

Small-Mid Cap Value

QUARTERLY UPDATE AS OF DECEMBER 31, 2016



Investment Objective

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

Strategy Highlights

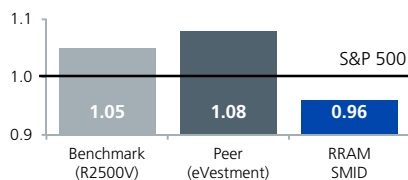
River Road's Small-Mid Cap Value (SMID) Strategy focuses on companies between \$250 MM and \$10 B in market capitalization. The SMID Strategy employs the same bottom-up, fundamentally driven investment process as the firm's Small Cap Value Strategy.

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

Low Volatility Returns

- Target Volatility < Russell 2500 Value
- Ranked among the top 17% 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

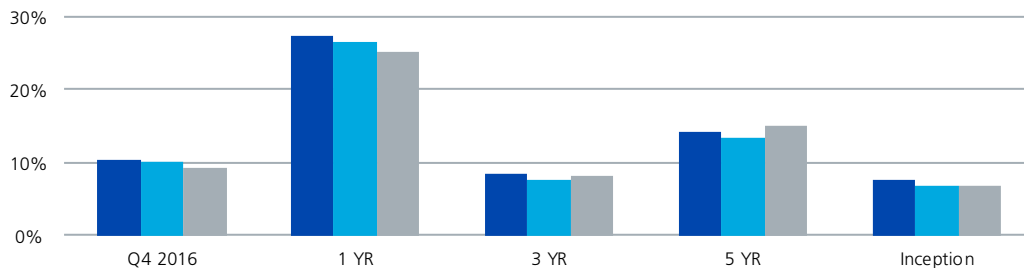


R. Andrew Beck
17 years of experience;
managed Portfolio since inception
University of Louisville, BS
Babson College, MBA



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

Performance Summary



	Q4 2016	1 YR	3 YR	5 YR	Inception
Out / Underperformance	+1.00%	+2.15%	+0.14%	-0.93%	+0.75%

SMID Composite Beta

0.90 **0.80**

SMID Composite Anlzd Std Dev

11.75 **15.79**

Russell 2500 Value Anlzd Std Dev

12.33 **18.98**

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

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.

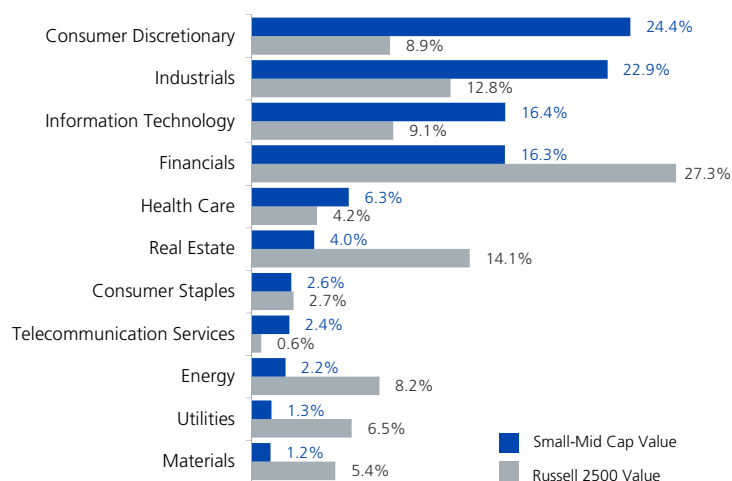
We are very pleased with the Strategy's absolute, relative, and peer performance in 2016. The Strategy even managed to keep up with the index during the post-election period, with the Composite returning **+12.33%** (+12.16% net) versus **+12.74%** for the benchmark.

