



3Q:21

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.

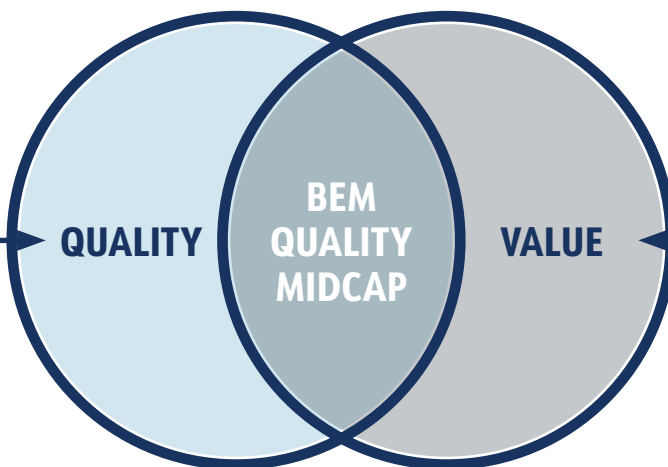


INVESTMENT TEAM

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.

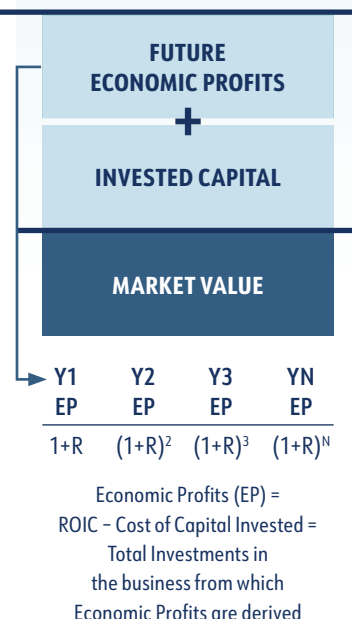
Ballast believes that buying wealth-creating businesses at discounts to intrinsic value will offer our clients stability, with less volatility and lower drawdowns, pursuing our goal to create long-term wealth.

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:



3Q:21 COMMENTARY

As noted in our outlook last quarter, U.S. equity markets delivered between one and two years of expected returns in just the first six months of 2021. Equity markets pushed higher through August, but fell in September, as uncertainty regarding fiscal and monetary policy, inflation concerns, and slowing growth impacted investor sentiment. Factors driving performance shifted multiple times during the quarter. Using the Russell Stability indexes as proxies for high and low quality, the Russell Defensive indexes containing businesses with higher Returns on Assets, lower leverage, and lower volatility outperformed low quality businesses, as measured by the Russell Dynamic indexes, across the market cap spectrum.

Quality “Ballast-like” businesses, those with less sensitivity to economic and credit cycles and with more sustainable business models, outperformed. Security selection was a strong contributor to performance, adding more than 100% of the strategy’s relative outperformance.

QUALITY VALUE MIDCAP TOP CONTRIBUTORS

Microchip manufacturer **MONOLITHIC POWER SYSTEMS INC. (MPWR)** was the top contributor to performance during the quarter. In the midst of a chip shortage, MPWR continues to progress in its transformation from a semiconductor device company to a technology solutions company, which we believe will drive meaningful revenue growth in the coming years. The mission of MPWR to reduce total energy consumption in end systems is well suited to the demands of its clients in the automotive, industrial, communications, and consumer end markets.

ICON PLC (ICLR) contributed to performance as shares were propelled by strong business results and optimism over expected synergies in its acquisition of PRA Health. ICLR is a late-stage contract research organization that provides drug development and clinical trial services to pharmaceutical, biotechnology, and medical device firms. While the business has operated globally, its purchase of PRA Health is expected to enhance these capabilities and deepen its relationships with clients including Pfizer.

