



Phillip Cook, Michael Cook, and Jim Dorman on a research trip.

## An Unconventional Perspective

*We trust this note will find you well. I would like to begin by saying that this will be the first of what will eventually be a four-part series of letters to friends and clients of SouthernSun over the coming quarters. Some of the recipients will have been with us for almost thirty years having seen and felt the challenges associated with the late 1990's, the Global Financial Crisis, and the commodity collapse of 2014, whilst others may have only the experience of the past three months or the past three years, but most of you likely land in between.*

The reason for the four part series and, frankly the equally intentional timing of the letters, is largely due to what we believe to be a rather unhealthy obsession in our industry that many of us share to one degree or another associated with the onset of new calendar quarters and the incredible noise level in the marketplace trying to explain with precision why things turned out as they did during the quarter, assess who might be blamed, and what it means for the future. The reason is simple, apart from the usual geopolitical rattlings, the last week of the calendar quarters - with company earnings behind and analysis of sorts out of the way - offers a reasonable probability that one might find a relative moment of solitude to think.

Over the course of these letters it will be our privilege to explore some of the challenges our portfolio businesses face, how they are approaching or intend to approach those challenges and opportunities, and our view on what seems likely or unlikely to occur, under what conditions, and when. We will try to focus on the basics that have served our clients exceptionally well for almost thirty years.

First, how, as generalists, we judge success and failure in our portfolio companies over the life of a holding (current average holding period for our portfolios is around seven years) utilizing both qualitative and quantitative measures. The proclivity of many these days is to have absolute conviction behind the quantitative measure enveloped in short-termism and anchored to a system/methodology that is surprisingly - relative. I was interested in an article recently in the *Financial Times* describing how Commerzbank is testing AI (artificial intelligence - just for clarification - as an old cow/calf farmer it had a bit of a different meaning) to generate research notes as MiFID II starts to kick in. One of many challenges will indeed be cost containment but at what price to accuracy and unstated and/or unintended bias? AI, as experts/specialists, are trained in tunnel vision thus restricted in the ability to problem solve.



Phillip Cook, Michael Cook, and Tread Thompson touring a Clean Harbors, Inc. (CLH) facility.

Francis Bacon, in his book *The Advancement of Learning* (1605), attempted to create a map of all knowledge, “as it were a small globe of the intellectual world.” Some parts remain inadequately explored, according to Arnold Pacey in his book *The Culture of Technology*, (1981). He goes on to say that he has noted a consistent tendency, indeed, for experts to see only those parts which are of direct technical interest. They reduce the globe to an expert sphere which they know in detail, leaving a completely different view – a ‘user sphere’ – which they ignore. That is all I will say on this for now, but in our next encounter, I will try to expand on how soft systems theory – inferred by Bacon in 1605 – is usually limited to ‘exploring’ problems and taking soundings, again according to Arnold Pacey.

Second, do the businesses in our portfolio have a reason to exist at this moment, do they have the appropriate organizations in place to evaluate their company’s health/status and adapt over time, and the financial capacity to accommodate the reality on the ground that is rarely, if ever, linear or smooth? Our portfolio businesses and our portfolios, as a whole, are not linear. Pacey again suggests, “in a world that is only designed to accumulate linear progress...because conventional analysis of economic and technical development must of necessity focus on facts and figures, graphs and statistics...this inevitability gives little weight to human experience and choice, and leads to a mechanistic, if not deterministic picture.” In truth, innovation tends to cluster or bunch and in so doing it creates meaningful lumpiness for many reasons even if only for need of societal/organizational/policy re-adjustment. Our process has, from its inception, been agile and allows us to accommodate these waves. We will return to this in letter three.

As most of you are keenly aware our objective at SouthernSun has been to return 10-12% over inflation over time to our clients. Our core analytical framework was designed as an ensemble, to be robust and adaptive, balancing boots on the ground observation, with technical rigor, and touch points to test a variety of qualitative and quantitative biases. Again it was interesting to note that in Monday’s *Financial Times*, ‘The Big Picture’ section highlighted the benefit of “Self-analysis...Psychology and emotional awareness can help managers improve their decision.” If one were to look at the very first newsletter/brochure I produced almost thirty years ago one would find the list of values that must exist in a great researcher from Jaques Barzun’s famous book, *The Modern Researcher*, which I/we have quoted many times over the years are seated at the core of our process. Almost thirty years later those qualities/values are being highlighted in the *Financial Times*. Letter four will attempt to examine this further using specific examples present and past.

Today I would like to set the stage for future letters by pointing out some of the pitfalls behind utilizing relative valuation and performance measures (source, accuracy, bias to asymmetry, etc.) that are historic to make decisions about future outcomes, qualitative and quantitative. To be clear, we are not suggesting that any relative measures, valuation or otherwise, are useful in understanding the potential of our current portfolio of businesses rather as Pacey again suggests regarding such, “...it provides experts with new techniques for mystifying and manipulating users.” However, they are indeed the preferred method of some – so, if in fact this is one’s preferred method then, we must be confident that the relative comparisons apply consistent rigor to all constituent metrics to avoid drawing simple conclusions from the wrong facts....so here we go.

Warmest regards,

A handwritten signature in blue ink, appearing to read 'Michael W. Cook, Sr.'.

Michael W. Cook, Sr.

Chief Executive Officer and Chief Investment Officer

We are going to lead you through our assessment of business quality, challenge industry standards for valuing the market and argue that our portfolios are well-positioned for the future. We have listened to our clients and acknowledge that many use metrics to judge us that we do not use in our process including industry standard statistics such as returns on equity (ROE) and price-to-earnings (P/E) ratios.

While our focus remains on absolute performance, we understand that clients and consultants need to measure us against a benchmark. Given our unique philosophy and concentrated nature of our portfolios, our performance often varies widely from benchmarks. We always want to provide any information we can to help our clients understand our process and the performance of our portfolios relative to the benchmarks, but we believe it is critical to understand drivers of benchmark performance as well as the data and methodologies behind the various benchmark metrics in order to make a valid comparison.

