

2nd Quarter 2017 Webcast

Classic Large Cap Value Equity

Presented by

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Second Quarter 2017

- **The average gross return for Large Cap Value accounts during the quarter was 1.77% (1.59% net) versus 1.34% for the Russell 1000 Value.**
- **Performance is driven by both “what we own” and “what we don’t own”**

**Supplemental Information to the attached Classic Large Cap Value - Unrestricted GIPS-compliant Composite.*

*The above are the views of Brandywine Global and are not intended as a forecast or guarantee of future results. Returns are presented gross and net of management fees and include the reinvestment of all income. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Net of fee performance was calculated using the highest management fee as described in Part 2A of the firm's ADV, which is available upon request. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. The Russell 1000® Value Index is a registered trademark of Russell Investments (©2017 Russell Investments). Indices are unmanaged and not available for direct investment. **Past performance is no guarantee of future results.***

Where Do We Stand?

- The strategy is still exceptionally cheap, especially relative to the overall market, which looks expensive.
- A comeback for value started last summer but lacked follow-through in the first half of 2017. It appears due for a resumption of outperformance.
- Economic growth looks solid, which should drive the so-called “reflation” trade .

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Value Based Factor Contributions Were Mixed in 1H2017

As of 6/30/2017

- The below table shows the return spread of various factors of the Russell 1000 Value Index. The spread is calculated by subtracting the return of the bottom quartile from the top quartile.

Russell 1000 Value Index		
Factor:	2Q2017	1Q2017
Low Price-to-Book	-0.07%	-2.86%
Low Price/Earnings	1.95%	2.25%
High Dividend Yield	-1.61%	-2.99%
High ROE	6.81%	6.07%
Low-Debt-to-Equity	1.41%	-0.61%
Low Price Volatility	1.68%	2.35%
High Earnings Growth	0.09%	0.75%
Higher Beta	0.79%	-2.87%

Data is obtained from FactSet Portfolio Analysis (©2017, FactSet Research Systems, Inc.), which Brandywine Global believes to be accurate and reliable. The above are the views of Brandywine Global and are not intended as a forecast or guarantee of future results. The Russell 1000® Value Index is a registered trademark of Russell Investments (©2017 Russell Investments). The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. Indices are unmanaged and not available for direct investment. Past performance is no guarantee of future results. 6433

Characteristics and Cheapness*

As of 6/30/2016

Second Quarter 2017

- **28% discount to the index (5.5 multiple points) is far greater than average**
- **Our estimates of intrinsic value show over 30% upside for the strategy in an environment where the index looks fairly/fully valued**

6/30/2017

	Representative Account	Russell 1000 Value Index
Price-to-Earnings	13.8x	19.3x
Price-to-Book	1.7x	2.1x
Price-to-Cash Flow	7.4x	10.8x
Dividend Yield	2.3%	2.4%
Weighted Avg Market Cap (\$B)	\$92.5	\$114.4
Median Market Cap (\$B)	\$22.4	\$8.7

*Supplemental Information to the attached Classic Large Cap Value - Unrestricted GIPS-compliant Composite.

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What We Don't Own*

As of 6/30/2017

Over the 1-Year Period Ending 6/30/2017:

- We also added value through what we don't own – the sectors with many stocks at high valuations
- Utilities (+94 basis points), Telecom (+54 basis points), Real Estate (+83 basis points), and Consumer Staples (+93 basis points) all have substantial underweights in your portfolio and contributed about 324 basis points combined of outperformance
- As mentioned previously, these groups are approximately 23% of the index and less than 4% of the portfolio

6/30/2017	Russell 1000 Value Weight	Portfolio	Trailing P/E (Index Components)	Forward P/E (Index Components)	Dividend Yield (6/30/2017)
Consumer Staples	9.2%	1.5%	24.3x	20.7x	2.7%
Utilities	6.1%	1.2%	21.7x	19.0x	3.4%
Real Estate	5.0%	0.0%	40.8x	51.6x	3.8%
Telecom	3.1%	0.9%	18.9x	14.9x	4.9%
Total	23.4%	3.6%			

*Supplemental Information to the attached Classic Large Cap Value - Unrestricted GIPS-compliant Composite

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Second Quarter 2017 Sector Attribution*

As of 6/30/2017

Classic Large Cap Value - Unrestricted Composite: 1.77% Gross (1.59% Net)

