

# Focused Absolute Value<sup>®</sup> III

A HIGH CONVICTION STRATEGY | QUARTERLY UPDATE AS OF SEPTEMBER 30, 2021



## Investment Objective

Long-term total return = Russell 3000 Value index plus a minimum of +200 bps

## Strategy Summary

**Focused Absolute Value<sup>®</sup> III (FAV III) 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.<sup>1</sup>**

The FAV III Strategy leverages the existing Focused Absolute Value<sup>®</sup> (FAV) Strategy's portfolio design and investment process, and typically invests in companies with a market cap of \$2 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

22 years of experience;  
managed Portfolio since inception

University of Louisville, BS  
Babson College, MBA



**Thomas S. Forsha, CFA**  
Co-Chief Investment Officer &  
Portfolio Manager

23 years of experience;  
managed Portfolio since inception

The Ohio State University, BS  
University of Chicago, MBA



**Ashley L. Abney, CPA**  
Associate Portfolio Manager,  
Derived Strategies

15 years of experience;  
managed Portfolio since 2021

Centre College, BS

*Discovering value,  
off the beaten path<sup>®</sup>*

FOR PROFESSIONAL INVESTORS ONLY

## Trailing Returns



|                               | Q3 2021       | YTD           | 1 YR          | Inception     |
|-------------------------------|---------------|---------------|---------------|---------------|
| FAV III Composite - Gross     | -3.96%        | 10.11%        | 29.18%        | 4.89%         |
| FAV III Composite - Net       | -4.09%        | 9.64%         | 28.48%        | 4.31%         |
| Russell 3000 Value            | -0.93%        | 16.58%        | 36.64%        | 10.96%        |
| <b>Out / Underperformance</b> | <b>-3.03%</b> | <b>-6.47%</b> | <b>-7.46%</b> | <b>-6.07%</b> |

## Calendar Year Returns

|                               | 2020          |
|-------------------------------|---------------|
| FAV III Composite - Gross     | -1.29%        |
| FAV III Composite - Net       | -1.80%        |
| Russell 3000 Value            | 2.87%         |
| <b>Out / Underperformance</b> | <b>-4.16%</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: January 1, 2020. Out/underperformance compares the gross Composite and index. If a holding is liquidated from all RRAM portfolios, the stock must be sold from the Focused Absolute Value<sup>®</sup> III 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. Please see reverse side for important disclosure information.

## Market Highlights

- **A volatile quarter ended with mixed returns for stocks.**
- Once again, small caps lagged large caps; style performance diverged across market caps.
- The Russell 1000 returned **+0.21%** for Q3 versus **-4.36%** for the Russell 2000 and **-0.10%** for the Russell 3000; the Russell 3000 Value returned **-0.93%** versus **+0.69%** for the Russell 3000 Growth.
- Within the Russell 3000 Value index, **Financials (+2.42%)** and **Real Estate (+1.74%)** posted the highest total returns, while **Materials (-4.97%)** and **Industrials (-3.80%)** posted the lowest.

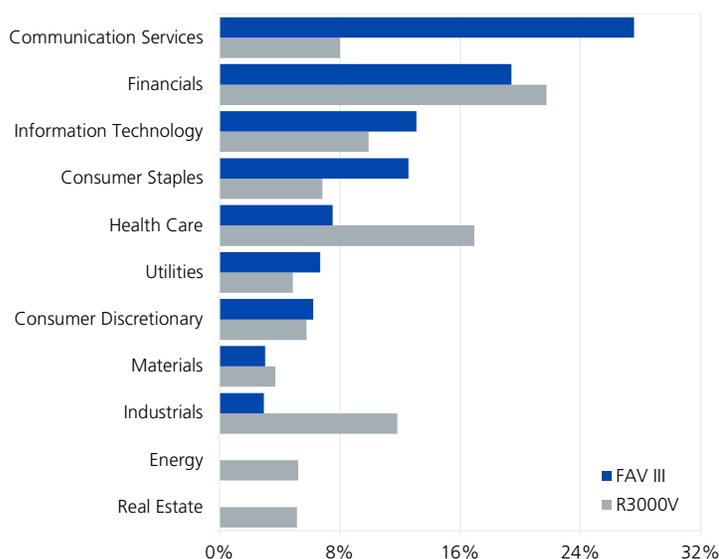
## Portfolio Highlights

- For Q3, the River Road Focused Absolute Value<sup>®</sup> III (FAV III) Composite returned **-3.96%** (-4.09% net) versus **-0.93%** for the Russell 3000 Value benchmark. Year to date, the Composite returned **+10.11%** (+9.64% net) versus **+16.58%** for the benchmark.
- The holdings with the highest contribution to Portfolio return were **Premier Inc. (CI A) (PINC)** and **Cisco Systems Inc. (CSCO)**.
- The holdings with the lowest contribution to Portfolio return were **GoHealth Inc. (CI A) (GOCO)** and **Avaya Holdings Corp. (AVYA)**.

