Letter to Shareholders

March 31, 2022

C S C A X

GREETINGS FELLOW SHAREHOLDER:

We often suggest to investors that we seek to be competitive in up markets and outperform in down markets and we are pleased to say we lived up to our self-billing in the first quarter of 2022. There was a nice quarter end rally that rescued many from a complete clobbering, but nonetheless most of what we own held in fairly well.

We remain concentrated in better businesses that our research suggests are "merely" at risk of quotational depreciation rather than "what the hell could you possibly have been thinking" risks. We continue to see a lot more pain to come in the land of "silly" valuations, as a 70% decline in a speculative and/or grossly overvalued pieces of nonsense do not in any way remotely translate to value. It's just one number moving to a lower number and profitability is still not projected until 2026. The case for the relative trade of rational versus silly (the technical phrase is value versus growth) to display centipede legs of duration remains strong. A curated portfolio of reasonably priced equities—and we mean reasonably priced—may be the tallest investable asset class in the room.

As usual, we will start with our detractors. Colfax Corp. (Ticker: CFX) is splitting into two companies—healthcare and welding—as we speak. We think the healthcare business is going to drive the day, but ESAB, a Swedish industrial company producing welding and automation equipment and cutting machines of which CFX is the parent company, is facing some "maybe a recession" worries. The latter is in our opinion short-term and we are likely to buy more of both post-spin.

SecureWorks Corp. (Ticker: SCWX) had the worst return of our holdings this quarter, and let's say we have been just a little early. We think management is doing an excellent job of converting their "old" business of offering a managed, people-intensive service in cyber security monitoring to a software based offering that has much higher margins, growth, and valuation expansion. That remains a minority viewpoint for now but we see the end of 2022 as the end of this transition and 2023 offering much more visibility into growth and a great business model. The stock is also thinly traded which exacerbates minor movements in both directions.

AZZ Inc. (Ticker: AZZ), is the largest galvanizer of steel in the United States and provides metal coating solutions and some specialized energy products as well. Our research indicates that the galvanizing business has high barriers to entry and is a jewel surrounded by a mediocre energy products and services portfolio. The localized monopoly nature of their galvanizing plants supports normalized margins well into the mid-20s. They announced a material acquisition of an "adjacent" coating business that will require a mix of debt and equity financing, which has put a lid on the stock in the near term. We think this enhances long term growth and earnings power while maintaining returns on capital.

Moving on to our contributors for the quarter, the market over-reacted to the decision of Compass Minerals International, Inc. (Ticker: CMP) to cut their dividend in

TOTAL RETURN **(CSCAX)** — % as of March 31, 2022

	3 MONTH	YEAR to DATE	1 YEAR	3 YEAR	5 YEAR	10 YEAR	INCEPTION (09/30/98)
Cove Street Capital Small Cap Value Fund	1.55	1.55	3.16	6.59	5.21	7.85	9.60
Russell 2000® Index	-7.53	-7.53	-5.79	11.74	9.74	11.04	9.11
Russell 2000® Value Index	-2.40	-2.40	3.32	12.73	8.57	10.54	9.54

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 as per the Prospectus is 1.22%. 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.

Q4 to fund future opportunities and apparently fixed that disappointment in Q1. The company also benefitted from a more normal snow season, which benefits the salt division, and complete chaos in the agriculture supply chain, which supports pricing in their sulphate of potash product line. Stay tuned for their analyst day this summer to detail what we think is the largest "doable" lithium asset in North America.

The stock of Ecovyst Inc. (Ticker: ECVT) recovered from a "technical" fall in Q4 as a large shareholder sold stock in a terribly underwritten secondary offering. We added to our position as there are no changes in very positive fundamentals and valuation.

Viasat Inc. (Ticker: VSAT) inches closer to a close of their merger with Inmarsat and a launch of the first of the VSAT-3 satellite trio, which many investors have been waiting for. Additionally, the current war footing in Europe has contributed to an increased interest in U.S. defense contractors providing high-end equipment to the U.S. military. Both developments have benefited the Company, and we continue to expect additional valuation expansion as the new constellation is launched and Inmarsat deal is closed.

A new position this quarter, Nature's Sunshine Products, Inc. (Ticker: NATR) is a natural health and wellness company that sells nutritional and personal care products through both a multi-level marketing network as well as a through traditional brick and mortar distribution. The company has undergone a fundamental transformation thanks to its new CEO, Terrence Moorehead, rekindling organic growth at a company that hadn't grown in over a decade. Increased margins and improving cash flows have moved in conjunction with increasing earnings power of the business. Our research indicates significant upside from the company's current valuation.

