

**FRANKLIN REGIONAL RETIREMENT SYSTEM**

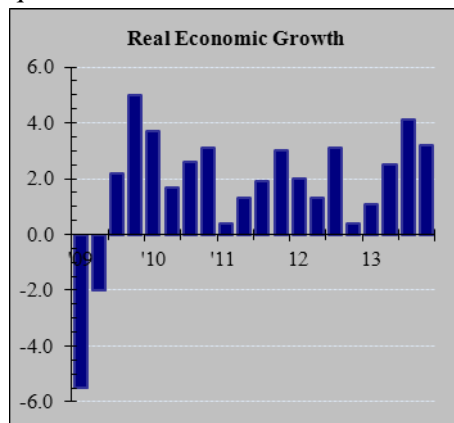
**PERFORMANCE REVIEW  
DECEMBER 2013**



## ECONOMIC ENVIRONMENT

### *Ben Bernanke Taps Breaks as He Prepares to Leave*

The stars lined up to provide a favorable economic climate in the fourth quarter of 2013:



Following the surprisingly robust third quarter GDP rate of 4.1%, the fourth quarter's figure of 3.2% indicated that the economy is strong. The job market continues to improve steadily but slowly, although December hires were disappointing. Housing prices and new starts were solid and manufacturing grew at a

relatively fast pace. Consumer confidence was near the top of the scale and inflation stayed remarkably tame, thanks to the Fed's steady hand and ongoing bond purchase program. In addition, Congress finally hammered out a two-year budget deal, although the debt ceiling issue remains unresolved. Finally, the Fed started a modest tapering program that garnered investors' praise and drove US stock prices to record levels.

- *The fourth quarter GDP growth rate was 3.2% and the final revision to the third quarter rate was 4.1%. These are both significantly above the 2.5% expansion in the second quarter of 2013*
- *December job growth was a disappointing 74,000, but overall unemployment dropped to 6.7%. This was 1.2% below the rate just one year ago*
- *Housing prices continued to advance through November (latest data available). For the latest 12-months, price gains were*

*11.8%. There was more good news on the foreclosure front. November foreclosures of 46,000 were down 29% from one year ago.*

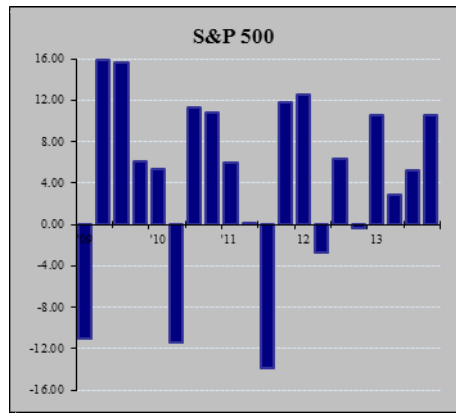
- *The December ISM Manufacturing Index was 57%, scoring the second highest reading of the year and the 55<sup>th</sup> consecutive month of expansion! New orders were also robust as that index rose to 64.2, the highest since April 2010.*
- *At year-end, the Consumer Confidence Index stood at 78.1, close to the April 2008 pre-recession high of 81.9. Consumers expressed optimism regarding future economic growth and job prospects; however, that confidence did not extend to wage gains.*
- *Inflation remained tame at 1.5% for the 12 months ended December 2013.*
- *Lawmakers were able to agree on a Federal budget for the next two years. In addition, the ongoing budget sequester was pared back.*
- *After a mid-year false start, the Fed has begun to trim its bond-buying program, known as QE3.*

## DOMESTIC EQUITY MARKET

### *A Record-Beating Quarter*

Stock indices performed spectacularly, many ending the year at record highs. The NASDAQ Composite set the pace, soaring 11.1% for the quarter and rocketing up 40.1% for the year. The bellwether S&P 500 advanced 10.5% for the quarter and surged 32.4% for the year. Several of the Russell indices also set records. The broadest of these, the Russell 3000, returned 10.1% and 33.6%, respectively. Large-cap stocks performed better than small caps for the quarter, but the situation was reversed for the year. There was little difference between growth and

value styles for either period. Overall, it was a bang-up year for investors who stayed the course.



Predictably, every S&P stock sector advanced for the quarter. Computer technology returned 15.5%. Basic industry names gained 14%, aided by the turnaround in manufacturing. Financial companies moved up 11.6%, re-energized by the overall economy. Consumer discretionary and staples each advanced approximately 10%,

in line with shopper optimism. Energy, too, gained 9.8%. Utilities (3.9%) brought up the rear as investors drifted away from defensive companies.

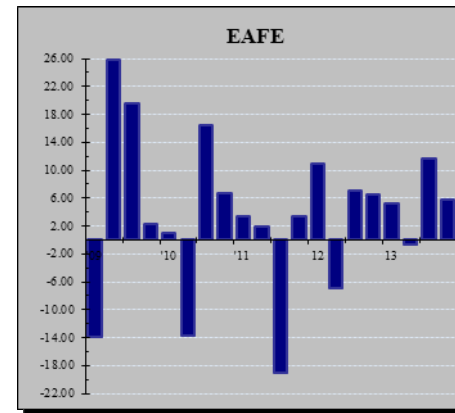
After the breathtaking 2013 performance, the year-end price/earnings ratio is up to 22, arguably pricey. On the other hand, the positive economic outlook and corporate earnings growth could very well point to further gains.

## INTERNATIONAL EQUITIES

### *Developed Markets Performed Well, While EM Did Not*

MSCI EAFE developed markets failed to match the US markets, but turned in a respectable 5.8%. The Euro countries led the pack with a 9.7% gain. ECB stimulus helped European share prices. Germany, the heaviest-weighted component, posted 13.3%. France, the other heavy hitter, managed a 6.2% return despite a somewhat sluggish economy. Unexpectedly, indices of the weakest Euro countries rallied as investors were encouraged by their ability to sell new sovereign debt at tolerable

interest rates. Spain rose 11.6%; Italy added 10.7%; and Ireland increased 11.3%. Only Portugal disappointed, gaining a meager 1.3%.



While not part of the European Union, the UK market nonetheless picked up steam in the second half of the year, rising 7.4% in sync with its improving economy.

Australia benefited from firming commodity exports and a depreciating currency. Since the currency decline dominated, its index modestly

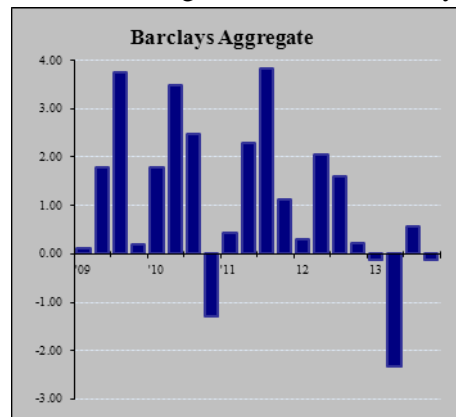
lost ground (-0.8%) in US dollar terms. Other Pacific nations did not fare well either. Japan, the regional heavyweight, added just 2.3%. However, Prime Minister Abe's substantial quantitative easing tactics contributed greatly to the full year's 27.4% return (which was double that in yen terms). Hong Kong, a proxy for China, rose 3.4%. Singapore's market gained a nominal 0.7%, reflecting internal political unrest

Most emerging markets were unkind to investors; the MSCI EM Index appreciated a scant 1.9%. The low return was conditioned by major political, military, weather-related and internal economic problems. EM's full-year return was a negative 2.3% as investor's shunned these countries.

## BOND MARKET

### *Taper Expectations Led to Higher Yields & Negative Returns*

The fourth quarter's interest rate hikes killed the performance of long bonds. Starting from an historically low level, interest rates rose in



anticipation of the Fed's tapering. The benchmark 10-year Treasury note yield rose 42 basis points to 3.03% at year-end. Fortunately, interest rates held steady after the December 18<sup>th</sup> tapering announcement. Accordingly, intermediate and long-dated Treasuries tumbled in price, as the low coupon income could not offset the

price decline. Investment grade corporates fared better, but only high yield (junk) bonds earned a meaningful return. The investment grade Barclay's Aggregate Index, 40% of which is comprised of government obligations, lost 14 basis points for the quarter and 2.0% for the year.

The Treasury component of the index lost ¾% for the quarter. However, the longer the Treasury maturity the more negative the outcome. Treasuries maturing beyond 20-years sustained the most damage; this group gave back 3.2% in total return for Q4 and almost 14% for 2013.

Investment grade corporates managed a positive 1.1% quarterly return, reflecting strong corporate balance sheets. Financial corporates were the best performers (+1.4%) and utilities, the worst (+0.7%). Longer-maturity residential mortgage debt lost 0.4%, despite an improving housing market. By comparison, commercial mortgages (CMBS) gained 0.5% and asset-backed securities (ABS) ticked up 0.3%. The auto credit subcomponent was the best ABS performer (+0.5%), benefiting from

robust auto sales. Overall, these small gains weren't enough to move the Aggregate Index into positive territory.

The below-investment grade corporates again were more sensitive to the bullish equity market than to higher yields, especially since most junk bonds have maturities below 10 years. The lower the credit rating, the higher was the return. The top tier BAs earned an average 3.2%, single Bs added 3.6% and CAAs climbed 4.3%. Investors who were willing to take CA-D credit risk enjoyed an equity-like 10.2% outcome! Still, unless a bond investor had a significant weighting to junk bonds, overall portfolio return remained depressed.

The G-6 Global Treasury return was -1.2%, but masked significant differences among the six country components. Investor confidence in France, Italy and Germany buoyed their respective sovereign debt returns. All three were positive, with Italy the top performer (+5.5%). Canadian sovereigns fell 3.6%, similar to its intermediate US Treasury counterpart. Japan's currency weakness drove down its sovereigns by 6.5%. The UK component return was +0.8%. Emerging market sovereigns collectively earned +0.9%. However, the results were markedly varied. At the top were Honduras (+12%) and the Ukraine (+11%). Venezuela (-3.9%) and Turkey (-2.6%) brought up the rear, as both countries suffered currency depreciation and inflationary pressures.

## CASH EQUIVALENTS

### *The Same Story*

Treasuries maturing in less than one year posted net gains of just one or two basis points. This meant that cash was a better choice than longer maturity bonds. It has now been six years since cash equivalents generated significant income.

**MARKET SUMMARY**

**ECONOMIC STATISTICS**

	CURRENT QTR	LAST QTR
GDP	3.2	4.1
Unemployment	6.7	7.2
CPI All Items Year/Year	1.50	1.18
Fed Funds Rate	0.25	0.25
Industrial Capacity	79.2	78.3
US Dollars per Euro	1.38	1.35

**MAJOR INDEX QUARTER RETURNS**

INDEX	PERFORMANCE
Russell 3000	10.1
S&P 500	10.5
Russell Mid	8.4
Russell 2000	8.7
MSCI EAFE	5.7
MSCI Emg Mkts	1.9
NCREIF ODCE	3.2
Barclays Agg	-0.1
90 Day Tbills	0.0

**EQUITY RETURN DISTRIBUTIONS**

	QUARTER			TRAILING YEAR		
	VAL	COR	GRO	VAL	COR	GRO
LC	10.0	10.2	10.4	32.5	33.1	33.5
MC	8.6	8.4	8.2	33.5	34.8	35.8
SC	9.3	8.7	8.2	34.5	38.8	43.3

**MARKET SUMMARY**

- \* GDP increased at a rate of 3.2% in Q4. The BEA revised GDP in Q3 upward to 4.1%.
- \* The unemployment rate continued to fall to 6.7%.
- \* CPI increased at a rate of 1.5% year over year.
- \* Domestic equities surged in Q4. Large Cap Growth posted the strongest performance, while Small Cap Growth posted the weakest.
- \* The US Dollar weakened relative to the Euro.

## **INVESTMENT RETURN**

On December 31st, 2013, the Franklin Regional Retirement System was valued at \$114,334,465, representing an increase of \$5,445,375 from the September quarter's ending value of \$108,889,090. Last quarter, the Fund posted withdrawals totaling \$871,868, which partially offset the portfolio's net investment return of \$6,317,243. Income receipts totaling \$543,012 plus net realized and unrealized capital gains of \$5,774,231 combined to produce the portfolio's net investment return.

For the cumulative period since December 2008, the fund has recorded net contributions totaling \$2.1 million, and recorded net investment gains of \$52.7 million. For the period since December 2008, if the total fund had returned a compounded nominal rate of 8.0% it would have been valued at \$90.3 million or \$24.0 million less than the actual value as of December 31st, 2013.

## **RELATIVE PERFORMANCE**

### **Total Fund**

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

In the fourth quarter, the Composite portfolio gained 5.8%, which was 0.3% below the Franklin Regional Policy Index's return of 6.1% and ranked in the 35th percentile of the Public Fund universe. Over the trailing year, the portfolio returned 19.7%, which was 0.1% less than the benchmark's 19.8% performance, and ranked in the 13th percentile. Since December 2008, the portfolio returned 13.2% on an annualized basis and ranked in the 23rd percentile. For comparison, the Franklin Regional Policy Index returned an annualized 12.6% over the same period.

### **PRIT Core**

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

In the fourth quarter, the prit core segment returned 4.9%, which was 0.3% less than the Custom Core Index's return of 5.2%. Over the trailing twelve-month period, this segment returned 15.5%, which was 1.1% less than the benchmark's 16.6% performance. Since December 2008, this component returned 12.0% on an annualized basis, while the Custom Core Index returned an annualized 11.9% over the same time frame.

### **Domestic Equity**

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

For the fourth quarter, the domestic equity component returned 10.9%, which was 1.7% greater than the Franklin County Equity Index's return of 9.2% and ranked in the 28th percentile of the All Cap universe. Over the trailing year, this segment returned 43.6%, which was 8.1% above the benchmark's 35.5% performance, and ranked in the 15th percentile. Since December 2008, this component returned 22.4% on an annualized basis and ranked in the 31st percentile. The Franklin County Equity Index returned an annualized 20.2% during the same period.

## **Real Estate**

During the fourth quarter, the real estate segment gained 2.5%, which was 0.7% below the NCREIF NFI-ODCE Index's return of 3.2%. Over the trailing year, this component returned 10.8%, which was 3.2% below the benchmark's 14.0% return. Since December 2008, this component returned 2.8% per annum, while the NCREIF NFI-ODCE Index returned an annualized 3.7% over the same period.

## **Fixed Income**

The fixed income assets gained 0.6% last quarter, 0.7% greater than the Barclays Aggregate Index's return of -0.1% and ranked in the 9th percentile of the Core Fixed Income universe. Over the trailing twelve months, this component returned -1.1%; that return was 0.9% above the benchmark's -2.0% return, and ranked in the 23rd percentile. Since December 2008, this component returned 6.6% on an annualized basis and ranked in the 27th percentile. The Barclays Aggregate Index returned an annualized 4.5% over the same period.

**Franklin Regional Retirement System**  
**Total Fund Asset Allocation Analysis**  
**As of December 31, 2013**

**Total Fund Assets \$ 114,334,465**

<b>Allocation by Manager</b>						
	PRIT Fund Actual Allocation	FRRS Allocation	Target Allocation	Target Dollars	Actual Dollars	
PRIT Core Fund	100.0%	54.6%	55.0%	\$ 62,883,956	\$ 62,424,659	\$ (459,297)
<b>Domestic Equity</b>	20.6%	11.3%			\$ 12,884,450	
<b>Int'l Equity</b>	18.4%	10.0%			\$ 11,454,925	
<b>E.M. Int'l Equity</b>	7.0%	3.8%			\$ 4,375,969	
<b>Core Fixed Income</b>	12.6%	6.9%			\$ 7,840,537	
<b>Value Added Fixed Income</b>	9.4%	5.1%			\$ 5,867,918	
<b>Real Estate</b>	8.3%	4.5%			\$ 5,162,519	
<b>Timber/Natural Resources</b>	3.9%	2.2%			\$ 2,459,532	
<b>Alternatives-Private Equity</b>	11.4%	6.2%			\$ 7,085,199	
<b>Hedge Funds</b>	8.5%	4.6%			\$ 5,293,611	
Separate Managers		45.4%	45.0%			
<b>Polen Capital</b>		6.4%	6.0%	\$ 6,860,068	\$ 7,351,085	\$ 491,017
<b>O'Shaughnessy</b>		6.7%	6.0%	\$ 6,860,068	\$ 7,693,447	\$ 833,379
<b>Seizert</b>		5.5%	5.0%	\$ 5,716,723	\$ 6,269,586	\$ 552,863
<b>Daruma</b>		10.9%	10.0%	\$ 11,433,447	\$ 12,427,047	\$ 993,601
<b>PRIT RE</b>		4.8%	5.0%	\$ 5,716,723	\$ 5,496,142	\$ (220,581)
<b>Prudential</b>		0.0%	0.0%	\$ -	\$ 95	\$ 95
<b>IR&amp;M</b>		10.4%	13.0%	\$ 14,863,480	\$ 11,880,754	\$ (2,982,726)
<b>Cash</b>		0.7%	0.0%	\$ -	\$ 791,650	\$ 791,650

<b>Allocation by Asset Class</b>						
	Actual Allocation (%)	Target Allocation (%)	+/- Percent	Actual Allocation (\$)	Target Allocation (\$)	+/- Dollars
Franklin County Total Fund						
<b>Domestic Equity</b>	40.8%	40.0%	0.8%	\$ 46,625,615	\$ 45,733,786	\$ 891,829
<b>Int'l Equity</b>	13.8%	15.0%	-1.2%	\$ 15,830,894	\$ 17,150,170	\$ (1,319,276)
<b>Fixed Income</b>	22.4%	25.0%	-2.6%	\$ 25,589,209	\$ 28,583,616	\$ (2,994,407)
<b>Real Estate</b>	9.3%	10.0%	-0.7%	\$ 10,658,756	\$ 11,433,447	\$ (774,690)
<b>Timber</b>	2.2%	2.5%	-0.3%	\$ 2,459,532	\$ 2,858,362	\$ (398,830)
<b>Alternatives-Private Equity</b>	6.2%	5.0%	1.2%	\$ 7,085,199	\$ 5,716,723	\$ 1,368,476
<b>Hedge Funds</b>	4.6%	2.5%	2.1%	\$ 5,293,611	\$ 2,858,362	\$ 2,435,249
<b>Cash</b>	0.7%	0.0%	0.7%	\$ 791,650	\$ -	\$ 791,650
	100.0%	100.0%		\$ 114,334,465	\$ 114,334,465	



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

	Quarter	YTD	-----Annualized-----		
			1 Year	3 Years	5 Years
<b>Total Gross/Fees</b>	5.8	19.7	19.7	11.0	13.2
<i>PUBLIC FUND RANK</i>	(35)	(13)	(13)	(14)	(23)
<b>Total Net/Fees</b>	5.7	19.1	19.1	10.4	12.6
POLICY INDEX	6.1	19.8	19.8	11.5	12.6
<b>PRIT Core</b>	4.9	15.5	15.5	9.6	12.0
CUSTOM CORE IDX	5.2	16.6	16.6	10.1	11.9
<b>Domestic Equity</b>	10.9	43.6	43.6	17.2	22.4
<i>ALL CAP RANK</i>	(28)	(15)	(15)	(40)	(31)
CUSTOM EQ INDEX	9.2	35.5	35.5	15.9	20.2
PRIT EQUITY	10.1	33.8	33.8	16.5	18.3
S&P 500	10.5	32.4	32.4	16.2	17.9
S&P 400	8.3	33.5	33.5	15.6	21.9
RUSSELL 3000	10.1	33.6	33.6	16.2	18.7
RUSSELL 1000	10.2	33.1	33.1	16.3	18.6
RUSSELL 1000G	10.4	33.5	33.5	16.4	20.4
RUSSELL 1000V	10.0	32.5	32.5	16.1	16.7
RUSSELL MID	8.4	34.8	34.8	15.9	22.4
RUSSELL 2000	8.7	38.8	38.8	15.7	20.1
<b>Real Estate</b>	2.5	10.8	10.8	13.6	2.8
NCREIF ODCE	3.2	14.0	14.0	13.6	3.7
<b>Fixed Income</b>	0.6	-1.1	-1.1	4.3	6.6
<i>CORE FIXED INCOME RANK</i>	(9)	(23)	(23)	(28)	(27)
BARCLAYS AGG	-0.1	-2.0	-2.0	3.3	4.5
PRIT FIXED	-0.4	-2.8	-2.8	3.8	6.1
GOV/CREDIT	0.0	-2.3	-2.3	3.6	4.4
INT AGGREGATE	-0.1	-1.0	-1.0	2.8	4.2
INT GOV/CREDIT	0.0	-0.9	-0.9	2.9	4.0

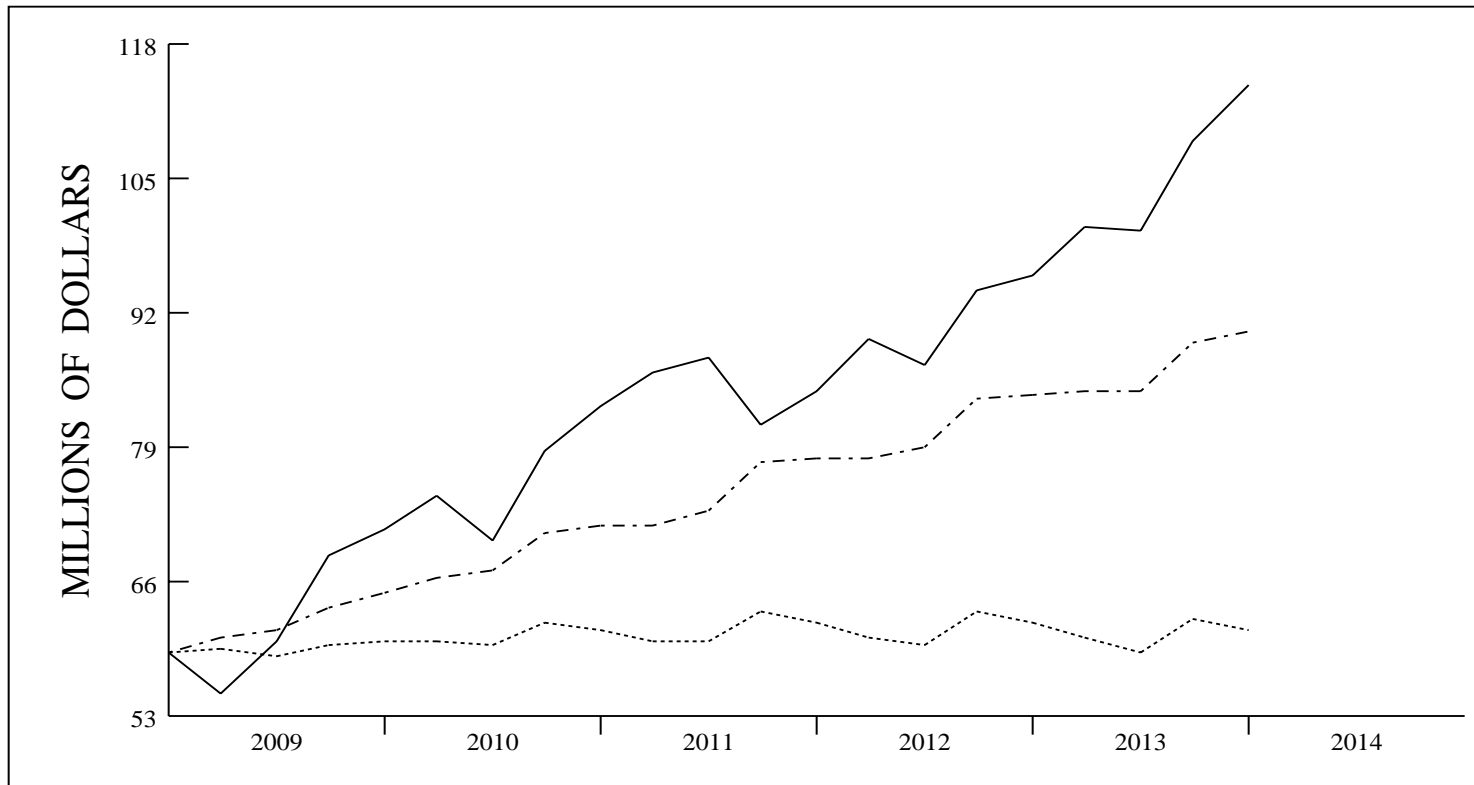
**ASSET ALLOCATION**

PRIT Core	54.6%	\$ 62,424,659
Domestic Equity	28.4%	32,444,083
Real Estate	4.8%	5,496,237
Fixed Income	10.4%	11,880,754
Cash	1.8%	2,088,732
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 114,334,465</b>

**INVESTMENT RETURN**

Market Value 9/2013	\$ 108,889,090
Contribs / Withdrawals	-871,868
Income	543,012
Capital Gains / Losses	5,774,231
Market Value 12/2013	\$ 114,334,465

**INVESTMENT GROWTH**

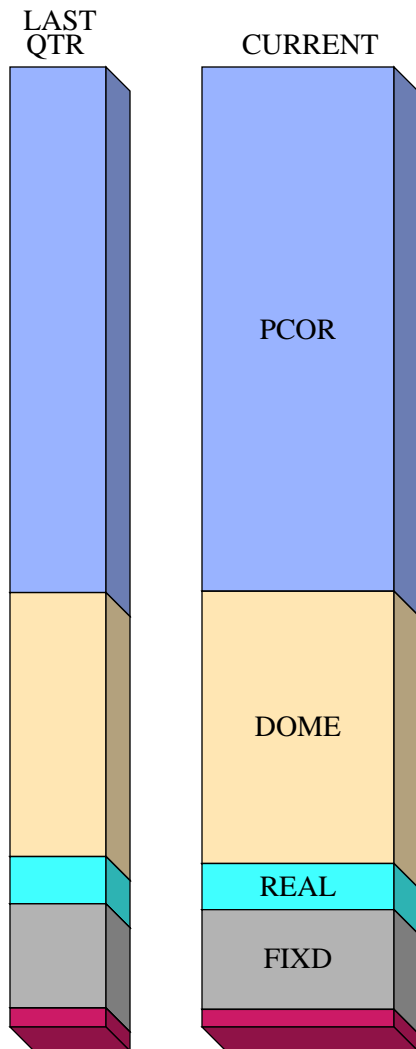


— ACTUAL RETURN  
 - - - 8.0%  
 ..... 0.0%

VALUE ASSUMING  
 8.0% RETURN  
 \$ 90,308,556

	LAST QUARTER	PERIOD 12/08 - 12/13
BEGINNING VALUE	\$ 108,889,090	\$ 59,462,940
NET CONTRIBUTIONS	-871,868	2,121,849
<u>INVESTMENT RETURN</u>	<u>6,317,243</u>	<u>52,749,676</u>
ENDING VALUE	\$ 114,334,465	\$ 114,334,465
INCOME	543,012	9,202,715
<u>CAPITAL GAINS (LOSSES)</u>	<u>5,774,231</u>	<u>43,546,960</u>
INVESTMENT RETURN	6,317,243	52,749,676

**ASSET ALLOCATION**



	<u>VALUE</u>	<u>PERCENT</u>	<u>TARGET</u>	<u>DIFFERENCE</u> + / -
■ PRIT CORE	\$ 62,424,659	54.6%	55.0%	-0.4%
■ DOMESTIC EQUITY	32,444,083	28.4%	27.0%	1.4%
■ REAL ESTATE	5,496,237	4.8%	5.0%	-0.2%
■ FIXED INCOME	11,880,754	10.4%	13.0%	-2.6%
■ CASH & EQUIVALENT	2,088,732	1.8%	0.0%	1.8%
<u>TOTAL FUND</u>	<u>\$ 114,334,465</u>	<u>100.0%</u>		

## MANAGER PERFORMANCE SUMMARY

Name	(Universe)	Quarter	YTD	1 Year	3 Years	5 Years
Total Portfolio	(Public Fund)	5.8 (35)	19.7 (13)	19.7 (13)	11.0 (14)	13.2 (23)
<i>Franklin Regional Policy Index</i>		<i>6.1 ----</i>	<i>19.8 ----</i>	<i>19.8 ----</i>	<i>11.5 ----</i>	<i>12.6 ----</i>
PRIT Core Fund		4.9 ----	15.5 ----	15.5 ----	9.6 ----	12.0 ----
<i>Custom Core Index</i>		<i>5.2 ----</i>	<i>16.6 ----</i>	<i>16.6 ----</i>	<i>10.1 ----</i>	<i>11.9 ----</i>
Polen Capital	(LC Growth)	11.5 (36)	23.5 (99)	23.5 (99)	---- ----	---- ----
<i>Russell 1000 Growth</i>		<i>10.4 ----</i>	<i>33.5 ----</i>	<i>33.5 ----</i>	<i>16.4 ----</i>	<i>20.4 ----</i>
O'Shaughnessy	(LC Value)	12.3 (9)	48.3 (2)	48.3 (2)	---- ----	---- ----
<i>Russell 1000 Value</i>		<i>10.0 ----</i>	<i>32.5 ----</i>	<i>32.5 ----</i>	<i>16.1 ----</i>	<i>16.7 ----</i>
Seizert Capital	(Mid Cap)	11.2 (11)	49.2 (4)	49.2 (4)	---- ----	---- ----
<i>Russell Mid Cap</i>		<i>8.4 ----</i>	<i>34.8 ----</i>	<i>34.8 ----</i>	<i>15.9 ----</i>	<i>22.4 ----</i>
Daruma	(Small Cap)	8.5 (68)	44.8 (32)	44.8 (32)	16.1 (71)	24.5 (34)
<i>Russell 2000</i>		<i>8.7 ----</i>	<i>38.8 ----</i>	<i>38.8 ----</i>	<i>15.7 ----</i>	<i>20.1 ----</i>
PRIT Core R.E.		2.5 ----	10.8 ----	10.8 ----	12.2 ----	---- ----
<i>NCREIF NFI-ODCE Index</i>		<i>3.2 ----</i>	<i>14.0 ----</i>	<i>14.0 ----</i>	<i>13.6 ----</i>	<i>3.7 ----</i>
IR&M	(Core Fixed)	0.6 (9)	-1.1 (23)	-1.1 (23)	4.3 (28)	6.6 (27)
<i>Barclays Aggregate Index</i>		<i>-0.1 ----</i>	<i>-2.0 ----</i>	<i>-2.0 ----</i>	<i>3.3 ----</i>	<i>4.5 ----</i>

## MANAGER VALUE ADDED

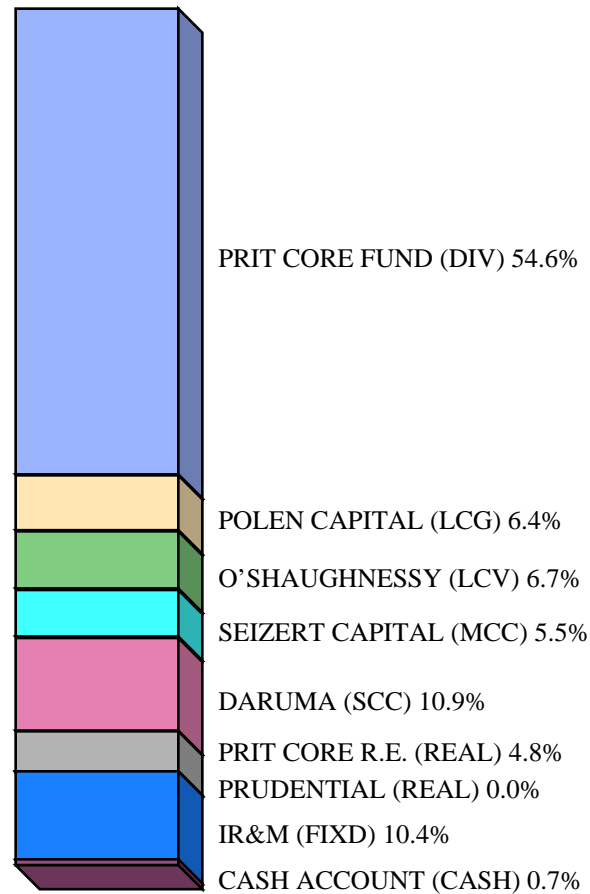
## Most Recent Quarter

Manager	Benchmark	Value Added Vs. Benchmark
PRIT Core Fund	Custom Core Idx	-0.3
Polen Capital	Russell 1000G	1.0
O'Shaughnessy	Russell 1000V	2.3
Seizert Capital	Russell Mid	2.8
Daruma	Russell 2000	-0.2
PRIT Core R.E.	NCREIF ODCE	-0.7
IR&M	Barclays Agg	0.7
<b>Total Portfolio</b>	<b>Policy Index</b>	<b>-0.3</b>

## Trailing Twelve Months

Manager	Benchmark	Value Added Vs. Benchmark
PRIT Core Fund	Custom Core Idx	-1.1
Polen Capital	Russell 1000G	-10.0
O'Shaughnessy	Russell 1000V	15.8
Seizert Capital	Russell Mid	14.4
Daruma	Russell 2000	6.0
PRIT Core R.E.	NCREIF ODCE	-3.2
IR&M	Barclays Agg	0.9
<b>Total Portfolio</b>	<b>Policy Index</b>	<b>0.0</b>

