

FIRST QUARTER 2019

After a difficult fourth quarter in 2018, the portfolio rebounded in the first quarter of 2019. The fears that seemed to drive the sell-off in the fourth quarter (the Fed getting aggressive with monetary policy, the US-China trade disputes, weak commodity prices, and the prospect of a global recession) abated. The Fed backed off; there is optimism about the US-China deal; oil prices moved higher, and fears of dramatic and imminent economic slowdown appeared to subside. In our view, the market continues to be driven by sound bites and headlines. What has not changed from SouthernSun's perspective is that business conditions for most of the companies that we own have remained positive. Most delivered good results in the fourth quarter, and they are guiding for revenue and earnings growth in 2019. By and large, we believe that the management teams of our portfolio companies are investing in opportunities to grow and improve their businesses responsibly. In our opinion, the valuations of our portfolio companies remain attractive, and the Small Cap Strategy Composite continues to trade at a discount, currently 39% relative to the Russell 2000 index. Further, the Small Cap Strategy Composite has 27% less leverage than the Russell 2000 with a leverage of 2.7x Net Debt to EBITDA in our portfolio and a Return on Equity (ROE) of 11.5%, 88% higher than the Russell 2000.¹

For the first quarter of 2019, the Small Cap Strategy Composite returned approximately +18.43% on a gross basis (+18.21% net*) versus the Russell 2000®, which returned +14.58% and the Russell 2000® Value, which returned +11.93%, over the same period. The composite has outperformed both indexes on both a 10-year and since inception, annualized gross and net basis.

Koppers, Inc. (KOP), the leading contributor to performance on an absolute basis in the period, is a vertically integrated, global wood preservation business serving the railroad, utility and residential markets. **KOP** operates in three segments: Railroad Products & Services, Performance Chemicals and Carbon Materials & Chemicals. **KOP** saw top-line growth in their Rail Products and Services business for the first time since the end of 2015, which could indicate an inflection point off the cyclical lows for this business. The Performance Chemicals business posted lower year over year results, but management believes that 2019 will be a good year for the core wood-based technology businesses. The Carbon Materials & Chemicals business was roughly flat year over year and management continues to actively pursue resolution of the disputes with their large customer in China.

Clean Harbors, Inc. (CLH), a leading provider of environmental, energy and industrial services throughout North America, was another leading contributor to performance on an absolute basis in the period. Much of **CLH's** business is driven by the need for industrial and energy companies to responsibly dispose of hazardous and non-hazardous waste in accordance with federal, state and local environmental regulations. This is an industry with high barriers to entry. **CLH** finished out a strong year

with a positive fourth quarter driven by 35% Adjusted EBITDA growth in the Environmental Services segment as it benefited from a combination of higher-margin waste streams, pricing gains and a good contribution from industrial services. Management's outlook for 2019 is positive, with expectations for continued strength in end markets and earnings growth in the mid-single-digits.

Dycom Industries, Inc. (DY), was the leading detractor from performance on an absolute basis in the period. **DY** is an engineering and construction firm focused on serving telecommunications customers throughout the U.S. and Canada. The company is a market share leader that we believe is poised to capitalize on growing business and consumer demand for bandwidth. Telecommunications companies are making significant infrastructure investments in order to meet the growing demand for data streaming and transmission, and **DY** will deploy the fiber and other 5G equipment for large telecommunications companies. For the fiscal year ended January 2019, **DY** had double digit revenue growth as projects ramped up; however, this was offset by higher costs due to increased complexity of the Verizon 5G project. We believe the Verizon 5G rollout, specifically, is unique and the first of its kind. Changes related to Verizon's design and project prioritization added complexity and cost for **DY**. Management is long-tenured and has experience managing the business in various market conditions. Members of our Investment Team met with Steve Nielsen (CEO) in March. We remain confident in the long-term drivers of their business, Nielsen's track record, and management's capability to manage through the near-term complexities successfully. We added to the position during the period.

Travelport Worldwide Ltd. (TVPT), another leading detractor from performance on an absolute basis in the period, is a leading global distribution system (GDS) and travel commerce platform connecting travel providers with online and off-line agencies and other buyers. **TVPT** provides services to approximately 400 airlines, 650,000 hotel properties, 37,000 rental car locations, 50 cruise line operators, and 14 major rail networks, globally. **TVPT** announced in December 2018 that the company had reached an agreement to be acquired by Siris Capital Group and Evergreen Coast Capital. The deal is expected to close in the second quarter of 2019, and shares traded very near the agreed upon deal price. After assessing the terms of the deal and the likelihood of the deal closing, we decided to sell our position in **TVPT**. While we were not satisfied with the agreed upon purchase price, we determined that it was the best interest of clients to sell our position and focus on other, more promising investment opportunities.

