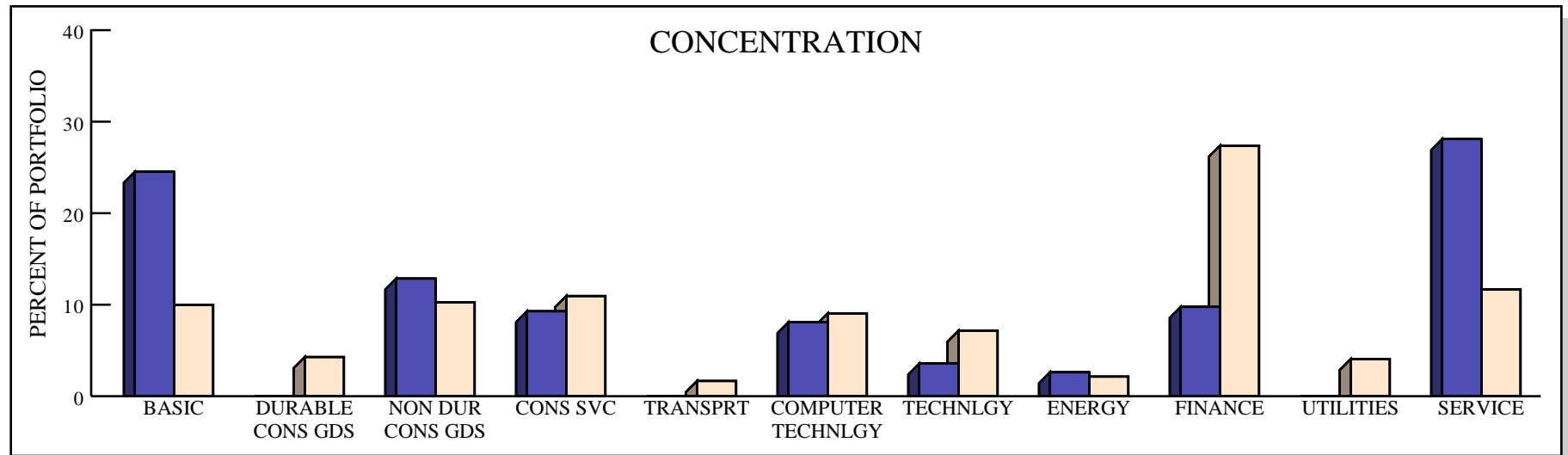


	# HOLDINGS	YIELD	GROWTH	P/E	BETA
PORTFOLIO	34	0.8%	4.0%	25.9	1.15
RUSSELL 2000	1,979	1.4%	10.9%	19.3	1.13

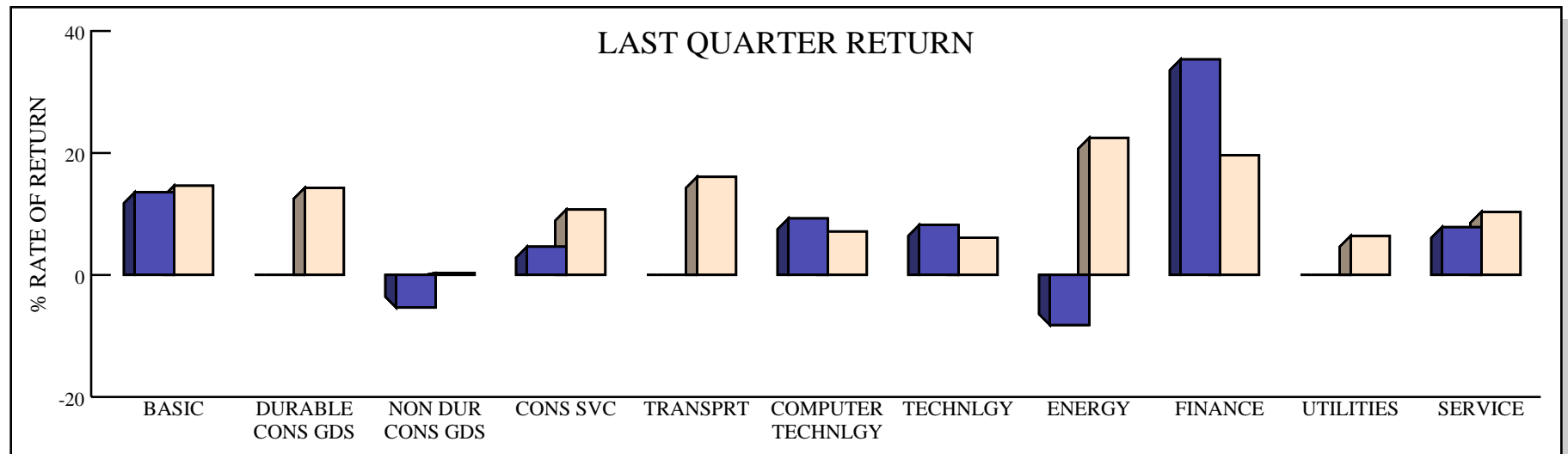




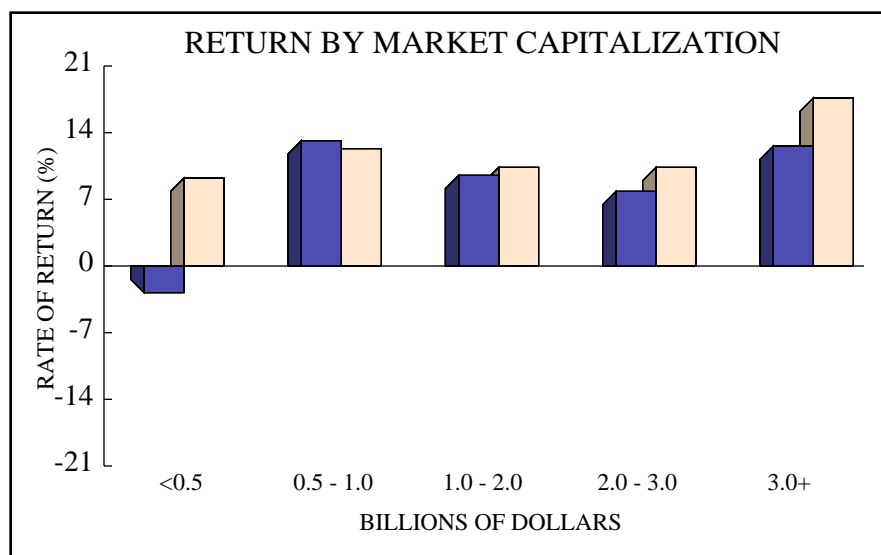
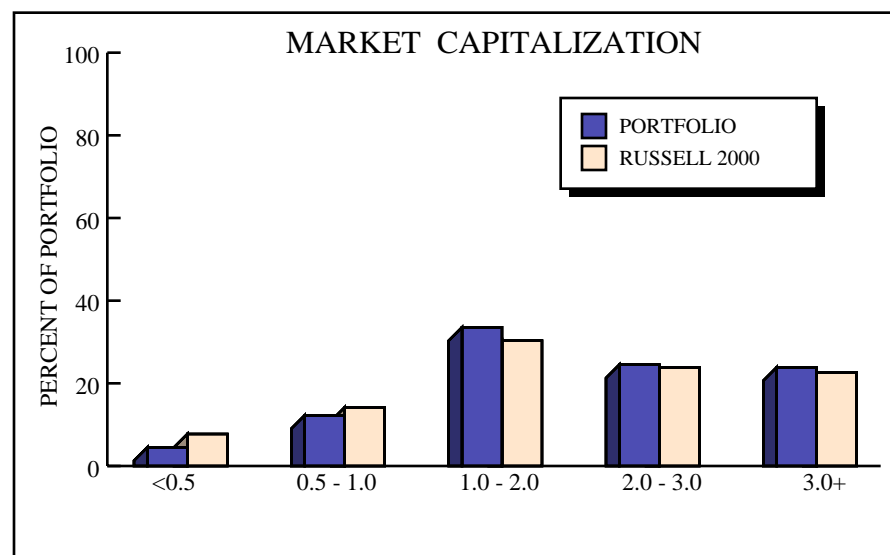
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL 2000



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	TEXAS CAPITAL BANCSHARES INC	\$ 267,971	4.49%	42.8%	Finance	\$ 3.9 B
2	ACXIOM CORP	227,773	3.81%	0.6%	Service	2.1 B
3	DIGITALGLOBE INC	217,024	3.63%	4.2%	Service	1.8 B
4	BRUNSWICK CORP	211,452	3.54%	12.1%	Basic	4.9 B
5	WEX INC	208,469	3.49%	3.3%	Service	4.8 B
6	ENTEGRIS INC	202,735	3.39%	2.8%	NonDur Cons Goods	2.5 B
7	FRANCESCAS HOLDINGS CORP	198,456	3.32%	16.9%	Consumer Service	0.7 B
8	MASTEC INC	197,944	3.31%	28.6%	Service	3.2 B
9	HEALTHSOUTH CORP	197,498	3.31%	2.2%	Consumer Service	3.7 B
10	SCHULMAN (A.) INC	196,920	3.30%	15.5%	Basic	1.0 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
SYSTEMATIC FINANCIAL  
PERFORMANCE REVIEW  
DECEMBER 2016

## **INVESTMENT RETURN**

On December 31st, 2016, the Franklin Regional Retirement System's Systematic Financial portfolio was valued at \$7,402,944, representing an increase of \$775,945 from the September quarter's ending value of \$6,626,999. Last quarter, the Fund posted no net contributions or withdrawals, while posting \$775,945 in net investment returns. Income receipts totaling \$30,717 plus net realized and unrealized capital gains of \$745,228 combined to produce the portfolio's net investment return figure.

For the cumulative period since June 2014, the account has recorded net contributions totaling \$599,991, and has recorded net investment gains of \$857,003. Since June 2014, if the total account earned a compound annual rate of 8.0% it would have been worth \$7.8 million or \$426,024 more than the actual value as of December 31st, 2016.

