

Dividend All-Cap Value

A TOTAL RETURN STRATEGY | QUARTERLY UPDATE AS OF DECEMBER 31, 2016



Investment Objectives

- Long-term Total Return > Russell 3000 Value index plus 200 to 400 bps
- Target Yield > Russell 3000 Value index plus 150 bps

Strategy Highlights

River Road's Dividend All-Cap Value (DAV) Strategy utilizes a fundamentally driven research process to identify attractive purchase candidates from an all cap universe of high yielding equity securities. This Strategy invests in well-managed, financially strong companies with high and growing dividends, targeting companies that are also trading at a meaningful discount to our assessed valuation. Typical investment criteria include:

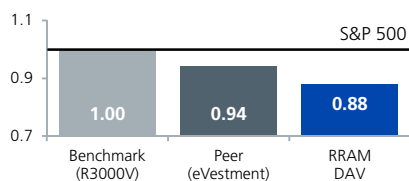
- Minimum market capitalization of \$300 MM at the time of initial purchase
- Indicated dividend yield of at least 2%

The stock selection process is complemented by a risk averse approach that employs balanced diversification and a structured sell discipline.

Low Volatility Returns

- Target Volatility < Russell 3000 Value
- Ranked among the top 24% of peers over the prior five-year period²

Beta vs S&P 500 (Trailing 5 YR)²



Portfolio Managers



Henry W. Sanders III, CFA
27 years of experience;
managed Portfolio since inception

Bellarmine University, BA
Boston College, MBA



Thomas S. Forsha, CFA
18 years of experience;
managed Portfolio since July 2007

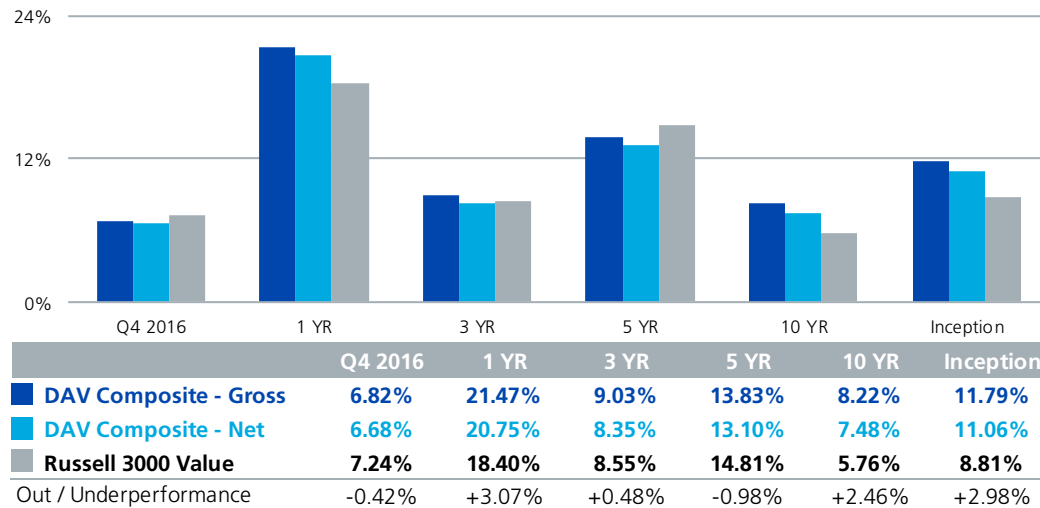
The Ohio State University, BS
University of Chicago, MBA



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

University of Louisville, BS

Performance Summary



Portfolio Yield: 3.54%¹

Performance is shown gross and net of fees as of December 31, 2016. Inception date: October 1, 2003. Out/underperformance compares Dividend All-Cap Value gross performance and Russell 3000 Value. ¹Gross of fees; indicated portfolio yield does not anticipate special dividends. Data presented based on a representative portfolio within the Strategy. ²Volatility, 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 All 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 soared in Q4 following a stunning election upset that saw Republicans win the White House and retain a majority in Congress, resulting in a radical, pro-growth regime change in Washington. Following a weak start to the quarter, small cap stocks led the post-election rally as investors bet on lower taxes, increased infrastructure spending, and broad deregulation. **For 2016, small caps also outperformed large cap, delivering the best relative performance since 2010.**

Stock selection was largely responsible for the outperformance in 2016, but sector allocation was also modestly positive. In a reversal from recent years, dividend stocks performed relatively well for the year. The Strategy's bottom-up, value-focused investment process also provided the means to navigate a relatively treacherous shift from defensive to cyclical leadership within the dividend universe, which further aided in the Strategy outperforming a large majority of its peers.

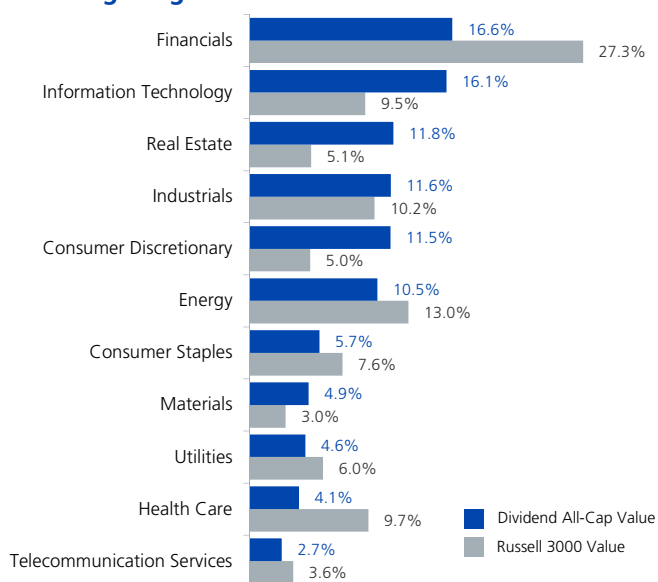
The sector with the highest contribution to relative return in the Portfolio for Q4 was **Health Care**. The top contributing holding during the quarter was **PNC Financial Services Group Inc. (PNC)**. The outlook for bank earnings improved significantly during the quarter and stock prices followed suit. In the wake of the U.S. elections, interest rates moved higher and the yield curve steepened, leading to an improved outlook for net interest margin. Additionally, the Republican sweep of Congress and the White House raised the possibility of meaningful tax and regulatory reform, which could significantly reduce taxes and operating expenses for banks. In recognition of the positive impact of the election, **we increased the multiples employed in our assessed values across the banking industry.**

