



®

O'Shaughnessy
ASSET MANAGEMENT

Franklin Regional Retirement System
O'Shaughnessy Market Leaders Value
QUARTERLY REPORT ENDING DECEMBER 31, 2015

Franklin Regional Retirement System

(As of 12/31/15)

Relationship Summary

Market Value (12/31/15)	\$6,663,112.56
Strategy:	O'Shaughnessy Market Leaders Value
Inception Date:	March 2, 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 12/31/15)

	Current Month	Quarter to Date	Year to Date	1-Year	3-Year	Since Inception (Annualized)	* Inception Date	2015	2014	2013	2012*
Franklin Regional (Gross)	-5.47	2.74	-7.57	-7.57	14.91	12.90		-7.57	10.78	48.17	6.01
Retirement System (Net)	-5.51	2.60	-8.08	-8.08	14.28	12.29	3/2/2012	-8.08	10.18	47.38	Update
Russell 1000® Value Index	-2.15	5.64	-3.83	-3.83	13.08	12.38		-3.83	13.45	32.53	9.85

Past performance is no guarantee of future results.

Please see important disclosure information found on the slide entitled "General Legal Disclosure/Disclaimer" at the end of this presentation. Returns are in USD.

Franklin Regional Retirement System: Commentary

(As of 12/31/15)

Positive Contributing Factors for 4Q15:

- An overweight to Industrials aided performance.
- The strategy had higher exposure to the overall market, which contributed to returns versus the benchmark.
- Our process was most effective in the following 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
Energy	11.41	2.93	0.38	13.10	0.05	0.15	0.08	0.26	0.34
Financials	12.45	7.33	0.84	30.09	5.20	1.48	0.11	0.22	0.33

Negative Contributing Factors for 4Q15:

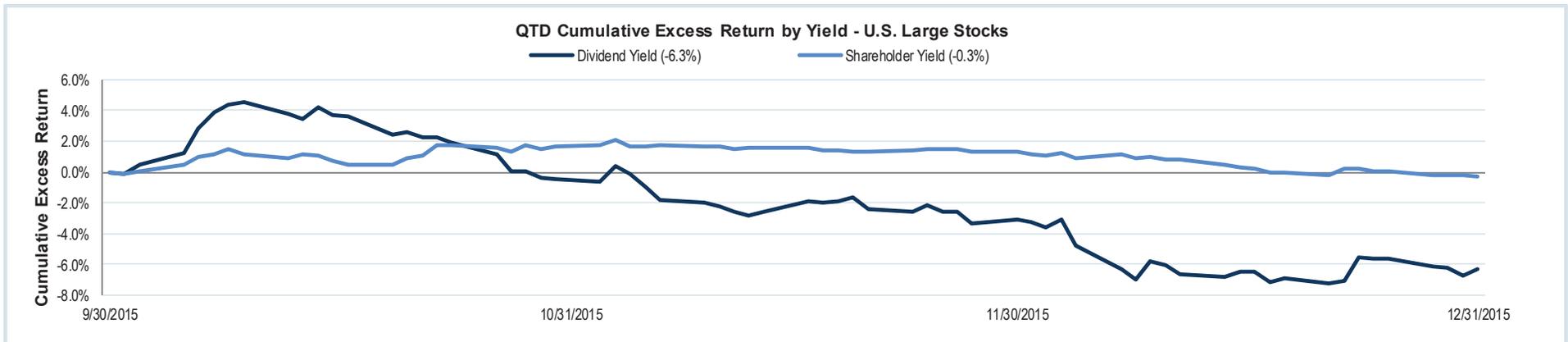
- Overweight exposures to Shareholder Yield and Value detracted from returns.
- An underweight to Momentum held back performance.
- Our process was least effective in the following sectors:

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 Discretionary	16.60	-5.94	-0.78	5.28	1.10	0.07	-0.49	-1.13	-1.62
Information Technology	14.42	3.78	0.52	11.54	9.64	1.06	0.11	-0.80	-0.69

