

Dividend All-Cap Value II ex-MLP

A TOTAL RETURN STRATEGY | QUARTERLY UPDATE AS OF DECEMBER 31, 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 ex-MLP (DAV II ex-MLP) 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

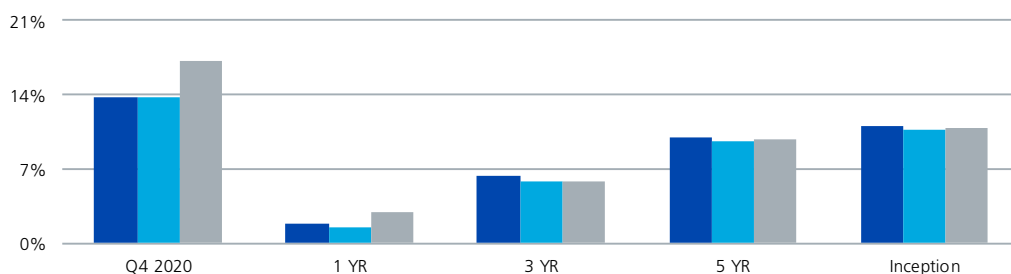


Andrew R. McIntosh, CFA

16 years of experience; managed Portfolio since 2018

University of Iowa, BBA

Performance Summary



	Q4 2020	1 YR	3 YR	5 YR	Inception
DAV II ex-MLP Composite - Gross	13.78%	1.88%	6.27%	9.98%	11.09%
DAV II ex-MLP Composite - Net	13.68%	1.45%	5.85%	9.55%	10.64%
Russell 3000 Value	17.21%	2.87%	5.89%	9.74%	10.86%
Out / Underperformance	-3.43%	-0.99%	+0.38%	+0.24%	+0.23%

Composite Dividend Yield: 3.32%¹

Performance is shown gross and net of fees. Inception date: January 1, 2013. Out/underperformance compares the gross Composite and index. ¹Gross of fees; indicated yield does not anticipate special dividends. Index data source: London Stock Exchange Group PLC and its group undertakings (collectively, the "LSE Group"), © LSE Group. Past performance is no guarantee of future results. Please see reverse side for important disclosure information.

Portfolio Review

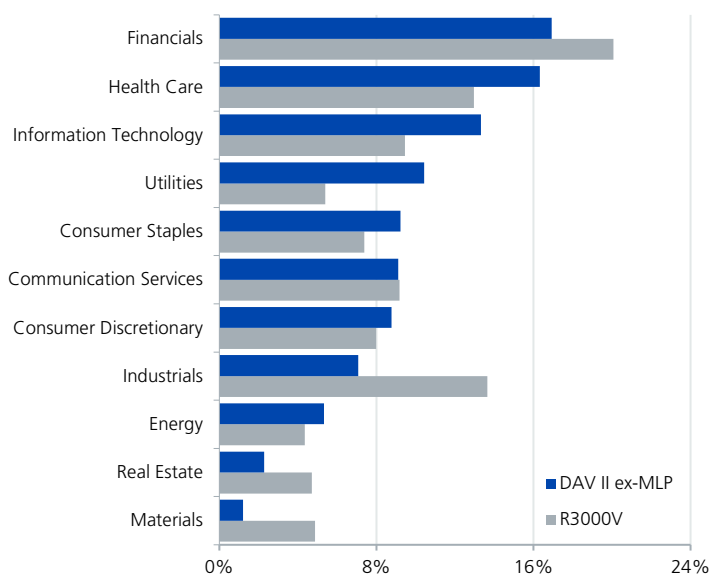
It should be little surprise a year as chaotic as 2020 would go out with a bang. The 'blue wave' election result pundits projected did not play out, but the **Democratic party made enough headway to capture the White House and Congress by the thinnest of margins**. However, in early November, the election results (which were then still uncertain) were quickly eclipsed by the announcement of positive trial results for the Pfizer/BioNTech COVID-19 vaccine. **With little doubt the FDA would quickly approve the compound, U.S. equity markets surged**. After dominating throughout the first three quarters of the year, large/mega cap and growth stocks, including the FANG+ stocks, lagged behind small cap and low quality value stocks.

The sector with the highest contribution to relative return for Q4 was **Utilities**. The top contributing holding in Q4 was **AES Corp. (AES)**, an electricity generation and utility company with 32.0 GW of power generation in 13 countries. In November, the company announced Q3 results highlighting multiple positive developments. First, AES continued to build its renewable development pipeline as it was **awarded 0.56 GW of new power purchase agreements (PPAs)** during the quarter, reaching the low end of management's full-year target of 2.0-3.0 GW only three quarters into the year. As part of the company's transition to renewable generation **AES announced its intent to retire 1.2 GW of coal generation capacity, which along with announced assets sales will reduce coal to 29% of total generation**. Further, **AES achieved its second investment grade credit rating**. Shortly before year end, **management announced that Fluence, the global leader in utility scale energy storage and a joint venture between AES and Siemens, would sell a 10% stake to the Qatar Investment Authority for \$125 MM**. The investment highlights the value of AES's stake in Fluence while providing capital to fund Fluence's rapid growth. AES share price continued to move higher in early January as investors anticipated greater federal support of the company's renewable initiatives under the incoming Joe Biden administration.

