

Focused Absolute Value[®]

A HIGH CONVICTION STRATEGY | QUARTERLY UPDATE AS OF SEPTEMBER 30, 2018



Investment Objective

Long-term total return = Russell 3000 Value index plus a minimum of +200 bps

Strategy Highlights

Focused Absolute Value[®] is a concentrated, all cap strategy comprised of the firm's 'best and most timely' ideas selected from among the stocks held across all RRAM strategies, as recommended by the analyst team.¹

The Strategy combines the firm's proven investment processes with the stock picking skills of River Road portfolio managers and collective insights and opinions of the firm's analyst team.

The Strategy seeks to remain fully invested at all times, is index independent, and is highly opportunistic. The minimum market cap for investment is \$250 MM (at the time of initial purchase).

Portfolio Managers



R. Andrew Beck

President & CEO,
Senior Portfolio Manager

19 years of experience;
managed Portfolio since inception

University of Louisville, BS
Babson College, MBA



Thomas S. Forsha, CFA

Co-Chief Investment Officer &
Portfolio Manager

20 years of experience;
managed Portfolio since inception

The Ohio State University, BS
University of Chicago, MBA

Analyst Liaison



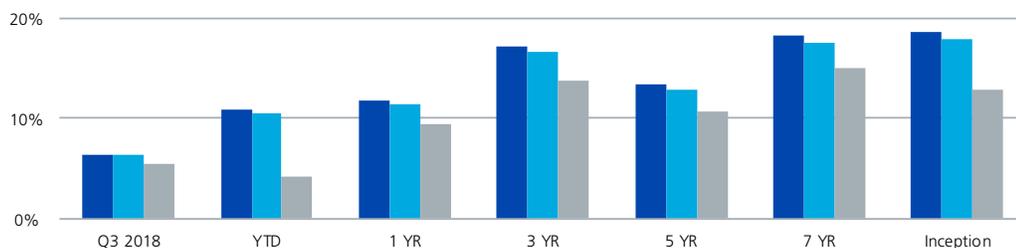
Ashley L. Abney, CPA

Senior Equity Research Analyst

12 years of experience

Centre College, BS

Performance Summary



	Q3 2018	YTD	1 YR	3 YR	5 YR	7 YR	Inception
Out / Underperformance	+1.02%	+6.70%	+2.34%	+3.43%	+2.76%	+3.23%	+5.76%

FAV Composite Beta

0.89

FAV Composite Anlzd Std Dev

13.97

Russell 3000 Value Anlzd Std Dev

14.26

Performance is shown gross and net of fees. Inception date: January 1, 2009. Out/underperformance compares Focused Absolute Value[®] gross performance and Russell 3000 Value. ¹If a holding is liquidated from all RRAM portfolios, the stock must be sold from the Focused Absolute Value[®] Portfolio within a reasonable period of time (as defined by the portfolio managers). Source: River Road Asset Management LLC, FactSet Research Systems Inc., and Russell Investment Group. Past performance is no guarantee of future results. Please see reverse side for important disclosure information.

Portfolio Review

Stocks delivered outstanding returns in Q3, 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. Large caps were the only size segment with positive returns in September (historically the weakest month of the year) as **softer earnings growth expectations for small caps and a decrease in trade-related concerns contributed to a rotation in leadership**. Within the Russell 3000 Value benchmark **breadth was attractive, with all 11 sectors posting positive returns**.

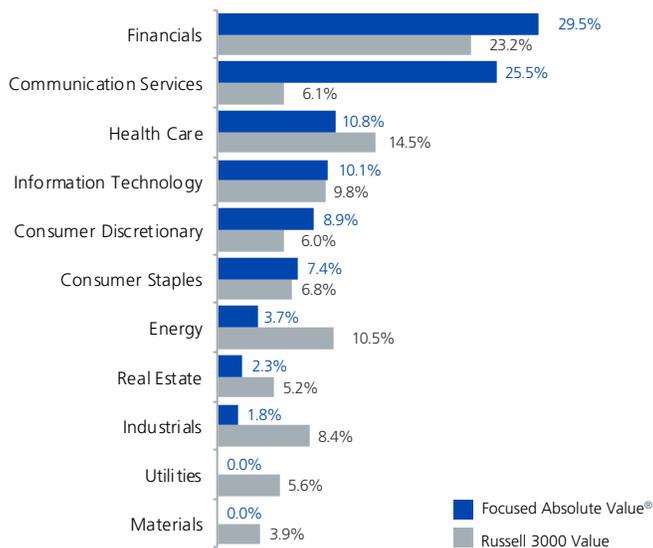
The sectors with the highest contribution to Portfolio return during Q3 were **Consumer Discretionary** and **Financials**. The top contributing holding in the Portfolio was **Premier Inc. (CI A) (PINC)**, a healthcare GPO and data analytics provider. During the quarter, the company reported **strong revenue and EBITDA growth**, and provided **fiscal 2019 guidance above River Road estimates**. Administrative fees within the GPO business grew at a mid-single-digit pace, which was in line with our expectations. Overall EBITDA margin expanded +130 bps with **an improvement of +370 bps within the Performance Services segment**. This was the result of **aggressive cost cuts** as well as a **larger contribution from high margin performance-based contracts**. Mix shift toward performance-based contracts suggests PINC should thrive as healthcare shifts from fee-based to value-based.

