



4Q:22

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.

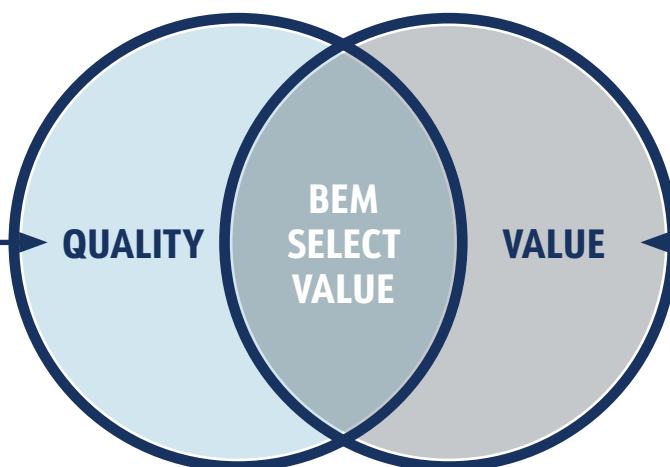


INVESTMENT TEAM

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.

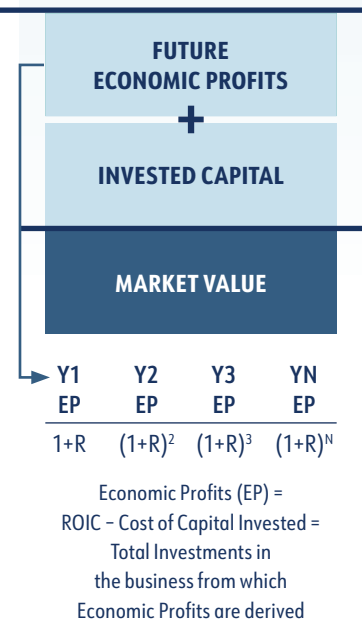
Ballast believes that buying wealth-creating businesses at discounts to intrinsic value will offer our clients stability, with less volatility and lower drawdowns, pursuing our goal to create long-term wealth.

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:



4Q:22 COMMENTARY

Q4 2022 began with a bear market rally that continued into November but waned in December. Rate hikes by the Federal Reserve and Chairman Powell's comments that it was too soon to consider a pause tested investors' resolve. November's mid-term election delivered the ingredients for gridlock in Washington, and we ended 2022 with investors feeling the sting of a difficult year that offered few places to hide from sharply negative results.

The exceptional place to hide for equity investors in 2022 was the energy sector. Ballast has generally found few businesses in this sector that we believe make prudent capital allocation decisions and our underweight to these companies was a meaningful drag on our annual performance.

The **Ballast Select Value Strategy** trailed the Russell 2500 Value Index while leading return of the Russell 2500 Index during the quarter. Security selection helped performance most notably in Healthcare and Industrials companies. An overweight and negative security selection in Information Technology detracted from performance as did an underweight and negative security selection in Consumer Discretionary names.

SELECT VALUE TOP CONTRIBUTORS

Shares of management consulting firm **BOOZ ALLEN HAMILTON (BAH)** rose during the quarter as the company both beat quarterly expectations and raised guidance for revenue and earnings for the full year. BAH is a leading provider of management and technology consulting. Its "best of breed" status stands as a competitive advantage as it captures contracts from the U.S. government, generating 97% of the company's revenues. BAH generates returns on invested capital of 15% on average.

GETTY REALTY CORPORATION (GTY) shares aided performance during the quarter as shares rose by over 27%. The company met earnings expectations for the quarter and management raised guidance for the full year 2022. GTY owns a portfolio of more than 1000 properties that are leased at 99.5% with annual rent escalators averaging 1.6%. Properties are predominantly convenience stores and gas stations which are e-commerce and recession resistant.

TOP 10 HOLDINGS¹

	% Weighting
Booz Allen Hamilton Holding Corporation Class A	3.51%
Laboratory Corporation of America Holdings	3.21%
Getty Realty Corp.	3.07%
Broadridge Financial Solutions, Inc.	2.94%
Insperty, Inc.	2.89%
CSG Systems International, Inc.	2.77%
Church & Dwight Co., Inc.	2.72%
Rollins, Inc.	2.68%
West Pharmaceutical Services, Inc.	2.68%
Masimo Corporation	2.65%
TOTAL	29.11%

PERFORMANCE

	1Q:22	2Q:22	3Q:22	4Q:22	1 Year	3 Year (Ann)	5 Year (Ann)	Annual Total Return (since inception) 7/31/17
BEM - Select Value (Gross) ³	-8.76%	-9.72%	-4.72%	8.00%	-15.24%	7.24%	8.18%	9.12%
BEM - Select Value (Net) ³	-8.96%	-9.91%	-4.93%	7.76%	-15.98%	6.30%	7.19%	8.11%
Russell 2500 Value ²	-1.50%	-15.39%	-4.50%	9.21%	-13.08%	5.21%	4.75%	5.76%
Russell 2500 ²	-5.82%	-16.98%	-2.82%	7.43%	-18.37%	5.00%	5.89%	7.13%

4Q:22 COMMENTARY – CONTINUED

SELECT VALUE TOP DETRACTORS

PUBMATIC INC. (PUBM) was the leading detractor to performance during the quarter. PUBM is a leading platform provider in the programmatic digital advertising technology market, helping publishers that supply digital ad inventory to better manage their inventory, selling a high percentage of their inventory and maximizing revenue per ad sold. Competitive advantages include switching costs – the time, effort, and money required to transfer platforms once an advertiser is set up on PUBM’s platform – and cost advantages through its investment in infrastructure and off-shore research and development. PUBM produces returns on invested capital of 15% and its shares are currently at a significant discount to our measure of intrinsic value.

