Bernzott Capital Advisors

**January 30, 2015**

**The U.S. Economy Stands Tall(er), Oil Takes a Fall:**

Following a rough third quarter, the U.S. equity market regained its footing and resumed its upward trajectory into year-end. The big story during the quarter was the precipitous fall in oil prices and the surge in the U.S. dollar. Despite economic malaise in Europe and slowing economic growth in emerging markets, including China, investors seem confident that the macro setting in the U.S. remains supportive of equities in the near-term. While economic growth in the U.S. slowly gains traction, interest rates and inflation remain low, and corporate profits are healthy. These conditions, along with lower energy prices, bode well for U.S. markets in early 2015.

During the fourth quarter, equities rallied across market capitalization with smaller stocks leading the way by a wide margin. The small cap oriented Russell 2000 Index posted a gain of 9.7% versus 4.9% for the S&P 500 Index which measures large cap stock performance. Investors continued to favor high yielding, bond-proxy equities including REITs and Utilities. Even with significant outperformance this quarter, small cap stocks trailed large caps by 9% in 2014, the widest margin since 1998. Value equities marginally outperformed growth among large cap and mid-cap stocks, while growth beat value in small cap equities.

**Bernzott U.S. Small Cap Value Performance Summary:**

| | QTD | YTD | 3YR | 5YR | 7YR | 10YR | SI* |
|---|---|---|---|---|---|---|---|
| **BCA (Gross)** | **7.48%** | **6.69%** | **18.76%** | **17.20%** | **11.78%** | **8.86%** | **14.78%** |
| R2000V | 9.40% | 4.22% | 18.29% | 14.26% | 7.59% | 6.89% | 10.95% |
| R2500V | 6.09% | 7.11% | 19.40% | 15.48% | 8.61% | 7.91% | 11.90% |
| + / - R2000V | -1.92% | 2.47% | 0.47% | 2.94% | 4.19% | 1.97% | 3.83% |
| + / - R2500V | 1.39% | -0.42% | -0.64% | 1.72% | 3.17% | 0.95% | 2.88% |

| | QTD | YTD | 3YR | 5YR | 7YR | 10YR | SI* |
|---|---|---|---|---|---|---|---|
| **BCA (Net)** | **7.31%** | **5.98%** | **17.98%** | **16.40%** | **11.01%** | **8.06%** | **13.86%** |
| R2000V | 9.40% | 4.22% | 18.29% | 14.26% | 7.59% | 6.89% | 10.95% |
| R2500V | 6.09% | 7.11% | 19.40% | 15.48% | 8.61% | 7.91% | 11.90% |
| + / - R2000V | -2.09% | 1.76% | -0.31% | 2.14% | 3.42% | 1.17% | 2.91% |
| + / - R2500V | 1.22% | -1.13% | -1.42% | 0.92% | 2.40% | 0.15% | 1.96% |

**Fourth Quarter Strategy Overview:**

For the fourth quarter, the Bernzott U.S. Small Cap Value composite returned 7.31% (net) compared to the Russell 2000 Value Index return of 9.40%. As they have for most of 2014, investors continued to be enamored with high yielding equities. REITs and Utilities, which together comprise over 25% of the index, were the best performers during the quarter. Financial Services and Health Care stocks were also up nicely during the quarter. While markets were broadly higher, the one lagging sector was Energy. During the quarter, oil prices fell nearly 50%. Energy-related companies tied to oil were battered as a result.

The U.S. Small Cap Value strategy's underperformance during the quarter was driven primarily by our continued underweighting in Financials and Utilities and weakness in Materials. Generally speaking, we find most financial oriented companies, particularly small banks and REITs, as well as Utilities, unattractive given their exposure to leverage in their businesses. When these stocks rally sharply, we tend to underperform. Our overweight to Materials, along with poor stock selection within the sector, also hurt relative performance. Rayonier Advanced Materials (-31%), which reported poor quarterly results, was not only our worst performer in our Materials allocation, it was our worst performer for the quarter overall.

