1Q2022 SMID Cap 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

During the first quarter of 2022, the SMID Cap Composite returned approximately +0.37% on a gross basis (+0.18% net*) versus the Russell 2500™, which returned -5.82% and the Russell 2500™ Value, which returned -1.50%, over the same period. Over the trailing-twelve-months, the composite returned approximately +3.96% on a gross basis (+3.18% net*) versus the Russell 2500®, which returned +0.34% and the Russell 2500® Value, which returned +7.73%, over the same period. The strategy continues to outperform both indexes on a since inception annualized gross and net basis.

Darling Ingredients, Inc. (DAR) is the 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.

First Horizon Corp. (FHN) is another leading contributor on an absolute basis during the quarter. **FHN,** a regional bank with approximately $55 billion in loans and over $80 billion in total assets as of December 31, 2021, agreed to be acquired by TD Bank Group in an all-cash transaction valued at $13.4 billion, or $25 per share of **FHN** common stock. This represents a 37% premium to the closing price of the stock on the day prior to the transaction being announced. Bryan Jordan, President and CEO of FHN, will join TD as Vice Chair, TD Bank Group, and will join the TD Senior Executive Team. He will also be named to the Boards of Directors of TD's U.S. banking entities as a director and Chair. Our investment thesis for **FHN** was based on the bank's leading market position in attractive markets across the Southeastern United States as well as its unique fixed income and specialty lending businesses. While our estimated value of the business was not based on a potential acquisition scenario, we believe this transaction recognizes the underlying value of **FHN** which we initially began purchasing in April of 2019 at $14.63.

Thor Industries, Inc. (THO) 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.

Armstrong World Industries (AWI), a leader in commercial and residential ceilings, was another leading detractor during the quarter. In its fourth quarter, **AWI** delivered adjusted net sales growth of 18% over the prior year, capping a solid year of double-digit top line growth. The company has been successful in proactively increasing prices to offset inflationary pressures and drive sales growth, a result of their continued product innovation, strong market position, and close relationships with architects. Volumes for Mineral Fiber ceiling tiles and Architectural Specialties ceilings remains choppy, with elongated major renovation and new construction cycles, but the overall momentum of bidding activity is positive, and the company continues to derive much of its volume from the less volatile replacement market. We met with management in Lancaster, PA and visited a nearby facility in March, and management expressed optimism around long-term volume growth driven partly by increased awareness of the importance of indoor air quality and the important place ceilings play in creating healthier spaces.

During the first quarter of 2022, we fully exited **Molina Health Care (MOH), First Horizon Corp. (FHN),** and **Terminix Global Holdings, Inc. (TMX)**, and we initiated a new position in **LHC Group, Inc. (LHCG)** in the SMID Cap Composite.

We exited **Molina Health Care (MOH)** with a market cap of close to $20 billion which had grown substantially since our initial purchase in March of 2020 at a market cap of approximately $7.9 billion. In our opinion, the price was approaching a full valuation with less upside in the future. In addition, the business was getting quite large and complex; we believed that results could be volatile in the future due to a number of factors which would be difficult for management to control.

Additionally, 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 **LHC Group, Inc. (LHCG)**, one of the three leading Home Health and Hospice providers in the U.S. We believe that this is an industry with meaningful tailwinds. The U.S. population is aging, and research shows that aging Americans would prefer to grow old and die at home rather than in a skilled nursing facility, rehab facility or other group settings. In addition, it is less costly for the health care system (and individuals) to care for patients in the home vs institutional settings. Many hospital systems are also proponents of high quality at-home care because it frees up their hospital beds for higher acuity patients, and good care post-discharge reduces the likelihood of readmissions. **LHCG** has the leading quality scores in the industry, with well-established clinical and compliance processes. The business has been a consistent generator of cash, and they have a unique strategy of partnering with hospital systems. Our team gained confidence in their leadership of the business, and we initiated a position in the first quarter of 2022 below $125. At the end of the quarter, **LHCG** announced that they have agreed to be acquired by a division of United Health care for $170 per share, and the transaction should close in the second half, subsequent to regulatory approval and other conditions and processes.

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

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	7.2	116	Thor Industries, Inc.	THO	5.5	-148
First Horizon Corp.	FHN	2.8	108	Armstrong World Industries, Inc.	AWI	4.3	-114
AGCO Corp.	AGCO	4.5	105	Timken Co.	TKR	5.0	-68
LHC Group, Inc.	LHCG	1.7	82	Broadridge Financial Solutions, Inc.	BR	4.0	-64
Univar Solutions USA, Inc.	UNVR	6.0	74	The Boston Beer Co, Inc.	SAM	2.8	-64

*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.*

***Source: SouthernSun Asset Management, Advent Portfolio Exchange. 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.*

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										
2021	23.90%	22.96%	18.18%	27.78%	0.17%	25.59%	22.48%	24.15%	7	$131	13%	$1,016
2020	14.99%	14.07%	19.99%	4.88%	0.18%	27.21%	24.21%	25.05%	9	$237	26%	$904
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

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

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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. The SMID cap strategy will generally invest a larger percentage of its assets in a small number of securities (20-30 securities) and business sectors, which may make the strategy more volatile and subject to greater risk than a more diversified strategy. Small and mid-capitalization companies may also be more vulnerable to adverse business and economic events than larger companies, and thus, small cap and mid-cap stocks may also be more difficult to sell at the time and price desired due to liquidity constraints, which could have a negative effect on performance. 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, a list of limited distribution pooled fund 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 CIT fee schedule for the Founders Share Class is 0.65% and for the Class 1 is 0.80%. 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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