

1st Quarter 2018 Webcast

Classic Large Cap Value Equity

Presented by

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First Quarter 2018

- **The average gross return for Large Cap Value accounts during the quarter was -2.71% (-2.88% net) versus -2.83% for the Russell 1000 Value.**
- **The average gross return for Large Cap Value accounts during the last twelve months was 11.78% (11.01% net) versus 6.95% for the Russell 1000 Value.**

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

The Strategy Remains Cheap*

As of 3/31/2018

First Quarter 2018

- **25% discount to the index (4.7 multiple points) continues to be far greater than average**
- **Ex-Energy, the strategy is trading near 10x forward estimated earnings**
- **Our estimates of intrinsic value show over 30% upside for the strategy in an environment where the index looks fairly/fully valued**

3/31/2018

	Representative Account	Russell 1000 Value Index
Price-to-Earnings	13.8x	18.5x
Price-to-Book	1.7x	2.1x
Price-to-Cash Flow	10.2x	11.6x
Dividend Yield	2.4%	2.5%
Weighted Avg Market Cap (\$B)	\$94.0	\$120.7
Median Market Cap (\$B)	\$20.7	\$9.5

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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 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.**

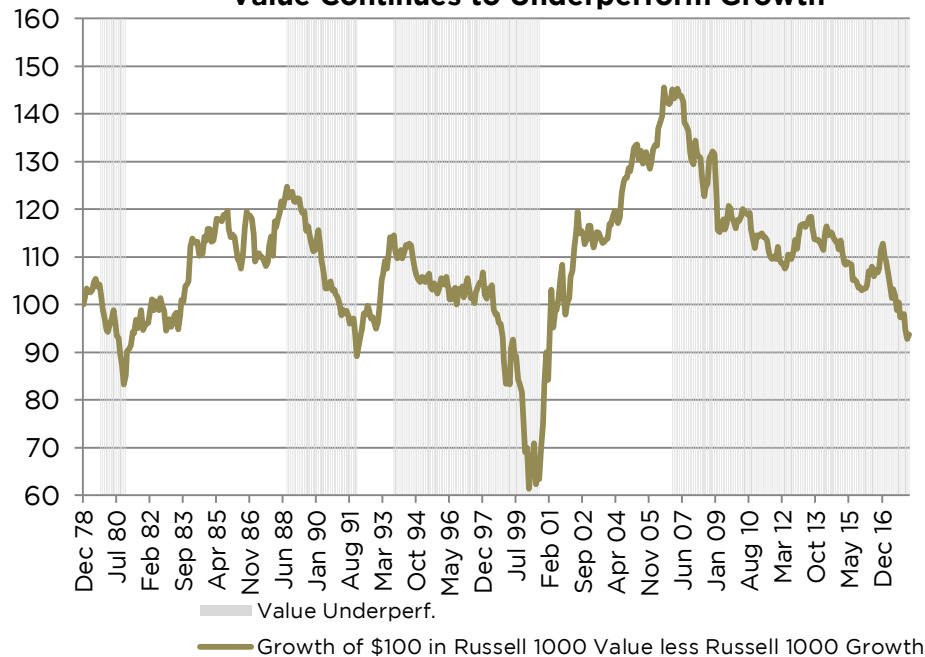
Is Value Ready to Make a Comeback?*

As of 3/31/2018

The current period of growth outperforming value is the longest run in over 90 years

