

Small-Mid Cap Value

QUARTERLY UPDATE AS OF JUNE 30, 2019



Investment Objective

Long-term total return > Russell 2500 Value index plus 200 to 400 bps

Strategy Highlights

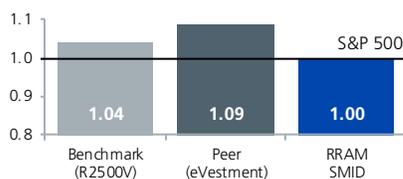
River Road's Small-Mid Cap Value (SMID) Strategy focuses on companies between \$250 MM and \$10 B in market capitalization. The SMID Strategy employs the same bottom-up, fundamentally driven investment process as the firm's Small Cap Value Strategy.

- Bottom-up, fundamentally driven stock selection
- Balanced diversification
- Structured sell discipline

Low Volatility Returns

- Target volatility < Russell 2500 Value
- Ranked among the top 17% of peers over the prior five-year period¹

Beta vs S&P 500 (Trailing 5 YR)¹



Portfolio Managers



J. Justin Akin
16 years of experience;
managed Portfolio since 2012
Centre College, BS

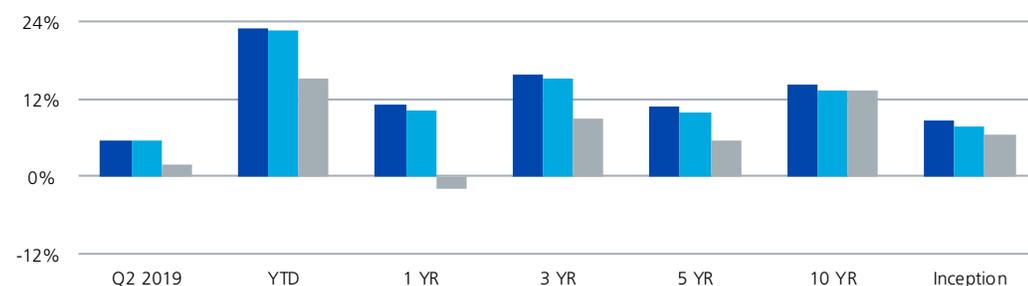


R. Andrew Beck
20 years of experience;
managed Portfolio since inception
University of Louisville, BS
Babson College, MBA



James C. Shircliff, CFA
46 years of experience;
managed Portfolio since inception
University of Louisville, BS

Performance Summary



	Q2 2019	YTD	1 YR	3 YR	5 YR	10 YR	Inception
Out / Underperformance	+3.81%	+7.62%	+12.94%	+6.90%	+5.22%	+0.91%	+2.27%

SMID Composite Beta

0.89 0.81 0.81

SMID Composite Anlzd Std Dev

13.53 13.46 15.41

Russell 2500 Value Anlzd Std Dev

14.32 15.65 18.22

Performance is shown gross and net of fees. Inception date: March 1, 2007. Out/underperformance compares Small-Mid Cap Value gross performance and Russell 2500 Value. ¹Volatility, 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 Small-Mid 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

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!**

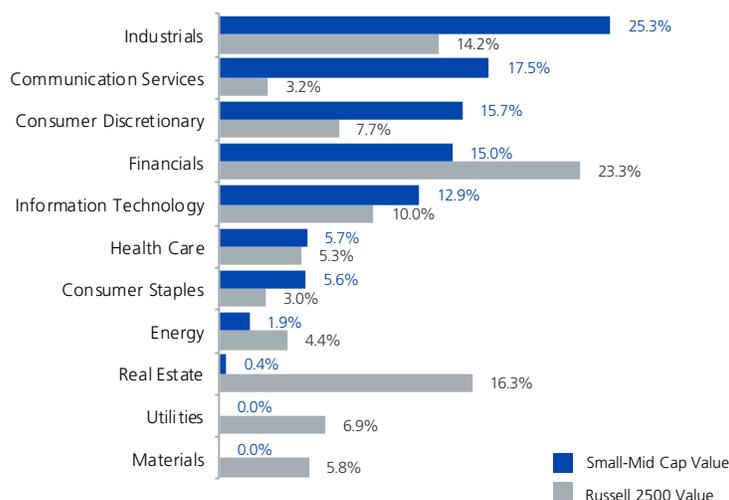
With volatility rising and growth expectations declining, **small caps trailed large cap in Q2** with the Russell 2000 index returning **+2.10%** for Q2 versus **+4.25%** for the Russell 1000. Additionally, **growth continued to outperform value across all market caps.**

