

# Dividend All-Cap Value

A TOTAL RETURN STRATEGY | QUARTERLY UPDATE AS OF JUNE 30, 2021



FOR PROFESSIONAL INVESTORS ONLY

## 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 Summary

River Road's Dividend All-Cap Value (DAV) 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 cap of \$300 MM at the time of initial 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



**Thomas S. Forsha, CFA**  
23 years of experience;  
managed Portfolio since 2007

The Ohio State University, BS  
University of Chicago, MBA



**Henry W. Sanders III, CFA**  
32 years of experience;  
managed Portfolio since inception

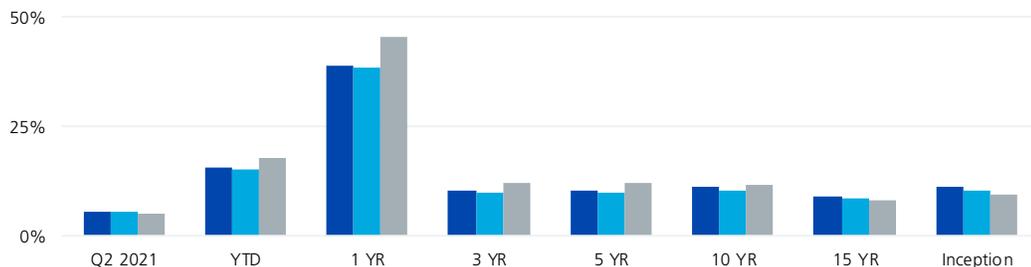
Bellarmine University, BA  
Boston College, MBA



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

University of Iowa, BBA

## Trailing Returns



	Q2 2021	YTD	1 YR	3 YR	5 YR	10 YR	15 YR	Inception
DAV Composite - Gross	5.55%	15.45%	39.00%	10.35%	10.31%	10.97%	9.19%	11.09%
DAV Composite - Net	5.40%	15.12%	38.21%	9.73%	9.68%	10.29%	8.49%	10.39%
Russell 3000 Value	5.16%	17.67%	45.40%	12.23%	11.99%	11.54%	7.99%	9.29%
<b>Out / Underperformance</b>	<b>+0.39%</b>	<b>-2.22%</b>	<b>-6.40%</b>	<b>-1.88%</b>	<b>-1.68%</b>	<b>-0.57%</b>	<b>+1.20%</b>	<b>+1.80%</b>

Portfolio Dividend Yield: 3.05%<sup>1</sup>

## Calendar Year Returns

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
DAV Composite - Gross	-0.48%	24.52%	-6.26%	10.10%	21.47%	-3.57%	10.66%	33.69%	10.27%	6.17%
DAV Composite - Net	-1.04%	23.82%	-6.79%	9.48%	20.75%	-4.19%	9.95%	32.82%	9.54%	5.42%
Russell 3000 Value	2.87%	26.26%	-8.58%	13.19%	18.40%	-4.13%	12.70%	32.69%	17.55%	-0.10%
<b>Out / Underperformance</b>	<b>-3.35%</b>	<b>-1.74%</b>	<b>+2.32%</b>	<b>-3.09%</b>	<b>+3.07%</b>	<b>+0.56%</b>	<b>-2.04%</b>	<b>+1.00%</b>	<b>-7.28%</b>	<b>+6.27%</b>

Past performance is no guarantee of future results. There is a risk that invested capital may be lost. Performance is shown gross and net of fees. Inception date: October 1, 2003. Out/underperformance compares the gross Composite and index. <sup>1</sup>Gross of fees; indicated portfolio yield does not anticipate special dividends. Yield based on a representative portfolio within the Strategy. Index data source: London Stock Exchange Group PLC and its group undertakings (collectively, the "LSE Group"), © LSE Group. Please see reverse side for important disclosure information.

## Market Highlights

- With restrictions lifted, the economy is resurgent, but tight supply chains and labor markets are fueling inflation pressures.
- Large cap stocks led throughout Q2; growth stocks rebounded from one of their worst routs in decades in Q1.**
- The **low quality/high risk rally was muted but continued in early Q2. In June, this reversed** as higher quality and higher yielding stocks modestly outperformed.
- Based on current projections, **calendar 2021 earnings are now expected to top 2019 by a healthy +17%.**
- The growth rate of the dividends paid by S&P 500 companies has quickly moved back into positive territory at **+2.2%** and should continue to accelerate in 2021. The **relative valuation of the lowest yielding stocks remains very high versus** the broader dividend universe.

