

2Q2021 Small Cap Fund 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

The **SouthernSun Small Cap Fund** (Class N) returned -1.20 versus the Russell 2000®, which returned +4.29% and the Russell 2000® Value, which returned +4.56%, during the second quarter of 2021. Year-to-date, the Fund

returned approximately +16.93 versus the Russell 2000®, which returned +17.54% and the Russell 2000® Value, which returned +26.69%, over the same period. The Fund continues to outperform both indexes on a since inception basis. Please note that this Fund has multiple share classes.

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 Fund.

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 U.S. Equity Fund, 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 Iiviti 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

FUND PERFORMANCE %^{1,2} (AS OF 06/30/2021)

| | SINCE INCEPTION | 10 YEAR | 5 YEAR | 3 YEAR | 1 YEAR | YTD | QTD | MTD |
|------------------------|--------------------|---------|--------|--------|--------|-------|-------|-------|
| SSSFX (Class N) (%) | 10.51 ³ | 9.30 | 12.15 | 11.50 | 61.06 | 16.93 | -1.20 | -1.53 |
| SSSIX (Class I) (%) | 13.46 ⁴ | 9.58 | 12.43 | 11.77 | 61.46 | 17.07 | -1.14 | -1.53 |
| Russell 2000 (%) | 10.45 ³ | 12.34 | 16.47 | 13.52 | 62.03 | 17.54 | 4.29 | 1.94 |
| Russell 2000 Value (%) | 9.49 ³ | 10.85 | 13.62 | 10.27 | 73.28 | 26.69 | 4.56 | -0.61 |

SSSFX (Class N) Expense Ratio (Gross/Net): 1.34%/1.26%*

SSSIX (Class I) Expense Ratio (Gross/Net) 1.09%/1.01%*

*Contractual waivers are in effect through February 16, 2022.

The performance data shown represents past performance. Past performance is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. The investment return and the principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. For performance information through the most recent month end, please call 901.341.2700 or visit our website at www.southernSunam.com. From time to time the advisor has waived fees or reimbursed expenses, which may have resulted in higher returns.

¹One-year, three-year, five-year, ten-year, and since inception returns are annualized averages and do not mean the manager achieved the stated return in each year. Returns for periods less than one year are not annualized.

²The performance information shown for periods prior to February 16, 2021 is that of the predecessor to the Fund, AMG SouthernSun Small Cap Fund, a series of AMG Funds LLC, which was reorganized into the Fund on February 16, 2021, and was managed by AMG Funds LLC and sub-advised by SouthernSun Asset Management, LLC with the same investment objective and substantially similar investment policies as those of the Fund. The performance information shown for periods prior to March 31, 2014 is that of the predecessor to the Fund, SouthernSun Small Cap Fund, a series of Northern Lights Fund Trust, which was reorganized into the Fund on March 31, 2014, and was managed by SouthernSun Asset Management, LLC with the same investment objective and substantially similar investment policies as those of the Fund.

³Since the inception of the Fund's Class N shares on October 1, 2003.

⁴Since the inception of the Fund's Class I shares on September 9, 2009.

TOP 10 HOLDINGS⁵ (AS OF 06/30/2021)

| | TICKER | % OF TOTAL ASSETS |
|---------------------------|--------|-------------------|
| Darling Ingredients, Inc. | DAR | 6.63 |
| The Brink's Co. | BCO | 6.23 |
| Sanderson Farms, Inc. | SAFM | 5.36 |
| Dycom Industries, Inc. | DY | 5.33 |
| Polaris, Inc. | PII | 5.37 |
| The Timken Co. | TKR | 5.12 |
| Thor Industries, Inc. | THO | 5.00 |
| Crane Co. | CR | 4.85 |
| MGP Ingredients, Inc. | MGPI | 4.28 |
| Stepan Co. | SCL | 4.08 |
| Total | | 52.12 |

⁵The 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.

The SouthernSun funds are distributed by SEI Investments Distribution Co. (SIDCO). The Funds are managed by SouthernSun Asset Management, LLC. SIDCO is not affiliated with SouthernSun Asset Management, LLC or any of its affiliates. SIDCO is a member of FINRA/SIPC.

Important Disclosures:

Before investing in any SouthernSun funds, you should carefully consider the Fund's investment objectives, risks, charges, and expenses. The Prospectus and Summary Prospectus contain this and other important information. Please read the Prospectus and Summary Prospectus carefully before investing.

The views expressed represent the opinions of SouthernSun Asset Management, LLC as of June 30, 2021, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

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

Statements received directly from the account custodian should be regarded as the official record for a client's account. This information is being furnished to you for informational purposes only and should not be solely relied upon when making an investment decision. All information has been obtained from sources believed to be reliable, but its accuracy and completeness are not guaranteed.

Small-Capitalization Stock Risk— Small capitalization companies in which the Fund may invest may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, small capitalization companies may have limited product lines, markets and financial resources and may depend upon a relatively small management group. Therefore, small capitalization stocks may be more volatile than those of larger companies. Small capitalization stocks may be traded over-the-counter or listed on an exchange

Non-Diversified Fund Risk— The Fund is classified as “non-diversified,” which means it may invest a larger percentage of its assets in a smaller number of issuers than a diversified fund. To the extent that the Fund invests its assets in a smaller number of issuers, the Fund will be more susceptible to negative events affecting those issuers than a diversified fund.

Regulatory Disclosures:

This material is provided for informational purposes only and is only directed at persons who may lawfully receive it. You should satisfy yourself that you are lawfully permitted to receive this. This material is not intended to be relied upon as a forecast or research and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy nor is it investment advice. Past performance is not a reliable indicator of future performance.

SouthernSun Asset Management, LLC is registered with the United States Securities and Exchange Commission (“SEC”) as an investment adviser. SouthernSun Asset Management (UK) Ltd., a subsidiary of SouthernSun Asset Management LLC, is a UK domiciled limited company that is authorized and regulated by the Financial Conduct Authority.

© 2021 SouthernSun Asset Management, LLC. All Rights Reserved.