

Dividend All-Cap Value II

A TOTAL RETURN STRATEGY | QUARTERLY UPDATE AS OF SEPTEMBER 30, 2018



Investment Objectives

- Long-term total return > Russell 3000 Value index plus 200 to 400 bps
- Target yield > Russell 3000 Value index plus 150 bps

Strategy Highlights

River Road's Dividend All-Cap Value II (DAV II) Strategy utilizes a fundamentally driven research process to identify attractive purchase candidates from an all cap universe of high yielding equity securities. The Strategy invests in well-managed, financially strong companies with high and growing dividends, targeting companies that are also trading at meaningful discounts to our assessed valuations. Typical investment criteria include:

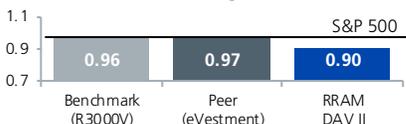
- Minimum market capitalization of \$1 B at the time of purchase
- Indicated dividend yield of at least 2%

The stock selection process is complemented by a risk averse approach that employs balanced diversification and a structured sell discipline.

Low Volatility Returns

- Target volatility < Russell 3000 Value
- Ranked among the top 20% of peers over the prior five-year period²

Beta vs S&P 500 (Trailing 5 YR)²



Portfolio Managers

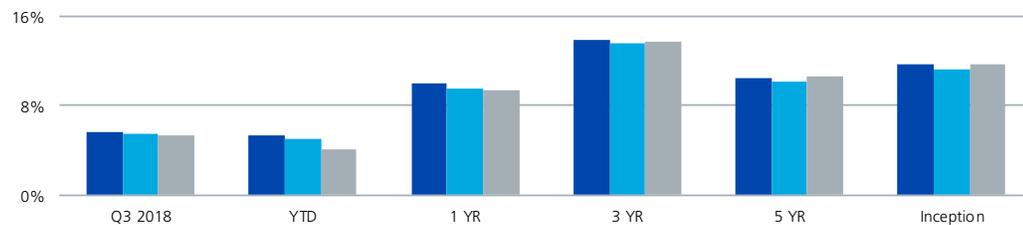
Henry W. Sanders III, CFA
29 years of experience; managed Portfolio since inception
Bellarmine University, BA
Boston College, MBA

Thomas S. Forsha, CFA
20 years of experience; managed Portfolio since July 2007
The Ohio State University, BS
University of Chicago, MBA

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

Andrew R. McIntosh, CFA
14 years of experience; managed Portfolio since 2018
University of Iowa, BBA

Performance Summary



	Q3 2018	YTD	1 YR	3 YR	5 YR	Inception
DAV II Composite - Gross	5.67%	5.32%	10.00%	13.96%	10.53%	11.75%
DAV II Composite - Net	5.58%	5.03%	9.59%	13.53%	10.10%	11.19%
Russell 3000 Value	5.39%	4.17%	9.46%	13.75%	10.65%	11.66%
Out / Underperformance	+0.28%	+1.15%	+0.54%	+0.21%	-0.12%	+0.09%
Portfolio Yield: 3.53%¹						

Performance is shown gross and net of fees. Inception date: January 1, 2011. Out/underperformance compares Dividend All-Cap Value II gross performance and Russell 3000 Value. ¹Gross of fees; indicated portfolio yield does not anticipate special dividends. Information based on a representative portfolio within the Strategy. ²Volatility, measured as beta and standard deviation, is based on trailing 60 month gross of fee composite performance. Peer beta presented; peer information provided for the eVestment US All 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 outstanding returns in Q3, bucking historical seasonal and election cycle trends. The S&P 500 surged +7.71%, its best performance since Q4 2013, as both broader earnings and economic trends remain robust. From a style and size perspective, **growth outperformed value across all market caps** and **large caps outperformed small caps**, with the Russell 1000 index returning +7.42% versus +3.58% for the Russell 2000.

The DAV II Composite outperformed in the third quarter, as **stock selection had a strong positive impact on relative results**, largely driven by the strong outperformance of the Portfolio holdings in the Information Technology and Industrials sectors.

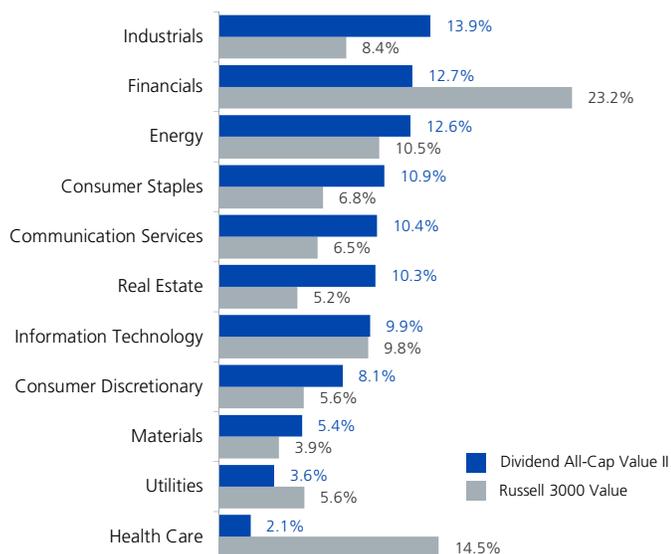
The sector with the highest contribution to relative return in the Portfolio for Q3 was **Information Technology**. The top contributing holding for the quarter was high tech glass manufacturer **Corning Inc. (GLW)**. In July, GLW reported strong results with all business segments meeting or exceeding expectations and management raised its full-year guidance. Market demand in several segments improved in the quarter and management executed well on the company's capacity expansion projects. Several of the company's largest **expansion projects have moved out of the start-up phase and are poised to drive a re-acceleration of revenue growth and margin expansion** in the second half of 2018.

