

Small Cap Value

QUARTERLY UPDATE AS OF JUNE 30, 2017



Investment Objective

- Long-term total return > Russell 2000 Value index plus 200 to 400 bps

Strategy Highlights

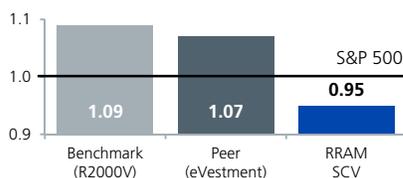
River Road's Small Cap Value (SCV) Strategy utilizes a fundamentally driven research process to identify attractive purchase candidates from a universe of smaller capitalization stocks. The Strategy invests in well-managed, financially strong companies that are trading at meaningful discounts to our assessed valuations. We further target companies with predictable and sustainable business models that are undiscovered or underfollowed by traditional Wall Street research firms. Our stock selection process is complemented by a risk averse approach that employs both balanced diversification and a structured sell discipline.

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

Low Volatility Returns

- Target volatility < Russell 2000 Value
- Ranked among the top 5% of peers over the prior five-year period¹

Beta vs S&P 500 (Trailing 5 YR)¹



Portfolio Managers



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

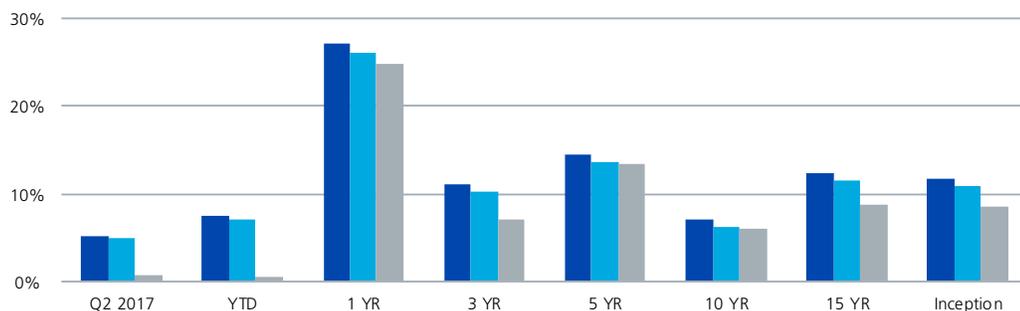


R. Andrew Beck
18 years of experience;
managed Portfolio since 2000
University of Louisville, BS
Babson College, MBA



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

Performance Summary



	Q2 2017	YTD	1 YR	3 YR	5 YR	10 YR	15 YR	Inception
Out / Underperformance	+4.39%	+6.97%	+2.35%	+4.09%	+1.03%	+1.04%	+3.56%	+3.14%
SCV Composite Beta	0.77	0.74	0.71	0.70				
SCV Composite Anlzd Std Dev	11.28	15.81	14.41	13.93				
Russell 2000 Value Anlzd Std Dev	13.57	20.20	18.72	18.16				

Performance information is shown gross and net of fees. Inception date: January 1, 1998. Out/underperformance compares Small Cap Value gross performance and Russell 2000 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 Cap Value Equity Universe as of the date of publication and is subject to change. 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

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%**.

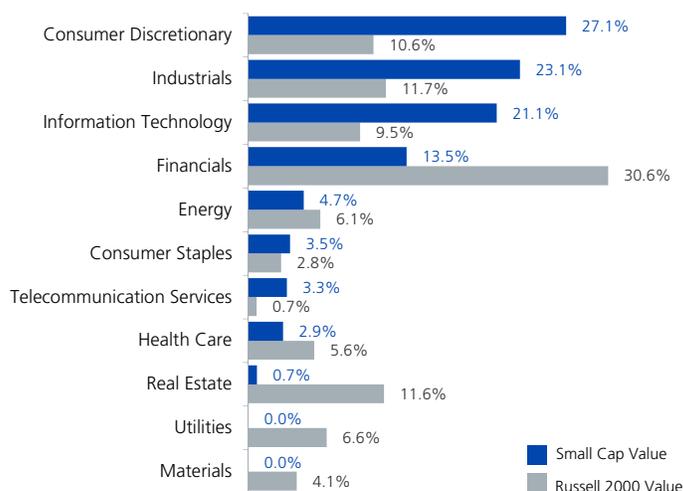
River Road's Small Cap Value (SCV) Composite significantly outperformed its benchmark in Q2, widening an already substantial year-to-date lead. The key drivers of performance were consistent throughout the first half of 2017, and included strong stock selection, positive sector allocation, a high level of M&A activity impacting Portfolio holdings, and the outperformance of high quality, low beta, and low leverage factors.

