

**BOARD OF PENSION TRUSTEES
FOR THE
CITY OF JACKSONVILLE RETIREMENT SYSTEM
Thursday, February 16, 2023
City Hall Conference Room 3C at 1:00PM**

AGENDA

1. CALL TO ORDER

2. PUBLIC COMMENT

3. INVESTMENT AND FINANCIAL MATTERS

- a. Large Cap Value Finalist Presentations – (25 Min Presentation + 15 Min Q & A)
 - Introduction & Process Review (1:00 PM – 1:05 PM)
 - LSV Asset Management (1:05 PM – 1:45 PM)
 - Brandes Investment Partners (1:50 PM – 2:30 PM)
 - Wellington Management (2:35 PM – 3:15 PM)
 - Board Discussion

4. INFORMATION

- a. The next regular BOT meeting will be Thursday, February 23, 2023, at 2:00 PM.

5. PRIVILEGE OF THE FLOOR

6. ADJOURNMENT



Memorandum

To	City of Jacksonville Retirement Systems
From	RVK, Inc. ("RVK")
Subject	US Large Cap Value Equity Search Process
Date	February 16, 2023

Background

The purpose of this memorandum is to provide an overview of the US Large Cap Value (LCV) search process that was conducted by Staff and RVK to identify an active manager to complement the current core/value exposure provided by Eagle Capital and growth exposure provided by Loomis Sayles.

Search Objective

The intent is to construct a US Large Cap Equity composite able to perform throughout different market conditions and style trends. Specifically, the prospective managers are expected to provide enhanced exposure to traditional value stocks to balance the style biases of the existing active strategies within the US Large Cap composite.

Investment Manager Search Process

In selecting the search candidates, Staff and RVK sought to evaluate managers that have a strong track record, team stability, and provided suitable style differentiation. Staff and RVK conducted a review of the opportunity set which included a discussion of qualitative and quantitative factors such as absolute and risk-adjusted performance (over trailing and rolling time periods), firm structure, team experience, investment philosophy and process, among others. Ultimately, there were five candidates selected for further evaluation, including interviews with key members of each investment team. These candidates are listed below.

- **Brandes Investment Partners**
- **JPMorgan Investment Management**
- **LSV Asset Management**
- **T. Rowe Price Group**
- **Wellington Management Company**

Following the interview stage, discussion among Staff and RVK, including further review of additional quantitative information, led to the identification of three managers viewed as strong fits for the US Large Cap composite structure with differentiated approaches and long-term,



successful track records. The three managers listed below were determined to be the recommended finalists following the search process.

- **Brandes Investment Partners**
- **LSV Asset Management**
- **Wellington Management Company**

An important aim of this process was to identify finalists which would complement the existing US Large Cap managers (Eagle Capital and Loomis Sayles). As shown in the following table, each of these strategies are expected to add value during different periods when compared to the existing managers as expressed by low or negative excess return correlations.

10 Year Excess Return Correlations (12/2022)	Brandes	LSV	Wellington	Eagle
Eagle Capital*	0.10	0.02	-0.19	---
Loomis Sayles**	-0.48	-0.57	-0.42	0.02

* Excess returns calculated using the Russell 1000 Value Index.

** Excess returns calculated using the Russell 1000 Index.

Further information is included in the appendices of this memorandum. Appendix I includes a comparison of performance, risk, and fees across the recommended finalists. Generally speaking, the managers proposed competitive fee arrangements for this mandate with all final fee proposals below the peer group median. Appendix II includes summaries of the firm, team and strategies of each candidate. Appendix III is a full comparison of the finalist candidates which includes firm and team information, portfolio characteristics and further statistical analysis.

Next Steps

The next step in the search process will include interviews by the Board with the three finalist firms. These interviews have been scheduled for February 16, 2023. The goal of the interviews ultimately is to help inform a final award decision. Presentation materials will be provided in advance of the interviews.

Following the finalist interviews, RVK will provide further analysis on potential weighting and structure decisions to inform the final selection decision at a future Board meeting. Should the Board seek more information from RVK and/or Staff in the interim, please do not hesitate to let us know.



Appendix I: Candidate Performance, Risk and Fee Comparison
As of December 31, 2022

Performance and Risk Comparison (Gross of Fees)

10 Year Statistics	Excess Returns, %	Standard Deviation	Sharpe Ratio	Tracking Error, %	Information Ratio	Up Market Capture Ratio	Down Market Capture Ratio
Brandes	2.57	15.58	0.81	3.39	0.76	106.32	94.39
LSV	1.00	17.27	0.67	3.87	0.26	110.93	108.96
Wellington	4.10	14.06	0.98	3.21	1.28	103.69	82.43
Russell 1000 Value	---	15.02	0.70	---	---	100.00	100.00
eV LCV Median	0.93	15.20	0.73	3.86	0.25	101.03	95.55

Fee Comparison

Fee Summary (\$100M Mandate)	Proposed Fee*
Brandes	40 basis points
LSV	47.5 basis points
Wellington	45 basis points**
eV LCV Median	50 basis points

* Fee changes may slightly shift depending on the final mandate size.

** Fee schedule subject to \$50 million account minimum.

Appendix II: Manager Summaries

Brandes Investment Management

Firm

The firm was founded in 1974 by Charles Brandes and is 100% employee owned with 28 employee owners. The firm headquarters and all equity investment professionals are based in San Diego, CA. The fixed income teams are located in Milwaukee, WI. Marketing and client service offices are also located in Dublin, Toronto, and Singapore. The firm currently has \$20.7 billion in assets under management with \$1.9 billion invested in the US Value strategy. Almost all of the assets reside in a variety of equity strategies. The client base is diversified across retail and institutional clients.

Team

Brandes has a team-oriented structure managed by the US Large Cap Investment Committee. The current committee consists of the following individuals:

- Brent Fredberg, CMA, CPA – Portfolio Manager, (Industry Start: 1994/Firm Start: 1999)
- Ted Kim – Portfolio Manager, (Industry Start: 2000/Firm Start: 2000)
- Kenneth Little – Portfolio Manager, (Industry Start: 1996/Firm Start: 1996)
- Brian Matthews, CFA – Portfolio Manager, (Industry Start: 2000/Firm Start: 2002)

In total, there are 25 global sector analysts that bring ideas to the Investment Committee for review. They are supported by a team of 12 junior research associates as well. Generally, turnover on the team has been low.

Product Strategy and Process

Deep value, bottom-up fundamental stock selection is applied to all of their equity investment strategies. Investment in stocks is driven by the team's estimate of intrinsic value and the discount offered by the current stock price. Their process consists of three steps: analysis, valuation, and portfolio construction.

Idea generation stems from the global sector analysts and can come from a variety of sources. For instance, Brandes has specific screens set up for each industry in order to find stocks trading at a deep discount. They have a preference for companies that have low-risk balance sheets. Analysts pitch their ideas to the Investment Committee to explain how a stock would fit the mandate. The Investment Committee members vote on the inclusion of a stock into the portfolio. The main determinant of portfolio weighting is the "margin of safety" or discount at which the stock is trading. The final portfolio holds 35-75 stocks with a relatively low turnover of 10-20%.



LSV Asset Management

Firm

LSV Asset Management was formed in 1994 by three academics: Josef Lakonishok, Andrei Shleifer, and Robert Vishny. Of the three, only Dr. Lakonishok is still actively involved with the firm. Thirty employee partners own 61% of the firm while the balance is held by SEI Funds, Inc. SEI provided initial working capital to LSV but is not involved in the management or day-to-day operations of the firm. LSV is headquartered in Chicago, IL and currently manages \$91 billion in primarily institutional assets. LSV's sole line of business is managing equity strategies using a singular, quantitative process. There is \$23.6 billion currently invested in the Large Cap Value strategy.

Team

Dr. Lakonishok is the CEO and CIO of the firm. The 14-person investment team consists of research personnel, external academic advisors, and portfolio managers. Senior members of the team include:

- Josef Lakonishok, PhD – CEO & CIO, (Industry Start: 1978/Firm Start: 1994)
- Menno Vermeulen, CFA – Portfolio Manager, (Industry Start: 1990/Firm Start: 1995)
- Puneet Mansharamani, CFA – Portfolio Manager, (Industry Start: 1997/Firm Start: 2000)
- Bhaskaran Swaminathan, PhD – Director of Research, (Industry Start: 1990/Firm Start: 2005)

Philosophy and Process

This is a quantitatively driven investment strategy that uses a risk-controlled, bottom-up approach. There are three broad buckets of factors in their model: value, long-term performance (over the past seven years), and momentum (trailing twelve months). Approximately two-thirds of the model score comes from the value factor bucket. The underlying signals for each category group are used to forecast an expected return for each company resulting in a ranking of stocks in terms of appreciation potential. This results in a buy list of stocks with both low valuation and improving momentum. Approximately 15% of the top ranked stocks are subject to an optimization process which aims to maximize risk-adjusted returns, subject to certain constraints. The main areas they control are diversification across sectors, capitalization, individual stock positions, and tracking error. Stocks tend to be sold if they fall out of the top 40% of ranked stocks or if superior investment options arise within a respective industry or sector.

The final result is a diversified portfolio of 110-140 stocks. Relative to other quantitative approaches, the investment process leads to lower turnover, expected to be 25% per year.



Wellington Management

Firm

Wellington Management Company is a private, independent investment management firm that was founded in 1928. Ownership is spread out across a number of professionals within the firm. No individual employee has majority ownership; currently there are 204 employee owners. The firm has over 800 investment professionals. The firm is headquartered in Boston with offices in London, Singapore, Hong Kong, Sydney, and Tokyo.

The firm managed \$1.1 trillion in assets across equity, fixed income, and multi-asset strategies, with \$2.2 billion in the Select Equity Income strategy.

Team

There is a six member investment team that supports the Select Equity Income strategy. Wellington offers other equity income approaches with Select Equity Income being a more concentrated and opportunistic version. Matt Hand is the lead portfolio manager for Select Equity Income with support from two PM/analysts and three research analysts. The team is also supported by over 50 global industry analysts, a centralized resource at the firm. Senior members of the team are noted below:

- Matt Hand – Portfolio Manager, (Industry Start: 2004/Firm Start: 2004)
- Sean Kammann – Portfolio Manager/Analyst, (Industry Start: 1998/Firm Start: 2007)
- Adam Illfelder, CFA – Portfolio Manager/Analyst, (Industry Start: 1997/Firm Start: 2005)

Philosophy and Process

The investment process targets a very specific type of stock. Companies considered for the portfolio are expected to have above average projected earnings growth and dividend yield while also trading at a temporary discount. A longer-term investment horizon is emphasized during the process with a reliance on fundamental analysis to uncover whether stocks which have recently dropped in price are likely to rebound in the future. A key determination of the process is whether an event leading to the price drop represents a permanent impairment in value or is a short-term issue. The team collaborates closely together with each having specific coverage assignments.

The portfolio is concentrated with 25-35 stocks. Portfolio turnover can vary over time with an expected range of 30-60%, dependent on market conditions.



Appendix III

City of Jacksonville Employees' Retirement System

Investment Manager Search

US Large Cap Value Equity

Universe: eVestment Large Cap Value

Performance Data as of: December 2022

Performance Format: Gross of Fees



Table of Contents

Section 1Summary of Investment Managers

Section 2Investment Manager Profiles

- ❖ Brandes: US Value
- ❖ LSV: Large Cap Value
- ❖ Wellington: Select Equity Income
- ❖ Eagle Capital: Eagle Equity (Incumbent)

Product Summary

	Equity Capitalization	Equity Style	Investment Approach	Preferred Benchmark	Inception Date	Product AUM (\$M)
Brandes: US Value	Large Cap	Value	Fundamental	Russell 1000 Value	06/30/1991	\$1,933
LSV: Large Cap Value	Large Cap	Deep Value	Quantitative	Russell 1000 Value	12/01/1993	\$23,599
Wellington: Select Equity Income	Large Cap	Value	Fundamental	Russell 1000 Value	05/31/2009	\$2,227
Eagle Capital: Eagle Equity	Large Cap	Value	Fundamental	Russell 1000 Value	12/31/1988	\$23,915

Firm Information

	City	State/Country	Firm AUM (\$M)	US Equity AUM (\$M)	% Employee Ownership	Is Firm GIPS Compliant?
Brandes: US Value	San Diego	California	\$18,930	\$2,026	100	Yes
LSV: Large Cap Value	Chicago	Illinois	\$91,100	\$36,791	61	Yes
Wellington: Select Equity Income	Boston	Massachusetts	\$1,149,360	\$322,854	100	Yes
Eagle Capital: Eagle Equity	New York	New York	\$23,915	\$23,915	100	Yes

Team Description

	Portfolio Managers	Average Industry Experience: PMs (Years)	Average Firm Experience: PMs (Years)	Research Analysts	Average Industry Experience: Analysts (Years)	Average Firm Experience: Analysts (Years)
Brandes: US Value	4	24	22	25	21	16
LSV: Large Cap Value	5	28	21	8	26	15
Wellington: Select Equity Income	4	26	19	3	13	3
Eagle Capital: Eagle Equity	4	28	17	4	10	2

Equity Characteristics

	Holdings	% Annual Turnover	Weighted Average Market Cap (\$M)	% Current Cash Position	% Dividend Yield	Current P/E Ratio (12-mo Trailing)	Current P/B Ratio	Past 5 Years Earnings Growth, %
Brandes: US Value	55	13	\$137,552	1.9	2.8	11.3	1.5	0.0
LSV: Large Cap Value	164	25	\$74,648	0.1	3.0	9.5	1.8	12.2
Wellington: Select Equity Income	29	46	\$125,661	2.0	3.1	15.4	2.5	10.1
Eagle Capital: Eagle Equity	30	13	\$478,000	2.5	1.1	12.7	1.8	0.0

Sector Allocation

	% Comm. Services	% Consumer Discretionary	% Consumer Staples	% Energy	% Financials	% Health Care	% Industrials	% Information Technology	% Materials	% Real Estate	% Utilities
Brandes: US Value	8	5	2	8	25	22	10	17	1	0	1
LSV: Large Cap Value	6	8	7	5	22	19	10	12	6	2	2
Wellington: Select Equity Income	3	3	11	6	21	20	12	9	3	2	8
Eagle Capital: Eagle Equity	30	17	0	1	21	8	9	11	1	0	0

Market Cap Allocation

	% >\$50 Billion	% \$15-\$50 Billion	% \$7.5-\$15 Billion	% \$1.5-\$7.5 Billion	% \$0.75-\$1.5 Billion	% \$400-\$750 Million	% <\$400 Million
Brandes: US Value	50	24	14	12	2	0	0
LSV: Large Cap Value	39	28	18	14	1	0	0
Wellington: Select Equity Income	68	30	2	0	0	0	0
Eagle Capital: Eagle Equity	75	19	3	3	0	0	0

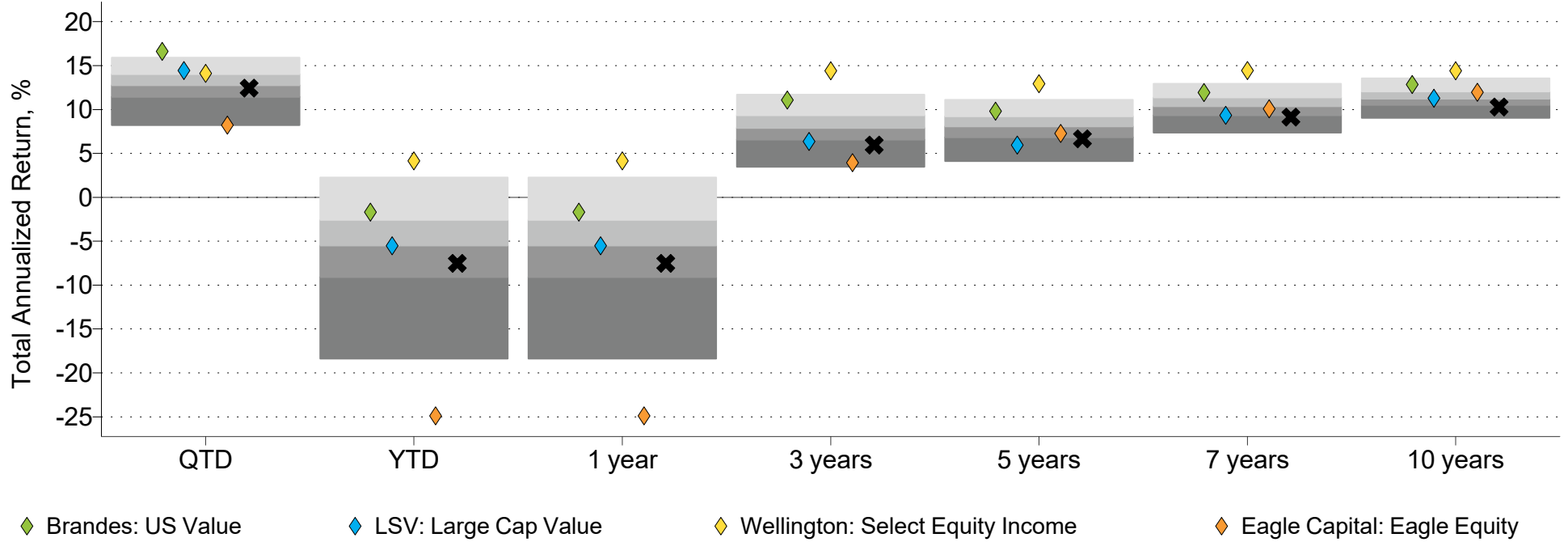
Separate Account Fee Analysis

Mandate Size: \$100,000,000

	Separate Account Availability	Minimum Account Size (\$M)	Minimum Annual Fee	Annual Fee	Annual Fee (Basis Points)
Brandes: US Value	Open	\$10	---	\$400,000	40
LSV: Large Cap Value	Open	\$25	---	\$475,000	48
Wellington: Select Equity Income	Open	\$50	---	\$450,000	45
Eagle Capital: Eagle Equity	Open	\$5	---	\$762,500	76

Trailing Period Returns and Rankings

As of December 2022 Benchmark: Russell 1000 Value Universe: eA Large Cap Value Universe Size: 918

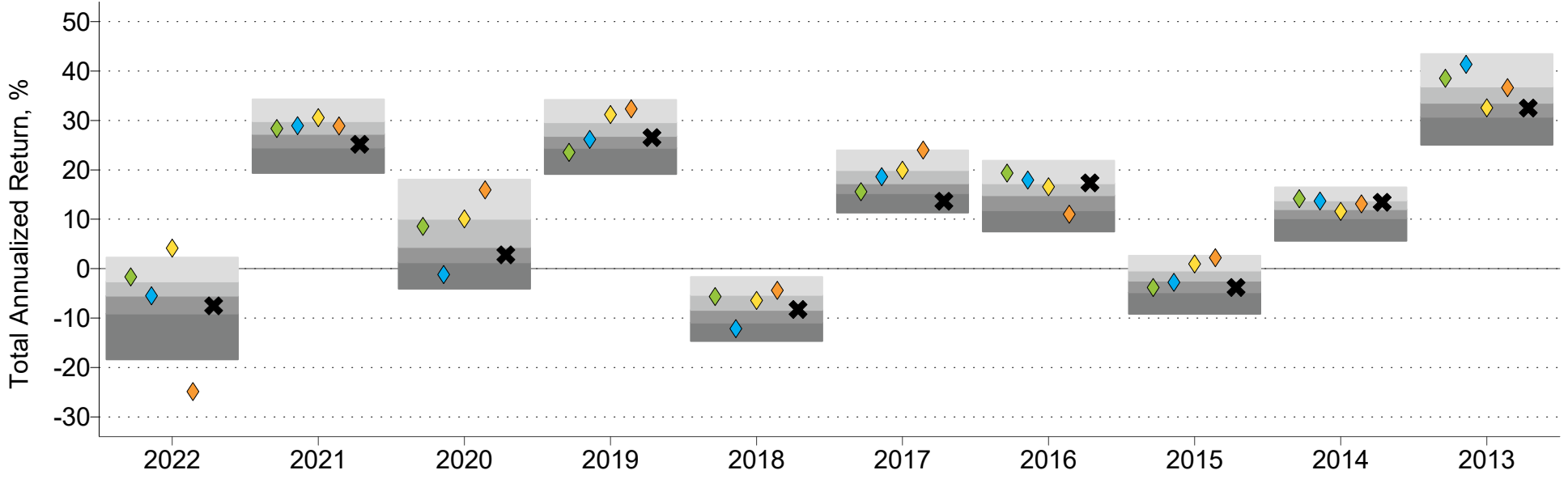


Annualized Performance	QTD		YTD		1 year		3 years		5 years		7 years		10 years	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Brandes: US Value	16.6	3	-1.7	19	-1.7	19	11.1	9	9.8	16	11.9	15	12.9	11
LSV: Large Cap Value	14.4	20	-5.5	52	-5.5	52	6.4	78	5.9	87	9.3	76	11.3	49
Wellington: Select Equity Income	14.1	24	4.2	4	4.2	4	14.4	1	12.9	1	14.4	1	14.4	1
Eagle Capital: Eagle Equity	8.2	95	-24.9	99	-24.9	99	3.9	94	7.3	68	10.1	57	11.9	26
Russell 1000 Value	12.4	57	-7.5	68	-7.5	68	6.0	83	6.7	78	9.1	78	10.3	80
eA Large Cap Value Median	12.8	50	-5.5	50	-5.5	50	7.9	50	8.1	50	10.4	50	11.2	50

Blends shown are static allocations, rebalanced monthly.
Performance is gross of fees.

Calendar Year Returns and Rankings

As of December 2022 Benchmark: Russell 1000 Value Universe: eA Large Cap Value Universe Size: 918



◆ Brandes: US Value
 ◆ LSV: Large Cap Value
 ◆ Wellington: Select Equity Income
 ◆ Eagle Capital: Eagle Equity
✕ Russell 1000 Value

Calendar Year Performance	2022		2021		2020		2019		2018		2017		2016		2015		2014		2013	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Brandes: US Value	-1.7	19	28.4	39	8.6	32	23.5	82	-5.7	27	15.6	71	19.4	13	-3.8	67	14.2	21	38.6	16
LSV: Large Cap Value	-5.5	52	28.9	33	-1.2	89	26.1	59	-12.1	85	18.6	37	17.9	22	-2.8	56	13.7	28	41.4	8
Wellington: Select Equity Income	4.2	4	30.6	21	10.1	26	31.2	17	-6.4	32	19.9	26	16.6	32	1.0	13	11.6	56	32.6	58
Eagle Capital: Eagle Equity	-24.9	99	28.9	34	15.9	8	32.3	11	-4.4	19	24.0	5	11.0	81	2.2	8	13.1	36	36.7	27
Russell 1000 Value	-7.5	68	25.2	70	2.8	64	26.5	54	-8.3	50	13.7	88	17.3	25	-3.8	67	13.5	31	32.5	58
eA Large Cap Value Median	-5.5	50	27.3	50	4.4	50	26.9	50	-8.4	50	17.2	50	14.9	50	-2.4	50	12.0	50	33.6	50

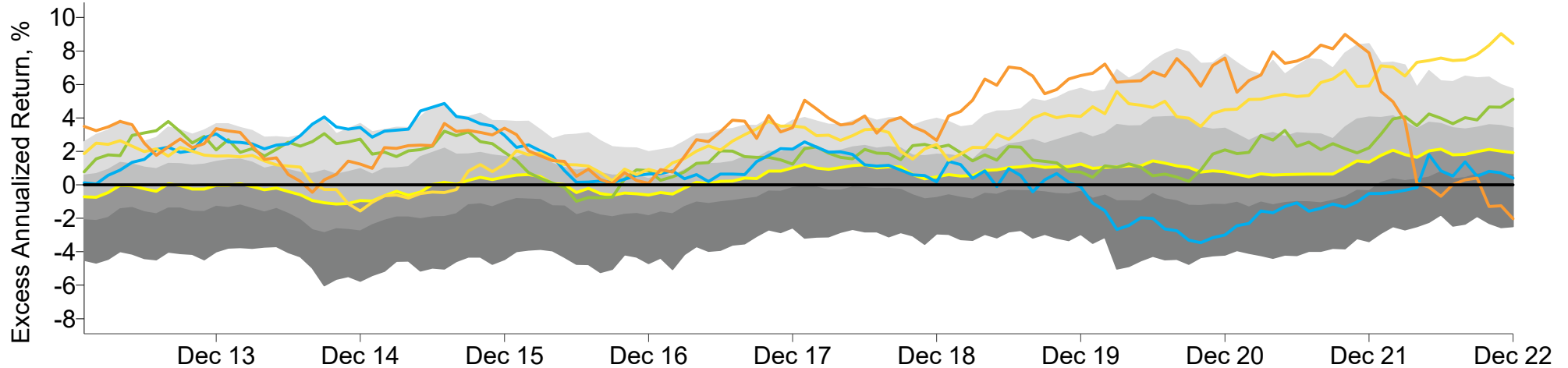
Performance is gross of fees.

Excess Return Consistency Analysis

As of December 2022

Benchmark: Russell 1000 Value

Excess Returns: 3 Year Rolling



■ eA Large Cap Value Median

■ Brandes: US Value

■ LSV: Large Cap Value

■ Wellington: Select Equity Income

■ Eagle Capital: Eagle Equity

■ Russell 1000 Value

Excess Return Consistency	Consistency of Positive 3 Year Rolling Excess Returns	Current 3 Year Excess Return, %	Average 3 Year Rolling Excess Returns, %	Maximum 3 Year Rolling Excess Return, %	Minimum 3 Year Rolling Excess Return, %	Total Periods of 3 Year Excess Returns, %
Brandes: US Value	80.8%	5.11	1.97	5.11	-0.98	120
LSV: Large Cap Value	43.3%	0.41	0.85	4.87	-3.46	120
Wellington: Select Equity Income	82.5%	8.44	2.98	9.03	-1.57	120
Eagle Capital: Eagle Equity	80.0%	-2.03	3.54	9.00	-2.03	120
eA Large Cap Value Median	31.7%	1.93	0.48	2.14	-1.15	120

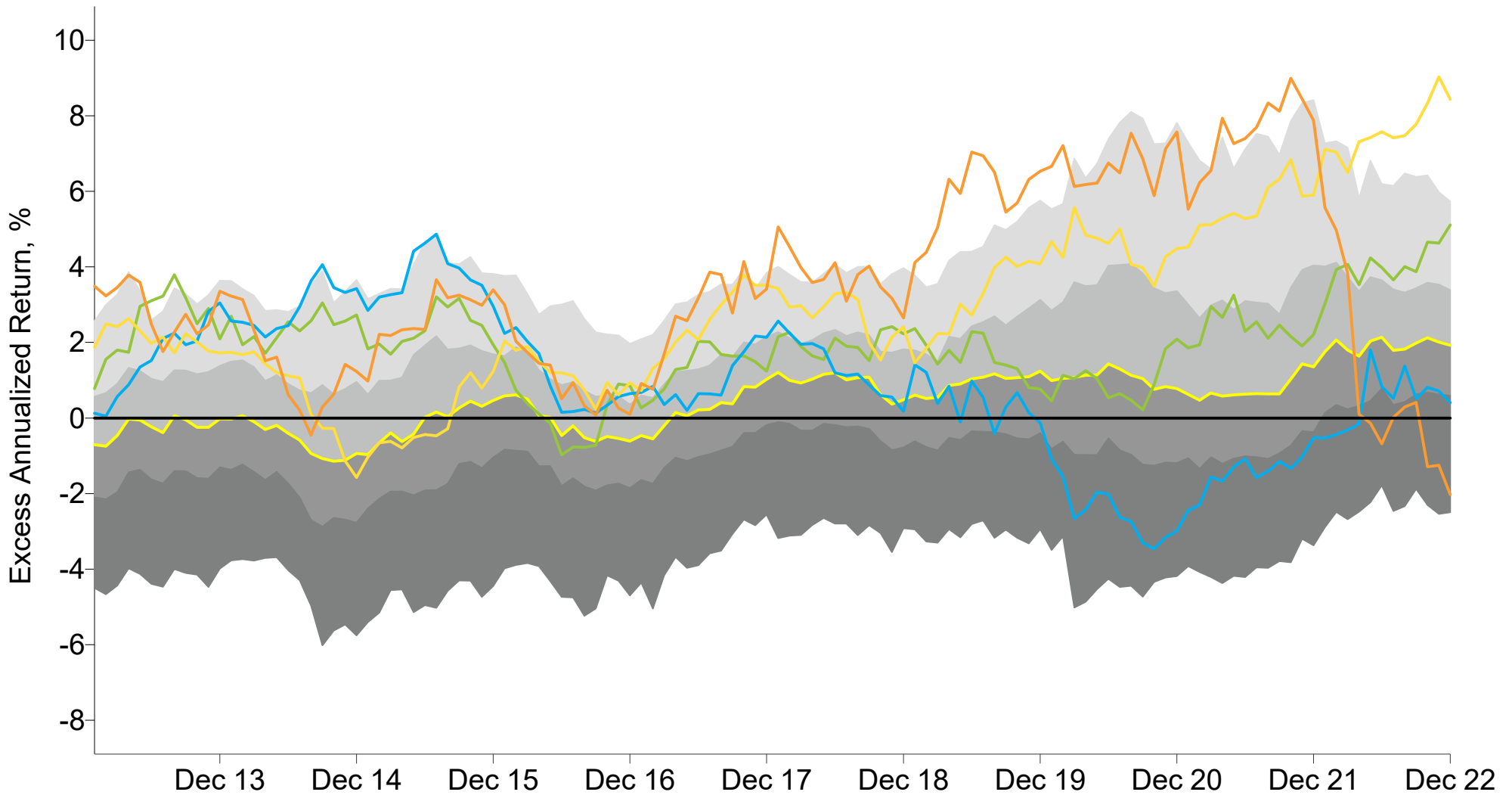
Performance is gross of fees.

The peer group median is not indicative of an expected investor experience. It is a hypothetical return stream calculated using the returns for the median manager in each time period and does not represent an actual management strategy.

Rolling 3 Year Excess Return

As of December 2022 Benchmark: Russell 1000 Value Universe: eA Large Cap Value Universe Size: 918

Excess Returns: 3 Year Rolling

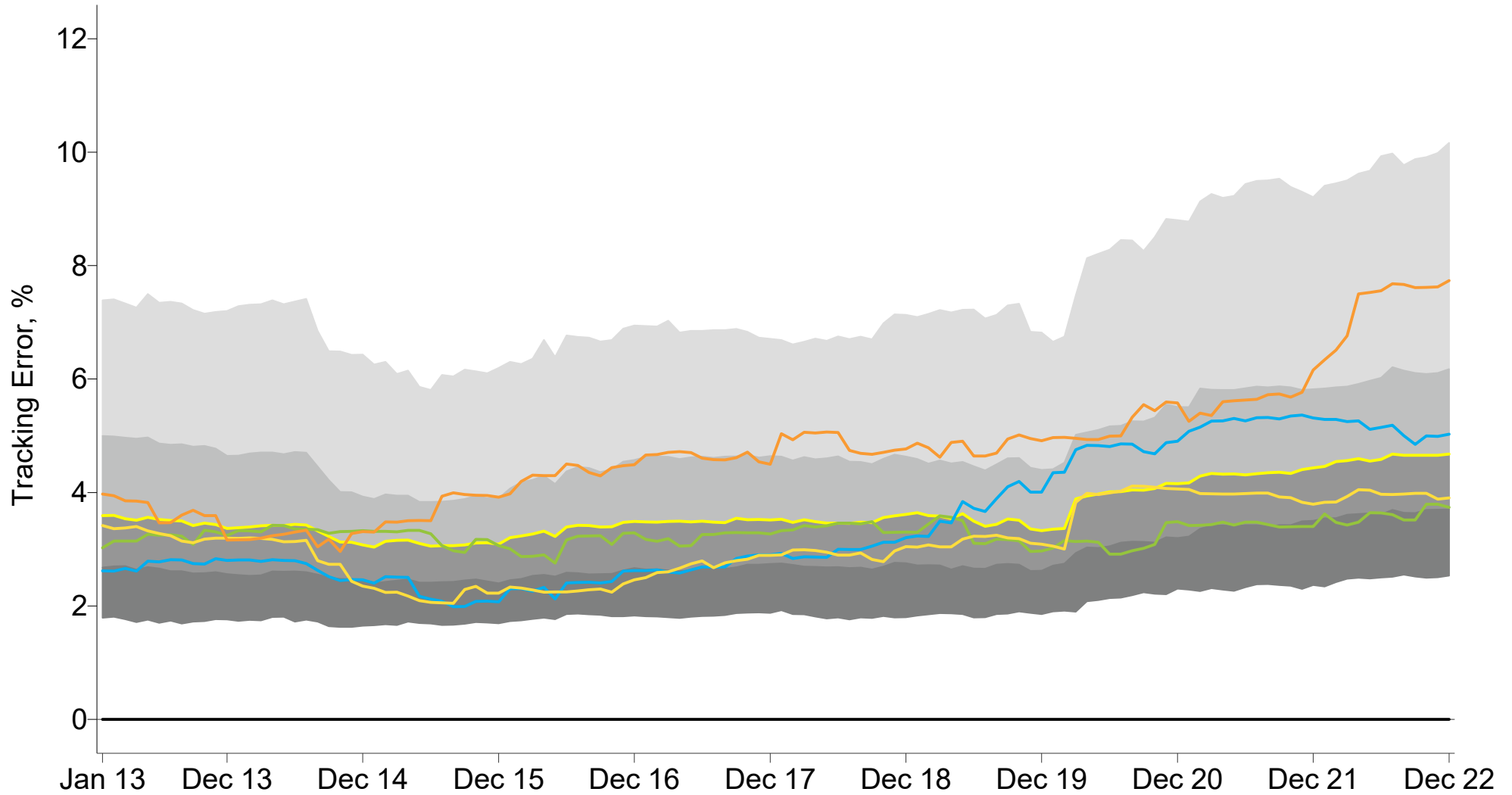


- eA Large Cap Value Median
- Brandes: US Value
- LSV: Large Cap Value
- Wellington: Select Equity Income
- Eagle Capital: Eagle Equity
- Russell 1000 Value

Rolling 3 Year Tracking Error

As of December 2022 Benchmark: Russell 1000 Value Universe: eA Large Cap Value Universe Size: 918

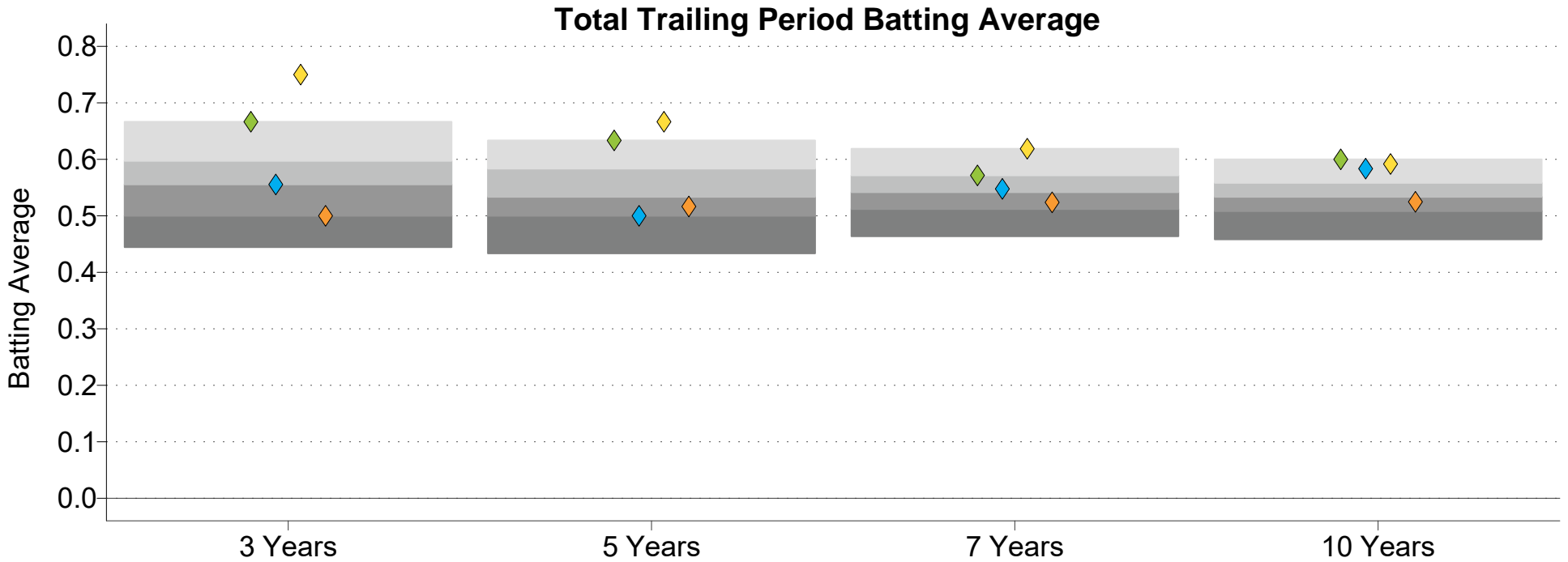
Tracking Error: 3 Year Rolling



- eA Large Cap Value Median
- Brandes: US Value
- LSV: Large Cap Value
- Russell 1000 Value
- Wellington: Select Equity Income
- Eagle Capital: Eagle Equity

Trailing Period Batting Average

As of December 2022 Benchmark: Russell 1000 Value Universe: eA Large Cap Value Universe Size: 918



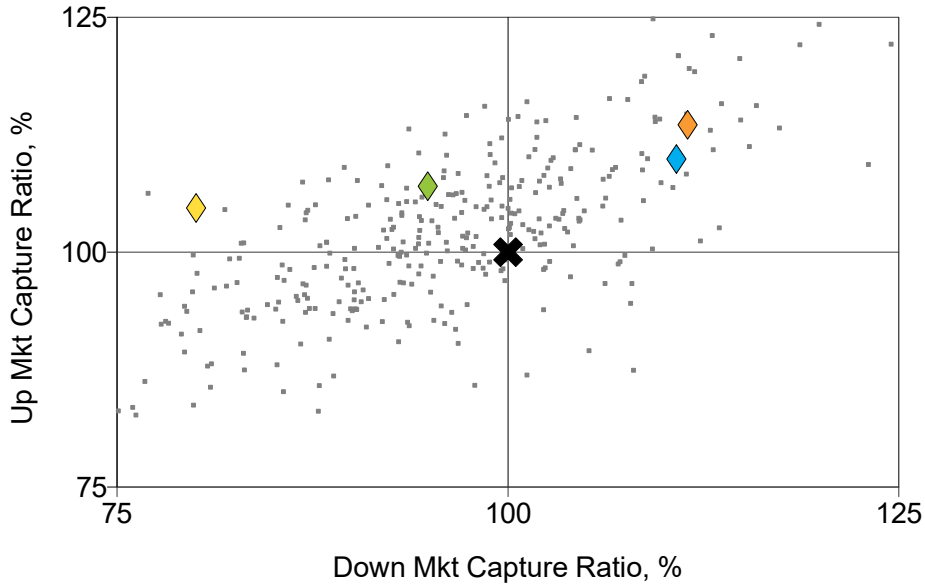
◆ Brandes: US Value ◆ LSV: Large Cap Value ◆ Wellington: Select Equity Income ◆ Eagle Capital: Eagle Equity

	Up Mkt Batting Average				Down Mkt Batting Average			
	3 Years	5 Years	7 Years	10 Years	3 Years	5 Years	7 Years	10 Years
Brandes: US Value	0.74	0.68	0.58	0.63	0.59	0.57	0.55	0.55
LSV: Large Cap Value	0.63	0.57	0.60	0.65	0.47	0.39	0.45	0.45
Wellington: Select Equity Income	0.84	0.68	0.58	0.54	0.65	0.65	0.68	0.69
Eagle Capital: Eagle Equity	0.68	0.68	0.60	0.60	0.29	0.26	0.39	0.38
eA Large Cap Value Median	0.53	0.54	0.53	0.51	0.59	0.57	0.58	0.57

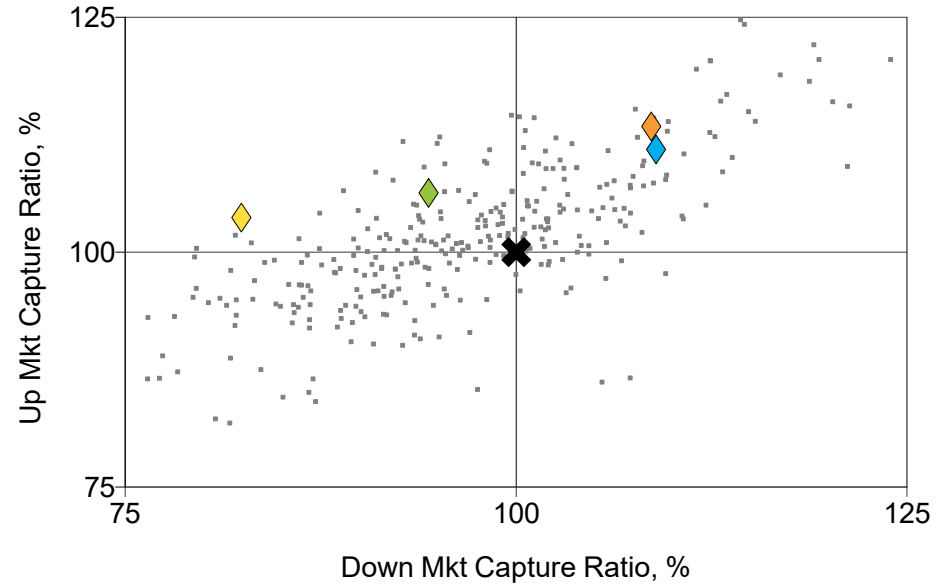
Up/Down Market Capture - Seven and Ten Year

As of December 2022 Benchmark: Russell 1000 Value Universe: eA Large Cap Value Universe Size: 918

Seven Year Up/Down Market Capture Ratio



Ten Year Up/Down Market Capture Ratio



- eA Large Cap Value ◆ Brandes: US Value ◆ LSV: Large Cap Value ◆ Wellington: Select Equity Income
- ◆ Eagle Capital: Eagle Equity ✕ Russell 1000 Value

	Up Mkt Cap Ratio, %	Up Mkt Months	Down Mkt Cap Ratio, %	Down Mkt Months
Brandes: US Value	107.03	53	94.87	31
LSV: Large Cap Value	109.91	53	110.78	31
Wellington: Select Equity Income	104.69	53	80.06	31
Eagle Capital: Eagle Equity	113.54	53	111.49	31
Russell 1000 Value	100.00	53	100.00	31
eA Large Cap Value Median	101.32	53	95.97	31

	Up Mkt Cap Ratio, %	Up Mkt Months	Down Mkt Cap Ratio, %	Down Mkt Months
Brandes: US Value	106.32	78	94.39	42
LSV: Large Cap Value	110.93	78	108.96	42
Wellington: Select Equity Income	103.69	78	82.43	42
Eagle Capital: Eagle Equity	113.40	78	108.66	42
Russell 1000 Value	100.00	78	100.00	42
eA Large Cap Value Median	101.03	78	95.55	42

Risk/Return - Seven and Ten Year

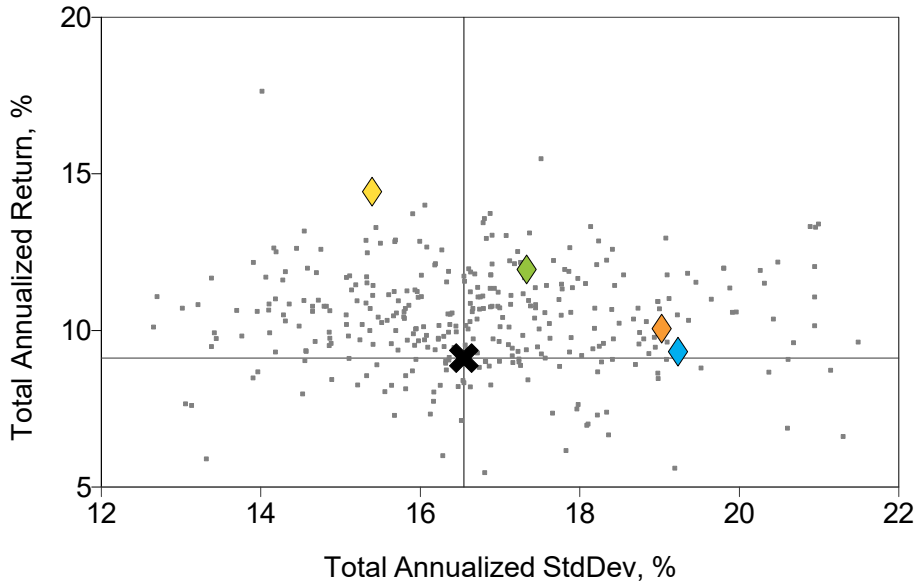
As of December 2022

Benchmark: Russell 1000 Value

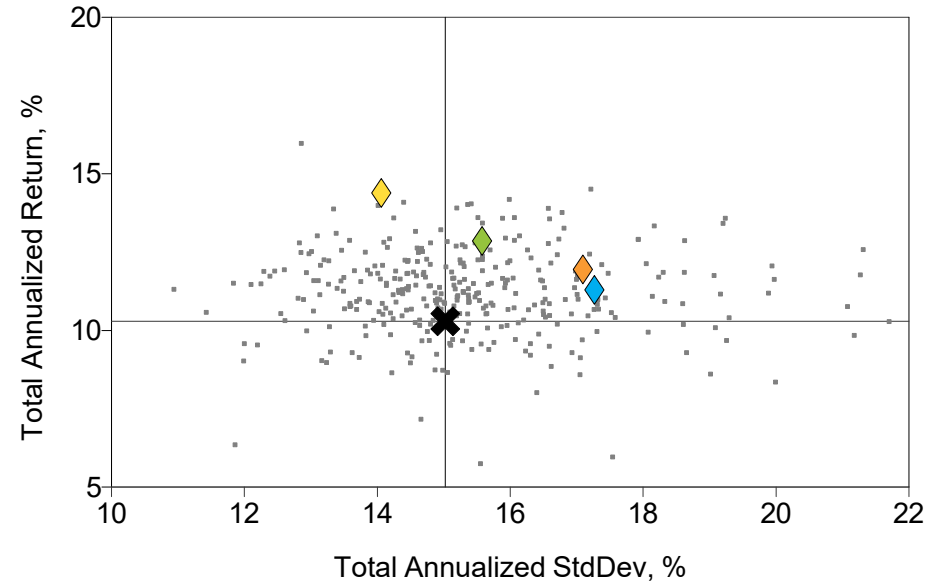
Universe: eA Large Cap Value

Universe Size: 918

Seven Year Risk/Return



Ten Year Risk/Return



■ eA Large Cap Value

◆ Brandes: US Value

◆ LSV: Large Cap Value

◆ Wellington: Select Equity Income

◆ Eagle Capital: Eagle Equity

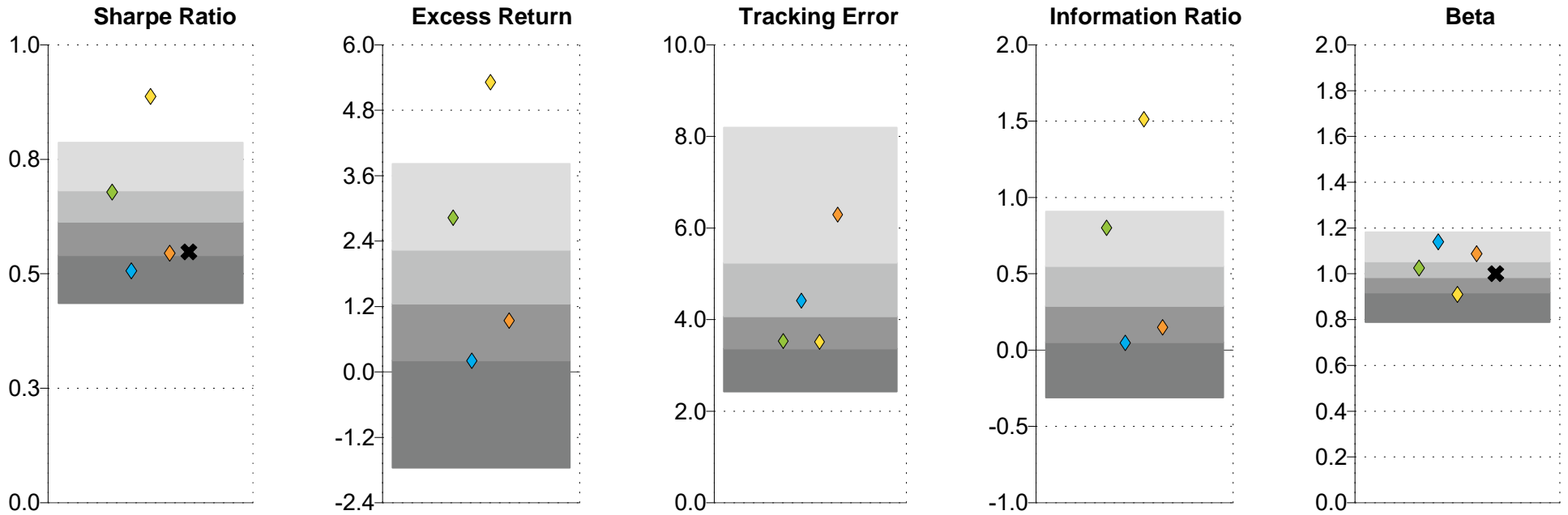
✱ Russell 1000 Value

	Annualized Return	Annualized Std. Dev.
Brandes: US Value	11.94	17.33
LSV: Large Cap Value	9.32	19.23
Wellington: Select Equity Income	14.43	15.40
Eagle Capital: Eagle Equity	10.06	19.03
Russell 1000 Value	9.12	16.55
eA Large Cap Value Median	10.37	16.67

	Annualized Return	Annualized Std. Dev.
Brandes: US Value	12.86	15.58
LSV: Large Cap Value	11.30	17.27
Wellington: Select Equity Income	14.40	14.06
Eagle Capital: Eagle Equity	11.95	17.09
Russell 1000 Value	10.29	15.02
eA Large Cap Value Median	11.22	15.20

Modern Portfolio Theory Statistics - Seven Year

As of December 2022 Benchmark: Russell 1000 Value Universe: eA Large Cap Value Universe Size: 918

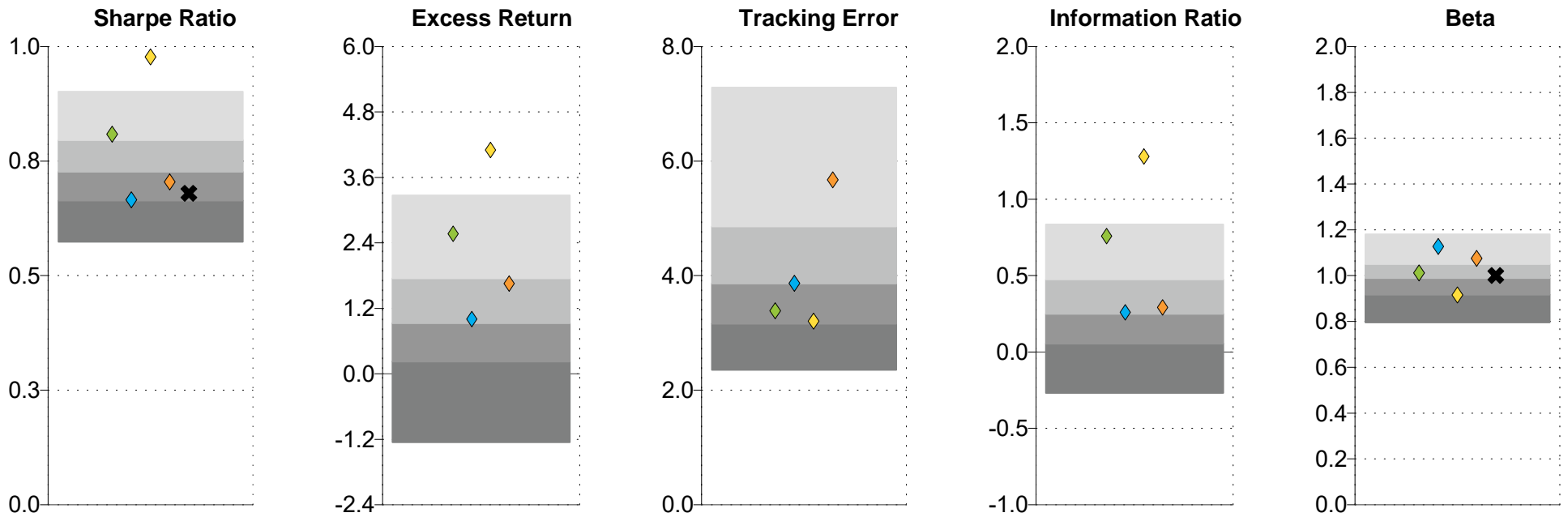


◆ Brandes: US Value
 ◆ LSV: Large Cap Value
 ◆ Wellington: Select Equity Income
 ◆ Eagle Capital: Eagle Equity
✘ Russell 1000 Value

Firm/Product	Sharpe Ratio	Rank	Excess Return %	Rank	Tracking Error	Rank	Information Ratio	Rank	Beta	Rank
Brandes: US Value	0.68	26	2.83	15	3.53	69	0.80	9	1.03	33
LSV: Large Cap Value	0.51	87	0.21	76	4.42	42	0.05	76	1.14	9
Wellington: Select Equity Income	0.89	1	5.31	1	3.51	70	1.51	1	0.91	77
Eagle Capital: Eagle Equity	0.55	73	0.94	57	6.29	14	0.15	66	1.09	17
Russell 1000 Value	0.55	72	0.00	78	0.00	100	---	---	1.00	43
eA Large Cap Value Median	0.61	50	1.25	50	4.07	50	0.29	50	0.98	50

Modern Portfolio Theory Statistics - Ten Year

As of December 2022 Benchmark: Russell 1000 Value Universe: eA Large Cap Value Universe Size: 918



◆ Brandes: US Value
 ◆ LSV: Large Cap Value
 ◆ Wellington: Select Equity Income
 ◆ Eagle Capital: Eagle Equity
✕ Russell 1000 Value

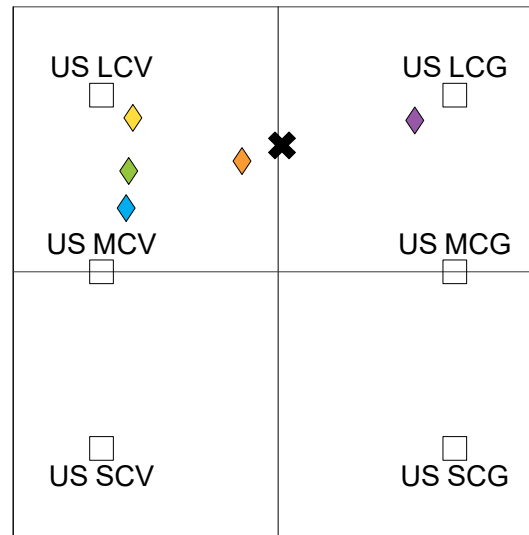
Firm/Product	Sharpe Ratio	Rank	Excess Return %	Rank	Tracking Error	Rank	Information Ratio	Rank	Beta	Rank
Brandes: US Value	0.81	23	2.57	11	3.39	66	0.76	7	1.01	39
LSV: Large Cap Value	0.67	75	1.00	49	3.87	50	0.26	49	1.13	10
Wellington: Select Equity Income	0.98	1	4.10	1	3.21	72	1.28	1	0.92	76
Eagle Capital: Eagle Equity	0.70	62	1.66	26	5.67	15	0.29	45	1.08	19
Russell 1000 Value	0.68	71	0.00	80	0.00	100	---	---	1.00	44
eA Large Cap Value Median	0.73	50	0.93	50	3.86	50	0.25	50	0.99	50

Returns Based Style Analysis and Excess Returns Correlation

As of December 2022

Benchmark: Russell 1000

Style Analysis - 10 Year Average



- ◆ Brandes: US Value
- ◆ LSV: Large Cap Value
- ◆ Wellington: Select Equity Income
- ◆ Eagle Capital: Eagle Equity
- ◆ Loomis Sayles: LCG
- ✘ Russell 1000

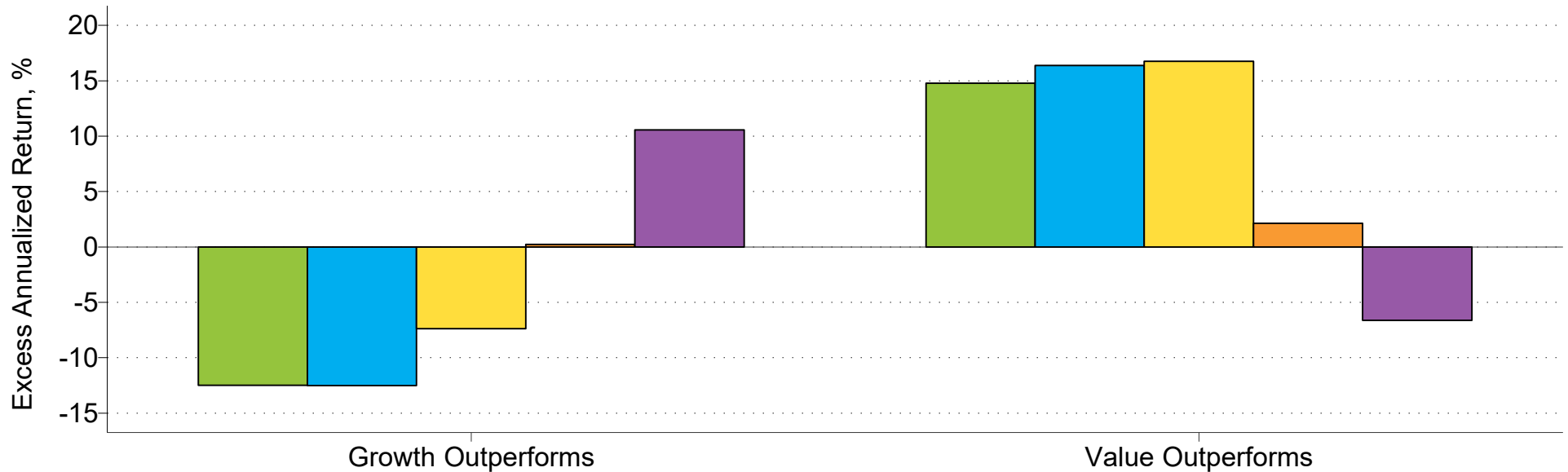
Excess Correlation: Jan 2013 - Dec 2022	Brandes: US Value	LSV: Large Cap Value	Wellington: Select Equity Income	Eagle Capital: Eagle Equity	Loomis Sayles: LCG
Brandes: US Value	1.00	0.84	0.73	0.40	-0.48
LSV: Large Cap Value	0.84	1.00	0.63	0.40	-0.57
Wellington: Select Equity Income	0.73	0.63	1.00	0.14	-0.42
Eagle Capital: Eagle Equity	0.40	0.40	0.14	1.00	0.02
Loomis Sayles: LCG	-0.48	-0.57	-0.42	0.02	1.00

Performance in Past Style Cycles

As of December 2022

Benchmark: Russell 1000

Annualized Excess Returns in Past Style Led Months



■ Brandes: US Value
 ■ LSV: Large Cap Value
 ■ Wellington: Select Equity Income
 ■ Eagle Capital: Eagle Equity
■ Loomis Sayles: LCG

	Annualized Excess Returns		# of Months of Style Leadership	
	Growth Outperforms	Value Outperforms	Growth Outperforms	Value Outperforms
Brandes: US Value	-12.49	14.77	106	74
LSV: Large Cap Value	-12.51	16.38	106	74
Wellington: Select Equity Income	-7.38	16.76	97	66
Eagle Capital: Eagle Equity	0.22	2.14	106	74
Loomis Sayles: LCG	10.57	-6.62	106	74

Excess Returns of the managers in both value-led and growth-led months are grouped and annualized to illustrate the performance of each strategy in past style regimes.



City of Jacksonville Employees' Retirement System
U.S. Large Cap Value Equity

February 16, 2023

Josef Lakonishok

Founding Partner, CEO & CIO
P: (312) 460-2326 | W: lsvasset.com

Josh Dupont

Partner & Director, Client Portfolio Services
P: (312) 327-5054

Organizational Update

LSV's Key Organizational Strengths

- Academic foundation
- 28+ years of research
- Successfully applied model for over 28 years
- Value equity focus- our sole business
- Consistency of people, philosophy & portfolio
- Employee ownership

All Strategies Built From Same Model

- \$91.1 billion in firmwide assets under management
- Limited capacity offerings

United States		International (Non-U.S.)		Global	
Large Cap Value	\$23.6 B	Developed Markets Large Cap Value	\$10.9 B	Developed Markets Global Value	\$7.2 B
Mid Cap Value	\$1.5 B	All-Country Large Cap Value	\$10.5 B	All-Country Global Value	\$8.4 B
Small/ Mid Cap Value	\$2.8 B	Developed Markets Small Cap Value	\$3.4 B	Global Small Cap Value	\$1.2 B
Small Cap Value	\$3.3 B	Emerging Markets Value	\$5.9 B	Managed Volatility	\$2.4 B
Micro Cap Value	\$0.2 B	Emerging Markets Small Cap Value	\$0.9 B	Concentrated Value	\$0.7 B
Enhanced Index	\$0.2 B	Regional Strategies - Large & Small Cap - Europe, Asia, Canada, Japan, Australia	\$2.2 B		
Managed Volatility	\$2.0 B	Managed Volatility	\$0.2 B		
		Concentrated Value	\$1.3 B		

Organizational Structure

Josef Lakonishok, Ph.D.

Partner, CEO, CIO
Portfolio Manager (28)

Marketing

Jason Ciaglo

Partner
Business Development (13)

Brett Goldacker

Director (6)

Client Service & Marketing Support

Marisa Rosenblatt, CIPM
Partner (18)

Jessica Merz
Associate (13)

Erin Varner
Associate (6)

Research, Portfolio Construction

Menno Vermeulen, CFA

Partner
Systems Dev & Port Manager (27)

Bala Ragothaman, CFA

Partner
Head of Quant. Development
Chief Technology Officer (16)

Titus Liu

Partner
Systems Development (11)

Simon Zhang, CFA

Partner
Systems & Research (24)

Suvrat Chakradeo, CFA

Systems Development (3)

Puneet Mansharamani, CFA

Partner
Portfolio Manager (22)

Guy Lakonishok, CFA

Partner
Portfolio Manager (13)

Greg Sleight

Partner
Portfolio Manager (16)

Gal Skarishevsky

Partner
Quantitative Analyst (6)

Paul Wells

Quantitative Analyst (1)

Bhaskaran Swaminathan, Ph.D.

Partner
Director of Research (17)

Jason Karceski, Ph.D.

Partner
Portfolio Manager & Research (13)

Han Qu

Partner
Research (28)

Academic Advisors

Louis K.C. Chan, Ph.D.
Dan Givoly, Ph.D.
Harrison Hong, Ph.D.

