

3Q 2020 SMID Cap Investment Commentary

At the onset of this past year, we expected market volatility.

What we knew. In America, we had a presidential election year in front of us, trade tensions with China escalating, arguably stretched and aggressively levered equity markets, and increased labor market tightness casting some speculation on Fed policy. In Britain and Europe, there was a deadline set for Brexit. Across the globe many economies were beginning to turn inward due to a combination of economic and political tensions.

Thus, last autumn, it would have been reasonable to presume that the next twelve months might well bring with it a meaningful increase of volatility in the marketplace.

What we did not know. Few, if any, imagined what some have framed as the overlapping pandemics of 2020. COVID-19, local versus regional politics, race relations, and mental health have all seized center stage, not only in America and the west, but across the globe.

How then ought we think about and respond to this convergence? Increased volatility combined with broad business uncertainty, has historically produced a fertile environment for SouthernSun strategies. This time has been no different. Beginning with the uptick in volatility in late 2018 our approach has yielded increasingly attractive opportunities to buy and/or add to what we believe are outstanding businesses with prudently geared balance sheets and resilient go-to-market propositions.

Whilst aware that the events of the past six to nine months are likely to produce further known and unknown outcomes, we are confident our portfolio companies, for the most, are well positioned to not only survive but thrive. It is fair to say that what many may believe are the lasting implications of the overlapping pandemics may well be far too short sighted. Further, we believe it is too early to properly gauge permanent cultural shifts that are likely to impact business behavior in the intermediate to long term. Some of the popular theories revolve around things like work from home and/or the permanent hollowing of dense urban centers. It is true that in the past such phenomena have been catalysts for major shifts in entrenched trends and may well play out similarly this time as well.

For now, we remain focused on the flexibility of our portfolio company's business models to maneuver through turbulent times. When combined with forward thinking management we believe that, irrespective of the ultimate cultural, societal, and business operating outcomes of the past twelve months events, our approach to finding businesses that create excellent value over time is well tested, showing strong resilience during such moments.

In closing, and apropos to the moment, we commend Louis MacNeice's poem Snow to you for consideration:

The room was suddenly rich and the great bay-window was
Spawning snow and pink roses against it
Soundlessly collateral and incompatible:
World is suddener than we fancy it.

World is crazier and more of it than we think,
Incorrigibly plural. I peel and portion
A tangerine and spit the pips and feel
The drunkenness of things being various.

And the fire flames with a bubbling sound for world
Is more spiteful and gay than one supposes -
On the tongue on the eyes on the ears in the palms of one's hands -
There is more than glass between the snow and the huge roses.

PORTFOLIO UPDATE

For the third quarter of 2020, the SMID Cap Composite returned approximately +9.55% on a gross basis (+9.33% net) versus the Russell 2500®, which returned +5.88% and the Russell 2500® Value, which returned +3.54%, over the same period. On a year-to-date basis, the composite returned approximately -8.80% on a gross basis (-9.34% net) versus the Russell 2500™, which returned -5.82% and the Russell 2500™ Value, which returned -18.39% over the same period. The strategy continues to outperform both indexes on a since inception annualized gross and net basis.

Darling Ingredients, Inc. (DAR), a global leader in creating sustainable food, feed, and fuel ingredients from edible and inedible bio-nutrients, was the leading contributor on an absolute basis during the period. Results in the core feed, food, and fuel businesses were resilient with EBITDA up year over year. The renewable diesel joint venture with Valero, Diamond Green Diesel (DGD), performed well and construction on the 400-million-gallon capacity expansion project is progressing according to plan. Management expects DGD to produce 675 million gallons of renewable diesel in 2022. At projected profitability levels, the expansion would roughly double **DAR's** share of the joint venture's earnings and eclipse the EBITDA from core **DAR**. We continue to believe that DGD is a competitively advantaged low-cost producer of renewable diesel with strong long-term growth prospects.

Dycom Industries, Inc. (DY), the specialty contractor for telecommunications infrastructure, was another leading contributor on an absolute basis during the period. As previously mentioned, we believed **DY's** margins were under temporary pressure and better contract pricing, tighter cost management, and greater productivity would eventually drive margins higher. This quarter, **DY** delivered the highest Adjusted EBITDA margin of the last ten quarters, which is closer to a normalized margin profile for the business, in our opinion. Over the long-term, we believe the business is capable of delivering similar profit margins with revenue growth driven by 5G backhaul deployments, fiber to the home and office, and government-sponsored rural broadband initiatives.

