



®

O'Shaughnessy
ASSET MANAGEMENT

Franklin Regional Retirement System
O'Shaughnessy Market Leaders Value
QUARTERLY REPORT ENDING SEPTEMBER 30, 2015

Franklin Regional Retirement System

(As of 9/30/15)

Relationship Summary

Market Value (9/30/15)	\$6,485,522.92
Strategy:	O'Shaughnessy Market Leaders Value
Inception Date:	March 1, 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 9/30/15)

	Current Month	Quarter to Date	Year to Date	1-Year	3-Year	Since Inception (Annualized)	* Inception Date	2014	2013
Franklin Regional Retirement (Gross)	-5.01	-10.54	-10.03	-8.41	14.19	13.00	3/1/2012	10.78	48.17
System (Net)	-5.06	-10.67	-10.41	-8.91	13.58	12.39		10.18	47.38
Russell 1000® Value Index	-3.02	-8.40	-8.96	-4.42	11.59	11.58		13.45	32.53

Past performance is no guarantee of future results.

Please see important disclosure information at the end of this presentation. Returns are in USD.

Franklin Regional Retirement System: Commentary

(As of 9/30/15)

Positive Contributing Factors for 3Q15:

- Our exposure to high quality names contributed to returns.
- Security selection in Energy and Consumer Staples benefited performance.
- Our model was most effective in these 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	14.31	-6.64	-0.96	13.22	-17.79	-2.42	-0.28	1.84	1.56
Consumer Staples	8.18	8.83	0.48	6.85	-4.20	-0.28	0.04	0.91	0.95

Negative Contributing Factors for 3Q15:

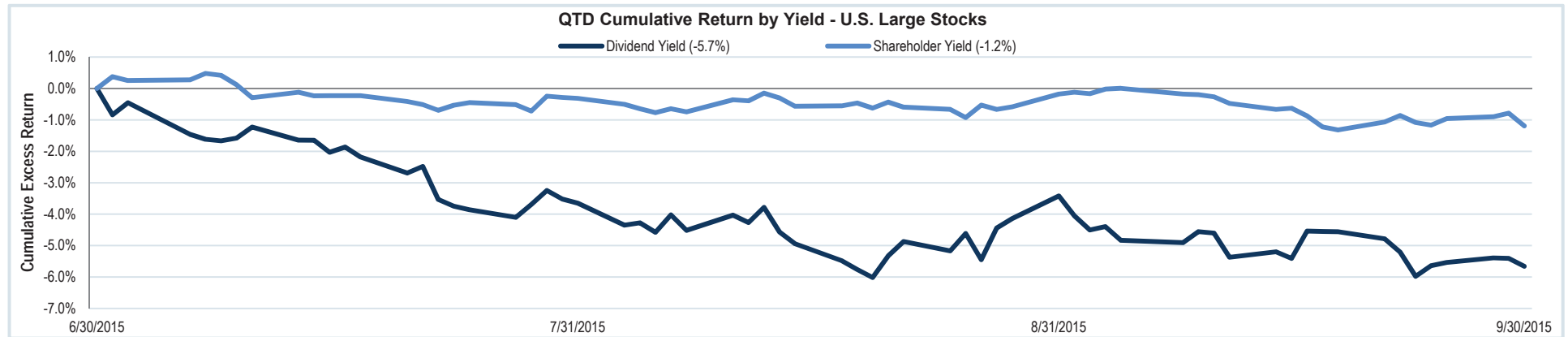
- Shareholder Yield underperformed and detracted from returns.
- Our Value Composite held back performance.
- Our model was least effective in these sectors:

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
Consumer Discretionary	16.86	-18.80	-3.14	5.37	-8.47	-0.45	-0.03	-1.80	-1.82
Materials	10.91	-24.66	-2.87	2.83	-18.58	-0.55	-0.85	-0.76	-1.62