Operations

Kevin Phelan, CFA

Partner
Chief Operating Officer (18)

Rajeev Uppalapati, CFA

Partner (12)

Portfolio Accounting

Monika Quinn

Partner
Portfolio Accounting (25)

Gloria Balta

Associate (18)

Lisa Lewis

Associate (15)

Compliance/ Legal

Josh O'Donnell

Partner
Chief Compliance Officer
Chief Legal Officer
Chief Risk Officer (9)

Leslie Kondziela

Partner
Compliance Officer (18)

John Dunbar

Associate (6)

Jessica Roberts

Associate (6)

Danny Flaherty

Associate (2)

Bus. Mgmt.

Sara Paeth

Associate (7)

Trading

Dan Newman

Partner
Trading (23)

Brian Sanderson

Partner
Trading (10)

Eric Miller

Partner
Trading (24)

Brian Weber

Partner
Trading (11)

Claude O'Malley

Partner
Trading (17)

Erika Edmonson

Associate
Trading (5)

Portfolio Services

James Owens

Partner
Portfolio Services (22)

Keith Bruch, CFA

Partner
Portfolio Services (19)

Peter Young, CFA

Partner
Portfolio Services (18)

Scott Kemper

Partner
Portfolio Services (16)

Michael Wagner

Partner
Portfolio Services, Taft-Hartley (10)

Paul Robertson

Director
Portfolio Services, Canada (4)

David Beata

Partner
Portfolio Services (18)

Josh Dupont

Partner
Portfolio Services (6)

Note: Number indicates years at LSV.

Research and Investment Team

Portfolio Construction	Years Experience / LSV	Role & Responsibilities	Education
Josef Lakonishok	45/28	CEO, CIO, Founding Partner Portfolio Management	Ph.D. Cornell University, Finance MS Cornell University, Statistics MBA/BA Tel-Aviv University, Economics & Statistics
Puneet Mansharamani, CFA	24/22	Partner Portfolio Management	MS Case Western University, Engineering BS Delhi University, Engineering
Guy Lakonishok, CFA	22/13	Partner Portfolio Management	MBA University of Chicago, Analytical Finance & Accounting BS Washington University, Electrical Engineering
Greg Sleight	16/16	Partner Portfolio Management	MBA University of Chicago, Econometrics, Econ. & Analytic Finance BS University of Illinois, Material Science & Engineering
Gal Skarishevsky	12/6	Partner Quantitative Analyst	MBA University of Chicago, Finance & Accounting BS Ben-Gurion University, Computer Science
Paul Wells	7/1	Quantitative Analyst	BS University of California Berkeley, Economics MBA Northwestern University, Finance
Research	Years Experience / LSV	Role & Responsibilities	Education
Bhaskaran Swaminathan	33/17	Partner Director of Research	Ph.D. University of California at Los Angeles, Finance MBA University of Denver, Finance BE College of Engineering, Guindy, Madras, India, Mechanical Engineering
Jason Karceski	29/13	Partner Portfolio Management & Research	Ph.D. University of Illinois, Finance MBA University of North Florida BS California Institute of Technology, Electrical Engineering
Han Qu	29/28	Partner Research	MS University of Illinois, Finance & Statistics BS Shanghai University, Computer Science
Systems Development	Years Experience / LSV	Role & Responsibilities	Education
Menno Vermeulen, CFA	31/27	Partner Portfolio Management & Systems Development	MS Erasmus University-Rotterdam, Econometrics
Bala Ragothaman, CFA	25/16	Partner Systems Development Chief Technology Officer	MBA University of Chicago MS University of Iowa, Computer Science & Networks BS PSG College, Bharathiar University, Computer Engineering
Titus Liu	21/11	Partner Systems Development	MS University of Chicago, Finance, Econometrics & Accounting BS University of Illinois, Electrical Engineering
Simon Zhang, CFA	24/24	Partner Systems & Research	MBA/MS University of Illinois, Finance & MIS Civil Engineering MS Tongji University, Shanghai, Engineering Management BS Shanghai Institution of Building Material, Engineering
Suvrat Chakradeo, CFA	14/3	Systems Development	MBA University of Chicago, Finance, Econometrics & Statistics MS Carnegie Mellon University, Information Security & Management BE Government College of Engineering Pune, Computer Engineering

Client Portfolio Services Team

Name	Years Experience / LSV	Role & Responsibilities	Education
James Owens	33/22	Partner Portfolio Services	BA Iowa State University, Finance
Keith Bruch, CFA	34/19	Partner Portfolio Services	MBA University of Chicago, Finance BA Northwestern University, Economics
Peter Young, CFA	34/18	Partner Portfolio Services	BS Wake Forest University, Business/Mathematics
Scott Kemper	26/16	Partner Portfolio Services	MBA University of Chicago BA DePauw University
Michael Wagner	35/10	Partner Client Portfolio Services, Taft-Hartley	MBA Loyola University, Finance BS Elmhurst College, Marketing
Josh Dupont	12/6	Partner Portfolio Services	MBA University of Chicago, Finance, Economics BA Northwestern University, Economics
Paul Robertson	32/4	Director Client Portfolio Services, Canada	BA University of Hull, United Kingdom, Economics/ Geography
Jason Ciaglo	24/13	Partner Business Development	MBA University of Chicago BA University of California-Berkeley, English
Kevin Phelan, CFA	21/18	Partner Chief Operating Officer	BA University of Chicago, Economics
Josh O'Donnell	18/9	Partner Chief Compliance Officer Chief Legal Officer Chief Risk Officer	JD Vanderbilt University Law School BA Wake Forest University, Politics

Representative Client List

Public Clients

Alaska Permanent Fund
 Alberta Investment Management Corporation
 AustralianSuper
 Bayerische Versorgungskammer (BVK)
 Bristol County Retirement System
 Chicago Firemen's Annuity & Benefit Fund
 City of Gainesville Police Officers' & Firefighters' Ret. Plan
 City of Kansas City Employee's Retirement System
 City of St. Louis Employees Retirement System
 Denver Employees Retirement Plan
 District of Columbia Retirement Board
 Firefighters' Retirement System of Louisiana
 Howard County (MD) Master Trust
 Illinois Municipal Retirement Fund
 Illinois State Board of Investment
 Kansas City Police Employees' Retirement System
 Kentucky Public Pensions Authority
 Louisiana School Employees' Retirement System
 Louisiana State Employees' Retirement System
 Minnesota State Board of Investment
 Municipal Police Employees' Ret. System of Louisiana
 Municipal Employees' Annuity & Benefit Fund of Chicago
 New Jersey Transit Corporation
 New Mexico State Investment Council
 New York State Common Retirement Fund
 New York State Teachers' Retirement System
 Nexcom

Public Clients (Cont.)

Ohio Public Employees Retirement System
 Ohio School Employees' Retirement System
 Parochial Employees' Retirement System of Louisiana
 Public Employees' Retirement System of Mississippi
 Richmond Retirement System
 RTD (Denver) Salaried Employees' Pension Trust
 Sacramento County Employees' Retirement System
 Stanislaus County Employees' Retirement Association
 State of Idaho Endowment Fund
 Teachers' Retirement System of Illinois
 Teachers' Retirement System of Louisiana
 Virginia Retirement System
 West Virginia Investment Management Board

Union/Taft Hartley Clients

1199 National Benefit & Pension Fund
 Boilermaker-Blacksmith National Pension Trust
 Carpenters Pension Fund of Illinois
 Carpenters Pension Trust of St. Louis
 Chicago Laborers
 Connecticut Laborers Pension Fund
 I.A.T.S.E. National Pension Fund
 I.B. of T. Union Local No. 710 Pension Fund
 I.B.E.W. Local #103
 I.B.E.W. Local #134

Union/Taft Hartley Clients (Cont.)

I.U.O.E. Local 302 & 612
 I.U.O.E. Local 825
 Laborers' National Pension Fund
 LIUNA Pension Plans
 Mid-Atlantic Regional Council of Carpenters
 National Asbestos Workers Pension Fund
 National Elevator Industry Plan
 National Roofing Industry Pension Fund
 New England Healthcare Workers
 New York City District Council of Carpenters
 Northwest Indiana Carpenters
 Sheet Metal Workers Local 73
 Teamsters Joint Council No. 83 of Virginia
 U.F.C.W. International Union-Industry Pension Fund
 U.F.C.W. Midwest Pension Fund

Not-For-Profit & Eleemosynary

Archdiocese of Cincinnati
 Mercy Investment Services
 Misericordia Home
 Mother Theresa Mission Care and Trust
 Portico Benefit Services
 The Salvation Army
 The Seeing Eye, Inc.
 The Sisters of the Holy Family of Nazareth
 United Church Funds

Representative Client List

Corporate Clients

AMP Capital Investors
Bank of America
BASF
Bridge Builder Mutual Funds
Bridger Coal Company - Reclamation Trust
Daimler NA
Deere & Company
Delphi
Desjardins Global Asset Management
Duke Energy
Emerson Electric
Empower Investments
FirstEnergy Corp.
FM Global
Harbor Capital Advisors, Inc.
Hess Corporation
Hoogovens Pensioenfond
Marsh & McLennan Companies, Inc.

Corporate Clients (Cont.)

Olin Corporation
OnePath
Prudential
SEI Investments
Shell Pensioenfond
Stagecoach PLC
Stellantis
Twin Disc, Inc.
Voya Investments
Wells Fargo

Health Care

Christiana Care Health Services
Covenant Health
Dogwood Health Trust
Legacy Health
Methodist Hospital System
Methodist Le Bonheur Healthcare
Parkland Health & Hospital System

Endowment & Foundation Clients

Alma College Endowment
Roy J. Carver Charitable Trust
Chagnon Foundation
College of the Ozarks
Irving S. Gilmore Foundation
Jewish Healthcare Foundation
McConnell Foundation
McGill University
New Jersey Health Foundation
Saint Louis University
Texas Presbyterian Foundation
University of Alberta
University of Idaho Foundation

Investment Philosophy

LSV believes in the systematic implementation of fundamental investment ideas

Deep Value

- We identify cheap companies that are underappreciated by the market
 - A patient approach that focuses on undervalued companies can deliver superior returns
-

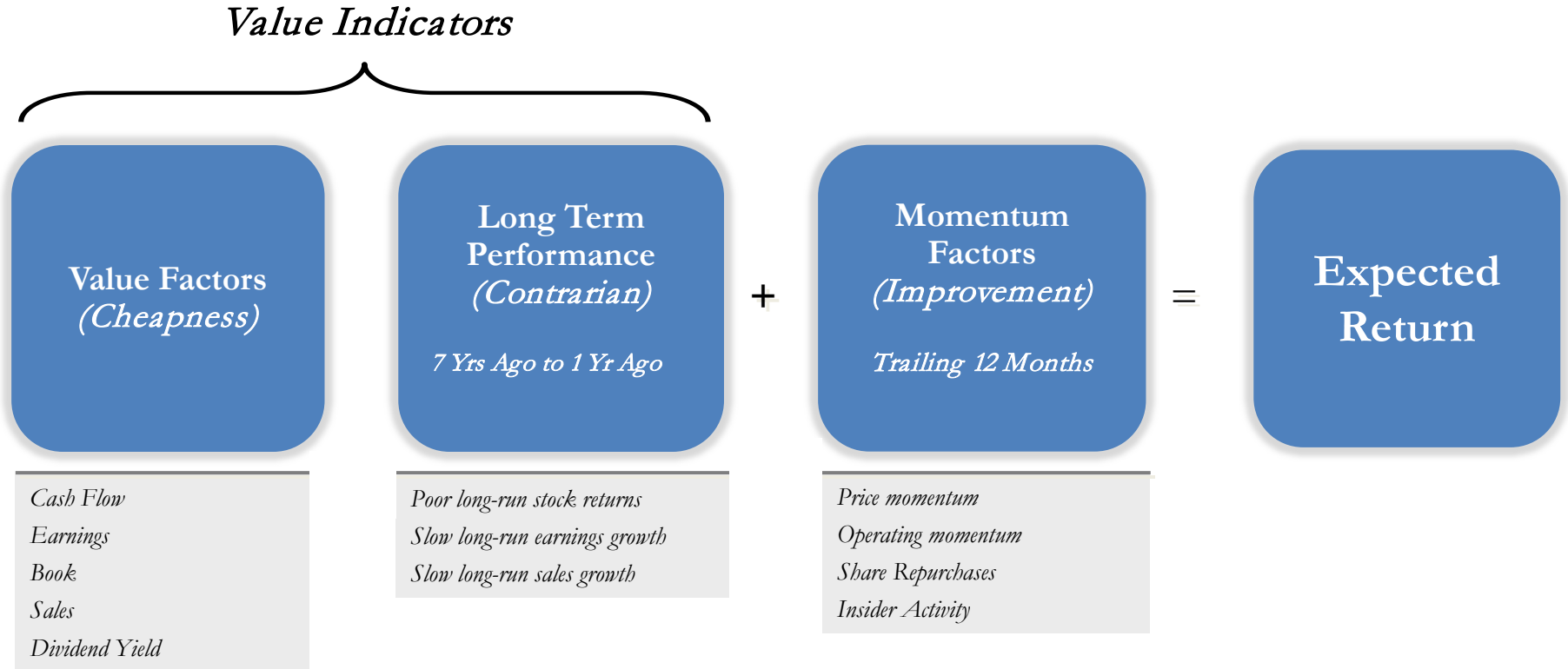
Quantitative

- LSV's quantitative investment strategy is based on comprehensive empirical research which addresses the complexities of financial statements
 - Our common sense approach avoids the pitfalls of data mining
-

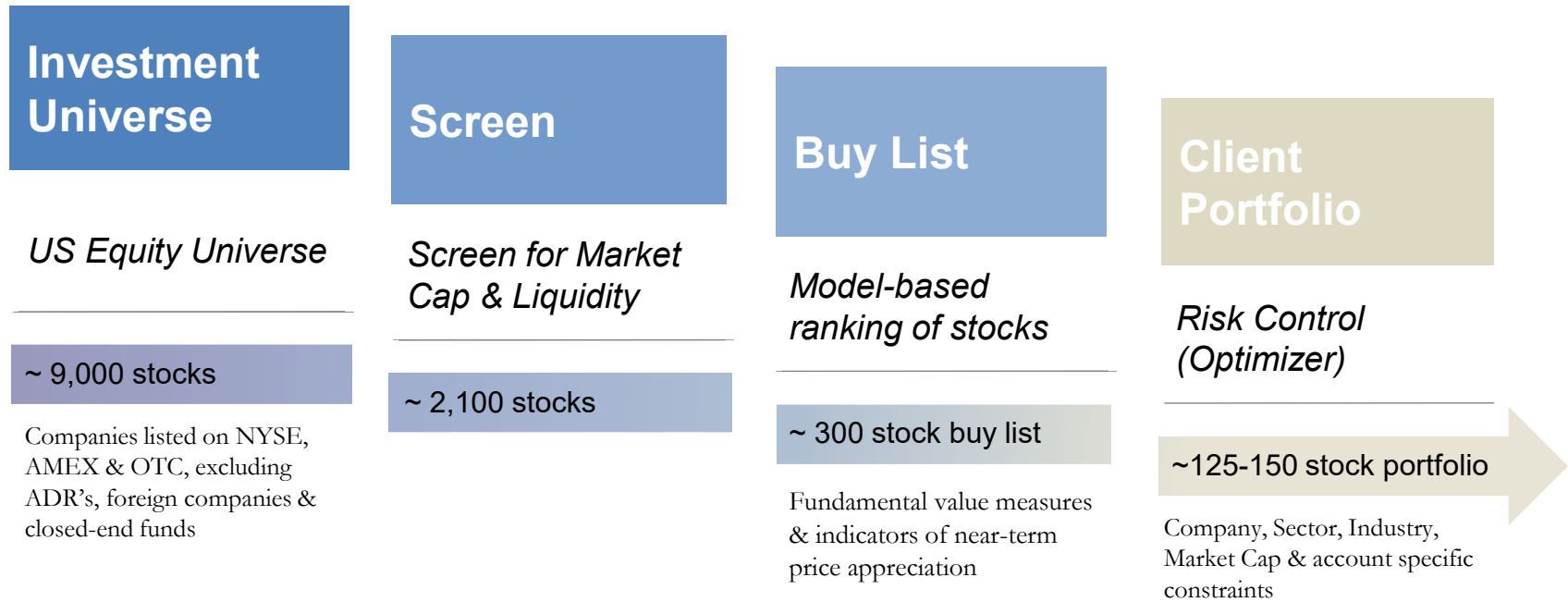
Risk Control

- We construct well diversified portfolios across sectors, industries and individual names utilizing our proprietary optimization process

Investment Process – Expected Return Model



Investment Process



Sell Discipline

A stock is sold when:

- Model ranking deteriorates

A stock is cut back when:

- Portfolio weight becomes excessive

Turnover

- Approximately 25% per year

Portfolio Characteristics – January 31, 2023

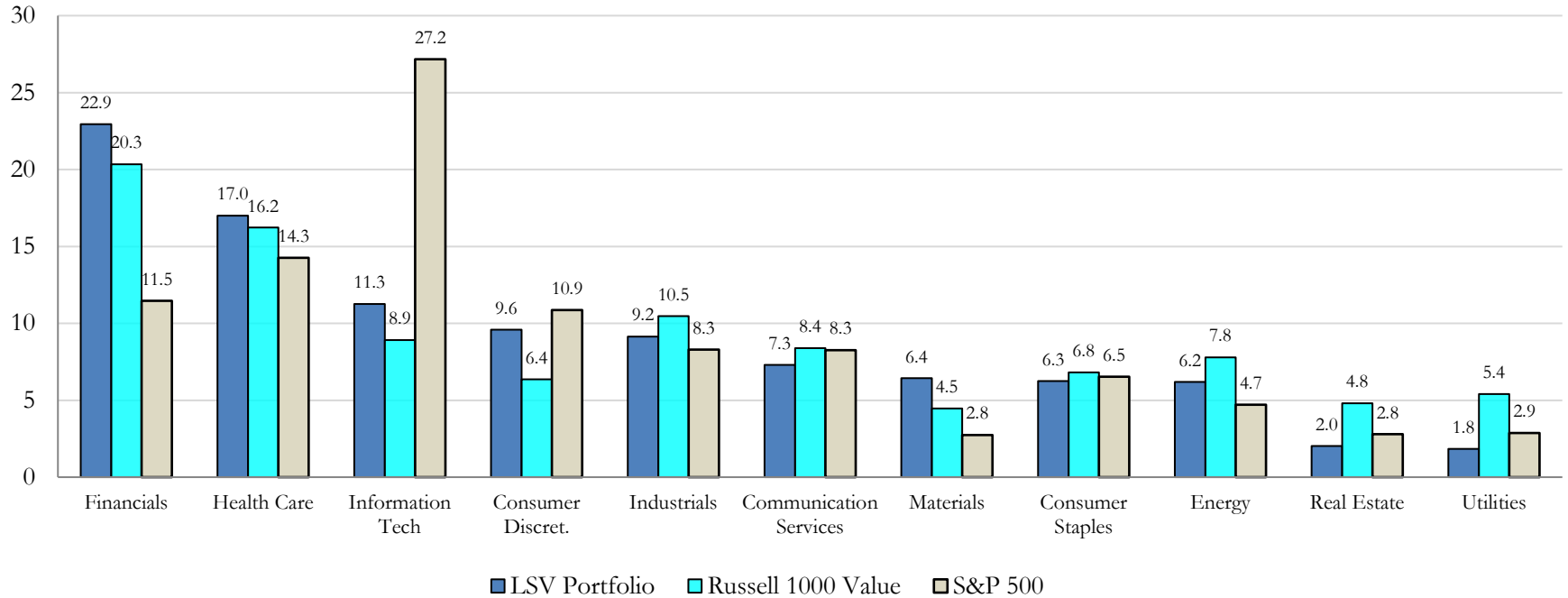
	LSV Portfolio	Russell 1000 Value	S&P 500
Value Measures			
Price / Earnings (FY1)	10.4x	15.6x	19.1x
Price / Earnings (FY2)	9.9x	14.4x	17.3x
Price / Cash Flow	7.1x	11.7x	15.3x
Price / Book	2.0x	2.5x	4.1x
Dividend Yield	2.8%	2.2%	1.7%
Size Measures			
Weighted Average Market Cap	\$77.5 billion	\$155.6 billion	\$491.2 billion
Weighted Median Market Cap	\$27.7 billion	\$76.6 billion	\$163.9 billion

Value Equity

Investment Specialists

This information is supplemental to the GIPS® disclosure information presented in the Disclosures – Disclosures to Performance Results. Please also see Disclosures – Additional Disclosures and Risk Factors for important additional information, including information regarding the LSV Portfolio, and risk disclosures.

Sector Exposures – January 31, 2023



Value Equity

Investment Specialists

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Performance

LSV Large Cap Value Composite

Annualized for periods ending January 31, 2023

	YTD	One Year	Two Year	Three Year	Five Year	Seven Year	Ten Year	Fifteen Year	Twenty Year	Twenty Five Year	Since Inception*
LSV Composite (Gross)	7.2%	2.0%	13.4%	10.8%	6.4%	11.5%	11.4%	8.6%	10.7%	9.3%	11.5%
Russell 1000 Value	5.2%	-0.4%	10.8%	8.5%	6.9%	10.7%	10.2%	7.6%	9.2%	7.5%	9.4%
S&P 500	6.3%	-8.2%	6.4%	9.9%	9.5%	13.3%	12.7%	9.7%	10.3%	7.9%	9.9%

Calendar Year Summary

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
LSV Composite (Gross)	-5.5%	28.9%	-1.2%	26.1%	-12.1%	18.6%	17.9%	-2.8%	13.7%	41.4%	19.6%	0.0%	14.8%	25.9%	-38.5%
Russell 1000 Value	-7.5%	25.2%	2.8%	26.5%	-8.3%	13.7%	17.3%	-3.8%	13.5%	32.5%	17.5%	0.4%	15.5%	19.7%	-36.9%
S&P 500	-18.1%	28.7%	18.4%	31.5%	-4.4%	21.8%	12.0%	1.4%	13.7%	32.4%	16.0%	2.1%	15.1%	26.4%	-37.0%

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993*
LSV Composite (Gross)	-0.1%	22.7%	12.3%	21.2%	35.5%	-11.0%	5.4%	13.0%	4.4%	9.8%	39.1%	27.2%	41.1%	2.6%	1.6%
Russell 1000 Value	-0.2%	22.2%	7.0%	16.5%	30.0%	-15.5%	-5.6%	7.0%	7.3%	15.6%	35.2%	21.6%	38.4%	-2.0%	1.9%
S&P 500	5.5%	15.8%	4.9%	10.9%	28.7%	-22.1%	-11.9%	-9.1%	21.0%	28.6%	33.4%	23.0%	37.6%	1.3%	1.2%

*Inception date of the Large Cap Value Strategy is December 1, 1993 and the inception date of the Large Cap Value Composite is May 1995. Information from prior periods represents the performance record of the Portfolio Manager while affiliated with a prior firm and is linked to the Large Cap Value Composite as it meets the portability requirements set forth in the GIPS® Guidance Statement on Performance Record Portability. January 2023 LSV return is preliminary. Past performance is not indicative of future results. This information is supplemental to the GIPS® disclosure information presented in the Disclosures – Disclosures to Performance Results. Please also see Disclosures – Additional Disclosures and Risk Factors for important additional information and risk disclosures.

Performance

LSV Large Cap Value Composite

Annualized for periods ending January 31, 2023

	YTD	One Year	Two Year	Three Year	Five Year	Seven Year	Ten Year	Fifteen Year	Twenty Year	Twenty Five Year	Since Inception*
LSV Composite (Net)	7.1%	1.5%	12.9%	10.2%	5.9%	11.0%	10.8%	8.1%	10.2%	8.8%	10.9%
Russell 1000 Value	5.2%	-0.4%	10.8%	8.5%	6.9%	10.7%	10.2%	7.6%	9.2%	7.5%	9.4%
S&P 500	6.3%	-8.2%	6.4%	9.9%	9.5%	13.3%	12.7%	9.7%	10.3%	7.9%	9.9%

Calendar Year Summary

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
LSV Composite (Net)	-6.0%	28.3%	-1.7%	25.6%	-12.5%	18.1%	17.4%	-3.2%	13.1%	40.7%	19.0%	-0.5%	14.2%	25.3%	-38.8%
Russell 1000 Value	-7.5%	25.2%	2.8%	26.5%	-8.3%	13.7%	17.3%	-3.8%	13.5%	32.5%	17.5%	0.4%	15.5%	19.7%	-36.9%
S&P 500	-18.1%	28.7%	18.4%	31.5%	-4.4%	21.8%	12.0%	1.4%	13.7%	32.4%	16.0%	2.1%	15.1%	26.4%	-37.0%

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993*
LSV Composite (Net)	-0.5%	22.1%	11.8%	20.6%	34.9%	-11.4%	4.9%	12.5%	3.9%	9.3%	38.5%	26.6%	40.4%	2.1%	1.5%
Russell 1000 Value	-0.2%	22.2%	7.0%	16.5%	30.0%	-15.5%	-5.6%	7.0%	7.3%	15.6%	35.2%	21.6%	38.4%	-2.0%	1.9%
S&P 500	5.5%	15.8%	4.9%	10.9%	28.7%	-22.1%	-11.9%	-9.1%	21.0%	28.6%	33.4%	23.0%	37.6%	1.3%	1.2%

*Inception date of the Large Cap Value Strategy is December 1, 1993 and the inception date of the Large Cap Value Composite is May 1995. Information from prior periods represents the performance record of the Portfolio Manager while affiliated with a prior firm and is linked to the Large Cap Value Composite as it meets the portability requirements set forth in the GIPS® Guidance Statement on Performance Record Portability. January 2023 LSV return is preliminary. Net of fee performance was calculated using an estimated account size of \$100 million for the intended audience of this presentation, resulting in an applicable management fee of 0.475%, applied monthly. Fees are calculated and payable in arrears. Past performance is not indicative of future results. This information is supplemental to the GIPS® disclosure information presented in the Disclosures – Disclosures to Performance Results. Please also see Disclosures – Additional Disclosures and Risk Factors for important additional information and risk disclosures.

Sample Research Report: Harley-Davidson

GICS Sector: Consumer Discretionary
GICS Industry: Motorcycle Manufacturers

Market Capitalization: \$7,561

Expected Return Rank 0.96

Value Factors (Cheapness)

Valuation Rank 0.89

Price / Earnings (FY1) 9.9x
Price / Earnings (FY2) 9.2x

Price / Cash Flow 8.5x
EBITDA / Enterprise Value 13.4%
Free Cash Flow Yield 9.1%

Price / Book 2.2x

Price / Sales 1.3x

Dividend Yield 1.22%

Long Term Performance (Contrarian)

Long Term Performance Rank 0.13

Past Performance (7Yr to 1Yr Ago) -1.4%

5 Year Sales Growth 2.1%

Momentum Factors (Improvement)

Momentum Rank 0.94

Price Momentum (12-month Return) 39.6%

Positive Earnings Revisions 0.61

Positive Sales Revisions 0.84

Company bought back 2.05% of shares

Corporate Insiders bought \$1.05M in shares

Representative Account Holdings– December 31, 2022

SECTOR	MKT. VALUE	% PORT
FINANCIALS	76,593,351	22.3%
Aflac Inc	5,798,364	1.7%
Citigroup Inc	4,780,811	1.4%
Ameriprise Financial Inc	4,732,824	1.4%
Bank Of New York Mellon Corp/The	3,795,458	1.1%
Hartford Financial Services Group Inc/The	3,692,921	1.1%
Regions Financial Corp	3,520,748	1.0%
Morgan Stanley	3,494,322	1.0%
Metlife Inc	3,452,049	1.0%
Wells Fargo & Co	3,171,072	0.9%
State Street Corp	2,955,417	0.9%
Bank Of America Corp	2,831,760	0.8%
Goldman Sachs Group Inc/The	2,678,364	0.8%
Citizens Financial Group Inc	2,559,050	0.7%
Allstate Corp/The	2,386,560	0.7%
Capital One Financial Corp	2,296,112	0.7%
Keycorp	2,161,822	0.6%
Everest Re Group Ltd	2,087,001	0.6%
Fifth Third Bancorp	2,037,501	0.6%
Jpmorgan Chase & Co	1,984,680	0.6%
American Financial Group Inc/Oh	1,867,008	0.5%
Ally Financial Inc	1,630,815	0.5%
Discover Financial Services	1,594,629	0.5%
Unum Group	1,436,050	0.4%
Zions Bancorp Na	1,405,976	0.4%
Voya Financial Inc	1,401,972	0.4%
Radian Group Inc	1,306,295	0.4%
Synchrony Financial	1,205,962	0.4%
First American Financial Corp	1,167,182	0.3%
Prudential Financial Inc	845,410	0.2%
Lincoln National Corp	804,864	0.2%
Annaly Capital Management Inc	801,546	0.2%
Homestreet Inc	708,806	0.2%

SECTOR	MKT. VALUE	% PORT
HEALTH CARE	65,318,475	19.0%
Merck & Co Inc	10,739,960	3.1%
Pfizer Inc	10,073,784	2.9%
Bristol-Myers Squibb Co	7,065,490	2.1%
Cvs Health Corp	4,957,708	1.4%
Gilead Sciences Inc	4,944,960	1.4%
Amgen Inc	4,832,576	1.4%
Cigna Corp	3,810,410	1.1%
Hca Healthcare Inc	3,023,496	0.9%
Abbvie Inc	2,844,336	0.8%
Cardinal Health Inc	2,406,031	0.7%
Jazz Pharmaceuticals Plc	2,365,754	0.7%
Quest Diagnostics Inc	2,174,516	0.6%
Davita Inc	1,560,603	0.5%
Universal Health Services Inc	1,493,434	0.4%
Biogen Inc	902,759	0.3%
Select Medical Holdings Corp	896,363	0.3%
Viatrix Inc	695,625	0.2%
Organon & Co	530,670	0.2%
COMMUNICATION SERVICES	21,890,027	6.4%
Verizon Communications Inc	5,976,980	1.7%
At&T Inc	4,179,070	1.2%
Comcast Corp	3,811,730	1.1%
Fox Corp	2,338,490	0.7%
Meta Platforms Inc	1,552,386	0.5%
Nexstar Media Group Inc	1,435,246	0.4%
Paramount Global	759,600	0.2%
Tegna Inc	724,698	0.2%
Gray Television Inc	657,972	0.2%
Warner Bros Discovery Inc	453,855	0.1%

SECTOR	MKT. VALUE	% PORT
INFORMATION TECHNOLOGY	37,755,783	11.0%
Intel Corp	4,421,739	1.3%
Cisco Systems Inc	3,892,188	1.1%
Oracle Corp	3,547,516	1.0%
Hp Inc	3,525,344	1.0%
International Business Machines Corp	2,578,287	0.7%
Arrow Electronics Inc	2,499,223	0.7%
Hewlett Packard Enterprise Co	2,366,868	0.7%
Qualcomm Inc	2,187,806	0.6%
Amdocs Ltd	1,971,621	0.6%
Seagate Technology Holdings Plc	1,751,913	0.5%
Vishay Intertechnology Inc	1,279,101	0.4%
Qorvo Inc	1,250,832	0.4%
Applied Materials Inc	1,149,084	0.3%
Avnet Inc	1,043,658	0.3%
Xerox Holdings Corp	829,645	0.2%
Ncr Corp	807,645	0.2%
Vmware Inc	795,117	0.2%
Western Union Co/The	698,139	0.2%
Dell Technologies Inc	591,234	0.2%
Consensus Cloud Solutions Inc	324,334	0.1%
Dxc Technology Co	244,489	0.1%

SECTOR	MKT. VALUE	% PORT
ENERGY	24,037,798	7.0%
Exxon Mobil Corp	8,592,370	2.5%
Phillips 66	3,007,912	0.9%
Marathon Petroleum Corp	2,921,389	0.8%
Hf Sinclair Corp	2,002,954	0.6%
Valero Energy Corp	1,877,528	0.5%
Apa Corp	1,759,836	0.5%
Chesapeake Energy Corp	1,453,298	0.4%
Marathon Oil Corp	1,334,551	0.4%
Sfl Corp Ltd	1,087,960	0.3%

Value Equity

Investment Specialists

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Representative Account Holdings– December 31, 2022

SECTOR	MKT. VALUE	% PORT
INDUSTRIALS	31,781,699	9.2%
Cummins Inc	3,852,411	1.1%
Fedex Corp	2,771,200	0.8%
Agco Corp	2,718,324	0.8%
Northrop Grumman Corp	2,237,001	0.7%
Snap-On Inc	1,896,467	0.6%
Huntington Ingalls Industries Inc	1,891,576	0.5%
Manpowergroup Inc	1,755,731	0.5%
Curtiss-Wright Corp	1,619,803	0.5%
Crane Holdings Co	1,456,525	0.4%
Hillenbrand Inc	1,420,911	0.4%
Allison Transmission Holdings Inc	1,418,560	0.4%
Timken Co/The	1,257,926	0.4%
Moog Inc	1,150,183	0.3%
Ryder System Inc	1,094,767	0.3%
United Airlines Holdings Inc	980,200	0.3%
Delta Air Lines Inc	962,798	0.3%
Acuity Brands Inc	943,977	0.3%
Textron Inc	899,160	0.3%
Alaska Air Group Inc	798,684	0.2%
American Airlines Group Inc	510,072	0.1%
V2X Inc	145,423	0.0%
REAL ESTATE	7,112,680	2.1%
Omega Healthcare Investors Inc	1,439,425	0.4%
Iron Mountain Inc	1,430,695	0.4%
Brixmor Property Group Inc	1,280,855	0.4%
Simon Property Group Inc	1,092,564	0.3%
Medical Properties Trust Inc	790,940	0.2%
Service Properties Trust	389,286	0.1%
Office Properties Income Trust	376,470	0.1%
Uniti Group Inc	312,445	0.1%

SECTOR	MKT. VALUE	% PORT
CONSUMER STAPLES	22,341,513	6.5%
Molson Coors Beverage Co	3,838,240	1.1%
Kroger Co/The	3,512,904	1.0%
Kraft Heinz Co/The	2,731,641	0.8%
Sprouts Farmers Market Inc	2,450,409	0.7%
Tyson Foods Inc	2,247,225	0.7%
J M Smucker Co/The	1,964,904	0.6%
Conagra Brands Inc	1,861,470	0.5%
Ingredion Inc	1,517,915	0.4%
Walgreens Boots Alliance Inc	1,307,600	0.4%
Energizer Holdings Inc	909,205	0.3%
MATERIALS	20,245,416	5.9%
Steel Dynamics Inc	3,038,470	0.9%
Louisiana-Pacific Corp	2,119,360	0.6%
Silgan Holdings Inc	1,902,528	0.6%
Berry Global Group Inc	1,897,502	0.6%
Huntsman Corp	1,854,900	0.5%
Reliance Steel & Aluminum Co	1,821,960	0.5%
Lyondellbasell Industries Nv	1,411,510	0.4%
Ingevity Corp	1,229,178	0.4%
Westrock Co	1,146,216	0.3%
Eastman Chemical Co	1,091,296	0.3%
International Paper Co	938,473	0.3%
Celanese Corp	869,040	0.3%
Chemours Co/The	805,306	0.2%
Sylvamo Corp	119,677	0.0%

SECTOR	MKT. VALUE	% PORT
CONSUMER DISCRETIONARY	28,690,034	8.3%
Ebay Inc	2,442,583	0.7%
Ford Motor Co	2,144,572	0.6%
General Motors Co	2,115,956	0.6%
Whirlpool Corp	2,008,732	0.6%
Target Corp	1,937,520	0.6%
Dick'S Sporting Goods Inc	1,756,234	0.5%
Pultegroup Inc	1,734,693	0.5%
Penske Automotive Group Inc	1,597,527	0.5%
Best Buy Co Inc	1,475,864	0.4%
Harley-Davidson Inc	1,376,960	0.4%
Lennar Corp	1,312,250	0.4%
Thor Industries Inc	1,260,683	0.4%
Borgwarner Inc	1,183,350	0.3%
Foot Locker Inc	1,179,048	0.3%
Lear Corp	1,078,974	0.3%
Macy'S Inc	1,030,435	0.3%
Sally Beauty Holdings Inc	860,124	0.2%
Goodyear Tire & Rubber Co/The	680,050	0.2%
Kohl'S Corp	608,525	0.2%
Big Lots Inc	382,200	0.1%
Royal Caribbean Cruises Ltd	375,668	0.1%
Sleep Number Corp	148,086	0.0%
UTILITIES	6,374,459	1.9%
Vistra Corp	2,800,240	0.8%
Nrg Energy Inc	2,310,132	0.7%
Ugi Corp	1,264,087	0.4%
CASH	1,922,642	0.6%
TOTAL	344,548,337	100%

Value Equity

Investment Specialists

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Fee Schedule

LSV Large Cap Value Equity

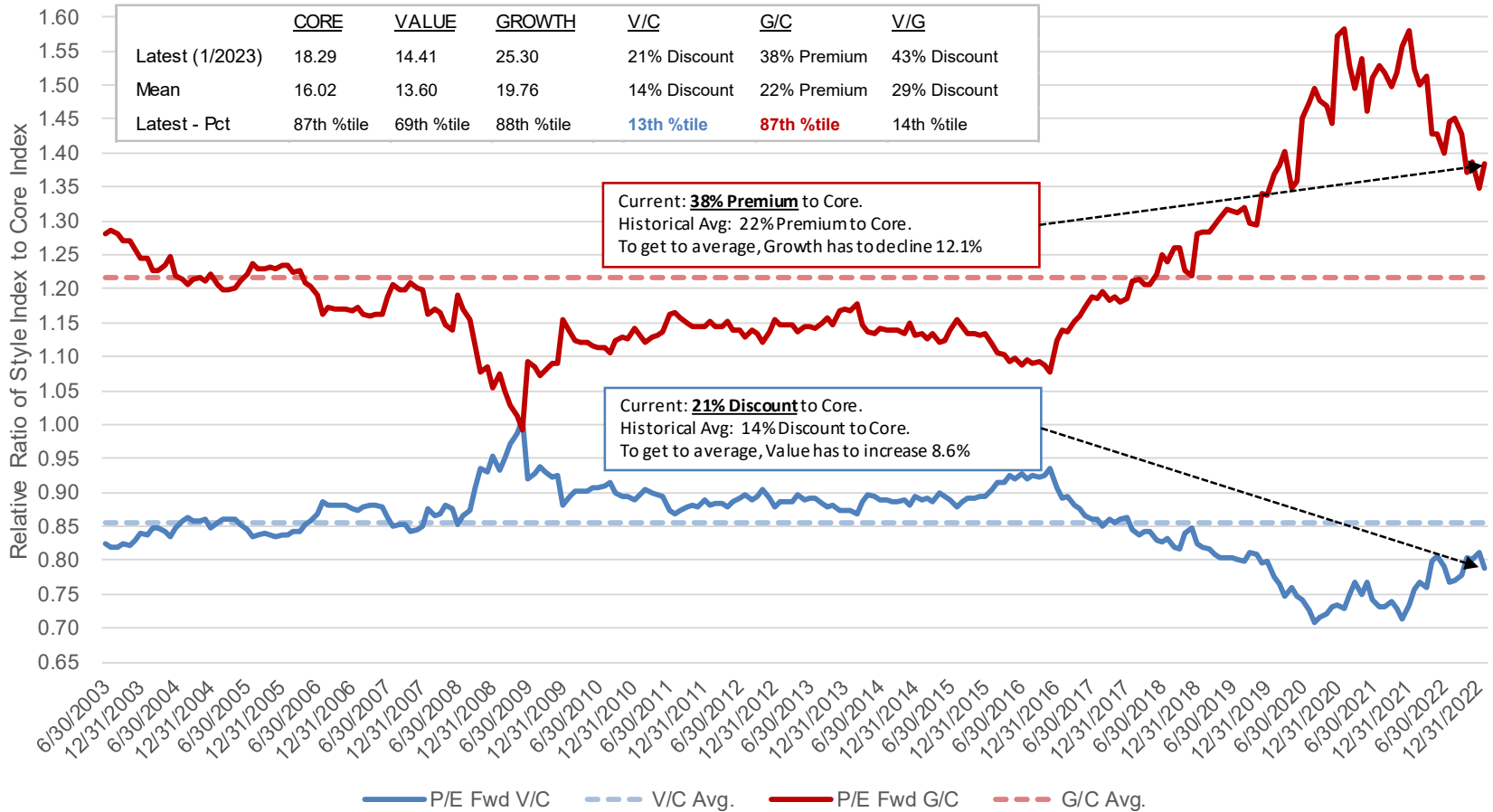
Amount	Fee
\$0 - \$25 million	60 bps
Next \$25 million	50 bps
Next \$50 million	40 bps
Next \$100 million	35 bps
Additional amounts over \$200 million	30 bps

LSV
Asset Management

Supplemental Data

Relative Valuations of Value vs. Growth at Extreme Levels

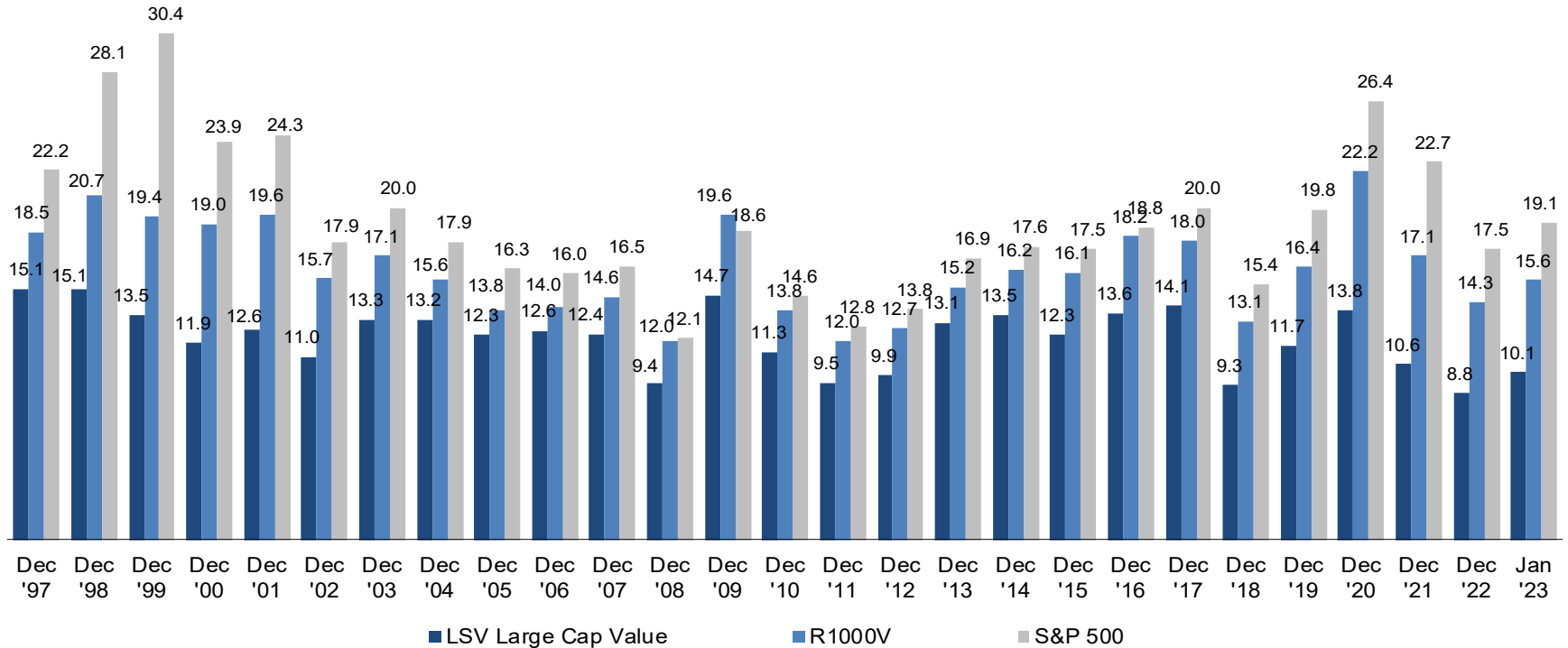
Forward PE Ratio for MSCI USA Value and Growth Index Relative to MSCI USA Core (Jan-2023)



Data as of 1/31/2023. Source: LSV, MSCI. This slide does not represent the composition of any LSV portfolio. See Disclosures — Additional Disclosures and Risk Factors in the presentation for important additional information and risk disclosures.

LSV U.S. Large Cap Valuations – P/E (FY1): 1997-2023

	Forecasted P/E Discount			Discount vs Core		Discount vs Value	
	Current	Median	Discount	Current	Median	Current	Median
LSV	10.1	12.4	-19%	-47%	-30%	-35%	-30%
R1000V	15.6	16.1	-3%	-18%	-13%		
SP500	19.1	17.9	7%				



Data as of 1/31/2023. Source: LSV, FTSE Russell. See Disclosures — Additional Disclosures and Risk Factors in the presentation for important additional information and risk disclosures, including information regarding the use of a representative LSV portfolio.

Current vs. Historical Valuations by Size and Valuation

Largest 2,000 U.S. Companies: Top 500, Mid 500, Small 1000 by Market Value

30-40-30 Market cap portfolios sorted by Comprehensive Valuation Measure

As of December 31, 2022

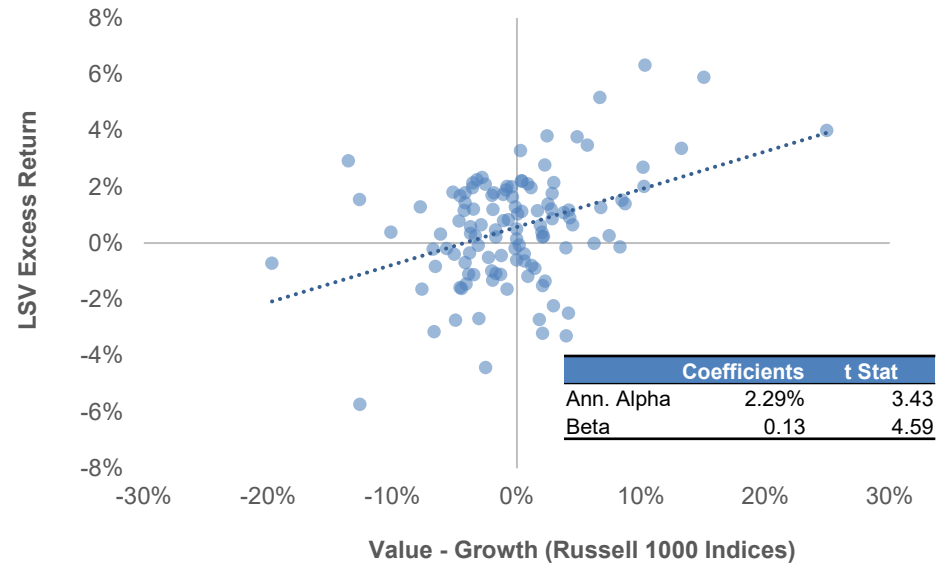
Size:	Wt Mean								
	Small1000			Mid500			Top500		
	Expensive	Middle	Cheap	Expensive	Middle	Cheap	Expensive	Middle	Cheap
30-40-30:	<u>P1</u>	<u>P2</u>	<u>P3</u>	<u>P1</u>	<u>P2</u>	<u>P3</u>	<u>P1</u>	<u>P2</u>	<u>P3</u>
Number of Firms	309	384	307	156	197	147	148	181	171
Rank on Valuation	0.225	0.534	0.851	0.249	0.560	0.871	0.284	0.450	0.750
Market to book ratio	4.01	2.01	1.38	4.95	2.49	1.54	8.76	5.24	2.13
P/E FY2									
2022-12-31 Level	68.3	15.6	7.8	39.2	14.0	8.0	28.9	18.6	11.0
2003-2019 Median	34.0	16.6	11.3	26.9	16.0	11.1	21.3	15.3	10.9
Premium to Median %	101.0	-6.1	-30.8	46.0	-12.6	-28.0	35.7	21.3	0.9
Rank(2003-2019)	0.986	0.287	0.023	0.916	0.214	0.026	0.934	0.967	0.528

Regression Analysis – LSV U.S. Large Cap Value

LSV Large Cap Value Composite (Gross) vs. Russell 1000 Value (Quarterly Returns)

December 1993 – December 2022

Calendar Year	LSV Excess Return	Value - Growth	Calendar Year	LSV Excess Return	Value - Growth
1994	4.5%	-4.6%	2010	-0.7%	-1.2%
1995	2.7%	1.2%	2011	-0.4%	-2.3%
1996	5.6%	-1.5%	2012	2.0%	2.3%
1997	3.9%	4.7%	2013	8.9%	-1.0%
1998	-5.8%	-23.1%	2014	0.2%	0.4%
1999	-3.0%	-25.8%	2015	1.0%	-9.5%
2000	6.0%	29.4%	2016	0.6%	10.3%
2001	11.0%	14.8%	2017	5.0%	-16.5%
2002	4.5%	12.4%	2018	-3.9%	-6.8%
2003	5.5%	0.3%	2019	-0.4%	-9.8%
2004	4.7%	10.2%	2020	-4.0%	-35.7%
2005	5.3%	1.8%	2021	3.8%	-2.4%
2006	0.5%	13.2%	2022	2.0%	21.6%
2007	0.1%	-12.0%			
2008	-1.7%	1.6%			
2009	6.2%	-17.5%			



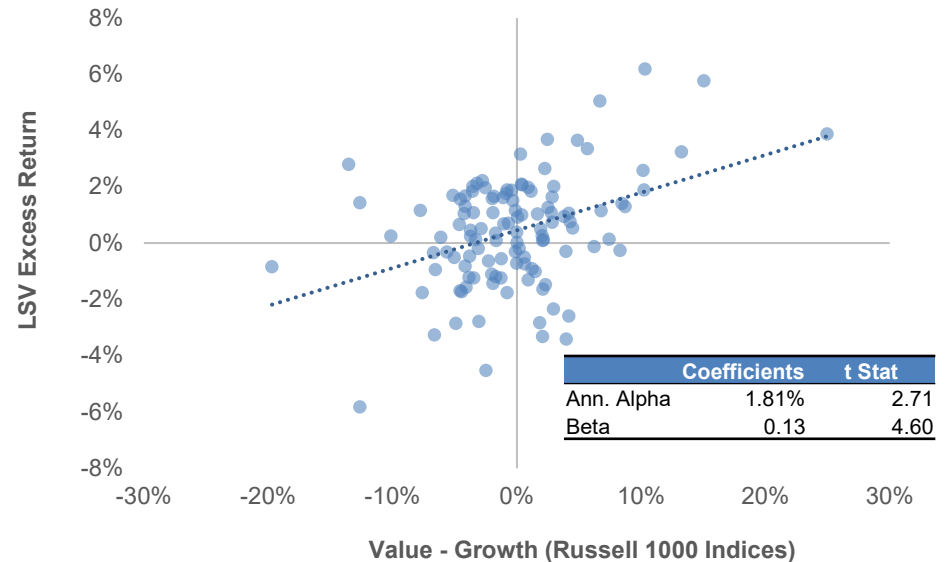
- When Value has performed well historically, LSV has outperformed
- LSV does not need value to “work” in order to outperform
- LSV has struggled when Growth outperformance is at extreme levels

Regression Analysis – LSV U.S. Large Cap Value

LSV Large Cap Value Composite (Net) vs. Russell 1000 Value (Quarterly Returns)

December 1993 – December 2022

Calendar Year	LSV Excess Return	Value - Growth	Calendar Year	LSV Excess Return	Value - Growth
1994	4.1%	-4.6%	2010	-1.3%	-1.2%
1995	2.0%	1.2%	2011	-0.9%	-2.3%
1996	5.0%	-1.5%	2012	1.5%	2.3%
1997	3.3%	4.7%	2013	8.2%	-1.0%
1998	-6.3%	-23.1%	2014	-0.3%	0.4%
1999	-3.5%	-25.8%	2015	0.6%	-9.5%
2000	5.5%	29.4%	2016	0.0%	10.3%
2001	10.5%	14.8%	2017	4.4%	-16.5%
2002	4.1%	12.4%	2018	-4.3%	-6.8%
2003	4.8%	0.3%	2019	-1.0%	-9.8%
2004	4.2%	10.2%	2020	-4.5%	-35.7%
2005	4.8%	1.8%	2021	3.2%	-2.4%
2006	-0.1%	13.2%	2022	1.6%	21.6%
2007	-0.4%	-12.0%			
2008	-2.0%	1.6%			
2009	5.6%	-17.5%			



- When Value has performed well historically, LSV has outperformed
- LSV does not need value to “work” in order to outperform
- LSV has struggled when Growth outperformance is at extreme levels

Data as of 12/31/2022. Inception date of the Large Cap Value Strategy is December 1, 1993 and the inception date of the Large Cap Value Composite is May 1995. Information from prior periods represents the performance record of the Portfolio Manager while affiliated with a prior firm and is linked to the Large Cap Value Composite as it meets the portability requirements set forth in the GIPS® Guidance Statement on Performance Record Portability. Sources: LSV, FTSE Russell. Returns are net of fees and in USD. Net of fee performance was calculated using an estimated account size of \$100 million for the intended audience of this presentation, resulting in an applicable management fee of 0.475%, applied monthly. Fees are calculated and payable in arrears. Past performance is not indicative of future results. Please see the Performance slide(s) and the Disclosures – Disclosures to Performance Results in the presentation for performance information, including net returns of the composite. Please also see Disclosures – Additional Disclosures and Risk Factors in the presentation for important additional information and risk disclosures.

Consistent Excess Returns – LSV Large Cap Value Strategy

LSV Large Cap Value Composite (Gross) vs. Russell 1000 Value

Annualized Rolling 5-Year Excess Returns

12/1/1993–1/31/2023

Quarter	Rolling 5-Year Excess Returns	Quarter	Rolling 5-Year Excess Returns	Quarter	Rolling 5-Year Excess Returns	Quarter	Rolling 5-Year Excess Returns
Q4 1998	2.1%	Q2 2005	7.6%	Q4 2011	0.3%	Q2 2018	2.0%
Q1 1999	0.9%	Q3 2005	7.1%	Q1 2012	0.4%	Q3 2018	1.4%
Q2 1999	0.7%	Q4 2005	6.3%	Q2 2012	-0.4%	Q4 2018	0.4%
Q3 1999	0.4%	Q1 2006	5.3%	Q3 2012	0.2%	Q1 2019	0.1%
Q4 1999	0.3%	Q2 2006	4.9%	Q4 2012	0.6%	Q2 2019	-0.1%
Q1 2000	-0.5%	Q3 2006	4.4%	Q1 2013	1.1%	Q3 2019	-0.2%
Q2 2000	-0.5%	Q4 2006	4.2%	Q2 2013	1.7%	Q4 2019	0.3%
Q3 2000	-0.1%	Q1 2007	3.3%	Q3 2013	2.1%	Q1 2020	-1.7%
Q4 2000	1.1%	Q2 2007	3.0%	Q4 2013	2.9%	Q2 2020	-1.4%
Q1 2001	1.8%	Q3 2007	2.6%	Q1 2014	2.7%	Q3 2020	-1.7%
Q2 2001	2.1%	Q4 2007	3.1%	Q2 2014	2.0%	Q4 2020	-0.8%
Q3 2001	2.3%	Q1 2008	2.9%	Q3 2014	1.8%	Q1 2021	0.6%
Q4 2001	2.5%	Q2 2008	2.2%	Q4 2014	1.7%	Q2 2021	1.3%
Q1 2002	3.6%	Q3 2008	1.8%	Q1 2015	2.0%	Q3 2021	0.6%
Q2 2002	3.8%	Q4 2008	1.3%	Q2 2015	2.3%	Q4 2021	-0.3%
Q3 2002	2.9%	Q1 2009	1.1%	Q3 2015	2.1%	Q1 2022	-0.3%
Q4 2002	2.8%	Q2 2009	1.4%	Q4 2015	2.0%	Q2 2022	0.0%
Q1 2003	2.4%	Q3 2009	1.3%	Q1 2016	1.3%	Q3 2022	-0.7%
Q2 2003	3.2%	Q4 2009	1.5%	Q2 2016	0.7%	Q4 2022	-0.7%
Q3 2003	4.8%	Q1 2010	1.4%	Q3 2016	1.9%		
Q4 2003	4.9%	Q2 2010	0.9%	Q4 2016	2.3%		
Q1 2004	6.1%	Q3 2010	0.7%	Q1 2017	1.8%		
Q2 2004	6.1%	Q4 2010	0.4%	Q2 2017	2.6%		
Q3 2004	6.4%	Q1 2011	0.7%	Q3 2017	2.8%		
Q4 2004	6.5%	Q2 2011	0.5%	Q4 2017	2.9%		
Q1 2005	7.4%	Q3 2011	0.1%	Q1 2018	2.8%		

LSV has outperformed in:

- 57% of monthly observations
- 62% of quarterly observations
- 72% of calendar year observations
- 77% of rolling 3-Year observations
- 87% of rolling 5-Year observations

Data as of 1/31/2023. Inception date of the Large Cap Value Strategy is December 1, 1993 and the inception date of the Large Cap Value Composite is May 1995. Information from prior periods represents the performance record of the Portfolio Manager while affiliated with a prior firm and is linked to the Large Cap Value Composite as it meets the portability requirements set forth in the GIPS® Guidance Statement on Performance Record Portability.

Sources: LSV, FTSE Russell. Returns are gross of fees and in USD. Past performance is not indicative of future results. Please see the Performance slide(s) and the Disclosures – Disclosures to Performance Results in the presentation for performance information, including net returns of the composite. Please also see Disclosures – Additional Disclosures and Risk Factors in the presentation for important additional information and risk disclosures.

Consistent Excess Returns – LSV Large Cap Value Strategy

LSV Large Cap Value Composite (Net) vs. Russell 1000 Value

Annualized Rolling 5-Year Excess Returns

12/1/1993–1/31/2023

Quarter	Rolling 5-Year Excess Returns	Quarter	Rolling 5-Year Excess Returns	Quarter	Rolling 5-Year Excess Returns	Quarter	Rolling 5-Year Excess Returns
Q4 1998	1.5%	Q2 2005	7.0%	Q4 2011	-0.2%	Q2 2018	1.5%
Q1 1999	0.3%	Q3 2005	6.6%	Q1 2012	0.0%	Q3 2018	0.9%
Q2 1999	0.1%	Q4 2005	5.8%	Q2 2012	-0.8%	Q4 2018	-0.1%
Q3 1999	-0.2%	Q1 2006	4.7%	Q3 2012	-0.3%	Q1 2019	-0.4%
Q4 1999	-0.3%	Q2 2006	4.4%	Q4 2012	0.1%	Q2 2019	-0.6%
Q1 2000	-1.0%	Q3 2006	3.9%	Q1 2013	0.6%	Q3 2019	-0.7%
Q2 2000	-1.0%	Q4 2006	3.6%	Q2 2013	1.2%	Q4 2019	-0.2%
Q3 2000	-0.6%	Q1 2007	2.8%	Q3 2013	1.6%	Q1 2020	-2.2%
Q4 2000	0.6%	Q2 2007	2.4%	Q4 2013	2.3%	Q2 2020	-1.8%
Q1 2001	1.3%	Q3 2007	2.0%	Q1 2014	2.1%	Q3 2020	-2.2%
Q2 2001	1.6%	Q4 2007	2.6%	Q2 2014	1.5%	Q4 2020	-1.3%
Q3 2001	1.7%	Q1 2008	2.4%	Q3 2014	1.3%	Q1 2021	0.1%
Q4 2001	2.0%	Q2 2008	1.7%	Q4 2014	1.2%	Q2 2021	0.8%
Q1 2002	3.0%	Q3 2008	1.3%	Q1 2015	1.5%	Q3 2021	0.1%
Q2 2002	3.3%	Q4 2008	0.8%	Q2 2015	1.7%	Q4 2021	-0.8%
Q3 2002	2.5%	Q1 2009	0.6%	Q3 2015	1.5%	Q1 2022	-0.8%
Q4 2002	2.3%	Q2 2009	0.9%	Q4 2015	1.5%	Q2 2022	-0.5%
Q1 2003	1.9%	Q3 2009	0.8%	Q1 2016	0.8%	Q3 2022	-1.2%
Q2 2003	2.7%	Q4 2009	1.1%	Q2 2016	0.2%	Q4 2022	-1.2%
Q3 2003	4.2%	Q1 2010	0.9%	Q3 2016	1.3%		
Q4 2003	4.4%	Q2 2010	0.4%	Q4 2016	1.8%		
Q1 2004	5.5%	Q3 2010	0.3%	Q1 2017	1.3%		
Q2 2004	5.6%	Q4 2010	0.0%	Q2 2017	2.0%		
Q3 2004	5.9%	Q1 2011	0.2%	Q3 2017	2.3%		
Q4 2004	5.9%	Q2 2011	0.0%	Q4 2017	2.3%		
Q1 2005	6.9%	Q3 2011	-0.4%	Q1 2018	2.3%		

LSV has outperformed in:

- 55% of monthly observations
- 61% of quarterly observations
- 62% of calendar year observations
- 68% of rolling 3-Year observations
- 74% of rolling 5-Year observations

Data as of 12/31/2022. Inception date of the Large Cap Value Strategy is December 1, 1993 and the inception date of the Large Cap Value Composite is May 1995. Information from prior periods represents the performance record of the Portfolio Manager while affiliated with a prior firm and is linked to the Large Cap Value Composite as it meets the portability requirements set forth in the GIPS® Guidance Statement on Performance Record Portability. Sources: LSV, FTSE Russell. Returns are net of fees and in USD. Net of fee performance was calculated using an estimated account size of \$100 million for the intended audience of this presentation, resulting in an applicable management fee of 0.475%, applied monthly. Fees are calculated and payable in arrears. Past performance is not indicative of future results. Please see the Performance slide(s) and the Disclosures – Disclosures to Performance Results in the presentation for performance information, including net returns of the composite. Please also see Disclosures – Additional Disclosures and Risk Factors in the presentation for important additional information and risk disclosures.