## **RELATIVE PERFORMANCE**

During the fourth quarter, the Systematic Financial portfolio gained 11.7%, which was 2.9% above the Russell 2000 Index's return of 8.8% and ranked in the 28th percentile of the Small Cap universe. Over the trailing year, the portfolio returned 24.4%, which was 3.1% above the benchmark's 21.3% performance, ranking in the 32nd percentile. Since June 2014, the account returned 5.1% on an annualized basis and ranked in the 74th percentile. For comparison, the Russell 2000 returned an annualized 6.8% over the same period.

## **ASSET ALLOCATION**

On December 31st, 2016, domestic equities comprised 98.0% of the total portfolio (\$7.3 million), while cash & equivalents totaled 2.0% (\$151,198).

## **STOCK ANALYSIS**

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

The portfolio delivered superior returns to the benchmark in five of the eleven invested sectors, and mirrored performance in two others. Most notably, index-beating returns in the Durable Consumer Goods, Technology, and Service sectors were enhanced by overweight allocations. Nondurable Consumer Goods, though underweight, also surged passed the benchmark (+9.0% vs. +0.5%). Unfavorable selection effects in the overweight Consumer Service sector held the portfolio back from a larger outperformance.

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

	Quarter	YTD	1 Year	3 Year	Since 06/14
<b>Total Portfolio - Gross</b>	11.7	24.4	24.4	----	5.1
<i>SMALL CAP RANK</i>	(28)	(32)	(32)	----	(74)
<b>Total Portfolio - Net</b>	11.5	23.5	23.5	----	4.3
RUSSELL 2000	8.8	21.3	21.3	6.7	6.8
RUSSELL 2000G	3.6	11.3	11.3	5.0	5.2
RUSSELL 2000V	14.1	31.7	31.7	8.3	8.2
<b>Domestic Equity - Gross</b>	11.9	24.7	24.7	----	5.1
<i>SMALL CAP RANK</i>	(26)	(30)	(30)	----	(74)
RUSSELL 2000	8.8	21.3	21.3	6.7	6.8

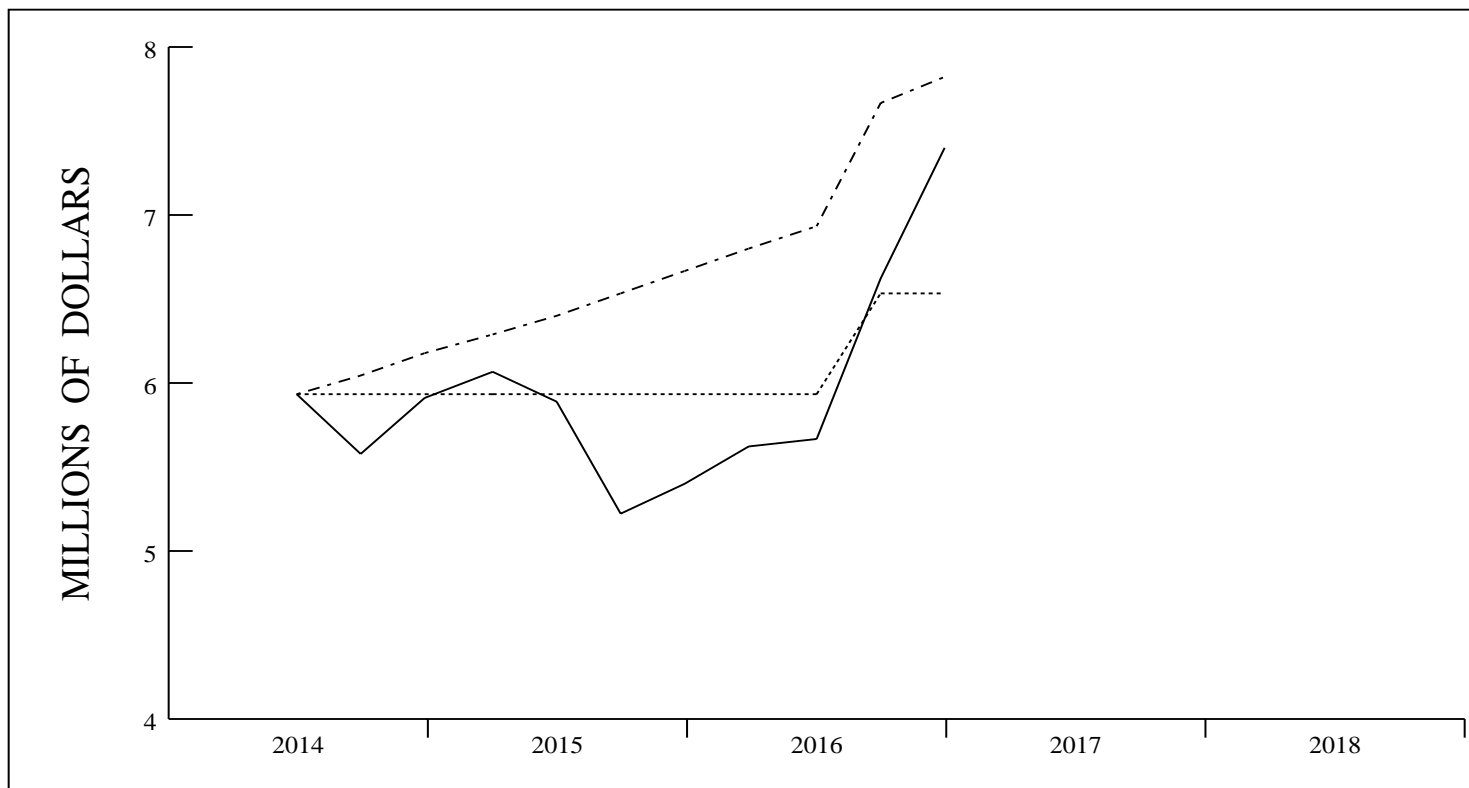
**ASSET ALLOCATION**

Domestic Equity	98.0%	\$ 7,251,746
Cash	2.0%	151,198
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 7,402,944</b>

**INVESTMENT RETURN**

Market Value 9/2016	\$ 6,626,999
Contribs / Withdrawals	0
Income	30,717
Capital Gains / Losses	745,228
Market Value 12/2016	\$ 7,402,944

**INVESTMENT GROWTH**

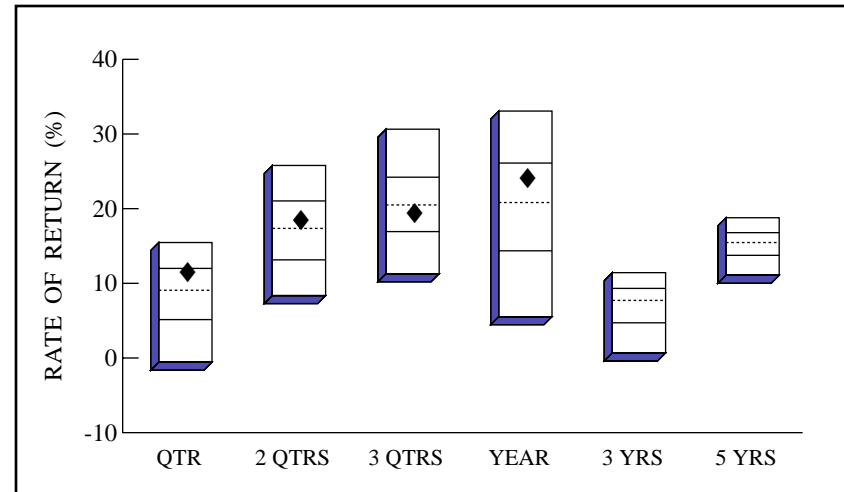


— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

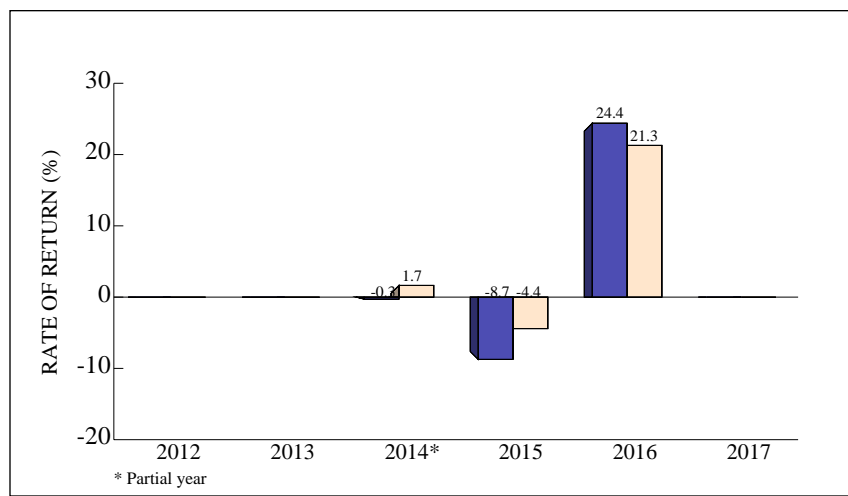
VALUE ASSUMING  
 8.0% RETURN    \$ 7,828,968

	LAST QUARTER	PERIOD 6/14 - 12/16
BEGINNING VALUE	\$ 6,626,999	\$ 5,945,950
NET CONTRIBUTIONS	0	599,991
INVESTMENT RETURN	775,945	857,003
ENDING VALUE	\$ 7,402,944	\$ 7,402,944
INCOME	30,717	281,425
CAPITAL GAINS (LOSSES)	745,228	575,578
INVESTMENT RETURN	775,945	857,003

