



April 10, 2019

Dear Friends and Investors,

Stocks soared in Q1 following an abrupt pivot in Federal Reserve policy. Responding to slowing growth, Q4 market volatility, and tame inflation, Fed Chairman Jerome Powell unexpectedly communicated additional interest rate hikes are unlikely and the run-off of securities on the Fed's balance sheet is nearing an end.

Thus, **despite an equally abrupt slowdown in expected earnings growth, the S&P 500 rallied +13.65% for the quarter**, marking **the strongest Q1 performance for the index since 1998**. Small cap stocks slightly outperformed large cap with the Russell 2000 index returning **+14.58%** versus **+14.00%** for the Russell 1000. Given the macro environment, it is no surprise growth significantly outperformed value across all market caps. Additionally, **international and global stock indices generally trailed U.S. indices**, with the MSCI EAFE and Emerging Markets indices returning **+10.13%** and **+9.95%**, respectively.

Q1 2019 Composite Performance Summary ¹								
	Small Cap Value	Small-Mid Cap Value	Dividend All-Cap Value	Dividend All-Cap Value II	Focused Absolute Value®	Focused Absolute Value® II	Long-Short Equity	International Equity ADR
Gross	15.30%	16.26%	10.85%	10.81%	15.60%	14.87%	9.26%	12.19%
Net	15.06%	16.06%	10.70%	10.72%	15.49%	14.65%	9.03%	12.03%
Benchmark ²	11.93%	13.12%	11.93%	11.93%	11.93%	11.93%	7.18%	10.05%
+ / -	+3.37%	+3.14%	-1.08%	-1.12%	+3.67%	+2.94%	+2.08%	+2.14%

Despite the 'risk-on' environment, most River Road strategies posted great results. The firm's **Small Cap Value (SCV)** and **Small-Mid Cap Value (SMID)** Composites delivered strong performance in Q1, outperforming their benchmarks by **+337 bps** (+313 bps net) and **+314 bps** (+294 bps net), respectively. Positive stock selection drove performance for both strategies, with **Industrials (+154 bps)** leading in SCV and **Communication Services (+150 bps)** within SMID.

River Road's **Focused Absolute Value® (FAV)** Composite also delivered strong relative results for Q1, outperforming the Russell 3000 Value benchmark by **+367 bps** (+356 bps net). Results were primarily driven by stock selection, particularly within the **Communication Services (+246 bps)** and **Energy (+99 bps)** sectors.

With total assets in FAV approaching the Strategy's active capacity target of \$1 B, we recently opened **Focused Absolute Value® II (FAV II)** to external capital. **FAV II is nearly identical in structure to FAV, but employs a higher minimum market cap for its investment universe (\$1 B versus \$250 MM).** The FAV II Composite was funded internally approximately two years ago and has a similar active capacity target to FAV (approximately \$1 B). The introduction of 'extension' strategies, such as SMID and DAV II, has historically proven to be a highly effective way for RRAM to meet client needs, maintain critical organizational scale, and preserve the firm's conservative approach to capacity. For Q1, the FAV II Composite outperformed its benchmark by **+294 bps** (+272 bps net), with the primary difference relative to FAV attributable to the Strategy's lower allocation to smaller cap stocks.

Looking beyond the United States, RRAM's **International Equity ADR (iADR)** Composite also delivered strong Q1 results, outperforming the iShares MSCI EAFE ETF by **+214 bps** (+198 bps net). **Emerging Markets had the highest geographic contribution to relative performance (+66 bps)**, driven primarily by stock selection.³ River Road's iADR Strategy recently celebrated the five-year anniversary of its Composite track record. Since its inception, iADR has outperformed the benchmark across all time periods (one-, three-, five-year) and in four of five calendar years (three of five net). Additionally, it has demonstrated a beta and standard deviation materially lower than its benchmark. We believe iADR offers a compelling solution for clients seeking non-U.S. equity exposure through a direct investment in U.S.-listed shares. The Strategy is available for separate and model accounts. **For more information on the iADR Strategy, please contact Rob Wainwright at 502.371.2280.**

The **Long-Short Equity (LS)** Composite outperformed its blended index by **+208 bps** (+185 bps net) in Q1, with strong performance from both **long (+15.86%)** and **short (+5.74%)** holdings. Remarkably, the Portfolio achieved these results while

¹ Please see the attached disclosures. Past performance is no guarantee of future results.

