



October 9, 2014

Dear Friends and Investors,

Volatility increased in Q3 as geopolitical turmoil, the winding down of QE3, and lofty equity valuations clashed with solid corporate earnings growth and a moderately stronger U.S. economy. The end result was mixed for equity investors, as allocations shifted in favor of securities perceived to be less risky. Larger cap stocks fared reasonably well in Q3, with the S&P 500 and Russell 1000 indices returning **+1.13%** and **+0.65%**, respectively. Conversely, small cap stocks declined sharply, with the Russell 2000 returning **-7.36%**.

The weakness in small cap stocks snapped an eight quarter winning streak for the Russell 2000 – the longest since 1995/1996. It also marks the fourth consecutive quarter that the small cap universe has underperformed large cap.

Q3 2014 Composite Performance Summary ¹														
	Small Cap Value		SMID Cap Value		DAV		DAV II		Independent Value		Long-Short Equity		FAV	
	Q3 2014	YTD	Q3 2014	YTD	Q3 2014	YTD	Q3 2014	YTD	Q3 2014	YTD	Q3 2014	YTD	Q3 2014	YTD
Gross	-6.64%	-5.04%	-6.00%	-3.18%	-0.22%	5.02%	0.53%	5.80%	-3.75%	0.23%	-0.03%	-0.71%	-0.91%	5.02%
Net	-6.81%	-5.57%	-6.17%	-3.72%	-0.38%	4.52%	0.42%	5.48%	-3.99%	-0.52%	-0.33%	-1.60%	-1.15%	4.24%
Benchmark²	-8.58%	-4.74%	-6.40%	0.96%	-0.87%	7.01%	-0.87%	7.01%	-8.58%	-4.74%	0.01%	6.95%	-0.87%	7.01%
+ / -	+1.94%	-0.30%	+0.40%	-4.14%	+0.65%	-1.99%	+1.40%	-1.21%	+4.83%	+4.97%	-0.04%	-7.66%	-0.04%	-1.99%

The pickup in volatility was beneficial for the relative performance of most RRAM strategies. Absolute returns, however, varied widely depending upon the respective strategy's small cap exposure. The best performing strategy for Q3 on an absolute basis was **Dividend All-Cap Value II (DAV II)**, which returned **+0.53%** (+0.42%) versus **-0.87%** for the benchmark. The team's current bias toward lower yielding, more attractively-priced dividend payers aided performance, as higher yielding stocks and sectors (including Utilities and REITs) delivered negative returns. Strong performance by the Portfolio's Consumer Discretionary holdings also helped to deliver attractive relative results.

The **Dividend All-Cap Value (DAV) Strategy** delivered similar (albeit moderately less attractive) performance compared to DAV II, returning **-0.22%** (-0.38% net) versus **-0.87%** for the benchmark. The difference in performance was due to the DAV Strategy's greater exposure to small cap stocks.

The best relative performance for Q3 was delivered by RRAM's Independent Value Strategy[®], which returned **-3.75%** (-3.99% net) for the quarter versus **-8.58%** for the benchmark. **The Strategy benefited from a large weighting in cash**, which the Strategy may opportunistically accumulate depending upon the attractiveness of valuations within manager Eric Cinnamond's potential buy list of approximately 300 high-quality small cap stocks. The Portfolio remains defensively positioned with a high cash balance and allocations to out-of-favor industries in light of historically expensive valuations for buy list companies, which had an average price-to-sales ratio of **1.9x** and price-to-earnings of **24x**.

The River Road Small Cap Value (SCV) Strategy also delivered attractive relative performance in Q3, returning **-6.64%** (-6.81% net) versus **-8.58%** for the Russell 2000 Value index. The SCV Strategy's low volatility approach is expected to outperform in a declining market and, while a negative return is never something we celebrate at RRAM, relative performance was within our expected range. We are further pleased that given the breadth of the decline across the small cap universe, seven of 10 sectors within the Portfolio had a positive contribution to relative performance.

The Small-Mid Cap Value (SMID) Strategy outperformed both the SCV Strategy and its benchmark during the quarter, returning **-6.00%** (-6.17% net) for Q3 versus **-6.40%** for the Russell 2500 Value index. However, the magnitude of the Strategy's outperformance fell below our expectation. While stock selection was positive and the breadth of outperformance was strong, with just two sectors contributing negatively to relative return, the magnitude of outperformance in nearly every sector was quite small. Historically, we have noted that our low volatility style will often participate more in the first 4 to 6% of a decline before positively diverging as the decline deepens.

¹ Please see the attached 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; FAV – Russell 3000 Value.



The River Road Long-Short Equity Strategy performed in line with its benchmark during Q3, returning **-0.03%** (-0.33% net) versus **+0.01%** for the Russell 3000. The Strategy had an average net market exposure of 49% during the period. Strong short portfolio performance (**-3.39%**) was offset by poor long portfolio performance (**-0.74%**).³ The long portfolio suffered from a sizable allocation to small cap stocks while the short portfolio benefited. The Long-Short Equity team increased its allocation to small cap long positions by 1,000 bps during the quarter to take advantage of attractive opportunities created by the sell-off. These actions more than doubled the long portfolio's small cap weighting, to nearly four times the benchmark. While these actions did not benefit the Strategy during the quarter, we believe they will in the months ahead.

Finally, **the River Road Focused Absolute Value (FAV) Strategy (formerly Research Fund) also performed in line during Q3**, returning **-0.91%** (-1.15% net) for the quarter versus **-0.87%** for the benchmark. The Portfolio's overweight position in small cap companies negatively impacted performance by **-98 bps**, as small and large cap performance diverged sharply. During the quarter, FAV increased its allocation to small caps by +300 bps to take advantage of the decline. The headwind created by the Portfolio's small cap allocation offset strong stock selection in large caps.

