



®

O'Shaughnessy
ASSET MANAGEMENT

Franklin Regional Retirement System
O'Shaughnessy Market Leaders Value
QUARTERLY REPORT ENDING DECEMBER 31, 2014

Franklin Regional Retirement System

(As of 12/31/14)

Relationship Summary

Market Value (12/31/14):	\$7,209,061.08
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

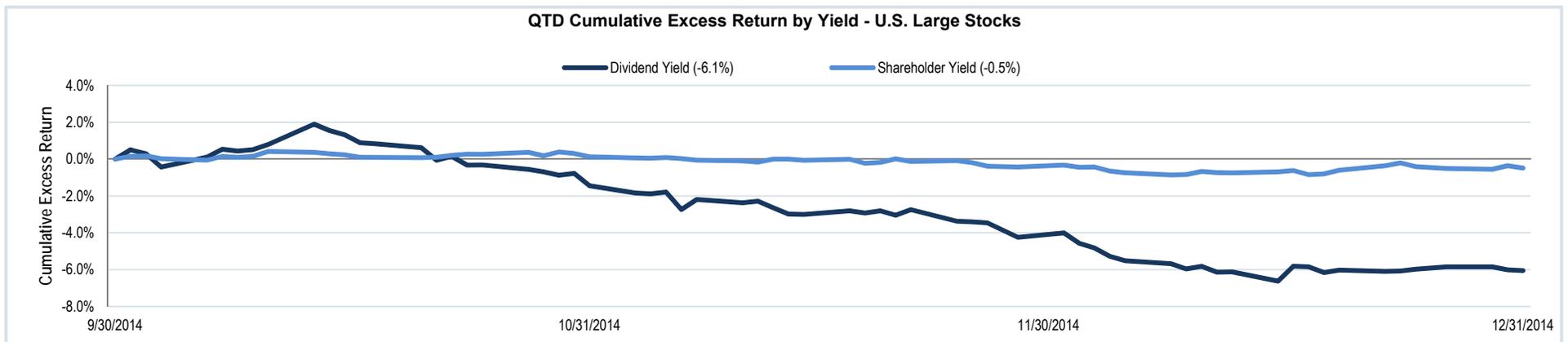
(As of 12/31/14)

	Current Month	Quarter to Date	Year to Date	1-Year	Since Inception (Annualized)	* Inception Date	2014	2013
Franklin Regional (Gross)	0.26	1.81	10.78	10.78	21.17	3/1/2012	10.78	48.17
Retirement System (Net)	0.21	1.67	10.18	10.18	20.51		10.18	47.38
Russell 1000® Value Index	0.61	4.98	13.45	13.45	18.74		13.45	32.53

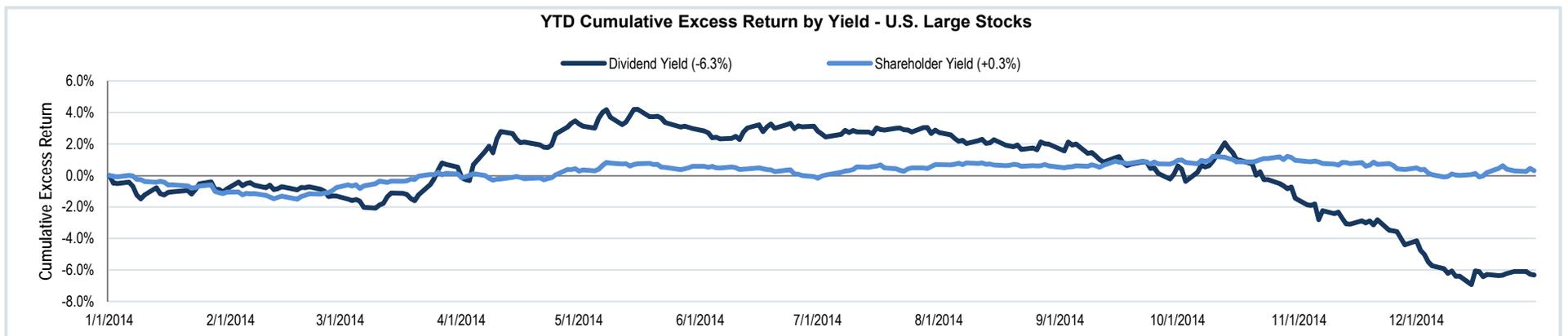
Franklin Regional Retirement System: Factor Performance

(As of 12/31/14)

- During the fourth quarter, the yield factors underperformed. Shareholder Yield underperformed the U.S. Large Stocks Universe by -0.5%, while Dividend Yield underperformed by -6.1%



- Year to date, the performance of yield factors was mixed. Shareholder Yield finished the year as the stronger characteristic outperforming by +0.3%. Dividend Yield underperformed by -6.3%.