Crane Co. (CR), a diversified manufacturer of highly engineered industrial products, was the leading detractor on an absolute basis during the period. The company's sales were down 20% primarily due to COVID-19 related macroeconomic factors that affected demand across multiple end markets including oil & gas, aerospace, and retail. Management took quick action to cut roughly \$100 million of cost for the year, while continuing to invest in new product development and long-term strategic initiatives. Although the pace of end market recovery is outside of the company's control, the strong balance sheet, solid cash flow generation, and skilled management team led by Max Mitchell gives us confidence that the company will be well positioned for a market recovery.

The Brink's Co. (BCO), the global leader in total cash management, was another leading detractor on an absolute basis during the period. Revenues showed positive trends as lockdown measures began to ease and closed the month of June at 14% below prior year. The G4S acquisition is now 80% closed and cost realignments and synergies are on-track. Although **BCO's** took on additional debt for the acquisition, there are no meaningful debt maturities until 2024 and covenants seem manageable. Furthermore, management reiterated expectations of positive free cash flow in 2020 and are cautiously optimistic that 2021 EBITDA could be significantly higher if positive revenue trends continue. We spent some socially distanced time with management in Dallas in October, and we came away with increased confidence in their ability to manage through operational difficulties of the pandemic, to execute on the integration of G4S with significant synergies, and to deliver on future growth initiatives.

In the SMID Cap Composite we initiated a new position in **Univar Solutions, Inc (UNVR)** during the quarter. **UNVR** is the largest chemical and ingredients distributor in the U.S and Canada, and the second largest in the world. We like the industry because it is fragmented and ripe for consolidation, and **UNVR** has meaningful economies of scale. They have a plan for growth and for margin improvement, and we believe they are trading at an attractive valuation.

Over the next 3-12 months, we anticipate continued market volatility due to the continued effects on the economy from COVID-19 and from the U.S. election cycle. We look forward to periods of volatility because this often gives us opportunity to take advantage of displacements. For example, in the first and third quarters of 2020, we were able to initiate several positions in high quality companies at attractive prices. We are likely to have additional opportunities in the coming months. In addition, we believe that there may be higher variability and dispersion between companies that are likely to ... not just survive in this economic environment – but, improve their market position versus their competitors. We believe that our portfolio has many such companies that are continuing to execute their strategy because they have the financial flexibility and the leadership capability to do so.

Value has continued to significantly under-perform the core and growth benchmarks in the Small and SMID space. The SMID Cap Composite has outperformed in the last two quarters as well as over the trailing-twelve-months versus the Russell 2500™ and the Russell 2500™ Value, despite these headwinds. We believe that our strategies will outperform in the long run because of the quality of the companies that we own, and because of each company's ability to grow value for shareholders over the long-term.

We thank you for your continued trust in our ability to help you reach your investment goals.



Michael W. Cook
 CEO and Chief Investment Officer
 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)
Darling Ingredients, Inc.	DAR	6.9	282	Crane Co.	CR	3.8	-61
Dycom Industries, Inc.	DY	6.2	184	The Brink's Co.	BCO	5.8	-52
AGCO Corp.	AGCO	5.0	159	Centene Corp.	CNC	4.8	-42
Hanesbrands, Inc.	HBI	3.9	138	Thor Industries, Inc.	THO	4.1	-40
Timken Co.	TKR	5.4	102	Trinity Industries, Inc.	TRN	3.5	-29

Inception Date of SMID Cap Composite: January 1, 1997. 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.

