

Small-Mid Cap Value

QUARTERLY UPDATE AS OF SEPTEMBER 30, 2018



Investment Objective

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

Strategy Highlights

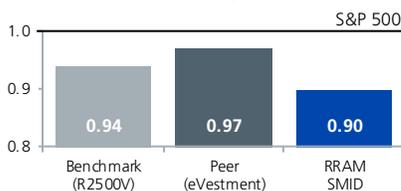
River Road's Small-Mid Cap Value (SMID) Strategy focuses on companies between \$250 MM and \$10 B in market capitalization. The SMID Strategy employs the same bottom-up, fundamentally driven investment process as the firm's Small Cap Value Strategy.

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

Low Volatility Returns

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

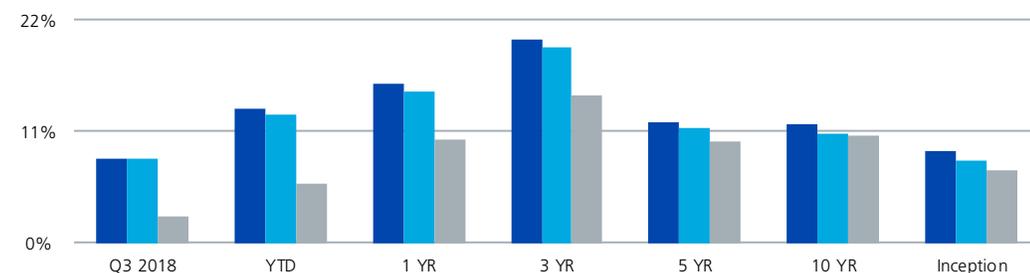


R. Andrew Beck
19 years of experience;
managed Portfolio since inception
University of Louisville, BS
Babson College, MBA



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

Performance Summary



	Q3 2018	YTD	1 YR	3 YR	5 YR	10 YR	Inception
Out / Underperformance	+5.69%	+7.46%	+5.36%	+5.48%	+1.96%	+1.05%	+1.78%

SMID Composite Beta

0.85 0.80 0.79

SMID Composite Anlzd Std Dev

10.80 15.07 14.80

Russell 2500 Value Anlzd Std Dev

11.27 18.04 17.73

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 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

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 2500 Value benchmark, **breadth was attractive, with nine of 11 sectors posting positive returns**.

The sectors with the highest contribution to relative return in the Portfolio (total effect) during Q3 were **Consumer Discretionary** and **Financials**. Consumer Discretionary benefited from strong stock selection, while Financials benefited from strong stock selection and an underweight allocation.

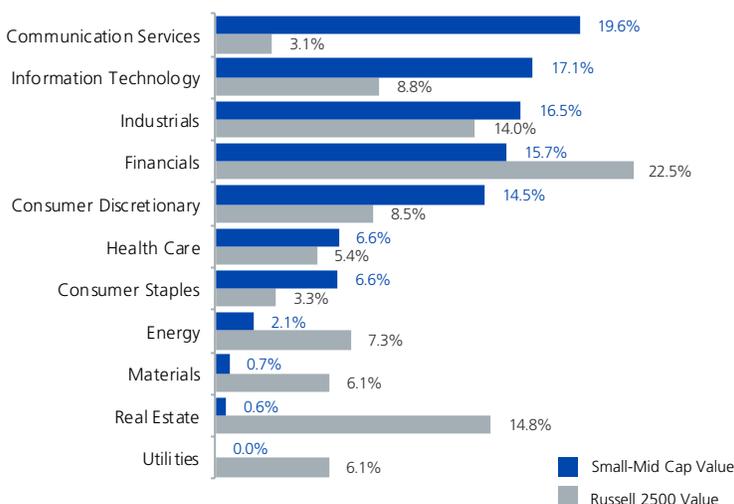
The top contributing holding in the Portfolio during the quarter was **Premier Inc. (CI A) (PINC)**, a healthcare GPO and data analytics software provider. During the quarter, the company reported **strong revenue and EBITDA growth**, and provided **fiscal 2019 guidance above River Road estimates**. 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 a **+370 bps improvement within the Performance Services segment** driven by cost cuts as well as a larger contribution from high margin performance-based contracts.

The sectors with the lowest contribution to relative return (total effect) in Q3 were **Consumer Staples** and **Utilities**. Consumer Staples suffered from an overweight allocation, partially offset by positive stock selection, while Utilities suffered from an underweight allocation (no exposure).

The bottom contributing holding in the Portfolio during the quarter was iconic snack cake brand and manufacturer **Hostess Brands Inc. (CI A) (TWNK)**. **TWNK reported weak Q2 results due to a temporary and 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. We view these headwinds to be temporary.

The sharp drop in small cap Q3 growth expectations has led us to question whether the lofty expectations for Q4 will be sustained as the current reporting season progresses. **We have noted an increasing number of companies complaining about higher commodity and labor costs, even though government figures remain relatively tame**. Despite these concerns, we continue to believe **the Portfolio remains extremely well positioned relative to the Russell 2500 Value benchmark**. According to FactSet, the Portfolio's price to cash flow (**valuation**) is just **10.7x versus 13.9x** for the benchmark; return on equity (**quality**) is **11.2% versus 8.6%**; and the Portfolio's long-term earnings growth estimate (**growth**) is **10.4% versus 9.7%**.

Sector Weightings



Characteristics

	RRAM SMID	Russell 2500 Value
Number of Holdings	59	1,749
Price / Earnings ¹	17.1	18.4
Price / Cash Flow	10.7	13.9
Price / Book	1.81	1.79
ROE (5 YR Avg)	11.2	8.6
EPS Growth (5 YR)	-0.1	5.6
Cash Flow Growth (5 YR)	5.9	4.7
LT Growth Estimate	10.4	9.7
Wtd Avg Mkt Cap (B)	\$4.04	\$4.98
Wtd Med Mkt Cap (B)	\$2.68	\$4.45

Portfolio Contribution

Top Contributors		Average Weight	Contribution to Return
PINC	Premier Inc. (CI A)	4.47%	+1.03%
CNDT	Conduent Inc.	2.84%	+0.68%
GLIBA	GCI Liberty Inc. (CI A)	4.02%	+0.51%
ATNI	ATN International Inc.	1.24%	+0.47%
AAP	Advance Auto Parts Inc.	1.97%	+0.47%

Bottom Contributors			
	Average Weight	Contribution to Return	
TWNBK	Hostess Brands Inc. (CI A)	3.55%	-0.71%
TECD	Tech Data Corp.	1.23%	-0.27%
NMRK	Newmark Group Inc. (CI A)	0.65%	-0.15%
CPSI	Computer Programs and Systems Inc.	0.74%	-0.11%
NCR	NCR Corp.	1.61%	-0.10%

Top 10 Portfolio Holdings

Symbol	Company	% of Portfolio
GLIBA	GCI Liberty Inc. (CI A)	4.15%
WTM	White Mountains Insurance Group Ltd.	4.08%
PINC	Premier Inc. (CI A)	4.00%
CNNE	Cannae Holdings Inc.	3.40%
LEXEA	Liberty Expedia Holdings Inc. (CI A)	3.23%
DISCK	Discovery Inc. (CI C)	3.20%
TWNBK	Hostess Brands Inc. (CI A)	2.98%
SABR	Sabre Corp.	2.97%
LBRDK	Liberty Broadband Corp. (CI C)	2.82%
UNF	UniFirst Corp.	2.58%

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 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 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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