

3rd Quarter 2016 Webcast

Large Cap Value

Presented by

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Where Do We Stand?

- The strategy is still exceptionally cheap
- The bubble in low-volatility stocks and the bond-proxy trade may be showing signs of a top
- The economy is “good enough” and investors’ fears are overblown

The above are the views 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. Past performance is no guarantee of future results.

Characteristics and Cheapness*

As of 9/30/2016

Third Quarter 2016

- 30% discount to the index (5.5 multiple points) is far greater than average
- Our estimates of intrinsic value show approximately 40% upside for the strategy in an environment where the index looks fairly/fully valued

9/30/2016

	Representative Account	Russell 1000 Value Index
Price-to-Earnings	12.5x	18.0x
Price-to-Book	1.4x	1.8x
Price-to-Cash Flow	5.1x	8.8x
Dividend Yield	2.4%	2.6%
Weighted Avg Market Cap (\$B)	\$68.9	\$110.6
Median Market Cap (\$B)	\$17.2	\$8.0

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

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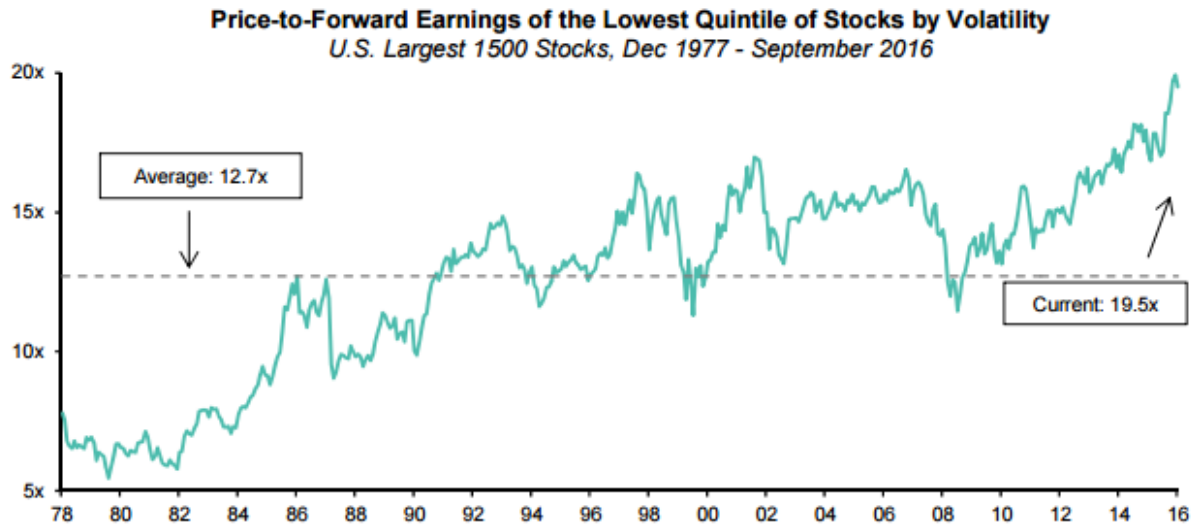
The Market has a Strong Preference for “Safety”

As of 9/30/2016

Third Quarter 2016

The Bubble in Low Volatility Stocks is visible below; we believe this trade is over and investors that have piled in will find it nearly impossible to make money from here

EXHIBIT 2: Valuations for low vol stocks are at all time highs



Source: Factset, CRSP, Bernstein analysis.

Chart has been obtained from Sanford Bernstein 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. Past performance is no guarantee of future results.

