

Focused Absolute Value® II

A HIGH CONVICTION STRATEGY | QUARTERLY UPDATE AS OF JUNE 30, 2019



Investment Objective

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

Strategy Highlights

Focused Absolute Value® II (FAV II) is a concentrated, all cap strategy comprised of what the firm believes are the 'best and most timely' ideas selected from among the stocks held across all RRAM U.S. equity strategies, as recommended by the analyst team.¹

The FAV II Strategy leverages the existing Focused Absolute Value® (FAV) Strategy's portfolio design and investment process, but has a minimum market cap restriction at the time of initial purchase of \$1 B (versus \$250 MM for the FAV Strategy).

Portfolio Managers



R. Andrew Beck
President & CEO,
Senior Portfolio Manager

20 years of experience;
managed Portfolio since inception

University of Louisville, BS
Babson College, MBA



Thomas S. Forsha, CFA
Co-Chief Investment Officer &
Portfolio Manager

21 years of experience;
managed Portfolio since inception

The Ohio State University, BS
University of Chicago, MBA

Analyst Liaison

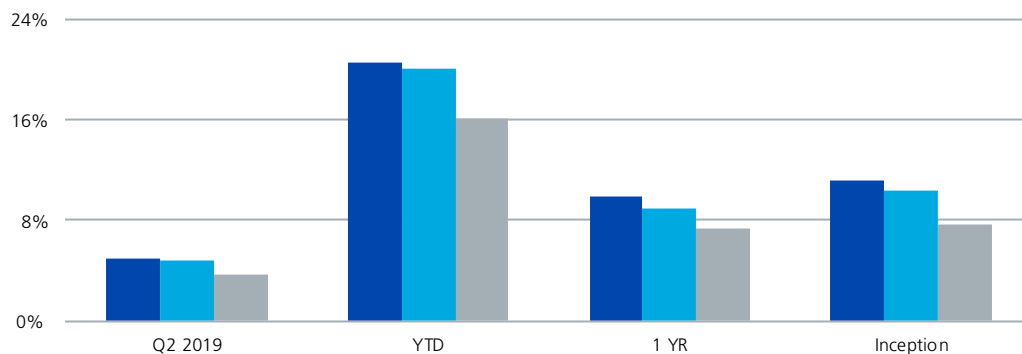


Ashley L. Abney, CPA
Senior Equity Research Analyst

13 years of experience

Centre College, BS

Performance Summary



	Q2 2019	YTD	1 YR	Inception
FAV II Composite - Gross	4.95%	20.54%	9.82%	11.12%
FAV II Composite - Net	4.76%	20.09%	9.00%	10.29%
Russell 3000 Value	3.68%	16.05%	7.34%	7.61%
Out / Underperformance	+1.27%	+4.49%	+2.48%	+3.51%

Performance is shown gross and net of fees. Inception date: January 1, 2017. Out/underperformance compares Focused Absolute Value® II 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® II Portfolio within a reasonable period of time (typically less than 30 days). Source: River Road Asset Management LLC and Russell Investment Group. Past performance is no guarantee of future results. Please see reverse side for important disclosure information.

Portfolio Review

Stocks were volatile in Q2, but ultimately delivered positive gains as declining growth expectations and an abrupt breakdown in Chinese trade negotiations were offset by an increasingly dovish Federal Reserve. Consequently, U.S. financial markets delivered one of the strongest first half performances in decades, with all nine equity style boxes posting double-digit gains and all eight major asset classes returning at least **+6%**. **For the S&P 500, it was the best first half performance since 1997 (+18.54%) and included the best June (+7.05%) since 1955!**

With volatility rising and growth expectations declining, **small caps trailed large cap in Q2** with the Russell 2000 index returning **+2.10%** versus **+4.25%** for the Russell 1000. Additionally, **growth continued to outperform value across all market caps.**

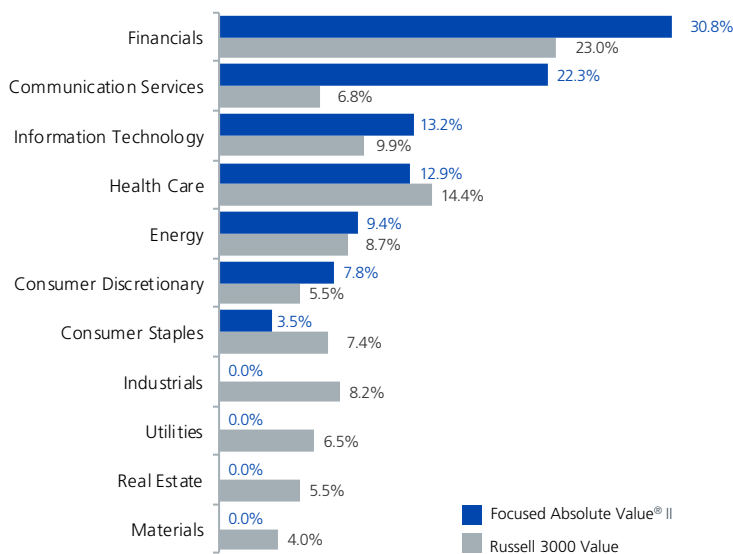
The top contributing holding in the Portfolio during Q2 was **World Fuel Services Corp. (INT)**, a global fuel logistics company that provides fuel marketing, distribution, and related services. **Management's strategy to rationalize costs and exit unprofitable business lines continues to drive earnings that exceed market expectations.** Not only are the self-help results consistent with our thesis, but we also see opportunities for additional volume growth through geographic expansion as well as benefits from regulatory tailwinds. Further, the recent authorization of a \$100 MM share repurchase program (~5% of shares outstanding) suggests management agrees the share price does not fully reflect the significant improvements in World Fuel's business.

