

Small Cap Value

QUARTERLY UPDATE AS OF DECEMBER 31, 2016



Investment Objective

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

Strategy Highlights

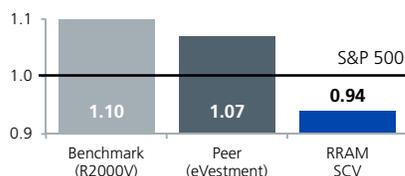
River Road's Small Cap Value (SCV) Strategy utilizes a fundamentally driven research process to identify attractive purchase candidates from a universe of smaller capitalization stocks. The Strategy invests in well-managed, financially strong companies that are trading at a meaningful discount to our 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 5% 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

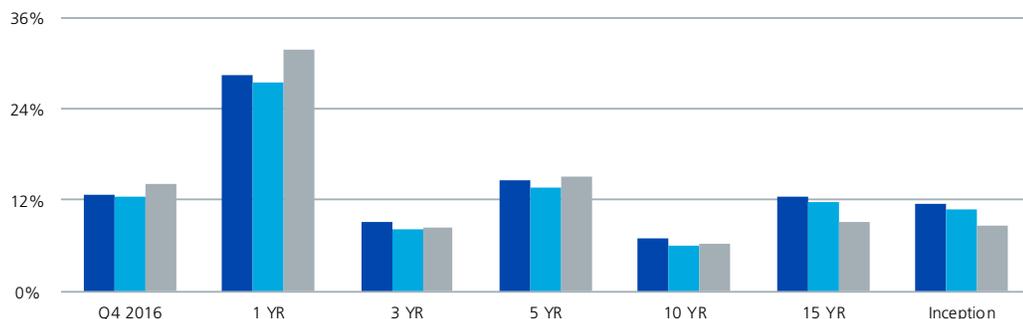


R. Andrew Beck
17 years of experience;
managed Portfolio since 2000
University of Louisville, BS
Babson College, MBA



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

Performance Summary



	Q4 2016	1 YR	3 YR	5 YR	10 YR	15 YR	Inception
SCV Composite - Gross	12.62%	28.48%	9.08%	14.53%	6.87%	12.51%	11.49%
SCV Composite - Net	12.41%	27.45%	8.23%	13.64%	6.02%	11.66%	10.68%
Russell 2000 Value	14.07%	31.74%	8.31%	15.07%	6.26%	9.22%	8.66%
Out / Underperformance	-1.45%	-3.26%	+0.77%	-0.54%	+0.61%	+3.29%	+2.83%
SCV Composite Beta				0.78	0.74	0.72	0.70
SCV Composite Anlzd Std Dev				11.75	15.81	14.55	14.09
Russell 2000 Value Anlzd Std Dev				14.10	20.19	18.81	18.36

Performance is shown gross and net of fees as of December 31, 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

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.**

From a style perspective, value handily outperformed growth across all market caps. Among small caps, **value outperformed growth by over +2,000 bps – the widest gap since the tech-bubble burst in 2001.** While volatility was low in 2016, the market did experience large price swings throughout the year. Leadership rotation among factors and sectors reflected this volatility.

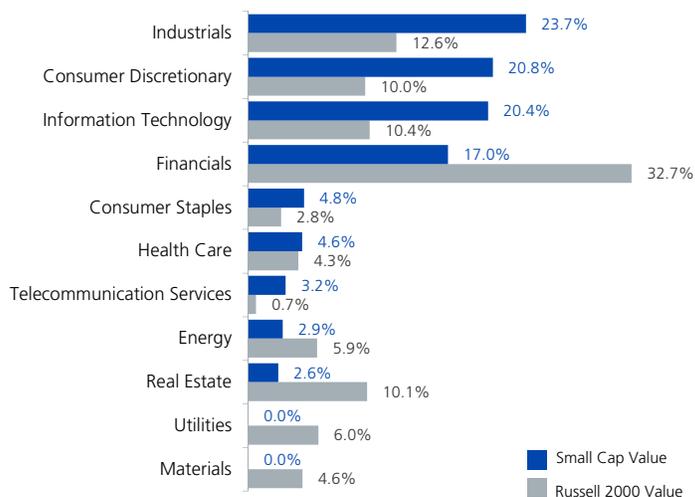
The Strategy's underperformance in Q4 occurred during the post-election period, when the index rallied **+17.41%** and the Composite returned **+14.27%** (+14.10% net). During this period, the primary driver of underperformance was a significant underweight to Banks & Thrifts (contributing **-185 bps**).