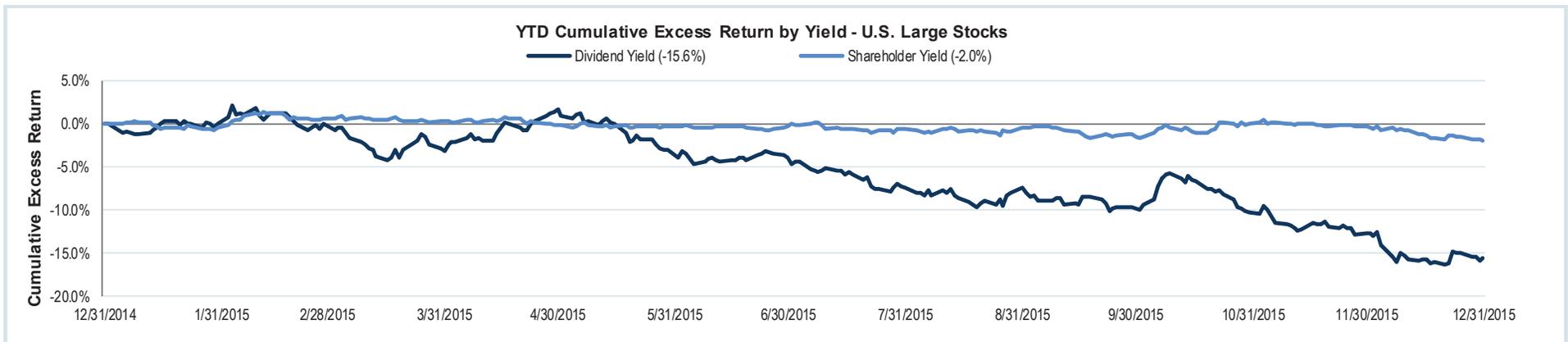
Franklin Regional Retirement System: Factor Performance

(As of 12/31/15)

- During the fourth quarter, Dividend Yield underperformed the U.S. Large Stocks universe by -6.3%, while Shareholder Yield underperformed by -0.3%.



- Year-to-date , Dividend Yield underperformed the U.S. Large Stocks universe by -15.6%, while Shareholder Yield underperformed by -2.0%.



Franklin Regional Retirement System: Market Outlook

(As of 12/31/15)

Above all else, we believe long term success comes from building a portfolio around proven stock selection factors—measured using key selection criteria like quality, valuation, and Shareholder Yield.

The S&P 500 was up 1.4% during 2015, but this return number is misleading. To achieve this slightly positive return, the S&P 500 rode the performance of a very small group of stocks. The top ten stocks by contribution to total return of that index were up an average of 54% during 2015. The remaining stocks in the index were down an average of -3.5%. In terms of contribution (weight at beginning of the year multiplied by total return for the year) to the S&P 500's total return, these stocks added more than 3%, while the rest of the S&P 500 had a negative contribution. Strategies which emphasize value—like ours—have generally missed the return boost provided by this narrow group of leaders because they have performed so well despite very expensive prices.

Our portfolio stands in stark contrast to the stocks which led the market in 2015. On the basis of these broad themes, the Market Leaders Value strategy is very well positioned versus its benchmark and relative to the overall market. The portfolio's companies have higher levels of return on capital, lower reliance on external financing, and trade at deep discounts across a number of valuation factors. They are also returning capital to shareholders at almost four times the rate of the benchmark. These combined advantages can only be delivered by a portfolio which is distinct from the benchmark. Our high active share means that the portfolio continues to represent a unique take on the U.S. market.

Periods of underperformance are difficult to live through, but they will not cause us to waver in our commitment to the portfolios underlying strategy.

Franklin Regional Retirement System: Attribution QTD

(As of 12/31/15)

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	16.60	-5.94	-0.78	5.28	1.10	0.07	-0.49	-1.13	-1.62
Consumer Staples	9.56	4.00	0.34	6.80	6.04	0.42	0.05	-0.24	-0.19
Energy	11.41	2.93	0.38	13.10	0.05	0.15	0.08	0.26	0.34
Financials	12.45	7.33	0.84	30.09	5.20	1.48	0.11	0.22	0.33
Health Care	2.89	4.36	0.15	11.63	7.87	0.88	-0.19	-0.08	-0.28
Industrials	19.90	7.94	1.37	10.30	10.67	1.04	0.40	-0.49	-0.09
Information Technology	14.42	3.78	0.52	11.54	9.64	1.06	0.11	-0.80	-0.69
Materials	9.51	-0.75	-0.04	2.75	8.57	0.25	0.18	-0.86	-0.67
Telecommunication Services	3.27	-0.91	-0.03	2.45	6.73	0.17	0.01	-0.25	-0.24
Utilities	0.00	0.00	0.00	6.05	1.53	0.11	0.23	0.00	0.23
Total	100.00	2.75	2.75	100.00	5.63	5.63	0.50	-3.38	-2.88

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.