TOP 10 HOLDINGS¹

	% Weighting
Laboratory Corporation of America Holdings	2.97%
Synovus Financial Corp.	2.97%
Monolithic Power Systems, Inc.	2.93%
Arthur J. Gallagher & Co.	2.69%
ICON Plc	2.66%
Booz Allen Hamilton Holding Corporation Class A	2.59%
MSCI Inc. Class A	2.56%
Tyler Technologies, Inc.	2.56%
Glacier Bancorp, Inc.	2.47%
Jones Lang LaSalle Incorporated	2.45%
TOTAL	26.85%

PERFORMANCE

	4Q:20	1Q:21	2Q:21	3Q:21	1 Year	3 Year (Ann)	5 Year (Ann)	Annual Total Return (since inception) 6/30/16
BEM – Midcap (Gross) ³	17.91%	7.27%	6.75%	1.49%	37.07%	15.02%	15.55%	15.31%
BEM – Midcap (Net) ³	17.62%	7.01%	6.50%	1.25%	35.75%	13.91%	14.42%	14.18%
Russell Midcap Value ²	20.43%	13.05%	5.67%	-1.01%	42.41%	10.28%	10.60%	10.99%
Russell Midcap ²	19.91%	8.15%	7.50%	-0.93%	38.11%	14.21%	14.38%	14.61%

3Q:21 COMMENTARY – CONTINUED

QUALITY VALUE MIDCAP TOP DETRACTORS

CORE LABORATORIES (CLB) dropped nearly 30% during the quarter, detracting from performance. CLB helps oil and gas companies better understand how to improve production levels and economics with core and reservoir analysis. Competitive advantages include its intangible assets (patents, proprietary technology, and human capital) and network effects (multi-client reservoir studies). Quarterly results were disappointing as COVID-19 related disruptions weighed on margin performance.

Shares of **SCOTTS MIRACLE-GRO COMPANY (SMG)** declined sharply in September, in part due to investors' concerns over the oversupply of cannabis in California. SMG's Hawthorne division is a leading supplier of hydroponics products to the cannabis industry. While this news makes for click-worthy headlines, SMG remains the largest player in the U.S. gardening industry with a market share greater than 50% with its Scotts Miracle-Gro, Ortho, Tomcat, and Roundup brands. As a result, Scotts can charge materially higher prices than its competition. Ballast added to its position on the weakness in share price.

QUALITY VALUE MIDCAP PORTFOLIO ACTIVITY

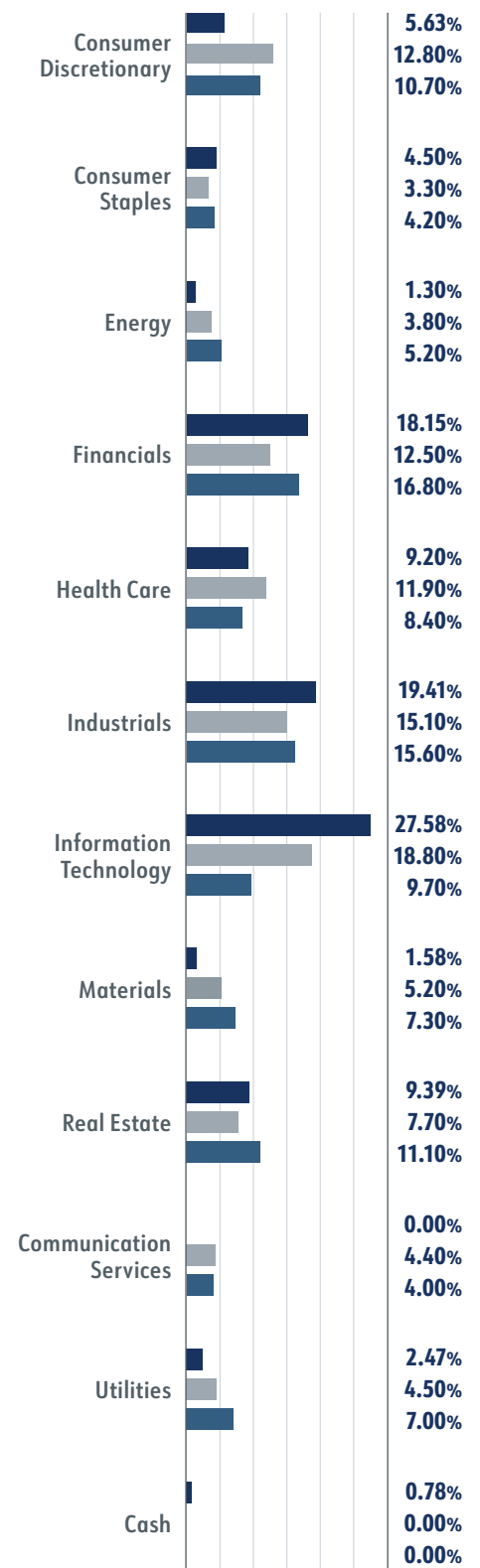
Portfolio activity was higher than typical as rising markets and volatility presented opportunities for taking gains and allocating to better opportunities. Positions added were management consulting firm **BOOZ ALLEN HAMILTON HOLDING CORP. (BAH)**, government health and human service provider **MAXIMUS INC. (MMS)**, and **TRINET GROUP INC. (TNET)**, a provider of human resource solutions to small businesses. Ballast exited its positions in **US ECOLOGY INC. (ECOL)**, **J&J SNACK FOODS (JJSF)**, **SEI INVESTMENTS (SEIC)**, and **WATERS CORP. (WAT)**.

