

Market Overview

Equity markets fell globally, and bonds posted their worst quarterly return in over 40 years. The FOMC raised short-term rates and is expected to continue a more restrictive monetary policy in coming quarters. Inflation continued to climb, with disruption from Russia's invasion of Ukraine exacerbating pressures. The benchmark 10-year Treasury yield rose from 1.51% to 2.34%. Pandemic disruptions eased in the US but worsened in Asia, particularly in China. Supply chain challenges persist.

Small caps trailed large caps and value edged growth. The Russell 2000 Value (-2.4%) fell far less than the Russell 2000 Growth (-12.6%). Sector allocations were a factor in style performance differences. The Russell 2000 Value has higher exposure to Energy, by far the top performing sector in the quarter, and lower exposure to Consumer Discretionary and Health Care, the two worst performing sectors.

The market's forward P/E remains high by historical standards, though it has declined over the last year. The forward P/E for the Russell 2000 Value looks more attractive than other indices, especially the Russell 2000 Growth, as the former trades modestly below its historical averages compared to a premium for the latter. Small cap valuations look attractive relative to large caps.

As a bottom-up, fundamental value investor, we seek high quality companies as we believe they can compound returns over long periods and also prove resilient in downturns. We believe characteristics of a high-quality company include: market leadership; recurring revenue or subscription model providing revenue visibility; high margins and operating leverage; high returns on capital; financial flexibility; and a strong management team with skin in the game and a long-term view.

Performance Highlights

Gross of Fees	QTD	1 Year	3 Years	5 Years	7 Years	10 Years	SI
US Small Cap Value	-4.68	-2.19	11.66	12.55	10.80	12.71	13.73
Russell 2000 Value	-2.40	3.32	12.73	8.57	8.77	10.54	10.36
Russell 2500 Value	-1.50	7.73	12.98	9.19	8.86	11.04	11.12
+/- Russell 2000 Value	-2.28	-5.51	-1.07	3.98	2.03	2.17	3.37
+/- Russell 2500 Value	-3.18	-9.92	-1.32	3.36	1.94	1.67	2.61

Net of Fees	QTD	1 Year	3 Years	5 Years	7 Years	10 Years	SI
US Small Cap Value	-4.79	-2.69	11.09	11.96	10.22	12.08	12.90
Russell 2000 Value	-2.40	3.32	12.73	8.57	8.77	10.54	10.36
Russell 2500 Value	-1.50	7.73	12.98	9.19	8.86	11.04	11.12
+/- Russell 2000 Value	-2.39	-6.01	-1.64	3.39	1.45	1.54	2.54
+/- Russell 2500 Value	-3.29	-10.42	-1.89	2.77	1.36	1.04	1.78

* The Bernzott US Small Cap Value strategy inception date is January 1, 1995.

Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. To obtain performance information current to the most recent month end please visit www.bernzott.com or call (800) 856-2646. See last page for full GIPS compliant disclosure.

1Q Performance

The portfolio fell -4.6% (gross), modestly below the Russell 2000 Value's decline of -2.4% and the Russell 2500 Value's decline of -1.5%.

Materials was the leading contributor to relative returns. The portfolio's holdings rose 37.5%, well above the Russell 2000 Value's -1.1% return. The two holdings, MP Materials and Compass Minerals, are discussed below. Consumer Staples also contributed. Our single holding, Hostess Brands, rose +7.4% on solid earnings and cost pressure management.

Industrials was the leading detractor, giving up some, but not all, of 4Q gains when it was the leading contributor. Cyclical exposure weighed on performance, as the portfolio's over-allocation to Capital Goods was a negative. Several holdings declined on questions about the sustainability of GDP growth. Hillenbrand, -14.5%, is a good example of a stock which settled lower as macro concerns mounted. Energy holdings gained 27.8% but trailed the Russell 2000 Value's 41.7%. In the Russell 2000 Value, Energy was one of only two of eleven sectors that posted positive returns. The other was Utilities, +4.3%, but the portfolio held no utility stocks.

We started the quarter with 31 positions and ended with 33 positions. The portfolio had a weighted average discount to fair value of 30% and a \$3.2 billion weighted average market cap.

Top Contributors	Ticker	Weight	Return	Contribution
Viper Energy	VNOM	5.03%	41.52%	1.57%
MP Materials	MP	1.02%	60.45%	0.86%
Compass Minerals	CMP	3.76%	23.21%	0.77%

Viper Energy (VNOM): This mineral rights company, possessing a premiere sponsorship with Diamondback Energy, was the top contributor. Buoyed by Diamondback's advantaged assets in the Permian Basin coupled with elevated oil prices, Viper reported strong earnings that produced significant FCF generation resulting in a 23% increase in distributions on a sequential basis. We expect distributions to continue to rise as Diamondback remains focused on growing production on Viper's acreage and continue to believe the stock remains undervalued relative to its FCF generation and distribution growth potential.

