Large Cap Value Equity

Focused on companies trading below their intrinsic value

Strategy Overview

Firm AUM:	$203.7B
Strategy AUM:	$2.1B
Inception Date:	May 31, 2000
Number of Holdings:	Typically 60-80
Benchmark:	Russell 1000® Value Index
Available Vehicles:	▪ Institutional Separate Account ▪ US Mutual Fund ▪ Managed Account

Team Members

Portfolio Managers

Average Experience: 29 years

Warren Koontz, Jr., CFA

Joseph Esposito, CFA

Dedicated Analysts: 11

Average Experience: 21 years

Highlights

- Short-term factors can cause stock prices to deviate from their underlying intrinsic value - which can create opportunities to uncover mispriced securities
- We believe that free cash-flow is the primary driver of a company's intrinsic value
- Over the long-term, stock prices will reflect the underlying intrinsic value of a company - the value derived from the earnings and cash-flow its business generates
- Utilizing a well-vetted and disciplined risk management process is critical to adding value and enhancing the probability of achieving consistent and repeatable results, in our view

Performance

	3Q20	YTD to 9/30/20	1 Year	3 Years	5 Years	10 Years	Since Inception
Large Cap Value Equity Composite (Gross)	6.5%	-9.4%	-2.9%	3.4%	7.3%	8.5%	7.2%
Large Cap Value Equity Composite (Net)*	6.4	-9.8	-3.5	2.8	6.6	7.9	6.8
Russell 1000® Value Index	5.6	-11.6	-5.0	2.6	7.6	9.9	6.2

Past performance does not guarantee future results. *Source: Jennison/Mellon Analytical Solutions. Inception of Large Cap Value Equity Composite: 5/31/00. *For periods beginning 8/1/14, net of fee performance reflects the deduction of a model fee, is net of transaction costs and is calculated based on the highest tier of the fee schedule in effect for the respective period (0.75%), which may not reflect the actual historical fees applied to accounts in the Composite. Periods greater than one year are annualized. See disclosures for important information.*

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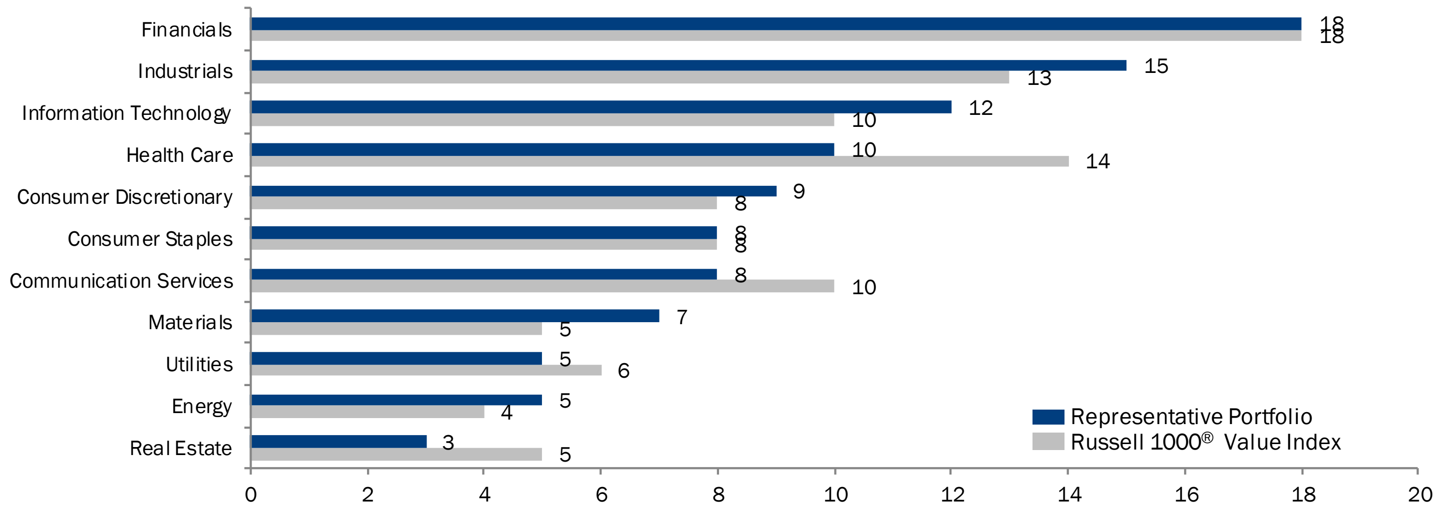
Quarterly Factsheet

September 30, 2020

JENNISON ASSOCIATES

Large Cap Value Equity

Sector Allocation



Source: Jennison/Mellon Analytical Solutions. Cash excluded. See disclosures for important information.

