

Dividend All-Cap Value II

A TOTAL RETURN STRATEGY | QUARTERLY UPDATE AS OF MARCH 31, 2016



Investment Objectives

- Long-term Total Return > Russell 3000 Value index plus 200 to 400 bps
- Target Yield > Russell 3000 Value index plus 150 bps

Strategy Highlights

River Road's Dividend All-Cap Value II (DAV II) Strategy utilizes a fundamentally driven research process to identify attractive purchase candidates from an all cap universe of high yielding equity securities. This Strategy invests in well-managed, financially strong companies with high and growing dividends, targeting companies that are also trading at a meaningful discount to our assessed valuation. Typical investment criteria include:

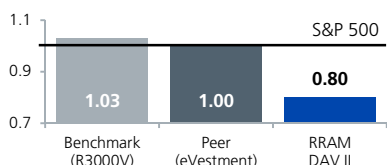
- Minimum market capitalization of \$1 B at the time of purchase
- Indicated dividend yield of at least 2%

The stock selection process is complemented by a risk averse approach that employs balanced diversification and a structured sell discipline.

Low Volatility Returns

- Target Volatility < Russell 3000 Value
- Ranked among the top 7% of peers over the prior five-year period²

Beta vs S&P 500 (Trailing 5 YR)²



Portfolio Managers



Henry W. Sanders III, CFA
27 years of experience;
managed Portfolio since inception
Bellarmine University, BA
Boston College, MBA



Thomas S. Forsha, CFA
18 years of experience;
managed Portfolio since inception
The Ohio State University, BS
University of Chicago, MBA



James C. Shircliff, CFA
43 years of experience;
managed Portfolio since inception
University of Louisville, BS

Discovering value,
off the beaten path[®]

Performance Summary



	Q1 2016	1 YR	3 YR	5 YR	Inception
DAV II Composite - Gross	7.81%	3.51%	10.64%	11.49%	11.90%
DAV II Composite - Net	7.70%	3.09%	10.16%	10.88%	11.26%
Russell 3000 Value	1.64%	-2.05%	9.08%	9.95%	10.78%
Out / Underperformance	+6.17%	+5.56%	+1.56%	+1.54%	+1.12%

Portfolio Yield: 3.33%¹

Performance is shown gross and net of fees as of March 31, 2016. Inception date: January 1, 2011. Out/underperformance compares Dividend All-Cap Value II gross performance and Russell 3000 Value. ¹Gross of fees; current portfolio yield does not anticipate special dividends. Data presented based on a representative portfolio within the Strategy. ²Volatility, measured as beta and standard deviation, is based on trailing 60 month gross of fee composite performance. Average peer beta presented; peer information provided for the eVestment US All Cap Value Equity Universe. eA collects information directly from investment management firms and other sources believed to be reliable from which it conducts quarterly reviews to classify all products and create peer universes. River Road does not pay eA to be included in the universe, and may not be included in the universe, but does pay for access to this service and data. Source: River Road Asset Management LLC, eVestment Alliance (eA), FactSet Research Systems Inc., Russell Investment Group, and Standard and Poor's. Past performance is no guarantee of future results. Please see reverse side for important disclosure information.

Portfolio Review

The quarter was defined by two distinct periods. The S&P 500 opened the year in dramatic fashion, sliding -10% through February 11 on recession concerns. In the second half, **the Federal Reserve took a more dovish tone**, fueling a historic rally that moved all equities but small cap back into positive territory. The bond market joined in the rally as **10-year Treasury yields declined -50 bps** when expectations of further rate increases were pushed out.

Although economic reports did not spiral lower over the period, the Fed found ample reason to adopt a wait-and-see policy. For Q1 2016, FactSet now reports an estimated earnings decline of -8.5%, an outcome that would mark **the fourth consecutive quarter of year-over-year declines**. Oil prices rebounded in the period, but U.S. rig counts continued to decline, signaling intense pressure on drillers. The U.S. dollar weakened versus the Euro in Q1, but was only modestly off its Q1 2015 high, averaging \$1.10 versus \$1.13 in Q1 2015. Fortunately, that means **the reported currency conversion headwinds on earnings and sales growth should begin to abate as we move into Q2**.

