Market Overview

Equity markets cooled after gains earlier in the year, yet equity returns remained positive for the full year. The quarter ended on a weak note, declining in September, prompted by numerous factors including concerns over the COVID-19 Delta variant, slowing economic growth in China, rising inflation fears, and acute supply chain disruptions. Jammed ports, semiconductor shortages, and lack of labor availability are among the many factors conspiring to create headaches for executives and causing economists to trim 3Q GDP forecasts. Some companies are being impacted on both the top line (inability to meet demand) and margins (labor and material costs). Profit warnings have become more widespread. The Citigroup Economic Surprise indicator, which tracks the degree to which economic reports are beating or missing expectations, fell recently to its lowest level since June 2020. Supply is the problem, not demand. Some economists have raised forecasts for next year, expecting economic growth to return as production and spending rebound. At the end of September, the Fed acknowledged that inflation might last longer than expected and indicated that it is likely to reverse easy money policies at its next meeting in early November. The Bloomberg CRB Index posted a 6.5% advance, led by a spike in natural gas, and some are calling for a commodity super cycle following a period of reduced investment and newfound company discipline to restrain production. The benchmark 10-year Treasury yield closed at 1.48%, up from 1.46% at the beginning of the quarter, but up more from the intra-quarter low of 1.17%. The infrastructure and social welfare spending bills remain the subject of intense wrangling in Washington.

Small caps declined while large caps were flat. The Russell 2000 Value fell less (-3.0%) than the Russell 2000 Growth (-5.7%) and has outperformed its growth counterpart each quarter this year. Modest market turbulence in September caused the CBOE VIX to close somewhat higher at 23.14, but this level still suggests a willingness of market participants to accept risk. High yield spreads remained around four-year lows at roughly three percentage points above Treasuries, suggesting the market is factoring in little chance of recession, is risk tolerant, and/or is clamoring for yield. Signs of speculation abated somewhat as "meme" stocks settled down, though retail investor sentiment remained near multi-year highs and IPO deal count was the highest since 3Q 2000.

The market's forward P/E multiple is high by historical standards. Multiples may contract from here, potentially more than offset by rising earnings. The forward P/E for the Russell 2000 Value looks more attractive than other style indices, especially the Russell 2000 Growth, as the Russell 2000 Value trades in line with historical averages compared to a significant premium for the Russell 2000 Growth.

The Energy and Financial Services sectors led for the quarter, both posting positive returns in the Russell 2000 Value. The Communications Services sector led to the downside, followed by Consumer Discretionary (which had a strong 1H), Health Care and Information Technology.

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

Performance Highlights

Gross of Fees	QTD	1 Year	3 Years	5 Years	7 Years	10 Years	SI
US Small Cap Value	-3.01	35.51	8.54	15.24	12.55	15.08	14.04
Russell 2000 Value	-2.98	63.92	8.58	11.03	10.19	13.22	10.49
Russell 2500 Value	-2.07	54.38	8.87	10.49	9.52	13.35	11.14
+/- Russell 2000 Value	-0.03	-28.41	-0.04	4.21	2.36	1.86	3.55
+/- Russell 2500 Value	-0.94	-18.87	-0.33	4.75	3.03	1.73	2.90

Net of Fees	QTD	1 Year	3 Years	5 Years	7 Years	10 Years	SI
US Small Cap Value	-3.16	34.80	7.94	14.62	11.93	14.40	13.19
Russell 2000 Value	-2.98	63.92	8.58	11.03	10.19	13.22	10.49
Russell 2500 Value	-2.07	54.38	8.87	10.49	9.52	13.35	11.14
+/- Russell 2000 Value	-0.18	-29.12	-0.64	3.59	1.74	1.18	2.70
+/- Russell 2500 Value	-1.09	-19.58	-0.93	4.13	2.41	1.05	2.05

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

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

3Q Performance

The portfolio fell -3.0% (gross) and -3.1% (net) during 3Q, in line with the Russell 2000 Value's decline of -3.0%, and somewhat more than the Russell 2500 Value's drop of -2.1%. Positive contributions to performance relative to the Russell 2000 Value were broad across sectors, a positive as it is favorable to see several areas pulling their weight. Among the eight sectors in which we held positions, five were positive contributors at roughly similar levels. Stock selection was positive in six. Our new position in Viper Energy helped us capture upside in the market's top performing sector. Two take-outs contributed positively, one each in Information Technology and Health Care.

Detracting from relative performance was the portfolio's underweight to banks which outperformed modestly as a group. Significant weakness in two stocks, Quotient Technology and LendingTree, had a disproportionate impact and pulled down overall returns. We are optimistic that brighter days are ahead for those two investments.

We started the quarter with 32 positions and ended with 31. The portfolio had a weighted-average discount to fair value of 27% and a $3.2 billion weighted average market cap.

Tob Contributors	Ticker	Weight	Return	Contribution
Shutterstock	SSTK	4.38%	15.73%	0.66%
Viper Energy	VNOM	1.59%	23.96%	0.63%
WillScot Mobile Mini	WSC	4.70%	13.82%	0.62%

Shutterstock (SSTK): This market share-gaining provider of stock media continues to report solid earnings with gains in its subscription business. It recently formed Shutterstock.AI following the acquisition of several small businesses, and this effort holds promise for advances in data-driven insight and predictive performance.

