

International Equity ADR

QUARTERLY UPDATE AS OF JUNE 30, 2019



Investment Objective

Long-term total return \geq MSCI EAFE index plus 200 bps

Volatility Objective

Target volatility \leq MSCI EAFE

Strategy Highlights

River Road's International Equity ADR (iADR) Strategy seeks to provide long-term capital appreciation by investing primarily in non-U.S. companies trading as ADRs or otherwise traded in the United States.

The Strategy seeks to invest in high quality companies with improving fundamentals, trading at attractive valuations. Typical investment criteria include a minimum market capitalization of \$3 B and average daily liquidity of \$5 MM (including both ADR and local market liquidity).

The stock selection process is complemented by a risk averse approach that employs balanced diversification and a structured sell discipline.

Portfolio Manager

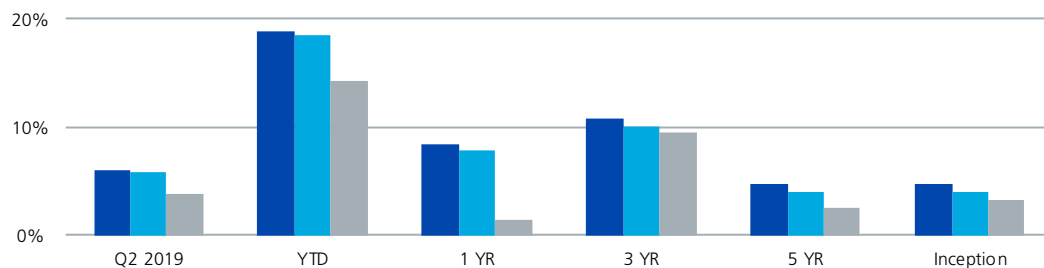


William W. Yang, CFA

17 years of experience;
managed Portfolio since inception

Shanghai Jiao Tong University, BS
Shanghai Institute of Foreign Trade, MS
Texas Christian University, MBA

Performance Summary



	Q2 2019	YTD	1 YR	3 YR	5 YR	Inception
iADR Composite - Gross	5.91%	18.81%	8.45%	10.66%	4.70%	4.75%
iADR Composite - Net	5.77%	18.49%	7.85%	9.98%	3.96%	3.98%
iShares MSCI EAFE ETF	3.83%	14.27%	1.36%	9.39%	2.51%	3.18%
Out / Underperformance	+2.08%	+4.54%	+7.09%	+1.27%	+2.19%	+1.57%
iADR Composite Beta					0.92	0.92
iADR Composite Anlzd Std Dev					11.63	11.55
iShares MSCI EAFE ETF Anlzd Std Dev					12.20	12.03

	2018	2017	2016	2015	2014
iADR Composite - Gross	-12.44%	26.48%	-0.85%	3.21%	-4.13%
iADR Composite - Net	-12.92%	25.69%	-1.57%	2.32%	-5.11%
iShares MSCI EAFE ETF	-13.56%	25.34%	1.30%	-0.57%	-4.72%
Out / Underperformance	+1.12%	+1.14%	-2.15%	+3.78%	+0.59%

Performance is shown gross and net of fees. iShares MSCI EAFE ETF performance presented gross of management fees and net of withholding taxes as more fully described in the disclosure information. Inception date: January 1, 2014. Out/underperformance compares iADR Composite gross performance and the ETF. Source: River Road Asset Management LLC, FactSet Research Systems Inc., and Morningstar/iShares Funds. Past performance is no guarantee of future results. Beta and standard deviation are supplemental to the Composite presentation. Please see reverse side for important disclosure information.

Portfolio Review

Global equity markets were volatile in Q2, but ultimately delivered positive gains with the MSCI EAFE index returning **+3.97%** versus **+4.30%** for the S&P 500. Stocks sold off in May after a surprise tariff hike on Chinese goods. In June, however, heightened expectations for a Fed rate cut and the resumption of U.S.-China trade talks helped markets recapture the May losses.

Stock selection was positive across the majority of regions (+281 bps) and sectors (+176 bps) during Q2.

From a regional perspective, **United Kingdom** and **Developed Europe (ex UK)** were the largest contributors to relative return with both benefiting from strong stock selection. Outperformance was partially offset by poor stock selection in **Developed Asia-Pacific (ex Japan)** and an overweight allocation to **Emerging Markets** as U.S.-China trade uncertainty weighed on the region.

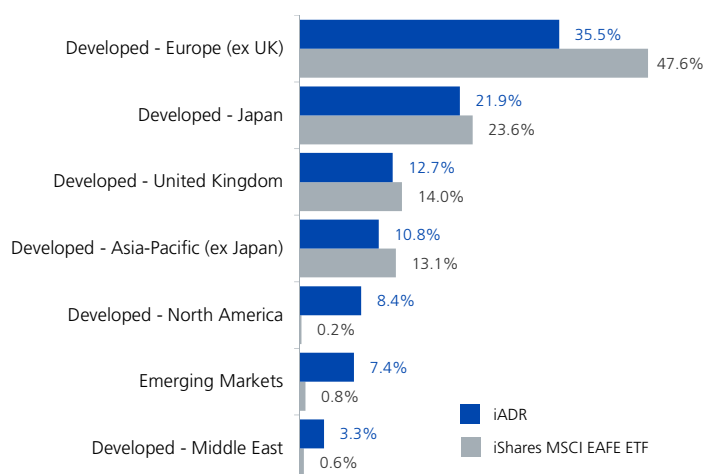
From a sector perspective, **Industrials** and **Health Care** had the largest contribution to relative return, both benefiting from strong stock selection. Outperformance was partially offset by poor stock selection in **Consumer Discretionary** and **Communication Services**.