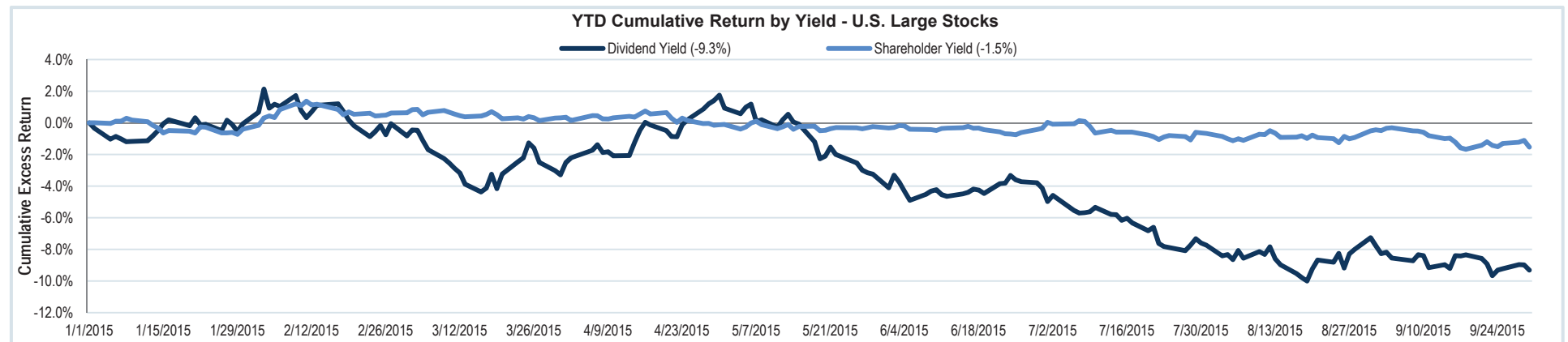
Franklin Regional Retirement System: Factor Performance

(As of 9/30/15)

- During the third quarter, the yield factors underperformed. Shareholder Yield underperformed the U.S. Large Stocks Universe by -1.2%, while Dividend Yield underperformed by -5.7%.



- Year-to-date, the yield factors underperformed. Shareholder Yield underperformed the U.S. Large Stocks Universe by -1.5%, while Dividend Yield underperformed by -9.3%.

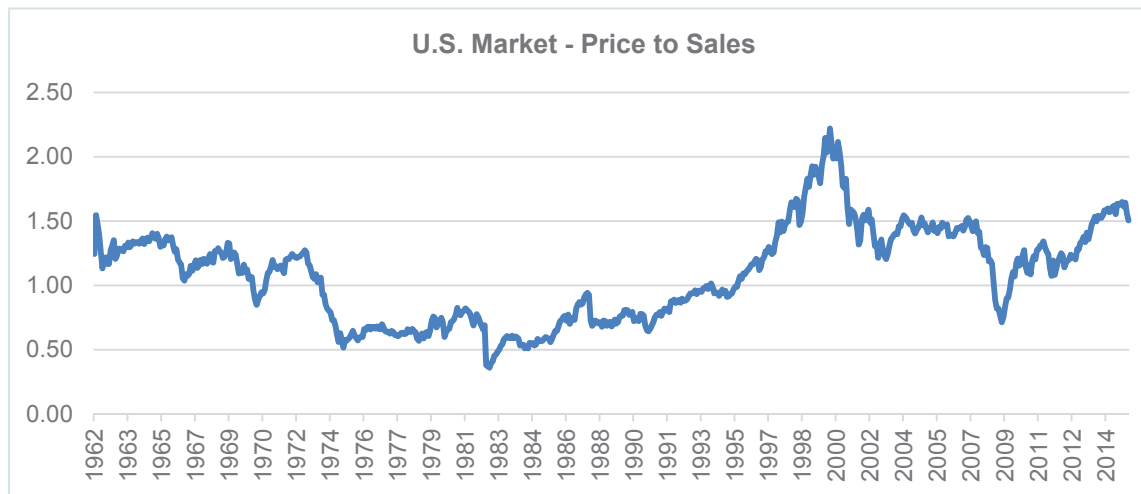


Franklin Regional Retirement System: Commentary

(As of 9/30/15)

Market Outlook:

The U.S. equity market remains expensive relative to history. In terms of price-to-sales, valuations are nearly twice as expensive as they were at the 2009 bear market low, but still remain much lower than their peak in 2000.



Elevated valuation levels for market indices highlight an opportunity to build portfolios with more attractive overall characteristics. Market Leaders Value, with an active share of 94%, is trading at a 33% discount to the market based on price-to-sales, and a 23% discount based on price-to-earnings. Labeling stocks as “discount” or “value” are alternative ways of expressing low expectations about a stock’s prospects. However, markets tend to be overly pessimistic—leaving value stocks *too* cheap, and creating an opportunity for disciplined value investors. Such a disciplined value strategy is difficult to capitalize on because of the stocks it requires the investor hold. This is especially true in a market such as today’s, where high-expectation growth stocks, such as Amazon and Netflix, have led growth stocks in a huge rout of value stocks this year. The Russell 1000 Growth[®] Index is outperforming the Russell 1000[®] Value Index by +7.4% year to date.

While growth stocks have led the market in 2015, our research shows that value has been the more reliable long-term investing style. We believe that during such periods of growth outperformance, investors should not be distracted by the recent success of expensive stocks, and instead position their portfolios using proven characteristics such as value, yield, and quality.

