

Long-Short Equity

QUARTERLY UPDATE AS OF DECEMBER 31, 2018



Strategy Overview

River Road's Long-Short Equity Portfolio is a hedged equity strategy that employs a fundamental, all-cap, value-oriented approach. The Strategy seeks to provide **equity-like returns** with substantially **reduced volatility** while emphasizing **capital protection**.

Portfolio Managers



Matt W. Moran, CFA
18 years of experience
Bradley University, BS
University of Chicago, MBA



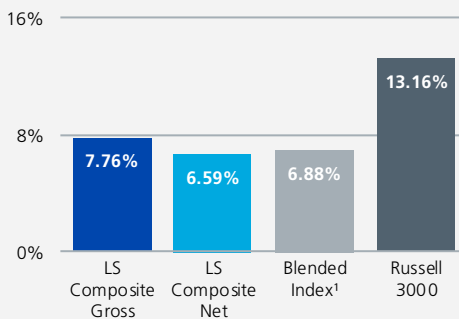
Daniel R. Johnson, CFA, CPA
12 years of experience
University of Kentucky, BS
University of Kentucky, MAcc

Investment Objectives

EQUITY-LIKE RETURNS

The Strategy seeks to outperform the blended index¹ by 300 to 500 bps over a full market cycle. We seek to construct a concentrated long portfolio of 20 to 40 excellent companies trading at compelling prices and a short portfolio of 20 to 40 challenged business models that are overvalued and exhibit low momentum.

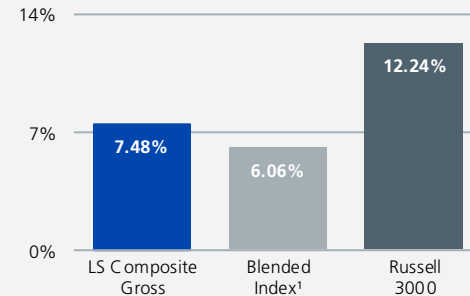
Since Inception Anlzd Return



REDUCED VOLATILITY

We seek to reduce Portfolio volatility by maintaining a flexible net market exposure of 10-90%. Normal exposure is 50-70%. We also limit volatility by executing on the fundamentals of risk management: we do not average down and we set stop losses, monitor losses at the portfolio level, and seek to avoid high momentum in the short portfolio.

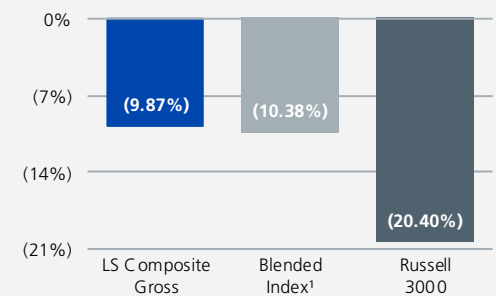
Since Inception Anlzd Std Deviation



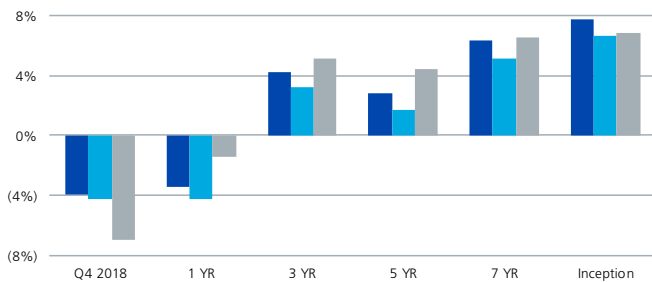
CAPITAL PROTECTION

The Strategy employs two tools that we believe help prevent major drawdowns in the Portfolio: the discount-to-value indicator and the Drawdown Plan. We use our discount-to-value indicator to proactively reduce exposure in extremely overvalued markets. The Drawdown Plan is a reactive method to reduce exposure in declining markets.