² Benchmarks: SCV - Russell 2000 Value; SMID - Russell 2500 Value; DAV - Russell 3000 Value; DAV II - Russell 3000 Value; FAV - Russell 3000 Value; FAV II - Russell 3000 Value; Long-Short Equity - 50% Russell 3000 index/50% ICE BofAML US Treasury Bill (0-3 M) (Local Total Return); rebalanced daily; iADR - iShares MSCI EAFE ETF.

³ Classifications determined by applying Bloomberg's country of risk methodology.



averaging just **41%** net market exposure during the quarter, highlighting the strength of both long and short stock picking by the portfolio managers.⁴

Finally, River Road's **Dividend All-Cap Value (DAV and DAV II)** Composites trailed their benchmark for Q1 as stock selection, particularly within the **Consumer Staples** and **Information Technology** sectors, weighed on results. An underweight in **Health Care**, the worst performing sector in the benchmark during the period, helped partially offset underperformance. The DAV Strategy marginally outperformed DAV II, primarily due to the Strategy's greater exposure to small cap stocks.

With regard to firm news, we are excited to announce **Benjamin T. Brady has joined the RRAM team as Vice President, Business Development**. Ben will be responsible for managing institutional client, consultant, and advisory relationships. Ben brings more than 17 years of industry experience to his role. Prior to joining River Road, Ben served as *Director, Regional Manager* at AMG Funds. Additionally, he has held various business development, client servicing, and sales positions at Aston Asset Management and Deutsche Bank. Ben earned a B.B.A. in Finance and Marketing from Ohio University. Additionally, he holds Series 6, Series 7, Series 24, and Series 63 securities licenses.

Finally, we are pleased to announce **Elizabeth A. Brenner, SPHR has been appointed to River Road's Executive Committee**. This represents the first meaningful change to RRAM's senior decision-making team in nearly six years. Elizabeth has served her colleagues at RRAM for nearly a decade, currently as *Director of Human Resources*. In this capacity, **she has been a highly effective advocate for all RRAM associates, supporting diversity, development, and engagement**. Elizabeth earned a B.A. in Psychology from the University of Kentucky and an M.S. in Human Resources Education from the University of Louisville. She is completing a Ph.D. in Educational Leadership and Organizational Development from the University of Louisville. Elizabeth was awarded the SPHR® certification in 2015. We congratulate Elizabeth on her appointment and look forward to her future contributions in this important role.

We hope you enjoy reading River Road's portfolio commentary and outlook and welcome your questions and feedback.

R. Andrew Beck
*President & CEO,
Senior Portfolio Manager*

James C. Shircliff, CFA
*Chief Investment Officer &
Senior Portfolio Manager*

Henry W. Sanders, III, CFA
*Executive Vice President &
Senior Portfolio Manager*

⁴ Relative long and short portfolio performance is gross of fees. 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. The long portfolio and short portfolio information is based on a representative portfolio within the Strategy and excludes the impact of cash. Short portfolio performance excludes the impact of the cost to borrow and index hedges applied during the drawdown plan.



Disclosures:

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 RRAMCompliance@riverroadam.com. For all Composites, 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.

Small Cap Value (SCV) Composite Disclosures:

Inception date: January 1, 1998. The Small Cap Value Composite contains fully discretionary small cap value equity accounts that seek capital appreciation by investing primarily in small cap value domestic equity securities that trade at a discount to our valuation as determined using RRAM's proprietary Absolute Value® approach. For this Composite, RRAM defines a small cap company as one whose market capitalization is less than \$4 B. RRAM selects securities from a universe of companies with a market capitalization at the time of initial purchase typically between \$50 MM and \$4 B, employing a value-driven, bottom-up fundamental approach. The official benchmarks for the Composite are the Russell 2000 Value and the Russell 2000 indices. Net of fee performance is calculated using actual management fees, which includes performance fees for some periods.

As of March 31, 2019, net of fees returns for the Small Cap Value Composite are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, 10 year, and Inception to Date periods: -0.33%, 15.06%, 15.06%, 7.68%, 13.42%, 8.44%, 13.57%, and 10.47%. As of March 31, 2019, returns for the Russell 2000 Value are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, 10 year, and Inception to Date periods: -2.88%, 11.93%, 11.93%, 0.17%, 10.86%, 5.59%, 14.12%, and 7.96%.

