

Focused Absolute Value® II

A HIGH CONVICTION STRATEGY | QUARTERLY UPDATE AS OF DECEMBER 31, 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

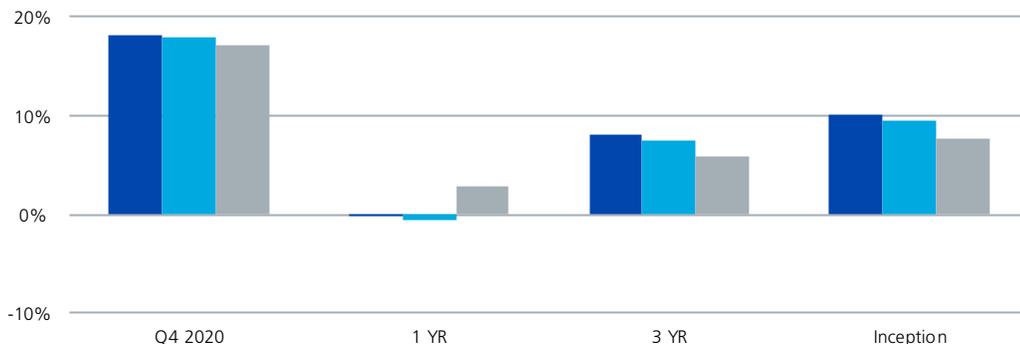


Ashley L. Abney, CPA
Senior Equity Research Analyst &
Senior FAV Strategy Liaison

14 years of experience

Centre College, BS

Performance Summary



	Q4 2020	1 YR	3 YR	Inception
FAV II Composite - Gross	18.11%	-0.09%	8.08%	10.14%
FAV II Composite - Net	18.00%	-0.56%	7.44%	9.45%
Russell 3000 Value	17.21%	2.87%	5.89%	7.67%
Out/Underperformance	+0.90%	-2.96%	+2.19%	+2.47%

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). 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

Reflecting on the 23 years River Road has been managing investment strategies, **we cannot recall a single year punctuated by more divergent extremes than 2020**. Market events typically experienced over years compressed into weeks and quarters, as **the longest bull market on record collapsed abruptly** into the shortest bear market recession on record, followed by **the most powerful nine-month recovery in history**. 2020 saw the **worst global medical crisis in 100 years** (+1.8 million deaths globally), the **most widespread global recession since 1870**, and arguably the **most divisive election since the Civil War**.

2020 was also the most challenging year for the Focused Absolute Value® (FAV) Strategy in its 12-year history, particularly the first half. The Portfolio's overweight position in smaller caps along with exposure to energy and travel-related stocks contributed to significant underperformance during the market crash. Relative performance *significantly improved* from the market bottom through year end due to outperformance by Information Technology and Communication Services holdings as well as a recovery within small caps. We continue to have significant exposure to smaller cap stocks, nearly two and a half times the level in the index. We believe **FAV's ability to shift between market cap exposure based on bottom-up opportunities has been advantageous since the Strategy's inception**.

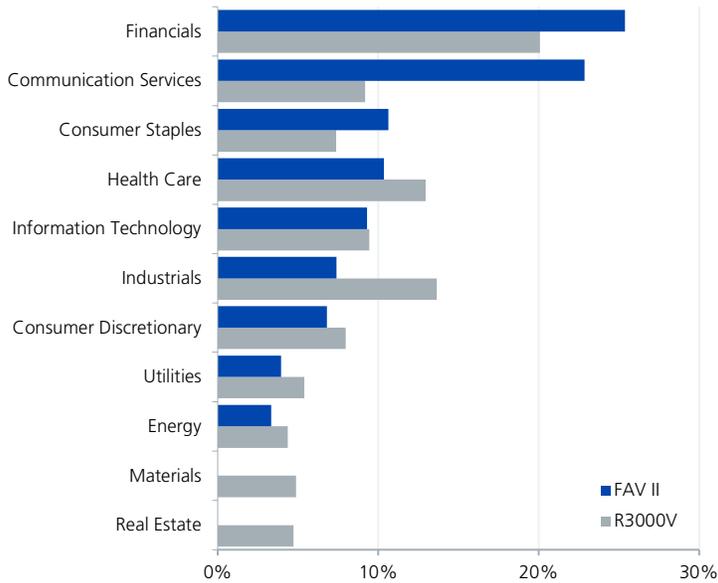
The top contributing holding of Q4 was **NCR Corp. (NCR)**, a provider of transaction software, services, and hardware largely to banks, retailers, restaurants, and the hospitality industry. **Shares rallied following its Investor Day in early December after management highlighted the company's success in shifting from hardware to software/services**. We believe the transition is making the business **more predictable with highly recurring revenue and stickier customer relationships**. More importantly, the **'as-a-service' model ultimately generates more revenue over the life of a customer than the traditional hardware plus software license model**. NCR also increased disclosure regarding its digital banking operations, which makes a sum-of-the-parts valuation possible and highlights the valuation disparity with digital banking peer Q2 Holdings Inc. (QTWO).

