



## Monthly Performance Report May 2015

### Performance Summary

Brandywine's Symphony globally-diversified investment program gained +0.01% in May and the aggressively-traded Brandywine Symphony Preferred lost -0.47% during the month.

Investment	May 2015	12-Month Returns	2015	(1) Annualized Return	(1) Annualized Volatility	(1) Maximum Drawdown	(1) Sharpe Ratio
Brandywine Symphony Program	+0.01%	-5.91%	+5.44%	+3.91%	8.26%	-13.94%	0.47
Brandywine Symphony Preferred	-0.47%	-20.65%	+16.57%	+14.08%	29.31%	-38.11%	0.48
S&P 500 TR	+1.29%	+11.81%	+3.23%	+15.12%	11.56%	-13.87%	1.30

(1) Since the start of trading in Brandywine's Symphony Program in July 2011.

### Return Drivers, Correlation and Diversification

In last month's report we provided a brief review of Return Drivers and how some of the new fads in the investment industry, such as smart beta (or strategic beta) as well as the well-entrenched terms alpha and beta, are simply clever (or maybe not so clever!) terms that describe the level of public awareness associated with what is actually a small sub-set of available Return Driver based investment strategies.

As we said in that report:

"There is nothing special about smart beta. Once we understand that every valid investment strategy (such as buying-and-holding stocks or value investing) is based on a relevant Return Driver, we realize that beta, smart beta and alpha are merely terms used to differentiate the level of public acceptance of each Return Driver. In short:

Beta describes strategies (such as buy-and-hold) that are based on Return Drivers that are widely exposed and accepted as being valid in the public domain.

Smart Beta refers to Return Drivers that have been exposed but are not yet as widely employed or accepted in the public domain.

Alpha is the term used to describe Return Drivers that are not yet widely disseminated or accepted in the public domain.

It's as simple as that."

We're repeating this explanation here because Return Drivers not only provide an elegant framework to help resolve some of the most important investment debates (such as that between "passive" and "active" investing), but understanding them is also at the heart of an investor's ability to construct a truly diversified portfolio.

*Brandywine's Symphony Program is a globally-diversified investment program that incorporates multiple fundamentally-based trading strategies in a systematic portfolio that trades across more than 100 global financial and commodity markets.*

*Brandywine Symphony Preferred trades more aggressively at 3 times the standard risk of Brandywine's Symphony Program, yet still targets a maximum drawdown to be less than that of the S&P 500.*

Here's an example:

It has been common over the past year or so to hear people make the comment “with interest rates so low, stocks are the only game in town.” It is easy to understand why people have this view. If their investment beliefs are constrained by the use of asset classes, alpha and beta, their resultant investment process will lack the flexibility to allow them to create a truly diversified portfolio. For example, with interest rates on 10-year U.S. government bonds at less than 2.5%, a pension plan that requires a 7% return on its capital will lose by putting their money into bonds. If they view the investment world in terms of asset classes, as legions have been taught to do since the invention of asset classes in the 1960s, they are essentially constrained to owning stocks, bonds, commodities, real estate or cash. For many funds in this predicament, holding long stock positions appears to be the only way to achieve their required return.

The investment world is completely different for the Return Driver based investor however. They see that owning stocks is just a simple investment strategy based on one combination of a valid Return Driver (rising corporate earnings) coupled with a relevant market (common stock). They see that there are dozens, if not hundreds, of other relevant Return Drivers that can be developed into strategies to profit from the movement of dozens (or hundreds) of other markets.

One such approach that has started to become popular is that provided by trend following CTAs. They exploit a proven Return Driver (market momentum) to capture profits over time from price movements in a wide range of global markets. This strategy is no less valid or relevant than buying stocks based on the expectation of earnings growth. This is an important—perhaps *the* most important—statement. Just because an investment strategy is more or less accepted by the financial world, doesn't mean it is more or less valid. **The validity of an investment strategy is based on the validity of its underlying Return Driver, not the popularity of its use.**

But buying stocks and trend following in global markets are just two out of the many investment strategies that can be employed to create a diversified portfolio. And despite the preponderance of long stock positions held in most people's portfolios, one is no less important than the other. But these two approaches (along with the other long-only strategies defined by the other “asset classes”) are not the only games in town. Once an investor accepts the validity of owning stocks in anticipation of rising earnings, or selling crude oil based on the strong downside momentum in its price, the opportunity exists to create a truly diversified portfolio by developing — or investing with managers that have developed — other investment strategies based on other, equally valid, Return Drivers.

