Second Quarter 2017

VULCAN VALUE PARTNERS

Portfolio Review

General

We are pleased to report that all strategies produced positive absolute results and outperformed their respective benchmarks on a quarter-to-date and year-to-date basis. More importantly, all five of our investment strategies have produced exceptional long-term returns. In fact, four of our five strategies are in the top 2% of their peer groups since inception and the fifth strategy is in the top 5% since inception. These results are detailed in the table below.

As of June 30, 2017

	QTD	YTD	Annualized Since Inception*	Peer Rank Since Inception[1]
Large Cap Composite (Gross)	**3.4%**	**11.6%**	**10.5%**	**Top 2%**
Large Cap Composite (Net)	**3.3%**	**11.3%**	**9.7%**	
Russell 1000 Value Index	1.3%	4.7%	5.9%	
S&P 500 Index	3.1%	9.3%	7.6%	
Small Cap Composite (Gross)	**4.1%**	**8.0%**	**11.8%**	**Top 2%**
Small Cap Composite (Net)	**3.8%**	**7.6%**	**10.8%**	
Russell 2000 Value Index	0.7%	0.5%	6.0%	
Russell 2000 Index	2.5%	5.0%	7.2%	
Focus Composite (Gross)	**6.3%**	**16.7%**	**11.3%**	**Top 2%**
Focus Composite (Net)	**6.1%**	**16.3%**	**10.0%**	
Russell 1000 Value Index	1.3%	4.7%	6.4%	
S&P 500 Index	3.1%	9.3%	7.6%	
Focus Plus Composite (Gross)	**6.4%**	**17.0%**	**10.5%**	**Top 2%**
Focus Plus Composite (Net)	**6.2%**	**16.6%**	**9.2%**	
Russell 1000 Value Index	1.3%	4.7%	5.9%	
S&P 500 Index	3.1%	9.3%	7.6%	
All Cap Composite (Gross)	**4.9%**	**12.5%**	**14.1%**	**Top 5%**
All Cap Composite (Net)	**4.7%**	**12.1%**	**13.1%**	
Russell 3000 Value Index	1.3%	4.3%	11.2%	
Russell 3000 Index	3.0%	8.9%	12.1%	

[1] Peer ranking information sourced from eVestment as of February 6, 2019 using Vulcan Value Partners Large Cap, Focus and Focus Plus Composites versus peer group of US Large Cap Value Equity Universe, Vulcan Value Partners Small Cap Composite versus peer group of US Small Cap Value Equity Universe and Vulcan Value Partners All Cap Composite versus peer group of US All Cap Value Equity Universe since inception ending June 30, 2017. All returns are shown gross and net of fees. Vulcan Value Partners claims compliance with the Global Investment Performance Standards (GIPS®). *Inception date is 3/31/2007 for Large Cap, Small Cap, and Focus Plus Composites. Inception date is 11/30/2007 for Focus Composite. Inception date is 4/1/2011 for All Cap Composite. Past performance is no guarantee of future results. Please see important disclosures at the end of this document.

Directory

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Portfolio Review (Cont.)

As you know, we place no weight on short-term results, good or bad, and neither should you. In fact, we have and will continue to willingly make decisions that negatively impact short-term performance when we think we can lower risk and improve our long-term returns. We encourage you to place more weight on our longer term historical results and a great deal of weight on our long-term prospects.

We are pleased with our results during the quarter and year to date. More importantly, we are extremely pleased with our long-term results. Having said that, I want to acknowledge and address a mistake that prevented our results from being even better than they were.

Prior to this letter, we filed a 13G stating that we sold our position in Fossil. You have often heard us say that we think it is better to spend more time studying our mistakes than dwelling on our successes. What did we learn from Fossil and how can those lessons help us improve the execution of our research process?

First, we define a potential mistake as a company whose value has not grown or has declined within two years after purchase. When that happens, as it did with Fossil, we re-evaluate our investment and either sell, hold or buy more. Most times, we sell. In Fossil's case, we held our position. Looking back on our history with Fossil, we should have sold it when they purchased Misfit.

Before the Misfit acquisition Fossil had net cash on its balance sheet. Misfit was losing money when Fossil bought it. They purchased it for its software platform so that Fossil could replicate its ability to quickly scale production of watches and jewelry in different parts of the world to wearables and smart watches. At the time we said that to justify the acquisition price paid, Fossil had to execute. Given that we respected Fossil's management team, we thought they would execute and we held our position. It turns out that Fossil did not have the internal resources needed to operate Misfit and navigate the shift from traditional watches and jewelry to wearables and smartwatches.

Fast forward to today. Fossil has not executed well enough to justify the price it paid for Misfit. This capital misallocation decision materially hurt Fossil's value. Moreover, the balance sheet went from a net cash position to a net debt position. With Fossil's operating results declining, there is a small possibility that they will get into financial difficulty – something that would not have happened if they had not bought Misfit. This possibility, while remote, violates our investment risk tolerance, so we exited our position.

