



®

O'Shaughnessy
ASSET MANAGEMENT

Franklin Regional Retirement System
O'Shaughnessy Market Leaders Value
QUARTERLY REPORT ENDING MARCH 31, 2016

Franklin Regional Retirement System

(As of 3/31/16)

Relationship Summary

| | |
|-------------------------------|------------------------------------|
| Market Value (3/31/16) | \$6,920,434.36 |
| Strategy: | O'Shaughnessy Market Leaders Value |
| Inception Date: | March 2, 2012 |
| Custodian: | Comerica |

Strategy Summary

O'Shaughnessy Market Leaders Value generally seeks to provide long-term growth and some current income by investing in market leading companies with attractive valuations. First, we screen for stocks with greater than average market capitalizations and exclude Utilities. We then screen for securities with greater than average scores in our Value, Earnings Quality, Earnings Growth, and Financial Strength composites. From the remaining pool of stocks, we select those with the highest the highest "shareholder yield"— which combines a company's annual dividend and its annual rate of stock buybacks. A portfolio typically holds approximately 45 to 80 stocks.

Performance Review

(As of 3/31/16)

| | Current Month | Quarter to Date | Year to Date | 1-Year | 3-Year | Since Inception (Annualized) | * Inception Date | 2015 | 2014 | 2013 | 2012* |
|---------------------------|---------------|-----------------|--------------|--------|--------|------------------------------|------------------|-------|-------|-------|--------|
| Franklin Regional (Gross) | 7.12 | 3.86 | 3.86 | -6.10 | 12.06 | 13.11 | | -7.57 | 10.78 | 48.17 | 6.01 |
| Retirement System (Net) | 7.08 | 3.72 | 3.72 | -6.62 | 11.45 | 12.49 | 3/2/2012 | -8.08 | 10.18 | 47.38 | Update |
| Russell 1000® Value Index | 7.20 | 1.64 | 1.64 | -1.54 | 9.38 | 12.03 | | -3.83 | 13.45 | 32.53 | 9.85 |

Past performance is no guarantee of future results.

Please see important disclosure information found on the slide entitled "General Legal Disclosure/Disclaimer" at the end of this presentation. Returns are in USD.

Franklin Regional Retirement System: Commentary

(As of 3/31/16)

Positive Contributing Factors for 1Q16:

- Shareholder Yield outperformed for the quarter and contributed to returns.
- An underweight to mega-cap names aided performance.
- Our process was most effective in the following sectors:

| OSAM GICS Sector | Franklin Regional Retirement System | | | Russell 1000® Value Index | | | Performance Attribution | | |
|------------------|-------------------------------------|--------------|------------------------|---------------------------|--------------|------------------------|-------------------------|-------------------------|--------------|
| | Weight | Total Return | Contribution to Return | Weight | Total Return | Contribution to Return | Allocation Effect | Selection + Interaction | Total Effect |
| Financials | 11.27 | -1.28 | -0.25 | 28.88 | -5.31 | -1.93 | 1.37 | 0.49 | 1.86 |
| Industrials | 19.87 | 11.23 | 2.19 | 10.25 | 5.21 | 0.54 | 0.35 | 1.17 | 1.52 |

Negative Contributing Factors for 1Q16:

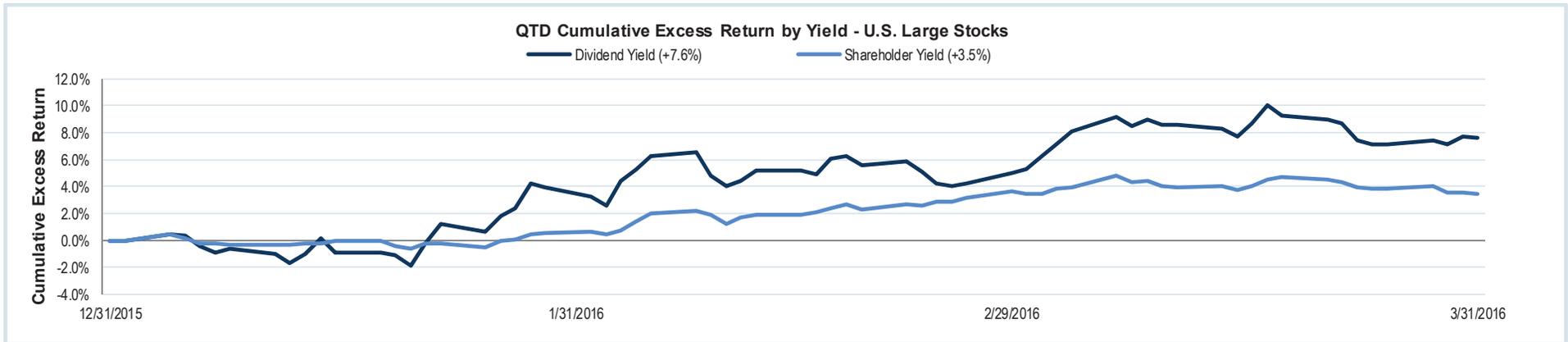
- An overweight to Value detracted from returns, as the factor underperformed for the quarter.
- An underweight to Momentum held back performance.
- Our process was least effective in the following sectors:

| OSAM GICS Sector | Franklin Regional Retirement System | | | Russell 1000® Value Index | | | Performance Attribution | | |
|------------------|-------------------------------------|--------------|------------------------|---------------------------|--------------|------------------------|-------------------------|-------------------------|--------------|
| | Weight | Total Return | Contribution to Return | Weight | Total Return | Contribution to Return | Allocation Effect | Selection + Interaction | Total Effect |
| Energy | 9.69 | -5.59 | -0.75 | 12.48 | 4.30 | 0.62 | -0.08 | -1.13 | -1.21 |
| Utilities | 0.00 | 0.00 | 0.00 | 6.92 | 15.62 | 1.05 | -0.92 | 0.00 | -0.92 |

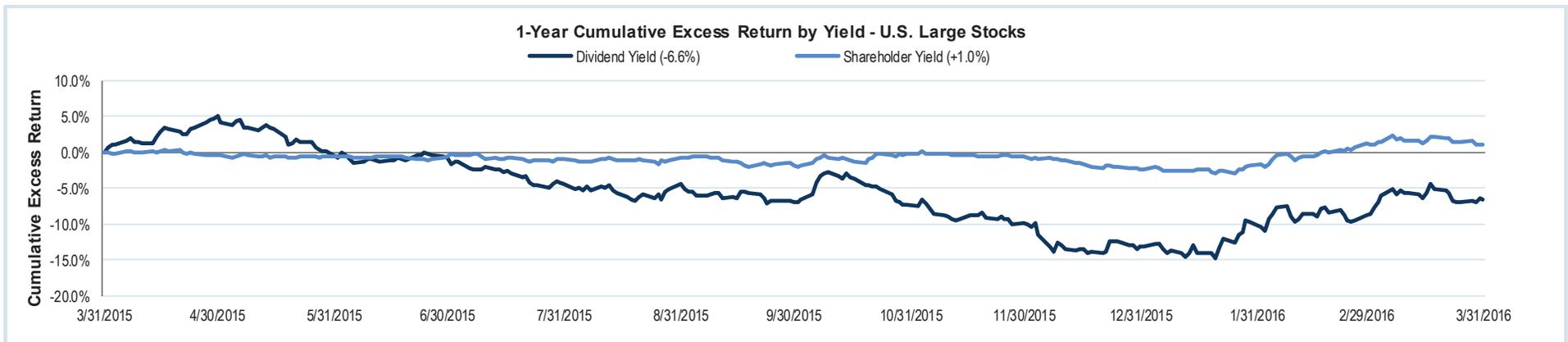
Franklin Regional Retirement System: Factor Performance

(As of 3/31/16)

- During the first quarter, Dividend Yield outperformed the U.S. Large Stocks universe by +7.6%, while Shareholder Yield outperformed by +3.5%.



- In the last-twelve-months, Dividend Yield underperformed the U.S. Large Stocks universe by -6.6%, while Shareholder Yield outperformed by +1.0%.



Franklin Regional Retirement System: Market Outlook

(As of 3/31/16)

Above all else, we believe long term success comes from building a portfolio around proven stock selection factors—measured using key selection criteria like quality, valuation, and shareholder yield. As a result of this rebalancing process towards stocks with better factor profiles, we've increased weights to consumer discretionary stocks (e.g. Michael Kors, Macy's) and telecommunications stocks (Motorola Solutions) and we've reduced weights to energy (Marathon Petroleum, Phillips 66) and consumer staples stocks (Royal Ahold).

Based on our key themes of quality, value, and shareholder yield, Market Leaders Value is very well positioned versus its benchmark and relative to the overall market. The portfolio's companies have higher levels of return on capital, lower reliance on external financing, and trade at deep discounts across a number of valuation factors. They are also returning capital to shareholders at almost four times the rate of the benchmark.

These combined advantages can only be delivered by a portfolio which is distinct from the benchmark. Our active share of approximately 93% means that the portfolio continues to represent a unique take on the U.S. market.