MP Materials (MP): This rare earth specialty materials company reported solid earnings driven by higher production and selling prices of neodymium-praseodymium (NdPr), a vital component for the development of magnets used in EV production, wind turbines, drones, robotics, and other industrial applications. Also contributing were offtake agreements with General Motors for magnets and expansion plans for domestic production of magnets making MP the only domestic producer. The balance sheet and cash flow generation remain strong, supportive of expansion plans in the current NdPr pricing environment.

Compass Minerals (CMP): After being a bottom contributor last quarter, this salt and plant nutrient provider rebounded and was a top contributor on progress with their battery grade Lithium assets coupled with higher Lithium prices. We expect more positive announcements including offtake agreements and JV's which should mitigate risk and provide visibility into growth potential. The balance sheet remains strong, and core salt and plant nutrient segments are rebounding and generating solid cash flow.

Top Detractors	Ticker	Weight	Return	Contribution
Janus International	JBI	2.46%	-28.10%	-0.82%
Hillenbrand	HI	4.65%	-14.58%	-0.79%
ATI Physical Therapy	ATIP	1.22%	-44.83%	-0.77%

Janus International (JBI): This manufacturer of self-storage and commercial building solutions was the largest detractor. While business activity is strong and backlog levels are at all-time high, higher steel prices negatively impacted the bottom line. JBI implemented price increases to offset the inflationary pressures going forward and steel prices have moderated which should provide better results. Fundamentals remain strong and cost issues are transient. We anticipate improvement based on strong market share.

Hillenbrand (HI): This diversified industrial company reported good results in February, but seemed to fade on inflation news and concerns about slowing economic growth. Still, the balance sheet has been deleveraged following the successful integration of the Milacron acquisition, and the company is well positioned to for future acquisitions. Management is returning capital to shareholders with a 1.9% dividend yield. A \$300 million share repurchase authorization is in place.

ATI Physical Therapy (ATIP): Elevated employee turnover persisted, contributing to poor operating results. The disruption was partly due to missteps by management during the pandemic. The stock entered the quarter as the smallest weighting in the portfolio, and the position was significantly reduced.



Portfolio Activity:

Bought: Halozyme Therapeutics (HALO), HCI Group (HCI), MP Materials (MP), and Open Lending (LPRO).

Sold: Bottomline Technologies (EPAY) and ExlService Holdings (EXLS).

New Positions:

Halozyme Therapeutics (HALO): The company's ENHANZE drug delivery technology is licensed to several leading biopharmas for use with commercial drugs and those in clinical development. The technology, used for subcutaneous administration, enables competitive differentiation and improved patient satisfaction. One use case is a formulation of a cancer drug administered subcutaneously which is much faster than infusion therapy and preferred by many patients. The company is highly profitable, boasting operating margins above 50%, and generates strong cash flow supporting an aggressive share buyback program. Growth in royalties from its partnered drugs, new licensing wins and actions to affirm the duration of its franchise should help drive the stock higher over time.

HCI Group (HCI): The company operates four divisions: insurance; insurance technology; reinsurance; and real estate. Homeowners Choice is a home and condo casualty underwriter primarily in Florida. TypTap is an insurance technology platform expanding nationally. Claddaugh is a reinsurance captive placing reinsurance for HCI. Greenleaf Capital a real estate company with over \$100 million in assets. HCI intended to bring TypTap public in early 2021 but delayed the transaction as market conditions soured for IPOs. Short-term, event-driven holders exited the stock which provided us with an attractive entry point. Delaying the IPO in no way changes HCI's underlying value proposition and we remain confident that a long-term approach will garner an attractive return.

MP Materials (MP): Discussed above.

Open Lending (LPRO): The company provides credit and risk analytics. Lenders use its platform to underwrite automotive loans to near prime and subprime borrowers. Leveraging data developed over more than twenty years, lenders can assess credit risk within seconds and determine an appropriate interest rate. Open Lending takes no credit risk. The stock has declined over the last year as transaction volumes have been impacted by chip shortages in auto manufacturing driving a moderation of sales growth, providing us an opportunity to establish a position in this highly profitable company. The stock should recover as supply constraints abate and sales resume at more normal levels.

Sold Positions:

Bottomline Therapeutics (EPAY): Activist pressure and changes to the board of directors culminated in the sale of the company to a private equity buyer for a premium. We exited with gains.