I want to compliment our trading team. At the peak we owned just over 20% of Fossil, which is our maximum threshold for company ownership. We look at a number of liquidity factors when deciding how much of a company we would be comfortable owning. Average trading volume is often one of them. Once we made the decision to exit Fossil, our trade desk was able to sell our entire stake in weeks, not months. Excellent work on the trade desk.

So, what are the lessons learned? We misjudged the risk the company was taking when they purchased Misfit. We took comfort from the fact that Fossil's CEO owned roughly 12% of Fossil's stock and had taken no salary or bonus. Moreover, he created tremendous value for Fossil shareholders over a number of years. We continue to respect him. We thought it highly unlikely that the management team would fail to execute the Misfit acquisition. We allowed our confidence in management to color our judgement and did not adequately quantify the damage Misfit could do to the company.

Portfolio Review (Cont.)

We are always skeptical of acquisitions. Unfortunately, most companies make acquisitions on a regular basis. Sometimes we are pleasantly surprised on the upside, as is the case of Visa's acquisition of Visa Europe, which has dramatically exceeded our expectations and has materially improved our value of Visa. More often than not, they are value neutral for most of our companies and value destructive at many companies we do not own. If Visa Europe had not worked out, it would have hurt our value of Visa, but it would not have put the company at financial risk. When Misfit did not work out, it put Fossil at financial risk. Going forward, we will be much quicker to sell if an acquisition could cause financial instability should it not work out.

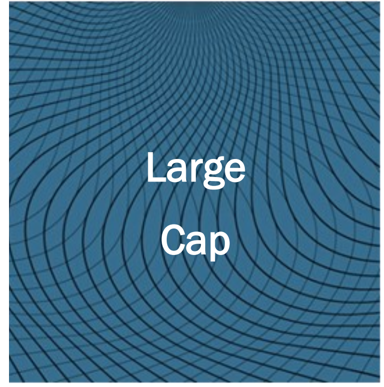
As you know, everyone at Vulcan Value Partners is required to invest in publicly traded equities exclusively through Vulcan. We lost permanent capital in our Fossil investment. We feel terrible that we did not protect your capital and ours in this investment. I can assure you that we will take the lessons we have learned from Fossil to heart and use them to improve the execution of our investment process.

You may recall in the first quarter we stated that only the annual letter would include a lengthy introduction, however, with Fossil being a unique case, we wanted to address it outright.

Sincerely,

C.T. Fitzpatrick, CFA
Chief Investment Officer

In the discussion that follows, we generally define material contributors and detractors as companies having a greater than 1% impact on the portfolio.



Vulcan Value Partners Large Cap Review

As of June 30, 2017							
			Annualized				
Investment Strategy	QTD	YTD	1 year	3 year	5 year	10 year	Since Inception*
VVP Large Cap (Gross)	**3.4%**	**11.6%**	**23.9%**	**8.0%**	**15.3%**	**10.1%**	**10.5%**
VVP Large Cap (Net)	**3.3%**	**11.3%**	**23.2%**	**7.4%**	**14.6%**	**9.3%**	**9.7%**
Russell 1000 Value Index	1.3%	4.7%	15.5%	7.4%	13.9%	5.6%	5.9%
S&P 500 Index	3.1%	9.3%	17.9%	9.6%	14.6%	7.2%	7.6%

*Inception Date March 31, 2007

We did not purchase any new positions in the second quarter and exited three positions.

There was one material contributor and one material detractor to performance.

In the second quarter we sold Fossil, Cisco Systems and Walt Disney Company. Please refer to the introduction for our commentary on Fossil.

We sold Cisco Systems because it reached our estimate of fair value.

We held Disney for ten years at varying weights and over the decade it returned 13.6% compared to the S&P 500 at 7.7%. In 2007, we added Disney at a 2.5% weight at roughly 80 cents on the dollar. This position has been as high as 6.3%. From 2011, when Disney was a 4.5% weight in the portfolio, its return compounded 20.1% annually compared to approximately 13.2% for the S&P 500. As you know, we size positions according to the price to value discount, allocating more capital to companies with lower price to value ratios and higher margins of safety and allocating less capital to companies with higher price to value ratios and lower margins of safety. By following our investment discipline, we were able to improve our long-term returns and lower risk in the portfolio.

