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## 1<sup>st</sup> Quarter 2016 Webcast

### Large Cap Value

Presented by

**Patrick S. Kaser, CFA**

**Managing Director & Portfolio Manager**

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# Summary Comments

As of 3/31/2016

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- We consistently followed our investment process and remained disciplined in an environment where market sentiment led to a widening mismatch between value and price.
- The strategy remains the cheapest it has ever been relative to peers and the index as stretched valuations got more stretched; cheap stocks got cheaper. The price declines and valuation compression of many of the holdings is stunning to us.
- Underperformance was pronounced in Financials and Healthcare as markets abandoned rate-sensitive stocks due to the fear of future cataclysm and headline controversy surrounding healthcare names led to a widespread sell off across the sector.
- What did work during the quarter was Telecom, Consumer Staples, and Utilities that do not look attractive at all on valuation.
- Our positioning and stock selection across four sectors added to performance. Consumer Discretionary this quarter was the single largest contributor to performance. New purchases during the quarter all contributed positively to performance.
- We have strong conviction in our analysis, and we believe that the securities we hold currently are exceptionally undervalued.

*The above are the views of Brandywine Global and are not intended as a forecast or guarantee of future results. Brandywine Global's selection process may prove incorrect; which may have a negative impact on performance. **Past performance is no guarantee of future results.***

## First Quarter 2016

- The average gross return for Large Cap Value accounts during the quarter was -3.03% (-3.15% net) versus 1.64% for the Russell 1000 Value.

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

*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. The Russell 1000® Value Index is a registered trademark of Russell Investments (©2016 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.***

# Characteristics\*

As of 3/31/2016

## First Quarter 2016

- Strategy still decidedly cheap compared to historical norm and relative to the Russell 1000 Value Index.

	3/31/2016	
	Representative Account	Russell 1000 Value Index
Price-to-Earnings	11.1x	17.1x
Price-to-Book	1.4x	1.8x
Price-to-Cash Flow	5.3x	11.0x
Dividend Yield	2.5%	2.7%
Weighted Avg Market Cap (\$B)	\$63.3	\$109.6
Median Market Cap (\$B)	\$13.7	\$54.7

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

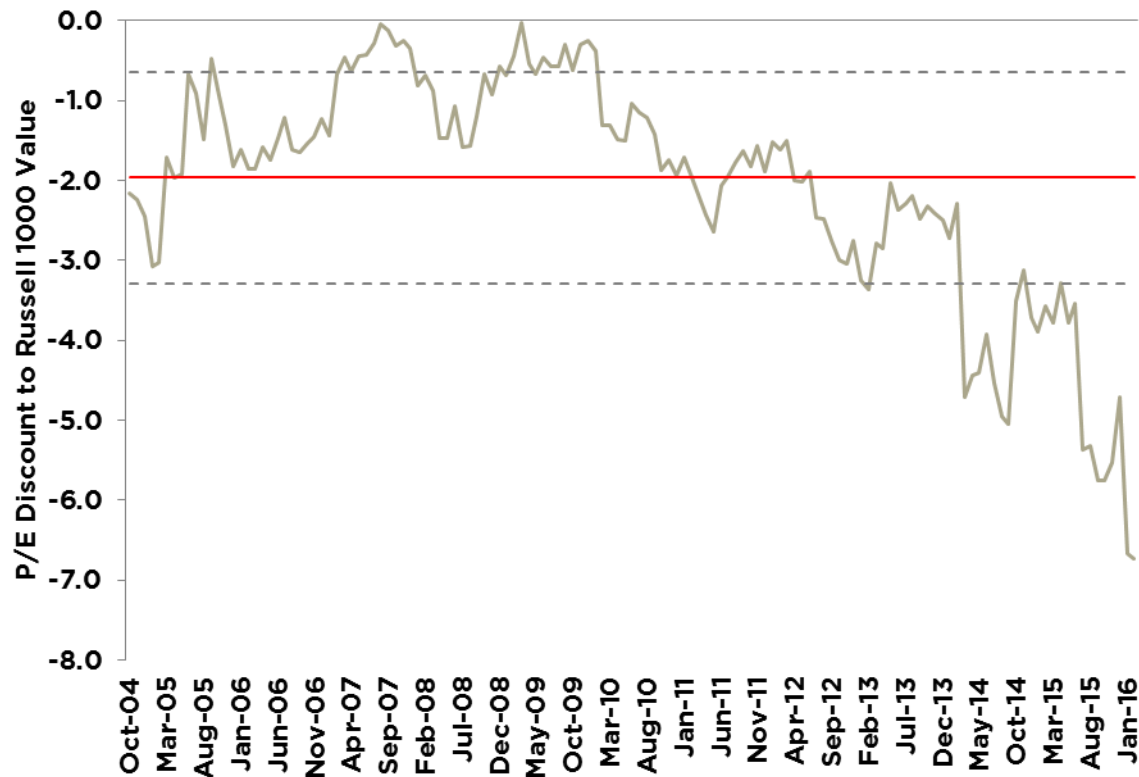
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# Characteristics\*

