

Small-Mid Cap Value

QUARTERLY UPDATE AS OF SEPTEMBER 30, 2016



Investment Objective

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

Strategy Highlights

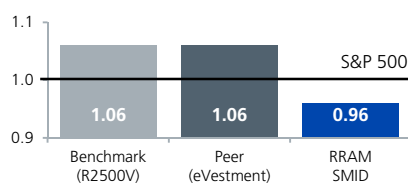
River Road's Small-Mid Cap Value (SMID) Strategy focuses on companies between \$250 MM and \$10 B in market capitalization. The SMID Strategy employs the same bottom-up, fundamentally driven investment process as the firm's Small Cap Value Strategy.

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

Low Volatility Returns

- Target Volatility < Russell 2500 Value
- Ranked among the top 26% 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

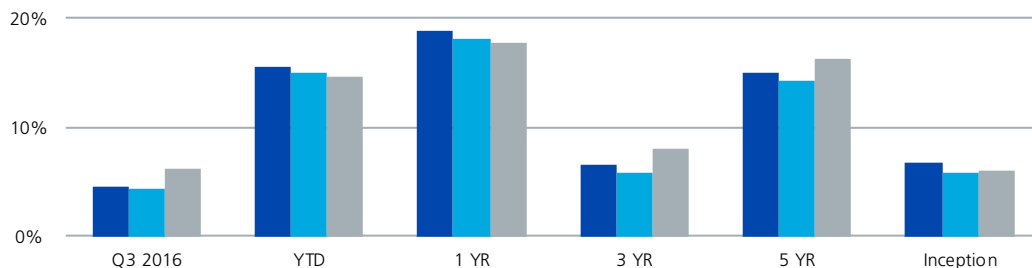


R. Andrew Beck
17 years of experience;
managed Portfolio since inception
University of Louisville, BS
Babson College, MBA



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

Performance Summary



	Q3 2016	YTD	1 YR	3 YR	5 YR	Inception
SMID Composite - Gross	4.46%	15.42%	18.82%	6.55%	15.04%	6.71%
SMID Composite - Net	4.30%	14.88%	18.05%	5.81%	14.22%	5.89%
Russell 2500 Value	6.18%	14.51%	17.68%	8.05%	16.29%	6.04%
Out / Underperformance	-1.72%	+0.91%	+1.14%	-1.50%	-1.25%	+0.67%

SMID Composite Beta

0.89 **0.80**

SMID Composite Anlzd Std Dev

12.18 **15.72**

Russell 2500 Value Anlzd Std Dev

12.90 **18.95**

Performance is shown gross and net of fees as of September 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

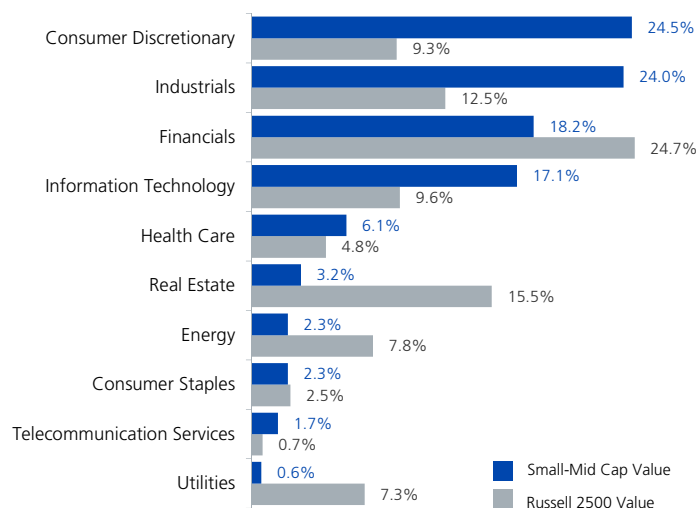
The rally in stocks since February gained momentum in Q3 as the Federal Reserve again passed on the opportunity to raise rates and investors celebrated by **markedly** increasing their appetite for risk. **Across asset classes, sectors, market caps, and style factors, investors eschewed traditionally 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 the Portfolio during Q3 were **Utilities** and **Industrials**. Utilities benefited from an underweight allocation, while Industrials benefited from an overweight allocation. 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 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 **10.2x** versus **13.5x** for the benchmark Russell 2500 Value and **the Portfolio's return on equity (five-year average) is +9.6% versus just +7.4% for the index.**

Sector Weightings



Portfolio Characteristics

	RRAM SMID	Russell 2500 Value
Number of Holdings	60	1,689
Price / Earnings ¹	19.4	19.8
Price / Cash Flow	10.2	13.5
Price / Book	1.57	1.64
ROE (5 YR Avg)	9.6	7.4
EPS Growth (5 YR)	6.3	8.3
Cash Flow Growth (5 YR)	11.1	5.2
LT Growth Forecast	11.2	8.9
Wtd Avg Mkt Cap (B)	\$3.72	\$3.86
Wtd Med Mkt Cap (B)	\$1.86	\$3.53

Portfolio Contribution

Top Contributors		Average Weight	Contribution to Return
RAX	Rackspace Hosting Inc.	1.72%	+0.77%
UNF	UniFirst Corp.	4.06%	+0.53%
UNFACHBACHBK	Liberty Interactive Corp. Ventures Series A/CommerceHub Inc. (CI A, CI C)	2.74%	+0.42%
VVI	Viad Corp.	1.92%	+0.33%
FNFV	Fidelity National Financial Inc. - FNFV Group	4.03%	+0.33%

Bottom Contributors		Average Weight	Contribution to Return
GEO	GEO Group Inc.	1.63%	-0.56%
MYGN	Myriad Genetics Inc.	0.46%	-0.42%
PAY	VeriFone Systems Inc.	2.14%	-0.38%
HAWK	Blackhawk Network Holdings Inc. (CI A)	2.95%	-0.30%
AIRM	Air Methods Corp.	1.64%	-0.19%

Top 10 Holdings

Symbol	Company	% of Portfolio
UNF	UniFirst Corp.	4.33%
FNFV	Fidelity National Financial Inc. - FNFV Group	4.07%
LVNTA	Liberty Interactive Corp. Ventures Series A	3.58%
WTM	White Mountains Insurance Group Ltd.	3.49%
PINC	Premier Inc. (CI A)	3.02%
HAWK	Blackhawk Network Holdings Inc. (CI A)	2.67%
IMKTA	Ingles Markets Inc. (CI A)	2.24%
NSR	NeuStar Inc. (CI A)	2.23%
BH	Biglari Holdings Inc.	2.20%
PAY	VeriFone Systems Inc.	2.13%

Data as of September 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 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 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, 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 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.

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 portfolio 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.

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. Contribution of child securities is aggregated with that of the parent for the purpose of assessing top and bottom contributors.

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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