

# Small-Mid Cap Value II

QUARTERLY UPDATE AS OF MARCH 31, 2022



FOR PROFESSIONAL INVESTORS ONLY

## Investment Objective(s)

- Long-term total return > Russell 2500 Value index plus 200 to 400 bps
- Target volatility < Russell 2500 Value

## Strategy Summary

River Road's Small-Mid Cap Value II (SMID II) Strategy focuses on companies between \$500 MM and \$10 B in market cap. 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**  
19 years of experience;  
managed Portfolio since inception  
Centre College, BS



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

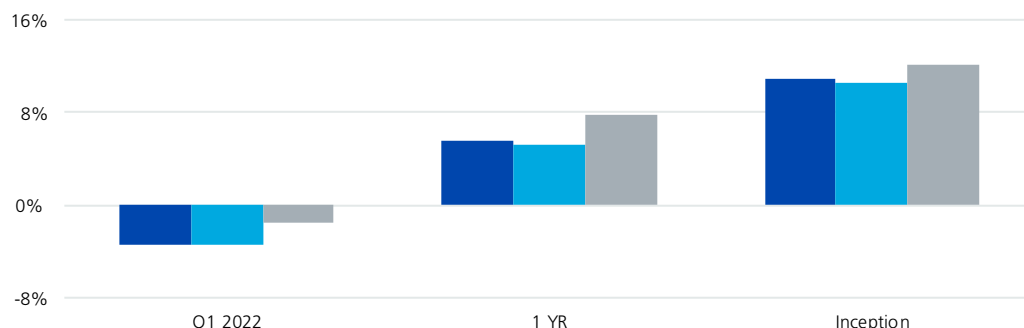


**James C. Shircliff, CFA**  
49 years of experience;  
managed Portfolio since inception  
University of Louisville, BS



**Todd D. Mayberry, CFA**  
11 years of experience;  
managed Portfolio since 2021  
University of Cincinnati, BBA

## Trailing Returns



	Q1 2022	1 YR	Inception
SMID II Composite - Gross	-3.38%	5.63%	10.90%
SMID II Composite - Net	-3.48%	5.23%	10.47%
Russell 2500 Value	-1.50%	7.73%	12.03%
<b>Out / Underperformance</b>	<b>-1.88%</b>	<b>-2.10%</b>	<b>-1.13%</b>

## Calendar Year Returns

	2021	2020	2019 <sup>1</sup>
SMID II Composite - Gross	24.99%	1.18%	10.67%
SMID II Composite - Net	24.52%	0.77%	10.40%
Russell 2500 Value	27.78%	4.88%	5.54%
<b>Out / Underperformance</b>	<b>-2.79%</b>	<b>-3.70%</b>	<b>+5.13%</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: May 1, 2019. <sup>1</sup>May 1, 2019 through December 31, 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. Please see reverse side for important disclosure information.

## Market Highlights

- It was a great quarter for commodities, but not so great for stocks as the Russian invasion of Ukraine exacerbated global supply chain challenges and soaring inflation.
- Small caps lagged large caps throughout the quarter, while value outperformed across all market caps.
- Within the Russell 2500 Value index, **Energy (+42.48%)** and **Materials (+10.50%)** posted the highest total returns, while **Consumer Discretionary (-12.36%)** and **Health Care (-9.42%)** posted the lowest.
- Despite struggling in March, an impressive **65% of active small cap value managers outperformed in Q1**.

## Portfolio Highlights

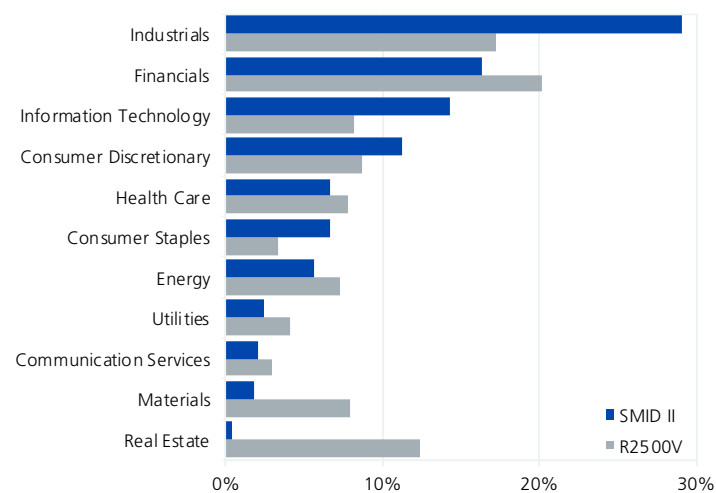
- For Q1, the River Road Small-Mid Cap Value II (SMID II) Composite returned **-3.38%** (-3.48% net) versus **-1.50%** for the Russell 2500 Value benchmark.
- The sectors with the highest contribution to relative return in Q1 were **Consumer Staples** and **Health Care**.
- The holdings with the highest contribution to active return were **Air Transport Services Group Inc. (ATSG)** and **White Mountains Insurance Group Ltd. (WTM)**.
- The sectors with the lowest contribution to relative return in Q1 were **Materials** and **Energy**.
- The holdings with the lowest contribution to active return were **Cannae Holdings Inc. (CNNE)** and **LKQ Corp. (LKQ)**.

