

# SMALL-MID CAP VALUE EQUITY

Quarterly Update as of December 31, 2009



RIVER ROAD  
ASSET MANAGEMENT®

## Strategy Highlights

River Road's SMID Cap Value strategy focuses primarily on companies between \$250 million and \$6 billion in market capitalization. The SMID Cap Value strategy employs the same bottom-up, fundamentally driven investment process as the firm's Small Cap Value Strategy. The primary difference in these strategies, other than market capitalizations and benchmarks, is that the greater liquidity in the SMID universe yields fewer target holdings (60-85) compared to the Small Cap strategy (75-100).

- Bottom-up, fundamentally driven stock selection
- Balanced diversification
- Structured sell discipline

## Portfolio Managers

### James C. Shircliff, CFA

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

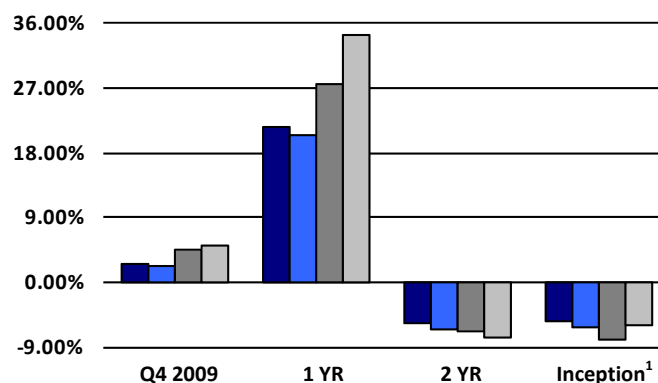
### R. Andrew Beck

- 10 Years of Experience; Managed Portfolio Since 2000
- University of Louisville, BS and Babson College, MBA

### Henry W. Sanders, III, CFA

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

## Returns ending December 31, 2009



	Q4 2009	1 YR	2 YR	Inception <sup>1</sup>
RRAM SMID - Gross	2.56%	21.60%	-5.83%	-5.54%
RRAM SMID - Net	2.34%	20.55%	-6.65%	-6.36%
Russell 2500 Value	4.65%	27.68%	-6.81%	-7.99%
Russell 2500	5.08%	34.39%	-7.83%	-5.97%
Out/Underperformance <sup>2</sup>	-2.09%	-6.08%	+0.98%	+2.45%

Shows gross and net of fees performance as of December 31, 2009. <sup>1</sup>Inception date: March 1, 2007. <sup>2</sup>Out/Underperformance compares Small-Mid Cap Value gross performance and Russell 2500 Value. 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

The fourth quarter was a fitting end to 2009, a year that saw a deep plunge in stock prices followed by a near-record recovery. In mid-October, market volatility spiked as investors focused on disappointing employment data and the potential impact on holiday retail sales. In November, markets stabilized as earnings continued to beat analysts' expectations and 2010 estimates continued to be revised higher. In December, markets rallied sharply higher as jobless claims continued to decline and holiday sales trends were reported as largely in-line with expectations. In summary, Q4 delivered the third-best December on record for the Russell 2000 index and capped the strongest Small Cap bear market recovery since 1933.

Despite the sharp bounce in equities, **the fourth quarter did see investors' appetite for risk begin to diminish.** Large Cap stocks outperformed Small Cap for the period and **dividend-payers outperformed non-payers for the first time since Q1.** The shift toward quality was more prominent among Larger Cap stocks, as low quality re-emerged a leader among Smaller Cap during the sharp rise in December. The breadth and magnitude of the low quality rally, however, was greatly diminished compared to Q3 trends.

While the return of our Small-Mid Cap strategy was in-line with our Small Cap strategy, and the Portfolio was coming off a strong relative performance in both 2008 and in Q1 2009, it underperformed the benchmark for the 2009 annual period. The shortfall is attributed to an underweight in Midcap holdings leveraged to the recovery. We simply didn't have enough risk in the Portfolio with Midcap stocks posting one of their strongest annual returns on record. The tendency for our style to lag during major inflection up-trends, where "low quality, high beta" stocks lead the market, has been well documented throughout our 12-year history. Fortunately, such periods tend to be both rare and relatively brief. With the sharpest phase of the recovery likely behind us, we feel especially confident about our positioning of SMID for 2010.

