

Small Cap Value

QUARTERLY UPDATE AS OF MARCH 31, 2016



Investment Objective

- Long-term Total Return > Russell 2000 Value index plus 200 to 400 bps

Strategy Highlights

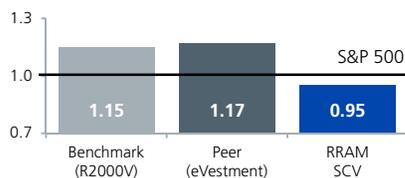
River Road's Small Cap Value (SCV) Strategy utilizes a fundamentally driven research process to identify attractive purchase candidates from a universe of smaller capitalization stocks. The Strategy invests in well-managed, financially strong companies that are trading at a meaningful discount to our assessed valuation. We further target companies with predictable and sustainable business models that are undiscovered or underfollowed by traditional Wall Street research firms. Our stock selection process is complemented by a risk averse approach that employs both balanced diversification and a structured sell discipline.

- Bottom-up, fundamentally driven stock selection
- Balanced diversification
- Structured sell discipline

Low Volatility Returns

- Target Volatility < Russell 2000 Value
- Ranked among the top 4% of peers over the prior five-year period²

Beta vs S&P 500 (Trailing 5 YR)²



Portfolio Managers



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

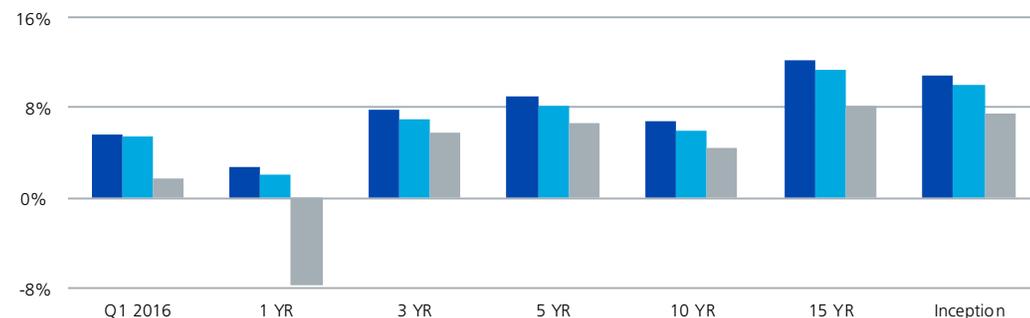


R. Andrew Beck
17 years of experience;
managed Portfolio since 2000
University of Louisville, BS
Babson College, MBA



J. Justin Akin
13 years of experience;
managed Portfolio since 2012
Centre College, BS

Performance Summary



	Q1 2016	1 YR	3 YR	5 YR	10 YR	15 YR	Inception
SCV Composite Beta	0.79	0.74	0.71	0.70			
SCV Composite Anlzd Std Dev	13.06	15.60	14.55	14.17			
Russell 2000 Value Anlzd Std Dev	15.79	19.79	18.88	18.42			

Performance is shown gross and net of fees as of March 31, 2016. Inception date: January 1, 1998. Out/underperformance compares Small Cap Value gross performance and Russell 2000 Value. ¹Annualized standard deviation. 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 Small 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 first six weeks of 2016 marked one of the weakest starts to a calendar year on record, as plunging oil prices, weak earnings growth, and a slowdown in global economic growth fueled recession fears in the United States. By February 11, the Russell 2000 index plunged **-26%** from its recent peak – the index's lowest level in 32 months. The downward spiral sharply reversed on February 12 amid dovish comments from the Federal Reserve, a modest rebound in oil prices, and improved economic data. The most beaten-down sectors (notably Energy and Materials) led the reversal, propelling one of the most profound intra-quarter rebounds on record.

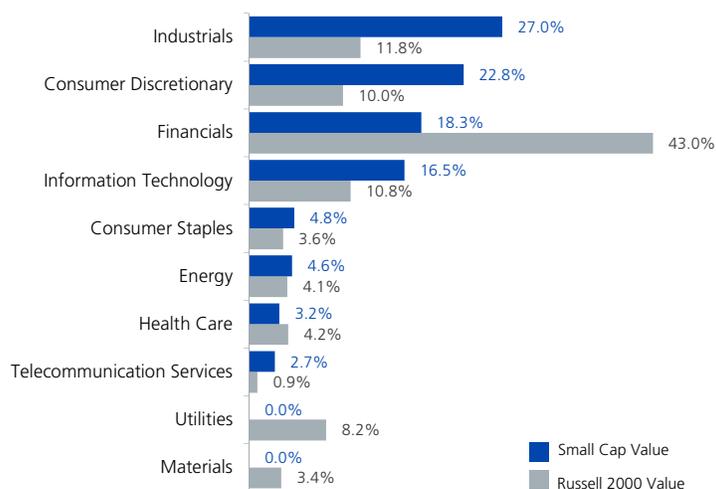
The River Road Small Cap Value Composite significantly outperformed in Q1, capping what has been a strong 12-month period for the Strategy. Additionally, performance across all reported time periods is within the Strategy's target relative outperformance range of +2% to +4%, gross/annualized, while demonstrated volatility remains significantly lower than the benchmark.