Equity Characteristics

Equity Characteristics	Representative Portfolio	Russell 1000® Value Index
Earnings Per Share Growth 2020E	4%	-10%
Earnings Per Share Growth 2021E	13%	17%
P/E 2020E	17x	18x
P/E 2021E	15x	16x
Weighted Avg. Market Cap	$176.9 bil.	$109.2 bil.
Median Market Cap	$66.3 bil.	$9.0 bil.
Dividend Yield	2.6%	2.6%
Number of Holdings	68	850
Cash Range	<5%	N/A

Source: Jennison/Mellon Analytical Solutions. Dollar-Weighted Median EPS Growth shown. See disclosures for important information. ***Forecasts are not a reliable indicator of future performance and may not be achieved.***

Largest Holdings

JPMorgan Chase	2.7%
Union Pacific	2.6
Walmart	2.5
Linde	2.4
Verizon	2.3
Lowe's	2.1
Broadcom	2.1
Johnson Controls Int'l	2.0
Chevron	2.0
Alphabet	1.9
	22.6%

Source: Jennison. See disclosures for important information.

Largest Absolute Impact (3Q20)

Top Five	Average Weight	Total Return	Contribution to Return
Apple	1.7%	27%	51 bps
D.R. Horton	1.6	37	50
Lowe's	2.2	23	45
Qualcomm	1.7	30	44
Walmart	2.4	17	38

Bottom Five	Average Weight	Total Return	Contribution to Return
Chevron	2.3%	-18%	-44 bps
ConocoPhillips	1.0	-21	-24
Suncor Energy	0.8	-27	-21
Citigroup	1.2	-15	-19
Eli Lilly	1.6	-9	-17

Past performance does not guarantee future results. *Source: FactSet. The holdings identified do not represent all of the securities purchased, sold or recommended by Jennison during the time period shown. A complete list of holdings and how each contributed to the representatives portfolio's return is available upon request. See disclosures for important information.*

Overview

The Russell 1000® Value Index (hereinafter, the "Index") posted solid absolute gains, returning 5.6% over the third quarter. Returns were positive across all sectors, except for energy, which declined over 19%. Consumer discretionary, along with cyclical sectors such as materials and industrials, led the Index. Consumer staples and communication services also solidly advanced. Information technology slightly fell, while real estate and financials trailed their sector peers. Top contributors to the Index's performance included Berkshire Hathaway, Comcast, Walmart, and Proctor & Gamble. Exxon Mobil, Intel, Chevron, and Cisco Systems were among the notable detractors over the third quarter.

The Jennison Large Cap Value Equity Composite (hereinafter, the "Composite") advanced and outperformed its Russell 1000® Value Index (the Index) over the period.

In absolute terms, semiconductors, homebuilders, and technology hardware storage & peripherals were additive to returns. Our integrated oil & gas, and oil & gas exploration & production stocks were the main detractors, while property & casualty names also hurt.

Relative to the Index, the representative portfolio's (hereinafter the "Portfolio"), outperformance included successful stock selection in semiconductors, along with overweight positions in homebuilding and building products. The Portfolio also benefited from its apparel retail positions, as well as having avoided oil & gas refining & marketing stocks. On the contrary, poor stock selection within pharmaceuticals, and a lack of exposure to multi-sector holdings were among the dominant detractors. Allocations to air freight & logistics and integrated oil & gas stocks also hampered relative returns over the period. Health care equipment positions also hurt, but relative losses were partially offset by successful stock picking within the segment.

