

Focused Absolute Value®

A HIGH CONVICTION STRATEGY | QUARTERLY UPDATE AS OF JUNE 30, 2016



Investment Objective

Long-term Total Return = Russell 3000 Value index plus a minimum of +200 bps

Strategy Highlights

Focused Absolute Value® is a concentrated, all cap value strategy composed of what the firm believes are the 20 to 30 “best ideas” recommended by River Road analysts from the broader universe of firm holdings.¹

The Strategy combines the firm’s proven investment processes, with the stock picking skills of River Road portfolio managers and collective insights and opinions of the firm’s analyst team.

The Strategy seeks to remain fully invested at all times, is index independent, and is highly opportunistic. The minimum market cap for investment is \$250 MM (at the time of initial purchase).

Portfolio Managers



R. Andrew Beck

17 years of experience;
managed Portfolio since inception

University of Louisville, BS
Babson College, MBA

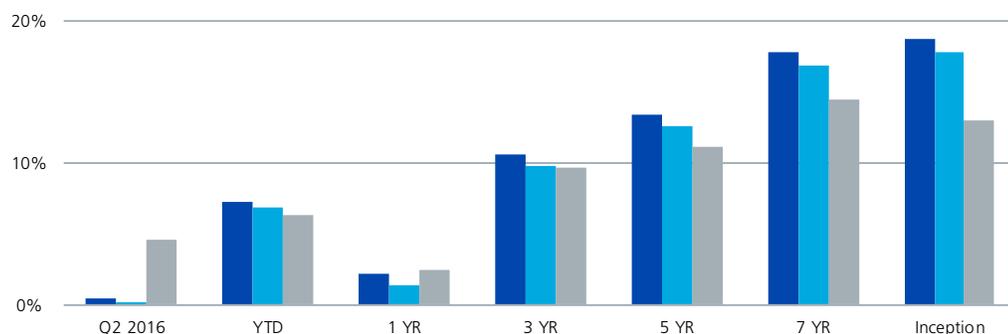


Thomas S. Forsha, CFA

18 years of experience;
managed Portfolio since inception

The Ohio State University, BS
University of Chicago, MBA

Performance Summary



	Q2 2016	YTD	1 YR	3 YR	5 YR	7 YR	Inception
FAV Composite - Gross	0.39%	7.24%	2.12%	10.61%	13.35%	17.71%	18.73%
FAV Composite - Net	0.20%	6.86%	1.37%	9.79%	12.51%	16.80%	17.80%
Russell 3000 Value	4.57%	6.29%	2.42%	9.58%	11.09%	14.43%	12.94%
Out / Underperformance	-4.18%	+0.95%	-0.30%	+1.03%	+2.26%	+3.28%	+5.79%

Performance is shown gross and net of fees as of June 30, 2016. Inception date: January 1, 2009. Out/underperformance compares Focused Absolute Value® gross performance and Russell 3000 Value. If a holding is liquidated from all RRAM portfolios, the stock must be sold from the Focused Absolute Value® Portfolio within a reasonable period of time (as defined by the supervising portfolio managers). Source: River Road Asset Management LLC and Russell Investment Group. Past performance is no guarantee of future results. Please see reverse side for important disclosure information.

Portfolio Review

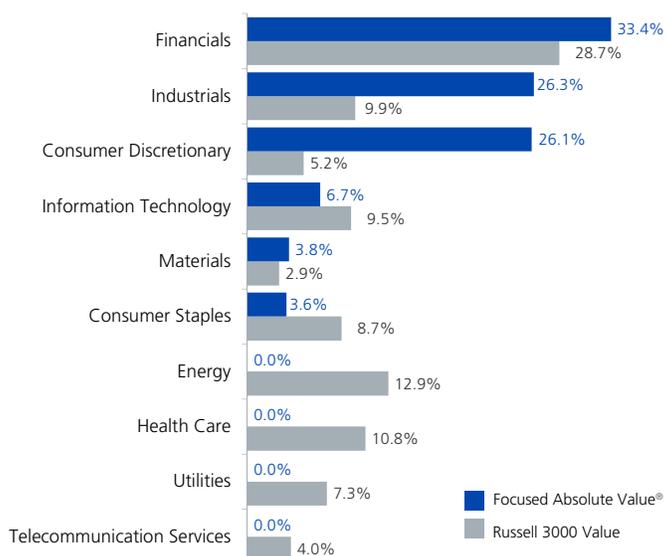
Stocks displayed remarkable resilience in Q2, delivering positive returns despite a slew of fundamental and geopolitical challenges, including the fourth consecutive quarter of negative reported earnings growth, lofty valuations, and the shocking news that the U.K. would exit the European Union (“Brexit”). While the latter briefly rattled global markets, U.S. stocks quickly regained momentum as investors focused on a more dovish tone from the Federal Reserve, the sustained rebound in oil prices, and a belief that earnings and economic growth will substantially improve in the second half of 2016.

