Bernzott Capital Advisors

April 12, 2019

U.S. Small Cap Value Strategy

Don't Judge a Book by Its Cover

In contrast to 4Q18, the broader averages turned positive in 1Q19, as a dovish Fed and the possibility of trade deal with China unleashed the animal spirits. Specifically, in 1Q19, the Dow was +11.8%, the S&P 500 was +13.7%, the Nasdaq was +16.8% and the Russell 2000 was +14.9%. 1Q19 was the best quarterly performance for the S&P 500 since 3Q09, bouncing back from 4Q18's performance, which was the worst since 4Q08. It was also the best quarterly performance for the Russell 2000 since 4Q11. Outside of equities, the CBOE VIX declined 46.1% and WTI Crude Oil was +33.3% in the quarter.

In 1Q19, all 11 S&P 500 sectors posted positive returns. The top three sectors were Information Technology (+19.4%), Industrials (+16.6%) and Real Estate (+16.6%). The top three "detractors" were Materials (+9.68%), Financials (+7.90%) and Health Care (+6.12%).

In 1Q19, from a style perspective, large outperformed small (Russell 1000 beat the Russell 2000 by 640 bps), growth outperformed value (Russell 1000 Growth beat the Russell 1000 Value by 420 bps) and low quality (S&P rated B or lower) beat high quality (S&P rated B+ or higher) by 440 bps. That said, high quality companies did outperform low quality companies by 47 bps in March 2019.

In 1Q19, among small cap value stocks specifically, large (>$1 billion), low P/E, high beta, low ROE, high debt-to-capital, low dividend yield and high long-term EPS growth companies performed best in the quarter. Information Technology and Energy were the two strongest performing sectors in the Russell 2000 Value in the quarter.

When investors and consultants review our portfolio, they sometimes comment it doesn't appear to be a value portfolio. We'd like to provide some context on our investment approach.

Ask investors to describe a value stock and you'll likely get a variety of answers. The classic definition of a value stock is one that looks "cheap" on a price/earnings or price/book multiple basis relative to the market or a peer group. We would contend that a value stock could also be one that trades at significant discount to intrinsic (or fair) value.

As it relates to our portfolio, investing in quality companies remains our first priority. However, the price we pay for these companies is very important and we want to buy these quality companies at a significant discount (at least 30%) to our assessment of intrinsic (or fair) value. We often obtain this discount due to some type of short-term event that causes the company's valuation to decline temporarily. This short-term event can have the effect of pressuring the company's earnings thereby making the current price/earnings multiple appear abnormally high. As a result, the company doesn't look "cheap" on a traditional multiple basis.

An example of a short-term event is a software company moving from a license model to a cloud-based subscription model. This type of transition has significant long-term benefits for both the company and shareholders but it negatively impacts both revenue and earnings in the short-term. Therefore, traditional valuation multiples will be artificially high and not provide a true picture of what is really happening at the company. Internally, we make adjustments to look at normalized cash flows and consider the resulting normalized multiples when we assess the company's prospects. Furthermore, we focus on the company's stock price relative to our assessment of fair value and are less concerned about how cheap or expensive a company is relative to its current earnings or book value.

Please see the "Company Spotlight" profile below on Cornerstone OnDemand (CSOD) that provides a detailed example of a high quality company going through a business model transition that we added to the portfolio in April 2018.

We added a new position, BrightView (BV) to the portfolio in January 2019 (see below). With the portfolio trading at over a 24% discount to our estimate of fair value at the end of March 2019 we remain very excited about the portfolio's return potential.

Thank you for your trust and support. We look forward to speaking with you soon.

