

Focused Absolute Value® II

A HIGH CONVICTION STRATEGY | QUARTERLY UPDATE AS OF SEPTEMBER 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 value strategy comprised of what the analyst team believes are the 'best and most timely ideas' selected from the stocks held across all River Road U.S. equity strategies.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

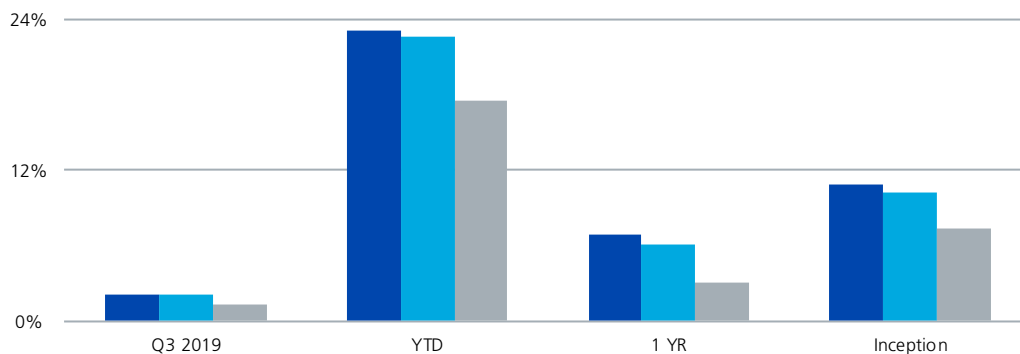


Ashley L. Abney, CPA
Senior Equity Research Analyst

13 years of experience

Centre College, BS

Performance Summary



	Q3 2019	YTD	1 YR	Inception
FAV II Composite - Gross	2.15%	23.13%	6.79%	10.91%
FAV II Composite - Net	2.06%	22.56%	6.09%	10.12%
Russell 3000 Value	1.23%	17.47%	3.10%	7.36%
Out / Underperformance	+0.92%	+5.66%	+3.69%	+3.55%

Performance is shown gross and net of fees. Inception date: January 1, 2017. Out/underperformance compares the gross Composite and index. 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

The quarter was tumultuous for investors, who were bombarded with mixed signals regarding the economy, earnings, the U.S.-China trade dispute, interest rates, and the global political landscape. The result was a flight to safety that saw **30-year Treasury yields hit an all-time low** and **the most violent factor rotation among stocks since the financial crisis**. Equity returns were mixed with the S&P 500 index returning a modest **+1.70%** versus **-2.40%** for the Russell 2000 index.

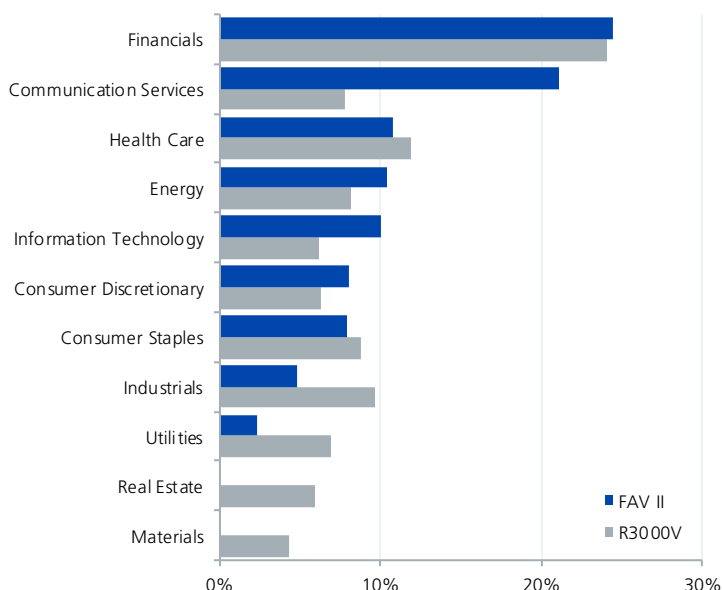
Style trends were mixed across market caps, with **value slightly underperforming growth among large caps, but significantly outperforming among small caps**. Year to date, value continues to lag growth across all market caps.

