



Dear fellow investors,

We hope you and your families are safe and healthy. We are writing to provide a brief update on our business as well as the portfolio and strategy.

Business Continuity

We operate Ballast in the same way we expect the companies we invest in to operate. We have a healthy balance sheet, no debt, are operationally reliable and secure, and we have a strong financial partner committed to long-term success. COVID-19 has created significant disruptions to both professional and personal lives. Our team's safety and health are our first priority, and that may require a need to work away from our main office. Ballast has always had a "stay at home if you are sick" policy, and everyone is set up to work remotely. Each person has full access to all the tools and systems necessary to continue with their responsibilities and remains determined to meet the needs of our investors.

Importance of Risk Management

Times like these are why we have a process. For myself, and most of my teammates, this is the fourth dramatic market shock that we have invested through, including the bursting of the Tech Bubble, 9/11, and the Great Financial Crisis of 2008. Shocks to the capital markets create fear and uncertainty. It is especially important in these extreme situations to employ a well-defined risk management strategy that enables one to understand the exposures to the portfolio fully, which allows for informed, well-considered decisions. While our Risk Management Model does not directly assess exposure to a global pandemic, it does give us on a forward looking basis, the ability to determine how the supply and demand dynamics, the impact to end markets, and macro risk factors impact the portfolio. These facts help us make informed decisions toward our ultimate goal of mitigating downside risk wherever possible while preserving upside potential.

Active Management

Whenever we experience a major shock to our capital markets, some companies will survive, and unfortunately, some that will not - or at least the equity will not. As active managers, we seek to distinguish between the two. Companies that possess a strong balance sheet and place cash generation as a top priority of their businesses have greater flexibility. Of critical importance, they can conserve cash to weather the storm and maintain their basic operations; they may not grow in the near term, but they can sustain, and ideally invest in their business to come out stronger. We consider these characteristics most valuable, and they are inherent in each of our investments. We will not be immune to the shocks of the market. We do believe that we can position the portfolio to come out on the other side of a major

drawdown with the expectation that they will be better positioned to reignite their growth engines to build and to execute their business plans. In our experience, that should lead to better earnings/cash flow and higher stock prices.

Importance of Liquidity

Ballast's SmidCap portfolio is highly liquid, investing in level-1 securities. Within our investments, we tend to avoid those with a high degree of financial leverage, which can create stress on their business, particularly in the environment we are in now. The portfolio in and of itself does not use leverage. Therefore, we are not in a position of forced selling of high-quality companies to meet margin calls, which some strategies may be facing in order to meet their obligations.

We plan to provide a detailed discussion of the portfolio with our first quarter letter. In the meantime, we welcome your calls and emails with any questions you may have. If there is anything we can do to assist you during this time, please let us know.

Best Regards,

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