Letter to Shareholders

September 30, 2020

C S C A X

GREETINGS FELLOW SHAREHOLDER:

Yes, we are still practicing the art of value investing, a discipline that has succeeded in demonstrating this calendar year that skepticism and prudence have not proven highly remunerative. But it's certainly been a "heckuva" lot better than the first quarter of calendar year 2020.

So as we enter the calendar fourth quarter, we remain EVER incredulous on many fronts as to what is happening around us, and while one is always contemplating change, rethinking positions, and attempting to make money free of marketing labels, we don't see a lot of intellectual reasons to completely swap out an investment process and philosophical underpinnings that have a history of demonstrated success. Pay a fair price for a great business, buy decent assets at distressed prices, find people who are stealing with you versus stealing from you, think long-term, don't over diversify, don't spend all your time doing what everyone else is doing, and don't panic at the bottom of the cycle.

While we will point to some versions of communal insanity—or outrageous anecdotes that should be screaming "caution!"—we will also point to the annoyance that it is our largest positions that are watching paint dry, and thus we are borderline bullish on our own relative and absolute performance, a circumstance that is not always the case.

As usual we start with our detractors. Phibro Animal Health (Ticker: PAHC, -33.4%) is a manufacturer of products sold into the livestock industry around the world, and the company has recently been in the middle of a perfect storm. First off, the African Swine Flu that is plaguing China's pork production has decimated the company's business in China. Next, as a result of the U.S. protein processing facilities being closed or shut down due to COVID, demand for PAHC's nutritional supplements and medicated feed additives has been reduced. Finally, the FDA has—out of the blue—decided to try to ban one of its main pork products—Carbadox. It's fair to say that we have been early. Given all of those headwinds, it is not a surprise that PAHC's stock has been under pressure. However, there have been positive happenings relating to all three of the aforementioned issues and thus we view them as transient. The stock trades at a material discount to our estimate of intrinsic value and we have been buying more as the price has fallen.

Also in the "not a performer, but a newsmaker" pile was WPX (Ticker: WPX, -23.2%), which announced a deal late in the quarter to merge with Devon Energy (Ticker: DVN) on a stock for stock basis. This is a defensive move for both companies in case there is a further need for an extended hunkering down in a period of low oil prices. This is a complementary deal in a number of ways, with solid management and asset value on both sides, and room for large expense cuts, but there is only ONE critical variable in energy investing—the price of the commodity. This will create a larger company at the close of the deal, which will limit our future exposure. The search for a replacement is underway.

Macquarie Infrastructure (Ticker: MIC, -12.8%) owns and operates a variety of energy infrastructure assets including oil import terminals, aviation refueling operations, and a Hawaiian utility. Macquarie, a multinational investment bank, externally manages the company. In October of 2019, management announced that it was pursuing strategic alternatives for the company, including a potential sale. MIC's marquee assets are oil product storage terminals outside of New York City and on the lower portion of the Mississippi River. In the first half of 2020, the fall in oil prices created unprecedented demand for storage. However, the company's aviation and Hawaii divisions witnessed significant declines in revenue as a result of Coronavirus induced declines in travel. Despite these near-term

TOTAL RETURN (CSCAX) — % as of September 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	3.14	-26.61	-20.37	-6.88	-0.15	6.20	8.13
Russell 2000® Index	4.93	-8.69	0.39	1.77	8.00	9.85	8.11
Russell 2000® Value Index	2.56	-21.54	-14.88	-5.13	4.11	7.09	7.68

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.

challenges, the company has a unique set of assets that would be highly attractive to infrastructure funds, which are sitting on billions of dry powder that is waiting to be deployed.

Moving to our top contributors—E.W. Scripps (Ticker: SSP, 31.8%) is a legacy broadcast television company that has benefited from a number of interesting organic and inorganic upgrades after a dramatic price drop earlier in the year due to the expected decline in advertising revenue. In response, the company invested aggressively in digital properties shown Over-The-Air (OTT)—which is not as easy as it looks—offering advertisers a rapidly-growing national audience of cord-cutters. They also sold their private podcasting business Midroll Media to Sirius XM (Ticker: SIRI) for a significant premium and announced a "transformative" deal to buy ION Media Networks (Ticker: ION) to turbocharge their OTT offerings with backing from Berkshire Hathaway. Despite the recent increase in market price, our analysis suggests that the stock trades at a material discount to the sum of its parts. As such, we believe there is a substantial enough margin of safety to continue holding the stock.

