



October 15, 2013

Dear Friends and Investors,

Stocks delivered robust returns in Q3 as **investors remained focused on continued stimulus from the Federal Reserve rather than a steady stream of negative news events**. That focus was particularly evident early in the quarter when, despite a disappointing employment report, weak housing data, and anemic Q2 earnings growth, stocks registered one of the best Julys on record.

In August, stocks retreated amid growing tension with Syria and concern the Fed was leaning toward reducing the size of its bond purchase program. By early September, however, those concerns diminished and stocks again traded sharply higher. **On September 18, in the defining moment of the quarter, the Federal Reserve chose not to reduce the pace of current QE.**

For the fourth consecutive quarter, small cap stocks outperformed large cap with the Russell 2000 returning **+10.21%** versus **+6.02%** for the Russell 1000 and **+5.24%** for the S&P 500. **The S&P 500 has experienced its best Q1-Q3 period since 1997 and small cap returns year-to-date rank among the top 20 since 1940.** Further, according to Ned Davis Research, it has now been more than 490 days since the S&P 500 experienced at least a -10% correction. This is more than 3x the mean average of 161 days going back to 1927.

From a style perspective, growth dramatically outperformed value across the board. **High beta stocks dominated during Q3 and the highest yielding stocks dramatically underperformed.** Despite this weak performance, dividend policies remained a focus for management teams as **334** companies in the S&P 500 increased or initiated dividends in the last 12 months (the highest measure in decades), resulting in a **+13.2%** increase in the aggregate payout.

| Q3 2013 Composite Performance Summary ¹ | | | | | | | | | | | | | | |
|--|--------------|---------------|--------------|---------------|-----------------|---------------|----------------|---------------|-------------------|---------------|-------------------|---------------|---------------|---------------|
| | DAV | | DAV II | | Small Cap Value | | SMID Cap Value | | Independent Value | | Long-Short Equity | | Research Fund | |
| | Q3 2013 | YTD | Q3 2013 | YTD | Q3 2013 | YTD | Q3 2013 | YTD | Q3 2013 | YTD | Q3 2013 | YTD | Q3 2013 | YTD |
| Gross | 4.48% | 22.99% | 4.25% | 22.83% | 6.54% | 24.72% | 6.31% | 23.91% | 2.19% | 4.77% | 5.03% | 13.77% | 5.84% | 25.81% |
| Net | 4.31% | 22.40% | 4.09% | 22.29% | 6.33% | 23.99% | 6.10% | 23.19% | 1.95% | 4.02% | 4.71% | 12.75% | 5.58% | 24.87% |
| Benchmark² | 4.23% | 20.68% | 4.23% | 20.68% | 7.59% | 23.07% | 6.43% | 22.50% | 7.59% | 23.07% | 6.35% | 21.30% | 4.23% | 20.68% |
| +/- | +0.25% | +2.31% | +0.02% | +2.15% | -1.05% | +1.65% | -0.12% | +1.41% | -5.40% | -18.30% | -1.32% | -7.53% | +1.61% | +5.13% |

The River Road **Dividend All-Cap Value** (DAV) Portfolio, which celebrated the 10 year anniversary of its composite on October 1, outperformed during Q3, returning **+4.48%** (+4.31% net) versus **+4.23%** for the Russell 3000 Value benchmark. Year-to-date, the Portfolio returned **+22.99%** (+22.40% net) versus **+20.68%** for the benchmark. We are pleased with both the absolute and relative performance of the Portfolio YTD, especially given the sudden shift in interest rate expectations and ongoing underperformance of dividend stocks.

Similarly, **DAV II** outperformed during the quarter, returning **+4.25%** (+4.09% net) versus **+4.23%** for the Russell 3000 Value and **+5.24%** for the S&P 500. The Portfolio has returned **+22.83%** (+22.29% net) year-to-date versus **+20.68%** for the Russell 3000 Value and **+19.79%** for the S&P 500.

River Road's **Small Cap Value** (SCV) Portfolio underperformed its benchmark during Q3, returning **+6.54%** (+6.33% net) versus **+7.59%** for the Russell 2000 Value index. The Portfolio's low beta style was challenged by the extreme outperformance of high beta small cap stocks during the quarter which, within the Russell 2000 Value benchmark, returned **+12.87%** (fifth quintile) versus just **+1.08%** for the lowest beta (first quintile). Year-to-date, the Portfolio continues to outperform, returning **+24.72%** (+23.99% net) versus **+23.07%** for the benchmark.

Similarly, River Road's **Small-Mid Cap Value** (SMID) Portfolio modestly underperformed its benchmark during the quarter, returning **+6.31%** (+6.10% net) versus **+6.43%** for the Russell 2500 Value index. The SMID Portfolio also continues to outperform for the year-to-date period, returning **+23.91%** (+23.19% net) versus **+22.50%** for the benchmark.

