Letter to Shareholders

September 30, 2022

C S C A X

GREETINGS FELLOW SHAREHOLDER:

We do not think it will seem terribly surprising to you, the investor/partner/reader, that things seem clearly unhinged in the zQworld, and markets reflect that vacillation, seemingly hour by hour. It is also important to note that many investors/journalists/bloggers seem to have neither lived through a history longer than ten years or have availed themselves of the opportunity to read about the world that came before them.

Stubborn inflation, terrible policy mistakes by elected officials and the Federal Reserve, foreign policy adventures that one truly has to head scratch hard to imagine are happening again, stock market manias and bubbles, and frauds that specifically or generally blowup…are not new things. They are not fun things either, but to a large degree, they can be managed through both intelligent asset allocation and curated security selection with an emphasis on "not permanently losing money." Every businessperson running a public company that we own is thinking of these same issues. They are pivoting as best they can to deal with the problems, as well as to take advantage of other's pain and difficulties, to inure advantage for the long run. We do not seek to own "factors", "asset classes" or immovable blocks that inevitably will have something happen to them with no escape. (We try to sell those early!)

So that is where we are. We are being helped by investor attention at the margin turning towards businesses that were NOT in any way in favor for an impressively painful amount of time (i.e. Value). In addition, we have a handful of businesses that have, blessedly, near-term catalysts. Markets going down represent opportunities for new money, because it is always about what is ahead of us, not the "woulda, coulda, shoulda". We have a consistent philosophy, a focused firm that can actually invest in smaller companies, and we think we are still very early in the shift from "silly" to "rational".

We are going to repeat this often: the biggest picture is that we are living in a much messier world today that is no longer underpinned by a global policy of nearly free money. We thus postulate that nearly everything that "worked" for years is going to have a problem - either in multiple compression as any inherent business model goodness takes years to catch up to ridiculous market valuation; or in actual exposure

TOTAL RETURN **(CSCAX)** — % as of September 30, 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	-5.15	-16.84	-15.98	0.28	0.45	5.30	8.49
Russell 2000® Index	-2.19	-25.10	-23.50	4.29	3.55	8.55	7.96
Russell 2000® Value Index	-4.61	-21.12	-17.69	4.72	2.87	7.94	8.36

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.

of a false premise - the tide is going out and one's choice of swim attire will be self-evident. So we do "micro," try to worry less about the broader world, and focus on a narrow group of opportunities where management teams, assisted by our two cents in many cases, can self-help their way to solid returns.

Starting with the interim disappointments, the stock of Lions Gate Entertainment Corporation CL B (Ticker: LGF.B) was under pressure during the quarter, mostly due to the market's vacillating perception regarding the ability to create value for shareholders by splitting Starz and the legacy-studio via a spin or asset sale. There was no particularly negative news, but, in general, rising interest rates and falling stock markets can be a hindrance to getting deals closed and spinoffs completed. The company did indicate via a press release that instead of spinning off Starz, the focus has moved to spinning off the studio. This pivot may sound like nothing more than semantics, but our intuition is that the studio is the more attractive asset, and thus is more likely to receive a strategic investment that helps de-lever the entire entity. Our sum-on-the-parts value for the studio and Starz remains materially higher than the stock's current price and the company continues to say publicly that a "value-enhancing" deal is within reach. While the last few months have been painful for Lions Gate shareholders, we appear to be highly aligned with management, and insider buying of the stock continues to support our estimate of intrinsic value.