## Relative Performance Headwinds

Our investment process is value-oriented, and we believe that many of our clients consider us “core with a value tilt” when comparing us to other managers and to their performance benchmarks. U.S. small cap value stocks have underperformed their growth counterparts during eight out of the last eleven years (Exhibits #1 - 3) for the period ending December 31, 2017. We believe this dynamic creates headwinds for our strategies, especially as market valuations have become elevated over the last five years and the market has rewarded growth, momentum and technology at the expense of value, cash flow and the producer durables names our process tends to generate. The data also shows that over time, value and growth rotate in and out of favor, and statistics suggest a reversion to the mean in the long run. We assert that growth’s recent strength combined with lofty multiples being applied to the broader market suggests a rotation to value may be coming. At certain points in the past, when value has returned to favor, the performance differential has been dramatic. Following the technology bubble in the late 1990s, in which growth and technology outperformed value, the Russell 2000 Value index outperformed the Russell 2000 Growth significantly, by roughly 45% in 2000, 25% in 2001 and 19% in 2002. When market sentiment turns, relative performance can change quickly.

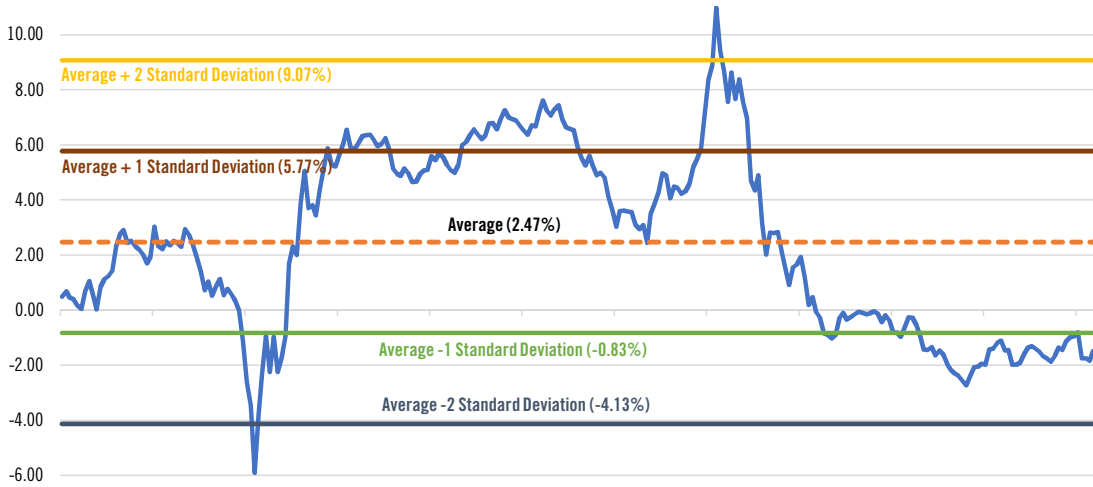
In addition to the growth vs. value headwind, the current market does not appear to place a lot of value on cash flow (Exhibit #4) and other quality metrics, but we remain disciplined and focused on cash and quality. We believe that ultimately a business will be valued over time based on cash flows, and our job is to find companies that earn superior returns on invested capital trading at attractive valuations.

### Exhibit #1 Calendar Year Performance

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD 5.31.18
Russell 2000 Growth	1.23	43.09	-22.43	-9.23	-30.26	48.54	14.31	4.15	13.35	7.05	-38.54	34.47	29.09	-2.91	14.59	43.30	5.60	-1.38	11.32	22.17	8.85
Russell 2000 Value	-6.45	-1.49	22.83	14.03	-11.43	46.03	22.25	4.71	23.48	-9.78	-28.92	20.58	24.50	-5.50	18.05	34.52	4.22	-7.47	31.74	7.84	4.81
Excess Returns	7.68	44.58	45.26	23.25	18.84	2.52	7.94	0.55	10.13	16.82	9.62	13.89	4.58	2.59	3.46	8.78	1.39	6.09	20.42	14.33	4.04

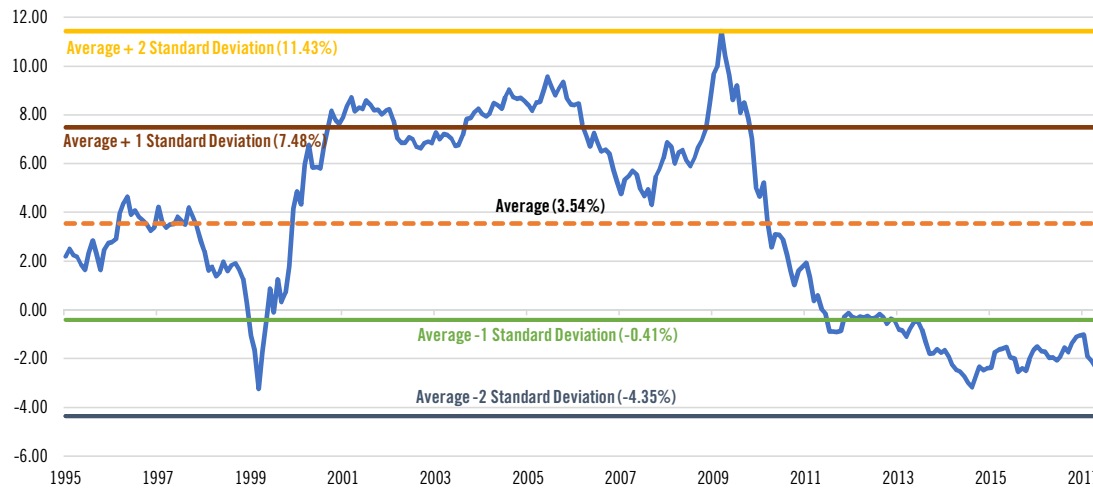
Supplemental Information. Source: SouthernSun Asset Management, Evestment. Past performance is not indicative of future results, which may vary. Please see required composite performance and disclosures at the end of the appendix for further information.

