

# Large Cap Value Select

A CONCENTRATED, HIGH CONVICTION STRATEGY | QUARTERLY UPDATE AS OF JUNE 30, 2023



FOR PROFESSIONAL INVESTORS ONLY

## Investment Objective

Long-term total return = Russell 1000 Value index plus 200 bps to 400 bps

## Strategy Summary

River Road's Large Cap Value Select (LCVS) strategy is a concentrated, high conviction value strategy comprised of companies that exhibit attractive business models, shareholder-oriented management, and financial strength.

The strategy's investment universe formally consists of all North American listed equity securities with market caps greater than \$3 B at the time of initial purchase.

## Portfolio Managers



### Daniel R. Johnson, CFA, CPA

17 years of experience;  
managed portfolio since inception

University of Kentucky, BS  
University of Kentucky, Macc



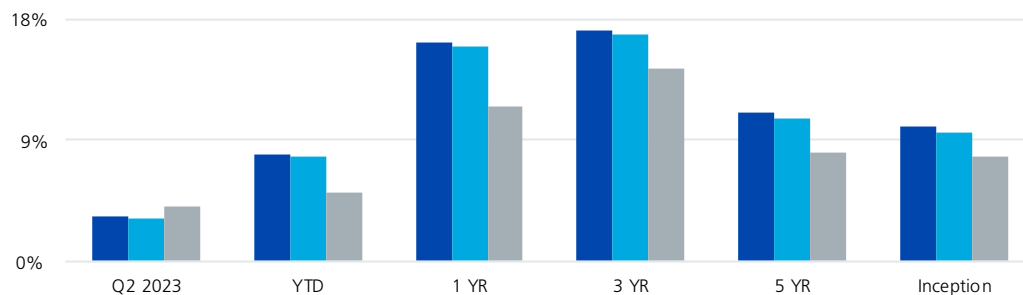
### Matt W. Moran, CFA

23 years of experience;  
managed portfolio since inception

Bradley University, BS  
University of Chicago, MBA

River Road is a registered investment adviser formed in April 2005 and is majority owned by Affiliated Managers Group, Inc. Affiliated Managers Group, Inc., AMG Funds, and other AMG entities are affiliates of River Road. Registration of an investment adviser does not imply a certain level of skill or training.

## Trailing Returns



	Q2 2023	YTD	1 YR	3 YR	5 YR	Inception
LCVS Composite - Gross	3.30%	7.91%	16.22%	17.06%	10.99%	10.08%
LCVS Composite - Net	3.22%	7.79%	15.99%	16.80%	10.64%	9.58%
Russell 1000 Value	4.07%	5.12%	11.54%	14.30%	8.11%	7.77%
Out / Underperformance - Gross	-0.77%	+2.79%	+4.68%	+2.76%	+2.88%	+2.31%
Out / Underperformance - Net	-0.85%	+2.67%	+4.45%	+2.50%	+2.53%	+1.81%

## Calendar Year Returns

	2022	2021	2020	2019	2018	2017	2016	2015	2014 <sup>1</sup>
LCVS Composite - Gross	-8.81%	28.35%	6.70%	30.89%	-4.69%	17.55%	11.83%	0.34%	3.59%
LCVS Composite - Net	-8.95%	28.05%	6.40%	30.30%	-5.30%	16.79%	11.10%	-0.31%	3.48%
Russell 1000 Value	-7.54%	25.16%	2.80%	26.54%	-8.27%	13.66%	17.34%	-3.83%	2.67%
Out / Underperformance - Gross	-1.27%	+3.19%	+3.90%	+4.35%	+3.58%	+3.89%	-5.51%	+4.17%	+0.92%
Out / Underperformance - Net	-1.41%	+2.89%	+3.60%	+3.76%	+2.97%	+3.13%	-6.24%	+3.52%	+0.81%

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: November 1, 2014. <sup>1</sup>November 1, 2014 through December 31, 2014. 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

- Stocks continued to advance amidst a sharply bifurcated market.
- Large cap and growth outperformed small cap and value, but at a slower pace than Q1.
- Within the Russell 1000 Value, **Communication Services (+11.18%)** and **Industrials (+8.90%)** posted the highest total returns during Q2, while **Utilities (-2.72%)** and **Energy (-0.82%)** posted the lowest.

