



®

O'Shaughnessy
ASSET MANAGEMENT

Franklin Regional Retirement System
O'Shaughnessy Market Leaders Value
QUARTERLY REPORT ENDING DECEMBER 31, 2013

Franklin Regional Retirement System

(As of 12/31/13)

Relationship Summary

Market Value (12/31/13):	\$7,695,085.60
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 12/31/13)

	Current Month	Quarter to Date	Year to Date	1-Year	Since Inception (Annualized)	* Inception Date
Franklin Regional Retirement System (Gross)	3.99	12.19	48.17	48.17	27.25	3/1/2012
(Net)	3.94	12.04	47.38	47.38	26.56	
Russell 1000® Value Index	2.53	10.01	32.53	32.53	21.74	

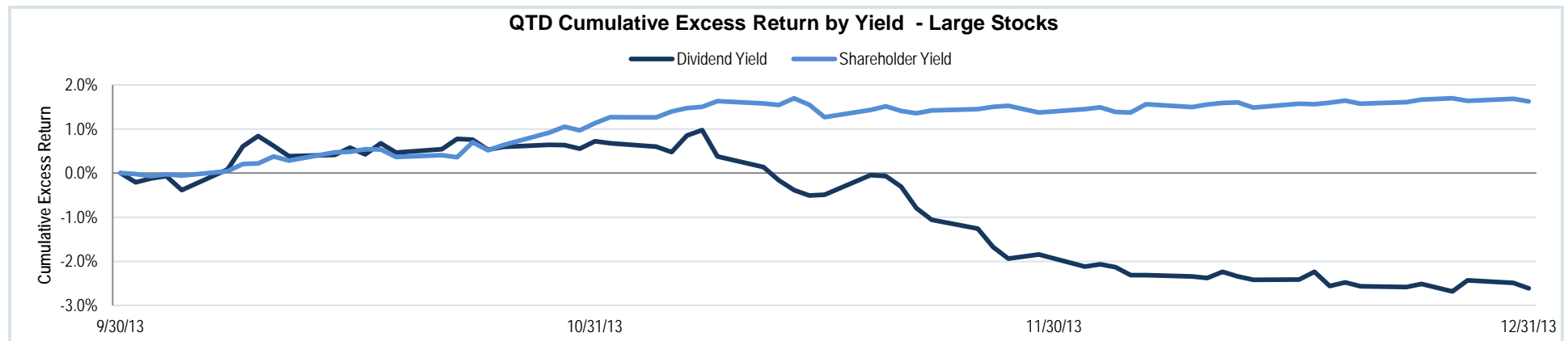
Past performance is no guarantee of future results.

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

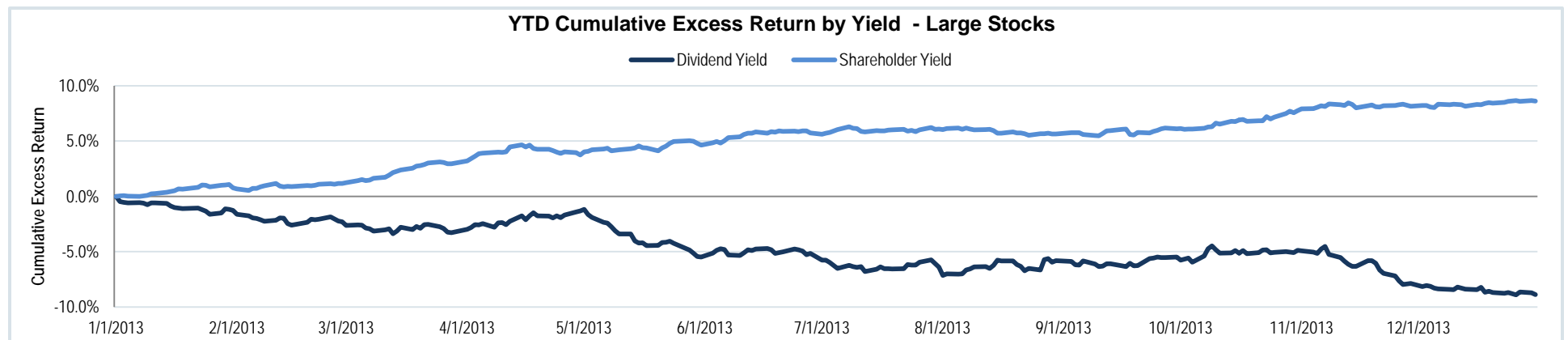
Franklin Regional Retirement System: Commentary

(As of 12/31/13)

- During the fourth quarter, Shareholder Yield was the stronger of the two yield characteristics at +1.6%, and outperformed the Large Stocks Universe. Dividend Yield underperformed by -2.6%.



