4Q2024 Small Cap Fund Investment Commentary

Dear Valued Clients,

As we reflect on the fourth quarter and full year of 2024, we at SouthernSun are proud to share with you our insights, and the strategic directions we have taken amidst a landscape marked by both challenges and opportunities. This period has been a testament to core principles of patience, adaptability, on-the-ground research, and our time-tested approach to investment management.

Let's begin by considering some of the year's key events that only accelerated in the fourth quarter.

Election Dynamics: The U.S. presidential election played a pivotal role in shaping market sentiment throughout Q4. The outcome, while anticipated by many, led to a significant market rally in November. This was not just due to the clarity of the electoral result but also because of the market's anticipation of policy shifts towards tax extensions and deregulation, which are generally viewed as pro-growth. However, the potential for new trade policies, particularly tariffs, introduced elements of uncertainty that we closely monitored.

Federal Reserve's Policy Adjustments: The Fed cut interest rates yet again during Q4, signaling a cautious yet proactive stance against the backdrop of slowing economic growth. This move was pivotal as it influenced both the credit and equity markets which have been quite volatile over the past several months, as the market tries to speculate what the Fed might do in 2025. Equity market returns in 2024 and the current yield on the 10 year suggest diverging views for the period ahead.

Geopolitical Tensions: Escalated geopolitical tensions, particularly in the Middle East, added layers of complexity to global markets. The potential for disruption in oil supply chains kept commodity prices volatile, impacting sectors from energy to manufacturing.

China's Stimulus Measures: China's response to its economic slowdown with a series of fiscal and monetary policy adjustments had a ripple effect across global markets. The initial market enthusiasm waned as investors awaited more concrete fiscal commitments, highlighting the global interconnectedness of economic policies.

While the aforementioned are by no means a comprehensive list, they do highlight some of the critical factors influencing the current market landscape as well as many of our portfolio businesses. With that said, we believe that in times such as these it is important to reinforce some of the core SouthernSun characteristics.

Patience and Discontentment: This quarter, our investment philosophy of maintaining a balance between patience and a healthy discontentment has never been more crucial. We've seen several of our investments mature in ways we anticipated, rewarding our patience. Yet, we remain discontented enough to continuously reassess our positions.

Ability to Walk Away: Our philosophy includes the readiness to walk away from investments not meeting our expectations. This quarter, we divested from a multi-year holding where the risk-reward balance shifted unfavorably (Kenny Rogers was possibly not far wrong with the lyrics to his famous song "The Gambler"). We are fundamentally keen to preserve and grow capital, yet we are self-aware enough to realize we will not always be correct regarding all the necessary elements converging to produce a successful investment.

On-the-Ground Research: Our approach to relentless, on-the-ground research has been a cornerstone in anticipating change. Visits to operational sites, discussions with management teams, and insights from local market conditions have given us a nuanced understanding of how global events impact individual companies. This is particularly valuable in navigating the complexities of several end markets experiencing cyclical drawdowns. We believe our experience in these industries will afford great opportunity for long-term investors to deploy capital during these darker days.

Looking Forward to 2025

As we gaze into the horizon of 2025, our approach is characterized by cautious optimism, underpinned by a strategic framework that evolves with the changing landscape. The resilience of our portfolio businesses and the discipline with which our management teams execute will no doubt have a meaningful impact on their success, and by extension, exert some influence on our overall portfolio performance in 2025. The following are some of the high-level issues that may influence our management team's decision making this coming year:

- Policy Implementation Monitoring: The real-world execution of the newly elected administration's policies will be a critical area of focus. We are particularly watching for any legislative moves on tax reforms, infrastructure spending, and trade policies. These could significantly alter the investment landscape for various sectors, notably technology, manufacturing, and energy.
- Inflation and Interest Rate Watch: With the Federal Reserve's recent dovish pivot, we're preparing for a nuanced environment where inflation could either spike or stabilize. Our investment strategy will continue to favor durable businesses with highly adaptable management teams and strong balance sheets.
- Global Trade and Supply Chains: The ongoing adjustments in global trade relations, particularly with major economies like China, will continue to shape our investment decisions. We're enhancing our focus on supply chain robustness and diversification, looking for companies that are not only adapting to these changes but are also leveraging them for competitive advantage.
- Technological Innovation and AI: The rapid evolution of technology, especially AI, is reshaping industries. We're intensifying our research in this domain, seeking out companies at the forefront of innovation but also those providing solutions to the ethical and practical challenges AI presents.
- Sector Rotation and Opportunistic Investments: We will continue our practice of sector rotation, moving capital towards areas of opportunity while maintaining a disciplined approach to risk management. This includes looking for undervalued assets in sectors that might be out of favor but have strong fundamentals.

