

Focused Absolute Value® II

A HIGH CONVICTION STRATEGY | QUARTERLY UPDATE AS OF DECEMBER 31, 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

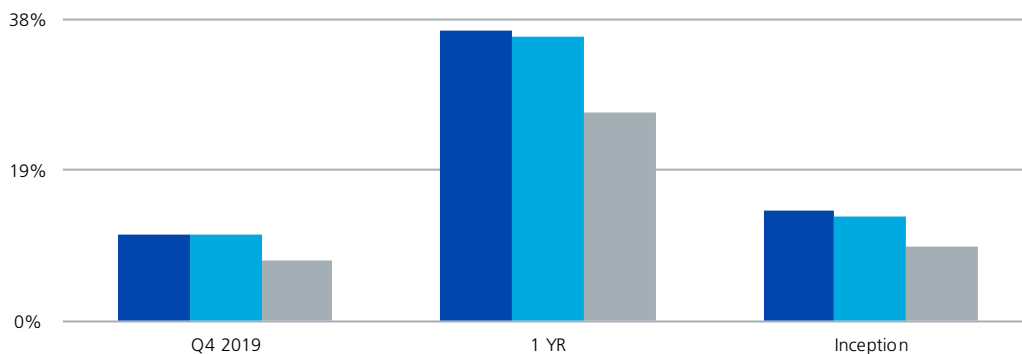


Ashley L. Abney, CPA
Senior Equity Research Analyst

13 years of experience

Centre College, BS

Performance Summary



	Q4 2019	1 YR	Inception
FAV II Composite - Gross	10.82%	36.45%	13.77%
FAV II Composite - Net	10.73%	35.71%	13.01%
Russell 3000 Value	7.48%	26.26%	9.32%
Out / Underperformance	+3.34%	+10.19%	+4.45%

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

Stocks were as hot as Christmas in Kentucky during Q4, as record high temperatures in our Bluegrass State capped a sizzling quarter, year, *and* decade for investors. During the quarter, investors were encouraged by improving economic data, trade progress, and a widespread belief earnings growth will rebound in 2020 as interest rates and inflation remain low. **Small caps outperformed large caps** with the Russell 2000 returning **+9.94%** versus **+9.07%** for the S&P 500. The broad-market Russell 3000 index returned **+9.10%**.

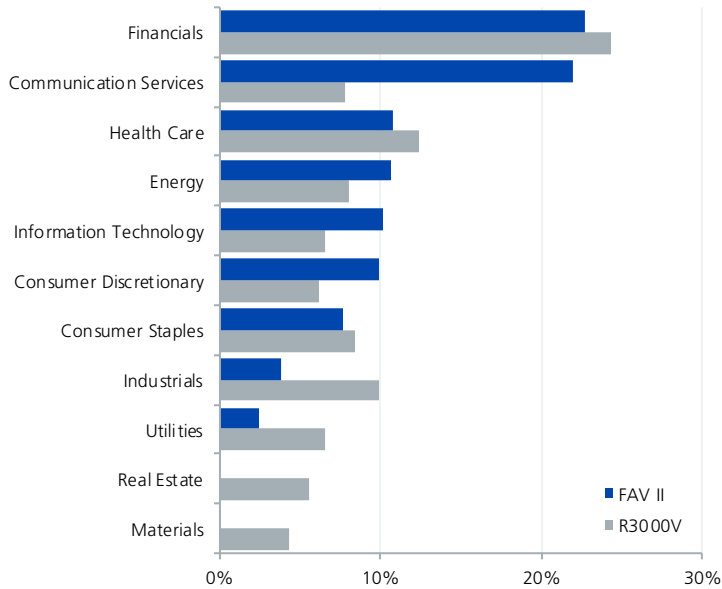
For the quarter, key drivers of performance in the Portfolio included **positive stock selection (+262 bps)**, led by **Communication Services (+149 bps)** and **Health Care (+125 bps)**, as well as underweight allocations to **Real Estate (+41 bps)** and **Utilities (+31 bps)**.

The top contributing holding in the Portfolio during Q4 was **UnitedHealth Group Inc. (UNH)**, the largest health insurance company in the United States. In October, **UNH announced earnings above expectations and raised guidance +5% for the year**. Consolidated revenue increased +6.7% year over year while operating income increased +9%, benefiting from operating leverage and improved mix. **Optum, UNH's healthcare services division, led the quarter with +13% revenue growth, and segment operating income jumped +16% as each of Optum's three divisions grew EBIT double digits**. The strongest performing division was OptumHealth, which provides direct medical care to patients including those insured by UNH and third parties. In Q3, this unit increased revenue +34% year over year, driven by growth in value-based care arrangements and expanded local care delivery offerings. **OptumHealth creates significant value, especially internally, by providing patient care in cost-effective ways**, such as offering urgent care services to reduce unnecessary emergency room visits or performing planned procedures in lower-cost facilities outside of a hospital setting. This is just one example of the value Optum brings to UNH, **highlighting the advantages of its vertically integrated strategy**. UNH's insurance segment delivered +4.7% growth in revenues on increased enrollment in Commercial lines and Medicare Advantage. Insurance operating income increased +3.8% despite expected increases in medical costs and a higher loss ratio.

