

Focused Absolute Value[®]

A HIGH CONVICTION STRATEGY | QUARTERLY UPDATE AS OF JUNE 30, 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 strategy comprised of the firm's 'best and most timely' ideas selected from among the stocks held across all RRAM strategies, as recommended by the analyst team.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
President & CEO,
Senior Portfolio Manager

18 years of experience;
managed Portfolio since inception

University of Louisville, BS
Babson College, MBA



Thomas S. Forsha, CFA
Co-Chief Investment Officer &
Portfolio Manager

19 years of experience;
managed Portfolio since inception

The Ohio State University, BS
University of Chicago, MBA

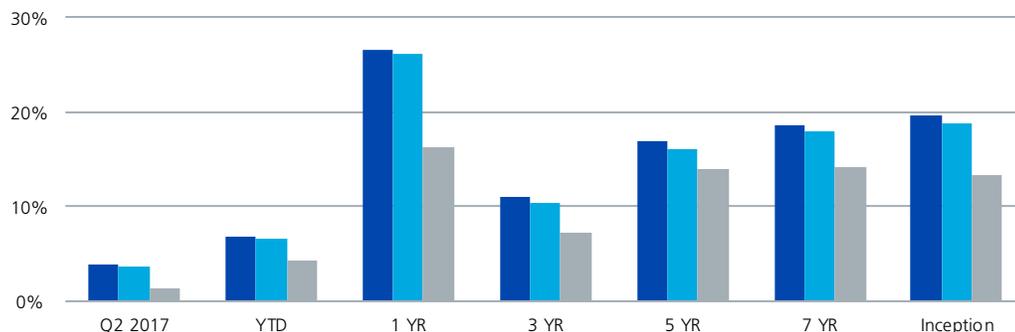
Analyst Liaison



Ashley L. Abney, CPA
Senior Equity Research Analyst

11 years of experience
Centre College, BS

Performance Summary



	Q2 2017	YTD	1 YR	3 YR	5 YR	7 YR	Inception
FAV Composite - Gross	3.86%	6.79%	26.61%	11.10%	16.84%	18.70%	19.64%
FAV Composite - Net	3.76%	6.61%	26.15%	10.42%	16.06%	17.88%	18.76%
Russell 3000 Value	1.29%	4.32%	16.21%	7.32%	13.89%	14.24%	13.32%
Out / Underperformance	+2.57%	+2.47%	+10.40%	+3.78%	+2.95%	+4.46%	+6.32%

Performance information is shown gross and net of fees. Inception date: January 1, 2009. Out/underperformance compares Focused Absolute Value[®] gross performance and Russell 3000 Value. ¹If 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

Despite little progress on the policy front, **the bullish trend in stocks continued throughout Q2**. Similar to Q1, the S&P 500 delivered positive performance in each month during the quarter, returning **+3.09%** for the period. Volatility was extremely low with the index experiencing only a single day each of price movement that was greater than plus or minus 1%. Additionally, **the index has now gone 247 days without a -5% decline – the longest stretch in 20 years!**

From a fundamental perspective, earnings growth was likely an important driver of returns in Q2.

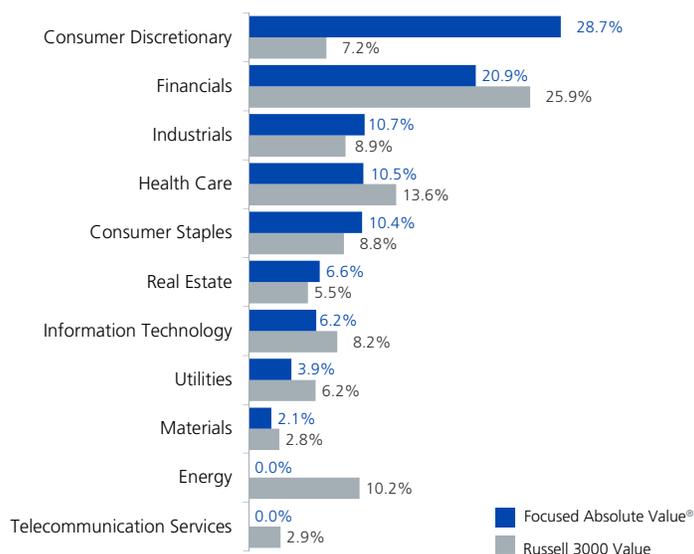
Despite weak economic growth, **reported earnings for the S&P 500 grew +13.8%** (according to Bank of America/Merrill Lynch) – a five-year high! Sales growth was the highest in more than two years and the percentage of companies beating expectations was the highest in 13 years. Small cap earnings were positive, albeit substantially less than large cap, with reported year-over-year growth for the S&P 600 approximately **+6.7%**.

