

Small-Mid Cap Value

QUARTERLY UPDATE AS OF MARCH 31, 2018



Investment Objective

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

Strategy Highlights

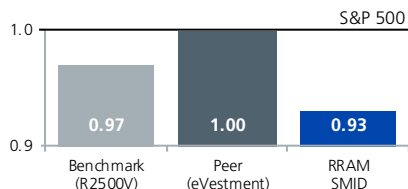
River Road's Small-Mid Cap Value (SMID) Strategy focuses on companies between \$250 MM and \$10 B in market capitalization. The SMID Strategy employs the same bottom-up, fundamentally driven investment process as the firm's Small Cap Value Strategy.

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

Low Volatility Returns

- Target volatility < Russell 2500 Value
- Ranked among the top 24% 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

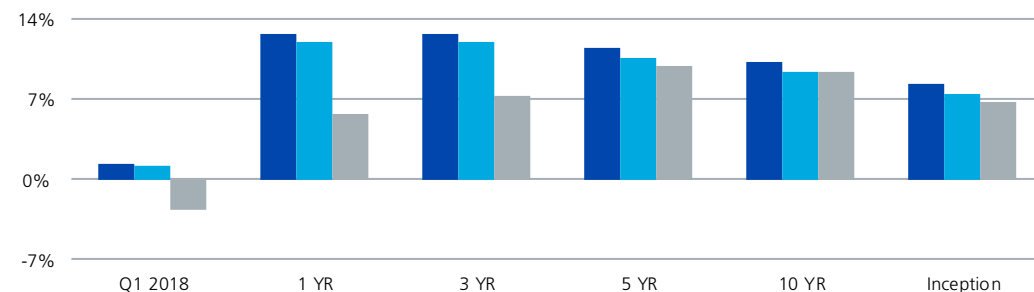


R. Andrew Beck
19 years of experience;
managed Portfolio since inception
University of Louisville, BS
Babson College, MBA



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	Inception
SMID Composite - Gross	1.25%	12.65%	12.70%	11.39%	10.25%	8.31%
SMID Composite - Net	1.09%	11.95%	11.98%	10.63%	9.43%	7.50%
Russell 2500 Value	-2.65%	5.72%	7.26%	9.88%	9.34%	6.74%
Out / Underperformance	+3.90%	+6.93%	+5.44%	+1.51%	+0.91%	+1.57%
SMID Composite Beta				0.88	0.79	0.80
SMID Composite Anlzd Std Dev				11.32	15.42	15.08
Russell 2500 Value Anlzd Std Dev				11.73	18.53	18.07

Performance 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

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. The Russell 2500 returned **-0.24%**. From a style perspective, **growth outperformed value across all market caps**.

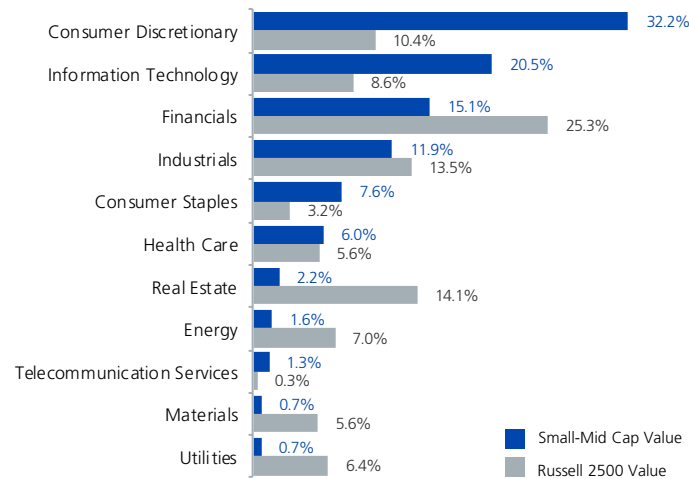
Following a strong 2017, **River Road's Small-Mid Cap Value (SMID) Strategy continued to outperform. Results were driven by strong stock selection**, particularly within the **Information Technology, Consumer Discretionary, and Consumer Staples** sectors. The Portfolio further benefited from having **no allocation to REITs** 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 **Utilities**. Financials suffered from an underweight allocation, while Utilities had a slightly positive total effect. 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 12.3x versus 14.6x), 'quality' (return on equity of 10.3% versus 8.0%), and 'growth' (long-term growth forecast of 12.0% versus 10.1%).

Sector Weightings



Portfolio Contribution

Top Contributors		Average Weight	Contribution to Return
HAWK	Blackhawk Network Holdings Inc.	1.33%	+0.69%
AAP	Advance Auto Parts Inc.	2.68%	+0.44%
MITL	Mitel Networks Corp.	3.64%	+0.43%
CNDT	Conduent Inc.	2.71%	+0.38%
CNNE	Cannae Holdings Inc.	3.54%	+0.37%

Bottom Contributors		Average Weight	Contribution to Return
LEXEA	Liberty Expedia Holdings Inc. (CI A)	2.68%	-0.36%
AFI	Armstrong Flooring Inc.	1.09%	-0.23%
MPAA	Motorcar Parts of America Inc.	1.49%	-0.22%
OCSL	Oaktree Specialty Lending Corp.	1.41%	-0.19%
DISCK	Discovery Inc. (CI C)	2.21%	-0.17%

Characteristics

	RRAM SMID	Russell 2500 Value
Number of Holdings	60	1,762
Price / Earnings ¹	14.6	19.9
Price / Cash Flow	12.3	14.6
Price / Book	1.86	1.73
ROE (5 YR Avg)	10.3	8.0
EPS Growth (5 YR)	-0.6	5.9
Cash Flow Growth (5 YR)	2.8	4.9
LT Growth Forecast	12.0	10.1
Wtd Avg Mkt Cap (B)	\$3.32	\$4.80
Wtd Med Mkt Cap (B)	\$2.44	\$4.25

Top 10 Portfolio Holdings

Symbol	Company	% of Portfolio
GLIBA	GCI Liberty Inc. (CI A)	4.76%
MITL	Mitel Networks Corp.	4.12%
PINC	Premier Inc. (CI A)	4.01%
TWNB	Hostess Brands Inc. (CI A)	4.00%
WTM	White Mountains Insurance Group Ltd.	3.97%
UNF	UniFirst Corp.	3.87%
CNNE	Cannae Holdings Inc.	3.77%
LEXEA	Liberty Expedia Holdings Inc. (CI A)	2.98%
CNDT	Conduent Inc.	2.93%
AVYA	Avaya Holdings Corp.	2.53%

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