



January 13, 2016

Dear Friends and Investors,

Stocks rebounded sharply in Q4 although, from a fundamental perspective, little changed during the period.

Earnings results remained weak, earnings expectations continued to decline, and overall economic growth remained soft. Perhaps investors were encouraged by the removal of uncertainty about when the Federal Reserve would begin to raise interest rates, which finally occurred in December. For the quarter, the S&P 500 and Russell 1000 returned **+7.04%** and **+6.50%**, respectively, versus **+3.59%** for the Russell 2000.

For 2015, leadership trends were similar to Q4, although overall returns were far less inspiring. Small caps lagged large cap for the second consecutive year with the Russell 2000 index returning **-4.41%** versus **+0.92%** for the Russell 1000 and **+1.38%** for the S&P 500. From a style perspective, growth dominated value but low beta and high quality factors generally outperformed, providing a tailwind for many River Road 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 | |
| | Q4 | 2015 | Q4 | 2015 | Q4 | 2015 | Q4 | 2015 | Q4 | 2015 | Q4 | 2015 | Q4 | 2015 |
| Gross | 3.07% | 0.05% | 2.95% | -1.16% | 4.66% | -3.57% | 4.73% | -3.75% | 2.28% | -3.84% | 1.48% | -2.67% | 2.06% | 1.85% |
| Net | 2.86% | -0.73% | 2.77% | -1.84% | 4.49% | -4.19% | 4.62% | -4.14% | 2.09% | -4.74% | 1.23% | -3.64% | 1.75% | 0.64% |
| Benchmark² | 2.88% | -7.47% | 2.78% | -5.49% | 5.41% | -4.13% | 5.41% | -4.13% | 5.41% | -4.13% | 2.88% | -7.47% | 6.27% | 0.48% |
| + / - | +0.19% | +7.52% | +0.17% | +4.33% | -0.75% | +0.56% | -0.68% | +0.38% | -3.13% | +0.29% | -1.40% | +4.80% | -4.21% | +1.37% |

Overall, it was a good year for River Road, with all of our strategies outperforming their respective benchmarks gross of fees.

River Road's **Small Cap Value (SCV) Strategy** did especially well, modestly outperforming gross of fees in Q4 and **delivering the Strategy's best calendar year outperformance in nine years!** The **Small-Mid Cap Value (SMID) Strategy** also outperformed for the quarter and the year. Outperformance of both Strategies was driven by strong stock selection. In January, the small cap team outlined its view that small cap earnings would fall far short of Wall Street expectations in 2015, oil would remain low throughout the year, and lofty valuations in the face of rising rates would result in negative returns for small cap investors. The outlook for a -3% to -9% index return was spot-on and, as anticipated, proved to be an ideal environment for delivering strong relative results.

River Road's **Dividend All-Cap Value Strategies** (including DAV and DAV II) outperformed gross of fees in 2015, despite lagging the benchmark during the sharp Q4 rebound. Large positions in tech giants Microsoft Corp. and Intel Corp. drove Q4's strong absolute return, while stock selection among small and/or mid cap holdings fueled outperformance for the year. Interestingly, the Strategy was able to overcome the trend among higher yielding stocks (those with above average yields) in the benchmark, which lagged the broader index for 2015.

River Road's **Focused Absolute Value™ (FAV) Strategy** modestly outperformed the benchmark gross of fees in 2015, extending its relative outperformance record to six of the past seven calendar years. We were, however, disappointed with performance in Q4, during which the majority of holdings underperformed the overall benchmark return and the Portfolio surrendered most of its relative year-to-date gains. As a concentrated strategy, relative performance can vary significantly from quarter to quarter, as demonstrated by the outperformance achieved in January (as of this writing). For 2015, the Portfolio's Information Technology holdings strongly outperformed, offsetting relative weakness in most other sectors including a lack of exposure to the top performing Health Care sector.

Among the firm's alternative strategies, the **Long-Short Equity Strategy** did well in 2015, outperforming its baseline return objective (50% of the Russell 3000 return) despite lagging in Q4. Strong stock selection, particularly in the short portfolio, drove the 2015 results. The Strategy's 'Drawdown Plan' did weigh on performance due to the late summer market swoon and abrupt rebound, but is considered critical to achieving the Portfolio's maximum drawdown objective of -15%.