Russell 1000 Value Index: 1.34%

	Classic Large Cap Value Representative Account		Russell 1000 Value Index		Relative Performance (BPS)		
	Sector Weight (Avg.)	Sector Return	Sector Weight (Avg.)	Sector Return	Sector Allocation	Stock Selection	Total
Consumer Discretionary	12.9%	-0.6%	4.6%	3.1%	17	-50	-33
Consumer Staples	1.2%	1.3%	8.6%	1.2%	-1	1	1
Energy	14.2%	-10.1%	11.7%	-7.1%	-22	-47	-68
Financials	32.2%	5.0%	26.3%	3.8%	18	41	59
Health Care	8.3%	3.9%	11.3%	6.2%	-11	-12	-23
Industrials	10.7%	5.4%	10.1%	3.1%	0	26	26
Information Technology	10.0%	4.1%	9.9%	0.7%	-3	37	34
Materials	7.1%	0.9%	2.9%	0.1%	-5	6	1
Real Estate	-	-	4.7%	1.6%	-1	-	-1
Telecommunication Services	1.0%	-8.1%	3.4%	-7.1%	21	-1	20
Utilities	1.0%	22.4%	6.4%	2.2%	-5	23	18
Cash	1.4%	0.2%	-	-	4	-	4

* Source: FactSet Portfolio Analysis, Basis Points (BPS) 100 basis points = 1%

**Supplemental Information to the attached Classic Large Cap Value - Unrestricted GIPS-compliant Composite Data is obtained from FactSet Portfolio Analysis (©2017, FactSet Research Systems, Inc.), and is believed to be reliable and accurate. The data represents the aggregate characteristics of all securities held in the Representative Portfolio, and is included for informational purposes only. The actual characteristics with regard to any particular client account may vary based on any investment restrictions applicable to the account. The sectors or industries discussed herein should not be perceived as investment recommendations and securities within a sector or industry may no longer be held in an account's portfolio. It should not be assumed that investments in any of the sectors or industries listed were or will prove to be profitable. Returns are presented gross and net of management fees and include the reinvestment of all income. Gross performance results include transaction costs but do not reflect the deduction of Brandywine Global's management fee. Gross performance returns over one year are annualized and assume the reinvestment of dividends, interest and capital gains. A client's return will be reduced by the advisory fees and other expenses incurred as a client. As fees are deducted quarterly, the compounding effect will be to increase the impact of fees by an amount directly related to the gross account performance. For example, an account with an annual fee of 0.70%, if the gross performance is 10%, the compounding effect of the fees will result in net performance of approximately 9.23% annually. Net of fee performance was calculated using the highest management fee as described in Part 2A of the firm's ADV, which is available upon request. Please refer to the GIPS-compliant performance presentations, which include performance footnotes, index descriptions and disclosures, as well as descriptions of the indices that Brandywine Global uses in connection with this strategy. The Russell 1000® Value Index is a registered trademark of Russell Investments (©2017 Russell Investments). The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. Indices are unmanaged and not available for direct investment. Past performance is no guarantee of future results.*

Investment Outlook & Positioning

As of 6/30/2017

- **Little changed in the second quarter regarding overall positioning. We do not believe the first half strength in growth stocks is sustainable.**
- **We have areas of the portfolio with very high conviction:**
 - **“Rate Plays”**
 - **Overweight Financials**
 - **Underweight “Bond Proxies”**
 - **“Market is Too Negative on Industry Discipline”**
 - **Autos**
 - **Airlines**
 - **Energy**
 - **“Political Impact is Not as Bad as Feared”**
 - **Specialty Pharmaceuticals**

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Economic Outlook

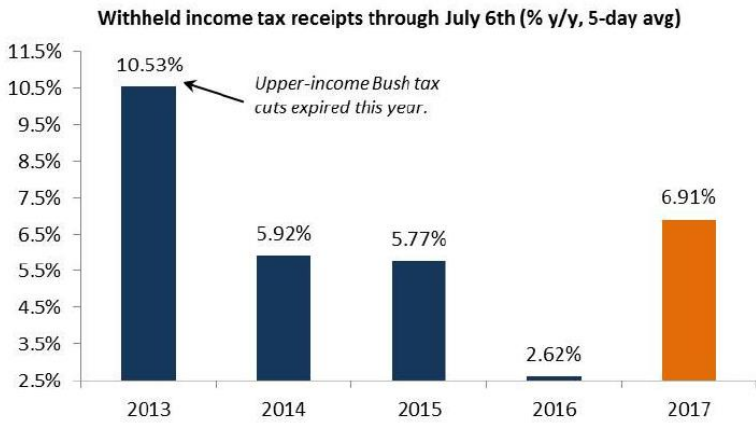
As of 6/30/2017

- **Recent data suggests 2-3% GDP growth is sustainable**
- **The right question for the next recession probably should be “How Deep?” instead of “When?”**
- **We do not see behaviors in the financial system that would suggest material excesses**
- **Historical fed tightening cycles suggest we have a ways to go before the Fed is finished**
- **Global growth, on the whole, looks better than a year ago**