The top contributing holding in the Portfolio during Q2 was **Fidelity National Financial Inc. - FNFV Group (FNFV)**. FNFV tracks ownership stakes in an insurance broker (*One Digital*), a HR software company (*Ceridian*), and various restaurant brands (*O'Charley's*, *Village Inn*, *Bakers Square*). The company delivered a mixed Q2 earnings report (momentum at *Ceridian* and *One Digital* but weakening restaurant traffic) that was later overshadowed by the announcement **FNFV agreed to sell One Digital for \$560 MM cash** (13.8x EBITDA versus River Road's 11x valuation multiple). Looking ahead to Q3, FNFV is also **approaching its conversion to a common stock from a tracking stock structure**, which will increase management's flexibility for M&A and make the stock more widely eligible for index inclusion.

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 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.

We continue to believe the Portfolio is well positioned for either a period of modest gains or downside volatility. According to FactSet, price/cash flow for the Portfolio stands at **13.6x** versus **13.9x** for the Russell 2000 Value. Further, from a quality perspective, the Portfolio's return on equity (five-year average) is **+9.9%** versus just **+6.0%**. Finally, the Portfolio is expected to grow long-term earnings at a much higher rate (+13.1% versus +9.1%).

Sector Weightings



Portfolio Contribution

Top Contributors	Average Weight	Contribution to Return
FNFV Fidelity National Financial Inc. - FNFV Group	4.33%	+0.80%
ATSG Air Transport Services Group Inc.	2.04%	+0.79%
SCSS Select Comfort Corp.	2.00%	+0.75%
LEXEA Liberty Expedia Holdings Inc. (CI A)	3.32%	+0.58%
AKRX Akorn Inc.	0.85%	+0.52%

Bottom Contributors	Average Weight	Contribution to Return
IMKTA Ingles Markets Inc. (CI A)	2.80%	-0.67%
RECN Resources Connection Inc.	1.26%	-0.30%
NGVC Natural Grocers by Vitamin Cottage Inc.	1.26%	-0.27%
CUB Cubic Corp.	1.72%	-0.24%
SP SP Plus Corp.	2.16%	-0.23%

Portfolio Characteristics

	RRAM SCV	Russell 2000 Value
Number of Holdings	58	1,399
Price / Earnings ¹	20.6	20.9
Price / Cash Flow	13.6	13.9
Price / Book	1.70	1.58
ROE (5 YR Avg)	9.9	6.0
EPS Growth (5 YR)	3.6	5.8
Cash Flow Growth (5 YR)	6.6	4.1
LT Growth Forecast	13.1	9.1
Annualized Standard Deviation ²	11.28	13.57
Annualized Alpha ²	3.87	
Beta ²	0.77	
Turnover ³	47.25%	

Top 10 Holdings

Symbol	Company	% of Portfolio
FNFV	Fidelity National Financial Inc. - FNFV Group	4.84%
WTM	White Mountains Insurance Group Ltd.	4.54%
HAWK	Blackhawk Network Holdings Inc.	4.19%
MUSA	Murphy USA Inc.	3.90%
UNF	UniFirst Corp.	3.87%
LEXEA	Liberty Expedia Holdings Inc. (CI A)	3.47%
SCSS	Select Comfort Corp.	2.33%
ISCA	International Speedway Corp. (CI A)	2.29%
IMKTA	Ingles Markets Inc. (CI A)	2.27%
CPSI	Computer Programs and Systems Inc.	2.24%

GICS sector breakdown reflects 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, 1998). 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 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 Small Cap 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 Small 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. For any periods prior to April 1, 2006, Small Cap Value Composite data was used and combined with the representative portfolio data because underlying transaction information for representative portfolios is not available in the necessary format prior to April 1, 2006. All representative portfolio information is supplemental to the Composite presentation.

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The official benchmarks for the Composite are the Russell 2000 Value and Russell 2000. All other indices are shown as additional information only.

Performance presented prior to April 1, 2005 occurred while the original members of the portfolio management team were affiliated with a prior firm and those portfolio management team members were the only individuals primarily responsible for selecting the securities to buy and sell. A review of this track record for compliance with portability requirements of the GIPS® standards was conducted by Ashland Partners & Company.

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. RRAM 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 Small Cap Value Equity - US Equity products that invest primarily in small 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 2000, or Russell 2000 Value. Managers in this category will typically indicate a "Primary Capitalization Emphasis" equal to Small Cap and a "Primary Style Emphasis" equal to Value.

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