The sector with the lowest contribution to relative return in the Portfolio for Q3 was **Health Care**. The largest negative contributor during the quarter was advertising conglomerate **Omnicom Group Inc. (OMC)**. OMC shares traded down sharply after the company **reported negative organic growth of -90 bps in North America, which worsened sequentially from -10 bps in Q1 2018** as a result of increased programmatic ad buying and client losses in the U.S. market. Importantly, **results outside of North America remained very strong**, allowing OMC to achieve consolidated organic growth of +2.0% with flat operating margins despite headwinds from recent divestitures. Additionally, **management maintained its full year 2018 guidance range of +2% to +3% organic growth** with slightly better operating margins, reiterating its expectation for an improvement in the back half of the year.

While the election result and the tax reform that followed appear responsible for extending the market cycle, as yet there does not appear to be a third act planned for 2019. In fact, the very opposite may prove true. Therefore, **we cannot escape the conclusion that we may have reached the final stage of the market cycle**. We believe that the sharp drop in earnings growth that is expected in Q1 2019 bodes ill for growth stocks after two years of strong outperformance. However, as was the case in the wake of the 1998 Asian crisis, the U.S. equity market could benefit from a flight to safety, shrugging off any issues in foreign markets and surging to new highs. It is impossible to yet point to the exact event/factor that will ultimately bring value strategies to the fore, but we believe it is inevitable. As we saw in recent months, **we believe the near-term relative success of dividend stocks and the Dividend All-Cap Value II Strategy will likely remain tied to broad perceptions of risk.**

Discovering value,
off the beaten path®

Sector Weightings



Portfolio Contribution

Top Contributors	Yield ³	Average Weight	Contribution to Return
GLW Corning Inc.	2.04%	2.75%	+0.69%
FAST Fastenal Co.	2.76%	3.25%	+0.62%
QCOM QUALCOMM Inc.	3.44%	2.04%	+0.52%
TGT Target Corp.	2.90%	2.86%	+0.45%
MPC Marathon Petroleum Corp.	2.30%	3.29%	+0.44%

Bottom Contributors	Yield ³	Average Weight	Contribution to Return
OMC Omnicom Group Inc.	3.53%	1.75%	-0.20%
KHC Kraft Heinz Co.	4.54%	1.43%	-0.17%
PII Polaris Industries Inc.	2.38%	0.83%	-0.16%
WY Weyerhaeuser Co.	4.21%	1.38%	-0.15%
COTY Coty Inc. (CI A)	3.98%	0.33%	-0.13%

Characteristics

	DAV II	R3000V
Number of Holdings	60	2,114
Dividend Yield ³	3.53	2.45
Price / Cash Flow	12.2	14.1
ROE (5 YR Avg)	17.4	11.5
EPS Growth (5 YR)	8.3	5.4
Div / Share Growth (TTM)	9.6	9.7
Cash	3.7%	
Annualized Standard Deviation ¹	9.35	9.64
Jensen Alpha ¹	0.66	
Beta ¹	0.92	
Turnover ²	26.57%	

Market Capitalization Breakdown

	DAV II	R3000V
Wtd Median Market Cap	\$37.59 B	\$57.97 B
Wtd Avg Market Cap	\$70.29 B	\$116.87 B
Large Cap > \$15.0 B	72.8%	75.9%
Mid-Cap \$3.0 - \$15.0 B	24.1%	18.2%
Small Cap < \$3.0 B	3.1%	5.8%

Top 10 Portfolio Holdings

Symbol	Company	% of Portfolio	Yield ³
MPC	Marathon Petroleum Corp.	3.31%	2.30%
FAST	Fastenal Co.	3.29%	2.76%
TGT	Target Corp.	3.01%	2.90%
USB	U.S. Bancorp	2.98%	2.80%
GLW	Corning Inc.	2.97%	2.04%
BBT	BB&T Corp.	2.76%	3.34%
PX	Praxair Inc.	2.70%	2.05%
IRM	Iron Mountain Inc.	2.58%	6.81%
WMT	Walmart Inc.	2.27%	2.21%
CSCO	Cisco Systems Inc.	2.22%	2.71%

GICS sector and market cap breakdowns reflect percent of equity; stocks without a reported sector or market cap (e.g. corporate reorganizations, mergers, acquisitions, dissolutions) are not presented. ¹Risk characteristics based on trailing 60 month gross of fee composite performance. ²Average annual turnover since inception (January 1, 2011). ³Gross of fees; indicated yield does not anticipate special dividends. 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 Q3 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 Dividend All-Cap Value II 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 Dividend All-Cap Value II 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. 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 to provide long-term capital appreciation and high current income by investing primarily in a diversified, multi-cap basket of income producing equity securities which have a market capitalization of typically at least \$1 B at the time of initial purchase and that trade at a discount to our assessed valuation as determined using RRAM's proprietary Absolute Value® approach. The Composite is primarily invested in dividend paying common stocks. The Composite may also be invested in a broad range of foreign stocks, publicly traded partnerships, convertible preferred stocks, Real Estate Investment Trusts ("REITs"), investment companies, and royalty income trusts. RRAM employs a value-driven, bottom-up 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. For periods including non-fee paying accounts, net was calculated for those accounts by applying the highest fee schedule effective at that time.

The official benchmark for the Composite is the Russell 3000 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 All Cap Value Equity - US Equity products that invest primarily in small, mid, and large 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 3000 Value, S&P 500, or Russell 1000 Value. Managers in this category will typically indicate a "Primary Capitalization Emphasis" equal to All Cap and a "Primary Style Emphasis" equal to Value.

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