ExlService Holdings (EXLS): After approximately four years of ownership, this provider of offshore business process outsourcing solutions was sold from the portfolio as it achieved fair value. During our period of ownership, the stock almost tripled in value and significantly outperformed the Russell 2000 Value index.

Bernzott Capital Advisors Update:

We ended 1Q managing \$1.19 billion, with \$794 million in our US Small Cap Value strategy.

The statements contained herein are solely based upon the opinions of Bernzott Capital Advisors and the data available at the time of publication of this report, and there is no assurance that any predicted results will actually occur.

Bernzott Capital Advisors claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Bernzott Capital Advisors has been independently verified for the periods of Jan. 1, 1995 through December 31, 2019. Verification assesses whether the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The US Small Cap Value composite has been examined for the periods of Jan. 1, 1995 through December 31, 2019. The verification and performance examination reports are available upon request.

	# of Portfolios in Composite at period end	Total Composite Assets (\$ millions) at period end	Composite Equity Only Assets (\$ millions) at period end ⁴	Composite Dispersion %	Composite 3 Yr Standard Deviation	Russell 2000 Value 3 Yr Standard Deviation	Russell 2500 Value 3 Yr Standard Deviation	Total US Small Cap Value Assets ¹ (\$ millions)	Total Firm-wide Assets Under Management (\$ millions)	Composite Assets as a % of US Small Cap Assets at period end	Composite Assets as a % of Firm-wide Assets at period end	Bernzott Gross of Fees	Bernzott Net of Fees	Russell 2000 Value	Russell 2500 Value
2011	81	\$195.6	\$178.7	1.3%	17.70%	26.19%	24.23%	\$198.0	\$372.0	98.79%	52.58%	9.02%	8.24%	-5.50%	-3.36%
2012	39	\$170.9	\$159.7	1.0%	14.21%	20.15%	18.41%	\$192.0	\$395.2	89.01%	43.24%	16.81%	16.04%	18.05%	19.21%
2013	35	\$237.4	\$222.3	0.8%	12.33%	16.32%	15.08%	\$267.0	\$513.6	88.91%	46.22%	34.38%	33.53%	34.52%	33.33%
2014	35	\$269.1	\$260.0	0.4%	10.25%	12.77%	11.25%	\$274.7	\$528.7	97.96%	50.90%	6.73%	6.06%	4.22%	7.11%
2015	37	\$257.9	\$246.5	0.5%	12.62%	13.11%	12.03%	\$339.9	\$577.2	75.88%	44.68%	-6.91%	-7.46%	-7.47%	-5.49%
2016	34	\$385.3	\$365.7	0.3%	13.16%	15.38%	13.17%	\$405.9	\$655.3	94.92%	58.80%	17.62%	16.99%	31.74%	25.20%
2017	37	\$404.5	\$385.3	0.2%	12.47%	13.97%	11.81%	\$512.7	\$854.4	78.90%	47.34%	28.18%	27.54%	7.84%	10.36%
2018	42	\$444.1	\$421.3	0.3%	13.41%	15.76%	13.58%	\$470.0	\$793.8	94.49%	55.95%	-5.18%	-5.71%	-12.86%	-12.35%
2019	41	\$585.8	\$558.8	1.3%	15.14%	15.90%	14.43%	\$618.2	\$1,046.4	92.07%	54.39%	26.97%	26.28%	22.39%	23.56%
2020	30	\$685.8	\$670.9	0.5%	25.31%	26.49%	25.40%	\$792.7	\$1225.4	86.51%	55.96%	15.83%	15.22%	4.63%	4.88%

*Equity product inception: January 1, 1995. 1 The difference between this column and the "total composite assets at period end" is the accounts that do not meet the size parameter for the composite and any new account under management that has not met the waiting period to join the composite. 2 Presented composite performance prior to October 1, 2006 is based upon equity only returns including allocated cash. Composite performance following October 1, 2006 is based on total account returns. * - To accommodate the needs of our high net worth non-institutional clients, Bernzott Capital Advisors has and will purchase equities across the capitalization spectrum, and not limit those purchases to the small cap universe. Effective October 1, 2010, the composite was redefined to only include those clients with a specific small cap mandate. This redefinition and client accommodation has resulted in a decline of AUM in the US Small Cap Value composite without impacting firm wide AUM.*

GIPS Compliance Requirements:

Bernzott Capital Advisors is an equity portfolio investment manager that invests in U.S.-based securities. Bernzott Capital Advisors is defined as an independent investment management firm that is not affiliated with any organization.