The largest negative contributor to performance during the quarter was **Conduent Inc. (CNDT)**, a global business process outsourcer with expertise in transaction processing, customer care, human resource services, analytics, and automation. **CNDT reported disappointing Q1 2019 results with weak new business signings, which caused a -7% reduction to FY 2019 EBITDA guidance at the midpoint, and announced CEO Ashok Vemuri would step down.** After this news, we had a discussion with the company on these topics, which revealed deeper issues within the sales force and weakened our assessment of the competitive positioning of the transportation business. This information led to a reduction in the assessed value and lowered our overall conviction. Despite the poor results, Carl Icahn (who controls three CDNT board seats) meaningfully increased his ownership in the company from 11.6% to 15% after the significant drop in the stock price.

We believe **portfolio positioning remains an attractive mix of value, quality, and growth.**

According to FactSet, the Portfolio's EV/EBITDA (**valuation**) is **10.6x versus 11.6x** for the benchmark, return on equity – five-year average (**quality**) is **12.3% versus 11.7%**, and long-term earnings growth estimate (**growth**) is **+9.1% versus +8.4%**.

Sector Weightings



Characteristics

	FAV II	R3000V
Number of Holdings	22	2,069
Price / Earnings ¹	20.6	17.4
Price / Cash Flow	12.4	12.9
Price / Book	1.97	2.06
ROE (5 YR Avg)	12.3	11.7
EPS Growth (5 YR)	-0.4	4.4
LT Growth Estimate	9.1	8.4
Turnover ²	81.06%	

Market Capitalization Breakdown

	FAV II	R3000V
Wtd Median Market Cap	\$19.81 B	\$56.91 B
Wtd Avg Market Cap	\$87.94 B	\$120.91 B
Large Cap > \$15.0 B	62.9%	75.5%
Mid Cap \$3.0 - \$15.0 B	32.8%	18.6%
Small Cap < \$3.0 B	4.3%	5.9%

Portfolio Contribution

Top Contributors		Average Weight	Contribution to Return
INT	World Fuel Services Corp.	3.84%	+0.93%
LBRDK	Liberty Broadband Corp. (CI C)	6.44%	+0.83%
PINC	Premier Inc. (CI A)	4.89%	+0.71%
NCR	NCR Corp.	4.44%	+0.58%
MCK	McKesson Corp.	3.81%	+0.54%

Bottom Contributors		Average Weight	Contribution to Return
CNDT	Conduent Inc.	2.24%	-1.39%
CDK	CDK Global Inc.	4.35%	-0.80%
WBA	Walgreens Boots Alliance Inc.	3.33%	-0.41%
LKQ	LKQ Corp.	4.55%	-0.29%
WFC	Wells Fargo & Co.	2.05%	-0.14%

Top 10 Portfolio Holdings

Symbol	Company	% of Portfolio
BRK.B	Berkshire Hathaway Inc. (CI B)	8.47%
LBRDK	Liberty Broadband Corp. (CI C)	6.61%
BAM	Brookfield Asset Management Inc. (CI A)	5.91%
CMCSA	Comcast Corp. (CI A)	5.65%
PINC	Premier Inc. (CI A)	5.40%
KMI	Kinder Morgan Inc. (CI P)	5.07%
SABR	Sabre Corp.	4.72%
NCR	NCR Corp.	4.43%
USB	U.S. Bancorp	4.42%
INT	World Fuel Services Corp.	4.28%

GICS sector and market cap breakdowns reflect percent of equity; stocks without a reported sector or market cap (e.g. corporate reorganizations, mergers, acquisitions, and dissolutions) are not presented. ¹Excludes negative earnings. ²Average annual turnover since inception (January 1, 2017). Source: River Road Asset Management LLC, FactSet Research Systems Inc., and Russell Investment Group.

Portfolio contribution calculated for the Q2 2019 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 Composite and/or representative portfolio performance contact RRAMCompliance@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® II 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 data is shown as supplemental information to the Composite presentation.

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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. Two clients for the accounts are current employees of RRAM. The official benchmark for the Composite is the Russell 3000 Value Index. All other indices are shown for additional information only. 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. 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.

The team of analysts involved with recommending investments for Focused Absolute Value® II 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 of our portfolio are shown and 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.

Sector, Industry Group, Industry, or Sub-industry group levels are determined at the beginning of each quarter according to the Global Industry Classification Standard ("GICS"), developed and exclusively owned by MSCI, Inc. ("MSCI") and Standard & Poor's Financial Services LLC ("S&P"), unless otherwise stated that they have been reclassified or classified by RRAM. Reclassifications/classifications by RRAM are not supported by S&P or MSCI. All GICS data is provided "As Is" with no warranties. RRAM may classify securities that are not automatically classified by MSCI and S&P.

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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