

Investment Objective

Long-term total return = Russell 1000 Value index plus 200 bps to 400 bps

Strategy Highlights

The Select Value Strategy is a concentrated, high conviction value strategy comprised of companies that exhibit attractive business models, shareholder-oriented management, and financial strength.

We expect the Strategy to typically represent a subset of the long-only portion of the firm's Long-Short Equity Portfolio. The Select Value Strategy's investment universe formally consists of all North American listed equity securities with market capitalizations greater than \$2 B at the time of initial purchase.

Portfolio Managers

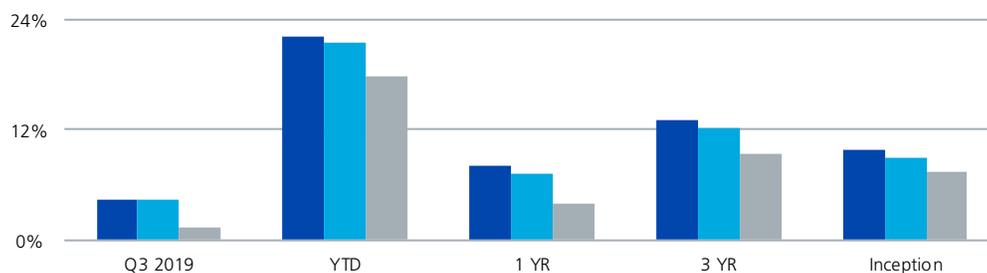


Matt W. Moran, CFA
19 years of experience
Bradley University, BS
University of Chicago, MBA



Daniel R. Johnson, CFA, CPA
13 years of experience
University of Kentucky, BS
University of Kentucky, MAcc

Performance Summary



	Q3 2019	YTD	1 YR	3 YR	Inception
SV Composite - Gross	4.40%	22.10%	8.08%	13.12%	9.90%
SV Composite - Net	4.33%	21.41%	7.21%	12.07%	8.84%
Russell 1000 Value	1.36%	17.81%	4.00%	9.43%	7.45%
Out / Underperformance	+3.04%	+4.29%	+4.08%	+3.69%	+2.45%

Performance is shown gross and net of fees. Inception date: November 1, 2014. Out/underperformance compares gross performance and the index. Source: River Road Asset Management LLC and Russell Investment Group. Past performance is no guarantee of future results. Please see appendix for the disclosure presentation.

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. **High quality stocks outperformed low quality** for the quarter.

The sectors with the highest contribution to relative return in the Portfolio during the quarter were **Communication Services** and **Energy**. Communication Services benefited from an overweight allocation and positive stock selection. Energy benefited from an underweight allocation and positive stock selection.

The top contributing holding for Q3 was **Alphabet Inc. (Cl C) (GOOG)**, which owns the largest search engine in the world. **Google.com dominates global search with ~90% market share**. Search should continue to grow as more individuals access the internet (roughly half the world has access to the internet) and google.com controls less than half of global advertising spend. The search business generates significant free cash flow, which is added to the firm's **Fort Knox-like balance sheet** (~12% of the market cap is in cash). **Management has proven to be excellent at capital allocation** with eye-popping returns in businesses such as Android (\$50 MM investment), YouTube (\$1.6 B), and Waymo.

Investors cheered the company's strong second quarter results with the **core business returning to 20%+ revenue growth**. The company announced a **\$25 B repurchase program** and provided an update on Google Cloud, which grew its top line 100% year over year and now accounts for ~5% of total revenue. Alphabet did not comment on its strategy regarding the various regulatory issues it is facing. We suspect investors are growing more comfortable with the regulatory risk as 1) it is hard to argue anti-competitive intent when the majority of its products are free and 2) **a break-up of the firm would highlight the value in the shares**. If YouTube was valued appropriately in a sum-of-the-parts valuation (consider 300 hours of video are uploaded to YouTube every minute for free, 30 million people visit the site and watch five billion videos daily), **investors valued the moat-worthy search business at just ~6x cash flow**.

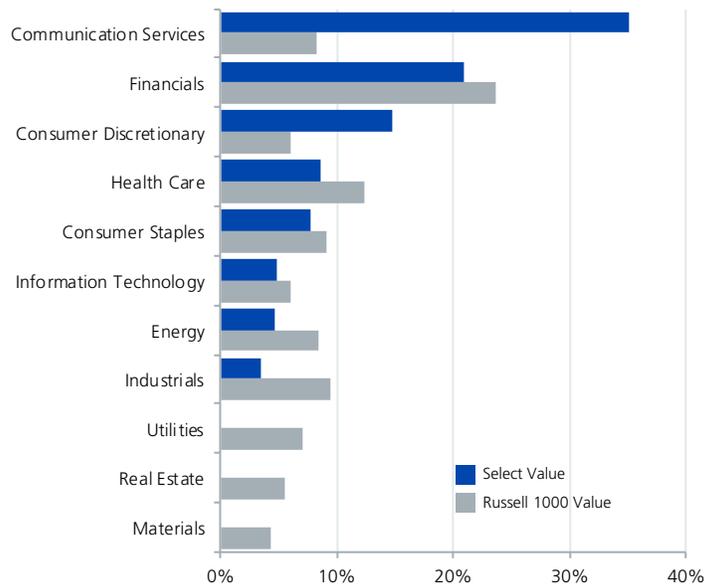
The sectors with the lowest contribution to relative return in the Portfolio during the quarter were **Utilities** and **Real Estate**. Both sectors suffered due to lack of exposure in the Portfolio.

