

Franklin Regional Retirement Board

O'Shaughnessy Market Leaders Value



O'Shaughnessy
ASSET MANAGEMENT

QUARTERLY REPORT ENDING
JUNE 30, 2018

What We Believe:

- ✓ **Factors drive returns.**
Unique application of Value, Shareholder Yield, Quality, and Momentum factors results in unique holdings and returns
- ✓ **Indices are flawed.**
Factors should be applied from bottom up. Concentration wins, market cap weighting and industry definitions of value and growth aren't robust enough
- ✓ **What you don't own matters.**
Use quality factors to eliminate the "worst of..." from the universe
- ✓ **Discipline wins.**
Process must be consistent & repeatable
- ✓ **Risk matters.**
Calculated stock positions mindful of risk groups

Franklin Regional Retirement Board – Annualized Returns

(As of 06/30/18)

Relationship Summary

Market Value (06/30/18)	\$9,559,086.74
Strategy:	O'Shaughnessy Market Leaders Value
Inception Date:	March 2, 2012
Custodian:	Comerica

Performance Review

(As of 06/30/18)

		Current Month	Quarter to Date	Year to Date	1-Year	3-Year	5-Year	Since Inception (Annualized)	*Inception Date
Franklin Regional Retirement Board	(Gross)	-0.78	2.35	2.07	17.36	10.69	13.36	14.43	03/02/12
	(Net)	-0.83	2.21	1.79	16.72	10.09	12.74	13.81	
	Russell 1000 Value	0.25	1.18	-1.69	6.77	8.26	10.34	12.01	

Returns are in USD.

Past performance is no guarantee of future results. Please see important information titled "General Legal Disclosures & Hypothetical and/or Backtested Results Disclaimer" at the end of this presentation.

Franklin Regional Retirement Board – Calendar Returns

(As of 06/30/18)

Relationship Summary

Market Value (06/30/18)	\$9,559,086.74
Strategy:	O'Shaughnessy Market Leaders Value
Inception Date:	March 2, 2012
Custodian:	Comerica

Performance Review

(As of 06/30/18)

		2017	2016	2015	2014	2013	2012*
Franklin Regional Retirement Board	(Gross)	24.30	16.33	-7.57	10.78	48.17	4.91
	(Net)	23.63	15.70	-8.08	10.18	47.38	4.43
	Russell 1000 Value	13.66	17.34	-3.83	13.45	32.53	8.16

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Franklin Regional Retirement Board: Factor Attribution QTD

(As of 06/30/18)

Factors	Factor Return	Portfolio		Russell 1000 Value		Attribution	
		Average Exposure	Contribution	Average Exposure	Contribution	Average Exposure	Factor Impact
Universe	2.06	1.03	2.14	0.92	1.90	0.11	0.24
Size	1.20	0.00	0.04	0.53	0.72	-0.53	-0.67
Value	-1.47	0.78	-1.16	0.38	-0.53	0.41	-0.63
Momentum	0.06	0.21	-0.02	0.01	-0.03	0.20	0.01
Shareholder Yield	-0.08	0.09	0.07	-0.05	-0.03	0.14	0.10
Earnings Quality	-0.07	-0.08	0.01	-0.07	-0.02	-0.01	0.03
Financial Strength	0.45	0.02	0.00	-0.01	0.02	0.03	-0.01
Earnings Growth	1.72	-0.02	-0.10	-0.16	-0.38	0.13	0.28
Industry			0.51		-0.30		0.81
Residual			0.85		-0.13		0.98
Total			2.35		1.21		1.14

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.

