3Q Market Overview

Global financial markets fared poorly in 3Q, with weakness from 1H continuing. The S&P 500's 3Q decline of –5.4% reduced its YTD loss to -24.8%. The R2000 was a little more buoyant, falling –2.2%, but its YTD decline of –25.1% is similar. Inflation continued to surge, and the FOMC raised short-term rates by 75bps for the third time this year. The benchmark 10-year Treasury yield rose from 3.01% to 3.82% from 1.51% at the beginning of the year. It has been the worst three-quarters start for a notional 60/40 portfolio since 1974. A narrative supporting equities in recent years has been "TINA" – "there is no alternative" – given very low, uncompetitive interest rates. This year's rise in rates has been an important driver of weaker equity prices, with much of the decline due to contracting valuation multiples. The US dollar continued its strong advance. Economic indicators weakened, and recession is likely. The yield curve inverted early in 3Q, adding to recession fears.

Small caps edged large caps and growth beat value. The R2000V, –4.6%, trailed the R2000G, +0.2%, after performing better for seven consecutive quarters. In the R2000V, Energy and Health Care were the only sectors to post gains for the quarter. Within Health Care, pharma/biotechnology stocks did well. Many of these companies are unprofitable, and their performance indicates that quality companies did not shine. Real estate and Utilities were among the worst performing sectors as interest rate sensitive investments fell.

The S&P 500's forward P/E is now 15.1x, below its 25-year average of 16.8x. Consensus estimates for forward earnings still call for growth, despite continued cost pressures and waning demand. The P/E is likely modestly understated as earnings estimates are poised to fall. Small cap valuations are attractive relative to large caps.

As a bottom-up, fundamental value investor, we seek high quality companies we believe can compound returns over long periods while proving resilient in downturns. High-quality characteristics 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 skin in the game and a long-term view.

Performance Highlights

Gross of Fees	MRQ	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	SI
US Small Cap Value	-9.36	-28.82	-25.82	1.16	3.49	7.86	9.39	12.28
Russell 2000 Value	-4.61	-21.12	-17.69	4.72	2.87	7.42	7.94	9.32
Russell 2500 Value	-4.50	-20.41	-15.35	4.52	3.78	7.32	8.41	10.06
+/- Russell 2000 Value	-4.75	-7.70	-8.13	-3.56	0.62	0.44	1.45	2.96
+/- Russell 2500 Value	-4.86	-8.41	-10.47	-3.36	-0.29	0.54	0.98	2.22

Net of Fees	MRQ	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	SI
US Small Cap Value	-9.48	-29.09	-26.19	0.64	2.95	7.29	8.79	11.46
Russell 2000 Value	-4.61	-21.12	-17.69	4.72	2.87	7.42	7.94	9.32
Russell 2500 Value	-4.50	-20.41	-15.35	4.52	3.78	7.32	8.41	10.06
+/- Russell 2000 Value	-4.87	-7.97	-8.50	-4.08	0.08	-0.13	0.85	2.14
+/- Russell 2500 Value	-4.98	-8.68	-10.84	-3.88	-0.83	-0.03	0.38	1.40

** 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 –9.48% (net), below the R2000V's decline of –4.6% and the R2500V's decline of –4.5%.

Energy was the leading contributor to the portfolio's relative returns. Over-allocating to the sector added to returns, as Energy, +7.4%, was the best performing sector in the benchmark. Stock selection was positive also, with the portfolio's Energy holdings advancing +12.3% and our Viper Energy holding +10.4%. Consumer Staples, +9.6%, also contributed to relative returns due to strong performance from our single holding, Hostess Brands. The purveyor of snacks and baked goods is enjoying healthy pricing power as consumers grab for an affordable luxury. Consumer Staples had muted performance overall, falling –9.8%, somewhat surprising given defensiveness was rewarded in the market. But many sector companies are struggling with cost pressures.

Financials detracted from relative performance. HCI, a Florida-based property and casualty insurer, declined due to inflationary cost pressures and hurricane concerns. Encore Capital declined as it became apparent that the next few quarters could bring a lull in earnings ahead of a prospective rise in consumer credit delinquencies. Credit purchase volumes should rise in 2023 with a post-stimulus return to typical economic rhythms and an economic slowdown. In Financials, our two banks contributed positively to results. Consumer Discretionary detracted. Quotient Technology performed poorly and we exited the position.

We started the quarter with 33 and ended with 34 positions. The portfolio had a weighted-average discount to fair value of 34% and a $2.9 billion weighted average market cap.

Top Relative Contributors	Ticker	Weight	Return	Relative Contribution
WillScot Mobile Mini	WSC	3.66%	24.36%	0.94%
Viper Energy	VNOM	4.06%	10.38%	0.61%
Adtran Holdings	ADTN	4.09%	12.13%	0.56%

<u>Willscot Mobile Mini (WSC):</u> This modular and portable storage space company posted another quarter of strong earnings with good growth in rental rates as it increased penetration of value-added products and services such as units equipped with HVAC, ethernet ports, and plumbing. Pricing, profitability, and cash flow generation continue to be positives.