Franklin Regional Retirement System: Attribution QTD

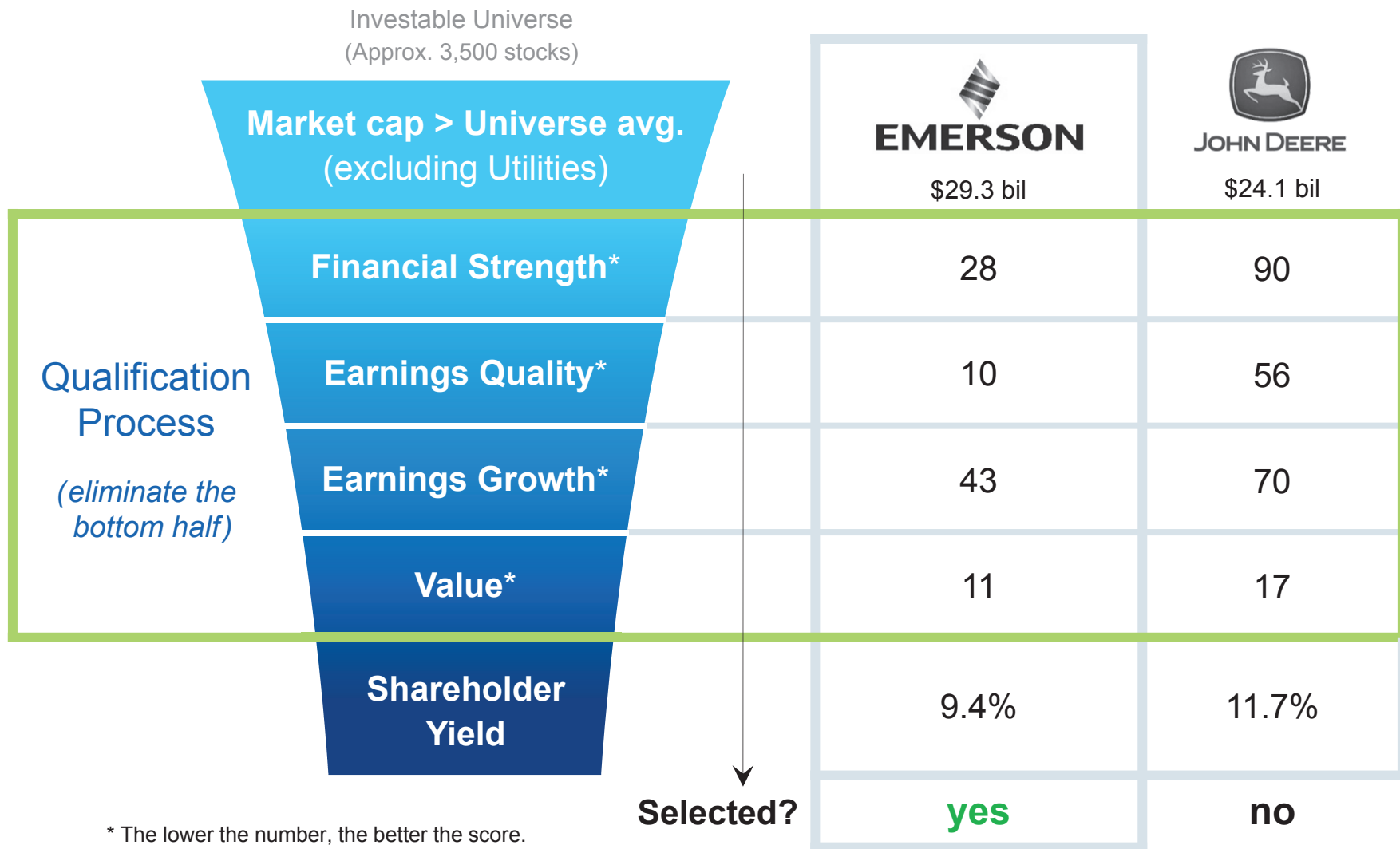
(As of 9/30/15)