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.



Finally, River Road's **Independent Value Strategy**[®] also outperformed its benchmark for 2015, despite lagging in Q4. The Strategy's large cash balance was a significant tailwind for much of 2015, but became a headwind during the Q4 rebound. The Independent Value Portfolio continues to be invested in a very contrarian manner. In addition to a large cash balance, the Strategy remains committed to an above average position in out-of-favor equities, while avoiding overvalued stocks that have performed well, such as those in the consumer and Health Care sectors. The Portfolio's contrarian equity holdings and large cash position are not unusual for the Strategy during the later stages of a market cycle and are considered critical to achieving the Strategy's long-term absolute return goals.

From a firm perspective, it was a relatively quiet quarter. Following the relocation of our office in Q2, associates spent the second half of 2015 settling into their new space and focusing on the firm's investment and organizational objectives. We expect much of the same for 2016. As always, we have established some ambitious goals for the year, the majority of which are focused on continuing to execute for our clients, further refining our investment processes, continuing to develop our internal human resources, and (selectively) seeking to identify new external resources. **We expect it will be a turbulent year for markets, so focus will be absolutely critical in order to capitalize on the opportunities this will inevitably create.**

We would like to recognize one of our associates, **J. Justin Akin**, for his enormous contribution to SCV and SMID performance in 2015 and his increasing leadership role on the investment team. Justin is the epitome of focus and full immersion in company research, but he also found time to meet with some of our clients and help develop team processes and resources. In recognition of his contribution, Justin received the 2015 **River Road CEO Award**, which is the highest honor bestowed by the organization upon an associate.

Finally, at the beginning of each New Year we like to reiterate to you, our associates, and our business partners our pledge to **pursue investment excellence with passion and discipline; continue investing in our firm, associates, and portfolios;** and **always maintain the unique culture and values we embraced on the day we founded River Road.**

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

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EVP & Senior Portfolio Manager



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 December 31, 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: -3.64%, 2.86%, -0.73%, -0.73%, 9.31%, 7.91%, 6.46%, and 9.82%. As of December 31, 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: -5.27%, 2.88%, -7.47%, -7.47%, 9.06%, 7.67%, 5.57%, and 7.50%.

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 December 31, 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: -3.72%, 2.77%, -1.84%, -1.84%, 8.31%, 8.25%, and 4.74%. As of December 31, 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: -4.58%, 2.78%, -5.49%, -5.49%, 10.51%, 9.23%, and 4.95%.

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 December 31, 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: -1.80%, 4.49%, -4.19%, -4.19%, 11.85%, 10.07%, 7.96%, and 10.30%. As of December 31, 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: -2.40%, 5.41%, -4.13%, -4.13%, 12.76%, 10.98%, 6.11%, and 8.06%.

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 December 31, 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: -1.75%, 4.62%, -4.14%, -4.14%, 12.25%, and 10.21%. As of December 31, 2015, returns for the Russell 3000 Value are as follows for the month, QTD, YTD, 1 year, 3 year, and Inception to Date periods: -2.40%, 5.41%, -4.13%, -4.13%, 12.76%, and 10.98%.

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 December 31, 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: 0.33%, 1.23%, -3.64%, -3.64%, 0.58%, 3.69%, 7.54%, and 8.70%. As of December 31, 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: -5.27%, 2.88%, -7.47%, -7.47%, 9.06%, 7.67%, 5.57%, and 8.66%.

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 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 December 31, 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: 0.76%, 1.75%, 0.64%, 0.64%, 5.45%, 6.60%, and 8.45%. As of December 31, 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: -2.05%, 6.27%, 0.48%, 0.48%, 14.74%, 12.18%, and 15.51%.

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 December 31, 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: -2.90%, 2.09%, -4.74%, -4.74%, 13.36%, 12.72%, and 17.82%. As of December 31, 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: -2.40%, 5.41%, -4.13%, -4.13%, 12.76%, 10.98%, and 12.94%.

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