

Dividend All-Cap Value II

A TOTAL RETURN STRATEGY | QUARTERLY UPDATE AS OF MARCH 31, 2017



RIVER ROAD
ASSET MANAGEMENT

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 II (DAV II) 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:

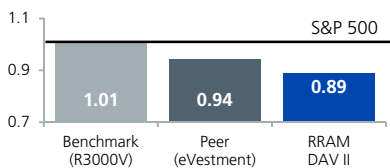
- Minimum market capitalization of \$1 B at the time of purchase
- Indicated dividend yield of at least 2%

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 26% of peers over the prior five-year period²

Beta vs S&P 500 (Trailing 5 YR)²



Portfolio Managers



Henry W. Sanders III, CFA
28 years of experience; managed Portfolio since inception
Bellarmine University, BA
Boston College, MBA



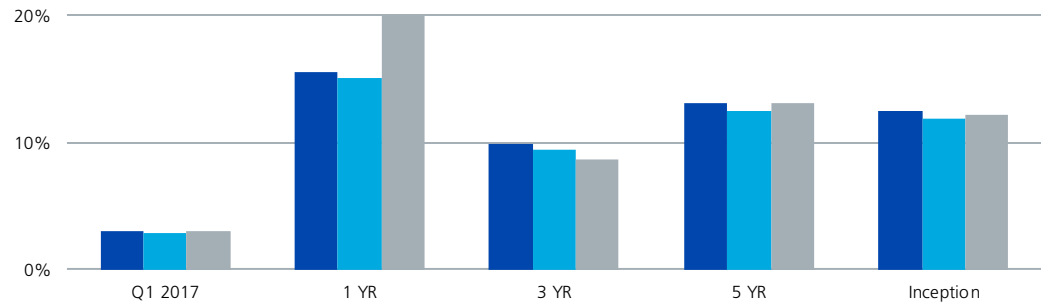
Thomas S. Forsha, CFA
19 years of experience; managed Portfolio since inception
The Ohio State University, BS
University of Chicago, MBA



James C. Shircliff, CFA
44 years of experience; managed Portfolio since inception
University of Louisville, BS

Discovering value,
off the beaten path[®]

Performance Summary



	Q1 2017	1 YR	3 YR	5 YR	Inception
DAV II Composite - Gross	2.92%	15.48%	9.86%	12.99%	12.47%
DAV II Composite - Net	2.83%	15.05%	9.43%	12.46%	11.87%
Russell 3000 Value	2.99%	19.97%	8.58%	13.08%	12.20%
Out / Underperformance	-0.07%	-4.49%	+1.28%	-0.09%	+0.27%

Portfolio Yield: 3.43%¹

Performance is shown gross and net of fees as of March 31, 2017. Inception date: January 1, 2011. Out/underperformance compares Dividend All-Cap Value II gross performance and Russell 3000 Value. ¹Gross of fees; indicated portfolio yield does not anticipate special dividends. Information 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

The optimism that dominated markets in the wake of Inauguration Day continued to drive the market higher in Q1, but appeared to falter as the political process reached a fever pitch in the waning days of the first quarter. Sharp divisions between the two U.S. political parties were to be expected, but the seeming inability to bring the Republican Party together around healthcare reform has left many **wondering if President Donald Trump can effectively deliver on other parts of his platform, namely comprehensive tax and regulatory reform**. Combined with the changes in many areas of foreign policy including Brexit, North Korea, trade and NATO, it is little surprise that the market seemed a bit uneasy at the end of the period.

Despite the weakness at the end of the period, the S&P 500 advanced **+6.07%** in Q1, in large part due to the continued improvement in earnings. Over the course of the quarter, expected growth for Q1 S&P 500 earnings declined from **+12.5%** to **+9.1%**, but this would still mark **the strongest year-over-year growth in S&P 500 earnings since Q4 2011**. Projections for 2017 have moderated as well, however at **+9.8%** the analyst community appears to **expect robust, but achievable growth for the remainder of the year**.

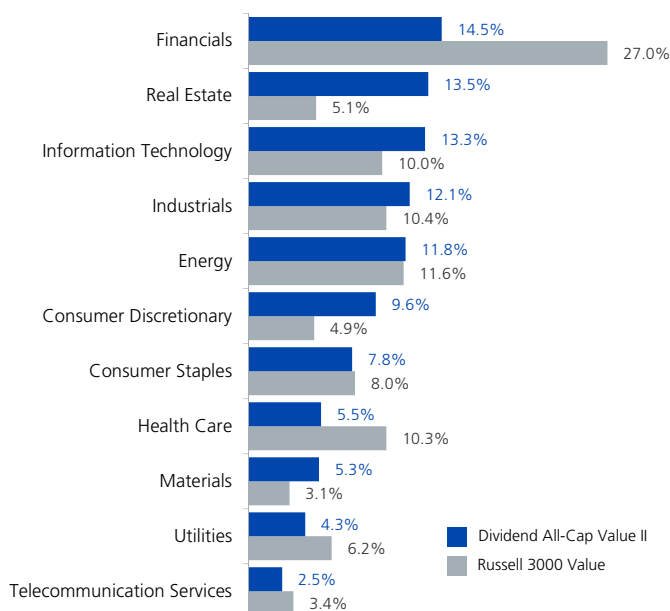
Dividend stocks trailed marginally, and expensive, defensive sectors led. However, among the broad market, neither cyclical nor defensive sectors assumed leadership in Q1 in what was best classified as a reversal from the post-election period.