**MANAGER ALLOCATION SUMMARY**

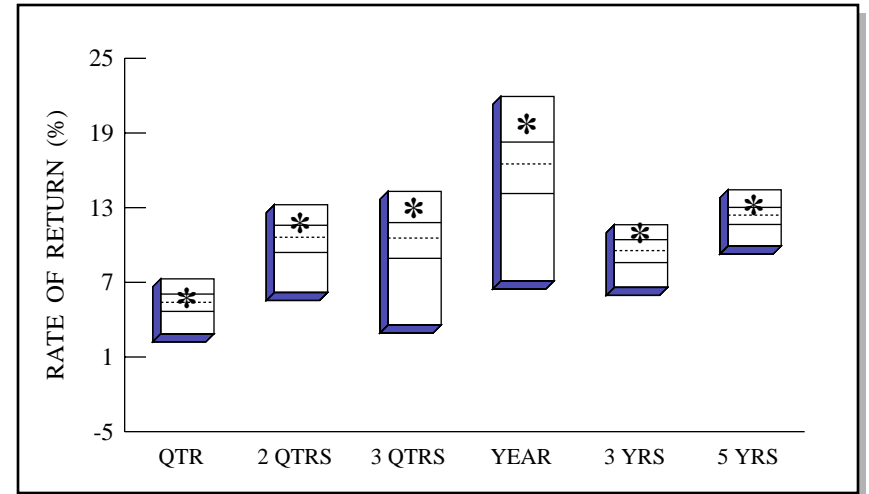
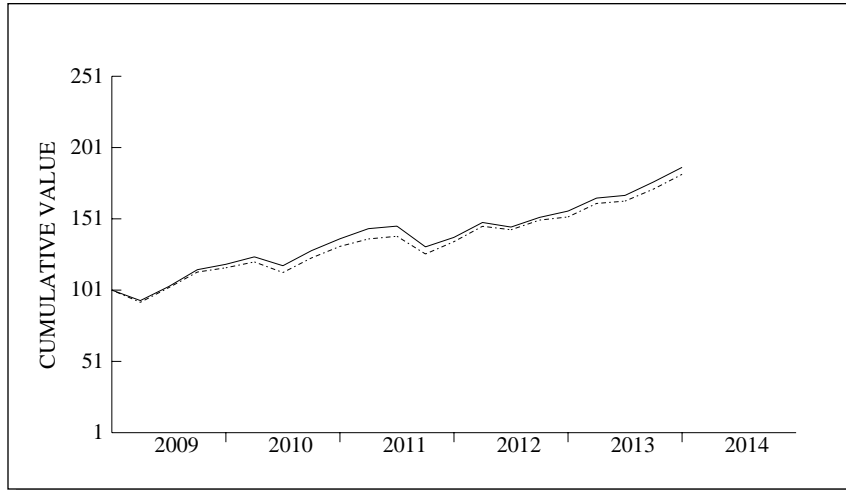


Name	Market Value	Percent	Target
PRIT Core Fund (DIV)	\$62,424,659	54.6	55.0
Polen Capital (LCG)	\$7,351,085	6.4	6.0
O'Shaughnessy (LCV)	\$7,693,447	6.7	6.0
Seizert Capital (MCC)	\$6,269,586	5.5	5.0
Daruma (SCC)	\$12,427,047	10.9	10.0
PRIT Core R.E. (REAL)	\$5,496,142	4.8	5.0
Prudential (REAL)	\$95	0.0	0.0
IR&M (FIXD)	\$11,880,754	10.4	13.0
Cash Account (CASH)	\$791,650	0.7	0.0
<b>Total Fund</b>	<b>\$114,334,465</b>	<b>100.0</b>	<b>100.0</b>

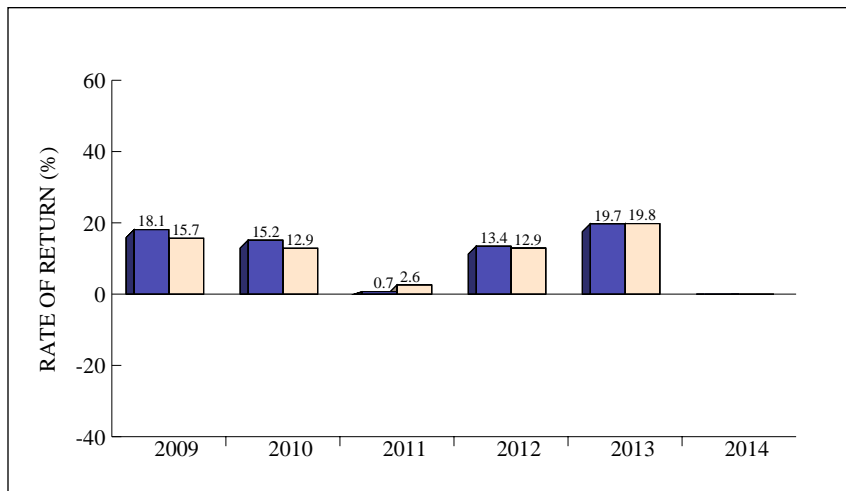
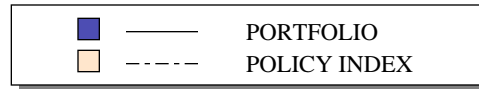
**INVESTMENT RETURN SUMMARY - ONE QUARTER**

<b>Name</b>	<b>Quarter Total Return</b>	<b>Market Value September 30th, 2013</b>	<b>Net Cashflow</b>	<b>Net Investment Return</b>	<b>Market Value December 31st, 2013</b>
PRIT Core Fund (DIV)	4.9	59,618,533	-91,150	2,897,276	62,424,659
Polen Capital (LCG)	11.5	6,593,956	0	757,129	7,351,085
O'Shaughnessy (LCV)	12.3	7,014,819	-167,135	845,763	7,693,447
Seizert Capital (MCC)	11.2	5,802,114	-166,000	633,472	6,269,586
Daruma (SCC)	8.5	11,613,162	-167,000	980,885	12,427,047
PRIT Core R.E. (REAL)	2.5	5,371,586	-8,516	133,072	5,496,142
Prudential (REAL)	---	95	0	0	95
IR&M (FIXD)	0.6	11,811,213	0	69,541	11,880,754
Cash Account (CASH)	---	1,063,612	-272,067	105	791,650
<b>Total Fund</b>	<b>5.8</b>	<b>108,889,090</b>	<b>-871,868</b>	<b>6,317,243</b>	<b>114,334,465</b>

**TOTAL RETURN COMPARISONS**



Public Fund Universe



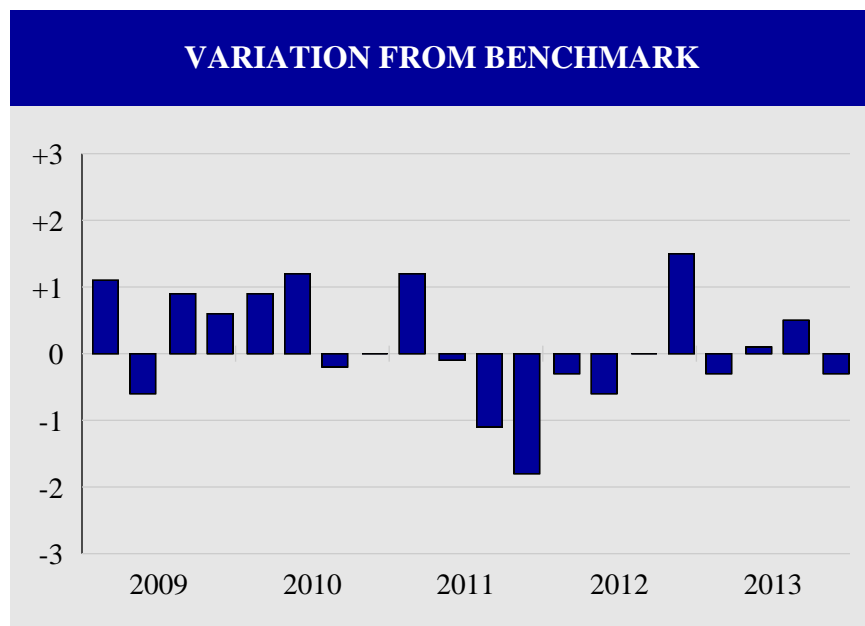
	<u>QTR</u>	<u>2QTRS</u>	<u>3QTRS</u>	<u>YEAR</u>	<u>3 YRS</u>	<u>5 YRS</u>
RETURN	5.8	11.8	13.1	19.7	11.0	13.2
(RANK)	(35)	(21)	(12)	(13)	(14)	(23)
5TH %ILE	7.3	13.2	14.3	21.9	11.6	14.4
25TH %ILE	6.1	11.6	11.8	18.3	10.4	13.0
MEDIAN	5.4	10.6	10.6	16.5	9.6	12.4
75TH %ILE	4.7	9.4	8.9	14.1	8.6	11.7
95TH %ILE	2.9	6.2	3.6	7.1	6.6	9.9
<b>Policy Idx</b>	<b>6.1</b>	<b>11.6</b>	<b>12.7</b>	<b>19.8</b>	<b>11.5</b>	<b>12.6</b>

Public Fund Universe



**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

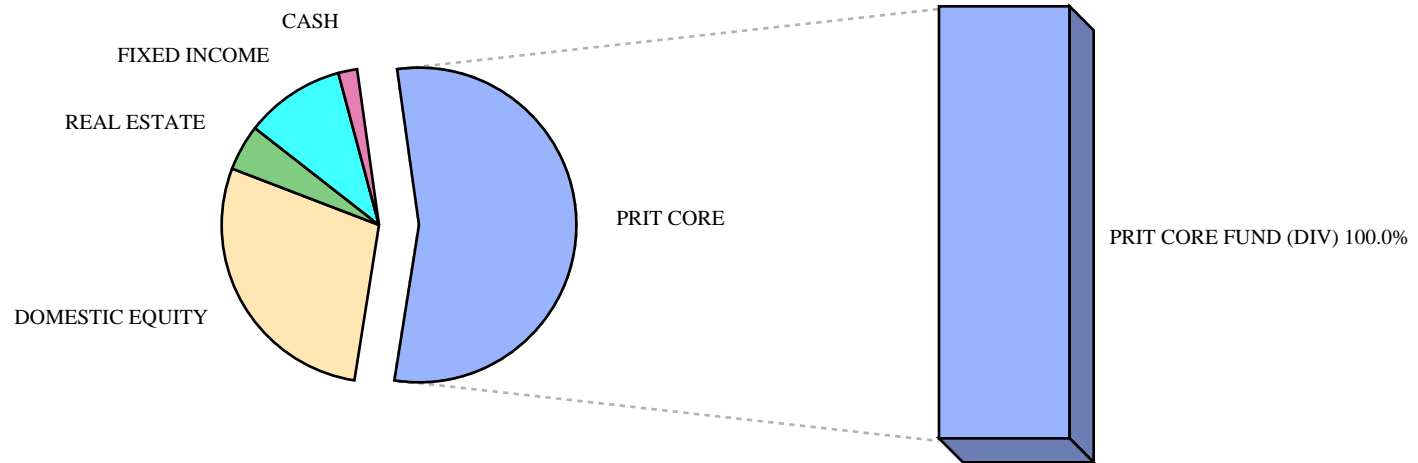
COMPARATIVE BENCHMARK: FRANKLIN REGIONAL POLICY INDEX



<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
3/09	-7.4	-8.5	1.1
6/09	10.7	11.3	-0.6
9/09	11.5	10.6	0.9
12/09	3.3	2.7	0.6
3/10	4.4	3.5	0.9
6/10	-5.0	-6.2	1.2
9/10	9.0	9.2	-0.2
12/10	6.6	6.6	0.0
3/11	5.2	4.0	1.2
6/11	1.3	1.4	-0.1
9/11	-10.1	-9.0	-1.1
12/11	5.1	6.9	-1.8
3/12	7.7	8.0	-0.3
6/12	-2.2	-1.6	-0.6
9/12	4.7	4.7	0.0
12/12	3.0	1.5	1.5
3/13	5.9	6.2	-0.3
6/13	1.1	1.0	0.1
9/13	5.7	5.2	0.5
12/13	5.8	6.1	-0.3

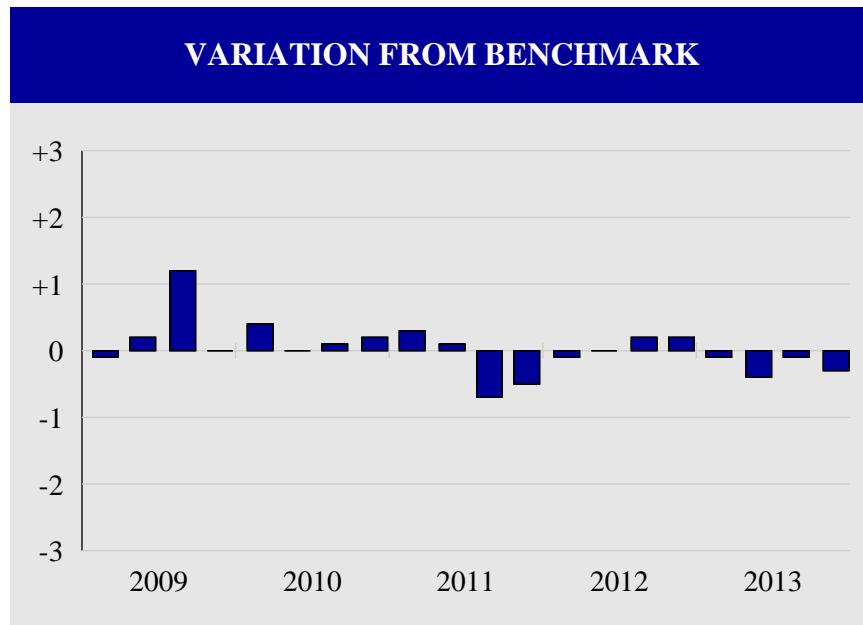
**PRIT CORE MANAGER SUMMARY**



		TOTAL RETURNS AND RANKINGS					
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
PRIT CORE FUND		4.9 ---	15.5 ---	15.5 ---	9.6 ---	12.0 ---	\$62,424,659
<i>Custom Core Index</i>		<i>5.2 ---</i>	<i>16.6 ---</i>	<i>16.6 ---</i>	<i>10.1 ---</i>	<i>11.9 ---</i>	---

**PRIT CORE QUARTERLY PERFORMANCE SUMMARY**

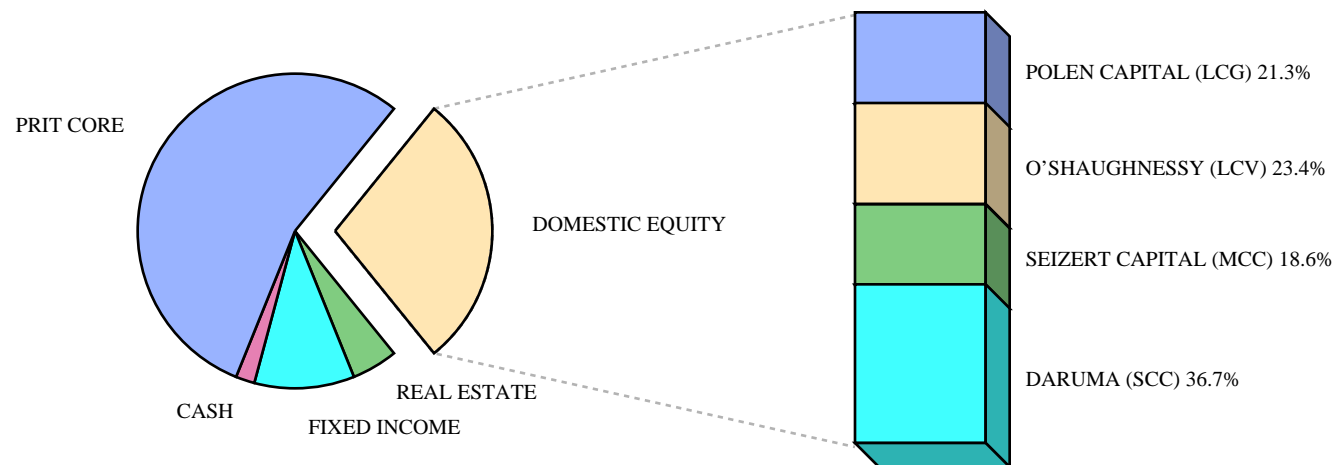
**COMPARATIVE BENCHMARK: CUSTOM CORE INDEX**



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

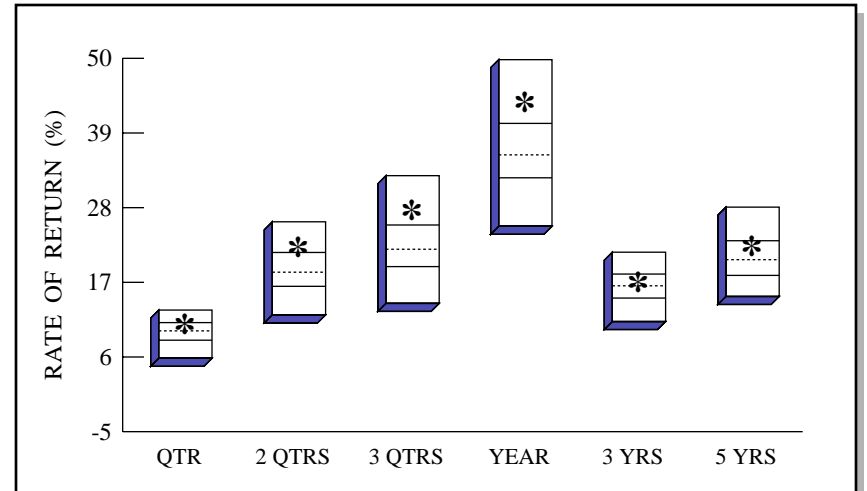
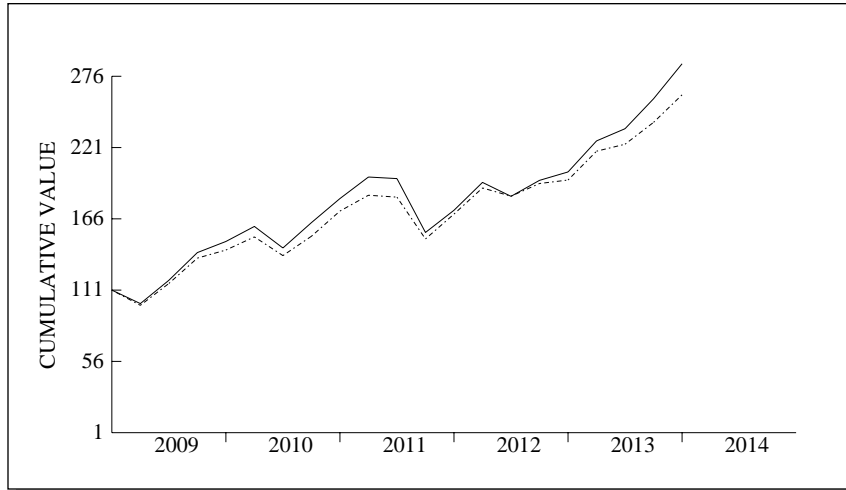
<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/09	-8.1	-8.0	-0.1
6/09	11.7	11.5	0.2
9/09	11.5	10.3	1.2
12/09	2.9	2.9	0.0
3/10	3.5	3.1	0.4
6/10	-5.0	-5.0	0.0
9/10	8.9	8.8	0.1
12/10	6.1	5.9	0.2
3/11	4.3	4.0	0.3
6/11	1.7	1.6	0.1
9/11	-9.0	-8.3	-0.7
12/11	3.7	4.2	-0.5
3/12	7.3	7.4	-0.1
6/12	-1.5	-1.5	0.0
9/12	4.4	4.2	0.2
12/12	3.1	2.9	0.2
3/13	4.6	4.7	-0.1
6/13	0.2	0.6	-0.4
9/13	5.1	5.2	-0.1
12/13	4.9	5.2	-0.3

**DOMESTIC EQUITY MANAGER SUMMARY**

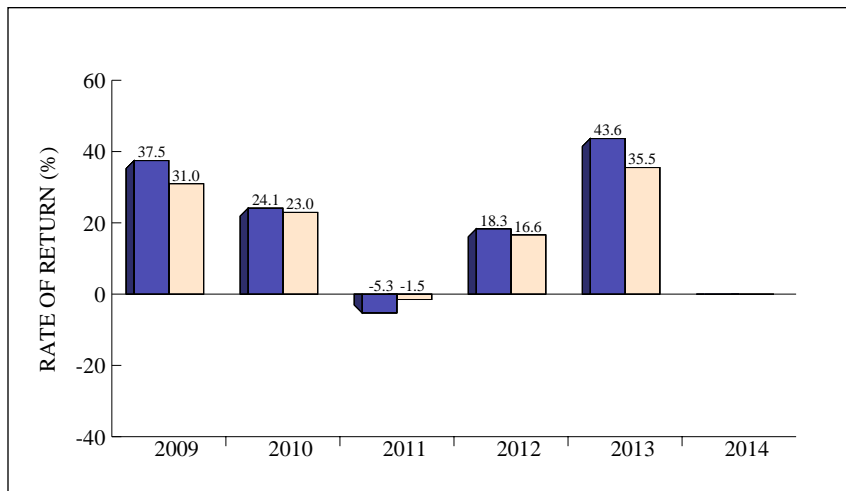
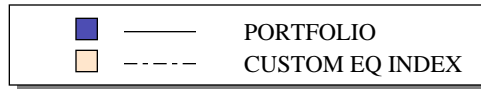


TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
POLEN CAPITAL	(Large Cap Growth)	11.5 (36)	23.5 (99)	23.5 (99)	----	----	\$7,351,085
<i>Russell 1000 Growth</i>		<i>10.4</i> ----	<i>33.5</i> ----	<i>33.5</i> ----	<i>16.4</i> ----	<i>20.4</i> ----	----
O'SHAUGHNESSY	(Large Cap Value)	12.3 (9)	48.3 (2)	48.3 (2)	----	----	\$7,693,447
<i>Russell 1000 Value</i>		<i>10.0</i> ----	<i>32.5</i> ----	<i>32.5</i> ----	<i>16.1</i> ----	<i>16.7</i> ----	----
SEIZERT CAPITAL	(Mid Cap)	11.2 (11)	49.2 (4)	49.2 (4)	----	----	\$6,269,586
<i>Russell Mid Cap</i>		<i>8.4</i> ----	<i>34.8</i> ----	<i>34.8</i> ----	<i>15.9</i> ----	<i>22.4</i> ----	----
DARUMA	(Small Cap)	8.5 (68)	44.8 (32)	44.8 (32)	16.1 (71)	24.5 (34)	\$12,427,047
<i>Russell 2000</i>		<i>8.7</i> ----	<i>38.8</i> ----	<i>38.8</i> ----	<i>15.7</i> ----	<i>20.1</i> ----	----

**DOMESTIC EQUITY RETURN COMPARISONS**



All Cap Universe

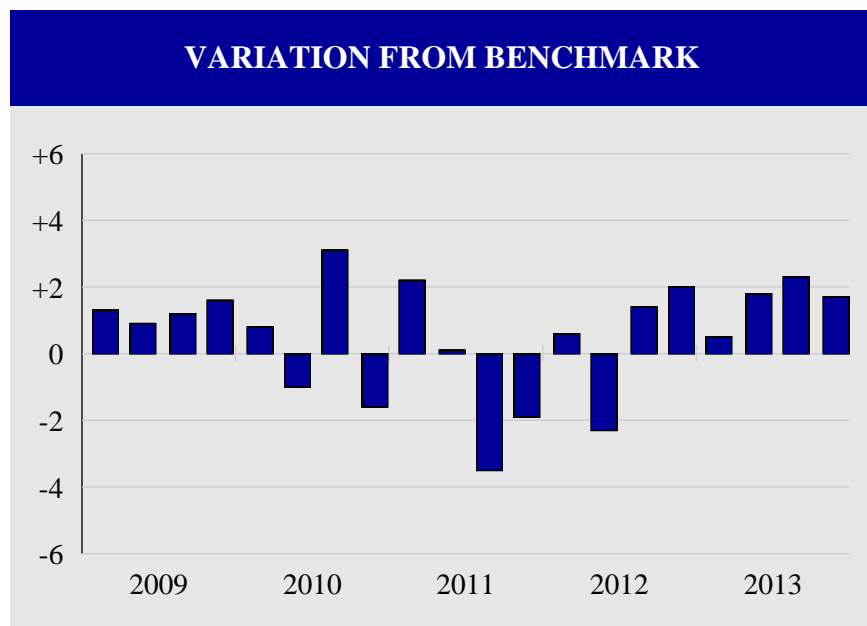


	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	10.9	22.3	27.7	43.6	17.2	22.4
(RANK)	(28)	(20)	(16)	(15)	(40)	(31)
5TH %ILE	12.9	25.9	32.7	49.8	21.4	28.1
25TH %ILE	11.1	21.4	25.5	40.4	18.2	23.1
MEDIAN	9.9	18.5	21.9	35.8	16.5	20.4
75TH %ILE	8.5	16.4	19.3	32.4	14.7	18.0
95TH %ILE	5.8	12.2	13.9	25.3	11.2	14.9
<i>Equity Index</i>	<i>9.2</i>	<i>17.9</i>	<i>21.0</i>	<i>35.5</i>	<i>15.9</i>	<i>20.2</i>

All Cap Universe

## DOMESTIC EQUITY QUARTERLY PERFORMANCE SUMMARY

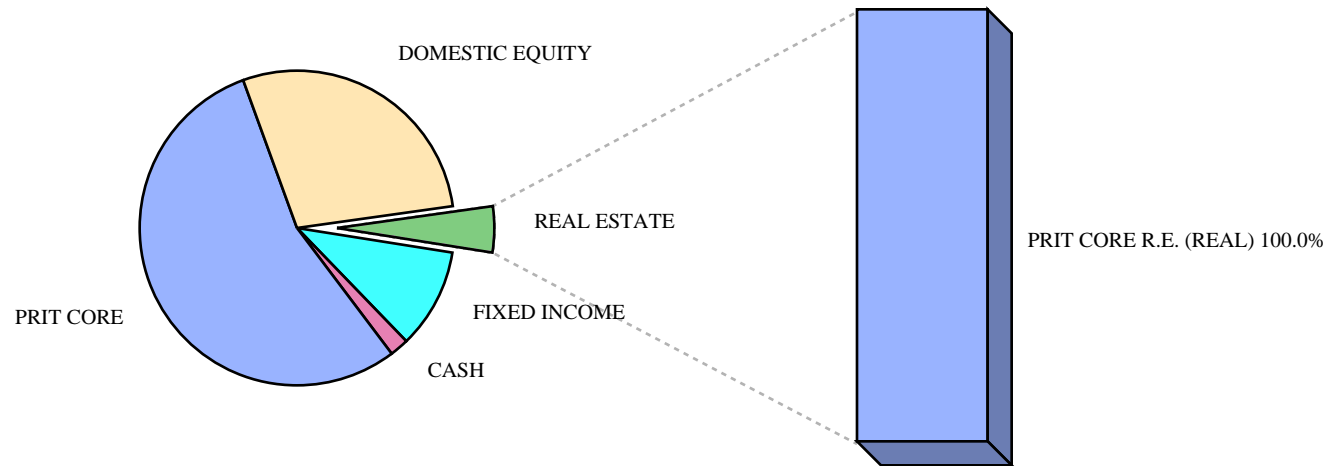
COMPARATIVE BENCHMARK: FRANKLIN COUNTY EQUITY INDEX



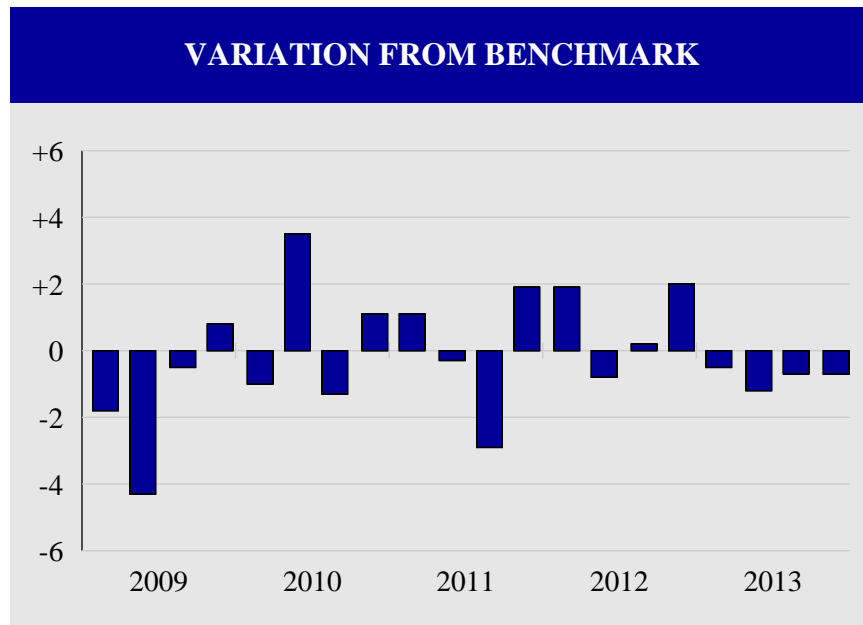
<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>15</b>
<b>Quarters Below the Benchmark</b>	<b>5</b>
<b>Batting Average</b>	<b>.750</b>

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/09	-10.4	-11.7	1.3
6/09	20.1	19.2	0.9
9/09	19.8	18.6	1.2
12/09	6.6	5.0	1.6
3/10	8.5	7.7	0.8
6/10	-11.2	-10.2	-1.0
9/10	14.8	11.7	3.1
12/10	12.2	13.8	-1.6
3/11	9.8	7.6	2.2
6/11	-0.7	-0.8	0.1
9/11	-22.3	-18.8	-3.5
12/11	11.8	13.7	-1.9
3/12	13.3	12.7	0.6
6/12	-5.9	-3.6	-2.3
9/12	7.1	5.7	1.4
12/12	3.5	1.5	2.0
3/13	12.5	12.0	0.5
6/13	4.4	2.6	1.8
9/13	10.3	8.0	2.3
12/13	10.9	9.2	1.7

**REAL ESTATE MANAGER SUMMARY**



		TOTAL RETURNS AND RANKINGS					
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
PRIT CORE R.E.		2.5 ---	10.8 ---	10.8 ---	12.2 ---	---- ---	\$5,496,142
<i>NCREIF NFI-ODCE Index</i>		<i>3.2 ---</i>	<i>14.0 ---</i>	<i>14.0 ---</i>	<i>13.6 ---</i>	<i>3.7 ---</i>	---

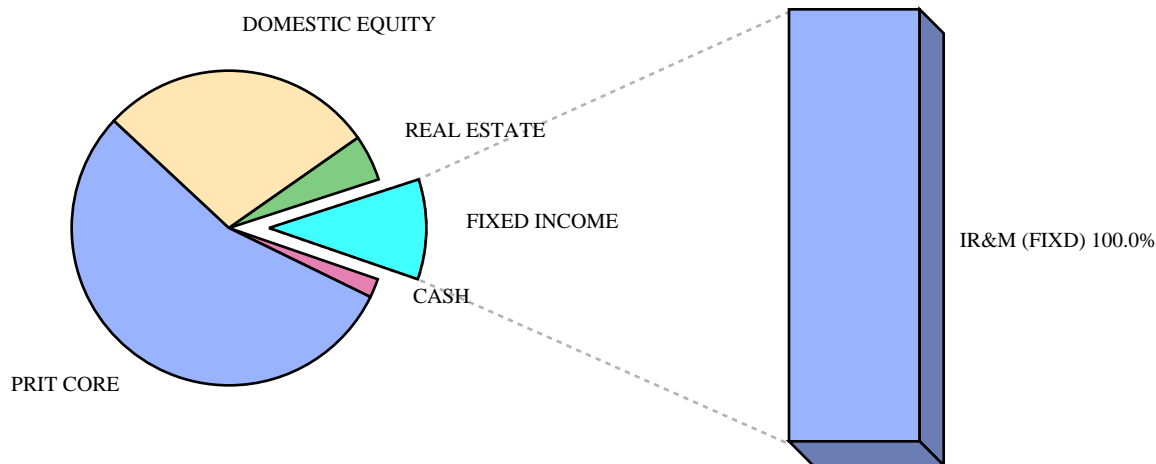
**REAL ESTATE QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: NCREIF NFI-ODCE INDEX**

<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>8</b>
<b>Quarters Below the Benchmark</b>	<b>12</b>
<b>Batting Average</b>	<b>.400</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/09	-15.5	-13.7	-1.8
6/09	-13.3	-9.0	-4.3
9/09	-7.8	-7.3	-0.5
12/09	-2.7	-3.5	0.8
3/10	-0.2	0.8	-1.0
6/10	7.9	4.4	3.5
9/10	4.1	5.4	-1.3
12/10	6.1	5.0	1.1
3/11	5.1	4.0	1.1
6/11	4.3	4.6	-0.3
9/11	0.6	3.5	-2.9
12/11	4.9	3.0	1.9
3/12	4.7	2.8	1.9
6/12	1.7	2.5	-0.8
9/12	3.0	2.8	0.2
12/12	4.3	2.3	2.0
3/13	2.2	2.7	-0.5
6/13	2.7	3.9	-1.2
9/13	2.9	3.6	-0.7
12/13	2.5	3.2	-0.7