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Franklin Regional Retirement Board: Brinson Attribution QTD

(As of 06/30/18)

Sectors	Portfolio			Russell 1000 Value			Performance Attribution		
	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Allocation Effect	Selection + Interaction	Total Effect
Consumer Discretionary	12.26	6.20	0.75	6.82	3.50	0.22	0.04	0.37	0.41
Consumer Staples	10.35	3.86	0.37	7.09	-4.04	-0.31	-0.13	0.78	0.65
Energy	8.79	12.51	0.86	11.64	14.50	1.53	-0.40	-0.24	-0.64
Financials	28.49	-3.09	-0.96	26.62	-3.46	-0.89	-0.15	0.08	-0.07
Health Care	6.56	4.05	0.25	14.20	2.60	0.35	-0.11	0.11	0.00
Industrials	9.92	-4.13	-0.41	8.07	-2.71	-0.22	-0.07	-0.15	-0.22
Information Technology	14.52	6.52	0.92	9.28	-1.09	-0.09	-0.12	1.06	0.94
Materials	7.89	4.94	0.39	3.05	1.80	0.06	0.02	0.24	0.26
Real Estate	0.00	0.00	0.00	4.64	8.57	0.39	-0.32	0.00	-0.32
Telecommunication Services	1.22	14.43	0.18	2.82	-2.96	-0.07	0.05	0.22	0.26
Utilities	0.00	0.00	0.00	5.77	4.24	0.23	-0.15	0.00	-0.15
Total	100.00	2.35	2.35	100.00	1.21	1.21	-1.34	2.48	1.14

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.

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Franklin Regional Retirement Board: Factor Attribution YTD

(As of 06/30/18)

Factors	Factor Return	Portfolio		Russell 1000 Value		Attribution	
		Average Exposure	Contribution	Average Exposure	Contribution	Average Exposure	Factor Impact
Universe	2.27	0.98	2.05	0.90	2.04	0.08	0.01
Size	0.58	0.14	-0.05	0.52	0.35	-0.38	-0.41
Value	-3.16	0.75	-2.37	0.40	-1.07	0.35	-1.30
Momentum	2.43	0.18	0.30	0.05	0.19	0.13	0.11
Shareholder Yield	-0.97	0.11	0.07	-0.05	0.11	0.16	-0.04
Earnings Quality	1.11	-0.05	-0.01	-0.07	-0.07	0.02	0.06
Financial Strength	0.61	-0.02	0.07	-0.01	0.01	0.00	0.06
Earnings Growth	5.80	-0.04	-0.24	-0.17	-1.13	0.14	0.89
Industry			0.48		-2.01		2.49
Residual			1.80		-0.06		1.86
Total			2.08		-1.66		3.74

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Franklin Regional Retirement Board: Brinson Attribution YTD

(As of 06/30/18)

Sectors	Portfolio			Russell 1000 Value			Performance Attribution		
	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Allocation Effect	Selection + Interaction	Total Effect
Consumer Discretionary	14.79	6.88	1.02	6.83	0.68	0.04	0.12	0.95	1.07
Consumer Staples	9.74	-5.25	-0.43	7.39	-11.71	-0.92	-0.17	0.71	0.54
Energy	7.44	17.67	1.15	11.21	7.89	0.93	-0.22	0.37	0.15
Financials	27.30	-1.78	-0.72	26.97	-4.58	-1.29	-0.25	0.80	0.55
Health Care	7.32	-2.54	-0.23	14.24	0.39	0.02	-0.14	-0.21	-0.34
Industrials	10.92	0.11	0.20	8.18	-7.08	-0.59	-0.13	0.97	0.84
Information Technology	13.67	6.60	0.89	9.12	4.96	0.38	0.19	0.35	0.53
Materials	7.37	-0.04	0.02	3.02	-3.62	-0.09	-0.08	0.28	0.20
Real Estate	0.00	0.00	0.00	4.52	0.75	0.08	-0.11	0.00	-0.11
Telecommunication Services	1.45	13.24	0.18	2.84	-9.86	-0.29	0.09	0.36	0.45
Utilities	0.00	0.00	0.00	5.68	1.04	0.07	-0.13	0.00	-0.13
Total	100.00	2.08	2.08	100.00	-1.66	-1.66	-0.84	4.58	3.74

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.

