

Small-Mid Cap Value

QUARTERLY UPDATE AS OF JUNE 30, 2016



Investment Objective

- Long-term Total Return > Russell 2500 Value index plus 200 to 400 bps

Strategy Highlights

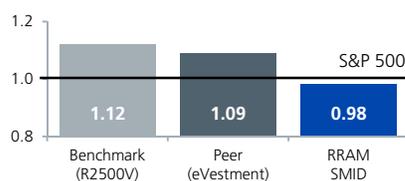
River Road's Small-Mid Cap Value (SMID) Strategy focuses on companies between \$250 MM and \$10 B in market capitalization. The SMID Strategy employs the same bottom-up, fundamentally driven investment process as the firm's Small Cap Value Strategy.

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

Low Volatility Returns

- Target Volatility < Russell 2500 Value
- Ranked among the top 22% of peers over the prior five-year period¹

Beta vs S&P 500 (Trailing 5 YR)¹



Portfolio Managers



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

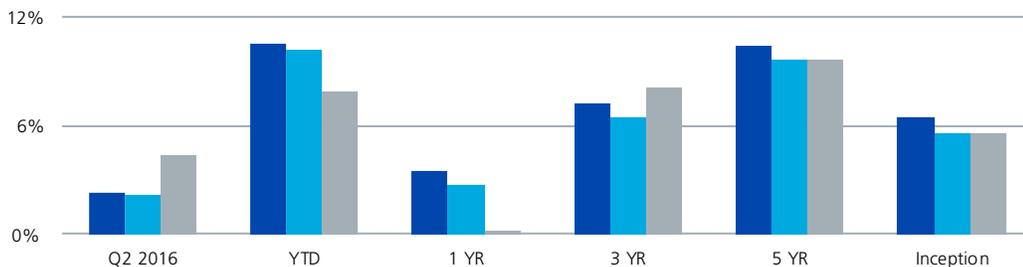


R. Andrew Beck
17 years of experience;
managed Portfolio since inception
University of Louisville, BS
Babson College, MBA



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

Performance Summary



	Q2 2016	YTD	1 YR	3 YR	5 YR	Inception
Out / Underperformance	-2.05%	+2.65%	+3.22%	-0.97%	+0.79%	+0.87%

SMID Composite Beta

0.86 **0.80**

SMID Composite Anlzd Std Dev

13.17 **15.89**

Russell 2500 Value Anlzd Std Dev

14.63 **19.16**

Performance is shown gross and net of fees as of June 30, 2016. Inception date: March 1, 2007. Out/underperformance compares Small-Mid Cap Value gross performance and Russell 2500 Value. ¹Volatility, 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-Mid 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

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.

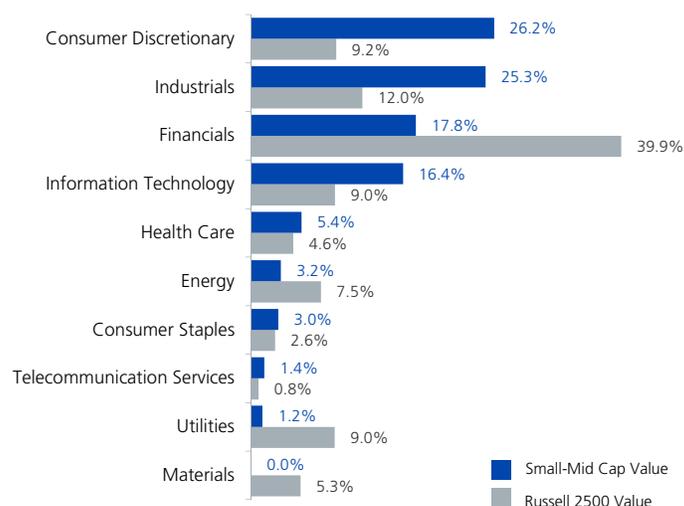
For the quarter, small caps led large cap, while value led growth across all market caps. From a factor perspective, there was a bit of a divergence with both low beta AND low quality outperforming.

The sectors with the highest contribution to relative return in the Portfolio during Q2 were **Industrials** and **Information Technology**. Both sectors benefited from positive stock selection. The top contributing holding during Q2 was **Insperty Inc. (NSP)**, a professional employment organization (PEO) that provides outsourced human resources to small and medium-sized business. In early May, NSP reported quarterly results well ahead of expectations. **High customer retention and new client wins drove accelerated revenue growth, which created operating leverage and record operating income per worksite employee.** The strong results coupled with management's favorable outlook suggested **EBITDA growth in the mid-20% range is plausible for at least the next two years.** Sell-side analysts scrambled to revise their estimates materially higher.

