

# DIVIDEND ALL-CAP VALUE

An All-Cap Value, Dividend Focused Investment Strategy  
Quarterly Update as of December 31, 2009



## Investment Objective(s)

- Target Yield > Russell 3000 Value plus 150 bps
- Long-term Total Return > Russell 3000 Value index

## Strategy Highlights

River Road's Dividend All-Cap Value (DAV) strategy utilizes a fundamentally driven research process to identify attractive purchase candidates from an all-cap universe of high yielding equity securities. This strategy invests in well-managed, financially strong companies with high and growing dividends. The strategy targets companies that are also trading at a meaningful discount to our assessed Absolute Value. The stock selection process is complemented by a risk averse portfolio approach that employs a four-tier diversification strategy and a structured sell discipline.

## Portfolio Managers

### Henry W. Sanders, III, CFA

- 20 Years of Experience; Managed Portfolio Since Inception
- Bellarmine University, BA and Boston College, MBA

### Thomas S. Forsha, CFA

- 11 Years of Experience; Managed Portfolio Since July 2005
- The Ohio State University, BS and University of Chicago, MBA

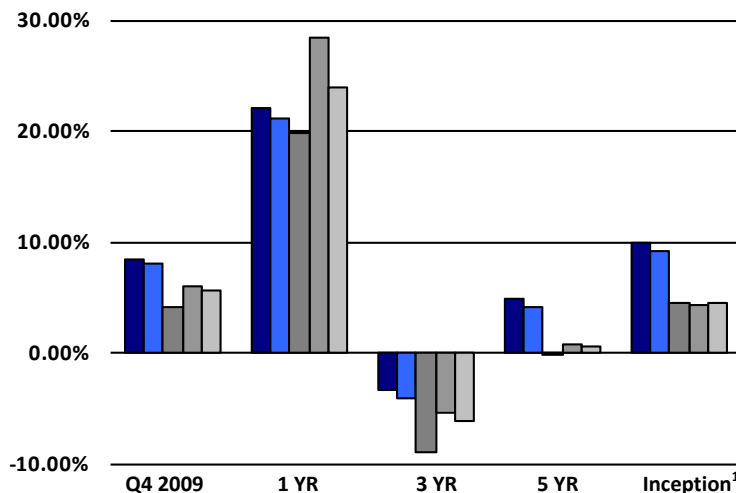
### James C. Shircliff, CFA

- 36 Years of Experience; Managed Portfolio Since Inception
- University of Louisville, BS

### Greg Deuser, CFA

- 25 Years of Experience; Managed Portfolio Since August 2009
- University of Louisville, BS

## Returns ending December 31, 2009



	Q4 2009	1 YR	3 YR	5 YR	Inception <sup>1</sup>
RRAM DAV Composite - Gross	8.32%	22.07%	-3.33%	4.87%	9.82%
RRAM DAV Composite - Net	8.12%	21.21%	-4.03%	4.14%	9.11%
Russell 3000 Value	4.17%	19.76%	-8.91%	-0.24%	4.56%
Russell 3000	5.90%	28.34%	-5.42%	0.76%	4.38%
Lipper Equity Income	5.58%	23.85%	-6.25%	0.63%	4.48%
Out/Underperformance <sup>2</sup>	+4.15%	+2.31%	+5.58%	+5.11%	+5.26%

**Portfolio Yield: 3.99%<sup>3</sup>**

Benchmark index changed to Russell 3000 Value on 7/1/2007.

Shows gross and net of fees performance as of December 31, 2009. <sup>1</sup>Inception Date: October 1, 2003. <sup>2</sup>Out/Underperformance compares Dividend All-Cap Value gross performance and Russell 3000 Value. <sup>3</sup>Gross of fees; Current portfolio yield does not anticipate special dividends. Source: River Road Asset Management, LLC and Russell Investment Group. Past performance is no guarantee of future results. Please see reverse side for important disclosure information.