Key Contributors

- With its huge installed base, **Apple** has been benefiting from rapid growth in service business subscriptions (apps, music) - a key source of recurring revenue. The upcoming product cycle, which includes the launch of 5G handsets, should provide robust revenue and profit growth when it ultimately commences. During the period, the Company announced its June-quarter revenue and earnings that surpassed forecasts, with all divisions meeting or exceeding expectations. The work-from-home environment has continued to drive strong demand for its MacBooks, iPads, and iPhones.
- Operating across approximately 84 markets and 29 states, **D.R. Horton** (DHI) is one of the largest homebuilders in the US. The Company engages in the construction and sale of single-family housing focused on entry-level, first-time homebuyers while also providing mortgage financing and title services. The combined lack of affordable housing - a national issue - along with low interest rates to support the industry for the foreseeable future, we believe DHI is uniquely positioned to capitalize on a d urable, long-term demand trend. Additionally, we feel its solid balance sheet and expanded geographic presence should help drive sizeable share gains and industry-leading earnings per share growth.
- Home improvement retailer **Lowe's** has benefitted from increased demand due to stay at home restrictions, causing many consumers to fix up their homes and outdoor spaces. The Company, based in North Carolina-based, engages in the retail sale of products for maintenance, repair, remodeling, home decorating and property maintenance. With a new management team comprised of ex-HD (Home Depot) executives copying past successes, we believe Lowe's should be able to narrow the performance gap with HD that could potentially lead to improved long-term earnings growth and outperformance.

Key Detractors

- Shares of integrated oil & gas stock **Chevron** slipped after announcing its intention to acquire Noble Energy on July 20th, which was then followed by a messy earnings report for 2Q20. The messy earnings report follows a large earnings beat last quarter, simply highlighting the volatility in the energy space.
- Overall energy sector stocks struggled during the period amid an uncertain demand outlook caused by the pandemic. This along with investor fears of an oversupplied market has caused extreme negative sentiment that continues to remain an overhang on the sector. The subsequent decline in E&P stocks, such as **ConocoPhillips**, came despite the drastic measures taken by the E&P group early this year - drastically cutting capex spending and reducing rig counts to maintain free cash-flow and defend their dividends to shareholders.
- Despite **Suncor Energy** beating estimates, the stock declined as investors negatively reacted to its swift reversal over the course of six months. Having gone from a healthy balance sheet and in a position of strength to engage in potential acquisitions at the bottom of the cycle, to having added a surprising amount of debt in 2Q20. We continue to believe Suncor is making significant headway on cost reductions and increased cash-flow targets.

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Outlook

The third quarter of 2020 continued the progress - albeit moderately - of an economic re-opening that began in the second quarter. Given declines in some and increases in other geographies, COVID-19 infection rates nor turnarounds never proceed in a straight-line. This was evident in the market's advance in July and August, which was then proceeded by turbulence in September as fears of a resurgence in coronavirus infections and the upcoming US elections increased uncertainty and weighed on sentiment.

Given the extent of the economic shutdown, second quarter corporate earnings - reported in the third quarter - came in better than investors had initially feared. While many did experience declines, generally companies moved quickly to cut costs in order to preserve capital. The further "belt tightening" allowed for margin expansion, which in some cases was substantial. With margins so much stronger than initially anticipated, despite lower revenues, corporate America has demonstrated its ability to generate high levels of profitability even through this recession. With the gradual re-opening of the economy, this should provide further comfort to management teams in making their cost-cutting efforts permanent. Furthermore, if revenues can return or come near their pre-COVID levels, we could see a dramatic increase in earnings, and believe dividends & buybacks should then follow suit. Moreover, as people slowly get back to work, this should help further strengthen sentiment. Finally, putting the US elections behind us will also help to reduce some of the market uncertainty, regardless of which candidate wins.

We took advantage of the market downturn and volatility that occurred over the first and second quarters, as an opportunity to "upgrade" the portfolio. Overall, we shifted out of some our defensive names, and into more cyclical ones that we believe should benefit under any recovery (or US President) scenario. We are pleased with the strategy's relative outperformance in the third quarter, and believe our portfolio of companies should benefit under any recovery, as the economy continues to open further. As we near the elections, investors would like to see another round of stimulus to aid the recovery of economic activity. While this may not happen before the election, it is likely to happen after the election regardless of which party controls the White House.

Now, more than ever, we continue our focus on cash-flow strength and dependability - which we believe leads to higher levels of franchise durability. We are continually assessing the underlying impact to our holdings and strongly believe that our portfolio consists of businesses whose valuations still do not reflect their true long-term intrinsic value. Despite the high level of uncertainty in the world today, we remain dedicated to both our investment process and our fiduciary duty to clients.

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Disclosures

All data is as of September 30, 2020 unless otherwise noted. Due to rounding, individual values may not sum to total shown.

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