Consumer Staples and **Industrials** were the only two sectors with a negative contribution to Portfolio return during Q3. The bottom contributing holding in the Portfolio was iconic snack cake brand and manufacturer **Hostess Brands Inc. (CI A) (TWNK)**. **TWNK reported weak Q2 results due to an unexpected loss of promotional space at Walmart, its largest customer**. TWNK had a similar experience in 2015 when Walmart removed all promotional space from the floor, only to move it back quickly given the brand's importance in driving category sales. Walmart must sell two boxes of competing products to make the same economics as selling one box of Hostess. Gross margin was also negatively impacted by supply chain cost inflation, and management is in the process of implementing price hikes to offset. TWNK's primary competitors have inferior direct-store-delivery distribution models, and are likely suffering much greater cost pressure than TWNK. We view these headwinds to be temporary.

From a Portfolio perspective, **we continue to believe the FAV Strategy is also well positioned**. At the end of Q3, the weighted average discount to value for the Strategy was **74.5%**, up only +90 bps from Q2 despite the Portfolio's strong gains. Additionally, the Portfolio continues to reflect highly compelling fundamental characteristics, including **'valuation'** (price to cash flow of **9.9x** versus **14.1x**) and **'quality'** (return on equity of **13.7%** versus **11.5%**), according to FactSet.

Discovering value,
off the beaten path[®]

Sector Weightings



Characteristics

	FAV	R3000V
Number of Holdings	30	2,114
Price / Earnings ¹	13.1	16.8
Price / Cash Flow	9.9	14.1
Price / Book	1.65	2.12
ROE (5 YR Avg)	13.7	11.5
EPS Growth (5 YR)	13.8	5.4
LT Growth Estimate	7.6	8.8
Annualized Standard Deviation ²	11.39	9.64
Jensen Alpha ²	2.18	
Beta ²	1.06	
Turnover ³	127.96%	

Market Capitalization Breakdown

	FAV	R3000V
Wtd Median Market Cap	\$15.29 B	\$57.97 B
Wtd Avg Market Cap	\$71.00 B	\$116.87 B
Large Cap > \$15.0 B	50.0%	75.9%
Mid Cap \$3.0 - \$15.0 B	29.8%	18.2%
Small Cap < \$3.0 B	20.1%	5.8%

Portfolio Contribution

Top Contributors	Average Weight	Contribution to Return
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PINC Premier Inc. (CI A)	5.36%	+1.28%
INT World Fuel Services Corp.	3.43%	+1.03%
BRK.B Berkshire Hathaway Inc. (CI B)	6.95%	+0.96%
DISCK Discovery Inc. (CI C)	3.96%	+0.63%
GLIBA GCI Liberty Inc. (CI A)	4.59%	+0.58%

Bottom Contributors

TWNK Hostess Brands Inc. (CI A)	4.46%	-0.88%
KHC Kraft Heinz Co.	3.93%	-0.46%
GM General Motors Co.	2.73%	-0.44%
GE General Electric Co.	1.28%	-0.25%
NLSN Nielsen Holdings PLC	1.81%	-0.22%

Top 10 Portfolio Holdings

Symbol	Company	% of Portfolio
BRK.B	Berkshire Hathaway Inc. (CI B)	7.13%
BAM	Brookfield Asset Management Inc. (CI A)	4.84%
GLIBA	GCI Liberty Inc. (CI A)	4.78%
SABR	Sabre Corp.	4.73%
CMCSA	Comcast Corp. (CI A)	4.53%
DISCK	Discovery Inc. (CI C)	4.41%
SBUX	Starbucks Corp.	4.09%
TWNK	Hostess Brands Inc. (CI A)	3.77%
INT	World Fuel Services Corp.	3.65%
PINC	Premier Inc. (CI A)	3.64%

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. ¹Excludes negative earnings. ²Risk characteristics based on trailing 60 month gross of fee composite performance. ³Average annual turnover since inception (January 1, 2009). Source: River Road Asset Management LLC, FactSet Research Systems Inc., and Russell Investment Group.

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 Focused Absolute 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 Focused Absolute 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 for the Composite is the Russell 3000 Value. All other indexes are shown as additional information only.

The team of analysts involved with recommending investments for Focused Absolute Value® has changed and may continue to change over time.

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.

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