**TOTAL RETURN COMPARISONS**



Small Cap Universe



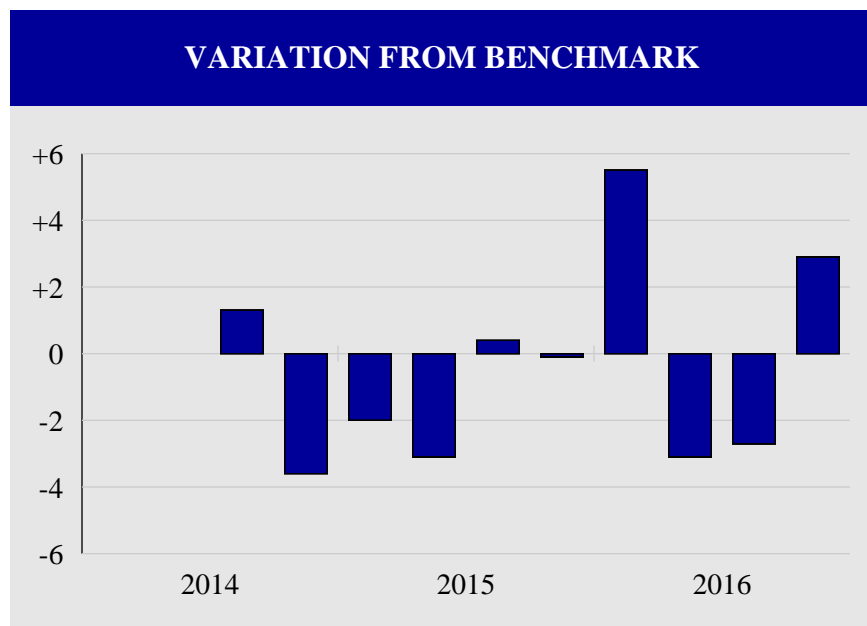
\* Partial year

	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	11.7	18.8	19.6	24.4	----	----
(RANK)	(28)	(42)	(58)	(32)	----	----
5TH %ILE	15.5	25.8	30.7	33.1	11.4	18.8
25TH %ILE	12.0	21.0	24.2	26.1	9.3	16.8
MEDIAN	9.1	17.4	20.5	20.8	7.7	15.5
75TH %ILE	5.2	13.2	16.9	14.4	4.7	13.7
95TH %ILE	-0.6	8.3	11.3	5.5	0.7	11.1
<b>Russ 2000</b>	<b>8.8</b>	<b>18.7</b>	<b>23.2</b>	<b>21.3</b>	<b>6.7</b>	<b>14.5</b>

Small Cap Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

**COMPARATIVE BENCHMARK: RUSSELL 2000**

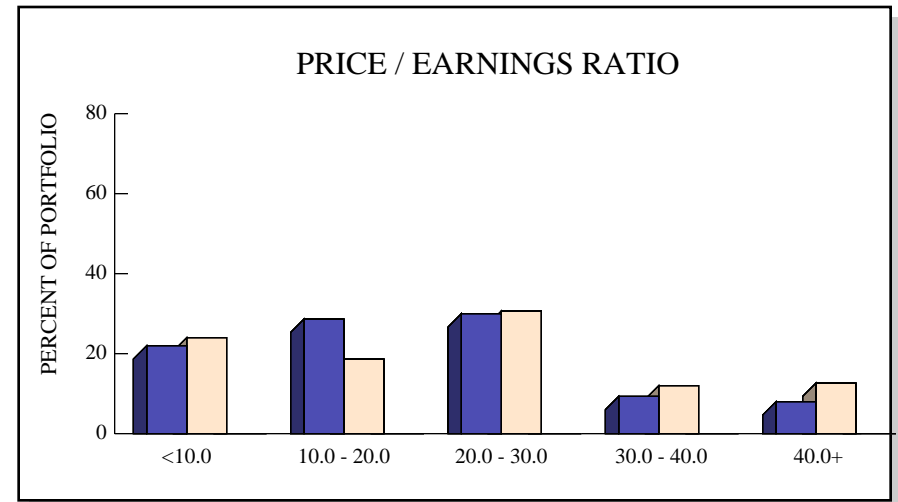
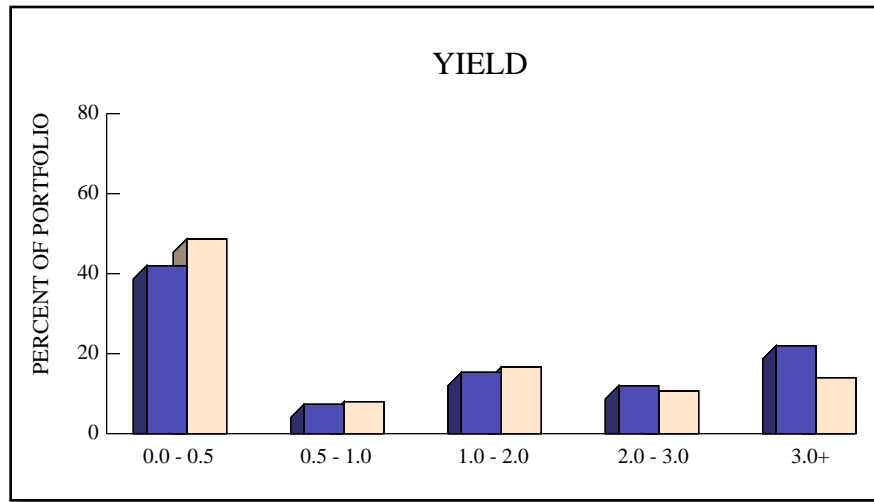


RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
9/14	-6.1	-7.4	1.3
12/14	6.1	9.7	-3.6
3/15	2.3	4.3	-2.0
6/15	-2.7	0.4	-3.1
9/15	-11.5	-11.9	0.4
12/15	3.5	3.6	-0.1
3/16	4.0	-1.5	5.5
6/16	0.7	3.8	-3.1
9/16	6.3	9.0	-2.7
12/16	11.7	8.8	2.9

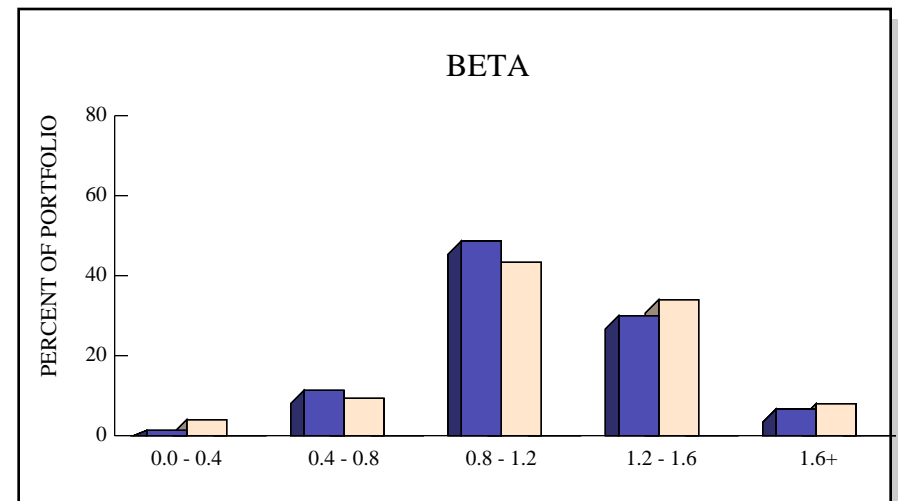
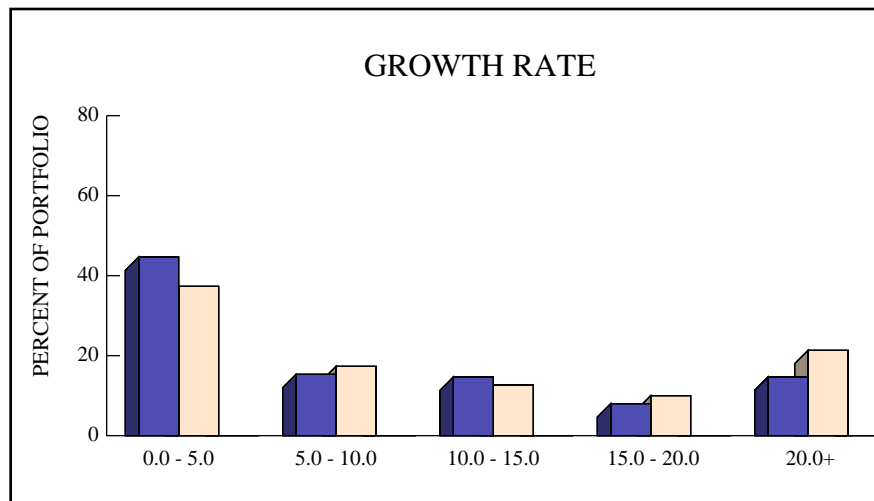
<b>Total Quarters Observed</b>	<b>10</b>
<b>Quarters At or Above the Benchmark</b>	<b>4</b>
<b>Quarters Below the Benchmark</b>	<b>6</b>
<b>Batting Average</b>	<b>.400</b>