Since Inception Max Drawdown

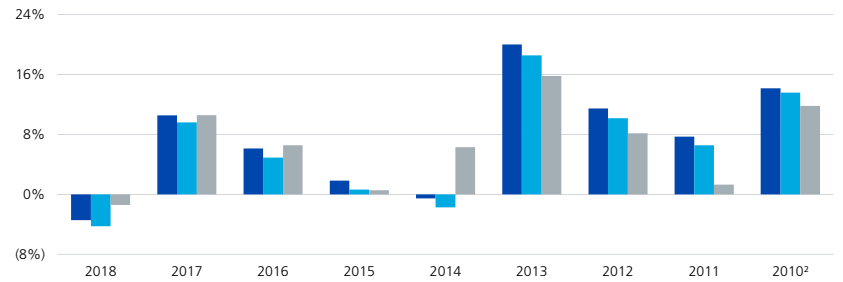


Trailing Performance



	Q4 2018	1 YR	3 YR	5 YR	7 YR	Inception
LS Composite - Gross	(4.00%)	(3.43%)	4.25%	2.79%	6.32%	7.76%
LS Composite - Net	(4.21%)	(4.26%)	3.25%	1.71%	5.16%	6.59%
Blended Index ¹	(7.00%)	(1.42%)	5.12%	4.42%	6.51%	6.88%
Out/Underperformance	+3.00%	(2.01%)	(0.87%)	(1.63%)	(0.19%)	+0.88%
Russell 3000	(14.30%)	(5.24%)	8.97%	7.91%	12.46%	13.16%
Russell 3000 Value	(12.24%)	(8.58%)	7.01%	5.77%	10.91%	11.48%

Annual Performance



	2018	2017	2016	2015	2014	2013	2012	2011	2010 ²
LS Composite - Gross	(3.43%)	10.54%	6.14%	1.85%	(0.54%)	20.01%	11.49%	7.72%	14.15%
LS Composite - Net	(4.26%)	9.60%	4.90%	0.64%	(1.73%)	18.58%	10.16%	6.54%	13.58%
Blended Index ¹	(1.42%)	10.58%	6.55%	0.54%	6.29%	15.78%	8.17%	1.30%	11.79%
Out/Underperformance	(2.01%)	(0.04%)	(0.41%)	+1.31%	(6.83%)	+4.23%	+3.32%	+6.42%	+2.36%
Russell 3000	(5.24%)	21.13%	12.74%	0.48%	12.56%	33.55%	16.42%	1.03%	24.46%
Russell 3000 Value	(8.58%)	13.19%	18.40%	(4.13%)	12.70%	32.69%	17.55%	(0.10%)	22.12%

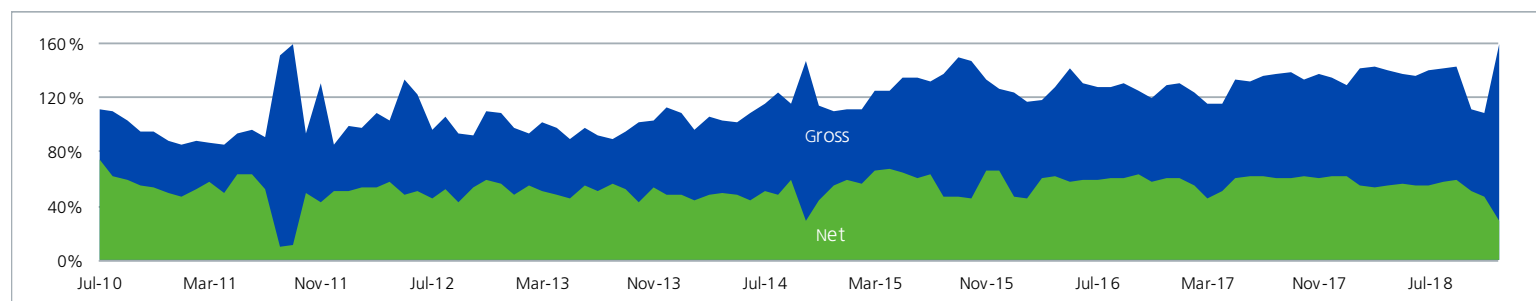
Performance is shown gross and net of fees. Inception date: July 1, 2010. ¹The blended index represents a 50% weighting of the Russell 3000 index and a 50% weighting of the ICE BofAML US Treasury Bill (0-3 M) (Local Total Return); rebalanced daily. ²July 1, 2010 through December 31, 2010. Out/underperformance compares gross performance and the blended index. LS Composite max drawdown calculated using daily gross performance. Exposure and holdings ranges are working guidelines subject to market fluctuations and other factors. Exact ranges may not be achieved. 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.

