

Small-Mid Cap Value

QUARTERLY UPDATE AS OF MARCH 31, 2020



Investment Objective(s)

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

Strategy Highlights

River Road's Small-Mid Cap Value (SMID) Strategy utilizes a fundamentally driven research process to identify attractive purchase candidates from a universe of small to mid capitalization stocks. The Strategy seeks to invest in well-managed, financially strong companies that are trading at meaningful discounts to our assessed valuations. We further target companies with predictable and sustainable business models that are undiscovered or underfollowed by traditional Wall Street research firms. Our stock selection process is complemented by a risk averse approach that employs both balanced diversification and a structured sell discipline.

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

Portfolio Managers



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



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



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

Performance Summary



	Q1 2020	1 YR	3 YR	5 YR	10 YR	Inception
SMID Composite - Gross	-33.89%	-23.42%	-2.21%	3.51%	8.07%	5.48%
SMID Composite - Net	-34.00%	-23.91%	-2.84%	2.84%	7.31%	4.71%
Russell 2500 Value	-34.64%	-28.60%	-8.40%	-2.14%	5.65%	3.14%
Out / Underperformance	+0.75%	+5.18%	+6.19%	+5.65%	+2.42%	+2.34%
SMID Composite Beta				0.91	0.87	0.83
SMID Composite Anlzd Std Dev				17.39	15.74	16.74
Russell 2500 Value Anlzd Std Dev				18.47	17.33	19.39

Performance is shown gross and net of fees. Inception date: March 1, 2007. Out/underperformance compares the gross Composite and index. Source: River Road Asset Management LLC, FactSet Research Systems Inc., and Russell Investment Group. Past performance is no guarantee of future results. Please see reverse side for important disclosure information.

Portfolio Review

It was a quarter for the record books, but not the type of records investors like to see broken. The path of COVID-19 began on December 31 with a small cluster of acute respiratory illness cases in Wuhan, China. By mid-March, the fast-spreading pandemic shut-in at least 20% of humanity, freezing large parts of the global economy. Additionally, amidst the developing economic crisis, a production dispute between OPEC and Russia resulted in the price of oil (WTI) tumbling to \$20/bbl – a -68% drop from its year-to-date high. Consequently, the S&P 500 plunged into its steepest bear market correction on record, the 10-year Treasury yield dropped to its lowest level in history, and the VIX soared to an all-time high. The Federal Reserve and Congress responded with an unprecedented \$6 - \$7 T in stimulus, sparking a sharp rally into quarter end and the first half of April.

For the quarter, the S&P 500 returned -19.60%, its worst Q1 on record. The Russell 2000 returned -30.61%, its worst quarter on record (since 1979) and the fourth worst for small caps (since 1926) – only the Great Depression saw lower quarterly returns. Unfortunately, cheaper was not better in Q1 with growth significantly outperforming value across all market caps.

Key drivers of performance in the Portfolio during Q1 included strong stock selection within Financials (+295 bps) and Consumer Staples (+73 bps) and an overweight allocation to cash (+96 bps). Outperformance was partially offset by poor stock selection within Information Technology (-338 bps) and lack of exposure to Utilities (-112 bps).

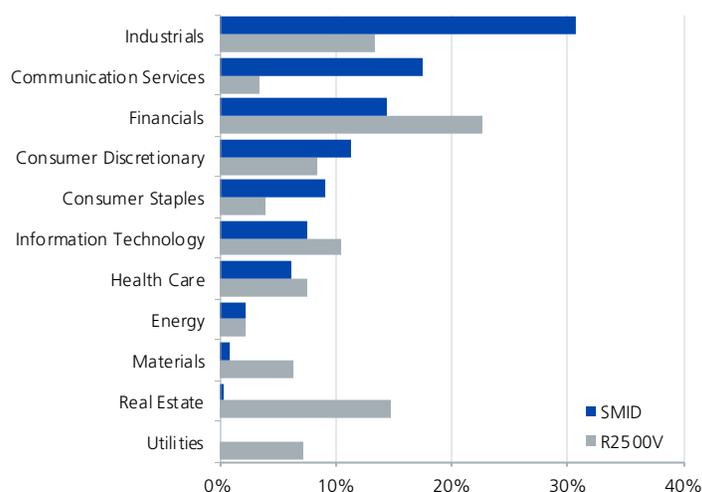
The top contributing holding in the Portfolio during the quarter was BJ's Wholesale Club Holdings Inc. (BJ), a warehouse club retailer with 217 stores primarily located in the eastern United States. BJ reported better-than-feared Q4 2019 results with same-store sales up +0.5% and membership fee income up +6.2%. Despite top-line growth, EBITDA declined -9% due to increased investment in strategic growth initiatives. New CEO Lee Delaney made a positive first impression on investors and introduced FY 2020 guidance in line with expectations. Lastly, BJ is ideally positioned to meet surging demand for groceries and consumer products during the COVID-19 pandemic.

