

Global Opportunities Commentary

THIRD QUARTER 2019

While equity markets were volatile in August and September, our portfolio companies, on the whole, continue to see opportunities for organic growth and margin improvement. While the market seemed to be focused on headlines surrounding China/US Trade, Fed actions, Hyped/Failed IPOs, our management teams remain focused on new product introductions, R&D / Innovation, sales strategies, operational excellence and productivity along with selective and disciplined M&A. We believe that shareholder value is built over time through the incorporation of technology into new products/services, by improving cost structures, by optimizing supply chains, and by targeting new applications for new end-markets, etc. Disciplined capital allocation continues to be a key requirement for our team as we watch so many companies and market participants add to record levels of leverage and chase record high valuations. We believe the quarterly results of our portfolio companies demonstrate solid progress toward building long-term value, and we believe the opportunity for price appreciation from this point forward is significant.

At a higher level, we have seen a return to volatility and some small movements from Growth to Value - shifts which could certainly add a tailwind to the market recognizing the quality/valuations in our portfolios. We believe the increased volatility creates opportunity for stock pickers and a view toward fundamentals is always supportive of our approach.

For the third quarter of 2019, the Global Opportunities Composite returned approximately -4.80% on a gross basis (-4.97% net*) versus the MSCI ACWI, which returned -0.03% over the same period. On a year-to-date basis, the composite returned approximately +9.93% on a gross basis (+9.38% net*) versus the MSCI ACWI, which returned +16.20% over the same period.

Pendragon PLC (PDG), the UK's largest automotive retailer, was the leading detractor on an absolute basis in the period. Consumer confidence in the UK continues to be impacted by Brexit, resulting in the slowing of new car purchases and prompting discounting of new vehicles by manufacturers. New vehicle discounting has been a headwind for the price of the used vehicle inventory sold by **PDG**, impacting the company's profitability as inventory levels have been worked down. The company remains committed to growing the used car business over the long-term but decided to close several underperforming used car locations and re-focus attention on the strongest dealerships. In our opinion, leverage levels are manageable, and the company should have flexibility to monetize its software and leasing businesses if liquidity needs arise.

Centene Corp. (CNC) is a multi-line managed care organization providing Medicaid and other related services through government subsidized programs. Although there was not much to note on the quarter's business results, **CNC** was another leading detractor to performance on an absolute basis in the period. Margins in the company's exchange business decreased due to lower attrition, but the business was profitable and lower

customer churn is a positive long-term. The exchange business is within expected profitability targets and was anticipated to give some of the margin back after strong results in 2018. Management remains confident in its previously identified synergies regarding the WellCare Health plans (NYSE:WCG) acquisition, and the deal is expected to close in the first half of 2020. As a reminder, **CNC** announced at the end of 1Q19 that it will acquire **WCG**, which will leverage its position as the largest Medicaid managed care organization in the country. The combined entity will have greater scale and diversification across 50 U.S. states, making it one of the largest providers of government insurance. We assert that **CNC**'s continued investments in people and technology have contributed to its growth and the execution of its strategy. Furthermore, we believe that **CNC** continues to have strong prospects for growth over the long term and that it provides affordable, high quality solutions to its customers in the health care sector. We believe valuation remains compelling after the pullback in the stock.

Western Union (WU), the money transfer and payment services provider, was the leading contributor on an absolute basis in the period. During the quarter, **WU** completed the sale of their Speedpay bill payment business for \$750 million, generated solid 4% constant currency topline growth, and announced a new cost cutting initiative that will generate annual savings of \$100 million starting in 2021. The company also held an investor day in September and outlined a strategy to grow the earnings power of the business with very little capital investment. Over 3 years (2020-2022), the company expects to generate more than \$3 billion of operating cash flow and return approximately \$2.5 billion to \$3 billion to shareholders through dividends and share repurchases.

Clean Harbors, Inc. (CLH), a leading provider of hazardous waste management and the largest re-refiner of used motor oil in North America, was another leading contributor to performance on an absolute basis in the period. **CLH** reported strong earnings as Adjusted EBITDA margins expanded 80bps to 17.2%, reaching nearly a 3-year high. Margin expansion was driven by higher pricing of waste tonnage through the incinerator and landfill network, as well as higher pricing and production levels at the Safety-Kleen re-refineries. Management was positive on the outlook for the second half of the year and raised full year guidance, calling out a strong backlog of waste in the collection network, a lower number of incinerator down days, continued momentum at Safety-Kleen, and potential positive impacts of International Maritime Organization (IMO) 2020 regulation.

During the third quarter of 2019, we fully exited two positions in the Global Opportunities Composite, **Discover Financial Services (DFS)** and **SKF AB (SKF)**. We exited **DFS** after meaningful price appreciation this year. While we believe **DFS** has a unique platform, the valuation was approaching our price target (implying limited upside). In addition, we had several other new ideas on which we thought it was best to spend our time, therefore we determined to

exit the position prior to the Q2 earnings release at what we believe was an attractive price. With regard to **SKF**, both **The Timken Company (TKR)** and **SKF** are in the bearing business. Over time, we have gained more confidence in **TKR's** management team, and we prefer the end market exposures that **TKR** has over **SKF's** market exposures which are more Euro-centric and with a higher mix of automotive business. So, we exited **SKF** – but, we maintain our exposure to this industry through the investment in **TKR**.