As of 3/31/2016

## First Quarter 2016

- Strategy P/E at all time low compared to the Russell 1000 Value Index.



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# Characteristics\*

As of 3/31/2016

## First Quarter 2016

- Top ten stocks in the strategy trade at a much lower multiple relative to the top ten stocks in the Russell 1000 Value Index

### Representative Brandywine Portfolio

March 31, 2016	% OF	P/E	P/E	ERN %CHG	ERN %CHG	PRICE	PRICE	Appreciation to Intrinsic Value*
	PORTFOLIO VALUE	LATEST 4 QTRS	FORWARD 4 QTRS	16 VS 15	15 VS 14	% CHG YTD	% CHG 12 MTHS	
HOLDING 1	4.77%	7.8	8.3	-6%	42%	-19%	-19%	56%
HOLDING 2	4.73%	9.3	9.5	-2%	-3%	-20%	-14%	85%
HOLDING 3	4.31%	15.7	31.1	-49%	-53%	-4%	-24%	115%
HOLDING 4	4.06%	12.9	12.3	1%	36%	42%	-15%	32%
HOLDING 5	3.49%	11.9	12.0	-1%	-38%	-6%	-37%	111%
HOLDING 6	3.46%	6.2	5.7	9%	20%	-8%	-17%	59%
HOLDING 7	3.03%	20.1	18.4	9%	5%	8%	-3%	37%
HOLDING 8	2.99%	7.2	5.8	14%	61%	-3%	-23%	95%
HOLDING 9	2.92%	8.7	7.3	9%	60%	-4%	8%	58%
HOLDING 10	2.78%	9.3	8.4	6%	9%	-14%	-24%	41%
<b>Totals/Averages</b>	<b>36.5%</b>	<b>10.9</b>	<b>11.9</b>	<b>-1.0%</b>	<b>13.9%</b>	<b>-2.7%</b>	<b>-16.7%</b>	<b>61.4%</b>

### Russell 1000 Value Index

March 31, 2016	COMPANY NAME	% OF	P/E	P/E	ERN %CHG	ERN %CHG	PRICE	PRICE	
		PORTFOLIO VALUE	LATEST 4 QTRS	FORWARD 4 QTRS	16 VS 15	15 VS 14	% CHG YTD	% CHG 12 MTHS	
	EXXON MOBIL	XOM	3.59%	22.0	35.7	-38%	-49%	8%	-1%
	GENERAL ELECTRIC	GE	3.01%	22.2	20.9	5%	-14%	1%	25%
	JOHNSON & JOHNSON	JNJ	2.68%	17.6	16.8	5%	4%	6%	8%
	BERKSHIRE HATHAWAY B	BRKB	2.51%	20.1	18.4	9%	5%	8%	-3%
	PROCTER & GAMBLE	PG	2.28%	21.0	21.8	-10%	-5%	4%	0%
	WELLS FARGO	WFC	2.27%	11.6	11.4	2%	1%	-12%	-12%
	JPMORGAN CHASE & CO	JPM	2.23%	10.2	10.4	-2%	-1%	-11%	-3%
	AT&T	T	2.08%	14.6	13.9	5%	8%	15%	20%
	MICROSOFT	MSFT	1.95%	20.3	19.4	3%	0%	-1%	34%
	PFIZER	PFE	1.85%	13.7	13.2	4%	-3%	-7%	-14%
	<b>Totals/Averages</b>		<b>24.5%</b>	<b>17.3</b>	<b>18.2</b>	<b>-1.7%</b>	<b>-5.4%</b>	<b>1.2%</b>	<b>5.3%</b>