Partially offsetting the foregoing was our underweighting in Energy and strength in Information Technology and Health Care. With plunging oil prices during the quarter, simply by being underweighted to the Energy sector was a significant positive for the strategy. Moreover, our one Energy position, Dresser-Rand Group, held up nicely due to its pending acquisition by Siemens, while the rest of the stocks in the sector fell in kind with the price of oil. The portfolio's overweight to Information Technology and Health Care was also a positive contributor to performance. Returns of the stocks within those two sectors ranged from 5% to 15%, with Masimo an outlier. Masimo rallied 24% during the quarter after it released quarterly results that pleased investors.

**2014 Strategy Overview:**

For the year, the U.S. Small Cap Value composite's 2014 return was 5.98% (net) compared to the benchmark Russell 2000 Value Index's return of 4.22%. We are thrilled with our performance for the year given how poorly we performed in the first quarter when we trailed our benchmark nearly 5%. Merger & Acquisition activity was a positive theme for the Small Cap Value strategy as four portfolio company acquisitions were announced: MICROS (by Oracle) in June 2014, International Game Technology (by GTech) in July 2014, Dresser-Rand Group (by Siemens) in September 2014 and PetSmart (by private equity - led by BC Partners) in December 2014.

While M&A was a significant contributor to the strategy's outperformance over the year, good old fashioned stock picking set the foundation for our success in 2014. Given our bottom-up approach, our sector exposures are a fallout of stock selection. As a result, we tend to be significantly over or underweight the sector exposures of the index. For instance, the Russell 2000 Value Index has a 40% weighting to Financials, while our U.S. Small Cap Value strategy has no direct exposure. In 2014, this was a significant headwind (-3.9%) as financial service companies, small banks, and REITs performed extremely well. This was also the case for Utilities, where yield-hungry investors snapped up shares of utility stocks during the year. Utilities were up 21% and having no exposure to the sector detracted (-1.3%) from performance. Finally, our Materials overweight and poor stock selection within the group was a headwind (-1.2%) throughout the year. Primary detractors were Rayonier Advanced Materials (-42%) and Owens-Illinois (-25%).

Our successes during the year could be found in Energy, Information Technology, and Industrials. Within the Energy sector (+4.3%), we benefited from our underexposure to the group and excellent stock picking. Dresser-Rand Group (+37%) was the target of M&A during the third quarter with Siemen's paying a significant premium for the company. As we noted above, the fall in the price of oil during the fourth quarter hurt the whole sector (-38%) in 2014. Stock selection in the Information Technology (+2.8%) sector paid off over the year. Our portfolio names not only benefited from M&A (MICROS/Oracle), but also from solid earnings growth. Verint Systems (+1.1%) and Broadridge Financials (+0.8%) were primary contributors to performance. An overweight to the Industrials sector added (+1%) to performance. Stock performance within this sector was mixed; weakness in Clean Harbors and Mistras Group was more than offset by strength in Cintas, Hillenbrand, and Landstar System.

**Q414 "Hits and Misses":**

***What worked***

Gentex (GNTX) +35% - Gentex rallied on strong quarterly results ahead of consensus and well ahead of last year fueled by the HomeLink acquisition. Additionally, the company announced a 2 for 1 stock split and repurchasing $20 million of stock. Gentex is the dominant player in auto dimming mirrors with a 90% market share. We believe penetration into the marketplace is just beginning and the company is poised for growth.

SP Plus (SP) +33% - SP posted solid quarterly results and reiterated guidance for the year. The merger integration with Central Parking is nearly complete and they expect all locations to be operating on one system by year end as scheduled. Additionally, the company also announced a new joint venture with Parkmobile USA. Standard Parking's CEO, Jim Wilhelm, announced his retirement but he will remain Chairman of the Board effective January 1, 2015. Marc Baumann, SP's CFO, was promoted to CEO. We see no issues with the transition.

Masimo (MASI) +24% - MASI rallied during the quarter after posting solid quarterly results. Revenue was +10% vs. last year (as expected) as company anniversaried some contract renewals that had negatively impacted revenue growth in prior quarters. Rainbow, the company's newest product, posted 10% revenue growth versus last year which was below expectations due to order delays. MASI management is optimistic it can secure one of these larger outstanding orders in early 2015. Overall, margins continue to improve and the company has continued to repurchase shares. Additionally, MASI successfully defended its intellectual property winning a $466 million patient infringement case against Philips (since appealed). MASI appears to be back on track and if they can continue to show strong top line growth they should regain favor with analysts and investors.