We have discussed Disney at length over the years. We love its ecosystem that is focused on creating wholesome entertainment for children and parents. We also like the self-reinforcing nature of the business: the studio content, parks and merchandise all work collectively to strengthen brand appeal. Currently, we estimate that ESPN is Disney's most valuable business. They have more ways to monetize sports content than anyone in TV, Radio, and Online. ESPN typically holds multi-year contracts with rights holders such as NFL or MLB, has a large base of cable TV subscribers and consistently raises prices per subscriber. A successful moat has been built around the business creating high barriers to entry. Over the last six months, however, we have observed an acceleration in net subscriber losses for cable companies across both linear and online. While ESPN could still outgrow the losses in the near term with price increases, for the model to work long term, net subscribers needs to be roughly flat. Given the rising number of "cord cutters" and the

Vulcan Value Partners Large Cap Review (Cont.)

uncertainty of ESPN's future, we are left with a company whose value could be at risk. As Disney trades close to fair value, our margin of safety has diminished, and we are unwilling to take the risk. Our primary goal is to protect capital. We do this by holding companies with stable values and a margin of safety. We thank Bob Iger and the Disney management team for compounding value over the last decade. We will be watching closely to see how they navigate the evolving landscape.

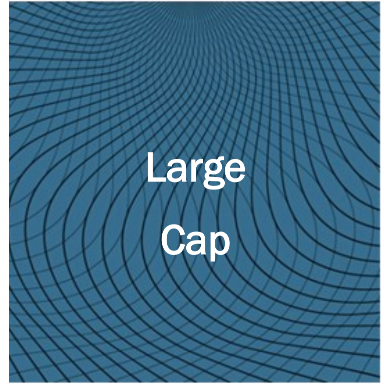
Oracle continues to be our biggest position in Large Cap. We remain very pleased with our stake in this company and its transition to the Cloud continues to be on track. We believe that Oracle has many ways to win. Data is growing rapidly, applications that capture this data and make it usable are proliferating, and they have a full suite of applications to serve this demand across all industry verticals both for on-premise and in the Cloud. Their value proposition to customers is very strong: moving to the Cloud can lower IT costs up to 50%, and this resonates with customers and the market.

The transition to the Cloud is still in the early innings. Oracle generates $30B of software revenue and $7B from hardware and services. Of the $30B in software revenue, $5B is already represented in the Cloud, which leaves $25B in revenue with the potential to convert to the Cloud. Their revenue lift is about 3X greater in the Cloud than on-premise, so if you flipped a switch today and all customers were in the Cloud, that would be $75B in additional software-related revenue. We obviously do not know what percentage of on-premise users will convert nor over what time period, but this simple example illustrates why we believe we are still in the early innings.

While National Oilwell Varco was a material detractor this quarter, we feel very optimistic about the company. National Oilwell Varco makes drilling rigs and equipment that enable oil and gas companies to extract their resources while also providing aftermarket servicing. When commodity prices are weak, as they have been for the past couple of years, drilling activity is suppressed, putting pressure on National Oilwell Varco's earnings.

National Oilwell Varco is one of only a few names in the energy sector that meet our stringent quality parameters. Contrary to common perception, National Oilwell Varco is not a capital intensive company and therefore generates good free cash flow and returns on capital throughout the oil price cycle. In fact, they even generated robust free cash flow during the downturn. The balance sheet remains strong with a debt to capital ratio of approximately 15%. This financial flexibility has been key for its value stability over this longer than anticipated downturn. They have a high market share and operate in a fairly concentrated industry with few players and significant barriers to entry.

We strive to be fully invested, however, we will never compromise our investment discipline. We invest in high quality businesses and demand a margin of safety. The current opportunity set is not as robust as we would like, and cash is rising. Cash is a residual decision. However, having cash on hand enables us to strike when opportunities inevitably present themselves.



VULCAN
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Vulcan Value Partners Large Cap Review (Cont.)

Large Cap Strategy			
2Q 2017 Top 5 Performers		2Q 2017 Bottom 5 Performers	
Security	**Return %**	**Security**	**Return %**
Aetna Inc	19.5%	Fossil Group Inc	-41.2%
Intercontinental Hotels Group PLC ADR	14.2%	National Oilwell Varco Inc	-17.7%
Anthem Inc	14.2%	Discovery Communications Inc	-11.0%
UnitedHealth Group Inc	13.5%	Qorvo Inc	-7.6%
State Street Corp	13.2%	Walt Disney Company	-7.0%
It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this list. A company's relative contribution to return for the portfolio may not equal its absolute return and return for other portfolios for the relevant period because of differences in portfolio weights and holding periods. The returns shown above reflect the actual returns of the above securities in our composite for the time period indicated.			

Small Cap

VULCAN VALUE PARTNERS

Vulcan Value Partners Small Cap Review

As of June 30, 2017							
			Annualized				
Investment Strategy	QTD	YTD	1 year	3 year	5 year	10 year	Since Inception*
VVP Small Cap (Gross)	**4.1%**	**8.0%**	**26.9%**	**9.3%**	**16.1%**	**12.1%**	**11.8%**
VVP Small Cap (Net)	**3.8%**	**7.6%**	**25.8%**	**8.3%**	**15.2%**	**11.0%**	**10.8%**
Russell 2000 Value Index	0.7%	0.5%	24.9%	7.0%	13.4%	5.9%	6.0%
Russell 2000 Index	2.5%	5.0%	24.6%	7.4%	13.7%	6.9%	7.2%

*Inception Date March 31, 2007

We purchased three new positions in the second quarter and exited three positions.

