

Market Overview

Equity markets posted 4Q gains which contributed to strong full year returns. The Omicron variant began its rapid spread during the quarter adding to existing challenges including continuing lack of labor availability, semiconductor and parts shortages, and inflation fears. The \$1 trillion infrastructure bill was signed into law and the Build Back Better Act remained mired in ongoing political wrangling. The Fed indicated its intent to pare its bond purchases and it is likely to raise interest rates in 2022, shifting to a less accommodative monetary policy. The benchmark 10-year Treasury yield closed at 1.51%, virtually unchanged, and up from 0.91% a year ago. The CBOE VIX spiked to a 10-month high in November upon breaking news of the Omicron variant, though the volatility measure retreated and closed lower for the quarter.

Small caps rose but trailed large caps for 4Q and the year. Mega caps were particularly strong for the quarter and the year. In 4Q, the Russell 2000 Value (+4.3%) rose more than the Russell 2000 Growth (flat) for the fifth quarter in a row. For the full year, the Russell 2000 Value (+28.3%) outpaced the Russell 2000 Growth (+2.8%) by the greatest margin since the internet bubble two decades ago. With the likelihood of higher interest rates, highly priced growth stocks experienced significant weakness in 4Q, notably among the biotech sector and other unprofitable companies.

The market's forward P/E multiple remains high by historical standards, in part due to low interest rates. 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 indices, especially the Russell 2000 Growth, as the former trades modestly below its historical averages compared to a significant premium for the latter. Small cap valuations look attractive relative to large caps based on historical averages.

As a bottom-up, fundamental value investor, we invest in companies which exhibit high quality characteristics as we believe these companies are able to 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	4.22	13.33	18.56	15.16	12.05	14.03	14.07
Russell 2000 Value	4.36	28.27	17.99	9.07	9.45	12.03	10.56
Russell 2500 Value	6.36	27.78	18.31	9.88	9.56	12.43	11.29
+/- Russell 2000 Value	-0.14	-14.94	0.57	6.09	2.60	2.00	3.51
+/- Russell 2500 Value	-2.14	-14.45	0.25	5.28	2.49	1.60	2.78

Net of Fees	QTD	1 Year	3 Years	5 Years	7 Years	10 Years	SI
US Small Cap Value	4.09	12.75	17.94	14.55	11.45	13.37	13.23
Russell 2000 Value	4.36	28.27	17.99	9.07	9.45	12.03	10.56
Russell 2500 Value	6.36	27.78	18.31	9.88	9.56	12.43	11.29
+/- Russell 2000 Value	-0.27	-15.52	-0.05	5.48	2.00	1.34	2.67
+/- Russell 2500 Value	-2.27	-15.03	-0.37	4.67	1.89	0.94	1.94

* 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.

4Q Performance

The portfolio rose 4.2% (gross) slightly underperforming the Russell 2000 Value's advance of 4.3%, and somewhat less than the Russell 2500 Value's gain of 6.3%. Industrials, the sector with the largest allocation at 35.2% of the portfolio, was the largest positive contributor to returns led by capital goods holdings. Two other sectors with sizeable allocations, consumer discretionary (18.5% weighting) and information technology (13.5%), also contributed positively. One stock gained following its announced acquisition at a premium. Avoiding weakness in health care also helped performance.

Detracting from relative performance were a few weak holdings. A software stock (discussed below) marred otherwise solid performance in the information technology sector which exhibited good stock selection nonetheless. The portfolio holds no utilities or real estate which together comprise 15% of the Russell 2000 Value. Both sectors performed well for the quarter and their omission weighed on the portfolio's relative performance.

We started and ended the quarter with 31 positions. The portfolio had a weighted-average discount to fair value of 25% and a \$3.4 billion weighted average market cap.

Top Contributors	Ticker	Weight	Return	Contribution
WillScot Mobile Mini	WSC	5.43%	28.62%	1.43%
Hillenbrand	HI	5.27%	22.38%	1.10%
Bottomline Technologies	EPAY	2.74%	43.79%	1.04%

WillScot Mobile Mini (WSC): This modular and portable storage space company posted strong earnings with strong 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 the Mobile Mini merger. Cash flow generation continues to be a notable positive.

Hillenbrand (HI): This diversified industrial company reported stronger than expected earnings, revenues and cash flows across all of its business lines even in the face of significant inflation, supply chain disruptions and labor market shortages. Backlog continued to remain strong, growing 42% when compared to year ago levels. In addition to the strong results, the company announced an increase in its dividend (1.6% yield) as well as a new \$300 million share repurchase program on the heels of a previously authorized \$150 million repurchase. The balance sheet has been deleveraged, and the company is now well positioned to resume its acquisition program.

