

Small Cap Strategy

Inception: Since the Firm’s inception in 1989, Michael Cook and the Investment Team have consistently applied a fundamental bottom-up approach when investing in small cap equities. The firm was founded thirty years ago with one investment strategy, U.S. Small Cap Equity. The Small Cap Strategy Composite launched in October 2003.

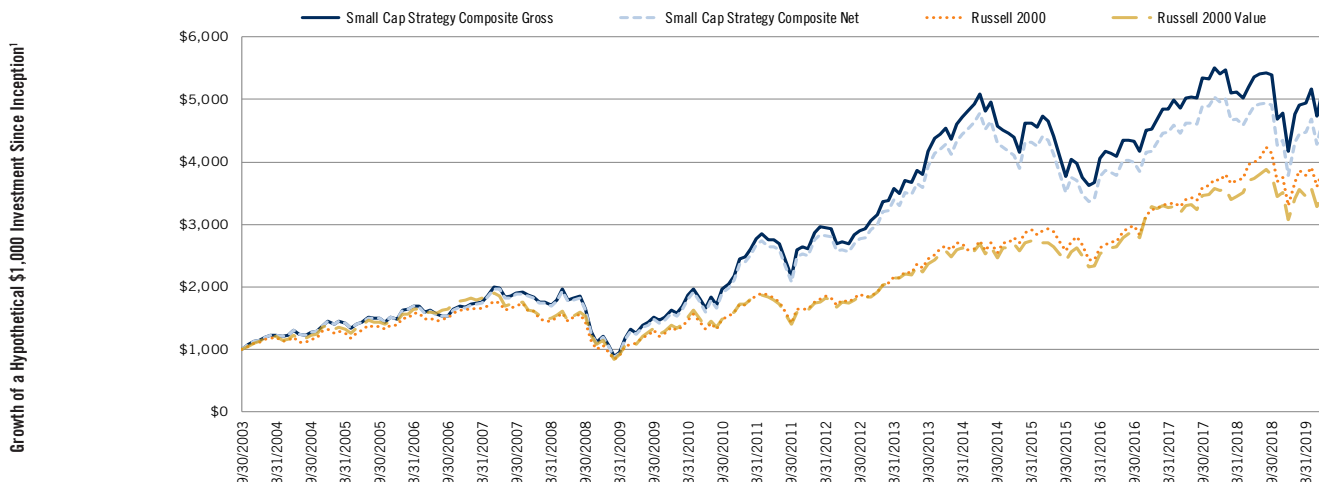
Vehicles: The Small Cap Strategy Composite is available to new investors via separately managed accounts and the SouthernSun Small Cap Fund (SSSIX and SSSFY).

Investment philosophy:

- We believe that businesses with a unique competitive advantage in a specific market niche combined with a conservative, flexible balance sheet and rightly-fitted management have the ability to grow shareholder value at attractive rates of return. We look for businesses that generate consistent cash flows and have opportunities to invest those cash flows back into the business at attractive rates of return.
- The strategy invests in small cap companies (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) which we believe have 50-100% upside over a 3-5 year time period at initial purchase. We believe the small cap universe provides better opportunities to find undiscovered or undervalued businesses with significant potential for value creation, particularly if investors are willing to wait 3 to 5 years for that value to be realized.
- The strategy seeks to provide long-term capital appreciation by investing in a concentrated portfolio of 20 – 30 companies. We conduct extensive due diligence in order to understand our portfolio businesses at a granular level, which provides our high level of conviction in our portfolio businesses. We invest a significant portion of our clients’ assets in each business (typically 4 – 6%) as we believe this allows each holding to have a meaningful contribution to portfolio returns.

Internally-conducted, proprietary research: We rely on internally-conducted, proprietary research for all buy/sell decisions, idea generation, and valuation models. We believe our philosophy and approach to investing are unique and our extensive research allows us to uncover investment opportunities which may be overlooked and/or misunderstood by the market. In addition to analyzing historical SEC filings, we believe management interviews, plant and facility tours, and triangulation with key suppliers, customers, and competitors are integral parts of the research process. Our on-the-ground research is a critical aspect of gaining a better understanding of risks, opportunities, and managements’ capability to grow value for shareholders.

Historical Track Record



Source: SouthernSun Asset Management, Factset, Advent Portfolio Exchange, Bloomberg. Inception date of the Small Cap Strategy Composite is October 1, 2003. Performance is preliminary and subject to change. One-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. Periods less than one year are not annualized. Returns reflect the reinvestment of dividends and other earnings. Net returns are calculated by deducting the highest incurred management fee within this composite on a monthly basis from the gross composite monthly return.

Performance Highlights | July 31, 2019

Monthly Investment Performance Highlights and Key Statistics

The Small Cap Strategy Composite invests in small cap companies which we believe have 50-100% upside over a 3-5 year time period at initial purchase. Philosophically, we believe that the ability of a business to generate stable and growing cash flows is what drives higher values over time. This is why we focus a great deal on “Discretionary Cash Flow” (DCF), or the cash that the business generates over and above maintenance capex and dividends; we believe that DCF reflects the actual cash available for management to deploy to grow the business. We use DCF-to-Price as a preliminary measure of valuation. If a business is trading at a DCF-to-Price ratio above our threshold, and the business meets our other investment criteria of Niche Dominance, Financial Flexibility, and Management Adaptability, then the business is worth looking at more closely.