The sector with the lowest contribution to relative return for Q4 was **Industrials**. The largest negative contributor during the quarter was **Amgen Inc. (AMGN)**, a leading biotech company. In October, Amgen **released disappointing trial results for its cardiovascular drug, Omecantiv, which is intended to treat chronic heart failure**. The study met its primary endpoints but **failed to meet the higher standards set internally to ensure the proper commercial prospects for the compound**. While the trial results were disappointing, Amgen's management team restated its commitment to the cardiovascular channel and the company has a diversified product portfolio that will still drive growth in the long term. On the operating side of the business, Amgen continued to produce strong top-line results and raised its full-year earnings guidance for the second time in 2020.

Just as we were pleased with the relative results of the DAV II ex-MLP Portfolio through October, we were certainly disappointed to watch the Portfolio fall behind in the final weeks of the year. However, **we do not expect the Portfolio will track higher than the benchmark in a period characterized by a sharp upward move, especially when low quality, deep value stocks are at the forefront**. We had hoped a bout of market weakness in the wake of the election would create some additional buying opportunities, but in the end that does not impact the confidence we have in the current Portfolio going into 2021. **We are coming out on the other side of this crisis with a Portfolio of companies that we believe can and will deliver attractive returns and stable, growing dividends in what will likely be a persistent low-rate environment**.

Sector Weightings



Portfolio Contribution

Top Contributors		Yield ¹	Avg Wgt	Contrib
AES	AES Corp.	2.56%	3.69%	+1.04%
TFC	Truist Financial Corp.	3.76%	3.16%	+0.83%
AY	Atlantica Sustainable Infrastructure PLC	4.37%	2.47%	+0.80%
USB	U.S. Bancorp	3.61%	2.53%	+0.73%
PNC	PNC Financial Services Group Inc.	3.09%	2.15%	+0.73%

Bottom Contributors		Yield ¹	Avg Wgt	Contrib
AMGN	Amgen Inc.	3.06%	2.42%	-0.27%
KMB	Kimberly-Clark Corp.	3.17%	2.92%	-0.25%
HD	Home Depot Inc.	2.26%	1.31%	-0.05%
UL	Unilever PLC Sponsored ADR	3.03%	3.36%	-0.04%
VLO	Valero Energy Corp.	6.93%	0.08%	-0.01%

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. Index data source: London Stock Exchange Group PLC and its group undertakings (collectively, the "LSE Group"), © LSE Group.

Portfolio contribution calculated for the Q4 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.

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The Dividend All-Cap Value II ex-MLP 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, convertible preferred stocks, Real Estate Investment Trusts ("REITs"), investment companies, LLCs, and royalty income trusts. The Composite excludes any accounts invested in the Dividend All-Cap Value II Strategy that allows Master Limited Partnership (MLP) investments. Some accounts in the Composite restrict all Publicly Traded Partnerships (i.e. both MLPs and LLCs), but the Composite does include accounts that allow(ed) LLCs. 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. 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.

Unless otherwise noted, share-related characteristics are provided by FactSet. Portfolio and index characteristics 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 ex-MLP	R3000V
Number of Holdings	45	2,341
Dividend Yield ¹	3.32	2.12
Price / Cash Flow	15.5	16.5
ROE (5 YR Avg)	19.2	14.6
EPS Growth (5 YR)	6.0	8.5
Div / Share Growth (TTM)	6.1	5.9
Cash	2.5%	
Annualized Standard Deviation ²	15.64	16.44
Jensen Alpha ²	0.81	
Beta ²	0.93	
Dollar Turnover (3 YR Avg) ³	44.5%	

Market Capitalization Breakdown

	DAV II ex-MLP	R3000V
Wtd Median Market Cap	\$69.47 B	\$63.13 B
Wtd Avg Market Cap	\$93.86 B	\$125.33 B
Large/Mega Cap: > \$25 B	67.7%	69.9%
Mid Cap: \$5 B - \$25 B	19.0%	21.7%
Micro/Small Cap: < \$5 B	13.3%	8.5%

Top 10 Portfolio Holdings

Symbol	Company	% of Port	Yield ¹
UPS	United Parcel Service Inc. (CI B)	4.26%	2.40%
GLW	Corning Inc.	4.24%	2.44%
TGT	Target Corp.	4.09%	1.54%
AES	AES Corp.	3.93%	2.56%
CMCSA	Comcast Corp. (CI A)	3.93%	1.76%
VZ	Verizon Communications Inc.	3.47%	4.27%
UL	Unilever PLC Sponsored ADR	3.25%	3.03%
BMY	Bristol-Myers Squibb Co.	3.21%	3.16%
TFC	Truist Financial Corp.	3.15%	3.76%
CSCO	Cisco Systems Inc.	2.81%	3.22%