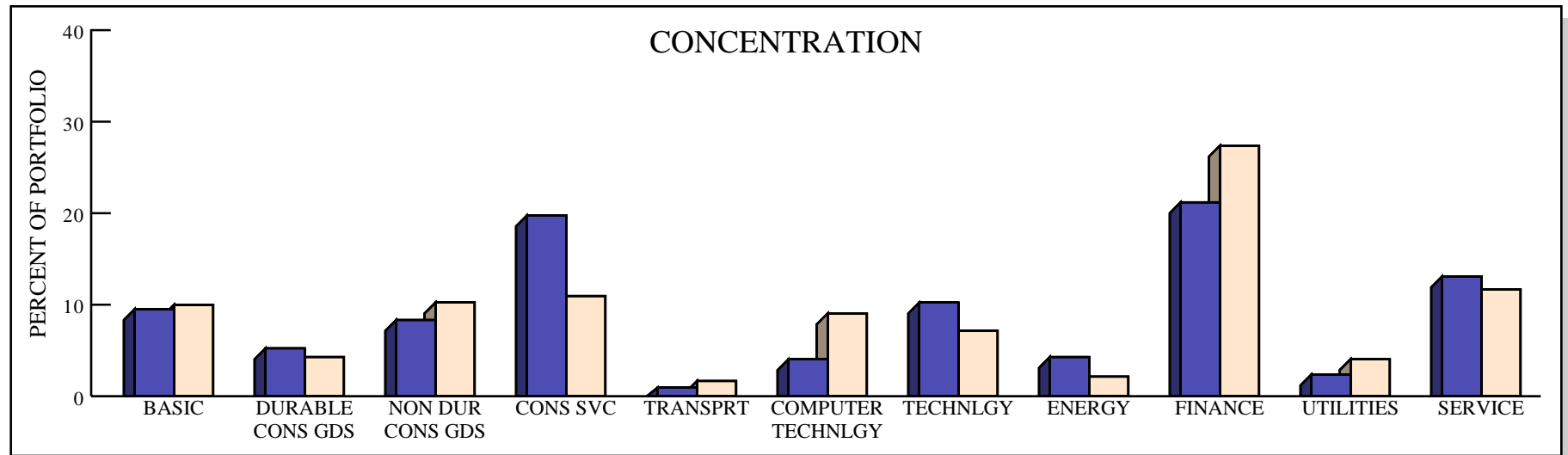
**STOCK CHARACTERISTICS**



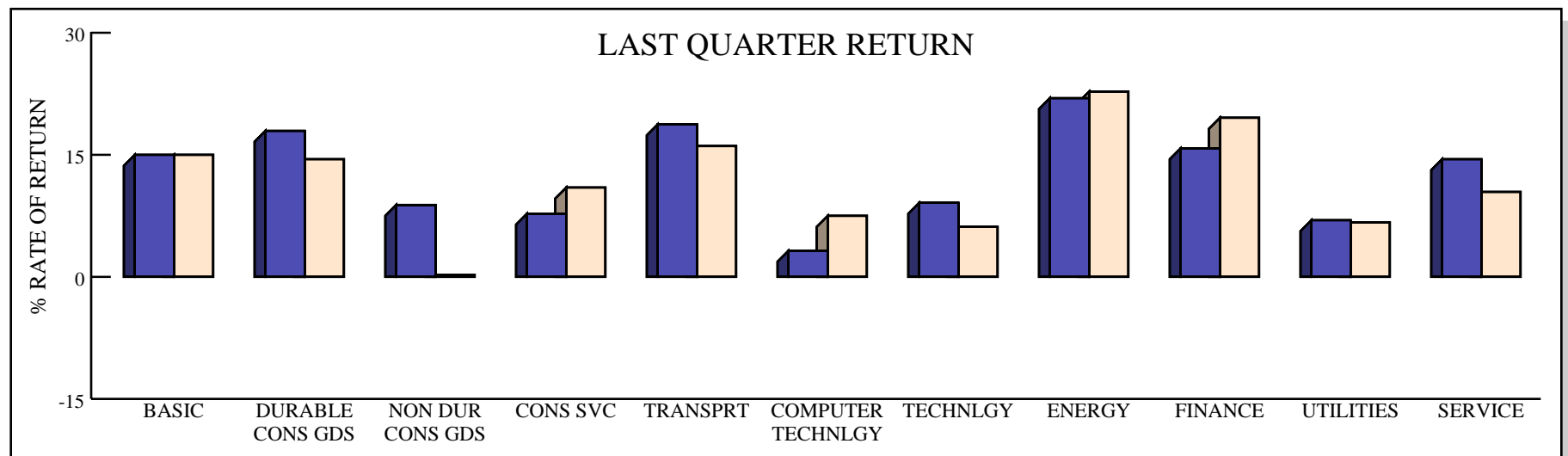
	# HOLDINGS	YIELD	GROWTH	P/E	BETA
PORTFOLIO	297	2.0%	6.5%	18.3	1.13
RUSSELL 2000	1,979	1.4%	10.9%	19.3	1.13



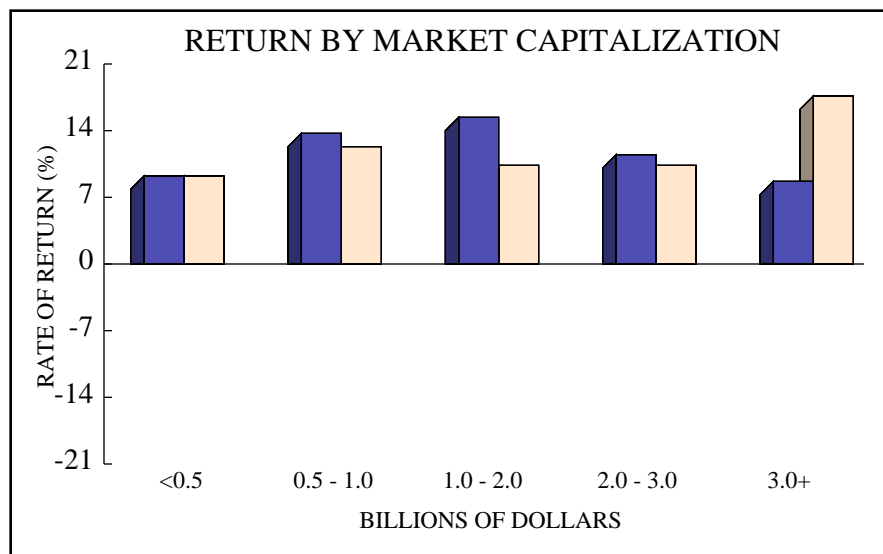
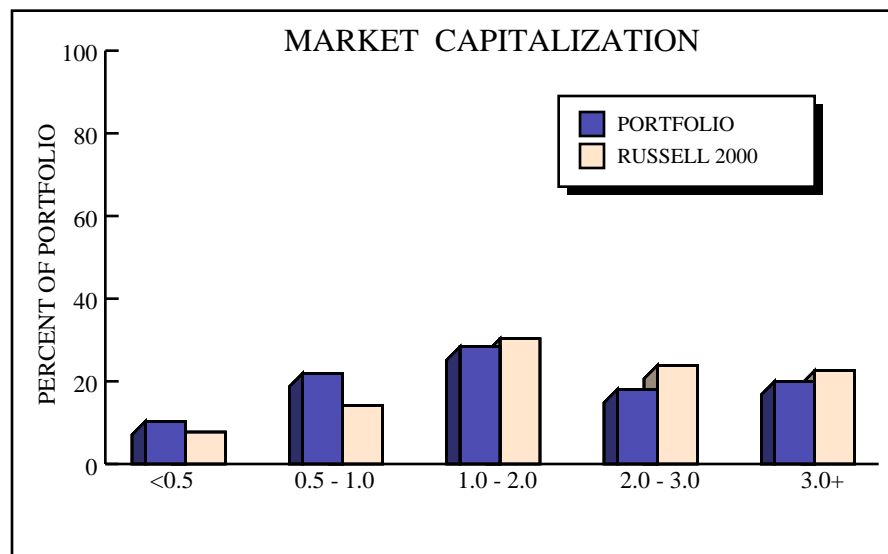
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL 2000



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	AG MORTGAGE INVESTMENT TRUST	\$ 48,849	.67%	11.4%	Finance	\$ 0.5 B
2	UNIT CORP	34,797	.48%	44.5%	Energy	1.4 B
3	TRANSOCEAN LTD	34,197	.47%	38.3%	Energy	5.7 B
4	RUDOLPH TECHNOLOGIES INC	30,822	.43%	31.6%	Durable Cons Goods	0.7 B
5	BANK OF THE OZARKS	30,765	.42%	37.2%	Finance	6.4 B
6	DENBURY RESOURCES INC	30,194	.42%	13.9%	Energy	1.5 B
7	ROWAN COMPANIES PLC-A	30,130	.42%	24.7%	Energy	2.4 B
8	NABORS INDUSTRIES LTD	29,848	.41%	35.2%	Energy	4.6 B
9	STEELCASE INC-CL A	29,803	.41%	29.5%	Durable Cons Goods	1.5 B
10	LASALLE HOTEL PROPERTIES	29,251	.40%	29.1%	Finance	3.4 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
PRIT - INT'L EQUITY  
PERFORMANCE REVIEW  
DECEMBER 2016

## **INVESTMENT RETURN**

On December 31st, 2016, the Franklin Regional Retirement System's PRIT International Equity portfolio was valued at \$5,677,427, a decrease of \$112,886 from the September ending value of \$5,790,313. Last quarter, the account recorded total net withdrawals of \$2,709 in addition to \$110,177 in net investment losses. The fund's net investment loss was a result of income receipts totaling \$27,421 and realized and unrealized capital losses totaling \$137,598.

Since September 2014, the account has recorded net contributions totaling \$136,533, while posting net investment losses totaling \$1,936. Since September 2014, if the account had earned a compound annual rate of 9.0% it would have been valued at \$6.9 million or \$1.2 million more than the actual value as of December 31st, 2016.

## **RELATIVE PERFORMANCE**

For the fourth quarter, the PRIT International Equity portfolio lost 1.9%, which was 1.2% below the MSCI EAFE Index's return of -0.7% and ranked in the 39th percentile of the International Equity universe. Over the trailing twelve-month period, this portfolio returned 1.8%, which was 0.3% greater than the benchmark's 1.5% performance, and ranked in the 61st percentile. Since September 2014, the portfolio returned 0.0% annualized and ranked in the 42nd percentile. The MSCI EAFE Index returned an annualized -1.1% over the same time frame.