ANNUALIZED PRELIMINARY COMPOSITE PERFORMANCE % ¹								
	SINCE INCEPTION ¹	10 YEAR	5 YEAR	3 YEAR	1 YEAR	YTD	QTD	MTD
Gross	10.8	13.8	1.0	5.2	-6.5	21.6	-1.5	-1.5
Net	9.8	12.8	0.2	4.3	-7.3	20.9	-1.6	-1.6
Russell 2000	8.9	12.5	8.5	10.4	-4.4	17.7	0.6	0.6
Russell 2000 Value	8.2	11.2	6.7	8.0	-7.7	13.6	0.2	0.2

COMPOSITE CHARACTERISTICS ³		
	COMPOSITE	R2000
Number of Holdings	21	1,999
Market Cap - Wtd Med (bill)	\$3.3	\$2.1
Market Cap - Wtd Avg (bill)	\$3.8	\$2.2
Turnover (5-yr)	25.8%	N/A
Beta (5-yr)	1.0	N/A
Standard Deviation (5-yr)	18.1%	16.2%

FUNDAMENTAL STATISTICS ³		
	COMPOSITE	R2000
Price/Earnings (P/E)	22.9x	38.5x
Return on Equity (ROE)	10.1%	5.3%
Net Debt/EBITDA	3.5x	3.9x
EV/EBITDA	10.5x	13.0x
Dividend Yield	1.2%	1.5%

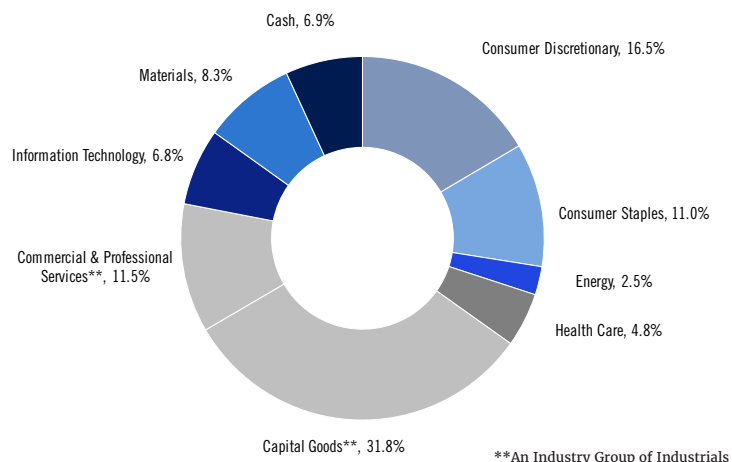
Source: SouthernSun Asset Management, Factset, Advent Portfolio Exchange, Bloomberg. ¹Inception date of the Small Cap Strategy Composite is October 1, 2003. Performance is preliminary and subject to change. One-year, three-year, five-year, ten-year, and since inception returns are annualized averages and do not mean the manager achieved the stated return in each year. Periods less than one year are not annualized. Returns reflect the reinvestment of dividends and other earnings. Net returns are calculated by deducting the highest incurred management fee within this composite on a monthly basis from the gross composite monthly return.

²The specific securities identified are not representative of all of the securities purchased, sold or recommended for clients. It should not be assumed that an investment in the securities identified has or will be profitable. Actual holdings will vary for each client and there is no guarantee that a particular client's account will hold any or all of the securities listed. Percent of Composite is calculated as the portfolio weighting on the last business day of the month.

³Fundamental Statistics are preliminary and may change as companies release quarterly earnings. For important information regarding the adjusted statistics calculation methodology please see Additional Disclosures on page 3.

TOP 10 HOLDINGS ²		
	TICKER	% OF COMPOSITE
Darling Ingredients, Inc.	DAR	6.3
Dycom Industries, Inc.	DY	6.2
The Brink's Co.	BCO	5.9
Clean Harbors, Inc.	CLH	5.6
Timken Co.	TKR	5.5
Extended Stay America, Inc.	STAY	5.4
Koppers Holdings, Inc.	KOP	5.1
Hill-Rom Holdings, Inc.	HRC	4.8
Sanderson Farms, Inc.	SAFM	4.6
Actuant Corp.	ATU	4.2
Total		53.6

COMPOSITE GICS SECTOR WEIGHTINGS ²	
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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										
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.

Past performance is no guarantee of future results. As with any investment strategy, there is a potential for profit as well as the possibility of loss. Individual investor results will vary. Performance results may be materially affected by market and economic conditions.

Additional Disclosures:

Supplemental information. Source: SouthernSun Asset Management, Factset, Advent Portfolio Exchange, Bloomberg. 5-yr Turnover and 5-yr Standard Deviation are annualized. Price to Earnings 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 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 to 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 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. Enterprise Value to EBITDA for the portfolio is calculated as the inverse of the portfolio value weighted average of the constituents' EBITDA/EV. EBITDA for each constituent is defined as the earnings before interest, taxes and depreciation (EBITDA) for the LTM. Enterprise Value for each constituent is the sum of its common equity at market value plus total debt plus preferred equity plus accumulated minority interest minus cash. Companies considered to be in banking, insurance, or other financial industries are not included in this calculation. Enterprise Value to EBITDA for the benchmark is calculated as the ratio resulting from the sum of constituent Enterprise Value 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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