Performance (periods ending March 31, 2019):

	QTD	1YR	3YR	5YR	7YR	10YR	SI*
BCA (Gross)	**14.03%**	**6.78%**	**16.99%**	**10.81%**	**13.16%**	**16.23%**	**13.99%**
R2000V	11.93%	0.17%	10.86%	5.59%	9.62%	14.12%	10.07%
R2500V	13.12%	1.84%	9.85%	6.02%	10.22%	15.03%	10.89%
+ / - R2000V	2.10%	6.61%	6.13%	5.22%	3.54%	2.11%	3.92%
+ / - R2500V	0.91%	4.94%	7.14%	4.79%	2.94%	1.20%	3.10%

	QTD	1YR	3YR	5YR	7YR	10YR	SI*
BCA (Net)	**13.85%**	**6.04%**	**16.32%**	**10.16%**	**12.48%**	**15.49%**	**13.12%**
R2000V	11.93%	0.17%	10.86%	5.59%	9.62%	14.12%	10.07%
R2500V	13.12%	1.84%	9.85%	6.02%	10.22%	15.03%	10.89%
+ / - R2000V	1.92%	5.87%	5.46%	4.57%	2.86%	1.37%	3.05%
+ / - R2500V	0.73%	4.20%	6.47%	4.14%	2.26%	0.46%	2.23%

**The Bernzott U.S. 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 2019 Performance:

The U.S. Small Cap Value composite's 1Q19 return was +13.9% (net) compared to the benchmark Russell 2000 Value's return of +11.9%. In 1Q19, the strategy's +192 bps of outperformance was primarily driven by Information Technology (+449 bps), Healthcare (+128 bps) and Industrials (+122 bps) offset by underweighting in Financials (-198 bps), underweighting in Real Estate (-193 bps) and underweighting in Energy (-103 bps). The top three contributors were EPAM Systems (EPAM), Shutterstock (SSTK) and Verint Systems (VRNT). The top three detractors were The Michaels Stores (MIK), Quotient Technology (QUOT) and Mistras Group (MG). We sold TriMas (TRS) and initiated one position in the quarter: BrightView (BV); please see the summary below. We ended the quarter with 29 positions. We continue to believe the portfolio is well positioned for long-term appreciation with a weighted-average discount to fair value of 24.4% at the end of 1Q19.

1Q19: Top 3 Contributors	Ticker	Weight	Return	Contrib.
EPAM Systems, Inc.	EPAM	4.30%	45.66%	1.68%
Shutterstock, Inc.	SSTK	5.05%	29.47%	1.37%
Verint Systems Inc.	VRNT	3.46%	41.43%	1.31%

EPAM Systems (EPAM): EPAM posted strong 4Q results and issued solid 2019 guidance. Revenue was $505mm vs. guidance of "at least" $500mm and consensus $501mm. Revenue was +28.9% constant currency (with a couple of percentage points benefit from the TH_NK and Continuum acquisitions), marking the 32nd consecutive quarter of 20%+ organic revenue growth. EPS was $1.27 (+27% Y/Y) compared to guidance of "at least" $1.22 and consensus $1.23. Revenue growth was strong and broad based, although there was particular strength in Life Sciences (10% of revenue), which was +71% Y/Y accelerating from +40% in 3Q. Meanwhile Emerging Verticals was +38%, Software & Hi-Tech was +26%, and Business Information and Media was +24%. Travel & Consumer and Financial Services (collectively 44% of total revenue) were each +21%, excluding F/X. As is typical of the Founder/CEO, there was not much specific commentary on the earnings call describing the drivers of these segments. He did state, "The drivers of growth remained very consistent and include digital transformation, an increased focus on customer engagement, product development and driving efficiencies and deeper insights through artificial intelligence, machine learning and analytics." The company has a loyal customer base, with the top 10 clients having been with EPAM for an average of 12 years. EPAM has 14 clients that generate >$20mm in revenue, up from 10 in 2017. The company also has an additional 22 clients that generate $10mm-$20mm in revenue, up from 16 last year. While EPAM has grown revenue at a 27% CAGR over the past five years, the CEO refers to the business as a 25-year old start-up as the company focuses significant efforts on developing people through investments in talent management, educational and delivery platforms that help EPAM to scale, engage and retain engineering, consulting, design and management capabilities globally. The balance sheet remains rock solid with net cash at $746mm; priorities of FCF remain the same: reinvest in the core business, and M&A. In 2019, organic, constant currency revenue growth is expected to be at least 22%. The company has 90%+ recurring revenue visibility from clients that have been with them for over a year (and 80%-90% overall). While the company is executing at an exceptionally high level, we trimmed our position in the quarter due to valuation.