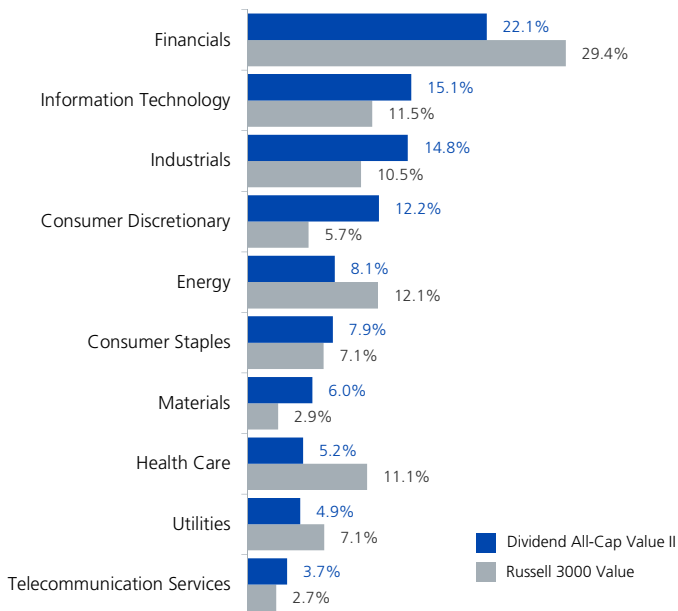
The sector with the highest contribution to relative return for Q1 was **Financials**. The top contributing holding in the Portfolio during the quarter was **ADT Corp. (ADT)**, the leader in home security services. The ADT brand name is synonymous with home security due to its 140-year history and industry-leading 27% market share in North America. In February, **ADT agreed to be acquired by funds affiliated with Apollo Global Management for \$42/share in cash, or a +56% premium to the previous closing price**. The purchase price represented a discount to our \$50 assessed value.

The sector with the lowest contribution to relative return for Q1 was **Energy**. The bottom contributing holding in the Portfolio during the quarter was **PNC Financial Services Group Inc. (PNC)**, a regional bank and financial services firm. PNC's performance was less about firm-specific news and more about the macro environment for banks. As economic uncertainty increased in the beginning of 2016, **expectations for interest rate increases by the Federal Reserve changed significantly causing the banking industry to broadly underperform the market**. While higher interest rates would boost earnings growth for PNC, fortunately it still has other paths to growth as non-interest income represents a substantial portion of revenues.

Given our expectation that volatility should remain elevated and thus drive further outperformance for high quality stocks, **we believe that the market environment will remain favorable for the DAV Strategy in the quarters to come**. Inherently, we expect risk appetites will remain depressed over the year as investors attempt to judge the sustainability of the "new normal." Unfortunately, **this conclusion hinges on the Fed's resolve to continue down the path of careful, measured monetary tightening**. Given the global nature of the discussions reported in the FOMC minutes, it is extremely difficult to gauge the risk that the Fed cuts rates or reinstitutes quantitative easing policies.

Moving forward, we will continue to focus our efforts on identifying new opportunities and keeping our watch list fresh. Additionally we are working to **ensure that convictions on our existing positions are dialed in**, so we know where we should add within the Portfolio when volatility strikes again. **We were extremely pleased with the way the Portfolio began 2016, and believe that there is ample reason to be optimistic about the year ahead.**

Sector Weightings



Portfolio Characteristics

	DAV II	R3000V
Number of Holdings	56	2,009
Dividend Yield	3.33	2.59
Price / Cash Flow	12.7	12.3
ROE (5 YR Avg)	17.4	11.9
EPS Growth (5 YR)	4.7	5.9
Div / Share Growth (TTM)	9.6	10.5
Cash	2.7%	
Annualized Standard Deviation ¹	10.45	12.73
Annualized Alpha ¹	3.64	
Beta ¹	0.76	
Turnover ²	25.85%	

