

Ballast Philosophy

Ballast Asset Management employs a fundamental, bottom-up process focused on uncovering value in small and mid-cap equities. We view intrinsic value from a cash flow perspective rather than based on asset value, and our initial analysis focuses on quantifying potential downside risk. The investment process focuses on mispriced risk and seeks to identify opportunities where the market has undeservedly low expectations regarding a company's future prospects. Our fundamental analysis leads us to companies with healthy operations, solid balance sheets, and strong free cash flow. We position our clients' capital to benefit from an asymmetric reward to risk ratio, such that the return potential is 3x greater than the risk of a permanent loss of capital.

Performance (as of 9/30/2018)*

		Periodic Returns				Annualized Returns	
		2015 [†]	2016	2017	YTD 2018	1 Year	3 Years
Ballast Portfolio ⁷	Gross	-7.6%	23.8%	13.5%	16.9%	22.1%	18.3%
	Net	-8.0%	22.9%	12.7%	16.0%	20.9%	17.2%
Russell 2500 ³		-6.9%	17.6%	16.8%	10.4%	16.2%	16.1%
Russell 2500 Value ⁴		-5.8%	25.2%	10.3%	5.8%	10.2%	14.5%

* Trailing 1-Year, 3-Year, and YTD performance reported as of and through 9/30/2018
[†] 2015 Performance from 8/11/2015 through 12/31/2015

Investment Process

Step 1:

Quantify the Downside

The first step in our process makes the case for why we shouldn't invest. If we cannot quantify the downside, we don't invest.

Step 2:

Forecast Upside Potential

We rely on our own fundamental research to develop an investment thesis. We seek upside optionality resulting from restructuring, new products or margin improvement.

Step 3:

Assess Reward-to-Risk Ratio

We attempt to tilt the magnitude of outcomes in our clients' favor. We seek a ratio of 3:1 between our upside target and downside target.

Carefully-designed culture promotes our process.

Successful chemistry between team members is critical to maintaining our daily focus on generating superior risk-adjusted returns. We hire talented analysts who challenge us to refine each investment thesis. We believe varied perspectives ultimately improve decision making. Our process encourages questions and original thought and develops the individual's skill set and career objectives.

About Ballast Asset Management

Ragen Stienke, our founder, previously served as Senior Portfolio Manager for Westwood Management's SMidCap Equity strategy, serving as a Portfolio Manager from January 2006 until December 2010 and Senior Portfolio Manager from December 2010 until August 2015¹. During his time at Westwood, the SMidCap strategy's performance can be represented by the SMidCap Fund mutual fund (ticker WHGMX).

- The Fund generated 9.4% annualized returns net of fees from January 2006 through December 2015², compared to 7.6% for the Russell 2500.³
- The Fund achieved a top decile 10-year track record among its peer group according to Morningstar.⁵
- The SMidCap strategy had \$3.5 billion in assets under management prior to Ragen's departure.⁶

Fee Terms

Balances \$1,000,000 <> \$5,000,000

1.00%

Balances >\$5,000,000

0.85%

100 Crescent Court, Suite 1825
 Dallas, TX 75201
 469.420.5220

Portfolio Characteristics*

	Ballast	Russell 2500 Value Index	Russell 2500 Index
Number of Holdings	47	1,748	2,520
Wtd Avg Mkt Cap (\$B)	4.9	5.0	5.4
Median Mkt Cap (\$B)	3.6	1.2	1.3
Largest Mkt Cap (\$B)	22.3	16.0	30.1
Beta [†]	0.92	0.95	1.00
Std Deviation [†]	11.5	11.5	11.7
Sharpe Ratio [†]	1.83	1.09	1.42
Tracking Error [†]	4.77		
Information Ratio [†]	1.56		
Returns			
Return on Assets	4.4%	1.5%	1.8%
Return on Equity	8.7%	6.9%	7.6%
Return on Inv. Cap.	11.8%	6.6%	4.7%
Growth			
Sales Growth (TTM)	9.5%	9.6%	10.5%
Financial Leverage			
Net Debt / EBITDA	1.2	3.1	2.1
Total Debt to Equity	66%	119%	119%
Valuation			
Dividend Yield	1.4%	2.2%	1.5%
Free Cash Flow Yield	4.3%	2.5%	2.2%
Price/ Book	2.4	1.8	2.6
Price/ Cash Flow	11.2	10.9	14.5
Price/ Earnings (NTM)	13.8	16.2	20.5
EV/ EBITDA (NTM)	9.8	11.6	20.7