## **ASSET ALLOCATION**

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

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

	Quarter	YTD	1 Year	3 Year	Since 09/14
<b>Total Portfolio - Gross</b>	-1.9	1.8	1.8	----	0.0
<i>INTERNATIONAL EQUITY RANK</i>	(39)	(61)	(61)	----	(42)
<b>Total Portfolio - Net</b>	-1.9	1.6	1.6	----	-0.2
MSCI EAFE	-0.7	1.5	1.5	-1.2	-1.1
ACWI EX US	-1.2	5.0	5.0	-1.3	-1.9
MSCI EMG MKTS	-4.1	11.6	11.6	-2.2	-4.1
<b>International Equity - Gross</b>	-1.9	1.8	1.8	----	0.0
<i>INTERNATIONAL EQUITY RANK</i>	(39)	(61)	(61)	----	(42)
MSCI EAFE	-0.7	1.5	1.5	-1.2	-1.1

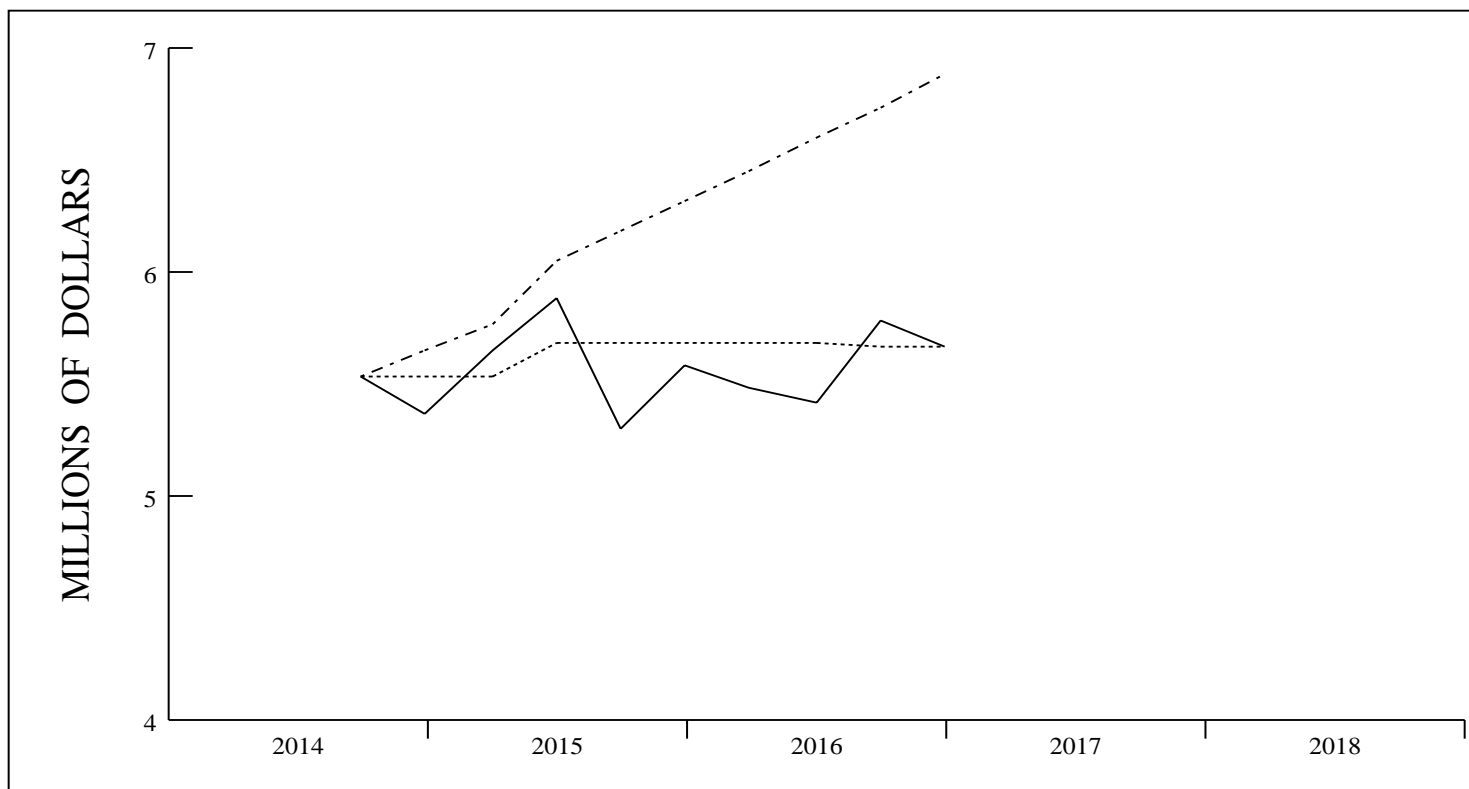
**ASSET ALLOCATION**

Int'l Equity	100.0%	\$ 5,677,427
Total Portfolio	100.0%	\$ 5,677,427

**INVESTMENT RETURN**

Market Value 9/2016	\$ 5,790,313
Contribs / Withdrawals	-2,709
Income	27,421
Capital Gains / Losses	-137,598
Market Value 12/2016	\$ 5,677,427

**INVESTMENT GROWTH**

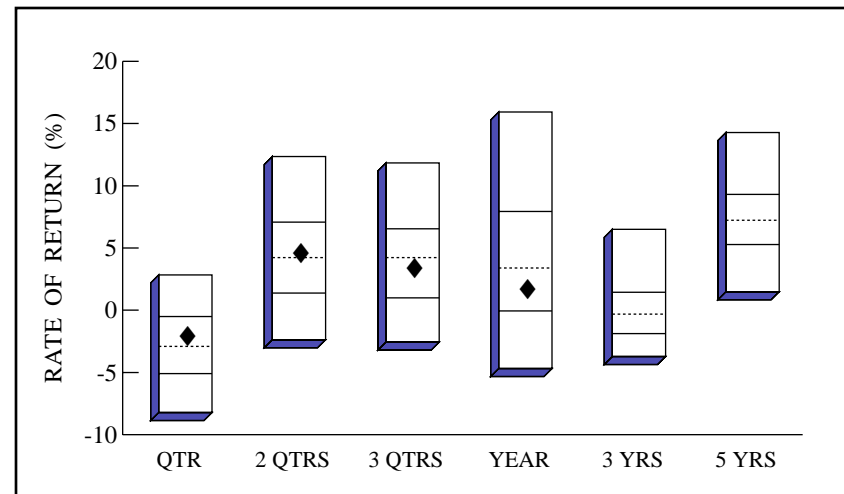
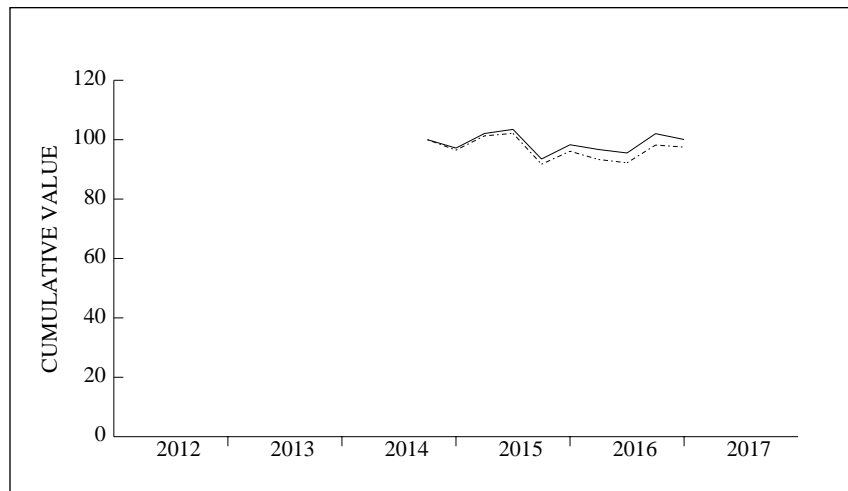


— ACTUAL RETURN  
 - - - 9.0%  
 . . . 0.0%

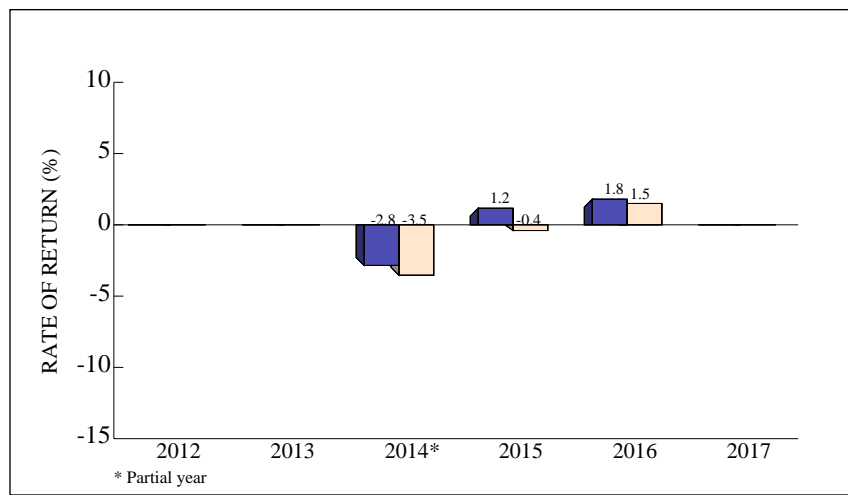
VALUE ASSUMING  
 9.0% RETURN    \$ 6,885,711

	LAST QUARTER	PERIOD 9/14 - 12/16
BEGINNING VALUE	\$ 5,790,313	\$ 5,542,830
NET CONTRIBUTIONS	- 2,709	136,533
INVESTMENT RETURN	-110,177	- 1,936
ENDING VALUE	\$ 5,677,427	\$ 5,677,427
INCOME	27,421	344,057
CAPITAL GAINS (LOSSES)	-137,598	-345,993
INVESTMENT RETURN	-110,177	- 1,936

**TOTAL RETURN COMPARISONS**



International Equity Universe



\* Partial year

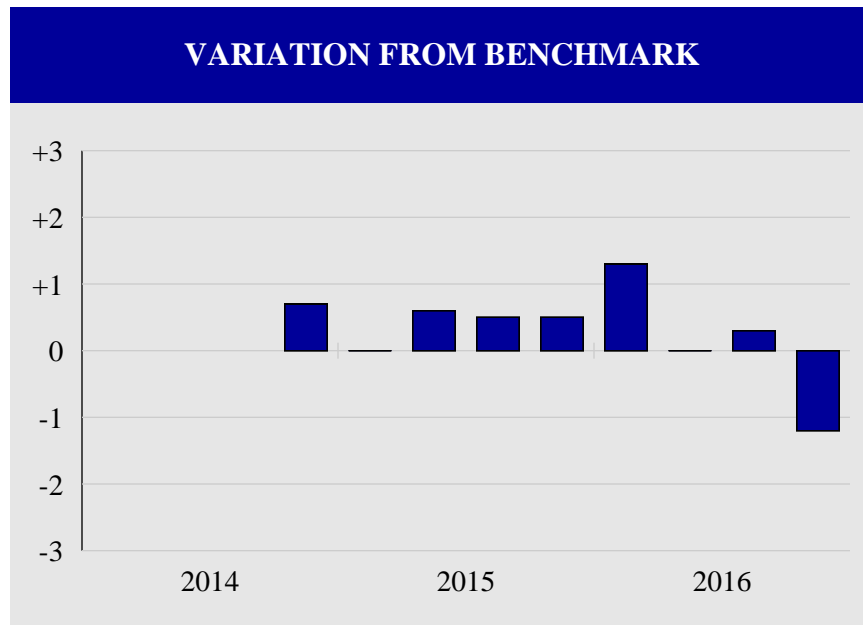
	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	-1.9	4.8	3.5	1.8	----	----
(RANK)	(39)	(46)	(59)	(61)	----	----
5TH %ILE	2.8	12.4	11.8	15.9	6.5	14.3
25TH %ILE	-0.5	7.1	6.5	7.9	1.5	9.3
MEDIAN	-2.9	4.2	4.2	3.4	-0.3	7.2
75TH %ILE	-5.1	1.4	1.0	-0.1	-1.9	5.3
95TH %ILE	-8.2	-2.4	-2.6	-4.7	-3.7	1.5
<b>MSCI EAFE</b>	<b>-0.7</b>	<b>5.8</b>	<b>4.5</b>	<b>1.5</b>	<b>-1.2</b>	<b>7.0</b>

