

4th Quarter 2017 Webcast

Classic Large Cap Value Equity

Presented by

Patrick S. Kaser, CFA

Managing Director & Portfolio Manager



Brandywine Global Investment Management, LLC
2929 Arch Street, 8th Floor / Philadelphia, PA 19104

North America 800 348 2499 / 215 609 3500
Asia 65 6536 6213
Europe 44 (0) 207 786 6360

brandywineglobal.com

*This material may not be reproduced or used in any form or medium without express written permission. The views expressed herein represent the opinions of Brandywine Global Investment Management, LLC ("Brandywine Global") and are not intended as a forecast or guarantee of future results. This information should not be considered a solicitation or an offer to provide any Brandywine Global service in any jurisdiction where it would be unlawful to do so under the laws of that jurisdiction. The information contained in this presentation is obtained from sources believed to be accurate, reliable and current as of the presentation date. Brandywine Global will not undertake to supplement, update or revise such information at a later date. The information contained herein is for informational purposes only and is not intended to be a recommendation, investment advice, forecast or guarantee of future results. **Past performance is no guarantee of future results.***

Every Year Is Unusual in Its Own Way

As of 12/31/2017

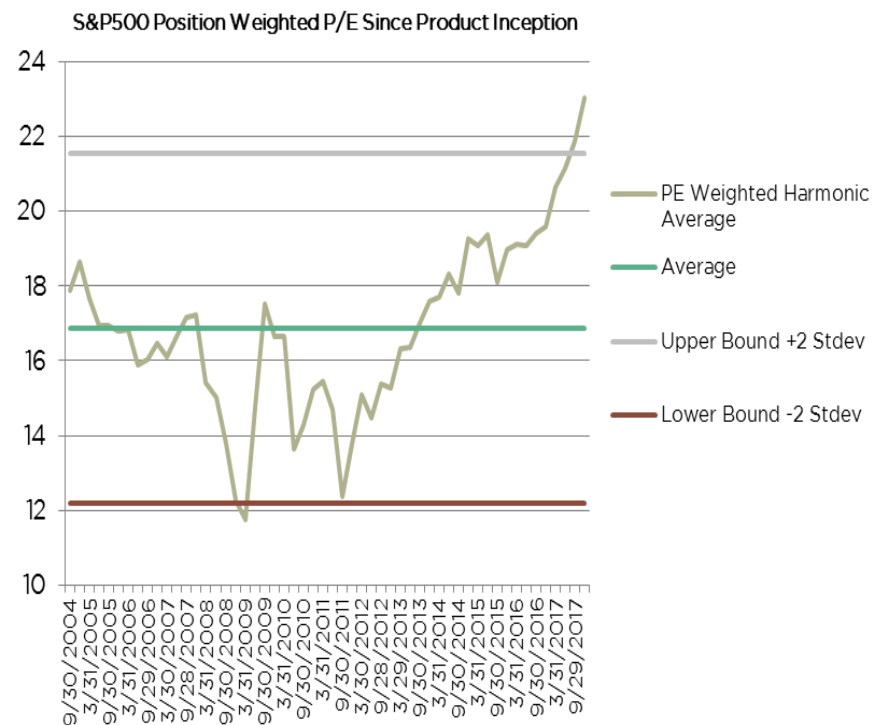
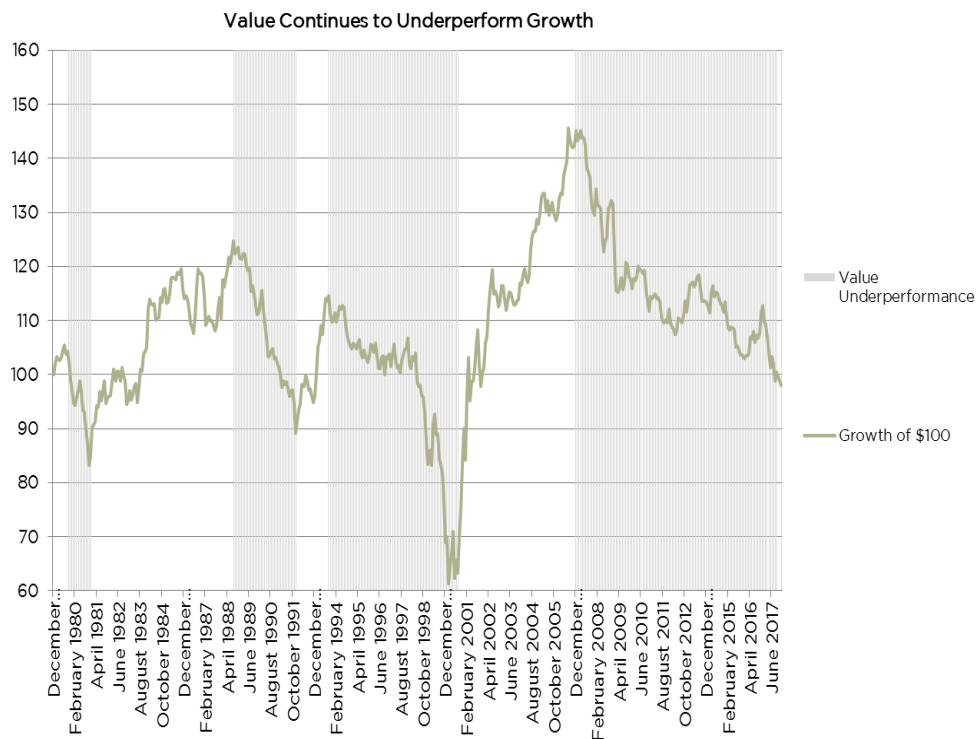
Some Trends Should Not be Extrapolated

