

# Dividend All-Cap Value

A TOTAL RETURN STRATEGY | QUARTERLY UPDATE AS OF SEPTEMBER 30, 2023



## Investment Objectives

- Long-term total return > Russell 3000 Value index plus 200 to 400 bps
- Target yield  $\geq$  150% of the Russell 3000 Value
- Long-term 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 equity securities with attractive dividend yields. 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 \$700 MM at the time of initial purchase
- Indicated dividend yield > 0%; prefer > 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**  
25 years of experience;  
managed portfolio since 2007

The Ohio State University, BS  
University of Chicago, MBA



**Henry W. Sanders III, CFA**  
34 years of experience;  
managed portfolio since inception

Bellarmine University, BA  
Boston College, MBA

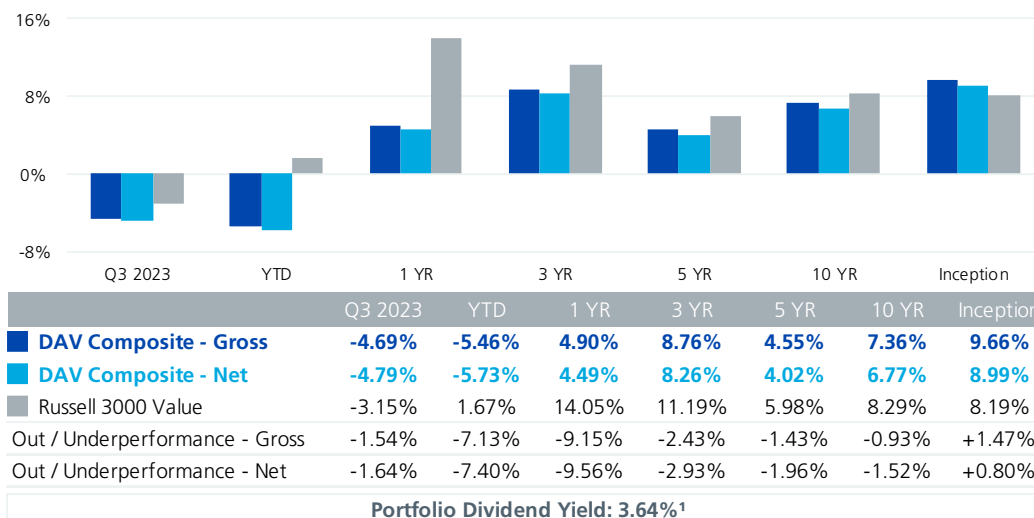


**Andrew R. McIntosh, CFA**  
19 years of experience;  
managed portfolio since 2018

University of Iowa, BBA

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## Trailing Returns



## Calendar Year Returns

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
DAV Composite - Gross	-2.68%	22.76%	-0.48%	24.52%	-6.26%	10.10%	21.47%	-3.57%	10.66%	33.69%
DAV Composite - Net	-3.10%	22.10%	-1.04%	23.82%	-6.79%	9.48%	20.75%	-4.19%	9.95%	32.82%
Russell 3000 Value	-7.98%	25.37%	2.87%	26.26%	-8.58%	13.19%	18.40%	-4.13%	12.70%	32.69%
Out / Underperformance - Gross	+5.30%	-2.61%	-3.35%	-1.74%	+2.32%	-3.09%	+3.07%	+0.56%	-2.04%	+1.00%
Out / Underperformance - Net	+4.88%	-3.27%	-3.91%	-2.44%	+1.79%	-3.71%	+2.35%	-0.06%	-2.75%	+0.13%

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. Performance presented prior to April 1, 2005 reflects accounts managed at another entity. <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

- The Federal Reserve continued its measured, responsive approach to monetary tightening even as oil prices surged, organized labor demonstrated renewed vigor, and inflation reaccelerated.
- There was little difference between growth and value among large cap, but value sharply outperformed among small cap.
- Dividend-payers led in Q3 but lag in 2023; dividend growth has slowed, and stress is steadily mounting, especially among REITs.

