

Midcap QUALITY VALUE STRATEGY

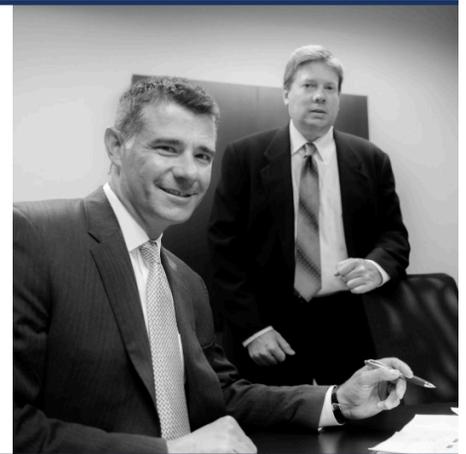


**BALLAST EQUITY
MANAGEMENT, LLC**
STABILITY. QUALITY. VALUE.

4Q:20

MISSION STATEMENT

At Ballast Equity Management we strive to deliver a smoother ride in good markets and bad, seeking to help our clients reach their long-term investment goals by setting clear expectations and through investment in high-quality small- and mid-cap value stocks.

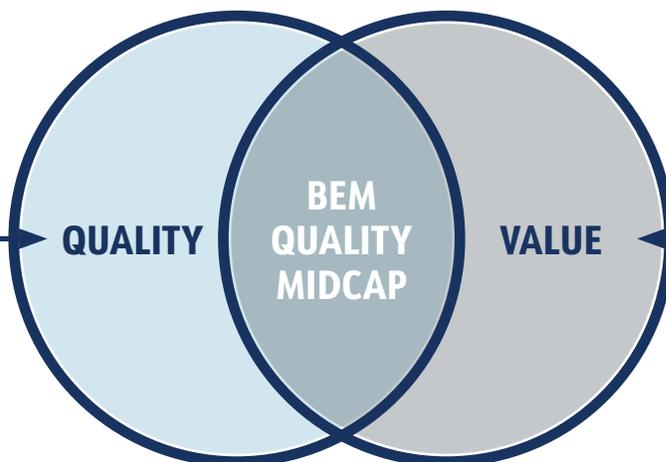


INVESTMENT TEAM

Ballast's investment team has navigated markets together for more than 20 years. Jeff Kautz and Randy Hughes founded Ballast in 2016 and worked together previously at Perkins Investment Management, a subsidiary of Janus Henderson. While there, Jeff held roles including Portfolio Manager, CEO and Chief Investment Officer and Randy held the roles of Director of Research and Analytics and Equity Analyst. Ballast is 100% employee owned and fosters a culture that marries independent thought with collaboration. Employee-owners invest alongside the clients of the firm in each of its strategies.

Ballast Quality Bias: Invest in companies exhibiting strong balance sheets, stable and growing cash flows and returns on invested capital (ROIC) well in excess of their cost of capital (WACC).

Strong financial characteristics are sustained through the presence of a durable competitive advantage allowing the companies to drive economic profits well into the future.



Ballast purposefully acts like business owners, focusing on a company's intrinsic value and blocking out day-to-day price moves.

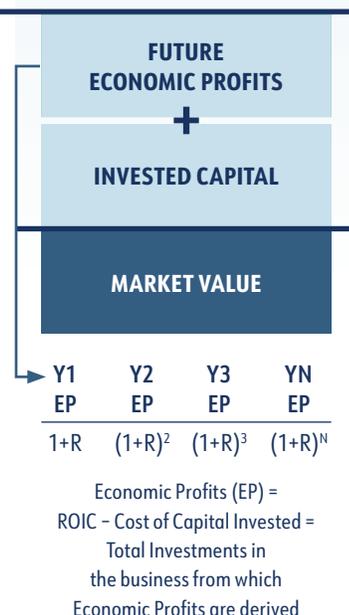
Ballast believes that buying wealth-creating businesses at discounts to intrinsic value will offer our clients stability, with less volatility and lower drawdowns, pursuing our goal to create long-term wealth.

STRATEGY

OBJECTIVE Ballast Equity Management (BEM) Quality Value Midcap Strategy strives to deliver a smoother ride in good markets and bad, seeking to outperform the Russell Midcap Value Index and Russell Midcap Index with less risk over a full market cycle.

OVERVIEW BEM Quality Value Midcap Strategy invests with conviction in 50-70 high quality companies which can deliver high returns on invested capital, well in excess of their cost of capital, sustained through strong, durable competitive advantages. Identification and selection of these companies is supported by proprietary Quality Scores and fundamental research. Ballast is patient and will only add a company to the Quality Midcap Strategy when its stock can be purchased at a reasonable valuation.

PROCESS Ballast employs a research and screening process that includes four distinct steps:



4Q:20 COMMENTARY

Investors who decided to ignore the news, leave their brokerage statements unopened and simply view the results of the full twelve months of 2020 would be both pleased at the outcome and shocked to learn about all of the events and volatility that was packed into one short year. Those of us who watch such events daily and (often to our detriment) pay attention to the news, would argue that 2020 was hardly a “short” year and was unprecedented in countless ways. A global pandemic, economic recession and job loss, political turmoil and social unrest topped the list of issues that disrupted our lives in ways we did not anticipate on New Year’s Day 2020.