O'Shaughnessy Market Leaders Value: Factor Attribution QTD

(As of 12/31/15)

Factors	Factor Return	Market Leaders Value		Russell 1000® Value Index		Attribution	
		Average Exposure	Contribution	Average Exposure	Contribution	Average Exposure	Factor Impact
Market	3.75%	1.03	3.85%	0.93	3.59%	0.10	0.26%
Size	1.01%	-0.33	-0.60%	0.54	0.37%	-0.87	-0.96%
Value	-1.47%	0.67	-0.99%	0.44	-0.80%	0.23	-0.19%
Momentum	1.91%	-0.06	-0.53%	0.24	0.22%	-0.29	-0.74%
Shareholder Yield	-0.34%	0.52	-0.26%	0.23	0.07%	0.29	-0.33%
Earnings Quality	-0.46%	0.09	-0.06%	-0.01	0.02%	0.10	-0.08%
Financial Strength	1.00%	0.04	0.06%	0.10	0.14%	-0.06	-0.08%
Earnings Growth	1.04%	0.05	0.08%	0.01	0.01%	0.04	0.07%
Industry			0.74%		1.31%		-0.57%
Stock Specific			0.40%		0.70%		-0.30%
	Total*		2.71%		5.63%		-2.92%

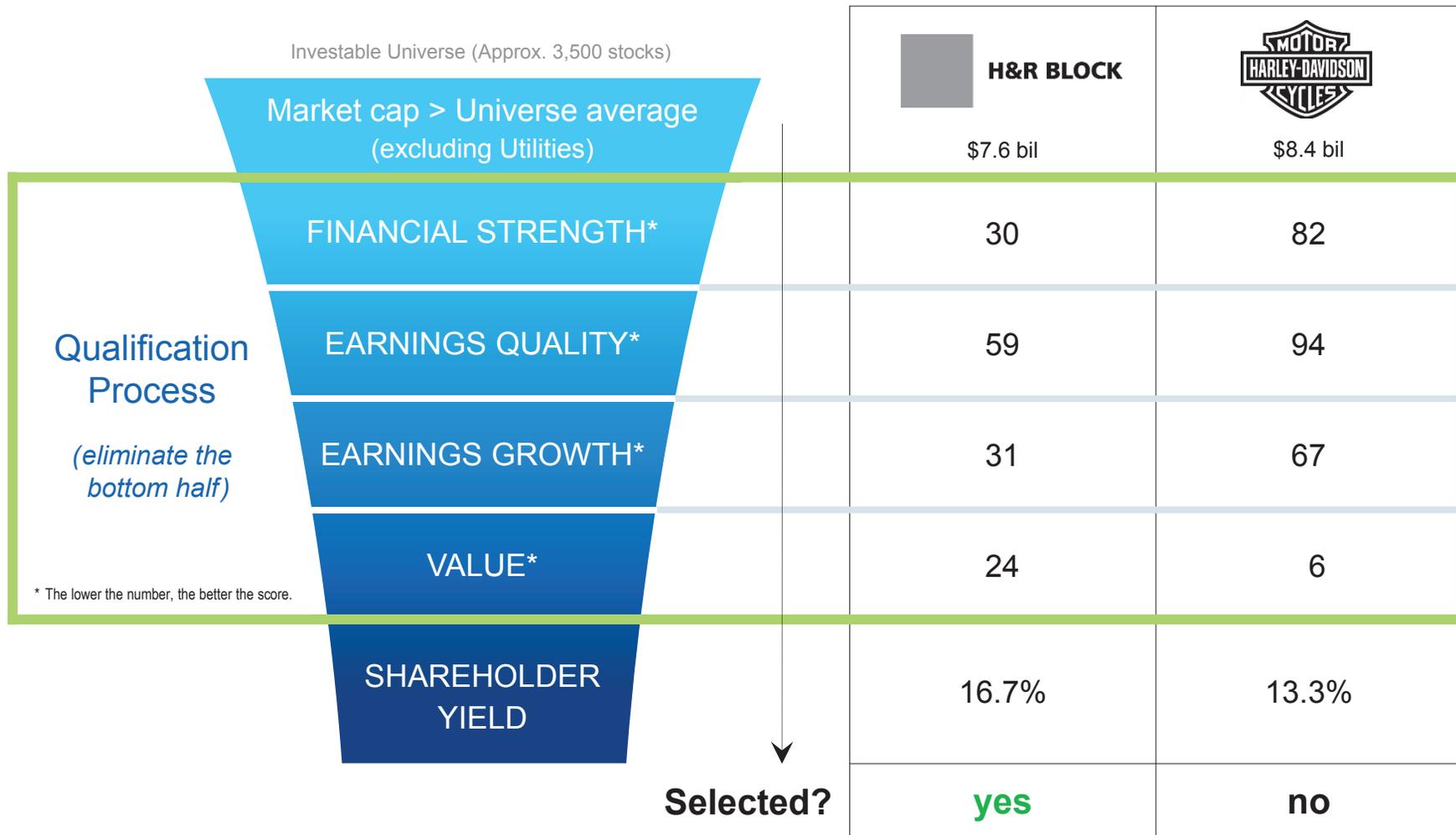
* Numbers may not add up due to rounding.

