

2Q Market Overview

Global financial markets suffered declines, building on 1Q's weakness. The S&P 500 (-21%) had its worst first half since 1970. The Russell 2000 (-23.4%) had the worst first half in its 42+ year history. The AII Sentiment Survey and University of Michigan Consumer Sentiment Index both posted multi-decade low readings. Inflation has been surging, with the CPI posting the largest 12-month increase since 1981. The FOMC raised short-term rates and is expected to continue to do so in the coming months. The benchmark 10-year Treasury yield rose from 2.34% to 3.01%, having reached 3.47% in mid-June. The US dollar (+9.1%) had the strongest first half since 1999. Conditions contracted with "unprecedented speed and magnitude," according to the San Francisco Fed. Recession is top of mind, despite the currently strong employment picture.

Small caps trailed large caps and value beat growth. The Russell 2000 Value (-15.3%) fell less than the Russell 2000 Growth (-19.3%) and has performed better for seven consecutive quarters. No R2000V sectors were positive. The smallest declines were seen in consumer staples and utilities.

The S&P 500's forward P/E is no longer high by historical standards, having declined to 15.9x, just below its 25-year average of 16.8x. However, the P/E may be modestly understated as earnings estimates are falling along with softening leading economic indicators. Small cap valuations look 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. 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 skin in the game and a long-term view.

Performance Highlights

Gross of Fees	QTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	SI
US Small Cap Value	-17.62	-21.47	-20.62	4.14	7.65	7.50	10.76	12.80
Russell 2000 Value	-15.28	-17.31	-16.28	6.18	4.89	6.40	9.05	9.60
Russell 2500 Value	-15.39	-16.66	-13.19	6.19	5.54	6.49	9.54	10.34
+/- Russell 2000 Value	-2.34	-4.16	-4.34	-2.04	2.76	1.10	1.71	3.20
+/- Russell 2500 Value	-2.23	-4.81	-7.43	-2.05	2.11	1.01	1.22	2.46

Net of Fees	QTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	SI
US Small Cap Value	-17.73	-21.67	-21.03	3.60	7.08	6.93	10.14	11.98
Russell 2000 Value	-15.28	-17.31	-16.28	6.18	4.89	6.40	9.05	9.60
Russell 2500 Value	-15.39	-16.66	-13.19	6.19	5.54	6.49	9.54	10.34
+/- Russell 2000 Value	-2.45	-4.36	-4.75	-2.58	2.19	0.53	1.09	2.38
+/- Russell 2500 Value	-2.34	-5.01	-7.84	-2.59	1.54	0.44	0.60	1.64

* 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.



2Q Performance

The portfolio fell -17.73% on a net basis, below the R2000V's decline of -15.28% and the R2500V's decline of -15.39%.

Industrials was the leading contributor to relative returns. Health Care also contributed positively to relative performance. Halozyme Therapeutics rose 9.8%, much better than the Pharma Biotech industry group's -19.3% decline. Both our holdings in the Insurance sector gained slightly.

Consistent with cyclicals performing poorly, Transportation was the benchmark's second worst performer, down -24.5%. Our holding in the sector, Air Transportation Services Group, was more resilient, down -14.1%. Financials was the leading relative detractor. Banks, where we had little exposure, fell only -9.9%, better than the R2000V's -15.3%. Materials also hurt results. Compass Minerals fell due to margin pressure from freight and logistics costs. Defensive stocks were relatively resilient in the quarter. Utilities fell only -3.9%, but the portfolio held no utilities.

We started and ended the quarter with 33 positions. The portfolio had a weighted-average discount to fair value of 35% and a \$2.8 billion weighted average market cap.

Top Relative Contributors	Ticker	Weight	Return	Relative Contribution
Halozyme Therapeutics	HALO	2.15%	9.84%	0.44%
SP Plus	SP	3.40%	-2.04%	0.43%
HCI Group	HCI	2.74%	0.04%	0.40%

Halozyme Therapeutics (HALO): The company reported good 1Q results and closed its \$960 million acquisition of Antares Pharmaceuticals.