LSV
Asset Management

Disclosures

Disclosures To Performance Results

***Large Cap Value Composite** includes fully discretionary institutional accounts that invest in a diversified portfolio of large and mid-cap U.S. equities with the long-term goal of outperforming the total return of a U.S. large cap benchmark such as the Russell 1000 Value or S&P 500. For comparison purposes the composite is measured against the Russell 1000 Value and the S&P 500 indices. The Russell 1000 Value measures the performance of the large cap value segment of the U.S. equity universe and includes companies with lower price-to-book ratios and lower expected growth values. The S&P 500 Index includes 500 companies in leading industries of the U.S. economy and typically captures the majority of U.S. equities.*

Year End	Total Firm	Composite Assets		Annual Performance Results					3 Year Standard Deviation		
	Assets	USD	Number of	Composite		Russell	S&P	Composite	Composite	Russell	S&P
	(millions)	(millions)	Accounts	Gross	Net	1000 Value	500	Dispersion	1000 Value	500	
2021	108,805	29,500	147	28.92%	28.17%	25.16%	28.71%	0.8%	22.7%	19.1%	17.2%
2020	104,325	28,017	156	(1.21%)	(1.81%)	2.80%	18.40%	1.2%	23.3%	19.6%	18.5%
2019	120,595	31,003	187	26.15%	25.40%	26.54%	31.49%	0.7%	14.7%	11.9%	11.9%
2018	105,825	28,728	196	(12.12%)	(12.66%)	(8.27%)	(4.38%)	0.9%	12.7%	10.8%	10.8%
2017	118,359	34,003	192	18.62%	17.92%	13.66%	21.83%	0.8%	11.6%	10.2%	9.9%
2016	97,042	30,436	194	17.94%	17.24%	17.34%	11.96%	0.7%	11.8%	10.8%	10.6%
2015	85,483	27,004	191	(2.78%)	(3.36%)	(3.83%)	1.38%	0.9%	11.5%	10.7%	10.5%
2014	89,041	29,515	189	13.66%	12.99%	13.45%	13.69%	0.7%	10.5%	9.2%	9.0%
2013	82,289	27,076	195	41.38%	40.56%	32.53%	32.39%	1.3%	14.6%	12.7%	11.9%
2012	65,027	21,406	199	19.55%	18.85%	17.51%	16.00%	1.4%	17.0%	15.7%	15.3%
2011	57,551	20,951	224	(0.04%)	(0.63%)	0.39%	2.12%	0.8%	22.3%	21.0%	19.0%
2010	64,193	23,868	233	14.77%	14.09%	15.51%	15.05%	1.0%	*	*	*
2009	56,318	19,758	233	25.88%	25.14%	19.69%	26.45%	2.4%	*	*	*
2008	40,491	15,266	254	(38.53%)	(38.91%)	(36.85%)	(36.98%)	1.1%	*	*	*
2007	73,211	24,900	259	(0.06%)	(0.66%)	(0.17%)	5.51%	1.7%	*	*	*
2006	70,526	25,914	257	22.72%	21.99%	22.21%	15.81%	0.8%	*	*	*
2005	51,821	19,515	247	12.35%	11.68%	7.04%	4.91%	1.2%	*	*	*
2004	35,325	15,699	235	21.21%	20.50%	16.49%	10.86%	1.4%	*	*	*
2003	18,258	9,410	163	35.50%	34.71%	30.03%	28.68%	1.4%	*	*	*
2002	9,607	5,727	111	(11.00%)	(11.54%)	(15.52%)	(22.11%)	1.0%	*	*	*

Disclosures To Performance Results

- LSV Asset Management (“LSV”) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. 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. LSV has been independently verified for the periods May 1, 1995 through December 31, 2021. LSV has been verified by PricewaterhouseCoopers LLP from January 1, 2013 through December 31, 2021. Prior periods were verified by another firm. 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 Large Cap Value Composite has been examined for the periods May 1, 1995 through December 31, 2021. The verification and performance examination reports for the periods from May 1, 1995 through December 31, 2012 are available upon request. The verification and performance examination reports for the periods January 1, 2013 to December 31, 2021 are attached.
- LSV is a registered investment adviser and is a joint venture between its management team and SEI Investments Company (“SEI”). SEI’s relationship is entirely as a venture capitalist, by virtue of its minority ownership interest in LSV. LSV maintains a complete list and description of composites, limited distribution pooled funds and broadly distributed pooled funds, which are available upon request.
- Results are based on fully discretionary accounts under management, including those accounts no longer with LSV. Non-fee paying accounts are not included in this composite. Past performance is not indicative of future results.
- The U.S. dollar is the currency used to express performance. Returns are stated 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 applicable management fee of 0.60%, applied monthly as described in Part 2A of LSV’s Form ADV, which is available upon request. Actual fees may vary depending on, among other factors, the applicable fee schedule and portfolio size.
- The creation and performance inception date of the Large Cap Value Composite is May 1995. The dispersion presented is the asset-weighted standard deviation of the annual gross returns of those portfolios included in the composite for the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Additional Disclosures

- Model: LSV's quantitative model involves a large number of proprietary signals. The Investment Process slide refers to some of the important signals utilized by the model, but does not purport to describe all signals.
- Portfolio Characteristics: The value measures utilized are calculated by LSV and normalized in an effort to trim outlier observations (e.g., issuers with extreme negative or positive earnings). There can be no assurance that such calculations result in an entirely accurate metric. The values expressed are weighted averages, which take into account the proportional relevance of each component, rather than treating each component equally.
 - Price/Earnings (FY1) and Price/Earnings (FY2) are the ratios calculated using the total capitalization of an issuer as of the specified date divided by its earnings estimates for the current fiscal year (FY1) or the next fiscal year (FY2), as applicable.
 - Price/Cash Flow is the ratio calculated using the total capitalization of an issuer as of the specified date divided by its operating cash flow as of the latest reporting period.
 - Price to Book is the ratio calculated using total capitalization of an issuer as of the specified date divided by its book value as of the latest reporting period. Book value indicates what would remain if a company liquidated all its assets and satisfied all its liabilities.
 - Dividend yield is a stock's expected annual dividend divided by the stock's price as of the specified date expressed as a percentage. The actual dividend yield of a stock may vary from the expected amount.
 - Market Cap is the market value of an entire company on the specified date. The Weighted Median Market Cap is the capitalization of a company in the middle of the largest and smallest companies in the portfolio or index, as applicable.
- LSV Portfolio: For use in presenting portfolio characteristics, LSV typically selects portfolios with a relatively longer track record and more limited cash flows. The holdings of the LSV portfolio will differ with respect to other portfolios invested in the strategy based on factors such as client account restrictions, cash flows and funding date of the portfolio. Although LSV attempts to select a representative portfolio, the characteristics of the portfolio utilized could be more or less attractive from a value perspective or reflect different sector exposures than other portfolios in the strategy.
- Fees: LSV's standard managed account investment management fee schedule is listed on the Fee Schedule slide. The highest available fee listed on the Fee Schedule slide has been utilized to calculate net returns in the Disclosures to Performance Results, but such fee rate may be higher than what is applicable to the intended audience of this presentation based on the estimated account size, and thus may differ from the rate utilized to calculate net returns on the applicable Performance Slide. Different fee schedules, including performance fees, may be negotiated on request.

Additional Disclosures (cont.)

- For institutional investor use only. Not for public distribution.
- In the performance charts contained herein, the charts compare the annual performance results of the LSV Composite in each year versus the annual performance results of the indexes in those same years. Composite returns are benchmarked against indexes for illustrative purposes only given that LSV's portfolios are generally constructed from the universe of companies included within the indexes. Index returns are not examined. The comparison to the indexes is not intended to imply that an LSV portfolio is similar to any such index, either in composition or element of risk or otherwise, or that an LSV portfolio's performance will meet or exceed that of any index. The indexes are not investments, are not professionally managed and do not reflect deductions for fees or expenses. There is no guarantee that an LSV portfolio's performance will meet or exceed that of any index.
- This presentation does not constitute or form part of an offer to issue or sell, or of a solicitation of an offer to subscribe or buy, any securities or other financial instruments, nor does it constitute investment advice. Any offer to purchase or buy securities or other financial instruments will only be made pursuant to an offering document and the subscription documents, which will be furnished to qualified investors in connection with any such offering.
- Neither the CFA Institute, nor any securities commission or regulatory authority in the United States or in any other country has in any way passed upon the accuracy or adequacy of the information or material contained herein or otherwise. This information is not, and under no circumstances is to be construed as, a prospectus, a public offering, or an offering memorandum as defined under applicable securities legislation.
- The factual information set forth herein has been obtained or derived from third-party sources believed to be reliable for the purposes used herein, including Compustat, Worldscope, IBES, Datastream and index providers. LSV has not independently verified such information and it is not necessarily all-inclusive and LSV makes no representation or warranty, express or implied, to its accuracy or completeness.
- Certain information contained in these slides constitutes "forward-looking statements" that can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "target," "project," "estimate," "intend," "continue," or "believe" or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of any LSV investment may differ materially from those reflected or contemplated in such forward-looking statements.

Risk Factors

Quantitative model risk. Clients may incur substantial losses during periods when markets are dominated by factors that are not reflected in the data analyzed by LSV's model. Accounts that are managed according to a quantitative model can perform differently from the market as a whole based on the factors used in the model, the weight placed on each factor and changes from the factor's historical trends. For example, LSV may invest in the securities of companies located in markets and countries represented in a specific benchmark on the basis that such securities have generated a buy signal from LSV's quantitative investment model. In such a circumstance, LSV may not make its investment decisions based on factors such as the advisability of investing in the country where the companies are located or are doing business. Due to the significant role technology plays in a quantitative model, use of a quantitative model carries the risk of potential issues with the design, coding, implementation or maintenance of the computer programs, data and/or other technology used in the quantitative model. These issues could negatively impact investment returns. Such risks should be viewed as an inherent element of investing in an investment strategy that relies heavily upon a quantitative model.

Issuer risk. Securities held in a client's account may decline in value because of changes in the financial condition of, or other events affecting, the issuers of these securities such as the reporting of poor results or experiencing the negative effects of industry and/or economic trends and developments. Medium-and smaller-capitalization companies in which LSV may invest may be more vulnerable to adverse business or economic events than larger, more established companies and investments in these medium- and small-sized companies may pose additional risks, including liquidity risk.

Management risk. LSV's opinion about the intrinsic worth of a company or security may be incorrect, LSV may not make timely purchases or sales of securities for the account, the account's investment objective may not be achieved, or the market may continue to undervalue the account's securities.

Equity risk. Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available after making interest, dividend and any other required payments on more senior securities of the issuer.

Market risk. There can be no assurance that what is perceived as an investment opportunity will not, in fact, result in substantial losses as a result of one or more of a wide variety of factors. Certain general market conditions — for example, a reduction in the volatility or pricing inefficiencies of the markets in which LSV is active — could materially reduce an investment's profit potential.

Risk Factors

Investment in Thinly-Traded Securities. Certain accounts may invest in thinly-traded securities. LSV might only be able to liquidate such positions at disadvantageous prices.

Non-U.S. Issuer Risk. Investing in securities of non-U.S. issuers involves both opportunities and risks not typically associated with investing in U.S. securities. These include: fluctuations in exchange rates of foreign currencies; possible imposition of exchange control regulation or currency restrictions that would prevent cash from being brought back to the United States; less public information with respect to issuers of securities; less governmental supervision of stock exchanges, securities brokers and issuers of securities; difficulties in obtaining and enforcing a judgment against a foreign issuer; different accounting, auditing and financial reporting standards; different settlement periods and trading practices; less liquidity and frequently greater price volatility in foreign markets than in the United States; imposition of foreign withholding and other taxes; and sometimes less advantageous legal, operational and financial protections applicable to foreign sub-custodial arrangements.

Account restrictions risk. Clients may specify certain restrictions or constraints they would like applied to their account, such as restrictions or constraints related to responsible investing. As a result, the universe of investments available to such client's account is more limited than other accounts that do not apply such restrictions. The application of these restrictions could result in performance that is better or worse than the performance of LSV's clients in similar strategies that do not apply such restrictions, depending on the performance of the excluded investments and the investments included in place of such excluded investments.

Cybersecurity risk. As with any entity that conducts business through electronic means in the modern marketplace, LSV, and its service providers, may be susceptible to operational and information security risks resulting from cyber attacks. Cyber attacks include, among other behaviors, stealing data maintained online, unauthorized release or misuse of confidential information, unauthorized access to relevant systems, compromises to networks or devices that LSV and its service providers use to service LSV's operations, ransomware or various other forms of cyber security breaches. Cyber attacks affecting LSV or any of its service providers may adversely impact client accounts resulting in, among other things, disclosure of confidential information and financial losses. Similar types of cyber security risks are also present for issuers of securities in which LSV may invest, which could result in material adverse consequences for such issuers and may cause LSV's investments in such companies to lose value.

Business Disruption Risk. LSV and our service providers are susceptible to business disruptions resulting from catastrophic and other material events (e.g., a pandemic), which could negatively impact LSV's ability to continue to transact business. Any significant limitation on the use of our facilities or access to software applications, operating systems, and networks, could result in financial losses to clients. Business continuity and disaster recovery plans have been developed to prepare for potential disruptions, and LSV has experienced no material disruption to our business or ability to deliver the services described herein as a result of the COVID-19 pandemic. Similar types of business disruption risks are also present for issuers of securities in which LSV may invest, which could result in material adverse consequences for such issuers and may cause LSV's investments in such companies to lose value.



Independent Accountant's Verification and Performance Examination Report

To LSV Asset Management

We have examined whether LSV Asset Management (the "Firm") has, for the periods from January 1, 2013 to December 31, 2021, (1) designed policies and procedures for complying with the Global Investment Performance Standards ("GIPS® standards") related to composite and pooled fund maintenance and the calculation, presentation, and distribution of performance (the "applicable policies and procedures") in compliance with the GIPS standards, and (2) implemented the applicable policies and procedures on a firm-wide basis. We have also examined the accompanying Disclosures to Performance Results of the Firm's Large Cap Value Composite for the periods from January 1, 2013 to December 31, 2021. Management of the Firm is responsible for the Firm's claim of compliance with the GIPS standards, the design of the Firm's policies and procedures used for the Firm's compliance with the GIPS standards, and for the Disclosures to Performance Results. Our responsibility is to express an opinion, based on our examination, on the Firm's design and implementation of the applicable policies and procedures; the construction of the Large Cap Value Composite; the calculation of the Large Cap Value Composite performance; and the preparation and presentation of the Disclosures to Performance Results. We are also responsible for being independent of the Firm.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether, in all material respects, the Firm (1) designed the applicable policies and procedures in compliance with the GIPS standards, (2) implemented the applicable policies and procedures on a firm-wide basis, (3) constructed the Large Cap Value Composite and calculated the performance of the Large Cap Value Composite in compliance with the GIPS standards, and (4) prepared and presented the Disclosures to Performance Results in compliance with the GIPS standards. An examination involves performing procedures to obtain evidence about the Firm's design and implementation of the applicable policies and procedures; the construction of the Large Cap Value Composite and calculation of the performance of the Large Cap Value Composite; and the preparation and presentation of the Disclosures to Performance Results. Our examination was also conducted in accordance with the required verification and performance examination procedures of the GIPS standards, which also include testing performed on a sample basis. The nature, timing, and extent of the procedures selected depend on our judgment, including assessments of the risks (1) of material non-compliance with the requirements of the GIPS standards, (2) that the design of the applicable policies and procedures is not suitable for compliance with the GIPS standards, and (3) of material misstatement of the accompanying Disclosures to Performance Results, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinions.

Our examination does not provide a legal determination on the Firm's compliance with the GIPS standards.

In our opinion, for the periods from January 1, 2013 to December 31, 2021, 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, in all material respects:

- designed in compliance with the GIPS standards, and
- implemented on a firm-wide basis.



Also, in our opinion, for the periods from January 1, 2013 to December 31, 2021, the Firm has, in all material respects:

- constructed the Firm's Large Cap Value Composite and calculated the Large Cap Value Composite performance in compliance with the GIPS standards, and
- prepared and presented the Disclosures to Performance Results in compliance with the GIPS standards.

We have not been engaged to examine, and did not examine, whether the Firm has, prior to January 1, 2013, (1) designed the applicable policies and procedures in compliance with the GIPS standards, (2) implemented the applicable policies and procedures on a firm-wide basis, (3) constructed the Large Cap Value Composite and calculated the performance of the Large Cap Value Composite in compliance with the GIPS standards, and (4) prepared and presented the Disclosures to Performance Results in compliance with the GIPS standards and, accordingly, we express no opinion thereon.

This report does not attest to the accuracy of any performance presentation of the Firm other than the Firm's Large Cap Value Composite. Our examination does not provide assurance on the operating effectiveness of the Firm's controls or policies and procedures for complying with the GIPS standards. 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.

PricewaterhouseCoopers LLP

May 11, 2022

LSV Asset Management
As of: 12/31/22
Base Currency: USD

SYMBOL	CUSIP	DESCRIPTION	SHARES	BASE PRICE	BASE MARKET VALUE
FITB	316773100	5TH 3RD BANCORP COM	62,100	32.81	2,037,501.00
ABBV	00287Y109	ABBVIE INC COM USD0.01	17,600	161.61	2,844,336.00
AYI	00508Y102	ACUITY BRANDS INC COM	5,700	165.61	943,977.00
AFL	001055102	AFLAC INC COM	80,600	71.94	5,798,364.00
AGCO	001084102	AGCO CORP COM	19,600	138.69	2,718,324.00
ALK	011659109	ALASKA AIR GROUP INC COM	18,600	42.94	798,684.00
ALSN	01973R101	ALLISON TRANSMISSION HOLDING	34,100	41.60	1,418,560.00
ALL	020002101	ALLSTATE CORP COM	17,600	135.60	2,386,560.00
ALLY	02005N100	ALLY FINL INC COM	66,700	24.45	1,630,815.00
DOX	G02602103	AMDOCS ORD GBP0.01	21,690	90.90	1,971,621.00
AFG	025932104	AMER FINL GROUP INC OH COM STK	13,600	137.28	1,867,008.00
AAL	02376R102	AMERICAN AIRLINES INC COM USD1	40,100	12.72	510,072.00
AMP	03076C106	AMERIPRISE FINL INC COM	15,200	311.37	4,732,824.00
AMGN	031162100	AMGEN INC COM	18,400	262.64	4,832,576.00
NLY	035710839	ANNALY CAPITAL MANAGEMENT INC COM NEW COM USD0.01(POST REV SPLT)	38,024	21.08	801,545.92
APA	03743Q108	APA CORP COM	37,700	46.68	1,759,836.00
AMAT	038222105	APPLIED MATERIALS INC COM	11,800	97.38	1,149,084.00
ARW	042735100	ARROW ELECTR INC COM	23,900	104.57	2,499,223.00
T	00206R102	AT&T INC COM	227,000	18.41	4,179,070.00
AVT	053807103	AVNET INC COM	25,100	41.58	1,043,658.00
BK	064058100	BANK NEW YORK MELLON CORP COM STK	83,380	45.52	3,795,457.60
BAC	060505104	BANK OF AMERICA CORP	85,500	33.12	2,831,760.00
BERY	08579W103	BERRY GLOBAL GROUP INC COM USD0.01	31,400	60.43	1,897,502.00
BBY	086516101	BEST BUY INC COM STK	18,400	80.21	1,475,864.00
BIG	089302103	BIG LOTS INC COM	26,000	14.70	382,200.00
BIIB	09062X103	BIOGEN INC COMMON STOCK	3,260	276.92	902,759.20
BWA	099724106	BORG WARNER INC COM	29,400	40.25	1,183,350.00
BMY	110122108	BRISTOL MYERS SQUIBB CO COM	98,200	71.95	7,065,490.00
BRX	11120U105	BRIXMOR PPTY GROUP INC COM	56,500	22.67	1,280,855.00
COF	14040H105	CAPITAL ONE FINL CORP COM	24,700	92.96	2,296,112.00
CAH	14149Y108	CARDINAL HLTH INC	31,300	76.87	2,406,031.00
CE	150870103	CELANESE CORP DEL COM STK	8,500	102.24	869,040.00
CC	163851108	CHEMOURS CO COM	26,300	30.62	805,306.00
CHK	165167735	CHESAPEAKE ENERGY CORP COM NEW 01/2021	15,400	94.37	1,453,298.00
CI	125523100	CIGNA CORP NEW COM	11,500	331.34	3,810,410.00
CSCO	17275R102	CISCO SYSTEMS INC	81,700	47.64	3,892,188.00
C	172967424	CITIGROUP INC COM NEW COM NEW	105,700	45.23	4,780,811.00
CFG	174610105	CITIZENS FINL GROUP INC COM	65,000	39.37	2,559,050.00
CMCSA	20030N101	COMCAST CORP NEW-CL A	109,000	34.97	3,811,730.00
CAG	205887102	CONAGRA BRANDS INC COM USD5	48,100	38.70	1,861,470.00
CCSI	20848V105	CONSENSUS CLOUD SOLUTIONS INC COM USD0.001	6,033	53.76	324,334.08
CR	224441105	CRANE HLDGS CO COM	14,500	100.45	1,456,525.00
CMI	231021106	CUMMINS INC	15,900	242.29	3,852,411.00
CW	231561101	CURTISS WRIGHT CORP COM	9,700	166.99	1,619,803.00
CVS	126650100	CVS HEALTH CORP COM	53,200	93.19	4,957,708.00
DVA	23918K108	DAVITA INC COM	20,900	74.67	1,560,603.00
DELL	24703L202	DELL TECHNOLOGIES INC COM USD0.01 CL C WI COMMON STOCK	14,700	40.22	591,234.00
DAL	247361702	DELTA AIR LINES INC DEL COM NEW COM NEW	29,300	32.86	962,798.00
DKS	253393102	DICKS SPORTING GOODS INC OC-COM OC-COM	14,600	120.29	1,756,234.00
DFS	254709108	DISCOVER FINL SVCS COM STK	16,300	97.83	1,594,629.00
DXC	23355L106	DXC TECHNOLOGY CO COM	9,226	26.50	244,489.00
EMN	277432100	EASTMAN CHEM CO COM	13,400	81.44	1,091,296.00
EBAY	278642103	EBAY INC COM USD0.001	58,900	41.47	2,442,583.00
ENR	29272W109	ENERGIZER HLDGS INC NEW COM	27,100	33.55	909,205.00
RE	G3223R108	EVEREST RE GROUP COM	6,300	331.27	2,087,001.00
XOM	30231G102	EXXON MOBIL CORP COM	77,900	110.30	8,592,370.00
FDX	31428X106	FEDEX CORP COM	16,000	173.20	2,771,200.00
FAF	31847R102	FIRST AMERN FINL CORP COM STK	22,300	52.34	1,167,182.00
FL	344849104	FOOT LOCKER INC COM	31,200	37.79	1,179,048.00
F	345370860	FORD MTR CO DEL COM PAR \$0.01 COM PAR \$0.01	184,400	11.63	2,144,572.00
FOXA	35137L105	FOX CORP CL A CL A	77,000	30.37	2,338,490.00
GM	37045V100	GEN MTRS CO COM	62,900	33.64	2,115,956.00
GILD	375558103	GILEAD SCIENCES INC	57,600	85.85	4,944,960.00
GS	38141G104	GOLDMAN SACHS GROUP INC COM	7,800	343.38	2,678,364.00
GT	382550101	GOODYEAR TIRE & RUBBER CO COM	67,000	10.15	680,050.00
GTN	389375106	GRAY T.V INC COM CL B	58,800	11.19	657,972.00
HOG	412822108	HARLEY DAVIDSON COM USD0.01	33,100	41.60	1,376,960.00
HIG	416515104	HARTFORD FINL SVCS GROUP INC COM	48,700	75.83	3,692,921.00
HCA	40412C101	HCA HEALTHCARE INC COM	12,600	239.96	3,023,496.00
HPE	42824C109	HEWLETT PACKARD ENTERPRISE CO COM	148,300	15.96	2,366,868.00
DINO	403949100	HF SINCLAIR CORPORATION COM USD0.01	38,600	51.89	2,002,954.00
HI	431571108	HILLENBRAND INC COM STK	33,300	42.67	1,420,911.00
HMST	43785V102	HOMESTREET INC INC	25,700	27.58	708,806.00
HPQ	40434L105	HP INC COM	131,200	26.87	3,525,344.00
HII	446413106	HUNTINGTON INGALLS INDS INC COM	8,200	230.68	1,891,576.00

HUN	447011107	HUNTSMAN CORP COM STK	67,500	27.48	1,854,900.00
NGVT	45688C107	INGEVITY CORP COM	17,450	70.44	1,229,178.00
INGR	457187102	INGREDION INC COM	15,500	97.93	1,517,915.00
INTC	458140100	INTEL CORP COM	167,300	26.43	4,421,739.00
IBM	459200101	INTERNATIONAL BUSINESS MACHS CORP COM	18,300	140.89	2,578,287.00
IP	460146103	INTL PAPER CO COM	27,100	34.63	938,473.00
IRM	46284V101	IRON MTN INC NEW COM	28,700	49.85	1,430,695.00
JAZZ	G50871105	JAZZ PHARMACEUTICALS PLC COM USD0.0001	14,850	159.31	2,365,753.50
JPM	46625H100	JPMORGAN CHASE & CO COM	14,800	134.10	1,984,680.00
KEY	493267108	KEYCORP NEW COM	124,100	17.42	2,161,822.00
KSS	500255104	KOHL'S CORP COM	24,100	25.25	608,525.00
KHC	500754106	KRAFT HEINZ CO COM	67,100	40.71	2,731,641.00
KR	501044101	KROGER CO COM	78,800	44.58	3,512,904.00
LEA	521865204	LEAR CORP COM NEW COM NEW	8,700	124.02	1,078,974.00
LEN	526057104	LENNAR CORP CL A CL A	14,500	90.50	1,312,250.00
LNC	534187109	LINCOLN NATL CORP COM	26,200	30.72	804,864.00
LPX	546347105	LOUISIANA-PACIFIC CORP COM	35,800	59.20	2,119,360.00
LYB	N53745100	LYONDELLBASELL IND N V COM USD0.01 CL 'A'	17,000	83.03	1,411,510.00
M	55616P104	MACYS INC COM STK	49,900	20.65	1,030,435.00
MAN	56418H100	MANPOWERGROUP INC	21,100	83.21	1,755,731.00
MRO	565849106	MARATHON OIL CORP COM	49,300	27.07	1,334,551.00
MPC	56585A102	MARATHON PETE CORP COM	25,100	116.39	2,921,389.00
MPW	58463J304	MEDICAL PPTYS TR INC COM REIT	71,000	11.14	790,940.00
MRK	58933Y105	MERCK & CO INC NEW COM	96,800	110.95	10,739,960.00
META	30303M102	META PLATFORMS INC	12,900	120.34	1,552,386.00
MET	59156R108	METLIFE INC COM STK USD0.01	47,700	72.37	3,452,049.00
TAP	60871R209	MOLSON COORS BEVERAGE COMPANY COM USD0.01 CLASS B	74,500	51.52	3,838,240.00
MOG/A	615394202	MOOG INC CL A	13,106	87.76	1,150,182.56
MS	617446448	MORGAN STANLEY COM STK USD0.01	41,100	85.02	3,494,322.00
NCR	62886E108	NCR CORP COM	34,500	23.41	807,645.00
NXST	65336K103	NEXSTAR MEDIA GROUP INC COMMON STOCK	8,200	175.03	1,435,246.00
NOC	666807102	NORTHROP GRUMMAN CORP COM	4,100	545.61	2,237,001.00
NRG	629377508	NRG ENERGY INC COM NEW	72,600	31.82	2,310,132.00
OPI	67623C109	OFFICE PPTYS INCOME TR COM SHS BEN INT COM SHS BEN INT	28,200	13.35	376,470.00
OHI	681936100	OMEGA HEALTHCARE INVS INC REIT	51,500	27.95	1,439,425.00
ORCL	68389X105	ORACLE CORP COM	43,400	81.74	3,547,516.00
OGN	68622V106	ORGANON & CO COM	19,000	27.93	530,670.00
PARA	92556H206	PARAMOUNT GLOBAL OM USD0.001 CL B	45,000	16.88	759,600.00
PAG	70959W103	PENSKE AUTOMOTIVE GROUP INC COM STK	13,900	114.93	1,597,527.00
PFE	717081103	PFIZER INC COM	196,600	51.24	10,073,784.00
PSX	718546104	PHILLIPS 66 COM	28,900	104.08	3,007,912.00
PRU	744320102	PRUDENTIAL FINL INC COM	8,500	99.46	845,410.00
PHM	745867101	PULTE GROUP INC	38,100	45.53	1,734,693.00
QRVO	74736K101	QRVO INC COM	13,800	90.64	1,250,832.00
QCOM	747525103	QUALCOMM INC COM	19,900	109.94	2,187,806.00
DGX	74834L100	QUEST DIAGNOSTICS INC COM	13,900	156.44	2,174,516.00
RDN	750236101	RADIAN GROUP INC COM	68,500	19.07	1,306,295.00
RF	7591EP100	REGIONS FINL CORP NEW COM	163,300	21.56	3,520,748.00
RS	759509102	RELIANCE STL & ALUM CO COM	9,000	202.44	1,821,960.00
RCL	V7780T103	ROYAL CARIBBEAN GROUP COM STK	7,600	49.43	375,668.00
R	783549108	RYDER SYS INC COM	13,100	83.57	1,094,767.00
SBH	79546E104	SALLY BEAUTY HLDGS INC COM STK USD0.01	68,700	12.52	860,124.00
STX	G7997R103	SEAGATE TECHNOLOGY HOLDINGS PLC	33,300	52.61	1,751,913.00
SEM	81619Q105	SELECT MED HLDGS CORP COM	36,100	24.83	896,363.00
SVC	81761L102	SERVICE PPTYS TR COM SH BEN INT	53,400	7.29	389,286.00
SFL	G7738W106	SFL CORPORATION LTD COM USD	118,000	9.22	1,087,960.00
SLGN	827048109	SILGAN HLDGS INC COM	36,700	51.84	1,902,528.00
SPG	828806109	SIMON PROPERTY GROUP INC COM	9,300	117.48	1,092,564.00
SNBR	83125X103	SLEEP NUMBER CORP COM	5,700	25.98	148,086.00
SJM	832696405	SMUCKER J M CO COM NEW	12,400	158.46	1,964,904.00
SNA	833034101	SNAP-ON INC COM	8,300	228.49	1,896,467.00
SFM	85208M102	SPROUTS FMRS MKT INC COM	75,700	32.37	2,450,409.00
STT	857477103	STATE STR CORP COM	38,100	77.57	2,955,417.00
STLD	858119100	STEEL DYNAMICS INC COM	31,100	97.70	3,038,470.00
SLVM	871332102	SYLVAMO CORP COM	2,463	48.59	119,677.17
SYF	87165B103	SYNCHRONY FINL COM	36,700	32.86	1,205,962.00
TGT	87612E106	TARGET CORP COM STK	13,000	149.04	1,937,520.00
TGNA	87901J105	TEGNA INC COM	34,200	21.19	724,698.00
TXT	883203101	TEXTRON INC COM	12,700	70.80	899,160.00
THO	885160101	THOR INDS INC COM STK	16,700	75.49	1,260,683.00
TKR	887389104	TIMKEN CO COM	17,800	70.67	1,257,926.00
TSN	902494103	TYSON FOODS INC CL A COM (DELAWARE)	36,100	62.25	2,247,225.00
UGI	902681105	UGI CORP NEW COM	34,100	37.07	1,264,087.00
UAL	910047109	UNITED AIRLINES HOLDINGS INC COM USD0.01	26,000	37.70	980,200.00
UNIT	91325V108	UNITI GROUP INC COM	56,500	5.53	312,445.00
UNM	91529Y106	UNUM GROUP	35,000	41.03	1,436,050.00
UHS	913903100	UNVL HEALTH SERVICES INC CL B COM	10,600	140.89	1,493,434.00
VVX	92242T101	V2X INC COM USD0.01	3,522	41.29	145,423.38
VLO	91913Y100	VALERO ENERGY CORP COM STK NEW	14,800	126.86	1,877,528.00
VZ	92343V104	VERIZON COMMUNICATIONS COM	151,700	39.40	5,976,980.00
VTRS	92556V106	VIATRIS INC	62,500	11.13	695,625.00

VSH	928298108	VISHAY INTERTECHNOLOGY INC COM STK	59,300	21.57	1,279,101.00
VST	92840M102	VISTRA CORP COM USD0.01	120,700	23.20	2,800,240.00
VMW	928563402	VMWARE INC CL A COM CL A COM	6,477	122.76	795,116.52
VOYA	929089100	VOYA FINL INC COM	22,800	61.49	1,401,972.00
WBA	931427108	WALGREENS BOOTS ALLIANCE INC COM	35,000	37.36	1,307,600.00
WBD	934423104	WARNER BROS DISCOVERY INC	47,875	9.48	453,855.00
WFC	949746101	WELLS FARGO & CO NEW COM STK	76,800	41.29	3,171,072.00
WU	959802109	WESTERN UNION CO	50,700	13.77	698,139.00
WRK	96145D105	WESTROCK CO COM	32,600	35.16	1,146,216.00
WHR	963320106	WHIRLPOOL CORP COM	14,200	141.46	2,008,732.00
XRX	98421M106	XEROX HLDGS CORP COM NEW COM NEW	56,825	14.60	829,645.00
ZION	989701107	ZIONS BANCORPORATION N A	28,600	49.16	1,405,976.00
Total			7,021,981		342,141,233.93
Cash Balance - Trade					1,922,642.14
Portfolio Total Including Cash					344,063,876.07



City of Jacksonville Retirement System

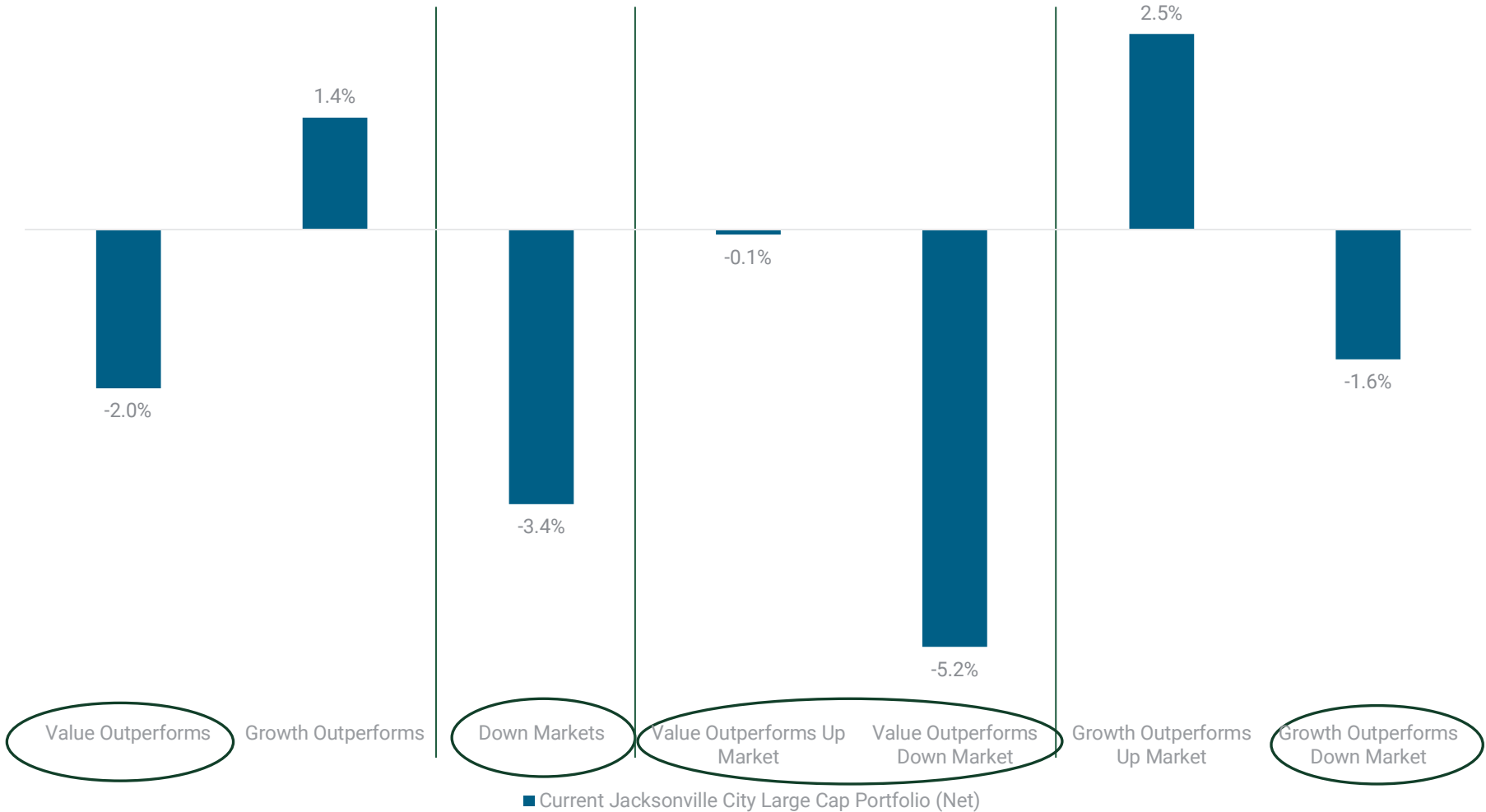
Grant Duncan
Director, Institutional Group

Brent Woods, CFA
Chief Executive Officer

Brian Matthews, CFA
Director, Investments Group

City of Jacksonville U.S. Large Cap Portfolio

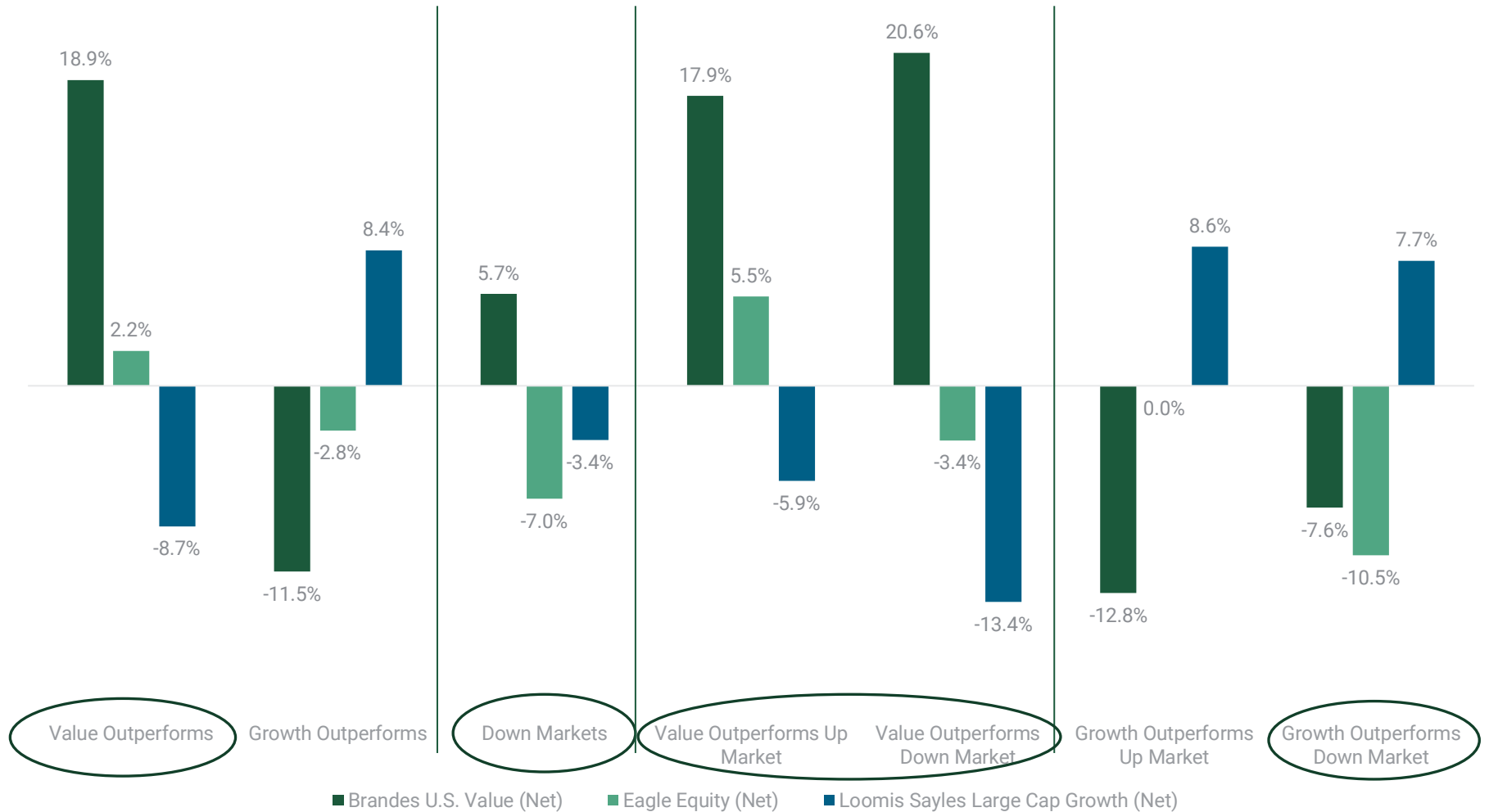
10 Year Monthly Annualized Alpha (vs. Russell 1000 Index)



AS OF DECEMBER 31, 2022 | Source: Brandes, eVestment, Morningstar. Net of management fees. Average monthly annualized alpha is the average of the monthly alpha of the represented time periods then annualized. Please see the accompanying U.S. Value Equity GIPS® Report. Past performance is not a guarantee of future results. It is not possible to invest directly in an index.

Brandes U.S. Value Equity is a Great Complement to the Current Portfolio

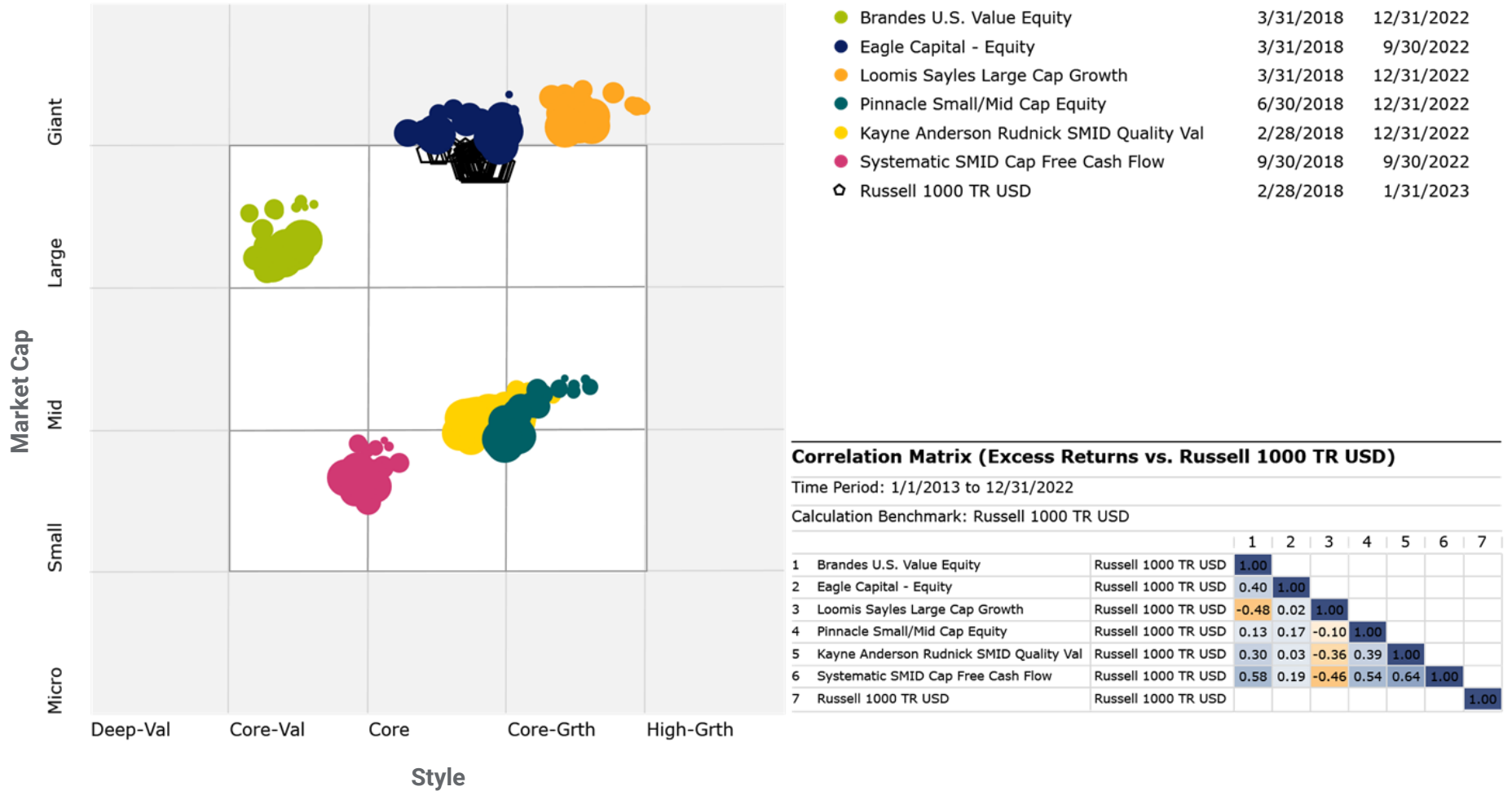
10 Year Monthly Annualized Alpha (vs. Russell 1000 Index)



AS OF DECEMBER 31, 2022 | Source: Brandes, eVestment, Morningstar. Net of management fees. Average monthly annualized alpha is the average of the monthly alpha of the represented time periods then annualized. Please see the accompanying U.S. Value Equity GIPS® Report. Past performance is not a guarantee of future results. It is not possible to invest directly in an index.

Brandes U.S. Value as a Complement to the Current Portfolio

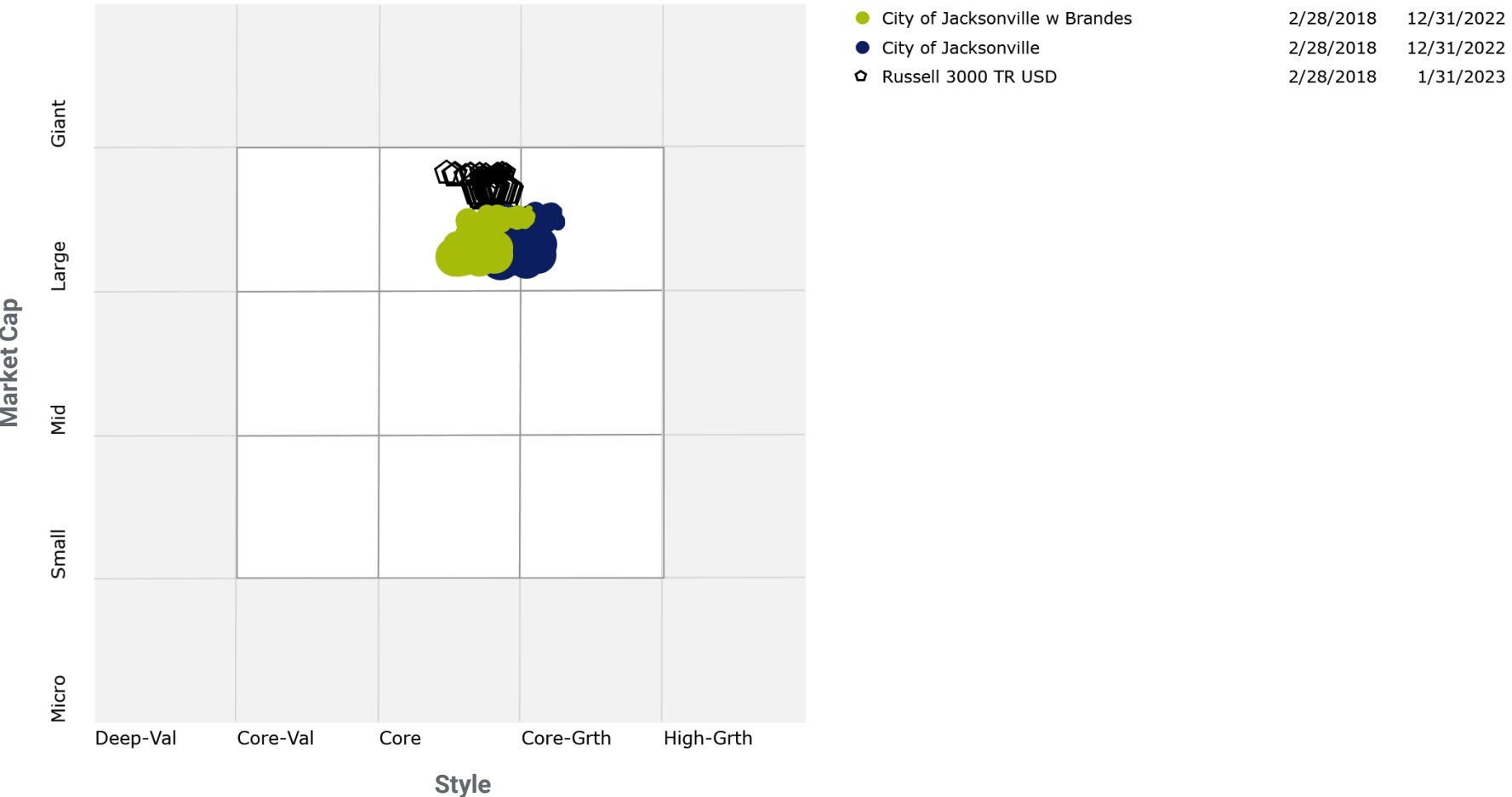
Morningstar Holdings Based Style Trail and Excess Return Correlation



AS OF DECEMBER 31, 2022 | Source: Morningstar Direct. Data icons reflect aggregate portfolio holdings at a specific quarter-end point with the more recent the holding period, the larger the icon. The portfolio characteristics shown relate to a single account as of date noted, deemed by Brandes to be generally representative of the strategy. Not every account will have these exact characteristics. The actual characteristics with respect to any particular account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Correlation based on composite performance net of management fees. Past performance is not a guarantee of future results. It is not possible to invest directly in an index. Please see the accompanying composite performance page.

Brandes U.S. Value Helps Neutralize Growth Style Bias

Morningstar Holdings Based Style Trail with Brandes U.S. Value Added



AS OF DECEMBER 31, 2022 | Source: Morningstar Direct. Data icons reflect aggregate portfolio holdings at a specific quarter-end point with the more recent the holding period, the larger the icon. The portfolio characteristics shown relate to a single account as of date noted, deemed by Brandes to be generally representative of the strategy. Not every account will have these exact characteristics. The actual characteristics with respect to any particular account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment.

Firm and Process Overview

Brandes at a Glance

YEAR FIRM FOUNDED:	1974
OWNERSHIP:	100% employee owned (28 limited partners)
INVESTMENT STYLE:	Graham & Dodd, fundamental value
HEADQUARTERS LOCATED:	San Diego, California
OTHER OFFICES:	Dublin, Ireland Milwaukee, Wisconsin Singapore Toronto, Canada
TOTAL EMPLOYEES WORLDWIDE:	189
INVESTMENT PROFESSIONALS:	35, including 25 security analysts
TOTAL ASSETS:	\$20.7 Billion

Brandes Believes

Price matters to long-term returns

Share prices frequently do not reflect the long-term value of businesses

Comfortable with a contrarian view

The ability to be different from the benchmark provides opportunities for outperformance

The value of independence

As a 100% employee-owned firm, Brandes is able to think long-term in our investment decisions, our business and our client relationships

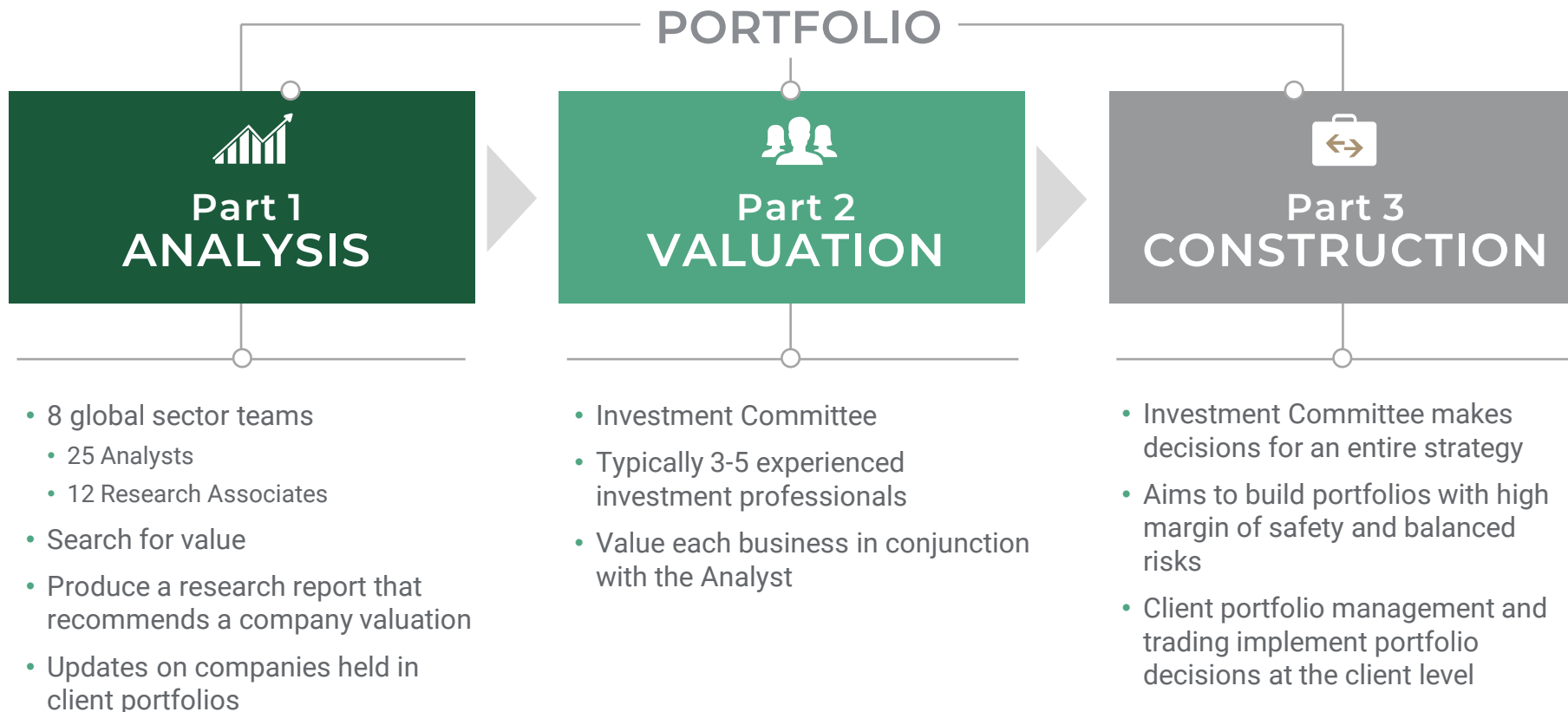
Teamwork

Our investment committee structure allows for diverse perspectives and inputs

Long-term perspective is critical

Allows investors to look beyond short-term market fluctuations, giving their portfolios the potential to grow over time

How Brandes Works



Team of Tenured Research Analysts

INVESTMENT PROFESSIONALS	TITLE	YEARS EXPERIENCE	YEARS WITH FIRM
Mauricio Abadia	Director, Investments Group	16	12
Madina Baikadamova	Analyst	11	4
Bryan Barrett, CFA	Senior Analyst	14	14
Yingbin Chen, CFA	Director, Investments Group	21	21
Mark Costa, CFA	Director, Investments Group	22	22
Christopher Duncan, CFA	Director, Investments Group	21	16
Brent Fredberg	Director, Investments Group	28	23
Jeffrey Germain, CFA	Director, Investments Group	21	21
Michael Hutchens, CFA	Director, Investments Group	28	21
Ted Kim, CFA	Director, Investments Group	22	22
Anita Krishnamoorthy, CFA	Chief Executive Officer, Brandes Asia	20	7
Louis Lau, CFA	Director, Investments Group	24	18
Steven Leonard, CFA	Senior Analyst	25	25
Kenneth Little, CFA	Managing Director, Investments Group	26	26
Brian Matthews, CFA	Director, Investments Group	22	20
Jonathan Menor, CFA	Senior Analyst	23	20
Amy Minning, CFA	Senior Analyst	31	22
Amelia Morris, CFA	Director, Investments Group	36	24
Shingo Omura, CFA	Director, Investments Group	21	17
Derrek Oyama	Analyst	11	5
Greg Rippel, CFA	Director, Investments Group	27	21
Luiz Sauerbronn	Director, Investments Group	27	21
Alex Yee	Analyst	11	4
Gerardo Zamorano, CFA	Director, Investments Group	27	23
Amy Zhou	Analyst	4	2

25
Total
Analysts

Mean 17
Median 21
Analysts Tenure

11
Languages
Spoken

An Experienced Team Dedicated to Value

Global Large-Cap Investment Committee



Brent Fredberg

Director, Investments Group

Years of Industry Experience: **28**

Years with Firm: **23**



Ted Kim, CFA

Director, Investments Group

Years of Industry Experience: **22**

Years with Firm: **22**



Kenneth Little, CFA

Managing Director, Investments Group

Years of Industry Experience: **26**

Years with Firm: **26**



Brian A. Matthews, CFA

Director, Investments Group

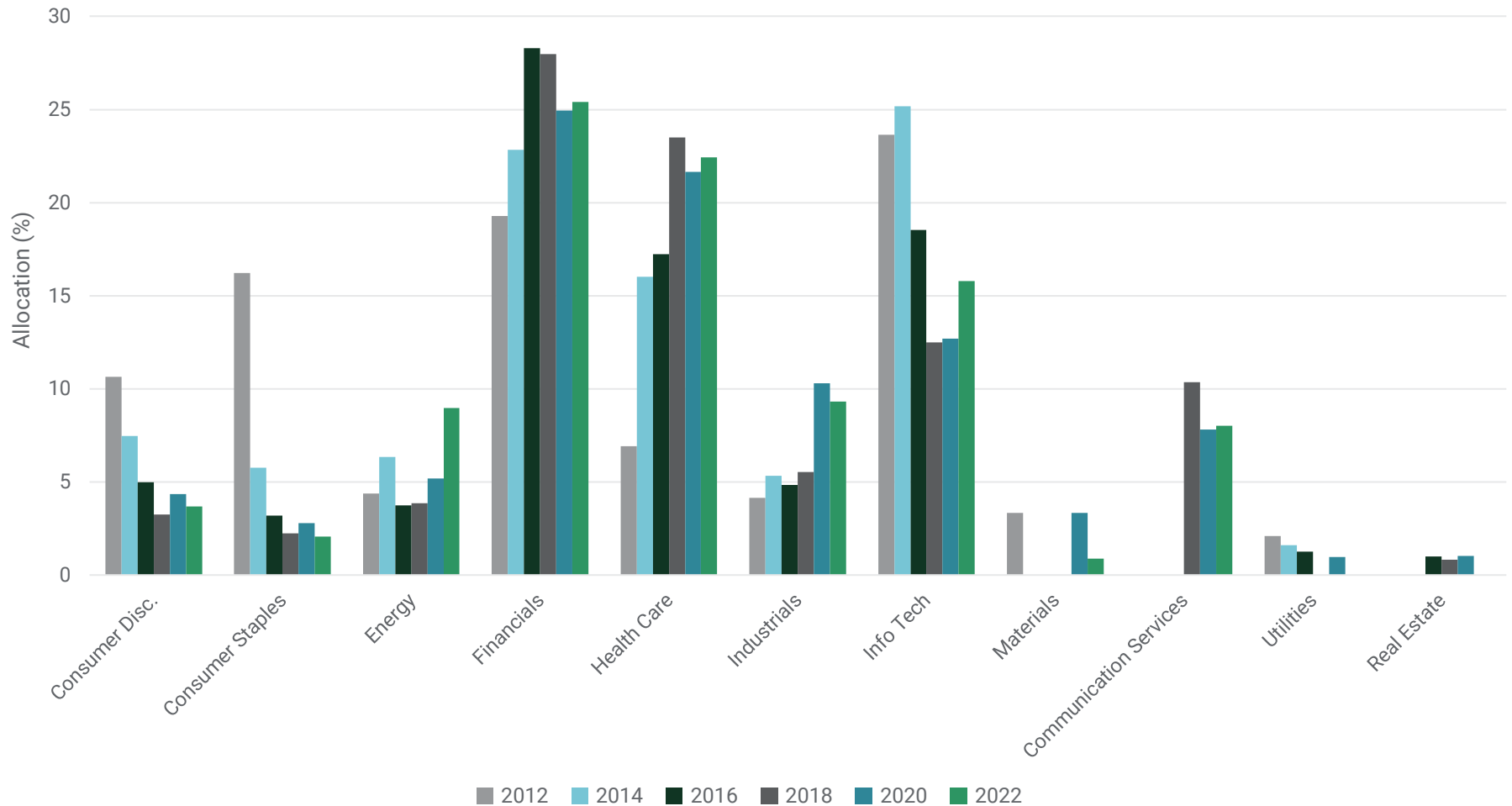
Years of Industry Experience: **22**

Years with Firm: **20**

U.S. Value Equity

Sector Exposure

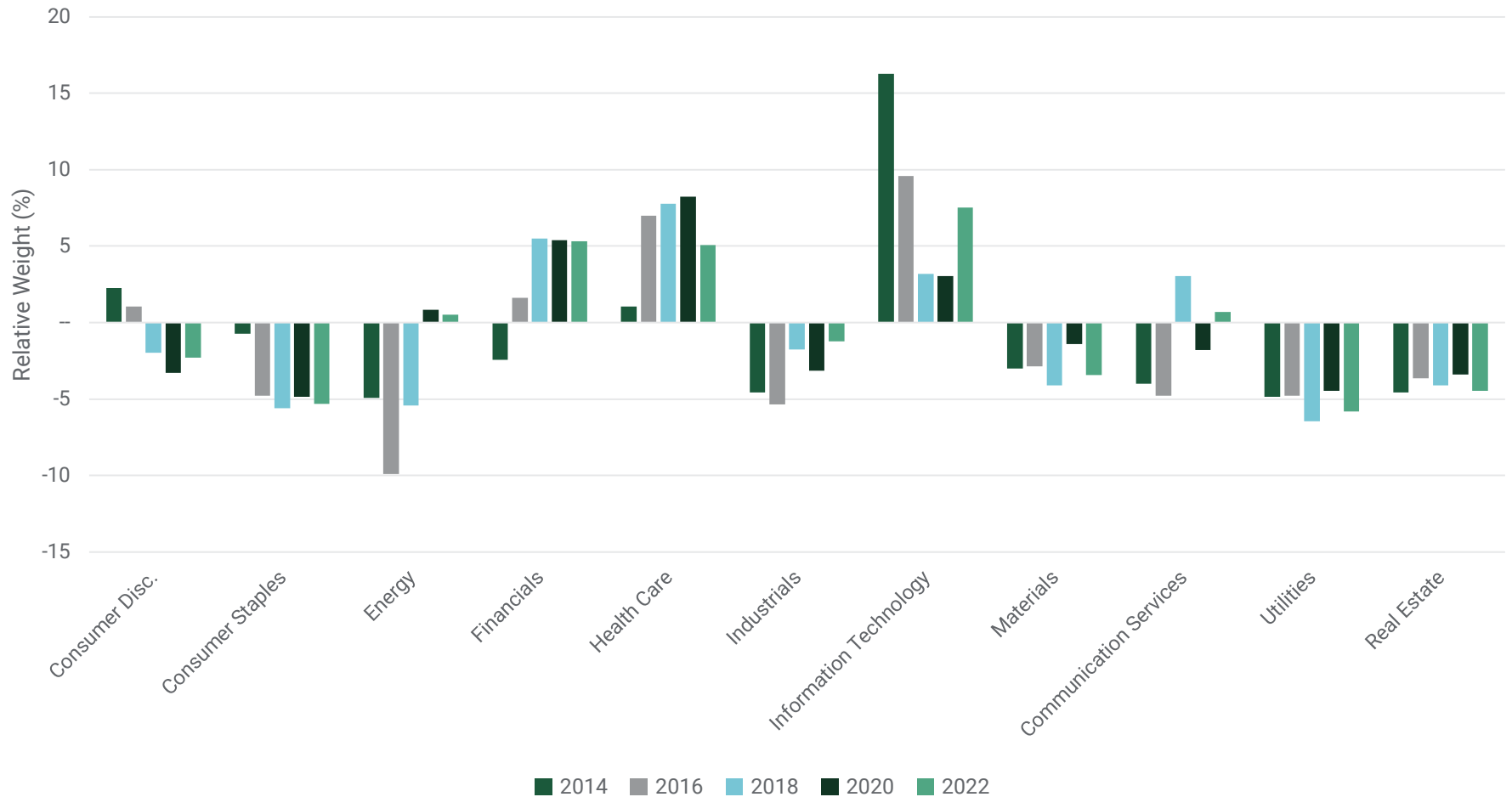
Brandes U.S. Value Equity Strategy



AS OF DECEMBER 31, 2022 | Source: Brandes. The portfolio characteristics shown relate to a single account deemed by Brandes to be generally representative of the strategy as of date noted. Not every account will have these exact characteristics. The actual characteristics with respect to any particular account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment.

