

Small-Mid Cap Value II

QUARTERLY UPDATE AS OF JUNE 30, 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 II (SMID II) Strategy focuses on companies between \$500 MM and \$10 B in market capitalization. The SMID II Strategy employs the same bottom-up, fundamentally driven investment process as the firm's Small Cap Value and Small-Mid Cap Value Strategies.

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

Portfolio Managers



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

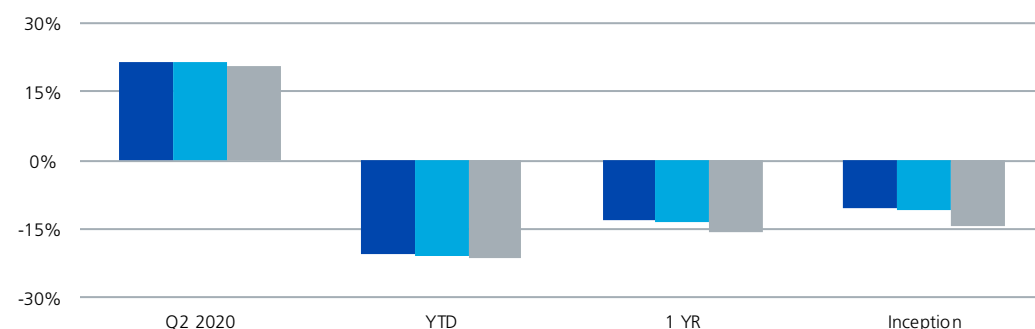


R. Andrew Beck
21 years of experience;
managed Portfolio since inception
University of Louisville, BS
Babson College, MBA



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

Performance Summary



	Q2 2020	YTD	1 YR	Inception
SMID II Composite - Gross	21.60%	-20.61%	-13.01%	-10.50%
SMID II Composite - Net	21.49%	-20.78%	-13.36%	-10.86%
Russell 2500 Value	20.60%	-21.18%	-15.50%	-14.60%
Out / Underperformance	+1.00%	+0.57%	+2.49%	+4.10%

Performance is shown gross and net of fees. Inception date: May 1, 2019. Out/underperformance compares the gross Composite and index. 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.

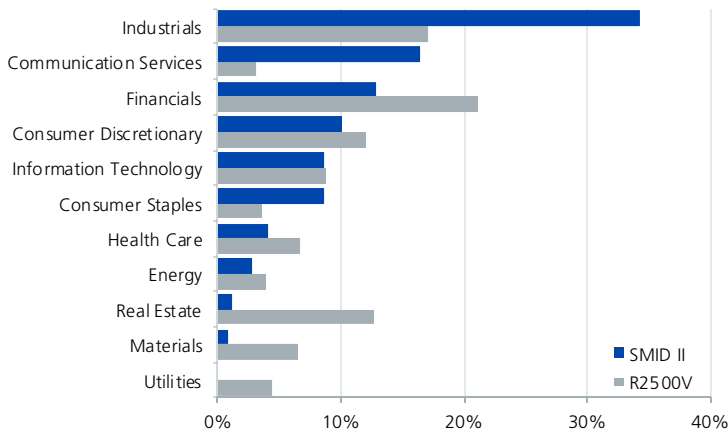
The top contributing holding in the Portfolio during Q2 was **BJ's Wholesale Club Holdings Inc. (BJ)**, a warehouse club retailer with more than 200 stores primarily located in the eastern United States. Stay-at-home orders related to the COVID-19 pandemic have caused surging demand for grocery and certain consumer products. **BJ reported very strong Q1 results (ended May 2, 2020) despite high expectations. Same-store sales increased +27%** excluding fuel prices while cash from membership fee income increased +16%. Gross margin expanded as higher fuel margin more than offset lower merchandise margin, apparel markdowns, and increased distribution costs. Despite higher COVID-19-related expenses, SG&A leverage improved by +50 bps. As a result, **EBITDA grew +56% year over year. Free cash flow was a massive \$435 MM versus just \$8 MM in the prior year quarter.** For context, free cash flow for the full fiscal years 2019 and 2018 combined was \$439 MM. However, changes in working capital should reverse some of the Q1 2020 free cash flow gains in the following quarters. BJ is also playing offense by adding new vendor relationships and pursuing attractive real estate opportunities during this period of economic stress.

