

Dividend All-Cap Value



RIVER ROAD
ASSET MANAGEMENT

A TOTAL RETURN STRATEGY | QUARTERLY UPDATE AS OF DECEMBER 31, 2018

Investment Objectives

- Long-term total return > Russell 3000 Value index plus 200 to 400 bps
- Target yield \geq 150 % of the Russell 3000 Value index

Strategy Highlights

River Road's Dividend All-Cap Value (DAV) 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:

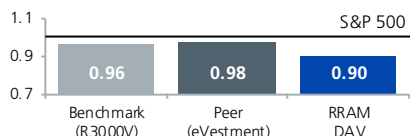
- Minimum market capitalization of \$300 MM at the time of initial purchase
- Indicated dividend yield of at least 2%

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 19% of peers over the prior five-year period²

Beta vs S&P 500 (Trailing 5 YR)²



Portfolio Managers

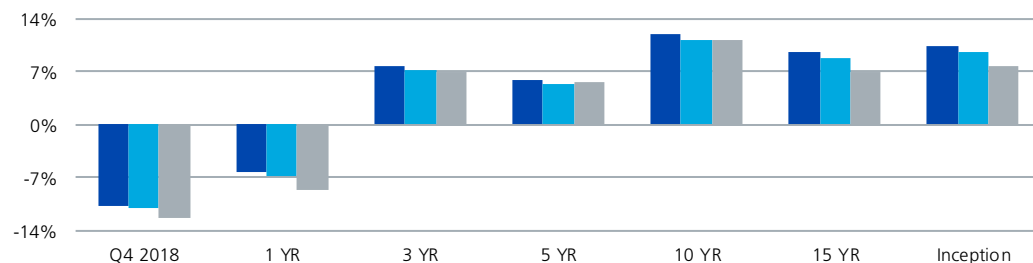
Henry W. Sanders III, CFA
29 years of experience; managed Portfolio since inception
Bellarmine University, BA
Boston College, MBA

Thomas S. Forsha, CFA
20 years of experience; managed Portfolio since 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



	Q4 2018	1 YR	3 YR	5 YR	10 YR	15 YR	Inception
DAV Composite - Gross	-10.76%	-6.26%	7.83%	5.99%	11.88%	9.65%	10.40%
DAV Composite - Net	-10.89%	-6.79%	7.21%	5.36%	11.16%	8.95%	9.69%
Russell 3000 Value	-12.24%	-8.58%	7.01%	5.77%	11.12%	7.03%	7.85%
Out / Underperformance	+1.48%	+2.32%	+0.82%	+0.22%	+0.76%	+2.62%	+2.55%

Portfolio Yield: 4.17%¹

Performance is shown gross and net of fees. Inception date: October 1, 2003. Out/underperformance compares Dividend All-Cap Value 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. Average 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 plummeted in Q4 as lofty valuations, rising fed rates, and declining growth expectations intersected with a festering trade war and the prospect of a partial government shutdown. The toxic combination weighed heavily on investor sentiment with **the S&P 500 posting its second worst December on record (-9.03%) and biggest yearly drop (-4.38%) since 2008**. Although the index failed to technically reach bear market territory, on Christmas Eve it **closed within 64 bps of a -20% decline from its September 20 high-water mark**.

From a style perspective, across all market caps, **growth stocks lagged value for the quarter but remained well ahead for the year. Dividend yield was a positive performance factor in Q4**, but results were mixed for the year.

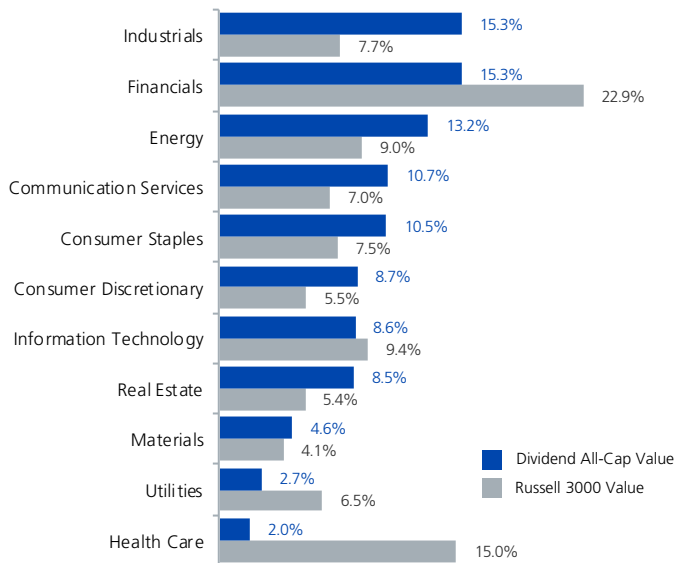
The Dividend All-Cap Value Composite outperformed the benchmark for Q4 and 2018. **Strong stock selection, particularly within the Energy and Industrials sectors, drove results**. The sector with the highest contribution to relative return in the Portfolio for Q4 was **Energy**. The top contributing holding for the quarter was **Starbucks Corp. (SBUX)**, the largest coffee retailer in the world. In November, SBUX reported strong fiscal Q4 results with **better-than-expected global same-store sales growth of +3% on improvement in both the U.S. and China, SBUX's largest markets**. The results reinforced management's strategy of beverage and food innovation and digital engagement to drive higher sales growth at existing stores. Management provided fiscal 2019 same-store sales guidance that was also better than expected. Additionally, they noted the Nestlé partnership for Starbucks-branded packaged goods is expected to be earnings accretive in 2020, a year earlier than expected. In October, SBUX used the \$5 B in Nestlé partnership proceeds to execute an accelerated share repurchase program for ~6% of shares outstanding. Management is making rapid progress on its \$25 B return of capital plan announced in July.