International Equity Universe



**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

**COMPARATIVE BENCHMARK: MSCI EAFE**



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

<b>Total Quarters Observed</b>	<b>9</b>
<b>Quarters At or Above the Benchmark</b>	<b>8</b>
<b>Quarters Below the Benchmark</b>	<b>1</b>
<b>Batting Average</b>	<b>.889</b>

FRANKLIN REGIONAL RETIREMENT SYSTEM  
PRIT - CORE REAL ESTATE ACCOUNT  
PERFORMANCE REVIEW  
DECEMBER 2016

## **INVESTMENT RETURN**

On December 31st, 2016, the Franklin Regional Retirement System's PRIT Core Real Estate Account portfolio was valued at \$12,747,887, a decrease of \$74,949 from the September ending value of \$12,822,836. Last quarter, the account recorded total net withdrawals of \$14,988 in addition to \$59,961 in net investment losses. The fund's net investment loss was a result of income receipts totaling \$127,695 and realized and unrealized capital losses totaling \$187,656.

Since December 2011, the account has recorded net contributions totaling \$3.8 million, and generated net investment gains totaling \$4.6 million. Since December 2011, if the account earned a compound annual rate of 8.25% it would have been valued at \$11.2 million or \$1.5 million less than the actual value as of December 31st, 2016.

## **RELATIVE PERFORMANCE**

For the fourth quarter, the PRIT Core Real Estate Account portfolio returned -0.5%, which was 2.6% below the NCREIF NFI-ODCE Index's return of 2.1%. Over the trailing year, the portfolio returned 7.7%, which was 1.0% below the benchmark's 8.7% return. Since December 2011, the portfolio returned 11.8% on an annualized basis, while the NCREIF NFI-ODCE Index returned an annualized 12.2% 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	3 Year	5 Years
<b>Total Portfolio - Gross</b>	-0.5	7.7	7.7	11.4	11.8
<b>Total Portfolio - Net</b>	-0.6	7.2	7.2	10.8	11.2
NCREIF ODCE	2.1	8.7	8.7	12.0	12.2
<b>Real Estate - Gross</b>	-0.5	7.7	7.7	11.4	11.8
NCREIF ODCE	2.1	8.7	8.7	12.0	12.2

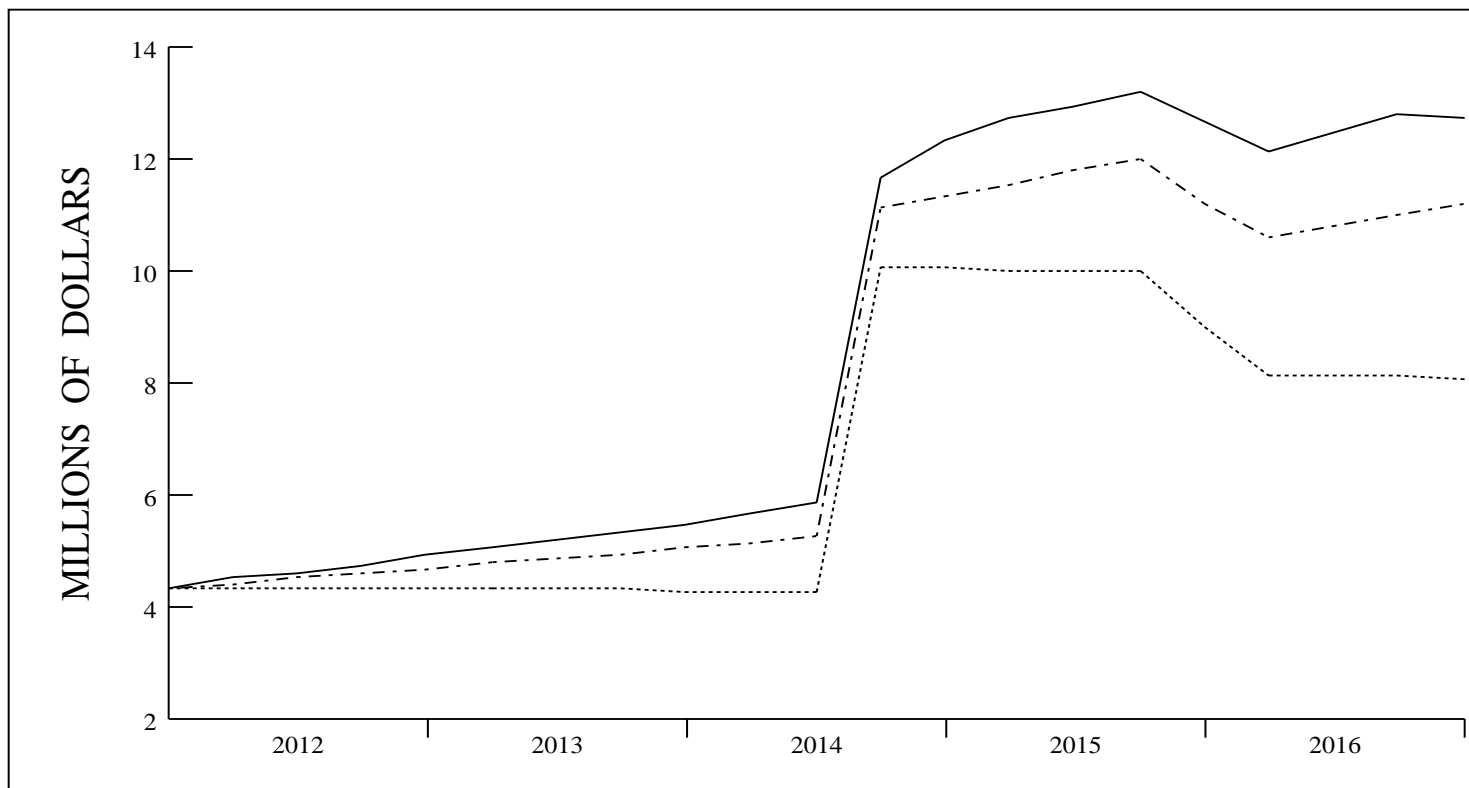
**ASSET ALLOCATION**

Real Estate	100.0%	\$ 12,747,887
Total Portfolio	100.0%	\$ 12,747,887

**INVESTMENT RETURN**

Market Value 9/2016	\$ 12,822,836
Contribs / Withdrawals	- 14,988
Income	127,695
Capital Gains / Losses	-187,656
Market Value 12/2016	\$ 12,747,887

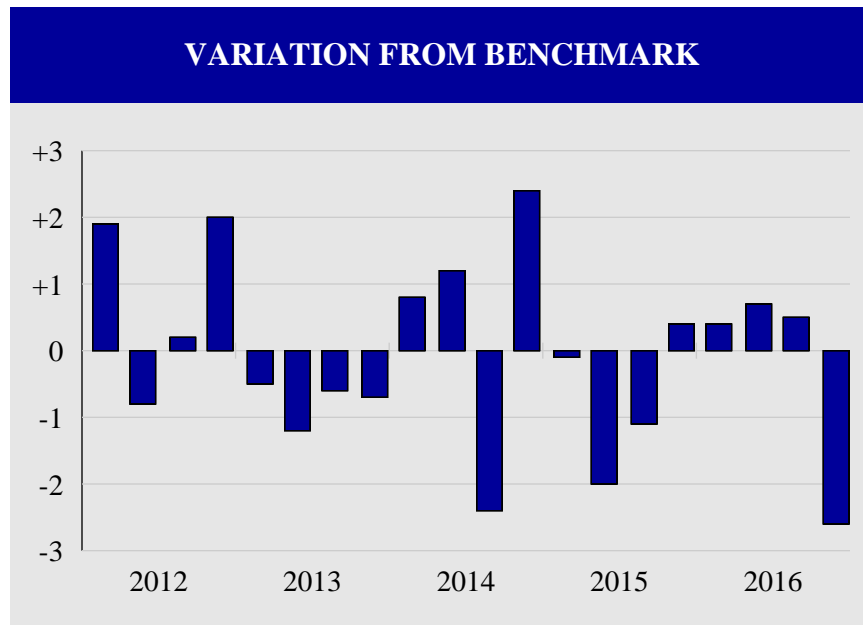
**INVESTMENT GROWTH**



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

VALUE ASSUMING  
 8.25% RETURN \$ 11,224,338

	LAST QUARTER	PERIOD 12/11 - 12/16
BEGINNING VALUE	\$ 12,822,836	\$ 4,335,832
NET CONTRIBUTIONS	- 14,988	3,792,742
<u>INVESTMENT RETURN</u>	<u>- 59,961</u>	<u>4,619,313</u>
ENDING VALUE	\$ 12,747,887	\$ 12,747,887
INCOME	127,695	2,072,025
CAPITAL GAINS (LOSSES)	<u>-187,656</u>	<u>2,547,288</u>
INVESTMENT RETURN	- 59,961	4,619,313

**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>10</b>
<b>Quarters Below the Benchmark</b>	<b>10</b>
<b>Batting Average</b>	<b>.500</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
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
3/16	2.6	2.2	0.4
6/16	2.8	2.1	0.7
9/16	2.6	2.1	0.5
12/16	-0.5	2.1	-2.6

FRANKLIN REGIONAL RETIREMENT SYSTEM  
INCOME RESEARCH & MANAGEMENT - CORE BOND FUND  
PERFORMANCE REVIEW  
DECEMBER 2016

## **INVESTMENT RETURN**

On December 31st, 2016, the Franklin Regional Retirement System's Income Research & Management Core Bond Fund was valued at \$15,900,782, a decrease of \$424,163 from the September ending value of \$16,324,945. Last quarter, the account recorded no net contributions or withdrawals, while recording a net investment loss for the quarter of \$424,163. Since there were no income receipts for the fourth quarter, net investment losses were the result of capital losses (realized and unrealized).

