4Q 2020 Small Cap Investment Commentary

For decades we have attempted, in various forms, to communicate how we approach investment research and why we believe our approach, when coupled with a mix of individuals with lively minds and experience, is valuable. That said, our chief effort has not been to persuade others or ourselves that this or that is true, rather to uncover long term investment opportunities based on genuine knowledge, identify risk, assign value, and make reasonable decisions amid an ever-evolving landscape.

In last quarter's note we covered some of the overarching events of 2020 and described how many of our portfolio businesses coped. We, and probably you, thought at the time that there had been sufficient drama in the world for one year - if only life would unfold with a modicum of respect for the calendar. Alas, as is the case, events proceed outside of our control with little regard to the clock or our preparedness. What we thought we knew before such events occur can be confirmed, dispelled, or remain to us unknown.

As I am writing, some of the things we know are that the UK is back in lockdown, international travel bans are being re-implemented in the US and across the globe and new variants of the virus are unnerving and infecting more individuals. Critically however, an increasing number of vaccines are rolling out - contrary to what many in the scientific community, only months ago, believed impossible or at best, unlikely inside of three to five years.

We have heard it said that crises seem to highlight flaws in individuals and institutions whilst simultaneously providing fresh soil for execution-oriented creative innovation. We would tend to agree, as it generally harmonizes with our own experience. And, if this is the case, then it should stand to reason that when we experience a series of overlapping crises (see last quarters letter), and they unfold within a very short period, then they are likely to exaggerate that polar range of emotions/actions - further complicating the picture in the near to intermediate term.

Therefore, we believe that constantly striving to maintain a proper perspective and sense of proportion are fundamental to consistent investment performance -particularly when confusion is rampant and shrill voices seize center stage in the marketplace.

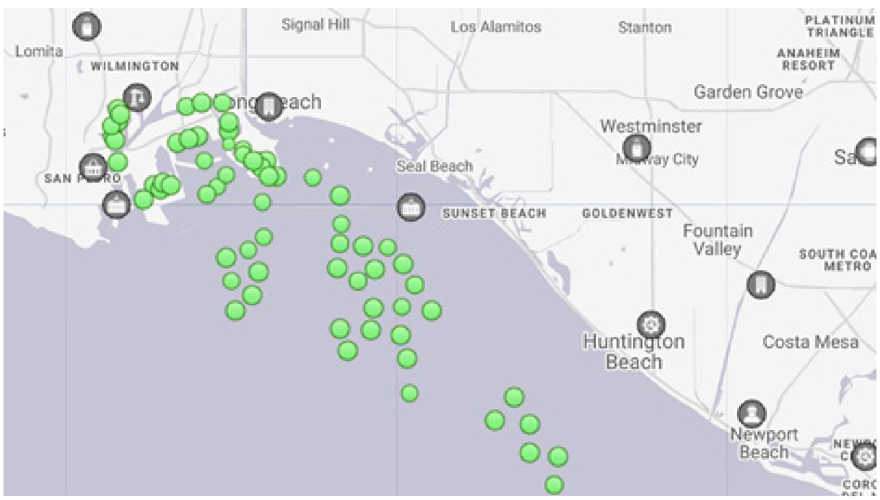
But just how to go about it? Not just how to think about it, but how to actively work it out? And do it in such a way that the process reliably yields beneficial action that leads to favorable outcomes?

To begin, we are unashamedly generalist, and our process has been honed over many decades, selectively incorporating critical lessons learnt from a wide sampling of conditions. We have encountered not only macro driven challenges but industry and company specific ones along the way, providing us a storehouse of context.

Although our investment philosophy is foundational and our process time-tested, vitally, we also remain adaptable. Our research and subsequent conversations are unambiguous regarding what we do not know with particular emphasis on what we cannot know. It is no coincidence that one of the characteristics we look for in our business leaders is the ability to adapt - to concurrently see things as they are and what they might become. Then to utilize their talent and experience to lead the company forward and achieve superior long term shareholder value.