## Portfolio Review

For the third quarter in a row, **all ten economic sectors had a positive total return** in the Portfolio. **In addition**, eight out of the ten sectors had a positive total effect on the relative return versus the index. Stock selection in the Energy and Financials sectors provided the largest positive effect on the relative return. A sharp underweight in Financials added to the relative results as it was the lone sector to post a negative return for the quarter in the Russell 3000 Value index. **Overall, both sector allocation and stock selection had a positive impact on relative results.**

During the quarter, only **two** sectors had a negative total effect on the relative performance of the Portfolio: Health Care and Consumer Discretionary. Both the modest underweight and stock selection in the Health Care sector had an adverse impact on the Portfolio results. Fortunately, we were able to identify more opportunities in this sector during the previous quarter and significantly reduce the underweight heading into Q4. While the overweight in the Consumer Discretionary sector added value versus the benchmark, the negative performance of Portfolio holdings were a drag on relative results.

In 2009, **six** sectors had a negative total effect on the Portfolio. **The largest negative impact was from Financials, primarily due to stock selection.** The total performance of the Financials sector in the Portfolio was -1.7%, giving it the distinction of being the only sector to post a negative absolute total return for the year. Information Technology had the second largest negative impact on relative returns. The Portfolio was overweight the sector, but the high quality, dividend-oriented holdings only returned **+28.9%** versus **+61.7%** for the benchmark.

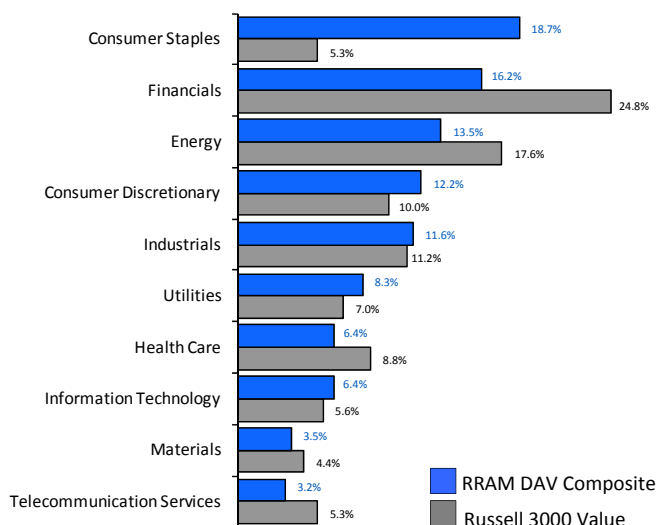
Among the most important factors forming our near-term outlook (**both in terms of relevance and actionability**) is the **weighted average discount-to-value of the top twenty holdings in the Portfolio.** Over time, this indicator has ranged from 70% (deeply undervalued) to 92% (overvalued). In Q4, **this measure consistently registered around 90%, a signal that warrants caution;** however, it began to decline in the final weeks of the period as we sharply reduced large positions in MLPs, but remained high (86%) at quarter end.

**We are optimistic about the fundamental outlook of our dividend-based strategy in 2010.** The economic stabilization has reduced the pressure on companies to cut dividend payments and, in fact, we are seeing a modest increase in the number of firms that are growing their payments. There is a universe of companies that have strong balance sheets and attractive, yet cyclical, businesses that conservatively cut, or failed to increase, their dividend payment in 2009. **As business stabilizes and cash accumulates, we would expect some of these firms to announce dividend increases.**

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## Sector Weightings



## Portfolio Characteristics

	RRAM Dividend All-Cap Value	Russell 3000 Value
Number of Holdings	72	2,072
Price / Earnings <sup>1</sup>	15.8	17.0
Price / Cash Flow	10.2	14.1
Price / Book	2.16	1.54
ROE (5 yr Avg.)	20.0	15.8
EPS Growth (5 yr Avg.)	5.8	0.5
LT Growth Forecast (I/B/E/S Medians)	8.6	7.4
Dividend Yield	3.99	2.21
Annualized Standard Deviation <sup>2</sup>	13.06	17.35
Annual Alpha <sup>2</sup>	4.79	
Beta <sup>2</sup>	0.73	
Turnover <sup>3</sup>	47.22%	