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.

Small-Mid Cap Value (SMID) Composite Disclosures:

Inception Date: March 1, 2007. The Small-Mid Cap Value Composite contains fully discretionary small-mid cap value equity accounts that seek capital appreciation by investing primarily in small-mid cap value domestic equity securities that trade at a discount to our 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 official benchmark for the Composite is the Russell 2500 Value index. Net of fee performance is calculated using actual management fees.

As of March 31, 2019, net of fees returns for the Small-Mid Cap Value Composite are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, 10 year, and Inception to Date periods: -0.33%, 16.06%, 16.06%, 7.67%, 13.89%, 9.18%, 14.17%, and 7.51%. As of March 31, 2019, returns for the Russell 2500 Value are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, 10 year, and Inception to Date periods: -1.33%, 13.12%, 13.12%, 1.84%, 9.85%, 6.02%, 15.03%, and 6.33%.

Dividend All-Cap Value (DAV) Composite Disclosures:

Inception Date: October 1, 2003. The Dividend All-Cap Value Composite contains fully discretionary equity income accounts that seek 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 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 official benchmark for the Composite is the Russell 3000 Value. Net of fee 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.

As of March 31, 2019, net of fees returns for the Dividend All-Cap Value Composite are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, 10 year, and Inception to Date periods: 0.39%, 10.70%, 10.70%, 7.18%, 8.22%, 7.41%, 13.46%, and 10.25%. As of March 31, 2019, returns for the Russell 3000 Value are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, 10 year, and Inception to Date periods: 0.39%, 11.93%, 11.93%, 5.30%, 10.50%, 7.56%, 14.50%, and 8.51%.

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.

Dividend All-Cap Value II (DAV II) Composite Disclosures:

Inception Date: January 1, 2011. The Dividend All-Cap Value II Composite contains fully discretionary equity income accounts that seek long-term capital appreciation and high current income by investing primarily in a diversified, multi-cap basket of equity income securities which have a market capitalization of typically at least \$1 B at the time of initial purchase and trade at a discount to our 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 official benchmark for the Composite is the Russell 3000 Value. Net of fee 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.

As of March 31, 2019, net of fees returns for the Dividend All-Cap Value II Composite are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, and Inception to Date periods: 0.50%, 10.72%, 10.72%, 7.71%, 8.68%, 7.89%, and 10.32%. As of March 31, 2019, returns for the Russell 3000 Value are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, and Inception to Date periods: 0.39%, 11.93%, 11.93%, 5.30%, 10.50%, 7.56%, and 10.68%.

Focused Absolute Value® (FAV) Composite Disclosures:

Inception Date: January 1, 2009. The team of analysts involved with recommending investments for Focused Absolute Value® has changed and may continue to change over time. Fully invested is as defined by RRAM and this standard may change over time. Prior to September 30, 2014, the Composite was known as the Research Fund Composite.

The Focused Absolute Value® Composite contains fully discretionary accounts that seek capital appreciation by investing primarily in equity securities that trade at a discount to our valuation as determined using RRAM's proprietary Absolute Value® approach. RRAM selects securities from a universe of companies that are held by other RRAM strategies, which typically includes all market capitalizations. RRAM employs a value-driven, bottom-up fundamental approach. One client account is a current employee of RRAM. The official benchmark for the Composite is the Russell 3000 Value. Net of fee 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.



As of March 31, 2019, net of fees returns for the Focused Absolute Value® Composite are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, 10 year, and Inception to Date periods: -0.14%, 15.49%, 15.49%, 11.61%, 13.73%, 10.71%, 18.47%, and 17.04%. As of March 31, 2019, returns for the Russell 3000 Value are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, 10 year, and Inception to Date periods: 0.39%, 11.93%, 11.93%, 5.30%, 10.50%, 7.56%, 14.50%, and 12.07%.

Focused Absolute Value® II (FAV II) Composite Disclosures:

Inception Date: January 1, 2017. The team of analysts involved with recommending investments for Focused Absolute Value® II has changed and may continue to change over time. Fully invested is as defined by RRAM and this standard may change over time.

