

Focused Absolute Value®

A HIGH CONVICTION STRATEGY | QUARTERLY UPDATE AS OF MARCH 31, 2017



Investment Objective

Long-term Total Return = Russell 3000 Value index plus a minimum of +200 bps

Strategy Highlights

Focused Absolute Value® is a concentrated, all cap value strategy composed of what the firm believes are the 20 to 30 “best ideas” recommended by River Road analysts from the broader universe of firm holdings.¹

The Strategy combines the firm’s proven investment processes, with the stock picking skills of River Road portfolio managers and collective insights and opinions of the firm’s analyst team.

The Strategy seeks to remain fully invested at all times, is index independent, and is highly opportunistic. The minimum market cap for investment is \$250 MM (at the time of initial purchase).

Portfolio Managers



R. Andrew Beck
18 years of experience;
managed Portfolio since inception

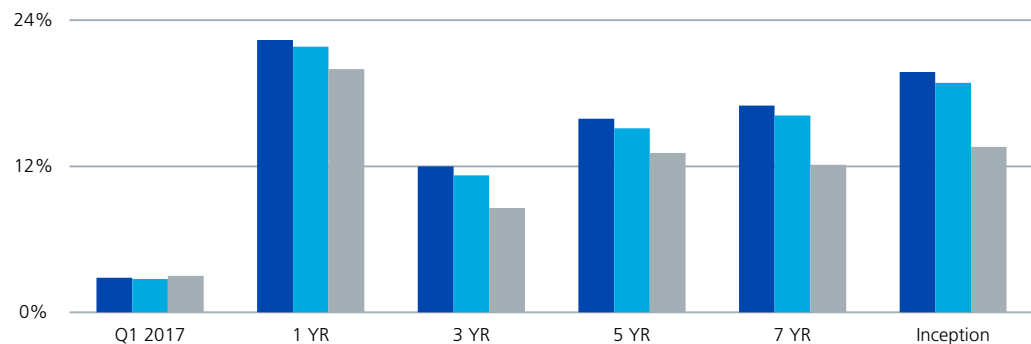
University of Louisville, BS
Babson College, MBA



Thomas S. Forsha, CFA
19 years of experience;
managed Portfolio since inception

The Ohio State University, BS
University of Chicago, MBA

Performance Summary



	Q1 2017	1 YR	3 YR	5 YR	7 YR	Inception
FAV Composite - Gross	2.83%	22.38%	11.99%	15.91%	16.99%	19.74%
FAV Composite - Net	2.74%	21.81%	11.26%	15.11%	16.17%	18.84%
Russell 3000 Value	2.99%	19.97%	8.58%	13.08%	12.13%	13.58%
Out / Underperformance	-0.16%	+2.41%	+3.41%	+2.83%	+4.86%	+6.16%

Performance is shown gross and net of fees as of March 31, 2017. Inception date: January 1, 2009. Out/underperformance compares Focused Absolute Value® gross performance and Russell 3000 Value. If a holding is liquidated from all RRAM portfolios, the stock must be sold from the Focused Absolute Value® Portfolio within a reasonable period of time (as defined by the portfolio managers). Source: River Road Asset Management LLC and Russell Investment Group. Past performance is no guarantee of future results. Please see reverse side for important disclosure information.

Portfolio Review

Expectations for strong earnings growth and positive policy developments ‘trumped’ a slew of political challenges, soft economic data, and the Federal Reserve’s third rate hike, resulting in solid, steady gains for stocks. The S&P 500 index returned **+6.07%** for the quarter, **its third best Q1 performance since 2000**. Additionally, volatility was remarkably low with the blue chip index experiencing a **109-day streak without at least a -1% decline – the longest stretch in 22 years!**

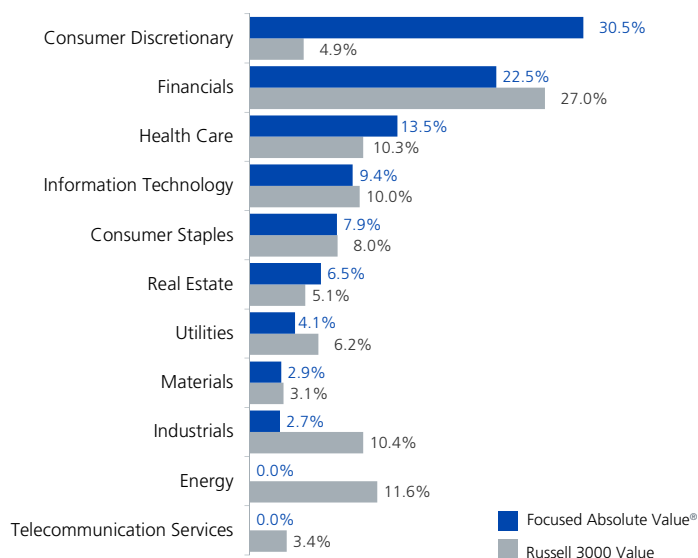
During the quarter, **stock selection was positive within Financials and Real Estate** while **Consumer Staples was a headwind**. FAV also benefited from its limited exposure to Energy, the worst performing sector in the benchmark. From a market cap perspective, **strong performance by the Portfolio’s mid cap holdings was offset by a relative overweight allocation to small caps and weak stock selection among large caps**.