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Franklin Regional Retirement Board: Characteristics

Based on a group of representative accounts (USD, as of 06/30/18)

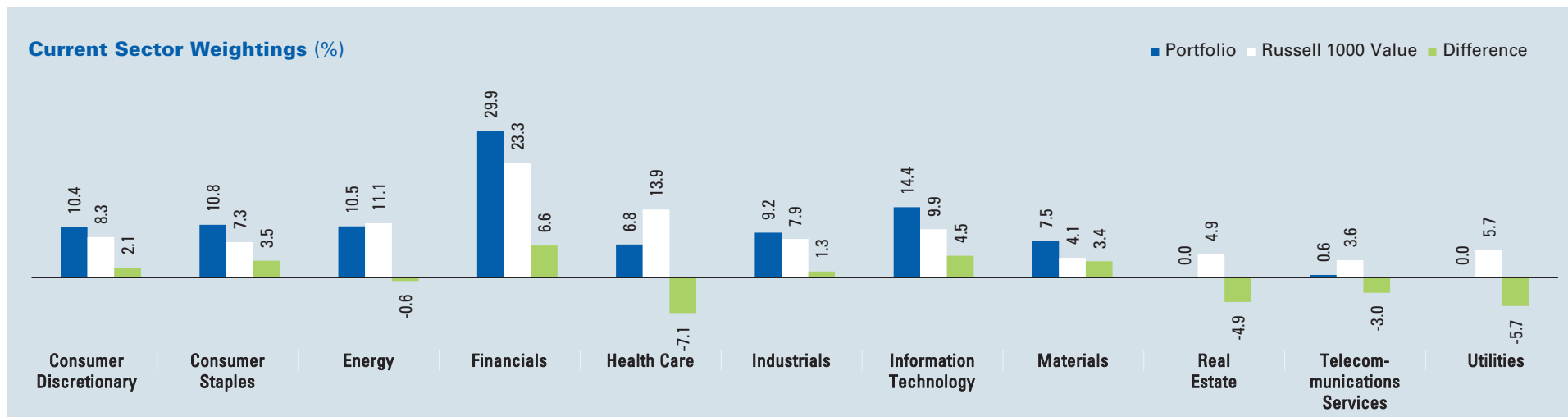
	Portfolio	Russell 1000 Value
Market Cap (Weighted Average)	46,266	116,292
Market Cap (Median)	26,917	9,992
Approximate Number of Holdings	71	729
Approximate Turnover (% LTM)	74.7	—
Tracking Error (%)	5.2	—
Active Share (%)	87.1	—
Cash (%)	0.6	—

Top 10 Holdings	Percent of Portfolio	Shareholder Yield (%)	Percent of Russell 1000 Value
AMERIPRISE FINANCIAL INC	4.3	7.8	0.1
VALERO ENERGY CORP	4.2	6.5	0.4
CITIGROUP INC	4.1	9.3	1.3
LYONDELLBASELL INDUSTRIES NV	3.5	6.0	0.1
FIFTH THIRD BANCORP	3.4	11.2	0.2
MARATHON PETROLEUM CORP	3.4	12.6	0.2
WESTERN UNION CO	3.1	6.2	0.1
REGIONS FINANCIAL CORP	3.0	8.9	0.2
METLIFE INC	3.0	9.1	0.3
CONAGRA BRANDS INC	3.0	9.9	0.1
Total	34.9	8.8*	2.9

* Average of top 10 holdings

		Portfolio	Russell 1000 Value	Relative Advantage	
YIELD	Dividend Yield (%)	2.2	2.5	-12% Difference	
	Buyback Yield (%)	5.5	0.6	816.7% Difference	
	Shareholder Yield (%)	7.7	3.2	140.6% Difference	
VALUE	Price/Earnings Ratio	15.8	19.1	17% Cheaper	
	Price/Sales Ratio	1.0	1.7	41% Cheaper	
	EBITDA/Enterprise Value	11.0	9.7	13% Higher	
	Free Cash Flow/Enterprise Value	3.3	1.5	120% Higher	
QUALITY	EARNINGS GROWTH	1-Year Historical EPS Growth (%)	6.8	45.8	85% Lower
		Return on Invested Capital (%)	26.3	18.0	46% Higher
	EARNINGS QUALITY	Total Accruals/Total Assets (%)	-4.6	-4.1	12% Lower
		Depreciation/CapEx (%)	1.5	1.7	12% Lower
	FINANCIAL STRENGTH	External Financing (%)	-6.3	-3.2	97% Lower
		Cash Flow-to-Debt Ratio	0.4	0.3	33% Higher