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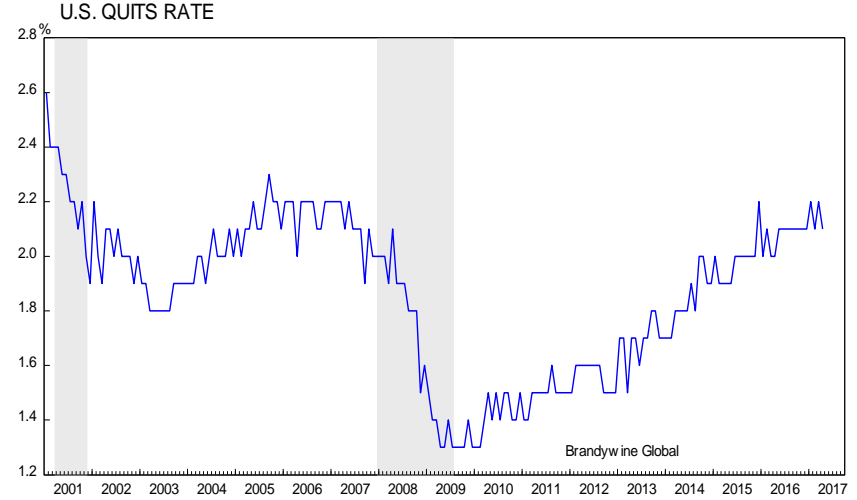
U.S. Employment Data Points Reflecting Good News

Income Tax Receipts Have Strengthened This Year



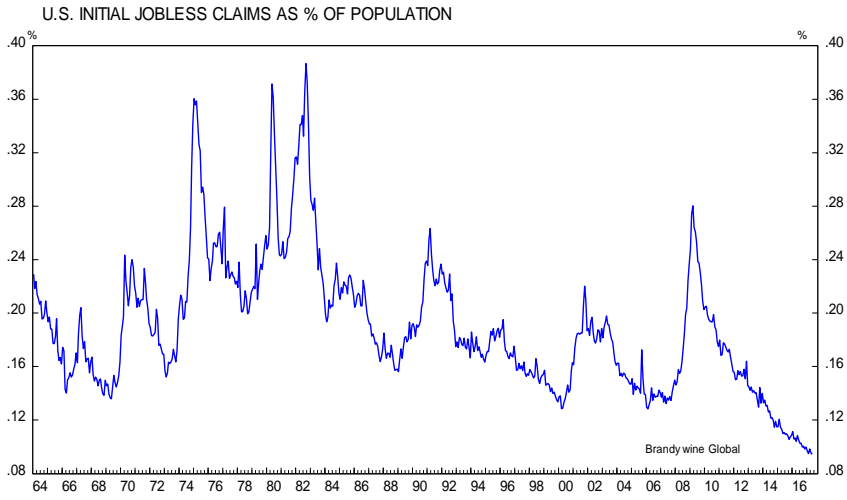
Source: RBC Capital Markets US Economics, Haver

More people quitting = voluntary job searches



As of 04/30/2017

Weekly jobless claims almost at a 55-year low

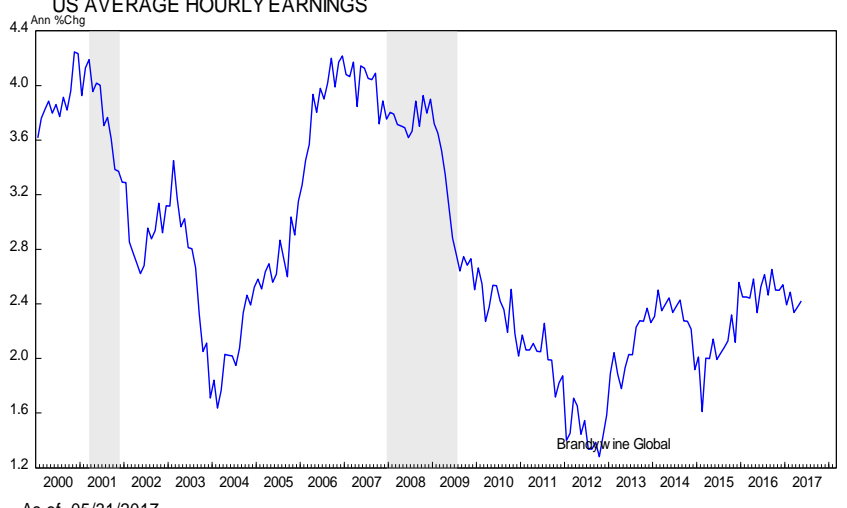


As of 05/31/2017.