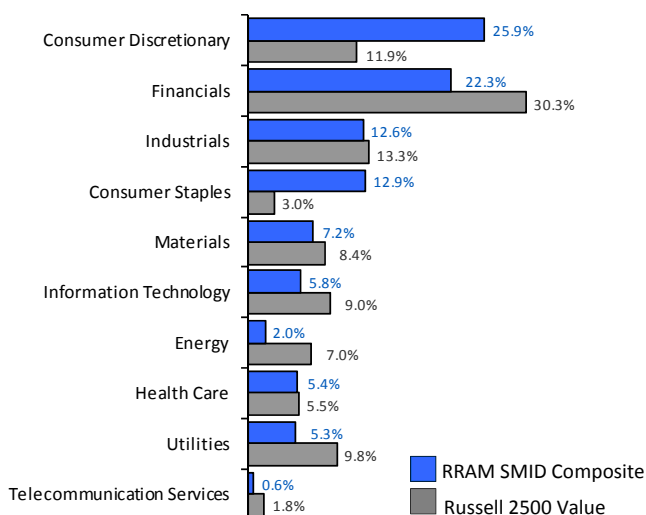
The top contributing sectors to relative return in the Portfolio during the quarter were **Financials** and **Information Technology**. Our Financials holdings benefited from being underweight the index, as the Smaller Cap Financials sector was relatively weak during the period. Conversely, our Technology holdings benefited from stock selection with the Portfolio's return significantly outperforming that of the benchmark. The sectors with the lowest contribution to relative return for Q4 were **Materials** and **Industrials**.

With the aggressive risk trade diminishing, our holdings should be well-positioned for strong relative performance in the months ahead. For 2010, **our focus will remain squarely on high quality companies that are well-positioned for a period of modest economic growth.** With uncertainty still surrounding financial markets, we will continue to carefully balance our sector positions. **We will also continue to address losing positions quickly.** Despite these many challenges, however, **we believe it will be an exciting and prosperous New Year.**

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## Sector Weightings



## Portfolio Characteristics

	RRAM Small-Mid Cap Value	Russell 2500 Value
Number of Holdings	76	1,757
Price / Earnings <sup>1</sup>	15.1	16.9
Price / Cash Flow	9.5	18.7
Price / Book	1.59	1.35
ROE (5 yr Avg.)	14.6	9.6
EPS Growth (5 yr Avg.)	9.5	1.2
Cash Flow Growth (5 yr)	9.8	2.3
LT Growth Forecast <sup>2</sup>	11.4	8.5
Wtd Avg Mkt Cap (\$bil)	2.02	2.21
Wtd Med Mkt Cap (\$bil)	1.53	2.06

## Top Ten Holdings

Company	Description	% of Portfolio
PetSmart Inc. (PETM)	Largest pet retailer in the U.S.	4.02%
AptarGroup Inc. (ATR)	Dispensing systems	3.67%
Casey's General Stores Inc. (CASY)	Convenience stores in small towns	3.57%
Ruddick Corp. (RDK)	Harris Teeter: High-end grocer	3.08%
Brink's Home Security Holdings Inc. (CFL)	Home security in North America	2.93%
W.R. Berkley Corp. (WRB)	Diversified specialty P&C insurance co.	2.67%
Equifax Inc. (EFX)	#1 Credit bureau in the U.S.	2.61%
Cracker Barrel Old Country Store Inc. (CBRL)	Southern style comfort food & gift shops	2.25%
The Brink's Co. (BCO)	Cash handler with premier brand	2.22%
PartnerRe Ltd. (PRE)	Conservative Bermuda-based reinsurer	2.14%

Data as of 12/31/09. Source: River Road Asset Management, LLC, The Bank of New York Mellon Corporation, FactSet Research Systems, Inc., and Russell Investment Group.

<sup>1</sup> Excludes negative earnings. <sup>2</sup> I/B/E/S Medians.

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 portfolio at the time you receive this report or that securities sold have not been repurchased. Our portfolio 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 capital appreciation by investing in small-mid cap equity securities that trade at a discount to the firm's estimate of absolute value. Performance presented includes the reinvestment of all income. The U.S. Dollar is the currency used to express performance. The official benchmark of the Small-Mid Cap Value Composite Portfolio is the Russell 2500 Value. All other indices are shown as additional information only.

Russell 2500 Value - Unmanaged index constructed to provide a comprehensive and unbiased barometer of the small to mid-cap value market.

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 classify securities that are not automatically classified by MSCI and S&P.

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