* Portfolio and Index Characteristics as of September 30, 2018
[†] Annualized 2-Year Basis vs. the Russell 2500

Top Ten Holdings (as of 9/30/2018)*

Company	% of Total
IAC/InterActiveCorp	3.9%
America's Car-Mart	3.8%
DSW Inc	3.3%
Premier Inc	3.3%
F5 Networks Inc	3.2%
Coherent Inc	3.1%
Teradata Corp	3.0%
Zions Bancorp NA	2.9%
Goodrich Petroleum Corp	2.9%
National CineMedia Inc	2.6%

* Excluding 6.8% Cash



Performance of Westwood SMidCap Fund (net of fees and expenses)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015*
Westwood SMidCap Fund²	20.60	10.47	-27.43	34.27	26.38	-2.29	12.88	33.80	4.85	4.35
Russell 2500 Index³	16.16	1.38	-36.78	34.39	26.70	-2.51	17.87	36.82	7.06	4.25
Russell 2500 Value Index⁴	20.19	-7.28	-31.98	27.68	24.85	-3.36	19.22	33.32	7.12	0.28

*Fund and Index Performance from 1/1/2015 through 8/10/2015

Important Disclosures

1. Ragen Stienke was a member of the portfolio manager team for the Westwood SMidCap Fund from its inception on December 9, 2005. At that time, the portfolio was managed by a team of portfolio managers sharing equally in the responsibilities for selecting holdings for the Fund and managing execution of trade ideas. From the Fund's inception until December 2010, Mr. Stienke participated in the decision making process for fund transactions, but was not solely responsible. In December 2010, Mr. Stienke was promoted to Senior Portfolio Manager and Product Director and assumed the principal role of managing the team for the Fund which he maintained until his departure in August 2015. While Mr. Stienke was a member of the portfolio manager team from the Fund's inception until his departure in August of 2015 and was the senior member directing the team and principally responsible from December 2010, there is no guarantee that he will be able to produce similar results outside of Westwood. Ballast intends to pursue a similar investment management process for selecting securities and managing risk as Mr. Stienke practiced at Westwood, but there is no assurance that the process will produce similar results.
2. The returns shown for the Westwood SMidCap Fund represent the institutional class of shares, net of all fees and expenses, and reflects the reinvestment of all dividends. Returns are based on data obtained from Bloomberg. According to information obtained from Morningstar, the Fund's net expense ratio for the reported period ranged from 1.25% to 0.95%. Past performance does not guarantee future results.
3. The Russell 2500 Index is a market capitalization weighted index of the 2,500 smallest companies in the Russell 3000 universe of United States equities. Returns shown include the reinvestment of dividends and are based on data obtained from FTSE Russell.
4. The Russell 2500 Value Index measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values. Returns shown include the reinvestment of dividends and are based on data obtained from FTSE Russell.
5. According to Morningstar, the Westwood SmidCap Fund was ranked in the top decile of 211 funds in its Mid-Cap Blend category for the 10 year period ended December 2015.
6. As of June 30, 2015, prior to Mr. Stienke's departure, the Westwood SMidCap strategy managed approximately \$3.5 billion in assets across separate accounts and mutual fund assets.
7. The Ballast Portfolio represents the performance of a proprietary account managed in the firm's model strategy that was launched on August 11, 2015. Gross Performance represents the returns of the account after all expenses, but before deduction of management fees. An individual client's account would be subject to the deduction of management fees in accordance with the Ballast fee schedule. Net Performance represents returns net of all expenses and the highest management fee rate (1.0%) in the firm's fee schedule. The returns achieved by an individual client's account may vary from those reported for various reasons including management fee rate, timing of cash flows, frequency of rebalancing of individual accounts and individual client's restrictions. Past performance does not guarantee future results.
8. Portfolio Exposures are based upon market value of positions as a percentage of account equity as of the date indicated. Market Capitalization of holdings and Russell sector information are obtained from Bloomberg. All portfolio statistics are weighted based on position sizes. For certain cash flow and enterprise value metrics, positions in the Financial sector are excluded as they are not as relevant to such holdings. Portfolio P/E ratio is weighted based on position sizes and uses forward P/E as reported on Bloomberg for each position.