***What didn't work***

Rayonier Advanced Materials (RYAM) -32% - The company posted weak quarterly results that were well below consensus and last year. RYAM is currently facing significant market challenges: industry-wide expansion of capacity resulting in oversupply and pricing pressure, weak commodity market pricing and slower growth in end-demand. Additionally, current CEO, Paul Boynton has come under scrutiny after an internal review of Rayonier (RYN), RYAM's pre-spinoff parent, discovered previously unreported overharvesting in the Pacific Northwest that resulted in RYN having to restate financial results and cut its dividend by 17%. Boynton was CEO of RYN at the time. While we believe RYAM retains a number of strong features and is woefully undervalued at these levels, we continue to carefully monitor the situation.

Clean Harbors (CLH) -11% - CLH posted weak quarterly results that were below consensus and last year. They also lowered guidance for 2014. CLH's Oil Re-Refining and Recyling segment continues to face a challenging environment; CLH took a $123.4 million pre-tax impairment charge as a result. CLH is also seeing softness in the Oil Sands which is impacting its Industrial Field Services and Lodging Services segments. While margins have been strong, currency translation headwinds have been a negative factor (30% of revenue generated in Canada). Offsetting the preceding was "crown jewel" Technical Services segment delivering another record quarter. Incinerator utilization was 90%, down from 95% in the second quarter due to scheduled maintenance shutdowns that were completed in the third quarter. As a result, CLH has a large backlog entering 2015. Management reported its strategic review was completed and findings presented to the Board. We expect the company to consider selling or spinning off additional assets. On January 20, 2015, CLH announced it would separate its oil and gas field services unit into a stand-alone public entity.

Mistras Group (MG) -10% - Mistras posted mixed quarterly results during the period with revenue ahead of consensus while EPS results failed to meet expectations. Additionally, 2015 guidance was disappointing as revenue guidance was raised to account for a recent acquisition but EBITDA guidance was only reiterated. Management stated it is not satisfied with the present margins and profitability and has launched several initiatives to address and improve them. We expect MG's results will likely continue to be volatile given its exposure to the oil & gas industry. On January 7, 2015, MG reported solid quarterly results that came in ahead of expectations. The company also reiterated guidance for the fiscal year.

**2014 "Hits and Misses":**

***What worked***

Dresser-Rand (DRC) +37% - While we liked DRC's business as a stand-alone, we believed for some time that DRC's high quality business would be a target for a number of potential acquirers. We were rewarded for our patience as German-based, Siemen's offered $83 a share in September.

Verint Systems (VRNT) +28% - We began adding Verint Systems in January shortly after the company announced plans to acquire KANA Software. We believed at the time that VRNT would experience a number of revenue synergies as a result of the acquisition only enhancing the company's favorable margin and cash flow characteristics. We began buying shares under $46, a 35% discount to our fair value. As the year came to a close, VRNT was trading at $58.

Teleflex (TFX) +24% - The medical device company posted solid earnings and revenue gains throughout 2014. Much of this was driven by its 2013 acquisition of Vidacare Corp. While we like the company's ability to execute its conservative game plan for growth, the stock is approaching 95% of fair value. During the year, we reduced the position from 5.5% to approximately 3.0%.

***What didn't work***

Rayonier Advanced Materials (RYAM) -42% (see above)

Landauer (LDR) -32% - Landauer faced a perfect storm of challenges in 2014, both operationally and business related. Management wrote down the value of their IZI acquisition by $84.9 million. Considering they paid $93 million for the company in 2011, we can conclude management took a swing and missed. As a result, CEO Bill Saxelby was terminated and replaced with Mike Leatherman. Add to this news that the company completed a financial review to evaluate the financial controls of the company. This delayed its 10-K filing by six weeks. We continue to believe the stock is priced for a dividend cut which has yet to happen. From our point of view, we believe the company is moving in the right direction under Leatherman. The core Radiation Measurement business is solid with high recurring revenue and high margins, while the Medical Physics business is on the upswing. From a valuation perspective, LDR is one of the cheapest stocks we own.

