



FRANKLIN REGIONAL RETIREMENT SYSTEM

Mid Cap Value
Collective Investment Trust (CIT)

May 31, 2023

Representing the firm:

T. Ryan Harkins, CFA
Senior Portfolio Manager

Michael J. McCloskey
Director of Client Services

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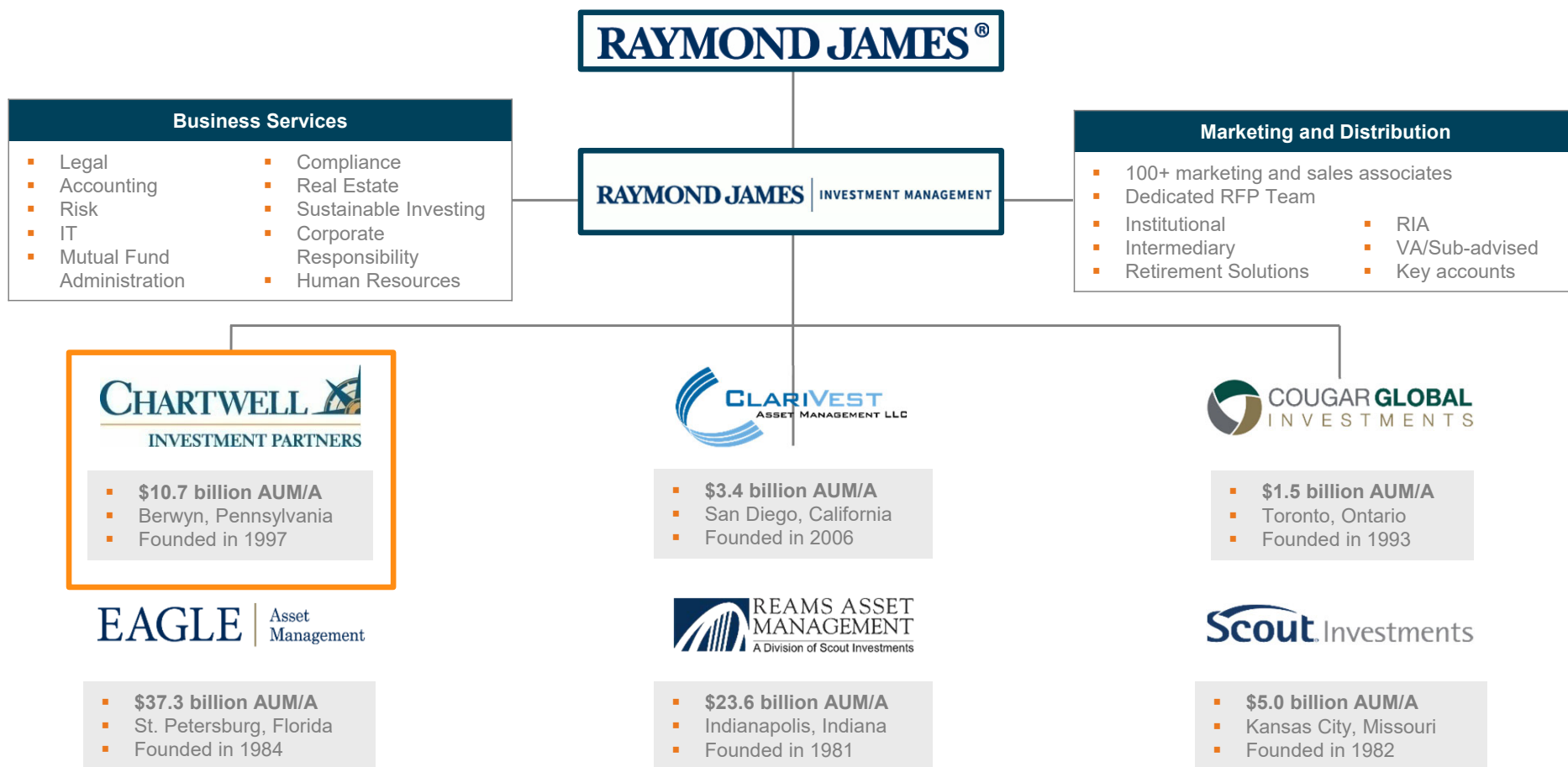
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SECTION I ORGANIZATION

Organizational Overview



Raymond James Investment Management is a global asset management firm that leverages a multi-boutique business model to deliver a range of investment strategies through independent investment affiliates.