There was one material contributor and no material detractors to performance in the second quarter.

Credit Acceptance Corporation has been on our MVP list for some time, and with a recent deep dive into the business, we were excited to purchase it this quarter. The company provides auto loans to borrowers at the lower end of the credit spectrum distributed through a network of 10,000 dealers in the U.S. Over the past fifteen years, the company has grown earnings per share at a rate of 26% and achieved an average return on equity of 28%, demonstrating its superior economics and competitive advantages. The company's biggest competitive advantage is the unique way in which it structures loans. The structure aligns incentives with their dealer network by providing the dealers the opportunity to earn back end payments dependent on loan performance. This opportunity for future payments allows Credit Acceptance Corporation to achieve a greater margin of safety as the dealer is only advanced enough of the loan to earn a small profit at the time of sale. Credit Acceptance Corporation's approach has led to superior underwriting results and stable performance during difficult periods in the cycle.

In the second quarter we purchased Howden Joinery Group, a UK-based company that designs, manufactures and sells kitchens. Selling directly to builders, they provide all-inclusive services such as designing the kitchen with the customer, shipping all materials to the worksite, and extending credit to the builder. Their competitive advantages include scale, network effect and speed. Howden Joinery sells 1 in 4 new kitchens in the UK and manufactures a third of what they sell. Customer relationships span over 400,000 builders, 80% of which have credit accounts with Howden Joinery. With 600+ depots located in the UK, they guarantee to have items in stock and can provide necessary parts within hours to help builders complete projects on schedule. While all housing markets are cyclical, the UK has one of the best housing markets in the world for suppliers because long-term demand exceeds long-term supply. Howden Joinery has a strong capital allocation track record and impressive long-term value growth.

Vulcan Value Partners Small Cap Review (Cont.)

We purchased Wesco International in mid-2016, and within a few months we sold our position as it reached its intrinsic value. The stock has recently become discounted which provided an opportunity for us to own it again. Wesco spun off from Westinghouse in the late 90s and is a distributor of blue chip branded electronic and communication products. They have a broadly diversified customer base and product portfolio where distribution and sourcing scale are advantages. The majority of revenue is generated through long-term contract projects with a high service component. In many cases, Wesco engineers customize products and special orders which is an important part of the value chain. The company generates strong free cash flow, and we are happy to own it again.

We sold Enersys, Fossil Group and Sally Beauty Holdings. Please refer to the introduction for our commentary on Fossil.

We sold Enersys because it reached our estimate of fair value.

Sally Beauty was a mistake. A year ago we discussed Sally Beauty's competitive advantages: their scale and subsequent purchasing power, their exclusive, regional distribution of professional beauty products, and their ability to service an incredibly fragmented customer base that is ever more difficult for manufactures to serve directly. We felt Sally Beauty was ideally positioned. What happened? As we mention in the Fossil commentary above, we define a potential mistake as a company whose value has not grown or has declined within two years after purchase. When that happens, we re-evaluate our investment and either sell, hold or buy more. Unprecedented retail disruptions caused same-store sales growth to slow, influencing management to pivot their growth strategy to online sales. Unfortunately, we do not believe Sally Beauty possesses a competitive advantage in e-commerce. In turn, we believe this strategic shift requires a higher discount rate than would qualify for investment at Vulcan, therefore we exited the position.

We have written about our stake in Select Comfort in prior letters. The company offers consumers individualized sleep solutions and services, which include Sleep Number beds and accessories. While we have made no changes to our long-term assumptions about the business, and demand has been ahead of expectations all year, we had a good opportunity to trim our position this quarter. In late June, there were rumors that Tempur Sealy might acquire Select Comfort. We reviewed all of the available information and concluded that the deal made no economic sense, which allowed us to reduce our exposure while the stock was elevated for a few days. Over the quarter, Select Comfort returned over 43% which added 228 bps to the return of the portfolio.

Our intent is to be fully invested, but there are few discounted businesses in the Small Cap market that meet our quality criteria. Cash is a residual decision, not a strategic one. We urge you not to allocate additional funds to Small Cap at this time. If you have alternatives that are more attractively priced, we suggest you reduce your allocation to our Small Cap program. There will be a day when we will urge you to add to your Small Cap allocation with us. In the meantime, we would prefer that you refrain from adding capital.

Vulcan Value Partners Small Cap Review (Cont.)

