

# Classic Large Cap Value Equity

## Objective

The Classic Large Cap Value risk-adjusted return objective is to outperform the Wilshire U.S. Large Cap Value Index, or client determined equivalent index, over a full market cycle (typically five years) by maintaining a portfolio consistent with large cap value characteristics. The strategy's objective has been consistent since inception.

## Investment Process Summary

### Idea Generation

The investment process begins with idea generation. We attend conferences and develop ideas internally via team discussions. We also create quantitative screens in an effort to find stocks with a market capitalization greater than \$1 billion that are cheap on a price-to-earnings, price-to-book value, price-to-cash flow, or other current valuation basis relative to peers, their own history, and the market. We may also run other screens such as free cash flow and leveraged buyout screens to generate additional ideas.

### Fundamental Analysis

Through fundamental analysis, we seek to understand the reasons a stock is cheap or out of favor and to identify those companies that are truly undervalued and most likely to return to normal valuation levels and profitability. Within the universe of undervalued securities, we seek to identify the best combination of valuation characteristics, earnings growth, and quality. Conclusions are based on a company's financial condition, competitive position in its industry, and quality of management. We pay close attention to the cash flow statement in order to evaluate the strength and security of the dividend. In addition, we focus on long-term macroeconomic conditions and industry trends in order to identify and measure the risks associated with a company's business. These factors lead us to identify those companies that have the best potential and necessary catalysts for a return to normal levels of profitability and valuation.

A portfolio manager is almost always involved as one of the individuals working on our multi-person process for each business we are examining. This means as we go through the process there is not an end state where a portfolio manager is being "pitched" an idea that is new; instead, it is a collegial process where at least one (if not more) portfolio manager is familiar with the financial statements and other source documents.

The positioning of an individual stock as well as other weighting decisions is driven by the valuation opportunity risks and benefits of the ranges of possible company-specific and economic scenarios competitive positioning of a company balance sheet quality and diversification considerations. You should be able to look at our portfolio by weighting to determine our conviction level and the risk/reward outlook at the current price.

## Sell Discipline

We follow a disciplined approach and securities are sold for three main reasons. (1) The security approaches our estimate of normalized valuation and no longer offers compelling upside potential. (2) The fundamentals have deteriorated relative to our initial thesis such that we believe the prospects for re-valuation are impaired and are no longer likely to materialize within a reasonable time frame. (3) A more compelling opportunity arises.

## Our Competitive Advantage

The strategy seeks to implement a consistent process of identifying undervalued large-cap equities with identifiable catalysts for appreciation while attempting to avoid common behavioral finance mistakes. Fundamentally oriented research and analysis focus on closely examining the balance sheet and cash flow statement, management's capital allocation policy, and the underlying prospects for the business.



