

Focused Absolute Value[®]

A HIGH CONVICTION STRATEGY | QUARTERLY UPDATE AS OF SEPTEMBER 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

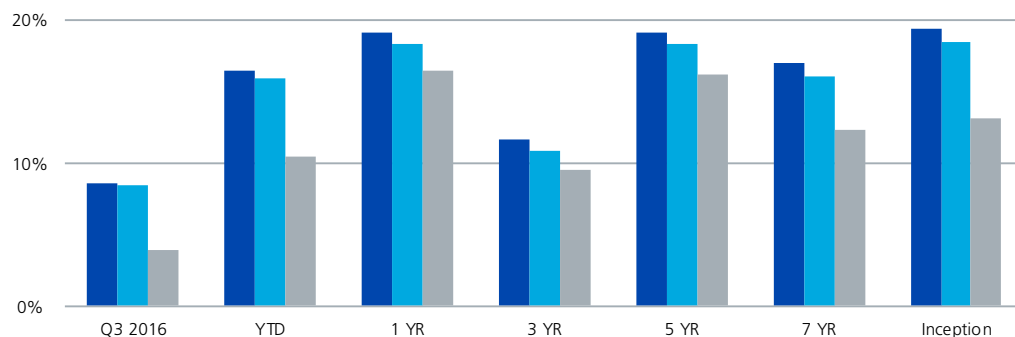


Thomas S. Forsha, CFA

18 years of experience;
managed Portfolio since inception

The Ohio State University, BS
University of Chicago, MBA

Performance Summary



	Q3 2016	YTD	1 YR	3 YR	5 YR	7 YR	Inception
FAV Composite - Gross	8.56%	16.42%	19.08%	11.55%	19.09%	16.89%	19.33%
FAV Composite - Net	8.45%	15.89%	18.31%	10.76%	18.23%	16.02%	18.41%
Russell 3000 Value	3.87%	10.40%	16.38%	9.46%	16.09%	12.28%	13.05%
Out / Underperformance	+4.69%	+6.02%	+2.70%	+2.09%	+3.00%	+4.61%	+6.28%

Performance is shown gross and net of fees as of September 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 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

The rally in stocks since February gained momentum in Q3 as the Federal Reserve again passed on the opportunity to raise rates and investors celebrated by **markedly** increasing their appetite for risk. **Across asset classes, sectors, market caps, and style factors, investors eschewed traditionally defensive investments in favor of more volatile, more cyclical, higher beta, and lower quality ones.** As a result, small caps led large cap by a wide margin (+9% versus +4%) and growth beat value across all market caps.

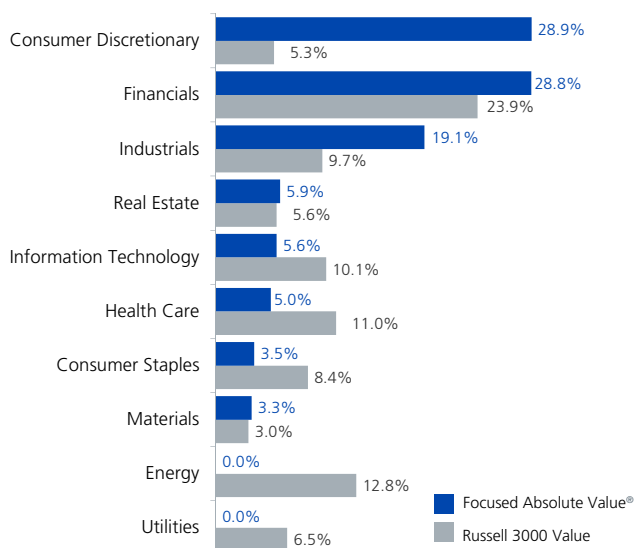
Sector allocation and stock selection in the Portfolio had equally positive impacts on relative return. Our bottom-up process led to an underweight allocation to the five worst performing sectors in the benchmark. **Stock selection was broadly positive** with 66% of stocks owned during the quarter outpacing the benchmark return. Additionally, **Focused Absolute Value[®] overcame the stylistic headwinds that weighed on most of the firm’s strategies.**