Compass Minerals International (Ticker: CMP, 23.0%) 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. We view the company as grossly mispriced due to a misunderstanding by the market of the micronutrient and specialty fertilizer business Compass has, and an overemphasis on short-term issues such as the general variability of winter weather.

Millicom International Cellular (Ticker: TIGO, 16.0%) is the leading cable and wireless provider in Colombia and Central America. 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 good performance was mostly due to a stable Colombian Peso exchange rate against the US Dollar as well as lower COVID infections seen across most of TIGO's South American markets. COVID has induced various government mandates to continue to provide wireless service to non-paying customers in certain countries, along with the closure of all brick and mortar retail locations across various jurisdictions, and thus created 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.

Axalta Coating Systems (Ticker: AXTA) is an excellent coatings company with excellent return and cashflow characteristics that simply "grew out of small cap" quickly from the March 2020 lows. A short, but happy result.

Yelp (Ticker: YELP) a review app and website was in the midst of major operating changes when the Coronavirus struck. The company was at the beginning of a process to increase margins by reducing staff, relocating offices, and implementing self-service options for customers. In addition, the company was ramping up sales to larger clients outside of their traditional small business focus. Yelp's CEO, Jeremy Stoppelman has always been a major question mark and remains CEO despite the addition of three new board members. Although the company continues to have a massive base of users that would be attractive to a large number of acquirers, the Coronavirus has likely significantly elongated the time it will take Yelp to achieve its margin and growth objectives. As a consequence, we took a reasonable lump and sold our position.

Spectrum Brand Holdings (Ticker: SPB) has finally started to hit its stride in a COVID-impacted world after suffering through tariffs, self-inflicted operational issues, and some poor capital allocation. While its Hardware and Home Improvement segment has been hurt a little by lockdowns, SPB's pet, garden, and small home appliance businesses have been doing quite well. As sales have improved, so have margins and cash flows. The stock appreciated in the quarter, approached our estimate of intrinsic value, and we sold our position to allocate to other opportunities.

Patterson Companies (Ticker: PDCO) is a distributor of dental and animal health products and services. Both of Patterson's core markets are stable three-company oligopolies with significant barriers to entry. The company's animal health division was growing until recently when dairy prices reduced demand for production of animal products. Patterson's dental business has improved markedly, but margins remain below prior levels due to the rise of larger dental groups with greater purchasing power and competition from online sellers. In the first half of 2020, the majority of U.S. dental offices were closed due to the Coronavirus, resulting in weak dental sales. Despite the weakness in dental and production of animal sales, Patterson's stock rose significantly to a value that embedded several years of operational improvement thereby prompting us to sell our position.

Global Indemnity Group (Ticker: GBLI) is an odd fish of an insurance company that is a good example of why sometimes it takes "time and focus" to be able to take advantage of a situation. Saul Fox is the Founder, Chairman, and majority voting and economic owner of the company which has morphed its way over the course of a decade into a decently profitable specialty insurance company. While Saul was an early partner at private equity firm KKR and certainly has skin in the game here, it was not clear to us that GBLI was built for making other people money versus being a holding tank entity for the wealth of one very successful guy. So we watched for years...and it stayed very cheap to its tangible book value. Recently, GBLI put out a press release detailing some large changes in its corporate structure whose impact is not self-evident unless you have been paying attention. What we see is that the legal structures of the company have been "restacked" in a partnership format, which enables "$10 to $15 per share" of capital to be transferred up to the holding company. This set of events also enables the capital to be dividend-ed out to shareholders on a tax-free basis as a return of capital, leaving a quite nice specialty insurance company in a very strong environment for writing insurance, whose real returns on equity will be greatly improved now that the overcapitalization is gone. The structural changes are a set of facts. Mr. Fox's state of mind remains a mystery until further notice or press release. Our research suggests there is a high likelihood of a positive "non-market" event.

Another new position in the quarter was KBR (Ticker: KBR) a firm providing professional services including consulting, engineering, and operations support to both the defense and energy industries. The company has been slowly transforming away from its traditional focus on engineering, procurement, and construction (EPC) work on large energy projects into a government/defense department focused contractor. KBR's CEO has wound down operations on the less predictable, profitable, and sustainable EPC contracts and acquired a major asset—Centauri LLC—that operates in higher end defense cyberwarfare and space capabilities functional areas. Through the Centauri deal, the company is now over 80% leveraged to long-dated (5-10 year) contracts with various government agencies, including NASA, NOAA and various arms of the national intelligence complex. Our research indicates that KBR is at an inflection point in both earnings power stability and cash flow generation, which should provide for a healthy upside.