## Top Ten Holdings

Company	Description	% of Portfolio
Waste Management Inc. (WM)	Waste and environmental services company	2.93%
Verizon Communications Inc. (VZ)	Wireless communication provider	2.57%
Cracker Barrel Old Country Store Inc. (CBRL)	Southern-style comfort food and gift shops	2.54%
Automatic Data Processing Inc. (ADP)	HR outsourcing provider	2.16%
Clorox Co. (CLX)	Consumer products manufacturer	2.11%
General Mills Inc. (GIS)	World's 6th largest food company	2.09%
Spectra Energy Corp. (SE)	Leader in gas processing and transportation	2.09%
Sysco Corp. (SY)	Food service distributor in North America	2.07%
McCormick & Co. Inc. (MKC)	Spice and seasoning company	1.98%
People's United Financial Inc. (PBCT)	Regional bank in the Northeast U.S.	1.97%

Data as of 12/31/09. <sup>1</sup>Excludes negative earnings. <sup>2</sup>Risk characteristics based on trailing 60 month gross-of-fee composite performance. <sup>3</sup>Average Annual Turnover Since Inception (10/1/2003). Source: River Road Asset Management, LLC, The Bank of New York Mellon Corp., Russell Investment Group and FactSet Research Systems Inc.

The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in our composite at the time you receive this report or that securities sold have not been repurchased. Our composite characteristics and sector weightings are shown and may not be indicative of this strategy's current or future investments. It should not be assumed that any of the holdings discussed herein 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 of the securities discussed herein. This information is shown as supplemental information only and complements the full disclosure presentation. River Road will provide you with a list of all historic specific recommendations over the past year if you so request. Past performance is no guarantee of future results.

River Road Asset Management, LLC ("RRAM" or "the Firm") is a registered investment adviser formed in April 2005 and is employee owned through parent company River Road Partners ("RRP"). RRP has entered into an agreement with Aviva Investors North America Holdings, Inc., a wholly-owned affiliate of UK-based Aviva, PLC, to purchase all of the RRP membership interests in RRAM. The closing of this transaction is anticipated to occur in Q1 2010. RRAM claims compliance with the Global Investment Performance Standards (GIPS®). The firm maintains a complete list and description of composites and a presentation that complies with the requirements of the GIPS® standards, which is available upon request by contacting Thomas D. Mueller, CPA, CFA at (502) 371-4100 or thomas.mueller@riverroadam.com. The Composite contains fully discretionary accounts that seek to provide high current income and long-term capital appreciation. Performance presented includes the reinvestment of all income. The U.S. Dollar is the currency used to express performance. Prior to October 1, 2008, the composite was known as the Dynamic Equity Income Composite. The official benchmark for the composite was changed to the Russell 3000 Value from the Russell 3000 on July 1, 2007. River Road Asset Management, LLC determined that the Russell 3000 Value represents a more appropriate benchmark for the composite as determined by a process of evaluation which began once the Dividend All-Cap Value Composite completed its three-year track record in October 2006. All other indices are shown as additional information only.

*Russell 3000 Value* - Unmanaged index constructed to provide a comprehensive and unbiased barometer of the broad value market.

Upon formation, RRAM had an individual account assigned to it from its prior firm. Prior to the formation of RRAM, the principals of the company were primarily responsible for the management of the account, from October 1, 2003 to March 31, 2005. The investment objectives, policies and strategies for the prior firm are substantially similar to those of RRAM. The individual has provided authorization allowing RRAM use of the performance history and supporting records for this report.

Sector, Industry Group, Industry, or Sub-industry group levels are provided from the Global Industry Classification Standard ("GICS"), developed and exclusively owned by MSCI, Inc. ("MSCI") and Standard & Poor's Financial Services LLC ("S&P"), unless otherwise stated that they have been reclassified or classified by River Road Asset Management. Reclassifications/classifications by River Road Asset Management are not supported by S&P or MSCI. All GICS data is provided "As Is" with no warranties. River Road Asset Management does not classify securities that are not automatically classified by MSCI and S&P.

**RIVER ROAD ASSET MANAGEMENT, LLC**  
The Meidinger Tower  
462 South Fourth Street, Suite 1600  
Louisville, KY 40202 U.S.A.  
tel 502-371-4100  
www.RiverRoadAM.com



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