As we continue in 2016, we will continue to focus on our niche of the market: quality companies, often trading at out-of-favor prices, which are aggressively returning capital to equity shareholders through dividends and share repurchases.

Franklin Regional Retirement System: Attribution QTD

(As of 3/31/16)

| Sectors | Franklin Regional Retirement System | | | Russell 1000 Value Index | | | Performance Attribution | | |
|----------------------------|-------------------------------------|--------------|--------------------|--------------------------|--------------|--------------------|-------------------------|-------------------------|--------------|
| | Average Weight | Total Return | Contrib. to Return | Average Weight | Total Return | Contrib. to Return | Allocation Effect | Selection + Interaction | Total Effect |
| Consumer Discretionary | 18.67 | 5.66 | 1.12 | 5.18 | 3.64 | 0.20 | 0.26 | 0.22 | 0.48 |
| Consumer Staples | 10.17 | 5.82 | 0.67 | 7.44 | 5.13 | 0.42 | 0.15 | 0.10 | 0.25 |
| Energy | 9.69 | -5.59 | -0.75 | 12.48 | 4.30 | 0.62 | -0.08 | -1.13 | -1.21 |
| Financials | 11.27 | -1.28 | -0.25 | 28.88 | -5.31 | -1.93 | 1.37 | 0.49 | 1.86 |
| Health Care | 2.68 | -12.40 | -0.44 | 12.04 | -1.63 | -0.22 | 0.33 | -0.38 | -0.05 |
| Industrials | 19.87 | 11.23 | 2.19 | 10.25 | 5.21 | 0.54 | 0.35 | 1.17 | 1.52 |
| Information Technology | 13.54 | 5.45 | 0.32 | 11.34 | 2.80 | 0.32 | -0.05 | 0.30 | 0.24 |
| Materials | 9.25 | -1.27 | -0.13 | 2.66 | 7.75 | 0.24 | 0.41 | -0.86 | -0.45 |
| Telecommunication Services | 4.85 | 24.10 | 1.30 | 2.79 | 13.94 | 0.40 | 0.09 | 0.56 | 0.65 |
| Utilities | 0.00 | 0.00 | 0.00 | 6.92 | 15.62 | 1.05 | -0.92 | 0.00 | -0.92 |
| Total | 100.00 | 4.01 | 4.01 | 100.00 | 1.64 | 1.64 | 1.90 | 0.47 | 2.37 |

Source: Analytics are performed through OSAM Workbench, a proprietary tool. Security level data is from Thomson QAI Direct, a third-party subscription-based information service provider.

Past performance is no assurance of future results.

O'Shaughnessy Market Leaders Value: Factor Attribution QTD

(As of 3/31/16)

| Factors | Factor Return | Market Leaders Value | | Russell 1000® Value Index | | Attribution | |
|---------------------------|---------------|----------------------|--------------|---------------------------|--------------|------------------|---------------|
| | | Average Exposure | Contribution | Average Exposure | Contribution | Average Exposure | Factor Impact |
| Market | 1.74% | 0.92 | 1.05% | 0.90 | 1.36% | 0.02 | -0.31% |
| Size | -1.44% | -0.02 | -0.04% | 0.64 | -0.82% | -0.66 | 0.79% |
| Value | -0.43% | 0.70 | -0.44% | 0.43 | -0.19% | 0.27 | -0.26% |
| Momentum | -0.52% | -0.13 | -0.44% | 0.18 | -0.03% | -0.31 | -0.41% |
| Shareholder Yield | 3.46% | 0.53 | 2.06% | 0.16 | 0.59% | 0.37 | 1.47% |
| Earnings Quality | 0.26% | 0.15 | 0.07% | 0.04 | -0.01% | 0.11 | 0.07% |
| Financial Strength | 0.16% | 0.02 | 0.00% | 0.07 | 0.03% | -0.04 | -0.03% |
| Earnings Growth | -3.56% | 0.05 | -0.12% | -0.04 | 0.21% | 0.09 | -0.32% |
| Industry | | | 1.18% | | -0.15% | | 1.36% |
| Stock Specific | | | 0.73% | | 0.66% | | 0.07% |
| | Total* | | 4.07% | | 1.64% | | 2.43% |