Source: Thomson Reuters

Data has been obtained from RBC Capital Markets, Thomson Datastream (© 2017, Thomson Reuters) and Bureau of Labor Statistics and U.S. Census Bureau which Brandywine Global believes to be accurate and reliable. Top left chart created by RBC Capital Markets. All other charts created by Brandywine Global. The views expressed herein represent the opinions of Brandywine Global and are presented for informational purposes only. The opinions are not intended to be a recommendation, investment advice, forecast or guarantee of future results.

Hourly wages on the rise



As of 05/31/2017

For Further Information

For more background on our products and to provide us with your feedback regarding this format for communication:

- e-mail us at client.service@brandywineglobal.com
- or phone us at 1-800-348-2499

Classic Large Cap Value - Unrestricted Composite Disclosure

As of 3/31/2017 Results shown in USD

Period	Returns (%)				# of Accts	Market Value (MM)	Firm Assets (MM)	Composite Dispersion (%)	St. Dev. (% 3-Year Rolling)			Returns (%)				
	Composite Gross of Fees	Composite Net of Fees	R1000V ¹	SP500 ²					Composite	R1000V ¹	SP500 ²	Period	Composite Gross of Fees	Composite Net of Fees	R1000V ¹	SP500 ²
2017	2.69	2.51	3.27	6.07	16	3,220	69,480	0.12	13.88	10.41	10.26	QTD	2.69	2.51	3.27	6.07
2016	16.25	15.45	17.34	11.96	17	3,488	65,498	0.44	14.23	10.77	10.59	YTD	2.69	2.51	3.27	6.07
2015	-9.85	-10.48	-3.83	1.38	19	3,407	68,819	0.22	13.00	10.68	10.47	1 Year	23.55	22.70	19.22	17.17
2014	11.35	10.58	13.45	13.69	17	983	63,375	0.27	10.85	9.20	8.97	3 Year	4.99	4.26	8.66	10.36
2013	40.97	40.02	32.53	32.39	16	678	50,050	0.38	14.53	12.70	11.94	5 Year	12.18	11.41	13.12	13.29
2012	22.39	21.56	17.51	16.00	19	386	42,894	0.39	16.60	15.51	15.09	7 Year	11.09	10.33	12.17	12.93
2011	-5.08	-5.74	0.39	2.11	26	516	33,122	0.26	19.77	20.69	18.71	10 Year	7.95	7.20	5.93	7.50
2010	13.99	13.21	15.51	15.06	21	463	31,996	-	20.47	23.18	21.85	Since Inception	9.63	8.87	7.95	8.44
2009	29.83	28.94	19.69	26.46	1	32	29,199	-	18.36	21.10	19.63					
2008	-30.33	-30.83	-36.85	-37.00	1	13	32,755	-	12.91	15.36	15.08					
2007	7.37	6.63	-0.17	5.49	1	20	49,208	-	7.16	8.06	7.68					

Period	Composite Return Gross of Fees (%)				Composite Return Net of Fees (%)				R1000V ¹ Return (%)				SP500 ² Return (%)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2017	2.69				2.51				3.27				6.07			
2016	-3.38	-1.54	9.84	11.25	-3.55	-1.71	9.65	11.06	1.64	4.58	3.48	6.68	1.35	2.46	3.85	3.82
2015	1.23	-0.89	-13.83	4.28	1.06	-1.06	-13.99	4.10	-0.72	0.11	-8.40	5.64	0.95	0.28	-6.44	7.04
2014	3.53	6.38	-1.05	2.17	3.35	6.20	-1.22	2.00	3.02	5.10	-0.19	4.98	1.81	5.23	1.13	4.93
2013	11.82	6.62	6.32	11.22	11.63	6.43	6.14	11.03	12.31	3.20	3.94	10.01	10.61	2.91	5.24	10.51
2012	16.33	-5.84	7.25	4.18	16.14	-6.01	7.07	4.00	11.12	-2.20	6.51	1.52	12.59	-2.75	6.35	-0.38
2011	4.49	-2.86	-16.20	11.60	4.31	-3.03	-16.35	11.41	6.46	-0.50	-16.20	13.11	5.92	0.10	-13.87	11.81
2010	7.07	-12.57	10.52	10.19	6.88	-12.73	10.33	10.00	6.78	-11.14	10.13	10.54	5.39	-11.43	11.29	10.76
2009	-9.78	14.55	17.95	6.50	-9.94	14.36	17.76	6.32	-16.77	16.70	18.24	4.22	-11.01	15.93	15.61	6.04
2008	-8.58	-3.92	-6.83	-14.87	-8.75	-4.09	-7.00	-15.02	-8.72	-5.31	-6.11	-22.18	-9.44	-2.73	-8.37	-21.94
2007	1.06	7.10	2.69	-3.40	0.88	6.91	2.52	-3.57	1.24	4.92	-0.24	-5.80	0.64	6.28	2.03	-3.33