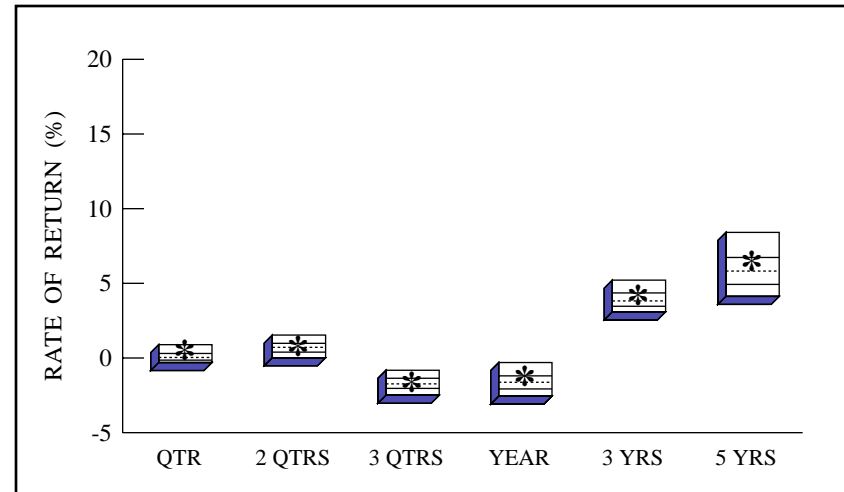
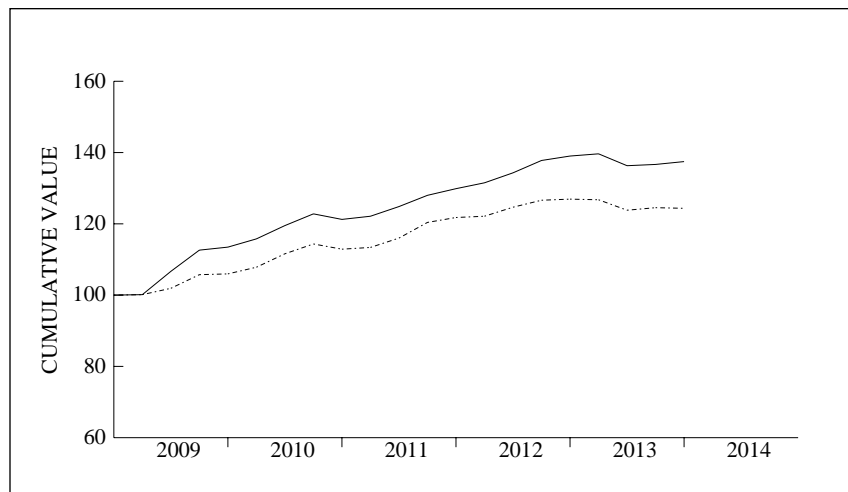


**FIXED INCOME MANAGER SUMMARY**

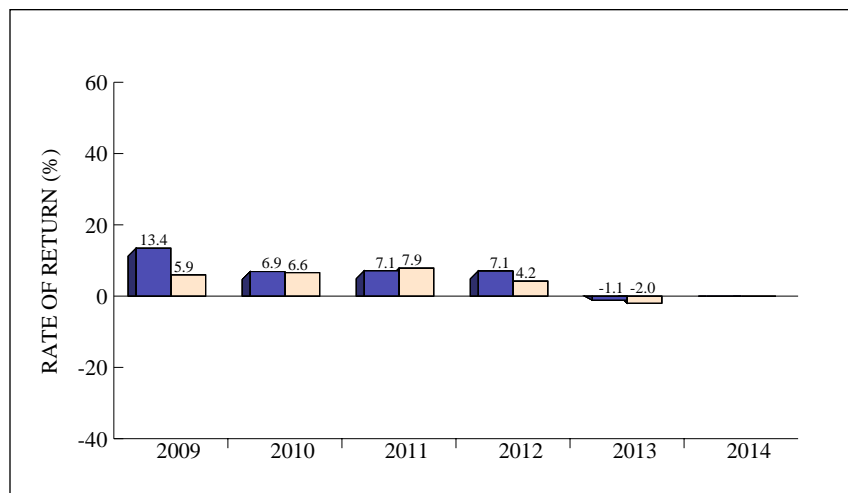


MANAGER	(UNIVERSE)	TOTAL RETURNS AND RANKINGS					MARKET VALUE
		QTR	YTD	1 YEAR	3 YEARS	5 YEARS	
IR&M	(Core Fixed Income)	0.6 (9)	-1.1 (23)	-1.1 (23)	4.3 (28)	6.6 (27)	\$11,880,754
<i>Barclays Aggregate Index</i>		-0.1 ----	-2.0 ----	-2.0 ----	3.3 ----	4.5 ----	----

**FIXED INCOME RETURN COMPARISONS**

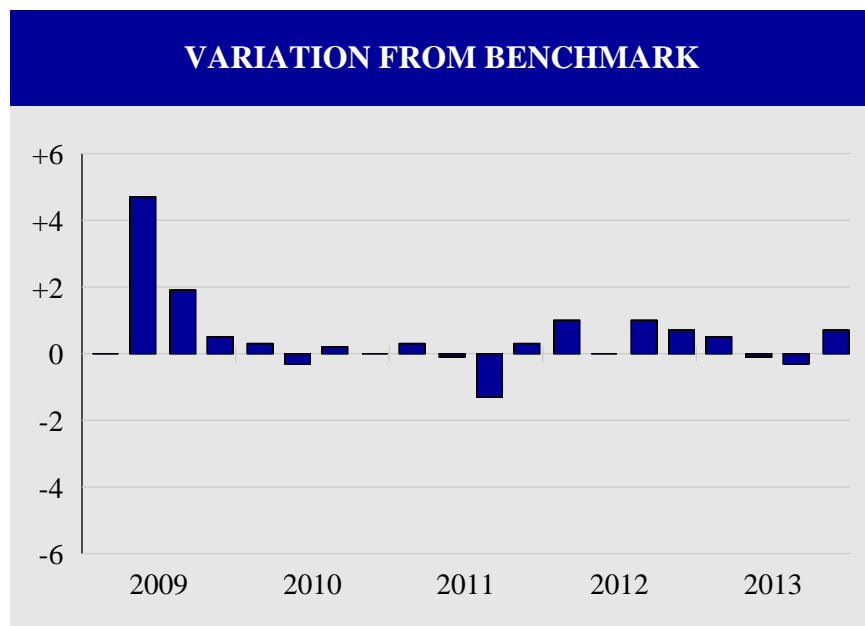


Core Fixed Income Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	0.6	0.9	-1.6	-1.1	4.3	6.6
(RANK)	(9)	(36)	(37)	(23)	(28)	(27)
5TH %ILE	0.9	1.5	-0.8	-0.3	5.2	8.4
25TH %ILE	0.3	1.0	-1.4	-1.2	4.4	6.7
MEDIAN	0.0	0.7	-1.7	-1.6	3.8	5.8
75TH %ILE	-0.2	0.4	-2.0	-2.1	3.5	4.9
95TH %ILE	-0.3	0.0	-2.5	-2.6	3.1	4.1
<b>Agg Index</b>	<b>-0.1</b>	<b>0.4</b>	<b>-1.9</b>	<b>-2.0</b>	<b>3.3</b>	<b>4.5</b>

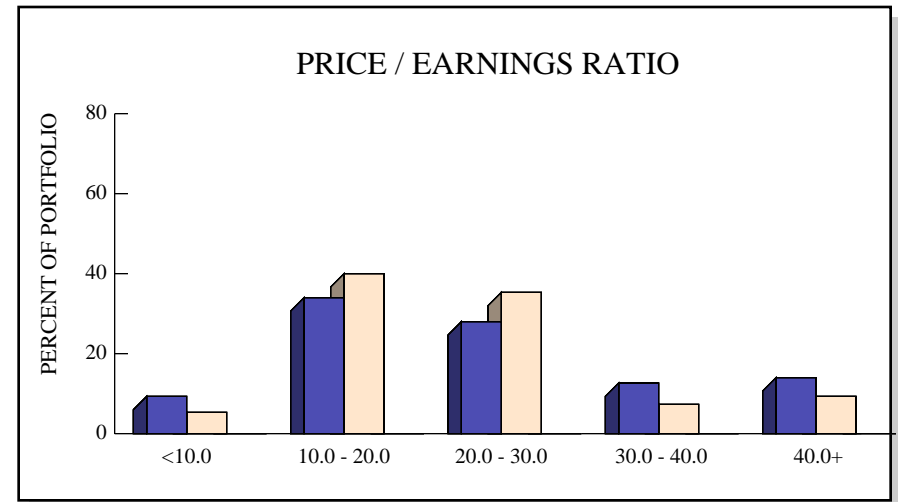
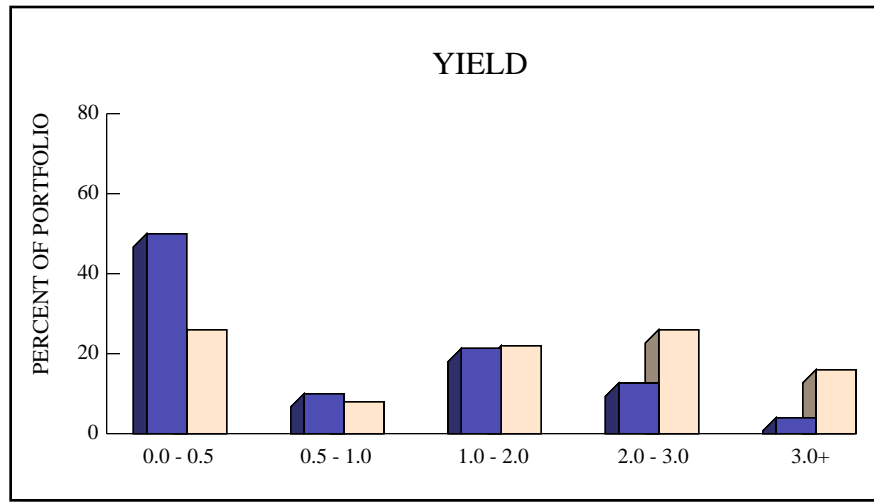
Core Fixed Income Universe

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

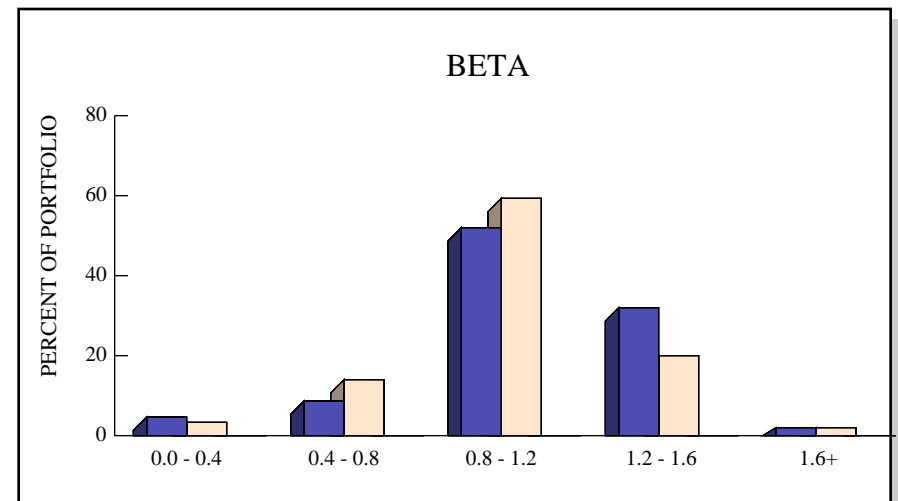
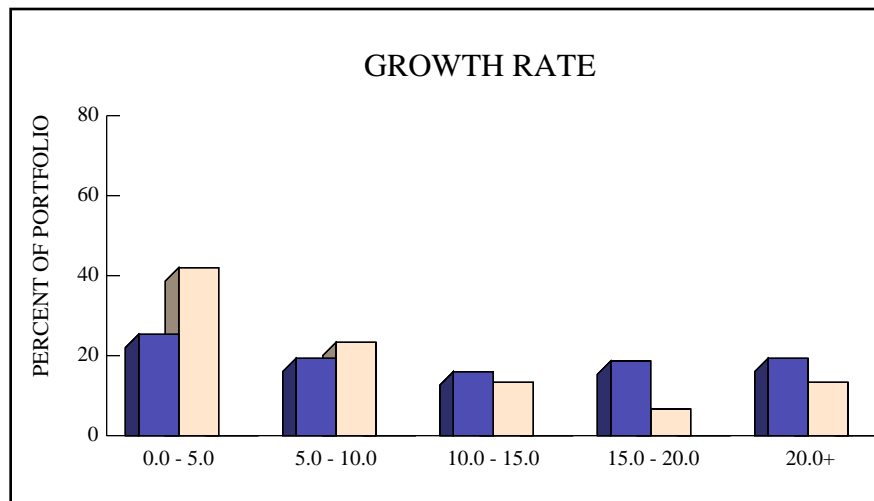
<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>15</b>
<b>Quarters Below the Benchmark</b>	<b>5</b>
<b>Batting Average</b>	<b>.750</b>

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

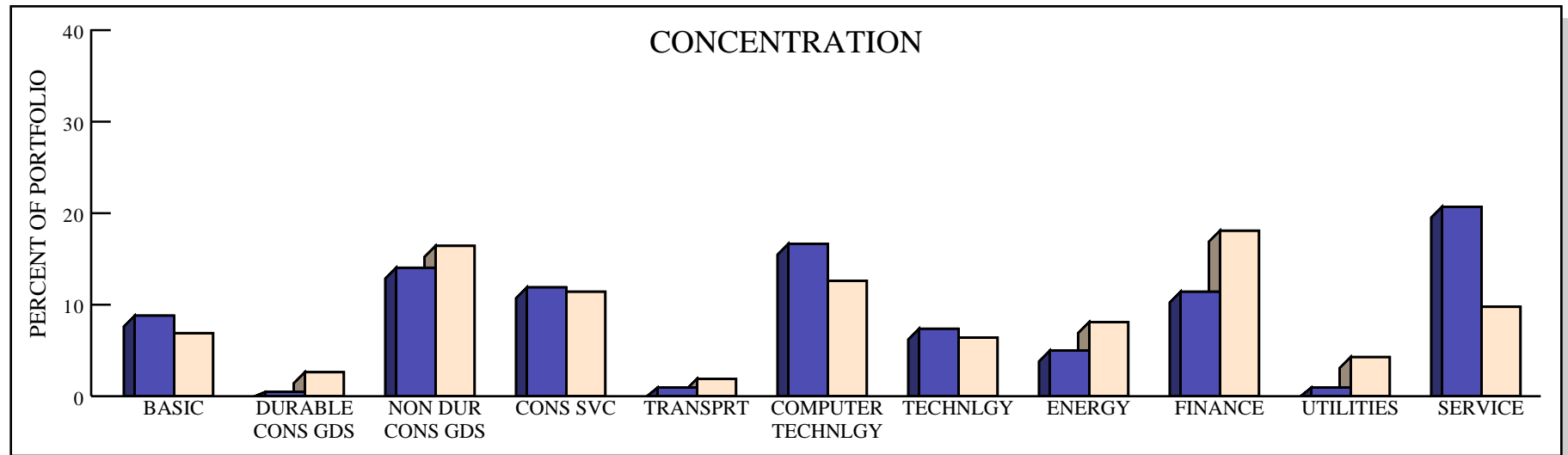
**STOCK CHARACTERISTICS**



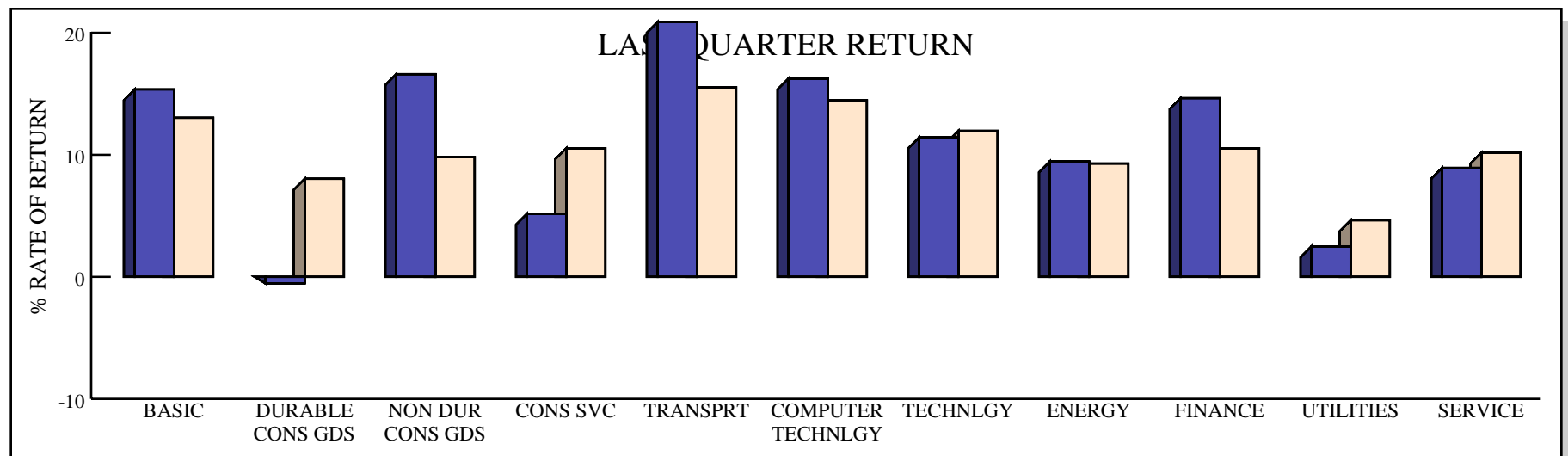
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	0.9%	11.8%	24.1	1.05
RUSSELL 3000	1.8%	7.3%	22.7	1.00



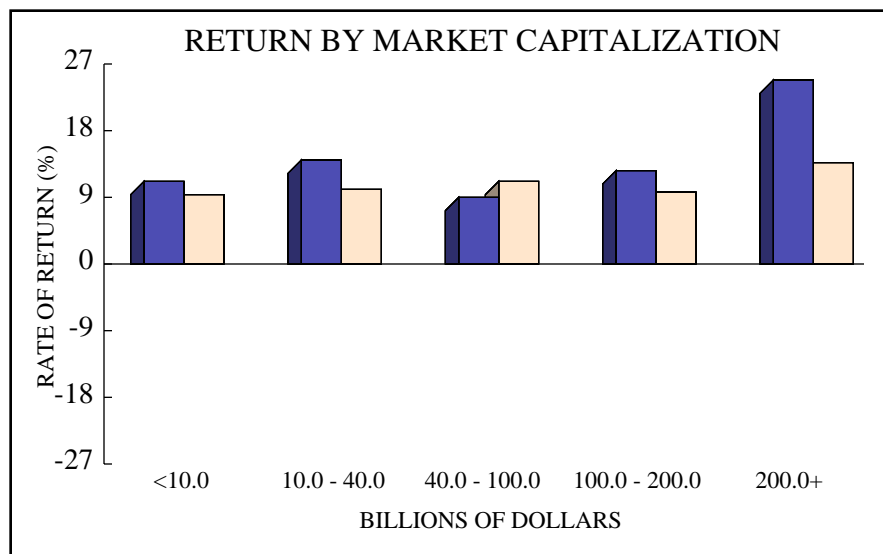
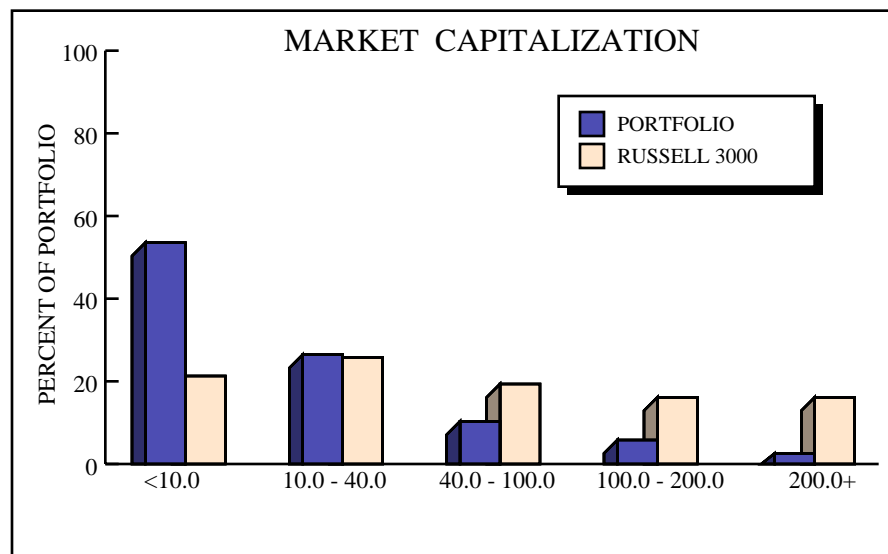
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL 3000



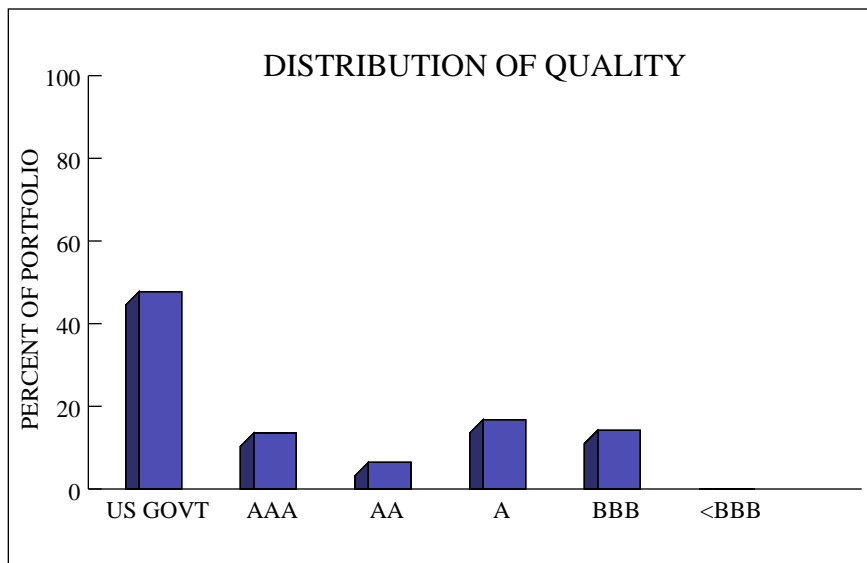
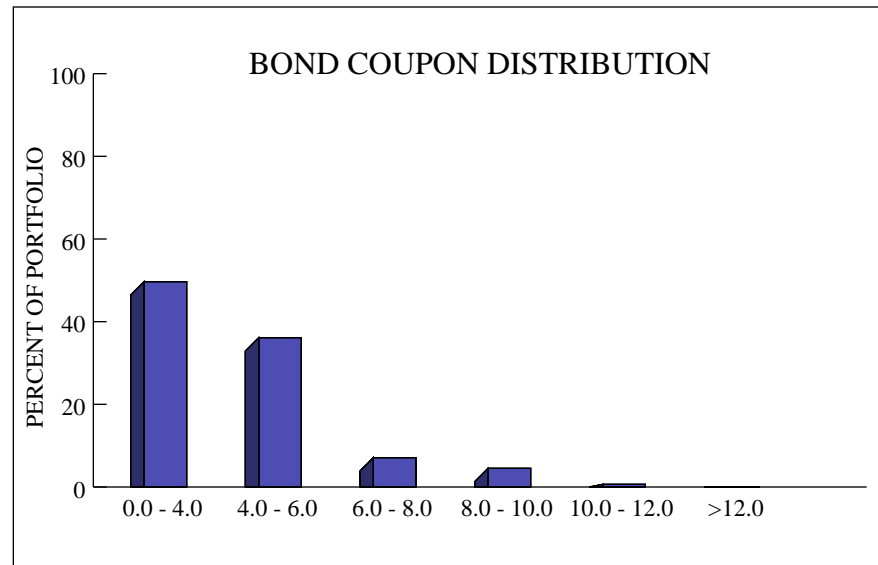
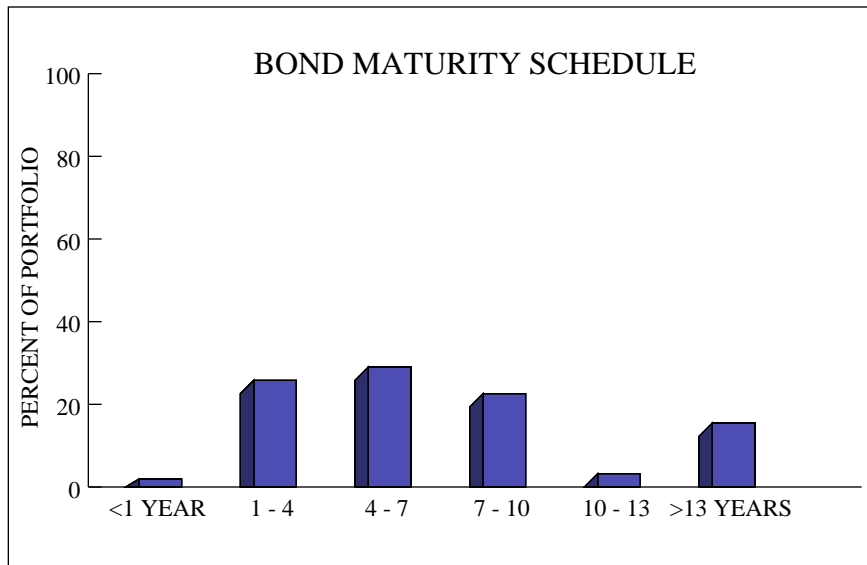
## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	GOOGLE INC-CL A	\$ 638,805	1.97%	28.0%	Computer Tech	\$ 310.1 B
2	L-3 COMMUNICATIONS HOLDINGS	555,779	1.71%	13.6%	Technology	9.5 B
3	VISA INC-CLASS A SHARES	534,209	1.65%	16.7%	Finance	112.8 B
4	ACXIOM CORP	516,795	1.59%	30.3%	Service	2.7 B
5	DEALERTRACK TECHNOLOGIES INC	491,330	1.51%	12.2%	Computer Tech	2.1 B
6	QUALCOMM INC	472,973	1.46%	10.6%	Technology	125.4 B
7	T ROWE PRICE GROUP INC	466,180	1.44%	17.2%	Finance	21.9 B
8	ALLERGAN INC	454,539	1.40%	22.9%	NonDur Cons Goods	33.0 B
9	ABBOTT LABORATORIES	448,844	1.38%	16.1%	NonDur Cons Goods	59.3 B
10	ORACLE CORP	448,598	1.38%	15.6%	Computer Tech	172.1 B

**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>BARCLAYS AGG</b>
No. of Securities	164	8,727
Duration	5.86	5.55
YTM	2.64	2.48
Average Coupon	3.92	3.34
Avg Maturity / WAL	8.45	7.58
Average Quality	AAA-AA	USG-AAA

PRIT MANAGER RETURNS AND ALLOCATIONS  
AS OF DECEMBER 31, 2013

PORTFOLIO	QTR	ANNUALIZED			% Allocation
		1 YEAR	3 YEARS	5 YEARS	
<b>Domestic Equity</b>	<b>10.1</b>	<b>33.7</b>	<b>16.5</b>	<b>18.3</b>	<b>20.4</b>
Intech	11.2	33.0	16.8	18.2	1.8
Pimco Domestic	10.3	32.2	17.7	21.9	1.7
SSgA S&P 500	10.6	32.8	---	---	12.4
Summit Creek	7.5	---	---	---	0.3
Frontier	9.9	---	---	---	0.3
Huber	8.5	---	---	---	0.5
RiverBridge	6.9	---	---	---	0.3
SouthernSun	5.2	---	---	---	0.3
SSgA Russell 2500	8.8	36.1	---	---	2.8
<i>Russell 3000</i>	<i>10.1</i>	<i>33.6</i>	<i>16.3</i>	<i>18.7</i>	---
<i>S&amp;P 500</i>	<i>10.5</i>	<i>32.4</i>	<i>16.2</i>	<i>17.9</i>	---
<i>Russell 2500</i>	<i>8.7</i>	<i>36.8</i>	<i>16.3</i>	<i>21.8</i>	---
<b>International Equity</b>	<b>6.0</b>	<b>24.4</b>	<b>9.1</b>	<b>13.9</b>	<b>18.2</b>
SSgA World Ex-US	5.8	22.6	7.9	13.2	8.7
Marathon Asset Management	7.4	29.6	11.4	16.1	4.6
Baillie Gifford	4.7	22.9	9.1	16.4	3.2
Mondrian	5.9	23.3	9.1	10.2	1.4
Emerging Manager Transition	--	--	--	--	0.2
<i>MSCI EAFE</i>	<i>5.8</i>	<i>23.3</i>	<i>8.7</i>	<i>13.0</i>	---
<i>ACWI EX US</i>	<i>4.8</i>	<i>15.8</i>	<i>5.6</i>	<i>13.3</i>	---
<b>Emerging Markets Equity</b>	<b>2.3</b>	<b>-1.1</b>	<b>-1.5</b>	<b>15.5</b>	<b>7.0</b>
SSgA Emerging Markets	2.0	-2.0	-1.9	---	3.6
Ashmore - EMM	6.2	4.4	-1.3	15.7	1.0
GMO	0.6	-4.0	-2.3	14.2	1.0
T. Rowe Price EM	1.7	-2.8	-1.1	17.2	1.0
Acadian	-0.6	17.5	---	---	0.1
Wasatch	3.2	0.6	---	---	0.3
<i>MSCI Emerging Markets</i>	<i>1.9</i>	<i>-2.3</i>	<i>-1.8</i>	<i>15.1</i>	---



PRIT MANAGER RETURNS AND ALLOCATIONS  
AS OF DECEMBER 31, 2013

PORTFOLIO	QTR	ANNUALIZED			% Allocation
		1 YEAR	3 YEARS	5 YEARS	
<b>Core Fixed Income</b>	<b>-0.4</b>	<b>-2.8</b>	<b>3.8</b>	<b>6.1</b>	<b>12.5</b>
Blackrock Passive	-0.2	-2.1	3.3	4.5	4.7
PIMCO Core	-0.1	-1.7	3.9	6.7	2.3
Loomis Sayles Core	0.5	-0.9	4.6	8.0	2.2
Blackrock TIPS	-2.0	-8.7	3.6	5.4	0.9
Blackrock ILBs	-1.4	-5.3	3.9	7.0	1.9
Access Capital - ETI	0.0	-1.0	2.9	4.7	0.2
Community Capital Management	0.1	-0.6	3.4	4.5	0.0
AFL - CIO Housing Investment	0.1	-2.2	3.3	4.5	0.2
<i>Barclays Aggregate</i>	<i>-0.1</i>	<i>-2.0</i>	<i>3.3</i>	<i>4.4</i>	<i>---</i>
<i>Barclays US TIPS</i>	<i>-2.0</i>	<i>-8.6</i>	<i>3.6</i>	<i>5.6</i>	<i>---</i>
<i>Barclays ILB US Hedged</i>	<i>-1.4</i>	<i>-5.5</i>	<i>3.5</i>	<i>6.4</i>	<i>---</i>
<i>Barclays Aggregate A or Better</i>	<i>-0.3</i>	<i>-2.0</i>	<i>3.0</i>	<i>3.9</i>	<i>---</i>
<b>Value-Added Fixed Income</b>	<b>1.5</b>	<b>3.4</b>	<b>8.0</b>	<b>14.6</b>	<b>8.5</b>
Fidelity	2.6	9.5	10.3	20.1	0.5
Loomis Sayles High Yield	3.4	6.3	9.9	20.7	0.5
Shenkman	3.6	6.3	8.1	13.2	0.5
Eaton Vance	1.6	5.1	5.5	13.4	0.8
ING	1.8	6.6	6.6	13.5	0.7
Ashmore	2.0	-5.0	6.2	12.1	0.8
PIMCO EMD	0.5	-6.4	6.2	12.0	0.5
Investec	-1.5	-9.1	---	---	0.5
Pictet	-1.6	-10.1	---	---	0.8
Stone Harbor	-2.8	-11.7	---	---	0.5
Distressed Debt	3.2	18.4	13.3	14.6	2.2
<i>ML Master High Yield</i>	<i>3.5</i>	<i>7.4</i>	<i>9.0</i>	<i>18.7</i>	<i>---</i>
<i>JPM EMBI</i>	<i>0.9</i>	<i>-6.6</i>	<i>6.3</i>	<i>11.5</i>	<i>---</i>