Small Cap Strategy			
2Q 2017 Top 5 Performers		2Q 2017 Bottom 5 Performers	
Security	**Return %**	**Security**	**Return %**
Select Comfort Corp	43.2%	Fossil Group Inc	-41.2%
Credit Acceptance Corp	24.3%	Navigant Consulting Inc	-13.6%
Sotheby's	18.0%	Outfront Media Inc	-11.5%
Ibstock PLC	16.1%	Sally Beauty Holdings Inc	-10.7%
Tupperware Brands Corp	13.1%	Howden Joinery Group PLC	-9.0%

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VULCAN
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Vulcan Value Partners Focus Review

As of June 30, 2017						
			Annualized			
Investment Strategy	QTD	YTD	1 year	3 year	5 year	Since Inception*
VVP Focus (Gross)	6.3%	16.7%	26.1%	8.3%	15.5%	11.3%
VVP Focus (Net)	6.1%	16.3%	25.1%	7.5%	14.6%	10.0%
Russell 1000 Value Index	1.3%	4.7%	15.5%	7.4%	13.9%	6.4%
S & P 500 Index	3.1%	9.3%	17.9%	9.6%	14.6%	7.6%

*Inception Date November 30, 2007

We did not buy any new positions, nor did we exit any positions during the second quarter.

There were two material contributors to performance in the second quarter and no material detractors.

Oracle continues to be our biggest position in Focus. We remain very pleased with our stake in this company and its transition to the Cloud continues to be on track. We believe that Oracle has many ways to win. Data is growing rapidly, applications that capture this data and make it usable are proliferating, and they have a full suite of applications to serve this demand across all industry verticals both for on-premise and in the Cloud. Their value proposition to customers is very strong: moving to the Cloud can lower IT costs up to 50%, and this resonates with customers and the market.

The transition to the Cloud is still in the early innings. Oracle generates $30B of software revenue and $7B from hardware and services. Of the $30B in software revenue, $5B is already represented in the Cloud, which leaves $25B in revenue with the potential to convert to the Cloud. Their revenue lift is about 3X greater in the Cloud than on-premise, so if you flipped a switch today and all customers were in the Cloud, that would be $75B in additional software-related revenue. We obviously do not know what percentage of on-premise users will convert nor over what time period, but this simple example illustrates why we believe we are still in the early innings.

McKesson Corporation was a top contributor after posting solid results during the quarter. A sense of stability has returned to the U.S. drug distribution industry after last Fall's disruption due to negative comments around drug price inflation.

Vulcan Value Partners Focus Review (Cont.)

Focus Strategy			
2Q 2017 Top 5 Performers		2Q 2017 Bottom 5 Performers	
Security	**Return %**	**Security**	**Return %**
Oracle Corp	12.9%	Discovery Communications Inc	-11.0%
McKesson Corp	11.2%	Park Hotels & Resorts Inc	2.5%
Bank of New York Mellon Corp	8.5%	CVS Health Corp	3.2%
Mastercard Inc	8.2%	ACI Worldwide Inc	4.6%
AmerisourceBergen Corp	7.3%	Visa Inc	5.7%

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VULCAN
VALUE
PARTNERS

Focus Plus

Vulcan Value Partners Focus Plus Review

As of June 30, 2017							
			Annualized				
Investment Strategy	QTD	YTD	1 year	3 year	5 year	10 year	Since Inception*
VVP Focus Plus (Gross)	6.4%	17.0%	26.1%	8.4%	15.8%	10.2%	10.5%
VVP Focus Plus (Net)	6.2%	16.6%	25.3%	7.7%	14.8%	9.0%	9.2%
Russell 1000 Value Index	1.3%	4.7%	15.5%	7.4%	13.9%	5.6%	5.9%
S & P 500 Index	3.1%	9.3%	17.9%	9.6%	14.6%	7.2%	7.6%

*Inception Date March 31, 2007

We did not write any options contracts during the second quarter. Volatility has remained low, which has made direct purchase and sale of stock more attractive. We use options to lower risk. We also make high, equity-like returns when option prices reflect higher levels of implied volatility. If exercised, these options give us the right to purchase stakes in companies we want to own at a lower price than the market price at the time the option was written. We would like for these options to be exercised and have set aside cash for that purpose. We employ no leverage. In effect, we are being paid double-digit returns on our cash while we wait for lower prices and a corresponding larger margin of safety. We also use options to exit positions. Generally, we write covered calls with the strike price being our estimate of fair value. As with our puts, we are being paid to do something we would do anyway at a given price.

We did not purchase any new positions, nor did we exit any positions during the second quarter.

There were two material contributors to performance in the second quarter and no material detractors.

Oracle continues to be our biggest position in Focus Plus. We remain very pleased with our stake in this company and its transition to the Cloud continues to be on track. We believe that Oracle has many ways to win. Data is growing rapidly, applications that capture this data and make it usable are proliferating, and they have a full suite of applications to serve this demand across all industry verticals both for on-premise and in the Cloud. Their value proposition to customers is very strong: moving to the Cloud can lower IT costs up to 50%, and this resonates with customers and the market.

