

Small Cap Value

QUARTERLY UPDATE AS OF JUNE 30, 2018



Investment Objective

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

Strategy Highlights

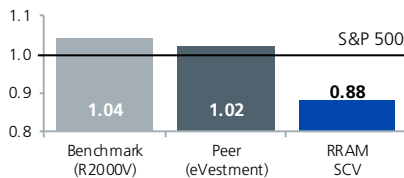
River Road's Small Cap Value (SCV) Strategy utilizes a fundamentally driven research process to identify attractive purchase candidates from a universe of smaller capitalization stocks. The Strategy invests in well-managed, financially strong companies that are trading at meaningful discounts to our 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 4% 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

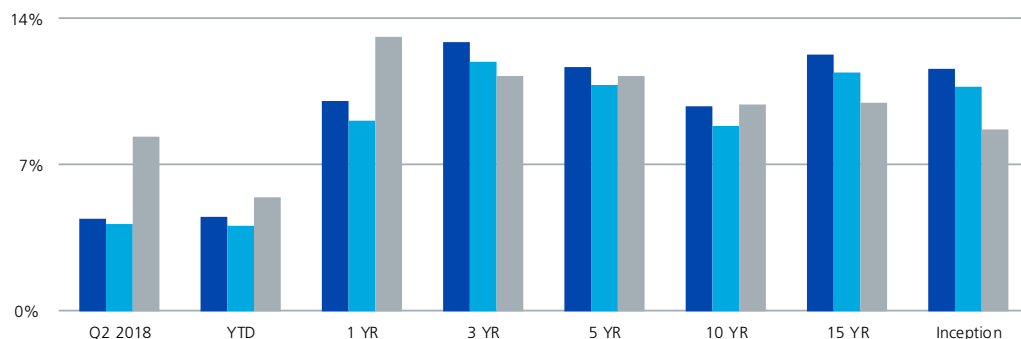


R. Andrew Beck
19 years of experience;
managed Portfolio since 2000
University of Louisville, BS
Babson College, MBA



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

Performance Summary



	Q2 2018	YTD	1 YR	3 YR	5 YR	10 YR	15 YR	Inception
Out / Underperformance	-3.93%	-0.92%	-3.07%	+1.60%	+0.47%	-0.15%	+2.28%	+2.84%
SCV Composite Beta	0.74	0.74	0.73	0.70				
SCV Composite Anlzd Std Dev	11.20	15.52	14.00	13.70				
Russell 2000 Value Anlzd Std Dev	13.90	19.68	17.87	17.87				

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

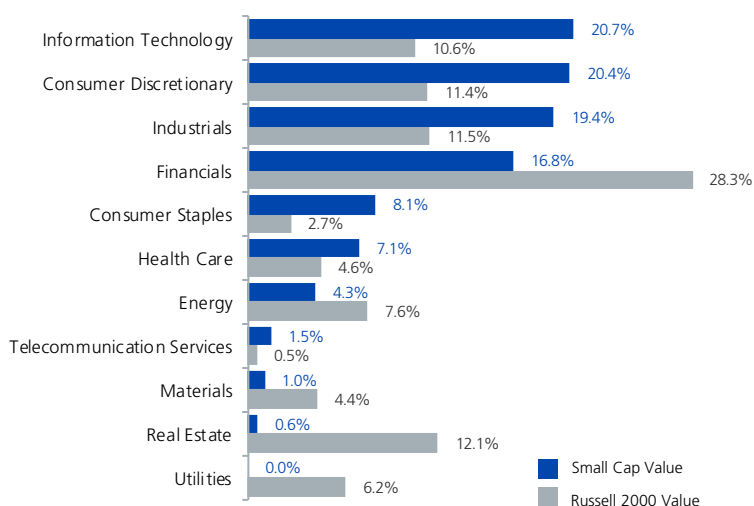
U.S. stocks delivered attractive returns in Q2 as investors discounted escalating trade tensions in favor of strong earnings growth, improving U.S. economic growth, and the continued availability of cheap capital across the credit spectrum. **Small cap stocks did particularly well**, as investors poured into small cap ETFs at a level not experienced since the post-election period. For Q2, the S&P 500 and Russell 1000 indexes returned **+3.43%** and **+3.57%**, respectively, versus **+7.75%** for the Russell 2000. From a style perspective, performance was mixed with **value outperforming among small caps, but growth leading among mid and large caps**.

The sectors with the highest contribution to relative return in the Portfolio during Q2 were **Financials** and **Health Care**. Both sectors benefited from positive stock selection, while Financials primarily benefited from an underweight allocation to Banks. The top contributing holding in the Portfolio during Q2 was **VeriFone Systems Inc. (PAY)**, a global leader in secure electronic payment systems and services. In April, **PAY agreed to be acquired by private equity firm Francisco Partners for \$23.04 per share in cash**, representing a 54% premium to the prior day's closing price and a 5% premium to our \$22/share assessed valuation.