Sector Exposure

Brandes U.S. Value Equity Strategy Relative Weight vs. Russell 1000 Value



AS OF DECEMBER 31, 2022 | Source: Brandes, Russell. Russell 1000 Value weight represented by the respective GICS sectors within the index. The portfolio characteristics shown relate to a single account deemed by Brandes to be generally representative of the strategy as of date noted. Not every account will have these exact characteristics. The actual characteristics with respect to any particular account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment.

U.S. Banks Capital Levels and Valuation

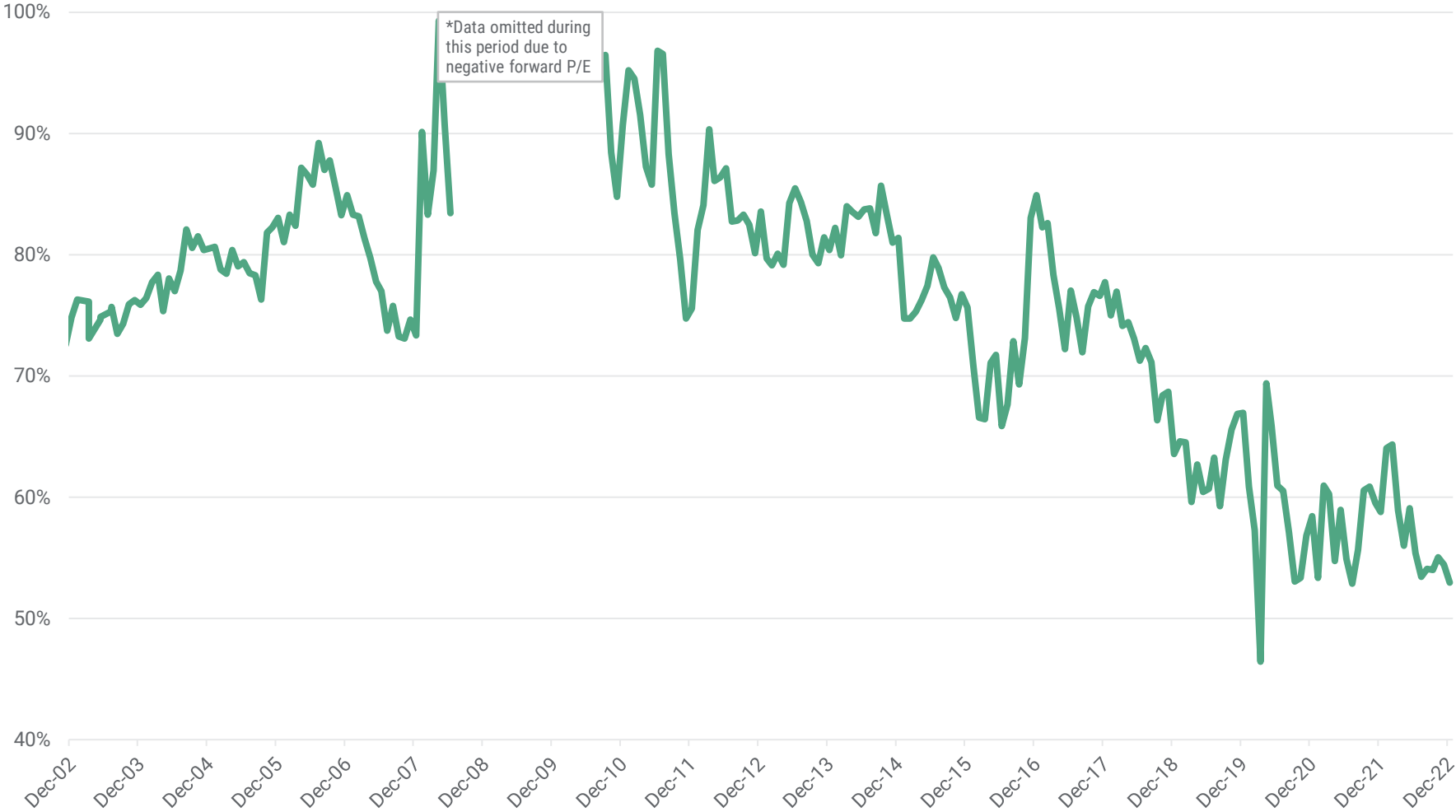
Price-to-Tangible Book and Capital of U.S. Banks



DECEMBER 31, 1993 TO DECEMBER 31, 2022 | Source: KBW Bank Index, CapitalIQ. U.S. banks represented by KBW Bank Index. It is not possible to invest directly in an index. Price-to-Tangible Book (P/TB) expresses share price as a proportion of the company's tangible book value reported on the company's balance sheet. Tangible book value is calculated by subtracting intangible assets (intellectual property, patents, goodwill etc.). Tier 1 Risk Based Capital Ratio: A measure of a bank's financial strength measured by its equity capital plus reserves relative to its total risk weighted assets.

U.S. Banks

Forward Price-to-Earnings Relative to Russell 1000 Index



DECEMBER 31, 2002 TO DECEMBER 31, 2022 | Source: Brandes, Russell via FactSet. Banks represented by the GICS bank industry within the Russell 1000 Index. It is not possible to invest directly in an index. Past performance is not a guarantee of future results.

Health Care

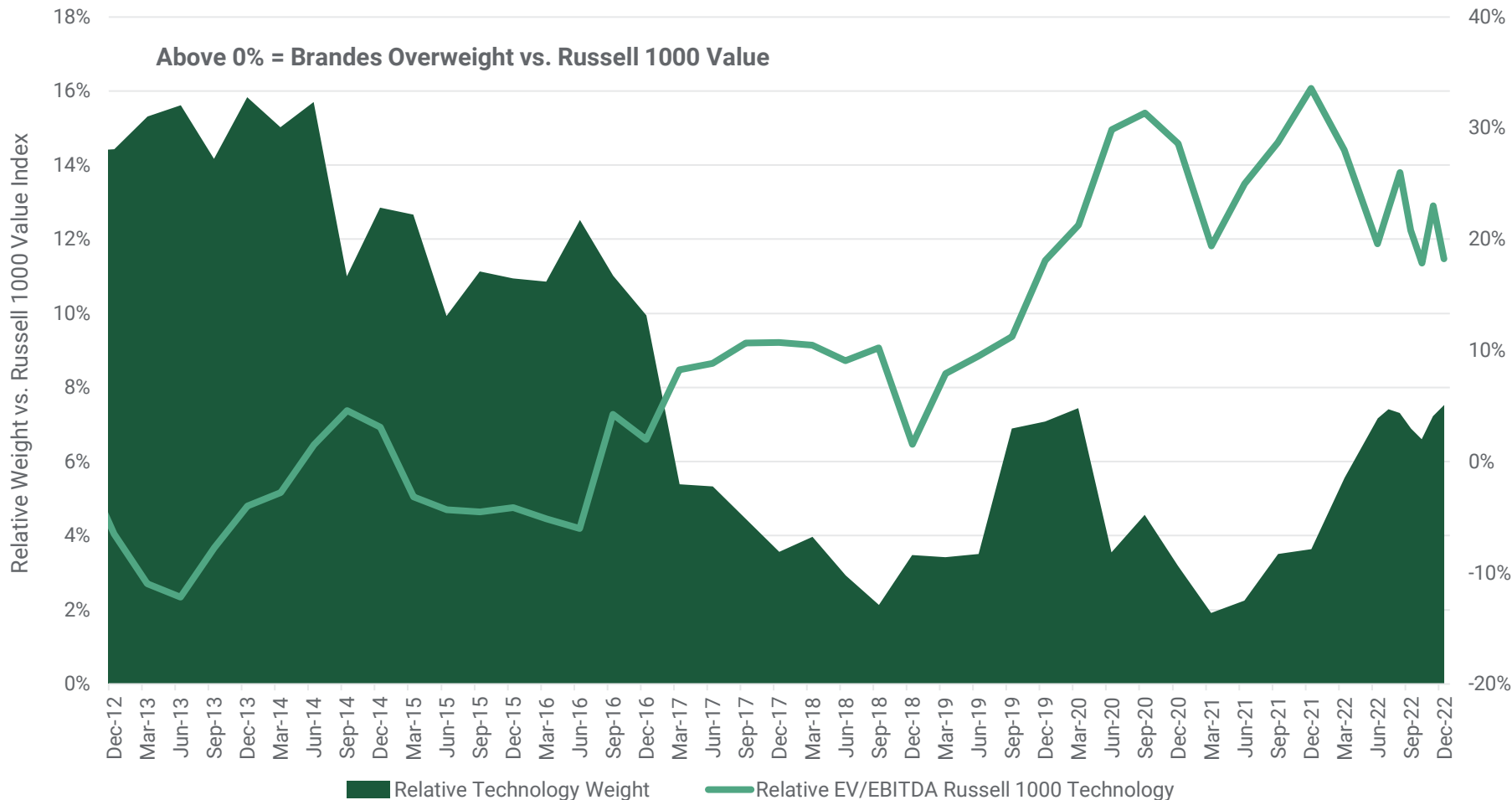
Forward Price-to-Earnings Relative to Russell 1000



DECEMBER 31, 2002 TO DECEMBER 31, 2022 | Source: Brandes, Russell via FactSet. Health Care Providers & Services and Pharmaceuticals represented by the GICS industry within the Russell 1000 Index. It is not possible to invest directly in an index. Past performance is not a guarantee of future results.

U.S. Technology

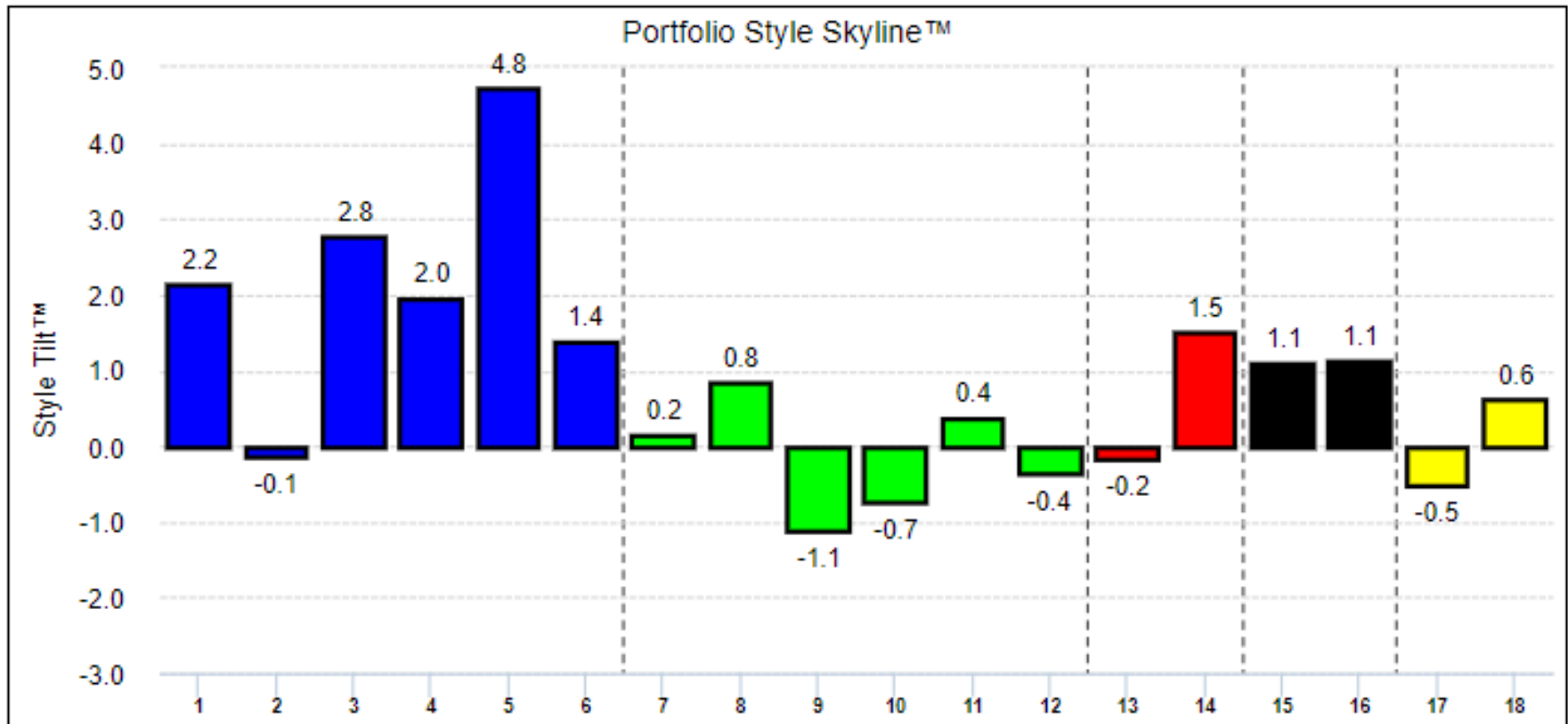
Brandes U.S. Value Equity Strategy Technology Allocation



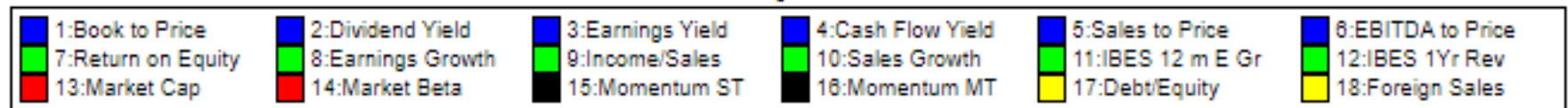
AS OF DECEMBER 31, 2022 | Source: Brandes, FactSet, Russell, MSCI. Technology represented by the GICS sector within the respective Russell 1000 and Russell 1000 Value Index. The portfolio characteristics shown above each relate to a single account as of date noted, deemed by Brandes to be generally representative of the strategy. Not every account will have these exact characteristics. The actual characteristics with respect to any particular account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Data is updated on a quarterly basis. Earnings before interest, tax, depreciation and amortization (EBITDA) is a measure of a company's operating performance. EV/EBITDA is a popular valuation to measure the value of a company.

Style Analytics Factor Exposure

Style Skyline for Brandes U.S. Value Equity vs. Russell 1000 Value Index



X-Axis Style Factors



AS OF DECEMBER 31, 2022 | Source: eVestment; Index: Russell 1000 Value. Style factors 1-6 (blue): value characteristics; 7-12 (green): growth/quality; 13-14 (red): size and volatility; 15-16 (black): momentum; 17-18 (yellow): others. The Style Skyline highlights graphically key Style Tilts for a fund against a selected benchmark. The Style Tilt is a relative measure, where Tilts greater than 1 (or less than negative 1) are considered significantly different from the benchmark. The portfolio characteristics shown relate to a single account as of date noted, deemed by Brandes to be generally representative of its standard account noted. Not every account will have these exact characteristics. The actual characteristics with respect to any particular account will vary based on a number of factors including but not limited to: (i) the size of the account, (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Data is updated on a quarterly basis.

Brandes' Partnership with the City of Jacksonville

Fee Proposal:

- **0.40%** - All-inclusive management fee based on a tiered schedule and blended to an annual rate
- In addition, we are pleased to offer a further discount to allow for asset growth

0 - \$50 million	0.42%
50 - \$100 million	0.38%
100 - \$250 million	0.35%
\$250 million+	0.32%

Brandes is open to other fee structures. If Brandes is the right fit for your system, we will get to the appropriate fee.

Why Select Brandes?

Price Disciplined, Fundamental Value Investor

- A strong compliment to the City of Jacksonville Retirement System's existing portfolio, evidenced by:
 - Overall return impact in Pro-Value cycles – up and down markets
 - Holdings-Based analysis
 - Excess Return Correlation
 - Appropriate fee for the expected excess return contribution
- Track record achieved through consistent application of our fundamental value process
- Firm strength, organizational structure supports long-term consistency and alignment with clients
- We welcome the opportunity to develop a longstanding partnership with the City of Jacksonville Retirement System and your beneficiaries

Appendix

Margin of Safety Principle



This is a hypothetical illustration of value investing concepts. It does not represent the performance of any specific security. It assumes intrinsic value changes over time. Actual results will vary. No investment strategy can assure a profit or protect against loss. ¹ The margin of safety for any security is defined as the discount of its market price to what the firm believes is the intrinsic value of that security.

Analysis — Fundamental Research

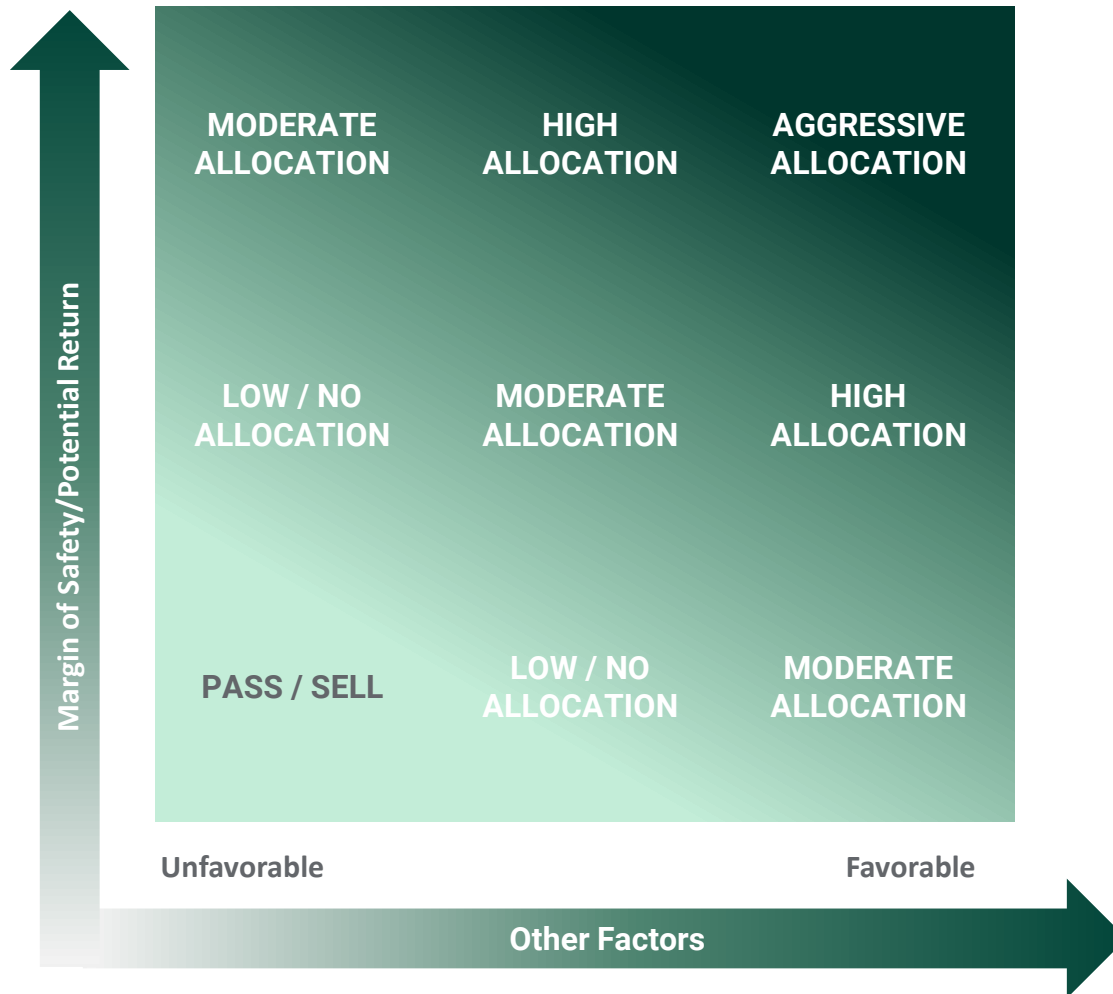
Screening Metrics and Valuation Methods Vary by Sector Team

Sector Team	Team-Specific Examples
1. Basic Materials	NAV of Commodity Reserves, P/B, P/E
2. Consumer Products	P/E, Sales/Square Foot, P/FCF
3. Financial Institutions	P/TBV, Deposit Premium, P/Pre Provision Income
4. Health Care	P/E, DCF, Book Value + Capitalized Research & Development
5. Industrials	P/E, P/B, DCF
6. Technology	P/FCF, DCF, P/E
7. Communication Services	P/FCF, DCF, P/E
8. Utilities	P/B, P/E, EV/Regulatory Asset Base

Adjustments to book value and normalization of earnings or cash flow vary by sector.

Deposit Premium: Valuing a bank as a percentage of (or at a premium to) its deposits. **Discounted Cash Flow:** Discounting future cash flow using a discount rate/cost of capital to calculate its present value. **Enterprise Value:** A measure of a company's total value. **Net Asset Value of Reserves:** The value of a company's commodity assets less any associated liabilities. **Price/Book:** Price per share divided by book value per share. **Price/Earnings:** Price per share divided by earnings per share. **Price/Cash Flow:** Price per share divided by cash flow per share. **Price/Free Cash Flow:** Market capitalization divided by free cash flow. **Price to Tangible Book Value:** Share price divided by tangible book value per share. **Price/Pre Provision Income:** Price per share divided by pre-provision income per share (pre-provision income is defined as a financial institution's income before adjusting for loan loss provisions and taxes). **Capitalized Research & Development:** Research and development expenditures that have been recognized as assets on the balance sheet. **EV/Regulatory Asset Base:** Enterprise value divided by regulatory asset base (i.e., the amount of a utility's costs of service that are booked as assets).

Construction — Allocation Factors



Other Factors

- Correlated risks
- Liquidity
- Diversification guidelines
- Range of intrinsic value estimates

The margin of safety for any security is defined as the discount of its market price to what the firm believes is the intrinsic value of that security. Intrinsic value estimates can change over time.

Active, Fundamental Risk Management

3 Part Process



Intrinsic value estimates can change over time. The margin of safety for any security is defined as the discount of its market price to what the firm believes is the intrinsic value of that security. Diversification does not assure a profit or protect against loss in a declining market.

Value Stocks Trading Near Lowest Relative Valuations to Growth in History

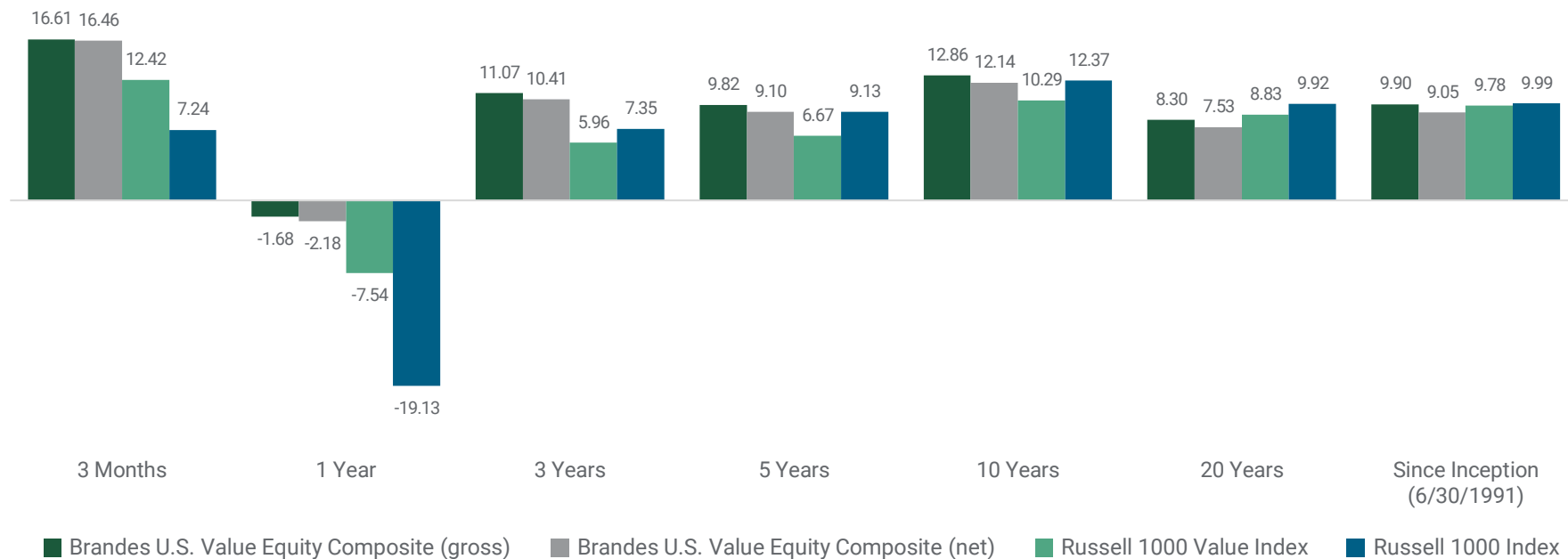
Percentile Rank (100th Is Least Expensive)

	Global	International	US	Emerging Markets	Europe	Japan	International Small Cap
Price to Book	90%	96%	75%	86%	98%	90%	91%
Price to Earnings (P/E)	95%	100%	88%	93%	100%	58%	84%
Dividend Yield	95%	96%	94%	100%	97%	85%	63%
Price to Cash Flow	87%	98%	69%	89%	99%	87%	94%
Forward P/E	85%	94%	84%	95%	98%	87%	90%
EV/Sales	84%	96%	74%	88%	100%	84%	85%
EV/EBITDA	85%	100%	79%	82%	100%	80%	N/A

RELATIVE VALUE BASED ON VARIOUS FUNDAMENTAL RATIOS, DECEMBER 31, 1974 TO DECEMBER 31, 2022 | Source: MSCI via FactSet. Global: MSCI World Value Index and MSCI World Growth Index. International: MSCI EAFE Value Index and MSCI EAFE Growth Index. US: MSCI USA Value Index and MSCI USA Growth Index. Emerging Markets: MSCI EM Value Index and MSCI EM Growth Index. Europe: MSCI Europe Value Index and MSCI Europe Growth Index. Japan: MSCI Japan Value Index and MSCI Japan Growth Index. International Small Cap: MSCI EAFE Small Cap Value Index and MSCI EAFE Small Cap Growth Index. Past performance is not a guarantee of future results. For each fundamental ratio, we calculate the average ratio of the value index and divide it by the average ratio of the growth index to determine the relative valuation. We then compare the current relative valuations with the averages for the whole period to determine the percentile ranks (100% means that the value discount vs. growth has never been this high based on the respective metric; 99% means that the value discount vs. growth is higher than it has been for 99% of the time during the period, etc.). EV: Enterprise Value. EBITDA: Earnings before interest, taxes, depreciation and amortization.

Performance (USD, %)

U.S. Value Equity

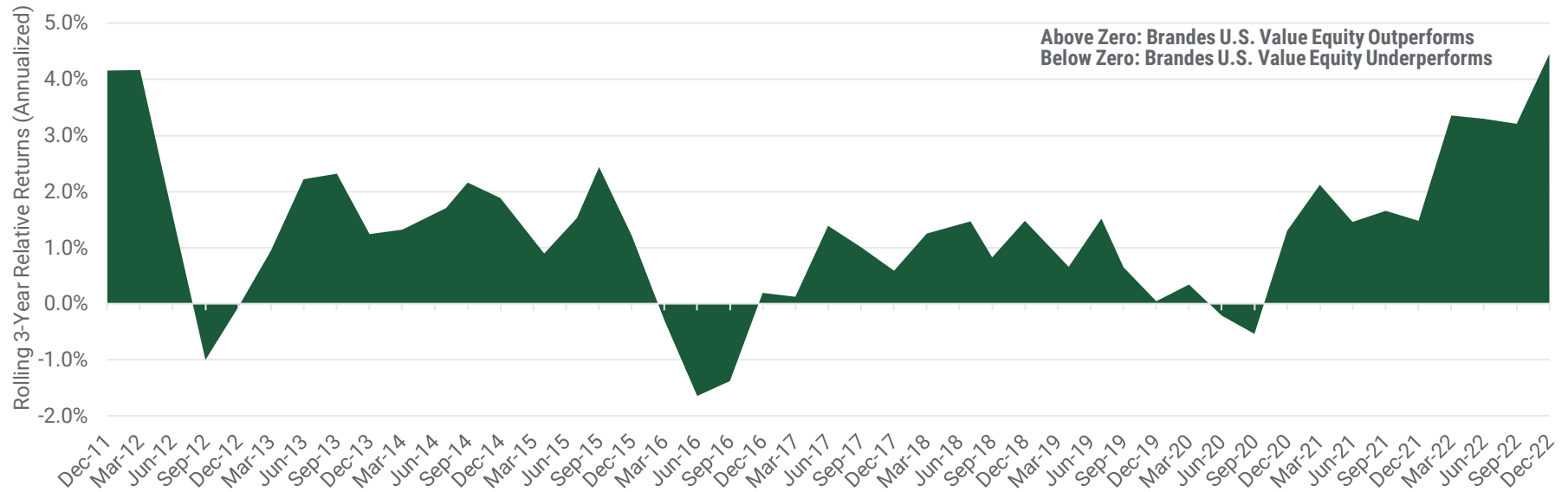


	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Brandes U.S. Value Equity Composite (gross)	38.56	14.19	-3.82	19.35	15.60	-5.64	23.53	8.56	28.37	-1.68
Brandes U.S. Value Equity Composite (net)	37.60	13.45	-4.36	18.63	14.92	-6.48	22.77	7.78	27.68	-2.18
Russell 1000 Value Index	32.53	13.45	-3.83	17.34	13.66	-8.27	26.54	2.80	25.16	-7.54
Russell 1000 Index	33.11	13.24	0.92	12.05	21.69	-4.78	31.43	20.96	26.45	-19.13

AS OF DECEMBER 31, 2022 | Source: Brandes, Russell. Total return – gross and net of management fees. Please refer to the attached GIPS® Report for additional information. Returns include reinvestment of all dividends and are reduced by any applicable foreign withholding taxes, without provisions for income taxes, if any. Periods of greater than one year have been annualized. It is not possible to invest directly in an index. Past performance is not a guarantee of future results.

Brandes U.S. Value Equity vs. Russell 1000 Value (Since Financial Crisis)

Brandes U.S. Value Equity (Net) vs. Russell 1000 Value Index



Rolling Periods	# of Rolling Periods	U.S. Value Outperformed	U.S. Value Underperformed	% of Time Outperformed	Median Outperformance
Quarterly	56	36	20	64%	0.4%
1-Year	53	34	19	64%	1.0%
3-Year	45	38	7	84%	1.3%
5-Year	37	36	1	97%	0.9%
10-Year	17	17	0	100%	1.3%

BRANDES U.S. VALUE EQUITY LESS RUSSELL 1000 VALUE INDEX DECEMBER 31, 2008 TO DECEMBER 31, 2022 | Source: Brandes, eVestment. Composite performance - net of management fees. Please see the accompanying composite performance pages. Index calendar year returns available at end of presentation. All values for periods of one year or greater represent rolling periods measured quarterly. It is possible for a composite to outperform its benchmark and still experience a negative return. Rolling periods represent a series of overlapping, smaller time periods within a single, longer-term time period. For example, over a 20-year period, there is one 20-year rolling period, eleven 10-year rolling periods, sixteen 5-year rolling periods, and so forth. or each period relative performance was calculated by subtracting the annualized 3-year returns of the Russell 1000 Value from the US Value Equity. Past performance is not a guarantee of future results. It is not possible to invest directly in an index.

Brandes Outperformed When Value Outperformed

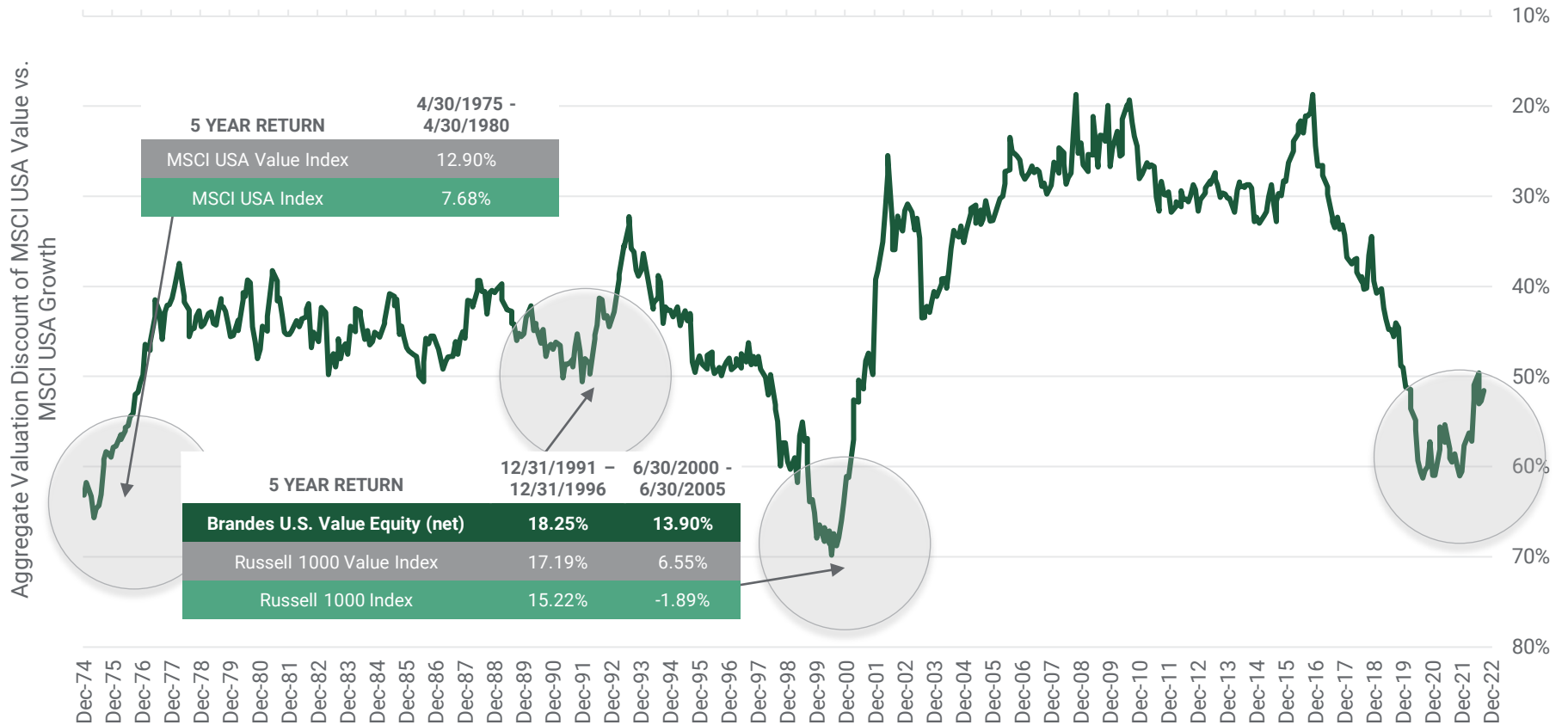
Periods of Value Outperformance

<u>Up Markets</u>	8/31/2020 to 5/31/2021	11/30/2015 to 12/31/2016	4/30/2012 to 7/31/2013	3/31/2003 to 12/31/2006
Brandes U.S Value Equity (net)	43.00%	16.30%	36.45%	118.79%
Russell 1000 Value	34.27%	14.82%	30.51%	108.41%
Russell 1000	22.84%	10.04%	24.47%	82.94%

<u>Down Markets</u>	11/30/2021 to 5/31/2022	9/30/2018 to 11/30/2018	2/29/2000 to 6/30/2002
Brandes U.S Value Equity (net)	4.90%	-1.43%	75.74%
Russell 1000 Value	1.51%	-2.35%	7.43%
Russell 1000	-10.22%	-5.19%	-26.42%

U.S. Value Stocks Relative Valuation

Valuation Relative to Growth Stocks vs. History



DECEMBER 31, 1974 TO DECEMBER 31, 2022 | Source: Russell and MSCI via FactSet. All returns annualized. Past performance is not a guarantee of future results. For each fundamental ratio (Price/Book, Price/Earnings, Price/Cash Flow, Forward Price/Earnings, Enterprise Value/Sales, Enterprise Value/Earnings Before Interest, Taxes, Depreciation, and Amortization), we calculate the average ratio of the MSCI USA Value Index and divide it by the average ratio of the MSCI USA Growth Index to determine the relative valuation. Aggregate valuation discounted based upon the average of each individual metrics valuation discount of the value index relative to growth. Please note that all indices are unmanaged and are not available for direct investment. Brandes performance is net of management fees. Please see the accompanying GIPS® report. The hypothetical examples are for illustrative purposes only. They do not represent the performance of any specific investments. Actual results will vary.

Inflation and U.S. Value Have Been Correlated for 90 Years

Inflation Increases as a Potential Catalyst



JUNE 30, 1936 TO DECEMBER 31, 2021 | Source: BLS, Ken French Data Library. Ken French universe includes all listed US stocks. Cheapest quintile represents the 20% of the universe with the highest book to market ratio. Most expensive quintile represents the 20% of the universe with the lowest book to market ratio. Past performance is not a guarantee of future results. Please note that all indices are unmanaged and are not available for direct investment. See full index definitions located at the end of the presentation.

Brandes Has Outperformed During Inflationary Environments

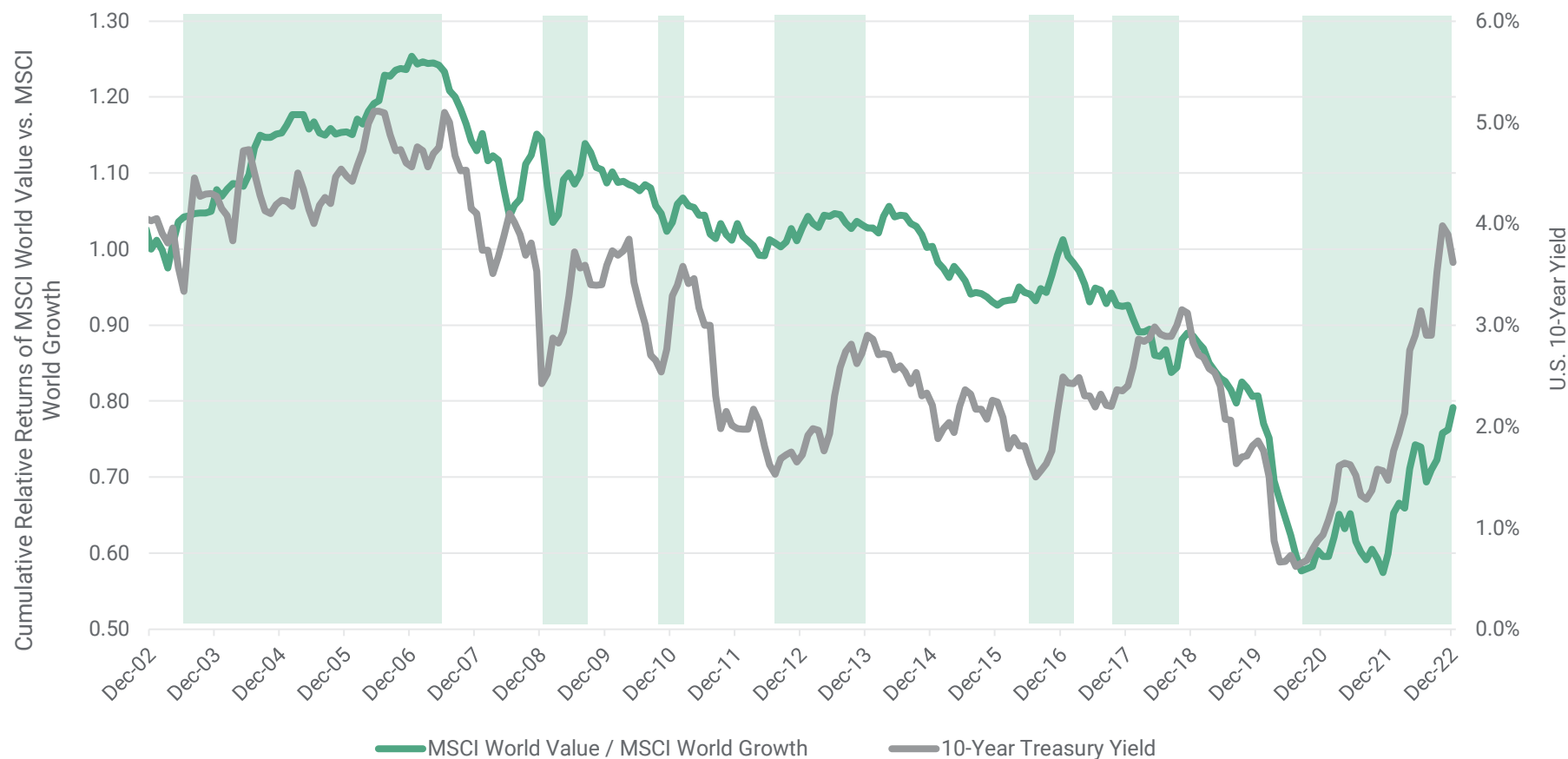
Brandes U.S. Value Equity (Net) Less Russell 1000 Index, 1992 to 2021 (All Calendar Years Since U.S. Value Equity Inception)

	Brandes U.S. Value Equity (Net) – Russell 1000
Above-Average U.S. Inflation	+3.0% (1992-97, 2000-01, 2004-08, 2011, 2018, 2021)
Below-Average U.S. Inflation	-4.0% (1998-99, 2002-03, 2009-10, 2012-17, 2019-2020)
Above-Average or Increasing U.S. Inflation	+1.2% (1992-97, 1999-2001, 2003-08, 2010-11, 2014, 2016-18, 2021)
Below-Average and Decreasing U.S. Inflation	-4.4% (1998, 2002, 2009, 2012-13, 2015, 2019, 2020)

AS OF DECEMBER 31, 2021 | Source: Russell, World Bank. Average annual relative performance net of management fees. Past performance is not a guarantee of future results. One cannot invest directly in an index. Please see the accompanying U.S. Value Equity composite performance presentation. U.S. inflation represented by inflation in the consumer price index from the World Bank. Average inflation is for the period 12/31/1991 to 12/31/2021. Annual returns of the Russell 1000 were subtracted from annual returns of the Brandes U.S. Value Equity composite. A positive result indicates the strategy outperformed and a negative result indicates the benchmark outperformed. It is possible for a strategy to outperform its benchmark but still experience a negative absolute return.

10-Year Treasury Yield Has Correlated with Global Value's Relative Performance

Interest Rate Increases as a Potential Catalyst



DECEMBER 31, 2002 TO DECEMBER 31, 2022 | Source: FactSet, MSCI. 1=9/30/2002. Cumulative returns of MSCI World Value were divided by the cumulative returns of MSCI World Growth. Values above 1 indicate the value index outperformed. Past performance is not a guarantee of future results. Please note that all indices are unmanaged and are not available for direct investment. See full index definitions located at the end of the presentation. The period is non-standard because we want to highlight the aftermath of the tech bubble, as it is analogous to today.

Global Large-Cap Investment Committee



Brent Fredberg

Director, Investments Group
Limited partner of the firm's parent company

EXPERIENCE

Current Responsibilities:

- Analyst and Team Leader responsibilities on the Technology Research Team
- Member of the Global Large-Cap Investment Committee
- Experience began in 1994
- Joined Brandes Investment Partners in 1999

Prior Career Highlights

- Financial Analyst and Controller with Raytheon/Amana Appliances

EDUCATION

- MBA (with distinction) from Northwestern University's Kellogg Graduate School of Management
- BS in finance (with distinction) from the University of Iowa
- Certified Public Accountant (inactive)
- Certified Management Accountant (inactive)



Ted Kim, CFA

Director, Investments Group
Limited partner of the firm's parent company

EXPERIENCE

Current Responsibilities:

- Analyst and Team Leader responsibilities on the Industrials Research Team
- Member of the Global Large-Cap Investment Committee
- Experience began in 2000
- Joined Brandes Investment Partners in 2000

Prior Career Highlights

- Product and Manufacturing Engineer with Ford Motor Company

EDUCATION

- MBA from the Kellogg Graduate School of Management at Northwestern University
- MS in system design and management from the Massachusetts Institute of Technology
- BS in mechanical engineering from the Massachusetts Institute of Technology

Global Large-Cap Investment Committee



Kenneth Little, CFA

Managing Director, Investments Group
Limited partner of the firm's parent company

EXPERIENCE

Current Responsibilities:

- Managing Director, Investments Group, leading the firm's overall research efforts and overseeing the product investment committees
- Member of the All-Cap and Global Large-Cap Investment Committees
- Analyst and Team Leader responsibilities on the Basic Materials and Utilities Research Teams
- Member of the Executive Management Group, which is responsible for the firm's day-to-day operations and long-term strategic direction
- Member of the ESG Oversight Committee
- Experience began in 1996
- Joined Brandes Investment Partners in 1996

Prior Career Highlights

- Senior Accountant with KPMG

EDUCATION

- MBA from the Fuqua School of Business at Duke University
- BS in accounting from the University of La Verne
- Certified Public Accountant (inactive)



Brian A. Matthews, CFA

Director, Investments Group
Limited partner of the firm's parent company

EXPERIENCE

Current Responsibilities:

- Analyst responsibilities on the Communications Services Research Team
- Member of the Global Large Cap-Investment Committee
- Experience began in 2000
- Joined Brandes Investment Partners in 2002

Prior Career Highlights

- Member of the Small-Cap Investment Committee with Brandes Investment Partners
- Investment Banking Analyst with Merrill Lynch

EDUCATION

- BS with concentrations in finance and management (summa cum laude) from the Wharton School of the University of Pennsylvania

Research Teams

Basic Materials

Team Leader: Kenneth Little, CFA

Chemicals	Amy Minning, CFA
Chemicals (Fertilizers and Ag Chemicals)	Mauricio Abadia
Containers & Packaging	Jeffrey Germain, CFA
Energy, Equip & Svcs.	Chris Duncan, CFA
Metals & Mining	Jeffrey Germain, CFA
Oil & Gas	Chris Duncan, CFA
Paper & Forest Products	Jeffrey Germain, CFA

Research Associates: Jason Manley, Nathan Mark

Communication Services

Team Leader: Gerardo Zamorano, CFA

Diversified & Wireless Telecomm	Amelia Maccoun Morris, CFA (Europe)
	Brian Matthews, CFA (Canada, U.S., EMEA)
	Gerardo Zamorano, CFA (Latam, EMEA)
	Alex Yee (Asia)
Media	Brian Matthews, CFA (Global)

Research Associates: Namrata Mullapudi

Consumer Products

Team Leader: Amelia Maccoun Morris, CFA

Beverages	Jonathan Menor, CFA
Casinos & Gaming	Greg Rippel, CFA
Distributors	Greg Rippel, CFA

Consumer Products (Continued)

Team Leader: Amelia Maccoun Morris, CFA

Food & Drug Retailing, Internet & Catalog Retail, Multiline Retail, Specialty Retail	Greg Rippel, CFA (Global X-Europe)
	Amelia Maccoun Morris, CFA (Europe)
Luxury Goods	Amelia Maccoun Morris, CFA
	Chris Duncan, CFA (Developed Markets)
	Jonathan Menor, CFA (Emerging Markets)
Food Products	Mauricio Abadia (Global)
Hotels, Resorts & Cruise Lines	Greg Rippel, CFA
Household Durables	Brent Fredberg
Household Products	Jonathan Menor, CFA
Leisure Facilities	Greg Rippel, CFA
Leisure Equipment & Products	Greg Rippel, CFA
Personal Products	Jonathan Menor, CFA
Restaurants	Jonathan Menor, CFA
Textiles & Apparel	Greg Rippel, CFA
Tobacco	Jonathan Menor, CFA

Research Associates: Catherine Madrigal, Austin Scruggs

Financial Institutions

Team Leader: Michael Hutchens, CFA

Banking	Bryan Barrett, CFA (US)
	Michael Hutchens, CFA (Developed & Emerging Europe, Americas (incl. US), Japan)
	Louis Lau, CFA (Asia-ex, US, Europe, EM)
	Anita Krishnamoorthy, CFA (Asia-ex)
	Derrek Oyama, CFA (Europe)
Insurance	Amy Zhou (China)
	Bryan Barrett, CFA (Global)
	Louis Lau, CFA (Asia-ex)
	Anita Krishnamoorthy, CFA (Asia-ex)
Real Estate	Amy Zhou (China)
	Louis Lau, CFA (EM, US)
	Michael Hutchens, CFA (Europe, Japan, North America)
Diversified Financials	Anita Krishnamoorthy, CFA (Asia-ex)
	Bryan Barrett, CFA (Exchanges, Asset Managers)
	Louis Lau, CFA (EM, Asia-ex)
	Derrek Oyama, CFA (Consumer Finance, Credit Cards)
	Michael Hutchens, CFA
	Anita Krishnamoorthy, CFA (Asia-ex)
	Amy Zhou (payments and retail brokerage)

Research Teams (Cont.)

Financial Institutions (Continued)

Team Leader: Michael Hutchens, CFA

Research Associates: Charlie Chang

Health Care

Team Leader: Shingo Omura, CFA

Health Care Equipment & Supplies	Shingo Omura, CFA
	Madina Baikadamova
	Derrek Oyama, CFA
Health Care Providers & Services	Shingo Omura, CFA
	Madina Baikadamova
	Derrek Oyama, CFA
Pharmaceuticals/Biotechnology	Shingo Omura, CFA

Research Associates: Nikhita Kulkarni

Industrials

Team Leader: Ted Kim, CFA

Air Freight & Logistics	Steven Leonard, CFA
Airlines	Steven Leonard, CFA
Automobiles	Ted Kim, CFA
Auto Components	Ted Kim, CFA
Building Products	Luiz Sauerbronn
Environmental Services	Steven Leonard, CFA
Trading Companies & Distribution	Ted Kim, CFA
Machinery: Industrial Machinery / Engineering	Ted Kim, CFA
	Mark Costa, CFA

Industrials (Continued)

Team Leader: Ted Kim, CFA

Machinery: Heavy Trucks	Ted Kim, CFA
Machinery: Construction & Farm Machinery	Steven Leonard, CFA
	Bryan Barrett, CFA
Marine	Steven Leonard, CFA
Road & Rail	Steven Leonard, CFA
Transportation Infrastructure	Steven Leonard, CFA
Construction & Engineering	Luiz Sauerbronn
Construction Materials	Luiz Sauerbronn
Electrical Components & Equipment	Bryan Barrett, CFA
Heavy Electrical Equipment	Bryan Barrett, CFA
Industrial Conglomerates	Mark Costa, CFA
Aerospace & Defense	Mark Costa, CFA

Research Associates: Mitchell Cooper, Will Taylor

Technology

Team Leader: Brent Fredberg

Commercial Services & Supplies	Brent Fredberg
Communications Equipment	Yingbin Chen, CFA
	Yingbin Chen, CFA
Computers & Peripherals	Brent Fredberg

Technology (Continued)

Team Leader: Brent Fredberg

Electronic Equipment & Instruments	Brent Fredberg
	Alex Yee
	Derrek Oyama, CFA
Internet Software & Svcs.	Yingbin Chen, CFA
	Brent Fredberg
IT Consulting & Services	Brent Fredberg
Office Electronics	Yingbin Chen, CFA
Semiconductor Equip. & Semiconductors	Brent Fredberg
	Alex Yee
Software	Yingbin Chen, CFA
	Brent Fredberg

Research Associates: Jamie Cheng, Chris Safroniy

Utilities

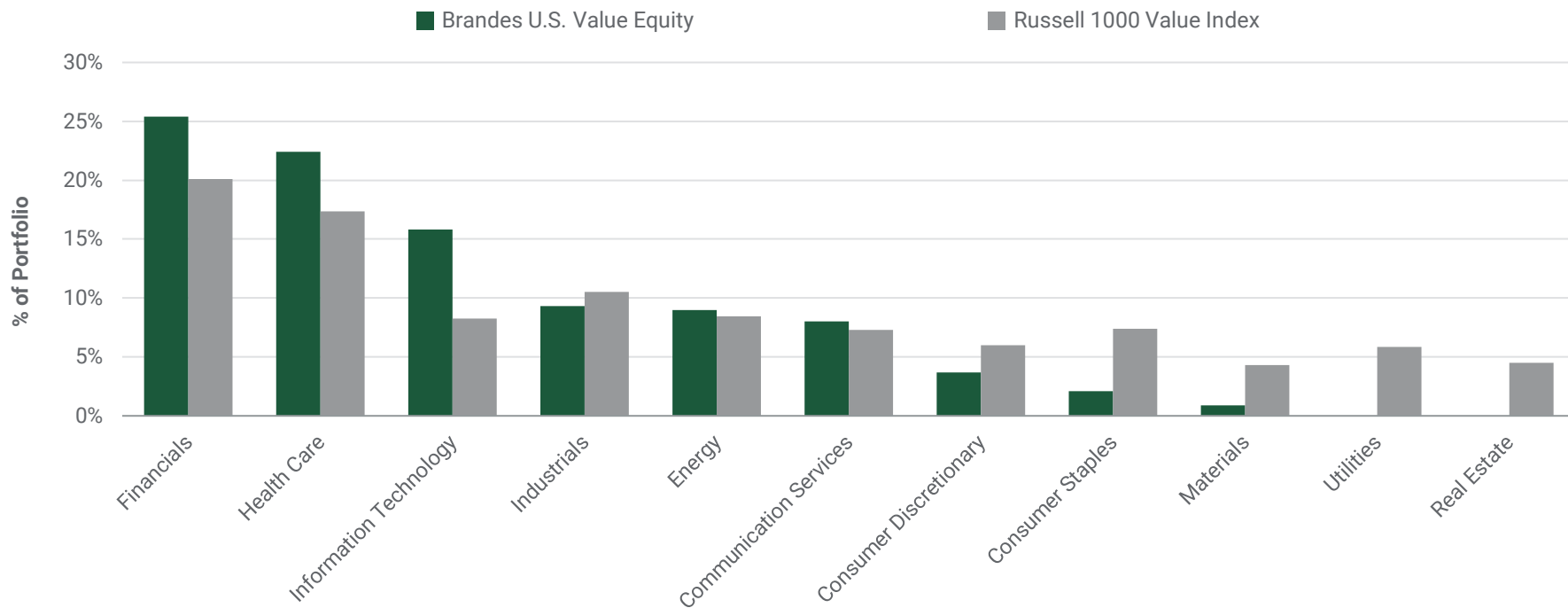
Team Leader: Kenneth Little, CFA

Electric, Gas, Water & Multi-Utilities	Mauricio Abadia
	Luiz Sauerbronn (Latin America)

Research Associates: Nathan Mark

Sector Exposure

U.S. Value Equity



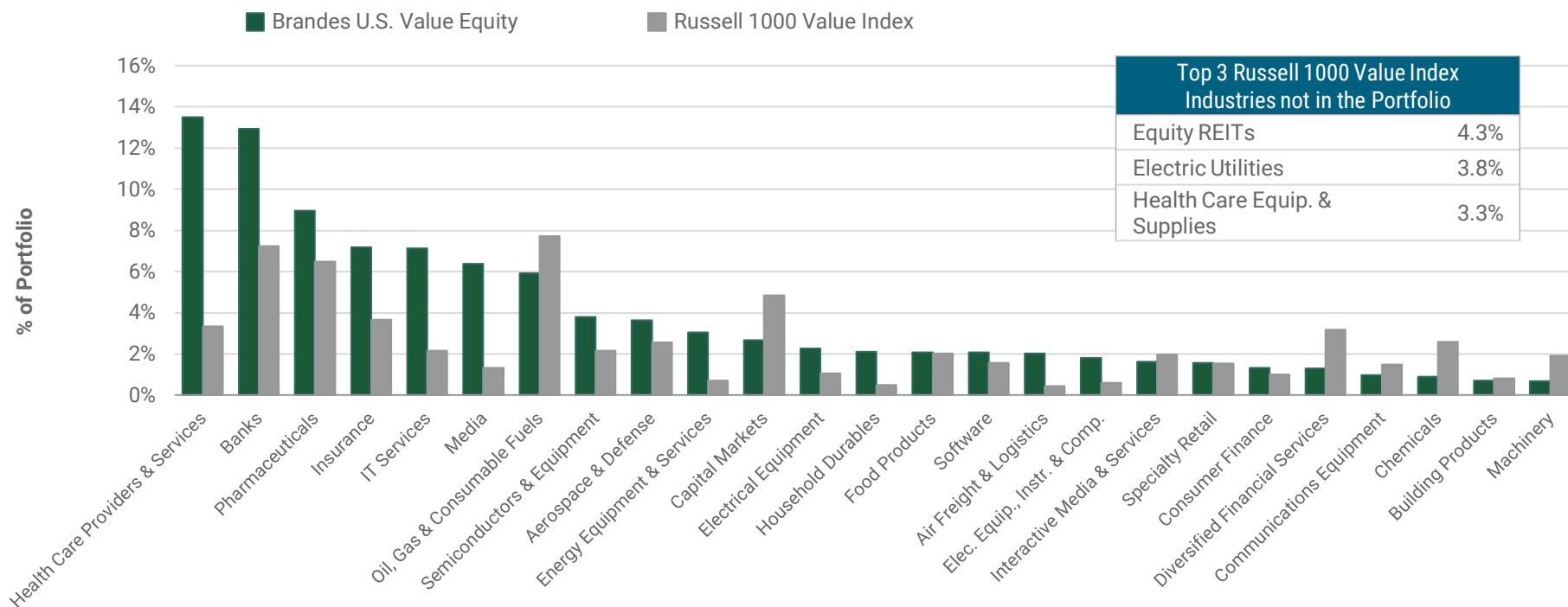
Largest Sector Weighting Increases	12/31/2021	12/31/2022	Change
Energy	6.2%	9.0%	+2.8%
Information Technology	13.9%	15.8%	+1.9%
Health Care	21.2%	22.4%	+1.2%

Largest Sector Weighting Decreases	12/31/2021	12/31/2022	Change
Industrials	11.8%	9.3%	-2.5%
Consumer Discretionary	5.6%	3.7%	-1.9%
Materials	2.6%	0.9%	-1.7%

AS OF DECEMBER 31, 2022 | Source: Brandes, Russell. The portfolio characteristics shown relate to a single account deemed by Brandes to be generally representative of the strategy as of date noted. Not every account will have these exact characteristics. The actual characteristics with respect to any particular account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Data is updated on a quarterly basis.

Industry Exposure (Top 25)

U.S. Value Equity



Top 3 Russell 1000 Value Index Industries not in the Portfolio	
Equity REITs	4.3%
Electric Utilities	3.8%
Health Care Equip. & Supplies	3.3%

Largest Industry Weighting Increases	12/31/2021	12/31/2022	Change
Pharmaceuticals	7.1%	9.0%	+1.9%
Insurance	5.6%	7.2%	+1.6%
Semiconductors & Equipment	2.2%	3.8%	+1.6%

Largest Industry Weighting Decreases	12/31/2021	12/31/2022	Change
Household Durables	4.1%	2.1%	-2.0%
Chemicals	2.6%	0.9%	-1.7%
Banks	14.1%	12.9%	-1.2%

AS OF DECEMBER 31, 2022 | Source: Brandes, Russell. The portfolio characteristics shown relate to a single account deemed by Brandes to be generally representative of the strategy as of date noted. Not every account will have these exact characteristics. The actual characteristics with respect to any particular account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Data is updated on a quarterly basis.

Top Ten Holdings

U.S. Value Equity

Company	%	Industry
Chevron Corp	4.12	Oil, Gas & Consumable Fuels
Halliburton Co	3.05	Energy Equipment & Services
Merck & Co Inc	2.96	Pharmaceuticals
McKesson Corp	2.92	Health Care Providers & Services
Amdocs Ltd	2.82	IT Services
Cigna Corp	2.74	Health Care Providers & Services
Comcast Corp	2.62	Media
Pfizer Inc	2.55	Pharmaceuticals
Fiserv Inc	2.54	IT Services
American International Group Inc	2.51	Insurance
Top 10 as % of Portfolio	28.83	
Total Number of Companies: 53		

AS OF DECEMBER 31, 2022 | Source: Brandes. The portfolio characteristics shown relate to a single account deemed by Brandes to be generally representative of the strategy as of date noted. Not every account will have these exact characteristics. The actual characteristics with respect to any particular account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Data is updated on a quarterly basis. Portfolio holdings are subject to change at any time at the discretion of the investment manager.

Fundamental Characteristics

U.S. Value Equity



AS OF DECEMBER 31, 2022 | Source: Bloomberg, Russell. Price/Book, Price/Earnings, Price/Cash Flow and Dividend Yield for each security provided by Bloomberg, L.P. Please note that Bloomberg does not provide negative numbers in the data feed. Index fundamentals are calculated from holdings data as provided by the relevant index or by FactSet Fundamentals, excluding negative numbers for consistency. Thus, index fundamentals calculated by Brandes may differ from those computed and published by index providers. The declaration and payment of shareholder dividends are solely at the discretion of the issuer and are subject to change at any time. The portfolio characteristics shown relate to a single account deemed by Brandes to be generally representative of the strategy as of date noted. Not every account will have these exact characteristics. The actual characteristics with respect to any particular account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Data is updated on a quarterly basis.