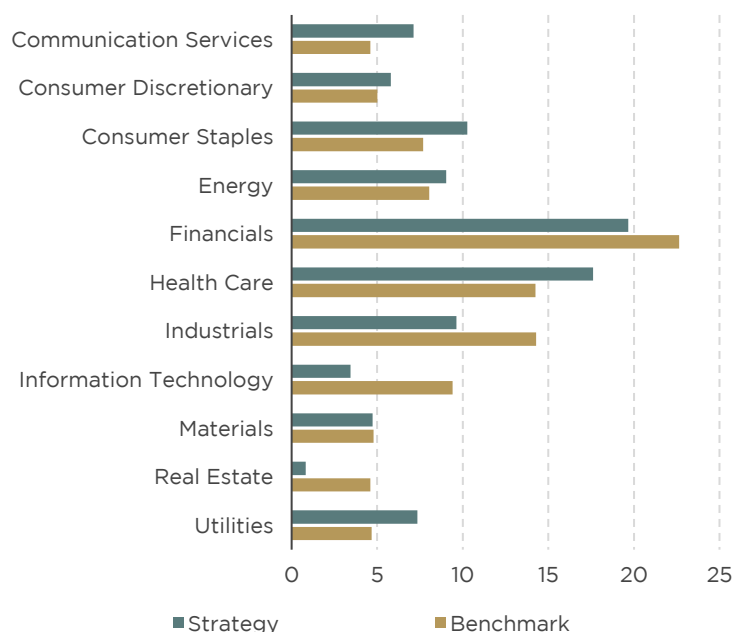
## At a Glance

- Primary benchmark: Russell 1000® Value Index
- Secondary Benchmark: Wilshire US Large Cap Value Index
- Universe: The Classic Large Cap Value universe is comprised of U.S. companies with market capitalization in excess of \$1 billion that we believe are substantially undervalued on a price-to-earnings (P/E), price-to-book (P/B), price-to-free cashflow (P/FCF), or other valuation basis
- Portfolio: A conviction weighted portfolio designed to be well-diversified and carefully structured with regard to economic sensitivity. Greater than 50% of companies will have a market capitalization in excess of \$5 billion

## Characteristics<sup>1,2</sup>

	Strategy	Benchmark
Price-to-Earnings <sup>3</sup>	13.9	19.5
Price-to-Book	1.7	2.7
Price-to-Cash Flow	13.0	12.9
Dividend Yield (%)	2.5	2.1
Avg. Market Cap (\$B)	111.3	158.6
Current # of Securities	61	845
Turnover (% LTM)	22.2	-

## Sector Weights<sup>1,2</sup> (%)



## Assets Under Management (M) (Shown in USD)

Brandywine Global, Firmwide	61,025
Fundamental Equity Product Group <sup>†</sup>	8,578
Classic Large Cap Value Equity <sup>†</sup>	7,454

## Calendar Year Returns<sup>2</sup> (%) (Results shown in USD)

	Gross	Net	R1000V	WUSLCV
2024	9.96	9.77	8.99	8.35
2023	13.67	12.88	11.46	9.17
2022	-6.95	-7.60	-7.54	-5.51
2021	28.51	27.64	25.16	24.53
2020	10.69	9.93	2.80	7.37
2019	33.42	32.51	26.54	27.72
2018	-16.47	-17.06	-8.27	-5.94
2017	17.98	17.17	13.66	16.31
2016	16.25	15.45	17.34	15.44
2015	-9.85	-10.48	-3.83	-0.79
2014	11.35	10.58	13.45	13.00

## Risk Characteristics<sup>2</sup> (Composite Net of Fees) (Since Inception)

Sharpe Ratio	0.48
Sortino Ratio	0.66
Information Ratio	0.22

## Top Ten Holdings<sup>1,2</sup> (%)

Citigroup Inc	4.9
Kroger Co/the	3.5
Aercap Holdings Nv	3.2
General Motors Co	3.2
Cvs Health Corp	3.1
T-Mobile US Inc	2.8
Nrg Energy Inc	2.8
Global Payments Inc	2.5
Jpmorgan Chase & Co	2.4
Walt Disney Co/the	2.3

## Lead Portfolio Managers



**Celia R. Hoopes, CFA**  
Portfolio Manager & Research Analyst  
11 Years of Experience



**Patrick S. Kaser, CFA**  
Managing Director & Portfolio Manager  
28 Years of Experience

<sup>†</sup> Includes \$3,379M in Fundamental Equity assets for which Brandywine Global provides non-discretionary investment management services. Nondiscretionary assets are reported on one month lag.

Data as of March 31, 2024

Past performance is no guarantee of future results.