Additionally, we completed our exit of **Diebold Nixdorf, Inc. (DBD)** during the period. **DBD** was a small weighting in the Small Cap Strategy Composite and in the midst of a slow turnaround, we reached the conclusion that the long-term business prospects of some of our new and existing portfolio holdings were more promising than **DBD** and elected to sell the position.

In February 2019, **Encana Corp. (ECA)** acquired **Newfield Exploration Co. (NFX)**. As a result of the acquisition, SouthernSun now holds shares of **ECA**. The combined company has a more diversified portfolio (than **NFX**) – with assets in the Permian basin, the Anadarko region, and the Montney play in Canada (among others). We believe that **ECA** brings operational expertise which should lower production costs in the Anadarko, and that there are other Selling, General and Administrative Expenses (SG&A) cost

synergies with the deal. **ECA** has committed to returning cash to shareholders via stock buybacks and through a higher dividend.

In summary, the majority of the companies in our portfolios are executing on their strategies and reporting positive business conditions. The portfolio continues to trade at attractive valuations, and we like the characteristics (including ROEs and leverage) of the portfolio as a whole.

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)
Koppers Holdings, Inc.	KOP	5.9	267	Dycom Industries, Inc.	DY	5.0	-83
Clean Harbors, Inc.	CLH	5.5	224	Travelport Worldwide Limited	TVPT	0.2	-3
Sanderson Farms, Inc.	SAFM	5.1	159	Diebold Nixdorf, Inc.	DBD	0.0	2
Encana Corp.***	ECA	4.0	122	Broadridge Financial Solutions, Inc.	BR	2.8	24
The Brink's Co.	BCO	6.2	110	Polaris Industries, Inc.	PII	2.8	26

*Net returns are actual and reflect the deduction of management fees. 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.

**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@southernsun.com. Source: SouthernSun Asset Management, Advent Portfolio Exchange, FactSet.

***Encana Corporation (ECA) acquired Newfield Exploration Co. (NFX) in February 2019. As a result of the acquisition, SouthernSun now holds shares of ECA.

¹Price-to-earnings (P/E) for the portfolio is calculated as the inverse of the portfolio value weighted average of the constituents' earnings yields. Earnings yield is calculated as the LTM Recurrent Earnings divided by the Market Capitalization, both as defined by Factset. This methodology produces a measure of valuation that is comparable to the methodology used for the P/E of the benchmark. Price to Earnings for the benchmark is calculated as the ratio resulting from the sum of constituent Market Capitalization divided by the sum of constituent LTM Recurrent Earnings as defined by Factset). Return on Equity (ROE) for the portfolio is calculated as the ratio resulting from the sum of the proportionate ownership of each constituent's LTM Recurrent Earnings (as defined by Factset) divided by the sum of the proportionate ownership of each constituent's Ending Shareholders Equity (as defined by Factset). Proportionate ownership of each constituent's LTM Recurrent Earnings and Ending Equity are calculated using the composite weightings of each constituent. Return on Equity for the benchmark is calculated as the ratio resulting from the sum of constituent LTM Recurrent Earnings divided by the sum of constituent Ending Shareholders Equity, both as defined by Factset. Net Debt/EBITDA for the portfolio is calculated as the ratio resulting from the sum of the proportionate ownership of each constituent's Ending Net Debt (as defined by Factset) divided by the sum of the proportionate ownership of each constituent's LTM EBITDA (as defined by Factset). Proportionate ownership of each constituent's Ending Net Debt and LTM EBITDA are calculated using the composite weightings of each constituent. Companies considered to be in banking, insurance, or other financial industries are not included in this calculation. Net Debt to EBITDA for the benchmark is calculated as the ratio resulting from the sum of constituent Ending Net Debt divided by the sum of constituent LTM EBITDA, both as defined by Factset. Companies considered to be in banking, insurance, or other financial industries are not included in this calculation. Real estate investment trusts (REITs), however, are included.

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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										
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

¹2003 returns are from inception date of the composite: October 1, 2003. The return numbers are not annualized.

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

³Information 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 December 31, 2018. 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 Small Cap Strategy Composite generally contains fully discretionary accounts invested in small cap securities (defined as equity securities with market capitalizations that are within the range of the Russell 2000 Index or the MSCI USA Small Cap 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. The minimum asset level to be included in this composite is \$1,000,000. 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 did not adhere to a significant cash flow policy. Additional information regarding the treatment of Significant Cash Flows is available upon request. 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. 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. 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 \$200,000 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. 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 and the benchmark returns over the preceding 36-month period. Policies for valuing portfolios, calculating performance, and preparing compliant presentations 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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