Shutterstock (SSTK): After a rough 4Q (stock -34%), SSTK bounced back after the company reported better than expected 1Q profitability, and in-line 2019 guidance, which was more than enough to prop up the beaten down stock. Total revenue in 4Q was +14% constant currency, driven by paid downloads +2% and revenue per download +11%. E-commerce (~60% of revenue) was +10.0% for the full year (+8.8% in 4Q), marking the highest annual level for growth since 2015. This growth was driven by improved marketing efficiencies and platform improvements, which led to steady acquisition and retention trends throughout the year. The total customer base was +3.5% Y/Y to ~1.9mm customers and paid downloads grew by 6.6% to an all-time high of 46.8mm. While the e-commerce segment has improved markedly since our initial investment in October 2017, the enterprise business enterprise segment (~40% of revenue) has seen growth slow. 4Q revenue did not meet expectations (for a second consecutive quarter) and was +12% Y/Y (vs. +14% in 3Q, +35% in 2Q, and +31% in 1Q). Full year revenue for the segment was still +22%. The company is focused on improving this performance with better execution of its go-to-market strategies and customer and product offerings. There are a lot of improvements in the works both in terms of product and the efficiency of the sales team. SSTK successfully reinvigorated growth in the e-commerce segment, and we have confidence that management can have similar success with the enterprise business. EBITDA was +46% Y/Y as margins expanded +560bps to 20.9%. 2019 guidance includes organic revenue +10% - 12% (vs. +13.5% in 2018) and management believes that it can drive revenue growth to ~20% long-term. The stock is currently our largest position and remains significantly undervalued relative to our estimate of fair value.

Verint Systems (VRNT): VRNT, a market-leading software company offering solutions through its Customer Engagement and Cyber Intelligence segments, reported strong fiscal 4Q19 results and raised its preliminary 2020 guidance. The company also offered bullish long-term guidance for both segments which further bolstered investor confidence. In 4Q19 revenue was +4.3%, Adjusted EBITDA +6.2%, Adjusted EBITDA margin 28.3% (+50 bps vs. last year) and Adjusted EPS +2.9%. Fiscal 2020 guidance calls for the Customer Engagement to grow revenue 10% with cloud growth of 30%+ over the next 3-4 year. Customer Engagement segment recurring revenue is ~60%. The Cyber Intelligence segment should also grow 10% next year with 100 bps of margin expansion and an additional 500 bps of margin expansion in the next three years to reach 20% by fiscal 2022. In fiscal 2019, the company's free cash flow increased 28%. Net debt/EBITDA is 1.1x and capex intensity is low at ~3% of revenue. We remain excited about the company's potential and maintained our full position in the company.

1Q19: Top 3 Detractors	Ticker	Weight	Return	Contrib.
The Michaels Companies, Inc.	MIK	3.67%	-15.93%	-0.54%
Quotient Technology Inc.	QUOT	3.28%	-7.65%	-0.26%
Mistras Group, Inc.	MG	2.75%	-4.27%	-0.07%