The top contributing holding in the Portfolio during Q2 was Liberty Interactive Corp. Ventures Series A (LVNTA), a tracking stock that represents a collection of investments in public and private companies. The most valuable pieces of LVNTA's investments are 42.7 million shares of Liberty Broadband (LBRDK) and 5.4 million shares of Charter Communications Inc. (CHTR). In April, our thesis continued to play out as **LVNTA agreed to acquire General Communication Inc. (CI A) (GNCMA)**, the largest cable provider and second-largest wireless provider in Alaska. After the merger and reattribution of some assets/liabilities between LVNTA and QVC, **LVNTA will no longer be a tracking stock**. LVNTA's conversion to a common stock structure sets up a **potential tax efficient combination with CHTR** or another entity down the road.

The bottom contributing holding in the Portfolio during Q2 was **Ingles Markets Inc. (CI A) (IMKTA)**, an Asheville, NC based regional grocery chain with 201 stores. During the quarter, IMKTA reported its first decline in same-store sales since calendar Q4 2013 due to food price deflation. Despite the weaker-than-expected results, IMKTA's margins remain within a relatively narrow band. Later in the quarter, investor sentiment worsened when Amazon announced a deal to acquire Whole Foods, sending shares of all grocery peers lower. **We believe IMKTA's real estate portfolio (owns 77% of its stores and owns the entire shopping center at 37% of its stores) is underappreciated by the market. The mountainous terrain in many of its markets makes it far more expensive to build a new store because new locations require extensive site preparation.** This acts as a barrier to new competition and also makes the company a potential target for other grocers seeking to increase their scale and widen their geographic footprint.

Looking ahead, we continue to believe the Portfolio is well positioned for either a period of modest upside or downside volatility. According to FactSet, price/cash flow for the Portfolio stands at **10.6x** compared to **13.5x** for the Russell 3000 Value. While, from a quality perspective, the Portfolio's return on equity (five-year average) is **13.4%** versus **11.8%** for the index. The Portfolio is further expected to grow long-term earnings at a higher rate than the index.

Sector Weightings



Portfolio Contribution

Top Contributors		Average Weight	Contribution to Return
LVNTA	Liberty Interactive Corp. Ventures Series A	6.23%	+0.99%
PINC	Premier Inc. (CI A)	6.60%	+0.82%
FNFV	Fidelity National Financial Inc. - FNFV Group	3.75%	+0.69%
PX	Praxair Inc.	2.81%	+0.35%
LSXMK	Liberty Media Corp. Series C Liberty SiriusXM	4.19%	+0.34%

Bottom Contributors		Average Weight	Contribution to Return
IMKTA	Ingles Markets Inc. (CI A)	3.12%	-0.76%
CAH	Cardinal Health Inc.	1.32%	-0.37%
NFG	National Fuel Gas Co.	3.88%	-0.24%
AFI	Armstrong Flooring Inc.	1.13%	-0.20%
DVA	DaVita Inc.	3.78%	-0.18%

Portfolio Characteristics

	FAV	R3000V
Number of Holdings	28	2,118
Price / Earnings ¹	18.5	19.3
Price / Cash Flow	10.6	13.5
Price / Book	2.54	2.00
ROE (5 YR Avg)	13.4	11.8
EPS Growth (5 YR)	9.9	5.3
LT Growth Forecast	11.8	9.3
Annualized Standard Deviation ²	11.48	9.95
Annualized Alpha ²	2.30	
Beta ²	1.03	
Turnover ³	134.26%	

Market Capitalization Breakdown

	FAV	R3000V
Wtd Median Market Cap	\$9.07 B	\$52.40 B
Wtd Avg Market Cap	\$57.99 B	\$106.08 B
Large Cap > \$15.0 B	37.5%	73.9%
Mid Cap \$3.0 - \$15.0 B	36.7%	19.4%
Small Cap < \$3.0 B	25.8%	6.7%

Top 10 Holdings

Symbol	Company	% of Portfolio
BRK.B	Berkshire Hathaway Inc. (CI B)	6.84%
PINC	Premier Inc. (CI A)	6.83%
LVNTA	Liberty Interactive Corp. Ventures Series A	6.12%
CVS	CVS Health Corp.	4.57%
GM	General Motors Co.	4.55%
AWI	Armstrong World Industries Inc.	4.46%
LSXMK	Liberty Media Corp. Series C Liberty SiriusXM	4.34%
NFG	National Fuel Gas Co.	3.88%
OAK	Oaktree Capital Group LLC (CI A)	3.70%
SABR	Sabre Corp.	3.64%

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 Q2 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, CFA, CPA 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 information 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 information is supplemental to the Composite presentation.

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

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

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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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