

Focused Absolute Value® II

A HIGH CONVICTION STRATEGY | QUARTERLY UPDATE AS OF JUNE 30, 2020



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, and typically invests in companies with a market cap of \$1 B or greater at the time of initial purchase (versus \$250 MM for the FAV Strategy).

Portfolio Managers



R. Andrew Beck
Chief Executive Officer,
Senior Portfolio Manager

21 years of experience;
managed Portfolio since inception

University of Louisville, BS
Babson College, MBA



Thomas S. Forsha, CFA
Co-Chief Investment Officer &
Portfolio Manager

22 years of experience;
managed Portfolio since inception

The Ohio State University, BS
University of Chicago, MBA

Analyst Liaison

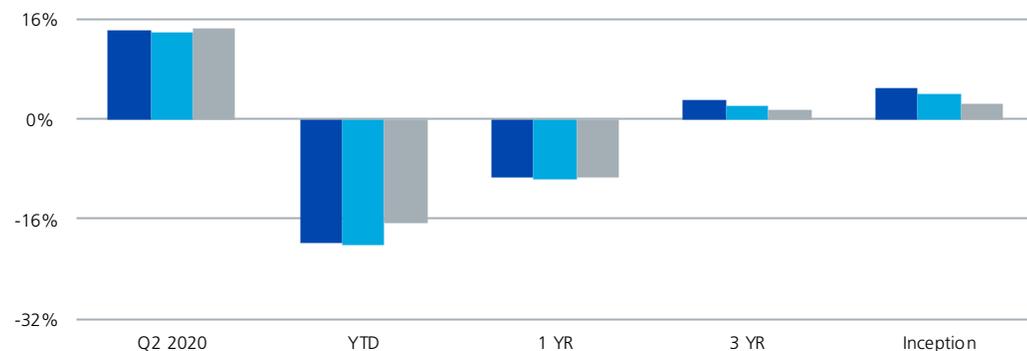


Ashley L. Abney, CPA
Senior Equity Research Analyst

14 years of experience

Centre College, BS

Performance Summary



	Q2 2020	YTD	1 YR	3 YR	Inception
FAV II Composite - Gross	14.05%	-19.99%	-9.43%	2.87%	4.80%
FAV II Composite - Net	13.94%	-20.22%	-9.84%	2.21%	4.11%
Russell 3000 Value	14.55%	-16.74%	-9.42%	1.41%	2.44%
Out / Underperformance	-0.50%	-3.25%	-0.01%	+1.46%	+2.36%

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 rebounded sharply in Q2 as investors shifted focus away from the devastation of COVID-19 to progress on reopening, developing therapeutics, the unprecedented level of monetary and fiscal stimulus, and an improving economic outlook. Although the rally hit a speedbump late in the quarter as reported COVID-19 cases began to increase, stocks still managed to deliver their best quarterly performance in decades. The S&P 500 index soared **+20.54%** in Q2, **its best quarter since Q4 1998**, while the Russell 2000 returned **+25.42%**, **its best quarter since Q1 1991 and second best on record (since index inception in 1984)! Value indices kept pace with growth early in the quarter but lagged badly during the market pullback**, resulting in significant underperformance for the quarter.

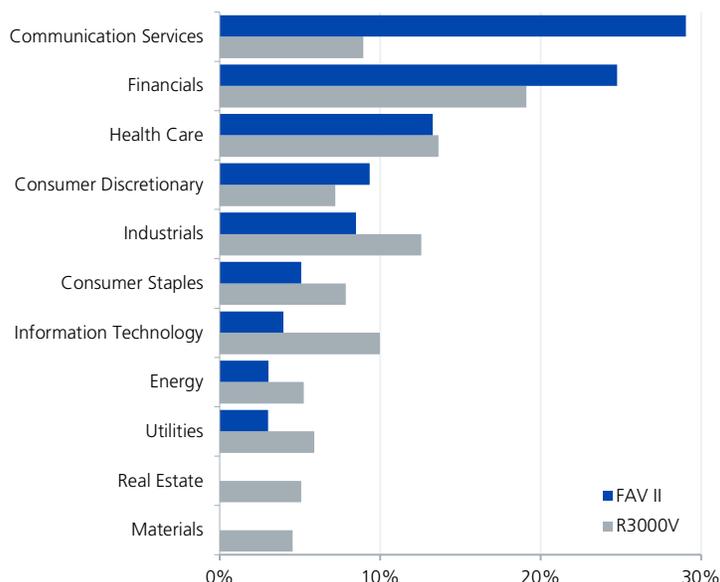
The top contributing holding in the Portfolio during Q2 was **Advance Auto Parts Inc. (AAP)**, a retailer of aftermarket automotive replacement parts, accessories, and maintenance items. AAP shares rebounded strongly after the selloff in late March and extended relative gains after reporting expected weak Q1 earnings but hinted at improving trends in Q2. The company reported an **-8.6% revenue decline with same-store sales down -9.3% as stay-at-home orders significantly reduced miles driven**. Restrictions were particularly extensive in the Northeast, Mid-Atlantic, and Great Lakes regions, where AAP has a strong market presence. **At its trough, same-store sales declined -28% in the weeks ended March 28, 2020 and April 4, 2020** but improved steadily in following weeks and turned positive in early May. The do-it-yourself (DIY) business outperformed do-it-for-me (DIFM) as DIY benefited from recent e-commerce and omnichannel initiatives. Nevertheless, lower sales caused operating margins to fall more than -400 bps and operating income declined -62% year over year. While the pandemic presents clear short-term challenges, we believe **AAP is well positioned for the years ahead thanks to its attractive business model, which tends to perform well throughout the cycle**. Additionally, the company continues to make significant progress on its multi-year margin expansion project, providing further upside to the share price.