The River Road **Long-Short Equity** Portfolio returned **+5.03%** (+4.71% net) in Q3 versus **+6.35%** for the Russell 3000. The Strategy delivered this return while exhibiting a beta of just 0.45 (0.41 since inception).³ For the year-to-date period,

¹ Please see the attached Market & Portfolio Commentary for important performance disclosures. Past performance is no guarantee of future results.

² Benchmarks: SCV – Russell 2000 Value; SMID – Russell 2500 Value; DAV – Russell 3000 Value; DAV II – Russell 3000 Value; Independent Value – Russell 2000 Value; Long-Short Equity – Russell 3000; Research Fund – Russell 3000 Value.

³ Beta calculated gross of fees for the Long-Short Composite. Inception Date: July 1, 2010.



the Portfolio returned **+13.77%** (+12.75% net) versus **+21.30%** for the benchmark. For the quarter, both the long portfolio (**+8.90%**) and the short portfolio (**+5.44%**) outperformed.³ While the Portfolio's total return lagged the benchmark during Q3, it exceeded our expectations in an environment of both robust returns and where heavily shorted and lower quality stocks were among the best performing groups. The long portfolio benefited from positions in large cap names, while our interest-rate-sensitive shorts also performed well.

The River Road **Independent Value** Portfolio underperformed its benchmark in Q3, returning **+2.19%** (+1.95% net) versus **+7.59%** for the Russell 2000 Value index. Year-to-date, the Portfolio returned **+4.77%** (+4.02% net) versus **+23.07%** for the benchmark. The Portfolio's potential buy list of high quality small cap companies remains expensive, with an average Price-to-Sales of 2.0x and Price-to-Earnings of 23x. Thus, the Portfolio remains positioned with a high cash balance while continuing to allocate selectively to out-of-favor industries. These actions are consistent with the Portfolio's objective of generating attractive absolute returns over a market cycle while avoiding permanent capital impairment.

It was another great quarter for River Road's all cap value **Research Fund**, which returned **+5.84%** (+5.58% net) for Q3 versus **+4.23%** for the benchmark Russell 3000 Value index. For the year-to-date period, the Research Fund has returned **+25.81%** (+24.87% net) versus **+20.68%** for the benchmark.

The Research Fund is managed by our analyst team, under the supervision of portfolio managers Andrew Beck and Thomas Forsha. The Research Fund consists of **the analyst team's highest conviction picks from among all of the firm's existing Portfolio holdings**. The Research Fund is concentrated (20 to 30 holdings), benchmark independent, and seeks to remain fully invested at all times.⁴ The Research Fund is opportunistic, which results in higher portfolio turnover than a typical RRAM strategy.

The Research Fund was initially created as a learning tool to develop the portfolio management and leadership skills of our analyst team. To the credit of our analysts, it has also delivered fantastic investment results over the past four and a half years, returning **+24.53%** annualized (+23.29% net) since inception (January 1, 2009) versus **+15.38%** for the benchmark. Additionally, it has generated that performance while exhibiting a beta of just **0.84**.⁵

In late Q4, the Research Fund will be opened (for the first time and on a very limited basis) to external capital. The **limited capacity** in the Strategy will initially be made available only to those clients and advisors that have an existing relationship with RRAM. The Strategy is only available in a separate account mandate and the minimum account size is \$25 MM. If you are interested in receiving additional information, please contact Michele Robbins or Katrina O'Leary at 502.371.4100.

We hope you enjoy reading the attached Market Commentary and Outlook and welcome your questions and feedback. Thank you for your business.

R. Andrew Beck
President & CEO, Senior Portfolio Manager

James C. Shircliff, CFA
Chief Investment Officer

Henry W. Sanders, III, CFA
EVP & Senior Portfolio Manager

³ The long portfolio and short portfolio performance is calculated gross of fees; it excludes the impact of cash and an immaterial investment in covered call options previously held in the composite. Gross of fees performance does not reflect the effect of management fees (performance would have been lower). Please refer to net of fees performance provided when considering this strategy.

⁴ The target number of portfolio holdings is a working guideline. The actual number may vary depending on market conditions and other factors.

⁵ Beta calculated gross of fees.



Disclosures:

River Road Asset Management, LLC ("RRAM" or "the Firm") is a registered investment adviser formed in April 2005 and is owned by Aviva Investors North America Holdings, Inc., a wholly-owned affiliate of UK-based Aviva PLC. This presentation may be presented by an employee of Aviva Investors, Aviva Investors Americas, or another Aviva entity, which are affiliates of RRAM. 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.