Weight Watchers (WTW) -34% - We exited the position in the first quarter of 2014 after management provided 2014 guidance that was significantly below prior guidance and consensus. WTW has been struggling for some time. We attended the firm's analyst day in November 2013 in NYC and came away cognizant of the near-term challenges posed by both free apps and activity monitors but also excited about the growth potential for its healthcare business. We also thought the company's new Simple Start marketing campaign featuring Jessica Simpson would be successful and kick-start membership growth. Unfortunately management delivered the news that competition had intensified and the new campaign was not as successful as expected. As a result, a significant guidance "reset" was required. We spoke with WTW's CFO and came away from the call convinced that WTW is in the midst of a multi-year turnaround and given its excessive leverage (over 9x 2015E EBITDA), it now faces the real prospect of bankruptcy if it does not get its operations back on track before a significant debt maturity comes due in 2016. Given the foregoing, we made the decision to exit the position at a loss.

**<u>Q414 Portfolio Activity:</u>**

- We established one new position (see description below): Knowles Corporation (KN)
- We exited no positions.
- We added to two positions: Mistras Group (MG) and Rayonier Advanced Materials (RYAM)
- Lastly, we trimmed three positions: Broadridge Financial (BR), Dresser-Rand (DRC) and Teleflex (TFX)

**Knowles Corporation (KN)** - $2.0 bil market capitalization – based in Itasca, IL (25 miles west of Chicago), the company has been in business since 1946 and was spun-off from Dover Corp. (NYSE: DOV / $11.3 bil M/C) in February 2014. KN has the leading position (65% market share) in micro-electro-mechanical systems (MEMS) microphones, speakers and receivers which are used in smartphones, tablets and mobile handsets. It is also the leading manufacturer of transducers used in hearing aids. KN benefits from high barriers to entry, as the company has been issued >500 patents, has shipped >10 billion units, spends more money on R&D than all of its competitors combined ($80 million) and has ~6X as much capacity as its next largest competitor. The company sports favorable long-term growth rates as traditional smartphones are expected to grow at a 5.5% CAGR through 2018, phablets are expected to grow at a 60% CAGR, and tablets are expected to grow at a 6.8% CAGR. Their blue chip customers include: Apple, Samsung, HP, HTC, Philips, Ericsson, Siemens, ZTE, and Medtronic, amongst others. We believe the company can expand margins while realizing significant cost savings from consolidating 18 facilities to 11. The stock fell into our lap after the company announced weak preliminary results in early October that surprised investors and provided an attractive entry point for us.

**Bernzott Organizational Update:**

Bernzott Capital Advisors ended the year managing approximately $529 million with $275 million managed in our U.S. Small Cap Value strategy and over $182 million in our U.S All Cap Value strategy. Our mutual fund, ***BSCVX***, which mirrors our U.S. Small Cap Value separate account composite, is available on most major mutual fund platforms including Charles Schwab and Fidelity. As we go to publication with this overview, the mutual fund had over $21 million in assets under management. Morningstar has the fund ranked in the top quartile of Small Blend funds over the past 12 months.

We continue to see interest in our investment strategies and expect steady growth in 2015. In anticipation of this growth, we added Mark Scott in November to our operations team. Mark will handle client reporting duties and assist Denelle Rutherford and Priscilla Simon in running the back office. On the technology front, we engaged Advent to help us develop an internal portfolio attribution software solution. With this tool in hand, we can run detailed portfolio attribution down to the security level for not only our composites, but also for our individual clients. Finally, we have retooled and refreshed our website in order to improve functionality and communication with our clients and other interested parties. Going forward, we will hope to make the site a destination for those seeking current information and updates about our firm and strategies.