Our autonomous investment teams manage \$81 billion¹ in AUM/AUA for a diverse client base including institutions and private clients.

Raymond James Investment Management oversees business functions so each investment team can focus exclusively on what it does best: managing portfolios.

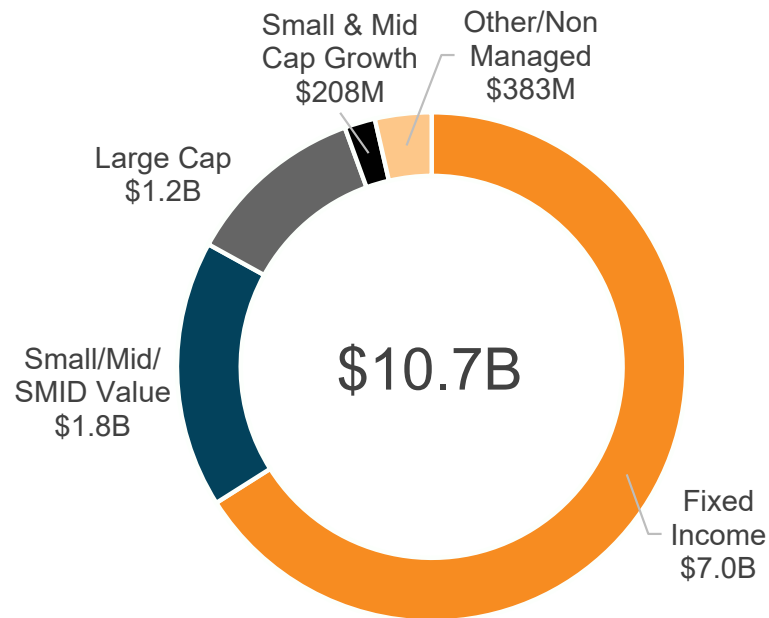
This chart refers to the service structure and does not represent the legal or subsidiary structure.

¹Includes Raymond James Investment Management boutique investment managers, Chartwell Investment Partners; ClariVest Asset Management LLC; Cougar Global Investments LTD; Eagle Asset Management, Inc.; Reams Asset Management which is a division of Scout Investments and Scout Investments. Information as of March 31, 2023.