Since December 2011, the account has recorded net contributions totaling \$3.2 million, and generated net investment gains totaling \$1.9 million. Since December 2011, if the account had earned a compound annual rate of 6.0% it would have been valued at \$17.8 million or \$1.9 million more than the actual value as of December 31st, 2016.

## **RELATIVE PERFORMANCE**

For the fourth quarter, the Income Research & Management Core Bond Fund lost 2.6%, which was 0.4% above the Bloomberg Barclays Aggregate Index's return of -3.0% and ranked in the 25th percentile of the Core Fixed Income universe. Over the trailing twelve-month period, this portfolio returned 3.5%, which was 0.8% greater than the benchmark's 2.7% performance, and ranked in the 35th percentile. Since December 2011, the portfolio returned 3.4% annualized and ranked in the 18th percentile. The Bloomberg Barclays Aggregate Index returned an annualized 2.2% over the same time frame.

## **ASSET ALLOCATION**

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

## **ANALYSIS**

At the end of the quarter, USG rated securities comprised approximately 35% of the bond portfolio, while corporate securities, rated AAA through BBB, comprised the remainder, giving the portfolio an overall average quality rating of AAA-AA. The average maturity of the portfolio was 7.94 years, less than the Bloomberg Barclays Aggregate Index's 8.19-year maturity. The average coupon was 3.66%.



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

	Quarter	YTD	1 Year	3 Year	5 Years
<b>Total Portfolio - Gross</b>	-2.6	3.5	3.5	3.7	3.4
<i>CORE FIXED INCOME RANK</i>	(25)	(35)	(35)	(25)	(18)
<b>Total Portfolio - Net</b>	-2.7	3.1	3.1	3.3	3.0
AGGREGATE INDEX	-3.0	2.7	2.7	3.0	2.2
<b>Fixed Income - Gross</b>	-2.6	3.5	3.5	3.7	3.4
<i>CORE FIXED INCOME RANK</i>	(25)	(35)	(35)	(25)	(18)
AGGREGATE INDEX	-3.0	2.7	2.7	3.0	2.2
GOV/CREDIT	-3.4	3.0	3.0	3.0	2.3

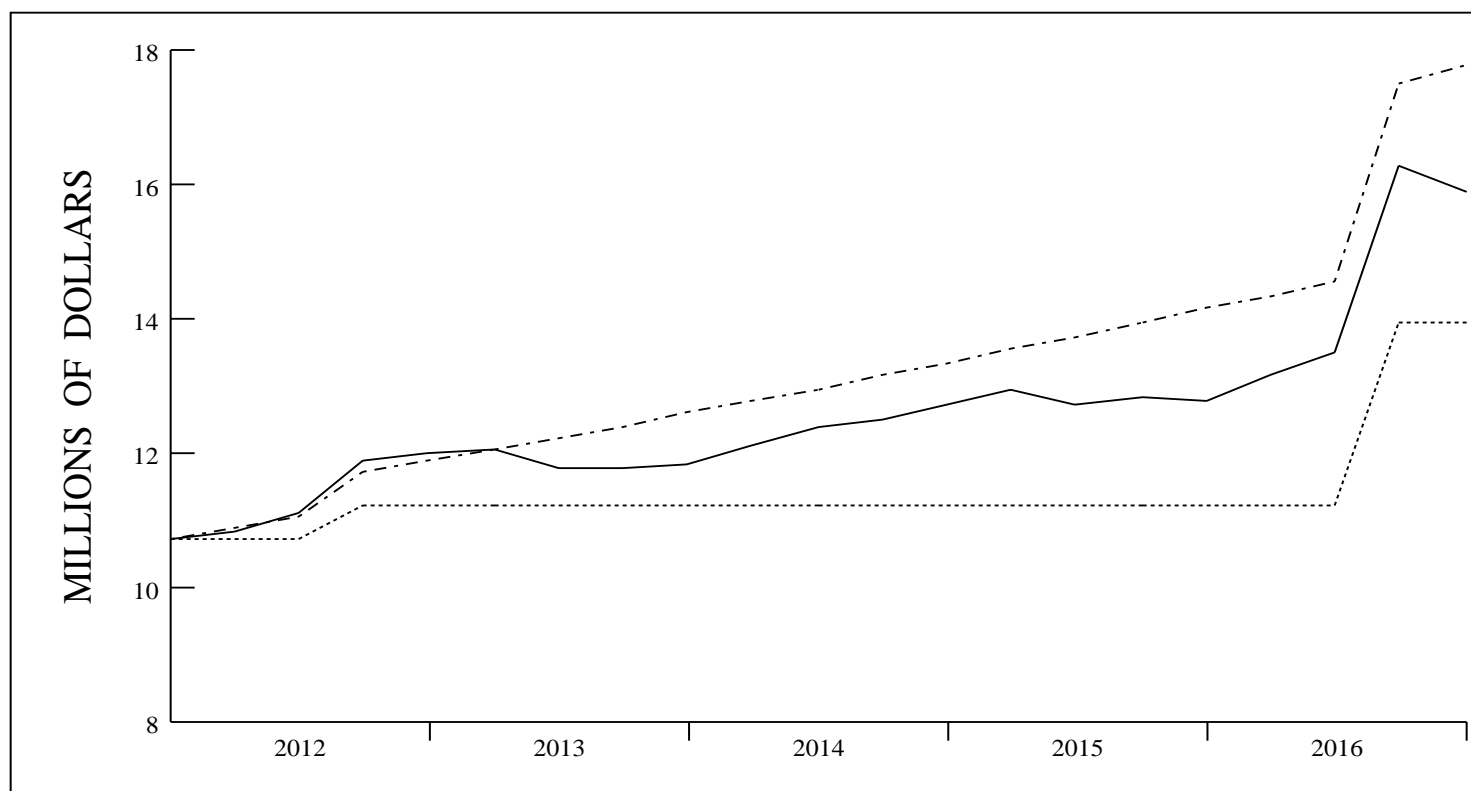
**ASSET ALLOCATION**

Fixed Income	100.0%	\$ 15,900,782
Total Portfolio	100.0%	\$ 15,900,782

**INVESTMENT RETURN**

Market Value 9/2016	\$ 16,324,945
Contribs / Withdrawals	0
Income	0
Capital Gains / Losses	-424,163
Market Value 12/2016	\$ 15,900,782

**INVESTMENT GROWTH**

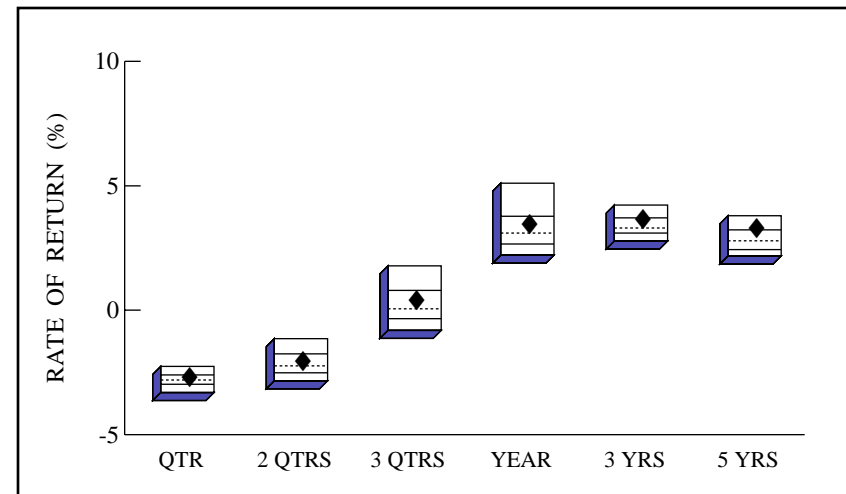
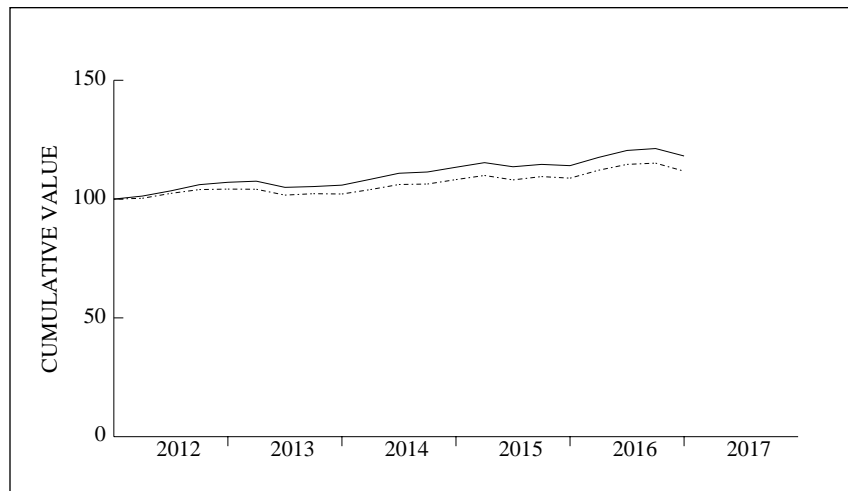