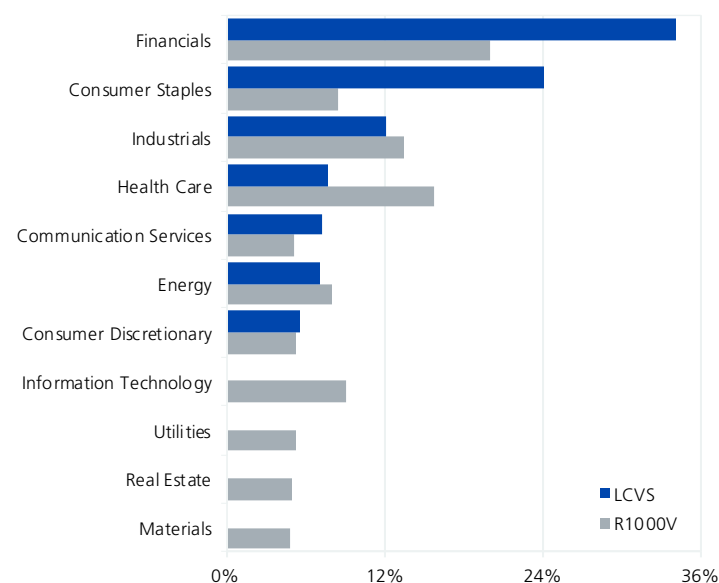
## Portfolio Highlights

- The River Road Large Cap Value Select (LCVS) composite returned **+3.30%** (**+3.22%** net) for Q2 versus **+4.07%** for the Russell 1000 Value benchmark. Year to date, the composite returned **+7.91%** (**+7.79%** net) versus **+5.12%** for the benchmark.
- The sectors with the highest contribution to relative return (total effect) in Q2 were **Financials (+87 bps)** and **Industrials (+52 bps)**.
- The holdings with the highest contribution to active return were **Alphabet Inc. (CI C) (GOOG: +20%, +67 bps)** and **Ferguson PLC (FERG: +18%, +63 bps)**.
- The sectors with the lowest contribution to relative return (total effect) in Q2 were **Consumer Staples (-198 bps)** and **Communication Services (-38 bps)**.
- The holdings with the lowest contribution to active return were **Keurig Dr Pepper Inc. (KDP: -11%, -124 bps)** and **T-Mobile US Inc. (TMUS: -4%, -46 bps)**.

## Outlook

- We maintain a **bearish outlook on the economy** and valuations (internal and external) keep rising. We believe the strategy is **well-positioned to navigate a challenging market environment**.

## Sector Weights



## Portfolio Contribution

Top Contributors	Avg Wgt	PCAR
GOOG Alphabet Inc. (CI C)	3.53%	+0.67%
FERG Ferguson PLC	4.19%	+0.63%
BRK.B Berkshire Hathaway Inc. (CI B)	8.49%	+0.51%
CSL Carlisle Companies Inc.	4.56%	+0.46%
FI Fiserv Inc.	5.74%	+0.42%

## Bottom Contributors

KDP Keurig Dr Pepper Inc.	7.73%	-1.24%
TMUS T-Mobile US Inc.	5.38%	-0.46%
KR Kroger Co.	5.04%	-0.44%
SU Suncor Energy Inc.	3.76%	-0.34%
CVS CVS Health Corp.	3.01%	-0.32%

**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, dissolutions) 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>Risk characteristics are based on trailing 60-month gross of fee composite performance. <sup>5</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 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 performance numbers included in parentheses behind a stock's name refer to that stock's total gross return (dividends reinvested) and contribution to active return for the representative portfolio during the period. Unless otherwise noted, total effect is used to assess the contribution to relative return. 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.

River Road Asset Management, LLC ("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 Large Cap Value Select composite contains fully discretionary accounts that seek long-term capital appreciation by investing primarily in 20 to 30 equity securities that trade at a discount to our valuation as determined using RRAM's proprietary Absolute Value® approach. The composite may also be invested in Real Estate Investment Trusts (REITs), publicly traded partnerships, investment companies, convertible securities, and foreign stocks. Prior to September 30, 2020, the composite was known as the Select Value composite. The official benchmark for the composite is the Russell 1000 Value Index. All other indices are shown for additional information only. Composite performance may differ materially from the indices as the composite only invests in a subset of the securities contained in the indices and also invests in securities not contained in the indices. 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.

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 month 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; 2023, River Road Asset Management, LLC.

## Characteristics &amp; Risk Statistics

	LCVS	R1000V
Number of Holdings	22	844
EV / EBITDA <sup>1</sup>	9.4	11.3
Price / Earnings <sup>2</sup>	17.6	16.5
Price / Book	2.32	2.40
Price / Cash Flow	13.9	15.1
ROE (5 YR Avg)	16.5	15.4
EPS Growth (5 YR)	12.9	12.7
LT Growth Estimate <sup>3</sup>	11.4	7.1
Annualized Standard Deviation <sup>4</sup>	19.63	18.96
Jensen Alpha <sup>4</sup>	2.85	
Beta <sup>4</sup>	1.01	
Cash	2.4%	
Dollar Turnover (3 YR Avg) <sup>5</sup>	94.9%	
Active Share (SI)	93.2%	

## Market Cap Breakdown

	LCVS	R1000V
Wtd Avg Market Cap	\$185.23 B	\$137.87 B
Large/Mega Cap: > \$45 B	46.3%	61.2%
Mid Cap: \$10 B - \$45 B	45.8%	30.2%
Micro/Small Cap: < \$10 B	5.5%	8.6%

## Top 10 Portfolio Holdings

Symbol	Company	% Port
BRK.B	Berkshire Hathaway Inc. (CI B)	8.66%
KDP	Keurig Dr Pepper Inc.	7.15%
FRFHF	Fairfax Financial Holdings Ltd.	6.20%
FI	Fiserv Inc.	6.01%
LKQ	LKQ Corp.	5.47%
TMUS	T-Mobile US Inc.	5.19%
CSL	Carlisle Companies Inc.	5.16%
KR	Kroger Co.	4.83%
UNH	UnitedHealth Group Inc.	4.77%
NSRGY	Nestle S.A. Sponsored ADR	4.76%

FOR PROFESSIONAL INVESTORS ONLY