The headlines have dominated recent market activity. The market feels as much like a casino as we can remember, facilitated by a democratization of "investing" where speculators can easily bet on assets of all kinds. Uncertainty seems to be fueled by endless speculation regarding macro factors that neither we nor our businesses have any control over, so much capital concentrated in so few businesses, disregard for the highest number of corporate bankruptcies since 2010 this past year, and undisciplined budgeting at the federal level. As we navigate through 2025, our commitment to an investment process refined by years of continuous improvement will guide our actions. We aim not just to react to market movements but to ensure our decisions are rooted in fundamental research and analysis that aligns with our clients' long-term objectives and guided by decades of experience covering a multitude of global events and market cycles.

This letter reflects our commitment to you, our clients, to not only manage your investments with diligence but to do so with a forward-looking perspective that values both the art and science of investing.

Thank you for your trust in SouthernSun; we are here because of you.

Phillip Cook	Michael Cook
Chief Investment Officer & Managing Partner	Founder & Chairman
SouthernSun Asset Management	SouthernSun Asset Management

The **SouthernSun Small Cap Fund** (Class N) returned -8.02% versus the Russell 2000®, which returned 0.33% and the Russell 2000® Value, which returned -1.06%, during the fourth quarter of 2024. Over the trailing-twelve-months, the Fund returned 4.01% versus the Russell 2000®, which returned 11.54% and the Russell 2000® Value, which returned 8.05%, over the same period. Please note that this Fund has multiple share classes.

Dorman Products, Inc. (DORM) was the top contributor in the Small Cap Fund in the fourth quarter. **Dorman** is a leading manufacturer of automotive aftermarket parts with a unique focus on developing "first to aftermarket" parts to replace prone-to-fail parts that were previously only available from original equipment (OE) manufacturers. During the quarter, **Dorman** reported solid third quarter results with total sales growing 3%, driven by 5% growth in the Light Duty segment. Gross margin was also strong at 40.5%, driven by easing inflationary pressures, new product mix and operational efficiencies from warehouse automation. During the quarter, we also attended the SEMA show in Las Vegas and saw firsthand some of the innovative aftermarket products that **Dorman** has introduced to the market. Over the last decade, **Dorman** has invested heavily to develop differentiated capabilities to break down software codes in OE parts and write proprietary code to match part functionality. This capability is essential to developing complex electronic components for the aftermarket, which is becoming more important as newer vehicles have more electronic components. While strong third quarter results were the key driver of the stock price during the quarter, we believe the business is well positioned to continue outpacing growth of the broader automotive aftermarket over the long term.

Armstrong World Industries, Inc. (AWI), the leader in the commercial ceiling tile and grid business in the U.S., was one of the top contributors in the Small Cap Fund. When fully tallied, **Armstrong's** 2024 results are expected to show double digit revenue and earnings growth made possible by strong pricing, partially offset by modestly lower volumes. We continue to be impressed by the company's ability to maintain and expand its customer value proposition, despite an end market demand environment that has been choppy in the last few years. As an example of continued new product innovation, the company is expanding the market presence of its TEMPLOK energy efficient ceiling tiles and its low embodied carbon ceiling tiles. In addition to growth from new product innovation, **Armstrong** continued to execute an acquisition program in the architectural specialties division of its company during 2024, completing three bolt-on acquisitions (including one via its WAVE joint venture). We believe this acquisition program, initiated in 2016, has strengthened the company's competitive advantage by building out its product line offerings made available to commercial architects and designers. Even after investments in new products and acquisitions, **Armstrong** continued to return significant cash to shareholders in the form of share buybacks and dividends and maintains a strong balance sheet.

MGP Ingredients, Inc. (MGPI) was the top detractor in the fourth quarter in the Small Cap Fund. In early October, **MGPI** provided preliminary third quarter sales estimates that were significantly lower than we expected, driven by a significant and unexpected decline in its brown goods distilling business. During the subsequent quarterly earnings release, management indicated that they expect the distilling business to remain under pressure for the foreseeable future as demand for aged whiskey has declined sharply. We were surprised by the magnitude of and the speed at which the demand for distilled brown goods declined. Perhaps more alarming was management's lack of visibility into the market. In December, **MGPI** announced that David Bratcher, who took over as CEO at the beginning of 2024, was stepping down and the current CFO, Brandon Gall, will serve as interim CEO while the board conducts a search for a permanent replacement. Given the rapid changes in the business and the leadership team, we decided to exit our position and deploy the capital into businesses that we believe offer more attractive opportunities.