### Exhibit #2 Russell 2500 Value Less Russell 2500 Growth 10-Year Annualized Rolling Return Spread



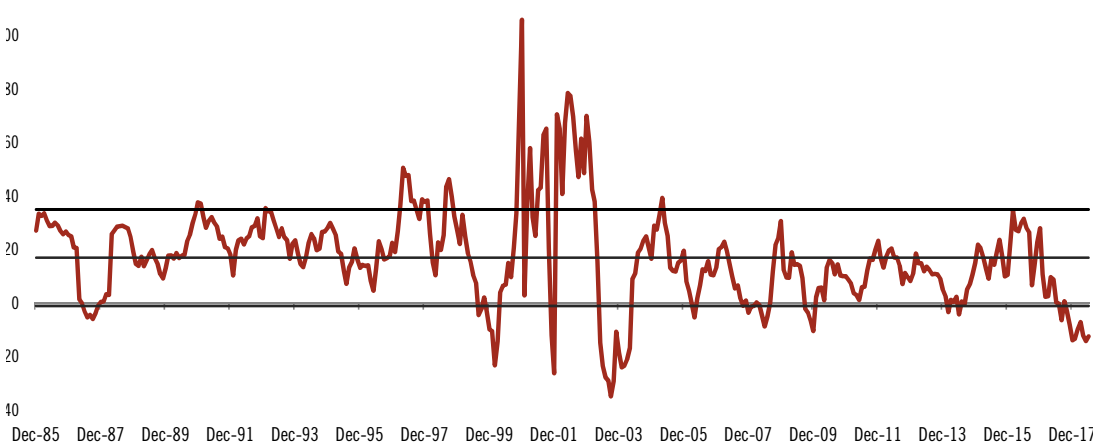
Supplemental Information. Source: SouthernSun Asset Management, Factset, Evestment. Data through 5/31/18. Past performance is not indicative of future results, which may vary. Please see required composite performance and disclosures at the end of the appendix for further information.

### Exhibit #3 Russell 2000 Value Less Russell 2000 Growth 10-Year Annualized Rolling Return Spread



Supplemental Information. Source: SouthernSun Asset Management, Factset, Evestment. Data through 5/31/18. Past performance is not indicative of future results, which may vary. Please see required composite performance and disclosures at the end of the appendix for further information.

### Exhibit #4 Free Cash Flow Yield (Rolling 12 - Month Spread Between Q1/Q5 FCF Yield)

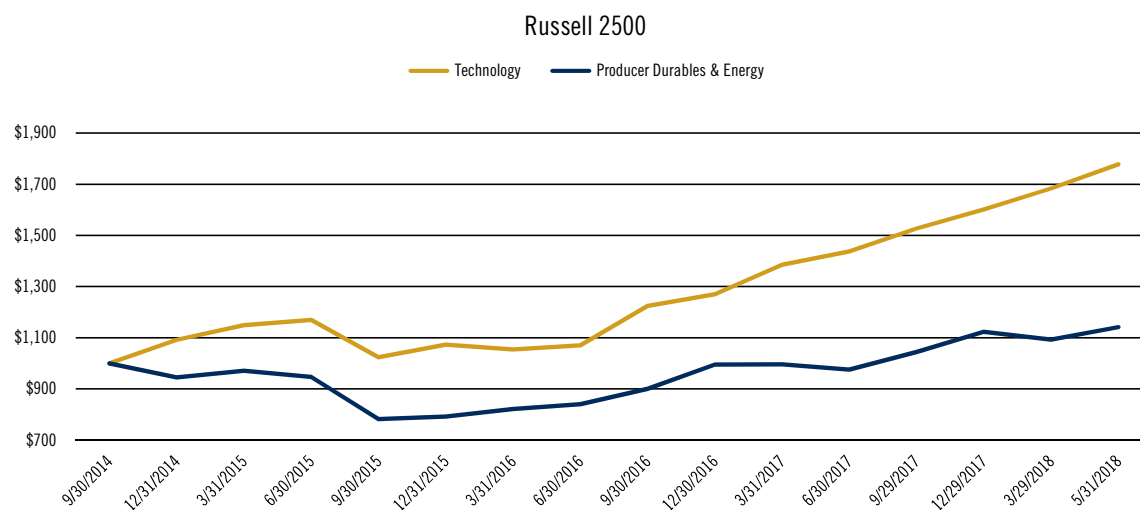


Source: FactSet; FTSE Russell; Jefferies. Past performance is not indicative of future results, which may vary. Please see required composite performance and disclosures at the end of the appendix for further information.



The collapse of global oil prices during the second half of 2014 marked the commencement of a period of prominence for technology stocks which have led market performance in the Russell 2000® and the Russell 2500™ while the producer durables and energy-related names, which our process favors, have lagged on a relative basis. In fact, since the third quarter of 2014 through May 2018, technology in the Russell 2000® and in the Russell 2500™ advanced +19% and +17%, respectively, compounded annually while energy and producer durables advanced only +3 to +4% (Exhibits #5 - 6). We believe that, while many of our companies are characterized by competent management teams making increasingly attractive capital allocation decisions, the market, trading at lofty valuations, has preferred growth, technology and momentum stocks.

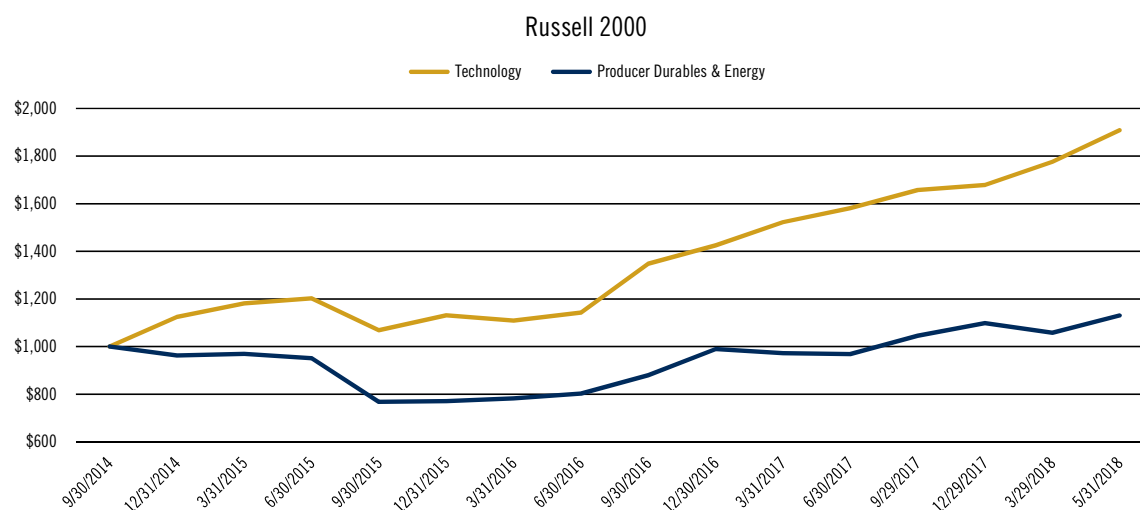
### Exhibit #5 Russell 2500 - Technology vs. Producer Durables and Energy