PRIT MANAGER RETURNS AND ALLOCATIONS  
AS OF DECEMBER 31, 2013

PORTFOLIO	QTR	ANNUALIZED			% Allocation
		1 YEAR	3 YEARS	5 YEARS	
<b>Private Equity</b>	<b>6.1</b>	<b>21.1</b>	<b>17.9</b>	<b>12.2</b>	<b>11.3</b>
Total Special Equity	5.9	21.2	18.0	12.5	8.6
Total Venture Capital	8.0	23.6	19.9	12.7	2.2
<i>Cambridge Private Equity (Lagged)</i>	<i>5.2</i>	<i>17.1</i>	<i>15.6</i>	<i>10.6</i>	---
<b>Real Estate</b>	<b>2.5</b>	<b>10.8</b>	<b>12.2</b>	<b>8.2</b>	<b>6.3</b>
Investco Core	3.6	15.8	14.1	8.2	1.2
Lasalle	2.8	14.2	14.9	7.7	2.2
AEW	4.5	12.8	14.1	---	0.8
JP Morgan	1.6	7.0	11.4	4.2	1.0
TA Associates	2.1	6.6	10.4	3.8	2.0
Non-Core	1.1	6.0	---	---	0.6
Canyon Johnson II	-6.4	-3.7	-3.5	-9.4	0.0
Intercontinental IV	3.8	3.1	6.2	-3.4	0.0
New Boston Urban I	2.3	7.3	7.7	-5.2	0.0
<i>NCREIF</i>	<i>2.5</i>	<i>11.0</i>	<i>11.9</i>	<i>5.7</i>	---
<i>NCREIF ODCE</i>	<i>3.2</i>	<i>14.0</i>	<i>13.6</i>	<i>3.7</i>	---
<b>REITS</b>	<b>-0.2</b>	<b>3.8</b>	<b>8.5</b>	<b>15.6</b>	<b>2.3</b>
Investco Global REIT	-0.5	4.4	---	---	0.4
Centersquare Global REIT	-0.4	4.5	---	---	1.1
EII Global REIT	0.3	2.6	---	---	0.8
<i>NAREIT</i>	<i>-0.2</i>	<i>2.9</i>	<i>10.1</i>	<i>16.9</i>	---
<i>FTSE EPRA NAREIT</i>	<i>1.0</i>	<i>2.3</i>	<i>6.8</i>	<i>15.3</i>	---

PRIT MANAGER RETURNS AND ALLOCATIONS  
AS OF DECEMBER 31, 2013

PORTFOLIO	QTR	ANNUALIZED			% Allocation
		1 YEAR	3 YEARS	5 YEARS	
<b>Timber</b>	<b>6.2</b>	<b>8.9</b>	<b>5.1</b>	<b>0.5</b>	<b>2.5</b>
Forest	6.5	9.1	5.5	0.8	1.8
The Campbell Group	5.1	8.1	---	---	0.6
<i>NCREIF Timber</i>	<i>5.9</i>	<i>9.7</i>	<i>6.3</i>	<i>2.7</i>	---
<b>Natural Resources - Public</b>	<b>2.8</b>	<b>14.5</b>	<b>-1.0</b>	<b>15.0</b>	<b>0.8</b>
Jennison	0.4	12.4	-3.6	15.8	0.4
T. Rowe Price NR	5.6	17.0	1.5	14.0	0.4
<i>Lipper NR Global Fund Index</i>	<i>3.3</i>	<i>13.0</i>	<i>-1.1</i>	<i>12.5</i>	---
<b>Natural Resources - Private*</b>	<b>-0.4</b>	<b>0.2</b>	<b>8.4</b>	<b>4.8</b>	<b>0.6</b>
<b>Hedge Funds (Net)</b>	<b>4.1</b>	<b>12.6</b>	<b>5.9</b>	<b>7.2</b>	<b>9.0</b>
Arden HFOF Liquidation	2.9	10.0	---	---	0.4
Ivy Liquidation	3.7	7.8	0.7	---	0.0
PAAMCO	6.0	17.0	6.3	8.8	1.5
Direct Hedge Funds	3.7	12.0	---	---	7.1
<i>HFRI FOF</i>	<i>3.5</i>	<i>8.8</i>	<i>2.4</i>	<i>4.5</i>	---
<b>Portable Alpha Wind Down (Net)</b>	<b>-3.4</b>	<b>-2.8</b>	<b>-2.7</b>	<b>2.4</b>	<b>0.1</b>
Austin Capital	-16.4	-19.9	-12.4	-6.3	0.0
Crestline	-4.5	-2.9	0.2	4.3	0.0
Strategic	0.9	1.8	-3.6	2.4	0.0
<i>HFRI FOF</i>	<i>3.5</i>	<i>8.8</i>	<i>2.4</i>	<i>4.5</i>	---
<b>Overlay</b>	<b>4.2</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>0.7</b>
Clifton	4.2	--	--	--	0.2

\*Includes Private Natural Resources Cash

Source: PRIM Board

## APPENDIX - MAJOR MARKET INDEX RETURNS

<b>Domestic Equity</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Russell 3000	Broad Equity	10.1	33.6	33.6	16.2	18.7
S&P 500	Large Cap Core	10.5	32.4	32.4	16.2	17.9
Russell 1000	Large Cap Core	10.2	33.1	33.1	16.3	18.6
Russell 1000 Growth	Large Cap Growth	10.4	33.5	33.5	16.4	20.4
Russell 1000 Value	Large Cap Value	10.0	32.5	32.5	16.1	16.7
Russell Mid Cap	Midcap	8.4	34.8	34.8	15.9	22.4
Russell Mid Cap Growth	Midcap Growth	8.2	35.8	35.8	15.6	23.4
Russell Mid Cap Value	Midcap Value	8.6	33.5	33.5	16.0	21.2
Russell 2000	Small Cap	8.7	38.8	38.8	15.7	20.1
Russell 2000 Growth	Small Cap Growth	8.2	43.3	43.3	16.8	22.6
Russell 2000 Value	Small Cap Value	9.3	34.5	34.5	14.5	17.6
<b>International Equity</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
MSCI EAFE	Developed Markets Equity	5.7	23.3	23.3	8.7	13.0
MSCI EAFE Growth	Developed Markets Growth	5.2	23.0	23.0	8.3	13.2
MSCI EAFE Value	Developed Markets Value	6.3	23.6	23.6	8.9	12.6
MSCI All Country World Ex US	Foreign Equity	4.8	15.8	15.8	5.6	13.3
MSCI Emerging Markets	Emerging Markets Equity	1.9	-2.3	-2.3	-1.8	15.1
<b>Domestic Fixed Income</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Barclays Aggregate Index	Core Fixed Income	-0.1	-2.0	-2.0	3.3	4.5
Barclays Gov/Credit	Gov/Credit	0.0	-2.3	-2.3	3.6	4.4
Barclays Capital Gov't Bond	Treasuries	-0.7	-2.6	-2.6	2.7	2.3
Barclays Capital Credit Bond	Corporate Bonds	1.1	-1.5	-1.5	5.4	8.5
Intermediate Aggregate	Core Intermediate	-0.1	-1.0	-1.0	2.8	4.2
Intermediate Gov/Credit	Gov / Credit Intermediate	0.0	-0.9	-0.9	2.9	4.0
ML/BoA 1-3 Year Treasury	Short Term Treasuries	0.1	0.4	0.4	0.6	1.0
CSFB High Yield	High Yield Bonds	3.4	7.5	7.5	9.2	18.1
<b>Alternative Assets</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Barclays Global Ex-US	International Treasuries	-1.4	-4.9	-4.9	0.3	0.7
NCREIF NFI-ODCE Index	Real Estate	3.2	14.0	14.0	13.6	3.7
HFRI FOF Composite	Hedge Funds	3.5	8.7	8.7	2.4	4.5

**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 through December 2010:
 

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

  
 For all periods Since December 2010:
 

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

FRANKLIN REGIONAL RETIREMENT SYSTEM  
PRIT - CORE FUND  
PERFORMANCE REVIEW  
DECEMBER 2013

## **INVESTMENT RETURN**

On December 31st, 2013, the Franklin Regional Retirement System's PRIT portfolio was valued at \$62,424,659, representing an increase of \$2,806,126 from the September quarter's ending value of \$59,618,533. Last quarter, the Fund posted withdrawals totaling \$91,150, which partially offset the portfolio's net investment return of \$2,897,276. Income receipts totaling \$373,704 plus net realized and unrealized capital gains of \$2,523,572 combined to produce the portfolio's net investment return.

For the cumulative period since December 2008, the fund has recorded net contributions totaling \$1.9 million, and recorded net investment gains of \$27.0 million. For the period since December 2008, if the total fund had returned a compounded nominal rate of 8.0% it would have been valued at \$52.0 million or \$10.4 million less than the actual value as of December 31st, 2013.

## **RELATIVE PERFORMANCE**

In the fourth quarter, the PRIT portfolio gained 4.9%, which was 0.3% less than the Custom Core Index's return of 5.2%. Over the trailing twelve-month period, the portfolio returned 15.5%, which was 1.1% below the benchmark's 16.6% return. Since December 2008, the account returned 12.0% on an annualized basis, while the Custom Core Index returned an annualized 11.9% over the same time frame.

## **PRIT DOMESTIC EQUITY**

Last quarter, the PRIT Domestic Equity sleeve comprised 20.4% of the PRIT portfolio and gained 10.1%, which was equal to the Russell 3000 Index's return. Three of the four largest funds – SSGA S&P index fund, Intech, and PIMCO Domestic – served as the prime movers of the sleeve's return. Together they made up 15.9% of the

PRIT portfolio – 77.9% of the Domestic Equity sleeve – and returned 10.6%, 11.2%, 10.3%, respectively.

Last quarter, the SSGA S&P 500 index fund gained 10.6%, while over the trailing year it gained 32.8%. For comparison, the S&P 500 gained 10.5% for the quarter and gained 32.4% for the year. The SSGA Russell 2500 fund – with the second highest sleeve allocation 2.8% – gained 8.8% for the quarter, which was consistent with the Russell 2500 Index's return of 8.7%. Over the trailing year, SSGA returned 36.1%, falling short of the Russell 2500 by 0.7%.

## **PRIT INTERNATIONAL EQUITY**

In the fourth quarter, the PRIT International Equity sleeve represented 18.2% of the PRIT portfolio and gained 6.0% for the quarter, which was 1.2% above the 4.8% return of the MSCI All Country World Ex US Index. The SSGA World Ex-US index fund (5.8% return), combined with Marathon Asset Management (7.4% return) and Baillie Gifford (4.7% return) to outperform the benchmark.

Over the previous three months, the SSGA Ex US returned 5.8%. For the 3-year and 5-year periods it gained 7.9% and 13.2%, respectively. The Custom MSCI EAFE Standard Index gained 5.8% for the quarter. Over the 3-year and 5-year periods it gained 8.7% and 13.0%.

## **PRIT FIXED INCOME**

In the fourth quarter, the PRIT Fixed Income sleeve lagged its benchmark by 0.3%, returning -0.4% for the quarter. The BlackRock Passive fund and BlackRock ILBs comprised over half of the sleeve and performed evenly with their benchmarks. However, four of the eight fixed income funds incurred losses. The PIMCO Core and BlackRock ILBs funds, which made up a third of the sleeve, retracted at a clip of 0.1 and 1.4, respectively.

Last quarter, the BlackRock Passive fund lost 0.2%. Over the trailing year it returned -2.1%, and gained 3.3% and 4.5% for the 3-year and 5-year periods. For comparison, the Barclays Aggregate dropped 0.1% for the quarter and sunk -2.0% for the year. Over the 3-year and 5-year periods the Barclays Aggregate gained 3.3% and 4.4%, respectively.

For the fourth quarter, the BlackRock ILBs returned -1.4%. Over the trailing year it reported losses of -5.3%, while gaining 3.9% and 7.0% for the 3-year and 5-year periods. Its benchmark, the Barclays ILB US Hedged Index, also posted a -1.4% return last quarter. Additionally, it returned -5.5% over the last year, and gained 3.5% and 6.4% over the last 3-year and 5-year periods respectively.



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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	5 Years
<b>Total Gross/Fees</b>	4.9	15.5	15.5	9.6	12.0
<b>Total Net/Fees</b>	4.7	14.8	14.8	9.0	11.4
CUSTOM CORE IDX	5.2	16.6	16.6	10.1	11.9
<b>PRIT Core</b>	4.9	15.5	15.5	9.6	12.0
CUSTOM CORE IDX	5.2	16.6	16.6	10.1	11.9

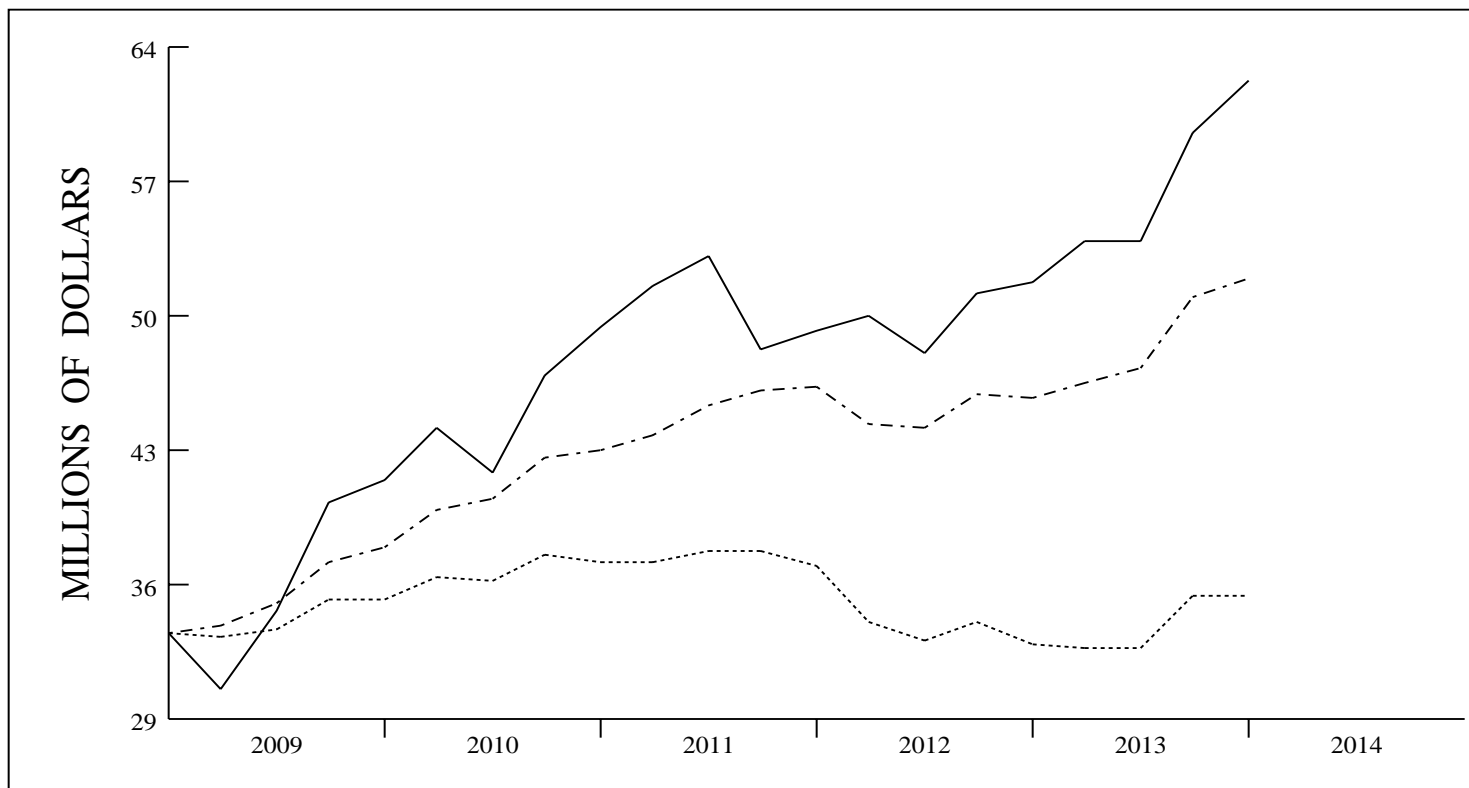
**ASSET ALLOCATION**

PRIT Core	100.0%	\$ 62,424,659
Total Portfolio	100.0%	\$ 62,424,659

**INVESTMENT RETURN**

Market Value 9/2013	\$ 59,618,533
Contribs / Withdrawals	- 91,150
Income	373,704
Capital Gains / Losses	2,523,572
Market Value 12/2013	\$ 62,424,659

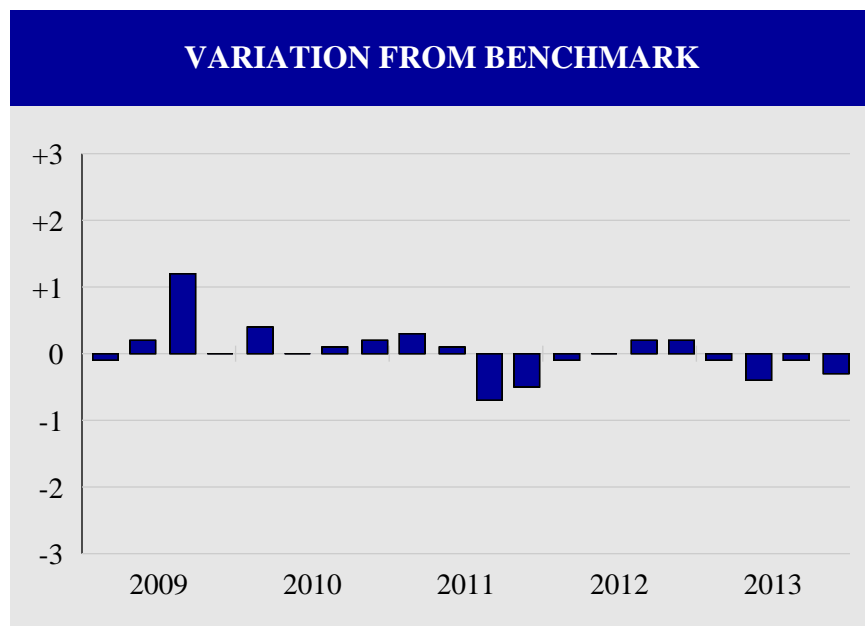
**INVESTMENT GROWTH**



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

VALUE ASSUMING  
 8.0% RETURN  
 \$ 52,023,349

	LAST QUARTER	PERIOD 12/08 - 12/13
BEGINNING VALUE	\$ 59,618,533	\$ 33,492,695
NET CONTRIBUTIONS	- 91,150	1,940,883
INVESTMENT RETURN	<u>2,897,276</u>	<u>26,991,080</u>
ENDING VALUE	\$ 62,424,659	\$ 62,424,659
INCOME	373,704	7,149,153
CAPITAL GAINS (LOSSES)	<u>2,523,572</u>	<u>19,841,928</u>
INVESTMENT RETURN	<u>2,897,276</u>	<u>26,991,080</u>

**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>12</b>
<b>Quarters Below the Benchmark</b>	<b>8</b>
<b>Batting Average</b>	<b>.600</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/09	-8.1	-8.0	-0.1
6/09	11.7	11.5	0.2
9/09	11.5	10.3	1.2
12/09	2.9	2.9	0.0
3/10	3.5	3.1	0.4
6/10	-5.0	-5.0	0.0
9/10	8.9	8.8	0.1
12/10	6.1	5.9	0.2
3/11	4.3	4.0	0.3
6/11	1.7	1.6	0.1
9/11	-9.0	-8.3	-0.7
12/11	3.7	4.2	-0.5
3/12	7.3	7.4	-0.1
6/12	-1.5	-1.5	0.0
9/12	4.4	4.2	0.2
12/12	3.1	2.9	0.2
3/13	4.6	4.7	-0.1
6/13	0.2	0.6	-0.4
9/13	5.1	5.2	-0.1
12/13	4.9	5.2	-0.3

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

## **INVESTMENT RETURN**

On December 31st, 2013, the Franklin Regional Retirement System's Polen Capital Management portfolio was valued at \$7,351,085, representing an increase of \$757,129 from the September quarter's ending value of \$6,593,956. Last quarter, the Fund posted no net contributions or withdrawals, while posting \$757,129 in net investment returns. Income receipts totaling \$21,794 plus net realized and unrealized capital gains of \$735,335 combined to produce the portfolio's net investment return figure.

For the cumulative period since March 2012, the account has recorded net contributions totaling \$850,000, and has recorded net investment gains of \$1.2 million. Since March 2012, if the total account had earned a compounded nominal rate of 8.0% it would have been worth \$6.9 million or \$405,732 less than the actual value as of December 31st, 2013.

## **RELATIVE PERFORMANCE**

During the fourth quarter, the Polen Capital Management portfolio gained 11.5%, which was 1.1% above the Russell 1000 Growth Index's return of 10.4% and ranked in the 36th percentile of the Large Cap Growth universe. Over the trailing year, the portfolio returned 23.5%, which was 10.0% below the benchmark's 33.5% performance, ranking in the 99th percentile. Since March 2012, the account returned 10.7% on an annualized basis and ranked in the 99th percentile. For comparison, the Russell 1000 Growth returned an annualized 18.3% over the same period.

## **ASSET ALLOCATION**

On December 31st, 2013, domestic equities comprised 93.9% of the total portfolio (\$6.9 million), while cash & equivalents totaled 6.1% (\$450,944).

## **ANALYSIS**

At the end of the fourth quarter, the Polen Capital Management portfolio was diversified across six of the eleven industry sectors included in our data analysis. Relative to the Russell 1000 Growth Index, the portfolio was overweight in the Computer Technology, Finance, and Service sectors, and underweight in the Nondurable Consumer Goods and Consumer Service sectors. The Basic, Durable Consumer Goods, Transportation, Energy, and Utilities sectors were left unfunded.

The Polen portfolio thrived as it adhered to a narrow investment approach, besting its benchmark by 110 basis points. Over sixty percent of the account's funding was consolidated in the Nondurable Consumer Goods, Computer Technology and Finance sectors, all of which posted returns in excess of 15%, decidedly beating their benchmarks. Top holding company Google returned 28% in gains for the portfolio, generating significant positive pressure to the value of the Computer Technology sector investment. The decision to avoid the Energy sector shielded the portfolio from a stagnantly performing investment. However, for the same reason, the portfolio was unable to benefit from the exceptional returns produced in the Basic and Transportation sectors. Additionally, the portfolio struggled to compete with the index in the Service sector, falling short of the benchmark's performance by half. Stagnation there only partially dampened the high-quality performance exhibited by the weightier investments in the portfolio last quarter.

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 3/2012
<b>Total Gross/Fees</b>	11.5	23.5	23.5	----	10.7
<i>LARGE CAP GROWTH RANK</i>	(36)	(99)	(99)	----	(99)
<b>Total Net/Fees</b>	11.3	22.7	22.7	----	10.0
RUSSELL 1000G	10.4	33.5	33.5	16.4	18.3
<b>Domestic Equity</b>	12.2	25.0	25.0	----	11.3
<i>LARGE CAP GROWTH RANK</i>	(22)	(98)	(98)	----	(99)
RUSSELL 1000G	10.4	33.5	33.5	16.4	18.3

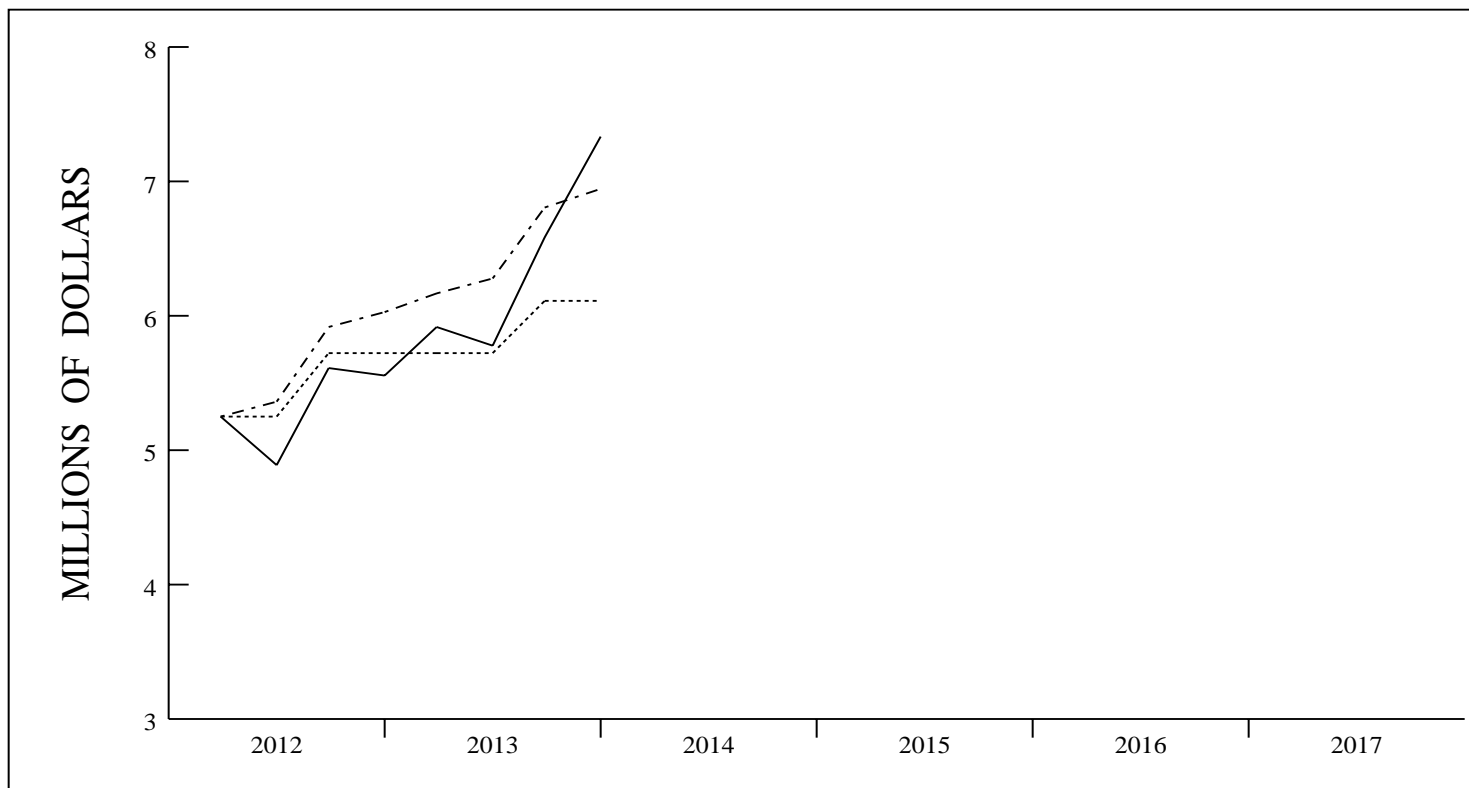
**ASSET ALLOCATION**

Domestic Equity	93.9%	\$ 6,900,141
Cash	6.1%	450,944
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 7,351,085</b>

**INVESTMENT RETURN**

Market Value 9/2013	\$ 6,593,956
Contribs / Withdrawals	0
Income	21,794
Capital Gains / Losses	735,335
Market Value 12/2013	\$ 7,351,085

**INVESTMENT GROWTH**

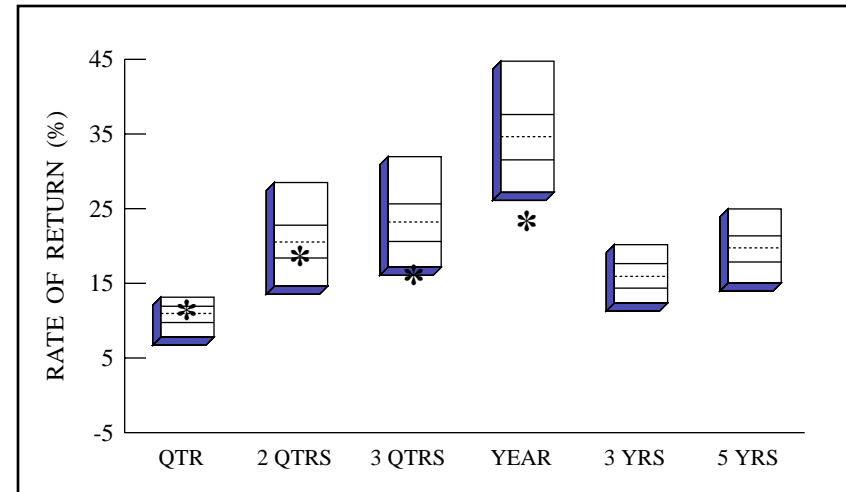
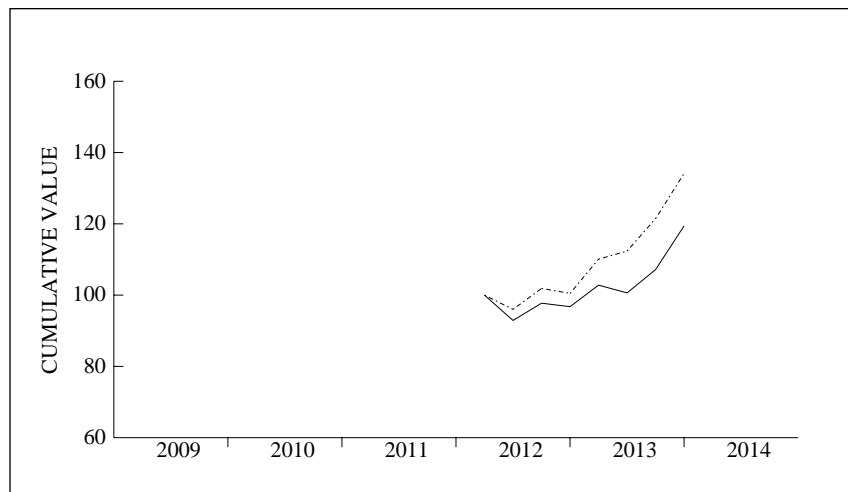


— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

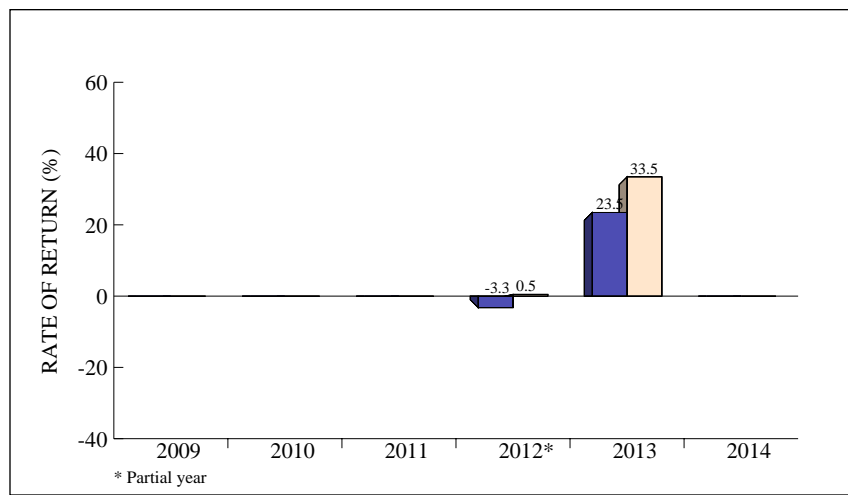
VALUE ASSUMING  
 8.0% RETURN  
 \$ 6,945,353

	LAST QUARTER	PERIOD 3/12 - 12/13
BEGINNING VALUE	\$ 6,593,956	\$ 5,273,154
NET CONTRIBUTIONS	0	850,000
<u>INVESTMENT RETURN</u>	<u>757,129</u>	<u>1,227,931</u>
ENDING VALUE	\$ 7,351,085	\$ 7,351,085
INCOME	21,794	122,416
CAPITAL GAINS (LOSSES)	<u>735,335</u>	<u>1,105,515</u>
INVESTMENT RETURN	757,129	1,227,931

**TOTAL RETURN COMPARISONS**



Large Cap Growth Universe



\* Partial year

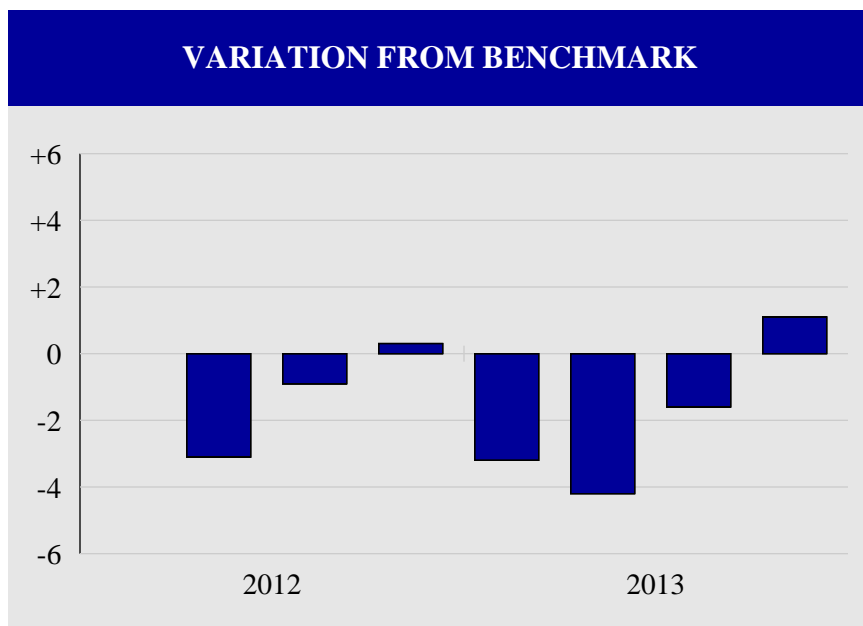
	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	11.5	18.7	16.2	23.5	----	----
(RANK)	(36)	(72)	(97)	(99)	----	----
5TH %ILE	13.1	28.5	32.0	44.7	20.2	25.0
25TH %ILE	11.9	22.8	25.7	37.6	17.7	21.4
MEDIAN	11.0	20.6	23.2	34.6	15.9	19.7
75TH %ILE	9.8	18.4	20.6	31.5	14.3	17.9
95TH %ILE	7.8	14.6	17.1	27.2	12.4	15.0
<b>Russ 1000G</b>	<b>10.4</b>	<b>19.4</b>	<b>21.9</b>	<b>33.5</b>	<b>16.4</b>	<b>20.4</b>

