



October 15, 2015

Dear Friends and Investors,

After four years without a -10% decline, stocks finally corrected in Q3 as investors became increasingly concerned about sluggish global growth, weak U.S. profit growth, and heightened uncertainty surrounding the Federal Reserve's first rate hike since 2006. **For most equity indices, it was the worst quarter since Q3 2011**, leaving all nine Russell style boxes negative for the year.

Given the decline, it is not surprising that large cap stocks outperformed small cap, with the Russell 1000 index returning **-6.83%** for Q3 versus **-11.92%** for the Russell 2000. Style performance was mixed, with growth outperforming among large and mid cap stocks and value outperforming among small cap. Among the factors we track most closely, **high quality, low beta, and dividend payers outperformed in Q3, providing a broad tailwind for RRAM strategies.**

Composite Performance Summary ¹														
	Small Cap Value		Small-Mid Cap Value		Dividend All-Cap Value		Dividend All-Cap Value II		Focused Absolute Value™		Independent Value		Long-Short Equity	
	Q3	YTD	Q3	YTD	Q3	YTD	Q3	YTD	Q3	YTD	Q3	YTD	Q3	YTD
Gross	-8.32%	-2.93%	-9.07%	-3.99%	-6.03%	-7.86%	-5.64%	-8.10%	-6.90%	-5.98%	-3.20%	-4.09%	-1.06%	-0.20%
Net	-8.51%	-3.49%	-9.23%	-4.49%	-6.18%	-8.30%	-5.74%	-8.37%	-7.13%	-6.69%	-3.44%	-4.81%	-1.36%	-1.10%
Benchmark²	-10.73%	-10.06%	-9.58%	-8.04%	-8.59%	-9.05%	-8.59%	-9.05%	-8.59%	-9.05%	-10.73%	-10.06%	-7.25%	-5.45%
+ / -	+2.41%	+7.13%	+0.51%	+4.05%	+2.56%	+1.19%	+2.95%	+0.95%	+1.69%	+3.07%	+7.53%	+5.97%	+6.19%	+5.25%

It was a terrific quarter for River Road, with all of our strategies outperforming their respective benchmarks. Further, all River Road strategies are now outperforming year to date. The firm's alternative strategies did particularly well during the quarter, as would be expected in a broad market correction. Best performing among them was River Road's **Long-Short Equity Strategy**, which significantly outperformed its benchmark (and its peer group) for the quarter and year-to-date periods. Strong stock selection in both the Strategy's long and short portfolios combined with average net market exposure of only 56% drove the attractive results. River Road's **Independent Value Strategy®** also significantly outperformed its benchmark for the quarter and year-to-date periods, with returns benefiting from the Strategy's opportunistic cash position.

River Road's **Small Cap Value (SCV) Strategy** continues to lead the firm on a relative basis in 2015, **delivering attractive outperformance in Q3 and extending its significant year-to-date lead over the benchmark.** Once again, strong stock selection drove performance, partially offset by negative sector allocation. The largest sector headwind in Q3 was within Financials, in which an underweight position in REITs and Banks weighed on performance. **Remarkably, the Russell 2000 Value benchmark index had an average weight of nearly 32% in just two financial-related industry groups, Banks and REITs, during the quarter.** The Portfolio had less than 5%.

The **Small-Mid Cap Value (SMID) Strategy** also outperformed for the quarter, extending its attractive year-to-date lead over the Russell 2500 Value benchmark index. However, downside capture during the quarter was a bit higher than expected due to the Strategy's overweight position in small caps, which significantly underperformed mid cap, and its underweight position in the outperforming Financials and Utilities sectors.

River Road's **Dividend All-Cap Value Strategies** (including DAV and DAV II) are back in the black as strong performance in Q3 pushed relative year-to-date returns into positive territory. Both positive stock selection and sector allocation contributed to the outperformance of the Portfolios. The DAV Strategy modestly underperformed DAV II, primarily due to the Strategy's greater exposure to small cap stocks.

River Road's **Focused Absolute Value™ (FAV) Strategy** outperformed in Q3, also due to strong stock performance. We believe **the all cap FAV Strategy is a showcase for RRAM's best and most timely investment ideas, as well as our Absolute Value® philosophy and core processes.** The FAV Strategy is a concentrated portfolio (20 to 30 holdings) consisting of the River Road analyst team's highest conviction recommendations from among the firm's existing portfolio

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; FAV – Russell 3000 Value; Independent Value – Russell 2000 Value; Long-Short Equity – Russell 3000.



holdings.³ The FAV Strategy's differentiated portfolio management structure and opportunistic approach are atypical among more traditional all cap investment strategies, but we believe **the Portfolio's remarkable six-year track record demonstrates the effectiveness of the Strategy's unique design.**

The FAV Strategy was recently opened to external investors, although capacity is limited. Additionally, existing clients of the firm will be extended favorable pricing. If you are looking outside of the traditional style boxes, we encourage you to take a look at FAV. **FAV is a flexible, fully invested strategy that has historically delivered high alpha, high active share, and very attractive risk-adjusted returns (which we believe is ideal in a core-satellite approach).** For more information, please contact Michele Robbins or Katrina O'Leary in our business development group at (502) 371-4100.

