

Small-Mid Cap Value

QUARTERLY UPDATE AS OF JUNE 30, 2018



Investment Objective

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

Strategy Highlights

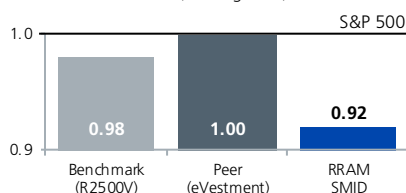
River Road's Small-Mid Cap Value (SMID) Strategy focuses on companies between \$250 MM and \$10 B in market capitalization. The SMID Strategy employs the same bottom-up, fundamentally driven investment process as the firm's Small Cap Value Strategy.

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

Low Volatility Returns

- Target volatility < Russell 2500 Value
- Ranked among the top 21% 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

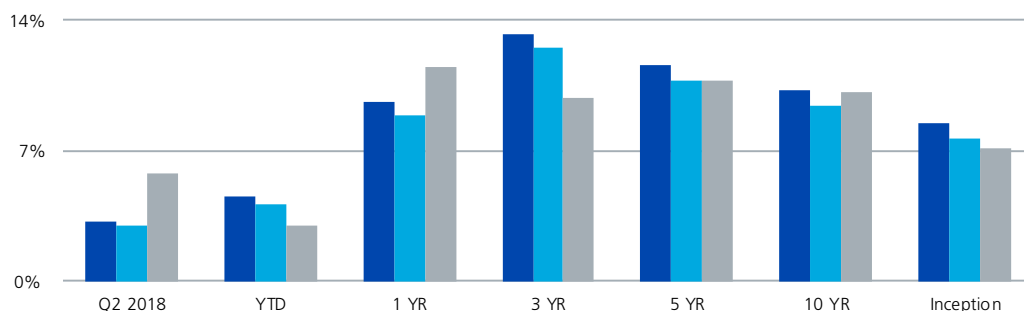


R. Andrew Beck
19 years of experience;
managed Portfolio since inception
University of Louisville, BS
Babson College, MBA



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

Performance Summary



	Q2 2018	YTD	1 YR	3 YR	5 YR	10 YR	Inception
SMID Composite - Gross	3.19%	4.48%	9.61%	13.17%	11.52%	10.20%	8.42%
SMID Composite - Net	3.02%	4.14%	8.91%	12.45%	10.77%	9.39%	7.61%
Russell 2500 Value	5.80%	3.00%	11.49%	9.76%	10.78%	10.10%	7.12%
Out / Underperformance	-2.61%	+1.48%	-1.88%	+3.41%	+0.74%	+0.10%	+1.30%
SMID Composite Beta					0.86	0.80	0.79
SMID Composite Anlzd Std Dev					11.18	15.22	14.92
Russell 2500 Value Anlzd Std Dev					11.77	18.21	17.90

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

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**.

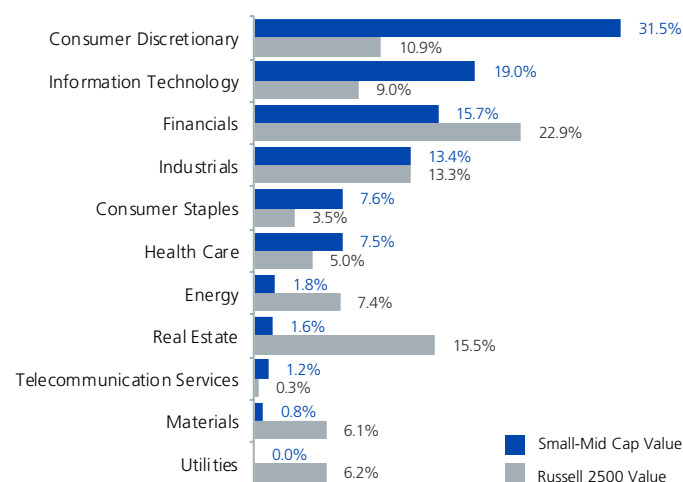
The sectors with the highest contribution to relative return in the Portfolio during Q2 were **Industrials** and **Financials**. Both sectors benefited from positive stock selection and underweight allocations. The top contributing holding in the Portfolio during Q2 was **Mitel Networks Corp. (MITL)**, a provider of unified communications and collaboration products and services. In April, **MITL agreed to be acquired by private equity firm Searchlight Capital Partners for \$11.15/share**, which equated to 8.7x '18e EBITDA and was 93% of our \$12/share assessed valuation. The bid was a +24% premium to the trailing three-month average price. Searchlight was likely drawn to MITL after seeing evidence of its successful migration of customers from on-premise to cloud, which was a key element of our investment thesis.

