

1Q2022 Small Cap Fund Investment Commentary

Regular written communication has, for the most part, been a diet staple of SouthernSun clients for over thirty-three years now. Granted, in the early years it was more an exercise in discipline as there were very few clients. Over the years, faithfully and carefully placing current events into proper context has been and continues to be one of the primary objectives of SouthernSun communications, and we hope that we regularly achieve that objective.

As contemporary society has become increasingly inundated with data and opinion - spewed twenty-four seven via an almost limitless range of outlets and over multiple devices - it often feels as though there is little room for thoughtful written substance when juxtaposed against catchy headlines or provocative speculation. Yet we submit that now more than ever it is crucial our communication in all forms avoid hyperbole, exude humility, and genuinely promote knowledge and understanding whilst at the same time hoping that you do not find what we have to say too tedious – in other words, it is in some way interesting enough to hold your attention for a short time.

For the past two years, much of our external communication has focused on our portfolio business leaders and how they were navigating the impact of the pandemic and its many knock-on trials. On the whole, our management teams have dealt well with a wide range of universal and discrete challenges set off by the pandemic. We continue to be broadly pleased with their commitment to offensively overcome obstacles and produce solid results.

The fever pitch of war when coupled with already crippled supply chains, tight labor markets, and rapidly inflating commodity prices creates a rich stew of political, economic, and marketplace possibilities. These realities have, of all things, driven me back to re-reading “Warning to the West” and the three volumes of “Gulag Archipelago” by Aleksandr Solzhenitsyn. All written in the 1970’s, they are not only politically relevant today but also economically timely as “stagflation” is being tossed around by many a macroeconomic guru at this very moment.

In the preface of Volume I of “Gulag Archipelago” Solzhenitsyn quotes an old proverb that says, “Dwell on the past and you’ll lose an eye, Forget the past and you’ll lose both eyes.” We would argue that every quarterly commentary or client communication becomes more valuable if it is placed in context of the past – near and far. Why? Because that is consistent with how we make balanced investment decisions and is one of the few ways we can adequately judge the trajectory of things.

If we take heed of the aforementioned proverb it would seem to make sense that in order to be well equipped, we need the full use of both eyes – thus we should not dwell on the past but more importantly not forget it – wouldn’t you agree? In an age where some would like us to believe we should not trust what we see with our own eyes or hear with our own ears, it may seem to be an outdated approach to spend valuable time in plants and facilities of portfolio businesses. Yes, it may be old fashioned, but it has been and will continue to add value – it helps us complete the picture.

Understanding a leader’s past will not necessarily tell us all we need to know about the odds of their success or failure, but it will tell us something important. Seeing and hearing a leader in their place of work and with those whom they lead will not necessarily allow us to predict how they will react or adapt to certain stressors, but it will tell us something important. The picture created in the research process is ultimately produced using all our senses but is also, at the same time, evolving.

Despite travel challenges, the SouthernSun investment team has remained steadfast to our boots on the ground tradition throughout the pandemic. For those of you who have been clients for a long time, it may go without saying, but it shall be said none-the-less, it is in difficult environments when dissonance reverberates across the marketplace in a pervasive way that the seeing and hearing of the doing matters most. Fact-based and well-balanced research and analysis are prerequisites to rightly characterizing one's level of conviction. Misplaced conviction is much easier to achieve but rarely holds up under long-term scrutiny, as it wobbles or fails when pressed.

As 2022 unfolds, we remain committed to producing excellent long-term returns for our clients. We are also committed to effectively communicating to you in a variety of ways, but most importantly in such a way as to help you better understand what we are seeing and what that means to our portfolio businesses. As the team has spent a great deal of time evaluating new ideas over this quarter, we are encouraged that we continue to find quality prospective businesses at interesting prices.

PORTFOLIO UPDATE

The **SouthernSun Small Cap Fund** (Class N) returned -2.94 versus the Russell 2000®, which returned -7.53% and the Russell 2000® Value, which returned -2.40%, during the first quarter of 2022. Over the trailing-twelve-months, the Fund returned approximately -0.12 versus the Russell 2000®, which returned -5.79% and the Russell 2000® Value, which returned +3.32%, over the same period. The Fund has continued to outperform both indexes on a since inception basis. Please note that this Fund has multiple share classes.

