

Small-Mid Cap Value

QUARTERLY UPDATE AS OF MARCH 31, 2017



Investment Objective

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

Strategy Highlights

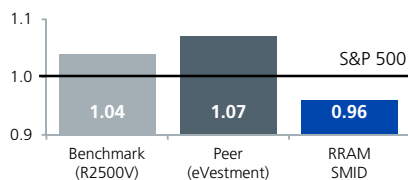
River Road's Small-Mid Cap Value (SMID) Strategy focuses on companies between \$250 MM and \$10 B in market capitalization. The SMID Strategy employs the same bottom-up, fundamentally driven investment process as the firm's Small Cap Value Strategy.

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

Low Volatility Returns

- Target Volatility < Russell 2500 Value
- Ranked among the top 13% of peers over the prior five-year period¹

Beta vs S&P 500 (Trailing 5 YR)¹



Portfolio Managers



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

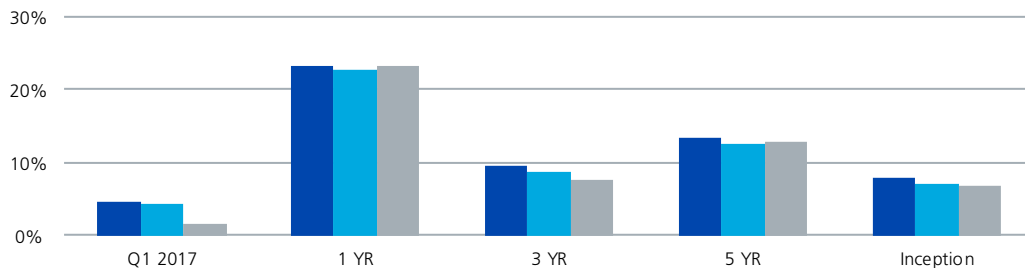


R. Andrew Beck
18 years of experience;
managed Portfolio since inception
University of Louisville, BS
Babson College, MBA



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

Performance Summary



	Q1 2017	1 YR	3 YR	5 YR	Inception
Out / Underperformance	+2.98%	+0.23%	+1.97%	+0.33%	+1.05%
SMID Composite Beta				0.90	0.80
SMID Composite Anlzd Std Dev				11.68	15.60
Russell 2500 Value Anlzd Std Dev				12.16	18.75

Performance is shown gross and net of fees as of March 31, 2017. 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

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, downside volatility was remarkably low with the blue chip index experiencing a **109-day streak without at least a -1% decline – the longest such stretch in 22 years!**

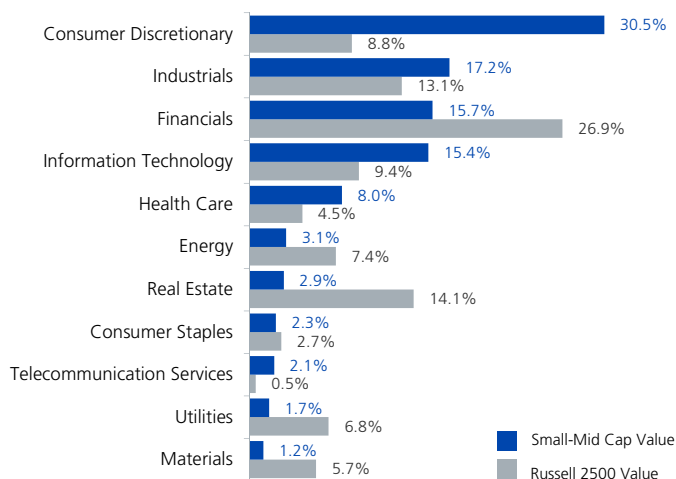
Following huge outperformance in 2016, small cap stocks lagged large cap in the first quarter of 2017 with the Russell 2000 index returning **+2.47%** versus **+6.03%** for the Russell 1000. Similarly, from a style perspective **growth significantly outperformed value across all market caps**. Among small caps, the Russell 2000 Growth index returned **+5.35%** for Q1 versus **-0.13%** for the Russell 2000 Value.