Our focus on quality detracted from performance during the quarter as markets continued to roar back from the short, steep bear market, favoring lower quality stocks with limited or no earnings and lacking economic moats. Ballast uses a proprietary ranking system for its universe of prospective holdings, with companies ranked in the top two (A and B) quintiles recognized as high quality and those in the bottom two (D and E) quintiles considered low quality. During the quarter, the stocks of high-quality mid-cap companies in this universe with market capitalizations between \$3 billion and \$15 billion lagged those of low-quality businesses by 3.82%.

QUALITY VALUE MIDCAP TOP CONTRIBUTORS

TCF FINANCIAL (TCF) was the leading contributor to performance during the quarter as news of a proposed acquisition of the bank by rival Huntington Bancshares (HBAN) lifted its shares. Ballast believes the fit between the two banks to be good and expects the all-stock transaction to close in Q2 2021 at a share price of \$39. Ballast continues to hold its shares with an eye toward capturing the remaining acquisition premium.

SYNOVUS FINANCIAL (SNV) shares rose during the quarter buoyed by strong financial results and optimism over a reopening economy. Synovus is a significant banking force in higher growth markets in the Southeastern U.S. Positive results have included improving fee income growth in its mortgage banking and capital markets businesses. Management is keenly focused on managing expenses and the bank has Returns on Tangible Equity of 13% and its stock currently yields 4.2%.

TOP 10 HOLDINGS¹

	% Weighting
Monolithic Power Systems, Inc.	3.05%
Skyworks Solutions, Inc.	2.99%
TCF Financial Corporation	2.68%
Arthur J. Gallagher & Co.	2.59%
Synovus Financial Corp.	2.58%
Copart, Inc.	2.56%
Broadridge Financial Solutions, Inc.	2.49%
ANSYS, Inc.	2.47%
McCormick & Company, Inc.	2.43%
Laboratory Corporation of America Holdings	2.42%
TOTAL	26.26%

PERFORMANCE

	1Q:20	2Q:20	3Q:20	4Q:20	1 Year	3 Year	Annual Total Return (since inception) 6/30/16
BEM - Midcap (Gross) ³	-21.50%	20.77%	5.38%	17.91%	17.80%	13.25%	14.19%
BEM - Midcap (Net) ³	-21.69%	20.50%	5.11%	17.62%	16.67%	12.15%	13.07%
Russell Midcap Value ²	-31.71%	19.95%	6.40%	20.43%	4.96%	5.36%	8.78%
Russell Midcap ²	-27.07%	24.60%	7.46%	19.91%	17.10%	11.61%	13.62%

4Q:20 COMMENTARY – CONTINUED

QUALITY VALUE MIDCAP TOP DETRACTORS

Despite solid earnings that were ahead of expectations, **WASTE CONNECTIONS, INC. (WCN)** detracted from performance as its share price was flat during the quarter. Ballast believes WCN will emerge as a winner in the fragmented waste collection business due to its competitive advantages that include scale, hard to obtain regulatory permits and route density. Solid waste collection is an essential, recession-proof business and WCN continues to grow through acquisitions.

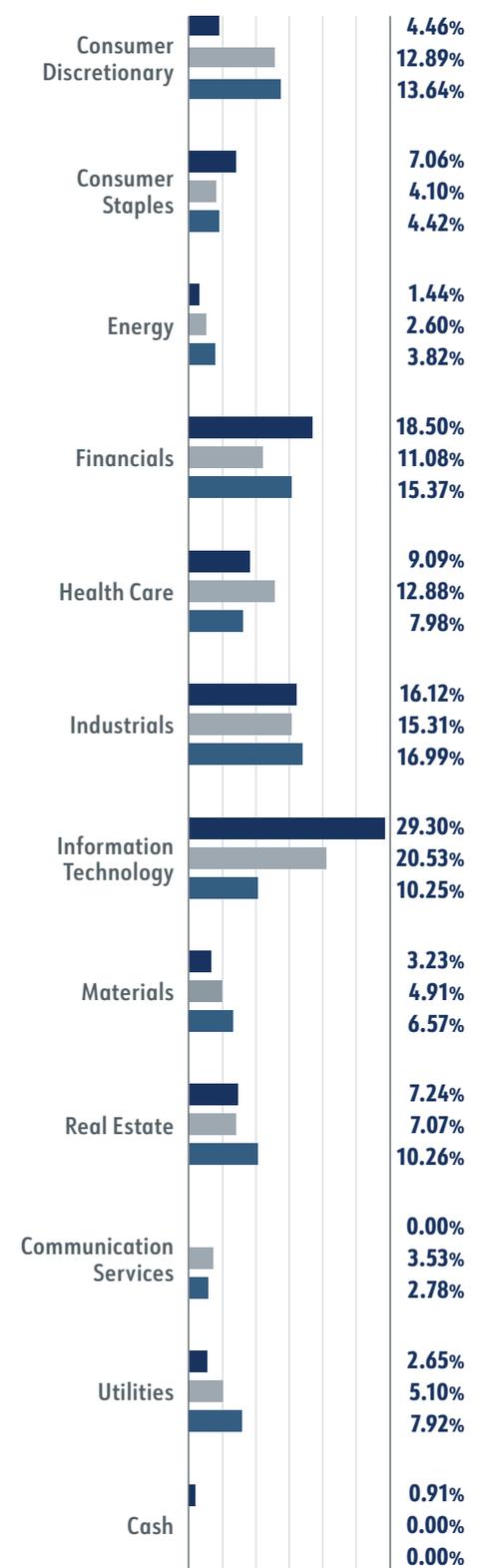
After trading up in Q3, shares of **MCCORMICK & COMPANY (MKC)** dipped slightly during Q4 2020, detracting from performance. The company added to its flavor portfolio during the quarter with its acquisition of hot sauce maker Cholula. Strong free cash flows have supported the company’s acquisition of smaller U.S. and international companies, as well as enabling share buybacks and dividend payments. McCormick’s leading brands, cost advantages and shareholder base stand as competitive advantages and the company has U.S. market share of more than 50%.

