

Small Cap Value

QUARTERLY UPDATE AS OF SEPTEMBER 30, 2016



Investment Objective

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

Strategy Highlights

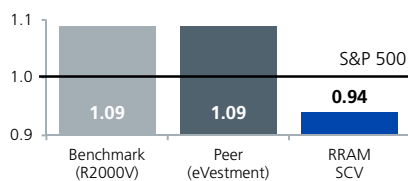
River Road's Small Cap Value (SCV) Strategy utilizes a fundamentally driven research process to identify attractive purchase candidates from a universe of smaller capitalization stocks. The Strategy invests in well-managed, financially strong companies that are trading at a meaningful discount to our 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 period¹

Beta vs S&P 500 (Trailing 5 YR)¹



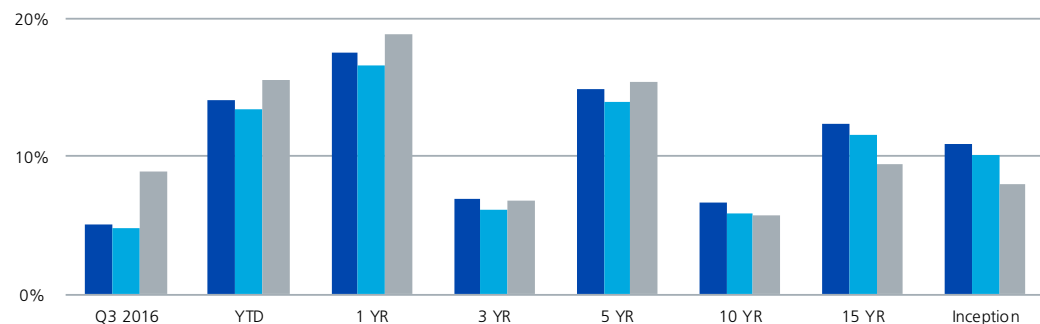
Portfolio Managers

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 2000
University of Louisville, BS
Babson College, MBA

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

Performance Summary



	Q3 2016	YTD	1 YR	3 YR	5 YR	10 YR	15 YR	Inception
SCV Composite - Gross	5.06%	14.08%	17.58%	6.93%	14.86%	6.68%	12.41%	10.95%
SCV Composite - Net	4.85%	13.38%	16.62%	6.10%	13.96%	5.83%	11.56%	10.14%
Russell 2000 Value	8.87%	15.49%	18.81%	6.77%	15.45%	5.78%	9.38%	8.02%
Out / Underperformance	-3.81%	-1.41%	-1.23%	+0.16%	-0.59%	+0.90%	+3.03%	+2.93%
SCV Composite Beta					0.80	0.75	0.72	0.70
SCV Composite Anlzd Std Dev					12.00	15.59	14.43	14.02
Russell 2000 Value Anlzd Std Dev					14.12	19.79	18.61	18.21

Performance is shown gross and net of fees as of September 30, 2016. Inception date: January 1, 1998. Out/underperformance compares Small Cap Value gross performance and Russell 2000 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 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

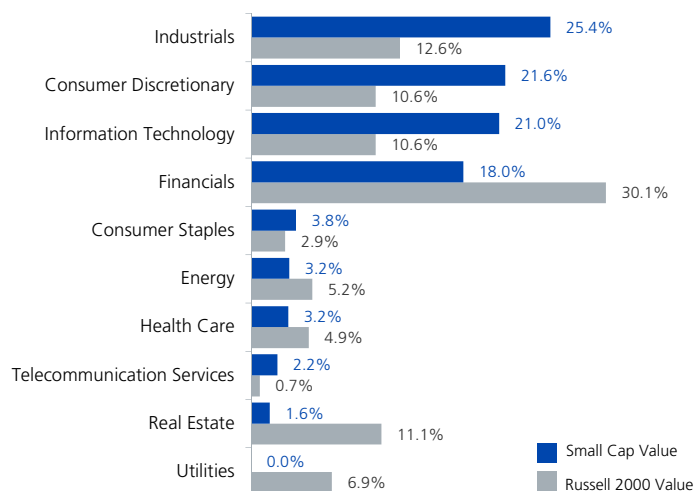
The rally in stocks since February gained momentum in Q3 as the Federal Reserve again passed on the opportunity to raise rates and investors celebrated by **markedly** increasing their appetite for risk. **Across asset classes, sectors, market caps, and style factors, investors eschewed traditionally 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.