AGCO Corp. (AGCO) (4.98%), a global manufacturer and distributor of agricultural equipment and solutions, was the leading contributor on an absolute basis during the quarter, reaching a company record of \$11.1 billion in annual sales with 23% gross margins in 2021. The company's 4Q 2021 sales were up 19% across all regions compared to 4Q 2020 with strong retail sales of farm equipment across **AGCO's** key markets. Notably in South America both quarterly and annual sales increased by more than 50% compared to the same periods the previous year due to a strong recovery in Brazil, Argentina, and smaller markets, and coming after a committed effort on **AGCO's** part to realize opportunity in the area. Though the company will likely contend with continued supply chain challenges and material and freight cost inflation this year, they seek to drive sales and gain market share through their overarching commitment to a Farmer-First strategy centered on Precision Ag. **AGCO** is well positioned, in our opinion, to meet the high global demand for agricultural equipment and solutions and deliver another strong year of sales. We are looking forward to spending a day with leaders in Europe in June focused on the future of sustainable Ag Tech.

Darling Ingredients, Inc. (DAR) (7.42%) is another leading contributor on an absolute basis during the quarter. **DAR**, a leading producer of renewable energy and sustainable food and feed ingredients, drove a strong finish to 2021 with a company record combined adjusted EBITDA of \$1.235 billion for the year, and management is expecting 25% growth in EBITDA in 2022. Diamond Green Diesel, Darling's joint venture with Valero, sold a record 370 million gallons of renewable diesel in 2021 and now has capacity for 750 million gallons with their newly operational Norco, LA facility. In addition, the company ended 2021 announcing the \$1.1 billion acquisition of Valley Proteins, an 18-plant system providing additional low carbon feedstock for renewable diesel. Darling also continues to expand their Feed and Food segments capitalizing on robust global demand for fats and proteins.

Thor Industries, Inc. (THO) (3.66%) was the leading detractor on an absolute basis during the quarter. After a record setting fiscal 2021 year with sales of over 300,000 units and earnings of \$11.85 per diluted share, **THO**, the world's largest manufacturer of RVs, continued to generate record results in its fiscal quarter ending January 31, 2022. Investor sentiment is weighing on the stock due to the risk of an economic downturn impacting demand for RVs. We were pleased to see Thor's Board recently authorize a share repurchase of up to \$250 million which management will utilize opportunistically while continuing their historical practice of maintaining a conservative balance sheet that

can withstand an economic downturn. We believe demand for the RV lifestyle will remain long into the future, and that Thor's leading market position, financial flexibility, and management adaptability will help the company navigate the current economic environment. We look forward to visiting with management at their Airstream manufacturing facility in June.

Stapan Co. (SCL) (4.74%) is another leading detractor on an absolute basis during the quarter. **SCL**, a leading manufacturer of specialty and intermediate chemicals, faced challenges with supply chain disruptions and lower global surfactant volumes in consumer cleaning markets compared to the pandemic highs of 2020. The company was able to offset raw material and freight cost increases with pricing while demand for institutional cleaning products partially offset volume declines in consumer cleaning. Volumes in the Polymer segment increased primarily due to the acquisition of INVISTA in January of 2021, which has outperformed expectations so far. The success of INVISTA highlights SCL's continued commitment to effectively deploy capital to drive growth. Management expects to spend between \$350-\$375 million in 2022 to increase their capacity and capability to produce sulfates, amphoterics and alkoxylates including a new alkoxylation production facility in Pasadena, TX, which we believe will allow the business to continue to generate attractive returns on capital and grow shareholder value.

During the first quarter of 2022, we fully exited **Terminix Global Holdings, Inc. (TMX) (0%)**, and we initiated a new position in **Traeger, Inc. (COOK) (2.12%)** in the Small Cap Fund.

We exited our position in **Terminix Global Holdings, Inc. (TMX)** in March 2022. We initiated this position in 1Q 2020 after the company became more of a pure play in the pest management industry. In our opinion, management had the opportunity to meaningfully improve operating and financial results with a very clear playbook, and there was also the opportunity to partially close the valuation gap between **Terminix** and their closest peer that trades at a much higher multiple. We believed that they were well on their way to gaining traction on the most important metrics, even in a difficult environment. However, in December 2021, management announced that **TMX** had agreed to be acquired by Rentokil (RTO:L), a UK based company in a mostly-stock transaction. While the stock performed well in our opinion over our ownership period, we would have much preferred to own **TMX** for a longer period of time in order to benefit from the operational and financial improvements – but, we chose to exit because we are not going to own a large UK-based company in our strategies, and we believe that between now and when the transaction closes, **TMX** shares will trade largely as a function of the value of Rentokil's shares.