For all composites, the U.S. Dollar is the currency used to express performance and performance includes the reinvestment of all income.

Small Cap Value Equity Composite Disclosures:

Inception date: January 1, 1998. The composite contains fully discretionary accounts that seek capital appreciation by investing primarily in small cap value domestic equity securities that trade at a discount to the firm's estimate of absolute value. For this composite, RRAM defines a small cap company as one whose market capitalization is less than \$3 billion. The Manager selects securities from a universe of companies with a market capitalization at the time of initial purchase between \$50 million and \$3 billion, employing a value-driven, bottom-up fundamental approach. The official benchmarks for the Small Cap Value Equity Composite are the Russell 2000 Value and Russell 2000. *Russell 2000 Value* – Unmanaged index constructed to provide a comprehensive and unbiased barometer of the small cap value market. *Russell 2000* – Unmanaged index that contains the 2,000 smallest common stocks in the Russell 3000, which contains the 3,000 largest stocks in the U.S. based on total market capitalization;

As of September 30, 2013, net of fees returns for the Small Cap Value Composite are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, 10 year, and Inception to Date periods: 5.23%, 6.33%, 23.99%, 27.44%, 16.13%, 9.18%, 11.36%, and 10.93%. As of September 30, 2013, returns for the Russell 2000 Value are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, 10 year, and Inception to Date periods: 5.77%, 7.59%, 23.07%, 27.04%, 16.57%, 9.13%, 9.29%, and 8.26%. As of September 30, 2013, returns for the Russell 2000 are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, 10 year, and Inception to Date periods: 6.38%, 10.21%, 27.69%, 30.06%, 18.29%, 11.15%, 9.64%, and 7.26%.

Performance presented prior to April 1, 2005 occurred while the Portfolio Management Team was affiliated with a prior firm and the Portfolio Management Team members were the only individuals primarily responsible for selecting the securities to buy and sell. A review of this track record for compliance with portability requirements of the GIPS® standards was conducted by Ashland Partners & Company.

Small-Mid Cap Value Equity Composite Disclosures:

Inception Date: March 1, 2007. The composite contains fully discretionary accounts that seek capital appreciation by investing primarily in small-mid cap value domestic equity securities that trade at a discount to the firm's estimate of absolute value. For this composite, RRAM defines a small to mid cap company as one whose market capitalization is less than \$6 billion. RRAM selects securities from a universe of companies with a market capitalization at the time of initial purchase between \$250 million to \$6 billion, employing a value driven, bottom-up fundamental approach. The official benchmark of the Small-Mid Cap Value Composite Portfolio is the Russell 2500 Value - Unmanaged index constructed to provide a comprehensive and unbiased barometer of the small to mid-cap value market.

As of September 30, 2013, net of fees returns for the Small-Mid Cap Value Composite are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year and Inception to Date periods: 4.69%, 6.10%, 23.19%, 27.44%, 17.47%, 10.32% and 5.92%. As of September 30, 2013, returns for the Russell 2500 Value are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year and Inception to Date periods: 5.07%, 6.43%, 22.50%, 27.58%, 17.12%, 11.07% and 5.14%.

Dividend All-Cap Value Composite (DAV) and Dividend All-Cap Value II Composite (DAV II) Disclosures:

Inception Date DAV: October 1, 2003. Inception Date DAV II: January 1, 2011. The composites contain fully discretionary accounts that seek to provide long term capital appreciation and high current income by investing primarily in a diversified, all-cap basket of income producing equity securities that trade at a discount to the firm's estimate of absolute value. The composites are primarily invested in dividend-paying common stocks. The composites may also be invested in a broad range of foreign stocks, publicly traded partnerships, convertible preferred stocks, Real Estate Investment Trusts ("REITs"), investment companies, and royalty income trusts. For the DAV II Composite only, the securities must have a market capitalization of typically at least \$1 billion at the time of initial purchase. RRAM employs a value-driven, bottom-up approach. The official benchmark for the composites is the Russell 3000 Value - Unmanaged index constructed to provide a comprehensive and unbiased barometer of the broad value market.

As of September 30, 2013, net of fees returns for the Dividend All-Cap Value Composite are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, and Inception to Date periods: 3.95%, 4.31%, 22.40%, 21.50%, 15.40%, 10.49%, and 11.27%. As of September 30, 2013, returns for the Russell 3000 Value are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, and Inception to Date periods: 2.76%, 4.23%, 20.68%, 22.67%, 16.27%, 8.89%, and 8.09%.

Performance for the DAV Composite presented prior to April 1, 2005 occurred while the Portfolio Management Team was affiliated with a prior firm and the Portfolio Management Team members were the only individuals primarily responsible for selecting the securities to buy and sell. A review of this track record for compliance with portability requirements of the GIPS® standards was conducted by Ashland Partners & Company.