We have followed Landec (Ticker: LNDC) for almost 20 years—and frankly have never liked the math of an agricultural business which sells hothouse tomatoes and packaged salads and vegetables. What has changed is that their "afterthought" business—Lifecore Biomedical—has grown up to be a material ball of goods as a fully integrated Contract Development and Manufacturing Organization (CDMO). This grows, has high margins, and generates solid free cashflow. What was also necessary was a complete change-out of the Board of Directors and the replacement of the CEO, who unwisely kept the focus on their food business. We expect the food businesses to be sold and the CDMO to emerge as the public gem with a complete re-rating of the stock price.

PQ Group Holdings (Ticker: PQG) is a specialty chemical company that is like a "public/private" company given that almost 70% is still owned by its investment sponsors, which tends to limit interest by large investment firms. We have been successful several times with this structure. This is another company we watched for several years, spent a day in the labs with the new management team, and then bought a large block of stock a year later from what seems to be a forced seller at a lot lower price. This is a collection of high margin, high return, high free cashflow businesses that have demonstrated resiliency in the current economic environment and we expect to profit from deleveraging, internal portfolio re-positioning, and re-rerating of valuation to "specialty chemical" levels.

A "new" purchase (second time around) during the quarter was Tapestry (Ticker: TPR), a holding company that owns accessible luxury brands Coach, Stuart Weitzman, and Kate Spade. Our research indicates that there is a tremendous amount of upside in the stock if the company can get back to 75% of what it was in fiscal year 2019. As the retail world continues to thaw, Coach should return to being the company's cash cow and any improvement in Kate Spade and Stuart Weitzman will be helpful. In the meantime, the company has a very healthy balance sheet and is in the middle of an aggressive cost-cutting plan that should yield better margins and returns irrespective of how fast sales rebound. In addition, due to recent management departures and a board that does not have much retail experience, there is a leadership vacuum that could attract potential suitors.

We see an enormous bifurcation between "stocks that are moving" and "undervalued businesses that happen to be publicly traded." As such, we have been steadily upping our commitment to said investments. The present period reminds us of late 1999, or early 2000, when enthusiasm for the future became unhinged from some basic economic realities and "basis" investing principles upon which we have built a career and client wealth were regarded as quaint and fringe ideas. Similarly to today, it was an "odd" period because while we seemed "bearish" on the world at large, there was such a dichotomy of what was popular and what wasn't that paradoxically, there were a perfectly reasonable set of attractive investments. And we made them. And fortunately, things changed for our benefit in a hurry. It remains a historical fact that the best environment for value investing is where other's interest in value investing is at negligible levels. I believe we have arrived at this station.

Julius Caesar noted in Commentarii de Bello Civili, "Inusitatis atque incognitis rebus magis confidamus vehementiusque exterreamur." ("The unusual and the unknown make us either overconfident or overly fearful.") And that things around us change a lot more than the behavior of human beings. We aren't changing groups. Nothing is perfect and as a firm, we are not as resistant to change and rethink as some paragraphs in this Letter, and its predecessors might suggest. But we have a North Star as far an investment approach and as a culture of people. From time to time, discipline can seem like an anchor. But as we have all seen, things change. And as we saw in March, you need to be prepared and "be there" when it happens.

Best Regards,

Jeff Bronchick

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

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The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory prospectus and summary prospectus contain this and other important information about the investment company, and they may be obtained by calling 1-866-497-0097 or visiting www.covestreetfunds.com. Read it carefully before investing.

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TOP 10 HOLDINGS — % as of September 30, 2020

ViaSat Inc	6.7 %
GP Strategies Corporation	6.3 %
Compass Minerals International Inc	5.2 %
Millicom International Cellular S.A.	4.9 %
Colfax Corporation	4.7 %
Macquarie Infrastructure Corporation	4.7 %
E.W. Scripps Company	3.8 %
StoneX Group Inc	3.4 %
PQ Group Holdings Inc	3.2 %
Standex International Corporation	3.2 %

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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. The Russell 2000® Growth Index includes Russell 2000® Index companies with higher price to book ratios and higher forecasted growth values. One cannot invest directly in an index.

Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income. Return on equity (ROE) is considered a measure of how effectively management uses company assets to create profit, dividing net income by shareholders' equity. 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.

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