NATIONAL STORAGE AFFILIATES TRUST (NSA) detracted from performance as rising interest rates are expected to impact both the company’s variable rate debt and its borrowing costs for future acquisitions. Additionally, occupancy rates were off more than anticipated. NSA is the fourth largest publicly traded REIT focused on self-storage and benefits from high switching costs. We continue to have conviction in high-quality NSA as it produces funds from operation well above its peers driven by its focus on properties in secondary markets that are often overlooked by its competitors.

SELECT VALUE PORTFOLIO ACTIVITY

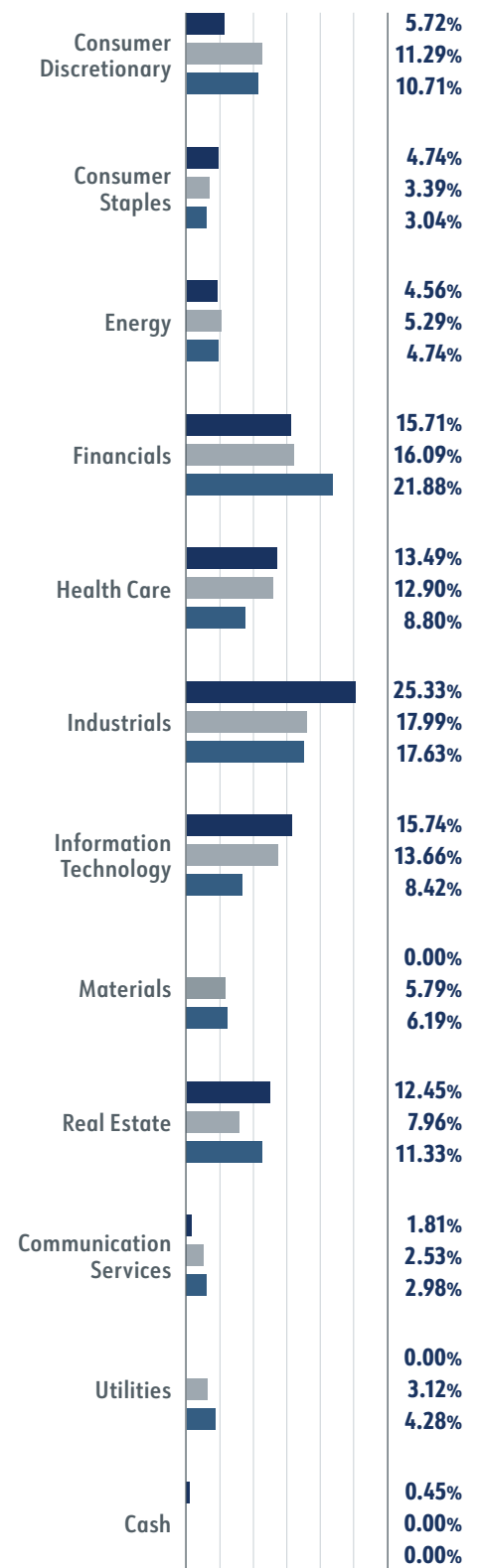
Ballast exited positions in **CLOROX (CLX)**, **JOHN B. SANFILIPPO & SON (JBSS)**, **TAKE TWO INTERACTIVE (TTWO)**, and **HELEN OF TROY (HELE)**. Ballast initiated positions in **EASTGROUP PROPERTIES (EGP)**, **GENERAC HOLDINGS (GNRC)**, **PDC ENERGY (PDCE)**, and **ZEBRA TECHNOLOGIES (ZBRA)** DURING THE QUARTER.

OUR FOCUS ON THE LONG TERM

The folly of predicting macro events was laid bare in 2022 as the Federal Reserve and Wall Street were wildly wrong concerning the persistence of inflation and the direction of equity and bond markets. We suspect that the Federal Reserve has more interest rate hikes in store for 2023, that a recession is possible, that downward earnings revisions are likely, and that consumers face trouble as personal savings rates are down while debt levels are up. To the positive, the employment picture remains strong, although questions remain whether inflation can come down without impacting the labor market.

There is great uncertainty as to the outlook for corporate earnings in 2023. A focus on quality provides some clarity; businesses with low leverage, stable and growing cash flows and returns on invested capital give us a far better starting point for making sound assessments of the future cash flows each business will deliver. The carnage of 2022 has created tremendous opportunities to upgrade to higher quality, small and mid-cap businesses, setting our clients up for success.

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		96.68	97.60
Number of Securities	45	2,448	1,818
Weighted Average Market Cap (MM)	7,888.43	5,970.14	6,092.18
Median Market Cap	5,919.77	1,350.85	1,260.50
Dividend Yield	1.55	1.82	2.32
ROIC	16.13	5.60	5.45
Debt/Capitalization	40.11	53.98	54.22
EV/EBITDA	18.45	10.12	9.49

RISK METRICS

	BEM Select Value	Relative to Russell 2500	Relative to Russell 2500 Value
Annualized Alpha		0.27	0.36
Beta		0.75	0.72
Up Capture		72.00	71.66
Down Capture		84.73	82.76
Standard Deviation*	17.11	21.60	22.29
Information Ratio		0.25	0.38
Sharpe Ratio	0.46	—	—

*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 and mid 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 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.

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