Market Capitalization Breakdown

	DAV II	R3000V
Wtd Median Market Cap	\$25.96 B	\$44.77 B
Wtd Avg Market Cap	\$73.20 B	\$101.32 B
Large Cap > \$15.0 B	65.7%	72.4%
Mid-Cap \$2.0 - \$15.0 B	33.2%	22.2%
Small Cap < \$2.0 B	1.1%	5.4%

Portfolio Contribution

Top Contributors		Yield ³	Average Weight	Contribution to Return
ADT	ADT Corp.	2.13%	2.25%	+0.75%
IRM	Iron Mountain Inc.	5.72%	2.77%	+0.74%
VZ	Verizon Communications Inc.	4.18%	3.06%	+0.58%
FAST	Fastenal Co.	2.45%	2.62%	+0.55%
MSM	MSC Industrial Direct Co. Inc. (CI A)	2.25%	1.28%	+0.43%

Bottom Contributors		Yield ³	Average Weight	Contribution to Return
PNC	PNC Financial Services Group Inc.	2.41%	3.11%	-0.43%
WFC	Wells Fargo & Co.	3.10%	2.85%	-0.37%
JCOM	j2 Global Inc.	2.11%	0.75%	-0.33%
INTC	Intel Corp.	3.21%	2.76%	-0.23%
USB	U.S. Bancorp	2.51%	2.85%	-0.16%

Top 10 Holdings

Symbol	Company	% of Portfolio	Yield ³
MSFT	Microsoft Corp.	4.17%	2.61%
VZ	Verizon Communications Inc.	3.08%	4.18%
IRM	Iron Mountain Inc.	3.05%	5.72%
PNC	PNC Financial Services Group Inc.	2.84%	2.41%
FAST	Fastenal Co.	2.75%	2.45%
OMC	Omnicom Group Inc	2.69%	2.40%
INTC	Intel Corp.	2.68%	3.21%
MSI	Motorola Solutions Inc.	2.67%	2.17%
USB	U.S. Bancorp	2.67%	2.51%
WFC	Wells Fargo & Co.	2.59%	3.10%

Data as of March 31, 2016. Totals may not sum due to rounding. ¹Risk characteristics based on trailing 60 month gross of fee composite performance. ²Average annual turnover since inception (January 1, 2011); partial periods excluded from average. ³Gross of fees; indicated yield does not anticipate special dividends. Source: River Road Asset Management LLC, eVestment Alliance (eA), FactSet Research Systems Inc., Russell Investment Group, and Standard and Poor's.

Portfolio contribution calculated for the Q1 2016 period. To receive information regarding the methodology for calculating the top/bottom contributors or a list showing every holding's contribution to the overall DAV II Composite and/or representative portfolio performance contact thomas.mueller@riverroadam.com. The holdings identified do not represent all of the securities purchased, sold, or recommended. Past performance is no guarantee of future results.

Representative Portfolios - Unless otherwise noted as Composite, the data presented is based on representative portfolios within the Dividend All-Cap Value II Strategy. Since no single representative portfolio is available to represent the strategy since inception, data for historical periods combines two or more representative portfolios, using the same criteria, within the Dividend All-Cap Value II Strategy to create a continuous representative portfolio. All representative portfolio data is shown as supplemental information to the Dividend All-Cap Value II Strategy presentation.

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The official benchmark for the composite is the Russell 3000 Value. All other indices are shown as additional information only. *Russell 3000 Value* - Unmanaged index constructed to provide a comprehensive and unbiased barometer of the broad value market. Standard & Poor's Financial Services, LLC and its third-party information providers disclaim liability in relation to the information shown and the context from which it is drawn.

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