

Small Cap Value

QUARTERLY UPDATE AS OF MARCH 31, 2018



Investment Objective

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

Strategy Highlights

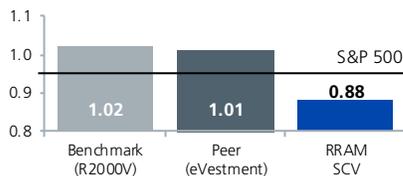
River Road's Small Cap Value (SCV) Strategy utilizes a fundamentally driven research process to identify attractive purchase candidates from a universe of smaller capitalization stocks. The Strategy invests in well-managed, financially strong companies that are trading at meaningful discounts to our 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
15 years of experience;
managed Portfolio since 2012

Centre College, BS



R. Andrew Beck
19 years of experience;
managed Portfolio since 2000

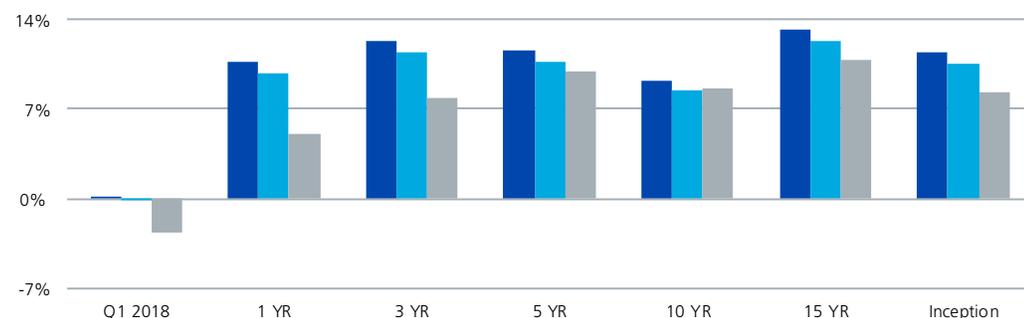
University of Louisville, BS
Babson College, MBA



James C. Shircliff, CFA
45 years of experience;
managed Portfolio since inception

University of Louisville, BS

Performance Summary



	Q1 2018	1 YR	3 YR	5 YR	10 YR	15 YR	Inception
Out / Underperformance	+2.78%	+5.62%	+4.44%	+1.56%	+0.67%	+2.36%	+3.08%
SCV Composite Beta				0.76	0.74	0.73	0.70
SCV Composite Anlzd Std Dev				11.34	15.67	14.20	13.79
Russell 2000 Value Anlzd Std Dev				13.77	19.92	18.12	17.95

Performance 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

Equity investors experienced plenty of thrills *and* chills during the first quarter of 2018 as volatility soared to multi-year highs. Stocks began the year with the S&P 500 delivering its best January performance in 21 years. This was followed by a plunge into correction territory, before finishing the quarter only slightly lower. Despite the volatility, **small caps modestly outperformed large caps** with the Russell 2000 returning **-0.08%** versus **-0.69%** for the Russell 1000. From a style perspective, **growth outperformed value across all market caps**.

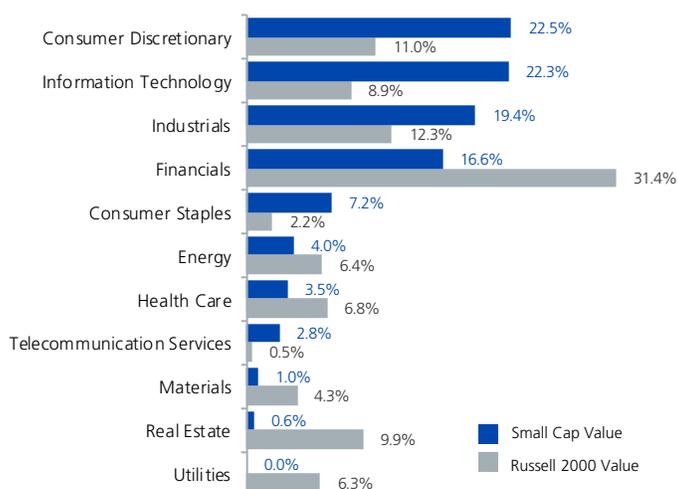
Following a strong 2017, **River Road's Small Cap Value (SCV) Strategy continued to outperform. Results were driven by strong stock selection**, particularly within the **Information Technology, Consumer Staples, and Telecommunication Services** sectors. The Portfolio further benefited from having **no allocation to REITs** and strong stock selection and an underweight allocation within the **Energy** sector.