The largest negative contributing holding was Sabre Corp. (SABR), a leader in technology and software solutions for global air travel and hospitality with dominant market share in North America. On February 26, SABR reported in-line Q4 2019 results. However, SABR also indicated Q1 2020 flight volumes in Asia were showing atypical weakness, which was one of our first portfolio companies to report a material and sudden reduction in business activity due to COVID-19. A key feature of the SABR business model is it earns a fixed fee in each instance an airline ticket is booked, regardless of the price charged by the airline to the customer. This feature enables SABR to earn consistent margins and cash flows in periods of traditional economic weakness as airlines typically reduce ticket prices to keep volumes and utilization relatively stable to avoid losing perishable seat inventory. However, the benefit fails when airlines stop flying routes en masse, a scenario well outside of our bear case analysis.

We believe our recent actions are reflected in the highly attractive balance of value, quality, AND growth in the Portfolio, which materially improved over the prior quarter end. According to FactSet, the Portfolio's valuation (as measured by EV/EBITDA) is 9.3x versus 11.9x for the benchmark; quality, as measured by five-year average return on equity, is 9.0% versus 8.8%; and the Portfolio's expected long-term growth (as measured by published long-term estimates) is a healthy +11.0% versus +7.8%.

Discovering value,
off the beaten path®

Sector Weightings



Portfolio Contribution

Top Contributors		Avg Wgt	Contrib
BJ	BJ's Wholesale Club Holdings Inc.	2.40%	+0.31%
TPIC	TPI Composites Inc.	0.24%	+0.18%
FG	FGL Holdings (CI A)	0.66%	+0.14%
CORE	Core-Mark Holding Co. Inc.	0.65%	+0.12%
KSU	Kansas City Southern	0.46%	+0.08%

Bottom Contributors		Avg Wgt	Contrib
SABR	Sabre Corp.	2.09%	-1.91%
VVI	Viad Corp	1.99%	-1.68%
DISCK	Discovery Inc. (CI C)	2.99%	-1.43%
LKQ	LKQ Corp.	2.86%	-1.42%
NCR	NCR Corp.	1.94%	-1.07%

Characteristics

	SMID	R2500V
Number of Holdings	64	1,795
EV / EBITDA ¹	9.3	11.9
Price / Earnings ²	10.0	11.5
Price / Book	1.46	1.17
Price / Cash Flow	7.7	10.1
ROE (5 YR Avg)	9.0	8.8
EPS Growth (5 YR)	6.4	8.8
Cash Flow Growth (5 YR)	5.5	7.4
LT Growth Estimate	11.0	7.8
Annualized Standard Deviation ³	17.39	18.47
Jensen Alpha ³	5.35	
Beta ³	0.91	
Dollar Turnover ⁴	53.23%	

Top 10 Portfolio Holdings

Symbol	Company	% of Port
CNNE	Cannae Holdings Inc.	6.82%
GLIBA	GCI Liberty Inc. (CI A)	4.86%
PINC	Premier Inc. (CI A)	4.85%
ATSG	Air Transport Services Group Inc.	4.13%
TWNK	Hostess Brands Inc. (CI A)	4.03%
LBRDK	Liberty Broadband Corp. (CI C)	3.95%
BJ	BJ's Wholesale Club Holdings Inc.	3.52%
WTM	White Mountains Insurance Group Ltd.	3.25%
UNF	UniFirst Corp.	2.96%
DISCK	Discovery Inc. (CI C)	2.72%

GICS sector breakdown reflects percent of equity; stocks without a reported sector are not presented. ¹EBITDA exclude banks, thrifts, and insurers. ²Excludes negative earnings. ³Risk characteristics based on trailing 60 month gross of fee composite performance. ⁴Average calendar year turnover since inception (March 1, 2007). Dollar turnover, the lesser of purchases or sales as a percentage of the average market value, is presented as an average of portfolios in the Composite. Source: River Road Asset Management LLC, FactSet Research Systems Inc., and Russell Investment Group.

Portfolio contribution calculated for the Q1 2020 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.

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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.

Portfolio and index characteristics such as EV/EBITDA are based on companies' most recent filings as of this report date (values for many companies may be as of the prior period). 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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