The sector with the highest contribution to relative return in the Portfolio for Q4 was **Real Estate**. The top contributing holding was private prison REIT **GEO Group Inc. (GEO)**, which offers correctional and detention facilities and services to federal, state, local, and foreign governments. The stock surged following the U.S. presidential election as **it is widely expected the incoming Trump administration will reverse the U.S. Department of Justice's August directive to the Federal Bureau of Prisons to reduce – and ultimately end – its use of privately operated prisons.**

The sector with the lowest contribution to relative return in the Portfolio for Q4 was **Financials**. The bottom contributing holding was **Akorn Inc. (AKRX)**, a specialty generic pharmaceutical company focused on higher-margin niche dosage forms. In early November, AKRX reported strong Q3 earnings, beating expectations and raising guidance for the year. The company also disclosed **the FDA required re-inspection of its Decatur, IL manufacturing facility, which threatened to delay new product approvals.** This announcement, combined with the publicized **DOJ investigation into possible generic price collusion by competitors**, raised investor concerns. However, the **re-inspection was successfully completed in mid-December** and the DOJ investigation does not involve Akorn.

Despite lagging the post-election rally, there is no change in our optimism about the relative positioning of the Portfolio, which we believe continues to look highly attractive! According to FactSet, price/cash flow for the Portfolio stands at just **11.8x** versus **15.5x** for the benchmark Russell 2000 Value. Additionally, from a quality perspective, the Portfolio's return on equity (five-year average) is **+9.4%** versus just **+6.5%** for the index. The Portfolio is further expected to grow long-term earnings at a higher rate than the benchmark.

Sector Weightings



Portfolio Characteristics

	RRAM SCV	Russell 2000 Value
Number of Holdings	54	1,369
Price / Earnings ¹	21.7	21.7
Price / Cash Flow	11.8	15.5
Price / Book	1.74	1.70
ROE (5 YR Avg)	9.4	6.5
EPS Growth (5 YR)	8.6	7.7
Cash Flow Growth (5 YR)	9.3	3.7
LT Growth Forecast	10.9	9.6
Annualized Standard Deviation ²	11.75	14.10
Annualized Alpha ²	2.61	
Beta ²	0.78	
Turnover ³	47.25%	

Portfolio Contribution

Top Contributors		Average Weight	Contribution to Return
GEO	GEO Group Inc.	1.49%	+0.75%
SODA	SodaStream International Ltd.	1.58%	+0.73%
HAWK	Blackhawk Network Holdings Inc.	3.12%	+0.72%
IMKTA	Ingles Markets Inc. (CI A)	3.08%	+0.67%
AWH	Allied World Assurance Co. Holdings AG	2.06%	+0.62%

Bottom Contributors		Average Weight	Contribution to Return
AKRX	Akorn Inc.	1.18%	-0.34%
MUSA	Murphy USA Inc.	1.83%	-0.33%
MPAA	Motorcar Parts of America Inc.	1.61%	-0.15%
TRCO	Tribune Media Co. (CI A)	1.71%	-0.10%
PHIIK	PHI Inc. Non-Voting	0.14%	-0.06%

Top 10 Holdings

Symbol	Company	% of Portfolio
WTM	White Mountains Insurance Group Ltd.	4.69%
FNFV	Fidelity National Financial Inc. - FNFV Group	4.51%
UNF	UniFirst Corp.	4.24%
HAWK	Blackhawk Network Holdings Inc.	3.40%
IMKTA	Ingles Markets Inc. (CI A)	3.19%
MUSA	Murphy USA Inc.	2.42%
ATSG	Air Transport Services Group Inc.	2.30%
BH	Biglari Holdings Inc.	2.24%
PAY	VeriFone Systems Inc.	2.22%
SP	SP Plus Corp.	2.21%

Data as of December 31, 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 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 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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