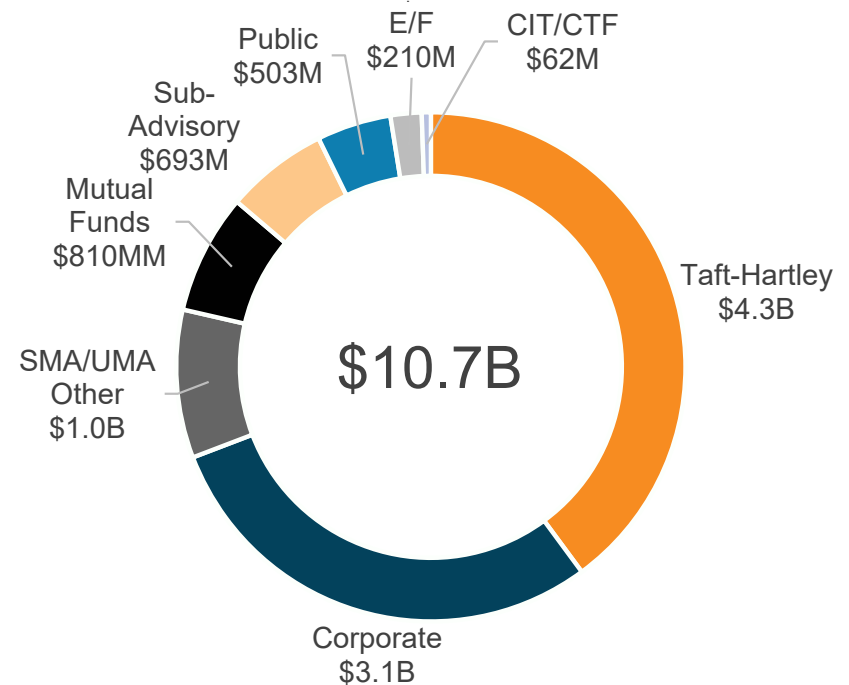
Product Summary

Chartwell Investment Partners manages \$10.7 billion in a variety of equity and fixed income investment styles, for over 250 institutional, sub-advisory and private client relationships.

Investment Styles



Client Type



Data as of 03.31.2023
May not equal total AUM due to rounding.
Source: APX, Chartwell Investment Partners

Team-Based Research and Investment Management Structure

In our view, a well-integrated team can see more than a single individual. Our investment process encourages our professionals to express their ideas, to challenge one another and to ultimately find the most promising investment opportunities.

Portfolio Management Team

David C. Dalrymple, CFA
Senior Portfolio Manager (Lead PM)

T. Ryan Harkins, CFA
Senior Portfolio Manager

Investment Research

David C. Dalrymple, CFA
Senior Portfolio Manager
37 years experience

T. Ryan Harkins, CFA
Senior Portfolio Manager
26 years experience

Reid T. Halloran
Research Analyst
17 years experience

Jared Marks, CFA
Research Analyst
12 years experience

Thomas W. Mattsson, CFA
Research Analyst
10 years experience

SECTION II PHILOSOPHY AND PROCESS

Investment Philosophy

Valuation History

- Most relevant indicator of upside potential

Team Research Vetting

- More insights and better understanding

Evaluate Business Quality and Financial Strength

- Valuation alone can lead to “value trap”

Identify Fundamental Catalysts

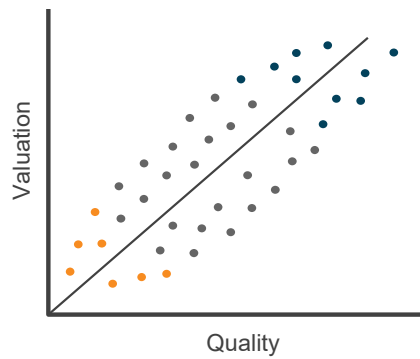
- Positive change drives improved fundamentals & valuation

Aim for Consistency

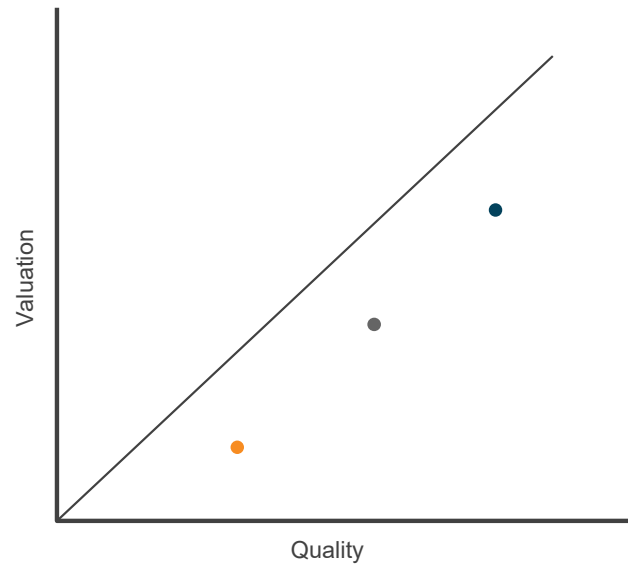
- Broad screening – variety of undervalued stocks

