

## Letter to Shareholders

September 30, 2024

C S C A X

**GREETINGS FELLOW SHAREHOLDER:**

We just capped off a disappointing fiscal year of performance. As the environment continues to unlove small-cap value stocks at large, we hold some delayed gratification positions as well as a handful of “that wasn’t good” holdings.

Viasat (ticker: VSAT), E.W. Scripps (ticker: SSP), and Compass Minerals (ticker: CMP) were our biggest detractors this year. Each has specific fundamental problems, but they share perceptions of balance sheet issues that we would suggest are producing grossly negative viewpoints on their respective stock prices. Viasat just refinanced most of its debt stack which puts that to rest; Scripps has stated they will sell its Bounce TV network by the November earnings call; and Compass booted its CEO, and we believe we are days or quarters from a “for sale” sign. Not our finest moments, but all are stupid cheap in our opinion with real asset support. Recent Fed decisions should help here.

On a similar note but with the opposite result, Outfront Media (ticker: OUT) operates billboards and transit advertising displays structured as a REIT. At the end of last year, Outfront found itself in a similar position as the trio above, with headline fears about its balance sheet. It had organized its transit business to be outside of the REIT in the halcyon days before

Covid, expecting the business to contribute cash flow that OUT would not have to pay out in the form of a dividend (due to REIT rules). Only for the reverse to transpire: public transportation ridership rates plummeted and Outfront had to satisfy “minimum guarantee” payments to entities like the NYC MTA with cash generated from the non-transportation billboard business that was supposed to be earmarked for dividends. Layer in a refinancing, and these concerns came to a head in 4Q23. Rather than break the REIT structure and suffer tax consequences, OUT successfully divested its Canadian billboard business, generating enough proceeds to de-lever and eliminate the balance sheet worries. The subsequent ad market recovery in 2024, particularly in local advertising and the transit business, has helped. This rebound combined with ongoing conversions of static billboards to higher-yielding digital displays provides a long runway for margin expansion and LSD-MSD revenue growth. All the while, we are earning a 6.5% dividend yield to hold the stock. We are almost at a double here.

Climb Global Solutions (ticker: CLMB) has been our top performer so far in 2024. The company is a specialty IT distributor that acts as an intermediary between software vendors and resellers, focusing on “emerging” software and helping them bring their products to market. The IT distributor industry is

**TOTAL RETURN (CSCAX) — % as of September 30, 2024**

	3 MONTH	YEAR to DATE	1 YEAR	3 YEAR	5 YEAR	10 YEAR	INCEPTION (09/30/98)
Cove Street Capital Small Cap Value Fund	3.70	-5.98	1.87	0.26	3.88	4.12	7.88
Bloomberg US Aggregate Equity Total Return Index (reflects no deduction for fees, expenses or taxes)(2)	6.12	20.47	35.12	10.01	15.21	12.79	13.80
Russell 2000® Index	9.27	11.17	26.76	1.84	9.39	8.78	10.59
Russell 2000® Value Index	10.15	9.22	25.88	3.77	9.29	8.22	9.80

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.

As per the prospectus dated January 28, 2024, Total Annual Fund Operating Expenses is 1.61%. Total Annual Fund Operating Expenses After Fee Waiver/Reimbursement is 1.27%. Cove Street Capital, LLC (the “Adviser”) has contractually agreed to waive its management fees and pay Fund expenses through at least January 28, 2025. Performance would have been lower without fee waivers/reimbursements in effect. 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.

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dominated by large players servicing enterprise software and hardware whereas smaller software companies are left underserved by a fragmented distributor base. This is where Climb has focused, executing on a strategy of organic growth and strategic acquisitions, the latter of which seek to add new vendors and expand Climb's geographic reach. An intentional focus on software over hardware, successful integration of past acquisitions, organic additions of high-quality vendors, conservative valuation multiples paid on recent transactions, and strength in cybersecurity and data center end markets YTD have inspired confidence in management's ability to execute this strategy. No leverage, no issues – just a good business model with good management bought well.

Lastly, Red Violet (ticker: RDVT), a position we added earlier in the year, has gotten off to a strong start for us. We tried to buy this several times, but there was simply not enough stock liquidity to get a position. That resolved itself as we stayed in the loop and were able to take down the lion's share of a block trade by one of the former founders. Red Violet is focused on being an "arms dealer" of personal identity data that powers a litany of other data service solutions. They do this for a variety of end-markets: financial/corporate (AML, KYC), real estate, collections, investigative, retail, etc. The Red Violet management team built two of the other three players in the industry and have "gotten the gang back together," only this time they have built a cloud-first architecture and have high inside ownership. In its most recent quarter, Red Violet reported 30% revenue growth and 36% AEBITDA margins on the back of a rebound in their collections business as government support programs from the pandemic era wind down.

Red Violet has also shown early signs of success in inching upmarket to larger enterprise customers and demonstrated progress moving into new verticals with large TAMs: marketing services and government contracts. These investments have yet to bear fruit but bode well for future growth prospects.

Public small-cap equity remains an unloved asset class with few players. We will repeat: that has historically been a setup for future success. We have a number of catalysts in place for specific performance in the intermediate term, as well as a collection of better businesses still selling at reasonable prices. We hope for more opportunities in the latter category in a market still mostly priced for perfection.

Best Regards,

A handwritten signature in black ink that reads "Jeff Bronchick".

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

The information provided herein represents the opinions of Cove Street Capital LLC and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Opinions expressed are subject to change at any time.

*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](http://www.covestreetfunds.com). Read it carefully before investing.*

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**TOP 10 HOLDINGS** — % as of September 30, 2024

COMPASS MINERALS INTERNATIONAL ORD	7.31	%
EW SCRIPPS CL A ORD	6.91	%
IAC ORD	5.85	%
RESEARCH SOLUTIONS ORD	5.72	%
GLOBAL INDEMNITY GROUP CL A ORD	5.63	%
CLIMB GLOBAL SOLUTIONS ORD	5.19	%
Lifecore Series A Convertible Preferred 7.5%	5.12	%
OUTFRONT MEDIA ORD	4.79	%
RED VIOLET ORD	3.71	%
TIPTREE ORD	3.40	%

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<sup>®</sup> 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<sup>®</sup> Index, and the Russell 2000<sup>®</sup> Value Index includes those Russell 2000<sup>®</sup> Index companies with lower price to book ratios and lower forecasted growth values. One cannot invest directly in an index.

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

Bloomberg US Aggregate Equity Total Return Index (AGGET:IND) is a benchmark that represents around 99% of the US market by capitalization.