As of September 30, 2013, net of fees returns for the Dividend All-Cap Value II Composite are as follows for the month, QTD, YTD, 1 year, and Inception to Date periods: 3.73%, 4.09%, 22.29%, 21.06%, and 13.20%. As of September 30, 2013, returns for the Russell 3000 Value are as follows for the month, QTD, YTD, 1 year, and Inception to Date periods: 2.76%, 4.23%, 20.68%, 22.67%, and 13.53%.

Independent Value Composite Disclosures:

Inception Date: November 1, 1998. The composite contains fully discretionary accounts that seek attractive absolute returns over a market cycle by primarily investing in small cap equity securities that trade at a discount to the firm's estimate of absolute value. For this composite, RRAM defines a small cap company as one whose market capitalization is less than \$5 billion. The Manager selects securities from a universe of companies with a market capitalization at the time of initial purchase between \$100 million and \$5 billion, employing a value-driven, bottom-up fundamental approach. The official benchmark for the Independent Value Equity Composite is the Russell 2000 Value – Unmanaged index constructed to provide a comprehensive and unbiased barometer of the small cap value market.

As of September 30, 2013, net of fees returns for the Independent Value Composite are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, 10 year, and Inception to Date periods: -0.17%, 1.95%, 4.02%, 4.35%, 9.61%, 12.44%, 10.30%, and 10.24%. As of September 30, 2013, returns for the Russell 2000 Value are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, 10 year, and Inception to Date periods: 5.77%, 7.59%, 23.07%, 27.04%, 16.57%, 9.13%, 9.29%, and 9.65%.

The Independent Value Equity Composite was created September 1, 2010. Performance presented prior to September 1, 2010 occurred while the portfolio manager was affiliated with a prior firm and the portfolio manager was the only individual primarily responsible for selecting securities to buy and sell for the relevant strategy composite. A review of this track record for compliance with portability requirements of the GIPS® standards was conducted by Ashland Partners.

Long-Short Equity Composite Disclosures:

Inception date: July 1, 2010. The composite contains a fully discretionary account that seeks equity-like returns with reduced volatility over a full market cycle by investing primarily in long equity securities that trade at a discount to the firm's estimate of absolute value and selling short equity securities that trade a premium to the firm's estimate of Absolute Value. The composite will invest in short securities. The long and short portfolios will typically represent 50-100% and 10-90% of the total composite, respectively. Additionally, the composite may use options, futures, and other derivatives but these will not represent a significant portion of the composite. The official benchmark for the Long-Short Equity Composite is the Russell 3000 - Unmanaged index that contains the 3,000 largest stocks in the U.S. based on total market capitalization.

As of September 30, 2013, net of fees returns for the Long-Short Equity Composite are as follows for the month, QTD, YTD, 1 year, 3 year, and Inception to Date periods: 3.10%, 4.71%, 12.75%, 14.22%, 11.83% and 13.35%. As of September 30, 2013, returns for the Russell 3000 are as follows for the month, QTD, YTD, 1 year, 3 year, and Inception to Date periods: 3.72%, 6.35%, 21.30%, 21.60%, 16.76%, and 19.31%.

Research Fund Composite Disclosures:

Inception Date: January 1, 2009. The Research Fund invests in high conviction holdings chosen from a universe consisting of companies held in other RRAM strategies. Investment decisions for the Research Fund are made by members of RRAM's analyst team. RRAM portfolio managers provide oversight of the investment decisions, but generally RRAM analysts are determining the timing of purchases and sells, sizing of positions, and the make-up of the portfolio. The team of analysts involved with the investment decision making for the strategy has changed and may continue to change over time. Fully invested is as defined by RRAM and this standard may change over time.

The composite contains fully discretionary accounts that seek capital appreciation by investing primarily in equity securities that trade at a discount to the firm's estimate of absolute value. The clients for these accounts are current employees of RRAM. For this composite, RRAM selects securities from a universe of companies that are held by other RRAM strategies, which typically includes all market capitalizations. RRAM employs a value-driven, bottom-up fundamental approach. The official benchmark for the composite is the Russell 3000 Value -Unmanaged index constructed to provide a comprehensive and unbiased barometer of the broad value market.

As of September 30, 2013, net of fees returns for the Research Fund Composite are as follows for the month, QTD, YTD, 1 year, 3 year, and Inception to Date periods: 4.02%, 5.58%, 24.87%, 25.14%, 20.82%, and 23.29%. As of September 30, 2013, returns for the Russell 3000 Value are as follows for the month, QTD, YTD, 1 year, 3 year, and Inception to Date periods: 2.76%, 4.23%, 20.68%, 22.67%, 16.27%, and 15.38%.