The top contributor in Q2 was **SAP SE Sponsored ADR (SAP)**, the world's largest enterprise resource planning (ERP) software provider. SAP shares moved sharply higher when the company **announced strong Q1 results, raised guidance, and provided encouraging prospects for organic growth and margin expansion**, led by continued strong growth in the cloud segment. Margin expansion is expected to continue, and as a result, management raised its operating income growth outlook for 2019 and 2020. We believe SAP's extremely **strong competitive position, combined with focus on organic growth**, should allow the company to deliver exceptional fundamental results in the coming years.

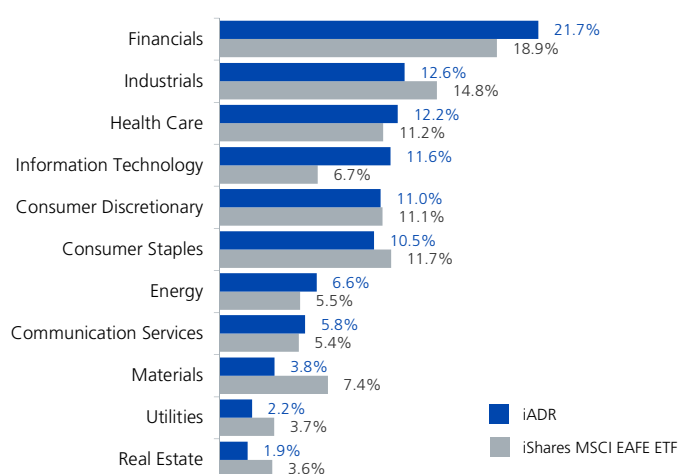
The Portfolio's bottom contributor during the quarter was **Isuzu Motors Ltd. Un-sponsored ADR (ISUZY)**, a Japan-based auto manufacturer focusing on heavy-medium and light-duty trucks. ISUZY had been one of the bottom performers in Q1, but we maintained the position on expectations for rebounding truck sales. However, ISUZY released another weak quarterly result due to **poor light-truck sales in Thailand and Japan**. The **postponement of its cost-cutting projects** added further pressure to its operating profit margin.

We believe international stock valuations remain attractive, but tepid global economic growth and geopolitical risks could weigh on future returns.

Region Weightings



Sector Weightings



Characteristics

	iADR	iShares MSCI EAFE ETF
Number of Holdings	49	926
ROE (5 YR Avg)	13.0	11.6
EV / EBITDA	9.7	9.8
LT Growth Forecast	8.9	7.6
Dividend Yield ¹	2.45	3.38
Wtd Avg Mkt Cap (B)	\$87.09	\$65.10
Wtd Med Mkt Cap (B)	\$49.20	\$37.53
Cash	4.4%	
Annualized Standard Deviation ²	11.63	12.20
Jensen Alpha ²	2.33	
Beta ²	0.92	
Turnover ³	39.51%	

Region and sector breakdowns reflect percent of equity. Underlying country classifications determined by applying Bloomberg's Country of Risk Methodology; regions determined by River Road; stocks not classified by this methodology are not presented. Sector classifications provided from GICS; stocks not classified by this methodology are not presented. ¹Gross of fees; indicated yield does not anticipate special dividends. ²Risk characteristics based on trailing 60 month gross of fee composite performance. ³Average annual turnover since inception (January 1, 2014). ⁴Melco Resorts and Entertainment Ltd. Shs Sponsored American Deposit Receipt Repr 3 Shs. Source: River Road Asset Management LLC, Bloomberg LP, FactSet Research Systems Inc., Morningstar/Shares Funds, and MSCI Inc.

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: Performance data based on the Composite, all other data presented is based on representative portfolios within the International Equity ADR 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. For any periods prior to October 1, 2016, International Equity ADR Composite data was used instead of representative portfolio data. All representative portfolio data is shown as supplemental information 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 RRAMCompliance@riverroadam.com.

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. Two client accounts are for current employees of RRAM. The official benchmark for the Composite is the MSCI EAFE Gross Index. The MSCI EAFE Gross Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia, and the Far East, excluding the U.S. and Canada. The Index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries. Gross total return indexes reinvest as much as possible of a company's dividend distributions. The reinvested amount is equal to the total dividend amount distributed to persons residing in the country of the dividend-paying company. Gross total return indexes do not, however, include any tax credits. Composite performance may differ materially from the index as the investment universe for the composite and the index are different. All other indices are shown for additional information only. 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 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 June 30, 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: 5.97%, 3.97%, 14.49%, 1.60%, 9.65%, 2.74%, and 3.43%.

The Composite was created October 1, 2016. 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.

ETF Benchmark Proxy: 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.

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 MSCI ACWI. For more information, please contact RRAM.

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Portfolio Contribution

Top Contributors		Average Weight	Contrib to Return
SAP	SAP SE Sponsored ADR	2.98%	+0.56%
IR	Ingersoll-Rand plc	3.35%	+0.55%
HOCPY	HOYA Corp. Sponsored ADR	2.19%	+0.35%
VEOEY	Veolia Environnement SA Sponsored ADR	1.86%	+0.34%
AZSEY	Allianz SE Sponsored ADR	2.59%	+0.33%

Bottom Contributors

ISUZY	Isuzu Motors Ltd. Un-sponsored ADR	0.57%	-0.22%
BIDU	Baidu Inc. Sponsored ADR (CI A)	0.51%	-0.21%
DWAHY	Daiwa House Industry Co. Ltd. Un-sponsored ADR	1.89%	-0.14%
SVNDY	Seven & I Holdings Co. Ltd. Un-sponsored ADR	1.02%	-0.11%
MLCO	Melco Resorts and Entertainment Ltd. Sponsored ADR ⁴	1.96%	-0.07%