The top contributing holding in the Portfolio during Q3 was **Rackspace Hosting Inc. (RAX)**, the leading global provider of managed cloud services for businesses. Our thesis relied on the successful transition to a managed cloud service provider as opposed to the commoditized unmanaged cloud which provides infrastructure but not support. **By leveraging other cloud platforms, RAX transformed Amazon Web Services and Microsoft Azure from competitors to partners.** From a financial perspective, the economics of the business also improved as the capex burden declined which increased free cash flow and improved return on capital. **With a healthy balance sheet and an improved outlook for free cash flow, RAX was actively repurchasing stock** under an authorization to buy back nearly a quarter of the company. Apollo Global was likely attracted to the improving fundamentals and **offered to acquire Rackspace for \$32 per share.**

The bottom contributing holding in the Portfolio during Q3 was **VeriFone Systems Inc. (PAY)**, a global leader in secure electronic payment systems and services. VeriFone is the market leader in electronic payment terminals in North America with 50% share and the #1 or #2 player in most international markets. **The fiscal Q3 earnings report unexpectedly revealed many small and medium-sized businesses remain non-compliant.** Further impacting Q3 results were the **continuing economic woes in Latin America and a virtual halt to business in Turkey following the failed coup attempt.** Not only does the delay in EMV certification reduce revenue from equipment sales, but it also delays higher margin service revenue. The bottleneck in EMV certification does not represent a long-term drop in demand for services, but rather a pushout of service revenue to fiscal year 2017 and beyond. Our investment thesis remains intact, but its timing is likely delayed.

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 **13.0%** versus **11.9%** for the index and price/cash flow for the Portfolio stands at **9.9x** compared to **13.2x**.

Sector Weightings



Portfolio Contribution

Top Contributors		Average Weight	Contribution to Return
RAX	Rackspace Hosting Inc.	2.46%	+1.78%
LBRDK	Liberty Broadband Corp. (CI C)	3.90%	+0.73%
VVI	Viad Corp.	3.46%	+0.67%
CUB	Cubic Corp.	3.93%	+0.64%
LVNTA/ CHUBACHUBK	Liberty Interactive Corp. Ventures Series A / CommerceHub Inc. (CI A, CI C)	3.93%	+0.62%

Bottom Contributors		Average Weight	Contribution to Return
PAY	VeriFone Systems Inc.	2.77%	-0.64%
HAWK	Blackhawk Network Holdings Inc. (CI A)	2.88%	-0.28%
WFC	Wells Fargo & Co.	3.85%	-0.20%
RLGY	Realogy Holdings Corp.	1.54%	-0.17%
OAK	Oaktree Capital Group LLC (CI A)	3.75%	-0.13%

Portfolio Characteristics

	FAV	R3000V
Number of Holdings	28	2,021
Price / Earnings ¹	18.0	18.3
Price / Cash Flow	9.9	13.2
Price / Book	1.84	1.84
ROE (5 YR Avg)	13.0	11.9
EPS Growth (5 YR)	6.3	5.8
LT Growth Forecast	8.8	7.5
Annualized Standard Deviation ²	12.59	11.35
Annualized Alpha ²	2.28	
Beta ²	1.03	
Turnover ³	136.08%	

Market Capitalization Breakdown

	FAV	R3000V
Wtd Median Market Cap	\$5.75 B	\$48.84 B
Wtd Avg Market Cap	\$54.80 B	\$103.22 B
Large Cap > \$15.0 B	35.0%	73.3%
Mid Cap \$2.0 - \$15.0 B	37.0%	21.8%
Small Cap < \$2.0 B	28.1%	4.9%

Top 10 Holdings

Symbol	Company	% of Portfolio
BRK.B	Berkshire Hathaway Inc. (CI B)	7.78%
PINC	Premier Inc. (CI A)	4.97%
LVNTA	Liberty Interactive Corp. Ventures Series A	4.64%
UNF	UniFirst Corp.	4.06%
TWX	Time Warner Inc.	4.00%
FNFV	Fidelity National Financial Inc. - FNFV Group	3.99%
USB	U.S. Bancorp	3.96%
CMCSA	Comcast Corp. (CI A)	3.85%
CUB	Cubic Corp.	3.73%
CNA	CNA Financial Corp.	3.72%

Data as of September 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 Q3 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, different representative portfolios are used for different periods (using the same selection criteria) 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.

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Most company share-related characteristics exclude outliers. Outlier exclusion methods include interquartile and inverse interquartile; the universe for determining outliers is the Russell 3000. For more information, please contact RRAM. Contribution of child securities is aggregated with that of the parent for the purpose of assessing top and bottom contributors.

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