



## 1<sup>st</sup> Quarter 2022 Webcast

### Diversified Large Cap Value Equity

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**Presented by**

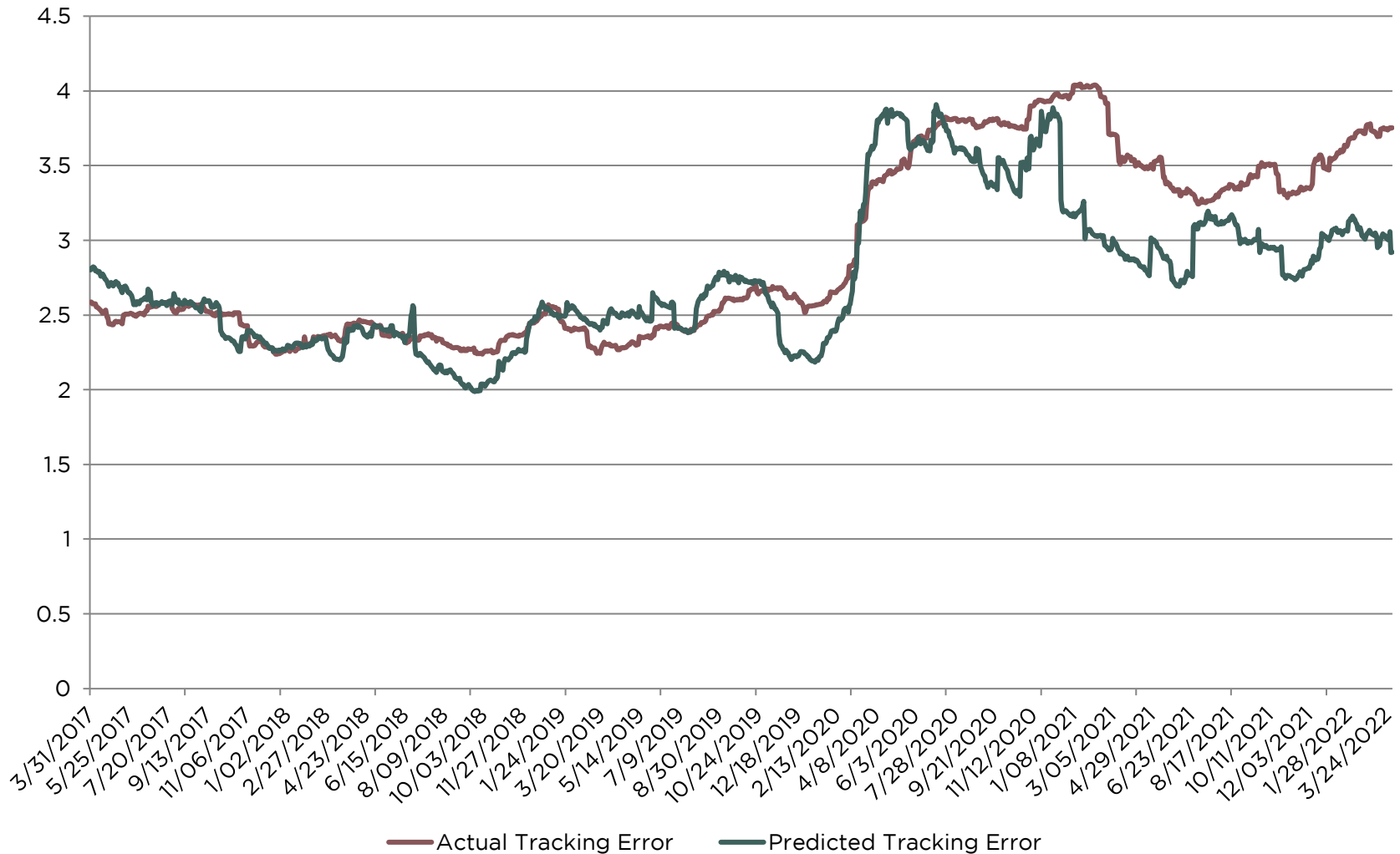
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# Tracking Error: March 31, 2017 to March 31, 2022\*

## Predicted Tracking Error and Actual Tracking Error (12 Months) Versus the Russell 1000 Value Index



\*Supplemental information to the attached Diversified Large Cap Value Equity GIPS – compliant composite and Diversified Large Cap Value Select Equity GIPS – compliant composite.