The US Small Cap Value Composite includes all fully discretionary portfolios that invest in small capitalization U.S. stocks that are considered to have risk-adjusted returns purchased, at reasonable prices. The composite includes concentrated portfolios of market leading companies with consistent operating performance, significant recurring revenue, solid operating margin, moderate leverage and strong returns on capital. A size parameter of \$250,000 is applied for composite membership. As of October 1, 2006, composite asset performance is derived from total account performance and eligible accounts are added to the composite after accounts are under management for two complete quarters. Prior to October 1, 2006, the composite was constructed from fully discretionary small cap equity only portfolios and fully discretionary small cap equity segment carve outs of accounts included in the firm composite. Prior to October 1, 2006, accounts were included in the composite their first full quarter under management. The benchmark is the Russell 2000 Value Index (taken from published sources). The Russell 2500 Value Index is provided as a secondary benchmark.

Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks. It is a market-cap weighted index. The Russell 2500 Value Index measures the performance of the small to mid-cap value segment of the US 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.

Gross-of-Fees returns reflect only the deduction of trading costs. Net performance returns reflect the deduction from gross performance of all trading costs, actual management fees and embedded fees. Since January 1, 2005 non-fee-paying accounts represent <1% of the composite assets. For the period Jan. 1, 2004 through Dec. 31, 2004 non-fee-paying accounts represent 1% of the composite assets. For the period Jan. 1, 1998 through Dec. 31, 2003 non-fee-paying accounts represent 2% of the composite assets. Bernzott performance is stated in US dollars. Prior to 10/1/06 the annual composite dispersion was an asset-weighted standard deviation calculation for the equity only portion of the account in the composite for the entire year and calculations did not take into account the effect of cash. Following that date, the annual composite dispersion is an asset-weighted standard deviation calculation using total account returns. 1995 and 1996 dispersion values are presented as n/a since five or fewer accounts are in the composite for the entire annual periods presented. Returns are presented gross and net of management fees and include the reinvestment of all income.

For institutional client accounts in the US Small Cap Value strategy, the management fee schedule is as follows: 0.90% on the first \$10 Million; 0.80% on the next \$15 Million; 0.75% on the next \$25 Million and 0.65% on the balance. For private client accounts, the management fee schedule is as follows: 1% on the first \$2 Million; 0.75% on the next \$3 Million; 0.50% on the balance.

Special circumstances unique to a specific client may result in the negotiation of fees different than those set forth herein. We generally aggregate separate accounts of a single relationship for billing purposes. We may serve certain non-profits qualified under Section 501(c)3 IRC at a discount and we waive fees for employees and related parties.

Bernzott's composite was created July 1, 1999 and composite membership parameters were revised December 1, 2006 effective October 1, 2006. A complete list of Bernzott's composites is available upon request. The policies of valuing portfolios, calculating performance and preparing compliant presentations are available upon request. Bernzott does not utilize leverage, derivatives or short positions. Bernzott does not have any significant company events to disclose. A size parameter of \$250,000 is applied for composite membership. The minimum account size was implemented January 1, 2001. As of October 1, 2006, composite asset performance is derived from total account performance. Prior to October 1, 2006, the composite was constructed from fully discretionary small cap equity only portfolios and fully discretionary small cap equity segment carve outs of accounts included in the firm composite. Prior to January 1, 2004, the composite was known as the Small/Mid Cap Domestic Equity Composite. There was no change in the investment process as a result of the composite name change. Prior to October 1, 2006, carve-out portfolio segments were included in this composite and cash was allocated to the composite on a set percentage of 5%. As of October 1, 2006, portfolio segments are not included in this composite and all cash and cash equivalents are included in performance. An account will be removed from the composite membership if a cash outflow reduces the account value below the minimum size parameter. Additional information regarding the treatment of significant cash flows is available upon request.

Past performance is not indicative of future results. The statements contained herein are solely based upon the opinions of Bernzott Capital Advisors and the data available at the time of publication of this report, and there is no assurance that any predicted results will actually occur. This material is not investment advice. Not every client's account will have these exact characteristics. The actual characteristics with respect to any particular client account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of the investment. Bernzott reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. The information provided in this report should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any of the composite characteristics discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable.

Prior to April 2013, Schmetter & Associates, LLC. (S&A) served as an independent institutional sales and marketing representative for Bernzott Capital Advisors. S&A continues to receive 20-25% of collected revenue from specified institutional clients. S&A is not a broker/dealer. BCA currently employs two business development professionals. This professionals receive a % of collected revenue from specified institutional clients. All fees paid by Bernzott Capital are in hard dollars. No additional amount is ever billed to any client as a result of such payments.

Bernzott Capital Advisors is a registered investment adviser, registered with the SEC. Registration does not imply a certain level of skill or training. More information about the adviser, including the investment strategies, fees and objectives are more fully described in the firm's Form ADV Part 2, which is available upon request by calling (800) 856-2646, or can be found by visiting www.bernzott.com.