Brink's Company (BCO), a leading global provider of cash and valuables management, digital retail solutions (DRS), and ATM managed services (AMS), was a top detractor in the Small Cap Fund for the quarter after being a top contributor last quarter. In the third quarter, the company delivered 26% organic growth in AMS and DRS while continuing to stimulate customer demand for outsourcing with financial institutions and convert whitespace opportunities in retail. These higher-margin, recurring revenue businesses now represent over 23% of total company revenue and are expected to deliver over 20% organic growth in 2024. This growth was partially offset by a strengthening U.S. dollar as well as cyclical market headwinds in the global services business. Management and the board continue to prioritize organic growth and returning cash to shareholders while margins and cash flow continue on a positive trajectory for the foreseeable future, in our opinion. We spent time with management in Dallas during the quarter with much of the focus on new hires, talent around the organization, leadership philosophies, and driving operational and commercial excellence. We believe the current price affords share owners a nice opportunity to compound attractive returns over our investment time horizon with solid base support in the business, growth drivers and a multitude of options in management's control to drive results.

During the fourth quarter of 2024, we fully exited **MGP Ingredients, Inc. (MGPI)**. We initiated two new positions in **Advanced Energy Industries, Inc. (AEIS)** and **Oxford Industries, Inc. (OXM)** in the Small Cap Fund.

We exited our position in **MGP Ingredients (MGPI)** during the fourth quarter. In early October, **MGPI** provided preliminary third quarter sales figures that were significantly lower than we expected driven by a significant and unexpected decline in its brown goods distilling business. During the subsequent quarterly earnings release, management indicated that they expect the distilling business to remain under pressure for the foreseeable future as demand for aged whiskey has declined sharply. We were surprised by the magnitude of and the speed at which the demand for distilled brown goods declined. Perhaps more alarming was management's lack of visibility into the market. In December, **MGPI** announced that David Bratcher, who took over as CEO at the beginning of 2024, was stepping down and the current CFO, Brandon Gall, will serve as interim CEO while the board conducts a search for a permanent replacement. Given the rapid changes in the business and the leadership team, we decided to exit our position and deploy the capital into businesses that we believe offer more attractive opportunities.

We initiated a position in **Advanced Energy Industries, Inc. (AEIS)** during the quarter. **AEIS** designs and manufactures highly engineered power conversion, measurement and control solutions. The company's power conversion products convert raw electricity from the utility grid into a precise, useable form of power for a given application. **AEIS** works in close collaboration with equipment manufacturers to design highly customized solutions, and approximately 70% of revenue comes from sole-sourced designs.

We began our research on this business, and this space more broadly, in 2021 and have learned a lot about the eco-systems that **AEIS** supports. You may recall that we were owners of CCMP in the post-COVID period before that business was acquired in 2022 by ENTG. Years before that, we were owners of Newport Corp, which was acquired by MKSI in 2016. Our time in and around the semi-conductor market, as well as decades of investing in industrial and medical markets, gave us a keen interest in learning more about **AEIS**, as we had come across the name but hadn't done significant research. We have spent the past 2-3 years filling our files, as we have studied this business and it's value chain more intensively.

AEIS has been the market share leader in process power and radio frequency power for semiconductor wafer fabrication equipment for decades, with a focus on conductor etch applications. In recent years, the company has diversified its end markets through several strategic acquisitions. Today, the company has four operating segments: Semiconductor (approximately 50% of revenues), Industrial and Medical (approximately 25% of revenues), Data Center Computing (approximately 16% of revenues) and Telecom and Networking (approximately 9% of revenues). Management has implemented a strategy to maintain its leadership position in the semiconductor market while focusing on modular design, modified standard designs and custom solutions that command higher margins in each of its other segments.

Despite exposure to the highly cyclical semiconductor market, **AEIS** has generated positive free cash flow for over a decade while also executing on multiple acquisitions. The company is finalizing an effort to rationalize production facilities accumulated through these acquisitions, which we believe will allow for more efficiency gains and margin improvement going forward. In addition, the company maintains a strong, net cash balance sheet as of September 30, 2024, which provides flexibility to pursue additional acquisitions.