Viper Energy (VNOM): The combination of higher oil and natural gas prices, an accretive acquisition that enhances their Permian Basin footprint as well as an increase in their quarterly shareholder distribution by 28% drove relative stock performance during the quarter. The company remains well positioned to continue to grow free cash flow and distributions over time based on constructive supply/demand fundamentals in the energy patch coupled with their premiere Permian acreage royalty position.

WillScot Mobile Mini (WSC): This modular and portable storage space company posted strong earnings with attractive growth in rental rates as it increases penetration of value-added products and services such as units equipped with HVAC, ethernet ports, and plumbing. The company is executing well on its Mobile Mini merger. Cash flow generation continues to be a notable positive.

Top Detractors	Ticker	Weight	Return	Contribution
Quotient Technology	QUOT	2.51%	-46.17%	-1.45%
LendingTree	TREE	2.56%	-34.11%	-1.06%
Callaway Golf	ELY	3.45%	-18.07%	-0.68%

Quotient Technology (QUOT): Despite being telegraphed in the prior quarter, margin weakness weighed on the stock's performance despite profit achieving the low end of guidance. Mix shift has driven margins lower. Management has called for 2Q to be the low point, as consumer packaged goods companies increase promotional activity prompted, in part, by inflation and the need to retain price-sensitive consumers. The company's new self-service platform for enhanced ease of use and performance measurement should also bolster promotional activity in coming periods. The company's digital promotions continue to take share from free standing inserts.

LendingTree (TREE): The company's continued investment in growth initiatives such as health and insurance have weighed on earnings momentum. As a result, the stock has been weak, and valuation has compressed below five-year averages. The important consumer loan and credit card lead generation businesses appear to have bottomed following a negative COVID-19 impact and look poised for growth which we expect will help drive a recovery in the stock price.

Callaway Golf (ELY): The stock succumbed to profit taking despite a strong earnings report as some perceived pandemic beneficiaries such as Callaway sold off as investors questioned sustainability. In our view, Callaway's future looks bright, especially as it captures growth opportunities from its acquisition of Topgolf. Despite this quarter's weakness, the stock remains up +15% for the year.

Portfolio Activity:

- Bought: ATI Physical Therapy (ATIP), Viper Energy Partners (VNOM).
- Sold: Medpace (MEDP), Cornerstone OnDemand (CSOD), Inovalon (INOV).

New Positions:

ATI Physical Therapy (ATIP): ATI Physical Therapy is a recent SPAC with very successful private equity sponsors, Advent International and Fortress Investment Group. ATIP stumbled out of the gate as a public company providing us an opportunity to establish a position. Physical therapy has strong secular tailwinds from an aging population, deferred elective procedures during COVID-19, and acceptance that musculoskeletal treatment improves patient outcomes while reducing total cost. In the short term, ATIP faces a challenging labor market for therapists exacerbated by poor management during the pandemic when employee benefits were cut too far and not reintroduced quickly enough to stem attrition. The board of directors acted quickly to make senior management changes and we believe that once the employee base is stabilized the company can return to its expansion plans. Shares currently trade at a fraction of the valuation of public peer US Physical Therapy (USPH) and with reasonable execution we believe this valuation gap can be closed.

Viper Energy (VNOM): Viper Energy is a publicly traded limited partnership formed by Diamondback Energy that acquires mineral and royalty interests in oil and natural gas properties in the Permian Basin. Its focus on this premier shale play with a top-tier operator is a clear differentiator providing line-of-sight free cash flow and distribution growth for shareholders. As a sole owner of royalty interests in the most prolific region for exploration in the United States, Viper faces limited capital expenditure and operating expense risk driving significant free cash flow generation. As a result, we expect distributions to ramp which imply a greater than 30% discount to fair value.

Sold Investments:

Medpace (MEDP): We exited the position as the stock reached our estimate of fair value after appreciating nearly six times from our initial purchase price over four years ago.

Cornerstone OnDemand (CSOD): This learning solutions software provider agreed in August to be acquired by a private equity investment firm for $57.50 in cash, an 18% premium to trading levels prior to announcement.

Inovalon (INOV): This cloud-based healthcare data analytics provider agreed in August to be acquired by a group of private equity investors for $42.00 in cash, a 25% premium to trading levels prior to announcement. We exited this two-and-a-half year holding more than three times higher than our initial purchase price.

Bernzott Capital Advisors Update:
We ended 3Q managing $1.21 billion, with $788 million in our US Small Cap Value strategy.

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

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

	# of Portfolios in Composite at period end	Total Composite Assets ($ millions) at period end	Composite Equity Only Assets ($ millions) at period 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
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	41	$585.8	$558.8	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%
2020	30	$685.8	$670.9	0.5%	25.31%	26.49%	25.40%	$792.7	$1225.4	86.51%	55.96%	15.82%	15.82%	4.63%	4.88%

*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.

Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. .The Russell 2000 index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks. It is a market-cap weighted index. The Russell 2500 Value Index measures the performance of the small to mid-cap value segment of the US equity universe. It includes those Russell 2500™ companies that are considered more value oriented relative to the overall market as defined by Russell's leading style methodology.

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

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

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

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

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

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

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