The sector with the lowest contribution to relative return in the Portfolio for Q4 was **Utilities**. The largest negative contributor during the quarter was **Marathon Petroleum Corp. (MPC)**, the largest independent petroleum product refining, marketing, retail, and transportation business in the United States. In October, the company closed on its merger with Andeavor, making its **new 16 refinery network the largest in the United States, responsible for 15% of total domestic refining capacity**. It announced strong results for Q3 2018 in November, reporting EBITDA of \$2 B for the second consecutive quarter, and **increased synergy estimates by \$400 MM to \$1.4 B** during its Analyst Day in early December. However, MPC's stock price declined alongside its refining peers during the quarter (despite only ~50% of its EBITDA coming from its refining segment) as concerns about the global economy grew.

With a trade war with China, a partial U.S. government shutdown, and a divided Congress, markets seem to have a lot to digest in 2019. However, the recent correction has removed some of the valuation risk in the market. Thus, **if domestic economic and corporate earnings growth remain meaningfully positive and the Fed is restrained with additional hikes, the market could end up with a modestly positive return in 2019**. Negative sentiment and bombastic headlines should keep risk tolerance low and volatility high, which combined with a decent fundamental landscape for stocks, could create a strong backdrop for both dividend stocks and active value managers like River Road.

Discovering value,
off the beaten path®

Sector Weightings



Characteristics

	DAV	R3000V
Number of Holdings	63	2,112
Dividend Yield ³	4.17	2.84
Price / Cash Flow	11.6	12.3
ROE (5 YR Avg)	18.9	12.0
EPS Growth (5 YR)	7.7	4.8
Div / Share Growth (TTM)	11.2	10.2
Cash	4.3%	
Annualized Standard Deviation ¹	10.48	10.92
Jensen Alpha ¹	0.60	
Beta ¹	0.93	
Turnover ²	33.97%	

Market Capitalization Breakdown

	DAV	R3000V
Wtd Median Market Cap	\$33.38 B	\$58.20 B
Wtd Avg Market Cap	\$60.57 B	\$110.31 B
Large Cap > \$15.0 B	65.6%	74.0%
Mid-Cap \$3.0 - \$15.0 B	21.9%	19.3%
Small Cap < \$3.0 B	12.5%	6.7%

Portfolio Contribution

Top Contributors	Yield ³	Average Weight	Contribution to Return
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SBUX Starbucks Corp.	2.24%	1.49%	+0.17%
OMC Omnicom Group Inc.	3.28%	1.79%	+0.12%
VTR Ventas Inc.	5.41%	1.66%	+0.11%
VZ Verizon Communications Inc.	4.29%	1.97%	+0.10%
TRI Thomson Reuters Corp.	2.90%	1.33%	+0.10%

Bottom Contributors

MPC Marathon Petroleum Corp.	3.12%	2.78%	-0.78%
TGT Target Corp.	3.87%	2.57%	-0.64%
STAY Extended Stay America Inc.	5.68%	1.81%	-0.44%
APU AmeriGas Partners LP	15.02%	1.16%	-0.43%
QCOM QUALCOMM Inc.	4.36%	1.83%	-0.39%

Top 10 Portfolio Holdings

Symbol	Company	% of Portfolio	Yield ³
FAST	Fastenal Co.	3.06%	3.06%
BBT	BB&T Corp.	2.77%	3.74%
GLW	Corning Inc.	2.76%	2.38%
USB	U.S. Bancorp	2.73%	3.24%
MPC	Marathon Petroleum Corp.	2.58%	3.12%
IRM	Iron Mountain Inc.	2.56%	7.54%
TGT	Target Corp.	2.36%	3.87%
KMB	Kimberly-Clark Corp.	2.25%	3.51%
WMT	Walmart Inc.	2.23%	2.23%
CMCSA	Comcast Corp. (CI A)	2.18%	2.23%

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 (October 1, 2003). 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 Q4 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 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 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. Any periods prior to April 1, 2006, Dividend All-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 to provide long term capital appreciation and high current income by investing primarily in a diversified, all cap basket of income producing equity securities 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. 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.

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 was conducted by Ashland Partners & Company.

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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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