## Explanation of Equity Performance
## Performance Footnote Disclosure - 4Q2014

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 September 30, 2013. 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 September 30, 2013.
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[3] % | 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[2] ($ 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **1995**[1] | 2 | < $1.0 | < $1.0 | n/a | n/a | n/a | n/a | $ 0.8 | $ 3.0 | n/a | n/a | **26.61%** | **25.24%** | **25.75%** | **29.76%** |
| **1996** | 8 | $ 1.7 | $ 1.2 | n/a | n/a | n/a | n/a | $ 2.2 | $ 6.3 | 77.3% | 27.0% | **28.53%** | **27.14%** | **21.37%** | **22.21%** |
| **1997** | 17 | $ 4.3 | $ 3.0 | 4.7% | 8.88 | 9.41 | 8.89 | $ 5.4 | $ 11.1 | 79.6% | 38.7% | **32.57%** | **31.21%** | **31.78%** | **33.09%** |
| **1998** | 33 | $ 7.1 | $ 5.9 | 3.2% | 11.09 | 15.10 | 14.88 | $ 8.6 | $ 17.7 | 82.6% | 40.1% | **11.52%** | **10.49%** | **-6.45%** | **-1.92%** |
| **1999** | 53 | $ 14.6 | $ 10.5 | 5.6% | 13.29 | 16.32 | 16.14 | $ 16.6 | $ 31.3 | 88.0% | 46.7% | **-1.56%** | **-2.43%** | **-1.49%** | **1.49%** |
| **2000** | 54 | $ 19.0 | $ 14.1 | 9.0% | 14.23 | 16.61 | 16.55 | $ 21.0 | $ 37.8 | 90.5% | 50.3% | **28.59%** | **27.53%** | **22.83%** | **20.79%** |
| **2001** | 70 | $ 32.1 | $ 24.3 | 6.2% | 13.24 | 14.65 | 14.62 | $ 36.1 | $ 49.6 | 88.9% | 64.7% | **19.21%** | **18.37%** | **14.02%** | **9.74%** |
| **2002** | 152 | $ 53.3 | $ 38.4 | 4.2% | 11.28 | 17.39 | 16.27 | $ 74.1 | $ 100.8 | 71.9% | 52.9% | **11.89%** | **11.13%** | **-11.42%** | **-9.87%** |
| **2003** | 177 | $ 123.3 | $ 98.3 | 4.7% | 9.86 | 18.42 | 16.97 | $ 170.6 | $ 195.0 | 72.3% | 63.2% | **38.95%** | **37.92%** | **46.03%** | **44.93%** |
| **2004** | 273 | $ 168.4 | $ 138.2 | 4.0% | 10.73 | 17.51 | 15.68 | $ 232.9 | $ 299.4 | 72.3% | 56.3% | **19.42%** | **18.51%** | **22.25%** | **21.58%** |
| **2005** | 403 | $ 436.4 | $ 299.0 | 2.2% | 11.28 | 14.09 | 12.81 | $ 507.1 | $ 515.9 | 86.1% | 84.6% | **0.81%** | **-0.05%** | **4.71%** | **7.74%** |
| **2006** | 338 | $ 592.4 | n/a | 3.4% | 10.91 | 12.33 | 10.85 | $ 703.6 | $ 800.4 | 84.2 % | 74.0 % | **28.82%** | **27.72%** | **23.48%** | **20.18%** |
| **2007** | 363 | $ 564.8 | n/a | 2.9% | 12.01 | 12.59 | 11.03 | $ 622.3 | $ 736.9 | 90.8 % | 76.7 % | **-17.44%** | **-18.18%** | **-9.78%** | **-7.27%** |
| **2008** | 320 | $ 344.9 | n/a | 4.8% | 16.99 | 19.14 | 18.38 | $ 405.1 | $ 405.1 | 85.1 % | 85.1 % | **-21.33%** | **-21.85%** | **-28.92%** | **-31.99%** |
| **2009** | 278 | $ 442.5 | n/a | 5.8% | 20.01 | 25.62 | 24.61 | $ 481.8 | $ 481.8 | 91.8 % | 91.8 % | **25.32%** | **24.41%** | **20.58%** | **27.68%** |
| **2010** | 94 * | $ 302.0 * | n/a | 1.2% | 20.55 | 28.37 | 26.97 | $ 319.7 | $ 470.8 | 94.4 % | 64.2 % | **21.13%** | **20.23%** | **24.50%** | **24.82%** |
| **2011** | 80 | $ 195.2 | n/a | 1.3% | 17.70 | 26.05 | 24.23 | $ 198.0 | $ 372.0 | 98.6 % | 52.5 % | **9.02%** | **8.24%** | **-5.50%** | **-3.36%** |
| **2012** | 34 | $ 169.2 | n/a | 1.0% | 14.21 | 19.89 | 18.41 | $ 192.0 | $ 395.2 | 88.1 % | 42.8 % | **16.81%** | **16.04%** | **18.05%** | **19.21%** |
| **2013** | 36 | $ 237.8 | n/a | 1.5% | 12.34 | 15.82 | 15.07 | $ 267.9 | $ 512.9 | 88.8 % | 46.4 % | **34.38%** | **33.52%** | **34.52%** | **33.33%** |
| **2014** | 35 | $ 269.9 | n/a | 0.4% | 10.41 | 12.79 | 11.25 | $ 274.7 | $ 528.7 | 98.2 % | 51.0% | **6.69%** | **5.98%** | **4.22%** | **7.11%** |