We started investing in Ecovyst (Ticker: ECVT) in 2020, when the company was called PQG. At the time, PQG was trading at 8x EBITDA for a mix of specialty chemicals businesses that research suggested should be trading at 8x to 15x EBITDA, the average being "12-ish." A divestiture program was subsequently announced: sell the closer to 8x EBITDA assets, and keep the higher margin businesses, including Silica Catalysts, Ecoservices, and Zeolyst, their 50%-owned JV with Shell. We paid $12 per share for our initial investment, we were paid $5 per share in special dividends in deal proceeds upon the divestitures, and PQG paid down $1 billion of debt to reduce leverage down to a more appropriate 2x. And of course - the name change to Ecovyst. Those actions produced nearly a double in the stock. Fast forward to August 2022 and the private equity owner, CCMP, was a forced sellers of stock in a secondary as their 2014 PE fund neared its end of life. The secondary sent the stock down significantly. Ecovyst now consists of their higher quality assets and again trades for under 8x EBITDA, which does not properly reflect the value of these businesses.

Global Indemnity Group (Ticker: GBLI) "held in there" as it remains one of the cheapest stocks that we own at 50% of book value. A gaggle of ex-Berkshire Hathaway insurance alums run the specialty insurer, but the biggest issue going forward is that the company is a partnership, not a C-Corp that limits its "buy-ability" to the institutional investor community. That also brings up the other risk: the Chairman is the voting control owner. We have mixed emotions about whether he is "stealing with us" or "stealing from us." It is a classic value investment: we believe that the "value" creates a "margin of safety" that potentially compensates us for these issues. Our research suggests minimal downside with a target price nearly double current value.

Lastly, Wayside Technology Group (Ticker: WSTG) is a global IT channel company providing both distribution and cloud technology solutions through its Climb (distribution), Grey Matter (UK and Ireland reseller) and Cloud Know How (professional services) operating segments. They sit at an interesting crossroads of emerging technology vendors, that often do not have the bodies and skillset to properly distribute their product, and over 6,000 next level partners and distributors that are too big or too busy to identify next generation product sets. New CEO Dale Foster has done this before: build a sales-focused team, make as series of complementary acquisitions of product and geographic specialists, and grow. The stock appears to us extremely cheap for the growth and cashflow, and again, this is a highly likely target in the intermediate term.

Our largest contributor in the quarter was Compass Minerals International (Ticker: CMP) which continues to be either our best or worst performer any numbers of quarters in a row, for reasons that have little to do with long-term value drivers. The key variable here is the successful repricing on annual municipal contracts for road de-icing salt, the results of which will show up in the first half of 2023 snow season. That movement accounts for most of our now $65-ish value on the dilution from the sale of 17% of company shares to a Koch energy unit, which is funding and assisting in the development of the company's Lithium asset on the Great Salt Lake. Having done an immense amount of work in the space, we have concluded that Compass's asset is the "tallest height-challenged North America Lithium project," albeit that bar is very low. Again, we also own the potential of something positive happening here, given the incredibly large gap between "we want electric cars" and "where the heck are we going to get the Lithium for the batteries. That's particularly the case if China and South American supply proves a challenge in cost and availability.

Long standing holding Heritage-Crystal Clean (Ticker: HCCI) maintained its value in a tough quarter as CEO Brian Recatto closed the largest deal in their history, expanding their footprint westward as well as adding additional environmental services. We like the long-term nature of the eco-services business that is route based, offers nearly mandatory services that are only getting more mandatory and has generated solid margins and high returns. The asset that everyone loves to hate - the refinery that recycles motor oil - is gushing cashflow at record levels, enabling almost a free cost of capital for EcoServices deals. We remain long-term holders.

Viasat (Ticker: VSAT) also fits the "volatile quarter vs quarter" profile in the past year. This time around, it was a contributor. To repeat, Viasat is literally sitting on close to $1 billion of un-earning assets and "pre-service" costs in advance of its long delayed launch (thanks COVID and supply chain headaches) of the Viasat-3 satellite constellation. The first of these launches is expected to be in Q4 of this calendar year, the second launch in the second half of 2023. The success of these launches and the beginning of service revenues derived from these assets will spawn an enormous turn in Viasat finances on both the income statement and balance sheet, and it has been our decades of experience in financial markets that stock prices eventually follow fundamentals. The proposed acquisition of Inmarsat has checked off a variety of regulatory hurdles, and has a reasonable chance of also closing by year-end. We believe there is a non-zero probability of "masterstroke deal" that will add to per share value. It is one of our largest positions and we have high conviction in the math...and for the first time in a while…the timing. (Postscript – after the quarter end, they announced the sale of their Link 16 military business for $1.8 billion net, which was almost 70% of their market cap and the stock went up a cool 27%. It begins.)