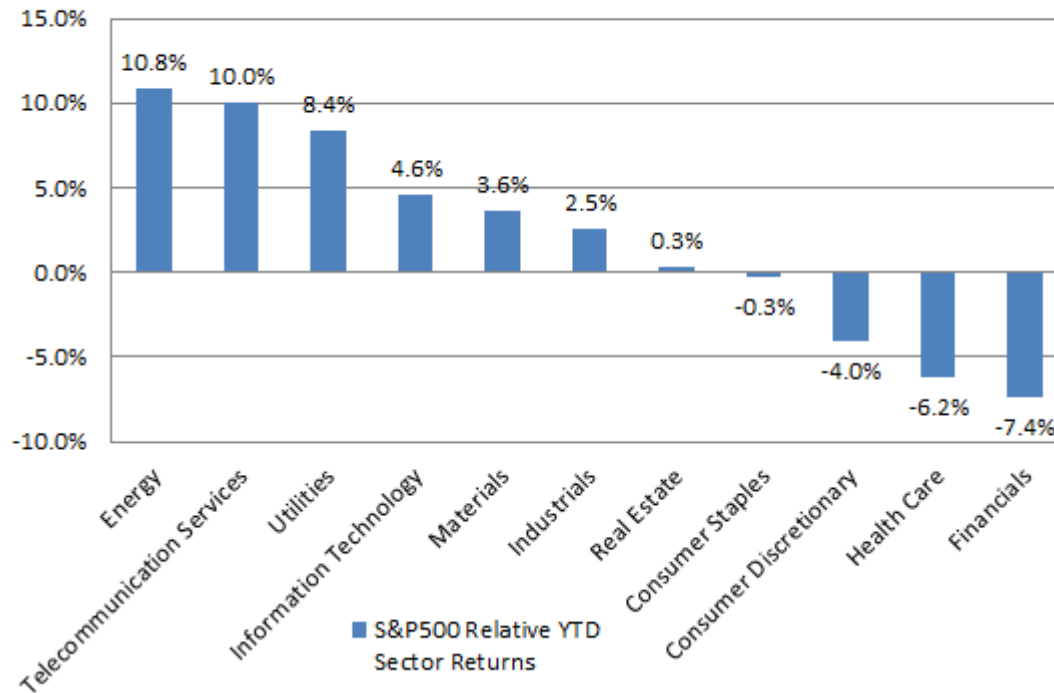
Sector Return Disparities

As of 9/30/2016

Third Quarter 2016

- Defensive names are leading performance year-to-date; cyclical names are still training

S&P500 Relative YTD Sector Returns



Data is obtained from FactSet Portfolio Analysis (©2016, 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 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. The S&P 500 is a trademark of Standard & Poor's Financial Services LLC, a subsidiary of The McGraw Hill Companies, Inc. (©2016 Standard & Poor's Financial Services LLC). All indices are unmanaged and not available for direct investment. Past performance is no guarantee of future results.

Factor Return Spreads of the Russell 1000 Value Index

As of 9/30/2016

Third Quarter 2016

- 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:	Year-to-Date	3Q2016	2Q2016	1Q2016
Low Price-to-Book	-1.06%	7.77%	-1.67%	-6.67%
Low Price/Earnings	-7.93%	6.86%	-5.28%	-8.85%
High Dividend Yield	11.22%	-2.50%	4.55%	8.74%
High ROE	-3.48%	-0.63%	-5.46%	0.83%
Low-Debt-to-Equity	9.85%	-0.17%	2.94%	6.29%
Low Price Volatility	-6.19%	-12.82%	4.65%	2.42%
High Earnings Growth	-17.93%	-0.55%	-4.90%	-13.92%
Higher Beta	7.04%	12.91%	-0.16%	-3.03%

Data is obtained from FactSet Portfolio Analysis (©2016, FactSet Research Systems, Inc.), which Brandywine Global believes to be accurate and reliable. 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.

Third Quarter 2016

- The average gross return for Large Cap Value accounts during the quarter was 9.84% (9.65% net) versus 3.48% 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 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.

