

1Q24 Market Overview

Global financial markets rallied, with large cap technology stocks leading the way. Strong economic data and the continued momentum trade of the mega-cap stocks, especially those tied to AI, outweighed hawkish FOMC commentary of a higher for longer interest rate environment. Interest rates rose while expectations for a recession receded.

The FOMC stayed the course with no changes to rates and began telegraphing a higher rate environment with cuts being reduced from six to three. The benchmark 10-year Treasury yield rose from 3.87% to 4.20% marking the highest levels since late November. Oil prices rose as continued support from OPEC supply cuts and improving demand caused prices to rally.

Large caps (+10.3%) led small caps (+5.2%) while the NASDAQ continued to rally in the face of a higher for longer interest rate environment. Large cap dominance was concentrated in a few companies, as investors piled into stocks such as Amazon, Microsoft, Meta and Nvidia despite their elevated multiples.

Growth beat value and regained its outperformance over the last 6 months. The R2000V (+2.9%) trailed both the R2000G (+7.6%) and R2000 (+5.1%). In the R2000V, cyclicals paced the advance, led by Energy, Industrials, and Materials. Healthcare also posted solid returns. Communication Services, Financials, Consumer Staples, Real Estate and Utilities lagged negatively.

Small cap valuations relative to large cap continue to remain very attractive as the discount between the two are near their 20-year lows, despite small caps having higher growth expectations than larger cap companies through the rest of 2024. We believe this gap is unsustainable and should narrow over time as stubbornly high inflation cools and interest rates normalize while the economy continues to grow, albeit at a more moderate pace. We believe the broadening out of the market should also bode well for small caps, as the momentum trade within a high concentration of mega-cap stocks begins to fade, setting up a very constructive backdrop to owning small cap stocks.

We remain keenly focused on our philosophy and process, seeking high quality companies we believe can compound returns over long periods while proving resilient in downturns. Our investment philosophy is time-tested and based in deep analysis of the business fundamentals of each holding. Derived from years of experience, our "edge" is employing an investment process that identifies what we consider to be high quality businesses with shareholder friendly management teams trading at a significant discount to our assessment of fair market value. We believe these attributes should outperform the market over full market cycles.

Performance Highlights

Gross of Fees	MRQ	1 Year	3 Years	5 Years	7 Years	10 Years	SI
US Small Cap Value	8.64	22.35	-0.40	7.06	8.97	8.92	10.18
Russell 2000 Value	2.90	18.75	2.22	8.17	6.55	6.87	9.74
Russell 2500 Value	6.07	21.33	5.36	9.38	7.74	7.68	10.63
+/- Russell 2000 Value	5.74	3.60	-2.62	-1.11	2.42	2.05	0.44
+/- Russell 2500 Value	2.57	1.02	-5.76	-2.32	1.23	1.24	-0.45

Net of Fees	MRQ	1 Year	3 Years	5 Years	7 Years	10 Years	SI
US Small Cap Value	8.49	21.89	-0.86	6.54	8.42	8.35	9.40
Russell 2000 Value	2.90	18.75	2.22	8.17	6.55	6.87	9.74
Russell 2500 Value	6.07	21.33	5.36	9.38	7.74	7.68	10.63
+/- Russell 2000 Value	5.59	3.14	-3.08	-1.63	1.87	1.48	-0.34
+/- Russell 2500 Value	2.42	0.56	-6.22	-2.84	0.68	0.67	-1.23

* 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.

1Q24 Performance

The portfolio gained +8.5% on a net basis, well above the R2000V's advance of +2.9% and above the R2500V's rise of +6.1%.

Energy holdings were the leading contributor to the portfolio's returns. Stock selection was the main driver within Energy with both Archrock and Viper Energy advancing 28% and 24% respectively. Archrock continues to benefit from robust demand from E&P companies for compression equipment, which was confirmed by their most recent earnings report. We continue to hold our position in the company. Improving oil prices served as a tailwind for Viper Energy's quarterly results, while the recent M&A transaction by Diamondback Energy provides significant visibility into additional growth for Viper Energy. Viper remains a top position in the portfolio. Within Financials, HCI Group the top contributor for the portfolio, rising more than 33% during the quarter on the heels of positive quarterly results coupled with their ability to assume additional in-force premiums from Citizens Property Insurance Corporation. We continue to hold the position. Consumer Staples performed well during the quarter and our holding in Lancaster Colony benefited from strong quarterly results on the heels of their growing licensing segment with the likes of Chick-fil-A and Buffalo Wild Wings. The stock advanced 25% during the quarter and we trimmed our position.