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

SMID CAP COMPOSITE

SMID CAP COMPOSITE - ASSET WEIGHTED RETURNS												
Year	SouthernSun		Russell 2500	Russell 2500 Value	Composite Dispersion	Composite 3-Yr Standard Deviation (%)	Russell 2500 3-Yr Standard Deviation (%)	Russell 2500 Value 3-Yr Standard Deviation (%)	Accounts in Composite (#)	Total Composite Assets (\$Mil)	% of Firmwide Assets	Total Firmwide Assets (\$Mil)
	Gross	Net										
2019	31.64%	30.63%	27.77%	23.56%	0.89%	17.10%	14.58%	14.23%	10	\$340	27%	\$1,252
2018	-21.14%	-21.75%	-10.00%	-12.36%	0.12%	15.24%	14.10%	13.58%	38	\$693	46%	\$1,519
2017	12.33%	11.46%	16.81%	10.36%	0.17%	13.91%	12.13%	11.81%	70	\$2,309	55%	\$4,213
2016	18.05%	17.19%	17.59%	25.20%	0.33%	15.13%	13.67%	13.17%	62	\$1,242	30%	\$4,187
2015	-10.91%	-11.55%	-2.90%	-5.49%	0.27%	15.08%	12.42%	12.02%	77	\$1,120	25%	\$4,542
2014	2.33%	1.60%	7.07%	7.11%	0.24%	13.56%	11.67%	11.25%	95	\$1,186	21%	\$5,696
2013	43.17%	42.27%	36.80%	33.32%	0.19%	18.71%	15.63%	15.07%	51	\$882	17%	\$5,317
2012	19.56%	18.86%	17.88%	19.21%	0.25%	22.89%	18.97%	18.41%	24	\$378	14%	\$2,615
2011	4.86%	4.30%	-2.51%	-3.36%	0.18%	27.75%	23.40%	24.23%	24	\$309	15%	\$2,106
2010	43.20%	42.47%	26.71%	24.82%	0.31%	31.58%	26.80%	26.97%	16	\$222	11%	\$1,974
2009	49.73%	49.08%	34.39%	27.68%	0.00%	28.16%	24.25%	24.61%	7	\$142	11%	\$1,339
2008	-36.75%	-37.03%	-36.79%	-31.99%	1.28%	22.71%	19.37%	18.38%	6	\$105	10%	\$1,025
2007	12.89%	12.40%	1.38%	-7.27%	0.07%	13.65%	11.52%	11.03%	6	\$175	13%	\$1,341
2006	15.78%	15.28%	16.17%	20.18%	N/A ¹	14.33%	11.93%	10.85%	<5	\$153	14%	\$1,100
2005	2.42%	1.96%	8.11%	7.74%	N/A ¹	16.75%	13.48%	12.81%	<5	\$135	18%	\$733
2004	27.64%	27.09%	18.29%	21.58%	N/A ¹	18.51%	16.92%	15.68%	<5	\$133	32%	\$410
2003	45.59%	44.97%	45.51%	44.93%	N/A ¹	22.33%	19.93%	16.97%	<5	\$97	60%	\$162
2002	-3.39%	-3.77%	-17.80%	-9.87%	N/A ¹	20.97%	21.92%	16.27%	<5	\$39	36%	\$107
2001	7.19%	6.76%	1.21%	9.74%	N/A ¹	20.20%	21.16%	14.62%	<5	\$40	34%	\$120
2000	14.15%	13.68%	4.26%	20.79%	N/A ¹	20.55%	22.35%	16.55%	<5	\$38	28%	\$137
1999	14.39%	13.92%	24.14%	1.49%	N/A ¹	18.79%	19.46%	16.14%	<5	\$33	23%	\$145
1998	-2.23%	-2.62%	0.38%	-1.92%	N/A ¹	N/A ²	N/A ²	N/A ²	<5	\$29	21%	\$135
1997	27.32%	26.80%	24.36%	33.09%	N/A ¹	N/A ²	N/A ²	N/A ²	<5	\$14	11%	\$123

¹Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

²Information 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. SouthernSun SMID Cap Composite contains fully discretionary equity accounts invested in small cap to mid-cap (SMID cap) securities (defined as equity securities with market capitalizations that are within the range of the Russell 2500 at the time of initial purchase during the most recent 12-month period) and for comparison purposes is measured against the Russell 2500 and Russell 2500 Value indices. Prior to June 2009, the composite was known as the SouthernSun Mid Cap Composite. However, despite the name change, the investment strategy has remained the same. Prior to December 2006, the composite was known as the CMT Mid Cap Composite. Prior to September 30, 2014, the market cap range was \$1 billion and \$8 billion. The minimum account size for inclusion into this composite is \$1,000,000. Prior to July 1, 2015, the minimum account size for inclusion in this composite was \$500,000. Prior to July 1, 2009, the minimum account size for inclusion in this composite was \$1,000,000. Composite policy requires the temporary removal of any portfolio incurring a client-initiated significant cash inflow or outflow of 20% or more of the portfolio assets. Prior to April 1, 2004, composite policy required the temporary removal of any portfolio incurring a client-initiated significant cash inflow or outflow of 50% or more of portfolio assets. Additional information regarding the treatment of Significant Cash Flows is available upon request. A list of composite 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 since inception. 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. The management fee schedule is as follows: \$0 - \$50,000,000 is .90%, \$50,000,001 - \$100,000,000 is .85%, and above is .75%. This schedule is subject to a \$45,000 minimum annual fee. 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 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 SMID Cap Composite was created January 1, 1997. The inception date of the SouthernSun SMID Cap Composite is January 1, 1997. As of February 1, 2020, the firm substituted retroactively the Russell 2500 Value index in place of the Russell Midcap index as a secondary benchmark for the SouthernSun SMID Cap Composite. The cause for such a change is that SouthernSun believes that the Russell 2500 Value index is more representative of the firm's SMID Cap strategy, historically and on a go-forward basis.

The Russell 2500 Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Russell 2500 Index is a subset of the Russell 3000 Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2500 Value Index measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500 companies that are considered more value oriented relative to the overall market as defined by Russell's leading style methodology. 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 Frank Russell Company.

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