1. S&P500 rose every month for the first time ever
2. Fewest countries ever have been in a recession
3. 250 Initial Coin Offerings raised \$4 billion and Bitcoin was up 2,000% at its peak

Longest run for growth over value in 90 years

- Russell 1000 Growth outperformed Russell 1000 Value by more than 13%

Broader market equity valuations are at their highest levels since the tech bubble



Data is obtained from FactSet Portfolio Analysis (©2018, FactSet Research Systems, Inc.), which Brandywine Global believes to be accurate and reliable. Price to Earnings (P/E) calculated using weighted harmonic average methodology for trailing 12 months. The views expressed represent the opinions of Brandywine Global Investment Management and are not intended as a forecast or guarantee of future results. **Past performance is no guarantee of future results.**

Fourth Quarter 2017

- The average gross return for Large Cap Value accounts during the quarter was **5.93% (5.75% net)** versus **5.33%** for the Russell 1000 Value.
- The average gross return for Large Cap Value accounts during the year was **17.98% (17.17% net)** versus **13.66%** 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 FTSE Russell (©2018 FTSE Russell). Indices are unmanaged and not available for direct investment. **Past performance is no guarantee of future results.***

Considering Our Base Case for Macro Factors

As of 12/31/2017

- **Economic growth:** We see no signs of a recession in the next 9-12 months. GDP growth of 2.5-3% seems plausible for 2018 given the tax cut and continuing momentum, plus a lack of new regulations.
- **Interest rates and inflation:**
 - **Short-term rates:** agree with consensus of 2-4 Fed hikes
 - **Longer-term rates:** higher probability than consensus of 10-year and longer rates rising
- **Oil prices:** Solidly into our base case of \$60-80 Brent.
 - Market appears to have a higher probability of oil prices falling than we do
 - We see risks balanced as additional shale supply may be constrained by some companies choosing to live within cash flows; we also see supply risks from Venezuela, Nigeria, and other locations as an upside risk
- **Auto cycle:** Our base case remains a plateau with U.S. sales near the current range
 - There has never been a major drop in U.S. SAAR outside of a recession
 - Tax cuts for consumers should help auto sales remain fairly steady.
- **U.S. Dollar:** Brandywine Global's Global Macro team believes the dollar should weaken.
 - Benefits multinationals and exporters, but importantly for our portfolio it may be inflationary.

The views expressed represent the opinions of Brandywine Global Investment Management 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.

The Portfolio Remains Cheap*

As of 12/31/2017

Fourth Quarter 2017

- **23% discount to the index (4.4 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**

	12/31/2017	
	Representative Account	Russell 1000 Value Index
Price-to-Earnings	15.4x	20.0x
Price-to-Book	1.8x	2.2x
Price-to-Cash Flow	8.1x	11.3x
Dividend Yield	2.2%	2.3%
Weighted Avg Market Cap (\$B)	\$96.8	\$127.1
Median Market Cap (\$B)	\$24.7	\$9.8

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

The views expressed represent the opinions of Brandywine Global and are not intended as a forecast or guarantee of future results. There is no guarantee that holding securities with relatively low price-to-earnings will cause the portfolio to outperform its benchmark or index or that investment goals will be met. Brandywine Global's selection process may prove incorrect, which may have a negative impact on performance. Price to Earnings (P/E) calculated using weighted harmonic average methodology for trailing 12 months. The data represents the aggregate characteristics of all securities held in Brandywine Global's Classic Large Cap Value 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. 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 FTSE Russell (©2018 FTSE Russell). 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.**

Energy – Appears Primed for Improved Sentiment and Valuation

As of 12/31/2017

- **The strategy's energy sector weighting was raised again during the quarter – now at 19.68% versus 11.03% for the benchmark.**
- **In 2017, energy stocks did not follow crude's rise.**
- **Price performance: within the Russell 1000 Value, the energy sector declined 1.4% in 2017; telecom was the only other sector with a decline.**

- **Valuation:**
 - One large oil company (as an example) is expected to have a 10% free cash flow yield for 2018 and had a 7-8% free cash flow yield in 2017; these valuations are rare in the sector. It is the one sector where we can easily envision widespread 40-50% appreciation to our estimates of intrinsic value.

