



®

O'Shaughnessy
ASSET MANAGEMENT

Franklin Regional Retirement System
O'Shaughnessy Market Leaders Value
QUARTERLY REPORT ENDING SEPTEMBER 30, 2016

Franklin Regional Retirement System

(As of 9/30/16)

Relationship Summary

Market Value (9/30/16)	\$7,771,396.04
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 "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 9/30/16)

	Current Month	Quarter to Date	Year to Date	1-Year	3-Year	Since Inception (Annualized)	* Inception Date	2015	2014	2013	2012*
Franklin Regional (Gross)	0.32	6.50	7.52	10.47	7.29	12.44		-7.57	10.78	48.17	4.91
Retirement System (Net)	0.28	6.35	7.08	9.87	6.71	11.83	3/2/2012	-8.08	10.18	47.38	4.43
Russell 1000® Value Index	-0.21	3.48	10.00	16.20	9.70	12.57		-3.83	13.45	32.53	8.16

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 9/30/16)

Positive Contributing Factors for 3Q16:

- Cheap stocks outperformed the market, and our exposure to the value factor helped returns.
- Our focus on high shareholder yield names contributed to return.
- Key positions in the industrials and information technology sectors were top performers during the quarter.
- 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
Industrials	23.32	10.02	2.31	9.44	5.47	0.52	0.29	1.02	1.31
Information Technology	12.75	21.92	2.53	9.86	13.12	1.23	0.26	0.98	1.23

Negative Contributing Factors for 3Q16:

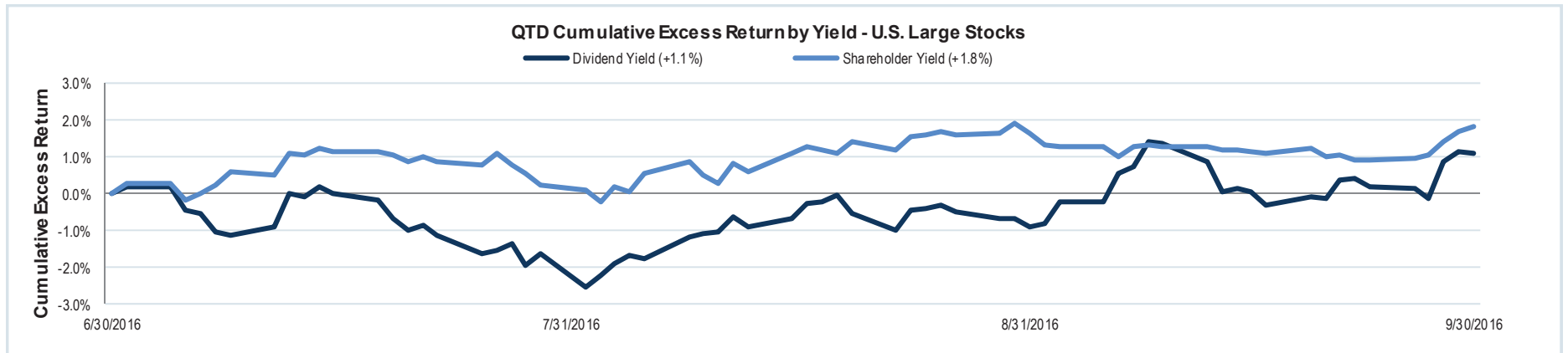
- A slight overweight to Momentum detracted from returns.
- Our process was least effective in the following sectors:

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
Financials	12.02	1.54	0.19	23.18	6.46	1.43	-0.31	-0.57	-0.88
Telecommunication Services	5.96	-4.16	-0.23	4.05	-4.84	-0.20	-0.16	0.06	-0.10