Selecting Undervalued Stocks

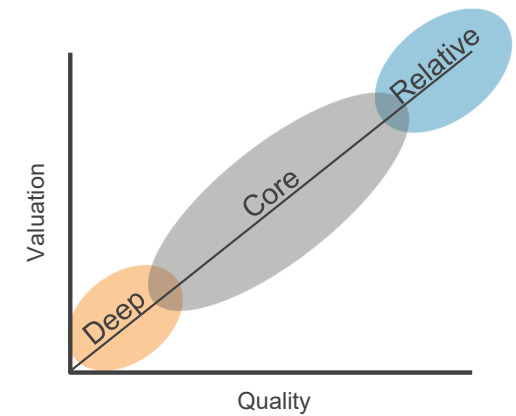
Mid Value Universe



Targeting Outliers



Substyles



Decision framework focuses on the outliers

Fundamental Analysis



Stock Selection

- **Cause of Depressed Valuation**

- **Value or Value Trap?**
 - Recovery or sustainability of earnings power

- **Catalysts**

	Operational	Event-Driven
Internal	<ul style="list-style-type: none"> ▪ Margin Improvement ▪ Growth/New Products ▪ Cost Cuts ▪ Debt Paydown 	<ul style="list-style-type: none"> ▪ Management Change ▪ Restructuring
External	<ul style="list-style-type: none"> ▪ Market Acceleration ▪ Competitive Landscape ▪ Pricing Improvement 	<ul style="list-style-type: none"> ▪ Acquisition ▪ Divestiture

Is there value and can it be realized?

SECTION III PERFORMANCE & PORTFOLIO REVIEW

Performance

As of 04.30.2023

Portfolio net asset value as of 04.30.2023: **\$8,548,059.92**

	April 2023	Q1 2023	YTD	Trailing 1 Year	Annualized Since Inception
Franklin Regional Retirement System CIT	0.53	1.55	2.09	-6.52	11.84
Russell Mid Cap Value Index	0.01	1.32	1.33	-6.34	7.72

Chartwell uses 12.31.2020 as the inception date for comparative purposes.

Actual portfolio inception date is 12.23.2020.

Account moved from a MCV separate account to the Chartwell Mid Cap Value CIT on 12.23.2020.

Composite Annual Returns	2022	2021	2020	2019	2018
Mid Cap Value	-11.39	28.47	-3.60	25.06	-9.64
Russell Mid Cap Value Index	-12.03	28.34	4.96	27.06	-12.29

Composite inception date is as of 01.01.2004.

Source: Chartwell Investment Partners, FactSet
Past performance does not guarantee future results.