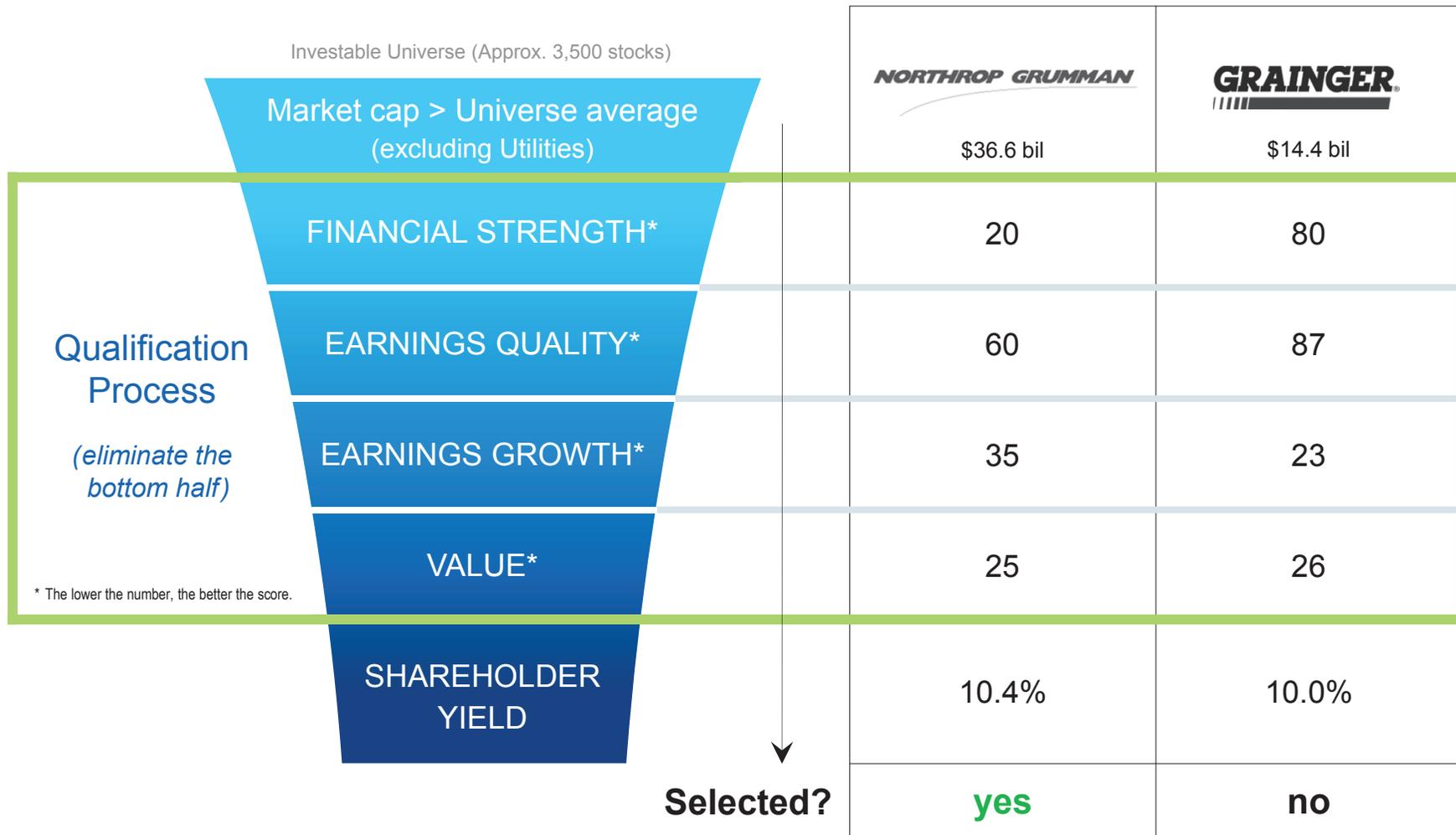
* Numbers may not add up due to rounding.

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Performance returns are preliminary.

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I O'Shaughnessy Market Leaders Value: Portfolio Construction — Stock Screening Examples



Please be advised that the information regarding our models are subject to change and is provided for informational purposes only and should not be deemed as a recommendation to purchase or sell the securities mentioned. Moreover, there can be no assurance, as of the date of publication, that the securities purchased remain in a strategy's portfolio or that securities sold have not been repurchased. Additionally, it is noted that the securities purchased do not represent a strategy's entire portfolio and in the aggregate may represent a small percentage of a strategy's portfolio.