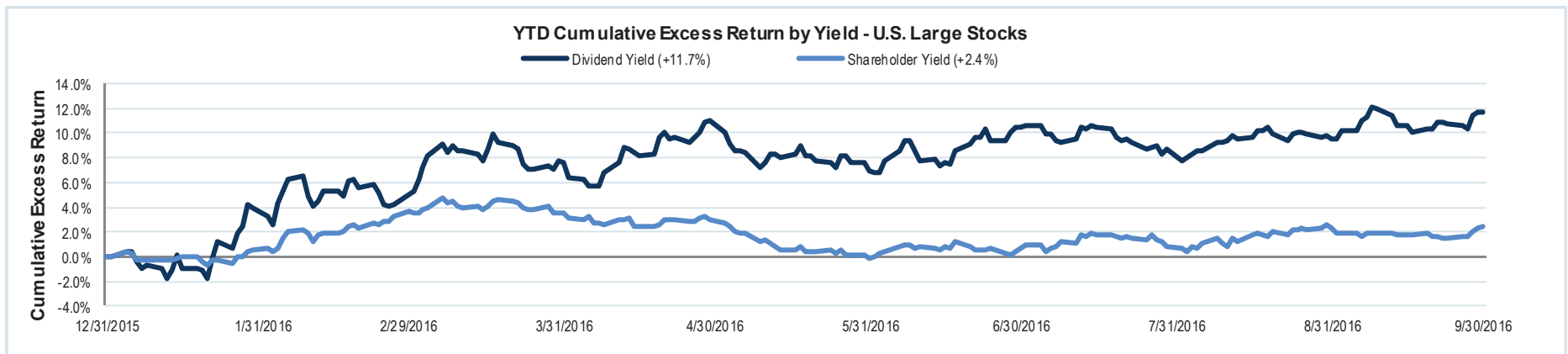
Franklin Regional Retirement System: Factor Performance

(As of 9/30/16)

- During the third quarter, Dividend Yield outperformed the U.S. Large Stocks universe by +1.1% and Shareholder Yield outperformed by +1.8%.



- Year-to-date, Dividend Yield outperformed the U.S. Large Stocks universe by 11.7%, while Shareholder Yield outperformed by +2.4%.



Franklin Regional Retirement System: Market Outlook

(As of 9/30/16)

As a result of our rebalancing process, we have increased weights to several information technology stocks (e.g. Seagate, Qualcomm, Applied Materials), and reduced weights to industrials (e.g. Parker Hannifin, Northrup Grumman).

Based on our key themes, the Market Leaders Value strategy 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 (shareholder yield of 9.9% versus 2.8% for the benchmark).

These combined advantages can only be delivered by a portfolio which is distinct from the benchmark. Our active share of 92% means that the portfolio continues to represent a unique take on the U.S. market.

As we continue in to 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. Given the weight of the evidence—across decades of testing and 15 years of live performance— we expect strong performance in the future.

Franklin Regional Retirement System: Attribution QTD

(As of 9/30/16)

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	24.92	3.72	0.96	4.91	5.91	0.29	0.48	-0.51	-0.02
Consumer Staples	5.22	3.01	0.23	8.90	0.09	0.02	0.08	0.23	0.31
Energy	6.40	5.52	0.29	13.11	2.26	0.28	0.08	0.17	0.25
Financials	12.02	1.54	0.19	23.18	6.46	1.43	-0.31	-0.57	-0.88
Health Care	2.45	-5.13	-0.13	11.69	1.11	0.15	0.20	-0.14	0.06
Industrials	23.32	10.02	2.31	9.44	5.47	0.52	0.29	1.02	1.31
Information Technology	12.75	21.92	2.53	9.86	13.12	1.23	0.26	0.98	1.23
Materials	6.96	5.47	0.38	2.88	4.61	0.13	0.08	0.01	0.09
Real Estate	0.00	0.00	0.00	5.23	0.44	0.03	0.16	0.00	0.16
Telecommunications Services	5.96	-4.16	-0.23	4.05	-4.84	-0.20	-0.16	0.06	-0.10
Utilities	0.00	0.00	0.00	6.75	-5.73	-0.40	0.65	0.00	0.65
Total	100.00	6.53	6.53	100.00	3.48	3.48	1.80	1.26	3.05

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 9/30/16)

Factors	Factor Return	Market Leaders Value		Russell 1000® Value Index		Attribution	
		Average Exposure	Contribution	Average Exposure	Contribution	Average Exposure	Factor Impact
Market	5.37%	0.94	5.06%	0.90	4.81%	0.04	0.25%
Size	-0.77%	-0.66	0.41%	0.44	-0.36%	-1.09	0.77%
Value	4.31%	0.73	3.05%	0.31	1.23%	0.42	1.82%
Momentum	-4.42%	0.22	-1.00%	0.15	-0.68%	0.07	-0.32%
Shareholder Yield	1.78%	0.59	1.05%	0.21	0.37%	0.39	0.69%
Earnings Quality	0.75%	0.09	0.07%	0.04	0.05%	0.05	0.03%
Financial Strength	2.61%	-0.01	-0.07%	-0.06	-0.18%	0.05	0.11%
Earnings Growth	0.34%	0.07	-0.02%	-0.09	-0.07%	0.16	0.05%
Industry			-1.37%		-1.33%		-0.04%
Stock Specific			-0.60%		-0.38%		-0.21%
	Total*		6.63%		3.48%		3.15%

