

Small-Mid Cap Value II

QUARTERLY UPDATE AS OF SEPTEMBER 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

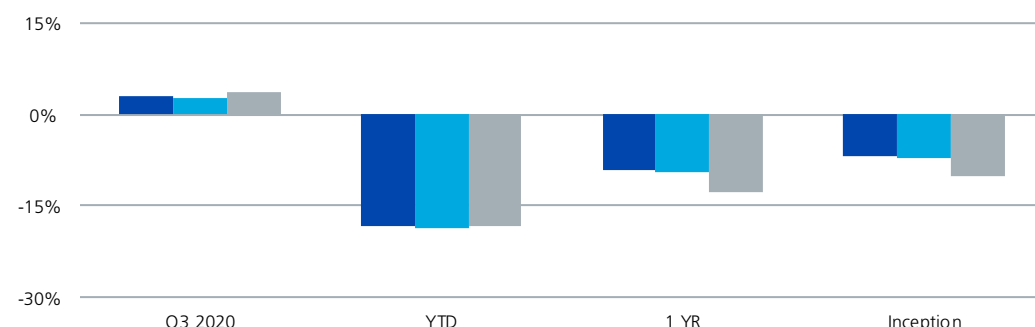


R. Andrew Beck
21 years of experience;
managed Portfolio since inception
University of Louisville, BS
Babson College, MBA



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

Performance Summary



	Q3 2020	YTD	1 YR	Inception
SMID II Composite - Gross	2.89%	-18.32%	-9.00%	-6.87%
SMID II Composite - Net	2.78%	-18.58%	-9.37%	-7.24%
Russell 2500 Value	3.54%	-18.39%	-12.62%	-9.99%
Out / Underperformance	-0.65%	+0.07%	+3.62%	+3.12%

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

The robust recovery in stocks that began on March 24 remained intact during Q3 as explosive returns in July and August were partly offset by a pullback in September. Early in the quarter, returns were fueled by a combination of record central bank liquidity and fiscal stimulus, which provided critical catalysts to jumpstart a recovery and end what could be the shortest recession in history. However, **as summer ended, the economic jolt from stimulus checks and enhanced federal unemployment benefits faded and investors faced both record high valuations and increased risks on the political and health fronts.**

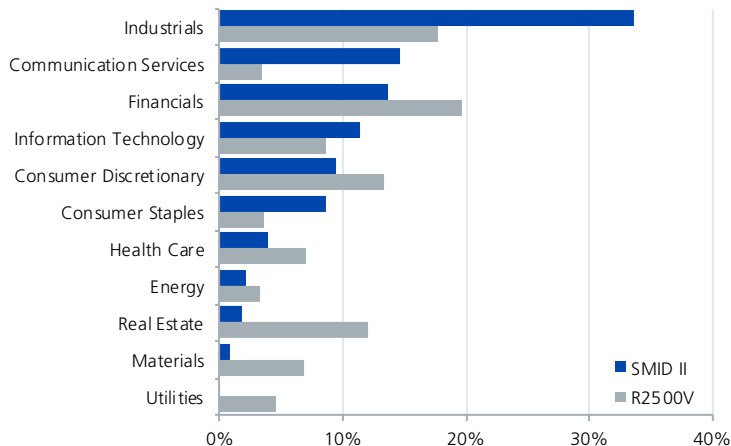
Despite the September pullback, it was the best Q3 for the tech-heavy S&P 500 index since 2010, which returned **+8.93%** versus **+4.93%** for the Russell 2000 index. **Once again, growth outperformed value across all market caps, which has driven record gaps in the performance of style indices year to date.**

The top contributing holding in the Portfolio during Q3 was **GCI Liberty Inc. (CI A) (GLIBA)**, which owns an 8% economic interest in Charter Communications (CHTR) and is the largest broadband provider in Alaska. In July, Charter reported strong results with revenue growth of +3% driven by **internet subscriber growth of +8%, and video subscriber losses of only -1%**. The growth in high margin internet subscribers and mix shift toward self-installs, which are only 33% of the cost of a professional install, led to margin expansion and **EBITDA growth of +7%**. Charter's mobile offering continued to exhibit significant growth with +325,000 new lines in the quarter. Liberty Broadband is still on track to acquire GCI Liberty in an all-stock deal, but the closing will not occur until 2021. One of the primary rationales for this transaction is to narrow the trading discount to the net asset value of LBRDK and GLIBA.