From a firm perspective, it was a relatively quiet quarter following the relocation of our office in Q2. Final work was completed in Q3 as associates settled into the new space. We would like to recognize several staff members who were awarded new designations during the quarter. Two members of our investment team, *Associate Equity Research Analyst* **Todd D. Mayberry** and *Portfolio Coordinator* **James W. Kapfhammer Jr.**, earned the right to use the Chartered Financial Analyst® designation, bringing the total number of charterholders at River Road to 15. We are very proud of our CFA® charterholders, many of whom are active at the local and national level.

Additionally, River Road's *Director of Human Resources*, **Elizabeth A. Brenner**, earned the Senior Professional in Human Resources (SPHR®) certification. Elizabeth earned her M.S. in Human Resources Education while working at RRAM and is currently pursuing her Ph.D. in Educational Leadership and Organizational Development. We are extremely proud of Elizabeth's personal accomplishments and her professional contributions to River Road and our unique learning-centered culture.

We hope you enjoy reading River Road's portfolio 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 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 income.

Small Cap Value 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 our assessed valuation as determined using RRAM's proprietary Absolute Value® approach. 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 typically 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, 2015, 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: -2.67%, -8.51%, -3.49%, 2.41%, 9.29%, 9.91%, 6.46%, and 9.79%. As of September 30, 2015, 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: -3.46%, -10.73%, -10.06%, -1.60%, 9.18%, 10.17%, 5.35%, and 7.44%.

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 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 our assessed valuation as determined using RRAM's proprietary Absolute Value® approach. 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 typically 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, 2015, 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: -3.05%, -9.23%, -4.49%, -0.45%, 8.54%, 10.22%, and 4.55%. As of September 30, 2015, 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: -3.53%, -9.58%, -8.04%, -2.44%, 11.00%, 11.49%, and 4.76%.

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 our assessed valuation as determined using RRAM's proprietary Absolute Value® approach. 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, 2015, 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: -1.68%, -6.18%, -8.30%, -3.54%, 9.95%, 10.95%, 7.67%, and 10.13%. As of September 30, 2015, 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: -3.05%, -8.59%, -9.05%, -4.22%, 11.40%, 12.11%, 5.68%, and 7.76%.

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, 2015, 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: -1.60%, -5.74%, -8.37%, -3.71%, 10.20%, and 9.73%. As of September 30, 2015, returns for the Russell 3000 Value are as follows for the month, QTD, YTD, 1 year, 3 year, and Inception to Date periods: -3.05%, -8.59%, -9.05%, -4.22%, 11.40%, and 10.36%.

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 intrinsic 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 typically 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, 2015, 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: -0.96%, -3.44%, -4.81%, -6.03%, 0.28%, 4.94%, 7.49%, and 8.76%. As of September 30, 2015, 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: -3.46%, -10.73%, -10.06%, -1.60%, 9.18%, 10.17%, 5.35%, and 8.61%.

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 our assessed valuation and selling short equity securities that trade at a premium to our assessed valuation as determined using RRAM's proprietary Absolute Value® approach. 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, 2015, net of fees returns for the Long-Short Equity Composite are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, and Inception to Date periods: 1.86%, -1.36%, -1.10%, -1.23%, 5.30%, 7.41%, and 8.52%. As of September 30, 2015, returns for the Russell 3000 are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, and Inception to Date periods: -2.91%, -7.25%, -5.45%, -0.49%, 12.53%, 13.28%, and 14.97%.

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 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. Prior to September 30, 2014, the composite was known as the Research Fund Composite.

The composite contains fully discretionary accounts that seek capital appreciation by investing primarily in equity securities that trade at a discount to our assessed valuation as determined using RRAM's proprietary Absolute Value® approach. 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. Fully invested is as defined by RRAM.

As of September 30, 2015, 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: -2.71%, -7.13%, -6.69%, -1.35%, 12.66%, 15.05%, and 18.18%. As of September 30, 2015, 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: -3.05%, -8.59%, -9.05%, -4.22%, 11.40%, 12.11%, and 12.57%.

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