Large Cap Growth Universe



**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

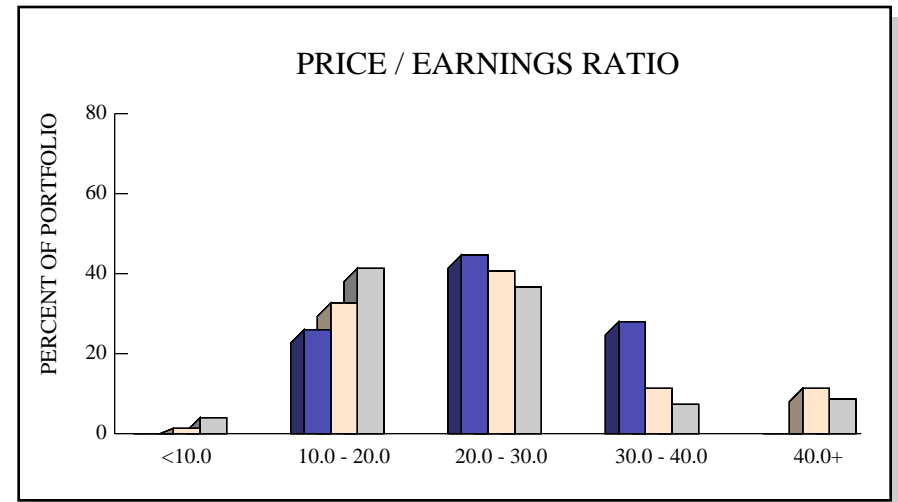
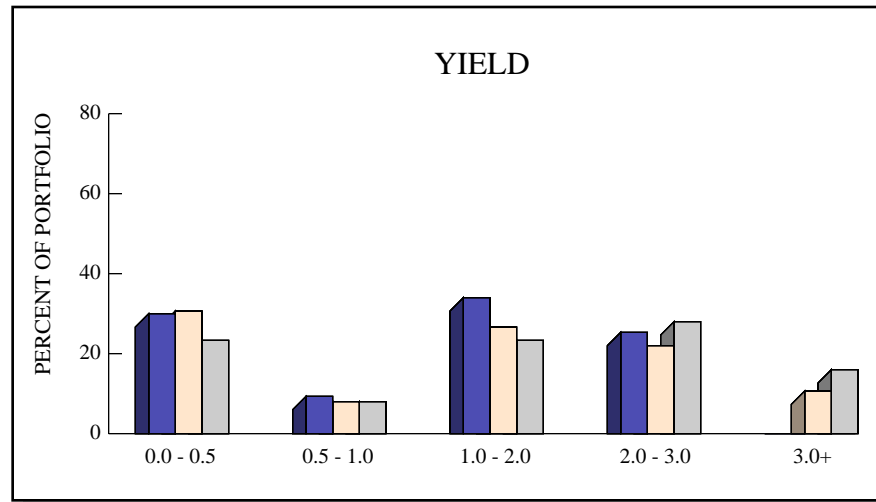
**COMPARATIVE BENCHMARK: RUSSELL 1000 GROWTH**



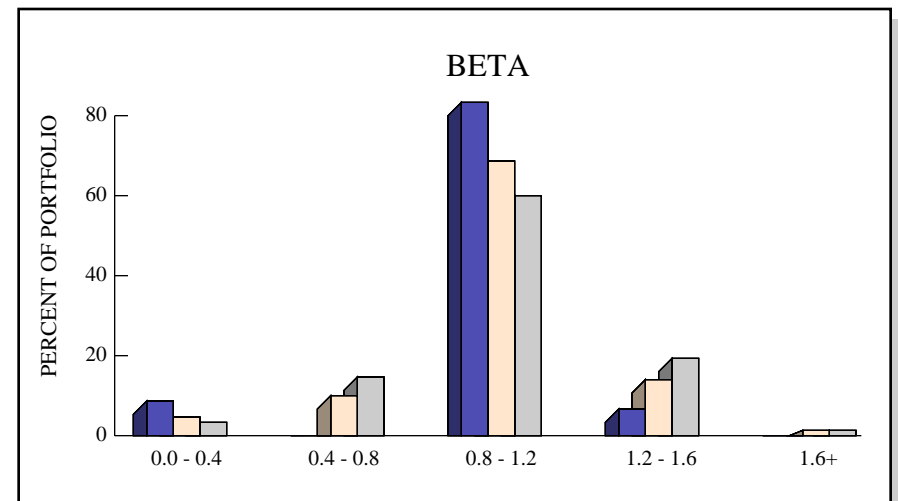
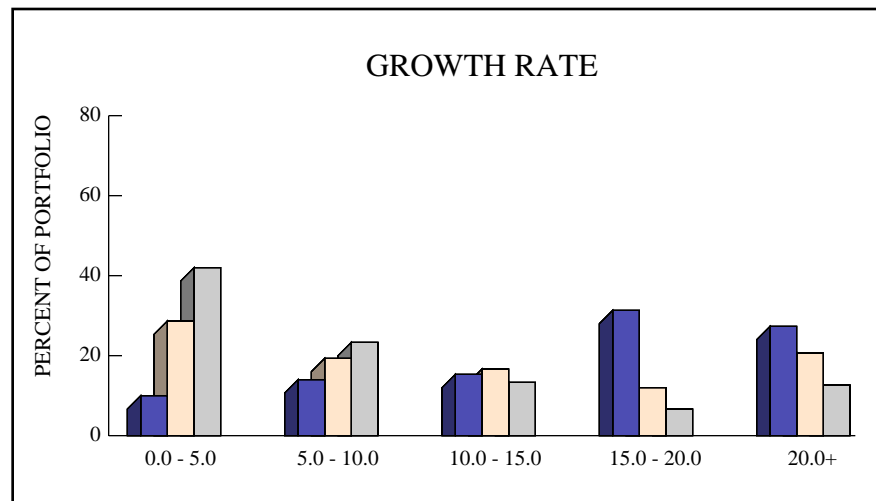
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
6/12	-7.1	-4.0	-3.1
9/12	5.2	6.1	-0.9
12/12	-1.0	-1.3	0.3
3/13	6.3	9.5	-3.2
6/13	-2.1	2.1	-4.2
9/13	6.5	8.1	-1.6
12/13	11.5	10.4	1.1

<b>Total Quarters Observed</b>	<b>7</b>
<b>Quarters At or Above the Benchmark</b>	<b>2</b>
<b>Quarters Below the Benchmark</b>	<b>5</b>
<b>Batting Average</b>	<b>.286</b>

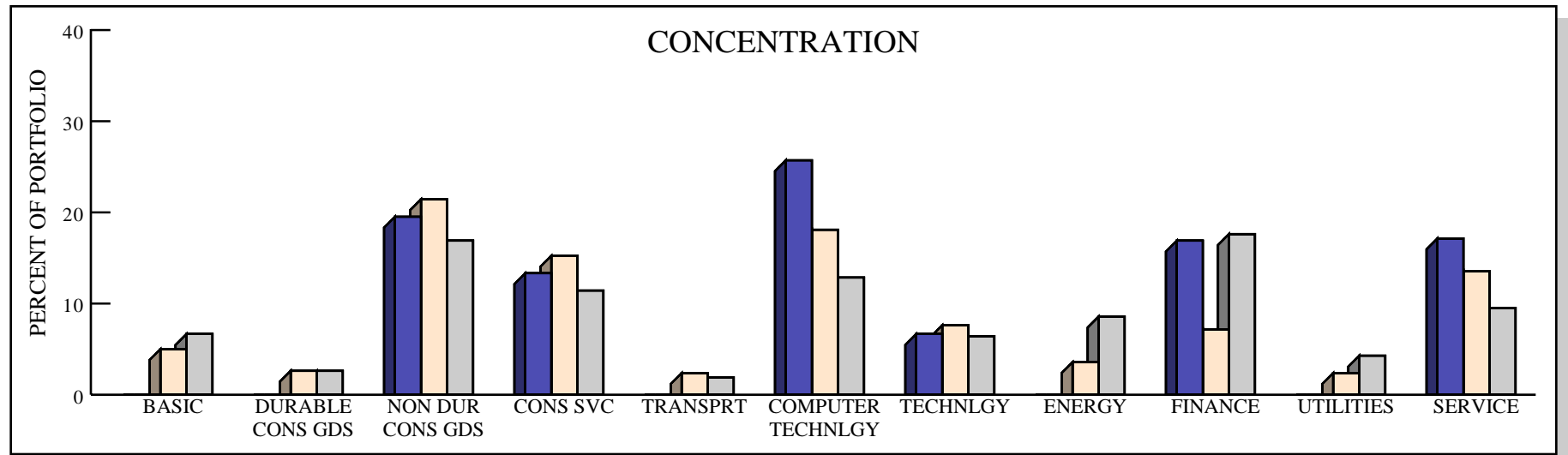
**STOCK CHARACTERISTICS**



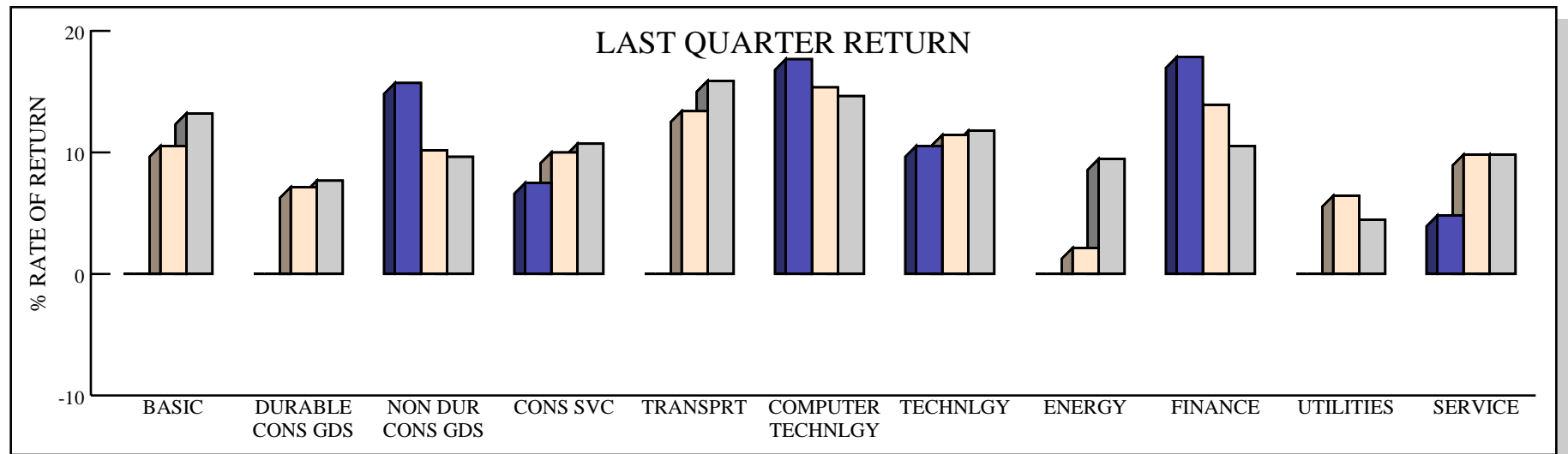
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.1%	17.5%	26.3	0.88
RUSSELL 1000G	1.5%	12.1%	25.9	0.96
RUSSELL 1000	1.8%	7.3%	22.8	0.99



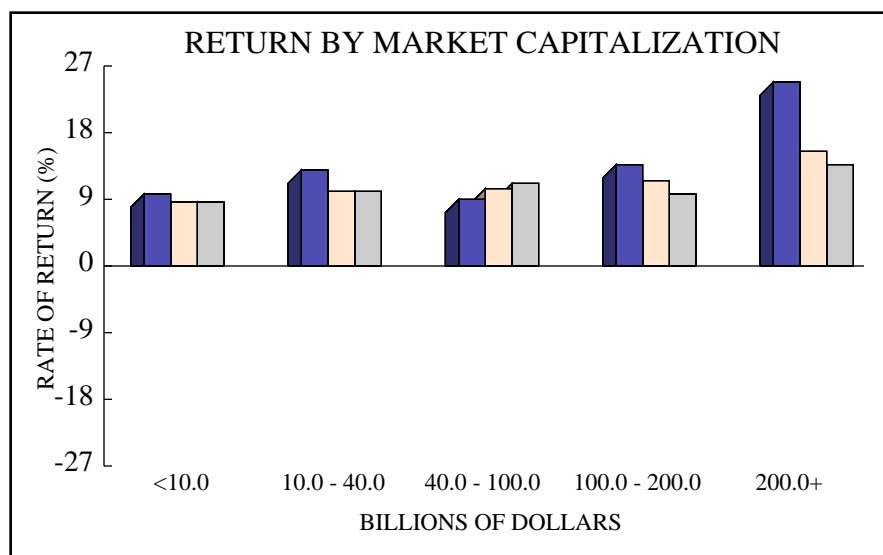
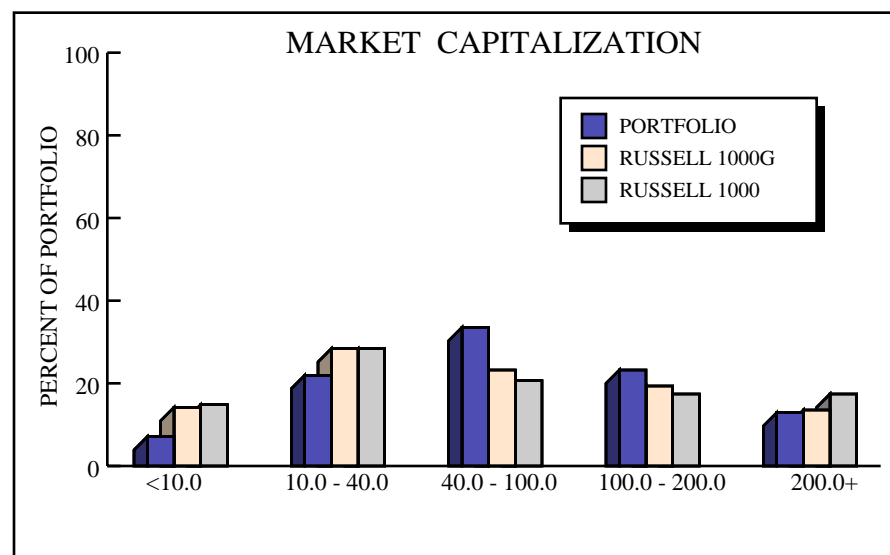
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO     
 ■ RUSSELL 1000 GROWTH     
 ■ RUSSELL 1000



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	GOOGLE INC-CL A	\$ 638,805	9.26%	28.0%	Computer Tech	\$ 310.1 B
2	VISA INC-CLASS A SHARES	534,209	7.74%	16.7%	Finance	112.8 B
3	QUALCOMM INC	472,973	6.85%	10.6%	Technology	125.4 B
4	T ROWE PRICE GROUP INC	466,180	6.76%	17.2%	Finance	21.9 B
5	ALLERGAN INC	454,539	6.59%	22.9%	NonDur Cons Goods	33.0 B
6	ABBOTT LABORATORIES	448,844	6.50%	16.1%	NonDur Cons Goods	59.3 B
7	ORACLE CORP	448,598	6.50%	15.6%	Computer Tech	172.1 B
8	NIKE INC -CL B	445,496	6.46%	8.5%	NonDur Cons Goods	56.0 B
9	STARBUCKS CORP	406,766	5.90%	2.1%	Consumer Service	58.9 B
10	ACCENTURE PLC-CL A	361,604	5.24%	12.2%	Service	52.4 B

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

## **INVESTMENT RETURN**

On December 31st, 2013, the Franklin Regional Retirement System's O'Shaughnessy Asset Management portfolio was valued at \$7,693,447, representing an increase of \$678,628 from the September quarter's ending value of \$7,014,819. Last quarter, the Fund posted withdrawals totaling \$167,135, which partially offset the portfolio's net investment return of \$845,763. Income receipts totaling \$45,097 plus net realized and unrealized capital gains of \$800,666 combined to produce the portfolio's net investment return. For the cumulative period since March 2012, the fund has recorded net withdrawals totaling \$208,118 and posted net investment gains of \$2.8 million. For the period since March 2012, if the total fund had returned a compounded nominal rate of 8.0% it would have been valued at \$5.7 million or \$2.0 million less than the actual value as of December 31st, 2013.

## **RELATIVE PERFORMANCE**

### **Total Fund**

In the fourth quarter, the O'Shaughnessy Asset Management portfolio gained 12.3%, which was 2.3% above the Russell 1000 Value Index's return of 10.0% and ranked in the 9th percentile of the Large Cap Value universe. Over the trailing year, the portfolio returned 48.3%, which was 15.8% greater than the benchmark's 32.5% performance, and ranked in the 2nd percentile. Since March 2012, the portfolio returned 27.2% on an annualized basis and ranked in the 4th percentile. For comparison, the Russell 1000 Value returned an annualized 21.3% over the same period.

## **ASSET ALLOCATION**

On December 31st, 2013, domestic equities comprised 98.5% of the total portfolio (\$7.6 million), while cash & equivalents totaled 1.5% (\$112,680).

## **STOCK ANALYSIS**

Last quarter, the O'Shaughnessy portfolio was diversified across ten of the eleven industry sectors shown in our analysis. Relative to the Russell 1000 Value Index, the portfolio was overweight in the Consumer Service, Computer Technology, Technology, and Service sectors, and significantly underweight in the Energy and Finance sectors. The Transportation sector was vacant, while the remaining sectors were slightly underweight.

The portfolio success over the index last quarter was mostly the result of strong selection across several industry sectors. Only four of the invested sectors underperformed – Durable Goods, Consumer Service, Utilities, and Service – and of these only two were represented significant weights in the portfolio. Strong returns in the heavily weighted Computer Technology and Technology sectors (bolstered by top stock Seagate Technology's 29% return) were of great benefit to the portfolio.

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 3/2012
<b>Total Gross/Fees</b>	12.3	48.3	48.3	----	27.2
<i>LARGE CAP VALUE RANK</i>	( 9)	( 2)	( 2)	----	( 4)
<b>Total Net/Fees</b>	12.1	47.6	47.6	----	26.5
RUSSELL 1000V	10.0	32.5	32.5	16.1	21.3
<b>Domestic Equity</b>	12.5	49.2	49.2	----	27.7
<i>LARGE CAP VALUE RANK</i>	( 8)	( 1)	( 1)	----	( 3)
RUSSELL 1000V	10.0	32.5	32.5	16.1	21.3

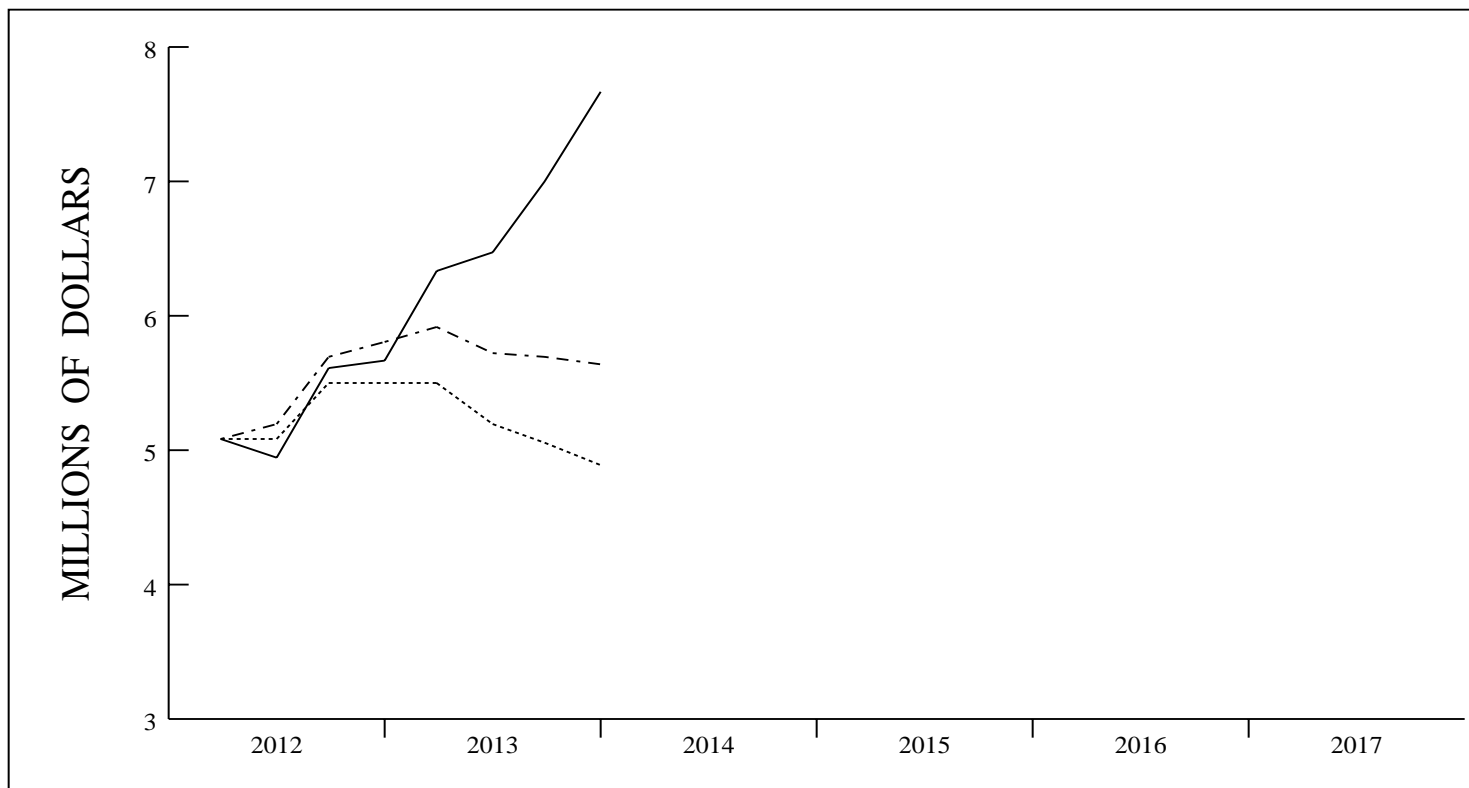
**ASSET ALLOCATION**

Domestic Equity	98.5%	\$ 7,580,767
Cash	1.5%	112,680
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 7,693,447</b>

**INVESTMENT RETURN**

Market Value 9/2013	\$ 7,014,819
Contribs / Withdrawals	-167,135
Income	45,097
Capital Gains / Losses	800,666
Market Value 12/2013	\$ 7,693,447

**INVESTMENT GROWTH**



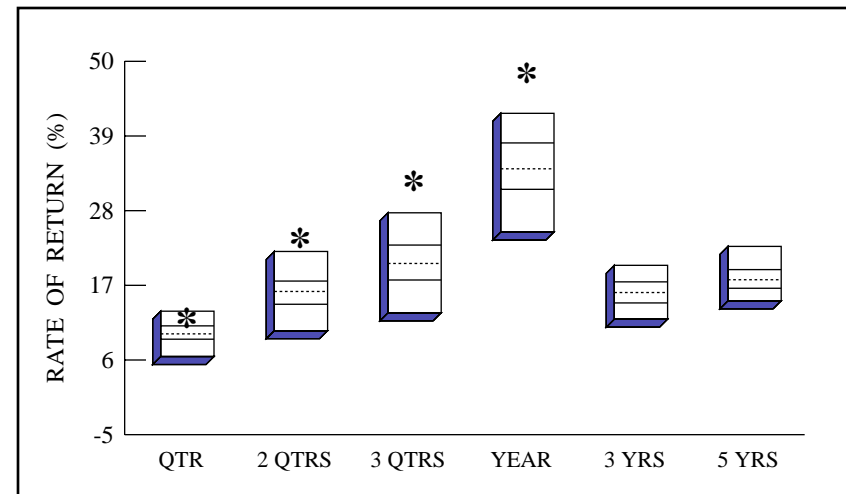
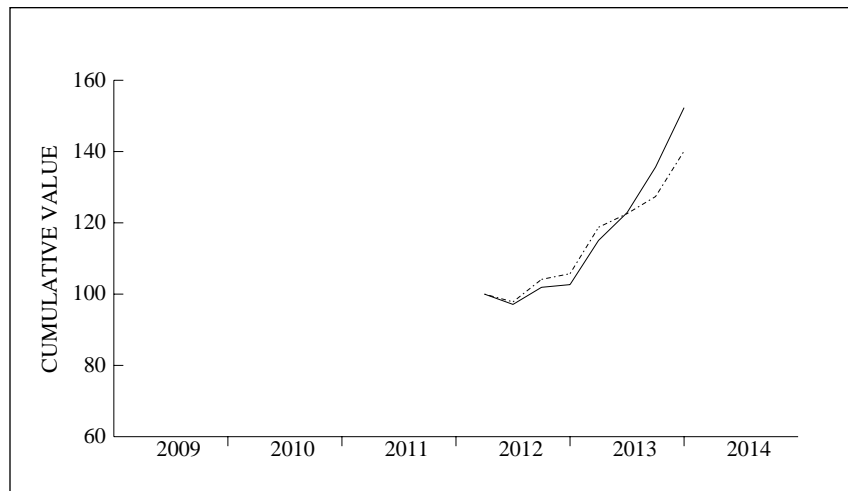
— ACTUAL RETURN  
 - - - 8.0%  
 ..... 0.0%

VALUE ASSUMING  
 8.0% RETURN  
 \$ 5,656,657

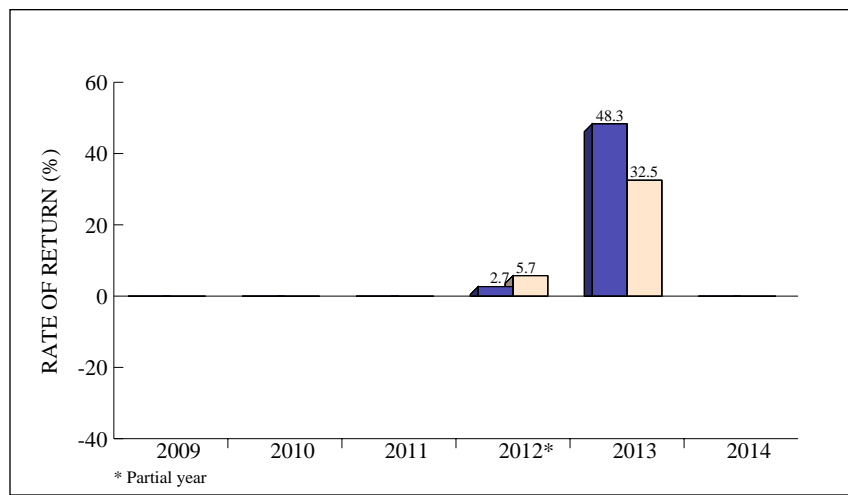
	LAST QUARTER	PERIOD 3/12 - 12/13
BEGINNING VALUE	\$ 7,014,819	\$ 5,103,112
NET CONTRIBUTIONS	-167,135	-208,118
<u>INVESTMENT RETURN</u>	<u>845,763</u>	<u>2,798,453</u>
ENDING VALUE	\$ 7,693,447	\$ 7,693,447
INCOME	45,097	320,019
<u>CAPITAL GAINS (LOSSES)</u>	<u>800,666</u>	<u>2,478,434</u>
INVESTMENT RETURN	845,763	2,798,453



**TOTAL RETURN COMPARISONS**



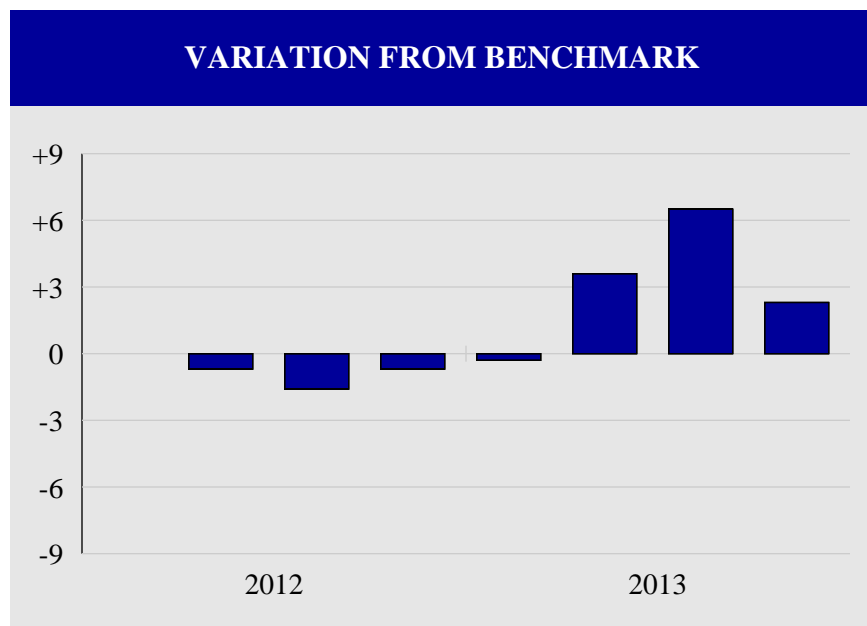
Large Cap Value Universe



\* Partial year

	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	12.3	24.0	32.4	48.3	----	----
(RANK)	(9)	(2)	(1)	(2)	----	----
5TH %ILE	13.2	22.0	27.7	42.3	19.9	22.7
25TH %ILE	11.0	17.6	22.9	38.0	17.5	19.3
MEDIAN	9.9	16.1	20.2	34.2	15.9	17.8
75TH %ILE	9.1	14.2	17.8	31.1	14.4	16.6
95TH %ILE	6.5	10.3	13.0	24.9	12.0	14.7
<b>Russ 1000V</b>	<b>10.0</b>	<b>14.3</b>	<b>18.0</b>	<b>32.5</b>	<b>16.1</b>	<b>16.7</b>

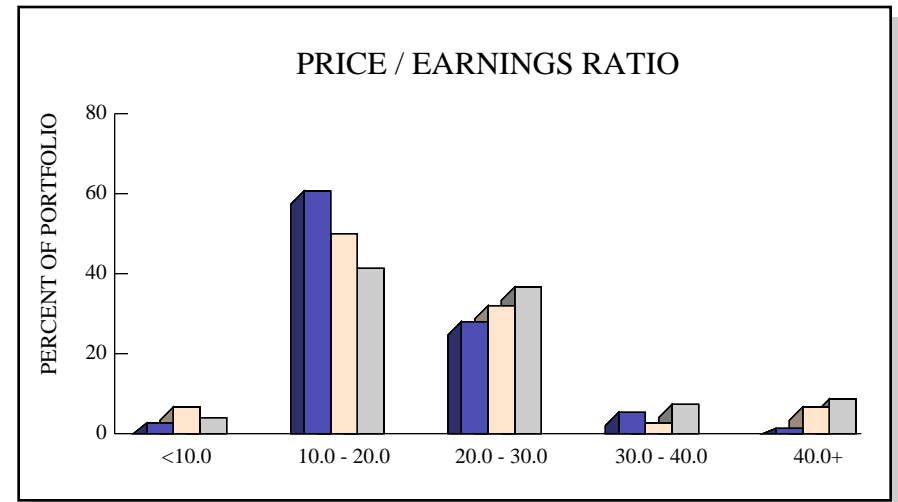
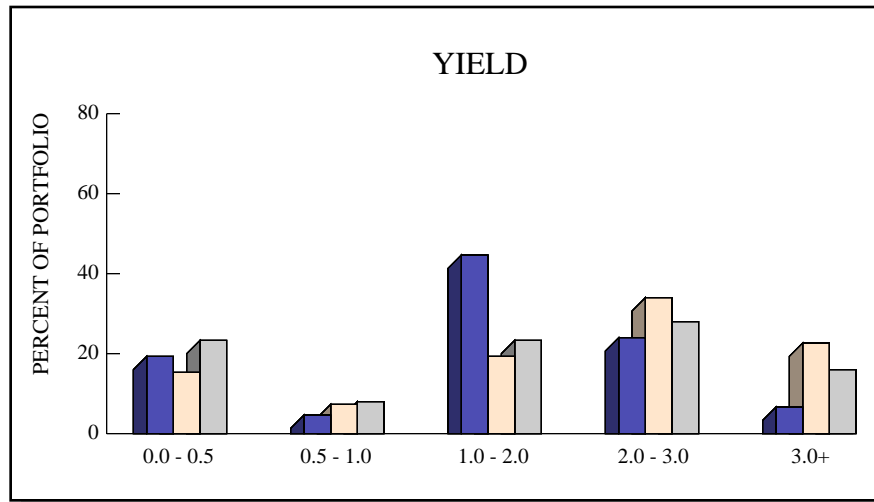
Large Cap Value Universe