We think people really underestimate the lack of attention still being paid to the small cap universe. One example are small cap investor conferences, which are great for youthful data absorption, but which are in some ways a solid indicator of a failed business enterprise when you start seeing some of the same names ten years later. Our point here is that we used to have to fight to get one-on-one meetings with a management team, battling with hedge funds who had nothing better to do than turnover their portfolio twice a month and thus garner love, attention, and meetings with whomever they chose due to their prodigious commission flow. The worm has turned as we now get calls from the conference sponsors (with whom we do no business, mind you) begging us to fill a 30 minute spot.

Geopolitical issues are somewhat beyond our paygrade. We have opinions (really, really strong ones), but they remain difficult to employ within the world in which we live—mostly U.S. and mostly equity-oriented investing. We obviously pay careful attention to any input that effects long-term profitability and growth, but it is difficult to apply the maxim of "quantify and reassess" to the idea of a reclusive dictator who thinks proudly of a legacy that involves three bloody uncivil wars within the space of 30 years and who believes a closeted and anesthetized population will continue to give blood to support it—for now, at least. And day trading based on "sources close to the negotiations" somehow strikes us as almost as unhelpful as watching an index of daily snowfall across 50 cities as a way to make money in road de-icer Compass Minerals (Trust us, really unsuccessful.)

What can be seen…and quantified…are obvious issues: the Russian universe is a major energy supplier, a major steel producer, a major breadbasket to the world, and a major supplier of phosphate, which feeds much of the rest of the world. And oh, yes, don't forget the nukes and London real estate. Global isolation is going to have many derivatives of problems for the rest of the world, at very least over the near term. This conflict certainly mangles any claims of "temporary inflation," and it mangles discussions of global supply chains, as global businesses have some really interesting, long-term decisions to make other than giving away Russian assets. In the meantime, it's widely and wildly painful for consuming and profit margins—pick your favorite complaint.

So yes, we advise caution and naturally we are mostly fully invested. And yes, we can take advantage of the TLTROOS (Too Long to Read Our Older Stuff) state of the world and reuse one of our favorite Fitzgerald snippets:

> "The test of a first-rate intelligence is the ability to hold two opposed ideas in the mind at the same time, and still retain the ability to function. One should, for example, be able to see that things are hopeless and yet be determined to make them otherwise. This philosophy fitted on to my early adult life, when I saw the improbable, the implausible, often the "impossible," come true."

And there were no spreadsheets then.

An interesting thing about our 2022 portfolio is an unusual number of catalysts expected to materialize this year. It is popular sport to be asked, "what is the catalyst?" or "if there is no catalyst, why am I investing?" This focus on accelerated outcomes is not completely stupid thanks to the concept of opportunity cost. And being 7 years early in a relative performance sporting event is NOT going to win you a lot of friends and Met Gala invitations. Most of the time our answer is if you have compounding businesses with a strong management team and solid values, time will resolve it. Unusually, this year has some "this is the year" elements to it that we think augur well for "value maturation." Some examples of names we own:

- Tegna—Done.
- Colfax—Spin next week.
- Viasat-3—Launches to begin in "late summer."
- LionsGate—Seeking "strategic alternatives."
- Landec—Goodbye, avocados!
- Millicom—Financing overhang is almost over.
- Ecovyst—Interesting conversations are floating around.

While we are happy to be patient and invest with the intention of being so, it's always nice to be validated sooner rather than later. While bad news always seems LOUD and pointed and the prospect of good things is demeaned as Pollyannaish, there have numerous studies conducted (Google Amos Tversky) that simply note that humans grossly overweight the prospect and materiality of negative outcomes.

We close with this exchange from one of your portfolio managers' favorite films, *Shakespeare in Love*. It is not a bad representation of most of the history and progress at the intersection of financial markets and the human condition.

> Philip Henslowe: Mr. Fennyman, allow me to explain about the theatre business. The natural condition is one of insurmountable obstacles on the road to imminent disaster.
>
> Hugh Fennyman: So what do we do?
>
> Philip Henslowe: Nothing. Strangely enough, it all turns out well.
>
> Hugh Fennyman: How?
>
> Philip Henslowe: I don't know. It's a mystery.

We appreciate your partnership and welcome IN PERSON meetings.

Best Regards,

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

Letter to Shareholders

TOP 10 HOLDINGS — % as of March 31, 2022

Viasat Inc.	8.1 %
Ecovyst Inc.	6.7 %
Compass Minerals International Inc.	6.0 %
Landec Corporation	5.8 %
Blueknight Energy Partners L.P.	5.3 %
Global Indemnity Group LLC	5.1 %
Lions Gate Entertainment Corporation	5.0 %
White Mountains Insurance Group Ltd	3.8 %
Wayside Technology Group Inc.	3.7 %
StoneX Group Inc.	3.5 %

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.

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.

Cash Flow refers to the net amount of cash and cash equivalents being transferred in and out of a company.

The Cove Street Small Cap Value Fund is distributed by Quasar Distributors, LLC.