Consistently Higher Quality – MCV vs. Benchmark

As of 03.31.2023



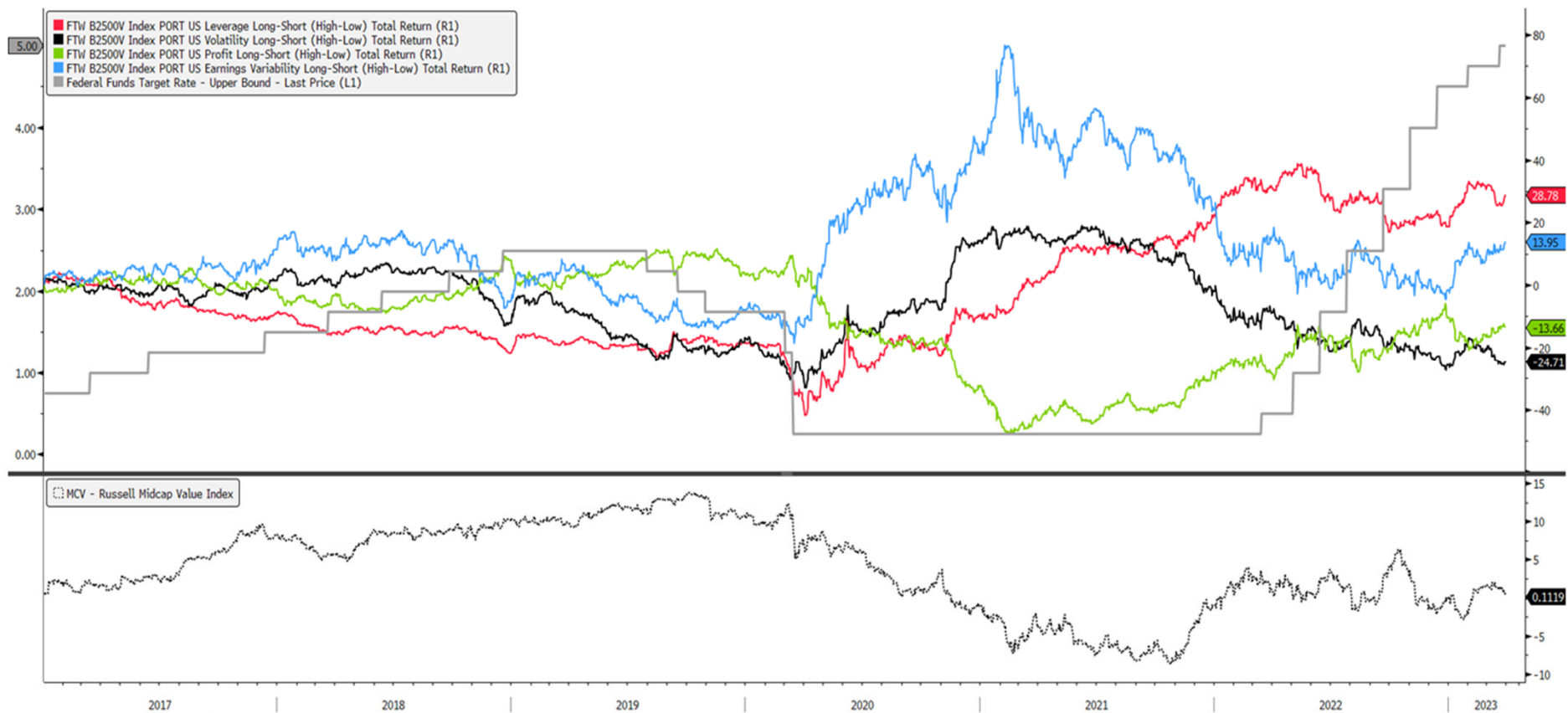
Source: Bloomberg

Past performance does not guarantee future results.

RESEARCH | STABILITY | CONVICTION









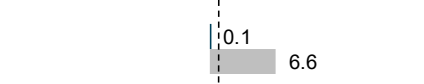


Quality Matters Again

- Solid performance prior to COVID and since mid year 2021
- Major low-quality outperformance hampered 2Q20 through 2Q21 period
- Composite of Profitability, Leverage, Variability and Volatility best indicator of quality



Past performance does not guarantee future results.
Source: Bloomberg

Mid Cap Value Performance Attribution – Q1 2023

Sector Performance 1Q 2023		Weightings		Comments / Stocks of note
Sector	Sector Returns ■ Chartwell MCV ■ Russell Mid Cap Value	Chartwell MCV	Russell MCV	
Industrials +		20.1	16.4	O/W helped and selection was outstanding. LTL trucker Saia (SAIA) benefited from strong pricing. Revenue growth accelerated for power transmission and fluid handling solutions provider Gates (GTES). Chemicals distributor Univar (UNVR) accepted a takeover offer.
Real Estate +		9.5	10.6	Self-storage facility operator Life Storage (LSI), long rumored as an acquisition target, accepted a takeout offer from a large competitor.
Consumer Staples +		6.6	4.3	Valued-added potato processor Lamb Weston (LW) was rewarded after reporting outstanding results. Investors remained supportive of new management's turnaround initiatives at discount retailer Dollar Tree (DLTR).
Health Care +		5.1	7.3	Healthcare facilities operator Tenet (THC) was boosted by admissions gains in its hospitals and higher revenue per service in its ambulatory surgery centers. COVID testing volumes declined more than expected for lab processor Quest (DGX).
Utilities +		7.5	8.6	Public Enterprise Group (PEG) rebounded after abandoning plans to invest in offshore wind generation. Ameren (AEE) and CMS Energy (CMS) reported solid results.
Energy +		4.7	5.1	Mixed performance from E&P holdings. Diamondback (FANG) demonstrated continued well productivity gains while Pioneer (PXD) failed to meet production estimates despite higher capital investment.
Communication Services -		0.0	3.2	No exposure to small sector. Allocation a modest negative.
Information Technology -		9.8	8.2	O/W helped but selection was poor. IT services provider DXC Technology (DXC) terminated its discussions with a potential acquirer. A disappointing book-to-bill for telecom equipment manufacturer Ciena (CIEN) created concerns about the demand outlook.
Materials -		8.3	7.8	Poor selection exacerbated by lack of exposure to commodities. Weather negatively impacted volumes for aggregates supplier Vulcan (VMC). Ag chemicals manufacturer FMC (FMC) lowered guidance to reflect higher interest expense and taxes.
Consumer Discretionary -		11.1	9.9	Despite reporting strong top line growth and better margins, motorcycle manufacturer Harley-Davidson (HOG) was weak as the banking crisis focused investor attention on its captive finance unit.
Financials -		14.1	18.5	U/W helped. Selection in banks was neutral but modest O/W hurt as the Silicon Valley Bank failure pressured the entire group. Investors also worried about the funding cost impact for Synchrony (SYF). P&C insurer Allstate (ALL) faced higher auto loss severity.