BALLAST’S OUTLOOK

We began 2020 by commenting on fully valued markets and, again, find ourselves concerned with valuations and what the New Year may bring. In addition, risks to the market include growing corporate and federal debt levels, potential challenges to the rollout and acceptance of the COVID-19 vaccine, and a stage that seems set for higher taxes and interest rates.

We do see opportunities for the market to continue its upward trajectory in 2021. Rollout of the COVID-19 vaccine sets the stage for an improving economy supported by consumer and business confidence. This improvement may continue the swing of the stock market pendulum and may continue the bubbly nature of performance of lower quality stocks. Ballast will continue to focus on quality businesses purchased at reasonable valuations. We know that these businesses will stand up to the risks that eventually come and will generate strong, risk-adjusted returns for our clients over full market cycles.

SECTOR EXPOSURE[^]



BEM Quality Value Midcap¹

Russell Midcap²

Russell Midcap Value²

0 5 10 15 20 25 30 %

PORTFOLIO CHARACTERISTICS

	BEM Quality Value Midcap	Russell Midcap	Russell Midcap Value
Active Share ⁴	94.17	0.00	0.00
Number of Securities	55	818	696
Weighted Average Market Cap (MM)	14,665.33	20,296.87	17,874.03
Median Market Cap	10,701.06	9,647.95	8,636.87
Dividend Yield	1.08	1.45	1.98
ROIC	14.24	3.92	3.27
Debt/Capitalization	40.06	56.14	56.17
EV/EBITDA	27.47	14.30	11.84

RISK METRICS

	BEM Quality Value Midcap	Relative to Russell Midcap	Relative to Russell Midcap Value
Annualized Alpha		3.12	8.10
Beta		0.98	0.89
Up Capture		86.58	99.85
Down Capture		87.17	80.24
Standard Deviation*	18.36	21.82	22.62
Information Ratio		0.124	0.849
Sharpe Ratio	0.69	—	—

*Standard Deviation is shown for the BEM Strategy and each respective Index.



For more information, please call
844.322.5527 or visit **ballastequity.com**

WE THANK OUR CLIENTS AND INVITE OTHER LIKE-MINDED INVESTORS TO CONTACT US IF WE MAY BE OF SERVICE.

DISCLOSURES

No client or potential client should assume that any information presented should be construed as personalized investment advice. Personalized investment advice can only be rendered after engagement of the firm for services, execution of the required documentation, and receipt of required disclosures. Investing carries risk of loss. You should consider the strategy's investment objectives, risks, charges and expenses carefully before investing.

[^] Sector classifications are generally determined by referencing the Global Industry Classification Standard (GICS[®]) and exclude cash. GICS was developed by and/or is the exclusive property of MSCI, Inc. and Standard & Poor's Financial Services LLC (S&P). GICS is a service mark of MSCI and S&P.

¹ Top ten holdings, sector weights and portfolio characteristics for the BEM Quality Value Midcap Strategy are taken from the model portfolio.

² The BEM Quality Value Midcap Strategy is compared to the Russell Midcap Indices as they are widely used benchmarks for small capitalization securities. An investment with Ballast Equity Management (BEM) should not be construed as an investment in a program that seeks to replicate, or correlate with, these indices. Market conditions vary between the BEM products and these indices. Furthermore, these indices do not include any transaction costs, management fees and other expenses, as do the BEM Products. Lastly, BEM may invest in strategies and positions that are not included in these indices.

³ BEM Quality Value Midcap returns are for the BQV Midcap Composite. Net returns are calculated assuming the maximum advisory fee of 100 bps is applied. Returns are net of both advisory fees and transaction costs. All dividends are assumed to be reinvested. The reporting currency is USD.

⁴ Active Share of the BEM Quality Value Midcap Strategy is calculated relative to the Russell Mid Cap Value Index.

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