Performance Table

3 Year Rolling Annualized Returns

	Russell 1000 Index	Russell 1000 Value Index	Russell 1000 Growth Index
1982	14.61%	14.78%	14.24%
1983	11.72%	15.96%	7.41%
1984	15.46%	19.24%	11.44%
1985	19.16%	22.93%	15.13%
1986	17.76%	20.21%	14.93%
1987	17.07%	16.61%	17.30%
1988	12.47%	14.09%	10.57%
1989	16.33%	15.72%	16.78%
1990	13.57%	12.33%	14.69%
1991	18.46%	12.75%	24.19%
1992	11.55%	9.15%	13.94%
1993	16.88%	18.65%	15.12%
1994	6.41%	9.55%	3.49%
1995	15.07%	16.99%	13.14%
1996	19.20%	18.16%	20.12%
1997	30.86%	31.52%	30.14%
1998	27.37%	23.89%	30.62%
1999	26.84%	18.83%	34.07%
2000	12.30%	9.93%	12.74%
2001	-0.80%	2.74%	-6.32%
2002	-14.16%	-5.14%	-23.64%
2003	-3.78%	1.22%	-9.36%
2004	4.27%	8.57%	-0.18%
2005	15.43%	17.49%	13.23%
2006	10.98%	15.10%	6.87%
2007	9.08%	9.32%	8.68%
2008	-8.66%	-8.32%	-9.11%
2009	-5.36%	-8.96%	-1.89%
2010	-2.37%	-4.42%	-0.47%
2011	14.81%	11.55%	18.02%

	Russell 1000 Index	Russell 1000 Value Index	Russell 1000 Growth Index
2012	11.12%	10.86%	11.35%
2013	16.30%	16.06%	16.45%
2014	20.62%	20.89%	20.26%
2015	15.01%	13.08%	16.83%
2016	8.59%	8.59%	8.55%
2017	11.23%	8.65%	13.79%
2018	9.09%	6.95%	11.15%
2019	15.05%	9.68%	20.49%
2020	14.82%	6.07%	22.99%
2021	26.21%	17.64%	34.08%
2022	7.35%	5.96%	7.79%

Disclosures

Active Share: A measurement (expressed as a percentage) of how much a portfolio differs from its benchmark index, with 0% indicating no difference and 100% indicating no common holdings.

Alpha: A measure of performance based on the excess return of an investment relative to the return of a benchmark index.

Book to Price Ratio: Compares a company's market value to its book value. The market value of a company is its share price multiplied by the number of outstanding shares.

Book Value: Assets minus liabilities. Also known as shareholders' equity.

Cash Flow Yield: Annual cash flow per share divided by the share price.

Debt/Equity: A financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets.

Dividend Yield: Dividends per share divided by price per share.

Earnings Growth: The average annual growth rate of earnings (adjusted for amortizations of intangibles, extraordinary charges and credits) over a trailing three years.

Earnings Yield: Annual earnings (adjusted for amortizations of intangibles, extraordinary charges and credits) per share divided by the share price.

Earnings Per Share (EPS): The portion of a company's profit allocated to each share of common stock. EPS serves as an indicator of a company's profitability.

EBITDA to Price: EBITDA (earnings before interests, taxes, depreciation and amortization) per share divided by price per share.

Equity/Assets: Book value of equity divided by book value of total assets.

Enterprise Value: Market capitalization plus net debt.

EV/Sales: Enterprise value divided by sales.

EV/EBITDA: Enterprise value divided by earnings before interest, taxes, depreciation and amortization.

Forward Price/Earnings: Price per share divided by earnings per share expected over the next 12 months or next fiscal year.

Free Cash Flow: Operating cash flow less capital expenditures.

GICS: The Global Industry Classification Standard (GICS) is a standardized classification system for equities, developed jointly by MSCI and Standard & Poor's.

IBES 12 m E Gr: IBES consensus forecast growth of earnings over the next 12 months. IBES stands for the institutional brokers' estimate system.

IBES 1 Yr Rev: IBES balance of earnings forecast revisions for the next annual reporting period. IBES stands for the institutional brokers' estimate system.

Income/Sales: Income divided by sales; also called profit margin.

Market Beta: The "slope coefficient", (β), from the simple regression: Security monthly return = $\alpha + \beta * \text{market monthly return} + \text{random error}$. The regression is carried out over 36 month periods.

Market Capitalization: The number of common shares outstanding multiplied by the current market price per common share.

Momentum MT: The 12 month total return of the stock.

Momentum ST: Calculated using a 6 month "memory" of monthly total returns. This weighted historic return factor measures the degree of performance trend following.

Price/Book: Price per share divided by book value per share.

Price/Cash Flow: Price per share divided by cash flow per share.

Price/Earnings: Price per share divided by earnings per share.

Return on Capital: Net income minus dividends divided by total capital; used to assess a company's efficiency at allocating the capital under its control to profitable investments.

Return on Equity: Net income divided by shareholder's equity.

Sales Growth: A metric that measures the ability of your sales team to increase revenue over a fixed period of time.

Sales to Price: Net sales per share divided by price per share.

Standard Deviation: The measure of a data set's dispersion from its mean.

Yield: Annual income from the investment (dividend, interest, etc.) divided by the current market price of the investment.

KBW Bank Index An economic index consisting of the stocks of 24 banking companies. This index serves as a benchmark of the banking sector. This index trades on the Philadelphia Stock Exchange, where it was created.

The MSCI EAFE Growth Index with gross dividends captures large and mid cap securities across developed market countries, excluding the United States and Canada, exhibiting growth style characteristics, defined using long-term forward earnings per share (EPS) growth rate, short-term forward EPS growth rate, current internal growth rate, long-term historical EPS growth trend, and long-term historical sales per share growth trend.

The MSCI EAFE Value Index with net dividends captures large and mid cap securities across developed market countries, excluding the United States and Canada, exhibiting value style characteristics, defined using book value to price, 12-month forward earnings to price, and dividend yield.

The MSCI USA Index measures the performance of the large and mid cap segments of the U.S. equity market.

The MSCI USA Value Index captures large and mid cap U.S. securities exhibiting overall value style characteristics, defined using book value to price, 12-month forward earnings to price, and dividend yield.

The MSCI USA Growth Index captures large and mid cap U.S. securities exhibiting overall growth style characteristics, defined using long-term forward earnings per share (EPS) growth rate, short-term forward EPS growth rate, current internal growth rate, long-term historical EPS growth trend, and long-term historical sales per share growth trend.

The MSCI USA Momentum Index is based on MSCI USA Index, its parent index, which captures large and mid cap stocks of the US market. It is designed to reflect the performance of an equity momentum strategy by emphasizing stocks with high price momentum, while maintaining reasonably high trading liquidity, investment capacity and moderate index turnover.

The MSCI USA Quality Index is based on the MSCI USA Index, its parent index, which includes large and mid cap stocks in the US equity market. The index aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity (ROE), stable year-over-year earnings growth and low financial leverage.

The MSCI World Index with net dividends captures large and mid cap representation of developed markets.

The MSCI World Value Index captures large and mid cap securities across developed market countries exhibiting value style characteristics, defined using book value to price, 12-month forward earnings to price, and dividend yield.

The MSCI World Growth Index captures large and mid cap securities across developed market countries exhibiting growth style characteristics, defined using long-term forward earnings per share (EPS) growth rate, short-term forward EPS growth rate, current internal growth rate, long-term historical EPS growth trend, and long-term historical sales per share growth trend.

The Russell 1000 Index with gross dividends measures performance of the large cap segment of the U.S. equity universe.

The Russell 1000 Value Index with gross dividends measures performance of the large cap segment of the U.S. equity universe. Securities are categorized as growth or value based on their relative book-to-price ratios, historical sales growth, and expected earnings growth.

The Russell 1000 Growth Index with gross dividends measures performance of the large cap growth segment of the U.S. equity universe. Securities are categorized as growth or value based on their relative book-to-price ratios, historical sales growth, and expected earnings growth.

The Russell 2000 Index with gross dividends measures the performance of the small cap segment of the U.S. equity universe.

The Russell 2000 Growth Index with gross dividends measures performance of the small-cap segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 2000 Value Index with gross dividends measures performance of the small-cap segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The S&P 500 Index measures equity performance of 500 of the top companies in leading industries of the U.S. economy.

The S&P 500 Growth Index with gross dividends measures equity performance of S&P 500 Index companies with higher sales growth, earnings change to price, and momentum.

The S&P 500 Value Index with gross dividends measures equity performance of S&P 500 Index companies with lower book value-to-price, sales-to-price, and earnings-to-price ratios.

The U.S. Consumer Price Index is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

The consumer price index used by World Bank reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly. The Laspeyres formula is generally used.

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Brandes Investment Partners, L.P.
U.S. Value Equity Annual Performance Presentation

As of December 31 Period End
 Reporting Currency: USD

Period	Annual Performance %				Composite Characteristics					Annualized 3 Year Standard Deviation % (2)		
	Composite Gross*	Composite Net*	Benchmark (a)	Benchmark (b)	Assets \$Millions	Number of Accounts	Internal Dispersion (1)	Non-Fee Paying Accounts (%)	Total Firm Assets \$ Millions	Composite Gross	Benchmark (a)	Benchmark (b)
2021	28.37	27.68	25.16	26.45	935	39	1.05	2	20,179	19.60	19.06	17.71
2020	8.56	7.78	2.80	20.96	262	37	0.67	4	18,595	20.06	19.62	19.10
2019	23.53	22.77	26.54	31.43	264	39	1.03	3	21,451	12.09	11.85	12.05
2018	-5.64	-6.48	-8.27	-4.78	219	43	0.59	14	22,106	11.51	10.82	10.95
2017	15.60	14.92	13.66	21.69	238	55	0.41	14	25,578	10.31	10.20	9.97
2016	19.35	18.63	17.34	12.05	260	69	0.79	11	22,971	10.63	10.77	10.69
2015	-3.82	-4.36	-3.83	0.92	259	64	0.34	10	20,666	10.45	10.68	10.48
2014	14.19	13.45	13.45	13.24	352	76	0.47	8	20,722	9.73	9.20	9.12
2013	38.56	37.60	32.53	33.11	199	75	0.99	13	21,464	13.85	12.70	12.26
2012	19.40	18.54	17.51	16.42	115	67	0.46	18	22,171	17.06	15.51	15.40

(1) The measure of dispersion is the asset-weighted standard deviation for annual period gross returns in USD of all portfolios in the composite for the full reporting period. Beginning in 2017, dispersion is not presented for periods with less than 2 accounts in the composite. Prior to 2017, dispersion is not presented for periods with less than 6 accounts in the composite.

(2) The three-year annualized ex-post standard deviation measures the variability of the monthly gross composite returns and the benchmark returns over the preceding 36-month period.

* The net and gross annual returns, calculated in USD, presented for the Brandes U.S. Value Equity composite were calculated on a time-weighted and asset-weighted, total return basis, including reinvestment of all dividends, interest and income, realized and unrealized gains or losses and are net of brokerage commissions, execution costs, and any applicable foreign withholding taxes, without provision for federal and state income taxes, if any. Returns for some accounts in the composite reflect the deduction of a broker fee that includes transaction costs and may include advisory, custody, and other administrative fees.

Beginning January 1, 2018, Brandes Investment Partners includes Brandes Investment Partners, L.P., Brandes Investment Partners (Europe) Limited, Brandes Investment Partners (Asia) Pte Ltd. and the Brandes Investment Partners & Co. assets sub-advised by Brandes Investment Partners, L.P. For the period from 1/1/06-12/31/17 the SMA Division of Brandes was excluded from the GIPS firm definition. The firm was redefined to reflect the dissolution of the SMA Division and the firm bringing those former SMA Division assets into compliance with the GIPS Standards.

This composite was created in 1991. The inception date is 6/30/1991.

Prior to April 2014 accounts were removed from the composite when an account's market value falls below US\$50,000 due to capital withdrawals.

The Brandes U.S. Value Equity Composite seeks to provide long-term capital appreciation by investing primarily in the equity securities of U.S. issuers with equity market capitalizations that exceed \$5 billion at the time of purchase.

From 2010-2014 composite performance after management fee returns were determined by reducing the gross of fee returns monthly by the highest applicable fee schedule per account. From 2015-2018 composite performance after management fee returns were calculated using actual fees. Composite performance after management fee returns were determined by using the highest applicable fee schedule per account in January – September 2019. As of October 2019, actual fees are and using actual fees with the exception of select portfolios to which the applicable fee schedule was applied for the entire year to better reflect our typical management fees.

Standard fee schedule - First \$25 million 0.65%; Next \$25 million 0.55%; Next \$50 million 0.45%; Next \$50 million 0.40%; Amounts over \$150 million 0.35%. Brandes' investment advisory fees are detailed in Part 2A of its Form ADV.

Brandes claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Brandes has been independently verified for the annual periods 1995 through 2021.

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 U.S. Value Equity Composite has had a performance examination for the periods 1992-2021. The verification and performance examination reports are available upon request.

A list of composite and limited distribution pooled fund descriptions, a list of broad distribution pooled funds, and policies for valuing investments, calculating performance, and preparing GIPS Reports, are available upon request. Contact client service at 800-237-7119 or write P. O. Box 919048, San Diego, California 92191-9048 or email ClientService@Brandes.com.

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Investors should not rely on prior performance results as a reliable indication of future results.

In September 2021 the Brandes U.S. Value Equity composite benchmarks changed from the S&P 500 Index as primary benchmark and the Russell 1000 Value Index as secondary benchmark to the Russell 1000 Value Index as primary benchmark and the Russell 1000 Index as secondary benchmark effective back to the inception date of the composite. Brandes Investment Partners believes that the new benchmarks are better representative of the strategy's investment process and are therefore more suitable measurements for performance.

(a) The Russell 1000 Value Index with gross dividends measures performance of the large cap segment of the U.S. equity universe. Securities are categorized as growth or value based on their relative book-to-price ratios, historical sales growth, and expected earnings growth. The benchmark returns are not covered by the report of independent verifiers.

(b) The Russell 1000 Index with gross dividends measures the performance of the large cap segment of the U.S. equity universe. The benchmark returns are not covered by the report of independent verifiers.

This material is intended for informational purposes only. The information provided in this material should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any security transactions, holdings, or sectors discussed were or will be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance discussed herein. Portfolio holdings and allocations are subject to change at any time. Strategies discussed herein are subject to change at any time by the investment manager in its discretion due to market conditions or opportunities. The Brandes investment approach tends to result in portfolios that are materially different than their benchmarks with regard to characteristics such as risk, volatility, diversification, and concentration. Market conditions may impact performance. It is not possible to invest directly in an index. Diversification does not assure a profit or protect against loss. The securities identified and described do not represent all of the securities purchased, sold, or recommended for advisory accounts. The viewer should not assume that an investment in the securities identified was or will be profitable. Stocks of small-sized and mid-sized companies tend to have limited liquidity and usually experience greater price volatility than stocks of larger companies.

International and emerging markets investing is subject to certain risks such as currency fluctuation and social and political changes, differences in financial reporting standards and less stringent regulation of securities markets which may result in greater share price volatility; such risks are increased when investing in emerging markets. Additional risks associated with emerging markets investing include smaller-sized markets, liquidity risks, and less established legal, political, social, and business systems to support securities markets. Some emerging markets countries may have fixed or managed currencies that are not free-floating against the U.S. dollar. Certain of these currencies have experienced, and may experience in the future, substantial fluctuations or a steady devaluation relative to the U.S. dollar. Frontier markets are less advanced capital markets from the developing world. They are countries with investable stock markets that are less established than those in emerging markets.

Past performance is not a guarantee of future results. The performance results presented were achieved in particular market conditions which may not be repeated. Moreover, the current market volatility and uncertain regulatory environment may have a negative impact on future performance.

The declaration and payment of shareholder dividends are solely at the discretion of the issuer and are subject to change at any time.

The foregoing reflects the thoughts and opinions of Brandes Investment Partners exclusively and is subject to change without notice.

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Textron Inc.		Bloomberg ORD – TXT/ ADR –		Costa (x3358)
PRICE: \$44.44	P/E: 9.1x	P/CF: 9.2x	P/B: 2.0x	Yield: 0.2%
Report Type: Basic - Initial		ICM: EM <input type="checkbox"/>	MC <input checked="" type="checkbox"/>	SC <input type="checkbox"/>
		INLC <input type="checkbox"/>	GLLC <input checked="" type="checkbox"/>	Date: 12/17/19

Company Information (12/17/19)

Country: United States
 Sub Industry: Aerospace & Defense
 Shares Outstanding: 228.3m
 Market Cap (local/US\$): \$10.1bn/

Balance Sheet (12/31/18)

Debt/Equity: 59 %
 Gross Interest Coverage: 11.3x x
 Capex/Cash Flow: 33 %
 ROE: 50 %

	<u>Current Price</u>	<u>52-week high</u>	<u>52-week low</u>
Ord (local):	44.44	58.00	42.30

ADR (\$):

ADR ratio

FX rate:

Free float: %

Defense

Industry Economics: The \$1.8 trillion global defense market is dominated by the U.S, which accounted for 34% of global military expenditures in 2018. China ranked #2 with a 13% global share following a 250% spending increase since 2009 (in real US\$). Western governments generally outsource the design and production of military equipment to private industry, and in some cases the ongoing maintenance and support requirements. Entry barriers for prime contracting are high as incumbents hold considerable scale advantages over new entrants. Furthermore, it can take decades to develop the relationships, the capabilities and the execution track record to secure a major defense program win. As such, there are only a handful of private sector “primes” in the world with the capability to design and manufacture highly complex and multi-year defense projects. On the other hand, this advantage is somewhat offset by a powerful customer base, although customers do not seem to be exercising this power to its full potential. Industry revenues are at the mercy of government defense budgets, usually dependent on the contractor’s country of domicile. Export opportunities can lessen this dependency and help to boost the margin.

The business jet industry is comprised of five manufacturers, with the top three controlling 75% of industry revenue. New business jet demand is highly discretionary, and thus cyclical, with two out of the last three demand cycles producing >40% peak to trough declines. Demand is particularly sensitive to changes in corporate profits and business confidence and to changes in the economic condition of high net worth individuals. The industry is mature, with North America and Europe account for 80% of industry demand (65% and 15%, respectively). Longer-term, the increased adoption in Emerging Markets should provide an opportunity to boost growth rates, albeit from a low base.

Company Description: Founded in 1923, Textron Inc. (TXT) is a U.S. based industrial conglomerate that employs 35,000 people across five operating segments and ten business units. Geographical sales mix is 62% U.S., 16% Europe, 9% Asia and Australia and 13% ROW. Its most important products include business jets (Cessna) and helicopters (Bell), which together account for 60% of revenue and 75% of consolidated EBIT; both businesses benefit from a large install base that drives significant recurring aftermarket revenue. TXT also operates a U.S. defense unit (Systems), an industrial unit (Industrials) and a very small captive finance arm that has shrunk considerably since the 2008 financial crisis. Systems products include unmanned aerial vehicles, armored vehicles and subsystems, precision guided weapons systems and training and support services. Industrial products include fuel systems used primarily in passenger vehicles, as well as specialty vehicles like professional turf, ATVs, snow mobiles, aviation ground support and golf carts (brands include Arctic Cat, E-Z-Go, Tug, Douglas, Premier, Cushman, among others).

Valuation Principles & Methodologies: Mid-cycle NOPAT, with the usual adjustments.

Ord (USD)	<u>Buy Limit</u>	<u>Sell Limit</u>	
		\$45.00	
	Valuation Basis	15.5x NOPAT	

<u>Prior Buy Limit</u>	<u>Prior Sell Limit</u>

Average cost (\$): per Local currency cost: per Ord equiv held: No Holdings
 Voting/Non-Voting: Voting Analyst(s) Direct Ownership? N

Textron Inc.		PRICE (USD) 44.44			MktCap (\$M) \$10,144			LTM P/E RATIO 12.1		LTM EPS 3.68			RELATIVE P/E RATIO --		DIV'D YIELD 0.2%																										
Primary Listing & Ticker: NYSE:TXT		High			20.7			24.6		28.5			28.5		28.9		37.3		46.9		49.0		57.2		72.3																
Industry: Aerospace and Defense		Low			3.8			16.1			14.9			14.9		18.6			24.8		37.0		31.1		31.1		45.4		44.2												
Subindustry: Aerospace and Defense		Country of Domicile: UNITED STATES																							REPORT DATE:		Price Return (USD, ann'lized)														
Country of Domicile: UNITED STATES		12/17/2019																							MTD		(3.85)		2.28		1mo		(5.52)		2.56		3mo		(14.97)		6.24
GROUP PERCENTILES & V/G DECILES																																									
Group Perc. (Higher =Cheaper)																																									
QUANTILES																																									
Region		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!													
Sector		0.00		0.00		0.00		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!													
Industry		#N/A		#N/A		#N/A		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!													
Deciles at: #REF! (Higher=Cheaper)		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!													
P/4yE		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!													
P/E		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!													
P/Bk		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!													
P/CF		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!													
EV/Sales		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!		#REF!													
Based on Latest Fin. Release		Per Share		P/		High		5 Year Low		10 Year Median		20 Year Median		Industry (as of): Jan-00			CURR. CAPITAL STRUCTURE				LONG TERM CREDIT RATING				5yr CDS Spread		DEBT SCHED:		Amt. Due (mil)												
LTM EPS - Stated		3.68		12.1x		53.0x		8.5x		15.0x		16.7x		18.3x			#DIV/O!			#NUM!			Total Debt 4,457				As of: S&P				Moody's		93		2019		--				
LTM EPS xExtra, R'struct		3.99		11.2x		54.0x		8.8x		16.6x		17.1x		17.1x			#DIV/O!			#NUM!			Current 618				Dec-19				BBB		0		101		2020		1,012		
Consensus FY1 EPS		3.73		11.9x		22.5x		11.9x		16.9x		16.8x		16.6x			--			--			Capital'd Lease Oblig. 310				Jun-19				BBB		0		91		2021		500		
Consensus FY2 EPS		3.78		11.8x		19.5x		11.1x		14.8x		13.9x		13.5x			--			--			Pfd Stock 0				Dec-18				BBB		0		82		2022		--		
3y Avg Oper EPS		2.94		15.1x		27.0x		14.9x		18.8x		19.3x		18.9x			#DIV/O!			#NUM!			MARKET CAP: 10,144				Dec-17				BBB		0		52		2023		--		
5y Avg Oper EPS		2.84		15.6x		28.1x		15.6x		20.9x		18.9x		17.9x			#DIV/O!			#NUM!			Cash & ST 931				Dec-16				BBB		0		85		2023+		2,600		
BVPS		23.88		1.9x		3.4x		1.7x		2.4x		2.3x		2.3x			#DIV/O!			#NUM!			Enterprise Value 13,670				Dec-14				--		0		Perp.		0				
TBVPS		14.50		3.1x		5.5x		3.1x		3.9x		4.3x		4.3x			#DIV/O!			#NUM!			Com. Shares (Mil): 228.26				DEBT INTEREST				PENSION										
TBV+ 3y R&D		14.50		3.1x		5.5x		3.1x		3.9x		4.3x		4.3x			#DIV/O!			#NUM!			Floated Shares (Mil): 227.27				LTM Interest				144		Pension Assets		7,122						
Cash Flow		2.69		16.5x		20.5x		7.9x		11.4x		10.2x		9.3x			#DIV/O!			#NUM!			30day Avg Vol. (Mil): 1.76				Interest Coverage				8.5x		Proj. Benefit Oblig.		7,901						
5y Avg FCF		2.35		18.9x		1462.1x		-322.1x		26.3x		21.6x		19.5x			#DIV/O!			#NUM!			Funded Status																		
EBITDA (EV/)		--		8.3x		13.6x		7.2x		9.8x		10.1x		10.9x			#DIV/O!			#NUM!			REPORTING FREQUENCY: QTR				FINANCIALS BELOW IN: USD				5yr Med.		10yr Med.								
Sales (EV/)		--		1.0x		1.5x		0.8x		1.1x		1.1x		1.2x			#DIV/O!			#NUM!			FISCAL YEAR-END: 12/29				LTM is Last Fully Reported				Y/Y Chg		Y/Y Chg								
LTM Divs PS (Yld)		0.08		0.2%		0.3%		0.1%		0.2%		0.5%			0.0%			#NUM!			#NUM!																				
PER SHARE		2002		2004		2005		2006		2007		2009		2010		2011		2012		2013		2015		2016		2016		2017		2018		LTM									
36.98		29.43		30.51		37.82		42.90		49.46		56.94		40.83		38.41		40.66		44.49		43.75		49.68		48.74		50.64		53.40		56.21		56.65		Sales per share		5.3%		4.6%	
-20.4%		3.7%		23.9%		-106.7%		15.3%		15.1%		-28.3%		-5.9%		5.9%		9.4%		-1.7%		13.6%		-1.9%		3.9%		5.4%		5.3%		--		Y/Y Growth		--					
1.71		1.25		1.56		2.32		2.74		3.49		3.44		0.31		0.72		1.03		2.14		1.79		2.52		2.55		2.65		2.43		2.99		3.30		Operating EPS		4.2%		13.7%	
1.35		1.11		1.37		1.96		2.72		3.47		3.41		0.61		0.69		0.94		2.07		1.88		2.58		2.52		3.57		1.65		5.19		3.99		EPS xExtra&R'struc		37.0%		24.2%	
-17.5%		22.8%		43.2%		-2.9%		27.6%		-1.7%		-82.0%		13.0%		35.4%		120.5%		-9.2%		37.0%		-2.2%		41.5%		-53.7%		213.5%		--		Y/Y Growth		--					
-0.45		0.95		1.33		0.76		2.36		3.67		1.97		-0.12		0.31		0.87		2.10		1.78		2.15		2.52		3.55		1.15		4.88		3.68		Stated EPS		20.4%		18.9%	
-313.3%		39.4%		-42.8%		-34.1%		55.8%		-46.2%		-106.0%		-365.8%		178.1%		141.2%		-15.2%		20.4%		17.3%		41.0%		-67.6%		323.8%		--		Y/Y Growth		--					
2.60		3.56		3.48		3.90		3.79		4.19		3.05		3.95		3.59		3.83		3.37		2.93		4.32		3.96		3.40		3.52		4.45		2.69		Cash Flow PS		3.6%		-2.4%	
1.05		0.96		0.92		1.37		1.64		1.51		2.21		0.93		0.99		1.53		1.75		1.60		1.54		1.53		1.64		1.59		1.48		1.49		Cap'l Spend PS		-2.9%		-1.8%	
0.90		1.79		2.07		1.82		1.20		2.06		0.85		2.85		2.59		2.29		1.65		1.30		2.82		2.44		1.77		1.96		3.13		1.24		FCF PS		10.7%		-10.3%	
0.00		0.00		0.00		0.00		0.00		2.30		1.87		2.22		1.69		1.87		1.89		4.12		3.16		2.38		2.80		2.45		FCF WkCap.Adj		-23.0%		-8.9%					
0.65		0.65		0.67		0.70		0.78		0.85		0.92		0.08		0.08		0.08		0.08		0.08		0.08		0.08		0.08		0.08		0.08		0.08		Dividends PS		0.0%		0.0%	
12.44		13.41		13.45		12.54		10.51		14.02		9.77		10.38		10.78		9.84		11.03		15.54		15.45		18.10		20.62		21.60		22.04		23.89		Book Value PS		4.7%		5.5%	
273.0		274.5		270.7		260.4		251.2		250.1		242.0		272.3		275.7		278.9		271.3		282.1		276.6		274.2		270.3		261.5		235.6		228.2		Com. Shs Out		-1.9%		-1.1%	
280.5		274.4		280.3		272.9		260.4		254.8		250.3		262.9		302.6		307.3		294.7		284.4		281.8		278.7		272.4		268.8		253.2		235.9		Dilut'd Avg Shs		-1.3%		-1.2%	
49.0		24.3		30.0		33.6		23.1		18.8		35.6		9.9		249.4		52.8		23.0		15.8		20.6		18.8		14.6		17.9		37.3		13.2		Avg P/E Ratio		23.1%		-15.5%	
--		--		--		--		--		--		--		--		--		--		--		--		--		--		--		--		--		--		Rel. P/E Ratio		--		--	
3.0%		3.3%		2.2%		1.9%		1.7%		1.5%		2.9%		2.0%		0.4%		0.4%		0.3%		0.3%		0.2%		0.2%		0.2%		0.2%		0.1%		0.2%		Avg Div'd Yield		-19.0%		-17.2%	

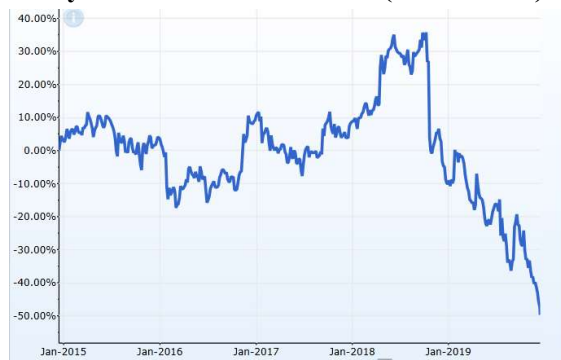
Textron Inc.		PRICE (USD)	44.44		MktCap (\$M)	\$10,144		LTM P/E RATIO	12.1		LTM EPS	3.68		RELATIVE P/E RATIO	--		DIV'D YIELD	0.2%				
		INCOME STATEMENT												5yr Med. Y/Y Chg	10yr Med. Y/Y Chg							
B	Texttron Inc. operates in the aircraft, defense, industrial, and finance businesses worldwide. The company's Textron Aviation segment manufactures and sells business jets, turboprop and piston engine aircraft, and military trainer and defense aircraft; and commercial parts, as well as provides maintenance, inspection, and repair services. Its Bell segment provides military and commercial helicopters, tiltrotor aircraft, and related spare parts and services. The company's Textron Systems segment offers unmanned, marine, and land systems; simulation, training, and other defense and aviation mission support products and systems; airborne and ground-based sensors and surveillance systems, and protection systems; precision guided weapons systems; armored vehicles, turrets, and related subsystems, as well as marine craft; test equipment and electronic warfare test, and training solutions; piston aircraft engines; and intelligence software solutions. This segment also designs, develops, manufactures, installs, and maintains full flight simulators; and offers logistics support services. Its Industrial segment offers blow-molded plastic fuel systems and fuel systems, including pressurized fuel tanks for hybrid applications, clear-vision systems, catalytic reduction systems, cast iron engine components, and other fuel system components primarily to automobile OEMs, as well as plastic bottles and containers for various uses; golf cars, off-road utility vehicles, recreational side-by-side and all-terrain vehicles, snowmobiles, light transportation vehicles, aviation ground support equipment, professional turf-maintenance equipment, and turf-care vehicles that are marketed to golf courses.	2009	2010	2011	2011	2012	2013	2013	2015	2016	2016	2017	2018	LTM	13,345	Sales		2.7%	1.5%			
		14,010	10,500	10,525	11,275	12,237	12,104	13,878	13,423	13,788	14,198	13,972	13,345	0	R&D Spending		--	--				
		0	0	0	0	0	0	0	0	0	0	0	0	0	1,644	EBITDA		1.5%	4.2%			
		1,680	670	809	943	1,367	1,214	1,575	1,562	1,586	1,484	1,585	1,644	0	Dep. & Amort.		-0.4%	0.0%				
		400	409	393	403	383	389	459	461	449	447	437	417	1,227	EBIT		3.3%	7.0%				
		1,280	261	416	540	984	825	1,116	1,101	1,137	1,037	1,037	1,148	862	Net Profit		20.5%	18.3%				
	486	-31	86	242	589	498	600	697	962	307	1,222	634										
D	and other defense and aviation mission support products and systems; airborne and ground-based sensors and surveillance systems, and protection systems; precision guided weapons systems; armored vehicles, turrets, and related subsystems, as well as marine craft; test equipment and electronic warfare test, and training solutions; piston aircraft engines; and intelligence software solutions.	CASH FLOW STATEMENT												Oper Cash Flow	1.2%	-0.9%						
		750	1,015	984	1,063	927	810	1,208	1,090	925	936	1,107	634	352	Capex		-3.4%	-2.7%				
		545	238	270	423	480	444	429	420	446	423	369	282	282	Free Cash Flow		7.1%	-9.2%				
		205	777	714	640	447	366	779	670	479	513	738	14	14	Dividends		-4.5%	-2.3%				
		284	21	22	22	17	22	28	22	22	21	20										
P	This segment also designs, develops, manufactures, installs, and maintains full flight simulators; and offers logistics support services. Its Industrial segment offers blow-molded plastic fuel systems and fuel systems, including pressurized fuel tanks for hybrid applications, clear-vision systems, catalytic reduction systems, cast iron engine components, and other fuel system components primarily to automobile OEMs, as well as plastic bottles and containers for various uses; golf cars, off-road utility vehicles, recreational side-by-side and all-terrain vehicles, snowmobiles, light transportation vehicles, aviation ground support equipment, professional turf-maintenance equipment, and turf-care vehicles that are marketed to golf courses.	BALANCE SHEET												Cash & ST Assets	-5.1%	-4.1%						
		531	1,748	898	871	1,378	1,163	731	946	1,137	1,079	987	931	8,093	Current Assets		3.2%	-5.4%				
		13,967	12,789	9,398	8,038	7,414	7,113	7,343	7,624	8,149	8,029	7,494	8,093	0	LT Investments		--	--				
		0	0	0	0	0	0	0	0	0	0	0	2,142	2,142	Net Goodwill		4.4%	0.7%				
		1,698	1,622	1,632	1,635	1,649	1,735	2,027	2,023	2,113	2,364	2,218	15,062	15,062	Total Assets		0.7%	-2.5%				
		0	0	0	0	0	0	0	0	0	0	0	0	618	Short-Term Debt		38.5%	19.3%				
R	Net% - unadj.	2015	2016	2016	2017	2018									3,766	Current Liabs		2.7%	1.5%			
		4.3%	5.2%	7.0%	2.2%	8.7%	17,665	16,114	12,310	10,870	10,042	8,560	10,333	9,744	9,784	9,693	9,072	9,610	Total Liabilities		-0.9%	-7.0%
		100.8%	91.6%	91.7%	92.5%	94.4%	2,364	2,826	2,972	2,745	2,991	4,384	4,272	4,964	5,574	5,647	5,192	5,452	Com. Equity		1.3%	7.1%
		4.4%	4.8%	6.4%	2.0%	8.3%	666	1,204	1,340	1,110	1,342	2,649	2,245	2,941	3,461	3,283	2,974	3,310	Tang Bk Value		-5.1%	14.5%
		3.4x	3.0x	2.8x	2.7x	2.7x																
O	ROE - unadj.	2015	2016	2016	2017	2018	MARGINS	2010	2011	2011	2012	2013	2015	2016	2016	2017	2018	LTM	5yr Med.	10yr Med.		
		14.9%	14.1%	17.6%	5.4%	22.7%	20.5%	15.2%	15.6%	15.4%	17.6%	15.9%	17.8%	17.9%	17.5%	16.5%	16.8%	16.8%	16.8%	17.5%	16.8%	
		(MILL)	2015	2016	2016	2017	2018	12.0%	6.4%	7.7%	8.4%	11.2%	10.0%	11.3%	11.6%	11.5%	10.5%	11.3%	12.3%	EBITDA Margin	11.3%	11.2%
		731	946	1,137	1,079	987	9.1%	2.5%	4.0%	4.8%	8.0%	6.8%	8.0%	8.2%	8.2%	7.3%	8.2%	9.2%	9.2%	EBIT Margin	8.2%	8.0%
		1,035	1,047	1,064	1,363	1,485	3.5%	-0.3%	0.8%	2.1%	4.8%	4.1%	4.3%	5.2%	7.0%	2.2%	8.7%	6.5%	6.5%	Net Profit Margin	5.2%	4.1%
E	Cash & ST	RATIOS																				
		7,343	7,624	8,149	7,494	7,494	1.93	2.67	3.53	2.74	2.11	2.37	2.02	2.01	2.09	2.19	2.04	2.15	Current Ratio	2.04	2.11	
		1,649	1,487	1,484	1,437	1,204	68.0%	80.3%	55.7%	38.9%	25.0%	24.4%	21.5%	23.5%	23.3%	23.3%	30.1%	30.1%	WkCap/Sales	23.3%	25.0%	
		8	262	363	14	425	81%	77%	68%	62%	57%	42%	48%	42%	40%	41%	42%	45%	Debt/Total Cap.	42.1%	47.6%	
		2,616	2,467	2,257	2,441	2,149	42.7%	34.2%	21.1%	16.2%	13.4%	7.3%	9.1%	7.3%	6.6%	6.9%	7.3%	8.2%	Debt/Equity	72.7%	90.7%	
		3,638	3,792	3,893	3,660	3,673	-1.4x	-2.0x	-1.8x	-1.8x	-2.7x	-7.1x	-3.8x	-1.8x	-0.0x	-9.0x	-7.1x	-6.7x	MktCap/Net-Net	-7.1x	-3.8x	
C	Cal-endar	SALES (mill.)																				
		Mar. Per	Jun. Per	Sep. Per	Dec. Per	Full Year	5.70	11.82	6.66	3.78	1.91	1.67	2.00	1.71	1.60	1.91	1.76	2.14	2.14	NetDebt/EBITDA	1.76	1.91
		4,096	3,073	3,247	3,180	13,596	48.5%	--	--	28.2%	30.9%	26.1%	29.1%	28.1%	3.8%	59.8%	11.7%	14.7%	14.7%	Income Tax Rate	28.1%	28.2%
		3,923	3,201	3,511	7,076	17,711	8.4%	1.5%	2.7%	4.7%	10.0%	8.1%	10.2%	9.5%	9.2%	7.9%	8.9%	9.3%	9.3%	RO TangCap xR' Struct	9.2%	8.4%
		-	3,093	7,088	4,017	14,198	34.5%	7.9%	6.4%	9.1%	20.5%	14.3%	16.5%	15.1%	20.6%	7.8%	23.9%	17.6%	17.6%	ROE xR' Struct	16.5%	15.1%
		3,296	3,726	3,200	3,750	13,972	303.9%	22.0%	14.5%	21.3%	48.0%	26.4%	29.2%	26.9%	33.9%	13.0%	41.4%	29.8%	29.8%	ROETangEq xR' Struct	29.2%	26.9%
U	Cal-endar	PIOTOSKI SCORES																				
		Mar. Per	Jun. Per	Sep. Per	Dec. Per	Full Year	5.0	3.5	8.0	7.0	7.0	6.5	6.5	6.0	5.5	5.5	5.5	4.5	4.5	TOTAL (9=max)	5.5	6.0
		0.76	0.46	0.61	0.64	2.47	3.0	2.0	4.0	4.0	3.0	4.0	3.5	3.0	3.0	3.0	3.0	2.5	2.5	Profit. (4=max)	3.0	3.0
		0.81	0.56	0.66	1.89	3.92	1.5	1.5	2.5	1.5	1.0	2.5	1.0	1.5	1.5	1.5	1.5	1.0	1.0	Financ. (3=max)	1.5	1.5
		-	0.37	1.17	(0.40)	1.14	0.5	0.0	1.5	1.5	2.0	1.0	1.5	1.0	1.0	1.0	1.0	1.0	1.0	Oper. (2=max)	1.0	1.0
		0.73	0.88	2.29	1.01	4.91																
R	Cal-endar	DIVIDENDS PAID																				
		Mar. Per	Jun. Per	Sep. Per	Dec. Per	Full Year	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.08
		0.02	0.02	0.02	0.02	0.08																
		0.81	0.56	0.66	1.89	3.92																
		-	0.37	1.17	(0.40)	1.14																
		0.73	0.88	2.29	1.01	4.91																
M	Cal-endar	DIVIDENDS PAID																				
		Mar. Per	Jun. Per	Sep. Per	Dec. Per	Full Year	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.08	
		0.02	0.02	0.02	0.02	0.08																
		0.81	0.56	0.66	1.89	3.92																
		-	0.37	1.17	(0.40)	1.14																
		0.73	0.88	2.29	1.01	4.91																
D	Cal-endar	DIVIDENDS PAID																				
		Mar. Per	Jun. Per	Sep. Per	Dec. Per	Full Year	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.08	
		0.02	0.02	0.02	0.02	0.08																
		0.81	0.56	0.66	1.89	3.92																
		-	0.37	1.17	(0.40)	1.14																
		0.73	0.88	2.29	1.01	4.91																
A	Cal-endar	DIVIDENDS PAID																				
		Mar. Per	Jun. Per	Sep. Per	Dec. Per	Full Year	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.08	
		0.02	0.02	0.02	0.02	0.08																

Analyst Recommendation

We recommend a \$45.00/share intrinsic value for Textron (TXT).

Brief Summary: TXT sells highly discretionary big-ticket items such as business jets, helicopters and specialty vehicles. With rising concerns around the strength and duration of the current economic cycle, it is not a surprise to see forward multiples compressing. The stock is off 40% from its May18 high.

5yr Relative Performance (vs S&P 500)

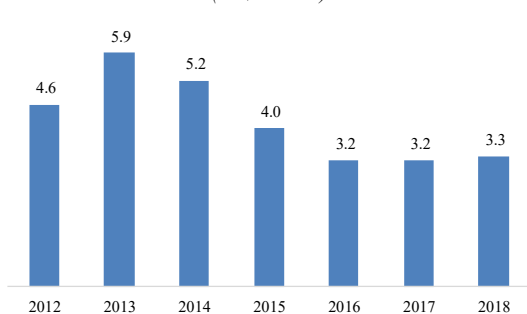


Forward P/E Ratio

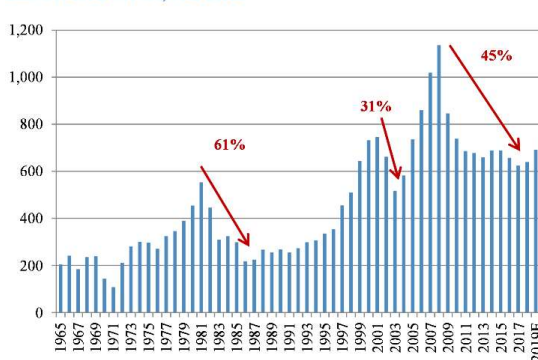


Unlike most U.S. industrials, TXT does not seem to be generating peak cycle fundamentals. In fact, its two main operating divisions, which explain 60% of revenue and 75% of EBIT, have been working through severe OE demand downturns. Civil helicopter demand is in the 5th year of a sharp down cycle, as a result of the low oil price, while business jet demand has been depressed for a decade as the industry continues to work off its pre-crisis excesses. While a recession would likely pressure ST fundamentals, it is somewhat comforting that TXT's current fundamentals are at least below the mid-cycle equilibrium.

Civil Helicopter Industry - By Value
(US\$ billions)

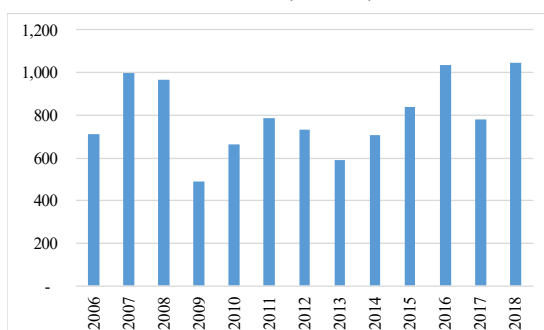


Business Jet Deliveries, 1965-2020E

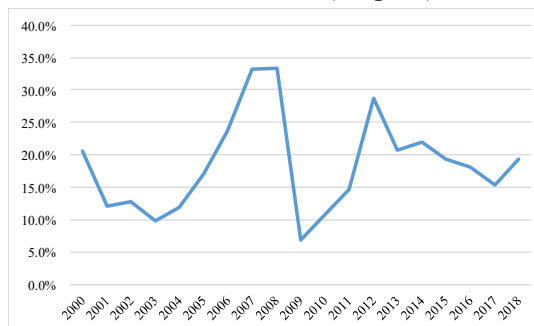


Despite weak OE volumes, TXT has been able to generate strong FCF, driven by its large install base that kicks off highly profitable recurring aftermarket revenue. The company also sells 30% of its revenue to the U.S. military. LT ROICs look attractive despite large losses taken in 08-12 at its lending operation, which peaked at \$9.4B of assets in 2008; TXT has been actively shrinking this business (currently at \$0.9B) so the next cycle experience should be less severe; in 2009 the stock fell <\$10 and the company raised capital.

TXT – FCFe (bf WC), US\$m



TXT – ROIC (tangible)



Valuation Discussion

We value using a normal NOPAT approach, with the usual below the line adjustments. Below is a summary for reference; our more detailed model can be found in the appendix. It may also be helpful to review the key industry factors section before reading the valuation discussion.

<u>US\$ mns</u>	<u>Revenue</u>	<u>Margin</u>	<u>EBIT</u>
Aviation (Cessna)	5,805	8.5%	493
Bell Helicopter	3,085	11.5%	355
Textron Systems	1,464	10.0%	146
Industrial	3,437	6.0%	206
Corporate	-	(1.0%)	(138)
Mid-Cycle	13,791	7.7%	1,063
		Adjustments	22
		Adj. EBIT	1,085
		Taxes	22%
		NOPAT	846
		Multiple	15.5x
		EV	13,117
		Net Debt	(2,429)
		Pension	(608)
		Finance div.	191
		Other	-
		IV	10,272
		IV/share	\$45.00

Aviation (Cessna) (39% of 2018 EBIT): TXT manufactures business jets under the Cessna brand. On volumes, the company ranks #1 with 33% global market share. It also manufactures turboprops serving the commercial and defense markets. Business jets account for roughly 75% of OE sales.

Cessna targets the light and medium sized business jet market, which is suffering through a severe decade long OE down cycle as the industry continues to work off the pre-financial crisis excesses. However, its large install base generates sizable and highly profitable recurring aftermarket revenue that has helped soften the impact (30% of divisional sales). According to TXT, its active install base of jets and turboprops is just under 20,000 aircraft, which compares favorably to its next largest competitor at 5,000. The company services this fleet through its global network of 18 company owned service centers and 350 authorized independent service centers.

Aviation Segment Snapshot

US\$ Billions	2014A	2015A	2016A	2017A	2018A	3Q19
OE	3.2	3.4	3.4	3.1	3.4	
Aftermarket	1.4	1.4	1.5	1.6	1.5	
Revenues	4.6	4.8	4.9	4.7	5.0	
EBIT margin	6.5%	8.3%	7.9%	6.5%	9.0%	
Order backlog	1.4	1.1	1.0	1.2	1.8	1.9

Mid-Cycle Estimates (Aviation):

Aviation Revenue: using FY18 as a base, we recover OE revenues by 22.5% to incorporate an industry volume recovery on flat market share and taking into account two years of price inflation. Management believes its freshly designed product lineup will allow it to expand its midsize jets share; Embraer's newly designed Praetor aircraft is the only other modernized jet in the category.

Aviation Division Mid-Cycle Walk

excludes very light jets (VLJs)

	FY18	FY19E	Mid-Cycle
Industry Deliveries (units)	578	644	730
<i>Volume recovery (from '18)</i>			26%
<i>Annual Price Inflator</i>			2%
OE Cycle Adj. (from '18)			30%
TXT est. Bizjet as % of OE			75%
TXT OE Adj. (from '18)			+22.5%

<u>Mid-Cycle Industry Deliveries</u>		<u>Notes</u>
Industry fleet size (units)	22,000	At 2018
Annual fleet growth (%)	1.5%	10-yr CAGR = 2.5%
Annual fleet growth (units)	330	
Replacement demand (units)	400	Aging fleet (4,100 units > 30yrs)
Industry mid-cycle (units)	730	

Aviation Margin: We model at 8.5% to account for the detrimental mix impact from higher OE sales. This is also in line with the division's 20-year average. If there is a sustained industry recovery, margins should benefit from a stronger OE pricing environment so we could be conservative. Moreover, management is targeting a long-term operating margin of at least 10.0%, and is indicating that higher OE volumes will drive 20% incremental margins (running with excess capacity). For those that want to be more conservative on the mid-cycle OE volume, a 9-10% margin is likely more appropriate given the positive mix impact of a higher services share.

Sensitivities: Given late stage business cycle risk, as well as possible questions some may have around the industry's mean reverting properties, here are a few downside sensitivities to consider:

- **Scenario 1:** no OE recovery on a 9.0% margin (flat): **IV falls by \$1.50/share**
- **Scenario 2:** a -25% structural OE decline on a 10% margin (positive mix benefit): **IV falls by \$2.75/share** with an additional restructuring need.
- **Scenario 3:** a -50% cyclical EBIT decline next year and five years to return to the FY18 EBIT in nominal terms, discounted at the 8.5% WACC: **IV falls by \$6.00/share**

Aviation Comps

EBIT Margins	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Gulfstream (aero div)	16.8%	18.5%	13.7%	16.2%	12.2%	12.4%	17.4%	18.6%	19.3%	20.0%	19.4%	17.6%
Bombardier (aero div)	5.8%	9.0%	5.1%	6.3%	5.8%	4.5%	4.1%	-	-	-	-	-
Bombardier (bizjet)	-	-	-	-	-	-	-	6.9%	4.4%	6.4%	8.4%	8.4%
Embraer (div)*	(2.0%)	7.0%	1.4%	6.6%	4.9%	3.1%	5.9%	3.9%	3.4%	2.3%	(4.1%)	(4.0%)
TXT Aviation	17.3%	16.0%	4.5%	-1.1%	2.0%	2.6%	-0.7%	6.5%	8.3%	7.9%	6.5%	9.0%

* ERJ restated divisions in FY18 and now reports services separately (margins = 10.4%, 11.4% and 12.6% in FY16-18)

Bell Helicopter (37% of 2018 EBIT): Bell is one of five major helicopter OEMs in the world. Military sales account for roughly 2/3 of segment revenue where it sells mostly to the U.S. DoD. Keep in mind that civil includes police, safety and coast guard so exposure to government budgets is higher than it might first appear. Non-governmental customers include offshore oil & gas, medical, leisure and VIPs.

Aftermarket parts and service represent 40% of divisional sales, supported by an active install base of roughly 3,000 defense aircraft and 10,000 commercial aircraft that generates a profitable recurring aftermarket revenue stream. The company services its active fleet through a global network of 6 owned service centers, four parts distribution centers and over 100 authorized independent service centers in 35 countries. This recurring revenue stream generates high margins and helps mute OE cycles.

Brandes Investment Partners L.P.

The civil OE market is recovering from a severe downturn. To put the severity into perspective, industry OE sales peaked at \$6B in 2013. By 2017, sales were down >40% driven entirely by the near 75% decline in offshore O&G, which peaked at \$2.5B in 2013. Bell did a bit better than that, with OE sales down 36%.

Bell Segment Snapshot

US\$ Billions	2013A	2014A	2015A	2016A	2017A	2018A	3Q19
<i>Military</i>	2.7	2.6	2.0	2.1	2.1	2.0	
<i>Commercial</i>	1.7	1.6	1.4	1.2	1.2	1.2	
Revenues	4.5	4.3	3.5	3.2	3.3	3.2	
EBIT margin	15.0%	12.5%	11.6%	11.9%	12.5%	13.4%	
Order backlog	6.5	5.5	5.2	5.4	4.6	5.8	5.6

Mid-Cycle Estimates (Bell Helicopter):

Bell Defense Revenues: We shrink 7.5% to incorporate lower OE volumes on its two main defense projects, the V-22 Osprey (OE sales est. \$750m/yr) and the H-1 modernization program (OE sales est. \$450m/yr). This could be conservative for three reasons. First, as OE programs mature the service and maintenance needs of the installed fleet tends to expand, offsetting the OE pressures somewhat. Second, there is a large international OE opportunity for both programs, which could replenish a portion of the lost domestic volumes. Third, while U.S. deliveries on its two core programs are expected to wind down by the middle of next decade, the U.S. military is already looking to bolster its next generation vertical lift capabilities; TXT is well positioned to win at least one of two major DoD vertical lift modernization programs scheduled for production in 2028 and 2030. These could be game changers for the company. On the other hand, the finite nature of defense contracts is a key business risk that needs to be considered, especially for companies with high program concentration like Bell.

Sensitivities: if TXT is unable to secure new programs and if the international opportunity on existing programs is not realized, the IV falls by roughly \$3.50/share (assumes OE sales zero out by mid-decade). On the other hand, a sell-side bull estimates that the upcoming contract for the Blackhawk replacement could be worth up to \$20/share of value for TXT (one of two teams competing) and the upcoming Apache replacement could be worth up to \$8/share of value for TXT (one of five teams competing). While it is difficult to assess probabilities or values this early in the bidding process, it is worth considering that the expected value of the upcoming programs could be worth more than the embedded value we are assigning to Bell's defense business (roughly \$10/share).

Bell OE Military Revenue (Sell-Side Estimates)

	2018A	2019E	2020E	2021E	2022E	2023E
Military OE (BofA)	1,326	1,217	1,194	1,171	1,150	1,130
Military OE (Jefferies)	1,236	1,141	1,067	1,067	1,067	1,067

Bell Civil Revenues: We grow civil revenues by 5% to reflect two years of nominal inflation and just a slight uptick in volumes. Given the magnitude of the industry decline, this may seem too conservative. However, the recovery could be years away owing to a very young helicopter fleet and the long-cycle nature of O&G capex, so we prefer to value the LT recovery potential in the multiple. There is also the cyclical risk from non-O&G civil customers to consider.

Over the next decade, competitor AugustaWestland expects civil to grow at a 4-5% annualized rate, driven by modest growth in developed markets and high growth in EM. While the long-term opportunity is attractive, we are a bit less optimistic in the medium term. Honeywell recently dropped its 10-yr civil growth estimate by 2pp, to 3-4%, to account for softening demand across the developing world, although this may be due to the change in the oil price. Either way, we prefer to account for the long-term growth potential in the multiple (we think 3-4% LT growth is reasonable).

Bell Margins: We reduce Bell’s margin to 11.5% to capture the negative headwinds from lower V-22 volumes as the company transitions from batch 2 (20 units/yr) to batch 3 (12 units/yr). The company is guiding for a medium term margin in the 10-12% range.

Helicopter Comps

EBIT Margins	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sikorsky*	8.9%	9.7%	10.7%	11.4%	-	-	-	-	-	-	-
Airbus Helicopter	6.5%	5.8%	3.8%	n/a	5.4%	6.3%	6.3%	6.3%	4.6%	3.9%	6.2%
AugustaWestland	11.6%	10.7%	11.3%	10.7%	11.1%	13.5%	12.4%	12.5%	11.8%	8.2%	9.4%
Bell Helicopter	9.8%	10.7%	13.2%	14.8%	15.0%	12.7%	12.5%	11.6%	11.9%	12.5%	13.4%

* Lockheed acquired Sikorsky from United Technologies and combined with one of its divisions, so no clean #s available

Textron Systems (14% of 2018 EBIT): Textron Systems is a Tier 1 Defense Prime that sells to the U.S. DoD and to a lesser extent foreign governments through the U.S. sponsored foreign military sales program. Products include unmanned aerial vehicles, armored vehicles and subsystems (i.e. turrets), advanced precision guided weapons systems, ground and air sensors and surveillance systems. The company also provides simulation and training systems, like flight simulation equipment, pilot training, live combat training, test equipment, among others.

Textron Systems Segment Snapshot

US\$ Billions	2014A	2015A	2016A	2017A	2018A	3Q19
<i>UAVs</i>	0.8	0.7	0.8	0.7	0.6	
<i>Marine/Land Systems</i>	0.2	0.2	0.3	0.5	0.3	
<i>Simulation, training, weapons</i>	0.7	0.6	0.7	0.7	0.5	
Revenues	1.6	1.5	1.8	1.8	1.5	
EBIT margin	9.2%	8.5%	10.6%	7.6%	10.7%	
Order backlog	2.8	2.3	1.8	1.4	1.5	1.4

Mid-Cycle Estimates (Textron Systems):

- **Revenue:** We keep revenue flat, as the primary drivers of the recent sales pressures are now behind it. These include the termination of a UAV program, an international armored vehicle contract and a Sensors program. Looking forward, the stage is set to begin growing revenues again as recent development wins move to the production phase. The company also has a number of small opportunities in the pipeline across all three of its product categories (UAV, munitions and vehicles).
- **Margins:** we model at 10%, which is consistent with its LT history and with the company’s LT margin expectation of 10%.

Textron Systems Comps

EBIT Margins	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
BAE (P&S div)	8.8%	9.0%	9.4%	9.1%	8.8%	5.8%	4.0%	6.2%	7.2%	7.9%	6.5%
GD (combat div)	13.6%	13.1%	14.4%	14.5%	8.0%	15.6%	15.0%	15.7%	15.0%	15.8%	15.4%
OskKosh (def div)	14.0%	15.5%	18.4%	12.4%	6.0%	7.4%	4.4%	1.0%	9.1%	11.4%	12.2%
AeroVironment	13.2%	13.1%	12.0%	11.6%	1.6%	6.3%	0.9%	8.9%	9.5%	11.7%	12.2%
TXT Systems	13.4%	12.6%	11.6%	10.7%	7.6%	8.8%	9.2%	8.5%	10.6%	7.6%	10.7%

Industrial (19% of 2018 EBIT): The Industrial division serves a number of disparate end markets. Its largest business is a German based manufacturer of blow molded plastic fuel tanks and fuel system components sold to passenger vehicle OEMs. It also manufactures and services specialty vehicles including golf carts, professional turf equipment, ATVs, snowmobiles, aviation ground support equipment, among others. In 2018, TXT sold its Power Tools and Test & Measurement business to Emerson for \$800m, and announced its intention to dispose or spin-off its auto business (could fetch \$1.2-1.3B).

Industrial Segment Snapshot

US\$ Billions	2014A	2015A	2016A	2017A	2018A
<i>Fuel Systems (auto)</i>	2.0	2.1	2.3	2.3	2.4
<i>Golf, turf, light transport</i>	0.9	1.0	1.1	1.5	1.7
<i>Power tools & test meas.</i>	0.5	0.4	0.4	0.5	0.3
Revenues	3.3	3.5	3.8	4.3	4.3
EBIT margin	8.4%	8.5%	8.7%	6.8%	5.1%
Order backlog	n/a	n/a	n/a	n/a	n/a

Mid-Cycle Estimates (Industrial):

- **Revenue:** we apply -15% cycle adjustments to account for the high cyclicality of end markets, which seem to be near peak levels. Autos, leisure and commercial aerospace.
- **Margins:** we model at 6.0%. This may look conservative against its LT history but it's worth noting that the sale of its Power Tool business was dilutive to the segment margin. In 2018, costs were elevated due to the restructuring and integration requirements at Arctic Cat, which TXT acquired in FY17.

Industry Comps (Industrial)

EBIT Margins	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Auto Suppliers											
Valeo	2.2%	1.5%	6.3%	6.2%	6.0%	6.4%	6.7%	7.2%	7.7%	7.7%	6.2%
Compagnie Plastic	2.5%	4.2%	6.8%	6.9%	6.8%	7.7%	8.3%	8.5%	9.0%	8.8%	7.7%
Magna	2.6%	(2.3%)	4.7%	4.3%	4.9%	5.4%	7.2%	7.2%	7.3%	7.8%	6.9%
Tenneco	2.6%	2.9%	5.2%	5.7%	6.1%	6.3%	6.5%	7.0%	6.3%	5.3%	5.7%
Specialty Vehicles											
Polaris*	9.3%	10.4%	11.3%	13.1%	14.7%	15.1%	15.7%	15.0%	7.6%	8.1%	8.0%
Toro Inc.	10.6%	7.6%	8.9%	9.8%	10.5%	11.3%	12.1%	12.5%	14.0%	14.2%	14.2%
Arctic Cat	(1.4%)	(2.3%)	0.3%	3.9%	7.8%	9.0%	8.3%	0.9%	(2.5%)	(16.5%)	-
TXT Industrial	2.3%	1.3%	6.4%	7.3%	7.4%	8.0%	8.4%	8.5%	8.7%	6.8%	5.1%

* In 2016, acquired an auto part distributor and in 2018 acquired a manufacturer of recreational boats.

EBIT Adjustments: We take a 0.5% charge to incorporate recurring restructuring needs. This amounts to an annual restructuring charge of \$68m compared to the 10yr average of \$71m (very tough decade). This is more than offset by an addback of non-economic purchase accounting amortization (0.5% of sales) and non-service pension expense (0.2% of sales). We value its pension underfunding below the line.

Tax Rate: We apply 22%, slightly above the U.S. statutory rate.

Multiple: We settle on a 15.5x EV/NOPAT multiple but see 15-16x as a reasonable range. If the company sells its auto parts business, we would expect our NOPAT multiple to rise to 16x.

		Growth	Multiple	Ke	WACC	Multiple
Ke	10.0%	2.0%	13.9x	11.0%	9.2%	13.7x
Kd	5.0%	2.5%	14.6x	10.5%	8.9%	14.5x
D/TC	25.0%	3.0%	15.5x	10.0%	8.5%	15.5x
Tax	<u>22.0%</u>	3.5%	16.6x	9.5%	8.1%	16.7x
WACC	8.5%	4.0%	17.9x	9.0%	7.7%	18.0x
ROIC	20.0%	4.5%	19.5x	8.5%	7.4%	19.5x

Adjustments: We deduct \$2.85B from Enterprise Value

- **Net Debt: Less \$2.4B.** We adjust the 3Q net debt figure to reflect WC seasonality, using the weighted average trailing four quarters. For reference, 3Q net debt stood at \$2.55B.
- **Captive Finance Division: add \$191m.** We value at 1x book.
- **Pension, tax adj: deduct \$608m.** At FY18, the pension was 90% funded on a \$7.9B liability and the company has been contributing \$50m per year to the plan. Discount rate is 4.15%

Valuation Summary

	<u>EPS</u>	<u>Implied at market</u>	<u>Implied at BIP IV</u>
BIP Implied	\$3.18	14.0x	14.1x
<u>Consensus</u>			
FY19E	\$3.73	11.9x	12.0x
FY20E	\$3.78	11.8x	11.9x
FY21E	\$4.16	10.7x	10.8x

Investment Positives

- **Diversified Revenue:** Revenue is diversified across several commercial end markets, defense verticals and aftermarket services.
- **Strong Market Positions:** The company holds leading market positions across most of its portfolio.
- **Install Base:** a large install base of long-lived equipment drives profitable recurring aftermarket sales.
- **FCF generative:** positive free cash flow every year going back to 1991 (as far as we have the data).
- **Attractive Returns:** through the cycle tangible ROIC exceeds 20%
- **Smaller Finance Division:** After taking heavy losses in 08-12, the finance division is shadow of its former self. This should significantly reduce business risk in the next economic/credit cycle.

Investment Negatives

- **Cyclical Demand:** Sells high ticket and discretionary products
- **Economic Cycle:** While end markets are depressed, the economic cycle is getting long in the tooth.
- **Project concentration:** Military OE sales are concentrated to a few large programs
- **Aircraft Development Risk:** subject to large cost overruns and regulatory risks - see Bombardier C-series and Boeing 737 Max.
- **Capital Allocation Risk:** The company has been acquisitive for most of its history and future acquisitions could be value destructive.

