



October 19, 2020

US Small Cap Value Strategy

The markets continued their ascent in 3Q as stronger than expected unemployment results, better than anticipated corporate earnings and hope for an effective vaccine fueled investor optimism. However, late in the quarter, broad-based volatility impacted the markets as stocks came under pressure, particularly those with extended valuations, as investors became concerned about mounting fiscal deficits as well as the outcome of the upcoming Presidential election.

In 3Q, the Dow was +8.2%, the S&P 500 was +8.9%, the Nasdaq was +11.0% and the R2000 was +4.9%. The US Treasury Bond index was +0.2%, gold was +5.3%, WTI Crude Oil increased +2.4% and the CBOE VIX declined -13.2%.

Ten of the 11 S&P 500 sectors posted positive returns. The best performers were Information Technology (+3.28%), Consumer Discretionary (+1.64%), and Industrials (+1.00%). The worst were Energy (-0.55%), Real Estate (+0.05%) and Utilities (+0.19%).

Within the R2000V, Consumer Discretionary (+20.9%), Healthcare (+7.6%) and Industrials (+7.3%) did well, while Energy (-10.0%), Financials (-4.0%) and Utilities (-3.1%) lagged.

As a bottom-up, fundamental value investor, the first step in our investment process is selecting quality companies using qualitative and quantitative metrics. Attractive attributes we seek include: market leaders; recurring revenue or subscription model providing revenue visibility; high margins; high returns on capital and equity; and financial flexibility.

Past performance is not indicative of future results. Refer to reverse for a full disclosure presentation and complete annualized performance.

Performance (periods ending September 30, 2020):

| | QTD | YTD | 1YR | 3YR | 5YR | 7YR | 10YR | SI* |
|--------------------|--------------|---------------|--------------|--------------|---------------|--------------|---------------|---------------|
| BCA (Gross) | 8.79% | -7.05% | 2.99% | 5.71% | 11.06% | 9.32% | 12.21% | 13.27% |
| R2000V | 2.56% | -21.54% | -14.88% | -5.13% | 4.11% | 3.27% | 7.10% | 8.81% |
| + / - R2000V | 6.23% | 14.49% | 17.87% | 10.84% | 6.95% | 6.05% | 5.11% | 4.46% |

| | QTD | YTD | 1YR | 3YR | 5YR | 7YR | 10YR | SI* |
|------------------|--------------|---------------|--------------|--------------|---------------|--------------|---------------|---------------|
| BCA (Net) | 8.61% | -7.47% | 2.40% | 5.11% | 10.45% | 8.68% | 11.53% | 12.42% |
| R2000V | 2.56% | -21.54% | -14.88% | -5.13% | 4.11% | 3.27% | 7.10% | 8.81% |
| + / - R2000V | 6.05% | 14.07% | 17.28% | 10.24% | 6.34% | 5.41% | 4.43% | 3.61% |

**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.

3Q Performance:

Our relative outperformance was primarily driven by Financials (+214 bps), Healthcare (+175 bps) and Materials (+69 bps), offset by Consumer Staples (-30 bps), Communication Services (flat) and Industrials (+15 bps). Top contributors: Shutterstock (SSTK), Inovalon (INOV) and WillScot MobileMini (WSC). Top detractors: Bottomline Technologies (EPAY), SP Plus (SP) and Cornerstone OnDemand (CSOD). We bought Evercore (EVR) and Frontdoor (FTDR) and sold Catalent (CTLT) and EPAM Systems (EPAM).

We started and ended the quarter with 26 positions. The portfolio had a weighted-average discount to fair value of 26.6% and a \$2.8 billion weighted average market cap.

| Top Contributors | Ticker | Weight | Return | Contrib. |
|----------------------|--------|--------|--------|----------|
| Shutterstock | SSTK | 4.69% | 49.03% | 2.21% |
| Inovalon | INOV | 4.62% | 37.30% | 1.51% |
| WillScot Mobile Mini | WSC | 4.76% | 35.95% | 1.36% |

Shutterstock (SSTK): Reported blowout Q2 results with EBITDA +47% Y/Y and reaching a quarterly record thanks to massive operational improvements. EBITDA margins were 23.3%, up nearly 800bps vs. last quarter as well as Q2 2019. The company remains focused on growing its recurring revenue and continues to see success with subscriber revenue +8% Y/Y to \$63mm and represented 39% of total revenues, up from 36% last year.

Inovolan (INOV): Posted strong Q2 results that were well ahead of both guidance and consensus estimates. INOV also delivered new a quarterly record for new bookings, despite travel and face-to-face meeting restrictions and COVID-19 response distractions at client organizations. INOV signed a long-term engagement with Wal-Mart, one of the largest medical distributors (Cardinal Health) as well as one of the world's largest payers (not disclosed). Meanwhile, INOV has "a very significant pipeline that has hundreds of different opportunities in it at varying different stages."

