

Dividend All-Cap Value II

A TOTAL RETURN STRATEGY | QUARTERLY UPDATE AS OF SEPTEMBER 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

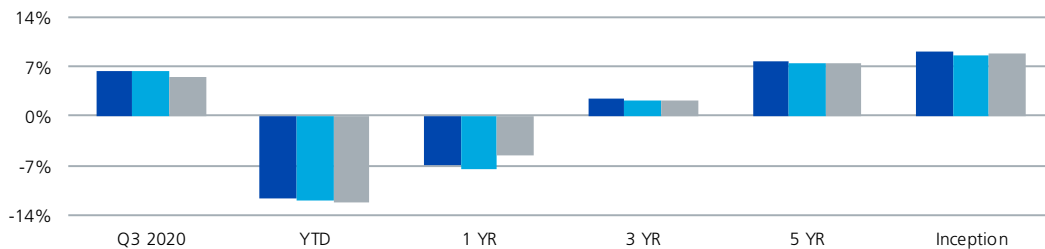
The Ohio State University, BS
University of Chicago, MBA



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

University of Iowa, BBA

Performance Summary



	Q3 2020	YTD	1 YR	3 YR	5 YR	Inception
DAV II Composite - Gross	6.31%	-11.78%	-7.06%	2.57%	7.74%	9.02%
DAV II Composite - Net	6.21%	-12.05%	-7.42%	2.18%	7.34%	8.49%
Russell 3000 Value	5.42%	-12.23%	-5.67%	2.11%	7.43%	8.85%
Out / Underperformance	+0.89%	+0.45%	-1.39%	+0.46%	+0.31%	+0.17%

Portfolio Yield: 3.89%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, and Russell Investment Group. Past performance is no guarantee of future results. Please see reverse side for important disclosure information.

Portfolio Review

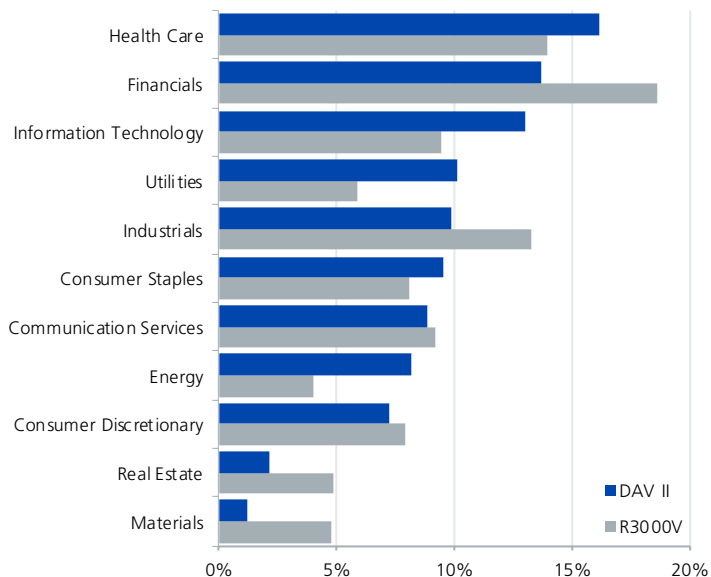
Growth indices suffered a brief, but violent, wobble in September, only to recover and push the pace for a historic year in 2020. Year to date, the Russell 3000 Growth index now leads its value peer by **+3,523 bps, well ahead of the +2,718 bps outperformance posted amid the Internet Bubble in 1999**. According to Ned Davis Research (NDR), the **relative valuation gap between the median growth stock and median value stock is now even larger than that seen at the height of the bubble** – and some investors are finally getting a bit antsy. This **relative outperformance continued to be driven by a very narrow list of companies** as NDR reported the FANG+ stocks, including Facebook Inc., Amazon.com Inc., Apple Inc., Netflix Inc., Microsoft Corp., and Alphabet Inc., were up **+42.53%** year to date, while the rest of the S&P 500 was down **-3.62%**. During the quarter, these six companies continued to grow as a percent of the Russell 3000 Growth and S&P 500, ending the period at **36%** and **23%** of the benchmarks, respectively. This further concentration is perhaps understandable given NDR's note that **fewer than 10% of the companies in the S&P 500 posted sales growth in excess of 15%**, down from 25% as recently as 2018, but we believe it creates an **increasingly unstable foundation for U.S. equity markets**.

The sector with the highest contribution to relative return for Q3 was **Information Technology**. The top contributing holding in Q3 was global package shipper, **United Parcel Service Inc. (CI B) (UPS)**. In July, UPS reported very strong results as the pandemic accelerated the secular shift in consumer behavior toward e-commerce. This behavioral shift led to **+65% growth in business-to-consumer shipments for UPS, which improved route density leading to a -2.7% reduction in the cost per piece shipped**. The firm's new CEO, Carol B. Tomé, articulated a **shift in strategy centered on driving proper value for UPS' infrastructure that should result in higher margins and returns on invested capital (ROIC) moving forward**. The team obviously intends to capitalize on the firm's renewed pricing power following the surge in shipping demand and will focus on imposing surcharges on high volume, low margin customers especially in times of peak volume while reserving capacity for higher margin, smaller and medium-sized customers. While management tempered the expectation for near-term margin expansion, **the expected recovery of business-to-business and freight volumes will likely provide additional pricing power and fuel optimism for UPS' earnings power in the coming quarters**. The firm **increased the dividend +5% in February 2020** and both free cash flow and liquidity should support the continued growth of the dividend in 2021. Our **assessed value for the position increased +38% over the span of the quarter** as the dramatic acceleration in volume prompted upward revisions in both margin assumptions and the multiple employed.