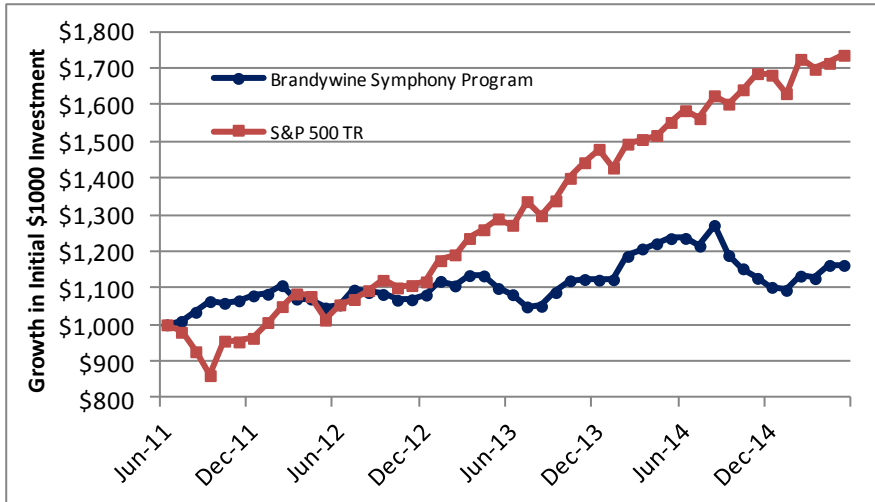
Brandywine has developed and employs dozens of investment strategies based on dozens of disparate Return Drivers. Because of this, as we showed in last month's report, there is no correlation between the returns produced by Brandywine and those of virtually any other investment index. An additional benefit is that we are not limited to what appears to others to be “the only game in town.” There are always numerous other games to play.

While we won't reveal the specifics of each of the investment strategies we employ, as it would be a disservice to our investors, who benefit from us keeping them out of the public domain, we continue to be very open with providing some examples of the Return Drivers we exploit. If you are a serious investor and would like to discuss this with us, please feel free to contact Rob Proctor or Joe Gabor and we will schedule a presentation.

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**Brandywine Symphony Program**



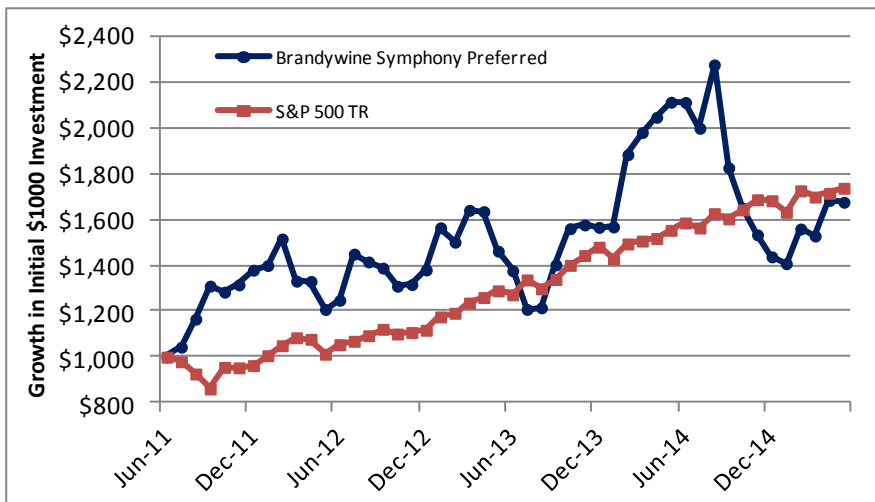
**Summary Statistics**

Years	3 11/12
Annualized Return	3.91%
Annualized Volatility	8.26%
Maximum Drawdown	-13.94%
% Profitable Months	60%
% Profitable Rolling 12-Months	75%
Correlation to S&P 500	0.19
Sharpe Ratio	0.47
Sortino Ratio	0.84

**Monthly Performance**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YEAR
2015	-0.74%	3.55%	-0.60%	3.20%	0.01%								5.44%
2014	0.10%	5.68%	1.71%	1.18%	1.14%	0.05%	-1.71%	4.65%	-6.46%	-3.05%	-2.26%	-2.18%	-1.75%
2013	3.46%	-1.10%	2.55%	-0.08%	-3.03%	-1.54%	-3.09%	0.16%	3.57%	2.95%	0.32%	-0.16%	3.77%
2012	0.41%	2.17%	-3.31%	0.00%	-2.28%	0.79%	3.85%	-0.61%	-0.48%	-1.45%	0.11%	1.20%	0.20%
2011							0.92%	2.47%	2.83%	-0.45%	0.65%	1.27%	7.90%

**Brandywine Symphony Preferred**



**Summary Statistics**

Years	3 11/12
Annualized Return	14.08%
Annualized Volatility	29.31%
Maximum Drawdown	-38.11%
% Profitable Months	53%
% Profitable Rolling 12-Months	72%
Correlation to S&P 500	0.15
Sharpe Ratio	0.48
Sortino Ratio	0.92

**Monthly Performance**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YEAR
2015	-2.07%	10.76%	-1.98%	10.16%	-0.47%								16.57%
2014	0.12%	20.09%	5.13%	3.36%	3.22%	-0.04%	-5.35%	13.85%	-19.76%	-9.65%	-7.02%	-6.25%	-8.20%
2013	13.32%	-4.02%	9.26%	-0.35%	-10.56%	-5.85%	-12.22%	0.57%	15.39%	11.27%	1.03%	-0.67%	13.44%
2012	1.48%	8.27%	-12.14%	-0.07%	-9.20%	3.32%	16.13%	-2.36%	-1.91%	-5.69%	0.55%	4.85%	0.08%
2011							4.34%	11.72%	12.33%	-2.01%	2.47%	4.86%	37.88%

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

THERE IS THE RISK OF LOSS AS WELL AS THE OPPORTUNITY FOR GAIN WHEN INVESTING WITH BRANDYWINE.