Bottomline Technologies (EPAY): This payment services company announced that it will be acquired by a private equity firm at a 42% premium to price levels prior to the announcement. The stock struggled earlier in the year, and it is gratifying to see the value recognized.

Top Detractors	Ticker	Weight	Return	Contribution
Upland Software	UPLD	1.97%	-46.35%	-1.21%
Compass Minerals	CMP	3.89%	-20.43%	-0.80%
James River Group	JRVR	2.59%	-22.69%	-0.64%

Upland Software (UPLD): Changes to Upland's sales and marketing approach caused a depleted sales pipeline, resulting in weaker organic growth which hurt the stock price. In time, sales effectiveness should be restored and improve. The company has continued to generate good free cash flow and is on target to hit its full-year objective. The stock price is below historical ranges, providing attractive upside as execution improves.

Compass Minerals (CMP): The salt and plant nutrient producer reported earnings below expectations due to unfavorable weather conditions combined with higher operating costs. Additionally, the company announced a reduction in its quarterly dividend as they refocus capital on growing battery grade Lithium assets. Despite the disappointing results, we continue to view this stock as attractive based on its asset base, strong cash flow characteristics and the potential opportunity to unlock value with the Lithium assets.

James River (JR): The stock fell after charges in its reinsurance unit weighed on sentiment, especially following earlier challenges in its high profile rideshare exposure which have subsequently been resolved. The company is positioned to grow with healthy trends in its core excess and surplus lines, and valuation is attractive relative to history and peers.



2021 Performance

The portfolio rose 13.3% (gross) during the year, trailing the Russell 2000 Value's advance of 28.2% and the Russell 2500 Value's gain of 27.7%. The sectors contributing to the portfolio's positive return included industrials (the portfolio's largest allocation), health care (one of the smallest allocations), and information technology. Relative to the Russell 2000 Value, virtually all of the shortfall for the year occurred in 1H amid market drivers adverse to our investment approach – high quality companies performed poorly in comparison to those with no profits or poor returns on capital. Also, highly shorted stocks and meme stocks shot higher – we don't own those. This quality dynamic waned as the year progressed, and high quality once again supported good relative performance. Separately, the portfolio benefited from five announced acquisitions at premiums during the year.

Top Contributors	Ticker	Weight	Return	Contribution
WillScot Mobile Mini	WSC	4.97%	76.52%	3.29%
Inovalon	INOV	2.71%	122.62%	2.97%
Shutterstock	SSTK	4.48%	56.23%	2.20%

WillScot Mobile Mini (WSC): See above.

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.

Shutterstock (SSTK): This market share-gaining provider of stock media posted a string of solid earnings during the year with strong gains in subscriber growth and a rising mix of subscription revenue. It has acquired smaller companies which enhance its product capabilities with tools and data insights and improve customer workflow. It recently announced Creative Flow, a suite of products fostering collaboration. The company's competitive position is strengthening.

Top Detractors	Ticker	Weight	Return	Contribution
LendingTree	TREE	2.70%	-54.43%	-2.30%
Upland Software	UPLD	1.79%	-62.35%	-2.05%
ATI Physical Therapy	ATIP	0.52%	-43.79%	-0.83%

LendingTree (TREE): The company faced headwinds across its business, including reduced demand for personal loans due to federal government stimulus payments, a pause in insurance lead demand as insurers prepared for price increases, and mixed demand for mortgage leads as lenders were running near capacity and not chasing new business. Meanwhile, expenses were pressured by continued investment in growth initiatives in health and insurance. As a result, the price has been weak and valuation has compressed below five-year averages. Several business drivers appear to be bottoming and look poised for growth which should help drive a recovery in the stock price.

Upland Software (UPLD): See above.

ATI Physical Therapy (ATIP): Disruptions in its professional workforce resulted in reduced patient visits per day and disappointing profitability. As the year progressed, the company reported progress in hiring and retention, which is a requisite for improved results. Longer-term, the company should benefit from market tailwinds including an aging population, more proactive utilization of physical therapy as a means of preventative care, and avoidance of mitigatable health care costs.

Portfolio Activity:

There were no buys or sells during the quarter. Our process results in low turnover.

Bernzott Capital Advisors Update:

We ended the year managing \$1.24 billion, with \$831 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
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	\$1,225.4	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 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.