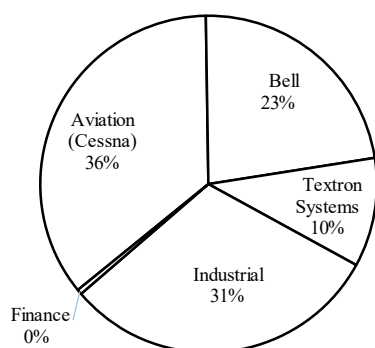
Description of the Business

Founded in 1923, Textron Inc. (TXT) is a U.S. based industrial conglomerate that employs 35,000 people across five operating segments and ten business units. Geographical sales mix is 62% U.S., 16% Europe, 9% Asia and Australia and 13% ROW. Its most important products include business jets (Cessna) and helicopters (Bell) that together account for 60% of revenue and 75% of consolidated EBIT; both businesses benefit from a large install base that drives significant recurring aftermarket revenue. TXT also operates a U.S. defense unit (Systems), an industrial unit (Industrials) and a very small captive finance arm that has shrunk considerably since the 2008 financial crisis. Systems products include unmanned aerial vehicles, armored vehicles and subsystems, precision guided weapons systems and training and support services. Industrial products include fuel systems used primarily in passenger vehicles, professional turf equipment, ATVs, snow mobiles, aviation ground support vehicles and golf carts (brands include Arctic Cat, E-Z-Go, Tug, Douglas, Premier, Cushman, among others).

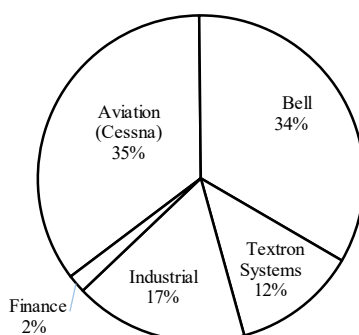
Textron Snapshot

US\$ Billions	2014A	2015A	2016A	2017A	2018A	3Q19
Revenues	13.9	13.4	13.8	14.2	14.0	
EBIT margin	8.0%	8.2%	8.2%	7.3%	8.2%	
FCFe (bf WC)	0.7	0.8	1.0	0.8	1.0	
Order backlog	9.7	8.6	8.2	7.2	9.1	8.8

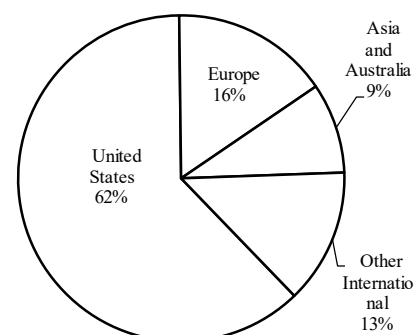
Revenue by Segment



EBITA by Segment



Revenue by Region



Aviation (36% of consolidated sales): TXT manufactures and services business jets under the Cessna brand. On volumes, the company ranks #1 with 33% global market share. TXT also services the Beechcraft and Hawker install base following its 2014 acquisition of Beechcraft (\$1.4B); for the most part, these brands are no longer in production. It also manufactures and services turboprops serving the commercial and defense markets.

Cessna targets the light and medium size business jet market, which is suffering through a decade long OE down cycle as the industry continues to work off the pre-financial crisis excesses (measured by the % of active fleet for sale). However, its large install base kicks of a significant and highly profitable recurring aftermarket revenue stream that has helped to soften the blow. According to TXT, its active in fleet install base is just under 20,000 aircraft (jets and turboprops), which compares favorably to its next largest competitor at 5,000. The company services its active fleet through its global network of 18 company owned service centers and 350 authorized independent service centers.

Aviation Product Lineup: Business jets account for approximately 75% of divisional OE revenue. Turboprop aircraft, piston engines aircraft, and a niche defense platform explain the remainder.

- **Very Light Jets (VLJ):** With the 2017 retirement of the Citation Mustang, TXT no longer has a VLJ in its lineup. VLJs are entry level, single pilot aircraft with a \$2m price tag, a 1,000 nm range and a 4-6 passenger capacity.
- **Light Jets:** Four aircraft in production - the Citation M2 (in service in 2013) with a \$4m list price, two derivatives of the Citation CJ series (2003 and 2010) with a \$7-8m list price, and the Citation XLS (2004) with a \$13m list price.
- **Medium Jets:** Three aircraft in production - the Citation Longitude, a clean sheet design that will enter service in 4Q 2019 with a \$27m list price, the Latitude (2015) with a \$16m list price (90% of Cessna's 2018 medium jet volumes), and the Sovereign (2004) with an \$18m list price.
- **Turboprops:** Two platforms in production – King Air, a business turboprop that can seat 11 passengers; Grand Caravan, a commercial turboprop used for cargo (3,500lbs) or passengers (10-14). Two cargo aircraft in development – Sky Courier, maximum payload of 6,000 pounds and a range of 900 nautical miles (Fedex is launch customer with 100 orders at 12/yr; 2020E at \$5.5m each); and the Denali with a 1,600 nautical mile range (2020E).
- **Pistons:** Several aircraft in production that serve the small personal aircraft market.
- **Defense:** One aircraft in production – T-6 trainer. Two aircraft in development - the AT-6 light attack military aircraft and the Scorpion multi-mission tactical aircraft.

Business Jet Deliveries

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019E
Very Light Jet (Cessna)	45	99	126	74	43	39	19	8	8	10	7	-	-
Very Light Jet (Industry)	143	260	224	174	85	68	55	36	28	49	93	132	172
Market Share	31%	38%	56%	43%	51%	57%	35%	22%	29%	20%	8%	-	-
Light Jet (Cessna)*	276	286	134	92	118	121	99	119	124	115	110	125	130
Light Jet (Industry)*	449	434	205	168	215	211	187	226	226	205	179	189	197
Market Share*	61%	66%	65%	55%	55%	57%	53%	53%	55%	56%	61%	66%	66%
Medium Jet (Cessna)	66	74	35	15	20	22	13	28	34	53	63	63	74
Medium Jet (Industry)	402	460	305	248	230	222	216	235	251	250	244	225	242
Share	16%	16%	11%	6%	9%	10%	6%	12%	14%	21%	26%	28%	31%
Large Jets (Cessna)	-	-	-	-	-	-	-	-	-	-	-	-	-
Large Jets (Industry)	152	172	168	191	162	189	232	238	206	164	168	164	205

* excludes very light jets (VLJ)

Bell Helicopter (23% of consolidated sales): Bell is one of five major helicopter manufacturers in the world. The defense market accounts for roughly 2/3 of segment revenue where it mostly sells to the U.S. DoD. In addition to its strong product portfolio, the company also benefits from a large active install base of roughly 3,000 defense aircraft and 10,000 commercial aircraft that kick off a large and profitable recurring aftermarket revenue stream (approximately 40% of division sales). The company services its active fleet through its global network of 6 company owned service centers, four parts distribution centers and over 100 authorized independent service centers located in 35 countries.

Bell Helicopter Programs/Products:

- **V-22 Program (Defense):** The V-22 is a hybrid aircraft that can operate as a traditional fixed wing aircraft while also providing helicopter like capabilities through the rotation or tilting of its rotors (turboprops). This feature allows the military to haul troops and supplies to remote areas without the requirement of a landing strip, while maintaining the benefits of a traditional fixed wing platform (capacity, speed and range). In 2018, Bell/Boeing was awarded its third multi-year contract for the production of an additional 63 units, in addition to the supplies and services, through 2024. The company also sells to Japan through the U.S. foreign military sales program. We estimate that the V-22 program accounts for roughly 50% of segment defense revenue.
- **H1 Helicopter (Defense):** The successors to Bell’s Huey helicopter program that was made famous in the Vietnam war, the H1 helicopter program includes a utility model called the Super Huey and an advanced attack model called the Viper (the next generation of the Super Cobra); these products have 84% parts commonality. The U.S. marines are the primary customer but the company also sells to overseas customers under the U.S. foreign military sales program.
- **Commercial Products:** Bell Helicopter is a leading global player with a broad product offering that serves the diverse needs of the industry, ranging from offshore O&G, police, fire, medical, search and rescue and high net worth individuals. While technically in the commercial category, government customers represent a large percentage of non-O&G demand.

V-22 Osprey

Viper Attack

Police / Safety



Textron Systems (11% of consolidated sales): The division provides a collection of defense products and services sold primarily to the U.S. DoD, and to a lesser extent foreign governments through the U.S. sponsored foreign military sales program.

- Unmanned Aerial Vehicles (40%):
- Marine and Land Systems (20%): armored vehicles, turrets and related subsystems, advanced precision guided weapons systems, ground and air sensors and surveillance systems
- Simulation Training and Others (40%): flight simulation equipment, pilot training, live combat training, test equipment,

Industrial (31% of consolidated sales): The division serves a number of disparate end markets. Products include fuel tanks and fuel systems used in passenger vehicles, specialty vehicles including golf carts, professional turf equipment, ATVs, snowmobiles, aviation ground support equipment, among others. The company recently sold its Power Tools and Test & Measurement business to Emerson Electric.

Fuel Systems (i.e. Kautex): Headquartered in Germany, Kautex manufactures fuel tanks and fuel systems installed on passenger vehicle OEMs. Products include blow molded plastic fuel systems, advanced fuel systems that include pressurized fuel tanks used in hybrid vehicles, and other fuel system components. Other products include selective catalytic reduction systems, cast iron camshafts, crankshafts and other engine components. The company also produces plastic bottles and containers.

Golf, Turf and Light Transport Vehicles (i.e Specialty Equipment)

- *All-Terrain Vehicle (ATV) Brands:* Arctic Cat
- *Aviation Ground Support Brands:* Douglas Equipment, TUG Technologies, Safeaero and Premier
- *Golf Cart Brands:* Cushman and E-Z-GO
- *Professional Turf Brands:* Dixie Chopper, Jacobsen and Ransomes

Finance (\$66m revenue, 0.4% of consolidated): A captive financing business that TXT has been aggressively shrinking since taking heavy losses during the financial crisis. The business primarily serves customers buying new and used Cessna and Bell products. The company states that a substantial portion of its finance receivables are originated outside of the U.S., where purchasers have difficulty accessing other sources of financing.

Finance Division History

US\$ Billions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019E
Assets (mostly receivables)	9.4	9.3	7.5	4.9	3.2	2.3	1.7	1.5	1.3	1.3	1.2	1.0	<1.0
Liabilities	8.2	8.2	6.7	4.4	2.8	2.0	1.5	1.3	1.1	1.1	1.0	0.8	0.8
Book Value	1.1	1.1	0.8	0.6	0.4	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Profit/Loss (\$mns)	222	(50)	(294)	(237)	(333)	64	49	21	24	19	22	23	>20

Textron Manufacturing Group -- Internally funded R&D (% of sales)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Leonardo	€389	€577	€537	€620	€682	€652	€677	n/a	n/a	€453	€379	€402	€414
R&D (%)	4.4%	4.3%	3.6%	3.4%	3.6%	3.8%	4.1%	n/a	n/a	3.5%	3.2%	3.4%	3.4%
Textron	\$351	\$358	\$465	\$401	\$403	\$525	\$584	\$651	\$694	\$788	\$677	\$634	\$643
R&D (%)	3.4%	3.1%	3.5%	4.0%	3.9%	4.7%	4.9%	5.4%	5.0%	5.9%	4.9%	4.5%	4.6%

Key Industry Factors

Below is a brief overview of the Business Jet and Helicopter industries and the US Defense market.

Business Jets

The industry is comprised of five legacy players, as well as three new entrants that serve the very light jet category. Competition is based on size, speed, range, capacity, handling characteristics, as well as price, quality, reliability, direct operating costs, product support and reputation. Demand is discretionary and generally follows the economic cycle; it is particularly sensitive to corporate profits, business confidence and the economic condition of high net worth individuals (i.e. high oil prices drove strong demand for large jets from ME/Russian individuals).

Business Jet Market Share (2018)

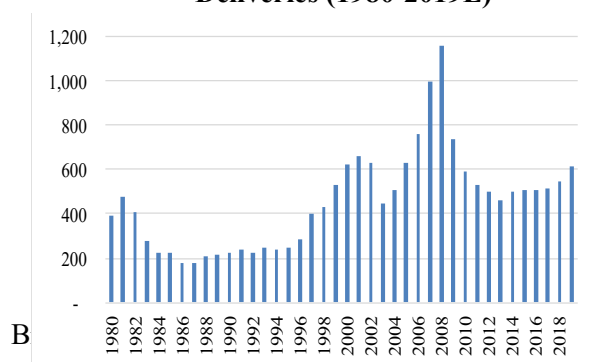
	Very Light	Light	Medium	Large
Bombardier	-	6%	37%	26%
Cessna	-	66%	28%	-
Cirrus	46%	-	-	-
Dassault	-	-	9%	12%
Embraer	8%	28%	12%	3%
Gulfstream	-	-	14%	55%
Honda	32%	-	-	-
Pilatus	14%	-	-	-
Airbus/Boeing	-	-	-	4%

Business Jet Market Share & Fleet Size

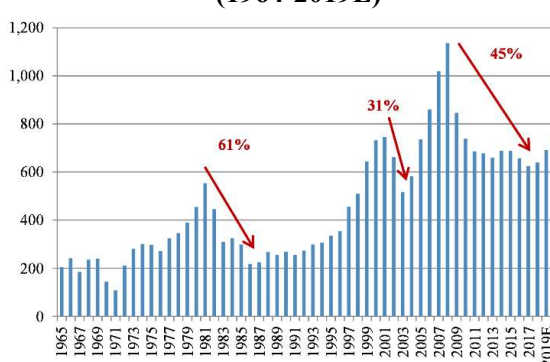
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Textron	29%	31%	28%	19%	21%	23%	27%	29%	33%
Bombardier	27%	29%	29%	28%	30%	27%	26%	24%	24%
Embraer	9%	12%	14%	17%	16%	18%	20%	17%	15%
Gulfstream	15%	16%	15%	23%	22%	22%	19%	20%	21%
Dassault	16%	10%	11%	12%	10%	8%	8%	8%	7%
Other	4%	2%	3%	2%	1%	2%	1%	2%	1%
Total Business Jet Market Share (ex VLJ)	100%	100%	100%	100%	100%	100%	100%	100%	100%
Fleet size	17,872	18,405	18,897	19,478	20,010	20,572	21,140	21,570	21,952

Business jet demand is highly cyclical and mean reverting. Roughly 80% of demand is driven by the NA and European markets, with NA the dominant market at 63% of the total. The industry is currently working through an especially painful and deep down cycle, with deliveries still off nearly 40% from the 2008 peak. Making matters worse, an unusually large number of used aircraft went for sale immediately following the financial crisis. This placed significant pressure on used aircraft prices, which made new aircraft considerably less attractive to the marginal buyer.

Light & Medium Size Deliveries (1980-2019E)

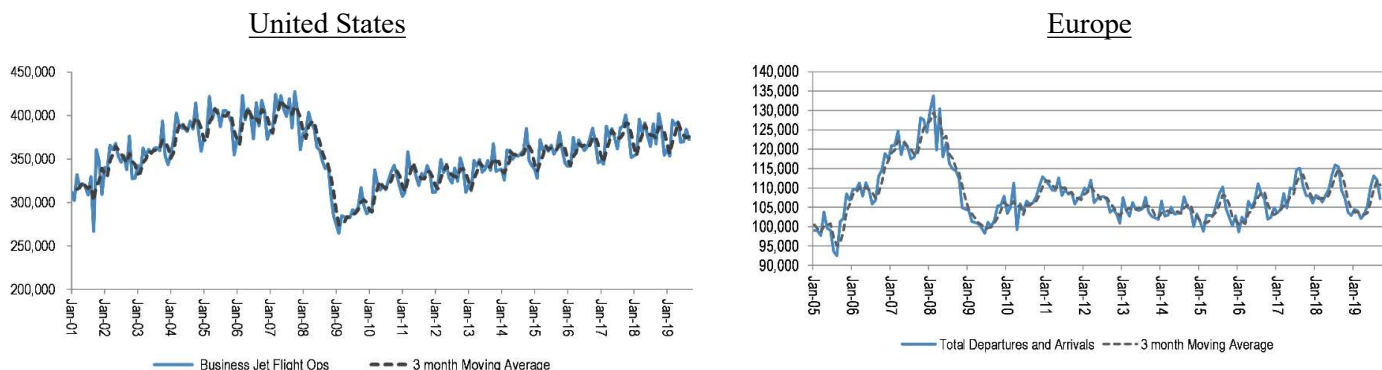


Total Deliveries (1964-2019E)



U.S. and European business jet flight operations have recovered strongly off the bottom, but this activity is still below the pre-crisis peak. While the recovery suggests that the industry is not in a LT secular decline, the large step change does help explain why it's taken so long to work off the peak cycle excesses.

Business Jet Activity



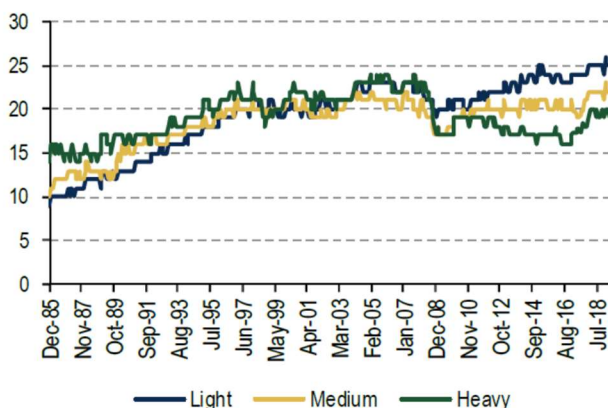
Industry pricing and new aircraft demand firm up once the previous cycle's excesses have been worked off, and the data demonstrates that the market continues to heal. To illustrate, used inventory for sale currently stands at roughly 10% of the total install base compared to 17-18% at the cycle high.

Bizjets Available for Sale as % of Total Fleet



The average age of for sale aircraft has also been moving up, and new aircraft offerings continue to be updated and modernized. As the substitution gap widens (quality, reliability, capabilities, amenities), it should help support demand for new aircraft.

Average age of Bizjets for Sale



Looking back at the profile of the 2008 fleet, it's clear it skewed young. Since then, the fleet has aged quite a bit, with the >30 year category doubling to more than 4,000 aircraft. This could provide the underpinnings for a strong replacement cycle.

Business Jet Fleet by Age (Years)

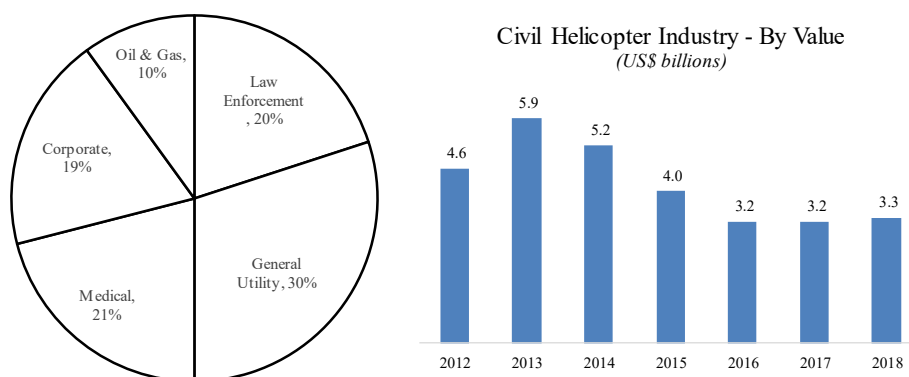
	0-5	6-10	11-15	16-20	21-25	26-30	>30
2008	4,360	3,446	1,788	1,276	1,198	2,038	2,123
2009	4,711	3,420	2,174	1,264	1,159	1,971	2,412
2010	4,843	3,365	2,609	1,322	1,141	1,793	2,796
2011	4,635	3,423	3,101	1,375	1,184	1,469	3,217
2012	4,225	3,762	3,372	1,547	1,216	1,223	3,554
2013	3,662	4,494	3,408	1,783	1,256	1,163	3,719
2014	3,394	4,830	3,361	2,159	1,246	1,120	3,897
2015	3,343	4,914	3,328	2,571	1,301	1,098	4,017
2016	3,400	4,753	3,386	3,054	1,344	1,138	4,065
2017	3,329	4,351	3,743	3,345	1,508	1,182	4,112
2018	3,358	3,741	4,472	3,369	1,733	1,202	4,077

Source: JetNet.

With the excesses clearing, new products launching and the fleet aging, the stage may finally be set for a business jet volume recovery. However, a sustained volume recovery generally requires a strong economic backdrop, a healthy corporate earnings outlook and strong business optimism. The world seems to be in this environment today, but it is difficult to predict how long these conditions can be sustained. If the economic environment deteriorates before the business jet market has fully healed, the industry would likely experience another volume decline before hitting the mid-cycle demand equilibrium.

Helicopters (Civil Market)

Civil helicopter demand is driven by five main customer groups, with law enforcement and medical customers accounting for 40% of industry sales and the more economically sensitive customer groups accounting for 60% -- these include offshore O&G, VIP (high net worth and business) and General (i.e. light aircraft for personal use and hospitality). However, the current mix is distorted by the near 75% decline in offshore O&G demand over the 2013-2017 period, which hit industry OE deliveries by 25-30% and revenue by 45%. While demand from offshore O&G customers has experienced a modest recovery, from a deep trough, a more significant rebound from here will likely require an oil price >\$70/barrel as well as more time to work off the excesses from the boom years (i.e. retirements need to be > deliveries).



Developed markets explain the vast majority of the installed fleet and drive the majority of annual demand, where the replacement cycle captures 75% of demand owing to a high penetration rate and a mature fleet. The industry is less dependent on emerging markets, but over time this is expected to shift as penetration rates rise from low levels, driven by rising incomes and a recovery in the oil price. Taken together, while its core markets are mature, the industry expects the EM opportunity to drive 3-5% annual growth over the next decade (Honeywell est. 3-4%, LDO est. 4-5%), driven mostly by China and the ME.

Brandes Investment Partners L.P.

Civil Helicopter Fleet Distribution

	2019 Fleet	2019-2028E Deliveries
North America	37%	28%
W. Europe	19%	22%
Asia Pac (ex China)	15%	15%
Latin America	13%	12%
Eastern Europe	5%	5%
Africa	5%	5%
China	4%	7%
Middle East	2%	4%
India	1%	1%

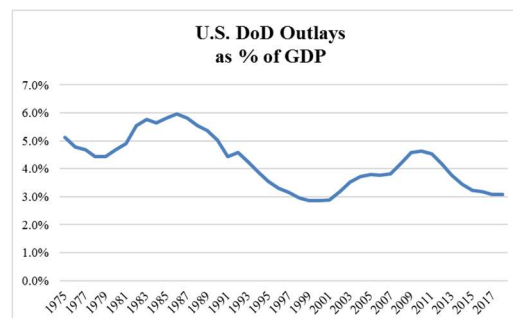
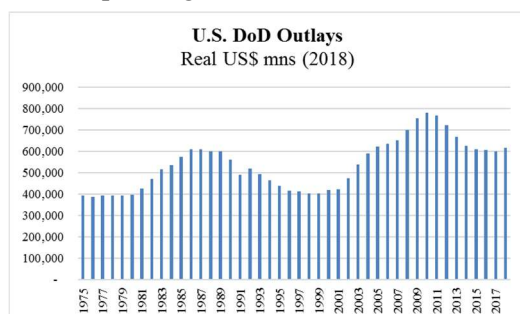
Source: aviation week; Jeffries

Civil Helicopter Fleet Age (years)

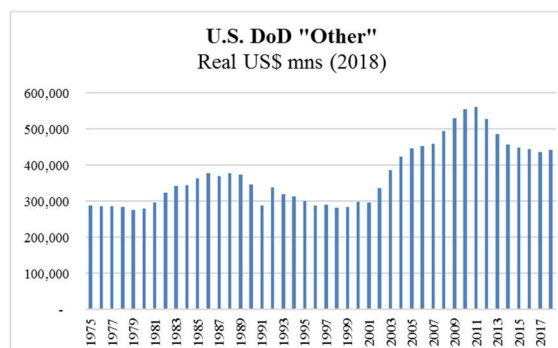
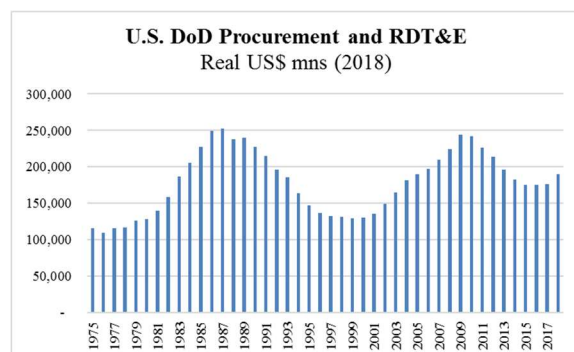
0-5	6-10	11-15	16-20	21-25	26-30	31-35	>36	Total
20%	20%	11%	9%	6%	8%	7%	14%	100%
4,319	4,271	2,436	2,069	1,388	1,767	1,593	4,020	21,863

U.S. Defense Spending

The U.S. defense budget has declined 18% from its 2009 peak in **real terms** but spending is still elevated relative to the long-term level and is currently above its cold war peak. However, as a percent of GDP, U.S. defense spending is near its historical low.



As U.S. defense budgets declined, expanding post-retirement obligations and rising maintenance requirements on an aging fleet crowded out equipment procurement and development spend, the two line items most important to the typical defense contractor. Over the last two years, we have seen some recovery in development spend, a function of higher defense budgets and the need to replace cold war era platforms. However, given growing fiscal pressures and rising entitlement obligations (for both the DoD and the country at large), a sustained rebound in the procurement budget may be difficult to achieve without first addressing some difficult political issues. Hopefully we get bailed out by a large productivity boost!



Real (US\$ 2018)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	From Peak
Procurement	105,809	111,799	120,704	136,923	151,271	153,822	142,894	136,397	123,865	114,010	107,366	107,404	106,670	112,671	-27%
RDT&E	84,466	85,482	88,591	87,613	92,517	88,642	83,581	76,992	72,104	68,869	67,936	67,873	69,791	76,975	-13%
Other	446,548	452,682	458,455	493,989	530,033	555,972	561,158	527,977	486,830	457,210	449,309	445,537	436,885	441,515	-21%
Total	636,824	649,963	667,750	718,525	773,821	798,436	787,633	741,367	682,798	640,089	624,612	620,814	613,346	631,161	-21%

Peak-to-trough

-23.2%

U.S. Defense Outlays (Budget Forecast)

	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E
Outlays (\$mns)	598,722	631,161	684,568	737,886	762,319	770,030	777,528	784,944
Nominal growth	0.9%	5.4%	8.5%	7.8%	3.3%	1.0%	1.0%	1.0%

Significant Recent Events

Restructuring Program: In Dec19, TXT announced a restructuring plan that will produce a 4Q19 charge of \$65-80m, including \$40-45m of severance, \$15-20m of impairments, and \$10m of contract termination costs. The focus will be on the Aviation and Industrial segments, where 875 support and administrative positions are expected to be eliminated (2.5% headcount reduction).

FLRAA: Blackhawk Helicopter Replacement: The U.S. Army is considering a new troop transport helicopter called the FLRAA (future long-range assault aircraft) to replace its 2,500 Blackhawk Helicopters (4,000 global fleet w/ international). TXT's V-280 tiltrotor aircraft, jointly developed with Lockheed Martin is competing against the SB-1 Defiant, jointly developed by Boeing and Lockheed Martin. If the Army moves forward, the potential program size could be as high as \$80B on 2,000 aircraft with production starting in 2030. The Blackhawk is currently built by Sikorsky, a business unit of Lockheed Martin.

FARA: Unmanned Attack Helicopter: In Apr19, TXT was one of five contractors down selected for the FARA program (Future Attack Reconnaissance Aircraft) that could replace 500 Apache (Boeing) and Kiowa (Bell) Helicopters. A decision on the next contract phase is expected in March 2020, which will reduce the field to two competitors. If the DoD moves forward, the program size could be as high as \$20B on 750 aircraft, with the first delivery in FY28. Sikorsky and Bell are considered the frontrunners.

Kautex (Fuel Systems) Strategic Review: In Aug19, TXT announced that it had launched a strategic review of Kautex, its non-core automotive parts business, that could include a sale or tax free spin-off. The company expects strong buyer interest, highlighting its high single digit margins, strong cash flow and attractive inventory turns. Sell-side estimates that the business could be sold for \$1.2-1.3B (6.5x EBIT).

Dixie Chopper Divestiture: In Apr19, the Alamo Group announced that it had agreed to buy Dixie Chopper from Textron for an undisclosed sum. Dixie Chopper produces equipment to the professional lawn care and agriculture markets.

Tools & Test Equipment Divestiture: In Jul18, TXT completed the sale to Emerson Electric for \$800m in net cash proceeds. The business was previously part of TXT's Industrial Division, and in 2017 generated full year revenue of \$470m and EBIT of \$52m (implies a 15x EBIT sales price).

Arctic Cat Acquisition: In Mar17, TXT completed the acquisition of Arctic Cat for \$316m (around 1x sales). Arctic Cat manufactures ATVs, snowmobiles and side-by-sides and provides parts/service support; it also sells a portfolio of branded garments and accessories. TXT believes Arctic Cat is complementary to its existing specialty vehicle business, helping it expand its distribution and service support channels.

Balance Sheet Analysis

Capital structure (Manufacturing Group): Financial leverage looks appropriate, at 1.3x EBITDA (FY18), and the free cash flow characteristics of the business provides additional support. The 3Q net debt figure is temporary elevated by normal FCF seasonality (we tested this back to 2010).

AT FY18, roughly 60% of debt was due after 2023. This has improved somewhat as the 2019 maturity was refinanced in September through the issuance of a 3.9% unsecured senior note offering due 2029.

Capital Structure

In US\$ millions	FY18	
7.25% due 2019	250	
6.625% due 2020	190	
Variable rate due 2020	350	
3.65% due 2021	250	
5.95% due 2021	250	
4.30% due 2024	350	
3.875% due 2025	350	
4.00% due 2026	350	
3.65% due 2027	350	
3.375% due 2028	300	
Other (wavg 2.63%)	76	3Q19
Total Debt	\$3,066	\$3,477
Cash and equivalents	(987)	(931)
Net Debt	\$2,079	2,546

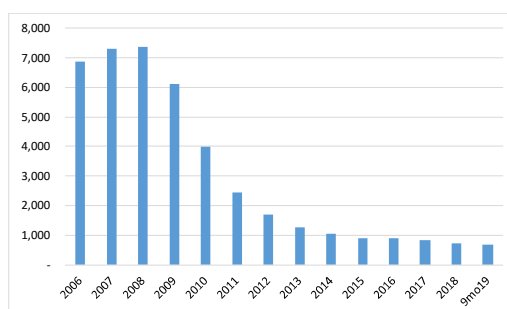
Debt Maturity Schedule

In US\$ millions	2019	2020	2021	2022	2023	2024	2025	2026+
Debt maturity	250	540	500	-	-	350	350	1,076
% of total	8%	18%	16%	-	-	11%	11%	35%

Revolving Credit (Manufacturing Group): In October 2019, TXT entered into a new \$1.0B revolving credit facility to replace its existing facility that was set to expire in 2021. The new facility expires October 2024, subject to up to two one-year extensions at TXT's option and with the consent of lenders of at least 50% of the aggregate commitment. The company has the option to upsize to \$1.3B. As of the 3Q19 end (Sept), there were no borrowings against the previous credit facility.

Finance Division (Finance Group): Since the financial crisis, TXT has aggressively scaled back the size of its finance division; in 2008, the receivables portfolio included loans for business jets, golf courses, resorts and other secured asset based lending. At its peak, the division held \$9.4B in finance receivables and \$7.0B of finance liabilities, mostly debt. Today, the division is a shadow of its former self with just \$950m of receivables and \$800m of liabilities; receivables are entirely comprised of loans for TXT's manufacturing group products (mostly international customers).

Finance Group Debt (US\$mns)



ESG

Environment: No material risks identified.

Social: We are aware that certain products are used in defense combat, and consider the valuation impact as we evaluate its Government customers' commitment to defense spending.

Governance: 10 out of 11 directors are independent, but the Chairman also serves as CEO. We considered this governance weakness in our valuation analysis.

Previous Research Activities

None

Textron - Valuation

December FY end, in US\$m

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
OE aircraft	n/a	4,941	2,733	1,896	2,263	2,318	1,868	3,182	3,404	3,412	3,112	3,435
Aftermarket	n/a	721	587	667	727	793	916	1,386	1,418	1,509	1,574	1,536
Aviation (Cessna business jets)	5,000	5,662	3,320	2,563	2,990	3,111	2,784	4,568	4,822	4,921	4,686	4,971
Military	n/a	1,589	1,647	2,000	2,299	2,551	2,714	2,631	2,033	2,087	2,076	2,030
Commercial	n/a	1,238	1,195	1,241	1,226	1,723	1,797	1,614	1,421	1,152	1,241	1,150
Bell Helicopters	2,581	2,827	2,842	3,241	3,525	4,274	4,511	4,245	3,454	3,239	3,317	3,180
Unmanned aircraft systems	n/a	579	634	785	701	694	666	797	686	763	714	612
Marine and land systems	n/a	546	528	503	519	443	392	158	188	294	470	311
Weapons & sensors	n/a	296	314	284	298	285	311	264	moved to simulation, training			-
Simulation, training & other	n/a	459	423	407	354	315	296	405	646	699	656	541
Systems	1,114	1,880	1,899	1,979	1,872	1,737	1,665	1,624	1,520	1,756	1,840	1,464
Fuel Systems (Autos)	n/a	1,763	1,287	1,640	1,823	1,842	1,853	1,975	2,078	2,273	2,330	2,352
Golf, Turf, & light vehicle equip.	n/a	720	491	554	560	660	713	868	1,021	1,080	1,486	1,691
Power tools, test & measur. equip.	n/a	435	300	330	402	398	446	495	445	441	470	248
Industrial	2,825	2,918	2,078	2,524	2,785	2,900	3,012	3,338	3,544	3,794	4,286	4,291
Finance	875	723	361	218	103	215	132	103	83	78	69	66
Revenue	12,395	14,010	10,500	10,525	11,275	12,237	12,104	13,878	13,423	13,788	14,198	13,972
Aviation (Cessna)	17.3%	16.0%	4.5%	-1.1%	2.0%	2.6%	-0.7%	6.5%	8.3%	7.9%	6.5%	9.0%
Bell Helicopter	5.6%	9.8%	10.7%	13.2%	14.8%	15.0%	12.7%	12.5%	11.6%	11.9%	12.5%	13.4%
Textron Systems	15.6%	13.4%	12.6%	11.6%	10.7%	7.6%	8.8%	9.2%	8.5%	10.6%	7.6%	10.7%
Industrial	6.1%	2.3%	1.3%	6.4%	7.3%	7.4%	8.0%	8.4%	8.5%	8.7%	6.8%	5.1%
Finance	25.4%	-6.9%	-81.4%	-108.7%	-323.3%	29.8%	37.1%	20.4%	28.9%	24.4%	31.9%	34.8%
Corporate exp	-2.3%	-1.2%	-1.6%	-1.3%	-1.0%	-1.2%	-1.4%	-1.2%	-1.1%	-1.2%	-0.9%	-0.9%
Operating margins	10.5%	9.1%	2.5%	4.0%	4.8%	8.0%	6.8%	8.0%	8.2%	8.2%	7.3%	8.2%
Aviation (Cessna)	865	905	148	(29)	60	82	(20)	297	400	389	303	445
Bell Helicopter	144	278	304	427	521	639	573	529	400	386	415	425
Textron Systems	174	251	240	230	201	132	147	150	129	186	139	156
Industrial	173	67	27	162	202	215	242	280	302	329	290	218
Finance	222	(50)	(294)	(237)	(333)	64	49	21	24	19	22	23
Corporate exp	(280)	(171)	(164)	(137)	(111)	(148)	(166)	(161)	(154)	(172)	(132)	(119)
Operating profit	1,298	1,280	261	416	540	984	825	1,116	1,101	1,137	1,037	1,148
ROIC (tangible)	33.2%	33.4%	7.0%	10.8%	14.6%	28.8%	20.8%	21.9%	19.3%	18.1%	15.3%	19.3%

Bank of America		
2019E	2020E	2021E
n/a	n/a	n/a
n/a	n/a	n/a
5,360	5,414	5,613
n/a	n/a	n/a
n/a	n/a	n/a
3,169	3,288	3,370
n/a	n/a	n/a
n/a	n/a	n/a
-	-	-
n/a	n/a	n/a
1,329	1,437	1,508
n/a	n/a	n/a
n/a	n/a	n/a
n/a	n/a	n/a
3,765	3,765	3,765
60	60	60
13,683	13,964	14,316
9.0%	9.5%	9.6%
13.5%	13.5%	13.3%
11.8%	10.0%	9.5%
6.5%	6.5%	6.8%
38.3%	38.3%	38.3%
-1.0%	-1.0%	-1.0%
8.7%	8.8%	8.8%
482	514	539
428	444	448
157	144	143
245	245	256
23	23	23
(143)	(146)	(149)
1,192	1,224	1,260

BIP	Growth
Mid-Cycle	From 18E
4,208	22.5%
1,597	4.0%
5,805	16.8%
1,878	-7.5%
1,208	5.0%
3,085	-3.0%
-	-
-	-
-	-
1,464	0.0%
1,999	-15.0%
1,437	-15.0%
-	-
3,437	-19.9%
-	we value below the line
13,791	-1.3%
-	-
-	8.5%
-	11.5%
-	10.0%
-	6.0%
-	-
-	we value below the line
-	9mo19 at 0.9%
-	-1.0%
-	7.7%
493	-
355	-
146	-
206	-
-	value below the line
(138)	-
1,063	% of sales
-	19.7%
(69)	-0.5%
66	0.5%
25	0.2%
1,085	-

Restructuring charge (recurring)	(69)	-0.5%
Amortization add back (non-economic)	66	0.5%
Pension add back (non-service)	25	0.2%
Mid-cycle EBIT	1,085	

Implied P/E Valuation	
Sales	13,791
EBIT	1,085
Int Exp	(153)
EBT	932
Taxes	(205)
NI	727
EPS	\$ 3.18
P/E implic	14.1

Consensus EPS	
19E	3.73
20E	3.82
21E	4.21

NOPAT Valuation

Mid-Cycle EBIT	1,085	
Tax	(239)	22%
NOPAT	846	
Multiple	15.5	
Enterprise Value	13,117	
Net debt	(2,429)	Wavg debt
Pension, tax adj	(608)	
Finance division	191	1.0x book
Other	-	
Equity Value	10,272	
Shares out	228.3	
IV per share	\$ 45.00	
Margin of safety	1.2%	

Multiple Sensitivity	
13.0	\$ 35.73
14.0	\$ 39.44
15.0	\$ 43.15
15.5	\$ 45.00
16.0	\$ 46.85
17.0	\$ 50.56
18.0	\$ 54.27

For Reference	
Ke	10.0%
Kd	5.0%
D/TC	25.0%
WACC	8.5%
Growth	3.0%
ROIC	20.0%
Multiple	15.5

Aviation Margin	
7.0%	\$ 40.39
7.5%	\$ 41.92
8.0%	\$ 43.46
8.5%	\$ 45.00
9.0%	\$ 46.54
9.5%	\$ 48.07
10.0%	\$ 49.61

Systems Margin	
8.5%	\$ 43.84
9.0%	\$ 44.22
9.5%	\$ 44.61
10.0%	\$ 45.00
10.5%	\$ 45.39
11.0%	\$ 45.77
11.5%	\$ 46.16

Bell Margin	
10.0%	\$ 42.55
10.5%	\$ 43.36
11.0%	\$ 44.18
11.5%	\$ 45.00
12.0%	\$ 45.82
12.5%	\$ 46.63
13.0%	\$ 47.45

Industrials Margin	
4.5%	\$ 42.27
5.0%	\$ 43.18
5.5%	\$ 44.09
6.0%	\$ 45.00
6.5%	\$ 45.91
7.0%	\$ 46.82
7.5%	\$ 47.73

Textron - Income Statement

December FY end, in US\$mns

	10K --->												
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Industrial Revenue	10,175	11,520	13,287	10,139	10,307	11,172	12,022	11,972	13,775	13,340	13,710	14,129	13,906
Finance Revenue	798	875	723	361	218	103	215	132	103	83	78	69	66
Other Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue	10,973	12,395	14,010	10,500	10,525	11,275	12,237	12,104	13,878	13,423	13,788	14,198	13,972
COGS	(8,145)	(9,099)	(10,583)	(8,468)	(8,605)	(9,248)	(10,019)	(10,131)	(11,358)	(10,979)	(11,337)	(11,827)	(11,594)
Finance Div. loss provisions	(26)	(33)	(234)	(267)	(143)	(186)	-	-	-	-	-	-	-
Finance Div. int expense	(348)	(420)	(323)	(166)	(130)	(106)	(69)	(50)	(43)	(39)	(36)	(29)	(31)
Gross Profit	2,454	2,843	2,870	1,599	1,647	1,735	2,149	1,923	2,477	2,405	2,415	2,342	2,347
SG&A	(1,407)	(1,545)	(1,590)	(1,338)	(1,231)	(1,195)	(1,165)	(1,098)	(1,361)	(1,304)	(1,278)	(1,305)	(1,199)
Operating Income	1,047	1,298	1,280	261	416	540	984	825	1,116	1,101	1,137	1,037	1,148
Extraordinary expenses	-	-	(526)	(267)	(190)	(63)	-	(28)	(115)	-	(123)	(130)	371
EBIT	1,047	1,298	754	(6)	226	477	984	797	1,001	1,101	1,014	907	1,519
Net Interest Exp.	(90)	(64)	(125)	(143)	(140)	(140)	(143)	(123)	(148)	(130)	(138)	(145)	(135)
EBT	957	1,234	629	(149)	86	337	841	674	853	971	876	762	1,384
Income Tax Expense	(264)	(368)	(305)	76	6	(95)	(260)	(176)	(248)	(273)	(33)	(456)	(162)
NI (cont ops)	693	866	324	(73)	92	242	581	498	605	698	843	306	1,222
Discount Ops	(92)	51	162	42	(6)	-	8	-	(5)	(1)	119	1	-
Extraord & Acct change	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	601	917	486	(31)	86	242	589	498	600	697	962	307	1,222
Basic Shares Out (w. avg)	255.1	249.8	246.2	262.9	274.5	277.7	280.2	279.3	279.4	276.7	270.8	266.4	250.2
Diluted Shares Out (w. avg)	260.4	254.8	250.3	262.9	302.6	307.3	294.7	284.4	281.8	278.7	272.4	268.8	253.2
Basic EPS	\$ 2.36	\$ 3.67	\$ 1.97	\$ (0.12)	\$ 0.31	\$ 0.87	\$ 2.10	\$ 1.78	\$ 2.15	\$ 2.52	\$ 3.55	\$ 1.15	\$ 4.88
Diluted EPS	\$ 2.31	\$ 3.60	\$ 1.94	\$ (0.12)	\$ 0.28	\$ 0.79	\$ 2.00	\$ 1.75	\$ 2.13	\$ 2.50	\$ 3.53	\$ 1.14	\$ 4.83
Dividends per Share	\$ 0.78	\$ 0.85	\$ 0.92	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08
Costs													
COGS (total)	77.6%	77.1%	79.5%	84.8%	84.4%	84.6%	82.4%	84.1%	82.2%	82.1%	82.5%	83.5%	83.2%
SG&A	12.8%	12.5%	11.3%	12.7%	11.7%	10.6%	9.5%	9.1%	9.8%	9.7%	9.3%	9.2%	8.6%
Tax rate	27.6%	29.8%	48.5%	51.0%	(7.0%)	28.2%	30.9%	26.1%	29.1%	28.1%	3.8%	59.8%	11.7%
Margins													
Gross margin	22.4%	22.9%	20.5%	15.2%	15.6%	15.4%	17.6%	15.9%	17.8%	17.9%	17.5%	16.5%	16.8%
Operating margin	9.5%	10.5%	9.1%	2.5%	4.0%	4.8%	8.0%	6.8%	8.0%	8.2%	8.2%	7.3%	8.2%
EBIT margin	9.5%	10.5%	5.4%	(0.1%)	2.1%	4.2%	8.0%	6.6%	7.2%	8.2%	7.4%	6.4%	10.9%
Returns													
ROIC	16.7%	19.0%	17.4%	3.7%	6.0%	8.1%	15.5%	11.8%	12.6%	11.0%	10.7%	9.1%	11.5%
ROIC (tangible)	23.7%	33.2%	33.4%	7.0%	10.8%	14.6%	28.8%	20.8%	21.9%	19.3%	18.1%	15.3%	19.3%
ROE	23.5%	28.2%	11.0%	(2.8%)	3.2%	8.5%	20.3%	13.5%	14.0%	15.1%	16.0%	5.5%	22.5%
ROE (tangible)	39.6%	74.6%	50.9%	(14.8%)	10.4%	26.9%	60.0%	28.6%	32.0%	39.1%	34.7%	11.7%	50.6%
Leverage													
Net D/E	40.4%	47.8%	86.2%	65.0%	47.2%	57.9%	30.9%	17.5%	48.7%	35.3%	28.3%	35.6%	40.0%
Net Debt / EBITDA	0.7	1.0	1.2	2.6	1.6	1.6	0.6	0.6	1.3	1.1	1.0	1.4	1.3
Interest coverage	11.6	20.3	6.0	(0.0)	1.6	3.4	6.9	6.5	6.8	8.5	7.3	6.3	11.3
Net Debt	1,067	1,675	2,038	1,836	1,404	1,588	923	768	2,080	1,751	1,580	2,009	2,079
Other													
Backlog (mns)	13,351	18,875	22,988	13,507	11,039	10,609	11,463	10,273	9,679	8,626	8,242	7,184	9,097
R&D (co' sponsored)	351	358	465	401	403	525	584	651	694	788	677	634	643
R&D as % of sales (co' sponsored)	3.4%	3.1%	3.5%	4.0%	3.9%	4.7%	4.9%	5.4%	5.0%	5.9%	4.9%	4.5%	4.6%
US Govt % of sales	19.0%	19.0%	24.0%	31.0%	34.0%	31.0%	29.0%	30.0%	28.0%	24.0%	25.0%	22.0%	28.0%

Textron - Balance Sheet

December FY end, in US\$mms

	10K --->													
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	9mo19
Cash And Equivalents	733	471	531	1,748	898	871	1,378	1,163	731	946	1,137	1,079	987	931
A/R	964	958	894	894	892	856	829	979	1,035	1,047	1,064	1,363	1,024	1,018
Inventory	2,069	2,593	3,093	2,273	2,277	2,402	2,712	2,963	3,928	4,144	4,464	4,150	3,818	4,436
Other current assets	521	1,147	918	985	980	1,134	470	467	320	341	388	435	785	856
Current Assets (Manufacturing)	4,287	5,169	5,436	5,900	5,047	5,263	5,389	5,572	6,014	6,478	7,053	7,027	6,614	7,241
Net Property, Plant & Equipment	1,773	1,918	2,088	1,968	1,932	1,996	2,149	2,215	2,497	2,492	2,581	2,721	2,615	2,497
Goodwill	1,257	1,916	1,698	1,622	1,632	1,635	1,649	1,735	2,027	2,023	2,113	2,364	2,218	2,142
Other Intangibles	137	512	471	412	371	277	238	276	833	783	767	765	658	-
Other Long-Term Assets	1,096	1,093	994	1,526	1,351	1,231	1,286	1,421	1,705	1,616	1,564	1,294	1,142	2,225
Total Assets (Manufacturing)	8,550	10,608	10,687	11,428	10,333	10,402	10,711	11,219	13,076	13,392	14,078	14,171	13,247	14,105
Finance Group														
Cash	47	60	16	144	33	14	35	48	91	59	161	183	120	122
Receivables	8,217	8,514	8,382	6,684	4,284	2,739	1,990	1,493	1,238	1,087	935	819	760	730
Other Assets	736	809	946	684	632	460	297	184	200	170	184	167	137	105
Total Assets (Finance Group)	9,000	9,383	9,344	7,512	4,949	3,213	2,322	1,725	1,529	1,316	1,280	1,169	1,017	957
Total Assets	17,550	19,991	20,031	18,940	15,282	13,615	13,033	12,944	14,605	14,708	15,358	15,340	14,264	15,062
ST debt (industrial)	80	355	876	134	19	146	535	8	8	262	363	14	258	568
Capital Leases, current	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A/P	814	840	1,101	569	622	833	1,021	1,107	1,014	1,063	1,273	1,205	1,099	1,226
Accrued Exp.	1,295	1,612	1,617	1,248	1,301	1,223	1,231	1,000	1,204	1,144	1,266	1,434	1,273	-
Contract liabilities	-	-	-	-	-	-	-	-	-	-	-	-	876	-
Customer deposits	663	1,003	992	791	715	729	725	888	1,412	1,323	991	1,007	-	-
Other Current Liabilities	142	467	195	-	-	-	-	-	-	-	-	-	-	1,972
Current Liabilities (Manufacturing)	2,994	4,277	4,781	2,742	2,657	2,931	3,512	3,003	3,638	3,792	3,893	3,660	3,506	3,766
LT Debt (industrial)	1,720	1,791	1,693	3,450	2,283	2,313	1,766	1,923	2,803	2,435	2,354	3,074	2,808	2,909
Capital Leases, non-current	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Non-Current Liabilities	2,329	2,171	2,926	3,253	2,993	2,826	2,798	2,118	2,587	2,376	2,414	2,006	1,932	2,130
Total Liabilities (Manufacturing)	7,043	8,239	9,400	9,445	7,933	8,070	8,076	7,044	9,028	8,603	8,661	8,740	8,246	8,805
Finance Group														
Other liabilities	996	934	877	564	391	333	280	260	242	228	220	129	108	110
Long-term Debt	6,862	7,311	7,388	6,105	3,986	2,467	1,686	1,256	1,063	913	903	824	718	695
Finance Group Liabilities	7,858	8,245	8,265	6,669	4,377	2,800	1,966	1,516	1,305	1,141	1,123	953	826	805
Prof. Equity	10	2	2	-	-	-	-	-	-	-	-	-	-	-
Common Equity	2,639	3,505	2,364	2,826	2,972	2,745	2,991	4,384	4,272	4,964	5,574	5,647	5,192	5,452
Total Liabilities And Equity	17,550	19,991	20,031	18,940	15,282	13,615	13,033	12,944	14,605	14,708	15,358	15,340	14,264	15,062
BIP Analysis														
ST debt	80	355	876	134	19	146	535	8	8	262	363	14	258	568
LT debt	1,720	1,791	1,693	3,450	2,283	2,313	1,766	1,923	2,803	2,435	2,354	3,074	2,808	2,909
Gross debt (industrial)	1,800	2,146	2,569	3,584	2,302	2,459	2,301	1,931	2,811	2,697	2,717	3,088	3,066	3,477
Cash	(733)	(471)	(531)	(1,748)	(898)	(871)	(1,378)	(1,163)	(731)	(946)	(1,137)	(1,079)	(987)	(931)
Net debt (industrial)	1,067	1,675	2,038	1,836	1,404	1,588	923	768	2,080	1,751	1,580	2,009	2,079	2,546
Pref equity	10	2	2	-	-	-	-	-	-	-	-	-	-	-
Common equity	2,639	3,505	2,364	2,826	2,972	2,745	2,991	4,384	4,272	4,964	5,574	5,647	5,192	5,452
Invested Capital (Industrial)	3,716	5,182	4,404	4,662	4,376	4,333	3,914	5,152	6,352	6,715	7,154	7,656	7,271	7,998
Tangible invested capital	2,322	2,754	2,235	2,628	2,373	2,421	2,027	3,141	3,492	3,909	4,274	4,527	4,395	
Tangible common equity	1,245	1,077	195	792	969	833	1,104	2,373	1,412	2,158	2,694	2,518	2,316	
TBV/share	\$ 4.96	\$ 4.31	\$ 0.81	\$ 2.91	\$ 3.51	\$ 2.99	\$ 4.07	\$ 8.41	\$ 5.11	\$ 7.87	\$ 9.97	\$ 9.63	\$ 9.83	
Shares out, ending	251.2	250.1	242.0	272.3	275.7	278.9	271.3	282.1	276.6	274.2	270.3	261.5	235.6	228.2
Working capital (industrial)	640	776	1,000	1,544	1,511	1,607	1,034	1,414	1,653	2,002	2,386	2,302	2,379	3,112
Working capital % of sales	6.3%	6.7%	7.5%	15.2%	14.7%	14.4%	8.6%	11.8%	12.0%	15.0%	17.4%	16.3%	17.1%	
Assets	9,000	9,383	9,344	7,512	4,949	3,213	2,322	1,725	1,529	1,316	1,280	1,169	1,017	957
Liabilities	(7,858)	(8,245)	(8,265)	(6,669)	(4,377)	(2,800)	(1,966)	(1,516)	(1,305)	(1,141)	(1,123)	(953)	(826)	(805)
Finance Division Book Value	1,142	1,138	1,079	843	572	413	356	209	224	175	157	216	191	152
% of total book value	43%	32%	46%	30%	19%	15%	12%	5%	5%	4%	3%	4%	4%	3%

Textron - Cash Flow

December FY end, in US\$mns

	10K --->												
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
NI from continuing ops	693	866	324	(73)	92	242	581	498	605	698	843	306	1,222
Depreciation	272	299	347	357	341	352	343	352	397	400	383	378	371
Amortization of Intangibles	7	23	53	52	52	51	40	37	62	61	66	69	66
D&A	279	322	400	409	393	403	383	389	459	461	449	447	437
Sale of Assets, (gain) loss	-	-	-	-	-	-	-	-	-	-	-	-	(444)
Asset Impairment	-	1	191	144	19	59	-	-	-	7	40	47	48
Deferred income taxes	37	(3)	(43)	(265)	69	81	171	86	(19)	4	48	346	49
Provision for Credit Losses	26	33	527	414	263	304	-	-	-	-	-	-	-
Discontinued Ops.	(3)	64	(14)	(17)	(9)	(5)	(8)	(3)	(3)	(4)	(2)	(27)	(2)
Other	100	92	128	113	109	126	86	65	95	95	102	86	105
Operating Cash Flow, Gross	1,132	1,375	1,513	725	936	1,210	1,213	1,035	1,137	1,261	1,480	1,205	1,415
Working capital changes	(163)	(326)	(763)	290	48	(147)	(286)	(225)	71	(171)	(555)	(269)	(308)
Operating Cash Flow, net	969	1,049	750	1,015	984	1,063	927	810	1,208	1,090	925	936	1,107
Capex	(419)	(379)	(545)	(238)	(270)	(423)	(480)	(444)	(429)	(420)	(446)	(423)	(369)
Sale of PPE	7	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	(502)	(1,092)	(109)	-	(57)	(14)	(11)	(196)	(1,628)	(81)	(186)	(331)	(23)
Divestitures	8	(14)	-	-	-	-	-	-	-	-	-	-	807
Marketable & Equity Secur.	-	-	(100)	-	-	-	-	-	-	-	-	-	-
Loans Originated/Sold	(1,198)	12	288	1,600	1,713	1,167	848	368	91	67	44	32	27
Other	695	67	529	577	163	113	21	8	47	46	152	77	178
Cash from Investing	(1,409)	(1,406)	63	1,939	1,549	843	378	(264)	(1,919)	(388)	(436)	(645)	620
Change in Debt	1,201	420	(21)	(1,945)	(3,477)	(1,879)	(511)	(823)	663	(295)	68	195	(131)
Share issuance (repurchase)	(588)	(201)	(483)	333	-	3	(253)	31	(290)	(187)	(205)	(530)	(1,709)
Dividends Paid	(244)	(154)	(284)	(21)	(22)	(22)	(17)	(22)	(28)	(22)	(22)	(21)	(20)
Other	32	22	(2)	-	6	(53)	-	72	(10)	-	(9)	(4)	(4)
Cash from Financing	401	87	(790)	(1,633)	(3,493)	(1,951)	(781)	(742)	335	(504)	(168)	(360)	(1,864)
FX changes	23	21	(7)	24	(1)	(1)	4	(6)	(13)	(15)	(28)	33	(18)
Net Change in Cash	(16)	(249)	16	1,345	(961)	(46)	528	(202)	(389)	183	293	(36)	(155)
	-	-	-	-	-	-	-	-	-	-	-	-	-
FCF Analysis													
OCF, gross	1,132	1,375	1,513	725	936	1,210	1,213	1,035	1,137	1,261	1,480	1,205	1,415
Capex	(419)	(379)	(545)	(238)	(270)	(423)	(480)	(444)	(429)	(420)	(446)	(423)	(369)
FCFe before WC	713	996	968	487	666	787	733	591	708	841	1,034	782	1,046
changes in WC	(163)	(326)	(763)	290	48	(147)	(286)	(225)	71	(171)	(555)	(269)	(308)
FCFe	550	670	205	777	714	640	447	366	779	670	479	513	738
Capex/Depr	181%	148%	180%	75%	88%	133%	152%	133%	113%	110%	121%	117%	103%
FCF (bf WC) / NI (cont. ops)	103%	115%	299%	-667%	724%	325%	126%	119%	117%	120%	123%	256%	86%

Textron Inc.

38.5 High Risk

Aerospace and Defence | United States | NYS:TXT



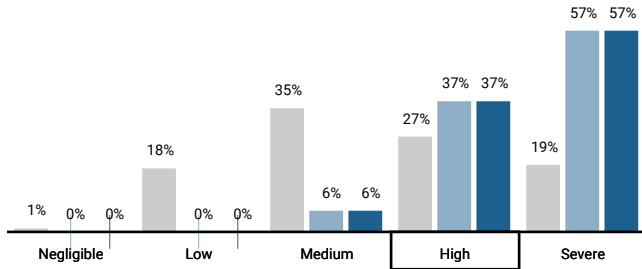
Rating Overview

The company is at high risk of experiencing material financial impacts from ESG factors, due to its high exposure and average management of material ESG issues. Notably, its overall risk is higher since it is materially exposed to significantly more ESG issues than most companies in our universe. The company has experienced a moderate level of controversies.

Momentum Score: +0.0

The company's ESG Risk Rating score has not significantly changed in the past year, and its ESG Risk Rating category has remained stable.

ESG Risk Rating Distribution



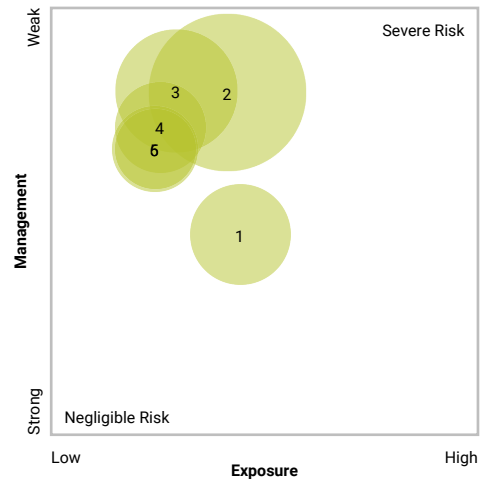
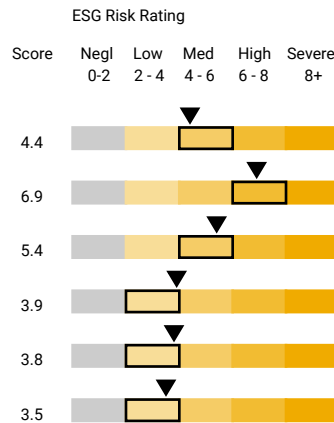
Relative Performance

	Rank (1 st = lowest risk)	Percentile (1 st = lowest risk)
Global Universe	9583 out of 12279	78th
Aerospace & Defence (Industry Group)	29 out of 81	36th
Aerospace and Defence (Subindustry)	29 out of 81	36th

Attribution Analysis

Top Material Issues

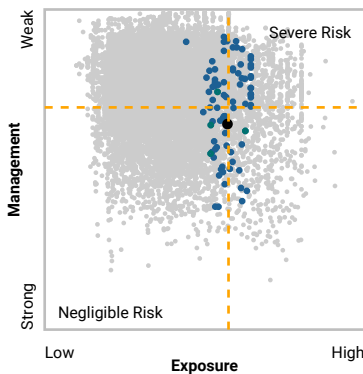
- Corporate Governance
- Product Governance
- Carbon - Products and Services
- 3** Business Ethics
- Data Privacy and Security
- Human Capital



△ = Significant event

○ Circle size = Contribution to ESG Risk Rating

Risk Analysis



Peers (Market cap \$9.1 - \$11.9bn)

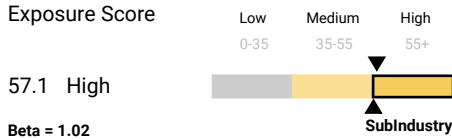
Peer	ESG Risk Rating	Exposure	Management
1. Singapore Technologies Engineering Limited	30.7 High	51.9 Medium	45.0 Average
2. Dassault Aviation S.A.	34.9 High	51.9 Medium	36.1 Average
3. Textron Inc.	38.5 High	57.1 High	35.8 Average
4. Arconic Inc	41.1 Severe	62.7 High	37.9 Average
5. Huntington Ingalls Industries, Inc.	41.4 Severe	54.0 Medium	25.7 Average

- Global Universe
- Aerospace and Defence (Subindustry)
- Textron Inc.
- Peers
- + SubIndustryAvg.

Textron Inc.

38.5 High Risk

Aerospace and Defence | United States | NYS:TXT



Considering the high risk setting in which Textron’s products are used, even minor issues or defects in its products or systems could result in accidental explosions or crashes, causing end-users’ injury or even fatality. In addition, failure to meet rising customer demand for fuel and energy efficiency, as well as increasingly stringent related regulations might expose Textron to a loss of contracts or market share. Although the company is less affected than other peers by defence budget cuts in developed countries (the US Government was accountable for 24% of its total FY2017/2018 revenue), the long-term relationship with the customers and the competition for high value contracts, expose the company to bribery and corruption risks. Infractions could lead to lawsuits and financial losses.

The company’s overall exposure is high and is similar to subindustry average. Product Governance, Carbon -Products & Services and Bribery and Corruption are notable material ESG issues.



Textron’s overall ESG-related disclosure is not in accordance with GRI reporting standards, lagging behind best practice. The company’s committee that oversees ESG issues is below board level, suggesting that these are not fully integrated in core business strategy. Moreover, the company has reportedly been involved for several years in the selling of military equipment to countries considered as being prone to conflict and human rights violations such as Saudi Arabia, Pakistan and Afghanistan. As its track record in this area spans several years, Textron may still be exposed to shareholder scrutiny and reputational risks.

The company’s overall management of material ESG issues is average.