The largest negative contributing holding in the Portfolio during Q2 was **Viad Corp. (VVI)**, a small conglomerate with an exhibition/conference services segment (GES) and a travel/hotel/attractions segment (Pursuit). **Both of Viad's business segments are directly impacted by COVID-19.** GES continues to experience conference and event cancellations and deferrals while Pursuit remains challenged by declines in tourism from the United States-Canada border closure as we move into the important summer season. Moreover, **management continues to hold discussions with its lenders about covenant waivers** beyond the recently completed quarter. Even with a waiver extension, **Viad will likely raise capital** to protect against a potentially prolonged period of negative free cash flow. Although visibility for a rebound at GES remains exceptionally murky, **we are encouraged by management's ability to dramatically reduce variable costs, essentially placing the segment in 'hibernation' until demand returns.** We were also encouraged **Pursuit net bookings (booking minus cancellations) turned positive** for some of its properties in early May. Accordingly, we believe any capital raise might be smaller and less punitive than the market is pricing into the stock. While we recognize it could take longer for the GES segment to fully rebound, we believe **Pursuit's collection of valuable assets in and around North American National Parks is well positioned for a strong rebound during the 2021 high season**, especially if consumers favor road travel over air travel.

In the Portfolio, **we are still seeking to maintain a balance between more defensive, stable companies and those with greater risk, but more upside potential as the economy fully recovers.** Despite recent gains, we believe the outcome remains a **remarkably attractive balance of quality, growth, AND value in the Portfolio.** According to FactSet, the Portfolio's quality, as measured by five-year average return on equity (ROE), is **8.9% versus 9.4%** for the benchmark. The Portfolio's expected long-term growth (as measured by published long-term estimates) is a healthy **+8.7% versus +6.5%**. Finally, the Portfolio's valuation (as measured by our primary metric, EV/EBITDA) is less than the benchmark, at **8.0x versus 8.7x.**

Discovering value,
off the beaten path®

Sector Weightings



Portfolio Contribution

Top Contributors		Avg Wgt	Contrib
BJ	BJ's Wholesale Club Holdings Inc.	3.48%	+1.55%
AAP	Advance Auto Parts Inc.	2.75%	+1.35%
GLIBA	GCI Liberty Inc. (CI A)	4.58%	+1.14%
NSP	Insperty Inc.	1.82%	+1.07%
STAY	Extended Stay America Inc.	2.18%	+1.03%

Bottom Contributors		Avg Wgt	Contrib
VVI	Viad Corp.	1.11%	-0.16%
EAF	GrafTech International Ltd.	2.09%	-0.14%
LILAK	Liberty Latin America Ltd. (CI C)	1.36%	-0.14%
ATI	Allegheny Technologies Inc.	0.35%	-0.13%
CORE	Core-Mark Holding Co. Inc.	0.79%	-0.11%

Characteristics

	SMID II	R2500V
Number of Holdings	56	1,867
EV / EBITDA ¹	8.0	8.7
Price / Earnings ²	13.9	15.5
Price / Cash Flow	10.5	12.6
Price / Book	1.85	1.40
ROE (5 YR Avg)	8.9	9.4
EPS Growth (5 YR)	8.8	8.4
Cash Flow Growth (5 YR)	4.8	7.5
LT Growth Estimate	8.7	6.5
Wtd Avg Mkt Cap (B)	\$4.28	\$4.54
Wtd Med Mkt Cap (B)	\$3.25	\$4.17

Top 10 Portfolio Holdings

Symbol	Company	% of Port
CNNE	Cannae Holdings Inc.	4.91%
GLIBA	GCI Liberty Inc. (CI A)	4.66%
ATSG	Air Transport Services Group Inc.	4.07%
PINC	Premier Inc. (CI A)	3.89%
BJ	BJ's Wholesale Club Holdings Inc.	3.82%
LBRDK	Liberty Broadband Corp. (CI C)	3.48%
TWNK	Hostess Brands Inc. (CI A)	3.44%
LKQ	LKQ Corp.	3.07%
UNF	UniFirst Corp.	3.06%
AGX	Argan Inc.	2.77%

GICS sector breakdown reflects percent of equity; stocks without a reported sector are not presented. ¹EBITDA exclude banks, thrifts, and insurers. ²Excludes negative earnings. 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 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 Small-Mid Cap Value II 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 \$500 MM and \$10 B, employing a value driven, bottom-up fundamental approach. The official benchmark for the Composite is the Russell 2500 Value index. 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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