Return & Risk Analysis

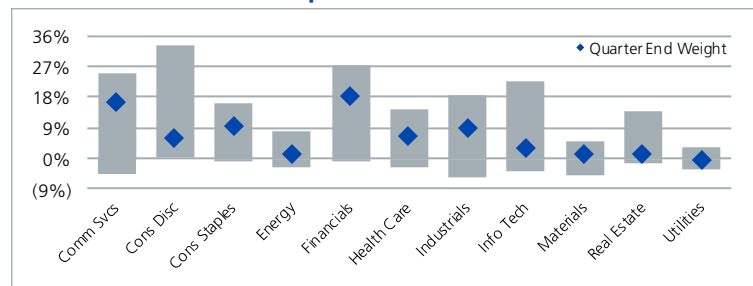
Since Inception	LS Composite Gross	LS Composite Net	Russell 3000
Anlzd. Return	7.76%	6.59%	13.16%
Jensen Alpha	1.51	0.43	--
Upside Capture	50%	47%	100%
Downside Capture	40%	43%	100%
Max 1-Month Drawdown	(6.69%)	(6.75%)	(9.31%)
Max Drawdown	(9.87%)	(10.57%)	(20.40%)

Trailing 5 YR	LS Composite Gross	Russell 3000
Sharpe Ratio	0.28	0.66
Sortino	0.40	0.97
Beta	0.49	1.00
Anlzd. Std. Dev.	7.79	11.07
R-Squared	48.75	100.00
Correlation	0.70	1.00

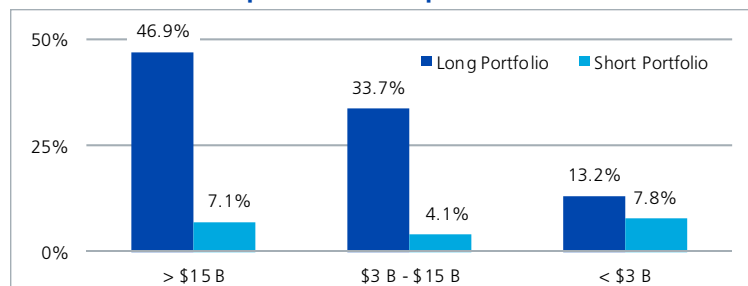
Historical Exposure



Historical Net Sector Exposure¹



Current Market Capitalization Exposure²



Inception date: July 1, 2010. ¹Sector exposure range reflects quarterly maximum and minimum exposure since inception (July 1, 2010) and excludes index hedges held during the Drawdown Plan. Stocks without a reported sector are not presented. ²Market capitalization exposure presented as gross ending weights for the long and short portfolios. Stocks without a reported market cap (e.g. corporate reorganizations, mergers, acquisitions, dissolutions) are not presented. Gross of fees performance does not reflect the effect of management fees (performance would have been lower). Please refer to the net of fees performance provided when considering this strategy. LS Composite annualized return and max drawdown are calculated using daily performance; all other return and risk statistics are calculated using monthly performance. Sortino ratio calculated using the FTSE 3M Treasury Bill. Source: River Road Asset Management LLC, FactSet Research Systems Inc., and Russell Investment Group.

Composite Components and Representative Portfolios: The LS Composite consists of the following components: long portfolio, short portfolio, index hedges, cash, and an immaterial investment in covered call options previously held in the Composite. All data shown for individual components (except cash) excludes the impact of cash. For the "short portfolio" and "index hedge" components, performance includes the impact of dividend expense, but excludes the impact of the cost to borrow the underlying stock that is shorted and the cash received from shorting. The "short portfolio" also excludes index hedges applied during the drawdown. Cost to borrow expenses and the cash received from shorting are reflected in the "cash" component; "index hedges" are their own component. Any performance shown for one of the components is supplemental information only. The performance methodology employed for calculating supplemental performance varies from that of RRAM official performance measurement.

Unless otherwise noted as Composite, the information presented is based on representative portfolios within the Long-Short Equity 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.

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The official benchmarks for the Composite are the Blended Index and the Russell 3000. The Blended Index was added as a benchmark effective October 31, 2016. The Blended Index represents a 50% weighting of the Russell 3000 index and a 50% weighting of the ICE BofAML US Treasury Bill (0-3 M) (Local Total Return); rebalanced daily. All other indices listed throughout the presentation are shown for additional information only.

The information provided in this report should not be considered a recommendation to purchase or sell any particular security. 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 holdings 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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