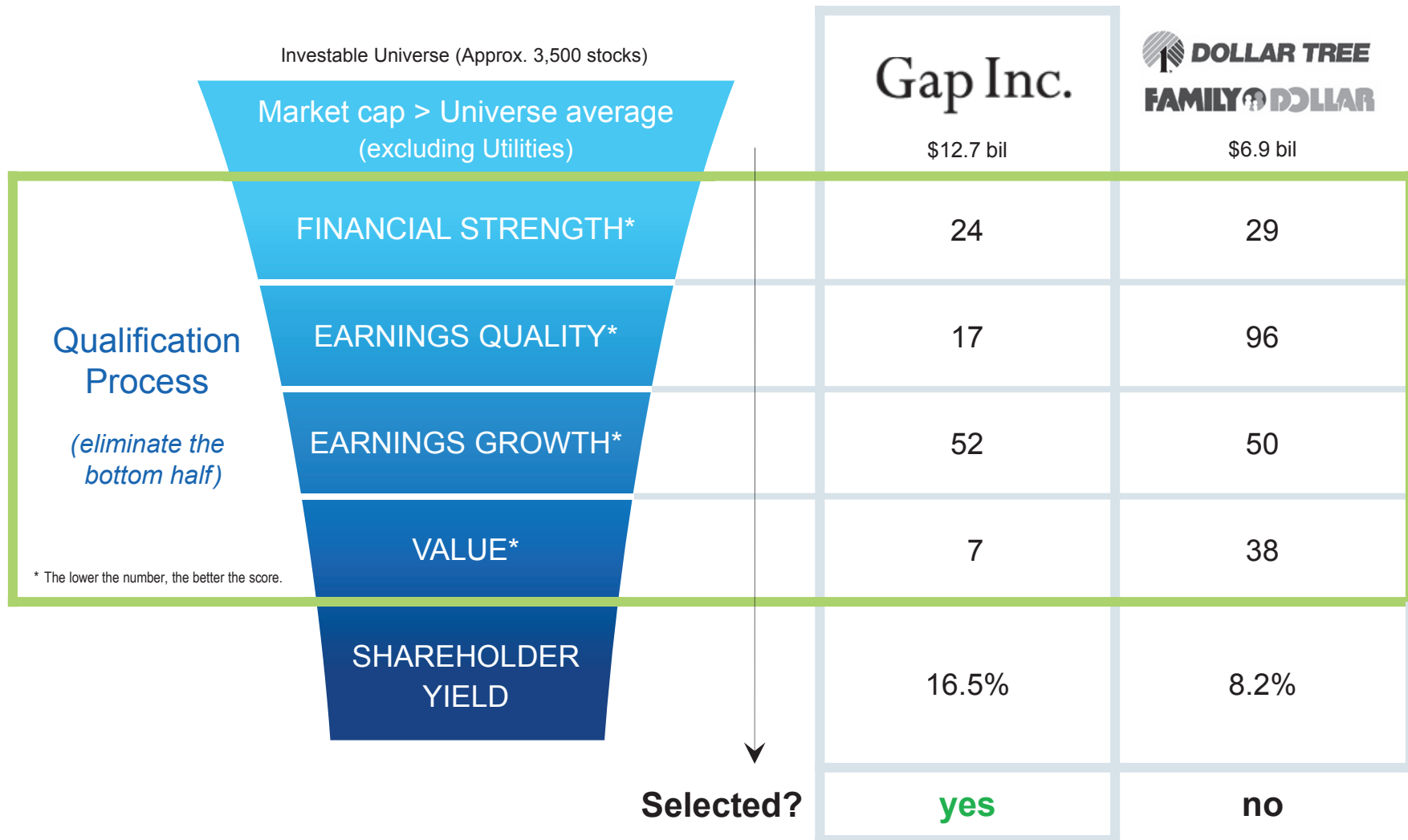
* Numbers may not add up due to rounding.