From a sector perspective, Portfolio performance was driven by strong relative results among Consumer Discretionary, Real Estate, and Health Care holdings, with M&A supporting the latter. The Portfolio's underweight position in Financials was also beneficial, with a relative contribution of **+66 bps**. The top contributing holding in the Portfolio during Q1 was **Liberty Interactive Corp. Ventures Series A (LVNTA)**, a collection of investments whose most valuable pieces are 42.7 million shares of Liberty Broadband (LBRDK) and 5.4 million shares of Charter Communications (CHTR). **The Wall Street Journal reported Verizon's CEO had preliminary talks about a possible acquisition of Charter**, which caused a rally of Charter, LBRDK, and LVNTA shares. Following quarter end, our thesis continued to play out as **LVNTA agreed to acquire General Communications (GNCA)**, the largest cable 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**. This change provides a clearer path for a **potential combination with CHTR** or LBRDK in the future.

The sectors with the lowest contribution to relative return in the Portfolio during Q1 were **Information Technology** and **Consumer Staples**. IT suffered from poor stock selection, partially offset by an overweight allocation, while Consumer Staples suffered from poor stock selection. The bottom contributing holding in the Portfolio during Q1 was **CSG Systems International Inc. (CSGS)**, a provider of software and client service solutions to the cable and satellite TV industry. In February, CSGS reported in-line Q4 results, but **2017 guidance was below expectations** due to anticipated margin compression as the company ramps up investments for long-term growth and product development initiatives.

Portfolio characteristics support our continued optimism about the relative positioning of the Portfolio. According to FactSet, price/cash flow for the Portfolio stands at just **10.5x** versus **14.6x** for the Russell 2500 Value. Further, from a quality perspective, the Portfolio's return on equity (five-year average) is **+9.8%** versus just **+7.8%** for the index and the Portfolio is 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	60	1,704
Price / Earnings ¹	19.7	21.1
Price / Cash Flow	10.5	14.6
Price / Book	1.92	1.81
ROE (5 YR Avg)	9.8	7.8
EPS Growth (5 YR)	5.6	7.6
Cash Flow Growth (5 YR)	8.2	5.2
LT Growth Forecast	12.4	8.9
Wtd Avg Mkt Cap (B)	\$4.12	\$4.44
Wtd Med Mkt Cap (B)	\$2.59	\$3.84

Portfolio Contribution

Top Contributors		Average Weight	Contribution to Return
LVNTA	Liberty Interactive Corp. Ventures Series A	4.09%	+0.67%
MUSA	Murphy USA Inc.	2.86%	+0.56%
TRCO	Tribune Media Co. (CI A)	1.75%	+0.44%
GEO	GEO Group Inc.	1.23%	+0.42%
AIRM	Air Methods Corp.	1.06%	+0.39%
Bottom Contributors		Average Weight	Contribution to Return
CSGS	CSG Systems International Inc.	1.78%	-0.45%
VSTO	Vista Outdoor Inc.	0.78%	-0.40%
PBF	PBF Energy Inc. (CI A)	1.30%	-0.30%
IMKTA	Ingles Markets Inc. (CI A)	2.38%	-0.25%
BH	Biglari Holdings Inc.	2.03%	-0.20%

Top 10 Holdings

Symbol	Company	% of Portfolio
WTM	White Mountains Insurance Group Ltd.	4.78%
LVNTA	Liberty Interactive Corp. Ventures Series A	4.38%
PINC	Premier Inc. (CI A)	4.21%
UNF	UniFirst Corp.	4.02%
FNFV	Fidelity National Financial Inc. - FNFV Group	3.84%
MUSA	Murphy USA Inc.	3.68%
HAWK	Blackhawk Network Holdings Inc.	3.58%
LEXEA	Liberty Expedia Holdings Inc. (CI A)	3.05%
IMKTA	Ingles Markets Inc. (CI A)	2.21%
CNA	CNA Financial Corp.	2.20%

Data as of March 31, 2017. GICS sector breakdown reflects percent of equity. 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 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 Small-Mid Cap Value Composite and/or representative portfolio performance contact 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 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.

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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.

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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 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.

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