Annualized Return 9/30/14 - 5/31/18	Technology	Producer Durables & Energy
Russell 2000	19.30%	3.41%

Supplemental Information. Source: SouthernSun Asset Management, Factset, Advent Portfolio Exchange. Past performance is not indicative of future results, which may vary. Please see required composite performance and disclosures at the end of the appendix for further information.

### Exhibit #6 Russell 2000 - Technology vs. Producer Durables and Energy

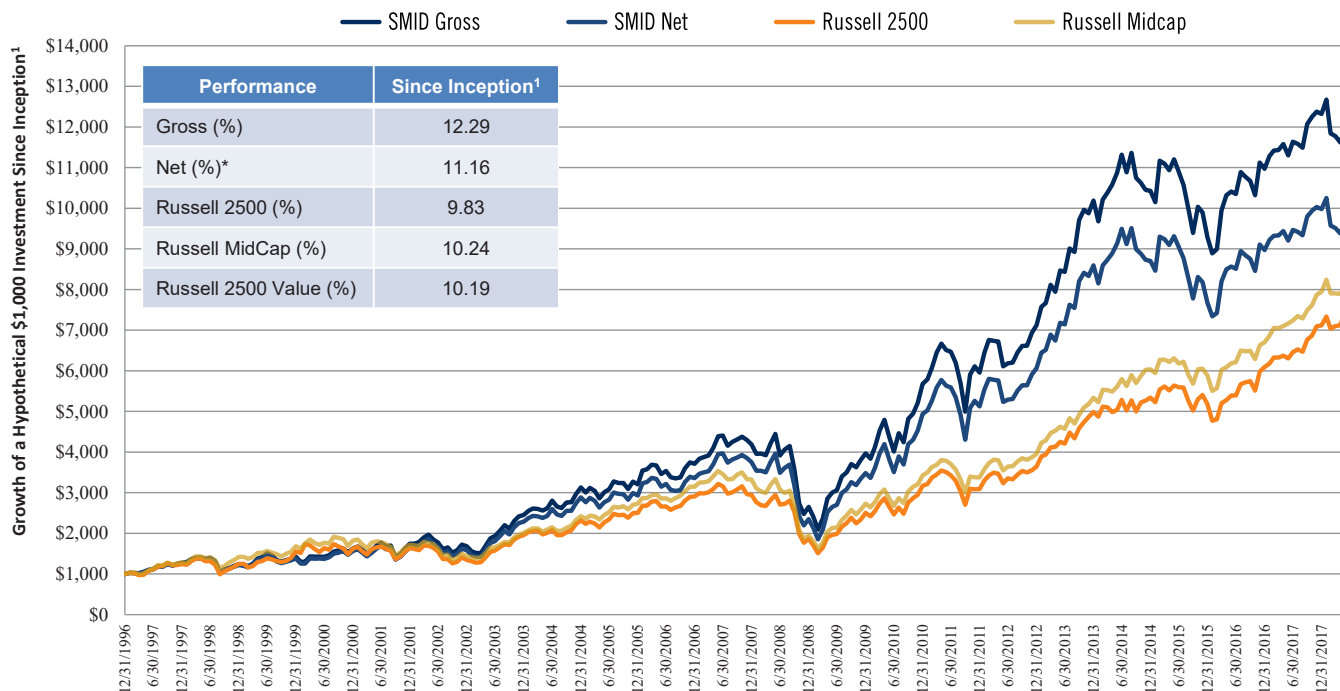


Annualized Return 9/30/14 - 5/31/18	Technology	Producer Durables & Energy
Russell 2500	17.02%	3.68%

Supplemental Information. Source: SouthernSun Asset Management, Factset, Advent Portfolio Exchange. Past performance is not indicative of future results, which may vary. Please see required composite performance and disclosures at the end of the appendix for further information.