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# Economic Review 1<sup>st</sup> Quarter 2022

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- **Broad equity markets fell sharply in the volatile first quarter**
  - The Russian invasion of Ukraine added to already elevated inflation risks.
  - An increasingly hawkish Fed is also clouding the outlook for a strong post-pandemic recovery.
- **Economic data remains favorable for sustained economic growth but at a slower pace than the 6.9% GDP in the 4<sup>th</sup> quarter**
  - The unemployment rate fell to 3.6% with robust job gains and rising wages enticing prime age workers back into the workforce.
  - Optimism about the labor market offset effects from surging inflation and an escalating war as consumer confidence edged higher. Retail sales grew at a slower pace as higher fuel prices likely curtailed discretionary spending.
  - Rising mortgage rates in addition to existing headwinds of very low inventory and elevated prices led to declines in new and pending home sales.
- **Interest rates/Federal Reserve (Fed)**
  - With the prospect of a prolonged war in Ukraine and inflation pressures the yield on the 10-year Treasury surged 83 bps to 2.34% matching the yield of the 2-year Treasury. The 10/2 year briefly inverted before ending flat but shorter dated yield curves remain relatively steep.
  - The Fed lifted rates  $\frac{1}{4}$  point as expected in March and 2022 is expected to be the steepest yearly tightening campaign since 1994 as the Fed attempts to reign in inflation without leading to a recession.
- **Energy continued to be a driver of the highest levels of inflation in 40 years**
  - The war led to a 33% surge in crude oil which ended the quarter just above \$100/bbl.
- **Global concerns**
  - The fallout from the conflict is likely to cause a significant slowdown in Europe and a further escalation is a major concern for a global recovery.
  - The even more transmissible subvariant of omicron is making it more difficult for China to maintain its zero-COVID policy leading to large regional shutdowns impacting manufacturing.

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# Market Performance 1<sup>st</sup> Quarter 2022

- The S&P 500 had the worse quarter since the country shut down 2 years ago, losing 4.6% to start the year.
- Value was more defensive and outperformed growth by a wide margin across the capitalization ranges.
- Consistent with most risk off environments, the lower the market capitalization the worse the returns were in both standard as well as the stylized benchmarks.

| Index Total Returns | 1Q 2022 |
|---------------------|---------|
| Russell 1000 Value  | -0.7%   |
| Russell 1000        | -5.1%   |
| Russell 1000 Growth | -9.0%   |
|                     |         |
| Russell 2000 Value  | -2.4%   |
| Russell 2000        | -7.5%   |
| Russell 2000 Growth | -12.6%  |

## • Sector / Factor Performance

- The Energy sector skewed performance of the large cap value benchmark up nearly forty percent.
- Basic Materials is the other cyclical sector that outperformed by a wide margin driven by the defensiveness of gold and the shortage of other precious metals such as steel and aluminum.
- Utilities, Consumer staples and health care providers behaved defensively during the downturn.
- In a reversal of last quarter, quality was not effective as lower quality non-earners posted gains while stocks with higher ROE ratios had sharp losses in contrast to other risk-off periods. This is skewed in part by the performance of energy stocks.
- Lower valuation fared much better than higher valuation while sales and earnings growth lagged in both the broader market as well as within value.

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# 1<sup>st</sup> Quarter Positives for Relative Returns

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## Health Care

- **Strong performance from both pharmaceutical companies and health care providers again led this sector higher this quarter as it did last quarter. Being overweight the sector was a tailwind this quarter. We had been adding back to the sector specifically in some of the better performing larger pharmaceutical and biotech companies which showed up as a big contribution from stock selection as well.**

## Industrials

- **The benefit to the portfolio within the industrials sector was primarily from strong stock selection within the capital goods industries. Aerospace & defense companies helped offset very poor performance in most of the other industries which suffered from inflationary impacts. Positioning changes in the fourth quarter had a big impact to performance this quarter with selling out of weaker machinery holdings as well as having added to A&D companies. Additionally, one of our logistics holdings was a standout among transportation companies this quarter and is a position we had also just added to at the end of last year.**

## Consumer Staples

- **The defensiveness in this sector helped on an absolute basis while strong stock selection in food and tobacco companies helped on a relative basis. We had been adding to this sector in the second half of last year ending the year much more in line with the benchmark which helped during the selloff.**

