

Dividend All-Cap Value II

A TOTAL RETURN STRATEGY | QUARTERLY UPDATE AS OF JUNE 30, 2020



Investment Objectives

- Long-term total return > Russell 3000 Value index plus 200 to 400 bps
- Target yield \geq 150% of the Russell 3000 Value index
- Target volatility < Russell 3000 Value

Strategy Highlights

River Road's Dividend All-Cap Value II (DAV II) Strategy utilizes a fundamentally driven research process to identify attractive purchase candidates from an all cap universe of high yielding equity securities. The Strategy seeks to invest in well-managed, financially strong companies with high and growing dividends, targeting companies that are also trading at meaningful discounts to our assessed valuations. Typical investment criteria include:

- Minimum market capitalization of \$1 B at the time of purchase
- Indicated dividend yield of at least 2%

The stock selection process is complemented by a risk averse approach that employs balanced diversification and a structured sell discipline.

Portfolio Managers



Henry W. Sanders III, CFA
31 years of experience;
managed Portfolio since inception

Bellarmine University, BA
Boston College, MBA



Thomas S. Forsha, CFA
22 years of experience;
managed Portfolio since inception

The Ohio State University, BS University
of Chicago, MBA



Andrew R. McIntosh, CFA
16 years of experience;
managed Portfolio since 2018

University of Iowa, BBA

Performance Summary



	Q2 2020	YTD	1 YR	3 YR	5 YR	Inception
DAV II Composite - Gross	17.04%	-17.02%	-9.69%	1.33%	5.20%	8.56%
DAV II Composite - Net	16.94%	-17.19%	-10.04%	0.95%	4.80%	8.04%
Russell 3000 Value	14.55%	-16.74%	-9.42%	1.41%	4.41%	8.49%
Out / Underperformance	+2.49%	-0.28%	-0.27%	-0.08%	+0.79%	+0.07%

Portfolio Yield: 4.19%¹

Performance is shown gross and net of fees. Inception date: January 1, 2011. Out/underperformance compares the gross Composite and index. ¹Gross of fees; indicated portfolio yield does not anticipate special dividends. Yield based on a representative portfolio within the Strategy. 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

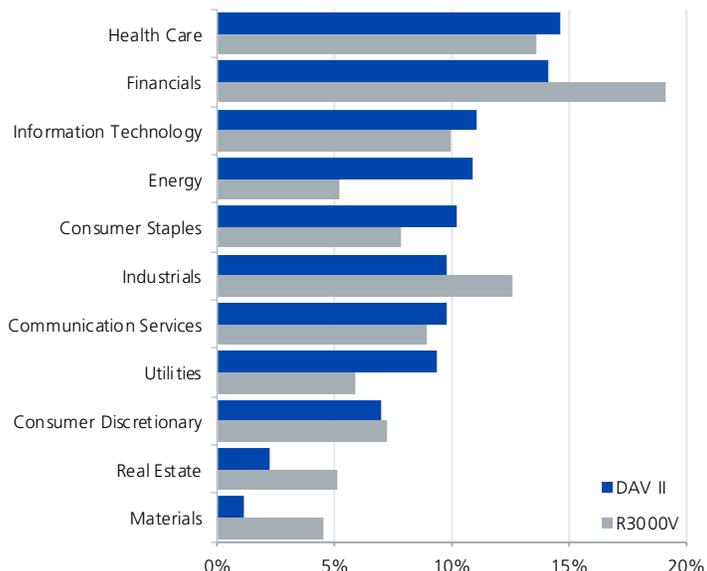
The market rally that started in the final week of Q1 continued for much of Q2, led by 'deep value' stocks – the cheapest, lowest quality, highest risk, and highest beta companies in the index. At first, **investors were clinging to hopes that increased testing and unprecedented amounts of stimulus could bridge the economic chasm that grew ever deeper as the duration of the quarantine went well past the original estimates.** By May, select states had started to reopen and it looked like the worst might be behind us, fueling further optimism. However, by mid-June the **first test of this bear market rally** was precipitated by valuation concerns, an exhaustion in appetite for overbought low quality/high beta stocks and, more visibly, fear as a 'second wave' of COVID-19 began to materialize. Over a span of a few weeks, equity markets retreated, led by small cap and value indices.

The sector with the highest contribution to relative return in the Portfolio for Q2 was **Utilities**. The top contributing holding in Q2 was broadline retailer **Target Corp. (TGT)**. In May, Target reported Q1 results, which highlighted the success of management's omni-channel strategy during the quarantine with **comparable sales up +10.8%, driven by +140% growth in digital sales.** The company leveraged its store base to fulfill approximately 80% of the growth in digital sales, which reduced costs and improved customer service. On an average day in April, Target handled more items and orders than last year's Cyber Monday – a day the company planned for months in advance! Moreover, customer feedback was positive as the company served five million first-time e-commerce customers and delivered same-day orders within an average of two hours through pick-up, drive-up, or its Shipt delivery service, a combination **we believe significantly increased Target's mindshare as an online store of choice.** We believe the company's high level of service during the pandemic has deepened its relationship with many new and existing customers, which we expect will drive growth in the future.