The largest negative contributing holding in the Portfolio during Q2 was **Walgreens Boots Alliance Inc. (WBA)**, the largest retail pharmacy chain in the U.S. and Europe. In April, the company reported that sales trends turned sharply negative in the last week of March as customers stayed home following a period in early March of stocking up on health & wellness and grocery products. **Customers not only stayed away from Walgreens stores, they also stayed away from doctors' offices as visits plummeted in April**. As a result of fewer doctor visits, there was a natural decline in prescription demand. While the company remains a dominant player in prescription fulfillment, a trend we expect to persist, without a recovery in persistently weak retail sales, margins are likely to suffer.

Despite recent gains, we believe the outcome remains an **attractive balance of quality, growth, AND value in the Portfolio**. According to FactSet, the Portfolio's valuation (as measured by EV/EBITDA) is **9.8x versus 10.3x** for the benchmark. Quality, as measured by five-year average return on equity, is **11.4% versus 15.5%** for the benchmark. Finally, the Portfolio's expected long-term growth (as measured by published long-term estimates) is a healthy **+7.8% versus just +6.2%** for the benchmark.

Discovering value,
off the beaten path®

Sector Weightings



Portfolio Contribution

Top Contributors		Avg Wgt	Contrib
AAP	Advance Auto Parts Inc.	3.34%	+1.38%
GLIBA	GCI Liberty Inc. (CI A)	4.10%	+0.97%
UNH	UnitedHealth Group Inc.	4.08%	+0.94%
CMCSA	Comcast Corp. (CI A)	5.79%	+0.91%
UNF	UniFirst Corp.	4.27%	+0.90%

Bottom Contributors		Avg Wgt	Contrib
WBA	Walgreens Boots Alliance Inc.	1.57%	-0.26%
BRK.B	Berkshire Hathaway Inc. (CI B)	7.90%	-0.17%
FNF	Fidelity National Financial Inc. - FNF Group	0.82%	-0.17%
EAF	GrafTech International Ltd.	2.25%	-0.14%
MSGE	Madison Square Garden Entertainment Corp. (CI A)	0.71%	-0.06%

Characteristics

	FAV II	R3000V
Number of Holdings	29	2,278
EV / EBITDA ¹	9.8	10.3
Price / Earnings ²	18.4	17.4
Price / Book	1.83	1.96
Price / Cash Flow	10.9	13.3
ROE (5 YR Avg)	11.4	15.5
EPS Growth (5 YR)	9.3	7.7
LT Growth Estimate	7.8	6.2
Annualized Standard Deviation ³	19.47	18.12
Jensen Alpha ³	1.48	
Beta ³	1.04	
Turnover ⁴	75.80%	

Market Capitalization Breakdown

	FAV II	R3000V
Wtd Median Market Cap	\$19.71 B	\$53.38 B
Wtd Avg Market Cap	\$96.75 B	\$107.67 B
Large/Mega: > \$25 B	40.8%	65.5%
Mid: \$5 B - \$25 B	34.4%	24.6%
Micro/Small: < \$5 B	24.8%	9.9%

Top 10 Portfolio Holdings

Symbol	Company	% of Port
BRK.B	Berkshire Hathaway Inc. (CI B)	7.32%
CMCSA	Comcast Corp. (CI A)	5.64%
TWNK	Hostess Brands Inc. (CI A)	5.01%
LBRDK	Liberty Broadband Corp. (CI C)	5.00%
GLIBA	GCI Liberty Inc. (CI A)	4.64%
PINC	Premier Inc. (CI A)	4.56%
PGR	Progressive Corp.	4.16%
UNF	UniFirst Corp.	3.99%
BAM	Brookfield Asset Management Inc. (CI A)	3.76%
AAP	Advance Auto Parts Inc.	3.74%

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. ¹EBITDA exclude banks, thrifts, and insurers. ²Excludes negative earnings. ³Risk characteristics based on trailing 36 month gross of fee composite performance. ⁴Average calendar year turnover since inception (January 1, 2017). 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 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.

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.

© Copyright: All rights reserved; 2020, River Road Asset Management, LLC.