## Information Technology

- **The technology sector continued its stretch of underperforming the benchmark. This is the 4<sup>th</sup> consecutive quarter of lackluster returns. The new underweight positioning in the strategy was a sizable benefit to relative returns this quarter as well as avoiding some of the higher valuation software companies.**

## Factors

- **In a stark reversal from last quarter, higher valuation companies lagged substantially. The exception was among the non-earning and negative earning energy companies. Our process helps ensure the portfolio remains focused in more reasonably valued companies.**

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# 1<sup>st</sup> Quarter Negatives for Relative Returns

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## Consumer Discretionary

- The largest detractor to the portfolio on both an absolute and relative basis was from maintaining nearly twice the benchmark weight in the poorest performing sector during the quarter. The prospect of sustained higher inflation impacting future profitability translated into a complete reversal from the benefit derived in the prior quarter. Consumer durables and autos were industries we are sizably overweight and exceptional weakness.

## Financials

- Inflation concerns again weighed heavily on the financial sector along with a jump in short term yields which resulted in an inverted curve. A flat or inverted yield curve hurts banking earnings. The large overweight we built up last year hurt performance this quarter as did not owning Berkshire Hathaway which had a very strong quarter along with the high yielding insurance sector. Our smaller overweight in insurance was not enough to offset the impact.

## Factors

- Lower quality companies performed exceptionally well this quarter. The factor was heavily influenced by strong returns in energy and health care companies with lower ROE. This was a headwind for our strategy since we tend to have a bias towards and overweighting in higher quality companies from our investment process.