Franklin Regional Retirement System: Commentary

(As of 12/31/14)

Positive Contributing Factors for 4Q14:

- The Value factor composite performed well for the period.
- Our Earnings Quality, Financial Strength, and Earnings Growth quality composites also aided returns.
- 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
Information Technology	15.45	8.83	1.30	9.41	6.90	0.62	0.11	0.28	0.39
Industrials	12.74	6.62	0.86	10.19	4.67	0.51	0.01	0.22	0.23

Negative Contributing Factors for 4Q14:

- Shareholder Yield, our final ranking and selection factor, underperformed and detracted from returns.
- An overweight to Telecommunication Services 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
Telecommunication Services	11.92	-6.51	-0.82	2.19	-3.72	-0.08	-0.87	-0.36	-1.23
Energy	12.09	-14.53	-1.84	11.80	-9.49	-1.21	-0.00	-0.66	-0.67

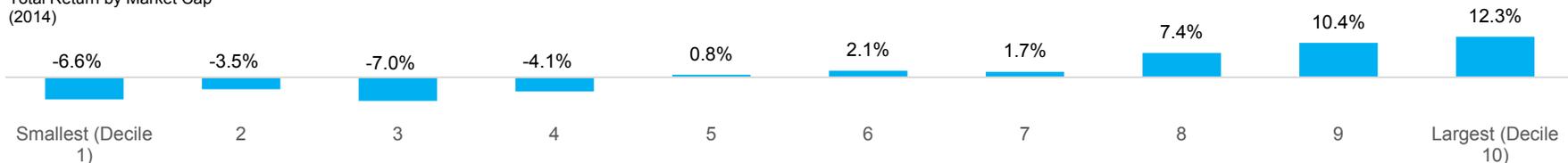
Franklin Regional Retirement System: Commentary

(As of 12/31/14)

Market Outlook:

Our broad market outlook remains unchanged from years past: equities in the U.S. as a whole remain richly valued relative to their own history and relative to other global regions. There are still pockets of attractive value in the U.S., but indexes like the S&P 500 are expensive. International markets have also become more expensive, but remain discounted relative to the U.S. market. Typically, when valuations are high, returns over the subsequent 10-year period are lower than average, and vice versa. However, our research shows that market level valuations are not an effective tool for timing markets. In a more expensive market, we believe that investors should own stocks with certain key proven factors—cheaper valuations, stronger price momentum, high quality balance sheets and earnings, and strong shareholder yields—as we continue to do in our portfolios. Poor performance in 2014 was driven largely by the fact that larger cap stocks performed significantly better than smaller cap stocks. For example, below are the average total returns for U.S. stocks in 2014 organized by their market capitalizations at the start of 2014. The graph shows that larger capitalization stocks exhibited higher than average returns in 2014. Some prominent examples include Apple, Microsoft, and Berkshire Hathaway which were up 40%, 28%, and 27%, respectively.

Total Return by Market Cap
(2014)



Because passive indexes own a disproportionate amount of large cap stocks, this trend boosted passive returns. Active managers do not typically select securities based on market cap alone. This tendency to own smaller companies than the market indexes has hurt active investors in the past year. This shorter-term trend does not shake our confidence in active management in any way. History shows that it is more typical for the largest cap stocks to underperform the market. Since 1964, on average, the largest stocks underperform the average stock by 2-3% on an annualized basis.

As always, we believe that active management has worked and will continue to work under these key conditions:

- The strategy must be consistent and disciplined. Finding a winning strategy and sticking to it over the long term is much easier said than done. Most great strategies have long runs of underperformance at some point, and the key to long-term outperformance is persistence through market cycles.
- The strategy must buy companies with certain proven characteristics: namely value, momentum, quality, and yield. Stocks with these attributes have done very well across history.
- The strategy must have a contrarian streak, buying stocks for which the market has lower expectations (value).
- The strategy must be mindful of transaction costs, especially market impact.

Strategies that are different from the benchmark, employ a consistent strategy that uses proven factors to find mispriced stocks, and are mindful of costs, can outperform the market over the long-term. While these criteria may appear straightforward, strategies which do them all at once are rare. But for those that do, we believe the future of active management remains bright.

Franklin Regional Retirement System: Attribution QTD as of December 31, 2014

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	18.58	8.26	1.49	6.31	11.48	0.70	0.75	-0.57	0.17
Consumer Staples	4.39	0.69	0.02	7.30	10.12	0.72	-0.13	-0.40	-0.54
Energy	12.09	-14.53	-1.84	11.80	-9.49	-1.21	-0.00	-0.66	-0.67
Financials	8.70	5.24	0.43	29.54	7.31	2.10	-0.45	-0.17	-0.62
Health Care	7.21	8.93	0.63	13.75	6.89	0.93	-0.12	0.14	0.02
Industrials	12.74	6.62	0.86	10.19	4.67	0.51	0.01	0.22	0.23
Information Technology	15.45	8.83	1.30	9.41	6.90	0.62	0.11	0.28	0.39
Materials	8.92	-3.27	-0.24	3.18	-3.59	-0.12	-0.46	0.04	-0.42
Telecommunication Services	11.92	-6.51	-0.82	2.19	-3.72	-0.08	-0.87	-0.36	-1.23
Utilities	0.00	0.00	0.00	6.34	12.68	0.79	-0.46	0.00	-0.46
Total	100.00	1.84	1.84	100.00	4.96	4.96	-1.63	-1.48	-3.12

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.