Tolstoy, in a translation of the uncensored original work, Book XVIII, entitled What Is To Be Done? Life, Chapter XII, The Cause of False Knowledge is the False Perspective in which Objects Present Themselves, wrote, "But false knowledge consists in thinking that we know that which we do not know…It is assumed by the false knowledge of our day that we know that which we cannot know, and that we do not know that which we alone can know. It seems to one possessed of false knowledge that they know everything which presents itself to them in space and time, and that they do not know that which is known to them through their rational consciousness… We always unconsciously direct our sight chiefly on the objects which are more distant, and which therefore seem to us the most simple in color and outline; on the sky, the horizon, the far-off meadows, the forest. These objects present themselves to us as better defined and more simple in proportion as they are more distant, and vice versa, the nearer the object, the more complicated is it in outline and color."

It feels like bad form to say that 2021 will be different than 2020, but it will be. We do not know exactly how, but there are things we can know such as large numbers of people will be vaccinated. We know that supply chains across the globe are in a world of hurt, and it will take time and more reliable intermediate term flows to put it right. One need only look as far as L.A. Port where last Wednesday 37 container ships were anchored outside the harbor. We think that the significance of this is what it might say about a logistics logjam on shore. When added to labor shortages and continued COVID protocols (distancing, decontamination, etc.) we know there is currently inflation present in the transportation segment of supply chains in America.



Container ship locations, Jan. 13 (Map: Marine Traffic)

The supply chain impact is being felt across a wide range of businesses both positively and negatively including agriculture where, for example, we currently have corn quoted above the $5 per bushel mark for the first time since May of 2014. We know that part of that price push has been due to heavy Chinese buying and severe drought in parts of Argentina and Brazil.

One of the reasons we have, from the beginning, sought out sources of insight that are less traditional is to expose us to countervailing thought – for example, primary and secondary resources that might be on the desk or workstation of one of our portfolio company's plant, purchasing or logistics managers or a trusted source that a farmer or equipment dealer uses to inform the decisions that will give them an edge in their marketplace.

These types of resources are not only educational and informative but have allowed us to ask better questions over time. Now, possibly more than ever, we believe it is imperative to shut off the noise and maintain focus. And though there will likely be significant challenges in the days and months ahead, we are encouraged by the number of high-quality businesses we are finding at attractive prices – particularly given our view that much of the US public market looks pricey. That said, we would not at all be surprised to see some of our portfolio businesses make use of their strong, flexible balance sheets to seek bolt-on acquisitions in the coming days, particularly as many over-levered businesses face mounting pressure.

During the fourth quarter of 2020, the Small Cap Strategy Composite returned approximately +30.24% on a gross basis (+29.98% net) versus the Russell 2000®, which returned +31.37% and the Russell 2000® Value, which returned +33.36%, over the same period. On a year-to-date basis, the composite returned approximately +14.58% on a gross basis (+13.64% net) versus the Russell 2000®, which returned +19.96% and the Russell 2000® Value, which returned +4.63% over the same period. The strategy continues to outperform both indexes on a since inception annualized gross and net basis.

Dorman Products, Inc. (DORM) was the leading detractor on an absolute basis during the period. **DORM** is a leading supplier in the automotive aftermarket industry, reported record third quarter sales and earnings per share. Sales were up 18% driven by a strong increase in volumes, and margins expanded as the new warehouse in Portland, TN is now fully operational. New product introduction remains a priority for the company, and despite the disruptions of the pandemic, **DORM** has brought 2,300 new SKU's to the market year-to-date. Financial flexibility remains strong with a $170 million net cash position, and the company resumed and expanded its share repurchase program in the third quarter.

Ovintiv, Inc. (OVV), a leading North American oil and gas company, was another leading detractor on an absolute basis during the period. In our opinion, **OVV** continued to be heavily impacted by the drop in oil prices created by the pandemic-driven demand shock. Although we believe the management team is taking appropriate action to adapt to the environment, we decided to exit the position early in the fourth quarter of 2020 in order to allocate funds to higher conviction opportunities.

The Brink's Co. (BCO), the global leader in total cash management, was the leading contributor on an absolute basis during the period. Demand for **BCO's** services continued to recover from the impact of the pandemic with pro-forma revenues reaching 90% of 2019 levels by the end of September. Management expects demand to continue to improve and reinstated 2020 guidance that was above their previous scenario analyses. The restructuring and fixed cost reductions implemented in 2020 are expected to benefit margins in 2021 and the company's earnings sensitivity model ranges from $615M-$805M of Adjusted EBITDA for the year, with the enterprise currently trading at roughly 8X the midpoint of this range. A $50 million accelerated share repurchase was completed in August at an average price of $45.59, which we believe to be a price that creates value for continuing shareholders.