In the fourth quarter, we initiated a position in **Oxford Industries, Inc. (OXM)**. The company is a portfolio of high-margin brands that (in their words) "evoke happiness." The business has been built by acquisitions, and they own several well-known clothing brands, including: Tommy Bahama, Lilly Pulitzer, Johnny Was, Southern Tides, Beaufort Bonnet and Duck Head.

In the past 8 years, **OXM's** sales have grown by nearly 50%; gross margin has increased from 57% to 63%, essentially doubling operating income in that time frame. We believe that gross margins are strong because of their direct-to-consumer strategy through their wholly-owned, brand-specific retail stores, on-line presence, and limited wholesale partnerships.

We believe the company has opportunities for profitable organic growth. In addition, their strong cash flows and balance sheet could enable them to continue to acquire new brands for their portfolio. In our opinion, management has demonstrated the ability to market and manage these brands effectively with omnichannel digital expertise. They have more than 330 "full price" brand-specific retail stores, and a handful of outlet stores for Tommy Bahama and Jonny Was. They added 30 new stores in 2024, and they have a plan to continue expanding their retail, brick and mortar presence.

Tommy Bahama is their largest brand, representing approximately 57% of sales. The brand has been around for 30 years, and **OXM** acquired Tommy Bahama in 2003. The brand tries to create an "oasis where the sun always shines, the seas are always welcoming, and easy-breezy styles are always in season." Twenty-two of their 102 full-price retail stores include a restaurant or bar, called "Marlin Bars." The restaurants and bars are profitable – and they are part of the company's strategy to immerse customers in the brand environment for 1-3 hours (vs a 15-30 minute shopping experience). Data shows that stores with restaurants and/or bars have higher retail sales, and if they are in a strip mall, their landlords benefit from higher foot-traffic and from people shopping into the evening hours. Tommy Bahama was on-pace to open 6-7 retail stores in 2024 and 3-5 Marlin bars.

Lilly Pulitzer, the iconic, resort lifestyle women's brand was started 65 years ago, and it is still growing. **Oxford** operates over 60 Lilly stores, and is opening 4-5 new stores per year. About 50% of the sales for Lilly Pulitzer are through e-commerce. They have recently decided to go back into Dillard's because they believe they are a disciplined retail partner.

Johny Was is an international women's lifestyle brand based in Southern California. They are known for their signature prints, vintage-inspired style, high-quality resort and swimwear, and for their bohemian fashion. They operate 72 full-price stores and 3 outlet stores. While they have been primarily direct-to-consumer, they are in the process of getting back into Nieman Marcus stores. The company is in the process of finishing a new distribution center in Georgia and exiting their much higher-cost facility in California. This is one of the more significant cost reductions that investors can expect in the coming 1-2 years.

The other brands: Southern Tides, Duck Head and Beaufort Bonnet are smaller but seem to have real growth potential in their respective niches. Southern Tide and Beaufort Bonnet also operate their own brand-specific retail stores, and they have plans for growing their store count.

Oxford Industries has consistently generated cash, and they have paid a dividend since going public in 1960. The company's net long-term debt, excluding lease obligations, is approximately $50 million, and their EBITDA in the trailing twelve months was $180 million.

In the current environment, where the consumer has been challenged by inflation, higher interest rates, and election uncertainty, we believe we have found a good entry point for owning shares. We would summarize our investment thesis as follows:

- Shareholder friendly management with a strong track record of delivering results;
- Opportunities for continued organic growth (new stores, on-line growth, successful brand management) and operating margin improvement following a few years of significant investment in SG&A, distribution and operational capabilities;
- Ability to add new brands to the portfolio via mergers and aquisitions;
- Multiple expansion potential as the profitable growth story becomes better known and more clearly demonstrated.

FUND PERFORMANCE %[1,2] (AS OF 12/31/2024)								
	SINCE INCEPTION	10 YEAR	5 YEAR	3 YEAR	1 YEAR	YTD	QTD	MTD
SSSFX (Class N) (%)	9.79[3]	6.81	9.86	4.81	4.01	4.01	-8.02	-9.06
SSSIX (Class I) (%)	11.70[4]	7.08	10.12	5.07	4.23	4.23	-7.98	-9.06
Russell 2000 (%)	8.72[3]	7.82	7.40	1.24	11.54	11.54	0.33	-8.26
Russell 2000 Value (%)	8.22[3]	7.14	7.29	1.94	8.05	8.05	-1.06	-8.33

SSSFX (Class N) Expense Ratio (Gross/Net): 1.33%/1.33%*
SSSIX (Class I) Expense Ratio (Gross/Net) 1.08%/1.08%*

The performance data shown represents past performance. Past performance is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. The investment return and the principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. For performance information through the most recent month end, please call 901.341.2700 or visit our website at www.southernsunam.com. From time to time the advisor has waived fees or reimbursed expenses, which may have resulted in higher returns.