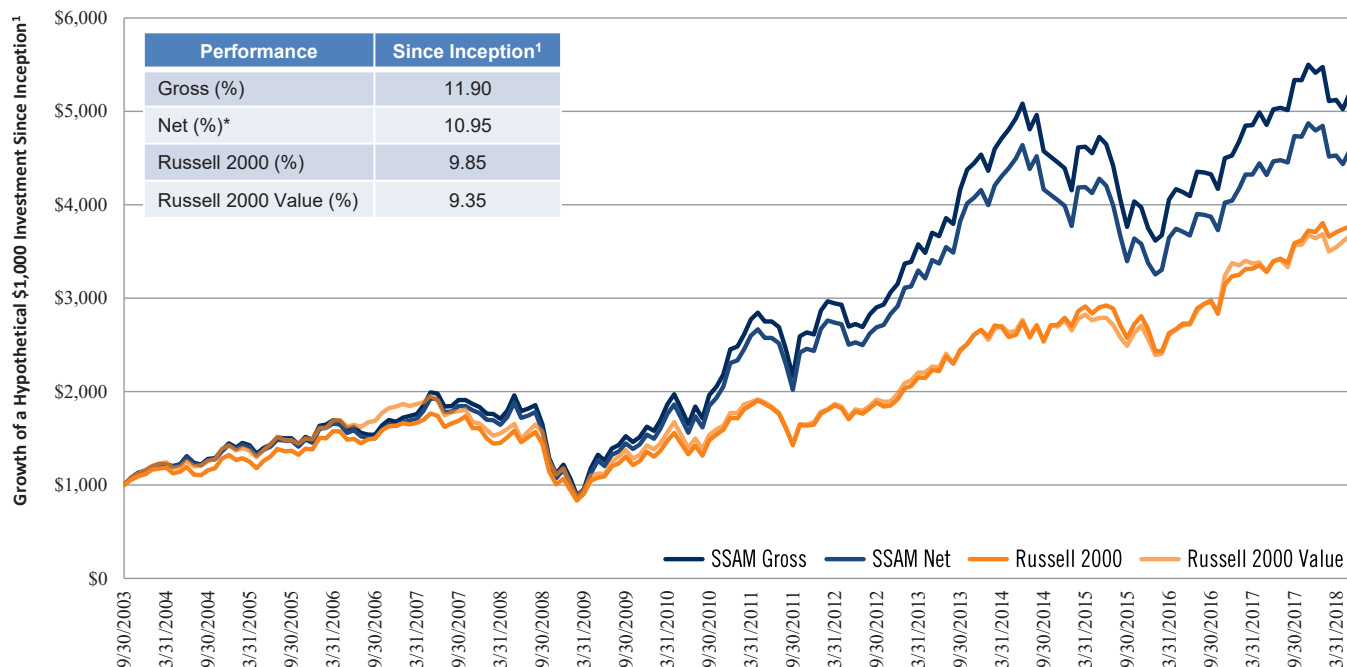
As we have discussed in past communications, these broader market and sector headwinds have combined, since the third quarter of 2014, with an industrial recession and depressed farm incomes globally to create a “perfect storm” of sorts when considering relative performance of our strategies vs. the benchmarks. We acknowledge that stock selection has contributed to the recent underperformance, and we have owned those mistakes, but we also know that our stock selection has, over time, been the overwhelming contributor to our outperformance. The same team and approach are in place today, and we are laser-focused on staying disciplined as we face these headwinds. Experience tells us these big picture storms will pass, which combined with solid company fundamentals and attractive valuations, sets up well regardless of how the market behaves over the coming quarters and years. In addition, we have seen relative performance change quickly and dramatically and encourage clients to consider these historical realities when making allocation decisions.

### Exhibit #7 SMID Cap Composite – Historical Track Record as of May 31, 2018



Supplemental Information. Source: SouthernSun Asset Management, Advent Portfolio Exchange. Performance is preliminary and subject to change. Past performance is not indicative of future results, which may vary. As with any investment strategy, there is potential for profit as well as the possibility of loss. The information presented is provided for informational purposes, reflects the performance of the strategy over the period indicated and should not be considered in isolation when making an investment decision. <sup>1</sup>Inception date of SMID Cap composite: January 1, 1997. Inception date of Small Cap Strategy composite: October 1, 2003. Returns are stated gross and net of management fees and include the reinvestment of all income. \*Net returns are calculated by deducting the highest incurred management fee within this composite on a monthly basis from the gross composite monthly return. Please see required composite performance and disclosures at the end of the appendix for further information.

### Exhibit #8 Small Cap Strategy Composite – Historical Track Record as of May 31, 2018



See disclosure for Exhibit #7.

# Quality

We believe that we own portfolios of companies with distinct and growing competitive advantages, industry-leading cost structures and supply chains, the ability to reinvest and operate in an array of economic and market conditions, and which are led by capable, “rightly-fitted” management teams with track records of effective capital allocation. We assert that businesses with these characteristics create value and that the market favors them in the long run.

Exhibit 9 shows the relatively high leverage of the benchmarks currently. We believe our portfolio holdings are, on the whole, well positioned from a financial flexibility standpoint to hold up relatively well if the market and economy turn down or use their balance sheets to pursue opportunities if the economy continues to strengthen. Regardless of the pace of economic growth, we are pleased with the financial strength of our businesses relative to the market on the whole.

## Exhibit #9 Net Debt / EBITDA

As of 5/31/18	SMID Cap Composite	Russell 2500
Net Debt / EBITDA*	2.17x	3.11x

As of 5/31/18	Small Cap Strategy Composite	Russell 2000
Net Debt / EBITDA*	2.25x	3.03x

Supplemental Information. Source: SouthernSun Asset Management, Factset, Advent Portfolio Exchange. \*Net Debt / EBITDA is calculated by dividing the net debt of the last reported annual period by the EBITDA value for the last reported annual period. Calculated using a weighted average. Fundamental Statistics are preliminary and may change as companies release quarterly earnings. Inception date of SMID Cap Composite: January 1, 1997. Inception date of Small Cap Strategy Composite: October 1, 2003. Past performance is not indicative of future results, which may vary. Please see required composite performance and disclosures at the end of the appendix for further information.

Another quality metric frequently quoted by clients is return on equity (ROE). To be clear, ROE is not a primary metric that we use to assess the quality of a business. However, we have analyzed the data to better understand how clients and consultants assess our portfolios. As you can see below, our portfolios are composed of companies of higher quality, based on ROE, than the corresponding benchmarks (Exhibit #10). Perhaps more importantly, these numbers show our portfolios are generating solid returns on an absolute basis irrespective of what the benchmarks are generating.

## Exhibit #10 Return on Equity

As of 5/31/18	SMID Cap Composite	Russell 2500
Return on Equity (ROE)*	20.9%	10.4%

As of 5/31/18	Small Cap Strategy Composite	Russell 2000
Return on Equity (ROE)*	17.6%	5.7%

Supplemental Information. Source: SouthernSun Asset Management, Factset, Capital IQ, Advent Portfolio Exchange. \*ROE is calculated by dividing the net income of a security as of the report date by the total equity of security as of the report date. Adjustments for significant items have been made for five companies in SMID Cap Composite and four in the Small Cap Strategy Composite. Calculated using a weighted average. The earnings for the index were unadjusted. Fundamental Statistics are preliminary and may change as companies release quarterly earnings. Inception date of SMID Cap Composite: January 1, 1997. Inception date of Small Cap Strategy Composite: October 1, 2003. Past performance is not indicative of future results, which may vary. Please see required composite performance and disclosures at the end of the appendix for further information.