Darling Ingredients, Inc. (DAR), a global leader in creating sustainable food, feed and fuel ingredients from edible and inedible bio-nutrients, was another leading contributor on an absolute basis during the period. Improved results in the food segment, combined with strong performance in the international fuel segment drove 13% EBITDA growth in the core operations. **DAR's** renewable diesel joint venture with Valero, Diamond Green Diesel (DGD), had record sales volumes for the third quarter and is on track to produce 285 million gallons for the year. The 400-million-gallon capacity expansion project is progressing according to plan and management expects DGD to produce 675 million gallons of renewable diesel in 2022 at roughly $2.25 EBITDA per gallon margins, which would roughly double **DAR's** share of DGD earnings and eclipse the EBITDA from core **DAR**. Furthermore, an additional 400-million-gallon plant is under consideration in Port Arthur, Texas which would increase DGD production to roughly 1,075 million gallons by 2024. We continue to believe Diamond Green Diesel is a competitively advantaged low-cost producer of renewable diesel with strong long-term growth prospects and favorable environmental tailwinds.

During 2020, we initiated seven names in the Small Cap Strategy Composite: four within the consumer discretionary sector, **Terminix Global Holdings Inc (TMX)***, **Dorman Products, Inc. (DORM)**, **Frontdoor, Inc. (FTDR)**, and **Texas Roadhouse, Inc. (TXRH)****, one within the information technology sector, **NIC, Inc. (EGOV)**, one within the materials sector, **Ingevity Corp. (NGVT),** and one within the consumer staples sector **MGP Ingredients,**

Inc. (MGPI). Additionally, we fully exited three names during 2020 - **Texas Roadhouse, Inc. (TXRH)**, Ovintiv Inc. (OVV)***,** and **Trinity Industries, Inc. (TRN)**.

Trinity Industries, Inc. (TRN) is the leading railcar manufacturer in North America and has built a leading railcar leasing business over the past decade. With the spin-off of several business units into the newly-formed Arcosa (ticker ACA) in fourth quarter of 2018, we were able to monetize a portion of the intrinsic value in **TRN**. Since that time, we have seen long-time CEO Tim Wallace and long-time CFO James Perry retire from **TRN** and usher in a new management team. While we believe the new **TRN** has very strong positions in their niche markets and will likely earn a decent return for shareholders, the return profile of the company combined with new ideas competing for capital in the portfolio in 2020 led us to sell out of **TRN** in the fourth quarter of 2020 after more than 20 years of ownership in the SouthernSun strategies.

As SouthernSun enters our 33rd year of business we are pleased that for the first time in the firm's history we are 100% employee owned. The enthusiasm is palpable, from our employees to our clients. The dedication and commitment of every SouthernSun employee reminds us all over again why we do what we do. In a year of immense challenge and wild swings in the marketplace and a year of personal loss for so many of us, we are grateful for our team and for you, our clients – we are grateful for the privilege of doing what we love and hope we continue to earn your trust as we move into 2021.

Michael W. Cook
CEO and Chief Investment Officer
SouthernSun Asset Management

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

Top Contributors	*Ticker*	*Average Weighting (%)*	*Contribution-to Return (bps)*	*Top Detractors*	*Ticker*	*Average Weighting (%)*	*Contribution-to Return (bps)*
The Brink's Co.	*BCO*	*6.9*	*458*	*Dorman Products, Inc*	*DORM*	*1.5*	*-16*
Darling Ingredients, Inc.	*DAR*	*6.6*	*367*	*Ovintiv, Inc****	*OVV*	*0.0*	*-3*
Dycom Industries, Inc.	*DY*	*6.0*	*266*	*Thor Industries, Inc.*	*THO*	*4.0*	*-1*
Crane Co.	*CR*	*4.8*	*246*	*Murphy USA, Inc.*	*MUSA*	*2.9*	*8*
Timken Co.	*TKR*	*5.0*	*203*	*NIC Inc.*	*EGOV*	*0.2*	*8*