The top contributing holding in the Portfolio during Q1 was **Liberty Interactive Corp. Ventures Series A (LVNTA)**, a collection of investments in public and private companies. The most valuable pieces of LVNTA’s portfolio are 42.7 million shares of Liberty Broadband (LBRDK) and 5.4 million shares of Charter Communications Inc. (CHTR). In January of this year, **the Wall Street Journal reported that Verizon’s CEO had preliminary talks with CEO Greg Maffei, also CEO of LBRDK, which controls 25% of CHTR’s vote, about a possible acquisition of CHTR**. The stock prices of CHTR, LBRDK, and LVNTA rose sharply following the report. After quarter end, our thesis continued to play out as **LVNTA agreed to merge with General Communications (GNCMA)**, the largest cable and second-largest wireless provider in Alaska. After the merger and reattribution of some assets and liabilities between LVNTA and QVC, **LVNTA will no longer be a tracking stock**, which will set-up a **potential combination with CHTR** or another entity in the future.

The bottom contributing holding in the Portfolio during Q1 was **Vista Outdoor Inc. (VSTO)**, a maker and marketer of outdoor sporting and recreation goods. In January, VSTO unexpectedly announced a material non-cash impairment precipitated by a **sharp decline in consumer spending on firearms and related accessories during the holiday season**. Management further disappointed with weak fiscal Q4 guidance driven by bloated channel inventories as retailers had built large inventories of firearms, firearm accessories, and ammunition expecting a different presidential election result. **We lowered our fiscal 2017 and 2018 financial forecasts since it is likely to take several quarters for channel inventories to correct**. With a pressing need to focus on debt reduction, our thesis became impaired as management signaled a slower pace of M&A activity.

We remain positive about the fundamental positioning of the Portfolio relative to our benchmark. According to FactSet, price/cash flow for the Portfolio stands at **9.2x** compared to **13.8x** for the Russell 3000 Value. From a quality perspective, the Portfolio’s return on equity (five-year average) is **14.3%** versus **11.8%** for the index and the Portfolio is expected to grow long-term earnings at a higher rate.

Sector Weightings



Portfolio Contribution

Top Contributors		Average Weight	Contribution to Return
LVNTA	Liberty Interactive Corp. Ventures Series A	4.96%	+0.81%
OAK	Oaktree Capital Group LLC (CI A)	2.99%	+0.59%
LSXMK	Liberty Media Corp. Series C Liberty SiriusXM	4.02%	+0.53%
LBRDK	Liberty Broadband Corp. (CI C)	2.24%	+0.49%
RLGY	Realty Holdings Corp.	2.62%	+0.40%

Bottom Contributors		Average Weight	Contribution to Return
VSTO	Vista Outdoor Inc.	1.30%	-1.46%
LB	L Brands Inc.	2.61%	-0.84%
IMKTA	Ingles Markets Inc. (CI A)	3.46%	-0.34%
FNFV	Fidelity National Financial Inc. - FNFV Group	4.08%	-0.15%
PKY	Parkway Inc.	1.88%	-0.11%

Portfolio Characteristics

	FAV	R3000V
Number of Holdings	28	2,044
Price / Earnings ¹	17.5	19.7
Price / Cash Flow	9.2	13.8
Price / Book	2.50	2.01
ROE (5 YR Avg)	14.3	11.8
EPS Growth (5 YR)	7.7	4.4
LT Growth Forecast	10.6	8.8
Annualized Standard Deviation ²	12.02	10.58
Annualized Alpha ²	2.22	
Beta ²	1.04	
Turnover ³	134.26%	

Market Capitalization Breakdown

	FAV	R3000V
Wtd Median Market Cap	\$12.99 B	\$53.04 B
Wtd Avg Market Cap	\$61.35 B	\$111.51 B
Large Cap > \$15.0 B	40.8%	74.3%
Mid Cap \$2.0 - \$15.0 B	49.4%	21.3%
Small Cap < \$2.0 B	9.8%	4.4%

Top 10 Holdings

Symbol	Company	% of Portfolio
BRK.B	Berkshire Hathaway Inc. (CI B)	6.80%
PINC	Premier Inc. (CI A)	6.26%
LVNTA	Liberty Interactive Corp. Ventures Series A	5.40%
CVS	CVS Health Corp.	4.46%
FNFV	Fidelity National Financial Inc. - FNFV Group	4.27%
LSXMK	Liberty Media Corp. Series C Liberty SiriusXM	4.20%
CMCSA	Comcast Corp. (CI A)	4.09%
NFG	National Fuel Gas Co.	4.09%
GM	General Motors Co.	4.02%
DVA	DaVita Inc.	3.95%

Data as of March 31, 2017. GICS sector and market cap breakdowns reflect percent of equity. 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, 2009). Source: River Road Asset Management LLC, FactSet Research Systems Inc., and Russell Investment Group.

Portfolio contribution calculated for the Q1 2017 period. For the purpose of assessing top and bottom contributors, the contribution of child securities is aggregated with that of the parent for corporate actions that occurred during the most recent calendar quarter. The holdings identified do not represent all of the securities purchased, sold, or recommended. To receive information regarding the methodology for calculating the top/bottom contributors or a list showing every holding's contribution to the overall Focused Absolute Value® Composite and/or representative portfolio performance contact Thomas D. Mueller, CPA, CFA at (502) 371-4100 or thomas.mueller@riverroadam.com. 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 Focused Absolute 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 Focused Absolute Value® Composite presentation.

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The official benchmark for the Focused Absolute Value® Composite is the Russell 3000 Value. All other indexes are shown for additional information only.

The team of analysts involved with recommending investments for Focused Absolute Value® has changed and may continue to change over time.

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.

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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.

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