

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. We believe that our fundamental analysis leads us to companies with healthy operations, solid balance sheets, and strong free cash flow. We aim to 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

		Yearly Returns						Annualized Returns*		
		2017	2018	2019	2020	2021	2022	3 Yrs	5 Yrs	Inception
Ballast Portfolio ¹	Gross	13.5%	-2.2%	16.1%	12.5%	41.8%	-13.3%	11.4%	9.4%	11.7%
	Net	12.4%	-3.2%	15.0%	11.4%	40.4%	-14.2%	10.3%	8.4%	10.6%
Russell 2500 Value ²		10.3%	-12.4%	23.5%	4.9%	27.7%	-13.1%	5.2%	4.7%	8.3%
Russell 2500 ³		16.8%	-10.0%	27.7%	20.0%	18.1%	-18.4%	5.0%	5.9%	9.1%

*Annualized 3-Year, 5-Year and from Inception returns reported through 12/31/22

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 2015.⁴ During his time at Westwood, the SMidCap strategy's performance can be represented by the SMidCap Fund mutual fund (ticker WHGMX). Ballast Asset Management entered into a strategic relationship with Inverdale Capital Management in 2017 to support the growth of Ballast Asset Management. Ballast Asset Management, LP is now a subsidiary of Inverdale Capital Management, LLC.

- The Fund generated 9.4% annualized returns net of fees from January 2006 through December 2015, compared to 7.6% for the Russell 2500.⁵
- The Fund achieved a top decile 10-year track record among its peer group according to Morningstar.⁶
- The SMidCap strategy had \$3.5 billion in assets under management prior to Ragen's departure.⁷

Fee Terms

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

1.00%
0.85%

Portfolio Characteristics⁸

	Ballast	Russell 2500 Value Index	Russell 2500 Index
Number of Holdings	51	1,815	2,445
Wtd Avg Mkt Cap (\$B)	3.3	6.1	6.0
Median Mkt Cap (\$B)	2.4	1.3	1.4
Largest Mkt Cap (\$B)	13.0	20.4	20.4
Beta†	0.88	0.91	0.93
Std Deviation	23%	23%	22%
Sharpe Ratio	0.40	0.19	0.25
Tracking Error††	0.08		
Information Ratio††	0.58		

Returns

Return on Assets	7.4%	4.1%	4.2%
Return on Equity	16.0%	12.7%	13.8%
Return on Inv. Cap.	11.9%	7.1%	6.9%

Growth

Sales Growth (TTM)	39%	24%	25%
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Financial Leverage

Net Debt / EBITDA	1.1	3.0	2.0
Total Debt / Equity	0.8	1.6	1.6

Weighted Average Valuation

Dividend Yield	1.8%	2.1%	1.6%
Free Cash Flow / EV	10.8%	6.4%	4.8%
Price / Book	2.6	2.0	4.8
Price / Cash Flow	13.7	14.4	18.0
Price / Earnings (NTM)	9.9	13.3	16.2
EV / EBITDA (NTM)	9.1	10.8	11.3

⁸ Portfolio and Index Characteristics as of Dec. 31, 2022

† 5 Years vs. S&P 500

†† Annualized 5-Year Basis vs. Russell 2500 Value

Ten Largest Holdings (as of 12/31/2022)*

Company	% of Total
Green Plains Inc.	3.3%
Cass Information Sys	3.1%
Solaris Oilfield	2.9%
Teradata Corp	2.9%
Capital Bancorp Inc	2.9%
Natural Resource Part	2.9%
Northern Technologie	2.8%
Climb Global Solutions	2.8%
Federal Agric Mtg Corp	2.5%
UFP Technologies Inc.	2.5%

* Excluding 2.4% Cash. Holdings are subject to change and do not constitute a recommendation or solicitation to buy or sell a particular security.



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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015*
Westwood SMidCap Fund ⁵	20.60	10.47	-27.43	34.27	26.38	-2.29	12.88	33.80	4.85	4.35
Russell 2500 Index ²	16.16	1.38	-36.78	34.39	26.70	-2.51	17.87	36.82	7.06	4.25
Russell 2500 Value Index ³	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

- Account returns are presented both gross and net of management fees. All account returns are net of transaction costs and gross of non-reclaimable withholding taxes, if any, and reflect the reinvestment of dividends and other earnings. Monthly composite returns are calculated by weighting each account's monthly return by its relative beginning market value. All returns are expressed in U.S. dollars. **Past performance does not guarantee future results.**

The gross performance results presented do not reflect the deduction of investment advisory fees. Actual returns will be reduced by such advisory fees and other expenses as described in the individual contract and, where applicable, Form ADV Part 2A.

Net performance results do not reflect the deduction of investment advisory fees actually charged to the accounts in the composite but do reflect the deduction of a model investment advisory fee of 1.00%, which is the maximum advisory fee rate in effect for the respective time period. Actual advisory fees may vary among clients invested in the strategy. Returns for each client will be reduced by such fees and expense as described in the individual contract and, where applicable, in Form ADV Part 2A.
- 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 and do not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.
- 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 and do not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.
- 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.
- 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.
- 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.
- 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.
- Portfolio Characteristics 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.