Franklin Regional Retirement Board: Portfolio Positioning



Sector Allocations (%)

Sector	Active Weight		3-Month Change in Active Sector Weight	
	06/30/18	03/31/18	Change	Bar Value
Financials	6.6	0.3	6.3	6.3
Energy	-0.6	-3.8	3.2	3.2
Health Care	-7.1	-8.4	1.3	1.3
Utilities	-5.7	-5.9	0.2	0.2
Real Estate	-4.9	-4.6	-0.3	-0.3
Consumer Staples	3.5	3.9	-0.4	-0.4
Information Technology	4.5	4.9	-0.4	-0.4
Materials	3.4	4.7	-1.3	-1.3
Telecommunication Services	-3.0	-1.5	-1.5	-1.5
Industrials	1.3	2.9	-1.6	-1.6
Consumer Discretionary	2.1	7.3	-5.2	-5.2

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Experienced Team Focused on Factor Alpha

90% employee-owned by 13 employees

Managing client money since 1996

\$6.7 billion combined AUM & AUA*

**Strong rolling 3-year "Batting Averages" and alpha
versus our Benchmarks**

Built for Alpha, not scale

* The AUM and AUA combined total represents \$6.1 billion of O'Shaughnessy Asset Management assets under management as of 06/30/18 and \$0.5 billion of assets under advisement as of 05/31/18. The information regarding AUA is supplemental, OSAM does not have control over the assets under advisement, implementation of the models, or execution of the trades.

Six Factor Themes Make Up Each Stock's Factor Profile and Drive Returns

Value

Stocks trading at large discounts to current sales, earnings, EBITDA, and Free Cash Flow

