Letter to Shareholders

CSCAX

GREETINGS FELLOW SHAREHOLDER:

The first half is over and needless to say, few of us are having any fun. Losing money rarely is. And then there are the other things marauding around our inboxes and daily lives that continue to define the word "uncertainty."

To recap, financial markets in general had a dismal first quarter of 2020, generally bottomed in the third week of March, moved sharply and quickly higher, before settling into a volatile trading range near the end of the first half of the calendar year.

Not to repeat ourselves (something we enjoy doing) but…we did exactly what we were supposed to do. We leaned into chaotic markets and bought in March, and then lightened the load in June as prices rebounded to "estimates" of fair value. We rode the middle of the road in a barbell approach: buying stocks "in the fire" such as theme park operator Six Flags Entertainment (Ticker: SIX) and high quality cyclical companies such as Sensata Technologies Holding (Ticker: ST), a high margin maker of sensors. Both generally worked, but in perfect hindsight, the optimum strategy was buying near or actually bankrupt companies, or the largest tech companies. We also took advantage of the rally to cleanse some mistakes and our research suggests that we now have a portfolio that is both higher quality and has "pent-up" upside as we go forward into a world which possesses "An Exceptionally Wide Range of Outcomes." And an election.

We start with the detractors, per our norm, and this quarter there is only one of note. Millicom International Cellular (Ticker: TIGO, -8.3%) is the leading cable and wireless provider in Colombia and other Central American countries. The company has focused on its pole position in the quickly growing cable triple play markets of Colombia, Bolivia, and Guatemala after shedding valuable but disparate African media assets under the direction of a CEO who hails from Liberty Global (Ticker: LBTYA). This past quarter's poor performance was mostly due to the secondary effects of COVID-19, specifically on the value of emerging market currencies vis-à-vis the dollar. Additional COVID-related issues included various government mandates to continue providing wireless service to non-paying customers in certain countries along with the closure of all brick and mortar retail locations—both creating a downward pull on overall subscribers and margins. Looking past short-term noise, we still see a severely undervalued stock that is continuing to develop into a premier Latin American cable/telecom player and one that trades at a valuation reserved for declining telephone-focused entities, not growing cable/wired connectivity-centric organizations with excellent returns.

It is somewhat difficult to parse the statement, "this was a stock and it rebounded from a complete disaster scenario across equities at large" from specific company-related news. For example, Colfax (Ticker: CFX, 40.7%) was our largest contributor...and there was no "news." They completed a transformational acquisition into medical devices in 2019, they financed it "reasonably," and we believe things are on track with our target value of $45 at the present time, although we think that moves higher. The stock traded at $14 in March and is one of our largest positions at quarter end.

TOTAL RETURN **(CSCAX)** — % as of June 30, 2020

	3 MONTH	YEAR to DATE	1 YEAR	3 YEAR	5 YEAR	10 YEAR	INCEPTION (09/30/98)
Cove Street Capital Small Cap Value Fund	18.21	-28.85	-26.64	-7.43	-2.87	6.55	8.07
Russell 2000® Index	25.42	-12.98	-6.63	2.01	4.29	10.50	7.97
Russell 2000® Value Index	18.91	-23.5	-17.48	-4.35	1.26	7.82	7.65

Performance shown for the period through January 20, 2012 reflects performance for CSC Small Cap Value Fund, a series of CNI Charter Funds, the predecessor to Cove Street Capital Small Cap Value Fund ("The Fund"). The Fund has the same portfolio manager and substantially similar investment strategies to the predecessor fund. The Institutional Class commenced operations on October 3, 2001. The performance results for the Institutional Class reflect the performance of the Investor Class shares from December 31, 1998 through October 2, 2001. The Investor Class subsequently closed, effective November 25, 2015.

The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, please call 1-866-497-0097.

The gross expense ratio is 1.23%. The Fund imposes a 2.00% redemption fee on shares sold within 60 days of purchase. Performance data does not reflect the redemption fee. If it had, return would be reduced.

Compass Minerals International (Ticker: CMP, 28.4%) produces and sells de-icing and industrial salts, specialty plant nutrition, and chemical products. The stock rebounded in the quarter thanks to no news in particular—except that the company maintained most of its annual guidance, due to a minimal impact on their end markets from COVID-related issues. Further, we view the company as grossly mispriced due to both a market misunderstanding of the micronutrient and specialty fertilizer business that Compass owns, as well as an overemphasis on short-term issues like the general variability of winter weather.