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(As of 1/11/16)

Franklin Regional Retirement System

(As of 3/31/16)

Holdings-Based Characteristics

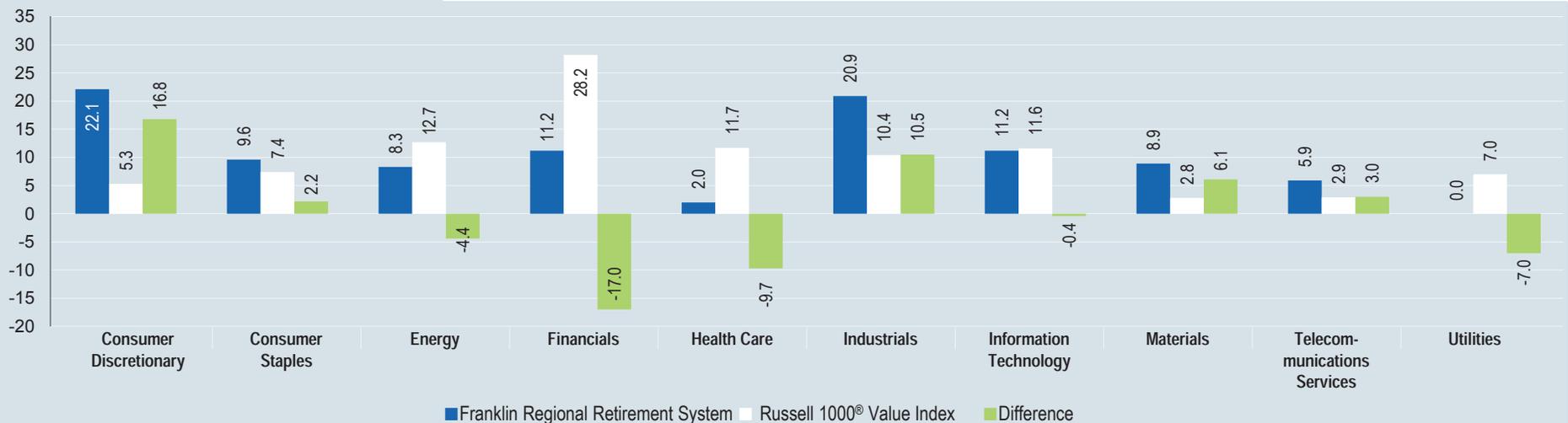
| | Franklin Regional Retirement System | Russell 1000® Value Index |
|---|-------------------------------------|---------------------------|
| Price/Earnings Ratio | 14.0 | 16.6 |
| Price/Sales Ratio | 1.0 | 1.5 |
| Price/Book Ratio | 2.1 | 1.7 |
| 1-Year Historical Earnings Growth Rate (%) | 6.8 | -8.0 |
| Weighted Average Market Capitalization (\$ mil) | 24,986 | 109,801 |
| Median Market Capitalization (\$ mil) | 18,366 | 7,151 |
| Number of Holdings | 59 | 684 |
| Foreign Content (%) | 8.0 | 0.0 |
| Active Share (%) | 93.0 | -- |
| Cash (%) | 1.5 | -- |

Top Ten Holdings

| | Percent of Portfolio | Dividend Yield (%) | Buyback Yield (%) | Shareholder Yield (%) |
|--|----------------------|--------------------|-------------------|-----------------------|
| Northrop Grumman Corp. | 4.5 | 1.6 | 8.9 | 10.5 |
| Illinois Tool Works Inc. | 4.5 | 2.1 | 5.1 | 7.2 |
| Travelers Companies Inc. | 4.5 | 2.1 | 8.2 | 10.3 |
| Coca Cola Enterprises Inc. | 4.3 | 2.4 | 4.9 | 7.3 |
| LyondellBasell Industries | 3.9 | 3.6 | 9.7 | 13.3 |
| Centurylink Inc. | 3.9 | 6.8 | 4.3 | 11.1 |
| Bed Bath & Beyond Inc. | 3.8 | 0.0 | 11.9 | 11.9 |
| Parker Hannifin Corp. | 3.7 | 2.3 | 5.1 | 7.4 |
| Royal Ahold | 3.4 | 6.1 | 0.6 | 6.7 |
| National Oilwell Varco Inc. | 3.1 | 5.9 | 10.3 | 16.2 |
| Total | 39.6 | 3.3* | 6.9* | 10.2* |
| Franklin Regional Retirement System | | 2.7 | 6.8 | 9.6 |
| Russell 1000® Value Index | | 2.6 | 0.0 | 2.8 |

*Average of top 10 holdings

Current Sector Weightings (%)



Top ten holdings and number of holdings are provided for informational purposes only and should not be deemed as a recommendation to purchase or sell the securities mentioned. Top ten holdings do not represent all of the securities that would be purchased, sold or recommended for an account and the reader should not assume that investments in the securities identified were or will be profitable. Holdings-based valuation metrics are derived from actual holdings utilizing OSAM Workbench, a proprietary analytics tool. The price/earnings and price/sales ratios are weighted harmonic averages. Stocks with small and mid-sized market capitalizations (those defined by OSAM as less than \$10 billion) may have greater risk and volatility than those with larger market capitalizations.

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