The Investment Team continues to travel a great deal to meet with management teams of current and prospective holdings. We believe that our companies continue to demonstrate the niche dominance, financial flexibility and management adaptability that we value in our portfolio holdings and that technical innovation, capital allocation and balance sheet strength support this. Given where we are in the current market cycle, we believe we are entering a phase in which investors will be rewarded by allocating to managers whose portfolios are comprised of high-quality companies trading at attractive valuations. We believe we are well positioned for this type of environment.

Our investment strategy is differentiated by our “private-equity-like approach” to owning small and mid-cap public companies. By that, we mean that we are making long-term investments in businesses, instead of making short-term “bets” on stocks. Our portfolio’s absolute performance is driven by our in-depth knowledge of our companies. This gives us a competitive advantage when selecting securities and managing our portfolio. We get to know our companies intimately through a research process that involves regular communication with senior management, repeated on-site tours of facilities and discussions with a company’s suppliers, customers and competitors. We are differentiated by the amount of time we devote to field work, traveling to and spending time with our companies. This intensive process has been in place since the inception of our firm and it fosters a culture of deliberate buying and selling of shares of businesses.

Top Contributors and Detractors (Preliminary; Absolute Return Basis)**

Top Contributors	Average Weighting (%)	Contribution-to Return (bps)	Top Detractors	Average Weighting (%)	Contribution-to Return (bps)
Western Union Co.	4.4	68	Pendragon PLC	1.8	-110
Clean Harbors, Inc.	5.1	41	Centene Corp.	5.1	-95
Bakkafrost P/F	6.1	37	Dycom Industries, Inc.	6.1	-77
The Brink's Co.	5.8	17	Timken Co.	4.8	-66
Discover Financial Services	0.5	15	Extended Stay America, Inc.	4.9	-58

**Net returns are actual and reflect the deduction of management fees. Please see composite performance and disclosures on page 3 for further information. Returns include the reinvestment of all income. Past performance is no guarantee of future results. The iShares MSCI ACWI ETF may or may not be a comprehensive representation of the MSCI ACWI benchmark and is utilized for illustrative purposes only. The iShares MSCI ACWI ETF fund shares are not sponsored, endorsed, issued said or promoted by MSCI.*

***Supplemental information. Composite Top Contributors and Detractors will not include positions added to the portfolio within 30-days prior to the most recent month-end. Additionally, securities held at the request of individual client(s), such as ETFs, have been excluded. The Holdings identified above do not represent all of the securities purchased, sold or recommended for advisory clients. Holdings are subject to change and should not be construed as investment advice. Statements received directly from the account custodian should be regarded as the official record for a client's account. To obtain a complete list of all positions in the strategy and their contribution to the portfolio's performance and an explanation of performance calculation methodology, contact Client Relations at either 901-341-2700 or clientservice@southern.sunam.com. Source: SouthernSun Asset Management, Advent Portfolio Exchange, FactSet.*

GLOBAL OPPORTUNITIES COMPOSITE

GLOBAL OPPORTUNITIES COMPOSITE - ASSET WEIGHTED RETURNS										
Year	SouthernSun		MSCI AC World Total Return Net	Composite Dispersion	Composite 3-Yr Standard Deviation (%)	MSCI AC World TR 3-Yr Standard Deviation (%)	Accounts in Composite (#)	Total Composite Assets (\$Mil)	% of Firmwide Assets	Total Firmwide Assets (\$Mil)
	Gross	Net								
2018	-12.49%	-13.09%	-9.42%	N/A ¹	12.15%	10.48%	≤5	83.7	6%	\$1,519
2017	18.67%	17.81%	23.97%	N/A ¹	N/A ²	N/A ²	≤5	87.5	2%	\$4,213
2016	17.27%	16.40%	7.86%	N/A ¹	N/A ²	N/A ²	≤5	71.1	2%	\$4,187

¹Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

²Information 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 June 30, 2019. 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. The SouthernSun Global Opportunities Composite contains fully discretionary equity accounts invested in an active global equity portfolio that aims to deliver long-term capital appreciation by investing in a portfolio of US and non-US companies (with a market capitalization of at least \$100 million at initial purchase). The minimum account size for inclusion in this composite is \$100,000. The composite policy requires the temporary removal of any portfolio falling below the minimum account size in value. 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. The U.S. dollar is the currency used to express performance. Composite performance is presented net of foreign withholding taxes on dividends, interest income, and capital gains. Withholding taxes may vary according to the investor's domicile. The exchange rate source may differ among the accounts and benchmark in the composite. The MSCI AC World Index (net) uses withholding tax rates applicable to Luxembourg holding companies. Returns are stated gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using model management fees for illustrative purposes as the current accounts in the composite are subject to management fees that are lesser than the firm's stated fee schedule. The model management fee, which reflects the firm's stated fee schedule, is as follows: 1.25% on all amounts. This is subject to \$125,000 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. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The SouthernSun Global Opportunities Composite was created January 1, 2016 and represents performance calculated on a daily basis.

The MSCI ACWI Index (All Country World Index) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. As of December 2018 the MSCI ACWI captured large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. The developed market country indexes included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

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