The sectors with the highest contribution to relative return in the Portfolio during Q1 were **Information Technology** and **Real Estate**. Both sectors benefited from positive stock selection, while Real Estate primarily benefited from an underweight allocation. The top contributing holding in the Portfolio during Q1 was **Blackhawk Network Holdings Inc. (HAWK)**, a prepaid payment network offering gift cards and rewards. On January 16, 2018, **HAWK announced it will be acquired by private equity firms Silver Lake and P2 Capital Partners for \$45.25/share in cash**, a +24% premium to the prior day close or 94% of our \$48 assessed value.

The sectors with the lowest contribution to relative return in the Portfolio during Q1 were **Financials** and **Health Care**. Both sectors suffered from underweight allocations and, to a lesser extent, poor stock selection. The bottom contributing holding in the Portfolio during Q1 was **Liberty Expedia Holdings Inc. (CI A) (LEXEA)**, which owns a 15.7% super-voting equity interest in online travel agency Expedia (EXPE). EXPE's Q4 2017 results were below expectations and management lowered 2018 EBITDA growth guidance. Margins are being temporarily compressed because **EXPE is accelerating its investments for cloud migration and property acquisition growth**. Cloud migration will allow EXPE to significantly reduce future capital expenditures. Property acquisition growth will add more properties and traffic to the site, which will drive revenue growth and strengthen the company's network effects.

We continue to believe small cap stocks are well positioned relative to large cap. Additionally, while challenges may lie ahead in 2019, we continue to expect small cap stocks will deliver modestly positive returns in 2018. Finally, we believe the Portfolio is very well positioned relative to the benchmark with heightened M&A activity and attractive relative fundamentals, including 'valuation' (price to cash flow of 13.6x versus 14.9x), 'quality' (return on equity of 9.0% versus 5.7%), and 'growth' (long-term growth forecast of 12.6% versus 10.1%).

Sector Weightings



Portfolio Contribution

Top Contributors	Average Weight	Contribution to Return
HAWK Blackhawk Network Holdings Inc.	1.82%	+0.79%
CNNE Cannae Holdings Inc.	4.31%	+0.47%
MITL Mitel Networks Corp.	3.74%	+0.39%
BBSI Barrett Business Services Inc.	0.98%	+0.25%
ISCA International Speedway Corp. (CI A)	2.21%	+0.23%

Bottom Contributors	Average Weight	Contribution to Return
LEXEA Liberty Expedia Holdings Inc. (CI A)	2.76%	-0.37%
AFI Armstrong Flooring Inc.	1.26%	-0.27%
MPAA Motorcar Parts of America Inc.	1.65%	-0.26%
NCMI National CineMedia Inc.	1.17%	-0.26%
PAY VeriFone Systems Inc.	1.82%	-0.24%

Characteristics

	RRAM SCV	Russell 2000 Value
Number of Holdings	58	1,398
Price / Earnings ¹	14.2	20.0
Price / Cash Flow	13.6	14.9
Price / Book	1.60	1.59
ROE (5 YR Avg)	9.0	5.7
EPS Growth (5 YR)	0.6	5.1
Cash Flow Growth (5 YR)	3.3	4.1
LT Growth Forecast	12.6	10.1
Annualized Standard Deviation ²	11.34	13.77
Annualized Alpha ²	3.70	
Beta ²	0.76	
Turnover ³	46.85%	

Top 10 Portfolio Holdings

Symbol	Company	% of Portfolio
WTM	White Mountains Insurance Group Ltd.	4.41%
UNF	UniFirst Corp.	4.35%
TWNL	Hostess Brands Inc. (CI A)	4.32%
MITL	Mitel Networks Corp.	4.04%
CNNE	Cannae Holdings Inc.	3.99%
CARS	Cars.com Inc.	3.04%
LEXEA	Liberty Expedia Holdings Inc. (CI A)	2.95%
AVYA	Avaya Holdings Corp.	2.72%
CSGS	CSG Systems International Inc.	2.49%
IMKTA	Ingles Markets Inc. (CI A)	2.46%

GICS sector breakdown reflects percent of equity; stocks without a reported sector are not presented. 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 Q1 2018 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. 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 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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