The sectors with the largest contribution to Portfolio return during Q3 were **Financials** and **Consumer Discretionary**. Outperformance in Consumer Discretionary was entirely driven by the top contributor in the quarter, **LKQ Corp. (LKQ)**, a global distributor of aftermarket and recycled replacement parts for vehicle repair. The stock received a lift in September following an optimistic update on European operations. **Management outlined a credible strategy to rationalize businesses and technology platforms across 21 European countries at a reasonable cost** while maintaining previously communicated margin targets. A more significant boost arrived just two days later when ValueAct Capital disclosed a 5.2% stake in LKQ via a 13-D filing, sending the stock +12% higher. In addition to its intention to discuss capital allocation and overall strategy with management, ValueAct will explore the possibility of pursuing a board seat. **Although the updated management outlook and involvement by a notable activist is helpful, our longstanding investment thesis for LKQ remains firmly intact**. The company is poised to benefit from secular tailwinds generated by the aging car parc, improving operating leverage for the European business, and growing free cash flow.

The sector with the largest negative contribution to Portfolio return was **Health Care** which was predominantly driven by healthcare group purchasing organization (GPO) and data analytics provider, **Premier Inc. (CI A) (PINC)**. PINC reported solid quarterly results and 2020 guidance was in line with expectations. However, **the stock sold off sharply late in the quarter when a short report was published**. The report argues PINC's two largest members will demand a much higher share of gross administrative fees when their contracts expire in 2020 and other members will follow suit, although 87% of the GPO business is under contract until September 30, 2023. **Our research suggests PINC should be able to maintain economics similar to the past due to high switching costs, the embedded nature of its business, and the tremendous savings delivered to its members**.

Despite the macro crosscurrents, **we believe portfolio positioning remains an attractive mix of value, quality, and growth**. According to FactSet, the Portfolio's EV/EBITDA (valuation) is **10.1x versus 11.0x** for the benchmark, return on equity – five-year average (quality) is **12.8% versus 12.5%**, and long-term earnings growth estimate (growth) is **+7.5% versus +7.8%**.

Sector Weightings



Characteristics

	FAV II	R3000V
Number of Holdings	26	2,168
Price / Earnings ¹	17.6	16.8
Price / Cash Flow	9.8	13.0
Price / Book	2.13	1.99
ROE (5 YR Avg)	12.8	12.5
EPS Growth (5 YR)	1.8	5.9
LT Growth Estimate	7.5	7.8
Turnover ²	81.06%	

Market Capitalization Breakdown

	FAV II	R3000V
Wtd Median Market Cap	\$19.69 B	\$49.95 B
Wtd Avg Market Cap	\$88.70 B	\$113.38 B
Large/Mega: > \$25 B	48.7%	66.8%
Mid: \$5 B - \$25 B	33.0%	23.3%
Micro/Small: < \$5 B	18.3%	9.9%

Portfolio Contribution

Top Contributors	Avg Wgt	Contrib
LKQ LKQ Corp.	4.12%	+0.68%
BAM Brookfield Asset Management Inc. (CI A)	5.76%	+0.65%
CMCSA Comcast Corp. (CI A)	5.76%	+0.43%
EAF GrafTech International Ltd.	1.55%	+0.39%
BBT BB&T Corp.	4.07%	+0.37%

Bottom Contributors	Avg Wgt	Contrib
PINC Premier Inc. (CI A)	4.93%	-1.32%
DISCK Discovery Inc. (CI C)	3.85%	-0.54%
BRK.B Berkshire Hathaway Inc. (CI B)	7.89%	-0.20%
UNH UnitedHealth Group Inc.	0.95%	-0.20%
CDK CDK Global Inc.	3.48%	-0.18%

Top 10 Portfolio Holdings

Symbol	Company	% of Port
BRK.B	Berkshire Hathaway Inc. (CI B)	7.70%
LBRDK	Liberty Broadband Corp. (CI C)	6.01%
CMCSA	Comcast Corp. (CI A)	5.74%
BAM	Brookfield Asset Management Inc. (CI A)	5.15%
TWNB	Hostess Brands Inc. (CI A)	5.04%
KMI	Kinder Morgan Inc. (CI P)	4.72%
LKQ	LKQ Corp.	4.58%
BBT	BB&T Corp.	4.25%
SABR	Sabre Corp.	4.17%
MCK	McKesson Corp.	4.05%

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 calendar year 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 Q3 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 a representative portfolio. If no single representative portfolio is available to represent the Strategy since inception, different representative portfolios and/or the composite are used for different periods to create a continuous representative portfolio. The representative portfolio is selected by the firm as a representative account that is deemed to best represent this management style using a pre-defined, objective set of criteria. All representative portfolio data is shown as supplemental information to the Composite presentation. Each client portfolio is individually managed and may vary from the information shown for the representative portfolio.

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 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 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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