3Q 2020 Small 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 intrenched 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 Small Cap Strategy Composite returned approximately +6.55% on a gross basis (+6.33% net) versus the Russell 2000®, which returned +4.93% and the Russell 2000® Value, which returned +2.56%, over the same period. On a year-to-date basis, the composite returned approximately -12.03% on a gross basis (-12.57% net) versus the Russell 2000®, which returned -8.69% and the Russell 2000® Value, which returned -21.54% 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.

Hill-Rom Holdings, Inc. (HRC), the medical equipment company, was the leading detractor on an absolute basis during the period. **HRC** reported very strong financial results with 6% topline growth and record margin expansion driven by the contributions of high margin COVID-19 products, better product mix, and operating leverage. Although the company's medical bed business has benefitted from an increase in demand due to the pandemic, the surgical and clinical product lines have been slow to recover. As bed demand normalizes, consolidated growth will likely slow until the rest of the healthcare system fully recovers. In our opinion, the long-term demand for clinical and surgical healthcare will not be materially changed by COVID-19 and thus the value of the business has not materially changed due to short-term impacts of the pandemic.

Crane Co. (CR), a diversified manufacturer of highly engineered industrial products, was another 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.

In the Small Cap Strategy Composite, we initiated a new position in **MGP Ingredients, Inc. (MGPI)** during the quarter. **MGPI** is a leading provider of distilled spirits and industrial alcohol in the U.S. The company has opportunities to grow their top line and their margin profile as the demand for premium and craft-blended whiskies continues to grow. In addition, **MGPI** has seen strong demand for its specialty wheat proteins and starches driven by consumer trends towards plant-based proteins. The company's opportunities for growth, very clean balance sheet, and the current valuation makes them an attractive addition to the portfolio, in our opinion.

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 each quarter 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 Small Cap Strategy Composite has outperformed in the last two quarters versus the Russell 2000® and the Russell 2000® 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	7.0	277	Hill-Rom Holdings, Inc.	HRC	3.4	-88
Dycom Industries, Inc.	DY	6.2	180	Crane Co.	CR	3.9	-62
AGCO Corp.	AGCO	5.5	171	The Brink's Co.	BCO	6.2	-59
Timken Co.	TKR	5.6	106	Thor Industries, Inc.	THO	4.1	-39
Koppers Holdings, Inc.	KOP	3.4	52	Trinity Industries, Inc.	TRN	4.0	33

Inception Date of Small Cap Strategy Composite: October 1, 2003. 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 ETF's, 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.*

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										
2019	36.76%	35.69%	25.52%	22.39%	0.28%	18.46%	15.71%	15.68%	13	$562	45%	$1,252
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

[1]2003 returns are from inception date of the composite: October 1, 2003. The return numbers are not annualized.
[2]Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.
[3]Information 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. The SouthernSun Small Cap Strategy Composite contains fully discretionary equity accounts invested in small cap securities (defined as equity securities with market capitalizations 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) and for comparison purposes is measured against the Russell 2000 and Russell 2000 Value indices. As of March 10, 2017, the minimum asset level to be included in this composite is $1,000,000. As of August 1, 2019, the SouthernSun Small Cap Strategy Composite added new accounts from the SouthernSun Small Cap Managed Composite due to the reduced number of different securities between the two composites. In general, when an account meets a composite's inclusion criteria for a full month, it will enter that composite as of the beginning of the following month. Similarly, if an account no longer meets a composite's inclusion criteria for a full month, then it will be removed from that composite at the beginning of the following month. Our firm-wide disclosure policy states that "If two or more portfolio holdings are absent relative to the firm's model portfolio for that strategy, as a result of client restrictions" then it's removed from that individual composite. 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 does not adhere to a significant cash flow policy. 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. 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, 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 $50,000 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. 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 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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