The transition to the Cloud is still in the early innings. Oracle generates $30B of software revenue and $7B from hardware and services. Of the $30B in software revenue, $5B is already represented in the Cloud, which leaves $25B in revenue with the potential to convert to the Cloud. Their revenue lift is about 3X greater in the Cloud than on-premise, so if you flipped a switch today and all customers were in the Cloud, that would be $75B in additional software-related revenue. We obviously do not know what percentage of on-premise users will convert nor over what time period, but this simple example illustrates why we believe we are still in the early innings.

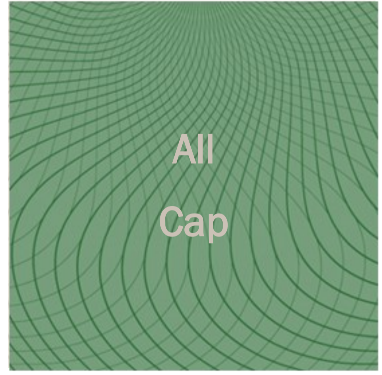
Vulcan Value Partners Focus Plus Review (Cont.)

McKesson Corporation was a top contributor after posting solid results during the quarter. A sense of stability has returned to the U.S. drug distribution industry after last Fall's disruption due to negative comments around drug price inflation.

Focus Plus Strategy

2Q 2017 Top 5 Performers		**2Q 2017 Bottom 5 Performers**	
Security	**Return %**	**Security**	**Return %**
Oracle Corp	12.9%	Discovery Communications Inc	-11.0%
McKesson Corp	11.2%	Park Hotels & Resorts Inc	2.1%
Bank of New York Mellon Corp	8.5%	CVS Health Corp	3.2%
Mastercard Inc	8.2%	ACI Worldwide Inc	4.6%
AmerisourceBergen Corp	7.3%	Visa Inc	5.7%

It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this list. A company's relative contribution to return for the portfolio may not equal its absolute return and return for other portfolios for the relevant period because of differences in portfolio weights and holding periods. The returns shown above reflect the actual returns of the above securities in our composite for the time period indicated.



Vulcan Value Partners All Cap Review

As of June 30, 2017							
			Annualized				
Investment Strategy	**QTD**	**YTD**	**1 year**	**3 year**	**5 year**	**Since Inception***
VVP All Cap (Gross)	4.9%	12.5%	27.4%	8.5%	15.9%	14.1%
VVP All Cap (Net)	4.7%	12.1%	26.4%	7.6%	14.9%	13.1%
Russell 3000 Value Index	1.3%	4.3%	16.2%	7.3%	13.9%	11.2%
Russell 3000 Index	3.0%	8.9%	18.5%	9.1%	14.6%	12.1%

*Inception Date April 1, 2011

We did not purchase any new positions in the second quarter and exited two positions.

There was one material contributor to performance and one material detractor to performance in the second quarter.

In the second quarter we sold Fossil Group. Please refer to the introduction for our commentary on Fossil.

We held Disney for approximately six years at varying weights and over that time it returned 17.6% compared to the S&P 500 at 12.8%. We love its ecosystem that is focused on creating wholesome entertainment for children and parents. We also like the self-reinforcing nature of the business: the studio content, parks and merchandise all work collectively to strengthen brand appeal. Currently, we estimate that ESPN is Disney's most valuable business. They have more ways to monetize sports content than anyone in TV, Radio, and Online. ESPN typically holds multi-year contracts with rights holders such as NFL or MLB, has a large base of cable TV subscribers and consistently raises prices per subscriber. A successful moat has been built around the business creating high barriers to entry. Over the last six months, however, we have observed an acceleration in net subscriber losses for cable companies across both linear and online. While ESPN could still outgrow the losses in the near term with price increases, for the model to work long term, net subscribers needs to be roughly flat. Given the rising number of "cord cutters" and the uncertainty of ESPN's future, we are left with a company whose value could be at risk. As Disney trades close to fair value, our margin of safety has diminished, and we are unwilling to take the risk. Our primary goal is to protect capital. We do this by holding companies with stable values and a margin of safety. We thank Bob Iger and the Disney management team for compounding value over the last decade. We will be watching closely to see how they navigate the evolving landscape.

We have written about our stake in Select Comfort in prior letters. The company offers consumers individualized sleep solutions and services, which include Sleep Number beds and accessories. While we have made no changes to our long-term assumptions about the business, and demand has been ahead of expectations all year, we had a good opportunity to trim our position this quarter. In late June, there were rumors that Tempur Sealy might acquire Select

Vulcan Value Partners All Cap Review (Cont.)