Attribution Details

Issue Name	Contribution to							ESG Risk Rating	Risk Category
	ESG Risk Rating	Subindustry Exposure	Company Exposure	Manageable Risk Factor	Management Score	Management Weight	ESG Risk Rating		
Corporate Governance	11.4%	9.0	9.0	100%	51.3	17.3 %	4.4		
Product Governance	17.9%	8.0	8.4	100%	18.0	16.2 %	6.9		
Carbon -Products and Services	13.9%	6.0	6.0	60%	17.5	6.9 %	5.4		
Business Ethics	10.2%	5.0	5.3	95%	26.2	9.6 %	3.9		
Data Privacy and Security	9.8%	5.0	5.0	80%	31.1	7.7 %	3.8		
Human Capital	9.1%	5.0	5.0	95%	31.2	9.1 %	3.5		
Emissions, Effluents and Waste	7.7%	4.0	4.0	90%	29.3	6.9 %	2.9		
Carbon -Own Operations	6.6%	3.0	3.5	100%	26.0	6.6 %	2.6		
Occupational Health and Safety	5.5%	3.0	3.0	95%	30.9	5.5 %	2.1		
Human Rights -Supply Chain	3.9%	2.0	2.0	80%	30.3	3.1 %	1.5		
Bribery and Corruption	3.9%	6.0	6.0	95%	78.8	11.0 %	1.5		
Overall	100.0%	56.0	57.1	91.0 %	35.8	100.0%	38.5	High	

=Significant event

Brands U.S. Value Equity
12.31.2023

As of Date	Asset Type Code	Country Code	Country	Sedol	Cusip	ISIN	Symbol	Quantity	Security	Sector	Industry	Price (USD)	Mkt Value (USD)	Allocation	Equity Only
31-Dec-22	EQ	US	United States	2295677	0609050104	US0609051046	BAC	24277	Bank of America Corp.	Financials	Banks	33.12	\$ 804,054.24	2.45%	2.54%
31-Dec-22	EQ	US	United States	8127776	0646058100	US0646058107	BRK	5033	Bank of New York Mellon Corp.	Financials	Capital Markets	45.52	\$ 418,820.56	1.28%	1.32%
31-Dec-22	EQ	US	United States	2313405	291011104	US2910111044	EMR	7697	Emerson Electric Co.	Industrials	Electrical Equipment	96.06	\$ 738,373.82	2.26%	2.34%
31-Dec-22	EQ	US	United States	2365161	36950108	US3695010806	GD	2197	General Dynamics Corp	Industrials	Aerospace & Defense	248.11	\$ 545,097.67	1.66%	1.72%
31-Dec-22	EQ	US	United States	2190385	46625H1005	US46625H1005	JPM	4465	JPMorgan Chase and Co.	Financials	Banks	134.1	\$ 598,766.50	1.83%	1.89%
31-Dec-22	EQ	US	United States	2778844	589319105	US5893191055	MRK	8752	Merck & Co.	Health Care	Pharmaceuticals	110.95	\$ 977,103.40	2.96%	3.07%
31-Dec-22	EQ	US	United States	2942665	693475105	US6934751057	PNK	4589	PNK Financial Services Group	Financials	Banks	157.94	\$ 724,286.66	2.23%	2.29%
31-Dec-22	EQ	US	United States	2649100	949746101	US9497461015	WFC	18514	Wells Fargo & Company	Financials	Banks	41.29	\$ 764,443.06	2.33%	2.42%
31-Dec-22	EQ	US	United States	2142784	31428X106	US31428X1063	FDX	3819	FedEx Corp	Industrials	Air Freight & Logistics	173.2	\$ 661,450.80	2.02%	2.09%
31-Dec-22	EQ	US	United States	2588173	594918104	US5949181045	MSFT	996	Microsoft Corporation	Information Technology	Software	239.82	\$ 238,860.72	0.73%	0.76%
31-Dec-22	EQ	US	United States	2684709	712801103	US7128011035	PFE	1637	Pfizer Inc.	Health Care	Pharmaceuticals	51.24	\$ 856,931.12	2.55%	2.64%
31-Dec-22	EQ	US	United States	2027342	306874784	US3068747849	AIG	13013	American International Group	Financials	Insurance	63.24	\$ 821,942.12	2.51%	2.60%
31-Dec-22	EQ	US	United States	2885937	883203101	US8832031012	TXT	9204	Textron Inc.	Industrials	Aerospace & Defense	70.8	\$ 651,643.20	1.99%	2.06%
31-Dec-22	EQ	US	United States	2046552	038221205	US0382212051	AMAT	4644	Applied Materials Inc.	Information Technology	Semiconductors & Semiconductor Equipment	97.38	\$ 452,232.72	1.38%	1.43%
31-Dec-22	EQ	US	United States	2378534	581550103	US5815501031	MCK	2551	McKesson Corporation	Health Care	Health Care Providers & Services	375.12	\$ 954,931.12	2.92%	3.02%
31-Dec-22	EQ	US	United States	2659109	680221304	US6802213042	ORI	19331	Old Republic Intl Corporation	Financials	Insurance	24.15	\$ 464,428.65	1.42%	1.47%
31-Dec-22	EQ	US	United States	2588184	595112103	US5951121038	MU	9913	Micron Technology Inc.	Information Technology	Semiconductors & Semiconductor Equipment	49.98	\$ 498,451.74	1.51%	1.57%
31-Dec-22	EQ	IE	Ireland	8970161	478366107	US4783661071	ICI	3682	Johnson Controls International	Industrials	Building Products	64.8	\$ 235,648.00	0.72%	0.74%
31-Dec-22	EQ	US	United States	2161568	68389X105	US68389X1054	ORCL	2403	Oracle Corporation	Information Technology	Software	81.74	\$ 156,421.22	0.60%	0.62%
31-Dec-22	EQ	US	United States	2175672	14149Y108	US14149Y1082	CAH	9459	Cardinal Health Inc.	Health Care	Health Care Providers & Services	76.87	\$ 727,113.33	2.22%	2.30%
31-Dec-22	EQ	US	United States	2198163	17275R102	US17275R1023	CSCO	6719	Cisco Systems, Inc.	Information Technology	Communications Equipment	47.64	\$ 320,093.16	0.98%	1.01%
31-Dec-22	EQ	SG	Singapore	2353308	Y2573F102	SG0999000020	FLEX	27510	Flex Ltd ORD	Information Technology	Electronic Equipment, Instruments & Components	21.46	\$ 590,364.60	1.80%	1.87%
31-Dec-22	EQ	US	United States	2475833	478360104	US4783601046	JNJ	3490	Johnson & Johnson	Health Care	Pharmaceuticals	176.65	\$ 615,908.50	1.88%	1.95%
31-Dec-22	EQ	US	United States	2255908	602002103	G80022569080	DOX	10168	Amesco Ltd. ORD	Information Technology	IT Services	90.8	\$ 934,271.20	2.82%	2.92%
31-Dec-22	EQ	US	United States	2586122	505408409	US5054084092	LH	2026	Laboratory Corp of Amer Holdings	Health Care	Health Care Providers & Services	235.48	\$ 477,082.48	1.46%	1.51%
31-Dec-22	EQ	US	United States	2577609	126650100	US1266501006	CVS	7745	CVS Health Corp	Health Care	Health Care Providers & Services	93.19	\$ 721,756.55	2.20%	2.28%
31-Dec-22	EQ	US	United States	2405302	446016101	US4460161017	HAL	25372	Halliburton Co.	Energy	Energy Equipment & Services	39.35	\$ 993,380.20	3.05%	3.16%
31-Dec-22	EQ	US	United States	2279303	681819106	US6818191064	DMC	9122	Omniscion Group Inc	Communication Services	Media	81.57	\$ 744,081.54	2.27%	2.35%
31-Dec-22	EQ	US	United States	2842040	857477103	US8574771031	STT	5901	State Street Corporation	Financials	Capital Markets	77.57	\$ 457,740.57	1.40%	1.45%
31-Dec-22	EQ	US	United States	2838555	166764100	US1667641005	CXV	7516	Chevron Corporation	Energy	Oil, Gas & Consumable Fuels	179.49	\$ 1,349,046.84	4.12%	4.26%
31-Dec-22	EQ	US	United States	2073380	694670702	US6946707026	BRKB	1366	Berkshire Hathaway Cl B Shs	Financials	Diversified Financial Services	308.9	\$ 421,957.40	1.29%	1.33%
31-Dec-22	EQ	US	United States	2342034	137738108	US1377381088	FSV	8239	Fluor Inc.	Information Technology	IT Services	101.07	\$ 832,151.73	2.54%	2.63%
31-Dec-22	EQ	US	United States	8H0775	125509109	US1255091092	CIGN	2709	Cigna Corp	Health Care	Health Care Providers & Services	318.34	\$ 897,600.06	2.74%	2.84%
31-Dec-22	EQ	US	United States	2065955	053332102	US0533321024	AZO	210	AutoZone Inc.	Consumer Discretionary	Specialty Retail	246.6	\$ 517,897.80	1.58%	1.64%
31-Dec-22	EQ	US	United States	2044545	20030N101	US20030N1019	CMCSA	24569	Comcast Corp Cl A	Communication Services	Media	34.97	\$ 859,177.93	2.62%	2.72%
31-Dec-22	EQ	US	United States	2598099	608190104	US6081901042	MNK	4197	Mohawk Industries Inc.	Consumer Discretionary	Consumer Discretionary	102.22	\$ 439,017.84	1.31%	1.36%
31-Dec-22	EQ	US	United States	2297907	172967424	US1729674242	C	15237	Citigroup Inc.	Financials	Banks	45.23	\$ 689,169.51	2.10%	2.18%
31-Dec-22	EQ	FR	France	2964557	80105N105	US80105N1054	SNY	10495	Sanofi ADR	Health Care	Pharmaceuticals	48.43	\$ 508,272.85	1.55%	1.61%
31-Dec-22	EQ	US	United States	2523022	540424108	US5404241086	L	5840	Loews Corp.	Financials	Insurance	58.33	\$ 340,647.20	1.04%	1.08%
31-Dec-22	EQ	US	United States	21469450	981475106	US9814751064	INTC	21500	World Fuel Services Corp	Energy	Oil, Gas & Consumable Fuels	27.33	\$ 587,538.00	1.79%	1.86%
31-Dec-22	EQ	US	United States	2527019	192446102	US1924461023	CTSH	10159	Cognizant Technology Solutions	Information Technology	IT Services	57.19	\$ 580,993.21	1.77%	1.84%
31-Dec-22	EQ	US	United States	8Y8887	02079K107	US02079K1079	GOOG	5972	Alphabet Inc Class C	Communication Services	Interactive Media & Services	88.73	\$ 529,895.56	1.62%	1.67%
31-Dec-22	EQ	IE	Ireland	80B06Q21	096629103	E000806Q211	WTW	2957	Willis Towers Watson PLC	Financials	Insurance	244.58	\$ 732,233.06	2.21%	2.29%
31-Dec-22	EQ	US	United States	8832462	877249106	US8772491066	TMH	8636	Taylor Morrison Home Corp	Consumer Discretionary	Household Durables	30.35	\$ 262,103.60	0.80%	0.83%
31-Dec-22	EQ	US	United States	8H468G66	40412C101	US40412C1018	HCA	2652	HCA Healthcare Inc	Health Care	Health Care Providers & Services	239.96	\$ 636,373.92	1.94%	2.01%
31-Dec-22	EQ	US	United States	87K24P7	457187102	US4571871023	INGR	6969	Ingrédients Inc.	Consumer Staples	Food Products	97.93	\$ 682,474.17	2.08%	2.16%
31-Dec-22	EQ	US	United States	8UJMGV5	351371204	US3513712043	FOX	17209	Fox Corp Class B	Communication Services	Media	28.45	\$ 489,596.05	1.49%	1.55%
31-Dec-22	EQ	US	United States	8K783A2	220521104	US2205211044	CTVA	4955	Corteva Inc.	Materials	Chemicals	58.78	\$ 291,254.90	0.89%	0.92%
31-Dec-22	EQ	US	United States	8K77287	89832Q109	US89832Q1094	TFC	12523	Truist Financial Corp	Financials	Banks	43.03	\$ 656,336.59	2.00%	2.07%
31-Dec-22	EQ	US	United States	88R9Y4	74736K101	US74736K1016	QRVO	3279	Qorvo Inc.	Information Technology	Semiconductors & Semiconductor Equipment	90.64	\$ 297,208.56	0.91%	0.94%
31-Dec-22	EQ	US	United States	89S2889	68268W103	US68268W1036	OMF	13036	OpenMan Holdings Inc	Financials	Consumer Finance	33.31	\$ 434,279.16	1.33%	1.37%
31-Dec-22	EQ	CA	Canada	2655657	683715106	CA6837151068	OTEX	8296	Open Text Corp	Information Technology	Software	29.64	\$ 245,893.44	0.75%	0.78%
31-Dec-22	EQ	GB	United Kingdom	809G251	039108108	G800809G2512	GTEES	19131	Gates Industrial Corp PLC	Industrials	Machinery	11.41	\$ 218,284.71	0.67%	0.69%
31-Dec-22	CASH							1116649.7	Total Cash			1	\$ 1,116,649.70	3.41%	

WELLINGTON
MANAGEMENT®

Select Equity Income

For institutional use only. Not intended for reproduction or use with the public. Any views expressed herein are those of the author(s), are based on available information, and are subject to change without notice. Individual portfolio management teams may hold different views and may make different investment decisions for different clients. The material and/or its contents are current as of the most recent quarter end, unless otherwise noted. Certain data provided is that of a third party. While data is believed to be reliable, no assurance is being provided as to its accuracy or completeness.

Agenda

- Section One** Wellington Management Company LLP overview
- Section Two** Select Equity Income
- Section Three** Appendix

Wellington Management today

A trusted advisor and strategic partner to clients worldwide

BY THE NUMBERS

Business

USD 1,097 billion of client assets under management

2,499 clients

63 countries in which clients are based

People and portfolios

1,029 investment professionals

16 years of experience, on average

192 partners all active at the firm

Heritage: key dates

1928 Wellington Fund – the first US balanced fund

1979 Establishment of our private partnership

1994 Our first long – short strategy

2014 Our first dedicated private equity strategy

2015 Global Impact: Our first diversified impact investing strategy in public equities



OWNERSHIP MODEL

Long-term perspective of a private partnership structure

Attract and retain investment talent

Independent: No public shareholders, no outside capital

Interests aligned with clients



BUSINESS MODEL

Singular focus on investment management

Diversification by asset class, geography, and client type

Research for client benefit only

Commitment to bringing the right resources to each client



INVESTMENT MODEL

Comprehensive capabilities

Rigorous proprietary research

Career analysts

Global resources

Empowered portfolio teams



CULTURE

Open, collaborative

Performance driven

Professional/collegial

High standards, ethics, and integrity

Global diversity and inclusion



Contributors to firm sustainability

CURRENT LEADERSHIP INITIATIVES

Invest in our talent

Ambitiously evolve our investment capabilities to help investors grow and succeed

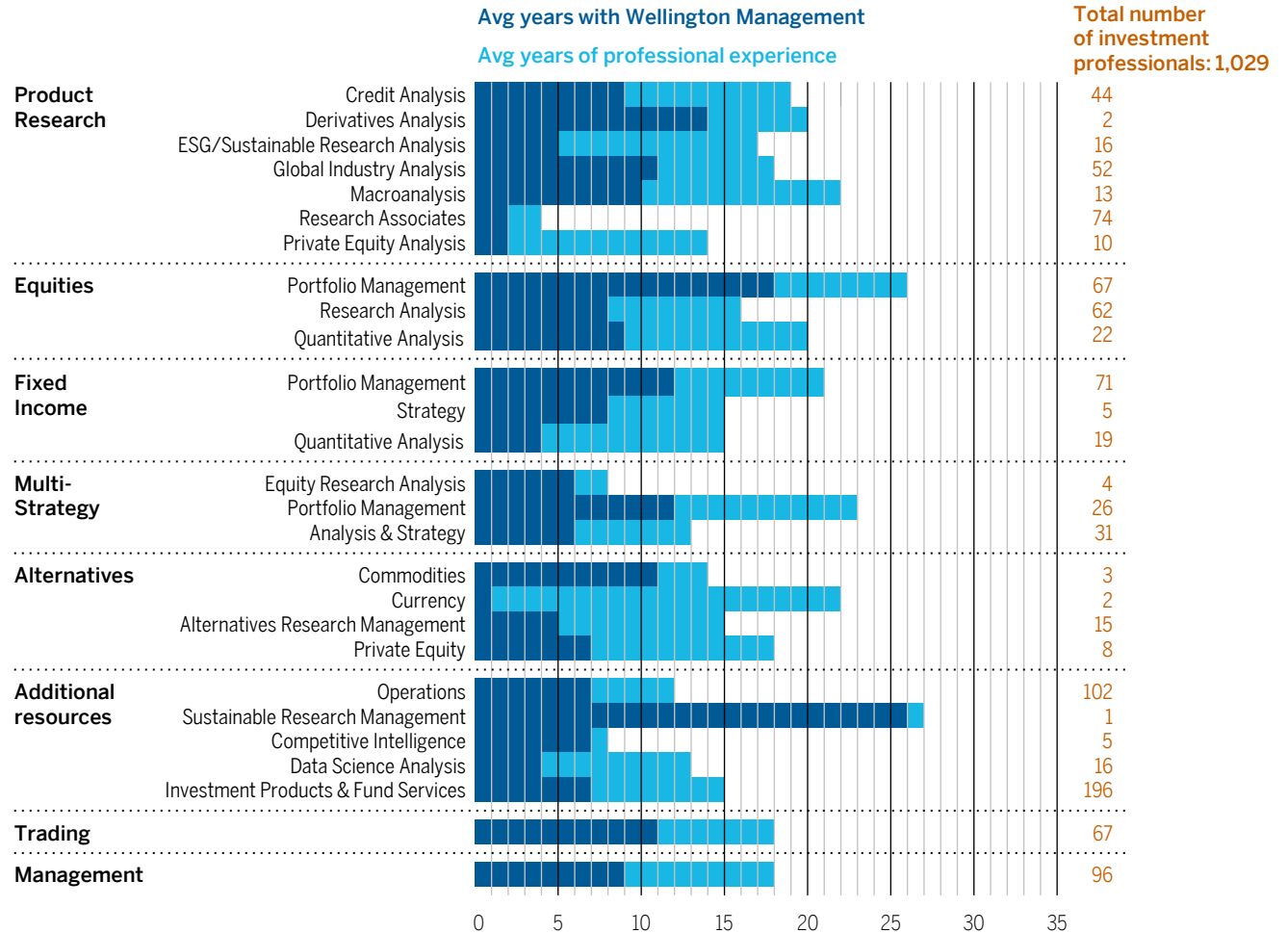
Pursue innovation in active management to help our clients' long-term outcomes

Transform our approach to technology to enable investment and operational excellence at scale

Depth, experience, and continuity create interpretation advantage

Investors draw on rigorous, proprietary research

We conduct research through fundamental; environmental, social, and corporate governance (ESG); quantitative; macro; and technical lenses



Wellington Management

A geographically diverse, interconnected investment team



UNITED STATES: 682¹

LONDON: 169¹

HONG KONG: 47¹

TOKYO: 15¹

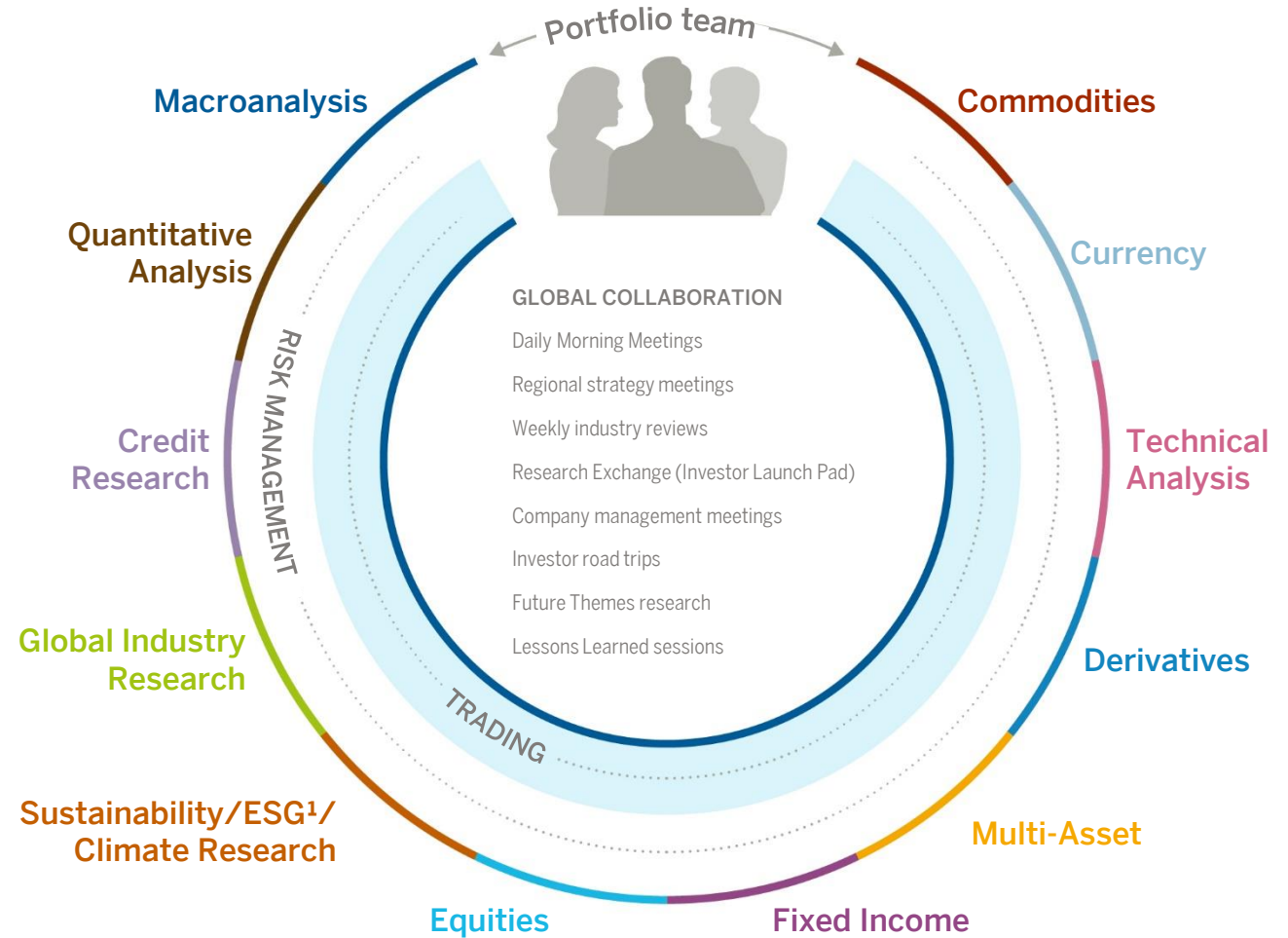
SINGAPORE: 44¹

SYDNEY: 5¹

¹Number of investment professionals | As of 30 June 2022

Investors draw on our marketplace of ideas to build portfolios

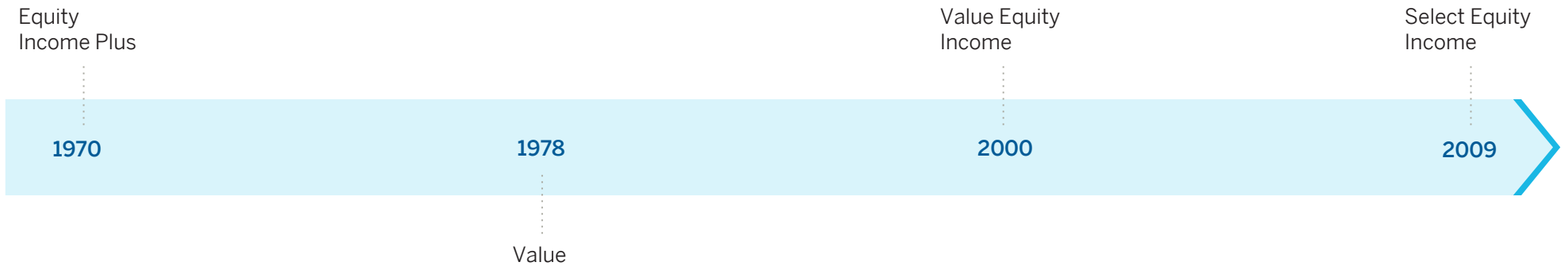
We believe the best investment thinking is forged by the free exchange of ideas among a broadly diverse group of professionals



¹Environmental, social, and corporate governance

Select Equity Income

One team...one investment philosophy...consistent over time



Consistent approach and philosophy throughout

Sustainable over long periods of time

Continuity and depth of team

Opportunistic

Select Equity Income

Distinguishing features

Experienced team, process, and approach

Consistent investment process and approach since 1970

6 members today with an average of 18 yrs professional experience

Quality large-cap value focus

Seeks large-cap companies with solid balance sheets and below-market valuations

Employ total return approach with valuation discipline

Yield orientation and dividend advantage

Seeks above-market yields, with emphasis on dividend sustainability and growth

Dividends are a significant component of total return

Downside mitigation potential

Emphasis on quality companies with above-market yields and discounted valuations to mitigate downside

Favorable risk/reward characteristics with potential to outperform with lower volatility over time

Select Equity Income Philosophy

Based on our belief that

Markets underappreciate the impact of dividends on shareholder returns

Markets focus excessively on the short term and anchor forward expectations to recent results, causing overreactions to short-term events and apathy toward long-term structural changes

We seek to

Exploit these inefficiencies with a multi-year investment horizon and a contrarian valuation approach focused on dividend-paying companies with qualities that support dividend sustainability and long-term dividend growth

Deliver long-term outperformance by protecting the downside of the portfolio and outperforming in weak equity markets, while participating in rising equity markets

Select Equity Income

Investment team and resources



Matthew C. Hand, CFA

Equity Portfolio Manager/Analyst
University of Pennsylvania
2004, BA
20 years of professional experience
19 years with Wellington Management



Adam H. Illfelder, CFA

Equity Portfolio Manager/Analyst
Northwestern University (Kellogg)
2001, MBA
26 years of professional experience
18 years with Wellington Management



Sean M. Kammann

Equity Portfolio Manager/Analyst
University of Pennsylvania (Wharton)
2007, MBA
23 years of professional experience
15 years with Wellington Management



Betsy M. George

Equity Research Analyst
Harvard Business School
2010, MBA
15 years of professional experience
5 years with Wellington Management



Ravi Gill, CFA

Equity Research Analyst
Baruch College, University City New York
2007, MSc
16 years of professional experience
4 year with Wellington Management



Dan Zoellick

Equity Research Analyst
University of Pennsylvania (Wharton)
2020, MBA
12 years of professional experience
3 year with Wellington Management

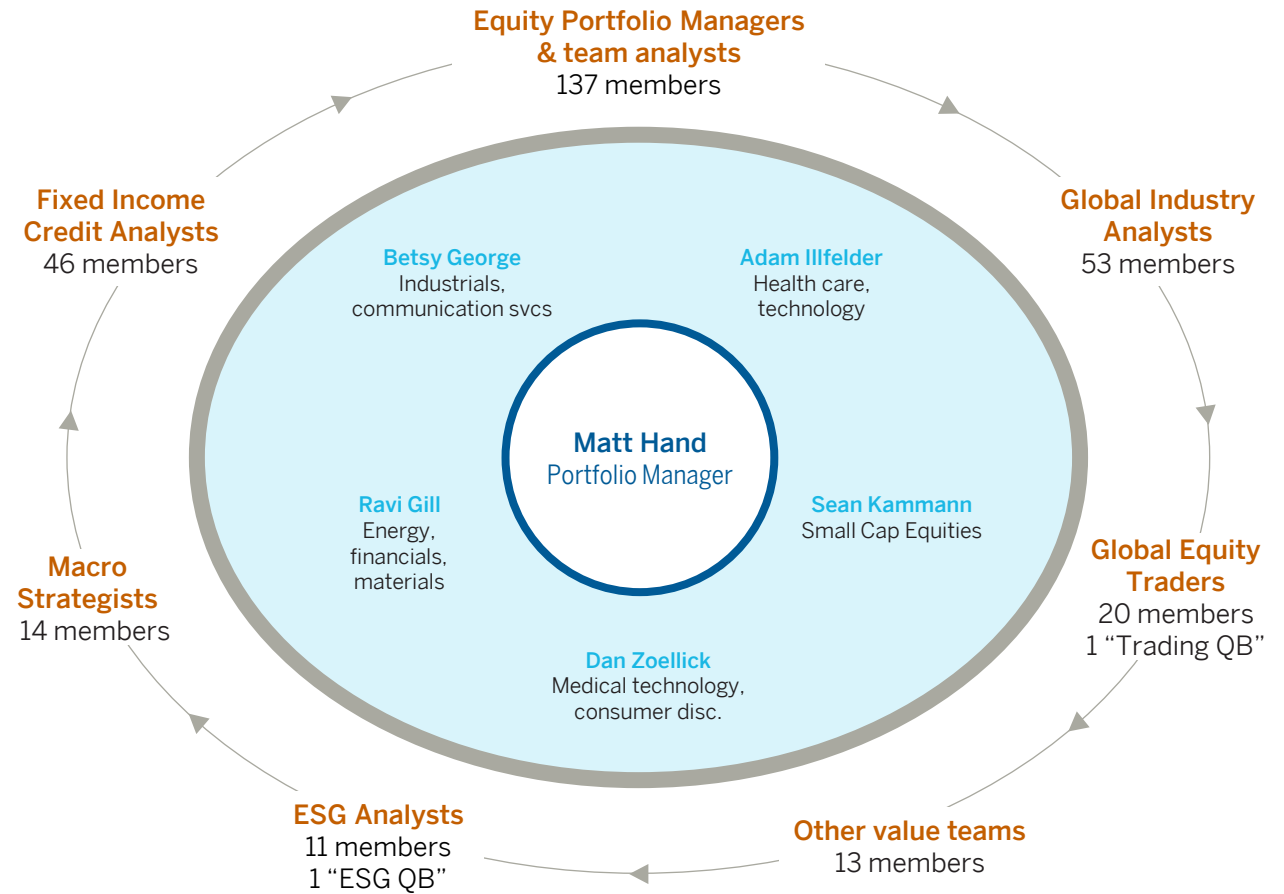


Richard K. Hoffman

Investment Director
Northeastern University
2001, MBA
24 years of professional experience
21 years with Wellington Management

Select Equity Income

Firmwide resources contribute to the team



Select Equity Income

Investment objective and approach

Objective

Seeks to provide returns above the Russell 1000 Value Index with a focus on dividend paying companies

Investment approach

Fundamental, research based decisions – proprietary, contrarian, bottom-up

Purchase what we believe are solid companies, temporarily out-of-favor

Seek a balance between valuation, quality, and sustainable dividend yield

Portfolio construction¹

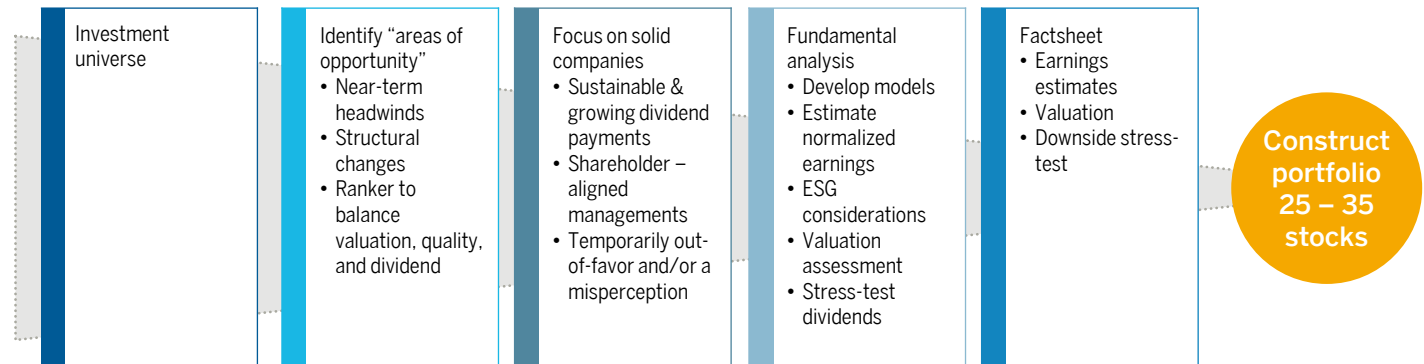
Seeks to create a portfolio with

- Similar or higher growth
- Higher yield
- Lower valuation
- Concentrated portfolio holdings

Narrowing of “value gap” can lead to outperformance over time²

¹All market relative comments refer to the S&P 500 as a proxy for the broad market. | ²“Value gap” is a superior return expectation at a discounted valuation.

Select Equity Income Investment approach



The characteristics presented are sought during the portfolio management process. Actual experience may not reflect all of these characteristics, or may be outside of stated ranges.

Select Equity Income

Areas of potential opportunity

Near term headwinds

Misunderstood
negative event

Temporarily
depressed returns

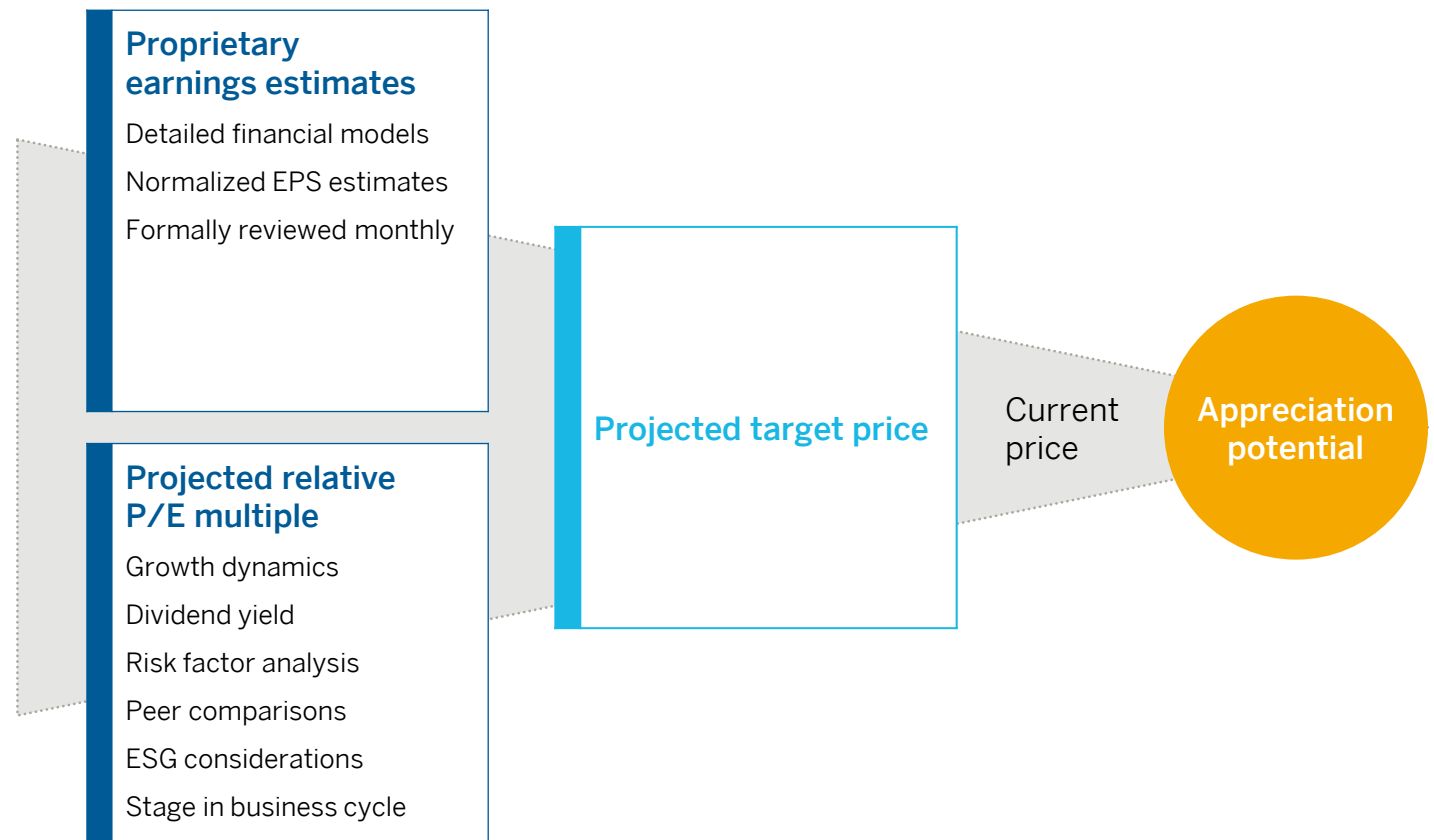
Structural or fundamental changes

Management
change

Consolidating
industry structure

Select Equity Income

Establishing target prices – “Fact sheet” discipline



The characteristics presented are sought during the portfolio management process. Actual experience may not reflect all of these characteristics, or may be outside of stated ranges.

Select Equity Income

Portfolio construction

Buy discipline

Purchase stocks with the greatest appreciation potential

Portfolio built one stock at a time from the bottom up

Sell discipline

We generally sell stocks when one of the following occurs

- Target price
- Fundamental outlook has changed – avoiding value traps and dividend cuts
- More attractive investment alternatives

Select Equity Income

Portfolio construction and risk oversight

Portfolio construction

Position size

Max exposure at market: 7%

Number of holdings: 25 – 35

Sector weights

Generally $\pm 10\%$ relative to Russell 1000 Value Index

Non-US companies

Less than 20% of the portfolio

Market cap

Generally greater than USD 2 billion

Valuation

P/E typically 10 – 30% lower than the market

Yield higher than market

Growth

Market-like or higher

Cash

Typically less than 5%

Risk oversight

Portfolio management

Assess dividend sustainability

ESG review

Construct a balanced portfolio

Stress test holdings in a recession environment

Product management

Independent portfolio analysis

Style consistency/factor risks/stress testing

Capacity/business risks

Investments and risk management

Research and insights on risk and market trends

Lead independent Risk Advisory Council

Develop new analytics/tools

Line management and senior management review groups

Philosophy/process/performance/characteristics

Resource assessment

Compliance

Active pre- and post-trade compliance monitoring

The characteristics presented are sought during the portfolio management process. Actual experience may not reflect all of these characteristics, or may be outside of stated ranges.

Select Equity Income

Representative account top ten holdings

As of 31 December 2022

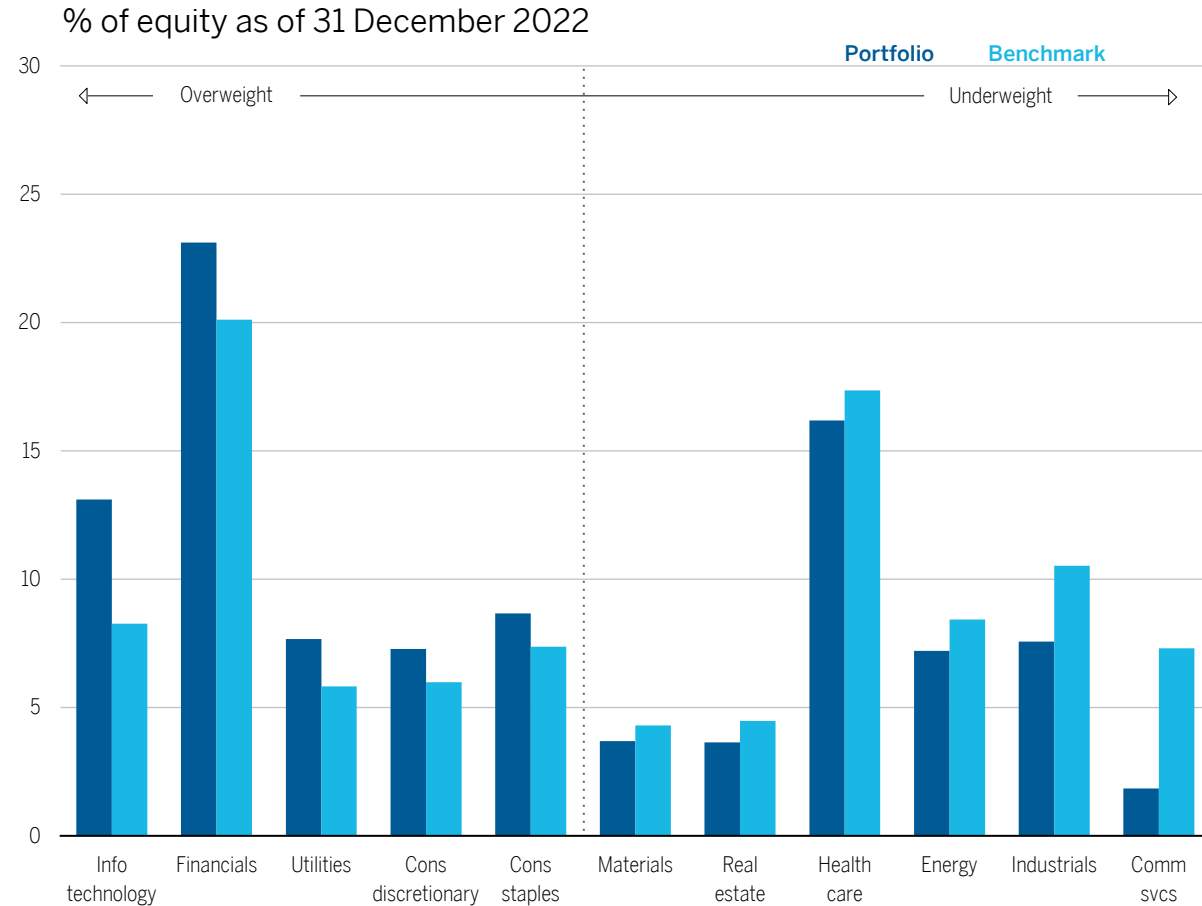
Company	Industry Group	% of equities	% of benchmark
Merck & Co.	Pharma, biotech & life sci	5.0	0.9
Unilever	Househld & pers prods	4.8	0.0
Pfizer	Pharma, biotech & life sci	4.7	1.6
Ares Management	Divers financials	4.1	0.0
Johnson Controls	Capital goods	4.0	0.2
Exelon	Utilities	4.0	0.2
Philip Morris	Food, beverage & tobacco	3.9	0.9
Cisco Systems	Tech hardware & equip	3.8	1.1
Morgan Stanley	Divers financials	3.8	0.6
Sempra Energy	Utilities	3.7	0.3
Total		41.7	5.7

Number of equity names: 28

Benchmark: Russell 1000 Value | Sums may not total due to rounding. | The specific securities identified are not representative of all of the securities purchased, sold, or recommended for clients. It should not be assumed that an investment in the securities identified has been or will be profitable. Actual holdings will vary for each client and there is no guarantee that a particular client's account will hold any or all of the securities listed. | The data shown is of a representative account, is for informational purposes only, is subject to change, and is not indicative of future portfolio characteristics or returns. This information complements the GIPS® Composite Report included at the end of the materials. Please refer to the Important Disclosures page for additional information.

Select Equity Income

Representative account sector weights



Benchmark: Russell 1000 Value. | The data shown is of a representative account, is for informational purposes only, is subject to change, and is not indicative of future portfolio characteristics or returns. This information complements the GPS® Composite Report included at the end of the materials. Please refer to the Important Disclosures page for additional information.

Select Equity Income

Representative account characteristics

As of 31 December 2022

	Portfolio	Benchmark	Benchmark 2
Size			
Asset-weighted market cap (USD, bil)	136.0	151.4	417.3
Median market cap (USD, bil)	91.8	11.3	29.6
Over USD 50 bil (%)	60	61	76
USD 20 – 50 bil (%)	30	21	17
USD 10 – 20 bil (%)	10	10	6
USD 2 – 10 bil (%)	0	9	1
Under USD 2 bil (%)	0	0	0
Valuation			
Projected EPS growth (5-yr, %)	9.1	7.0	7.0
Projected P/E (x)	14.4	13.7	16.3
Yield (%)	3.1	2.3	1.8
Risk (holdings based)			
Asset turnover (1-yr, %)	59		
Risk (returns based)			
Historical beta (3-yr, USD)	0.92		
Historical R ² (3-yr, USD)	0.97		
Historical tracking risk (3-yr, USD, %)	3.85		

Benchmark: Russell 1000 Value. Benchmark 2: S&P 500. | Projected EPS growth (5-yr) for the Russell 1000 Value index and the S&P 500 index are based on the average of rolling five-year compound annual growth rates for the S&P 500 index earnings since 1935, which reflects the relative growth comparison the team uses. | Projected P/E for the Russell 1000 Value index is based on consensus estimates. | Historical beta, historical R², and historical tracking risk are calculated versus the Russell 1000 Value index. | Sums may not total due to rounding. | If access products are held by the portfolio they may not be included in the calculation of characteristic data. Access products are instruments used to gain access to equity markets not otherwise available and may include (but are not limited to) instruments such as warrants, total return swaps, p-notes, or zero strike options. | The data shown is of a representative account, is for informational purposes only, is subject to change, and is not indicative of future portfolio characteristics or returns. Portfolio characteristics are based on the underlying holdings of the representative account and are subject to change. This data may be sourced internally or externally depending on the specific approach, availability of internal data, underlying holdings characteristics, and other factors. Projected or forward looking characteristics are based on a number of assumptions and the use of alternative assumptions could yield significantly different results. Additional information on this data is available upon request. | Historical returns based risk characteristics are based upon gross composite performance, rather than representative account data. | This information complements the required net of fee returns included elsewhere in these materials. | This information complements the GIPS® Composite Report included at the end of the materials. Please refer to the Important Disclosures page for additional information.

Select Equity Income

Investment returns

As of 31 December 2022 (% , USD)

	1 yr	3 yrs	5 yrs	10 yrs
Select Equity Income Composite (net)	3.4	13.6	12.2	13.6
Select Equity Income Composite (gross)	4.2	14.4	12.9	14.4
Russell 1000 Value	-7.5	6.0	6.7	10.3

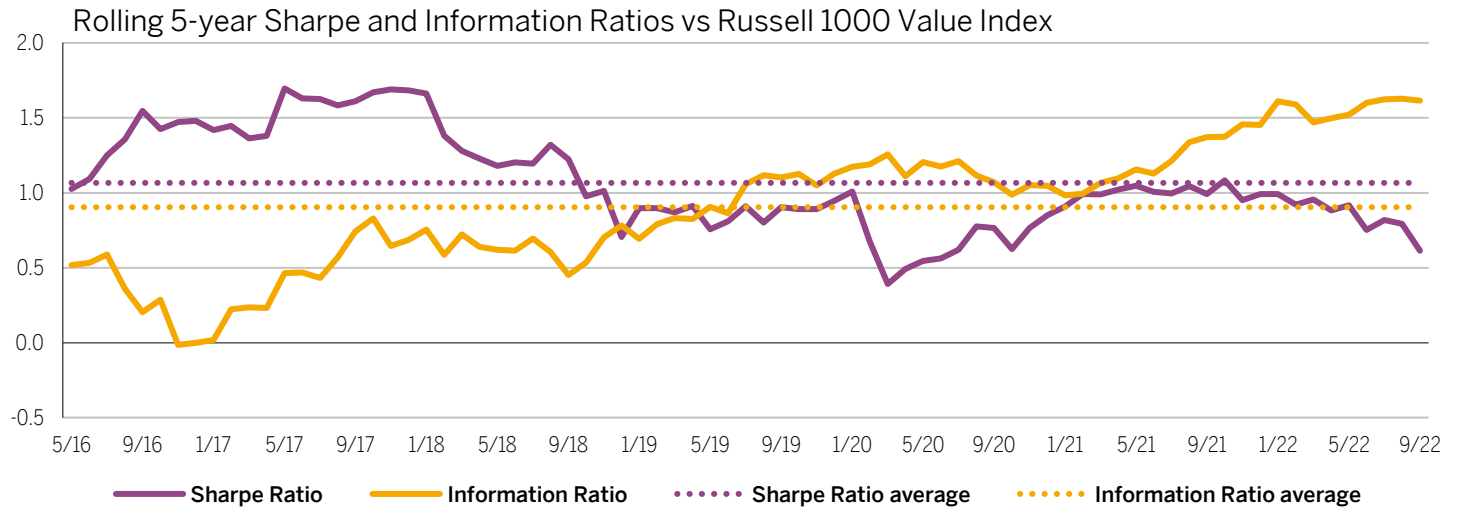
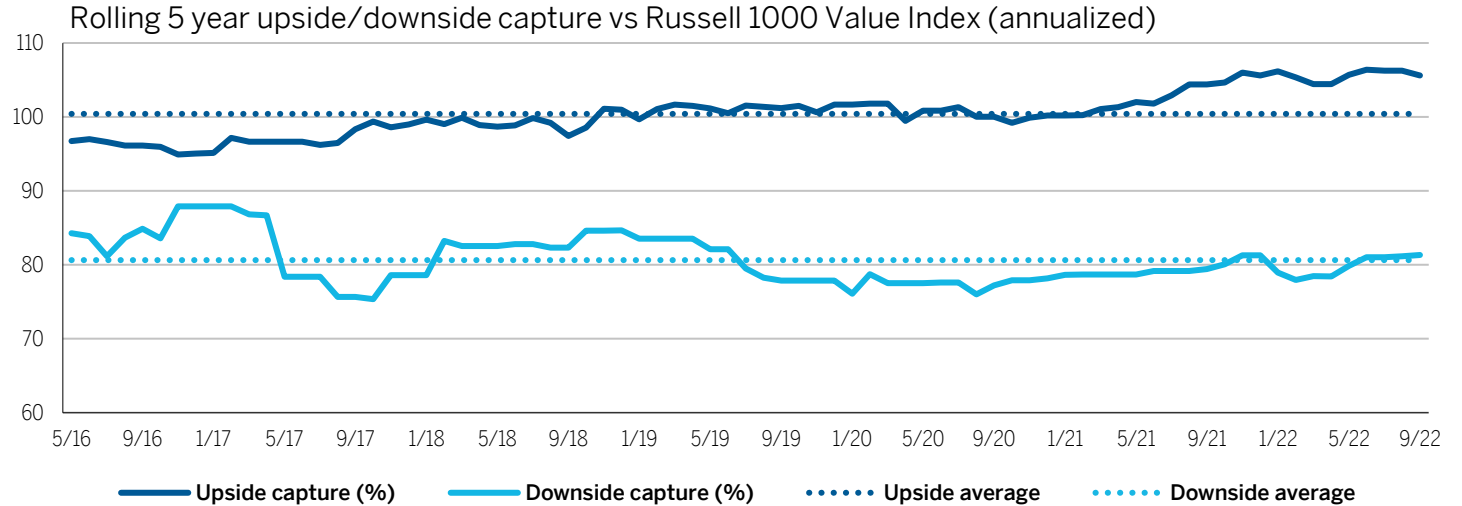
	2022	2021	2020	2019	2018	2017
Select Equity Income Composite (net)	3.4	29.7	9.3	30.3	-7.1	19.1
Select Equity Income Composite (gross)	4.2	30.6	10.1	31.2	-6.4	19.9
Russell 1000 Value	-7.5	25.2	2.8	26.5	-8.3	13.7

	2016	2015	2014	2013
Select Equity Income Composite (net)	15.8	0.2	10.9	31.7
Select Equity Income Composite (gross)	16.6	0.9	11.6	32.6
Russell 1000 Value	17.3	-3.8	13.5	32.5

Performance returns for periods one year or less are not annualized. | **PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS. AN INVESTMENT CAN LOSE VALUE.** Gross performance results are net of commissions and other direct expenses, but before (gross of) advisory fees, custody charges, withholding taxes, and other indirect expenses, and include reinvestment of dividends and other earnings. Net performance results are based on the highest published US advisory fee for this product, include reinvestment of dividends and other earnings, and are net of advisory fees, commissions, and other direct expenses, but before custody charges, withholding taxes, and other indirect expenses. Composite returns have the potential to be adjusted until reviewed and finalized 30 days following each calendar quarter end period. This information complements the GIPS® Composite Report included at the end of the materials. Please refer to the Important Disclosures page for additional information.

Select Equity Income Composite

Total gross return statistics

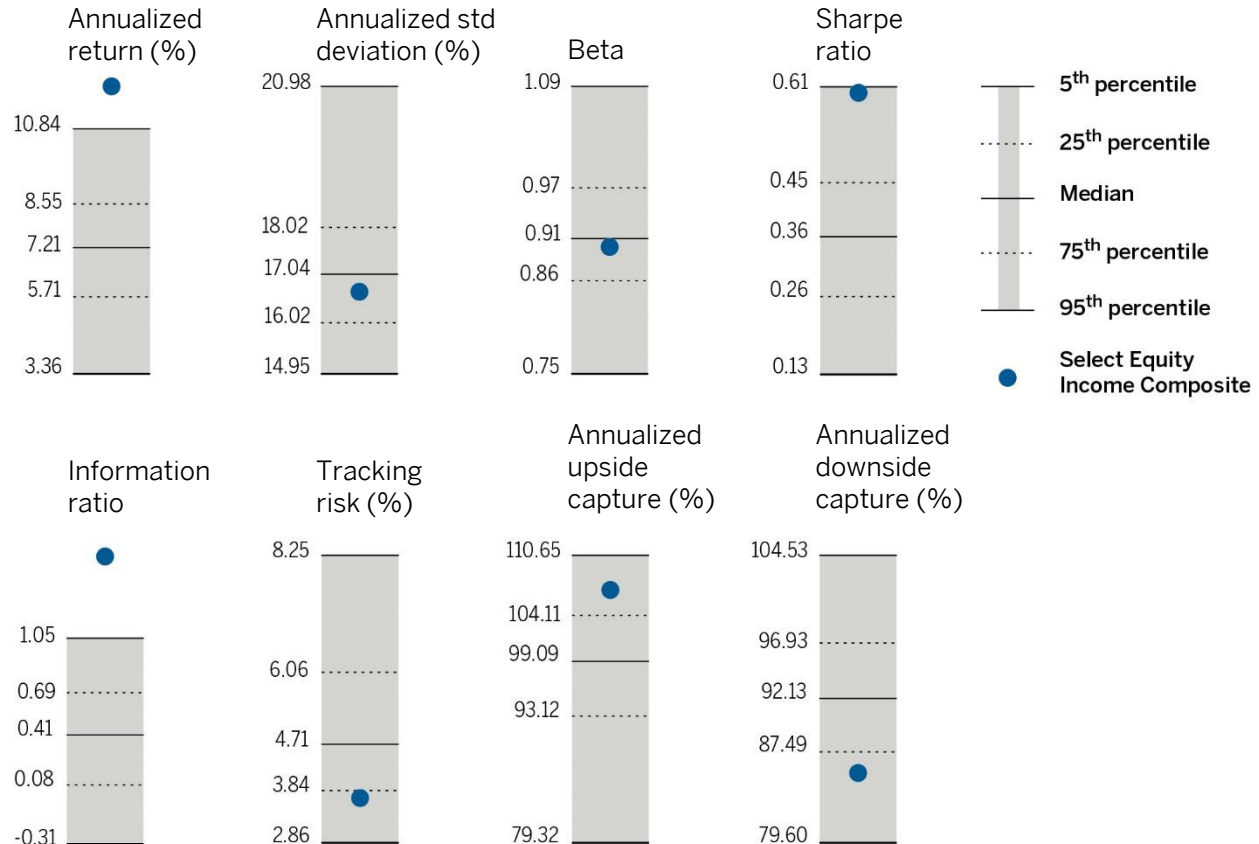


Source: Wellington Management | **PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS. AN INVESTMENT CAN LOSE VALUE.**
 Gross performance results are net of commissions and other direct expenses, but before (gross of) advisory fees, custody charges, withholding taxes, and other indirect expenses, and include reinvestment of dividends and other earnings. If all expenses were reflected, the performance shown would be lower. Actual fees will vary depending on, among other things, the applicable fee schedule and account size. Composite returns have the potential to be adjusted until reviewed and finalized 30 days following each calendar quarter end period. This information complements the required net of fee returns included elsewhere in these materials. This information complements the GIPS® Composite Report included at the end of the materials. Please refer to the Important Disclosures page for additional information. | Chart Data: 31 May 2016 – 30 September 2022

Select Equity Income Composite

Risk comparison

5 years as of 30 September 2022 (gross, USD)



	1 year	3 years	5 years	10 years
Annualized return percentile rank (gross)	1	1	3	1
# of constituents	191	188	182	151

Source: eVestment | The US Dividend Focus Equity manager returns are presented for 1 year, 3 years, 5 years and 10 years as of 30 September 2022. The inception of the Select Equity Income Composite (the "Adviser") was 31 May 2009. The peer group comparison represents percentile, which are based on gross of fee returns and reflect where those returns or given metric fall within the indicated universe. The US Dividend Focus Equity universe is defined as US Equity products that weight their portfolios toward securities with dividend yields at or above the broad market average. REIT and MLP products are excluded from this categorization. Constituent observations are as of 29 November 2022. The Adviser did not pay a fee to be included in the rankings. Data is that of a third party. While data is believed to be reliable, no assurance is being provided as to its accuracy or completeness. |

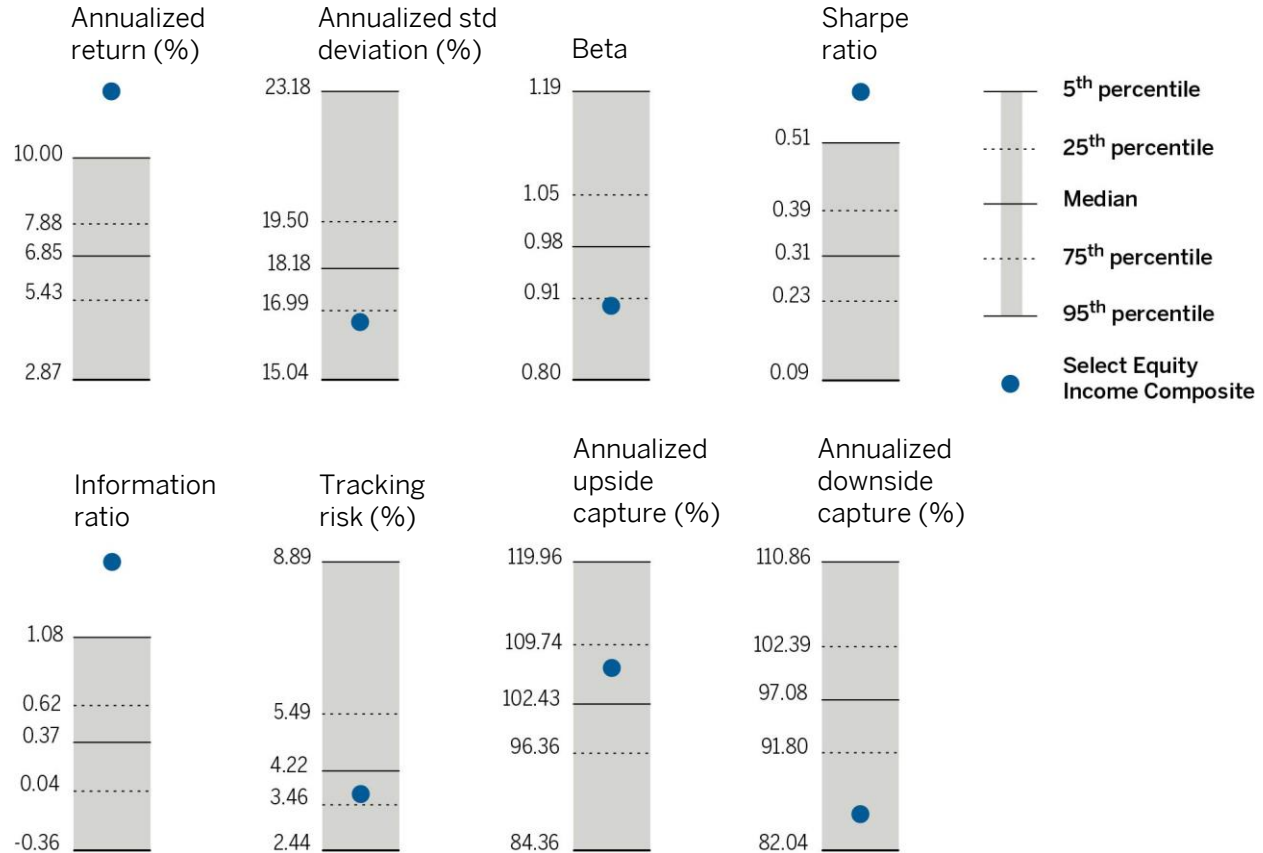
PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS. AN INVESTMENT CAN LOSE VALUE.

Gross performance results are net of commissions and other direct expenses, but before (gross of) advisory fees, custody charges, withholding taxes, and other indirect expenses, and include reinvestment of dividends and other earnings. If all expenses were reflected, the performance shown would be lower. Actual fees will vary depending on, among other things, the applicable fee schedule and account size. This information complements the required net of fee returns included elsewhere in these materials. This information complements the GIPS® Composite Report included at the end of the materials.

Select Equity Income Composite

Risk comparison

5 years as of 30 September 2022 (gross, USD)



Source: eVestment | The US Large Cap Value Equity manager returns are presented for 1 year, 3 years, 5 years and 10 years as of 30 September 2022. The inception of the Select Equity Income Composite (the "Adviser") was 31 May 2009. The peer group comparison represents percentile, which are based on gross of fee returns and reflect where those returns or given metric fall within the indicated universe. The US Large Cap Value Equity universe is defined as actively-managed US Equity products that primarily invest in large capitalization stocks that may be trading at prices lower than their fundamental or intrinsic value. Common benchmarks for this universe include the S&P 500 Value and Russell 1000 Value. Constituent observations are as of 2 December 2022. The Adviser did not pay a fee to be included in the rankings. Data is that of a third party. While data is believed to be reliable, no assurance is being provided as to its accuracy or completeness. | **PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS. AN INVESTMENT CAN LOSE VALUE.**

Gross performance results are net of commissions and other direct expenses, but before (gross of) advisory fees, custody charges, withholding taxes, and other indirect expenses, and include reinvestment of dividends and other earnings. If all expenses were reflected, the performance shown would be lower. Actual fees will vary depending on, among other things, the applicable fee schedule and account size. | This information complements the required net of fee returns included elsewhere in these materials. This information complements the GIPS® Composite Report included at the end of the materials.