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

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# First Quarter 2016 Sector Attribution\*

As of 3/31/2016

**Classic Large Cap Value - Unrestricted Composite: -3.36% Gross (-3.53% Net)**

**Russell 1000 Value Index: 1.64%**

	Classic Large Cap Value Representative Account		Russell 1000 Value Index		Relative Performance (BPS)		
	Sector Weight (Avg.)	Sector Return	Sector Weight (Avg.)	Sector Return	Stock Selection	Sector Allocation	Total
Consumer Discretionary	17.5%	7.3%	5.2%	3.6%	68	25	93
Consumer Staples	--	--	7.4%	5.1%	--	-25	-25
Energy	12.9%	7.3%	12.5%	4.2%	47	-3	44
Financials	29.3%	-10.6%	28.9%	-5.3%	-164	4	-160
Health Care	8.6%	-33.5%	12.0%	-1.6%	-318	16	-302
Industrials	12.7%	3.9%	10.2%	5.2%	-10	8	-2
Information Technology	6.8%	-4.1%	11.3%	2.8%	-47	-7	-54
Materials	6.0%	7.3%	2.7%	7.8%	-3	22	19
Telecommunication Services	4.0%	6.0%	2.8%	13.9%	-25	39	14
Utilities	0.0%	5.9%	6.9%	15.6%	1	-86	-85
Cash	2.3%	0.1%	--	--	--	-8	-8

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

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

Data is obtained from FactSet Portfolio Analysis (©2016, 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 (©2016 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.**

# Bottom Ten Performers First Quarter 2016\*

March 31, 2016	% OF	P/E	P/E	ERN	ERN	PRICE	PRICE
COMPANY NAME	PORTFOLIO	LATEST	FORWARD	%CHG	%CHG	% CHG	% CHG
	VALUE	4 QTRS	4 QTRS	16 VS 15	15 VS 14	YTD	12 MTHS
HOLDING 1	0.85%	2.6	3.0	-12%	22%	-74.1%	-86.8%
HOLDING 2	0.35%	5.9	4.8	24%	11%	-54.0%	-68.6%
HOLDING 3	1.06%	4.4	4.6	-3%	1%	-33.8%	-54.7%
HOLDING 4	2.08%	9.9	41.1	-95%	-17%	-26.1%	-61.4%
HOLDING 5	1.09%	8.6		-16%	26%	-20.0%	-24.4%
HOLDING 6	0.76%	8.6	6.8	27%	101%	-23.5%	-36.2%
HOLDING 7	4.58%	7.8	8.4	-7%	42%	-19.3%	-19.0%
HOLDING 8	4.57%	9.3	9.6	-2%	-3%	-19.7%	-12.2%
HOLDING 9	0.64%	9.4	7.5	28%	34%	-17.9%	-51.6%
HOLDING 10	1.01%	10.9	9.3	17%	20%	-14.3%	-21.9%
<b>Totals/Averages</b>	<b>17.0%</b>	<b>7.7</b>	<b>10.6</b>	<b>-3.9%</b>	<b>23.7%</b>	<b>-30.3%</b>	<b>-43.7%</b>

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

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# Economic Outlook

As of 3/31/2016

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- Controversy related to the U.S. economy continues
  - Employment data remains strong; accelerating wages continue to bolster real disposable income
  - Consumer spending is growing but still below forecast
  - Manufacturing has been the weak link; recent signs of a bottom
  - GDP growing but still facing headwinds; Fed path uncertain
- Global economy in stagnation
  - Economic data out of China remains soft
  - Brazil appears to be turning around
  - Strong dollar and weak commodity markets are bearish for global GDP
  - Slow global economic growth is indirectly impacting the U.S.