## Portfolio Highlights

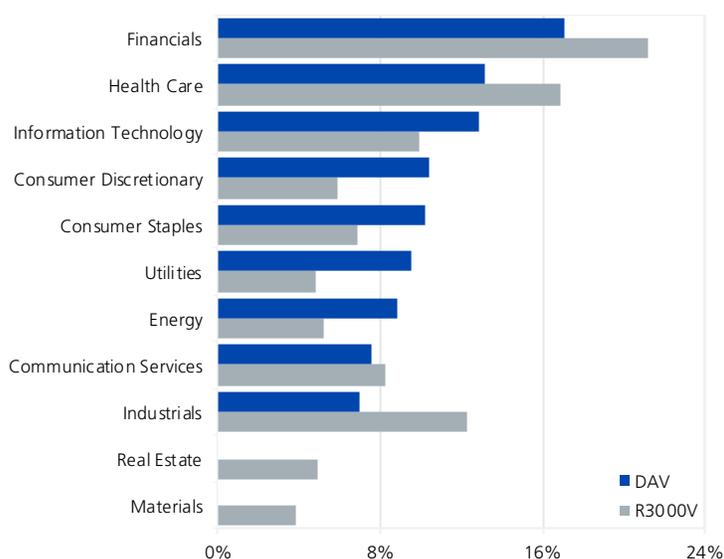
- The Dividend All-Cap Value (DAV) Composite returned **+5.55%** (+5.40% net) for Q2 versus **+5.16%** for the Russell 3000 Value.
- At the end of Q2, the dividend yield of the Portfolio was **3.05%**, which is **163% of the 1.88% yield of the Russell 3000 Value** and **more than double the 1.37% yield of the S&P 500.**
- Industrials** and **Consumer Discretionary** were the sectors with the highest contribution to relative return.
- The holdings with the highest contribution to Portfolio return were **United Parcel Service Inc. (CI B) (UPS)** and **Target Corp. (TGT).**
- Financials** and **Health Care** were the sectors with the lowest contribution to relative return.
- The holdings with the lowest contribution to Portfolio return were **Corning Inc. (GLW)** and **M&T Bank Corp. (MTB).**

## Outlook

- With **warning bells ringing** and the **economy set to move out of the early phase of the recovery** amid **low prevailing interest rates**, our expectation for the relative return for both higher quality and dividend-paying stocks is increasingly positive, which **should continue to support a positive outlook for the DAV Strategy.**

Discovering value,  
off the beaten path®

Sector Weights



Characteristics & Risk Statistics

	DAV	R3000V
Number of Holdings	52	2,226
Dividend Yield <sup>1</sup>	3.05	1.88
Price / Cash Flow	15.9	17.1
ROE (5 YR Avg)	19.1	13.9
EPS Growth (5 YR)	2.5	8.3
Div / Share Growth (TTM)	5.4	5.2
Annualized Standard Deviation <sup>2</sup>	15.94	16.36
Jensen Alpha <sup>2</sup>	-1.26	
Beta <sup>2</sup>	0.96	
Cash	3.5%	
Dollar Turnover (3 YR Avg) <sup>3</sup>	30.0%	

Portfolio Contribution

Top Contributors		Yield <sup>1</sup>	Avg Wgt	Contrib
UPS	United Parcel Service Inc. (CI B)	1.96%	3.89%	+0.86%
TGT	Target Corp.	1.49%	3.30%	+0.67%
NLOK	NortonLifeLock Inc.	1.84%	1.15%	+0.28%
MPC	Marathon Petroleum Corp.	3.84%	1.83%	+0.26%
KMI	Kinder Morgan Inc. (CI P)	5.92%	2.35%	+0.24%

Bottom Contributors		Yield <sup>1</sup>	Avg Wgt	Contrib
GLW	Corning Inc.	2.35%	3.95%	-0.18%
MTB	M&T Bank Corp.	3.03%	1.34%	-0.14%
TFC	Truist Financial Corp.	3.24%	3.11%	-0.11%
CASS	Cass Information Systems Inc.	2.65%	0.69%	-0.08%
KMB	Kimberly-Clark Corp.	3.41%	2.31%	-0.08%

Market Cap Breakdown

	DAV	R3000V
Wtd Median Market Cap	\$53.20 B	\$66.42 B
Wtd Avg Market Cap	\$92.73 B	\$142.58 B
Large/Mega Cap: > \$25 B	67.1%	72.6%
Mid Cap: \$5 B - \$25 B	19.9%	20.2%
Micro/Small Cap: < \$5 B	9.5%	7.1%

Top 10 Portfolio Holdings

Symbol	Company	% Port	Yield <sup>1</sup>
UPS	United Parcel Service Inc. (CI B)	3.90%	1.96%
GLW	Corning Inc.	3.66%	2.35%
TGT	Target Corp.	3.49%	1.49%
AES	AES Corp.	3.41%	2.31%
CMCSA	Comcast Corp. (CI A)	3.33%	1.75%
TFC	Truist Financial Corp.	2.91%	3.24%
BMJ	Bristol-Myers Squibb Co.	2.69%	2.93%
CSCO	Cisco Systems Inc.	2.69%	2.79%
VZ	Verizon Communications Inc.	2.66%	4.48%
UL	Unilever PLC Sponsored ADR	2.66%	3.13%

Past performance is no guarantee of future results. There is a risk that invested capital may be lost. GICS sector and market cap breakdowns reflect percent of total portfolio; stocks without a reported sector or market cap (e.g. corporate reorganizations, mergers, acquisitions, and dissolutions) are not presented. Market caps are live data points and subject to change. <sup>1</sup>Gross of fees; indicated yield does not anticipate special dividends. <sup>2</sup>Risk characteristics based on trailing 60-month gross of fee composite performance. <sup>3</sup>Average 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.

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.

Portfolio contribution calculated gross of fees for the Q2 2021 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 Composite contains fully discretionary equity income accounts that seek long-term capital appreciation and high current income by investing primarily in a diversified, all-cap basket of income producing equity securities that 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. 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.

Performance presented prior to April 1, 2005 occurred while the original members of the portfolio management team were affiliated with a prior firm and those portfolio management team members were the only individuals primarily responsible for selecting the securities to buy and sell. A review of this track record for compliance with portability requirements of the GIPS® standards was conducted by Ashland Partners & Company.

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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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