We initiated a position in **Traeger, Inc. (COOK)**, the creator and category leader of the wood pellet grill, an outdoor grill that ignites all-natural hardwood pellets for its fuel source. Traeger grills are versatile and easy to use, and make grilling great food with wood-fired flavor accessible to a wider audience. Traeger flagship grills are internet of things, or IoT, devices that allow owners to program, monitor, and control their grill through the Traeger app, which is the grilling industry's leading app. Traeger complements its grilling platform with a large digital library of original recipes, live cooking classes, and a wide array of consumable products and accessories (which together made up 31% of sales in FY21). Wood-fired pellet and specifically Traeger grills offer advantages over gas, charcoal, and electric grills, including enhanced flavor, versatility, ease of use, and consistency. The ability to control the grill temperature remotely is made possible by both the grill's cloud connection and by the hardware design of the pellet grill. The pellet grill utilizes an auger to feed hardwood pellets into a fire pot, where they are ignited by a hot rod to create consistent heat and smoke. A fan stokes the fire and creates convection, which is key to the grill's ability to keep constant temperatures. Traeger already holds a strong and growing brand presence that will be hard to replicate, in our view. At year-end 2021, Traeger had an installed base of 2.5 million grills, an approximately 50% share of the U.S. pellet grill market, and a dollar share of the overall U.S. grilling market of approximately 10%, up from 5% in 2015. The organization has demonstrated success with innovation in both software, as evidenced by their industry-leading app (used on over 1.8 million devices per month in 2021), as well as in hardware, as seen in their recently revealed Timberline grill that,

among other features, adds an induction-powered side burner to the grilling platform.

COOK's go forward growth will be propelled by continued innovation and by sales and marketing investments to build awareness of the advantages of Traeger grills. Due to its leading brand position, we believe over the long-term Traeger is likely to own a competitively advantaged position in consumers' minds as a brand that stands for making grilling great food available to a wider audience. The results of the current management team have been exceptional, and we believe they have a continued runway for great results. In addition, we believe management incentives are well-aligned with ours. For example, CEO Jeremy Andrus holds 7.7% of the company's stock personally, and his compensation scheme has zero salary, with 100% of his compensation in long-term equity awards that are largely tied to long-term stock price performance. We look forward to sharing more with you about this business and our thesis in the coming months and quarters

Finally, thank you for your trust in our team. We look forward to speaking with you and hopefully seeing you sometime soon.



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 3/31/2022)								
	SINCE INCEPTION	10 YEAR	5 YEAR	3 YEAR	1 YEAR	YTD	QTD	MTD
SSSFX (Class N) (%)	10.31 ³	8.92	8.84	15.56	-0.12	-2.94	-2.94	1.47
SSSIX (Class I) (%)	12.85 ⁴	9.19	9.11	15.85	0.14	-2.87	-2.87	1.50
Russell 2000 (%)	9.41 ³	11.04	9.74	11.74	-5.79	-7.53	-7.53	1.24
Russell 2000 Value (%)	9.02 ³	10.54	8.57	12.73	3.32	-2.40	-2.40	1.96

SSSFX (Class N) Expense Ratio (Gross/Net): 1.30%/1.30%*
SSSIX (Class I) Expense Ratio (Gross/Net) 1.04%/1.04%*

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.

*Contractual waivers are in effect through January 31, 2023.

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.

TOP 10 HOLDINGS ⁵ (AS OF 3/31/2022)		
	TICKER	% OF ASSETS
Darling Ingredients, Inc.	DAR	7.42
MGP Ingredients, Inc.	MGPI	6.00
Dycom Industries, Inc.	DY	5.50
Univar Solutions USA, Inc.	UNVR	5.48
Timken Co.	TKR	5.26
The Brink's Co.	BCO	5.22
AGCO Corp.	AGCO	4.98
Sanderson Farms, Inc.	SAFM	4.76
Stepan Co.	SCL	4.74
Crane Co.	CR	4.74
Total		54.10

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.

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, which is available at www.southernsunam.com. Please read the Prospectus and Summary Prospectus carefully before investing.

The views expressed represent the opinions of SouthernSun Asset Management, LLC as of March 31, 2022, 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.

© 2022 SouthernSun Asset Management, LLC. All Rights Reserved.