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# Representative Account\*

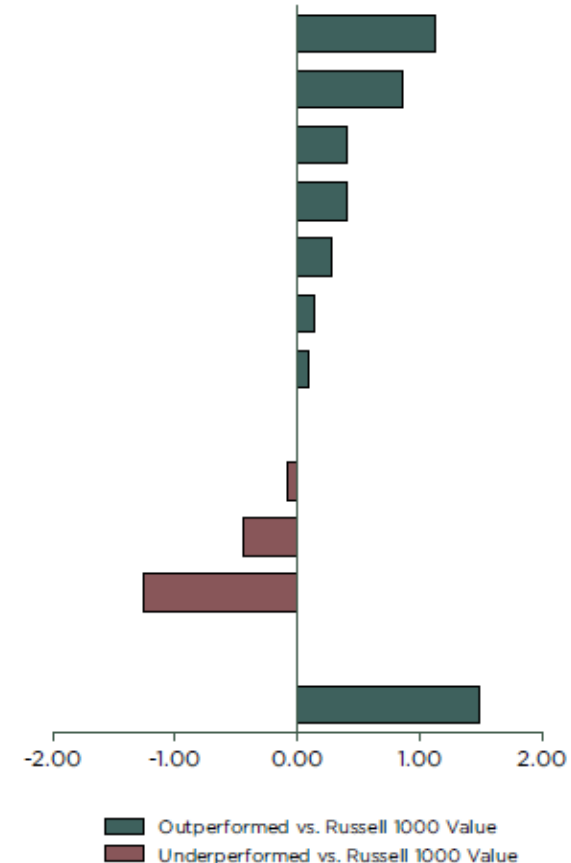
Diversified Large Cap Value Equity

# Attribution Analysis

1st Quarter 2022

Diversified Large Cap Value Equity Composite Return (Net of Fees): 0.55%

|                        | Your Portfolio |              | Russell 1000 Value |              | Variance Analysis |             |             |
|------------------------|----------------|--------------|--------------------|--------------|-------------------|-------------|-------------|
|                        | Avg. Weight    | Gross Return | Avg. Weight        | Gross Return | Allocation        | Selection   | Total       |
| Health Care            | 18.73          | 4.71         | 17.60              | -1.32        | 0.03              | 1.09        | 1.12        |
| Industrials            | 9.73           | 4.08         | 11.13              | -4.23        | 0.04              | 0.82        | 0.86        |
| Consumer Staples       | 6.41           | 6.50         | 7.46               | 0.02         | 0.00              | 0.40        | 0.41        |
| Information Technology | 8.73           | -6.20        | 9.53               | -9.35        | 0.11              | 0.29        | 0.40        |
| Materials              | 3.93           | 12.36        | 3.87               | 5.31         | 0.02              | 0.25        | 0.27        |
| Real Estate            | 0.32           | -13.30       | 4.87               | -4.34        | 0.17              | -0.03       | 0.14        |
| Communication Services | 2.84           | -3.90        | 7.27               | -3.08        | 0.11              | -0.03       | 0.08        |
| Utilities              | 4.67           | 4.61         | 5.06               | 4.38         | -0.02             | 0.01        | -0.01       |
| Energy                 | 6.69           | 36.27        | 6.44               | 38.76        | 0.07              | -0.15       | -0.08       |
| Financials             | 26.75          | -2.90        | 21.34              | -1.16        | 0.01              | -0.44       | -0.44       |
| Consumer Discretionary | 10.50          | -17.75       | 5.31               | -13.21       | -0.71             | -0.55       | -1.26       |
| CASH                   | 0.69           | 0.07         | 0.00               | 0.00         | 0.00              | 0.00        | 0.00        |
| <b>Total</b>           | <b>100.00</b>  | <b>0.75</b>  | <b>100.00</b>      | <b>-0.74</b> | <b>-0.18</b>      | <b>1.67</b> | <b>1.49</b> |



\*Supplemental Information to the attached Diversified Large Cap Value Equity GIPS composite presentation.

The data is based upon a Representative Portfolio for the Diversified Large Cap Value Equity strategy in a separately managed institutional client account. The data represent the aggregate characteristics of all securities held in the Representative Portfolio. Data is obtained from Factset Research Systems, Inc. and is believed to be accurate and reliable. The actual characteristics with regard to any particular client account may vary based on any investment restrictions applicable to the account. Sector and industry weights of any particular client account may vary based on any investment restrictions applicable to the account. The Russell 1000® Value Index is a trademark of FTSE Russell. Russell™ is a trademark of FTSE Russell. The Russell 1000® Value Index is constructed to provide a comprehensive and unbiased barometer of the large cap value segment of the equity market. Indices are unmanaged and not available for direct investment. It should not be assumed that investment in any of the sectors or industries listed were or will prove profitable, or that investment decisions we make in the future will 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 Part 2A of Brandywine Global's Form ADV for a description of its advisory fees. Please refer to the end of this presentation for our GIPS presentations, which include performance footnotes, fee schedules, index descriptions and disclosures. This data is provided for informational purposes only. **Past performance is no guarantee of future results.**

# Diversified Large Cap Value Equity Sector Weights\*

As of 3/31/2022



\*Supplemental Information to the attached Diversified Large Cap Value Equity GIPS composite presentation.

This data is based upon a Representative Portfolio for the Diversified Large Cap Value Equity strategy and represents the aggregate characteristics of all securities held in the Representative Portfolio. It is included for informational purposes only. The sectors discussed herein should not be perceived as investment recommendations and may no longer be held in an account's Portfolio. Sector weights and actual characteristics of any particular client account may vary based on any investment restrictions applicable to the account. It should not be assumed that investment in the sectors listed were or will prove to be profitable, or that the investment decisions we make in the future will be profitable. Data is obtained through FTSE Russell and Brandywine Global (© 2022), which is believed to be reliable and accurate. FTSE Russell provides data on index holdings. The Russell 1000® Value Index is constructed to provide a comprehensive and unbiased barometer of the large cap value segment of the equity market. This data is provided for informational purposes only. The Russell 1000® Value Index is unmanaged and not available for direct investment. The Russell 1000® Value Index is a trademark of FTSE Russell. Russell™ is a trademark of FTSE Russell. Please refer to the end of this presentation for our GIPS presentations which include Performance Footnotes, Index Descriptions, Fee Schedules and Disclosures. **Past performance is no guarantee of future results.**



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# Diversified Large Cap Value Composite Disclosure