	1 year	3 years	5 years	10 years
Annualized return percentile rank (gross)	1	1	2	1
# of constituents	407	394	382	346

Select Equity Income

In summary

Dividend advantage

Above-market dividend yield, sustainability, and growth

Quality orientation

Large-cap companies, solid balance sheets, good managements

Valuation framework

Discounted P/E multiples relative to normalized earnings potential

Focused Equity Income

Investment returns

	As of 31 October 2022 (% , USD)		
	YTD	1 yr	3 yrs
Focused Equity Income Composite (gross)	5.7	10.0	19.2
Focused Equity Income Composite (net)	5.1	9.2	18.4
Russell 1000 Value	-9.3	-7.0	7.3

	YTD	2021	2020
	2022		
Focused Equity Income Composite (gross)	5.7	32.9	13.7
Focused Equity Income Composite (net)	5.1	32.0	12.9
Russell 1000 Value	-9.3	25.2	2.8

Focused Equity Income was launched at the end of 31 August 2019 and Matt Hand has been the sole decision maker on all positions in the approach since inception. Focused Equity Income was designed with the same objectives and guidelines as the team's existing Select Equity approach, but with Matt Hand as the portfolio manager executing toward these objectives with an emphasis on seeking long-term total returns in excess of the Russell 1000 Value Index by investing in a select number of financially sound large and mid cap dividend paying companies sustainably returning value to shareholders and which demonstrate a strong and sustainable dividend and overall return to shareholders. This is very similar to Select Equity Income, where the emphasis has been on seeking long-term total returns in excess of a broad market index, such as the Russell 1000 Value Index, by investing in a select number of large cap dividend paying companies that are financially sound but temporarily out-of-favor and which provide an above-market projected growth rate and higher dividend yield while trading at a discount. The Focused Equity Income composite returns are included here as an example of the portfolio manager's track record managing assets within the same guidelines and objectives as those that exist for Select Equity Income. Matt Hand first formally assumed portfolio manager responsibilities on the Select Equity Income approach in 2021, first as a named portfolio manager along side Michael Reckmeyer, and then he became the sole portfolio manager after Reckmeyer's retirement at the end of June 2022. The Focused Equity Income composite was formally closed in October 2022 as there was no longer any difference between Select Equity Income and Focused Equity Income since the end of June 2022 when Matt Hand became the sole decision maker on both approaches. | Performance returns for periods one year or less are not annualized. | **PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS. AN INVESTMENT CAN LOSE VALUE.** Gross performance results are net of commissions and other direct expenses, but before (gross of) advisory fees, custody charges, withholding taxes, and other indirect expenses, and include reinvestment of dividends and other earnings. Net performance results are based on the highest published US advisory fee for this product, include reinvestment of dividends and other earnings, and are net of advisory fees, commissions, and other direct expenses, but before custody charges, withholding taxes, and other indirect expenses. Composite returns have the potential to be adjusted until reviewed and finalized 30 days following each calendar quarter end period. This information complements the GIPS® Composite Report included at the end of the materials. Please refer to the Important Disclosures page for additional information.

Select Equity Income

Investment example

Idea origin

Food manufacturer

Trading at discount to peers on consensus EPS

Multiple de-rated along with a rotation away from staples

Dividend yield > market

Management meeting highlighted opportunity for better revenue growth

Conclusion

Portfolio team analyst pursues it further, coordinating with PM

Areas of opportunity

Management change

New CEO, new strategy

Increased focus on shareholder returns

Temporarily depressed returns

Revenue growth poised to accelerate

Free cash flow improving due to lower CapEx and lower restructuring costs

Conclusion

Potentially a good candidate for portfolio

Company assessment

Shareholder alignment

Dividend yield > market

Raising dividend

Dividend sustainability

Covered by FCF

Balance sheet metrics set to improve

Conclusion

Solid business and shareholder friendly leadership; conducive to dividend sustainability

Fundamental analysis

Organic sales growth improving

Estimates ahead of consensus

ESG improvements related to sustainability and governance

Fixed Income analyst highlighted improving incentive structure

Dividend covered by FCF in average recession test scenario

Conclusion

Discount unwarranted, company one of most attractive US staples

Factsheet

Proprietary earnings estimates

EPS estimate > consensus

Projected relative P/E

Assign a premium multiple based on

- Growth inflecting higher
- Earnings stability
- Defensive characteristics
- Total return potential > market¹

Appreciation potential

Above-median upside, limited downside expected

Conclusion

Initiated a position

¹Total return potential is defined as the sum of expected EPS Growth plus Dividend Yield. The example shown is presented for illustrative purposes only and is not to be viewed as representative of actual holdings. It should not be assumed that any client is invested in the (or similar) example, nor should it be assumed that an investment in the example has been or will be profitable. Actual holdings will vary for each client and there is no guarantee that a particular client's account will hold the example presented.

Why dividends matter

Dividend paying stocks have historically outperformed the broad market

Two highest dividend quintiles historically outperformed over time

Fourth quintile stocks fared better than fifth quintile stocks reflecting the importance of dividend sustainability at the company level

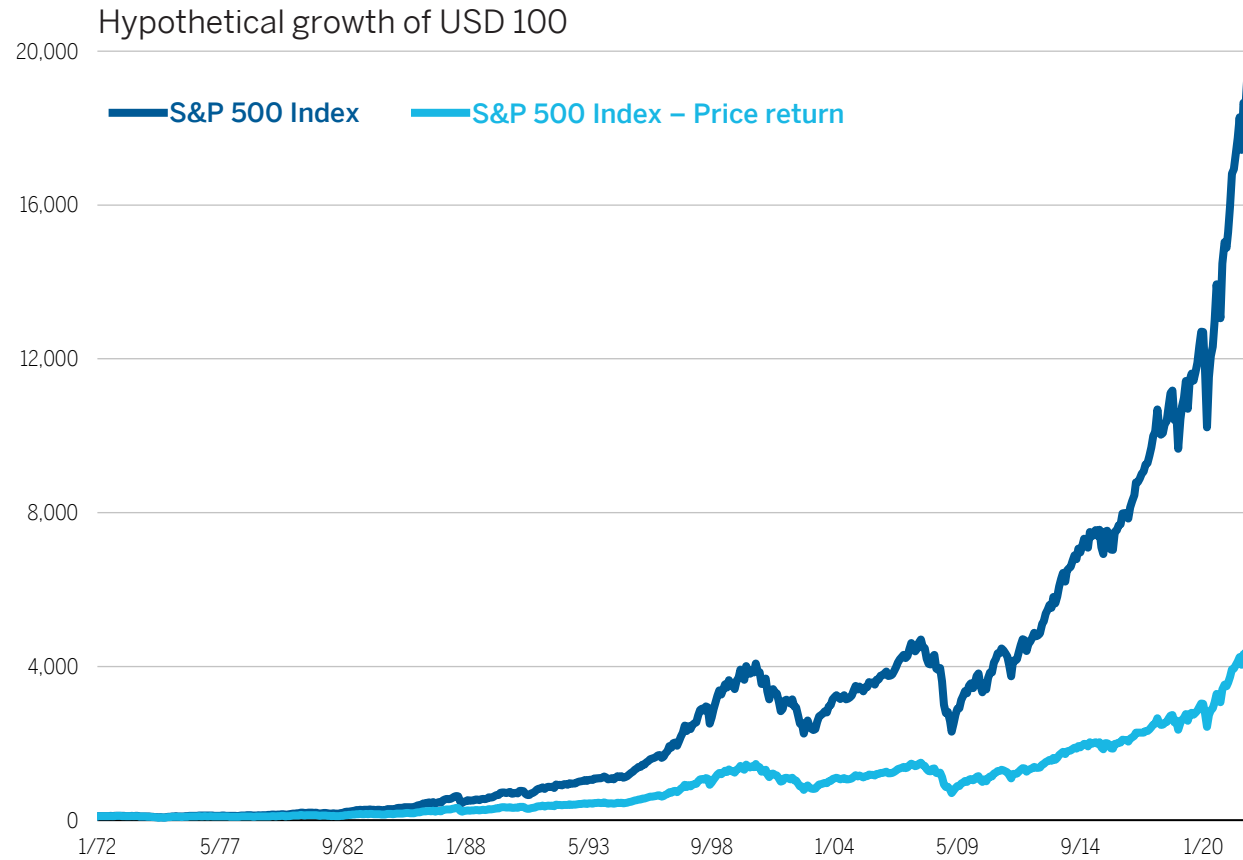
A tactic focused on the fourth quintile of dividend payers would have beaten the benchmark in every decade since the 1930s, except for the 1990s, and more recently, slightly underperforming in the 2010s

CAGR (%) for US stocks by dividend yield by decade (Jan-1930 through Jan-2022)

	Low quintile	Second quintile	Third quintile	Fourth quintile	High quintile	S&P 500	Fourth quintile vs S&P 500
1930s	2.1	-0.4	-2.4	0.4	-1.2	-5.3	5.7
1940s	6.8	8.6	10.3	13.1	13.9	3.0	10.1
1950s	19.8	16.6	18.5	20.3	18.5	15.3	5.0
1960s	9.3	8.0	6.5	8.9	8.8	7.8	1.1
1970s	3.9	7.6	7.0	10.2	9.7	5.9	4.3
1980s	14.6	16.2	17.2	19.6	20.2	17.6	2.0
1990s	18.9	18.1	15.0	15.6	12.4	18.2	-2.6
2000s	-1.8	2.0	4.1	4.9	4.9	-0.9	5.8
2010s	10.8	13.7	14.3	13.3	12.9	13.6	-0.3
2020s	33.2	22.3	12.5	8.9	15.1	19.3	-10.4
CAGR Full Period	9.7	10.1	9.9	11.6	11.0	8.3	3.3

Source: Wellington Management, S&P | Data from 12/31/1929 through 01/31/2022. Prior to 12/31/2019 quintile results based on equal weighting with annual rebalance frequency. Since 12/31/2019 quintile results based on market value weighting with monthly rebalance frequency. S&P 500 returns reflect actual reported index total returns. Quintiles returns may not tie to actual S&P 500 returns due to differences in weighting and rebalancing frequency. **PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS.**

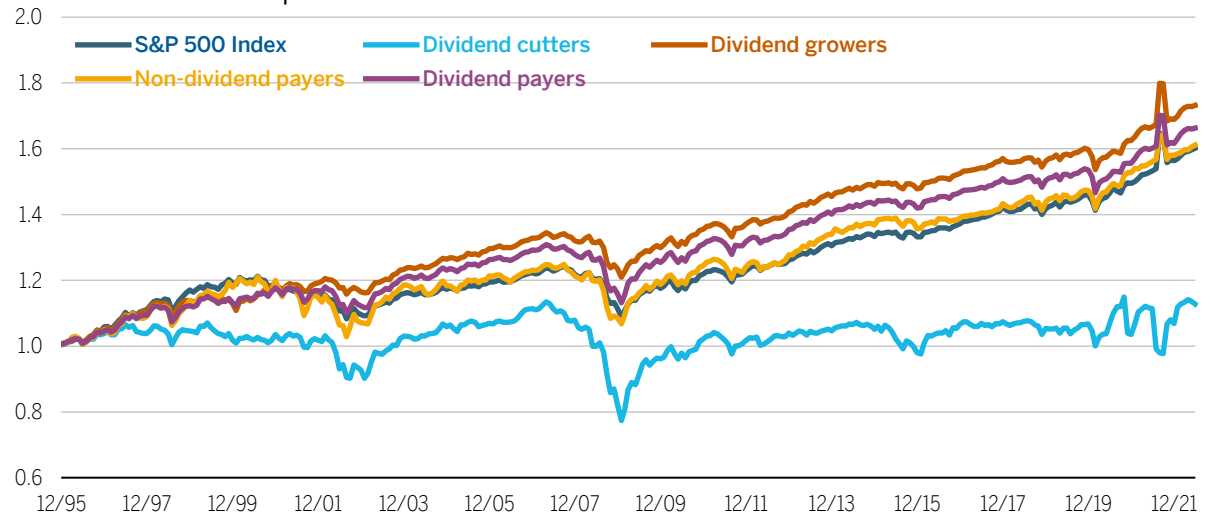
The power of dividends and compounding



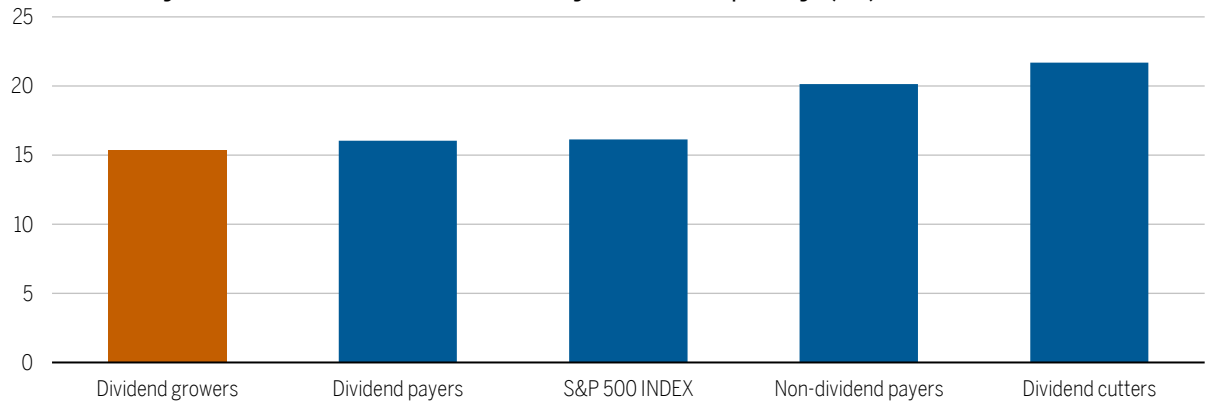
Source: Wellington Management | For illustrative purposes only. **PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS.** | Chart data: January 1972 – December 2021

Capital allocation matters

Historic return profile



Volatility of S&P 500 Index stocks by dividend policy (%)



Returns based on an equal-weighted arithmetic index, with monthly rebalancing of the S&P 500 Index component stocks | The information presented is hypothetical in nature, does not reflect actual results, and is no guarantee of future results. Actual performance will vary, perhaps significantly. | Data shown on log scale | For illustrative purposes only. | Chart data: December 1995 – June 2022

Select Equity Income

ESG analysis is integrated within our fundamental framework

ESG Research

- Identify material ESG issues
- Collaborate with ESG analysts on research and calls with management/board members
- Determine if our insights differ vs consensus

ESG Engagement

- Provide ESG feedback to management and/or board of directors
- Attempt to affect change
- Vote after engagement and in collaboration with our ESG analysts

Decision/Impact

- Assess management/board receptivity to feedback
- Evaluate impact on company's dividend sustainability, downside protection potential, and valuation
- Incorporate conclusions in decision making

Environment Example

- US utility trading at a discounted valuation due in part to mix of coal in generation
- Long-term plan to replace with renewables, driving to Net-Zero, while growing earnings, cash flows, & dividend
- Added a position on compelling valuation and total shareholder return

Social Example

- Tobacco holding announced acquisition plans that we viewed as divergent from their peer-leading smoke-free efforts
- Wrote a formal letter to company against the plan; they ultimately walked away from the potential deal
- We maintained our position

Governance Example

- Oil holding made costly bid for an E&P that used significant debt, veered from stated objectives, & jeopardized the dividend
- Wrote formal letter against the deal, collaborating with other WMC investors
- Eliminated position when response was not favorable

Examples are intended to illustrate the investment process. The examples shown are presented for illustrative purposes only and are not to be viewed as representative of actual holdings. It should not be assumed that any client is invested in the (or similar) examples, nor should it be assumed that an investment in the examples have been or will be profitable. Actual holdings will vary for each client and there is no guarantee that a particular client's account will hold the examples presented. Whilst the portfolio does not have a sustainable investment objective, the evaluation of ESG risks is an integral part of the investment process. Whilst ESG factors are a consideration when determining allocations to individual companies, they will not necessarily result in the exclusion of an issuer or security from the investment universe.

Wellington Management
Composite: Focused Equity Income
Schedule of Performance Returns from 01 September 2019 to 31 December 2021

<i>Period</i>	<i>Gross Return (%)</i>	<i>Net Return (%)</i>	<i>Benchmark Return (%)</i>	<i>Number of Portfolios</i>	<i>Internal Dispersion (%)</i>	<i>Composite Mkt. Value (USD Mil)</i>	<i>Total Firm Assets (USD Mil)</i>
2019 ¹	12.10	11.84	11.24	< 6	N/M	0.56	1,154,735
2020	13.67	12.88	2.80	< 6	N/M	0.63	1,291,419
2021	32.86	31.95	25.16	< 6	N/M	0.83	1,425,481

Benchmark: Russell 1000 Value

¹ Returns reflect performance beginning 01 September 2019. Partial year returns are not annualized.

N/M: For years where there are less than six portfolios throughout the performance period, Internal Dispersion is not meaningful.

Composite Description: Portfolios included in the Focused Equity Income composite seek long-term total returns in excess of the Russell 1000 Value Index by investing in a select number of financially sound large and mid cap dividend paying companies sustainably returning value to shareholders. The Focused Equity Income approach is managed in the value style, as opposed to a deep value style. The investment strategy utilizes a contrarian approach at initiation focused on longer-term fundamentals to create a portfolio with a strong and sustainable dividend and an overall total shareholder return (share repurchases and dividend yield) above the market's, while at a valuation multiple below broad market indexes. Sector weights will generally be within a range of those for the Russell 1000 Value Index. In times of increased market volatility, the composite characteristics may change significantly due to various risk factors. Key risks of this composite, in no particular order, include, but are not limited to, Common Stock Risk and Concentration Risk.

Composite Inception Date: The composite inception date is 31 August 2019.

Composite Creation Date: The composite creation date is November 2019.

Composite Membership: All fully discretionary, fee paying portfolios are eligible for inclusion in the composite.

Fee Schedule: The institutional separate account fee schedule for this product is:

<u>Market Value</u>	<u>Annual Fee</u>
On the first US\$25 million	0.70%
On the next US\$25 million	0.60
Over US\$50 million	0.50

Benchmark Definition: Russell 1000 Value measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.

Firm: For purposes of GIPS® compliance, the Firm is defined as all portfolios managed by Wellington Management Company LLP, an independently owned, SEC-registered investment adviser, as well as its affiliates (collectively, Wellington Management). Wellington Management provides investment advisory services to institutions around the world.

GIPS®: Wellington Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Wellington Management has been independently verified for the periods 1 January 1993 to 31 December 2020. The verification reports are available upon request.

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. Verification does not provide assurance on the accuracy of any specific performance report.

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.

Performance Calculation: Gross performance results are net of trading expenses. Returns are gross of withholding taxes on dividends, interest and capital gains and include reinvestment of any earnings. Returns, market values, and assets are reported in USD except when otherwise noted. Returns, market values and assets reported in currencies other than USD are calculated by converting the USD monthly return and assets using the appropriate exchange rate (official 4:00 p.m. London closing spot rates). Policies for valuing investments, calculating performance, and preparing GIPS composite reports are available upon request.

Net of fees performance reflects the deduction of the highest tier investment management fee ("model fee") that would be charged based on the fee schedule appropriate to you for this mandate, without the benefit of breakpoints and is calculated by subtracting 1/12th of the model fee from monthly gross composite returns. In certain instances Wellington Management may charge certain clients a fee in excess of the standard model fee, such as to legacy clients or clients receiving additional investment services. Performance net of model fees is intended to provide the most appropriate example of the impact management fees would have for you.

Pool investors will experience costs in excess of investment management fees, such as operating expenses and custodial fees. These indirect costs are not reflected in the model fee, or net of fees performance.

Internal Dispersion: The dispersion measure presented is the asset-weighted standard deviation. The asset-weighted standard deviation measures the dispersion of individual portfolio gross returns relative to the asset-weighted composite return. Only portfolios that have been included in the composite for the full period are included in the standard deviation calculation. Limitations imposed by client guidelines or by law on a portfolio's ability to invest in certain securities or instruments, such as IPO securities, and/or implementation of the firm's Trade Allocation Policies and Procedures, may cause the portfolio's performance to differ from that of the composite.

External Dispersion: The three-year annualized ex-post standard deviation measures the variability of the composite gross returns and the benchmark(s) over the preceding 36-month period. For periods beginning on or after 1 January 2011, the three-year annualized ex-post standard deviation is not presented because the composite has less than 36 monthly returns.

Composite Listing: Wellington Management's list of composite descriptions is available upon request.

Pooled Fund Listing: Wellington Management's list of pooled fund descriptions is available upon request.

Other Matters: This material contains summary information regarding the investment approach described herein and is not a complete description of the investment objectives, policies, guidelines, or portfolio management and research that supports this investment approach. Any decision to engage Wellington Management should be based upon a review of the terms of the investment management agreement and the specific investment objectives, policies, and guidelines that apply under the terms of such agreement.

Past Performance: Past results are not necessarily indicative of future results and an investment can lose value.

Select Equity Income

Investment risks

PRINCIPAL RISKS

Common Stock Risk – Common stock are subject to many factors, including economic conditions, government regulations, market sentiment, local and international political events, and environmental and technological issues as well as the profitability and viability of the individual company. Equity security prices may decline as a result of adverse changes in these factors, and there is no assurance that a portfolio manager will be able to predict these changes. Some equity markets are more volatile than others and may present higher risks of loss. Common stock represents an equity or ownership interest in an issuer.

Concentration Risk – Concentration risk is the risk of amplified losses that may occur from having a large percentage of your investments in a particular security, issuer, industry, or country. The investments may move in the same direction in reaction to the conditions of the industries, sectors, countries and regions of investment, and a single security or issuer could have a significant impact on the portfolio's risk and returns.

Important disclosures

Additional performance information

PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS. There can be no assurance nor should it be assumed that future investment performance of any strategy will conform to any performance examples set forth in this material or that the portfolio's underlying investments will be able to avoid losses. The investment results and any portfolio compositions set forth in this material are provided for illustrative purposes only and may not be indicative of the future investment results or future portfolio composition. The composition, size of, and risks associated with an investment in the strategy may differ substantially from the examples set forth in this material. An investment can lose value.

Impact of fees

Illustration of impact of fees: If USD100,000 was invested and experienced a 10% annual return compounded monthly for ten years, its ending value, without giving effect to the deduction of advisory fees, would be USD270,704 with an annualized compounded return of 10.47%. If an advisory fee of 0.95% of average net assets per year were deducted monthly for the ten-year period, the annualized compounded return would be 9.43% and the ending USD value would be USD246,355. Information regarding the firm's advisory fees is available upon request.

Selection of representative account

The current representative account became effective on 1 December 2016 because it was the least restrictive account at the time of selection. For data shown prior to the current representative account effective date, data of the representative account(s) deemed appropriate for the time period was used. Further information regarding former representative accounts can be provided upon request. Each client account is individually managed; individual holdings will vary for each account and there is no guarantee that a particular account will have the same characteristics as described. Actual results may vary for each client due to specific client guidelines, holdings, and other factors. In limited circumstances, the designated representative account may have changed over time, for reasons including, but not limited to, account termination, imposition of significant investment restrictions, or material asset size fluctuations.

Access products

If access products are held by the portfolio they may not be included in the calculation of characteristic data. Access products are instruments used to gain access to equity markets not otherwise available and may include (but are not limited to) instruments such as warrants, total return swaps, p-notes, or zero strike options.

Global Industry Classification Standard (GICS) changes

S&P Dow Jones Indices and MSCI have broadened and renamed the Telecommunication Services Sector as Communication Services to include companies that facilitate communication and offer related content and information through various media. These changes to Global Industry Classification Standard (GICS) are effective as of 1 October 2018 in the data shown. The new sector name applies retroactively and therefore Communication Services will replace Telecommunications Services for all periods. Wellington Management data reflects changes in line with the official GICS update; however, MSCI and S&P have elected to update their official index structures with different timing. Therefore, index data shown may differ from data obtained directly from the index vendors.

Additional disclosures

Securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly into an index.

Benchmark definition

Russell 1000 Value: The Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.

Wellington Management
Composite: Select Equity Income
Schedule of Performance Returns from 01 January 2012 to 31 December 2021

<i>Period</i>	<i>Gross Return (%)</i>	<i>Net Return (%)</i>	<i>Benchmark Return (%)</i>	<i>Number of Portfolios</i>	<i>Internal Dispersion (%)</i>	<i>Composite Mkt. Value (USD Mil)</i>	<i>Total Firm Assets (USD Mil)</i>
2012	14.80	14.01	17.51	7	N/M	911	757,903
2013	32.57	31.66	32.53	8	0.1	1,288	834,441
2014	11.63	10.86	13.45	7	0.1	1,896	914,109
2015	0.94	0.24	-3.83	6	0.1	1,733	926,949
2016	16.56	15.76	17.34	< 6	N/M	338	979,210
2017	19.94	19.12	13.66	< 6	N/M	302	1,080,307
2018	-6.42	-7.08	-8.27	< 6	N/M	247	1,003,389
2019	31.19	30.30	26.54	10	N/M	954	1,154,735
2020	10.07	9.31	2.80	9	0.2	685	1,291,419
2021	30.58	29.69	25.16	10	0.0	2,276	1,425,481

Benchmark: Russell 1000 Value

N/M: For years where there are less than six portfolios throughout the performance period, Internal Dispersion is not meaningful.

Composite Description: Portfolios included in the Select Equity Income Composite seek long-term total returns in excess of a broad market index, such as the Russell 1000 Value Index, by investing in a select number of large cap dividend paying companies that are financially sound but temporarily out-of-favor. The Select Equity Income approach is considered to have a core value as opposed to a deep value style. The investment strategy utilizes a contrarian approach focused on longer-term fundamentals to create a Portfolio with an above-market projected growth rate and higher dividend yield trading at a discount to the market. Sector weights will generally be within a range of those for the Russell 1000 Value Index. In times of increased market volatility, the composite characteristics may change significantly due to various risk factors. Key risks of this composite, in no particular order, include, but are not limited to, Common Stock Risk and Concentration Risk.

Composite Inception Date: The composite inception date is 31 May 2009.

Composite Creation Date: The composite creation date is June 2009.

Composite Membership: All fully discretionary, fee paying portfolios are eligible for inclusion in the composite.

Fee Schedule: The institutional management fee schedule for this product is:

<u>Market Value</u>	<u>Annual Fee</u>
On the first US\$25 million	0.70%
On the next US\$25 million	0.60
Over US\$50 million	0.50

Benchmark Definition: Russell 1000 Value measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.

Firm: For purposes of GIPS® compliance, the Firm is defined as all portfolios managed by Wellington Management Company LLP, an independently owned, SEC-registered investment adviser, as well as its affiliates (collectively, Wellington Management). Wellington Management provides investment advisory services to institutions around the world.

GIPS®: Wellington Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Wellington Management has been independently verified for the periods 1 January 1993 to 31 December 2020. The verification reports are available upon request.

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. Verification does not provide assurance on the accuracy of any specific performance report.

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Performance Calculation: Gross performance results are net of trading expenses. Returns are gross of withholding taxes on dividends, interest and capital gains and include reinvestment of any earnings. Returns, market values, and assets are reported in USD except when otherwise noted. Returns, market values and assets reported in currencies other than USD are calculated by converting the USD monthly return and assets using the appropriate exchange rate (official 4:00 p.m. London closing spot rates). Policies for valuing investments, calculating performance, and preparing GIPS composite reports are available upon request.

Net of fees performance reflects the deduction of the highest tier investment management fee ("model fee") that would be charged based on the fee schedule appropriate to you for this mandate, without the benefit of breakpoints and is calculated by subtracting 1/12th of the model fee from monthly gross composite returns. In certain instances Wellington Management may charge certain clients a fee in excess of the standard model fee, such as to legacy clients or clients receiving additional investment services. Performance net of model fees is intended to provide the most appropriate example of the impact management fees would have for you.

Pool investors will experience costs in excess of investment management fees, such as operating expenses and custodial fees. These indirect costs are not reflected in the model fee, or net of fees performance.

Internal Dispersion: The dispersion measure presented is the asset-weighted standard deviation. The asset-weighted standard deviation measures the dispersion of individual portfolio gross returns relative to the asset-weighted composite return. Only portfolios that have been included in the composite for the full period are included in the standard deviation calculation. Limitations imposed by client guidelines or by law on a portfolio's ability to invest in certain securities or instruments, such as IPO securities, and/or implementation of the firm's Trade Allocation Policies and Procedures, may cause the portfolio's performance to differ from that of the composite.

Wellington Management
Composite: Select Equity Income
Schedule of Performance Returns from 01 January 2012 to 31 December 2021

External Dispersion: The dispersion measure presented is the three-year annualized ex-post standard deviation. It measures the variability of the composite gross returns and the benchmark(s) over the preceding 36-month period. For periods prior to 1 January 2011, the Firm was not required to present the three-year annualized ex-post standard deviation.

	<i>3-Year Standard Deviation (%)</i>									
<i>Year</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
Composite	14.07	11.74	8.92	10.35	10.24	9.61	10.36	11.14	17.85	17.31
Benchmark	15.51	12.70	9.20	10.68	10.77	10.20	10.82	11.85	19.62	19.06

Composite Listing: Wellington Management's list of composite descriptions is available upon request.

Pooled Fund Listing: Wellington Management's list of pooled fund descriptions is available upon request.

Other Matters: This material contains summary information regarding the investment approach described herein and is not a complete description of the investment objectives, policies, guidelines, or portfolio management and research that supports this investment approach. Any decision to engage Wellington Management should be based upon a review of the terms of the investment management agreement and the specific investment objectives, policies, and guidelines that apply under the terms of such agreement.

Past Performance: Past results are not necessarily indicative of future results and an investment can lose value.

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From: Gill, Ravi
Sent: Tuesday, June 15, 2021 12:59 AM
To: #Value Research ; Garabedian, Gregory J.
Cc: Kennedy, Scott
Subject: Company A (\$16bn, 3.2%)

I think we should buy Company A, and use Company B (\$113bn, 3.5%) as a potential source of funds.

Company A is a \$16bn market cap pure-play alternative asset manager. The company manages \$207bn in assets, with a strong focus on credit (\$151bn of AUM) and growing platforms in corporate private equity and real estate.

Thesis

- More attractive combination of growth, business quality, and valuation compared to other pure play alts. This has become particularly pronounced after the recent appreciation in Company B shares and lagging of Company A shares.
- Higher earnings durability: highest percentage of earnings coming from more stable fee-related earnings (FRE) among peers.
- Recent acquisitions further build out Company A product offering to offer a full slate of solutions of limited partner (LP) clients, which is critical given the trend of LPs consolidating relationships among GPs. These acquisitions are also not yet reflected in consensus.
- Durability of high earnings growth is strong given (1) strong end market (alternative assets expected to grow at 10% CAGR to 2025), (2) direct lending among the longest growth runways within alternatives (share shift from syndicated loans to private lending), (3) cross-selling non-credit product offerings, (4) significant FRE margin operating leverage which should approach the levels of larger peers as the business scales.

Risks

- Significant increase in risk-free interest rates that leads to less differentiation in returns compared to non-alternative products.
- Sustained economic contraction that leads to poor returns for the funds that Company A manages and reduction in performance fees and growth rate of AUM.

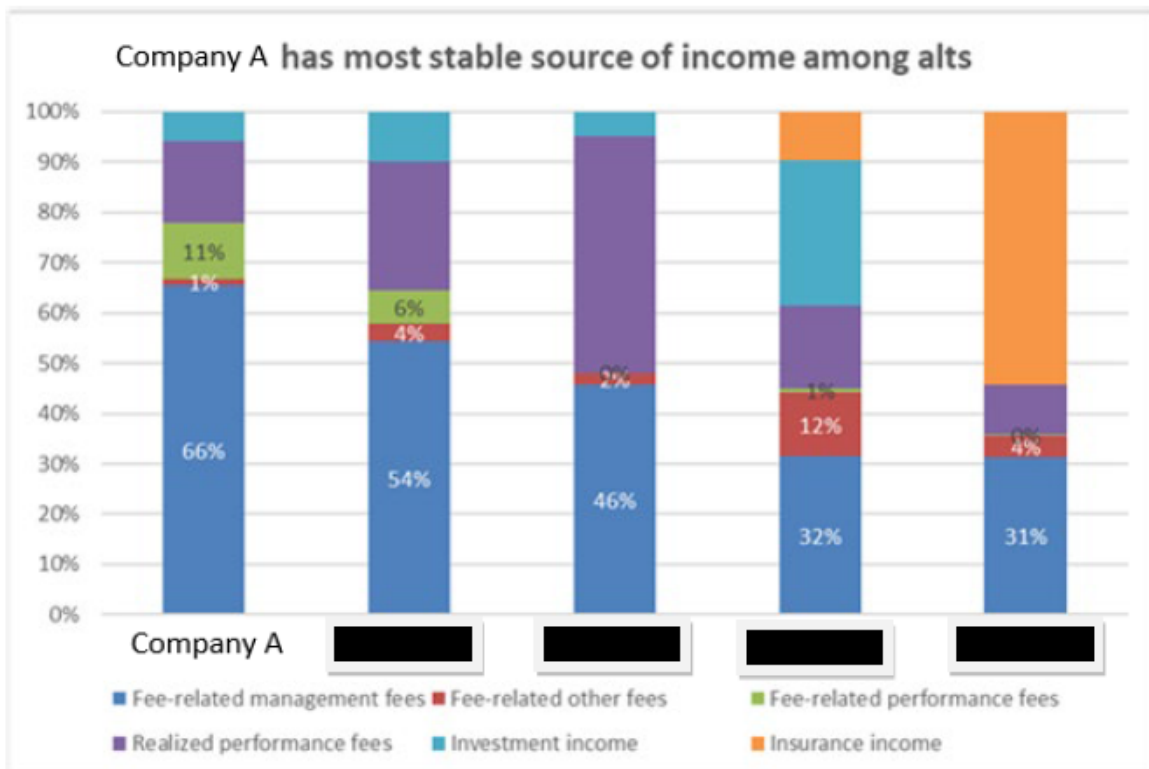
Earnings algorithm

- Company A can grow fee-related earnings at a >20% rate for the next few years, and sustain >= high teens growth rates thereafter due to a combination of:
 - o industry growth (>=10% AuM growth) with a long runway for private markets to grow in client portfolios (particularly retail),
 - o market share gains (top firms consolidating market share, in addition to Company A ramping up its business in Real Estate, Secondaries, with continued leadership in credit),
 - o FRE operating leverage (Company A scales and gradually catches up to FRE margins of peers in the 50s versus Company A at sub 40% currently)

GROWTH ALGORITHM		
	2016-'20	2020-'24
	CAGR	CAGR
AuM, period end	20%	21%
FPAuM, period average	15%	22%
<i>Fee rate (bps)</i>	2%	1%
Pure management fees	17%	23%
Fee-related performance fees	11%	16%
Other fees	1%	2%
<i>% FRE margin</i>	8%	7%
FRE	25%	30%
Performance fees	17%	13%
<i>% margin</i>	-7%	4%
Realized performance income	9%	17%
Realized investment income	-6%	20%
Other	3%	-22%
<i>% to common</i>	9%	3%
<i>% tax rate</i>	-18%	13%
Distributable earnings to common	35%	29%
Common shares outstanding	15%	7%
DE per common unit	17%	21%
FRE per share, pre-tax	19%	25%
FRE per share, post-tax	23%	22%

Earnings quality

- Company A has the most stable source of earnings among the large public alt managers, with 2/3rd derived from management fees, compared to ~55% at Company B and less than half at others (based on 2021E and 2022E for Company C post the Company D insurance acquisition).
- Company A does generate 11% of income from fee-related performance fees, specifically so-called "Part 1 fees" from its business development company (BDC).
 - o These fees are much more stable, in my view, than fee-related performance fees reported by others, as BDC returns are driven by interest payments of portfolio companies rather than price appreciation.
 - o These fees are paid quarterly and Company A has earned them every single quarter.
 - o Given the underlying loans tend to be variable rate, higher benchmark interest rates can increase this fee stream. And, if rates are rising due to a strong economy, the underlying credit risk is likely not greatly altered by portfolio companies paying higher interest rates.



Valuation

- Similar to the Sum of the Parts that we employ for Company B, Company A shows 19% upside on 2023 estimates and 34% upside on 2024 estimates. Inclusive of the dividend, this would represent a 13% and 14% TSR CAGR, respectively. On the same basis for Company B, there is 10% and 2% downside in those respective years.

SUM OF THE PARTS

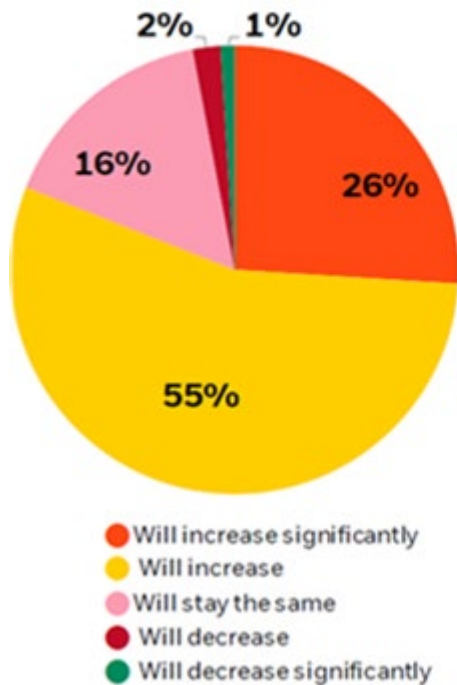
		<u>Bear</u>	<u>Low</u>	<u>Base Mid</u>	<u>High</u>	<u>Bull</u>
Pure management fees		15x	20x	23x	25x	30x
Fee-related performance fees		5x	10x	15x	20x	30x
Performance fees		5x	5x	10x	15x	20x
2023E SoTP	EPS					
Pure management fees	\$ 2.5	\$ 37	\$ 49	\$ 57	\$ 62	\$ 74
Fee-related performance fees	\$ 0.4	\$ 2	\$ 4	\$ 5	\$ 7	\$ 11
Performance fees	\$ 0.7	\$ 4	\$ 4	\$ 7	\$ 11	\$ 15
Total	\$ 3.6	\$ 43	\$ 57	\$ 70	\$ 80	\$ 100
<i>% upside</i>		-27%	-3%	19%	36%	70%
2024E SoTP	EPS					
Pure management fees	\$ 2.8	\$ 42	\$ 56	\$ 64	\$ 70	\$ 84
Fee-related performance fees	\$ 0.4	\$ 2	\$ 4	\$ 6	\$ 8	\$ 12
Performance fees	\$ 0.8	\$ 4	\$ 4	\$ 8	\$ 12	\$ 16
Total	\$ 4.0	\$ 48	\$ 64	\$ 79	\$ 90	\$ 112
<i>% upside</i>		-18%	9%	34%	54%	91%

○

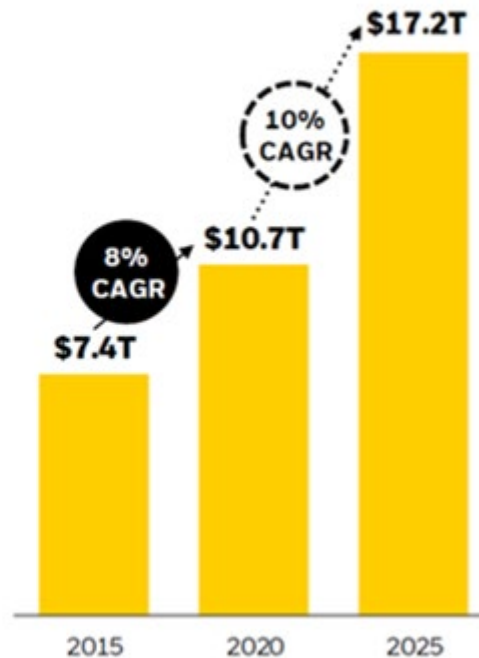
Industry prospects

- Third party forecasts see alternative assets growing at a 10% CAGR from 2020 to 2025.
 - This is driven by higher allocations to alternative assets as well as by market beta.
 - In a recent survey of investors plans to increase allocation to alternatives, 81% plan to increase their allocation to alternatives, of which 26% plan to significantly increase their allocation.

81% of investors plan to increase allocation to alternatives²

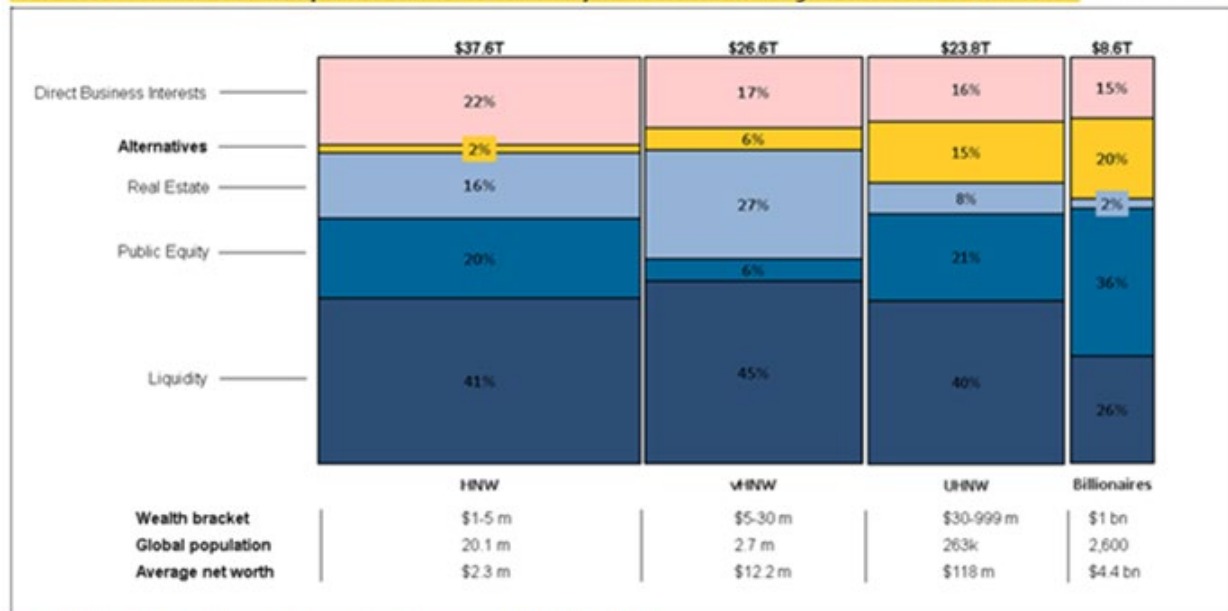


Alternatives expected to grow to \$17T by 2025²



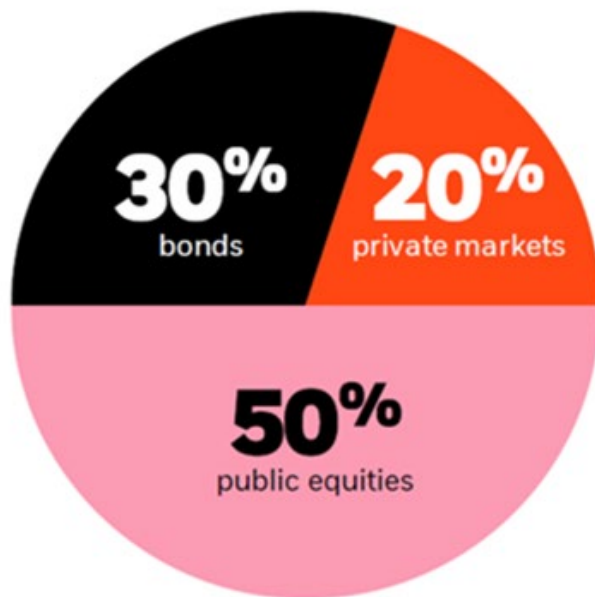
- Most channels are looking to increase allocation to alts, with endowments/foundations/family offices/sovereign wealth funds already in the double digits but looking for further exposure, while the insurance and particularly retail channels still in the very early stages.
- Interestingly, Brookfield Asset Management has been quoted as saying that institutional investors may allocate as much as 60% to alternative assets by 2030 due to the search for yield.
- From a retail perspective, Company B, at its recent investor day, talked about the ideal asset allocation moving from 60/40 equities/bonds to 50/30/20 equities/bonds/privates. Today, high-net-worth and very-high-net-worth individuals allocated in LSD to MSD to alternative assets. Potential widening of investment offerings in 401k plans could prove another channel for retail distribution.

Exhibit 5: HNWI are underexposed to Private Markets investments. Assets held by High Net Worth Individuals (HNWI) by Asset Class, 2019 USD. Billionaires and the top end of UHNW invest similarly to institutions with higher allocations to alternatives.



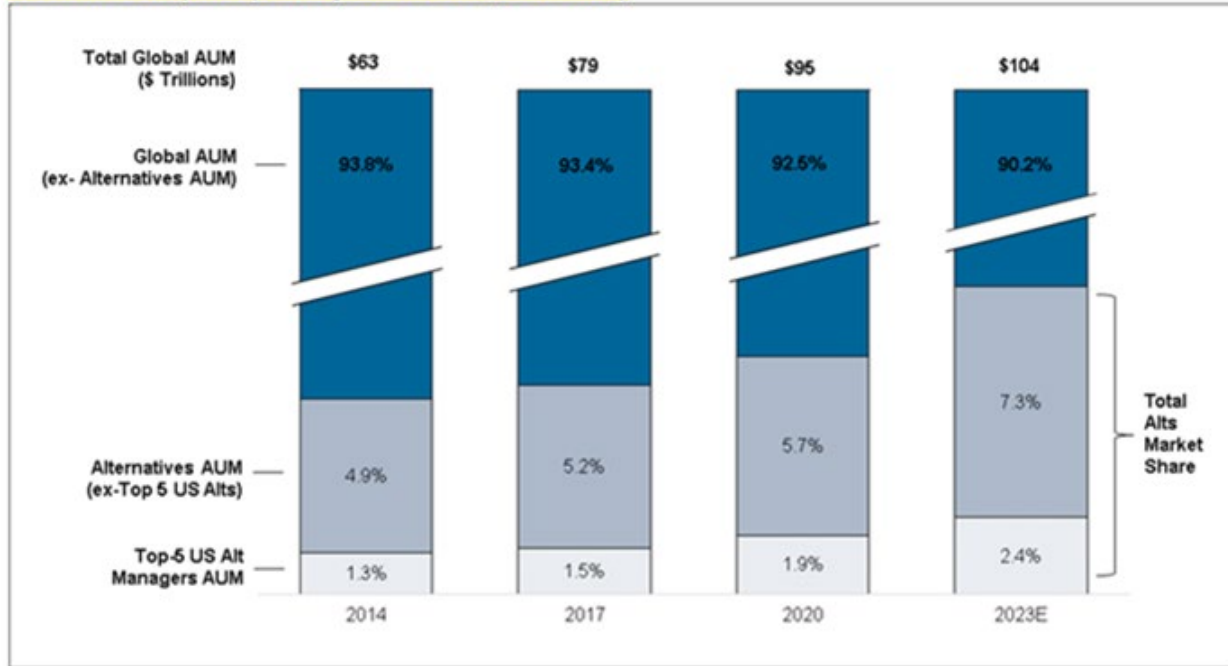
Source: BMO Capital Markets, Wealth-X, Moonfare and CapGemini World Wealth Report.

From 60/40 to 50/30/20: Powering the advisor portfolio of the future



- Top alternative managers are gaining share as LPs consolidate relationships and look for one-stop shops with a variety of product offerings, as well as scale mattering more for in the faster growing insurance and retail channels

Exhibit 3: The five largest U.S. alternative asset managers today (BX, APO, KKR, CG, and ARES) represent 1.9% of Global AUM, up from 1.4% market share five years ago. While alternatives AUM overall has continued to take a bigger share of Global AUM, larger firms have had the combined benefit of wallet share gains within a sector that is gaining share overall. Overall Private Markets AUM remains a relatively small percentage of Global AUM, at 7.6% today.

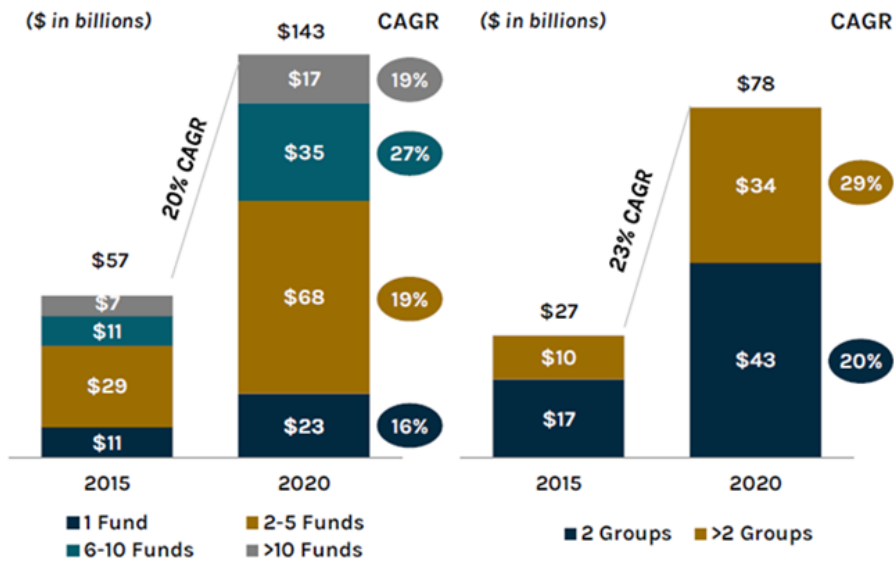


Source: BMO Capital Markets, BCG, Company reports, Preqin.

- From Company A:

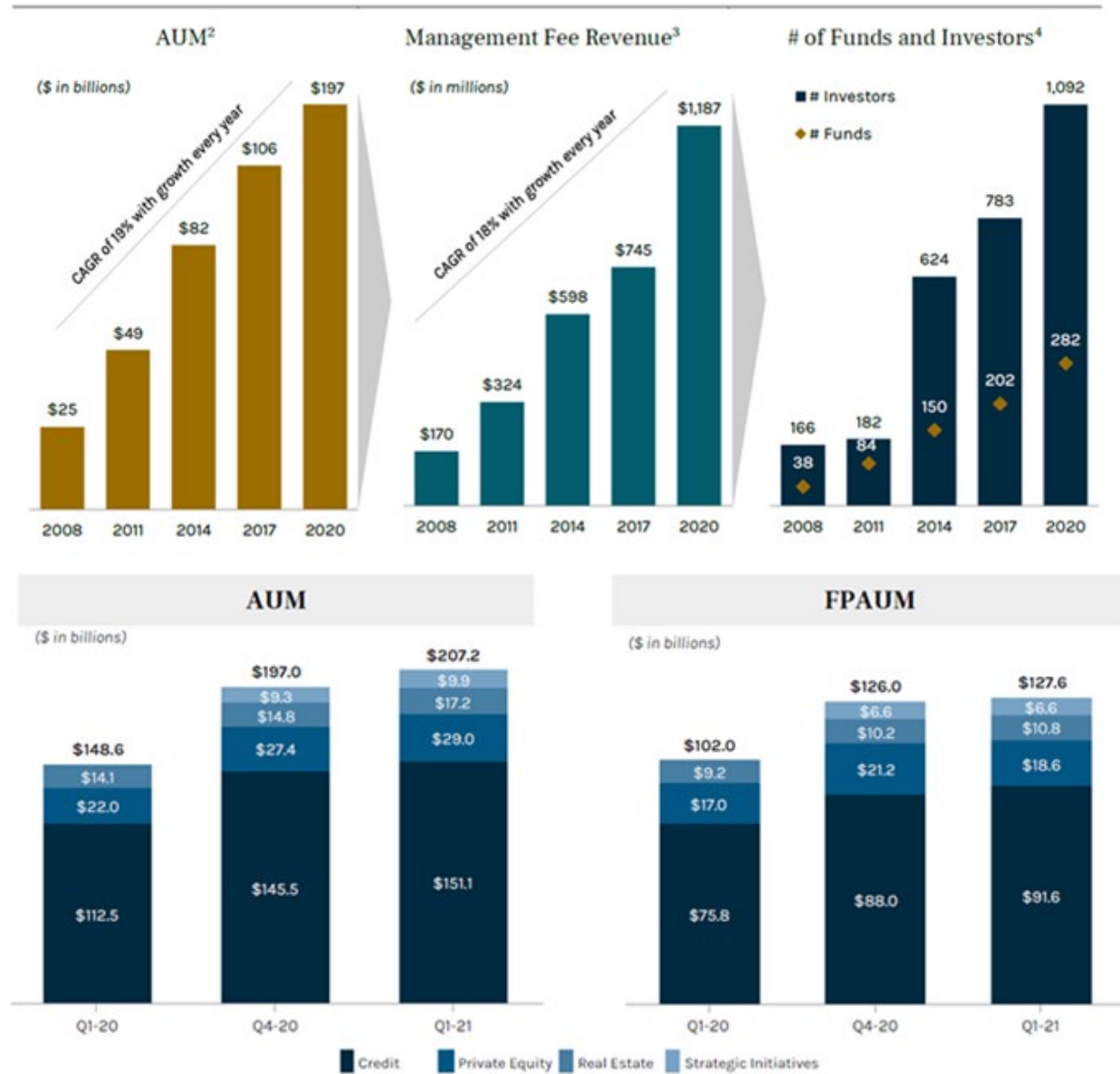
More Investors Are Committing to Multiple Funds

More Investors Are Committing Across Product Groups



Business breakdown

Exhibit 1: Growth of Selected Key Metrics



- Credit

- Credit is Company A historical strength and where it has the most significant exposure, with \$151bn of AUM, of which \$92bn are fee-paying. Within credit, there is a long runway of growth, particularly in direct lending, given the share shift toward private lenders.
- Company A focus on credit allows the overall company to have less revenue volatility and higher management fee percent of earnings.
- Scale is particularly important in the credit business, as Company A has significant origination advantages with more on the ground presence and intel in various geographies and in various industry verticals. Their “sourcing engine” allows them to see more deals so they can be more selective than competitors on which loans to make

(only fund 3%-5% of what comes across their desk), which in turn leads to better investment performance. In addition, a significant percentage of their direct lending is sourced from existing borrowers (43% in 2019), with their incumbency position allowing them to deploy capital in less competitive situations.

- Real Estate

- Company A manages \$17bn in real estate assets, of which \$11bn is currently fee-paying. Company A will remain far smaller than industry leader Company B (\$156bn in fee-paying real estate AUM) though has more dry powder relative to its base and will grow faster (Company A real estate dry powder = 53% of FP AUM vs 28% for Company B).
- In addition, Company A recent purchase of Company E provides it with an immediate strong footing in the growing non-traded REIT market geared towards the retail channel.
 - Company B has been very successful fundraising for its BREIT product, which is the current market leader, but Company E has been the second largest fundraiser in 2020. This materially enhances the retail product offering of Company A relative to non-Company B peers.
 - Company E has \$12bn in AUM, which brings Company A pro forma real estate AUM to \$29bn and growing,

Exhibit 6: Non-traded REITs have been one of the largest recipients of Retail flows into alternatives; BX currently has over a 70% market share in this channel. We believe the Retail market for alternatives may evolve to be considerably more concentrated than the institutional market ...

Largest Non-Listed REIT Sponsors			
Rank	Sponsor	2020 Fundraising (\$ billions)	Market Share
1	Blackstone Group	7.8	72%
2	Black Creek Group	1.1	10%
3	Starwood Capital Group	1.0	9%
4	LaSalle Investment Management	0.3	3%
5	Hines Interest LP	0.2	2%
	All Others	0.5	5%
	Total	10.8	100%

Source: BMO Capital Markets, 2020 Stanger Report.

Exhibit 7: ... and may ultimately come to resemble the U.S. ETF market structure, which has seen over 85% market share accrue to five large asset managers. This would represent a very significant fee opportunity for the largest asset managers, given the relatively high fee rate for Retail products.

Largest U.S. ETF Providers			
Rank	Company	2020 U.S. ETF AUM (\$ trillions)	Market Share
1	BlackRock	2.0	36%
2	Vanguard	1.5	28%
3	SSGA	0.8	15%
4	Invesco	0.3	5%
5	Charles Schwab	0.2	4%
	All Others	0.6	12%
	Total	5.4	100%

Source: BMO Capital Markets, Statista.

- Recent fund launches have been >50% greater in size than the predecessor funds, including
 - US Real Estate Opportunity Fund III (raised \$1.7bn against \$1.5bn target, and 70% larger than the prior vehicle)
 - European Real Estate Fund V (raised EUR 1.8bn against EUR 1.25bn target, and 60% larger than the prior vehicle)
- Recent investment results for the Company A US real estate fund have been strong at 15% gross returns in 2020, though Europe has been less strong at 2% gross returns in 2020. This compares to Company B global opportunistic real estate gross returns of 3.4% in 2020. In 1Q21, gross returns were 7.6% (Company A US), 6.8% (Company A Europe), 5.3% (Company B).

- Corporate Private Equity

- Company A manages \$29b in corporate private equity assets, of which \$19bn is currently fee paying. This has been Company A slowest growing segment in recent years, though AUM in the near future should have a boost with the ramping of Company A Corporate Opportunities Fund VI and Company A Special Opportunities Fund. This compares to Company B with \$132bn in fee-paying AUM in corporate private equity.

- Company A most recent private equity vehicle has not earned stellar returns with a gross IRR of 2.8% (as of YE20) due to high allocation (~40%) to the energy industry. However, recent asset appreciation has moved the gross IRR to 8.2% as of the end of 1Q21. Continued appreciation could move Company A to a position where it can earn performance fees, which could provide a significant boost to income given a significant potential catch-up (potentially as much as \$1bn if IRR can move to the double digits). While this is one-time in nature, it is not immaterial relative to Company A market cap.
- Secondaries
 - Company A recently purchased Company F for \$1.1bn from Company G. Company F is one of the largest investors in private equity secondaries (\$19bn AUM, \$67mn in 2020 FRE), which allows private equity investors (both GPs and LPs) to sell positions in private portfolios and companies. All 16 of Company F partners will be joining Company A and continue to manage the funds, and a majority of their consideration was in the form of Company A equity.
 - The secondaries market has grown significantly and become much more institutionalized, with secondaries AUM for the industry having grown at a 15% CAGR over the last fifteen years off a low base. Still, secondaries AUM only represents 5% of the primary market, and the activity has been dominated by traditional corporate private equity. Company A believes secondaries activity will rise in other private market verticals like real estate, infrastructure, and credit. Company F has both a PE and real estate strategy, and has grown AUM at a 17% CAGR over the last four years.
 - Both Company A and Company F respective investor bases do not have significant overlap (only 5%), allowing for potential cross-sell opportunities of more than just secondaries, similar to what Company A and other large alt managers have been able to accomplish with their existing platforms.
 - Company F generated a 46% FRE margin in 2020, which would be accretive to Company A (35% in 2020).
 - The transaction is expected to be MSD accretive to EPS immediately, and more with additional business growth with cross-sell. At the time of the acquisition, Company A noted it expects similar growth rates from the Company F FRE as it does from its own.

Earnings summary and model:
(excel model attached here)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
	365	365	366	365	365	365	366	365	365	365	366	365	
VALUATION													
Share price, end of period (\$)	\$ 17	\$ 13	\$ 19	\$ 20	\$ 18	\$ 36	\$ 47	\$ 59	\$ 59	\$ 59	\$ 59	\$ 59	
Shares out (bn)	0.21	0.21	0.21	0.22	0.22	0.24	0.26	0.29	0.30	0.30	0.31	0.32	
Market cap (\$bn)	4	3	4	4	4	8	12	17	17	18	18	18	
P / DE	16x	11x	20x	19x	13x	21x	25x	24x	19x	16x	15x	13x	
P / FRE (pre-tax)	25x	16x	24x	20x	16x	26x	29x	26x	20x	17x	15x	13x	
P / FRE (post-tax)	25x	16x	31x	26x	18x	31x	33x	29x	23x	21x	18x	16x	
Dividend yield	0.0%	0.0%	4.3%	5.7%	7.5%	3.6%	3.4%	3.2%	4.1%	4.8%	5.5%	6.1%	
SUMMARY													
P&L (\$bn)													
AuM, period end	87	94	95	106	131	149	197	272	315	360	422	482	
FPAuM, period average	64	65	64	67	77	89	111	146	169	215	244	282	
Fee rate (bps)	76	62	84	96	92	95	90	93	94	93	93	93	
Pure management fees	480	529	538	639	708	848	1,002	1,366	1,769	2,002	2,258	2,615	
Fee-related performance fees	119	121	121	105	129	164	184	213	250	288	331	380	
Other fees	28	31	19	22	24	18	20	23	21	21	21	21	
% FRE margin	24%	26%	25%	26%	30%	31%	35%	40%	43%	45%	46%	46%	
FRE	147	177	172	217	255	324	424	642	876	1,031	1,206	1,449	
Performance fees	146	122	293	318	357	403	547	551	732	804	877	1,034	
% margin	45%	47%	32%	24%	30%	28%	24%	26%	27%	28%	28%	27%	
Realized performance income	66	57	95	75	106	112	132	142	200	222	244	284	
Realized investment income	9	25	33	33	35	68	26	19	42	46	54	61	
Other	-	-	(28)	(27)	(29)	(32)	(32)	(23)	(12)	(12)	(12)	(12)	
% to common	38%	38%	38%	39%	44%	48%	54%	59%	60%	60%	60%	60%	
% tax rate	0%	0%	-23%	-22%	-13%	-15%	-10%	-10%	-15%	-16%	-17%	-18%	
Distributable earnings to common	85	98	80	90	141	192	266	413	560	644	738	871	
Common shares outstanding	81	81	82	83	99	114	143	170	177	181	184	188	
DE per share	\$ 1.0	\$ 1.2	\$ 1.0	\$ 1.1	\$ 1.4	\$ 1.7	\$ 1.9	\$ 2.4	\$ 3.2	\$ 3.6	\$ 4.0	\$ 4.6	
FRE per share, pre-tax	\$ 0.7	\$ 0.8	\$ 0.8	\$ 1.0	\$ 1.1	\$ 1.4	\$ 1.6	\$ 2.2	\$ 2.9	\$ 3.4	\$ 3.9	\$ 4.6	
FRE per share, post-tax	\$ 0.7	\$ 0.8	\$ 0.6	\$ 0.8	\$ 1.0	\$ 1.2	\$ 1.4	\$ 2.0	\$ 2.5	\$ 2.9	\$ 3.2	\$ 3.8	
SoTP													
Pure management fees	\$ 0.5	\$ 0.6	\$ 0.5	\$ 0.7	\$ 0.8	\$ 1.0	\$ 1.2	\$ 1.7	\$ 2.2	\$ 2.5	\$ 2.8	\$ 3.3	
Fee-related performance fees	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.3	\$ 0.3	\$ 0.4	\$ 0.4	\$ 0.5	
Performance fees & other	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.3	\$ 0.5	\$ 0.5	\$ 0.4	\$ 0.5	\$ 0.7	\$ 0.7	\$ 0.8	\$ 0.9	
DE per share	\$ 1.0	\$ 1.2	\$ 1.0	\$ 1.1	\$ 1.4	\$ 1.7	\$ 1.9	\$ 2.4	\$ 3.2	\$ 3.6	\$ 4.0	\$ 4.6	
23x	23x pure management fees	\$ 12	\$ 15	\$ 11	\$ 15	\$ 19	\$ 22	\$ 26	\$ 39	\$ 50	\$ 57	\$ 64	\$ 75
15x	15x fee-related performance fees	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 3	\$ 3	\$ 4	\$ 5	\$ 5	\$ 6	\$ 7
10x	10x performance fees & other	\$ 4	\$ 4	\$ 4	\$ 3	\$ 5	\$ 5	\$ 4	\$ 5	\$ 7	\$ 7	\$ 8	\$ 9
SoTP	\$ 18	\$ 21	\$ 17	\$ 20	\$ 26	\$ 30	\$ 35	\$ 48	\$ 61	\$ 70	\$ 79	\$ 91	
% upside	5%	64%	-13%	-1%	44%	-15%	-25%	-18%	5%	19%	34%	55%	
% TSR CAGR									9%	13%	14%	15%	

Attached are notes on the stock by Scott as well as select sell-side notes and company presentations.

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