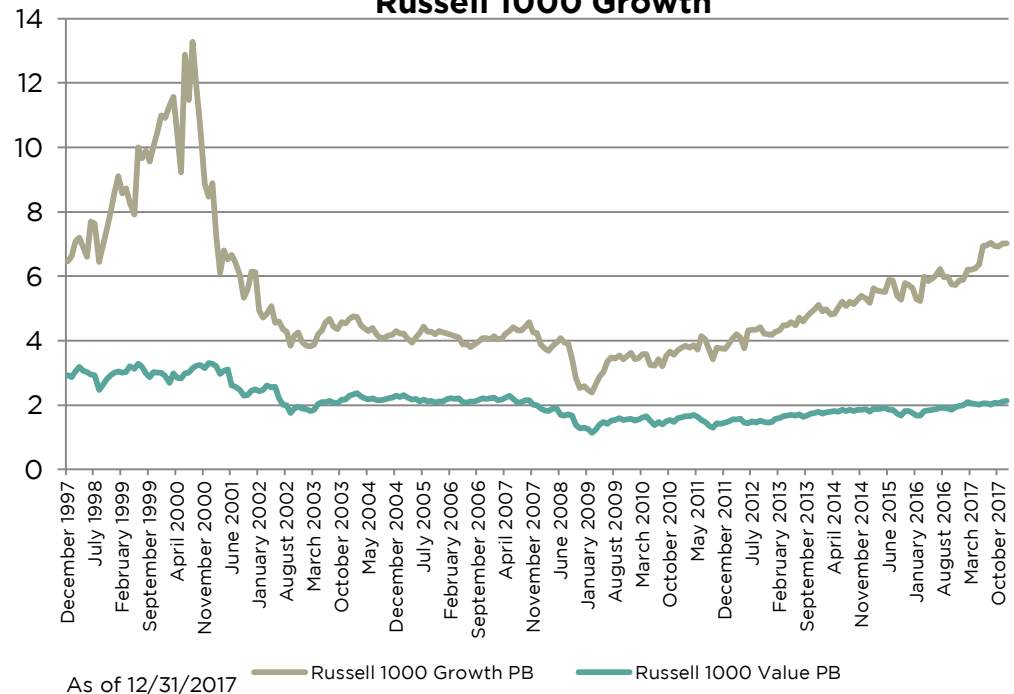
- Low P/E has struggled most of the past decade - this is unusual historically and we are positioned to capture a return to that factor
- Years where low PE outperformed high PE (8 of 13 years overall)
 - During these years the average excess return (net) of Classic Large Cap Value was: +4.0% over Russell 1000 Value
- Years where low PE underperformed high PE (5 of last 8 years)
 - During these years the average excess return (net) of Classic Large Cap Value was: -2.8% under the Russell 1000 Value

Value Continues to Underperform Growth



As of 3/31/2018

Price-to-Book: Russell 1000 Value vs. Russell 1000 Growth



As of 12/31/2017

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

Data is obtained from FTSE Russell (©2018, FTSE Russell), which Brandywine Global believes to be accurate and reliable. Charts created by Brandywine Global. Price to Book (P/B) calculated using weighted harmonic average methodology. High and Low PE defined as top and bottom quartiles of Russell 1000 Value Index. Returns are presented on a net-of-fees basis and reflect the deduction of, among other things: management fees, brokerage commissions, administrative expenses, and accrued performance allocation or incentive fees, if any. Net performance includes the reinvestment of all dividends, interest, and capital gains. 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 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-value ratios and higher forecasted growth values. The Russell 1000® Value Index and Russell 1000® Growth Index are registered trademarks of FTSE Russell (©2018 FTSE Russell). 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.**

We Have Reduced Our Cyclical Overweight*

Representative Portfolio Relative Weight History vs. Russell 1000 Value

	<u>3/31/2015</u>	<u>6/30/2015</u>	<u>12/31/2015</u>	<u>6/30/2016</u>	<u>12/30/2016</u>	<u>6/30/2017</u>	<u>12/29/2017</u>	<u>3/31/2018</u>
Defensive	-11.2	-9.9	-11.4	-16.9	-16.0	-15.5	-5.2	-7.7
Consumer Staples	-7.3	-6.9	-7.3	-8.9	-7.8	-7.5	-5.9	-5.6
Energy	2.4	-0.2	0.0	2.8	-0.4	3.5	8.6	8.2
Health Care	-5.7	-2.8	-3.1	-4.7	-3.3	-6.2	-5.5	-5.9
Telecommunication Services	3.7	3.5	2.9	-1.3	-0.5	-2.1	-1.1	-1.0
Utilities	-6.3	-5.8	-6.3	-6.5	-5.6	-5.0	-4.7	-5.9
Cash	2.0	2.3	2.4	1.7	1.7	1.7	3.4	2.5
Cyclical	11.2	9.9	11.4	16.9	16.0	15.5	5.2	7.7
Consumer Discretionary	5.2	7.7	11.6	12.9	13.3	6.5	6.2	9.5
Financials	3.9	5.0	3.3	6.6	3.9	7.0	1.5	1.2
Industrials	3.2	-0.9	1.5	2.1	2.1	2.4	2.2	1.9
Information Technology	0.9	-1.1	-3.7	-1.0	-0.2	0.3	-2.3	-1.9
Materials	2.4	3.1	3.5	1.7	1.6	4.4	2.3	1.6
Real Estate	-4.4	-3.8	-4.8	-5.3	-4.7	-5.0	-4.7	-4.6