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# Investment Outlook & Positioning

As of 3/31/2016

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- Strategy remains very cheap in absolute and relative terms
- Strategy remains positioned for moderate growth
  - We are surprised by how out of favor some companies have been
  - Large bank valuations are perplexing
  - Many holdings could be a “coiled spring”
- Six new stocks added to the portfolio during the quarter
- We remain patient as the value we see is rarely unrewarded over the longer-term

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## For Further Information

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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](mailto:client.service@brandywineglobal.com)
- or phone us at 1-800-348-2499

# Classic Large Cap Value - Unrestricted Composite Disclosure

As of 12/31/2015 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 <sup>1</sup>	SP500 <sup>2</sup>					Composite	R1000V <sup>1</sup>	SP500 <sup>2</sup>	Period	Composite Gross of Fees	Composite Net of Fees	R1000V <sup>1</sup>	SP500 <sup>2</sup>
2015	-9.74	-10.37	-3.83	1.38	20	3,663	68,819	0.29	12.96	10.68	10.47	QTD	4.22	4.04	5.64	7.04
2014	11.37	10.60	13.45	13.69	18	1,254	63,375	0.27	10.84	9.20	8.97	YTD	-9.74	-10.37	-3.83	1.38
2013	40.97	40.02	32.53	32.39	16	678	50,050	0.38	14.53	12.70	11.94	1 Year	-9.74	-10.37	-3.83	1.38
2012	22.39	21.56	17.51	16.00	19	386	42,894	0.39	16.60	15.51	15.09	3 Year	12.32	11.55	13.08	15.13
2011	-5.08	-5.74	0.39	2.11	26	516	33,122	0.26	19.77	20.69	18.71	5 Year	10.48	9.72	11.27	12.56
2010	13.99	13.21	15.51	15.06	21	463	31,996	-	20.47	23.18	21.85	7 Year	13.56	12.78	13.03	14.81
2009	29.83	28.94	19.69	26.46	1	32	29,199	-	18.36	21.10	19.63	10 Year	8.37	7.62	6.15	7.30
2008	-30.33	-30.83	-36.85	-37.00	1	13	32,755	-	12.91	15.36	15.08	Since Inception	9.03	8.28	7.03	7.76
2007	7.37	6.63	-0.17	5.49	1	20	49,208	-	7.16	8.06	7.68					
2006	22.63	21.79	22.24	15.79	1	20	39,241	-	-	-	-					
2005	8.79	8.03	7.07	4.91	1	17	26,332	-	-	-	-					

Period	Composite Return Gross of Fees (%)				Composite Return Net of Fees (%)				R1000V <sup>1</sup> Return (%)				SP500 <sup>2</sup> Return (%)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2015	1.19	-0.90	-13.64	4.22	1.02	-1.07	-13.79	4.04	-0.72	0.11	-8.40	5.64	0.95	0.28	-6.44	7.04
2014	3.53	6.32	-0.97	2.17	3.35	6.14	-1.15	1.99	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
2006	6.22	-0.09	6.11	8.89	6.04	-0.26	5.93	8.71	5.93	0.59	6.22	8.00	4.21	-1.44	5.67	6.70
2005	1.64	1.16	3.21	2.51	1.46	0.98	3.04	2.33	0.09	1.67	3.88	1.28	-2.15	1.37	3.60	2.09

<sup>1</sup>R1000V = Russell 1000 Value    <sup>2</sup>SP500 = 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, 2014, 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 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.