¹R1000V = Russell 1000 Value ²SP500 = S&P 500 Inception Date: 10/1/2004

Organization: Brandywine Global Investment Management, LLC (the "Firm") is a wholly owned, independently operated, subsidiary of Legg Mason, Inc. The Firm has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS). For the periods July 1, 2000 through June 30, 2016, the Firm has been verified by Kreisler Miller. A verification includes assessing whether the Firm (1) complied with the composite construction requirements of the GIPS standards on a firm-wide basis, and (2) designed its processes and procedures to calculate and present performance results in compliance with the GIPS standards. A copy of the verification report is available upon request. Disclosed total firm assets represent the total market value of all discretionary and nondiscretionary, fee-paying and non-fee-paying assets under the Firm's management. Composite Description: Classic Large Cap Value Unrestricted Composite (the "Composite") Inception date: October 1, 2004. Creation date: January 1, 2014. The Composite includes all fully discretionary, fee-paying portfolios invested in the Classic Large Cap Value Unrestricted strategy (the "Strategy") with no client mandated restrictions. The strategy invests primarily in domestic equity securities with market capitalizations of greater than \$1 billion, and have a lower price to book (P/B) and price to earnings (P/E) ratios, but may also invest in select preferred, convertible, and debt securities. This results in approximately 55 - 75 security positions in each portfolio. Benchmark: The Russell 1000 Value Index measures companies from the Russell 1000 Index that exhibit lower price to book and price to earnings ratios and lower forecasted growth values. The S&P 500 is a broad measure of U.S. domestic large cap stocks. The 500 stocks in this capitalization-weighted index are chosen based on industry representation, liquidity, and stability. Performance Calculation: Preliminary data, if so noted, reflects unreconciled data for the most recent reporting period. Portfolios are valued daily on a trade date basis and include dividends and interest as well as all realized and unrealized capital gains and losses. Return calculations at the portfolio level are time-weighted to account for periodic contributions and withdrawals. Performance results are calculated on a before tax, total return basis. Prior to July 1, 2007, portfolios were included in the Composite beginning with the first full quarter of performance through the last full quarter of performance. After July 1, 2007, portfolios are included in the Composite beginning with the first full month of performance through the last full month of performance. Composite returns are reported on a quarterly basis. The Composite returns consist of size-weighted portfolio returns using beginning of period values to weight the portfolio returns. Monthly linking of interim performance results is used to calculate quarterly and annual returns. Composite's valuations and returns are computed in U.S. Dollars ("USD"). The results are presented in USD or in other currencies (to accommodate overseas investors), the latter by converting monthly USD returns into other currency returns using the appropriate currency exchange rate returns. Gross returns reflect the deduction of trading expenses. Net of fee returns reflect the deduction of trading expenses and the highest investment management fees charged within the composite membership as stated in the fee schedule below. Composite dispersion is calculated using the asset-weighted standard deviation method for all portfolios that were in the Composite for the entire year. Composite dispersion is not presented for periods with five or fewer portfolios. The number of accounts and market values are as of the end of the period. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. Past performance is no guarantee of future results. A complete list describing the Firm's composites as well as any additional information regarding the Firm's policies for calculating and reporting performance results is available upon request. Fee Schedule: The Institutional Client Separate Account Management Fee Schedule (minimum initial investment: \$25 million): 0.700% on the first \$10 million; 0.500% on the next \$40 million; 0.450% on the next \$50 million; and 0.350% on any portion of assets in excess of \$100 million. Additional information on the Firm's fee schedule can be found in Form ADV Part 2A which is available upon request.