The sectors with the highest contribution to relative return in Q3 were **Utilities** and **Consumer Staples**. Utilities benefited from lack of exposure, while Consumer Staples benefited from positive stock selection. The top contributing holding in the Portfolio during Q3 was **Rackspace Hosting Inc. (RAX)**, a global provider of managed cloud and related IT services. We initiated our position earlier this year as RAX was transitioning its business model to support customized cloud and software applications instead of just providing services *and* raw cloud computing capacity. **By leveraging other cloud platforms, former competitors like Amazon Web Services and Microsoft Azure were transformed into Rackspace partners.** In August, private-equity firm **Apollo Global signed a deal to acquire Rackspace for \$32 per share.**

The sectors with the lowest contribution to relative return in Q3 were **Health Care** and **Consumer Discretionary**. Both sectors suffered primarily from poor stock selection. The bottom contributing holding in the Portfolio during Q3 was **GEO Group Inc. (GEO)**, a REIT offering correctional and detention facilities and services to federal, state, local, and foreign governments. In an August 18 memo, Deputy Attorney General Sally Yates directed the Federal Bureau of Prisons (BOP) to begin "the process of reducing – and ultimately ending – [its] use of privately operated prisons." While the BOP comprises just 14% of GEO's annual operating revenue, the stock's severe negative reaction (down as much as -50% intraday and down -40% at the close) implied the federal government, including U.S. Immigration and Customs Enforcement as well as the U.S. Marshals Service, was immediately exiting all contracts with privately managed prisons. **For a number of reasons, including budgetary and prison capacity considerations, we do not believe it is practical or even possible for the BOP (let alone, the entire federal system) to substantially reduce its reliance on private prisons. Indeed, on September 30, GEO announced the BOP signed a two-year extension for its second-largest facility.**

Fortunately, in this highly uncertain environment, we believe the Portfolio's relative fundamental metrics continue to look extremely compelling. According to FactSet, price/cash flow for the Portfolio stands at **10.8x** versus **13.6x** for the Russell 2000 Value and **the Portfolio's return on equity (five-year average) is +9.4% versus just +6.1% for the index.**

Sector Weightings



Portfolio Characteristics

	RRAM SCV	Russell 2000 Value
Number of Holdings	56	1,336
Price / Earnings ¹	19.5	18.9
Price / Cash Flow	10.8	13.6
Price / Book	1.59	1.49
ROE (5 YR Avg)	9.4	6.1
EPS Growth (5 YR)	7.8	6.4
Cash Flow Growth (5 YR)	9.4	4.0
LT Growth Forecast	11.4	9.5
Annualized Standard Deviation ²	12.00	14.12
Annualized Alpha ²	2.34	
Beta ²	0.80	
Turnover ³	47.23%	

Portfolio Contribution

Top Contributors		Average Weight	Contribution to Return
RAX	Rackspace Hosting Inc.	2.44%	+1.03%
UNF	UniFirst Corp.	4.24%	+0.56%
FNFV	Fidelity National Financial Inc. - FNFV Group	4.22%	+0.35%
VVI	Viad Corp.	1.89%	+0.33%
SODA	SodaStream International Ltd.	1.41%	+0.33%
Bottom Contributors		Average Weight	Contribution to Return
GEO	GEO Group Inc.	1.73%	-0.60%
MYGN	Myriad Genetics Inc.	0.47%	-0.42%
PAY	VeriFone Systems Inc.	2.13%	-0.38%
HAWK	Blackhawk Network Holdings Inc. (CI A)	3.03%	-0.31%
AIRM	Air Methods Corp.	1.62%	-0.19%

Top 10 Holdings

Symbol	Company	% of Portfolio
UNF	UniFirst Corp.	4.50%
FNFV	Fidelity National Financial Inc. - FNFV Group	4.24%
WTM	White Mountains Insurance Group Ltd.	4.06%
IMKTA	Ingles Markets Inc. (CI A)	2.82%
HAWK	Blackhawk Network Holdings Inc. (CI A)	2.72%
ATSG	Air Transport Services Group Inc.	2.55%
ISCA	International Speedway Corp. (CI A)	2.45%
SP	SP Plus Corp.	2.26%
BH	Biglari Holdings Inc.	2.13%
AWH	Allied World Assurance Co. Holdings AG	2.12%

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, 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 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 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, different representative portfolios are used for different periods (using the same selection criteria) 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 and Russell 2000. All other indices are shown as additional information only.

Performance presented prior to April 1, 2005 while the original members of the portfolio management team were affiliated with a prior firm and those 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.

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.

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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