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

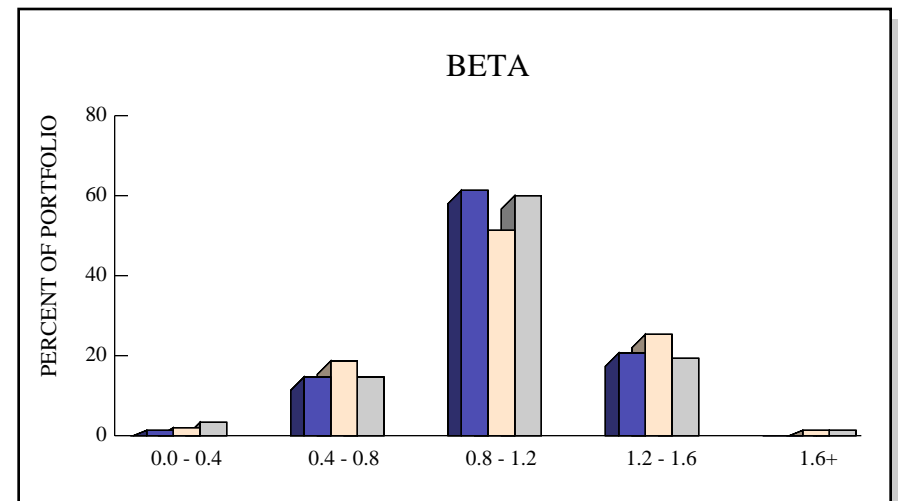
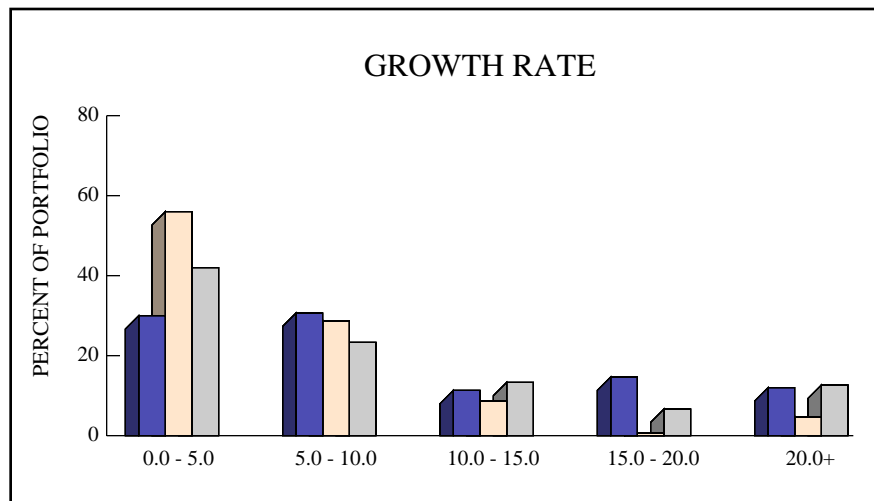
<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
6/12	-2.9	-2.2	-0.7
9/12	4.9	6.5	-1.6
12/12	0.8	1.5	-0.7
3/13	12.0	12.3	-0.3
6/13	6.8	3.2	3.6
9/13	10.4	3.9	6.5
12/13	12.3	10.0	2.3

<b>Total Quarters Observed</b>	<b>7</b>
<b>Quarters At or Above the Benchmark</b>	<b>3</b>
<b>Quarters Below the Benchmark</b>	<b>4</b>
<b>Batting Average</b>	<b>.429</b>

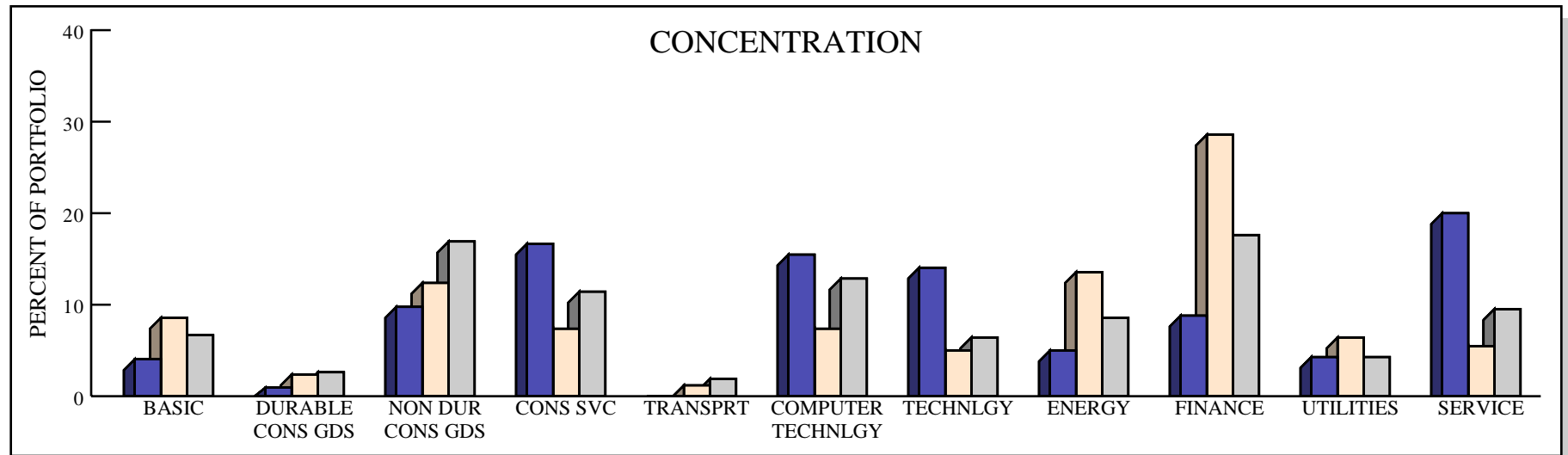
**STOCK CHARACTERISTICS**



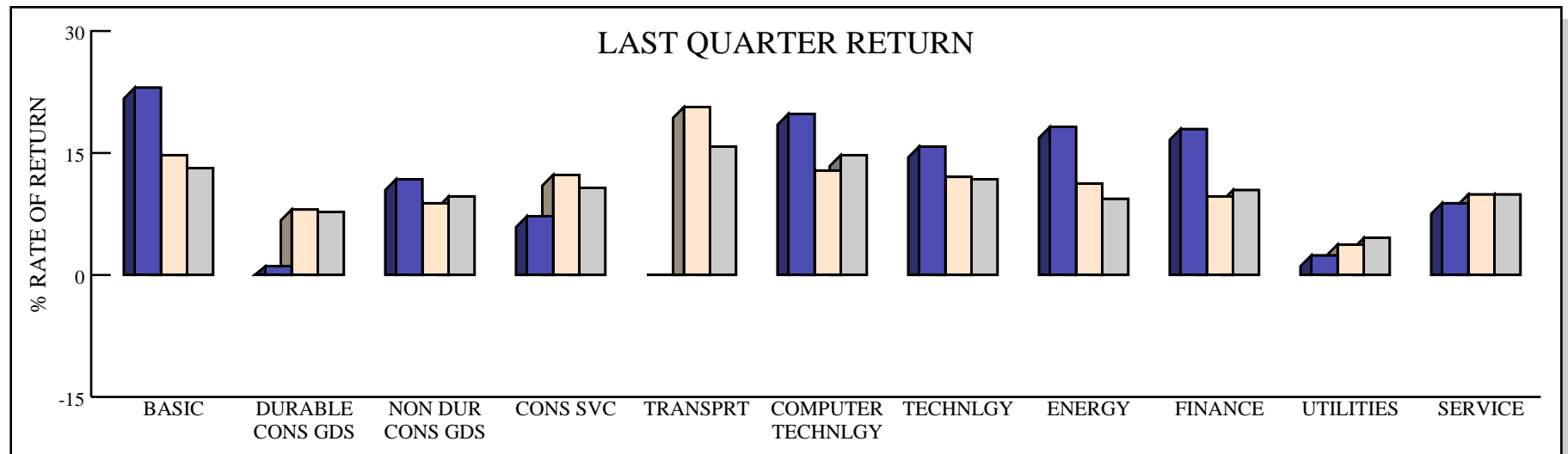
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.7%	8.2%	20.2	0.99
RUSSELL 1000V	2.2%	2.3%	19.6	1.02
RUSSELL 1000	1.8%	7.3%	22.8	0.99



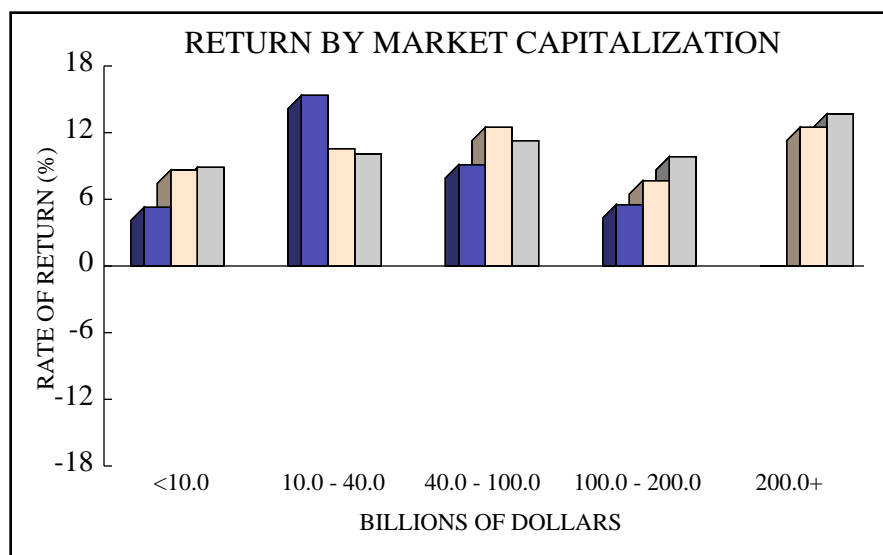
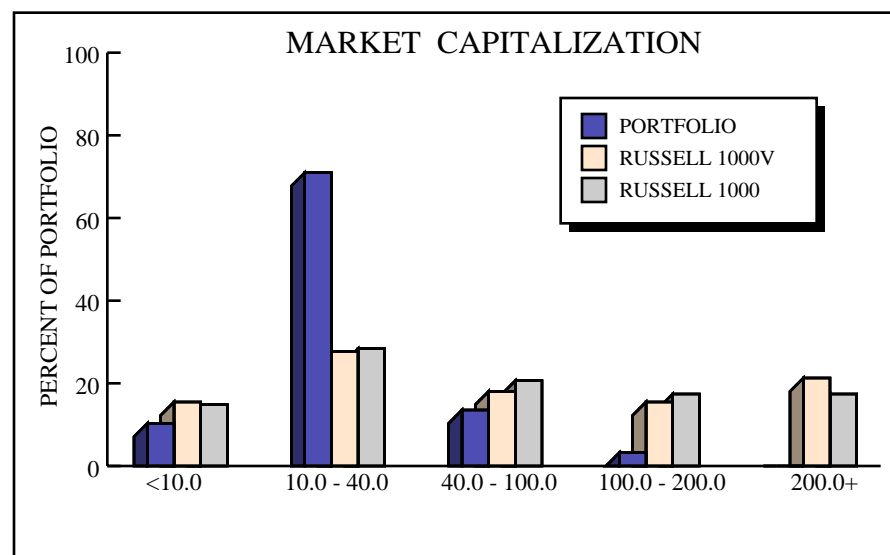
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO     
 ■ RUSSELL 1000 VALUE     
 ■ RUSSELL 1000



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	SEAGATE TECHNOLOGY	\$ 358,919	4.73%	29.0%	Computer Tech	\$ 18.3 B
2	AMERIPRISE FINANCIAL INC	352,053	4.64%	26.7%	Finance	22.4 B
3	L-3 COMMUNICATIONS HOLDINGS	323,358	4.27%	13.6%	Technology	9.5 B
4	DIRECTV	315,949	4.17%	15.6%	Service	36.3 B
5	VIACOM INC-CLASS B	307,611	4.06%	4.8%	Service	34.5 B
6	NORTHROP GRUMMAN CORP	302,800	3.99%	20.8%	Technology	25.4 B
7	COCA-COLA ENTERPRISES	285,036	3.76%	10.2%	NonDur Cons Goods	11.5 B
8	KOHL'S CORP	265,704	3.50%	10.3%	Consumer Service	12.2 B
9	AMERISOURCEBERGEN CORP	264,084	3.48%	15.4%	Service	16.2 B
10	FLOWSERVE CORP	256,513	3.38%	26.5%	Basic	11.0 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
SEIZERT CAPITAL PARTNERS  
PERFORMANCE REVIEW  
DECEMBER 2013

## **INVESTMENT RETURN**

On December 31st, 2013, the Franklin Regional Retirement System's Seizert Capital Partners portfolio was valued at \$6,269,586, representing an increase of \$467,472 from the September quarter's ending value of \$5,802,114. Last quarter, the Fund posted withdrawals totaling \$166,000, which offset the portfolio's net investment return of \$633,472. Income receipts totaling \$20,145 plus net realized and unrealized capital gains of \$613,327 combined to produce the portfolio's net investment return.

For the cumulative period since June 2011, the fund has recorded net withdrawals totaling \$1.3 million and posted net investment gains of \$2.6 million. For the period since June 2011, if the total fund had returned a compounded nominal rate of 8.0% it would have been valued at \$4.6 million or \$1.7 million less than the actual value as of December 31st, 2013.

## **RELATIVE PERFORMANCE**

In the fourth quarter, the Seizert Capital Partners portfolio gained 11.2%, which was 2.8% above the Russell Mid Cap's return of 8.4% and ranked in the 11th percentile of the Mid Cap universe. Over the trailing year, the portfolio returned 49.2%, which was 14.4% greater than the benchmark's 34.8% performance, and ranked in the 4th percentile. Since June 2011, the portfolio returned 20.6% on an annualized basis and ranked in the 4th percentile. For comparison, the Russell Mid Cap returned an annualized 15.7% over the same period.

## **ASSET ALLOCATION**

On December 31st, 2013, domestic equities comprised 96.4% of the total portfolio (\$6.0 million), while cash & equivalents totaled 3.6% (\$224,755).

## **STOCK ANALYSIS**

Last quarter, the Seizert portfolio was concentrated in eight of the eleven industry sectors shown in our analysis. Relative to the Russell Mid Cap Index, the portfolio was underweight in the Durable Goods sectors and vacant from the Consumer Service, Transportation, and Utilities sectors. The Non-Durable Consumer Goods and Service sectors were in line with their benchmark counterparts, while the remaining sectors were overweight.

Sector returns were mixed last quarter; fortunately, the well-performing sectors outweighed those that floundered. Impressive gains were enjoyed in the Non-Durable Goods sector, with the Basic and Computer Technology sectors playing a supporting role. The Durable Goods and Service sectors returned notably below their corresponding index sectors. The Energy and Finance sectors also underperformed, the effect of which was amplified by extra weight in those sectors, the Finance sector in particular.

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 6/2011
<b>Total Gross/Fees</b>	11.2	49.2	49.2	----	20.6
<i>MID CAP RANK</i>	(11)	(4)	(4)	----	(4)
<b>Total Net/Fees</b>	11.0	48.2	48.2	----	19.9
RUSSELL MID	8.4	34.8	34.8	15.9	15.7
<b>Domestic Equity</b>	11.7	51.8	51.8	----	21.6
<i>MID CAP RANK</i>	(6)	(1)	(1)	----	(2)
RUSSELL MID	8.4	34.8	34.8	15.9	15.7

**ASSET ALLOCATION**

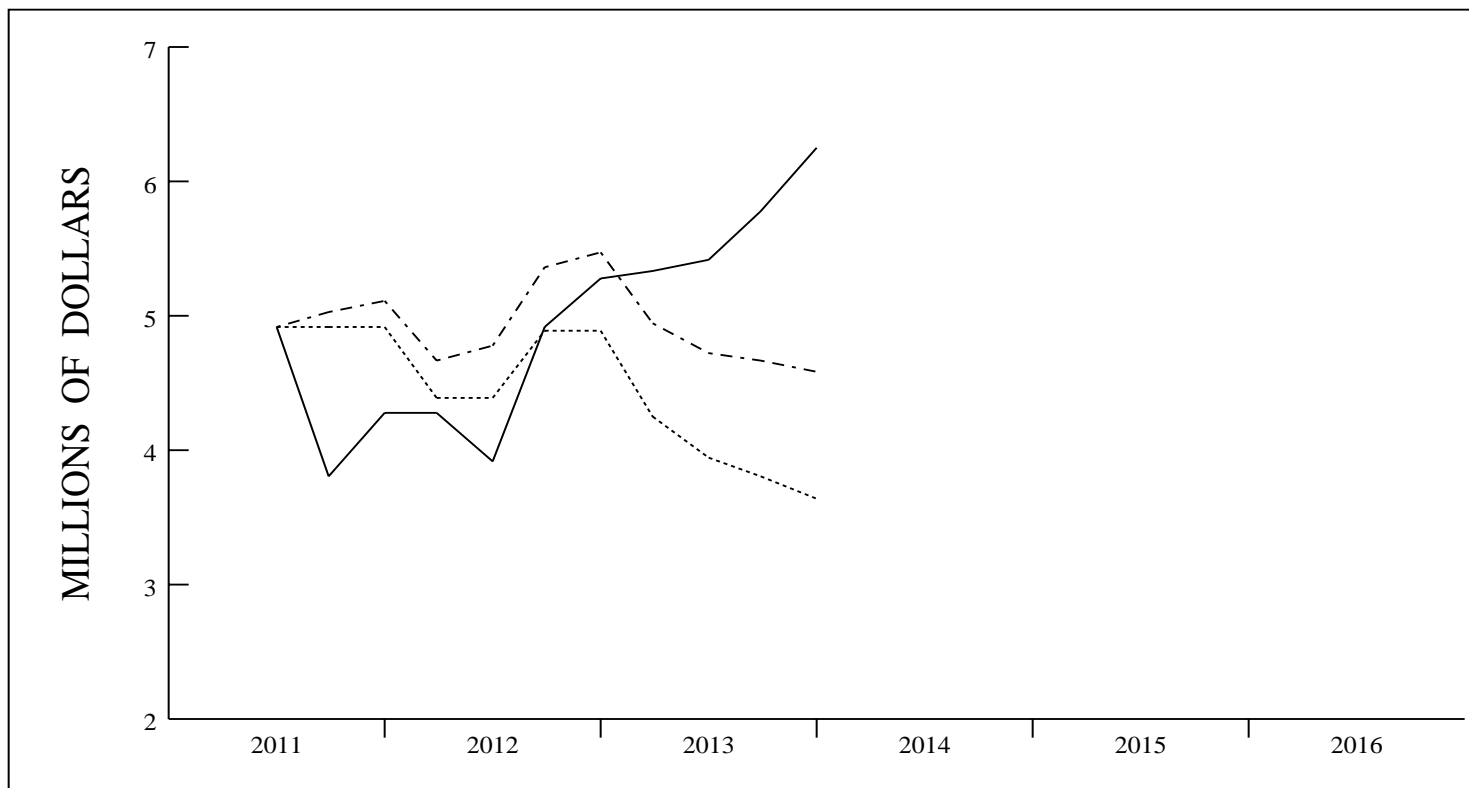
Domestic Equity	96.4%	\$ 6,044,831
Cash	3.6%	224,755
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 6,269,586</b>

**INVESTMENT RETURN**

Market Value 9/2013	\$ 5,802,114
Contribs / Withdrawals	-166,000
Income	20,145
Capital Gains / Losses	613,327
Market Value 12/2013	\$ 6,269,586



**INVESTMENT GROWTH**

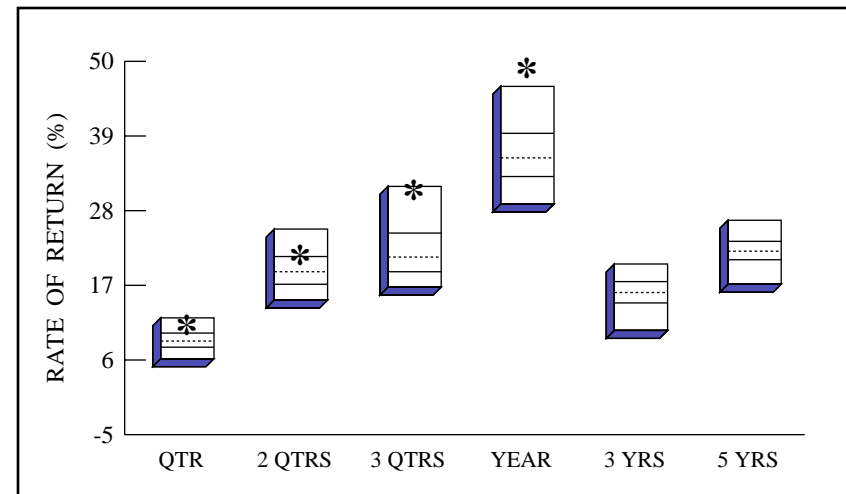
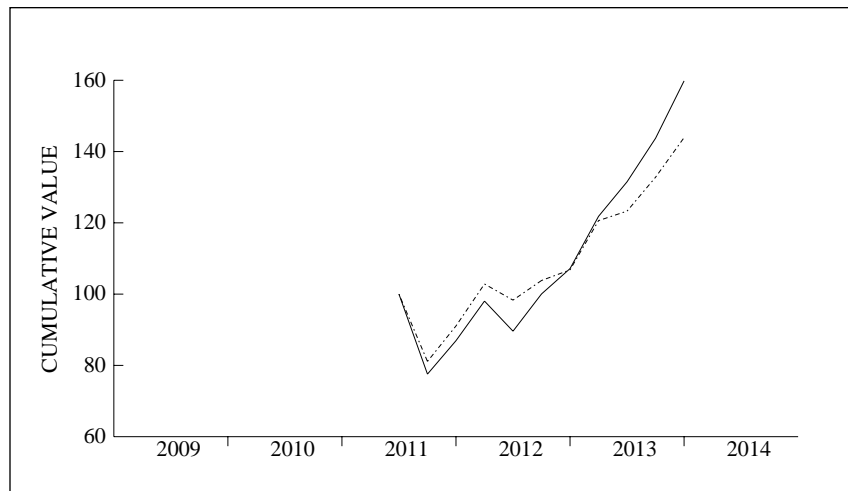


— ACTUAL RETURN  
 - - - 8.0%  
 ..... 0.0%

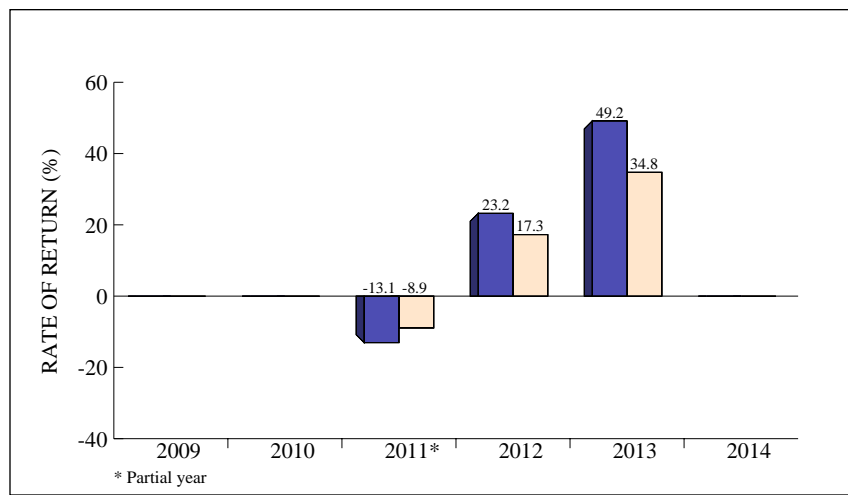
VALUE ASSUMING  
 8.0% RETURN  
 \$ 4,602,691

	LAST QUARTER	PERIOD 6/11 - 12/13
BEGINNING VALUE	\$ 5,802,114	\$ 4,935,067
NET CONTRIBUTIONS	-166,000	-1,291,000
<u>INVESTMENT RETURN</u>	<u>633,472</u>	<u>2,625,519</u>
ENDING VALUE	\$ 6,269,586	\$ 6,269,586
INCOME	20,145	176,569
<u>CAPITAL GAINS (LOSSES)</u>	<u>613,327</u>	<u>2,448,950</u>
INVESTMENT RETURN	633,472	2,625,519

**TOTAL RETURN COMPARISONS**



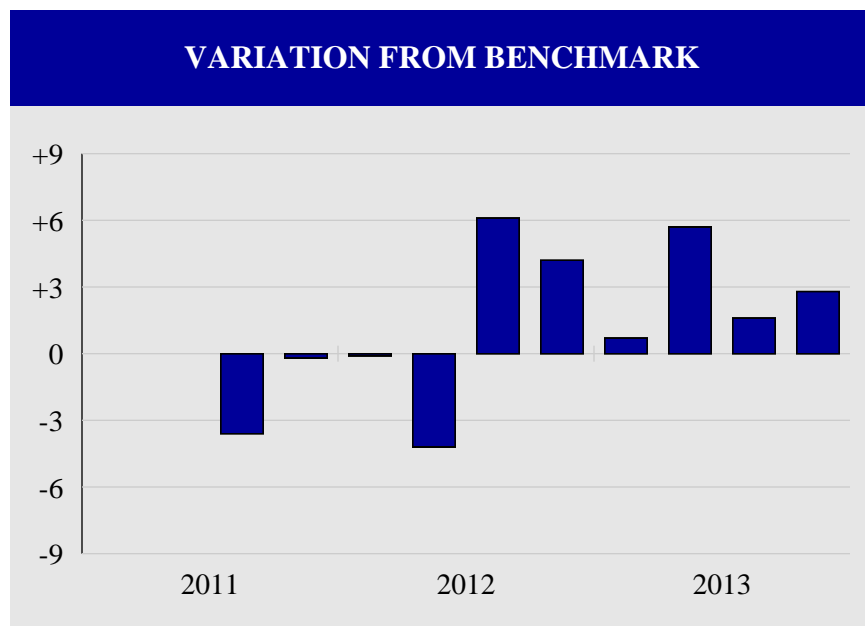
Mid Cap Universe



\* Partial year

	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	11.2	21.5	31.2	49.2	----	----
(RANK)	(11)	(22)	(6)	(4)	----	----
5TH %ILE	12.2	25.3	31.6	46.3	20.2	26.6
25TH %ILE	10.0	21.2	24.7	39.4	17.6	23.5
MEDIAN	8.8	19.0	21.2	35.8	15.9	22.0
75TH %ILE	7.9	17.2	19.0	33.0	14.4	20.8
95TH %ILE	6.2	14.8	16.7	29.0	10.4	17.2
<b>Russ MC</b>	<b>8.4</b>	<b>16.7</b>	<b>19.3</b>	<b>34.8</b>	<b>15.9</b>	<b>22.4</b>

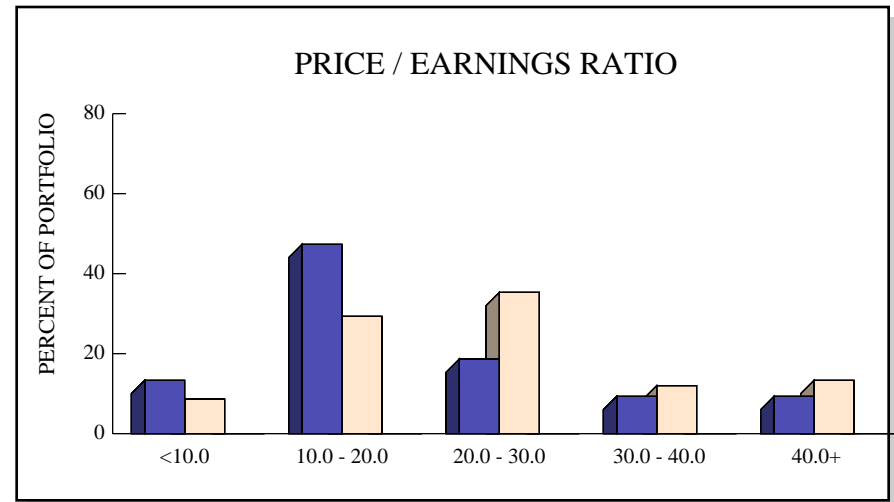
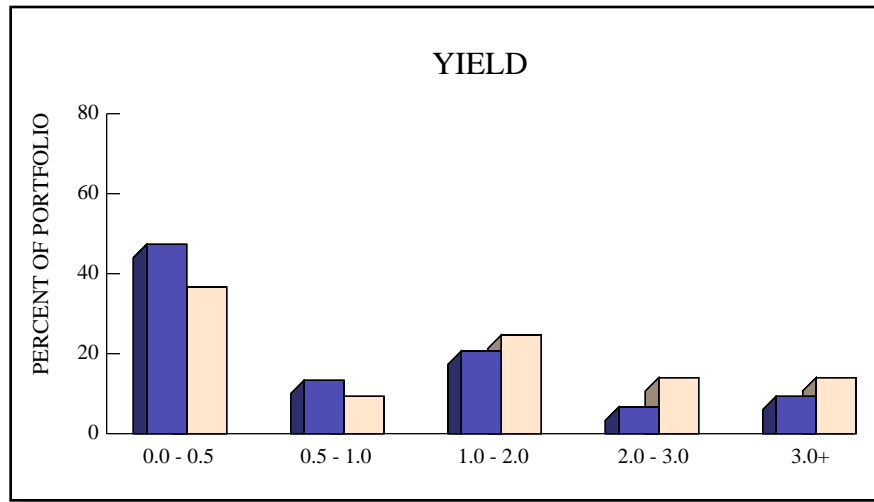
Mid Cap Universe

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

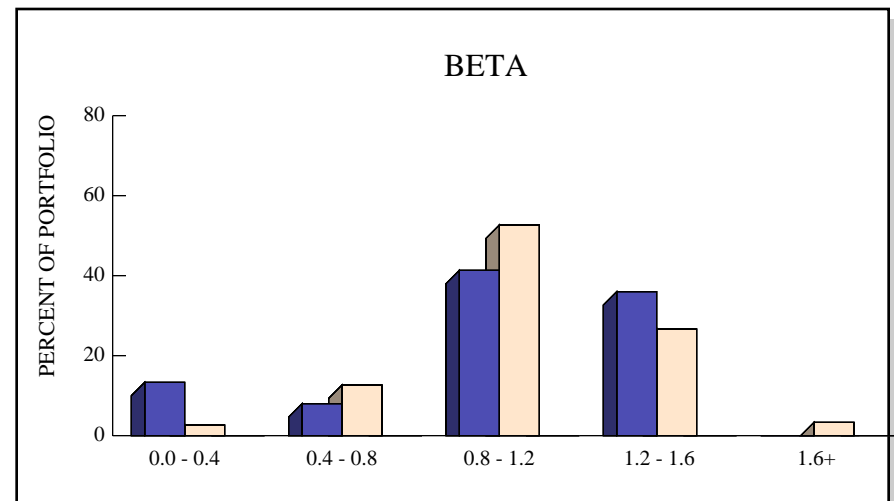
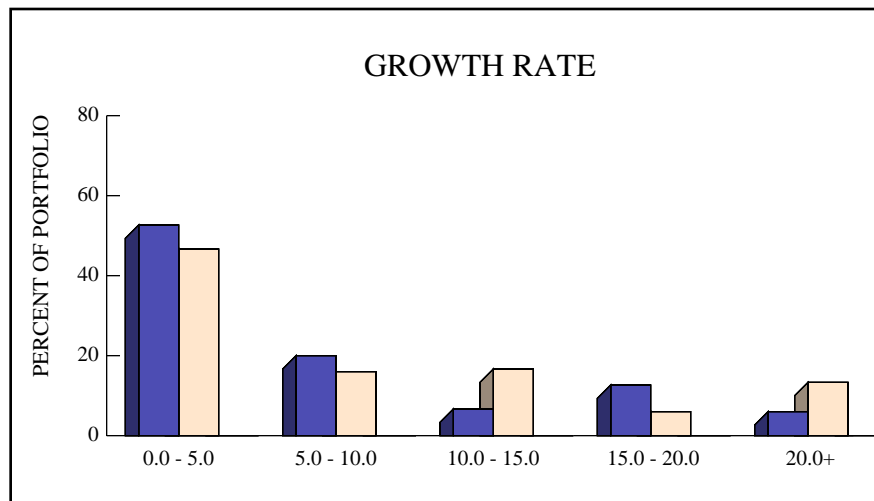
<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
9/11	-22.5	-18.9	-3.6
12/11	12.1	12.3	-0.2
3/12	12.8	12.9	-0.1
6/12	-8.6	-4.4	-4.2
9/12	11.7	5.6	6.1
12/12	7.1	2.9	4.2
3/13	13.7	13.0	0.7
6/13	7.9	2.2	5.7
9/13	9.3	7.7	1.6
12/13	11.2	8.4	2.8

<b>Total Quarters Observed</b>	<b>10</b>
<b>Quarters At or Above the Benchmark</b>	<b>6</b>
<b>Quarters Below the Benchmark</b>	<b>4</b>
<b>Batting Average</b>	<b>.600</b>