<u>Viper Energy (VNOM):</u> The company sported good cash flow and dividend growth, attributable to its royalty interests in the Permian Basin.

<u>Adtran (ADTN):</u> The company reported solid quarterly results buoyed by strong demand for broadband equipment. The company is in the final innings on closing their merger with ADVA Optical which should provide added growth and cost saving opportunities going forward.

Top Relative Detractors	Ticker	Weight	Return	Relative Detraction
BrightView	BV	3.91%	-33.84%	-1.30%
HCI Group	HCI	2.85%	-41.74%	-1.27%
Knowles	KN	2.87%	-30.05%	-0.81%

<u>Brightview (BV):</u> The commercial landscaping services provider fell after reporting disappointing earnings. A spike in fuel costs squeezed 3Q profit margins. The company is working to increase pricing by revising contract structure to include CPI escalators as well as through annual contract renewals. These efforts should restore margins. Modestly worsening leverage ratios may also have played a part in the stock's weakness, as they company repurchased shares worth $82 million, reducing cash and increasing net debt. This capital allocation should accrue to the benefit of shareholders longer term. Encouragingly, top line performance was positive, +11%, and the company is controlling what it can control in a volatile environment for a business typically characterized by low variability.

<u>HCI (HCI):</u> The property and casualty insurer with significant Florida presence reported disappointing earnings causing the stock to fall. Inflationary pressures weighed on costs and hurt earnings. On a positive note, gross written premiums grew modestly overall with continued strength in its TypTap unit, now active in 12 states, which posted 20% growth. As the quarter closed, Hurricane Ian pressured the stock as investors feared significant losses. Despite these concerns, HCI faced this storm from a position of relative strength. Earlier in the quarter, the company finalized its reinsurance program with pricing and terms comparable to last year and with substantial limits. It also increased its financial flexibility by raising $170 million in convertible notes. Many of its peers have been crippled, in some cases to the point of liquidation, putting HCI in a position to capitalize on price increases amid an improving competitive position.

<u>Knowles (KN):</u> The benefit of the mix shift to higher margin precision electronic devices was offset by a deteriorating outlook in its consumer electronics markets. Demand weakened in smart phones and PCs, exacerbated by customer plans to reduce inventory. We reduced the position.

Portfolio activity:

- Bought: Chord Energy (CHRD), Encompass Health (EHC), Texas Capital Bancshares (TCBI), Spirit Realty Capital (SRC).
- Sold: Douglas Dynamics (PLOW), Quotient Technology (QUOT), Terminix Global (TMX).

New Positions:

Chord Energy (CHRD): Formed through the 2022 merger of Whiting Petroleum and Oasis Petroleum, the company possesses one of the largest acreages within the Williston Basin. The company's plan to return 75% of FCF to shareholders in the form of dividends and buybacks is amongst the highest of its peer group. Synergies associated with the merger should drive further efficiencies benefitting the bottom line. The stock currently yields 3.4%.

Encompass Health (EHC): Following the spin-off of Enhabit, its home health and hospice business, Encompass Health is the largest pure play publicly traded owner and operator of US inpatient rehabilitation hospitals. Its scale and position as a low-cost provider are key differentiators that should underpin solid growth as well as FCF generation. The company has a share repurchase plan in place, and the stock yields 1.2%.

Texas Capital Bancshares (TCBI): The current CEO joined in January 2020 following a successful career at JPMorgan Chase. He has sparked a plan for renewed growth with initiatives including doubling client-facing bankers, improving coverage of C&I customers, and expanding services in treasury and private wealth. The Dallas-based bank benefits from its strong regional market. In September, the company announced the sale of a non-core insurance unit as part of its transformation. Successful execution should drive earnings growth, and stock appreciation should be enhanced by multiple expansion as TCBI trades at below-peer 0.8x price-to-tangible book value.

Spirit Realty Capital (SRC): The triple net-lease REIT invests in single-tenant, operationally essential assets. It owns approximately 2,000 properties with tenants in service retail and industrial, and to a lesser extent, discretionary retail. It enjoys high occupancy with long term leases and stable rent growth. Relative to its triple net peers, it has both a lower payout ratio and a higher yield, currently 7.3%.

Sold Investments:

Douglas Dynamics (PLOW): We exited the position due to continued supply chain struggles negatively impacting growth.

Quotient Technology (QUOT): We sold on execution missteps, including a significant customer loss and an uneven product transition, as well as management changes, all hindering efforts to capture the shift from paper to digital coupons on a reasonable timeframe.

Terminix Global (TMX): We exited with a modest gain following the merger announcement between Rentokil and Terminix.

Bernzott Capital Advisors Update:
We ended 3Q managing $893 million, with ~$583 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, 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 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 (%)
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	-5.18	-5.71	-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	26.97	26.28	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	15.83	15.22	4.63	4.88
2021	35	823.34	795.2	0.3	23.83	25.35	24.49	831.0	1244.6	98.90	66.14	13.34	12.76	28.27	27.78

*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.