INTL FCStone (Ticker: INTL, 51.6%) operates a variety of financial and payments-oriented businesses—the majority of which benefit from higher volatility in financial markets. As the first quarter of the year had record volatility in virtually every asset class, INTL produced stellar results. The company also acquired a foreign exchange trading company that benefits from higher volatility, Gain Capital Holdings (Ticker: GCAP), in a deal that was signed just prior to the spike. We have followed and been favorably impressed by INTL's management team for the better part of a decade. We remain long-term holders because of management's capital allocation acumen and the company's standout payments business. And please note and snicker at the company's recent name change—StoneX.

The aforementioned Six Flags Entertainment (Ticker: SIX, 51.6%) operates theme parks throughout North America. The shutdown of all large venues throughout the country hit the stock price hard in the first quarter. Investors worried about the company's debt covenants and ability to finance itself while the company's parks were closed. We thought these issues were transitory and thus added to our position in March. During the second quarter, Six Flags received a major change in their covenants that effectively eliminated all covenant issues until 2021 and also raised $725mm in debt financing at favorable rates. In addition, several of the company's parks reopened. Consequently, Six Flag's stock has more than doubled off its March lows. We intend to hold SIX for the long term, as it remains a collection of irreplicable theme parks with a value that is more than twice the present stock price in our estimation.

We sold American Vanguard Corporations (Ticker: AVD), an agricultural chemical company that we had owned for a number of years. The stock had a number of ups and downs during our holding period, mostly driven by cyclical moves within the Ag cycle. It was a security that we habitually sold down as the price rose and then re-loaded at more attractive valuations. We initially identified it as a Graham stock (defined again as business value with a fixed point versus a growing point, which we consider to be a Buffett) and nothing about management's acumen, the company's return on invested capital (ROIC) profile, or capital allocation decisions changed that perception over time. As such, when the valuation rebounded from the March lows and we saw better opportunities arise, we decided to invest the capital elsewhere.

Sensata Technologies (Ticker: ST) is a supplier of sensors primarily for cars and heavy-duty vehicles, and is a high margin, high ROIC industry leader that we think has legitimate secular tailwinds behind it. The stock was punished in the first quarter—due to its automotive exposure—and fell into our small cap universe after years of being far too large. This is a business we have followed for a while (and own in other strategies), and thus when the valuation hit extremely depressed levels, we were able to quickly pull the trigger. However, from the bottom in late-March, the stock has nearly doubled and now the company's market cap is above $5 billion. While we do think Sensata has a bright long-term future, the enormous margin of safety has declined and, quite frankly, it is also no longer a small cap stock.

Similarly, Donaldson Company (Ticker: DCI) is a "class act" manufacturer of filtration devices and has always been on our wish list. For brief moments in March, it also dipped into small cap territory and we purchased stock. It then delivered 3-years' worth of returns in 90 days and was sold as a mid/large cap.

Transcat (Ticker: TRNS), a new position, distributes testing equipment and provides outsourced calibration services to life science, aerospace, and industrial companies. The company has been ably led by Lee Rudow since 2013, during which time he has significantly expanded the calibration services division both organically and via acquisition. He also previously led—and subsequently sold—the industry's former leader. The company's focus on life sciences and the mission critical nature of the equipment that they calibrate mean that Transcat's services are required even during cyclical downturns. The outsourced calibration industry is extremely fragmented and Transcat is one of the larger players in the space; therefore we still see considerable room for the company to acquire competitors at value accretive prices.

WPX Energy (Ticker: WPX) is our foray back into energy which means that our fund's sustainability image may be at risk. We have little to add to "tell me what the price of the commodity is and I will tell you if we will make money" other than our sense that the price of the commodity will be going up. (Sharp eyes would note that "from negative numbers" this is a somewhat lopsided bet.) Our thinking is simple: demand will not be lower than the March lows; U.S. supply growth looks dead in the tracks; and there truly is no long-term reason why the Russians and Saudis think lower rather than higher is a good idea for their own national interests. What is noteworthy is how difficult it can be to invest in small cap energy, as management is prone to enjoy spending others' money recklessly, balance sheets tend to be weak, and the entities are simply not too big to fail in the eyes of the banks. The company has excellent assets (mostly well-purchased) and a management team that at least pays verbosity to the idea of capital allocation. Many in the space can't spell it. We are looking for more.