- **Sentiment:**
 - Energy is at its lowest S&P 500 weighting since 2003 at a mere 6.07% of the index; in 2004, the energy sector within the S&P 500 led the market with a 29.2% return compared to the index return of 9.2%.

*The views expressed represent the opinions of Brandywine Global Investment Management and are not intended as a forecast or guarantee of future results. The securities, 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 Brandywine Global's selection process may prove incorrect, which may have a negative impact on performance. **Past performance is no guarantee of future results.***

Fourth Quarter 2017 Sector Attribution*

As of 12/31/2017

Classic Large Cap Value - Unrestricted Composite: 5.93% Gross (5.75% Net)

Russell 1000 Value Index: 5.33%

	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	13.3%	6.1%	6.7%	5.6%	11	5	16
Consumer Staples	2.7%	-5.0%	8.6%	4.0%	-25	8	-17
Energy	17.1%	9.6%	10.7%	6.4%	51	7	58
Financials	28.8%	6.5%	26.5%	8.5%	-55	9	-46
Health Care	8.2%	0.3%	13.7%	2.1%	-19	17	-1
Industrials	9.7%	7.4%	8.4%	1.4%	56	-2	54
Information Technology	6.7%	7.8%	8.4%	10.3%	-11	-5	-17
Materials	6.3%	2.9%	2.9%	8.8%	-34	12	-23
Real Estate	-	-	4.8%	1.8%	-	17	17
Telecommunication Services	1.7%	0.5%	2.9%	1.6%	-1	8	7
Utilities	1.2%	2.6%	6.3%	0.5%	2	23	25
Cash	4.3%	0.3%	-	-	-	-22	-22

* 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 (©2018, 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 FTSE Russell (©2018 FTSE Russell). 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.**

What We Don't Own*

As of 12/31/2017

Over the 1-Year Period Ending 12/31/2017:

- We also added value through what we don't own – the sectors with many stocks at high valuations
- Utilities, Telecom, Real Estate, and Consumer Staples all have substantial underweights in the strategy and contributed to outperformance
- As mentioned previously, these groups are approximately 22% of the index and 6% of the strategy
- For the quarter, these groups contributed to outperformance

12/31/2017	Russell 1000 Value Weight	Portfolio	Trailing P/E	Forward P/E	Dividend Yield
Consumer Staples	8.60%	2.74%	22.8x	19.8x	2.5%
Utilities	5.91%	1.21%	15.1x	18.5x	3.1%
Real Estate	4.74%	0.0%	28.5x	29.1x	3.3%
Telecom	3.00%	1.94%	17.1x	13.5x	4.9%
Total	22.25%	5.89%			

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

Data is obtained from FactSet Portfolio Analysis (©2018, 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. 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 FTSE Russell (©2018 FTSE Russell). 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.

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 9/30/2017 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	11.37	10.80	7.92	14.24	19	3,748	73,890	0.10	14.02	10.17	9.93	QTD	6.57	6.39	3.11	4.48
2016	16.25	15.45	17.34	11.96	17	3,488	65,498	0.44	14.23	10.77	10.59	YTD	11.37	10.80	7.92	14.24
2015	-9.85	-10.48	-3.83	1.38	19	3,407	68,819	0.22	13.00	10.68	10.47	1 Year	23.90	23.05	15.12	18.61
2014	11.35	10.58	13.45	13.69	17	983	63,375	0.27	10.85	9.20	8.97	3 Year	6.04	5.31	8.53	10.80
2013	40.97	40.02	32.53	32.39	16	678	50,050	0.38	14.53	12.70	11.94	5 Year	13.79	13.01	13.19	14.22
2012	22.39	21.56	17.51	16.00	19	386	42,894	0.39	16.60	15.51	15.09	7 Year	12.94	12.16	13.23	14.36
2011	-5.08	-5.74	0.39	2.11	26	516	33,122	0.26	19.77	20.69	18.71	10 Year	7.80	7.05	5.91	7.43
2010	13.99	13.21	15.51	15.06	21	463	31,996	-	20.47	23.18	21.85	Since Inception	9.92	9.16	8.00	8.72
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	1.77	6.57		2.51	1.59	6.39		3.27	1.34	3.11		6.07	3.09	4.48	
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.