The largest negative contributor to performance in Q3 **UnitedHealth Group Inc. (UNH)**, the largest health insurance company in the United States. The **health insurance segment** generates a bit more than half of the firm's operating profits and **benefits from massive scale as it is the #1 or #2 insurance provider in 28 states**. The insurance segment generates recurring and slowly growing cash flows, while the **Optum segment represents the firm's growth potential**. Optum is a collection of businesses – the #2 pharmacy benefits manager, an IT expert, and direct care specialist – that originated to support the insurance business, but now roughly 40% of the segment's top line is attributable to third parties. The management team **owns over \$1 B worth of stock, operates a conservative balance sheet, and returns the growing cash flows back to shareholders**.

The business did not cause the stock weakness. The company beat second quarter expectations, Optum top line growth accelerated to +13.4% and **management raised full-year earnings guidance**. Following the playback from previous election cycles, **health care insurance stocks start to underperform** when candidates start to offer their ideas to "fix" our health care system. UNH ended the quarter trading at a material discount to the market multiple and its own trading history, **despite providing long-term earnings guidance of +13% to +16% per annum. The business performed well during the height of the Affordable Care Act years** and we suspect it will shine throughout whatever challenges emerge from the 2020 elections.

Despite the macro crosscurrents, that the Portfolio is well positioned with a sufficient mix of value, quality and growth. According to FactSet, the Portfolio's EV/EBITDA (valuation) is **11.2 versus 11.1x** for the benchmark, return on equity – five-year average (quality) is **13.0% versus 12.9%**, and long-term earnings growth estimate (growth) is **+8.4% versus +7.8%**.

Sector Weightings



Portfolio Contribution

Top Contributors		Avg Wgt	Contrib
GOOG	Alphabet Inc. (CI C)	8.07%	+0.98%
LKQ	LKQ Corp.	5.02%	+0.85%
LSXMK	Liberty Media Corp. Series C Liberty SiriusXM	8.01%	+0.81%
BAM	Brookfield Asset Management Inc. (CI A)	5.68%	+0.69%
CMCSA	Comcast Corp. (CI A)	7.91%	+0.66%

Bottom Contributors		Avg Wgt	Contrib
UNH	UnitedHealth Group Inc.	3.79%	-0.69%
LBTYK	Liberty Global PLC (CI C)	4.82%	-0.52%
GE	General Electric Co.	1.65%	-0.30%
LAZ	Lazard Ltd. (CI A)	0.57%	-0.20%
CDK	CDK Global Inc.	4.65%	-0.17%

GICS sector and market cap breakdowns reflect percent of equity; stocks without a reported sector or market cap (e.g. corporate reorganizations, mergers, acquisitions, dissolutions) are not presented. ¹Excludes negative earnings. ²Risk characteristics based on trailing 36 month gross of fee performance. 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 Select Value Composite contains a fully discretionary account that seeks long-term 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. The composite may also be invested in Real Estate Investment Trusts (REITs), publicly traded partnerships, investment companies, convertible securities, and foreign stocks. The official benchmark for the Composite is the Russell 1000 Value Index. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies that are considered more value oriented relative to the overall market as defined by Russell's leading style methodology. The Russell 1000 Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. 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.

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.

© Copyright: All rights reserved; 2019, River Road Asset Management, LLC.

Characteristics

	SV	R1000V
Number of Holdings	21	766
Price / Earnings ¹	20.4	16.9
Price / Cash Flow	10.0	13.1
Price / Book	2.12	2.05
ROE (5 YR Avg)	13.0	12.9
EPS Growth (5 YR)	8.8	5.9
LT Growth Estimate	8.4	7.8
Annualized Standard Deviation ²	13.58	12.17
Jensen Alpha ²	3.50	
Beta ²	1.02	

Market Capitalization Breakdown

	SV	R1000V
Wtd Median Market Cap	\$27.01 B	\$55.29 B
Wtd Avg Market Cap	\$166.07 B	\$121.25 B
Large/Mega: > \$25 B	53.1%	71.5%
Mid: \$5 B - \$25 B	41.4%	24.9%
Micro/Small: < \$5 B	5.5%	3.6%

Top 10 Portfolio Holdings

Symbol	Company	% of Port
BRK.B	Berkshire Hathaway Inc. (CI B)	8.14%
LSXMK	Liberty Media Corp. Series C Liberty SiriusXM	7.82%
GOOG	Alphabet Inc. (CI C)	6.82%
CMCSA	Comcast Corp. (CI A)	6.81%
UNH	UnitedHealth Group Inc.	6.08%
LBRDK	Liberty Broadband Corp. (CI C)	5.85%
LKQ	LKQ Corp.	5.69%
EXPE	Expedia Group Inc.	5.26%
CDK	CDK Global Inc.	4.57%
MPC	Marathon Petroleum Corp.	4.42%