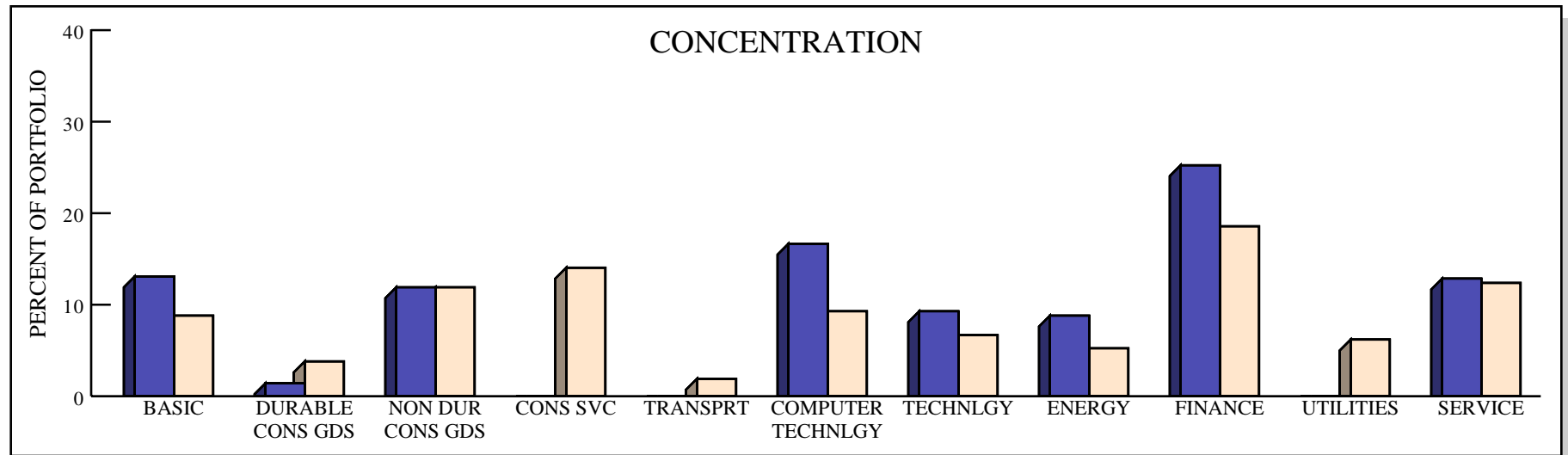
**STOCK CHARACTERISTICS**



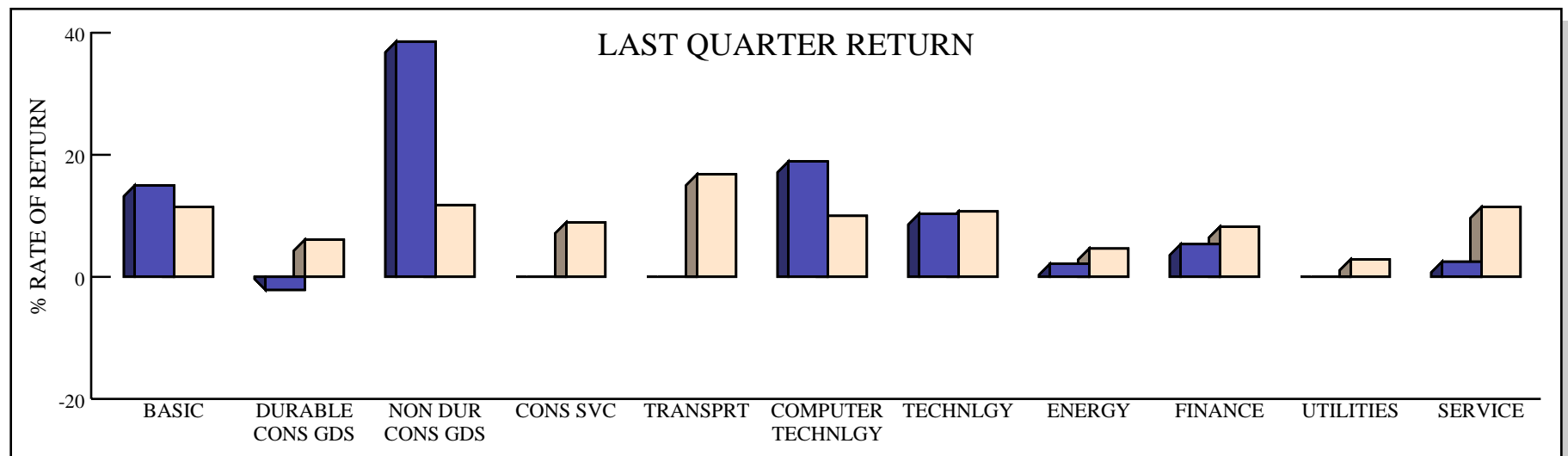
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.1%	4.9%	17.1	0.98
RUSSELL MID	1.5%	5.9%	24.9	1.05



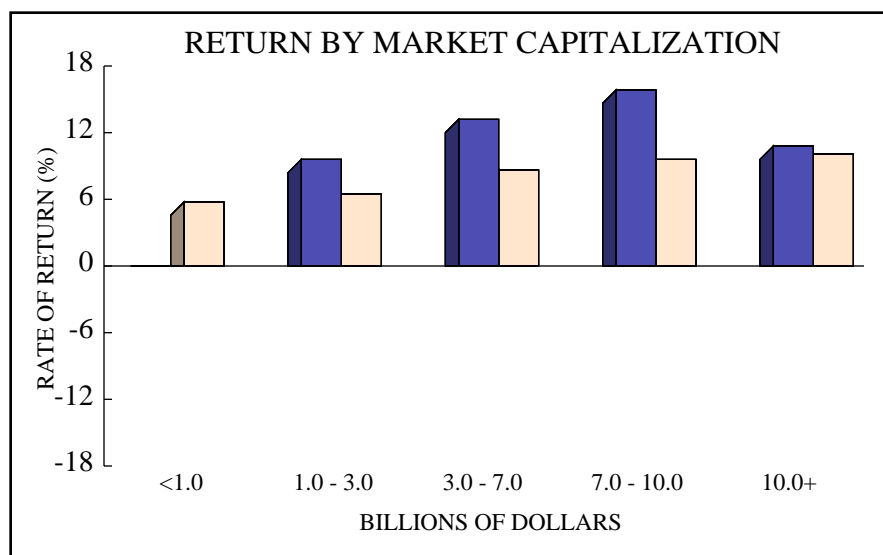
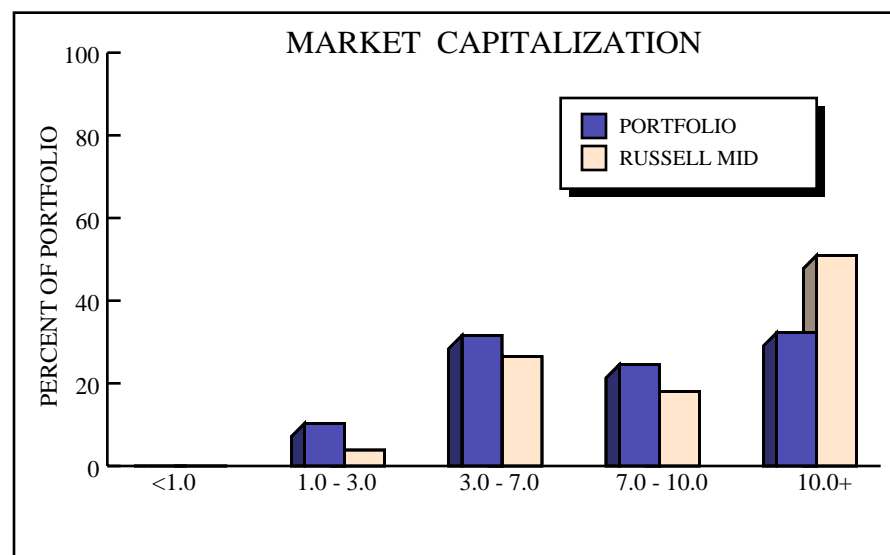
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL MID CAP



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	LIBERTY MEDIA CORP - A	\$ 384,431	6.36%	-0.5%	Service	\$ 15.3 B
2	ENDO HEALTH SOLUTIONS INC	306,943	5.08%	48.5%	NonDur Cons Goods	7.8 B
3	CHECK POINT SOFTWARE TECH	299,373	4.95%	14.1%	Computer Tech	12.8 B
4	MARVELL TECHNOLOGY GROUP LTD	280,626	4.64%	25.5%	Computer Tech	7.1 B
5	VISTEON CORP	261,229	4.32%	8.3%	Basic	4.0 B
6	MCDERMOTT INTL INC	240,899	3.99%	23.3%	Basic	2.2 B
7	WESTERN UNION CO	237,188	3.92%	-6.8%	Service	9.5 B
8	L-3 COMMUNICATIONS HOLDINGS	232,421	3.84%	13.6%	Technology	9.5 B
9	LOEWS CORP	229,864	3.80%	3.3%	Finance	18.7 B
10	WESTERN DIGITAL CORP	228,628	3.78%	32.6%	Computer Tech	19.8 B

FRANKLIN REGIONAL RETIREMENT SYSTEM  
DARUMA  
PERFORMANCE REVIEW  
DECEMBER 2013

## **INVESTMENT RETURN**

On December 31st, 2013, the Franklin Regional Retirement System's Daruma portfolio was valued at \$12,427,047, representing an increase of \$813,885 from the September quarter's ending value of \$11,613,162. Last quarter, the Fund posted withdrawals totaling \$167,000, which partially offset the portfolio's net investment return of \$980,885. Income receipts totaling \$9,339 plus net realized and unrealized capital gains of \$971,546 combined to produce the portfolio's net investment return.

For the cumulative period since December 2008, the fund has recorded net withdrawals totaling \$2.7 million and posted net investment gains of \$9.7 million. For the period since December 2008, if the total fund had returned a compounded nominal rate of 8.0% it would have been valued at \$4.7 million or \$7.7 million less than the actual value as of December 31st, 2013.

## **RELATIVE PERFORMANCE**

### **Total Fund**

In the fourth quarter, the Daruma portfolio gained 8.5%, which was 0.2% below the Russell 2000 Index's return of 8.7% and ranked in the 68th percentile of the Small Cap universe. Over the trailing year, the portfolio returned 44.8%, which was 6.0% greater than the benchmark's 38.8% performance, and ranked in the 32nd percentile. Since December 2008, the portfolio returned 24.5% on an annualized basis and ranked in the 34th percentile. For comparison, the Russell 2000 returned an annualized 20.1% over the same period.

## **ASSET ALLOCATION**

On December 31st, 2013, domestic equities comprised 95.9% of the total portfolio (\$11.9 million), while cash & equivalents totaled 4.1% (\$508,703).

## **HOLDINGS ANALYSIS**

The Daruma portfolio was invested last quarter across nine of the eleven industry sectors shown in our analysis. With regard to the Russell 2000 Index, the portfolio was most notably underweight in the Finance sector – by far the heaviest in the benchmark, but among the smallest in the portfolio. The Technology sector was also under allocated, while the Durable Consumer Goods and Utilities sectors were not utilized. The remaining sectors were slightly overweight.

The Daruma portfolio underperformed in most of its more heavily weighted sectors, resulting in last quarter's deficit return. The Non-Durable Goods, Consumer Service, and Service sectors could all be included in this category. The only comparably weighted sectors that did not underperform were the Basic and Computer Technology sectors, which both returned in line with their benchmark counterparts. The Transportation and Finance sectors performed quite well, but had minimal impact due to their small allocations.



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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	5 Years
<b>Total Gross/Fees</b>	8.5	44.8	44.8	16.1	24.5
<i>SMALL CAP RANK</i>	(68)	(32)	(32)	(71)	(34)
<b>Total Net/Fees</b>	8.3	43.5	43.5	15.0	23.3
RUSSELL 2000	8.7	38.8	38.8	15.7	20.1
<b>Domestic Equity</b>	8.8	47.0	47.0	16.9	25.6
<i>SMALL CAP RANK</i>	(64)	(25)	(25)	(61)	(26)
RUSSELL 2000	8.7	38.8	38.8	15.7	20.1
RUSSELL 2000G	8.2	43.3	43.3	16.8	22.6
RUSSELL 2000V	9.3	34.5	34.5	14.5	17.6

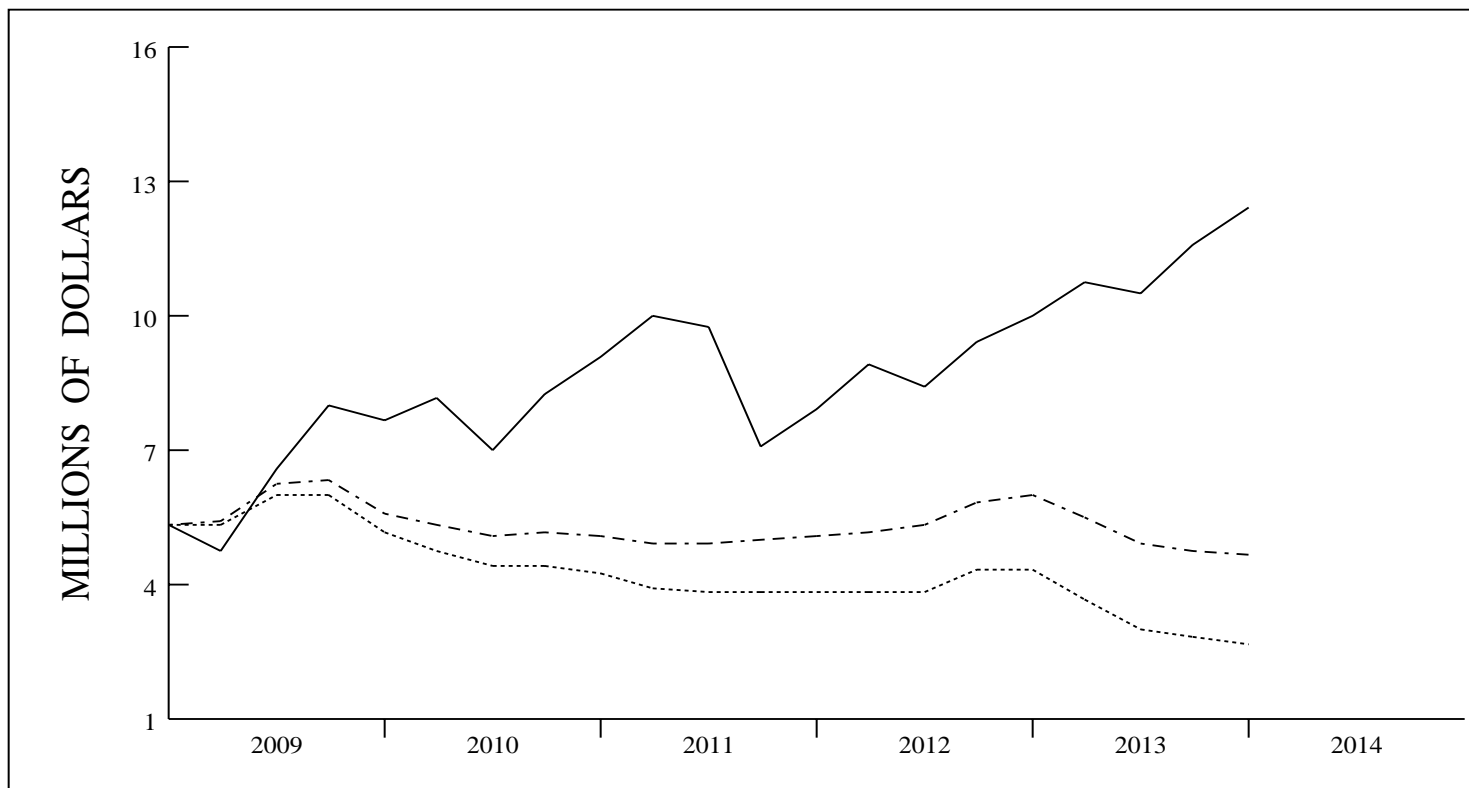
**ASSET ALLOCATION**

Domestic Equity	95.9%	\$ 11,918,344
Cash	4.1%	508,703
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 12,427,047</b>

**INVESTMENT RETURN**

Market Value 9/2013	\$ 11,613,162
Contribs / Withdrawals	-167,000
Income	9,339
Capital Gains / Losses	971,546
Market Value 12/2013	\$ 12,427,047

**INVESTMENT GROWTH**

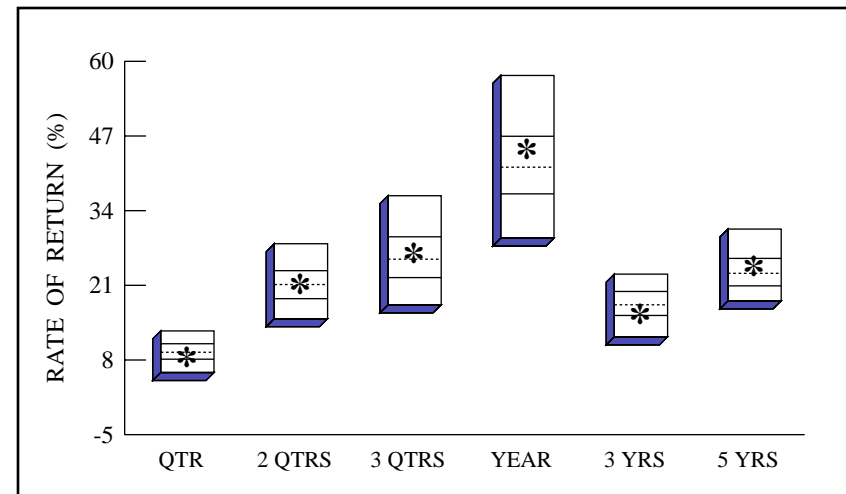
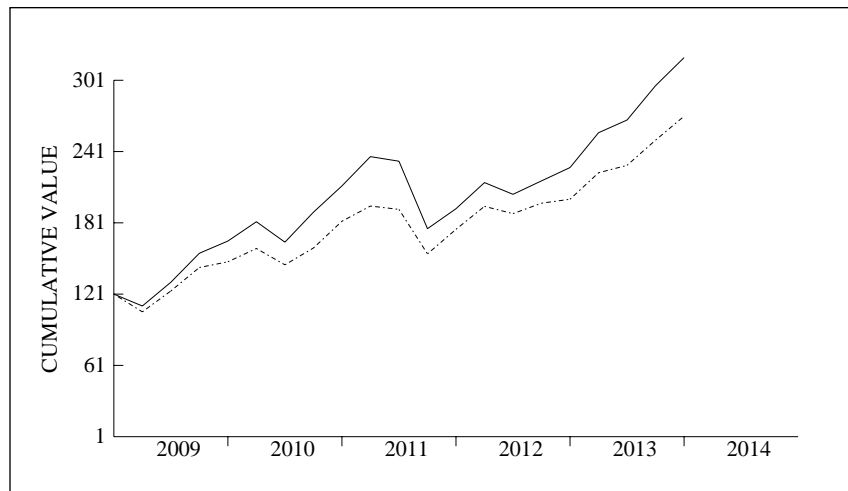


— ACTUAL RETURN  
 - - - 8.0%  
 ..... 0.0%

VALUE ASSUMING  
 8.0% RETURN  
 \$ 4,748,240

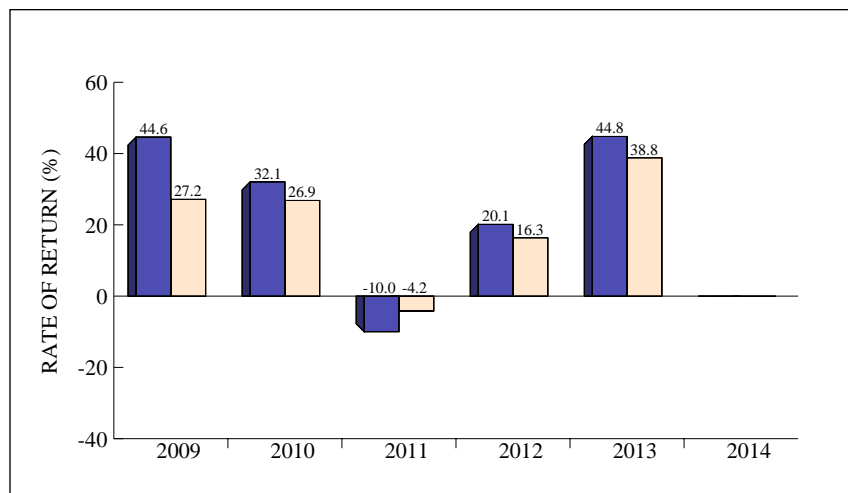
	LAST QUARTER	PERIOD 12/08 - 12/13
BEGINNING VALUE	\$ 11,613,162	\$ 5,341,893
NET CONTRIBUTIONS	-167,000	-2,654,000
<u>INVESTMENT RETURN</u>	<u>980,885</u>	<u>9,739,154</u>
ENDING VALUE	\$ 12,427,047	\$ 12,427,047
INCOME	9,339	206,597
<u>CAPITAL GAINS (LOSSES)</u>	<u>971,546</u>	<u>9,532,557</u>
INVESTMENT RETURN	980,885	9,739,154

**TOTAL RETURN COMPARISONS**



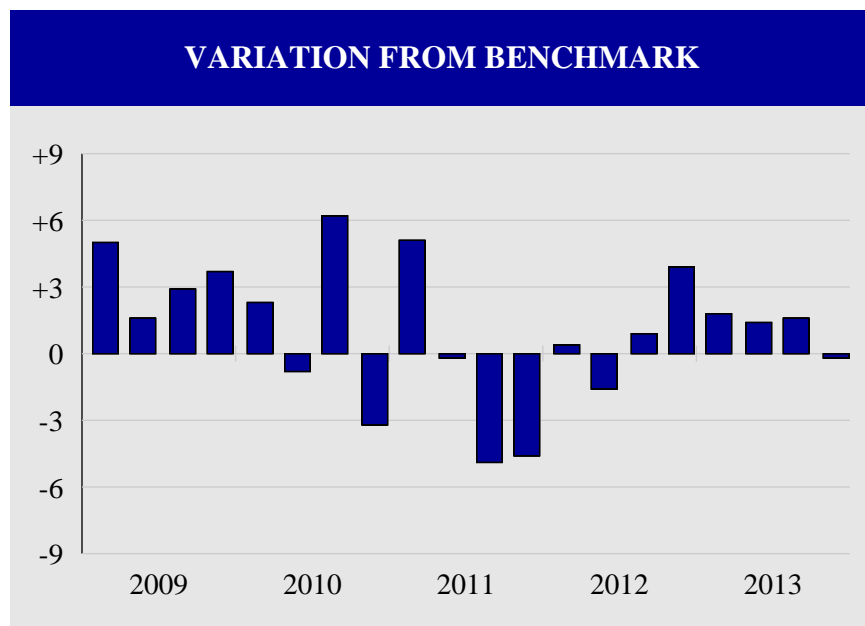
■ ——— PORTFOLIO  
■ - - - - - RUSSELL 2000

Small Cap Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	8.5	21.3	26.8	44.8	16.1	24.5
(RANK)	(68)	(49)	(42)	(32)	(71)	(34)
5TH %ILE	13.1	28.3	36.6	57.6	22.9	30.8
25TH %ILE	10.8	23.5	29.5	47.0	19.9	25.7
MEDIAN	9.4	21.1	25.6	41.6	17.6	23.1
75TH %ILE	8.2	18.7	22.3	36.9	15.7	20.9
95TH %ILE	5.8	15.2	17.6	29.2	12.0	18.3
<b>Russ 2000</b>	<b>8.7</b>	<b>19.8</b>	<b>23.5</b>	<b>38.8</b>	<b>15.7</b>	<b>20.1</b>

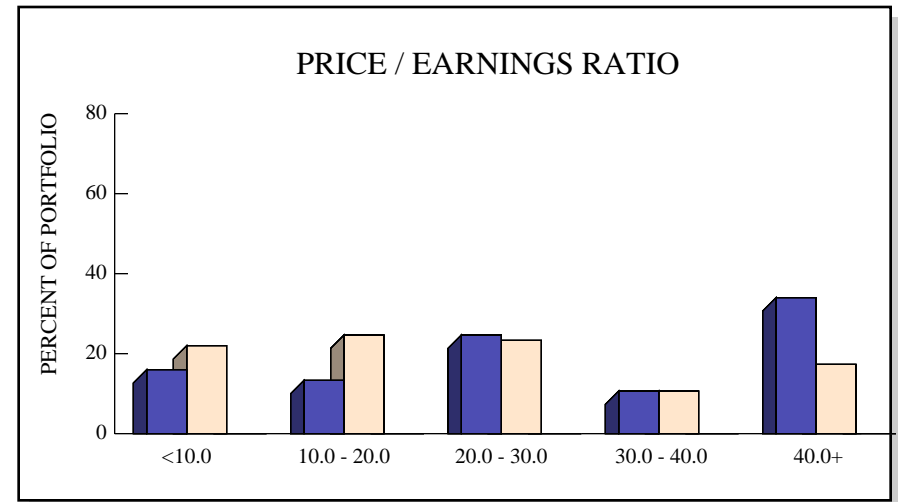
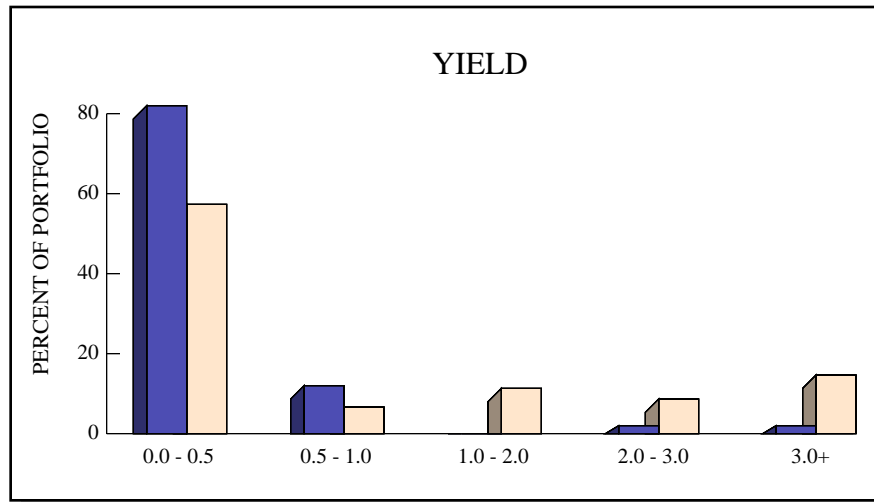
Small Cap Universe

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

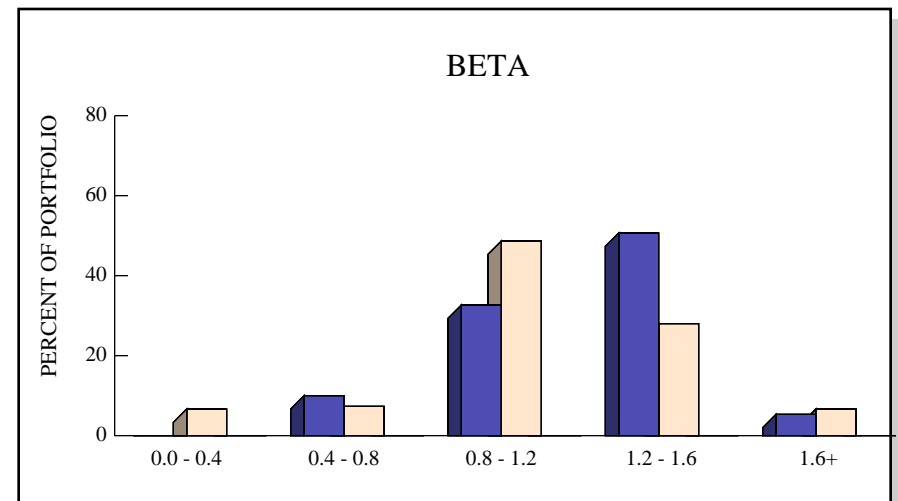
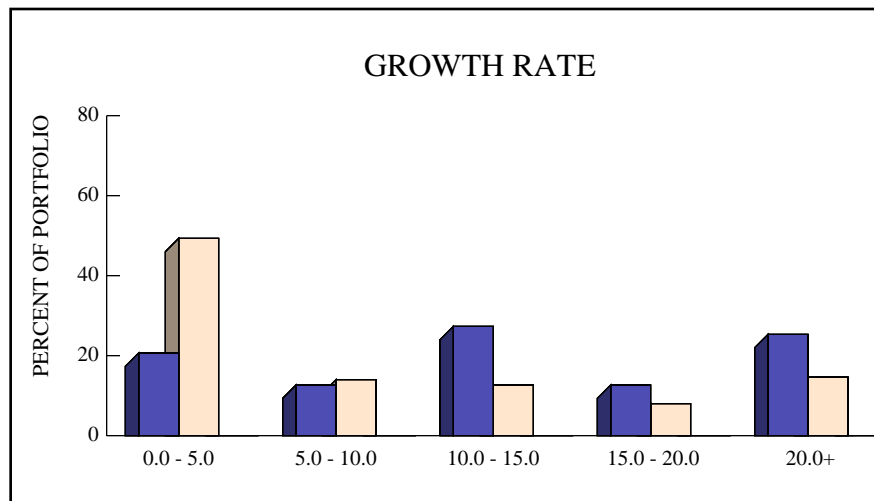
<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>13</b>
<b>Quarters Below the Benchmark</b>	<b>7</b>
<b>Batting Average</b>	<b>.650</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
3/09	-10.0	-15.0	5.0
6/09	22.3	20.7	1.6
9/09	22.2	19.3	2.9
12/09	7.6	3.9	3.7
3/10	11.2	8.9	2.3
6/10	-10.7	-9.9	-0.8
9/10	17.5	11.3	6.2
12/10	13.1	16.3	-3.2
3/11	13.0	7.9	5.1
6/11	-1.8	-1.6	-0.2
9/11	-26.8	-21.9	-4.9
12/11	10.9	15.5	-4.6
3/12	12.8	12.4	0.4
6/12	-5.1	-3.5	-1.6
9/12	6.1	5.2	0.9
12/12	5.7	1.8	3.9
3/13	14.2	12.4	1.8
6/13	4.5	3.1	1.4
9/13	11.8	10.2	1.6
12/13	8.5	8.7	-0.2

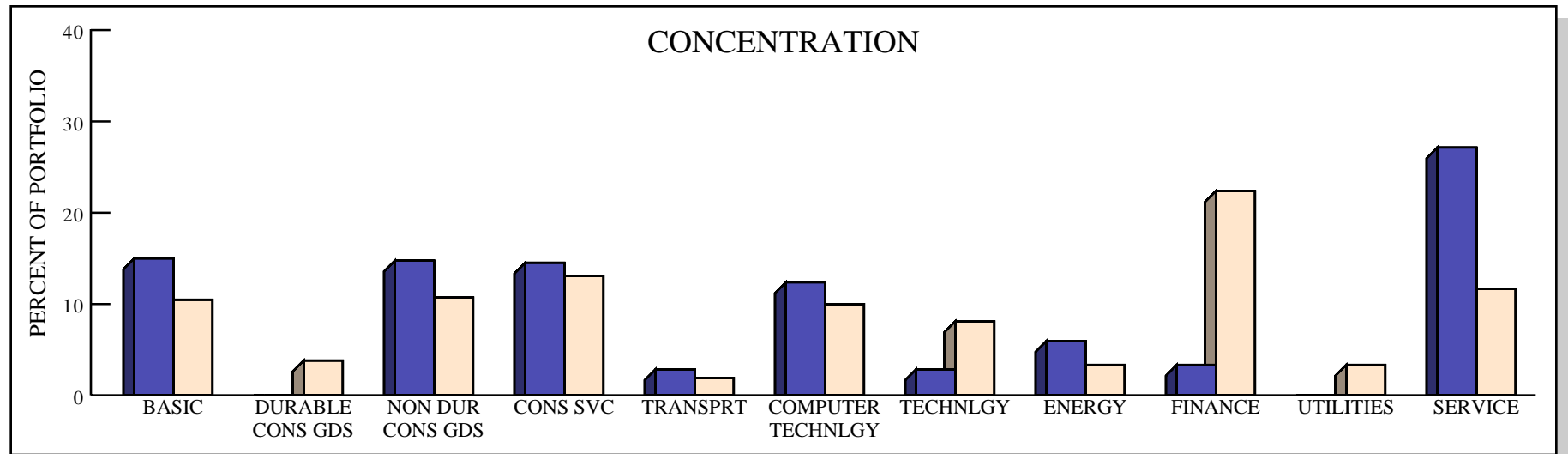
**STOCK CHARACTERISTICS**



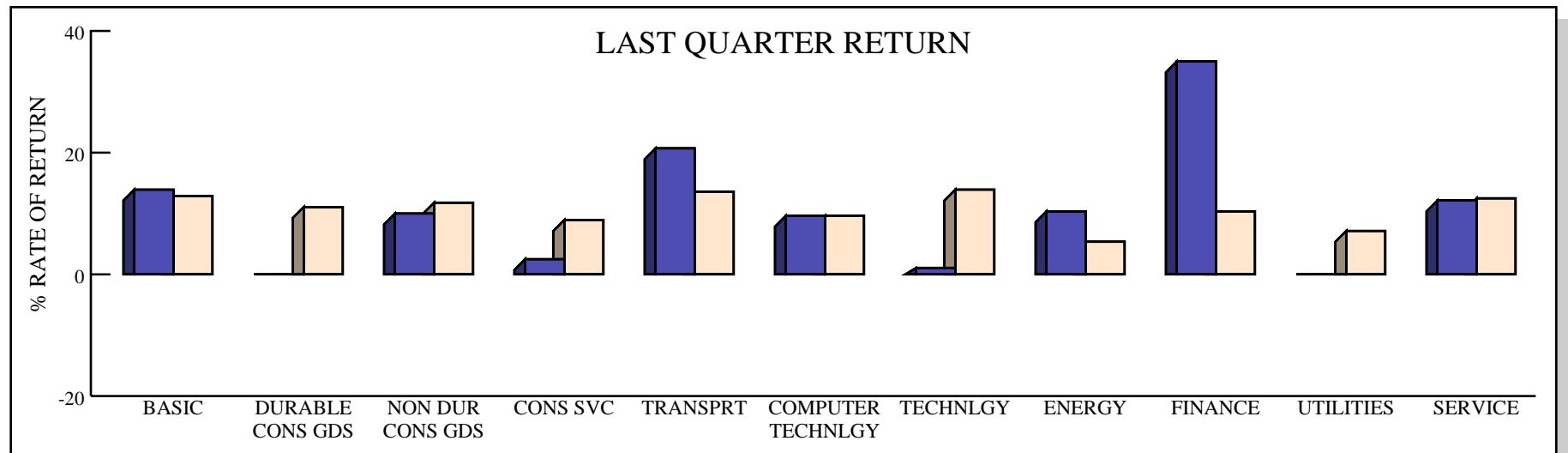
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	0.3%	13.5%	29.7	1.21
RUSSELL 2000	1.3%	5.9%	21.2	1.07