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	16.86	-18.80	-3.14	5.37	-8.47	-0.45	-0.03	-1.80	-1.82
Consumer Staples	8.18	8.83	0.48	6.85	-4.20	-0.28	0.04	0.91	0.95
Energy	14.31	-6.64	-0.96	13.22	-17.79	-2.42	-0.28	1.84	1.56
Financials	10.54	-4.24	-0.57	30.25	-6.39	-1.98	-0.40	0.16	-0.23
Health Care	3.01	-10.13	-0.33	11.99	-9.40	-1.16	0.09	-0.01	0.08
Industrials	18.80	-9.67	-1.86	10.03	-9.32	-0.93	-0.05	-0.13	-0.18
Information Technology	13.12	-7.55	-0.96	11.02	-6.26	-0.64	0.08	-0.18	-0.11
Materials	10.91	-24.66	-2.87	2.83	-18.58	-0.55	-0.85	-0.76	-1.62
Telecommunication Services	4.27	-11.83	-0.45	2.47	-7.58	-0.19	-0.01	-0.17	-0.18
Utilities	0.00	0.00	0.00	5.97	4.70	0.20	-0.72	0.00	-0.72
Total	100.00	-10.67	-10.67	100.00	-8.40	-8.40	-2.13	-0.14	-2.27

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: 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 10/7/15)

Franklin Regional Retirement System

(As of 9/30/15)

Holdings-Based Characteristics

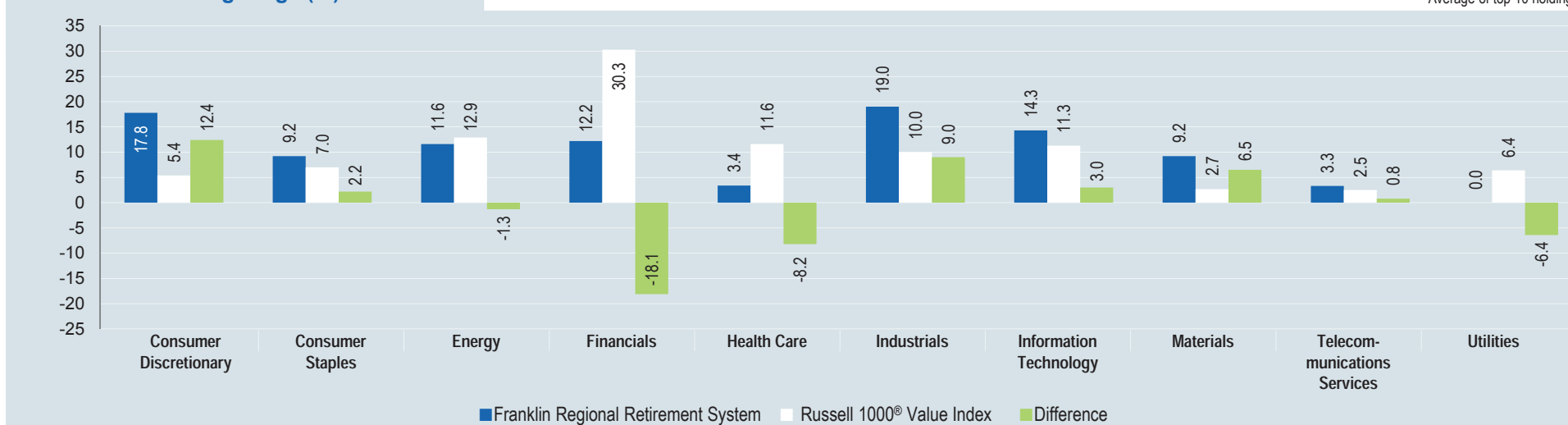
	Franklin Regional Retirement System	Russell 1000® Value Index
Price/Earnings Ratio	11.8	15.4
Price/Sales Ratio	0.9	1.4
Price/Book Ratio	2.0	1.6
1-Year Historical Earnings Growth Rate (%)	12.9	7.2
Weighted Average Market Capitalization (\$ mil)	25,824	98,493
Median Market Capitalization (\$ mil)	15,944	7,009
Number of Holdings	57	689
Foreign Content (%)	6.1	0.0
Active Share (%)	93.5	--
Cash (%)	1.0	--

Top Ten Holdings

	Percent of Portfolio	Dividend Yield (%) ²	Buyback Yield (%)	Shareholder Yield (%)
Travelers Companies Inc.	4.6	2.5	8.2	10.7
Northrop Grumman Corp.	4.5	1.9	9.9	11.8
Coca Cola Enterprises Inc.	4.5	2.3	6.7	9.0
Koninklijke Ahold N V	4.1	2.2	4.2	6.4
LyondellBasell Industries	4.1	3.7	9.2	12.9
Illinois Tool Wks Inc.	4.0	2.7	7.6	10.3
Phillips 66	3.7	2.9	3.8	6.7
Bed Bath & Beyond Inc.	3.6	0.0	9.9	9.9
Marathon Pete Corp.	3.2	2.8	5.8	8.6
Mosaic Co	3.1	3.5	6.3	9.8
Total	39.4	2.5*	7.2*	9.6*
Franklin Regional Retirement System		2.5	6.5	9.0
Russell 1000® Value Index		2.7	0.3	3.0

* 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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