The largest negative contributing holding in Q4 was **Expedia Group Inc. (EXPE)**, an online travel agency (OTA). In November, EXPE reported Q3 results significantly below Wall Street's and our internal expectations as weakness in search engine optimization (SEO) volume, a source of free traffic from Google (GOOG), drove a shift to higher cost marketing channels which resulted in flat EBITDA year over year (versus expectations for double-digit growth) and a reduction in full-year EBITDA guidance. **SEO volume decreased as GOOG emphasized its own travel search products and paid ads** pushing the free SEO links to Expedia properties further down the search results page. In late November, Barry Diller fired the CEO and CFO and promised better execution moving forward (shares partially recovered). After performing a firm-wide conviction review, our view is **GOOG is not incentivized to become an OTA but rather prefers to maximize its economics from advertising**, and, therefore, we believe EXPE has opportunities to drive more direct traffic that will circumvent GOOG.

Despite exceptional performance in 2019, we believe **portfolio positioning remains a highly attractive balance of value, quality, AND growth**. According to FactSet, the Portfolio's valuation (as measured by EV/EBITDA) is **10.9x versus 11.1x** for the benchmark. Quality, as measured by five-year average return on equity, is **15.1% versus 12.4%** for the benchmark. Finally, the Portfolio's expected long-term growth (as measured by published long-term estimates) is a healthy **+9.0% versus just +7.5% for the benchmark**.

Sector Weightings



Portfolio Contribution

Top Contributors		Avg Wgt	Contrib
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UNH	UnitedHealth Group Inc.	4.00%	+1.25%
PINC	Premier Inc. (CI A)	4.17%	+1.20%
LBRDK	Liberty Broadband Corp. (CI C)	5.23%	+1.12%
DISCK	Discovery Inc. (CI C)	4.10%	+0.86%
BRK.B	Berkshire Hathaway Inc. (CI B)	7.59%	+0.68%

Bottom Contributors		Avg Wgt	Contrib
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EXPE	Expedia Group Inc.	3.46%	-0.50%
INT	World Fuel Services Corp.	0.27%	-0.05%
EPD	Enterprise Products Partners LP	0.34%	+0.00%
CMCSA	Comcast Corp. (CI A)	5.40%	+0.01%
SABR	Sabre Corp.	3.92%	+0.01%

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. ²Risk characteristics based on trailing 36 month gross of fee composite performance. ³Average 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 Q4 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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Characteristics

	FAV II	R3000V
Number of Holdings	28	2,166
Price / Earnings ¹	20.7	18.5
Price / Cash Flow	10.3	13.7
Price / Book	2.33	2.11
ROE (5 YR Avg)	15.1	12.4
EPS Growth (5 YR)	3.6	6.3
LT Growth Estimate	9.0	7.5
Turnover ³	75.67%	
Annualized Standard Deviation ²	13.38	12.01
Jensen Alpha ²	4.11	
Beta ²	1.04	

Market Capitalization Breakdown

	FAV II	R3000V
Wtd Median Market Cap	\$24.92 B	\$54.28 B
Wtd Avg Market Cap	\$86.24 B	\$122.38 B
Large/Mega: > \$25 B	48.7%	68.2%
Mid: \$5 B - \$25 B	33.7%	22.4%
Micro/Small: < \$5 B	17.6%	9.3%

Top 10 Portfolio Holdings

Symbol	Company	% of Port
BRK.B	Berkshire Hathaway Inc. (CI B)	7.25%
CMCSA	Comcast Corp. (CI A)	5.18%
DISCK	Discovery Inc. (CI C)	4.76%
TWNK	Hostess Brands Inc. (CI A)	4.75%
LBRDK	Liberty Broadband Corp. (CI C)	4.47%
BAM	Brookfield Asset Management Inc. (CI A)	4.46%
KMI	Kinder Morgan Inc. (CI P)	4.39%
PGR	Progressive Corp.	4.29%
UNH	UnitedHealth Group Inc.	4.09%
PINC	Premier Inc. (CI A)	4.01%