## Outlook

- While we believe high-quality and value-oriented stocks are relatively well positioned, **the macro environment needs to improve for smaller caps to shine**.

Discovering value,  
off the beaten path®

## Sector Weights



## Portfolio Contribution

Top Contributors		Avg Wgt	PCAR
ATSG	Air Transport Services Group Inc.	4.51%	+0.68%
WTM	White Mountains Insurance Group Ltd.	3.74%	+0.48%
DINO	HF Sinclair Corp.	1.38%	+0.29%
TAP	Molson Coors Beverage Co. (CI B)	1.86%	+0.29%
CDK	CDK Global Inc.	1.67%	+0.28%
Bottom Contributors			
CNNE	Cannae Holdings Inc.	3.08%	-1.12%
LKQ	LKQ Corp.	3.82%	-0.93%
AVYA	Avaya Holdings Corp.	2.11%	-0.88%
AXTA	Axalta Coating Systems Ltd.	1.85%	-0.51%
AWI	Armstrong World Industries Inc.	2.11%	-0.47%

## Characteristics &amp; Risk Statistics

	SMID II	R2500V
Number of Holdings	59	1,865
EV / EBITDA <sup>1</sup>	9.6	10.3
Price / Earnings <sup>2</sup>	13.6	14.7
Price / Book	1.81	2.04
Price / Cash Flow	10.0	13.5
ROE (5 YR Avg)	11.9	9.1
EPS Growth (5 YR)	9.5	5.9
Cash Flow Growth (5 YR)	1.9	1.6
LT Growth Estimate <sup>3</sup>	9.8	11.7
Wtd Avg Mkt Cap (B)	\$5.49	\$8.16
Wtd Med Mkt Cap (B)	\$4.24	\$6.91
Cash	3.6%	
Dollar Turnover (SI Avg) <sup>4</sup>	42.2%	

## Top 10 Portfolio Holdings

Symbol	Company	% Port
ATSG	Air Transport Services Group Inc.	5.09%
NCR	NCR Corp.	3.49%
WTM	White Mountains Insurance Group Ltd.	3.48%
LKQ	LKQ Corp.	3.26%
PINC	Premier Inc. (CI A)	3.23%
AAP	Advance Auto Parts Inc.	3.02%
MUSA	Murphy USA Inc.	2.98%
UNF	UniFirst Corp.	2.89%
CNNE	Cannae Holdings Inc.	2.61%
BJ	BJ's Wholesale Club Holdings Inc.	2.60%

**Past performance is no guarantee of future results. There is a risk that invested capital may be lost.** GICS sector breakdown reflects percent of total portfolio; stocks without a reported sector are not presented. <sup>1</sup>EBITDA excludes banks, thrifts, and insurers. <sup>2</sup>Price/Earnings excludes negative earnings. <sup>3</sup>Estimates based on ordinary shares for all ADR securities held. <sup>4</sup>Average calendar year turnover since inception (May 1, 2019); includes annualized turnover for 2019. Dollar turnover, the lesser of purchases or sales as a percentage of the average market value, is presented as an average of all portfolios in the Composite. If one portfolio is not in the Composite for the entire period, turnover is the average annualized turnover of all portfolios in the Composite at the end of the period. Index data source: London Stock Exchange Group PLC and its group undertakings (collectively, the "LSE Group"). © LSE Group.

**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.

Top and bottom contributors are calculated gross of fees for the most recent quarter and based on portfolio contribution to active return, which is calculated as the portfolio-weighted return relative to the overall index. 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 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.

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