The sectors with the highest contribution to relative return in the Portfolio during Q2 were **Consumer Staples** and **Energy**. Consumer Staples benefited from strong stock selection. Energy benefited from an underweight allocation and positive stock selection. The top contributing holding in the Portfolio was **Cannae Holdings Inc. (CNNE)**, which owns a healthcare IT company (T-System), a 22% stake in publicly traded HR software and services firm Ceridian (CDAY), a 25% stake in privately held commercial data and analytics provider Dun & Bradstreet, and restaurant brands (O'Charley's, 99). In February 2019, CNNE and its partners closed the acquisition of Dun & Bradstreet Corp. (DNB). In early May, **CNNE management noted DNB had already achieved \$124 MM of net annualized expense reductions and expects a run rate of more than \$200 MM by the end of 2019.** Considering DNB generated ~\$550 MM of EBITDA in 2018, this represents significant improvement. Furthermore, CNNE sold two million CDAY shares for \$100.5 MM (\$50.25/share).

The sectors with the lowest contribution to relative return in Q2 were **Information Technology** and **Materials**. Information Technology suffered from poor stock selection, while Materials had a slightly positive total effect due to lack of exposure. The largest negative contributor to performance was **Avaya Holdings Corp. (AVYA)**, a provider of communications networks for companies in on-premise, cloud, and hybrid formats. Shares fell as **2019 EBITDA guidance was cut -10% at the midpoint.** Management blamed weak quarterly results largely on M&A rumors which surfaced on March 25. **Customers delayed orders as they attempted to determine how a potential transaction could impact AVYA's future product availability and support.** AVYA confirmed it hired an investment bank to undergo a review of strategic alternatives, but no outcome has been announced to date.

Despite strong performance in recent quarters, we believe **portfolio positioning remains a highly attractive balance of value, quality, and growth.** According to FactSet, the Portfolio's EV/EBITDA (valuation) is **10.1x versus 11.5x** for the benchmark, return on equity – five-year average (quality) is **11.3% versus 8.9%**, and long-term earnings growth estimate (growth) is **+9.6% versus +9.1%**.

Sector Weightings



Portfolio Contribution

Top Contributors		Average Weight	Contribution to Return
CNNE	Cannae Holdings Inc.	4.04%	+0.74%
UNF	UniFirst Corp.	2.74%	+0.61%
TWNK	Hostess Brands Inc. (CI A)	3.67%	+0.54%
WAGE	WageWorks Inc.	1.79%	+0.53%
GLIBA	GCI Liberty Inc. (CI A)	4.92%	+0.49%
Bottom Contributors		Average Weight	Contribution to Return
AVYA	Avaya Holdings Corp.	1.77%	-0.59%
CNDT	Conduent Inc.	1.19%	-0.48%
CDK	CDK Global Inc.	1.70%	-0.30%
AGX	Argan Inc.	1.29%	-0.26%
LILAK	Liberty Latin America Ltd. (CI C)	1.55%	-0.19%

GICS sector breakdown reflects percent of equity; stocks without a reported sector are not presented. ¹Excludes negative earnings. 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 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 Small-Mid 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. 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 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. 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.

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.

eVestment US Small-Mid Cap Value Equity: US Equity products that invest primarily in small and mid 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 2500, or Russell 2500 Value. Managers in this category will typically indicate a "Primary Capitalization Emphasis" equal to Small-Mid Cap and a "Primary Style Emphasis" equal to Value.

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Characteristics

	SMID	R2500V
Number of Holdings	63	1,701
Price / Earnings ¹	18.7	18.0
Price / Cash Flow	13.4	13.2
Price / Book	1.90	1.67
ROE (5 YR Avg)	11.3	8.9
EPS Growth (5 YR)	3.3	6.5
Cash Flow Growth (5 YR)	4.8	5.0
LT Growth Estimate	9.6	9.1
Wtd Avg Mkt Cap (B)	\$4.54	\$5.26
Wtd Med Mkt Cap (B)	\$3.25	\$4.60

Top 10 Portfolio Holdings

Symbol	Company	% of Portfolio
GLIBA	GCI Liberty Inc. (CI A)	4.97%
CNNE	Cannae Holdings Inc.	4.17%
PINC	Premier Inc. (CI A)	3.86%
TWNK	Hostess Brands Inc. (CI A)	3.86%
LBRDK	Liberty Broadband Corp. (CI C)	3.46%
WTM	White Mountains Insurance Group Ltd.	3.36%
LEXEA	Liberty Expedia Holdings Inc. (CI A)	3.25%
UNF	UniFirst Corp.	3.12%
DISCK	Discovery Inc. (CI C)	2.68%
LKQ	LKQ Corp.	2.64%