The sector with the highest contribution to relative return in the Portfolio for Q4 was **Real Estate**. The top contributing holding was **SodaStream International Ltd. (SODA)**, a maker and distributor of home carbonation systems. SODA rallied after reporting a **third consecutive quarter of revenue growth**, growth in all geographies, and **substantial margin expansion** related to its new operations plant in Southern Israel. Unit sales of CO₂ refills achieved yet another record level and we continue to be impressed by **accelerating soda maker (machine hardware) growth, which is increasing the installed user base.**

The sector with the lowest contribution to relative return in the Portfolio for Q4 was **Financials**. The bottom contributing holding during the quarter was **Dolby Laboratories Inc. (CI A) (DLB)**, a company that licenses their audio technology to electronics manufacturers and entertainment content producers. After strong year-to-date performance, **DLB reported in-line Q4 results and provided in-line guidance for fiscal 2017.**

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 **11.2x** versus **14.7x** for the benchmark Russell 2500 Value. Additionally, from a quality perspective, the Portfolio's return on equity (five-year average) is **+8.7%** versus just **+7.7%** 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 SMID	Russell 2500 Value
Number of Holdings	59	1,725
Price / Earnings ¹	21.6	21.5
Price / Cash Flow	11.2	14.7
Price / Book	1.73	1.78
ROE (5 YR Avg)	8.7	7.7
EPS Growth (5 YR)	7.9	9.1
Cash Flow Growth (5 YR)	9.1	5.1
LT Growth Forecast	11.6	9.0
Wtd Avg Mkt Cap (B)	\$3.52	\$4.13
Wtd Med Mkt Cap (B)	\$2.09	\$3.81

Portfolio Contribution

Top Contributors	Average Weight	Contribution to Return
SODA SodaStream International Ltd.	1.61%	+0.75%
GEO GEO Group Inc.	1.58%	+0.75%
HAWK Blackhawk Network Holdings Inc.	3.05%	+0.69%
SPR Spirit AeroSystems Holdings Inc. (CI A)	1.99%	+0.59%
IMKTA Ingles Markets Inc. (CI A)	2.42%	+0.52%

Bottom Contributors	Average Weight	Contribution to Return
DLB Dolby Laboratories Inc. (CI A)	1.68%	-0.35%
AKRX Akorn Inc.	1.11%	-0.33%
MUSA Murphy USA Inc.	1.62%	-0.30%
PINC Premier Inc. (CI A)	3.21%	-0.28%
LVNTA/ Liberty Interactive Corp. Ventures Series A /	3.92%	-0.20%
LEXEA Liberty Expedia Holdings Inc. (CI A)		

Top 10 Holdings

Symbol	Company	% of Portfolio
WTM	White Mountains Insurance Group Ltd.	4.75%
UNF	UniFirst Corp.	4.28%
FNFV	Fidelity National Financial Inc. - FNFV Group	4.06%
PINC	Premier Inc. (CI A)	3.45%
HAWK	Blackhawk Network Holdings Inc.	3.37%
LVNTA	Liberty Interactive Corp. Ventures Series A	3.02%
ATSG	Air Transport Services Group Inc.	2.55%
IMKTA	Ingles Markets Inc. (CI A)	2.47%
MUSA	Murphy USA Inc.	2.27%
CNA	CNA Financial Corp.	2.17%

Data as of December 31, 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 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 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.

River Road Asset Management, LLC ("RRAM") is a registered investment adviser formed in April 2005 and is majority owned by Affiliated Managers Group, Inc. This presentation may be presented by an employee of Affiliated Managers Group, Inc., AMG Funds, or another AMG entity, which are affiliates of RRAM. RRAM claims compliance with the Global Investment Performance Standards (GIPS®). The firm maintains a complete list and description of composites and a presentation that complies with the requirements of the GIPS® standards, which is available upon request by contacting Thomas D. Mueller, CPA, CFA at (502) 371-4100 or thomas.mueller@riverroadam.com. The Composite contains fully discretionary accounts that seek capital appreciation by investing primarily in small-mid cap value domestic equity securities that trade at a discount to our assessed valuation as determined using RRAM's proprietary Absolute Value® approach. For this composite, RRAM defines a small to mid cap company as one whose market capitalization is less than \$10 B. RRAM selects securities form a universe of companies with a market capitalization at the time of initial purchase typically between \$250 MM to \$10 B, employing a value driven, bottom-up fundamental approach. The U.S. dollar is the currency used to express performance. Performance includes the reinvestment of income.

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.

© Copyright: All rights reserved; 2017, River Road Asset Management, LLC.

