

Small-Mid Cap Value

QUARTERLY UPDATE AS OF JUNE 30, 2017



Investment Objective

- Long-term total return > Russell 2500 Value index plus 200 to 400 bps

Strategy Highlights

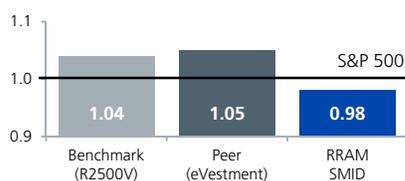
River Road's Small-Mid Cap Value (SMID) Strategy focuses on companies between \$250 MM and \$10 B in market capitalization. The SMID Strategy employs the same bottom-up, fundamentally driven investment process as the firm's Small Cap Value Strategy.

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

Low Volatility Returns

- Target volatility < Russell 2500 Value
- Ranked among the top 28% 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 inception

University of Louisville, BS
Babson College, MBA

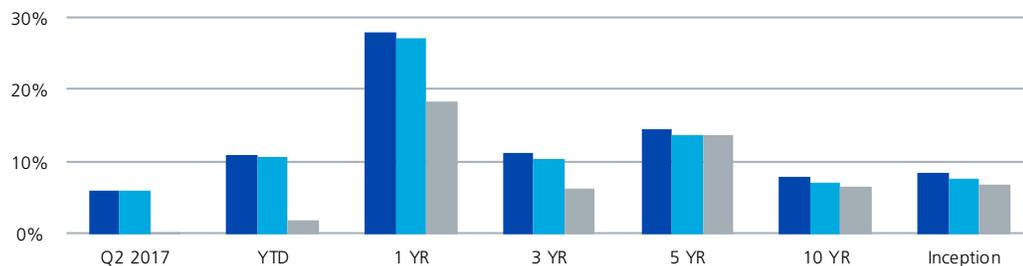


James C. Shircliff, CFA

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	Inception
Out / Underperformance	+5.74%	+8.99%	+9.51%	+4.87%	+0.76%	+1.37%	+1.60%
SMID Composite Beta					0.90	0.80	0.80
SMID Composite Anlzd Std Dev					11.39	15.65	15.45
Russell 2500 Value Anlzd Std Dev					11.74	18.80	18.55

Performance information is shown gross and net of fees. 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 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%**.

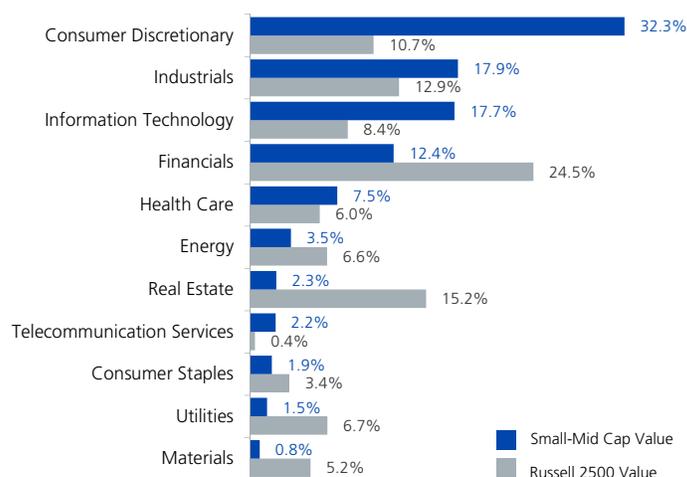
River Road's Small-Mid Cap Value (SMID) Composite significantly outperformed its benchmark in Q2, widening an already substantial year-to-date lead. The key drivers of performance were consistent throughout the first half of 2017, and included strong stock selection, positive sector allocation, a high 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 **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) (GNMA)**, 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 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 **12.0x** versus **14.4x** for the Russell 2500 Value. Further, from a quality perspective, the Portfolio's return on equity (five-year average) is **+10.1%** versus **+8.2%**. Finally, the Portfolio is expected to grow long-term earnings at a much higher rate than the benchmark (+12.4% versus +8.8%).

Sector Weightings



Portfolio Characteristics

	RRAM SMID	Russell 2500 Value
Number of Holdings	61	1,769
Price / Earnings ¹	21.5	20.7
Price / Cash Flow	12.0	14.4
Price / Book	2.07	1.73
ROE (5 YR Avg)	10.1	8.2
EPS Growth (5 YR)	4.7	7.8
Cash Flow Growth (5 YR)	7.2	6.2
LT Growth Forecast	12.4	8.8
Wtd Avg Mkt Cap (B)	\$4.75	\$4.28
Wtd Med Mkt Cap (B)	\$2.72	\$3.89

Portfolio Contribution

Top Contributors	Average Weight	Contribution to Return
LVNTA Liberty Interactive Corp. Ventures Series A	5.00%	+0.83%
FNFV Fidelity National Financial Inc. - FNFV Group	4.00%	+0.76%
SCSS Select Comfort Corp.	1.76%	+0.66%
ATSG Air Transport Services Group Inc.	1.58%	+0.65%
LEXEA Liberty Expedia Holdings Inc. (CI A)	3.25%	+0.57%

Bottom Contributors	Average Weight	Contribution to Return
IMKTA Ingles Markets Inc. (CI A)	2.14%	-0.53%
RECN Resources Connection Inc.	1.08%	-0.26%
CUB Cubic Corp.	1.69%	-0.24%
MPAA Motorcar Parts of America Inc.	1.94%	-0.18%
SP SP Plus Corp.	1.62%	-0.18%

Top 10 Holdings

Symbol	Company	% of Portfolio
LVNTA	Liberty Interactive Corp. Ventures Series A	4.87%
FNFV	Fidelity National Financial Inc. - FNFV Group	4.56%
PINC	Premier Inc. (CI A)	4.51%
WTM	White Mountains Insurance Group Ltd.	4.46%
MUSA	Murphy USA Inc.	3.90%
UNF	UniFirst Corp.	3.79%
HAWK	Blackhawk Network Holdings Inc.	3.52%
LEXEA	Liberty Expedia Holdings Inc. (CI A)	3.35%
SCSS	Select Comfort Corp.	2.05%
IMKTA	Ingles Markets Inc. (CI A)	1.84%

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 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-Mid 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-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 information is supplemental to the Composite presentation.

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The official benchmark of the Composite 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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