Comfort. We reviewed all of the available information and concluded that the deal made no economic sense, which allowed us to reduce our exposure while the stock was elevated for a few days. Over the quarter, Select Comfort returned over 43% which added 133 bps to the return of the portfolio.

Oracle continues to be our biggest position in All Cap. We remain very pleased with our stake in this company and its transition to the Cloud continues to be on track. We believe that Oracle has many ways to win. Data is growing rapidly, applications that capture this data and make it usable are proliferating, and they have a full suite of applications to serve this demand across all industry verticals both for on-premise and in the Cloud. Their value proposition to customers is very strong: moving to the Cloud can lower IT costs up to 50%, and this resonates with customers and the market.

The transition to the Cloud is still in the early innings. Oracle generates $30B of software revenue and $7B from hardware and services. Of the $30B in software revenue, $5B is already represented in the Cloud, which leaves $25B in revenue with the potential to convert to the Cloud. Their revenue lift is about 3X greater in the Cloud than on-premise, so if you flipped a switch today and all customers were in the Cloud, that would be $75B in additional software-related revenue. We obviously do not know what percentage of on-premise users will convert nor over what time period, but this simple example illustrates why we believe we are still in the early innings.

All Cap Strategy			
2Q 2017 Top 5 Performers		**2Q 2017 Bottom 5 Performers**	
Security	**Return %**	**Security**	**Return %**
Select Comfort Corp	43.2%	Fossil Group Inc	-41.2%
Aetna Inc	19.5%	National Oilwell Varco Inc	-17.7%
Sotheby's	18.0%	Discovery Communications Inc	-11.0%
Anthem Inc	14.2%	Qorvo Inc	-7.6%
State Street Corp	13.2%	Walt Disney Company	-5.6%

It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this list. A company's relative contribution to return for the portfolio may not equal its absolute return and return for other portfolios for the relevant period because of differences in portfolio weights and holding periods. The returns shown above reflect the actual returns of the above securities in our composite for the time period indicated.

Closing

We appreciate the confidence you have placed in us. Your stable capital, invested alongside our own stable capital provides a foundation that allows us to make sound, long-term investment decisions that lower risk and provide the opportunity to achieve superior long-term results. You, our client-partners, are one of our most important competitive advantages.

We hope you enjoy the rest of the summer and look forward to updating you when the weather is a little cooler.

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Disclosures

The performance presented is for our Large Cap Composite, Focus Composite, Focus Plus Composite, Small Cap Composite, and All Cap Composite. The model composite portfolio performance figures reflect the deduction of brokerage or other commissions and the reinvestment of dividends and capital gains. Past performance is no guarantee of future results and we may not achieve our return goal. We have presented returns gross and net of fees. Gross of fees returns are calculated gross of management and custodial fees and net of transaction costs. Net of fees returns are calculated net of management fees and transaction costs and gross of custodian fees, taken at the highest applicable fee. The performance figures do not reflect the deduction of any taxes an investor might pay on distributions or redemptions. Our standard fees are presented in Part 2 of our ADV.

Value is our estimate of the intrinsic worth of a company based on our assessment of certain quantitative and qualitative factors. Vulcan defines risk reduction as reducing the portfolio's price to value ratio by either buying (or adding to existing positions) high quality companies which are trading well below fair value as estimated by Vulcan, or selling positions which are trading at or near their fair values. Total return percentage for an individual security is the performance of the security from price at initial purchase date to the price at final sale date. Actual returns for the composites holdings of those securities may differ from total return as the composites rebalanced or changed weights in the individual securities. There may be market or economic conditions which affect our performance, or that of our relevant benchmarks, that may have changed Vulcan Value Partners' views regarding the prospects of any particular investment. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities discussed in this letter. The information provided in this presentation is furnished as of the date shown, and no representation is being made with respect to its accuracy on any future date. Vulcan Value Partners does not assume any duty to update any information in this presentation. Vulcan buys concentrated positions for our portfolios, at times averaging 5% in our model portfolios, which may make our performance more volatile than that of our benchmark indices, and our performance may diverge from an index, positively or negatively, as a result. Our focus is on long term capital appreciation, so our clients should consider at least a five year time horizon for an investment with Vulcan.

The S&P 500 Index is an unmanaged index of 500 common stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index. The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. The Russell 2000® Index includes the 2000 firms from the Russell 3000® Index with the smallest market capitalizations. The Russell 2000® Index Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. Index figures do not reflect deductions for any fees, expenses, or taxes. Investors cannot invest directly in an index.

Vulcan Value Partners is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. Vulcan focuses on long term capital appreciation; targeting securities purchases that we believe have a substantial margin of safety in terms of value over price and limiting our investments to companies that we believe have sustainable competitive advantages that will allow them to earn superior returns on capital. Vulcan Value Partners claims compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list and description of Vulcan Value Partners' composites and a presentation that adheres to the GIPS standards, please contact Blevins Naff at 205.803.1582 or write Vulcan Value Partners, Three Protective Center, 2801 Highway 280 South, Suite 300, Birmingham, AL 35223.