WillScot Mobile Mini (WSC): The merger of WillScot and Mobile Mini was completed on July 1, 2020. These two companies' business models are both based on strong recurring revenues from long duration leases and similar asset characteristics, such as long lives, low maintenance, high margin, short payback periods and strong cash flow generation. By combining the fleets, totaling over 365,000 units, the offering becomes more strategic and valuable to customers, and the diversity of the portfolio improves. The free cash flow generated by the firm will be used to rapidly deleverage into 3 to 3.5x territory by the end of 2021, continued organic growth while achieving the synergies associated with the merger as well as share repurchases.

| Top Detractors | Ticker | Weight | Return | Contrib. |
|-------------------------|--------|--------|---------|----------|
| Bottomline Technologies | EPAY | 4.32% | -16.97% | -0.82% |
| SP Plus | SP | 2.22% | -13.64% | -0.55% |
| Cornerstone OnDemand | CSOD | 4.32% | -6.02% | -0.21% |

Bottomline Technologies (EPAY): Posted fiscal Q4 results that were better than guidance/consensus. The quarter was highlighted by record subscription bookings, which drove record bookings for the year. Subscription revenue (78% of total) was +12% on a constant currency basis. Transaction volume declines on Paymode-X and legal spend management negatively impacted what was otherwise solid growth. Looking beyond near-term COVID headwinds, when transaction volumes normalize, subscription growth should return to the 15% to 20% range, if not higher.

SP Plus (SP): SP Plus continues to struggle with the pandemic. The company operates in industries that have been greatly affected by the events of 2020 including professional parking management, ground transportation, remote baggage check-in and handling, and large event logistics. The company continues to generate free cash flow and it continues to invest in technology which should give it a competitive advantage over competitors with less scale. The company said it believes the greatest impact of this pandemic-related crisis on the business was felt in the second quarter, with expected progressive improvement from that low point during the second half of the year. The strategies that contributed to that momentum should continue on the other side of the pandemic.

Cornerstone OnDemand (CSOD): Posted better than expected Q2 results. While COVID-19 is lengthening the sales cycle, CSOD is focused on things within its control, such as the successful integration of Saba. CSOD now expects to exit 2020 with \$65mm in run-rate synergies vs. initial expectations for \$35mm within 24 months. CSOD plans to drive efficient growth by leveraging analytics to exclusively focus on highest probability win of success. Net debt/EBITDA is elevated at 4.3X after the acquisition, but CSOD has ample liquidity with \$136mm in cash and \$50mm available on its revolver.

YTD Performance:

Our relative outperformance was primarily driven by Financials (+1,293 bps), underweighting Real Estate (+353 bps) and Healthcare (+351 bps), offset by Industrials (-705 bps), Consumer Discretionary (-293 bps) and Communication Services (-221 bps). Top contributors: Cerence (CRNC); Catalent (CTLT); and Inovolan (INOV). The detractors: SP Plus (SP); Cinemark (CNK); and Douglas Dynamics (PLOW).

| YTD Top Contributors | Ticker | Weight | Return | Contrib. |
|----------------------|--------|--------|---------|----------|
| Cerence | CRNC | 2.86% | 108.52% | 3.34% |
| Catalent | CTLT | 3.93% | 50.12% | 2.31% |
| Inovalon | INOV | 4.06% | 41.37% | 1.59% |

| YTD: Top Detractors | Ticker | Weight | Return | Contrib. |
|----------------------------|---------------|---------------|---------------|-----------------|
| SP Plus | SP | 3.19% | -57.86% | -3.53% |
| Cinemark | CNK | 0.95% | -73.22% | -2.96% |
| Douglas Dynamics | PLOW | 4.91% | -36.67% | -2.18% |

Portfolio Activity:

- Bought: Evercore (EVR) and Frontdoor (FTDR).
- Sold: Catalent (CTLT) and EPAM Systems (EPAM).

New Positions:

Evercore (EVR): New York, NY based EVR is a leading, independent investment banking advisor that provides strategic advice in a variety of capacities including restructurings, financings, public offerings, private placements and its specialty mergers and acquisitions. The market cap is \$2.7 billion.

Frontdoor (FTDR): Memphis, TN based FTDR provides home service plans to cover the repair or replacement of principal components of household systems and appliances. The market cap is \$3.3 billion.

Bernzott Capital Advisors Update:

We ended 3Q managing \$1.19 billion, with \$783 million in our US Small Cap Value strategy.

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, 2018. 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, 2018. 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 |
|------|--|--|---|------------------------|-----------------------------------|--|--|--|---|--|---|------------------------|----------------------|--------------------|--------------------|
| 2010 | 94* | \$302.0* | \$275.7 | 1.2% | 20.55% | 28.01% | 26.97% | \$319.7 | \$470.8 | 94.46% | 64.15% | 21.13% | 20.23% | 24.50% | 24.82% |
| 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% | -5.15% | -5.68% | -12.86% | -12.35% |
| 2019 | 38 | \$569.2 | \$543.3 | 1.3% | 15.14% | 15.90% | 14.43% | \$618.2 | \$1,046.4 | 92.07% | 54.39% | 26.95% | 26.21% | 22.39% | 23.56% |

*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 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 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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