The largest negative contributing holding in the Portfolio during Q3 was **HollyFrontier Corp. (HFC)**. HFC is a mid-continent refiner that produces gasoline, diesel fuel, jet fuel, specialty lubricants, and modified asphalt. **HFC struggled in Q2 primarily due to a decline in miles driven, which reduced demand for gasoline and diesel and translated to lower utilization and lower gross margin per barrel (-57% year over year).** We believe the company's strong balance sheet, which carries very low net debt, should position HFC to withstand this challenging period. Based on enterprise value to capacity, shares currently trade near their lowest levels in the last 15 years.

As far as positioning 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.** According to FactSet, the Portfolio's valuation (as measured by our primary metric, EV/EBITDA) is meaningfully less than the benchmark, at **9.1x versus 10.5x**; the Portfolio's quality, as measured by five-year average ROE, is only slightly below the benchmark at **8.9% versus 9.2%**; and, the Portfolio's expected long-term growth (as measured by published long-term estimates) is a healthy **+9.9% versus +7.9%**.

Sector Weightings



Portfolio Contribution

Top Contributors		Avg Wgt	Contrib
GLIBA	GCI Liberty Inc. (CI A)	5.22%	+0.75%
LBRDK	Liberty Broadband Corp. (CI C)	3.57%	+0.55%
ATSG	Air Transport Services Group Inc.	4.37%	+0.54%
CUB	Cubic Corp.	2.38%	+0.50%
BJ	BJ's Wholesale Club Holdings Inc.	3.63%	+0.47%
Bottom Contributors			
HFC	HollyFrontier Corp.	1.11%	-0.43%
CNNE	Cannae Holdings Inc.	4.04%	-0.38%
WTM	White Mountains Insurance Group Ltd.	2.30%	-0.35%
EAF	GrafTech International Ltd.	1.78%	-0.32%
AGX	Argan Inc.	2.48%	-0.24%

Characteristics

	SMID II	R2500V
Number of Holdings	58	1,894
EV / EBITDA ¹	9.1	10.5
Price / Earnings ²	14.1	17.6
Price / Cash Flow	10.6	14.2
Price / Book	1.83	1.49
ROE (5 YR Avg)	8.9	9.2
EPS Growth (5 YR)	10.1	9.0
Cash Flow Growth (5 YR)	4.2	7.8
LT Growth Estimate	9.9	7.9
Wtd Avg Mkt Cap (B)	\$4.35	\$5.10
Wtd Med Mkt Cap (B)	\$3.13	\$4.48
Dollar Turnover (SI Avg) ³	49.3%	

Top 10 Portfolio Holdings

Symbol	Company	% of Port
GLIBA	GCI Liberty Inc. (CI A)	5.58%
ATSG	Air Transport Services Group Inc.	4.44%
CNNE	Cannae Holdings Inc.	4.04%
PINC	Premier Inc. (CI A)	3.76%
LKQ	LKQ Corp.	3.68%
TWNK	Hostess Brands Inc. (CI A)	3.56%
WTM	White Mountains Insurance Group Ltd.	3.40%
BJ	BJ's Wholesale Club Holdings Inc.	3.35%
UNF	UniFirst Corp.	3.33%
CUB	Cubic Corp.	2.97%

GICS sector breakdown reflects percent of equity; stocks without a reported sector are not presented. ¹EBITDA exclude banks, thrifts, and insurers. ²Excludes negative earnings. ³Average turnover since inception (May 1, 2019). 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 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 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. 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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