The sectors with the lowest contribution to relative return in the Portfolio during the quarter were **Consumer Discretionary** and **Financials**. Consumer Discretionary underperformed as a result of an overweight allocation. Financials (technically) underperformed because of poor stock selection; however, an in-depth analysis of attribution reveals it suffered from the Portfolio's relative lack of REIT exposure. The bottom contributing holding during the quarter was **SeaWorld Entertainment Inc. (SEAS)**, owner and operator of theme parks including the *SeaWorld* and *Busch Gardens* brands. SEAS reported **mixed quarterly results and disappointing initial 2016 guidance.** Attendance gains drove a third consecutive quarter of accelerating revenue growth, but management voiced concern that **a sharp drop in Latin American visitation due to a strong U.S. dollar will largely offset the expected favorable impact of two new roller coasters for its Florida parks.**

As expressed since early 2015, we remain very positive about the fundamental positioning of the Portfolio! As has been the case historically, the Portfolio is both higher quality and less expensive than the benchmark. According to FactSet, price/cash flow for the Portfolio stands at just **10.3x** versus **12.9x** for the benchmark Russell 2500 Value. Additionally, from a quality perspective, the Portfolio's return on equity (five-year average) is **10.6%** versus just **7.7%** for the index. Further, **the Portfolio is expected to grow long-term earnings at a rate significantly higher than the benchmark.**

Sector Weightings



Portfolio Characteristics

	RRAM SMID	Russell 2500 Value
Number of Holdings	64	1,716
Price / Earnings ¹	18.8	19.1
Price / Cash Flow	10.3	12.9
Price / Book	1.59	1.56
ROE (5 YR Avg)	10.6	7.7
EPS Growth (5 YR)	8.1	7.8
Cash Flow Growth (5 YR)	11.7	5.2
LT Growth Forecast	11.0	8.4
Wtd Avg Mkt Cap (B)	\$3.17	\$3.75
Wtd Med Mkt Cap (B)	\$2.06	\$3.38

Portfolio Contribution

Top Contributors	Average Weight	Contribution to Return
NSP Insperty Inc.	1.97%	+0.91%
TNET TriNet Group Inc.	1.76%	+0.64%
SODA SodaStream International Ltd.	1.05%	+0.45%
MUSA Murphy USA Inc.	1.80%	+0.36%
DLB Dolby Laboratories Inc. (CI A)	3.03%	+0.32%

Bottom Contributors	Average Weight	Contribution to Return
SEAS SeaWorld Entertainment Inc.	2.69%	-0.96%
ATSG Air Transport Services Group Inc.	1.92%	-0.36%
PBF PBF Energy Inc. (CI A)	1.09%	-0.35%
ISCA International Speedway Corp. (CI A)	2.67%	-0.25%
KORS Michael Kors Holdings Ltd	1.16%	-0.19%

Top 10 Holdings

Symbol	Company	% of Portfolio
UNF	UniFirst Corp.	3.96%
FNFV	Fidelity National Financial Inc. - FNFV Group	3.90%
WTM	White Mountains Insurance Group Ltd.	3.69%
HAWK	Blackhawk Network Holdings Inc. (CI A)	3.08%
DLB	Dolby Laboratories Inc. (CI A)	2.91%
ISCA	International Speedway Corp. (CI A)	2.55%
IMKTA	Ingles Markets Inc. (CI A)	2.20%
BH	Biglari Holdings Inc.	2.12%
NSR	NeuStar Inc. (CI A)	2.06%
KLXI	KLX Inc.	2.05%

Data as of June 30, 2016. Totals may not sum due to rounding. ¹Excludes negative earnings. 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 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 SMID 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-Mid 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-Mid Cap Value Strategy to create a continuous representative portfolio. All representative portfolio data is shown as supplemental information to the Small-Mid Cap Value Composite presentation.

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The official benchmark of the Small-Mid Cap Value Composite Portfolio is the Russell 2500 Value. All other indices are shown as additional information only.

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eVestment US Small-Mid Cap Value Equity - US Equity products that invest primarily in small and mid 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 2500, or Russell 2500 Value. Managers in this category will typically indicate a "Primary Capitalization Emphasis" equal to Small-Mid Cap and a "Primary Style Emphasis" equal to Value.

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