- Over the past year, yield factor performance was mixed. Shareholder Yield finished the period as the stronger characteristic outperforming by +8.6%. Dividend Yield underperformed by -8.9%.



Franklin Regional Retirement System: Commentary

(As of 12/31/13)

Positive Contributing Factors for 4Q13:

- Shareholder Yield, the final ranking and selection factor, added positively to performance.
- The Value factor composite also helped returns.
- Our quality composites – Financial Strength, Earnings Quality, and Earnings Growth – all screened out underperforming stocks.
- Our model worked best 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
Financials	10.39	17.84	1.84	28.97	9.36	2.74	0.10	0.85	0.95
Information Technology	20.77	15.21	3.14	8.82	11.98	1.05	0.24	0.65	0.88

Negative Contributing Factors for 4Q13:

- Security selection within the Consumer Staples and Telecommunication Services sectors held back performance.
- Our model worked worst 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 Staples	7.57	4.89	0.39	5.95	11.63	0.69	0.06	-0.52	-0.46
Telecommunication Services	6.97	4.31	0.33	2.56	7.15	0.19	-0.10	-0.19	-0.30

Franklin Regional Retirement System: Commentary

(As of 12/31/13)

Market Outlook:

2013 was a remarkably strong year for the U.S. equity market and the S&P 500 Index finished up 32.4%. A year of this magnitude does not portend a weak year for the market in 2014. Historically, following similarly strong years of performance (25%+), the S&P 500 Index — the market for which we have the longest historical data — has generally done well the following year. Since 1926, the S&P 500 Index has grown by more than 25% over a 12-month period just 20% of the time. Following those strong runs, the average return in the next 12-month period has been 10.9%, and the return has been positive on an absolute basis more than 70% of the time. This data suggests that a good year is not a good reason to sell out of the market.

Because corporate earnings did not grow at nearly the same rate as the overall market, the U.S. market has gotten more expensive. Most of its return for 2013 came from valuation expansion. Investors were much less fearful this year about risks to the U.S. and global economy, and they priced stocks accordingly. Notably, U.S. stocks with high dividend yields have grown particularly expensive as investors continue to search for income. Historically, these stocks trade at a significant 25% average price to earnings discount to the market since 1963. As of year-end 2013, that discount has disappeared and high dividend payers now trade at a roughly +10% premium to the U.S. market.

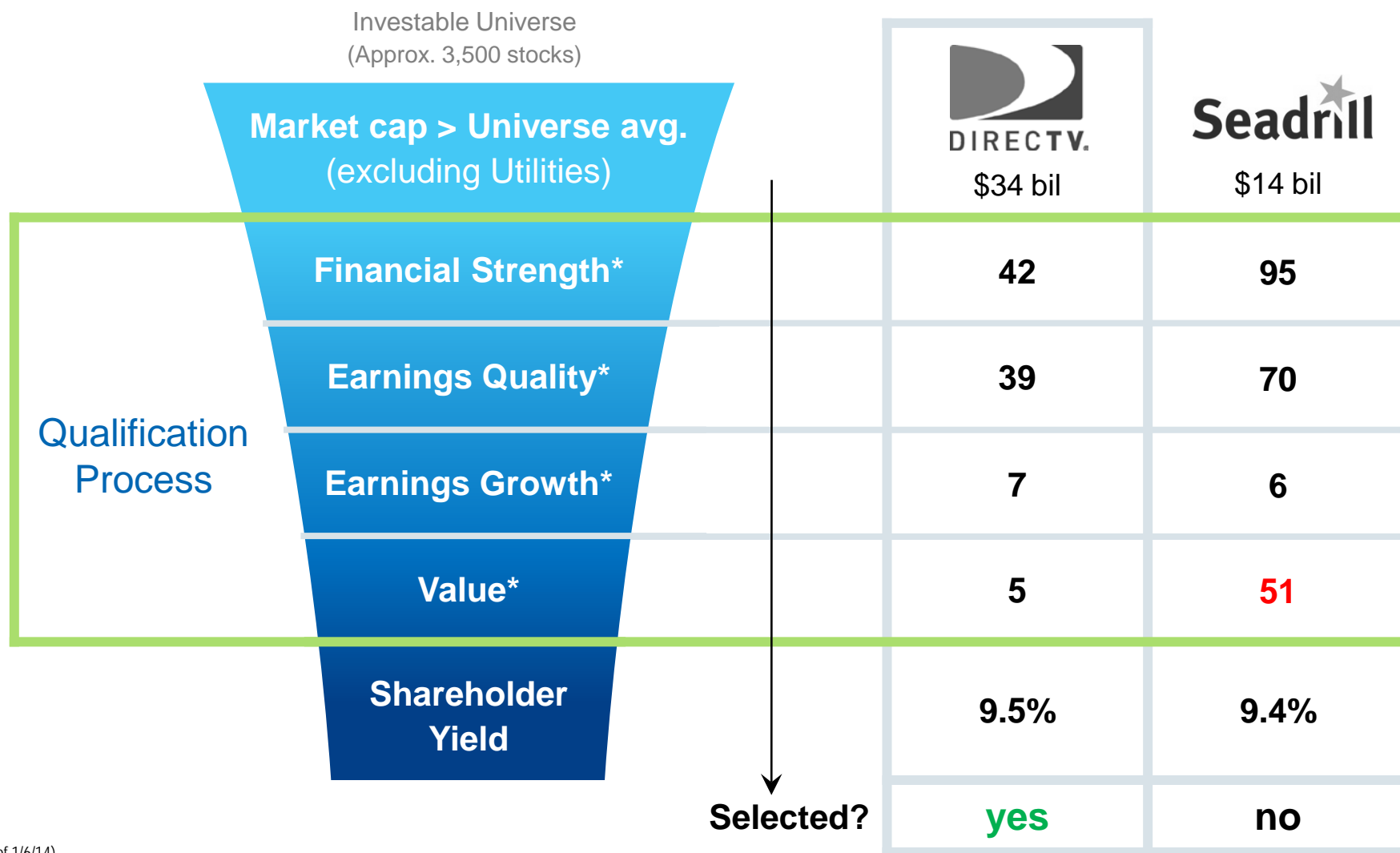
Our historical research on yield in the U.S. has shown that Shareholder Yield, the combination of dividends and share buybacks, is a more effective stock selection factor than dividend yield alone. Shareholder Yield outperforms the U.S. market from 1926-2012 by +2.8% per year. As such, we prefer Shareholder Yield in our U.S. strategies. Interestingly, stocks with high Shareholder Yield have remained near historical average valuation discounts despite the rising valuations of U.S. dividend payers. Stocks with the highest Shareholder Yields currently trade at a -20% discount to the market overall.