Mid Cap Value Performance Attribution – 2022

Sector Performance YTD 2022	Sector Returns ■ Chartwell MCV ■ Russell Mid Value	Weightings		Comments / Stocks of note
		Chartwell MCV	Russell Mid Value	
CONSUMER SERVICES +	-8.5 -21.6	12.6	9.5	O/W hurt but selection excellent. Auto parts retailer AutoZone (AZO) and death care services provider Service Corp (SCI) benefited from less discretionary demand. Discount retailer Dollar Tree (DLTR) accelerated the implementation of its multi-price point strategy.
BUSINESS SERVICES +	17.0 -12.9	5.1	2.6	Chemicals distributor Univar (UNVR) reported strong results and was rumored to be an acquisition target. Distributor Genuine Parts (GPC) reported strong sales growth in both its auto and industrial segments.
CONSUMER STAPLES +	30.7 -6.5	3.7	4.1	Very good selection. Valued-added potato processor Lamb Weston (LW) and packaged food producer Conagra (CAG) were rewarded by investors for demonstrating pricing power in an inflationary environment.
CONSUMER CYCLICAL +	4.4 -33.7	2.1	2.8	U/W helped. Tool manufacturer Snap-on (SNA) reported strong sales growth and margin expansion and was favored over companies selling more discretionary goods.
TECHNOLOGY +	-25.6 -26.5	9.0	11.2	U/W helped. Littelfuse (LFUS) benefited from content growth in key end markets. Low valuation supported IT services provider DXC Technology (DXC) as the sector deflated.
UTILITIES -	-1.4 -0.1	8.8	8.8	Public Enterprise Group (PEG) was weak on concerns about its offshore wind investments and potentially higher pension costs.
BASIC INDUSTRY -	-10.5 -6.4	9.3	10.6	LTL carrier Saia (SAIA) was pressured near year-end after reporting weak shipment trends. Defense contractor L3Harris (LHX) couldn't keep pace with cyclicals and missed estimates due to supply chain challenges.
CAPITAL SPENDING -	-16.6 -9.9	6.5	8.3	Investors responded negatively to an acquisition by motors and power transmission manufacturer Regal Rexnord (RRX). Power transmission and fluid handling solutions provider Gates (GTES) struggled with production inefficiencies.
REITS -	-29.3 -23.7	10.9	11.6	Apartment landlord Mid-America (MAA) lagged as investors anticipated difficult lease rate comparisons. Pandemic winner Life Storage (LSI) was weak after forecasting some normalization of occupancy and rental rates.
ENERGY -	37.0 52.4	5.7	6.2	Modest U/W hurt and E&Ps Diamondback (FANG) and Pioneer (PXD) lagged companies with less defensive characteristics.
FINANCIAL SERVICES -	-15.0 -10.8	16.4	17.3	Insurer Lincoln Financial (LNC) announced a sizable reserve charge. Selection in banks was better, with regional bank M&T (MTB) favored for its asset sensitivity in a rising rate environment.
HEALTH CARE -	-34.5 -12.5	7.2	7.1	Weakening orders raised concerns about competitive positioning for CRO services provider Syneos (SYNH). Hospital operator Universal (UHS) was challenged by wage pressures and staffing shortages.