Large Cap Composite Information: This portfolio strategy invests in companies with larger market capitalizations. Subject to price, any publicly traded company with above average economics that is too large to be included in our small capitalization composite would be a potential investment in this portfolio. A core position is 5% so that theoretically our clients would hold 20 names diversified across various industries. It is very rare that enough companies are sufficiently discounted to warrant this level of concentration so concentration will vary with the price to value ratio. We will invest client assets in positions as small as 1% when price to value ratios are higher. We will not invest client assets in any business that is trading above our estimate of fair value. The composite benchmark is the S&P 500 which is an index of 500 stocks selected based on market size, liquidity, and sector and is designed to provide a broad snapshot of the overall U.S. equity market. New accounts that fit the composite definition are added at the beginning of the first full calendar month for which the account is under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The composite was created on March 31, 2007. Portfolios below the minimum asset level of $50,000 are not included in the composite.

Focus Composite Information: This portfolio strategy invests in companies with larger market capitalizations. Subject to price, any publicly traded company with above average economics that is too large to be included in our small capitalization composite would be a potential investment in this portfolio. This is a very concentrated portfolio holding between seven and fourteen positions. We will not invest client assets in any business that is trading above our estimate of fair value. The composite benchmark is the S&P 500 which is an index of 500 stocks selected based on market size, liquidity, and sector and is designed to provide a broad snapshot of the overall U.S. equity market. New accounts that fit the composite definition are added at the beginning of the first full calendar month for which the account is under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The composite was created on November 30, 2007. Portfolios below the minimum asset level of $50,000 are not included in the composite.

Disclosures (Cont.)

Focus Plus Composite Information: This portfolio strategy invests in companies with larger market capitalizations. Subject to price, any publicly traded company with above average economics that is too large to be included in our small capitalization composite would be a potential investment in this portfolio. This is a very concentrated portfolio holding between seven and fourteen positions. We will use options instead of limit orders to acquire and/or sell the stock. We do not intend to employ any leverage, but will utilize options to sell volatility when it is expensive and buy volatility when it is cheap. We will focus on options which give our clients the right to buy or sell stock in companies at prices that we would buy or sell anyway, and we will generate revenue through option premiums. Generally, we plan to use options instead of buying stock directly when we can earn double digit returns from selling options. We only intend to purchase options under rare circumstances, and to continue to focus on reducing risk through the purchase of qualifying companies at attractive prices. We will not invest client assets in any business that is trading above our estimate of fair value. The composite benchmark is the S&P 500 which is an index of 500 stocks selected based on market size, liquidity, and sector and is designed to provide a broad snapshot of the overall U.S. equity market. New accounts that fit the composite definition are added at the beginning of the first full calendar month for which the account is under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The composite was created on March 31, 2007. Portfolios below the minimum asset level of $50,000 are not included in the composite.

Small Cap Composite Information: This portfolio strategy invests in companies with smaller market capitalizations. Subject to price, any publicly traded company with above average economics that is not “large” would be a potential investment in this portfolio. While we do not have any defined cutoffs, we use the Russell 2000 as a guide to define small cap, and any small publicly traded company with reasonable economics would be a potential investment in this portfolio. A core position is 5% so that theoretically our clients would hold 20 names diversified across various industries. It is very rare that enough companies are sufficiently discounted to warrant this level of concentration so concentration will vary with the price to value ratio. We will invest client assets in positions as small as 1% when price to value ratios are higher. We will not invest client assets in any business that is trading above our estimate of fair value. The composite benchmark is the Russell 2000 Index which measures the performance of the small-cap segment of the U.S. Equity universe and includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. New accounts that fit the composite definition are added at the beginning of the first full calendar month for which the account is under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The composite was created on March 31, 2007. Portfolios below the minimum asset level of $50,000 are not included in the composite.

All Cap Composite Information: This portfolio strategy invests in companies across all market capitalizations. Generally, positions held in this strategy will also be held in either the Large Cap or Small Cap strategies, though sometimes with differing weights. As with those strategies, a core position in this portfolio is 5% so that theoretically we would hold 20 positions diversified across various industries. Because it is rare that we would find 20 companies meeting our investment guidelines, concentration will vary with the price to value ratios we determine for companies in which we invest. We will invest client assets in positions as small as 1% when price to value ratios are higher. We will not invest client assets in any business that is trading above our estimate of fair value. The composite benchmark is the Russell 3000 Index which measures the performance of the largest 3000 US companies representing approximately 98% of the investable US Equity market. New accounts that fit the composite definition are added at the beginning of the first full calendar month for which the account is under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The composite was created on April 1, 2011. Portfolios below the minimum asset level of $50,000 are not included in the composite.

All returns are expressed in US dollars.