

## Investment Philosophy

We are a fundamental, “bottom up” manager with a long-term time horizon. Our investment philosophy highlights buying high quality companies at a 30%+ discount to estimated fair value. Our approach emphasizes rigorous research, a disciplined stock selection process, a strong valuation orientation, a focused portfolio (25-35 holdings) and a well-defined sell discipline.

### Portfolio Overview

Turnover	40% or less avg.
Time Horizon	3-5 years
Universe	\$250mm - \$5Bn
Focused	25 - 35 positions
Sector Weights Target	< 3X Benchmark
Typical Holding	2 - 5%
Maximum Holding	6%
Cash	5% avg.
Active Share	99.2%

### Risk Metrics\*

Beta	0.72
R-Squared	0.67
Standard Deviation	12.5%
Sharpe Ratio	0.87
Alpha	5.5%
Tracking Error	8.20
Information Ratio	0.42
Batting Average	0.58
Up Market Capture	86.1%
Down Market Capture	64.1%

\*3 YRS ending 3/31/18 vs. Russell 2000 Value

### Firm

Founded in 1994	
All Employees are Shareholders	
AUM (Firm)	\$850 mm
AUM (U.S. Small Cap Value)	\$513 mm

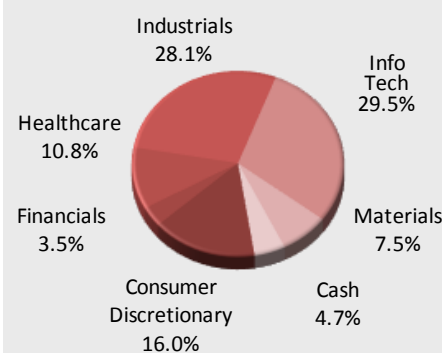
### Investment Team

Kevin Bernzott	1994 (24 yrs exp.)
Tom A. Derse, CFA	2004 (18 yrs exp.)
Scott T. Larson, CFA	2007 (22 yrs exp.)
Ryan J. Ross, CFA	2014 (13 yrs exp.)

### Top 10 Holdings

Bottomline Technologies (de), Inc.	5.7%
Douglas Dynamics, Inc.	5.0%
Catalent, Inc.	4.8%
Callaway Golf Company	4.7%
Shutterstock, Inc.	4.7%
Gentex Corporation	4.5%
SP Plus Corporation	4.5%
EPAM Systems, Inc.	4.4%
#REFRESH	4.4%
Hillenbrand, Inc.	4.3%
<b>% of total portfolio</b>	<b>47.0%</b>

### Sector Breakdown



### Portfolio Characteristics

Number of holdings	25
Weighted Avg Market Cap	\$3.6Bn
Median Market Cap	\$2.7Bn
Largest Cap	\$15.7Bn
Smallest Cap	\$0.5Bn
EBIT Margin (LTM)	12.8%
ROE (Trailing 5Yr)	13.7%
LT EPS Growth (5Yr)	11.0%
P/E Ratio (Forward)	18.1x
Divident Yield (Current)	1.1%
Discount to Fair Value	17.4%

### Small Cap Value Composite Performance (3/31/18)

	1Q18	1YR	3YRS	5YRS	7YRS	10YRS	Inception*
<b>Bernzott Small Cap Value Equity (Gross)</b>	1.3%	21.5%	11.3%	12.7%	13.5%	12.6%	14.3%
<b>Bernzott Small Cap Value Equity (Net)</b>	1.1%	20.7%	10.7%	12.0%	12.8%	11.9%	13.4%
Russell 2000 Value	-2.6%	5.1%	7.9%	10.0%	9.4%	8.6%	10.5%
Russell 2500 Value	-2.7%	5.7%	7.3%	9.9%	10.0%	9.3%	11.3%

**Quarterly Commentary:** The U.S. Small Cap Value composite’s 1Q18 return was +1.1% (net) compared to the benchmark Russell 2000 Value’s return of -2.6%. In 1Q18, the strategy’s +374 bps of outperformance was primarily driven by strength in Information Technology (+157 bps), Consumer Discretionary (+102 bps) and underweighting in Real Estate (+84 bps), offset in part by weakness in Financials (-59 bps), Materials (-53 bps) and Healthcare (-38 bps). The top three contributors were Mobile Mini (MINI), Callaway Golf (ELY) and Bottomline Technologies (EPAY). The top three detractors were Compass Minerals (CMP), The Michaels Companies (MIK) and Mistras Group (MG).