# Valuation

Another core question for our clients is where the portfolios trade from a valuation perspective. Although we do not rely on price-to-earnings per share (P/E) ratios to value companies, many of our clients, consultants and the broader investment community use P/E ratios as a quick measure of value or relative value. Similar to the ROE metrics, we spent some time analyzing the data to understand how clients and consultants evaluate our portfolios. As published analysis<sup>1</sup> has noted in the past, many data providers including Russell, exclude companies with negative earnings when calculating a P/E ratio for an index. As of May 31, 2018, 34.9% of the Russell 2000<sup>®</sup> and 30.8% of the Russell 2500<sup>™</sup> had negative earnings according to the data we have reviewed. We believe the generally accepted methodology is misleading and grossly underestimates at times the true P/E of the benchmark.

We have run our own calculations for P/E for our portfolios (with adjustments for one-time non-cash items) and for the indices including all constituents' unadjusted earnings, and we think that it reveals an entirely different picture of an overpriced market (Exhibit #11) providing a backdrop for SouthernSun's attractively discounted portfolios. Standard calculations from Russell or Factset show the Russell 2500 at 20.4x and the Russell 2000<sup>®</sup> at 20.6x. When including all companies within each index, the P/E ratios are 43.1x and 91.1x, respectively. Based on these revised calculations, our portfolios are trading at significant discounts to the broader indices; our SMID Cap Composite is trading at a 61% discount to the Russell 2500<sup>™</sup> while our Small Cap Strategy Composite is trading at a 81% discount to the Russell 2000<sup>®</sup>.

<sup>1</sup> <https://www.usatoday.com/story/money/columnist/2018/03/20/stock-market-russell-2000-high/437481002/> and <http://www.crainsdetroit.com/assets/PDF/CD1084251221.PDF>

## Exhibit #11 Price-to-Earnings

As of 5/31/18	SMID Cap Composite*	Adjusted Russell 2500**	Russell 2500***
Price-to-Earnings (P/E)	17.0x	43.1x	20.4x

As of 5/31/18	Small Cap Strategy Composite *	Adjusted Russell 2000**	Russell 2000***
Price-to-Earnings (P/E)	17.0x	91.1x	20.6x

Supplemental Information. Source: SouthernSun Asset Management, Factset, Capital IQ, Advent Portfolio Exchange. \*P/E is calculated by dividing the price for each security as of the report date by the LTM EPS of security as of the report date. Adjustments for significant items have been made for five companies in the SMID Cap Composite and four in the Small Cap Strategy Composite. Calculated using a weighted average. \*\*P/E is calculated by dividing the sum of the index constituents market cap by the net income and includes negative earnings. \*\*\*P/E is calculated according to Factset by dividing the price for a security as of the report date by the LTM EPS of security as of the report date. If the EPS value is negative, the whole calculation is displayed as N/A and is excluded from portfolio-level calculations. The other constituents are reweighted accordingly. Calculated using a weighted harmonic average. The earnings for the index were unadjusted. Fundamental Statistics are preliminary and may change as companies release quarterly earnings. Inception date of SMID Cap Composite: January 1, 1997. Inception date of Small Cap Strategy Composite: October 1, 2003. Past performance is not indicative of future results, which may vary. Please see required composite performance and disclosures at the end of the

Another common valuation metric is Price-to-Sales (P/S) (Exhibit #12). This metric generally avoids the impact of one-time items or potential anomalies inherent in GAAP earnings. Price-to-Sales is not a valuation metric that we use internally to evaluate a business, but we understand that it is one way that clients and consultants may compare our portfolio to a benchmark. Again, the data shows a meaningful discount for our strategies relative to the benchmarks.

## Exhibit #12 Price-to-Sales

As of 5/31/18	SMID Cap Composite	Russell 2500
Price-to-Sales (P/S)*	0.9x	1.5x

As of 5/31/18	Small Cap Strategy Composite	Russell 2000
Price-to-Sales (P/S)*	0.8x	1.3x

Supplemental Information. Source: SouthernSun Asset Management, Factset, Capital IQ, Advent Portfolio Exchange. \*P/S is calculated by dividing the price for security as of the report date by the sales per share for security as of the report date. Calculated using a weighted average. Fundamental Statistics are preliminary and may change as companies release quarterly earnings. Inception date of SMID Cap Composite: January 1, 1997. Inception date of Small Cap Strategy Composite: October 1, 2003. Past performance is not indicative of future results, which may vary. Please see required composite performance and disclosures at the end of the appendix for further information.



# Why Invest Now

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We hope that this analysis has demonstrated that, using common industry metrics, our portfolios consist of high quality companies trading at attractive valuations versus their benchmarks. Recent news from several of our holdings supports our belief that our portfolios are poised to perform positively on both an absolute and a relative basis. Several are expanding and better utilizing capacity which we believe should allow them to increase cash flows over the next several years. We believe that we have also been able to establish new positions in several names at attractive prices over the last year.

Most importantly, we continue to believe that our proven philosophy and process which identifies high quality businesses led by capable management, that generate attractive returns based on cash flow metrics, will generate absolute returns 10 – 12% above inflation over time. We are confident that our portfolios are composed of high quality businesses trading at attractive valuations. As these qualities continue to gain influence with investors at the expense of the sentiment of the last four years (growth, momentum and technology), then we believe that our portfolios are positioned to reap the benefits.