Outperformance of the Strategy was driven primarily by strong stock selection. Another key driver was elevated M&A activity in the Portfolio. Since mid-2015, **the Strategy has recorded five significant M&A events**. The top contributing holding in the Portfolio during Q1 was **Air Transport Services Group Inc. (ATSG)**, the world's largest lessor of Boeing 767s to the cargo transport services market. In early January, we added to the position at an attractive discount as ATSG was entering a period of accelerating free cash flow. In February, ATSG raised its 2015 EBITDA guidance above consensus. More importantly, after leasing five 767s on a trial basis, **Amazon.com Inc. (AMZN) signed a deal with ATSG in March to increase the contracted number of 767s to 20 under five- to seven-year leases. AMZN also received warrants to purchase 19.9% of ATSG.**

The bottom contributing holding in the Portfolio during Q1 was **Blackhawk Network Holdings Inc. (CI A) (HAWK)**, a prepaid payment network offering gift cards and rewards. HAWK reported strong Q4 2015 results but **provided 2016 guidance below expectations**. The guidance reduction is largely related to the 'EMV' mandate; merchants that have yet to install point-of-sale systems to read chip-embedded cards are now liable for fraudulent card payments, causing some to restrict the sale of high-value prepaid products purchased with debit or credit cards until they upgrade their machines this summer. HAWK's underlying business remains healthy and we view the EMV issue as non-recurring.

Based upon available data, **the recent move by small caps looks more like a bear market bounce than a solid foundation for the next significant move higher (like experienced in 2011)**. We do appreciate the recent shift in investor sentiment and why many would disagree. **We also stand ready to change our outlook if the data warrants**. However, at this stage, we believe investors should remain cautious. **Despite our broader outlook, we remain excited about the fundamental positioning of the Portfolio relative to our benchmark!** According to FactSet, price/cash flow for the Portfolio stands at just **10.3x** versus **13.5x** for the benchmark Russell 2000 Value, return on equity (five-year average) is **+11.4%** versus just **+6.4%** for the index, and the Portfolio is expected to grow long-term earnings at a higher rate than the benchmark.

Sector Weightings



Portfolio Characteristics

	RRAM SCV	Russell 2000 Value
Number of Holdings	58	1,325
Price / Earnings ¹	18.8	19.4
Price / Cash Flow	10.3	13.5
Price / Book	1.52	1.46
ROE (5 YR Avg)	11.4	6.4
EPS Growth (5 YR)	9.4	5.8
Cash Flow Growth (5 YR)	7.7	4.5
LT Growth Forecast	10.6	9.4
Annualized Standard Deviation ²	13.06	15.79
Annualized Alpha ²	3.42	
Beta ²	0.79	
Turnover ³	47.23%	

Portfolio Contribution

Top Contributors	Average Weight	Contribution to Return
ATSG Air Transport Services Group Inc.	2.15%	+1.11%
CSGS CSG Systems International Inc.	3.25%	+0.75%
TFM Fresh Market Inc.	2.40%	+0.63%
CKEC Carmike Cinemas Inc.	1.65%	+0.52%
WTM White Mountains Insurance Group Ltd.	4.28%	+0.46%

Bottom Contributors	Average Weight	Contribution to Return
HAWK Blackhawk Network Holdings Inc. (CI A)	2.86%	-0.78%
RCIL Rent-A-Center Inc.	0.47%	-0.52%
CUB Cubic Corp.	1.76%	-0.33%
OUTR Outerwall Inc.	0.36%	-0.31%
AIRM Air Methods Corp.	1.86%	-0.30%

Top 10 Holdings

Symbol	Company	% of Portfolio
WTM	White Mountains Insurance Group Ltd.	4.23%
UNF	UniFirst Corp.	4.01%
SEAS	SeaWorld Entertainment Inc.	3.25%
FNFV	Fidelity National Financial Inc. - FNFV Group	2.99%
HAWK	Blackhawk Network Holdings Inc. (CI A)	2.97%
ISCA	International Speedway Corp. (CI A)	2.91%
ATSG	Air Transport Services Group Inc.	2.73%
SP	SP Plus Corp.	2.70%
NSP	Insperty Inc.	2.64%
TDS	Telephone and Data Systems Inc.	2.54%

Data as of March 31, 2016. Totals may not sum due to rounding. ¹Excludes negative earnings. ²Risk characteristics based on trailing 60 month gross of fee composite performance. ³Average annual turnover since inception (January 1, 1998); partial periods excluded from average. 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 SCV 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 Small Cap Value 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 Small Cap Value Strategy to create a continuous representative portfolio. For any periods prior to April 1, 2006, Small Cap Value Composite data was used and combined with the representative portfolio data because underlying transaction information for representative portfolios is not available in the necessary format prior to April 1, 2006. All representative portfolio data is shown as supplemental information to the Small Cap Value Composite presentation.

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The official benchmarks for the Small Cap Value Composite are the: 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.

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.

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Sector, Industry Group, Industry, or Sub-industry group levels are provided from the Global Industry Classification Standard ("GICS"), developed and exclusively owned by MSCI, Inc. ("MSCI") and Standard & Poor's Financial Services LLC ("S&P"), unless otherwise stated that they have been reclassified or classified by RRAM. Reclassifications/classifications by RRAM are not supported by S&P or MSCI. All GICS data is provided "As Is" with no warranties. River Road Asset Management does classify securities that are not automatically classified by MSCI and S&P.

eVestment US Small Cap Value Equity - US Equity products that invest primarily in small capitalization stocks with fundamental characteristics showing them to be underpriced or in slower growing economic sectors. The expected benchmarks for this universe would include the Russell 2000, or Russell 2000 Value. Managers in this category will typically indicate a "Primary Capitalization Emphasis" equal to Small Cap and a "Primary Style Emphasis" equal to Value.

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