The factors that we use to select stocks have worked well this year: undervalued stocks have outperformed expensive stocks, and stocks with high shareholder yield have outperformed the market. We expect these factors to continue to work well in 2014. Looking ahead, we believe that the Market Leaders Value portfolio is well positioned in the market for the coming year. For example, the portfolio is significantly less expensive based on Price/Sales than the benchmark. Its shareholder yield is also much higher than the yield on the Russell 1000® Value Index. We continue to believe that buying quality stocks with strong balance sheets, discounted valuations, and that are rewarding shareholders with dividends and share buybacks will drive returns over time.

Franklin Regional Retirement System: Attribution QTD as of December 31, 2013

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	26.27	9.67	2.53	6.50	11.23	0.72	0.22	-0.41	-0.19
Consumer Staples	7.57	4.89	0.39	5.95	11.63	0.69	0.06	-0.52	-0.46
Energy	4.78	10.64	0.55	14.97	9.98	1.48	0.02	0.07	0.09
Financials	10.39	17.84	1.84	28.97	9.36	2.74	0.10	0.85	0.95
Health Care	10.09	12.84	1.28	13.06	8.89	1.17	0.05	0.36	0.41
Industrials	12.43	18.17	2.19	10.22	14.88	1.48	0.11	0.38	0.50
Information Technology	20.77	15.21	3.14	8.82	11.98	1.05	0.24	0.65	0.88
Materials	0.72	16.56	0.09	2.89	11.14	0.32	0.00	-0.00	0.00
Telecommunication Services	6.97	4.31	0.33	2.56	7.15	0.19	-0.10	-0.19	-0.30
Utilities	0.00	0.00	0.00	6.05	2.66	0.18	0.45	0.00	0.45
Total	100.00	12.33	12.33	100.00	10.00	10.00	1.15	1.18	2.33

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



(As of 1/6/14)

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.

Past performance is no guarantee of future results. Please see important disclosure information at the end of this presentation.

* The lower the number the better the score.