SP Plus (SP): The company reported good first quarter results as its aviation business continues to recover and the parking unit gains share. Good free cash flow generation also helped support the stock in this turbulent market.

HCI Group (HCI): The company reported strong premium growth in 1Q and good expense management offset some weather-related losses in its core Florida market. Its TypTap unit posted strong premium growth and is poised for expansion into additional states.

Top Relative Detractors	Ticker	Weight	Return	Relative Detraction
Compass Minerals	CMP	3.55%	-43.38%	-1.15%
LendingTree	TREE	1.70%	-62.25%	-1.13%
Quotient Technology	QUOT	1.88%	-53.43%	-0.87%

Compass Minerals (CMP): Despite a strong winter season in which salt volumes came in higher than expectations buoyed by a more normalized snowfall year, higher logistics and freight costs negatively impacted the bottom line. Within their plant nutrient segment, margins remained strong driven by strong potash pricing, however drought conditions negatively impacted overall volumes. Looking ahead, CMP should benefit from improved pricing during the upcoming salt selling season while actions taken within their plant segment to improve efficiencies should help improve overall results. Finally, the company is making progress in the development of its Lithium assets, supported by a recent offtake agreement with a leading global manufacturer of lithium-ion batteries which we believe is not reflected in the current stock price.

LendingTree (TREE): Very low mortgage rates, and then spiking higher, dampened demand for its mortgage lead generation business. At the same time, auto insurance lead generation has been experiencing an extended soft patch. Due to the uneven demand picture, we exited the position at a loss.

Quotient Technology (QUOT): First quarter results were negatively impacted by the pull back in promotional spending by its consumer-packaged goods advertisers due to supply chain shortages. On the positive front, an activist investor is helping drive management and other changes which should help over time.



Portfolio activity:

- Bought: Cadence Bank (CADE), The Howard Hughes Corporation (HHC), and Terreno Realty (TRNO).
- Sold: ATI Physical Therapy (ATIP), Frontdoor (FTDR), and LendingTree (TREE).

New Positions:

Cadence Bank (CADE): Its merger of equals with BancorpSouth combines two long-standing franchises forming the sixth largest bank in its nine-state footprint in the attractive southeast market. The merger should offer revenue and cost synergies as the integration is executed over the coming quarters. This asset sensitive bank generates approximately one-third of revenues from fee-based businesses such as wealth management and trust services which provides diversification and improves durability of financial results. The stock trades at a discount to peers and sports a 3.5% dividend yield.

The Howard Hughes Corporation (HHC): Master planned communities in attractive markets benefit from population shifts and housing shortages and should provide growth for years to come. Its income-producing commercial real estate assets generate cash flow which support investment and build out of its communities. The stock trades at a discount to NAV and the company is repurchasing shares.

Terreno Realty (TRNO): This REIT with industrial properties in high barrier to entry coastal markets should continue to benefit from the growth in e-commerce coupled with a renewed focus on supply chain infrastructure. The lack of new supply in its markets combined with its exposure to high population density and high-volume distribution points should continue to drive better-than-market rent growth and returns. With a strong balance sheet, TRNO should continue to add to its portfolio with accretive acquisitions in its core markets driving accelerated dividend growth. The stock currently yields 2.4%.

Sold Investments:

ATI Physical Therapy (ATIP): Poor execution during the pandemic resulted in elevated labor costs and lower patient visitation rates. Thus, profit growth will likely continue to be impaired despite an otherwise attractive backdrop for the physical therapy industry.

Frontdoor (FTDR): We exited this position as the company struggled to execute during a period of higher inflation and housing fundamentals which have been adverse to its American Home Shield business.

LendingTree (TREE): Discussed above.

Bernzott Capital Advisors Update:

We ended 2Q managing ~\$1 billion, with ~\$700 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 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	1,225.4	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	1,244.6	98.90	66.14	13.34	12.76	28.27	27.78

*Equity product inception: January 1, 1995. 1 The difference between this column and the "total composite assets at period end" is the accounts that do not meet the size parameter for the composite and any new account under management that has not met the waiting period to join the composite. 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 upon request.

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.