Momentum

Stocks with impressive and stable recent total returns

Earnings Growth

Stocks whose profitability is high and trending up

Financial Strength

Stocks that use debt responsibly, and aren't overly reliant on outside financing

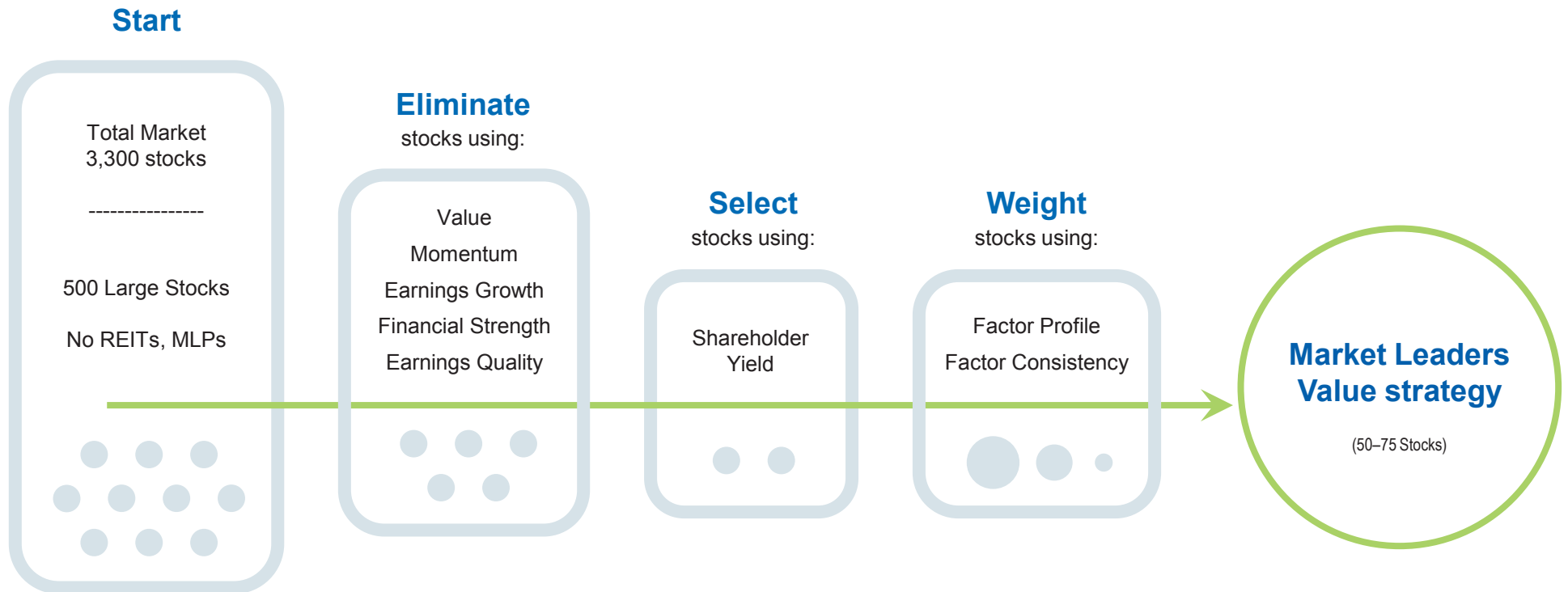
Earnings Quality

Stocks with strong cash flows and conservative accounting

Shareholder Yield

Stocks returning high amounts of cash to shareholders through dividends and buybacks

Building Your Portfolio of Stocks with Strong Overall Factor Profiles



Always considering: sector & industry exposures, transaction costs, client guidelines

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The risk-free rate used in the calculation of Sortino, Sharpe, and Treynor ratios is 5%, consistently applied across time.

The universe of All Stocks consists of all securities in the Chicago Research in Security Prices (CRSP) dataset or S&P Compustat Database (or other, as noted) with inflation-adjusted market capitalization greater than \$200 million as of most recent year-end. The universe of Large Stocks consists of all securities in the Chicago Research in Security Prices (CRSP) dataset or S&P Compustat Database (or other, as noted) with inflation-adjusted market capitalization greater than the universe average as of most recent year-end. The stocks are equally weighted and generally rebalanced annually.

Hypothetical performance results shown on the preceding pages are backtested and do not represent the performance of any account managed by OSAM, but were achieved by means of the retroactive application of each of the previously referenced models, certain aspects of which may have been designed with the benefit of hindsight.

The hypothetical backtested performance does not represent the results of actual trading using client assets nor decision-making during the period and does not and is not intended to indicate the past performance or future performance of any account or investment strategy managed by OSAM. If actual accounts had been managed throughout the period, ongoing research might have resulted in changes to the strategy which might have altered returns. The performance of any account or investment strategy managed by OSAM will differ from the hypothetical backtested performance results for each factor shown herein for a number of reasons, including without limitation the following:

- Although OSAM may consider from time to time one or more of the factors noted herein in managing any account, it may not consider all or any of such factors. OSAM may (and will) from time to time consider factors in addition to those noted herein in managing any account.
- OSAM may rebalance an account more frequently or less frequently than annually and at times other than presented herein.
- OSAM may from time to time manage an account by using non-quantitative, subjective investment management methodologies in conjunction with the application of factors.
- The hypothetical backtested performance results assume full investment, whereas an account managed by OSAM may have a positive cash position upon rebalance. Had the hypothetical backtested performance results included a positive cash position, the results would have been different and generally would have been lower.
- The hypothetical backtested performance results for each factor do not reflect any transaction costs of buying and selling securities, investment management fees (including without limitation management fees and performance fees), custody and other costs, or taxes – all of which would be incurred by an investor in any account managed by OSAM. If such costs and fees were reflected, the hypothetical backtested performance results would be lower.
- The hypothetical performance does not reflect the reinvestment of dividends and distributions therefrom, interest, capital gains and withholding taxes.
- Accounts managed by OSAM are subject to additions and redemptions of assets under management, which may positively or negatively affect performance depending generally upon the timing of such events in relation to the market's direction.
- Simulated returns may be dependent on the market and economic conditions that existed during the period. Future market or economic conditions can adversely affect the returns.