BALLAST'S OUTLOOK

There is no shortage of risks in equity markets, including the above-mentioned uncertainty over fiscal and monetary policy, inflation concerns, and slowing economic growth. Tax policy looms as a potential impact to corporate margins and supply chain issues persist. While the potential impact of each of these is important for investors to consider, the macro future isn't knowable. What we do know is the importance of maintaining a focus on fundamentals and quality businesses that have pricing power and persistent performance.

With 42% of the Russell 2000 companies lacking positive earnings in the trailing twelve months, we know that cheap money and government stimulus have propped up the market returns of low-quality companies. Selectivity will be critical in the coming months, and we will serve our clients through careful diligence and a continued attention to the sustainability of business performance and the price paid for each holding in our strategies.

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	93.58	0.00	0.00
Number of Securities	55	829	700
Weighted Average Market Cap (MM)	16,743.58	23,272.64	20,694.09
Median Market Cap	12,140.81	11,277.78	10,332.15
Dividend Yield	1.12	1.38	1.85
ROIC	14.32	6.04	5.95
Debt/Capitalization	37.21	54.05	53.07
EV/EBITDA	24.46	13.51	11.17

RISK METRICS

	BEM Quality Value Midcap	Relative to Russell Midcap	Relative to Russell Midcap Value
Annualized Alpha		2.90	6.22
Beta		0.94	0.86
Up Capture		88.81	96.65
Down Capture		88.49	81.25
Standard Deviation*	18.6	21.98	23.11
Information Ratio		0.138	0.619
Sharpe Ratio	0.76	—	—

*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 100bps is deducted from the quarterly gross composite return from inception through June 30, 2020. Starting July 1, 2020, actual fees charged are used to calculate net performance. 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.

Ballast Equity Management, LLC claims compliance with the Global Investment Performance Standards (GIPS[®]). GIPS[®] is a registered trademark of the CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. To receive a GIPS report, please contact Ballast at (844) 3-BALLAST.

This information is presented for informational purposes only and is not intended as an offer or sale of securities. Past performance does not guarantee future results. The performance data quoted represents past performance. The principal value of an investment and investment return will fluctuate so that an investor's portfolio, when redeemed, may be worth more or less than the original cost.

Ballast Equity Management, LLC is a registered investment advisor. For additional information about the firm and its professionals please visit the SEC's website at adviserinfo.sec.gov.