The Michaels Companies (MIK): At the end of February, Chuck Rubin "mutually agreed" to transition out of his role as CEO. Mark Cosby was hired as interim CEO and will eventually join the Board once a successor is identified (MIK is seeking an external candidate). Cosby's primary goal will be to deliver on the sales and profit goals for the year and also to work closely with the team to develop a growth strategy for 2020 and beyond. The stock drifted lower almost daily subsequent to that news. On March 19, the company reported 4Q earnings and MIK jumped as much as +16% that morning before drifting back to its pre-earnings stock price over the next ten days. While 2018 was a sluggish year, the company made a number of investments and has been busy working on positioning itself for the long-term. The michaels.com website was refreshed and the online assortment expanded to >100,000 SKUs, which was +48% vs. 2017. MIK also launched Buy Online Pick Up in Store ("BOPUS"). Sales from collective ecommerce channels were +77% Y/Y to $210mm in 2018 (~4% of total sales). The company's new fulfillment center opened in 3Q and MIK is on track to be out of its 3rd-party fulfillment center by the end of 1Q. The company converted an additional 238 stores to its flexible merchandise area ("FMA" format), bringing the total to ~700 by the end of 2018. Looking ahead to 2019, the companies priorities are to 1) expand its assortment in key growth driving categories; 2) grow ecommerce and enhance its digital platforms; 3) leverage customer data to drive more sales; 4) review current pricing strategy (MIK has engaged "third-party support"); and 5) refresh the longer-term strategic road map to ensure growth for 2020 and beyond. The balance sheet remains in good shape; MIK has ~$510mm of senior subordinated notes (5.875% interest) due in 2020 that management intends to refinance sometime this year. Capex was elevated at $145mm vs. $128mm last year, although it is expected to decline to ~$135mm in 2019. No share repurchases were made in 4Q, but the company bought back ~25mm shares for $452mm in 2018. $398mm is left under the current share repurchase program. The stock remains dramatically undervalued based on our estimate of fair value and we added to our position in the quarter.

Quotient Technology (QUOT): Ahead of reporting 4Q results, the company pre-announced that revenue would come in short of expectations. Total revenue was a record $107.1mm (and +15% Y/Y), but compared to the company's initial guidance of $115-$120mm. 4Q was impacted by unexpected softness at three large CPGs who cut their marketing spend significantly in December. Promotions revenue was impacted the most and was -8% Y/Y. QUOT believes that the lower CPG spend was attributable to end of quarter and fiscal year-end spending reductions, as the CPG industry faces commodity cost increases pressuring margins and uncertain macroeconomic environment, including tariffs, and a rapidly changing retail environment, including the proliferation of private-label products. Digital marketing requires little lead time [~1 week, compared to print coupons of three months] and, by default, is easier to cut during the quarter. Management stated that the three CPGs cut spend across the board, not just with QUOT. ROI on their programs has been good and it is interesting to note that spend on media revenue from those three actually went up. While quarterly timing can be hard to predict, the shift from analog to digital is expected to continue; full year 2018 revenue from retailer iQ (digital coupons) was +15% despite the weak 4Q. Meanwhile, 4Q media revenue was +67% Y/Y, driven by data-enabled media solutions as well as social and influencer marketing through the recently acquired Ahalogy business. Brands are continuing to shift marketing dollars to digital to gain efficiencies from the $225bn they spend each year, most of which is still offline. QUOT provided 1Q and full year guidance, which was lower than expected, particularly related to EBITDA/margins. The company plans to make strategic investments (~$6mm in total) in multiyear retail partnerships, data relationships, technology solutions and services. The balance sheet remains rock solid with $323mm in cash and short-term investments, and $156mm in convertible notes. In May 2018, QUOT announced a one-year stock buyback program of up to $100mm through a combination of new 10b5-1 plan and an open-window 10b-18 plan. To-date, the company has repurchased $30mm in stock at ~$11/sh and will look to continue to be opportunistic on this front. In our estimation, valuation is extremely attractive and we added to our position in the quarter.

Mistras Group (MG): MG, a provider of asset protection solutions, reported disappointing 4Q18 results and mixed 2019 guidance relative to consensus expectations. The 4Q18 shortfall was attributed to expenses incurred related to the Onstream Pipeline Inspection Services acquisition as well as an unexpected weather-related slowdown, bad debt expense and the earlier-than-expected completion of a turnaround. In the quarter, revenue was -3.7% as MG was comping against a very strong quarter last year when customers were completing deferred maintenance. Gross margin was 28.9% or +210 bps vs. last year as both Services segment and International segment gross margins showed improvement. For the year, Adjusted EBITDA margin was 9.9% or +80 bps vs. last year. In 2019, at the midpoint, MG is forecasting revenue of $775 million (+4.4%), Adjusted EBITDA of $91.5 million (+24.5%) and Adjusted EBITDA margin was 11.8% (+190 bps margin expansion). A big driver of this improvement is the aforementioned Onstream acquisition that closed in December 2018. Capex is expected to be $25 million in 2019 (3.2% of revenue) vs. $21 million in 2018 (2.8% of revenue) to support Onstream. Leverage is higher after the Onstream acquisition but still manageable at ~3.0x net debt/2019E EBITDA. Valuation remains very attractive at 11.3x FCF. We added to our MG position in the quarter.