Mid Cap Value Current Strategy – Q1 2023

CURRENT STRATEGY - 3/31/2023		Underweight ← → Overweight	Weightings	
			Chartwell MCV	Russell MCV
Industrials: Largest O/W with broad exposure to capital goods, commercial services, and transportation. Focused on differentiated companies and end market diversification.	Industrials		22.1	16.9
Consumer Staples: Leading supplier of value-added potato products participating in restaurant reopenings. Packaged foods manufacturer with a sizeable frozen food business. Discount retailer with new management. Defensive O/W helps if economy weakens.	Consumer Staples		6.9	4.5
Information Technology: Exposure to telecom optical equipment, circuit protection products, and enterprise IT services. No exposure to semis.	Information Technology		10.2	8.7
Consumer Discretionary: Broad exposure with holdings in apparel, auto parts, motorcycles, and travel.	Consumer Discretionary		10.8	10.1
Materials: Exposure to ag chemicals, infrastructure and non-res construction. Little commodity materials leverage as inflation spiral unwinds.	Materials		8.2	7.8
Health Care: Lab testing provider enjoys a strong competitive position within a duopoly. Facilities operator focused on hospitals and ambulatory surgery centers. Added manufacturer and distributor of chemicals and other lab supplies to biopharma customers.	Health Care	-0.3	7.1	7.4
Energy: Oil and gas prices have moderated but long-term supply-demand fundamentals remain a concern along with potential economic weakness. Financial strength a focus.	Energy	-0.4	4.6	5.0
Real Estate: Diversified by property type with exposure to health care, multi-family, and self-storage. Higher interest rate regime depresses underlying real estate values.	Real Estate	-0.8	9.6	10.4
Utilities: Low cyclical and earnings stability are appealing. Focused on electrics with exposure to multiple geographies including Midwest, Great Lakes and Mid Atlantic.	Utilities	-1.2	7.7	8.9
Communication Services: No exposure to small sector. Valuations not compelling.	Communication Services	-3.3	0.0	3.3
Financials: Largest U/W. Reduced exposure to banks due to concerns about funding cost pressure and increased regulatory burden. Credit card issuer focused on private label niche. Insurance holdings offer exposure to commercial/personal P&C.	Financials	-6.2	10.8	17.0

Mid Cap Value Comparative Weights

As of 03.31.2023

Sectors Increased:

- Industrials
- Consumer Staples
- Info. Technology

Sectors Decreased:

- Financials
- Cons. Discretionary
- Real Estate

Sector	Quarter Ended 03.31.2023	Quarter Ended 12.31.2022	Quarter Ended 09.30.2022	Quarter Ended 06.30.2022	Quarter Ended 03.31.2022	Difference 03.31.2022 03.31.2023
Comm. Services	0.0	0.0	0.0	0.0	0.0	0.0
Cons. Discretionary	10.8	13.6	14.0	14.1	14.6	↓ -3.7
Consumer Staples	6.9	4.0	4.2	3.9	3.1	↑ 3.9
Energy	4.6	5.0	5.0	4.9	6.2	-1.7
Financials	10.8	15.3	16.6	16.0	16.5	↓ -5.7
Health Care	7.1	5.1	6.2	7.2	8.2	-1.1
Industrials	22.1	18.4	15.3	14.8	12.0	↑ 10.1
Info. Tech.	10.2	9.7	8.5	8.9	9.0	↑ 1.2
Materials	8.2	8.5	8.0	7.3	8.0	0.2
Real Estate	9.6	9.4	10.3	11.3	11.9	↓ -2.3
Utilities	7.7	7.9	8.8	9.6	8.9	-1.1
Cash	1.9	3.0	3.1	2.2	1.7	0.2
Total Portfolio	100.0	100.0	100.0	100.0	100.0	

Source: FactSet, Chartwell Investment Partners