Franklin Regional Retirement System: Characteristics¹

(As of 12/31/13)

Holdings-Based Characteristics

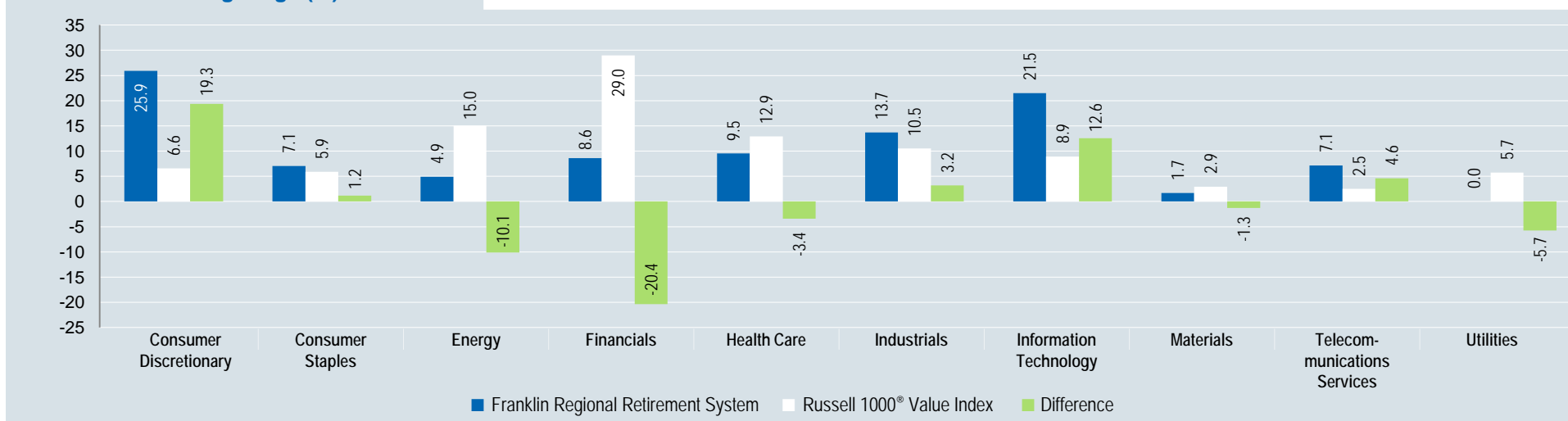
	Franklin Regional Retirement System	Russell 1000® Value Index
Price/Earnings Ratio	16.1	16.5
Price/Sales Ratio	0.9	1.3
1-Year Historical Earnings Growth Rate (%)	17.6	81.81
Weighted Average Market Capitalization (\$ mil)	31,134	113,880
Median Market Capitalization (\$ mil)	19,642	6,549
Number of Holdings	53	662
Foreign Content (%)	10.8	0.3
Turnover (% previous 12 months)	52.6	—
Active Share (%)	92.7	—
Cash (%)	1.5	—

Top Ten Holdings

	Percent of Portfolio	Dividend Yield (%) ²	Buyback Yield (%)	Shareholder Yield (%)
Seagate Technology PLC	4.7	3.0	-0.4	2.6
Ameriprise Financial, Inc.	4.6	1.8	4.3	6.1
L-3 Communications Holdings, Inc.	4.2	2.1	1.5	3.6
DIRECTV	4.1	0.0	9.5	9.5
Viacom Inc. Class B	4.0	1.4	9.5	10.9
Northrop Grumman Corporation	3.9	2.1	6.5	8.6
Coca-Cola Enterprises, Inc.	3.7	1.8	7.9	9.7
Kohl's Corporation	3.5	2.5	7.4	9.9
AmerisourceBergen Corporation	3.4	1.3	0.0	1.3
Flowserve Corporation	3.3	0.7	4.1	4.8
Total	39.4	1.7*	5.0*	6.7*
Franklin Regional Retirement System		2.1	4.2	6.3
Russell 1000® Value Index		2.1	0.7	2.8

* Average of top 10 holdings.

Current Sector Weightings (%)



¹ 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 the Factset Portfolio 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.

I General Legal Disclosure/Disclaimer

Please remember that past performance is no guarantee of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this presentation, will be profitable, equal any corresponding indicated historical performance level(s), or be suitable for any portfolio. Gross of fee performance computations are reflected prior to OSAM's investment advisory fee (as described in OSAM's written disclosure statement), the application of which will have the effect of decreasing the composite performance results (for example: an advisory fee of 1% compounded over a 10-year period would reduce a 10% return to an 8.9% annual return). Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this presentation serves as the receipt of, or as a substitute for, individualized investment advice from OSAM. Historical performance results for investment indices and/or categories have been provided for general comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that any account holdings would correspond directly to any comparative indices. Account information has been compiled solely by OSAM, has not been independently verified, and does not reflect the impact of taxes on non-qualified accounts. In preparing this presentation, OSAM has relied upon information provided by the account custodian and/or other third party service providers. It remains your responsibility to contact OSAM if there are any changes in your investment objectives for the purpose of revising our recommendations and/or investment advisory services. Please also advise us if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. OSAM is a Registered Investment Adviser with the SEC and a copy of our current written disclosure statement discussing our advisory services and fees remains available for your review upon request.