- For the last three years, we have been the most active in our relative weights in the Energy sector. At times we have been underweight our exposure but at the end of the quarter we have a heavy overweight.
- Consumer discretionary is another sector where we have been active with our weights. We have always maintained an overweight, but the percentage has changed over time. This is currently our largest overweight.
- During the period, we have been consistently overweight in Financials but have moved our overweight position to the lowest it's been at the end of March.

*Supplemental Information to the attached Classic Large Cap Value - Unrestricted GIPS 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 discussed herein should not be perceived as investment recommendations and securities within a sector may no longer be held in an account's portfolio. It should not be assumed that investments in any of the sectors listed were or will prove to be profitable. 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. The Russell 1000 © Value Index is a registered trademark of FTSE Russell (©2018 FTSE Russell).

First Quarter 2018 Sector Attribution*

As of 3/31/2018

Classic Large Cap Value - Unrestricted Composite: -2.71% Gross (-2.88% Net)

Russell 1000 Value Index: -2.83%

	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	14.8%	-2.4%	6.8%	-2.7%	4	-3	0
Consumer Staples	2.7%	-10.3%	8.3%	-8.4%	-5	32	27
Energy	18.8%	-5.0%	10.8%	-5.8%	16	-21	-5
Financials	29.0%	-2.2%	27.3%	-1.2%	-33	4	-29
Health Care	7.7%	-4.0%	13.7%	-1.7%	-16	-5	-21
Industrials	10.3%	-6.0%	8.3%	-4.5%	-16	-3	-19
Information Technology	6.8%	13.9%	8.9%	6.1%	49	-20	29
Materials	4.6%	-1.4%	3.0%	-5.3%	17	-1	15
Real Estate	--	--	4.4%	-7.2%	--	19	19
Telecommunication Services	1.8%	-7.1%	2.9%	-7.1%	0	5	5
Utilities	0.1%	-0.5%	5.6%	-3.1%	1	-3	-2
Cash	3.6%	0.4%	--	--	--	9	9

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

**Supplemental Information to the attached Classic Large Cap Value – Unrestricted GIPS composite
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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 12/31/2017 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
2018	995.00	996.00	999.00	1,001.00	997	993		992.00	991.00	998.00	1,000.00	QTD	5.93	5.75	5.33	6.64
2017	17.98	17.17	13.66	21.83	19	3,677	74,382	0.18	14.07	10.20	9.92	YTD	17.98	17.17	13.66	21.83
2016	16.25	15.45	17.34	11.96	17	3,488	65,498	0.44	14.23	10.77	10.59	1 Year	17.98	17.17	13.66	21.83
2015	-9.85	-10.48	-3.83	1.38	19	3,407	68,819	0.22	13.00	10.68	10.47	3 Year	7.32	6.58	8.64	11.40
2014	11.35	10.58	13.45	13.69	17	983	63,375	0.27	10.85	9.20	8.97	5 Year	14.17	13.39	14.03	15.78
2013	40.97	40.02	32.53	32.39	16	678	50,050	0.38	14.53	12.70	11.94	7 Year	12.31	11.53	12.45	13.75
2012	22.39	21.56	17.51	16.00	19	386	42,894	0.39	16.60	15.51	15.09	10 Year	8.79	8.04	7.10	8.49
2011	-5.08	-5.74	0.39	2.11	26	516	33,122	0.26	19.77	20.69	18.71	Since Inception	10.20	9.44	8.26	9.07
2010	13.99	13.21	15.51	15.06	21	463	31,996	-	20.47	23.18	21.85					
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					

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
2018	995.10	995.20	995.30	995.40	996.10	996.20	996.30	996.40	999.10	999.20	999.30	999.40	1,001.10	1,001.20	1,001.30	1,001.40
2017	2.69	1.77	6.57	5.93	2.51	1.59	6.39	5.75	3.27	1.34	3.11	5.33	6.07	3.09	4.48	6.64
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

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 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.