



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.

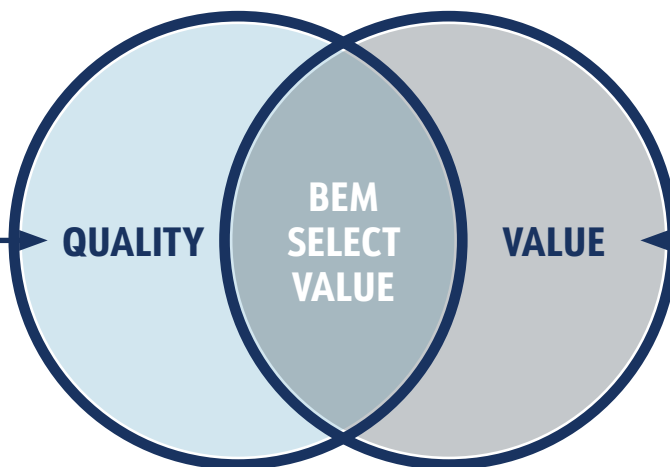


INVESTMENT TEAM

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.

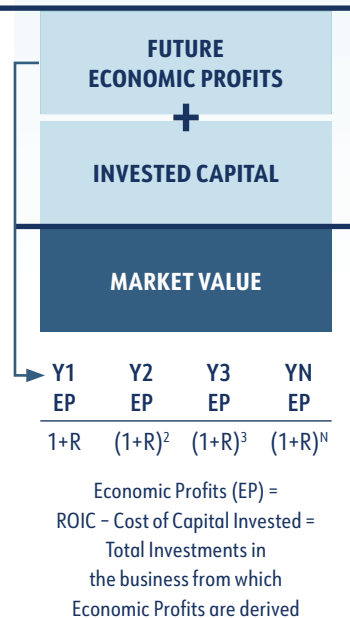
STRATEGY

OBJECTIVE Ballast Equity Management (BEM) Select Value Strategy strives to deliver a smoother ride in good markets and bad, seeking to outperform the Russell 2500 Value Index and Russell 2500 Index with less risk over a full market cycle.

OVERVIEW BEM Select Value Strategy is a high conviction portfolio holding the best ideas from the firm's Quality Value Smallcap and Quality Value Midcap strategies. The Strategy invests with conviction in 30-50 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 Select Value Strategy when its stock can be purchased at a reasonable valuation.

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

 SCREENING	 QUANTITATIVE ANALYSIS	 QUALITATIVE ANALYSIS	 VALUATION
<p>Ballast screens a universe of over 3000 small and mid-cap stocks by charting the ratio of Enterprise Value to Invested Capital relative to the Return on Invested Capital for the companies. Investors should be willing to pay more for a business that earns high returns on capital; Ballast only considers those that appear undervalued.</p>	<p>Ballast ranks stocks in its universe according to its proprietary Quality Rankings Model, using factors that identify companies with strong financial flexibility, stable and growing cash flow and stable and improving profitability metrics. Ballast focuses on stocks with Quality Rankings in the top two quintiles of its universe.</p>	<p>Ballast believes strongly that high returns on capital are maintained and defended through proven, durable competitive advantages, such as economies of scale, strong intangible assets, high switching costs, network effects and cost advantages. Ballast professionals carefully assess the durability of each business's competitive advantages.</p>	<p>Ballast strongly believes that valuation plays a vital role in successful investing. Forecasting future economic profits and capital allocation decisions allows Ballast to answer its primary question: "Does the company create wealth for investors over time?"</p>



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 small (under \$3 billion market capitalization) and mid-cap (between \$3 billion and \$15 billion) companies lagged those of low-quality businesses by 2.83% and 3.82%, respectively.

SELECT VALUE TOP CONTRIBUTORS

BADGER METER, INC. (BMI) shares rose more than 44% during the quarter. BMI is one of the largest water meter companies in the U.S. and competes effectively against larger companies in the international arena. BMI is well situated to capitalize on the move to connected technologies with smart meters and data analytics technologies. Management intends to further these capabilities through acquisitions, such as its Q4 2020 purchase of Austria-based private company s::can GmbH. We expect that BMI’s market will continue to grow as countries replace old meters and install meters for the first time. Business performance has been strong, and the company produces operating margins of 15% and Returns on Invested Capital of 14%

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
Broadridge Financial Solutions, Inc.	3.57%
Scotts Miracle-Gro Company Class A	3.23%
Badger Meter, Inc.	3.13%
Waste Connections, Inc.	3.06%
Copart, Inc.	3.06%
Tyler Technologies, Inc.	2.98%
Laboratory Corporation of America Holdings	2.95%
ICON Plc	2.85%
OTC Markets Group Inc.	2.75%
J & J Snack Foods Corp.	2.67%
TOTAL	30.25%

PERFORMANCE

	1Q:20	2Q:20	3Q:20	4Q:20	1 Year	3 Year	Annual Total Return (since inception) 9/30/17
BEM - Select Value (Gross) ³	-21.14%	17.20%	3.37%	18.58%	13.30%	10.82%	12.01%
BEM - Select Value (Net) ³	-21.34%	16.93%	3.13%	18.34%	12.25%	9.75%	10.93%
Russell 2500 Value ²	-34.64%	20.60%	3.54%	28.51%	4.88%	4.33%	5.98%
Russell 2500 ²	-29.73%	26.57%	5.88%	27.40%	19.98%	11.31%	12.44%

4Q:20 COMMENTARY – CONTINUED

SELECT VALUE TOP DETRACTORS

Shares of leading biodefense contractor **EMERGENT BIOSOLUTIONS (EBS)** fell during the quarter as sentiment shifted regarding the winners and losers involved in solving the COVID crisis. EBS shares rose approximately 80% for the year but sold off from highs as Pfizer and Moderna got to the finish line before EBS and its partners, Johnson & Johnson and AstraZeneca. Ballast originally purchased EBS due to its exclusive government contracts to manufacture BioTrax for the prevention of anthrax and other vaccines, therapeutics, and anti-infectives and still has high levels of conviction in the company.

