

Select Value

A CONCENTRATED, HIGH CONVICTION STRATEGY | QUARTERLY UPDATE AS OF DECEMBER 31, 2019



Investment Objective

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

Strategy Highlights

River Road's Select Value (SV) 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



Daniel R. Johnson, CFA, CPA

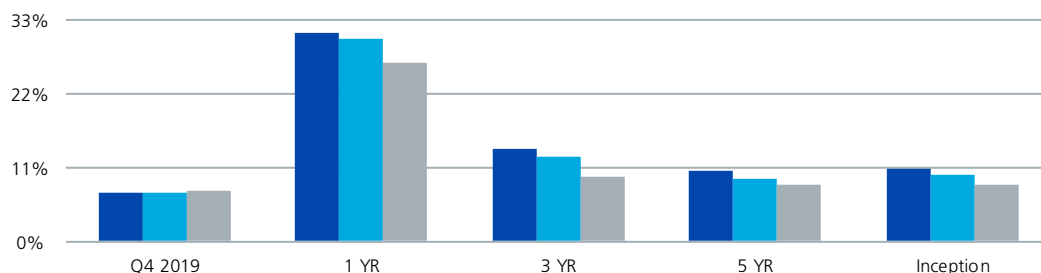
13 years of experience
University of Kentucky, BS
University of Kentucky, Macc



Matt W. Moran, CFA

19 years of experience
Bradley University, BS
University of Chicago, MBA

Performance Summary



	Q4 2019	1 YR	3 YR	5 YR	Inception
SV Composite - Gross	7.25%	30.94%	13.63%	10.48%	10.88%
SV Composite - Net	7.17%	30.12%	12.64%	9.46%	9.86%
Russell 1000 Value	7.41%	26.54%	9.68%	8.29%	8.56%
Out / Underperformance	-0.16%	+4.40%	+3.95%	+2.19%	+2.32%

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

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 Russell 1000 index returned **+9.04%**.

Overall **sector allocation (-22 bps)** and **stock selection (+3 bps)** weighed on the Portfolio's Q4 results. Underperformance was partially offset by strong stock selection in **Health Care (+108 bps)** and **Communication Services (+91 bps)** and lack of exposure to **Utilities (+47 bps)** and **Real Estate (+39 bps)**.

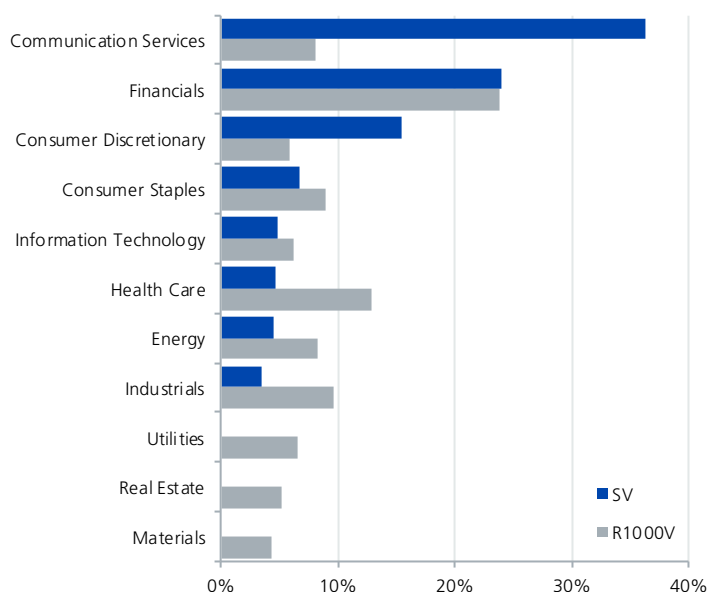
The top contributing holding in the Portfolio during the quarter was **UnitedHealth Group Inc. (UNH)**, the largest health insurance company in the United States. At the beginning of the quarter, the stock was near 52-week lows as Democratic rhetoric surrounding government control over health care had weighed on sentiment. The stock initially responded positively to **UNH's typical beat-and-raise quarter** with both its insurance and services segments posting solid results. The stock's ascent continued as the heated political discussion surrounding Medicare-For-All mellowed and the odds of any sort of sweeping legislative change after next year's election declined. **We stand by what we wrote last quarter: the "odds of a major disruption...are remote" and "almost 70% of Americans have private insurance and over 80% have a favorable opinion of private insurance."**