Finally, we built a position in Viemed Healthcare (Ticker: VMD), the provider of non-invasive ventilators (NIV) to patients at home through their network of respiratory therapists. Over the past few years the company has been rapidly growing as the medical community has seen the benefits of these devices for late stage chronic obstructive pulmonary disease (COPD) patients. These devices allow COPD patients to have a higher quality of life and have been shown to lower emergency room visits, which ultimately lowers total costs to the healthcare system. Due to the efficacy of the device along with great operational execution, VMD has experienced rapid growth over the past few years. Recently, Medicare included NIVs in a bidding process which might have lowered reimbursement and significantly hampered the growth of the business, putting pressure on the company's stock. Due to COVID-19, NIVs were removed from the bidding process, reopening the runway of growth for VMD. We have been following the situation very closely and once the NIVs were removed from bidding we built our position while the market was underestimating the new growth profile of the business.

Our concluding notes come with a theme. We have not distinguished ourselves in 2020. We can talk all we want about "value" doing poorly relative to "growth", large cap stocks outperforming small cap stocks, the Federal Reserve tossing lifelines to companies that truly should be going out of business—thus making life a little easier for some of what we own—but we tire of it. Our research suggests that our largest positions have simply terrific upside potential, but our timing has remained woefully early, especially in the last two years. With our top ten portfolio holdings weighing in near 44% of the portfolio, we need them to work harder for us to show material dollar and relative performance improvement.

We buy businesses run by real people at values that suggest long-term upside at very competitive absolute and relative return levels. We do this through the purchase of publicly traded securities that offer opportunity but from time to time, deliver very transparent embarrassment in the short run. These are businesses run by people whom we have curated, to some degree, to be aligned with us, and our common goals are long-term growth, profitability, and intelligent allocation of capital. We also have become more "active" over the past decade and, from time to time, we work with a company and its Board to help script the alignment. The management of companies are not "quantitative factors" that can be easily indexed or "algorithmed."

While we are always evolving on the margin, like any organic organization, we are not changing our stripes. There is an awful lot of "silly" going on in the world as far as what constitutes thinking and investing. We bring a long record and history to the table and understand that we embody the minority opinion from time to time. The environment aside, we have some historically terrific opportunities to put money to work and that is the key to long-term investing.

Aside from our own efforts, we would also note the following. There are a LOT of crosswinds in the world today, but there is a legitimate wind with the name "what else are you doing with your money?" At near zero rates, the strategy of owning the equities of real businesses at reasonable prices—during periods of inflation or deflation—that are generating cash, has been, and will likely continue to be, the tallest asset class in the room. We would also note that the spread of results between our general world—"small cap value"—and those with the words "large" or "growth" attached are the widest in reported history. I would suggest we didn't get dumb overnight, and that represents a commensurate historic opportunity.

We welcome the opportunity to chat with you at your leisure.

Best Regards,

Jeff Bronchick

Jeffrey Bronchick, CFA | Principal, Portfolio Manager
Shareholder, Cove Street Capital Small Cap Value Fund

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TOP 10 HOLDINGS — % as of June 30, 2020

ViaSat Inc	6.0	%
GP Strategies Corporation	5.2	%
Millicom International Cellular S.A.	5.1	%
Macquarie Infrastructure Corporation	4.8	%
Colfax Corporation	4.7	%
E.W. Scripps Company	4.6	%
Compass Minerals International Inc	4.4	%
INTL FCStone Inc	3.1	%
Patterson Companies Inc	3.1	%
Phibro Animal Health Corporation A	2.8	%

Fund holdings are subject to change and should not be considered a recommendation to buy or sell any security. *Current and future portfolio holdings are subject to risk.*

Mutual fund investing involves risk. Principal loss is possible. There is no assurance that the investment process will consistently lead to successful results. Value investing involves risks and uncertainties and does not guarantee better performance or lower costs than other investment methodologies. Investments in smaller companies involve additional risks such as limited liquidity and greater volatility. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. Concentration of assets in a single or small number of issuers, may reduce diversification and result in increased volatility.

Quotational risk is the potential for gains or losses based upon volatility in the trading price of a security, which in the near-term do not reflect fluctuations in the intrinsic value of the security's interest in the underlying assets but are the manifestation of other dynamics in the market. Any tax or legal information provided is merely a summary of our understanding and interpretation of some of the current income tax regulations and is not exhaustive. Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation. Neither the Fund nor any of its representatives may give legal or tax advice.

The Russell 2000® Index measures the performance of the small cap segment of the U.S. equity universe, representing approximately 10% of the total market capitalization of the Russell 3000® Index, and the Russell 2000® Value Index includes those Russell 2000® Index companies with lower price to book ratios and lower forecasted growth values. One cannot invest directly in an index. Margin of safety refers to an investment principle in which an investor seeks to purchase securities when their market price is significantly below the investors' estimation of its intrinsic value. Return on invested capital (ROIC) is the amount of return a company makes above the average cost of its debt and equity capital and is used to assess how well a company allocates money to generate profit.

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