The sectors with the lowest contribution to relative return in the Portfolio during Q2 were **Consumer Discretionary** and **Real Estate**. Both sectors suffered from poor stock selection, while Real Estate also suffered from an underweight allocation. The bottom contributing holding in the Portfolio during Q2 was **GCI Liberty Inc. (CI A) (GLIBA)**, whose primary assets include a 6.5% equity interest in Charter Communications (CHTR) and 100% ownership of the largest cable provider in Alaska. In April, CHTR reported Q1 results that disappointed the market as **video subscribers fell -122,000, fueling concerns video subscriber losses will accelerate due to the secular risk of "cord cutting."** However, these are low-margin customers and our investment thesis is driven by growing demand for CHTR's superior internet services at very high margins. **CHTR gained +331,000 internet subscribers in the quarter, driving the company's market penetration for internet services to nearly 50% of its footprint.** These gains drove a +5% increase in total revenue and a +6.5% increase in total EBITDA during the quarter.

We continue to believe the Portfolio is well positioned relative to the benchmark. According to FactSet, the Portfolio's **'valuation'** (price to cash flow of 11.0x versus 14.2x), **'quality'** (return on equity of 11.7% versus 8.4%), and **'growth'** (long-term growth forecast of 9.3% versus 9.3%) characteristics are 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-Mid Cap Value.

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off the beaten path®

Sector Weightings



Portfolio Contribution

Top Contributors		Average Weight	Contribution to Return
MITL	Mitel Networks Corp.	3.37%	+0.75%
DISCK	Discovery Inc. (CI C)	2.61%	+0.68%
PINC	Premier Inc. (CI A)	4.17%	+0.62%
PAY	VeriFone Systems Inc.	0.14%	+0.57%
SABR	Sabre Corp.	2.83%	+0.44%

Bottom Contributors		Average Weight	Contribution to Return
GLIBA	GCI Liberty Inc. (CI A)	4.09%	-0.73%
BH.A / BH	Biglari Holdings Inc.	1.24%	-0.48%
TWNL	Hostess Brands Inc. (CI A)	3.69%	-0.33%
FG	FGL Holdings (CI A)	1.46%	-0.29%
AVYA	Avaya Holdings Corp.	2.66%	-0.28%

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 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-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.

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-mid 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 to mid cap company as one whose market capitalization is less than \$10 B. RRAM selects securities from a universe of companies with a market capitalization at the time of initial purchase typically between \$250 MM and \$10 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.

The official benchmark of the Composite is the Russell 2500 Value. All other indices are shown as additional information only.

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.

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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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Characteristics

	RRAM SMID	Russell 2500 Value
Number of Holdings	59	1,727
Price / Earnings ¹	13.8	19.3
Price / Cash Flow	11.0	14.2
Price / Book	1.71	1.76
ROE (5 YR Avg)	11.7	8.4
EPS Growth (5 YR)	-0.6	6.0
Cash Flow Growth (5 YR)	4.1	4.8
LT Growth Forecast	9.3	9.3
Wtd Avg Mkt Cap (B)	\$3.53	\$4.75
Wtd Med Mkt Cap (B)	\$2.39	\$4.33

Top 10 Portfolio Holdings

Symbol	Company	% of Portfolio
PINC	Premier Inc. (CI A)	4.54%
WTM	White Mountains Insurance Group Ltd.	4.26%
GLIBA	GCI Liberty Inc. (CI A)	3.95%
TWNL	Hostess Brands Inc. (CI A)	3.94%
UNF	Unifirst Corp.	3.86%
LEXEA	Liberty Expedia Holdings Inc. (CI A)	3.25%
CNNE	Cannae Holdings Inc.	3.24%
SABR	Sabre Corp.	3.03%
DISCK	Discovery Inc. (CI C)	2.97%
CNDT	Conduent Inc.	2.78%