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



(As of 1/7/15)

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

(As of 12/31/14)

Holdings-Based Characteristics

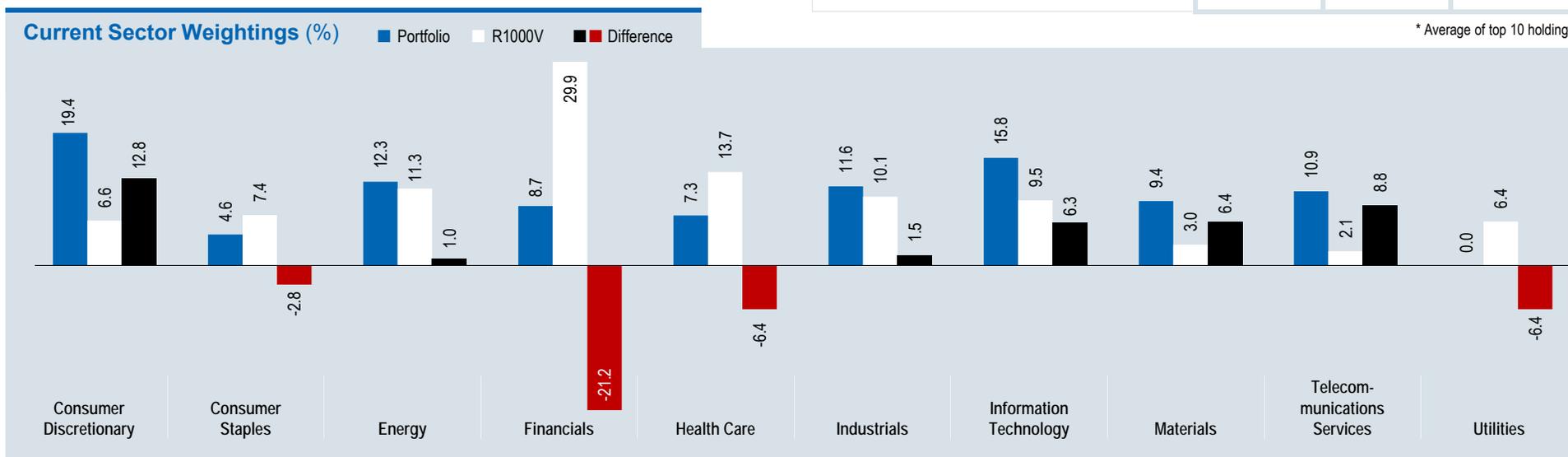
	Franklin Regional Retirement System	Russell 1000® Value Index
Price/Earnings Ratio	14.4	16.5
Price/Sales Ratio	1.1	1.4
Price/Book Ratio	2.5	1.9
1-Year Historical Earnings Growth Rate (%)	13.8	33.1
Weighted Average Market Capitalization (\$ mil)	43,722	112,592
Median Market Capitalization (\$ mil)	21,901	7,411
Number of Holdings	62	704
Foreign Content (%)	7.1	0.3
Active Share (%)	91.6	—
Cash (%)	1.5	—

Top 10 Holdings

	Percent of Portfolio	Dividend Yield (%) ²	Buyback Yield (%)	Shareholder Yield (%)
Northrop Grumman Corp.	4.5	1.9	9.2	11.1
Seagate Technology	4.4	3.3	8.8	12.1
Marathon Petroleum Corp.	4.2	2.2	7.3	9.5
Coca Cola Enterprises	4.1	2.3	6.9	9.2
CenturyLink Inc.	3.5	5.5	3.8	9.3
Travelers Companies Inc.	3.4	2.1	9.0	11.1
CF Industries Holdings Inc.	3.2	2.2	13.2	15.4
Pfizer Inc.	3.1	3.6	2.8	6.4
Viacom Inc.	3.0	1.8	7.8	9.6
Lowe's Companies	3.0	1.3	7.3	8.6
Total	36.4	2.6*	7.6*	10.2*
Franklin Regional Retirement System		2.2	6.8	9.0
Russell 1000® Value Index		2.3	1.2	3.5

* Average of top 10 holdings.

Current Sector Weightings (%)



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 OSAM Workbench, a proprietary 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.

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| General Legal Disclosure/Disclaimer

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