The sector with the highest contribution to relative return in the Portfolio for Q1 was **Real Estate**. The top contributing holding during the quarter was **GEO Group Inc. (GEO)**, a REIT offering correctional and detention facilities and services to federal, state, local, and foreign governments. The stock's steady march higher since the November presidential election continued in Q1, supported by a respectable Q4 earnings report and solid 2017 guidance. GEO investors received another piece of good news in late February when newly confirmed **U.S. Attorney General Jeff Sessions issued a memo rescinding an August 18, 2016 directive from then-Deputy Attorney General Sally Yates instructing the BOP to reduce – and ultimately end – its use of privately operated prisons**.

The sector with the lowest contribution to relative return in the Portfolio for Q1 was **Information Technology**. The bottom contributing holding during the quarter was discount retailer **Target Corp. (TGT)**. The company traded down following Q4 results and its investor meeting which included **disappointing guidance for FY 2017** well below both our expectations and Wall Street consensus. Management outlined its strategic plan, including lower gross margins to ensure competitive pricing, supply chain and digital infrastructure investments to enhance the customer experience, and refocused merchandising, including launching additional private label brands. While we view management's plan as necessary to continue to support the changing mix in sales and combat competitive pressure, we were surprised by the magnitude of the guidance reduction. **We reviewed and lowered TGT's assessed valuation and conviction to account for increased uncertainty in the business model and our estimates**.

From a valuation perspective, risks remain elevated, and it appears that the market is heading for near-term disappointment on the fiscal policy front. However, to the extent that equity investors' risk tolerance decreases, **we would expect the historical downside protection pattern of the Strategy will hold**.

Sector Weightings



Portfolio Characteristics

	DAV II	R3000V
Number of Holdings	57	2,044
Dividend Yield ³	3.43	2.40
Price / Cash Flow	13.6	13.8
ROE (5 YR Avg)	18.0	11.8
EPS Growth (5 YR)	7.2	4.4
Div / Share Growth (TTM)	7.8	6.7
Cash	3.7%	
Annualized Standard Deviation ¹	9.77	10.58
Annualized Alpha ¹	1.64	
Beta ¹	0.86	
Turnover ²	27.33%	

Market Capitalization Breakdown

	DAV II	R3000V
Wtd Median Market Cap	\$30.69 B	\$53.04 B
Wtd Avg Market Cap	\$71.55 B	\$111.51 B
Large Cap > \$15.0 B	68.2%	74.3%
Mid-Cap \$2.0 - \$15.0 B	29.7%	21.3%
Small Cap < \$2.0 B	2.1%	4.4%

Portfolio Contribution

Top Contributors	Yield ³	Average Weight	Contribution to Return
GEO GEO Group Inc.	6.04%	1.99%	+0.53%
UL Unilever PLC Sponsored ADR	2.83%	1.75%	+0.35%
IRM Iron Mountain Inc.	6.17%	3.10%	+0.34%
CNK Cinemark Holdings Inc.	2.62%	2.27%	+0.34%
GLW Corning Inc.	2.30%	2.45%	+0.27%

Bottom Contributors	Yield ³	Average Weight	Contribution to Return
TGT Target Corp.	4.35%	1.80%	-0.48%
QCOM QUALCOMM Inc.	3.70%	1.81%	-0.24%
VZ Verizon Communications Inc.	4.74%	2.52%	-0.21%
CMP Compass Minerals International Inc.	4.24%	1.58%	-0.20%
OXY Occidental Petroleum Corp.	4.80%	1.76%	-0.19%

Top 10 Holdings

Symbol	Company	% of Portfolio	Yield ³
MSFT	Microsoft Corp.	3.25%	2.37%
IRM	Iron Mountain Inc.	3.11%	6.17%
USB	U.S. Bancorp	2.95%	2.17%
BBT	BB&T Corp.	2.77%	2.68%
PX	Praxair Inc.	2.61%	2.66%
FAST	Fastenal Co.	2.52%	2.49%
GLW	Corning Inc.	2.48%	2.30%
OMC	Omnicom Group Inc.	2.43%	2.55%
VZ	Verizon Communications Inc.	2.42%	4.74%
CNK	Cinemark Holdings Inc.	2.38%	2.62%

Data as of March 31, 2017. GICS sector breakdown reflects percent of equity. Totals may not sum due to rounding. ¹Risk characteristics based on trailing 60 month gross of fee composite performance. ²Average annual turnover since inception (January 1, 2011). 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 Q1 2017 period. To receive information regarding the methodology for calculating the top/bottom contributors or a list showing every holding's contribution to the overall DAV II 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, information is based on representative portfolios within the Dividend All-Cap Value II 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 information shown supplemental to the Dividend All-Cap Value II Strategy 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 to provide long-term capital appreciation and high current income by investing primarily in a diversified, multi-cap basket of income producing equity securities which have a market capitalization of typically at least \$1 B at the time of initial purchase and that trade at a discount to our assessed valuation as determined using RRAM's proprietary Absolute Value® approach. The Composite is primarily invested in dividend paying common stocks. The composite may also be invested in a broad range of foreign stocks, publicly traded partnerships, convertible preferred stocks, Real Estate Investment Trusts ("REITs"), investment companies, and royalty income trusts. RRAM employs a value-driven, bottom-up approach. The U.S. dollar is the currency used to express performance. Performance includes the reinvestment of income.

The official benchmark for the composite is the Russell 3000 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 composite 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"). 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 All Cap Value Equity - US Equity products that invest primarily in small, mid, and large capitalization stocks with fundamental characteristics showing them to be under-priced 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.

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