Materials were the leading detractors to performance. Our exposure to MP Materials was the main culprit, as the stock declined by 28% as prices for their critical commodity output NdPr exhibited weakness due to seasonality factors and lower demand from Electric Vehicles and other industrial applications. Despite the sell-off, we increased our position in the stock as we believe the long-term fundamentals remain intact. Within Information Technology, our position in Plexus also hurt as the stock declined 12% as their earnings release was mixed due to temporary destocking amongst their customers, more specifically within the healthcare segment. We maintained our position. Finally, our position in Howard Hughes also weighed on results declining by 15%. Higher interest rates weighed on REITs in general. We added to our position during the quarter.

Top Relative Contributors	Ticker	Weight	Return	Relative Contribution
HCI Group	HCI	3.80%	33.23%	1.02%
Archrock	AROC	4.08%	28.95%	0.92%
Lancaster Colony	LANC	4.06%	25.10%	0.87%

HCI Group (HCI): Strong results and the assumption of in-force premiums from Citizens Property Insurance Corporation drove stock performance. The company is also seeking to unlock value of TypTap, a proprietary technology that identifies profitable insurance customers, via an IPO. We maintained our position.

Archrock (AROC): Strong results driven by robust demand for compression equipment drove the outperformance. Utilization remains extremely tight while pricing continues to move higher providing significant visibility over the next 24 months. The company also increased their dividend by 6.5%. We maintained our position.

Lancaster Colony (LANC): Strong results driven by continued growth within their licensing segment and easing food commodity prices drove stock performance. We reduced our position as the stock approached fair value.

Top Relative Detractors	Ticker	Weight	Return	Relative Detraction
MP Materials	MP	3.59%	-29.07%	-1.29%
Howard Hughes	HHH	3.69%	-15.23%	-0.75%
Plexus	PLXS	3.39%	-12.56%	-0.58%

MP Materials (MP): Despite an inline quarter, the stock declined as NdPr prices weakened. Seasonal factors and lower demand for Electric Vehicles and other industrial applications hurt their forward-looking outlook. Despite this, we remain confident in the long-term fundamentals and added to our position on the decline.

Howard Hughes (HHH): The company exceeded expectations during the quarter, however the stock declined as higher interest rates weighed on REITs in general. We added to our position during the quarter.

Plexus (PLXS): Quarterly results were below expectations as the company felt the negative impact from de-stocking from their customers, more specifically within their healthcare segment. This should be temporary with growth reaccelerating in future quarters. Backlog continues to grow which gives us confidence going forward. We maintained our position.



1Q24 Portfolio Activity

Portfolio Activity:

- Bought: PotlatchDeltic Corp (PCH).
- Sold: Evercore (EVR), Gentex (GNTX).

New Positions:

PotlatchDeltic Corp (PCH): PCH is one of three publicly traded timber REIT's. The company is vertically integrated allowing them to be one of the lowest cost providers of wood products and has the most leverage amongst peers to an improving overall lumber price environment. Lumber prices should benefit from an improving housing environment driven by peaking/lower interest rates, a lack of overall housing supply, a growing cohort of homebuyers, and an undersupplied timber market. The company pays a consistently growing dividend, maintains a strong balance sheet, has consistently generated FCF throughout economic cycles and opportunistically repurchases their stock.

Sold Investments:

Evercore (EVR) and Gentex (GNTX): The companies achieved our fair value target, and we exited the positions with sizable gains.

Bernzott Capital Advisors Update:

We ended 1Q managing \$306 million, including \$25 million in our US Small Cap Value strategy. 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 companies that maintain high 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.

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.

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 (%)
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	823.3	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
2022	31	525.7	496.5	0.2	26.61	27.66	26.84	526.6	848.8	99.83	61.93	-21.35	-21.75	-14.48	-13.08
2023	5	84.5	81.1	0.5	21.23	21.75	20.70	85.2	311.1	99.18	27.1	12.67	12.29	14.65	15.98

*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. 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.