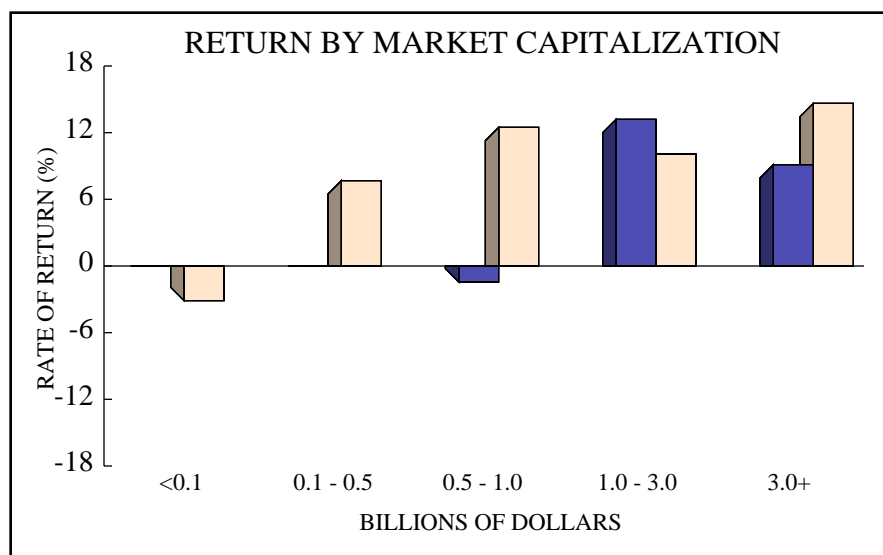
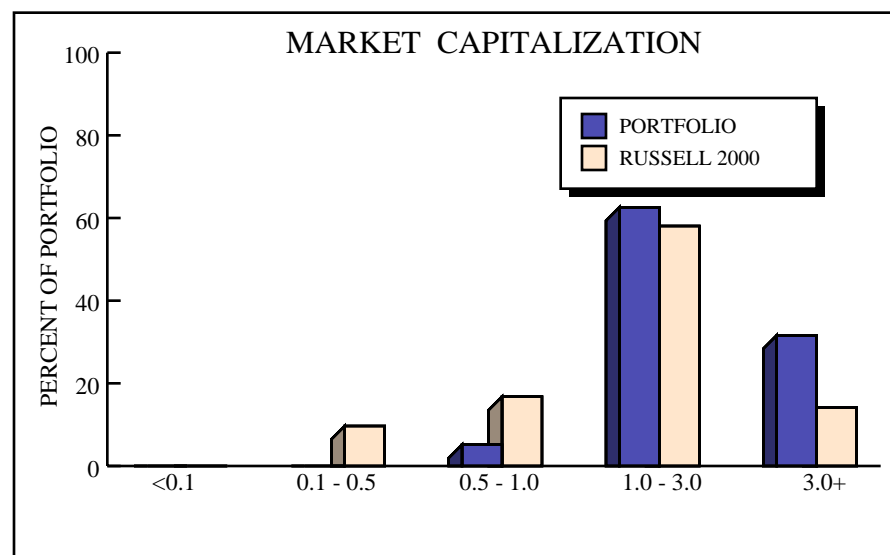
**STOCK INDUSTRY ANALYSIS**



■ PORTFOLIO      ■ RUSSELL 2000



## TOP TEN HOLDINGS



## TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	ACXIOM CORP	\$ 516,795	4.34%	30.3%	Service	\$ 2.7 B
2	DEALERTRACK TECHNOLOGIES INC	491,330	4.12%	12.2%	Computer Tech	2.1 B
3	MONRO MUFFLER BRAKE INC	440,003	3.69%	21.4%	Consumer Service	1.8 B
4	WEX INC	433,157	3.63%	12.9%	Service	3.9 B
5	BRUNSWICK CORP	424,673	3.56%	15.4%	Basic	4.2 B
6	WABTEC CORP	420,071	3.52%	18.2%	Basic	7.2 B
7	CARRIZO OIL & GAS INC	416,719	3.50%	20.0%	Energy	2.0 B
8	COSTAR GROUP INC	414,198	3.48%	9.9%	Service	5.3 B
9	SHUTTERFLY INC	414,112	3.47%	-8.9%	Service	1.9 B
10	INTERFACE INC	400,814	3.36%	10.8%	NonDur Cons Goods	1.5 B

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



## **INVESTMENT RETURN**

On December 31st, 2013, the Franklin Regional Retirement System's PRIT portfolio was valued at \$5,496,142, representing an increase of \$124,556 from the September quarter's ending value of \$5,371,586. Last quarter, the Fund posted withdrawals totaling \$8,516, which partially offset the portfolio's net investment return of \$133,072. Income receipts totaling \$72,828 plus net realized and unrealized capital gains of \$60,244 combined to produce the portfolio's net investment return.

For the cumulative period since September 2010, the fund has recorded net contributions totaling \$2.8 million, and recorded net investment gains of \$1.5 million. For the period since September 2010, if the total fund had returned a compounded nominal rate of 8.0% it would have been valued at \$4.9 million or \$571,372 less than the actual value as of December 31st, 2013.

## **RELATIVE PERFORMANCE**

In the fourth quarter, the PRIT portfolio gained 2.5%, which was 0.7% less than the NCREIF NFI-ODCE Index's return of 3.2%. Over the trailing twelve-month period, the portfolio returned 10.8%, which was 3.2% below the benchmark's 14.0% return. Since September 2010, the account returned 12.8% on an annualized basis, while the NCREIF NFI-ODCE Index returned an annualized 14.2% over the same time frame.

## **ASSET ALLOCATION**

This portfolio was fully invested in the PRIT Core Real Estate Fund at the end of the quarter.

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 9/2010
<b>Total Gross/Fees</b>	2.5	10.8	10.8	12.2	12.8
<b>Total Net/Fees</b>	2.3	10.2	10.2	11.6	12.2
NCREIF ODCE	3.2	14.0	14.0	13.6	14.2
<b>Real Estate</b>	2.5	10.8	10.8	12.2	12.8
NCREIF ODCE	3.2	14.0	14.0	13.6	14.2

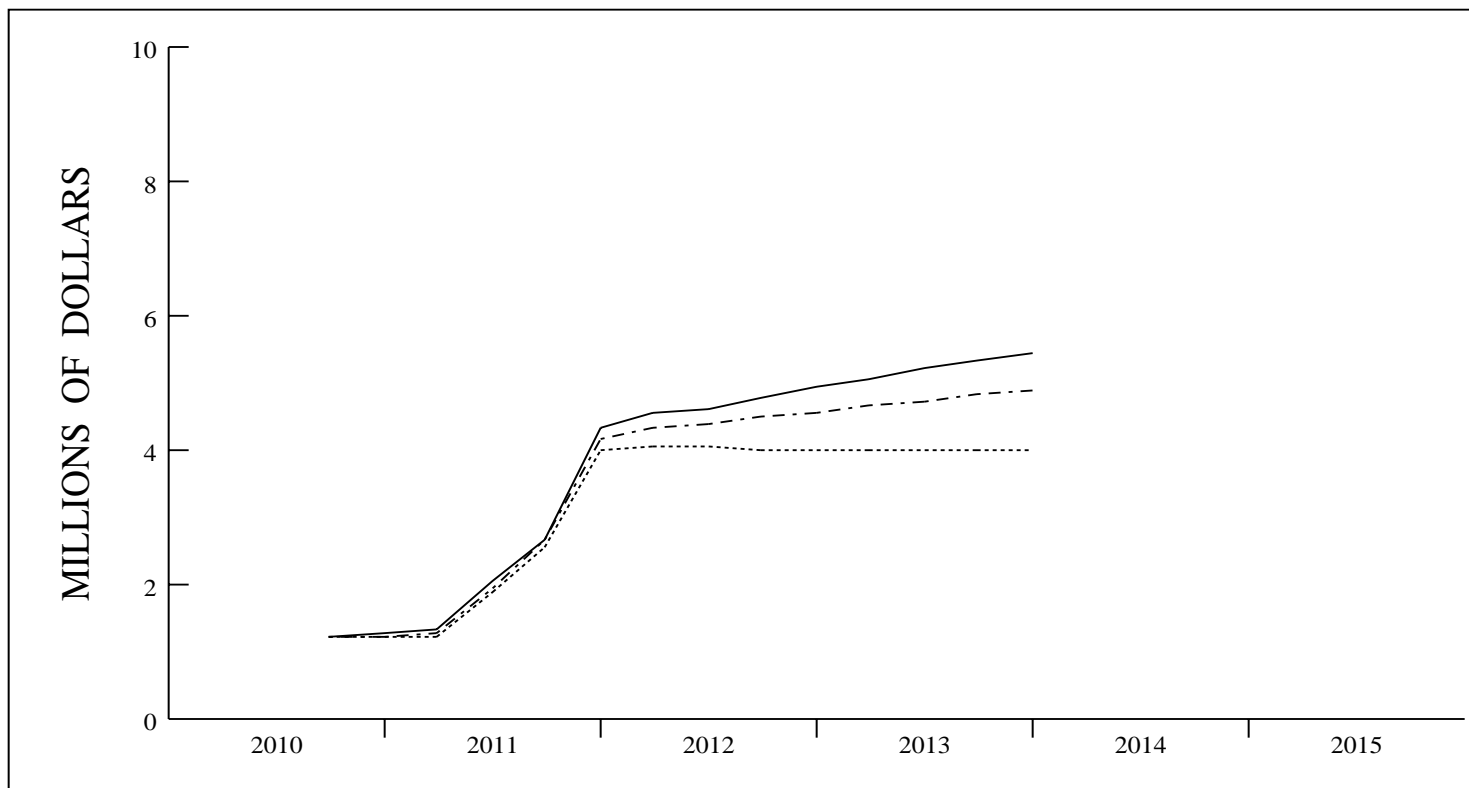
**ASSET ALLOCATION**

Real Estate	100.0%	\$ 5,496,142
Total Portfolio	100.0%	\$ 5,496,142

**INVESTMENT RETURN**

Market Value 9/2013	\$ 5,371,586
Contribs / Withdrawals	- 8,516
Income	72,828
Capital Gains / Losses	60,244
Market Value 12/2013	\$ 5,496,142

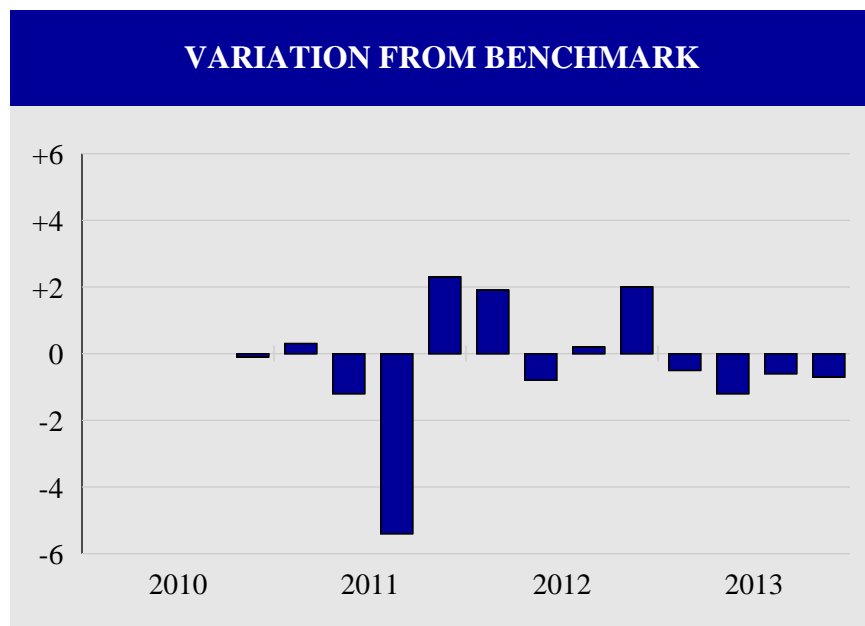
**INVESTMENT GROWTH**



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

VALUE ASSUMING  
 8.0% RETURN  
 \$ 4,924,770

	LAST QUARTER	PERIOD 9/10 - 12/13
BEGINNING VALUE	\$ 5,371,586	\$ 1,247,572
NET CONTRIBUTIONS	- 8,516	2,769,630
<u>INVESTMENT RETURN</u>	<u>133,072</u>	<u>1,478,940</u>
ENDING VALUE	\$ 5,496,142	\$ 5,496,142
INCOME	72,828	647,297
CAPITAL GAINS (LOSSES)	<u>60,244</u>	<u>831,643</u>
INVESTMENT RETURN	133,072	1,478,940

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

<b>Total Quarters Observed</b>	<b>13</b>
<b>Quarters At or Above the Benchmark</b>	<b>5</b>
<b>Quarters Below the Benchmark</b>	<b>8</b>
<b>Batting Average</b>	<b>.385</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
12/10	4.9	5.0	-0.1
3/11	4.3	4.0	0.3
6/11	3.4	4.6	-1.2
9/11	-1.9	3.5	-5.4
12/11	5.3	3.0	2.3
3/12	4.7	2.8	1.9
6/12	1.7	2.5	-0.8
9/12	3.0	2.8	0.2
12/12	4.3	2.3	2.0
3/13	2.2	2.7	-0.5
6/13	2.7	3.9	-1.2
9/13	3.0	3.6	-0.6
12/13	2.5	3.2	-0.7

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

## **INVESTMENT RETURN**

On December 31st, 2013, the Franklin Regional Retirement System's Income Research & Management portfolio was valued at \$11,880,754, representing an increase of \$69,541 from the September quarter's ending value of \$11,811,213. Last quarter, the Fund posted no net contributions or withdrawals, while posting \$69,541 in net investment returns. Since there were no income receipts for the fourth quarter, the portfolio's net investment return was the result of net realized and unrealized capital gains totaling \$69,541.

For the cumulative period since December 2008, the portfolio has posted net withdrawals totaling \$28,000 and recorded net investment gains totaling \$3.0 million. For the period since December 2008, if the fund had returned a compounded nominal rate of 8.0% it would have been valued at \$12.7 million or \$814,511 more than the actual value as of December 31st, 2013.

## **RELATIVE PERFORMANCE**

For the fourth quarter, the Income Research & Management portfolio returned 0.6%, which was 0.7% greater than the Barclays Aggregate Index's return of -0.1% and ranked in the 9th percentile of the Core Fixed Income universe. Over the trailing year, this portfolio returned -1.1%, which was 0.9% above the benchmark's -2.0% return, ranking in the 23rd percentile. Since December 2008, the account returned 6.6% on an annualized basis and ranked in the 27th percentile. For comparison, the Barclays Aggregate Index returned an annualized 4.5% over the same time frame.

## **ASSET ALLOCATION**

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

## **ANALYSIS**

At the end of the quarter, USG rated securities comprised nearly 50% of the bond portfolio, while corporate securities, rated AAA through BBB, made up the remainder, giving the bond portfolio an overall average quality rating of AAA-AA. The average maturity of the portfolio was 8.5 years, longer than the Barclays Aggregate Index's 7.6-year maturity. The average coupon was 3.9%.

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

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	5 Years
<b>Total Gross/Fees</b>	0.6	-1.1	-1.1	4.3	6.6
<i>CORE FIXED INCOME RANK</i>	(9)	(23)	(23)	(28)	(27)
<b>Total Net/Fees</b>	0.5	-1.5	-1.5	3.9	6.2
BARCLAYS AGG	-0.1	-2.0	-2.0	3.3	4.5
<b>Fixed Income</b>	0.6	-1.1	-1.1	4.3	6.6
<i>CORE FIXED INCOME RANK</i>	(9)	(23)	(23)	(28)	(27)
BARCLAYS AGG	-0.1	-2.0	-2.0	3.3	4.5
GOV/CREDIT	0.0	-2.3	-2.3	3.6	4.4

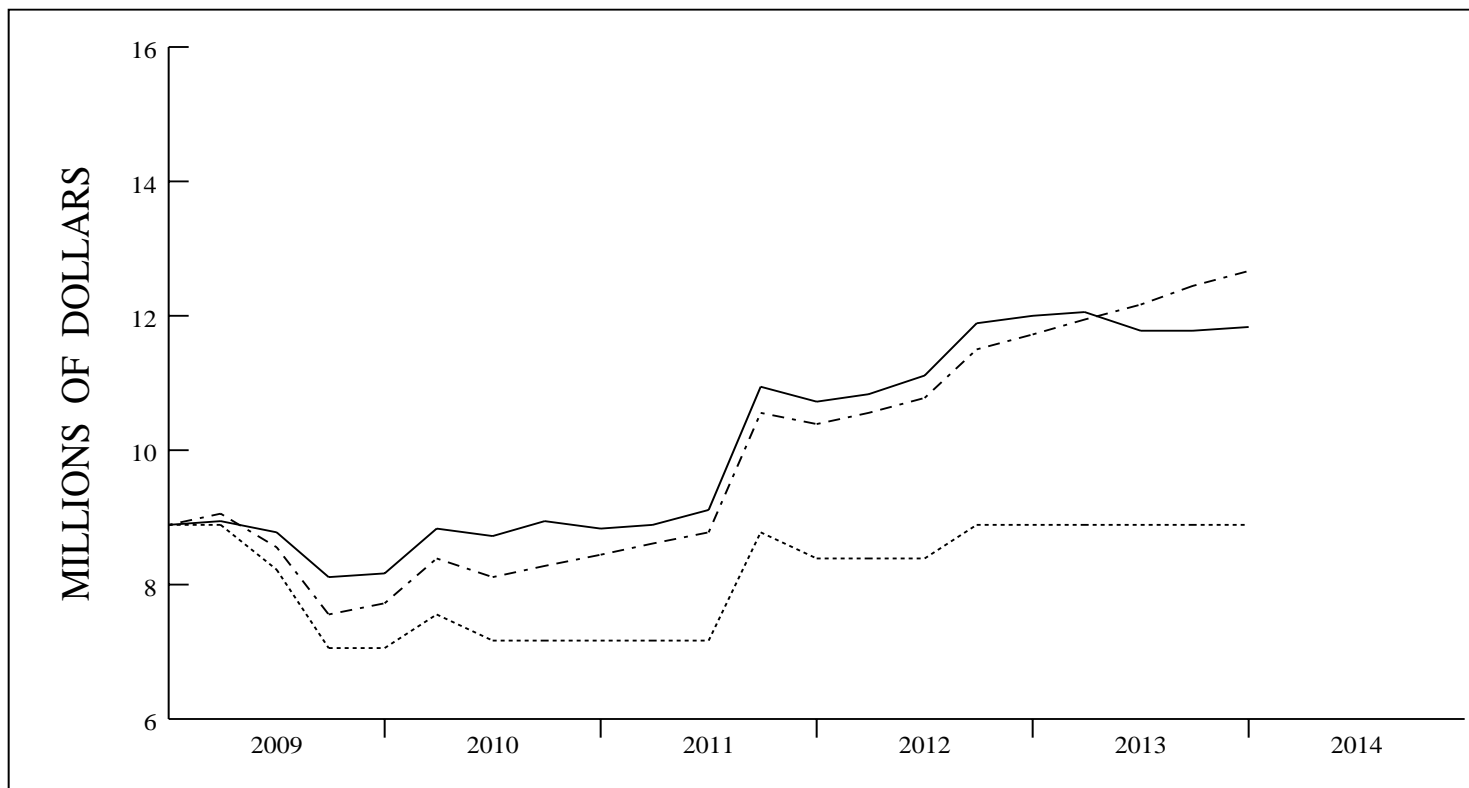
**ASSET ALLOCATION**

Fixed Income	100.0%	\$ 11,880,754
Total Portfolio	100.0%	\$ 11,880,754

**INVESTMENT RETURN**

Market Value 9/2013	\$ 11,811,213
Contribs / Withdrawals	0
Income	0
Capital Gains / Losses	69,541
Market Value 12/2013	\$ 11,880,754

**INVESTMENT GROWTH**



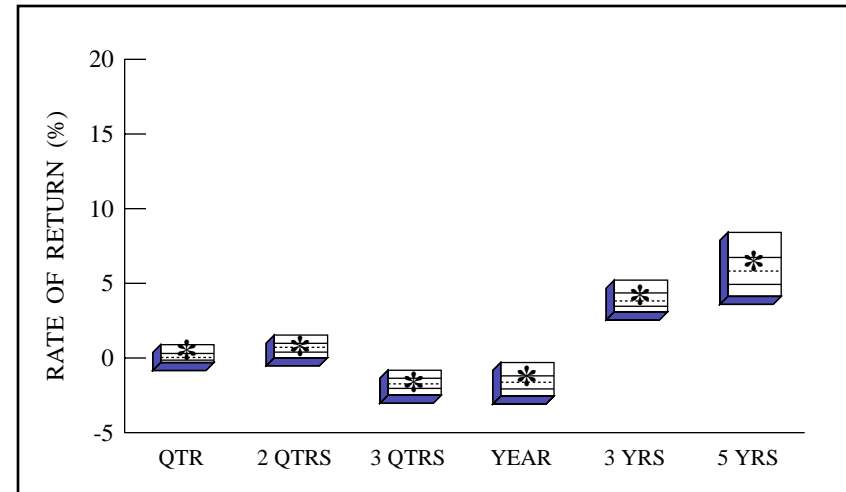
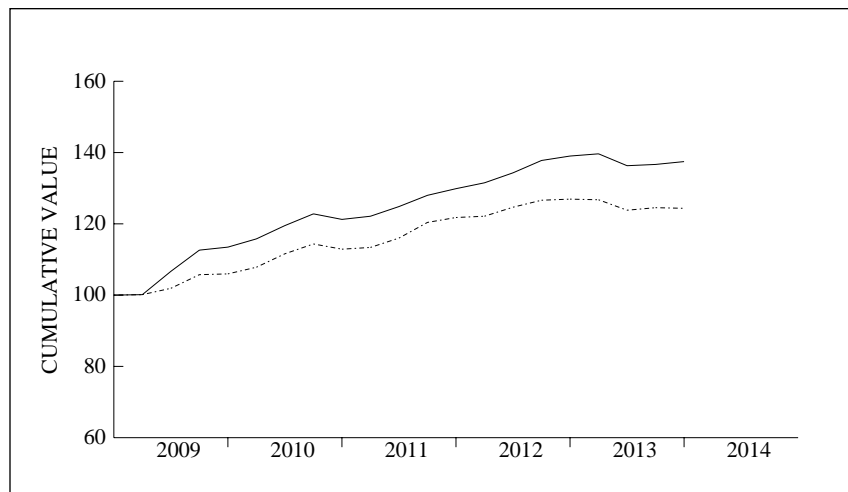
— ACTUAL RETURN  
 - - - 8.0%  
 ..... 0.0%

VALUE ASSUMING  
 8.0% RETURN  
 \$ 12,695,265

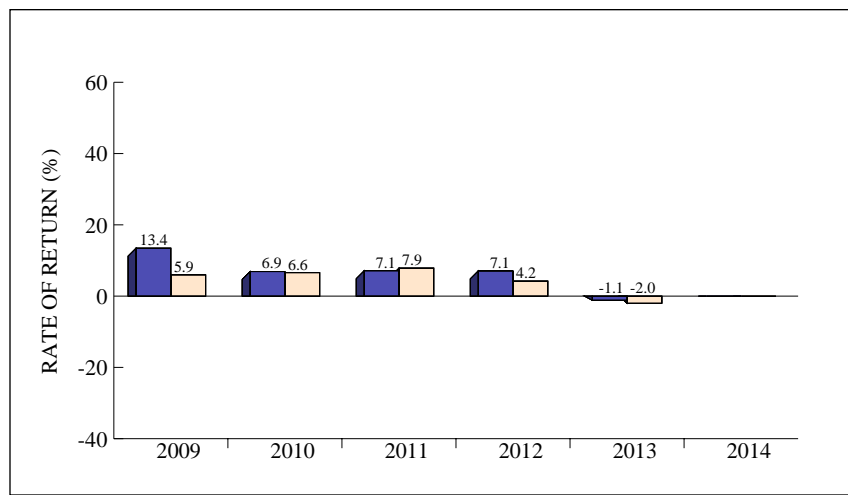
	LAST QUARTER	PERIOD 12/08 - 12/13
BEGINNING VALUE	\$ 11,811,213	\$ 8,937,353
NET CONTRIBUTIONS	0	- 28,000
<u>INVESTMENT RETURN</u>	<u>69,541</u>	<u>2,971,401</u>
ENDING VALUE	\$ 11,880,754	\$ 11,880,754
INCOME	0	5
<u>CAPITAL GAINS (LOSSES)</u>	<u>69,541</u>	<u>2,971,396</u>
INVESTMENT RETURN	69,541	2,971,401



**TOTAL RETURN COMPARISONS**



Core Fixed Income Universe

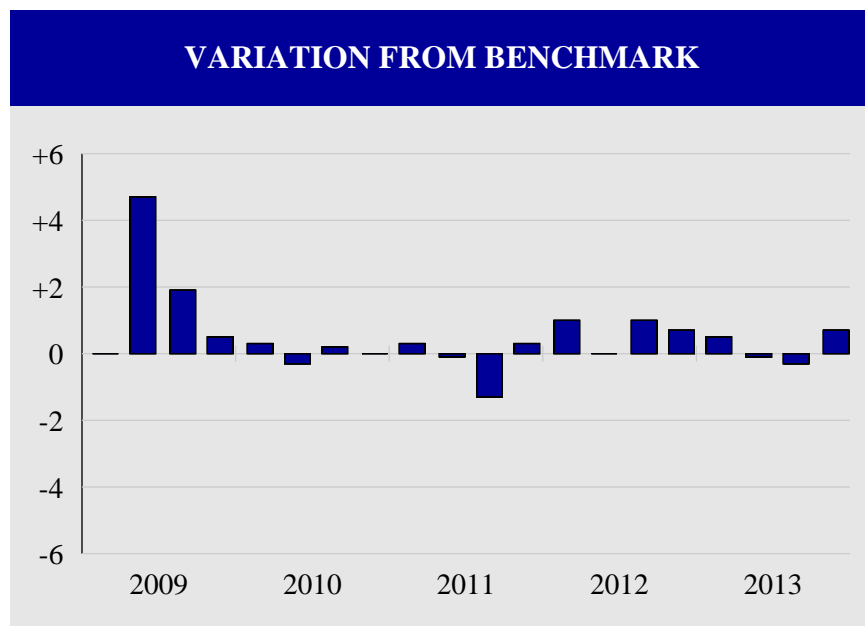


	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	0.6	0.9	-1.6	-1.1	4.3	6.6
(RANK)	(9)	(36)	(37)	(23)	(28)	(27)
5TH %ILE	0.9	1.5	-0.8	-0.3	5.2	8.4
25TH %ILE	0.3	1.0	-1.4	-1.2	4.4	6.7
MEDIAN	0.0	0.7	-1.7	-1.6	3.8	5.8
75TH %ILE	-0.2	0.4	-2.0	-2.1	3.5	4.9
95TH %ILE	-0.3	0.0	-2.5	-2.6	3.1	4.1
<b>Agg Index</b>	<b>-0.1</b>	<b>0.4</b>	<b>-1.9</b>	<b>-2.0</b>	<b>3.3</b>	<b>4.5</b>

Core Fixed Income Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

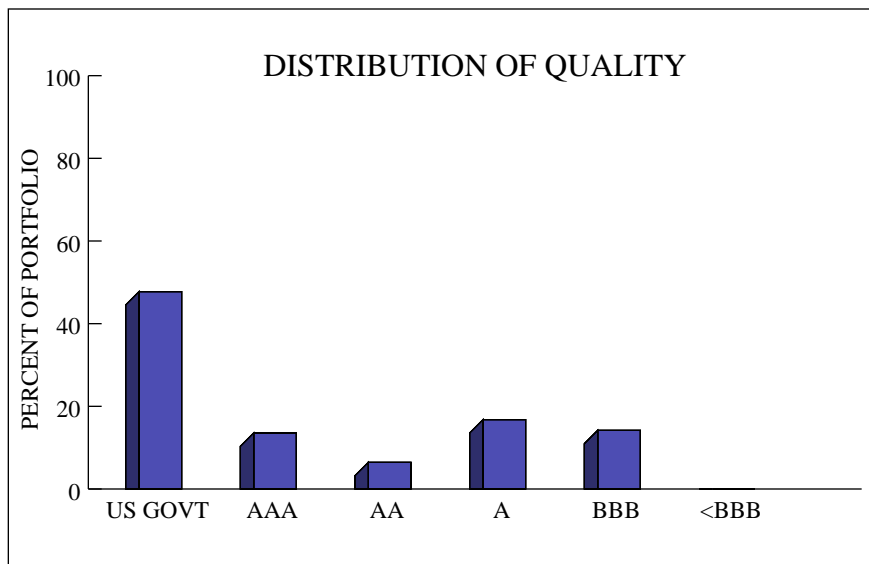
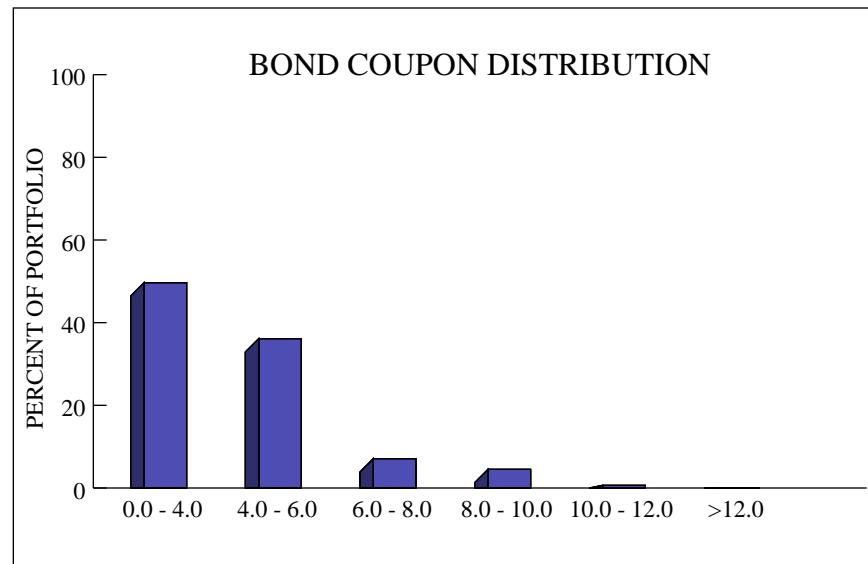
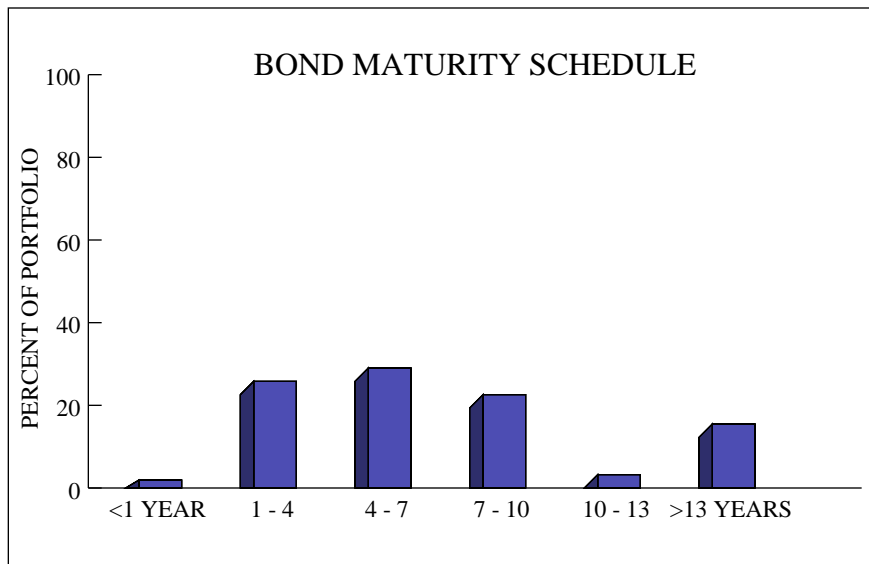
**COMPARATIVE BENCHMARK: BARCLAYS AGGREGATE INDEX**



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

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

**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>BARCLAYS AGG</b>
No. of Securities	164	8,727
Duration	5.86	5.55
YTM	2.64	2.48
Average Coupon	3.92	3.34
Avg Maturity / WAL	8.45	7.58
Average Quality	AAA-AA	USG-AAA