The sectors with the lowest contribution to relative return in the Portfolio during Q2 were **Consumer Discretionary** and **Consumer Staples**. Both sectors suffered from poor stock selection, while Consumer Staples also suffered from an overweight allocation. The bottom contributing holding in the Portfolio during Q2 was **Biglari Holdings Inc. (BH.A/BH)**, a holding company whose primary assets are in restaurants, including *Steak 'N Shake* and *Cracker Barrel Old Country Store*. In May, BH announced it was planning to adopt a dual voting class share structure. Since Chairman/CEO Sardar Biglari owns and controls more than 50% of BH, the proposal was guaranteed to pass. **After the change in share structure, BH was unexpectedly removed from the S&P SmallCap 600 index**, causing forced selling of a relatively illiquid stock in a very short time period. The new dual share structure provides an opportunity for Sardar Biglari to retire the newly issued B shares (non-voting), which could create meaningful value for shareholders. Further, Mr. Biglari subsequently purchased \$4 MM of BH.A shares personally. Given Mr. Biglari has voting control of the company, we believe these purchases indicate he is making them purely as an investment decision.

We continue to believe the Portfolio is extremely well positioned relative to the benchmark. According to FactSet, **'valuation'** (price to cash flow of **9.5x** versus **14.1x**), **'quality'** (return on equity of **9.9%** versus **6.4%**), and **'growth'** (long-term growth forecast of **10.8%** versus **8.9%**) characteristics look very attractive. Additionally, with stock correlations low, if ETF flows continue to moderate the relative environment should improve markedly for highly active, idiosyncratic strategies like River Road's Small Cap Value.

Sector Weightings



Portfolio Contribution

Top Contributors	Average Weight	Contribution to Return
PAY VeriFone Systems Inc.	0.48%	+0.81%
MITL Mitel Networks Corp.	3.27%	+0.73%
PINC Premier Inc. (CI A)	1.94%	+0.58%
WTM White Mountains Insurance Group Ltd.	4.58%	+0.45%
UNF UniFirst Corp.	4.28%	+0.41%

Bottom Contributors

BH.A/BH Biglari Holdings Inc.	1.62%	-0.62%
TWNK Hostess Brands Inc. (CI A)	3.91%	-0.36%
AVYA Avaya Holdings Corp.	2.84%	-0.29%
FG FGL Holdings (CI A)	1.43%	-0.29%
SNBR Sleep Number Corp.	1.40%	-0.26%

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 Q2 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.

River Road Asset Management, LLC ("RRAM") is a registered investment adviser formed in April 2005 and is majority owned by Affiliated Managers Group Inc. Registration of an investment adviser does not imply a certain level of skill or training. This presentation may be presented by an employee of Affiliated Managers Group Inc., AMG Funds, or another AMG entity, which are affiliates of RRAM. RRAM claims compliance with the Global Investment Performance Standards (GIPS®). The firm maintains a complete list and description of composites and a presentation that complies with the requirements of the GIPS® standards, which is available upon request by contacting Thomas D. Mueller, CFA, CPA. The Composite contains fully discretionary accounts that seek capital appreciation by investing primarily in small cap value domestic equity securities that trade at a discount to our assessed valuation as determined using RRAM's proprietary Absolute Value® approach. For this composite, RRAM defines a small cap company as one whose market capitalization is less than \$4 B. RRAM selects securities from a universe of companies with a market capitalization at the time of initial purchase typically between \$50 MM and \$4 B, employing a value-driven, bottom-up fundamental approach. The U.S. dollar is the currency used to express performance and includes the reinvestment of income. Composite performance is presented gross of foreign withholding taxes on dividends, interest income, and capital gains. All composite performance is after the deduction of trading costs. Net of fee composite performance is calculated using actual management fees, which includes performance fees for some periods.

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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Characteristics

	RRAM SCV	Russell 2000 Value
Number of Holdings	59	1,364
Price / Earnings ¹	13.6	18.6
Price / Cash Flow	9.5	14.1
Price / Book	1.71	1.60
ROE (5 YR Avg)	9.9	6.4
EPS Growth (5 YR)	2.1	5.0
Cash Flow Growth (5 YR)	2.9	4.2
LT Growth Forecast	10.8	8.9
Annualized Standard Deviation ²	11.20	13.90
Annualized Alpha ²	3.17	
Beta ²	0.74	
Turnover ³	46.85%	

Top 10 Portfolio Holdings

Symbol	Company	% of Portfolio
WTM	White Mountains Insurance Group Ltd.	4.66%
UNF	UniFirst Corp.	4.21%
PINC	Premier Inc. (CI A)	3.91%
TWNK	Hostess Brands Inc. (CI A)	3.80%
CNNE	Cannae Holdings Inc.	3.76%
LEXEA	Liberty Expedia Holdings Inc. (CI A)	3.16%
CARS	Cars.com Inc.	2.91%
AWI	Armstrong World Industries Inc.	2.64%
AVYA	Avaya Holdings Corp.	2.62%
LILAK	Liberty Latin America Ltd. (CI C)	2.53%