The sector with the lowest contribution to relative return in the Portfolio for Q4 was **Financials**. The bottom contributing holding during the quarter was **Iron Mountain Inc. (IRM)**, a REIT focused on records management storage and data management services. Although IRM met our expectations with its core storage business registering organic growth of +2.6% year over year and surprised with an accelerated dividend hike of +11.3%, the stock underperformed along with most other REITs in the quarter as the market began to discount the impact of rising interest rates. For IRM, **rising rates should not detrimentally impact cash flow as document storage demand is not interest rate sensitive and storage contracts generally allow for regular inflation-related adjustments.**

From a valuation perspective, risks are elevated, particularly for small cap stocks, and sentiment is flashing a near-term caution light. However, from an intermediate-term perspective there are numerous tailwinds that could not only sustain current share prices, but propel stocks across all market caps *moderately* higher in the year ahead.

There has been little change in our positive relative outlook for the Dividend All-Cap Value Strategy. As we asserted in Q3, "the results support our belief that the Portfolio is relatively well positioned if fears of overvaluations or rising interest rates weigh on dividend-focused sectors." We believe the Strategy's strong performance in 2016 supports our view that a broad Portfolio of companies that both pay an attractive dividend and increase it, can outperform even as interest rates are increasing.

Sector Weightings



Portfolio Characteristics

	DAV	R3000V
Number of Holdings	60	2,065
Dividend Yield ³	3.54	2.41
Price / Cash Flow	12.9	13.4
ROE (5 YR Avg)	17.5	11.9
EPS Growth (5 YR)	8.3	5.4
Div / Share Growth (TTM)	7.7	6.5
Cash	4.3%	
Annualized Standard Deviation ¹	9.78	10.66
Annualized Alpha ¹	1.09	
Beta ¹	0.86	
Turnover ²	35.54%	

Portfolio Contribution

Top Contributors		Yield ³	Average Weight	Contribution to Return
PNC	PNC Financial Services Group Inc.	1.88%	3.02%	+0.86%
BBT	BB&T Corp.	2.55%	2.63%	+0.63%
GEO	GEO Group Inc.	7.24%	1.23%	+0.56%
USB	U.S. Bancorp	2.18%	2.64%	+0.52%
RHP	Ryman Hospitality Properties Inc.	4.76%	1.19%	+0.40%

Bottom Contributors		Yield ³	Average Weight	Contribution to Return
IRM	Iron Mountain Inc.	6.77%	2.84%	-0.41%
CSAL	Communications Sales & Leasing Inc.	9.45%	1.20%	-0.27%
AMGN	Amgen Inc.	3.15%	1.55%	-0.24%
UL	Unilever PLC Sponsored ADR	3.40%	1.42%	-0.23%
VTR	Ventas Inc.	4.96%	1.48%	-0.20%

Market Capitalization Breakdown

	DAV	R3000V
Wtd Median Market Cap	\$24.61 B	\$52.26 B
Wtd Avg Market Cap	\$69.42 B	\$109.93 B
Large Cap > \$15.0 B	61.4%	73.7%
Mid-Cap \$2.0 - \$15.0 B	31.3%	21.6%
Small Cap < \$2.0 B	7.3%	4.7%

Top 10 Holdings

Symbol	Company	% of Portfolio	Yield ³
MSFT	Microsoft Corp.	3.37%	2.51%
PNC	PNC Financial Services Group Inc.	2.84%	1.88%
BBT	BB&T Corp.	2.80%	2.55%
USB	U.S. Bancorp	2.74%	2.18%
IRM	Iron Mountain Inc.	2.71%	6.77%
VZ	Verizon Communications Inc.	2.56%	4.33%
OMC	Omnicom Group Inc.	2.37%	2.58%
MSI	Motorola Solutions Inc.	2.33%	2.27%
FAST	Fastenal Co.	2.22%	2.55%
PX	Praxair Inc.	2.21%	2.56%

Data as of December 31, 2016. Totals may not sum due to rounding. ¹Risk characteristics based on trailing 60 month gross of fee composite performance. ²Average annual turnover since inception (October 1, 2003); partial periods excluded from average. ³Gross of fees; indicated yield does not anticipate special dividends. 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 Q4 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 Dividend All-Cap 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 Dividend All-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, Dividend All-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 Dividend All-Cap Value Composite presentation.

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The official benchmark for the composite is the Russell 3000 Value. All other indices are shown as additional information only.

Performance presented prior to April 1, 2005 occurred 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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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 All Cap Value Equity - US Equity products that invest primarily in small, mid, and large 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 3000 Value, S&P 500, or Russell 1000 Value. Managers in this category will typically indicate a "Primary Capitalization Emphasis" equal to All Cap and a "Primary Style Emphasis" equal to Value.

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