## Annualized Returns (%) (Results shown in USD)

	Gross	Net	R1000V	WUSLCV
QTD	9.96	9.77	8.99	8.35
YTD	9.96	9.77	8.99	8.35
1 Year	21.32	20.49	20.27	18.21
3 Year	9.31	8.55	8.10	8.22
5 Year	13.78	13.00	10.30	11.15
7 Year	11.31	10.54	9.15	10.47
10 Year	9.38	8.62	9.00	10.15
Since Inception	10.23	9.47	8.38	8.86

Inception Date: 10/1/2004

## GIPS Information (%) (Results shown in USD)

Year or YTD	Gross	Net	R1000V	WUSLCV	# of Accounts	Market Value (M)	Total Firm Assets (M)	Composite Dispersion	Composite Rolling 3Y SD	R1000V Rolling 3Y SD	WUSLCV Rolling 3Y SD
2024	9.96	9.77	8.99	8.35	19	3,633	60,106	0.11	16.70	16.20	15.64
2023	13.67	12.88	11.46	9.17	19	3,288	59,468	0.48	16.84	16.51	15.77
2022	-6.95	-7.60	-7.54	-5.51	20	2,926	52,601	0.19	23.68	21.25	19.50
2021	28.51	27.64	25.16	24.53	19	3,333	67,356	0.58	23.15	19.06	16.86
2020	10.69	9.93	2.80	7.37	17	2,352	63,872	0.47	24.87	19.62	17.82
2019	33.42	32.51	26.54	27.72	15	2,853	74,024	0.20	16.66	11.85	11.21
2018	-16.47	-17.06	-8.27	-5.94	22	2,993	70,070	0.33	14.69	10.82	10.09
2017	17.98	17.17	13.66	16.31	19	3,677	74,382	0.18	14.07	10.20	9.32
2016	16.25	15.45	17.34	15.44	17	3,488	65,498	0.44	14.23	10.77	9.91
2015	-9.85	-10.48	-3.83	-0.79	19	3,407	68,819	0.22	13.00	10.68	10.16
2014	11.35	10.58	13.45	13.00	17	983	63,375	0.27	10.85	9.20	8.73

Data as of March 31, 2024 R1000V = Russell 1000 Value WUSLCV = Wilshire US Large Cap Value 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 (GIPS®) 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, 2022. 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 Classic Large Cap Value - Unrestricted Composite has had a performance examination for the periods July 1, 2008 through June 30, 2021. 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 nondiscretionary, fee-paying and non-fee-paying assets under the Firm's management. GIPS® 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: 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. In June 2022, the secondary benchmark was changed from S&P 500 Index to Wilshire US Large Cap Value Index for all periods. 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 Wilshire US Large Cap Index consists of the 750 largest companies contained in the Wilshire 5000 in terms of market capitalization. The index is a composite of securities (primary equity, common stock, REIT, or Limited Partnership) that have a primary market listing in the United States. The Wilshire US Large Cap Value Index is a subset of those securities appearing in the Wilshire US Large Cap Index. The securities placed in the index exhibit value characteristics as determined by their projected price-to-earnings ratio, projected earnings growth, price-to-book ratio, dividend yield, trailing revenue growth, and trailing earnings growth. The Wilshire US Large Cap Value is a float-adjusted, market capitalization-weighted index. 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-fees returns is calculated using a model approach whereby we use the current highest tier of the appropriate strategy's fee schedule as disclosed in the Form ADV. 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-fees returns are used to calculate the presented risk measures. 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: 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. The management fee schedule and total expense ratio for Classic Large Cap Value Equity - BIT, which is included in the composite, is 0.70% on all assets. One Composite member has a performance fee that is capped at 150 bps, including base fee, and starts at 86 bps when excess returns exceed 150 bps on a rolling 3 year basis. Also, another composite member has a base fee and performance fee of 16.67% and total fee is capped at 60bps. The Performance fee is calculated off of excess returns on a 12 consecutive calendar month basis. **Past performance is no guarantee of future results.**

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## Disclosures

Benchmark = R1000V

R1000V = Russell 1000® Value Index WUSLCV = Wilshire U.S. Large Cap Value Index

- 1 The data represent the aggregate characteristics of all securities held in the respective Representative Portfolio, an actual commission account not subject to taxation, and are included for informational purposes only. The Portfolio Characteristics of any particular account may vary based on any investment restrictions applicable to that account.
- 2 Supplemental Information to the attached Classic Large Cap Value - Unrestricted GIPS report.
- 3 Portfolio characteristics calculation uses weighted harmonic average methodology.

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