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Performance returns are preliminary.

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



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.

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(As of 1/11/16)

Franklin Regional Retirement System

(As of 12/31/15)

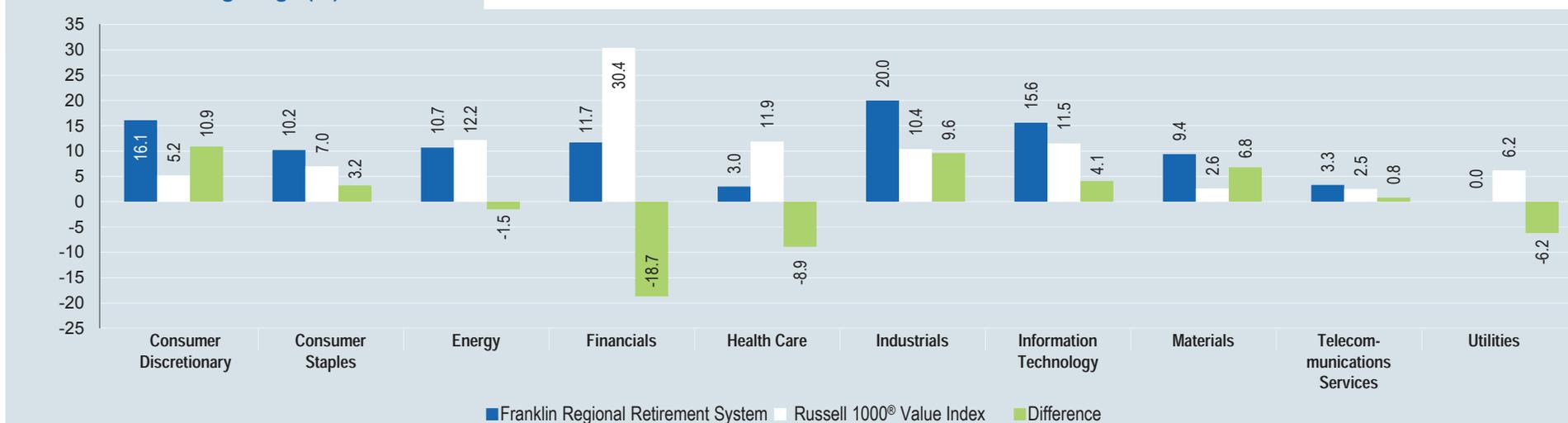
Holdings-Based Characteristics

	Franklin Regional Retirement System	Russell 1000® Value Index
Price/Earnings Ratio	12.4	16.4
Price/Sales Ratio	1.0	1.5
Price/Book Ratio	2.0	1.7
1-Year Historical Earnings Growth Rate (%)	2.0	0.3
Weighted Average Market Capitalization (\$ mil)	25,791	109,826
Median Market Capitalization (\$ mil)	15,056	7,072
Number of Holdings	58	691
Foreign Content (%)	6.9	0.0
Active Share (%)	93.3	--
Cash (%)	2.0	--

Top Ten Holdings

	Percent of Portfolio	Dividend Yield (%) ²	Buyback Yield (%)	Shareholder Yield (%)
Travelers Companies Inc.	4.5	2.2	8.2	10.4
Northrop Grumman Corp.	4.5	1.7	10.0	11.7
Coca Cola Enterprises Inc.	4.5	2.3	6.1	8.4
Illinois Tool Wks Inc.	4.4	2.4	7.0	9.4
Royal Ahold	4.3	2.0	2.3	4.3
LyondellBasell Industries	4.2	3.6	10.1	13.7
Bed Bath & Beyond Inc.	3.3	0.0	9.9	9.9
Mosaic Co	2.9	4.0	5.5	9.5
Hess Corp.	2.9	2.1	4.3	6.4
Corning Inc.	2.9	2.6	7.7	10.3
Total	38.4	2.3	7.1	9.4
Franklin Regional Retirement System		2.5	6.8	9.3
Russell 1000® Value Index		2.6	-0.5	2.1

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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