We did not initiate any new positions in the quarter. We ended the quarter with 25 positions. We continue to believe the portfolio is well positioned for long-term appreciation with a weighted-average discount to fair value of 17.4% at the end of 1Q18.

Patience is an important aspect of our approach to investing. While our investment process begins with selecting high quality companies, as value investors, we want to purchase an interest in these companies at a significant discount to fair value. Therefore, we will wait patiently for the right opportunities to present themselves in order to buy these companies at the right price.

We did experience some increased volatility in the first quarter of 2018 and the S&P 500 did have its first negative return quarter since 3Q 2015, finishing down -1.2% or -0.8% on a total return basis. However, market volatility alone generally isn’t enough to create the attractive buying opportunity we seek, especially for the high quality companies we are looking to purchase. Typically, company-specific issues such as an earnings miss, a near-term execution issue or a business model transition are what cause analysts or investors to become overly negative or to indiscriminately sell in the short-term, which provide long-term investors like us an attractive entry point to initiate a position.

Once we have established our initial position, we monitor the company closely and recalculate fair value on no less than a quarterly basis. Our stated investment horizon is three to five years. That said, as long as the company is continuing to execute and trade at a discount to fair value, we will continue to hold the position. In addition, we will begin to trim the position when it reaches 90% of fair value and exit when it reaches 100% of fair value. We believe this patient approach to initiating, monitoring and ultimately selling a position helps us to maximize returns for our clients.

## Explanation of Equity Performance Performance Footnote Disclosure - 1Q2018

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, 2016. 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, 2016. 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 <sup>4</sup>	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 <sup>1</sup> (\$ 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
2008	320	\$ 344.9	n/a	4.8%	17.23	19.41	18.54	\$ 405.1	\$ 405.1	85.1 %	85.1 %	-21.33%	-21.85%	-28.92%	-31.99%
2009	278	\$ 442.5	n/a	5.8%	20.03	25.98	24.96	\$ 481.8	\$ 481.8	91.8 %	91.8 %	25.32%	24.41%	20.58%	27.68%
2010	94 *	\$ 302.0 *	n/a	1.2%	20.85	28.77	27.53	\$ 319.7	\$ 470.8	94.4 %	64.2 %	21.13%	20.23%	24.50%	24.82%
2011	80	\$ 195.2	n/a	1.3%	17.95	26.42	24.57	\$ 198.0	\$ 372.0	98.6 %	52.5 %	9.02%	8.24%	-5.50%	-3.36%
2012	34	\$ 169.2	n/a	1.0%	14.41	20.17	18.67	\$ 192.0	\$ 395.2	88.1 %	42.8 %	16.81%	16.04%	18.05%	19.21%
2013	35	\$ 237.4	n/a	0.8%	12.52	16.05	15.29	\$ 267.0	\$ 513.6	89.0 %	46.2 %	34.38%	33.52%	34.52%	33.33%
2014	35	\$ 269.9	n/a	0.4%	10.41	12.98	11.14	\$ 274.7	\$ 528.7	98.2 %	51.0%	6.69%	5.98%	4.22%	7.11%
2015	38	\$ 259.7	n/a	0.5%	12.80	13.65	12.19	\$339.8	\$577.2	75.9 %	44.7%	-6.91%	-7.46%	-7.47%	-5.49%
2016	35	\$ 385.3	n/a	0.3%	13.34	15.72	13.36	\$405.9	\$655.3	93.8%	58.1%	17.65%	16.97%	31.74%	25.2%
2017	36	\$404.2	n/a	0.2%	12.70	14.20	11.98	\$512.7	\$854.4	78.9%	47.3%	28.21%	27.41%	7.84%	10.36%

Equity product inception: January 1, 1995. <sup>1</sup>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. <sup>2</sup> 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.

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.

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. BCA currently employs two individuals responsible for business development. They 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.

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