*[1] Equity product inception: January 1, 1995. [2] 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 acct under mgmt that has not met the waiting period under mgmt to join the composite. [3] 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. Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year, and is shown as n/a. [4] 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 Bernzott's benchmark is the Russell 2000 Value Index (taken from published sources). The Russell 2500 Value Index is provided as a secondary benchmark.

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. Bernzott's standard institutional account fee schedule to-date is 90 bp on the first $10 million, 80 bp on the next $15 million, 75 bp on the next $25 million, and 65 bp on the next $50 million. Bernzott's standard private client account fee schedule to-date is 100 bp on the first $2 million, 75 bp on the next $3 million, 50 bp on the next $5 million. Actual investment advisory fees incurred by clients may vary.

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.

**Supplemental Information - Market Proxy : Russell 2000 Value**

| | | Bernzott Annualized Std Dev | R 2000v Annualized Std Dev | Alpha | Beta | R-Squared | Cumulative | | | | Annualized | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Bernzott *Gross* | Bernzott *Net* | Russell 2000 V | Russell 2500 V | Bernzott *Gross* | Bernzott *Net* | Russell 2000 V | Russell 2500 V |
| 1 Yr | 12/31/13-12/31/14 | 10.68 | 15.46 | 3.83 | 0.62 | 0.81 | **6.69** | **5.98** | **4.22** | **7.11** | **6.69** | **5.98** | **4.22** | **7.11** |
| 2 Yrs | 12/31/12-12/31/14 | 10.75 | 13.61 | 6.31 | 0.79 | 0.79 | **43.37** | **41.51** | **40.19** | **42.80** | **19.74** | **18.96** | **18.40** | **19.50** |
| 3 Yrs | 12/31/11-12/31/14 | 10.41 | 12.98 | 5.65 | 0.70 | 0.75 | **67.47** | **64.21** | **65.50** | **70.24** | **18.75** | **17.98** | **18.29** | **19.40** |
| 5 Yrs | 12/31/09-12/31/14 | 12.98 | 17.72 | 6.78 | 0.68 | 0.87 | **121.15** | **113.70** | **94.72** | **105.35** | **17.20** | **16.40** | **14.26** | **15.48** |
| 7 Yrs | 12/31/07-12/31/14 | 16.34 | 22.16 | 5.86 | 0.69 | 0.88 | **118.01** | **107.78** | **66.88** | **78.32** | **11.78** | **11.01** | **7.59** | **8.61** |
| 10 Yrs | 12/31/04-12/31/14 | 15.21 | 19.77 | 3.61 | 0.71 | 0.84 | **133.71** | **117.00** | **94.67** | **114.09** | **8.86** | **8.06** | **6.89** | **7.91** |
| 15 Yrs | 12/31/99-12/31/14 | 14.15 | 18.75 | 6.50 | 0.64 | 0.72 | **565.14** | **494.95** | **331.08** | **350.65** | **13.46** | **12.62** | **10.23** | **10.56** |
| 20 Yrs (Inception) | 01/01/95-12/31/14 | 13.57 | 17.66 | 7.49 | 0.63 | 0.67 | **1475.59** | **1240.20** | **699.03** | **846.74** | **14.78** | **13.86** | **10.95** | **11.90** |

** Equity product inception: January 1995.*

**Past performance is not indicative of future results.**

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