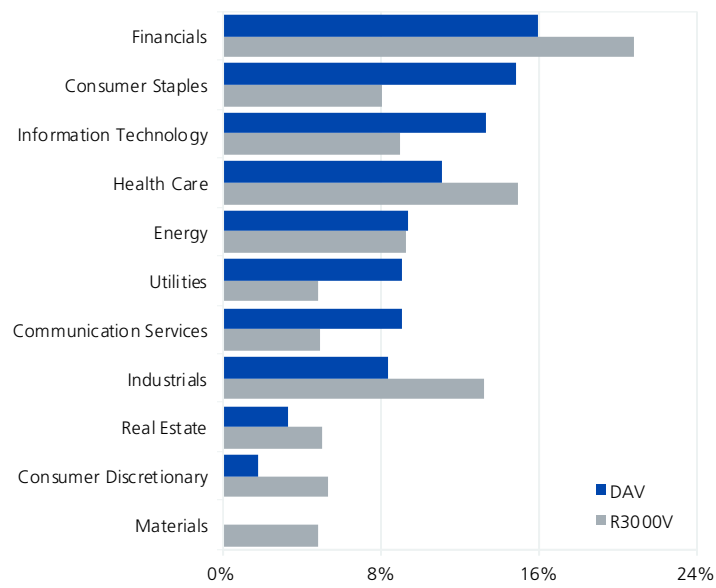
## Portfolio Highlights

- The Dividend All-Cap Value (DAV) composite underperformed in Q3, returning **-4.69%** (**-4.79%** net) versus **-3.15%** for the Russell 3000 Value benchmark. Year to date, the composite returned **-5.46%** (**-5.73%** net) versus **+1.67%** for the benchmark.
- At the end of Q3, the dividend yield of the portfolio was **3.64%**, which is **150% of the 2.43% yield of the Russell 3000 Value** and **more than double the 1.62% yield of the S&P 500**.
- The sectors with the highest contribution to relative return (total effect) in Q3 were **Financials (+35 bps)** and **Health Care (+34 bps)**.
- The holdings with the highest contribution to active return were **Vistra Corp. (VST: +28%, +90 bps)** and **Amgen Inc. (AMGN: +22%, +43 bps)**.
- The sectors with the lowest contribution to relative return in Q3 were **Consumer Staples (-83 bps)** and **Energy (-74 bps)**.
- The holdings with the lowest contribution to active return were **AES Corp. (AES: -26%, -79 bps)** and **Interpublic Group of Companies Inc. (IPG: -25%, -35 bps)**.

## Outlook

- There is data to support either a bullish or bearish outlook, but until interest rates move lower, we remain cautious.
- The valuation of DAV is attractive, whereas, like the late 1990s, the largest companies just keep getting more expensive.
- We continue to believe that high interest rates, political strife, and slowing economic growth will ultimately drive investors from the promise of growth to the certainty of value, and particularly dividends.

Sector Weights



Portfolio Contribution

Top Contributors		Yield <sup>1</sup>	Avg Wgt	PCAR
VST	Vistra Corp.	2.48%	3.38%	+0.90%
AMGN	Amgen Inc.	3.17%	1.94%	+0.43%
CMCSA	Comcast Corp. (CI A)	2.62%	3.69%	+0.36%
ABBV	AbbVie Inc.	3.97%	1.98%	+0.27%
WMB	Williams Companies Inc.	5.31%	3.39%	+0.25%

Bottom Contributors		Yield <sup>1</sup>	Avg Wgt	PCAR
AES	AES Corp.	4.37%	3.19%	-0.79%
IPG	Interpublic Group of Companies Inc.	4.33%	1.42%	-0.35%
ORCL	Oracle Corp.	1.51%	4.43%	-0.32%
AMT	American Tower Corp.	3.84%	2.50%	-0.32%
UPS	United Parcel Service Inc. (CI B)	4.16%	3.35%	-0.31%

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>Gross of fees; indicated yield does not anticipate special dividends. <sup>2</sup>EBITDA excludes banks, thrifts, and insurers. <sup>3</sup>Estimates based on ordinary shares for all ADR securities held. <sup>4</sup>Risk characteristics 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, 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.

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. 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. 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.

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.

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.

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Characteristics & Risk Statistics

	DAV	R3000V
Number of Holdings	54	2,293
Dividend Yield <sup>1</sup>	3.64	2.43
EV / EBITDA <sup>2</sup>	11.5	11.3
Price / Cash Flow	12.6	13.7
ROE (5 YR Avg)	18.2	14.5
EPS Growth (5 YR)	9.2	12.8
LT Growth Estimate <sup>3</sup>	7.8	7.3
Annualized Standard Deviation <sup>4</sup>	18.27	19.40
Jensen Alpha <sup>4</sup>	-1.11	
Beta <sup>4</sup>	0.92	
Cash	3.8%	
Dollar Turnover (3 YR Avg) <sup>5</sup>	25.2%	

Market Cap Breakdown

	DAV	R3000V
Wtd Median Market Cap	\$48.89 B	\$65.77 B
Wtd Avg Market Cap	\$82.15 B	\$129.96 B
Large/Mega Cap: > \$45 B	49.9%	58.4%
Mid Cap: \$10 B - \$45 B	34.1%	27.4%
Micro/Small Cap: < \$10 B	12.1%	14.2%

Top 10 Portfolio Holdings

Symbol	Company	% Port	Yield <sup>1</sup>
ORCL	Oracle Corp.	4.11%	1.51%
CMCSA	Comcast Corp. (CI A)	3.85%	2.62%
VST	Vistra Corp.	3.58%	2.48%
WMB	Williams Companies Inc.	3.52%	5.31%
UL	Unilever PLC Sponsored ADR	3.24%	3.70%
UPS	United Parcel Service Inc. (CI B)	3.16%	4.16%
PGR	Progressive Corp.	3.10%	0.29%
KMI	Kinder Morgan Inc. (CI P)	3.00%	6.82%
GLW	Corning Inc.	2.95%	3.68%
CCOI	Cogent Communications Holdings Inc.	2.92%	6.01%