The Focused Absolute Value® II Composite contains fully discretionary accounts that seek capital appreciation by investing primarily in equity securities that have a market capitalization of typically at least \$1 B at the time of initial purchase and that trade at a discount to our valuation as determined using RRAM's proprietary Absolute Value® approach. RRAM selects securities from a universe of companies that are held by other RRAM strategies, which typically includes all market capitalizations. RRAM employs a value-driven, bottom-up fundamental approach. The clients for the accounts are current employees of RRAM. The official benchmark for the Composite is the Russell 3000 Value Index. The net of fee returns presented are not actual management fees, but are calculated by applying the highest fee schedule effective at that time.

As of March 31, 2019, net of fees returns for the Focused Absolute Value® II Composite are as follows for the month, QTD, YTD, 1 year, and Inception to Date periods: -0.51%, 14.65%, 14.65%, 6.99%, and 9.34%. As of March 31, 2019, returns for the Russell 3000 Value are as follows for the month, QTD, YTD, 1 year, and Inception to Date periods: 0.39%, 11.93%, 11.93%, 5.30%, and 6.76%.

Long-Short Equity (LS) Composite Disclosures:

Inception date: July 1, 2010. The Long-Short Equity Composite contains a fully discretionary account that seeks equity-like returns with reduced volatility and an emphasis on capital protection by investing primarily in long equity securities trading at a discount to our valuation and short equity securities trading at a premium to our valuation, as determined using RRAM's proprietary Absolute Value® approach. The Composite will invest in short securities. The long and short portfolios will typically represent 50-100% and 10-90% of the total Composite, respectively. Additionally, the Composite may use options, futures, and other derivatives but these will not represent a significant portion of the Composite. 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 U.S. Treasury Bill (0-3 M) (Local Total Return); rebalanced daily. Net of fee 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.

As of March 31, 2019, net of fees returns for the Long-Short Equity Composite are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, and Inception to Date periods: 1.78%, 9.03%, 9.03%, 6.13%, 6.33%, 4.26%, and 7.47%. As of March 31, 2019, returns for the Russell 3000 are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, and Inception to Date periods: 1.46%, 14.04%, 14.04%, 8.77%, 13.48%, 10.36%, and 14.47%. As of March 31, 2019, returns for the blended index are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, and Inception to Date periods: 0.85%, 7.18%, 7.18%, 5.70%, 7.35%, 5.66%, and 7.53%.

International Equity ADR (iADR) Composite Disclosures:

Inception Date: January 1, 2014. The International Equity ADR Composite contains fully discretionary accounts that seek capital appreciation by investing primarily in non-U.S. companies that trade at a discount to valuation. For this Composite, RRAM defines non-U.S. companies as ADRs and other non-U.S. companies traded in the United States on an exchange, OTC, or pink sheets or otherwise. Three client accounts are for current employees of RRAM. The official benchmark for the Composite is the MSCI EAFE Gross index. Net of fee 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.

As of March 31, 2019, net of fees returns for the International Equity ADR Composite are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, and Inception to Date periods: 1.27%, 12.03%, 12.03%, -0.35%, 7.85%, 3.35%, and 3.07%. As of March 31, 2019, returns for the MSCI EAFE Gross are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, and Inception to Date periods: 0.74%, 10.13%, 10.13%, -3.22%, 7.80%, 2.81%, and 2.83%. As of March 31, 2019, returns for the MSCI EAFE ETF are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, and Inception to Date periods: 0.69%, 10.05%, 10.05%, -3.29%, 7.55%, 2.59%, and 2.60%.

The iShares MSCI EAFE ETF is shown as a benchmark proxy. This ETF is presented on a gross of management fee basis. FactSet Research Systems Inc. adds back in ETF expenses by applying the net expense ratios per annual reports (actual fees charged) in order to calculate the gross of fee number. Current expense ratios are used in the absence of historical. This ETF is also presented net of foreign withholding taxes on dividends, interest income, and capital gains. The iADR Composite performance is gross of foreign withholding taxes, which makes performance higher than if it were net of foreign withholding taxes.

Performance presented prior to October 1, 2016 occurred while the portfolio manager was affiliated with prior firms and the portfolio manager was the only individual 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 ACA Performance Services, LLC.

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