## Outlook

- **We continue to believe higher quality and value stocks are well positioned as Delta recedes and the economic reopening gains momentum.**

Sector Weights



Portfolio Contribution

| Top Contributors |   | Avg Wgt | Contrib |
|------------------|---|---------|---------|
| PINC             | Premier Inc. (CI A)                           | 3.95%   | +0.43%  |
| CSCO             | Cisco Systems Inc.                            | 2.25%   | +0.34%  |
| FNF              | Fidelity National Financial Inc. - FNF Group  | 4.10%   | +0.19%  |
| ALIT             | Alight Inc. (CI A)                            | 0.42%   | +0.16%  |
| LSXMK            | Liberty Media Corp. Series C Liberty SiriusXM | 5.81%   | +0.12%  |

| Bottom Contributors |                                  | Avg Wgt | Contrib |
|---------------------|----------------------------------|---------|---------|
| GOCO                | GoHealth Inc. (CI A)             | 0.98%   | -1.04%  |
| AVYA                | Avaya Holdings Corp.             | 2.19%   | -0.67%  |
| NCR                 | NCR Corp.                        | 3.99%   | -0.56%  |
| AES                 | AES Corp.                        | 3.66%   | -0.46%  |
| TAP                 | Molson Coors Beverage Co. (CI B) | 3.42%   | -0.45%  |

Characteristics & Risk Statistics

|                                       | FAV III | R3000V |
|---------------------------------------|---------|--------|
| Number of Holdings                    | 24      | 2,277  |
| EV / EBITDA <sup>1</sup>              | 13.2    | 13.5   |
| Price / Earnings <sup>2</sup>         | 15.6    | 17.8   |
| Price / Book                          | 2.27    | 2.50   |
| Price / Cash Flow                     | 15.6    | 16.4   |
| ROE (5 YR Avg)                        | 14.1    | 14.0   |
| EPS Growth (5 YR)                     | 12.8    | 8.4    |
| LT Growth Estimate                    | 15.1    | 11.7   |
| Cash                                  | 0.9%    |        |
| Dollar Turnover (SI Avg) <sup>3</sup> | 78.4%   |        |

Market Cap Breakdown

|                       | FAV III    | R3000V     |
|-----------------------|------------|------------|
| Wtd Median Market Cap | \$30.08 B  | \$64.73 B  |
| Wtd Avg Market Cap    | \$144.59 B | \$145.72 B |
| Large/Mega: > \$25 B  | 50.3%      | 72.3%      |
| Mid: \$5 B - \$25 B   | 41.3%      | 20.4%      |
| Micro/Small: < \$5 B  | 7.5%       | 7.3%       |

Top 10 Portfolio Holdings

| Symbol | Company   | % Port |
|--------|---|--------|
| BRK.B  | Berkshire Hathaway Inc. (CI B)                            | 10.04% |
| LBRDK  | Liberty Broadband Corp. (CI C)                            | 9.20%  |
| LSXMK  | Liberty Media Corp. Series C Liberty SiriusXM             | 6.07%  |
| CMCSA  | Comcast Corp. (CI A)                                      | 5.83%  |
| FISV   | Fiserv Inc.   | 5.07%  |
| FMX    | Fomento Economico Mexicano SAB de CV Sponsored ADR (CI B) | 4.60%  |
| AES    | AES Corp.   | 4.42%  |
| UL     | Unilever PLC Sponsored ADR                                | 4.36%  |
| FNF    | Fidelity National Financial Inc. - FNF Group              | 4.20%  |
| NCR    | NCR Corp.   | 4.19%  |

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. <sup>1</sup>EBITDA excludes banks, thrifts, and insurers. <sup>2</sup>Price/earnings excludes negative earnings. <sup>3</sup>Average turnover since inception (January 1, 2020). 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 Q3 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.

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® III Composite contains fully discretionary accounts that seek capital appreciation by investing primarily in equity securities which have a market capitalization of typically at least \$2 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® III 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.

© Copyright: All rights reserved; 2021, River Road Asset Management, LLC.

FOR PROFESSIONAL INVESTORS ONLY