During the quarter, we started a new position in CarGurus (Ticker: CARG). The company historically has been a lead generation business, helping car dealers find consumers who are looking to buy or sell a car online. CARG has been successful at this by having world-class search engine optimization (SEO) and search engine marketing (SEM) that helps them achieve top search results on Google. Consumers click these top links on Google when buying or selling a car and enter their information on the CARG website, generating a lead for CARG. CARG sells these high-quality leads to dealers for a significant profit (gross margin of 90%+). The lead generation business has hit maturity as CARG has almost penetrated the entire car dealer market in the US. CARG recently bought an Online Dealer to Dealer (D2D) platform, CarOffer, which helps car dealers sell cars to other dealers as well as buy cars from consumers online. There is a large amount of selling synergies between the Online D2D platform and the legacy lead generation business as they are selling to the same customer base: car dealers. CarOffer has been experiencing huge growth as it gains significant market share from physical dealer auctions. We have initiated a position in CARG after the market over-punished the stock due to a tough macro environment. Despite the current macro concerns, we feel CARG is still a high margin, high free cash flow generating business with significant room to grow the CarOffer business.

We sold AZZ (Ticker: AZZ) after careful analysis of their largest acquisition in corporate history – The PreCoat company. While on paper it is a decent business, the price seems on the north side of fair, and we do not see much innate synergy. We are concerned they bought themselves a chunk-load of higher cyclicality at arguably the wrong time in the world. Comfortable watching this from the sidelines for a few years.

We strive to run the Fund minimize taxes where possible, but we recognize that life is not perfect and we simply ran out of intelligent losses to take. Our expected Capital Gain Ex-date is 11/10/22. Please see our website at https://covestreetfunds.com/resources/for updates as we receive them.

Finally, one bittersweet big picture note. Eugene Robin, CSC Partner, has taken an offer he couldn't refuse to join BKF Capital Group, a publicly traded shell company with the role of SVP of Strategy and M+A. Eugene for those of you who have interacted is a terrific man and partner, and has an occasionally perturbing view of investments and management teams that has been value-additive. On the sweet side, we welcome Austin Farris to the firm as his replacement. Austin is a South Bay original, a U-Penn economics grad, 2/3's of his way to his CFA and has spent the last two and change years as an analyst for Verdis Investments, a family office based in Philadelphia. He has previously interned at Cove Street Capital, and fits what I think are proper building blocks for investment success: super-smart, super hungry and is a perfect culture fit. He has hit the ground running.

In closing, we are starting to see a wide swathe of opportunity, but recognize that events outside our control may conspire to delay gratification. If we can buy decent businesses cheaply, then our risk is "timing and temporary" rather than permanent loss of capital. That is what we think we own today.

Best Regards,

Jeff Bronchick

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

TOP 10 HOLDINGS — % as of September 30, 2022

Viasat Inc	7.08 %
Landec Corporation	6.50 %
Global Indemnity Group LLC	5.81 %
White Mountains Insurance Group Ltd	5.72 %
Compass Minerals International Inc	5.19 %
Chase Corporation	4.35 %
Wayside Technology Group Inc	4.10 %
StoneX Group Inc	3.88 %
Ecovyst Inc	3.65 %
Heritage-Crystal Clean Inc	3.46 %

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.

EBITDA; Earnings before interest, taxes, depreciation, and amortization

Book value; Book value is the accounting value of the company's assets less all claims senior to common equity

Free Cash Flow; indicates the amount of cash generated each year that is free and clear of all internal or external obligations

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