Third Quarter 2016 Sector Attribution*

As of 9/30/2016

Classic Large Cap Value - Unrestricted Composite: 9.84% Gross (9.65% Net)

Russell 1000 Value Index: 3.48%

	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	18.1%	10.0%	4.8%	6.1%	67	35	102
Consumer Staples	-	-	8.9%	0.1%	-	32	32
Energy	15.3%	9.9%	13.1%	2.3%	120	-5	115
Financials	29.7%	12.7%	23.2%	6.5%	176	18	194
Health Care	7.3%	0.2%	11.7%	1.1%	-1	9	7
Industrials	12.9%	12.3%	9.5%	5.5%	87	8	95
Information Technology	6.5%	23.2%	9.9%	13.2%	50	-29	21
Materials	4.4%	2.1%	2.9%	4.6%	-11	3	-8
Real Estate	-	-	5.2%	0.4%	-	16	16
Telecommunication Services	2.8%	7.8%	4.1%	-4.8%	35	12	47
Utilities	0.7%	-14.3%	6.8%	-5.7%	-7	61	54
Cash	2.3%	0.1%	-	-	-	-7	-7

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

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

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What We Don't Own*

As of 9/30/2016

Third Quarter 2016

- **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 portfolio and contributed more than 100 basis points combined of outperformance**
- **As mentioned previously, these groups are approximately 25% of the index and less than 4% of the portfolio**

9/30/2016	Russell 1000 Value Weight	CLCV Weight	Trailing P/E (Index Components)	Forward P/E (Index Components)	Dividend Yield (9/30/2016)	Dividend Yield (9/30/2015)
Consumer Staples	8.9%	0.0%	22.1	20.3	2.8%	2.90%
Utilities	6.5%	0.6%	18.7	18.0	3.4%	3.90%
Real Estate	5.1%	0.0%	18.6	18.0	3.9%	NA
Telecom	3.9%	2.7%	15.0	14.7	4.5%	5.30%
Total	24.4%	3.3%				

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Economic Outlook

As of 9/30/2016

- Data continues to support moderate US economic growth
 - Labor data - payrolls, claims, wages – remains strong
 - There is some volatility month-to-month but recent data indicates a weak stretch may be improving
- Global economy a question mark
 - Consensus is that potential growth is falling due to a combination of factors
 - Emerging markets data has looked strong recently

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Investment Outlook & Positioning

As of 9/30/2016

- Staying the course
- Recovery may not be a straight line
- We understand how different the portfolio is than the index but believe we are positioned in the best risk/reward areas

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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 6/30/2016 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
2016	-4.86	-5.20	6.30	3.84	19	3,529	69,828	0.23	13.64	11.18	11.10	QTD	-1.54	-1.71	4.58	2.46
2015	-9.85	-10.48	-3.83	1.38	19	3,407	68,819	0.22	13.00	10.68	10.47	YTD	-4.86	-5.20	6.30	3.84
2014	11.35	10.58	13.45	13.69	17	983	63,375	0.27	10.85	9.20	8.97	1 Year	-14.52	-15.12	2.86	3.99
2013	40.97	40.02	32.53	32.39	16	678	50,050	0.38	14.53	12.70	11.94	3 Year	4.13	3.41	9.86	11.64
2012	22.39	21.56	17.51	16.00	19	386	42,894	0.39	16.60	15.51	15.09	5 Year	9.02	8.27	11.34	12.09
2011	-5.08	-5.74	0.39	2.11	26	516	33,122	0.26	19.77	20.69	18.71	7 Year	12.20	11.43	14.49	14.91
2010	13.99	13.21	15.51	15.06	21	463	31,996	-	20.47	23.18	21.85	10 Year	7.17	6.43	6.13	7.42
2009	29.83	28.94	19.69	26.46	1	32	29,199	-	18.36	21.10	19.63	Since Inception	8.16	7.41	7.27	7.76
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					
2006	22.63	21.79	22.24	15.79	1	20	39,241	-	-	-	-					

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
2016	-3.38	-1.54	-	-	-3.55	-1.71	-	-	1.64	4.58	-	-	1.35	2.46	-	-
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
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

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, 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.