The largest negative contributing holding in the Portfolio during the quarter was **Expedia Group Inc. (EXPE)**, an online travel agency (OTA). In November, EXPE reported Q3 results significantly below Wall Street's and our expectation as internet traffic from Google searches shifted from free links to paid links which resulted in EBITDA being flat year over year (versus expectations of double-digit growth) and full-year EBITDA guidance being reduced. **Free links decreased as GOOG emphasized its own travel search products and paid ads** pushing the free links further down the search results page. In late November, Barry Diller fired the CEO and CFO and promised better execution moving forward (shares recovered). After performing a firm-wide conviction review, our outlook is that **GOOG is not interested in becoming an OTA but is focused on maximizing its economics from advertising** and 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 **11.7x versus 11.2x** for the Russell 1000 Value benchmark and **13.8x** for Russell 1000. Quality, as measured by five-year average return on equity, is **16.6% versus 12.8%** for the benchmark. Finally, the Portfolio's expected long-term growth (as measured by published long-term estimates) is a healthy **+8.1% versus just +7.4% for the benchmark**.

Discovering value,
off the beaten path®

Sector Weightings



Portfolio Contribution

Top Contributors		Avg Wgt	Contrib
UNH	UnitedHealth Group Inc.	5.46%	+1.75%
LBRDK	Liberty Broadband Corp. (CI C)	7.84%	+1.35%
LSXMK	Liberty Media Corp. Series C Liberty SiriusXM	8.25%	+1.17%
LKQ	LKQ Corp.	5.11%	+0.78%
BRK.B	Berkshire Hathaway Inc. (CI B)	8.21%	+0.71%

Bottom Contributors

EXPE	Expedia Group Inc.	4.98%	-0.92%
DLTR	Dollar Tree Inc.	3.96%	-0.53%
LBTYK	Liberty Global PLC (CI C)	3.71%	-0.41%
TAP	Molson Coors Beverage Co. (CI B)	3.58%	-0.23%
NLSN	Nielsen Holdings PLC	1.69%	-0.08%

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 60 month gross of fee composite performance. 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 Select Value Composite contains fully discretionary accounts that seek 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.

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Characteristics

	SV	R1000V
Number of Holdings	21	764
Price / Earnings ¹	23.8	18.6
Price / Cash Flow	11.2	13.7
Price / Book	2.20	2.17
ROE (5 YR Avg)	16.6	12.8
EPS Growth (5 YR)	8.2	6.3
LT Growth Estimate	8.1	7.4
Annualized Standard Deviation ²	13.15	11.88
Jensen Alpha ²	2.05	
Beta ²	1.02	

Market Capitalization Breakdown

	SV	R1000V
Wtd Median Market Cap	\$39.12 B	\$66.80 B
Wtd Avg Market Cap	\$166.51 B	\$130.94 B
Large/Mega: > \$25 B	51.0%	73.1%
Mid: \$5 B - \$25 B	44.9%	23.7%
Micro/Small: < \$5 B	4.1%	3.2%

Top 10 Portfolio Holdings

Symbol	Company	% of Port
LBRDK	Liberty Broadband Corp. (CI C)	8.80%
LSXMK	Liberty Media Corp. Series C Liberty SiriusXM	8.42%
BRK.B	Berkshire Hathaway Inc. (CI B)	8.32%
DIS	Walt Disney Co.	6.32%
DLTR	Dollar Tree Inc.	5.76%
CMCSA	Comcast Corp. (CI A)	5.74%
EXPE	Expedia Group Inc.	4.92%
WFC	Wells Fargo & Co.	4.89%
CDK	CDK Global Inc.	4.88%
GOOG	Alphabet Inc. (CI C)	4.68%