As of 3/31/2022 Results shown in USD

| Year or YTD | 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> |
| 2022        | 0.73                    | 0.59                  | -0.74               | -4.60              | 10         | 7,168             | 64,266           | 0.01                     | 19.01                       | 18.85               | 17.51              | QTD             | 0.73                    | 0.59                  | -0.74               | -4.60              |
| 2021        | 30.83                   | 30.13                 | 25.16               | 28.71              | 9          | 7,452             | 67,356           | 0.08                     | 19.33                       | 19.06               | 17.17              | YTD             | 0.73                    | 0.59                  | -0.74               | -4.60              |
| 2020        | -0.64                   | -1.19                 | 2.80                | 18.40              | 11         | 6,928             | 63,872           | 0.03                     | 19.82                       | 19.62               | 18.53              | 1 Year          | 14.22                   | 13.60                 | 11.67               | 15.65              |
| 2019        | 26.60                   | 25.92                 | 26.54               | 31.49              | 11         | 7,456             | 74,024           | 0.02                     | 12.88                       | 11.85               | 11.93              | 3 Year          | 14.23                   | 13.61                 | 13.01               | 18.91              |
| 2018        | -8.19                   | -8.70                 | -8.27               | -4.38              | 11         | 7,143             | 70,070           | 0.02                     | 11.96                       | 10.82               | 10.80              | 5 Year          | 11.94                   | 11.33                 | 10.28               | 15.98              |
| 2017        | 21.05                   | 20.40                 | 13.66               | 21.83              | 10         | 7,883             | 74,382           | 0.17                     | 11.35                       | 10.20               | 9.92               | 7 Year          | 11.07                   | 10.45                 | 9.72                | 14.00              |
| 2016        | 15.13                   | 14.50                 | 17.34               | 11.96              | 10         | 7,397             | 65,498           | 0.14                     | 11.74                       | 10.77               | 10.59              | 10 Year         | 12.54                   | 11.85                 | 11.69               | 14.63              |
| 2015        | -2.28                   | -2.98                 | -3.83               | 1.38               | 10         | 7,257             | 68,819           | 0.05                     | 11.19                       | 10.68               | 10.47              | Since Inception | 9.00                    | 8.27                  | 7.48                | 7.63               |
| 2014        | 13.22                   | 12.39                 | 13.45               | 13.69              | 8          | 5,898             | 63,375           | 0.03                     | 9.16                        | 9.20                | 8.97               |                 |                         |                       |                     |                    |
| 2013        | 33.09                   | 32.12                 | 32.53               | 32.39              | 7          | 3,406             | 50,050           | 0.02                     | 11.70                       | 12.70               | 11.94              |                 |                         |                       |                     |                    |
| 2012        | 16.05                   | 15.20                 | 17.51               | 16.00              | 7          | 2,666             | 42,894           | 0.06                     | 14.66                       | 15.51               | 15.09              |                 |                         |                       |                     |                    |

| Year | Composite Return Gross of Fees (%) |       |       |        | Composite Return Net of Fees (%) |       |       |        | R1000V Return (%) <sup>1</sup> |       |       |        | SP500 Return (%) <sup>2</sup> |       |       |        |
|------|------------------------------------|-------|-------|--------|----------------------------------|-------|-------|--------|--------------------------------|-------|-------|--------|-------------------------------|-------|-------|--------|
|      | Q1                                 | Q2    | Q3    | Q4     | Q1                               | Q2    | Q3    | Q4     | Q1                             | Q2    | Q3    | Q4     | Q1                            | Q2    | Q3    | Q4     |
| 2022 | 0.73                               | -     | -     | -      | 0.59                             | -     | -     | -      | -0.74                          | -     | -     | -      | -4.60                         | -     | -     | -      |
| 2021 | 15.38                              | 5.95  | -0.19 | 7.23   | 15.23                            | 5.81  | -0.33 | 7.08   | 11.26                          | 5.21  | -0.78 | 7.77   | 6.17                          | 8.55  | 0.58  | 11.03  |
| 2020 | -27.20                             | 14.41 | 4.31  | 14.36  | -27.31                           | 14.26 | 4.17  | 14.21  | -26.73                         | 14.29 | 5.59  | 16.25  | -19.60                        | 20.54 | 8.93  | 12.15  |
| 2019 | 11.19                              | 2.93  | 1.29  | 9.22   | 11.04                            | 2.79  | 1.15  | 9.08   | 11.93                          | 3.84  | 1.36  | 7.41   | 13.65                         | 4.30  | 1.70  | 9.07   |
| 2018 | -2.06                              | 0.58  | 7.31  | -13.15 | -2.19                            | 0.44  | 7.17  | -13.28 | -2.83                          | 1.18  | 5.70  | -11.72 | -0.76                         | 3.43  | 7.71  | -13.52 |
| 2017 | 4.80                               | 2.51  | 4.97  | 7.34   | 4.66                             | 2.37  | 4.83  | 7.19   | 3.27                           | 1.34  | 3.11  | 5.33   | 6.07                          | 3.09  | 4.48  | 6.64   |
| 2016 | 0.48                               | 1.91  | 4.00  | 8.11   | 0.34                             | 1.77  | 3.86  | 7.97   | 1.64                           | 4.58  | 3.48  | 6.68   | 1.35                          | 2.46  | 3.85  | 3.82   |
| 2015 | -0.65                              | 1.17  | -7.69 | 5.31   | -0.84                            | 0.99  | -7.86 | 5.15   | -0.72                          | 0.11  | -8.39 | 5.64   | 0.95                          | 0.28  | -6.44 | 7.04   |
| 2014 | 2.49                               | 4.39  | 1.08  | 4.70   | 2.30                             | 4.20  | 0.89  | 4.51   | 3.02                           | 5.10  | -0.19 | 4.98   | 1.81                          | 5.23  | 1.13  | 4.93   |
| 2013 | 11.08                              | 2.94  | 4.83  | 11.02  | 10.88                            | 2.75  | 4.64  | 10.82  | 12.31                          | 3.20  | 3.94  | 10.01  | 10.61                         | 2.91  | 5.24  | 10.51  |
| 2012 | 11.19                              | -1.50 | 5.82  | 0.13   | 10.98                            | -1.68 | 5.63  | -0.05  | 11.12                          | -2.20 | 6.51  | 1.52   | 12.59                         | -2.75 | 6.35  | -0.38  |