— ACTUAL RETURN  
 - - - 6.0%  
 ..... 0.0%

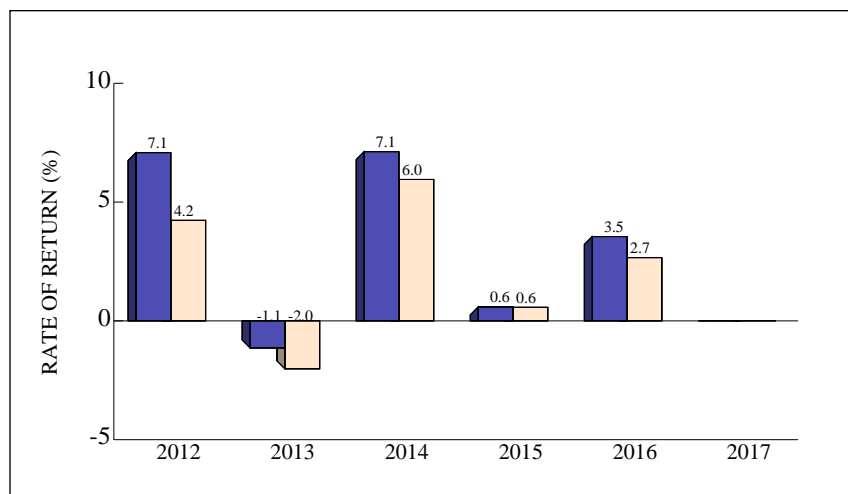
VALUE ASSUMING  
 6.0% RETURN \$ 17,808,241

	LAST QUARTER	PERIOD 12/11 - 12/16
BEGINNING VALUE	\$ 16,324,945	\$ 10,748,027
NET CONTRIBUTIONS	0	3,206,508
INVESTMENT RETURN	<u>-424,163</u>	<u>1,946,247</u>
ENDING VALUE	\$ 15,900,782	\$ 15,900,782
INCOME	0	0
CAPITAL GAINS (LOSSES)	<u>-424,163</u>	<u>1,946,247</u>
INVESTMENT RETURN	-424,163	1,946,247

**TOTAL RETURN COMPARISONS**

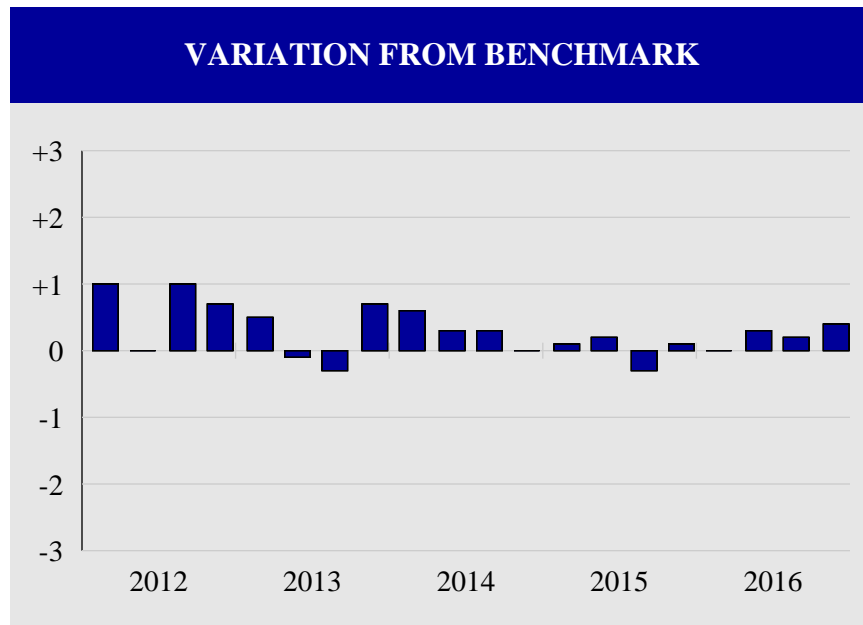


Core Fixed Income Universe



	QTR	2 QTRS	3 QTRS	YEAR	3 YRS	5 YRS
RETURN	-2.6	-2.0	0.5	3.5	3.7	3.4
(RANK)	(25)	(39)	(36)	(35)	(25)	(18)
5TH %ILE	-2.3	-1.1	1.8	5.1	4.2	3.8
25TH %ILE	-2.6	-1.8	0.8	3.8	3.7	3.2
MEDIAN	-2.8	-2.2	0.1	3.1	3.3	2.8
75TH %ILE	-3.0	-2.5	-0.3	2.7	3.1	2.4
95TH %ILE	-3.3	-2.8	-0.8	2.2	2.8	2.2
<i>Agg Index</i>	<i>-3.0</i>	<i>-2.5</i>	<i>-0.4</i>	<i>2.7</i>	<i>3.0</i>	<i>2.2</i>

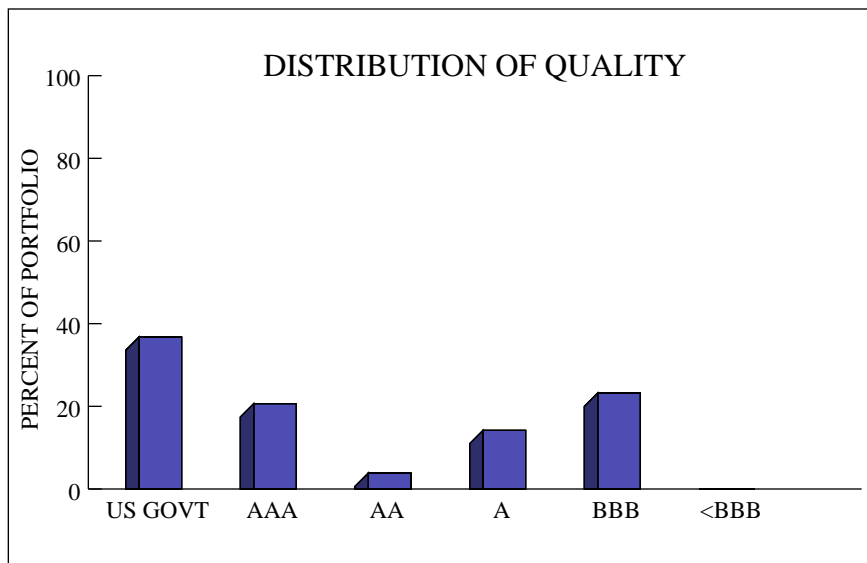
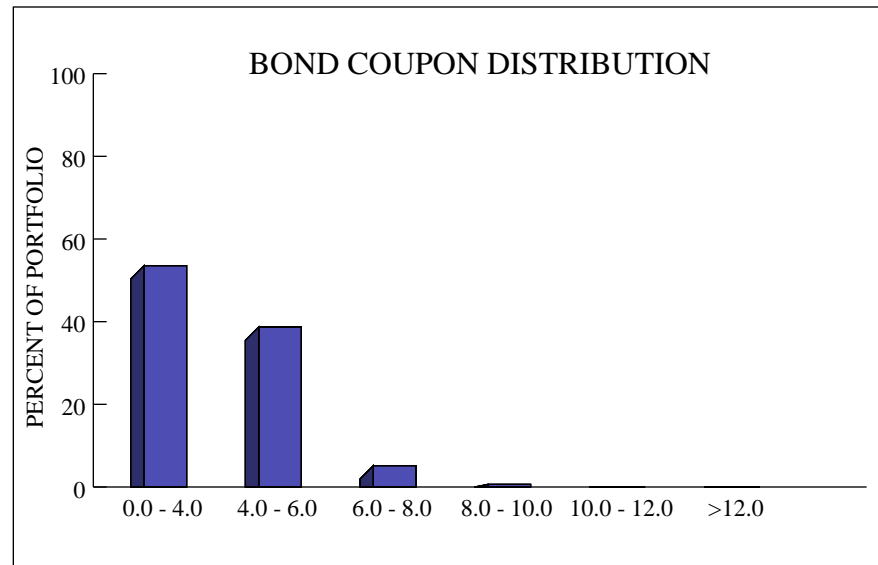
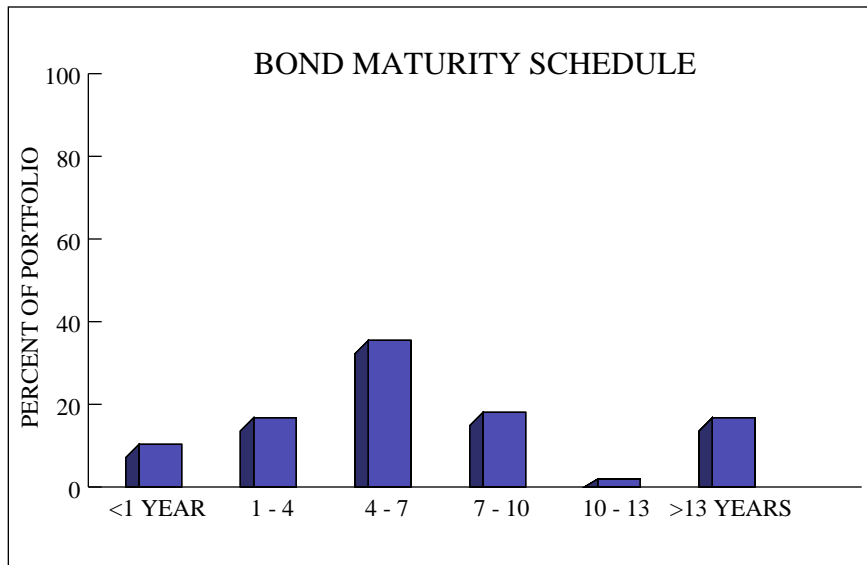
Core Fixed Income Universe

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

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

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
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
3/16	3.0	3.0	0.0
6/16	2.5	2.2	0.3
9/16	0.7	0.5	0.2
12/16	-2.6	-3.0	0.4

**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>AGGREGATE INDEX</b>
No. of Securities	263	10,069
Duration	5.98	5.89
YTM	2.81	2.61
Average Coupon	3.66	3.08
Avg Maturity / WAL	7.94	8.19
Average Quality	AAA-AA	USG-AAA