The sector with the lowest contribution to relative return in the Portfolio for Q2 was **Communication Services**. The largest negative contributor during the quarter was a recent addition, **General Dynamics Corp. (GD)**, a long-cycle defense contractor and business jet manufacturer. In April, GD reported weak results as aerospace (Gulfstream) revenues declined -24.5% from the prior year as deliveries were delayed due to pandemic-related travel restrictions. Additionally, management reduced full-year revenue guidance by \$1.5 B (\$10 B to \$8.5 B) for the aerospace segment as supply chain constraints and other shutdown-related inefficiencies were incorporated into the estimates. Another area of weakness was in the IT segment, which raised questions about the topline outlook for the segment.

We believe the market is entering an important, second phase of the recovery. While we cannot anticipate the path of the virus, and therefore the precise trajectory of markets, we believe **the next upward move will prove to be more uneven and far more muted than the previous.** Additionally, we believe **as the prospects for economic growth increase, value will close the gap with growth and likely lead the market higher, but investors will focus on higher quality companies in the value spectrum.** Finally, with interest rates likely to remain at historic lows, **we think the stage will be set for strong relative performance from companies with attractive and sustainable dividend streams.** We believe the Dividend All-Cap Value II Strategy is ideally positioned, whether the market faces further tests in the months to come or if we move into a second, more mature, leg of the economic recovery.

Sector Weightings



Portfolio Contribution

Top Contributors		Yield ¹	Avg Wgt	Contrib
TGT	Target Corp.	2.27%	3.86%	+1.05%
GLW	Corning Inc.	3.40%	3.02%	+0.66%
EPD	Enterprise Products Partners LP	9.75%	2.21%	+0.63%
LYB	LyondellBasell Industries NV	6.39%	1.07%	+0.63%
CSCO	Cisco Systems Inc.	3.09%	3.01%	+0.62%

Bottom Contributors		Yield ¹	Avg Wgt	Contrib
GD	General Dynamics Corp.	2.94%	0.43%	-0.11%
WFC	Wells Fargo & Co.	7.97%	0.88%	-0.10%
WBA	Walgreens Boots Alliance Inc.	4.32%	0.96%	-0.09%
STAY	Extended Stay America Inc.	0.36%	0.01%	-0.06%
RHP	Ryman Hospitality Properties Inc.	0.00%	0.06%	-0.05%

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. ¹Gross of fees; indicated yield does not anticipate special dividends. ²Risk characteristics based on trailing 60 month gross of fee composite performance. ³Average calendar year turnover since inception (January 1, 2011). 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 Q2 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, information 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 Dividend All-Cap Value II Composite contains fully discretionary equity income accounts that seek long-term capital appreciation and high current income by investing primarily in a diversified, multi-cap basket of equity income securities which have a market capitalization of typically at least \$1 B at the time of initial purchase and trade at a discount to our valuation as determined using RRAM's proprietary Absolute Value® approach. The Composite is primarily invested in dividend paying common stocks. The Composite may also be invested in a broad range of foreign stocks, publicly traded partnerships, convertible preferred stocks, Real Estate Investment Trusts ("REITs"), investment companies, and royalty income trusts. RRAM employs a value-driven, bottom-up approach. The official benchmark for the Composite is the Russell 3000 Value. 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, which includes performance fees for some periods. 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.

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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Characteristics

	DAV II	R3000V
Number of Holdings	48	2,278
Dividend Yield ¹	4.19	2.58
Price / Cash Flow	12.3	13.3
ROE (5 YR Avg)	22.1	15.5
EPS Growth (5 YR)	4.4	7.7
Div / Share Growth (TTM)	7.4	7.2
Cash	4.2%	
Annualized Standard Deviation ²	15.33	15.77
Jensen Alpha ²	0.94	
Beta ²	0.95	
Dollar Turnover ³	28.73%	

Market Capitalization Breakdown

	DAV II	R3000V
Wtd Median Market Cap	\$55.46 B	\$53.38 B
Wtd Avg Market Cap	\$80.56 B	\$107.67 B
Large/Mega Cap: > \$25 B	69.3%	65.5%
Mid Cap: \$5 B - \$25 B	24.3%	24.6%
Micro/Small Cap: < \$5 B	6.3%	9.9%

Top 10 Portfolio Holdings

Symbol	Company	% of Port	Yield ¹
TGT	Target Corp.	3.91%	2.27%
VZ	Verizon Communications Inc.	3.71%	4.46%
D	Dominion Energy Inc.	3.68%	4.63%
KMB	Kimberly-Clark Corp.	3.55%	3.03%
GLW	Corning Inc.	3.49%	3.40%
BMJ	Bristol-Myers Squibb Co.	3.45%	3.06%
CSCO	Cisco Systems Inc.	3.32%	3.09%
CMCSA	Comcast Corp. (CI A)	3.24%	2.36%
UPS	United Parcel Service Inc. (CI B)	3.20%	3.63%
UL	Unilever PLC Sponsored ADR	3.11%	3.25%