1Q 2019 Portfolio Activity:

- Initiated one (1) position: BrightView (BV).
- Sold one (1) position: TriMas (TRS).
- Trimmed six (6) positions: EPAM Systems (EPAM), Generac (GNRC), Hill-Rom (HRC), Medpace (MEDP), Synopsys (SNPS), Total System Services (TSS).
- Added to five (5) positions: BrightView (BV), The Michaels Companies, (MIK), Mistras Group (MG), Mobile Mini (MINI), Quotient Technology (QUOT).

New Position

BrightView (BV): $1.5 bil M/C – Based in Plymouth Meeting, PA and with roots dating back to 1939, the company provides commercial landscaping services. ~75% of revenue is related to maintenance services including commercial landscaping service such as mowing, gardening, mulching and snow removal, water management, irrigation maintenance, and tree care. BV's customer base includes approximately 13,000 office parks and corporate campuses, 9,000 residential communities, and 450 educational institutions. The company's maintenance customers include Google, Marriott, Four Seasons, Target, Major League Baseball, Oracle, and Bank of America, among others. ~25% of revenue is derived from landscape architecture and development services for new facilities and redesign projects with services including landscape architecture, landscape installation, irrigation installation, tree nursery and installation, pool and water features, sports field, and other services. Clear market leader, as the company is >10X larger than its next nearest competitor. ~70% of revenue is recurring in nature with retention rates ~85%. The market opportunity is large (~$63 bn), growing (~3% CAGR), and landscape services are non-discretionary in nature. The company has a diverse customer base, generates solid margins (with room for improvement), and requires little capital to grow. We initiated the position in January 2019 and added to the position in March 2019 with the stock trading at an attractive discount to our assessment of fair value.

Company Spotlight: Cornerstone OnDemand (CSOD)

High Quality Business

Founded in 1999, CSOD is the market leader in cloud-based learning and human capital management software with >40 mil users across >3,500 clients in 192 countries and 43 different languages. CSOD helps organizations recruit, train and manage their employees. The company is a market leader (~33% share) and has been listed in Gartner's Magic Quadrant for Talent Management Suites for five consecutive years. Blue chip customers include: Heineken, Microsoft, Nissan, Samsung, U.S. Postal Service, Visa, and Walgreens, among others. CSOD has significant recurring revenue (~90%) and strong retention rates (low 90s). Capital intensity for the business is very low. CSOD has a strong balance sheet, with a net cash position. The Founder/CEO is the 2nd largest shareholder and owns ~6.7% of the stock (worth >$200 mil).

