SOUTHERNSUN

2Q2021 Small Cap Investment Commentary

After what felt like a very short hiatus, the work from home, lockdown mentality seemed to re-emerge as we closed the second quarter of 2021. This was characterized by the marketplace shifting its focus away from the more optimistic view of reopening and back toward the types of businesses that were favored from the second quarter of 2020.

We have suggested since early last year that it should not be surprising to see significant swings in sentiment as markets face on-the-ground realities that are invariably patchy at best. As you may well know, the struggles faced by many of our portfolio business operators often provide us with deeper insight into broader issues such as labor force and supply chain challenges. We highlighted those two realities in our last few communications and remain reasonably convinced that even though some adjustments have been made to each, the situation remains unbalanced.

However, one critical question we can ask from the two observations above is, how suited are our portfolio business leaders to successfully address external challenges? One of the key elements of our investment process has been a consistent ability to successfully evaluate leadership. This skill requires not only experience over a wide range of environments, but also must be accompanied with order and method. For example, we recognize that enumerating an individual's or team's hard and soft skills is only a small portion of discerning proper fit for time and purpose when it comes to corporate leadership.

You often hear us use terms such as adaptability, accountability, and execution-oriented when describing some of the qualities we are attempting to understand in our current and prospective portfolio business leaders. We recognize that these traits, and others, will be required for them to navigate external forces out of their control whilst simultaneously executing a plan that produces long-term shareholder value.

As we evaluate our companies, we must say, that, for the most, our management teams have performed well in our opinion under the extreme conditions of the past fifteen to seventeen months. In fact, part of our rationale for committing capital to specific businesses during some of the darkest days last year was due to our confidence in our business leaders and the process we use to evaluate them over time. It is, as you might think, not unlike how we are judged on our investment decisions, an ever-unfolding journey. That they acted and continue to act as we expect adds value to our overall confidence in their company and furthers not only our confidence in them but, as importantly, in our process. We love the discipline of our management teams in running strong balance sheets and nimble, adaptive organizations and like the opportunities in front of us, as much of the index is over levered and not in a position to respond to unforeseen challenges should they arise or even handle higher interest rates should inflation rise.

We are encouraged that we continue to have a healthy pipeline of new ideas where valuations are attractive in our view. We also have the benefit of evaluating management teams as they continue to traverse a myriad of external challenges. As you will notice, we have been able to add new businesses to the portfolio recently, and we feel confident that there is good opportunity to add more in the second half of the year. We find reason to expect continued volatility with uneven recovery fundamentals, misplaced headlines, difficult evaluation of macro data, the constantly evolving virus/vaccine impact on the market and economies, and short-termism being as strong as ever.

PORTFOLIO UPDATE

During the second quarter of 2021, the Small Cap Strategy Composite returned approximately -0.89% on a gross basis (-1.05% net*) versus the Russell 2000®, which returned +4.29% and the Russell 2000® Value, which returned +4.56%, over the same period. Year-to-date, the composite returned approximately +17.76% on a gross basis (+17.39% net*) versus the Russell 2000®, which returned +17.54% and the Russell 2000® Value, which returned +26.69%, over the same period. The strategy continues to outperform both indexes on a since inception annualized gross and net basis.

Dycom Industries, Inc. (DY) was the leading detractor on an absolute basis for the quarter as early optimism in the year surrounding an infrastructure package gave way to doubts about the scope, timing and even likelihood of such a bill. In the first quarter, we saw a decline in contract revenues accompanying cutbacks from some key customers while bad winter weather and continued covid-related labor shortages effected results negatively. Nevertheless, industry trends requiring greater bandwidth and favoring fiber deployment should provide ample opportunity in our opinion for **DY** to continue working through its extensive backlog and generating solid cash flow in the coming quarters and years. We expect some lumpy quarterly results but believe this experienced management team has set the organization up to drive shareholder value.

THOR Industries, Inc. (THO) was another leading detractor on an absolute basis during the period. **THOR** is the world's largest manufacturer of RV's and continues to set sales records with strong consumer demand, low dealer inventory, and a rapidly growing backlog of orders. In the fiscal quarter ending April 30, 2021, **THOR** produced strong sequential gains in revenues and profits. That said, the stock was hit during the most recent calendar quarter due to supply chain issues that could hinder production levels in the near-term. However, the RV industry continues to see a proliferation of younger, more diverse buyers entering the market, a trend that was accelerated by the pandemic and one that we contend could likely benefit **THOR** for years to come.

Sanderson Farms, Inc. (SAFM), a leading poultry producer in the United States, was the leading contributor on an absolute basis, as demand for chicken products and chicken prices continue to rise. The improvement in domestic poultry markets was largely driven by increased demand from food service customers, as U.S. consumers slowly returned to restaurants and several quick serve restaurant chains featured chicken sandwiches on their menus. Most recently, reports that the company may be exploring a sale have driven the stock price higher. As a low-cost producer, we believe **SAFM** is uniquely positioned to continue gaining market share over the next several years, and even at the current valuation, we believe there is further value to be realized by the business.