SMID CAP COMPOSITE - ASSET WEIGHTED RETURNS

Year	SouthernSun		Russell 2500	Russell MidCap	Composite Dispersion	Composite 3-Yr Standard Deviation (%)	Russell 2500 3-Yr Standard Deviation (%)	Russell Mid Cap 3-Yr Standard Deviation (%)	Accounts in Composite (#)	Total Composite Assets (\$Mil)	% of Firmwide Assets	Total Firmwide Assets (\$Mil)
	Gross	Net										
2017	12.33%	11.46%	16.81%	18.52%	0.17%	13.91%	12.13%	10.36%	70	\$2,309	55%	\$4,213
2016	18.05%	17.19%	17.59%	13.80%	0.33%	15.13%	13.67%	11.55%	62	\$1,242	30%	\$4,187
2015	-10.91%	-11.55%	-2.90%	-2.44%	0.27%	15.08%	12.42%	10.85%	77	\$1,120	25%	\$4,542
2014	2.33%	1.60%	7.07%	13.22%	0.24%	13.56%	11.67%	10.14%	95	\$1,186	21%	\$5,696
2013	43.17%	42.27%	36.80%	34.76%	0.19%	18.71%	15.63%	14.03%	51	\$882	17%	\$5,317
2012	19.56%	18.86%	17.88%	17.28%	0.25%	22.89%	18.97%	17.20%	24	\$378	14%	\$2,615
2011	4.86%	4.30%	-2.51%	-1.55%	0.18%	27.75%	23.40%	21.55%	24	\$309	15%	\$2,106
2010	43.20%	42.47%	26.71%	25.48%	0.31%	31.58%	26.80%	26.46%	16	\$222	11%	\$1,974
2009	49.73%	49.08%	34.39%	40.48%	0.00%	28.16%	24.25%	24.22%	7	\$142	11%	\$1,339
2008	-36.75%	-37.03%	-36.79%	-41.46%	1.28%	22.71%	19.37%	19.36%	6	\$105	10%	\$1,025
2007	12.89%	12.40%	1.38%	5.60%	0.07%	13.65%	11.52%	9.48%	6	\$175	13%	\$1,341
2006	15.78%	15.28%	16.17%	15.26%	N/A <sup>1</sup>	14.33%	11.93%	9.62%	≤5	\$153	14%	\$1,100
2005	2.42%	1.96%	8.11%	12.65%	N/A <sup>1</sup>	16.75%	13.48%	11.22%	≤5	\$135	18%	\$733
2004	27.64%	27.09%	18.29%	20.22%	N/A <sup>1</sup>	18.51%	16.92%	15.28%	≤5	\$133	32%	\$410
2003	45.59%	44.97%	45.51%	40.06%	N/A <sup>1</sup>	22.33%	19.93%	18.51%	≤5	\$97	60%	\$162
2002	-3.39%	-3.77%	-17.80%	-16.18%	N/A <sup>1</sup>	20.97%	21.92%	19.65%	≤5	\$39	36%	\$107
2001	7.19%	6.76%	1.21%	-5.63%	N/A <sup>1</sup>	20.20%	21.16%	18.35%	≤5	\$40	34%	\$120
2000	14.15%	13.68%	4.26%	8.26%	N/A <sup>1</sup>	20.55%	22.35%	18.96%	≤5	\$38	28%	\$137
1999	14.39%	13.92%	24.14%	18.24%	N/A <sup>1</sup>	18.79%	19.46%	17.22%	≤5	\$33	23%	\$145
1998	-2.23%	-2.62%	0.38%	10.10%	N/A <sup>1</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>	≤5	\$29	21%	\$135
1997	27.32%	26.80%	24.36%	29.02%	N/A <sup>1</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>	≤5	\$14	11%	\$123

<sup>1</sup>Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year. <sup>2</sup>Information is not statistically meaningful due to an insufficient number of periods.

SouthernSun Asset Management, LLC, an SEC registered investment adviser, is a research-driven investment management firm implementing long-only domestic and global equity strategies for institutions and individuals. SouthernSun provides investment advisory services for its clients using a proprietary investment research process based on fundamental analysis and seeks to invest in niche-dominant, attractively-valued companies with financial flexibility and uniquely-fitted management teams. SouthernSun Asset Management, LLC claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. SouthernSun Asset Management, LLC has been independently verified for the periods January 1, 1990 through December 31, 2017. A copy of the verification report(s) is/are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements for the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. Subsequent periods are currently undergoing verification by ACA Performance Services, LLC and, as such, performance may be subject to change.

Performance results shown above are included as part of a complete disclosure presentation. SouthernSun SMID Cap Composite contains fully discretionary equity accounts invested in small cap to mid cap (SMID cap) securities (defined as equity securities with market capitalizations that are within the range of the Russell 2500 at the time of initial purchase during the most recent 12-month period) and for comparison purposes is measured against the Russell 2500 and Russell MidCap indices. Prior to June 2009, the composite was known as the SouthernSun Mid Cap Composite. However, despite the name change, the investment strategy has remained the same. Prior to December 2006, the composite was known as the CMT Mid Cap Composite. The minimum account size for inclusion into this composite is \$1,000,000. Prior to July 1, 2015, the minimum account size for inclusion in this composite was \$500,000. Prior to July 1, 2009, the minimum account size for inclusion in this composite was \$1,000,000. Composite policy requires the temporary removal of any portfolio incurring a client-initiated significant cash inflow or outflow of 20% or more of the portfolio assets. Prior to April 1, 2004, composite policy required the temporary removal of any portfolio incurring a client-initiated significant cash inflow or outflow of 50% or more of portfolio assets. Additional information regarding the treatment of Significant Cash Flows is available upon request. The firm maintains a complete list and description of composites, which is available upon request. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Trade date valuation has been used since inception. Past performance is not indicative of future results. The U.S. dollar is the currency used to express performance. Returns are stated gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. The management fee schedule is as follows: \$0 - \$50,000,000 is .90%, \$50,000,001 - \$100,000,000 is .85%, and above is .75%. This schedule is subject to a \$180,000 minimum annual fee. Actual investment advisory fees incurred by clients may vary. The annual composite dispersion presented is an asset-weighted standard deviation of gross returns for accounts in the composite the entire year. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. The SouthernSun SMID Cap Composite was created January 1, 1997.

The Russell 2500 Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Russell 2500 Index is a subset of the Russell 3000 Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 31% of the total market capitalization of the Russell 1000 companies. Frank Russell Company ("FRC") is the source and owner of the Russell Index Information and Sector Classifications contained or reflected in this material and all trademarks and copyrights related thereto. The Russell Index Information and Sector Classifications may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. For more information on either index, please consult Frank Russell Company.

Past performance is no guarantee of future results. As with any investment strategy, there is a potential for profit as well as the possibility of loss. Individual investor results will vary. Performance results may be materially affected by market and economic conditions.

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Supplemental information. Source: SSAM, Factset, Advent Portfolio Exchange®, 5-yr Turnover and 5-yr Standard Deviation are annualized. Percent of Composite is calculated as the portfolio weighting on the last business day of the month. Fundamental Statistics as of month-end are preliminary and may change as companies release quarterly earnings. The holdings discussed in this document do not represent all securities bought, sold, or recommended for advisory clients of the SouthernSun Small Cap Strategy. Holdings are subject to change and should not be construed as investment advice. References to exited positions indicates that the position has been fully liquidated from the portfolio by SouthernSun except in instances, if applicable, where a client has instructed us otherwise.