The Opportunity

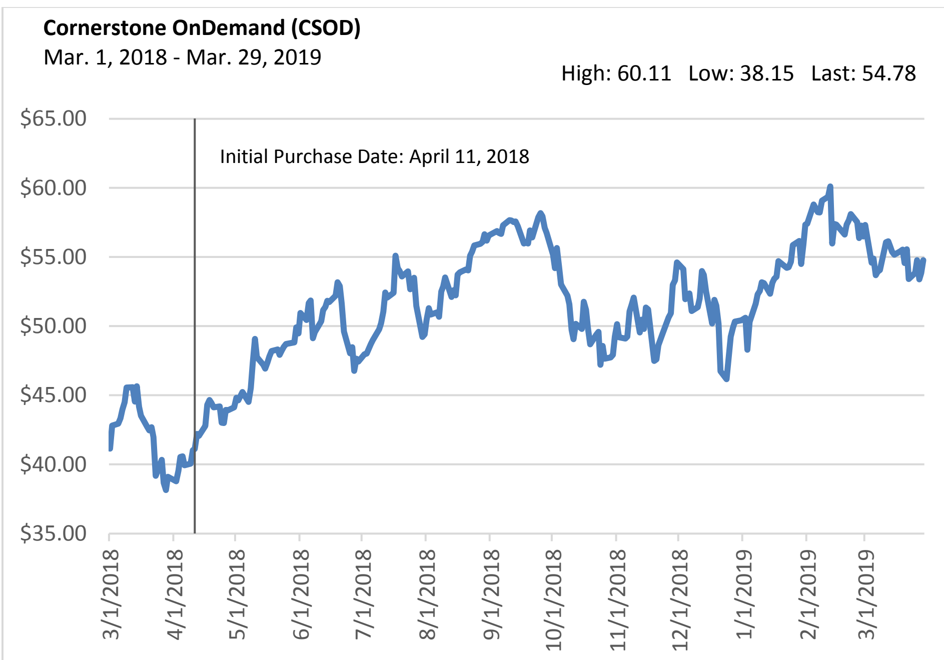
In Nov. 2017, CSOD completed a strategic review and concluded that it would maximize shareholder value by transforming operations and supporting that plan with a capital infusion and new strategic partners ($300mm in convertible notes from Silver Lake and LinkedIn). The plan included a renewed focus on recurring revenue growth and driving cost reductions to accelerate margins and free cash flow.

As part of this plan to "transform" operations, CSOD stated that it would outsource nearly all of its implementation services. Historically, CSOD had done ~50% of the implementation services itself, while business partners (e.g., Accenture) implemented the remaining 50%. There are three "issues" with the service business: 1) The business can be lumpy and create headwinds to growth (if CSOD does a large implementation in 2016 that is not expected to repeat in 2017, that causes a headwind to growth). 2) Large scale implementations are CSOD's lowest margin business. 3) After concluding its strategic review and speaking with advisors, management believes that investors ascribe $0 of value to the service business, even though it was expected to generate ~$90mm of revenue in 2017.

To facilitate this transition, starting in 2018, service partners would do the majority of the implementation work, and by Dec 31, 2018, CSOD expected to do <10% of the implementations. To support this transition, beginning in 2018, the company planned to change its commission plans to get reps 100% focused on recurring revenue. CSOD also planned to convert some non-recurring technical services to recurring offerings.

Following the announcement of this news, the stock dropped as many growth investors likely exited. From an optics standpoint, revenue growth in 2018 was going to look quite tepid (consensus was expecting total revenue +4%) as the company finished implementation services that were already booked, but as CSOD passes the baton to service partners for new business wins (i.e., implementation revenue was expected to be down ~50% in 2018). Meanwhile, the fundamentals of the core business were very strong; CSOD had already guided its subscription business (80% of revenue at the time) to be up "low to mid-teens." In addition to that, expectations for operating margins were increased to 11% to 13%, up from management's previous guidance of 10%.

The stock did not "screen" well - CSOD was trading at 38X P/E based on 2018 consensus estimates. However, that multiple did not take into consideration the business model transition that the company was going through. On a normalized basis, we calculated the stock was trading at ~19X FCF. More importantly, the stock was trading at a 30% discount to our fair value estimate based on our conservative DCF model, a valuation method that aligns with our focus on taking a long-term investment approach. After extensive due diligence, we were able to initiate a 3.0% position in April 2018 ~$42.00. As of March 29, 2019, CSOD is up approximately +32% since we initiated our position, while the Russell 2000 Value is -3.0%.



Bernzott Organization Update:

Bernzott Capital Advisors ended 1Q 2019 managing $906 million with $539 million in our U.S. Small Cap Value strategy.

Thank you for your continued interest and support.

Past performance does not guarantee future results. See last page for full GIPS compliant disclosure.

Explanation of Equity Performance

Performance Footnote Disclosure

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, 2017. 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, 2017.
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 end4	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
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%**
2018	40	$443.6	n/a	0.3%	13.60	16.00	13.77	$469.4	$792.1	94.5%	56%	**-5.11%**	**-5.74%**	**-12.86%**	**-12.36%**

*Equity product inception: January 1, 1995. 1The 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 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 one individual responsible for business development. This individual receives 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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