*Inception Date of Small Cap Strategy Composite: October 1, 2003. Net returns are actual and reflect the deduction of management fees. Supplemental information. Please see composite performance and disclosures on page 4 for further information. Returns include the reinvestment of all income. Past performance is no guarantee of future results. *As of October 2020 ServiceMaster Global Holdings, Inc. (SERV) changed its name to Terminix Global Holdings (TMX). **The Investment Team purchased Texas Roadhouse, Inc. (TXRH) in April 2020 and then sold the company in May 2020 after the company reached our near-term target price range in a relatively short period of time. ***As of January 2020 Encana Corp. (ECA) changed its name to Ovintiv, Inc. (OVV).*

*****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 ETF's, 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@southernsunam.com. Source: SouthernSun Asset Management, Advent Portfolio Exchange, FactSet.*

SMALL CAP STRATEGY COMPOSITE

SMALL CAP STRATEGY COMPOSITE - ASSET WEIGHTED RETURNS												
Year[1]	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										
2020*	14.58%	13.60%	19.96%	4.63%	0.71%	27.37%	25.27%	26.12%	13	$616	68%	$904
2019	36.76%	35.69%	25.52%	22.39%	0.28%	18.46%	15.71%	15.68%	13	$562	45%	$1,252
2018	-23.04%	-23.66%	-11.01%	-12.86%	N/A[2]	15.93%	15.79%	15.76%	≤5	$342	23%	$1,519
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%	N/A[2]	13.43%	13.16%	12.59%	≤5	$80	6%	$1,341
2006	13.16%	12.72%	18.37%	23.48%	N/A[2]	13.71%	13.75%	12.33%	≤5	$59	5%	$1,100
2005	2.44%	2.16%	4.55%	4.71%	N/A[2]	N/A[3]	N/A[3]	N/A[3]	≤5	$48	7%	$733
2004	25.84%	25.78%	18.33%	22.25%	N/A[2]	N/A[3]	N/A[3]	N/A[3]	≤5	$20	5%	$410
2003	14.94%	14.94%	11.62%	13.06%	N/A[2]	N/A[3]	N/A[3]	N/A[3]	≤5	<$1	1%	$162

[1] 2003 returns are from inception date of the composite: October 1, 2003. The return numbers are not annualized.

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

[3] Information is not statistically meaningful due to an insufficient number of periods.

*Gross and net returns for 2020 are preliminary and are subject to change.

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Subsequent periods are currently undergoing verification by ACA Performance Services and, as such, performance may be subject to change.

Performance results shown above are included as part of a complete disclosure presentation. The SouthernSun Small Cap Strategy Composite contains fully discretionary equity accounts invested in small cap securities (defined as equity securities with market capitalizations that are within the range of the Russell 2000 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. As of March 10, 2017, the minimum asset level to be included in this composite is $1,000,000. As of August 1, 2019, the SouthernSun Small Cap Strategy Composite added new accounts from the SouthernSun Small Cap Managed Composite due to the reduced number of different securities between the two composites. In general, when an account meets a composite's inclusion criteria for a full month, it will enter that composite as of the beginning of the following month. Similarly, if an account no longer meets a composite's inclusion criteria for a full month, then it will be removed from that composite at the beginning of the following month. Our firm-wide disclosure policy states that "If two or more portfolio holdings are absent relative to the firm's model portfolio for that strategy, as a result of client restrictions" then it's removed from that individual composite. 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 does not adhere to a significant cash flow policy. Additional information regarding the treatment of Significant Cash Flows is available upon request. A list of composite descriptions and a list of broad distribution pooled funds are 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. Returns are stated gross and net of management fees and include the reinvestment of all income; provided that in the case of any mutual funds, gross returns reflect the market value of the account. If mutual funds accounts are within the composite, only the management fee is applied. No daily fund accruals are recorded. 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 $50,000 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. Beginning October 1, 2019, a significant number of accounts in the composite are custodied with a broker that does not charge trading expenses. Accounts custodied with other brokers may incur trading expenses which may reduce returns. 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 gross returns and the benchmark returns over the preceding 36-month period. Policies for valuing investments, calculating performance, and preparing GIPS Reports 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 contained or reflected in this material and all trademarks and copyrights related thereto. The Russell Index Information may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. For more information on either index, please consult FRC.

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