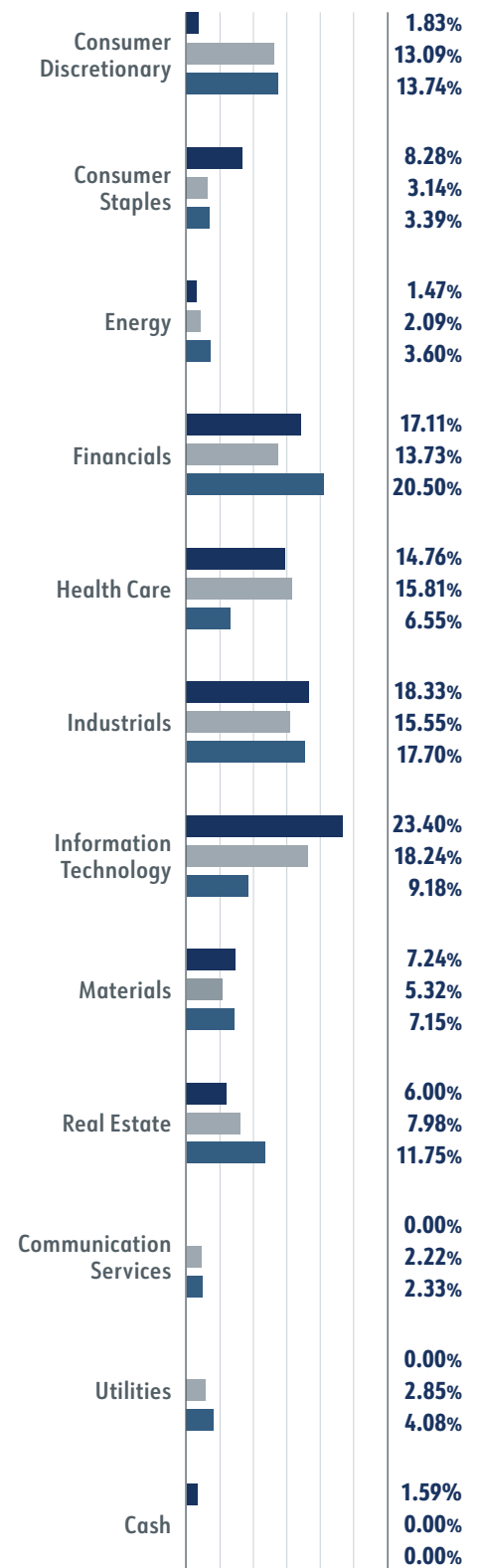
PAYSIGN (PAYS) detracted from performance as a revenue recognition issue in its pharma business and impacts of the COVID pandemic on the company's plasma businesses led to disappointing Q3 2020 financial results. The change in revenue recognition for the Pharma segment, recommended by PAYS' auditors, resulted in a one-time \$6.3 million reversal of past revenues. Shuttered plasma centers and a reluctance of donors to visit those remaining open lowered revenues and the near-term outlook for that segment. Ballast believes PAYS will remain strong in this segment supported by its 41% market share. Four large companies operating plasma collection centers control over 70% of the centers in the U.S. and generate nearly 80% of total collections. We believe PaySign currently only works with two of the four operators and growth opportunities exist by developing business with the other two.

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 Select Value¹

Russell 2500²

Russell 2500 Value²

0 5 10 15 20 25 30 %

PORTFOLIO CHARACTERISTICS

	BEM Select Value	Russell 2500	Russell 2500 Value
Active Share ⁴	93.93	0.00	0.00
Number of Securities	44	2,543	1,922
Weighted Average Market Cap (MM)	10,560.46	6,695.49	6,073.88
Median Market Cap	8,019.72	1,311.59	1,224.88
Dividend Yield	0.98	1.37	1.94
ROIC	16.85	1.55	1.54
Debt/Capitalization	36.08	55.59	56.53
EV/EBITDA	25.26	13.69	10.58

RISK METRICS

	BEM Select Value	Relative to Russell 2500	Relative to Russell 2500 Value
Annualized Alpha		-3.16	4.13
Beta		0.84	0.75
Up Capture		73.75	85.91
Down Capture		83.44	77.02
Standard Deviation*	18.23	24.21	25.05
Information Ratio		-0.08	0.62
Sharpe Ratio	0.58	—	—

*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 Select Value Strategy are taken from the model portfolio.

² The BEM Select Value Strategy is compared to the Russell 2500 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 Select Value returns are for the BQV Select Value 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 Select Value Strategy is calculated relative to the Russell 2500 Value Index.

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