The largest negative contributor during the quarter was **BJ's Wholesale Club Holdings Inc. (BJ)**, a warehouse club retailer with more than 200 stores primarily located in the eastern United States. In November, BJ released record Q3 results that exceeded high expectations for the third consecutive quarter. **New membership growth powered a 12% increase in the total member base year over year**, and new members are skewing younger with more digital engagement, higher premium product mix, and above-average spending. **This helped fuel an +18.5% increase in same-store sales during Q3 and we believe should support future merchandise sales growth beyond the pandemic**.

Fortunately, **we believe the Portfolio is well positioned for the uncertainty of 2021 and reflects an attractive balance of value, quality, and growth**. According to FactSet, the Portfolio's valuation (as measured by EV/EBITDA) is just **9.6x versus 12.8x** for the Russell 3000 Value benchmark. Quality, as measured by five-year average return on equity (ROE), is **11.7% versus 14.6%** for the benchmark. Finally, the Portfolio's expected long-term growth (as measured by published long-term estimates) is a healthy **+9.2% versus just +7.0%** for the benchmark.

Discovering value,
off the beaten path®

Sector Weightings



Portfolio Contribution

Top Contributors		Avg Wgt	Contrib
NCR	NCR Corp.	2.12%	+1.34%
CB	Chubb Ltd.	3.91%	+1.29%
INT	World Fuel Services Corp.	2.78%	+1.17%
FNF	Fidelity National Financial Inc. - FNF Group	4.40%	+1.12%
AES	AES Corp.	3.69%	+1.06%
Bottom Contributors		Avg Wgt	Contrib
BJ	BJ's Wholesale Club Holdings Inc.	0.22%	-0.06%
ACIW	ACI Worldwide Inc.	0.02%	+0.03%
MSGE	Madison Square Garden Entertainment Corp (CI A)	0.42%	+0.05%
AVYA	Avaya Holdings Corp.	0.62%	+0.06%
UL	Unilever PLC Sponsored ADR	0.60%	+0.08%

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 excludes banks, thrifts, and insurers. ²Price/earnings excludes negative earnings. ³Risk characteristics based on trailing 36-month gross of fee composite performance. ⁴Average 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.

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®). A GIPS Report is available upon request by contacting RRAMCompliance@riverroadam.com. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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. Unless otherwise noted, performance provided for periods greater than one year is annualized.

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.

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

	FAV II	R3000V
Number of Holdings	26	2,341
EV / EBITDA ¹	9.6	12.8
Price / Earnings ²	19.0	22.1
Price / Book	2.03	2.34
Price / Cash Flow	12.6	16.5
ROE (5 YR Avg)	11.7	14.6
EPS Growth (5 YR)	7.1	8.5
LT Growth Estimate	9.2	7.0
Annualized Standard Deviation ³	21.05	19.95
Jensen Alpha ³	2.05	
Beta ³	1.03	
Dollar Turnover (3 Yr Avg) ⁴	77.6%	

Market Capitalization Breakdown

	FAV II	R3000V
Wtd Median Market Cap	\$13.95 B	\$63.13 B
Wtd Avg Market Cap	\$88.62 B	\$125.33 B
Large/Mega: > \$25 B	44.3%	69.9%
Md: \$5 B - \$25 B	28.8%	21.7%
Micro/Small: < \$5 B	26.8%	8.5%

Top 10 Portfolio Holdings

Symbol	Company	% of Port
LBRDK	Liberty Broadband Corp. (CI C)	9.44%
BRK.B	Berkshire Hathaway Inc. (CI B)	7.65%
CMCSA	Comcast Corp. (CI A)	6.10%
FNF	Fidelity National Financial Inc. - FNF Group	5.13%
TWNK	Hostess Brands Inc. (CI A)	4.83%
CSCO	Cisco Systems Inc.	4.28%
CB	Chubb Ltd.	4.12%
AES	AES Corp.	3.87%
LSXMK	Liberty Media Corp. Series C Liberty SiriusXM	3.82%
PINC	Premier Inc. (CI A)	3.76%