FAV is managed by RRAM CEO Andrew Beck and Co-CIO Thomas Forsha and consists of **the analyst team's highest conviction recommendations from among all of the firm's existing Portfolio holdings**. FAV is concentrated (20 to 30 holdings), benchmark independent, and seeks to remain fully invested at all times.⁴ To the credit of RRAM analysts and portfolio managers, the FAV Strategy has delivered fantastic investment results over the past five years, returning **+23.18%** annualized (+21.96% net) since inception (January 1, 2009) versus **+15.78%** for the benchmark. Additionally, **it has generated that performance while exhibiting a beta of just 0.86**.

The Focused Absolute Value Strategy is the first to which we have formally attached the name of RRAM's Absolute Value™ investment philosophy. We chose to change the name, believing the FAV Strategy represents the purest distillation of the best ideas, processes, and synergies we have developed as an investment team during the 10 years since we founded River Road. It is a strategy in which every member of our investment team rightfully takes ownership and tremendous pride.

In Q4, we officially open the FAV Strategy to separate account investors. **In early 2015, we expect to have news about collective investment opportunities**. If you are interested in receiving additional information, please contact Michele Robbins or Katrina O'Leary at **502.371.4100**.

With regard to firm news, we welcomed a quiet quarter following the close of our transaction with AMG on June 30. We would like to highlight an activity that we are proud of at RRAM, which is our support for the CFA Institute through participation in the CFA Society Louisville. RRAM currently has three members of its team serving as Society board members, including RRAM analysts **Andrew McIntosh, CFA** (Past President, Director), **John Watkins III, CFA** (Membership Chair), and **Shane Connor, CFA** (Candidate Outreach Chair). Their service upholds the firm's tradition of local investment leadership started by River Road co-founder Henry Sanders III, CFA, who has both contributed to the CFA Institute at the national level and served as past President of the CFA Society Louisville.

We hope you enjoy reading the attached market commentary and outlook and welcome your questions and feedback. **Thank you for investing with River Road.**

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 Gross of fees; 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. Excludes the impact of cash. Based on a representative portfolio within the LS Strategy. Supplemental information to the LS composite presentation.

⁴ The target number of portfolio holdings is a working guideline. The actual number may vary depending on market conditions and other factors. Focused Absolute Value may continue to hold a stock that has been sold out of all other River Road strategies.



Disclosures:

River Road Asset Management, LLC ("RRAM") is a registered investment adviser formed in April 2005 and is partially owned by Affiliated Managers Group, Inc. This presentation may be presented by an employee of Affiliated Managers Group, Inc., AMG Funds, or Aston Asset Management, LLC, 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, 2014, 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: -5.11%, -6.81%, -5.57%, 0.01%, 17.19%, 10.92%, 8.81%, and 10.24%. As of September 30, 2014, 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: -6.75%, -8.58%, -4.74%, 4.13%, 20.61%, 13.02%, 7.25%, and 8.00%. As of September 30, 2014, 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: -6.05%, -7.36%, -4.41%, 3.93%, 21.26%, 14.29%, 8.19%, and 7.06%.

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 \$10 billion. RRAM selects securities from a universe of companies with a market capitalization at the time of initial purchase between \$250 million to \$10 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, 2014, 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: -5.54%, -6.11%, -3.72%, 0.81%, 18.27%, 12.67%, and 5.23%. As of September 30, 2014, returns for the Russell 2500 Value are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, 10 year, and Inception to Date periods: -5.83%, -6.40%, 0.96%, 9.88%, 22.82%, 15.16%, and 5.75%.

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, 2014, 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, 10 year, and Inception to Date periods: -2.26%, -0.38%, 4.52%, 13.43%, 19.26%, 15.65%, 9.93%, and 11.46%. As of September 30, 2014, returns for the Russell 3000 Value are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, 10 year, and Inception to Date periods: -2.43%, -0.87%, 7.01%, 17.66%, 23.67%, 15.08%, 7.79%, and 8.92%.

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, 2014, net of fees returns for the Dividend All-Cap Value II Composite are as follows for the month, QTD, YTD, 1 year, 3 year, and Inception to Date periods: -1.69%, 0.42%, 5.48%, 14.80%, 19.24%, 13.62%. As of September 30, 2014, returns for the Russell 3000 Value are as follows for the month, QTD, YTD, 1 year, 3 year, and Inception to Date periods: -2.43%, -0.87%, 7.01%, 17.66%, 23.67%, 14.62%.

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, 2014, 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: -3.98%, -3.99%, -0.52%, 2.85%, 7.49%, 9.27%, 9.18%, and 9.76%. As of September 30, 2014, 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: -6.75%, -8.58%, -4.74%, 4.13%, 20.61%, 13.02%, 7.25%, and 9.29%.

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, 2014, 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: -1.83%, -0.33%, -1.60%, 3.48%, 10.20%, 10.95%. As of September 30, 2014, returns for the Russell 3000 are as follows for the month, QTD, YTD, 1 year, 3 year, and Inception to Date periods: -2.08%, 0.01%, 6.95%, 17.76%, 23.08%, 18.94%.

Focused Absolute Value Composite Disclosures:

Inception Date: January 1, 2009. **The team of analysts involved with recommending investments for Focused Absolute Value has changed and may continue to change over time.** The supervising portfolio managers may not have historically approved all trades prior to execution. 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, 2014, net of fees returns for the Focused Absolute Value Composite are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, and Inception to Date periods: -3.88%, -1.15%, 4.24%, 15.83%, 25.13%, 19.04%, and 21.96%. As of September 30, 2014, 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: -2.43%, -0.87%, 7.01%, 17.66%, 23.67%, 15.08%, and 15.78%.