The sector with the lowest contribution to relative return in Q3 was **Energy**. The largest negative contributor during the quarter was **Kinder Morgan Inc. (CI P) (KMI)**, an energy infrastructure that transports approximately 40% of natural gas consumed in the United States. KMI reported weak results due to the disruption in commodity markets that started in March and the resulting decrease in oil production. **Management now expects full year EBITDA and distributable cash flow to decline slightly more than -8% and -10%, respectively**. While we suspect that the company's oil producing business will remain depressed for an extended period of time, **this division is responsible for only 10% of profits**. We believe the market has lost sight of the fact that KMI's business has limited commodity price risk with **90% of overall profits being fee based and 66% of profits from take-or-pay contracts**.

We have been **quite pleased with the relative results of the DAV II Portfolio in recent months** and given our expectation that the status quo could shift rapidly in Q4, **we expect our day-to-day emphasis will remain on downside protection and sustained dividend growth**. We are working to refine our watchlist with the intent to ensure that we can quickly react to changing circumstances. No doubt just as was the case in 2016, we will need to navigate some potentially treacherous industry-specific storms that emanate from the political process. However, as we look past 2020, **we believe the strength of dividend paying stocks in the zero-rate environment of 2010 and 2011 is a useful indicator of what could be in the next few years**. We believe the DAV II Strategy is not only positioned well to endure near-term uncertainty but also to **sustain that success as leadership inevitably rotates to value and low interest rates drive investors to dividend alternatives**.

Sector Weightings



Portfolio Contribution

Top Contributors		Yield ¹	Avg Wgt	Contrib
UPS	United Parcel Service Inc. (CI B)	2.42%	3.96%	+1.57%
TGT	Target Corp.	1.73%	3.90%	+1.15%
GLW	Corning Inc.	2.72%	3.94%	+0.91%
AES	AES Corp.	3.16%	3.06%	+0.69%
CMCSA	Comcast Corp. (CI A)	1.99%	3.43%	+0.60%

Bottom Contributors		Yield ¹	Avg Wgt	Contrib
KMI	Kinder Morgan Inc. (CI P)	8.52%	2.53%	-0.47%
CSCO	Cisco Systems Inc.	3.66%	2.96%	-0.44%
MPC	Marathon Petroleum Corp.	7.91%	1.12%	-0.23%
MMP	Magellan Midstream Partners LP	12.02%	1.26%	-0.23%
EPD	Enterprise Products Partners LP	11.27%	1.98%	-0.22%

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. 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, and Russell Investment Group.

Portfolio contribution calculated for the Q3 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. Unless otherwise noted, performance provided for periods greater than one year is annualized.

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. Unless otherwise noted, share-related characteristics are provided by FactSet.

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Characteristics

	DAV II	R3000V
Number of Holdings	50	2,309
Dividend Yield ¹	3.89	2.43
Price / Cash Flow	13.6	15.7
ROE (5 YR Avg)	21.0	15.4
EPS Growth (5 YR)	5.3	8.8
Div / Share Growth (TTM)	6.7	6.2
Cash	3.7%	
Annualized Standard Deviation ²	15.34	15.64
Jensen Alpha ²	0.55	
Beta ²	0.96	
Dollar Turnover (3 YR Avg) ³	29.6%	

Market Capitalization Breakdown

	DAV II	R3000V
Wtd Median Market Cap	\$54.00 B	\$55.44 B
Wtd Avg Market Cap	\$86.08 B	\$115.43 B
Large/Mega Cap: > \$25 B	66.3%	68.7%
Mid Cap: \$5 B - \$25 B	22.3%	22.1%
Micro/Small Cap: < \$5 B	11.4%	9.1%

Top 10 Portfolio Holdings

Symbol	Company	% of Port	Yield ¹
UPS	United Parcel Service Inc. (CI B)	4.55%	2.42%
GLW	Corning Inc.	4.15%	2.72%
TGT	Target Corp.	4.07%	1.73%
VZ	Verizon Communications Inc.	3.80%	4.22%
CMCSA	Comcast Corp. (CI A)	3.65%	1.99%
BMJ	Bristol-Myers Squibb Co.	3.35%	2.99%
UL	Unilever PLC Sponsored ADR	3.32%	2.91%
AES	AES Corp.	3.31%	3.16%
KMB	Kimberly-Clark Corp.	3.00%	2.90%
CSCO	Cisco Systems Inc.	2.66%	3.66%