<sup>1</sup>R1000V = Russell 1000 Value <sup>2</sup>SP500 = S&P 500 Inception Date: 4/1/1999 Organization: Brandywine Global Investment Management, LLC (the "Firm") is a wholly owned, independently operated, subsidiary of Franklin Resources, Inc. Brandywine Global Investment Management, LLC claims compliance with the Global Investment Performance Standards (GIPSA®) and has prepared and presented this report in compliance with the GIPS standards. Brandywine Global Investment Management, LLC has been independently verified for the periods January 1, 1993 through June 30, 2020. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Diversified Large Cap Value Composite has had a performance examination for the periods April 1, 1999 through June 30, 2020. The verification and performance examination reports are available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Disclosed total firm assets represent the total market value of all discretionary and non-discretionary, fee-paying and non-fee-paying assets under the Firm's management. GIPSA® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Composite Description: Diversified Large Cap Value Equity Composite (the "Composite") Inception date: April 1, 1999. Creation date is April 1, 1999. The Composite includes all fully discretionary, actively managed accounts with no minimum market value requirement and no investment restrictions. The composite is primarily invested in large capitalization U.S. common stocks with Price-to-Earnings ratios below the 40th percentile or Price-to-Book ratios below the 25th quartile, favorable change in share issuance, and attractive price momentum. The portfolios typically hold approximately 150 - 250 securities. A non fee-paying account was the sole account in the composite from 1999-2005. As of June 30, 2019, non fee-paying account represented less than 1% of composite assets. Primary Benchmark Description: 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. Secondary Benchmark Description: 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, calculated using gross-of-fee returns, measures the variability of the composite and the benchmark returns over the preceding 36-month period. Gross-of-fee returns are used to calculate the presented risk measures. Past performance is no guarantee of future results. A complete list of composites, and limited distribution pooled funds descriptions as well as a list of broad distribution pooled funds is available upon request. Fee Schedule: Institutional Client Separate Account Management Fee Schedule (minimum initial investment: \$25 million): 0.550% on the first \$50 million; 0.400% on the next \$150 million; 0.350% on the next \$200 million; 0.300% on the next \$250 million, and 0.250% on any portion of assets in excess of \$650 million. Institutional Client Commingled Account Management Investment Trust Fee Schedule (minimum initial investment: \$1 million): 0.550% on the first \$50 million; 0.400% on the next \$150 million; 0.350% on the next \$200 million; 0.300% on the next \$250 million, and 0.250% on any portion of assets in excess of \$650 million. Additional information on the Firm's fee schedule can be found in Form ADV Part 2A which is available upon request.