*Contractual waivers are in effect through January 31, 2025.

[1]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. Returns for periods less than one year are not annualized.

[2]The performance information shown for periods prior to February 16, 2021 is that of the predecessor to the Fund, AMG SouthernSun Small Cap Fund, a series of AMG Funds LLC, which was reorganized into the Fund on February 16, 2021, and was managed by AMG Funds LLC and sub-advised by SouthernSun Asset Management, LLC with the same investment objective and substantially similar investment policies as those of the Fund. The performance information shown for periods prior to March 31, 2014 is that of the predecessor to the Fund, SouthernSun Small Cap Fund, a series of Northern Lights Fund Trust, which was reorganized into the Fund on March 31, 2014, and was managed by SouthernSun Asset Management, LLC with the same investment objective and substantially similar investment policies as those of the Fund.

TOP 10 HOLDINGS[5] (AS OF 12/31/2024)		
	TICKER	% OF ASSETS
The Brink's Co.	BCO	6.96
Belden Inc	BDC	6.51
Darling Ingredients Inc.	DAR	6.36
US Physical Therapy Inc	USPH	6.34
Louisiana-Pacific Corp	LPX	5.96
Boot Barn Holdings Inc	BOOT	5.82
Enerpac Tool Group	EPAC	5.43
AGCO Corp.	AGCO	5.41
Dorman Products Inc	DORM	4.94
Dycom Industries Inc	DY	4.93
Total		58.93

[3]Since the inception of the Fund's Class N shares on October 1, 2003.

[4]Since the inception of the Fund's Class I shares on September 30, 2009.

[5]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.

The SouthernSun funds are distributed by SEI Investments Distribution Co. (SIDCO). The Funds are managed by SouthernSun Asset Management, LLC. SIDCO is not affiliated with SouthernSun Asset Management, LLC or any of its affiliates. SIDCO is a member of FINRA/SIPC.

Important Information:

Before investing in any SouthernSun funds, you should carefully consider the Fund's investment objectives, risks, charges, and expenses. The Prospectus and Summary Prospectus contain this and other important information, which is available at www.southernsunam.com/investment-products/. Please read the Prospectus and Summary Prospectus carefully before investing.

The views expressed represent the opinions of SouthernSun Asset Management, LLC, and are not intended as a forecast or guarantee of future results, and are subject to change without notice.

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

Statements received directly from the account custodian should be regarded as the official record for a client's account. This information is being furnished to you for informational purposes only and should not be solely relied upon when making an investment decision. All information has been obtained from sources believed to be reliable, but its accuracy and completeness are not guaranteed.

Small-Capitalization Stock Risk— Small capitalization companies in which the Fund may invest may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, small capitalization companies may have limited product lines, markets and financial resources and may depend upon a relatively small management group. Therefore, small capitalization stocks may be more volatile than those of larger companies. Small capitalization stocks may be traded over-the-counter or listed on an exchange

Non-Diversified Fund Risk— The Fund is classified as "non-diversified," which means it may invest a larger percentage of its assets in a smaller number of issuers than a diversified fund. To the extent that the Fund invests its assets in a smaller number of issuers, the Fund will be more susceptible to negative events affecting those issuers than a diversified fund.

Definitions:
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.

Net interest margin: A measure of the net return on earning assets (investment returns less interest expenses, divided by average earning assets). **Basis points (bps):** a term used in finance to refer to changes in values. One basis point equals 0.01%**. EBITDA:** earnings before interest, taxes, depreciation and amortization. **Net Debt/EBITDA:** this is calculated by taking the Net Debt (total debt – cash & equivalents) divided by the EBITDA. **Net Debt/Adj. EBITDA:** calculated by taking the Net Debt (total debt – cash & equivalents) divided by adjusted EBITDA. **EV/EBITDA:** This is calculated by taking the enterprise value divided by the EBITDA. **Cash flows:** a measure of the amount of cash generated by a company's normal business operations. **Free Cash Flow (FCF):** this is calculated by taking the operating cash flows minus capital expenditures. **Earnings yield:** This is calculated by taking the inverse of the market value (price*common shares outstanding) divided by net income before unusual expense. **Gross margin:** measures a company's gross profit compared to its revenues as a percentage.

This material is not intended to be relied upon as a forecast or research and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy nor is it investment advice.

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