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Notice to professional clients in the United Kingdom: SouthernSun Asset Management, LLC and its affiliates are permitted to provide advice in the United Kingdom to professional clients only. For this reason, the information contained herein is only permitted for individuals or firms who would fall within the definition of a professional client as defined by the Financial Conduct Authority's rules.

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**SMALL CAP EQUITY**

SMALL CAP STRATEGY COMPOSITE - ASSET WEIGHTED RETURNS												
Year <sup>1</sup>	SouthernSun		Russell 2000	Russell 2000 Value	Composite Dispersion	Composite 3-Yr Standard Deviation (%)	Russell 2000 3-Yr Standard Deviation (%)	Russell 2000 Value 3-Yr Standard Deviation	Accounts in Composite (#)	Total Composite Assets (\$Mil)	% of Firmwide Assets	Total Firmwide Assets (\$Mil)
	Gross	Net										
2017	19.58%	18.60%	14.65%	7.84%	0.20%	15.70%	13.91%	13.97%	6	\$605	14%	\$4,213
2016	20.77%	19.87%	21.31%	31.74%	0.63%	16.61%	15.76%	15.50%	6	\$547	13%	\$4,187
2015	-14.61%	-15.27%	-4.41%	-7.47%	0.59%	16.80%	13.96%	13.46%	6	\$540	12%	\$4,542
2014	-3.26%	-3.95%	4.89%	4.22%	0.05%	14.25%	13.12%	12.79%	6	\$921	16%	\$5,696
2013	43.95%	42.81%	38.82%	34.52%	0.56%	19.17%	16.45%	15.82%	6	\$1,103	21%	\$5,317
2012	20.70%	19.79%	16.35%	18.05%	0.26%	23.98%	20.20%	19.89%	6	\$584	22%	\$2,615
2011	6.47%	5.63%	-4.18%	-5.50%	0.99%	30.96%	24.99%	26.05%	6	\$365	17%	\$2,106
2010	51.09%	49.86%	26.85%	24.50%	0.50%	33.66%	27.69%	28.37%	6	\$250	13%	\$1,974
2009	33.41%	32.35%	27.17%	20.58%	1.26%	29.89%	24.83%	25.62%	6	\$149	11%	\$1,339
2008	-33.71%	-34.17%	-33.79%	-28.92%	1.31%	21.92%	19.85%	19.14%	6	\$107	10%	\$1,025
2007	9.50%	9.03%	-1.57%	-9.78%	0.68%	13.43%	13.16%	12.59%	≤5	\$80	6%	\$1,341
2006	13.16%	12.72%	18.37%	23.48%	0.18%	13.71%	13.75%	12.33%	≤5	\$59	5%	\$1,100
2005	2.44%	2.16%	4.55%	4.71%	N/A <sup>2</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>	≤5	\$48	7%	\$733
2004	25.84%	25.78%	18.33%	22.25%	N/A <sup>2</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>	≤5	\$20	5%	\$410
2003	14.94%	14.94%	11.62%	13.06%	N/A <sup>2</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>	≤5	<\$1	1%	\$162

<sup>1</sup> 2003 returns are from inception date of the composite: October 1, 2003. The return numbers are not annualized. <sup>2</sup>Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year. <sup>3</sup>Information is not statistically meaningful due to an insufficient number of periods.

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Performance results shown above are included as part of a complete disclosure presentation. The SouthernSun Small Cap Strategy Composite generally contains fully discretionary accounts invested in small cap securities (defined as equity securities with market capitalizations that are within the range of the Russell 2000 Index or the MSCI USA Small Cap Index at the time of initial purchase during the most recent 12-month period, based on month-end data) and for comparison purposes is measured against the Russell 2000 and Russell 2000 Value indices. The minimum asset level to be included in this composite is \$1,000,000. Additionally, this composite does not include accounts that are overly restrictive with regard to 1) a new range for small cap securities (that are, at purchase, normally within a similar range to that of the maximum and minimum of the Russell 2000 Index on a trailing 12-month basis; and 2) maximum cash level restrictions. Any other guidelines that the chief investment officer feels are overly constraining for the management of a discretionary account will also be taken into consideration when eliminating accounts for inclusion in the Small Cap Strategy Composite. Prior to January 1, 2017, the composite did not adhere to a significant cash flow policy. From January 1, 2017 to February 6, 2017, accounts were removed when experiencing a significant cash flow. As of February 7, 2017, the composite did not adhere to a significant cash flow policy. Additional information regarding the treatment of Significant Cash Flows is available upon request. The firm maintains a complete list and description of composites, which is available upon request. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results. The U.S. dollar is the currency used to express performance. Returns are stated gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees, provided that the performance returns for the initial account in the composite were only calculated on a gross basis from October 2003 to October 2004. The management fee schedule is as follows: \$0 - \$50,000,000 is 1.00%, \$50,000,001 - \$100,000,000 is 0.95%, \$100,000,001 and above is 0.90%. This schedule is subject to a \$200,000 minimum annual fee. A management fee was not applied, however, to the sole SouthernSun Small Cap Strategy account in 2003. Actual investment advisory fees incurred by clients may vary. The annual composite dispersion presented is an asset-weighted standard deviation of gross returns for accounts in the composite the entire year. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. The SouthernSun Small Cap Strategy Composite was created January 1, 2017. The inception date of the SouthernSun Small Cap Strategy Composite is October 1, 2003.

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. Frank Russell Company ("FRC") is the source and owner of the Russell Index Information and Sector Classifications contained or reflected in this material and all trademarks and copyrights related thereto. The Russell Index Information and Sector Classifications may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. For more information on either index, please consult FRC.

The small cap investment strategy reopened on a limited basis as of April 15, 2016. Availability of the strategy is dependent on, among other things, the method of investment (i.e. – mutual fund), investment amount, strategy capacity, and is subject to change at any time. Past performance is no guarantee of future results. As with any investment strategy, there is a potential for profit as well as the possibility of loss. Individual investor results will vary. Performance results may be materially affected by market and economic conditions.

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