



## Franklin Regional Retirement System

## Market Analysis

The equity indices took a breather in the third quarter, and value stocks were especially vulnerable after their relative outperformance over growth issues in the first half of 2014.

Investors looked past sustained, favorable domestic economic trends in the third quarter amid negative economic data out of Europe and Asia.

Our Small Cap Equity strategy outperformed both the Russell 2000® Index and the Russell 2000® Value Index in the third quarter.

Stock selection accounted for all of our outperformance versus the Russell 2000, as the stocks in our portfolio outpaced those in the benchmark in 9 of the 10 economic sectors.

Our overweight to the Energy sector reduced our outperformance for the quarter.

Amid the sluggish economic recovery here in the U.S. and geopolitical uncertainty abroad, we continue to pursue our balanced approach to security selection and portfolio construction.

*Comments above relating to portfolio results are based upon composite performance data, and may not be representative of individual client portfolio performance due to a number of factors, including but not limited to, account specific restrictions and timing of client cash flows.*

*Further, the views and the assumptions underlying Systematic's comments are subject to change. The comments and opinions contained herein may be based on or derived from third party sources and/or Systematic's internal analysis of financial data, public filings and/or our fundamental research efforts. We believe the third party sources from which information is derived to be accurate and dependable however, we are not responsible for errors by them on which we reasonably rely.*

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## Performance (Gross of Fees)

	3Q14	YTD	1 Year	3 Year	5 Year	Since Inception*
<b>Total Portfolio</b>	-6.06%	—	—	—	—	-5.53%
<b>Russell 2000®</b>	-7.36%	-4.41%	3.93%	21.24%	14.28%	-6.71%
<b>Russell 2000® Value</b>	-8.58%	-4.74%	4.13%	20.59%	13.02%	-7.47%

\*Inception date: 3/31/2014

## Market Value

	Trade Date Market Value
<b>Total Portfolio</b>	\$5,585,452
<b>Equity</b>	\$5,506,338
<b>Cash</b>	\$79,114

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