

Small-Mid Cap Value II

QUARTERLY UPDATE AS OF DECEMBER 31, 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

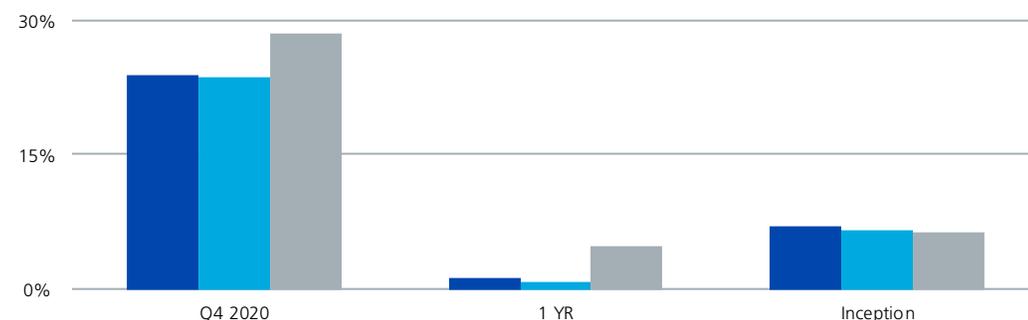


R. Andrew Beck
21 years of experience;
managed Portfolio since inception
University of Louisville, BS
Babson College, MBA



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

Performance Summary



	Q4 2020	1 YR	Inception
SMID II Composite - Gross	23.87%	1.18%	7.01%
SMID II Composite - Net	23.76%	0.77%	6.59%
Russell 2500 Value	28.51%	4.88%	6.27%
Out / Underperformance	-4.64%	-3.70%	+0.74%

Performance is shown gross and net of fees. Inception date: May 1, 2019. Out/underperformance compares the gross Composite and index. 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 we have managed our Small Cap Value (SCV) and Small-Mid Cap Value (SMID) Strategies, **no single year has been punctuated by more divergent extremes than 2020**. It was a year that 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. Yet, we also saw the hottest IPO market since the tech-bubble, and nearly every major stock index ended the year at all-time highs.

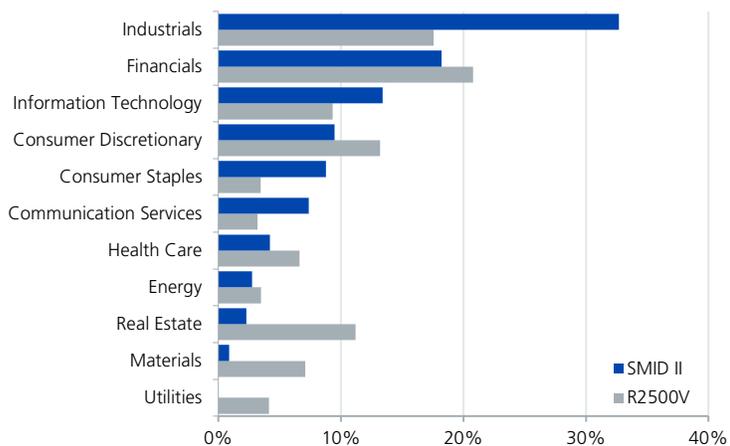
River Road's SCV and SMID Strategies have historically lagged their benchmarks during the early stage of a new market cycle and the second half of 2020 was no exception. In Q4, the factor headwinds were particularly intense as assets poured into small cap ETFs, helping to propel low ROE, high beta, and non-earning companies, as well as the Russell 2000 and Russell 2000 Value indices to their strongest quarterly performances on record.

The top contributing holding in the Portfolio during 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. **Management highlighted NCR's success shifting from hardware to software/services**, which is making the business highly recurring, stickier, and more predictable. More importantly, the 'as-a-service' model 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 QTWO.**

The largest negative contributing holding in Q4 was **BJ's Wholesale Club Holdings Inc. (BJ)**, a warehouse club retailer with more than 200 stores primarily located in the eastern United States. BJ's reported Q3 results exceeded high expectations for the third consecutive quarter. Same-store sales increased +19% (ex-fuel prices), benefiting from higher traffic and higher average ticket size. Membership fee revenue increased +11%. Operating expense controls led to EBITDA growth of +57%. Despite these strong results, **BJ shares traded lower during the quarter as investors harvested year-to-date gains and questioned whether these elevated sales levels can be sustained.**

As far as positioning, our Portfolio compares *very well* to the index on **valuation** (as measured by EV/EBITDA by FactSet), which is **8.7x versus 10.9x** for the benchmark. Further, **quality** (as measured by five-year average return on equity) is in line with the index at **8.8% versus 8.7%**. Estimated long-term earnings growth for the Portfolio did decline a bit from Q3, at **7.9% versus 9.0%** for the benchmark, but we think this atypical comparison may be due to the current volatility in forward estimates and reporting lags. We will continue to monitor the relationship over the next few quarters.

Sector Weightings



Portfolio Contribution

Top Contributors		Avg Wgt	Contrib
NCR	NCR Corp.	2.30%	+1.33%
LKQ	LKQ Corp.	3.78%	+1.18%
ATSG	Air Transport Services Group Inc.	4.60%	+1.10%
WTM	White Mountains Insurance Group Ltd.	3.75%	+1.05%
JLL	Jones Lang LaSalle Inc.	1.84%	+0.92%

Bottom Contributors		Avg Wgt	Contrib
BJ	BJ's Wholesale Club Holdings Inc.	3.08%	-0.32%
SABR	Sabre Corp.	0.18%	-0.02%
TAP	Molson Coors Beverage Co. (CI B)	0.02%	-0.01%
CLB	Core Laboratories NV	0.01%	+0.00%
MUSA	Murphy USA Inc.	0.73%	+0.02%

GICS sector breakdown reflects percent of equity; stocks without a reported sector are not presented. ¹EBITDA excludes banks, thrifts, and insurers. ²Price/earnings excludes 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. 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 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.

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

	SMID II	R2500V
Number of Holdings	55	1,926
EV / EBITDA ¹	8.7	10.9
Price / Earnings ²	15.5	21.2
Price / Cash Flow	14.4	17.6
Price / Book	1.85	1.87
ROE (5 YR Avg)	8.8	8.7
EPS Growth (5 YR)	11.8	9.5
Cash Flow Growth (5 YR)	9.0	7.3
LT Growth Estimate	7.9	9.0
Wtd Avg Mkt Cap (B)	\$4.78	\$6.19
Wtd Med Mkt Cap (B)	\$3.84	\$5.38
Dollar Turnover (SI Avg) ³	46.0%	

Top 10 Portfolio Holdings

Symbol	Company	% of Port
ATSG	Air Transport Services Group Inc.	4.50%
CNNE	Cannae Holdings Inc.	4.20%
WTM	White Mountains Insurance Group Ltd.	3.85%
UNF	UniFirst Corp.	3.55%
TWNC	Hostess Brands Inc. (CI A)	3.42%
LKQ	LKQ Corp.	3.38%
BJ	BJ's Wholesale Club Holdings Inc.	3.30%
PINC	Premier Inc. (CI A)	3.25%
FNF	Fidelity National Financial Inc. - FNF Group	3.06%
NCR	NCR Corp.	2.89%