MGP Ingredients, Inc. (MGPI), a leading supplier of premium distilled spirits and specialty wheat proteins and starches, was another leading contributor on an absolute basis with strong sales led by their Distillery Products segment. The company finalized their acquisition of Luxco, Inc., which provides immediate scale in the branded spirits business and a platform for continued growth. With the positive industry trends of premiumization and strength in American Whiskey coupled with continued strong demand for plant-based proteins, **MGPI** is well positioned in our opinion to leverage its unique assets to grow the top line while continuing to expand margins. We believe the long-term value opportunity is attractive.

During the second quarter of 2021, we fully exited **Broadridge Financial Solutions, Inc. (BR), Cass Information Systems, Inc. (CASS)** and **Extended Stay America, Inc. (STAY),** and we initiated new positions in **CMC Materials, Inc. (CCMP)** and **Malibu Boats, Inc. (MBUU)** in the Small Cap Strategy Composite.

After holding **Broadridge Financial Solutions, Inc. (BR)** for more than a decade, we exited our position during the second quarter of 2021. We initially bought **BR** in 2011 in the mid $20's. The stock ended 2Q21 at $161.53 at a market cap of ~$19 billion. While we continue to own **BR** in the SMID Cap Strategy, the combination of funding new ideas and the size of the **BR** market cap led us to sell the position in Small Cap. The company raised both top and bottom-line guidance based on strong 1Q21 results and the long-term trends they see in increasing digitization, mutualization, and the democratization of investing. **BR** recently completed a $2.5 billion acquisition of electronic trading platform Itiviti Holding AB, furthering their reach and scale in the marketplace.

Cass Information Systems, Inc. (CASS) is a leading provider of integrated information and payment management solutions. We initiated our position in **CASS** in January of this year, and shortly after that, the company announced several management changes. In addition, while we knew that liquidity for **CASS** was less than ideal, we found it much more challenging to build our position than we had anticipated. Though we still believe that **CASS** is a unique payment processor with a strong market position, after considering the management and liquidity challenges alongside other attractive new ideas, we decided to exit the position during the second quarter of 2021.

We exited **Extended Stay America, Inc. (STAY)**, the largest operator of mid-tier extended stay lodging in the United States, after the company agreed to be taken private under terms that we believe undervalued the company. After public criticism of the transaction from several investors (including SouthernSun), the offer price was increased from $19.50 to $20.50, which ultimately was approved by a majority of shareholders. While we were still not satisfied with the result, we were proud of our efforts to maximize value for our clients.

We initiated a position in **CMC Materials, Inc. (CCMP)**, a niche dominant supplier of critical consumable materials used in the highly complex process of semiconductor manufacturing. **CCMP** has been working collaboratively with several of the leading semiconductor manufacturers for many years helping to drive technological advancement and increase manufacturing yields. The company also has a smaller business that manufactures chemicals used to speed up the flow of oil in pipelines; this business was impacted in the first quarter by lower demand for oil due to the pandemic. The weakness in the pipeline business likely contributed to the stock pulling back in the second quarter, giving us an opportunity to acquire shares at a slightly better valuation. Over the long-term, we believe the continued digitization of the global economy will drive strong organic growth for the company's products and that the economics associated with this growth will create value for shareholders.

We also initiated a position in **Malibu Boats, Inc. (MBUU)** this quarter. **MBUU** designs and manufactures recreational powerboats under Malibu, Axis, Cobalt, and Pursuit brands, focusing on product design and innovation. Earlier this year, Malibu acquired Maverick Boat Holdings, which includes the Cobia, Pathfinder, Maverick and Hewes brands. The Malibu and Axis brands combined have the leading market share in the performance sport boat while Cobalt is the market leader in the sterndrive categories. Pursuit and Cobia each hold strong share positions in the saltwater category. The recreational boat market is experiencing significant tailwinds as consumers shift to more outdoor activities, and **MBUU** touted a net sales increase of 49.8% in its most recently ended quarter when compared with the same quarter in 2020. While we believe near-term strength in demand will continue, we are even more excited about the long-term prospects for the business. The current management team has a proven track record of acquiring leading brands with opportunity for continued growth and operational improvements, including the Maverick Boat Holdings acquisition. We believe there are multiple opportunities for continued margin expansion within the existing portfolio and that management will continue to execute its well-defined acquisition strategy, providing a long runway for value creation.

As always, thank you for your confidence in SouthernSun. It is because of you that we are here.

Michael Cook
CEO and Co-Chief Investment Officer
SouthernSun Asset Management

Phillip Cook
Co-Chief Investment Officer and Principal
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)
Sanderson Farms, Inc.	SAFM	4.7	95	Dycom Industries, Inc.	DY	5.9	-126
MGP Ingredients, Inc.	MGPI	3.7	45	Thor Industries, Inc.	THO	5.4	-90
Belden, Inc.	BDC	3.5	43	Darling Ingredients, Inc.	DAR	6.7	-55
Clean Harbors, Inc.	CLH	3.4	36	Murphy USA, Inc.	MUSA	3.1	-26
Ingevity Corp.	NGVT	4.2	34	Stepan Co.	SCL	4.4	-24

*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.*

***Source: SouthernSun Asset Management, Advent Portfolio Exchange. 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.*

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%	13.64%	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.

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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, a list of limited distribution pooled fund 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 CIT fee schedule for the Founders Share Class is 0.70% and for the Class 1 is 0.85%. 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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