The top contributing holding in the Portfolio during Q2 was **Communications Sales & Leasing Inc. (CSAL)**, a REIT focused on telecommunication network infrastructure (the pipes). CSAL was founded last year as a tax-free spin from Windstream Holdings. Concurrent with the spin, Windstream executed a 15-year triple net lease for the entirety of CSAL’s network assets and retained a 19.6% ownership stake in CSAL. As the first and only REIT of its kind, CSAL’s stock price initially suffered from skepticism around the concentration and quality of Windstream as its only tenant. **With revenue locked in for 15 years, a healthy distribution, and Windstream’s requirement to fund capital expenditures to upgrade copper lines to fiber, we viewed the risk/reward as skewed in our favor.** Central to our CSAL thesis is the company’s priority and ability to acquire additional communication service assets which will grow cash flow, increase distributions, and mitigate the single tenant risk. As a first mover in its industry, the company is uniquely positioned to execute and benefit from the ongoing demand for additional bandwidth infrastructure.

The bottom contributing holding in the Portfolio during Q2 was **PBF Energy Inc. (CI A) (PBF)**, the fourth-largest independent refiner in the United States. The company’s strategic advantage lies in the complexity of its east coast refining assets, which enables PBF to earn attractive returns processing a wider slate of heavy and sour crudes compared to its peers. PBF steadily declined through Q2 due to industry-wide headwinds and company-specific news that weakened our thesis. **Earnings reports for Q1 revealed refining margins fell short of expectations across the industry.** Then in May, **PBF announced its well-regarded Chairman Tom O’Malley’s decision to retire** the following month with the intention of consulting for 18 months following the closure of the Torrance acquisition. PBF purchased Torrance out of distress from Exxon following an explosion in 2015 that reduced the facility to 20% of its refining capacity. In order for the acquisition to close, Exxon is required to return the facility to 100% working order by mid-2016. Unfortunately, **a crane collapsed during repairs in late June which decreased our conviction in the timeliness of the deal.**

We remain positive about the fundamental positioning of the Portfolio relative to our benchmark. According to FactSet, from a quality perspective, the Portfolio’s return on equity (five-year average) is **14.3%** versus **12.3%** for the index and price/cash flow for the Portfolio stands at **10.1x** compared to **12.9x**. **We continue to focus on investing in what we believe are the best risk/reward ideas available to us across the firm.** Finally, we believe the high quality businesses and attractive valuations in the Portfolio continue to position the Strategy to thrive in an environment of elevated risk and volatility.

Sector Weightings



Portfolio Contribution

Top Contributors		Average Weight	Contribution to Return
CSAL	Communications Sales & Leasing Inc.	3.12%	+0.89%
IRM	Iron Mountain Inc.	3.71%	+0.63%
UNP	Union Pacific Corp.	3.69%	+0.37%
FNFV	Fidelity National Financial Inc. - FNFV Group	3.20%	+0.31%
UNF	UniFirst Corp.	4.68%	+0.29%

Bottom Contributors		Average Weight	Contribution to Return
PBF	PBF Energy Inc. (CI A)	2.20%	-0.85%
KSS	Kohl's Corp.	1.69%	-0.72%
OAK	Oaktree Capital Group LLC (CI A)	4.14%	-0.36%
SP	SP Plus Corp.	3.53%	-0.26%
RL	Ralph Lauren Corp. (CI A)	3.27%	-0.21%

Portfolio Characteristics

	FAV	R3000V
Number of Holdings	27	2,053
Price / Earnings ¹	18.0	17.9
Price / Cash Flow	10.1	12.9
Price / Book	2.09	1.81
ROE (5 YR Avg)	14.3	12.3
EPS Growth (5 YR)	7.7	5.8
LT Growth Forecast	9.0	7.1
Annualized Standard Deviation ²	13.47	12.62
Annualized Alpha ²	2.02	
Beta ²	1.01	
Turnover ³	136.08%	

Market Capitalization Breakdown

	FAV	R3000V
Wtd Median Market Cap	\$6.20 B	\$49.25 B
Wtd Avg Market Cap	\$59.33 B	\$105.73 B
Large Cap > \$15.0 B	40.7%	73.1%
Mid Cap \$2.0 - \$15.0 B	38.7%	21.7%
Small Cap < \$2.0 B	20.6%	5.1%

Top 10 Holdings

Symbol	Company	% of Portfolio
BRK.B	Berkshire Hathaway Inc. (CI B)	8.46%
UNF	UniFirst Corp.	4.86%
TWX	Time Warner Inc.	4.52%
LBRDK	Liberty Broadband Corp. (CI C)	4.17%
CMCSA	Comcast Corp. (CI A)	4.10%
WFC	Wells Fargo & Co.	4.06%
USB	U.S. Bancorp	4.04%
OAK	Oaktree Capital Group LLC (CI A)	3.99%
FNFV	Fidelity National Financial Inc. - FNFV Group	3.98%
CUB	Cubic Corp.	3.93%

Data as of June 30, 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, 2009); partial periods excluded from average. Source: River Road Asset Management LLC, FactSet Research Systems Inc., and Russell Investment Group.

Portfolio contribution calculated for the Q2 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 Focused Absolute Value® 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 Focused Absolute 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 Focused Absolute Value® Strategy to create a continuous representative portfolio. All representative portfolio data is shown as supplemental information to the Focused Absolute Value® Composite presentation.

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The official benchmark for the Focused Absolute Value® Composite is the Russell 3000 Value. All other indexes are shown for additional information only. **The team of analysts involved with recommending investments for Focused Absolute Value® has changed and may continue to change over time.**

The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in our composite at the time you receive this report or that securities sold have not been repurchased. Characteristics and sector weightings may not be indicative of this strategy's current or future investments. It should not be assumed that any of the holdings discussed herein were or will be profitable or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. This information is shown as supplemental information only and complements the full disclosure presentation.

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