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Performance returns are preliminary.

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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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Franklin Regional Retirement System

(As of 9/30/16)

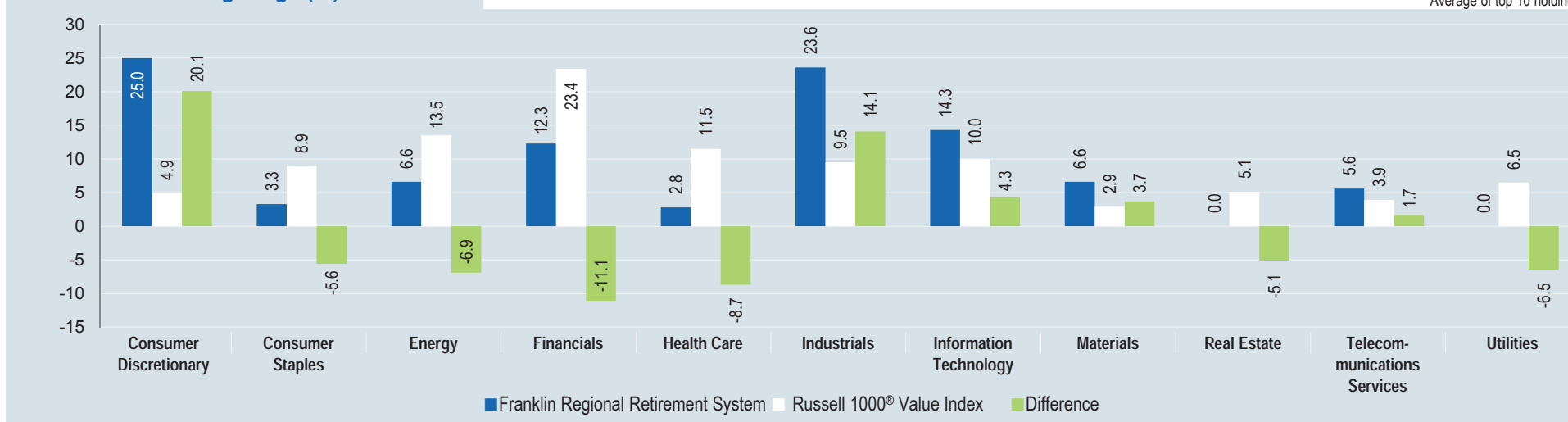
Holdings-Based Characteristics

	Franklin Regional Retirement System	Russell 1000® Value Index
Price/Earnings Ratio	12.6	16.9
Price/Sales Ratio	1.0	1.7
Price/Book Ratio	2.2	1.8
1-Year Historical Earnings Growth Rate (%)	5.6	-7.8
Weighted Average Market Capitalization (\$ mil)	29,921	111,769
Median Market Capitalization (\$ mil)	22,237	7,939
Number of Holdings	60	687
Foreign Content (%)	3.7	0.0
Active Share (%)	91.8	--
Cash (%)	1.0	--

Top Ten Holdings

	Percent of Portfolio	Dividend Yield (%)	Buyback Yield (%)	Shareholder Yield (%)
Illinois Tool Works Inc.	4.4	2.2	3.0	5.2
Travelers Companies Inc.	4.2	2.3	7.4	9.7
LyondellBasell Industries	3.9	4.2	10.4	14.6
CenturyLink Inc.	3.9	7.9	3.0	10.9
Northrop Grumman Corp.	3.7	1.7	5.0	6.7
Parker Hannifin Corp.	3.7	2.0	3.3	5.3
National Oilwell Varco Inc.	3.6	0.5	2.4	3.0
Marriott Intl Inc.	3.3	1.8	4.8	6.6
Michael Kors Holdings Ltd	3.0	0.0	12.6	12.6
Bed Bath & Beyond Inc.	3.0	1.2	8.9	10.0
Total	3.7	2.4*	6.1*	8.5*
Franklin Regional Retirement System		2.4	7.2	9.9
Russell 1000® Value Index		2.6	0.3	2.8

Current Sector Weightings (%)



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General Legal Disclosure/Disclaimer

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